



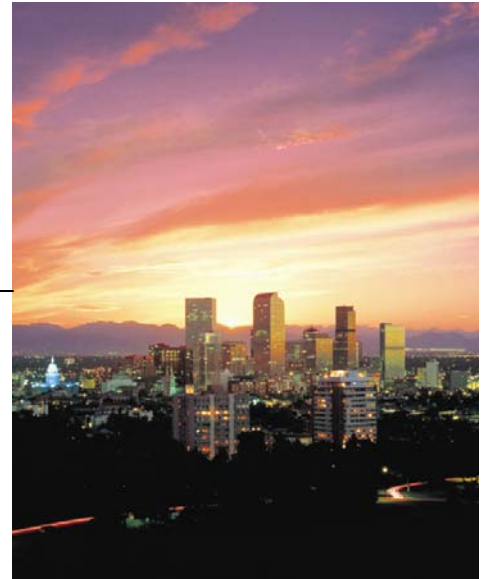
Metro Denver
Economic Development Corporation

Monthly Economic Summary

A Monthly Summary of Economic Conditions in Metro Denver

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

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MONTHLY ECONOMIC SUMMARY

The following report presents a comprehensive analysis of business and economic conditions currently prevailing in the seven-county Metro Denver area, including Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties. There are two metropolitan statistical areas (MSAs) located within the Metro Denver region: the Boulder-Longmont MSA (Boulder County) and the Denver-Aurora MSA (Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park counties). Data in this report may be presented according to the seven-county definition, the MSA level, or the county level, depending upon data availability.

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

Notable Rankings

- ◆ *Colorado finally dropped the notorious title of first in foreclosures after eight consecutive months of landing at the top, according to California-based RealtyTrac's latest report. Colorado's foreclosure filings in November were down 10% from October while Nevada's filings rose 12%, pushing Nevada into the top position. Colorado is still not out of the woods, with an 88% increase in foreclosure filings from November 2005 to November 2006.*
- ◆ Boulder topped Forbes.com's latest list of the smartest metropolitan areas in the U.S. and the Fort Collins-Loveland area ranked seventh. The rankings considered the nation's 200 largest metropolitan areas and used data from Sperling's Best Places to determine the percentage of the population age 25 and over with at least a bachelor's degree. The University of Colorado at Boulder and Colorado State University are located in Boulder and the Fort Collins-Loveland area, respectively.
- ◆ Colorado restaurants will see a 6.4% gain in overall sales in 2007, bringing total sales to \$8.04 billion. Colorado's 6.4% gain is the sixth fastest projection in the nation (tied with South Carolina), behind only Nevada, Arizona, Florida, Texas, and Idaho. The National Restaurant Association's forecast is adjusted for inflation but does not take into account price increases some restaurateurs may make as a result of the new minimum wage law in Colorado. The U.S. will see a 5% increase in total sales in 2007.
- ◆ Denver was the sixth most popular travel destination in 2006, according to the Orbitz Insider Index, which is based on Orbitz's online air-travel bookings. The top five travel destinations in 2006 were Chicago, Las Vegas, New York, Orlando, and Los Angeles.
- ◆ Colorado ranked among the bottom ten states in 2006 for charitable giving compared to household income, according to the latest Catalogue for Philanthropy's "generosity index." Colorado, now the 42nd most generous state, has perennially ranked between 41st and 43rd for the past few years. Southern states tend to be the most generous but Oklahoma, Utah, and Idaho ranked in the latest report's top ten. Arkansas is currently the most generous state and New Hampshire is the least generous.
- ◆ Population growth in Colorado gained momentum from July 1, 2005 to July 1, 2006, pushing the state from the 11th fastest-growing state in 2005 to the eighth fastest-growing state in 2006. Colorado's population increased 1.9% over the twelve-month period, rising to 4.75 million residents. Population growth is a function of net migration and natural increase. The U.S. Census Bureau estimates natural increase contributed 38,538 residents to the state's total population increase over the 12-month period while net international migration contributed 21,587 residents and net domestic migration (state to state) contributed 29,819 residents. The three fastest-growing states are currently Arizona (+3.6%), Nevada (+3.5%), and Idaho (+2.6%).

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General Economic Overview

The national economy expanded at a revised rate of 2.0% in the third quarter of 2006, according to the U.S. Bureau of Economic Analysis. Third quarter gross domestic product (GDP) growth, which was revised down from the preliminary estimate of 2.2%, indicates a slowing from 2.6% growth posted in the second quarter of the year. The third quarter deceleration is attributable to an increase in imports as well as a sharper decline in residential investment. Decelerations were also noted in consumer spending on services, inventory investment, and state and local government spending.

The Federal Open Market Committee (FOMC) of the Federal Reserve left the target for the federal funds rate unchanged at 5.25% in December. The FOMC has left the target unchanged since August. Committee members noted the overall economic slowing partly due to the cooling housing market but generally expect the national economy to expand at a moderate pace in the coming quarters. Inflationary pressures are also likely to moderate due to reduced energy price increases, contained inflation expectations, restrained aggregate demand, and monetary policy actions. Nevertheless, the FOMC judges that some inflation risks remain and will reevaluate the situation at the next meeting on January 30, 2007.

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

- ◆ The Conference Board's Index of Leading Economic Indicators increased for the third consecutive month in November, suggesting a national economic expansion in the coming months. The November index increased 0.1% to 138.2 with four of the ten indicators moving in a positive direction, including real money supply, vendor performance, manufacturer's new orders for nondefense capital goods, and stock prices. The coincident index, which measures current economic activity, also increased in November, rising 0.2% to 124.0.
- ◆ The nation's manufacturing sector contracted in November for the first time in 41 consecutive months, reflecting weaker new orders and manufacturing production levels in the U.S. The Institute for Supply Management's Purchasing Managers' Index (PMI) slipped 1.7% from 51.2 in October to 49.5 in November, the lowest PMI since April 2003. On the bright side, the nation's overall economy expanded for the 61st consecutive month in November. Eight manufacturing industries experienced growth in November, led by apparel, leather & allied products, and plastics & rubber products. A reading greater than 50.0 suggests economic expansion whereas a reading below 50 suggests economic contraction.
- ◆ The local manufacturing economy expanded in October but at a slower rate than reported in the previous month, according to the Denver Manufacturing Purchasing Managers' Index, which is compiled by the College of Business at the University of Colorado at Denver. The index registered 54.6 in October, down from 60.5 in September.
- ◆ The national service economy expanded for the 44th consecutive month in November and at a faster pace than exhibited in the previous month. The Institute for Supply Management's Non-Manufacturing Index increased from 57.1 in October to 58.9 in November with 11 of the 18 non-manufacturing industries reporting stronger economic activity. Wholesale trade, information, and management of companies and support services were the three fastest-growing industries in November.
- ◆ Metro Denver's non-manufacturing or service-economy index also recovered in September, similar to the region's manufacturing index, with an increase from 43.7 in August to 57.1 in September. The non-manufacturing index is compiled by the College of Business at the University of Colorado at Denver and indicates expansion with a reading of 50.0 or greater.
- ◆ The Creighton University Business Conditions Index for the Mountain States region declined in December for the fifth straight month, falling to the lowest level in 2006. The December index, which declined from 58.4 in November to 53.8 in December, suggests slower economic growth in the first quarter of 2007 for the Colorado-Wyoming-Utah region. The December results noted cooling inflationary pressure, brisk regional job

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growth compared to the nation, and increases in both export orders and imports. The individual Colorado index also decreased in December, declining from 55.6 in November to 50.4 in December. A reading greater than 50.0 indicates expansionary conditions.

- ◆ Economic conditions for Colorado's small businesses improved slightly in November despite a tightening labor market, according to Vectra Bank's Colorado Small Business Index. The index increased from a revised 100.2 in October to 100.3 in November. A declining unemployment rate is considered to negatively impact small businesses because labor can be more difficult to obtain. Meanwhile, small business conditions weakened at the national level, decreasing from a revised 86.7 in October to 84.6 in November. Both indices use a baseline value of 100 in 1997.
- ◆ Colorado business leaders anticipated slower economic growth in Colorado during the final quarter of 2006. The Colorado Business Leaders Confidence Index declined for the third consecutive quarter from 54.2 in the third quarter to 49.9 in the fourth quarter. The slip below the neutral 50.0 suggests the economy may be edging toward a contractionary mode although index authors say a slowdown is more likely. The forward-looking index is comprised of six component indexes, all of which reported declines from the third quarter outlook.
- ◆ *The Metro Denver Leading Index was unchanged for the sixth consecutive month in September at 101.1, suggesting that the local economy is growing at a slow, steady pace. The six-month streak is the longest of its kind since the later part of 2003 when the index registered 97.7 for seven months in a row. Three of the seven Leading Index components moved in a positive direction in September. The Leading Index is a predictor of changing economic activity six to nine months in advance. The Historic Index, which measures year-over-year growth, slipped to 130.3 in September from 130.6 in August. The Historic Index peaked at 130.7 in May. The downward trend suggests that the economic growth path in Metro Denver has shifted from the generally upward trend reported from early 2004 through mid-year 2006 to a slower growth pattern. Both of the Historic Index's two components moved in a positive direction in September. The 100 level represents the benchmark year of 1995 for both indices, which are compiled by Development Research Partners.*

Labor and Employment

Employment in Metro Denver increased by 2,900 positions from October to November, according to preliminary data released by the Colorado Department of Labor and Employment. Year-to-date employment in Metro Denver is 1.9% ahead of 2005 employment levels compared to a 2.1% increase statewide and a 1.4% increase at the national level. A closer look at the Metro Denver market reveals that employment is up 1.3% in the Boulder-Longmont MSA and 2.0% in the Denver-Aurora MSA. Total employment in Metro Denver reached 1,389,900 jobs in November.

As has been the trend throughout most of the year, ten of the 11 major industry groups are showing increased employment levels through November compared to the first 11 months of 2005. The Natural Resources & Construction (+4.6%); Transportation, Warehousing & Utilities (+3.2%); and Professional & Business Services (+3.1%) sectors are reporting the largest year-to-date gains in percentage terms while the largest absolute gains have occurred in the Professional & Business Services (+6,900 jobs); Natural Resources & Construction (+4,500 jobs); and Leisure & Hospitality (+3,100 jobs) sectors. The Information sector, which includes telecommunications, continues to be the only sector reporting a year-to-date loss. The Information sector is down 2.3% in 2006, representing a loss of about 1,300 jobs.

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

	Month of Nov-06 (p)	Month of Oct-06	Month of Nov-05	Year-to- Date Average 2006	Year-to- Date Average 2005	Year-to- Date Average % Change	Annual Growth Rate 2001	Annual Growth Rate 1996
Total 11-County Metro Denver*	1,389.9	1,387.0	1,370.5	1,373.8	1,348.5	1.9%	0.0%	3.1%
Denver-Aurora MSA	1,224.2	1,221.8	1,207.3	1,211.4	1,188.2	2.0%	-0.2%	3.2%
Boulder-Longmont MSA	165.7	165.2	163.2	162.4	160.3	1.3%	1.5%	2.7%
Natural Resources & Construction	100.5	102.9	100.4	101.1	96.6	4.6%	2.0%	5.5%
Manufacturing	92.1	92.2	91.7	91.9	91.3	0.7%	-5.8%	2.0%
Wholesale & Retail Trade	216.2	210.7	215.8	209.9	207.6	1.1%	-0.4%	2.9%
Transp., Warehousing & Utilities	54.3	53.5	52.6	52.6	51.0	3.2%	2.3%	5.4%
Information	55.9	56.0	56.2	55.9	57.2	-2.3%	-3.3%	5.1%
Financial Activities	108.2	108.5	107.9	108.2	106.6	1.5%	-0.3%	5.5%
Professional & Business Services	228.5	229.3	222.1	226.5	219.6	3.1%	-1.4%	3.6%
Education & Health Services	141.7	141.4	139.3	140.1	137.3	2.1%	4.1%	3.5%
Leisure & Hospitality	140.4	141.6	135.9	140.9	137.8	2.2%	1.0%	1.2%
Other Services	50.5	50.5	50.3	50.7	50.4	0.5%	-0.2%	5.1%
Government	201.6	200.4	198.3	196.1	193.1	1.5%	2.5%	0.8%
Federal Gov't	31.2	31.0	30.9	31.3	31.3	-0.1%	-3.3%	-5.2%
State & Local Gov't	170.4	169.4	167.4	164.8	161.8	1.8%	3.8%	2.5%
Colorado	2,291.7	2,286.8	2,250.4	2,268.2	2,221.5	2.1%	0.6%	3.6%
United States	137,103	136,785	135,316	135,038	133,120	1.4%	0.0%	2.1%

*Includes the Denver-Aurora MSA (Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson and Park counties) and the Boulder-Longmont MSA (Boulder County).

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

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

Aerospace: The Aerospace Industries Association forecasts U.S. aerospace sales will reach \$195.4 billion in 2007, representing an increase of \$11 million over the prior year. The trade group added that civilian aircraft sales have largely supported industry expansion as of late and that sales to the commercial sector and the Pentagon will likely rise in 2007.

The U.S. Air Force awarded Lockheed Martin Space Systems in Jefferson County a contract worth up to \$50 million in December to develop GPS III, a next generation global positioning system space segment. The system upgrade will include such features as anti-jam capabilities as well as improved security, accuracy, and reliability.

Bioscience: Nellcor Puritan Bennett announced it will relocate from California to Boulder in January 2007. The move will bring up to 160 front-office jobs to Metro Denver. Nellcor manufactures respiratory care products such as sleep diagnostic systems, pulse oximeters, respirators, and ventilators. The average annual salary of Nellcor employees in Boulder is expected to hit \$85,000. Nellcor executives chose the Boulder location to be near their sister company Valleylab and to take advantage of Metro Denver's stable workforce.

Energy: Several Metro Denver companies are actively advancing the energy industry in Colorado. Solix Biofuels recently announced a partnership with Colorado State University to mass produce oil from algae, a technology that originated at the National Renewable Energy Laboratory (NREL) in Golden. Other technologies under development include a biotechnology created by Golden-based Luca Technologies that uses bacteria to either

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reactivate or increase the production of natural gas, a technology developed by Denver-based Rentech that squeezes oil out of coal, and NREL technologies that produce ethanol from corn stover and switch grass.

Colorado's San Luis Valley may soon be home to the world's largest solar energy park. Proposed plans for the \$2 billion SolarDunes park were announced by New York-based SkyFuel. SolarDunes would have a total capacity of 1,000 megawatts, which can power more than 300,000 homes and businesses including those along the Front Range. SkyFuel's president and CEO, Arnold Leitner, received his doctorate from the University of Colorado at Boulder. The project may eventually employ 300 workers or more in the San Luis Valley area. Phase I construction is slated for 2010.

High demand for uranium is once again drawing attention to Colorado after three decades of minimal activity. Countries such as China and India are looking to nuclear power as a source of alternative energy due to rising oil and gas prices. Increased uranium demand has translated into a surge in uranium claims and a 100% price increase in 2006 alone. The Bureau of Land Management reported uranium claims in Colorado more than tripled in the past two years, rising from 1,200 in 2004 to 3,800 in 2006. In addition, a pound of uranium now sells for \$60 compared to just \$7 in 2000. Analysts expect the price to rise to \$70 in 2007.

Looking ahead, the Colorado Business Economic Outlook forecasts the statewide economy will pullback somewhat in 2007 but still advance at a faster than average rate in the coming year. Colorado's employment levels will increase 1.9% in 2007 with the addition of 42,300 jobs compared to a 1.4% increase at the national level. Employment growth in both Colorado and the U.S. is expected to slow in 2007 from Colorado's estimated increase of 2.3% in 2006 and the nation's 1.5% estimated gain. The annual forecast, which is generated from Colorado industry leaders and economists, also projects that Colorado will be the fourth fastest-growing state in 2007 due to faster than average job growth. The unemployment rate will increase slightly from an estimated 4.5% in 2006 to 4.8% in 2007 as a result of slower job growth. All employment sectors, with the exception of Manufacturing, will experience job gains in 2007. Natural Resources & Mining will continue to lead the state in annual percentage gains with an 11.1% increase followed by a 4.2% increase in Professional & Business Services employment and a 2.0% increase in Education & Health Services employment. Most notably, the Information sector is expected to add jobs in 2007, albeit 300 positions, after six years of losses from a peak of 108,400 jobs in 2000. Modest gains of 2.0% or less will occur in the remaining sectors. Manufacturing sector employment will decline by 100 jobs in 2007 for a 0.1% loss, marking the seventh consecutive annual decline.

*The hiring pace in Metro Denver will strengthen in the first three months of 2007, according to the latest Manpower Employment Outlook Survey. An estimated 42% of Denver area employers will hire workers in the first quarter of 2007, up from 33% in the fourth quarter of 2006 and 30% in the first quarter of 2006. Only 8% of Denver area companies are expected to reduce payrolls in the first quarter of 2007, up from 2% in the prior quarter. About 42% of Denver area companies expect no staffing changes. Hiring expectations in the Boulder area are also stronger in the first quarter of the year but not as robust as in the Denver area. About 27% of Boulder employers plan to hire additional staff in the January-March period, up from 23% in both the fourth quarter of 2006 and the first quarter of 2006. Seven percent of Boulder respondents plan to reduce payrolls in the first quarter, down from 10% in the fourth quarter, and 66% are not planning any staffing changes. *First quarter job prospects in the Denver area appear best in wholesale/retail trade, education, services, and public administration. Construction, durable and non-durable goods manufacturing, and finance/insurance/real estate employers reported mixed hiring intentions for the coming quarter. No staffing changes are anticipated in the transportation/public utilities sector.**

The Metro Denver employment outlook is more positive than Manpower Inc.'s national outlook, which weakened for the second consecutive quarter. About 23% of the 14,000 employers surveyed nationwide plan to add staff in the first quarter of 2007, down from 28% in the fourth quarter. About 11% of respondents plan to reduce staff levels, up from 8% in the fourth quarter, and another 60% of employers are unsure about upcoming staffing changes.

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Employment Outlook Survey

	Quarter 1 2007	Quarter 4 2006	Quarter 1 2006	YTD 2007	YTD 2006
Denver Area*					
Percent of Companies Hiring	42%	33%	30%	42%	30%
Percent of Companies Laying Off	8%	2%	4%	8%	4%
Percent of Companies No Change	42%	60%	55%	42%	55%
Boulder County					
Percent of Companies Hiring	27%	23%	27%	27%	27%
Percent of Companies Laying Off	7%	10%	10%	7%	10%
Percent of Companies No Change	66%	67%	56%	66%	56%

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

The Metro Denver unemployment rate decreased for the third consecutive month in November, falling to its lowest level in more than five years. The unemployment rate decreased from 4.2% in October to 4.0% in November, indicating labor market conditions in the seven-county region are tightening. All seven Metro Denver counties reported unemployment rate declines from October to November with five of the seven counties reporting rates under 4.0%. Labor market conditions were the strongest in Douglas (2.9%), Boulder (3.4%), Jefferson (3.8%), Arapahoe (3.9%), and Broomfield (3.9%) counties in November. Adams (4.6%) and Denver (4.7%) counties experienced slightly higher unemployment rates. Through the first eleven months of the year, the Metro Denver unemployment rate is down to 4.5% from 5.2% reported at this time last year. The statewide unemployment rate also decreased in November, slipping from 4.1% in October to 3.9% in November. Colorado's November 2006 unemployment rate is also at its lowest level since August 2001. On a year-to-date basis, the Colorado and U.S. unemployment rates stand at 4.5% and 4.6%, respectively.

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

	November 2006 (p)		2006 YTD AVG		2005 YTD AVG		2001	1996
	Total Labor Force	Unemployment Rate	Total Labor Force	Unemployment Rate	Total Labor Force	Unemployment Rate	Ann Avg Unemployment Rate	Ann Avg Unemployment Rate
Metro Denver	1,502.3	4.0%	1,482.9	4.5%	1,441.3	5.2%	3.9%	3.8%
Adams County	210.6	4.6%	208.2	5.2%	202.3	5.9%	4.2%	4.2%
Arapahoe Cnty	310.1	3.9%	306.4	4.4%	297.7	5.1%	3.8%	3.2%
Boulder Cnty	175.1	3.4%	171.5	3.9%	167.5	4.5%	3.5%	3.8%
Broomfield Cnty	25.1	3.9%	24.8	4.4%	24.0	4.8%	3.7%	**
Denver County	317.1	4.7%	313.6	5.3%	304.9	6.0%	4.6%	5.0%
Douglas Cnty	143.1	2.9%	141.0	3.2%	136.7	3.6%	3.1%	2.2%
Jefferson Cnty	321.2	3.8%	317.5	4.4%	308.3	5.0%	3.6%	3.4%
Colorado	2,660.9	3.9%	2,628.3	4.5%	2,546.6	5.1%	3.8%	4.2%
United States	152,590	4.3%	151,324	4.6%	149,270	5.1%	4.7%	5.4%

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

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

The number of first time unemployment insurance claims filed in Metro Denver increased in November to the highest level since January 2006. The total number of claims filed in November increased to 5,638 from 5,145 in October. Despite two-consecutive months of increases, year-to-date filings are down 4.4% compared to the same

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period last year. Statewide claims also increased in November, rising to the highest level since January 2006. Through November, statewide claims are down 10.4% compared to 2005.

First-Time Unemployment Insurance Claims

	Month of Nov-06	Month of Oct-06	Month of Nov-05	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Annual Average 2001	Annual Average 1996
Metro Denver	5,638	5,145	5,256	4,669	4,884	-4.4%	6,599	4,573
Colorado	11,434	11,246	11,816	9,589	10,707	-10.4%	13,624	

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

Consumer Sector

The nation's consumer prices were unchanged in November following two consecutive declines of 0.5% in the months preceding. Energy prices, however, continued to decline in November, falling 0.2% from October, while food, apparel, and non-energy transportation prices realized price declines. Shelter prices, on the other hand, rose 0.4% from October to November. Core inflation, which excludes food and energy prices, was unchanged in November. Through the first eleven months of 2006, U.S. prices are up 2.2% (seasonally adjusted annual rate) compared to a 3.4% increase posted in all of 2005.

Retail sales activity rebounded in November across the nation as the holiday shopping season got underway. November sales increased 1.0% from October, posting the strongest month-to-month gain in four months. Prior to the Commerce Department's release, analysts were expecting a 0.1% gain in November. In other good news, the preliminary October decline of 0.4% was revised to only a 0.1% loss. The November gain was widespread among industries but especially strong in electronics and appliance store sales.

Gift cards are playing an increasingly important role in the holiday shopping season, which is typically defined by the months of November and December. Because accounting rules require retailers to count income when gift cards are redeemed and not purchased, holiday retail sales may be understated. The National Retail Federation estimates holiday gift card sales will reach \$24.8 billion in 2006, an increase of \$6.3 billion over the 2005 holiday shopping season. Consumer Reports ranked gift cards second only to apparel for this season's most popular holiday gift and Bain & Co. forecasts that 40% of the gift cards purchased in November and December will be redeemed in January. Online shopping is also taking a bite out of in-store sales this shopping season. Jupiter Research estimates online holiday shopping will increase 18% in 2006 to \$32 billion.

Holiday shopping in Metro Denver came to a standstill when the Holiday Blizzard of 2006 dumped between two and three feet of snow in the seven-county region and forced malls and stand-alone shops to close for one or two days. According to the national statistics from the National Retail Federation, about 15% of shoppers had not begun their holiday shopping the week the blizzard hit and only 10.8% had completed their shopping. Analysts noted that holiday spending patterns may differ some this year because shoppers may choose the one-stop mall as opposed to the harder-to-get-to boutique or stand-alone retailer. Not all retailers suffered from the Holiday Blizzard of 2006 though. For example, many customers stocked up at grocery stores, spiking grocery store sales. Popular food items just prior to the blizzard included eggs, milk, bread, meat, canned soups, and vegetables.

According to the latest data available, retail sales in Metro Denver decreased 10.4% from September to October in a typical seasonal pattern but stand 9.4% above October 2005 retail sales. All seven Metro Denver counties reported decreases from September to October but remain well above 2005 retail sales levels on a year-to-date basis. Retail sales in the City and County of Denver are up 11.2% through October followed by respective gains of 10.4% and 10.2% in Adams and Arapahoe counties. More modest gains are reported in Douglas, Broomfield,

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Jefferson, and Boulder counties. Retail sales in the seven-county metro region are up 8.8% through October compared to a 9.3% gain across the state.

Total Retail Sales (\$000s)

	Month of Oct-06	Month of Sep-06	Month of Oct-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Annual Growth 2001	Annual Growth 1996
Total Metro Denver	6,215,382	6,940,629	5,683,527	62,796,623	57,728,758	8.8%	2.9%	7.1%
Adams County	887,045	992,659	799,159	9,443,489	8,553,454	10.4%	3.6%	3.2%
Arapahoe County	1,359,005	1,462,312	1,225,596	13,904,038	12,618,450	10.2%	-0.5%	10.1%
Boulder County	547,651	690,899	514,471	5,769,408	5,558,855	3.8%	1.6%	10.4%
Broomfield County	121,291	132,074	113,069	1,217,634	1,145,361	6.3%		
Denver County	1,889,226	1,971,993	1,679,142	17,493,884	15,728,723	11.2%	1.6%	2.2%
Douglas County	470,237	559,811	432,004	4,889,098	4,558,629	7.2%	16.5%	46.4%
Jefferson County	940,927	1,130,881	920,086	10,079,072	9,565,286	5.4%	2.6%	5.8%
Colorado	10,268,088	11,900,407	9,461,858	106,608,278	97,493,621	9.3%	2.9%	7.2%

Source: Colorado Department of Revenue.

The holiday shopping season tends to put pressure on consumer's budgets but Metro Denver consumers will likely see some relief in their energy bills in January. Xcel Energy will lower natural gas prices 35% in January from the same month last year due to oversupply. January 2007 bills are also expected to be about 10% lower than December 2006 bills. The typical residential bill will decline from \$173 in January 2006 and \$124 in December 2006 to \$112 in the first month of 2007. Bills for small business customers will also decline from \$806 in January 2006 and \$577 in December to \$522 in January 2007.

Consumer confidence in the Mountain region slipped from a revised 131.3 in October to a preliminary 127.0 in November, according to the Conference Board's Consumer Confidence Index. Despite the November decline, consumers in the Mountain region are the second most confident among the nation's nine regions with the West South Central reporting a slightly higher index value of 127.5. Confidence levels on a year-to-date basis are up 8.6% through November in the Mountain region. The confidence index is comprised of the present situation index and the expectations index. The perception of the current situation jumped from a revised 158.0 in October to 168.1 in November, the fifth highest reading so far this year for the Mountain region and the highest reading among the nine regions in November. On the other hand, the future expectations index decreased from a revised 113.6 in October to 99.7 in November, the third lowest reading so far this year in the Mountain region but the fourth highest reading of the nine regions in November.

Consumer Confidence Index

	Month of Nov-06 (p)	Month of Oct-06	Month of Nov-05	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Ann Avg 2001
Mountain	127.0	131.3	134.3	131.3	120.9	8.6%	115.2
United States	102.9	105.1	98.3	105.3	99.9	5.3%	106.6

Source: The Conference Board. (p) = preliminary

National consumer confidence continued to decline in November after slipping in October. The U.S. consumer confidence index declined from a revised 105.1 in October to 102.9 in November. Declines in both the present situation index and the future expectations index contributed to the overall November decline. Advance estimates for December confidence levels reveal an improvement in overall consumer confidence to 109.0.

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Colorado's gaming venues posted a 5.9% gain in November over the same month last year. Total proceeds totaled \$63.1 million November, including a 13.3% increase in Central City to \$6.3 million, a 4.4% increase in Black Hawk to \$44.7 million, and an 8.0% increase in Cripple Creek to \$12.2 million.

Metro Denver's lodging industry continues to show improvement over 2005 in terms of both occupancy and average room rates. The average occupancy rate decreased from 71.3% in October to 58.6% in November in a typical seasonal pattern but stands above the November 2005 occupancy rate of 57.0%. The occupancy rate in Metro Denver through the first eleven months of the year is 3.2% stronger than the average 2005 rate at this time last year. The average room rate also decreased from \$109.68 in October to \$103.04 in November in a typical seasonal pattern but remains higher than the average room rate in November 2005 of \$91.98. The average room rate assessed through November 2006 is 11.3% ahead of 2005. The Downtown Denver market specifically reported a 70.6% occupancy rate through November, up one percentage point from this time last year, while the average room rate through the first eleven months of the year is up about \$9 to \$140.87 per night. The statewide lodging industry is also improved over 2005. The statewide occupancy rate through November 2006 was 63.5%, 2.4% higher than occupancy levels at this time last year. The average room rate in Colorado increased to \$112.39, up \$8.58 from this time last year.

Metro Denver Hotel Statistics

	Month of Nov-06	Month of Oct-06	Month of Nov-05	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Annual 2001	Annual 1996
Percent of Hotel Rooms Occupied	58.6%	71.3%	57.0%	67.8%	65.7%	3.2%	62.5%	72.3%
Average Hotel Room Rate	\$103.04	\$109.68	\$91.98	\$101.85	\$91.55	11.3%	\$88.52	\$77.58

Source: Rocky Mountain Lodging Report.

The Holiday Blizzard of 2006 will likely strengthen Metro Denver's hotel occupancy rate in December due to the estimated 5,000 travelers whose flights were cancelled out of Denver International Airport (DIA). For example, the 157-room Hilton Garden Inn Hotel Denver Airport was booked solid by 10 A.M. on the day the blizzard hit. Other winners from the storm include government employees that are paid overtime and snow removal companies. Of course, retailers, airlines, casinos, and insurers are among the hardest hit. The Holiday Blizzard of 2006 brought between two and three feet of snow to Metro Denver, causing DIA to close for a record 45 hours. Consequently, DIA's two largest carriers, United Airlines and Frontier Airlines, cancelled approximately 2,650 flights from the afternoon of Wednesday the 20th until noon on Friday the 22nd. Flight cancellations resulted in millions of dollars of losses especially for DIA's two largest carriers, which account for almost 80% of all the flights in and out of the airport. Another snowstorm forced airlines to cancel some flights in and out of DIA during the week of December 30th; however, significantly fewer flights were impacted by the second storm.

In other airport news, Frontier Airlines announced daily nonstop service from Denver to Vancouver, British Columbia, serving as the Denver-based carrier's second Canadian destination. Frontier's new route, which will begin service in early May 2007, will compete with two existing United Airline's flights that operate daily.

Record passenger traffic at DIA is causing a flurry of expansion projects. Officials announced plans in December to build at least eight new gates off of Concourse C to accommodate increasing passenger traffic from Southwest Airlines as well as other airlines. The \$160 million project will take three years and may include even more than eight gates. The concourse expansion is the first major expansion since the airport opened in 1995. The airport will also build another 1,700-space, multi-story parking garage on the west side of Jeppesen Terminal in addition to a new regional jet facility for United Airlines. Plans have surfaced for a 500-room hotel adjacent to the airport and the airport expects to have an underground commuter rail station in operation by 2014 to accommodate FasTracks passengers.

Passenger traffic at DIA decreased from September to October as fall set in, but October 2006 passenger traffic was up 12.2% over the same month last year. Through the first ten months of the year, more than 40.3 million

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travelers passed through the airport. Year-to-date passenger traffic is up 10.5% in 2006 compared to the same ten-month period in 2005. October 2006 also marks the 18th consecutive month the airport has set a monthly passenger traffic record. DIA will likely set a record of nearly 50 million passengers in 2006, although December traffic projections will likely be below expectations due to inclement weather in the later half of the month.

Denver International Airport Passengers

	Month of Oct-06	Month of Sep-06	Month of Oct-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Annual 2001	Annual 1996
Number of Airline Passengers	3,951,615	4,005,135	3,523,138	40,317,908	36,478,399	10.5%	36,092,806	32,296,174

Source: Denver International Airport, Traffic Statistics.

The nation's financial markets finished 2006 on a positive note with a 16.3% annual gain in the DOW, a 13.6% gain in the S&P 500, and a 9.5% gain in the NASDAQ. After getting off to a strong start in early 2006, stock gains lulled somewhat in the summer months only to rise again in the later part of the year. Most notably, the DOW topped 12,500 for the first time in late December as year-end bargain hunters closed in on a wide variety of stocks. The Colorado stock index, a compilation of the stock prices of 30 companies either headquartered in Colorado or having significant operations in the state, reported a more modest annual gain in 2006 of 5.8%. The companies reporting the largest stock price percentage gains in 2006 are Qwest Communications (+48.1%), Lockheed Martin Corp. (+44.7%), and EchoStar Communications (+39.9%). On the other hand, companies reporting the largest annual losses in 2006 are Crown Media Holdings (-60.4%), Forest Oil (-28.3%), and Newmont Mining (-15.4%).

Stock Market Indexes

	Month of Dec-06	Month of Nov-06	Month of Dec-05	YTD Return 2006	YTD Return 2005	YTD Return 2004
Colorado	1,876.6	1,893.7	1,774.5	5.8%	11.5%	12.7%
S&P 500	1,418.3	1,400.6	1,248.3	13.6%	3.0%	9.0%
NASDAQ	2,415.3	2,431.8	2,205.3	9.5%	1.4%	8.6%
DOW	12,463.2	12,221.9	10,717.5	16.3%	-0.6%	3.1%

Sources: Development Research Partners; Yahoo! Finance.

In other news, the Bloomberg *Rocky Mountain News* Index, which tracks stock prices for all companies headquartered in Colorado that trade on a major exchange and have a market value of at least \$10 million, finished 2006 with a 17.3% return, marking the fourth year Colorado stocks have outperformed the S&P 500.

Colorado lost 12 public-company headquarters in 2006 mainly through acquisitions as well as two relocations; however, the state also gained five public companies through initial public offerings (IPOs). Headquarters lost to acquisitions in 2006 included Dex Media, Intrado, Raindance, Sports Authority, TransMontaigne, Applied Films, Navigant International, Western Gas Resources, Vail Banks, and Myogen. Both Mail-Well/Cenveo and Titanium Metals moved to locations outside of Colorado. Colorado's five IPOs in 2006 included Crocs, DCT Industrial Trust Inc., Chipotle Mexican Grill, Venoco, and BioFuel Energy Corp.

Residential Real Estate

Existing homes sales continued to recover in November after improving in October. Data from the National Association of Realtors (NAR) reveals a 0.6% increase in total sales in November to a seasonally-adjusted annual rate of 6.28 million units. Still, existing homes sales are down 10.7% from the sales pace set in November 2005. Existing inventory levels declined 1.0% in November to 3.82 million units or a 7.3-month supply at the current sales pace. Sales of new homes also ticked up in November, according to the Commerce Department, to a

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seasonally-adjusted annual rate of 1.05 million units. November sales were 3.4% greater than October sales but stand 15.3% below November 2005 sales. About 545,000 new homes were on the market at the end of November, which represents a 6.3-month supply at the current sales pace.

Existing home sales in Metro Denver fell 13.7% in November to 3,565 from 4,133 in October. The November decline is partly attributable to seasonal shifts but also reflects the region's soft housing market conditions. Through November, total existing home sales are down 4.6%, including a 4.5% decline in single-family detached sales and a 4.8% decline in condominium sales. Home sales under contract, a leading indicator, are also down so far this year. Unsold inventory levels decreased for the fourth consecutive month in November to 27,530 homes, although unsold inventory levels are up 7.9% over 2005 levels. The average days on the market figure for condominiums increased from 126 days in October to 134 days in November, a 2006 high. The average days on the market in the single-family category also ticked up in November to 103 days from 96 days in October.

Resale home prices showed some slight gains in November despite weaker sales activity. Still, overall home prices in 2006 are soft. The average sales price in the single-family category increased in November to \$310,562 from \$306,307 in October while the median price decreased to \$240,000 from \$247,600. For the year, the average sales price in the single-family category is up 3.0%. The average condominium sales price also increased in November, rising to \$195,747 from \$189,202 in October. The average sales price through November is flat compared to the same period last year which is an improvement over the negative appreciation reported in prior months. The median condominium sales price also increased in November to \$155,750 from \$152,000 in October.

Home Sales Activity

	Month of Nov-06	Month of Oct-06	Month of Nov-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Ann Avg 2001	Ann Avg 1996
Home Sales (Under Contract)	4,139	4,715	4,304	58,408	61,852	-5.6%	32,248	33,406
Home Sales (Closed)	3,565	4,133	3,705	47,140	49,393	-4.6%	47,832	37,755
Unsold Homes on Market	27,530	29,722	25,505	27,530	25,505	7.9%	15,892	12,315
Average Sales Price-Single Family	\$310,562	\$306,307	\$303,429	\$316,819	\$307,626	3.0%	\$257,394	\$159,132
Average Sales Price-Condo	\$195,747	\$189,202	\$186,700	\$189,295	\$189,363	0.0%	\$160,342	\$94,596
Median Sales Price-Single Family	\$240,000	\$247,600	\$242,000	\$250,000	\$247,000	1.2%	\$213,950	
Median Sales Price-Condo	\$155,750	\$152,000	\$164,950	\$157,594	\$160,000	-1.5%	\$141,000	

Sources: MetroList, Inc.

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

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

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

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Median Home Price (\$000s)

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

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

Similar to the NAR and MetroList reports, the Office of Federal Housing Enterprise Oversight (OFHEO), which tracks sales data for the same house over time, reported below average home price appreciation in Colorado through third quarter 2006. Existing home prices in the U.S. increased 0.86% from second quarter to third quarter, bringing third quarter to third quarter appreciation to 7.7%. Colorado, on the other hand, posted a 0.62% gain from second to third quarter for a 12-month gain of 3.72%. Utah and Idaho are currently posting the strongest annual appreciation rates in the nation. At a more local level, home price appreciation in the Denver-Aurora MSA stands at 2.29% over the 12-month period compared to 1.68% in the Boulder-Longmont MSA.

Slow home price appreciation is one of several contributors to Metro Denver's foreclosure glut. Despite an 8.6% decrease in home foreclosures from October to November, the total number of foreclosure cases opened through November 2006 in the seven-county region surpassed the previous record of 17,122 set in all of 1988. Three Metro Denver counties saw increases in the number of foreclosures from October to November, including Adams, Broomfield, and Douglas counties. Through November, approximately 17,718 foreclosure cases have been opened in Metro Denver, representing a 36.4% increase over this time last year.

Real Estate Foreclosures

	Month of Nov-06	Month of Oct-06	Month of Nov-05	YTD Total 2006	YTD Total 2005	YTD Total % Change
Total Metro Denver*	1,712	1,874	1,182	17,718	12,993	36.4%
Adams County	448	307	312	3,986	3,006	32.6%
Arapahoe County	381	532	260	4,362	3,220	35.5%
Boulder County	67	77	56	729	573	27.2%
Broomfield County	23	20	11	176	115	53.0%
Denver County	444	515	315	4,687	3,325	41.0%
Douglas County	108	84	40	1,053	822	28.1%
Jefferson County	241	339	188	2,725	1,932	41.0%

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

Source: CB Richard Ellis.

National home builder confidence deteriorated in December, according to the National Association of Home Builders/Wells Fargo home builder optimism index. The index declined from 33 in November to 32 in December, marking the first slip in three months.

New home construction activity in Metro Denver slowed significantly in October, based on the number of residential building permits issued in the seven-county region. The total number of single-family and multi-family permits fell from 1,314 in September to 944 in October, the lowest monthly level since August 1992, according to the Home Builders Association of Metro Denver's data series. Through the first ten months of the year, construction activity is down 11.3%. Single-family detached home construction is down 27.8% from 2005 while single-family attached or two-family construction activity is up 26.3%. Multi-family construction activity is also up through October compared to the minimal construction activity that occurred in 2005. Aurora (1,730), Denver

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(1,198), and Castle Rock (873) have issued the most permits for single-family detached construction so far this year while Denver (1,604), unincorporated Douglas County (494), and Aurora (365) have issued the most single-family attached permits. Lakewood (307), unincorporated Douglas County (270), Arvada (264), Denver (240), and Lafayette (60) are the only communities with any multi-family construction so far this year.

Residential Building Permits

	Month of Oct-06	Month of Sep-06	Month of Oct-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Total 2001	Total 1996
Single-Family Units	616	595	1,186	9,677	13,397	-27.8%	14,262	13,182
Two-Family Units	328	224	380	4,705	3,725	26.3%	4,442	2,093
Multi-Family Units	0	495	0	1,141	384	197.1%	9,090	3,666
Total Units	944	1,314	1,566	15,523	17,506	-11.3%	27,794	18,941

Source: Home Builders Association of Metro Denver.

In other new construction news, the State Land Board selected Australian developer Lend Lease to develop the residential and commercial facets of the Lowry Bombing Range in southeast Aurora. The Lowry Bombing Range is 26,000 acres in its entirety but not all of the land is out for bid. About 5,600 acres will be preserved for recreation, education facilities, and restoration purposes. Lend Lease will have 3,209 acres to build approximately 13,000 homes and commercial buildings. Lend Lease estimates its project's development cost at \$1.5 billion but says the project will generate \$328 million in revenue over the next 20 years, which is more than the \$248.5 million impact the project will have on the school system. Construction will begin in 2011 with completion anticipated in 2031.

The rental market continues to strengthen in Metro Denver with decreasing vacancy rates and rising average rents that are fueled by both high foreclosure levels and higher interest rates. The apartment vacancy rate in Metro Denver decreased from 6.9% in the second quarter to 6.7% in the third quarter, the lowest rate reported since second quarter 2001. The third quarter 2006 vacancy rate was the highest in the City and County of Denver at 7.6% compared to the lowest rate of 4.8% in Boulder/Broomfield counties. Gordon Von Stroh, the University of Denver business professor who compiles the data, expected the vacancy rate to decrease even further to 6.2% or 6.3% in the third quarter but still anticipates a stable vacancy rate in the final quarter of 2006. Von Stroh suggests that competition from the rental single-family home market may be precluding more rapid improvement in the apartment vacancy rate. The average monthly apartment rent increased from \$844 in the second quarter to \$866 in the third quarter. Douglas County had the highest average monthly rent in the third quarter of \$956, followed by \$894 in the Boulder/Broomfield market, and \$826 in Jefferson County. Average apartment rents are the most affordable in Adams County at about \$781 per month.

Apartment Statistics

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

Source: Denver Metro Apartment Vacancy and Rent Survey.

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Commercial Real Estate

The Metro Denver office market improved in 2006 according to the latest data from Costar Realty Information, Inc. The direct vacancy rate fell from 13.3% in the fourth quarter of 2005 to 12.6% in the fourth quarter of 2006 even though developers added about 1.55 million square feet of office space to the seven-county region in 2006. The latest fourth quarter direct vacancy rate is the lowest it has been since third quarter 2002. The total vacancy rate, including sublet space, also fell over the same period from 14.8% to 13.7%. Meanwhile, average lease rates increased in Metro Denver, providing further evidence of a strengthening office market. The average least rate increased from \$17.46 per square foot in the fourth quarter of 2005 to \$18.54 per square foot in the fourth quarter of 2006, the highest average lease rate reported since fourth quarter 2002.

About 1.33 million square feet of office construction is currently underway in Metro Denver among 53 buildings. Approximately 37.7% of the office square footage under construction is occurring in the City and County of Denver. Construction projects in Jefferson and Douglas counties account for 27.3% and 23.0% of total office construction activity in Metro Denver. The three biggest projects currently underway are the RE/MAX International headquarters in Denver at 250,000 square feet, the Signature Centre at Denver West in Jefferson County at 186,000 square feet, and the Lone Tree Medical Plaza in Douglas County at 71,100 square feet.

Office Market Statistics

	Quarter 4 2006	Quarter 3 2006	Quarter 4 2005	Quarter 4 2004	Quarter 4 2003	Quarter 4 2002
Number of Buildings	4,516	4,507	4,473	4,422	4,377	4,332
Existing Square Feet (millions)	150.9	150.5	149.4	148.5	147.2	145.9
Vacant Square Feet (millions)	19.0	18.8	19.9	21.6	21.1	20.1
Vacancy Rate (Direct)	12.6%	12.5%	13.3%	14.5%	14.3%	13.8%
Vacancy Rate (With Sublet)	13.7%	13.6%	14.8%	16.3%	16.7%	16.6%
Average Lease Rate (per square foot)	\$18.54	\$18.21	\$17.46	\$17.03	\$17.36	\$18.95
New Construction Completed (year-to-date)	1.55 MSF, 41 Bldgs	0.96 MSF, 33 Bldgs	0.73 MSF, 42 Bldgs	1.20 MSF, 38 Bldgs	1.24 MSF, 39 Bldgs	2.90 MSF, 82 Bldgs
Currently Under Construction	1.33 MSF, 53 Bldgs	1.77 MSF, 48 Bldgs	1.34 MSF, 38 Bldgs	0.72 MSF, 28 Bldgs	0.82 MSF, 24 Bldgs	1.39 MSF, 33 Bldgs

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

Metro Denver's industrial and office markets experienced similar trends in 2006 with improving fundamentals, according to Costar Realty Information, Inc. The direct vacancy rate in the industrial category decreased from 7.8% fourth quarter of 2005 to 6.9% in the fourth quarter of 2006, representing Metro Denver's lowest direct vacancy rate in more than three years. The overall industrial vacancy rate, which includes sublet space, also declined in 2006, falling from 8.1% in the fourth quarter of 2005 to 7.4% in the fourth quarter of 2006. Average lease rates increased over the same period, rising from \$4.70 per square foot to \$4.96 per square foot. The fourth quarter 2006 average least rate is at the highest level since second quarter 2003. About 1.71 million square feet of industrial space in 32 buildings was added to Metro Denver in 2006 and another 2.11 million square feet of space is currently under construction. Construction activity is at the strongest level since 1999. More than half of the industrial space currently under construction is being added in Adams County, including the more than 400,000-square-foot Aurora Commerce Center Building.

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Industrial Market Statistics

	Quarter 4 2006	Quarter 3 2006	Quarter 4 2005	Quarter 4 2004	Quarter 4 2003	Quarter 4 2002
Number of Buildings	5,699	5,688	5,667	5,629	5,594	5,553
Existing Square Feet (millions)	202.9	202.4	201.2	199.8	198.0	196.0
Vacant Square Feet (millions)	14.0	14.3	15.6	15.5	14.3	12.2
Vacancy Rate (Direct)	6.9%	7.1%	7.8%	7.8%	7.2%	6.2%
Vacancy Rate (With Sublet)	7.4%	7.5%	8.1%	8.4%	8.1%	7.2%
Average Lease Rate (per square foot, nnn)	\$4.96	\$4.93	\$4.70	\$4.59	\$4.67	\$5.39
New Construction Completed (year-to-date)	1.71 MSF, 32 Bldgs	1.19 MSF, 20 Bldgs	1.30 MSF, 40 Bldgs	1.82 MSF, 34 Bldgs	2.07 MSF, 38 Bldgs	2.77 MSF, 49 Bldgs
Currently Under Construction	2.11 MSF, 28 Bldgs	1.53 MSF, 25 Bldgs	0.86 MSF, 19 Bldgs	0.33 MSF, 14 Bldgs	1.20 MSF, 12 Bldgs	0.87 MSF, 17 Bldgs

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

Unlike the strengthening office and industrial market segments, the flex real estate market in Metro Denver is stable. Costar Realty Information, Inc. reported unchanged direct and overall vacancy rates from year-end 2005 to year-end 2006. On the bright side, vacancy rates were unchanged even though 460,000 square feet of flex space was added to the Metro Denver market last year. In addition, the average lease rate improved from \$8.40 per square foot in the fourth quarter of 2005 to \$8.59 per square foot in the fourth quarter of 2006, the highest least rate since second quarter 2003. Construction activity in the final quarter of 2006 was at its lowest level since second quarter 2004 with only two buildings under development. Flex space construction is occurring in Denver and Jefferson counties.

Flex Space Statistics

	Quarter 4 2006	Quarter 3 2006	Quarter 4 2005	Quarter 4 2004	Quarter 4 2003	Quarter 4 2002
Number of Buildings	1,267	1,266	1,251	1,224	1,213	1,196
Existing Square Feet (millions)	38.1	38.1	37.6	37.2	37.0	36.6
Vacant Square Feet (millions)	5.3	5.2	5.2	5.8	6.3	5.4
Vacancy Rate (Direct)	13.9%	13.7%	13.9%	15.6%	17.1%	14.6%
Vacancy Rate (With Sublet)	14.5%	14.2%	14.5%	16.9%	18.6%	16.5%
Average Lease Rate (per square foot, nnn)	\$8.59	\$8.47	\$8.40	\$8.30	\$8.05	\$8.37
New Construction Completed (year-to-date)	0.46 MSF, 15 Bldgs	0.39 MSF, 13 Bldgs	0.37 MSF, 21 Bldgs	0.12 MSF, 6 Bldgs	0.22 MSF, 10 Bldgs	0.81 MSF, 27 Bldgs
Currently Under Construction	0.09 MSF, 2 Bldgs	0.07 MSF, 2 Bldgs	0.46 MSF, 15 Bldgs	0.37 MSF, 17 Bldgs	0.05 MSF, 1 Bldg	0.25 MSF, 6 Bldgs

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

Metro Denver's retail market fundamentals reported mixed results in 2006, according to Costar Realty Information, Inc. The direct vacancy rate increased slightly from 6.1% in the fourth quarter of 2005 to 6.5% in the fourth quarter of 2006, partly due to the 4.99 million square feet of new retail space among 60 buildings that was added to the seven-county region last year. The overall vacancy rate, including sublet space, also increased over the same period, rising from 6.5% to 6.9%. Meanwhile, the average lease rate improved from \$15.15 in the fourth quarter of 2005 to \$16.63 a year later, the highest average lease rate on record. About 4.71 million square feet of new retail space is currently under construction in Metro Denver of which about 48.2% is located in Adams County. Retail projects in Broomfield account for 15.0% of the total square footage under construction. The remaining new square footage is dispersed among Boulder (9.3%), Arapahoe (8.9%), Jefferson (7.7%), Denver (6.4%), and Douglas (4.5%) counties. Current retail projects include the \$225 million, 750,000-square

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foot redevelopment in Sheridan called River Point. River Point, the largest development project in the history of Sheridan, will encompass 135 acres and feature such prospective tenants as Target, Costco, J.C. Penny, Regal Cinema, and Circuit City. Englewood-based developer Miller Weingarten broke ground on the project in mid-December.

Retail Market Statistics

	Quarter 4 2006	Quarter 3 2006	Quarter 4 2005	Quarter 4 2004	Quarter 4 2003	Quarter 4 2002
Number of Buildings	3,890	3,832	3,789	3,698	3,600	3,483
Existing Square Feet (millions)	129.1	127.3	123.8	117.1	112.2	107.2
Vacant Square Feet (millions)	8.4	8.6	7.5	6.3	5.9	1.5
Vacancy Rate (Direct)	6.5%	6.8%	6.1%	5.4%	5.2%	1.4%
Vacancy Rate (With Sublet)	6.9%	7.2%	6.5%	5.7%	5.4%	1.4%
Average Lease Rate (per square foot)	\$16.63	\$16.61	\$15.15	\$15.43	\$13.27	\$12.67
New Construction Completed (year-to-date)	4.99 MSF, 60 Bldgs	3.47 MSF, 34 Bldgs	N/A	N/A	N/A	N/A
Currently Under Construction	4.71 MSF, 60 Bldgs	4.23 MSF, 62 Bldgs	N/A	N/A	N/A	N/A

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

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Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↑	Employment increased by 2,900 jobs from Oct to Nov; employment up 1.9% through Nov
% Companies Hiring	↑	↑	42% of companies expect to add workers in Denver and 27% to add in Boulder in Q1 2007
Unemployment Rate	↓	↓	Metro rate decreased in Nov to 4.0% from 4.2% in Oct; annual rate through Nov at 4.5%
Initial Claims	↑	↓	Unemployment claims increased 9.6% in Nov to 5,638; annual claims down 4.4%
Total Retail Sales	↓	↑	Total metro retail sales up 8.8% through Oct 2006; 9.3% YTD increase for Colorado
Consumer Confidence Index	↓	↑	Mountain region confidence level slipped from 131.3 in Oct to 127 in Nov; YTD up 8.6%
Hotel Occupancy	↓	↑	Hotel occupancy decreased from 71.3% in Oct to 58.6%; avg room rate decreased to \$103
DIA Passengers	↓	↑	Oct traffic slipped 1.3% from 4.0 million in Sep to 3.95 million in Oct; annual traffic up 10.5%
Colorado Stock Index	↓	↑	CO Stock Index slipped 0.9% from November to December; index up 5.8% in 2006
Dow Jones Industrial Average	↑	↑	DOW increased 2.0% in Dec; index posting a 16.3% gain in 2006
Home Sales (closed)	↓	↓	Home sales decreased 13.7% in Nov and sales are down 4.6% YTD; avg SF sales price up 3.0%
Median Home Price (Denver-Aurora MSA)	↓	↑	Median home price in Denver MSA decreased to \$253,200 in Q3; median price up 2.0% YTD
Foreclosures	↓	↑	Foreclosures decreased in Nov but rose enough to surpass 1988 record; up 36.4% through Nov
Residential Building Permits (Total)	↓	↓	Total permits decreased 28.2% from Sep to Oct; annual permits are down 11.3% through Oct
Apartment Vacancy Rate	↓	↓	Vacancy rate decreased to 6.7% in Q3 from 6.9% in Q2; avg rental rate up to \$866 per month
Office Vacancy Rate (with Sublet)	↑	↓	Vacancy rate increased slightly to 13.7% in Q4 from Q3; 1.33 million sq. ft. under construction
Industrial Vacancy Rate (with Sublet)	↓	↓	Vacancy rate down slightly to 7.4% in Q4 from Q3; 2.11 million sq. ft. under construction
Flex Space Vacancy Rate (with Sublet)	↑	↔	Vacancy rate increased to 14.5% in Q4 from Q3; 90,000 sq. ft. of construction underway
<i>Positive Changes</i>	7 of 18	14 of 18	



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