

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

- ◆ Traffic in metro Denver is the ninth worst in the nation, an improvement over the previous ranking of seventh worst. However, the fall in rank mainly occurred because other metro areas experienced heightened congestion as opposed to actual improvements in metro Denver. Metro Denver commuters still spend an extra eight minutes in the car for every 20-minute trip during rush hour, the same statistic reported in the 2004 study. On a positive note, drivers did reduce the amount of wasted time spent in traffic in 2003 to 51 hours from 52 hours in 2002. Colorado Department of Transportation officials say it is good news that the statistics are not getting worse and that the completion of T-Rex will likely improve traffic conditions. The 2005 Urban Mobility study is based on 2003 data and conducted by the Texas Transportation Institute, which has tracked traffic data since 1982.
- ◆ Denver was named "A City of the Future" by *Foreign Direct Investment* magazine in 2005 because the city is well-poised for the future. The report cites Denver's diverse and dynamic economy, a growing gross metro product (GMP), a well-educated workforce and good access to and from the city including the newest airport in the U.S., light rail public transportation and two major interstates. The study also recognized Denver's telecommunications infrastructure, variety of housing options, recreational/entertainment activities and consistently high rankings as one of the healthiest cities in the U.S. Finally, the study noted that Denver was the first U.S. city to establish a presence in Asia.
- ◆ Colorado home prices were the seventh highest among the 50 states, according to recently released 2003 data by the U.S. Census Bureau. Only median home prices in California, Hawaii, Massachusetts, the District of Columbia, New Jersey and Connecticut exceeded Colorado's 2003 median price of \$200,466. Price appreciation in Colorado, on the other hand, ranked 47th in the nation. Of counties with populations of 250,000 or more in 2003, the Census Bureau's American Community Survey noted that Boulder County was the most expensive market in Colorado with a median price of \$302,007. Boulder was also the 38th most expensive market in the nation among counties of more than 250,000 residents.
- ◆ Job growth in Colorado ranked 10th in the nation from the fourth quarter of 2003 to the fourth quarter of 2004, according to the U.S. Bureau of Labor Statistics. Colorado experienced the eighth fastest job growth rate in the nation during the first quarter of 2005 with a 2.5% increase, the addition of 55,000 new jobs. Two years ago, Colorado was in the 47th position.
- ◆ Colorado boasted the eighth highest public high school graduation rate of 81.9% in 2004, according to the National Education Association.

General Economic Overview

U.S. gross domestic product (GDP), which measures national economic growth, grew at a solid 3.5% during the first quarter of 2005, an improvement from initial growth estimates of 3.1%. Economic activity is down slightly from the 3.8% rate posted during the fourth quarter of 2004 and 4.0% rate during the third quarter, partly due to high energy prices that limit consumer and business spending. Further evidence of a steadily growing economy is a 1.9% increase in durable

good orders for April, the first increase in four months. The Commerce Department measures durable good orders which are relatively expensive items that are expected to last more than three years. The increase suggests that business investment is rebounding, mainly in machinery, automobiles, computers and aircraft.

The Labor Department reported a 2.9% annualized increase in worker productivity during the first quarter. Meanwhile, the cost of labor per unit rose 3.3% during the same period, following a 7.7% increase during the final quarter of 2004. Labor costs can have significant impact on inflation rates.

The National Association of Business Economists (NABE) revised its national growth forecast down slightly to 3.4% in its May survey, down from 3.6% in February. The downward movement in estimated real GDP growth was mostly due to a weaker forecast for net exports. The panel also revised inflation forecasts for 2005 upward so that year-over-year fourth quarter inflation is expected to increase 2.8% in 2005, up from a forecast of 2.2% in February. The NABE forecast is based on a survey of 50 economists nationwide.

The Federal Reserve Board voted to raise the short-term, federal funds target rate a quarter-point in May, the eighth increase since June 2004. The rate now stands at 3.0%, the highest level since the fall of 2001. The prime lending rate for banks was also increased a quarter-point to 6.0%. The Federal Reserve Board continued the gradual rate increases despite conflicting economic factors: decelerating economic growth and rising inflationary pressures.

The Vectra Bank forecast for Colorado predicts robust job growth over the next 18-24 months, with growth rates in the 2.5% to 3.0% range expected. The outlook, authored by economist Jeff Thredgold, also calls for quicker home price appreciation than realized in recent months. Colorado home prices appreciated only 4.2% during 2004, the 47th slowest in the nation. Thredgold expects Colorado appreciation to fall more towards the middle of the pack in 2006.

In contrast to the mixed messages regarding the national economy, metro Denver's economy is showing steady improvement as indicated by several recently released indices and data points:

- ◆ The Vectra Bank Colorado Small Business Index for Colorado inched upwards to 108.4 in April from a revised 108.2 the month prior. The index's most heavily weighted component, the unemployment rate, increased slightly to 5.1% from 4.9% in March. Because the index assesses economic conditions from a small-business perspective, higher unemployment is considered a positive because it implies looser labor markets. The 100 level represents the benchmark year of 1997.
- ◆ Colorado's service economy 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. 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 index slipped to 58.5 in May from 61.7 in April. Still, the above 50 reading marks the 25th consecutive monthly expansion.
- ◆ The Front Range Purchasing Managers Index, which measures the health of the manufacturing sector, recorded a small gain in February with the index rising to 55.0. According to the index, which is compiled by the University of Colorado at Denver, a score above 50 indicates expansion while a score below 50 indicates a contraction. The Institute for Supply Management's measure, which gauges the manufacturing sector's health at the national level, dropped more than expected in May to 51.4 from 53.5 in April. The May reading is the lowest since the June 2004 reading of 50.4 and marks the fifth consecutive month of index declines.
- ◆ 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.

- ◆ Colorado business conditions declined in May to 68.8 from 70.1 in April, according to an index by the Omaha-based Creighton University Economic Forecasting Group. The group notes lagging telecommunications and information sectors in the Colorado economy. On the other hand, business conditions in the three-state mountain region (Colorado, Utah and Wyoming) were up 70.2 in May from 66.7 in April, the fourth consecutive monthly increase. Index values greater than 50 indicate economic growth in the next three to six months.
- ◆ 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.

Labor and Employment

Metro Denver employment increased by 8,100 jobs in April, a 0.6% gain over March employment figures. Employment levels are currently 2.2% ahead of levels through April 2004. Leisure and hospitality sector employment grew 1.5% in April with the addition of 2,000 positions. Professional and business services employment followed with a 1.1% gain of 2,400 new positions. The natural resources and construction sector experienced the third-largest percentage gain of 0.9% or 800 new positions. Minor losses occurred in the manufacturing sector while information sector employment was flat after three months of declines. *On a year-to-date basis, the natural resources and construction sector is 4.5% ahead of last year, followed by education and health services (+3.4%) and professional and business services (+3.3%). Information employment is 5.7% behind 2004 levels through April and is the only sector reporting year-to-date losses.* Colorado added 5,900 positions in April for a 0.3% increase. U.S. employment gains out-paced both metro Denver and the state with a 0.9% increase.

Natural Resources and Energy: The value of minerals produced in Colorado jumped 28% in 2004 to \$8.5 billion, up from \$6.65 billion in 2003. Natural gas accounted for about two-thirds of the total value or \$5.8 billion. Non-fuel minerals (\$949 million), oil (\$849 million), coal (\$800 million), carbon dioxide (\$129 million) and uranium (\$2 million) rounded out the total mineral production. The increase, due to higher natural gas and coal prices and increased production, ultimately means more money from taxes and royalties for the state and local governments.

Molybdenum, also known as *moly*, is enjoying a solid comeback due to increased demand for moly products from China and India's steel industries. Moly is typically fused with copper to form harder steel alloys and in petrochemical products. The increased demand is good news for Colorado, which is the home of the world's largest moly mine in Henderson in Clear Creek County. The mine hired 115 employees in 2004 to satisfy demand and plans to hire another 30 workers soon. The mine also became a 24-hour operation. Current prices for a pound of *moly* stand around \$34 compared with the 2001 low of \$2.36 per pound.

The U.S. had enough wind energy capacity to supply 1.6 million households at year-end 2004 and analysts expect the capacity will grow to support 2.3 million households by the end of 2005. The information was revealed at the American Wind Energy Association's Windpower 2005 Conference held at the Colorado Convention Center. The industry is currently facing several obstacles, including wind-energy tax credits that expire every two years and hinder long-term deals.

Colorado's rank for wind-energy production slipped from eight to ninth in 2004, surpassed by New Mexico. California (2,096 megawatts), Texas (1,293 megawatts) and Iowa (632 megawatts) are

the top three wind-energy producers in the U.S. Colorado's capacity grew only 7.5 megawatts in 2004, bringing the total generation capacity to 231 megawatts. For reference purposes, one megawatt of wind energy powers 250 to 300 homes compared to 600 homes from one megawatt of continuous energy. The wind farm near Lamar, CO produces about 162 megawatts of wind energy and is the fifth-largest in the nation.

Xcel Energy CEO, Wayne Brunetti, says Xcel will replace Southern California Edison as the nation's top wind power provider by year-end 2006. Currently, California Edison provides 1,025 megawatts of wind energy compared to the 1,400 Xcel anticipates providing by the end of next year between its 10 operations in the Midwest and West. At least 351 megawatts of energy will be in Colorado. Xcel currently supplies 884 megawatts of wind energy.

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

	Month of Apr-05 (p)	Month of Mar-05	Month of Apr-04	Year-to- Date Average 2005	Year-to- Date Average 2004	Year-to- Date Average % Change	Annual Growth Rate 2000	Annual Growth Rate 1995
Total 11-County								
Metro Denver*	1,340.1	1,332.0	1,318.8	1,328.5	1,299.9	2.2%	4.3%	4.2%
Natural Resources & Construction	93.8	93.0	90.9	92.0	88.1	4.5%	10.7%	3.3%
Manufacturing	91.4	91.5	90.4	91.5	89.6	2.0%	-1.0%	3.8%
Wholesale & Retail Trade	203.2	202.2	200.7	203.1	199.9	1.6%	3.5%	5.0%
Transp., Warehousing & Utilities	51.6	51.4	51.0	51.6	50.5	2.3%	8.6%	3.5%
Information	58.1	58.1	61.4	58.3	61.9	-5.7%	10.1%	8.6%
Financial Activities Professional & Business Services	214.6	212.2	210.0	211.3	204.5	3.3%	7.0%	5.7%
Education & Health Services	136.9	136.0	132.5	136.0	131.6	3.4%	2.9%	4.8%
Leisure & Hospitality	134.9	132.9	132.4	132.2	128.0	3.2%	4.5%	5.8%
Other Services	50.5	50.3	49.1	50.2	49.0	2.5%	1.0%	3.6%
Government	197.6	197.4	195.0	195.7	192.0	1.9%	2.4%	0.5%
Federal Gov't	31.3	31.4	31.8	31.6	31.8	-0.6%	-0.5%	-6.6%
State & Local Gov't	166.3	166.0	163.2	164.2	160.3	2.4%	3.1%	2.6%
Colorado	2,208.0	2,202.1	2,166.3	2,193.4	2,142.1	2.4%	3.8%	4.5%
United States	133,374	132,195	131,150	131,850	129,628	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

Aerospace: Lockheed Martin Corp. and Boeing Co. agreed in May to jointly build a new generation of rockets for the government under the newly created United Launch Alliance. The agreement guarantees half of the U.S. Air Force's future satellite launch contracts to Lockheed with the other half awarded to Boeing. The contracts include twelve total launches at an estimated \$100 million each. By giving business to both companies, the military, NASA and other governmental agencies can be assured that both companies are healthy and able to launch government spy and communication satellites at any time. The joint venture is also expected to save \$150 million in duplicate facilities and positions. United Launch Alliance's new rockets will mostly be manufactured at Boeing's facilities in Decatur, AL, meaning that Lockheed's current rocket production operations in Waterton Canyon will be moved to Alabama. The joint venture's administrative and engineering operations will be centralized at Lockheed's Waterton Canyon facility, resulting in a net employment gain. United Launch will employ 3,800 workers, including 1,500 current Lockheed employees (900 at the Waterton Canyon facility) and 2,300 Boeing employees.

In other news, Lockheed is the favorite for a NASA contract to design and build the \$500 million Mars Telecommunications Orbiter (MTO). NASA plans to use the orbiter to pioneer the use of lasers for interplanet communication. The contract is to be finalized in June. The scheduled September 2009 launch will commence a 10-year mission.

Lockheed also recently unveiled its new vehicle for space travel in a bid to NASA. The chosen team will receive \$1 billion to build a prototype Crew Exploration Vehicle (CEV) to "blast" astronauts into space by 2014. If Lockheed's team is selected, the contract could translate into an estimated 500-600 direct jobs in metro Denver that pay between \$60,000 and \$80,000 in annual salaries.

Biotechnology and Medical Devices: Six privately-held biotech companies in Colorado received \$71.2 million in venture capital financing last year, according the 19th annual *Global Biotech Report* by Ernst & Young. Colorado's total funding was up from the \$59 million raised in 2003 but has yet to return to the 2001 and 2002 levels of \$146 million and \$83 million, respectively. The sale of Fort Collins-based Atrix Laboratories to a British Columbia firm dropped the number of publicly-traded biotech firms in Colorado from eight to seven. On a positive note, Colorado biotech revenue increased 36% in 2004 to \$183 million. However, losses also grew by 25% to \$168 million. Biotech funding across the nation reached a record \$3.6 billion in 2004 as revenues increased 17% to \$46 billion whereas losses totaled \$6.4 billion. The report notes that Asian and European companies are becoming stronger players in the biotech industry and that India, China, Japan and Singapore are at the center of industry growth. An estimated 1,400 biotech firms employ about 183,000 workers in the U.S.

Medical device giant Gambro Inc. will add 250 positions to its Jefferson County facilities by 2009. Most of the positions will be manufacturing-based and pay annual salaries between \$40,000 and \$50,000. Lakewood serves as the Swedish company's U.S. headquarters and currently employs about 1,500 people in Jefferson County. The company also plans to invest \$16 million in capital improvements over the next five years.

Information Technology: Longmont-based InPhase Technologies received \$32.1 million in venture capital funding over the past year and plans to use the money to expand its workforce from 75 to 100 employees. InPhase is a data storage company that is developing a technology to increase data storage on a DVD-type device.

McData Corp. in Broomfield announced it will reduce payrolls by 500 to 600 employees after completing the acquisition of Minneapolis-based Computer Network Technology Corp. Most of the cuts are expected at the Minneapolis facilities although some local losses are likely. Currently, McData employs about 650 workers in Colorado.

Telecommunications: After three months of intense bidding, Qwest lost the bid for MCI Inc. to Verizon Communications in early May. MCI rejected four bids by Qwest, including the final \$30 per share offer, despite lower offers by Verizon. Verizon's winning bid was \$26 per share. MCI's board reasoned that Verizon is stronger financially and the potential for lucrative customer defection would be minimized under the Verizon deal. MCI also questioned whether Qwest could successfully trim \$3 billion a year in costs. Qwest is now focusing on smaller acquisitions and reducing its \$17.2 billion in debt by selling assets. In 2004, Qwest revenues declined 3.4% from 2003 to \$13.8 billion.

Financial Services: Charles Schwab laid off almost 100 metro Denver workers in May citing a need to simplify operations and reduce overall capacity. The reduction accounts for about 10% of the firm's local workforce.

Colorado's third-largest commercial bank and fourth-largest consumer bank will soon be under a new name as the year-old merger between Chicago-based BankOne and JPMorgan Chase & Co. becomes visible. The 73 BankOne locations and 1,200 signs across the state will soon reflect the Chase moniker although little else is expect to change among the local operations. Together, Chase and BankOne have 1.4 million customers, including Chase credit card users, and 1,300

employees in Colorado. Chase has built a Colorado presence through mortgage operations, with 300 employees and \$2.6 billion in local mortgage loans in 2004.

Federal Government: Colorado emerged a winner from the Base Realignment and Closure Commission (BRAC) recommendations. No large bases in Colorado were targeted for closure and several will gain personnel from other bases. Fort Carson in Colorado Springs will add about 5,000 military and civilian personnel from other bases along with smaller increases at Peterson and Buckley Air Force Bases. Another 3,700 personnel from troops from South Korea will soon arrive in Colorado Springs as well. Maryland gained 9,293 personnel as a result of the closure and realignment, the largest gain of all 50 states. Colorado placed fourth with a net increase of 4,917 military and civilian personnel, and was preceded by Georgia (7,423) and Texas (6,150). Connecticut, Maine and Washington D.C. suffered the largest losses of between 8,000 and 6,000 personnel. Overall, the BRAC recommended 33 major bases be closed and another 29 be reduced in size.

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

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

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

Employment Outlook Survey

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

Source: Manpower Inc.

An estimated 17,200 job vacancies offering an average hourly wage of \$13.15 were open in metro Denver during the fall of 2004, according to the recently released Job Vacancy Survey by the Colorado Department of Labor. The retail trade sector offered about 3,250 vacancies, the most of all sectors, but also one of the lowest wages. Health care and social assistance vacancies stood at about 2,750 and paid \$19 per hour, one of the highest wages. More than one-third of the health care sectors' job vacancies were for registered nurses. Together, the retail and health care sectors accounted for 40% of total vacancies. The accommodation and food services sector added the most vacancies since the fall 2003 study but offered the lowest wages of all sectors. Manufacturing paid about \$22 per hour and was seeking 1,000 new hires during the fall.

Colorado employers are having a tough time filling some low-end positions like dishwashers, landscapers laborers and hotel housekeepers because Congress severely limited the number of H-2B temporary work visas for foreigners that can be granted. In 2004, Colorado applied for 14,388 H-2B visas, second only to Texas's 19,549 applications. Florida, Virginia and Maryland rounded out the top five in applications. H-2B visas were predominately filed for landscape laborers (52.2%), but hotel workers (13.7%) and sports instructors (10.7%) also ranked high on the list.

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 erroneous input and will release a new series June 1, 2005. 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 below is uncorrected and will be revised in June.

The unemployment rate in the seven-county metro Denver decreased to 5.3% in April from 5.7% the month prior. The 5.3% rate is the lowest since November 2004 when retailers increased payrolls to accommodate holiday shoppers. At the county level, the unemployment rate ranges from a low of 3.9% in Douglas County to a high of 6.1% in the City & County of Denver. All unemployment rates fell between March and April for the seven metro Denver counties with the exception of Broomfield. Year-to-date unemployment of 5.5% remains well below 2004 levels of 6.4% for the same time period. The average annual unemployment rate in metro Denver is slightly higher than the state's rate of 5.3% and equal to the national rate of 5.5%.

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

	April 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	1,406.0	5.3%	1,402.5	5.5%	1,416.5	6.4%	2.3%	3.8%
Adams County	198.6	6.0%	198.3	6.2%	196.4	7.3%	2.5%	4.1%
Arapahoe Cnty	289.3	5.3%	288.3	5.3%	284.9	6.2%	2.1%	3.3%
Boulder Cnty	164.1	4.6%	163.6	4.7%	160.8	5.4%	2.4%	4.1%
Broomfield Cnty	23.6	5.1%	23.5	5.0%	23.3	6.2%	*	*
Denver County	300.3	6.1%	300.1	6.4%	297.6	7.6%	3.0%	4.8%
Douglas Cnty	126.5	3.9%	126.1	3.9%	124.4	4.7%	1.3%	2.4%
Jefferson Cnty	303.6	5.2%	302.6	5.2%	298.5	5.9%	2.1%	3.2%
Colorado	2,535.6	5.2%	2,524.7	5.3%	2,490.9	6.0%	2.8%	4.2%
United States	148,274	4.9%	147,698	5.5%	146,252	5.9%	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

Wages are growing more slowly in the West than other geographic areas. A U.S. Department of Labor report shows wages in the West increased 2.1% from the first quarter of 2004 to the first quarter of 2005. Wages increased in the South 2.8%, 2.5% in the Northeast and 2.2% in the Midwest.

The National Compensation Report by the U.S. Bureau of Labor Statistics shows that about two-thirds of workers in the Denver-Boulder-Greeley region are considered white-collar and earn an average of \$26.07 per hour. Professor positions paid the highest white-collar wages along with engineers, architects, financial managers and computer analysts. Blue-collar workers account for the remaining one-third and earn an average of \$15.82 per hour. The average hourly wage for all workers in metro Denver in June 2004 was \$21.94, about \$4 above the national average. The report is based on June 2004 data and can be found at <http://bls.gov/ncs/ocs/compub.htm>.

First Time Unemployment Insurance Claims

	Month of	Month of	Month of	YTD AVG	YTD AVG	YTD AVG	Annual
	Apr-05	Mar-05	Apr-04	2005	2004	% Change	Average 2000
Metro Denver	4,825	4,870	5,937	5,380	6,506	-17.3%	3,513
Colorado	11,306	10,614	13,833	11,713	13,797	-15.1%	7,951

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

The number of first time unemployment insurance claims fell about 1.0% in April for metro Denver but increased 6.5% at the state level. The monthly average for metro Denver claims is 17.3% lower than the 2004 level, indicating an improved labor market.

Consumer Sector

Seasonally adjusted national retail sales jumped 1.4% in April, the strongest increase in six months. The revived retail industry welcomed the better-than-expected news after only a 0.4% increase in March. The Commerce Department noted that the April increase was widespread across a number of retail categories. Excluding automobile purchases, retail sales rose 1.1% in April.

First quarter retail sales in metro Denver were 8.1% higher than the first quarter of last year. The largest year-over-year gains occurred in Adams County (20.0%), Douglas County (14.8%) and Boulder County (11.4%). All other counties experienced minor gains with the exception of Broomfield County which posted a 0.3% loss.

Total Retail Sales (\$000s)

	Month of Mar-05	Month of Feb-05	Month of Mar-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Annual Growth 2000	Annual Growth 1995
Total Metro Denver	6,230,203	5,057,301	5,764,173	16,427,302	15,189,740	8.1%	12.5%	4.8%
Adams County	923,430	748,214	719,522	2,459,317	2,049,547	20.0%	9.3%	-1.7%
Arapahoe County	1,354,493	1,114,304	1,310,200	3,545,763	3,410,552	4.0%	14.2%	6.4%
Boulder County	649,017	507,694	572,233	1,630,744	1,464,329	11.4%	10.5%	5.7%
Broomfield County	117,026	99,591	119,446	310,381	311,370	-0.3%		
Denver County	1,679,765	1,365,748	1,603,912	4,506,713	4,191,822	7.5%	13.4%	3.1%
Douglas County	467,407	376,325	415,188	1,228,036	1,069,655	14.8%	16.5%	33.8%
Jefferson County	1,039,065	845,425	1,023,672	2,746,348	2,692,465	2.0%	10.8%	6.5%
Colorado	10,528,818	8,462,251	9,777,573	27,639,307	25,548,666	8.2%	10.8%	5.8%

Source: Colorado Department of Revenue.

Confidence levels dipped slightly in April for the mountain region as well as for the nation, according to the Conference Board. The consumer confidence index for the mountain region decreased from a revised 117.8 in March to 115.4 in April. Still, mountain region consumers are more optimistic than they were a year ago. National consumer confidence slipped from 103.0 in March to 97.7 in April. However, national consumers are also more confident than they were a year ago.

Preliminary national consumer confidence data for May shows a rebound in consumer confidence to 102.2. The increase in May reverses a three-month downward trend. Last May, the national consumer confidence index registered only 88.5.

Consumer Confidence Index

	Month of Apr-05 (p)	Month of Mar-05	Month of Apr-04	YTD AVG 2005	YTD AVG 2004	YTD AVG % Change	Annual Average 2000
Mountain	115.4	117.8	100.2	117.1	105.5	11.0%	142.1
United States	97.7	103.0	93.0	102.6	91.9	11.6%	139.0

Source: The Conference Board. (p)=preliminary

The overall consumer confidence index incorporates two indices: the present situation index and the expectations index. The mountain region present situation index increased from 129.3 to 131.7, indicating that respondents' perspectives on business conditions and the employment situation improved. Meanwhile, the expectations index fell from 110.1 to 104.6 indicating

consumers have worsening expectations for the coming six months. *Currently, the mountain region has the highest consumer confidence index of the nine regions, the second highest present situation index and the highest expectations index.*

Vacations are expected to become more expensive this summer, according to a PricewaterhouseCoopers (PwC) forecast. On the lodging front, PwC expects hotel occupancy rates to reach about 70% this summer, the highest rate since 2000 and the last year before the September 11th attacks severely depressed the U.S. tourism industry. Lodging rates are expected to rise due to increased demand, spurred by several factors like the weak U.S. dollar and low airline fares. The weak dollar makes American vacations more attractive to foreigners and Americans.

Another study by AAA forecasts that travelers will incur a 5% increase in food and lodging costs this summer. Colorado ranks 18th in the U.S. for typical lodging and meal costs. Hawaii, Washington, DC and Rhode Island are the three most expensive states for travel, according to the AAA.

The metro Denver lodging market strengthened in April in terms of occupancy rates and average room rates. Occupancy increased to 62.5% in April from 57.3% in April 2004. On an annualized basis, occupancy is 3.9% stronger compared to the same period last year. Average room rates increased to \$88.30 per night from \$81.75 in April 2004. Room rates are 7.7% higher through the first four months of 2005 compared to the same period in 2004. The statewide lodging industry experienced similar improvements with a 56.5% occupancy rate and a \$112.13 average room rate.

Metro Denver Hotel Statistics

	Month of Apr-05	Month of Mar-05	Month of Apr-04	YTD AVG 2005	YTD AVG 2004	YTD AVG % Change	Annual 2000	Annual 1995
Percent of Hotel Rooms Occupied	62.5%	58.8%	57.3%	58.6%	56.4%	3.9%	68.6%	72.5%
Average Hotel Room Rate	\$88.30	\$85.29	\$81.75	\$87.01	\$80.77	7.7%	\$89.57	\$71.44

Source: Rocky Mountain Lodging Report.

While national airline traffic soared to 698.7 million passengers in 2004 and continues to rise, delays and the duration of delays are also on the rise. In fact, the return to pre-September 11, 2001 airline traffic levels has led to 25.4% of the flights experiencing delays during the first quarter of 2005 and a record 52.3-minute average delay. Since 2000, airports have attempted to improve conditions by adding runways and terminals.

The April 10th blizzard is to blame for a 3.7% drop in airline traffic in April compared to April 2004. The blizzard caused most airlines to cancel all flights in and out of Denver International Airport. Still, nearly 13.3 million passengers have traveled through the airport during the first four months of the year, a slight increase of 0.7% over the same period last year.

Denver International Airport Passengers

	Month of Apr-05	Month of Mar-05	Month of Apr-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Annual 2000	Annual 1995
Number of Airline Passengers	3,257,262	3,801,483	3,383,196	13,287,376	13,193,178	0.7%	38,751,687	31,035,398

Source: Denver International Airport, Traffic Statistics.

Skier visits to the Rocky Mountain region reached an all-time high during the 2004-2005 season. Preliminary data from Lakewood-based National Ski Areas Association shows an estimated 19.3 million skiers and snowboarders visited the six-state region that includes Colorado, a 2.4%

increase over 2003-2004 visits. 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.

Another key sports industry in Colorado is the golf industry. During 2003, about 7.8 million rounds of golf were played on Colorado's 239 courses. In 2002, the golf industry contributed an estimated \$1.2 billion to the state's economy, according to a joint study by THK Consulting and Colorado State University. The industry payroll totaled \$177 million to nearly 11,000 employees across the state. Metro Denver continues to host noteworthy golf events with the 60th U.S. Women's Open at Cherry Hills Country Club in June that is expected to draw more than 100,000 spectators, volunteers and media.

Stock Market Indexes

	Month of May-05	Month of Apr-05	Month of May-04	YTD Return 2005	YTD Return 2004	YTD Return 2003
Colorado	1,401.21	1,313.62	1,260.86	2.7%	-5.1%	14.7%
S&P	1,191.50	1,156.85	1,120.68	-1.7%	0.8%	9.5%
NASDAQ	2,068.22	1,921.65	1,986.74	-4.9%	-0.8%	19.5%
DOW	10,467.48	10,192.51	10,188.45	-2.9%	-2.5%	6.1%

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

All four stock indexes increased in May after across-the-board declines in March and April. 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, is the only index to show a gain over the first five months of 2004. The NASDAQ ended May almost 5.0% below last year's level, followed by a 2.9% decline in the DOW and a 1.7% decline in the S&P index.

Residential Real Estate

National sales of existing homes and condominiums reached a record high in April, selling at a seasonally-adjusted rate of 7.18 million units. April activity was 4.5% higher than the revised March sales pace of 6.87 million units. Not surprisingly, home builder optimism rose in May according to the National Association of Home Builders/Wells Fargo builder confidence index. The index moved from 67 to 70 in May as mortgage rates remained low and employment increased.

While national sales levels remain high, the local residential real estate market for previously-owned homes is relatively flat, according to data through May. Home sales under contract were 5.4% lower than the same time period last year while closed home sales were 2.9% below last year's levels. Inventory levels are up slightly over last year but are still at reasonable levels.

Median home prices have also seen little change. The median price of a single-family home increased only 3.9% compared to January-May of last year and condo prices have declined a mere 0.6%. On the other hand, the average price for a condo in metro Denver increased 6.6% in May to \$195,989, topping \$190,000 for the first time. Analysts expect that a few large-scale sales skewed this month's data. Last month, the average price of a single-family home exceeded \$300,000 for the first but saw a slight decline from \$308,547 to \$304,887 in May. Median prices are typically a better descriptor of the market as average prices tend to be skewed by extremely high or low values.

Home Sales Activity

	Month of May-05	Month of Apr-05	Month of May-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Ann Avg 2000	Ann Avg 1995
Home Sales (Under Contract)	6,222	7,206	6,665	27,097	28,658	-5.4%	37,130	28,247
Home Sales (Closed)	4,631	5,151	4,842	19,052	19,623	-2.9%	48,611	36,038
Unsold Homes on Market	24,945	24,164	24,105	24,945	24,105	3.5%	8,820	9,854
Average Sales Price-Single Family	\$304,887	\$308,547	\$293,626	\$299,187	\$284,155	5.3%	\$239,779	\$150,736
Average Sales Price-Condo	\$195,989	\$183,931	\$182,961	\$186,733	\$181,840	2.7%	\$145,197	\$87,369
Median Sales Price-Single Family	\$244,000	\$245,000	\$239,000	\$239,900	\$231,000	3.9%		
Median Sales Price-Condo	\$159,500	\$153,850	\$158,750	\$157,000	\$157,900	-0.6%		

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

The median home price in metro Denver 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.

Conditions may change over the next several months. The National Association of Realtors senior economist, Lawrence Yun, considers Denver one of the "hot" housing markets partly due to a recovering tech industry. He also considers Seattle, Austin and Raleigh-Durham to be "hot" markets for similar reasons.

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

County assessor data also revealed that home prices in metro Denver grew more slowly during 2004 than anytime since the early 1990s. County assessor valuations for 2004 increased only 1.65% in Jefferson County. Home prices increased 2.7% in the City & County of Denver while Arapahoe County posted a 3.1% increase. Boulder County saw an average increase of 3.5% and appreciation in the City & County of Broomfield averaged 4.6%. Adams County enjoyed a healthy 6.0% appreciation mainly supported by the strong demand for new homes. Douglas County led the metro area with a 6.5% average annual price increase.

Metro Denver foreclosures were up only 8.0% at the end of April, compared to an 11.6% at the end of the first quarter. Foreclosures in metro Denver fell to 1,129 in April from 1,289 in March. While any increase in foreclosures is not desirable, the pace of the increase in 2005 is much improved compared to last year. Adams and Boulder counties continue to post high increases in foreclosure activity. Both Broomfield and Denver counties experienced fewer foreclosures through April compared to the same time period last year. Colorado was among five states that

accounted for nearly half of the nation's total foreclosures in March. The study's publisher, Realty Trac, also listed Georgia, Florida, Texas and Utah among the top five states for March foreclosures.

Real Estate Foreclosures

	Month of Apr-05	Month of Mar-05	Month of Apr-04	YTD Total 2005	YTD Total 2004	YTD Total % Change
Total Metro Denver	1,129	1,289	1,154	4,760	4,408	8.0%
Adams County	235	333	201	1,114	877	27.0%
Arapahoe County	288	304	321	1,211	1,131	7.1%
Boulder County	50	66	57	226	193	17.1%
Broomfield County	13	7	9	42	48	-12.5%
Denver County	279	318	340	1,134	1,199	-5.4%
Douglas County	73	78	68	329	301	9.3%
Jefferson County	191	183	158	704	659	6.8%

Source: CB Richard Ellis.

The number of residential building permits issued in metro Denver during the first quarter of 2005 increased 18.3% compared to the same time 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).

Analysts continue to debate whether or not the high level of residential construction is warranted or leading to an over-saturated market that could depress home prices and increase foreclosures. Roger Reinhardt of the Home Builders Association calls the market "just right." Mike Rinner of the Genesis Group explains that the current number of new homes on the market equals a healthy 1.3 month supply. On the other hand, Tucker Hart Adams questions whether or not there will be enough residents to occupy the new supply.

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.

Plans were recently unveiled for an \$18 million, transit-oriented development (TOD) near the Littleton light rail station and downtown Littleton. The 35-unit complex is to be named Littleton Station and include townhomes, condos and lofts between 1,800 and 2,200 square feet. Office suites for sale will also be housed in the building.

Another TOD mixed-use project is moving closer to fruition. Gates Corp. sold the remaining 30-acres of the former Gates Rubber campus to LionStone Group, a Houston development firm. LionStone plans to construct high-density residential units, office space, restaurants and other entertainment facilities. During the rezoning phase, it was estimated that the site could accommodate 2.7 million square feet of development, valued at \$540 million. By the time

FasTracks is completed, three light rail lines will intersect adjacent to the site. In 2001, 50 acres of the 80-acre campus were sold to Cherokee Investment Partners. Cherokee is planning a "new urban" village for the site currently undergoing environmental remediation.

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

The metro Denver office market continues to build momentum in the opinion of Frederick Ross, a Denver-based real estate firm. Their data shows 375,000 square feet of positive absorption during the first quarter of 2005 and a small drop in the overall vacancy rate from 21.85% to 21.39%. Most absorption occurred in Class A properties as tenants strive to sign contracts at current bargain lease prices. The Central Business District (CBD) posted 60,000 square feet of negative absorption during the first quarter, resulting in a slight increase in the vacancy rate to 17.33%. On the other hand, conditions in the southeast suburban market, which includes the Denver Tech Center, saw 200,000 square feet of positive absorption. Vacancy rates dipped slightly in the first quarter to 23.12% but remain above CBD levels. Still, vacancy rates are much improved over recent years. For example, Denver Tech Center vacancy rates hit 28% in 2002. The northwest market along the U.S. 36 corridor reported positive conditions during the first three months of 2005, including 150,000 square feet of positive absorption and a lower vacancy rate of 27.84%. Frederick Ross analysts are optimistic about improvements in all markets over the coming months.

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

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

Office Market Statistics

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

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

“Office condominiums,” defined as offices that are purchased rather than leased, will anchor three mixed-use developments in the downtown vicinity for a combined value of \$75 million. The buildings, located in the Uptown neighborhood, near Coors field and across from the Museum of Contemporary Art/Denver, will be about 75% office space, 15% residential and 10% ground-floor retail. Developer Urban Market Development adds that parking will be plentiful for all three buildings which will add a total of 225,000 square feet of office space. The Uptown project is the only building currently under construction.

Metro Denver’s industrial real estate market experienced 78,249 square feet of negative absorption during the first quarter of 2005 which resulted in a higher vacancy rate of 8.95%. About 160,000 square feet of new industrial space came online through the first quarter and another one million square feet are currently under construction, according to the most recent Frederick Ross Commercial Real Estate Quarterly. Both the R&D/Flex and industrial warehouse markets are classified under their industrial statistics.

Fuller and Company reports slightly different results for metro Denver’s industrial market. In fact, Fuller shows a 0.4% decline in the vacancy rate to 7.6%, the first decline in five years, and positive absorption of about one million square feet. The northwest market posted the highest vacancy rate (without sublease space) of 12.8% compared to the lowest rate of 4.2% in the southwest market. Large-scale speculative construction is minimal. Small to mid-sized buildings are being constructed in most submarkets, especially the southwest and southeast submarkets. Because potential tenants tend to prefer buying as opposed to leasing space, landlords continue to offer low rental rates along with other incentives. Fuller and Company expects rents and concessions to firm throughout 2005, especially as interest rates rise.

Industrial Market Statistics

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

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

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

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

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

Flex Space Statistics

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

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

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

In other development news, developer Tim Wiens announced plans for an event center as part of the Arista development in Broomfield. The center may accommodate approximately 130 events per year, including concerts, trade shows and sporting events. The Broomfield Urban Renewal Authority, the center's owner, will issue bonds to be paid back with sales and property tax revenues from the Arista community. Arista is a 200-acre, mixed-use development along U.S. 36 that will also include up to 800,00 square feet of retail and 1,200 residential units.

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.

Monthly Economic Summary of Metro Denver

Indicator	Monthly/ Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↑	Employment increased by 8,100 jobs from Mar to Apr, 2.2% annual growth rate
% Companies Hiring	↑	↑	35% of companies expect to add workers in 2nd quarter 2005; 7% expect decrease
Unemployment Rate	↓	↓	Rate decreased to 5.3% in Apr; metro higher than state (5.2%) and U.S. (4.9%)
Initial Claims	↓	↓	Initial unemployment claims decreased in Apr; annual claims down 17.3% from 2004
Total Retail Sales	↑	↑	Total retail sales up 8.1% in Q1 2005; up 8.2% for state
Consumer Confidence Index	↓	↑	Mountain region and U.S. confidence levels decreased in April
Hotel Occupancy	↑	↑	Hotel occupancy increased to 62.5% in Apr; average room rate up to about \$88 per night
DIA Passengers	↓	↑	Traffic up 0.7% in first four months of 2005, serving about 13.3 million passengers YTD
Colorado Stock Index	↑	↑	CO Stock Index increased 2.7% through first five months of 2005
Dow Jones Industrial Average	↑	↓	Dow increased in May; down 2.9% through May 2005
Home Sales (closed)	↓	↓	Home sales through May down 2.9% from last year; average SF sold price 5.3% higher
Median Home Price	↓	↑	Median home price fell to \$236,000 in Q1 2005; 2005 price 1.8% higher than 2004
Foreclosures	↓	↑	Foreclosures up 8.0% through May; highest increases in Adams and Boulder counties
Residential Building Permits (Total)	↑	↑	Total permits up 18.3% in first quarter 2005; 36.5% decrease in multi-family permits
Apartment Vacancy Rate	↓	↓	Vacancy rate decrease to 9.3% in Q1 2005; avg rental rate increases to \$836 per month
Office Vacancy Rate	↓	↓	Vacancy rate with sublet now 16.4%; minimal construction is underway
Industrial Vacancy Rate	↑	↓	Minor increase in vacancy rate with sublet to 8.9%; minimal construction underway
Flex Space Vacancy Rate	↓	↓	Vacancy rate with sublease decreased to 17.8%; increase in flex construction in Q1
Positive Changes	13 of 18	15 of 18	