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
OF METRO DENVER

The following report presents a comprehensive analysis of business and economic conditions currently prevailing in the seven-county Metro Denver area, including Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson counties. The data in this report is grouped into four main categories: labor and employment; the consumer sector; residential real estate; and commercial real estate. The most recent statistics currently available are used, including the most recent monthly or quarterly data, the previous month or quarter, and a comparison of annual trends with the previous year. In addition, the report includes annual averages from five- and ten-years previous so that current data may be compared to historical trends.

Notable Rankings

- Colorado ranked 13th in the nation for job growth in the third quarter of 2005, down from 12th in the previous three quarters. The Federal Deposit Insurance Corp. reported that Colorado's quarterly employment gain outpaced the nation in the third quarter with a 2.0% increase compared to a 1.7% increase at the national level.
- Venture capital awards to Colorado companies surged 68% in 2005 to $647.2 million, the best year since 2002 in terms of total award dollars. Comparatively, venture capital funding in the nation increased only 2.0% in 2005, according to the report by Ernst & Young and Venture-One. Colorado award beneficiaries also increased from 50 companies in 2004 to 59 companies in 2005. 2005 beneficiaries included Boulder-based Webroot ($108 million), Longmont-based Cornice ($75 million) and Louisville-based Replidyne ($63 million). The MoneyTree Survey, a different survey by PricewaterhouseCoopers, reported 75 venture capital deals for Colorado in 2005 totaling $612 million, a 48.2% increase over 2004 awards.
- Metro Denver was chosen as one of 13 regions in the nation to receive a federal economic development grant that is part of the U.S. Department of Labor's WIRED (Workforce Innovation in Regional Economic Development) Initiative. The $15 million award will be used to enhance the connectivity between education and employment in Metro Denver. The application, which was prepared by the Metro Denver Economic Development Corp. and submitted by Governor Bill Owens, competed with roughly 100 other regions.
- Three Colorado universities were recently listed among the nation's "top 100 values" by *Kiplinger's Personal Finance.* The University of Colorado placed 26th in the latest ranking, up from 43rd in the previous ranking. Colorado School of Mines rank fell from 25th to 51st. while Colorado State University rank also fell from 27th to 73rd in the latest report.
- Despite meager state funding for higher education, the higher education system in Colorado appears to be thriving. The National Center for Higher Education Management Systems ranked the state third in the nation for success in higher education relative to funding. The Boulder-based research center calculated the rankings based on graduation rates and competitive research grants with 2002-2003 data. The report also noted that Colorado ranked near the bottom of the list for funding.
- Denver International Airport (DIA) is the best airport in the nation, according to a poll by *Business Traveller* magazine. The poll also named DIA's largest carrier, United Airlines, as the best airline for North American travel and for its frequent-flyer program.
- Denver is the nation's top bargain travel destination, according to the discount-travel website Hotwire.com. Denver placed first for its low-priced accommodations, affordable attractions, easy access to natural beauty and Rocky Mountain activities. Greenville, SC and Raleigh-Durham, NC rounded out the top three bargain destinations.
- Colorado-based Re/Max International was ranked the top real estate franchise in the U.S. and the eighth best franchise among all types in *Entrepreneur* magazine's 27th annual Franchise 500 survey. Denver-based Quiznos finished second in the overall ranking.

Rankings are based on several criteria including financial strength, stability, growth rate and size.

- *Sunset* magazine named Stapleton one of the five best Western places to live and called it the "best refurb burb," meaning the best redevelopment among former airport and institution sites.

General Economic Overview

Advance estimates for fourth quarter U.S. gross domestic product (GDP) growth indicate considerable slowing as consumers, businesses and government checked their spending levels. GDP grew only 1.1% during the October to December period, down from a brisk 4.1% reported in the third quarter. Despite the fourth-quarter slowdown, GDP increased at a healthy annual rate of 3.5% for all of 2005 amid high energy costs and severe hurricane damage. In 2004, GDP grew at a faster rate of 4.2%, according to the U.S. Department of Commerce, Bureau of Economic Analysis.

U.S. productivity declined 0.6% in the fourth quarter of 2005, marking the first quarterly decline since the first quarter of 2001 and the largest decline since the third quarter of 2000. Third quarter productivity increased a revised 4.5%. For the year, productivity increased 2.7% according to the U.S. Department of Labor, Bureau of Labor Statistics.

The Federal Open Market Committee (FOMC) raised the target for the federal funds rate by another 25 basis points on January 31st to 4.5%, the 14th increase since the FOMC began tightening monetary policy during the summer of 2004 and the final increase that was presided over by Chairman Alan Greenspan. The Committee remarked that economic expansion appears to be "solid" and that long-term inflation expectations are contained for the time being. The Committee will keep watch on elevated energy prices and possible increases in resource utilization, however, which add to inflationary pressure. Ben Bernanke was sworn in as the 14th Federal Reserve Chairman on February 1, 2006.

Japanese law makers reinstated the ban on U.S. beef imports just six weeks after the two-year embargo was partially lifted in December. Law makers cited renewed fears about mad cow disease after a bone was discovered in a veal shipment from New York. The Japanese import agreement allowed only boneless beef imports. In 2003, Japan was the largest overseas export market for U.S. beef, valued at $3.9 billion.

Various indexes reveal modest economic gains at the national level and mixed results for Colorado and Metro Denver:

- The Conference Board's Index of Leading Economic Indicators inched up 0.1% to 138.5 in December 2005 following gains of 0.9% in November and 1.0% in October. The national index gauges future economic conditions based on 10 components, six of which showed improvements in December. Three consecutive months of relatively conservative growth indicate positive but moderate economic growth in the near term. The Conference Board's coincident index, which gauges current economic conditions, rose 0.2% in December after increasing 0.4% in the month prior.
- The nation's manufacturing sector expanded for the 32nd consecutive month in January according to the Institute for Supply Management's Purchasing Managers' Index. The index slipped from a revised 55.6 in December to 54.8 in January, indicating expansion but at a slower rate. The index, which tracks overall business activity of more than 350 manufacturing companies located throughout the country, reported the strongest growth in the apparel, primary metals and the miscellaneous categories. A reading greater than 50 suggests economic expansion whereas a reading below 50 suggests economic contraction.
- The Front Range Purchasing Managers Index compiled by the University of Colorado at Denver Business School revealed a downturn in the local manufacturing sector. The December index fell below the 50.0 mark to 46.9, down from 51 in November.

- The national service economy expanded for the 34th consecutive month in January according to the National Institute for Supply Management's non-manufacturing index. The index slipped from 61.0 in December to 56.8 in January, indicating positive but slower growth. Half of the 16 service sectors tracked by the organization reported increased business activity in January, led by the insurance, business services and utilities sectors.
- The Colorado service economy index, compiled by the University of Colorado Denver Business School, fell to 47.3 in October from 52.7 in September. The October index is the first since January to fall below the 50 mark. The index indicates expansionary conditions with values greater than 50 and is a composite of five components: delivery times, inventory levels, new orders, production and employment.
- The Creighton University Business Conditions Index for the Mountain States region increased for the third month in a row in January to 71.9, up from 65.0 in December. The Colorado-Utah-Wyoming region benefited from easing inflationary pressures in January. The individual Colorado index improved for the second consecutive month in January and reached its highest level since July 2005. The overall Colorado index increased to 68.8 in January, up from 62.9 in December. A reading greater than 50 indicates expansionary conditions.
- The Vectra Bank Small Business Index for Colorado increased from a revised 104.8 in November to 105.0 in December. The Colorado unemployment rate, the most heavily weighted component, increased from 4.9% to 5.0% at the time this index was calculated. A higher unemployment rate boosts the index because of the larger labor pool from which small business can recruit employees. The national small business index slipped from a revised 92.9 in November to 92.7 in December.
- The Colorado Business Leaders Confidence Index rebounded in the first of quarter of 2006 after reporting a nine point decline in the fourth quarter of 2005 caused by the Gulf Coast hurricane damage. The forward-looking index, which is comprised of six components, grew from 49.1 in the fourth quarter of 2005 to 60.9 in the first quarter of 2006. The current index reading is on par with the reading of 61.3 from a year ago.
- The Leading Index for Metro Denver decreased for the first time since a single-month decline in November 2004, suggesting that positive but softer economic growth is expected in Metro Denver. The Leading Index, a predictor of changing economic activity six to nine months in advance, slipped to 100.8 in October from 100.9 in September due to weaker single-family construction activity, increased unemployment claims, fewer manufacturing hours, a lower Colorado stock index and less optimistic consumer expectations. The Historic Index slipped slightly from 128.8 in September to 128.7 in October, primarily due to weaker retail sales. Still, the October 2005 index stands 1.3% higher than the October 2004 index. The Historic Index measures year-over-year growth, so both the direction and magnitude of change are important. The 100 level represents the benchmark year of 1995 for both indexes compiled by Development Research Partners.

Labor and Employment

Employment growth averaged 1.9% in Metro Denver in 2005, according to preliminary December data from the Colorado Department of Labor & Employment. Employment growth averaged 2.1% for the state and 1.5% for the U.S. in 2005. Metro Denver employment slowed to an annualized growth rate of 1.6% during the second half of the year from 2.1% reported in the first half of 2005. Still, Metro Denver employment grew at a healthier rate than the nation during each month of 2005. Total nonagricultural employment in Metro Denver reached 1,367,800 workers in December with the addition of 4,700 new positions from November to December. December 2005 employment levels stand 1.3% higher than December 2004 levels which translates into the addition of about 17,500 new positions. The recovery is not yet complete in Metro Denver since employment is still down by 42,500 jobs since peaking in December 2000 at 1,410,300 jobs.

All industry groups are tracking at higher levels compared to last year with the exception of Information, which posted an average annual decline of 3,900 jobs in 2005. Employment gains in 2005 were the greatest in the Professional & Business Services (+6,900 jobs), Education &

Health Services (+4,200 jobs), Leisure & Hospitality (+3,800 jobs) and the Natural Resources & Construction (+3,500) sectors.

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

	Month of Dec-05 (p)	Month of Nov-05	Month of Dec-04	Year-to-Date Average 2005	Year-to-Date Average 2004	Year-to-Date Average % Change	Annual Growth Rate 2000	Annual Growth Rate 1995
Total 11-County Metro Denver*	1,367.8	1,363.1	1,350.3	1,349.9	1,325.1	1.9%	4.3%	4.2%
Natural Resources & Construction	96.2	97.4	94.0	96.2	92.8	3.9%	10.7%	3.3%
Manufacturing	91.2	91.2	91.9	91.6	91.0	0.8%	-1.0%	3.8%
Wholesale & Retail Trade	215.3	211.5	212.7	206.7	203.9	1.4%	3.5%	5.0%
Transp., Warehousing & Utilities	53.0	53.2	53.4	52.0	51.5	1.1%	8.6%	3.5%
Information	55.2	55.2	59.7	57.0	60.8	-6.2%	10.1%	8.6%
Financial Activities	109.5	108.7	107.4	108.0	106.1	1.8%	0.3%	2.9%
Professional & Business Services	220.1	219.9	213.9	217.4	210.5	3.3%	7.0%	5.7%
Education & Health Services	139.1	138.8	135.8	137.1	132.9	3.3%	2.9%	4.8%
Leisure & Hospitality	136.9	135.8	133.8	137.6	133.9	2.8%	4.5%	5.8%
Other Services	51.1	50.8	50.0	50.7	49.6	2.4%	1.0%	3.6%
Government	200.2	200.6	197.7	195.6	192.3	1.7%	2.4%	0.5%
Federal Gov't	32.3	31.2	32.9	31.6	31.9	-0.8%	-0.5%	-6.6%
State & Local Gov't	167.9	169.4	164.8	164.0	160.5	2.2%	3.1%	2.6%
Colorado	2,263.4	2,244.0	2,223.1	2,225.1	2,178.9	2.1%	3.8%	4.5%
United States	135,044	135,316	133,075	133,463	131,435	1.5%	2.2%	2.6%

**Includes Adams, Arapahoe, Boulder, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson and Park counties.*

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

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

Aviation: United Airlines officially exited from Chapter 11 bankruptcy protection on February 1 after cutting $7 billion in annual costs, 100 aircraft and 25,000 jobs. United Airlines was under protection for 38 months, the longest and largest bankruptcy case in the history of the airline industry. United Airlines is still the largest carrier at Denver International Airport even though it has lost some market share in the last three years to Frontier Airlines and other discount carriers.

Aerospace: NASA's mission to Pluto, known as New Horizons, had more workers from Colorado on the program than any other state. The $700-million, nine-year mission launched from Kennedy's Space Center in late January with a Lockheed-Martin built Atlas V rocket. In the end, about $200 million of the $700 million price tag will have been spent on developments led by Colorado companies. Specific Colorado projects included a "dust counter" created by students at the University of Colorado at Boulder, thermal management hardware developed by Boulder-based Starsys Research Corp. and a "Ralph instrument" created by Ball Aerospace & Technologies in Boulder. The "Ralph instrument" is a camera and infrared spectrometer.

Colorado-built Stardust landed safely in Utah's salt-flats after collecting the first bits of comet dust ever recovered by spacecraft. The 101-pound, Lockheed Martin Space Systems capsule traveled about 3 million miles for seven years.

Orbimage of Dulles, VA completed its $58.5 million purchase of Thornton-based Space Imaging in January and announced that the combined companies will be called GeoEye. The acquisition resulted in the loss of 37 Space Imaging employees nationwide – more than half of which occurred at the Thornton facility. GeoEye will employ 300 workers in the U.S., including 115 in Thornton. Space Imaging recently won a $24 million Pentagon contract to supply high-resolution satellite photos. Orbimage was recently awarded a $12 million contract from the National Geospatial Intelligence Agency.

The U.S. Geological Survey chose Denver for its new National Geospatial Technical Operations Center that will open in October 2006. The new center, which will consolidate four mapping centers in Denver, California, Missouri and Virginia, will save about 100 existing jobs and create an unknown number of new jobs.

Lockheed Martin in Jefferson County won a bid from the U.S. Navy for network upgrades that will enhance the sharing of information. The project team for the $8 million, two-year contract will be based at the Deer Creek facility in Jefferson County.

The U.S. Army cancelled its $879 million contract with Lockheed Martin to build a next-generation spy plane over cost and aircraft size issues. The Army is not terminating the Aerial Common Sensor program, however. About 250 Lockheed employees were working on the project. Some layoffs are possible now that the contract has been cancelled but a company spokesperson said most employees will likely be transferred to other projects.

In other disappointing news, the Raytheon Co. unit in Aurora lost a $2.1 billion bid to build the "Internet in the sky" for the Air Force to a Lockheed Martin unit based in the Silicon Valley. The contract would have been the largest in the Aurora company's history and could have produced 300 local jobs.

Energy: Colorado's largest biodiesel refinery company announced a 50% expansion for 2006. BioEnergy of Colorado currently produces biodiesel, a fuel made from agricultural products like soybean or canola oil, at a facility in Denver. The company will open a second facility in mid-February near the Denver stockyards that will produce five million gallons of biodiesel annually. In 2005, however, the company sold only 2.5 million gallons from its current plant that has a capacity of 10 million gallons. The company is betting on increased demand caused by high gasoline prices this year.

The engineering school at the Colorado School of Mines in Golden was awarded $1.5 million by the U.S. Department of Energy for research on hydrogen fuel cells over the next five years. In total, the U.S. Department of Energy awarded 12 cost-sharing grants of $23.8 million that will help to transfer fuel cell technology from the laboratory to the showroom.

Financial Services: Greenwood Village-based First Data Corp. will spin off its fast-growing Western Union Financial Services subsidiary into its own publicly-traded company instead of selling off the unit. Western Union revenues increased 10% in 2005 and accounted for 40% of First Data's total revenues. Western Union was acquired by First Data in 1995 under a $7 billion merger with First Financial Management Corp.

In related news, Western Union Financial Services sent its final telegram in January – ending a 155-year-old service and marking the final step in the transformation from a communications company to a financial services company. Demand for telegrams has declined as technology advanced in the 20^{th} century. Western Union telegrams peaked in 1929 with 200 million telegrams and 1,400 messengers. In 2005, Western Union issued 20,000 telegrams through the postal service.

Daniels & Associates in Cherry Creek completed the most mergers and acquisitions for cable, telecom and broadcast clients in 2005 with 29 deals, making Daniels & Associates the leading telecommunications financial advisor in 2005. The Denver firm ranked at the top every year between 2000 and 2005 with a total of 227 deals. Lehman Brothers and Goldman Sachs rounded out the top three for top telecom financial advisors.

Telecommunications: Avaya Inc. will cut 74 jobs in Metro Denver in an effort to streamline operations. The cuts will affect customer service workers at both the Highlands Ranch and

Westminster facilities. Avaya employs about 2,000 Coloradoans in customer service, product development, technical support, administration and sales positions.

The hiring pace in Metro Denver will increase in the first quarter of 2006 while fewer companies plan to reduce staffing levels, according to the latest Manpower Employment Outlook Survey. About 30% of the companies interviewed plan to hire more employees in the first quarter, up from 23% in the fourth quarter of 2005. Only 4% of the respondents plan to reduce their payrolls during the January-March period, down from 18% in the fourth quarter of 2005. Another 55% of respondents are expected to maintain current staffing patterns in the coming quarter. Job prospects in Metro Denver appear best in construction, non-durable goods manufacturing, transportation/public utilities, wholesale/retail trade and services and public administration. Mixed intentions were reported by employers in finance/insurance/real estate. No change is expected in durable goods manufacturing and education.

The national employment outlook for first quarter 2006 is slightly weaker than in Metro Denver. About 23% of companies plan to increase payrolls while 10% of the 16,000 companies interviewed will reduce payrolls. Another 61% of respondents anticipate no change in current staffing patterns and 6% are unsure of their plans.

Employment Outlook Survey

	Quarter 1 2006	Quarter 4 2005	Quarter 1 2005	Year-to-Date Average 2006	Year-to-Date Average 2005
Percent of Companies Hiring	30%	23%	25%	30%	25%
Percent of Companies Laying Off	4%	18%	2%	4%	2%
Percent of Companies No Change	55%	56%	70%	55%	70%

Source: Manpower Inc.

The Metro Denver unemployment rate decreased in December to 4.5%, the lowest rate reported since September 2001. Unemployment rates also fell in Colorado and the U.S. in the final month of 2005 to 4.5% and 4.6%, respectively. For the year, the unemployment rate in Metro Denver averaged 5.1%, the same as the national rate and slightly higher than the Colorado rate of 5.0%. The highest average unemployment rates in the seven-county metro region in 2005 were 5.9% in the City & County of Denver and 5.8% in Adams County. The most favorable rates in 2005 were 3.8% reported in Douglas County and 4.4% in Boulder County.

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

	December 2005 (p)		2005 YTD Average		2004 YTD Average		2000	1995
	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	1,440.1	4.5%	1,433.7	5.1%	1,431.0	5.7%	2.5%	3.8%
Adams County	203.2	5.2%	202.4	5.8%	202.4	6.4%	2.7%	4.1%
Arapahoe Cnty	295.6	4.4%	294.9	5.1%	294.4	5.5%	2.4%	3.3%
Boulder Cnty	169.8	3.8%	167.8	4.4%	166.2	4.9%	2.3%	4.1%
Broomfield Cnty*	24.1	4.2%	24.0	4.7%	24.1	5.5%		
Denver County	307.2	5.3%	306.2	5.9%	306.6	6.7%	2.9%	4.8%
Douglas Cnty	129.7	3.3%	129.1	3.8%	128.8	4.2%	2.0%	2.4%
Jefferson Cnty	310.5	4.4%	309.4	4.9%	308.6	5.4%	2.3%	3.2%
Colorado	2,538.6	4.5%	2,543.5	5.0%	2,522.2	5.5%	2.6%	4.2%
United States	149,874	4.6%	149,320	5.1%	147,401	5.5%	4.0%	5.6%

**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 increased for the third consecutive month in December, reaching 5,649 claims. Still, the average number of claims filed in 2005 was 12.2% lower than the average number of claims filed in 2004. At the state level, first time unemployment claims increased for the second month in a row in December to 12,874 claims. The average number of claims filed in 2005, however, was down 9.0% from 2004.

First Time Unemployment Insurance Claims

	Month of Dec-05	Month of Nov-05	Month of Dec-04	Year-to-Date Average 2005	Year-to-Date Average 2004	Year-to-Date Average % Change	Annual Average 2000
Metro Denver	5,649	5,256	5,417	4,948	5,633	-12.2%	3,513
Colorado	12,874	11,816	12,510	10,888	11,966	-9.0%	7,951

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

Colorado wage increases lagged the nation according to second quarter 2005 data released by the U.S. Department of Labor. Average weekly wages for Colorado workers increased 3.4% compared to the second quarter of 2004 to $769 while the average weekly wage for the nation increased 3.9% over the same comparison period. Still, the average weekly wage in Colorado is greater than the national average of $751. Workers in the City & County of Denver received the largest increase in Metro Denver with a 4.1% increase to $923 per week.

Consumer Sector

Consumer prices increased at the fastest pace in five years in 2005 due to record high gasoline and other fuel prices. The Consumer Price Index increased 3.4% in 2005 with over 40% of the increase attributable to rising energy prices. Consumer prices increased 3.3% in 2004.

Metro Denver households are likely to see smaller heating bills in February thanks to reduced rates and typically warmer weather. Xcel Energy asked state regulators to approve a 21% decrease in the commodity price it charges Colorado customers in February. If approved, the typical residential bill will fall 31% from $183.34 in January to $125.83. Still, February heating bills will be more expensive than February 2004 heating bills. High heating bills are clearly impacting consumers as indicated by the increased amount of late and unpaid Xcel bills. In December, about one-fifth of Xcel customers in Colorado were late in paying their bills, a record high. In addition, about $60.2 million remains uncollected from December.

Holiday retail sales were “good, but not necessarily great” according to Michael Niemira, the chief economist for the International Council of Shopping Centers. Sales in November and December increased 3.5% from the previous two-month period in 2004 at the 66 chain retailers tracked by the organization. Wal-Mart reported a 2.2% increase in same-store sales compared to a 4.7% increase for Target. The overall discount category saw a 2.6% increase in sales. Department store sales increased 3.3%, led by Nordstrom with a 7.7% increase.

National retail and food sales increased 0.7% from November to December, bringing December sales 6.4% above December 2004 sales. The U.S. Department of Commerce sales figures are adjusted for seasonal variation, holiday and trading-day differences but not for price.

Following a lackluster holiday shopping season, U.S. retail sales are forecasted to increase by a modest 4.7% in 2006, down from a 6.1% increase in 2005. The National Retail Federation blames the slowdown on increased interest rates, high energy costs, a weaker residential market and minor wage increases.

Annualized retail sales in Metro Denver were up 6.1% through November compared to last year. The strongest gains through the first 11 months of the year occurred in Adams County (+15.0%), Douglas County (+14.7%) and Boulder County (+8.0%) while the smallest annual gain was reported in Jefferson County (+1.8%). Data for the City & County of Broomfield is skewed by a large payment of delinquent taxes by a company in May 2004. Annualized retail sales are growing at a slower rate in Metro Denver than throughout the state of Colorado which reported a 7.4% increase through November.

Total Retail Sales ($000s)

	Month of Nov-05	Month of Oct-05	Month of Nov-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Annual Growth 2000	Annual Growth 1995
Total Metro Denver	5,748,448	5,683,530	5,188,849	63,477,209	59,825,322	6.1%	12.5%	4.8%
Adams County	872,998	799,161	732,120	9,426,454	8,196,990	15.0%	9.3%	-1.7%
Arapahoe County	1,184,510	1,225,595	1,126,342	13,802,959	13,086,506	5.5%	14.2%	6.4%
Boulder County	509,064	514,472	493,157	6,067,920	5,620,502	8.0%	10.5%	5.7%
Broomfield County	110,265	113,068	107,927	1,255,625	2,091,306	-40.0%		
Denver County	1,657,694	1,679,141	1,410,104	17,386,416	16,124,495	7.8%	13.4%	3.1%
Douglas County	469,177	432,006	408,053	5,027,808	4,381,755	14.7%	16.5%	33.8%
Jefferson County	944,740	920,087	911,146	10,510,027	10,323,768	1.8%	10.8%	6.5%
Colorado	9,482,313	9,461,865	8,565,320	106,873,668	99,522,434	7.4%	10.8%	5.8%

Source: Colorado Department of Revenue.

In other retail news, Denver-based Peaberry Coffee announced the closure of 13 corporate stores in the state. The retailer is refocusing on signing franchisees in the state and on an e-commerce site that will sell Peaberry Coffee beans.

Also, Albertsons Inc. was purchased for $17.4 billion by an investment group comprised of New York-based Cerberus Capital Management LP, Minneapolis-based Supervalu and Rhode Island's CVS. Industry analysts say the deal could result in the closure of the 58 stores in Colorado. Others say stores may be renovated or sold to chains with a strong presence in the state like King Soopers, Safeway or Whole Foods.

Consumer confidence in the mountain region slipped from a five-year high of 134.3 in November to 112.1 in the final month of 2005, according to preliminary data from The Conference Board. The mountain region reported the fourth most optimistic confidence level out of the nine regions in December. Overall confidence levels in the U.S. increased in December from a revised 98.3 to 103.6. The overall confidence index is comprised of the present situation index and the expectations index. Mountain region consumers reported a decrease in their perceptions of current situations from a revised 162.7 in November to 143.5 in December, the second highest reading among the nine regions. The future expectations index in the mountain region also decreased from a revised 115.4 in November to 91.2 in December, the fourth highest reading.

Advance estimates for national confidence levels show improved optimism through January, reaching the highest level in more than three years. The overall confidence index increased from a revised 103.8 in December to 106.3 in January. The present situation index increased from 120.7 to 128.4 while the future expectations index declined from 92.6 to 91.5.

Consumer Confidence Index

	Month of Dec-05 (p)	Month of Nov-05	Month of Dec-04	YTD Avg 2005	YTD Avg 2004	YTD Avg % Change	Ann Avg 2000
Mountain	112.1	134.3	121.4	120.1	108.8	10.4%	142.1
United States	103.6	98.3	102.7	100.3	96.1	4.3%	139.0

Source: The Conference Board. (p) =preliminary

Colorado skier visits are up 5.6% this season according to data released by Colorado Ski County USA for the period between October 15th and December 31st. The record 3.1 million skiers who hit Colorado's slopes during the 2 ½-month period were prompted by record snow fall in the central and northern mountains which are the easiest to access from the Front Range. Front

Range resorts reported a 10.4% increase in skier visits over last year while the state's most remote resorts reported a slight decrease in skier visits.

Metro Denver is also relishing heightened activity in the tourism sector. The AFC Champion Game hosted by Denver in mid-January pumped an estimated $21.8 million into the local economy with about 8,000 overnight visitors. Denver also hosted the 100th annual National Western Stock Show in January that ran for 16 days. The economic impact of the Stock Show is estimated at $84.1 million.

The Downtown Denver hotel market is thriving with the newly opened 1,100-room Hyatt Regency Denver at the Colorado Convention Center and several other hotel projects in the works. A *Rocky Mountain News* analysis reveals that more than 1,800 hotel rooms and eight hotels are in various planning stages in Downtown Denver, representing a combined value of $700 million in 2006 dollars. There could be more than 8,200 hotel rooms in the downtown area by 2009.

The Residence Inn by Marriott, owned by Denver-based Sage Hospitality Resources, opened for business in January at 17th and Champa streets. The $44 million hotel offers 229 suites that rent from $129 to $209 per night.

Construction began on the Hilton Garden Inn at 14th and Welton Streets in Downtown Denver in January. The 12-story, $35 million hotel will feature 221 rooms and is scheduled to open for business in the second quarter of 2007. Rates are expected to range from $139 to $199 per night. Stonebridge Companies of Arapahoe County is the hotel developer.

The Four Seasons project in Downtown Denver is one step closer to reality. The Hotel Teatro Group purchased the land at the southeast intersection of 14th, Arapahoe and Lawrence Streets for an undisclosed amount. Current plans include 140 luxury condominiums on the upper floors and 230 "five-star" hotel rooms. Construction is scheduled to begin mid-2006 with completion in mid-2008. Other tentative hotels include a Ritz-Carlton, a St. Regis, Trump hotel, a W hotel and Homewood Suites.

In hotel news outside of the downtown market, DIA is revisiting plans originally introduced in early 2003 for a $125 million hotel at the airport. The 528-room hotel would be financed by DIA through bonds but operated by Westin.

Hotel occupancy rates in Metro Denver fell from 57.0% in November to 46.5% in December, the lowest rate of the year and slightly below the December 2004 rate of 47.0%. Still, the average occupancy rate in 2005 of 64.1% was stronger than the average rate in 2004 of 61.9%. The average room rate also fell in December but remained higher than the December 2004 rate. The average room rate fell from $91.98 in November to $84.28 in December, a 5.8% increase over the December 2004 rate. On an annualized basis, the average room rate was 7.9% higher than the 2004 rate. The statewide lodging industry also reported improvements in 2005. The average hotel occupancy rate for Colorado rose 2.2% in 2005 to 59.9% while average room rental rates increased $8.71 to $105.36.

Metro Denver Hotel Statistics

	Month of Dec-05	Month of Nov-05	Month of Dec-04	YTD Avg 2005	YTD Avg 2004	YTD Avg % Change	Annual 2000	Annual 1995
Percent of Hotel Rooms Occupied	46.5%	57.0%	47.0%	64.1%	61.9%	3.6%	68.6%	72.5%
Average Hotel Room Rate	$84.28	$91.98	$79.66	$91.10	$84.42	7.9%	$89.57	$71.44

Source: Rocky Mountain Lodging Report.

Denver International Airport's newest member, Southwest Airlines, secured the lease for a third gate at the airport effective in March which will allow the discount airline to expand. Southwest currently offers 13 nonstop daily flights to Las Vegas, Phoenix and Chicago. Nonstop service to

Salt Lake City and Baltimore will begin in March. Industry analyst Mike Miller of Washington, DC-based Velocity Group foresees Southwest adding nonstop service from Denver to Fort Lauderdale or Orlando in addition to Oakland, Los Angeles or San Diego in the near future.

Passenger traffic at Denver International Airport increased in December from November and was 1.5% higher than December 2004 levels. Almost 43.4 million passengers traveled through Denver International Airport in 2005, a 2.6% increase over 2004. Passenger traffic in 2005 reached a record high, surpassing the previous record set in 2004 of 42.3 million passengers.

Denver International Airport Passengers

	Month of Dec-05	Month of Nov-05	Month of Dec-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Annual 2000	Annual 1995
Number of Airline Passengers	3,546,529	3,362,441	3,495,055	43,387,513	42,275,913	2.6%	38,751,687	31,035,398

Source: Denver International Airport, Traffic Statistics.

The Colorado stock index slipped slightly in January to post a slight 0.1% loss so far in 2006. The Colorado stock index is a compilation of the stock prices of 30 companies either headquartered in Colorado or having significant operations in the state. The three companies reporting the largest stock price percentage gains in January 2006 were Newmont Mining (+15.7%), Forest Oil (+13.0%) and McData Corp. (+12.4%). United Airlines Corp. reported the largest percentage loss of 97.5%, followed by a 14.4% loss for the Rocky Mountain Chocolate Factory and a 7.6% loss for Amgen. United Airlines debuted its new stock in early February on the NASDAQ Stock Market that trades under the symbol UAUA. The old shares in the parent company UAL Corp. were canceled. *All three national indices posted gains in January from December. The NASDAQ reported the strongest increase of 4.6%, followed by a 2.5% increase for the S&P and a 1.4% increase for the DOW.*

Stock Market Indexes

	Month of Jan-06	Month of Dec-05	Month of Jan-05	YTD Return 2006	YTD Return 2005	YTD Return 2004
Colorado	1,772.9	1,774.5	1,589.8	-0.1%	-0.1%	2.2%
S&P 500	1,280.1	1,248.3	1,181.3	2.5%	-2.5%	1.7%
NASDAQ	2,305.8	2,205.3	2,062.4	4.6%	-5.2%	3.1%
DOW	10,864.9	10,717.5	10,489.9	1.4%	-2.7%	0.3%

Sources: Development Research Partners; Yahoo! Finance.

Denver-based Chipotle enjoyed the restaurant industry's second-best debut on record at its initial public offering along with the biggest opening-day gain for a U.S. company in six years. The stock price opened at $22 per share but doubled its price by the market close on its opening day. The burrito chain, which was founded in 1993 near the University of Denver, is largely owned by McDonalds Corp. The proceeds from the 7.87 million share stock sale will be used to maintain existing stores and open 90 new stores in 2006 and 2007.

Residential Real Estate

Despite three months of consecutive declines in the final quarter of 2005, national sales of previously-owned homes set a record in 2005, marking the fifth consecutive record year. The National Association of Realtors (NAR) reported sales fell 5.7% in December from November but reached 7.072 million units for the year, a 4.2% increase over 2004 total sales. Most analysts agree the housing market is cooling. In fact, December sales were at the lowest level since March 2004. The NAR forecasts an easing in home sales for 2006 with total sales of existing homes reaching 6.79 million units. New home sales are also projected to decline in 2006 from 1.29

million to 1.21 million. Sales of both existing homes and new homes will be the second-best years on record if the NAR forecasts hold true.

Sales of previously-owned homes in Metro Denver strengthened during the final months of 2005 after two consecutive months of declines. Single-family sales increased 5.0% and condominium sales increased 3.8% in December. Inventory levels also fell in December throughout the Metro Denver market, adding to the good news. For the year, however, the number of previously-owned home sales was 1.9% below 2004 levels and inventory levels are 16.5% higher. The average number of days on the market increased to 90 days in 2005, up from 85 days in 2004. The average sale price for a single-family home slipped in December and retreated back to May 2005 levels. The average sale price for condominiums increased in December but remains below average sale prices in the summer and fall of 2005. Median sale prices for both single-family homes and condominiums reported modest declines in December.

Average sale prices for single-family homes and condominiums grew at reasonable rates in 2005 despite mixed results in the later half of the year. The average sale price for single-family homes increased 6.0% in 2005 compared to a 4.6% increase in average condominium sale prices. Median prices indicated weaker annual appreciation. The median sale price for single-family homes increased 4.4% in 2005 to $246,613 while the median condominium sale price increased by a meager 1.9% in 2005 to $160,000. Median prices are generally considered a better market descriptor because average prices can be skewed by extremely high or low values.

Home Sales Activity

	Month of Dec-05	Month of Nov-05	Month of Dec-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Ann Avg 2000	Ann Avg 1995
Home Sales (Under Contract)	4,075	4,350	4,112	65,167	66,196	-1.6%	37,130	28,247
Home Sales (Closed)	4,086	3,903	4,416	53,005	54,012	-1.9%	48,611	36,038
Unsold Homes on Market	23,572	26,020	20,237	23,572	20,237	16.5%	8,820	9,854
Average Sales Price-Single Family	$303,934	$312,304	$289,209	$307,172	$289,803	6.0%	$239,779	$150,736
Average Sales Price-Condo	$191,560	$189,568	$186,001	$189,362	$180,986	4.6%	$145,197	$87,369
Median Sales Price-Single Family	$245,000	$248,250	$232,500	$246,613	$236,240	4.4%		
Median Sales Price-Condo	$160,000	$165,500	$155,475	$160,000	$157,000	1.9%		

Sources: Brad Benson, Perry & Co.; MetroList.

The NAR forecasts the national median home price for all housing types will increase 12.9% in 2005 but slow to a 5.1% increase in 2006. The new-home median home price is expected to increase 4.6% in 2005 and 6.0% in 2006.

The median home price in Metro Denver, which is reported on a quarterly basis by the National Association of Realtors (NAR), increased 2.1% from $248,400 during the second quarter of 2005 to $253,500 during the third quarter. On an annualized basis, the Metro Denver market has experienced 2.7% annual appreciation compared to 12.6% appreciation at the national level. The Metro Denver market, excluding Boulder County, is the 35th most expensive housing market out of the 150 metro areas ranked in the third quarter of 2005, down from the 29th most expensive market in the second quarter. The Boulder market was ranked the 18th most expensive housing market in the third quarter of 2005.

Median Home Price ($000s)

	Quarter 3 2005 (p)	Quarter 2 2005 (r)	Quarter 3 2004	YTD Avg 2005	YTD Avg 2004	YTD Avg % Change	Median 2000	Median 1995
Metro Denver	$253.5	$248.4	N/A	$246.0	$239.5*	2.7%*	$196.8	$214.5
United States	$215.9	$207.9	$188.2	$204.0	$181.3	12.6%	$139.0	$113.1

Source: National Association of REALTORS. (p) =preliminary
**Estimation since Q3 2004 data not available.*

Colorado reported the second highest rate of properties entering foreclosure in 2005, according to a report by RealtyTrac. Of Colorado's total properties, 1.62% or 29,630 properties entered some stage of foreclosure in 2005. Only Florida reported a higher rate of foreclosure with 1.67% of total properties entering foreclosure.

Metro Denver foreclosures ended 2005 up 16.0% over 2004 foreclosures. The total number of home foreclosures increased slightly from 1,234 in November to 1,261 in December for the seven-county metro region. Denver, Arapahoe and Adams counties reported the highest levels of foreclosure activity in 2005 while Broomfield and Douglas counties reported the lowest levels. The largest percentage increases in 2005 foreclosures occurred in Adams County (+31.3%), Boulder County (+18.1%) and Arapahoe County (+15.2%). Only Broomfield County reported a decline in 2005 with 4.5% fewer foreclosures compared to 2004.

Real Estate Foreclosures

	Month of Dec-05	Month of Nov-05	Month of Dec-04	YTD Total 2005	YTD Total 2004	YTD Total % Change
Total Metro Denver	1,261	1,234	1,203	14,306	12,331	16.0%
Adams County	275	312	256	3,281	2,498	31.3%
Arapahoe County	380	260	295	3,600	3,125	15.2%
Boulder County	46	56	53	619	524	18.1%
Broomfield County	13	11	15	128	134	-4.5%
Denver County	303	367	330	3,680	3,345	10.0%
Douglas County	56	40	87	878	800	9.8%
Jefferson County	188	188	167	2,120	1,905	11.3%

Source: CB Richard Ellis.

National housing starts slowed 8.9% in December from the month prior, bringing housing starts to a seasonally-adjusted annual rate of 1.93 million units. December housing starts were 5.7% below the December 2004 mark, according to a joint announcement by the U.S. Census Bureau and the Department of Housing and Urban Development. Single-family permits declined 12.3% in December.

Home builder optimism has stabilized after sliding from the mid-2005 peak according to the National Association of Home Builders/Wells Fargo index which stayed at 57 for the second month in a row in January. Builder confidence dropped in three of the four regions of the county, however, the West region reported the largest decline from 75 in December to 65 in January, still a high level.

Through the first 11 months of 2005, the total number of residential permits issued is down 3.8% from the same period in 2004. The number of single-family building permits issued in Metro Denver slipped to the lowest level since January 2005 in November, falling from 1,186 in October to 1,145 in November. November marked the third consecutive month of decline. Still, single-family construction is up 11.4% for the year with the majority of the detached construction occurring in Aurora, Denver and Castle Rock.

Multi-family construction has reported a significant slowing with an annualized decline of 84.4% through November and zero permits filed in eight of the 11 months of published data. Two-family construction activity in 2005 has been the strongest in unincorporated Douglas County, Denver and Broomfield.

Residential Building Permits

	Month of Nov-05	Month of Oct-05	Month of Nov-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Total 2000	Total 1995
Single-Family Units	1,145	1,186	848	14,542	13,051	11.4%	15,873	12,560
Two-Family Units	566	380	396	4,291	4,478	-4.2%	3,321	1,965
Multi-Family Units	0	0	27	384	2,454	-84.4%	9,116	4,979
Total Units	1,711	1,566	1,271	19,217	19,983	-3.8%	28,310	19,504

Source: Home Builders Association of Metropolitan Denver.

Shea Homes and Shea Properties acquired 1,300 acres of developable land in the Denver Tech Center and Meridian International Business Park last month for an estimated $150 million. This deal, along with the 3,000-acre Reunion community in Commerce City that Shea Homes currently owns, totals more than 5,000 acres of developable land. Shea Homes is also the developer and owner of Highlands Ranch in Douglas County.

After a first-time visit to Denver, Canadian-developer Gary Switzer of the Great Gulf Group purchased a 25,000-square-foot plot of land at 14th and Lawrence Streets and announced plans for a 55-story condominium building with 200 units. Units will range in size from 1,200 to 7,000 square feet and start in the mid-$500,000s. The building value is estimated at $165 million.

The apartment vacancy rate in Metro Denver rose to 7.9% in the fourth quarter of 2005, a slight increase from the 7.7% vacancy rate reported in the prior quarter. Fourth quarter rates tend to be higher for seasonal reasons. This was the lowest fourth-quarter rate posted since 2000 when the vacancy rate stood at 4.7%.

The apartment vacancy rate averaged 8.2% in Metro Denver in 2005, down from this business cycle's peak of 12.0% reached in 2003. Rates for all counties were relatively similar in 2005, ranging from a low of 7.6% in Arapahoe and Douglas counties to a high of 9.1% in Denver County. Gordon Von Stroh, the report's author, predicts the vacancy rate could fall below 7% by the end of 2006 if absorption continues to be positive. The average apartment rent increased from $846 to $848 in the final quarter of 2005, bringing the 2005 year-to-date average 2.6% higher than the 2004 average.

Apartment Statistics

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

Source: Denver Metro Apartment Vacancy and Rent Survey.

A different survey of Western apartment markets by RealFacts Inc. reported the average rent in Denver increased only 0.1% from December 2004 to December 2005 to $852 per month. The average rent in Denver was more affordable than numerous cities in California and Seattle but more expensive than Las Vegas, Portland and Phoenix.

Commercial Real Estate

Investors spent a record $3.1 billion in 2005 on commercial real estate in Metro Denver, the equivalent value for all large commercial real estate purchases between 1990 and 1995 and a 55% increase over 2004 sales. The largest transactions according to Northstar Commercial Partners included the Wells Fargo building ($344.0 million), Pratt portfolio ($142.0 million) and 633 17th St. ($90.3 million). Northstar Commercial Partners tracks sales of $1 million or greater.

The Metro Denver office market finished 2005 on a positive note according to CB Richard Ellis. The office vacancy rate fell to 15.8% in the fourth quarter, down from 16.5% in the third quarter. Over 750,000 square feet of office space was absorbed in the fourth quarter, the highest level since 2002. Lease rates increased to $17.08 per square foot, the sixth consecutive quarterly increase.

Office fundamentals from Costar Realty Information, Inc. also indicate a stable office market that is making slow but steady steps in the right direction. Vacant square footage declined for the fifth consecutive quarter in the fourth quarter even as more space was added to the market. Direct and total vacancy rates including sublet space decreased to 13.4% and 15.0%, respectively, in the fourth quarter. The average lease rate held steady at $17.47 per square foot, the highest rate since third quarter 2003.

Office Market Statistics

	Quarter 4 2005	Quarter 3 2005	Quarter 4 2004	Quarter 4 2003	Quarter 4 2002	Quarter 4 2001
Number of Buildings	4,409	4,350	4,320	4,278	4,232	4,155
Existing Square Feet (millions)	150.4	149.5	149.0	147.6	146.3	143.5
Vacant Square Feet (millions)	20.2	20.8	22.0	21.7	20.1	14.5
Vacancy Rate (Direct)	13.4%	13.9%	14.8%	14.7%	13.7%	10.1%
Vacancy Rate (With Sublet)	15.0%	15.5%	16.6%	17.1%	16.6%	13.2%
Average Lease Rate (per square foot)	$17.47	$17.44	$17.09	$17.33	$18.92	$20.76
New Construction Completed (year-to-date)	0.73 MSF, 42 Bldgs	0.50 MSF, 31 Bldgs	1.20 MSF, 38 Bldgs	1.24 MSF, 39 Bldgs	2.90 MSF, 82 Bldgs	7.75 MSF, 117 Bldgs
Currently Under Construction	1.34 MSF, 38 Bldgs	1.21 MSF, 32 Bldgs	0.72 MSF, 28 Bldgs	0.82 MSF, 24 Bldgs	1.39 MSF, 33 Bldgs	2.83 MSF, 65 Bldgs

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

Office construction increased in the fourth quarter to its strongest level since fourth quarter 2002. More than 1.34 million square feet of new office space is currently under construction in Metro Denver. Over half of the new space is located in the City and County of Denver. In fact, the three largest construction projects are located in Denver: the Denver Newspaper Agency building, the Environmental Protection Agency building and the Lowry Medical Center Office building. *About 730,000 square feet of office space was added to the Metro Denver market in 2005, down from 1.2 million square feet added in 2004.*

Westfield Development disclosed plans for the Lincoln Station transit-oriented development near the southernmost light rail stop of the Southeast Corridor line, Park Meadows Mall and the Sky Ridge Medical Center. The development will adjust to market conditions but will likely feature about 800 to 1,000 residential units and 800,000 to 1 million square feet of office and retail space. The first phase of construction is scheduled for October 2006.

The Metro Denver office market will soon be home to $35 million worth of office condos. Shea Commercial of Scottsdale (no connection to Shea Home or Shea Properties) will build 325,000 square feet of Class A space at locations in Littleton, Lone Tree and Parker starting in mid-2006. The company is also looking for four or five other sites in Metro Denver, including a Downtown Denver location. Unit prices range between $185 and $235 per square foot for 1,200 to 36,000–

square foot offices. President and CEO Jim Riggs said the passage of FasTracks was a definite factor in entering the Metro Denver market.

The fourth quarter 2005 report by CB Richard Ellis also shows some improvement in the industrial market with the vacancy rate dropping from 8.9% in the third quarter to 8.5%. The lowest vacancy rates are currently being posted in the Central Denver, Commerce City, North Central and Southwest submarkets. The average lease rate increased to $5.09 per square foot after declining two quarters in a row. Over one million square feet of direct space was absorbed in the fourth quarter, led by strong activity in the Airport/Montbello, Southeast and North Central submarkets.

CoStar data provides a slightly different view of the Metro Denver industrial real estate market. According to CoStar, the industrial vacancy rate of 8.0% (direct) and 8.4% (with sublet) in the fourth quarter compared to rates of 7.8% and 8.4%, respectively, in the fourth quarter of 2004. CoStar data shows lease rates increased to $4.71 per square foot in the fourth quarter, up from $4.61 per square foot in the fourth quarter of 2004.

About 860,000 square feet of new industrial buildings are under construction. The three largest construction projects are located in Denver, including two at the Gateway development and one at the Centerpark development. *About 1.3 million square feet of new industrial space was added to the Metro Denver market in 2005, significantly less than the 1.8 million square feet added in 2004. Almost 73% of the new space was added in Adams County.*

Industrial Market Statistics

	Quarter 4 2005	Quarter 3 2005	Quarter 4 2004	Quarter 4 2003	Quarter 4 2002	Quarter 4 2001
Number of Buildings	5,544	5,481	5,460	5,426	5,386	5,326
Existing Square Feet (millions)	197.8	196.2	195.6	193.9	191.8	188.9
Vacant Square Feet (millions)	15.8	14.9	15.2	14.2	12.0	9.8
Vacancy Rate (Direct)	8.0%	7.6%	7.8%	7.3%	6.3%	5.2%
Vacancy Rate (With Sublet)	8.4%	8.1%	8.4%	8.2%	7.2%	6.0%
Average Lease Rate (per sq. ft, nnn)	$4.71	$4.73	$4.61	$4.69	$5.43	$5.53
New Construction Completed (year-to-date)	1.30 MSF, 40 Bldgs	0.61 MSF, 21 Bldgs	1.82 MSF, 34 Bldgs	2.07 MSF, 38 Bldgs	2.77 MSF, 49 Bldgs	2.22 MSF, 38 Bldgs
Currently Under Construction	0.86 MSF, 19 Bldgs	0.84 MSF, 21 Bldgs	0.33 MSF, 14 Bldgs	1.20 MSF 12 Bldgs	0.87 MSF, 17 Bldgs	1.65 MSF, 16 Bldgs

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

CoStar data also shows steady but positive quarterly movements in the flex space market. The direct vacancy rate was unchanged in the fourth quarter from 14.7% in the third quarter but is well below the 2004 fourth quarter rate of 16.6%. The total vacancy rate including sublet space declined from 16.0% in the third quarter to 15.5% in the fourth quarter. Meanwhile, the average lease rate increased to $8.37 per square foot and remains above the average lease rate a year ago.

Flex Space Statistics

	Quarter 4 2005	Quarter 3 2005	Quarter 4 2004	Quarter 4 2003	Quarter 4 2002	Quarter 4 2001
Number of Buildings	1,218	1,207	1,190	1,179	1,165	1,136
Existing Square Feet (millions)	36.8	36.7	36.4	36.2	35.9	34.9
Vacant Square Feet (millions)	5.4	5.4	6.0	6.4	5.3	4.8
Vacancy Rate (Direct)	14.7%	14.7%	16.6%	17.6%	14.8%	13.7%
Vacancy Rate (With Sublet)	15.5%	16.0%	18.2%	19.2%	16.6%	15.6%
Average Lease Rate per sq. ft, nnn)	$8.37	$8.30	$8.29	$8.04	$8.34	$9.50
New Construction Completed (year-to-date)	0.37 MSF, 21 Bldgs	0.26 MSF, 16 Bldgs	0.12 MSF, 6 Bldgs	0.22 MSF, 10 Bldgs	0.81 MSF, 27 Bldgs	2.45 MSF, 52 Bldgs
Currently Under Construction	0.46 MSF, 15 Bldgs	0.23 MSF, 7 Bldgs	0.37 MSF, 17 Bldgs	0.05 MSF, 1 Bldg	0.25 MSF, 6 Bldgs	0.43 MSF, 15 Bldgs

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

Flex space construction picked up during the fourth quarter of the year. About 460,000 square feet of flex space is currently under construction, up from 370,000 square feet underway at this time last year. More than 40% of the flex space construction is occurring in Jefferson County. About 370,000 square feet of new flex space was added to the Metro Denver market in 2005, up from 120,000 square feet in 2004.

Plans for at least a dozen buildings at the 160-acre Colorado Bioscience Park Aurora at Fitzsimons will be finalized in the first part of 2006 with construction following closely behind. The first laboratory and research buildings could open as early as 2007.

The retail market in Metro Denver is being impacted by high energy prices, rising interest rates and a softening residential real estate market according to CB Richard Ellis. The retail vacancy rate increased to 6.4% in the fourth quarter of 2005, up from 6.2% in the previous quarter. Despite negative absorption in the final quarter of 2005, the total for the year was a positive 900,000 square feet. There is currently an all-time high of almost 6 million square feet of retail space under construction and over 4 million square feet of additional space in the planning stages, giving some analysts cause for concern.

Louisville-based Midtown Group will capitalize on the successful Stapleton development by building a retail center on the former Best Western hotel site on Quebec St. The development company will construct three free-standing buildings to be sold to individual investors along with two 9,000-square-foot buildings that will be leased to retail tenants including Sonic Drive-In and a bank.

Inland Real Estate Development of Illinois announced plans for a 600,000-square foot retail center along E-470 in Aurora. The $60 million retail center dubbed the Marketplace at Jewell Commons will begin construction in 2007. Initial plans call for a regional power center setup that is anchored with big-box stores but pedestrian friendly.

The Tattered Cover Book Store in Cherry Creek will close its doors and relocate to the renovated Lowenstein Theatre on East Colfax and Clayton streets in June. The Fourth Story Restaurant which shares the Cherry Creek building will also close but the Tattered Cover may open a small satellite store in the area to maintain a presence. The Lowenstein redevelopment project also includes a Twist & Shout music store, parking and other tenants that have yet to be announced. The Denver Film Society was originally named as a tenant but dropped out when not enough money was raised to fund the move. The total project stands at 56,420 square feet and has three spaces available for additional tenants. The Lowenstein will reopen in July 2006, about 20 years after it closed.

Monthly Economic Summary of Metro Denver

Indicator	Monthly/ Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	⇑	⇑	Employment increased by 4,700 jobs from Nov to Dec; 1.9% annual increase over 2004
% Companies Hiring	⇑	⇑	30% of companies expect to add workers in 1st quarter 2006; only 4% expect decreases
Unemployment Rate	⇓	⇓	Metro rate decreased to 4.5% in Dec; annual unemployment rate of 5.1% same as U.S.
Initial Claims	⇑	⇓	Initial unemployment claims increased in Dec; annual claims down 12.2% from 2004
Total Retail Sales	⇑	⇑	Total retail sales up 6.1% through Nov; total retail sales up 7.4% for state
Consumer Confidence Index	⇓	⇑	Mountain region confidence levels fell in Dec but is still 10.4% above 2004
Hotel Occupancy	⇓	⇑	Hotel occupancy declined in Dec to 46.5%; 2005 annual occupancy 3.6% above 2004
DIA Passengers	⇑	⇑	Traffic increased 2.6% in 2005, serving nearly 43.4 million passengers
Colorado Stock Index	⇓	⇓	CO Stock Index slipped in January to 0.1% below the December 2005 level
Dow Jones Industrial Average	⇑	⇑	Dow increased in January to 1.4% higher than the December 2005 level
Home Sales (closed)	⇑	⇓	Home sales increased in Dec but down 1.9% for the year; average SF sold price up 6.0%
Median Home Price	⇑	⇑	Median home price increased to $253,500 in Q3 2005; 2005 price 2.7% higher than 2004
Foreclosures	⇑	⇑	Foreclosures up 16.0% in 2005; biggest gains in Adams, Boulder & Arapahoe counties
Residential Building Permits (Total)	⇑	⇓	Total permits down 3.8% through Nov; 84.4% decline in multi-family permits
Apartment Vacancy Rate	⇑	⇓	Vacancy rate increased to 7.9% in Q4 2005; avg rental rate increased to $848 per month
Office Vacancy Rate (with Sublet)	⇓	⇓	Vacancy rate with sublet down to 15.0%; 1.34 million sq. ft. construction is underway
Industrial Vacancy Rate (with Sublet)	⇑	⇔	Increase in vacancy rate with sublet to 8.4%; 0.86 million sq. ft. of construction underway
Flex Space Vacancy Rate (with Sublet)	⇓	⇓	Vacancy rate with sublet down to 15.5%; 0.46 million sq. ft. construction underway
Positive Changes	**11 of 18**	**13 of 18**	