

MONTHLY ECONOMIC SUMMARY

A Monthly Summary of Economic Conditions

in Metro Denver

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

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Prepared For:



Metro Denver
Economic Development Corporation

1445 Market Street
Denver, Colorado 80202

Researched and Compiled by:



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

MONTHLY ECONOMIC SUMMARY OF METRO DENVER

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

Notable Rankings

- ◆ Colorado ranked fourth in the fifth annual State Competitiveness Report released by Suffolk University's Beacon Hill Institute. The Institute defines competitiveness as "the policies and conditions that ensure and sustain a higher level of per capita income and its continued growth." The 2005 Report assigns 42 variables to eight categories – government and fiscal policy, security, infrastructure, human resources, technology, business incubation, openness, and environmental policy – and combines these eight measures into a single "competitiveness index". Massachusetts, New Hampshire and Utah ranked higher than Colorado.
- ◆ Colorado ranked 11th in the U.S. for population growth between June 2004 and July 2005, according to U.S. Census Bureau estimates. Of the 24,000 net migrants to the state during the period, the Census Bureau estimates that three-fourths came from outside of the U.S. Colorado's 1.4% population increase lags the growth experienced in several neighboring Western states. The top five states for percentage population growth were Nevada (+3.5%), Arizona (+3.5%), Idaho (+2.4%), Florida (+2.3%) and Utah (+2.0%). Nevada has held the top ranking for 19 consecutive years. Rhode Island and Washington, D.C. ranked last with respective population losses of 0.3% and 0.7%.
- ◆ The fastest-growing cities in Metro Denver during 2005 were Erie (+28.1%), Commerce City (+16.2%), Castle Rock (+9.7%), Parker (+7.5%) and Brighton (+4.9%), according to a report by the Denver Regional Council of Governments.
- ◆ The Center for Immigration Studies (CIS) reported that after five years of record growth, the national immigrant population topped 35 million in 2005. About 12.1% of current U.S. residents were born abroad compared to only 5% in the 1970s. The peak of foreign born residents was 14.7% in 1910. CIS estimates that 3.7 million of the 7.9 million immigrants that arrived in the U.S. after 2000 migrated illegally. While, Colorado is home to the third largest immigrant population in the West (behind California, Arizona and Washington), Colorado's immigrant population growth has stalled after nearly doubling between 1995 and 2000. Colorado's 443,000 immigrants comprise 9.8% of the state's total population, down from 10.4% in 2000. The CIS study is based on U.S. Census Bureau data.
- ◆ *Fortune* magazine named the Denver-Aurora market the 63rd top residential real estate market in the nation. The 100 largest metro areas were ranked according to projected price change in 2006. Home prices in Metro Denver are projected to appreciate 2.6% in 2006. San Antonio is expected to realize the largest price gains in the nation of 8.3% in 2006 while Las Vegas ranks last with a 7.9% decline in home prices.
- ◆ Colorado was listed as one of the ten "hot spots" for mortgage fraud in 2004 by the Federal Bureau of Investigation (FBI). "Hot spots" were defined by mortgage activity on a per capita basis. The FBI estimates that mortgage fraud is a \$1 billion problem, more than double the \$429 million estimated for fiscal year 2004. The other top ten states were California, Nevada, Utah, Arizona, Missouri, Illinois, Maryland, Georgia and Florida.

- ◆ Metro Denver residents do a relatively decent job saving their money according to a new national index compiled by A.G. Edwards which ranks Boulder 16th and Denver 30th among U.S. cities for household savings. The index considers 12 factors including savings rates, participation in retirement plans, mortgage levels and personal debt. San Jose, CA ranked first.
- ◆ Metro Denver, excluding Boulder, ranks third among the 100 largest metro areas for spending on personal computers. MapInfo, a location intelligence software and research company, also reported that the San Francisco-Oakland-Fremont area in California and Honolulu, HA are the top two metro areas for personal computer expenditures.

General Economic Overview

Final estimates for third quarter U.S. gross domestic product (GDP) growth reveal that GDP expanded 4.1% during the July-September period, down slightly from the preliminary estimates of 4.3%. GDP expanded at a slower rate of 3.3% during the second quarter. Major contributors to the accelerated growth were consumer spending, investment in equipment and software, federal government spending and residential fixed investment, according to the U.S. Department of Commerce, Bureau of Economic Analysis.

U.S. productivity increased at an annual rate of 4.7% during third quarter of 2005, the largest quarterly gain in two years. The U.S. Department of Labor revised the productivity measure up from the preliminary 4.1% annual rate.

The Federal Open Market Committee (FOMC) raised the target for the federal funds rate by another 25 basis points on December 13th to 4.25%, the 13th increase since the FOMC began tightening monetary policy during the summer of 2004. The Federal Reserve gauges the economic activity as "solid" and noted that "longer-term inflation expectations remain contained." Still, further policy tightening is likely to occur to keep inflationary pressures resulting from elevated energy prices and resource utilization in check.

The U.S. trade deficit reached an all-time high in October, increasing 4.4% to \$68.9 billion from September to October. The U.S. also has record trade imbalances with its major trading partners: China, the European Union, Canada and Mexico. Oil, Chinese televisions, toys and computers ranked high on the U.S. import list in terms of value. The October record was heavily influenced by the limited domestic oil production due to the Gulf Coast hurricanes.

Japanese law makers voted to ease the ban on U.S. beef imports in mid-December, a boon for U.S. and Colorado exports. The ban was estimated to cost Colorado ranchers \$125 million a year. Colorado was the fourth largest producer of beef in 2004 with \$1.2 billion in annual sales. Only Texas, Nebraska and Kansas recorded higher sales than Colorado. Japan imposed the embargo two years ago when mad cow disease was discovered in a Washington state herd.

Various indexes reveal generally positive but softening economic conditions at the national level and mixed results for Colorado and Metro Denver:

- ◆ The Conference Board's Index of Leading Economic Indicators improved 0.5% to 138.8 in November, following a 1.0% improvement in October and a 0.7% decline in September. Seven of the ten indicators reported gains in November with declining unemployment claims, improved consumer expectations and higher stock prices as the largest positive contributors. Negative contributors were vendor performance, average weekly manufacturing hours and new manufacturing orders for non-defense capital goods. The national index gauges future economic conditions. The Conference Board's coincident index, which gauges current economic conditions, rose 0.2% in November after increasing 0.2% in the month prior.
- ◆ The nation's manufacturing sector expanded for the 30th consecutive month in November while the overall economy grew for the 49th consecutive month. The Institute for Supply Management's Purchasing Managers' Index decreased from a revised 59.1 in October to 58.1 in November, indicating positive but slower growth. The index tracks overall business

activity of more than 350 manufacturing companies located throughout the country. The top three manufacturing industries reporting growth in November were apparel; rubber & plastic products and electronic components & equipment.

- ◆ The Front Range Purchasing Manager's Index compiled by the University of Colorado at Denver Business School slipped from 56.8 in September to 48.2 in October, dropping below 50 for the first time since November 2004. Both indexes indicate expansionary conditions with values over 50.0.
- ◆ The national service economy expanded for the 32nd consecutive month in November according to the National Institute for Supply Management's non-manufacturing index. The index slipped from 60.0 in October to 58.5 in November, also indicating positive but slower growth. Twelve of the 17 non-manufacturing industries reported growth in November, led by mining, legal services and health services.
- ◆ 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 slipped for the fourth consecutive month in November despite business confidence improvements in the Colorado-Utah-Wyoming region. The overall index fell from 63.2 in October to 62.5 in November, the lowest index value since February 2005. The individual Colorado index also declined for the fourth consecutive month in November, declining from 57.2 in October to 54.6 in November. A reading greater than 50 indicates expansionary conditions.
- ◆ The Vectra Bank Small Business Index for Colorado declined from a revised 107.0 in October to 104.8 in November. The Colorado unemployment rate, the most heavily weighted component, fell to 4.9% from 5.2% during the data collection period. A lower unemployment rate is considered a negative factor because of the smaller labor pool from which small business can recruit employees. Colorado conditions are more positive than national conditions. The national small business index slipped from a revised 93.0 in October to 91.6 in November. The index's 100 mark represents the benchmark year of 1997.
- ◆ The Colorado Business Leaders Confidence Index declined nine points to 49.1 in the final quarter of 2005, dropping below the neutral mark of 50 for the first time since the war in Iraq began in early 2003. All six components of the University of Colorado at Boulder index declined indicating short-term uncertainty from a variety of factors. The survey period for the fourth quarter index closely followed Hurricane Katrina's landfall.
- ◆ The Leading Index for Metro Denver increased to 101.0 in September after stabilizing at 100.9 in both July and August, indicating accelerated economic expansion in Metro Denver. The Leading Index is a predictor of changing economic activity six to nine months in the future. The Historic Index slipped from 129.5 in August to 128.8 in September due to weaker retail sales. Still, the Historic Index remains 1.8% above last year's levels. The Historic Index, which measures year-over-year growth so that both the direction and magnitude of change are important, has generally followed an upward trend since March 2004. The 100 level represents the benchmark year of 1995 for both indexes compiled by Development Research Partners.

Labor and Employment

Employment growth rates declined at the national, state and Metro Denver level in November. While the U.S. had been tracking at a 1.7% increase in nonagricultural employment through October, the national rate slipped to 1.6% in November. Employment growth in Colorado slipped to 2.1%, down from an annualized growth rate of 2.2% throughout the months of August through October.

Total nonagricultural employment in Metro Denver reached 1,363,000 workers in November. This was the first month in 2005 that surpassed the 2001 level of employment for the same month. Still, the employment level is lower than the previous peak November employment level in 2000 of 1,400,300 jobs. The employment growth rate in the 11-county Metro Denver area fell to 1.9% for the 11 months ended November 2005 compared to the same period last year. While this decline is disappointing, it is encouraging that Metro Denver continues to outperform the nation.

Average annual employment in 2005 in Metro Denver is 25,400 positions higher than 2004, a little more than half of the total increase at the state level of 46,700 jobs. Employment gains have been the greatest in the Professional & Business Services (+6,900 jobs), Education & Health Services (+4,300 jobs), Leisure & Hospitality (+3,800 jobs) and Natural Resources & Construction (+3,600) sectors. All industry groups are tracking at higher levels compared to last year with the exception of Information, which is posting an average annual decline of 3,800 jobs.

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

	Month of Nov-05 (p)	Month of Oct-05	Month of Nov-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*	1,363.0	1,361.4	1,346.2	1,348.2	1,322.8	1.9%	4.3%	4.2%
Natural Resources & Construction	97.5	98.6	95.6	96.3	92.7	3.9%	10.7%	3.3%
Manufacturing Wholesale & Retail Trade	91.3	91.5	92.3	91.6	90.9	0.8%	-1.0%	3.8%
Transp., Warehousing & Utilities	212.6	207.7	210.2	206.0	203.1	1.4%	3.5%	5.0%
Information	52.8	52.3	52.4	51.9	51.3	1.1%	8.6%	3.5%
Financial Activities Professional & Business Services	55.5	55.6	59.9	57.1	60.9	-6.2%	10.1%	8.6%
Education & Health Services	108.6	108.7	106.6	107.9	105.9	1.8%	0.3%	2.9%
Leisure & Hospitality	219.0	220.7	213.5	217.0	210.1	3.3%	7.0%	5.7%
Other Services	139.0	138.5	135.4	137.0	132.6	3.3%	2.9%	4.8%
Government	135.4	137.2	133.1	137.7	133.9	2.8%	4.5%	5.8%
Federal Gov't	50.8	50.8	49.5	50.7	49.5	2.4%	1.0%	3.6%
State & Local Gov't	200.5	199.8	197.7	195.1	191.8	1.7%	2.4%	0.5%
Colorado	31.4	31.4	31.8	31.5	31.8	-0.8%	-0.5%	-6.6%
United States	169.1	168.4	165.9	163.6	160.1	2.2%	3.1%	2.6%
Colorado	2,244.4	2,241.0	2,203.6	2,221.6	2,174.9	2.1%	3.8%	4.5%
United States	135,361	135,025	133,406	133,483	131,325	1.6%	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: U.S. airline employment declined 5.5% in October compared to employment levels in October 2004. The report by the Department of Transportation noted that October marked the 10th consecutive month for year-over-year employment declines for scheduled-passenger carriers. Denver International Airport's (DIA) two largest carriers reported mixed employment trends over the same period. United Airlines decreased their total payrolls by 7.8% to 53,916 employees worldwide. On the other hand, Frontier Airlines increased their payrolls by 0.7% to 4,097 employees. Frontier Airlines plans to hire 50 additional customer service representatives over the next few months to handle the airline's growing network.

Southwest Airlines began service in Denver on January 3rd with non-stop flights to Chicago Midway, Las Vegas and Phoenix and one-stop service to dozens more cities. Service to Oakland

and San Diego will begin in February. Approximately 40 Southwest employees will be based in Denver. Southwest Airlines flights will account for less than 3.0% of the daily market share initially; however, the market share is likely to increase if the "Southwest Effect" holds true in Denver as it has in other markets like Philadelphia. The "Southwest Effect" refers to the deep impact the low-cost carrier has had on competitor fares and market shares. United Airlines flights accounted for 57% of the October passengers compared to Frontier Airline's 20.7% share.

Denver International Airport will be able to accommodate airline growth by building two temporary gates west of Concourse C. Plans are being finalized for the \$10 million project with completion scheduled as early as late 2006. The new gates will be able to handle about a dozen daily flights each.

Aerospace: The Denver-built Stardust spacecraft will return to earth mid-January after a seven-year mission to collect dust from a comet's tail. The Stardust traveled nearly 3 billion miles during its orbit around the sun. The comet specimens will be recovered from a capsule that is planned to release over the salt flats of Utah.

DigitalGlobe in Longmont cut about two dozen jobs in late November as part of its restructuring under a new CEO. DigitalGlobe sells high-resolution satellite images of Earth. The company reported that after the job cuts, total employment was "in excess of 300."

Bioscience: GlobelImmune outgrew its facilities at the Fitzsimons Bioscience Park and recently leased a 40,000 square foot building in Louisville to house its 50 employees. The company, which develops and manufactures targeted molecular immuno-therapies for the treatment of cancer and infectious diseases, plans to hire 10 additional scientists and managers in the near future.

Fitzsimons celebrated a new tenant despite the loss of GlobelImmune. DMI BioSciences Inc. is the first tenant for Bioscience East, a newly-renovated 25,000 square-foot facility in the Fitzsimons Bioscience Park. The new tenant develops pharmaceuticals and biomarkers for the acute and chronic inflammation associated with diseases like multiple sclerosis, asthma and cancer. At full build-out, the 160-acre Bioscience Park at Fitzsimons will employ 6,000 workers in high-paying jobs and feature four million square feet of commercial space.

Stock prices for Westminster-based Myogen Inc. soared after a pivotal trial turned successful. Myogen developed the drug ambrisentan to improve the breathing of patient's with lung disorders and to slow the worsening of pulmonary arterial hypertension. One more study is required to gain U.S. regulatory approval.

Energy: The National Renewable Energy Lab (NREL) in Golden will soon lose up to 100 scientists and researchers as a result of diverted federal funding. An estimated 10% of NREL's \$200 million fiscal year budget was cut by Congress and earmarked for other projects. It is unknown which departments are likely to be affected by the layoffs but NREL suspects that the biomass, solar, wind and hydrogen energy programs will be most affected.

Unfortunately, these cuts come at a time when renewable energy research is gaining in importance. The U.S. Department of Energy significantly revised its expectations for oil prices from last year's forecast which estimated prices would settle at about \$31 per barrel in constant prices by 2025. Now, the department anticipates oil prices will hover around \$50 per barrel for the next few years and average \$54 per barrel by 2025. Higher prices will force a shift to more fuel-efficient vehicles and increase the demand for alternative fuels.

Denver-based Newmont Mining Corp. will soon lose its title as the world's largest gold producer as the third-largest and fifth-largest companies merge. Toronto's Barrick Gold Corp. will purchase Vancouver's Placer Dome Inc. for \$10.4 billion, resulting in the largest gold industry acquisition. Newmont employs 14,000 workers worldwide.

Xcel Energy, the largest utility in Colorado, plans to add 775 megawatts of wind power to the Colorado network by 2007, making Xcel the largest user of wind energy in the nation with a projected total of 2,341 megawatts throughout its ten-state system. One megawatt can power approximately 1,000 homes. Currently, about 282 megawatts of wind power is either in use or

under construction in Colorado. By 2007, Colorado will have the fifth largest capacity in wind energy with 1,064 megawatts. The new 775 megawatts will be generated from a \$480 million wind farm in Weld County. Minneapolis-based Xcel Energy operates in ten states and has 1.3 million customers in Colorado alone.

Financial Services: Colorado insurance regulators approved the \$9.2 billion merger of Minnesota-based UnitedHealth Group Inc. and California-based PacifiCare Health Systems Inc. pending the acceptance of certain conditions that protect Colorado consumers. Regulators in California, Arizona, Nevada, Oklahoma, Wisconsin and Oregon have also approved the agreement, which still requires approval by Texas and Washington regulators. The proposed merger would be the largest health insurance merger in Colorado and create the second-largest health insurance company in the nation. The company will hold 27% of the Colorado market and 30% of the Boulder market.

First Data Corp. is trimming approximately 3% of its global workforce of 33,000 for cost-cutting purposes. Less than 50 jobs will be lost in Metro Denver which is home to about 3,000 employees.

Equity Office Properties, the largest office space owner in both Denver and the nation, is eliminating 14 local positions by transferring some accounting and administrative positions to Seattle. Equity Office Properties owns six Downtown Denver office buildings and will employ 82 workers once the cuts are effective. Equity Office Properties, which owned 128 million square feet of office space nationwide at its peak, currently owns 112 million square feet.

Information Technology: Longmont-based Cornice Inc. secured \$97 million in venture capital funding from four different firms, the second-largest venture capital award in 2005. The data storage company will use the funds to position itself for an initial public offering. Cornice employs 170 of its 186 total employees at its Longmont facility and plans to hire an additional 30 workers, mostly engineers, in 2006. Cornice manufactures data storage devices for consumer electronics such as cell phones, MP3 players and personal video recorders.

The top disk drive manufacturer, Seagate Technology, will buy rival Maxtor Corp. for \$1.9 billion in stock. Both companies are based in California but have significant operations in Longmont, employing almost 2,300 workers combined. Some analysts think the merger will lead to layoffs but company officials says it is too soon to tell.

Boulder-based SpectraLink Corp., a wireless technology company, acquired Denmark-based Kirk telecom for \$61.3 million. Kirk will operate as a wholly owned subsidiary while still doing business under the Kirk brand. SpectraLink employs about 400 workers worldwide of which 275 are staffed in Metro Denver. The combined companies will serve clients in more than 40 countries in North America, Europe and Asia.

Telecommunications: AZN Television, a Comcast Corp. subsidiary that targets Asian Americans, cut 50 of the firms 80 employees at its corporate headquarters in Centennial. The job cuts were part of a move to consolidate back-office operations. AZN Television has 14 million subscribers.

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. The remaining 11% of respondents are uncertain of their staffing plans. 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.

Looking ahead, the Colorado Business Economic Outlook forecasts that Colorado employment levels will return to 2001, pre-recessionary levels in 2006 with the addition of 52,100 jobs for a 2.3% annual employment gain. The University of Colorado forecast, generated from Colorado industry leaders and economists, also predicts the unemployment rate will slip from 5.1% in 2005 to 4.9% in 2006, the healthiest unemployment rate since 2001. All employment sectors, except for information, will report job gains in 2006. The largest percentage gains will occur in the construction (+6.0%; +9,500 jobs), professional and business services (+3.7%; +11,700 jobs) and educational and health services (+3.0%; +6,700 jobs) sectors. Considerable job gains in absolute terms will occur in the trade, transportation and utilities and leisure and hospitality sectors with respective increases of 7,800 and 5,600 positions. Manufacturing employment will experience the smallest increase of only 0.1% in 2006, up from a 1.9% loss in 2005. Information employment will decline 1.0% or 800 jobs in 2006 compared to a 6.2% decline in 2005. 2006 marks the second year in a row that Colorado employment levels will grow at a faster rate than the nation. U.S. employment levels are projected to grow 1.8% in 2006.

Online job recruitment activity and related employment opportunities improved for the fourth consecutive month in November, according to the Monster Local Employment Index. Online job demand in Metro Denver increased to 108 in November, up from 107 in October. The strongest increases were reported in management, transportation and material moving and architecture and engineering.

The unemployment rate increased in the U.S., Colorado and Metro Denver from October to November. The October rates were the lowest unemployment rates reported since fall 2001. The overall Metro Denver unemployment rate increased from 4.7% to 4.9%, slightly higher than the 4.8% rate reported for both Colorado and the U.S. in November. Denver and Adams counties reported the highest unemployment rates in the seven-county metro region of 5.6% and 5.5%, respectively. On the other hand, Douglas and Boulder counties reported the most favorable rates of 3.7% and 4.1%, respectively. The annualized unemployment rate in Metro Denver of 5.2% remains much improved over the 2004 rate of 5.7%. Both Colorado and the U.S. reported slightly lower average annual unemployment rates.

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

	November 2005 (p)		2005 YTD Average		2004 YTD Average		2000	1995
	Total Labor Force	Unemployment Rate	Total Labor Force	Unemployment Rate	Total Labor Force	Unemployment Rate	Annual Average Unemployment Rate	Annual Average Unemployment Rate
Metro Denver	1,437.8	4.9%	1,432.8	5.2%	1,429.3	5.7%	2.5%	3.8%
Adams County	202.6	5.5%	202.3	5.8%	202.1	6.4%	2.7%	4.1%
Arapahoe Cnty	295.4	4.8%	294.8	5.1%	294.0	5.6%	2.4%	3.3%
Boulder Cnty	169.8	4.1%	167.6	4.5%	165.9	5.0%	2.3%	4.1%
Broomfield Cnty*	24.1	4.5%	24.0	4.7%	24.0	5.5%		
Denver County	306.5	5.6%	306.0	6.0%	306.2	6.7%	2.9%	4.8%
Douglas Cnty	129.5	3.7%	129.0	3.8%	128.7	4.3%	2.0%	2.4%
Jefferson Cnty	310.0	4.7%	309.2	5.0%	308.2	5.4%	2.3%	3.2%
Colorado	2,540.7	4.8%	2,544.0	5.1%	2,520.6	5.6%	2.6%	4.2%
United States	150,239	4.8%	149,270	5.1%	147,358	5.6%	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 second month in a row in November, reaching 5,256 claims. Still, the average number of claims filed through the first 11 months of the year is down 13.6% compared to the same period last year. At the state level, first time unemployment claims are down 10.2% over the same comparison period.

First Time Unemployment Insurance Claims

	Month of	Month of	Month of	Year-to-Date	Year-to-Date	Year-to-Date	Annual
	Nov-05	Oct-05	Nov-04	Average	Average	Average	Average
				2005	2004	% Change	2000
Metro Denver	5,256	4,948	6,167	4,884	5,653	-13.6%	3,513
Colorado	11,816	11,202	13,157	10,707	11,917	-10.2%	7,951

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

Salary hikes in 2006 are unlikely for American workers, according to a recent survey by staffing services firm Robert Half International. About two-thirds of the 1,400 chief executive officers surveyed do not plan to increase wages in 2006. The survey also reports that bonuses will either stay the same or decline and points to rising health-care and energy costs as reasons for the tight wages.

Wages and benefits in the Western region of the U.S. are higher than average, according to a report issued by the U.S. Department of Labor, Bureau of Labor Statistics. Wages and salaries in the West averaged \$18.65 per hour and benefits costs averaged \$7.69 per hour in September compared to an average of \$17.23 per hour for wages and salaries and \$7.11 per hour for benefit costs nationwide.

Consumer Sector

November consumer prices dropped at the sharpest rate in 56 years primarily due to an 8.0% drop in energy prices. Energy costs were inflated due to the destruction caused by the Gulf Coast hurricanes in August and September. The Consumer Price Index fell 0.6% in November while core inflation, which excludes energy and food costs, increased 0.2%. Energy prices are likely to increase this winter and had been steadily increasing for more than 12 months before the hurricanes made landfall.

Gas prices in Metro Denver stabilized in December after easing in November. The average price in Denver and Boulder was \$2.13 per gallon as of Monday, January 1st, still up about \$0.40 from a year ago. Metro Denver gas prices are currently below the national average of \$2.21 per gallon, according to AAA's fuelgagereport.com. On the other hand, the average bill for Xcel's residential customers in Metro Denver will increase 46% from January 2004 to January 2005 to \$183 per month. Commercial customers will endure a 49% increase over the same period to \$881 per month.

National retail and food sales increased 0.3% from October to November and were 6.3% higher than November 2004 sales, according to advance estimates from the U.S. Department of Commerce. Sales also increased 0.3% from September to October. The sales figures are adjusted for seasonal variation, holiday and trading-day differences but not for price.

The National Federation of Retailers anticipates a 6.0% increase in holiday retail sales in 2005 to \$439.5 billion while the International Council of Shopping Centers (ICSC) forecasts a more conservative increase of 3% to 3.5% for the season. The character of the shopping season was altered this year by heavy use of gift cards, according to the ICSC chief economist, Mike Niemira. Niemira gave this year's shopping season a "C plus" and noted that shoppers procrastinated this season. A survey by America's Research Group revealed that 85.6% of shoppers had finished shopping for their children by the Sunday before Christmas in 2002. In 2005, only 61.5% had finished shopping for their children.

Annualized retail sales in Metro Denver were up 5.7% through October compared to last year. Douglas County (+14.7%) and Adams County (+14.6%) continue to post the largest year-to-date gains in the metro region. Jefferson County reported the smallest annual gain among the seven metro counties of only 1.6%. 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 throughout Colorado are growing at a faster pace than Metro Denver of 7.1%.

Total Retail Sales (\$000s)

	Month of Oct-05	Month of Sep-05	Month of Oct-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Annual Growth 2000	Annual Growth 1995
Total Metro Denver	5,683,530	6,407,060	5,400,138	57,728,761	54,636,473	5.7%	12.5%	4.8%
Adams County	799,161	916,896	735,172	8,553,456	7,464,870	14.6%	9.3%	-1.7%
Arapahoe County	1,225,595	1,326,190	1,237,969	12,618,449	11,960,164	5.5%	14.2%	6.4%
Boulder County	514,472	667,273	519,904	5,558,856	5,127,345	8.4%	10.5%	5.7%
Broomfield County	113,068	132,947	102,669	1,145,360	1,983,379	-42.3%		
Denver County	1,679,141	1,776,343	1,464,440	15,728,722	14,714,391	6.9%	13.4%	3.1%
Douglas County	432,006	494,253	399,755	4,558,631	3,973,702	14.7%	16.5%	33.8%
Jefferson County	920,087	1,093,158	940,229	9,565,287	9,412,622	1.6%	10.8%	6.5%
Colorado	9,461,865	10,928,031	8,955,443	97,391,355	90,957,114	7.1%	10.8%	5.8%

Source: Colorado Department of Revenue.

The National Restaurant Association forecasts restaurant sales in Colorado will increase 6.8% in 2006, faster than the 5.4% rate anticipated at the national level. The 6.8% increase places Colorado fourth for sales growth, behind Nevada, Arizona and Florida. Since a 0.3% decline in sales in 2003, Colorado restaurants have enjoyed two consecutive years of solid growth. The Colorado Restaurant Association estimates the food service industry employs about 176,000 workers in the state.

Consumer confidence in the mountain region rebounded in November from a revised 104.8 in October to 131.9 in November. The mountain region reported the most optimistic confidence level out of the nine regions in November. The overall confidence index is comprised of the present situation index and the expectations index. Mountain region consumers reported an increase in their perceptions of current situations from a revised 142.0 in October to 162.0 in November, also

the highest reading among the nine regions. Likewise, the future expectations index in the mountain region increased from a revised 80.1 in October to 111.9 in November, the second highest reading among the nine regions.

Advance estimates for national confidence levels show continued optimism through December. The overall confidence index increased from a revised 98.3 in November to 103.6 in December. Both the present situation index and the future expectations index also improved in December with respective increases to 121.5 and 91.6.

Consumer Confidence Index

	Month of Nov-05 (p)	Month of Oct-05	Month of Nov-04	YTD Avg 2005	YTD Avg 2004	YTD Avg % Change	Ann Avg 2000
Mountain	131.9	104.8	95.1	120.6	107.6	12.1%	142.1
United States	98.9	85.2	92.6	100.0	95.5	4.7%	139.0

Source: The Conference Board. (p) =preliminary

The 1,100-room Hyatt Regency Denver at the Colorado Convention Center opened for business in December. The \$285 million hotel is off to a good start with roughly \$103 million in bookings through 2013. About 650 employees will run the 1.18-million-square-foot, 37-story hotel. Downtown Denver is projected to add another 2,200 hotel rooms to its current 5,300-room market over the next five years.

Hotel occupancy rates fell from 66.5% in October to 57.0% in November, the lowest level since January 2005. The average room rate also fell in November from \$96.05 in October to \$91.98. Still, both indicators are improved over November 2004 levels as well as on an annualized basis. Average hotel occupancy levels through the first 11 months of 2005 stand 4.0% higher than 2004 occupancy levels while the average room rate is 8.7% higher through November 2005 compared to the same period last year. The statewide lodging industry reported more positive conditions for November. The average hotel occupancy rate for Colorado rose from 58.6% in October to 61.1% in November. Room rental rates averaged \$103.63 in November, up from \$94.28 in October.

Metro Denver Hotel Statistics

	Month of Nov-05	Month of Oct-05	Month of Nov-04	YTD Avg 2005	YTD Avg 2004	YTD Avg % Change	Annual 2000	Annual 1995
Percent of Hotel Rooms Occupied	57.0%	66.5%	55.2%	65.7%	63.2%	4.0%	68.6%	72.5%
Average Hotel Room Rate	\$91.98	\$96.05	\$85.79	\$91.55	\$84.24	8.7%	\$89.57	\$71.44

Source: Rocky Mountain Lodging Report.

Higher travel costs are not dissuading Coloradoans from traveling over the holidays, according to a recent survey by AAA Colorado. An estimated 31% more Colorado residents will travel over the Christmas weekend this year than last year. At the national level, 63.5 million Americans will travel over the same weekend, a 1.7% increase over last year. The increased travel comes amid higher lodging, air fare, rental car and fuel costs.

Southwest Airlines begins service in Denver on January 3rd. Southwest Airlines will initially offer 13 daily, non-stop flights from Denver to Chicago Midway, Las Vegas and Phoenix. In February, Southwest will add non-stop flights to Oakland and San Diego. More destinations are likely to come but are dependent on customer demand. Southwest currently has the gate capacity at Denver International Airport to offer seven more daily flights. The low-cost airline has been known to draw down ticket prices from competitors in other markets. So far, the "Southwest Effect" has persuaded Frontier Airlines and United Airlines to reduce ticket prices on certain competing routes.

Air Canada announced that it will provide the only non-stop flight from Denver to Montreal beginning in June 2006. Air Canada already provides three daily flights to Toronto. United Airlines flies two daily flights to Edmonton, Vancouver and Winnipeg along with four daily flights to Calgary.

Passenger traffic at Denver International Airport increased 2.1% in October, surpassing the 3.5 million monthly passenger mark. Nearly 36.5 million passengers traveled through Denver International Airport during the first ten months of the year, bringing annual traffic levels 2.5% higher than in 2004. Although passenger traffic data has not been released for the final months of the year, DIA is on track to set another record for passenger traffic in 2005, surpassing the 2004 record of 42.4 million passengers.

Denver International Airport Passengers

	Month of Oct-05	Month of Sep-05	Month of Oct-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Annual 2000	Annual 1995
Number of Airline Passengers	3,523,138	3,450,484	3,450,351	36,478,543	35,595,853	2.5%	38,751,687	31,035,398

Source: Denver International Airport, Traffic Statistics.

Five Colorado companies went public in 2005, the largest number of initial public offerings (IPOs) in Colorado since 2000 when 13 companies went public. About \$450.5 million was raised among the five Colorado companies: HIS Inc, PRB Gas Transportation, Boulder Specialty Brands, Centennial Bank Holdings and Emergency Medical Services. About \$34 million was raised from 194 IPOs nationwide in 2005.

The Colorado stock index posted an 11.5% gain in 2005 compared to the modest or negative growth of three national indices. 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 companies reporting the largest stock price percentage gains in December 2005 were United Airlines (+57.5%), Katy Industries (+43.5%) and Newmont Mining (+15.8%). Crown Media Holdings Inc. reported the largest percentage loss of 11.8%. For the year, Cenveo Inc. led the Colorado Index with a 346.1% increase in its stock price, followed by a 66.6% increase in Wild Oats and a 37.6% increase in Rocky Mountain Chocolate Factory. Katy Industries reported the largest percentage loss in 2005 with a 36.1% price decline. Qwest Communications ended 2005 with a 7.8% higher stock price than in January of the same year. The S&P 500 finished 2005 up 3.0% over 2004. The NASDAQ composite increased only 1.4% in 2005 while the Dow Jones industrial average fell 0.6%, the first down year since 2002. Meanwhile, overseas markets realized some of the best returns in years. Stock returns were the highest since 1999 in Europe and 1986 in Japan.

Colorado stocks also outperformed national indices according to the Bloomberg Colorado Index, a price-weighted index of public companies based in Colorado. The Bloomberg Colorado Index surged 17% in 2005, led by Colorado's commodity and industrial stocks.

Stock Market Indexes

	Month of Dec-05	Month of Nov-05	Month of Dec-04	YTD Return 2005	YTD Return 2004	YTD Return 2003
Colorado	1,774.5	1,774.3	1,592.0	11.5%	12.7%	28.0%
S&P 500	1,248.3	1,249.5	1,211.9	3.0%	9.0%	26.4%
NASDAQ	2,205.3	2,232.8	2,175.4	1.4%	8.6%	50.0%
DOW	10,717.5	10,805.9	10,783.0	-0.6%	3.1%	25.3%

Sources: Development Research Partners; Yahoo! Finance.

Colorado mutual funds posted their third consecutive year of gains in 2005, led by funds focusing on either the Latin American and Asia markets or the energy industry. At the national level, well-managed domestic stock mutual funds averaged a greater return in 2005 than the overall mutual fund market with a 7.2% average return. Funds of growth and core stocks performed better than more conservative funds. Mid-cap funds also outperformed large- and small-cap funds with a 10.7% return for mid-cap core funds and a 10.4% return for mid-cap growth funds. Natural resources funds enjoyed an average return of 40.9% in 2005. Finally, international funds focused on Latin America, Europe and Japan also made strong gains in 2005.

Residential Real Estate

National sales of new single-family homes dropped 11.3% in November, the sharpest monthly decline in almost 12 years. November sales fell to a seasonally-adjusted annual rate of 1.25 million units according to the Commerce Department. The November decline followed a record high pace in October. In general, analysts expect new and existing homes sales to set record highs in 2005 but forecast declines for 2006 as the national housing market cools.

National sales of previously-owned homes also fell in November but by a lesser degree. November sales were 1.7% below October sales, falling to the seasonally-adjusted annual rate of 6.97 million units, the lowest level of sales since March. The National Association of Realtors (NAR) report is further evidence of a softening housing market; however, the nation remains on track to set a record-high number of sales for the fifth year in a row in 2005.

Additional evidence suggesting a cooling housing market is the drop in mortgage applications at the national level. In late December, mortgage applications filed fell to the lowest level since May 2002. The index of applications to buy a home or refinance an existing mortgage, compiled by the Mortgage Bankers Association, fell 6.8% to 554.1 during the third week of December. Higher mortgage rates appear to be taking effect on the housing and refinance demand.

Many analysts expect the "housing bubble" in several residential markets across the U.S. will burst as the market slows. The Metro Denver market will likely weather the slowdown well because of its relatively "sluggish" growth compared to markets like Phoenix, San Francisco and San Diego.

Metro Denver home buyers paid a record \$14.9 billion for 53,005 previously owned-homes in 2005. There were 54,012 home sales in 2004 totaling \$14.35 billion. Cherry Hills, Greenwood Village, Washington Park, Congress Park and the Denver Tech Center were the metro area's real estate hot spots.

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 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.

Metro Denver foreclosures are up 17.2% through November 2005 compared to the same period last year despite a small decline in November. The total number of home foreclosures slipped from 1,282 in October to 1,234 in November, a difference of only 48 foreclosures. Denver, Arapahoe and Adams counties continue to report the highest levels of foreclosure activity while Broomfield and Douglas counties report the lowest levels. For the year, Adams County experienced the largest percentage increase in the number of foreclosures, followed by Boulder and Douglas counties. Broomfield County remains the only county to experience fewer foreclosures through October compared to the same period last year.

Real Estate Foreclosures

	Month of Nov-05	Month of Oct-05	Month of Nov-04	YTD Total 2005	YTD Total 2004	YTD Total % Change
Total Metro Denver	1,234	1,282	1087	13,045	11,128	17.2%
Adams County	312	274	224	3,006	2,242	34.1%
Arapahoe County	260	339	282	3,220	2,830	13.8%
Boulder County	56	64	44	573	471	21.7%
Broomfield County	11	18	11	115	119	-3.4%
Denver County	367	353	320	3,377	3,015	12.0%
Douglas County	40	58	48	822	713	15.3%
Jefferson County	188	176	158	1,932	1,738	11.2%

Source: CB Richard Ellis.

National housing starts increased 5.3% from October to November, bringing the annual construction rate of new homes to 2.12 million. November housing starts were 17.5% higher in 2005 than in the same month last year. The Commerce Department report noted that housing starts rose in three of the four regions but hit the highest pace in the West in nearly 27 years.

Home builder optimism sank unrepentantly to a 32-year low in December, suggesting fewer housing starts in the coming months. The National Association of Home Builders/Wells Fargo index dropped from a revised 61 in November to 57 in December. While builder confidence declined in all four U.S. regions, the West region reported the largest decline.

The total number of residential building permits issued in Metro Denver bounced back in September after two consecutive months of declines. The total number of permits issued during September reflected a 10.4% gain over August permits. Single-family detached permits continue to account for the bulk of activity but slipped 7.6% in December. The majority of single-family detached construction occurred in Denver, Aurora, Thornton and Commerce City. Meanwhile, the number of permits filed for single-family attached units in September reached the highest level in just under five years. Nearly two-thirds of the two-family construction occurred in unincorporated Douglas County. Multi-family construction saw modest activity in July and August after five months of no activity, but returned to idle levels in September.

Residential Building Permits

	Month of Sep-05	Month of Aug-05	Month of Sep-04	YTD Total 2005	YTD Total 2004	YTD Total % Change	Total 2000	Total 1995
Single-Family Units	1,354	1,466	1,353	12,211	11,116	9.9%	15,873	12,560
Two-Family Units	612	274	571	3,345	3,835	-12.8%	3,321	1,965
Multi-Family Units	0	40	378	384	2,311	-83.4%	9,116	4,979
Total Units	1,966	1,780	2,302	15,940	17,262	-7.7%	28,310	19,504

Source: Home Builders Association of Metropolitan Denver.

Several high-end residential developments are taking off in Metro Denver. Denver-based Western Development Group began work on a high-profile, \$100 million residential and retail development in North Cherry Creek. The six-story, NorthCreek development will feature condominiums starting at \$800,000 and first-floor retail. Completion is set for the spring of 2007.

Development is underway for another \$100 million development in Metro Denver. One Cherry Lane in the Denver Tech Center will be a 28-acre gated community of single-family homes priced between \$990,000 and \$1.625 million. The development is set in the middle of the office park and targets households with an income range of \$250,000 to \$300,000 per year.

The Landmark condominium project is also underway in nearby Greenwood Village. The 12-story building will house 125 units priced between \$271,000 and \$1.2 million. At least 106 of the 125 units have already been reserved. The first phase of construction will be complete in 2006.

The Denver Metro Apartment Vacancy and Rent Survey revealed that the apartment vacancy rate fell to a four-year low of 7.7% in the third quarter with positive absorption of 1,178 units. The average monthly rental rate rose to \$844 in the third quarter, up from \$826 during the previous period. Incentives remain pervasive however and are not reflected in the average rent data. Through the first nine months of the year, rents are 2.3% higher compared to the same period last year.

Apartment Statistics

	Quarter 3 2005	Quarter 2 2005	Quarter 3 2004	YTD Avg 2005	YTD Avg 2004	YTD Avg % Change	Ann Avg 2000	Ann Avg 1995
Apartment Vacancy Rate	7.7%	8.0%	8.5%	8.3%	9.6%		4.6%	4.3%
Average Monthly Rental Rate (all units)	\$844	\$826	\$779	\$835	\$816	2.3%	\$763	\$564

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

Real estate investment is on the rise in Metro Denver, according to the Cushman & Wakefield year-end report. Investment reached a record \$2.9 billion in 2005, including almost 20 transactions valued above \$30 million each. Retail appears to be the most popular investment vehicle but demand is picking up for office properties because investors anticipate an increase in lease rates. The increase is likely to be several years out however, since office vacancy rates are still above the "equilibrium" rate of between 14% and 16%. Cushman & Wakefield currently estimates a 17.2% office vacancy rate for the Metro Denver market.

Office fundamentals from CoStar Realty Information, Inc. 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.

The Metro Denver industrial real estate market staggered in the final quarter of 2005 from the previous quarter and posted little change from fourth quarter 2004. Still, the industrial market reported solid vacancy rates of 8.0% (direct) and 8.4% (with sublet) in the fourth quarter. CoStar data shows lease rates were stable at \$4.71 per square foot (nnn) in the fourth quarter, up from \$4.61 per square foot (nnn) in the fourth quarter of 2004.

About 860,000 square feet of new industrial buildings are in the works. 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 (nnn) 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.

Retail vacancy rates fell to 7.2% during the third quarter from 7.5% at mid-year, the ninth consecutive quarterly drop in vacancy rates according to Frederick Ross Co. About 150,000 square feet of new construction was added to the market during the third quarter but 6 million square feet of new space is in the pipeline, including regional malls and lifestyle centers. Investment activity in retail properties during the July-September period remained high with eight property deals totaling \$3 million in transactions.

Dillard's will close its department store at Centennial's Southglenn Mall in late February. The majority of the 125 affected employees will be offered positions at other Metro Denver Dillard's stores. Dillard's is repositioning itself and will open two new stores in Aurora and Littleton in 2006.

The closing of Dillard's comes at a time when the Southglenn Mall is planning a \$250 million makeover to turn the mall into a mixed-use development called the Streets at Southglenn, with 950,000 square feet of retail space and 350 loft dwellings. Demolition of the 31-year-old mall is scheduled to begin in May 2006 and is expected to be completed in spring 2008.

Monthly Economic Summary of Metro Denver

Indicator	Monthly/ Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↑	Employment increased by 1,600 jobs from Oct to Nov; 1.9% annual growth rate
% Companies Hiring	↑	↑	30% of companies expect to add workers in 1st quarter 2006; only 4% expect decreases
Unemployment Rate	↑	↓	Metro rate increased to 4.9% in Nov; U.S. & CO rates slightly below metro level at 4.8%
Initial Claims	↑	↓	Initial unemployment claims increased in Nov; annual claims down 13.6% from 2004
Total Retail Sales	↓	↑	Total retail sales up 5.7% through Oct; total retail sales up 7.1% for state
Consumer Confidence Index	↑	↑	Mountain region and U.S. confidence levels rebounded in Nov; metro 12.1% above 2004
Hotel Occupancy	↓	↑	Hotel occupancy declined in Nov to 57.0%; average room rate slipped to \$92 per night
DIA Passengers	↑	↑	Traffic increased 2.5% through Oct, serving nearly 36.5 million passengers YTD
Colorado Stock Index	↑	↑	CO Stock Index increased 11.5% in 2005 compared to 12.7% gain in 2004
Dow Jones Industrial Average	↓	↓	Dow slipped in December and ended 2005 down 0.6%
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 17.2% through Nov; biggest gains in Adams, Boulder & Douglas counties
Residential Building Permits (Total)	↑	↓	Total permits down 7.7% through Q3 2005; 83.4% decline in multi-family permits
Apartment Vacancy Rate	↓	↓	Vacancy rate decreased to 7.7% in Q3 2005; avg rental rate increased to \$844 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	12 of 18	13 of 18	