MONTHLY ECONOMIC SUMMARY

A Monthly Summary of Economic Conditions

in Metro Denver

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

Released March 3, 2004

Prepared For:

Metro Denver Economic Development Corporation

Denver Metro Chamber of Commerce

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

- Denver ranked 14th among the top 20 Boom Towns with populations of more than 1 million, according to *Business 2.0* magazine. The cities were ranked according to the expected number of jobs to be added in the next four years. Among Boom Villages – markets with populations of less than 1 million – Boulder ranked first, Fort Collins ranked second, and Colorado Springs ranked sixth.
- Colorado exports increased to $6.1 billion in 2003, a 10.6% increase. In comparison, total U.S. exports grew just 4.4% in 2003. The state's top exports were high tech products, including semiconductors ($1.03 billion) and computers and peripherals ($909 million). Colorado's largest trading partners include Canada ($1.4 billion), Mexico ($570 million), and Japan ($443 million).

Close-up on Cost of Living

The metro Denver area ranks slightly above the national average for cost of living as measured by ACCRA, the association of community and economic development research professionals. The index measures relative price levels for consumer goods and services in participating cities, as compared to the national average of 100 for all participating cities. The cost of living index for Denver is 104.8 for the fourth quarter of 2003, or 4.8 percent above the national average.

Among the 25 largest metropolitan areas participating in the fourth quarter 2003 survey, the after-tax cost for a professional/managerial standard of living ranged from 71.0 percent above the national average in New York to 8.4 percent below the national average in Houston. Seventeen of the 25 major metro areas registered living costs above the average.

The ACCRA Cost of Living Index measures differences between areas in the cost of consumer goods and services, excluding taxes and non-consumer expenditures, for professional and managerial households in the top income quintile. It is based on more than 60 items for which prices are voluntarily collected quarterly by the chamber of commerce, economic development organization, or some similar organization in each participating urban area. About 314 urban areas of all sizes participated in the fourth quarter 2003 survey.

ACCRA Cost of Living Index
Average for 314 Urban Areas = 100

Metro Area	Index	Metro Area	Index
New York-Wayne-White Plains NY-NJ	171.0	Denver-Aurora CO	104.8
Los Angeles-Long Beach-Glendale CA	148.8	Cleveland-Elyria-Mentor OH	102.8
Oakland-Fremont-Hayward CA	143.8	Portland-Vancouver-Beaverton OR-WA	102.8
San Diego-Carlsbad-San Marcos CA	139.8	St. Louis MO-IL	101.3
Washington-Arlington-Alexandria DC-VA-MD-WV	138.8	Phoenix-Mesa-Scottsdale AZ	98.5
Newark-Union NJ-PA	132.9	Dallas-Plano-Irving TX	97.0
Edison NJ	131.4	Pittsburgh PA	96.9
Seattle WA	122.9	Atlanta-Sandy Springs-Marietta GA	96.6
Philadelphia PA	120.8	Cincinnati-Middletown OH-KY-IN	94.8
Chicago-Naperville-Joliet IL	118.0	Tampa-St. Petersburg-Clearwater FL	94.1
Riverside-San Bernardino-Ontario CA	113.6	Baltimore-Towson MD	93.7
Miami-Miami Beach-Kendall FL	111.9	Houston-Baytown-Sugar Land TX	91.6
Minneapolis-St. Paul-Bloomington MN-WI	111.0		

Source: ACCRA Cost of Living Index, Fourth Quarter 2003.

The composite index is based on six components. The metro Denver area tends to be below the national average for utilities, about equal to the national average for groceries and miscellaneous goods and services, and higher than the national average for transportation, housing and health care.

Labor and Employment

Preliminary estimates for real GDP growth indicate that the economy expanded at a 4.1% annual pace in the fourth quarter of 2003. The economy grew by 3.1% for all of 2003, the strongest growth since 2000 and an improvement over the 2.2% annual increase achieved in 2002.

Positive national economic conditions are good news for Colorado as a solid national recovery is needed to boost Colorado performance. Although the Colorado recovery continues to lag the nation, several local business and economic indexes are starting to post more consistent gains:

- The Vectra Bank Colorado Small Business Index increased to 86.1 in January, up from a revised 84.5 in December. Although Colorado continues to lag the nation, this was the highest value achieved in the state in about three years. The national index remained flat at 96.1 from December to January.
- The Colorado service economy index expanded in January, only the second increase in the past six months. The index rose to 50.11 in January, up from 44.05 in December. According to the index produced by the University of Colorado at Denver Business School, values over 50 indicate that the service economy is growing. The national index soared in January to 65.7, an all-time high.
- The Leading Index for metro Denver released in February posted its first increase in six months, increasing to 99.8. This index, compiled by Development Research Partners, is said to be a predictor of economic activity six to nine months in the future. The variables included in the index are starting to move in more positive directions, although minimal single family home construction continues to be a drag on the index. The Historic Index, which is a measure of metro Denver's growth rate, increased slightly to 129.6 due to improving monthly retail sales tax collections.
- Colorado's manufacturing economy declined for the third consecutive month in January. The Front Range Purchasing Managers Index rose to 49.41 in January from 45.6 in December, but is still below the benchmark of 50. 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. Although the national index fell to 63.6 in January, the index level continues to indicate growth.

- The overall index for Colorado, Utah and Wyoming finished 2003 at 61.3, up from 60.2 in November, according to the monthly survey by Creighton University in Omaha. Since an index of 50 indicates expansion, the good news is that this was the seventh consecutive month of growth based on responses from supply managers and business leaders. In Colorado alone, the index reached 66.1 in December. This was up from 59.3 in November and was the ninth consecutive month of values over 50.
- Expectations for the state economy improved seven points to 68.2, according to Compass Bank's Colorado Business Leaders Confidence Index for the first quarter of 2004. In the survey conducted by the Leeds School of Business at the University of Colorado, about 75% of the respondents predict the state economy will exhibit a moderate to strong increase. Further, 53% of the companies surveyed anticipate a moderate to strong increase in capital spending in 2004. On the downside, only 47% expect stronger hiring patterns as companies remain cautious of adding workers.

January 2004 and revised 2003 employment and unemployment data is scheduled for release on March 10, 2004. Therefore, the employment data reported in the February edition of the Monthly Economic Summary remains the most current data available. The February results are repeated in this report for your convenience.

There were 1,400 jobs added to the metro Denver employment base in December, a welcome change following two months of decline. Still, total employment is down by 16,800 positions for the year, a 1.3% decline. Employment is down by 0.8% at the state level, signifying stronger performance than metro Denver but still lagging the U.S. which posted a decline of 0.3% in 2003. While most analysts agree that the worst is over for Colorado, a slow recovery in 2004 is anticipated.

As has been the case during the last several months, only two of the 12 industry sectors are posting an average annual increase in employment in 2003. Employment in the Financial Activities sector is up 3.4%, representing a gain of 3,500 jobs. Education and Health Services employment is 3,300 jobs higher, a 2.6% increase.

Employment in the Education and Health Services sector is expected to continue its growth pattern in 2004 as three additional hospitals open for business, bringing the total to five new hospitals opened within one year throughout metro Denver. Given the number of jobs associated with hospital operations, it is surprising that the job growth is not even stronger. The more constrained job growth is due to supply issues as opposed to demand as a critical nursing shortage continues to impact the region.

Significant losses continue to plague the Professional and Business Services (-5,700 jobs), Information (-3,500 jobs), and Manufacturing sectors (-3,100 jobs), sectors that include various high tech industries. The Construction sector has also lost 3,800 jobs compared to last year due to the decline in residential and nonresidential construction. A national study by Challenger, Gray & Christmas Inc. revealed that there were 82,328 layoff announcements in the fourth quarter of 2003, up from 47,998 cuts in the third quarter. While this included 51% fewer job cuts overall in the tech sector in 2003, telecomm job losses continued to mount in the fourth quarter.

Nonfarm Wage & Salary Employment (000s)

	Month of Dec-03 (p)	Month of Nov-03	Month of Dec-02	Year-to-Date Average 2003	Year-to-Date Average 2002	Year-to-Date Average % Change	Annual Growth Rate 1998	Annual Growth Rate 1993
Total Metro Denver	1,315.7	1,314.3	1,331.3	1,313.2	1,330.0	-1.3%	3.8%	4.1%
Natural Resources & Mining	5.2	5.2	5.0	5.0	5.3	-4.8%	1.6%	-2.7%
Construction	85.1	87.6	90.8	90.3	94.1	-4.1%	12.6%	16.4%
Manufacturing	93.0	92.8	96.1	94.2	97.3	-3.1%	1.6%	-0.9%
Wholesale & Retail Trade	211.0	207.9	216.7	206.7	209.5	-1.3%	2.8%	3.3%
Transportation, Warehousing & Utilities	52.6	52.1	53.4	51.2	51.9	-1.4%	0.4%	3.7%
Information	66.7	66.8	69.0	67.6	71.0	-4.9%	14.9%	5.6%
Financial Activities	106.5	106.3	100.7	104.8	101.4	3.4%	6.2%	5.8%
Professional and Business Services	201.8	201.2	199.8	200.3	206.0	-2.8%	3.3%	4.8%
Education & Health Services	131.2	130.7	127.1	128.8	125.6	2.6%	2.3%	3.4%
Leisure and Hospitality	118.9	119.9	120.4	122.3	124.2	-1.6%	2.1%	6.4%
Other Services	49.0	48.6	49.8	49.4	49.8	-0.8%	2.2%	3.7%
Government	194.7	195.2	202.5	192.7	194.0	-0.7%	1.9%	2.1%
Federal Government	33.3	32.2	33.5	32.8	32.0	2.4%	0.3%	2.1%
State & Local Gov't	161.4	163.0	169.0	159.9	161.9	-1.3%	2.3%	2.1%
Colorado	2,175.2	2,167.8	2,195.3	2,166.3	2,183.7	-0.8%	3.9%	4.6%
United States	130,955	131,157	131,017	130,045	130,376	-0.3%	2.6%	1.9%

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

According to the national Manpower Employment Outlook Survey, about 13% of the employers expect to cut jobs while about 61% expect no change in their employment level for the January-March period. On the plus side, about 20% of the employers surveyed expect to add workers, down slightly from 22% last quarter. Somewhat contradictory information comes from the Conference Board, which announced that its gauge of help-wanted advertising rose in November for the first time since June, signaling that companies are beginning to hire.

Results were less optimistic for metro Denver. About 15% of the companies surveyed expect to add workers during the first quarter of 2004, similar to hiring plans reported for the first quarter of 2003. The percent of companies expecting to reduce their employment level increased to 17% following an amazing drop to only 2% in the fourth quarter of 2003. Reductions are expected to be a little heavier than this same time last year. The majority of the survey respondents, 51%, report no change in the number of workers. On an industry basis, new job opportunities appear best in non-durable goods manufacturing, transportation/public utilities, and finance/insurance/real estate. Job losses are anticipated in construction, wholesale/retail trade, and public administration.

Employment Outlook Survey

	Quarter 1 2004	Quarter 4 2003	Quarter 3 2003	Quarter 2 2003	Quarter 1 2003	Quarter 4 2002
Percent of Companies Hiring	15%	25%	15%	20%	17%	24%
Percent of Companies Laying Off	17%	2%	20%	20%	13%	7%
Percent of Companies No Change	51%	66%	46%	57%	57%	59%

Source: Manpower Inc.

The unemployment rate in metro Denver increased in December to 5.8%, up from 5.7% in November 2003 and the same as the rate posted in December 2002. Still, the average annual unemployment rate for 2003 remained at 5.8%, just below last year's average rate of 5.9%.

Labor Force Statistics
(not seasonally adjusted civilian labor force)

	December 2003 (p)		2003 Year-to-Date Average		2002 Year-to-Date Average		1998 Annual Average	1993 Annual Average
	Total Labor Force (000s)	Unemploy-ment Rate	Total Labor Force (000s)	Unemploy-ment Rate	Total Labor Force (000s)	Unemploy-ment Rate	Unemploy-ment Rate	Unemploy-ment Rate
Metro Denver	1,432.6	5.8%	1,429.5	5.8%	1,414.6	5.9%	3.2%	4.8%
Adams County	199.2	7.1%	197.9	6.8%	196.4	6.2%	3.6%	5.2%
Arapahoe Cnty	294.7	5.6%	294.0	5.7%	288.2	5.7%	2.7%	4.2%
Boulder Cnty	173.7	4.9%	174.9	5.3%	184.5	5.8%	3.3%	4.5%
Broomfield Cnty	24.8	5.2%	24.8	5.5%	20.5	4.3%	---	---
Denver County	306.9	7.0%	305.5	6.8%	299.9	6.9%	4.1%	6.1%
Douglas Cnty	117.1	4.1%	117.2	4.4%	115.5	4.9%	1.7%	3.3%
Jefferson Cnty	316.1	5.2%	315.2	5.1%	309.5	5.3%	2.8%	4.2%
Colorado	2,479.2	5.6%	2,472.9	5.7%	2,437.4	5.7%	3.8%	5.3%
United States	146,501	5.4%	146,510	6.0%	144,863	5.8%	4.5%	6.9%

**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

The unemployment rate at the county level ranges from a low of 4.1% in Douglas County to a high of 7.1% in Adams County and 7.0% in Denver County. At the state level, the not seasonally adjusted unemployment rate remained at 5.6% in November and December. The national unemployment rate fell to 5.4%, down from 5.6% last month. The average annual unemployment rate for the state and metro Denver areas remains just below the national average of 6.0%.

There was an increase in the number of people filing unemployment insurance claims for the first time in January, a typical seasonal pattern as temporary holiday workers once again search for work. First time unemployment insurance claims numbered 8,112 in January, up from 7,060 in December. Claims also increased at the state level, rising from 15,499 in December to 16,867 in January. Still, first time claims are 14.3% lower than last January at the state level and are down 14.9% in metro Denver.

First Time Unemployment Insurance Claims

	Month of Jan-04	Month of Dec-03	Month of Jan-03	Year-to-Date Average 2004	Year-to-Date Average 2003	Year-to-Date Average % Change	Annual Average 1999
Metro Denver	8,112	7,060	9,532	8,112	9,532	-14.9%	3,801
Colorado	16,867	15,499	19,677	16,867	19,677	-14.3%	7,857

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

Consumer Sector

December retail sales figures have not yet been released, but activity through November indicates that total retail sales in 2003 were 2.0% higher than 2002. Indeed, total retail sales have increased in four of the seven counties. Denver County is flat, whereas Broomfield County is down 6.2% and Douglas County is down 4.7%. At the state level, all industry retail sales through the first 11 months are up 1.6%.

National data indicates that late sales activity boosted holiday sales to their highest level in four years as total retail trade and food services sales increased 5.6% in 2003. Online holiday sales grew to $18.5 billion during the 2003 holiday season, a 35% increase from the 2002 season. The study by Goldman Sachs, Harris Interactive and Nielsen/NetRatings indicates that this was the third consecutive season of record growth in online purchases.

Total Retail Sales ($000s)

	Month of Nov-03	Month of Oct-03	Month of Nov-02	Year-to-Date Total 2003	Year-to-Date Total 2002	Year-to-Date Total % Change	Annual Growth Rate 1998	Annual Growth Rate 1993
Total Metro Denver	4,689,887	4,934,523	4,643,181	55,657,059	54,578,261	2.0%	8.2%	11.7%
Adams County	688,220	658,613	576,078	7,392,958	7,079,454	4.4%	9.2%	10.9%
Arapahoe County	1,044,148	1,150,000	1,127,222	12,798,449	12,422,839	3.0%	6.8%	15.3%
Boulder County	439,854	474,169	426,091	5,529,509	5,317,086	4.0%	11.0%	16.9%
Broomfield County	101,415	97,507	136,229	1,215,709	1,296,751	-6.2%		
Denver County	1,207,549	1,372,707	1,191,098	14,924,994	14,906,764	0.1%	7.9%	10.6%
Douglas County	340,607	345,064	353,983	3,751,020	3,937,328	-4.7%	15.7%	29.5%
Jefferson County	868,094	836,463	832,480	10,044,420	9,618,039	4.4%	5.9%	4.9%
Colorado	7,662,188	8,135,885	7,601,083	92,704,430	91,208,490	1.6%	7.0%	9.6%

Source: Colorado Department of Revenue.

Consumer confidence in the Mountain region leaped upwards in January to 119.6, its highest point since May 2002. The Mountain Region is currently posting the highest confidence level of the nine regions included in the monthly report by the Conference Board. The national Consumer Confidence Index increased to 96.8, its highest level since July 2002. Consumers' level of optimism hinges on labor market conditions; lackluster job growth will likely continue to cause inconsistent monthly patterns.

Consumer Confidence Index

	Month of Jan-04 (p)	Month of Dec-03	Month of Jan-03	Year-to-Date Average 2004	Year-to-Date Average 2003	Year-to-Date Average % Change
Mountain	119.6	105.1	97.6	119.6	97.6	22.5%
United States	96.8	91.7	78.8	96.8	78.8	22.8%

Source: The Conference Board. (p)=preliminary

Hotel occupancy started the year with a positive shift, increasing from 43.0% in December to 53.3% in January. Further, the January 2004 occupancy rate was higher than the same month last year when the rate was 50.0%. The average hotel room rate increased by $4.65 in January to $79.03. Still, the rate is 1.3% lower than the average rate in January 2003.

Metro Denver Hotel Statistics

	Month of Jan-04	Month of Dec-03	Month of Jan-03	Year-to-Date Average 2004	Year-to-Date Average 2003	Year-to-Date Average % Change	Annual Average 1999	Annual Average 1994
Percent of Hotel Rooms Occupied	53.3%	43.0%	50.0%	53.3%	50.0%	6.6%	67.2%	72.2%
Average Hotel Room Rate	$79.03	$74.38	$80.08	$79.03	$80.08	-1.3%	$87.36	$66.03

Source: Rocky Mountain Lodging Report.

A record 3.32 million passengers traveled through Denver International Airport in December. This pushed total passengers for the year to 37.5 million, a 5.2% increase over 2002 and the third highest annual total in DIA's history. Passenger traffic in 2003 secured DIA's continuing position as the fifth busiest airport in the country. The nation's busiest airports include Atlanta's Hartsfield International, Chicago O'Hare, Los Angeles International, and Dallas/Fort Worth International.

Denver International Airport ranked first among U.S. airports and second worldwide in J.D. Power and Associates' 2003 passenger satisfaction survey. Travelers ranked DIA tops because of its terminal facility, immigration and customs area, check-in process, food and beverage offerings, gate areas, and ease of exiting the airport.

Denver International Airport Passengers

	Month of Dec-03	Month of Nov-03	Month of Dec-02	Year-to-Date Total 2003	Year-to-Date Total 2002	Year-to-Date Total % Change	Total 1998	Total 1993
Number of Airline Passengers	3,321,363	2,880,948	3,161,394	37,505,138	35,652,084	5.2%	36,831,400	32,626,956

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, increased in February to 1,361.89. The Colorado stock index has increased 2.5% for the first two months of 2004. This increase is higher than the gains posted in the NASDAQ and the Dow but slightly lower than gains achieved in the S&P 500.

Stock Market Indexes

	Month of Feb-04	Month of Jan-04	Month of Feb-03	Year-to-Date Return Feb-04	Year-to-Date Return Feb-03	Year-to-Date Return Feb-02
Colorado	1,361.89	1,327.97	1,040.27	2.48%	0.59%	-2.61%
S&P	1,144.94	1,131.13	841.15	2.97%	-4.40%	-3.60%
NASDAQ	2,029.82	2,066.15	1,337.52	1.32%	0.15%	-11.22%
DOW	10,583.92	10,488.07	7,891.08	1.24%	-5.40%	0.84%

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

Residential Real Estate

The number of home sales closed in metro Denver in February fell to 2,678, down from 3,290 in January. For the first two months of the year, homes sales are 0.6% higher than the same period last year. The number of properties under contract increased to 2,560 in February, bringing the two-month total to 10.1% higher than last year.

The average price of a single-family home fell to $277,784 in February but is 6.0% higher than last year. The average condo price also fell in February, but appreciation for the year is averaging 4.7%. 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 $225,000, 1.3% higher than last year's median value. The median price of the condos sold so far in 2004 reached $157,000, 2.3% higher than last year.

Modest price appreciation is a function of a large inventory of available homes. The number of homes on the market increased to 23,212 in February, up by nearly 1,400 units from last month. The inventory of unsold homes was 1.0% higher than February 2003.

Home Sales Activity

	Month of Feb-04	Month of Jan-04	Month of Feb-03	Year-to-Date Total or Avg 2004	Year-to-Date Total or Avg 2003	Year-to-Date Total or Avg % Change	Total or Average 1999	Total or Average 1994
Home Sales (Under Contract)	2,560	2,235	2,238	4,795	4,354	10.1%	38,248	30,193
Home Sales (Closed)	2,678	3,290	2,418	5,968	5,933	0.6%	46,742	37,685
Unsold Homes on Market	23,212	21,846	22,989	23,212	22,989	1.0%	8,097	8,751
Average Sales Price-Single Family	$277,784	$283,134	$263,208	$280,752	$264,757	6.0%	$208,274	$138,137
Average Sales Price-Condo	$173,191	$189,826	$174,180	$182,163	$173,977	4.7%	$122,562	$80,276
Median Sales Price-Single Family	$225,000	$225,500	$220,000	$225,000	$222,150	1.3%		
Median Sales Price-Condo	$153,000	$160,000	$153,700	$157,000	$153,500	2.3%		

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

The median home price in metro Denver fell to $233,100 in the fourth quarter of 2003. For the year, the median home price of $238,200 was 4.4% higher than the median value of $228,100 achieved in 2002. Nationally, the median price of an existing single-family home fell to $171,600 in the fourth quarter of 2003. Home prices increased an average of 7.5% nationally in 2003. This was the second year in a row that home values increased more rapidly at the national level than in metro Denver.

Of the 125 metropolitan areas included in the National Association of Realtors annual statistics for 2003, the metro Denver area is the 13th most expensive housing market. With the exception of Chicago, 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 $558,100. The markets most similar in price to metro Denver include Chicago ($238,900) and Providence, RI ($233,400).

Median Home Price ($000s)

	Quarter 4 2003	Quarter 3 2003	Quarter 4 2002	Year-to-Date Average 2003	Year-to-Date Average 2002	Year-to-Date Average % Change	Median 1998	Median 1993
Metro Denver	$233.1	$250.8	$227.9	$238.2	$228.1	4.4%	$152.2	$104.7
United States	$171.6	$176.9	$161.0	$169.9	$158.1	7.5%	$128.4	$106.8

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

There were a total of 9,422 foreclosures filed in 2003, a 44.1% increase over 2002 and the highest number since 1988. Still, to keep this level of activity in perspective, foreclosure activity represented about 1% of all homes in 2003 compared to 1988 when foreclosure activity represented 2.3% of all homes. A record 17,122 foreclosures were filed in 1988.

About 28% of the foreclosures have been filed in the City and County of Denver. In percentage terms, Jefferson County has experienced the smallest increase while Boulder County has suffered the greatest increase

Real Estate Foreclosures

	Month of Dec-03	Month of Nov-03	Month of Dec-02	Year-to-Date Total 2003	Year-to-Date Total 2002	Year-to-Date Total % Change
Total Metro Denver	909	790	626	9,422	6,539	44.1%
Adams County	208	203	145	1,899	1,313	44.6%
Arapahoe County	207	174	150	2,250	1,575	42.9%
Boulder County	41	38	22	483	291	66.0%
Broomfield County	11	9	4	110	73	50.7%
Denver County	223	157	167	2,495	1,742	43.2%
Douglas County	63	54	34	653	415	57.3%
Jefferson County	156	155	104	1,532	1,130	35.6%

Source: CB Richard Ellis.

The total number of new housing units dropped 18.1% during 2003, a ten-year low in residential construction activity. There were 12,656 single-family detached home permits issued in 2003 compared to nearly 13,800 units permitted in 2002, an 8.2% decline. Single-family attached homes also declined, dropping 15.1% to only 3,755 units in 2003. Of the 33 jurisdictions in the seven-county metro Denver area included in the report, only five permitted more housing units in 2003 than 2002. Of the five jurisdictions, only Boulder, Commerce City and Erie permitted at least 100 units more than in 2002.

Residential Building Permits

	Month of Dec-03	Month of Nov-03	Month of Dec-02	Year-to-Date Total 2003	Year-to-Date Total 2002	Year-to-Date Total % Change	Total 1998	Total 1993
Single-Family Units	1,122	785	1,021	12,656	13,793	-8.2%	16,058	13,347
Two-Family Units	300	269	352	3,755	4,425	-15.1%	3,527	588
Multi-Family Units	0	161	499	1,858	4,085	-54.5%	7,794	1,951
Total Units	1,422	1,215	1,872	18,269	22,303	-18.1%	27,379	15,886

Source: Home Builders Association of Metropolitan Denver.

Apartment construction fell dramatically, with only 1,858 permits issued in 2003, a 54.5% drop compared to 2002. Considering that apartment vacancies are improving but remain at high levels, this decrease in apartment construction is the appropriate response to market conditions.

The apartment vacancy rate dropped to 10.9% in the fourth quarter of 2003, down from 11.1% in the third quarter. Seasonal influences usually lead to an increase in the apartment vacancy rate from the third quarter to the fourth quarter. This was the first time that the rate declined during this period of the year since 1990. This continuing decline in the apartment vacancy rate is welcome after reaching a peak of 13.1% vacancy in the first and second quarters of 2003.

The vacancy rate fell in four of the six counties included in the report (data for the newly-formed Broomfield County is not available in this report). Arapahoe County posted a slight increase from 10.6% to 10.8%. The vacancy rate jumped 2.5 percentage points in Boulder, rising from 7.1% to 9.6%. Douglas County continues to post the highest vacancy rate at 19.0%.

As the apartment vacancy situation improved, average apartment rental rates firmed. Following a decline in the average rental rate during the first and second quarters of 2003, rates held steady during the third and fourth quarters at about $815 per month. The average rental rate for all apartment units was just 0.4% lower than the fourth quarter of 2002.

Apartment Statistics

	Quarter 4 2003	Quarter 3 2003	Quarter 4 2002	Year-to-Date Average 2003	Year-to-Date Average 2002	Year-to-Date Average % Change	Annual Average 1998	Annual Average 1993
Apartment Vacancy Rate	10.9%	11.1%	11.7%	12.0%	9.8%	22.4%	4.4%	4.3%
Average Monthly Rental Rate (all units)	$815	$815	$814	$806	$809	-0.4%	$636	$454

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

Moody's Investors Service released their annual report on the one-year outlook for office, retail, industrial, multi-family, and hotel markets in 59 cities across the country. Denver rated second to last in the third quarter 2003 rankings with an overall score of 40 (on a scale of 0 to 100, with 0 being poorest), which was a slight improvement from a score of 35 in the previous quarter. Denver scored a 44 in the downtown office market, 34 for the suburban office market, 25 in retail, a 50 in the apartment market, a 56 in the hotel market, and a 38 in the industrial market.

The metro Denver office vacancy rate increased to 15.1% in the fourth quarter of 2003, up from a revised 14.8% in the third quarter of 2003. The rate with sublease space was relatively stable, rising from 17.4% to 17.5%. For the year, the direct vacancy rate rose 1.5 percentage points while the rate with sublease space was 1.0 percentage point higher. Rising vacancy rates have been accompanied by falling average lease rates. The average direct lease rate for all classes of space was $17.23 per square foot at the end of this year, down from an average of $18.90 per square foot at the end of 2002.

The January 2004 report by Fuller & Company reveals similar results. Fuller & Company pegs the office vacancy rate with sublease space at 19.0% in 2003, up from 18.6% in 2002. While the market as a whole experienced negative net absorption of 350,000 square feet, nearly 850,000 square feet of sublease space was absorbed.

Office Market Statistics

	Quarter 4 2003	Quarter 3 2003	Quarter 2 2003	Quarter 4 2002	Quarter 4 2001	Quarter 4 2000
Number of Buildings	4,037	4,035	4,025	3,997	3,915	3,796
Existing Square Feet (millions)	145.2	145.2	144.9	143.9	141.1	133.5
Vacant Square Feet (millions)	21.9	21.5	21.1	19.6	14.4	9.8
Vacancy Rate (Direct)	15.1%	14.8%	14.6%	13.6%	10.2%	7.3%
Vacancy Rate (With Sublet)	17.5%	17.4%	17.2%	16.5%	13.3%	8.5%
Average Lease Rate (per square foot)	$17.23	$17.49	$17.83	$18.90	$20.72	$21.35
New Construction Completed (year-to-date)	1.24 MSF, 39 Bldgs	1.22 MSF, 36 Bldgs	1.02 MSF, 29 Bldgs	2.90 MSF, 82 Bldgs	7.75 MSF, 117 Bldgs	5.87 MSF, 109 Bldgs
Currently Under Construction	0.82 MSF, 24 Bldgs	0.59 MSF, 21 Bldgs	0.60 MSF, 18 Bldgs	1.39 MSF, 33 Bldgs	2.83 MSF, 65 Bldgs	

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

Office construction activity continues to be constrained in metro Denver. Slightly more than 1.2 million square feet of new office space was added in 2003, compared to 2.9 million square feet built in 2002 and 7.7 million square feet added in 2001. Only about 820,000 square feet of new office space in 24 buildings is currently under construction. Three of these buildings are 100,000 square feet or more, including a 100,000-square-foot building in the Belmar development in Lakewood, a 120,000-square-foot building at Fitzsimons, and a 186,000-square-foot building in Cherry Creek North in Denver. The $20.5 million Fitzsimons building opened March 1 and is the largest private development so far at the new campus.

The industrial vacancy rate continues to creep upwards. *Data from CoStar Realty Information, Inc. indicates a direct industrial vacancy rate of 7.9% in the fourth quarter of 2003, up from the 7.3% rate posted last quarter. The average lease rate slipped to $4.84 per square foot, down from $5.54 per square foot posted during the fourth quarter of 2002.*

While the 2.1 million square feet of industrial space completed so far this year is below last year's level of 2.8 million, the amount of square feet currently under construction surpasses last year. At the end of the fourth quarter, there was 1.2 million square feet of new industrial space under construction in 12 buildings compared to 870,000 square feet under construction at the end of 2002.

According to Fuller & Company, the industrial vacancy rate rose from 8.6% at the end of 2002 to 8.8% at year end 2003, with sublease space representing about 1% of the total vacancy rate. Further, the industrial market experienced negative absorption of about 740,000 square feet in 2003. Speculative construction totaled about 822,000 square feet in 2003, a steep decrease from the 3.3 million square feet of speculative product completed in 2000.

Industrial Market Statistics

	Quarter 4 2003	Quarter 3 2003	Quarter 2 2003	Quarter 4 2002	Quarter 4 2001	Quarter 4 2000
Number of Buildings	5,230	5,222	5,217	5,192	5,133	5,078
Existing Square Feet (millions)	189.1	188.3	188.0	187.0	184.1	181.6
Vacant Square Feet (millions)	14.9	13.7	13.2	12.0	9.7	9.8
Vacancy Rate (Direct)	7.9%	7.3%	7.0%	6.4%	5.3%	5.4%
Vacancy Rate (With Sublet)	8.7%	8.0%	7.8%	7.4%	6.2%	5.9%
Average Lease Rate (per square foot)	$4.84	$5.10	$5.25	$5.54	$5.68	$5.12
New Construction Completed (year-to-date)	2.07 MSF, 38 Bldgs	1.33 MSF, 32 Bldgs	0.98 MSF, 24 Bldgs	2.77 MSF, 49 Bldgs	2.22 MSF, 38 Bldgs	2.76 MSF, 58 Bldgs
Currently Under Construction	1.20 MSF 12 Bldgs	1.52 MSF 12 Bldgs	1.37 MSF, 12 Bldgs	0.87 MSF, 17 Bldgs	1.65 MSF, 16 Bldgs	

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

The direct vacancy rate in flex buildings continues to increase at a strong clip. The direct vacancy rate increased to 18.0% in the fourth quarter of 2003, up from 16.9% last quarter. The vacancy rate for flex space is nine percentage points higher than the market segment's healthiest point in the fourth quarter of 2000 when vacancy was just 9.0%. Construction activity is virtually non-existent in this market segment with only about 220,000 square feet completed in 2003 compared to 810,000 square feet built in 2002. The average lease rate of $8.25 per square foot is down from last quarter, and has declined fairly consistently since the fourth quarter of 2001 when the average was $9.73 per square foot.

Flex Space Statistics

	Quarter 4 2003	Quarter 3 2003	Quarter 2 2003	Quarter 4 2002	Quarter 4 2001	Quarter 4 2000
Number of Buildings	1,130	1,126	1,125	1,120	1,090	1,030
Existing Square Feet (millions)	35.9	35.8	35.8	35.7	34.6	32.0
Vacant Square Feet (millions)	6.4	6.1	5.8	5.4	4.7	2.9
Vacancy Rate (Direct)	18.0%	16.9%	16.2%	15.0%	13.6%	9.0%
Vacancy Rate (With Sublet)	19.8%	18.8%	18.0%	16.9%	15.4%	10.0%
Average Lease Rate (per square foot)	$8.25	$8.50	$8.83	$8.58	$9.73	$9.24
New Construction Completed (year-to-date)	0.22 MSF, 10 Bldgs	0.14 MSF, 4 Bldgs	0.13 MSF, 3 Bldgs	0.81 MSF, 27 Bldgs	2.45 MSF, 52 Bldgs	1.15 MSF, 39 Bldgs
Currently Under Construction	0.05 MSF, 1 Bldgs	0.06 MSF, 5 Bldgs	0.07 MSF, 5 Bldgs	0.25 MSF, 6 Bldgs	0.43 MSF, 15 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 down 16,800 jobs in 2003; figures to be revised in March
% Companies Hiring	⇓	⇓	15% of companies expect to add workers in 1st quarter of 2004; 17% expect decrease
Unemployment Rate	⇑	⇓	Dec unemployment rate increased to 5.8%; metro Denver annual rate lower than nation
Initial Claims	⇑	⇓	Initial unemployment claims increase in Jan but are 14.9% below last year
Total Retail Sales	⇓	⇑	Total retail sales up 2.0% through first 11 months with 4 counties showing solid gains
Consumer Confidence Index	⇑	⇑	Mountain region confidence surged in Jan to highest level since May 2002
Hotel Occupancy	⇑	⇑	Hotel occupancy increased to 53.5% in Jan; average room rate about $79 per night
DIA Passengers	⇑	⇑	DIA traffic up 5.2% in 2003 to 37.5 million, securing DIA's position as 5th busiest airport
Colorado Stock Index	⇑	⇑	Stock index increased in Feb and is 2.5% higher for the year
Dow Jones Industrial Average	⇑	⇑	Dow remained above 10,000 mark in Feb and is posting gains of 1.2% for the year
Home Sales (closed)	⇓	⇑	Feb home sales down but are 0.6% higher for year; average SF sold price 6.5% higher
Median Home Price	⇓	⇑	Median home price increased 4.4% in 2003 compared to 7.5% national increase
Residential Building Permits (Total)	⇑	⇓	Total permits down 18.1% in 2003; multi-family units decline 54.5% in 2003
Apartment Vacancy Rate	⇓	⇑	Vacancy rate still at high level but drops to 10.9% in Q4 2003; avg rental rate stabilizes
Office Vacancy Rate	⇑	⇑	Vacancy rate with sublet now 17.5%; construction has slowed considerably
Industrial Vacancy Rate	⇑	⇑	Rate continues to increase slowly and now at 7.9%; new construction slightly lower
Flex Space Vacancy Rate	⇑	⇑	Vacancy rate with sublease increased to 19.8%; little new construction
Positive Changes	8 of 17	10 of 17	