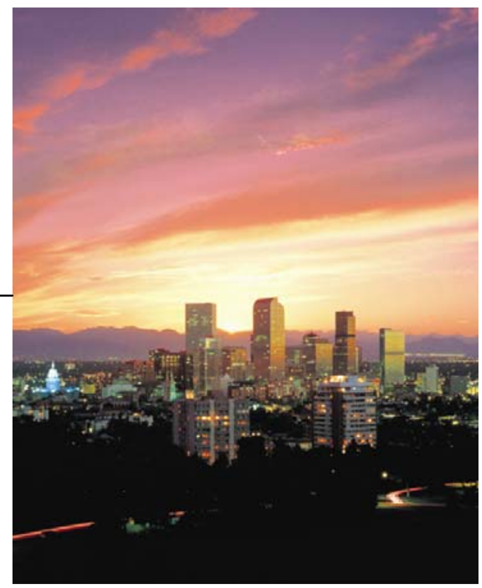
Monthly Economic Summary

A Monthly Summary of Economic Conditions in Metro Denver

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



Released October 2, 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 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 the prior year's figures. In addition, the report includes annual averages from five- and ten-years previous to provide historical context.

Notable Rankings

- Metro Denver is the nation's second best center for business, says a recent report by business website MarketWatch. The report ranks the nation's 50 largest metropolitan areas based on concentration of company headquarters, unemployment rate, population growth, and other criteria. Metro Denver placed second overall behind Minneapolis-St. Paul, and Metro Denver performed particularly well in the small business rankings.
- Federal data show Denver's airport was the nation's fourth busiest in the first half of 2007. The airports in Atlanta, Chicago, and Dallas-Fort Worth saw the heaviest passenger traffic, followed by Denver International Airport (DIA) and Los Angeles International Airport (LAX). DIA surpassed LAX by 10,000 passengers through the first half of this year, but officials do not know if the airport will maintain that position through the rest of 2007. Either way, they emphasize that increased convention activity, more Frontier flights, and Southwest Airlines' expanded Denver service will continue to boost travel trends.
- Colorado's 2006 rate of adult smoking was the ninth lowest in the nation, according to the Centers for Disease Control and Prevention. The recent report shows Colorado's rate of adult smoking hit 17.9 percent in 2006, the lowest rate recorded since the state began collecting data in 1990. The rate was also down noticeably from the 22.3 percent rate recorded in 2001. Utah's adult smoking rate of 9.8 percent was the nation's lowest in 2006.
- A recent study by the Western States Arts Federation places Denver between Portland and Seattle in its Creative Vitality Index. Seattle scored 5.26, Denver scored 2.79, and Portland scored 2.16 in the index, a group of measures including museum and movie attendance, sales of books and music, and community commitment to the arts.
- Colorado brewers manufactured the most beer in 2006, pushing ahead of top producers California, Texas, Ohio, and Virginia. A report commissioned by the Beer Institute and the National Beer Wholesalers Association claims California held the top production spot since 1995, but Colorado inched ahead by less than 600,000 barrels in 2006. Industry analysts say Colorado craft brewing is on the rise, and additional production was transferred to Coors Brewery in Golden after the company closed its Memphis facility last year.
- Denver has the nation's 13th worst traffic congestion, says the Texas Transportation Institute's annual report. The study's national average Travel Time Index of 1.26 indicates that U.S. drivers take 26 percent more time to negotiate rush hour traffic than off-peak traffic. At 1.33, Denver's index reading points to worse-than-average traffic congestion and surpassed readings from cities including Boston, Philadelphia, and Phoenix. Still, local transportation planners are not convinced that metro area traffic is worsening. They say more precise data are needed to determine if metro congestion has truly increased, and they emphasize that Denver drivers have improving access to transit networks, carpool services, and other tools for avoiding jams.

General Economic Overview

The nation's trade deficit decreased to $59.2 billion in July from June's revised reading of $59.4 billion. Both imports and exports increased in July, but exports saw the largest over-the-month percentage gain since March 2004. Increased trade in automotive vehicles and parts, consumer goods, and food and beverages helped drive July trends in both imports and exports.

In its September 18 meeting, the Federal Open Market Committee (FOMC) of the Federal Reserve voted to drop its target federal funds rate from 5.25 to 4.75. This marks the first decrease since June of 2003, a move the FOMC described as necessary to offset worsening conditions in the housing and credit markets. Analysts warn, however, that the rate cut will not necessarily benefit troubled mortgage markets. The cut could improve conditions for shorter-term credit products – like credit cards and car loans – but mortgage rates are tied to a longer-term outlook. The FOMC will next gather at a two-day meeting scheduled for October 30 and 31.

In local economic news, a new data series recognized Denver as the nation's 18th largest metro economy in 2005. Compiled by the U.S. Bureau of Economic Analysis, the data track each metropolitan area's total value of goods and services produced, or gross domestic product (GDP). The Denver-Aurora metropolitan area produced $118 million in goods and services in 2005, followed by the Boulder-Longmont area at $14.9 million. New York had the nation's largest metro economy in 2005, followed by Los Angeles, Chicago, and Washington, DC. Metro area economies in Arizona, Florida, and Utah saw some of the fastest GDP growth between 2004 and 2005.

The GDP figure for the Denver-Aurora MSA increased by 3.9 percent between 2004 and 2005, exceeding the U.S. metro area average of 3.0 percent. Over the same period, Boulder area GDP increased 5.2 percent. The GDP data also describe how different industries contribute to each metro area's total economic output. Some of Denver's industry data were suppressed, but the available figures suggest natural resources and mining and professional and business services are key contributors to the metro area economy.

Economic Indexes

Recent economic data give conflicting signals on the near-term outlook. This suggests that the protracted slowdown in housing has increased economic uncertainty, and consumers, businesses, and other key players have different expectations for the future. Many Colorado and Metro Denver-specific indicators are currently flat to cautiously positive, suggesting the local economy could weather the fallout from housing better than some of its neighbors.

- The Conference Board's Index of Leading Economic Indicators decreased 0.6 percent in August, one more in a series of fluctuations that has continued since the beginning of this year. Only one of the ten leading indicators, real money supply, made a positive contribution to the August index value. The largest negative contributors were consumer expectations, initial claims for unemployment insurance, stock prices, and building permits. Based on the index's recently flat trend, the Conference Board expects the nation's economy to expand slowly in the near term.
- The national manufacturing sector expanded for the eighth consecutive month in September, but its pace of growth slowed. The Institute for Supply Management's Purchasing Managers Index hit 52.0 in September, down slightly from its August reading of 52.9. A reading over 50 predicts economic expansion, so the August and September results suggest the nation's manufacturing sector has a modestly positive outlook for the near future. Some survey respondents observed strong manufacturing trends while others claimed a strained housing and credit market was affecting the industry's outlook. Overall, 11 manufacturing industries reported growth in September, led by petroleum and coal products; apparel, leather, and allied products; and electric equipment and appliances.
- The Denver Manufacturing Purchasing Managers Index registered 56.7 in July, down from 60.0 in June. Compiled by the College of Business at the University of Colorado at Denver, the index points to improving

conditions when it registers more than 50. The July reading forecasts growth in Metro Denver manufacturing, albeit at a slower pace. Subcomponents of the index suggest that labor availability is a continuing challenge for Metro Denver manufacturers.

- Business activity in the nation's service economy increased for the 53rd consecutive month in August, and the pace of growth was unchanged from the prior month. The Institute for Supply Management's Index of Non-Manufacturing Business Activity registered 55.8 in both July and August. A reading greater than 50 predicts economic growth, but the lack of change between the two months points to a flattening trend. Survey respondents voiced uncertainty over mixed economic signals, including downturns in consumer confidence and upswings in commercial construction.
- The Denver Non-Manufacturing Purchasing Managers Index ticked up to 58.5 in July from 56.7 in June. This latest reading suggests improving conditions in Metro Denver's service sector, and July marked a slightly faster rate of improvement than was observed in June. Like their manufacturing counterparts, respondents to the non-manufacturing survey expressed concern over a tightening labor market. The Denver Non-Manufacturing Purchasing Managers Index is compiled by the College of Business at the University of Colorado at Denver.
- The Creighton University Business Conditions Index for the Mountain States region saw a third consecutive decline when it dropped from 65.3 in May to 61.2 in June. A reading greater than 50 points to expansionary conditions, so June's result suggests that economic growth may continue at a reduced pace. Comments from some of the purchasing managers surveyed included concerns about rising fuel prices and the availability of skilled labor.
- Vectra Bank's Colorado Small Business Index rose to 92.9 in August from July's revised reading of 90.5. Colorado's unemployment rate, the most heavily-weighted component of the index, registered a slight increase during the index period. This trend is viewed as a positive factor for small businesses in a tight labor market, so the Small Business Index improved. The index's creator also expects federal interest rate cuts to improve small business access to some types of financing. The small business outlook at the national level, however, was less positive. The U.S. Small Business Index decreased to 84.8 in August from a revised 88.0 in July.
- The latest results of the Colorado Business Leaders' Confidence Index predict the state's economy will see slightly stronger but still modest economic growth in the third quarter. The index, which measures growth expectations for the coming quarter, increased from 54.9 in the second quarter to 55.6 in the third quarter, reflecting a boost in sales, hiring, and capital spending. The index is comprised of six component indexes, five of which registered improvements from second to third quarter. An index reading above 50 suggests the economy is in expansion mode. The Colorado Business Leaders' Confidence Index is compiled by the Leeds School of Business at the University of Colorado at Boulder and Compass Bank.
- The Metro Denver Leading Index was unchanged between May and June, registering 101.0 in both months. Not unlike the U.S. Leading Index, the Metro Denver index has seen a flattening trend in recent months as the strength of some index components has been offset by the weakness of others. Overall, this flat trend predicts steady economic growth in the Metro Denver region for the next six to nine months. On a 12-month average basis, three of the seven leading indicators moved in a positive direction in June. These three were single-family construction activity, average weekly manufacturing hours, and first-time claims for unemployment insurance. The Bloomberg Colorado stock index, hiring expectations, the yield curve, and consumer expectations all saw a weakening in their 12-month average trends. The Historic Index, which measures over-the-year growth, was essentially unchanged between May and June. The index value rose just 0.1 percent over the month, increasing from 132.8 to 132.9. Despite the flat trend, June's Historic index value was 1.5 percent higher than last June's reading of 131.0. The two components of the Historic Index, total employment levels and retail sales tax collections, both saw positive changes in their 12-month average trends. A value of 100

represents the benchmark year of 1995 for both indexes, which are compiled by Development Research Partners.

Labor and Employment

The Metro Denver job count ticked up by 1,300 between July and August. Despite slower job growth throughout the summer, metro area employment through the first eight months of 2007 was up 1.8 percent over the same period last year. Within the metro area, the Boulder-Longmont MSA saw the strongest year-to-date job gain (+3 percent), followed by the Denver-Aurora MSA (+1.6 percent). Through the eight months ending in August, Colorado's entire economy saw jobs increase 2 percent over the same period last year, followed by the nation's economy with a 1.4 percent gain.

Eight of Metro Denver's 11 industry supersectors saw year-to-date increases in employment. Job gains were strongest in professional and business services and leisure and hospitality (+4.2 percent each), followed by growth in education and health services (+3.4 percent). Manufacturing saw the largest year-to-date decline (-2 percent), followed by natural resources and construction (-1.5 percent), and transportation, warehousing, and utilities (-0.6 percent).

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

	Month of Aug-07 (p)	Month of Jun-07	Month of Jul-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*	1,407.0	1,405.7	1,386.5	1,393.8	1,369.5	1.8%	-3.1%	4.4%
Denver-Aurora MSA	1,242.8	1,240.5	1,225.4	1,227.8	1,208.2	1.6%	-3.0%	4.4%
Boulder-Longmont MSA	164.2	165.2	161.1	166.1	161.2	3.0%	-3.4%	4.7%
Natural Resources & Construction	101.9	101.6	103.5	99.0	100.5	-1.5%	-4.9%	6.4%
Manufacturing	87.7	88.6	91.3	89.2	91.1	-2.0%	-9.0%	3.5%
Wholesale & Retail Trade	213.5	213.4	211.2	211.7	208.8	1.4%	-2.9%	2.7%
Transp., Warehousing & Utilities	51.7	51.0	51.0	50.3	50.6	-0.6%	-9.8%	2.4%
Information	56.5	56.7	56.7	56.7	56.7	0.1%	-14.2%	11.2%
Financial Activities	108.7	109.2	108.7	108.4	107.8	0.6%	-0.8%	5.5%
Professional & Business Services	243.2	242.5	234.5	236.6	227.0	4.2%	-6.1%	5.3%
Education & Health Services	146.8	146.4	140.8	145.1	140.3	3.4%	2.9%	7.4%
Leisure & Hospitality	155.2	154.1	149.6	147.2	141.3	4.2%	-0.6%	3.2%
Other Services	51.8	52.1	51.9	51.8	51.2	1.1%	1.6%	3.6%
Government	190.0	190.1	187.3	197.9	194.3	1.8%	3.4%	2.3%
Federal Gov't	30.6	30.5	31.0	30.5	30.8	-0.9%	0.5%	0.0%
State & Local Gov't	159.4	159.6	156.3	167.4	163.5	2.3%	4.0%	2.8%
Colorado	2,339.7	2,332.9	2,294.4	2,312.1	2,266.7	2.0%	-1.9%	4.2%
United States	137,752	137,794	136,231	137,370	135,441	1.4%	-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

MONTHLY ECONOMIC SUMMARY

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

Aerospace: Colorado has the nation's highest concentration of aerospace employment, according to a report released by the Metro Denver Economic Development Corporation. The state has nearly 26,700 private aerospace workers in 2007, second only to California's count of nearly 68,400 workers. The average wages in Colorado's aerospace industry hit $98,800 in 2006, exceeding the national average by more than $17,000.

Aviation: The Federal Aviation Administration recently awarded a $1.86 billion contract to ITT Corporation's Systems Division. Based in Colorado Springs, the Systems Division will help move the nation's air traffic control system from a 50-year-old analog platform to a new satellite system said to have three times the capacity of the old technology. The ITT-led project team also hopes to reduce runway and flight congestion and trim the system's operating budget.

Beverage: Golden-based Coors Brewing Company has established a new subsidiary, AC Golden Brewing Company, which will target the craft beer market. Another of Coors' craft products, Blue Moon, has seen strong sales increases, and Coors hopes to have the same success with a new brand.

Energy: AVA Solar Inc., a startup company with roots at Colorado State University, plans to open a major manufacturing facility in the Fort Collins-Loveland area. The company will build solar panels using a patented process they say costs dramatically less than the leading solar technology. The factory will open by the end of 2008, and its annual panel production is expected to meet the power needs of 40,000 homes and employ up to 500 workers.

In other energy news, Westminster-based Blue Sun Biodiesel LLC recently submitted a proposal for a $42 million project administered by the U.S. Department of Energy. The project will evaluate the commercial potential of a refinery that uses nonfood feedstock to produce biofuels.

Finally, Denver-based Evergreen Energy is teaming with China Power Investment Corporation on a project that could help the Chinese reduce pollution and oil dependence. The project includes a feasibility study and a potential contract to build a refinery that uses Evergreen's proprietary clean-coal technology.

IT-Software: Software development company McKesson Information Solutions recently finalized a 125,000 square-foot lease in Westminster's Westmoor Technology Park. The company is expanding and consolidating its Broomfield and Louisville facilities, and it expects to add 700 jobs at the new facility over the next three years.

Telecommunications: Greenwood Village-based First Data recently announced an outsourcing plan that would target its technology employees and, according to the company, save $150 million in operating costs. Company spokespeople say the plan will improve First Data's global standing and take advantage of lower cost labor. They did not specify how the outsourcing would affect the company's 2,000 Metro Denver workers.

In other telecommunications news, Portland, Oregon-based Integra Telecom recently acquired Eschelon Telecom, a Minneapolis-based company with about 100 employees in Denver. Integra plans to increase Metro Denver employment to 150 in 2008, consistent with the company's strategy of concentrating employees in their service areas, not headquarters locations. Integra also plans to build a fiber optic network in Denver that is similar to networks in Portland, Phoenix, and other cities.

Metro area employers reported mixed hiring expectations for the fourth quarter. The most recent results of the Manpower Employment Outlook Survey show 23 percent of Denver Area employers plan to add staff in fourth quarter, compared to 26 percent last quarter. The share of Boulder County employers planning to hire was 13 percent in both the third and fourth quarter surveys, but the share planning to reduce payrolls declined from 23 percent in third quarter to 7 percent in fourth quarter. On a year-to-date basis, the share of employers planning to hire workers was down in both Denver and Boulder, and hiring expectations were noticeably weaker than last year. In fourth quarter 2006, 33 percent of Denver Area employers planned to hire workers (23 percent in 4Q07) and 47 percent of Boulder County employers planned to hire (13 percent in 4Q07).

For Metro Denver, the Manpower Survey anticipates the best year-end employment prospects in education. Non-durable goods manufacturers and construction employers plan to reduce payrolls, and the employment outlook in wholesale and retail trade, and finance, insurance, and real estate is mixed. At the national level, hiring expectations for fourth quarter were unchanged from third quarter. As in the Denver and Boulder results, the national survey suggests that hiring expectations are weaker than last year. About 27 percent of the U.S. employers surveyed planned to add staff in the coming quarter, and 9 percent planned to reduce their payrolls. Another 58 percent of employers anticipated no change in staffing levels, and 6 percent were undecided.

Employment Outlook Survey

	Quarter 4 2007	Quarter 3 2007	Quarter 4 2006	YTD Avg 2007	YTD Avg 2006
Denver Area*					
Percent of Companies Hiring	23%	26%	33%	33%	36%
Percent of Companies Laying Off	16%	13%	2%	12%	7%
Percent of Companies No Change	52%	57%	60%	49%	52%
Boulder County					
Percent of Companies Hiring	13%	13%	23%	17%	34%
Percent of Companies Laying Off	7%	23%	10%	12%	5%
Percent of Companies No Change	73%	61%	67%	69%	59%

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

The unemployment rate in the seven-county Metro Denver area was 3.7 percent in August, similar to the 3.8 percent registered in July. Through the eight months ended in August, the Metro Denver average unemployment rate stood at 3.9 percent, significantly lower than the 4.6 percent recorded in the same period last year. The seven metro area counties saw similar trends. August unemployment rates ranged from 3.2 percent in Douglas County to 4.2 percent in Adams County and each county's year-to-date average rate was noticeably down from the same period last year. Colorado's unemployment rate stood at 3.6 percent in August, followed by the national rate of 4.6 percent.

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

	August 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	1,515.5	3.7%	1,506.7	3.9%	1,483.9	4.6%	5.9%	2.8%
Adams County	219.2	4.2%	217.8	4.4%	214.8	5.2%	6.4%	3.1%
Arapahoe County	312.7	3.8%	310.0	3.8%	305.7	4.5%	5.7%	2.4%
Boulder County	173.9	3.3%	175.6	3.3%	171.0	3.9%	5.7%	2.8%
Broomfield County*	25.7	3.8%	25.5	3.9%	25.1	4.6%	5.7%	
Denver County	315.0	4.0%	312.9	4.3%	308.8	5.1%	6.8%	3.8%
Douglas County	150.2	3.2%	148.8	3.2%	146.5	3.8%	5.0%	1.8%
Jefferson County	318.8	3.6%	316.1	3.7%	311.8	4.4%	5.5%	2.4%
Colorado	2,701.2	3.6%	2,672.0	3.8%	2,635.4	4.5%	5.7%	3.4%
United States	153,493	4.6%	152,987	4.7%	150,992	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 claims in Metro Denver declined between July and August. Year-to-date, the number of metro area claims was 1.4 percent higher than the number reported for the same period last year. Unemployment claims followed a similar pattern at the state level. The number of claims dropped between July and August, and the year-to-date count of claims was 1.3 percent higher than the number recorded through the same months of 2006.

Weekly First-Time Unemployment Insurance Claims

	Month of Aug-07	Month of Jul-07	Month of Aug-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change
Metro Denver	1,042	1,112	981	1,124	1,108	1.4%
Colorado	1,739	2,004	1,704	2,021	1,995	1.3%

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

Recently released data show a national slowdown in personal income growth between the first and second quarter of this year. According to the U.S. Bureau of Economic Analysis, unusually large 2006 bonuses strongly influenced the 2.5 percent growth in income recorded for first quarter. Incomes increased at a slower, 1.2 percent rate in second quarter, but personal income still stood 6.4 percent above incomes in second quarter 2006. In Colorado, incomes grew 2 percent in first quarter 2007 and 1.4 percent in second quarter. This second quarter growth rate ranked 14th-fastest in the nation, a placement that local analysts tie to a large concentration of jobs in high-paying technology, mining, and engineering occupations.

In other consumer news, the U.S. Consumer Price Index for All Urban Consumers (CPI-U) declined 0.2 percent between July and August. Nonetheless, seasonally-adjusted price gains through the first eight months of this year have outpaced the increase seen across the entire twelve months of 2006. According to the U.S. Bureau of Labor Statistics, the accelerated pace has been driven by higher prices for food and energy. Increasing grain costs are driving up prices for dairy products, cereals, and other foods, and higher oil prices are pushing up distribution costs.

Local, gas prices could climb upward in the coming months. A major Colorado refinery will close through the month of October for scheduled maintenance, and analysts are unsure about potential price impacts. So far, Metro Denver fuel prices have been flat. According to AAA's *Fuel Gauge Report*, the average price per gallon of regular gasoline hit $2.79 at the end of September, slightly up from the $2.77 average recorded at the end of August. In both months, fuel costs were noticeably higher than last year's metro area average of $2.67 per gallon.

June retail data show a summertime increase in sales activity despite mounting price pressures. Through the six months ended in June, total retail sales across all Metro Denver industries reached $40.5 billion, up 9 percent from the $37.2 billion recorded in the same period last year. Across the seven Metro Denver counties, year-to-date sales growth was strongest in Broomfield and Adams counties (+13.1 percent each). Among the remaining counties, year-to-date sales gains ranged from 4.5 percent in Jefferson County to 12.3 percent in Boulder County. Statewide, retail sales were up 8.7 percent through June, standing more than $5.5 billion ahead of sales in the first six months of last year.

In its most recent Beige Book report, the Tenth District of the Federal Reserve also recognized retail gains across its constituent cities – Denver, Kansas City, Oklahoma City, and Omaha. The report documents late summer sales gains in clothing and high-tech goods and modest increases in non-SUV auto sales despite higher gas prices. Restaurants also reported stronger sales even as high food costs are passed through to customers, and many establishments anticipated further price increases. Some retailers voiced concern about the ongoing housing slump and a potential slowdown in consumer spending, but the report suggests these effects were limited as of late summer.

The National Retail Federation's recently released holiday season forecast is less optimistic. The forecast expects a pronounced consumer slowdown with its holiday sales estimate of $474.5 billion. That estimate would amount to a 4 percent increase in sales over last season, the slowest rate of holiday sales growth observed since 2002.

Total Retail Sales ($000s)

	Month of Jun-07	Month of May-07	Month of Jun-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Annual Growth 2002	Annual Growth 1997
Total Metro Denver	7,535,745	6,906,327	7,197,101	40,539,387	37,178,297	9.0%	-0.5%	5.8%
Adams County	1,150,767	1,181,819	1,041,063	6,406,878	5,663,604	13.1%	-0.3%	7.7%
Arapahoe County	1,623,031	1,566,310	1,569,441	9,009,827	8,281,703	8.8%	1.6%	0.7%
Boulder County	761,408	608,946	681,985	3,850,719	3,427,856	12.3%	-14.5%	3.8%
Broomfield County	147,979	131,967	139,802	820,869	725,737	13.1%		
Denver County	2,033,795	1,862,829	1,974,179	11,118,809	10,178,748	9.2%	-3.2%	4.9%
Douglas County	589,134	522,972	611,615	3,041,067	2,877,518	5.7%	3.6%	30.9%
Jefferson County	1,229,631	1,031,484	1,179,016	6,291,218	6,023,131	4.5%	-2.5%	8.7%
Colorado	12,803,990	11,401,824	12,225,463	68,471,823	62,969,595	8.7%	0.3%	6.4%

Source: Colorado Department of Revenue.

The Conference Board's Consumer Confidence Index for the Mountain region dipped to 125.2 in August from 137.6 in July. Both the present situation and future expectations indexes registered declines, as they did in six of the remaining eight U.S. regions. The Mountain Region present situation index dropped from 174.2 in July to 160.6 in August, and the future expectations index declined from 113.2 to 101.5. Still, Mountain Region consumer confidence is the highest across all nine regions.

August trends in national consumer confidence were similar. The U.S. Consumer Confidence Index fell from 111.9 in July to 105.0 in August as both the present situation and future expectations indexes declined. Advanced estimates for September peg the U.S. Consumer Confidence Index at 99.8, the lowest confidence level recorded since November 2005.

Consumer Confidence Index

	Month of Aug-07 (p)	Month of Jul-07	Month of Aug-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change	Ann Avg 2002
Mountain	125.2	137.6	119.3	135.5	131.1	3.3%	104.3
United States	105.0	111.9	100.2	108.3	105.5	2.7%	96.6

Source: The Conference Board. (p) =preliminary

The Metro Denver lodging industry saw slightly weaker trends in August. The occupancy rate slipped from 77.9 percent in July to 76.0 percent in August, just below the 76.7 percent occupancy rate recorded in August of last year. Average room rates also declined between July and August, dropping from $115.59 to $113.28. Still, the average occupancy rate through the first eight months of 2007 was up 1.6 percent over the same period last year, and the average room rate was up almost 11 percent.

Metro Denver Hotel Statistics

	Month of Aug-07	Month of Jul-07	Month of Aug-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change	Annual 2002	Annual 1997
Percent of Hotel Rooms Occupied	76.0%	77.9%	76.7%	68.9%	67.8%	1.6%	60.3%	72.1%
Average Hotel Room Rate	$113.28	$115.59	$106.81	$110.60	$99.93	10.7%	$88.05	$84.06

Source: Rocky Mountain Lodging Report.

Passenger traffic at Denver International Airport (DIA) increased 4.4 percent between June and July, a slightly slower growth rate than was seen in May and June. At 29.3 million passengers, total traffic through the first seven months of the year was up 4.1 percent over the same period last year. Analysts are not sure how DIA will end the year, but additional flights from Frontier and Southwest Airlines as well as strong convention traffic continue to increase already high passenger counts.

Denver International Airport Passengers

	Month of Jul-07	Month of Jun-07	Month of Jul-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Annual 2002	Annual 1997
Number of Airline Passengers	4,773,268	4,570,387	4,606,750	29,267,945	28,114,549	4.1%	35,652,084	34,969,021

Source: Denver International Airport, Traffic Statistics.

September continued a period of volatility in the stock markets. Throughout the month, markets reacted strongly to various economic announcements, not the least of which was the FOMC rate cut. Stock markets reflected a fresh sense of optimism as the month ended, but analysts emphasized that uncertainty over upcoming third-quarter profit announcements was keeping investors cautious. Each of the national stock indexes ended the month above August's levels, and each of the indexes saw an increase in its year-to-date return.

The Bloomberg Colorado Index ended September at 451.3, up noticeably over August's month-end reading. The index's year-to-date return stood at 18 percent in August, compared to just over 6 percent in the same period last year. The Bloomberg Colorado Index is a price-weighted index designed to measure the performance of the Colorado economy. The index currently includes 115, Colorado-based companies with a minimum market capitalization of $10 million.

Stock Market Indexes

	Month of Sept-07	Month of Aug-07	Month of Sept-06	YTD Return 2007	YTD Return 2006	YTD Return 2005
Bloomberg Colorado	451.3	424.2	346.1	18.0%	6.2%	13.8%
S&P 500	1,526.8	1,474.0	1,335.9	7.6%	7.0%	1.4%
NASDAQ	2,701.5	2,596.4	2,258.4	11.8%	2.4%	-1.1%
DJIA (Dow Jones)	13,895.6	13,357.7	11,679.1	11.5%	9.0%	-2.0%

Sources: Bloomberg.com, Yahoo! Finance.

Residential Real Estate

Home Resales

The most recent data from the National Association of Realtors (NAR) show the U.S. annual sales rate of existing homes falling from 5.8 million units in July to 5.5 million units in August. This 4.3 percent drop puts the annual sales rate almost 13 percent below the 6.3-million unit sales rate recorded in August of last year. With fewer sales, the national housing inventory rose from a 9.5-month supply in July to a 10-month supply in August. Despite the negative news, NAR analysts maintain that current conditions reflect more of a temporary shock than a long-term trend. They emphasize that recent instability in mortgage markets – particularly those for large home purchases – made home loans difficult to originate and close. The NAR predicts a similar situation for September but expects mortgage rates and loan availability to improve.

Below the national level, August resale trends were weak across all regions. Resales in the West slumped the most, dropping 9.8 percent between July and August to an annual rate nearly 22 percent below last August's sales pace. The Northeast faired the best among the regions, with resales slipping 2 percent in August to a sales pace almost 6 percent below the August 2006 rate.

The sales pace in Metro Denver's existing homes market was essentially flat in August. The number of home sales ticked up 0.6 percent between July and August, and inventory rose 2 percent. The number of homes under contract dropped considerably, falling almost 11 percent between July and August. Through the first eight months of 2007, total home sales in Metro Denver stood 0.5 percent ahead of sales in the same period last year, and the number of homes under contract was up 1 percent on a year-to-date basis.

Previously-Owned Home Sales Activity

	Month of Aug-07	Month of Jul-07	Month of Aug-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Ann Avg 2002	Ann Avg 1997
Home Sales (Under Contract)	5,325	5,951	5,673	45,281	44,814	1.0%	30,089	35,963
Home Sales (Closed)	5,010	4,980	5,025	35,503	35,334	0.5%	47,919	40,185
Unsold Homes on Market	30,827	30,272	31,664	30,827	31,989	-3.6%	20,740	12,903
Average Sales Price-Single Family	$329,783	$316,024	$320,092	$316,422	$319,604	-1.0%	$268,926	$169,587
Average Sales Price-Condo	$182,741	$192,885	$196,659	$182,340	$188,463	-3.2%	$168,226	$100,694
Median Sales Price-Single Family	$257,500	$255,000	$252,900	$250,000	$251,000	-0.4%	$221,000	
Median Sales Price-Condo	$152,500	$158,000	$160,000	$153,900	$158,500	-2.9%	$149,500	

Source: 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.

Home Prices

According to NAR data, August price increases in some parts of the U.S. offset declines in other regions, resulting in an essentially flat national trend. The U.S. median existing home price was $224,500 in August, roughly equal to the $224,000 median recorded in August 2006. On a year-over-year basis, August median home prices were up in the Northeast and Midwest, but prices in the West were down almost 4 percent. Down 0.7 percent over the year, the median existing home price in the South was essentially unchanged from last year.

The S&P/Case-Shiller Home Price Indexes also showed weakening regional price trends. Both the 10-City and 20-City Composite Indexes showed negative annual returns in July, and the pace of the price declines has accelerated through each month of 2007. July data also showed negative annual returns in 15 of the 20 metro-area indexes, led by over-the-year index declines in Detroit (-9.7 percent), Tampa (-8.8 percent), and San Diego (-7.8 percent). Five of the twenty metro areas saw an over-the-year increase in their July price indexes, led by gains in Seattle (+6.9 percent), Charlotte (+6.0 percent), and Portland (+3.8 percent). The Denver price index was down 0.7 percent over the year, the smallest decline of the 15 metro indexes that posted July losses. In light of these data, some industry analysts suggest that Denver's residential market will recover more quickly than other U.S. markets.

In other NAR data, the median price of an existing single-family home in the Denver-Aurora MSA increased from first quarter's revised figure of $239,400 to $255,200 in second quarter. On a year-to-date basis, however, Denver prices fell 1 percent below last year's level. The Boulder-Longmont MSA saw a stronger trend. Rising from $370,700 in first quarter to $383,700 in second quarter, Boulder-Longmont prices pushed 2.5 percent ahead of 2006 on a year-to-date basis. Compared to 148 other metropolitan areas for which the NAR provided second quarter data, the Boulder-Longmont median home price ranked 19th highest and the Denver-Aurora median ranked 37th. Boulder was one of 97 metro areas to see prices appreciate on a year-over-year basis, while prices in the Denver-Aurora metro area remained flat between second quarters 2006 and 2007. Nationwide, median home prices rose 5.3 percent between first and second quarter but remained nearly 2 percent below prices in second quarter 2006.

Single-family home prices in Metro Denver rose in August, but average condominium prices declined. The average sold price of a single-family home in Metro Denver rose from just over $316,000 in July to almost $330,000 in August. Despite an over-the-month gain, single-family average home prices through the first eight months of this year were down slightly (-1 percent) from the same period last year. Metro area condominium prices have fared worse. As of August, the average sold price of a metro area condominium was down more than 3 percent year-to-date, and the median sales price was down 3 percent.

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

	Quarter 2 2007 (p)	Quarter 1 2007 (r)	Quarter 2 2006	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change	Median 2002	Median 1997
Boulder-Longmont MSA	$383.7	$370.7	$375.0	$377.2	$368.0	2.5%	$317.6	n/a
Denver-Aurora MSA	$255.2	$239.4	$255.2	$247.3	$249.7	-1.0%	$228.1	$140.6
United States	$223.8	$212.6	$227.1	$218.2	$221.6	-1.5%	$167.6	$129.0

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

Foreclosures

Metro Denver foreclosure filings rose from 2,083 in July to 2,274 in August. Through the first eight months of the year, public trustees reported a 43 percent increase in foreclosure filings over the same period last year, with the strongest year-to-date increases seen in Denver (+69.7 percent), Adams (+44.7 percent), and Douglas (+39.3 percent) counties. Boulder (+15.9 percent) and Jefferson (+16.7 percent) counties saw the metro area's smallest year-to-date increases in foreclosures.

In August, the national rate of foreclosures reached one for every 510 households, the highest figure recorded in the two-year history of RealtyTrac's monthly foreclosure report. According to RealtyTrac, the August figure of almost 244,000 foreclosure filings nationwide represented a 36 percent increase over July's filings and a 115 percent increase over filings from August 2006. At the state level, Nevada saw the nation's highest rate of August foreclosures with one filing for every 165 households. California, Florida, Georgia, and Ohio were also among the top five states for August foreclosures. Colorado ranked eighth overall with one foreclosure for every 312 households, an 8 percent increase in filings over August 2006. Local housing officials caution, however, that Colorado's system for counting foreclosures is unique among states. The system includes some pre-foreclosure categories that other state systems do not, so state-to-state comparisons and rankings could misrepresent Colorado data.

The Colorado Division of Housing's Second Quarter 2007 Foreclosures Report emphasizes that initial foreclosure filings need to be distinguished from final foreclosure sales. Many Colorado counties saw little change in foreclosure filings between the first and second quarter of 2007, but all Metro Denver counties saw an increase in foreclosure sales, the final stage of the foreclosure process. Looking forward, the Division of Housing predicts statewide foreclosures will reach 38,000 through the end of 2007, a 34 percent increase over last year.

National-level plans to assist homeowners in or approaching foreclosure were debated in the U.S. Congress throughout the month of September, but legislation has yet to be finalized or approved.

Real Estate Foreclosures

	Month of Aug-07	Month of Jul-07	Month of Aug-06	YTD Total 2007	YTD Total 2006	YTD Total % Change
Total Metro Denver*	2,274	2,083	1,636	18,015	12,636	42.6%
Adams County	470	462	407	4,122	2,849	44.7%
Arapahoe County	615	468	333	4,098	3,070	33.5%
Boulder County	103	81	66	611	527	15.9%
Broomfield County	25	24	19	158	117	35.0%
Denver County**	609	586	423	5,617	3,310	69.7%
Douglas County***	162	146	122	1,138	817	39.3%
Jefferson County	290	316	266	2,271	1,946	16.7%

**Foreclosure data for Metro Denver represents the total number of election and demand setups received by the county public trustee in the month received.*
***Denver County foreclosure data for 2007 has been revised and may differ from Denver County data in previous publications.*
****Data for the month of August was not available. The August figure provided is an estimate based on year-to-date figures.*
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.

New Homes

Nationwide sales of new homes slumped in August. According to the newest data from the U.S. Department of Commerce, sales dropped from July's revised annual rate of 867,000 units to an August rate of 795,000 units. Compared to last August, U.S. new home sales have declined roughly 21 percent. On an over-the-year basis, new home sales decreased in all U.S. regions with the sharpest pullbacks in the South (-27 percent) and West (-16 percent). Over-the-year sales declines were slightly smaller in the Northeast (-14 percent) and Midwest (-11 percent).

The Commerce Department data also show ongoing weakness in residential construction. The nationwide annual rate of new housing starts declined from a revised 1.4 million in July to 1.3 million in August, and August's figure fell 20 percent below the annual rate of construction recorded at the same time last year. On an over-the-year basis, each of the U.S. regions saw a decline in the annual rate of new housing starts. The Northeast (-39.2 percent) and West (-31.6 percent) saw the largest declines in annual rate, but the South (-15 percent) and Midwest (-0.8 percent) faired slightly better.

Another measure of construction activity, the National Association of Homebuilders (NAHB)/Wells Fargo Housing Market Index, dropped from 22 in August to 20 in September. The index measures builder confidence and is now tied with its record low set in January of 1991. Still, the NAHB expects growth in home sales to resume by second quarter of next year with growth in housing starts beginning soon after.

New home construction in Metro Denver slowed considerably between June and July. The number of permits issued declined 45 percent to 1,055, with the steepest drop seen in permits for single-family attached dwellings – townhomes, duplexes, and condominiums. On a year-to-date basis, permits for all but one type of building, apartments, have declined in Metro Denver. Through the first seven months of this year, the most building permits have been issued in Denver (2,072), Aurora (1,597), and unincorporated Douglas County (948). Permits for single-family attached dwellings have driven year-to-date construction activity in Denver, while single-family detached homes have represented the largest shares of Aurora and Douglas County construction.

Residential Building Permits

	Month of Jul-07	Month of Jun-07	Month of Jul-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Total 2002	Total 1997
Single-Family Detached Units	734	736	826	4,884	7,637	-36.0%	13,793	14,890
Single-Family Attached Units	180	997	249	3,455	3,870	-10.7%	4,425	2,647
Multi-Family Units	141	177	0	1,272	499	154.9%	4,085	5,415
Total Units	1,055	1,910	1,075	9,611	12,006	-19.9%	22,303	22,952

Source: Home Builders Association of Metro Denver.

Apartment Rental Market

The Metro Denver apartment rental market gained strength in second quarter 2007. The vacancy rate declined from 7.1 percent in the first quarter of this year to 6.2 percent in the second quarter, the lowest vacancy rate seen since 2001. Not surprisingly, average monthly rental rates also increased from the first to the second quarter of this year, rising from $843 to $864. Vacancy rates were lowest in the Boulder-Broomfield area (4.0 percent) and highest in Jefferson County (7.4 percent). Average rents were lowest in Jefferson County ($812.15) and highest in Douglas County ($1,030.25). Going forward, increased foreclosures could move more homeowners into the rental market, and higher construction costs could limit the number of new, multi-family buildings under construction. Combined, these factors could lead to continued improvement in apartment rental trends.

The non-apartment rental market – including single-family homes, townhomes, duplexes, and condominiums – also showed strength in the second quarter. The non-apartment vacancy rate stood at 4 percent in second quarter 2007, compared to 7 percent in the second quarter of 2006. Not surprisingly, average monthly rents rose to just over $946 in the second quarter of 2007 from roughly $932 in second quarter 2006. Analysts caution, however, that larger numbers of foreclosed homes converted to rentals could increase vacancy rates in the coming months.

Apartment Statistics

	Quarter 2 2007	Quarter 1 2007	Quarter 2 2006	YTD Average 2007	YTD Average 2006	YTD Average % Change	Annual Average 2002	Annual Average 1997
Apartment Vacancy Rate	6.2%	7.1%	6.9%	6.7%	7.2%		9.8%	4.9%
Average Monthly Rental Rate (all units)	$864	$843	$844	$853	$839	1.6%	$822	$650

Source: Denver Metro Apartment Vacancy and Rent Survey.

Forecast

Looking forward, the Denver-based Genesis Group expects metro area housing inventory to increase through the end of 2007. The Genesis forecast predicts declines in both resale and new home listings, so the increase in total inventory reflects housing stock made available by record numbers of foreclosures. The forecast emphasizes that strong retail sales, a generally healthy job market, and continued job growth bode well for Metro Denver, but the bottom of the current slump will not be realized until foreclosures drop and home prices stabilize.

In its September forecast, the National Association of Realtors expects nationwide home sales to hit 5.9 million in 2007, down from the 6.5 million recorded in 2006. According to the forecast, sales will rebound to 6.3 million through 2008. The outlook for new home construction is considerably darker, with the forecast of new home starts hitting 1.4 million for 2007 and 1.3 million in 2008. That compares to the 1.8 million housing starts recorded in 2006 and 2.1 million in 2005.

Commercial Real Estate

In its second quarter 2007 report, CB Richard Ellis observes increasing lease rates, absorption, and construction activity in the Denver office market. On a year-to-date basis, the market saw 1.7 million square feet of office space under construction through the end of the second quarter, almost twice the amount seen in all four quarters of 2006. In second quarter, the Downtown submarket had the largest amount of net rentable area under construction, followed by the Southeast, Southwest, and South Colorado/Midtown submarkets. The Metro Denver office vacancy rate has declined to 13.4 percent while the average lease rate has increased to $18.86 per square foot. Indeed, average lease rates were up 20 percent over the year in downtown Denver.

The latest data from CoStar Realty Information, Inc. show a strengthening of Metro Denver's office market. The second quarter direct vacancy rate decreased to 11.9 percent from 12.5 percent in the first quarter of 2007. Compared to a year ago, the direct vacancy rate 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 followed by Arapahoe County (28.0 percent) and Douglas County (26.6 percent). 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 2007	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

A second quarter 2007 report by CB Richard Ellis observes a rapidly tightening industrial market in Metro Denver. Lease rates increased for the eighth consecutive quarter, rising to $5.56 per square foot from $5.44 in first quarter. Vacancy rates also declined between first and second quarter, slipping from 6.44 percent to 6.18 percent. In this environment, industrial construction activity has increased rapidly. Construction activity increased 27 percent between first and second quarter, and second quarter's activity represented an 88 percent increase over construction activity in second quarter 2006. That places 2.9 million square feet of industrial space *in the pipeline, and three major projects – Stapleton North by Prologis, Mountain West Business Park, and Airways II – account for more than 1.7 million square feet of that space.*

The latest data from CoStar Realty Information, Inc. reported slightly softer conditions in the second quarter of 2007 than in the prior quarter. The data indicates the direct vacancy rate increased from 6.2 percent in the first quarter of 2007 to 6.6 percent in the second quarter of 2007. The total vacancy rate, which includes sublet space, also increased from 6.6 percent in the first quarter to 7.0 percent 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, 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 space 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 percent occurring in Arapahoe County. So far this year, the Metro Denver market has added about 650,000 square feet of new industrial space, about two-thirds of which is in Adams County.

Industrial Market Statistics

	Quarter 2 2007	Quarter 1 2007	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 percent in the first quarter to 13.1 percent in the second quarter while the overall vacancy rate, including sublet space, decreased from 15.1 percent to 14.1 percent 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, nearly all of which 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 2007	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

In its second quarter 2007 report, CB Richard Ellis recognized a mid-year slowdown in Metro Denver's retail market. The market saw negative absorption of more than 332,000 square feet, but the pullback had only a minor impact on lease rates. The report also notes that least rates have fluctuated around $16 per square foot for the past three quarters, and retail construction activity continues. CB Richard Ellis observes a shift in retail activity towards downtown Denver redevelopment with major projects including Denargo Market and Union Station.

According to CoStar Realty Information, Inc., the retail and shopping center market in Metro Denver posted a 7.0 percent direct vacancy rate in the second quarter of 2007, down slightly from 7.1 percent in the prior quarter but up from 6.7 percent in the second quarter of 2006. The total vacancy rate, which includes sublet space, decreased from 7.5 percent in the first quarter of 2007 to 7.3 percent 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 higher 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 under construction in the first quarter of the year. About 38 percent of the 5.9 million square feet will be added in Adams County, followed by 22.6 percent in Arapahoe County, and 15.0 percent 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 in the seven-county region, the second phase of the Harvest Junction project in Longmont is the most substantial at 280,000 square feet.

Retail Market Statistics

	Quarter 2 2007	Quarter 1 2007	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, St. Joseph Hospital recently announced its intentions to buy the site formerly occupied by Children's Hospital. With the site under contract and a variety of proposals for redevelopment, the purchase and new construction project have yet to be finalized. St. Joseph is considering options that include a large, 650-bed hospital that could be built in several phases.

Another recent construction announcement detailed plans for the redevelopment of Buckingham Square Mall. Englewood-based Miller Weingarten Realty, LLC and the mall's owners will replace the 60-acre retail center with a $110 million, mixed-used facility. Named the Gardens on Havana, the facility will include 400,000 square feet of residential and 580,000 square feet of retail space. Buckingham Square's existing Target store plans to expand at the new site, and residential offerings will include high-end apartments and townhomes.

A second residential project recently announced, the Mondrian City Homes in downtown Denver, will convert a downtown office building into luxury condominiums. Two blocks from 16th Street Mall, the remodeled building will house between 14 and 16 units with prices ranging from $496 to more than $600 per square foot.

Finally, the Signature Center in Denver West recently received LEED Platinum certification. The 186,000-square-foot building is the largest LEED Platinum project in the country, and its developers expect the building to achieve a 40 percent gain in energy efficiency over traditional construction.

Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	⇑	⇑	Employment increased by 1,300 jobs from July to Aug; employment is up 1.8% through Aug 2007
% Companies Hiring (Denver Area)	⇓	⇓	23% of companies expect to add workers in Q4 2007
Unemployment Rate	⇓	⇓	Metro rate 3.7% in August; YTD avg. rate of 3.9% down from 4.6% in 2006
Initial Claims	⇓	⇑	Claims decreased 6.3% from July to August; YTD claims are up 1.4% through August 2007
Total Retail Sales	⇑	⇑	YTD Metro retail sales up 9.0% through June 2007; 8.7% year-to-date gain for Colorado
Consumer Confidence Index	⇓	⇑	Mountain region confidence decreased from 137.6 in July to 125.2 in August; YTD up 3.3%
Hotel Occupancy	⇓	⇑	Hotel occupancy decreased from 77.9% in July to 76.0% in Aug; avg room rate decreased to $113.28
DIA Passengers	⇑	⇑	Traffic increased 4.4% June to July; YTD traffic of 29.3 million up 4.1% through July 2007
Bloomberg Colorado Index	⇑	⇑	Bloomberg Colorado Index increased 6.4% from Aug to Sept; index up 18.0% for the year
Dow Jones Industrial Average	⇑	⇑	DOW increased 4.0% from August to September; index up 11.5% for the year
Home Sales (closed)	⇑	⇑	Home sales increased 0.6% between July and August; YTD up 0.5%
Median Home Price (Denver-Aurora MSA)	⇑	⇓	Median home price in Denver MSA rose to $255,200 in Q2 2007; YTD price down 1.0%
Foreclosures	⇑	⇑	Foreclosures increased 9.2 percent from July to August; YTD up 42.6% through Aug 2007
Residential Building Permits (Total)	⇓	⇓	Total permits decreased 44.8% from June to July; YTD permits down 19.9% through July 2007
Apartment Vacancy Rate	⇓	⇓	Vacancy rate decreased from 7.1% in Q1 to 6.2% in Q2; avg rental rate up to $864 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	**12 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