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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Prepared For:

Metro Denver Economic Development Corporation
1445 Market Street
Denver, Colorado 80202

Researched and Compiled by:

Development Research Partners, Inc.
Patricia Silverstein
10184 W Belleview Ave, Suite 100
Littleton, Colorado 80127
www.DevelopmentResearch.net
(303) 991-0073 Patty@DevelopmentResearch.net

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

- Per capita personal income in Colorado rose faster than the nation in 2005 but did not increase as fast as some of its neighboring Western states. The Bureau of Economic Analysis reported a 5.1% increase in per capita personal income in Colorado to $37,946 compared to the 4.6% increase at the national level to $34,586. Per capita personal income grew at a faster pace than Colorado last year in Arizona, New Mexico, Idaho, Texas, Montana, Utah, Nevada and Wyoming. Still, Colorado has the eighth highest per capita personal income in the U.S., up from ninth in 2004.
- *Fortune Small Business* magazine named the Leeds School of Business at the University of Colorado at Boulder one of the top 10 "hot spots" for entrepreneurial education. The magazine noted that the schools entrepreneurship program "specializes in helping students create companies that are eco-friendly and socially progressive."
- Denver International Airport (DIA) was the sixth busiest airport in the nation last year, down from fifth in 2004. Las Vegas McCarran Airport bumped DIA from the fifth position even though DIA reported a record number of passengers, according to a report by the Bureau of Transportation Statistics. Hartsfield-Jackson Airport in Atlanta ranked first, followed by Chicago's O'Hare Airport and the Dallas-Fort Worth International Airport. In related news, Denver International Airport was voted the third best airport in the Americas and the third best airport in the world among airports with more than 25 million passengers annually by the AETRA passenger survey program.
- Six Coloradoans made *Forbes* magazine's 2006 list of the richest people in the world: Charlie Ergen of Denver (80th), Philip Anschutz of Denver (89th), John Malone of Denver (486th), Pat Stryker of Fort Collins (512th), James Leprino of Denver (606th) and Thomas Bailey of Aspen (645th). Bill Gates and Warren Buffet topped the list with respective net worth of $50 billion and $42 billion.
- Douglas County and Weld County are the only two Colorado counties to make the U.S. Census Bureau's list of the 100 fastest-growing counties in 2005. Douglas County ranked 41st with a 5% population increase from July 2004 to July 2005. In 2001, Douglas County was the fastest growing county in the nation. Weld County ranked 81st with a 4.1% population increase. Colorado demographer Elizabeth Garner foresees the populations in both Adams and Weld counties growing at a faster rate than Douglas County in the future. Eagle County (+3.0%) ranked third in Colorado for its 2005 population growth rate followed by Adams County (+2.9%).
- Douglas, Park and Summit counties were among seven counties in the nation whose population of senior residents more than doubled between 1990 and 2000, according to a U.S. Census Bureau report. Still, Colorado has a relatively young population. The state ranked 48th in the ratio of residents over the age of 65 years to the total population. Colorado's 65+ population represents 9.7% of the total population. Alaska reported the smallest percentage share of seniors with only 5.7% representation while Florida reported the largest share of 17.6%.

- Xcel Energy ranks first for participation in its voluntary wind-energy program and for wind-energy pricing. According to a survey by the National Renewable Energy Laboratory, Xcel Energy's voluntary Windsource program has 49,354 participants in Colorado, Minnesota and Texas. The price of Windsource power is slightly less than Xcel's conventional electricity. Xcel Energy is also the largest purchaser of wind energy in the nation, according to the American Wind Energy Association. For the past two years, a California utility has held the top position.

General Economic Overview

U.S. gross domestic product (GDP) expanded 1.7% in the fourth quarter of 2005, down from 4.1% in the third quarter, according to final estimates from the U.S. Department of Commerce, Bureau of Economic Analysis. The deceleration is attributed to weaker consumer and government spending, acceleration in imports and a slowdown in investment in equipment, software and residential fixed investment. On the other hand, inventory investment and exports grew. Annual GDP growth for 2005 registered 3.5%.

The Federal Open Market Committee (FOMC) voted to increase the target for the federal funds rate by 25-basis points at its March meeting, raising the target to 4.75%. The March increase is the 15th of its kind since 2004 and marks a five-year high. The Committee noted that the economy "rebounded strongly" in the first quarter of the year but that economic growth is "likely to moderate to a more sustainable pace." Inflation remains a possibility with potential increases in resource utilization, especially in combination with high energy and commodity prices. In response, commercial banks raised the prime lending rate to 7.75%, also a five-year high.

The U.S. trade deficit hit another record in January after hitting an all-time annual high of $725.8 billion in 2005. The deficit increased 5.3% in January from December 2005 to $68.5 billion, according to the Commerce Department. The increase is largely due to the high cost of foreign oil as well as America's strong demand for foreign automobiles and wine. The already significant trade imbalance with China also increased 9.9% in the first month of the year to $17.9 billion. Americans import Chinese cell phones, clothing, textiles and shoes.

The Colorado state budget is growing now that statewide employment levels and income tax collections are on the rise. Legislative economist Mike Mauer forecasted an upward revision of $165 million in 2006 general fund revenues. State income tax collection is expected to reach $3.9 billion in 2006, up from $3.8 billion in 2005. In 2001, the state collected $3.9 billion in income taxes.

Various indexes reveal generally positive economic gains at the national, state and metro level:

- The Conference Board's Index of Leading Economic Indicators decreased in February by 0.2% to 139.0 after four consecutive monthly increases. The national index gauges future economic conditions based on 10 components, five of which showed improvements in February. The Conference Board's coincident index, which gauges current economic conditions, increased 0.3% to 122.1 with all four index components reporting improvements.
- The nation's manufacturing sector grew for the 34th consecutive month in March, according to the Institute for Supply Management's Purchasing Managers' Index. The index slipped from 56.7 in February to 55.2 in March, indicating expansion but at a slower pace. The index, which tracks overall business activity of more than 350 manufacturing companies located throughout the country, reported the strongest growth in the miscellaneous (miscellaneous is a preponderance of jewelry, toys, sporting goods and musical instruments), apparel and textiles categories. A reading greater than 50 suggests economic expansion whereas a reading below 50 suggests economic contraction.
- The national service economy expanded in February for the 35th consecutive month in February while both business activity and new orders grew at a faster rate than in January, according to the National Institute for Supply Management's non-manufacturing index. The index increased from 56.8 in January to 60.1 in February. Ten of the 17 service sectors

tracked by the organization reported increased activity in February, led by the mining, insurance and communication sectors.

- The Front Range Purchasing Managers Index compiled by the University of Colorado at Denver Business School rebounded in January after a downturn in the local manufacturing sector in December. The index increased to 53.1 in January after registering 46.9 in December. A reading below 50 indicates economic contraction while a reading greater than 50 indicates economic expansion.
- The Colorado service economy index, compiled by the University of Colorado at Denver Business School, was positive in January at 56.8 compared to 55.2 in November. Due to technical difficulties, there was not December index. The index indicates expansionary conditions with values greater than 50 and is a composite of five components: delivery times, inventory levels, new orders, production and employment.
- The Creighton University Business Conditions Index for the Mountain States region increased for the fourth month in a row in February to a record 75.2. The Colorado-Utah-Wyoming region benefited from waning inflationary pressures and warm weather in February. The individual Colorado index also improved from 68.8 in January to 70.0 in February. A reading greater than 50 indicates expansionary conditions.
- The Vectra Bank Small Business Index for Colorado increased from a revised 101.6 in January to 102.2 in February due in part to statewide job growth. Job growth can be both good news for small businesses in terms of stronger consumer spending and bad news because of the pressure it places on small firms to retain their key employees. The national small business index also increased from a revised 90.1 in January to 95.6 in February.
- The Colorado Business Leaders Confidence Index rebounded in the first of quarter of 2006 after reporting a nine point decline in the fourth quarter of 2005 caused by the Gulf Coast hurricane damage. The forward-looking index, which is comprised of six components, grew from 49.1 in the fourth quarter of 2005 to 60.9 in the first quarter of 2006. The current index reading is on par with the reading of 61.3 from a year ago.
- The Leading Index remained unchanged at 100.8 in December for the third month in a row, indicating growth at steady rate. The Leading Index is a predictor of changing economic activity for the Metro Denver economy six to nine months in advance. The Historic Index slipped from 129.8 in November to 129.1 in December due to slightly weaker retail sales compared to a year ago. The Historic Index measures year-over-year growth, so both the direction and magnitude of change are important. Growth in the Historic Index generally accelerated during the first seven months of the year but fluctuated some in the remaining months. The December 2005 index stands 1.4% higher than the December 2004 index, the most modest growth rate achieved in 2005. The 100 level represents the benchmark year of 1995 for both indexes compiled by Development Research Partners.

Labor and Employment

Revised annual employment statistics reveal that Metro Denver added 26,100 net new jobs in 2005, a 2.0% growth rate. This was an upward revision from data released throughout 2005 that indicated that the Metro Denver region would add only 24,800 jobs, a 1.9% increase. Of the 61,200 jobs that were lost in Metro Denver during the recession of 2002 and 2003, 36,800 positions were added back in 2004 and 2005. Current forecasts for the year reveal that Metro Denver will add nearly 28,000 jobs in 2006, representing a full recovery from the recession.

Average annual employment in Metro Denver increased 2.4% through February, according to preliminary February data from the Colorado Department of Labor & Employment. The largest percentage gains through the first two months of the year occurred in the Natural Resources & Construction (+7.6%), Professional & Business Services (+3.0%) and Wholesale & Retail Trade (+2.9%) sectors. The only sector posting a year-to-date loss is the Information sector, down by 4.6%. On the bright side, the declining trend in the Information sector appears to be moderating. Information sector employment declined by 4.3% from February 2005 to February 2006, the smallest over-the-year decline in almost five years. As of February 2006, Information employment stands at 55,600 positions, down from a peak of 86,800 positions in December 2000. Statewide employment levels are 2.5% higher through February compared to the first two months of 2005 while national employment is only 1.6% higher.

Metro Denver employers added about 7,900 jobs to their payrolls from January to February with more than half of the new positions occurring in the Government sector (specifically State and Local Government). Meanwhile, Wholesale & Retail Trade (-1,500 jobs) and Other Services (-400 jobs) reported losses in February from the prior month. *The Information sector added 100 jobs from January to February, marking the first month-to-month increase since February 2004.*

On a year-to-date basis, the Natural Resources & Construction sector leads with 6,800 new positions through February, followed by 6,300 new positions in Professional & Business Services sector and 5,900 new positions in the Wholesale & Retail Trade sector. Information employment is down 2,700 jobs compared to the first two months of last year. Total Metro Denver employment increased by 31,300 positions over the same period last year.

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

	Month of Feb-06 (p)	Month of Jan-06	Month of Feb-05	Year-to-Date Average 2006	Year-to-Date Average 2005	Year-to-Date Average % Change	Annual Growth Rate 2001	Annual Growth Rate 1996
Total 11-County Metro Denver*	1,351.3	1,343.4	1,320.8	1,347.4	1,316.1	2.4%	0.0%	3.1%
Natural Resources & Construction	96.8	95.3	89.8	96.1	89.3	7.6%	2.0%	5.5%
Manufacturing	91.6	91.3	90.6	91.5	90.5	1.1%	-5.8%	2.0%
Wholesale & Retail Trade	208.5	210.0	202.8	209.3	203.4	2.9%	-0.4%	2.9%
Transp., Warehousing & Utilities	51.7	51.6	50.7	51.7	50.6	2.1%	2.3%	5.4%
Information	55.6	55.5	58.1	55.6	58.2	-4.6%	-3.3%	5.1%
Financial Activities	107.6	107.2	105.2	107.4	104.9	2.4%	-0.3%	5.5%
Professional & Business Services	218.3	217.9	212.1	218.1	211.8	3.0%	-1.4%	3.6%
Education & Health Services	139.6	138.5	136.4	139.1	135.5	2.6%	4.1%	3.5%
Leisure & Hospitality	134.3	133.1	130.7	133.7	130.2	2.7%	1.0%	1.2%
Other Services	50.2	50.6	50.1	50.4	50.2	0.4%	-0.2%	5.1%
Government	197.1	192.4	194.3	194.8	191.5	1.7%	2.5%	0.8%
Federal Gov't	31.3	31.4	31.5	31.4	31.6	-0.6%	-3.3%	-5.2%
State & Local Gov't	165.8	161.0	162.8	163.4	160.0	2.2%	3.8%	2.5%
Colorado	2,233.4	2,218.5	2,181.9	2,226.0	2,172.7	2.5%	0.6%	3.6%
United States	133,265	132,361	131,195	132,813	130,782	1.6%	0.0%	2.1%

**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

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

Aerospace: The National Geospatial-Intelligence Agency (NGA), a Pentagon spy agency, awarded GeoEye a $13 million contract to provide high-resolution satellite photos. The latest contract is in addition to the $36 million contract awarded in January. GeoEye is the recent formation of Virginia-based Orbimage and Thornton-based Space Imaging. The NGA also awarded Longmont-based DigitalGlobe Inc. a $12 million contract to purchase high-resolution satellite photos in March. Since January 2003, the NGA has awarded DigitalGlobe more than $120 million in contracts.

Lockheed Martin Space Systems in Jefferson County signed a $50 million contract with the U.S. Air Force to provide launch support services on both coasts over the next two years. Ball Aerospace & Technology Corp. also won a U.S. Air Force contract last month. Ball will develop a prototype of an extra-small military satellite that could deploy a variety of payloads and sit atop different types of rockets. The deal could be worth as much as $110 million if the Air Force purchases all five prototypes. The first prototype will cost $26 million.

The Mars Reconnaissance Orbiter, which was constructed at Lockheed Martin Space Systems facilities in Jefferson County, began its orbit of Mars in March and will continue to do so for four more years. The MRO will collect information on the red planet's weather, climate and geology. The $720 million MRO traveled 310 million miles in seven months to reach its destination.

Aviation: United Airlines will add about 200 new positions to its Metro Denver workforce in 2006. The 200 Metro Denver positions will include 10 airport operations supervisors, 50 part-time ramp workers, 30 furloughed customer services agents and 100 seasonal employees. In total, the airline will add 4,000 workers to its worldwide workforce this year, including the previously announced return of furloughed flight attendants.

Three southern Colorado startup companies were offered $6 million in incentives to relocate near Laramie Regional Airport in Wyoming. The three companies employ only about 20 people combined but could add up to 550 employees over the next five years. Enfusion Technologies, Nexaer and Near Space Technologies are expected to sign letters of intent with Wyoming officials in April. Enfusion Technologies of Colorado Springs manufactures composite materials used in aircraft and other vehicles. Peyton-based Nexaer is developing a light, two-seat aircraft with materials from Enfusion Technologies. Near Space Technologies, also of Colorado Springs, is developing a balloon-like vehicle that could hover about 100,000 feet off the ground.

Eight Colorado airports have signed on as aviation-development zones in hopes of attracting aviation manufacturing businesses to their airport. The aviation-development zone designation, which was created by state law in 2005, provides income tax credits of up to $2 million per company. Metro Denver airports holding the designation are Denver International Airport, Jefferson County Airport, Front Range Airport and Centennial Airport.

Biotechnology: Gambro BTC plans to add 300 workers to its Lakewood facility this year. About half of the new employees will be production workers that earn $15.00 per hour and the other half will be scientists and engineers that command annual salaries of about $50,000. Just last year the blood bank technology group increased its employee base by 250 workers, increasing total employment to 1,500 workers. The company will also spend $16 million on capital improvements over the next several years.

Westminster-based Myogen Inc. announced a deal with GlaxoSmithKline to collaborate on two drugs that treat a lung condition. The three-year deal positions Myogen to receive up to $100 million from Glaxo for promoting its Flolan drug in the U.S. while Glaxo gains the rights to Myogen's experimental ambrisentan drug. Myogen was created in 1996 as a technology transfer spin-off from the University of Colorado and currently employs 100 workers.

Three bills that would facilitate the commercialization of biotechnology ideas are awaiting action in Colorado's House Appropriations Committee. House bills 1360, 1361 and 1308 would result in $15.5 million in funding for biotech commercialization by providing resources like quick cash and equipment.

Energy: Colorado's coal production slipped to 38 million tons in 2005, down from 40 million tons in 2004. The decline puts an end to a four-year trend of record-breaking production. Colorado ranked seventh in coal production in 2005, down from sixth in 2004. The Colorado Geological Survey is anticipating another production decline of between two to three million tons in 2006.

Xcel Energy revealed plans for Colorado's first solar energy plant that is to be located in the San Luis Valley and cost about $60 million. The photovoltaic plant will supply about 1,800 homes with 13,700 megawatt hours of electricity annually. The plant, which is in response to the 2004 voter-approved Amendment 37, will be finished in 2007.

The National Renewable Energy Lab (NREL) in Golden will develop an advanced offshore wind turbine over the next four years under a $27 million contract with General Electric. The deal includes NREL's contribution of $8 million. The project could result in reduced costs for offshore wind energy that currently costs nearly double the cost of onshore wind energy.

In other employment news, Rio Tinto Minerals choose Metro Denver for its headquarters over competitor cities like Phoenix and Salt Lake City. Rio Tinto Minerals is comprised of three industrial mineral divisions of parent-company Rio Tinto PLC in London: Luzenac already in Arapahoe County; Borax in Valencia, CA; and Dampier in Perth, Australia. The newly formed company will create about 200 relatively high-paying jobs in Metro Denver initially. Rio Tinto executives cited Metro Denver's close proximity to a major international airport and a highly-educated workforce as key factors in their location decision. Rio Tinto PLC is one of the world's largest mining companies.

Information Technology - Software: The National Center for Atmospheric Research (NCAR) and partners will construct the world's fastest super computer in Colorado. The $75 million supercomputer will be able to model global climate down to the square mile. Petaflop technology, which is required to build the computer, does not exist yet but several companies, including IBM, hope to develop the technology in the near future. The Colorado School of Mines, the University of Colorado at Boulder and Colorado State University are all vying to house the supercomputer. If Colorado School of Mines is chosen, Xcel Energy would supply renewable energy to power the computer. NCAR plans to have the computer operational by 2009.

The hiring pace in Metro Denver will strengthen in the second quarter of 2006, according to the latest Manpower Employment Outlook Survey. About 38% of the companies interviewed plan to hire more employees in the second quarter, the strongest level since first quarter 2001. On the other hand, the percentage of companies reducing payrolls will also increase in the second quarter, jumping from 4% to 15%. Another 44% of respondents are expected to maintain current staffing patterns in the April to June period, leaving 3% of employers unsure of their plans. Job prospects in Metro Denver appear best in construction, durable and non-durable goods manufacturing, finance/insurance/real estate, education and public administration. Mixed intentions were reported by employers in wholesale and retail trade and services. No change is expected in the transportation and public utilities sectors.

The national employment outlook for second quarter 2006 is weaker than in Metro Denver. About 30% of companies plan to increase payrolls while 6% of the 16,000 companies interviewed will reduce payrolls. Another 58% of respondents anticipate no change in current staffing patterns and 6% are unsure of their plans.

Employment Outlook Survey

	Quarter 2 2006	Quarter 1 2006	Quarter 2 2005	Year-to-Date Average 2006	Year-to-Date Average 2005
Percent of Companies Hiring	38%	30%	35%	34%	30%
Percent of Companies Laying Off	15%	4%	7%	10%	5%
Percent of Companies No Change	44%	55%	55%	50%	63%

Source: Manpower Inc.

Senior citizens are exiting the labor force sooner than they did 50 years ago despite longer life expectancy. In 1950, nearly half of the men 65 years and older participated in the labor force compared to just one in five men of that age group today, according to a report by the U.S. Census Bureau. The participation rate of women has stayed at about 10% even though a much larger number of women are in the workforce today than 50 years ago. The current population of Americans 65 years and older is about 35 million. U.S. Census Bureau analysts predict that number will more than double by 2030.

The Metro Denver unemployment rate decreased from 5.2% in January to 4.7% in February. Unemployment rates also fell in Colorado from 5.2% to 4.6% in February while the national unemployment rate remained the same at 5.1%. On an annualized basis, the unemployment rate in Metro Denver stands at 4.9% and is the same as the state unemployment rate. Both Metro Denver and Colorado posted year-to-date unemployment rates below that of the U.S. The highest unemployment rates in the seven-county metro region in February included 5.6% in the City & County of Denver and 5.4% in Adams County. The most favorable rates were 3.2% reported in Douglas County and 4.0% in Boulder County. The unemployment rate fell in all seven Metro Denver counties in February.

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

	February 2006 (p)		2006 YTD AVG		2005 YTD AVG		2001	1996
	Total Labor Force	Unemploy-ment Rate	Total Labor Force	Unemploy-ment Rate	Total Labor Force	Unemploy-ment Rate	Ann Avg Unemploy-ment Rate	Ann Avg Unemploy-ment Rate
Metro Denver	1,466.7	4.7%	1,454.7	4.9%	1,426.2	5.7%	3.9%	3.8%
Adams County	205.9	5.4%	204.3	5.7%	200.4	6.6%	4.2%	4.2%
Arapahoe Cnty	302.3	4.5%	299.9	4.7%	293.8	5.5%	3.8%	3.2%
Boulder Cnty	171.1	4.0%	169.1	4.2%	166.7	4.9%	3.5%	3.8%
Broomfield Cnty*	24.4	4.4%	24.2	4.6%	23.7	5.3%		
Denver County	310.3	5.6%	308.0	5.9%	302.4	6.8%	4.7%	5.0%
Douglas Cnty	139.1	3.2%	138.0	3.4%	134.7	3.9%	3.2%	2.2%
Jefferson Cnty	313.6	4.6%	311.2	4.8%	304.5	5.5%	3.7%	3.4%
Colorado	2,593.1	4.6%	2,570.6	4.9%	2,518.2	5.6%	3.9%	4.2%
United States	149,686	5.1%	149,388	5.1%	147,387	5.8%	4.7%	5.4%

**Broomfield County was formed in November 2001 from parts of Adams, Boulder, Jefferson and Weld counties.*
Source: Colorado Department of Labor and Employment, Labor Market Information. (p) =preliminary

The number of first time unemployment insurance claims filed in Metro Denver declined to 4,631 in February from 6,048 in January. The total number of claims filed in the first two months of 2006 was 9.7% below the number of claims filed in same period last year. First time unemployment claims also decreased at the state level in February, falling from 12,429 in January to 9,186 in February. The total number of claims filed in Colorado through February is 13.3% lower than the number of claims filed in the same period last year.

First Time Unemployment Insurance Claims

	Month of Feb-06	Month of Jan-06	Month of Feb-05	Year-to-Date Average 2006	Year-to-Date Average 2005	Year-to-Date Average % Change	Annual Average 2001	Annual Average 1996
Metro Denver	4,631	6,048	4,997	5,340	5,913	-9.7%	6,599	4,573
Colorado	9,186	12,429	10,315	10,808	12,467	-13.3%	13,624	

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

Personal bankruptcy filings in the U.S. increased 30% in 2005, surpassing 2 million filings for the first time, according to the Administrative Office of the U.S. Courts report. The rush to file for bankruptcy last year was prompted by new, harsher bankruptcy laws that became effective in October 2005. Record personal bankruptcy filings also occurred in Colorado during 2005, increasing from 27,890 in 2004 to 43,041. The number of personal bankruptcies in Colorado declined dramatically, however, after the new laws became effective. In fact, first quarter 2006 filings are down 81% from first quarter 2005 filings.

Consumer Sector

U.S. inflation slowed to a moderate 0.1% increase in February after posting a 0.7% gain in January that was primarily driven by rising energy costs. The Consumer Price Index increase of 0.1% in February was the result of a 1.2% decline in energy prices. More specifically, gasoline prices dropped 1.0% while heating oil prices fell 2.8% and natural gas prices fell 4.5%, the largest monthly decrease since the fall of 2001. Overall food prices reported a modest 0.2% increase due to a large price increase for fruits that was offset by a decline in vegetable, dairy and poultry prices. Core inflation, excluding energy and food, increased 0.1% from January to February and stands 2.1% above February 2005 price levels.

Gas prices increased about $0.28 per gallon in March across Metro Denver to an average of $2.49 per gallon of regular gas. Still, Metro Denver gas prices remain below the national average of $2.57 per gallon, an increase of $0.31 from a month ago. Price data from the AAA fuel gauge report is as of April 2, 2006. The increases are due to rising wholesale prices, according to experts, who also expect to see high prices throughout the summer months.

Falling wholesale prices for natural gas will likely result in another month of smaller heating bills for Metro Denver consumers. A typical bill for a residential customer will fall 38% from $96 in March to $59 in April due to a combination of the lower price and reduced usage from warmer weather. The average customer uses 35% less natural gas from March to April. A typical bill for a business customer will fall 39% from $447 in March to $271 in April. The commodity price declines put residential and commercial bills on par with April 2005 bills.

February retail sales declined by 1.3% nationwide in February as colder weather kept shoppers at home. The decline follows a revised 2.9% increase in January sales that was the largest one-month gain in over four years. February retail sales, excluding automobiles, decreased 0.4% nationwide. Analysts note that the decline may be temporary given an improving labor market.

Retail sales across Metro Denver decreased in January from December, marking the end of the holiday shopping season. On a positive note, January retail sales were 7.7% higher compared to the same month last year. The strongest annual gains occurred in Broomfield County (+17.5%), Arapahoe County (+10.6%) and Adams County (+9.7%). All counties reported increases in retail sales over the same comparison period with the smallest gain of 2.8% reported in Jefferson County. Colorado retail sales grew at a slightly slower pace of 7.6% from January 2005 to January 2006.

Total Retail Sales ($000s)

	Month of Jan-06	Month of Dec-05	Month of Jan-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Annual Growth 2001	Annual Growth 1996
Total Metro Denver	5,537,041	9,396,099	5,139,798	5,537,041	5,139,798	7.7%	2.9%	7.1%
Adams County	863,730	1,322,673	787,673	863,730	787,673	9.7%	3.6%	3.2%
Arapahoe County	1,191,376	2,090,195	1,076,966	1,191,376	1,076,966	10.6%	-0.5%	10.1%
Boulder County	517,739	1,010,965	474,033	517,739	474,033	9.2%	1.6%	10.4%
Broomfield County	110,214	194,152	93,764	110,214	93,764	17.5%		
Denver County	1,549,596	2,521,234	1,461,200	1,549,596	1,461,200	6.0%	1.6%	2.2%
Douglas County	418,210	714,763	384,304	418,210	384,304	8.8%	16.5%	46.4%
Jefferson County	886,176	1,542,117	861,858	886,176	861,858	2.8%	2.6%	5.8%
Colorado	9,319,823	16,053,420	8,659,835	9,319,823	8,659,835	7.6%	2.9%	7.2%

Source: Colorado Department of Revenue.

RadioShack Corp. is closing nine Metro Denver stores for cost-cutting reasons. The company will close 480 shops nationwide. In other retail news, Colorado's 13 Foley's stores are slated to become Macy's stores this fall as a result of Federated Department Stores $11 billion acquisition of May Department Stores in 2005.

Denver-based Dazbog Coffee Co. will open its first franchise store on South Colorado Boulevard this year. The company had been in the wholesale business for 10 years and just recently branched out to sell their beans at licensed coffee shops. Franchises will cost between $220,000 and $450,000 as well as require a net worth of $400,000. Dazbog is discussing franchises in several markets including Nebraska, Kansas and Arizona.

Consumer confidence in the mountain region slipped in February after soaring to the highest level since October 2000 in January, according to preliminary data from The Conference Board. Overall consumer confidence fell from a revised 144.3 in January to 117.6 in February, the third most optimistic confidence level overall out of the nine regions. National confidence levels declined from a revised 106.8 in January to 101.7 in February. The confidence index is comprised of the present situation index and the expectations index. Mountain region consumers reported a decrease in their perceptions of current situations from a revised 180.1 in January to 152.7, the highest reading among the nine regions. The future expectations index in the mountain region also declined from a revised 120.5 in January to 94.3 in February, the fifth highest reading among the nine regions.

Advance estimates for national confidence levels show a rise in optimism in March, increasing from a revised 102.7 in February to 107.2 in March. The present situation index increased from 130.3 to 133.3 while the future expectations index also improved from 84.2 to 89.9.

Consumer Confidence Index

	Month of Feb-06 (p)	Month of Jan-06	Month of Feb-05	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Ann Avg 2001
Mountain	117.6	144.3	115.8	131.0	117.5	11.4%	115.2
United States	101.7	106.8	104.4	104.3	104.8	-0.5%	106.6

Source: The Conference Board. (p) =preliminary

Skier and snowboarder visits to Colorado are at record highs, according to the 25 ski resorts associated with Ski Country USA. Visits in January and February totaled 5.25 million, representing a 5.1% increase over the same time last year. So far this season, visits have hit 8.35 million, a 5.4% increase over the same period last year. The 2004-2005 season reported 11.8 million skier and snowboarder visits which accounted for 21% of total skier and snowboard visits in the U.S. The 2005-2006 season is on pace to beat the 1997-1998 season that holds the record of 11.98 million visits.

Rumors of the Ritz-Carlton coming to Denver were confirmed in March. A development team headed by Cherry Creek's JW Marriott developer Charlie Biederman officially announced plans to convert the 367-room Embassy Suites hotel at 19th and Curtis Streets in Downtown Denver into a 202-room Ritz-Carlton. Plans also include 23 private residences above the hotel rooms that will range in size from 2,300 to 4,400 square feet. The project is expected to cost $75 million.

The Metro Denver lodging industry reported improvements in February. Hotel occupancy rates increased from 57.0% in January to 60.4% in February. The average hotel room rate also increased from $92.34 in January to $95.54 in February. Both the occupancy and average room rates are improved over February 2005 levels. The statewide lodging industry also reported improvements from February 2005 to February 2006. The average hotel occupancy rate for Colorado rose to 61.2%, 2.5% higher than occupancy in February 2005. The average room rental rate increased to $130, $7.31 higher than the average room rate in February 2005.

Metro Denver Hotel Statistics

	Month of Feb-06	Month of Jan-06	Month of Feb-05	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Annual 2001	Annual 1996
Percent of Hotel Rooms Occupied	60.4%	57.0%	58.2%	58.7%	56.5%	3.9%	62.5%	72.3%
Average Hotel Room Rate	$95.54	$92.34	$90.56	$93.38	$87.20	7.1%	$88.52	$77.58

Source: Rocky Mountain Lodging Report.

United Airlines increased its same day fares for business class travel by $50 in March, the industry's largest increase since 2000. United also increased leisure travel fares by $2 to $4 each way. The move is an attempt to cover higher fuel costs and to position the airline closer to profitability. Delta Air Lines Inc. followed suit and other airlines are considering doing the same. Nationwide business fares have increased an average of 16% over the past year compared to a 1% increase in leisure fares, according to data from Harrell Associates. Metro Denver travelers, on the other hand, appear to be benefiting from airline competition. Harrell Associates reported an 11% decrease in year-over-year leisure fares to and from Denver International Airport.

January 2006 was the busiest January in the history of Denver International Airport (DIA) with passenger traffic surpassing 3.5 million, an 8.3% gain over January 2005. The January record marked the ninth consecutive month that the airport has set a monthly passenger record. The airport attributes the increase to new airline service from Southwest Airlines and expanding services from United Airlines and Frontier Airlines. United Airlines commands the largest share of passenger traffic at DIA with 57.4% of the market share. Frontier Airlines is second in market share with 19.3%, followed by American Airlines (4.5%), Delta Air Lines (2.4%) and Southwest Airlines (2.4%).

Denver International Airport Passengers

	Month of Jan-06	Month of Dec-05	Month of Jan-05	YTD Total 2005	YTD Total 2004	YTD Total % Change	Annual 2001	Annual 1996
Number of Airline Passengers	3,501,620	3,546,529	3,234,707	3,501,620	3,234,707	8.3%	36,092,806	32,296,174

Source: Denver International Airport, Traffic Statistics.

First quarter stock market returns were strong across the board. The first quarter performance of the S&P 500 was the best since 1999. The NASDAQ and Dow Jones Industrial average followed closely behind with their best performances since 2000 and 2002, respectively. Eighty-one of Colorado's 114 publicly-traded stocks were up at the end of the first quarter with the biotechnology, real estate investment trusts, telecommunications and natural resource sectors registering as the state's top-performers. The top performer for an individual stock was mining company Apollo Gold Co. which posted a 212.5% increase during the January to March period. Chipotle Mexican Grill's stock price increased 151.8% from its initial IPO in January to $55.39. The Colorado Bloomberg Index ended the quarter 9.6% above the final quarter of 2005. The top three performing Colorado mutual funds, based on their quarter return, were ICON Europe Fund (+20.9%), Janus Overseas Fund (+19.9%) and Janus Venture Fund (+16.3%).

Investors enjoyed a healthy stock market during March. The Colorado stock index increased in March to post a 2.0% annualized gain. 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. The three companies reporting the largest stock price percentage gains from February to March were Sun Microsystems (+23.0%), Cenveo (+17.7%) and Wild Oats (+13.3%). The largest percentage declines were reported by Forrest Oil (-25.1%), Crown Media Holdings Inc. (-19.2%) and Mesa Laboratories (-5.9%). *All three national indices posted stronger gains during the first* *quarter than the Colorado stock index. The NASDAQ reported the strongest increase of 6.1%, followed by a 3.7% increase for both the S&P and the DOW.*

Stock Market Indexes

	Month of Mar-06	Month of Feb-06	Month of Mar-05	YTD Return 2006	YTD Return 2005	YTD Return 2004
Colorado	1,810.5	1,802.9	1,597.6	2.0%	0.3%	2.6%
S&P 500	1,294.9	1,280.7	1,180.6	3.7%	-2.6%	1.3%
NASDAQ	2,339.8	2,281.4	1,999.2	6.1%	-8.1%	-0.5%
DOW	11,109.3	10,993.4	10,503.8	3.7%	-2.6%	-0.9%

Sources: Development Research Partners; Yahoo! Finance.

Residential Real Estate

Existing home sales surprised analysts with a 5.2% increase in February to a seasonally adjusted annual rate of 6.91 million units, according to the National Association of Realtors (NAR). The February increase reverses a five-month trend of declines and may cause the NAR to revise its forecast for a 5% decline in existing home sales this year.

On the other hand, February new home sales fell by the largest amount since April 1997. The Commerce Department reported a 10.5% decline in single-family homes sales in February to a seasonally adjusted rate of 1.08 million units. The February decline followed a 5.3% slowdown in January. Inventory levels are at an all-time high of 548,000 new homes on the market which would require 6.3 months to sell off, up from 5.3 months in January. Median home prices for new homes also fell in February for the fourth consecutive month, slipping 1.6% to $230,400.

Sales of previously-owned homes in Metro Denver rebounded in February to 3,273 sales, pushing year-to-date sales 11.4% above 2005 sales. The number of home sales under contract also increased in February. Inventory levels climbed to 25,484 homes in February. For the year, inventory levels are up 17.3% from 2005. The average days on the market for single-family detached homes increased from 102 days in the first month of the year to 105 days in February while condominiums reported a decline from 133 days in January to 126 days in February.

Home Sales Activity

	Month of Feb-06	Month of Jan-06	Month of Feb-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Ann Avg 2001	Ann Avg 1996
Home Sales (Under Contract)	4,914	4,266	4,960	9,180	8,186	12.1%	32,248	33,406
Home Sales (Closed)	3,273	2,843	2,779	6,116	5,492	11.4%	47,832	37,755
Unsold Homes on Market	25,484	24,387	21,730	25,484	21,730	17.3%	15,892	12,315
Average Sales Price-Single Family	$305,017	$306,982	$288,315	$305,874	$288,315	6.1%	$257,394	$159,132
Average Sales Price-Condo	$175,422	$192,271	$190,154	$183,602	$188,421	-2.6%	$160,342	$94,596
Median Sales Price-Single Family	$238,500	$245,000	$231,200	$240,000	$230,000	4.3%	$213,950	
Median Sales Price-Condo	$149,440	$155,000	$155,000	$152,000	$156,250	-2.7%	$141,000	

Sources: MetroList, Inc.

The average sale price for a single-family home slipped from nearly $307,000 to $305,000 in February, representing a $2,000 month-to-month decline. Still, the average sale price for the year stands 6.1% above the average sale price in 2005. The average sale price for condominiums was slashed by almost $17,000 in February, falling to $175,400. The average sale for a condominium is 2.6% below 2005 levels. Median sale prices also declined in February. The median sale price for a single-family home stands 4.3% above the median price a year ago while the median price for condominiums is 2.7% below the 2005 price. Median prices are generally considered a better market descriptor because average prices can be skewed by extremely high or low values.

The most expensive residential market in Metro Denver is the 80302 zip code in Boulder which has a 122% premium on home prices compared to the overall metro median home price of $238,500. The median home price in 80302 was $528,500 in the fourth quarter 2005, according to California-based DataQuick Real Estate. Larkspur (80118, $501,250) and Boulder (80304, $477,500) round out the top three most expensive zip codes in Metro Denver. Cherry Hills is not at the top of the list because it shares a zip code with less expensive Englewood. Furthermore, Cherry Creek, the Polo Club and Castle Pines do not have their own zip codes. The three zip codes with the lowest median selling prices were Bennett (80102, $125,000), Denver (80216, $125,000) and Denver (80235, $127,000).

The median home price in Metro Denver, which is reported on a quarterly basis by the National Association of Realtors (NAR), slipped 2.4% from a revised $253,500 in the third quarter to $247,500 in the fourth quarter of 2005. For the period from fourth quarter 2004 to fourth quarter 2005, Metro Denver home prices increased 4.4% and Boulder home prices increased 16.8% compared to the national increase of 13.6%.

Nationwide, a record 72 out of 145 metropolitan areas surveyed reported double-digit appreciation from fourth quarter 2004 to fourth quarter 2005. The previous record was set with double-digit gains in 69 metropolitan areas during the third quarter of 2004. The Denver market ranked 116th in annual appreciation and the Boulder market ranked 36th. The markets experiencing the highest rates of home appreciation included Phoenix, AZ (+48.9%), Cape Coral, FL (+48.0%) and Orlando, FL (+42.0%).

The median home price in Metro Denver averaged $247,100 in 2005, making the region the 36th most expensive housing market in the country. The Boulder median home price in 2005 of $348,400 ranks the region as the 21st most expensive market. In terms of annual price appreciation, Metro Denver's increase of 3.3% earned it a 136th place ranking while Boulder ranked 96th with a 7.1% annual increase. Of 155 metro areas included in the annual rankings, 69 metro areas posted double-digit rates of increase from 2004 to 2005.

Median Home Price ($000s)

	Quarter 4 2005 (p)	Quarter 3 2005	Quarter 4 2004	Year-to-Date Average 2005	Year-to-Date Average 2004	Year-to-Date Average % Change	Median 2000	Median 1995
Metro Denver	$247.5	$253.5	$237.1	$247.1	$239.1	3.3%	$196.8	$214.5
United States	$213.0	$215.9	$187.5	$207.3	$184.1	12.6%	$139.0	$113.1

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

Housing analysts warn that rising interest rates, soaring energy costs, Hurricane Katrina and adjustable-rate mortgages combined may be taking a toll on households in America. The Mortgage Bankers Association revealed that the number of home loan delinquencies increased in fourth quarter 2005 to a 2 ½ year high. Foreclosure.com reported a 12.7% increase in the number of foreclosed homes listed for sale in December from the month prior and estimates that 92,000 foreclosed homes are currently on the market nationwide. Total foreclosures were up 25% in 2005 according to data from RealtyTrac of California.

Metro Denver foreclosures increased to a record 1,565 in February from 1,523 in January. Through the first two months of the year, Metro Denver foreclosures are up 32.1%. Denver, Adams and Douglas counties reported the highest levels of foreclosure activity through February in terms of percentage gains while Broomfield, Arapahoe and Boulder counties reported the lowest activity levels. Still, all seven Metro Denver counties reported increased foreclosure *activity. The largest number of foreclosures in February occurred in Denver, Adams and Arapahoe counties.*

Real Estate Foreclosures

	Month of Feb-06	Month of Jan-06	Month of Feb-05	YTD Total 2006	YTD Total 2005	YTD Total % Change
Total Metro Denver	1,565	1,523	1,227	1,544	1,169	32.1%
Adams County	352	399	275	376	273	37.5%
Arapahoe County	347	356	311	352	310	13.6%
Boulder County	72	58	59	65	55	18.2%
Broomfield County	13	12	12	13	11	13.6%
Denver County	426	358	291	392	267	47.1%
Douglas County	103	126	89	115	89	28.7%
Jefferson County	252	214	190	233	165	41.2%

Source: CB Richard Ellis.

National housing starts declined 7.9% from January to February, bringing the seasonally adjusted annual rate of housing starts to 2.12 million units. The 15.8% jump in January housing starts to 2.3 million units was attributed to unseasonably warm weather. Cold weather returned in February along with a storm in the Northeast that delayed some construction. The seasonally adjusted annual rate a year ago was slightly faster at 2.23 million units.

The total number of residential permits issued in Metro Denver decreased in the first month of 2006 to 1,543 from 1,662 in December 2005. January permits represented a 9.2% decline from January 2005. The number of single-family building permits increased 9.7% in January from a year ago while declines occurred in both two-family (-8.9%) and multi-family (-74.6%) permits. Aurora, Castle Rock and unincorporated Douglas counties reported the highest levels of residential construction activity in January. Single-family home construction was strongest in Aurora, Castle Rock and Denver. Permits filed for two-family construction in Aurora accounted for about one-third of total two-family permits. Arvada was the only community to report multi-family activity in January.

Residential Building Permits

	Month of Jan-06	Month of Dec-05	Month of Jan-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Total 2001	Total 1996
Single-Family Units	1,070	1,236	975	1,070	975	9.7%	14,262	13,182
Two-Family Units	401	351	440	401	440	-8.9%	4,442	2,093
Multi-Family Units	72	75	284	72	284	-74.6%	9,090	3,666
Total Units	1,543	1,662	1,699	1,543	1,699	-9.2%	27,794	18,941

Source: Home Builders Association of Metropolitan Denver.

Silverstone Communities will convert the 158-unit Park One Hundred apartment building in Denver's Uptown neighborhood into condominiums. Silverstone plans to price the 725- to 1,250-square-foot units from the $200,000s. Since the building is 89% leased, current residents will be given the option to purchase their home. The building was purchased for $23 million or $145,570 per unit.

Construction began on the $140 million One Lincoln Park residential tower in March. The building is located near two light rail stops and is the first downtown high-rise condominium development in a quarter-century. The 32-story, 186-unit building also includes 14,000 square feet of retail space and 360 parking spaces. About half of the units, which are priced between $300,000 and $3 million, are already sold.

The apartment vacancy rate in Metro Denver rose to 7.9% in the fourth quarter of 2005, a slight increase from the 7.7% vacancy rate reported in the prior quarter. Fourth quarter rates tend to be higher for seasonal reasons. This was the lowest fourth-quarter rate posted since 2000 when the vacancy rate stood at 4.7%. The apartment vacancy rate averaged 8.2% in Metro Denver in 2005, down from this business cycle's peak of 12.0% reached in 2003. Rates for all counties were relatively similar in 2005, ranging from a low of 7.6% in Arapahoe and Douglas counties to a high of 9.1% in Denver County. Gordon Von Stroh, the report's author, predicts the vacancy rate could fall below 7% by the end of 2006 if absorption continues to be positive. The average apartment rent increased from $846 to $848 in the final quarter of 2005, bringing the 2005 year-to-date average 2.6% higher than the 2004 average.

Apartment Statistics

	Quarter 4 2005	Quarter 3 2005	Quarter 4 2004	Year-to-Date Average 2005	Year-to-Date Average 2004	Year-to-Date Average % Change	Ann Avg 2000	Ann Avg 1995
Apartment Vacancy Rate	7.9%	7.7%	10.0%	8.2%	9.7%		4.6%	4.3%
Average Monthly Rental Rate (all units)	$848	$846	$822	$839	$817	2.6%	$763	$564

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

The U.S. 36 corridor linking Denver and Boulder appears to be recovering strongly from the tech crash five years ago that caused the office vacancy rate to jump from 2% in 2000 to 54% in 2001. The corridor is being diversified from a predominately office environment into more of a mixed-use environment and seeing heightened interest and activity levels. Current developments range from the $400 million Arista community and Broomfield event center to the Rocky Mountain Chopra Center & Spa. In total, more than $1 billion in new projects are in the corridor's future including office projects like Circle Point, Westmoor office park and Views I and II. Other residential and retail projects in the works are Axis and the Shops at Walnut Creek. Analysts are estimating a 20% overall office vacancy rate along the corridor at the end of the first quarter with Class A space posting a 10% - 11% vacancy rate. Office lease rates have increased 30% from the lows in 2001 and are expected to continue upward. Office space sales will total about $350 million this year.

The Metro Denver office market exhibited modest gains during the first quarter of 2006, according to CB Richard Ellis MarketView report. The first quarter ended with about 257,000 square feet of positive absorption, marking the eighth consecutive quarter for positive absorption. The Northwest and Downtown submarkets lead the metro region in terms of decreasing available space in the January-March period. *The overall vacancy rate decreased slightly from 15.7% in fourth quarter 2005 to 15.5% in first quarter 2006, Metro Denver's lowest office vacancy rate since 2002. Asking average lease rates were stable at $17.07 per square foot but ranged from $11.33 per square foot in the Northeast submarket to $19.96 per square foot and $19.47 per square foot in the Cherry Creek and Downtown submarkets.*

CB Richard Ellis noted that construction activity continues to increase with almost 309,000 square feet currently underway in Metro Denver, up from 265,000 square feet in the previous quarter. Most of the new projects are characterized as small- to medium-sized projects. Developers are still avoiding speculative projects.

ITRA Realty Group pegs Metro Denver's office vacancy rate at 19.0% for the first quarter of 2006 with an average lease rate of $17.97 per square foot. Metro Denver's vacancy rate is the third highest of the 34 metro areas examined in the quarterly publication. Only Atlanta (20.0%) and Chicago (19.6%) reported higher office vacancy rates. On the other hand, lease rates in Metro Denver are the fourth most competitive of the 34 comparison metro areas. Norfolk, Nashville and Tucson reported lower average lease rates.

Office fundamentals from Costar Realty Information, Inc. confirm that the Metro Denver office market is steadily improving. The (direct) vacancy rate declined for the fifth consecutive quarter in the first quarter of 2006 to the lowest (direct) vacancy rate since third quarter 2002 even though more space was added to the market during the January–March period. The average lease rate crept up to $17.47 per square foot, the highest average lease rate in ten quarters.

More than 1.21 million square feet of new office space is currently under construction in Metro Denver. Over half of the new space is located in the City and County of Denver, including the Denver Newspaper Agency building and the Environmental Protection Agency building in Downtown Denver. Construction in Arapahoe County accounts for 18.4% of total construction followed by Douglas County with 11.9% of total construction. Nine buildings were recently completed since January 2006 with nearly 50% of the new square footage added to the City and County of Denver market.

Office Market Statistics

	Quarter 1 2006	Quarter 4 2005	Quarter 1 2005	Quarter 1 2004	Quarter 1 2003	Quarter 1 2002
Number of Buildings	4,430	4,349	4,323	4,282	4,240	4,170
Existing Square Feet (millions)	149.9	148.8	148.3	147.5	145.9	143.5
Vacant Square Feet (millions)	19.5	19.6	21.5	21.9	20.4	16.8
Vacancy Rate (Direct)	13.0%	13.2%	14.5%	14.8%	14.0%	11.7%
Vacancy Rate (With Sublet)	14.4%	14.6%	16.1%	16.9%	16.6%	14.7%
Average Lease Rate (per square foot)	$17.47	$17.41	$16.96	$16.97	$18.38	$20.32
New Construction Completed (year-to-date)	0.18 MSF, 9 Bldgs	0.73 MSF, 42 Bldgs	0.16 MSF, 11 Bldgs	0.48 MSF, 10 Bldgs	0.80 MSF, 20 Bldgs	0.83 MSF, 25 Bldgs
Currently Under Construction	1.21 MSF, 31 Bldgs	1.34 MSF, 38 Bldgs	1.02 MSF, 32 Bldgs	0.58 MSF, 22 Bldgs	0.62 MSF, 21 Bldgs	2.20 MSF, 52 Bldgs

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

Metro Denver's industrial real estate market is in the best shape since 2003 according to CB Richard Ellis MarketView report for first quarter 2006. Absorption was positive for the third consecutive quarter in the January-March period at 1.3 million square feet of direct industrial space, which helped push the average vacancy rate down to its lowest level in three years. The average vacancy rate fell from 8.6% in the fourth quarter of 2005 to 8.1% in the first quarter of 2006. Commerce City boasts the lowest vacancy rate of 3.0% while Longmont still struggles with the highest rate of 24% even though it improved from 27.9% in the prior quarter. In other good news, the average lease rate per square foot increased from $5.09 in the fourth quarter of 2005 to $5.23 in the first quarter of 2006, the highest rate since 2003. The Boulder and Southeast submarkets command the highest lease rates of $7.43 and $6.74 per square foot, respectively, while rates in the Central Denver submarket are the most affordable at $4.03 per square foot.

Construction activity increased slightly during the first quarter with about 1.2 million square feet of industrial space currently underway. Similar to the office market, industrial construction projects are mostly of small to mid-sized buildings. CB Richard Ellis notes two significant construction projects: the renovation of the 330,000 square-foot Nobel-Sysco building and the construction of the 336,000 square-foot Mile High Business Center.

According to CoStar, industrial real estate market fundamentals in Metro Denver are improving. The (direct) vacancy rate slipped from 7.9% in the fourth quarter of 2005 to 7.6% in the first quarter of the new year while the vacancy rate (with sublet) also declined. CoStar data shows lease rates increased to $4.70 per square foot in the first quarter, up from a revised $4.62 per square foot in the fourth quarter of 2005.

About 830,000 square feet of new industrial buildings are currently under construction. More than two-thirds of the total square footage will be added to the City and County of Denver market including the Gateway East building. So far this year, about 730,000 square feet of new industrial space was added to the Metro Denver market.

Industrial Market Statistics

	Quarter 1 2006	Quarter 4 2005	Quarter 1 2005	Quarter 1 2004	Quarter 1 2003	Quarter 1 2002
Number of Buildings	5,577	5,514	5,488	5,453	5,411	5,365
Existing Square Feet (millions)	199.6	197.4	196.3	194.8	192.6	189.9
Vacant Square Feet (millions)	15.2	15.5	16.1	15.2	12.6	10.6
Vacancy Rate (Direct)	7.6%	7.9%	8.2%	7.8%	6.5%	5.6%
Vacancy Rate (With Sublet)	8.0%	8.3%	8.8%	8.7%	7.4%	6.4%
Average Lease Rate (per sq. ft, nnn)	$4.70	$4.62	$4.49	$4.54	$5.30	$5.49
New Construction Completed (year-to-date)	0.73 MSF, 6 Bldgs	1.30 MSF, 40 Bldgs	0.18 MSF, 8 Bldgs	0.48 MSF, 7 Bldgs	0.45 MSF, 16 Bldgs	0.41 MSF, 13 Bldgs
Currently Under Construction	0.83 MSF, 17 Bldgs	0.86 MSF, 19 Bldgs	0.57 MSF, 9 Bldgs	1.26 MSF, 17 Bldgs	1.20 MSF, 14 Bldgs	1.59 MSF, 17 Bldgs

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

CoStar data shows mixed results for Metro Denver's flex space market during the first quarter of 2006. The direct and sublet vacancy rates increased slightly to 14.4% and 15.2%, respectively, while the average lease rate increased from $8.09 in the fourth quarter 2005 to $8.29 in the first quarter 2006, the highest average lease rate in 11 quarters.

Flex space construction remained at a steady pace in the first quarter of the year with 13 buildings and 500,000 square feet of space currently under construction. More than three-quarters of the total square footage under construction is occurring in Douglas (42.3%) and Jefferson (33.6%) counties. One building of about 20,000 square feet was completed during the first quarter in Jefferson County.

Flex Space Statistics

	Quarter 1 2006	Quarter 4 2005	Quarter 1 2005	Quarter 1 2004	Quarter 1 2003	Quarter 1 2002
Number of Buildings	1,229	1,211	1,196	1,181	1,172	1,143
Existing Square Feet (millions)	36.8	36.6	36.3	36.0	35.8	34.9
Vacant Square Feet (millions)	5.3	5.2	5.8	6.0	5.3	5.1
Vacancy Rate (Direct)	14.4%	14.2%	16.0%	16.7%	14.9%	14.6%
Vacancy Rate (With Sublet)	15.2%	15.0%	17.4%	18.5%	16.5%	16.3%
Average Lease Rate per sq. ft, nnn)	$8.29	$8.09	$7.95	$7.95	$8.36	$9.00
New Construction Completed (year-to-date)	0.02 MSF, 1 Bldgs	0.37 MSF, 21 Bldgs	0.06 MSF, 3 Bldgs	0.0 MSF, 0 Bldgs	0.09 MSF, 3 Bldgs	0.15 MSF, 7 Bldgs
Currently Under Construction	0.50 MSF, 13 Bldgs	0.46 MSF, 15 Bldgs	0.46 MSF, 18 Bldgs	0.08 MSF, 3 Bldgs	0.17 MSF, 3 Bldgs	0.83 MSF, 17 Bldgs

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

The retail real estate market in Metro Denver is expanding at a steady rate as indicated by CB Richard Ellis MarketView report for first quarter 2006. Positive absorption rebounded to 560,000 square feet in the January-March period, resulting in a quarterly decrease of the vacancy rate from 6.4% in the October-December period to 5.4% and an increase in the average asking lease rate to $15.18 per square foot. Previously, the asking lease rate had grown from about $14.60 per square foot to just under $14.80 per square foot for all of 2005. The highest lease rates can be found in the Boulder submarket which posted an average asking lease rate of $19.58 per square foot. The Aurora submarket posted the lowest asking lease rates of $11.33 per square foot during the first quarter. The greatest improvement occurred in the Northeast submarket which recorded a 6.3% increase to $12.62 per square foot. Meanwhile, *construction activity is at an all-time high level with almost 6.5 million square feet currently underway, including the 1.2 million square-foot*

Northlands development in Broomfield that broke ground in early first quarter. CB Richard Ellis forecasts “unprecedented growth” for Metro Denver’s retail market.

A key 24-acre site at the Gates redevelopment will be developed by Joseph Freed and Associates LLC of Palatine, IL. Cherokee of Denver chose the developer for their experience with transit-oriented, mixed-use development. The site could hold as much as 1,500 residential units, 500,000 – 600,000 square feet of retail space and 200,000 – 300,000 square feet of office space. The site, bordered by West Mississippi Avenue, South Santa Fe Drive, railroad tracks and Interstate-25, will be completed in five to eight years with an estimated value of between $500 and $750 million.

In other retail/entertainment development news, the $15 million Lowenstein Redevelopment Project on East Colfax Avenue will be joined by Neighborhood Flix Cinema & Café which will own and operate three upscale, intimate theatres and a full-service café. The theatres will show first-run movies and compete for independent films similar to the Landmark Theatres programming. Other tenants include the Tattered Cover bookstore and Twist & Shout record store. Tattered Cover will open in late June with the other store following around Thanksgiving.

Monthly Economic Summary of Metro Denver

Indicator	Monthly/ Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	⇑	⇑	Employment increased by 7,900 jobs from Jan to Feb; 2.4% annual increase over 2005
% Companies Hiring	⇑	⇑	38% of companies expect to add workers in Q2 2006; strongest since Q1 2001
Unemployment Rate	⇓	⇓	Metro rate decreased to 4.7% in Feb; annual rate of 4.9% same as CO
Initial Claims	⇓	⇓	Initial unemployment claims decreased in Feb; annual claims down 9.7% from 2005
Total Retail Sales	⇓	⇑	Total metro retail sales up 7.7% in 2005; total retail sales up 7.6% for state
Consumer Confidence Index	⇓	⇑	Confidence levels slipped in Feb for both US and metro; metro levels up 11.4% from 2005
Hotel Occupancy	⇑	⇑	Hotel occupancy increased in Feb to 60.4%; avg room rate increased to $96
DIA Passengers	⇓	⇑	Jan traffic increased 8.3% from 2005, busiest January ever with 3.5 million passengers
Colorado Stock Index	⇑	⇑	CO Stock Index increased in March; index posting a 2.0% increase through Q1 2006
Dow Jones Industrial Average	⇑	⇑	Dow increased in March; index posting a 3.7% increase through Q1 2006
Home Sales (closed)	⇑	⇑	Home sales increased in Feb and are up 11.4% over 2005; avg SF sold price up 6.1%
Median Home Price	⇓	⇑	Median home price decreased to $247,500 in Q4 2005; 2005 price 3.3% higher than 2004
Foreclosures	⇑	⇑	Foreclosures up 32% through Feb 2006; Denver County posting largest gain of 47%
Residential Building Permits (Total)	⇓	⇓	Total permits declined from Dec to Jan; Jan permits are down 9.2% from Jan 2005
Apartment Vacancy Rate	⇑	⇓	Vacancy rate increased to 7.9% in Q4 2005; avg rental rate increased to $848 per month
Office Vacancy Rate (with Sublet)	⇓	⇓	Vacancy rate with sublet down to 14.4%; 1.21 million sq. ft. construction is underway
Industrial Vacancy Rate (with Sublet)	⇓	⇓	Vacancy rate with sublet down to 8.0%; 0.83 million sq. ft. of construction underway
Flex Space Vacancy Rate (with Sublet)	⇑	⇓	Vacancy rate with sublet increased to 15.2%; 0.50 million sq. ft. construction underway
Positive Changes	**10 of 18**	**16 of 18**	