

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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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

- ◆ After decreasing by 0.2% in 2002 and posting minimal gains in 2003, total personal income increased an estimated 5.5% in Colorado 2004 as employment activity rebounded. Total personal income increased 5.7% nationally in 2004.
- ◆ Total personal income in Colorado rose 5.5% in 2004, slightly below the U.S. growth rate of 5.7%. Colorado has the 7th highest level of per capita personal income in the U.S. Per capita personal income increased an estimated 4.3% in 2004, reaching \$36,063. Nationally, per capita personal income increased 4.7% in 2004 to \$32,937.
- ◆ Colorado maintained its number three ranking for college educational attainment. The 2004 data from the Current Population Survey by the U.S. Census Bureau reveals that 35.5% of the adults in Colorado have a bachelor's degree or higher. Only Washington, DC and Massachusetts boast higher percentages. Colorado ranks 16th for the percentage of high school graduates, with 88.3% of the adult population having received a high school diploma or higher degree.
- ◆ Kiplinger's *Personal Finance* magazine named Denver as one of the best cities in which to retire for those seeking "the city life." Baltimore, Chicago, and Portland, OR were also listed.
- ◆ The first Colorado Small Business Conditions Report by the National Federation of Independent Business revealed that nearly 55% of Colorado small business owners believe that the local market conditions are "very good" or "good." The survey of 350 Colorado businesses also discovered that 72% of the respondents were hopeful about future business prospects, citing better sales prospects and greater productivity.

General Economic Overview

National economic growth is most commonly measured by gross domestic product (GDP), which measures the value of all goods and services produced in the U.S. According to revised preliminary data from the Bureau of Economic Analysis, GDP grew at an annual rate of 3.8% in the fourth quarter of 2004 compared to 4.0% growth in the third quarter. Major contributors to the fourth quarter increase in real GDP were personal consumption expenditures, equipment and software and private inventory investment. These gains were partially offset by an increase in imports. On an annual basis, GDP increased a healthy 4.4% in 2004, the strongest year of growth since 1999's 4.5% expansion. Real GDP increased 3.0% in 2003.

The Federal Open Market Committee (FOMC) of the Federal Reserve raised the target for the federal funds rate a quarter-percentage point to 2.75% on March 22, marking the seventh increase since the Fed began tightening credit in June 2004. Analysts expect increases to continue throughout 2005 to keep inflation in check with economic expansion, eventually raising rates to between 3.5% and 4.0% by year end. Consequently, the prime rate would increase to between 6.5% and 7.0% by year end. The federal funds rate, the Federal Reserve's primary tool in influencing economic activity, is the interest rate banks charge each other on overnight loans.

The Fed has been acting aggressively to keep inflation at bay. After two months of virtually no inflation, the U.S. Department of Labor reported that the Consumer Price Index increased 0.4% in February, the largest increase since October. Surging oil prices contributed substantially to the increase. Businesses have been unable to pass on rising costs to consumers until recently due to excess capacity and foreign competition. However, as increasing demand has pushed the unemployment rate down and capacity utilization up, businesses have recovered some of their ability to increase prices.

Despite the inflationary threat, the U.S. economy continues to move forward at a respectable pace. According to the latest assessment by the Federal Reserve Board, Region 10 (which includes Colorado) is expected to post moderate growth in 2005 with solid manufacturing and tourism activity and modest retail spending.

The metro Denver economy received welcome news during the past month with the upward revisions to the employment statistics. The revised employment data, which is discussed in the next section, combined with the results of a host of various indexes all point to a continuing pattern of economic recovery and growth:

- ◆ The Vectra Bank Colorado Small Business Index for Colorado declined to 96.7 in February, down from a revised 99.1 in January. The index's most heavily weighted component, the unemployment rate, was 4.9% in the most recent month, down sharply from 5.4% during the previous month. Because the index assesses economic conditions from a small-business perspective, lower unemployment is considered a negative because it implies tighter labor markets. The national index also fell from 102.3 in January to 101.7 in February. The 100 level represents the benchmark year of 1997.
- ◆ The Colorado service economy index rose to 51.88 in February, up from 49.89 in January. According to the index produced by the University of Colorado at Denver Business School, values greater than 50 indicate growth. The main driver behind the increase was the index for new orders received which increased from 47.37 in January to 52.94 in February. The nation's service sector also expanded in February. The Institute for Supply Management's non-manufacturing index increased from 59.2 in January to 59.8 in February.
- ◆ The Front Range Purchasing Managers Index, which measures the health of the manufacturing sector, recorded a small gain in February with the index rising to 55.0. According to the index, which is compiled by the University of Colorado at Denver, a score above 50 indicates expansion while a score below 50 indicates a contraction. The Institute for Supply Management's measure, which gauges the manufacturing sector's health at the national level, dropped in February to 55.3, down from 56.4 in January. But after 21 consecutive months of national manufacturing expansion, economists are confident that the broader, increasing trend will continue.
- ◆ The Leading Index based on December data increased to 100.4, up from 100.3 the prior month. The index inched upward due to rising new home permits, lower unemployment claims, improving hiring expectations and rising consumer confidence levels. The Leading Index, compiled by Development Research Partners, includes seven economic variables and is a predictor of changing economic activity six to nine months in the future. The Historic Index decreased to 128.2, down from 130.1, as preliminary estimates for employment and retail sales were not as robust as expected. The Historic Index measures year-over-year growth, so both the direction and magnitude of change are important.
- ◆ Colorado's business conditions index from the monthly survey of supply managers and business leaders rose to its highest level since December. The index climbed to 62.2 in March, up from 51.7 in February. Components of the overall index for the month were: new orders at 62.5, production at 75.0, delivery-speed at 37.5, inventories at 78.6 and employment at 56.3. According to the monthly index compiled by Creighton University, an index value greater than 50 indicates economic growth in the next three to six months.
- ◆ Metro Denver's tech economy is strengthening according to the latest survey conducted by ccintellect and the Colorado Software & Internet Association. About 65% of January/February

respondents anticipate increased profits over the next several months compared to 62% in Spring 2004 and 58% in Fall 2004. In terms of hiring expectations, 58% of the executives surveyed anticipate hiring at their company compared to 54% in Spring 2004 and 34% in Fall 2004. Respondents also noted that problems with local venture capital funding and government incentives are hindrances to the industry.

Labor and Employment

Revised nonagricultural wage and salary employment figures for 2004 indicate that the economic recovery took hold earlier than previously suspected and stronger than previously estimated. The revised employment figures for metro Denver for the period 2000 to 2004 are presented below.

It is important to note that this data reflects a change in geography. The Denver MSA was previously defined as a six-county area including Adams, Arapahoe, Broomfield, Denver, Douglas and Jefferson counties. The Boulder MSA data (which includes just Boulder County) was added to the Denver MSA in order to provide a 7-county metro Denver statistic.

On June 6, 2003, the Office of Management and Budget (OMB) announced an initial update to statistical area definitions based on new standards and the results of the 2000 Census. The Office of Management and Budget is responsible for maintaining and updating statistical area classifications, a task it has done every decade since the 1950 Census. OMB establishes and maintains the definitions of these areas solely for statistical purposes. This classification is intended to provide nationally consistent definitions for collecting, tabulating, and publishing federal statistics for a set of geographic areas.

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

	Ann Avg 2000	Ann Avg 2001	Ann Avg 2002	Ann Avg 2003	Ann Avg 2004	Annual Growth Rate 2002	Annual Growth Rate 2003	Annual Growth Rate 2004
Total 11-County Metro Denver*	1,374.0	1,374.2	1,331.6	1,312.7	1,325.1	-3.1%	-1.4%	0.9%
Natural Resources & Construction	102.9	105.0	99.8	92.7	92.8	-4.9%	-7.1%	0.1%
Manufacturing	111.6	105.1	95.6	91.0	91.0	-9.0%	-4.9%	0.0%
Wholesale & Retail Trade	215.8	214.9	208.7	204.0	203.9	-2.9%	-2.3%	0.0%
Transp., Warehousing & Utilities	55.3	56.6	51.0	50.9	51.5	-9.8%	-0.3%	1.2%
Information	84.1	81.3	69.7	64.1	60.8	-14.2%	-8.0%	-5.1%
Financial Activities	103.3	103.0	102.1	105.6	106.1	-0.8%	3.4%	0.5%
Professional & Business Services	223.3	220.1	206.6	203.7	210.5	-6.2%	-1.4%	3.3%
Education & Health Services	117.2	122.1	125.6	128.9	132.9	2.9%	2.6%	3.1%
Leisure & Hospitality	130.7	132.1	131.3	130.5	133.9	-0.6%	-0.6%	2.6%
Other Services	48.6	48.5	49.3	49.1	49.6	1.6%	-0.4%	0.9%
Government	181.2	185.6	191.8	192.3	192.3	3.4%	0.2%	0.0%
Federal Gov't	33.2	32.0	32.2	32.4	31.9	0.5%	0.5%	-1.5%
State & Local Gov't	148.0	153.6	159.7	159.9	160.5	4.0%	0.2%	0.4%
Colorado	2,212.6	2,225.4	2,182.5	2,151.0	2,178.9	-1.9%	-1.4%	1.3%
United States	131,785	131,826	130,341	129,999	131,480	-1.1%	-0.3%	1.1%

*Includes Adams, Arapahoe, Boulder, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson and Park counties.

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

The Denver MSA was one of the areas impacted by the updated statistical area definitions. The Denver MSA is now defined to include a ten-county area: the six counties listed above plus Clear Creek, Elbert, Gilpin and Park counties. The Boulder MSA definition remains the same.

When possible, this report will continue to present information for the seven-county metro Denver region. However, future releases of data for MSA's will be based on the new definition. This means that the nonfarm employment statistics included in this report will now reflect employment conditions throughout an 11-county region, which is the Denver MSA plus the Boulder MSA. This particular data series cannot be stripped down or aggregated at the county level. Currently, the inclusion of these four counties represents the addition of about 16,000 jobs.

Based on the revised data, the 11-county metro Denver region lost 61,500 jobs in 2002 and 2003. These losses represented 83% of the total state's loss of 74,400 jobs. Economic recovery began in 2004 with the addition of 12,400 jobs in the 11-county region. Initial estimates had pegged the increase at about 5,000 jobs. Employment figures for the state were revised upwards even more significantly. Preliminary estimates suggested that the state would add about 15,000 jobs in 2004. Revised figures indicate that the state added 27,900 jobs in 2004.

Another change to note regarding the employment statistics is that the Natural Resources and Construction supersectors are now combined. Monthly data separating these two industries is not available.

Employment is off to a strong start in 2005 with a 2.5% increase in employment in the 11-county area for the first two months of 2005 compared to the same period in 2004. Colorado is currently posting a 2.6% increase in nonfarm employment whereas the U.S. employment level is 1.7% higher than last year.

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

	Month of Feb-05 (p)	Month of Jan-05	Month of Feb-04	Year-to- Date Average 2005	Year-to- Date Average 2004	Year-to- Date Average % Change	Annual Growth Rate 2000	Annual Growth Rate 1995
Total 11-County Metro Denver	1,324.4	1,317.2	1,291.1	1,320.8	1,289.1	2.5%	4.3%	4.2%
Natural Resources & Construction	91.6	90.1	86.1	90.9	86.4	5.2%	10.7%	3.3%
Manufacturing	91.4	91.6	89.3	91.5	89.2	2.6%	-1.0%	3.8%
Wholesale & Retail Trade	202.6	204.5	198.4	203.6	199.7	2.0%	3.5%	5.0%
Transp., Warehousing & Utilities	51.8	51.9	50.2	51.9	50.2	3.3%	8.6%	3.5%
Information	58.4	58.7	62.2	58.6	62.1	-5.7%	10.1%	8.6%
Financial Activities	106.5	106.2	104.9	106.4	104.7	1.6%	0.3%	2.9%
Professional & Business Services	210.6	208.1	202.6	209.4	201.7	3.8%	7.0%	5.7%
Education & Health Services	136.1	134.9	131.4	135.5	130.8	3.6%	2.9%	4.8%
Leisure & Hospitality	130.5	130.2	125.5	130.4	125.7	3.7%	4.5%	5.8%
Other Services	49.9	49.9	48.7	49.9	48.8	2.3%	1.0%	3.6%
Government	195.0	191.1	191.8	193.1	189.9	1.7%	2.4%	0.5%
Federal Gov't	31.6	31.9	31.7	31.8	31.8	-0.2%	-0.5%	-6.6%
State & Local Gov't	163.4	159.2	160.1	161.3	158.1	2.1%	3.1%	2.6%
Colorado	2,188.8	2,174.0	2,131.0	2,181.4	2,126.3	2.6%	3.8%	4.5%
United States	131,328.0	130,495.0	128,976.0	130,911.5	128,670.5	1.7%	2.2%	2.6%

**Includes Adams, Arapahoe, Boulder, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson and Park counties.*

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

The hiring pace in metro Denver is expected to pick up in the second quarter of 2005. About 35% of the companies interviewed for the latest Manpower Employment Outlook Survey plan to hire more employees, up from just 25% last quarter. Although 7% of the respondents said that they expect to reduce their payrolls, another 55% expect to maintain their current staffing patterns.

Job prospects appear best in construction, durable goods manufacturing, transportation/public utilities, finance/insurance/real estate, education, services and public administration. Employers in non-durable goods manufacturing plan to reduce staffing levels while those in wholesale/retail trade voiced mixed hiring intentions.

National results reveal that strong hiring activity is expected to continue across the country. About 30% of the 16,000 surveyed employers plan to add positions while 7% expect to reduce their payrolls.

Employment Outlook Survey

	Quarter 2 2005	Quarter 1 2005	Quarter 2 2004	YTD AVG 2005	YTD AVG 2004
Percent of Companies Hiring	35%	25%	14%	30%	15%
Percent of Companies Laying Off	7%	2%	3%	5%	10%
Percent of Companies No Change	55%	70%	75%	63%	63%

Source: Manpower Inc.

The annual Spring Graduate Job Market Outlook by Challenger, Gray & Christmas Inc. also reveals improving hiring conditions. In fact, the study suggests that college students graduating this spring will find the strongest entry-level job market in more than three years. Business graduates are likely to fare the best, particularly those specializing in operations management, accounting, marketing and economics-finance. Other growing areas include education, health care, engineering, information technology and computer science.

Even high tech companies in metro Denver expect to increase their hiring activity. According to a survey of 200 chief information officers in metro Denver by Robert Half Technology, a California-based high-tech staffing firm, 11% of the respondents plan to add staff in the second quarter. The metro Denver results are similar to national results that found that 12% of the companies plan to add full-time IT staff.

Another sign of an improved employment situation is a decline in the unemployment rate. Although the national unemployment increased in February to 5.8%, up from 5.7% in January, the rate remains below last year's level.

Significant revisions occurred to the labor force statistics for 2004 in metro Denver. While geographic changes occurred at the MSA level, the labor force data still reflects just the seven-county metro Denver region. *Whereas monthly results released throughout 2004 indicated that the total labor force averaged about 1,471,200 workers with 5.1% of those workers unemployed, revised data pegs the labor force at 1,407,600 with a 5.8% unemployment rate. While this represents an improvement over the 2003 situation when 6.2% of the metro Denver labor force was unemployed, the average annual unemployment rate in metro Denver remained higher than the national average for 2002, 2003 and 2004.*

The unemployment rate in the seven-county metro Denver area has remained at 5.4% for the past three months. At the county level, the unemployment rate ranges from a low of 3.9% in Douglas County to a high of 6.4% in the City & County of Denver. The average annual unemployment rate in metro Denver is currently slightly higher than the state's rate of 5.3% but lower than the national rate of 5.8%.

Labor Force Statistics
(000s, not seasonally adjusted civilian labor force)

	February 2005 (p)		2005 YTD Average		2004 YTD Average		2000	1995
	Total Labor Force	Unemployment Rate	Total Labor Force	Unemployment Rate	Total Labor Force	Unemployment Rate	Annual Average Unemployment Rate	Annual Average Unemployment Rate
Metro Denver	1,405.0	5.4%	1,404.0	5.4%	1,418.1	6.6%	2.3%	3.8%
Adams County	198.7	6.2%	198.7	6.2%	196.8	7.6%	2.5%	4.1%
Arapahoe Cnty	289.0	5.3%	288.6	5.2%	285.2	6.4%	2.1%	3.3%
Boulder Cnty	163.2	4.7%	163.0	4.7%	160.8	5.6%	2.4%	4.1%
Broomfield Cnty	23.6	5.0%	23.5	5.0%	23.3	6.4%		
Denver County	301.0	6.4%	300.9	6.4%	298.2	7.9%	3.0%	4.8%
Douglas Cnty	126.4	3.9%	126.3	3.9%	124.4	4.8%	1.3%	2.4%
Jefferson Cnty	303.2	5.2%	303.0	5.2%	298.8	6.2%	2.1%	3.2%
Colorado	2,523.0	5.3%	2,521.3	5.3%	2,493.0	6.3%	2.8%	4.2%
United States	147,649	5.8%	147,387	5.8%	146,111	6.2%	4.0%	5.6%

*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 number of first time unemployment insurance claims fell in February at both the metro and state levels. February initial claims fell to just under 5,000 in metro Denver, a 17.2% decrease for the first two months of 2005 compared to the same months in 2004. Initial claims at the state level are down 15.8% for the year.

First Time Unemployment Insurance Claims

	Month of	Month of	Month of	YTD AVG	YTD AVG	YTD AVG	Annual
	Feb-05	Jan-05	Feb-04	2005	2004	% Change	Average 2000
Metro Denver	4,997	6,829	6,165	5,913	7,139	-17.2%	3,513
Colorado	10,315	14,618	12,752	12,467	14,810	-15.8%	7,951

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

Consumer Sector

A successful holiday season helped propel total retail sales in metro Denver to a solid 7.9% increase in 2004, much stronger performance than 2003 when retail sales increased a meager 1.3%. Total retail sales in November and December of 2004 were 10.7% higher than the same two months in 2003. In 2003, November and December retail sales decreased 1.6% compared to 2002. Total retail sales throughout Colorado totaled \$114.3 billion in 2004, an 8.5% increase over 2003.

All counties in metro Denver posted an increase in retail activity in 2004. The strongest increases occurred in Broomfield, Douglas and Adams counties. Arapahoe, Boulder and Jefferson counties all posted similar increases of about 2.6% while Denver posted a stronger increase of 8.7%

Full-service restaurants are a thriving component of total retail sales, especially for downtown Denver. According to a report by Tucker Hart Adams for the Downtown Denver Partnership, full-service restaurants in the 120-square block downtown business improvement district posted average sales of \$457 per square foot in 2004, the highest sales level of the categories studied. Performance in other retail categories ranged from \$130 per square foot for entertainment businesses to \$242 per square foot for women's clothiers to \$322 per square foot for fast food restaurants.

Total Retail Sales (\$000s)

	Month of Dec-04	Month of Nov-04	Month of Dec-03	YTD Total 2004	YTD Total 2003	YTD Total % Change	Annual Growth 1999	Annual Growth 1994
Total Metro Denver	8,490,866	5,188,849	7,665,343	68,316,188	63,322,402	7.9%	7.0%	9.8%
Adams County	1,032,147	732,120	856,768	9,229,137	8,249,726	11.9%	10.5%	14.0%
Arapahoe County	1,903,491	1,126,342	1,834,599	14,989,997	14,633,048	2.4%	10.2%	5.9%
Boulder County	930,236	493,157	857,170	6,550,738	6,386,679	2.6%	4.1%	7.1%
Broomfield County	293,751	107,927	205,303	2,385,057	1,421,012	67.8%		
Denver County	2,182,208	1,410,104	1,920,015	18,306,703	16,845,009	8.7%	2.2%	8.0%
Douglas County	665,357	408,053	546,994	5,047,112	4,298,014	17.4%	18.3%	29.0%
Jefferson County	1,483,676	911,146	1,444,494	11,807,444	11,488,914	2.8%	7.3%	15.2%
Colorado	14,607,585	8,565,320	12,678,370	114,280,777	105,307,614	8.5%	7.4%	11.6%

Source: Colorado Department of Revenue.

Confidence levels fell slightly in February for both the mountain region and the nation. The consumer confidence index for the mountain region fell from a revised 119.2 in January to 117.4 in February. Although confidence levels declined in February, consumers are more optimistic today than they were a year ago.

The overall index incorporates two indices: the present situation index and the expectations index. For the mountain region, the present situation index dropped from 126.1 to 125.6, indicating that survey respondents felt slightly less secure about business conditions and the employment situation. The expectations index decreased from 114.5 to 111.9, indicating a less robust outlook for the next six months. Still, the mountain region currently reports the third highest consumer confidence index of the nine regions, the fourth highest present situation index and the second highest expectations index.

Consumer Confidence Index

	Month of Feb-05 (p)	Month of Jan-05	Month of Feb-04	YTD AVG 2005	YTD AVG 2004	YTD AVG % Change	Annual Average 2000
Mountain	117.4	119.2	104.3	118.3	111.7	6.0%	142.1
United States	104.0	105.1	88.5	104.6	93.1	12.3%	139.0

Source: The Conference Board. (p)=preliminary

Thanks to the NBA All-Star Game and related-activities, all of downtown Denver's 5,300 hotel rooms were booked over President's Day weekend in February, according to the Denver Metro Convention & Visitors Bureau. Hotel occupancy rates in downtown Denver reached 58%, up four percentage points from last year. Average downtown room rates for February were up by about \$17 compared to last year.

Indeed, *hotel statistics for the metro Denver area improved in February. Occupancy rates jumped from 54.8% in January to 58.2% in February while the average room rate rose from about \$84 to nearly \$91 per night.*

Metro Denver Hotel Statistics

	Month of Feb-05	Month of Jan-05	Month of Feb-04	YTD AVG 2005	YTD AVG 2004	YTD AVG % Change	Annual 2000	Annual 1995
Percent of Hotel Rooms Occupied	58.2%	54.8%	55.0%	56.5%	54.1%	4.4%	68.6%	72.5%
Average Hotel Room Rate	\$90.56	\$83.83	\$80.65	\$87.20	\$79.83	9.2%	\$89.57	\$71.44

Source: Rocky Mountain Lodging Report.

Colorado skier visits were down slightly in January and February compared to the same period last year, but visits for the season to date are up by about 2.3%, according to Colorado ski Country USA. Ski areas classified as "Front Range resorts" (Beaver Creek, Breckenridge, Copper Mountain, Keystone, Vail and Winter Park) experienced a 0.95% decline in January and February, perhaps due to the lack of precipitation. Visits to the state's destination ski resorts increased 1.15% during the same two months. About 11.2 million skiers visited Colorado's 25 resorts during the 2003-2004 ski season and analysts expect to top that number during the 2004-2005 ski season.

Passenger traffic at Denver International Airport, which celebrated its tenth anniversary on February 28, 2005, reached a record 42.4 million passengers in 2004, resulting in a 13.0% increase over 2003. Airport traffic is off to a strong start in 2005 with 6.3 million passengers served during the first two months of the year, a 2.2% increase over last year.

Denver International Airport Passengers

	Month of Feb-05	Month of Jan-05	Month of Feb-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Annual 2000	Annual 1995
Number of Airline Passengers	2,991,520	3,235,151	3,026,243	6,226,671	6,090,970	2.2%	38,751,687	31,035,398

Source: Denver International Airport, Traffic Statistics.

JetBlue was ranked as offering the best airline service in the annual Airline Quality Rating Study based on Transportation Department statistics. The report rates U.S. airlines that carry at least 1% of the 630 million domestic passengers, which included 16 carriers in 2004. After JetBlue, rounding out the top five were AirTran Airways, Southwest Airlines, United Airlines, and Alaska Airlines. Four of the top five rated airlines are low-fare carriers; only United Airlines is not a low-fare carrier.

There is concern about how the rising price of oil will affect the summer tourism market. While the overall direction for air fares is up, carriers are trying to avoid increasing rates on competitive routes. With oil prices closing at a record level of over \$57 per barrel on April 1, 2005, gasoline prices are reaching new highs across the country. The effect that rising costs will have on summer automobile tourism plans is uncertain, although it is certainly expected that some travelers will end up changing or canceling travel plans due to higher costs. The average price of regular unleaded gasoline rose to \$2.17 per gallon as of April 4, 2005, up 24.4 cents per gallon compared to one month ago. A similar increase has occurred in metro Denver, with a current average unleaded price of \$2.14 per gallon, 25.1 cents higher than last month.

There is also concern as to how the rising price of oil will impact the financial markets. The latest spikes in oil prices sent stocks tumbling as investors worried that price hikes will ripple throughout the economy and trigger inflation. Analysts note that rising oil prices negatively impact every sector of the economy, with energy stocks being the lone beneficiaries.

Stock Market Indexes

	Month of Mar-05	Month of Feb-05	Month of Mar-04	YTD Return 2005	YTD Return 2004	YTD Return 2003
Colorado	1,364.28	1,378.96	1,318.20	-0.50%	-0.81%	2.07%
S&P	1,180.59	1,203.60	1,126.21	-2.59%	1.29%	-3.60%
NASDAQ	1,999.23	2,051.72	1,994.22	-8.10%	-0.46%	0.42%
DOW	10,503.76	10,766.23	10,357.70	-2.59%	-0.92%	-4.19%

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

All stock indexes fell in March, with the NASDAQ posting the largest year-to-date decline of 8.1%. The S&P and the DOW are both down by 2.6% as of the end of the first quarter. The Colorado stock index, which is a compilation of the stock prices of 30 companies either headquartered in

Colorado or having significant operations in the state, performed better than the other indexes and is down by just 0.5% as of the end of March.

Residential Real Estate

National sales of previously-owned homes declined 0.4% in February while new home sales increased 9.4%. Home sales are expected to slow in 2005 as mortgage rates move higher. Still, analysts expect the rise in mortgage rates to be gradual so that national home sales in all of 2005 will post their second-best year on record. New home sales in the U.S. hit a record high in 2004 for the fourth consecutive year.

The metro Denver existing home market had an active March, causing existing home sales activity to finish the first quarter of 2005 with mixed results compared to the first quarter of 2004. Based on a revised data series for homes under contract, properties under contract are down by 7.6% while closed sales are down 4.1%. On the plus side, the inventory of homes on the market is 0.8% lower than the same time last year.

Single-family homes continue to post moderate levels of price appreciation, with a 3.9% increase in the average home price to \$289,692 for the first quarter. The average price of a condominium finished the quarter at \$186,601, a 3.4% increase over the first quarter of last year.

Home Sales Activity

	Month of Mar-05	Month of Feb-05	Month of Mar-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Ann Avg 2000	Ann Avg 1995
Home Sales (Under Contract)	5,483	4,960	5,859	13,669	14,790	-7.6%	37,130	28,247
Home Sales (Closed)	3,778	2,779	3,695	9,270	9,663	-4.1%	48,611	36,038
Unsold Homes on Market	23,023	21,730	23,207	23,023	23,207	-0.8%	8,820	9,854
Average Sales Price-Single Family	\$291,903	\$288,315	\$275,534	\$289,692	\$278,743	3.9%	\$239,779	\$150,736
Average Sales Price-Condo	\$183,791	\$190,154	\$177,833	\$186,601	\$180,509	3.4%	\$145,197	\$87,369
Median Sales Price-Single Family	\$236,500	\$231,200	\$231,000	\$234,000	\$227,500	2.9%		
Median Sales Price-Condo	\$158,500	\$155,000	\$158,900	\$157,200	\$157,900	-0.4%		

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

Median prices for single-family homes increased in the first quarter to \$234,000, a 2.9% increase over last year. On the other hand, the median price of a condominium fell to \$157,200, a 0.4% decline.

Colorado ranked 47th in the nation for home appreciation in 2004 according to a report by the Office of Federal Housing Enterprise Oversight. According to the report, single-family home prices appreciated 4.2% in 2004 compared to a national average of 11.2%. Only four states reported lower appreciation rates than Colorado – Iowa, Ohio, Texas and Indiana.

The National Association of Realtors pegs metro Denver as the 25th most expensive housing market out of the 125 ranked metro areas, compared to the seventh most expensive market just three years ago. Many metro areas experiencing record appreciation have surpassed Denver home prices. The moderation in home prices is good news as lower housing prices make metro Denver a more attractive site for relocating companies and employees.

Median Home Price (\$000s)

	Quarter 4 2004 (p)	Quarter 3 2004	Quarter 4 2003	YTD AVG 2004	YTD AVG 2003	YTD AVG % Change	Median 1999	Median 1994
Metro Denver	\$237.1	N/A	\$233.1	\$239.1	\$238.2	0.4%	\$171.3	\$116.8
United States	\$187.5	\$188.2	\$172.2	\$184.1	\$170.0	8.3%	\$133.3	\$109.8

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

The national median price of an existing single-family home increased to \$187,500 during the final quarter of 2004. The median home price reached \$184,100 for the year, an 8.0% increase over the 2003 annual average. On the other hand, the median home price for Denver fell from \$241,800 in the second quarter to \$237,100 in the fourth quarter. The median home price in metro Denver averaged \$239,100 in 2004, resulting in an annual 0.4% increase.

Colorado ranks tenth in the nation for the number of foreclosed homes on the market and 11th for foreclosed houses listed for sale in January, according to a study released by Foreclosure.com. Colorado had 666 new foreclosure listings during the first month of 2005, bringing the total to 2,576 listings. At a national level, 20,279 listings were added in January, bringing the total number of foreclosure listings to 78,694. Lower than average appreciation levels in Colorado may be contributing to the problem in that homeowners needing to sell relatively quickly may not be able to cover expenses tied to the sale.

Metro Denver foreclosures are 14.5% higher at the end of the first quarter of 2005 than they were at the end of the first quarter last year. While any increase in foreclosures is not desirable, the size of the increase in 2005 is much improved compared to last year. Total foreclosures in the first quarter of 2004 were 69% higher than the first quarter of 2003, indicating a rapid change in market conditions. Given the stage of economic recovery in metro Denver, it is not surprising that foreclosures are still increasing as foreclosures are a lagging indicator. *Increasing job growth in metro Denver should help to slow the increase in the number of people losing their homes.* However, rising mortgage rates, especially as they may impact homeowners with adjustable rate mortgages, may offset some of the positive benefits of increasing employment. Adams, Arapahoe and Boulder counties continue to post high increases in foreclosure activity.

Real Estate Foreclosures

	Month of Mar-05	Month of Feb-05	Month of Mar-04	YTD Total 2005	YTD Total 2004	YTD Total % Change
Total Metro Denver	1,385	1,231	1,394	3,727	3,254	14.5%
Adams County	333	275	347	879	676	30.0%
Arapahoe County	406	311	276	1,025	810	26.5%
Boulder County	66	59	61	176	136	29.4%
Broomfield County	7	12	17	29	39	-25.6%
Denver County	314	295	372	851	859	-0.9%
Douglas County	84	89	96	262	233	12.4%
Jefferson County	175	190	225	505	501	0.8%

Source: CB Richard Ellis; March figures estimated by public trustees.

Residential construction is off to a solid start in 2005, with single-family detached home construction up 30.2% and single-family attached home construction up 80.0%. Single-family detached activity is mainly concentrated on the east side of the metro Denver area, with Aurora, Commerce City, Castle Rock, unincorporated Douglas County, and the City of Denver permitting 200 units or more in the first two months of 2005. The construction of new single-family attached units has been strongest in unincorporated Douglas County, Aurora and Denver.

Residential Building Permits

	Month of Feb-05	Month of Jan-05	Month of Feb-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Total 2000	Total 1995
Single-Family Units	1,160	975	843	2,135	1,640	30.2%	15,873	12,560
Two-Family Units	289	440	178	729	405	80.0%	3,321	1,965
Multi-Family Units	0	284	36	284	271	4.8%	9,116	4,979
Total Units	1,449	1,699	1,057	3,148	2,316	35.9%	28,310	19,504

Source: Home Builders Association of Metropolitan Denver.

There were no new apartment units permitted in February. January permit activity was light as well, with 144 units permitted in unincorporated Adams County and 140 units permitted in the City & County of Denver. Limited apartment construction activity will give the apartment market more time to stabilize. The *Denver Metro Apartment Vacancy and Rent Survey* revealed that the apartment vacancy rate increased from 8.5% in the third quarter of 2004 to 10.0% in the final quarter of 2004, the first increase in eight quarters. Meanwhile, the average rental rate for all units increased to \$822 per month, the highest level since fourth quarter 2001. The apartment market is expected to strengthen in 2005 as rising mortgage rates discourage some households from home ownership and others are forced to foreclosure.

Apartment Statistics

	Quarter 4 2004	Quarter 3 2004	Quarter 4 2003	Year-to- Date Average 2004	Year-to- Date Average 2003	Year-to- Date Average % Change	Ann Avg 1999	Ann Avg 1994
Apartment Vacancy Rate	10.0%	8.5%	10.9%	9.7%	12.1%		4.5%	4.3%
Average Monthly Rental Rate (all units)	\$822	\$821	\$816	\$818	\$806	1.4%	\$717	\$527

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

Data from Costar Realty Information, Inc. indicates a slowly improving office market in metro Denver. Direct vacancy rates declined by 0.2 percentage points during the first quarter of 2005, falling to 14.8%. The vacancy rate including sublease space posted a larger decrease, falling to 16.4%. The average lease rate increased to \$17.07 per square foot, the second consecutive quarterly increase. Average lease rates for all classes of space increased for the first time in three years from \$16.89 in the third quarter of 2004 to \$17.05 in the fourth quarter.

Office Market Statistics

	Quarter 1 2005	Quarter 4 2004	Quarter 1 2004	Quarter 1 2003	Quarter 1 2002	Quarter 1 2001
Number of Buildings	4,267	4,254	4,228	4,195	4,125	4,011
Existing Square Feet (millions)	148.3	148.2	147.5	146.2	143.8	138.1
Vacant Square Feet (millions)	21.9	22.2	22.6	20.7	16.9	10.9
Vacancy Rate (Direct)	14.8%	15.0%	15.4%	14.2%	11.8%	7.9%
Vacancy Rate (With Sublet)	16.4%	16.8%	17.4%	16.8%	14.8%	9.9%
Average Lease Rate (per square foot)	\$17.07	\$17.05	\$17.00	\$18.35	\$20.31	\$21.34
New Construction Completed (year-to-date)	0.16 MSF, 11 Bldgs	1.20 MSF, 38 Bldgs	0.48 MSF, 10 Bldgs	0.80 MSF, 20 Bldgs	0.83 MSF, 25 Bldgs	2.86 MSF, 27 Bldgs
Currently Under Construction	1.02 MSF, 32 Bldgs	0.72 MSF, 28 Bldgs	0.58 MSF, 22 Bldgs	0.62 MSF, 21 Bldgs	2.20 MSF, 52 Bldgs	

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

Office construction remained at minimal levels in 2003 and 2004 in response to soft market conditions. Only about 1.2 million square feet of new office space was added to the metro Denver market in 2004, slightly less than the 1.24 million square feet added in 2003. *There are currently 32 buildings under construction that will result in the addition of 1.02 million square feet of office space. Most of these buildings are small with the exception of the 280,000-square-foot Denver Newspaper Agency building and the 150,000-square-foot building for Raytheon that is under construction in Aurora.*

Metro Denver's industrial real estate market slipped slightly in the first quarter of 2005, according to data from CoStar. The direct vacancy rate crept upwards by 0.2 percentage points to 8.3% while the vacancy rate with sublease space increased by 0.1 percentage points to 8.9%. The average lease rate also slipped a few cents from \$4.64 NNN to \$4.61 NNN. There were eight industrial buildings completed in the first quarter of 2005, resulting in the addition of 180,000 square feet.

Industrial Market Statistics

	Quarter 1 2005	Quarter 4 2004	Quarter 1 2004	Quarter 1 2003	Quarter 1 2002	Quarter 1 2001
Number of Buildings	5,407	5,399	5,374	5,336	5,290	5,230
Existing Square Feet (millions)	193.9	193.7	192.4	190.2	187.6	185.1
Vacant Square Feet (millions)	16.0	15.7	15.8	12.5	10.6	9.5
Vacancy Rate (Direct)	8.3%	8.1%	8.2%	6.6%	5.6%	5.1%
Vacancy Rate (With Sublet)	8.9%	8.8%	9.1%	7.4%	6.4%	6.1%
Average Lease Rate (per square foot)	\$4.61	\$4.64	\$4.63	\$5.35	\$5.58	\$5.07
New Construction Completed (year-to-date)	0.18 MSF, 8 Bldgs	1.82 MSF, 34 Bldgs	0.48 MSF, 7 Bldgs	0.45 MSF, 16 Bldgs	0.41 MSF, 13 Bldgs	0.65 MSF, 15 Bldgs
Currently Under Construction	0.57 MSF, 9 Bldgs	0.33 MSF, 14 Bldgs	1.26 MSF, 17 Bldgs	1.20 MSF, 14 Bldgs	1.59 MSF, 17 Bldgs	

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

Industrial construction activity was down slightly compared to last year. About 1.82 million square feet of industrial space in 34 buildings was completed in 2004 compared to 2.07 million square feet finished in 2003. Only 570,000 square feet of industrial, manufacturing and warehouse space is currently under construction in 9 buildings.

CoStar data shows mixed results in the flex space market, including a stable direct vacancy rate of 16.3%, a declining vacancy rate with sublease space to 17.8% and a declining average lease rate \$8.14 NNN. Three buildings with about 60,000 square feet were added to the market during the first quarter. During 2004, only about 120,000 square feet of new flex space was added in six buildings, down significantly from 2001 when 2.5 million square feet in 52 buildings was added.

Flex Space Statistics

	Quarter 1 2005	Quarter 4 2004	Quarter 1 2004	Quarter 1 2003	Quarter 1 2002	Quarter 1 2001
Number of Buildings	1,184	1,180	1,174	1,166	1,139	1,087
Existing Square Feet (millions)	36.6	36.5	36.4	36.2	35.3	33.0
Vacant Square Feet (millions)	6.0	5.9	6.0	5.4	5.0	3.4
Vacancy Rate (Direct)	16.3%	16.3%	16.5%	14.8%	14.2%	10.3%
Vacancy Rate (With Sublet)	17.8%	18.0%	18.4%	16.4%	16.0%	11.4%
Average Lease Rate (per square foot)	\$8.14	\$8.19	\$8.09	\$8.23	\$8.97	\$9.84
New Construction Completed (year-to-date)	0.06 MSF, 3 Bldgs	0.12 MSF, 6 Bldgs	0.0 MSF, 0 Bldgs	0.09 MSF, 3 Bldgs	0.15 MSF, 7 Bldgs	0.38 MSF, 12 Bldgs
Currently Under Construction	0.46 MSF, 18 Bldgs	0.37 MSF, 17 Bldgs	0.08 MSF, 3 Bldgs	0.17 MSF, 3 Bldgs	0.83 MSF, 17 Bldgs	

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

Flex construction activity has started 2005 at a strong pace. Of the 18 buildings that are currently under construction, 13 buildings are located in Arapahoe County. These buildings include seven buildings under construction in Concord Commons and five buildings in Cherry Creek Business Center in Centennial. All of these buildings are relatively small, with the largest being 67,000 square feet.

A major redevelopment project in Commerce City is getting underway. Prairie Gateway includes almost a thousand acres of development, transforming the former Rocky Mountain Arsenal site into a new Colorado Rapids soccer stadium, youth soccer fields, new retail and restaurants, civic buildings and possibly a new school. Ground may be broken on the Rapids' stadium as soon as late summer with the stadium opening planned for April 2007.

About \$800 million in projects are underway or planned along 14th Street in downtown Denver, spurred by the recent expansion of the Colorado Convention Center. The area between Larimer and Welton Streets has been dubbed the "Silver Corridor," with planned projects including new hotel developments, high rise condominiums and apartments, and retail.

Hospital growth and development continues at a strong pace throughout metro Denver. Centura Health's Parker Adventist Hospital in Douglas County is expanding one year after opening. The \$7.5 million project includes 27 patient rooms, eight intensive care suites, and an additional operating room. Construction will be completed by December. On the north side of the metro area, St. Anthony North Hospital also announced expansion plans that will add emergency beds, a parking lot, and physician offices to serve the rapidly growing northern communities of Westminster, Thornton, Broomfield and Northglenn.

In the central part of metro Denver, St. Anthony Central will likely relocate from its current 16-acre site in central Denver to a 30-acre site at the Federal Center in Lakewood. Plans include the construction of a 900,000-square-foot, 380-bed hospital, annex building and medical office building. The new hospital and the redevelopment of the existing site could take four to five years to complete.

Monthly Economic Summary of Metro Denver

Indicator	Monthly/ Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↑	Employment increased 7,200 jobs from Jan to Feb, 2.5% annual growth rate
% Companies Hiring	↑	↑	35% of companies expect to add workers in 2nd quarter 2005; 7% expect decrease
Unemployment Rate	↔	↓	Rate remained constant at 5.4% for Dec-Jan; metro higher than state but lower than U.S.
Initial Claims	↓	↓	Initial unemployment claims decrease in Feb; annual claims down 17.2% from 2004
Total Retail Sales	↑	↑	Total retail sales up 7.9% in 2004 boosted by a 10.7% increase in Nov and Dec
Consumer Confidence Index	↓	↑	Mountain region confidence decreased in Feb but remains higher than national level
Hotel Occupancy	↑	↑	Hotel occupancy increased to 58.2% in Feb; average room rate about \$91 per night
DIA Passengers	↓	↑	Traffic up 2.2% in first two months 2005, serving 6.2 million passengers
Colorado Stock Index	↓	↓	CO Stock Index decreased 0.5% through first quarter of 2005
Dow Jones Industrial Average	↓	↓	Dow decreased in Mar due to rising price of oil; down 2.6% through first quarter 2005
Home Sales (closed)	↑	↓	Home sales through Mar down 4.1% from last year; average SF sold price 3.9% higher
Median Home Price	↑	↑	Median home price rose to \$237,100 in Q4 2004; 2004 price 0.4% higher than 2003
Foreclosures	↑	↑	Foreclosures up 14.5% Q1 2005; strongest increases in Adams, Arapahoe and Boulder
Residential Building Permits (Total)	↑	↑	Total permits up 35.9% in first two months 2005; 4.8% increase in multi-family permits
Apartment Vacancy Rate	↑	↓	Vacancy rate increase to 10.0% in Q4 2004; avg rental rate increases to \$822 per month
Office Vacancy Rate	↓	↓	Vacancy rate with sublet now 16.4%; minimal construction is underway
Industrial Vacancy Rate	↑	↓	Minor increase in vacancy rate with sublet to 8.9%; minimal construction underway
Flex Space Vacancy Rate	↓	↓	Vacancy rate with sublease decreased to 17.8%; increase in flex construction in Q1
Positive Changes	10 of 18	14 of 18	