

# **MONTHLY ECONOMIC SUMMARY**

**A Monthly Summary of Economic Conditions**

**in Metro Denver**

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

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**Prepared For:**



**Metro Denver**  
Economic Development Corporation

1445 Market Street  
Denver, Colorado 80202

**Researched and Compiled by:**



**Development Research Partners, Inc.**  
Patricia Silverstein  
10184 W Belleview Ave, Suite 100  
Littleton, Colorado 80127  
[www.DevelopmentResearch.net](http://www.DevelopmentResearch.net)  
(303) 991-0073      [Patty@DevelopmentResearch.net](mailto:Patty@DevelopmentResearch.net)

## MONTHLY ECONOMIC SUMMARY OF METRO DENVER

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

### Notable Rankings

- ◆ For two consecutive quarters, Colorado has ranked among the top ten states for job growth, according to the Federal Deposit Insurance Corp. (FDIC). Compared to the 1.7% national employment increase, Colorado experienced a 2.6% year-over-year increase during first quarter 2005, the eighth-fastest pace in the nation. The sustained employment gains have surprised some analysts since Colorado placed 45<sup>th</sup> for percentage employment gains as recently as fourth quarter 2003.
- ◆ Metro Denver ranked seventh among the 100 largest metros for public wireless Internet access, an improvement from last year's tenth place. Intel Corp. bases the annual ranking on the number of commercial or free Wi-Fi (wireless fidelity) points in existence from January to mid-April. The first survey in 2003 reported 74 Wi-Fi points in Metro Denver which grew to 141 in 2004. By 2005, the number of Wi-Fi points reached 318. Nationally, Wi-Fi spots have grown from 3,000 points among the top 100 metro areas in 2003 to 10,000 in 2004 and 30,000 in 2005. Seattle, San Francisco and Austin, TX are this year's top three leaders in wireless access.
- ◆ Metro Denver's largest charities rank fourth among the nation's major cities for overall financial performance, including fundraising efficiency, revenue growth and expenses. The rankings were calculated by IRS filings and released by Charity Navigator.
- ◆ *Fortune Small Business* recently released its list of the fastest-growing small public companies, which featured five Colorado companies. Colorado ranked sixth for the number of fastest-growing small businesses. The list includes publicly-traded companies with annual revenues less than \$200 million and a stock price higher than \$1.00. Rankings are based on the past three years of earnings growth, revenue growth and stock performance.

### **Fortune Top 100 Fastest-Growing Small Public Companies in Colorado**

Company	Business	2005 Rank	Headquarters
Royal Gold	Precious metals	26	Denver
Credo Petroleum	Oil and gas exploration-development	39	Denver
Birner Dental Management	Dental Offices	71	Denver
Allied Motion Technology	Designs/manufactures motor products	91	Englewood
Rocky Mountain Chocolate Factory	Chocolate	100	Durango

*Source: Fortune Small Business, www.Fortune.com*

- ◆ According to a survey by eHealthInsurance Services Inc., Denver has the 28<sup>th</sup> lowest individual health insurance costs among the 50 largest U.S. cities. The \$86.64 average monthly premium in Denver fell in the middle of a \$54.00 premium in Long Beach, CA and a \$334.09 premium in New York City. The survey compared monthly rates for a \$1,000 deductible and 20% co-insurance policy fit for 30-year-old nonsmoker with no serious health problems.

- ◆ Office rents for Class A buildings in downtown Denver are the fifth least expensive among the nation's largest cities. The study by Studley Inc. reported that 2004 average rents in Denver's central business district (CBD) increased 1.4% from 2003 to \$27.21 per square foot (not including landlord concessions). Cheaper rents can be found in Houston, Tampa, Atlanta and Dallas. In addition, real estate taxes in Denver are the lowest in the nation at \$2.10 per square foot, despite a 13.5% increase over 2003 taxes.
- ◆ Denver is the sixth cleanest city among the 50 largest U.S. cities based on air quality, water quality, industrial pollution (toxics), Superfund sites and sanitation. Portland, San Jose, Buffalo, Columbus and San Francisco placed higher than Denver in the study released by *Reader's Digest*. Denver's highest marks were received in water quality and toxics.
- ◆ The League of American Bicyclists demoted Denver's silver medal to a bronze medal for bike-friendly cities due to dropped plans for two bike/pedestrian bridges over Interstate 25 as part of the FasTracks plan. Cal Marsala, RTD's general manager, said safety concerns and overflow potential at the park-n-rides caused the change of plans since the bike routes would be highly popular and heavy vehicle traffic already exists around the stations.
- ◆ Denver is the fifth fittest city in the nation, according to *Men's Fitness* magazine. Last year, Denver placed fourth in the annual study based on several weighed elements including commuting time, weather patterns and fast food establishments. Seattle is the fittest city in 2005, up from sixth last year. Honolulu, Colorado Springs and San Francisco rounded out the top five. On the other hand, Houston, Philadelphia, Detroit, Memphis and Chicago ranked in the top five fattest cities.

### General Economic Overview

U.S. gross domestic product (GDP) increased 3.8% during first quarter 2005, suggesting a solid economic expansion. The revised figures released by the U.S. Commerce Department are up from preliminary estimates of 3.5% annual growth. The revised data values GDP, which measures the value of all goods and services produced in the U.S., at \$11.1 trillion on an annualized, inflation-adjusted basis.

The revised White House forecast estimates GDP will increase 3.4% between fourth quarter 2004 and fourth quarter 2005, down slightly from the previously forecasted rate of 3.5% in December. Still, analysts view the current forecast as healthy and respectable.

#### **White House Economic Forecast**

	<b>2004</b>	<b>2005</b>	<b>2006</b>
Real GDP Growth	3.7%	3.4%	3.4%
# New Jobs		2.1 million	2.2 million
Inflation Rate	3.4%	2.9%	2.4%

The Federal Open Market Committee (FOMC) continues to keep inflation in check by raising interest rates. On June 30<sup>th</sup>, the FOMC 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 committee believes that its monetary policy actions remain "accommodative" and supportive of economic activity when coupled with robust productivity gains, solid economic expansion conditions and an improving labor market. Continued rising energy costs have elevated inflationary concerns but long-term conditions are "well-contained." The board also raised the target for the discount rate by 25 basis points to 4.25%.

Oil prices closed above \$60 per barrel for the first time during the last week of June. Concerns about political instability in Iraq and a fundamental tightening between demand and supply fueled the recent increase. Global demand for oil is 84 million barrels per day; however, daily production is only 85 million barrels. At this rate, analysts expect to see noticeable increases at gasoline pumps through August.

Price increases at the pump mean consumers have less to spend on other items, thus slowing economic growth. For every \$10 increase in the price of a barrel of oil, economic growth could decline by 0.5%, according to Merrill Lynch's chief North American economist David Rosenberg. So far this year, oil price increases may have reduced the nation's economic growth by 1.0%.

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 declined 0.5% in May to 114.1, signifying that slower economic growth may occur during the third quarter of 2005. Only one of the 10 index components – stock prices – increased in May. The index remained unchanged in April and fell 0.6% in March.
- ◆ The Purchasing Managers' Index, compiled by the Institute for Supply Management, tracks the overall business activity of more than 350 manufacturing companies located throughout the country. The index fell to 51.4 in May, which still indicates expansionary conditions as values over 50 represent expansion. Although the index registered above 50 for the 24<sup>th</sup> consecutive month in May, the rate has slowed in each of the last six months indicating that the industry is losing momentum.
- ◆ The nation's service sector also expanded but at a slower rate in May, as measured by the Institute for Supply Management's non-manufacturing index. The Institute reported that 11 services industries experienced growth in May while one reported slower growth and one reported no change. Colorado's service economy also expanded but at a slower rate in May. The University of Colorado at Denver survey reported a May reading of 55.32, down from 60.12 in April. Readings greater than 50 imply expansionary conditions.
- ◆ Mountain state employment growth is among the strongest in the nation led by durable goods manufacturing, mining and transportation, according to the monthly index released by the Creighton University Economic Forecasting Group in Omaha. The overall index for Colorado, Utah and Wyoming rose to 70.2 in May from 66.7 in April, the fourth consecutive monthly increase. However, the individual Colorado index slipped to 68.8 in May from 70.1 in April partly due to lagging telecommunications and information sector growth despite gains in durable goods manufacturing. 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 slipped in May to 109.8 from a revised 110.7 in April. The decline reflects improving overall employment conditions which make it more difficult for small business to hire and retain employees. The national index improved from a revised 96.4 in April to 100.4 in May. The 100 level represents the benchmark year of 1997.
- ◆ Colorado business leaders are slightly more confident entering the second quarter of 2005 than the first quarter. The Colorado Business Leader's Confidence Index, compiled by the Business Research Division of the University of Colorado at Boulder, increased from 61.3 to 61.5 in the second quarter due to confidence in both the national and state economies. Index values above 50 indicate expansionary conditions.
- ◆ The Leading Index for Metro Denver stalled in March, remaining at 100.7. In February, the index jumped to 100.7 after posting 100.5 in both January and December. The Leading Index is a predictor of changing economic activity six to nine months in the future. The lack of movement in March indicates that the economic expansion is positive but stabilizing in Metro Denver. The Historic Index increased to 129.0 in March, up from 128.8 in February. The Historic Index measures year-over-year growth, so both the direction and magnitude of

change are important. The March 2005 index is 2.1% higher than the March index last year. The Historic index 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 increased by 13,300 positions in May to 1,354,000 positions, a 1.0% gain over April employment figures. Through the first five months of the year, Metro Denver employment is 2.2% ahead of employment levels reported during the same period last year. The Leisure & Hospitality and Natural Resources & Mining sectors experienced the highest percentage and absolute employment gains from April to May. Leisure & Hospitality employment grew 3.0% in May, an increase of 4,000 jobs as the summer season gets underway. Natural Resources & Mining employment grew 2.8%, an increase of 2,600 jobs. Employment grew in all 11 super sectors in May although only minimal percentage gains were realized in the Educational & Health Services and Information sectors.*

The small gain of 100 positions in Information employment from April to May is welcome news since Information sector employment is the only supersector reporting a year-to-date decline in employment figures through May. Information employment is down 5.8%, a loss of 3,600 positions, compared to the same period last year. On the other hand, Natural Resources & Mining employment experienced the greatest year-to-date percentage gain of 4.3% (+3,800 jobs), followed by 3.3% gains in both Professional & Business Services (+6,900 jobs) and Educational & Health Services (+4,400 jobs). Leisure & Hospitality employment is up 3.2%, or 4,100 positions, over this time last year.

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

	Month of May-05 (p)	Month of Apr-05	Month of May-04	Year-to- Date Average 2005	Year-to- Date Average 2004	Year-to- Date Average % Change	Annual Growth Rate 2000	Annual Growth Rate 1995
<b>Total 11-County Metro Denver*</b>	1,354.0	1,340.7	1,327.9	1,333.7	1,305.5	2.2%	4.3%	4.2%
Natural Resources & Construction	96.2	93.6	92.6	92.8	89.0	4.3%	10.7%	3.3%
Manufacturing	92.0	91.5	90.6	91.6	89.8	2.0%	-1.0%	3.8%
Wholesale & Retail Trade	205.6	203.5	202.5	203.6	200.4	1.6%	3.5%	5.0%
Transp., Warehousing & Utilities	51.9	51.5	51.3	51.7	50.6	2.1%	8.6%	3.5%
Information	57.9	57.8	61.4	58.2	61.8	-5.8%	10.1%	8.6%
Financial Activities Professional & Business Services	217.0	215.0	210.1	212.5	205.6	3.3%	7.0%	5.7%
Education & Health Services	137.1	136.8	132.9	136.2	131.8	3.3%	2.9%	4.8%
Leisure & Hospitality	139.3	135.3	135.8	133.7	129.6	3.2%	4.5%	5.8%
Other Services	50.7	50.5	49.4	50.3	49.0	2.5%	1.0%	3.6%
Government	198.8	198.0	195.6	196.4	192.7	1.9%	2.4%	0.5%
Federal Gov't	31.3	31.3	31.8	31.5	31.8	-0.8%	-0.5%	-6.6%
State & Local Gov't	167.5	166.7	163.8	164.9	161.0	2.4%	3.1%	2.6%
Colorado	2,218.5	2,209.4	2,172.4	2,198.7	2,148.2	2.4%	3.8%	4.5%
United States	134,081.0	133,374.0	132,068.0	132,296.6	130,115.6	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

Statewide employment increased 0.4% from April to May. Colorado year-to-date employment is up 2.4% compared to the same period last year, a gain of 50,500 jobs. Both Metro Denver and Colorado employment growth has outpaced the nation through the first five months of the year. National employment growth averaged 1.7% through May 2005.

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

**Aviation:** Front Range Airport is set to open the tallest general aviation air traffic control tower in the country after five years of planning. The 200-foot, \$5.7 million tower will open the airport to larger business jets. Front Range Airport is located in Adams County about six miles southeast of Denver International Airport. The Schuck Corp. of Colorado Springs is working in conjunction with Front Range Airport and Union Pacific to develop the airport and surrounding 6,100 acres into a 10,000-acre cargo complex called TransPort.

**Aerospace:** NASA formally picked Lockheed Martin and a Northrop Grumman-Boeing team to compete to develop the multi-billion dollar Crew Exploration Vehicle (CEV), the space shuttle's successor. While the selected teams came as no surprise since Lockheed Martin and the Northrop Grumman-Boeing teams were the only teams to submit proposals, one proposal could have been deemed unsatisfactory. NASA recently issued an accelerated timeline to narrow the gap between the space shuttle's retirement and the CEV, which will carry astronauts on the CEV into low-Earth orbit soon after 2010 and to the moon by 2015.

**Biotechnology:** Westminster-based Myogen ended research on its most advanced drug after clinical trials showed no "statistically significant benefit." The news comes as a great disappointment since investors have spent millions over the past three years trying to get enoximone to the marketplace. In fact, Myogen ran the drug through two Phase III clinical trials which cost between \$50 million and \$100 million each. The company is currently working on Phase III clinical trials for ambrisentan, a drug used in treating pulmonary arterial hypertension or high blood pressure in the lungs, and will begin trials of its third drug, dausentan, in the fall.

**Information Technology:** California-based Sun Microsystems Inc. agreed to purchase Louisville-based Storage Technology Corp. (StorageTek) for \$4.1 billion in June. Sun Microsystems is a computer server and software company that employs about 32,000 workers worldwide, including about 2,700 at its Broomfield, CO location. StorageTek is a tape-based data storage company founded in 1969 by former IBM engineers. StorageTek currently employs about 2,000 workers in state mostly at the Louisville site and another 7,000 employees worldwide. According to both Sun and StorageTek representatives, the merger will increase their growth opportunities. Merged revenues would have surpassed \$13 billion over the past four quarters.

While the Sun-StorageTek merger will likely result in some local layoffs, losses are not expected to be expansive because the companies generally focus on different parts of the business. During the last week of June, Sun announced layoffs throughout the company in an effort to "rebalance" their workforce but says layoffs are not related to the Sun-StorageTek deal.

IBM's Boulder campus celebrated its 40<sup>th</sup> anniversary in June. Today, the IBM campus includes 20 divisions and 24 buildings covering 2.4 million square feet. IBM Corp. in Boulder employs about 4,500 workers and pays \$500 million annual salaries and wages. About 3,400 of these employees currently work in the IBM Global Services division which monitors and maintains business networks.

Ciber Inc. of Greenwood Village is expanding its global reach by purchasing Knowledge Systems, a privately-held Indian software company, for \$2 million. The acquisition will add 125 India-based employees to Ciber's payroll. Ciber is an information technology firm with offices in 17 countries and global employment totaling 8,000, about 600 of which work in Colorado. According to Ciber, low-cost offshore development work allows the company to remain competitive, maintain client relationships and preserve American jobs.

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 fell to 5.0% in May from a revised 5.2% in April. The 5.0% rate is the lowest since October 2001 when retailers typically increase payrolls to accommodate holiday shoppers. At the county level, the unemployment rate ranges from a low of 3.7% in Douglas County to a high of 5.7% in the City & County of Denver. All unemployment rates fell from April to May in the seven Metro Denver counties. Year-to-date unemployment of 5.4% remains well below the 2004 level of 6.2% for the same time period. The average annual unemployment rate in Metro Denver is slightly higher than both the state and national rate of 5.3%.

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

	May 2005 (p)		2005 YTD Average		2004 YTD Average		2000 Annual Average Unemploy- ment Rate	1995 Annual Average Unemploy- ment Rate
	Total Labor Force	Unemploy- ment Rate	Total Labor Force	Unemploy- ment Rate	Total Labor Force	Unemploy- ment Rate		
Metro Denver	1,448.4	5.0%	1,417.7	5.4%	1,387.7	6.2%	2.3%	3.8%
Adams County	204.4	5.6%	200.3	6.1%	196.5	7.0%	2.5%	4.1%
Arapahoe Cnty	298.1	5.0%	291.5	5.2%	285.2	6.0%	2.1%	3.3%
Boulder Cnty	169.5	4.4%	165.7	4.6%	161.1	5.3%	2.4%	4.1%
Broomfield Cnty	24.3	4.8%	23.8	5.0%	23.3	6.0%		
Denver County	308.9	5.7%	303.1	6.2%	297.8	7.3%	3.0%	4.8%
Douglas Cnty	130.5	3.7%	127.5	3.9%	124.7	4.6%	1.3%	2.4%
Jefferson Cnty	312.7	4.9%	305.9	5.1%	299.0	5.8%	2.1%	3.2%
Colorado	2,540.8	5.0%	2,528.0	5.3%	2,491.5	5.9%	2.8%	4.2%
United States	148,878	4.9%	147,934	5.3%	146,333	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 Bureau of Labor Statistics (BLS) recently discovered some issues with their historical Local Area Unemployment Statistics (LAUS) data series. The BLS is in the process of correcting the data and will release revised figures in the coming months. The size of the error on the labor

force will vary by metropolitan area, but is not expected to exceed 3 percent in any case. Please note that the data presented in this report is uncorrected and will be revised as soon as possible.

*The number of first time unemployment insurance claims in May fell 5.3% in Metro Denver and 14.4% at the state level. Monthly Metro Denver claims are averaging 15.1% lower than the 2004 level, indicating an improved labor market.*

### First Time Unemployment Insurance Claims

	Month of May-05	Month of Apr-05	Month of May-04	YTD AVG 2005	YTD AVG 2004	YTD AVG % Change	Annual Average 2000
Metro Denver	4,571	4,825	4,722	5,218	6,149	-15.1%	3,513
Colorado	9,680	11,306	10,227	11,307	13,083	-13.6%	7,951

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

Increasing health care costs continue to be passed along to employees, according to the latest study by the Center for Studying Health System Change, a nonpartisan enterprise in Washington, D.C. For the fourth consecutive year, employers increased workers' share of the cost of health insurance through higher deductibles, co-payments and co-insurance as the cost of health insurance continues to increase. In fact, the cost of healthcare for privately-insured Americans grew 8.2% in 2004, down slightly from the 8.4% growth reported in 2003. Spending on prescription drugs accounted for more than one-fifth of the overall increase; however, drug costs rose at a slower rate of 7.2% in 2004 compared to 8.9% in 2003. 2004 marks the fifth year of slowed prescription-drug spending growth after peaking at 18.1% in 1999.

### Consumer Sector

Advance estimates of seasonally-adjusted retail and food service sales declined 0.5% from April to May at the national level. The decline, mostly due to decreases in automobile purchases, followed a revised 1.5% increase in sales from March to April. Retail sales are 7.1% higher through the first five months of 2005 compared to the same period last year, according to the U.S. Census Bureau.

*Retail sales in Metro Denver were up 8.3% through April compared to the first four months of last year. While all counties experienced gains, the largest year-over-year gains occurred in Adams County (18.4%), Douglas County (12.4%) and Boulder County (11.8%). The City and County of Denver leads the metro area in sales, followed by Arapahoe and Jefferson counties. Colorado retail sales were up 8.7% through April.*

### Total Retail Sales (\$000s)

	Month of Apr-05	Month of Mar-05	Month of Apr-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Annual Growth 2000	Annual Growth 1995
Total Metro Denver	5,425,481	6,230,203	4,992,836	21,852,783	20,182,576	8.3%	12.5%	4.8%
Adams County	805,506	923,430	707,709	3,264,823	2,757,256	18.4%	9.3%	-1.7%
Arapahoe County	1,241,385	1,354,493	1,070,523	4,787,148	4,481,075	6.8%	14.2%	6.4%
Boulder County	512,743	649,017	453,717	2,143,487	1,918,046	11.8%	10.5%	5.7%
Broomfield County	109,558	117,026	106,475	419,939	417,845	0.5%		
Denver County	1,447,895	1,679,765	1,362,536	5,954,608	5,554,358	7.2%	13.4%	3.1%
Douglas County	414,147	467,407	391,042	1,642,183	1,460,697	12.4%	16.5%	33.8%
Jefferson County	894,247	1,039,065	900,834	3,640,595	3,593,299	1.3%	10.8%	6.5%
Colorado	9,108,938	10,528,818	8,251,157	36,748,245	33,799,823	8.7%	10.8%	5.8%

Source: Colorado Department of Revenue.

Confidence levels in the mountain region improved in May to 118.9 from a revised 112.8 in April and are well-above May 2004 levels of 99.3, according to the Conference Board. The index is comprised of the present situation index and the expectations index. Mountain region consumers reported a jump in their perceptions of current situations in May as the index rose from a revised 128.3 to 145.3 in May, the most optimistic rating in over a year and the highest value among the nine regions. On the other hand, the expectations index in the mountain region slipped slightly from 102.5 to 101.3 in May. Still, the mountain region's perception of economic conditions in the coming months is the second best among the nine regions. National confidence also improved from a revised 97.5 in April to 102.2 in May.

Preliminary consumer confidence data for June shows further improvements at the national level. The Conference Board reported a 2.7 point increase in national consumer confidence to 105.8 from a revised 103.1. The higher-than-expected preliminary June reading marks the highest level of confidence since the June 2002 reading of 106.3.

### Consumer Confidence Index

	Month of May-05 (p)	Month of Apr-05	Month of May-04	YTD AVG 2005	YTD AVG 2004	YTD AVG % Change	Annual Average 2000
Mountain	118.9	112.8	99.3	116.9	104.2	12.1%	142.1
United States	102.2	97.5	93.1	102.4	92.2	11.2%	139.0

Source: The Conference Board. (p)=preliminary

The Metro Denver lodging market strengthened in May both in terms of occupancy rates and average room rates for the second month in a row. Occupancy increased to 63.7% from 62.5% during April and stands well above the 60.5% rate during May 2004. On an annualized basis, occupancy is 4.2% stronger compared to the same period last year. Average room rates increased to \$90.95 per night from \$88.30 the previous month and \$83.71 in May 2004. Room rates are 7.9% higher through the first five months of 2005 compared to the same period in 2004. The statewide lodging industry is also experiencing improvements. Occupancy rates increased to 56.5% through the first five months of 2005, a 2.3% improvement over the same period last year. The average room rate across the state stands at \$108.03, \$8.47 higher than last year.

### Metro Denver Hotel Statistics

	Month of May-05	Month of Apr-05	Month of May-04	YTD AVG 2005	YTD AVG 2004	YTD AVG % Change	Annual 2000	Annual 1995
Percent of Hotel Rooms Occupied	63.7%	62.5%	60.5%	59.6%	57.2%	4.2%	68.6%	72.5%
Average Hotel Room Rate	\$90.95	\$88.30	\$83.71	\$87.87	\$81.40	7.9%	\$89.57	\$71.44

Source: Rocky Mountain Lodging Report.

Metro Denver tourism got a boost in June when the 60<sup>th</sup> U.S. Women's Open was held at Cherry Hills Country Club in Denver. More than 120,000 people visited the event, a portion of which are out-of-town visitors. In fact, all 50 states were represented in ticket purchases. In general, the championship positively impacted local-area hotels, airline traffic, retail and restaurants.

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.

### 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.

Summer air travel is expected to be strong this year despite airline ticket price increases. Airlines such as United, Frontier, Delta and American have implemented several modest price increases this year on account of increasing fuel costs and operating losses. Airline-fair expert Terry Tripler of Minneapolis estimates Denver travelers are paying 10% to 20% more per fare than a year ago. Analysts note that all fares remain historically low and that an overall decrease in business fares has occurred. For example, the average lowest one-way leisure fare from Denver increased from \$109 a year ago to \$121 currently while the average lowest one-way business fare dropped from \$540 a year ago to \$392 currently.

*Colorado skier visits increased 5% in the 2004-2005 season to 11.81 million, making the season the third best in terms of skier visits. The report by Colorado Ski County USA also reported a record-year in terms of overall growth for international skier visits, mainly due to the weak dollar which makes U.S. vacations more attractive to foreigners. Overall international visits increased 28% over the previous season.* United Kingdom visits increased 31% over 2003-2004 visits while Australian and Latin American visits rose 25% and 16%, respectively. Out-of-state visits to Colorado increased 6%. A skier visit is defined as one skier or snowboarder spending all or part of a day at a resort. Destination resorts near the Front Range like Vail and Winter Park experienced the strongest growth across the state with an increase of 350,000 visits over the previous season.

Preliminary data from Lakewood-based National Ski Areas Association shows an estimated 19.3 million skiers and snowboarders visited the six-state Rocky Mountain region that includes Colorado, a 2.4% increase over 2003-2004 visits. Meanwhile, national skier visits decreased in 2004-2005 to 56.4 million from 57.1 million the previous season mainly due to a dry winter in the Pacific Northwest.

Metro Denver's Ocean Journey closed its doors to prepare for its grand re-opening as the Downtown Aquarium in mid-July. The new aquarium, owned by Landry's Restaurants Inc., will feature a restaurant and bar, revamped exhibits, 250,000 more gallons of exhibit space, a mystical transport vehicle and more affordable ticket prices. Landry's is also planning a second-phase renovation to include amusement park rides and attractions but no timetable has been set.

Central City is realizing the difference a road can make. Since the four-lane highway that feeds directly to its Main Street from I-70 opened, casinos are reporting increased revenues, new patrons and more extended visits. Casino revenues in May were 75% higher than May 2004. Through the first five months of 2005, sales tax revenue is up 64% compared to the same period last year. Two abandoned casinos have also re-opened in Central City. Prior to the \$45 million Central City highway opening, travelers had to take a two-lane highway and pass through Black Hawk. Notably, Black Hawk continues to attract 10 times more business than Central City. In May, Central City casinos took in \$6.6 million in gaming revenues compared to \$44.9 million in Black Hawk.

*The Colorado stock index posted a 3.7% gain through June while national indices experienced both year-over-year and monthly declines. 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. For the first half of 2005, the NASDAQ is down 5.4% while the DOW is down 4.7%. The S&P has fared better with a 1.7% decline.*

### Stock Market Indexes

	Month of Jun-05	Month of May-05	Month of Jun-04	YTD Return 2005	YTD Return 2004	YTD Return 2003
Colorado	1,651.49	1,616.03	1,411.69	3.7%	0.0%	15.2%
S&P	1,191.33	1,191.50	1,140.84	-1.7%	2.6%	10.8%
NASDAQ	2,056.96	2,068.22	2,047.79	-5.4%	2.2%	21.5%
DOW	10,274.97	10,467.48	10,435.48	-4.7%	-0.2%	7.7%

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

### Residential Real Estate

National sales of existing homes and condominiums were the second highest in May, selling at a seasonally-adjusted annualized rate of 7.13 million units. May sales were second only to April's 7.18 million pace. Continually low interest rates coupled with rising income levels contributed to the record resale pace. Toward the end of June, mortgage rates averaged 5.57% for a 30-year, fixed-rate mortgage.

*Meanwhile, the local residential real estate market for previously-owned homes has slowed compared to last year. According to MetroList data through June, home sales under contract were 4.8% lower than the same period last year while closed home sales were 2.6% below last year's levels. Inventory levels are up slightly over last year.*

The median price of a single-family home increased only 3.2% through the first half of the year compared to the same period in 2004 while median condo prices are up a minimal 1.0%. Still, the median price for a single-family home surpassed \$250,000 for the first time in June, reaching \$251,500.

The average price for a condo increased to \$192,842 in June, bringing the year-to-date average price 4.1% higher than last year. The average price of a single-family home increased to \$312,065 in June from \$304,887 in May. The year-to-date average price of a single-family home price stands 5.4% higher than the same period last year. Median prices are typically a better market descriptor as average prices tend to be skewed by extremely high or low values. Analysts say the market is experiencing slow, steady gains but continues to favor buyers versus sellers.

### Home Sales Activity

	Month of Jun-05	Month of May-05	Month of Jun-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Ann Avg 2000	Ann Avg 1995
Home Sales (Under Contract)	6,015	6,222	6,137	33,112	34,795	-4.8%	37,130	28,247
Home Sales (Closed)	5,091	4,631	5,164	24,143	24,787	-2.6%	48,611	36,038
Unsold Homes on Market	25,817	24,945	24,856	25,817	24,856	3.9%	8,820	9,854
Average Sales Price-Single Family	\$312,065	\$304,887	\$293,566	\$301,635	\$286,178	5.4%	\$239,779	\$150,736
Average Sales Price-Condo	\$192,842	\$195,989	\$178,073	\$188,178	\$180,779	4.1%	\$145,197	\$87,369
Median Sales Price-Single Family	\$251,500	\$244,000	\$243,000	\$241,491	\$234,000	3.2%		
Median Sales Price-Condo	\$163,307	\$159,500	\$155,000	\$158,900	\$157,326	1.0%		

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

The National Association of Realtors reported the median home price nationwide increased to \$207,000 in June from \$205,000 in May. The median price surpassed \$200,000 for the first time

in April 2005. According to data from the Office of Federal Housing Enterprise Oversight, national home prices increased 12.5% from March 2004 to March 2005.

*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.* Many metro areas experiencing record appreciation have surpassed Denver home prices. A record 66 metros posted double-digit appreciation during 2004, excluding Metro Denver. The three largest gains were Florida metros: Bradenton (+45.6%), Sarasota (+36%) and West Palm-Boca Raton (+35.9%). Only six metro areas suffered declines in home prices, led by a 6.5% decline in Beaumont, TX.

#### 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

The Metro Denver residential market is lukewarm compared to other "hot" markets like Las Vegas, Phoenix, Florida and much of the East and West coasts. According to *Fortune* magazine, the top five real estate booms towns are Los Angeles, Las Vegas, Phoenix, Austin and Miami. Federal Reserve Chairman Alan Greenspan and others are becoming concerned about rapid price appreciation across the nation and its affects on the residential market. Buyers are purchasing homes with no intent of actually moving but instead plan to return the home back to the market for a quick sale. According to the NAR, about 3% of homebuyers sell within one year. Speculative activity, rising home prices and risky mortgages like interest-only loans are consequences of the booming residential market.

Interest-only loans effectively lower the required monthly payments for several years, allowing more people to move into ownership especially in the high priced markets. While interest-only loans free up money for other purchases, a sharp downturn in the market could leave borrowers with homes worth less than what they owe, leading to a rise in foreclosures. Metro Denver ranks fourth among the nation's largest metro areas for the percentage of interest-only loans purchased in 2004, behind San Diego, Atlanta and San Francisco. San Francisco-based LoanPerformance reported that 43.4% of loans were interest-only in Denver compared to 47.6% in San Diego.

Furthermore, a Federal Deposit Insurance Corp. (FDIC) report shows that rising home prices have outpaced income growth in Colorado over the past decade, discouraging some from leaving renter situations to ownership. Between 1994 and 2004, home prices outpaced per capita personal income growth by 32%, mostly attributable to the post-1999 years when home prices increased despite flat income gains.

A study by Boulder-economist Michael Kone and Housingmetrics Inc. describes trouble in Metro Denver's foreclosure waters. *The top 30 Metro Denver lenders sold 58.6% more foreclosed homes during first quarter 2005 than during first quarter 2004. Foreclosed sales accounted for 7.0% of all previously-owned homes sold during first quarter 2005, up from 4.6% of total sales in first quarter 2004. Also, the number of foreclosed homes that sold for less than \$125,000 increased 145% over the same comparison period. On the bright side, foreclosure sales, better known in the industry as real estate owned (REO), make bargain prices available to lower-income households looking to move into ownership or for real estate investments.*

*Metro Denver foreclosures were up only 13.5% through May 2005 compared to the first five months of last year. Foreclosures in Metro Denver increased to 1,250 in May from 1,129 in April. While any increase in foreclosures is not desirable, the pace of the increase in 2005 is much improved compared to last year.* Adams, Douglas and Boulder counties continue to post high percentage increases in foreclosure activity while Adams, Denver and Arapahoe counties report the highest number of foreclosures in absolute terms. Broomfield County is the only county to experience fewer foreclosures through May compared to the same period last year. 2005 foreclosures are on pace to surpass last year when total metro area foreclosures hit 12,393, the highest level since 1988.

### Real Estate Foreclosures

	Month of May-05	Month of Apr-05	Month of May-04	YTD Total 2005	YTD Total 2004	YTD Total % Change
Total Metro Denver	1,250	1,129	888	6,010	5,296	13.5%
Adams County	312	235	201	1,426	1,078	32.3%
Arapahoe County	250	288	210	1,461	1,341	8.9%
Boulder County	42	50	33	268	226	18.6%
Broomfield County	11	13	11	53	59	-10.2%
Denver County	336	279	250	1,470	1,449	1.4%
Douglas County	106	73	50	435	351	23.9%
Jefferson County	193	191	133	897	792	13.3%

Source: CB Richard Ellis.

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. Annualized starts in April were 2.005 million. 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. The largest percentage increases in single-family detached home construction over the first three months of 2004 occurred in the southern suburbs: Castle Rock (695%, 47 to 374), Parker (429%, 47 to 249) and Lone Tree (0 to 50). 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.

The *Denver Metro Apartment Vacancy and Rent Survey* revealed that the metro apartment market is strengthening. Vacancy rates fell to 9.3% in the first quarter, the lowest first quarter rate since 2002. Average rental rates also increased to \$836 per month. Analysts say not only are rents on the rise, but concessions are also diminishing. Gordon Van Stroh, the report's author, says concessions, among other factors, drove prices down about 15% this past quarter. The apartment market is expected to continue improving through 2005 for several reasons including

rising mortgage rates that discourage some households from home ownership and force others to foreclosure, an improving job market and flat multi-family new construction. Investors are starting to show significant interest in the apartment market, suggesting they believe the market has bottomed out and is improving.

### Apartment Statistics

	Quarter 1 2005	Quarter 4 2004	Quarter 1 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	9.3%	10.0%	10.5%	9.3%	10.5%		4.6%	4.3%
Average Monthly Rental Rate (all units)	\$836	\$822	\$809	\$836	\$809	3.3%	\$763	\$564

Source: Denver Metro Apartment Vacancy and Rent Survey.

### Commercial Real Estate

Investors purchased more than a record \$1 billion in Metro Denver commercial real estate through the first half of 2005, according to Brad Neiman of Northstar Commercial Partners. Total sales volume is up 23.5% for the year even though this year's 62 transactions are 26.2% lower than the 84 transactions during the January-May period of 2004. The biggest sale this year and an all-time record was the Wells Fargo Center at 1700 Lincoln Street ("cash register building"), purchased by California-based Maguire Properties for \$344 million. Real estate is popular among investors because of the 6.5% to 8.5% expected return, compared to the volatile stock market and low bond yields.

Office rents for Class A buildings in downtown Denver are the fifth least expensive among the nation's largest cities. The study by Studley Inc. reported that 2004 average rents in Denver's central business district (CBD) increased 1.4% from 2003 to \$27.21 per square foot (not including landlord concessions). Cheaper rents can be found in Houston, Tampa, Atlanta and Dallas. In addition, real estate taxes in Denver are the lowest in the nation at \$2.10 per square foot, despite a 13.5% increase over 2003 taxes.

Data from Costar Realty Information, Inc. indicates a slowly improving office market in Metro Denver. Direct vacancy rates declined by 0.2 percentage points during the 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. Most of these buildings are small with the exception of the 280,000-square-foot Denver Newspaper Agency building, the 150,000-square-foot building for Raytheon that is under construction in Aurora, and the 292,000-square-foot Environmental Protection Agency (EPA) building in LoDo.

*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.

In other development news, St. Anthony's Central Hospital moved one step closer to relocating to the Lakewood Federal Center site in mid-June. Catholic Health Initiatives, the non-profit arm governing the hospital, approved spending \$440 million mainly through the issuance of tax-exempt bonds to build the new facility. Plans have been in the works for some time to move the hospital from its 16-acre, West Colfax location to a 45-acre plot near Sixth Avenue and Union Boulevard. Construction is set to begin as early as September 2006 on the new 900,000-square-foot facility and anticipated to be complete by 2009. St. Anthony's would bring between 1,200 and 1,500 jobs to Lakewood with average salaries of \$50,000 to \$60,000. City and County of Denver officials are looking into redevelopment scenarios for the West Colfax site.

Denver community development and planning officials invited about 100 developers, contractors, architects and transportation experts to tour the area surrounding Union Station and to discuss development opportunities last month. The November 2004 approval of FasTracks is the catalyst behind the development because Union Station will serve as the hub for all commuter and light rail lines in the metro area. About 1.4 million square feet of office, retail, hotel and residential space is planned for 20-acres surrounding the station over the next two decades. The Union Station executive oversight committee comprised of city officials, Regional Transportation District (RTD) representatives and Denver Regional Council of Governments (DRCOG) representatives will choose a master developer for the large-scale, mixed-use development in November of this year.

*The retail real estate market in Metro Denver reported stable conditions through the first three months of the year according to the quarterly report by the Frederick Ross Company. The overall vacancy rate dipped to 9.11% from 9.24% the previous quarter as the market experienced 125,000 square feet of positive absorption.* Five million square feet of new retail construction currently is underway in the metro area but only 25,000 square feet of the first quarter positive absorption came from new construction.

The former Crossroads Mall in Boulder is being transformed into the \$130 million Twenty Ninth Street, a 62-acre outdoor shopping and commercial district. Boulder officials estimate Twenty Ninth Street will generate nearly \$4.5 million in annual tax revenues by 2007. By comparison, Crossroads mall generated only \$915,000 in 2003, partly due to an out-dated facility and competition from Flatirons Crossing in Broomfield. The project is also expected to create 1,000 jobs.

**Monthly Economic Summary of Metro Denver**

Indicator	Monthly/ Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↑	Employment increased by 13,300 jobs from Apr to May, 2.2% annual growth rate
% Companies Hiring	↓	↑	32% of companies expect to add workers in 3rd quarter 2005; 2% expect decrease
Unemployment Rate	↓	↓	Rate decreased to 5.0% in May; metro even with state (5.0%); higher than U.S. (4.9%)
Initial Claims	↓	↓	Initial unemployment claims decreased in May; annual claims down 15.1% from 2004
Total Retail Sales	↓	↑	Total retail sales up 8.3% through Apr; up 8.7% for state
Consumer Confidence Index	↑	↑	Mountain region and U.S. confidence levels increased in May
Hotel Occupancy	↑	↑	Hotel occupancy increased to 63.7% in May; average room rate up to about \$91 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 3.7% through first six months of 2005
Dow Jones Industrial Average	↓	↓	Dow decreased in June; down 4.7% through June 2005
Home Sales (closed)	↑	↓	Home sales through June down 2.6% from last year; average SF sold price 3.2% higher
Median Home Price	↓	↑	Median home price fell to \$236,000 in Q1 2005; 2005 price 1.8% higher than 2004
Foreclosures	↑	↑	Foreclosures up 13.5% through June; biggest gains in Adams & Douglas 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 9.3% in Q1 2005; avg rental rate increases to \$836 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
<b>Positive Changes</b>	<b>13 of 18</b>	<b>15 of 18</b>	