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

- Metro Denver is the second most competitive place in the nation to do business, behind Seattle. The study, by the San Diego Regional Economic Development Corp., focused on economy, environment and equity. Metro Denver ranked third overall for economy, fourth in environment and ninth in equity. Metro Denver ranked fourth in the 2001 study.
- Colorado's economy improved from "near the bottom" to "middle of the pack" in 2004, according to U.S. Bureau of Economic Analysis data. Colorado's gross state product, which measures economic output similar to the gross domestic product, increased an inflation-adjusted 3.8% in 2004 compared to 4.2% nationally. The 3.8% pace places Colorado 30th in economic growth. Preliminary data gauges Colorado's economic output at nearly $200 billion in 2004, the 21st largest economy. Colorado led the nation in economic growth between 1998 and 2000, but fell to 37th place in 2003.
- Colorado companies received $165.1 million in venture capital funding during first quarter 2005, a 40.4% improvement over first quarter 2004 financing levels. The MoneyTree Survey by PricewaterhouseCoopers also shows the number of deals increased from 14 to 17 over the same period. The first quarter 2005 results make Colorado the fifth most active region, behind California's Silicon Valley, Massachusetts, Texas and New York.
- Another report by Ernst & Young and Venture One also reports a surge in venture capital financing. According to Ernst & Young, Colorado venture capital awards are up about 50% through the first half of 2005 compared to the same period last year while national financing levels were down 9.8%. Through June 2005, Colorado firms have attracted $195.9 million from 24 deals. InPhase Technologies in Longmont was the top-award winner during second quarter 2005 with a $32.2 million deal.
- Small businesses in Colorado received $80.9 million in Small Business Innovation Research (SBIR) grants in 2003, the fifth largest amount of grant funding from all federal agencies in the U.S. In other small business news, the Small Business Administration (SBA) reported approval of 1,464 guaranteed loans worth $285.4 million during the first nine months of their fiscal year in Colorado, a 29.3% year-to-date increase that puts the state on track for a banner year. The SBA has guaranteed 71,131 loans nationwide worth $11.1 billion during the same period, a 21% year-to-date increase.
- Denver International Airport was the seventh-busiest airport in the nation, according to January through April data released by the U.S. Bureau of Transportation. Hartsfield-Jackson Airport in Atlanta ranked first based on the number of boarding domestic passengers. Last year, Denver International Airport ranked sixth in the U.S. in April.
- For the second year in a row, *Forbes* magazine choose Metro Denver as the best city in the nation for singles out of the nation's 40 largest metro areas. The ranking considers the following categories with the Metro Denver rank in parentheses: Culture (3rd), Nightlife (11th), Singles (18th), Job Growth (9th), Cost of Living (3rd) and Coolness (6th). Rounding out the top five best cities were Boston, San Francisco, Raleigh-Durham and Washington-Baltimore.

- The City of Louisville in Metro Denver is the fifth best place to live in the U.S. according to *Money* magazine and CNN's annual top 10 list. The rankings are based on a host of criteria including population, income levels, home appreciation, employment, airports and crime.
- Metro Denver hospitals appeared on 15 out of 17 specialty lists included in the 2005 edition of America's Best Hospitals by *U.S. News & World Report.* Top ten rankings are noted in bold.

America's Best Hospitals 2005

Specialty	Metro Denver Hospital	2005 Rank
Cancer	University of Colorado Hospital	25
Digestive Disorders	University of Colorado Hospital	36
Ear, Nose & Throat	University of Colorado Hospital	32
Geriatrics	University of Colorado Hospital	20
Geriatrics	Rose Medical Center	49
Gynecology	University of Colorado Hospital	20
Heart & Heart Surgery	University of Colorado Hospital	48
Hormonal Disorders	University of Colorado Hospital	15
Hormonal Disorders	Denver Health Medical Center	46
Kidney Disease	***University of Colorado Hospital***	***10***
Kidney Disease	Denver Health Medical Center	47
Neurology & Neurosurgery	University of Colorado Hospital	37
Neurology & Neurosurgery	Rose Medical Center	41
Orthopedics	University of Colorado Hospital	31
Pediatrics	***Children's Hospital***	***7***
Rehabilitation	***Craig Hospital***	***7***
Respiratory Disorders	***National Jewish Medical & Research Center***	***1***
Respiratory Disorders	***University of Colorado Hospital***	***5***
Respiratory Disorders	Denver Health Medical Center	23
Rheumatology	University of Colorado Hospital	21
Urology	University of Colorado Hospital	41

Source: U.S. News & World Report, July 18, 2005.

- *Forbes* magazine ranked Denver as the ninth most overpriced place in the nation, just above Los Angeles. The rankings were based on 2004 data and largely influenced by employment characteristics, cost of living, income growth and housing affordability. Among the 150 cities considered, Metro Denver ranked 93rd for job growth, 118th for income growth, 109th for housing affordability and 124th for cost of living. The top three overpriced places were Seattle, New York and Portland.
- *Kiplinger's Personal Finance* magazine ranks Metro Denver among the top 10 housing markets most vulnerable to price declines with a 21% chance of experiencing such declines. The 10th place rank was partly due to the relatively high concentration of employment in the struggling telecom industry. The top five most vulnerable markets are Boston, Los Angeles, San Francisco, Sacramento and Providence, RI.

General Economic Overview

According to advance estimates by the U.S. Department of Commerce, U.S. gross domestic product (GDP) increased at an annualized rate of 3.4% during second quarter 2005, down from the 3.8% pace during first quarter. Personal consumption expenditures, exports, equipment, residential fixed investment and government spending were listed among the major contributors to real GDP growth. The deceleration from 3.8% to 3.4% reflected a decline in both private inventory investment and imports.

Smith Barney estimates a similar GDP growth rate of 3.7% for the year that will slow to 3.4% by 2006. The investment house also expects the Federal Reserve Board will continue to tighten monetary policy by raising the overnight federal funds rate to 3.75% by year-end, reaching 4.25% in 2006.

Federal Reserve Chairman Alan Greenspan recently said the Board's "baseline outlook for the U.S. economy is one of sustained economic growth and continued inflationary pressures" but warned of "speculative fervor" in certain housing markets across the country. The central banks forecast for fourth quarter 2004 to fourth quarter 2005 GDP growth currently stands at 3.5%. Higher energy prices are to blame for slower economic growth. Inflation forecasts were also revised, increasing from 2.0% to 2.25% in 2005 and 2.5% in 2006. The Federal Open Market Committee (FOMC) raised interest rates to keep inflationary pressures in check. The June 30th increase raised the target for the federal funds rate by 25 basis points to 3.25%, marking the ninth increase in the past twelve months. The board also raised the target for the discount rate by 25 basis points to 4.25%.

The Federal Reserve Board's tactics appear to be working as consumer prices showed no change in June despite better than expected consumer spending activity. The Consumer Price Index was unchanged in June after slipping 0.1% in May. The May decline was the first decline in 10 months. The core inflation rate, which excludes food and energy and is closely watched by analysts to determine whether or not rising energy costs are filtering down, has also exhibited stability in the past months with a 0.1% increase in both May and June.

Metro Denver's economy is showing steady improvement. Still, various recently released indices reveal mixed economic conditions at the state and national levels:

- The national index of Leading Economic Indicators compiled by The Conference Board increased a better than anticipated 0.9% in June, up from the revised 0.0% growth in May. The 0.9% gain marks the largest percentage change in 15 months and signifies economic growth in the coming months.
- The nation's manufacturing sector expanded for the 25th consecutive month in June while the overall economy grew for the 44th consecutive month. The Institute for Supply Management's Purchasing Managers' Index increased to 53.8 from 51.4 in May, a 2.4% gain. The index tracks overall business activity of more than 350 manufacturing companies located throughout the country and indicates expansionary conditions with values over 50.
- Colorado's service industry rebounded in June after slipping in May. The index compiled by the University of Colorado at Denver Business School rose to 60.71 in June, up from 55.32 in May. Index values greater than 50 indicate expansionary conditions. The national service economy, measured by the National Institute for Supply Management's non-manufacturing index, increased to 62.2 in June from 58.5 in May. The Colorado and national non-manufacturing indexes are similar but not identical.
- The employment index for the Mountain State region reached its highest level in over ten years, according to the monthly index released by the Creighton University Economic Forecasting Group in Omaha. The Mountain States index for Colorado, Utah and Wyoming rose to 71.0 in June from 70.2 in May as durable goods manufacturers and value-added services firms reported expanding conditions. The individual Colorado index also increased in June to 72.4 from 68.9 in May. Colorado employment growth was noted in the leisure and hospitality sector and the housing and real estate sectors. Telecommunications employment continues to be a drag on employment levels. The forecasting group predicts Colorado will add 33,000 jobs in 2005. Index values greater than 50 indicate economic growth in the next three to six months.
- The Vectra Bank Colorado Small Business Index for Colorado increased to 111.1 in June from a revised 110.7 in May despite statewide employment gains. Since the index considers rising unemployment a positive factor as it widens the potential workforce for small business, employment gains actually have a negative affect on the index. The 100 level represents the benchmark year of 1997.

- Colorado business leaders are positive but reserved about the state's economic growth in the third quarter. The Colorado Business Leader's Confidence Index, compiled by the Business Research Division of the University of Colorado at Boulder, declined 3.4 points to 58.1 for third quarter from 61.5 in the second quarter. However, business leaders still expect the state economy will outperform the nation as has been the case in three of the past four quarterly surveys. Index values above 50 indicate expansionary conditions.
- The Leading Index for Metro Denver stalled at 100.7 in April for the third consecutive month, indicating that the economic expansion is positive but stable in Metro Denver. The Leading Index is a predictor of changing economic activity six to nine months in the future. The Historic Index slipped from 129.0 to 128.5 in March due to slower employment growth. Still, the Historic Index remains 2.1% above last year's levels. The Historic Index, which measures year-over-year growth so that both the direction and magnitude of change are important, has generally followed an upward trend since March 2004. The 100 level represents the benchmark year of 1995 for both indexes compiled by Development Research Partners.

Labor and Employment

Metro Denver employment levels increased by 10,700 positions in June, according to preliminary figures by the Colorado Department of Labor. The 0.8% June increase brings year-to-date employments levels 2.1% above the same period last year. The largest percentage gains from May to June occurred in the Leisure and Hospitality (+3.4%) and Natural Resources and Construction (+2.5%) sectors. On the other hand, employment in the Education & Health Services sector was flat (+0.1%) while the Government sector reported a 1.9% decline. Through the first six months of the year, the largest employment gains occurred in the Natural Resources and Construction (+4.3% and 3,800 positions), Professional and Business Services (+3.4% and 7,000 positions) and Educational and Health Services (+3.3% and 4,400 positions) sectors. Information sector employment remains 3,600 positions below last year's levels, a 5.9% decrease; however, Information employment has hinted at stabilization in the last few months. Information employment has declined only 1.5% since January and only 0.5% since March 2005.

Statewide employment increased 1.3% from May to June, a gain of 28,400 positions. Colorado year-to-date employment is up 2.3% compared to the same period last year and is at its highest levels since 2001.

Both Metro Denver and Colorado employment growth has outpaced the nation through the first six months of the year. National employment growth averaged 1.7% through June 2005. In June, U.S. companies announced a total of 110,996 layoffs, the highest-monthly total in 17 months. Job cuts have reached 538,274 positions so far this year, according to Challenger, Gray & Christmas, a Chicago research firm.

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

	Month of Jun-05 (p)	Month of May-05	Month of Jun-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*	1,364.7	1,354.0	1,338.0	1,338.9	1,310.9	2.1%	4.3%	4.2%
Natural Resources & Construction	98.9	96.5	95.3	93.9	90.0	4.3%	10.7%	3.3%
Manufacturing	92.5	92.0	91.4	91.7	90.1	1.8%	-1.0%	3.8%
Wholesale & Retail Trade	206.6	205.2	203.9	204.1	201.0	1.5%	3.5%	5.0%
Transp., Warehousing & Utilities	52.1	51.9	51.7	51.7	50.8	1.8%	8.6%	3.5%
Information	57.8	57.6	61.3	58.1	61.7	-5.9%	10.1%	8.6%
Financial Activities	108.1	107.4	106.5	107.1	105.3	1.7%	0.3%	2.9%
Professional & Business Services	220.6	217.2	213.0	213.9	206.9	3.4%	7.0%	5.7%
Education & Health Services	137.2	137.1	132.6	136.4	132.0	3.3%	2.9%	4.8%
Leisure & Hospitality	144.3	139.5	139.8	135.5	131.3	3.2%	4.5%	5.8%
Other Services	51.5	50.7	50.1	50.5	49.2	2.5%	1.0%	3.6%
Government	195.1	198.9	192.4	196.2	192.7	1.8%	2.4%	0.5%
Federal Gov't	31.3	31.3	31.9	31.5	31.8	-1.0%	-0.5%	-6.6%
State & Local Gov't	163.8	167.6	160.5	164.7	160.9	2.4%	3.1%	2.6%
Colorado	2,246.8	2,218.4	2,200.0	2,206.7	2,156.8	2.3%	3.8%	4.5%
United States	134,718	134,107	132,527	132,705	130,517	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

According to the latest Quarterly Census of Employment and Wages which tracks employment activity through quarterly unemployment insurance reports, weekly paychecks in Colorado increased 5.9% from fourth quarter 2003 to fourth quarter 2004. The 5.9% annual increase compares favorably to the 0.1% annual gain in 2002 and 2.5% gain in 2003. Paychecks nationwide increased 5.7% for the same period. Arapahoe and Adams counties led Metro Denver with 7.4% and 7.0% increases, respectively. Denver County ranked 123rd with a 5.9% increase in average weekly pay among the nation's 317 largest counties. Jefferson County workers saw a 5.2% increase while Boulder workers saw a 3.8% increase.

The following sections summarize recent business activity within the key industry clusters operating in Metro Denver.

Aviation: United Airlines flight simulator operations are proving a valuable investment for the airline as it plans to emerge from Chapter 11 bankruptcy. United has successfully opened its Metro Denver flight center, which features 26 simulators for pilot training purposes, for external business. The center currently employs about 730 local workers and pays approximately $71 million in annual wages. United officials say increased external demand will translate into 100 new jobs over the next few years.

Aerospace: The Boeing Company and Lockheed Martin announced their joint venture in May to build a new generation of rockets for the U.S. government, which could result in the relocation of up to 1,000 Boeing employees to Metro Denver from Huntington Beach, CA. The 1,000 jobs earmarked for relocation include engineers, support and administrative staff and come with an average salary of $75,000. The United Launch Alliance (ULA) will be headquartered at Jefferson County's Waterton facilities. The job gains will more than offset the Jefferson County rocket-production jobs that will be relocated to Decatur, AL as part of the ULA.

NASA awarded Lockheed Martin $28 million to continue developing its bid for the crew exploration vehicle (CEV). Lockheed is competing against a Northrop Grumman-Boeing team for the multi-million contract. NASA will select the team by March 2006.

Space Imaging in Thornton won a $5.9 million contract from the Pentagon's spy agency, the National Geospatial-Intelligence Agency. The satellite-imagery contract is an extension of the $120 million contract awarded in January 2003.

Information Technology: eCollege announced the closure of its Denver corporate headquarters last month. eCollege is moving to Chicago to be closer to its investment community. The online education company plans to retain its 200 local employees in Metro Denver.

Energy: Texas-based El Paso Corp. acquired Denver-based Medicine Bow Energy Corp. for $814 million. El Paso was primarily interested in the oil and gas company for its gas reserves in the Rocky Mountains. Total reserves for the company are estimated at 356 billion cubic feet of natural gas. El Paso plans to keep Medicine's downtown Denver office that employs about 50 workers.

The Renewable Fuels Associations says that Colorado will be one of the nation's top 10 ethanol producers by the end of 2006, thanks to three ethanol plants currently underway on the Eastern Plains. The demand for the ethanol plants has primarily stemmed from rising oil prices. According to proponents, ethanol is a cost-effective, clear burning fuel made mostly from corn. Others argue that ethanol requires more energy to produce than it yields, reduces automotive fuel mileage and requires a tax credit to be economically efficient. Several new car models have been equipped to run on either gasoline or an ethanol fuel blend.

The hiring pace in Metro Denver will continue at a strong pace in the third quarter of 2005. About 32% of the companies interviewed for the latest Manpower Employment Outlook Survey plan to hire more employees, down slightly from 35% in the last quarter. Only 2% of the respondents said that they expect to reduce their payrolls while 63% expect to maintain their current staffing patterns. Job prospects appear best in durable and non-durable goods manufacturing, wholesale/retail trade, services and public administration, according to Manpower. Employers in transportation/public utilities plan to reduce staffing levels while those in construction, finance/insurance/real estate and education do not intend to change current staffing levels. National results reveal that strong hiring activity is expected to continue across the country. About 31% of the 16,000 surveyed employers plan to add positions while 6% expect to reduce payrolls.

Employment Outlook Survey

	Quarter 3 2005	Quarter 2 2005	Quarter 3 2004	Year-to-Date Average 2005	Year-to-Date Average 2004
Percent of Companies Hiring	32%	35%	36%	31%	22%
Percent of Companies Laying Off	2%	7%	2%	4%	7%
Percent of Companies No Change	63%	55%	60%	63%	62%

Source: Manpower Inc.

The unemployment rate in the seven-county Metro Denver registered 5.2% in June, up from a revised 5.0% in May. At the county level, the unemployment rate ranges from a low of 3.8% in Douglas County to a high of 5.9% in the City & County of Denver and Adams County. The unemployment rate increased in all of the Metro Denver counties with the exception of Broomfield which remained flat. The year-to-date unemployment rate of 5.3% remains well below the 2004 level of 6.0% for the same time period. The average annual unemployment rate in Metro Denver in June was equal to both the state and national rates.

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

	June 2005 (p)		2005 YTD Average		2004 YTD Average		2000	1995
	Total Labor Force	Unemploy-ment Rate	Total Labor Force	Unemploy-ment Rate	Total Labor Force	Unemploy-ment Rate	Annual Average Unemploy-ment Rate	Annual Average Unemploy-ment Rate
Metro Denver	1,452.0	5.2%	1,423.5	5.3%	1,415.0	6.0%	2.3%	3.8%
Adams County	205.0	5.9%	201.1	6.0%	200.1	6.9%	2.5%	4.1%
Arapahoe Cnty	299.0	5.3%	292.7	5.2%	290.7	5.9%	2.1%	3.3%
Boulder Cnty	169.5	4.7%	166.4	4.6%	164.3	5.2%	2.4%	4.1%
Broomfield Cnty	24.3	4.8%	23.9	4.9%	23.8	5.9%	*	*
Denver County	309.9	5.9%	304.2	6.2%	303.2	7.1%	3.0%	4.8%
Douglas Cnty	130.7	3.8%	128.0	3.9%	127.1	4.5%	1.3%	2.4%
Jefferson Cnty	313.5	5.1%	307.1	5.1%	305.9	5.5%	2.1%	3.2%
Colorado	2,571.3	5.2%	2,535.2	5.2%	2,499.0	5.9%	2.8%	4.2%
United States	150,327	5.2%	148,333	5.3%	146,691	5.8%	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 filed in June fell 3.7% in Metro Denver and 6.8% across the state. Monthly Metro Denver claims are averaging 14.9% lower than the 2004 level, indicating an improved labor market.

First Time Unemployment Insurance Claims

	Month of Jun-05	Month of May-05	Month of Jun-04	YTD AVG 2005	YTD AVG 2004	YTD AVG % Change	Annual Average 2000
Metro Denver	4,401	4,571	5,073	5,082	5,970	-14.9%	3,513
Colorado	9,017	9,680	10,603	10,925	12,670	-13.8%	7,951

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

Consumer Sector

The U.S. Department of Commerce reported better-than-expected retail sales growth of 1.7% in June. The increase was driven by the strongest automotive sales in 13 months partly due to attractive incentives offered by General Motors Corp. Department store, specialty clothing and furniture sales were also positive. The 1.7% national increase follows a 0.3% decline in May.

Preliminary data collected by the International Council of Shopping Centers-UBS shows same-store sales increased 5.3% in June, marking the best performance since March 2004. Same-store sales are sales at stores that have been open at least one year. June same-store sales increased at Wal-Mart (+4.5%), Target Corp. (+9.0%), J.C. Penny's (+7.4%) and Federated Department Stores (2.9%).

Retail sales in Metro Denver were up 5.0% through May compared to the first five months of last year. While all counties experienced gains, the largest year-over-year gains occurred in Adams County (16.4%), Douglas County (12.8%) and Boulder County (10.8%). The City and County of Denver leads the metro area in sales, followed by Arapahoe and Jefferson counties. Data for the City & County of Broomfield is skewed by a large payment of delinquent taxes by a company in May 2004. Statewide retail sales were up 6.4% through May.

Total Retail Sales ($000s)

	Month of May-05	Month of Apr-05	Month of May-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Annual Growth 2000	Annual Growth 1995
Total Metro Denver	5,504,610	5,425,481	5,877,792	27,357,393	26,060,368	5.0%	12.5%	4.8%
Adams County	822,375	805,506	754,934	4,087,198	3,512,190	16.4%	9.3%	-1.7%
Arapahoe County	1,252,769	1,241,385	1,185,608	6,039,917	5,666,683	6.6%	14.2%	6.4%
Boulder County	529,499	512,743	493,704	2,672,986	2,411,750	10.8%	10.5%	5.7%
Broomfield County	111,678	109,558	741,882	531,617	1,159,727	-54.2%		
Denver County	1,455,298	1,447,895	1,425,382	7,409,906	6,979,740	6.2%	13.4%	3.1%
Douglas County	456,792	414,147	400,436	2,098,975	1,861,133	12.8%	16.5%	33.8%
Jefferson County	876,199	894,247	875,846	4,516,794	4,469,145	1.1%	10.8%	6.5%
Colorado	9,136,756	9,108,938	9,330,790	45,885,001	43,130,613	6.4%	10.8%	5.8%

Source: Colorado Department of Revenue.

Overall confidence levels in the mountain region improved in June to 128.4 from a revised 120.2 in the May and continue to stand well-above 2004 levels, according to the Conference Board. In fact, the June reading is the highest since July 2001 and the highest current reading out of the nine regions measured. The index is comprised of the present situation index and the expectations index. Mountain region consumers reported an increase in their perceptions of current situations from a revised 147.8 to 149.1 in June, the second most optimistic reading among the nine regions. Meanwhile, the expectations index in the mountain region jumped from 101.9 in May to 114.5 in June, the highest reading among the nine regions. National confidence improved from a revised 103.1 In May to 105.8 in June. Both the present situation and expectation indices increased at the national level.

Consumer Confidence Index

	Month of Jun-05 (p)	Month of May-05	Month of Jun-04	YTD AVG 2005	YTD AVG 2004	YTD AVG % Change	Annual Average 2000
Mountain	128.4	120.2	122.0	119.0	107.2	11.0%	142.1
United States	105.8	103.1	102.8	103.2	93.9	9.8%	139.0

Source: The Conference Board. (p)=preliminary

Vacation visits to Colorado were up in 2004 over the previous year according to a study by Toronto-based Longwoods International. Leisure tourism across the state increased 5.0% in 2004 even though most trips came from friends and relatives as opposed to higher-value trips that involve hotel or resort lodging and are referred to as “marketable” trips. About 25.8 million total visitors had at least one overnight stay in Colorado in 2004 and spent $7.3 billion while on vacation. Spending increased slightly from $7.1 billion in 2003. Colorado vacationers stayed about 6.3 nights in 2004, longer than the 5.8 night average in 2003. Even though Colorado remains the choice destination for ski trips, the state ranked 23rd in “marketable” trips that typically result in higher spending levels due to hotel and resort expenses. The Colorado Tourism Offices says the state ranks 35th in tourism spending which totaled $4.9 million in 2004 and generated $18.10 in tax revenue for every dollar spent.

Another report by Longwoods International showed a 2.0% increase in combined business and leisure trips to Metro Denver in 2004 to 9.9 million overnight visits, up from 9.7 million in 2003. Total spending remained about the same for both years at $2.3 billion. Leisure travelers totaled 7.9 million in 2004, up slightly from 7.8 million the previous year. Total visitor levels remain below the 2002 peak level of 8.1 million but are moving in the right direction. Business travel increased 4.0% in the metro region but dropped 2.0% statewide. Nationally, business travel increased 1.0% in 2004. The top Metro Denver attractions according to the Longwoods study are listed below.

Top 5 Metro Denver Attractions	**Top 5 Metro Denver Paid Attractions**
16th Street Mall	IMAX/Denver Museum of Nature & Science
LoDo Historic District	Denver Zoo
Cherry Creek Shopping District	Colorado Rockies
FlatIron Crossing	Denver Botanic Gardens
Outlets at Castle Rock	Denver Broncos

Source: Longwoods Denver 2004, study for the Metro Denver Convention and Visitors Bureau.

A *Denver Post* survey revealed that Colorado theatres drew 1.7 million patrons in 2004 and generated $54 million in ticket revenue. The attendance level is relatively high considering Colorado's population stands at 4.6 million. Nearly half of the theatre-goers saw shows at the Denver Center for Performing Arts (DCPA), the largest performing arts center between Chicago and Los Angeles.

2005 is proving to be a good year for Central City. The opening of the Central City Parkway earlier this year greatly benefited local businesses by providing easier highway access. In late June, Central City got another boost: a rock slide. About 2,300 cubic yards of rock fell onto U.S. Highway 6, closing the road from Golden to Black Hawk, Central City's newer and larger competitor. Since then, traffic counts on the parkway have nearly doubled from 4,200 daily vehicles to 8,400 daily vehicles, which could mean 30% or more in sales tax revenue and increased local profits.

LoDo businesses that rely on the sports industry were rallied by the announced return of NHL hockey this fall. The NHL and players reached a tentative agreement that effectively ended the lockout responsible for canceling last year's season.

The Travel Industry Association of America says Americans are expected to travel in record-breaking numbers this year despite higher prices all around. About 328 million people are expected to take leisure trips in 2005, a 2.3% increase over 2004 levels. At the same time, first quarter data from the U.S. Bureau of Economic Analysis shows tourism spending is 6.6% higher than during first quarter 2004. AAA's Leisure Travel Index reports the average family comprised of two parents and two children traveling through Colorado will spend $260.85 per day on food and lodging, an increase of nearly $20 over last year.

Gas prices, which are expected to remain at record levels through Labor Day, hit a record high at both the state and national levels in mid July. Increased global demand along with fears of terrorism and hurricane disruptions are driving the price of crude oil upwards of $60 per gallon. Retailers that have kept costs low and absorbed the wholesale price increases will eventually raise their prices.

Metro Denver Hotel Statistics

	Month of Jun-05	**Month of May-05**	**Month of Jun-04**	**YTD AVG 2005**	**YTD AVG 2004**	**YTD AVG % Change**	**Annual 2000**	**Annual 1995**
Percent of Hotel Rooms Occupied	77.6%	63.7%	71.2%	62.6%	59.6%	5.0%	68.6%	72.5%
Average Hotel Room Rate	$91.99	$90.95	$84.76	$88.71	$82.08	8.1%	$89.57	$71.44

Source: Rocky Mountain Lodging Report.

The Metro Denver lodging market continued its three-month trend in June of stronger occupancy rates and higher average room rates. Occupancy increased to 77.6% in June up from 63.7% during May. Average occupancy is 5.0% higher through the first half of 2005 compared to the same period in 2004. Average room rates increased to $91.99 per night in June, up from $90.95 in May. Room rates are 8.1% higher through the first half of 2005 compared to the same period in 2004. The statewide lodging industry also experienced June improvements. Occupancy rates increased to 70.6% from 66.9% the previous month while average room rates increased to $100.41 from $91.83.

Passenger traffic at Denver International Airport was up 4.1% in May over May 2004 traffic. Nearly 3.7 million passengers passed through the ten-year old airport during the month. For the year, traffic is up 1.4% over 2004 which was the airport's busiest year on record. June data has not been released.

Denver International Airport Passengers

	Month of May-05	Month of Apr-05	Month of May-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Annual 2000	Annual 1995
Number of Airline Passengers	3,676,415	3,257,262	3,532,664	16,963,791	16,725,842	1.4%	38,751,687	31,035,398

Source: Denver International Airport, Traffic Statistics.

Airline ticket prices are averaging 10% higher than last summer according to cheapflights.com. Somewhat conflicting data from the U.S. Bureau of Transportation's Air Travel Price Index shows a 4.3% decline in airline ticket prices at the national level from first quarter 2004 to first quarter 2005 mostly due to price wars and discount airline competition. Fare behavior at DIA falls in the middle of the two reports. Average fares at DIA increased a slight 0.8% over the same period, the tenth largest increase in the county. Regardless, the Air Transport Association is forecasting a 4.1% increase in air travel in 2005 to 200 million passengers.

The Colorado stock index posted a 13.1% gain through July compared to relatively flat movements for national indices. The Colorado stock index is a compilation of the stock prices of 30 companies either headquartered in Colorado or having significant operations in the state, including Amgen which is largely responsible for the 13.1% year-over-year gain. Amgen shares increased 15% in mid July after the biotechnology company reported a profitable second quarter. Through July, the S&P 500 is up 2.6% followed by a 1.1% increase for the NASDAQ. The DOW is down 0.7% for the year.

Stock Market Indexes

	Month of Jul-05	Month of Jun-05	Month of Jun-04	YTD Return 2005	YTD Return 2004	YTD Return 2003
Colorado	1,800.70	1,651.49	1,411.69	13.1%	-0.1%	21.3%
S&P 500	1,243.72	1,191.33	1,140.84	2.6%	-0.9%	12.6%
NASDAQ	2,198.44	2,056.96	2,047.79	1.1%	-5.8%	29.9%
DOW	10,705.55	10,274.97	10,435.48	-0.7%	-3.0%	10.7%

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

Despite a relatively flat stock market over the past five years, Denver-based GHP Investment Advisors, Inc. has a positive outlook on the U.S. stock market based upon rising profitability of U.S. businesses, inflation and current stock valuations. GHP says the flat or dismal average annual returns have caused many investors to look towards real estate and other hot investment markets like oil and gas partnerships. Now, higher productivity levels combined with rising profits bode well for stock market investors. Profit margins, as measured by corporate profits as a percentage of GDP, have returned to pre-recession levels of between 9.0% and 10.0% in the past two years, up from a low of about 8.0% in 2001-2002.

Residential Real Estate

National sales of existing homes and condominiums in June occurred at the fastest pace in history, selling at a seasonally-adjusted annualized rate of 7.33 million units. The June pace reported by the National Association of Realtors is a 2.7% increase over the pace in May. On the other hand, pending contracts to purchase existing homes fell 2% in May after four monthly increases. Pending contract data is used as an indicator for the U.S. housing market. In the final week of July, mortgage rates rose for the fourth consecutive month, averaging 5.78% for a 30-year fixed-rate mortgage.

Sales of previously-owned homes in Metro Denver remain at lower levels than achieved in 2004. According to MetroList data through July, home sales under contract were 2.4% lower than the same period last year while closed home sales were 2.2% below last year's levels. Inventory levels are up 5.2% over last year. Homes are staying on the market an average of 91 days compared to 85 days during the same period last year.

The median price of a single-family home increased 4.0% through the first seven months of 2005 compared to the same period in 2004. Median condo prices are up a minimal 1.7%. Still, the median price for a single-family home set another record in July of $252,250. Higher-end homes are now selling faster than entry-level homes, which was not the case when interest rates first fell to historically low levels.

The average price of a single-family home increased to $318,348 in July from $312,065 in June. The year-to-date average price of a single-family home price stands 5.8% higher than the same period last year. The average price for a condo increased to $197,290 in July, bringing the year-to-date average price 4.0% higher than last year. Median prices are typically a better market descriptor as average prices tend to be skewed by extremely high or low values.

Home Sales Activity

	Month of Jul-05	Month of Jun-05	Month of Jul-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Ann Avg 2000	Ann Avg 1995
Home Sales (Under Contract)	7,255	6,015	6,559	40,367	41,354	-2.4%	37,130	28,247
Home Sales (Closed)	6,203	5,091	6,229	30,346	31,016	-2.2%	48,611	36,038
Unsold Homes on Market	26,411	25,817	25,111	26,411	25,111	5.2%	8,820	9,854
Average Sales Price-Single Family	$318,348	$312,065	$296,939	$305,158	$288,392	5.8%	$239,779	$150,736
Average Sales Price-Condo	$197,290	$192,842	$177,646	$187,441	$180,250	4.0%	$145,197	$87,369
Median Sales Price-Single Family	$252,250	$251,500	$244,800	$244,315	$235,000	4.0%		
Median Sales Price-Condo	$164,000	$163,307	$157,367	$160,000	$157,250	1.7%		

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

Home appreciation in Colorado is relatively low compared to other markets. For the 12 months ending in March 2005, Colorado appreciation ranked 47th in the nation. In fact, appreciation averaged 4.0% per year over the past three years in Colorado compared to 10% average annual appreciation nationwide. The imbalance can be attributed to Colorado's lagging economic recovery. Analysts say the slowdown is healthy for an already pricey housing market and that Metro Denver is poised to be one the stronger housing markets in the coming years. Lawrence Yun, senior economist at the National Association of Realtors, is "optimistic" about the Denver market and believes it will outpace the nation in the next couple years.

The U.S. Census Bureau reported that housing growth out-paced population growth in all but six Colorado counties during the first part of the decade, leading some analysts to speculate the market may be overbuilt. Since 2000, the number of housing units has increased 11.2% while the population has increased 7.0%. Douglas County is the only Metro Denver county to have kept pace between housing and population growth.

The median home price in Metro Denver, which is reported on a quarterly basis, slipped from $237,100 during the fourth quarter of 2004 to $236,000 in the first quarter of this year, but prices remain 1.8% higher than the first quarter a year ago. The National Association of Realtors pegs Metro Denver as the 25th most expensive housing market out of the 131 metro areas ranked in the first quarter of 2005, compared to the seventh most expensive market just three years ago.

Median Home Price ($000s)

	Quarter 1 2005 (p)	Quarter 4 2004 (r)	Quarter 1 2004	Year-to-Date Average 2005	Year-to-Date Average 2004	Year-to-Date Average in YTD	Median 2000	Median 1995
Metro Denver	$236.0	$237.1	$231.8	$236.0	$231.8	1.8%	$196.8	$214.5
United States	$188.8	$187.5	$172.1	$188.8	$172.1	9.7%	$139.0	$113.1

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

Metro Denver foreclosures were up only 13.7% through June 2005 compared to the first half of last year. While any increase in foreclosures is undesirable, the pace of the increase in 2005 is much improved compared to last year. Foreclosures in Metro Denver decreased to 1,144 in June, down from 1,250 in May. Adams, Boulder and Douglas counties continue to post high percentage increases in foreclosure activity while Denver, Arapahoe and Adams counties report the highest number of foreclosures in absolute terms for the year. Broomfield County is the only county to experience fewer foreclosures through June compared to the same period last year.

Real Estate Foreclosures

	Month of Jun-05	Month of May-05	Month of Jun-04	YTD Total 2005	YTD Total 2004	YTD Total % Change
Total Metro Denver	1,144	1,250	996	7,154	6,292	13.7%
Adams County	249	312	184	1,675	1,262	32.7%
Arapahoe County	264	250	257	1,725	1,598	7.9%
Boulder County	50	42	39	318	265	20.0%
Broomfield County	7	11	10	60	69	-13.0%
Denver County	368	336	254	1,838	1,703	7.9%
Douglas County	70	106	85	505	436	15.8%
Jefferson County	136	193	167	1,033	959	7.7%

Source: CB Richard Ellis.

Home-builder optimism held near the average in the most recent National Association of Home Builders/Wells Fargo index of builder confidence. The index slipped to 70 in July from a revised 72 in the previous month, marking the highest reading in over five years. For the year, the index averaged 69.7 as mortgage rates have stayed within one-half of a percentage point of record lows.

National housing starts increased 0.2% in May, reaching a seasonally-adjusted annualized rate of 2.009 million starts. May starts were expected to increase 0.6% however, unusually wet weather in the South dragged down the total. Builders are satisfying demand spurred by low mortgage rates despite rising short term interest rates.

The number of residential building permits issued in Metro Denver during the first quarter of 2005 increased 18.3% compared to the same period last year. Single-family construction is leading the way with a 28.2% year-to-date gain, followed by a 12.7% increase in the number of attached single-family (two-family) permits. Multi-family home construction is down 36.5% through the first quarter, which is good news for the slowly improving apartment market. In fact, no multi-family permits were issued in either February or March. During March, the most total permit activity occurred in unincorporated Douglas County (288 permits issued), Aurora (265) and Denver (191). April data was not available at the time of this report.

Residential Building Permits

	Month of Mar-05	Month of Feb-05	Month of Mar-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Total 2000	Total 1995
Single-Family Units	1,685	1,160	1,339	3,820	2,979	28.2%	15,873	12,560
Two-Family Units	303	289	511	1,032	916	12.7%	3,321	1,965
Multi-Family Units	0	0	176	284	447	-36.5%	9,116	4,979
Total Units	1,988	1,449	2,026	5,136	4,342	18.3%	28,310	19,504

Source: Home Builders Association of Metropolitan Denver.

Significant residential activity is occurring in the downtown area. The Executive Tower is being renovated by Dakota Ridge and First Century Development to house Auraria campus students on the top 14 floors. The bottom 16 floors are also being renovated for hotel rooms. The Executive Tower project is one of three student-housing projects underway in the downtown area. In other Downtown news, plans were announced for a luxury 31-story high rise building featuring 184 condominiums. The $140 million One Lincoln Park building would be among the tallest in Downtown Denver and construction is set to begin in 2005. Plans were also released for a 41-story condominium building at 14th and Champa Streets valued at $110 million. Currently, there are 1,000 homes under construction in LoDo and the Central Platte Valley.

The Denver Metro Apartment Vacancy and Rent Survey revealed mixed results for the metro apartment market but it is still considered a renter's market. Vacancy rates fell to 8.0% in the second quarter from 9.3% in the first quarter, the lowest rate since third quarter 2001. Average rental rates slipped to $826 per month during second quarter from $836 per month but remain above second quarter 2004 rates.

Apartment Statistics

	Quarter 2 2005	Quarter 1 2005	Quarter 2 2004	Year-to-Date Average 2005	Year-to-Date Average 2004	Year-to-Date Average % Change	Annual Average 2000	Annual Average 1995
Apartment Vacancy Rate	8.0%	9.3%	9.7%	8.7%	10.1%		4.6%	4.3%
Average Monthly Rental Rate (all units)	$826	$834	$818	$830	$814	2.0%	$763	$564

Source: Denver Metro Apartment Vacancy and Rent Survey.

Fuller & Company reports stability in Metro Denver's 278,000-unit multi-family housing market though the first half of the year. The Mid-Year Report estimated a 9.8% vacancy rate, down from 13.1% in 2003. Fuller & Company forecasts the vacancy rate will fall to 9.0% by year-end and rental rates will remain stable.

Commercial Real Estate

Investment interest in Metro Denver's commercial buildings continues at record levels mostly driven by relatively low interest rates and a lackluster stock market. Patrick Devereaux of Cushman & Wakefield is predicting 2005 will be a record year in total dollar volume, surpassing 1998's $2.3 billion record and reaching $2.5 billion. The National Association of Industrial and Office Properties (NAIOP) cites high-equity capital, aggressive debt and improved leasing as having contributed to record investment sales in Metro Denver so far this year. Retail properties attract the most investment interest followed by large, stabilized office properties, according to Fuller and Company's Mid-Year Commercial Real Estate Report. Fuller & Company says sales volume for properties of more than 15,000 square feet is on track to exceed $3 billion this year.

The Metro Denver commercial real estate market will exhibit slow but steady growth in the second half of 2005 according to the general consensus of NAIOP analysts. Office space absorption has been positive in the metro region in 2005; however, consolidations like the Sun

Microsystems-StorageTek merger could negatively affect the current trend. NAIOP analysts forecast speculative construction will resurface in 2009 and the metro office vacancy rate will fall to 10% within five years.

CB Richard Ellis's second quarter outlook for the metro office market is measured with slow, steady improvements similar to the NAIOP forecasts. *CB Richard Ellis reported that the metro Denver office market experienced mixed results among the submarkets during second quarter 2005 while overall statistics remained relatively static. Average asking lease rates increased slightly to $16.65 per square foot with the most competitive rates in the northeast submarket, averaging $10.37 per square foot. Downtown rates finished the quarter at the top, averaging of $19.01 per square foot. CB Richard Ellis expects metro area lease rates to remain competitive through the end of the year. Second quarter vacancy rates improved to 17.3% from 18.0% rate during the same period last year but showed little change from first quarter 2005.* The Capital Hill area experienced a 4.0% drop in the vacancy rate to 12.6%, the sharpest decline of all submarkets. The Southwest market has the lowest vacancy rate of 9.9% during the second quarter compared to the highest rate of 28.6% in the Northwest.

Grubb & Ellis also describes a tightening office market. Their four main submarkets (Downtown, Southeast Suburban, Northwest and Boulder) all reported positive absorption during second quarter 2005 and secondary suburban submarkets are beginning to show signs of improvement. Sublease space is shrinking at a rate of one million square feet per year and is hoped to fall to 2001 levels over the next 18 months. Grubb & Ellis pegs the second quarter metro fundamentals at a 20.0% vacancy rate with a $20.24 per square foot Class A asking rent and a $16.61 per square foot Class B asking rent.

Fuller & Company's mid year report describes a solid and healthy office market with 1.1 million square feet of positive absorption during the fist half of 2005 and a lower vacancy rate of 18.2%. On the other hand, conditions were not consistent among all submarkets and lease rates have made only minimal improvements, particularity in Class B space. Leasing activity levels are high in spaces under 20,000 square feet and in Downtown. Fuller & Company analysts forecast another 1.0% point drop in the overall vacancy rate during the second half of 2005 combined with continued positive absorption.

Data from Costar Realty Information, Inc. also indicates a slowly improving office market in Metro Denver. Direct vacancy rates declined by 0.2 percentage points during the second quarter of 2005, following a similar decline during first quarter. The direct vacancy rate fell to 14.6% while the vacancy rate including sublease space fell to 16.2%. The average lease rate slipped to $17.06 per square foot during second quarter from $17.12 in the previous quarter.

Office Market Statistics

	Quarter 2 2005	Quarter 1 2005	Quarter 2 2004	Quarter 2 2003	Quarter 2 2002	Quarter 2 2001
Number of Buildings	4,326	4,270	4,240	4,210	4,158	4,050
Existing Square Feet (millions)	149.1	148.6	148.1	147.2	145.7	140.5
Vacant Square Feet (millions)	21.8	22.0	22.6	22.1	16.8	11.7
Vacancy Rate (Direct)	14.6%	14.8%	15.3%	15.0%	11.5%	8.3%
Vacancy Rate (With Sublet)	16.2%	16.4%	17.2%	17.6%	14.5%	11.0%
Average Lease Rate (per square foot)	$17.06	$17.12	$16.96	$18.00	$20.15	$21.24
New Construction Completed (year-to-date)	0.30 MSF, 20 Bldgs	0.16 MSF, 11 Bldgs	0.80 MSF, 18 Bldgs	1.02 MSF, 29 Bldgs	1.86 MSF, 49 Bldgs	3.72 MSF, 48 Bldgs
Currently Under Construction	0.86 MSF, 31 Bldgs	1.02 MSF, 32 Bldgs	0.37 MSF, 21 Bldgs	0.60 MSF, 18 Bldgs	1.51 MSF, 40 Bldgs	

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

Office construction remains at minimal levels 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. About 300,000 square feet of office space has been completed in the first half of 2005, even less than the same time last year. There are currently 31 buildings under construction that will result in the addition of 860,000 square feet of office space.

CB Richard Ellis' MarketView report for second quarter 2005 showed a slight set back for the industrial market from the improvements of the previous five consecutive quarters. Still, the sector has strong fundamentals and is expected to be corrected next quarter. Vacancy rates increased to 8.7%, rising the most in the North Denver submarket. Eight of 12 submarkets experienced negative absorption, translating into overall negative absorption during the second quarter. Lease rates held stable at $4.80 per square foot, down slightly from $4.82 per square foot during first quarter. The highest rates of about $7.00 per square foot can be found in the Northwest and Aurora submarkets. CB Richard Ellis also noted moderate construction activity with seven ground-breakings during the April-June period.

Fuller & Company's Mid-Year Report says the Metro Denver industrial market will continue to improve through 2005 as it has during the first half of the year. Vacancy rates dropped for the second consecutive quarter to 7.8% and will continue to fall to 7.3% by year-end 2005. For second quarter, Fuller & Company shows the highest vacancy rates without sublease space in the Northwest (12.7%) and Southeast (11.9%) submarkets. Net absorption is expected to remain positive.

Metro Denver's industrial real estate market improved during the second quarter of 2005 in terms of both vacancy rates and average lease rates, according to data from CoStar. The direct vacancy rate fell 0.5 percentage points to 7.8%. A similar drop occurred in the vacancy rate including sublease space. The average lease rate increased $0.10 to $4.71 NNN from $4.61 NNN.

Industrial Market Statistics

	Quarter 2 2005	Quarter 1 2005	Quarter 2 2004	Quarter 2 2003	Quarter 2 2002	Quarter 2 2001
Number of Buildings	5,442	5,408	5,388	5,357	5,308	5,278
Existing Square Feet (millions)	194.7	193.9	193.5	191.6	189.5	188.0
Vacant Square Feet (millions)	15.2	16.0	16.3	13.7	11.4	9.6
Vacancy Rate (Direct)	7.8%	8.3%	8.4%	7.2%	6.0%	5.1%
Vacancy Rate (With Sublet)	8.4%	8.9%	9.4%	7.9%	7.0%	5.7%
Average Lease Rate (per square foot)	$4.71	$4.61	$4.68	$5.12	$5.42	$5.63
New Construction Completed (year-to-date)	0.27 MSF, 13 Bldgs	0.18 MSF, 8 Bldgs	1.22 MSF, 14 Bldgs	0.98 MSF, 24 Bldgs	0.93 MSF, 19 Bldgs	2.09 MSF, 33 Bldgs
Currently Under Construction	0.73 MSF, 18 Bldgs	0.57 MSF, 9 Bldgs	0.58 MSF, 14 Bldgs	1.37 MSF, 12 Bldgs	0.99 MSF, 22 Bldgs	0.53 MSF, 14 Bldgs

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

Industrial construction is also at minimal levels. Only 13 new industrial buildings have been completed through the first half of 2005, resulting in the addition of 270,000 square feet. Further, about 730,000 square feet of industrial space in 18 buildings is currently under construction in Metro Denver. All recently constructed buildings were less than 70,000 square feet.

CoStar data shows positive movements in the flex space market, including an improved vacancy rate and a stable lease rate. The direct vacancy rate fell to 15.2% during the second quarter of 2005 from 16.3% the previous quarter. The vacancy rate including subleases also fell in the second quarter to 16.8% from 17.9%. Meanwhile, the average lease rate remained stable at $8.18 NNN per square foot.

Flex Space Statistics

	Quarter 2 2005	Quarter 1 2005	Quarter 2 2004	Quarter 2 2003	Quarter 2 2002	Quarter 2 2001
Number of Buildings	1,186	1,182	1,175	1,166	1,143	1,103
Existing Square Feet (millions)	36.5	36.5	36.3	36.1	36.3	36.1
Vacant Square Feet (millions)	5.5	6.0	6.1	5.8	4.8	3.7
Vacancy Rate (Direct)	15.2%	16.3%	16.7%	16.0%	13.6%	10.9%
Vacancy Rate (With Sublet)	16.8%	17.9%	18.8%	17.7%	15.2%	12.1%
Average Lease Rate (per square foot)	$8.18	$8.19	$8.28	$8.67	$8.82	$9.93
New Construction Completed (year-to-date)	0.10 MSF, 5 Bldgs	0.06 MSF, 3 Bldgs	0.09 MSF, 3 Bldgs	0.13 MSF, 3 Bldgs	0.54 MSF, 12 Bldgs	1.25 MSF, 27 Bldgs
Currently Under Construction	0.22 MSF, 11 Bldgs	0.46 MSF, 18 Bldgs	0.03 MSF, 2 Bldgs	0.07 MSF, 5 Bldgs	0.34 MSF, 15 Bldgs	

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

Five buildings with nearly 100,000 square feet were added to the flex market during the second quarter. This represents a level of construction that is slightly higher than 2004. Of the 11 buildings that are currently under construction, the majority are located in Douglas County and are about 12,000 square feet in size.

According to local NAIOP experts, the retail market will add about 3 million square feet of space by year-end, mostly from larger-scale projects. NAIOP also notes continuing consolidation in the retail sector will continue to influence the market.

CB Richard Ellis research depicts an improving retail market in second quarter including positive absorption and increasing rental rates from the previous quarter. The overall retail vacancy rate showed little change from first quarter's 6.4% rate although fluctuations were noticed within the submarkets. Lease rates in the Colorado Boulevard submarket jumped 23% from first quarter to $22.85 per square foot compared to the lowest rates of $10.71 per square foot found in the Aurora submarket. The West submarket currently holds the highest vacancy rate of 10.3% but also experienced one of the greatest improvements. Construction activity declined to 3.8 million square feet during the second quarter, ending a year-long trend of increasing activity.

The retail sectors continue to outperform other commercial real estate sectors with high demand and low vacancy rates according to Fuller & Company's Mid-Year Report. Lease rates have shown little movement but are holding steady at an average of $15 per square foot NNN with some leases commanding $30 per square foot NNN.

Monthly Economic Summary of Metro Denver

Indicator	Monthly/ Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	⇑	⇑	Employment increased by 10,700 jobs from May to June, 2.1% annual growth rate
% Companies Hiring	⇓	⇑	32% of companies expect to add workers in 3rd quarter 2005; 2% expect decrease
Unemployment Rate	⇓	⇓	Rate increased to 5.2% in June; metro rate currently equals both state and national rates
Initial Claims	⇓	⇓	Initial unemployment claims decreased in June; annual claims down 14.9% from 2004
Total Retail Sales	⇑	⇑	Total retail sales up 5.0% through May; up 6.4% for state
Consumer Confidence Index	⇑	⇑	Mountain region and U.S. confidence levels increased in June
Hotel Occupancy	⇑	⇑	Hotel occupancy increased to 77.6% in June; average room rate up to about $92 per night
DIA Passengers	⇑	⇑	Traffic up 1.4% in first five months of 2005, serving about 17.0 million passengers YTD
Colorado Stock Index	⇑	⇑	CO Stock Index increased 13.1% through first seven months of 2005
Dow Jones Industrial Average	⇑	⇓	Dow increased in July but is still down 0.7% year-to-date
Home Sales (closed)	⇑	⇓	Home sales through June down 2.2% from last year; average SF sold price 5.8% higher
Median Home Price	⇓	⇑	Median home price fell to $236,000 in Q1 2005; 2005 price 1.8% higher than 2004
Foreclosures	⇓	⇑	Foreclosures up 13.7% through July; biggest gains in Adams & Boulder counties
Residential Building Permits (Total)	⇑	⇑	Total permits up 18.3% in first quarter 2005; 36.5% decrease in multi-family permits
Apartment Vacancy Rate	⇓	⇓	Vacancy rate decrease to 8.0% in Q2 2005; avg rental rate decreases to $826 per month
Office Vacancy Rate	⇓	⇓	Vacancy rate with sublet now 16.2%; minimal construction is underway
Industrial Vacancy Rate	⇓	⇓	Decrease in vacancy rate with sublet to 8.4%; minimal construction underway
Flex Space Vacancy Rate	⇓	⇓	Vacancy rate with sublease decreased to 16.8%; minimal construction underway
Positive Changes	**16 of 18**	**15 of 18**	