



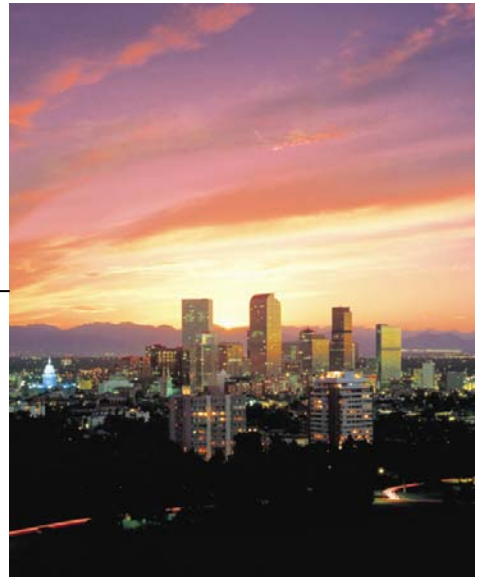
Metro Denver
Economic Development Corporation

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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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

- ◆ According to the Trust for America's Health, Colorado had the nation's lowest rate of adult obesity in 2006. The group's recent study also found Colorado's rate of childhood obesity to be third lowest behind rates in Wyoming and Utah. Despite the high rankings last year, Colorado's obesity rate – like that of other states – is on the rise. Efforts to reverse these trends in Colorado include promotion of walk breaks for working adults and school-based nutrition programs.
- ◆ Children's Hospital won a fourth-place spot in *U.S. News & World Report's* "America's Best Children's Hospitals" ranking. Part of the September 3 issue, the magazine's ranking is based on criteria including patient volume and death rate. Children's Hospital will soon relocate from downtown Denver to its new facility at Fitzsimons in Aurora.
- ◆ An Orbitz index recognized Denver International Airport (DIA) as the nation's seventh-busiest airport on Labor Day, a higher ranking than the 10th-busiest spot claimed last year. While connecting passengers represent a large portion of DIA traffic, the index also recognized Denver as the nation's ninth-busiest Labor Day destination. Chicago O'Hare International was named busiest airport for Labor Day weekend, and New York was named busiest destination.

General Economic Overview

The U.S. economy expanded 4.0 percent in the second quarter of 2007, up from first quarter's 0.6 percent increase. Released by the U.S. Bureau of Economic Analysis, these estimates of gross domestic product (GDP) growth point to changes in the value of goods and services produced by the U.S. economy. Second quarter's growth reflected an increase in exports and government spending and a decrease in imports. In the second quarter, these gains were enough to outweigh a widespread drop in consumer spending.

A related indicator, the nation's trade deficit, decreased in June to \$58.1 billion from May's revised figure of \$59.2 billion. Growth in the sales of industrial goods and materials, automobiles and parts, foods and feed, and other capital goods drove exports higher in June. Imports also increased but to a lesser extent. Sales of goods from China – including computers, clothing, toys, and sporting goods – also rose despite recent product recalls.

In other news, the Federal Open Market Committee (FOMC) of the Federal Reserve acknowledged in its August 7 meeting that economic risks are increasing. Still, the Committee left its target for the federal funds rate, 5.25 percent, unchanged. The FOMC still views inflation as a primary economic threat, but it also recognized growing instability in financial markets and an ongoing slump in housing. Nonetheless, the FOMC expects strong job growth and a healthy global economy to help the U.S. economy expand slowly in the coming months. The Committee's next meeting is set for September 18.

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The following indexes suggest that moderate economic growth should continue in the nation, Colorado, and Metro Denver. However, weakness in housing is clearly affecting both consumers and industry.

- ◆ The Conference Board's Index of Leading Economic Indicators increased 0.4 percent in July. July's gain offset a decline in June and brought the Leading Index's year-to-date gain to 0.1 percent. The Index trend has flattened because the strengths and weaknesses of its components have offset one another in recent months. In July, consumer expectations, vendor performance, and initial claims for unemployment insurance made the largest positive contributions to the Leading Index. Housing permits, new manufacturing orders for non-defense goods, and the interest rate spread were the strongest negative forces.
- ◆ The national manufacturing sector expanded for the seventh consecutive month in August, but the pace of expansion was the slowest seen in the past five months. The Institute for Supply Management's Purchasing Managers Index registered 52.9 in August, down from 53.8 in July. An index reading over 50 predicts economic expansion while a reading below 50 anticipates contraction, so the August reading points to growth in manufacturing at a moderated pace. Ten manufacturing industries saw growth in August, led by gains in Petroleum and Coal Products; Food, Beverage, and Tobacco Products; and Wood Products.
- ◆ 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 52nd consecutive month in July, but the pace of growth slowed. The Institute for Supply Management's Index of Non-Manufacturing Business Activity decreased from 60.7 in June to 55.8 in July. Nine of the 17 non-manufacturing industries saw gains in July, led by increases in finance and insurance, accommodation and food services, and transportation and warehousing. Comments from the index's survey respondents included concerns about increased costs of fuel and other supplies.
- ◆ 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 declined from a revised 90.9 in June to 90.0 in July. This slight worsening in conditions is partly tied to volatility in the U.S. economy overall, a trend driven by recent instability in credit markets and in the residential sector. Historically low unemployment rates also continue to be a challenge for small businesses looking to hire in a tight labor market. The U.S. Small Business Index decreased to 88.0 in July from a revised 89.6 in June.
- ◆ 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

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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 saw a minor drop in May, down to 101.0 from 101.1 in April. The Leading Index forecasts economic activity in the Metro Denver region six to nine months in advance, and the index's essentially flat trend predicts steady economic growth. On a 12-month average basis, three of the seven indicators moved in a positive direction in May. These three were average weekly manufacturing hours, the Bloomberg Colorado stock index, and consumer expectations. First time unemployment claims, single-family construction activity, and the yield curve saw negative changes in their annual average trends. Finally, hiring expectations were unchanged on an annual basis. The Historic Index, which measures over-the-year growth, increased 1.1 percent from 131.4 in April to 132.8 in May. The May 2007 index value was 1.4 percent higher than last May'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 declined by 12,300 jobs between June and July in a typical seasonal fluctuation, reversing a similarly sized job gain that occurred between May and June. Still, these latest data from the Colorado Department of Labor and Employment show Metro Denver job growth through July up 1.8 percent over the same period last year. The Denver-Aurora MSA saw a 1.6 percent year-to-date job gain, and employment in the Boulder-Longmont MSA increased 3.2 percent. Colorado's entire economy saw a 2.0 percent year-to-date increase in jobs, followed by the nation's economy at 1.5 percent.

Eight of Metro Denver's 11 industry supersectors saw year-to-date increases in employment. As of July, professional and business services employment was up 4.3 percent over the same period last year, followed by job gains in leisure and hospitality (4.2 percent) and education and health services (3.2 percent). The remaining five growth industries saw year-to-date job gains ranging from 0.2 percent in the information sector to 1.8 percent in government. The Metro Denver manufacturing sector saw the largest year-to-date employment decline (-1.6 percent), followed by natural resources and construction (-1.5 percent) and transportation, warehousing, and utilities (-0.9 percent).

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

Aerospace: Lockheed Martin Space Systems, in partnership with ITT Corporation and General Dynamics Advanced Information Systems, will compete against a Boeing-led team for a U.S. Air Force contract. The contract is for the design of the GPS Block III, or the U.S. Air Force's Global Positioning System space-segment program. The final contract award is due later this year.

Aviation: Talks surrounding the final location of a new Frontier Airlines hanger have progressed, says Frontier's CEO. The facility would initially employ about 200 workers and add another 150 positions over the next 10 years. Frontier's final decision has yet to be announced, but the airline is said to have narrowed the list of seven metro-area contenders down to three. DIA, Front Range Airport, Rocky Mountain Metropolitan Airport, Pueblo, Colorado Springs, Ft. Collins/Loveland, and the Greely-Weld County airports all submitted proposals.

In other aviation-related news, United Airlines announced plans to bring about one dozen furloughed mechanics back on the job in Denver. United has also hired 90 ramp and customer service workers in Denver and plans to add pilots in various locations.

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Bioscience: Boulder-based Pharmion Corp. saw its stock value rise 58 percent when a recent study concluded that the company's treatment increased survival rates in patients with bone marrow diseases. The treatment, called Vidaza, has been on the market since 2004, and Pharmion hopes to include the recent study findings on product packaging.

In other biotech news, Amgen Inc. announced plans for the first layoff in its 27-year history. The cuts, totaling 12 to 14 percent of Amgen's workforce, are tied to declining revenues from two of the company's top-selling drugs. The company plans to close some of its operations and downsize others, but company officials are uncertain about on the impact on Amgen's Boulder and Longmont facilities. The two locations employ about 1,250 workers.

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

	Month of Jul-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*	1,403.9	1,416.2	1,382.5	1,391.7	1,367.0	1.8%	-3.1%	4.4%
Denver-Aurora MSA	1,238.5	1,248.1	1,221.7	1,225.3	1,205.8	1.6%	-3.0%	4.4%
Boulder-Longmont MSA	165.4	168.1	160.8	166.4	161.2	3.2%	-3.4%	4.7%
Natural Resources & Construction	101.8	102.4	103.7	98.6	100.1	-1.5%	-4.9%	6.4%
Manufacturing	89.3	89.3	91.5	89.5	91.0	-1.6%	-9.0%	3.5%
Wholesale & Retail Trade	212.8	213.5	210.5	211.3	208.4	1.4%	-2.9%	2.7%
Transp., Warehousing & Utilities	51.2	50.7	50.8	50.1	50.6	-0.9%	-9.8%	2.4%
Information	56.8	57.4	56.7	56.8	56.7	0.2%	-14.2%	11.2%
Financial Activities	108.7	109.2	108.6	108.3	107.6	0.6%	-0.8%	5.5%
Professional & Business Services	242.8	242.0	233.0	235.6	225.9	4.3%	-6.1%	5.3%
Education & Health Services	145.9	146.4	140.1	144.8	140.2	3.2%	2.9%	7.4%
Leisure & Hospitality	153.1	153.5	148.5	146.0	140.1	4.2%	-0.6%	3.2%
Other Services	52.1	52.3	51.8	51.8	51.1	1.3%	1.6%	3.6%
Government	189.4	199.5	187.3	198.9	195.3	1.8%	3.4%	2.3%
Federal Gov't	30.5	30.5	31.0	30.5	30.8	-0.9%	0.5%	0.0%
State & Local Gov't	158.9	169.0	156.3	168.4	164.6	2.3%	4.0%	2.8%
Colorado	2,332.3	2,347.5	2,286.1	2,308.0	2,262.7	2.0%	-1.9%	4.2%
United States	137,828	139,161	136,006	137,321	135,328	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

Energy: The U.S. General Services Administration recently unveiled plans for a solar park to be located at the Denver Federal Center in Lakewood. Maryland-based Sun Edison will design and build the \$6.9-million park, and about 3 percent of the energy used by the Federal Center will be solar-sourced by year's end. The Federal Center hopes to be recognized as the nation's most sustainable campus by 2020.

In other energy news, Denver hosted a high-profile energy forum in mid-August. Climate change was a major discussion topic at the Rocky Mountain Natural Gas Strategy Conference and Investment Forum. The conference attracted more than 1,500 attendees and energy executives.

IT-Hardware: California-based Sun Microsystems announced plans to continue a company-wide restructuring and reorganization effort that began last year. The company has laid off 3,800 workers since June of last year, and the Colorado Department of Labor estimates 110 Sun Microsystems' Colorado workers have been laid off in

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2007. Sun Microsystems employs more than 3,300 workers in the state and has operations in Broomfield and Louisville.

Financial Services: Citing recent trends in the mortgage market, Countrywide Financial Corp. recently laid off 60 workers in the subprime operations area of its Denver Wholesale Lending Division. Countrywide continues to operate other units in Denver that handle conventional loans.

Telecommunications: Denver recently hosted the General Service Administration's 2007 Network Services Conference. The conference drew about 1,400 attendees and focused on recent developments in telecommunications including the Networx program. Networx is designed to advance telecommunications technology for government agencies, and Colorado-based Qwest Communications and Level 3 Communications will both bid on portions of the program.

Metro Denver has seen mixed employment trends this summer. Employers downgraded their quarterly hiring expectations from second to third quarter, according to the latest Manpower Employment Outlook Survey. During the July-September period, an estimated 26 percent of Denver-area employers plan to add staff compared to 42 percent in the second quarter of 2007. Hiring expectations for third quarter are also down from third quarter 2006. Another 13 percent of employers expect to reduce their payrolls in the third quarter of 2007 while 57 percent of employers anticipate no staffing changes. Third quarter job prospects in the Denver area appear best in transportation and public utilities, wholesale and retail trade, and services.

Hiring expectations in the Boulder area are similar to those of the prior quarter with 13 percent of employers planning to add staff in the July-September period. About 23 percent of Boulder-area employers expect to reduce payrolls in the third quarter compared to 10 percent in the prior quarter and zero percent in third quarter 2006.

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

Employment Outlook Survey

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

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

Source: Manpower Inc.

The unemployment rate in the seven-county Metro Denver area remained stable between June and July, registering 3.8 percent in both months. The Metro Denver unemployment rate averaged 3.9 percent across the seven months ended in July, down significantly from 4.6 percent in the same period last year. July unemployment rates were unchanged from June in four of the seven Metro Denver counties, and rates fluctuated by just one-tenth of one-percent in the remaining three. Like the unemployment rate for Metro Denver, the statewide unemployment rate remained unchanged from June at 3.8 percent in July. Nationwide, July unemployment ticked up to 4.9 percent from 4.7 percent in June.

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

	July 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	1,531.7	3.8%	1,505.5	3.9%	1,480.6	4.6%	5.9%	2.8%
Adams County	221.3	4.3%	217.6	4.5%	214.4	5.3%	6.4%	3.1%
Arapahoe County	315.6	3.8%	309.6	3.8%	304.9	4.6%	5.7%	2.4%
Boulder County	177.2	3.4%	175.8	3.3%	170.9	3.9%	5.7%	2.8%
Broomfield County*	26.0	3.9%	25.5	3.9%	25.1	4.6%	5.7%	
Denver County	318.3	4.2%	312.6	4.3%	308.1	5.1%	6.8%	3.8%
Douglas County	151.5	3.2%	148.6	3.2%	146.1	3.8%	5.0%	1.8%
Jefferson County	321.7	3.6%	315.8	3.7%	311.1	4.5%	5.5%	2.4%
Colorado	2,724.1	3.8%	2,667.9	3.8%	2,628.2	4.6%	5.7%	3.4%
United States	154,871	4.9%	152,903	4.7%	150,782	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 the Metro Denver region increased between June and July. On a year-to-date basis, though, 2007 claims are essentially in-line with claims from the same period last year.

Statewide, unemployment claims also ticked up in July, and the year-to-date average count for 2007 is 1.2 percent above that of 2006. Recent weakness in construction and the industry's ties to financial services and other sectors could be factors behind slower job growth in recent months. Still, Colorado unemployment remains historically low.

Weekly First-Time Unemployment Insurance Claims

	Month of	Month of	Month of	YTD Avg	YTD Avg	YTD Avg
	Jul-07	Jun-07	Jul-06	2007	2006	% Change
Metro Denver	1,112	932	1,029	1,135	1,127	0.8%
Colorado	2,004	1,623	1,863	2,062	2,037	1.2%

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

The U.S. Consumer Price Index for All Urban Consumers (CPI-U) was essentially unchanged between June and July. On a seasonally-adjusted basis, the sub-index for petroleum-based energy declined for the second-consecutive month. The sub-indexes for food, housing, and apparel each increased.

Recently released CPI figures for the Metro Denver area show prices advanced more slowly in the first half of 2007 than in the same period last year. The Denver-Boulder-Greeley CPI-U for the first half of 2007 was up 2.5 percent over the first half of 2006, and prices in that period were 3.8 percent higher than in the first half of 2005.

Local drivers enjoyed lower fuel costs in August. According to AAA's Fuel Gauge Report, the average price for a gallon of regular gas in Metro Denver was \$2.77 at the end of August, down from \$2.97 one month ago and \$2.94 last year. The Metro Denver area price is still higher than August's national average of \$2.76 but is well below May's record high of \$3.28. Gas prices typically rise over Labor Day weekend, and AAA expects Colorado gas prices to hit \$2.87 per gallon over the holiday.

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Early-summer retail sales figures showed a strengthening of consumer activity in the Metro Denver area. Retail sales across all Metro Denver industries rose from \$6.5 billion in April to \$6.9 billion in May, pushing May's year-to-date figure 10.1 percent ahead of sales for the same period last year. Across the seven Metro Denver counties, year-to-date sales growth was strongest in Broomfield County (+14.8 percent), Adams County (+13.7 percent), and Boulder County (+12.5 percent). Statewide, retail sales rose from \$10.7 billion in April to \$11.4 billion in May, and total sales for the period ending in May stood 9.7 percent ahead of sales for the same period in 2006. June data were not available at the time of this release, but national reports on a disappointing back-to-school season and a slowdown in auto sales suggest that the ongoing credit crisis is affecting retail sales in some areas.

Total Retail Sales (\$000s)

	Month of May-07	Month of Apr-07	Month of May-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Annual Growth 2002	Annual Growth 1997
Total Metro Denver	6,906,327	6,478,907	6,235,519	33,003,642	29,981,196	10.1%	-0.5%	5.8%
Adams County	1,181,819	1,071,392	1,005,152	5,256,111	4,622,541	13.7%	-0.3%	7.7%
Arapahoe County	1,566,310	1,445,480	1,408,123	7,386,796	6,712,262	10.0%	1.6%	0.7%
Boulder County	608,946	588,644	527,866	3,089,311	2,745,871	12.5%	-14.5%	3.8%
Broomfield County	131,967	144,225	122,256	672,890	585,935	14.8%		
Denver County	1,862,829	1,756,877	1,708,827	9,085,014	8,204,569	10.7%	-3.2%	4.9%
Douglas County	522,972	490,501	475,554	2,451,933	2,265,903	8.2%	3.6%	30.9%
Jefferson County	1,031,484	981,788	987,741	5,061,587	4,844,115	4.5%	-2.5%	8.7%
Colorado	11,401,824	10,748,009	10,386,339	55,667,833	50,744,132	9.7%	0.3%	6.4%

Source: Colorado Department of Revenue.

The Conference Board's Consumer Confidence Index for the Mountain region reversed June's losses in July. The index, comprised of the present situation and future expectations indexes, dropped from 138.9 in May to 129.5 in June and rebounded to 138.0 in July. July is the seventh consecutive month in which Mountain region consumer confidence has exceeded confidence in the nation's nine other regions. In July, the Mountain region present situation index increased to 174.9 from 165.2 in June, and the future expectations index rose to 113.5 from 105.7.

July trends in national consumer confidence were similar. The U.S. Consumer Confidence Index rose from a revised 105.3 in June to 112.6 in July, the highest reading since August 2001. The present situation index increased from 129.9 to 139.2 over the same period, and the future expectations index rose from 88.8 in June to 94.8 in July. Advanced estimates for August, however, show the Consumer Confidence Index abruptly changing course with a drop to 105.0.

Consumer Confidence Index

	Month of Jul-07 (p)	Month of Jun-07	Month of Jul-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change	Ann Avg 2002
Mountain	138.0	129.5	127.7	137.0	132.8	3.1%	104.3
United States	112.6	105.3	107.0	108.9	106.3	2.5%	96.6

Source: The Conference Board. (p) =preliminary

The Metro Denver lodging industry saw mixed midsummer trends. The occupancy rate slipped to 77.9 percent in July from 80.1 percent in June and rested just below last July's occupancy rate of 78.1 percent. Still, Metro Denver occupancy rates averaged 67.8 percent through the seven months ended in July, up from 66.5 percent in the same period last year. Average room rates were essentially flat between June and July, but July's year-to-date average rate stood almost 12 percent higher than the same figure for 2006.

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Metro Denver Hotel Statistics

	Month of Jul-07	Month of Jun-07	Month of Jul-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change	Annual 2002	Annual 1997
Percent of Hotel Rooms Occupied	77.9%	80.1%	78.1%	67.8%	66.5%	2.0%	60.3%	72.1%
Average Hotel Room Rate	\$115.59	\$115.26	\$103.38	\$110.15	\$98.79	11.5%	\$88.05	\$84.06

Source: Rocky Mountain Lodging Report.

Passenger traffic at Denver International Airport (DIA) increased 6.3 percent between May and June. June's total passenger count of 4.6 million stood 3 percent above last June's count, and the total number of DIA passengers through the first six months of 2007 was 4.2 percent above the count for the same period last year. Forecasts of passenger traffic for DIA over Labor Day weekend were slightly lower than last year, down to 954,319 travelers from 979,172 in last year's estimates. Both Southwest Airlines and Frontier Airlines have been adding flights at DIA, but United has been reducing its capacity. The DIA estimates are also consistent with national trends: AAA expected nationwide growth in Labor Day travel to be flat this year despite comparatively lower fuel prices and travel costs.

Denver International Airport Passengers

	Month of Jun-07	Month of May-07	Month of Jun-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Annual 2002	Annual 1997
Number of Airline Passengers	4,570,387	4,299,721	4,424,646	24,494,677	23,507,799	4.2%	35,652,084	34,969,021

Source: Denver International Airport, Traffic Statistics.

August was a month of volatility in the stock markets. Stocks rallied when the Federal Reserve and other central banks made a mid-month injection of cash into the financial system, and stocks jumped again with the announcement of a federal plan to assist strapped homeowners. Still, concerns over a stalled credit market and its impacts across the economy are driving uncertainty in the marketplace. Despite the turmoil, the S&P 500, the NASDAQ, and the Dow Jones indexes each ended the month above July's month-end figures. On a year-to-date basis, returns were higher than in 2006 for each of the composite indexes except the S&P 500.

The Bloomberg Colorado Index ended the month of August at 424.2, essentially the same level seen at the end of July. The index has flattened somewhat after hitting a high for the year of 439.2 in May. Still, the index's 10.9 percent year-to-date return is significantly higher than last year's figure and remains above returns in the national indexes. The Bloomberg Colorado Index is a price-weighted index designed to measure the performance of the Colorado economy. The index currently includes 115, Colorado-based companies with a minimum market capitalization of \$10 million.

Stock Market Indexes

	Month of Aug-07	Month of Jul-07	Month of Aug-06	YTD Return 2007	YTD Return 2006	YTD Return 2005
Bloomberg Colorado	424.2	424.1	348.4	10.9%	6.9%	10.1%
S&P 500	1,474.0	1,455.3	1,303.8	3.9%	4.4%	0.7%
NASDAQ	2,596.4	2,546.3	2,183.8	7.5%	-1.0%	-1.1%
DJIA (Dow Jones)	13,357.7	13,212.0	11,381.2	7.2%	6.2%	-2.8%

Sources: Bloomberg.com, Yahoo! Finance.

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Residential Real Estate

Home Resales

The U.S. annual sales rate of existing homes was essentially flat mid-summer, slipping from 5.76 million units in June to 5.75 million in July. July's sales rate was 9 percent below the 6.32 million-unit rate hit last July, and total housing inventory rose to a 9.6-month supply from the 9.1-month supply available in June. Still, the National Association of Realtors (NAR) cautions against too bleak an outlook. Existing home sales in the northeastern U.S. increased 1 percent between June and July, and prices were up nearly 6 percent over last year. As the Northeast was the nation's first region to show weakness after the recent residential boom, the recent improvements could point to a coming turnaround in the other regions.

At the state level, the NAR observed a wide range of trends in home resales. Resales in six states, led by Wyoming and Iowa, were higher in second quarter 2007 than in second quarter 2006. The remaining states saw over-the-year declines ranging from 0.9 percent in Arkansas, Massachusetts, and Oregon to 41.3 percent in Nevada. Colorado's over-the-year decline in resales, 4.8 percent, was the 28th-largest among the 41 states that saw declines. In light of these data, some analysts feel Colorado is weathering the housing slump better than many of its neighbors.

Previously-Owned Home Sales Activity

	Month of Jul-07	Month of Jun-07	Month of Jul-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Ann Avg 2002	Ann Avg 1997
Home Sales (Under Contract)	5,951	6,136	5,538	39,956	39,141	2.1%	30,089	35,963
Home Sales (Closed)	4,980	5,129	4,850	30,493	30,309	0.6%	47,919	40,185
Unsold Homes on Market	30,272	30,256	31,989	30,272	31,989	-5.4%	20,740	12,903
Average Sales Price-Single Family	\$316,024	\$334,833	\$328,721	\$314,207	\$319,523	-1.7%	\$268,926	\$169,587
Average Sales Price-Condo	\$192,885	\$186,328	\$194,705	\$182,276	\$187,110	-2.6%	\$168,226	\$100,694
Median Sales Price-Single Family	\$255,000	\$263,000	\$259,500	\$249,000	\$250,000	-0.4%	\$221,000	
Median Sales Price-Condo	\$158,000	\$157,950	\$163,000	\$154,000	\$158,000	-2.5%	\$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.

Metro Denver's existing homes market weakened in July. Total home sales dropped almost 3 percent between June and July, as did the number of existing homes under contract. On a year-to-date basis, the number of homes sold through the end of July stood 0.6 percent above the same period last year, and the number of homes under contract was 2.1 percent higher than it was in 2006. At 30,272 units, July's inventory of unsold homes was essentially unchanged from June's inventory of 30,256 homes.

Home Prices

According to NAR data, the national median existing home price was \$228,900 in July, down from the record median of \$230,200 reached in July 2006. In addition, the S&P/Case-Shiller Home Price Indexes marked a second quarter annual decline in the U.S. National Home Price Index and in 15 of the 20 metro-area indexes. Second quarter's year-over-year decline in the National Index, 3.2 percent, was the largest in the index's 20-year history. At the metro level, over-the-year changes in home values ranged from a large decline in Detroit (-11 percent) to a 7.9 percent gain in Seattle. Chicago (-0.7 percent) and Denver (-1.0 percent) saw the smallest year-over-year declines of the 20 metros tracked by the index. (Note: the S&P/Case-Shiller Index tracks the price of a "typical" home in an area and does not expressly distinguish between new and existing homes.)

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,

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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 declined in July, according to Metrolist data. At just over \$316,000, July's average sales price was down almost 6 percent from June's average price of approximately \$335,000. Industry analysts note, though, that increased sales of higher-priced homes swayed June's average. This temporary shift essentially magnifies the change in price between June and July. Through the seven months ended in July, single-family home prices in Metro Denver were down 1.7 percent from the same period last year.

By contrast, the Metrolist data show an upswing in area condominium prices. The Metro Denver average sales price increased 3.5 percent over the month, from just over \$186,000 in June to almost \$193,000 in July. Condominium sales, however, were flat over the month – sales increased from 1,063 units in June to 1,081 units in July for a year-to-date change of 0.3 percent. On a year-to-date basis, the metro area average sales price for a condominium was down 2.6 percent from 2006.

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

Foreclosure filings in Metro Denver slipped downwards for the second consecutive month in July, totaling 2,083 after reaching more than 2,500 in June and more than 2,700 in May. Through the seven months ending in July, however, Metro Denver filings were up 43 percent over the same period last year. All seven metro counties saw year-to-date increases in foreclosures, but the trends varied considerably. Denver (+73.5 percent) and Adams (+49.5 percent) saw the highest year-to-date increases in filings, and Boulder (+10.2 percent) and Jefferson (+17.9 percent) saw the region's smallest increases.

In its July report, California-based RealtyTrac shows foreclosures across the country up 9 percent from June. That results in a national foreclosure rate of one filing for every 693 households and a total foreclosure count that is 93 percent higher than the number recorded in July 2006. Colorado's July rate of foreclosures, one filing for every 347 households, ranked fifth among the fifty states and marked a 55 percent increase in foreclosure activity from July of last year. Nevada saw the nation's highest rate of foreclosures, followed by Georgia, Michigan, and California. However, local housing officials disagree with RealtyTrac's methodology, saying that Colorado is unfairly analyzed and ranked.

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Real Estate Foreclosures

	Month of Jul-07	Month of Jun-07	Month of Jul-06	YTD Total 2007	YTD Total 2006	YTD Total % Change
Total Metro Denver*	2,083	2,524	1,423	15,741	11,000	43.1%
Adams County	462	647	292	3,652	2,442	49.5%
Arapahoe County	468	532	383	3,483	2,737	27.3%
Boulder County	81	70	47	508	461	10.2%
Broomfield County	24	14	12	133	98	35.7%
Denver County**	586	862	386	5,008	2,887	73.5%
Douglas County	146	131	94	976	695	40.4%
Jefferson County	316	268	209	1,981	1,680	17.9%

*Foreclosure data for Metro Denver represents the total number of election and demand setups received by the county public trustee in the month received.

**Denver County foreclosure data for 2007 has been revised and may differ from Denver County data in previous publications.

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

Recent estimates by the U.S. Commerce Department show a slight increase in new home sales. Sales ticked up from a revised annual rate of 846,000 units in June to a rate of 870,000 in July. While July's figure represents a 2.8 percent increase over the month, new home sales were down 10.2 percent from July 2006. New home sales declined over the year across all U.S. regions, but the magnitude of the shifts varied. Sales declined the most in the West (-19.6 percent), followed by the Midwest (-18.2 percent), the Northeast (-11.7 percent). Sales in the South declined 0.3 percent.

Trends in new home construction were also negative. Commerce Department figures show the number of new housing starts dropping from a revised 1.5 million in June to 1.4 million in July. The decline marks a 6 percent decrease in starts over the month and a 21 percent drop from July of last year. All but one U.S. region saw similar declines in housing starts over the year. July housing starts in the Northeast were up 6.1 percent from last July, but starts declined over the year in the South (-26.3 percent), West (-21.5 percent), and Midwest (-17.5 percent). The National Association of Homebuilders (NAHB) Housing Market Index, a measure of builder confidence, declined to 22 in August from 24 in July. An index reading below 50 indicates that most respondents have a pessimistic outlook on conditions, so the August results point to continued deterioration in the new homes market. While the NAHB does not expect immediate relief for the construction market, it predicts more stability in U.S. housing starts by mid-2008.

New home construction in the Metro Denver region slowed considerably with a 27.5 percent drop in building permits between April and May. Permits rebounded, however, between May and June with an increase from 1,559 to 1,910 (+22.5 percent). June's increase was entirely driven by growth in permits for single-family attached dwellings – row homes, townhomes, duplexes, and condominiums – and multifamily, or apartment, buildings. Permits for single-family detached homes in Metro Denver decreased 34.5 percent between May and June. Permits for all types of residential construction were down 15.2 percent year-to-date through June. Of the seven Metro Denver counties, Broomfield and Denver saw the largest percentage gains in permit activity between May and June. The gain in both locations was entirely due to increased permits for single-family attached housing. July data on building permits was not available at the time of this release.

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Residential Building Permits

	Month of Jun-07	Month of May-07	Month of Jun-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Total 2002	Total 1997
Single-Family Detached Units	736	1,123	1,123	4,668	6,811	-31.5%	13,793	14,890
Single-Family Attached Units	997	436	436	3,509	3,621	-3.1%	4,425	2,647
Multi-Family Units	177	0	0	1,091	499	118.6%	4,085	5,415
Total Units	1,910	1,559	1,559	9,268	10,931	-15.2%	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.

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, industry analysts concede that the near-term direction of the housing market is unclear. Mortgage loans made by unregulated, non-bank institutions cannot be traced, so public records do not provide a complete picture of how far the residential credit crisis could extend. Analysts also warn that another pool of subprime loans issued in the second half of 2005 are nearing the end of their fixed-rate periods, and some brokers report more restrictions on financing across all types of mortgages. Still, the National Association of Realtors (NAR) expects the market to revive later this year and into 2008. The NAR's August 2007 Forecast predicts existing home sales will total just over 6 million in 2007 and will reach 6.4 million in 2008. The NAR also expects the 2007 annual median price of existing homes to reach \$219,000 and rise to \$224,000 in 2008.

Commercial Real Estate

In its second quarter 2007 report, CB Richard Ellis observes increasing lease rates, absorption, and construction activity in the Metro Denver office market. On a year-to-date basis, the Metro Denver market saw 1.7 million square feet of office space under construction through the end of 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. On a year-over-year basis, lease rates were up 10 percent across Metro Denver and 20 percent in downtown Denver.

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

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

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 – would 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.

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

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

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

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

In its second quarter 2007 report, CB Richard Ellis recognizes 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 lease 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, and major projects include Denargo Market and Union Station.

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

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

Despite a slump in residential construction, commercial construction projects continue throughout Metro Denver. The three largest-valued projects that have been or will be completed in 2007 follow:

- ◆ *Children's Hospital (Aurora)*. Construction on the \$400 million, 1.44-million-square-foot hospital is expected to conclude in October.
- ◆ *Anschutz Inpatient Pavillion Phase II (Aurora)*. This project included a 277,000-square-foot addition, an expansion of the hospital's existing Tower One, and 62,000 square feet of renovations for an overall price tag of \$143.5 million. Construction was expected to be complete in August.
- ◆ *Rueter-Hess Dam and Reservoir (Aurora)*. This \$105-million project was completed in April of this year. The project included a 470-acre water supply, pumps, and other equipment.

The three largest Metro Denver area projects with 2007 start dates are as follows:

- ◆ *Four Seasons Hotel and Private Residences (Denver)*. The \$155-million project includes a 45-story hotel, parking facilities, a spa, and top-floor condos. Construction began in July of this year and is scheduled for completion in August 2009.
- ◆ *The Spire (Denver)*. The \$120-million, mixed-use facility will include 504 residential units, parking, and retail space. The project began in June 2007 and is scheduled for completion in July 2009.

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- ◆ *Kent Place (Englewood)*. The \$100-million, mixed-used facility will occupy the former location of Denver Seminary and will include retail, parking, and two residential towers. Construction began in May 2007 and is scheduled for completion in January 2009.

The highest-valued public projects in the Metro Denver area are as follows:

- ◆ *Army Aviation Support Facility, Buckley Air Force Base (Aurora)*. The \$32.6-million construction of a hanger for Black Hawk and Chinook Helicopters was completed in January 2007.
- ◆ *Commerce City Civic Center (Commerce City)*. The 88,000-square-foot, \$28-million civic and justice center was finalized in April 2007.
- ◆ *Lafayette Police Facility (Lafayette)*. The \$14.6-million project placed a 20,000-square-foot facility next to the city's fire station. Construction was completed in April 2007.

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Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↓	↑	Employment declined by 12,300 jobs from June to July; employment is up 1.8% through July 2007
% Companies Hiring (Denver Area)	↓	↔	26% of companies expect to add workers in Q3 2007
Unemployment Rate	↔	↓	Metro rate 3.8% in June and July; YTD avg. rate of 3.9% down from 4.6% in 2006
Initial Claims	↑	↑	Claims increased 19.3% from June to July; YTD claims are up 0.8% through July 2007
Total Retail Sales	↑	↑	YTD Metro retail sales up 10.1% through May 2007; 9.7% year-to-date gain for Colorado
Consumer Confidence Index	↑	↑	Mountain region confidence level increased from 129.5 in Jun to 138.0 in Jul; YTD up 3.1%
Hotel Occupancy	↓	↑	Hotel occupancy decreased from 80.1% in June to 77.9% in July; avg room rate increased to \$115.59
DIA Passengers	↑	↑	Traffic increased 6.3% May to June; YTD traffic of 24.5 million up 4.2% through June 2007
Bloomberg Colorado Index	↔	↑	Bloomberg Colorado Index essentially unchanged from July to Aug; index up 10.9% for the year
Dow Jones Industrial Average	↑	↑	DOW increased 1.1% from July to Aug; index up 7.2% for the year
Home Sales (closed)	↓	↑	Home sales decreased 2.9 percent between June and July; YTD up 0.6% as inventory declined
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 decreased 17.5 percent from June to July; YTD foreclosures up 43.1% through Jul 2007
Residential Building Permits (Total)	↑	↓	Total permits increased 22.5% from May to June; YTD permits down 15.2% through June 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
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