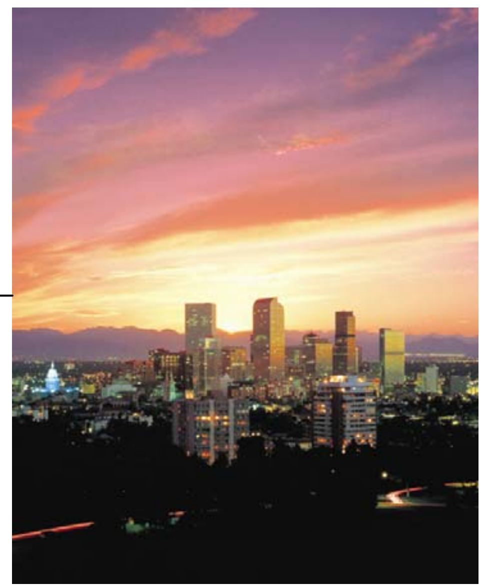
Monthly Economic Summary

A Monthly Summary of Economic Conditions in Metro Denver

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



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MONTHLY ECONOMIC SUMMARY

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. 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). Data in this report may be presented according to the seven-county definition, the MSA level, or the county level, depending upon data availability.

Information in this report is grouped into four main categories: labor and employment; the consumer sector; residential real estate; and commercial real estate. The most recent statistics currently available are used, including the most recent monthly or quarterly data, the previous month or quarter, and a comparison of annual trends with the previous year. In addition, the report includes annual averages from five- and ten-years previous so that current data may be compared to historical trends.

Notable Rankings

- Colorado ranked ninth in the *2007 State New Economy Index,* down from third in both the 1999 and 2002 reports. The 2007 report builds on the two previous reports but incorporates additional data points so that the rankings are not exactly comparable. Massachusetts, New Jersey, and Maryland topped the 2007 list while West Virginia, Mississippi, and South Dakota received the three lowest rankings. Colorado earned several top ten rankings among the index's 26 individual indicators, including second in workforce education, second in IPOs, second in entrepreneurial activity, third in high-tech jobs, fourth in venture capital, sixth in information technology professionals, eighth in "gazelle jobs," eighth in fastest growing firms, ninth in online population, and 10th in scientists and engineers.
- Denver International Airport (DIA) was the fifth busiest airport in the U.S. in 2006 and 2005. According to the latest U.S. Bureau of Transportation Statistics data, Hartsfield-Jackson Atlanta International Airport was the nation's busiest airport in 2006 for the 11th consecutive year, based on the number of passenger enplanements. Chicago O'Hare, Dallas-Fort Worth, and Los Angeles International also reported higher passenger traffic levels than DIA in 2006. Preliminary data from the Airports Council International indicates DIA was the 10th busiest airport in the world last year, up from 11th in 2005.
- Total personal income in Colorado increased 6.5% in 2006, which was the 15th fastest annual increase among the 50 states. Colorado's personal income increased at a faster rate in 2006 than the 6.2% pace posted in 2005. At the national level, total personal income increased 6.3% in 2006. Per capita personal income in Colorado increased 4.5% from $37,510 in 2005 to $39,186 in 2006 compared to a 5.2% increase at the national level. The 2006 per capita personal income increase in Colorado was the 35th fastest among the 50 states and slightly softer than Colorado's 4.7% gain in 2005. The slower increase in 2006 contributed to Colorado's slip from the seventh highest per capita personal income in 2005 to the eighth highest in 2006. Connecticut, New Jersey, Massachusetts, Maryland, New York, Wyoming, and New Hampshire reported higher per capita personal income levels than Colorado in 2006.
- New U.S. Census Bureau data reveals Douglas County was the seventh fastest-growing county in the U.S. from 2000 to 2006 with a 50% population increase and the fastest-growing county in Colorado. Weld County was Colorado's second fastest-growing county and the nation's 48th fastest-growing county over the same period with a 31% increase. Archuleta, Garfield, and Saguache counties rounded out Colorado's five fastest-growing counties from 2000 to 2006.
- Denver is the sixth best leisure market in the U.S. for visitor value, according to the 2007 Hotwire Travel Value Index, which considers the 50 most visited places in the nation. Denver was the best destination for visitor value in 2006.

- Eight Coloradans made *Forbes* magazine's latest list of the world's billionaires. Charlie Ergen earned an overall *Forbes* rank of 62nd, followed by Phil Anschutz (93rd), John Malone (488th), Pat Stryker (557th), James Leprino (664th), Gary Magness (754th), Thomas Bailey (799th), and Kenneth Tuchman (799th tied). The 2007 tally included a record high of 946 billionaires across the world whose combined wealth totaled $3.5 trillion. Bill Gates, Warren Buffett, and Carlos Slim Helu are the world's three wealthiest billionaires.
- Colorado Springs is the 13th most walkable city of the 100 most populous cities in the nation, according to *Prevention* magazine. Denver and Aurora ranked 22nd and 27th, respectively. The rankings considered several factors such as air quality, the percentage of people that walk to work, access to parks, the number of athletic shoes sold, and weather. Madison, WI is the nation's most walkable city.

General Economic Overview

The national economy expanded 2.5% in the fourth quarter of 2006, according to final estimates from the U.S. Bureau of Economic Analysis. The fourth quarter expansion, which was revised upward from the preliminary estimate of 2.2%, was stronger than the 2.0% GDP increase in the third quarter. The heightened fourth quarter pace reflected accelerations in consumer spending, exports, and Federal government spending as well as a downturn in imports. At the same time, softer investment in inventories and in equipment and software moderated the fourth quarter expansion. For the year, GDP increased 3.3% in 2006, up from a 3.2% expansion in 2005.

The Tenth Federal Reserve District economy that includes Colorado continued to expand at a modest pace in the first two months of 2007. The Federal Reserve's Beige Book reported poor weather conditions limited consumer spending but signs of stabilization in the residential market surfaced along with continued construction in the commercial real estate sector. Manufacturing production activity and capital investment also strengthened. The recent report noted solid expansion in the District's labor market and less intense wage pressures. Overall inflationary pressures are expected to remain stable in the coming months.

The Federal Open Market Committee (FOMC) of the Federal Reserve left the target for the federal funds rate unchanged at 5.25% in March. The FOMC has left the target unchanged since its August 2006 meeting. The Committee expects the U.S. economy to expand at a moderate pace in the upcoming quarters although recent economic indicators are mixed and the correction in the nation's housing market persists. The FOMC expects inflation to moderate but notes that the high level of resource utilization has the potential to impede moderation.

Furthermore, Federal Reserve Chairman Bernanke told the Joint Economic Committee on March 28th that he does not expect the U.S. economy to slip into a recession and rejected the notion that the national economic expansion is nearing an end. Economic expansion is likely to be moderate over the coming quarters and inflation may ease even though underlying inflation is "uncomfortably high." Bernanke acknowledged the faltering residential market, adding that "near-term prospects for the housing market remain uncertain."

The following indexes indicate generally modest economic growth trends for the nation, state, and Metro Denver:

- The Conference Board's Index of Leading Economic Indicators decreased 0.5% in February to 137.3, marking the second consecutive month-to-month decline and suggesting slower economic growth in the near term. Four of the ten indicators contributed to the February increase, including manufacturers' new orders for nondefense capital goods, stock prices, real money supply, and manufacturers' new orders for consumer goods and materials. Negative contributors were average weekly manufacturing hours, consumer expectations, vendor performance, building permits, and the interest rate spread. The coincident index, which measures current economic activity, increased 0.3% in February to 123.7.
- The nation's manufacturing sector expanded in March but at a slower rate than in the month prior, according to the Institute for Supply Management's Purchasing Managers Index. The Index decreased 1.4% from 52.3 in February to 50.9 in March but remained above the 50 mark, signaling economic growth. Ten industries posted

growth in March, led by apparel, leather & allied products, and miscellaneous manufacturing. The nation's overall economy expanded for the 65th consecutive month in March.

- The local manufacturing industry rebounded in February after slipping in January. The Denver Manufacturing Purchasing Managers Index, which is compiled by the College of Business at the University of Colorado at Denver, increased from 46.4 in January to 56.2 in February, suggesting economic growth for the local manufacturing industry. Similar to the national index, a reading above 50 indicates economic expansion whereas a reading below 50 suggests economic contraction.

- The national service economy expanded for the 47th consecutive month in February but at a slower pace than exhibited in January. The Institute for Supply Management's Non-Manufacturing Index decreased from 59.0 in January to 54.3 in February. Nine of 17 non-manufacturing industries reporting heightened economic activity in February, including other services; health care and social assistance; and professional, scientific, and technical services.

- Metro Denver's non-manufacturing or service economy contracted in February. The Non-Manufacturing Purchasing Managers Index decreased from December's reading of 44.7 to 37.5 in February. The January index was not released by the College of Business at the University of Colorado at Denver. Similar to the national manufacturing and service economy indexes, a reading below 50 suggests economic contraction.

- The Creighton University Business Conditions Index for the Mountain States region was unchanged in March from February's vigorous 65.3 but down from 73.8 in January. The March results suggest continued economic expansion for the Colorado-Wyoming-Utah region in the coming months. The individual Colorado index soared from 54.2 in February to 69.4 in March while the Utah and Wyoming individual indexes declined. A reading greater than 50 indicates expansionary conditions.

- Economic conditions for Colorado's small businesses improved from a revised 93.6 in January to 94.4 in February, according to Vectra Bank's Colorado Small Business Index. The U.S. small business conditions, on the other hand, declined from a revised 92.1 in January to 85.3 in February. Both indexes use a baseline value of 100 in 1997.

- Colorado business leaders expect modest economic growth in the first quarter of 2007, according to the latest results of the Colorado Business Leaders Confidence Index. After decreasing for three consecutive quarters, the index increased from 49.9 in the fourth quarter of 2006 to 53.5 in the first quarter of 2007. The survey results also reveal that Colorado business leaders have had more confidence in the economic performance of Colorado than the nation for seven consecutive quarters. The forward-looking index is comprised of six component indexes, five of which reported improvements from the fourth quarter to first quarter. An increase above the 50 mark suggests the economy is in expansion mode.

- The Metro Denver Leading Index rebounded from 100.9 in November to 101.0 in December after posting two month-to-month declines in October and November. Looking back, the Leading Index began the year at 100.9, rose to 101.1 in the second and third quarters of the year, and then returned to first quarter levels by year end. Three of the seven Leading Index components moved in a positive direction in the final month of 2006. The Historic Index, which measures year-over-year growth, slipped 0.5% from 130.7 in November to 130.0 in December. Compared to last year, the Historic Index is up 0.6%, or the smallest year-over-year increase since the 0.2% increase posted in March 2006. The two Historic Index components moved in opposite directions in December. The 100 level represents the benchmark year of 1995 for both indices, which are compiled by Development Research Partners.

Labor and Employment

Total employment in Metro Denver increased by 9,100 positions from January to February, representing the largest month-over-month gain since June 2006. About two-thirds of the February employment gains occurred in the Government sector. The February increase helped push average employment levels in Metro Denver up 1.9% through the first two months of 2007. The Denver-Aurora MSA reported a 1.7% year-to-date gain through February compared a 3.6% gain in the Boulder-Longmont MSA. Seven of the 11 industry supersectors have experienced average employment growth from this time last year, including the Professional & Business Services (+4.8%), Leisure & Hospitality (+3.8%), and Other Services (+3.2%) sectors. Employment in the Transportation, Warehousing, & Utilities (-1.4%); Information (-1.4%); Natural Resources & Construction (-1.2%), and Manufacturing (-0.7%) sectors is down through February. Local employment at both the metro and state levels continues to grow at a faster rate than the nation. Colorado posted a 2.1% year-to-date employment gain in February, exceeding the national increase of 1.6%.

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

	Month of Feb-07 (p)	Month of Jan-07	Month of Feb-06	Year-to-Date Average 2007	Year-to-Date Average 2006	Year-to-Date Average % Change	Annual Growth Rate 2002	Annual Growth Rate 1997
Total 11-County Metro Denver*	1,373.9	1,364.8	1,347.4	1,369.4	1,343.5	1.9%	-3.1%	4.4%
Denver-Aurora MSA	1,208.1	1,201.9	1,187.7	1,205.0	1,184.9	1.7%	-3.0%	4.4%
Boulder-Longmont MSA	165.8	162.9	159.7	164.4	158.6	3.6%	-3.4%	4.7%
Natural Resources & Construction	95.9	93.7	96.5	94.8	96.0	-1.2%	-4.9%	6.4%
Manufacturing	89.8	89.8	90.5	89.8	90.5	-0.7%	-9.0%	3.5%
Wholesale & Retail Trade	210.1	211.6	205.6	210.9	207.2	1.8%	-2.9%	2.7%
Transp., Warehousing & Utilities	49.4	49.9	50.3	49.7	50.4	-1.4%	-9.8%	2.4%
Information	55.8	55.7	56.6	55.8	56.6	-1.4%	-14.2%	11.2%
Financial Activities	107.9	107.6	106.9	107.8	106.8	0.9%	-0.8%	5.5%
Professional & Business Services	230.1	229.6	220.4	229.9	219.3	4.8%	-6.1%	5.3%
Education & Health Services	144.0	142.2	139.8	143.1	139.0	3.0%	2.9%	7.4%
Leisure & Hospitality	138.7	138.9	133.9	138.8	133.7	3.8%	-0.6%	3.2%
Other Services	52.0	52.0	50.3	52.0	50.4	3.2%	1.6%	3.6%
Government	200.2	193.8	196.6	197.0	194.0	1.6%	3.4%	2.3%
Federal Gov't	30.3	30.4	30.7	30.4	30.7	-1.1%	0.5%	0.0%
State & Local Gov't	169.9	163.4	165.9	166.7	163.3	2.1%	4.0%	2.8%
Colorado	2,280.3	2,268.3	2,235.1	2,274.3	2,228.1	2.1%	-1.9%	4.2%
United States	135,884	135,179	133,887	135,532	133,425	1.6%	-1.1%	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

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

Aviation: United Airlines will hire up to 100 ramp workers and customer service agents in Denver to better accommodate its passengers and operate more efficiently. Ramp workers and customer service agents will earn annual wages of between $20,000 and $42,000 depending on experience and seniority, according to the International Association of Machinists.

Houston-based Continental Airlines will add six line maintenance workers to its DIA staff in June and is considering adding an additional two or three dozen workers at DIA in 2008. The new positions will pay between $60,000 and $70,000 annually. Continental Airlines currently offers 15 daily departures out of DIA and employs 120 line maintenance workers at DIA. The new line maintenance jobs could bring additional Continental flights to Denver as routes are reworked for maintenance needs.

Bioscience: National Jewish Medical and Research Center announced a ten-year plan to increase its research funding by more than $20 million each year and current faculty of 150 by 40% over the ten-year period. In the last year, the center has already added three dozen faculty members. National Jewish, which specializes in asthma, emphysema, cardiology, lung cancer, immunologic diseases, and allergies, has ranked as one of the nation's leading respiratory hospitals for nine consecutive years.

Virginia-based Insmed will layoff one-third of its workforce and reduce production at its Boulder facility as a result of a lawsuit settlement with Tercica Inc. and Genetech Inc. Terms of the settlement over a drug that stimulates growth in abnormally short children were not disclosed.

Energy: The National Renewable Energy Laboratory (NREL) will receive more than $100 million in additional funding from the U.S. Department of Energy in 2007. The 50% budget increase will bring NREL's 2007 fiscal year budget (ending September 31, 2007) to $309.6 million. The cash influx is the largest in NREL's history and will help meet President Bush's goal to reduce the nation's dependence on foreign oil. The Energy Department will suggest NREL allocate $20 million to biorefinery research on ethanol, $16 million to advanced thin-film photovoltaic manufacturing equipment, and $63 million to a new research facility in Golden.

Vestas Wind Systems, a Danish wind turbine manufacturer, will build a $60 million manufacturing plant in Weld County at the Great Western Industrial Park in Windsor. The 180,000-square-foot facility will house 420 mostly local workers who will earn between $30,000 and $60,000 annually. The plant will produce 130-foot blades and have the capacity to produce 1,200 blades each year. Production will begin in early 2008. Vestas Wind Systems' global staff of 12,000 has installed more than 31,500 wind turbines in more than 60 countries.

The Colorado Center for Biorefining and Biofuels (C_2B_2) opened in March and will operate as part of the recently created Colorado Renewable Energy Collaboratory. C_2B_2 will bring together the private and public sectors to encourage and accelerate renewable-fuel development. More specifically, company partners will fund shared research and also receive a portion of any proceeds. Current company partners include Chevron, ConocoPhillips, Dow Chemical Co., Shell Global Solutions, GreenFuel Technologies Corp., Range Fuels Inc., and Solix Biofuels. State lawmakers gave C_2B_2 $2 million in seed money which will be matched by federal monies.

Financial Services: St. Louis-based Heartland Bank selected Denver for its western region headquarters. The bank, which first expanded into the Metro Denver market in 2005, will spend $1.5 million to renovate an 18,248-square-foot building in Cherry Creek for its regional headquarters.

Information Technology: Despite recent layoffs at some of the larger information technology companies in Metro Denver, some smaller- to mid-sized companies are reporting employment growth. For example, Denver-based Business Network Consulting (BNC) will add up to 27 employees by year end, which will increase its local workforce to 70 employees. Greenwood Village-based Merlin International moved into new space late last year to accommodate its growing business and will add 40 employees in 2007 on top of a 150% increase in 2006 to 150 workers.

Telecommunications: Qwest Communications landed a place in the $48 billion Universal Network contract that spans 10 years. Qwest Communications, once considered a long shot selection by some analysts, now has the right to bid for business from 135 federal agencies along side AT&T and Verizon Communications. The government contracts may involve Internet-based telephone and video access as well as data-network security upgrades. Analysts estimate Qwest could see annual revenues of between $3 billion and $16 billion if the Denver-based telecom is awarded only one-third of the potential government work.

In other employment news, new research from the University of Colorado Leeds School of Business estimates the annual impact of the 160 federal agencies operating in Metro Denver and their nearly 40,000 employees at $6.6 billion. CU's analysis reports on the net economic benefits from construction, operations, off-site employee effects, indirect effects, and visitors. The City and County of Denver's benefit is about one-third of the $6.6 billion, followed by Arapahoe County's 28% of the total benefit and Jefferson County's 25% share. Five federal agencies in Metro Denver are responsible for about half of the total economic benefit: the U.S. Postal Service, Buckley Air Force Base, VA Medical Center, Bureau of Reclamation, and U.S. Geological Survey.

Washington Group International will hire 200 engineers in Metro Denver in addition to their 800 existing local employees. The Idaho-based firm is engaging in a national employment drive to hire 1,000 workers in the U.S. for a variety of positions, especially structural and electrical engineers. The salary for a licensed engineer in Metro Denver ranges from $75,000 to $85,000 a year.

Metro Denver employers will hire new employees at a "vigorous" pace in the second quarter of 2007, according to the latest Manpower Employment Outlook Survey. An estimated 42% of Denver area employers will add workers during the April-June period while 12% will reduce payrolls and 43% expect no staffing changes. The remaining 3% are unsure of their staffing plans. The second quarter survey results are similar to the first quarter 2007 results but are improved over second quarter 2006 results. Second quarter job prospects in the Denver area appear best in construction, durable goods manufacturing, wholesale/retail trade, finance/insurance/real estate, and public administration. Transportation/public utilities and service industry employers voiced mixed hiring intentions for the coming quarter. No changes are anticipated in non-durable goods manufacturing and education.

Hiring expectations in the Boulder area, on the other hand, are more moderate with only 13% of employers anticipating adding new employees in the second quarter compared to 27% in the first quarter and 39% a year ago. About 10% of Boulder area employers will cut jobs in the second quarter, up from 7% in the first quarter and 0% in the second quarter of 2006.

Job prospects at the national level are expected to ease slightly with 28% of the 14,000 employers surveyed nationwide planning to add staff and 7% planning to reduce their payrolls. Another 59% do not anticipate staffing changes and 6% are unsure about upcoming staffing changes.

Employment Outlook Survey

	Quarter 2 2007	Quarter 1 2007	Quarter 2 2006	YTD 2007	YTD 2006
Denver Area*					
Percent of Companies Hiring	42%	42%	38%	42%	34%
Percent of Companies Laying Off	12%	8%	15%	10%	10%
Percent of Companies No Change	43%	42%	44%	43%	50%
Boulder County					
Percent of Companies Hiring	13%	27%	39%	20%	33%
Percent of Companies Laying Off	10%	7%	0%	9%	5%
Percent of Companies No Change	77%	66%	61%	72%	59%

**Includes Adams, Arapahoe, Broomfield, Denver, Douglas, and Jefferson counties.*
Source: Manpower Inc.

The Metro Denver unemployment rate decreased from 4.6% in January to 4.1% in February, bringing the year-to-date unemployment rate down to 4.3% from 4.8% at this time last year. All seven Metro Denver counties reported unemployment rate declines from January to February as well as on a year-to-date basis. Although all Metro Denver counties are experiencing tight labor market conditions, Douglas County (3.5%), Boulder County (3.6%), Arapahoe County (4.1%), and Jefferson County (4.1%) are reporting the lowest unemployment rates so far this year. The statewide unemployment rate also decreased in February, falling from 4.6% in January to 4.1%

in February. Through the second month of 2007, the average annual unemployment rate in Colorado was 4.3% compared to the national rate of 5.0%.

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

	February 2007 (p) Total Labor Force	February 2007 (p) Unemploy-ment Rate	2007 YTD AVG Total Labor Force	2007 YTD AVG Unemploy-ment Rate	2006 YTD AVG Total Labor Force	2006 YTD AVG Unemploy-ment Rate	2002 Ann Avg Unemploy-ment Rate	1997 Ann Avg Unemploy-ment Rate
Metro Denver	1,501.3	4.1%	1,495.7	4.3%	1,462.9	4.8%	5.9%	2.8%
Adams County	217.2	4.9%	216.4	5.1%	211.9	5.5%	6.4%	3.1%
Arapahoe Cnty	308.0	3.9%	306.9	4.1%	300.9	4.7%	5.7%	2.4%
Boulder Cnty	176.5	3.4%	175.4	3.6%	168.9	4.1%	5.7%	2.8%
Broomfield Cnty	25.4	4.0%	25.3	4.2%	24.7	4.7%	5.7%	
Denver County	312.1	4.7%	311.1	5.0%	305.0	5.5%	6.8%	3.8%
Douglas Cnty	147.8	3.3%	147.3	3.5%	144.2	3.9%	5.0%	1.8%
Jefferson Cnty	314.3	3.9%	313.2	4.1%	307.2	4.6%	5.5%	2.4%
Colorado	2,666.3	4.1%	2,657.2	4.3%	2,594.3	4.8%	5.7%	3.4%
United States	151,879	4.9%	151,902	5.0%	149,388	5.1%	5.8%	4.9%

***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 decreased from January to February in a typical seasonal pattern. Through February, first time unemployment claims are up 9.4% compared to the first two months of 2006. Statewide claims also decreased sharply from January to February. On a year-to-date basis, statewide claims are up 10.7%.

First-Time Unemployment Insurance Claims

	Month of Feb-07	Month of Jan-07	Month of Feb-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change	Annual Average 2002	Annual Average 1997
Metro Denver	4,453	7,228	4,631	5,841	5,340	9.4%	7,215	3,640
Colorado	8,880	15,052	9,186	11,966	10,808	10.7%	14,637	

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

Consumer Sector

Rising gasoline, energy, and food prices pushed overall consumer prices up 0.4% in February compared to a 0.2% increase in January, according to the seasonally-adjusted Consumer Price Index from the U.S. Bureau of Labor Statistics. Core inflation, which excludes food and energy prices, increased 0.2% in February.

Gas prices rose for the eighth week in a row during the last week of March as crude oil prices flirted with $60 a barrel. AAA Colorado reported a more than $0.20 increase in the average price of a gallon of regular gas from $2.32 in late February to $2.56 in late March. Gasoline prices in Metro Denver are also elevated from the $2.44 average price per gallon at this time last year. On the bright side, Metro Denver gasoline prices remain below the national average. The average price for a gallon of regular gas in the U.S. increased from $2.37 in late February to $2.62 in late March. U.S. gasoline prices averaged $2.50 at this time last year. Upward price pressure can be attributed to high crude-oil prices, escalating tensions over the Iranian capture of 15 British sailors, rising profit margins for refiners, strong demand from motorists, and refinery shutdowns. Several analysts foresee continued price increases in the coming months that will either approach or reach $3.00 per gallon.

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In light of rising gasoline prices, consumers will welcome Xcel Energy's request to decrease electricity and natural gas rates in the coming months. If Xcel's request is approved, typical residential electricity bills in the second quarter of 2007 will be $1.41 lower than a year ago. Also, typical residential natural gas bills will be 5% lower in April 2007 than a year earlier and more than 40% lower than March 2007 bills.

New data from the U.S. Commerce Department indicates rising prices, cold weather, and a sluggish housing market curtailed consumer spending in February. After shoppers took a break in January from the robust holiday shopping season, retail sales increased only 0.1% in February compared to the 0.3% increase analysts had expected. Still, February retail sales were up 3.2% from the same month last year.

According to the latest data available at the local level, retail sales in Metro Denver surged from November to December as the holiday shopping season intensified. Total retail sales were 6.2% ahead of December 2005 despite the 2006 holiday blizzards while the 2006 holiday shopping season (November and December) was up 5.2% compared to the same two-month period in 2005. On an annual basis, total retail sales increased 8.0% from 2005 to 2006. All seven Metro Denver counties realized increases in retail sales spending from 2005 to 2006, led by a 12.0% increase in the City and County of Denver and an 8.6% increase in Arapahoe County. On the other hand, the smallest annual gains were reported in Jefferson County (+4.2%) and Douglas County (+4.8%). Retail sales at the state level finished the year 8.5% ahead of 2005 spending levels.

Total Retail Sales ($000s)

	Month of Dec-06	Month of Nov-06	Month of Dec-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Annual Growth 2001	Annual Growth 1996
Total Metro Denver	9,976,836	5,960,536	9,396,105	78,733,995	72,873,313	8.0%	2.9%	7.1%
Adams County	1,219,573	878,376	1,322,675	11,541,438	10,749,127	7.4%	3.6%	3.2%
Arapahoe County	2,074,543	1,276,440	2,090,193	17,255,021	15,893,154	8.6%	-0.5%	10.1%
Boulder County	1,199,055	528,593	1,010,965	7,497,056	7,078,886	5.9%	1.6%	10.4%
Broomfield County	225,728	117,484	194,152	1,560,846	1,449,776	7.7%		
Denver County	3,021,777	1,783,792	2,521,236	22,299,453	19,907,656	12.0%	1.6%	2.2%
Douglas County	680,516	449,935	714,764	6,019,549	5,742,569	4.8%	16.5%	46.4%
Jefferson County	1,555,644	925,916	1,542,120	12,560,632	12,052,145	4.2%	2.6%	5.8%
Colorado	17,129,348	9,797,048	16,053,438	133,534,233	123,039,947	8.5%	2.9%	7.2%

Source: Colorado Department of Revenue.

In other spending news, the number of diners who participated in Denver Restaurant Week 2007 more than doubled from 2006. According to the Denver Metro Convention & Visitors Bureau, 149 participating restaurants served 119,200 diners in 2007 compared to 120 restaurants in 2006 and 54,000 diners. Denver Restaurant Week, which began in 2005 with 84 restaurants, offers a special dinner that costs $52.80 for two people.

Consumer confidence levels in the Mountain region surged from January to February, according to the Conference Board's Consumer Confidence Index. The index increased from a revised 132.0 in January to a preliminary 145.1 in February, the region's highest monthly reading since October 2000 and the highest February reading of the nation's nine regions. For the year, consumer confidence levels are up 5.2% over the same period last year. The confidence index is comprised of the present situation index and the expectations index. The perception of the current situation declined from a revised 171.3 in January to a preliminary 167.3 in February, still the highest February reading among the nine regions. The future expectations index improved in February, rising from a revised 105.8 in January to a preliminary 130.3 in February, also the highest regional reading in February.

National consumer confidence was slightly higher in February with overall confidence levels increasing from a revised 110.2 in January to 112.5 in February. The U.S. present situation index improved from a revised 133.9 in

January to 139.0 in February and the future expectations index improved slightly from a revised 94.4 in January to 94.8 in February. Advance estimates for March reveal retreating confidence levels due to less optimistic future expectations. The advance estimates for March peg the overall confidence level at 107.2.

Consumer Confidence Index

	Month of Feb-07 (p)	Month of Jan-07	Month of Feb-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change	Ann Avg 2002
Mountain	145.1	132.0	119.0	138.6	131.7	5.2%	104.3
United States	112.5	110.2	102.7	111.4	104.8	6.3%	96.6

Source: The Conference Board. (p) =preliminary

Colorado's ski resorts are on pace to surpass the 2005-2006 skier visits record of 12.53 million despite stormy weather that hampered access to ski resorts in the first two months of 2007. Highway closures, high winds, and snowfall coincided with peak travel times like Presidents' Day weekend and caused a slight setback in total skier visits in January and February. Skier visits in the first two months of 2007 slipped 1.7% from 5.3 million in 2006 to 5.2 million in 2007 but skier visits throughout the 2006-2007 season (through February 28) are up 1.4% over the same period in 2005-2006, according to Colorado Ski Country USA.

Metro Denver's lodging industry reported mixed results in February with a higher average room rate but a slightly weaker occupancy rate compared to a year earlier. The average room rate increased in February, rising from $102.72 in January to $105.69 in February, which represents a 10.6% increase over the February 2006 rate. The average occupancy rate increased from 57.2% in January to 60.1% but stands slightly below the February 2006 rate of 60.4%. On a year-to-date basis, the occupancy rate is flat from the same period last year but the average room rate is up 11.6%. The state's occupancy rate was generally flat from the same month last year at 61.9% but the average room rate jumped to $142.39 in February 2007.

Metro Denver Hotel Statistics

	Month of Feb-07	Month of Jan-07	Month of Feb-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change	Annual 2002	Annual 1997
Percent of Hotel Rooms Occupied	60.1%	57.2%	60.4%	58.6%	58.7%	-0.2%	60.3%	72.1%
Average Hotel Room Rate	$105.69	$102.72	$95.54	$104.18	$93.38	11.6%	$88.05	$84.06

Source: Rocky Mountain Lodging Report.

Solid occupancy rates and increasing average room rates support several recently unveiled hotel projects. Central Development will soon adjoin a 17-story hotel to the historic Denver City Cable Railway Co. building in Downtown Denver that has housed the Old Spaghetti Factory restaurant since 1973. The $35 million hotel will offer mid- to upper-level room rates and incorporate the existing restaurant and retail space into the design. The new hotel's design will architecturally defer as much as possible to the historic Cable building, which is said to serve as the project's "centerpiece." Developers also released plans for the $185 million High Point Conference Resort near DIA. The 505-room hotel will be located on a 20.6-acre parcel and is scheduled to open in 2009. Plans include 74,000 square feet of conference space and a 20,000-square-foot spa. Finally, Arapahoe Hospitality LLC will build a 113-room Hilton Homewood Suites hotel on three acres near Park Meadows Mall.

Denver International Airport (DIA) celebrated record passenger traffic in 2006 and is looking forward to increased travel in 2007 from Lufthansa's nonstop Denver-Munich flight which debuted on March 31st with a special introductory fare of $481. The flight is DIA's third nonstop flight to Europe (London and Frankfurt are existing European destinations) and will have an estimated $108 million annual economic impact on Metro Denver. Mayor Hickenlooper's office estimates the flight could bring in more than 30,000 international visitors a year. Lufthansa spokesperson Jennifer Urbaniak says the flights are "filling up" and that the airline is "pleased with the advance bookings so far." Economic development officials will now increase their pursuit of a non-stop flight from DIA to Tokyo as well as Amsterdam, Paris, Rome, and Manchester. On the domestic front, Denver-based Frontier Airlines will be the only airline at DIA to offer nonstop service to Jacksonville, FL. Service will begin from DIA in mid-June.

DIA began 2007 with its busiest January on record. Passenger traffic at DIA approached 3.7 million in the first month of the year for a 5.6% increase over passenger traffic in January 2006. Denver-based Frontier Airlines posted an 8.3% year-over-year increase in January passenger traffic compared to a 3.1% increase for Chicago-based United Airlines. Newcomer Southwest Airlines saw a 143.3% increase in January traffic compared to its first month of operation at DIA in January 2006.

Denver International Airport Passengers

	Month of Jan-07	Month of Dec-06	Month of Jan-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Annual 2002	Annual 1997
Number of Airline Passengers	3,695,503	3,441,187	3,498,617	3,695,503	3,498,617	5.6%	35,652,084	34,969,021

Source: Denver International Airport, Traffic Statistics.

The nation's major stock indexes improved from February to March but year-to-date returns are either modest or negative. February improvements were tempered by higher than expected inflation, increasing energy prices, and a significant correction in the Shanghai composite stock index. Still, the NASDAQ managed a 0.3% return through March, followed by a 0.2% return in the S&P 500. Despite a 0.7% increase in the DOW from February to March, its year-to-date return stands at -0.9%. Colorado stocks, on the other hand, out-performed the national indexes through the first quarter of 2007 with a 6.1% return in the Bloomberg Colorado Index. The March close of 405.74 neared the index's 52-week high of 409.75 that was reached on February 23, 2007. The Bloomberg Colorado Index is a price-weighted index designed to measure the performance of the Colorado economy. The Index currently includes 109 companies with a minimum market capitalization of $10 million that are headquartered in Colorado.

Stock Market Indexes

	Month of Mar-07	Month of Feb-07	Month of Mar-06	YTD Return 2007	YTD Return 2006	YTD Return 2005
Bloomberg Colorado	405.7	396.9	357.38	6.1%	9.6%	0.8%
S&P 500	1,420.9	1,406.8	1,294.9	0.2%	3.7%	-2.6%
NASDAQ	2,421.6	2,416.1	2,339.8	0.3%	6.1%	-8.1%
DOW	12,354.4	12,268.6	11,109.3	-0.9%	3.7%	-2.6%

Sources: Bloomberg.com, Yahoo! Finance.

Residential Real Estate

Existing homes sales in the U.S. unexpectedly rose in February by the largest amount since March 2004. The 3.9% increase in February pushed sales up to a seasonally adjusted annual rate of 6.69 million which is 3.6% behind the sales pace at this time last year. The February increase was largely led by strong sales in the Northeast, according to the National Association of Realtors (NAR).

At the local level, the existing residential market in Metro Denver reported stronger home sales in the first two months of 2007 compared to the same period in 2006 but negative home price appreciation in both the single-family detached and condominium categories. Both single-family detached and attached home sales declined from January to February but stand a combined 8.4% ahead of 2006 home sales on a year-to-date basis. Single-family detached home sales declined 9.5% from January to February and February 2007 sales are down 5.7% from the same month last year. On a year-to-date basis, single-family attached sales are up 7.0%. The condominium or single-family attached category saw a 22.5% decline in sales from January to February and a 5.2% year-over-year decline. On a year-to-date basis, condominium home sales are up 13.2% from 2006. However, total home sales under contract, a leading indicator, are only 0.4% stronger than 2006 on a year-to-date basis. *Slower home sales caused inventory levels to increase in February to 24,838 homes on the market but compared to this time last year, inventory levels are down 2.5%.*

Home price appreciation in Metro Denver is negative compared to this time last year across the board. The average sales price for single-family homes slipped from $297,368 in January to $292,143, the lowest sales price in two years. The average single-family sales price is down 3.6% through February 2007. The median sales price in the single-family category also declined from January to February and stands 2.1% below 2006 on a year-to-date basis. Condominium prices are following a similar trend but reporting sharper average price depreciation. *The average sales price for condominiums softened from $170,440 in January to $169,498 in February, the lowest average price since December 2002. For the year, average condominium sales prices are down 7.4%.* Median prices in the condominium market declined by almost $10,000 from January to February and stand 1.4% below 2006 levels on a year-to-date basis.

Home Sales Activity

	Month of Feb-07	Month of Jan-07	Month of Feb-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Ann Avg 2002	Ann Avg 1997
Home Sales (Under Contract)	4,929	4,292	4,914	9,221	9,180	0.4%	30,089	35,963
Home Sales (Closed)	3,090	3,540	3,273	6,630	6,116	8.4%	47,919	40,185
Unsold Homes on Market	24,838	24,350	25,484	24,838	25,484	-2.5%	20,740	12,903
Average Sales Price-Single Family	$292,143	$297,368	$305,017	$294,886	$305,874	-3.6%	$268,926	$169,587
Average Sales Price-Condo	$169,498	$170,440	$175,422	$170,029	$183,602	-7.4%	$168,226	$100,694
Median Sales Price-Single Family	$235,000	$236,000	$238,500	$235,000	$240,000	-2.1%	$221,000	
Median Sales Price-Condo	$144,950	$154,900	$149,440	$149,900	$152,000	-1.4%	$149,500	

Sources: 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.

A separate data series from the NAR reveals that the median price for a previously-owned home in the Denver-Aurora MSA fell to $245,600 in the fourth quarter of 2006 from $253,200 in the third quarter. The fourth quarter 2006 median home price in the Denver-Aurora MSA is the 38th highest price among the 150 ranked metropolitan areas. Compared to fourth quarter 2005, home appreciation in the Denver-Aurora MSA is -0.8%, which is the 85th highest appreciation rate among the 150 ranked metropolitan regions in the nation and better than the national appreciation rate of -2.7%. The Denver-Aurora MSA posted a 1.0% increase in the median home price for the year compared to the national increase of 1.4%. The Boulder-Longmont MSA posted the 20th highest median home price in the October-December period of $363,100, down from $366,800 in third quarter 2006. Compared to fourth quarter 2005, home prices have appreciated 3.9% in the Boulder-Longmont MSA, the 39th fastest rate among the 150 ranked metropolitan regions. On average, prices increased 5.2% in the Boulder-Longmont MSA in 2006.

Seventy-one metropolitan regions reported positive home price appreciation greater than 0.1% while nearly 80 metropolitan regions posted zero or negative home price appreciation from fourth quarter 2005 to fourth quarter 2006. Home prices in Atlantic City, NJ outpaced all other metropolitan regions with a 25.9% quarter-over-quarter increase compared to a -18.0% change in Sarasota, FL. Further, three California metropolitan regions are the most expensive housing markets in the U.S., including the San Jose-Sunnyvale-Santa Clara, San Francisco-Oakland-Fremont, and Anaheim-Santa Ana regions. The most affordable metropolitan housing markets in the U.S. are located in Elmira, NY; Youngstown, OH; and Decatur, IL.

Median Home Price ($000s)

	Quarter 4 2006 (p)	Quarter 3 2006	Quarter 4 2005	YTD Average 2006	YTD Average 2005	YTD Average % Change	Median 2001	Median 1996
Boulder-Longmont MSA	$363.1	$366.8	$349.5	$366.4	$348.4	5.2%	n/a	n/a
Denver-Aurora MSA	$245.6	$253.2	$247.5	$249.5	$247.1	1.0%	$218.3	$133.4
United States	$219.3	$225.3	$225.3	$222.0	$219.0	1.4%	$156.6	$122.6

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

Slower home price appreciation at the local level was also reported by the Office of Federal Housing Enterprise Oversight (OFHEO), which tracks sales data for the same house over time. OFHEO reported a 5.9% increase in home prices from fourth quarter 2005 to fourth quarter 2006 and calls the nation's 2006 home price appreciation "substantially smaller than the tremendous price gains of recent years." Locally, home prices have increased 1.7% in the Boulder-Longmont MSA over the 12-month period ended December 31, 2006, which is slightly higher than the 1.3% appreciation reported for the Denver-Aurora MSA.

Homeowners across the nation and in Colorado are increasingly falling behind on home-loan payments. The percentage of U.S. home mortgages entering foreclosure increased to 0.5% in the fourth quarter of 2006, the highest foreclosure rate in the history of the Mortgage Bankers Association's (MBA) survey. The latest MBA information also reveals that one of every 20 home mortgage loans in the U.S., or 5.0% of the 43 million home loans included in the survey, were past due in the fourth quarter of 2006, which represents a 4.7% increase from the third quarter of last year. In Colorado, 4.4% of home loans were past due in the fourth quarter compared to 3.9% in the third quarter. Colorado has the 12th highest foreclosure rate and ranked 29th in share of delinquent loan payments in the fourth quarter of 2006. Mississippi, Louisiana, and Michigan topped the MBA list of delinquent payment rates while Ohio, Indiana, and Michigan reported the highest rates of foreclosure. Finally, 14.2% of delinquent loans were subprime ARMs in the U.S. in the fourth quarter compared to 11.7% in Colorado. On the other hand, the percent of all subprime ARM loans in foreclosure was 4.5% in the U.S. but 5.4% in Colorado.

Furthermore, new research for the Colorado Bankers Association completed by Development Research Partners uncovered the following insights from a statistically significant sample of Colorado's 2006 foreclosure records:

- Adjustable-rate mortgages accounted for 77.4% of 2006 foreclosures and fixed-rate mortgages accounted for 22.6% of 2006 foreclosures.
- The most frequent year in which 2006 foreclosed loans originated was 2004.
- On average, the period between loan origination and the initial foreclosure setup was 987 days or 2.8 years. Bank-originated loans averaged 1,254 days or 3.5 years from origination to foreclosure setup compared to 923 days or 2.6 years for non-bank loans and 858 days or 2.4 years for bank affiliate loans.
- The average original loan amount of the 2006 sample was $202,415 and the median original loan amount was $158,925. The ratio of original debt to debt at foreclosure was 97% for 2006 foreclosures, meaning that an average of only 3% of the original loan amount was paid off at the time the foreclosure record was created.
- About 16.8% of Colorado's foreclosed home loans in 2006 originated from bank lenders whereas 77.5% originated from non-bank lenders and 5.6% originated from bank affiliates. Similarly, non-banks accounted for 77.2% of the total foreclosed loan value while banks accounted for 18.4% and affiliates represented 4.4%. A Federal Reserve Board publication reported mortgage companies and credit unions accounted for a combined average of 42% of the total value of U.S. mortgage originations from 2000 to 2004 while depository institutions (excluding credit unions) accounted for an average of 58% of the total value. Although the

comparison of banks and depository institutions to non-banks and mortgage companies is not exact, non-bank lenders appear to originate a disproportionately larger share of recently foreclosed home loans in Colorado.

The Colorado Division of Housing disputed California-based RealtyTrac's foreclosure rate and subsequent rankings for Colorado. The Colorado Division of Housing tallied an estimated 28,435 foreclosures across the state in 2006, a 31% increase over 2005, while RealtyTrac tallied 54,747 Colorado foreclosures. Using the states' number, one in 58 homes in Colorado were in foreclosure in 2006 compared RealtyTrac's rate of one in 33 homes. Differing methodologies are responsible for the two rates, and, according to Kathi Williams of the Colorado Division of Housing, RealtyTrac is double or triple counting several Colorado foreclosures. Thus, Williams discounts the top foreclosure rankings Colorado received throughout the majority of 2006. Based on the Colorado Division of Housing data, the foreclosure rates, or number of foreclosures per occupied housing units, in Metro Denver in 2006 were as follows: Adams County – 3.06%; Arapahoe County – 2.29%; Boulder County – 0.70%; the City and County of Denver – 2.14%; Douglas County – 1.44%; and Jefferson County – 1.41%. Data was not available for the City and County of Broomfield.

The total number of foreclosures in Metro Denver decreased slightly from 1,990 in January to 1,858 in February but the total number of foreclosures in the first two months of the year is 23.5% ahead of 2006. Compared to the same two-month period in 2006, the sharpest increases have occurred in Arapahoe (+35.0%), Broomfield (+32.0%), and Denver (+30.1%) counties. On a positive note, Boulder County foreclosures are nearly flat compared to last year and Douglas County is reporting an 8.7% year-to-date increase.

Real Estate Foreclosures

	Month of Feb-07	Month of Jan-07	Month of Feb-06	YTD Total 2007	YTD Total 2006	YTD Total % Change
Total Metro Denver*	1,858	1,990	1,500	3,848	3,115	23.5%
Adams County	434	426	352	860	751	14.5%
Arapahoe County	463	486	347	949	703	35.0%
Boulder County	66	65	72	131	130	0.8%
Broomfield County	19	14	13	33	25	32.0%
Denver County	466	589	361	1,055	811	30.1%
Douglas County	151	98	103	249	229	8.7%
Jefferson County	259	312	252	571	466	22.5%

**Foreclosure data for Metro Denver represents the total number of election and demand setups received by the county public trustee in the month received. The foreclosure data above includes a portion of homes that are withdrawn so that not all of the foreclosures are real-estate owned properties. Source: CB Richard Ellis.*

Similar to the existing home market, the U.S. new home market is also experiencing weaker sales activity compared to last year. New home sales in the U.S. declined sharply in February for the second consecutive month, falling 3.9% from January sales levels to a seasonally adjusted annual rate of 848,000 or the slowest annual pace recorded in almost seven years. The U.S. Commerce Department data for January revealed a 15.8% month-over-month decline, the sharpest one-month plunge in 13 years. On the bright side, new home sales in the West region rebounded in February with a 24.6% month-over-month gain after posting a 25.8% decline in January. Colorado is included in the 14-state West region.

The latest local-level data commiserates with the national situation. New home sales activity softened considerably in 2006 based on The Genesis Group's most recent analysis. New homes sales fell 20.8% from 2005 to 2006 with sales decreasing in all seven Metro Denver counties. Single-family attached homes, or condominiums and townhomes, declined 8.7% in 2006 compared to a 27.4% drop in single-family detached homes. The Genesis Group noted increased demand for condominiums and townhomes in 2006 with single-family attached homes accounting for 41% of all new homes sales in 2006, marking only the second time in 18 years that attached sales have exceeded 35% of total new home sales. Slower new home sales translated into a

39% increase in inventory levels in 2006, or a 7.5% increase in single-family detached inventory levels and a 67.8% increase in single-family attached inventory levels. Despite slower home sales and rising inventory levels, the average sales price increased in both categories from fourth quarter 2005 to fourth quarter 2006. The average sales prices for single-family detached homes increased 2.4% to $338,859 while single-family attached homes saw a meager 0.8% increase to $273,509.

Despite slower new home sales at the national level, construction activity rebounded in February. The U.S. Commerce Department reported a 9% increase in construction activity or housing starts in February to a seasonally adjusted annual rate of 1.525 million units. The 9% increase follows a 14.3% plunge in housing starts in the prior month. Building permit applications, however, continued to fall in February to a seasonally adjusted annual rate of 1.532 million units. Building permits are typically considered a more reliable gauge of future construction activity than housing starts. Homebuilders across the nation also downgraded their assessment of the market in March, based on the National Association of Home Builders/Wells Fargo index of builder sentiment. The March index dipped down to 36 from 39 in February and represented the first month-to-month decline since September 2006. Readings below 50 indicate builders view conditions as poor.

Building permit data from the Home Builders Association of Metro Denver indicates new home construction activity began 2007 at a slower pace than in 2006. Total home permits filed in January in Metro Denver were down 3.3% from January 2006, including a 49.9% decline in single-family detached home construction, a 53.1% increase in the condominium or single-family attached category, and a 375.0% increase in multi-family or apartment construction. The most single-family detached permits issued the first month of 2007 occurred in Aurora (92), Denver (79), Broomfield (54), and unincorporated Douglas County (54). The City of Boulder (408), Aurora (34), and the City and County of Denver (54) issued the most permits for single-family attached construction while only Aurora (288), Denver (37), and unincorporated Arapahoe County (17) issued multi-family permits in January.

Residential Building Permits

	Month of Jan-07	Month of Dec-06	Month of Jan-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Total 2002	Total 1997
Single-Family Detached Units	536	688	1,070	536	1,070	-49.9%	13,793	14,890
Single-Family Attached Units	614	389	401	614	401	53.1%	4,425	2,647
Multi-Family Units	342	433	72	342	72	375.0%	4,085	5,415
Total Units	1,492	1,510	1,543	1,492	1,543	-3.3%	22,303	22,952

Source: Home Builders Association of Metro Denver.

Changing market conditions have prompted at least two Metro Denver developers to build rental apartment units instead of for-sale condominiums. Citing strengthening apartment-market fundamentals and softening for-sale market conditions, Alberta Development Partners will build 200 luxury apartment units at its Streets at Southglenn project instead of condominiums. Developer Dana Crawford also recently abandoned her Prospect Place project in Downtown Denver because of rising costs and market forces. Crawford will sell the parcel to Trammell Crow, which is expected to build 450 luxury apartments.

The rental market in Metro Denver benefited from the region’s high foreclosure activity and rising mortgage rates in 2006. The apartment vacancy rate in Metro Denver increased slightly from third quarter to fourth quarter but the fourth quarter 2006 vacancy rate of 7.0% stands well below the 7.9% vacancy rate reported a year earlier. For the year, the average vacancy rate in the seven-county region declined from 8.2% in 2005 to 7.0% in 2006. The last time the annual vacancy rate was lower than 7.0% was in 2001 when the metro region posted a 6.4% vacancy rate, during which time about 25,000 rental units had been added to the market. The average monthly apartment rent decreased from third quarter to fourth quarter but the fourth quarter 2006 rate stands about even with the fourth quarter 2005 rental rate. On an annual basis, the average apartment rental rate was 1.2% higher in 2006 than in 2005.

Apartment Statistics

	Quarter 4 2006	Quarter 3 2006	Quarter 4 2005	YTD Average 2006	YTD Average 2005	YTD Average % Change	Annual Average 2001	Annual Average 1996
Apartment Vacancy Rate	7.0%	6.7%	7.9%	7.0%	8.2%		6.4%	5.0%
Average Monthly Rental Rate (all units)	$850	$866	$848	$849	$839	1.2%	$822	$607

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

The Metro Denver office market continued to strengthen in the first quarter of 2007, according to the latest data from Costar Realty Information, Inc. The direct vacancy rate was unchanged from fourth quarter 2006 at 12.6% but is improved from the first quarter 2006 vacancy rate of 13.2%. The total vacancy rate, which includes sublet space, declined from 13.8% in the fourth quarter of 2006 to 13.6% in the first quarter of 2007 and stands nearly one percentage point below first quarter 2006's 14.5% vacancy rate. Average lease rates steadily ticked upward in 2006 and continued to increase throughout the first three months of 2007. The average lease rate in the first quarter of 2007 was $19.13 per square foot, up from $18.56 per square foot in the prior quarter and $17.52 per square foot a year earlier.

Construction activity in the office sector picked up rapidly in the first three months of 2007, rising to the highest level since fourth quarter 2002. During the January-March period, about 2.23 million square feet of new office space among 76 buildings was under construction compared to 1.33 million square feet in the prior quarter and 1.21 million square feet in the same quarter last year. About 30% of the total square footage underway will be added in the City and County of Denver, including the 1515 Wynkoop and 1400 Wewatta buildings at more than 200,000 square feet each. Douglas County projects account for almost one-quarter of the total square footage underway, followed by Arapahoe (22.8%) and Jefferson counties (19.6%). The largest office project recorded in the first quarter was a 312,000-square-foot building in the Denver Tech Center (Arapahoe County) at 6401 S. Fiddlers Green Circle.

CB Richard Ellis also reported strong results for the Metro Denver office market through first quarter 2007, which marked the 12th consecutive quarter of positive absorption and the lowest quarterly vacancy rate since 2001. The office vacancy rate declined from 14.3% in the final quarter of 2006 to 13.3% in the first quarter of 2007 as the average asking lease rate increased about $0.50 to $18.71 per square foot over the same period. The Northeast, South Colorado/Midtown, and Northwest submarkets reported the three highest vacancy rates in the first quarter while the Southwest, Cherry Creek, and Downtown submarkets had the lowest amount vacancy rates. CB Richard Ellis analysts are maintaining a strong outlook for Metro Denver's office market and noted that "demand is on track to meet supply at this point."

Office Market Statistics

	Quarter 1 2007	Quarter 4 2006	Quarter 1 2006	Quarter 1 2005	Quarter 1 2004	Quarter 1 2003
Number of Buildings	4,589	4,574	4,541	4,491	4,447	4,405
Existing Square Feet (millions)	151.6	151.1	149.8	148.8	147.9	146.4
Vacant Square Feet (millions)	19.1	19.1	19.7	21.7	22.0	20.7
Vacancy Rate (Direct)	12.6%	12.6%	13.2%	14.6%	14.9%	14.1%
Vacancy Rate (With Sublet)	13.6%	13.8%	14.5%	16.1%	16.9%	16.7%
Average Lease Rate (per square foot)	$19.13	$18.56	$17.52	$16.97	$16.97	$18.39
New Construction Completed (year-to-date)	0.34 MSF, 5 Bldgs	1.55 MSF, 41 Bldgs	0.18 MSF, 9 Bldgs	0.16 MSF, 11 Bldgs	0.48 MSF, 10 Bldgs	0.80 MSF, 20 Bldgs
Currently Under Construction	2.23 MSF, 76 Bldgs	1.33 MSF, 53 Bldgs	1.21 MSF, 31 Bldgs	1.02 MSF, 32 Bldgs	0.58 MSF, 22 Bldgs	0.62 MSF, 21 Bldgs

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

The latest Costar Realty Information, Inc. data indicates the industrial market in Metro Denver is following a pattern similar to that of the office market. The direct vacancy rate decreased from 6.7% in the fourth quarter of 2006 to 6.4% in the first quarter of 2007, representing the lowest direct vacancy rate since fourth quarter 2002. The overall industrial vacancy rate also declined from 7.2% to 6.8% over the same period. Increasing average lease rates coincided with declining vacancy rates. The average lease rate increased slightly in the first quarter of 2007 to $4.97 per square foot (nnn) for a nearly $0.20 increase from a year earlier. Construction activity increased from fourth quarter 2006 to first quarter 2007 with about 2.49 million square feet of space underway. Sixty-one percent of the 2.49 million square feet under construction will be added in Adams County.

Research from CB Richard Ellis confirms Metro Denver's strong industrial market fundamentals, including seven consecutive quarters of positive absorption and six quarters of positive absorption of at least 1.0 million square feet. The first quarter vacancy rate declined to 6.4% from 7.0% in the prior quarter, led by the Midtown, Southwest, Commerce City, North Central, and West Denver submarkets that posted vacancy rates below 5.0% in the first quarter. CB Richard Ellis saw a slight increase in the average asking lease rate to $5.79 per square foot. The Boulder submarket was the most expensive market in the January-March period while the Central submarket was the most affordable.

Industrial Market Statistics

	Quarter 1 2007	Quarter 4 2006	Quarter 1 2006	Quarter 1 2005	Quarter 1 2004	Quarter 1 2003
Number of Buildings	5,843	5,802	5,780	5,748	5,711	5,668
Existing Square Feet (millions)	204.3	203.7	202.8	201.0	199.4	197.2
Vacant Square Feet (millions)	13.0	13.7	15.3	16.1	15.5	13.0
Vacancy Rate (Direct)	6.4%	6.7%	7.5%	8.0%	7.8%	6.6%
Vacancy Rate (With Sublet)	6.8%	7.2%	8.0%	8.6%	8.6%	7.4%
Average Lease Rate (per square foot, nnn)	$4.97	$4.95	$4.79	$4.55	$4.60	$5.30
New Construction Completed (year-to-date)	0.7 MSF, 2 Bldgs	1.65 MSF, 28 Bldgs	0.73 MSF, 6 Bldgs	0.18 MSF, 8 Bldgs	0.48 MSF, 7 Bldgs	0.45 MSF, 16 Bldgs
Currently Under Construction	2.49 MSF, 28 Bldgs	2.11 MSF, 28 Bldgs	0.83 MSF, 17 Bldgs	0.57 MSF, 9 Bldgs	1.26 MSF, 17 Bldgs	1.20 MSF, 14 Bldgs

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

Unlike the strengthening office and industrial markets, the flex market in Metro Denver reported mixed results in the first quarter of 2007 with increasing lease rates and vacancy rates from the prior quarter. The direct vacancy rate increased from 13.7% in the fourth quarter to 14.0% in the first quarter while the overall vacancy rate *increased from 14.3% to 14.8%. Costar Realty Information, Inc. also reported a more than $0.40 increase in the average lease rate from fourth quarter 2006 to first quarter 2007. Construction activity remains moderate with only three buildings underway that are located in Arapahoe, Denver, and Jefferson counties.*

Flex Space Statistics

	Quarter 1 2007	Quarter 4 2006	Quarter 1 2006	Quarter 1 2005	Quarter 1 2004	Quarter 1 2003
Number of Buildings	1,266	1,265	1,255	1,230	1,214	1,204
Existing Square Feet (millions)	37.7	37.7	37.4	37.0	36.6	36.4
Vacant Square Feet (millions)	5.3	5.2	5.2	5.7	6.0	5.4
Vacancy Rate (Direct)	14.0%	13.7%	13.8%	15.5%	16.5%	14.8%
Vacancy Rate (With Sublet)	14.8%	14.3%	14.5%	16.8%	18.1%	16.5%
Average Lease Rate (per square foot, nnn)	$8.80	$8.56	$8.41	$8.22	$8.09	$8.07
New Construction Completed (year-to-date)	0.00 MSF, 0 Bldgs	0.46 MSF, 15 Bldgs	0.02 MSF, 1 Bldgs	0.06 MSF, 3 Bldgs	0.0 MSF, 0 Bldgs	0.09 MSF, 3 Bldgs
Currently Under Construction	0.11 MSF, 3 Bldgs	0.09 MSF, 2 Bldgs	0.50 MSF, 13 Bldgs	0.46 MSF, 18 Bldgs	0.08 MSF, 3 Bldgs	0.17 MSF, 3 Bldgs

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

Metro Denver's retail market showed signs of slowing in the first quarter, according to CoStar Realty Information, Inc. data. The direct vacancy rate increased from 6.5% in the fourth quarter of 2006 to 7.2% in the first quarter of 2007 while the total vacancy rate increased from 6.9% to 7.6% over the same period. Both the direct and overall vacancy rates posted in the January-March period in 2007 are higher than a year earlier. The average lease rate was virtually unchanged from fourth quarter to first quarter but does represent a $1.20 increase per square foot from first quarter 2006. Despite softening vacancy rates, construction activity increased from fourth quarter to first quarter. About 38.1% of the 5.79 million square feet currently in the pipeline will be added in Adams County, followed by 22.9% in Arapahoe County and 13.8% in Broomfield County.

CB Richard Ellis recorded slightly different trends for Metro Denver's retail market with declining vacancy rates in the first quarter of 2007 from both fourth quarter 2006 and first quarter 2006. The overall vacancy rate in the first quarter of 2007 was 5.2%. According to CB Richard Ellis, landlords threatened by new space coming online are lowering lease rates to remain competitive, thus prompting a $0.50 per square foot lease rate decline from fourth quarter 2006 to $16.08 per square foot in the first quarter of the year. Still, CB Richard Ellis' long-term outlook is bullish although rising energy prices and a sluggish housing market may dampen short-term growth.

Retail Market Statistics

	Quarter 1 2007	Quarter 4 2006	Quarter 1 2006	Quarter 1 2005	Quarter 1 2004	Quarter 1 2003
Number of Buildings	4,314	4,231	4,178	4,086	4,001	3,866
Existing Square Feet (millions)	132.9	131.5	128.6	121.2	118.1	112.7
Vacant Square Feet (millions)	9.5	8.6	8.4	6.8	6.6	2.9
Vacancy Rate (Direct)	7.2%	6.5%	6.5%	5.6%	5.6%	2.6%
Vacancy Rate (With Sublet)	7.6%	6.9%	6.8%	6.0%	5.8%	2.6%
Average Lease Rate (per square foot)	$16.66	$16.64	$15.46	$15.92	$13.81	$12.61
New Construction Completed (year-to-date)	0.38 MSF, 7 Bldgs	4.88 MSF, 54 Bldgs	N/A	N/A	N/A	N/A
Currently Under Construction	5.79 MSF, 62 Bldgs	4.71 MSF, 60 Bldgs	N/A	N/A	N/A	N/A

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

Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	⇑	⇑	Employment increased by 9,100 jobs from Jan to Feb; employment up 1.9% through Feb 2007
% Companies Hiring (Denver Area)	⇔	⇑	42% of companies expect to add workers in Denver and 13% to add in Boulder in Q2 2007
Unemployment Rate	⇓	⇓	Metro rate decreased from 4.6% in Jan to 4.1% in Feb; YTD rate down to 4.3% through Feb 2007
Initial Claims	⇓	⇑	Claims decreased 38.4% from Jan to Feb; YTD claims are up 9.4% over 2006
Total Retail Sales	⇑	⇑	Total metro retail sales up 8.0% in 2006; 8.5% annual increase for Colorado in 2006
Consumer Confidence Index	⇑	⇑	Mountain region confidence level increased from 132.0 in Jan to 145.1 in Feb; YTD up 5.2%
Hotel Occupancy	⇑	⇓	Hotel occupancy increased from 57.2% in Jan to 60.1% in Feb; avg room rate increased to $106
DIA Passengers	⇑	⇑	Traffic increased 7.4% from Dec to Jan; Jan 2007 traffic up 5.6% compared to Jan 2006
Bloomberg Colorado Index	⇑	⇑	Bloomberg Colorado Index increased 2.2% from February to March; index up 6.1% for the year
Dow Jones Industrial Average	⇑	⇓	DOW increased 0.7% from February to March; index posting a 0.9% year-to-date loss
Home Sales (closed)	⇓	⇑	Feb home sales down 12.7% from Jan but YTD sales are up 8.4%; avg SF sales price down 3.6%
Median Home Price (Denver-Aurora MSA)	⇓	⇑	Median home price in Denver MSA decreased to $245,600 in Q4; median price up 1.0% YTD
Foreclosures	⇓	⇑	Foreclosures decreased 6.6% from Jan to Feb; YTD foreclosures up 23.5% over 2006
Residential Building Permits (Total)	⇓	⇓	Total permits decreased 1.2% from Dec to Jan; Jan 2007 permits are down 3.3% from Jan 2006
Apartment Vacancy Rate	⇑	⇓	Vacancy rate increased to 7.0% in Q4 from 6.7% in Q3; avg rental rate down to $850 per month
Office Vacancy Rate (with Sublet)	⇓	⇓	Vacancy rate down to 13.6% in Q1 2007; 2.23 million sq. ft. under construction
Industrial Vacancy Rate (with Sublet)	⇓	⇓	Vacancy rate down to 6.8% in Q1 2007; 2.49 million sq. ft. under construction
Flex Space Vacancy Rate (with Sublet)	⇑	⇑	Vacancy rate up to 14.8% in Q1 2007; 110,000 sq. ft. of construction underway
Positive Changes	**12 of 18**	**12 of 18**	

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