



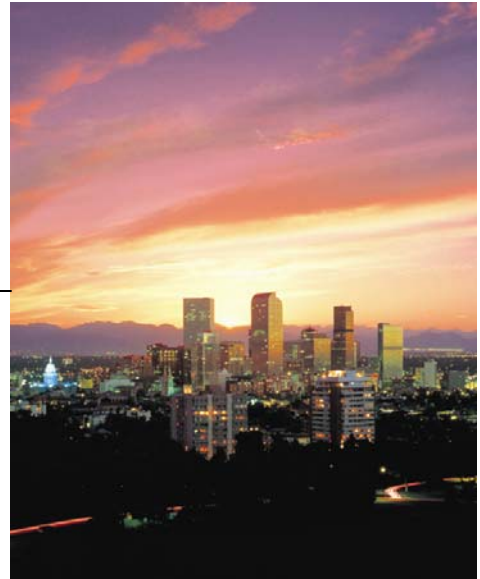
Metro Denver
Economic Development Corporation

Monthly Economic Summary

A Monthly Summary of Economic Conditions in Metro Denver

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

Released July 6, 2006



**Development
Research Partners**

10184 West Belleview Avenue
Suite 100
Littleton, Colorado 80127
www.DevelopmentResearch.net
303.991.0070

MONTHLY ECONOMIC SUMMARY

The following report presents a comprehensive analysis of business and economic conditions currently prevailing in the seven-county Metro Denver area, including Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson counties. There are two metropolitan statistical areas (MSAs) located within the Metro Denver region: the Boulder-Longmont MSA (Boulder County) and the Denver-Aurora MSA (Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson and Park counties). Data in this report may be presented according to the seven-county Metro Denver definition, or at 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's gross state product (GSP), a comparable measure to national gross domestic product, grew at a faster rate of 4.2% in 2005 than the national rate of 3.5%. Colorado generated \$216 billion in economic activity in current dollars in 2005, making the state's economy comparable in size to the Czech Republic or Norway. According to the U.S. Bureau of Economic Analysis, GSP growth in Colorado was the 17th fastest in the nation while the Rocky Mountain region as a whole reported the fastest regional growth rate of 5.0%. The five states included in the Rocky Mountain region are Colorado (+4.2%), Idaho (+7.5%), Utah (+5.8%), Montana (+5.4%) and Wyoming (+4.9%). Arizona's economy grew at the fastest rate of 8.7% in 2005, followed by Nevada (+8.2%) and Florida (+7.8%). GSP growth was negative or flat in Louisiana, Michigan and Alaska last year.
- ◆ Population growth in the Metro Denver area is moving north, according to U.S. Census Bureau data that shows eight of the 10 fastest-growing cities in the state are located in Weld County. Firestone's population tripled from 2000 to 2005, making it the fastest growing city in Colorado over the five-year period. Castle Rock and Lone Tree in Douglas County also made the top ten list for percentage population growth. Meanwhile, suburban cities such as Lakewood, Boulder and Wheat Ridge reported stagnant or negative population growth during the first half of the decade.
- ◆ Boulder is the best place to retire for "outdoor addicts," according to *Fortune* magazine. The magazine cited Boulder's proximity to Rocky Mountain National Park, more than 200 miles of hiking and biking trails, 43,000 acres of preserved open space and sunny weather among Boulder's many attributes.
- ◆ Colorado currently has the lowest obesity rate in the nation and, as a result, annual health insurance rates in Denver area are about \$400 cheaper than the national average. The Colorado Department of Public Health & Environment reports that the obesity rate in Colorado is 17.8% compared to the national rate of 24.4%. Obesity is defined as having an excess of body fat that leads to disease and a body mass index of 30 or higher.
- ◆ A new report by SustainLane.com ranks Denver ninth among the 50 largest cities for sustainability. The rankings are based on 15 economic and quality-of-life factors such as a city's ability to maintain air quality and healthy drinking water, access to public transit, green building, use of renewable energy and alternative fuels, park space, local food production and farmers markets, walkable neighborhood designs and affordable housing. The study also considered how the local economy would be able to handle sudden or unpredictable events. Sustainability efforts in Portland, OR ranked the highest in the 2006 study.
- ◆ Colorado currently spends about \$5.5 million to promote tourism throughout the state, ranking the state 35th in the nation for advertising expenditures and 23rd in the number of visitors. Recent passage of a \$26.5 million

MONTHLY ECONOMIC SUMMARY

economic development package that allocates \$19 million towards tourism promotion will likely move the state up to fifth or sixth in advertising expenditures and into the top 10 for total visitors, according to Brian Vogt, the director of the Colorado Office of Economic Development and International Trade. Of the remaining \$26.5 million, \$3 million will fund job-creation incentives, \$2 million will accelerate the development of bioscience companies in the state, \$1.5 million will promote the arts, \$550,000 will fund the state fair and \$500,000 in film-production rebates will be offered for films that are produced in Colorado.

- ◆ Denver International Airport (DIA) was the fourth busiest airport in the nation in March 2006, according to passenger traffic statistics compiled by the U.S. Bureau of Transportation Statistics. DIA was the seventh busiest airport in the U.S. a year earlier. DIA ranked 18th in the nation for international travel during March, up from 22nd a year earlier.
- ◆ Denver tied for the eighth most expensive city with Minneapolis in a cost-of-living index that was developed by *The Economist* magazine. New York, Chicago and Los Angeles were the three most expensive cities. Compared to New York, the price of groceries in Denver is nearly the same, utility prices are about half that of New York's and the cost of alcohol is about 70% of the cost in New York. Denver's placement in the Economist index, which does not factor in housing costs, varies from its placement in a separate report by ACCRA, the Council for Community and Economic Research. Denver's index of 100.4 in the first quarter 2006 ACCRA study means that the cost of living in Denver is just slightly above the national average of 100.0.
- ◆ Personal income in Colorado grew at the fifth fastest rate in the nation of 1.8% from fourth quarter 2005 to first quarter 2006. The U.S. Bureau of Economic Analysis considers personal income to be salary and wages, dividends, interest and rental-property income. Personal income at the national level increased 1.4% over the same period. Only South Dakota, Nevada, Oklahoma and Arizona reported a faster rate of personal income growth than Colorado. *June report correction: Per capita personal income in Colorado is the eighth (not tenth) highest in the nation at \$37,946, according to preliminary 2005 data from the U.S. Bureau of Economic Analysis. Colorado's per capita personal income grew 5.1% from 2004 to 2005, the 22nd (not 24th) fastest rate in the nation. The average per capita income in the U.S. is \$34,586 which represents a 4.6% increase from 2004.*

General Economic Overview

Final estimates from the U.S. Bureau of Economic Analysis reveal that the national economy expanded at the most robust pace in two and a half years of 5.6% during the first quarter of 2006, up from 1.7% growth in the final quarter of 2005. Gross domestic product (GDP) measures the output of goods and services produced by labor and property located in the U.S. The acceleration was attributable to increases in consumer spending on durable goods, exports, Federal government spending and investment in equipment and software.

The White House released a slightly more optimistic outlook for the national economy last month, forecasting annual GDP growth of 3.6%. An earlier forecast pegged 2006 GDP growth at 3.4%. The Bush administration also expects the unemployment rate to decline to 4.7% in 2006, down from their previous forecast of 5.0%.

The Federal Open Market Committee (FOMC) voted to increase the target for the federal funds rate by 25 basis points at its June 29th meeting, raising the target to 5.25%. The Committee noted that while economic growth appears to be moderating partly due to a cooling housing market and the lagging effects of interest rate hikes and high energy prices, core inflation has heightened in recent months. Productivity gains have held back inflationary pressure thus far, but the high levels of resource utilization combined with high commodity prices have the potential to elevate inflationary pressure. The June increase was the 17th of its kind in the last two years and marks a five-year high. The next FOMC meeting is scheduled for August 8, 2006.

MONTHLY ECONOMIC SUMMARY

The U.S. trade deficit, which measures the difference between U.S. exports and imports, increased in April after two consecutive months of rare declines. The April deficit of \$63.4 billion was 2.5% higher than the March deficit of \$61.9 billion. On the bright side, Wall Street analysts had expected the March deficit to grow to \$65.0 billion.

Pending inspections of U.S. meat processing plants, Japanese officials agreed to lift their ban on U.S. beef once again in June, which may help to temper the trade deficit. The ban was originally enacted in late 2003 when evidence of mad cow disease was discovered in Washington. Japanese officials lifted the ban in December 2005 only to reinstate the embargo in January 2006. As part of the most recent inspections, the Swift & Co. facility in Greeley was toured by Japanese officials. Exports of U.S. beef to Japan totaled \$1.4 billion in 2003 with Colorado ranking as the second largest beef exporter to Japan with \$165 million in exports.

Jeff Thredgold, an economist with Vectra Bank Colorado, predicts that the “big three” guaranteed growth industries for the U.S. over the next 30 to 40 years are financial planning, health care and leisure and recreation. The major driver behind these growth industries will be the 78 million Baby Boomers nationwide. Overall, Thredgold expects “solid growth to continue” for the U.S. economy and that the Colorado economy “is headed in the right direction.” Statewide employment will increase 2.5%-2.8% in 2006, according to Thredgold, with all employment sectors posting gains in 2006.

Various indexes reveal generally positive, but slower, economic growth at the national, state and metro levels:

- ◆ The Conference Board’s Index of Leading Economic Indicators slipped for the second consecutive month in May, suggesting an economic slowdown in coming months. The indicator fell 0.6% in May to 137.9 after slipping 0.1% in April. The national index is comprised of 20 indicators of which seven weakened in May, including unemployment claims, consumer expectations, real money supply, average weekly manufacturing hours, building permits, stock prices and vendor performance. The Conference Board’s coincident index, which gauges current economic conditions, continued its steady climb in May, increasing 0.2% to 122.7 with three of four index components reporting improvements.
- ◆ The nation’s manufacturing sector expanded for the 37th consecutive month in June but at a slower than expected rate, according to the Institute for Supply Management’s Purchasing Managers’ Index. The index decreased from 54.4 in May to 53.8 in June, marking the lowest reading since August 2005. A reading greater than 50 suggests economic expansion whereas a reading below 50 suggests economic contraction.
- ◆ The Front Range Purchasing Managers’ Index compiled by the University of Colorado at Denver Business School continued its expansion in May but at a slower pace. The May index registered 60.2, down from 64.8 in April. As with the national index, a reading below 50 indicates economic contraction while a reading greater than 50 indicates economic expansion.
- ◆ The national service economy expanded for the 37th consecutive month in April due to increases in both business activity and new orders, according to the National Institute for Supply Management’s Non-Manufacturing Index. The index increased from 60.5 in March to 63.0 in April. Fourteen of the 17 service sectors tracked by the organization reported increased activity in April, led by the real estate, entertainment and mining sectors.
- ◆ Metro Denver’s non-manufacturing or service economy also expanded in May after two months of declines, according to the College of Business at the University of Colorado at Denver. The service economy index increased from 49.4 in April to 53.2 in May. A reading below 50 indicates economic contraction while a reading greater than 50 indicates economic expansion.
- ◆ The Creighton University Business Conditions Index for the Mountain States region slipped for the second consecutive month in June, indicating positive but slower economic growth for the Colorado-Wyoming-Utah region. The individual Colorado index increased from 63.5 in May to 64.1 in June but the June 2006 index is

MONTHLY ECONOMIC SUMMARY

down from the June 2005 index of 68.0. A reading greater than 50 indicates expansionary conditions. The Business Conditions Index is developed from a survey of supply managers and business leaders.

- ◆ The Vectra Bank Colorado Small Business Index was unchanged in May at 104.1 from the revised April index. The index judges economic conditions from a small business perspective and uses 100.0 as the baseline. The U.S. Small Business Index fell from a revised 94.8 in April to 91.6 in May.
- ◆ Colorado business leaders maintained their optimism about the state economy in the second quarter 2006 outlook, according to the Colorado Business Leaders Confidence Index. The second quarter index reading of 60.1 was just slightly lower than the first quarter 2006 index reading of 60.9. The second quarter 2006 index is also just below the second quarter index for last year of 61.5. The forward-looking index is comprised of six component indexes, all of which reported expansionary results in second quarter 2006.
- ◆ The Metro Denver Leading Index was unchanged from February to March at 101.0 but remains at the highest level since June 2001. Six of the seven Leading Index components reported improvements from February to March, including stronger residential construction activity, increased weekly manufacturing hours, improved Colorado stock performance, more optimistic hiring expectations, a slightly wider yield curve and stronger consumer expectations. The Leading Index is a predictor of changing economic activity six to nine months in advance. The Historic Index retreated for the second month in a row in March, falling from 130.1 in February to 128.9 in March. The decrease, which was primarily due to weaker retail sales in the Metro Denver region, occurred despite increased employment levels. The Historic Index measures year-over-year growth, so both the direction and magnitude of change are important. The 100 level represents the benchmark year of 1995 for both indexes which are compiled by Development Research Partners.

Labor and Employment

Metro Denver employment, including the Denver-Aurora MSA and the Boulder-Longmont MSA, is up 2.1% through the first five months of the year compared to the same period last year. A closer look reveals that total employment in the Denver-Aurora MSA is up 2.3% compared to a 1.4% increase for the Boulder-Longmont MSA. Total employment at the state level posted a 2.3% gain through the first five months of 2006. Metro and statewide employment growth continues to outpace the nation which posted a 1.5% gain through May.

An estimated 12,500 positions were added to Metro Denver payrolls from April to May, bringing total employment to 1,380,300 positions in May. Job gains from April to May occurred in the Leisure & Hospitality (+2,800 jobs) and Wholesale & Retail Trade (+2,600 jobs) sectors, reflecting employers' preparation for the summer tourism season. The Professional & Business Services sector also posted a strong gain from April to May with the addition of 2,500 jobs. On the other hand, both the Information and Financial Services sectors reported job losses over the two-month period. After adding 500 jobs from March to April, Information sector employment dropped by 300 jobs in May to 55,600 positions. Information employment is down 4.0% or by 2,300 positions for the year. Financial Services employment slipped by 200 positions in May but remains 2.1% above 2005 levels.

In terms of annualized percentage gains, *employment growth has been the strongest in the Natural Resources & Construction (+7.0%, +6,400 jobs), Professional & Business Services (+3.1%, +6,800 jobs) and Transportation, Warehousing and Utilities (+2.5%, +1,300 jobs) sectors. The Information sector remains the only sector posting negative employment growth through May. Moderate growth of less than 1.0% was reported in the Manufacturing (+0.9%, +900 jobs) and Other Services (+0.3%, +200 jobs) sectors through May.*

MONTHLY ECONOMIC SUMMARY

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

	Month of May-06 (p)	Month of Apr-06	Month of May-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*	1380.3	1367.8	1351.4	1359.6	1331.0	2.1%	0.0%	3.1%
Denver-Aurora MSA	1216.8	1205.1	1190.0	1197.9	1171.5	2.3%	-0.2%	3.2%
Boulder-Longmont MSA	163.5	162.7	161.4	161.7	159.5	1.4%	1.5%	2.7%
Natural Resources & Construction	101.7	99.6	95.2	98.2	91.8	7.0%	2.0%	5.5%
Manufacturing	91.8	91.5	90.9	91.6	90.7	0.9%	-5.8%	2.0%
Wholesale & Retail Trade	210.9	208.3	206.6	208.9	204.4	2.2%	-0.4%	2.9%
Transp., Warehousing & Utilities	52.4	51.9	50.4	51.8	50.6	2.5%	2.3%	5.4%
Information	55.6	55.9	57.5	55.6	57.9	-4.0%	-3.3%	5.1%
Financial Activities	108.2	108.4	106.3	107.9	105.6	2.1%	-0.3%	5.5%
Professional & Business Services	227.5	225.0	219.4	221.9	215.2	3.1%	-1.4%	3.6%
Education & Health Services	140.5	139.9	137.8	139.6	136.6	2.2%	4.1%	3.5%
Leisure & Hospitality	141.4	138.6	139.8	136.4	133.8	1.9%	1.0%	1.2%
Other Services	50.5	50.3	50.4	50.4	50.3	0.3%	-0.2%	5.1%
Government	199.8	198.4	197.1	197.2	194.2	1.5%	2.5%	0.8%
Federal Gov't	31.5	31.2	31.4	31.3	31.4	-0.4%	-3.3%	-5.2%
State & Local Gov't	168.3	167.2	165.7	165.9	162.8	1.9%	3.8%	2.5%
Colorado	2264.6	2255.7	2215.8	2243.6	2193.5	2.3%	0.6%	3.6%
United States	135,810	135,041	133,924	134,098	132,141	1.5%	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 Federal Trade Commission gave Boeing Company and Lockheed Martin the green light to plan their rocket operations merger after an anti-trust review that lasted for several months. The United Launch Alliance (ULA) will be headquartered at Lockheed Martin's Waterton Canyon facility in Jefferson County and is expected to bring between 750 and 1,000 high-paying jobs to Metro Denver. The Metro Denver ULA facilities will house the engineering and administrative operations while Boeing's facility in Alabama will house the actual rocket-making operations. The two companies are working out details and are awaiting final federal government approval.

Lockheed Martin won a \$194.7 million NASA contract to build an Atlas V rocket that will launch the \$1.5 billion Mars Science Laboratory in three years. The science lab is a rover that will collect soil and rock samples to improve our understanding of habitability on Mars. The majority of the work will be completed by about 1,000 workers at Lockheed's Waterton Canyon facility in Jefferson County.

Bioscience: Amgen Inc. will move a portion of its corporate administration operations to its Longmont campus because the biotechnology company has reached capacity at its California headquarter facilities. The company has not announced how many workers it will relocate or hire but has said that the jobs will be in information technology, finance and human resources. Amgen Inc. currently employs 18,000 workers worldwide with 8,000 in California and 1,000 workers in Boulder and Longmont. Amgen Inc. manufactures drugs for chemotherapy side effects, anemia and osteoarthritis.

MONTHLY ECONOMIC SUMMARY

Energy: Ten Metro Denver-based energy firms have been acquired since 2004, including Western Gas Resources and TransMontaigne Inc., which were purchased in June. Houston-based Anadarko Petroleum Corp. will purchase Denver-based Western Gas Resources for \$4.74 billion, making Anadarko the fifth-largest independent oil producer in the U.S. Anadarko has indicated that Denver will be its Rocky Mountain hub. New York-based investment bank Morgan Stanley will purchase TransMontaigne Inc. for \$568 million. Job impacts of the mergers, which are expected to close this fall, are unknown at this time.

Increased natural gas production and high prices for metals pushed the total value of minerals produced in Colorado to a record \$11.9 billion last year, a 38% increase from 2004 production. The increase is good news for Colorado's schools and local governments that receive taxes and royalties from mineral production. Royalties in 2005 totaled \$530 million, also a 38% increase from 2004 royalties. Jeff Cappa, chief of the Colorado Geological Survey, expects to see another increase in 2006 but not of the same magnitude.

Financial Services: Centrix Financial in Centennial announced between 250 and 300 layoffs as part of its continued corporate restructuring. The auto-loan lender also cut 250 positions in late 2005. According to a company spokesperson, industry regulations have made it difficult for the company to do business. The cuts are expected to cross all levels and represent about one-third of the company's workforce.

Information Technology: Sun Microsystems, Inc. cut 122 jobs at its Broomfield and Louisville facilities as part of a massive restructuring effort that will displace between 11% and 13% of its global workforce. On the bright side, the job cuts in Metro Denver were much less severe than expected. The Santa Clara, CA-based company now employs about 4,500 workers in Metro Denver but may announce additional layoffs in Metro Denver this summer and fall. The network computing company and storage device, server and software manufacturer has a global workforce of 37,500 people.

Earlier in the month, Sun Microsystems moved its testing facility for radio-frequency identification (RFID) technology from Texas to Longmont. Sun Microsystems will rebuild the 17,000-square-foot facility in Longmont after five tractor trailers deliver the equipment. As part of the move, a 100-foot long oval conveyor belt was moved to the Storage Technology Corp. facility in Louisville that is now part of the Sun Microsystems' Metro Denver operations. The conveyor belt can read RFID tags moving up to 600 feet per minute.

Denver-based StorePerform, a software provider for retail establishments, will layoff 19 employees or about 19% of its total workforce now that the company has decided to consolidate its engineering operations with its Bangalore, India office.

Telecommunications: DirecTV will add 1,000 new workers in Metro Denver as part of the California-based company's expansion plan. Currently, the largest satellite-television provider in the U.S. employs about 400 workers in Metro Denver and 9,000 nationwide. Hiring for the Arapahoe County call center that will serve as DirecTV's national hub for sales and customer-support services will begin towards the end of 2006. Analysts estimate that the new jobs could pump \$52 million in wages into the Metro Denver economy. Once the six-story, 257,000-square foot call center is open in 2007, Metro Denver will have the second-highest concentration of DirecTV employees after the El Segundo, CA headquarters.

In other employment news, the new Hyatt Regency Denver at the Colorado Convention Center will hire 150 workers across all positions to satisfy stronger-than-expected occupancy and high demand for banquet services. The \$285 million hotel currently employs 620 workers in Metro Denver.

Up to 750 job losses may result from the shuttering of 13 under-performing Albertsons and three Grocery Warehouse stores across the state with the majority of the losses occurring in Metro Denver. The stores will close in six to 10 weeks. Bonfils Blood Center cut 29 positions in June and will eliminate another 23 jobs through attrition due to an unexpected drop in demand. The cuts will result in an 8.0% reduction of the center's 675 employees.

MONTHLY ECONOMIC SUMMARY

The hiring pace in Metro Denver will strengthen in the third quarter of 2006, according to the latest Manpower Employment Outlook Survey. About 43% of the companies interviewed in the Denver area plan to hire more employees in the third quarter of 2006, up from 38% in the second quarter. Only 8% of companies plan to reduce payroll while another 49% do not anticipate any staff changes. Hiring expectations are also strong in the Boulder area with 47% of companies planning to add workers and no companies anticipating job cuts. Hiring expectations for the Denver and Boulder areas are improved over third quarter 2005 expectations.

Job prospects in the Denver area appear best in durable and non-durable goods manufacturing, transportation/public utilities, wholesale/retail trade, finance/insurance/real estate and services. Meanwhile, construction, education and public administration employers anticipate a mix of job gains and losses.

The national employment outlook for third quarter 2006 is weaker than in the Denver area. About 31% of companies plan to increase payrolls while 6% of the 16,000 companies interviewed will reduce payrolls. Another 57% of respondents anticipate no change in current staffing patterns and 6% are unsure of their plans.

Employment Outlook Survey

	Quarter 3 2006	Quarter 2 2006	Quarter 3 2005	YTD Avg 2006	YTD Avg 2005
Denver Area*					
Percent of Companies Hiring	43%	38%	32%	37%	31%
Percent of Companies Laying Off	8%	15%	2%	9%	4%
Percent of Companies No Change	49%	44%	63%	49%	63%
Boulder County					
Percent of Companies Hiring	47%	39%	30%	38%	32%
Percent of Companies Laying Off	0%	0%	7%	3%	8%
Percent of Companies No Change	53%	61%	63%	57%	52%

**Includes Adams, Arapahoe, Broomfield, Denver, Douglas and Jefferson counties.*

Source: Manpower Inc.

The Metro Denver unemployment rate was unchanged from April to May at 4.3%, the lowest monthly unemployment rate since September 2001. The statewide unemployment rate increased slightly from 4.2% in April to 4.3% in May whereas the national rate improved from 4.5% in April to 4.4% in May. Douglas County (3.1%) and Boulder County (3.7%) reported the lowest unemployment rates among the seven Metro Denver counties in May. On the other hand, the City & County of Denver (5.0%) and Adams County (4.9%) reported the highest unemployment rates. On an annualized basis, the unemployment rate in Metro Denver stands at 4.6% compared to 5.5% at this time last year.

MONTHLY ECONOMIC SUMMARY

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

	May 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	1,479.1	4.3%	1,465.6	4.6%	1,431.3	5.5%	3.9%	3.8%
Adams County	207.5	4.9%	205.8	5.3%	201.0	6.3%	4.2%	4.2%
Arapahoe Cnty	305.6	4.3%	302.4	4.5%	295.1	5.4%	3.8%	3.2%
Boulder Cnty	171.4	3.7%	170.3	3.9%	167.3	4.8%	3.5%	3.8%
Broomfield Cnty*	24.7	4.3%	24.5	4.5%	23.8	5.1%		
Denver County	312.5	5.0%	309.9	5.4%	303.0	6.5%	4.7%	5.0%
Douglas Cnty	140.8	3.1%	139.2	3.2%	135.4	3.8%	3.2%	2.2%
Jefferson Cnty	316.6	4.2%	313.6	4.5%	305.8	5.3%	3.7%	3.4%
Colorado	2,604.6	4.3%	2,589.9	4.6%	2,524.3	5.5%	3.9%	4.2%
United States	150,696	4.4%	149,942	4.8%	147,934	5.3%	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 decreased in May to 4,206 from 4,554 in April. May claims were at the lowest level since July 2005. Through the first five months of the year, first time unemployment claims are down 7.2% compared to the same period last year. At the state level, first time unemployment claims also decreased in May, declining from 9,811 in April to 9,093 in May. For the year, Colorado claims are down 11.5% compared to last year.

First-Time Unemployment Insurance Claims

	Month of	Month of	Month of	YTD Avg	YTD Avg	YTD Avg	Annual	Annual
	May-06	Apr-06	May-05	2006	2005	% Change	Average 2001	Average 1996
Metro Denver	4,206	4,554	4,571	4,844	5,218	-7.2%	6,599	4,573
Colorado	9,093	9,811	9,680	10,004	11,307	-11.5%	13,624	

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

The average hourly wage for workers in the Denver-Boulder-Greeley region increased from \$21.94 in June 2004 to \$22.75 in June 2005, according to the National Compensation Survey by the U.S. Bureau of Labor Statistics. Despite the overall 3.69% increase, some occupational categories reported declines. The survey incorporates data from 400 companies in the region that employ 560,000 workers. If the hourly wage was applied to the average 40-hour work week, the annual wage earned in June 2005 was \$47,320, up from \$45,635. Engineers, college professors and financial planners are among the highest paid professions. The average hourly pay for white collar jobs increased 5.3% to \$27.44 compared to a 1.4% increase in the average hourly pay for blue-collar jobs to \$16.06. Service industry hourly pay increased 4.9% to \$13.12.

However, inflation appears to be offsetting any wage and salaries gains, according to the U.S. Department of Labor, Bureau of Labor Statistics. In fact, the average weekly wages adjusted for inflation declined 0.7% from April to May 2006 and were down 0.2% compared to May 2005.

MONTHLY ECONOMIC SUMMARY

Consumer Sector

The Consumer Price Index, the nation's gauge of inflation, rose 0.4% in May and core inflation, which excludes energy and food prices, posted a larger-than-expected 0.3% gain. On an annualized basis, core inflation is up 3.8%, the highest rate since 1995. The relatively high level of core inflation leads some economists to believe that the high energy prices have been passed down to consumers.

On a similar note, gas prices remained high in June throughout Metro Denver. The AAA Fuel Gauge Report shows that the average price for a gallon of regular gas increased \$0.10 from a month earlier to \$2.83 on June 30, 2006. Still, Metro Denver gas prices stayed below the national average of \$2.89 per gallon.

New retail sales data indicates that inflation may be tapering retail spending at the national level. The U.S. Department of Commerce reported that retail sales in May increased by a slight 0.1% from April to May. Non-inflation-adjusted retail sales were up 7.6% over May 2005 sales.

Retail sales across Metro Denver weakened 11.4% from March to April but still stand 8.9% above April 2005 sales. Through the first four months of 2006, total retail sales are up 8.3% compared to the same period last year. The strongest gains for the January-April period occurred in Arapahoe (+10.8%), Broomfield (+10.6%) and Adams (+10.0%) counties. More modest gains occurred in the remaining four Metro Denver counties with Boulder (+2.1%) and Jefferson (+4.9%) counties posting the smallest gains. Retail sales at the state level are growing at a slightly faster rate of 9.6% through April.

Total Retail Sales (\$000s)

	Month of Apr-06	Month of Mar-06	Month of Apr-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Annual Growth 2001	Annual Growth 1996
Total Metro Denver	5,910,028	6,671,394	5,425,481	23,670,523	21,852,783	8.3%	2.9%	7.1%
Adams County	919,014	959,046	805,506	3,590,451	3,264,823	10.0%	3.6%	3.2%
Arapahoe County	1,312,986	1,493,700	1,241,385	5,305,217	4,787,148	10.8%	-0.5%	10.1%
Boulder County	541,111	643,879	512,743	2,188,002	2,143,487	2.1%	1.6%	10.4%
Broomfield County	122,830	128,116	109,558	464,364	419,939	10.6%		
Denver County	1,611,142	1,854,706	1,447,895	6,511,764	5,954,608	9.4%	1.6%	2.2%
Douglas County	459,847	496,100	414,147	1,790,349	1,642,183	9.0%	16.5%	46.4%
Jefferson County	943,098	1,095,847	894,247	3,820,376	3,640,595	4.9%	2.6%	5.8%
Colorado	10,056,348	11,451,811	9,108,938	40,285,822	36,759,842	9.6%	2.9%	7.2%

Source: Colorado Department of Revenue.

Consumer confidence in the mountain region slipped for the second consecutive month in May, falling from a revised 139.4 in April to a preliminary 122.4 in May. The Conference Board report shows that consumer confidence in the mountain region is the highest of the nine U.S. regions. The confidence index is comprised of the present situation index and the expectations index which both declined in May. The perceptions of current situations declined from a revised 172.3 in April to 157.1 in May, but remained the highest reading among the nine regions. Future expectations decreased from a revised 117.4 in April to 99.2 in May, but also remained the highest reading among the nine regions.

National consumer confidence also retreated in May, declining from a revised 109.8 in April to 103.2 in May. Both perceptions of the current situation and future conditions weakened at the national level. Advance estimates for June confidence levels reveal a slight recovery in consumer confidence to 105.7 primarily due to an increase in the expectations index.

MONTHLY ECONOMIC SUMMARY

Consumer Confidence Index

	Month of May-06 (p)	Month of Apr-06	Month of May-05	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Ann Avg 2001
Mountain	122.4	139.4	120.2	133.2	117.2	13.7%	115.2
United States	103.2	109.8	103.1	106.0	102.6	3.3%	106.6

Source: The Conference Board. (p) =preliminary

Metro Denver attracted a record 10.4 million overnight visitors in 2005, a 5.0% increase over the number of overnight visitors in 2004. The recently released study by Toronto-based Longwoods International reported that the 10.4 million visitors spent \$2.43 billion in 2005 at local hotels, restaurants, attractions and retail establishments, up from \$2.32 billion during the prior year. The top five states sending visitors to Metro Denver were Colorado, California, Texas, Illinois and Wyoming. The top five paid attractions in 2005 were the Denver Zoo, Museum of Nature & Science, Colorado Rockies, Butterfly Pavilion and Six Flags Elitch Gardens. The top five unpaid attractions were the 16th Street Mall, LoDo Historic District, Cherry Creek Shopping Center, Castle Rock Factory Outlets and Colorado Mills.

The newly expanded convention center contributed to the 25% increase in business travelers to Metro Denver from 2.0 million visitors in 2004 to 2.5 million in 2005. In fact, convention center traffic increased from 571,797 people in 2004 to 927,145 in 2005. The study also noted that four in 10 business travelers to Metro Denver extended their stay for recreational purposes. Business travelers spend an average of \$97 per day.

The total number of leisure travelers to Metro Denver was unchanged at 7.9 million; however, the number of “marketable visitors” or those visitors that do not stay with family or friends increased 7.0% to 3.2 million. This segment of visitors tends to spend about \$91 per day compared with visitors that stay with friends or family who spend an average of \$42 per day.

Colorado’s 26 ski areas also saw increased visitors during the 2005-2006 season. According to Colorado Ski Country USA, a record 12.53 million skiers visited Colorado’s ski resorts, surpassing the previous record of 11.98 million visitors set during the 1997-1998 season. International visitors increased 8.0% during the 2005-2006 season. Colorado’s 11 destination resorts (including Steamboat, Telluride, Aspen and Wolf Creek) saw a 2.3% increase in total skier visits while the six Front Range destinations (including Vail, Copper Mountain and Winter Park) realized an 8.1% gain. The nine “gems” category (including Arapahoe Basin, Loveland and Monarch) reported a 5.2% increase.

The Metro Denver lodging industry strengthened in May with increased occupancy and higher average room rates. The occupancy rate increased from 60.3% in April to 66.6% in May and stands ahead of May 2005 occupancy levels. For the year, occupancy is stronger compared to the January-May period in 2005. The average room rate also increased in May from \$97.84 per night in April to \$100.97 per night. The average room rate for the first five months of the year stands almost \$9.00 above 2005 rates.

Metro Denver Hotel Statistics

	Month of May-06	Month of Apr-06	Month of May-05	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Annual 2001	Annual 1996
Percent of Hotel Rooms Occupied	66.6%	60.3%	63.7%	61.9%	59.6%	3.9%	62.5%	72.3%
Average Hotel Room Rate	\$100.97	\$97.84	\$90.95	\$96.44	\$87.87	9.8%	\$88.52	\$77.58

Source: Rocky Mountain Lodging Report.

Heightened competition between United Airlines, Frontier Airlines and Southwest Airlines and the resulting low airfares are driving record passenger traffic at Denver International Airport (DIA). Passenger traffic at DIA surged 17.5% in April compared to the same month last year with more than 3.8 million passengers. Through the

MONTHLY ECONOMIC SUMMARY

first four months of the year, passenger traffic is up 11.4% to a record 14.9 million passengers. April marks the 12th consecutive month the airport has set a monthly passenger traffic record. Southwest Airlines recently announced it will add 12 daily flights from Denver over the next couple months, with service to Houston, Kansas City, Orlando and Nashville. The discount airline will also increase its number of flights to Chicago, Baltimore, Las Vegas and Phoenix. The newcomer to DIA currently operates 20 daily flights from Denver. By contrast, United Airlines offers 455 daily departures from DIA and Frontier Airlines offers 150 daily departures. Some analysts expect Southwest will operate 60 daily departures from DIA by 2008.

Denver International Airport Passengers

	Month of Apr-06	Month of Mar-06	Month of Apr-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Annual 2001	Annual 1996
Number of Airline Passengers	3,827,830	4,179,488	3,256,929	14,887,971	13,359,492	11.4%	36,092,806	32,296,174

Source: Denver International Airport, Traffic Statistics.

The financial markets rallied in June by just enough for the Dow Jones Industrial average to end the second quarter in the black. The DOW reported a 0.4% increase while the Standard & Poor's 500 and the NASDAQ reported respective declines of 1.9% and 7.2% from first quarter to second quarter. Investors were cheered by their interpretations of the Federal Reserve's comments following the 17th interest rate target hike, thinking that rate increases may end soon. The comments triggered a 217-point jump in the DOW, the biggest daily jump in more than three years. *For the year, the DOW and S&P 500 show respective gains of 4.0% and 1.8% compared to a 1.5% decline in the NASDAQ.*

The Colorado stock index, a compilation of the stock prices of 30 companies either headquartered in Colorado or having significant operations in the state, increased 0.7% in June to 1725.2. The companies reporting the largest stock price percentage losses from May to June were Katy Industries (-24.0%), Sun Microsystems (-10.4%) and Liberty Media International (-6.2%). On a positive note, Wild Oats (+22.9%), Qwest Communications (+15.4%) and Kroger Company (+8.7%) enjoyed percentage gains. Overall, the Colorado Stock Index is down 2.8% through the first two quarters of the year. From first quarter to second quarter, the Colorado Stock Index is down 4.7%. The Bloomberg Colorado Rocky Mountain News Index, a separate index which tracks all of Colorado's 110 public companies, fell 3.6% from first quarter to second quarter.

Stock Market Indexes

	Month of Jun-06	Month of May-06	Month of Jun-05	YTD Return 2006	YTD Return 2005	YTD Return 2004
Colorado	1,725.2	1,713.3	1,651.5	-2.8%	3.7%	0.0%
S&P 500	1,270.2	1,259.9	1,191.3	1.8%	-1.7%	2.6%
NASDAQ	2,172.1	2,164.7	2,057.0	-1.5%	-5.4%	2.2%
DOW	11,150.2	11,094.4	10,275.0	4.0%	-4.7%	-0.2%

Sources: Development Research Partners; Yahoo! Finance.

Residential Real Estate

Despite forecasts that rising interest rates will slow the housing market, new home sales in the U.S. increased 4.6% from April to May. The U.S. Department of Commerce reported new home sales grew to a seasonally adjusted rate of 1.234 million in May, although results were mixed among the nation's regions. Sales rose 6.0% in the South but fell 7.9% in the Northeast. The West region, which includes Colorado, reported a 5.3% increase while a 2.7% gain occurred in the Midwest.

MONTHLY ECONOMIC SUMMARY

The unexpected increase may be attributable to incentives such as kitchen upgrades or free decks offered by homebuilders. A recent survey by the National Association of Home Builders reported that 53% of builders were including optional items at no cost in the sales price and 42% were paying for a portion of the closing costs. A year ago, only 33% of builders gave optional-items incentives and 28% paid a portion of the closing costs.

Total existing home sales, on the other hand, reported a minor decline from April to May, slipping 1.2% to a seasonally adjusted annual rate of 6.67 million units. The sales pace in May was also 6.6% slower than the 7.14 million unit pace from a year ago, according to the National Association of Realtors (NAR). The May decline is the third of its kind so far this year. The total sales figure includes existing single-family homes, townhomes, condominiums and co-ops. David Lereah, NAR's chief economist, noted that results were mixed through the country with increased home sales in moderately-priced regions and slower sales in areas with higher prices. Meanwhile, inventory levels increased 5.5% in May to 3.6 million units, representing a 6.5-month supply at the current sales pace.

Homebuilder confidence levels dipped to the lowest level in 11 years in June amid rising interest rates. The National Association of Home Builders/Wells Fargo's home builder confidence index fell from 46 in May to 42 in June, marking the eight consecutive month-to-month decline.

Inventory levels of existing homes in Metro Denver hit a record high in May, rising to 30,457 homes from 24,945 a year earlier. Experts note that the growing number of foreclosed homes on the market combined with the seasonal increase in inventory levels created the record high. The previous inventory record of 29,045 homes was established in April 2006. Real estate market analysts say the excess of supply over demand could lead to a downward adjustment in prices. The total number of home sales also grew from April to May, increasing 16.5% to 5,010 sales, and the number of home sales in May 2006 surpassed total home sales in May 2005. On an annualized basis, the number of home sales through the first five months of 2006 stands 4.1% above the number of home sales during the same period last year.

Home Sales Activity

	Month of May-06	Month of Apr-06	Month of May-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Ann Avg 2001	Ann Avg 1996
Home Sales (Under Contract)	6,459	5,813	6,222	27,554	27,097	1.7%	32,248	33,406
Home Sales (Closed)	5,010	4,300	4,631	19,831	19,052	4.1%	47,832	37,755
Unsold Homes on Market	30,457	29,045	24,945	30,457	24,945	22.1%	15,892	12,315
Average Sales Price-Single Family	\$315,257	\$318,949	\$304,887	\$312,740	\$299,187	4.5%	\$257,394	\$159,132
Average Sales Price-Condo	\$189,986	\$188,146	\$195,989	\$185,991	\$186,733	-0.4%	\$160,342	\$94,596
Median Sales Price-Single Family	\$250,943	\$250,000	\$244,000	\$247,000	\$239,900	3.0%	\$213,950	
Median Sales Price-Condo	\$160,000	\$157,400	\$159,500	\$157,000	\$157,000	0.0%	\$141,000	

Sources: MetroList, Inc.

Despite high inventory levels, both the median price for a single-family home and condominium increased from April to May and exceed median price levels from a year ago. The median price for single-family homes increased nearly \$1,000 from April to May to land at \$250,943. Through May, the year-to-date median price for a single-family home is showing 3.0% appreciation. Median home prices in the condominium market remain flat on a year-to-date basis despite a \$2,600 increase from April to May. *The average single-family home price slipped from April to May but shows 4.5% appreciation for the year, reaching an annual average of \$312,740. The average condominium home price increased from April to May but sits at an annual average of \$185,990, down 0.4% from the first five months of 2005.*

The PMI Mortgage Insurance Company says the Denver-Aurora metropolitan area has a 14.9% chance of falling home prices over the next two years compared to a 28.8% chance at the national level. The PMI U.S. Market Risk Index pegged the Denver-Aurora area's chances at 16.9% this time last year. PMI considers the San Diego-

MONTHLY ECONOMIC SUMMARY

Carlsbad-San Marcos area in California to be at the most risk for falling prices with a 60.0% chance. Pittsburg, PA has the lowest risk with only a 5.7% chance.

Existing median home price data from the National Association of Realtors reveals a similar 3.5% appreciation rate for the single-family market in the Denver-Aurora area for the first quarter and a 6.9% rate for the Boulder area. In terms of appreciation from first quarter 2005 to first quarter 2006, the Denver-Aurora area ranked 104th out of the 150 largest metropolitan statistical areas (MSAs) in the U.S. while Boulder ranked 80th. The median home price in the Denver-Aurora area was \$244,200, the 39th highest price during the first quarter of 2006 and still well above the national median home price of \$217,900. Boulder's median price of \$360,400 ranked 20th. Both the Denver-Aurora and Boulder areas fell below the national average appreciation rate of 10.3%.

Three California MSAs were the most expensive housing markets in the nation with median home prices well over \$700,000. The fastest appreciation rates from first quarter to first quarter occurred in Phoenix-Mesa-Scottsdale, Arizona (+38.4%); Orlando, FL (+34.0%) and Gainesville, FL (+31.9%). In fact, 60 of the 150 areas reported double-digit gains and only 16 areas reported declines over the 12-month period.

Median Home Price (\$000s)

	Quarter 1 2006 (p)	Quarter 4 2005	Quarter 1 2005	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Median 2001	Median 1996
Boulder-Longmont MSA	\$360.4	\$349.5	\$337.2	\$360.4	\$337.2	6.9%	n/a	n/a
Denver-Aurora MSA	\$244.2	\$247.5	\$236.0	\$244.2	\$236.0	3.5%	\$218.3	\$133.4
United States	\$217.9	\$225.3	\$197.6	\$217.9	\$197.6	10.3%	\$156.6	\$122.6

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

Metro Denver foreclosures increased from 1,491 in April to 1,635 in May, pushing total foreclosures through the first five months of the year 31.2% above the same period last year. The City & County of Denver leads the seven-county region in total foreclosures so far this year with 2,027 foreclosures, a 38.3% increase over last year. Arapahoe County follows closely behind with 1,964 foreclosures which represents a 34.4% increase over the January-May period of 2005. Adams County reported the third highest number of foreclosures in 2006 with 1,778 foreclosures, a 24.7% increase over 2005. Five of the seven Metro Denver counties reported increased numbers of foreclosures from April to May with the City & County of Denver and Douglas County reporting minor declines.

Real Estate Foreclosures

	Month of May-06	Month of Apr-06	Month of May-05	YTD Total 2006	YTD Total 2005	YTD Total % Change
Total Metro Denver	1,635	1,491	1,250	7,878	6,006	31.2%
Adams County	385	299	312	1,778	1,426	24.7%
Arapahoe County	419	406	250	1,964	1,461	34.4%
Boulder County	75	65	42	343	268	28.0%
Broomfield County	15	12	11	70	53	32.1%
Denver County	379	392	336	2,027	1,466	38.3%
Douglas County	72	83	106	469	435	7.8%
Jefferson County	290	234	193	1,227	897	36.8%

Source: CB Richard Ellis.

The percentage of home loans in Colorado that entered foreclosure during the first quarter of 2006 was the seventh highest in the nation, according to the Mortgage Bankers Association. The Washington-based association reported that 0.62% or 5,795 of total home loans in Colorado entered the foreclosure process during the January-

MONTHLY ECONOMIC SUMMARY

March period compared to 0.42% nationwide. Indiana, Ohio, Michigan, Oklahoma, Kentucky and Georgia reported higher rates of foreclosure than Colorado.

According to a slightly different data set, *Florida-based Foreclosure.com ranked Colorado's rate of foreclosure as the highest in the nation, with one of every 325 homes across the state in foreclosure during the month of May. The rate is based on the total number of active foreclosures and U.S. Census Bureau data for the total number of homes in the state.* Georgia, Michigan, Ohio and Texas round out Foreclosure.com's top five highest foreclosure rates in the nation.

A separate report by California-based RealtyTrac also shows that the percentage of foreclosures in Colorado during May was the highest in the U.S. Colorado has held RealtyTrac's top rank for three consecutive months. RealtyTrac data indicates that one of every 436 households in the state are in foreclosure, a rate 2.8 times that of the national average. Georgia, Texas, Utah and Indiana round out RealtyTrac's top five highest rates.

Construction of new homes nationally rebounded in May after three consecutive months of slowing; however, analysts anticipate the rebound will be temporary. The construction of new homes and apartments increased 5.0% to a seasonally adjusted annual rate of 1.957 million units in May, up from a revised 1.863 million pace in April.

Metro Denver builders may be holding back on new residential construction, according to new data from the Home Builders Association of Metro Denver. *The total number of residential building permits issued in April was down 1.8% from March even though warmer weather would typically lead to increased building activity. The total number of permits issued for single-family construction fell 27.9% from March to April while construction activity for two-family or attached homes and multi-family construction increased.* On an annualized basis, permits issued to Metro Denver builders are up 8.4% overall with the two-family and multi-family categories reporting 71.5% and 75.7% year-to-date increases. Single-family permits are down 10.7% through April. Denver, Aurora and Castle Rock lead the metro region in both single-family and two-family construction while all of the multi-family construction this year has occurred in either Lakewood or Arvada.

Residential Building Permits

	Month of Apr-06	Month of Mar-06	Month of Apr-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Total 2001	Total 1996
Single-Family Units	1,014	1,407	1,313	4,586	5,133	-10.7%	14,262	13,182
Two-Family Units	737	415	214	2,137	1,246	71.5%	4,442	2,093
Multi-Family Units	120	84	0	499	284	75.7%	9,090	3,666
Total Units	1,871	1,906	1,527	7,222	6,663	8.4%	27,794	18,941

Source: Home Builders Association of Metro Denver.

The northeast Aurora corridor will soon be home to 2,950 housing units, 1.7 million square feet of retail space and 2.8 million square feet of commercial space. Australian development company, Lend Lease Corp. Ltd., purchased 500 acres at the southwest corner of Interstate 70 and the E-470 toll road for \$22 million from South Carolina-based RealtiCorp which had originally planned to develop the property. Simon Walker of Lend Lease Corp. said the company chose to develop in Metro Denver because, "it is a solid market with strong population growth and an educated workforce." The Horizon City Center will be the company's first project in Metro Denver.

The apartment vacancy rate in Metro Denver dropped to 7.4% in the first quarter of 2006, the lowest rate in five years. Experts point to rising interest rates that keep potential buyers in a rental position and to the high rate of foreclosures that have buyers moving back to renters as factors in the steady decline. First quarter vacancy rates have fallen from a high of 13.1% in 2003 to 10.5% in 2004 and 9.3% in 2005. Gordon Van Stroh, the report's author, says that landlords will continue to offer renters incentives until the vacancy rate falls below the 7.0%

MONTHLY ECONOMIC SUMMARY

mark. Meanwhile, average apartment rents have held steady, increasing by a slight 0.2% from first quarter 2005 to first quarter 2006. The average apartment rent in Metro Denver is \$835 per month.

Apartment Statistics

	Quarter 1 2006	Quarter 4 2005	Quarter 1 2005	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Annual Average 2001	Annual Average 1996
Apartment Vacancy Rate	7.4%	7.9%	9.3%	7.4%	9.3%		6.4%	5.0%
Average Monthly Rental Rate (all units)	\$835	\$848	\$834	\$835	\$834	0.2%	\$822	\$607

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

Commercial real estate investment activity is at a record high in Metro Denver. During the first half of the year, investors paid \$2.04 billion for commercial real estate properties throughout the region, up from \$1.0 billion during the first half of 2005. Eighty-nine major transactions occurred since January, according to report author Brad Neiman of Northstar Commercial Partners. The largest of the 89 deals was the \$225 million purchase of the 555 17th Street office high-rise and the adjoining Grand Hyatt hotel. Neiman expects that 2006 investments will top the previous annual record of \$3.0 billion that was set in 2005.

ITRA Realty Group pegged Metro Denver's office market vacancy rate during the second quarter of 2006 at 15.0%. Of the 35 North American market areas ITRA included in the survey, Metro Denver had the ninth highest vacancy rate and was tied with Philadelphia, PA. According to ITRA, about 20.7 million square feet of Metro Denver's 138.7 million square feet of office space was vacant during the April-June period. Average rents in Metro Denver are among the lowest, however, at \$17.70 per square foot, the third lowest average rent among the 35 market areas.

Office fundamentals from Costar Realty Information, Inc. reveal a steadily improving office market in Metro Denver. The direct vacancy rate inched downward from 12.9% in the first quarter of 2006 to 12.8% in the second quarter. The total vacancy rate, which includes sublet space, also improved slightly from 14.3% in the first quarter to 14.0%. Compared to second quarter 2005, both the direct and total vacancy rates are down. Meanwhile, the average lease rate increased from first to second quarter, registering \$17.87 per square foot, the highest rate since first quarter 2003.

About 1.56 million square feet of construction is currently underway in Metro Denver. Nearly half of the construction is taking place in the City & County of Denver, including the Denver Newspaper Agency building and the Environmental Protection Agency building in Downtown Denver. Almost a quarter of the 1.56 million square feet is being built in Jefferson County while Arapahoe and Douglas counties account for the remaining quarter. Twenty-one buildings were completed since the beginning of the year of which seven were built in Arapahoe County. The two largest recently completed buildings are located in the City & County of Denver.

MONTHLY ECONOMIC SUMMARY

Office Market Statistics

	Quarter 2 2006	Quarter 1 2006	Quarter 2 2005	Quarter 2 2004	Quarter 2 2003	Quarter 2 2002
Number of Buildings	4,461	4,442	4,405	4,363	4,321	4,264
Existing Square Feet (millions)	150.2	150.0	149.2	148.6	146.9	145.3
Vacant Square Feet (millions)	19.2	19.4	21.4	21.8	21.3	16.7
Vacancy Rate (Direct)	12.8%	12.9%	14.3%	14.7%	14.5%	11.5%
Vacancy Rate (With Sublet)	14.0%	14.3%	15.8%	16.6%	17.0%	14.4%
Average Lease Rate (per square foot)	\$17.87	\$17.48	\$16.99	\$16.94	\$17.81	\$20.08
New Construction Completed (year-to-date)	0.40 MSF, 21 Bldgs	0.18 MSF, 9 Bldgs	0.30 MSF, 20 Bldgs	0.80 MSF, 18 Bldgs	1.02 MSF, 29 Bldgs	1.86 MSF, 49 Bldgs
Currently Under Construction	1.56 MSF, 40 Bldgs	1.21 MSF, 31 Bldgs	0.86 MSF, 31 Bldgs	0.37 MSF, 21 Bldgs	0.60 MSF, 18 Bldgs	1.51 MSF, 40 Bldgs

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

CoStar data reveals mixed results for the industrial market in Metro Denver. The (direct) vacancy rate increased from 7.5% in the first quarter of this year to 7.8% in the second quarter which is unchanged from second quarter 2005. The trend for the total vacancy rate that factors in sublet space is similar. Average lease rates increased slightly from first quarter to second quarter and stand almost \$0.20 higher than average lease rates a year earlier. The second quarter average lease rate is the highest rate since third quarter 2003.

Industrial Market Statistics

	Quarter 2 2006	Quarter 1 2006	Quarter 2 2005	Quarter 2 2004	Quarter 2 2003	Quarter 2 2002
Number of Buildings	5,614	5,602	5,574	5,540	5,503	5,447
Existing Square Feet (millions)	199.9	199.5	197.9	196.9	194.6	191.7
Vacant Square Feet (millions)	15.5	15.1	15.4	15.5	13.2	10.8
Vacancy Rate (Direct)	7.8%	7.5%	7.8%	7.9%	6.8%	5.6%
Vacancy Rate (With Sublet)	8.2%	7.9%	8.3%	8.8%	7.5%	6.6%
Average Lease Rate (per sq. ft. nnn)	\$4.83	\$4.80	\$4.64	\$4.67	\$5.09	\$5.51
New Construction Completed (year-to-date)	1.08 MSF, 14 Bldgs	0.73 MSF, 6 Bldgs	0.27 MSF, 13 Bldgs	1.22 MSF, 14 Bldgs	0.98 MSF, 24 Bldgs	0.93 MSF, 19 Bldgs
Currently Under Construction	1.35 MSF, 14 Bldgs	0.83 MSF, 17 Bldgs	0.73 MSF, 18 Bldgs	0.58 MSF, 14 Bldgs	1.37 MSF, 12 Bldgs	0.99 MSF, 22 Bldgs

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

About 1.08 million square feet of industrial space in 14 buildings was added to the Metro Denver market since January 2006, making it more difficult to achieve lower vacancy rates. Denver accounted for more than 80% of the new industrial space, including a 600,000-square-foot Sysco building. Another 1.35 million square feet of industrial space is currently under construction in Metro Denver. In terms of square feet, almost half of the construction is occurring in Denver at the Gateway buildings near Denver International Airport and one-third of the construction is in Adams County.

Metro Denver's flex real estate market has made modest improvements over the past year. The direct vacancy rate increased from first quarter 2006 to second quarter but remains below second quarter 2005. A similar pattern in the total vacancy rate can be observed. The average lease rate has increased steadily, up from \$8.24 per square foot (nnn) to \$8.46 per square foot (nnn). The second quarter average lease rate is the highest in twelve quarters.

MONTHLY ECONOMIC SUMMARY

Only 0.29 million square feet of flex space was added to the Metro Denver market over the past six months while another 0.23 million square feet is currently under construction. Jefferson County accounts for about 40% of the flex space currently under construction, in terms of square feet, followed by 28% in Douglas County, 22% in Arapahoe County and 10% in Denver.

Flex Space Statistics

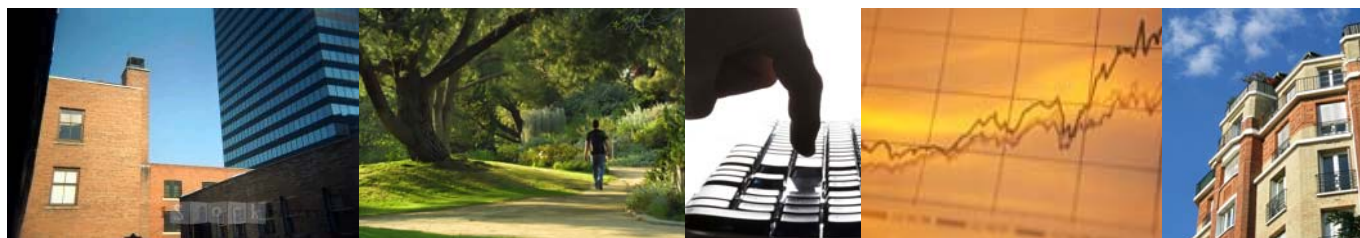
	Quarter 2 2006	Quarter 1 2006	Quarter 2 2005	Quarter 2 2004	Quarter 2 2003	Quarter 2 2002
Number of Buildings	1,241	1,235	1,219	1,202	1,192	1,167
Existing Square Feet (millions)	37.3	37.0	36.7	36.5	36.2	35.6
Vacant Square Feet (millions)	5.4	5.3	5.4	6.2	5.8	5.0
Vacancy Rate (Direct)	14.6%	14.3%	14.8%	16.9%	15.9%	14.2%
Vacancy Rate (With Sublet)	15.4%	15.0%	16.3%	18.8%	17.5%	15.8%
Average Lease Rate per sq. ft. nnn)	\$8.46	\$8.44	\$8.24	\$8.27	\$8.75	\$8.83
New Construction Completed (year-to-date)	0.29 MSF, 8 Bldgs	0.02 MSF, 1 Bldgs	0.10 MSF, 5 Bldgs	0.09 MSF, 3 Bldgs	0.13 MSF, 3 Bldgs	0.54 MSF, 12 Bldgs
Currently Under Construction	0.23 MSF, 9 Bldgs	0.50 MSF, 13 Bldgs	0.22 MSF, 11 Bldgs	0.03 MSF, 2 Bldgs	0.07 MSF, 5 Bldgs	0.34 MSF, 15 Bldgs

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

MONTHLY ECONOMIC SUMMARY

Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↑	Employment increased by 12,500 jobs from April to May; employment through May up 2.1%
% Companies Hiring	↑	↑	43% of companies expect to add workers in Q3 2006 in Denver and 47% to add in Boulder
Unemployment Rate	↔	↓	Metro rate unchanged at 4.3% in May; annual rate through May down to 4.6% from 5.5%
Initial Claims	↓	↓	Initial unemployment claims decreased in May; annual claims down 7.2% from 2005
Total Retail Sales	↓	↑	Total metro retail sales up 8.3% through April 2006; up 9.6% for Colorado
Consumer Confidence Index	↓	↑	Mountain region confidence levels declined in May to 122.4 but stand 13.7% above 2005
Hotel Occupancy	↑	↑	Hotel occupancy increased in May to 66.6% from 60.3%; avg room rate increased to \$101
DIA Passengers	↓	↑	April traffic decreased 9.2% from March in a typical seasonal pattern; annual traffic up 11.4%
Colorado Stock Index	↑	↓	CO Stock Index increased 0.7% from May to June; index posting a 2.8% decline through Q2
Dow Jones Industrial Average	↑	↑	Dow increased in June; index posting a 4.0% gain through second quarter 2006
Home Sales (closed)	↑	↑	Home sales increased in May and are +4.1% over 2005; average single-fam sales price up 4.5%
Median Home Price	↓	↑	Median home price fell to \$244,200 in Q1 2006; Q1 price up 3.5% over Q1 2005
Foreclosures	↑	↑	Foreclosures up 31.2% through May; Denver Cnty posting largest gain of 38.3%
Residential Building Permits (Total)	↓	↑	Total permits decreased from Mar to April; annual permits are up 8.4% from 2005
Apartment Vacancy Rate	↓	↓	Vacancy rate decreased to 7.4% in Q1 2006; avg rental rate now \$835 per month
Office Vacancy Rate (with Sublet)	↓	↓	Vacancy rate with sublet down to 14.0% in Q2; 1.56 million sq. ft. construction is underway
Industrial Vacancy Rate (with Sublet)	↑	↓	Vacancy rate with sublet up to 8.2%; 1.35 million sq. ft. of construction underway
Flex Space Vacancy Rate (with Sublet)	↑	↓	Vacancy rate with sublet increased to 15.4%; 0.23 million sq. ft. construction underway
<i>Positive Changes</i>	9 of 18	16 of 18	



Economic and Demographic Research

Industry Studies

Fiscal and Economic Impact Analysis

Real Estate Economics

10184 West Belleview Avenue
Suite 100
Littleton, Colorado 80127
www.DevelopmentResearch.net
303.991.0070