

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 was one of the nation's ten fastest growing job markets during the first quarter, according to the Federal Deposit and Insurance Corp's recently released report. Just one year ago, the state ranked 45th in job growth. The FDIC report noted that the state's fastest growing sector was natural resources and mining followed by professional and business services.*
- ◆ Colorado ranks 17th in the nation for the number of Fortune 500 companies. The 2005 list includes 10 Colorado companies with combined 2004 revenue of \$72.9 billion. Two new Colorado companies appeared on this year's list: Liberty Media and MDC Holdings. For all U.S. companies, Wal-Mart ranked first in revenue for the fourth year in a row followed by Exxon Mobil Corp., General Motors Corp., Ford Motor Co. and General Electric. The most Fortune 500 companies are headquartered in the state of New York.

Colorado's Fortune 500 Companies

Company	2004 Revenue (billions)	2005 Rank*	2004 Rank
Qwest Communications	\$13.8	154	136
TransMontaigne	\$11.2	193	249
First Data	\$10.1	223	242
Liberty Media	\$8.6	254	609
EchoStar Communications	\$7.1	291	327
Ball	\$5.4	360	351
Newmont Mining	\$4.5	428	500
Molson Coors Brewing	\$4.3	447	430
MDC Holdings	\$4.0	466	536
Level 3 Communications	\$3.7	491	429

Source: Fortune, April 18, 2005.

* 2005 rank based on 2004 revenue.

- ◆ Colorado ranked fifth in first quarter venture capital investment, attracting 33% more funding than in the same time period last year. The MoneyTree Survey reports that young Colorado companies were awarded \$163.8 million during the three month period with software companies like Boulder-based Webroot Software Inc. and Umbria Communications receiving the lion's share. In fact, 10 of the 17 companies that received funding were software businesses. The top four locations for venture capital during the first quarter were California, Massachusetts, Texas and New York. Venture capital nationwide totaled \$4.6 billion in the first quarter, down from \$5.4 billion the previous quarter. The survey is a joint effort by PriceWaterhouseCoopers, Thomson Venture Economics and the National Venture Capital Association.
- ◆ *For the sixth straight year in a row, Colorado ranked first in the concentration of tech workers by AeA, the former American Electronics Association. Using the latest data available, the*

AeA found that 91 of every 1,000 workers in the state held a job at a high-tech firm in 2003. The "Cyberstates" survey also found that Colorado tech workers take home the seventh highest wages in the nation. The average annual high-tech salary of \$74,459 reflects a 3.9% increase over 2002 wages. Colorado ranked 10th in venture capital investment and 19th in high-tech research and development expenditures.

- ◆ Fort Collins, Colorado has the highest level of entrepreneurial activity and innovation in the nation, according to a study by the Small Business Administration Office of Advocacy. Denver placed sixth and Colorado Springs placed 17th. The rankings are based on data from 1990-2001, including the number of companies, rate at which new firms grew, patents and research and development investment.
- ◆ Douglas County was the 16th fastest growing county in the country, according to Census population data from 2003-2004. Douglas County's population grew 6.0% in 2004, an increase of about 15,100 people. In absolute terms, Douglas County is adding more people today than in the 1990's when the county was considered the fastest growing county in the nation and adding about 11,500 people per year. Four Colorado counties made the top 100 fastest growing list between 2000-2004, including Douglas (35.4%), Weld (21.2%), Archuleta (17.3%) and Park (15.9%). Strong population growth was concentrated in the southern portion of the U.S. in 2004.
- ◆ Boulder and Denver counties ranked first and second, respectively, among communities of at least 50,000 people for civic health in the second annual *State of the Rockies Report Card* compiled by students and faculty at Colorado College. The eight-state, 256-county study measures such items as income levels, education and population growth to gauge citizen investment and involvement. Generally, Colorado counties lacked in population gains but led in income-related measures. Douglas County placed seventh overall.
- ◆ Boulder-based Wild Oats Markets Inc. was one of four companies recently inducted to the Small Business Administration's (SBA) Hall of Fame. In the mid 1990's, Wild Oats used SBA funding to purchase a single store that grew into the nation's second-largest natural and organic foods supermarket chain. Wild Oats owns 110 stores in 24 states and British Columbia.

General Economic Overview

The International Monetary Fund (IMF) says the economic slowdown has "begun to bottom out" and is optimistic about global economic growth in 2005. The IMF's revised global forecast for a 4.3% gross domestic product increase in 2005 and 4.4% in 2006 is unchanged from their September 2004 forecast. Comparatively, global economic growth averaged about 6.0% in late 2003 and early 2004. The U.S., the largest economy, and China, the fastest growing economy, were named as economic growth leaders.

Advance estimates show U.S. gross domestic product (GDP), which measures national economic growth, slowed to 3.1% annual growth rate during the first quarter, marking the slowest pace in two years. Fourth quarter GDP growth registered 3.8%, down from 4.0% growth of the third quarter, according to the Bureau of Economic Analysis. Additional evidence that national economic growth has slowed is a 2.8% drop in orders for durable goods in March, the largest drop in 2 ½ years.

The Conference Board's Composite Index of Leading Indicators slipped in March, also suggesting slowing economic growth for the national economy. The index fell 0.4% to 115.1 after a 0.1% increase in February and a 0.3% decline in January. Analysts say the mixed movements are normal in the transition to slower growth.

Both the U.S. trade deficit and budget deficit are approaching worrisome levels. The trade deficit reached a record \$61 billion in February due to rising fuel costs and imports of Chinese textiles. Despite the record high, the deficit growth pace slowed to 4.3% after increasing 5% in January. February imports rose 1.6% compared to a 0.1% increase in exports.

Federal Reserve Chairman Alan Greenspan is warning that if the high federal budget deficit is not corrected, the national economy could "stagnate or worse." The 2005 deficit is expected to reach \$427 billion. In 2000, the budget posted a surplus only to hit a record \$412 billion deficit in 2004.

Despite surging fuel prices, which caused the sharpest increase of 0.7% in U.S. wholesale prices in four months, inflation appears to be under control. The U.S. Department of Labor reported that the Consumer Price Index increased 0.6% in March (seasonally adjusted), following a 0.4% increase in February. To combat inflationary pressure, the Federal Open Market Committee (FOMC) of the Federal Reserve raised the target for the federal funds rate a quarter-percentage point in March to 2.75%, marking the seventh increase since the Fed began tightening credit. Analysts expect increases to continue throughout 2005, eventually raising rates to between 3.5% and 4.0% 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.

In addition to surging oil prices, rising wages may add increased inflationary pressure. A survey of corporate economists by the National Association of Business Economists revealed the highest percentage of U.S. companies paying higher wages in the first quarter in nearly five years. About 35% of the respondents said companies raised wages in the first quarter, up from 28% in the previous quarter. The 35% reading was the highest since the second quarter of 2000. Because labor costs account for two-thirds of the cost of goods and services, increased wages will likely accelerate inflation. In fact, the survey also shows that the percentage of companies raising prices rose from 33% to 34% in the first quarter.

In contrast to the national economy, metro Denver is showing no signs of deceleration as several recently released indices and data points describe strong and continuing economic recovery and growth:

- ◆ The Vectra Bank Colorado Small Business Index for Colorado improved to 106.3 in March, up from a revised 105.0 in February. Expected interest rate increases in 2005 will negatively affect small businesses, however, which rely on loans to start and grow their businesses. The index's most heavily weighted component, the unemployment rate, increased slightly to 4.9% in March from a revised 4.8% in February. Because the index assesses economic conditions from a small-business perspective, higher unemployment is considered a positive because it implies looser labor markets. The national index, on the other hand, fell from 102.6 in February to 99.7 in March. The 100 level represents the benchmark year of 1997.
- ◆ The Colorado service economy index rose to 51.88 in February, up from 49.89 in January. According to the index produced by the University of Colorado at Denver Business School, values greater than 50 indicate growth. The main driver behind the increase was the index for new orders received which increased from 47.37 in January to 52.94 in February. The nation's service sector also expanded in February. The Institute for Supply Management's non-manufacturing index increased from 59.2 in January to 59.8 in February.
- ◆ 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 in February to 55.3, down from 56.4 in January. But after 21 consecutive months of national manufacturing expansion, economists are confident that the broader, increasing trend will continue.
- ◆ The Leading Index surged to 100.7 in February, up from 100.5 in both January and December. This upward movement indicates that the economic expansion is gaining strength in metro Denver. The Leading Index is a predictor of changing economic activity six to nine months in the future. Factors behind the positive movement included an increase in single-family home permits, fewer unemployment claims, a higher Colorado Stock Index and strong hiring plans. The Historic Index, which measures year-over-year growth, increased to 128.2 in February, up from 128.0 in January. The February 2005 index also came in 2.2% higher

than the February 2004 index value. The Historic Index has been increasing steadily since March 2004 with increases posted during the past three months representing the strongest gains since the first half of 2001. The solid increases reflect sound consumer spending patterns and an improved employment situation in metro Denver. The 100 level represents the benchmark year of 1995 for both indexes compiled by Development Research Partners.

- ◆ Colorado's business conditions index from the monthly survey of supply managers and business leaders rose to its highest level since December. The index climbed to 62.2 in March, up from 51.7 in February. Components of the overall index for the month were: new orders at 62.5, production at 75.0, delivery-speed at 37.5, inventories at 78.6 and employment at 56.3. According to the monthly index compiled by Creighton University, an index value greater than 50 indicates economic growth in the next three to six months.
- ◆ Colorado 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 8,700 jobs in March, a 0.7% gain over February employment figures. Most notably, leisure and hospitality sector employment grew 1.6% in March with the addition of 2,100 positions, a year-to-date increase of 3.7%. Also of note, the professional and business services sector added 2,200 jobs in March, also a 3.7% increase for the year. Employment continues to slide in the information sector, which is down 5.6% from last year despite a small increase in March. Manufacturing and education and health services employment growth was flat for the month.

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

	Month of Mar-05 (p)	Month of Feb-05	Month of Mar-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*	1,333.5	1,324.8	1,302.4	1,325.2	1,293.5	2.4%	4.3%	4.2%
Natural Resources & Construction	92.9	91.0	88.5	91.3	87.1	4.9%	10.7%	3.3%
Manufacturing	91.3	91.3	89.7	91.4	89.4	2.3%	-1.0%	3.8%
Wholesale & Retail Trade	202.6	202.3	199.4	203.1	199.6	1.8%	3.5%	5.0%
Transp., Warehousing & Utilities	51.9	51.6	50.4	51.8	50.3	3.1%	8.6%	3.5%
Information	58.5	58.4	61.8	58.5	62.0	-5.6%	10.1%	8.6%
Financial Activities Professional & Business Services	106.8	106.6	105.0	106.5	104.8	1.7%	0.3%	2.9%
Education & Health Services	212.4	210.2	204.7	210.2	202.7	3.7%	7.0%	5.7%
Leisure & Hospitality	136.2	136.1	132.1	135.7	131.2	3.4%	2.9%	4.8%
Other Services	132.8	130.7	128.3	131.2	126.6	3.7%	4.5%	5.8%
Government	50.3	49.9	49.1	50.0	48.9	2.3%	1.0%	3.6%
Federal Gov't	197.8	196.7	193.4	195.2	191.0	2.2%	2.4%	0.5%
State & Local Gov't	31.6	31.6	31.6	31.7	31.7	-0.1%	-0.5%	-6.6%
Colorado	166.2	165.1	161.8	163.5	159.3	2.6%	3.1%	2.6%
United States	2,203.8	2,189.4	2,149.6	2,189.1	2,134.1	2.6%	3.8%	4.5%
	132,145.0	131,328.0	130,019.0	131,322.7	129,120.0	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

Colorado added 14,400 non-farm positions in March partly due to gains in the hospitality and leisure sector. Similar to metro Denver gains, the 0.7% increase from February employment outpaced national employment growth of 0.6%. The Federal Deposit and Insurance Corp. (FDIC) recently placed Colorado among the top ten states for first quarter employment growth when only one year ago the state ranked 45th. The FDIC report noted that the natural resources and mining sector was the fastest growing segment, followed by professional and business services.

Energy: Metro Denver's natural resource and mining sector added jobs in 2004 while the 25 biggest oil and natural gas companies in the nation cut more than 21,000 jobs, according to a report by John S. Herold Inc. The local industry continues to thrive, partly due to rising fuel prices and the Bush administration's push to make land available for energy development. Since January, metro Denver natural resource and mining companies have added 2,800 jobs and are not showing signs of slowing. Estimates from the Colorado Oil and Gas Conservation Commission put Colorado on track to issue 3,400 oil and natural gas permits in 2005, a 17% increase over last year's record 2,917 permits. During the first three months of the year, significant drilling occurred in Garfield, Weld and Yuma counties.

About 70 metro Denver business leaders accompanied Governor Owens and Mayor Hickenlooper on an energy trade mission to Alberta, Canada, underscoring the burgeoning energy relationships between Colorado and Canada's energy capital. Generally speaking, the mission encouraged cross-border investment and sought to increase energy-related jobs in metro Denver. Next to Saudi Arabia, Alberta has second largest oil reserves in the world. Meanwhile, Canadian firms are interested in Colorado and other western states for their natural gas basins.

Metro Denver and Colorado's diverse energy sector includes fossil fuels, renewable energy and energy research. Farmland in Adams County is being considered for an \$80 million wind farm by Florida Power & Light. The wind farm would be Colorado's fourth farm and further evidence of Colorado's diverse energy sector. The project currently calls for 50 wind turbines that farmers would host on their farms. The turbines stand 260 feet tall with three blades stretching 127 feet each. If the initial phase is successful, up to 50 turbines may be added, generating 150 megawatts of power. On the research side, Colorado School of Mines (CSM) was recently awarded a \$2 million grant by the Governor's Office to partially fund a Colorado Fuel Cell Center as a joint project between the state, CSM, the National Renewable Energy Lab and the Gas Technology Institute.

Aerospace: Jefferson County's Lockheed Martin Space Systems was guaranteed half of the U.S. Air Force's future satellite launch contracts 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 Air Force can be assured that both companies are healthy and able to launch government spy and communication satellites at any time. Lockheed Martin builds the Atlas V boosters at its Waterton Canyon facility in Jefferson County. Lockheed reported a 27% rise in net profit for the first quarter compared with the same period in 2004.

One of the largest global satellite mapping companies, Thornton-based Space Imaging Inc., was put up for sale in March. The commercial spy satellite company's future has been rocky since losing a \$500 million Pentagon contract last fall to a Virginia company. Space Imaging employs about 180 workers.

Information: The *Cyberstates 2005* report by AeA reported an 8.0% decline in Colorado high-tech employment between 2002 and 2003, the latest data available, to 162,200 workers. The decline is consistent with the sector-wide employment decreases during the same period due to recessionary conditions. Still, Colorado had the highest concentration of tech workers for the sixth year in a row. Colorado tech workers take home the seventh highest average annual wage in the nation of \$74,459, nearly double the average private sector wage of \$38,889. The report valued Colorado's 2004 high-tech exports at \$4.1 billion, up 14% from 2003 exports. High-tech exports represented 61% of Colorado's \$6.7 billion in total exports.

Software developer Fast Enterprises LLC selected Greenwood Village for its headquarters because of favorable office market conditions, available high-tech workers, access to light rail and easy access to flights. The company plans to relocate 25 workers and hire 25 to 30 new workers. Employment could hit 100 positions within five years. Metro Denver was competing against Connecticut, Boston, San Diego, San Francisco and Washington D.C. for the relocation.

On the down side, Irvine, CA-based Microsemi Corp. is closing its Broomfield facility, resulting in more than 100 job losses. Microsemi, which makes chips that regulate power and amplify signals in electronics, is closing the plant due to excess capacity issues and profit maximization needs. At the same time, smaller tech companies are expanding in metro Denver like Golden-based ServiceMagic Inc. which is currently planning to add 50 new workers.

Beverage Production: American craft brewers like Denver-based Breckenridge Brewery (Avalanche Ale) and Fort Collins-based Belgium Brewery (Fat Tire Amber Ale) saw a 7.0% increase in sales in 2004 compared to a 0.5% increase for mass brewers, according to the Brewers Association in Boulder. Belgium Brewery sales alone jumped 16% partly due to increased advertising efforts. Breckenridge sales increased 3%. Larger brewers like Anheuser Busch, SAB Miller and Molson Coors, which is based in Golden, account for 80% of sales but analysts see a trend toward craft and specialty brews especially among 21-27 year olds.

Telecommunications: Layoffs are expected to result from the sale of number five cable T.V. operator Adelphia Communications to Comcast Corp. and Time Warner Inc. Adelphia agreed to sell its 5.2 million customers and other assets for \$17.6 billion in cash and stock, allowing Adelphia to pay off creditors and emerge from bankruptcy. The company employs about 1,000 workers in Colorado.

Transportation, Warehousing & Utilities: PostNet International moved its headquarters from Las Vegas to Denver in March despite lower labor costs in Nevada. The two co-founders said lifestyle reasons were behind the shipping and business services company relocation. About 950 franchises display the PostNet name, 30 of which are in Colorado. Last year, the company posted about \$200 million in revenue. PostNet will hire 20 employees for its new LoDo office.

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.

A survey by the National Association of Colleges and Employers (NACE) says graduating seniors are entering the best job market in about four years. Employers expect to hire 13.1% more new college graduates this year than last year particularly for accounting, marketing, health care and engineering positions. For example, Lockheed Martin seeks to hire 3,000 entry-level workers in 2005 between all of its U.S. locations, including metro Denver, partly due to an aging aerospace

workforce. Still, hiring levels have yet to return to pre-September 11th levels which caused employers to decrease the number of new college graduate hires by 19.7%.

In 2004, the top 10 employers for adding new jobs nationally were Wal-Mart (100,000 jobs), JP Morgan Chase, Bank of America, Aramark, Citigroup, Albertsons, CVS, UPS, Home Depot and Starbucks.

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 increased to 5.7% in March after remaining at 5.4% for the previous three months. At the county level, the unemployment rate ranges from a low of 4.1% in Douglas County to a high of 6.6% in the City & County of Denver. Year-to-date unemployment remains well below 2004 levels of 6.6% for the same time period. The average annual unemployment rate in metro Denver is slightly higher than the state's rate of 5.4% but lower than the national rate of 5.6%.

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

	March 2005 (p)		2005 YTD Average		2004 YTD Average		2000	1995
	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	1,403.2	5.7%	1,403.7	5.5%	1,416.1	6.6%	2.3%	3.8%
Adams County	198.3	6.4%	198.5	6.3%	196.5	7.5%	2.5%	4.1%
Arapahoe Cnty	288.5	5.6%	288.5	5.3%	284.8	6.4%	2.1%	3.3%
Boulder Cnty	164.1	4.9%	163.7	4.8%	160.7	5.6%	2.4%	4.1%
Broomfield Cnty	23.5	5.1%	23.5	5.0%	23.3	6.4%		
Denver County	300.2	6.6%	300.6	6.5%	297.7	7.8%	3.0%	4.8%
Douglas Cnty	126.0	4.1%	126.2	3.9%	124.3	4.8%	1.3%	2.4%
Jefferson Cnty	302.6	5.4%	302.8	5.3%	298.3	6.1%	2.1%	3.2%
Colorado	2,520.9	5.5%	2,521.1	5.4%	2,491.1	6.2%	2.8%	4.2%
United States	147,745	5.4%	147,506	5.6%	146,249	6.1%	4.0%	5.6%

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

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

The number of first time unemployment insurance claims fell in March for the metro region but increased slightly at the state level. The monthly average for metro Denver claims is 16.9% lower than the 2004 level, indicating an improved labor market.

First Time Unemployment Insurance Claims

	Month of	Month of	Month of	YTD AVG	YTD AVG	YTD AVG	Annual
	Mar-05	Feb-05	Mar-04	2005	2004	% Change	Average 2000
Metro Denver	4,870	4,997	5,808	5,565	6,695	-16.9%	3,513
Colorado	10,614	10,315	11,737	11,849	13,785	-14.0%	7,951

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

Consumer Sector

National retail sales rose 0.3% in March, less than the forecasted 0.8%, according to the U.S. Commerce Department. The increase was mainly attributed to automobile sales, building materials and fuel. Excluding automobile sales, retail sales in March declined 0.1%, the first decline since April 2004. Sales at department stores, restaurants, clothing outlets and furniture and electronics stores fell in March after a February increase.

Another study by the International Council of Shopping Centers also reported smaller than expected gains of 4.1% at 71 retail chains. Big movers were Target Corp. which posted an 8.2% jump in sales compared to March 2004, Wal-Mart (+4.3%) and Federated Department Stores Inc. (+3.4%). Losses were reported at May Department Stores Co. (-10.8%), Dillard's Inc (-8.0%) and Limited Brands Inc. (-7.0%).

Metro Denver retail sales were 9.4% higher in the first month of 2005 compared to last year whereas state retail sales were up 10.1%. The largest gains occurred in Douglas (21.1%), Adams (17.7%) and Denver (15.7%) counties. Minimal gains occurred in Broomfield (2.8%), Arapahoe (2.1%) and Jefferson (0.2%) counties. As expected, retail sales fell from December to January in all seven metro Denver counties and at the state, signifying the end of the holiday shopping season.

Total Retail Sales (\$000s)

	Month of Jan-05	Month of Dec-04	Month of Jan-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Annual Growth 2000	Annual Growth 1995
Total Metro Denver	5,139,798	8,490,866	4,698,028	5,139,798	4,698,028	9.4%	12.5%	4.8%
Adams County	787,673	1,032,147	669,048	787,673	669,048	17.7%	9.3%	-1.7%
Arapahoe County	1,076,966	1,903,491	1,055,117	1,076,966	1,055,117	2.1%	14.2%	6.4%
Boulder County	474,033	930,236	441,989	474,033	441,989	7.2%	10.5%	5.7%
Broomfield County	93,764	293,751	91,167	93,764	91,167	2.8%		
Denver County	1,461,200	2,182,208	1,263,448	1,461,200	1,263,448	15.7%	13.4%	3.1%
Douglas County	384,304	665,357	317,438	384,304	317,438	21.1%	16.5%	33.8%
Jefferson County	861,858	1,483,676	859,821	861,858	859,821	0.2%	10.8%	6.5%
Colorado	8,648,238	14,607,585	7,856,241	8,648,238	7,856,241	10.1%	10.8%	5.8%

Source: Colorado Department of Revenue.

Confidence levels rose slightly in March in the mountain region but slipped nationally, according to the Conference Board. The consumer confidence index for the mountain region rose from a revised 115.8 in February to 116.2 in March, implying mountain region consumers are 9.2% more optimistic than they were a year ago. Meanwhile, national consumer confidence slipped from 104.4 to 102.4 in March.

The overall index incorporates two indices: the present situation index and the expectations index. The mountain region present situation index increased slightly from 128.1 to 128.8, indicating that respondent's perspectives on business conditions and the employment situation were improving while the expectations index for the coming six months was virtually flat. Currently, the mountain region has the second highest consumer confidence index of the nine regions, the third highest present situation index and the third highest expectations index.

Preliminary data for the national Consumer Confidence Index in April shows another decline to 97.7, suggesting consumers are concerned about slowing economic growth. Another preliminary study by the University of Michigan also shows U.S. consumer confidence dipped to the lowest level in April since September 2003, mostly due to rising oil prices.

Consumer Confidence Index

	Month of Mar-05 (p)	Month of Feb-05	Month of Mar-04	YTD AVG 2005	YTD AVG 2004	YTD AVG % Change	Annual Average 2000
Mountain	116.2	115.8	98.4	117.1	107.2	9.2%	142.1
United States	102.4	104.4	88.5	104.0	91.6	13.5%	139.0

Source: The Conference Board. (p)=preliminary

The Hyatt Regency Hotel across from the Colorado Convention Center is nearing completion and celebrated a partial completion with a "topping out" ceremony in April. Construction crews added the final beam to the roof of the \$355 million hotel that is helping to attract large-scale meetings and conventions to downtown Denver. The hotel, scheduled to open in December, features 1,100 rooms, 60,000 square feet of meeting space and 45,000 square feet of ballroom space.

March hotel statistics were mixed in metro Denver. The occupancy rate increased slightly from 58.2% to 58.8% while the average room rate fell from \$90.56 to \$85.29. On the bright side, the year-to-date average room rate is 7.6% higher than this time last year. Hotel occupancy through the first four months of 2004 is also stronger than last year. Statewide occupancy is flat compared to last year but room rates were up \$12.44 to \$124.24.

Metro Denver Hotel Statistics

	Month of Mar-05	Month of Feb-05	Month of Mar-04	YTD AVG 2005	YTD AVG 2004	YTD AVG % Change	Annual 2000	Annual 1995
Percent of Hotel Rooms Occupied	58.8%	58.2%	60.0%	57.3%	56.1%	2.1%	68.6%	72.5%
Average Hotel Room Rate	\$85.29	\$90.56	\$81.53	\$86.53	\$80.44	7.6%	\$89.57	\$71.44

Source: Rocky Mountain Lodging Report.

Airport traffic is off to a solid start in 2005. First quarter traffic was 2.2% higher than in 2004 which was a record-setting year. So far, more than 10 million passengers have passed through Denver International Airport compared to 9.8 million during the same period last year. Passenger traffic at the airport reached a record 42.4 million passengers in 2004, a 13.0% increase over 2003 traffic.

Denver International Airport Passengers

	Month of Mar-05	Month of Feb-05	Month of Mar-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Annual 2000	Annual 1995
Number of Airline Passengers	3,801,483	2,991,520	3,719,012	10,028,154	9,809,982	2.2%	38,751,687	31,035,398

Source: Denver International Airport, Traffic Statistics.

There is concern how rising fuel costs will affect summer motorists as well as the airlines. Gas prices climbed upwards in April across the nation, reaching a high of \$2.23 per gallon mid-month for regular unleaded in Denver and \$2.25 in Boulder-Longmont. By month end, the price had fallen to \$2.18 per gallon in Denver and \$2.19 in Boulder-Longmont. Unfortunately, oil prices are not expected to provide much relief in the near future. When faced with rising fuel prices, consumers and businesses tend to scale back other purchases, creating a ripple effect through the economy.

There is also concern as to how the rising price of oil will impact the financial markets. The latest spikes in oil prices sent stocks tumbling as investors worried that price hikes will ripple throughout the economy and trigger inflation. Analysts note that rising oil prices negatively impact every sector of the economy, with energy stocks being the lone beneficiaries.

Stock Market Indexes

	Month of Apr-05	Month of Mar-05	Month of Apr-04	YTD Return 2005	YTD Return 2004	YTD Return 2003
Colorado	1,313.62	1,364.28	1,272.26	-3.76%	-4.26%	8.90%
S&P	1,156.85	1,180.59	1,107.30	-4.54%	-0.42%	4.22%
NASDAQ	1,921.65	1,999.23	1,920.15	-11.67%	-4.15%	9.64%
DOW	10,192.51	10,503.76	10,225.57	-5.48%	-2.18%	1.66%

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

All stock indexes fell in April for the second month in a row, with the NASDAQ posting the largest year-to-date decline of 11.7%. The DOW and the S&P ended April down 5.5% and 4.5%, respectively. 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 slightly better than the other indexes, down by 3.8% as of the end of April.

Residential Real Estate

Even though mortgage rates continue to inch upwards, national sales of existing homes and condominiums increased 1% in March, well above the 0.1% forecasted rate. Existing home sales rose to a seasonally adjusted annual rate of 6.89 million units in March, the third-highest sales pace on record. The increase was led by single-family home sales while condominium and co-op sales were down 0.1%. In addition, contracts to purchase existing homes rebounded in February after declining in January, according to the National Association of Realtors' index of purchase agreements. The index increased 2.2% in February to 123.2 after a 2.1% drop in January.

Metro Denver home sales under contract jumped 31.4% in April to 7,206 homes only to be trumped by a 36.3% increase in closed sales from March. Still, market activity is slightly less robust than last year.

The median sales price for single-family homes in March rose to the highest level on record of \$245,000. Average prices for single-family homes soared to \$308,500, the first time the average has reached over the \$300,000 mark. The price increases suggest supply is not outpacing demand. Condominium prices, on the other hand, remain flat. The average condominium price in March inched upward but the median price fell by nearly \$5,000. Typically, median prices are a better descriptor of the market as average prices tend to be skewed by extremely high or low values.

Home Sales Activity

	Month of Apr-05	Month of Mar-05	Month of Apr-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Ann Avg 2000	Ann Avg 1995
Home Sales (Under Contract)	7,206	5,483	7,203	20,875	21,993	-5.1%	37,130	28,247
Home Sales (Closed)	5,151	3,778	5,118	14,421	14,781	-2.4%	48,611	36,038
Unsold Homes on Market	24,164	23,023	23,236	24,164	23,236	4.0%	8,820	9,854
Average Sales Price-Single Family	\$308,547	\$291,903	\$284,853	\$297,096	\$280,864	5.8%	\$239,779	\$150,736
Average Sales Price-Condo	\$183,931	\$183,791	\$183,529	\$183,849	\$181,546	1.3%	\$145,197	\$87,369
Median Sales Price-Single Family	\$245,000	\$236,500	\$231,000	\$238,000	\$229,500	3.7%		
Median Sales Price-Condo	\$153,850	\$158,500	\$157,900	\$156,000	\$157,900	-1.2%		

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

Median home prices in the U.S. are 11.4% higher than last year, according to March statistics from the National Association of Realtors. The 11.4% gain over March 2004 marks the sharpest increase since December 1980 when surging inflation was affecting home prices. Double-digit year-over-year gains also occurred in January and February, indicating a possible lack of available supply.

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.

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 8.3% 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 a 0.4% annual increase.

Metro Denver foreclosures were 11.6% higher at the end of the first quarter of 2005 compared to first quarter 2004. While any increase in foreclosures is not desirable, the pace of the increase in 2005 is much improved compared to last year. Total foreclosures during the first quarter of 2004 were 69% higher than first quarter 2003 levels, indicating a severe slowing in market conditions. Given the stage of economic recovery in metro Denver, it is not surprising that foreclosures are still increasing but at a slower rate since foreclosures are a lagging indicator. *Increasing job growth in metro Denver should help to slow the increase in the number of people losing their homes.* However, rising mortgage rates, especially as they may impact homeowners with adjustable rate mortgages, may offset some of the positive benefits of increasing employment. Adams and Boulder counties continue to post high increases in foreclosure activity. Both Broomfield and Denver counties experienced fewer foreclosures this quarter than the first quarter of 2004.

Real Estate Foreclosures

	Month of Mar-05	Month of Feb-05	Month of Mar-04	YTD Total 2005	YTD Total 2004	YTD Total % Change
Total Metro Denver	1,289	1,231	1,394	3,631	3,254	11.6%
Adams County	333	275	347	879	676	30.0%
Arapahoe County	304	311	276	923	810	14.0%
Boulder County	66	59	61	176	136	29.4%
Broomfield County	7	12	17	29	39	-25.6%
Denver County	318	295	372	855	859	-0.5%
Douglas County	78	89	96	256	233	9.9%
Jefferson County	183	190	225	513	501	2.4%

Source: CB Richard Ellis.

National home construction slowed considerably in March after reaching a 21-year high in February, implying new home construction will play a smaller role in economic growth during the

coming months. The Commerce Department attributed part of the 17.6% decline in March to bad weather.

Residential construction in metro Denver is off to a solid start in 2005, with single-family detached home construction up 30.2% and single-family attached home construction up 80.0%. Single-family detached activity is mainly concentrated on the east side of the metro Denver area, with Aurora, Commerce City, Castle Rock, unincorporated Douglas County, and the City of Denver permitting 200 units or more in the first two months of 2005. The construction of new single-family attached units has been strongest in unincorporated Douglas County, Aurora and Denver. There were no new apartment units permitted in February. January permit activity was light as well, with 144 units permitted in unincorporated Adams County and 140 units permitted in the City & County of Denver. Limited apartment construction activity will give the apartment market more time to stabilize.

March data from the Home Builders Association has not been released, but Steve Rahe of CB Richard Ellis says 789 apartment units were added to the metro Denver market during the first quarter. Even so, Rahe reported first quarter apartment absorption, a measure of units rented versus vacated, was positive. Specifically, there were 2,706 more units rented than vacated during the three-month period.

Analysts debate whether the increased construction will be a positive or negative factor for the metro Denver economy. On one hand, new construction creates relatively high paying construction jobs and stimulates the economy but can also raise inventory levels so high that existing home prices wane and foreclosures increase. Roger Reinhardt of the Denver Home Builders Association characterizes the market as "healthy" with a six-month inventory of existing homes on the market. However, economist Tucker Hart Adams warns of the ramifications of overbuilding.

Residential Building Permits

	Month of Feb-05	Month of Jan-05	Month of Feb-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Total 2000	Total 1995
Single-Family Units	1,160	975	843	2,135	1,640	30.2%	15,873	12,560
Two-Family Units	289	440	178	729	405	80.0%	3,321	1,965
Multi-Family Units	0	284	36	284	271	4.8%	9,116	4,979
Total Units	1,449	1,699	1,057	3,148	2,316	35.9%	28,310	19,504

Source: Home Builders Association of Metropolitan Denver.

Colorado's apartment market has improved mildly over the last year according to a Colorado Division of Housing report. The semi-annual report shows vacancy rates down slightly from 11% in February 2004 to 10.4% in February 2005. However, compared to September 2004's vacancy rate of 8.9%, vacancy has increased substantially over the five-month period. Average monthly rental rates increased to \$786 in February, a \$24 gain over February 2004 rates. In order to afford the average monthly rent of \$786, a household needs to earn \$31,500 annually or \$15.14 per hour.

According to the study's author, Gordon Van Stroh of the University of Denver, the top-performing rental markets are rural markets like Salida, Montrose, Fort Morgan and Canon City. Urban areas continue to struggle with high vacancy rates. Lake County has the highest vacancy rate of 26.6% and Salida had the lowest rate of 1.3%. The lowest median rent of \$295 per month can be found in Sterling and the highest rate of \$1,081 in Aspen. All ski resorts except for Steamboat Springs reported single-digit apartment vacancy rates over the five-month period. Several markets including Pueblo, Fort Collins and Greeley experienced negative absorption in that more apartment units were added to the market than rented.

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; however, the rents are not adjusted for inflation. 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 as rising mortgage rates discourage some households from home ownership and force others to foreclosure.

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

CB Richard Ellis reported moderate improvements in the metro Denver office market but expects continued employment growth to positively impact market conditions through 2005. The vacancy rate was virtually flat compared to fourth quarter 2004, moving from 17.2% to 17.1%. Lease rates were also flat, ending first quarter at \$16.46 per square foot. Metro Denver lease rates continue to lag other markets but analysts consider this one of the last chances to rent in metro Denver on such favorable terms. CB Richard Ellis noted improvements in the downtown Denver submarket, which accounts for 22% of the metro area office market. Most notably, downtown experienced positive absorption of 135,240 square feet and a 13.6% vacancy rate. The Northwest corridor struggled with the highest vacancy rate in the metro area of 28.4% during the first quarter, followed by Boulder's 24.6% vacancy. On the other hand, the Southwest market enjoyed a 9.6% vacancy rate, the lowest of metro Denver submarkets. Net absorption for metro Denver totaled 111,825 square feet for first quarter.

Spring office statistics by the ITRA Realty Group peg metro Denver's vacancy rate at a similar 16.8% vacancy rate and an average rent per square foot of \$16.61. Denver/Boulder's office market showed stronger than regional competitors like Austin (19.7%, \$18.88) and Phoenix (17.2%, \$20.09).

Jones Lang LaSalle predicts that the downtown Denver office market vacancy rates will increase slightly from 13.8% to 14.9% by 2008 along with a small increase in rental rates. The suburban markets, on the other hand, may experience a rise in vacancy rates from 16.1% to 18.4% by 2008 coupled with a moderate decline in rental rates. As for current conditions, Jones Lang LaSalle reports 43,539 square feet of net absorption in the central business district and 666,581 square feet in the suburban market during the first quarter of 2005.

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.

At the national level, vacancy rates in the 57 markets tracked by the National Association of Realtors (NAR) are projected to decline in 2005 to 14.2% from 15.4% in 2004. Office rents are also expected to increase 2.8% this year.

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 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.

After slipping slightly in the final quarter of 2004, the industrial market resumed its positive trend in the first quarter of 2005 according to the quarterly report by CB Richard Ellis. Market research shows a first quarter vacancy rate of 8.5% and an average lease rate of \$4.82 per square foot. Compared to this time last year, vacancy rates are down while lease rates are relatively flat. About 771,100 square feet of industrial space is under construction, most of which is located in the airport/Montbello submarket, which already accounts for 23% of the metro Denver market's square footage. The industrial market saw 250,800 square feet of positive absorption during the first quarter of 2005.

The most expensive industrial sale in the state was completed in April. The 2 million square-foot Pratt Industrial/Office Portfolio in Longmont sold for \$142 million to partners Circle Capital of Denver and Invesco Real Estate of Dallas.

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.

Nationally, industrial vacancy rates are expected to decline to 10.4% this year from 10.9% in 2004. The National Association of Realtors expects demand to continue to be strong for warehouse and distribution space.

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.

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

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.

The metro Denver retail market continues to improve according to CB Richard Ellis. First quarter vacancy rates dropped to 6.3% from 6.8% the previous quarter. The market also saw positive absorption of 327,000 square feet; however, lease rates declined by a dime to \$14.58 per square foot. More than 3.9 million square feet of retail space was added to the metro Denver market in the first quarter, continuing a growing trend of new construction. About one-third of the new construction occurred in the Northeast submarket. In 2005, the NAR projects national retail vacancy rates will fall to 6.5% from 7.5% in 2004, similar to metro Denver's current situation.

By 2007, the northeast corridor will be home to a new hospital as part of the Bromley Park development, a master planned community of 8,700 new homes, a 170-acre industrial park and town center and an office/retail project. The \$138 million hospital will serve as a diagnostic center and physician's office on the 50-acre campus located at I-76 and 144th Ave.

Monthly Economic Summary of Metro Denver

Indicator	Monthly/ Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↑	Employment increased 8,700 jobs from Feb to March, 2.4% annual growth rate
% Companies Hiring	↑	↑	35% of companies expect to add workers in 2nd quarter 2005; 7% expect decrease
Unemployment Rate	↑	↓	Rate increased to 5.7% in March; metro Denver higher in March than state and U.S.
Initial Claims	↓	↓	Initial unemployment claims decreased in March; annual claims down 16.9% from 2004
Total Retail Sales	↓	↑	Total retail sales up 9.4% in Jan 2005; up 10.1% for state
Consumer Confidence Index	↑	↑	Mountain region confidence increased in Mar; decreased in U.S.
Hotel Occupancy	↑	↑	Hotel occupancy increased to 58.8% in Mar; average room rate fell to about \$85 per night
DIA Passengers	↑	↑	Traffic up 2.2% in first three months of 2005, serving over 10 million passengers
Colorado Stock Index	↓	↓	CO Stock Index decreased 3.7% through first four months of 2005
Dow Jones Industrial Average	↓	↓	Dow decreased in April due to rising price of oil; down 5.5% through April 2005
Home Sales (closed)	↑	↓	Home sales through Apr down 2.4% from last year; average SF sold price 5.8% higher
Median Home Price	↑	↑	Median home price rose to \$237,100 in Q4 2004; 2004 price 0.4% higher than 2003
Foreclosures	↑	↑	Foreclosures up 11.6% through Apr; high increases in Adams and Boulder counties
Residential Building Permits (Total)	↓	↑	Total permits up 35.9% in first two months 2005; 4.8% increase 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	11 of 18	14 of 18	