

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

- ◆ Colorado added about 54,000 residents from 2003 to 2004 according to the U.S. Census Bureau, bringing the population total to 4.6 million. The 1.2% annual population increase ranks Colorado as the 14th fastest growing state, up from 16th last year and above the U.S. average growth rate of 1.0%. Colorado consistently ranked among the five fastest growing states in the 1990s and early 2000s. Since 2000, Colorado's has added about 300,000 people, ranking as the eighth fastest growing state in the nation. Most growth is occurring in the northern metro Denver suburbs. Some cite international residents as a major contributor to the population growth. Nevada (+4.1%) was the fastest growing state in 2004, followed by Arizona (+3.0%) and Florida (+2.3%).
- ◆ Colorado received a mixed report card from the Corporation for Enterprise Development's 2004 Development Report Card for the States including an A in business vitality (#1), B in economic development capacity (#11) and a C in performance (#21). Colorado has maintained an A in business vitality since 1991 due to a relatively small number of small business closings, industrial diversity, competitiveness of existing businesses, entrepreneurial energy and wealth of technology jobs. Development Capacity dropped from an A last year to a B in 2004, despite improvements to its Human Resources grade, reading and math proficiency. The drop is partly attributed to a downward Amenity Resources & Natural Capital grade, poor rankings in the use of cropland and mediocre ranking in urban housing costs. On the bright side, Colorado continues to thrive partly because of its willingness to be innovative using SBIR grants and issuing patents to individuals. The Performance grade slid from a B last year to a C in 2004 because employment and payroll gains were not strong enough to negate the number of uninsured low-income children, teen pregnancy levels and the net migration situation which may pose a threat to the quality of life. The grades and rankings are derived from 68 measures including both economic and social criteria.
- ◆ Denver International Airport ranks third in the world for passenger satisfaction. The 2004 J.D. Power and Associates report places Hong Kong's airport in first and Orlando's airport in second. Dallas/Fort Worth airport came in just under Denver's third place rank. The results are based on more than 9,000 survey responses of passengers who flew between October 2003 and November 2004. The study also found that less than one-fourth of passengers utilized the self check-in kiosks or curbside check-in, which are considerable time savers.
- ◆ The University of Colorado at Boulder welcomed a drop in rank, that is, party school rankings. After placing first in 2003, CU-Boulder dropped to ninth in *Princeton's Review* (not associated with Princeton University) annual party school list.
- ◆ In order to keep up with population growth, Colorado will need an additional 1.3 million new homes and more than 1.7 million square feet of office and retail space by 2030, according to a study by the Brookings Institution. The study says the west is expected to be the fastest-growing region and that real estate developments near office, retail and mass transit stops

will be the best bet. Colorado is ranked sixth in housing demand and ninth in commercial and institutional space demand.

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. The Bush administration is forecasting 3.5% GDP growth in 2005, translating into average monthly payroll gains of about 175,000 workers. This forecast is slightly more conservative than the 3.6% median forecast of 62 surveyed economists by Bloomberg News. Growth will slow from an expected 4.4% annual rate in 2004 due to a cooling of housing markets as interest rates increase.

Confident that the U.S. economy remains on a growth track, the Federal Open Market Committee (FOMC) of the Federal Reserve raised the target for the federal funds rate for the fifth time in 2004. The quarter point increase in mid-December brings the federal funds rate to 2.25%, more than double the 46-year low of 1% effective only six months ago. 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 FOMC cited productivity growth, moderate output growth and improving labor market conditions as reasons behind the increase. Commercial banks responded to the increase by hiking their prime lending rate to 5.25%, a similar quarter-point increase. The increase sparked higher prices on Wall Street as investors became more confident about the U.S. economy. Most analysts expect rate increases to continue in 2005. The threat of inflation remains low so that the FOMC may make future increases at a measured pace until the rate reaches a "neutral rate" in which rates are not in a position to stimulate or act as a drag on the economy.

A recent U.S. Bureau of Economic Analysis release reveals that Colorado continues to lag the nation in economic recovery. Colorado's gross state product (GSP) grew at a 4.3% pace in 2003, slower than the 4.8% of both the Rocky Mountain Region and the U.S. average. Surrounding states like Wyoming and Nevada experienced more quickly recovering economies with 9.8% and 8.1% rates – the two fastest paces in the county. Nebraska was third with a rate of 7.9%. Kansas, on the other hand, also increased at a 4.3% rate. The results draw attention to the different compositions of western state economies. By removing the local 1.1% inflation rate, real economic growth in Colorado registered only 3.2%, a pace too weak to avoid the loss of more the 30,000 positions in 2003. In 2002, Colorado's economy grew at a pace of 1.9%, meaning economic growth was essentially flat after accounting for inflation.

Still, various indexes for the region continue to reveal that the economic recovery is taking firmer hold:

- ◆ The Vectra Bank Colorado Small Business Index for Colorado rose to 95.8 in November from a revised 94.6 in October. Small business conditions improved due to steady job growth and a slightly higher unemployment rate of 5.0% which implies better access to labor for small businesses. The national index slipped to 101.4 in November from 101.7 in October. The 100 level represents the benchmark year of 1997.
- ◆ The Colorado service economy index expanded to 60.55 in November, up from 45.41 in October. According to the index produced by the University of Colorado at Denver Business School, values greater than 50 indicate growth. Analysts hypothesize that the steep decline in October reflected pre-election concerns while the large jump in November may be due to retailers expecting a strong holiday season. The service sector makes up the bulk of Colorado's economy.
- ◆ The Front Range Purchasing Managers Index contracted in November for the first time since January. The index fell from 51.8 in October to 47.2 in November. According to the index compiled by the University of Colorado at Denver, a score above 50 indicates expansion while a score below 50 indicates a contraction. This index focuses on the behavior of manufacturers, activity that typically slows late in the year. The index continues to register increases at the national level, with the index climbing to 57.8 in November.

- ◆ The Leading Index remained constant at 100.4 in October, the same as the revised September figure, indicating stable economic conditions. The Leading Index is a predictor of changing economic activity six to nine months in the future. Less optimistic consumer expectations, a decline in manufacturing hours and the short term interest rate increase are behind the lack of upward movement in the index despite strong, positive movements among the remaining indicators. The Historic Index increased to 129.2 in October, up from 128.6 in September. The Historic Index measures year-over-year growth, so both the direction and magnitude of change are important. The volatility in recent months reflects the volatility of the two economic indicators included in the Historic Index – retail sales and employment.
- ◆ The Business Conditions Index from the survey of supply managers and business leaders in Colorado, Utah and Wyoming increased to 66.4 in December, up from 60.6 in November. 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. Colorado experienced a decrease to 70.6 in December, down from 76.1 in November. According to the report, while durable goods reported strong results, the information industry (including telecommunications) continues to report weak conditions.
- ◆ Colorado business leaders are less confident, but remain optimistic, about the economic outlook for Colorado and the national economies, according to Compass Bank's Colorado Business Leaders Confidence Index for the fourth quarter of 2004. The overall index fell to 63.8, down from 66.1 in the third quarter. Numbers above 50 suggest expansion in the survey conducted by the Leeds School of Business at the University of Colorado. On the positive side, about 47% of those surveyed expect to add jobs in the fourth quarter.
- ◆ The outlook for Colorado technology firms continues to be positive for the second half of 2004, according to the Colorado Tech Index by ccintellect and the Denver Business Journal. In the first half of 2004, 54% of the firms surveyed reported an increase in employment. This figure rose to 61% projecting employment increases in the latter half of this year, with employment gains expected across all job types.
- ◆ The national index of leading indicators rose 0.2% in November for the first time in six months thanks to higher stock market prices, an increase in jobless claims and an expansion of the money supply. The index had dropped 0.4% in October and retreated 0.2% in September.

Labor and Employment

Metro Denver took only a few hits in terms of employment in December but several large-scale cuts may be on the horizon. Denver's Patina Oil & Gas was purchased by Houston-based Noble Energy in December for \$3.4 billion. Patina employs 450, including 430 employees in Denver and 145 in Weld County. While Noble plans to keep Denver as a regional hub, most analysts foresee employment and especially top management losses over time. Noble and other companies were attracted to Patina's strong reserves in the Rocky Mountains, the Texas panhandle and Oklahoma along with the prized Wattenberg gas fields near Greeley.

Thornton-based Ultimate Electronics, Inc. is on the verge of bankruptcy, according to the latest reports filed at the U.S. Securities and Exchange Commission. Ultimate owns 65 electronics stores in 14 states, including 11 SoundTrack locations in Colorado. Since Ultimate's creditor had refused future financing, the company will attempt to raise \$25 million to help it through reorganization possibly resulting in store closings.

More job cuts for Denver software maker PeopleSoft maybe on the horizon as part of the Oracle-PeopleSoft merger aftermath. The recently-completed merger took 18 months of bitter dealing and ended in a \$10.3 billion deal that is sure to shake up the business software industry. Oracle will most likely cut duplicative jobs in sales, marketing and administrative divisions for profit reasons. PeopleSoft in Denver currently employs about 2,000 people.

Cereality Cereal Bar & Café will move its Boulder headquarters to Chicago in early 2005. The company is launching a chain of cereal-serving restaurants and cited a more central location and access to resources as reasons behind the move.

Restructuring of WellPoint Inc.'s Anthem Blue Cross Blue Shield operations in Colorado have begun, including relocating the Western region headquarters to California. It is not clear how many of the 1,000 local positions will be cut at this time. The Anthem-Well Point merger created the largest U.S. health insurer, covering 26 million people across 13 states.

The good news is three companies in the food business have chosen Broomfield as their corporate headquarters. Boulder-based White Wave and Longmont-based Horizon Organic, along with Dallas-based Dean National Brand Group, are moving into the 137,040-square-foot Mountain View Corporate Center building. All three companies are owned by Dean Foods Co. The companies currently employ about 350 people and expect their combined work force to grow to about 500. A new name for the three companies will be chosen in early 2005.

Employment in metro Denver improved for the third consecutive month in November with an increase of 2,800 positions. Even though November 2004 levels exceed those of last year, year to date average employment is down slightly, according to preliminary employment statistics from the Colorado Department of Labor and Employment. Average monthly employment in metro Denver for the first eleven months of the year is down by only 1,100 positions compared to the same period last year, a 0.1% decline. The employment situation has been generally improving in metro Denver since March 2004. November employment levels are the highest since December 2002, traditionally a month of high employment in order to handle the holiday retail season.

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

	Month of Nov-04 (p)	Month of Oct-04	Month of Nov-03	Year-to- Date Average 2004	Year-to- Date Average 2003	Year-to- Date Average % Change	Annual Growth Rate 1999	Annual Growth Rate 1994
Total Denver Metro	1,316.1	1,313.3	1,301.9	1,298.3	1,299.4	-0.1%	3.9%	4.3%
Natural Resources & Mining	5.5	5.5	5.3	5.4	5.1	5.0%	-12.7%	-2.8%
Construction	83.5	83.6	84.8	81.4	86.3	-5.7%	12.3%	8.5%
Manufacturing	90.3	89.6	90.2	89.5	91.0	-1.6%	-1.5%	0.8%
Wholesale & Retail Trade	204.4	202.1	205.1	202.0	202.7	-0.3%	3.2%	5.5%
Transp., Warehousing & Utilities	53.3	52.7	51.0	51.5	50.7	1.6%	3.5%	3.4%
Information	61.4	61.0	63.8	61.9	64.5	-3.9%	12.4%	13.8%
Financial Activities	106.0	106.5	108.7	106.6	106.3	0.2%	3.8%	5.5%
Professional and Business Services	210.2	210.1	198.3	204.3	201.3	1.5%	5.9%	4.9%
Education & Health Services	133.0	133.1	131.4	131.2	128.6	2.0%	1.2%	3.5%
Leisure and Hospitality	123.1	124.0	121.6	124.3	123.9	0.4%	4.6%	5.3%
Other Services	48.4	48.8	48.4	48.7	48.9	-0.4%	2.1%	5.9%
Government	197.0	196.3	193.3	191.5	190.1	0.7%	1.4%	0.3%
Federal Government	32.2	32.0	31.8	32.2	32.1	0.1%	-1.5%	-4.5%
State & Local Government	164.8	164.3	161.5	159.3	158.0	0.8%	2.1%	1.9%
Colorado	2,189.0	2,185.5	2,159.3	2,159.9	2,148.9	0.5%	3.6%	5.1%
United States	133,162	132,938	131,071	131,126	129,846	1.0%	2.4%	3.1%

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

Currently, seven of the 12 major industry categories are posting employment increases compared to the same period last year. In absolute terms, the strongest job growth in 2004 is occurring in professional and business services (+3,000 jobs), education and health services (+2,600 jobs) and state & local government (+1,300 jobs). The construction (-4,900 jobs), information (-2,500 jobs) and manufacturing (-1,500 jobs) sectors continue to be plagued with large job losses.

The employment picture is improving more rapidly at the state level. Year-to-date average annual employment is 11,000 positions higher in 2004 than in 2003, a 0.5% increase. The national economy has reached a 1.0% increase in employment through the end of November compared to this time last year.

Employment gains are occurring despite all-time highs in Colorado bankruptcies. Bankruptcies are 7.0% higher in 2004 compared to last year, according to Denver's U.S. Bankruptcy Court data. As of mid-December, nearly 27,500 households and businesses in Colorado had filed for bankruptcy, with most filings for Chapter 7 liquidations by individuals. U.S. bankruptcies, on the other hand, are on the decline and only the Southern District of New York saw a higher rate of increase than Colorado. Colorado posted a record 21% increase in bankruptcy filings in 2003.

Looking ahead, the Colorado Business Economic Outlook calls for 43,100 nonfarm jobs to be added statewide in 2005, translating into a 2.0% employment gain. The University of Colorado forecast, generated from Colorado industry leaders and economists, also predicts the unemployment rate will slip from 5.3% to 4.8%. No sector will be left without gains. The professional and business services sector will experience the largest gain of 14,800 new jobs. The trade, transportation and utilities and hospitality sectors will add 6,900 and 5,200 jobs, respectively. Manufacturing, which suffered severe losses between 2000 and 2003, will even add jobs, albeit only 1,800. Natural resources will add the fewest new jobs in absolute terms (+700) but the strongest percentage gain of 4.9%. While Colorado's forecast is rosier than the U.S. forecast of total nonfarm employment gains of 1.8%, the state's gains are expected to trail other Western states.

Employment gains will be affected by increased exports, assuming that recent trends continue. Colorado's exports of manufactured, agricultural and mineral products totaled \$4.9 billion through the first three quarters of 2004, a 13% increase over the first three quarters of 2003. The gain is partly attributed to a weaker U.S. dollar and strong global demand. The top three export categories include semiconductors valued at \$923 million (+34%), computers and peripherals at \$724 million (+14%), and office components at \$433 million (+17%). Other export categories with more than \$100 million in sales are telecommunications equipment, scientific measuring equipment, aircraft/spacecraft, and medical instruments.

Canada remains the state's largest export market through the third quarter 2004, with a 13% year-to-date increase to almost \$1.2 billion. Mexico finished second with a 25% increase to \$493 million. China surpassed Japan as Colorado's third largest export market largely due to the Japanese ban on U.S. beef. Exports to China (including Hong Kong) jumped 57% to \$465 million while exports to Japan fell by 13% to \$270 million. Increased demand from China's rapidly modernizing economy is exploding into demand for Colorado's small high-tech manufacturers. Other top 10 export markets were Korea, Malaysia, Germany, Taiwan, the United Kingdom and France.

About 25% of metro Denver employers will hire new staff in the coming quarter and only 2% plan to reduce payrolls, according to the newly released first quarter 2005 Manpower Employment Outlook Survey results. The results indicate weaker expectations than in the previous two quarters (29% in 4th quarter 2004 and 36% in 3rd quarter). However, first quarter 2005 results are more optimistic compared to first quarter 2004 when only 15% of the employers surveyed planned to add workers. Job prospects appear best in construction, durable and non-durable goods manufacturing, wholesale/retail trade, services and public administration. Little change is expected in transportation/public utilities, finance/insurance/real estate and education. National results also suggest stability with 24% of the 16,000 surveyed employers planning to add positions and 10% planning to decrease payrolls.

Employment Outlook Survey

	Quarter 1 2005	Quarter 4 2004	Quarter 1 2004	YTD AVG 2005	YTD AVG 2004
Percent of Companies Hiring	25%	29%	15%	25%	15%
Percent of Companies Laying Off	2%	5%	17%	2%	17%
Percent of Companies No Change	70%	61%	51%	70%	51%

Source: Manpower Inc.

The metro Denver unemployment rate increased slightly to 5.0% in November, up from 4.6% in October, with declines in both the total labor force and the total number of people employed. All seven metro Denver counties experienced an increasing unemployment rate in November, with Adams and Denver counties both posting a 0.4% increase to 5.7% and 5.9%, respectively. Minor fluctuations are to be expected as the economy adjusts. Even so, metro Denver's year-to-date average unemployment rate of 5.2% represents a significant improvement from last year's rate of 6.3%. The average annual unemployment rate in metro Denver continues to be lower than the U.S. average of 5.6%, but slightly higher than the state's average rate of 5.1%.

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

	November 2004 (p)		2004 YTD Average		2003 YTD Average		1999	1994
	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	1,477.6	5.0%	1,450.8	5.2%	1,427.4	6.3%	2.4%	3.9%
Adams County	208.8	5.7%	205.3	6.0%	201.8	7.1%	2.7%	4.2%
Arapahoe Cnty	303.8	4.9%	298.3	5.0%	293.0	6.1%	2.1%	3.5%
Boulder Cnty	180.5	4.4%	176.0	4.6%	175.3	5.9%	2.6%	3.7%
Broomfield Cnty	24.5	4.8%	24.1	5.1%	23.7	6.2%		
Denver County	312.8	5.9%	307.8	6.2%	302.6	7.4%	3.1%	5.0%
Douglas Cnty	125.5	3.5%	123.2	3.6%	120.9	4.6%	1.4%	2.5%
Jefferson Cnty	321.6	4.5%	316.0	4.6%	310.0	5.6%	2.2%	3.4%
Colorado	2,540.6	5.0%	2,516.9	5.1%	2,477.7	6.1%	2.9%	4.2%
United States	148,246	5.2%	147,358	5.6%	146,510	6.0%	4.2%	6.1%

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

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

First time unemployment insurance claims in metro Denver and Colorado rose for the second consecutive month in November. In metro Denver, November claims increased to 6,167, an increase of more than 1,100 claims. The number of claims at the state level increased to 13,157, an increase of just over 2,000 claims. While the recent increases are troubling, average monthly claims in 2004 at both the state and metro levels are lower than last year, indicating an overall improving employment situation.

First Time Unemployment Insurance Claims

	Month of Nov-04	Month of Oct-04	Month of Nov-03	YTD AVG 2004	YTD AVG 2003	YTD AVG % Change	Annual Average 1999
	Metro Denver	6,167	5,039	6,780	5,653	7,205	-21.5%
Colorado	13,157	11,107	14,163	11,917	14,650	-18.7%	7,857

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

Consumer Sector

Retail sales received a boost this holiday season thanks to last-minute and after-Christmas shoppers looking for discounts. The National Retail Federation had predicted holiday sales to grow by 4.5% this year; however, some reports are indicating gains of up to 8.0%. Metro Denver malls like Park Meadows, Cherry Creek and Colorado Mills are all reporting double-digit gains in sales over last year. Spending Pulse, a retail-sales service provider for MasterCard, shows an 8.1% overall increase over last year with the strongest increases in the retail apparel (9.8%) and home furnishings (9.9%) categories. Similarly, Visa reported an 8.2% this year. High-end and luxury sectors were strong in 2004 with transactions of more than \$1,000 increasing 13.5% while transactions of less than \$99 increased only 5.8%.

Gift cards or certificates were a popular holiday gift this year. Several metro area malls saw dramatic increases in gift card sales this year like Cherry Creek (+21%), Colorado Mills (+25%) and Downtown Boulder Inc. (133%). It is estimated that national gift card sales will inch towards \$20 billion this year, or 11% of total holiday expenditures. Despite their popularity, gift cards may be blamed for lackluster sales in November and December because stores cannot record revenue in the books until the cards are redeemed for purchases. According to a survey by ValueLink, a unit of First Data, about 27% of gift card recipients spend the money within one week and 31% within one month. The survey also reported that gift card recipients tend to spend more than the gift card allowance.

Electronic payments and online sales go hand-in-hand and both are growing in popularity among American consumers. Online sales are expected to increase by 30% in 2004 compared to last year. U.S. visits to web shopping sites jumped 25.6% this holiday season over last, bringing the web shopping hits to 9.1% of all U.S. internet visits. ComScore Networks, an internet research company, forecasts online sales, excluding auctions and travel, to increase 28% to \$15.5 million this holiday season.

Americans prefer credit cards, debit cards and other electronic forms of payment to paper checks. The number of electronic payment transactions totaled 44.5 billion in 2003 compared to 36.7 billion checks according to the Federal Reserve. Electronic payments can be more convenient, cost effective and carry incentives like airline miles or cash back. The number of checks written in the U.S. has been declining since the mid-1990s.

Retail sales through December of 2004 will not be available until March for metro Denver. At this point, data through October is the latest available.

Total Retail Sales (\$000s)

	Month of Oct-04	Month of Sep-04	Month of Oct-03	YTD Total 2004	YTD Total 2003	YTD Total % Change	Annual Growth 1999	Annual Growth 1994
Total Metro Denver	5,400,136	6,217,152	4,934,523	54,636,471	50,967,172	7.2%	7.0%	9.8%
Adams County	735,172	868,760	658,613	7,464,870	6,704,738	11.3%	10.5%	14.0%
Arapahoe County	1,237,967	1,328,026	1,150,000	11,960,162	11,754,301	1.8%	10.2%	5.9%
Boulder County	519,902	616,944	474,169	5,127,343	5,089,655	0.7%	4.1%	7.1%
Broomfield County	102,669	124,694	97,507	1,983,379	1,114,294	78.0%		
Denver County	1,464,443	1,748,512	1,372,707	14,714,394	13,717,445	7.3%	2.2%	8.0%
Douglas County	399,756	452,943	345,064	3,973,703	3,410,413	16.5%	18.3%	29.0%
Jefferson County	940,227	1,077,273	836,463	9,412,620	9,176,326	2.6%	7.3%	15.2%
Colorado	8,955,428	10,484,060	8,135,885	91,107,857	84,987,158	7.2%	7.4%	11.6%

Source: Colorado Department of Revenue.

Metro Denver retail sales have posted a 7.2% gain through October compared to the first ten months of last year, bringing the year-to-date total to \$54.6 billion. The same 7.2% increase can

be found at the state level, reaching \$91.1 billion in total retail sales. Sales dropped in all seven metro-area counties and at the state level from September to October, reflecting seasonal changes and exhausted back-to-school shoppers that need a rest before holiday shopping picks up.

The strongest annual gains are occurring in Broomfield, Douglas and Adams counties. Retail activity is essentially flat in Boulder County. Sales are only slightly improved in both Arapahoe and Jefferson counties.

Local restaurants are benefiting from a stronger economy. Colorado restaurants are on track to increase sales by 6.2% in 2004 over last year, reaching \$6.3 billion. This is a welcome change following flat sales in 2002 and a slight decline in 2003. The National Restaurant Association says the typical adult purchased a meal or snack in a restaurant 5.3 times per week in 2004. All categories except sit-down Mexican are expected to grow in 2005.

Downtown Denver restaurant sales may have fared better were it not for the questionable hockey season. Sports bars and retailers in downtown Denver are feeling the pinch as the Colorado Avalanche has not played the first 18 home games of the season and will not play the remaining 23 games if the season is cancelled like most observers predict. Regardless, bar owners and retailers would like the lockout to end or to have the season officially cancelled so that other events can be booked at the nearby Pepsi Center.

The consumer confidence index for the mountain region dropped in November to 96.6 from a revised 111.0 in October, bringing the mountain region's score to just above the national average. The overall index incorporates two indices: the present situation index and the expectations index. For the mountain region, the present situation index showed a minor decline from 115.4 to 114.6 while the expectation index dropped sharply from 108.1 to 84.6 as consumers perceived worsening business conditions. The mountain region currently reports middle of the road confidence levels with a higher level than five of the remaining eight regions. Compared to last year, present situation confidence levels are significantly higher in the mountain region and expectations are lower.

Overall confidence at a national level declined for the fourth consecutive month from 92.9 to 90.5. At the national level, the present situation index saw a minor increase while the expectations index fell by 4.8 points. Still, compared to last year, confidence levels are significantly higher at the national level.

Consumer Confidence Index

	Month of Nov-04 (p)	Month of Oct-04	Month of Nov-03	YTD AVG 2004	YTD AVG 2003	YTD AVG % Change
Mountain	96.6	111.0	102.8	107.8	88.0	22.5%
United States	90.5	92.9	92.5	95.3	78.5	21.4%

Source: The Conference Board. (p)=preliminary

The metro Denver hotel occupancy rate fell to 55.2% in November from 63.5% in October. Hotel rental rates also fell during November, as is typical during late fall. On a positive note, metro Denver hotels are enjoying improved conditions in 2004 in terms of occupancy levels and rental rates after suffering through the lowest occupancy rates in 15 years during 2003. Both occupancy and room rates are up from November 2003 alluding to a stronger tourism industry than last year. Year over year statistics show a 3.3% increase in occupancy and a 0.5% decline in room rates. Downtown Denver reported the strongest occupancy rates in metro Denver and the highest rental rates in the state with the exception of ski resorts. In the next two years, between 1,700 and 2,000 hotel rooms will be added to the downtown Denver market. New hotels include a Four Seasons hotel and condominium project, Residence Inn by Marriott and a Hampton Inn.

Metro Denver Hotel Statistics

	Month of Nov-04	Month of Oct-04	Month of Nov-03	YTD AVG 2004	YTD AVG 2003	YTD AVG % Change	Annual 1999	Annual 1994
Percent of Hotel Rooms Occupied	55.2%	63.5%	53.5%	63.2%	61.2%	3.3%	67.2%	72.2%
Average Hotel Room Rate	\$85.79	\$89.98	\$82.33	\$84.24	\$84.68	-0.5%	\$87.36	\$66.03

Source: Rocky Mountain Lodging Report.

Christmas and New Year's travelers in the U.S. reached record-breaking levels this year, according to AAA. An estimated 62.7 million Americans will travel 50 miles or more this holiday season, an increase of 3.1% over last year. About 50.9 million of the 2004 total will travel by motor vehicle, also an increase of 3.0% from last year.

As for air travel, *Denver International Airport set yet another record for passenger traffic in October (latest data available) with almost 3.5 million passengers, an 8.9% increase over October 2003. In the first 10 months of 2004, 35.7 million passengers flew through the airport, 14.1% more than during the same period of 2003. Passenger traffic is on target to exceed 41 million, and possibly reach 42.75 million by year-end, as the convention center opens for business and ski season is in full swing. The number will easily surpass the previous record of 38.7 million passengers in 2000.*

Denver International Airport Passengers

	Month of Oct-04	Month of Sep-04	Month of Oct-03	YTD Total 2004	YTD Total 2003	YTD Total % Change	Annual 1999	Annual 1994
Number of Airline Passengers	3,450,667	3,304,789	3,168,824	35,713,429	31,295,395	14.1%	4,009,587	4,232,906

Source: Denver International Airport, Traffic Statistics.

Stock prices jumped in December across the board. The S&P closed 9.1% higher than it began the year while the NASDAQ is up 8.6%. 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, increased 2.7% during the year to close at 1,364.93. The DOW, on the other hand, inched upwards 3.2% for the year. On an annual basis, the S&P continues to outperform the other stock indexes.

More than two dozen Colorado companies posted gains of 20% or more in 2004. Especially strong gains occurred in the energy sector. Some of the larger company leaders include Gasco Energy (+212.5%), Pharmion (+181.2%), Delta Petroleum (156.2%) and Titanium Metals (130.3%). Recently sold Patina Oil & Gas saw a 52.6% annual increase. Significant gains among smaller companies included Isonics (+371.7%), Dynamic Materials (+305.4%), ADA-ES Inc. (+237.2%) and Century Casinos (+176.6%).

Stock Market Indexes

	Month of Dec-04	Month of Nov-04	Month of Dec-03	YTD Return Dec-04	YTD Return Dec-03	YTD Return Dec-02
Colorado	1,364.93	1,331.14	1,328.91	2.71%	28.50%	-20.01%
S&P	1,213.55	1,173.82	1,111.92	9.14%	26.38%	-23.37%
NASDAQ	2,175.44	2,096.81	2,003.37	8.59%	50.01%	-31.53%
DOW	10,783.01	10,428.29	10,453.92	3.15%	25.32%	-16.76%

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

Residential Real Estate

Housing demand in 2004 was partially supported by historically low interest rates. Mortgage rates held steady at historical lows in 2004. The U.S. 30-year mortgage rate in 2003 of 5.83% inched up to only 5.84% in 2004 according to Freddie Mac. Rising interest rates in 2005 will likely put upward pressure on mortgage rates, thus negatively impacting home sales and real estate investments in 2005, albeit slightly. The rule of thumb is that for every one percent mortgage rate increase, buyers lose 10% of purchasing power. For example, a prospective buyer who could afford a \$250,000 home at a 6% mortgage rate could only afford a \$225,000 home at a 7% mortgage rate or would need to come up with an additional income source.

New jobs, rising incomes and/or population increases will be necessary to sustain the record-breaking existing home sales when interest rates are on the rise. Thankfully, the 2005 Colorado Business Economic Outlook committee is forecasting a 43,100 increase in jobs across the state in 2005 and migration is projected to increase to 20,000 people. The Colorado Division of Housing forecasts the median household incomes of Colorado homeowners will grow by about \$2,000 in 2005. Furthermore, builders are offering more and more incentives for new homebuilders. The result is likely to be a relatively healthy home sales market in 2005 despite rising mortgage rates.

December was an active month for the metro Denver residential market. Home sales increased 5.2% in December, reaching 4,416 sales in December. Home sales under contract skyrocketed 34.3% to 3,458, indicating a strong January 2005 in terms of sales. Home sales reached a new record in 2004 with 54,012 sales of previously owned homes valued at \$14.3 billion. This represented an increase of 12.6% in home sales whereas sales under contract were up 21.6%.

Median prices slipped slightly in December, landing at \$232,500 for single-family homes and \$155,475 for condos. However, on an annual basis, the average price of a single family home was 4.3% higher in 2004 while the median value increased 2.7%. Condominium prices also increased on an annualized basis with the average value rising 3.3% and the median value increasing a modest 1.9%.

Sales of previously-owned homes in the U.S. broke a record in November reaching a seasonally-adjusted annual rate of 6.94 million units, a 2.7% increase over October's rate. The previous monthly high rate of 6.92 million was set in June 2004. Sales in the West region climbed 6.5% in November from the previous month to an all-time high monthly annual rate of 1.97 million. Sales rose 1.8% in the South, 0.7% in the Midwest and dropped 1.3% in the Northeast.

Home Sales Activity

	Month of Dec-04	Month of Nov-04	Month of Dec-03	YTD Total 2004	YTD Total 2003	YTD Total % Change	Ann Avg Dec-04	Ann Avg Nov-04
Home Sales (Under Contract)	3,458	2,574	1,705	36,124	29,703	21.6%	3,458	2,574
Home Sales (Closed)	4,416	4,199	3,585	54,012	47,966	12.6%	4,416	4,199
Unsold Homes on Market	20,891	24,533	21,623	20,891	21,623	-3.4%	20,891	24,533
Average Sales Price-Single Family	\$289,209	\$290,366	\$273,700	\$289,803	\$277,856	4.3%	\$289,209	\$290,366
Average Sales Price-Condo	\$186,001	\$182,676	\$182,034	\$180,986	\$175,215	3.3%	\$186,001	\$182,676
Median Sales Price-Single Family	\$232,500	\$236,500	\$230,000	\$236,240	\$230,000	2.7%	\$232,500	\$236,500
Median Sales Price-Condo	\$155,475	\$156,000	\$157,000	\$157,000	\$154,000	1.9%	\$155,475	\$156,000

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

The national median price of an existing single family home increased to \$188,500 during the third quarter of 2004, leading to a 7.7% increase year-to-date. Unfortunately, the median home price for Denver was listed as "not available" in the quarterly report by the National Association of Realtors. Since third quarter data for metro Denver is not available, information related to the second quarter results is repeated in this report.

Home appreciation is moderating in metro Denver in 2004. Data from the National Association of Realtors shows the median home price in metro Denver rose from \$231,800 in the first quarter of 2004 to \$241,800 in the second quarter. Median home prices in metro Denver so far this year are tracking about 1.4% higher than last year.

The National Association of Realtors ranked Denver as the 29th most expensive housing market out of 128 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 3 2004 (p)	Quarter 2 2004	Quarter 3 2003	YTD AVG 2004	YTD AVG 2003	YTD AVG % Change	Median 1999	Median 1994
Metro Denver	N/A	\$241.8	\$250.8	\$236.8*	\$233.6*	1.4%*	\$171.3	\$116.8
United States	\$188.5	\$183.5	\$175.0	\$180.9	\$168.0	7.7%	\$133.3	\$109.8

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

*Based on second quarter 2004 results do to lack of data for the third quarter of 2004.

Year-to-date foreclosures in metro Denver surpassed the 10,000 mark in November, settling at 10,963 and bringing the annual total to 28.8% above last year. Unfortunately, public trustees are thinking 2004 will replace 2003 as the second-worst year in metro Denver for foreclosures. The worst year on record is 1988 with 17,122 foreclosures or 2.3% of total homes on the market. If projections for 2004 remain on target, foreclosures will account for 1.0% of total homes on the market.

At the economy picks up steam, foreclosures will lessen since they are a lagging indicator. Between October and November, foreclosures increased 27.6%, led by activity in Arapahoe (+102), Denver (+53) and Adams (+50) counties. Denver ranks first among the seven-county metro region with 3,015 foreclosures so far this year. Arapahoe County (2,690) and Adams County (2,242) rounded out the top three - all of which are showing more than 30.0% increases over last year. On the bright side, Boulder County is reporting only a 6.6% annual increase, the best of the seven counties. Broomfield reported the fewest foreclosures in November, followed by Boulder and Douglas counties.

Real Estate Foreclosures

	Month of Nov-04	Month of Oct-04	Month of Nov-03	YTD Total 2004	YTD Total 2003	YTD Total % Change
Total Metro Denver	1,087	852	790	10,963	8,513	28.8%
Adams County	224	174	203	2,242	1,691	32.6%
Arapahoe County	282	180	174	2,690	2,043	31.7%
Boulder County	44	43	38	471	442	6.6%
Broomfield County	11	9	9	119	99	20.2%
Denver County	320	267	157	3,015	2,272	32.7%
Douglas County	48	50	54	713	590	20.8%
Jefferson County	158	129	155	1,713	1,376	24.5%

Source: CB Richard Ellis.

According to the Genesis Group, metro Denver home builders have enjoyed a 1.4% increase in the number of new home sales through September 2004 compared to the first nine months of 2003. The real estate consultancy group is forecasting as much as a 3.0% increase in 2005 due to continued incentives like zero closing costs and free landscaping or window coverings. Builders and lenders have teamed together to offer monetary bonuses, further enticing buyers.

New home sales across the nation dropped 12.0% in November from an annualized rate of 1.278 million in October to 1.125 million, the biggest drop in over a decade. Some analysts call November's results "payback" for record sales in October and months prior. Still, annual sales are projected to reach a record 1.199 million in 2004. Sales fell across the country, with the exception of the South (+14.0%). The Midwest saw the most severe drop (-39.4%), followed by the West (-28.0%) and the Northeast (-7.1%).

Recent results of the National Association of Home Builders/Wells Fargo Housing Market Index, partly derived from home builders' sales outlook six months ahead, are stable and promising. The December score of 71 suggests there has been no change in the overall attitude of homebuilders in the last three months. Homebuilders in the West appear more optimistic than in other regions, especially the Midwest. Some metro Denver homebuilders believe the Western optimism can mostly be found in competing markets like Albuquerque, Las Vegas, Salt Lake City and Phoenix

Home construction slowed nationally in November. The Commerce Department reported a 13% decline in the number of housing permits from October to November, falling to an annualized rate of 1.771 million from October's 2.039 million.

Residential construction slowed in metro Denver in October by almost 900 units or 37.0%. While the slowdown did not discriminate between products, multi-family construction saw the sharpest percentage decrease. Multi-family construction was minimal throughout most of 2004 but ramped up considerably in the summer and early fall months only to slide in October. With vacancies higher than landlords would like, the construction slowdown is acceptable. On an annual basis, residential construction activity in 2004 is more robust than last year, registering a 20% annual increase so far this year. Unincorporated Douglas County saw the biggest month to month increase in October, followed by Castle Rock, Commerce City, Erie and Aurora.

Residential Building Permits

	Month of Oct-04	Month of Sep-04	Month of Oct-03	YTD Total 2004	YTD Total 2003	YTD Total % Change	Total 1999	Total 1994
Single-Family Units	1,087	1,353	1,171	12,203	10,749	13.5%	17,523	13,441
Two-Family Units	247	571	331	4,082	3,186	28.1%	2,883	1,355
Multi-Family Units	116	378	568	2,427	1,697	43.0%	4,784	4,588
Total Units	1,450	2,302	2,070	18,712	15,632	19.7%	25,190	19,384

Source: Home Builders Association of Metropolitan Denver.

Nationally, rents are rising faster than incomes. The U.S. Bureau of Labor Statistics reports a 2.6% increase in hourly wages compared to a 2.9% increase rents as reported by the Consumer Price Index. In only four of the nation's 3,066 counties (none in Colorado) can a full-time worker earning the federal minimum wage of \$5.15 afford to pay rent and utilities for a one-bedroom apartment. In order to afford rent and utilities for a two-bedroom apartment, a worker must earn \$15.37 per hour, almost three times the minimum wage, according to a recently released report by the National Low Income Housing Coalition. The hourly wage in Colorado necessary to afford rent and utilities of a typical two-bedroom apartment is \$16.64, ranked 41st worst in the country. The highest wages necessary are required in Washington D.C. (\$22.83) and California (\$21.24). The statistics assume a household spends no more than 30.0% of its gross income on rent and utilities.

In an effort to combat the problem of affordable housing, Mile High United Way and developer St. Charles Town Co. have teamed up to build 23 low-income, affordable apartments near Coors Field. The apartments will be targeted at households earning 50% or less than the median income in Denver or \$59,000. Monthly rent will be in the neighborhood of \$450 to \$600 depending on the number of bedrooms.

Further, the Colorado Housing and Finance Authority and the Metro Mayors Caucus have joined together to offer developers \$53 million in tax-exempt bonds to build affordable, transit-oriented development (TOD) apartment units in metro Denver. The financing, which will allow lower income households to live near light rail lines, will also be leveraged with other financing to make more than \$100 million available so that about 1,000 units may be built. Other contributors include the cities of Denver, Arvada, Centennial, Lakewood, Littleton and Westminster. Of the 57 light-rail stops along the FasTracks rail lines, 51 can support TOD and 18 have more than 18 acres available for development.

The metro Denver apartment vacancy rate fell to 8.5% in the third quarter of 2004, according to the Denver Metro Apartment Vacancy and Rent Survey. The apartment vacancy rate has dropped for five consecutive quarters since reaching a peak of 13.1% in the second quarter of 2003. Experts attribute the decline in the vacancy rate to modest new apartment construction and shifting lifestyle preferences. Average rental rates are starting to creep back upwards, with the average rate for all units rising to \$821 per month in the third quarter.

Apartment Statistics

	Quarter 3 2004	Quarter 2 2004	Quarter 3 2003	YTD AVG 2004	YTD AVG 2003	YTD AVG % Change	Ann Avg 1999	Ann Avg 1994
Apartment Vacancy Rate	8.5%	9.7%	11.1%	9.6%	12.4%		4.5%	4.3%
Average Monthly Rental Rate (all units)	\$821	\$818	\$815	\$816	\$803	1.6%	\$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 0.1 percentage point each quarter of 2004, ending at 15.0%, while lease rates increased slightly. The vacancy rate including sublease space posted similar results, starting the year at 17.3% and ending at 16.8% in the fourth quarter. Average lease rates for all classes of space increased for the first time in three years from \$16.89 in the third quarter to \$17.05 in the fourth quarter, the highest rent since the fourth quarter of 2003.

Office Market Statistics

	Quarter 4 2004	Quarter 3 2004	Quarter 2 2004	Quarter 4 2003	Quarter 4 2002	Quarter 4 2001
Number of Buildings	4.218	4.212	4.200	4.181	4.141	3.981
Existing Square Feet (millions)	148.1	148.0	147.8	146.9	145.7	142.1
Vacant Square Feet (millions)	24.8	25.4	25.4	25.3	24.1	14.3
Vacancy Rate (Direct)	15.0%	15.1%	15.2%	14.8%	13.6%	10.0%
Vacancy Rate (With Sublet)	16.8%	17.2%	17.2%	17.2%	16.5%	13.1%
Average Lease Rate (per square foot)	\$17.04	\$16.88	\$16.95	\$17.37	\$18.93	\$20.75
New Construction Completed (year-to-date)	1.20 MSF, 38 Bldgs	1.05 MSF, 31 Bldgs	0.80 MSF, 18 Bldgs	1.24 MSF, 39 Bldgs	2.90 MSF, 82 Bldgs	7.75 MSF, 117 Bldgs
Currently Under Construction	0.72 MSF, 28 Bldgs	0.82 MSF, 27 Bldgs	0.37 MSF, 21 Bldgs	0.82 MSF, 24 Bldgs	1.39 MSF, 33 Bldgs	2.83 MSF, 65 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 28 buildings under construction that will result in the addition of 724,000 square feet of office space. Most of these buildings are small with the exception of the 280,000-square-foot Denver Newspaper Agency building.

A couple of other office buildings are in the planning stages. The Denver Tech Center will soon be home to the RE/MAX International world headquarters. The 17-story tower promises to be the tallest and most expensive building in the Tech Center upon its completion in late 2006. Construction will begin in the fall of 2005 on the 250,000 square foot building estimated at \$50 million. The Bank of Denver will break ground in early 2005 on its new corporate headquarters at East 17th Avenue and Clarkson Street, adding to downtown Denver financial district.

Metro Denver's industrial real estate market slipped slightly in the fourth quarter of 2004, according to data from CoStar. Both the direct vacancy rate and total vacancy rate, which includes sublet space, crept upwards by 0.1 percentage point to 8.1% and 8.8% respectively. The average lease rate also slipped a few cents from \$4.67 NNN to \$4.64 NNN. Since the third quarter, seven buildings with about 420,000 square feet of industrial space were added; however not all of the space was absorbed.

Industrial Market Statistics

	Quarter 4 2004	Quarter 3 2004	Quarter 2 2004	Quarter 4 2003	Quarter 4 2002	Quarter 4 2001
Number of Buildings	5,383	5,377	5,368	5,348	5,308	5,187
Existing Square Feet (millions)	193.3	192.9	192.7	191.4	189.4	186.1
Vacant Square Feet (millions)	16.9	16.7	17.7	16.1	14.0	9.6
Vacancy Rate (Direct)	8.1%	8.0%	8.2%	7.5%	6.4%	5.1%
Vacancy Rate (With Sublet)	8.8%	8.7%	9.2%	8.4%	7.4%	6.0%
Average Lease Rate (per square foot)	\$4.64	\$4.67	\$4.68	\$4.70	\$5.44	\$5.56
New Construction Completed (year-to-date)	1.82 MSF, 34 Bldgs	1.40 MSF, 27 Bldgs	1.22 MSF, 14 Bldgs	2.07 MSF, 38 Bldgs	2.77 MSF, 49 Bldgs	2.22 MSF, 38 Bldgs
Currently Under Construction	0.33 MSF, 14 Bldgs	0.61 MSF, 14 Bldgs	0.58 MSF, 14 Bldgs	1.20 MSF, 12 Bldgs	0.87 MSF, 17 Bldgs	1.65 MSF, 16 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 330,000 square feet of industrial, manufacturing and warehouse space is currently under construction in 14 buildings. Nine of the 14 buildings under construction are located in Adams County, representing about 60% of the new industrial space.

CoStar data shows mixed results in the flex space market, revealing decreased vacancy rates along with decreased lease rates. The direct vacancy rate slipped from 16.6% to 16.2% in the fourth quarter and remains about two percentage points below the vacancy rate with sublease space. The sublease vacancy rate has shown steady improvement over the last year, declining from 19.5% one year ago to the current rate of 18.0%. Three buildings with less than 40,000 square feet were added to the market during the fourth 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 4 2004	Quarter 3 2004	Quarter 2 2004	Quarter 4 2003	Quarter 4 2002	Quarter 4 2001
Number of Buildings	1,169	1,166	1,165	1,163	1,151	1,096
Existing Square Feet (millions)	36.1	36.0	36.0	36.0	35.7	34.5
Vacant Square Feet (millions)	6.5	6.6	6.8	7.0	6.0	4.8
Vacancy Rate (Direct)	16.2%	16.6%	16.6%	17.8%	15.0%	13.9%
Vacancy Rate (With Sublet)	18.0%	18.4%	18.8%	19.5%	16.8%	18.8%
Average Lease Rate (per square foot)	\$8.18	\$8.32	\$8.27	\$8.03	\$8.32	\$9.49
New Construction Completed (year-to-date)	0.12 MSF, 6 Bldgs	0.08 MSF, 3 Bldgs	0.09 MSF, 3 Bldgs	0.22 MSF, 10 Bldgs	0.81 MSF, 27 Bldgs	2.45 MSF, 52 Bldgs
Currently Under Construction	0.37 MSF, 17 Bldgs	0.34 MSF, 16 Bldgs	0.03 MSF, 2 Bldgs	0.05 MSF, 1 Bldg	0.25 MSF, 6 Bldgs	0.43 MSF, 15 Bldgs

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

In other development news, Forest City West named Foley's and J.C. Penny's as future tenants of The Orchard at Westminster along with a 12-screen AMC movie theatre. In addition to 1.1 million square feet of retail, restaurants and entertainment, the 215-acre mixed-use development at Interstate 25 and West 144th Avenue will feature office space and 500 residential units. Ground breaking is scheduled for April 2005 with the first phase opening during the fall of 2006. Construction progresses on the Larkridge retail development, only a few miles north in Thornton, which features more big-box retailers. Both Larkridge and The Orchard are being constructed on the basis of projected population growth and a currently underserved retail market.

A new mixed-use development is in the works near the Pepsi Center on 3.4 acres of vacant land that developers recently purchased for \$2.7 million from RTD. Specific plans have not yet been decided but Kroenke Sports Enterprises and Landric Corp. envision retail, entertainment and residential uses that may take advantage of the popular transit-oriented, high density concept.

Transit oriented development (TOD) plans are also underway on 55 acres at the light rail stop at Arapahoe and Interstate 25. The "village center" project would include a five-star hotel, 1,300 residential units, 500,000 square feet of retail and at least 600,000 square feet of office space. Between T-REX and FasTracks, there are 57 opportunities for TOD.

An upscale banking and retail center called County Club Village is planned for the northwest corner of West 120th Avenue and Federal Boulevard in Westminster. The 142,300-square foot center situated on 20 acres will be home to a FirstTier Bank Financial Center and "main street" retail shops. Other possible tenants include an upscale grocer or restaurant.

Monthly Economic Summary of Metro Denver

Indicator	Monthly/ Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↓	Employment increased 2,800 jobs from Oct to Nov, -0.1% annual growth rate
% Companies Hiring	↓	↑	25% of companies expect to add workers in 1st quarter 2005; only 2% expect decrease
Unemployment Rate	↑	↓	Nov unemployment rate grew to 5.0%; metro Denver annual rate lower than nation
Initial Claims	↑	↓	Initial unemployment claims increase in Nov. but are 21.5% below last year
Total Retail Sales	↓	↑	Total retail sales up 7.2% in first ten months of 2004
Consumer Confidence Index	↓	↑	Mountain region confidence decreased in Nov but remains higher than national level
Hotel Occupancy	↓	↑	Hotel occupancy decreased to 55.2% in Nov; average room rate about \$86 per night
DIA Passengers	↑	↑	Traffic up 14.1% through Oct, DIA likely to set record of 41 million passengers in 2004
Colorado Stock Index	↑	↑	Stock index increased in Dec and is up 2.7% in 2004
Dow Jones Industrial Average	↑	↑	Dow increased in Dec and is up 3.2% for the year
Home Sales (closed)	↑	↑	Dec home sales up 12.6% for the year; average SF sold price 4.3% higher
Median Home Price	↑	↑	Median home price rose to \$241,800 in Q2 2004, 1.4% higher than last year
Foreclosures	↑	↑	Foreclosures up 28.8% through Nov, strongest increase in Denver and Adams
Residential Building Permits (Total)	↓	↑	Total permits up 19.7% through Oct; annual increase in all housing types
Apartment Vacancy Rate	↓	↓	Vacancy rate drops to 8.5% in Q3 2004; avg rental rate increases to \$821 per month
Office Vacancy Rate	↓	↑	Vacancy rate with sublet now 16.8%; minimal construction is underway
Industrial Vacancy Rate	↑	↑	Minor increase in vacancy rate with sublet to 8.8%; minimal construction underway
Flex Space Vacancy Rate	↓	↓	Vacancy rate with sublease decreased to 18.0%; minimal new construction
Positive Changes	9 of 18	14 of 18	