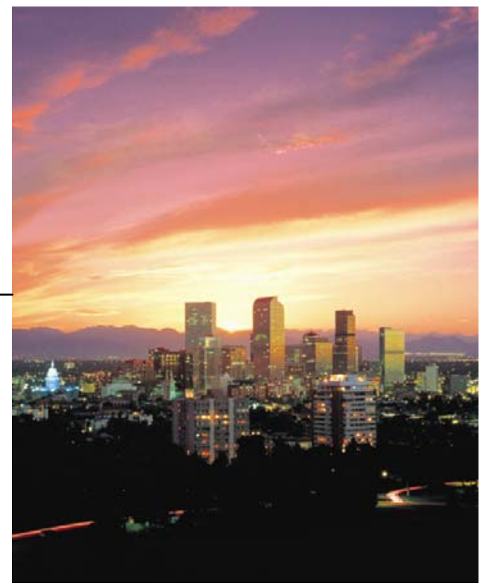
Metro Denver
Economic Development Corporation

Monthly Economic Summary

A Monthly Summary of Economic Conditions in Metro Denver

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



Released July 3, 2007

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 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 reported the eighth fastest growth in gross domestic product (GDP) in 2006 of 4.9% and is the seventh largest state economy on a per capita basis in the nation. Recently released data from the U.S. Bureau of Economic Analysis reveals Colorado's 4.9% economic expansion exceeded the nation's 3.4% expansion, marking the second consecutive year Colorado's economy has grown at a faster than average rate. On a per capita basis, Colorado produced $41,798 in economic output or GDP per resident in 2006, the seventh highest rate. Per capita national output in 2006 was $37,714. Colorado was the only state in 2006 to rank in the top ten for GDP growth and per capita output.
- Personal income in Colorado increased 2.1% from fourth quarter 2006 to first quarter 2007, the 14th fastest quarter-to-quarter gain but slightly below the national increase of 2.2%. Colorado's first quarter increase was up from the 0.7% increase posted in the fourth quarter of 2006 but down from the 2.5% increase posted in the third quarter of 2006, according to the U.S. Bureau of Economic Analysis. New York, Connecticut, and New Jersey reported the strongest first quarter increases while North Dakota, South Dakota, and New Hampshire reported the slowest or negative gains.
- Colorado ranked 48th in the nation for state and local public higher education funding in 2006 on a per student basis. According to the National Center for Higher Education Management Systems, state and local funding amounts to $3,364 per student in Colorado compared to $13,425 per student in Wyoming, the top-ranked state. The share of Colorado's state budget that is allocated to higher education funding has shrunk from 22.4% in 1983 to 7.5% in 2006 as other programs such as health care, prisons, and K-12 education have grown.
- In more education news, Colorado's high school graduation rate was above average in 2003-2004. The *Education Week* study reports a 74.6% average high school graduation rate in Colorado during the 2003-2004 school year compared to the national average of 69.9%. In the 2002-2003 report, Colorado posted an average graduation rate of 72.5% compared to the national average of 69.6%. The *Education Week* analysis is based on federal data sources.
- Denver-based Frontier Airlines ranked second among low-cost carriers in the latest J.D. Power and Associates customer satisfaction report. In the 2006 report, Frontier Airlines ranked fourth. United Airlines, the largest carrier at Denver International Airport (DIA), ranked fifth among traditional network carriers, up from sixth a year earlier. The rankings are based on responses from 9,653 passengers who flew on a major North American airline between April 2006 and April 2007. A separate study from *Consumer Reports* found low-cost carriers generally out-performed traditional legacy carriers in comfort, on-time performance, and overall customer satisfaction. The top five airlines in the *Consumer Reports* study were JetBlue Airways, Midwest Airlines, Southwest Airlines, Frontier Airlines, and Hawaiian Airlines. United Airlines ranked 16th out of 18 airlines in the study.

- The Denver-Aurora MSA is the 21st best area for relocating families among metro areas of more than 1.25 million people and Colorado Springs is the fourth best area for relocating families among metro areas of between 350,000 and 575,000 people. The 2007 “Best Cities for Relocating Families” rankings are developed by Worldwide ERC and Primacy Relocation and consider such factors as crime, cost of living, education, climate, and housing market conditions.
- Violent crime incidents (murder, rape, robbery, and aggravated assault) as a percentage of the total population declined in Arvada, Aurora, Centennial, Denver, Thornton, and Westminster from 2005 to 2006 but rose in Lakewood. Property crime incidents (burglary, larceny-theft, motor vehicle theft, and arson) as a percentage of the total population declined in Arvada, Aurora, Centennial, Denver, Lakewood, Thornton, and Westminster from 2005 to 2006. The preliminary FBI report analyzed statistics from cities with more than 100,000 residents.
- The City and County of Denver is home to the eighth strongest telecommuting population among the 50 cities in the U.S. with the most workers over the age of 16. Denver’s share of telecommuting workers is 4.7%, compared to the national average of 3.6%. Colorado Springs ranked fifth on the latest U.S. Census Bureau list with 4.9% of workers telecommuting. Denver also ranked 11th for the share of employees that walk to their jobs.

General Economic Overview

The U.S. economy expanded 0.7% in the first quarter of 2007, according to the “final” GDP estimate from the U.S. Bureau of Economic Analysis. The final estimate reflects a 0.1% upward revision from the preliminary estimate of 0.6% that was released last month. The marked slowdown from the fourth quarter increase of 2.5% is primarily due to a downturn in net exports. GDP is the output of goods and services produced by labor and property located in the United States and typically gauges the economic momentum of the nation.

The Federal Open Market Committee (FOMC) of the Federal Reserve left the target for the federal funds rate unchanged at 5.25% in June as it has since its August 2006 meeting. The Committee noted that despite the ongoing housing market correction, the moderate economic growth experienced in the first half of 2007 is likely to continue throughout the remainder of the year. Recent and modest improvements in core inflation may still be checked by high levels of resource utilization in the coming quarters, which remains the Committee’s primary policy concern. The next FOMC meeting is scheduled for August 7, 2007.

The U.S. trade deficit unexpectedly declined from a revised $62.4 billion in March to $58.5 billion in April due to record level exports and decreased imports. The April decline was the sharpest month-to-month drop since October 2006. Also of note, the April U.S. trade imbalance with China rose to its highest level in three months.

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

- The Conference Board’s Index of Leading Economic Indicators increased 0.3% in May after slipping in April, indicating stronger economic growth for the nation in the coming months. The Leading Index currently stands at 138.0 due to positive contributions in May from five of the 10 indicators, including average weekly initial claims for unemployment insurance, stock prices, building permits, index of consumer expectations, and vendor performance. The coincident index, which measures current economic activity, increased for the fourth consecutive month in May, rising 0.2% in May to 124.0.
- The nation’s manufacturing sector expanded in June for the fifth consecutive month and at a slightly faster pace than exhibited in May. According to the Institute for Supply Management’s Purchasing Managers Index, the Index increased 1.0% from 55.0 in May to 56.0 in June. Twelve industries posted growth in June, led by petroleum and coal products, chemical products, and plastics and rubber products. The nation’s overall

economy expanded for the 68th consecutive month in June. A reading over 50 indicates economic expansion whereas a reading below 50 suggests economic contraction.

- The Metro Denver manufacturing industry continued to expand in April but at a slower rate. The Denver Manufacturing Purchasing Managers Index, compiled by the College of Business at the University of Colorado at Denver, decreased from 59.8 in March to 58.9 in April, suggesting positive but slower economic growth locally. Similar to the national index, a reading above 50 indicates economic expansion.
- The national service economy expanded for the 50th consecutive month in May and at a faster pace than in the month prior. The Institute for Supply Management's Non-Manufacturing Index increased 3.7% from 56.0 in April to 59.7 in May. Twelve of 17 non-manufacturing industries reported heightened economic activity in April, led by mining; arts, entertainment, and recreation; and management of companies and support services. A reading above 50 indicates economic expansion whereas a reading below 50 suggests economic contraction.
- Metro Denver's non-manufacturing or service economy was stable in March, according to an unchanged Non-Manufacturing Purchasing Managers Index. The index, compiled by the College of Business at the University of Colorado at Denver, stayed at 37.5 in March. Similar to the national service economy index, a reading below 50 suggests economic contraction.
- The Creighton University Business Conditions Index for the Mountain States region declined from 65.3 in May to 61.2 in June amid advancing inflationary pressures. Despite the second consecutive monthly decline, the June index suggests healthy economic growth for the Colorado-Wyoming-Utah region in the coming months. The individual Colorado index also declined in June, slipping from a brisk 64.9 in May to 56.6 in June. A reading greater than 50 indicates expansionary conditions.
- Economic conditions for Colorado's small businesses were unchanged at 90.8 from April to May, according to Vectra Bank's Colorado Small Business Index. U.S. small business conditions, on the other hand, declined slightly from a revised 88.4 in April to 86.1 in May. Both indexes use a baseline value of 100 in 1997.
- The latest results of the Colorado Business Leaders Confidence Index indicate Colorado business leaders expect slightly stronger but still modest economic growth throughout the state in the second quarter of 2007. The index, which measures growth expectations for the coming quarter, increased from 53.5 in the first quarter of 2007 to 54.9 in the second quarter, primarily due to the strength of projected sales and profits. The index is comprised of six component indexes, of which five reported improvements from first to second quarter and only one registered below the neutral point of 50. An increase above the 50 mark suggests the economy is in expansion mode.
- The Metro Denver Leading Index improved for the second consecutive month in March, rising from 101.0 in February to 101.1 in March. Four of the seven Leading Index components contributed positively to the March 2007 index. The Leading Index gauges economic activity in the Metro Denver region six to nine months in advance. The Historic Index increased for the third consecutive month in March, rising to its highest level since August 2001. The Historic Index, which measures year-over-year growth, increased 0.8% from 132.1 in February to 133.1 in March for a 2.1% over-the-year gain. Both components of the Historic Index improved in March. The 100 level represents the benchmark year of 1995 for both indices, compiled by Development Research Partners.

Labor and Employment

Total employment in Metro Denver increased by 12,600 positions from April to May, according to the latest data from the Colorado Department of Labor and Employment. The May increase resulted in a 1.9% year-to-date employment gain for the region. The Boulder-Longmont MSA posted stronger year-to-date employment growth of 3.3% through May compared to the 1.7% increase in the Denver-Aurora MSA. Statewide employment growth *through May is up 2.0% while the nation trails with a 1.5% increase.* Employment growth so far this year is varied among the 11 federally-defined industry supersectors with four supersectors reporting losses and seven supersectors reporting gains. Year-to-date employment losses through May have occurred in the Manufacturing (-1.3%); Natural Resources & Construction (-1.2%); Transportation, Warehousing, & Utilities (-1.2%); and Information (-0.1%) sectors. The strongest gains, on the other hand, have occurred in the Leisure & Hospitality (+4.5%), Professional & Business Services (+4.4%), and Education & Health Services (+3.0%) sectors.

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

	Month of May-07 (p)	Month of Apr-07	Month of May-06	Year-to-Date Average 2007	Year-to-Date Average 2006	Year-to-Date Average % Change	Annual Growth Rate 2002	Annual Growth Rate 1997
Total 11-County Metro Denver*	1,405.9	1,393.3	1,380.5	1,384.4	1,358.3	1.9%	-3.1%	4.4%
Denver-Aurora MSA	1,237.3	1,225.9	1,217.0	1,218.2	1,197.5	1.7%	-3.0%	4.4%
Boulder-Longmont MSA	168.6	167.4	163.5	166.2	160.8	3.3%	-3.4%	4.7%
Natural Resources & Construction	99.9	98.6	101.8	97.2	98.4	-1.2%	-4.9%	6.4%
Manufacturing	89.5	89.5	91.2	89.6	90.8	-1.3%	-9.0%	3.5%
Wholesale & Retail Trade	211.4	209.9	209.3	210.5	207.5	1.4%	-2.9%	2.7%
Transp., Warehousing & Utilities	50.5	49.9	50.4	49.8	50.4	-1.2%	-9.8%	2.4%
Information	57.1	57.1	56.7	56.6	56.6	-0.1%	-14.2%	11.2%
Financial Activities	108.6	108.2	108.1	108.1	107.2	0.8%	-0.8%	5.5%
Professional & Business Services	238.3	235.8	228.7	232.9	223.1	4.4%	-6.1%	5.3%
Education & Health Services	145.7	145.0	141.3	144.2	140.0	3.0%	2.9%	7.4%
Leisure & Hospitality	149.1	145.0	142.6	143.0	136.9	4.5%	-0.6%	3.2%
Other Services	51.6	51.4	51.3	51.7	50.8	1.7%	1.6%	3.6%
Government	204.2	202.9	199.1	200.8	196.5	2.2%	3.4%	2.3%
Federal Gov't	30.6	30.6	30.8	30.5	30.7	-0.7%	0.5%	0.0%
State & Local Gov't	173.6	172.3	168.3	170.3	165.8	2.7%	4.0%	2.8%
Colorado	2,316.0	2,308.7	2,274.3	2,294.8	2,249.1	2.0%	-1.9%	4.2%
United States	138,533	137,653	136,629	136,821	134,830	1.5%	-1.1%	2.6%

**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:

Aviation: United Airlines, the largest carrier at DIA and the second-largest carrier in the world, will begin hiring and training new pilots for the first time in six years. The airline plans to add as many as 100 pilots by year-end due to increased international flights. All newly hired pilots will be trained at United's Denver training facility near Stapleton.

Beverage Production: Moosehead Breweries Ltd. recently selected Boulder for its U.S. headquarters. Moosehead Breweries is Canada's third largest brewing company and sells its beer in all 50 U.S. states plus 15 other countries. The Boulder office will open in July with about six staff members, although staff size is likely to increase as Moosehead grows its U.S. operations.

Energy: Vestas Blades of Denmark broke ground on its first North American plant in June. The $62 million blade manufacturing plant is located in Windsor, CO and will be operational in 2008. Vestas is expected to create 450 new manufacturing jobs in Colorado to operate its 200,000-square-foot facility. At capacity, the facility will be able to build 1,200 blades a year or enough for 400 wind turbines.

In other wind energy news, the National Renewable Energy Lab (NREL) elected to build wind-blade testing facilities in Massachusetts and Texas, marking the first time in its 29-year history that NREL will build a research facility outside of Colorado. Massachusetts and Texas were chosen because the proposed facilities will test blades meant for offshore wind farms. Furthermore, new government funding has boosted NREL's budget this fiscal year by 62%, allowing the facility to add 100 new positions. The 100 new hires will bring NREL's total workforce to 1,100 while their fiscal year budget increases to $340 million. Just eighteen months ago, NREL was facing 40 job losses and a $10 million budget cut.

Colorado's oil and gas industry has a $22.9 billion annual economic impact on the state economy, including 70,800 jobs and $640.5 million in tax revenue to state and local governments. The study, which was conducted by the Colorado School of Mines and based on 2005 data, found oil and gas production accounted for 6.1% of the state's GDP. The sale of commodities, money spent to extract resources, fees paid to landowners for drilling rights, and taxes are all included in the $22.9 billion. The average worker in the oil and gas industry earns an annual wage of $60,881.

Financial Services: The upcoming sale of part of Fiserv to Omaha-based TD Ameritrade will result in the loss of 500 jobs in Downtown Denver later this year. Brookfield-based Fiserv currently employs 900 workers in Metro Denver and provides back-office support for 300,000 investment accounts worth $46 million. The majority of Fiserv's back-office operations will be sold to TD Ameritrade for up to $375 million while the remainder will be purchased by Bob Beriault, president of the Fiserv division. Beriault will keep between 300 and 400 workers in Downtown Denver.

The Federal Reserve Bank in Denver will cut 96 jobs in 2010 as it moves its check-processing operations to Dallas, TX. The Denver move is part of a national restructuring that will result in a total of 1,740 job cuts. The Federal Reserve currently operates 22 check-processing offices of which only four will remain in 2010: Dallas, Atlanta, Cleveland, and Philadelphia. The use of checks is declining across the country while debit and credit card use increases.

Information Technology: IBM announced it will expand its data center operations in Boulder with an $86 million, 80,000-square-foot facility. The expansion will bring IBM's Boulder campus to 300,000 square feet making it one of IBM's largest data center operations in the world. The expansion will also utilize green building elements such as energy-efficient products and services to help reduce data center energy consumption. IBM currently employs about 3,400 workers in Boulder. Job creation is expected from the Boulder expansion although job estimates are not yet available.

Telecommunications: Comcast Communications will hire another 50 customer service staff to further improve customer satisfaction. The latest hiring outlook follows the addition of 300 new customer service agents and technicians in 2006 and 150 more earlier this year.

In healthcare employment news, Nashville-based HCA will close its Denver patient account center as part of a national consolidation. The closure will result in 250 job losses although employees will be offered positions at the Richmond, VA call center office.

St. Joseph Hospital in Denver will trim 70 jobs, including 30 full- or part-time workers and 40 contract workers. The 3% loss of the 2,380-person staff is largely due to declining patient visits. Children's Hospital is also restructuring 41 positions although affected employees will be eligible to apply for the newly restructured positions. The University of Colorado Hospital is trimming between 60 and 80 mainly managerial positions as the hospital moves to its new home in Aurora. Through attrition, the University of Colorado Hospital will lose an additional 130 positions. Finally, Centura Health announced it will outsource its medical transcription work, which will affect approximately 100 jobs. The affected employees will be offered jobs through MedQuist, the outsourcing company.

Looking ahead, Metro Denver employers downgraded their quarterly hiring expectations from second to third quarter, according to the latest Manpower Employment Outlook Survey. During the July-September period, an estimated 26% of Denver area employers plan to add staff compared to 42% in the second quarter of 2007. Hiring expectations for third quarter 2007 are also down from third quarter 2006. Another 13% of employers are expected to reduce their payrolls in the third quarter of 2007 while 57% of employers expect no staffing changes. Third quarter job prospects in the Denver area appear best in transportation/public utilities, wholesale/retail trade, and services. Education employers plan to reduce staffing levels while mixed intentions were reported for the durable goods manufacturing, finance/insurance/real estate, and public administration sectors. Limited staffing changes are anticipated in the construction and non-durable goods manufacturing sectors. Hiring expectations in the Boulder area are expected to be similar to the prior quarter with 13% of employers planning to add staff in the July-September period. About 23% of Boulder area employers expect to reduce payrolls in the third quarter compared to 10% in the prior quarter and 0% in the third quarter 2006.

Third quarter job prospects at the national level are more robust than local area expectations. About 29% of the 14,000 U.S. employers surveyed nationwide plan to add staff and 7% plan to reduce their payrolls. Another 58% do not anticipate staffing changes and 6% are unsure about upcoming staffing plans.

Employment Outlook Survey

	Quarter 3 2007	Quarter 2 2007	Quarter 3 2006	YTD Avg 2007	YTD Avg 2006
Denver Area*					
Percent of Companies Hiring	26%	42%	43%	37%	37%
Percent of Companies Laying Off	13%	12%	8%	11%	9%
Percent of Companies No Change	57%	43%	49%	47%	49%
Boulder County					
Percent of Companies Hiring	13%	13%	47%	18%	38%
Percent of Companies Laying Off	23%	10%	0%	13%	3%
Percent of Companies No Change	61%	77%	53%	68%	57%

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

Regional employers face a growing need for skilled workers as well as a shrinking pool of qualified candidates, according to a new study by Development Research Partners for the Workforce Innovation in Regional Economic Development (WIRED). More specifically, the research discovered that the need for technical workers with a broader-than-expected range of skills coincides with a growing number of skilled employees that are planning to retire. The research brings to light an increased urgency to expand training and educational programs to meet Metro Denver's workforce needs and equip the region's companies to compete in the global economy. The results were developed from more than 200 surveyed companies in the four WIRED industries: aerospace, bioscience, energy, and information technology. These WIRED industries represent 6,500 businesses and employ 106,000 workers in the region (Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, Jefferson, Larimer, and Weld counties). For more information, visit www.metrodenver.org/documents/newsCenter/WiredWorkforceStudy.pdf.

Labor market conditions in the Metro Denver region tightened for the fourth consecutive month in May, decreasing from 3.4% in April to 3.3% in May. The May unemployment rate is the lowest monthly rate since May 2001 when the unemployment rate dropped to 2.9%. Four of the seven Metro Denver counties saw lower unemployment rates in May, including Adams, Arapahoe, Boulder, and Jefferson counties, while three counties saw no change from April to May. The Metro Denver unemployment rate stands at 3.9% through the first five *months of the year compared to the 2006 year-to-date rate of 4.6%.* The statewide unemployment rate also decreased from 3.4% in April to 3.3% in May. Through the first five months of 2007, the average annual unemployment rate in Colorado was 3.9% compared to 4.6% at this time last year. The national unemployment rate was unchanged in May at 4.3% and stands at 4.6% on a year-to-date basis compared to 4.8% at this time last year.

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

	May 2007 (p)		2007 YTD Avg		2006 YTD Avg		2002	1997
	Total Labor Force	Unemploy-ment Rate	Total Labor Force	Unemploy-ment Rate	Total Labor Force	Unemploy-ment Rate	Ann Avg Unemploy-ment Rate	Ann Avg Unemploy-ment Rate
Metro Denver	1,507.5	3.3%	1,496.8	3.9%	1,474.0	4.6%	5.9%	2.8%
Adams County	217.5	3.8%	216.4	4.6%	213.4	5.3%	6.4%	3.1%
Arapahoe County	310.2	3.4%	307.6	3.8%	303.4	4.5%	5.7%	2.4%
Boulder County	176.5	2.8%	175.3	3.3%	170.6	3.9%	5.7%	2.8%
Broomfield County	25.5	3.4%	25.3	3.9%	25.0	4.6%	5.7%	**
Denver County	312.5	3.7%	310.8	4.4%	306.8	5.2%	6.8%	3.8%
Douglas County	148.9	2.8%	147.7	3.2%	145.4	3.8%	5.0%	1.8%
Jefferson County	316.2	3.2%	313.8	3.7%	309.5	4.4%	5.5%	2.4%
Colorado	2,659.1	3.3%	2,650.8	3.9%	2,611.8	4.6%	5.7%	3.4%
United States	152,350	4.3%	152,044	4.6%	149,942	4.8%	5.8%	4.9%

***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

First time unemployment insurance applications decreased from April to May in the seven-county Metro Denver region. According to reference week statistics, first time unemployment claims decreased 3.7% from April to May. Despite the May decline, first time unemployment claims are up a modest 0.7% on a year-to-date basis. Statewide claims also decreased 19.8% from April to May for a 0.8% year-to-date gain through the first five months of the year.

Weekly First-Time Unemployment Insurance Claims

	Month of May-07	Month of Apr-07	Month of May-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change
Metro Denver	1,080	1,121	1,059	1,181	1,173	0.7%
Colorado	1,826	2,278	1,893	2,161	2,144	0.8%

Note: Reference week data includes the 19th day of the month with the exception of November and December, which includes the 12th day of the month.
Source: Colorado Department of Labor and Employment, Labor Market Information.

Consumer Sector

Gas prices in Metro Denver eased somewhat in June but remain over the $3 per gallon mark. According to AAA's Fuel Gauge Report, the average price for a gallon of regular gas in Metro Denver was $3.09 as of June 29, 2007 compared to $3.28 a month earlier and $2.80 a year earlier. After rising above the national average in May, local gas prices continue to exceed the nation. The average price for a gallon of regular gas in the U.S. was $2.97 as of June 29, 2007 compared to $3.20 a month earlier and $2.87 a year earlier.

Expensive gasoline and the weak U.S. housing market appear to be negatively affecting consumer spending. The latest International Council of Shopping Centers-UBS data revealed a 2.5% increase in May retail sales at its 51 same-store sales. The May month-over-month increase is up from April's 1.9% decline but down from May 2006's 4.5% gain.

Consumer activity in Metro Denver continues to grow at a strong pace. While retail sales in Metro Denver decreased from March to April in a typical seasonal pattern, year-to-date sales are 9.9% ahead of 2006 sales. All seven Metro Denver counties reported stronger year-to-date retail sales through the first four months of 2007 compared to the same period last year, including double-digit gains in Broomfield County (+16.7%), Adams County (+12.6%), Boulder County (+11.8%), and Denver County (+11.2%). Statewide retail sales also slipped from March to April and stand 9.7% ahead of 2006 on a year-to-date basis.

Total Retail Sales ($000s)

	Month of Apr-07	Month of Mar-07	Month of Apr-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Annual Growth 2002	Annual Growth 1997
Total Metro Denver	6,478,907	7,395,388	5,945,343	26,097,315	23,745,677	9.9%	-0.5%	5.8%
Adams County	1,071,392	1,141,132	919,014	4,074,292	3,617,389	12.6%	-0.3%	7.7%
Arapahoe County	1,445,480	1,636,809	1,312,986	5,820,486	5,304,139	9.7%	1.6%	0.7%
Boulder County	588,644	768,142	541,111	2,480,365	2,218,005	11.8%	-14.5%	3.8%
Broomfield County	144,225	152,924	122,145	540,923	463,679	16.7%		
Denver County	1,756,877	2,012,816	1,611,142	7,222,185	6,495,742	11.2%	-3.2%	4.9%
Douglas County	490,501	534,569	459,847	1,928,961	1,790,349	7.7%	3.6%	30.9%
Jefferson County	981,788	1,148,996	979,098	4,030,103	3,856,374	4.5%	-2.5%	8.7%
Colorado	10,748,009	12,685,423	10,080,973	44,266,009	40,357,793	9.7%	0.3%	6.4%

Source: Colorado Department of Revenue.

Consumer confidence levels in the Mountain region increased from April to May, according to the Conference Board's Consumer Confidence Index. The index increased from a revised 136.2 in April to a preliminary 138.2 in May, the highest May reading of the nation's nine regions. On an annualized basis, consumer confidence levels in the Mountain region are 3.3% ahead of 2006. The confidence index is comprised of the present situation index and the future expectations index. The perception of the current situation increased from a revised 173.2 in April to a preliminary 182.9 in May. The future expectations index decreased from a revised 111.5 in April to a preliminary 108.4 in May.

National consumer confidence also improved slightly in May with overall confidence levels rising from a revised 106.3 in April to 108.0 in May. The U.S. present situation index increased from 133.5 in April to 136.1 in May while the U.S. future expectations index increased from a revised 88.2 in April to 89.2 in May. Advance estimates for June reveal retreating confidence levels at the national level to 103.9.

Consumer Confidence Index

	Month of May-07 (p)	Month of Apr-07	Month of May-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change	Ann Avg 2002
Mountain	138.2	136.2	124.5	138.1	133.7	3.3%	104.3
United States	108.0	106.3	104.7	108.8	106.3	2.3%	96.6

Source: The Conference Board. (p) =preliminary

Tourism in Metro Denver and Colorado is at record levels, according to separate studies by Toronto-based Longwoods International. *Denver hosted a record 11.7 million visitors in 2006. Overnight visitors in 2006 were up 13% from 2005, marking the sharpest annual increase in visitors to the region since the Longwoods International study began. Visitors spent $2.76 billion in 2006 or 13% more than in 2005. The top ten Denver visitor destinations in 2006 were Lower Downtown, Coors Brewery, Red Rocks Amphitheatre, Denver Zoo, State*

Capitol, Colorado Rockies, IMAX/Denver Museum of Nature & Science, Buffalo Bill Museum, Denver Botanic Gardens, and the U.S. Mint. The 13% increase in visitors to Denver was supported by strong conference and meeting space activity. The Colorado Convention Center reported 197,040 delegates at 55 meetings in 2006, up from 164,095 at 40 meetings in the year prior, and 125,196 at 30 meetings in 2004. The top five states sending visitors to Denver are Colorado, Texas, California, Arizona, and Florida while the top five metropolitan areas sending visitors to Denver are Los Angeles, Colorado Springs/Pueblo, Phoenix, Dallas-Fort Worth, and Chicago. At the state level, Colorado recorded a record 26.9 million overnight visitors in 2006, which represents a 4% increase over 2005 visitors. Colorado's share of the market increased from 2.1% in 2005 to 2.35% in 2006, its strongest share since 1999. Colorado continued to rank as the top market for skier visits in 2006. Visitor spending in Colorado reached $8.9 billion in 2006 for an 8% increase over 2005 spending levels.

Record skier visits during the 2006-2007 season helped boost Colorado's overall visitor numbers in 2006. A record 12.56 million skiers visited Colorado's 26 resorts during the last ski season, allowing Colorado to account for a record 23% of total skier visits in the nation. The weak dollar also helped international skiers account for a record 8% of the state's total skier visits, according to Ski Country USA.

Metro Denver's lodging industry strengthened from April to May with higher occupancy and average room rates. The occupancy rate increased from 63.2% in April to 68.9% in May while the average room rate increased from $108.80 in April to $112.66 in May. On a year-to-date basis, both the occupancy rate and average room rate are stronger compared to the first five months of 2006. The year-to-date occupancy rate stands 2.1% ahead of 2006 while the average room rate is up 11.4%. The statewide lodging industry also reported improvements in May compared to the same month a year earlier. The Colorado occupancy rate in May registered 61.4%, up from 58.4% in May 2006. The average room rate in Colorado also increased from $99.14 in May 2006 to $109.77 in May 2007. The statewide hotel occupancy rate on a year-to-date basis increased to 60.9% in May compared to 59.3% at this time last year while the average year-to-date room rate increased from $116.37 in 2006 to $128.11 in 2007.

Metro Denver Hotel Statistics

	Month of May-07	Month of Apr-07	Month of May-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change	Annual 2002	Annual 1997
Percent of Hotel Rooms Occupied	68.9%	63.2%	66.6%	63.2%	61.9%	2.1%	60.3%	72.1%
Average Hotel Room Rate	$112.66	$108.80	$100.97	$107.47	$96.44	11.4%	$88.05	$84.06

Source: Rocky Mountain Lodging Report.

Passenger traffic at Denver International Airport (DIA) decreased 7.5% from March to April as the latest ski season ended in Colorado. Through the first four months of 2007, total passenger traffic at DIA is up 4.8% compared to the same period last year with more than 15.6 million passengers using DIA. April 2007 traffic levels were 5.4% higher than in the same month last year.

Denver International Airport Passengers

	Month of Apr-07	Month of Mar-07	Month of Apr-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Annual 2002	Annual 1997
Number of Airline Passengers	4,038,014	4,364,276	3,832,268	15,624,569	14,902,723	4.8%	35,652,084	34,969,021

Source: Denver International Airport, Traffic Statistics.

The nation's major stock indexes reported mixed results from May to June with the S&P 500 slipping 1.6%, the NASDAQ increasing 0.1%, and the Dow Jones Industrial Average declining 1.5%. Despite weak June advances, all three major indexes are posting year-to-date gains. *Colorado stocks slipped in June for the first month-to-month decline since September 2006. The Bloomberg Colorado Index declined from 439.2 in May to 435.9 in*

June, bringing the year-to-date gain to 14.0%, still well above the national indexes. The Bloomberg Colorado Index is a price-weighted index designed to measure the performance of the Colorado economy. The Index currently includes 115 companies with a minimum market capitalization of $10 million that are headquartered in Colorado.

Stock Market Indexes

	Month of Jun-07	Month of May-07	Month of Jun-06	YTD Return 2007	YTD Return 2006	YTD Return 2005
Bloomberg Colorado	435.9	439.2	344.4	14.0%	5.6%	4.5%
S&P 500	1,505.7	1,530.6	1,270.2	6.2%	1.8%	-1.7%
NASDAQ	2,608.4	2,604.5	2,172.1	8.0%	-1.5%	-5.4%
DJIA (Dow Jones)	13,422.3	13,627.6	11,150.2	7.7%	4.0%	-4.7%

Sources: Bloomberg.com, Yahoo! Finance.

Residential Real Estate

U.S. sales of existing homes declined for the third straight month in May, according to the National Association of REALTORS (NAR). Existing home sales declined 0.3% in May to a seasonally adjusted annual rate of 5.99 million units, the slowest annual pace in four years. May home sales are down 10.3% from the same month last year. The South led the sales decline in May with a 3.4% slowing, followed by a 0.8% decline in the West. On the other hand, the Northeast (+5.8%) and the Midwest (+0.7%) saw increased sales from April to May. Unsold inventory levels increased 5% in May to 4.43 million units, the highest level in 15 years.

At the local level, Metro Denver's existing or previously-owned home market is reporting mixed conditions with strong home sales but soft home price appreciation. Previously-owned home sales strengthened in May for the third consecutive month in Metro Denver. The 15.5% increase in home sales from April to May brings year-to-date sales up 2.8% over the first five months of 2006. Home sales under contract, a forward-looking indicator, also increased in May for its fifth consecutive month-to-month gain. Home sales under contract are 1.1% ahead of this time last year on a year-to-date basis. Unsold inventory levels increased from April to May as the busy summer season got underway, although unsold inventory levels are down 4.4% on a year-to-date basis through May.

On the other hand, the Metro Denver residential market continues to see negative home price appreciation, suggesting still soft market conditions. The average sales price for a single-family home decreased from $322,510 in April to $318,904 in May but still stands slightly above the average sales price in May 2006. On a year-to-date basis, the average sales price for a single-family home is down 1.4%. The median sales price in the single-family category increased from $248,000 in April to $251,155 in May but stands 1.4% below 2006 on a year-to-date basis. The condominium market exhibited improvements from April to May in both the average and median sales prices but condominium sales prices remain below 2006 on an annualized basis. The average sales price for a condominium increased from $182,549 in April to $183,896 in May but stands 3.9% below 2006 on a year-to-date basis. The median sales price in the condominium category increased from $148,900 in April to $155,000 in May but stands 3.3% below 2006 on a year-to-date basis.

Previously-Owned Home Sales Activity

	Month of May-07	Month of Apr-07	Month of May-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Ann Avg 2002	Ann Avg 1997
Home Sales (Under Contract)	6,353	6,173	6,459	27,869	27,554	1.1%	30,089	35,963
Home Sales (Closed)	5,081	4,399	5,010	20,384	19,831	2.8%	47,919	40,185
Unsold Homes on Market	29,110	27,795	30,457	29,110	30,457	-4.4%	20,740	12,903
Average Sales Price-Single Family	$318,904	$322,510	$315,257	$308,458	$312,740	-1.4%	$268,926	$169,587
Average Sales Price-Condo	$183,896	$182,549	$189,986	$178,820	$185,991	-3.9%	$168,226	$100,694
Median Sales Price-Single Family	$251,155	$248,000	$250,943	$243,500	$247,000	-1.4%	$221,000	
Median Sales Price-Condo	$155,000	$148,900	$160,000	$151,896	$157,000	-3.3%	$149,500	

Sources: MetroList, Inc.

Note: Data includes the seven-county Metro Denver region plus Elbert, Park, Gilpin, and Clear Creek counties as well as portions of the Loveland area.

In addition to the MetroList data described above, several other national sources suggest either modestly positively or modestly negative first quarter home price appreciation rates in Metro Denver. *The Office of Federal Housing and Oversight reported a modest 1.1% increase in home prices in the Denver-Aurora MSA from first quarter 2006 to first quarter 2007 compared to a 1.6% increase in the Boulder-Longmont MSA and a 3.3% statewide increase. At the national level, home prices rose 4.3% over the same period.*

California-based DataQuick Information Systems reported a 10.6% quarter-over-quarter decline in Metro Denver homes along with a 1.3% drop in the median sales price of all homes sold in the first three months of 2007. DataQuick's Andrew LePage noted that the pace of declining home sales in Metro Denver is weakening but says the Metro Denver is unique in that, "it has been the flattest the longest."

According to a NAR data series, the median single-family home price of an existing home in the Denver-Aurora MSA declined from a revised $245,600 in the fourth quarter of 2006 to $239,400 in the first quarter of 2007. Compared to the same quarter last year, the first quarter median home price in the Denver-Aurora MSA is down 2.0%. The Denver-Aurora MSA reported the 105th strongest year-over-year appreciation rate of the 150 largest metropolitan regions in the U.S. and was one of 62 MSAs to post a decline. The median home price in the Denver-Aurora MSA is currently the 39th highest among the 150 largest MSAs. The median single-family home price in the Boulder-Longmont MSA increased from $358,900 in the fourth quarter of 2006 to $371,400 in the first quarter of 2007. The Boulder-Longmont MSA posted a 2.9% increase from $361,000 in the first quarter of 2006, which was the 55th fastest appreciation rate among the MSAs tracked by the NAR. Homes in the Boulder-Longmont MSA are currently the 18th most expensive in the nation.

Median Sales Price of Existing Single-Family Homes ($000s)

	Quarter 1 2007 (p)	Quarter 4 2006 (r)	Quarter 1 2006	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change	Median 2002	Median 1997
Boulder-Longmont MSA	$371.4	$358.9	$361.0	$371.4	$361.0	2.9%	$317.6	n/a
Denver-Aurora MSA	$239.4	$245.6	$244.2	$239.4	$244.2	-2.0%	$228.1	$140.6
United States	$212.3	$219.0	$216.1	$212.3	$216.1	-1.8%	$167.6	$129.0

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

Foreclosure activity in Metro Denver increased from April to May, according to public trustee data. There were an estimated 2,351 total foreclosure setups in May, up from 1,970 in April and 1,635 in the same month last year. Through the first five months of 2007, Metro Denver foreclosures are up 35.5%. While all seven Metro Denver counties reported year-to-date increases through May, the gains in Boulder County (+4.1%), Jefferson County (+13.9%), and Arapahoe County (+26.4%) are the most modest. Denver County leads the region in foreclosures with an estimated 55.5% increase based on preliminary data. Adams County (+43.0%), Douglas County (+38.7%), and Broomfield County (+35.7%) trail Denver County.

Real Estate Foreclosures

	Month of May-07	Month of Apr-07	Month of May-06	YTD Total 2007	YTD Total 2006	YTD Total % Change
Total Metro Denver*	2,351	1,970	1,635	10,726	7,913	35.5%
Adams County	656	431	385	2,543	1,778	43.0%
Arapahoe County	414	516	419	2,483	1,964	26.4%
Boulder County	65	76	75	357	343	4.1%
Broomfield County	16	20	15	95	70	35.7%
Denver County**	720	523	379	3,152	2,027	55.5%
Douglas County	199	127	72	699	504	38.7%
Jefferson County	281	277	290	1,397	1,227	13.9%

**Foreclosure data for Metro Denver represents the total number of election and demand setups received by the county public trustee in the month received.*
***January 2007 through May 2007 foreclosure data for the City and County of Denver are preliminary. Revised data should be available in late July 2007.*
The foreclosure data above includes a portion of homes that are withdrawn so that not all of the foreclosures are real-estate owned properties.
Sources: Various County Public Trustees in Metro Denver.

Colorado continues to rank second in California-based RealtyTrac's foreclosure report. Colorado's public trustees recorded one foreclosure filing in May for every 290 households, according to RealtyTrac. In absolute terms, Colorado's May foreclosure activity was the eighth highest in the nation. Nevada ranked first in the May report with one foreclosure filing for every 166 households and California ranked third with one foreclosure filing for every 308 households. At the metropolitan level, Metro Denver had the seventh highest foreclosure ranking on a per household basis. Local housing officials disagree with RealtyTrac's methodology, saying that Colorado is unfairly analyzed and ranked.

Similar to the existing home market, new home sales also declined in May across the U.S. Data from the U.S. Commerce Department reveals a 1.6% decrease in single-family new home sales from April to a seasonally adjusted annual rate of 915,000 units in May. The May decline follows a 12.5% surge in new home sales in April or the sharpest month-to-month increase in more than ten years.

New home construction activity in the U.S. fell 2.1% in May to a seasonally adjusted annual rate of 1.474 million units that was 24.2% below May 2006 levels. Weak housing starts in the South and West regions offset heightened construction activity in the Northeast and Midwest. Building permits, a forward-looking indicator, increased 3% in May after plunging 7.1% in the month prior. The 3% increase in May is largely due to activity in the apartment or multi-family category as single-family building permits declined for the fourth consecutive month.

New home construction in the Metro Denver region gained momentum in April with a 51.7% increase in building permits. The April increase is largely due to strong activity in the single-family attached category, which experienced a 228.9% month-to-month increase in April compared to a 22.6% increase in the single-family detached category. No permits were issued in April for multi-family or apartment units. Despite the April surge in building permits, new home construction in Metro Denver remains below 2006 levels in all categories except multi-family. Year-to-date building permits for single-family detached homes are down 46.2% through April while single-family attached activity is down 15.1%. Multi-family construction activity is up 83.2% due to the minimal 2006 base. In total, Metro Denver building permits are down 28.1% through April. The most single-family detached permits issued in the first four months of 2007 occurred in Aurora (513), the City and County of Denver (377), and unincorporated Douglas County (226). The City and County of Denver (758), City of Boulder (449), and unincorporated Arapahoe County (158) issued the most permits for single-family attached construction. Aurora (288), unincorporated Arapahoe County (270), unincorporated Boulder County (199), unincorporated Douglas County (88), the City and County of Denver (37), and Broomfield County (32) have issued multi-family permits so far this year.

Residential Building Permits

	Month of Apr-07	Month of Mar-07	Month of Apr-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Total 2002	Total 1997
Single-Family Detached Units	760	620	1,014	2,467	4,586	-46.2%	13,793	14,890
Single-Family Attached Units	786	239	737	1,814	2,137	-15.1%	4,425	2,647
Multi-Family Units	0	160	120	914	499	83.2%	4,085	5,415
Total Units	1,546	1,019	1,871	5,195	7,222	-28.1%	22,303	22,952

Source: Home Builders Association of Metro Denver.

Colorado's apartment market was generally stable from first quarter 2006 to first quarter 2007. The Colorado Division of Housing study revealed a 7.7% first quarter 2006 vacancy rate compared to a 7.5% vacancy rate in the most recent first quarter. The lowest first quarter vacancy rates were found in northern, central, and western Colorado while the eastern and southern regions saw either stable or increased vacancy rates. The lowest vacancy rate in the state of 0.7% and the highest average rental rate of $1,100 were both recorded in Aspen.

The rental market in Metro Denver remains strong partly because of the high foreclosure activity in Metro Denver. The vacancy rate for rental condominiums, single-family homes, and other small properties dipped to a five-year low of 4.2% in the first quarter of 2007. Rental rates remain sluggish at about 5.0% below 2003 levels. The apartment vacancy rate increased slightly from 7.0% in the fourth quarter of 2006 to 7.1% in the first quarter of 2007 but remains below the first quarter 2006 vacancy rate of 7.4%. The first quarter 2007 apartment vacancy rate marks a six-year low for first quarter rates. The average monthly rental rate for apartments also slipped from $850 in the fourth quarter of 2006 to $843 in the first quarter of 2007 but remains above the first quarter 2006 rate of $835. The average monthly rental rate posted a 0.9% increase in the latest January-March period. Analysts also noted that apartment rental concessions are starting to diminish for Class A and B properties but are still prevalent in Class C properties.

Apartment Statistics

	Quarter 1 2007	Quarter 4 2006	Quarter 1 2006	YTD Average 2007	YTD Average 2006	YTD Average % Change	Annual Average 2002	Annual Average 1997
Apartment Vacancy Rate	7.1%	7.0%	7.4%	7.1%	7.4%		9.8%	4.9%
Average Monthly Rental Rate (all units)	$843	$850	$835	$843	$835	0.9%	$822	$650

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

Metro Denver's office market strengthened in the second quarter of 2007, according to the latest data from CoStar Realty Information, Inc. The second quarter direct vacancy rate decreased to 11.9% from 12.5% in the first quarter of 2007. Compared to a year ago, the direct vacancy is a full percentage point lower. The total vacancy rate, which includes sublet space, also improved from first to second quarter and stands below second quarter 2006. The average lease rate continued its climb in the second quarter of 2007, rising from $19.19 per square foot in the first quarter of 2007 to $19.60 per square foot in the second quarter. The second quarter average lease rate is the highest quarterly rate since third quarter 2002.

Solid market fundamentals support significant construction activity. For the second consecutive quarter, more than 2.0 million square feet of new office space has been under construction. Although the square footage of space currently under construction slipped slightly from first to second quarter, the number of buildings soon to be added to the marketplace increased from 76 in the January-March period to 88 in the April-June period. About one-third of the 2.2 million square feet of office space under construction will be added in the City and County of Denver. Arapahoe County (28.0%) and Douglas County (26.6%) followed closely behind Denver. The largest project in the works is the Palazzo Verdi in Arapahoe County with more than 305,000 square feet of new space. The two largest projects completed earlier this year are the 259,000-square-foot RE/MAX International headquarters and the 186,000-square-foot Signature Centre at Denver West.

Office Market Statistics

	Quarter 2 2007	Quarter 1 2006	Quarter 2 2006	Quarter 2 2005	Quarter 2 2004	Quarter 2 2003
Number of Buildings	4,694	4,668	4,642	4,586	4,540	4,498
Existing Square Feet (millions)	152.9	152.4	150.9	149.9	149.1	147.5
Vacant Square Feet (millions)	18.1	19.1	19.4	21.4	21.8	21.4
Vacancy Rate (Direct)	11.9%	12.5%	12.9%	14.3%	14.6%	14.5%
Vacancy Rate (With Sublet)	12.9%	13.6%	14.1%	15.8%	16.5%	17.0%
Average Lease Rate (per square foot)	$19.60	$19.19	$17.97	$16.99	$16.91	$17.86
New Construction Completed (year-to-date)	0.79 MSF, 19 Bldgs	0.34 MSF, 5 Bldgs	0.40 MSF, 21 Bldgs	0.30 MSF, 20 Bldgs	0.80 MSF, 18 Bldgs	1.02 MSF, 29 Bldgs
Currently Under Construction	2.15 MSF, 88 Bldgs	2.23 MSF, 76 Bldgs	1.56 MSF, 40 Bldgs	0.86 MSF, 31 Bldgs	0.37 MSF, 21 Bldgs	0.60 MSF, 18 Bldgs

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

The industrial market in Metro Denver reported slightly softer conditions in the second quarter of 2007 than in the prior quarter. The latest CoStar Realty Information, Inc. data indicates the direct vacancy rate increased from 6.2% in the first quarter of 2007 to 6.6% in the second quarter of 2007. The total vacancy rate, which includes sublet space, also increased from 6.6% in the first quarter to 7.0% in the second quarter. Compared to second quarter 2006, both the second quarter 2007 direct and total vacancy rates improved from a year earlier. The average lease rate was stable from first to second quarter so far this year, slipping only from $4.98 per square foot (NNN) to $4.95 per square foot (NNN). Compared to a year earlier, the average industrial lease rate in Metro Denver is $0.10 higher.

About 1.87 million square feet of new industrial is currently under construction in Metro Denver, down from nearly 2.5 million square feet in the prior quarter. About two-thirds of the industrial construction is taking place in Adams County with about 21.1% occurring in Arapahoe County. So far this year, the Metro Denver market has added about 650,000 square feet of new industrial space of which about Adams County also accounts for two-thirds of the new square footage.

Industrial Market Statistics

	Quarter 2 2007	Quarter 1 2006	Quarter 2 2006	Quarter 2 2005	Quarter 2 2004	Quarter 2 2003
Number of Buildings	6,073	6,041	6,024	5,986	5,948	5,909
Existing Square Feet (millions)	207.5	206.7	206.1	204.1	203.0	200.6
Vacant Square Feet (millions)	13.6	12.8	15.1	15.5	16.2	13.8
Vacancy Rate (Direct)	6.6%	6.2%	7.3%	7.6%	8.0%	6.9%
Vacancy Rate (With Sublet)	7.0%	6.6%	7.7%	8.1%	8.9%	7.6%
Average Lease Rate (per square foot, NNN)	$4.95	$4.98	$4.85	$4.62	$4.66	$5.07
New Construction Completed (year-to-date)	0.65 MSF, 8 Bldgs	0.07 MSF, 2 Bldgs	1.08 MSF, 14 Bldgs	0.27 MSF, 13 Bldgs	1.22 MSF, 14 Bldgs	0.98 MSF, 24 Bldgs
Currently Under Construction	1.87 MSF, 22 Bldgs	2.49 MSF, 28 Bldgs	1.35 MSF, 14 Bldgs	0.73 MSF, 18 Bldgs	0.58 MSF, 14 Bldgs	1.37 MSF, 12 Bldgs

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

The flex market in Metro Denver improved from first to second quarter, according to CoStar Realty Information, Inc. The direct vacancy rate decreased from 14.3% in the first quarter to 13.1% in the second quarter while the overall vacancy rate, including sublet space, decreased from 15.1% to 14.1% over the same period. The average lease rate increased from $8.67 in the first quarter to $8.99 in the second quarter. The second quarter average lease rate stands $0.56 above the same quarter last year.

About 140,000 square feet of flex space is currently under construction in Metro Denver of which nearly all is located in Arapahoe County. The 140,000 square feet of new flex space that was recently constructed was added to Denver, Douglas, and Jefferson counties.

Flex Space Statistics

	Quarter 2 2007	Quarter 1 2006	Quarter 2 2006	Quarter 2 2005	Quarter 2 2004	Quarter 2 2003
Number of Buildings	1,279	1,273	1,268	1,240	1,221	1,211
Existing Square Feet (millions)	37.4	37.2	37.1	36.5	36.2	36.0
Vacant Square Feet (millions)	4.9	5.3	5.3	5.4	5.9	5.8
Vacancy Rate (Direct)	13.1%	14.3%	14.3%	14.8%	16.4%	16.2%
Vacancy Rate (With Sublet)	14.1%	15.1%	14.9%	16.2%	18.2%	17.8%
Average Lease Rate (per square foot, NNN)	$8.99	$8.67	$8.43	$8.18	$8.25	$8.61
New Construction Completed (year-to-date)	0.14 MSF, 5 Bldgs	0.00 MSF, 0 Bldgs	0.29 MSF, 8 Bldgs	0.10 MSF, 5 Bldgs	0.09 MSF, 3 Bldgs	0.13 MSF, 3 Bldgs
Currently Under Construction	0.14 MSF, 7 Bldgs	0.11 MSF, 3 Bldgs	0.23 MSF, 9 Bldgs	0.22 MSF, 11 Bldgs	0.03 MSF, 2 Bldgs	0.07 MSF, 5 Bldgs

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

The retail and shopping center market in Metro Denver posted a 7.0% direct vacancy rate in the second quarter of 2007, down slightly from 7.1% in the prior quarter and up from 6.7% in the second quarter of 2006. The total vacancy rate, which includes sublet space, decreased from 7.5% in the first quarter of 2007 to 7.3% in the second quarter but stands above the second quarter 2006 vacancy rate. The average lease rate decreased from $16.60 per square foot to $16.47 per square foot, which is stronger than the second quarter 2006 rate.

About 5.9 million square feet of new retail space is in the pipeline for Metro Denver, down slightly from 5.8 million square feet in the first quarter of the year. About 38% of the 5.9 million square feet will be added in Adams County, followed by 22.6% in Arapahoe County, and 15.0% in the City and County of Broomfield. As of second quarter 2007, at least four projects of more than 500,000 square feet each are in the works. Of the 672,000 square feet of new retail space that has already been added the seven-county region, the second phase of the Harvest Junction project in Longmont is the most substantial at 280,000 square feet.

Looking ahead, the Nichols Partnership announced plans for a $130 million project in Downtown Denver that would feature a 55,000-square-foot grocery store. The 420,000-square-foot development would also likely include more retail space, residences, extended-stay hotel, and office space. The development, which will be situated on a 3.2-acre site between 19th and 20th streets and Chestnut and Wewatta streets, is slated for completion in 2010.

Retail Market Statistics

	Quarter 2 2007	Quarter 1 2006	Quarter 2 2006	Quarter 2 2005	Quarter 2 2004	Quarter 2 2003
Number of Buildings	4,808	4,727	4,673	4,575	4,483	4,356
Existing Square Feet (millions)	135.4	134.0	131.5	123.6	121.7	115.9
Vacant Square Feet (millions)	9.4	9.5	8.8	6.7	6.8	4.6
Vacancy Rate (Direct)	7.0%	7.1%	6.7%	5.4%	5.5%	4.0%
Vacancy Rate (With Sublet)	7.3%	7.5%	6.9%	5.8%	5.7%	4.1%
Average Lease Rate (per square foot)	$16.47	$16.60	$16.26	$15.83	$13.89	$13.97
New Construction Completed (year-to-date)	0.67 MSF, 16 Bldgs	0.38 MSF, 7 Bldgs	N/A	N/A	N/A	N/A
Currently Under Construction	5.90 MSF, 71 Bldgs	5.79 MSF, 62 Bldgs	N/A	N/A	N/A	N/A

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

In other commercial real estate news, Exempla Lutheran Medical Center announced a $225 million expansion, which will include a new 200,000-square-foot patient tower at its existing facility in Wheat Ridge. The five-story project will feature new operating rooms along with 72 patient rooms and be completed in 2010. In addition, the doors of the Platte Valley Medical Center in Brighton will open in July. The $318 million, 78-bed hospital is relocating from its 6-acre site east of downtown Brighton to a 50-acre site off Interstate 76.

Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	⇑	⇑	Employment increased by 12,600 jobs from Apr to May; employment is up 1.9% through May 2007
% Companies Hiring (Denver Area)	⇓	⇓	26% of companies expect to add workers in Denver and 13% to add in Boulder in Q3 2007
Unemployment Rate	⇓	⇓	Metro rate down from 3.4% in Apr to 3.3% in May, lowest since May 2001; YTD rate at 3.9%
Initial Claims (Weekly)	⇓	⇑	Claims decreased 3.7% from April to May; YTD claims are up 0.7% through May 2007
Total Retail Sales	⇓	⇑	YTD Metro retail sales up 9.9% through Apr 2007; 9.7% year-to-date gain for Colorado
Consumer Confidence Index	⇑	⇑	Mountain region confidence level increased from 136.2 in April to 138.2 in May; YTD up 3.3%
Hotel Occupancy	⇑	⇑	Hotel occupancy increased from 63.2% in Apr to 68.9% in May; avg room rate increased to $112.66
DIA Passengers	⇓	⇑	Traffic decreased 7.5% from Mar to Apr; YTD traffic of 15.6 million up 4.8% through Apr 2007
Bloomberg Colorado Index	⇓	⇑	Bloomberg Colorado Index decreased 0.8% from May to June; index up 14.0% for the year
Dow Jones Industrial Average	⇓	⇑	DOW decreased 1.6% from May to June; index up 7.7% for the year
Home Sales (closed)	⇑	⇑	Home sales increased from April to May for a 2.8% YTD gain; avg SF sales price down 1.4%
Median Home Price (Denver-Aurora MSA)	⇓	⇓	Median home price in Denver MSA fell to $239,400 in Q1 2007; YTD price down 2.0%
Foreclosures	⇑	⇑	Foreclosures increased 19.3% from April to May; YTD foreclosures up 35.5% through May 2007
Residential Building Permits (Total)	⇑	⇓	Total permits increased 51.7% from March to April; YTD permits down 28.1% through April
Apartment Vacancy Rate	⇑	⇓	Vacancy rate increased from 7.0% in Q4 to 7.1% in Q1; avg rental rate down to $843 per month
Office Vacancy Rate (with Sublet)	⇓	⇓	Vacancy rate down to 12.9% in Q2 2007; Average lease rate up to $19.60 per square foot
Industrial Vacancy Rate (with Sublet)	⇑	⇓	Vacancy rate up to 7.0% in Q2 2007; 1.87 million square feet currently under construction
Flex Space Vacancy Rate (with Sublet)	⇓	⇓	Vacancy rate down to 14.1% in Q2 2007; 140,000 square feet of construction underway
Positive Changes	**9 of 18**	**13 of 18**	

Development
Research Partners

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