



**Metro Denver**  
Economic Development Corporation

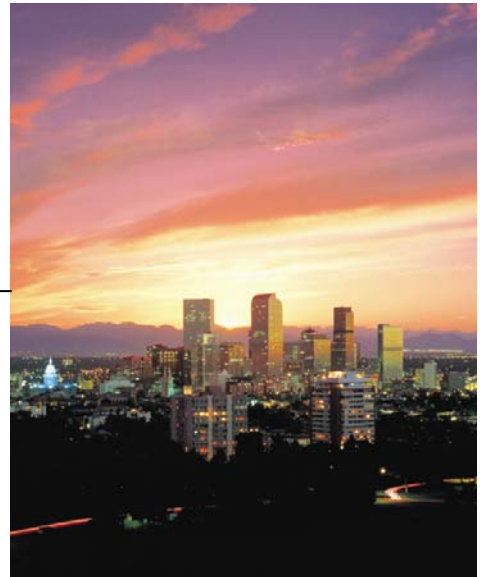
# Monthly Economic Summary

## *A Monthly Summary of Economic Conditions in Metro Denver*

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

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**Development  
Research Partners**

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10184 West Belleview Avenue  
Suite 100  
Littleton, Colorado 80127  
[www.DevelopmentResearch.net](http://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 fell from first to third for its concentration of high-tech workers in the latest American Electronics Association's (AeA) "Cyberstates 2007: A Complete State-by-State Overview of the High-Technology Industry" report. Colorado had previously ranked first for nine consecutive years before it was surpassed by Virginia and Massachusetts this year. The latest AeA study was based on 2005 labor statistics. In 2005, about 86 workers per 1,000 private sectors workers in Colorado held a high-tech job, down from about 89 workers for every 1,000 in 2004 and 91 workers for every 1,000 in 2003. Colorado lost a net 1,700 high-tech workers in 2005, according to AeA, while the nation as a whole gained high-tech workers. In absolute terms, Colorado has the 13th largest high-tech workforce of 158,095 in 2005.
- ◆ During first quarter 2007, Colorado companies attracted \$106.1 million in venture capital funding, which represents a 6.3% decline from first quarter 2006 funding levels. The number of venture capital deals in Colorado also cooled from 18 in the first quarter of 2006 to eight in the first quarter of 2007. Despite the declines, the Ernst & Young and Dow Jones VentureOne study still says Colorado had a "solid quarter" by historical standards. At the national level, venture capital funding posted an 8% quarter-over-quarter increase.
- ◆ Colorado reported the 12th largest increase in compensation in 2006, according to data from the U.S. Bureau of Economic Analysis (BEA). Colorado employees received \$128.7 billion in compensation in 2006, up 21.8% from \$105.6 billion in 2001 when the state entered a recession and up 7.5% from 2005 alone. Colorado's mining companies, management companies, and military saw the strongest compensation gains over the five-year period. Compensation from mining companies increased 81.5% from 2001 to 2006 and 20.5% from 2005 to 2006. Management companies paid 100.4% more in compensation from 2001 to 2006. Wyoming saw the sharpest compensation increase in 2006 of 14.0%, followed by Utah and Oklahoma. On the other hand, Michigan, Ohio, and Wisconsin saw the slowest increases.
- ◆ New data from the U.S. Census Bureau reveals that the Greeley MSA, which includes all of Weld County, was the second fastest growing metropolitan area in the U.S. from 2000 to 2006. Population growth in the Greeley MSA registered 31% over the six-year period, second only to the St. George, Utah region.
- ◆ Metro Denver is the 20th hottest region for new college graduates to find jobs among the 66 metropolitan areas with more than 750,000 residents. The BizJournals rankings considered those qualities that would most appeal to workers in their 20s and 30s such as strong employment growth, moderate cost of living, and substantial pools of young adults with college degrees and jobs. Las Vegas topped the BizJournals most recent list, followed by Phoenix and Washington, DC. In addition, the National Association of Colleges and Employers estimates 17.4% more new college graduates will be hired this year than last year. The most sought after bachelor's degrees this year will be in accounting, business administration and management, and computer science.

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- ◆ Sixteen Colorado companies made *Fortune* magazine's latest Fortune 1000 list, down from 17 Colorado companies in 2006. The list is based on several financial indicators such as revenue, profits, market value, and earnings per share. The top three Fortune 500 companies in the U.S. are Wal-Mart Stores, Exxon Mobil, and General Motors.

**Fortune 1000 Companies Based in Colorado, 2007**

Company	Colorado Rank	National Rank	2006 Revenue (Billions)
Qwest Communications	1	178	\$13.9
EchoStar Communications	2	252	\$9.8
Swift & Co.	3	268	\$9.4
Liberty Media	4	281	\$8.9
First Data	5	331	\$7.0
Liberty Global	6	340	\$6.8
Ball	7	348	\$6.6
Molson Coors Brewing	8	386	\$5.9
Newmont Mining	9	447	\$5.0
MDC Holdings	10	461	\$4.8
Level 3 Communications	11	465	\$4.8
Western Union	12	492	\$4.5
CH2M Hill	13	526	\$4.0
UAP Holdings	14	690	\$2.7
ProLogis	15	743	\$2.5
AIMCO	16	928	\$1.8

*Source: Fortune, April 30, 2007.*

- ◆ Denver-based Frontier Airlines ranked fourth in a recent airline-quality study by the University of Nebraska at Omaha and Wichita State University. Chicago-based United Airlines ranked eighth. Hawaiian Airlines topped the list that was based on airline performance. Frontier Airlines' frequent flyer program also received top honors in a recent survey. The Early Rewards program was selected as "program of the year" among North American airlines in the 19th annual Freddie Awards. Finally, Frontier's customer service and member communication earned the airline a second place ranking.
- ◆ Highlands Ranch, Fort Collins, and Estes Park were named among the 100 best places to live in the nation by Relocate-America.com. The selections were made through nominations as well as crime, education, employment, and housing indicators.

## General Economic Overview

Advance estimates for first quarter 2007 gross domestic product (GDP) growth from the U.S. Bureau of Economic Analysis indicate the national economy expanded 1.3%, down from 2.5% in the fourth quarter of 2006. 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 1.3% expansion in the January-March period primarily reflects positive contributions from consumers spending and state and local government spending. These positive contributions were partially offset by negative contributions from residential fixed investment, private inventory investment, federal government spending, and an increase in imports. On the other hand, the deceleration in economic activity from fourth quarter 2006 to first quarter 2007 primarily reflects a downturn in exports, an upturn in imports, a deceleration in consumer spending for nondurable goods, and a downturn in federal government spending. Preliminary or revised advance estimates for the first quarter will be released on May 31, 2007.

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The latest Beige Book report by the Federal Reserve noted “only modest or moderate” economic growth throughout the nation’s 12 districts but “generally stable” consumer prices. The residential market continues to restrain economic growth but retail sales are “generally positive.” The Tenth Federal Reserve District, which includes Colorado, also saw moderate economic expansion in March and early April with rebounding consumer spending levels and strong labor market conditions. Improving agricultural conditions and commercial real estate market fundamentals were also positive contributors to the Tenth District economy. Similar to the nation, the residential real estate market remained weak while growth in manufacturing and energy activity slowed. Wage pressures also edged higher due to the tight labor conditions.

The Federal Open Market Committee (FOMC) of the Federal Reserve left the target for the federal funds rate unchanged at 5.25% in March. The FOMC has left the target unchanged since its August 2006 meeting. The Committee expects the U.S. economy to expand at a moderate pace in the upcoming quarters although recent economic indicators are mixed and the correction in the nation’s housing market persists. The FOMC also expects inflation to moderate but notes that the high level of resource utilization has the potential to increase prices. The next FOMC meeting is scheduled for May 9, 2007.

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

- ◆ The Conference Board’s Index of Leading Economic Indicators rebounded in March after two consecutive declines. The Leading Index increased 0.1% in March to 137.4 with positive contributions from six of the 10 indicators, including average weekly claims for unemployment insurance, average weekly manufacturing hours, real money supply, vendor performance, building permits, and manufacturers’ new orders for consumer goods and materials. The coincident index, which measures current economic activity, increased for the second consecutive month in March, rising 0.1% to 123.7.
- ◆ The nation’s manufacturing sector expanded in April for the third consecutive month and at a faster pace than exhibited in March. According to the Institute for Supply Management’s Purchasing Managers Index, the Index increased 3.8% from 50.9 in March to 54.7 in May. Eleven industries posted growth in May, led by wood products, apparel, and leather & allied products. The nation’s overall economy expanded for the 66th consecutive month in May.
- ◆ The Metro Denver manufacturing industry continued to expand in March. The Denver Manufacturing Purchasing Managers Index, compiled by the College of Business at the University of Colorado at Denver, increased from 56.2 in February to 59.8 in March, suggesting economic growth for the local manufacturing industry. Similar to the national index, a reading above 50 indicates economic expansion whereas a reading below 50 suggests economic contraction.
- ◆ The national service economy expanded for the 48th consecutive month in March but at a slower rate than in February. The Institute for Supply Management’s Non-Manufacturing Index decreased 1.9% from 54.3 in February to 52.4 in March. Ten of 17 non-manufacturing industries reporting heightened economic activity in March, including utilities, educational services, and other 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 advanced from 65.3 in March to 75.3 in April amid brisk inflationary pressures. April’s results suggest a stronger economic expansion for the Colorado-Wyoming-Utah region in the coming months. The individual Colorado index surged to 80.4 in April from 69.4 in March. A reading greater than 50 indicates expansionary conditions.

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- ◆ Economic conditions for Colorado's small businesses declined in March, according to Vectra Bank's Colorado Small Business Index. The Colorado Index slipped from a revised 94.7 in February to 92.8 in March, primarily due to tighter labor market conditions that can make hiring employees more difficult from the small-business perspective. The U.S. small business conditions were relatively stable from a revised 85.4 in February to 85.7 in March. 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 decreased to 100.9 in January after stalling at 101.0 in the three months prior. The January downshift suggests slightly slower economic growth for the seven-county region in the coming six to nine months. Four of the seven Leading Index components moved in a positive direction in the first month of 2007. The Leading Index gauges economic activity in Metro Denver six to nine months in advance. The Metro Denver Historic Index rebounded in January after slipping in December. The Historic Index increased 1.2% from 130.2 in December to 131.8 in January, the highest monthly index since November 2001. The January index was also 1.3% ahead of the January 2006 index. Both of the Historic Index's two components moved in positive directions in January. 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 indices, compiled by Development Research Partners.

## Labor and Employment

*Total employment in Metro Denver increased by 7,600 positions from February to March. Employment growth through the first quarter has averaged 1.9%, a bit lower than the 2.1% growth rate posted throughout all of 2006. The Denver-Aurora MSA reported a 1.7% year-to-date gain through March compared to a 3.5% gain in the Boulder-Longmont MSA. Seven of the 11 industry supersectors have experienced average employment growth from this time last year, including the Professional & Business Services (+4.5%), Leisure & Hospitality (+4.2%), and Education & Health Services (+2.8%) sectors. Employment in the Transportation, Warehousing, & Utilities (-1.7%); Information (-1.1%); Natural Resources & Construction (-1.1%), and Manufacturing (-0.8%) sectors is down through March. Local employment at both the metro and state levels continues to grow at a faster rate than the nation. Colorado posted a 2.1% year-to-date employment gain in March, exceeding the national increase of 1.5%.*

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

	Month of Mar-07 (p)	Month of Feb-07	Month of Mar-06	Year-to- Date Average 2007	Year-to- Date Average 2006	Year-to- Date Average % Change	Annual Growth Rate 2002	Annual Growth Rate 1997
<b>Total 11-County Metro Denver*</b>	1,382.4	1,374.8	1,357.4	1,374.0	1,348.1	1.9%	-3.1%	4.4%
Denver-Aurora MSA	1,215.5	1,209.6	1,196.4	1,209.0	1,188.7	1.7%	-3.0%	4.4%
Boulder-Longmont MSA	166.9	165.2	161.0	165.0	159.4	3.5%	-3.4%	4.7%
Natural Resources & Construction	97.6	96.1	98.6	95.8	96.8	-1.1%	-4.9%	6.4%
Manufacturing	90.0	89.7	90.9	89.8	90.6	-0.8%	-9.0%	3.5%
Wholesale & Retail Trade	210.5	210.3	206.3	210.8	206.9	1.9%	-2.9%	2.7%
Transp., Warehousing & Utilities	49.6	49.3	50.6	49.6	50.4	-1.7%	-9.8%	2.4%
Information	56.3	56.0	56.8	56.0	56.6	-1.1%	-14.2%	11.2%
Financial Activities	108.0	107.8	107.1	107.8	106.9	0.8%	-0.8%	5.5%
Professional & Business Services	231.1	229.6	222.3	230.1	220.3	4.5%	-6.1%	5.3%
Education & Health Services	143.9	143.8	140.2	143.3	139.4	2.8%	2.9%	7.4%
Leisure & Hospitality	141.8	139.6	135.8	140.1	134.4	4.2%	-0.6%	3.2%
Other Services	51.9	51.6	50.8	51.8	50.5	2.6%	1.6%	3.6%
Government	201.7	201.0	198.0	198.8	195.3	1.8%	3.4%	2.3%
Federal Gov't	30.4	30.4	30.5	30.4	30.6	-0.8%	0.5%	0.0%
State & Local Gov't	171.3	170.6	167.5	168.4	164.7	2.3%	4.0%	2.8%
Colorado	2,297.4	2,283.1	2,254.9	2,282.9	2,237.0	2.1%	-1.9%	4.2%
United States	136,842	135,903	134,868	135,978	133,906	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:

**Aerospace:** The \$2 billion United Launch Alliance (ULA) leased a building in Centennial to house the 390 California-based employees that will move to Denver as well as existing employees. A better-than-expected 43% of the 900 California-based Boeing employees that were offered Colorado relocations have committed to the move so far. The Boeing and Lockheed Martin joint venture will ultimately employ about 1,500 to 1,800 workers in Metro Denver, including about 1,000 Lockheed Martin employees that automatically joined the ULA last year. The Centennial headquarters will help the ULA launch weather, spy, military, and other types of satellites for the U.S. government.

The National Space Symposium was held in Colorado Springs last month during which military officers stressed the need to modernize military satellite systems and discussed new fast-response satellites. General Victor Renuart Jr. of the North American Aerospace Defense Command also highlighted the need to track increasing space debris which puts U.S. satellites traveling in low-Earth orbit at risk for collision and can interfere with satellite transmissions.

DigitalGlobe selected Ball Aerospace to build the WorldView I, a next-generation commercial remote sensing satellite. WorldView I will be the world's only half-meter resolution commercial imaging satellite, surpassing the resolution imaging capability of the QuickBird satellite. WorldView I is set to launch in mid-2007.

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**Aviation:** Year-over-year U.S. airline employment increased for the first time in February since December 2004. Full-time equivalent (FTE) employment in February 2007 was 0.2% ahead of the same month a year earlier, according to the U.S. Bureau of Transportation Statistics. Denver-based Frontier Airlines reported 4,600 FTE employees in February 2007 for an increase of 300 positions from February 2006. United Airlines continues to shed jobs with a loss of 1,500 positions to 51,900 FTE employees as of February 2007.

**Bioscience:** Colorado's publicly-traded biotechnology companies welcomed news that biotechnology R&D investment in Colorado increased and company losses narrowed in 2006. A new report by Ernst & Young revealed net losses for Colorado's biotech industry decreased 18% in 2006 to \$121 million while R&D investment increased 60% to \$195 million. Local companies held assets of \$716 million in 2006, down 18% from 2005. Colorado is home to six publicly-traded biotechnology firms, earning the state 14th place in the U.S. for the number of publicly-traded firms. Ernst & Young expects the nation's biotech industry to be profitable by 2010.

**Financial Services:** Jackson Life Insurance Company moved its operations to the state-of-the-art Oracle I building in the Denver Tech Center to accommodate future growth. The Michigan-based company has grown its local workforce to 650 employees since it began operations in Denver in 1995 and expects to add another 400 local workers over the next several years.

Greenwood Village-based First Data Corp. agreed to a \$29 million buyout from private-equity firm Kohlberg Kravis Roberts & Co. (KKR). KKR will pay \$34 a share in cash for the world's largest processor of credit-card payments and one of Colorado's most valuable public companies. First Data Corp.'s CEO Ric Duques does not expect "any significant changes in staffing or structure" and will maintain its corporate headquarters in Greenwood Village. First Data currently employs about 2,000 local workers. KKR is known for its 1989 buyout of RJR Nabisco.

Citigroup will cut 330 Colorado jobs in an effort to streamline global operations and cut costs. On the bright side, the company is expected to expand operations in Colorado in the coming months so that the state will only realize a net loss of 30 jobs. Citigroup currently employs about 1,500 workers mainly in the City & County of Denver.

At a broader level, Metro Denver employers will hire new employees at a "vigorous" pace in the second quarter of 2006, according to the latest Manpower Employment Outlook Survey. An estimated 42% of Denver area employers will add workers during the April-June period while 12% will reduce payrolls and 43% expect no staffing changes. The remaining 3% are unsure of their staffing plans. The second quarter survey results are similar to the first quarter 2007 results but are improved over second quarter 2006 results. Second quarter job prospects in the Denver area appear best in construction, durable goods manufacturing, wholesale/retail trade, finance/insurance/real estate, and public administration. Transportation/public utilities and service industry employers voiced mixed hiring intentions for the coming quarter. No changes are anticipated in non-durable goods manufacturing and education.

Hiring expectations in the Boulder area, on the other hand, are more moderate with only 13% of employers anticipating adding new employees in the second quarter compared to 27% in the first quarter and 39% a year ago. About 10% of Boulder area employers will cut jobs in the second quarter, up from 7% in the first quarter and 0% in the second quarter of 2006.

Job prospects at the national level are expected to ease slightly with 28% of the 14,000 employers surveyed nationwide planning to add staff and 7% planning to reduce their payrolls. Another 59% do not anticipate staffing changes and 6% are unsure about upcoming staffing plans.

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## Employment Outlook Survey

	Quarter 2 2007	Quarter 1 2007	Quarter 2 2006	YTD 2007	YTD 2006
<b>Denver Area*</b>					
Percent of Companies Hiring	42%	42%	38%	42%	34%
Percent of Companies Laying Off	12%	8%	15%	10%	10%
Percent of Companies No Change	43%	42%	44%	43%	50%
<b>Boulder County</b>					
Percent of Companies Hiring	13%	27%	39%	20%	33%
Percent of Companies Laying Off	10%	7%	0%	9%	5%
Percent of Companies No Change	77%	66%	61%	72%	59%

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

Labor market conditions in Metro Denver tightened in March. The unemployment rate in the seven-county Metro Denver region decreased from 4.1% in February to 4.0% in March, the lowest monthly rate since December's 3.9%. Only two Metro Denver counties reported declines from February to March while four counties saw no changes. The City and County of Broomfield reported a slight increase from 4.0% in February to 4.1% in March. On a year-to-date basis, the unemployment rate in Metro Denver stands at 4.2% through the first quarter of 2007 compared to 4.8% at this time last year. All seven Metro Denver counties are posting lower year-to-date unemployment rates compared to last year. The statewide unemployment rate also decreased in March, falling from 4.1% in February to 4.0% in March. Through the first quarter of 2007, the average annual unemployment rate in Colorado was 4.2% compared to the national rate of 4.8%.

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

	March 2007 (p)		2007 YTD AVG		2006 YTD AVG		2002	1997
	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	1,492.4	4.0%	1,494.6	4.2%	1,465.5	4.8%	5.9%	2.8%
Adams County	215.7	4.7%	216.2	5.0%	212.3	5.5%	6.4%	3.1%
Arapahoe County	306.5	3.9%	306.8	4.1%	301.5	4.6%	5.7%	2.4%
Boulder County	175.5	3.4%	175.4	3.6%	169.4	4.1%	5.7%	2.8%
Broomfield County	25.2	4.1%	25.3	4.2%	24.8	4.7%	5.7%	**
Denver County	309.4	4.4%	310.6	4.8%	305.3	5.4%	6.8%	3.8%
Douglas County	147.1	3.3%	147.2	3.5%	144.5	3.9%	5.0%	1.8%
Jefferson County	312.8	3.9%	313.1	4.0%	307.7	4.6%	5.5%	2.4%
Colorado	2,647.5	4.0%	2,654.0	4.2%	2,599.3	4.8%	5.7%	3.4%
United States	152,236	4.5%	152,013	4.8%	149,601	5.0%	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

The applications for first time unemployment insurance decreased from February to March in the seven-county Metro Denver region. According to reference week statistics, first time unemployment claims decreased 10.3% from February to March but are flat on a year-to-date basis through the first quarter of 2007. Statewide claims also decreased sharply from February to March. On a year-to-date basis, statewide claims are up 2.3%.

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## Weekly First-Time Unemployment Insurance Claims

	Month of Mar-07	Month of Feb-07	Month of Mar-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change
Metro Denver	945	1,053	1,215	3,702	3,696	0.2%
Colorado	1,670	1,844	2,140	6,700	6,552	2.3%

Note: Reference week data includes the 19th day of the month with the exception of November and December which include the 12th day of the month.

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

## Consumer Sector

Surging energy prices in March pushed U.S. Consumer Price Index up by the largest amount in nearly a year of 0.6%, according to the Consumer Price Index (CPI). Energy prices alone increased 5.9% in March for the largest monthly increase since September 2005, the month after Hurricane Katrina hit. Rising energy prices were partially offset by moderating food prices in March. Through first quarter, the CPI is rising at an annual rate of 4.7%.

Gas prices are up considerably compared to a month ago at both U.S. and local levels. The national average for a gallon of regular unleaded gas hit \$2.90 as of late April compared to \$2.60 a month earlier. Still, current prices are slightly below the average price of \$2.93 at this time last year. In Metro Denver, gas price rose from \$2.54 in late March to \$2.83 in late April and current prices in Metro Denver are about the same as a year earlier. Analysts from the Energy Information Administration expect gas prices to reach \$3.00 per gallon this summer but to average about \$2.81, down slightly from \$2.84 in the summer of 2006.

U.S. retail sales appear to have been unaffected by rising energy prices in March. Retail sales increased at the strongest clip in March in three months, according to the U.S. Department of Commerce. The 0.7% increase in March followed a 0.5% increase in February but remained below the 1.1% gain in December 2006.

*Strong retail sales were also reported at the local level in January, the latest month of available data. Metro Denver shoppers started 2007 off with an 11.6% increase in retail sales compared to January 2006. All seven Metro Denver counties posted over-the-year gains in January with Arapahoe County (+17.6%), Douglas County (+13.1%), and the City & County of Denver (+12.2%) leading the way. More modest gains occurred in Boulder County (+11.3%), Jefferson County (+9.0%), Broomfield County (+8.5%), and Adams County (+4.7%). January retail sales at the state level were 12.2% ahead of January 2006.*

## Total Retail Sales (\$000s)

	Month of Jan-07	Month of Dec-06	Month of Jan-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Annual Growth 2002	Annual Growth 1997
Total Metro Denver	6,176,394	9,976,836	5,534,445	6,176,394	5,534,445	11.6%	-0.5%	5.8%
Adams County	904,096	1,219,573	863,731	904,096	863,731	4.7%	-0.3%	7.7%
Arapahoe County	1,398,364	2,074,543	1,188,777	1,398,364	1,188,777	17.6%	1.6%	0.7%
Boulder County	576,501	1,199,055	517,742	576,501	517,742	11.3%	-14.5%	3.8%
Broomfield County	119,611	225,728	110,214	119,611	110,214	8.5%		
Denver County	1,739,319	3,021,777	1,549,597	1,739,319	1,549,597	12.2%	-3.2%	4.9%
Douglas County	472,918	680,516	418,210	472,918	418,210	13.1%	3.6%	30.9%
Jefferson County	965,585	1,555,644	886,174	965,585	886,174	9.0%	-2.5%	8.7%
Colorado	10,448,189	17,128,155	9,314,120	10,448,189	9,314,120	12.2%	0.3%	6.4%

Source: Colorado Department of Revenue.

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Consumer confidence levels in the Mountain region were slightly improved in March, according to the Conference Board's Consumer Confidence Index. The index increased from a revised 141.2 in February to a preliminary 142.7 in March, the highest March reading of the nation's nine regions. For the year, consumer confidence levels are up 2.8% over the same period last year. The confidence index is comprised of the present situation index and the expectations index. The perception of the current situation jumped from a revised 164.2 in February to a preliminary 175.9 in March, also the highest March reading among the nine regions. The future expectations index slipped from a revised 125.9 in February to a preliminary 120.6 in March. Despite the March decline in future expectations, the Mountain region still reported the most optimistic future expectations reading.

National consumer confidence weakened in March with overall confidence levels decreasing from a revised 111.2 in February to 107.2 in March. The U.S. present situation index was stable at 137.6 in March from 137.1 in February and the future expectations index decreased from a revised 93.8 in February to 86.9 in March. Advance estimates for April reveal weaker confidence levels at the national level due to less optimistic future and present situation expectations. Advance estimates for April peg overall confidence at 104.0 across the U.S.

## Consumer Confidence Index

	Month of Mar-07 (p)	Month of Feb-07	Month of Mar-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change	Ann Avg 2002
Mountain	142.7	141.2	141.1	138.6	134.8	2.8%	104.3
United States	107.2	111.2	107.5	109.5	105.7	3.7%	96.6

Source: The Conference Board. (p) =preliminary

In other consumer news, the \$71 million Dick's Sporting Goods Park that hosts Major League Soccer's Colorado Rapids opened in early April in Commerce City. The complex was built by Kroenke Sports Enterprises and includes 24 practice soccer fields that are already 85% sold out over the next five years. The complex is home to an 18,000-seat stadium, complete with 20 luxury boxes that sell for between \$35,000 and \$45,000 annually.

A new study by Development Research Partners estimates the annual costs of congestion along Interstate 70 at nearly \$1 billion a year. More specifically, the study estimates the annual impacts of not addressing traffic congestion between Metro Denver and Grand Junction. The \$839 million in annual impacts include the following:

- ◆ \$728 million business impact if productivity and business efficiency diminish just 0.5% due to congestion;
- ◆ \$25 million tourism impact assuming just a 1% decline in tourism spending in the Mountain Resort Region (Clear Creek, Gilpin, Grand, Summit, Eagle, and Pitkin counties);
- ◆ \$85 million resident impact valuing only personal time lost due to congestion; and
- ◆ \$1.2 million government impact resulting from decreased sales tax revenue.

In addition, postponing any major infrastructure projects will result in a greater burden for taxpayers due to the increasing costs of construction. The Colorado Department of Transportation has been considering 18 different alternatives for major improvements along Interstate 70 and is expected to make a final alternative recommendation later this year.

Metro Denver's lodging industry improved from February to March in terms of both the occupancy rate and average room rate. The occupancy rate increased from 60.1% in February to 66.2% in March, bringing the year-to-date occupancy rate 0.7% ahead of last year through the first quarter. The occupancy rate in March 2007 was also stronger than the March 2006 rate of 65.1%. The average room rate increased from \$105.69 in February to \$106.31 in March for an 11.3% year-to-date gain. The average room rate in March 2007 was also stronger than the \$104.99 average room rate reported a year earlier. The statewide lodging industry also reported improvements in March compared to a year earlier. The Colorado occupancy rate in March registered 66.7%, up from 65.4% in March 2006. On a year-to-date basis, the statewide occupancy rate was 61.8% through the first

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quarter compared to 60.8% at this time last year. The average room rate also increased from \$129.82 in March 2006 to \$140.18 in March 2007 at the state level.

## Metro Denver Hotel Statistics

	Month of Mar-07	Month of Feb-07	Month of Mar-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change	Annual 2002	Annual 1997
Percent of Hotel Rooms Occupied	66.2%	60.1%	65.1%	61.3%	60.9%	0.7%	60.3%	72.1%
Average Hotel Room Rate	\$106.31	\$105.69	\$95.86	\$104.99	\$94.29	11.3%	\$88.05	\$84.06

Source: Rocky Mountain Lodging Report.

Strong lodging market fundamentals support several hotel projects underway in Downtown Denver, including the Four Seasons Hotel and Private Residence in Downtown Denver that was announced in April. The project was initially announced more than two years ago but was pushed back for various reasons. The latest plans call for the \$350 million project to include 230 luxury hotel rooms and 102 private residences that will range from 965 square feet to 6,100 square feet and cost between \$800,000 and \$8 million. The 45-story building will be located on 14th Street between Arapahoe and Lawrence streets and feature a 6,000-square-foot ballroom and 16,000 square feet of meeting space. The project is expected to generate 1,000 jobs over the next ten years and \$100 million in economic impacts for the City of Denver, including sales tax, property tax, and lodging tax revenue. Developers Jeff Selby and Michael Brenneman plan to begin construction later this year with completion scheduled for year-end 2009.

Denver International Airport (DIA) celebrated the completion of a new regional-jet facility for United Airlines off Concourse B in April. The new facility has 16 gates along with retail and restaurant amenities. Airport officials are now looking into building a commuter facility off Concourse C to help accommodate increasing passenger traffic at DIA. In addition to the proposed commuter facility, DIA will build 10 mainline gates on Concourse C in light of Southwest Airlines' expansion.

*DIA reported its busiest February on record in terms of passenger traffic with more than 3.5 million passengers traveling through the airport. Through the first two months of 2007, total passenger traffic at DIA is up 4.7% compared to the same two-month period last year.*

## Denver International Airport Passengers

	Month of Feb-07	Month of Jan-07	Month of Feb-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Annual 2002	Annual 1997
Number of Airline Passengers	3,516,636	3,695,729	3,386,970	7,212,365	6,885,587	4.7%	35,652,084	34,969,021

Source: Denver International Airport, Traffic Statistics.

*The nation's major stock indexes rallied from March to April, allowing the S&P 500, Dow Jones, and NASDAQ to all post positive year-to-date returns of between 4.5% and 4.8%. The Dow Jones industrial average also cracked the 13,000 mark in late April, closing at 13,089.89 on April 25, 2007. The 13,120.94 close on April 27, 2007 marked the Dow's 35th record close in six months, the same period that the Dow took to rise from 12,000 to 13,000. Colorado stocks continue to out-perform the national indexes through the first four months of 2007 with a 9.9% return in the Bloomberg Colorado Index. The Bloomberg Colorado Index closed at an all-time high of 420.26 on April 30, 2007. The Bloomberg Colorado Index is a price-weighted index designed to measure the performance of the Colorado economy. The Index currently includes 110 companies with a minimum market capitalization of \$10 million that are headquartered in Colorado.*

Colorado's better-than-average stock market performance can be attributed to several factors including the numerous energy-related stocks based in Colorado that performed well even during the 2001 economic downturn as well as Colorado's several small-capitalization stocks that tend to be riskier investments but also tend to offer

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higher returns. Both small-capitalization and mid-capitalization stocks have realized higher returns than large-capitalization stocks in recent years. The corporate buyout of First Data Corp. also help prop up Colorado returns in April along with solid earnings reports from Chipotle Mexican Grill, EchoStar Communications, and Qwest Communications.

## Stock Market Indexes

	Month of Apr-07	Month of Mar-07	Month of Apr-06	YTD Return 2007	YTD Return 2006	YTD Return 2005
Bloomberg Colorado	420.3	405.7	358.86	9.9%	10.1%	-6.6%
S&P 500	1,482.4	1,420.9	1,310.6	4.5%	5.0%	-4.5%
NASDAQ	2,525.1	2,421.6	2,322.6	4.5%	5.3%	-11.7%
DJIA (Dow Jones)	13,062.9	12,354.4	11,367.1	4.8%	6.1%	-5.5%

Sources: Bloomberg.com, Yahoo! Finance.

In other financial news, Denver-based BioFuel Energy Corp. released its initial public offering (IPO) terms in late April. The ethanol producer will offer 9.5 million shares at an estimated price range of \$16 to \$18 a share. The net proceeds of the IPO will be used to repay debt and fund construction of a new ethanol plant in Alta, Iowa.

## Residential Real Estate

After an unexpected increase in February, sales of existing homes in the U.S. plunged in March by the largest amount in almost two decades or since the 12.6% decline in January 1989. The National Association of REALTORS (NAR) reported an 8.4% decline in existing home sales from February to March, partly due to poor weather and problems with the subprime mortgage market. The March decline dropped sales down to a seasonally adjusted annual rate of 6.12 million units, the slowest annual pace since June 2003. Year-over-year median home prices also fell in March for the eighth consecutive month, the longest such period on record. The national median home price of \$217,000 was down 0.3% from a year earlier.

*At the local level, Metro Denver home sales rebounded in March to the highest level since August 2006, bringing total home sales through first quarter up 3.6% from first quarter 2006. A closer look at first quarter home sales reveals a 7.1% increase in year-to-date condominium sales and a 2.6% increase in single-family home sales. The 38.3% increase in home sales from February to March is the sharpest monthly gain since March 2005. In more good news, the number of homes under contract also increased in March, suggesting strong home sales in the coming months. Unsold inventory levels grew in March as spring got underway but stand 3.2% below 2006 on a year-to-date basis.*

*Similar to the nation, home price appreciation in Metro Denver remains negative. The average price for a single-family home increased from \$292,143 in February to \$302,084 in March but stands 3.7% below 2006 on a year-to-date basis. Through first quarter, the average sales price for a single-family home in Metro Denver is \$297,728. The median sales price is also down in the single-family category despite an increase from \$235,000 in February to \$240,000 in March. On a year-to-date basis, the median sales price for single-family homes is down 2.5% through the first quarter. The latest data indicates condominium sales prices are even softer than single-family sales prices in Metro Denver. The average sales price for condominiums increased 8.2% from February to March but stands 4.4% below 2006 in year-to-date terms. The average sales price for condominiums through first quarter 2007 is \$175,159. The median sales price also increased from February to March, bringing the year-to-date median price to \$150,075 for a 3.2% decline from this time last year.*

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## Home Sales Activity

	Month of Mar-07	Month of Feb-07	Month of Mar-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Ann Avg 2002	Ann Avg 1997
Home Sales (Under Contract)	6,122	4,929	6,102	15,343	15,282	0.4%	30,089	35,963
Home Sales (Closed)	4,274	3,090	4,405	10,904	10,521	3.6%	47,919	40,185
Unsold Homes on Market	26,430	24,838	27,309	26,430	27,309	-3.2%	20,740	12,903
Average Sales Price-Single Family	\$302,084	\$292,143	\$313,339	\$297,728	\$309,265	-3.7%	\$268,926	\$169,587
Average Sales Price-Condo	\$183,451	\$169,498	\$182,727	\$175,159	\$183,222	-4.4%	\$168,226	\$100,694
Median Sales Price-Single Family	\$240,000	\$235,000	\$247,500	\$238,000	\$244,000	-2.5%	\$221,000	
Median Sales Price-Condo	\$153,000	\$144,950	\$159,900	\$150,075	\$155,000	-3.2%	\$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.

A separate data series from the NAR reveals that the median price for a previously-owned home in the Denver-Aurora MSA fell to \$245,600 in the fourth quarter of 2006 from \$253,200 in the third quarter. The fourth quarter 2006 median home price in the Denver-Aurora MSA is the 38th highest price among the 150 ranked metropolitan areas. Compared to fourth quarter 2005, home appreciation in the Denver-Aurora MSA is -0.8%, which is the 85th highest appreciation rate among the 150 ranked metropolitan regions in the nation and better than the national appreciation rate of -2.7%. The Denver-Aurora MSA posted a 1.0% increase in the median home price for the year compared to the national increase of 1.4%. The Boulder-Longmont MSA posted the 20th highest median home price in the October-December period of \$363,100, down from \$366,800 in third quarter 2006. Compared to fourth quarter 2005, home prices have appreciated 3.9% in the Boulder-Longmont MSA, the 39th fastest rate among the 150 ranked metropolitan regions. On average, prices increased 5.2% in the Boulder-Longmont MSA in 2006.

Seventy-one metropolitan regions reported positive home price appreciation greater than 0.1% while nearly 80 metropolitan regions posted zero or negative home price appreciation from fourth quarter 2005 to fourth quarter 2006. Home prices in Atlantic City, NJ outpaced all other metropolitan regions with a 25.9% quarter-over-quarter increase compared to a -18.0% change in Sarasota, FL. Further, three California metropolitan regions are the most expensive housing markets in the U.S., including the San Jose-Sunnyvale-Santa Clara, San Francisco-Oakland-Fremont, and Anaheim-Santa Ana regions. The most affordable metropolitan housing markets in the U.S. are located in Elmira, NY; Youngstown, OH; and Decatur, IL.

## Median Home Price (\$000s)

	Quarter 4 2006 (p)	Quarter 3 2006	Quarter 4 2005	YTD Average 2006	YTD Average 2005	YTD Average % Change	Median 2001	Median 1996
Boulder-Longmont MSA	\$363.1	\$366.8	\$349.5	\$366.4	\$348.4	5.2%	n/a	n/a
Denver-Aurora MSA	\$245.6	\$253.2	\$247.5	\$249.5	\$247.1	1.0%	\$218.3	\$133.4
United States	\$219.3	\$225.3	\$225.3	\$222.0	\$219.0	1.4%	\$156.6	\$122.6

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

California-based RealtyTrac ranked Colorado second in the nation for foreclosures in March amid widespread skepticism from local officials and analysts. RealtyTrac reported 6,297 Colorado foreclosures in March or one for every 292 homes in the state. Nevada posted the highest foreclosure rate in the U.S. in March as well as in the first quarter of 2007. Colorado also ranked second in the RealtyTrac first quarter report with one of every 111 homes in foreclosure during the January-March period. First quarter foreclosures in Colorado are up 24% compared to first quarter 2006 while foreclosures at the national level are up 35%, the highest level since the

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California firm began tracking foreclosure data in January 2005. The Colorado Division of Housing says RealtyTrac is double- or triple-counting foreclosures in Colorado and that RealtyTrac's methodology works against Colorado but not other states that may count or track foreclosures differently. The Colorado Division of Housing also says that four out of five callers to the five-month-old Colorado Foreclosure hotline avoid foreclosure. The hotline has handled 12,000 calls since its inception or about 75 calls per day.

*Public trustee data reveals the total number of foreclosures in Metro Denver surged 35.8% from February to March, bringing first quarter foreclosures 29.8% ahead of first quarter 2006. Douglas County reported the sharpest month-to-month gain of 127.4% and Jefferson County reported the smallest month-to-month gain of only 3.5%. The five remaining counties saw monthly increases of between 28.8% and 38.6%. On a year-to-date basis, Arapahoe County leads the seven-county region with a 37.8% increase in foreclosures through first quarter, followed closely by a 37.2% increase in Broomfield County, a 35.4% increase in the City & County of Denver, and a 33.1% increase in Adams County. Boulder County (+6.4%), Douglas County (+7.5%), and Jefferson County (+19.3%) posted the most favorable quarter-over-quarter results.*

## Real Estate Foreclosures

	Month of Mar-07	Month of Feb-07	Month of Mar-06	YTD Total 2007	YTD Total 2006	YTD Total % Change
Total Metro Denver*	2,432	1,791	1,670	6,213	4,785	29.8%
Adams County	596	434	343	1,456	1,094	33.1%
Arapahoe County	620	463	436	1,569	1,139	37.8%
Boulder County	85	66	73	216	203	6.4%
Broomfield County	26	19	18	59	43	37.2%
Denver County	646	466	445	1,701	1,256	35.4%
Douglas County	191	84	118	373	347	7.5%
Jefferson County	268	259	237	839	703	19.3%

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

Similar to the existing home market, the U.S. new home market is also experiencing weaker sales activity compared to last year. New home sales in the U.S. increased 2.6% from February to March but the 858,000 sales in March 2007 were down 23.5% from the 1,121,000 sales in March 2006. Slower home sales have led to increased inventory levels throughout the nation. The U.S. Department of Commerce reported a 7.8-months supply of new homes on the market in March, up from a 6.0-months supply a year earlier.

Home builders expressed concern in April amid increasing mortgage defaults, tightening lending standards, and slower home sales compared to last year. The National Association of Home Builders/Wells Fargo index of builder sentiment dropped to its lowest level so far this year of 33, down from 36 in March. Readings below 50 imply poor conditions.

Not surprisingly, home builders continue to tread cautiously in terms of new construction. The U.S. Department of Commerce reported the number of home permits issued for new residential construction increased 0.8% from a seasonally-adjusted annual rate of 1,532,000 units in February (revised) to 1,544,000 in March but the year-to-date rate of construction through March 2007 is 25.9% below home construction levels at this time last year.

*New home construction activity in Metro Denver is also trailing 2006 so far this year, according to building permit data from the Home Builders Association of Metro Denver. The total number of building permits filed in February 2007 was down 23.7% from the month prior and 40.2% from the same month last year. First quarter permits are also down 23.7% compared to the same two-month period in 2006. More specifically, single-family detached permits increased 2.8% from January to February but are down nearly 50.0% through the first two*

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months of the year. Permits for single-family attached units dropped 71.5% from January to February and stand 19.9% below 2006 on a year-to-date basis. Unlike single-family attached and detached construction activity, multi-family construction activity is up compared to this time last year. The number of permits issued for multi-family construction increased from January to February and is 155.6% ahead of the minimal activity posted in 2006. The most single-family detached permits issued in the first two months of 2007 occurred in Aurora (221), Denver (178), and unincorporated Douglas County (97). The City of Boulder (413), the City & County of Denver (100), and unincorporated Douglas County (78) issued the most permits for single-family attached construction while only Aurora (288), unincorporated Arapahoe County (230), unincorporated Boulder County (199), and the City & County of Denver (37) have issued multi-family permits so far this year.

## Residential Building Permits

	Month of Feb-07	Month of Jan-07	Month of Feb-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Total 2002	Total 1997
Single-Family Detached Units	551	536	1,095	1,087	2,165	-49.8%	13,793	14,890
Single-Family Attached Units	175	614	584	789	985	-19.9%	4,425	2,647
Multi-Family Units	412	342	223	754	295	155.6%	4,085	5,415
Total Units	1,138	1,492	1,902	2,630	3,445	-23.7%	22,303	22,952

Source: Home Builders Association of Metro Denver.

Despite slower construction activity, residential projects continue to be announced. Opus Northwest will develop 22 penthouse-style condominiums on top of the 1401 Wynkoop Street office building in LoDo. The Wynkoop Residences will be priced from \$450,000 to \$1.5 million and range in size from 910 square feet to 2,600 square feet. Plans were also unveiled by developer Agatha Kessler for a 90-unit condominium tower in the Baker neighborhood. The Watermark Village project will feature units between 1,500 and 4,000 square feet and a 30,000-square-foot park for residents. Prices are expected to be about \$500 per square foot.

The rental market in Metro Denver continues to benefit from high foreclosure activity in Metro Denver. 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 vacancy rate marks a six-year low for first quarter rates. The average monthly rental rate 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% quarter-over-quarter in the latest January-March period. Analysts also noted that rental concessions are starting to diminish for Class A and B properties but 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

The first quarter 2007 office market in Metro Denver continued to favor landlords as vacancy rates dropped and lease rates increased, although first quarter performance was softer than the previous quarter's performance. Frederick Ross expects momentum to build throughout the year for another strong year in 2007. Investment

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*activity, for example, is already on track for another banner year. The latest Frederick Ross report pegs first quarter absorption at 444,692 square feet, which represents a 20% quarter-over-quarter increase. More than half of first quarter absorption occurred in the Northwest submarket while absorption slowed in the Central Business District (CBD) partly due to the EPA's phased moveout from Denver Place to its new headquarters. The Southeast Suburban submarket saw flat absorption activity from first quarter to first quarter. The Metro Denver vacancy rate declined from 19.7% in first quarter 2006 to 17.0% in first quarter 2007. A closer look reveals first quarter vacancy rates of 16.6% in the Northwest submarket, 13.1% in the CBD, and 17.8% in the Southeast Suburban submarket. All three submarkets reported lower vacancy rates compared to the same quarter last year. Rental rates continued to climb upward in first quarter 2007, rising from \$19.75 per square foot for CBD Class A space in first quarter 2006 to \$25.75 per square foot in first quarter 2007. Frederick Ross finds the current market fundamentals to be supportive of the numerous construction projects either underway or in the planning stages throughout Metro Denver.*

Similarly, the latest data from Costar Realty Information, Inc. reveals that the Metro Denver office market continued to strengthen in the first quarter of 2007. The first quarter direct vacancy rate was unchanged from fourth quarter 2006 at 12.6% but is improved from the first quarter 2006 vacancy rate of 13.2%. The total vacancy rate, which includes sublet space, declined from 13.8% in the fourth quarter of 2006 to 13.6% in the first quarter of 2007 and stands nearly one percentage point below first quarter 2006's 14.5% vacancy rate. Average lease rates steadily ticked upward in 2006 and continued to increase throughout the first three months of 2007. The average lease rate in the first quarter of 2007 was \$19.13 per square foot, up from \$18.56 per square foot in the prior quarter and \$17.52 per square foot a year earlier.

Costar data also reveals construction activity in the office sector picked up rapidly in the first three months of 2007, rising to the highest level since fourth quarter 2002. During the January-March period, about 2.23 million square feet of new office space among 76 buildings was under construction compared to 1.33 million square feet in the prior quarter and 1.21 million square feet in the same quarter last year. About 30% of the total square footage underway will be added in the City and County of Denver, including the 1515 Wynkoop and 1400 Wewatta buildings at more than 200,000 square feet each. Douglas County projects account for almost one-quarter of the total square footage underway, followed by Arapahoe (22.8%) and Jefferson counties (19.6%). The largest office project recorded in the first quarter was a 312,000-square-foot building in the Denver Tech Center (Arapahoe County) at 6401 S. Fiddlers Green Circle.

More specifically, the southeast submarket in Metro Denver is benefiting from tight office market fundamentals and the opening of T-REX light rail as more than 1.0 million square feet of new office space is either in the planning or construction stages. Current office projects include Belleview Station (100,000 square feet at \$23 per square foot), Palazzo Verdi (285,000 square feet at \$19-\$23 per square foot), Arapahoe Station (174,117 square feet at \$23 per square foot), Corporex Center (200,000 square feet at \$22-\$23 per square foot), One Lincoln Station (141,828 square feet at \$19.50 per square foot), and Southlands (164,266 square feet at \$21-\$23 per square foot). Trammel Crow Co. also recently announced plans for a 120,000-square-foot building near Interstate 25 and East Belleview Avenue that will break ground by year-end. Finally, Opus Northwest will build a 100,000-square-foot building in the Inverness Business Park. Construction of the Parkside Office Plaza will begin in the fall with completion in May 2008. Rents will start at about \$16 per square foot.

Office construction is also active in the Downtown submarket. In addition to the nearly 2.0 million square feet of new space already in the works for the Downtown submarket, plans for two 150,000-square-foot office buildings near the Pepsi Center were unveiled in April by Kroenke Sports Enterprises and developer Jim Neenan. The first building will break ground in the third quarter of 2007 and is expected to cost \$30 million. Lease rates are anticipated to start in the low \$20 per square foot.

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## Office Market Statistics

	Quarter 1 2007	Quarter 4 2006	Quarter 1 2006	Quarter 1 2005	Quarter 1 2004	Quarter 1 2003
Number of Buildings	4,589	4,574	4,541	4,491	4,447	4,405
Existing Square Feet (millions)	151.6	151.1	149.8	148.8	147.9	146.4
Vacant Square Feet (millions)	19.1	19.1	19.7	21.7	22.0	20.7
Vacancy Rate (Direct)	12.6%	12.6%	13.2%	14.6%	14.9%	14.1%
Vacancy Rate (With Sublet)	13.6%	13.8%	14.5%	16.1%	16.9%	16.7%
Average Lease Rate (per square foot)	\$19.13	\$18.56	\$17.52	\$16.97	\$16.97	\$18.39
New Construction Completed (year-to-date)	0.34 MSF, 5 Bldgs	1.55 MSF, 41 Bldgs	0.18 MSF, 9 Bldgs	0.16 MSF, 11 Bldgs	0.48 MSF, 10 Bldgs	0.80 MSF, 20 Bldgs
Currently Under Construction	2.23 MSF, 76 Bldgs	1.33 MSF, 53 Bldgs	1.21 MSF, 31 Bldgs	1.02 MSF, 32 Bldgs	0.58 MSF, 22 Bldgs	0.62 MSF, 21 Bldgs

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

The Metro Denver industrial market continued to exhibit strong market fundamentals in the first quarter of 2007, according to the latest Frederick Ross report. Sales activity is at high levels, rental rates are on the rise, and speculative development is gaining momentum, especially in the Southeast submarket. First quarter saw 1.31 million square feet of absorption, or about half of all 2006 absorption. Frederick Ross, which combines R&D/flex space within the industrial category, reported 635,723 square feet of positive absorption for warehouse space in the first quarter compared to 678,542 square feet of positive absorption for R&D/flex space. First quarter absorption statistics represent a change from typical statistics of 2:1 warehouse-to-flex space. The overall vacancy rate declined from 8.6% in first quarter 2006 to 6.2% in first quarter 2007 while rental rates displayed a slight upward trend in the first quarter. The Southeast and Southwest submarkets offer the highest rental rates for warehouse space of \$7.00 per square foot (NNN) and \$6.25 per square foot (NNN), respectively. The most affordable rents for warehouse space of \$4.25 per square foot (NNN) can be found in the East submarket.

The latest Costar Realty Information, Inc. data indicates the industrial market in Metro Denver is following a pattern similar to that of the office market. The direct vacancy rate decreased from 6.7% in the fourth quarter of 2006 to 6.4% in the first quarter of 2007, representing the lowest direct vacancy rate since fourth quarter 2002. The overall industrial vacancy rate also declined from 7.2% to 6.8% over the same period. Increasing average lease rates coincided with declining vacancy rates. The average lease rate increased slightly in the first quarter of 2007 to \$4.97 per square foot (NNN) for a nearly \$0.20 increase from a year earlier. Construction activity increased from fourth quarter 2006 to first quarter 2007 with about 2.49 million square feet of space underway. Sixty-one percent of the 2.49 million square feet under construction will be added in Adams County.

## Industrial Market Statistics

	Quarter 1 2007	Quarter 4 2006	Quarter 1 2006	Quarter 1 2005	Quarter 1 2004	Quarter 1 2003
Number of Buildings	5,843	5,802	5,780	5,748	5,711	5,668
Existing Square Feet (millions)	204.3	203.7	202.8	201.0	199.4	197.2
Vacant Square Feet (millions)	13.0	13.7	15.3	16.1	15.5	13.0
Vacancy Rate (Direct)	6.4%	6.7%	7.5%	8.0%	7.8%	6.6%
Vacancy Rate (With Sublet)	6.8%	7.2%	8.0%	8.6%	8.6%	7.4%
Average Lease Rate (per square foot, NNN)	\$4.97	\$4.95	\$4.79	\$4.55	\$4.60	\$5.30
New Construction Completed (year-to-date)	0.7 MSF, 2 Bldgs	1.65 MSF, 28 Bldgs	0.73 MSF, 6 Bldgs	0.18 MSF, 8 Bldgs	0.48 MSF, 7 Bldgs	0.45 MSF, 16 Bldgs
Currently Under Construction	2.49 MSF, 28 Bldgs	2.11 MSF, 28 Bldgs	0.83 MSF, 17 Bldgs	0.57 MSF, 9 Bldgs	1.26 MSF, 17 Bldgs	1.20 MSF, 14 Bldgs

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

# MONTHLY ECONOMIC SUMMARY

As discussed above, absorption in the R&D/flex market surged in the first quarter of 2007, surpassing warehouse space absorption with activity especially strong in the Northwest submarket. R&D/flex absorption activity surpassed warehouse activity on an annualized basis only in 1997 since Frederick Ross began tracking the data in 1984. The West (\$10 per square foot) and Southeast (\$9.12 per square foot) submarkets currently offer the highest R&D/flex rental rates while the Central (\$6.00 per square foot) and East (\$7.50 per square foot) submarkets are the most affordable.

Unlike the strengthening office and industrial markets, the flex market in Metro Denver reported mixed results in the first quarter of 2007 with increasing lease rates and vacancy rates from the prior quarter. The direct vacancy rate increased from 13.7% in the fourth quarter to 14.0% in the first quarter while the overall vacancy rate increased from 14.3% to 14.8%. Costar Realty Information, Inc. also reported a \$0.40 over-the-year increase in the average lease rate. Construction activity remains moderate with only three buildings underway that are located in Arapahoe, Denver, and Jefferson counties.

## Flex Space Statistics

	Quarter 1 2007	Quarter 4 2006	Quarter 1 2006	Quarter 1 2005	Quarter 1 2004	Quarter 1 2003
Number of Buildings	1,266	1,265	1,255	1,230	1,214	1,204
Existing Square Feet (millions)	37.7	37.7	37.4	37.0	36.6	36.4
Vacant Square Feet (millions)	5.3	5.2	5.2	5.7	6.0	5.4
Vacancy Rate (Direct)	14.0%	13.7%	13.8%	15.5%	16.5%	14.8%
Vacancy Rate (With Sublet)	14.8%	14.3%	14.5%	16.8%	18.1%	16.5%
Average Lease Rate (per square foot, NNN)	\$8.80	\$8.56	\$8.41	\$8.22	\$8.09	\$8.07
New Construction Completed (year-to-date)	0.00 MSF, 0 Bldgs	0.46 MSF, 15 Bldgs	0.02 MSF, 1 Bldgs	0.06 MSF, 3 Bldgs	0.0 MSF, 0 Bldgs	0.09 MSF, 3 Bldgs
Currently Under Construction	0.11 MSF, 3 Bldgs	0.09 MSF, 2 Bldgs	0.50 MSF, 13 Bldgs	0.46 MSF, 18 Bldgs	0.08 MSF, 3 Bldgs	0.17 MSF, 3 Bldgs

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

Metro Denver's retail market showed signs of slowing in the first quarter, according to CoStar Realty Information, Inc. data. The direct vacancy rate increased from 6.5% in the fourth quarter of 2006 to 7.2% in the first quarter of 2007 while the total vacancy rate increased from 6.9% to 7.6% over the same period. Both the direct and overall vacancy rates posted in first quarter 2007 are higher than a year earlier. The average lease rate was unchanged from fourth quarter to first quarter but represented a \$1.20 increase per square foot from a year earlier. Despite softer vacancy rates, construction activity increased in first quarter 2007. About 38.1% of the 5.79 million square feet currently in the pipeline will be added in Adams County, followed by 22.9% in Arapahoe County and 13.8% in Broomfield County.

# MONTHLY ECONOMIC SUMMARY

## Retail Market Statistics

	Quarter 1 2007	Quarter 4 2006	Quarter 1 2006	Quarter 1 2005	Quarter 1 2004	Quarter 1 2003
Number of Buildings	4,314	4,231	4,178	4,086	4,001	3,866
Existing Square Feet (millions)	132.9	131.5	128.6	121.2	118.1	112.7
Vacant Square Feet (millions)	9.5	8.6	8.4	6.8	6.6	2.9
Vacancy Rate (Direct)	7.2%	6.5%	6.5%	5.6%	5.6%	2.6%
Vacancy Rate (With Sublet)	7.6%	6.9%	6.8%	6.0%	5.8%	2.6%
Average Lease Rate (per square foot)	\$16.66	\$16.64	\$15.46	\$15.92	\$13.81	\$12.61
New Construction Completed (year-to-date)	0.38 MSF, 7 Bldgs	4.88 MSF, 54 Bldgs	N/A	N/A	N/A	N/A
Currently Under Construction	5.79 MSF, 62 Bldgs	4.71 MSF, 60 Bldgs	N/A	N/A	N/A	N/A

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

In other commercial real estate news, the much-discussed Veterans Affairs (VA) hospital on the Fitzsimons medical campus will become a reality after two years of uncertainty. The new VA medical center will open in 2011 and cost \$658 million. The 31-acre campus will house the 1.4 million-square-foot building and 1,800 employees.

# MONTHLY ECONOMIC SUMMARY

## Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↑	Employment increased by 7,600 jobs from Feb to Mar; employment is up 1.9% through Q1 2007
% Companies Hiring (Denver Area)	↔	↑	42% of companies expect to add workers in Denver and 13% to add in Boulder in Q2 2007
Unemployment Rate	↓	↓	Metro rate decreased from 4.1% in Feb to 4.0% in Mar; YTD rate down to 4.2% through Q1 2007
Initial Claims (Weekly)	↓	↑	Claims decreased 10.3% from Feb to Mar; YTD claims are up 0.2% through Q1 2007
Total Retail Sales	↓	↑	Metro retail sales up 11.6% from Jan 2006 to Jan 2007; 12.2% year-to-date gain for Colorado
Consumer Confidence Index	↑	↑	Mountain region confidence level increased from 141.2 in Feb to 142.7 in Mar; YTD up 2.8%
Hotel Occupancy	↑	↑	Hotel occupancy increased from 60.1% in Feb to 66.2% in Mar; avg room rate increased to \$106.31
DIA Passengers	↓	↑	Traffic decreased 4.8% from Jan to Feb; YTD traffic of 7.2 million up 4.7% through Feb
Bloomberg Colorado Index	↑	↑	Bloomberg Colorado Index increased 3.6% from March to April; index up 9.9% for the year
Dow Jones Industrial Average	↑	↑	DOW increased 5.7% from Mar to Apr and broke 13,000 mark; index up 4.8% for the year
Home Sales (closed)	↑	↑	Home sales increased from Feb to Mar for a 3.6% YTD gain; avg SF sales price down 3.7%
Median Home Price (Denver-Aurora MSA)	↓	↑	Median home price in Denver MSA decreased to \$245,600 in Q4; median price up 1.0% YTD
Foreclosures	↑	↑	Foreclosures surged 35.8% from Feb to Mar; YTD foreclosures up 29.8% through Q1 2007
Residential Building Permits (Total)	↓	↓	Total permits decreased 23.7% from Jan to Feb despite 156% increase in multi-family permits
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 13.6% in Q1 2007; 2.23 million sq. ft. under construction
Industrial Vacancy Rate (with Sublet)	↓	↓	Vacancy rate down to 6.8% in Q1 2007; 2.49 million sq. ft. under construction
Flex Space Vacancy Rate (with Sublet)	↑	↑	Vacancy rate up to 14.8% in Q1 2007; 110,000 sq. ft. of construction underway
<i>Positive Changes</i>	<b>10 of 18</b>	<b>14 of 18</b>	



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10184 West Belleview Avenue  
Suite 100  
Littleton, Colorado 80127  
[www.DevelopmentResearch.net](http://www.DevelopmentResearch.net)  
303.991.0070