

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

- ◆ The University of Colorado at Boulder ranked 11th among public universities and 35th among both public and private universities in the *Economist's* 2005 international survey compiled by Jiao Tong University in Shanghai, China. The rankings consider the number of Nobel Prizes, Field Medals, research citations and published articles. A 2005 Nobel Prize in physics was recently awarded to University of Colorado professor John Hall for his work in making the laser one of science's most important tools.
- ◆ Metro Denver is home to four of the top 20 most tech savvy counties in the U.S. according to the latest study by *USA Today* and Claritas Inc. Broomfield County ranked first in the nation with 56.9% of tech-savvy households followed by Boulder County (4th, 51.1%), Arapahoe County (5th, 50.7%) and Jefferson County (19th, 47.7%). The study considered 20 technology behaviors like the willingness to switch from a land-line telephone to a cell phone or purchasing a high-definition TV to determine the percent of households likely to be "first adopters."
- ◆ Colorado ranks third in the nation behind Alaska and New Hampshire for Internet usage with 63.4% of households having Internet access in 2003. The U.S. Census Bureau study also reported that household Internet usage tripled between 1997 and 2003. About 70.3% of Colorado homes were equipped with a computer, the fifth highest percentage in the U.S.
- ◆ The Guinness Book of World Records presented Golden-based ACT Teleconferencing Inc. with the largest conference call award in history. In 2004, the audio, video and Web-based conference provider hosted a call for 10,424 people.
- ◆ Through the first three quarters of the year, Colorado firms have secured \$469.2 million in venture capital funding compared to \$317.1 million raised during the same period last year. The 13 deals completed during the third quarter raised \$131.7 million, a 22.3% increase over third quarter 2004. The report by VentureOne and Ernst & Young shows that Louisville-based Replidyne Inc. accounted for \$62.5 million in venture funding. The biotechnology company plans to use the money to launch its oral antibiotic that targets respiratory-tract infections. Other deals included \$25 million for LeftHand Networks, a Boulder-based data storage company; \$12 million for ManiaTV!, a Denver-based Internet TV network; and \$8 million for Navitas Cancer Rehabilitation Centers, a Denver-based out-patient clinic network.
- ◆ Using slightly different criteria, the MoneyTree Survey reported that 19 Colorado companies were awarded \$168.1 million during the third quarter of this year and that Colorado is on pace to meet or exceed the highest level of annual funding since 2001. The MoneyTree survey concurs that the bulk of financing went towards late-stage biotechnology and information technology efforts. Through the first nine months of 2005, Colorado companies have raised \$494.3 million in venture capital from 58 deals. The MoneyTree Survey is authored by PriceWaterhouseCoopers, Thomson Venture Economics and the National Venture Capital Association.

- ◆ Greenwood Village-based Merlin Technical Solutions is the second fastest growing company on *Inc. Magazine's* 2005 list. The information technology company reported 7,979% growth in revenue over the last three years, reaching \$88.2 million in 2004. The company currently employs about 100 workers nationwide of which about 20 are located in the Metro Denver area. Fifteen other private Colorado companies made the list.
- ◆ Deloitte & Touche compiled the "Fast 50" list that ranks Colorado's fastest growing technology companies based on five-year revenue growth. Longmont-based Applied Films led with 3,103% revenue growth followed by Myogen (+2,224%), Intelligent Software Solutions (+1,623%), Displaytech (+1,524%) and Quovadx (+950%).
- ◆ Denver-based Frontier Airlines ranked second for on-time arrivals in August with an 85.1% score, according to the U.S. Department of Transportation, Bureau of Transportation Statistics. The national average for August was 75.2%. At Denver International Airport, 84% of arrivals and 82.9% of departures were on time in August. Frontier also had the second lowest rate of cancelled flights in August.
- ◆ Downtown Denver was recently designated a Best Workplace for Commuters District by the Environmental Protection Agency (EPA) and U.S. Department of Transportation. Downtown Denver is one of 20 districts in the country to hold the designation which recognizes the region's commitment to reducing pollution, commuting costs, traffic congestion and employee stress caused by single-occupant vehicle commuting. Also, nine Colorado companies made the EPA's 2005 list of the Best Workplace for Commuters among Fortune 500 companies including Metro Denver's Oracle USA, Sun Microsystems, SAFECO, IBM, TIAA-CREF, GE Access Inc., Johns Manville and Wells Fargo Bank.
- ◆ Colorado ranks second in the U.S. behind the District of Columbia for risky interest-only mortgages through July, according to a report by the Federal Deposit Insurance Corp (FDIC). The report states that 39.7% of all Colorado mortgages were either interest-only or related products compared to just 23.7% nationwide.
- ◆ Colorado's fourth and eighth graders ranked among the top quartile of all states on a national math and reading assessment this year and continued a 15-year trend of beating the national averages. The 2005 National Assessment of Student Progress was administered to a sample population of 10,000 Colorado fourth and eighth graders last spring. Colorado testers also exceeded the average reading scores.
- ◆ The 2005 tuition hike for Colorado's public four-year colleges was the largest in the nation according to a College Board study. Semester tuition increased 17% from an average last fall of \$3,640 to \$4,260 this fall. Kentucky and Michigan followed Colorado with increases of 14% and 12%, respectively. The report also shows that Colorado had one of the highest tuition increases for two-year public colleges with an 8% increase.
- ◆ Enrollment at Metropolitan State College of Denver reached a record level this fall of 21,109 students, making it the state's second largest undergraduate institution. Enrollment at the state's largest institution, the University of Colorado at Boulder, decreased by 295 undergraduate students to 24,601 this year. Colorado State University now ranks third in size with 20,720 students.
- ◆ The U.S. Small Business Administration loaned a record \$520 million to Colorado businesses during the fiscal year ending September 30, 2005, a 7% increase in value over 2004 loans. The number of loans increased 20% over the same period. Wells Fargo Bank was the top small-business lender with 341 loans totaling \$55.4 million. US Bank finished second with 268 loans totaling \$34.6 million.
- ◆ The Northwest Parkway and E-470 toll roads in Metro Denver are two of the most expensive roads to drive on in terms of cost per mile. According to Wilbur Smith Associates in Connecticut, it costs 18.4 cents per mile to drive on the Northwest Parkway and 18.1 cents per mile to drive on E-470. The most expensive roads in the nation are in California. Fares for both the Northwest Parkway and E-470 are planned to increase in 2006.

General Economic Overview

U.S. gross domestic product (GDP) increased at an annualized rate of 3.8% during the third quarter, up from 3.3% growth in the second quarter, according to advance estimates by the U.S. Department of Commerce, Bureau of Economic Analysis. Many analysts had expected the hurricanes would have had a greater impact on GDP growth. The faster growth can be attributed to a 3.9% quarterly increase in consumer spending on goods and services, an 8.9% increase in business investment and software, a 7.7% gain in federal government spending and a 4.8% increase in residential fixed investment. Meanwhile, inflation increased 4.0% in the third quarter, up from a 3.3% gain in the previous quarter.

In order to contain inflation, the Federal Open Market Committee (FOMC) raised the target for the federal funds rate by 25 basis points on September 20th to 3.75%, the 11th increase since monetary tightening began in June 2004. Federal Reserve chairman, Alan Greenspan, says that while the sharp increases in energy costs following the Gulf Coast hurricanes will act as a drag on the national economy, the impact on economic growth and inflation will be less severe than the 1970's oil shocks.

Indeed, various indexes point to recent weakening in national and Colorado economic conditions due to rising energy costs and higher interest rates:

- ◆ The Conference Board's Index of Leading Economic Indicators fell for the third consecutive month in September largely due to rising prices for fuel and other oil products as a result of the Gulf Coast hurricanes. The September index declined 0.7% after 0.1% declines in both July and August. The national index gauges future economic conditions.
- ◆ The nation's manufacturing sector expanded for the 28th consecutive month in September while the overall economy grew for the 47th consecutive month. The Institute for Supply Management's Purchasing Managers' Index increased from a revised 53.6 in August to 59.4 in September, a gain of 5.8%. The index tracks overall business activity of more than 350 manufacturing companies located throughout the country. The Front Range Purchasing Manager's Index compiled by the University of Colorado at Denver Business School increased to 54.0 in August from 50.8 in July. Both indexes indicate expansionary conditions with values over 50.
- ◆ The national service economy expanded in September but at a slower rate than in August because of higher energy prices. The National Institute for Supply Management's non-manufacturing index registered 53.3 in September, down from 65 in August. Still, the September index marked the 30th consecutive month of expansion which is indicated by a reading greater than 50. Colorado's service industry expanded by more than four percentage points to 60.7 in August. The Colorado service economy index, compiled by the University of Colorado Denver Business School, indicates expansionary conditions with values greater than 50. The Colorado and national non-manufacturing indexes are similar but not identical.
- ◆ The Creighton University Business Conditions Index for the Mountain States region slipped for the second consecutive month in September citing higher energy costs and interest rates. The overall regional index, which includes Colorado, Utah and Wyoming, fell from 71.2 in August to 67.2 in September. The individual Colorado index also fell for the second straight month from 67.4 in August to 60.0 in September. A reading greater than 50 indicates expansionary conditions.
- ◆ The Vectra Bank Small Business Index for Colorado declined slightly in September from a revised 107.9 in August to 106.0. Higher financing costs and a lower unemployment rate were the major factors behind the decline. The index considers a decrease in the unemployment rate to be a negative factor because of the reduced available workforce from which small businesses can hire. The Colorado unemployment rate was 5.0% at the time of this index. The index's 100 mark represents the benchmark year of 1997.
- ◆ The Colorado Business Leaders Confidence Index declined nine points to 49.1 for the final quarter of 2005, dropping below the neutral mark of 50 for the first time since the war in Iraq

began in early 2003. All six components of the University of Colorado at Boulder index declined indicating short-term uncertainty from a variety of factors. The survey period for the fourth quarter index closely followed Hurricane Katrina's landfall.

Labor and Employment

Vectra Bank economist Jeff Thredgold expects the Colorado economy to continue to prosper in 2006 with solid job gains except in the troubled Information sector and a strengthening residential market that affords appreciation levels closer to national averages in 2006 and 2007.

Metro Denver employment levels increased to 1,361,800 positions in September 2005, bringing year-to-date employment 2.0% higher than the same period last year. Metro Denver employment has grown at a faster pace than the nation for nine consecutive months on an average year-to-date basis while Colorado employment growth has outpaced the nation for 12 consecutive months. Through the first three quarters of 2005, average employment in Colorado is 2.2% higher than the same period last year. National employment levels have increased 1.7%. The largest percentage gains for the year in Metro Denver occurred in the Natural Resources & Construction sector (+4.2%), Education & Health Services sector (+3.4%) and the Professional & Business Services sector (+3.3%). The Information sector has experienced the only year-to-date percentage loss with a 6.0% decline, a difference of 3,700 positions.

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

	Month of Sept-05 (p)	Month of Aug-05	Month of Sep-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*	1,361.8	1,356.1	1,336.5	1,345.2	1,318.3	2.0%	4.3%	4.2%
Natural Resources & Construction	99.3	100.4	95.8	95.9	92.0	4.2%	10.7%	3.3%
Manufacturing Wholesale & Retail Trade	91.4	91.7	91.4	91.7	90.6	1.1%	-1.0%	3.8%
Transp., Warehousing & Utilities	207.3	207.3	203.9	205.1	202.0	1.5%	3.5%	5.0%
Information	51.9	51.9	51.6	51.8	51.2	1.2%	8.6%	3.5%
Financial Activities Professional & Business Services	56.3	56.4	59.6	57.5	61.2	-6.0%	10.1%	8.6%
Education & Health Services	108.6	108.8	106.6	107.7	105.8	1.8%	0.3%	2.9%
Leisure & Hospitality	221.3	221.5	213.9	216.3	209.3	3.3%	7.0%	5.7%
Other Services	137.4	136.9	133.2	136.6	132.1	3.4%	2.9%	4.8%
Government	141.0	144.4	137.1	138.0	133.9	3.0%	4.5%	5.8%
Federal Gov't	50.6	51.4	49.7	50.7	49.5	2.4%	1.0%	3.6%
State & Local Gov't	196.7	185.4	193.7	193.9	190.6	1.7%	2.4%	0.5%
Colorado	31.5	31.5	31.6	31.5	31.8	-0.8%	-0.5%	-6.6%
United States	165.2	153.9	162.1	162.4	158.9	2.2%	3.1%	2.6%
Colorado	2,238.5	2,236.7	2,196.8	2,216.6	2,169.1	2.2%	3.8%	4.5%
United States	134,325	133,793	132,127	133,104	130,892	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

About 26,900 positions were added to the Metro Denver economy through third quarter 2005 including 5,700 positions in September. Employment in the Government sector increased by 11,300 positions in September and accounted for nearly all the September non-farm employment gains. The Government gains occurred in the State & Local segment, indicating the return of the teachers. The Education & Health Services sector also reported a monthly gain of 500 positions as the academic season gets underway. The largest month-to-month loss occurred in the Leisure

& Hospitality sector signaling an end to the summer tourism season (-3,400 positions). The Natural Resources & Construction, Manufacturing, Information, Financial Activities, Professional & Business Services and Other Services sectors also reported September losses. Employment in the Wholesale & Retail Trade and Transportation, Warehousing & Utilities sectors was flat in September.

The following sections summarize recent activity within Metro Denver's key industry clusters:

Aerospace: Longmont-based DigitalGlobe Inc. will launch two next-generation commercial spy satellites by 2008 with one launch set for 2006. WorldView I and WorldView II will photograph objects one to two feet in diameter whereas QuickBird, DigitalGlobe's existing satellite, captures objects down to three feet in diameter. About 110 of DigitalGlobe's 340 employees are involved in the WorldView projects. Ball Aerospace in Boulder has contracted to build Worldview I and is in discussion with DigitalGlobe regarding Worldview II's construction. DigitalGlobe's network of satellites will allow the company to collect and sell 10 times the amount of imagery of any other company's current capabilities. Like other satellite companies, DigitalGlobe is looking beyond the government to commercial markets as market demand grows for digital pictures.

The last Colorado-made Titan IV booster rocket was launched in California last month, marking the 368th launch and the "Final Flight of the Titan." The Titan IV is being replaced by a less expensive generation of launch vehicles. In total, 526 Titan IV rockets were manufactured at Jefferson County's Lockheed Martin Waterton Canyon facility. The rocket was born out of an Air Force contract during the Cold War era. Three-fourths of the 250 Lockheed Martin employees dedicated to the Titan have been relocated within the company. The remaining 25% will either retire, take severance packages or find other jobs within the company.

Energy: El Paso Corp. announced its proposal to build a 1,000-mile pipeline that will transport Rocky Mountain natural gas to major markets east of the Mississippi River where gas is relatively more expensive compared to the Rocky Mountain region. El Paso's Continental Connector is one of two competing projects that will take natural gas out of the Rocky Mountain region as producers and pipeline companies try to take advantage of the price gap. The competition is a 1,500-mile pipeline by Kinder Morgan Energy Partners LP and Sempra Energy. The pipeline projects will likely result in higher natural gas prices for Colorado consumers. Neither of the pipeline projects are schedule to open before 2008.

The National Renewable Energy Lab in Golden, CO and Xcel Energy have joined together in one of the nation's first attempts to use off-peak wind generation to produce hydrogen fuel that can be stored for use during peak demand periods. The \$1.75 million pilot program builds upon other national experimental projects by attempting to increase the process efficiency by 3% to 6%.

Aurora-based Merrick & Co. is opening a second ethanol production plant on the Coors Brewing Co. campus that turns residual beer waste into ethanol. Merrick already produces 1.5 million gallons of the gas substitute at an existing plant on the campus. The \$2.3 million plant will double the existing production as demand for alternative fuels gains momentum across the country. Nationwide ethanol demand has increased threefold since 1996. A federal mandate requires that 7.5 million gallons of ethanol must be used in the U.S. by 2012.

Information Technology: Sunrise Broadband Group in Broomfield received a commitment for \$20 million in venture capital funding. Sunrise is working to deliver digital cable to rural areas and is currently working in Arkansas. Also, Privacy NETworks, an Internet security software provider, announced it was awarded \$2.4 million to help expand its marketing, sales and engineering divisions. The Fort Collins company manufactures the Internet Communications Security Suite that manages archiving, encryption, spam and virus protection for corporate email systems. Last year, Privacy NETworks signed a deal with Hewlett-Packard (HP) to install the software into HP servers prior to shipping. The company, which currently employs 12 full-time workers and eight part-time workers, is expanding its workforce.

The hiring pace in Metro Denver will moderate in the final quarter of the year, according to the latest Manpower Employment Outlook Survey. About 23% of the companies interviewed plan to hire more employees in the fourth quarter, down from 32% in the third quarter. From October to December, about 18% of the respondents said that they expect to reduce their payrolls, up from only 2% in the third quarter and 5% in fourth quarter 2004. Another 56% of respondents are expected to maintain current staffing patterns in the coming quarter. Despite the softer conditions expected in the fourth quarter, the year-to-date Metro Denver employment outlook is on track with the 2004 outlook. Job prospects in the metro region appear best in non-durable goods manufacturing and wholesale/retail trade while staff reductions are expected in transportation/public utilities. Mixed hiring intentions were reported for the construction, durable goods manufacturing, finance/insurance/real estate and services sectors. No change is anticipated in the public administration sector.

The national employment outlook remains strong in the fourth quarter with 29% of companies planning to increase payrolls and only 8% of companies planning to reduce payrolls. Another 57% of respondents anticipate no change in current staffing patterns and 6% are unsure of their plans. The fourth quarter Manpower survey was conducted prior to the Gulf Coast hurricanes.

Employment Outlook Survey

	Quarter 4 2005	Quarter 3 2005	Quarter 4 2004	Year-to-Date Average 2005	Year-to-Date Average 2004
Percent of Companies Hiring	23%	32%	29%	29%	24%
Percent of Companies Laying Off	18%	2%	5%	7%	7%
Percent of Companies No Change	56%	63%	61%	61%	62%

Source: Manpower Inc.

In other employment news, Corporate Express Inc., a large office supply company, chose Aurora over Wichita, KS for an 83,000 square foot customer service call center that will employ about 600 workers and handle customer service calls for the company's 28 U.S. distribution centers. The company, which is headquartered in Broomfield, also leased a 65,000 square foot facility in Northglenn to house its credit and collections operations along with limited financial and information technology functions. The Northglenn expansion will result in about 85 new jobs. Corporate Express Inc. reported \$4.5 billion in North American sales in 2004 and already employs 1,150 workers in Colorado.

The Hyatt Regency at the Colorado Convention Center needs to fill 500 positions before the scheduled opening in December. Job openings include 200 food and beverage positions, 100 management positions, 70 housekeepers and seven door-attendant jobs for which salaries range from \$20,000 to \$70,000. The 1,100-room hotel already has roughly \$100 million in advance room bookings through 2013.

R.H. Donnelley purchased Arapahoe County-based Dex Media in October for \$9.5 billion and became the third largest print and Internet directory publisher in the U.S. behind SBC and Verizon. Dex Media currently employs about 2,600 workers in Metro Denver, mostly in administrative or information technology functions. Some administrative and technology losses are expected because of overlap with R.H. Donnelley's offices in Cary, NC.

National payrolls fell by 35,000 jobs in September; however, many analysts feared the impacts of Hurricane Katrina would be more pervasive. The losses occurred in retailing, lodging, bars and restaurants and leisure pursuits industries and caused the unemployment rate to increase to 5.1% in September after dipping to a four-year low in August of 4.9%. The September employment decline was the first since May 2003 and the largest since a decline of 45,000 positions in April 2003. The U.S. Department of Labor called Hurricane Rita's impact on employment figures "negligible."

The unemployment rate in Metro Denver increased slightly from 4.9% in August to 5.0% in September. State officials noted that the uptick was partly due to seasonal adjustments such as the reduction of landscaping workers. At the county level, the September unemployment rate ranged from a low of 3.8% in Douglas County to a high of 5.7% in the City & County of Denver. All seven Metro Denver counties reported slightly higher unemployment rates in September compared to August except for Boulder County which reported no change. The Metro Denver unemployment rate of 5.2% through the first three quarters of 2005 remains much improved over the 2004 rate of 5.8% for the same period. The average annual unemployment rate was 5.1% for Colorado and 5.2% for the United States.

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

	September 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	1,448.6	5.0%	1,431.1	5.2%	1,423.2	5.8%	2.5%	3.8%
Adams County	204.3	5.6%	202.1	5.9%	201.4	6.6%	2.7%	4.1%
Arapahoe Cnty	298.2	5.1%	294.5	5.2%	292.8	5.7%	2.4%	3.3%
Boulder Cnty	169.7	4.3%	167.0	4.6%	164.9	5.0%	2.3%	4.1%
Broomfield Cnty*	24.2	4.4%	24.0	4.8%	23.9	5.7%		
Denver County	309.0	5.7%	305.7	6.0%	305.1	6.9%	2.9%	4.8%
Douglas Cnty	130.6	3.8%	128.8	3.8%	128.1	4.3%	2.0%	2.4%
Jefferson Cnty	312.5	4.8%	308.9	5.1%	307.0	5.5%	2.3%	3.2%
Colorado	2,557.0	4.9%	2,543.4	5.1%	2,514.7	5.6%	2.6%	4.2%
United States	149,838	4.8%	149,047	5.2%	147,190	5.7%	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

Online job recruiting activity and related employment opportunities are on the rise, according to the Monster Local Employment Index. Online job demand increased from 104 in August to 106 in September.

The number of first time unemployment insurance claims filed in Metro Denver fell 5.6% from 4,580 claims in August to 4,324 claims in September while the state experienced a 29.6% increase. Through the first three quarters of the year, the number of claims filed remains well below 2004 levels for both Metro Denver and Colorado. Since 2000, the number of claims filed in Metro Denver has averaged 47.5% of total Colorado claims. In September, Metro Denver claims accounted for only 36.9% of the state's total filings.

First Time Unemployment Insurance Claims

	Month of	Month of	Month of	Year-to-Date	Year-to-Date	Year-to-Date	Annual
	Sep-05	Aug-05	Sep-04	Average 2005	Average 2004	Average % Change	Average 2000
Metro Denver	4,324	4,580	4,508	4,836	5,664	-14.6%	3,513
Colorado	11,719	9,022	9,455	10,529	11,869	-11.3%	7,951

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

Colorado wages are keeping pace with the rest of the country. Average weekly pay during first quarter 2005 increased 2.2% from first quarter last year to \$787. The same percentage increase occurred at the national level; however, Colorado wages are higher than the national weekly average of \$775. Denver County employees received the largest percentage increase of 3.8% to \$976. Boulder County wages fell 0.3% to \$919.

The Mountain States Employers Council annual wage survey indicates that Colorado and Wyoming employers will offer an average 3.5% pay increase to employees next year, up slightly from the 3.4% average pay increase reported in the 2004 survey. Metro Denver employers are expected to offer a similar 3.5% pay increase.

Consumer Sector

The U.S. Department of Labor reported a 1.2% increase in prices during September, the largest monthly price increase in 25 years. Nearly all of the increase came from soaring energy prices due to Hurricanes Katrina and Rita.

On a positive note, Xcel Energy lowered its estimate for November electric bills due to falling natural gas prices as production in the Gulf Coast region returns to pre-hurricane levels. In October, the utility company estimated customers would pay an average of \$16 more per person in November which was lowered in late October to a rate increase of \$11 per person. The average residential consumer will pay \$63.04 for electricity and \$131.38 for natural gas in November for a combined total of \$194.44. Last November, the average household's total bill was \$147.24.

Consumers also breathed a sigh of relief at the gas pump this month as prices eased. The national average price of regular unleaded gas was \$2.49 per gallon as of Monday, October 31, 2005, down from \$2.89 a month ago, according to AAA's fuelgagereport.com. The average price in Denver was slightly more expensive at \$2.53 per gallon and \$2.56 per gallon in Boulder; however, Metro Denver gas prices are down about 30 cents from a month ago. On the other hand, gas prices are up considerably from \$1.94 per gallon in Denver, \$1.96 per gallon in Boulder and \$2.03 per gallon across the nation last October.

One of the impacts of relatively high gas prices seems to be increased public transportation ridership. The Regional Transportation District (RTD) reported the highest ridership level during its 30 years of operation of 85 million passenger trips between September 2004 and September 2005, a 3.7% increase over the previous period. RTD explained that most of the increase occurred on regional bus routes. RTD is proposing a 25-cent fare increase to offset rising fuel costs. Currently, Denver is tied with Cleveland and Dallas for the cheapest local fare in the U.S. of \$1.25.

Another impact may be the type of car consumers choose to purchase. Demand for SUVs in the Denver area is down compared to last year, according to the Colorado Auto Dealers Association which tracks new car registrations across the state. Through the first half of 2005 compared to the same period in 2004, registrations for new GMC pickups and SUVs fell 24%, Hummers fell 14.2%, Jeeps fell 3.1%, Chevrolet SUVs fell 7.8% and Buick SUVs fell 16.2%. Overall, registrations for light trucks are down 6.6% through the January-June period compared to last year. The trend also applies outside of Colorado as Ward's AutoInfoBank reported that national sales for SUVs in September were down 43%.

Rising energy costs, falling real wages and new credit card payment rules that require larger payments are causing several Wall Street economists including Lehman Brothers Inc., Goldman, Sachs & Co., and Merrill Lynch & Co. to revise consumer spending estimates downward for the upcoming holiday season. Goldman, Sachs & Co. forecasts a 1.5% annual rate of increase in consumer spending during the next two quarters which is half the pace of the 2003 and 2004 gains. Merrill Lynch & Co. similarly predicts a 1% increase in the final quarter of 2005.

Advance estimates of September's national retail and food sales show a 0.2% increase over August sales and a 6.5% gain over the same month last year. Gasoline station sales increased 34.8% from September 2004, reflecting the gasoline price hikes experienced in recent months. Total third quarter sales were 8.3% greater than third quarter 2004 sales. The U.S. Department of Commerce figures are adjusted for seasonal variation, holiday and trading-day differences but not for price.

Retail sales in Metro Denver were up 6.1% through August compared to the first eight months of last year. The largest year-to-date gains occurred in Adams County (+16.7%), Douglas County (+16.4%) and Boulder County (+9.7%). On the other hand, Jefferson County reported the smallest gain of 2.1% through August among the seven metro counties. Data for the City & County of Broomfield is skewed by a large payment of delinquent taxes by a company in May 2004. Retail sales throughout the state are growing at a faster pace than Metro Denver, up 7.6%.

Total Retail Sales (\$000s)

	Month of Aug-05	Month of Jul-05	Month of Aug-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Annual Growth 2000	Annual Growth 1995
Total Metro Denver	6,024,322	5,741,219	5,326,863	45,638,171	43,019,183	6.1%	12.5%	4.8%
Adams County	867,451	841,640	760,603	6,837,401	5,860,938	16.7%	9.3%	-1.7%
Arapahoe County	1,310,459	1,305,074	1,212,465	10,066,664	9,394,169	7.2%	14.2%	6.4%
Boulder County	572,327	520,151	510,311	4,377,110	3,990,497	9.7%	10.5%	5.7%
Broomfield County	117,203	119,681	112,561	899,348	1,756,016	-48.8%		
Denver County	1,619,536	1,517,574	1,398,216	12,273,238	11,501,439	6.7%	13.4%	3.1%
Douglas County	550,136	462,458	399,055	3,632,370	3,121,004	16.4%	16.5%	33.8%
Jefferson County	987,210	974,640	933,652	7,552,040	7,395,120	2.1%	10.8%	6.5%
Colorado	10,166,337	9,893,598	9,078,397	77,001,459	71,547,513	7.6%	10.8%	5.8%

Source: Colorado Department of Revenue.

The Downtown Denver Partnership released a study that reveals key findings about how to improve the downtown retail market. Target emerged as the most desired store to add to the Downtown market according to the 1,850 surveyed residents, workers, students, visitors, retailers and first ring suburbanites. Foley's department store and Whole Foods also appeared high on the list. Survey results also stressed the negative impact panhandlers and vagrants have on the downtown retail climate and that Downtown Denver is not viewed as a regional shopping destination. Downtown residents will get one wish next year – a grocery store. Vitamin Cottage Natural Grocers will open a 10,000 square-foot store in the Central Platte Valley area next summer. The health food grocer is based in Lakewood, CO and has grown into 21 locations across Colorado and New Mexico since it was founded in 1955.

Consumer outlook turned pessimistic in September following the Gulf Coast hurricanes which negatively impacted the short-term economy. The national consumer confidence index fell to 86.6 in September, the lowest level in nearly two years. Overall confidence levels in the mountain region slipped 13.5 points in September to 118.5, the lowest level since April of this year. Still, the mountain region continues to be the most confident of the nine regions in the survey for the fourth consecutive month. All nine regions experienced declines in consumer confidence. The New England region reported the largest monthly decline of 32.6 points to 68.1. The East North Central region reported the lowest confidence level of 66.6 among the nine regions.

The index is comprised of the present situation index and the expectations index. Mountain region consumers reported a small increase in their perceptions of current situations from a revised 155.4 to 155.7 in September, the highest reading among the nine regions. The expectations index in the mountain region fell from a revised 116.4 to 93.8 in September, also the highest reading among the nine regions. Both index components fell at the national level in September.

Advance estimates for national consumer confidence levels in October reveal a continuing decline due to the hurricanes, rising heating and fuel prices and a weakening labor market. The October consumer confidence index slipped to 85, the lowest level since October 2003. The present situation index fell from a revised 110.4 in September to 108.2 in October alongside a decrease in the future expectations index which fell from a revised 72.3 to 69.5. Advance estimates are not available at the regional level.

Consumer Confidence Index

	Month of Sep-05 (p)	Month of Aug-05	Month of Sep-04	YTD AVG 2005	YTD AVG 2004	YTD AVG % Change	Annual Average 2000
Mountain	118.5	132.0	116.0	121.3	108.7	11.6%	142.1
United States	86.6	105.5	96.7	101.7	96.1	5.8%	139.0

Source: The Conference Board. (p)=preliminary

The Colorado Bankruptcy Court was inundated with a record number of debt-laden consumers the week before the new, stricter bankruptcy law that took effect on October 17th. Consumers across the country filled an estimated 200,000 bankruptcy petitions during the same week, surpassing the previous weekly record of 102,863 filings according to California-based Lundquist Consulting. Prior to the October deadline, an estimated 42,800 Colorado consumers had filed for bankruptcy compared to only 21,416 filings in all of 2004.

Hotel occupancy rates and average room rates declined in Metro Denver in September signaling the end to the summer tourism season, however, both indicators remain improved over September 2004 levels. Occupancy rates fell from 77.0% in August to 69.1% in September. Average room rates slipped from \$96.78 per night in August to \$95.68 per night. Occupancy rates and average room rates stand 3.9% and 9.0% higher through the first three quarters of the year compared to last year, respectively. The statewide lodging industry has also improved over last year. The average hotel occupancy rate for Colorado rose 3 percentage points over September 2004 rates to 64.6% while average room rates increased \$9.45 to \$100.10 from September 2004 to September 2005.

Metro Denver Hotel Statistics

	Month of Sep-05	Month of Aug-05	Month of Sep-04	YTD AVG 2005	YTD AVG 2004	YTD AVG % Change	Annual 2000	Annual 1995
Percent of Hotel Rooms Occupied	69.1%	77.0%	66.5%	66.6%	64.1%	3.9%	68.6%	72.5%
Average Hotel Room Rate	\$95.68	\$96.78	\$85.96	\$90.99	\$83.46	9.0%	\$89.57	\$71.44

Source: Rocky Mountain Lodging Report.

The Fitzsimmons campus in Aurora will soon have a 140-room Hilton Garden Inn with 3,000 square feet of meeting space. Kansas-based Lighthouse Properties plans to spend \$20 million on the Fitzsimmons project that will also include a stand-alone retail and restaurant center. Demolition and construction are scheduled for early 2006. The Fitzsimmons Redevelopment Authority's plans for a separate hotel are on hold and tied up in negotiations with the Department of Veterans Affairs.

Vacationer's interest in visiting Denver in the next two years declined to 36% in the 2005 survey, down from 44% in 2004. Visits to Colorado's mountain resorts also declined from 51% in 2004 to 46% in 2005. The survey by Yesawich, Pepperdine, Brown & Russell reveals that the most activity is currently in leisure travel while business travel has yet to recover. In fact, the survey of 1,650 U.S. travelers showed that 93% plan to take at least one leisure trip this year, an increase from 90% reported last year. Off-site business meetings and conferences are expected to grow by a minimum of 6% this year which presents opportunities for the newly expanded Denver convention center.

Low-cost carrier Southwest Airlines is returning to the Denver market and will begin by offering 13 daily flights to Chicago Midway, Phoenix and Las Vegas from Denver International Airport on January 3, 2006. Roundtrip fares starting at \$118 for Phoenix and Las Vegas and \$158 for Chicago Midway are notably less than comparable United and Frontier fares. Southwest's arrival has triggered fare wars in other markets. However, some analysts question whether the airline's

arrival in Denver will have as great of an impact because of DIA's two competitive and entrenched airlines: United Airlines and Frontier Airlines. Denver-based Frontier Airlines recently announced additional daily flights between Denver and five of its top cities: Phoenix, Las Vegas, Salt Lake City, Chicago and Dallas. Also, United Airlines and Frontier Airlines have matched the Southwest fares at least in the interim.

Dallas-based Southwest Airlines, which celebrated its 31st year of profitability in 2004, is the healthiest U.S. airline in the financial sense. Southwest's CEO, Gary Kelly, said the airline will begin Denver service with a "modest number of flights and maybe 35 to 45 employees." Besides the fact that Metro Denver and Colorado area a popular destinations, Kelly cited the airport's efficient layout, design and low costs as key reasons behind the Denver expansion.

Denver International Airport (DIA) was the sixth busiest airport in the nation in July, up from seventh place during the first half of the year. The rankings are based on the number of domestic passengers boarding planes and are compiled by the U.S. Bureau of Transportation Statistics. Atlanta's Hartsfield-Jackson airport reported the most passenger traffic during July 2005.

Revised statistics for Denver International Airport show a 2.3% increase in passenger traffic through August, bringing year-to-date traffic to more than 29.5 million passengers. August 2005 was the airport's third busiest month behind July 2005 and July 2004 with a 2.8% increase over August 2004 traffic. DIA is on track for another record year.

Denver International Airport Passengers

	Month of Aug-05	Month of Jul-05	Month of Aug-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Annual 2000	Annual 1995
Number of Airline Passengers	4,122,226	4,275,728	4,009,423	29,504,921	28,841,043	2.3%	38,751,687	31,035,398

Source: Denver International Airport, Traffic Statistics.

Brian Friedman of GHP Investment Advisors, Inc. says that despite high energy prices with inflationary consequences and lower corporate profits that have kept the stock market flat in 2005, the stock market will serve as a good investment vehicle in the next couple years because of low valuations of domestic and foreign stocks and much improved corporate competitiveness.

The Colorado stock index posted a 7.8% gain through October compared to negative growth for three national indices. The Colorado stock index is a compilation of the stock prices of 30 companies either headquartered in Colorado or having significant operations in the state. Through the third quarter, the S&P 500 is down 1.1% compared to a 3.5% decline in the DOW and a 3.9% decline in the NASDAQ. Stocks rallied in late October due to a surprisingly positive GDP growth rate of 3.8% for third quarter. Historically, October can be a frightful month for the stock market. Two of the worst examples are the famous stock market crash of October 1929 when the S&P index fell 20% and the 22% S&P drop in October 1987. While the overall market exhibited strong performance this month, some individual stocks have seen their demise. Of the 2,399 U.S.-traded stocks with a market value greater than \$500 million, 58 have seen a 20% or more decline through October 21, 2005.

Stock Market Indexes

	Month of Oct-05	Month of Sep-05	Month of Oct-04	YTD Return 2005	YTD Return 2004	YTD Return 2003
Colorado	1,716.8	1,763.9	1,462.9	7.8%	3.6%	23.8%
S&P 500	1,198.4	1,227.7	1,130.2	-1.1%	1.6%	19.4%
NASDAQ	2,089.9	2,141.2	1,975.0	-3.9%	-1.4%	44.7%
DOW	10,402.8	10,552.8	10,027.5	-3.5%	-4.1%	17.5%

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

Residential Real Estate

The Mortgage Bankers Association estimates mortgage lending will slow 18.7% next year to \$2.26 trillion from the \$2.78 trillion that is estimated for 2005. The industry trade group expects borrowing costs to rise along with fewer home sales next year.

Sales of previously-owned homes in Metro Denver are 0.8% below 2004 levels through the first ten months of the year while inventory levels stand 12.4% higher than the same period. MetroList data also reports a 1.1% decline in home sales under contract through October. Further evidence that the residential market is weakening is that prices may be slipping. The average price for a single-family home increased to \$317,748, the only category to show a price increase in October. However, a record sale in Cherry Hills for \$12.4 million may be skewing the average price. The median price for a single-family home showed no change from \$250,000 in October. Both the average and median prices for condos declined to \$188,876 and \$157,904, respectively. On a positive note, average and median home prices for both single-family homes and condominiums for the year remain above 2004 levels. Still, real estate analyst Steve McGuire says, "sellers are having to make concessions, having to adjust prices downward." Median prices are typically a better market descriptor as average prices tend to be skewed by extremely high or low values.

Home Sales Activity

	Month of Oct-05	Month of Sep-05	Month of Oct-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Ann Avg 2000	Ann Avg 1995
Home Sales (Under Contract)	4,570	6,158	5,308	56,742	57,358	-1.1%	37,130	28,247
Home Sales (Closed)	4,006	5,573	5,131	45,016	45,397	-0.8%	48,611	36,038
Unsold Homes on Market	26,828	27,200	23,876	26,828	23,876	12.4%	8,820	9,854
Average Sales Price-Single Family	\$317,748	\$309,620	\$289,983	\$307,314	\$289,887	6.0%	\$239,779	\$150,736
Average Sales Price-Condo	\$188,876	\$200,922	\$185,804	\$189,493	\$180,536	5.0%	\$145,197	\$87,369
Median Sales Price-Single Family	\$250,000	\$250,000	\$235,900	\$246,900	\$237,000	4.2%		
Median Sales Price-Condo	\$157,904	\$165,000	\$159,000	\$160,000	\$157,250	1.7%		

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

The median home price in Metro Denver, which is reported on a quarterly basis by the National Association of Realtors, increased from \$236,000 during the first quarter to \$248,400 during the second quarter. Prices are 2.3% higher through the first half of 2005 compared to the first half of 2004 in contrast to the national home price increase of 11.6% for the same period. The report pegs Metro Denver as the 29th most expensive housing market out of the 145 metro areas ranked in the second quarter of 2005, down from the 24th most expensive market in the first quarter. The Metro Denver market was the seventh most expensive market just three years ago.

Median Home Price (\$000s)

	Quarter 2 2005 (p)	Quarter 1 2005 (r)	Quarter 2 2004	Year-to- Date Average 2005	Year-to- Date Average 2004	Year-to- Date Average in YTD	Median 2000	Median 1995
Metro Denver	\$248.4	\$236.0	\$241.8	\$242.2	\$236.8	2.3%	\$196.8	\$214.5
United States	\$208.5	\$188.3	\$183.5	\$198.4	\$177.8	11.6%	\$139.0	\$113.1

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

Metro Denver foreclosures are up 14.6% through the first three quarters of 2005 compared to the same period last year. Foreclosures decreased from 1,207 in August to 1,126 in September. Adams, Boulder and Douglas counties continue to post high percentage increases in foreclosure

activity. Broomfield County is the only county to experience fewer foreclosures through September compared to the same period last year.

Real Estate Foreclosures

	Month of Sep-05	Month of Aug-05	Month of Sep-04	YTD Total 2005	YTD Total 2004	YTD Total % Change
Total Metro Denver	1,126	1,207	987	10,529	9,189	14.6%
Adams County	274	256	149	2,420	1,844	31.2%
Arapahoe County	320	301	276	2,621	2,368	10.7%
Boulder County	46	56	45	453	384	18.0%
Broomfield County	9	12	11	86	99	-13.1%
Denver County	260	288	291	2,657	2,428	9.4%
Douglas County	54	96	58	724	615	17.7%
Jefferson County	163	198	157	1,568	1,451	8.1%

Source: CB Richard Ellis.

National housing starts increased in September to the highest level in seven months according to a report by the U.S. Department of Commerce. Construction of new homes and apartments increased 3.4% in September to a seasonally adjusted annual rate of 2.11 million units, up from 2.04 million units in August and 1.91 million units last September.

The total number of residential building permits issued in Metro Denver through May 2005 is 1.3% below the 2004 level with the most noticeable declines in the multi-family and the attached single-family (two-family) categories. Building activity in the single-family category is 8.6% higher through May compared to last year. Total permit activity was stable from April to May. The top three areas for permits issued in May were Denver, Aurora and Commerce City. No multi-family permits have been issued in Metro Denver since January.

Residential Building Permits

	Month of May-05	Month of Apr-05	Month of May-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Total 2000	Total 1995
Single-Family Units	1,283	1,313	1,533	6,416	5,909	8.6%	15,873	12,560
Two-Family Units	241	214	461	1,487	1,915	-22.3%	3,321	1,965
Multi-Family Units	0	0	6	284	473	-40.0%	9,116	4,979
Total Units	1,524	1,527	2,000	8,187	8,297	-1.3%	28,310	19,504

Source: Home Builders Association of Metropolitan Denver.

Despite the year-to-date decrease in total permits, several significant projects are in the pipeline for Metro Denver. Development is underway on the second-to-last phase at Lowry which includes \$142 million worth of commercial, residential and mixed-use buildings in the Lowry Town Center District. The 243 residential units priced between \$100,000 and \$1 million and 108,000 square feet of commercial space are scheduled for completion in 2007-2008.

KB Homes is planning a 106-acre, \$100 million residential development in Longmont near a \$50 million retail development project that is already underway. The 450-unit project dubbed Harvest Junction will offer a mix of products including townhomes and single-family homes that range in price from the high \$100,000s to \$250,000. Affordable housing will account for 10% of the units.

The Landmark, a luxury condominium complex in Greenwood Village, is in the planning stages. The \$140 million project would include 146 condominiums priced from \$250,000 to \$1 million, 160,000 square feet of retail space and numerous amenities like a six-screen movie theatre. The 15-acre project is located within walking distance to the Orchard light rail station.

The Denver Metro Apartment Vacancy and Rent Survey revealed that the apartment vacancy rate fell to a four-year low of 7.7% in the third quarter with positive absorption of 1,178 units. The average monthly rental rate rose to \$844 in the third quarter, up from \$826 during the previous period. Incentives remain pervasive however and are not reflected in the average rent data. Through the first nine months of the year, rents are 2.3% higher compared to the same period last year. The Metro Denver apartment market will receive an added boost from the 2,500 Hurricane Katrina evacuees that located to the metro area. Hurricane Katrina rentals began in late September and are not reflected in the third quarter survey results. The Federal Emergency Management Agency, which is subsidizing the housing for the hurricane victims, is expected to add \$75 million to the local economy. Kathi Williams, the Director of the Colorado Division of Housing, estimates that 40% of the evacuees will permanently locate in Metro Denver.

Apartment Statistics

	Quarter 3 2005	Quarter 2 2005	Quarter 3 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	7.7%	8.0%	8.5%	8.3%	9.6%		4.6%	4.3%
Average Monthly Rental Rate (all units)	\$844	\$826	\$779	\$835	\$816	2.3%	\$763	\$564

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

Jones Lang LaSalle predicts rents in Downtown Denver will experience inflationary increases through 2008 compared to flat or small rent increases in the suburban markets. The suburban markets will have a higher average vacancy rate in 2008 of 17% compared to a 12% rate in the Downtown market, which offers no change from the current vacancy estimates for third quarter 2005. Third quarter vacancy rates are the highest in the Northwest (23.9%) and Southeast (19.8%) markets and lowest in the Midtown (8.1%) and Southwest Suburban (12.1%) markets. The Jones Lang LaSalle overall third quarter vacancy rate for Metro Denver is 15.7%. Through the first nine months of the year, Jones Lang LaSalle has recorded positive absorption of 484,000 square feet in the Downtown market and 833,000 sq. ft in the suburban markets. Rents through September have increased 3.15% in the Downtown market and 3.1% in the suburban markets compared to the same period last year.

The Metro Denver office market experienced mixed results at the submarket level during the third quarter but continued to show improvement at the metro level according to MarketView by CB Richard Ellis. The overall vacancy rate fell nearly one percentage point to 16.7% during the July-September period while the average lease rate increased slightly to \$16.66 per square foot. The Northwest, North and Boulder submarkets reported the highest vacancy rates ranging between 25% and 26% compared to the low rates of 8.3% in the Southwest market and 10.1% in Longmont. Net absorption for the overall metro area totaled 321,932 square feet during the third quarter. The Downtown (+302,000 square feet) and Southeast (+266,000 square feet) markets were the top performers in terms of net absorption, representing a total of over 750,000 square feet of positive absorption. CB Richard Ellis expects measured growth with positive absorption to continue into 2006.

Data from Costar Realty Information, Inc. also indicates an improving office market in Metro Denver. Direct and total vacancy rates including sublet space declined for the fourth consecutive quarter to 14.1% and 15.7%, respectively, in the third quarter. The average lease rate increased from \$17.06 per square foot during the second quarter to \$17.47 per square foot in the July-September period, the highest rate in nearly two years. The national office market is healthier than the Metro Denver market based on fundamentals, according to CoStar data. The national vacancy rate decreased in the third quarter to 12.5% and the average lease rate increased to \$22.26 per square foot

Office Market Statistics

	Quarter 3 2005	Quarter 2 2005	Quarter 3 2004	Quarter 3 2003	Quarter 3 2002	Quarter 3 2001
Number of Buildings	4,381	4,315	4,288	4,247	4,172	4,091
Existing Square Feet (millions)	149.8	149.2	148.8	147.3	146.1	142.5
Vacant Square Feet (millions)	21.1	21.6	22.6	22.2	18.4	12.7
Vacancy Rate (Direct)	14.1%	14.5%	15.2%	15.1%	12.6%	8.9%
Vacancy Rate (With Sublet)	15.7%	16.1%	17.2%	17.6%	15.3%	11.7%
Average Lease Rate (per square foot)	\$17.47	\$17.06	\$16.90	\$17.52	\$19.64	\$21.19
New Construction Completed (year-to-date)	0.50 MSF, 31 Bldgs	0.30 MSF, 20 Bldgs	1.05 MSF, 31 Bldgs	1.22 MSF, 36 Bldgs	2.39 MSF, 66 Bldgs	6.07 MSF, 92 Bldgs
Currently Under Construction	1.21 MSF, 32 Bldgs	0.86 MSF, 31 Bldgs	0.82 MSF, 27 Bldgs	0.59 MSF, 21 Bldgs	1.55 MSF, 40 Bldgs	3.75 MSF, 69 Bldgs

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

Office construction picked up in the third quarter to its most active level since fourth quarter 2002. Still, construction remains at minimal levels in response to somewhat soft market conditions. About 1.2 million square feet of new office space is currently under construction in Metro Denver of which more than half is located in Denver. The three largest office buildings under construction are the Denver Newspaper Agency and the Environmental Protection Agency buildings in Downtown Denver and a 150,000 square-foot building in the CentreTech Business Park in Arapahoe County. About 500,000 square feet of office space has been added to the Metro Denver market through the first three quarters of 2005, down from 1,050,000 square feet added through third quarter 2004.

Opus Northwest announced it will add three office buildings close to Denver International Airport in the HighPoint mixed-use project. The \$23 million Opus development will offer 174,000 square feet of space. Potential tenants have not been made public.

Denver International Airport is accepting proposals for two retail developments on a total of 16.7 acres of airport property on the north side of Peña Boulevard. The "Peña Project" will provide goods and services like a bank, dry cleaners, gas station and a restaurant to travelers and 30,000 airport and related workers. Approximately 85,000 cars drive on Peña Boulevard every day. Airport and economic development officials have identified 500 acres of developable airport property for a "retail village" that was partly inspired by commercial development near The Dallas Fort-Worth International Airport.

More than 386,000 square feet of positive absorption highlighted CB Richard Ellis' MarketView industrial market report for third quarter 2005. The overall vacancy rate of 8.9% was unchanged from second to third quarter. The Southwest and Central Denver submarkets exhibit the lowest vacancy rates of around 3.4% while the Longmont area dealt with a 26.1% rate. Similarly, the average lease rate remained stable for the two quarters resting at \$4.97 per square foot in the third quarter. The Boulder and Southeast submarkets led the metro area with the highest lease rates of \$6.85 and \$6.50 per square foot, respectively.

Metro Denver's third quarter industrial real estate market improved slightly from third quarter of 2004 in terms of both vacancy rates and average lease rates, according to data from CoStar. The direct vacancy rate fell 0.1 percentage points to 7.7% while the total vacancy rate including sublease space dropped from 8.4% to 8.1%. The average lease rate increased from \$4.64 NNN during third quarter 2004 to \$4.73 NNN during third quarter 2005. *CoStar reported a national average industrial vacancy rate of 9.3% during the third quarter and a national average lease rate of \$5.77 per square foot*

Industrial Market Statistics

	Quarter 3 2005	Quarter 2 2005	Quarter 3 2004	Quarter 3 2003	Quarter 3 2002	Quarter 3 2001
Number of Buildings	5,496	5,433	5,414	5,376	5,323	5,278
Existing Square Feet (millions)	195.5	194.2	193.5	191.4	191.0	188.0
Vacant Square Feet (millions)	15.0	14.5	15.1	13.4	11.8	9.6
Vacancy Rate (Direct)	7.7%	7.5%	7.8%	7.0%	6.2%	5.1%
Vacancy Rate (With Sublet)	8.1%	8.0%	8.4%	7.8%	7.1%	5.7%
Average Lease Rate (per square foot)	\$4.73	\$4.66	\$4.64	\$4.96	\$5.41	\$5.63
New Construction Completed (year-to-date)	0.61 MSF, 21 Bldgs	0.27 MSF, 13 Bldgs	1.40 MSF, 27 Bldgs	1.33 MSF, 32 Bldgs	2.20 MSF, 35 Bldgs	2.09 MSF, 33 Bldgs
Currently Under Construction	0.84 MSF, 21 Bldgs	0.73 MSF, 18 Bldgs	0.61 MSF, 14 Bldgs	1.52 MSF, 12 Bldgs	0.79 MSF, 18 Bldgs	0.53 MSF, 14 Bldgs

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

About 840,000 square feet of new industrial buildings are in the works, the largest of which is a 284,000 square-foot ProLogis building in Adams County. Through September, about 610,000 square feet of industrial space in 21 buildings has been completed. Adams County accounts for 71% of recently completed industrial space.

CoStar data shows positive quarterly movements in the flex space market but mixed results in terms of average lease rates when compared to third quarter 2004. The direct vacancy rate remained stable at 15.1% during the third quarter of 2005 but is down from 16.7% a year ago. The vacancy rate including subleases decreased to 16.3% in the third quarter and is also down from a year ago. Meanwhile, the average lease rate increased to \$8.24 NNN per square foot but remains below third quarter 2004 levels.

Flex Space Statistics

	Quarter 3 2005	Quarter 2 2005	Quarter 3 2004	Quarter 3 2003	Quarter 3 2002	Quarter 3 2001
Number of Buildings	1,205	1,187	1,177	1,168	1,151	1,113
Existing Square Feet (millions)	36.7	36.5	36.3	36.1	36.4	36.2
Vacant Square Feet (millions)	5.5	5.5	6.1	6.1	5.1	4.5
Vacancy Rate (Direct)	15.1%	15.1%	16.7%	17.0%	14.2%	13.1%
Vacancy Rate (With Sublet)	16.3%	16.8%	18.5%	18.6%	16.1%	14.8%
Average Lease Rate (per square foot)	\$8.24	\$8.16	\$8.39	\$8.35	\$8.55	\$9.42
New Construction Completed (year-to-date)	0.26 MSF, 16 Bldgs	0.10 MSF, 5 Bldgs	0.08 MSF, 3 Bldgs	0.14 MSF, 4 Bldgs	0.67 MSF, 19 Bldgs	2.21 MSF, 48 Bldgs
Currently Under Construction	0.23 MSF, 7 Bldgs	0.22 MSF, 11 Bldgs	0.34 MSF, 16 Bldgs	0.06 MSF, 5 Bldgs	0.22 MSF, 9 Bldgs	0.66 MSF, 19 Bldgs

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

Seven flex buildings with nearly 230,000 square feet are currently under construction, half of which is occurring in Jefferson County. Through the September, about 260,000 square feet of new flex space was added to the Metro Denver market, half of which occurred in Douglas County.

CB Richard Ellis research depicts a continually strengthening retail market in the third quarter MarketView report. The vacancy rate decreased slightly from 6.4% in the second quarter to 6.2% and average lease rates increased from \$14.61 in the second quarter to \$14.72 per square foot. Despite a 4% decline in the average lease rate, the Colorado Boulevard submarket continues to post the highest lease rate of \$22.02 compared to the Aurora market whose rate increased in the third quarter to \$10.82 per square foot. About 4.8 million square feet of retail space was under construction during the third quarter including the Southlands Mainstreet groundbreaking, Belmar, Larkridge, Lincoln Commons and Meridian Commons. The Northeast and Southeast markets experienced the most construction activity with a combined total of 2.6 million square feet.

Activity levels are high across the metro area for mixed-use, retail and entertainment developments. The grand opening of the second phase of Aurora's Southlands retail development was hosted in October. In addition to the 350,000 square feet of retail currently open, 650,000 square feet will be added next year.

RealtiCorp of Greenville, SC recently purchased 500 acres near Denver International Airport in the fast-growing northeast corridor and announced plans for its Horizon CityCenter. The CityCenter plans include 2,800 residential units, 3 million square feet of commercial space and 2 million square feet of retail space and will be built over the next 12 to 15 years. Population estimates for the northeast corridor are nearing 500,000 people by 2025.

Construction began on the Broomfield Event Center, a \$45 million sports and entertainment center that will be home to two minor league sports teams from the Central Hockey League and the Continental Basketball Association. The Center will also host more than 130 annual events. The arena, which is seen as a boon to the nearby \$350 million Arista residential, mixed-use and retail development, is scheduled to open in late 2006.

The Prairie Gateway development team celebrated its ground breaking in early October. Commerce City's Prairie Gateway is a sports arena and event center that also includes up to one million square feet of retail, restaurant and office space. Developer Kroenke Sports Enterprises is considering adding a hotel to the mix. The Colorado Rapids soccer team will be housed in a 20,000 square-foot stadium that is set to open in early 2007 and will be surrounded by 23 lacrosse and soccer fields. Prairie Gateway is located on the southwest corner of the Rocky Mountain Arsenal Wildlife Refuge. The project also includes a city government civic center, a visitors center for the wildlife refuge and U.S. Fish and Wildlife Service offices.

Monthly Economic Summary of Metro Denver

Indicator	Monthly/ Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↑	Employment increased by 5,700 jobs from Aug to Sep; 2.0% annual growth rate
% Companies Hiring	↓	↑	23% of companies expect to add workers in 4th quarter 2005; 18% expect decrease
Unemployment Rate	↑	↓	Rate increased to 5.0% in Sep; metro rate currently higher than national and state rates
Initial Claims	↓	↓	Initial unemployment claims decreased in Sep; annual claims down 14.6% from 2004
Total Retail Sales	↓	↑	Total retail sales up 5.1% through July; up 7.1% for state
Consumer Confidence Index	↓	↑	Mountain region and U.S. confidence levels decreased in Sep but still above 2004 levels
Hotel Occupancy	↓	↑	Hotel occupancy down in Sep to 69.1%; average room rate fell to \$96 per night
DIA Passengers	↓	↑	Traffic up 2.3% in first eight months of 2005, serving about 29.5 million passengers YTD
Colorado Stock Index	↓	↑	CO Stock Index increased 7.8% through first ten months of 2005
Dow Jones Industrial Average	↓	↓	Dow decreased in October and is down 3.5% year-to-date
Home Sales (closed)	↓	↓	Home sales through Oct down 0.8% from last year; average SF sold price 6.0% higher
Median Home Price	↑	↑	Median home price increased to \$248,400 in Q2 2005; 2005 price 2.3% higher than 2004
Foreclosures	↓	↑	Foreclosures up 14.6% through Sep; biggest gains in Adams, Douglas & Boulder counties
Residential Building Permits (Total)	↓	↓	Total permits down 1.3% through May 2005; 40.0% decrease in multi-family permits
Apartment Vacancy Rate	↓	↓	Vacancy rate decrease to 7.7% in Q3 2005; avg rental rate increases to \$844 per month
Office Vacancy Rate (with Sublet)	↓	↓	Vacancy rate with sublet now 15.7%; 1.21 million sq. ft. construction is underway
Industrial Vacancy Rate (with Sublet)	↑	↓	Increase in vacancy rate with sublet to 8.1%; 0.84 million sq. ft. of construction underway
Flex Space Vacancy Rate (with Sublet)	↓	↓	Vacancy rate with sublease decreased to 16.3%; minimal construction underway
Positive Changes	7 of 18	14 of 18	