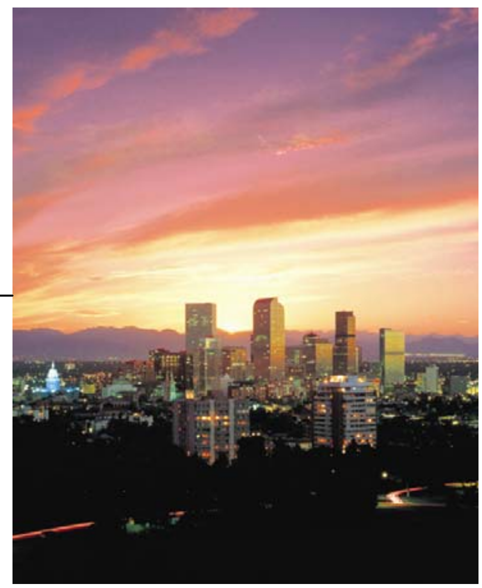
Metro Denver
Economic Development Corporation

# Monthly Economic Summary

## *A Monthly Summary of Economic Conditions in Metro Denver*

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



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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 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 the prior year's figures. In addition, the report includes annual averages from five- and ten-years previous to provide historical context.

## Notable Rankings

- Colorado has the nation's fourth-largest concentration of high tech exports, a share almost three times the national average. These figures emerged in an American Electronics Association report showing that computers, semiconductors, and other tech goods made up 55 percent of Colorado's 2006 exports. These outbound tech products were valued at $4.3 billion last year.
- Metro Denver residents are healthier than residents of other large cities, says a study released by the Metro Denver Health and Wellness Commission. The study awarded composite scores to 25 large cities based on eight health and wellness criteria, and Metro Denver outranked the 24 other regions. Criteria included healthcare coverage, physical activity, diet, and disease rates. Metro Denver ranked in the top half for all indicators except prevalence of adult asthma.
- The City of Louisville ranked third overall among *Money Magazine*'s "Best Places to Live 2007." The magazine rates U.S. cities based on education, quality of life, job growth, and other criteria. Ranked as the 26th-best place to live, Parker was Colorado's only other city to be recognized in the top 100.
- Colorado ranked eighth on *Forbes'* 2007 "Best States for Business" list. *Forbes* ranks the business climate in all fifty states based on criteria that include costs of living and doing business, job growth, and quality of the local labor pool. The rankings also account for future growth potential in employment, income, and gross state product. Colorado claimed the fifth-place spot in last year's rankings.
- The Federal Bureau of Investigation's *Mortgage Fraud Report* no longer lists Colorado among the top ten "hot spots" for fraud. Colorado was a designated hot spot in 2004 and 2005 but was downgraded to a "significantly-affected state" in the 2006 report. Other states in this category include Arizona, Maryland, and Minnesota.

## General Economic Overview

The U.S. economy expanded 3.4 percent in the second quarter of 2007, up from first quarter's 0.6 percent increase. Released by the U.S. Bureau of Economic Analysis, these estimates of GDP growth point to changes in the value of goods and services produced by the U.S. economy. Second quarter's growth was tied to increased exports as well as increased defense spending and purchases of nonresidential structures, software, and equipment. In the second quarter, these gains were enough to outweigh a widespread drop in consumer spending.

A related indicator, the nation's trade deficit, increased in May to $60.0 billion from April's revised figure of $58.7 billion. Exports and imports both hit record levels after similar, over-the-month gains: export values increased by 2.2 percent between April and May, and import values increased 2.3 percent. The absolute dollar value of imports, however, surpassed export values – thanks in part to record oil prices. May's import value of crude oil ($19.0 billion) was the highest since September 2006.

Prices of oil and other commodities, combined with high resource utilization, might curtail recent improvements in core inflation. This possibility remains a primary concern for the Federal Open Market Committee (FOMC) of the Federal Reserve. Still, the Committee left the target for the federal funds rate unchanged at 5.25 percent in June as it has since August 2006. The Committee noted that, despite ongoing instability in the housing market, moderate economic growth is likely to continue through the remainder of the year. The next FOMC meeting is scheduled for August 7, 2007.

A separate source of Federal Reserve information, the *Beige Book*, observed slower economic growth in June and July. The *Beige Book* Report for the Tenth District – a region including Colorado – indicated that the pace of hiring had moderated in recent months, and consumer spending remained stable in most parts of the District despite higher energy costs and other price pressures. Weakness continued in the residential real estate and construction markets, but commercial markets strengthened and could continue expanding in the coming months.

The following indexes suggest that economic growth in the nation, Colorado, and Metro Denver should continue this year. The pace of growth, however, could slow.

- The Conference Board's Index of Leading Economic Indicators decreased 0.3 percent in June, consistent with moderate fluctuations that have persisted since January. Housing permits, initial claims for unemployment insurance, consumer confidence, vendor performance, and the interest rate spread each made a negative contribution to the June index. Of those five indicators, housing was the greatest negative force. Two indicators were unchanged in June and the remaining three made a positive contribution. Overall, the index's mixed performance suggests that economic growth is likely to continue but at a slower pace.
- The national manufacturing sector expanded for the sixth consecutive month in July, led by gains in wood products and nine other manufacturing sub-sectors. The month's manufacturing growth, however, kept a slower pace than seen in the past several months. This trend is mirrored in the latest results from the Institute for Supply Management's Purchasing Managers' Index. The Index decreased from 56.0 in June to 53.8 in July. An index reading over 50 predicts economic expansion while a reading below 50 suggests contraction, so the July reading points to slower growth in the coming months. High prices for fuel and other commodities are still a significant concern across many manufacturing sectors.
- The Metro Denver manufacturing industry saw its fifth consecutive month of expansion in June, and the pace of growth quickened slightly. The Denver Manufacturing Purchasing Managers Index, compiled by the College of Business at the University of Colorado at Denver, increased from 55.8 in May to 60.0 in June. The increase predicts faster economic growth locally, but declines in indexes that measure labor availability suggest that local manufacturers are also facing a tighter supply.
- Business activity in the nation's service economy increased for the 52nd consecutive month in July, but the pace of growth slowed. The Institute for Supply Management's Index of Non-Manufacturing Business Activity decreased from 60.7 in June to 55.8 in July. Nine of the 17 non-manufacturing industries saw gains in July, led by increases in finance and insurance, accommodation and food services, and transportation and warehousing. Comments from the Index's survey respondents included concerns about increased costs of fuel and other supplies.
- Metro Denver's non-manufacturing economy, or service sector, expanded in June. The pace of growth, however, marked a slowdown from May. The Non-Manufacturing Purchasing Managers Index, compiled by the College of Business at the University of Colorado at Denver, dipped to 56.7 in June from May's level of 59.2. Similar to the national service economy index, a reading below 50 suggests economic contraction. June's results, then, predict economic growth at a moderated pace.
- The Creighton University Business Conditions Index for the Mountain States region saw a third consecutive decline when it dropped from 65.3 in May to 61.2 in June. A reading greater than 50 points to expansionary conditions, so June's results suggest that economic growth may continue at a reduced pace. Comments from

some of the purchasing managers surveyed included concerns about rising fuel prices and the availability of skilled labor.

- Vectra Bank's Colorado Small Business Index shows a slight shift in economic conditions for small businesses. The index slipped from a revised 91.0 in May to 90.6 in June, due partly to a tighter labor market and the ongoing slump in residential construction. U.S. small business conditions, on the other hand, improved slightly. The U.S. Small Business Index increased from a revised 85.8 in May to 89.3 in June.
- The latest results of the Colorado Business Leaders' Confidence Index predict the state's economy will see slightly stronger but still modest economic growth in the third quarter. The index, which measures growth expectations for the coming quarter, increased from 54.9 in the second quarter to 55.6 in the third quarter, reflecting a boost in sales, hiring, and capital spending. The index is comprised of six component indexes, five of which registered improvements from second to third quarter. An index reading above 50 suggests the economy is in expansion mode.
- The Metro Denver Leading Index remained flat from March to April, posting a value of 101.1 in both months. Four of the seven indicators advanced in April, but the remaining three – single-family housing permits, consumer expectations, and the interest rate spread – were negative contributors. Designed to measure over-the-year growth, the Historic Index slipped from 133.1 in April to 131.4 in March when its two indicators moved in opposite directions. The 100 level represents the benchmark year of 1995 for both indices, compiled by Development Research Partners.

## Labor and Employment

*Total employment in Metro Denver increased by 10,700 positions between May and June. The latest data from the Colorado Department of Labor and Employment show a 1.8 percent year-to-date employment gain for the region, a growth rate roughly on par with last month's 1.9 percent gain. Year-to-date employment growth in the Denver-Aurora MSA hit 1.7 percent, and the Boulder-Longmont MSA saw a robust gain of 3.2 percent. Colorado's entire economy saw a 2.0 percent growth rate, followed by the nation's economy at 1.5 percent*.

Metro Denver industries saw mixed job trends. Summer hiring boosted June employment in Natural Resources and Construction, but the sector's employment is down from last year due to a weaker housing market. Year-to-date gains in leisure and hospitality (+4.4 percent), professional and business services (+4.3 percent), and education and health services (+3.0 percent) led the region's major industry groups, while employment figures for manufacturing and natural resources and construction each dropped 1.4 percent. Overall, eight of the region's 11 super-sectors reported year-to-date employment gains and three reported losses.

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

***Aerospace:*** Ball Aerospace and Technologies Corporation recently won a $128 million contract under NASA's Landsat Program. Ball Aerospace will design and build a camera that takes detailed images of the Earth from a satellite to be launched, at the earliest, in 2011. Images captured through Landsat are used in education, government, and business as the data can be used to analyze changes in the Earth's surface over time. As part of the contract agreement, Ball Aerospace will provide testing and post-delivery support as well as five years of technical assistance during orbit. Work under the contract could continue through 2021.

***Aviation:*** United Airlines' second quarter profit was the carrier's largest quarterly gain in seven years, a $274 million high-water mark that comes on the heels of cost-cutting and capacity controls. A long-awaited, post-September 11 rebound in air travel has also benefited United and other carriers. United, Denver-based Frontier Airlines, Southwest Airlines, and Republic Airlines all plan to add local jobs in the coming months. Aviation-related construction projects, including a new Frontier hanger and $223 million in improvements planned for Denver International Airport, could also boost aviation and other industries' future employment.

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

| | Month of Jun-07 (p) | Month of May-07 | Month of Jun-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*** | 1,416.3 | 1,405.6 | 1,395.2 | 1,389.7 | 1,364.4 | 1.8% | -3.1% | 4.4% |
| Denver-Aurora MSA | 1,248.1 | 1,236.9 | 1,231.4 | 1,223.1 | 1,203.1 | 1.7% | -3.0% | 4.4% |
| Boulder-Longmont MSA | 168.2 | 168.7 | 163.8 | 166.5 | 161.3 | 3.2% | -3.4% | 4.7% |
| Natural Resources & Construction | 102.5 | 99.8 | 104.8 | 98.1 | 99.5 | -1.4% | -4.9% | 6.4% |
| Manufacturing | 90.0 | 89.5 | 91.5 | 89.7 | 90.9 | -1.4% | -9.0% | 3.5% |
| Wholesale & Retail Trade | 213.0 | 211.7 | 210.6 | 211.0 | 208.1 | 1.4% | -2.9% | 2.7% |
| Transp., Warehousing & Utilities | 50.9 | 50.3 | 51.1 | 50.0 | 50.5 | -1.1% | -9.8% | 2.4% |
| Information | 57.6 | 57.6 | 56.9 | 56.8 | 56.7 | 0.3% | -14.2% | 11.2% |
| Financial Activities | 109.0 | 108.5 | 108.8 | 108.2 | 107.5 | 0.7% | -0.8% | 5.5% |
| Professional & Business Services | 241.1 | 238.6 | 233.0 | 234.3 | 224.7 | 4.3% | -6.1% | 5.3% |
| Education & Health Services | 145.9 | 145.8 | 141.3 | 144.5 | 140.3 | 3.0% | 2.9% | 7.4% |
| Leisure & Hospitality | 153.9 | 149.0 | 147.7 | 144.8 | 138.7 | 4.4% | -0.6% | 3.2% |
| Other Services | 52.3 | 51.5 | 52.1 | 51.8 | 51.0 | 1.5% | 1.6% | 3.6% |
| Government | 200.1 | 203.3 | 197.4 | 200.6 | 196.7 | 2.0% | 3.4% | 2.3% |
| Federal Gov't | 30.4 | 30.6 | 30.9 | 30.5 | 30.7 | -0.8% | 0.5% | 0.0% |
| State & Local Gov't | 169.7 | 172.7 | 166.5 | 170.1 | 166.0 | 2.5% | 4.0% | 2.8% |
| Colorado | 2,346.1 | 2,318.3 | 2,307.5 | 2,303.8 | 2,258.8 | 2.0% | -1.9% | 4.2% |
| United States | 139,127 | 138,623 | 137,145 | 137,225 | 135,216 | 1.5% | -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*

***Beverage Production:*** A gold medal won at the 2006 World Beer Cup has helped increase customer traffic at Dry Dock Brewery in Aurora. The brewery currently uses two fermentation tanks that struggle to meet demand from customers and a distribution roster of local restaurants. The 1,000-square-foot brewery is now poised for expansion, and the brewery's owner plans to keep the facility in Aurora.

***Energy:*** Colorado is one of eleven candidates under consideration for a federal program that makes geothermal energy sites available for commercial lease. The U.S. Bureau of Land Management administers the leases and is currently developing a report that evaluates potential sites. The report is due out in the fall of next year.

***Financial Services:*** Shareholders of Greenwood Village-based First Data Corporation approved a $26 billion acquisition by private equity firm Kohlberg Kravis Roberts & Company in late July. The deal is expected to close within the third quarter, but no estimates of local employment impacts were available.

***Telecommunications:*** Cricket Communications, an operating unit of San Diego's Leap Wireless International, designated its Denver Tech Center office as the company's operating headquarters. The company doubled its Denver workforce over the past year and now employs more than 200 workers. Future hiring plans are unknown, but the company has recently expanded into 14 new wireless markets and plans to expand into additional markets including Chicago and Las Vegas.

*Fourth quarter 2006 figures from the Quarterly Census of Employment and Wages (QCEW) show a statewide employment increase of 2.4 percent between 2005 and 2006. The Metro Denver area saw 2.0 percent job growth over the year as employment in each of the seven counties increased. The magnitude of the gains, however, varied* *widely. Job growth was strongest in Douglas County (+5.6 percent) and Adams and Broomfield Counties (+3.4 percent each). The remaining four counties saw somewhat slower job growth, led by Arapahoe and Denver Counties (+1.8 percent each). Boulder County (+1.6 percent) and Jefferson County (+0.6) saw the slowest employment growth. Metro Denver wage patterns also varied across the seven counties. Broomfield County's annual average wage grew the fastest with an 8.2 percent increase that brought wages from $51,688 in 2005 to $55,918 in 2006. The slowest wage growth occurred in Adams County, where a 2.4 percent increase raised the average wage from $38,355 in 2005 to $39,278 in 2006. Average wage growth in the remaining counties was led by gains in Arapahoe (+7.0 percent) and Denver (+5.5 percent) counties; Boulder (+3.7 percent), Douglas (+3.1 percent), and Jefferson (+3.0 percent) counties saw slower wage growth. Overall, the Metro Denver average wage increased 4.9 percent to $48,723. The statewide average wage increased 4.6 percent, now $43,508.*

Metro Denver has seen mixed employment trends this summer. Employers downgraded their quarterly hiring expectations from second to third quarter, according to the latest Manpower Employment Outlook Survey. During the July-September period, an estimated 26 percent of Denver-area employers plan to add staff compared to 42 percent in the second quarter of 2007. Hiring expectations for third quarter are also down from third quarter 2006. Another 13 percent of employers expect to reduce their payrolls in the third quarter of 2007 while 57 percent of employers anticipate no staffing changes. Third quarter job prospects in the Denver area appear best in transportation and public utilities, wholesale and retail trade, and services.

Hiring expectations in the Boulder area are similar to those of the prior quarter with 13 percent of employers planning to add staff in the July-September period. About 23 percent of Boulder-area employers expect to reduce payrolls in the third quarter compared to 10 percent in the prior quarter and zero percent in third quarter 2006.

Third quarter job prospects at the national level are more robust. About 29 percent of the 14,000 U.S. employers surveyed nationwide plan to add staff, and 7 percent plan to reduce their payrolls. Another 58 percent do not anticipate staffing changes, and 6 percent are unsure about upcoming staffing plans.

**Employment Outlook Survey**

| | Quarter 3 2007 | Quarter 2 2007 | Quarter 3 2006 | YTD Avg 2007 | YTD Avg 2006 |
|---|---|---|---|---|---|
| Denver Area* | | | | | |
| Percent of Companies Hiring | 26% | 42% | 43% | 37% | 37% |
| Percent of Companies Laying Off | 13% | 12% | 8% | 11% | 9% |
| Percent of Companies No Change | 57% | 43% | 49% | 47% | 49% |
| Boulder County | | | | | |
| Percent of Companies Hiring | 13% | 13% | 47% | 18% | 38% |
| Percent of Companies Laying Off | 23% | 10% | 0% | 13% | 3% |
| Percent of Companies No Change | 61% | 77% | 53% | 68% | 57% |

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

*A tight Metro Denver labor market eased slightly as the unemployment rate ticked up to 3.8 percent in June from 3.3 percent in May. Still, June's year-to-date unemployment rate of 3.9 percent remains noticeably below last year's rate of 4.6 percent. Trends were similar among the seven Metro Denver counties. Each of the seven counties saw slight increases in unemployment between May and June, but year-to-date rates are below the 2006 year-to-date figures.* The statewide unemployment rate rose to 3.8 percent in June from 3.3 percent in May, but Colorado's rate remains well below the nation's June unemployment figure of 4.7 percent. Low unemployment rates offer a mixed read on economic activity as higher employment levels can mean income growth and a better outlook for industries, but businesses can struggle to find qualified workers as the labor supply tightens.

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

| | June 2007 (p) | | 2007 YTD Avg | | 2006 YTD Avg | | 2002 | 1997 |
|---|---|---|---|---|---|---|---|---|
| | 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 | 1,522.6 | 3.8% | 1,501.1 | 3.9% | 1,477.8 | 4.6% | 5.9% | 2.8% |
| Adams County | 219.9 | 4.3% | 217.0 | 4.5% | 213.9 | 5.3% | 6.4% | 3.1% |
| Arapahoe County | 313.6 | 3.9% | 308.6 | 3.8% | 304.2 | 4.6% | 5.7% | 2.4% |
| Boulder County | 177.1 | 3.3% | 175.6 | 3.3% | 170.8 | 3.9% | 5.7% | 2.8% |
| Broomfield County* | 25.8 | 3.9% | 25.4 | 3.9% | 25.0 | 4.6% | 5.7% | |
| Denver County | 316.0 | 4.2% | 311.7 | 4.3% | 307.5 | 5.2% | 6.8% | 3.8% |
| Douglas County | 150.5 | 3.2% | 148.1 | 3.2% | 145.8 | 3.8% | 5.0% | 1.8% |
| Jefferson County | 319.7 | 3.7% | 314.8 | 3.7% | 310.4 | 4.5% | 5.5% | 2.4% |
| Colorado | 2,697.3 | 3.8% | 2,658.5 | 3.9% | 2,621.5 | 4.6% | 5.7% | 3.4% |
| United States | 154,252 | 4.7% | 152,509 | 4.6% | 150,378 | 4.8% | 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*

*First time unemployment insurance applications decreased from May to June in the seven-county Metro Denver region. On a year-to-date basis, 2007 claims in Metro Denver are essentially in-line with the 2006 year-to-date number.* Statewide, unemployment claims showed a similar trend. The number of claims dipped between May and June, but year-to-date trends resemble those seen in 2006.

**Weekly First-Time Unemployment Insurance Claims**

| | Month of Jun-07 | Month of May-07 | Month of Jun-06 | YTD Avg 2007 | YTD Avg 2006 | YTD Avg % Change |
|---|---|---|---|---|---|---|
| Metro Denver | 932 | 1,080 | 992 | 1,139 | 1,143 | -0.3% |
| Colorado | 1,623 | 1,826 | 1,673 | 2,071 | 2,066 | 0.3% |

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

## Consumer Sector

*The U.S. Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent between May and June. June's index value of 208.4 was also 2.7 percent higher than last June's reading of 202.9. The seasonally-adjusted sub-index for energy declined 0.5 percent between May and June, the first decrease since January of this year. The food index rose 0.5 percent in June as grocery prices advanced 0.6 percent.*

Gas prices in Metro Denver came down slightly in July but continue to float around the $3 mark. According to AAA's Fuel Gauge Report, the average price for a gallon of regular gas in Metro Denver was $2.95 as of August 1, slightly below the $3.05 charged one month earlier and the same as the $2.95 charged one year ago. Local gas prices, however, continue to exceed national averages. The August 1 average was $2.87 nationwide, compared to $2.96 in the prior month and $3.00 in the prior year. As of August 1, Colorado's per-gallon price for regular gasoline ranked tenth highest among the 50 states and the District of Columbia. According to industry analysts, Colorado's higher prices were partly due to maintenance-related shutdowns at key refineries. They expect prices to ease slightly as the refineries come back online, at least until Labor Day Weekend and a spike in holiday demand.

Despite fuel costs and other price pressures, consumer activity in Metro Denver continues to grow at a strong pace. While retail sales in Metro Denver decreased from March to April in a typical seasonal pattern, year-to-date sales are 9.9 percent ahead of 2006 sales. All seven Metro Denver counties reported stronger year-to-date retail sales through the first four months of 2007 compared to the same period last year, including double-digit gains in Broomfield County (+16.7 percent), Adams County (+12.6 percent), Boulder County (+11.8 percent), and Denver County (+11.2 percent). Statewide, retail sales slipped from March to April but stand 9.7 percent ahead of 2006 on a year-to-date basis. May data on retail sales was not available at the time of this release.

**Total Retail Sales ($000s)**

| | Month of Apr-07 | Month of Mar-07 | Month of Apr-06 | YTD Total 2007 | YTD Total 2006 | YTD Total % Change | Annual Growth 2002 | Annual Growth 1997 |
|---|---|---|---|---|---|---|---|---|
| Total Metro Denver | 6,478,907 | 7,395,388 | 5,945,343 | 26,097,315 | 23,745,677 | 9.9% | -0.5% | 5.8% |
| Adams County | 1,071,392 | 1,141,132 | 919,014 | 4,074,292 | 3,617,389 | 12.6% | -0.3% | 7.7% |
| Arapahoe County | 1,445,480 | 1,636,809 | 1,312,986 | 5,820,486 | 5,304,139 | 9.7% | 1.6% | 0.7% |
| Boulder County | 588,644 | 768,142 | 541,111 | 2,480,365 | 2,218,005 | 11.8% | -14.5% | 3.8% |
| Broomfield County | 144,225 | 152,924 | 122,145 | 540,923 | 463,679 | 16.7% | | |
| Denver County | 1,756,877 | 2,012,816 | 1,611,142 | 7,222,185 | 6,495,742 | 11.2% | -3.2% | 4.9% |
| Douglas County | 490,501 | 534,569 | 459,847 | 1,928,961 | 1,790,349 | 7.7% | 3.6% | 30.9% |
| Jefferson County | 981,788 | 1,148,996 | 979,098 | 4,030,103 | 3,856,374 | 4.5% | -2.5% | 8.7% |
| Colorado | 10,748,009 | 12,685,423 | 10,080,973 | 44,266,009 | 40,357,793 | 9.7% | 0.3% | 6.4% |

*Source: Colorado Department of Revenue.*

*The Conference Board's Consumer Confidence Index for the Mountain region slipped from 138.9 in May to 129.2 in June. Still, consumer confidence in the mountain region ranked above confidence in the nation's nine other regions.* The index is comprised of the present situation index and the future expectations index; Mountain region perceptions of the current situation declined from 180.1 in May to 162.2 in June, and the future expectations index dropped from 111.4 to 107.3. Overall, Mountain region consumers felt less positive about current and future trends than they have in recent months.

A similar trend played out at the national level. The U.S. Consumer Confidence Index dropped from 108.5 in May to 103.9 in June, and the present situation index declined from 136.1 to 127.9 over the same period. The consumer outlook on the future – as measured by the future expectations index – also darkened, slipping from 90.1 in May to 87.9 in June. Advanced estimates show the Consumer Confidence Index abruptly rebounding to 112.6 in July.

**Consumer Confidence Index**

| | Month of Jun-07 (p) | Month of May-07 | Month of Jun-06 | YTD Avg 2007 | YTD Avg 2006 | YTD Avg % Change | Ann Avg 2002 |
|---|---|---|---|---|---|---|---|
| Mountain | 129.2 | 138.9 | 133.8 | 136.8 | 133.7 | 2.3% | 104.3 |
| United States | 103.9 | 108.5 | 105.4 | 108.1 | 106.2 | 1.8% | 96.6 |

*Source: The Conference Board. (p) =preliminary*

*Occupancy and average room rates both increased as Metro Denver's lodging industry gained momentum. The occupancy rate increased from 68.9 percent in May to 80.1 percent in June, and the average room rate rose from $112.66 to $115.26. On a year-to-date basis, both occupancy rates and average room rates are stronger than they were in the first six months of 2006.*

Colorado's lodging industry also reported improvements in May compared to the same month a year earlier. The occupancy rate in May registered 61.4 percent, up from 58.4 percent in May 2006. The average room rate in Colorado also increased from $99.14 in May 2006 to $109.77 in May of this year. On a year-to-date basis, the statewide hotel occupancy rate was 60.9 percent in May, compared to 59.3 percent at this time last year. The average, year-to-date room rate increased from $116.37 in 2006 to $128.11 in 2007.

**Metro Denver Hotel Statistics**

| | Month of Jun-07 | Month of May-07 | Month of Jun-06 | YTD Avg 2007 | YTD Avg 2006 | YTD Avg % Change | Annual 2002 | Annual 1997 |
|---|---|---|---|---|---|---|---|---|
| Percent of Hotel Rooms Occupied | 80.1% | 68.9% | 77.9% | 66.1% | 64.6% | 2.3% | 60.3% | 72.1% |
| Average Hotel Room Rate | $115.26 | $112.66 | $103.48 | $109.05 | $97.85 | 11.4% | $88.05 | $84.06 |

*Source: Rocky Mountain Lodging Report.*

In other tourism news, Metro Denver hosted two major events in July – the Major League All-Star Soccer Game and a Microsoft event organized for the company's global business partners. The soccer game was expected to have an economic impact of less than $5 million, whereas impact estimates for the Microsoft event hit $20 million. Metro Denver's business owners also look forward to this year's custom Electronic Design & Installation Association's Expo, an event that brought 30,000 attendees to the area last fall. Another anticipated project is the filming of *Nowhereland*, a motion picture starring Eddie Murphy. The two-week filming is scheduled to begin in Denver this October, and the project could have significant economic impacts: Colorado Film Commissioner Kevin Shand estimates the average daily expenditure of an on-site filming can reach $100,000.

*Passenger traffic at Denver International Airport (DIA) increased 6.5 percent between April and May, and May's passenger count was up nearly 3 percent from last year. Year-to-date, 19.9 million passengers have passed through Denver's airport, compared to 19.0 million passengers in the same months of 2006. May's passenger count broke the airport's previous record for May travel by more than 119,000 travelers, and DIA executives are expecting strong traffic to continue throughout the summer.*

**Denver International Airport Passengers**

| | Month of May-07 | Month of Apr-07 | Month of May-06 | YTD Total 2007 | YTD Total 2006 | YTD Total % Change | Annual 2002 | Annual 1997 |
|---|---|---|---|---|---|---|---|---|
| Number of Airline Passengers | 4,299,721 | 4,038,014 | 4,180,430 | 19,924,290 | 19,083,153 | 4.4% | 35,652,084 | 34,969,021 |

*Source: Denver International Airport, Traffic Statistics.*

In stock market news, the Dow Jones Industrial Average passed a record 14,000 points before closing slightly lower on July 18, just one week after both the Dow and S&P 500 broke June's record closing values. July's month-end stock indexes, though, tell a different story. Amid rising concerns about tighter home lending practices and potential spillover into other sections of the economy, the Dow Jones, S&P 500, and the Nasdaq composite index all ended the month at lower point values than in June. Still, each of the indexes still marked a stronger, year-to-date gain than was registered last year.

*Colorado stocks also ended the month on a weaker note. The Bloomberg Colorado Index dipped to 424.1 in July from 435.9 in June, but the index's year-to-date return of 10.9 percent still easily beat last year's 5.0 percent gain and remained well above returns in the national indexes.* The Bloomberg Colorado Index is a price-weighted index designed to measure the performance of the Colorado economy. The Index currently includes 115, Colorado-based companies with a minimum market capitalization of $10 million.

**Stock Market Indexes**

| | Month of Jul-07 | Month of Jun-07 | Month of Jul-06 | YTD Return 2007 | YTD Return 2006 | YTD Return 2005 |
|---|---|---|---|---|---|---|
| Bloomberg Colorado | 424.1 | 435.9 | 342.4 | 10.9% | 5.0% | 10.9% |
| S&P 500 | 1,455.3 | 1,505.7 | 1,276.7 | 2.6% | 2.3% | 1.8% |
| NASDAQ | 2,546.3 | 2,608.4 | 2,091.5 | 5.4% | -5.2% | 0.4% |
| DJIA (Dow Jones) | 13,212.0 | 13,422.3 | 11,185.7 | 6.0% | 4.4% | -1.3% |

*Sources: Bloomberg.com, Yahoo! Finance.*

## Residential Real Estate

The U.S. annual sales rate of existing homes declined in June, slipping to 5.75 million units from 5.98 million units in May. That puts today's pace of home sales solidly behind last June's 6.49 million units, says the National Association of Realtors (NAR). The Northeast saw the greatest drop in its annual rate of sales, a 7.3 percent downshift between May and June. Close behind were declines in the West (-6.8 percent), the Midwest (-2.8 percent), and the South (-1.7 percent). Still, the NAR does not describe the housing outlook as unequivocally bleak. Inventories of unsold homes remained unchanged from last month, and June's median home price of $230,100 reflected a 0.3 percent gain over the June median from last year. NAR analysts emphasized that June's over-the-year price increase, albeit slight, is the first such gain in 11 months, and stable inventories can also be a positive sign.

*Metro Denver's existing homes market had a mixed performance. Growth in home sales slowed from a 15.5 percent gain between April and May to a 0.9 percent gain between May and June. In a typical seasonal pattern, unsold inventory levels ticked up to 30,256 in June from 29,110 in May. Still, inventories are about 5 percent below last year's levels on a year-to-date basis. Home sales under contract, a forward-looking indicator, declined in June for the first time this year. Similar to the trend in inventories, though, the homes under contract indicator improved slightly from 2006. On a year-to-date basis, the number of homes under contract through June was 1.2 percent higher than the same time last year.*

*The trend in Metro Denver home prices was also mixed. The average sales price of a single-family home was approximately $335,000 in June, the highest level since June of last year. Industry analysts note, however, that June's trend was probably driven by a shift in the mix of homes sold as local realtors noted a faster sales pace in higher-priced properties and a longer stay on the market for lower-priced homes. On a year-to-date basis, June's average single-family home price fell 1.2 percent below prices in June of last year.*

Metro area condominium prices saw very little change in June, and the year-to-date average sales price of $180,238 fell below last June's level of $185,693. Condominium prices have been stable for the past four months, but the pace of Metro Denver condominium sales has been less predictable. Condominium sales increased 21.8 percent between April and May but declined 5.8 percent between May and June, and the total number of condominiums sold in June fell 10 percent below sales from June of last year. Industry analysts point to isolated pockets of strength – including sales growth in specific zip codes and new, high-rise condominium projects – as potential drivers of the inconsistency in real estate market trends.

### Previously-Owned Home Sales Activity

| | Month of Jun-07 | Month of May-07 | Month of Jun-06 | YTD Total 2007 | YTD Total 2006 | YTD Total % Change | Ann Avg 2002 | Ann Avg 1997 |
|---|---|---|---|---|---|---|---|---|
| Home Sales (Under Contract) | 6,136 | 6,353 | 6,049 | 34,005 | 33,603 | 1.2% | 30,089 | 35,963 |
| Home Sales (Closed) | 5,129 | 5,081 | 5,628 | 25,513 | 25,459 | 0.2% | 47,919 | 40,185 |
| Unsold Homes on Market | 30,256 | 29,110 | 31,900 | 30,256 | 31,900 | -5.2% | 20,740 | 12,903 |
| Average Sales Price-Single Family | $334,833 | $318,904 | $335,111 | $313,851 | $317,761 | -1.2% | $268,926 | $169,587 |
| Average Sales Price-Condo | $186,328 | $183,896 | $184,566 | $180,238 | $185,693 | -2.9% | $168,226 | $100,694 |
| Median Sales Price-Single Family | $263,000 | $251,155 | $261,750 | $247,250 | $250,000 | -1.1% | $221,000 | |
| Median Sales Price-Condo | $157,950 | $155,000 | $159,900 | $153,000 | $157,500 | -2.9% | $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.*

In addition to the MetroList data described above, other national sources suggest either modestly positive or modestly negative first quarter home price appreciation rates in Metro Denver.

According to an NAR data series, the median single-family home price of an existing home in the Denver-Aurora MSA declined from a revised $245,600 in the fourth quarter of 2006 to $239,400 in the first quarter of 2007. Compared to the same quarter last year, the first quarter median home price in the Denver-Aurora MSA is down 2.0 percent. The Denver-Aurora MSA reported the 105th strongest year-over-year appreciation rate of the 150 largest metropolitan regions in the U.S. and was one of 62 MSAs to post a decline. The median home price in the Denver-Aurora MSA is currently the 39th highest among the 150 largest MSAs. The median single-family home price in the Boulder-Longmont MSA increased from $358,900 in the fourth quarter of 2006 to $371,400 in the first quarter of 2007. The Boulder-Longmont MSA posted a 2.9 percent increase from $361,000 in the first quarter of 2006, which was the 55th-fastest appreciation rate among the MSAs tracked by the NAR. Homes in the Boulder-Longmont MSA are currently the 18th most expensive in the nation.

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

| | Quarter 1 2007 (p) | Quarter 4 2006 (r) | Quarter 1 2006 | YTD Avg 2007 | YTD Avg 2006 | YTD Avg % Change | Median 2002 | Median 1997 |
|---|---|---|---|---|---|---|---|---|
| Boulder-Longmont MSA | $371.4 | $358.9 | $361.0 | $371.4 | $361.0 | 2.9% | $317.6 | n/a |
| Denver-Aurora MSA | $239.4 | $245.6 | $244.2 | $239.4 | $244.2 | -2.0% | $228.1 | $140.6 |
| United States | $212.3 | $219.0 | $216.1 | $212.3 | $216.1 | -1.8% | $167.6 | $129.0 |

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

*Foreclosure activity in Metro Denver cooled slightly between May and June, but the year-to-date count of foreclosures in June approached one-and-a-half times the count from June of last year. Public trustees in the Metro Denver region saw 2,524 foreclosure setups in June, down from May's count of 2,728 but up noticeably from the 1,664 foreclosures recorded in June 2006. Through the first six months of this year, Metro Denver foreclosures are up 42.6 percent over last year. All seven Metro Denver counties reported year-to-date increases through June, but the largest increases occurred in Denver County (+76.8 percent), Adams County (+48.4 percent), and Douglas County (+38.1 percent). So far this year, Boulder and Jefferson counties have seen the smallest increases in foreclosures.*

### Real Estate Foreclosures

| | Month of Jun-07 | Month of May-07 | Month of Jun-06 | YTD Total 2007 | YTD Total 2006 | YTD Total % Change |
|---|---|---|---|---|---|---|
| Total Metro Denver* | 2,524 | 2,728 | 1,664 | 13,658 | 9,577 | 42.6% |
| Adams County | 647 | 656 | 372 | 3,190 | 2,150 | 48.4% |
| Arapahoe County | 532 | 414 | 390 | 3,015 | 2,354 | 28.1% |
| Boulder County | 70 | 65 | 71 | 427 | 414 | 3.1% |
| Broomfield County | 14 | 16 | 16 | 109 | 86 | 26.7% |
| Denver County** | 862 | 1097 | 474 | 4,422 | 2,501 | 76.8% |
| Douglas County | 131 | 199 | 97 | 830 | 601 | 38.1% |
| Jefferson County | 268 | 281 | 244 | 1,665 | 1,471 | 13.2% |

**Foreclosure data for Metro Denver represents the total number of election and demand setups received by the county public trustee in the month received.*
***Denver County foreclosure data for 2007 has been revised and may differ from Denver County data in previous publications.*
*The foreclosure data above includes a portion of homes that are withdrawn so that not all of the foreclosures are real-estate owned properties.*
*Sources: Various County Public Trustees in Metro Denver.*

A report recently released by California-based RealtyTrac shows nationwide foreclosure activity in the first six months of the year up 56 percent over 2006. According to the report, Nevada saw the highest foreclosure rate in the nation with one filing per 40 households in the first half of this year. Colorado ranked second overall with one filing per 60 households followed by California, Michigan, and Florida. However, local housing officials disagree with RealtyTrac's methodology, saying that Colorado is unfairly analyzed and ranked.

Weakness in the existing homes market has also affected the market for new homes. Data recently released by the U.S. Commerce Department show the nationwide annual number of new home sales hitting 834,000 in June. The June sales figure falls 6.6 percent below May's revised figure of 893,000 and 12.3 percent below last June's annual figure of 1,073,000 new homes sold.

The count of U.S. housing starts – or residential building sites where construction has begun – reached 1,467,000 in June. This represented a 2.3 percent increase over May's construction activity but a 19.4 percent decrease in housing starts from June 2006. Data on building permits, a forward-looking indicator, tell a similar story across the nation. The June 2007 count of building permits issued in each region declined from June 2006 levels. The sharpest over-the-year declines, though, were seen in the West (-29.8 percent) and the South (-26.3 percent). In other residential construction news, the National Association of Homebuilders sentiment index declined from 28 in June to 24 in July, the lowest level registered since January 1991. An index reading below 50 indicates that most respondents have a pessimistic outlook on business conditions.

*New home construction in the Metro Denver region slowed considerably with a 27.5 percent drop in building permits between April and May. Permits rebounded, however, between May and June with an increase from 1,559 to 1,910 (+22.5 percent). June's increase was entirely driven by growth in permits for single-family attached dwellings – row homes, townhomes, duplexes, and condominiums – and multifamily, or apartment, buildings. Permits for single-family detached homes in Metro Denver decreased 34.5 percent between May and June. Permits for all types of residential construction were down 15.2 percent year-to-date through June. Of the seven Metro Denver counties, Broomfield and Denver saw the largest percentage gains in permit activity between May and June. The gain in both locations was entirely due to increased permits for single-family attached housing.*

**Residential Building Permits**

| | Month of Jun-07 | Month of May-07 | Month of Jun-06 | YTD Total 2007 | YTD Total 2006 | YTD Total % Change | Total 2002 | Total 1997 |
|---|---|---|---|---|---|---|---|---|
| Single-Family Detached Units | 736 | 1,123 | 1,123 | 4,668 | 6,811 | -31.5% | 13,793 | 14,890 |
| Single-Family Attached Units | 997 | 436 | 436 | 3,509 | 3,621 | -3.1% | 4,425 | 2,647 |
| Multi-Family Units | 177 | 0 | 0 | 1,091 | 499 | 118.6% | 4,085 | 5,415 |
| Total Units | 1,910 | 1,559 | 1,559 | 9,268 | 10,931 | -15.2% | 22,303 | 22,952 |

*Source: Home Builders Association of Metro Denver.*

*The Metro Denver rental market gained strength in second quarter 2007. The vacancy rate declined from 7.1 percent in the first quarter of this year to 6.2 percent in the second quarter, the lowest vacancy rate seen since 2001. Not surprisingly, average monthly rental rates also increased from the first to the second quarter of this year, rising from $843 to $864. Vacancy rates were lowest in the Boulder-Broomfield area (4.0 percent) and highest in Jefferson County (7.4 percent). Average rents were lowest in Jefferson County ($812.15) and highest in Douglas County ($1,030.25). Going forward, increased foreclosures could move more homeowners into the rental market, and higher construction costs could limit the number of new, multi-family buildings under construction. Combined, these factors could lead to continued improvement in rental trends.*

**Apartment Statistics**

| | Quarter 2 2007 | Quarter 1 2007 | Quarter 2 2006 | YTD Average 2007 | YTD Average 2006 | YTD Average % Change | Annual Average 2002 | Annual Average 1997 |
|---|---|---|---|---|---|---|---|---|
| Apartment Vacancy Rate | 6.2% | 7.1% | 6.9% | 6.7% | 7.2% | | 9.8% | 4.9% |
| Average Monthly Rental Rate (all units) | $864 | $843 | $844 | $853 | $839 | 1.6% | $822 | $650 |

*Source: Denver Metro Apartment Vacancy and Rent Survey.*

## Commercial Real Estate

*A midyear report released by Frederick Ross Company shows strong activity in Metro Denver's office market. Vacancy rates stood at 15.8 percent in mid-2007, down from 19.1 percent in mid-2006. The Southeast Suburban sector saw the sharpest decline in vacancy rates, from almost 20 percent in mid-2006 to 16.1 percent in the middle of this year. In an environment of lower vacancy rates and rising rents, Metro Denver saw strong investment in office property – almost 11 million square feet traded in the first half of 2007. Mid-2007 rental rates for Class A properties stood at $27.50, and the Ross report predicts they will pass $30.00 by 2008.*

*In its second quarter 2007 report, Grubb & Ellis observed falling vacancy rates across Metro Denver's office market. Both leasing and investor spending increased in the first half of this year, and vacancy rates are below 15 percent in all submarkets except the East, Southeast, and Southeast Suburban. The report also notes that both relocation and expansion are currently expensive for office tenants as both rents and construction costs are on the rise.*

The latest data from CoStar Realty Information, Inc. show a strengthening of Metro Denver's office market. The second quarter direct vacancy rate decreased to 11.9 percent from 12.5 percent in the first quarter of 2007. Compared to a year ago, the direct vacancy rate is a full percentage point lower. The total vacancy rate, which includes sublet space, also improved from first to second quarter and stands below second quarter 2006. The average lease rate continued its climb in the second quarter of 2007, rising from $19.19 per square foot in the first quarter of 2007 to $19.60 per square foot in the second quarter. The second quarter average lease rate is the highest quarterly rate since third quarter 2002.

Solid market fundamentals support significant construction activity. For the second consecutive quarter, more than 2.0 million square feet of new office space has been under construction. Although the square footage of space currently under construction slipped slightly from first to second quarter, the number of buildings soon to be added to the marketplace increased from 76 in the January-March period to 88 in the April-June period. About one-third of the 2.2 million square feet of office space under construction will be added in the City and County of Denver. Arapahoe County (28.0 percent) and Douglas County (26.6 percent) followed closely behind Denver. The largest project in the works is the Palazzo Verdi in Arapahoe County with more than 305,000 square feet of new space. The two largest projects completed earlier this year are the 259,000-square-foot RE/MAX International headquarters and the 186,000-square-foot Signature Centre at Denver West.

**Office Market Statistics**

| | Quarter 2 2007 | Quarter 1 2006 | Quarter 2 2006 | Quarter 2 2005 | Quarter 2 2004 | Quarter 2 2003 |
|---|---|---|---|---|---|---|
| Number of Buildings | 4,694 | 4,668 | 4,642 | 4,586 | 4,540 | 4,498 |
| Existing Square Feet (millions) | 152.9 | 152.4 | 150.9 | 149.9 | 149.1 | 147.5 |
| Vacant Square Feet (millions) | 18.1 | 19.1 | 19.4 | 21.4 | 21.8 | 21.4 |
| Vacancy Rate (Direct) | 11.9% | 12.5% | 12.9% | 14.3% | 14.6% | 14.5% |
| Vacancy Rate (With Sublet) | 12.9% | 13.6% | 14.1% | 15.8% | 16.5% | 17.0% |
| Average Lease Rate (per square foot) | $19.60 | $19.19 | $17.97 | $16.99 | $16.91 | $17.86 |
| New Construction Completed (year-to-date) | 0.79 MSF, 19 Bldgs | 0.34 MSF, 5 Bldgs | 0.40 MSF, 21 Bldgs | 0.30 MSF, 20 Bldgs | 0.80 MSF, 18 Bldgs | 1.02 MSF, 29 Bldgs |
| Currently Under Construction | 2.15 MSF, 88 Bldgs | 2.23 MSF, 76 Bldgs | 1.56 MSF, 40 Bldgs | 0.86 MSF, 31 Bldgs | 0.37 MSF, 21 Bldgs | 0.60 MSF, 18 Bldgs |

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

*The Frederick Ross Company's report for mid-year 2007 shows an industrial market that has recovered from – and grown beyond – the 2001 downturn. Mid-2007 vacancies stood at 6.2 percent, down from 7.9 percent in mid-2006. The 2007 vacancy rate is the lowest the market has seen since year-end 2000, when the vacancy rate was just below 5 percent. The Metro Denver market for industrial warehouse space has tightened, and all of the region's sectors have vacancy rates below the 10 percent level. Warehouse construction activity has increased to meet the demand, and 2007 investment totals are on track to break a 2004 record.*

*In its second quarter 2007 report, Grubb& Ellis predicts Metro Denver's industrial market will continue its expansion through the end of 2007. The report also predicts that both lease rates and purchase costs will increase, on average, by 10 percent over the next year. Finally, the metro area's tenant mix for large leases is shifting towards retail distribution and consumer goods manufacturers as the housing slowdown cools other sectors.*

The latest data from CoStar Realty Information, Inc. focus on second quarter 2007. In those data, the industrial market in Metro Denver reported slightly softer conditions in the second quarter of 2007 than in the prior quarter. The latest CoStar Realty Information, Inc. data indicates the direct vacancy rate increased from 6.2 percent in the first quarter of 2007 to 6.6 percent in the second quarter of 2007. The total vacancy rate, which includes sublet space, also increased from 6.6 percent in the first quarter to 7.0 percent in the second quarter. Compared to second quarter 2006, both the second quarter 2007 direct and total vacancy rates improved from a year earlier. The average lease rate was stable from first to second quarter, slipping only from $4.98 per square foot (NNN) to $4.95 per square foot (NNN). Compared to a year earlier, the average industrial lease rate in Metro Denver is $0.10 higher.

About 1.87 million square feet of new industrial space is currently under construction in Metro Denver, down from nearly 2.5 million square feet in the prior quarter. About two-thirds of the industrial construction is taking place in Adams County with about 21.1 percent occurring in Arapahoe County. So far this year, the Metro Denver market has added about 650,000 square feet of new industrial space, about two-thirds of which is in Adams County.

### Industrial Market Statistics

| | Quarter 2 2007 | Quarter 1 2006 | Quarter 2 2006 | Quarter 2 2005 | Quarter 2 2004 | Quarter 2 2003 |
|---|---|---|---|---|---|---|
| Number of Buildings | 6,073 | 6,041 | 6,024 | 5,986 | 5,948 | 5,909 |
| Existing Square Feet (millions) | 207.5 | 206.7 | 206.1 | 204.1 | 203.0 | 200.6 |
| Vacant Square Feet (millions) | 13.6 | 12.8 | 15.1 | 15.5 | 16.2 | 13.8 |
| Vacancy Rate (Direct) | 6.6% | 6.2% | 7.3% | 7.6% | 8.0% | 6.9% |
| Vacancy Rate (With Sublet) | 7.0% | 6.6% | 7.7% | 8.1% | 8.9% | 7.6% |
| Average Lease Rate (per square foot, NNN) | $4.95 | $4.98 | $4.85 | $4.62 | $4.66 | $5.07 |
| New Construction Completed (year-to-date) | 0.65 MSF, 8 Bldgs | 0.07 MSF, 2 Bldgs | 1.08 MSF, 14 Bldgs | 0.27 MSF, 13 Bldgs | 1.22 MSF, 14 Bldgs | 0.98 MSF, 24 Bldgs |
| Currently Under Construction | 1.87 MSF, 22 Bldgs | 2.49 MSF, 28 Bldgs | 1.35 MSF, 14 Bldgs | 0.73 MSF, 18 Bldgs | 0.58 MSF, 14 Bldgs | 1.37 MSF, 12 Bldgs |

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

The flex market in Metro Denver improved from first to second quarter, according to CoStar Realty Information, Inc. The direct vacancy rate decreased from 14.3 percent in the first quarter to 13.1 percent in the second quarter while the overall vacancy rate, including sublet space, decreased from 15.1 percent to 14.1 percent over the same period. The average lease rate increased from $8.67 in the first quarter to $8.99 in the second quarter. The second quarter average lease rate stands $0.56 above the same quarter last year.

About 140,000 square feet of flex space is currently under construction in Metro Denver, nearly all of which is located in Arapahoe County. The 140,000 square feet of new flex space that was recently constructed was added to Denver, Douglas, and Jefferson counties.

### Flex Space Statistics

| | Quarter 2 2007 | Quarter 1 2006 | Quarter 2 2006 | Quarter 2 2005 | Quarter 2 2004 | Quarter 2 2003 |
|---|---|---|---|---|---|---|
| Number of Buildings | 1,279 | 1,273 | 1,268 | 1,240 | 1,221 | 1,211 |
| Existing Square Feet (millions) | 37.4 | 37.2 | 37.1 | 36.5 | 36.2 | 36.0 |
| Vacant Square Feet (millions) | 4.9 | 5.3 | 5.3 | 5.4 | 5.9 | 5.8 |
| Vacancy Rate (Direct) | 13.1% | 14.3% | 14.3% | 14.8% | 16.4% | 16.2% |
| Vacancy Rate (With Sublet) | 14.1% | 15.1% | 14.9% | 16.2% | 18.2% | 17.8% |
| Average Lease Rate (per square foot, NNN) | $8.99 | $8.67 | $8.43 | $8.18 | $8.25 | $8.61 |
| New Construction Completed (year-to-date) | 0.14 MSF, 5 Bldgs | 0.00 MSF, 0 Bldgs | 0.29 MSF, 8 Bldgs | 0.10 MSF, 5 Bldgs | 0.09 MSF, 3 Bldgs | 0.13 MSF, 3 Bldgs |
| Currently Under Construction | 0.14 MSF, 7 Bldgs | 0.11 MSF, 3 Bldgs | 0.23 MSF, 9 Bldgs | 0.22 MSF, 11 Bldgs | 0.03 MSF, 2 Bldgs | 0.07 MSF, 5 Bldgs |

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

According to CoStar Realty Information, Inc., the retail and shopping center market in Metro Denver posted a 7.0 percent direct vacancy rate in the second quarter of 2007, down slightly from 7.1 percent in the prior quarter but up from 6.7 percent in the second quarter of 2006. The total vacancy rate, which includes sublet space, decreased from 7.5 percent in the first quarter of 2007 to 7.3 percent in the second quarter but stands above the second quarter 2006 vacancy rate. The average lease rate decreased from $16.60 per square foot to $16.47 per square foot, which is higher than the second quarter 2006 rate.

About 5.9 million square feet of new retail space is in the pipeline for Metro Denver, down slightly from 5.8 million square feet under construction in the first quarter of the year. About 38 percent of the 5.9 million square feet will be added in Adams County, followed by 22.6 percent in Arapahoe County, and 15.0 percent in the City and County of Broomfield. As of second quarter 2007, at least four projects of more than 500,000 square feet each are in the works. Of the 672,000 square feet of new retail space that has already been added in the seven-county region, the second phase of the Harvest Junction project in Longmont is the most substantial at 280,000 square feet.

**Retail Market Statistics**

| | Quarter 2 2007 | Quarter 1 2006 | Quarter 2 2006 | Quarter 2 2005 | Quarter 2 2004 | Quarter 2 2003 |
|---|---|---|---|---|---|---|
| Number of Buildings | 4,808 | 4,727 | 4,673 | 4,575 | 4,483 | 4,356 |
| Existing Square Feet (millions) | 135.4 | 134.0 | 131.5 | 123.6 | 121.7 | 115.9 |
| Vacant Square Feet (millions) | 9.4 | 9.5 | 8.8 | 6.7 | 6.8 | 4.6 |
| Vacancy Rate (Direct) | 7.0% | 7.1% | 6.7% | 5.4% | 5.5% | 4.0% |
| Vacancy Rate (With Sublet) | 7.3% | 7.5% | 6.9% | 5.8% | 5.7% | 4.1% |
| Average Lease Rate (per square foot) | $16.47 | $16.60 | $16.26 | $15.83 | $13.89 | $13.97 |
| New Construction Completed (year-to-date) | 0.67 MSF, 16 Bldgs | 0.38 MSF, 7 Bldgs | N/A | N/A | N/A | N/A |
| Currently Under Construction | 5.90 MSF, 71 Bldgs | 5.79 MSF, 62 Bldgs | N/A | N/A | N/A | N/A |

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

*A mid-2007 report by the Frederick Ross Company concludes that Metro Denver's retail market is keeping pace with expectations for moderate growth. Market statistics for mid-2007 lag behind those for mid-2006. The value of retail property sold so far in 2007 is roughly $2.4 million, down from the $3.5 million figure from mid-2006. New construction, however, tells a different story. Selected projects account for 7.0 million square feet of retail space currently under construction in Metro Denver, compared to 3.7 million square feet in mid-2006. The Ross Report expects the new property – which retail tenants tend to favor – will keep upward pressure on rents.*

Other commercial construction plans include $1 billion in mixed-use development at Denver's Union Station, a project scheduled for completion in 2011. Westfield Development Company is building a 500,000-square-foot office building in Lower Downtown, and the $150 million building is expected to receive a silver LEED certification for energy efficiency. Also, Evan Makovsky of Shames-Makovsky Realty Company is working on Block 162, a $350 million mixed-use development between the 16th Street Mall and the Colorado Convention Center.

## Metro Denver Indicator Summary

| Indicator | Monthly/Quarterly Direction | Annual Direction | Summary of Recent Changes |
|---|---|---|---|
| Nonfarm Employment Growth | ⇑ | ⇑ | Employment increased by 10,700 jobs from May to Jun; employment is up 1.8% through Jun 2007 |
| % Companies Hiring (Denver Area) | ⇓ | ⇐⇒ | 26% of companies expect to add workers in Q3 2007. |
| Unemployment Rate | ⇑ | ⇓ | Metro rate up from 3.3% in May to 3.8% in Jun; YTD rate in Metro Denver and CO at 3.9% |
| Initial Claims | ⇓ | ⇓ | Claims decreased 13.7% from May to Jun; YTD claims are down 0.3% through Jun 2007 |
| Total Retail Sales | ⇓ | ⇑ | YTD Metro retail sales up 9.9% through Apr 2007; 9.7% year-to-date gain for Colorado |
| Consumer Confidence Index | ⇓ | ⇑ | Mountain region confidence level decreased from 138.9 in May to 129.2 in Jun; YTD up 2.3% |
| Hotel Occupancy | ⇑ | ⇑ | Hotel occupancy increased from 68.9% in May to 80.1% in Jun; avg room rate increased to $115.26 |
| DIA Passengers | ⇑ | ⇑ | Traffic increased 6.5% from Apr to May; YTD traffic of 19.9 million up 4.4% through May 2007 |
| Bloomberg Colorado Index | ⇓ | ⇑ | Bloomberg Colorado Index decreased 2.7% from Jun to Jul; index up 10.9% for the year |
| Dow Jones Industrial Average | ⇓ | ⇑ | DOW decreased 1.6% from Jun to Jul; index up 6.0% for the year |
| Home Sales (closed) | ⇑ | ⇑ | Home sales increased 0.9 percent from May to Jun; YTD up 0.2% |
| Median Home Price (Denver-Aurora MSA) | ⇓ | ⇓ | Median home price in Denver MSA fell to $239,400 in Q1 2007; YTD price down 2.0% |
| Foreclosures | ⇓ | ⇑ | Foreclosures decreased 7.5 percent from May to Jun; YTD foreclosures up 42.6% through Jun 2007 |
| Residential Building Permits (Total) | ⇑ | ⇓ | Total permits increased 22.5% from May to Jun; YTD permits down 15.2% through Jun 2007 |
| Apartment Vacancy Rate | ⇓ | ⇓ | Vacancy rate decreased from 7.1% in Q1 to 6.2% in Q2; avg rental rate up to $864 per month |
| Office Vacancy Rate (with Sublet) | ⇓ | ⇓ | Vacancy rate down to 12.9% in Q2 2007; average lease rate up to $19.60 per square foot |
| Industrial Vacancy Rate (with Sublet) | ⇑ | ⇓ | Vacancy rate up to 7.0% in Q2 2007; 1.87 million square feet currently under construction |
| Flex Space Vacancy Rate (with Sublet) | ⇓ | ⇓ | Vacancy rate down to 14.1% in Q2 2007; 140,000 square feet of construction underway |
| *Positive Changes* | **10 of 18** | **14 of 18** | |

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