



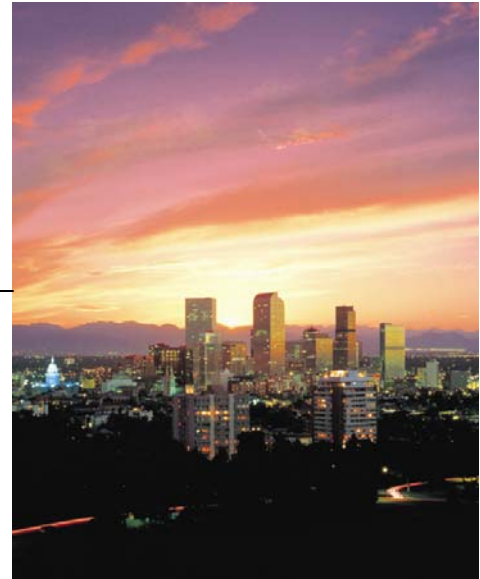
Metro Denver
Economic Development Corporation

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 Metro Denver definition, at the MSA level, or at 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

- ◆ According to the 2007 edition of the Emerging Trends in Real Estate report by the Urban Land Institute and PriceWaterhouseCoopers, Denver was ranked as the 16th best market for commercial/multifamily investment and development out of 45 markets in the United States. While “global gateway” areas such as New York, Washington, DC, and Los Angeles were the favored investment locations, analysts noted that Metro Denver’s “budding light rail system and evolving 24-hour LoDo district will be a boon.”
- ◆ Readers of *Business Traveler* magazine voted Denver International Airport (DIA) the best airport in North America for the second year-in-a-row. DIA also scored the fourth highest ranking on the international “Best in Business Travel Awards.” DIA’s design, service, and public art display were noted among the airport’s top attributes. In addition, Denver-based Frontier Airlines was chosen as the top low-cost carrier in the latest round of awards.
- ◆ The Arapahoe Library System ranked fifth among 300 similar-sized operations in the U.S. this year, up from tenth place last year. Library systems in Colorado were the sixth best overall in the Hennen’s American Public Library Ratings 2006, which considers such factors as circulation, staffing, materials, and hours of operation.
- ◆ The new Southeast Corridor light rail opened to riders on November 17, 2006, marking the completion of the second most expensive public works project in Metro Denver since DIA was built. The \$1.75 billion, six-year T-REX project added 19 miles of light rail and improved 17 miles of highway in the southeast region of Metro Denver. The Regional Transportation District estimates 33,000 riders will use the Southeast Corridor light rail line daily by this time next year and that ridership could grow to 38,100 by 2020. The average construction cost of a mile of new T-REX highway is \$19.3 million compared to \$27.6 million for a mile of T-REX light rail.

General Economic Overview

The preliminary estimate for third quarter gross domestic product (GDP) growth, the most comprehensive indicator of the national economy, was revised upward to 2.2% from the advance estimate of 1.6% that was released in October. Despite the upward revision, the economy still expanded at a slower pace in the July-September period compared to the 2.6% pace achieved in the second quarter of the year. The third quarter deceleration is attributable to an increase in imports as well as a decline in residential investment and decelerations in inventory investment, consumer spending on services, and state and local government spending.

Paris-based Organization for Economic Cooperation and Development is forecasting a 2.4% increase in real GDP for the U.S. in 2007, down from the 3.3% estimated increase in 2006. The OECD revised its U.S. forecast for

MONTHLY ECONOMIC SUMMARY

2007 downward but increased its forecast for the “Euro area” or countries that use the Euro. Real GDP in the Euro area is expected to grow 2.2% in 2007 compared to a 2.6% pace estimated for 2006. Japan is also expected to experience a slower economic expansion with a 2.0% increase in 2007 compared to a 2.8% increase in 2006. For the total OECD area, which includes the U.S., Euro area, and Japan, real GDP is expected to increase 2.5% in 2007 compared to a 3.2% increase in 2006.

The National Association of Business Economists (NABE) is also predicting slower economic growth for the U.S. in 2007, according to the latest survey of 50 economists that resulted in slight downward revisions to economic growth in both 2006 and 2007. November survey results reveal a 3.3% GDP increase in 2006, down slightly from the 3.4% pace reported in the September survey. Economic expansion will slow to a 2.5% increase in 2007, down from the 2.7% pace predicted in the previous survey. Depressed residential investment spending in 2007 will contribute to the deceleration while consumer spending and nonresidential investment are expected to be “well-maintained.”

Economic growth in the Federal Reserve’s Tenth District, which includes Colorado, continued at a modest pace in October and early November, according to the Beige Book. The report noted an overall increase in consumer spending although automobile sales weakened. Furthermore, commercial real estate activity increased but residential real estate activity continued to soften.

The Federal Open Market Committee (FOMC) left the target for the federal funds rate unchanged at 5.25% for the third time in a row at the October meeting. The committee acknowledged the nation’s slowing economic growth due in part to the cooling housing market but expects economic growth to expand at a moderate pace in the coming months. Inflation concerns remain, although reduced energy prices and other factors have contained pressure at this time. Most analysts believe the FOMC will also leave the target rate unchanged at the next meeting on December 12, 2006.

Lower oil prices helped shrink the U.S. trade deficit in September by the largest one-month decline since February 2001. The deficit decreased 6.8% from a record \$69 billion in August to \$64.3 billion in September. At the same time, the U.S. deficit with China rose to an all-time high of \$23 billion in September as retailers began to stock their shelves in preparation for the holiday shopping season. Chinese-made imports included televisions, cell phones, and toys, according to the U.S. Department of Commerce.

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

- ◆ The Conference Board’s Index of Leading Economic Indicators increased for the second consecutive month in October even after the September index was revised upward. The October index increased 0.2% to 138.3 with six of the ten indicators moving in a positive direction, including real money supply, consumer expectations, stock prices, average weekly manufacturing hours, manufacturer’s new orders for goods and materials, and average weekly initial claims for unemployment insurance. The coincident index, which measures current economic activity, increased 0.1% in October to 123.7.
- ◆ The nation’s manufacturing sector contracted in November for the first time in 41 consecutive months, reflecting weaker new orders and manufacturing production in the U.S. The Institute for Supply Management’s Purchasing Managers’ Index (PMI) slipped 1.7% from 51.2 in October to 49.5 in November, the lowest PMI since April 2003. On the bright side, the nation’s overall economy expanded for the 61st consecutive month in November. Eight manufacturing industries experienced growth in November, led by apparel, leather & allied products, and plastics & rubber products. A reading greater than 50 suggests economic expansion whereas a reading below 50 suggests economic contraction.
- ◆ The local manufacturing economy expanded in October but at a slower rate than reported in the previous month, according to the Denver Manufacturing Purchasing Managers’ Index, which is compiled by the University of Colorado at Denver Business School. The index registered 54.6 in October, down from 60.5 in September.

MONTHLY ECONOMIC SUMMARY

- ◆ The national service economy expanded for the 43rd consecutive month in October and at a faster pace than exhibited in September. The Institute for Supply Management's Non-Manufacturing Index increased from 52.9 in September to 57.1 in October with half of the 18 non-manufacturing industries reporting increased economic activity. Utilities, information, and retail trade were the top three growth industries in October.
- ◆ Metro Denver's non-manufacturing or service-economy index also recovered in September, similar to the region's manufacturing index, with an increase from 43.7 in August to 57.1 in September. The non-manufacturing index is compiled by the College of Business at the University of Colorado at Denver and indicates expansion with a reading of 50 or greater.
- ◆ The Creighton University Business Conditions Index for the Mountain States region declined in November for the third straight month amid moderating inflationary pressures and slowed job growth in the Colorado-Wyoming-Utah region. The index, which declined from 67.6 in October to 58.4 in November, also reflected slightly less optimistic consumer confidence levels and stronger new export orders. The individual Colorado index increased from 53.8 in October to 55.6 in November. A reading greater than 50 indicates expansionary conditions.
- ◆ Business conditions for small businesses in Colorado softened in October, according to the Vectra Bank Colorado Small Business Index. The index decreased from a revised 104.8 in September to 100.1 in October, primarily due to a declining unemployment rate. A lower unemployment rate is considered to have a negative impact on small businesses as it suggests lesser access to labor from the small-business perspective. Small business conditions also weakened at the national level, decreasing from a revised 91.1 in September to 86.5 in October. Both indices use a baseline value of 100 in 1997.
- ◆ Colorado business leaders anticipate slower economic growth in Colorado during the final quarter of 2006. The Colorado Business Leaders Confidence Index declined for the third consecutive quarter from 54.2 in the third quarter to 49.9 in the fourth quarter. The slip below the neutral 50 suggests the economy may be edging toward a contractionary mode although index authors say a slowdown is more likely. The forward-looking index is comprised of six component indexes, all of which reported declines from the third quarter outlook.
- ◆ The Metro Denver Leading Index was unchanged for the fifth consecutive month in August at 101.1, suggesting that the local economy is growing at a slow, steady pace. Still, the 101.1 index achieved from April through August is the highest level reported since June 2001. Three of the seven Leading Index components moved in a positive direction from July to August. The Leading Index is a predictor of changing economic activity six to nine months in advance. The Historic Index, which measures year-over-year growth, returned to 130.6 in August after slipping from 130.6 in June to 130.5 in July. The stable pattern exhibited in the last three months suggests that the Metro Denver economic growth path has shifted from a generally upward trend reported from early 2004 through mid-year 2006 to a slower growth pattern. Both of the Historic Index's two components increased from July to August. The 100 level represents the benchmark year of 1995 for both indices, which are compiled by Development Research Partners.

Labor and Employment

Year-to-date employment growth in the Metro Denver region is up 1.9% through October 2006, according to preliminary data from the Colorado Department of Labor and Employment. The overall 1.9% increase is comprised of a 2.0% year-to-date gain in the Denver-Aurora MSA and a more modest 1.3% gain in the Boulder-Longmont MSA. Statewide employment growth continues to expand at a stronger rate than Metro Denver as it has since December 2003. Colorado employment growth through October is up 2.1% compared to a 1.4% annualized gain at the national level. Both Metro Denver and Colorado have reported stronger year-to-date employment gains than the nation since December 2004.

MONTHLY ECONOMIC SUMMARY

All of the 11 federally-defined industry supersectors posted year-to-date employment gains through October with the exception of the Information sector, which is down 2.5% or by 1,500 jobs. The Information sector shed another 200 positions in October, marking the third consecutive month of declines. On the bright side, employment is up 5.1% in the Natural Resources and Construction sector through October for a difference of 5,100 jobs. The Professional and Business Services sector (+3.2%, 7,000 jobs) and the Transportation, Warehousing & Utilities sector (+3.1%, 1,600 jobs) also reported strong gains through October. Employment growth in the remaining industry sectors is modest, although Other Services and Manufacturing employment growth is flat at less than 1.0%.

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

	Month of Oct-06 (p)	Month of Sep-06	Month of Oct-05	Year-to- Date Average 2006	Year-to- Date Average 2005	Year-to- Date Average % Change	Annual Growth Rate 2001	Annual Growth Rate 1996
Total 11-County Metro Denver*	1,388.5	1,385.2	1,366.3	1,372.4	1,346.3	1.9%	0.0%	3.1%
Denver-Aurora MSA	1,223.8	1,222.0	1,203.3	1,210.3	1,186.3	2.0%	-0.2%	3.2%
Boulder-Longmont MSA	164.7	163.2	163.0	162.1	160.0	1.3%	1.5%	2.7%
Natural Resources & Construction	103.5	103.6	100.9	101.2	96.3	5.1%	2.0%	5.5%
Manufacturing	92.1	92.1	91.9	91.9	91.2	0.7%	-5.8%	2.0%
Wholesale & Retail Trade	211.7	208.3	210.9	209.4	206.8	1.2%	-0.4%	2.9%
Transp., Warehousing & Utilities	53.2	53.0	51.4	52.4	50.8	3.1%	2.3%	5.4%
Information	55.7	55.9	56.3	55.9	57.3	-2.5%	-3.3%	5.1%
Financial Activities	108.5	108.5	107.7	108.2	106.5	1.6%	-0.3%	5.5%
Professional & Business Services	230.1	230.9	223.2	226.4	219.4	3.2%	-1.4%	3.6%
Education & Health Services	141.3	140.5	139.1	139.9	137.1	2.1%	4.1%	3.5%
Leisure & Hospitality	141.9	143.7	137.4	141.0	138.0	2.2%	1.0%	1.2%
Other Services	50.5	50.6	50.2	50.7	50.4	0.5%	-0.2%	5.1%
Government	200.0	198.1	197.3	195.5	192.6	1.5%	2.5%	0.8%
Federal Gov't	31.1	31.3	31.0	31.3	31.4	-0.2%	-3.3%	-5.2%
State & Local Gov't	168.9	166.8	166.3	164.2	161.3	1.8%	3.8%	2.5%
Colorado	2,286.8	2,286.8	2,246.4	2,265.8	2,218.6	2.1%	0.6%	3.6%
United States	136,738	136,026	134,817	135,028	133,120	1.4%	0.0%	2.1%

*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:

Aerospace: The global space economy has room to grow over the next five years despite only small increases in NASA's budget, according to a new report by the Colorado Springs-based Space Foundation. The satellite-radio market, for example, will grow from 12 million installed units in 2005 to 55 million units in 2010. Forecast International is estimating another 170 remote sensing satellites will be built between 2004 and 2013. The "Space Report: Guide to Global Space Activity" estimates that space activities accounted for about \$180 billion in government budgets and industry revenues in 2005 of which about \$80 million is attributable to satellite-based products and services.

About 150 Ball Aerospace employees in Boulder are currently building the highest-resolution commercial imaging satellite known as WorldView. WorldView, which will launch in mid-2007, can take images from the

MONTHLY ECONOMIC SUMMARY

Earth's surface as small as 20 inches across and take four to five times as many images as existing satellites. Longmont-based Digital Globe won a \$500 million contract from the National Geospatial-Intelligence Agency three years ago and commissioned Ball Aerospace to build the satellite.

Aviation: Denver-based Frontier Airlines and AirTran Airways formed a partnership in November allowing both low-cost carriers to book travel on each other's flights. The agreement, which extends the networks of both carriers and nearly doubles Frontier's destinations, also allows passengers to earn frequent-flier miles on each other's networks. AirTran flies to 45 cities daily, many of which are located on the East Coast, whereas Frontier has more predominate service along the West Coast and in Mexico.

In other Frontier Airlines news, the low-cost carrier will outsource its revenue accounting work to a firm in Phoenix, resulting in the loss of 17 full-time employees and 33 part-time employees. The outsourcing is a significant cost savings for the Denver-based airline. On the bright side, Frontier has chosen Westminster as the new headquarters for Lynx Aviation, Frontier's new turboprop subsidiary. Lynx Aviation, known to customers as Frontier Express, will fly ten 74-seat Bombardier Q400 turboprop planes that were purchased for \$256.8 million to locations such as Aspen and Jackson Hole, WY. About 20 employees are currently staffing Lynx Aviation but employment could reach 300 to 400 total jobs by year-end 2007. The new jobs would be stationed at the Westminster headquarters as well as airports.

Arapahoe-County based Adam Aircraft Industries received the third largest venture capital award in the nation during the third quarter of \$93 million. Adam Aircraft Industries plans to use part of the \$93 million in venture capital that it was recently awarded to finish the development of its A-700 aircraft which is a twin jet or VLJ (Very Light Jet). We incorrectly reported last month that the money would be used towards development of its A-500 aircraft which is a twin engine centerline thrust (propeller) aircraft that the Federal Aviation Administration approved last year. The company is located at Centennial Airport.

Biotechnology: The University of Colorado will name its campus at Fitzsimons the Anschutz Medical Campus in honor of its top donor, Philip Anschutz. A recent \$25 million gift brought the Anschutz family's total donations to CU since 2000 to \$91 million.

Energy: After becoming the nation's fastest growing coal producer in 2004, coal production will fall an estimated 9.0% in Colorado this year to 35 million tons. In 2004, coal production in Colorado reached a record 40 million tons. The shortfall is attributable to various incidents at Colorado mines, including the closing of two mines in Routt County in December 2005. Colorado ranked seventh in the nation for coal production in 2005 but experts are unsure where Colorado will land in 2006 because of changing production levels in other states.

A small Wheat Ridge engineering firm is in the final bidding stages for a \$750 million contract with the Iraq Oil Ministry that could create 150 new engineering jobs in Colorado and 1,500 construction worker jobs in Iraq. Colorado Industrial Construction Services Co., which currently has a staff of 70, is vying to build one of the first new refineries in Iraq in more than 30 years. The two other companies in the final bidding stage are based in Canada and England.

Colorado school districts, local governments, and the water conservation board will receive \$147 million in federal royalties for the 2006 fiscal year ended September 30 from the Department of Interior's Minerals Management Service. The agency receives royalties from oil, natural gas, and mining companies that drill wells or mine on federal lands. The 2006 royalties are up 37% from fiscal year 2005. Colorado received the fourth largest total royalty award among the 34 royalty-receiving states. Only Wyoming, New Mexico, and Utah reported higher royalty awards.

Information Technology: Sun Microsystems disclosed another round of company-wide layoffs that affected about 100 employees in Colorado. The layoffs are part of the cost-cutting plan that will reduce the company's workforce by 5,000 employees or 13%. Sun Microsystems is based in Santa Clara, CA and recently acquired Louisville, CO-based Storage Technology Corp.

MONTHLY ECONOMIC SUMMARY

Infinite Power Solutions (IPS), a thin-film battery manufacturer based in Golden, will hire an additional 40 employees and open a 40,000-square-foot facility in southern Jefferson County. The expansion will involve \$12.5 million in new capital investment and focus on high-volume manufacturing. The venture capital arm of the Central Intelligence Agency (CIA), In-Q-Tel, recently awarded IPS an undisclosed amount for its thin-film batteries. The lithium-based batteries are approximately the size of a postage stamp and could eventually replace lithium-ion batteries currently used in laptop PCs and cell phones.

In other employment news, Metro Denver's largest hospital system HCA-HealthOne cut 90 workers from its 9,000-person workforce in November. Declining patient volume prompted the cuts which mostly affected management positions as opposed to health care workers.

About 49% of Colorado employers plan to add staff in 2007 while 46% anticipate no staffing changes and 5% plan to cut jobs. The results from the [Rocky Mountain News](#) and Mountain States Employers Council (MSEC) joint survey suggest that jobs seekers will have options and employers may experience tighter labor market conditions. The new survey gathered responses from 242 MSEC members.

A separate survey by Manpower Inc. indicates that the hiring pace in Metro Denver will soften in the final quarter of 2006 but remain at a stronger level than a year ago. According to the latest Manpower Employment Outlook Survey, about 33% of the companies interviewed in the Denver area plan to hire more employees in the fourth quarter of 2006, down from 43% in the third quarter and 38% in the second quarter. On the bright side, only 2% of the companies expect to reduce payrolls in the fourth quarter, down from 8% in the third quarter. About 60% of Denver area companies expect no staffing changes. Hiring expectations are also lower in the Boulder area with about 23% of companies planning to hire in the fourth quarter, down from 47% in the third quarter. Ten percent of Boulder respondents plan to reduce payrolls in the fourth quarter, up from 0% in the third quarter. Job prospects in the Denver area appear best in construction, durable goods manufacturing, transportation/public utilities, wholesale/retail trade, finance/insurance/real estate, and public administration.

Similar to the Metro Denver outlook, the national employment outlook for fourth quarter 2006 is softer with 28% of companies planning to add workers during the October-December period, down from 31% in the previous quarter. About 8% of the 14,000 companies interviewed plan to reduce staff levels, 58% expect no staffing changes, and the remaining 6% are undecided.

Employment Outlook Survey

	Quarter 4 2006	Quarter 3 2006	Quarter 4 2005	YTD Average 2006	YTD Average 2005
Denver Area*					
Percent of Companies Hiring	33%	43%	23%	36%	29%
Percent of Companies Laying Off	2%	8%	18%	7%	7%
Percent of Companies No Change	60%	49%	56%	52%	61%
Boulder County					
Percent of Companies Hiring	23%	47%	17%	34%	29%
Percent of Companies Laying Off	10%	0%	7%	5%	8%
Percent of Companies No Change	67%	53%	76%	59%	58%

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

The Metro Denver unemployment rate decreased from 4.3% in September to 4.2% in October, bringing the year-to-date rate to 4.6% through the tenth month of 2006. At this time last year, the year-to-date unemployment rate was 5.2%. All seven Metro Denver counties reported unemployment rate declines from September to October. The October unemployment rate was the highest in the City and County of Denver (4.9%) and Adams County

MONTHLY ECONOMIC SUMMARY

(4.7%) while Douglas County (3.0%) and Boulder County (3.6%) reported the lowest rates. The statewide unemployment rate also decreased in October, slipping from 4.2% in September to 4.1% in October. About 4.1% of job seekers nationwide were unemployed in October, down from 4.4% in the month prior. On a year-to-date basis, the Colorado and U.S. unemployment rates stand at 4.5% and 4.7%, respectively. Colorado reported the 28th lowest unemployment rate in October of the 50 states.

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

	October 2006 (p)		2006 YTD AVG		2005 YTD AVG		2001	1996
	Total Labor Force	Unemployment Rate	Total Labor Force	Unemployment Rate	Total Labor Force	Unemployment Rate	Ann Avg Unemployment Rate	Ann Avg Unemployment Rate
Metro Denver	1,511.0	4.2%	1,481.0	4.6%	1,440.3	5.2%	3.9%	3.8%
Adams County	211.7	4.7%	207.9	5.2%	202.2	5.9%	4.2%	4.2%
Arapahoe Cnty	312.1	4.1%	306.0	4.5%	297.4	5.2%	3.8%	3.2%
Boulder Cnty	175.5	3.6%	171.1	3.9%	167.3	4.6%	3.5%	3.8%
Broomfield Cnty	25.2	4.0%	24.7	4.4%	24.0	4.8%	3.7%	**
Denver County	319.2	4.9%	313.2	5.4%	304.7	6.1%	4.6%	5.0%
Douglas Cnty	143.9	3.0%	140.8	3.2%	136.5	3.6%	3.1%	2.2%
Jefferson Cnty	323.3	4.1%	317.1	4.5%	308.1	5.1%	3.6%	3.4%
Colorado	2,665.9	4.1%	2,625.1	4.5%	2,545.4	5.2%	3.8%	4.2%
United States	152,397	4.1%	151,197	4.7%	149,173	5.1%	4.7%	5.4%

**Broomfield County was formed in November 2001 from parts of Adams, Boulder, Jefferson, and Weld counties.

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

The number of first time unemployment insurance claims filed in Metro Denver surged in October after three months of consecutive declines. Total claims filed in October increased to 5,145, up from 3,726 in September. October filings in Metro Denver are at the highest level since January 2006. Still, year-to-date filings through October are down 5.7% compared to the first ten months of last year. Statewide claims also jumped in October, posting a 48.1% increase from the month earlier. Colorado recorded 11,246 first time unemployment claims in October, also the highest level of filings since the first month of the year. Through October, statewide claims are down 11.2% compared to 2005.

First-Time Unemployment Insurance Claims

	Month of	Month of	Month of	YTD Avg	YTD Avg	YTD Avg	Annual	Annual
	Oct-06	Sep-06	Oct-05	2006	2005	% Change	Average 2001	Average 1996
Metro Denver	5,145	3,726	4,948	4,572	4,847	-5.7%	6,599	4,573
Colorado	11,246	7,594	11,202	9,404	10,596	-11.2%	13,624	

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

The Colorado constituency voted to increase the state's minimum wage from \$5.15 per hour to \$6.85 per hour effective January 1, 2007, making Colorado the 28th state to have set a higher minimum wage than the federal government. The minimum wage for restaurant servers will also increase from \$2.13 per hour to \$3.83 per hour. According to the new law, the statewide minimum wage will increase annually based on changes in the Denver-Boulder-Greeley Consumer Price Index, which is compiled by the U.S. Bureau of Labor Statistics.

In addition to a higher minimum wage, Colorado employers are also incurring higher health care costs. The average cost of providing health insurance to a Colorado employee increased 8.5% in 2006 to \$7,952. The new

MONTHLY ECONOMIC SUMMARY

study by Mercer Health & Benefits reported a 6.1% increase nationwide in 2006 to \$7,523 per person. The 2006 increase at the national level marked the third consecutive year for single-digit increases. The average cost per person increased 14.1% in 2002.

Consumer Sector

Consumers across the U.S. are experiencing some relief in the marketplace. Core inflation, which excludes food and energy prices, decreased 0.9% from September to October, the largest month-to-month decline in 13 years. Sales incentives for new cars and sport-utility vehicles contributed to the October decline. U.S. inflation at the wholesale level also plunged in October with prices declining 1.6% in October after falling 1.3% in September. Falling energy prices were significant contributors to the recent price declines.

Analysts note that reduced gasoline prices are partly behind the recent declines in U.S. retail sales. Total U.S. retail sales slipped 0.2% in October to \$363.7 billion after falling 0.8% in the month prior. Service station purchases were down 0.6% from September to October. Despite two consecutive months of weaker retail sales, analysts are not concerned about the holiday shopping season. Retail sales during the post-Thanksgiving weekend, also known as "Black Friday" weekend, were reportedly up 19% over the same period in 2005. Furthermore, the average shopper completed more than one-third of his or her holiday shopping during the Black Friday weekend, according to the National Federation of Retailers (NFR). An estimated 140 million Americans shopped over the Black Friday weekend and spent an average of \$360.15 each, up from \$302.81 last year.

Several different industry analysts are forecasting increased holiday spending this year. The NFR anticipates a 5.0% increase in retail sales during the November-December period which is similar to the International Council of Shopping Center's 4.8% projected increase. Visa USA expects sales to increase by a robust 7.5% this holiday season. Shoppers are expected to purchase more items online this year as well. The NFR is predicting an 18% increase in online holiday purchases this year to \$32 billion.

Total retail sales in Metro Denver increased 7.6% from August to September, bringing total sales through third quarter 8.7% higher than at this time last year. Five of the seven Metro Denver counties reported increased sales from August to September. Adams and Arapahoe counties posted slightly weaker sales. Still, year-to-date retail sales are up in all seven Metro Denver counties, including an 11.1% gain in the City and County of Denver, a 10.3% gain in Adams County, and a 10.1% gain in Arapahoe County. More modest year-to-date increases have occurred in Boulder, Jefferson, Broomfield, and Douglas counties. Retail sales at the state level slipped from August to September but stand 9.4% above total sales at this time last year.

Total Retail Sales (\$000s)

	Month of Sep-06	Month of Aug-06	Month of Sep-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Annual Growth 2001	Annual Growth 1996
Total Metro Denver	6,940,629	6,450,981	6,407,060	56,581,241	52,045,231	8.7%	2.9%	7.1%
Adams County	992,659	1,001,305	916,896	8,556,444	7,754,295	10.3%	3.6%	3.2%
Arapahoe County	1,462,312	1,464,237	1,326,190	12,545,033	11,392,854	10.1%	-0.5%	10.1%
Boulder County	690,899	575,869	667,273	5,221,757	5,044,384	3.5%	1.6%	10.4%
Broomfield County	132,074	124,232	132,947	1,096,343	1,032,292	6.2%		
Denver County	1,971,993	1,774,317	1,776,343	15,604,658	14,049,581	11.1%	1.6%	2.2%
Douglas County	559,811	488,108	494,253	4,418,861	4,126,625	7.1%	16.5%	46.4%
Jefferson County	1,130,881	1,022,913	1,093,158	9,138,145	8,645,200	5.7%	2.6%	5.8%
Colorado	11,900,407	10,970,704	10,928,031	96,340,190	88,031,763	9.4%	2.9%	7.2%

Source: Colorado Department of Revenue.

MONTHLY ECONOMIC SUMMARY

Colorado consumers are benefiting from less expensive gasoline prices but will likely see electric bill increases in early 2007, according to a recent agreement between Xcel Energy and state regulators. The average residential bill will increase by \$4.34 per month and the average small business bill will increase \$6.89 per month effective January 1, 2007.

Consumer confidence in the Mountain region retreated in October to 130.7 from a revised 136.4 in September, according to the Conference Board's Consumer Confidence Index. Still, consumer confidence in the Mountain region is the second most optimistic among the nation's nine regions behind only the West South Central region. The recent decline brings year-to-date confidence levels through October to 131.6, which represents a 10.1% gain over 2005 consumer confidence levels. The confidence index is comprised of the present situation index and the expectations index. The perception of the current situation decreased from a revised 182.9 in September to 156.9 in October, the third highest reading of the nine regions. On the other hand, the future expectations index increased from a revised 105.5 in September to 113.2 in October, the highest reading of the nine regions.

Consumer Confidence Index

	Month of Oct-06 (p)	Month of Sep-06	Month of Oct-05	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Ann Avg 2001
Mountain	130.7	136.4	104.8	131.6	119.5	10.1%	115.2
United States	105.4	105.9	85.2	105.5	100.1	5.4%	106.6

Source: The Conference Board. (p) =preliminary

National consumer confidence was stable in October, slipping from a revised 105.9 in September to a preliminary 105.4 in October. Similar to the Mountain region, the national present situations index declined in October while the future expectations index increased. Advance estimates for November confidence levels reveal a further decline in overall consumer confidence to 102.9, the lowest level since the August reading of 100.2 and well below the expected 106 reading.

Metro Denver's lodging industry continues to post solid gains over 2005. The average occupancy rate slipped from 73.5% in September to 71.3% in a typical seasonal pattern, although the October 2006 average rate stands well above the October 2005 rate of 66.5%. On a year-to-date basis, the average occupancy rate through October 2006 is 3.2% stronger than the same period last year. The average room rate increased from \$107.56 in September to \$109.68 in October, bringing the average room rate through October up 11.2% compared to the same ten-month period in 2005. The statewide lodging industry is also improved over this time last year. The statewide occupancy rate in October 2006 was 61.7%, up from 58% in October 2005. The average room rate in Colorado increased to \$105.72 in the tenth month of the year, up from \$94.28 a year earlier.

Metro Denver Hotel Statistics

	Month of Oct-06	Month of Sep-06	Month of Oct-05	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Annual 2001	Annual 1996
Percent of Hotel Rooms Occupied	71.3%	73.5%	66.5%	68.7%	66.6%	3.2%	62.5%	72.3%
Average Hotel Room Rate	\$109.68	\$107.56	\$96.05	\$101.75	\$91.51	11.2%	\$88.52	\$77.58

Source: Rocky Mountain Lodging Report.

Denver International Airport (DIA) scored among the nation's top airports in a recent passenger satisfaction survey conducted by Airport Interviewing and Research Inc. In the airport's first survey since it opened 11 years ago, passengers awarded DIA a score of 68 out of a 100 compared to the typical scores in the 50s or low 60s. Airport Interviewing and Research Inc. considers a score of 60 to 69 to be "good" or "very good." Among the high points, about 95% of the 600 respondents said DIA projects a positive image of the region. The in-terminal train system received a high score of 80 as did the terminal facilities and the check-in process which received respective scores of 78 and 70. Passengers did comment that the airport could increase the diversity of its dining

MONTHLY ECONOMIC SUMMARY

and shopping options and make seating more comfortable in the concourses. The survey will now be conducted quarterly to help the airport further improve passenger satisfaction levels.

Germany's Lufthansa Airlines will add a daily nonstop flight from Denver to Munich starting in March 2007. The Munich flight will be the third daily nonstop flight to Europe from DIA, including flights to Frankfurt and London. DIA offers 15 additional international destinations all of which are located in Canada or Mexico. Local officials have sought a Denver-Munich flight since the airport opened 11 years ago because of interest from local businesses such as Johns Manville, Gambro, CH2M Hill, and Nestlé. Travelers will have 90 connecting destinations to choose from in Munich. Lufthansa will receive about \$2 million in incentives primarily to market the new flight to DIA customers. Now that the Munich flight is in place, officials will work to attract a Denver-Tokyo flight. A Denver-Tokyo flight is expected to generate a larger economic impact for the region than the \$108 million economic impact estimated for the Denver-Munich flight.

Passenger traffic at DIA decreased from August to September in a typical seasonal pattern, but September 2006 passenger traffic was up 16.1% over the same month last year. Through third quarter, almost 36.4 million travelers have passed through the airport, bringing 2006 passenger traffic up 10.4% over the same period last year. At this rate, DIA will likely set a record in 2006 of almost 48 million travelers compared to the 2005 record of 43.3 million passengers. September 2006 also marks the 17th consecutive month the airport has set a monthly passenger traffic record. November is also expected to see record passenger traffic. Although the exact numbers are not yet available, DIA expects to set a record of 967,000 travelers this Thanksgiving holiday, which is considered to be the stretch from the Tuesday before Thanksgiving to the Monday of the following week. The 2006 expectation for the Thanksgiving holiday represents an increase of 42,500 passengers over the same period in 2005.

Denver International Airport Passengers

	Month of Sep-06	Month of Aug-06	Month of Sep-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Annual 2001	Annual 1996
Number of Airline Passengers	4,005,135	4,344,608	3,450,484	36,366,293	32,955,261	10.4%	36,092,806	32,296,174

Source: Denver International Airport, Traffic Statistics.

The nation's financial markets trended upward in November, pushing the S&P 500, NASDAQ, and DOW to double-digit gains so far this year. The Dow Jones Industrial Average, which gauges the industrial component of the stock market based on 30 of the largest and most widely held companies in the U.S., closed at 12,226.7 on November 30, 2006 for a gain of 14.1% so far this year. The S&P 500, an index that tracks 500 large-cap companies in the U.S., is up 12.1% through November. The NASDAQ, the largest electronic screen-based equities market with 3,200 listed companies, is up 10.3% over the same period.

Stock Market Indexes

	Month of Nov-06	Month of Oct-06	Month of Nov-05	YTD Return 2006	YTD Return 2005	YTD Return 2004
Colorado	1,893.7	1,909.7	1,774.3	6.7%	11.4%	10.7%
S&P 500	1,399.5	1,377.9	1,249.5	12.1%	3.1%	5.6%
NASDAQ	2,432.2	2,366.7	2,232.8	10.3%	2.6%	4.7%
DOW	12,226.7	12,080.7	10,805.9	14.1%	0.2%	-0.2%

Sources: Development Research Partners; Yahoo! Finance.

The Colorado stock index, a compilation of the stock prices of 30 companies either headquartered in Colorado or having significant operations in the state, reported a more modest annualized gain of 6.7% through November. The Colorado stock index declined in November after five consecutive increases. The companies reporting the

MONTHLY ECONOMIC SUMMARY

largest stock price percentage gains from October to November were United Airlines (+12.9%), Rocky Mountain Chocolate Factory (+12.5%), and McData Corp. (+10.6%). On the other hand, companies reporting the largest month-to-month losses in November were Crown Media Holdings (-19.0%), Wild Oats (-15.8%), and Qwest Communications (-10.9%).

Residential Real Estate

Existing home sales slowed in 38 states during the third quarter, including sharp declines in Nevada, Arizona, Florida, and California. According to the National Association of Realtors (NAR), third quarter home sales slowed to a seasonally-adjusted annual rate of 6.27 million units in the July-September period, representing a 12.7% decrease from the third quarter pace set in 2005. October data from the NAR suggests that the national housing market may be stabilizing or at least transitioning to a more realistic growth pattern than the unsustainable growth achieved last year. October sales of existing homes increased 0.5% from September to a seasonally-adjusted annual rate of 6.24 million units although the October 2006 sales pace was still 11.5% below the October 2005 sales pace. A closer look reveals a 1.3% increase in single-family home sales from September to October and a 4.8% decline in condominium sales. The October sales pace for both condominiums and single-family homes is down from October 2005.

Existing home sales in Metro Denver also stabilized in October at 4,133 after dropping sharply in the month prior. Through October, total existing home sales are down 4.6%, including a 4.6% decline in single-family detached sales and a 4.8% decline in condominium sales. Home sales under contract, a leading indicator, are also down so far this year. On the bright side, unsold inventory levels decreased for the third consecutive month to 29,722 homes on the market in October, a 12.2% increase over this time last year. Through October, the average days on the market figure for condominiums is 122 days compared to 95 days for single-family homes. The average sales price in the single-family category decreased in October to \$306,307 but the median price increased to \$247,600. For the year, the average sales price in the single-family category is up 3.0%. Meanwhile, both the average and median sales prices in the condominium category slipped in October to \$189,202 and \$152,000, respectively. The average condominium sales price through the first ten months of the year is down 0.4% compared to the same period in 2005.

Home Sales Activity

	Month of Oct-06	Month of Sep-06	Month of Oct-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Ann Avg 2001	Ann Avg 1996
Home Sales (Under Contract)	4,715	4,740	4,839	54,269	57,548	-5.7%	32,248	33,406
Home Sales (Closed)	4,133	4,108	4,174	43,575	45,688	-4.6%	47,832	37,755
Unsold Homes on Market	29,722	31,450	26,496	29,722	26,496	12.2%	15,892	12,315
Average Sales Price-Single Family	\$306,307	\$308,903	\$316,839	\$317,332	\$307,965	3.0%	\$257,394	\$159,132
Average Sales Price-Condo	\$189,202	\$191,006	\$188,137	\$188,771	\$189,581	-0.4%	\$160,342	\$94,596
Median Sales Price-Single Family	\$247,600	\$243,500	\$250,000	\$250,000	\$247,500	1.0%	\$213,950	
Median Sales Price-Condo	\$152,000	\$156,250	\$159,900	\$157,900	\$160,000	-1.3%	\$141,000	

Sources: MetroList, Inc.

Note: The 2005 data has been revised to reflect a geographic definition change that extends beyond the seven-county Metro Denver region to the entire area covered by MetroList, Inc. The 2005 data now includes Elbert, Park, Gilpin, and Clear Creek counties as well as portions of the Loveland area.

The new-home category is also experiencing softer market conditions in Metro Denver, according to a new report by The Genesis Group. New home sales through third quarter 2006 are down almost 20% in the Metro Denver region compared to the same period in 2005. Senior analyst Mike Rinner noted that the downturn is partly attributable to aggressive building and lending practices that have fueled foreclosures. As a result, many sub-areas of the Metro Denver region have realized home price depreciation particularly in Adams, Arapahoe, and Weld counties. The Genesis Group report also noted reduced home construction activity. In fact, homebuilders in

MONTHLY ECONOMIC SUMMARY

Metro Denver are on pace to build as many homes in all of 2006 as they did in just the first three quarters of 2005.

The median price for a previously-owned home in the Denver-Aurora MSA fell to \$253,200 during the third quarter of 2006 according to the National Association of Realtors, the 39th highest price out of 150 metropolitan areas. The median home price of \$366,800 in the Boulder-Longmont MSA was the 19th highest in the nation in the July-September period. The median home price slipped 0.1% from third quarter 2005 to third quarter 2006 in the Denver-Aurora MSA, earning the region the 104th fastest appreciation rate. The Boulder-Longmont MSA saw a 2.6% year-over-year increase, which was the 72nd fastest appreciation rate. Median single-family home prices across the U.S. declined 1.2% during the same period, dropping to \$224,900. The median condominium price in the U.S. also declined, falling 2.1% to \$222,900.

Forty-six metropolitan regions reported zero or negative appreciation in the single-family category over the period, including a 10.5% decline in the Detroit area. On the other hand, 21 metropolitan areas tracked double-digit gains, including Salem, OR which reported the strongest rate of 24.7%. Elmira, NY; Salt Lake City, UT; Virginia Beach-Norfolk, NC-VA; and Gainesville, FL rounded out the areas with the top five appreciation rates.

Median Home Price (\$000s)

	Quarter 3 2006 (p)	Quarter 2 2006	Quarter 3 2005	YTD Average 2006	YTD Average 2005	YTD Average % Change	Median 2001	Median 1996
Boulder-Longmont MSA	\$366.8	\$373.2	\$357.5	\$366.8	\$347.0	5.7%	n/a	n/a
Denver-Aurora MSA	\$253.2	\$255.2	\$253.5	\$250.9	\$246.0	2.0%	\$218.3	\$133.4
United States	\$224.9	\$227.1	\$227.6	\$223.3	\$214.9	3.9%	\$156.6	\$122.6

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

Metro Denver posted the third highest rate of foreclosures in the nation during third quarter 2006 with one out of every 90 homes in some stage of foreclosure. The foreclosure rate in Metro Denver is four times higher than the national average despite a 17% increase in the total number of home foreclosures in the U.S. from second to third quarter. Only the Detroit and Fort Lauderdale metropolitan areas reported higher foreclosure rates than Metro Denver in the July-September period, according to California-based RealtyTrac.

Real Estate Foreclosures

	Month of Oct-06	Month of Sep-06	Month of Oct-05	YTD Total 2006	YTD Total 2005	YTD Total % Change
Total Metro Denver*	1,874	1,474	1,282	16,006	11,811	35.5%
Adams County	307	382	274	3,538	2,694	31.3%
Arapahoe County	532	379	339	3,981	2,960	34.5%
Boulder County	77	58	64	662	517	28.0%
Broomfield County	20	16	18	153	104	47.1%
Denver County	515	361	353	4,243	3,010	41.0%
Douglas County	84	79	58	945	782	20.8%
Jefferson County	339	199	176	2,484	1,744	42.4%

**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.

Home foreclosures in Metro Denver increased 27.1% from 1,474 in September to 1,874 in October, bringing the total number of foreclosure cases opened in Metro Denver through October to more than 16,000. Year-to-date foreclosures are up 35.5% through October, putting Metro Denver on track to surpass the 1988 record of 17,122. Six of the seven Metro Denver counties reported increasing foreclosures from September to October, including a

MONTHLY ECONOMIC SUMMARY

70.4% increase in Jefferson County, a 42.7% increase in the City and County of Denver, and a 40.4% increase in Arapahoe County.

U.S. home builders slowed construction activity in October to the lowest level in six years. New data from the U.S. Census Bureau revealed a 14.6% decline in the construction pace of single-family and rental units in October to an annual rate of 1.486 million units. Meanwhile, building permits for new residential construction declined for a record nine consecutive months in October to an annual rate of 1.535 million units, a 6.3% decline from September and the slowest pace in nine years. On a positive note, a survey of homebuilder sentiment by the National Association of Home Builders improved for the second consecutive month in November, marking the first back-to-back improvement since mid-2005.

New home construction activity in Metro Denver increased slightly in September for the second consecutive month. The total number of building permits issued for residential construction increased from 1,259 in August to 1,314 in September, although year-to-date permits are down 8.5% compared to the first three quarters of 2005. Single-family detached home construction is down 25.8% from 2005 while single-family attached or two-family construction activity is up 30.9%. Multi-family construction activity is also up through September compared to the minimal construction activity that occurred in 2005. Aurora (1,650), Denver (1,037), and Castle Rock (842) have issued the most permits for single-family detached construction so far this year while Denver (1,562), unincorporated Douglas County (432), and Aurora (357) have issued the most single-family attached permits. Lakewood (307), unincorporated Douglas County (270), Arvada (264), Denver (240), and Lafayette (60) are the only communities with any multi-family construction so far this year.

Residential Building Permits

	Month of Sep-06	Month of Aug-06	Month of Sep-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Total 2001	Total 1996
Single-Family Units	595	829	1,354	9,061	12,211	-25.8%	14,262	13,182
Two-Family Units	224	283	612	4,377	3,345	30.9%	4,442	2,093
Multi-Family Units	495	147	0	1,141	384	197.1%	9,090	3,666
Total Units	1,314	1,259	1,966	14,579	15,940	-8.5%	27,794	18,941

Source: Home Builders Association of Metro Denver.

Louisville-based Balfour Senior Living announced plans for a \$110 million luxury, senior-living development in Denver's Riverfront Park called the Cosmopolitan Club. The 264-unit, age-restricted building will cater to active seniors with monthly rents ranging from \$3,500 to \$8,000, not including a one-time \$10,000 entry fee. Construction will begin in February 2007 with completion scheduled for 2008.

In other new construction news, Carma Colorado celebrated the groundbreaking of the Solterra development in Jefferson County's 2,000-acre Rooney Valley near C-470. Solterra, a master-planned community on 282 acres, will feature 1,100 homes that range from townhomes starting in the mid \$200,000s to single-family homes priced from \$400,000 to more than \$1 million. Solterra will also be 20% open space. Residents could move to Solterra as early as 2008 but the entire development will likely require five to seven years to complete.

The rental market continues to strengthen in Metro Denver with decreasing vacancy rates and rising average rents that are fueled by both high foreclosure levels and higher interest rates. The apartment vacancy rate in Metro Denver decreased from 6.9% in the second quarter to 6.7% in the third quarter, the lowest rate since second quarter 2001. The third quarter 2006 vacancy rate was the highest in the City and County of Denver at 7.6% compared to the lowest rate of 4.8% in Boulder/Broomfield counties. Gordon Von Stroh, the University of Denver business professor who compiles the data, expected the vacancy rate to decrease even further to 6.2% or 6.3% in the third quarter but still anticipates a stable vacancy rate in the final quarter of 2006. Von Stroh suggests that competition from the rental single-family home market may be precluding more rapid improvement in the vacancy rate.

MONTHLY ECONOMIC SUMMARY

The average monthly apartment rent increased from \$844 in the second quarter to \$866 in the third quarter.

Douglas County had the highest average monthly rent in the third quarter of \$956, followed by \$894 in the Boulder/Broomfield market, and \$826 in Jefferson County. Average apartment rents are the most affordable in Adams County at about \$781 per month.

Apartment Statistics

	Quarter 3 2006	Quarter 2 2006	Quarter 3 2005	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Annual Average 2001	Annual Average 1996
Apartment Vacancy Rate	6.7%	6.9%	7.7%	7.0%	8.3%		6.4%	5.0%
Average Monthly Rental Rate (all units)	\$866	\$844	\$846	\$848	\$835	1.5%	\$822	\$607

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

Third quarter reports from several local commercial real estate firms indicate that the office market in Metro Denver continues to gain strength. According to Frederick Ross Company's third quarter report, the Metro Denver office market is "past recovery and into a growth stage." Third quarter absorption totaled 921,263 square feet, bringing year-to-date absorption to 2.38 million square feet. All submarkets posted positive absorption in the third quarter, which contributed to declining vacancy rates. Lease rates continue to climb with the largest gains achieved in higher-quality spaces in the central business district (CBD) and the Southeast Suburban submarkets. Downtown Denver is on track to reach a record one million square feet of leasing activity this year. The previous leasing activity record was set 21 years ago when the CBD absorbed 968,000 square feet. Third quarter absorption in Downtown Denver alone was 369,269 square feet or 36% more than positive absorption in all of 2005.

Costar Realty Information, Inc. data indicates the overall vacancy rate in Metro Denver decreased from 14.1% in the second quarter of 2006 to 13.7% in the third quarter. A year ago, the office vacancy rate stood at 15.4%. Meanwhile, the average lease rate per square foot increased from \$17.87 in the second quarter to \$18.18 in the third quarter. Last year, office rents averaged \$17.40 per square foot. About 1.77 million square feet of construction is currently underway in Metro Denver.

Speculative construction in the office category is on the rise in Downtown Denver. Trammel Crow Co. announced plans in early November to develop an 18-story, \$100 million tower to be built on a 3.3-acre parking lot at 1900 16th Street. The 335,000-square-foot building will be designed by Tryba Architects. The development's master plan calls for a second 250,000-square-foot office tower that will be completed in the future. Further, International real estate firm Hines will construct a 260,000-square-foot building at 1515 Wynkoop and Opus Northwest has plans for a mixed-use development at 1400 Wewatta Street that will include 300,000 square feet of office space.

In addition, Denver-based Westfield Development Co. unveiled plans for a 22-story office tower at 1800 Larimer Street that will be the most energy efficient high-rise in the downtown area. The \$150 million, 500,000-square foot office tower will seek the silver LEED (Leadership in Energy and Environmental Design) certification issued by the U.S. Green Building Council. Demand for LEED-certified space is growing across the country partly because it lowers a tenant's utility bills and can increase worker productivity. Westfield is reportedly close to completing leases that would fill 20% of the building. Construction is slated to begin in the spring of 2007 with completion in 2009. Denver's RNL Design has been selected as the architect. RNL Design will also design a 125,000-square-foot office building at 1775 Blake St. in Downtown Denver for First Century Development. The First Century Development building will target energy, law, financial services, and engineering firms.

MONTHLY ECONOMIC SUMMARY

Office Market Statistics

	Quarter 3 2006	Quarter 2 2006	Quarter 3 2005	Quarter 3 2004	Quarter 3 2003	Quarter 3 2002
Number of Buildings	4,485	4,431	4,396	4,354	4,311	4,260
Existing Square Feet (millions)	150.7	149.7	149.1	148.4	146.9	145.5
Vacant Square Feet (millions)	19.0	19.3	20.8	22.0	21.8	18.3
Vacancy Rate (Direct)	12.6%	12.9%	14.0%	14.8%	14.8%	12.6%
Vacancy Rate (With Sublet)	13.7%	14.1%	15.4%	16.8%	17.4%	15.3%
Average Lease Rate (per square foot)	\$18.18	\$17.87	\$17.40	\$16.86	\$17.56	\$19.57
New Construction Completed (year-to-date)	0.96 MSF, 33 Bldgs	0.40 MSF, 21 Bldgs	0.50 MSF, 31 Bldgs	1.05 MSF, 31 Bldgs	1.22 MSF, 36 Bldgs	2.39 MSF, 66 Bldgs
Currently Under Construction	1.77 MSF, 48 Bldgs	1.56 MSF, 40 Bldgs	1.21 MSF, 32 Bldgs	0.82 MSF, 27 Bldgs	0.59 MSF, 21 Bldgs	1.55 MSF, 40 Bldgs

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

Metro Denver's industrial market is also making strides. Frederick Ross Company reported positive net absorption of more than 1.1 million square feet in the third quarter with year-to-date absorption at more than 2.7 million. At this pace, the Metro Denver market could absorb about 3.5 million square feet by year-end. The multi-tenant warehousing market drove the increased leasing activity in the July-September period. Overall vacancy rates have also improved from 6.7% at year-end 2005 to 6.3% at the end of third quarter. About 1.22 million square feet of new industrial space has been added to the Metro Denver market so far this year with about 60% occupied. The East submarket continues to dominate construction in Metro Denver. Frederick Ross includes R&D/Flex properties in the Industrial category.

CoStar data also reveals improving market fundamentals for the industrial segment. The vacancy rate decreased from 7.8% in the second quarter of this year to 7.6% in the third quarter. The overall vacancy rate is down from 8.3% reported in the same quarter last year. Average lease rates increased slightly from \$4.83 in the second quarter to almost \$5.00 in the third quarter, similar to three years prior. About 1.19 million square feet of industrial space in 20 buildings was added to Metro Denver since January 2006. Another 1.53 million square feet of space is currently under construction of which more than 70% is occurring in Adams and Denver counties.

Industrial Market Statistics

	Quarter 3 2006	Quarter 2 2006	Quarter 3 2005	Quarter 3 2004	Quarter 3 2003	Quarter 3 2002
Number of Buildings	5,643	5,589	5,558	5,526	5,487	5,442
Existing Square Feet (millions)	200.2	199.3	197.7	196.4	194.2	192.6
Vacant Square Feet (millions)	14.4	14.8	15.6	15.4	13.4	11.2
Vacancy Rate (Direct)	7.2%	7.4%	7.9%	7.8%	6.9%	5.8%
Vacancy Rate (With Sublet)	7.6%	7.8%	8.3%	8.4%	7.6%	6.7%
Average Lease Rate (per square foot, nnn)	\$4.92	\$4.83	\$4.72	\$4.65	\$4.96	\$5.48
New Construction Completed (year-to-date)	1.19 MSF, 20 Bldgs	1.08 MSF, 14 Bldgs	0.61 MSF, 21 Bldgs	1.40 MSF, 27 Bldgs	1.33 MSF, 32 Bldgs	2.20 MSF, 35 Bldgs
Currently Under Construction	1.53 MSF, 25 Bldgs	1.35 MSF, 14 Bldgs	0.84 MSF, 21 Bldgs	0.61 MSF, 14 Bldgs	1.52 MSF, 12 Bldgs	0.79 MSF, 18 Bldgs

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

Metro Denver's flex real estate market is stable, according to data from Costar Realty Information, Inc. The overall third quarter vacancy rate increased slightly to 7.6% from second to third quarter and remains on par with third quarter 2003. The average lease rate was unchanged from second to third quarter at \$8.46 per square foot but stands higher than a year earlier. Only 390,000 square feet of flex space has been added in Metro Denver

MONTHLY ECONOMIC SUMMARY

so far this year and only 70,000 square feet is currently under construction of which all is located in Jefferson County.

Flex Space Statistics

	Quarter 3 2006	Quarter 2 2006	Quarter 3 2005	Quarter 3 2004	Quarter 3 2003	Quarter 3 2002
Number of Buildings	1,255	1,245	1,233	1,207	1,198	1,179
Existing Square Feet (millions)	37.5	37.4	37.0	36.6	36.4	36.0
Vacant Square Feet (millions)	5.5	5.4	5.4	6.0	6.2	5.1
Vacancy Rate (Direct)	14.7%	14.3%	14.6%	16.4%	17.2%	14.3%
Vacancy Rate (With Sublet)	15.3%	15.1%	15.6%	17.9%	19.0%	16.1%
Average Lease Rate (per square foot, nnn)	\$8.46	\$8.46	\$8.32	\$8.37	\$8.32	\$8.60
New Construction Completed (year-to-date)	0.39 MSF, 13 Bldgs	0.29 MSF, 8 Bldgs	0.26 MSF, 16 Bldgs	0.08 MSF, 3 Bldgs	0.14 MSF, 4 Bldgs	0.67 MSF, 19 Bldgs
Currently Under Construction	0.07 MSF, 2 Bldgs	0.23 MSF, 9 Bldgs	0.23 MSF, 7 Bldgs	0.34 MSF, 16 Bldgs	0.06 MSF, 5 Bldgs	0.22 MSF, 9 Bldgs

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

Market fundamentals in Metro Denver's retail market remained strong during the third quarter despite slightly slower performance. Frederick Ross Company reported a decline in positive absorption in the third quarter from about 1.0 million square feet in each of the first two quarters of 2006 to just 379,000 square feet in the third quarter. Thus, Frederick Ross is projecting 2006 total net absorption to fall under the highs of 2004 and 2005. On a positive note, vacancy rates are expected to hit a record low in Metro Denver at year-end. As of third quarter, the overall vacancy rate was 4.9% compared to 6.2% at year-end 2005.

Costar data reveals slightly different statistics for the retail segment in Metro Denver. The overall vacancy rate ticked upward from 7.0% in the second quarter to 7.2% in the third quarter while the average lease rate increased from \$16.13 in the second quarter to \$16.41 in the third quarter. About 3.47 million square feet of new construction has been added to Metro Denver in 34 buildings since the beginning of the year. Another 4.23 million square feet is currently under construction of which about 39% is located in Adams County and 32% is located in Boulder County.

Retail Market Statistics

	Quarter 3 2006	Quarter 2 2006	Quarter 3 2005	Quarter 3 2004	Quarter 3 2003	Quarter 3 2002
Number of Buildings	3,376	3,178	3,138	3,077	2,969	2,893
Existing Square Feet (millions)	121.7	118.1	114.5	109.5	102.5	98.1
Vacant Square Feet (millions)	8.3	7.9	7.1	6.3	4.9	0.9
Vacancy Rate (Direct)	6.8%	6.7%	6.2%	5.7%	4.8%	0.9%
Vacancy Rate (With Sublet)	7.2%	7.0%	6.6%	6.1%	4.9%	0.9%
Average Lease Rate (per square foot)	\$16.41	\$16.13	\$15.17	\$14.65	\$13.75	\$12.58
New Construction Completed (year-to-date)	3.47 MSF, 34 Bldgs	N/A	N/A	N/A	N/A	N/A
Currently Under Construction	4.23 MSF, 62 Bldgs	N/A	N/A	N/A	N/A	N/A

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

MONTHLY ECONOMIC SUMMARY

Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↑	Employment increased by 3,300 jobs from Sep to Oct; employment up 1.9% through Oct
% Companies Hiring	↓	↑	33% of companies expect to add workers in Denver and 23% to add in Boulder in Q4 2006
Unemployment Rate	↓	↓	Metro rate decreased in Oct to 4.2% from 4.3% in Sep; annual rate through Oct at 4.6%
Initial Claims	↑	↓	Unemployment claims jumped 38.1% in Oct to 5,145; annual claims down 5.7%
Total Retail Sales	↑	↑	Total metro retail sales up 8.7% through Q3 2006; 9.4% YTD increase for Colorado
Consumer Confidence Index	↓	↑	Mountain region confidence level slipped from 136.4 in Sep to 130.7 in Oct; YTD up 10.1%
Hotel Occupancy	↓	↑	Hotel occupancy decreased from 73.5% in Sep to 71.3% in Oct; avg room rate increased to \$110
DIA Passengers	↓	↑	Sep traffic decreased 7.8% from Aug; annual traffic up 10.4% through Q3 2006
Colorado Stock Index	↓	↑	CO Stock Index slipped 0.8% from October to November; index up 6.7% for the year
Dow Jones Industrial Average	↑	↑	DOW increased 1.2% in Nov; index posting a 14.1% gain for the year
Home Sales (closed)	↑	↓	Home sales increased in Oct by 25 sales but are down 4.6% YTD; avg SF sales price up 3.0%
Median Home Price (Denver-Aurora MSA)	↓	↑	Median home price in Denver MSA decreased to \$253,200 in Q3; median price up 2.0% YTD
Foreclosures	↑	↑	Foreclosures surged 27.1% in Oct and are up 35.5% YTD; all counties with double-digit gains
Residential Building Permits (Total)	↑	↓	Total permits increased 4.4% from Aug to Sep; annual permits are down 8.5% through Q3
Apartment Vacancy Rate	↓	↓	Vacancy rate decreased to 6.7% in Q3 from 6.9% in Q2; avg rental rate up to \$866 per month
Office Vacancy Rate (with Sublet)	↓	↓	Vacancy rate with sublet down to 13.7% in Q3; 1.77 million sq. ft. construction is underway
Industrial Vacancy Rate (with Sublet)	↓	↓	Vacancy rate with sublet down slightly to 7.6% in Q3; 1.53 million sq. ft. under construction
Flex Space Vacancy Rate (with Sublet)	↑	↓	Vacancy rate with sublet increased to 15.3%; 70,000 sq. ft. of construction underway
<i>Positive Changes</i>	9 of 18	15 of 18	



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