

MONTHLY ECONOMIC SUMMARY

A Monthly Summary of Economic Conditions
in Metro Denver

(Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson Counties)

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Prepared For:



Metro Denver
Economic Development Corporation

1445 Market Street
Denver, Colorado 80202

Researched and Compiled by:



Development Research Partners, Inc.
Patricia Silverstein
10184 W Belleview Ave, Suite 100
Littleton, Colorado 80127
(303) 991-0073 Patty@DevelopmentResearch.net

MONTHLY ECONOMIC SUMMARY OF METRO DENVER

The following report presents a comprehensive analysis of business and economic conditions currently prevailing in the seven-county metro Denver area, including Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties. The data in this report is grouped into four main categories: labor and employment; the consumer sector; residential real estate; and commercial real estate. The most recent statistics currently available are used, including the most recent monthly or quarterly data, the previous month or quarter, and a comparison of annual trends with the previous year. In addition, the report includes annual averages from five- and ten-years previous so that current data may be compared to historical trends.

Notable Rankings

- ◆ Colorado is the fifth best state for preserving wealth via favorable tax rates, according to a survey by *Bloomberg Wealth Manager*. According to the study, a Colorado family with income of \$533,000 and a \$1 million home would pay an average of \$32,657 in state and local taxes. The least favorable state was Rhode Island with an average tax bill of \$68,583. The most favorable state for the wealthy according to tax impact is Wyoming.
- ◆ The Boulder-Longmont area topped a nationwide list of the best medium-sized cities for family relocation according to the Worldwide Employee Relocation Council and Primary Relocation. The survey was based on a variety of factors including tax rates, home prices and appreciation, in-state college tuition, utility service levels, volunteerism, and auto taxes.
- ◆ Two Colorado counties were ranked in the top five in the country for quality of life, including Pitkin County at number three and Douglas County at number four. A new study by American City Business Journals ranked all 3,141 counties and independent cities in the U.S. on 20 quality of life indicators including such items as racial diversity, commute times, educational attainment, home ownership rates, and income levels. Several other metro Denver counties were ranked in the top ten percent in the country, including Boulder County (#23), Arapahoe County (#46), and Jefferson County (#55).
- ◆ A new study by Colorado College ranked several Colorado counties as some of the most "livable" out of 280 counties in the eight-state Rocky Mountain region. The State of the Rockies Report Card was based on 15 separate indexes including such items as unemployment, poverty rates, and small business growth. In the metropolitan counties category, Gilpin, Douglas, El Paso and Larimer counties all scored an A+.
- ◆ Metro Denver's rank in *Forbes* magazine's annual "Best Places for Business" list slipped slightly from #34 in 2003 to #36 in 2004 due to rising business and residential costs combined with slower income growth. Of the 150 large metro areas ranked in the study, metro Denver ranked in the top 20 for the number of advanced degrees, culture and leisure opportunities, and educational attainment.
- ◆ Colorado's roads received a D+ for congestion and a C- for maintenance, safety and transportation funding according to a report issued by the Road Information Project, a Washington, DC-based nonprofit transportation research organization. Of metropolitan areas with 1 million to 3 million people, Denver was the most congested followed by Miami, FL; Portland, OR; Phoenix, AZ; San Jose, CA; and Seattle, WA. The study found that the average commute time in metro Denver increased to 26 minutes, a 17% increase from 1990 to 2000.

Labor and Employment

Gross Domestic Product (GDP) grew at a revised 4.4% annual rate during the first quarter of 2004, suggesting that the national economic recovery remains on track. Analysts expect the growth rate to improve slightly in the second quarter, rising to the 4.5% to 5% range. GDP measures the value of all goods and services produced in the United States and is considered to be the best indicator of the country's overall economic performance.

The Federal Reserve continues to hold the Federal Funds Rate, which is the interest rate that banks charge each other on overnight loans, at the 46-year low rate of 1%. As inflation starts to reappear and the economic expansion continues to gain momentum, it is likely that the Federal Reserve will respond in the coming months with a rate increase. An increase in this rate prompts lenders to increase the prime rate, which leads to increases in home equity, auto and other short-term loan rates. It also makes it more expensive for businesses to raise money.

The continued expansion of the U.S. economy is good news to the rest of the world as U.S. imports increased sharply in March, reflecting increased domestic spending. While U.S. exports increased 2.6% in March, the increase in imports was greater, leading to a record \$46 billion trade deficit.

The growth in Colorado exports far outpaced that of the nation. Colorado exported \$1.6 billion in manufactured, agricultural and mineral products during the first three months of 2004, a 16.2% increase over the same period last year. High-tech products posted strong gains, with exports of integrated circuits and semiconductors up 59 percent to \$325 million and computer and peripheral equipment exports growing by 19 percent to \$240 million. Canada and Mexico remain the state's top two trading partners.

National employment surged by 1,109,000 positions from March to April on a not seasonally adjusted basis, the strongest monthly gain since April 1999. For the first four months of 2004, national employment is up 0.4% compared to the same period in 2003. Further, productivity continued to rise throughout the country at the same time that new jobless claims declined. Productivity increased at a 3.5% annual rate during the first quarter of 2004, up from an annualized 2.5% pace last quarter.

Economic conditions in Colorado and metro Denver are finally improving. Several local business and economic indexes reveal that economic gains are more consistent and are gaining momentum:

- ◆ The Vectra Bank Colorado Small Business Index fell to 90.3 in April, down from a revised 94.2 in March. The reason for the decline is actually good news for Colorado: an improving job picture, as evidenced by a falling unemployment rate, is making it tougher for small businesses to hire. The national index fell from 103.1 in March to 101.5 in April.
- ◆ The Colorado service economy index continued to indicate expansion in April. Although the index dipped to 63.07 in April, down from 65.6 in March, values over 50 indicate that the service economy is growing. According to the index produced by the University of Colorado at Denver Business School, the high values in March and April indicate a healthy recovery and a growing economy.
- ◆ The Leading Index for metro Denver released in May increased to 99.9, after sitting at 99.8 for the previous three months. This index, compiled by Development Research Partners, is said to be a predictor of economic activity six to nine months in the future. The Leading Index was buoyed by increases in average manufacturing hours, falling unemployment claims, rising stock prices, and improved consumer expectations. The Historic Index, which is a measure of metro Denver's growth rate, slipped slightly to 129.3 due to slowly improving monthly retail sales tax collections.
- ◆ Colorado's manufacturing economy expanded for the second month in a row in March. Indeed, the March index suggests the best month in nearly a year for the state's beleaguered industry. The Front Range Purchasing Managers Index rose to 59.0 in March, up from 50.4 in

February. In this index, which is based on a survey of Front Range manufacturers compiled by the University of Colorado at Denver, a score above 50 indicates growth. The national index soared to 62.5 in March, the 11th consecutive month of national values above 50.

- ◆ The business conditions index for Colorado, Utah and Wyoming grew for a second consecutive month in April due to new orders and an increase in production, according to the monthly survey by Creighton University in Omaha. The April index of 62.5 marked the highest reading since September 2003. In Colorado alone, the index stood at 70.3 in April, up from 53.2 in March. An index greater than 50 indicates an expanding economy over the next three to six months.
- ◆ Colorado business leaders remain optimistic about the economic outlook, although they are a little less enthusiastic than they were last quarter, according to Compass Bank's Colorado Business Leaders Confidence Index for the second quarter of 2004. The overall index retreated from 66.9 in the first quarter to 64.2 in the second quarter, with five of the six components showing decreases. The industry hiring plans index was the only component of the index to increase, rising from 60.6 to 61.0. In the survey conducted by the Leeds School of Business at the University of Colorado, about 64% of the respondents predict the state economy will exhibit a moderate or strong increase in the second quarter while only 8% expect a strong or moderate decline.

Nonfarm employment in metro Denver increased by 13,000 positions in April. This was the second consecutive month of rising employment and the strongest monthly gain since May 2000. While the monthly job gains are certainly good news, the metro Denver area still has a lot of ground to make up as average employment for the first four months of 2004 is down 1.0% compared to the same period last year.

At the state level, 14,500 workers were added from March to April on a seasonally adjusted basis, representing the second largest percentage increase of the 50 states. Year-to-date average employment is still down 0.3% compared to last year, but the gap is narrowing. Colorado and metro Denver employment growth rates continue to lag the nation which is currently posting a 0.4% employment growth rate.

Three of the 12 industry sectors are posting an average annual increase in employment so far in 2004. Employment in the Financial Activities sector is up 2.1%, representing a gain of 2,200 jobs. Education and Health Services employment is 3,900 jobs higher, a 3.0% increase. The Natural Resources and Mining sector continues to post an average annual gain of 200 workers.

Significant losses are still occurring in the Professional and Business Services (-4,100 jobs), Information (-2,700 jobs), and Manufacturing sectors (-2,500 jobs), sectors that include various high tech industries. However, the annual average losses are less severe this year than they were at the same time last year. The Construction sector has lost about 6,200 jobs compared to last year due to the decline in residential and nonresidential construction.

According to the latest *Denver Metro Job Vacancy Survey* conducted by the Colorado Department of Labor, metro Denver employers had 16,300 jobs to fill at the end of 2003, 45% more than the year before. More than one-third of the open positions were in retail or health care. In addition, hiring was also strong for accountants, debt collectors, drivers, engineers, salespeople, and teachers.

Hiring of new graduates is up 11.2% from a year ago, according to the National Association of Colleges and Employers. Prospects are best in the manufacturing industry, with a 12.6% increase anticipated. Hiring of new graduates is expected to rise 6.1% in the services sector while the government sector is expected to decrease hiring by 4.5%. However, 2004 graduates will not only be competing with other current graduates, but also with last year's graduates.

**Nonfarm Wage & Salary Employment
(000s, not seasonally adjusted)**

	Month of Apr-04 (p)	Month of Mar-04	Month of Apr-03	YTD AVG 2004	YTD AVG 2003	YTD AVG % Change	Annual Growth Rate 1999	Annual Growth Rate 1994
Total Metro Denver	1,292.7	1,279.7	1,294.7	1,278.5	1,291.6	-1.0%	3.9%	4.3%
Natural Resources & Mining	5.4	5.3	5.1	5.3	5.1	5.0%	-12.7%	-2.8%
Construction	79.0	77.9	84.4	78.2	84.4	-7.3%	12.3%	8.5%
Manufacturing	89.5	89.5	91.2	89.4	92.0	-2.7%	-1.5%	0.8%
Wholesale & Retail Trade	202.0	200.8	200.7	200.9	202.2	-0.7%	3.2%	5.5%
Transportation, Warehousing & Utilities	50.6	50.3	50.7	50.3	51.6	-2.5%	3.5%	3.4%
Information	61.9	62.5	64.6	62.7	65.4	-4.2%	12.4%	13.8%
Financial Activities	106.6	106.6	105.3	107.0	104.8	2.1%	3.8%	5.5%
Professional and Business Services	202.0	195.8	201.0	195.0	199.1	-2.1%	5.9%	4.9%
Education & Health Services	131.3	131.3	128.4	131.3	127.4	3.0%	1.2%	3.5%
Leisure and Hospitality	123.6	118.9	122.0	119.2	119.7	-0.5%	4.6%	5.3%
Other Services	48.4	48.3	48.7	48.3	48.7	-0.8%	2.1%	5.9%
Government	192.4	192.5	192.6	191.2	191.4	-0.1%	1.4%	0.3%
Federal Government	32.0	32.2	32.2	32.2	32.3	-0.4%	-1.5%	-4.5%
State & Local Gov't	160.4	160.3	160.4	159.0	159.1	-0.1%	2.1%	1.9%
Colorado	2,150.1	2,132.4	2,138.0	2,127.5	2,134.7	-0.3%	3.6%	5.1%
United States	130,929	129,820	129,781	129,431.3	128,959.3	0.4%	2.4%	3.1%

Source: Colorado Department of Labor and Employment, Labor Market Information. (p)=preliminary

According to the national Manpower Employment Outlook Survey, hiring activity is expected to pick up during the April to June period. Of the 16,000 U.S. employers surveyed, 28% said they plan to add workers in the second quarter, up from 20% planning to add workers last quarter. Further, only 6% of the employers expect to cut jobs while about 62% expect no change in their employment level.

Hiring expectations in Denver remain unchanged from last quarter. About 14% of the companies report hiring plans for the April to June period compared to 15% of the companies surveyed during the first quarter of 2004 reporting increases. On a positive note, only 3% of the companies indicated that staff decreases are anticipated, down significantly from the 17% suggesting that staff cuts would occur in the first quarter of 2004. About 75% of the survey respondents expect no change in the number of workers.

On an industry basis, new job opportunities appear best in construction and services, whereas the hiring outlook for durable goods manufacturing and wholesale/retail trade is mixed. Hiring in non-durable goods manufacturing, transportation/public utilities, finance/insurance/real estate, and education and public administration is expected to remain unchanged.

Employment Outlook Survey

	Quarter 2 2004	Quarter 1 2004	Quarter 2 2003	YTD AVG 2004	YTD AVG 2003
Percent of Companies Hiring	14%	15%	20%	15%	19%
Percent of Companies Laying Off	3%	17%	20%	10%	17%
Percent of Companies No Change	75%	51%	57%	63%	57%

Source: Manpower Inc.

The unemployment rate in metro Denver continued to decline in April, falling from 5.3% in March to 5.2% in April. Further, the rate is down significantly from last year when the April 2003 rate

stood at 6.5%. The unemployment rate at the county level ranges from a low of 3.7% in Douglas County to a high of 6.3% in Denver County and 6.2% in Adams County. At the state level, the not seasonally adjusted unemployment rate stood at 5.2% while the nation posted a 5.4% rate. The average annual unemployment rate for the state and metro Denver areas lies below the national average of 5.9%.

Labor Force Statistics (not seasonally adjusted civilian labor force)

	April 2004 (p)		2004 YTD Average		2003 YTD Average		1999 Annual Average Unemploy- ment Rate	1994 Annual Average Unemploy- ment Rate
	Total Labor Force (000s)	Unemploy- ment Rate	Total Labor Force (000s)	Unemploy- ment Rate	Total Labor Force (000s)	Unemploy- ment Rate		
Metro Denver	1,427.9	5.2%	1,420.5	5.6%	1,404.7	6.5%	2.4%	3.9%
Adams County	202.0	6.2%	201.1	6.7%	198.7	7.5%	2.7%	4.2%
Arapahoe Cnty	293.1	5.0%	291.3	5.4%	287.4	6.1%	2.1%	3.5%
Boulder Cnty	174.6	4.6%	174.4	4.8%	173.9	6.2%	2.6%	3.7%
Broomfield Cnty	23.7	5.1%	23.6	5.5%	23.3	6.3%		
Denver County	302.7	6.3%	301.4	6.9%	297.7	7.6%	3.1%	5.0%
Douglas Cnty	121.0	3.7%	120.2	3.9%	118.9	4.8%	1.4%	2.5%
Jefferson Cnty	310.7	4.7%	308.6	5.0%	304.8	5.8%	2.2%	3.4%
Colorado	2,477.0	5.2%	2,468.1	5.5%	2,434.4	6.4%	2.9%	4.2%
United States	146,260	5.4%	146,252	5.9%	145,680	6.2%	4.2%	6.1%

*Broomfield County was formed in November 2001 from parts of Adams, Boulder, Jefferson, and Weld counties.

Source: Colorado Department of Labor and Employment, Labor Market Information. (p)=preliminary

First time unemployment insurance claims in metro Denver increased slightly in April, up from 5,808 in March to 5,937 in April. Still, the average number of people filing for unemployment insurance for the first time is down 20% compared to last year at this time. Claims were also up at the state level, rising from 11,737 in March to 13,833 in April. Again, the average number of claims at the state level has dropped precipitously compared to last year, down 17.5%.

First Time Unemployment Insurance Claims

	Month of	Month of	Month of	Year-to-Date	Year-to-Date	Year-to-Date	Annual
	Apr-04	Mar-04	Apr-03	Average 2004	Average 2003	Average % Change	Average 1999
Metro Denver	5,937	5,808	7,754	6,506	8,129	-20.0%	3,801
Colorado	13,833	11,737	16,577	13,797	16,720	-17.5%	7,857

Source: Colorado Department of Labor and Employment, Labor Market Information.

Consumer Sector

Total retail sales increased in February, boosting retail activity for the first two months of 2004 to 4.6% higher than last year. Strong gains occurred in Adams County (+14.4%) and Douglas County (+13.3%) while activity in Denver County (+0.6%) has been essentially flat. At the state level, all industry retail sales were up 4.2% year-to-date.

Lakewood's new downtown, Belmar, unveiled its first phase of development in mid May. The \$750 million mixed-use development by Continuum Partners is located at Alameda and Wadsworth and will encompass 22 city blocks at build out. The 104-acre site will eventually be home to 200 retail stores and restaurants, 800,000 square feet of office space, 1,300 residential units, a theatre, event center, plaza and two acres of park space. Belmar replaced the former Villa Italia mall.

Total Retail Sales (\$000s)

	Month of Feb-04	Month of Jan-04	Month of Feb-03	YTD Total 2004	YTD Total 2003	YTD Total % Change	Annual Growth 1999	Annual Growth 1994
Total Metro Denver	4,727,534	4,698,028	4,294,632	9,425,562	9,011,875	4.6%	7.0%	9.8%
Adams County	660,977	669,048	568,298	1,330,025	1,162,470	14.4%	10.5%	14.0%
Arapahoe County	1,045,236	1,055,117	994,931	2,100,353	2,046,174	2.6%	10.2%	5.9%
Boulder County	450,106	441,989	412,611	892,095	873,501	2.1%	4.1%	7.1%
Broomfield County	100,754	91,167	84,910	191,921	172,725	11.1%		
Denver County	1,324,461	1,263,448	1,171,613	2,587,909	2,572,414	0.6%	2.2%	8.0%
Douglas County	337,029	317,438	283,387	654,467	577,463	13.3%	18.3%	29.0%
Jefferson County	808,971	859,821	778,882	1,668,792	1,607,128	3.8%	7.3%	15.2%
Colorado	7,912,046	7,849,395	7,320,036	15,761,441	15,122,965	4.2%	7.4%	11.6%

Source: Colorado Department of Revenue.

U.S. consumer spending rose at a brisk pace in April, but there is concern as to how the rapidly rising price of oil will impact future spending patterns. Gas prices have been zooming upwards, increasing an average of \$0.18 per gallon during the past month. According to AAA's Daily Fuel Gauge Report, the average price of regular unleaded gas in metro Denver stood at \$1.98 per gallon on June 1 compared to \$1.80 on May 1. During the same period of time, national average gas prices rose from \$1.82 to \$2.04. As gas prices rise, consumers have less money for other purchases, and the other purchases begin to cost more as suppliers start raising prices to cover higher delivery costs.

The national consumer confidence index increased from 88.5 in March to 92.9 in April. Nationwide, consumer assessments of both the present situation and short-term expectations improved due to favorable job reports. *The consumer confidence index in the Mountain region slipped from 98.4 to 97.8 in April. While consumer confidence levels this year are about 30% higher than last year at this time, Mountain region consumers are still on shaky ground due to record high gas prices, uncertainty in the Iraq conflict and slow job gains.*

Consumer Confidence Index

	Month of Apr-04 (p)	Month of Mar-04	Month of Apr-03	YTD AVG 2004	YTD AVG 2003	YTD AVG % Change
Mountain	97.8	98.4	59.9	104.9	80.3	30.6%
United States	92.9	88.5	61.4	91.9	71.5	28.5%

Source: The Conference Board. (p)=preliminary

The hotel occupancy rate slipped slightly from March to April in metro Denver. Still, the 57.3% occupancy rate achieved in April 2004 was 4.5 percentage points higher than last year at this time. *The year-to-date average hotel occupancy rate of 56.4% is significantly higher than the 53.6% average posted at this same time last year. As occupancy improves, the average hotel room rate should also track upwards. At this point, though, hotels are trying to attract customers with lower rates, leading to a 2.3% decline in the average hotel room rate so far in 2004.*

In addition to the Hyatt Convention Center hotel that is under construction near the expanded Colorado Convention Center, there are a couple of other new hotels being developed in metro Denver. The JW Marriott in Cherry Creek is slated to open in early June 2004. The \$40 million luxury hotel is almost identical to a Ritz Carlton and is located in the former Sears parking lot at Second Avenue and Clayton Street. The hotel offers 196 guest rooms, meeting space and a 100-seat restaurant.

Construction began in the new Residence Inn by Marriott in downtown Denver at 18th and Champa Streets. Denver-based Sage Hospitality Resources and Shames-Makovsky Realty Co.

are building the \$44 million hotel which will have 14 stories, 228 suites, 440 parking spaces and a first floor of retail. The hotel is expected to open in early 2006.

Metro Denver Hotel Statistics

	Month of Apr-04	Month of Mar-04	Month of Apr-03	YTD AVG 2004	YTD AVG 2003	YTD AVG % Change	Annual 1999	Annual 1994
Percent of Hotel Rooms Occupied	57.3%	60.0%	52.8%	56.4%	53.6%	5.2%	67.2%	72.2%
Average Hotel Room Rate	\$81.75	\$81.53	\$82.99	\$80.77	\$82.66	-2.3%	\$87.36	\$66.03

Source: Rocky Mountain Lodging Report.

Colorado's resort towns are optimistic about 2004 group business travel. Resorts have seen resurgence in bookings most likely due to improving economic conditions, aggressive marketing campaigns and incentives. Vail-area hotels have booked twice as much group business for the May-October season compared to the previous May-October season. In addition, actual lodging revenues in the Vail Valley rose by 20% in the first quarter of 2004 compared to first quarter 2003. Copper Mountain recently completed a new conference facility, which has also aided in strong bookings compared to the previous year. Through April, the hotel occupancy rate throughout Colorado increased to 51.2%, up from 48.2% during the same four month period in 2003. The average room rate also increased, up from \$101.51 in 2003 to \$104.32 in 2004.

Colorado ranks fifth among states that U.S. vacationers most want to visit this summer according to an annual survey by the Travel Industry Association of America in conjunction with AAA. The report found that U.S. travelers expect to take 334 million trips farther than 50 miles away from home this summer, up 3.2% from a year earlier. The top states for leisure travelers were Florida, California, Hawaii, New York, and Colorado.

The 2003-2004 season was the third busiest for the nation's ski resorts, according to a preliminary report by Boulder-based RRC Associates for the National Ski Areas Association. Nearly 57 million skiers and snowboarders visited resorts last winter compared to 56.8 million the previous season. The best year on record was the 2000-2001 season with 57.3 million visits. The report estimates that snowboarder visits accounted for 30.8% of total visits and that 46% of the 223 ski areas participating in the survey reported gains.

Colorado results will be available in mid-June, but experts predict that this season's numbers will be slightly less than last season's total. A warm March can be blamed for low numbers of local visitors late in the season. On a positive note, destination skier visits, which are not as affected by warmer weather, increased over the 2003-2004 season. Studies have shown destination skiers provide as much as five times the revenue as day-trippers.

More than 3.7 million passengers traveled through Denver International Airport in March, the highest level ever recorded for March and up considerably from February's total of 3.12 million. Year-to-date passenger totals are just under 10 million, 15.0% higher than last year. An improving economy and the prevalence of discount airlines attributed to the increase; however, 2003 passenger travel numbers were stunted by the March blizzard. At this rate, the airport is on pace to surpass its best year of 38.75 million passengers in 2000.

Denver ranked 12th in the nation for airfare costs in the third quarter of 2003 with an average fare of \$181.17 according to the quarterly survey by the U.S. Department of Transportation. Although this ranking is up slightly from the second quarter of 2003 when Denver ranked 16th, average prices remain below the high levels experienced in 1998-2002. For example, Denver ranked fourth in the second quarter of 2000 when the average fare was \$237. The lower fares today can be attributed to the influx of discount airlines like Spirit, JetBlue, AirTran and Frontier. Charlotte, N.C had the highest fare of \$247.26 in the third quarter of 2003.

Denver International Airport Passengers

	Month of Mar-04	Month of Feb-03	Month of Mar-03	YTD Total 2004	YTD Total 2003	YTD Total % Change	Annual 1999	Annual 1994
Number of Airline Passengers	3,718,188	3,120,486	3,092,696	9,867,474	8,584,107	15.0%	38,034,017	33,133,428

Source: Denver International Airport, Traffic Statistics.

The Colorado stock index, a compilation of the stock prices of 30 companies either headquartered in Colorado or having significant operations in the state, decreased from 1,272.26 in April to 1,260.86 in May. Colorado stocks were mixed, with 13 of the 30 companies achieving a higher closing value by the end of the month. Still, the 5.1% decrease for the first five months of 2004 in the Colorado index is more than the decreases of the S&P 500, NASDAQ and Dow indexes.

Stock Market Indexes

	Month of May-04	Month of Apr-04	Month of May-03	YTD Return May-04	YTD Return May-03	YTD Return May-02
Colorado	1,260.86	1,272.26	1,186.67	-5.12%	14.74%	-5.36%
S&P	1,120.68	1,107.30	963.59	0.79%	9.52%	-7.05%
NASDAQ	1,986.74	1,920.15	1,595.91	-0.83%	19.50%	-17.16%
DOW	10,188.45	10,225.57	8,850.26	-2.54%	6.10%	-0.96%

Sources: Development Research Partners; Center for Business and Economic Forecasting; Yahoo! Finance.

Residential Real Estate

National home sales in April were up 15% from April 2003, according to a report by the National Association of Realtors. April's sales rate was the second highest on record, behind September 2003.

In metro Denver, May home sales were down slightly from last month but were higher than a year ago. *There were 4,842 home sales in May, boosting the five month total to a 16.5% increase over last year, totaling just under 20,000 units.* The number of properties under contract fell to 3,260 during May, bringing the year-to-date total to 22% higher than last year.

The average price of a single-family home increased to \$293,626 in May, up from \$284,853 in April. The average price for the first five months of 2004 is 5.0% higher than the same time last year, reflecting healthy levels of home appreciation and the addition of newer, bigger homes on the market. The average condo price, on the other hand, slipped slightly to \$182,961 in May. The annual appreciation rate for condominiums of 5.1% is slightly more than for single-family homes.

Since average home prices may be skewed by very high or very low values, the median home price is a more accurate indicator of price movements. The median price of the single-family homes sold so far in 2004 is \$231,000, 2.7% higher than last year's median value at this time. The median price of the condos sold so far in 2004 reached \$157,900, 3.2% higher than last year.

According to a recently released report by the Genesis Group, a \$100,000 metro Denver home purchased in the first quarter of 1996 would sell today for \$186,000. The report tracked home price movements on a quarterly basis from the first quarter of 1996 to the first quarter of 2004. The study revealed that home appreciation steadily increased through the first quarter of 2002, dropped for three consecutive quarters, and then jumped \$6,000 in the first quarter of 2004. Home price appreciation has positive consequences for current homeowners but concurrently deters relocation efforts and the transition from renters to first time homeowners.

A report by Community Strategies Institute suggests that 232,000 Colorado households, of which most are renters, have the income to become homeowners. The majority of opportunity exists among minorities; about 49 percent of minorities are homeowners compared to 70 percent of

whites. A wide array of mortgage programs that cater specifically to low-income and/or minority groups are now prevalent and present an opportunity for Coloradans to realize the positive economic and social impacts of homeownership.

The threat of rising interest rates is pushing up home sales, especially for previously-owned homes. As potential buyers scramble to lock in low mortgage rates, current homeowners are possibly more willing to make the deal in order to repurchase at the same low rates. The average rate for a 30-year fixed mortgage rose to 6.32% for the week ended May 27, up from 6.01% for the week ended April 29. The lowest mortgage rates in 2004 were posted during the week ended March 18, when rates fell to 5.38%.

Home Sales Activity

	Month of May-04	Month of Apr-04	Month of May-03	YTD Total 2004	YTD Total 2003	YTD Total % Change	Ann Avg 1999	Ann Avg 1994
Home Sales (Under Contract)	3,260	3,855	3,202	14,773	12,105	22.0%	38,248	30,193
Home Sales (Closed)	4,842	5,118	4,520	19,653	16,864	16.5%	46,742	37,685
Unsold Homes on Market	27,510	26,584	26,103	27,510	26,103	5.4%	8,097	8,751
Average Sales Price-Single Family	\$293,626	\$284,853	\$275,879	\$284,155	\$270,713	5.0%	\$208,274	\$138,137
Average Sales Price-Condo	\$182,961	\$183,529	\$174,382	\$181,840	\$172,993	5.1%	\$122,562	\$80,276
Median Sales Price-Single Family	\$239,000	\$231,000	\$228,600	\$231,000	\$225,000	2.7%		
Median Sales Price-Condo	\$158,750	\$157,900	\$152,700	\$157,900	\$153,000	3.2%		

Sources: Brad Benson, Perry & Co.; Metrolist.

The median home price in metro Denver fell to \$231,800 in the first quarter of 2004, down by about \$1,300 from last quarter. Of the 127 metropolitan areas included in the National Association of Realtors first quarter 2004 statistics, metro Denver is the 23rd most expensive housing market. With the exception of Lake County, IL, all of the more expensive markets are located on the east or west coast. The most expensive housing market is the San Francisco Bay area, boasting a median home price of \$597,300. The markets most similar in price to metro Denver include Chicago (\$228,100), Sarasota, FL and Providence, RI (both at \$239,900).

Nationally, the median price of an existing single-family home fell to \$170,800 in the first quarter of 2004. Compared to last year at this time, metro Denver home prices are up 1.1% compared to the 6.5% national increase. The slowdown in home price appreciation in metro Denver is actually welcome news for economic development efforts as home affordability for potential employees is a key factor in company expansion and relocation plans.

Median Home Price (\$000s)

	Quarter 1 2004 (p)	Quarter 4 2003	Quarter 1 2003	Year-to-Date Average 2004	Year-to-Date Average 2003	Year-to-Date Average in YTD	Median 1999	Median 1994
Metro Denver	\$231.8	\$233.1	\$229.3	\$231.8	\$229.3	1.1%	\$171.3	\$116.8
United States	\$170.8	\$172.2	\$106.4	\$170.8	\$160.4	6.5%	\$133.3	\$109.8

Source: National Association of REALTORS. (p)=preliminary

Foreclosure data for April has not yet been released, so data for March is repeated in this report. Foreclosure activity soared in March, with a total of 1,394 foreclosures filed in March compared to 928 filed in February. Foreclosure activity during the first quarter of 2004 is 60.3% higher than last year at this time, making the recent increase the biggest quarter-to-quarter jump in two years. The steepest increases so far this year have occurred in Douglas County (+108%), Adams

County (+90%), and Denver County (+61%). The smallest increases have occurred in Broomfield and Jefferson counties, with activity up 39% and 41%, respectively.

Real Estate Foreclosures

	Month of Mar-04	Month of Feb-04	Month of Mar-03	YTD Total 2004	YTD Total 2003	YTD Total % Change
Total Metro Denver	1,394	928	623	3,089	1,927	60.3%
Adams County	347	196	109	676	355	90.4%
Arapahoe County	276	203	127	670	467	43.5%
Boulder County	61	48	36	136	93	46.2%
Broomfield County	17	14	8	39	28	39.3%
Denver County	372	248	212	859	535	60.6%
Douglas County	96	74	28	233	112	108.0%
Jefferson County	225	145	103	476	337	41.2%

Source: CB Richard Ellis.

The total number of new housing units in metro Denver is down 19% compared to last year, according to the latest Home Builders Association of Metropolitan Denver report. The declines were strongest among single-family detached and attached homes, down 19.3% and 26.4% respectively for the year.

Residential Building Permits

	Month of Feb-04	Month of Jan-04	Month of Feb-03	YTD Total 2004	YTD Total 2003	YTD Total % Change	Total 1999	Total 1994
Single-Family Units	843	797	1,024	1,640	2,031	-19.3%	17,523	13,441
Two-Family Units	178	227	259	405	550	-26.4%	2,883	1,355
Multi-Family Units	36	235	63	271	280	-3.2%	4,784	4,588
Total Units	1,057	1,259	1,346	2,316	2,861	-19.0%	25,190	19,384

Source: Home Builders Association of Metropolitan Denver.

While the percentage of multi-family or apartment permits pulled declined by just 3.2% from the previous year, only 36 of the 271 permits were pulled in February. Some builders say difficulties working through the permit process contributed to the decline in permits pulled. Still, continued restraint in apartment development is warranted as the apartment vacancy rate remains at high levels, though the situation is improving.

The metro Denver apartment vacancy rate dropped slightly from 10.9% in the fourth quarter of 2003 to 10.5% in the first quarter of 2004, according to the "Denver Metro Apartment Vacancy and Rent Survey." Landlords and owners are offering more incentives and concessions to attract tenants, resulting in a decline in the average lease rate for all units to \$809 per month. When all of the concessions are factored in, the typical renter is receiving seven weeks of free rent on a 12-month lease. The value of these concessions has boosted the "economic vacancy rate," which is the physical vacancy rate plus concessions and write-offs as a percentage of gross potential rent, to 25.7% in the first quarter of 2004, up from 23.1% last quarter.

Apartment Statistics

	Quarter 1 2004	Quarter 4 2003	Quarter 1 2003	YTD AVG 2004	YTD AVG 2003	YTD AVG % Change	Ann Avg 1999	Ann Avg 1994
Apartment Vacancy Rate	10.5%	10.9%	13.1%	10.5%	13.1%		4.5%	4.3%
Average Monthly Rental Rate (all units)	\$809	\$815	\$799	\$809	\$799	1.3%	\$717	\$527

Source: Denver Metro Apartment Vacancy and Rent Survey.

According to the latest apartment survey produced for the Colorado Division of Housing by Dr. Gordon Von Stroh, overall apartment market conditions throughout the state were relatively

stable from September 2003 to the first quarter of 2004. The average monthly rent in 21 markets outside of metro Denver increased \$11 to \$762 per month. The state's average apartment vacancy rate fell to 11.0%, down from 11.1%.

Commercial Real Estate

Sam Zell, founder of Chicago-based Equity Office Properties, recently characterized the Denver area office market as "...soft, while improving." Zell is the largest non-governmental commercial real estate landlord in history and owns the largest stock of Class A office space in the Denver area.

A Frederick Ross Company report found that the Denver office market experienced a slight downturn in the first quarter of 2004 due to a slight increase in vacancy rates and 83,000 square feet of negative absorption. Vacancy rates increased from 22.65% at the close of 2003 to 22.93%. The report also found that soft rental rates are encouraging many tenants to upgrade from B and C class space to A class space. The Central Business District and the Southeast Suburban markets both showed signs of stability.

Data from CoStar Realty Information, Inc. reveals similar trends. The metro Denver direct office vacancy rate increased to 15.3% in the first quarter of 2004, up from a revised 14.8% in the fourth quarter of 2004. The rate with sublease space was relatively stable, rising to 17.4% in the first quarter of 2004 from 17.2%. Rising vacancy rates continue to be accompanied by falling average lease rates. The average direct lease rate for all classes of space was \$16.97 per square foot at the beginning of this year, down from an average of \$17.31 per square foot at the end of 2003.

Office Market Statistics

	Quarter 1 2004	Quarter 4 2003	Quarter 3 2003	Quarter 1 2003	Quarter 1 2002	Quarter 1 2001
Number of Buildings	4,067	4,057	4,053	4,034	3,964	3,826
Existing Square Feet (millions)	145.7	145.2	144.9	144.4	142.0	136.1
Vacant Square Feet (millions)	22.2	21.5	21.5	20.1	16.7	10.7
Vacancy Rate (Direct)	15.3%	14.8%	14.9%	13.9%	11.7%	7.9%
Vacancy Rate (With Sublet)	17.4%	17.2%	17.4%	16.6%	14.8%	9.9%
Average Lease Rate (per square foot)	\$16.97	\$17.31	\$17.52	\$18.34	\$20.29	\$21.32
New Construction Completed (year-to-date)	0.48 MSF, 10 Bldgs	1.24 MSF, 39 Bldgs	1.22 MSF, 36 Bldgs	0.80 MSF, 20 Bldgs	0.83 MSF, 25 Bldgs	2.86 MSF, 27 Bldgs
Currently Under Construction	0.58 MSF, 22 Bldgs	0.82 MSF, 24 Bldgs	0.59 MSF, 21 Bldgs	0.62 MSF, 21 Bldgs	2.20 MSF, 52 Bldgs	

Source: CoStar Realty Information, Inc. MSF=Million Square Feet

Office construction activity continues to slide in metro Denver. About 480,000 square feet of office space was added in first quarter 2004 compared to 800,000 added in the first quarter of 2003. Only about 580,000 square feet of new office space in 22 buildings is currently under construction, down from the previous quarter by 240,000 square feet and two buildings.

The industrial vacancy rate continues to creep upwards. Data from CoStar Realty Information, Inc. indicates a direct industrial vacancy rate of 8.2% in the first quarter of 2004, up from the 7.5% rate posted at the close of 2003. The average lease rate slipped to \$4.63 per square foot, which is down slightly from \$4.73 per square foot posted during the fourth quarter of 2003. The rate is down from \$5.37 in the first quarter of 2003.

The first quarter 2004 report by Frederick Ross Company reveals similar results. Despite a slight increase in vacancy rates from 9.01% at the close of 2003 to 9.10%, about 104,000 square feet of positive absorption occurred. The relative stability of the industrial market was driven by the warehouse market, which boasted decreasing vacancy rates and positive absorption.

About 480,000 square feet of industrial space was completed in the first quarter of 2004, similar to first quarter levels of previous years. There is currently 1.26 million square feet of industrial space under construction in 17 buildings. This is up slightly from the 1.2 million square feet in 12 buildings under construction during the fourth quarter of 2003.

Industrial Market Statistics

	Quarter 1 2004	Quarter 4 2003	Quarter 3 2003	Quarter 1 2003	Quarter 1 2002	Quarter 1 2001
Number of Buildings	5,268	5,261	5,254	5,235	5,187	5,102
Existing Square Feet (millions)	190.6	190.1	189.4	188.4	185.6	182.5
Vacant Square Feet (millions)	15.6	14.3	13.5	12.4	10.5	9.4
Vacancy Rate (Direct)	8.2%	7.5%	7.1%	6.6%	5.6%	5.2%
Vacancy Rate (With Sublet)	9.0%	8.3%	7.9%	7.4%	6.4%	6.1%
Average Lease Rate (per square foot)	\$4.63	\$4.73	\$4.99	\$5.37	\$5.62	\$5.32
New Construction Completed (year-to-date)	0.48 MSF, 7 Bldgs	2.07 MSF, 38 Bldgs	1.33 MSF, 32 Bldgs	0.45 MSF, 16 Bldgs	0.41 MSF, 13 Bldgs	0.65 MSF, 15 Bldgs
Currently Under Construction	1.26 MSF, 17 Bldgs	1.20 MSF, 12 Bldgs	1.52 MSF, 12 Bldgs	1.20 MSF, 14 Bldgs	1.59 MSF, 17 Bldgs	

Source: CoStar Realty Information, Inc. MSF=Million Square Feet

CoStar data indicates that the direct vacancy rate in flex buildings decreased for the first time in several quarters. The rate fell to 16.8% in the first quarter 2004 from 18.1% in the previous quarter. The vacancy rate for flex space remains well above the market segment's healthiest point in the fourth quarter of 2000 when vacancy was just 9.0%. There was no new construction completed in the first quarter of this year, but 80,000 square feet of flex space in three buildings is currently under construction. The average lease rate of \$8.04 per square foot is up slightly from the last quarter rate of \$7.99.

Flex Space Statistics

	Quarter 1 2004	Quarter 4 2003	Quarter 3 2003	Quarter 1 2003	Quarter 1 2002	Quarter 1 2001
Number of Buildings	1,140	1,140	1,135	1,132	1,106	1,045
Existing Square Feet (millions)	36.0	36.0	36.0	35.9	35.0	32.4
Vacant Square Feet (millions)	6.1	6.5	6.1	5.5	5.1	3.4
Vacancy Rate (Direct)	16.8%	18.1%	17.0%	15.3%	14.6%	10.5%
Vacancy Rate (With Sublet)	18.8%	19.8%	18.8%	16.9%	16.3%	11.6%
Average Lease Rate (per square foot)	\$8.04	\$7.99	\$8.32	\$8.21	\$8.96	\$9.65
New Construction Completed (year-to-date)	0 MSF, 0 Bldgs	0.22 MSF, 10 Bldgs	0.14 MSF, 4 Bldgs	0.09 MSF, 3 Bldgs	0.15 MSF, 7 Bldgs	0.38 MSF, 12 Bldgs
Currently Under Construction	0.08 MSF, 3 Bldgs	0.05 MSF, 1 Bldgs	0.06 MSF, 5 Bldgs	0.17 MSF, 3 Bldgs	0.83 MSF, 17 Bldgs	

Source: CoStar Realty Information, Inc. MSF=Million Square Feet

Monthly Economic Summary of Metro Denver

Indicator	Monthly/ Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↓	Employment increased by 13,000 jobs from Mar to Apr, strongest month since May 2000
% Companies Hiring	↓	↓	14% of companies expect to add workers in 2 nd quarter of 2004; only 3% expect decrease
Unemployment Rate	↓	↓	Apr unemployment rate decreased to 5.2%; metro Denver annual rate lower than nation
Initial Claims	↑	↓	Initial unemployment claims increase in April but are 20% below last year
Total Retail Sales	↑	↑	Total retail sales up 4.6% in first two months of 2004; all counties reporting increase
Consumer Confidence Index	↓	↑	Mountain region confidence fell in April but is still higher than the national level
Hotel Occupancy	↓	↑	Hotel occupancy decreased to 57.3% in Apr; average room rate about \$81.75 per night
DIA Passengers	↑	↑	DIA traffic up 15% in Q1 2004, boosted by over 3.7 million passengers in March
Colorado Stock Index	↓	↓	Stock index decreased in May and is down 5.1% for the first five months of 2004
Dow Jones Industrial Average	↓	↓	Dow moved above 10,000 mark again by end of May, but is down 2.5% for year
Home Sales (closed)	↓	↑	May home sales down but are 16.5% higher for year; average SF sold price 5.0% higher
Median Home Price	↓	↑	Median home price fell to \$231,800 in Q1 2004, but is 1.1% higher than last year
Foreclosures	↑	↑	Foreclosures up 60% for first quarter of 2004; largest quarterly increase in two years
Residential Building Permits (Total)	↓	↓	Total permits down 19% through Feb; multi-family units down 3.2%
Apartment Vacancy Rate	↓	↓	Vacancy rate still at high level but drops to 10.5% in Q1 2004; avg rental rate stabilizes
Office Vacancy Rate	↑	↑	Vacancy rate with sublet now 17.4%; construction has slowed considerably
Industrial Vacancy Rate	↑	↑	Rate continues to increase and now at 8.2%; new construction stable
Flex Space Vacancy Rate	↓	↑	Vacancy rate with sublease decreased to 18.8%; little new construction
Positive Changes	6 of 18	9 of 18	