

MONTHLY ECONOMIC SUMMARY

A Monthly Summary of Economic Conditions

in Metro Denver

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

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MONTHLY ECONOMIC SUMMARY OF METRO DENVER

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

Notable Rankings

- ◆ Colorado's tech startups rank fifth in the U.S. for obtaining research money from the Small Business Innovation Research (SBIR) program. In 2003, Colorado recipients were awarded approximately \$81 million in SBIR funds and four SBIR awards including most innovative award, rookie company of the year and most successful commercialization of an SBIR-funded idea. California (\$385.7 million) received the most funding followed by Massachusetts (\$242.3 million), Maryland (\$96.6 million) and Virginia (\$96.5 million). Colorado funding exceeded that of other competitor states like New York, New Jersey, Texas and Washington.
- ◆ Denver International Airport (DIA) ranks first among major airports for on-time arrivals in 2004 with 83% of flights arriving on-time. DIA also ranked fifth in on-time departures with 85% of flights leaving on-time. Last year, DIA ranked second in on-time arrivals and seventh in on-time departures according to the Bureau of Transportation Statistics. Airport officials attribute the timeliness to the airport's layout that includes six runways. DIA celebrated its tenth anniversary on February 28, 2005 and currently ranks as the fifth-busiest airport in the U.S.
- ◆ Daniels College of Business at the University of Denver was recently recognized as one of the top 50 global research centers for the management of technology by the International Association for the Management of Technology. Also, the *Journal of Product Innovation Management* ranked Daniels 34th among U.S. business schools.
- ◆ *Business Week* recently graded the economic outlook of the following industry sectors: Energy (A), Information Technology – hardware (A), Manufacturing – aerospace (A), Manufacturing – basic industry (A -), Life Sciences – drugs (C+), Information Technology – telecom (C), Information Technology – chips (C), and Information Technology – software (C).
- ◆ According to merger and acquisition tracker Thomson Financial, Denver-based Daniels & Associates completed the most deals involving U.S. telecommunications companies in 2004. The company completed 26 deals for domestic clients alone in 2004. Domestic and foreign deals totaled 83 transactions for an aggregate value of approximately \$2 billion.
- ◆ Fourteen Colorado companies made *Fortune's* list of most admired companies. Storage-Tek in Louisville took the top ranking in its industry for the fourth year in a row and was named the best in the nation for innovation, employee talent and long-term investment. Among the 14 companies are CH₂MHill, Ball Corp., First Data Corp., Newmont Mining, Molson Coors Brewing Co., Liberty Media, MDC Holdings, AIMCO, Cenvo Inc., Qwest Communications, TransMontaigne, Regal Entertainment Group and Western Gas Resources.
- ◆ The Center for Civic Innovation at the Manhattan Institute reported Colorado's high school graduation rate fell to 72% in 2002 from 79% in 1999. Still, the state's graduation rate remains above the 71% national average in 2002. In 1999, the national graduate rate was 72%. According to the study, the 2002 graduation rate for white students in Colorado was 80% compared to 47% for Hispanics and 61% for Blacks.

General Economic Overview

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

The National Association of Business Economists (NABE) released a moderate growth forecast for 2005 stating that GDP will expand 3.6% in 2005 and 2006. NABE economists cite a cooling residential market as a factor behind the more moderate growth although economists predict consumer spending and business investment will remain solid. According to the forecast, the unemployment rate will decrease from 5.5% to 5.2% in 2005 and inflation will ease to 2.2% in 2005 and 2.3% in 2006 period. The deceleration in consumer prices is partly due to cooling energy prices which experienced a surge in 2004.

The Federal Open Market Committee (FOMC) of the Federal Reserve raised the target for the federal funds rate a quarter-percentage point in early February to 2.5%, marking the sixth increase since June 2004. Increases are expected to continue throughout 2005 to keep inflation in check with economic expansion. In fact, analysts foresee another rate hike in late March, eventually raising rates to between 3.5% and 4.0% by year end. Consequently, the prime rate would increase to between 6.5% and 7.0% by year end. The federal funds rate, the Federal Reserve's primary tool in influencing economic activity, is the interest rate banks charge each other on overnight loans.

The U.S. trade deficit soared to \$617.7 billion in 2004, a 24.5% increase over the 2003 deficit. The Commerce Department reported that the deficit now accounts for 5% of the national economy, adding downward pressure to the value of the U.S. dollar and increasing the amount of U.S. debt held by foreign entities. American businesses lost international ground last year not only in manufacturing but also in advanced technology products and services, two of the country's strongest sectors. The annual trade deficit with China alone totaled \$162 billion, the largest U.S. trade deficit on record with any single country.

Colorado exports increased 9.0% and reached a record high in 2004 of \$6.67 billion, surpassing the previous record of \$6.6 billion in 2000. About \$3.9 billion of total export sales were computer products and electronics, according to a statement released by the Office of Economic Development and International Trade in February. Colorado export growth slightly lagged national growth in 2004 on a percentage basis, largely due to the ban on U.S. beef exports resulting from the discovery of mad cow disease in Washington state. Mexico's decision to import U.S. beef last summer mitigated export declines.

Colorado's top three export markets are Canada, Mexico and Japan. Sales to Colorado's top two markets, Canada and Mexico, increased in 2004 but decreased to Japan by 7.1%. Like the national situation, Colorado's fourth largest export market, China, is growing rapidly. In fact, exports to China from Colorado companies increased 67% in 2004.

U.S. venture capital fundraising increased 67% in 2004, reaching the highest level in three years and causing concern that firms may be collecting more money than they can invest profitably, according to a survey by the National Venture Capital Association and Thomson Venture Economics of Arlington, VA. Venture capital firms raised 170 funds with \$17.6 billion in investor commitment compared to \$10.6 billion in 2003. In 2001, investor commitment reached \$38 billion.

The metro Denver economy continues in recovery mode according to various indexes listed below which indicate growth or stability:

- ◆ The Vectra Bank Colorado Small Business Index for Colorado improved in January to 97.4, up from a revised 96.1 in December. The index's most heavily weighted component, the unemployment rate, was 5.1% in the most recent month compared to 5.0% in the two prior months. Because the index assesses economic conditions from a small-business perspective, higher unemployment is considered a positive movement because it implies better access to labor. The national index also improved from 102.5 to 103.9 in January. The 100 level represents the benchmark year of 1997.
- ◆ The Colorado service economy index slipped to 56.05 in December from 60.55 in November. According to the index produced by the University of Colorado at Denver Business School, values greater than 50 indicate growth. The results indicate that the economy is still growing, but perhaps at a slower pace. The nation's service sector expanded in December due to continued improvements in employment and rising prices, according to the Institute of Supply Management's non-manufacturing index. The index steadily increased to 63.1 in December from 61.3 in November and 59.8 in October. Services represent the largest component of the U.S. and Colorado economies.
- ◆ The Front Range Purchasing Managers Index, which measures the health of the manufacturing sector, continued to improve in January after taking a downturn in November. The index registered 54.0 in January, slightly below December's index of 57.1. 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, also dropped in January to 56.4 from 57.3. The national manufacturing sector expanded for the 20th consecutive month in January, albeit at a slower pace than in the previous month.
- ◆ The Leading Index slipped slightly in November, falling from 100.4 in October to 100.3, mostly due to a drop in consumer expectations, fewer home permits issued and a rise in unemployment claims. The Leading Index, compiled by Development Research Partners, includes seven economic variables and is a predictor of changing economic activity six to nine months in the future. The Historic Index increased to 130.1 from 129.2 the previous month. The Historic Index measures year-over-year growth, so both the direction and magnitude of change are important.
- ◆ The Mountain States Business Conditions Index from the survey of supply managers and business leaders in Colorado, Utah and Wyoming fell to 60.3 in January from 66.4 in December, up from 60.6 in November. According to the monthly index compiled by Creighton University, an index value greater than 50 indicates economic growth in the next three to six months. The Colorado index declined to 51.9 in January from 70.6 the month prior due to weak orders and production levels.
- ◆ Metro Denver's tech economy is strengthening according to the latest survey conducted by ccintellect and the Colorado Software & Internet Association. About 65% of January/February respondents anticipate increased profits over the next several months compared to 62% in Spring 2004 and 58% in Fall 2004. In terms of hiring expectations, 58% of the executives surveyed anticipate hiring at their company compared to 54% in Spring 2004 and 34% in Fall 2004. Respondents also noted that problems with local venture capital funding and government incentives are hindrances to the industry.

Labor and Employment

January employment data will not be released until March so December data is repeated in this report. *Employment in metro Denver improved for the fourth consecutive month in December with the addition of 2,600 positions over November, according to preliminary employment statistics from the Colorado Department of Labor and Employment. December is traditionally a month of high employment due to the holiday retail season and December 2004 employment levels were the highest since December 2002. The December gain results in a 0.1% increase in year-to-date average employment over 2003, representing a net increase of 700 positions. The employment*

situation has been generally improving in metro Denver since March 2004; however, metro Denver continues to lag the state and nation in its recovery.

Seven of the 12 major industry categories posted gains in 2004 over 2003. In absolute terms, the strongest job growth in 2004 occurred in the professional and business services sector (+3,800 jobs), education and health services sector (+2,500 jobs), and government sector (+1,500 jobs) mainly due to increases at the state and local levels. On the other hand, certain sectors continue to be plagued with job losses including construction (-4,600 jobs), information (-2,500 jobs) and manufacturing (-1,300 jobs) sectors.

The employment picture continues to improve more rapidly at the state level than the metro level, propped up by seasonal workers at ski resorts and holiday retail workers. Average annual employment was 13,800 positions higher in 2004 than in 2003, a 0.6% increase. The Federal Deposit Insurance Corp. is forecasting between a 2% and 3% employment increase for Colorado in 2005, implying the strongest job gains since 2000. The national economy closed 2004 with a 1.1% average annual employment gain over 2003, the fastest rate of growth since 2000.

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

	Month of Dec-04 (p)	Month of Nov-04	Month of Dec-03	Year-to- Date Average 2004	Year-to- Date Average 2003	Year-to- Date Average % Change	Annual Growth Rate 1999	Annual Growth Rate 1994
Total Denver Metro	1,319.9	1,317.3	1,301.3	1,300.2	1,299.5	0.1%	3.9%	4.3%
Natural Resources & Mining	5.6	5.5	5.3	5.4	5.2	5.0%	-12.7%	-2.8%
Construction	80.6	82.9	82.4	81.3	85.9	-5.4%	12.3%	8.5%
Manufacturing	90.7	90.1	90.1	89.6	90.9	-1.5%	-1.5%	0.8%
Wholesale & Retail Trade	208.1	205.1	207.7	202.6	203.1	-0.2%	3.2%	5.5%
Transp., Warehousing & Utilities	53.6	53.2	50.8	51.7	50.7	1.9%	3.5%	3.4%
Information	61.8	61.6	63.6	61.9	64.4	-3.8%	12.4%	13.8%
Financial Activities	106.7	106.9	108.8	106.7	106.5	0.1%	3.8%	5.5%
Professional and Business Services	210.2	210.1	198.5	204.8	201.0	1.9%	5.9%	4.9%
Education & Health Services	133.6	133.3	132.0	131.4	128.9	2.0%	1.2%	3.5%
Leisure and Hospitality	123.1	122.8	121.1	124.2	123.7	0.4%	4.6%	5.3%
Other Services	49.0	48.7	48.4	48.8	48.9	-0.2%	2.1%	5.9%
Government	196.9	197.1	192.6	191.9	190.4	0.8%	1.4%	0.3%
Federal Government	33.4	32.2	32.7	32.3	32.2	0.3%	-1.5%	-4.5%
State & Local Government	163.5	164.9	159.9	159.6	158.2	0.9%	2.1%	1.9%
Colorado	2,207.7	2,192.9	2,167.1	2,164.2	2,150.4	0.6%	3.6%	5.1%
United States	133,200	133,406	131,026	131,481	129,999	1.1%	2.4%	3.1%

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

There are nine key industry clusters operating in metro Denver. Several of these clusters were in the news during the past month:

Energy: The value of Colorado's natural resources industry (gas, coal, oil and mineral production) increased from \$6 billion in 2003 to nearly \$9 billion in 2004 and translated into a 5.0% annual increase in employment. The 44% increase in value was largely due to a combination of increased production and higher prices, especially natural gas prices. Natural gas accounted for about \$6 billion of the total industry value in 2004 during which 2,917 drilling permits were issued in the state, an all-time record high and above the previous record set in 1981 of 2,378 permits.

The number of active wells also increased 8% to a record 26,968 in 2004. Non-fuel minerals like gold, molybdenum, sand and gravel accounted for another \$1 billion in 2004, a 42% increase over 2003. Coal production, which hit a record high for the fourth year in a row due to increased demand from electric utilities and supply limitations in the Eastern states, accounted for approximately \$1.1 billion. Coal production increased 12% in 2004 to 40.1 million tons, moving Colorado from the seventh to the sixth highest-producing coal state.

Aerospace: National defense spending increased \$93 billion to \$203 billion between 1994 and 2004. Although spending in Colorado only increased from \$2.6 billion to \$3.1 billion during this same time period, Colorado remains a strong player in military space programs. A recent study by the 460th Comptroller Squadron at Buckley Air Force Base in Aurora reported that Buckley represented a \$1.22 billion impact to Aurora and the surrounding area in 2004. The 460th Air Base Wing, Buckley Air Force Base, supports 37 tenant organizations and approximately 17,500 personnel including Active Duty, Air National Guard/Air Force Reserve, Army/Navy/Marine Reserves, appropriated fund civilians, civilian non-appropriated and base exchange employees and contract and private employees. As part of a privatization effort, Buckley is planning to build 353 homes on the base in 2005-2006 with an estimated total value of \$74.7 million. Buckley spent \$40.9 million on construction activities in 2004.

Raytheon Corp. plans a major campus expansion in Aurora that will include a \$25 million office building and high paying jobs. The company will initially hire 300 new employees but will have the capacity to employ 750 workers at the new facility. Raytheon's Aurora operations are related to software ground-processing systems for communicating with satellites.

Software: The average salary for tech workers in metro Denver salaries decreased 4.5% to \$69,700 in 2004 according to a report released by New York-based Dice, Inc. At the national level, tech workers' salaries fell by 2.6%, less than the metro Denver decrease. According to the report, software and Internet service salaries have seen the sharpest declines while defense and government-related technology salaries are on the rise.

Telecommunications: Qwest Communications recently lost a bid for MCI to Verizon Communications Inc. for \$6.8 billion, but may make another offer in the future. The Qwest bid was actually higher than Verizon's but Verizon's offer was accepted due to their superior financial strength. The acquisition would have helped Qwest manage its \$17 billion in debt since MCI has recently emerged from bankruptcy and reorganized with relatively minor debts on the books. Analysts say the MCI-Verizon merger will likely result in about 7,000 job losses or 3% of the total MCI-Verizon employment base. MCI currently employs more than 2,000 people in Colorado, mainly in the Colorado Springs area.

Beverage Production: Shareholders approved the Molson-Coors merger in February, forming the world's fifth largest brewing company now called Molson Coors Brewing Co. The company is anticipating \$175 million in cost savings from a variety of actions including \$60 million by integrating the plants, \$65 million in procurement savings, \$25 million in overhead reductions, \$25 million in technology and other cost synergies. Job cuts will likely affect the company's 4,000 employees currently located in Golden, but the company has declined to offer specifics so far.

Mike's Hard Lemonade Co. announced plans to move its Lakewood headquarters to Seattle in April. Even so, the company's five remaining employees, down from a peak of 25 a few years ago, have elected to quit their jobs and stay in Colorado. Reasons behind Mike's decision to move include wanting to be closer to their corporate parent, the expiration of their office space lease and difficulties attracting necessary creative types to metro Denver. According to Richard Florida's *Rise of the Creative Class*, Denver ranks 14th in the nation for the concentration of the creative class whereas Seattle ranks 5th.

About 25% of metro Denver employers will hire new staff in the coming quarter and only 2% plan to reduce payrolls, according to the first quarter 2005 Manpower Employment Outlook Survey results. The results indicate weaker expectations than in the previous two quarters (29% in 4th quarter 2004 and 36% in 3rd quarter). However, first quarter 2005 results are more optimistic

compared to first quarter 2004 when only 15% of the employers surveyed planned to add workers. Job prospects appear best in construction, durable and non-durable goods manufacturing, wholesale/retail trade, services and public administration. Little change is expected in transportation/public utilities, finance/insurance/real estate and education. National results also suggest stability with 24% of the 16,000 surveyed employers planning to add positions and 10% planning to decrease payrolls.

Employment Outlook Survey

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

Source: Manpower Inc.

The Conference Board reported that the volume of help-wanted advertising in 51 major U.S. newspapers increased in January to the highest level in nearly two years. In the mountain region, which includes Denver, Phoenix and Salt Lake City, volume increased 22.6% over the past three months, posting the highest regional gain. The Board's index of help-wanted advertising rose to 41 after December's reading of 38. The index stood at 38 last January.

The employment situation continues to improve nationally with the unemployment rate hitting a three year low. The U.S. Department of Labor reported that the unemployment rate fell from 5.4% in December to 5.2% in January, the lowest rate since September 2001. Many economists believe the national economy is operating close to equilibrium, assuming a 5% natural unemployment rate. The Labor Department also reported that U.S. employers have recouped the total number of jobs lost since the start of the 2001 recession.

Labor force data from December is repeated from the previous report because January data will not be released until mid-March. *The metro Denver unemployment rate increased slightly to 5.0% in December, up from a revised 4.9% in November, with declines in both the total labor force and the total number of people employed. Three of the seven metro Denver counties experienced increasing unemployment rates, while Arapahoe and Douglas counties experienced slightly lower unemployment rates. No changes were reported in Boulder and Broomfield counties. Metro Denver's year-to-date average unemployment rate of 5.1% represents a significant improvement from last year's rate of 6.2%.* The average annual unemployment rate in metro Denver is equal to the state's rate and continues to be lower than the U.S. average of 5.5%.

According to U.S. Census Bureau and AARP studies, baby boomers and retirees in Colorado and across the country are not retiring like previous generations. Instead, many workers have retained their current positions or take part-time jobs after reaching retirement age. In fact, an AARP survey indicates 79% of baby boomers plan to work part time after retiring. According to "A Profile of Older Workers in Colorado," by the U.S. Census Bureau, about 33% of Colorado workers were 45 or older in 2002, compared to only 24% in 1994. About 3% of the state's workers were 65 or older in 2002, up from 2% in 1994. Workers 65 and older are more likely to be employed in restaurants, health and business services.

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

	December 2004 (p)		2004 YTD Average		2003 YTD Average		1999	1994
	Total Labor Force	Unemployment Rate	Total Labor Force	Unemployment Rate	Total Labor Force	Unemployment Rate	Annual Average Unemployment Rate	Annual Average Unemployment Rate
Metro Denver	1,471.2	5.0%	1,452.5	5.1%	1,427.8	6.2%	2.4%	3.9%
Adams County	208.3	6.0%	205.6	6.0%	201.9	7.1%	2.7%	4.2%
Arapahoe Cnty	302.1	4.8%	298.6	5.0%	293.1	6.1%	2.1%	3.5%
Boulder Cnty	179.3	4.4%	176.3	4.5%	175.5	5.8%	2.6%	3.7%
Broomfield Cnty	24.4	4.8%	24.1	5.0%	23.7	6.1%		
Denver County	311.8	6.1%	308.1	6.2%	302.7	7.4%	3.1%	5.0%
Douglas Cnty	124.9	3.5%	123.3	3.6%	120.9	4.6%	1.4%	2.5%
Jefferson Cnty	320.4	4.5%	316.3	4.6%	310.1	5.6%	2.2%	3.4%
Colorado	2,536.0	5.0%	2,518.5	5.1%	2,477.9	6.0%	2.9%	4.2%
United States	147,877	5.1%	147,401	5.5%	146,510	6.0%	4.2%	6.1%

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

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

At the national level, the number of jobless claims filed fell to the lowest weekly level during the first week of February since October 2000. Claims dropped by 13,000 to 303,000 from an unrevised 316,000 for the week prior. The decline was lower than all estimates gathered from *Bloomberg News* survey of 43 economists.

The number of first time unemployment insurance claims rose in January at both the metro and state levels as holiday and seasonal employment ended. In metro Denver, January claims jumped 26.1% to 6,829 claims, while claims at the state level increased 16.9% to 14,618 claims. Still, January claims are down 15.8% from last January at the metro level and 13.3% at the state level.

First Time Unemployment Insurance Claims

	Month of Jan-05	Month of Dec-04	Month of Jan-04	YTD AVG 2005	YTD AVG 2004	YTD AVG % Change	Annual Average 2000
Metro Denver	6,829	5,417	8,112	6,829	8,112	-15.8%	3,513
Colorado	14,618	12,510	16,867	14,618	16,867	-13.3%	7,951

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

Consumer Sector

The Consumer Price Index for All Urban Consumers (CPI-U) is commonly used to measure the rate of inflation. The inflation rate in metro Denver averaged a meager 0.1% in 2004, the smallest increase since 1967 which is the earliest available year in the data series. This was the second year in a row that the metro Denver inflation rate was less than the U.S. average. The national inflation rate averaged 2.3% in 2003 and 2.7% in 2004.

Consumer Price Index

	2003	% Change 2002-03	2004	% Change 2003-04
U.S., CPI-U	184.0	2.3%	188.9	2.7%
Metro Denver, CPI-U	186.8	1.1%	187.0	0.1%
Metro Denver Detail				
Food & Beverages	174.9	1.6%	179.1	2.4%
Housing	185.3	0.5%	183.9	-0.8%
Apparel & Upkeep	83.5	-1.8%	85.3	2.1%
Transportation	194.9	2.1%	188.9	-3.1%
Medical Care	333.3	0.4%	339.5	1.9%
Recreation	110.2	2.5%	115.1	4.4%
Education/Communication	100.7	0.8%	102.7	2.0%
Other Goods & Services	264.3	3.0%	267.7	1.3%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

U.S. gasoline prices are expected to surpass last year's record average of \$2.06 per gallon by June 2005 according to experts who say demand levels exceed production levels. The U.S. Department of Energy reported gasoline demand rose 1.5% in January compared to a year ago; however, U.S. refinery capacity only gained 0.5% over the same time period. Pump prices jumped in late February across metro Denver, reaching \$1.85 per gallon from \$1.75 per gallon a week earlier. AAA Colorado places the state average at \$1.89 per gallon.

Total U.S. retail sales declined 0.3% in January according to the U.S. Department of Commerce, better than the 0.5% loss predicted. On the bright side, retail sales excluding automobiles rose 0.6% in January, led by department stores and apparel retailers. The International Council of Shopping Centers reported a 3.6% increase in January same-store sales, a stronger gain than the 2.5% rate forecasted. Same-store sales only consider stores that have been in business for longer than one year.

Total Retail Sales (\$000s)

	Month of Nov-04	Month of Oct-04	Month of Nov-03	YTD Total 2004	YTD Total 2003	YTD Total % Change	Annual Growth 1999	Annual Growth 1994
Total Metro Denver	5,188,846	5,400,136	4,689,887	59,825,317	55,657,059	7.5%	7.0%	9.8%
Adams County	732,120	735,172	688,220	8,196,990	7,392,958	10.9%	10.5%	14.0%
Arapahoe County	1,126,342	1,237,967	1,044,148	13,086,504	12,798,449	2.3%	10.2%	5.9%
Boulder County	493,156	519,902	439,854	5,620,499	5,529,509	1.6%	4.1%	7.1%
Broomfield County	107,927	102,669	101,415	2,091,306	1,215,709	72.0%		
Denver County	1,410,104	1,464,443	1,207,549	16,124,498	14,924,994	8.0%	2.2%	8.0%
Douglas County	408,051	399,756	340,607	4,381,754	3,751,020	16.8%	18.3%	29.0%
Jefferson County	911,146	940,227	868,094	10,323,766	10,044,420	2.8%	7.3%	15.2%
Colorado	8,565,315	8,955,428	7,662,188	99,673,172	92,649,346	7.6%	7.4%	11.6%

Source: Colorado Department of Revenue.

Metro Denver retail sales have posted a 7.5% gain through November compared to the same time period in 2003, bringing the year-to-date total to \$59.8 billion. Retail sales at the state level have increased to \$99.7 billion compared to sales totaling \$92.6 billion through November 2003, marking a slightly higher percentage gain than at the metro level. Year-to-date sales are higher in all seven metro Denver counties led by a 72.0% gain in Broomfield County, a 16.8% gain in Douglas County, and a 10.9% increase in Adams County. Relatively minor gains have occurred in Boulder, Arapahoe and Jefferson counties. Total retail sales in the City and County of Denver have increased 8.0% in 2004, slightly higher than the metro Denver increase.

Metro Denver retailers, particularly in the LoDo shopping district in downtown Denver, are likely to be negatively affected by the officially cancelled National Hockey League 2004-2005 season. Numerous apparel retailers, bar owners and restaurateurs have already noticed decreased sales and are consequently anxiously awaiting baseball season.

Confidence levels dipped in January for both the mountain region and the nation. The consumer confidence index for the mountain region fell from a revised 121.4 in December to 115.8 in January. The overall index incorporates two indices: the present situation index and the expectations index. For the mountain region, the present situation index dropped from 134.6 to 127.1 along with a drop in the expectations index from 112.6 to 108.3. The across-the-board decreases indicate consumers are less confident about their current situation and improved business conditions in the future. Still, the mountain region currently reports the second highest consumer confidence index of the nine regions, the third highest present situation index and the fourth highest expectations index.

National confidence rose for the second time since July, posting 103.4 in January from 102.7 in December. The national present situation index rose but the expectations index fell slightly.

Consumer Confidence Index

	Month of Jan-05 (p)	Month of Dec-04	Month of Jan-04	YTD AVG 2005	YTD AVG 2004	YTD AVG % Change	Annual Average 2000
Mountain	115.8	121.4	119.0	115.8	119.0	-2.7%	142.1
United States	103.4	102.7	97.7	103.4	97.7	5.8%	139.0

Source: The Conference Board. (p)=preliminary

The NBA All-Star Game held in Denver over President's Day weekend translated into an economic boom for the metro area. At least 20,000 visitors traveled to Denver for the game and other official events while thousands more arrived for the star-sighting and related events. Tourism officials projected the NBA All-Star Game in Denver resulted in a \$30 million economic impact based on typical visitor spending levels. Based on the 2004 survey by the International Association of Convention & Visitors Bureaus, the average conventioner in Denver spent \$1,586 per event and stayed 4.0 nights. No economic impact statement was released from last year's game in Los Angeles; however, the Atlanta Sports Council reported a direct economic impact of \$13.4 million from 17,276 visitors during the 2003 game. Georgia State University estimated an overall economic impact of \$27 million. The event will be held in Houston next year where local analysts are projecting a \$39 million economic impact.

Thanks to the NBA All-Star Game and related-activities, all of downtown Denver's 5,300 hotel rooms were booked over President's weekend, according to the Denver Metro Convention & Visitors Bureau. At the same time, retail and restaurateurs reported mixed results. While Cherry Creek retailers experienced increased foot traffic and sales, some downtown merchants reported decreased traffic and sales partly due to forgone "regulars" that avoided the downtown market.

Hotel occupancy and rental rates increased in metro Denver in January, indicating signs of a strengthening lodging market. Occupancy rates jumped from 47.0% in December to 54.8% in January along with an increase in the average hotel room rate of more than \$4.00 per night. The downtown market saw an occupancy rate of 55.8%, slightly higher than the 54.2% occupancy rate achieved in January 2003. State occupancy in January stood at 52.9% compared to last January's rate of 50.8%. State rental rates increased \$6.72 from last January to \$111.66. Compared to last January, both overall occupancy and room rates have improved at both the state and metro level.

Metro Denver Hotel Statistics

	Month of Jan-05	Month of Dec-04	Month of Jan-04	YTD AVG 2005	YTD AVG 2004	YTD AVG % Change	Annual 2000	Annual 1995
Percent of Hotel Rooms Occupied	54.8%	47.0%	53.3%	54.8%	53.3%	2.8%	68.6%	72.5%
Average Hotel Room Rate	\$83.83	\$79.66	\$79.03	\$83.83	\$79.03	6.1%	\$89.57	\$71.44

Source: Rocky Mountain Lodging Report.

Yet another new hotel may be soon be added to the downtown market at 15th and Stout Streets, assuming municipal approval. A \$19 million Best Western built by the Denver Lodging Group plans to offer moderate room rates of between \$100 and \$170 per night in contrast to the more expensive rates at the Hyatt, Hilton and Residence Inn by Marriott hotels, for example.

The Urban Land Institute (ULI) announced Denver as the 2006 fall meeting location, which is expected to draw 6,000 developers, lenders, architects, planners and other real estate professionals from across the country. The conference was previously planned for Chicago but ULI's membership out-grew Chicago's accommodations. Harry Frampton III, principal of Colorado-based East West Partners and the current chairman of ULI, said the conference would not be coming to Denver if it hadn't been for the newly expanded convention center. The conference alone is expected to contribute \$5 to \$6 million to the economy, not including any additional trips conventioners may make while visiting.

The Denver aquarium appears to finally be receiving a long-promised makeover after being sold in bankruptcy court almost two years ago. Ocean Journey will soon have a new name (Downtown Aquarium), new restaurant and new look according to the Houston-based owner, Landry Restaurants Inc.

Passenger traffic at Denver International Airport, which celebrated its tenth anniversary on February 28, 2005, reached a record 42.4 million passengers in 2004, resulting in a 13.0% increase over 2003. Nearly 3.5 million passengers traveled through the airport in the final month of 2004. The previous pre-September 11th record of 38.7 million passengers was set in 2000. DIA's annual percentage increase in traffic was greater than other major airports that have released 2004 numbers, including Atlanta, Los Angeles and Phoenix. Denver still ranks as the fifth busiest airport in the U.S. behind Atlanta, Chicago (O'Hare), Los Angeles, and Dallas/Fort Worth. International traffic jumped 28.3% mostly due to new flights to Mexican destinations and increased European travel. Cargo operations continue to struggle at the airport judging by the 2.5% decrease in pounds of cargo in 2004.

Denver International Airport Passengers

	Month of Dec-04	Month of Nov-04	Month of Dec-03	YTD Total 2004	YTD Total 2003	YTD Total % Change	Annual 1999	Annual 1994
Number of Airline Passengers	3,495,254	3,185,083	3,321,492	42,393,766	37,505,267	13.0%	38,034,017	33,133,428

Source: Denver International Airport, Traffic Statistics.

Stock prices generally increased in February, although the NASDAQ slipped. The NASDAQ has dropped 5.7% through the first two months of 2005. The DOW and the S&P are essentially flat so far this year. The Colorado stock index, which is a compilation of the stock prices of 30 companies either headquartered in Colorado or having significant operations in the state, performed better than the other indexes and has increased 0.9% in January and February.

The fourth quarter surge in U.S. stocks resulted in the second year of double-digit returns for U.S. pensions and endowments. A report by Wilshire Associates showed an 11.58% increase in 2004 for the 350 retirement pools, foundations and endowments with \$2 trillion in assets that comprise

the Wilshire's Trust Universe Comparison Service. Further, funds with more than 60% in stocks gained 11.82% in 2004 while funds with less than 40% in stocks gained only 5.85%.

Stock Market Indexes

	Month of Feb-05	Month of Jan-05	Month of Feb-04	YTD Return 2005	YTD Return 2004	YTD Return 2003
Colorado	1,377.83	1,362.12	1,364.64	0.95%	2.69%	0.59%
S&P	1,203.60	1,181.27	1,144.94	-0.69%	2.97%	-4.40%
NASDAQ	2,051.72	2,062.41	2,029.82	-5.69%	1.32%	0.15%
DOW	10,766.23	10,489.94	10,583.92	-0.16%	1.24%	-5.40%

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

Residential Real Estate

New home sales in the U.S. hit a record high in 2004 for the fourth consecutive year. The U.S. Commerce Department reported that new single-family home sales reached 1.18 million in 2004, an 8.9% increase over the 1.09 million sales record in 2003.

Despite Federal Reserve Board rate increases and signs of an improving economy nationwide, mortgage rates remain surprisingly low. As of February 24th, homebuyers could secure a 30-year fixed mortgage rate of 5.24%, according to Bankrate.com. Also, buyers continued to be offered a wide variety of home loan products including interest-only loans, "zero-percent" loans, ARMs and traditional fixed rate loans.

Total new production home sales in metro Denver increased 3.9% in 2004, as reported by the Genesis Group, largely due to attached home sales which increased 13.7% to 5,420 homes. Meanwhile, detached home sales declined 0.2% in 2004 to 11,463 homes. Throughout the year, sales were most robust in the first and fourth quarters but markedly weaker in the second and third quarters. Five of the seven metro Denver counties experienced increased sales volume last year with Arapahoe and Boulder counties reporting losses. New home inventory levels increased 34.5% in 2004 in metro Denver while resale inventory levels dropped 5.4%.

The metro Denver existing home market was more active in February than January in terms of home sales, homes under contract and inventory levels. In fact, home sales under contract increased by 1,734 units to 4,960 homes as homes on the market grew by 813 to 21,730 homes. Home sales closed also increased in February to finish the month at 2,779 sales. Still, home sales are down 8.0% compared to the first two months of 2004. Home sales reached a new record in 2004 with 54,012 sales of previously-owned homes valued at \$14.3 billion, a 12.6% increase in home sales.

MetroList has indicated there is concern over the accuracy of the last five years of active and under contract data. Problems with the reported data are due to status categorization issues between active, active with contract backups, under contract, and under contract with backups categories. Accurate annual comparisons will not be available until January 2006 for the active and under contract categories unless the data is corrected. Closed sales data remains accurate and comparable.

Home Sales Activity

	Month of Feb-05	Month of Jan-05	Month of Feb-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Ann Avg 2000	Ann Avg 1995
Home Sales * (Under Contract)	4,960	3,226	2,560	8,186	4,795	70.7%	37,130	28,247
Home Sales (Closed)	2,779	2,713	2,678	5,492	5,968	-8.0%	48,611	36,038
Unsold Homes on Market*	21,730	20,917	23,212	21,730	23,212	-6.4%	8,820	9,854
Average Sales Price-Single Family	\$288,315	\$290,503	\$277,784	\$288,315	\$280,752	2.7%	\$239,779	\$150,736
Average Sales Price-Condo	\$188,421	\$186,702	\$173,191	\$188,421	\$182,163	3.4%	\$145,197	\$87,369
Median Sales Price-Single Family	\$231,200	\$230,000	\$225,000	\$230,000	\$225,000	2.2%		
Median Sales Price-Condo	\$155,000	\$157,000	\$153,000	\$156,250	\$157,000	-0.5%		

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

* Data is not comparable on an annualized basis due to categorization issues leading to accuracy concerns.

Home price data from MetroList may be overstated according to the Colorado Division of Real Estate and Board of Appraisers due to the failure of brokers to disclose concessions associated with sales. When brokers, who are solely responsible for reporting sale information in the MetroList database, do not account for concessions in the sale, the sale price reflects a higher price than the seller actually collected. Over-priced sales may give buyers a false impression of the home's value, cause appraisers to report on less than accurate information and make lenders less secure. Even though MetroList fines brokers for not recording concession information, the problem can only be addressed at the broker level, resulting in uncertainty over the data.

Median prices for single-family homes increased slightly in February to \$231,200 after two months of declines. Compared to the first two months of last year, the median single-family home price stands 2.2% higher. On the other hand, the median condominium price fell to \$155,000 in February from \$157,000, resulting in a 0.5% lower price compared to the same period last year.

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

In contrast, Colorado's mountain communities are home to some of the most expensive homes on the national market. Colorado homes listed in the inaugural edition of *Ultimate Homes* magazine account for 10% of the 860 homes in the magazine and result in a combined asking price of \$1.068 billion. The magazine's publisher credits the strength of the ski resorts and technology advances that allow executives to conduct business from off-site locations for Colorado's significant presence.

Median Home Price (\$000s)

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

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

The national median price of an existing single-family home increased to \$187,500 during the final quarter of 2004. The median home price reached \$184,100 for the year, an 8.0% increase over the 2003 annual average. On the other hand, the median home price for Denver fell from

\$241,800 in the second quarter to \$237,100 in the fourth quarter. The median home price in metro Denver averaged \$239,100 in 2004, resulting in an annual 0.4% increase.

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

Metro Denver foreclosures increased 29.1% in 2004 to 12,166, making 2004 the second-worst year on record besides 1998 when 17,122 homes were returned to the market. Foreclosure activity continued to increase in January. Total foreclosures throughout metro Denver were nearly 45% higher in January 2005 compared to January 2004. The strongest increases in foreclosure activity occurred in Adams and Boulder counties. Foreclosure activity was roughly the same as last January in the City and County of Denver.

Real Estate Foreclosures

	Month of Jan-05	Month of Dec-04	Month of Jan-04	YTD Total 2005	YTD Total 2004	YTD Total % Change
Total Metro Denver	1,111	1,203	767	1,111	767	44.9%
Adams County	271	256	133	271	133	103.8%
Arapahoe County	308	295	191	308	191	61.3%
Boulder County	51	53	27	51	27	88.9%
Broomfield County	10	15	8	10	8	25.0%
Denver County	242	330	239	242	239	1.3%
Douglas County	89	87	63	89	63	41.3%
Jefferson County	140	167	106	140	106	32.1%

Source: CB Richard Ellis.

Residential construction closed 2004 on a high note with a 41.7% increase in the number of residential permits issued in December compared to November in metro Denver. Compared to November, the number of single-family detached homes and multi-family homes increased while single-family attached permit levels fell. On an annual basis, total residential construction activity in 2004 was more robust than last year across all seven metro counties, posting a 19.2% annual increase. The greatest relative gains occurred in Douglas County, Boulder County and Jefferson County. Nationally, housing starts totaled 1.953 million units in 2004, a 5.7% gain over 2003.

Residential Building Permits

	Month of Dec-04	Month of Nov-04	Month of Dec-03	YTD Total 2004	YTD Total 2003	YTD Total % Change	Total Dec-04	Total Nov-04
Single-Family Units	1,209	848	1,122	14,260	12,656	12.7%	1,209	848
Two-Family Units	365	396	300	4,843	3,755	29.0%	365	396
Multi-Family Units	227	27	0	2,681	1,858	44.3%	227	27
Total Units	1,801	1,271	1,422	21,784	18,269	19.2%	1,801	1,271

Source: Home Builders Association of Metropolitan Denver.

The metro Denver apartment market exhibited mixed signals in the fourth quarter of 2004. The Denver Metro Apartment Vacancy and Rent Survey reported a slight increase in rents bringing the average rate to \$822 per month, the highest level since fourth quarter 2001. Meanwhile, the vacancy rate increased from 8.5% in the third quarter to 10.0% in the final quarter of 2004, the first increase in eight quarters. The "economic vacancy rate," which is determined by physical

vacancies plus concessions, discounts and other write-offs as a percentage of gross potential rent, increased from 24.5% to 25.1% in the fourth quarter.

Vacancy rates have a tendency to rise in the fourth quarter because bad weather and holidays discourage apartment seekers from hunting. Experts also attribute the higher vacancy to increased apartment construction in the second half of the year. The apartment market is expected to strengthen in 2005 as rising mortgage rates discourage some households from home ownership and others are forced to foreclosure.

Apartment Statistics

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

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

The metro Denver market finished 2004 with the second-highest office vacancy rate in the U.S., according to a report by the J. Studley commercial real estate firm. The report shows Denver experienced a vacancy rate of 24.4%, slightly lower than the Dallas market rate of 27.5%. At a submarket level, the downtown market (19.4%) saw a more improved vacancy situation than the Southeast market (25.9%) which includes the Denver Tech Center and the Northwest market (35.7%).

Data from Costar Realty Information, Inc. indicates a slowly improving office market in metro Denver. Direct vacancy rates declined by 0.1 percentage point each quarter of 2004, ending at 15.0%, while lease rates increased slightly. The vacancy rate including sublease space posted similar results, starting the year at 17.3% and ending at 16.8% in the fourth quarter. Average lease rates for all classes of space increased for the first time in three years from \$16.89 in the third quarter to \$17.05 in the fourth quarter, the highest rent since the fourth quarter of 2003.

Office Market Statistics

	Quarter 4 2004	Quarter 3 2004	Quarter 2 2004	Quarter 4 2003	Quarter 4 2002	Quarter 4 2001
Number of Buildings	4,218	4,212	4,200	4,181	4,141	3,981
Existing Square Feet (millions)	148.1	148.0	147.8	146.9	145.7	142.1
Vacant Square Feet (millions)	24.8	25.4	25.4	25.3	24.1	14.3
Vacancy Rate (Direct)	15.0%	15.1%	15.2%	14.8%	13.6%	10.0%
Vacancy Rate (With Sublet)	16.8%	17.2%	17.2%	17.2%	16.5%	13.1%
Average Lease Rate (per square foot)	\$17.04	\$16.88	\$16.95	\$17.37	\$18.93	\$20.75
New Construction Completed (year-to-date)	1.20 MSF, 38 Bldgs	1.05 MSF, 31 Bldgs	0.80 MSF, 18 Bldgs	1.24 MSF, 39 Bldgs	2.90 MSF, 82 Bldgs	7.75 MSF, 117 Bldgs
Currently Under Construction	0.72 MSF, 28 Bldgs	0.82 MSF, 27 Bldgs	0.37 MSF, 21 Bldgs	0.82 MSF, 24 Bldgs	1.39 MSF, 33 Bldgs	2.83 MSF, 65 Bldgs

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

Office construction remained at minimal levels in 2003 and 2004 in response to soft market conditions. Only about 1.2 million square feet of new office space was added to the metro Denver market in 2004, slightly less than the 1.24 million square feet added in 2003. There are currently 28 buildings under construction that will result in the addition of 724,000 square feet of office

space. Most of these buildings are small with the exception of the 280,000-square-foot Denver Newspaper Agency building.

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

Industrial Market Statistics

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

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

Industrial construction activity was down slightly compared to last year. About 1.82 million square feet of industrial space in 34 buildings was completed in 2004 compared to 2.07 million square feet finished in 2003. Only 330,000 square feet of industrial, manufacturing and warehouse space is currently under construction in 14 buildings. Nine of the 14 buildings under construction are located in Adams County, representing about 60% of the new industrial space.

CoStar data shows mixed results in the flex space market, revealing decreased vacancy rates along with decreased lease rates. The direct vacancy rate slipped from 16.6% to 16.2% in the fourth quarter and remains about two percentage points below the vacancy rate with sublease space. The sublease vacancy rate has shown steady improvement over the last year, declining from 19.5% one year ago to the current rate of 18.0%. Three buildings with less than 40,000 square feet were added to the market during the fourth quarter. During 2004, only about 120,000 square feet of new flex space was added in six buildings, down significantly from 2001 when 2.5 million square feet in 52 buildings was added.

Flex Space Statistics

	Quarter 4 2004	Quarter 3 2004	Quarter 2 2004	Quarter 4 2003	Quarter 4 2002	Quarter 4 2001
Number of Buildings	1,169	1,166	1,165	1,163	1,151	1,096
Existing Square Feet (millions)	36.1	36.0	36.0	36.0	35.7	34.5
Vacant Square Feet (millions)	6.5	6.6	6.8	7.0	6.0	4.8
Vacancy Rate (Direct)	16.2%	16.6%	16.6%	17.8%	15.0%	13.9%
Vacancy Rate (With Sublet)	18.0%	18.4%	18.8%	19.5%	16.8%	18.8%
Average Lease Rate (per square foot)	\$8.18	\$8.32	\$8.27	\$8.03	\$8.32	\$9.49
New Construction Completed (year-to-date)	0.12 MSF, 6 Bldgs	0.08 MSF, 3 Bldgs	0.09 MSF, 3 Bldgs	0.22 MSF, 10 Bldgs	0.81 MSF, 27 Bldgs	2.45 MSF, 52 Bldgs
Currently Under Construction	0.37 MSF, 17 Bldgs	0.34 MSF, 16 Bldgs	0.03 MSF, 2 Bldgs	0.05 MSF, 1 Bldg	0.25 MSF, 6 Bldgs	0.43 MSF, 15 Bldgs

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

Monthly Economic Summary of Metro Denver

Indicator	Monthly/ Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↑	Employment increased 2,600 jobs from Nov to Dec, 0.1% annual growth rate
% Companies Hiring	↓	↑	25% of companies expect to add workers in 1st quarter 2005; only 2% expect decrease
Unemployment Rate	↑	↓	Dec rate increased to 5.0% from 4.9%; metro rate same as state but lower than U.S.
Initial Claims	↑	↓	Initial unemployment claims increase in Jan; annual claims down 15.8% from Jan 2004
Total Retail Sales	↓	↑	Total retail sales up 7.5% in first eleven months of 2004
Consumer Confidence Index	↓	↓	Mountain region confidence decreased in Jan but remains higher than national level
Hotel Occupancy	↑	↑	Hotel occupancy increased to 54.8% in Jan; average room rate about \$84 per night
DIA Passengers	↑	↑	Traffic up 13.0% in 2004 reaching a record 42.4 million annual passengers
Colorado Stock Index	↑	↑	CO Stock Index increased 0.95% through first two months of 2005
Dow Jones Industrial Average	↑	↓	Dow increased in Feb but is down 0.2% for first two months of 2005
Home Sales (closed)	↑	↓	Home sales through Feb down 8.0% from last Feb; average SF sold price 2.7% higher
Median Home Price	↑	↑	Median home price rose to \$237,100 in Q4 2004; 2004 price 0.4% higher than 2003
Foreclosures	↑	↑	Foreclosures up 45% in Jan, strongest increases in Adams and Boulder counties
Residential Building Permits (Total)	↑	↑	Total permits up 19.2% for the year; 44.3% increase in multi-family permits
Apartment Vacancy Rate	↑	↓	Vacancy rate increase to 10.0% in Q4 2004; avg rental rate increases to \$822 per month
Office Vacancy Rate	↓	↑	Vacancy rate with sublet now 16.8%; minimal construction is underway
Industrial Vacancy Rate	↑	↑	Minor increase in vacancy rate with sublet to 8.8%; minimal construction underway
Flex Space Vacancy Rate	↓	↓	Vacancy rate with sublease decreased to 18.0%; minimal new construction
Positive Changes	10 of 18	12 of 18	