



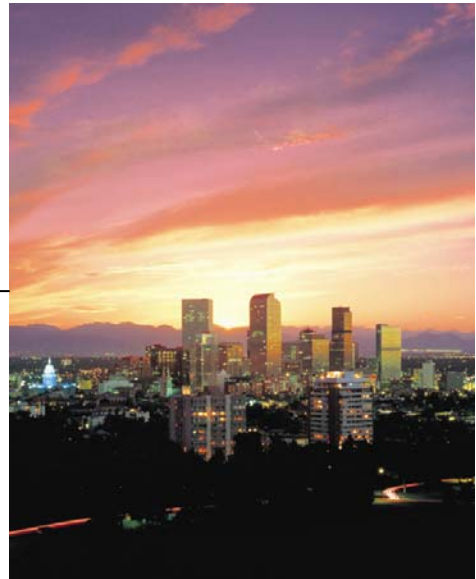
Metro Denver
Economic Development Corporation

Monthly Economic Summary

A Monthly Summary of Economic Conditions in Metro Denver

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

Released June 10, 2008



**Development
Research Partners**

10184 West Belleview Avenue
Suite 100
Littleton, Colorado 80127
www.DevelopmentResearch.net
303.991.0070

MONTHLY ECONOMIC SUMMARY

The Monthly Economic Summary is a comprehensive analysis of economic conditions in the seven-county Metro Denver area, or the region comprised of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties. There are two metropolitan statistical areas (MSAs) located within the Metro Denver region: the Boulder-Longmont MSA (Boulder County) and the Denver-Aurora MSA (Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park Counties). This report presents recent data and long-term trends for the seven-county region, MSAs, or counties, depending on availability. The analysis includes four sections: labor force and employment, the consumer sector, residential real estate, and commercial real estate.

Notable Rankings

- ◆ The *Today* show recently named Metro Denver as one of “The Five Friendliest Cities in America.” Contributors for the television feature selected cities based on pedestrian access, safety, diversity, and several other factors. Specifically, they recognized Metro Denver’s accessible downtown, diverse population, and relatively affordable housing as “friendly” qualities.
- ◆ The National Institutes of Health (NIH) awarded a \$76.1 million grant to the University of Colorado- Denver School of Medicine. The grant represents the largest amount a Colorado institution has ever received for research. University officials say they will use the funds to consolidate statewide medical research in one new center, the Colorado Clinical and Translational Science Institute at the Anschutz Medical Campus in Aurora.
- ◆ The 2007 “Best Hospitals Ranking” by *U.S. News and World Report* recognized The Children’s Hospital as the seventh best of its kind. The facility also won top-ten rankings for its specialty practices in digestive disorders (fifth), respiratory disorders (fifth), and neonatal care (seventh). National Jewish Medical and Research Center in Denver also received top rankings in the 2007 report. The facility ranked first in the nation for care of adult respiratory disorders and 13th for pediatric respiratory disorders.
- ◆ While The Children’s Hospital has a strong national reputation, a recent ranking by The Commonwealth Fund gives Colorado mixed reviews for children’s health overall. Specifically, Colorado ranked 34th among the 50 states and Puerto Rico for the performance of its children’s healthcare system. Based on 2006 data, the study rates each state’s performance on criteria including infant mortality, cost, access, and equity. While Colorado earned relatively strong rankings for overall children’s health (fifth) and healthcare costs (17th), the state received considerably lower scores for access to care (48th) and healthcare equity (42nd).
- ◆ The Federal Bureau of Investigation named Colorado one of the nation’s ten “hotspots” for mortgage fraud in its *2007 Mortgage Fraud Report*. Colorado also made the hotspot list in 2004 and 2005, but the 2006 report downgraded the state’s fraud status to “significantly affected.” The report notes that fraudulent builder bailout and foreclosure rescue schemes are common in a depressed market, and these types of fraud could be partly responsible for Colorado’s return to the top ten.

General Economic Overview

Advance estimates of state-level gross domestic product (GDP) suggest that economic growth slowed in most states last year. According to the figures from the U.S. Bureau of Economic Analysis (BEA), GDP growth rates in 36 states were lower in 2007 compared to 2006. BEA analysts suggest that weaker output in construction and finance caused the slowdown in many areas, and U.S. real GDP growth slowed from 3.1 percent in 2006 to two percent in 2007. In Colorado, real GDP growth fell from three percent in 2006 to two percent in 2007, and per capita GDP growth nearly stalled. Several factors influence the per capita measure, but Colorado’s stable population growth rates and modest GDP gains may have converged as the economy slowed in 2007.

Quarterly GDP growth at the national level has so far exceeded expectations. The BEA recently raised its estimate of first quarter GDP growth to an annual rate of 0.9 percent from a preliminary figure of 0.6 percent. According to

MONTHLY ECONOMIC SUMMARY

BEA economists, the increase reflects downward revisions to imports and exports, business inventories, and household expenditures on services plus upward revisions to commercial building and household spending on nondurable items. Overall, the latest GDP figures suggest that the pace of business and household spending slowed between the fourth quarter of 2007 and the first quarter of 2008. Private businesses also continued to pare inventories as both domestic and foreign spending slowed. The BEA will release a final estimate of first quarter GDP growth in late June.

Consistent with BEA estimates, a recent report from the U.S. Census Bureau shows weakening trends in international trade. Both imports and exports fell in March, but a record dollar decline in imports narrowed the balance of trade to \$58.2 billion from \$61.7 billion in February. Reduced imports of foreign cars and auto parts, industrial items, and consumer goods helped lessen the gap between imports and exports, even as exports declined by the largest amount since September 2005.

Central banks have responded to slowing domestic and foreign economies with more lenient monetary policy, but the outlook for interest rates is increasingly unclear. Minutes from the most recent meeting of the Federal Open Market Committee of the Federal Reserve (FOMC) suggest the committee is shifting its policy focus from near-term growth risks to inflation and longer-term trends. The target federal funds rate is currently two percent following seven consecutive rate cuts, and analysts emphasize that the real federal funds rate is now at or below zero. Overall, FOMC comments suggest that additional rate cuts are unlikely in the short term unless economic conditions shift dramatically.

For now, the FOMC expects only gradual improvement in economic activity. An FOMC forecast released with the April minutes downgrades prior projections for GDP growth to a range of 0.3 to 1.2 percent. The new forecast also raises the prior unemployment rate projections to a higher range (5.5 to 5.7 percent) and increases the expected range for inflation (3.1 to 3.4 percent). While committee members anticipate economic improvements as soon as the second half of this year, they do not expect the economy to perform above average until 2010. The FOMC next meets on June 24th and 25th.

Economic Indexes

Many national and local economic indicators reflect continued volatility in the marketplace. Inconsistent readings between and within indexes suggest that businesses and consumers remain cautious and uncertain.

National Economy

- ◆ The Conference Board's Index of Leading Economic Indicators rose for the second consecutive time with a 0.1 percent increase in April. Positive changes in stock prices and the interest rate spread – plus an unexpected improvement in the building permits indicator – offset negative changes in the indicators for manufacturing hours and consumer expectations.
- ◆ The Institute for Supply Management's Purchasing Managers Index suggests the U.S. manufacturing economy contracted for the fourth consecutive month in May. The May index (49.6) remained below 50 but ticked up from 48.6 in April, which suggests that the pace of contraction has slowed. Many respondents faulted higher prices and slower sales and said conditions would be worse if not for the weak U.S. dollar and its positive influence on exports.
- ◆ The Institute for Supply Management's Index of Non-Manufacturing Business Activity fell from 52.2 in March to 50.9 in April. A generally mixed outlook from survey respondents suggests that economic pressures in the nation's service economy are somewhat industry-specific.

Local Economy

- ◆ The Denver Manufacturing Purchasing Managers' Index followed an erratic course and rose from 44.5 in March to 53.6 in April. The index has fluctuated around 50 – the point that separates likely growth from

MONTHLY ECONOMIC SUMMARY

decline – for the past several months, suggesting that the outlook for local manufacturing remains uncertain. The Non-Manufacturing Purchasing Managers' Index rose to 58.4 in April after three months of consecutive declines, and several survey respondents reported strong demand and continued growth. The College of Business at the University of Colorado Denver and the National Association of Purchasing Managers – Denver jointly produce the manufacturing and non-manufacturing indexes.

- ◆ The Vectra Bank Colorado Small Business Index declined from a revised 89.6 in March to 87.0 in April as the business outlook remained mixed. Higher unemployment boosts the index as it theoretically improves labor availability, and low interest rates also make positive contributions. Slower job and income growth and a shaky national economy, however, are having a negative influence on small businesses and the Index.
- ◆ The Colorado Business Leaders Confidence Index declined from 45.1 in first quarter to 41.7 in second quarter. Survey respondents expect continued economic weakness in second quarter as consumer spending and business investment slow. Despite the lower confidence reading, many Colorado business leaders remain optimistic about the state's economy. Nearly 73 percent of respondents expect the nation's economy to contract in the short term, but only 48 percent feel the Colorado economy will decline.

Labor Force and Employment

Metro Denver nonfarm employment increased by 10,900 jobs between March and April, and year-to-date job growth was essentially unchanged at 1.9 percent. Year-to-date employment trends were positive in each of the region's 11 industry supersectors except manufacturing and financial activities, where job losses measured 0.9 percent and 2.4 percent, respectively. Among the remaining industries, job growth through April ranged from 0.8 percent in information to 3.9 percent in education and health services. *Year-to-date job growth rates in the Denver-Aurora and Boulder-Longmont MSAs were roughly equal.* In Denver, job growth through April was strongest in education and health services and leisure and hospitality (+4.0 percent each), while growth in Boulder was strongest in natural resources and construction (+5.0 percent). Labor market activity at the state and national levels was steady in April. Year-to-date job growth in Colorado was unchanged from March at two percent, and U.S. job growth was essentially unchanged at 0.5 percent.

Even as the economy slows, Metro Denver continues to attract large multi-national and domestic companies. Health insurance provider Kaiser Permanente, for example, plans to relocate its customer service operations from Fort Worth to Colorado. Spokespeople say Kaiser selected Colorado because of the state's central location and large Kaiser membership, and the customer service center will probably locate near the company's regional headquarters in Denver. The customer service center currently employs 278 workers in Texas, and spokespeople say 200 positions will move to Colorado. Some workers will relocate while the company fills other positions locally, and the move could begin later this year.

Colorado's strong research community is also attracting companies. In addition to drawing businesses, more than 20 federally funded research centers and affiliates located throughout the state contribute significantly to Metro Denver's overall economy, according to the most recent *CO-Labs Economic Impact Study*. The Business Research Division of the University of Colorado at Boulder Leeds School of Business produced the study for Boulder-based CO-Labs, Inc., and the results suggest that federal labs had an \$867.3 million impact on Metro Denver's economy in fiscal year 2007. The impacts include construction and operations at the labs as well as visitor revenues and off-site employee spending. Researchers expect the impact of the labs to grow in the coming years.

Beyond the research community, federal grant monies are also supporting growth in Metro Denver's private companies and industry clusters.

Aerospace: Lockheed Martin plans to renovate and expand part of its Waterton Canyon campus to accommodate work on a \$1.4 billion contract with the U.S. Air Force. Lockheed recently won the contract to develop GPS III,

MONTHLY ECONOMIC SUMMARY

the newest military and civilian navigation technology. According to a company news release, Lockheed will add a total of 500 employees for the project and will complete different phases of the work in Pennsylvania, California, and Florida. Final testing and assembly work will occur at the company's Waterton Canyon campus in Jefferson County.

Another member of Jefferson County's aerospace community – Microsat Systems, Inc. – recently won a contract to build 18 satellites for New Jersey-based Orbcomm Inc. Orbcomm, a satellite communications provider, recently awarded the contract to Sierra Nevada Corporation, which is Microsat's parent company. Microsat will team with Boeing Intelligence and Security Systems and ITT Space Systems on the \$117 million project.

Other metro area aerospace companies have also announced project awards. Boulder-based Ball Aerospace and Technologies Corporation recently won contracts for seven NASA concept studies, which are a series of investigations designed to help NASA and the National Research Council prioritize future missions. Under the contracts, Ball Aerospace will support principal investigator-led studies of the formation of stars, the features of planets in other solar systems, and other topics.

Additional news from Ball Aerospace underscores the sometimes-unpredictable nature of business conditions in aerospace. Company officials say fewer than 100 workers recently accepted voluntary layoff, and a changing business environment made the cutbacks necessary.

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

	Month of Apr-08 (p)	Month of Mar-08	Month of Apr-07	Year-to- Date Average 2008	Year-to- Date Average 2007	Year-to- Date Average % Change	Annual Growth Rate 2003	Annual Growth Rate 1998
Total 11-County Metro Denver*	1,421.1	1,410.2	1,396.4	1,405.5	1,379.8	1.9%	-1.4%	4.0%
Denver-Aurora MSA	1,252.4	1,242.6	1,230.4	1,238.7	1,215.9	1.9%	-1.2%	4.0%
Boulder-Longmont MSA	168.7	167.6	166.0	166.8	163.9	1.8%	-2.8%	4.0%
Natural Resources & Construction	98.6	97.6	98.0	96.4	94.8	1.7%	-7.1%	11.9%
Manufacturing	87.8	87.8	88.5	87.9	88.7	-0.9%	-4.9%	1.4%
Wholesale & Retail Trade	215.0	214.6	212.6	215.3	212.2	1.5%	-1.9%	3.0%
Transp., Warehousing & Utilities	52.3	52.1	51.7	52.2	51.6	1.2%	-8.0%	15.8%
Information	56.8	56.7	56.9	56.8	56.3	0.8%	3.4%	6.1%
Financial Activities	105.4	105.1	107.5	104.8	107.3	-2.4%	-1.3%	3.3%
Professional & Business Services	247.4	242.9	238.6	242.3	234.6	3.3%	2.6%	2.3%
Education & Health Services	151.9	151.0	146.3	150.6	145.0	3.9%	-0.6%	2.1%
Leisure & Hospitality	148.0	145.0	142.9	144.2	139.2	3.6%	-0.4%	2.1%
Other Services	52.5	52.3	52.1	52.2	51.7	1.0%	0.2%	2.0%
Government	205.4	205.1	201.3	202.9	198.5	2.2%	0.5%	0.2%
Federal Gov't	30.0	30.0	30.5	30.0	30.6	-2.0%	-2.9%	1.8%
State & Local Gov't	175.4	175.1	170.8	172.9	167.9	3.0%	1.4%	2.7%
Colorado	2,357.3	2,347.2	2,313.7	2,336.6	2,290.8	2.0%	-1.4%	3.9%
United States	137,722	137,019	137,341	136,773	136,117	0.5%	-0.3%	2.6%

*Includes the Denver-Aurora MSA (Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park counties) and the Boulder-Longmont MSA (Boulder County).

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

MONTHLY ECONOMIC SUMMARY

Aviation: High fuel prices and heavy competition are making a difficult market for many of Metro Denver's aviation companies. Cost-saving measures for United Airlines, the largest carrier at DIA, will include a five percent reduction in flights originating in Denver. The service cuts will reduce United's daily departures to cities including Seattle, Los Angeles, Baltimore, and Aspen, and company officials say the cuts should help trim operating costs and raise revenue. United will also discontinue its Denver-based TED service, a coach-only division designed to compete with other low-cost carriers. Spokespeople say United will replace first-class service in TED planes and add them back to the main flight network beginning in 2009. United will also retire 100 of its oldest planes and cut between 1,400 and 1,600 jobs. Officials said the job cuts include 500 positions United previously planned to eliminate, but they would not say where the cuts would occur.

Cost-saving measures for Denver-based Frontier Airlines will include a temporary pay reduction for most of the airline's 6,000 employees. Spokespeople say the reductions apply to both union and nonunion workers and will last through September, when Frontier officials will re-evaluate business conditions and the company's progress through its Chapter 11 Bankruptcy filing.

Difficult business conditions are also affecting Southwest Airlines, but the carrier is continuing with its expansion plans in Denver. The airline will add service from DIA to Fort Lauderdale, Sacramento, and New Orleans in August and San Francisco and Omaha in September. Service expansions run counter to current trends across the industry, but Southwest officials say slower retirement of aircraft and efficient operations are allowing the airline to grow. By fall, Southwest will offer Denver service to 30 markets with 95 daily flights.

International service from Denver is also poised to change, as Lufthansa German Airlines will temporarily halt nonstop service from Denver to Munich in October. Spokespeople say the Munich flight drew significant interest in Denver, but the airline is also managing strong demand from Asia and has run short of planes. Daily Lufthansa service from Denver to Munich should resume next March.

Many large aviation companies reshuffle their business strategies to deal with a changing environment, but some smaller companies lack those options. Arapahoe County-based Aviation Technology Group (ATG) recently filed for Chapter 7 bankruptcy after company officials failed to find a buyer for the struggling operation. ATG had already laid off most of its workforce prior to the filing, and a U.S. trustee will now attempt to sell the company's assets.

Recent challenges aside, the aviation industry remains a major contributor to Colorado's economy. Specifically, a recent study by the Colorado Department of Transportation suggests that visitors, employees, and businesses related to the state's general aviation and commercial airports generate \$32.2 billion in annual economic activity. This latest economic impact estimate includes more than 650,000 jobs directly and indirectly linked to airports as well as \$1.7 billion in annual tax revenues from airports and visitors each year.

Beverage: Two of Colorado's craft brewers are expanding in Boulder County. Lyons-based Oskar Blues Brewery recently moved its brewing and canning operations to a 35,000-square-foot building in Longmont, and officials say the building can accommodate growth in the brewery's 30,000-barrel annual output. Longmont-based Left Hand Brewing is also working on a \$1.5 million expansion that could double the brewery's output to 35,000 barrels annually. Spokespeople for both companies say rapidly rising sales in the craft beer market are driving expansion plans.

Two other brewers, Golden-based Molson Coors Brewing Company and SABMiller PLC, are prepared to merge. The U.S. Department of Justice recently approved the transaction and said the merger would not have a large impact on competition. Once combined, the brewers will change their company name to MillerCoors and will have a U.S. market share of about 31 percent.

Bioscience: Lakewood-based Gambro BCT, a medical device manufacturer, will change its name to CaridianBCT Inc. in July. Swedish company Gambro AB recently spun off the Lakewood business that is now an independent,

MONTHLY ECONOMIC SUMMARY

private company. Spokespeople say approximately 1,800 employees work at the Lakewood facility, and a separate company – Gambro Renal Products USA – will remain in Lakewood under Gambro AB ownership.

Another medical device manufacturer, Medtronic Inc., plans to reduce its workforce by more than 1,000 jobs. The company's global realignment strategy also includes consolidation of some manufacturing and research operations, but the local impacts of the changes are unknown. Medtronic spokespeople say the cutbacks are necessary in an increasingly competitive biotech market.

Other biotech developments include expansion plans for Agilent Technologies Inc. in Boulder. The company recently purchased Dowpharma's Nucleic Acids Medicines business and will add manufacturing capacity to its Nucleic Acids Solutions Division. Agilent also plans to increase its Boulder headcount by 30 contract and full-time employees over the next year.

Energy: Denmark-based Vestas Wind Systems plans to build a \$250 million wind turbine tower manufacturing facility at an undisclosed location in Colorado. According to company officials, the factory would be the largest of its kind in the world and will employ 400 workers when it begins operations in 2010. Vestas already employs 650 workers at its wind turbine blade factory in Windsor.

Vestas officials had also revealed plans to build a U.S. research center, but they recently selected Texas over Colorado as the future home of the facility. Spokespeople say the research center will be located in Houston and could employ more than 100 workers.

Colorado will still be the home of a wind turbine research center, though, as Siemens Energy recently announced plans to build a facility in Boulder. Spokespeople for the German company say the Boulder location will give easy access to the National Renewable Energy Laboratory and the National Wind Technology Center. The new research center will employ about 50 workers.

Another wind energy company, Broomfield-based Renewable Energy Systems Americas Inc., recently won construction contracts for five wind projects in Quebec. Valued at more than \$2 billion, the utility-scale projects will produce enough power for more than 250,000 homes.

Colorado's solar power companies are also increasingly active. California-based REC Solar Inc., for example, plans to expand its Colorado presence with a new commercial division in Westminster. The company's Colorado employees currently focus on residential solar energy systems, and officials say the new operations could double the 12-person workforce.

IT/Software: Constant Contact Inc., a Massachusetts-based Internet survey and marketing company, plans to locate 90 employees at a leased facility in Loveland. The company will build its own, 50,000-square-foot office building over the next year and add 400 additional positions over the next five years.

Telecommunications: Louisville-based Zayo Group, a bandwidth provider, recently acquired Northwest Telephone of Wenatchee, Washington. The company became part of Zayo's business unit Zayo Bandwidth and brought the unit's total network capacity to 18,500 regional and metropolitan fiber route miles. Zayo officials say the acquisition provides critical links to a growing technology community in the Pacific Northwest.

Employment Outlook

The hiring outlook in Metro Denver has been somewhat volatile over the past two quarters. According to the Manpower Employment Outlook Survey, the share of Denver Area employers planning to hire in the second quarter declined to 22 percent from 27 percent in the prior survey and 42 percent one year ago. However, a decline in the share of employers planning layoffs in the coming quarter partly offset the more negative hiring outlook. Overall, smaller shares of employers reported plans to hire, lay off workers, or maintain their current payroll, and a larger percentage of respondents said they were unsure about their near-term personnel strategies.

MONTHLY ECONOMIC SUMMARY

Boulder County employers have a mixed hiring outlook for the second quarter. The share of employers planning to hire rose to 20 percent from 13 percent in the prior survey, but the share planning layoffs also increased. Sixty-seven percent of Boulder County survey participants plan to maintain their current staff levels in second quarter, down from 84 percent in the prior survey. In the national survey, 26 percent of employers reported plans to hire, while 9 percent plan to reduce payrolls and 60 percent will maintain their current staffing.

Employment Outlook Survey

	Quarter 2 2008	Quarter 1 2008	Quarter 2 2007	YTD Avg 2008	YTD Avg 2007	YTD Avg 2006
Denver Area*						
Percent of Companies Hiring	22%	27%	42%	25%	42%	34%
Percent of Companies Laying Off	7%	14%	12%	11%	10%	10%
Percent of Companies No Change	44%	47%	43%	46%	43%	50%
Boulder County						
Percent of Companies Hiring	20%	13%	13%	17%	20%	33%
Percent of Companies Laying Off	13%	3%	10%	8%	9%	5%
Percent of Companies No Change	67%	84%	77%	76%	72%	59%

*Includes Adams, Arapahoe, Broomfield, Denver, Douglas, and Jefferson Counties.

Source: Manpower Inc.

The Metro Denver unemployment rate followed a typical seasonal pattern and declined from 4.7 percent in March to 4.3 percent in April. Year-to-date unemployment, however, remained slightly elevated. The region's unemployment rate averaged 4.6 percent through the first four months of the year compared to 3.9 percent for the same months in 2007. April unemployment across the region's seven counties ranged from 3.6 percent in Boulder County to 4.8 percent in Adams County, and unemployment in each county was roughly equal to or below the national average (4.8 percent). Like the Metro Denver rate, the statewide unemployment rate declined between March and April but remained ahead of last year's level on a year-to-date basis.

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

	April 2008 (p)		2008 YTD Avg		2007 YTD Avg		2003 Ann Avg	1998 Ann Avg
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Unemployment Rate	Unemployment Rate
Metro Denver	1,554.0	4.3%	1,543.7	4.6%	1,499.0	3.9%	6.4%	2.9%
Adams County	228.3	4.8%	226.9	5.2%	220.4	4.5%	7.2%	3.6%
Arapahoe County	318.3	4.3%	316.1	4.5%	306.7	3.8%	6.3%	2.7%
Boulder County	180.2	3.6%	178.9	3.9%	174.2	3.3%	5.8%	3.3%
Broomfield County*	26.8	4.3%	26.6	4.5%	25.8	3.9%	6.4%	
Denver County	321.6	4.7%	319.7	5.1%	310.3	4.4%	7.3%	4.1%
Douglas County	159.2	3.7%	158.0	4.0%	153.2	3.2%	5.3%	1.7%
Jefferson County	319.6	4.0%	317.5	4.4%	308.4	3.7%	5.9%	2.8%
Colorado	2,743.2	4.3%	2,742.4	4.6%	2,664.7	3.9%	6.1%	3.8%
United States	153,208	4.8%	152,919	5.2%	151,967	4.7%	6.0%	4.5%

*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

Counts of unemployment insurance claims in Metro Denver and Colorado rose between March and April. Metro Denver claims through the first four months of the year rose 17 percent over the same months in 2007, while the statewide count of claims was 13 percent higher than the 2007 year-to-date count.

MONTHLY ECONOMIC SUMMARY

Weekly First-Time Unemployment Insurance Claims

	Month of Apr-08	Month of Mar-08	Month of Apr-07	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change
Metro Denver	1,315	1,216	1,121	1,414	1,206	17.2%
Colorado	2,621	2,064	2,278	2,539	2,245	13.1%

*Note: Reference week data includes the 19th day of the month with the exception of November and December, which includes the 12th day of the month.
Source: Colorado Department of Labor and Employment, Labor Market Information.*

Consumer Sector

Oil and food prices continue to dominate the U.S. Consumer Price Index (CPI-U). According to the U.S. Bureau of Labor Statistics, the April CPI-U rose 3.9 percent over April 2007 as large annual increases for transportation and food (+7.2 percent and +5 percent) drove prices higher in many expenditure categories. The measure of consumer prices that excludes food and energy, called core inflation, has risen 2.3 percent since April 2007 and confirms that oil and food prices are broadly affecting the consumer budget.

Consumer essentials including diapers, toilet paper, and facial tissues are some of the latest in a string of items with rising prices. Dallas-based Kimberly-Clark Corporation recently announced a six-to-eight percent price increase on its consumer tissue and childcare products. A company news release says prices will rise for several of the company's products, including Huggies diapers, Kleenex facial tissues, and two brands of toilet paper. The price increases could vary based on several factors, but the company says they will all take effect between July 20 and August 31 of this year.

DOW Chemical Company also plans to raise prices for all of its products effective June 1. According to DOW spokespeople, rising costs for energy, chemicals, and raw materials have necessitated the broadest price increase in the company's history, and prices could rise as much as 20 percent for some products. DOW is the largest chemical manufacturer in the U.S. and produces paints, agricultural chemicals, household cleaners, and many other items.

Rising prices for consumer essentials are reducing discretionary spending nationwide, but relatively high personal income and tourism are providing some counterbalance for retail sales in Metro Denver. The region's total retail sales declined between January and February in a typical seasonal shift, but total sales amounts remained ahead of those for the same months in 2007. Overall, Metro Denver retail sales grew by a modest, 3.1 percent through the first two months of the year. Sales gains through February were strongest in Adams County (+14.6 percent), and the remaining gains ranged from 1.5 percent in Boulder County to 3.1 percent in Denver County. Arapahoe County and the City and County of Broomfield were the only two of Metro Denver's seven counties to report year-to-date sales declines in February, with sales down 2.8 percent and 6.6 percent, respectively.

The rising price of gasoline is one of the strongest forces dampening retail sales, and fuel costs are also reshaping travel trends. According to the Colorado Department of Transportation, five percent fewer motorists passed through the Eisenhower Tunnel this Memorial Day weekend than did last year. While cool, rainy weather may have reduced the number of mountain travelers, analysts say high gas prices were chiefly to blame.

Nationwide, gas prices are breaking records on an essentially daily basis. Metro Denver drivers paid an average of \$3.87 per gallon for regular gasoline as June began, while motorists nationwide paid an average of \$3.98. Drivers in Alaska, California, and Connecticut currently pay the highest gas prices, which range from \$4.26 to \$4.39 per gallon.

MONTHLY ECONOMIC SUMMARY

Total Retail Sales (\$000s)

	Month of Feb-08	Month of Jan-08	Month of Feb-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Annual Growth 2003	Annual Growth 1998
Total Metro Denver	6,373,560	6,453,080	6,159,081	12,826,640	12,444,482	3.1%	1.6%	8.2%
Adams County	1,151,627	1,074,334	998,763	2,225,961	1,943,066	14.6%	6.0%	9.2%
Arapahoe County	1,277,468	1,363,205	1,328,805	2,640,673	2,716,436	-2.8%	1.6%	6.8%
Boulder County	563,895	576,255	547,078	1,140,150	1,123,579	1.5%	4.4%	11.0%
Broomfield County	119,815	107,943	124,163	227,758	243,774	-6.6%	-6.5%	
Denver County	1,834,962	1,892,782	1,796,050	3,727,744	3,614,902	3.1%	-1.6%	7.9%
Douglas County	457,326	461,847	430,488	919,173	903,406	1.7%	-2.7%	15.7%
Jefferson County	968,467	976,714	933,734	1,945,181	1,899,319	2.4%	4.6%	5.9%
Colorado	10,908,501	11,009,368	10,449,605	21,917,869	21,007,578	4.3%	1.6%	6.9%

Source: Colorado Department of Revenue.

The U.S. and Mountain Region Consumer Confidence Indexes declined to five-year lows in April as consumer outlooks darkened. The Mountain Region Index dropped abruptly from 97.5 in March to 64 in April, the lowest reading since March 2003. At 62.3 in April, the U.S. national index was also at its lowest point since March 2003.

Consumer Confidence Index

	Month of Apr-08 (p)	Month of Mar-08	Month of Apr-07	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change	Ann Avg 2003
Mountain	64.0	97.5	136.2	96.6	138.1	-30.1%	89.4
United States	62.3	65.9	106.3	73.0	109.0	-33.0%	79.8

Source: The Conference Board. (p) =preliminary

The Metro Denver hotel occupancy rate rose from 62.5 percent in March to 67.4 percent in April, and the month's occupancy rate was higher than the 63.2 percent rate for April 2007. Because of a slower first quarter, though, the region's year-to-date occupancy rate is slightly below last year's level. The average room rate rose to \$118.25 from \$111.05 in March and was 6.2 percent ahead of the 2007 rate on a year-to-date basis.

Metro Denver Hotel Statistics

	Month of Apr-08	Month of Mar-08	Month of Apr-07	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change	Annual 2003	Annual 1998
Percent of Hotel Rooms Occupied	67.4%	62.5%	63.2%	61.3%	61.7%	-0.6%	59.5%	70.0%
Average Hotel Room Rate	\$118.25	\$111.05	\$108.80	\$112.56	\$105.96	6.2%	\$84.79	\$87.52

Source: Rocky Mountain Lodging Report.

Over-the-year growth in passenger traffic at Denver International Airport has measured between three and six percent for much of the past year, and March was no exception. March passenger traffic increased 5.3 percent over the passenger count from March 2007, and year-to-date growth in traffic reached a similar rate of 5.2 percent.

MONTHLY ECONOMIC SUMMARY

Denver International Airport Passengers

	Month of Mar-08	Month of Feb-08	Month of Mar-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Annual 2003	Annual 1998
Number of Airline Passengers	4,597,347	3,834,362	4,364,239	12,192,537	11,586,518	5.2%	37,505,267	36,831,400

Source: Denver International Airport, Traffic Statistics.

Two of the three national stock indexes rose modestly between April and May, although year-to-date returns remain universally negative. The Dow Jones Industrial Average declined slightly over the month, while the S&P 500 and NASDAQ rose by 1.1 percent and 4.6 percent, respectively. The Bloomberg Colorado Index rose by 3.5 percent between April and May, but the Index's return through the first five months of this year remained slightly negative.

Stock Market Indexes

	Month of May-08	Month of Apr-08	Month of May-07	YTD Return 2008	YTD Return 2007	YTD Return 2006
Bloomberg Colorado	448.5	433.2	439.2	-0.4%	14.8%	4.0%
S&P 500	1,400.4	1,385.6	1,530.6	-4.6%	7.9%	1.7%
NASDAQ	2,522.7	2,412.8	2,604.5	-4.9%	7.8%	-1.2%
DJIA (Dow Jones)	12,638.3	12,820.1	13,627.6	-4.7%	9.3%	4.2%

Sources: Bloomberg.com, Yahoo! Finance.

Residential Real Estate

Home Resales

The pace of U.S. existing home sales slowed by one percent between March and April, and the April sales pace was 17.5 percent behind sales from April 2007. According to the National Association of Realtors (NAR), existing home sales declined the most over the year in the Midwest (-19.7 percent), followed by sales declines in the South (-18.6 percent), the West (-15.3 percent), and the Northeast (-14.7 percent). According to NAR analysts, prices in many markets are now low enough to attract hesitant buyers, and easier access to mortgage financing will also help sales accelerate in the coming months. In the meantime, the nationwide inventory of unsold homes rose from a 10-month supply in March to an 11.2-month supply in April.

Local home sales activity improved in April, but housing market indicators remain below last year's levels. The total number of Metro Denver closed home sales increased 15 percent between March and April as the spring selling season began. Year-to-date home sales, however, fell 8.8 percent below sales from the first four months of 2007. Metro Denver's unsold inventory increased slightly in April, which – given the faster sales pace – could suggest more homeowners are listing their properties and expecting to sell this spring and summer. The number of Metro Denver homes under contract, a forward-looking indicator, rose seven percent between March and April and 1.5 percent on a year-to-date basis.

MONTHLY ECONOMIC SUMMARY

Previously-Owned Home Sales Activity

	Month of Apr-08	Month of Mar-08	Month of Apr-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Ann Avg 2003	Ann Avg 1998
Home Sales (Under Contract)	6,287	5,874	6,173	21,837	21,516	1.5%	29,703	40,916
Home Sales (Closed)	4,265	3,709	4,399	13,962	15,303	-8.8%	47,966	45,951
Unsold Homes on Market	26,171	25,516	27,858	26,171	27,858	-6.1%	24,660	12,583
Average Sales Price-Single Family	\$267,259	\$274,693	\$322,510	\$274,708	\$304,979	-9.9%	\$277,856	\$185,785
Average Sales Price-Condo	\$175,245	\$173,493	\$182,549	\$171,947	\$177,153	-2.9%	\$175,215	\$115,235
Median Sales Price-Single Family	\$222,550	\$224,900	\$248,000	\$221,000	\$240,000	-7.9%	\$230,000	
Median Sales Price-Condo	\$134,500	\$132,000	\$148,900	\$133,650	\$150,000	-10.9%	\$154,000	

Source: MetroList, Inc.

Note: Data includes the seven-county Metro Denver region plus Elbert, Park, Gilpin, and Clear Creek Counties as well as portions of the Loveland area.

Home Prices

According to the National Association of Realtors (NAR), the U.S. median price for all types of single-family housing was \$202,300 in April and fell eight percent below the April 2007 median. Home price corrections continue to be steepest in the West, where the April median of \$285,700 fell 17 percent below the April 2007 value. On an over-the-year basis, median price corrections have been mildest the Midwest (-2.9 percent), followed by the South (-5.1 percent) and Northeast (-7.7 percent).

A separate measure also shows varying degrees of decline in regional home prices, but the declines themselves are nearly universal. Nineteen of the 20 metropolitan area S&P/Case-Shiller Home Price Indices posted a negative over-the-year return in March, although the Denver index decline (-5 percent) ranked fifth lowest. The Denver index was essentially flat between February and March (-0.1 percent), and the only other indices to perform better during the month were those for Charlotte (+0.2 percent) and Dallas (+1.1 percent). The overall U.S. national index fell 6.7 percent between February and March and 14.1 percent over the year.

The most recent quarterly home price data show the decline in median prices still accelerating through early 2008. According to the National Association of Realtors, the first quarter U.S. median home price of \$196,300 was down 7.7 percent over-the-year, compared to a 6.1 percent decline in the fourth quarter of 2007. The over-the-year decline in the Denver-Aurora median price quickened from 6.3 percent in the fourth quarter to 6.6 percent in the first quarter of 2008, and Boulder's median home price reversed a 3.4 percent increase in the fourth quarter of 2007 with a four percent loss in the first quarter of 2008.

Median Sales Price of Existing Single-Family Homes (\$000s)

	Quarter 1 2008 (p)	Quarter 4 2007 (r)	Quarter 1 2007	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change	Median 2003	Median 1998
Boulder-Longmont MSA	\$355.7	\$371.1	\$370.7	\$355.7	\$370.7	-4.0%	\$313.0	n/a
Denver-Aurora MSA	\$223.5	\$230.1	\$239.4	\$223.5	\$239.4	-6.6%	\$238.2	\$152.2
United States	\$196.3	\$205.7	\$212.6	\$196.3	\$212.6	-7.7%	\$180.2	\$136.0

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

Foreclosures

A report by the Mortgage Bankers Association suggests that Colorado's foreclosure trend is more similar to that of other states than recent headlines might suggest. The report ranks Colorado 20th for its count of properties in foreclosure during the first quarter of 2008 and 39th for its count of past-due loans. Delinquency rates in Colorado and nearly all of the U.S. fell between the fourth quarter of 2007 and the first quarter of 2008, and analysts say the downturn is consistent with seasonal trends. The percentages of Colorado loans starting and finishing foreclosure

MONTHLY ECONOMIC SUMMARY

during the first quarter both increased from the prior period, but analysts emphasize that the state's overall rankings on foreclosure and delinquency are mid-range. They say Colorado's unique, multi-step foreclosure process has led to over-counting and unfair comparisons of Colorado with other states.

According to California-based RealtyTrac, the count of U.S. properties involved in some stage of foreclosure increased four percent between March and April, and April's count increased 65 percent over the year. While RealtyTrac ranked Colorado's April foreclosure rate fifth highest in the U.S., analysts also noted that Colorado foreclosure filings declined slightly from March and were up only three percent over-the-year.

Public trustee data show an 8.5 percent decline in Metro Denver foreclosure filings between March and April. Foreclosure counts declined over the month in four of the seven Metro Denver counties, but an over-the-year increase in the region's total count of filings suggests the trend has not yet peaked. On a year-to-date basis, the count of Metro Denver foreclosure filings rose 23 percent over the first four months of 2007.

Real Estate Foreclosures

	Month of Apr-08	Month of Mar-08	Month of Apr-07	YTD Total 2008	YTD Total 2007	YTD Total % Change
Total Metro Denver*	2,676	2,925	1,970	10,328	8,404	22.9%
Adams County	595	606	431	2,322	1,887	23.1%
Arapahoe County	584	695	516	2,435	2,067	17.8%
Boulder County	112	107	76	390	292	33.6%
Broomfield County	30	20	20	109	79	38.0%
Denver County	737	898	523	2,779	2,463	12.8%
Douglas County	191	234	127	856	500	71.2%
Jefferson County	427	365	277	1,437	1,116	28.8%

*Foreclosure data for Metro Denver represents the total number of election and demand setups received by the county public trustee in the month received. Some defaults are cured or withdrawn, so not all of the foreclosures listed are real-estate owned properties.

Sources: Various county public trustees in Metro Denver.

New Homes

Nationwide sales of new single-family homes rose unexpectedly in April. According to the U.S. Department of Commerce, the April annual sales pace of 526,000 units was 3.3 percent higher than the prior month's pace but remained 42 percent below sales from April 2007. New home sales in each of the four U.S. regions remain significantly below last year's levels, but the April sales pace quickened from the prior month in each region except the South. The nationwide inventory of unsold new homes declined from an 11.1-month supply in March to a 10.6-month supply in April, but April's inventory remained 43 percent larger than that of April 2007.

A separate Department of Commerce report that shows increased building activity also surprised economists. According to the report, the nationwide rate of private housing starts rose 8.2 percent between March and April but remained about 31 percent below the rate from April 2007. The rate of starts increased over the month in each U.S. region except the Northeast, and the largest gains occurred in the Midwest (+24.4 percent) and West (+18.5 percent). While the figures shed some encouraging light on residential construction, the Department of Commerce report offers cautions about data irregularity. Specifically, the report says data users should track at least four months of consistent readings before they consider a trend statistically relevant.

A report on builder confidence points to a more negative trend for May. The National Association of Homebuilders (NAHB)/Wells Fargo Housing Market Index (HMI) declined slightly over the month and remained close to its record low (December 2007), suggesting that builder outlooks continue to be bleak. Each of the regional confidence indexes declined in May except the index for the West, where the confidence measure rose from 17 in April to 20 in May.

MONTHLY ECONOMIC SUMMARY

The count of Metro Denver residential building permits declined between February and March as jurisdictions issued fewer permits in each category. Permits for attached dwellings – or townhomes, condominiums, and duplexes – have declined nearly 70 percent on a year-to-date basis, while permits for detached homes are down 43 percent year-to-date. Overall, the count of Metro Denver building permits declined 43 percent through the first three months of 2008.

Residential Building Permits

	Month of Mar-08	Month of Feb-08	Month of Mar-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Total 2003	Total 1998
Single-Family Detached Units	309	331	620	979	1,707	-42.6%	12,656	16,058
Single-Family Attached Units	86	139	239	313	1,028	-69.6%	3,755	3,527
Multi-Family Units	203	376	160	789	914	-13.7%	1,858	7,794
Total Units	598	846	1,019	2,081	3,649	-43.0%	18,269	27,379

Source: Home Builders Association of Metro Denver.

Apartment Rental Market

Metro Denver's apartment vacancy rate declined from 6.1 percent in the fourth quarter of 2007 to 5.9 percent in the first quarter of 2008. The region's first quarter vacancy rate was more than one percentage point lower than the rate from the same period last year and was the lowest first-quarter rate since 2001. First quarter vacancy rates across Metro Denver ranged from 5.1 percent in the City and County of Denver to 6.5 percent in Arapahoe County.

Metro Denver average rents were essentially unchanged at \$861 in the first quarter. Rents have risen a moderate 2.2 percent since the first quarter of 2007, with the strongest over-the-year growth in Arapahoe County (+4.7 percent) and the City and County of Denver (+3 percent). Rents rose over 2007 levels in each of the remaining Metro Denver counties except Boulder (-3 percent), where rents have declined over-the-year for three consecutive quarters. While rent growth has been stable across most of Metro Denver, some analysts say rents would need to rise as much as 25 percent to support additional apartment construction as the cost of building materials rises.

Apartment Statistics

	Quarter 1 2008	Quarter 4 2007	Quarter 1 2007	YTD Average 2008	YTD Average 2007	YTD Average % Change	Annual Average 2003	Annual Average 1998
Apartment Vacancy Rate	5.9%	6.1%	7.1%	5.9%	7.1%		12.0%	4.4%
Average Monthly Rental Rate (all units)	\$861	\$860	\$843	\$861	\$843	2.2%	\$815	\$695

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

Toronto-based Great Gulf Colorado, LLC has cancelled its high-rise condominium project at 1401 Lawrence in downtown Denver. Spokespeople say the \$165 million project failed to secure enough pre-sales to begin construction, and the company has not decided what it will do with the project's \$12.5 million plot of land. Real estate experts say several factors – including a high price point and the company's failure to obtain financing before the credit crisis – may have forced Great Gulf to cancel.

A second developer is poised to begin a project several blocks away. Development company Hotel Gold Crown Champa LLC recently purchased a downtown Denver plot that will be home to a 17-story hotel and condominium

MONTHLY ECONOMIC SUMMARY

complex. Located at 800 15th Street, the proposed building will house a restaurant and hotel lobby, more than 250 hotel rooms, and one dozen condominiums on the upper four floors. The developer says construction could begin later this year and end in 2010.

Recent industrial developments include a five-building, 1.2 million square-foot distribution center that Denver-based ProLogis will build at the intersection of East 56th Avenue and Havana Street. Construction on the project – called Stapleton Business Center North – begins later this year, and the buildings will be LEED certified.

Market Overview

A first quarter report by Grubb & Ellis Company observes significant churn in Metro Denver's office market. Company expansions are driving demand for space under development, and vacated spaces are adding to sublease opportunity in some areas. The report also suggests that steadily increasing lease rates are contributing to market churn as property managers attempt to recover large increases in costs. While these trends create more movement in the market, Grubb & Ellis also observes more hesitancy among potential tenants and buyers as the nation's economic outlook remains unclear. Overall, though, the report suggests that Metro Denver's strong economy and desirable location are keeping the office market among the most competitive in the nation.

A recent report by Frederick Ross Company also suggests that Metro Denver's office market is managing the national downturn better than many other markets. The report describes currently leasing velocity in Metro Denver as slow but steady, with organic growth in aerospace, energy, and legal companies driving demand for office space. While office market investment has recently declined, the report cites more restrained development, solid infrastructure, and a stable economy as factors that will help Metro Denver's office market rebound quickly when the national market turns.

Data from CoStar Realty Information, Inc. also show a steady office market. Metro Denver's first quarter direct vacancy rate was unchanged at 10.6 percent, and total vacancy including sublease space was also stable at 11.5 percent. Lease rates increased slightly to average \$20.66 per square foot in first quarter, and new office construction continued at a brisk pace. Nearly 3.5 million square feet of space was under construction in first quarter, and buildings in Denver and Arapahoe Counties represented almost 70 percent of that total. Recent deliveries included eight buildings with a combined total of 80,000 square feet of space.

Office Market Statistics

	Quarter 1 2008	Quarter 4 2007	Quarter 1 2007	Quarter 1 2006	Quarter 1 2005	Quarter 1 2004
Number of Buildings	4,906	4,899	4,844	4,804	4,750	4,704
Existing Square Feet (millions)	155.6	155.5	154.4	152.7	151.6	150.7
Vacant Square Feet (direct, millions)	16.4	16.4	18.3	20.0	21.9	22.4
Vacancy Rate (direct)	10.6%	10.6%	11.8%	13.1%	14.5%	14.9%
Vacancy Rate (with sublet)	11.5%	11.5%	12.8%	14.3%	15.9%	16.9%
Avg. Lease Rate (direct, per sq. ft, full service)	\$20.66	\$20.35	\$19.32	\$17.52	\$17.00	\$16.92
New Construction Completed (year-to-date)	0.08 MSF, 8 Bldgs	1.38 MSF, 58 Bldgs	0.34 MSF, 5 Bldgs	0.18 MSF, 9 Bldgs	0.16 MSF, 11 Bldgs	0.48 MSF, 10 Bldgs
Currently Under Construction	3.49 MSF, 65 Bldgs	3.36 MSF, 66 Bldgs	2.23 MSF, 76 Bldgs	1.21 MSF, 31 Bldgs	1.02 MSF, 32 Bldgs	0.58 MSF, 22 Bldgs

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

A report by Frederick Ross Company describes recent trends in Metro Denver's industrial market as mixed, with vacancy rising slightly in the first quarter of 2008 and rental rates holding steady. First quarter industrial market absorption was negative for the first time in six quarters, but the report attributes the shift to move-outs of several large occupants. Looking ahead, the report expects improved leasing activity later in 2008.

MONTHLY ECONOMIC SUMMARY

A first quarter report by Fuller Real Estate also describes positive expectations for Metro Denver's industrial market. Market vacancy rates have increased, but the report attributes the rise mostly to consolidation of existing tenants and a small amount of new construction. Still, lease rates have risen slightly and the report claims strong fundamentals will keep the industrial market stable until lending conditions return to normal.

A first quarter report by Grubb & Ellis Company suggests slow-but-steady trends can be an asset for Metro Denver's industrial market, because moderate conditions attract risk-averse businesses and investors. Metro Denver's overall industrial vacancy rate has remained near eight percent since the 2001 recession, and industrial lease rates have been generally less volatile than office rates. While the Metro Denver industrial market faces near-term economic challenges, the report suggests that strong job and population gains coupled with a dynamic industry base will keep the market in a solid long-term position.

Data from CoStar Realty Information, Inc. suggest that Metro Denver's industrial market gave back some of its 2007 improvement as 2008 began. The direct vacancy rate rose from 5.4 percent in fourth quarter to 5.9 percent in first quarter, and total vacancy with sublease space rose from 5.6 percent to 6.2 percent. Overall, first quarter vacancy rates were essentially the same as those from first quarter 2007. Despite the increase in vacancy, first quarter average lease rates were up slightly from fourth quarter and reached \$5.11 per square foot. Fifteen industrial buildings with a combined 1.3 million square feet were under construction in the first quarter, and building activity in Adams County represented nearly 60 percent of that space. Recent deliveries also numbered fifteen buildings with a combined 340,000 square feet of space.

Industrial Market Statistics

	Quarter 1 2008	Quarter 4 2007	Quarter 1 2007	Quarter 1 2006	Quarter 1 2005	Quarter 1 2004
Number of Buildings	6,301	6,286	6,258	6,224	6,189	6,148
Existing Square Feet (millions)	206.4	206.1	204.6	202.9	201.1	199.4
Vacant Square Feet (direct, millions)	12.2	11.1	11.9	15.4	16.4	16.1
Vacancy Rate (direct)	5.9%	5.4%	5.8%	7.6%	8.2%	8.0%
Vacancy Rate (with sublet)	6.2%	5.6%	6.2%	8.0%	8.8%	8.9%
Avg. Lease Rate (direct, per square foot, NNN)	\$5.11	\$5.03	\$4.98	\$4.80	\$4.57	\$4.61
New Construction Completed (year-to-date)	0.34 MSF, 15 Bldgs	1.67 MSF, 29 Bldgs	0.07 MSF, 2 Bldgs	0.73 MSF, 6 Bldgs	0.18 MSF, 8 Bldgs	0.48 MSF, 7 Bldgs
Currently Under Construction	1.26 MSF, 15 Bldgs	1.80 MSF, 21 Bldgs	2.49 MSF, 28 Bldgs	0.83 MSF, 17 Bldgs	0.57 MSF, 9 Bldgs	1.26 MSF, 17 Bldgs

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

Vacancy rates in Metro Denver's flex market improved slightly in the first quarter, although average lease rates were largely flat. According to CoStar Realty Information, Inc., the direct vacancy rate tightened from 11.2 percent in fourth quarter to 11 percent in first quarter, and total vacancy with sublease space was essentially unchanged at 12.1 percent. Average lease rates were also unchanged at \$9.30 per square foot, and five flex buildings with a combined 260,000 square feet were recently completed. Fifteen buildings with a combined 350,000 square feet remained under construction in first quarter, and Arapahoe, Boulder, Denver, and Jefferson Counties represented fairly even portions of the building activity.

MONTHLY ECONOMIC SUMMARY

Flex Space Statistics

	Quarter 1 2008	Quarter 4 2007	Quarter 1 2007	Quarter 1 2006	Quarter 1 2005	Quarter 1 2004
Number of Buildings	1,306	1,302	1,293	1,279	1,251	1,234
Existing Square Feet (millions)	37.8	37.5	37.3	36.9	36.4	36.1
Vacant Square Feet (direct, millions)	4.2	4.2	4.4	4.9	5.7	5.9
Vacancy Rate (direct)	11.0%	11.2%	11.8%	13.4%	15.7%	16.5%
Vacancy Rate (with sublet)	12.1%	12.2%	12.7%	14.1%	17.0%	18.1%
Avg. Lease Rate (direct, per square foot, NNN)	\$9.30	\$9.30	\$8.73	\$8.47	\$8.23	\$8.12
New Construction Completed (year-to-date)	0.26 MSF, 5 Bldgs	0.25 MSF, 12 Bldgs	0.00 MSF, 0 Bldgs	0.02 MSF, 1 Bldgs	0.06 MSF, 3 Bldgs	0.0 MSF, 0 Bldgs
Currently Under Construction	0.35 MSF, 15 Bldgs	0.16 MSF, 6 Bldgs	0.11 MSF, 3 Bldgs	0.50 MSF, 13 Bldgs	0.46 MSF, 18 Bldgs	0.08 MSF, 3 Bldgs

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

The Grubb & Ellis Company summer retail outlook expects a mixed performance across markets. While activity has slowed in all areas, smaller neighborhood centers have reported particularly difficult conditions. Despite relatively strong fundamentals in Metro Denver, the Grubb & Ellis report says the retail slowdown could last through 2009 as developers delay their timelines based on this year's market conditions.

A Frederick Ross Company report suggests Metro Denver's retail market is clearly correcting. Vacancy rates rose between the fourth quarter of 2007 and the first quarter of 2008 with negative absorption in nine of the region's 11 sectors. The report notes that strip malls and Class B and C space are experiencing the most difficult conditions.

Data from CoStar Realty Information, Inc. show Metro Denver's retail market essentially flat in first quarter. The direct vacancy rate measured 5.6 percent, essentially the same as the 5.7 percent rate from fourth quarter. Average lease rates were also stable at \$16.67 per square foot, and new deliveries totaled 12 buildings with a combined 200,000 square feet. Although building activity slowed somewhat in first quarter, a still-healthy 4.4 million square feet of space remained under construction. The largest projects underway in first quarter included Riverpoint at Sheridan and Cornerstar in Arapahoe County and Prairie Center in Adams County.

Retail Market Statistics

	Quarter 1 2008	Quarter 4 2007	Quarter 1 2007	Quarter 1 2006	Quarter 1 2005	Quarter 1 2004
Number of Buildings	5,953	5,940	5,905	5,845	5,696	5,590
Existing Square Feet (millions)	139.1	138.8	137.7	134.8	127.1	123.6
Vacant Square Feet (direct, millions)	7.8	7.9	8.6	9.7	7.8	7.5
Vacancy Rate (direct)	5.6%	5.7%	6.2%	7.2%	6.1%	6.0%
Vacancy Rate (with sublet)	5.8%	5.9%	6.5%	7.3%	6.4%	6.2%
Avg. Lease Rate (direct, per square foot, NNN)	\$16.67	\$16.68	\$16.85	\$16.33	\$15.90	\$13.81
New Construction Completed (year-to-date)	0.20 MSF, 12 Bldgs	1.60 MSF, 41 Bldgs	0.38 MSF, 7 Bldgs	N/A	N/A	N/A
Currently Under Construction	4.40 MSF, 72 Bldgs	6.30 MSF, 81 Bldgs	5.79 MSF, 62 Bldgs	N/A	N/A	N/A

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

MONTHLY ECONOMIC SUMMARY

Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↑	Employment increased by 10,900 jobs Mar to Apr; employment up 1.9% through Apr 2008.
% Companies Hiring (Denver Area)	↓	↓	22% of companies expect to add workers in Q2 2008.
Unemployment Rate	↓	↑	Metro rate 4.3% in Apr; YTD avg. rate of 4.6% up from 3.9% in 2007.
Initial Claims	↑	↑	Claims increased Mar to Apr; YTD 2008 claims up 17.2% from 2007.
Total Retail Sales	↓	↑	Metro retail down 1.2% from Jan to Feb; YTD sales up 3.1% through Feb 2008.
Consumer Confidence Index	↓	↓	Mountain Region index down from 97.5 in Mar to 64.0 in Apr; index down 30.1% year-to-date
Hotel Occupancy	↑	↓	Hotel occupancy increased from 62.5% in Mar to 67.4% in Apr; occupancy down 0.6% YTD
DIA Passengers	↑	↑	Traffic increased 19.9% Feb to Mar; traffic up 5.2% through Mar 2008.
Bloomberg Colorado Index	↑	↓	Bloomberg Colorado Index up 3.5% from Apr to May; year-to-date return at -0.4%.
Dow Jones Industrial Average	↓	↓	DOW decreased 1.4% Apr to May 2008; year-to-date return at -4.7%
Home Sales (closed)	↑	↓	Home sales increased 15% Mar to Apr; YTD sales down 8.8% through Apr.
Median Home Price (Denver-Aurora MSA)	↓	↓	Median home price in Denver MSA decreased to \$223,500 in Q1 2008; YTD price down 6.6%
Foreclosures	↓	↑	Foreclosures declined 8.5% Mar to Apr; YTD up 22.9% through Apr 2008.
Residential Building Permits (Total)	↓	↓	Total permits decreased between Feb and Mar; YTD down 43% through Mar 2008.
Apartment Vacancy Rate	↓	↓	Vacancy rate decreased from 6.1% in Q4 to 5.9% in Q1; avg rental rate at \$861 per month.
Office Vacancy Rate (with Sublet)	↔	↓	Vacancy rate unchanged at 11.5% in Q4 and Q1; avg lease rate up to \$20.66 per sq.ft.
Industrial Vacancy Rate (with Sublet)	↑	↔	Vacancy rate increased from 5.6% to 6.2% in Q1; avg lease rate up to \$5.11 per square foot (NNN)
Flex Space Vacancy Rate (with Sublet)	↓	↓	Vacancy rate down to 12.1% in Q1 2008; average lease unchanged at \$9.30 per square foot (NNN)
<i>Positive Changes</i>	9 of 18	6 of 18	



Economic and Demographic Research

Industry Studies

Fiscal and Economic Impact Analysis

Real Estate Economics

10184 West Belleview Avenue
Suite 100
Littleton, Colorado 80127
www.DevelopmentResearch.net
303.991.0070