



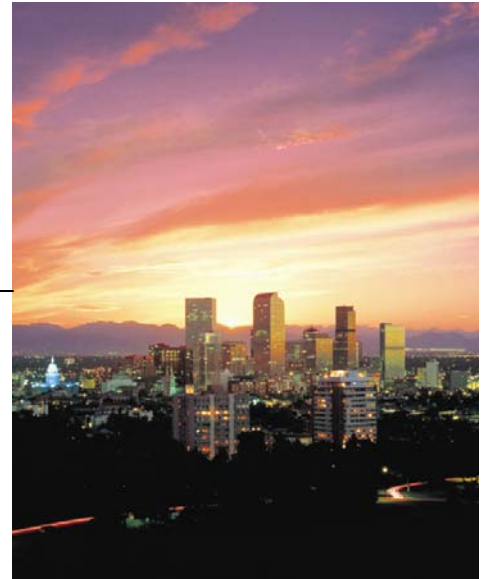
Metro Denver
Economic Development Corporation

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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MONTHLY ECONOMIC SUMMARY

The following report presents a comprehensive analysis of business and economic conditions currently prevailing in the seven-county Metro Denver area, including Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson counties. There are two metropolitan statistical areas (MSAs) located within the Metro Denver region: the Boulder-Longmont MSA (Boulder County) and the Denver-Aurora MSA (Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson and Park counties). Data in this report may be presented according to the seven-county Metro Denver definition, or at the MSA level or the county level, depending upon data availability.

Information in this report is grouped into four main categories: labor and employment; the consumer sector; residential real estate; and commercial real estate. The most recent statistics currently available are used, including the most recent monthly or quarterly data, the previous month or quarter and a comparison of annual trends with the previous year. In addition, the report includes annual averages from five- and ten-years previous so that current data may be compared to historical trends.

Notable Rankings

- ◆ Airfares at Denver International Airport (DIA) are among the most affordable in the U.S. The U.S. Bureau of Transportation Statistics ranked DIA among the top airports for the largest fare decreases from first quarter 2005 to first quarter 2006 and for the smallest fare increases from first quarter 1995 to first quarter 2006. Airfares at DIA declined by the second-largest rate of 2.2% in the first quarter of 2006 from the same period last year. Southwest Airlines' arrival at DIA in January 2006 spurred the "Southwest effect" and lowered prices at existing airlines like United Airlines and Frontier Airlines. Honolulu reported the largest air fare decline of 4.6% while airfares increased by an average of 10.3% in the nation's 85 largest markets. Airfares at DIA increased only 3.1% from first quarter 1995 to first quarter 2006 despite 10 years of inflation, the smallest fare increase among the 85 largest markets.
- ◆ Venture capital awards to Colorado companies declined 36% from first quarter to second quarter 2006, totaling \$84.4 million for the April-June period. Several of Colorado's venture capital awards during the second quarter went to companies that were later stages of development and consequently require smaller investments, according to the latest MoneyTree report. The largest deals were \$12.2 million awarded to Boulder-based ProStor Systems and \$12.0 million awarded to Louisville-based Picolight. National investment in the second quarter increased to \$6.35 billion among 856 deals, the most number of deals for any three-month period since fourth quarter 2001. The MoneyTree report is jointly produced by PricewaterhouseCoopers, Thomson Venture Economics and the National Venture Capital Association.
- ◆ A separate report by Ernst & Young and Dow Jones VentureOne also indicates a second-quarter decline in Colorado's venture capital funding. Colorado companies raised \$76.3 million from 11 deals during the April-June period, one of the smallest quarterly totals since 2000. Technology companies raised the bulk of the funding followed by health care companies. In the same quarter last year, Colorado companies raised \$193.6 million in 24 deals. Analysts note that because the Colorado venture market is relatively small, one large deal can skew the statistics. National venture awards reached the highest level in more than four years of \$6.73 billion among 619 deals.
- ◆ Denver ranks 10th for the number of entry-level jobs open to recent college graduates, according to CollegeGrad.com. There are 2,500 open positions for recent graduates in Denver compared to 9,000 open positions in New York City and 4,000 positions in Chicago.
- ◆ Metro Denver topped *Forbes* magazine's list of The Best Cities for Singles for the third year in a row. *Forbes* magazine compares the 40 largest metropolitan areas in the U.S. on nightlife, culture, job growth, number of other single persons, cost of living alone, online dating and "coolness." Boston, Phoenix, San Francisco and New York rounded out the top five cities.

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- ◆ The City of Longmont was one of only ten U.S. cities to be named an “All-American City” by the National Civic League. Longmont was recognized for identifying its challenging community issues and working collaboratively with the community to find solutions. The “All-American City” designation was created in 1949 and is said to be the nation’s oldest community award.
- ◆ Fort Collins is the best place to live among U.S. cities with populations greater than 50,000, according to *Money* magazine. The ranking analysis included demographic data, crime statistics, educational achievement factors and on-site visits. *Money* magazine representatives said the site visit boosted Fort Collins to the top of the list. Westminster ranked 24th and Longmont ranked 61st. Colorado Springs was the nation’s top ranked large city.
- ◆ Metro Denver hospitals appeared among the top 50 hospitals for 11 of the 16 ranked medical specialties in the latest *U.S. News & World Report*. Some of the top rankings by specialty included the following:
Endocrinology - University of Colorado Hospital (15th); Gynecology – University of Colorado Hospital (19th); Kidney Disease – University of Colorado Hospital (11th); Respiratory Disorders – National Jewish Medical and Research Center (1st) and University of Colorado Hospital (6th); Pediatrics – Children’s Hospital (7th); and Rehabilitation – Craig Hospital in Englewood (6th).

General Economic Overview

Economic activity in the U.S. slowed from first quarter to second quarter 2006, according to advance gross domestic product (GDP) estimates released by the U.S. Bureau of Economic Analysis. GDP increased 2.5% during the April to June period compared to a robust 5.6% increase recorded in the first quarter of the year. Over half of the overall deceleration was due to a slowdown in consumer spending from a 4.8% increase in the first quarter to a 2.5% increase in the second quarter. Business investment in equipment and software also weakened in the second quarter along with U.S. exports. GDP measures the output of goods and services produced by labor and property located in the U.S.

The national economy continues to expand but at a slower pace, as indicated by the Federal Reserve Board’s latest Beige Book report. While all 12 of the Federal Reserve districts reported economic growth in June and early July, the survey noted that there were “numerous individual reports pointing to evidence that the pace of growth has slowed.” U.S. consumers at big-box and other discount retailers pulled back on spending in several districts due to higher gasoline costs while retail sales at higher-end, luxury stores were unaffected. Consumer spending in the Federal Reserve’s 10th District, which includes Colorado, Nebraska, Kansas and Oklahoma, increased in the June to early July period. Increased natural resources activity and a strong tourism sector also positively contributed to economic growth in the 10th District. On the other hand, drought conditions and a slowing housing market were listed among constraints to economic expansion.

The Federal Open Market Committee (FOMC) increased the target for the federal funds rate by 25 basis points at its last meeting on June 29th, raising the target to 5.25%. The Committee noted that while economic growth appears to be moderating partly due to a cooling housing market, interest rate hikes and high energy prices, core inflation has heightened in recent months. The June increase was the 17th of its kind in the last two years and marks a five-year high. The next FOMC meeting is scheduled for August 8, 2006.

The U.S. trade deficit, which measures the difference between U.S. exports and imports, rose in May due to the largest price increase of imported oil in almost 16 years. The deficit increased 0.8% in May to the sixth highest deficit on record of \$63.8 billion despite an increase in U.S. exports. At this pace, the U.S. trade deficit will reach \$763 billion by year end, a 6.5% increase over 2005. Analysts expect the price of imported oil to rise in coming months which will likely deepen the trade deficit.

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

- ◆ The Conference Board's Index of Leading Economic Indicators increased slightly in June after two consecutive months of declines. The June index increased 0.1% to 138.1 with improvements in six of the ten contributing factors. The Leading Index has declined 0.3% from December 2005 to June 2006. The Conference Board's coincident index, which gauges current economic conditions, continued its steady climb in June, increasing 0.2% to 122.9 with all four index components reporting improvements. The coincident index is up 1.1% from December 2005 to June 2006.
- ◆ The nation's manufacturing sector expanded for the 37th consecutive month in June but at a slower than expected rate, according to the Institute for Supply Management's Purchasing Managers' Index. The index decreased from 54.4 in May to 53.8 in June, marking the lowest reading since August 2005. Still, a reading greater than 50 suggests economic expansion whereas a reading below 50 suggests economic contraction.
- ◆ The Front Range Purchasing Managers' Index compiled by the University of Colorado at Denver Business School continued its expansion in May but at a slower pace. The May index registered 60.2, down from 64.8 in April. As with the national index, a reading below 50 indicates economic contraction while a reading greater than 50 indicates economic expansion.
- ◆ The national service economy expanded for the 39th consecutive month in June but at a slower pace than recorded in May. The overall business activity index decreased from 60.1 in May to 57.0 in June, according to the National Institute for Supply Management's Non-Manufacturing Index. Fourteen of 16 service sectors reported heightened activity in June, led by the transportation, business services and mining sectors.
- ◆ Metro Denver's non-manufacturing or service economy also expanded in May after two months of declines, according to the College of Business at the University of Colorado at Denver. The service economy index increased from 49.4 in April to 53.2 in May. A reading below 50 indicates economic contraction while a reading greater than 50 indicates economic expansion.
- ◆ The Creighton University Business Conditions Index for the Mountain States region slipped for the second consecutive month in June, indicating positive but slower economic growth for the Colorado-Wyoming-Utah region. The individual Colorado index increased from 63.5 in May to 64.1 in June but the June 2006 index is down from the June 2005 index of 68.0. A reading greater than 50 indicates expansionary conditions. The Business Conditions Index is developed from a survey of supply managers and business leaders.
- ◆ Conditions improved for Colorado's small-business owners in June. The Vectra Bank Colorado Small Business Index increased to 103.8 in June from a revised 102.7 in May. The index judges economic conditions from a small business perspective and uses a baseline value of 100.0 in 1997. The U.S. Small Business Index also increased in June to 93.3 from a revised 92.7 in May.
- ◆ Colorado business leaders expect continued economic growth in the state during the third quarter but are slightly less optimistic compared to the second quarter outlook. The Colorado Business Leaders Confidence Index declined from 60.1 in the second quarter to 54.2 for the July-September period. The forward-looking index is comprised of six component indexes, all of which reported declines from the second quarter outlook.
- ◆ The Metro Denver Leading Index increased to 101.1 in April after stalling at 101.0 for the two months prior, indicating that the economic expansion in Metro Denver continues to gain strength. The April index is at its highest level since June 2001, suggesting that economic growth has rebounded to pre-recessionary levels. Four of the seven Leading Index components reported improvements from March to April. The Leading Index is a predictor of changing economic activity six to nine months in advance. The Historic Index recovered in April to 130.1 after slipping from 130.1 in February to 128.9 in March. Both of the Historic Index's two components improved from March to April and are also improved over April 2005 levels. The Historic Index measures

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year-over-year growth, so both the direction and magnitude of change are important. The 100 level represents the benchmark year of 1995 for both indexes which are compiled by Development Research Partners.

Labor and Employment

Average employment levels in Metro Denver are up 2.2% through the first half of 2006 compared to the same six-month period last year. A closer look reveals that employment in the Boulder-Longmont MSA is up 1.4% for the year compared to a more robust 2.3% gain in the Denver-Aurora MSA. For the 18th consecutive month, year-to-date employment growth in Metro Denver through second quarter outpaced the nation. U.S. employment is up 1.5% through the first half of 2006 while total employment in Colorado is up 2.2%.

Employment growth is widespread in Metro Denver with all industries showing year-to-date gains through June except for the Information sector. The Natural Resources & Construction sector reported the strongest percentage gain of 6.7% through June, followed by a 3.3% increase in Professional & Business Services employment and a 2.9% increase in Transportation, Warehousing & Utilities employment. Information sector employment is down 3.7% for the year. A slightly different perspective indicates that the most jobs added to Metro Denver payrolls from the first half of 2005 to the first half of 2006 occurred in the Professional & Business Services (+7,000 jobs), Natural Resources & Construction (+6,200 jobs) and Wholesale & Retail Trade (+4,200 jobs) sectors. The Information sector, which includes telecommunications, is down by 2,200 jobs during the first half of 2006.

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

	Month of Jun-06 (p)	Month of May-06	Month of Jun-05	Year-to- Date Average 2006	Year-to- Date Average 2005	Year-to- Date Average % Change	Annual Growth Rate 2001	Annual Growth Rate 1996
Total 11-County Metro Denver*	1,392.8	1,379.3	1,362.2	1,365.0	1,336.2	2.2%	0.0%	3.1%
Denver-Aurora MSA	1,230.1	1,215.6	1,201.5	1,203.0	1,176.5	2.3%	-0.2%	3.2%
Boulder-Longmont MSA	162.7	163.7	160.7	161.9	159.7	1.4%	1.5%	2.7%
Natural Resources & Construction	104.2	101.6	99.0	99.2	93.0	6.7%	2.0%	5.5%
Manufacturing	92.5	91.8	91.5	91.7	90.8	1.0%	-5.8%	2.0%
Wholesale & Retail Trade	211.4	210.2	208.1	209.2	205.0	2.1%	-0.4%	2.9%
Transp., Warehousing & Utilities	53.1	52.4	50.8	52.1	50.6	2.9%	2.3%	5.4%
Information	55.8	55.8	57.4	55.6	57.8	-3.7%	-3.3%	5.1%
Financial Activities	109.1	108.2	106.9	108.1	105.8	2.1%	-0.3%	5.5%
Professional & Business Services	231.2	227.1	222.4	223.4	216.4	3.3%	-1.4%	3.6%
Education & Health Services	140.5	140.5	137.7	139.8	136.8	2.2%	4.1%	3.5%
Leisure & Hospitality	147.0	141.7	144.2	138.3	135.6	2.0%	1.0%	1.2%
Other Services	51.5	50.5	51.0	50.6	50.4	0.4%	-0.2%	5.1%
Government	196.5	199.5	193.2	197.0	194.1	1.5%	2.5%	0.8%
Federal Gov't	31.7	31.5	31.5	31.4	31.5	-0.2%	-3.3%	-5.2%
State & Local Gov't	164.8	168.0	161.7	165.7	162.6	1.9%	3.8%	2.5%
Colorado	2,289.2	2,264.2	2,244.9	2,251.2	2,202.1	2.2%	0.6%	3.6%
United States	136,380	135,841	134,531	134,482	132,540	1.5%	0.0%	2.1%

*Includes the Denver-Aurora MSA (Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson and Park counties) and the Boulder-Longmont MSA (Boulder County).

Source: Colorado Department of Labor and Employment, Labor Market Information. (p) =preliminary

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

Aerospace: NASA awarded Lockheed Martin's Jefferson County-based Space Systems Co. a 90-day study contract to examine long-term ground processing and infrastructure planning for NASA's Constellation program. NASA awarded the \$150,000 contract to three other companies that will separately examine the issues. Lockheed Martin Co. also landed a \$136 million NASA contract to build an Atlas V 401 rocket that will launch the Lunar Reconnaissance Orbiter. The spacecraft's mission is to map the moon as part of NASA's effort to return to the moon by 2020. The rocket will also carry a satellite that will determine whether water ice exists on the moon.

Aviation: United Airlines reported a second quarter profit of \$119 million, the first quarterly profit achieved by the airline since 2000. The largest commercial carrier at Denver International Airport credited increase airfares, strong consumer demand and significant cost cutting for the second quarter profit. United Airlines, which recently emerged from a 38-month bankruptcy, employs about 5,000 workers in Metro Denver.

United Airlines is not the only airline cutting costs. Data from the U.S. Bureau of Transportation Statistics shows that U.S. airlines employed 5.0% fewer workers in May 2006 than a year earlier. United Airline's full-time employee count decreased from 55,000 workers in May 2005 to 54,000 workers in May 2006. On the other hand, Denver-based Frontier Airlines increased their full-time employee count from 4,100 in May 2005 to 4,400 in May 2006. Three years ago, Frontier Airlines' employee count was 2,600.

Energy: The U.S. Department of Energy awarded Colorado \$5.68 million in programming grants to explore and develop "weatherization" or energy efficiency improvements in homes of low-income families. According to the Department of Energy, weatherization can save the average household \$358 annually.

The National Renewable Energy Lab (NREL) in Golden officially opened the new \$22 million Science and Technology Facility that will serve as a meeting place for NREL scientists and the private-sector in the pursuit of solar technologies and lowering the cost of photovoltaic panels. The new facility is the latest move towards NREL's goal of consolidating its research facilities onto one campus that will accommodate 500 employees. NREL plans to build three more buildings beginning in 2007.

Financial Services: Western Union will cut 150 positions company-wide of which 80 losses are expected in Metro Denver. The Metro Denver losses will occur at both a call center and the company's headquarters in the Meridian Office Park and are aimed at improving efficiencies. About half of the money-transfer provider's workforce of 5,000 is located in Colorado.

Information Technology: The national technology sector is showing signs of recovery. The latest report by Challenger, Gray & Christmas, Inc. indicates that job cuts in the technology sector decreased to the lowest level during the second quarter of 2006 in almost six years. Second quarter job cuts decreased 26% from the first quarter to 29,226 losses during the April to June period. Technology sector job cuts peaked in 2001 with an annual loss of 695,581 positions.

Sun Microsystems, Inc. will sell off the 390-acre Storage Technology campus in Louisville that it acquired in June 2005 as part of the \$4.1 billion company acquisition. Workers at the former Storage Technology site will transfer to Sun Microsystems's Broomfield campus so that the property can be vacated early next year. The news of the closure follows the loss of 122 jobs at Sun Microsystems's Broomfield and Louisville facilities last month.

Honda purchased 11 acres in Longmont for a 60,000-square foot data center that will initially employ between 15 and 20 workers but may house 100 workers in the future. Construction of the \$20 million data center is set to begin in the next several months. Honda selected Longmont for the facility because it is not highly susceptible to natural disasters and offers affordable electric rates.

Telecommunications: Douglas County-based Time Warner Telecom revealed plans to purchase Missouri-based Xspedius Communications for \$531.5 million, a move that will increase Time Warner's penetration from 44 to 75 U.S. markets. Xspedius provides telecommunications services primarily to small- and medium-sized businesses.

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Analysts expect some job cuts as a result of the acquisition but did not speculate as to their depth. Time Warner employs a total of 2,055 workers of which half are located in Metro Denver. Xspedius employs 755 workers.

The hiring pace in Metro Denver will strengthen in the third quarter of 2006, according to the latest Manpower Employment Outlook Survey. About 43% of the companies interviewed in the Denver area plan to hire more employees in the third quarter of 2006, up from 38% in the second quarter. The third quarter hiring outlook is the strongest since first quarter 2005. Only 8% of companies plan to reduce payrolls while another 49% do not anticipate any staff changes. Hiring expectations are also strong in the Boulder area with 47% of companies planning to add workers and no companies anticipating job cuts. Hiring expectations for the Denver and Boulder areas are improved over third quarter 2005 expectations. Job prospects in the Denver area appear best in durable and non-durable goods manufacturing, transportation/public utilities, wholesale/retail trade, finance/insurance/real estate and services. Meanwhile, construction, education and public administration employers anticipate a mix of job gains and losses.

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

Employment Outlook Survey

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

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

The Spring 2006 Job Vacancy Survey found that 39,700 positions were open for immediate hire in Metro Denver compared to 23,300 open positions one year earlier. Retail trade, accommodations and food services, and health care and social assistance businesses had the most job vacancies during the survey period. The survey also found that small to mid-size companies provide the most job vacancies. The latest Job Vacancy Survey by the Colorado Department of Labor & Employment was conducted between April 14 and June 27, 2006.

The average annual unemployment rate in Metro Denver was 4.7% through the first half of the year compared to 5.5% during the first six months of 2005. The Metro Denver unemployment rate increased from 4.3% in May to 4.8% in June. All seven Metro Denver counties reported unemployment rate increases in June with Denver (5.5%) and Adams (5.4%) counties showing the highest unemployment rates. The lowest unemployment rates in June occurred in Douglas (3.3%) and Boulder (4.2%) counties. Both Colorado and the nation also reported similar increases in their unemployment rates. The statewide unemployment rate increased from 4.3% in May to 4.7% in June while the national unemployment rate increased from 4.4% in May to 4.8% in June.

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

	June 2006 (p)		2006 YTD AVG		2005 YTD AVG		2001	1996
	Total Labor Force	Unemployment Rate	Total Labor Force	Unemployment Rate	Total Labor Force	Unemployment Rate	Ann Avg Unemployment Rate	Ann Avg Unemployment Rate
Metro Denver	1,495.0	4.8%	1,470.5	4.7%	1,434.9	5.5%	3.9%	3.8%
Adams County	210.0	5.4%	206.5	5.3%	201.5	6.2%	4.2%	4.2%
Arapahoe Cnty	309.4	4.8%	303.6	4.5%	296.0	5.4%	3.8%	3.2%
Boulder Cnty	171.3	4.2%	170.5	4.0%	167.4	4.8%	3.5%	3.8%
Broomfield Cnty*	25.0	4.6%	24.5	4.5%	23.9	5.1%		
Denver County	316.4	5.5%	311.0	5.4%	303.7	6.4%	4.7%	5.0%
Douglas Cnty	142.1	3.3%	139.7	3.2%	135.8	3.8%	3.2%	2.2%
Jefferson Cnty	320.7	4.8%	314.8	4.6%	306.7	5.3%	3.7%	3.4%
Colorado	2,655.1	4.7%	2,600.7	4.6%	2,533.0	5.4%	3.9%	4.2%
United States	152,557	4.8%	150,378	4.8%	148,333	5.3%	4.7%	5.4%

*Broomfield County was formed in November 2001 from parts of Adams, Boulder, Jefferson and Weld counties.

Source: Colorado Department of Labor and Employment, Labor Market Information. (p) =preliminary

The number of first time unemployment insurance claims filed in Metro Denver decreased for the third consecutive month in June. Total claims fell below the 4,000 threshold to 3,995 in June, the fewest number of filings since October 2000. Through the first half of 2006, first time unemployment claims are down 7.5% compared to the same period last year. Unemployment claims also decreased at the state level, declining from 9,093 in May to 8,363 in June. Colorado claims are down 10.9% so far this year.

First-Time Unemployment Insurance Claims

	Month of	Month of	Month of	YTD Avg	YTD Avg	YTD Avg	Annual	Annual
	Jun-06	May-06	Jun-05	2006	2005	% Change	Average 2001	Average 1996
Metro Denver	3,995	4,206	4,401	4,703	5,082	-7.5%	6,599	4,573
Colorado	8,363	9,093	9,017	9,730	10,925	-10.9%	13,624	

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

Consumer Sector

The Consumer Price Index, the nation's gauge of inflation, rose by a modest 0.2% in June after increasing 0.4% in May. The June increase marks the smallest increase in four months. Core inflation, which excludes energy and food prices, posted a larger-than-expected 0.3% gain. Core inflation increased at an annual rate of 3.6% during the second quarter which is a faster pace than the 2.0% or less preferred by the Federal Reserve Board.

Gasoline prices continued to climb in July partly due to increased demand from summer travelers, a crude-oil spill in Louisiana and uncertainty in the Middle East and North Korea. Meanwhile, increased wholesale prices have translated into higher prices for consumers. The AAA Fuel Gauge Report shows that the average price for a gallon of regular gas increased \$0.17 from a month earlier to \$2.95 on July 28, 2006. A year ago, the average price for a gallon of regular gas averaged \$2.20 in Metro Denver. Still, Metro Denver gas prices stayed below the national average of \$3.10 per gallon. Some communities in Colorado saw average prices above \$3.00 per gallon in July.

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High gasoline prices may be curtailing retail spending at the national level. The U.S. Department of Commerce reported a 0.1% decline in June retail sales compared to May sales. Excluding gasoline sales, retail sales decreased 0.2% in May. A separate report by the International Council of Shopping Centers, which tracks 54 same-store sales or sales at stores that have been open at least one year, indicated total sales in June increased 2.5%. Still, the June increase was down from the prior five-month average gain of 4.1%. Sales disappointed at Wal-Mart Stores Inc., Federated Department Stores Inc. and Limited Brands Inc. in addition to significant declines in sales at Gap Inc. and Pier 1 Imports Inc. On the other hand, Target Corp., J.C. Penney Co. Inc. and Ann Taylor Corp. reported increased sales.

Retail sales in Metro Denver ticked upward in May, bringing year-to-date retail sales 9.2% above total retail sales at this time last year. The strongest gains through May occurred in Adams (+12.4%), Arapahoe (+11.2%), Denver (+10.9%) and Broomfield (+10.2%) counties. More modest gains have occurred in the remaining counties with Boulder County showing the smallest gain of 1.6%. Retail sales at the state level are growing at a slightly faster rate than Metro Denver of 9.9% through May.

Total Retail Sales (\$000s)

	Month of May-06	Month of Apr-06	Month of May-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Annual Growth 2001	Annual Growth 1996
Total Metro Denver	6,199,251	5,910,024	5,504,610	29,869,786	27,357,393	9.2%	2.9%	7.1%
Adams County	1,005,155	919,014	822,372	4,595,604	4,087,195	12.4%	3.6%	3.2%
Arapahoe County	1,410,077	1,312,985	1,252,772	6,715,294	6,039,920	11.2%	-0.5%	10.1%
Boulder County	527,865	541,108	529,499	2,715,867	2,672,986	1.6%	1.6%	10.4%
Broomfield County	121,276	122,830	111,677	585,643	531,616	10.2%		
Denver County	1,708,829	1,611,144	1,455,299	8,220,603	7,409,907	10.9%	1.6%	2.2%
Douglas County	474,306	459,845	456,793	2,264,654	2,098,976	7.9%	16.5%	46.4%
Jefferson County	951,743	943,098	876,197	4,772,121	4,516,792	5.7%	2.6%	5.8%
Colorado	10,356,801	10,056,349	9,229,774	50,639,380	46,064,576	9.9%	2.9%	7.2%

Source: Colorado Department of Revenue.

Consumer confidence in the mountain region rebounded in June after slipping in May. Mountain region consumer confidence increased from a revised 124.5 in May to 136.9 in June. Consumer confidence is 12.5% higher through the first half of the year compared to the first six months of 2005. The Conference Board report shows that the Mountain region continues to lead the nation's nine regions with the highest consumer confidence index in June. The confidence index is comprised of the present situation index and the expectations index which both increased in June. The perceptions of current situations increased from a revised 161.0 in May to 174.1 in June, the highest reading among the nine regions. Future expectations increased from a revised 100.3 in May to 112.0 in June, also the highest reading among the nine regions.

Consumer Confidence Index

	Month of Jun-06 (p)	Month of May-06	Month of Jun-05	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Ann Avg 2001
Mountain	136.9	124.5	130.1	134.2	119.3	12.5%	115.2
United States	105.7	104.7	106.2	106.2	103.2	2.9%	106.6

Source: The Conference Board. (p) =preliminary

National consumer confidence increased slightly in June to 105.7 from a revised 104.7 in May. Perceptions of the current situation at the national level slipped from a revised 134.1 in May to 132.7 in June while expectations of

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future conditions improved from a revised 85.1 in May to 87.6 in June. Advance estimates for July confidence levels reveal increased consumer confidence for the U.S. with the overall confidence index increasing to 106.5.

Total overnight visitors to Colorado increased by a modest 1.0% in 2005 to a record 25.9 million but the increase in “marketable visitors,” or those visitors lured to the state by advertising as opposed to family and friends, increased 6.0% to 11.7 million. Colorado’s rank for the number of “marketable visitors” improved from 23rd in 2004 to 18th in 2005. The data, compiled by Longwoods International, also shows that the average trip length for Colorado vacations was 5.7 nights in 2005 compared to 6.8 nights in 2004. Nationally, the average vacation length declined from 5.4 nights to 4.9 nights. The most visitors to Colorado come from California, Texas, Arizona, Oklahoma, Nebraska, Kansas and Utah. Indeed, approximately two-thirds of the state’s visitors travel more than 500 miles from their homes which is twice the national average of mileage traveled. The state tourism study follows the Metro Denver study that was released in June.

Central City welcomed another casino in July. Colorado Springs-based Century Casinos opened the \$50 million Century City Casino & Hotel one month ahead of schedule. The 60,000-square-foot casino holds 627 slot machines, 12 table games, 27 hotel rooms, retail amenities and a 500-space parking garage.

The tourism industry in Metro Denver has much to gain from several high-profile conventions in Metro Denver. The International Christian Retail Show came to Denver in July along with 10,000 participants. The five-day event generated an estimated economic impact of \$20.6 million for the local economy.

Looking ahead, Denver is also one of the three finalists for the Democratic National Convention (DNC) in 2008 along with Minneapolis-St. Paul and New York City. The DNC convention draws between 30,000 and 35,000 participants from across the nation that stay in the area for several days. The Denver Metro Convention & Visitors Bureau estimates the local economy will see an economic benefit of between \$139 million and \$206 million if Denver is selected. The location decision will be made following the November elections. The National Association of Sports Commissioners selected Denver for its 2009 Sports Event Symposium. Expected attendance at the annual conference exceeds 500 industry representatives. Finally, the National League of Cities will host its 87th annual Congress of Cities and Exposition in Denver in 2010. The five-day event will draw an estimated 6,000 people from around the U.S. and create an economic impact of between \$6 million and \$10 million.

The Metro Denver lodging industry strengthened in June in terms of increased occupancy and higher average room rates as the summer season officially got underway. The occupancy rate increased from 66.6% in May to 77.9% in June, bringing year-to-date occupancy levels 3.2% above the occupancy average for the first half of 2005. The average room rate also increased from \$100.97 per night in May to \$103.48 per night in June. The average room rate for the first half of the year stands about \$9.00 above 2005 rates. Statewide, the average daily room rate was \$109.16 in June, up \$8.75 from June 2005.

Metro Denver Hotel Statistics

	Month of Jun-06	Month of May-06	Month of Jun-05	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Annual 2001	Annual 1996
Percent of Hotel Rooms Occupied	77.9%	66.6%	77.6%	64.6%	62.6%	3.2%	62.5%	72.3%
Average Hotel Room Rate	\$103.48	\$100.97	\$91.99	\$97.85	\$88.71	10.3%	\$88.52	\$77.58

Source: Rocky Mountain Lodging Report.

In other lodging news, plans to build a 200-room luxury hotel in Greenwood Village were unveiled. The \$75 million development by ING Clarion Partners will also incorporate 25 luxury condominiums starting at \$750,000 and 1,800 square feet. The four-star hotel will feature a restaurant, 10,000 square feet of meeting space and a 10,000-square-foot ballroom. Construction will begin next summer.

Southwest Airlines has made its mark at DIA since its return in January, at least in terms of the markets Southwest Airlines serves. During its first three months of operation, overall passenger traffic from DIA to

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destinations increased 62% compared to first quarter 2005 traffic levels. Travel specifically from Denver to Phoenix increased 70% as average airfares dropped by 37.5%. Travel from Denver to Las Vegas and Chicago increased 55% while airfares fell 28% to Las Vegas and 18% to Chicago. High fuel costs recently caused the discount airline to increase airfares at DIA by up to \$10 for the first time since it arrived.

Passenger traffic at DIA increased 12.9% from May 2005 to May 2006 with more than 4.1 million passengers traveling through the airport in the fifth month of the year. Through May of 2006, passenger traffic is up 11.8% to a record 19.1 million passengers. May marks the 13th consecutive month the airport has set a monthly passenger traffic record and the fourth busiest month ever. The number of arrivals and departures at DIA through May increased 6.4% from the same five-month period last year. International arrivals and departures are up 14.0% due to United Airlines and Frontier Airlines growth in Mexico and Canada. DIA noted that May is typically not one of the busiest months for air travel because it is between the end of ski season and the beginning of summer. Airport officials are expecting increased travel in June and July based on record load factors and expanding capacity.

Denver International Airport Passengers

	Month of May-06	Month of Apr-06	Month of May-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Annual 2001	Annual 1996
Number of Airline Passengers	4,149,295	3,832,268	3,675,918	19,051,846	17,035,410	11.8%	36,092,806	32,296,174

Source: Denver International Airport, Traffic Statistics.

Investor optimism weakened in July to the lowest point since November 2005. The UBS/Gallup Index of Investor Optimism declined from 55 in June to 52 in July amid concerns of geopolitical events, high energy prices, rising inflation and real estate prices. The results are derived from a survey of 108 randomly selected investors with total savings and investments of greater than \$10,000. A solid 97% of the respondents said high energy prices were negatively affecting the national investment climate.

Investors were cheered by the announcement of slower GDP growth in the second quarter. Stock prices jumped following the news release at the end of the month as investors are optimistic that the slowed economic growth will cause the Federal Open Market Committee to pause or stop its monetary tightening. *Overall, the financial markets posted modest gains from June to July with the exception of the NASDAQ index that declined 3.6%. The DOW reported a 0.6% increase while the Standard & Poor's 500 increased 0.7%. For the year, the DOW and S&P 500 show respective gains of 4.7% and 2.4% compared to a 5.0% decline in the NASDAQ.*

The Colorado stock index, a compilation of the stock prices of 30 companies either headquartered in Colorado or having significant operations in the state, increased 2.8% in July to 1,773.6. The companies reporting the largest stock price percentage gains from June to July were EchoStar Communications (+13.8%), Lockheed Martin Corp. (+11.1%) and Rocky Mountain Chocolate Factory (+9.4%). The largest percentage losses occurred in McData Corp. (-21.8%), United Airlines (-15.7%) and Wild Oats (-8.7%). The Colorado Stock Index is flat for the year.

Stock Market Indexes

	Month of Jul-06	Month of Jun-06	Month of Jul-05	YTD Return 2006	YTD Return 2005	YTD Return 2004
Colorado	1,773.6	1,725.2	1,800.7	0.0%	13.1%	-0.1%
S&P 500	1,278.6	1,270.2	1,234.2	2.4%	1.8%	-0.9%
NASDAQ	2,094.1	2,172.1	2,184.8	-5.0%	0.4%	-5.8%
DOW	11,219.7	11,150.2	10,640.9	4.7%	-1.3%	-3.0%

Sources: Development Research Partners; Yahoo! Finance.

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Residential Real Estate

Rising interest rates are likely a major culprit in the cooling residential market that is exhibiting signs of a “buyers” market as opposed to a “sellers” market. New-home builders are offering incentives such as free upgrades, pools and vacations while the sales pace of both new and existing homes has slowed.

Sales of new homes in the U.S. slowed by 3.0% in June to a seasonally-adjusted annual rate of 1.13 million units from 1.16 million units in May. Sales of new homes are also down 11.1% from June 2005, according to estimates by the U.S. Census Bureau and the Department of Housing and Urban Development. Consequently, homebuilder confidence levels dipped to the lowest level in July in over 14 years. The National Association of Home Builders/Wells Fargo’s home builder confidence index declined from 42 in June to 39 in July, marking the eighth month-to-month decline in the last nine months.

Home builders are trying to entice buyers with incentives to counter slowing sales. A recent survey by the National Association of Home Builders revealed that 75% of the 369 home builders surveyed are currently offering incentives and add-ons at no cost to the buyer to complete the sale, up from 50% a year ago. The survey also reported that 33% of home builders are absorbing mortgage financing points to lower the buyer’s monthly costs, up from 18% a year ago.

Sales of previously-owned homes in the U.S. decreased 1.3% in June to a seasonally-adjusted annual rate of 6.6 million units. The June moderation was less than analysts expected but marks the third consecutive monthly decline and the eighth monthly decline in the past ten months. Inventory levels increased to 3.725 million units in June as the pace of home sales slowed. The number of homes on the market in June represented a 6.8 month supply, up from a 6.4 month supply in May.

Previously-owned home sales in Metro Denver increased 12.3% from May to June. On an annualized basis, previously-owned home sales are down 1.6% through June compared to the first half of 2005. Meanwhile, June inventory levels hit a record high of 31,900 homes, up from 30,457 condominiums and single-family homes on the market in May. June inventory levels are up 23.0% over June 2005 levels. The combination of increased home foreclosures and the seasonal increase in inventory levels contributed to the record high. The excess of supply over demand has led to a downward adjustment in condominium prices.

Home Sales Activity

	Month of Jun-06	Month of May-06	Month of Jun-05*	YTD Total 2006	YTD Total 2005*	YTD Total % Change	Ann Avg 2001	Ann Avg 1996
Home Sales (Under Contract)	6,049	6,459	6,660	33,603	35,063	-4.2%	32,248	33,406
Home Sales (Closed)	5,628	5,010	5,720	25,459	25,870	-1.6%	47,832	37,755
Unsold Homes on Market	31,900	30,457	25,934	31,900	25,934	23.0%	15,892	12,315
Average Sales Price-Single Family	\$335,111	\$315,257	\$319,197	\$317,761	\$304,080	4.5%	\$257,394	\$159,132
Average Sales Price-Condo	\$184,566	\$189,986	\$193,794	\$185,693	\$188,041	-1.2%	\$160,342	\$94,596
Median Sales Price-Single Family	\$261,750	\$250,943	\$254,000	\$250,000	\$244,000	2.5%	\$213,950	
Median Sales Price-Condo	\$159,900	\$160,000	\$166,000	\$157,500	\$159,000	-0.9%	\$141,000	

Sources: MetroList, Inc.

**Note: The 2005 data has been revised to reflect a geographic definition change that extends beyond the seven-county Metro Denver region to the entire area covered by MetroList, Inc. The 2005 data now includes Elbert, Park, Gilpin and Clear Creek counties as well as portions of the Loveland area.*

Home sales prices in the single-family category increased sharply in June despite record inventory levels. The average sales price for a single-family home in Metro Denver increased 6.3% in June to \$335,111 and the median sales price increased 4.3% to \$261,750. Through June, the average sales price is 4.5% higher than in the first six months of 2005 and the median price is 2.5% higher. The high-end market in Metro Denver, which is less affected by rising interest rates, is not showing signs of slowing and actually propped up the average sales price

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for single-family homes in June throughout the region. The average sales price for single-family detached homes in the southeast market, which includes Cherry Hills, Greenwood Village, parts of Centennial and unincorporated Arapahoe County, increased from \$566,966 in May to \$711,800 in June, a 25.5% gain. Larry Hotz of Kentwood Co. noted that the mix of homes sold in the southeast market pushed up the average sales price in June because more higher-end homes were sold than lower-end homes. The average sales price for single-family homes in the southeast market increased 16.1% from June 2005 to June 2006 compared to an overall 5.0% increase at the metro level.

The average sales price in the condominium market decreased 2.9% from \$189,986 in May to \$184,566 in June. The median sales price also decreased in June, slipping from \$160,000 in May to \$159,900 in June. On an annualized basis, the average sales price for condominiums in Metro Denver is down 1.2% through the first half of the year compared to a 0.9% decline in the year-to-date median sales price.

The median home price for previously-owned single-family homes in the U.S. appreciated 3.5% during the first quarter in the Denver-Aurora area and 6.9% in the Boulder area, according to the National Association of Realtors. Home price appreciation from first quarter 2005 to first quarter 2006 ranked the Denver-Aurora area 104th out of the 150 largest metropolitan statistical areas (MSAs) in the U.S. whereas Boulder ranked 80th. The median home price in the Denver-Aurora area was \$244,200, the 39th highest price during the first quarter of 2006 and above the national median home price of \$217,900. Boulder's median price of \$360,400 ranked 20th. The annual appreciation rates in both the Denver-Aurora and Boulder areas fall below the national average appreciation rate of 10.3%.

Median Home Price (\$000s)

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

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

Metro Denver foreclosures rose in June to the highest monthly level so far this year. Foreclosures increased from 1,635 in May to 1,664 in June. Total foreclosures through the first half of the year are 33.5% above the same period last year, rising to 9,542 foreclosures. The most foreclosures in 2006 have occurred in the City & County of Denver with 2,501 foreclosures, a 36.4% increase over last year. Arapahoe and Adams counties follow closely behind with 2,354 and 2,150 foreclosures, respectively. On the positive side, four of the seven Metro Denver counties reported decreased numbers of foreclosures from May to June, including Adams, Arapahoe, Boulder and Jefferson counties.

Real Estate Foreclosures

	Month of Jun-06	Month of May-06	Month of Jun-05	YTD Total 2006	YTD Total 2005	YTD Total % Change
Total Metro Denver	1,664	1,635	1,144	9,542	7,150	33.5%
Adams County	372	385	249	2,150	1,675	28.4%
Arapahoe County	390	419	264	2,354	1,725	36.5%
Boulder County	71	75	50	414	318	30.2%
Broomfield County	16	15	7	86	60	43.3%
Denver County	474	379	368	2,501	1,834	36.4%
Douglas County	97	72	70	566	505	12.1%
Jefferson County	244	290	136	1,471	1,033	42.4%

Source: CB Richard Ellis.

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The foreclosure rate in Colorado was the highest in the nation in June for the sixth consecutive month, according to Florida-based Foreclosure.com. There were 5,928 active foreclosures in the state in June or one foreclosure for every 280 occupied homes. In absolute terms, the highest number of foreclosures during June occurred in Texas, Michigan, Ohio, Georgia and Colorado. On the bright side, the number of Colorado's active foreclosures during the first half of the year was down 18% or by 1,000 foreclosures from the same period last year.

Colorado also holds the top ranking for the rate of foreclosures, according to a slightly different data set prepared by California-based RealtyTrac. One of every 158 homes in the state was in some stage of foreclosure during the second quarter of 2006 compared to the national rate of one in 425 homes. Weld County's rate of foreclosure surpassed Adams County's in the second quarter of 2006 to lead the state with one of every 66 homes in some stage of foreclosure. One of every 71 homes in Adams County entered some stage of foreclosure in the April-June period.

The number of foreclosures occurring in Colorado is likely to be helped by the recent passage of the Mortgage Brokers Registration Act that took effect July 1, 2006. The new law requires brokers to register with the state and involves an FBI background check and posting a \$25,000 bond. Prior to the law's passage, only Alaska and Colorado did not regulate mortgage brokers.

Construction of new homes in the U.S. slowed for the sixth consecutive month in June. The number of building permits issued in June decreased 4.3% to a seasonally-adjusted annual rate of 1.862 million from a revised rate of 1.946 million in May. The June 2006 pace is 14.9% below the 2.188 million pace estimated a year earlier.

Metro Denver builders appear to be bucking the national trend of slowed construction. According to new data from the Home Builders Association of Metro Denver, *the total number of residential building permits issued in May increased 28.8% from 1,871 in April to 2,410, the highest number of permits issued since June 2004. Single-family permits increased 8.7% from April to May while two-family permits increased 77.5%. There were no permits issued for multi-family construction in May. On an annualized basis, construction activity is up 17.6% compared to the first five months of 2005 with an 11.3% decline in single-family permits, a 131.7% increase in two-family permits and a 75.7% increase in multi-family permits. Aurora, Denver and Castle Rock led the metro region in single-family construction through May 2006 and Denver, Broomfield and Castle Rock have issued the most permits for two-family construction. All of the multi-family construction this year has occurred in either Lakewood or Arvada.*

Residential Building Permits

	Month of May-06	Month of Apr-06	Month of May-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Total 2001	Total 1996
Single-Family Units	1,102	1,014	1,283	5,688	6,416	-11.3%	14,262	13,182
Two-Family Units	1,308	737	241	3,445	1,487	131.7%	4,442	2,093
Multi-Family Units	0	120	0	499	284	75.7%	9,090	3,666
Total Units	2,410	1,871	1,524	9,632	8,187	17.6%	27,794	18,941

Source: Home Builders Association of Metro Denver.

In other construction news, Classic Residence by Hyatt plans to build a \$150 million luxury senior community in Highlands Ranch with construction starting this fall and lasting two years. The project will feature 250 independent-living units, 16 assisted-living units, 12 memory-support units and 32 skilled-nursing units. The Chicago-based developer noted that 70 units have already been reserved.

The rental market is strengthening as rising interest rates take their toll on the new and existing home markets. The second quarter apartment vacancy rate in Metro Denver dropped from 7.4% in the first quarter to 6.9%, the lowest rate since third quarter 2001. The second quarter 2006 vacancy rate was the highest in the City and County of Denver at 7.6% compared to the lowest rate of 5.7% in Douglas County. According to Gordon Von

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Stroh, a University of Denver business professor who compiles the data, it is likely that the vacancy rate could fall to 6.0% by year-end if the economy does not falter.

Meanwhile, the average apartment rents increased from \$835 per month in the first quarter to \$844 per month in the second quarter. The average rent figures do not factor out concessions which are still prevalent in Metro Denver. Douglas County had the highest monthly rent for two-bedroom, one-bath units in the second quarter of \$1,080, followed by \$861 in the City and County of Denver. The average rents in the remaining counties are in the upper \$700s.

Apartment Statistics

	Quarter 2 2006	Quarter 1 2006	Quarter 2 2005	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Annual Average 2001	Annual Average 1996
Apartment Vacancy Rate	6.9%	7.4%	8.0%	7.2%	8.7%		6.4%	5.0%
Average Monthly Rental Rate (all units)	\$844	\$835	\$826	\$839	\$830	1.1%	\$822	\$607

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

Commercial real estate investments in Metro Denver during 2006 will likely surpass the \$3.2 billion record achieved in 2005, according to Patrick Devereaux of Cushman & Wakefield. Through the first half of the year, Devereaux has tracked \$2.3 billion in commercial real estate investment and says that it is not “unlikely” that the total value of transactions will exceed \$4.0 billion in 2006. Cushman & Wakefield’s forecast is similar to the previously-released forecast by Northstar Commercial Partners that tracked \$2.04 billion in commercial real estate transactions during the first half of the year.

Office market conditions in the second quarter improved on all fronts and are expected to continue to improve in the second half of the year but at a measured pace, according to research by CB Richard Ellis. The average asking lease rate in Metro Denver increased from \$17.07 per square foot in the first quarter of the year to \$17.33 per square foot in the second quarter. The highest lease rates during the April-June period were found in the Cherry Creek and Downtown submarkets while the Northeast market posted the lowest average rate of \$12.52 per square foot. CB Richard Ellis expects lease rates to increase through the remainder of the year. The average vacancy rate declined for the ninth consecutive quarter in the second quarter to the lowest level since 2001 of 14.8%. The vacancy rate during first quarter 2006 was 15.5%. Second quarter vacancy rates were at the highest levels in the second quarter in the Boulder, Northwest and Aurora submarkets but the lowest in the Longmont, Southwest and Downtown submarkets. The market also recorded its ninth consecutive month of positive absorption in the second quarter of 739,507 square feet. In fact, eleven of 14 submarkets in Metro Denver recorded positive absorption with only the Southwest, Boulder and Cherry Creek submarkets dissenting. About 837,000 square feet of office space was under construction during the second quarter, up from 653,100 square feet in the second quarter.

Jones Lang LaSalle reported a direct vacancy rate for the Central Business District (CBD) in Metro Denver of 11.2% for the second quarter. The direct rate for Class A space was 10.2% compared to 13.0% for Class B space. Vacancy rates were higher in Metro Denver’s suburban markets which experienced a direct vacancy rate of 15.1% in the second quarter. The direct rate for Class A space was 13.2% compared to 16.6% for Class B space.

Research by Grubb & Ellis indicates that while Metro Denver still retains relatively high office vacancy rates compared to other metropolitan markets throughout the U.S., vacancy rates in Metro Denver have also decreased at some of the sharpest rates – similar to declines in Los Angeles County, San Jose and Miami. Grubb & Ellis expects the sharp declines to wane as lease rates increase and dissuade tenants from relocating.

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Office fundamentals from Costar Realty Information, Inc. reveal a steadily improving office market in Metro Denver. The direct vacancy rate inched downward from 12.9% in the first quarter of 2006 to 12.8% in the second quarter. The total vacancy rate, which includes sublet space, also improved slightly from 14.3% in the first quarter to 14.0%. Compared to second quarter 2005, both the direct and total vacancy rates are down. Meanwhile, the average lease rate increased from first to second quarter, registering \$17.87 per square foot, the highest rate since first quarter 2003. About 1.56 million square feet of construction is currently underway in Metro Denver. Nearly half of the construction is taking place in the City & County of Denver, including the Denver Newspaper Agency building and the Environmental Protection Agency building in Downtown Denver.

Office Market Statistics

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

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

For the fourth consecutive quarter, industrial absorption was positive in the second quarter at more than 1.6 million square feet, the highest quarterly absorption level in six years. Consequently, the second quarter industrial vacancy rate declined to 7.6% from 8.2% in the first quarter, according to CB Richard Ellis. The highest second quarter vacancy rates occurred in the Longmont, Southeast and North Denver submarkets while the Midtown, Commerce City and Central Denver markets boasted the lowest vacancy rates. Lease rates increased from \$5.23 per square foot in the first quarter to \$5.48 per square foot in the second quarter. Lease rates range from a high of \$7.29 per square foot in the Boulder submarket to a low of \$4.60 per square foot in the Commerce City submarket. CB Richard Ellis' industrial statistics include R&D/Flex space.

Industrial vacancy rates may rise in the near term as a 459,921-square-foot industrial building returns to the market in September. The former Nobel/Sysco Food Services Co. building near I-25 and I-70 was purchased in 2003 by IBC Holdings LLC for \$12.8 million and renamed as the Denver Commerce Center. In 2003, Nobel/Sysco Food Services Co. announced its relocation to Stapleton.

The industrial sector is undergoing a construction boom with about 2.0 million square feet of new industrial space either under construction or in the planning stages along the I-70 corridor. According to Mitch Zatz of Cushman & Wakefield, four planned projects in the I-70 corridor result in about three-quarters of the 2.0 million square feet of new space: 332,000 square feet at the former Samsonite site; 415,000 square feet at the Majestic Commerce Center; 404,000 square feet at the Aurora Commerce Center; and 357,000 square feet at ProLogis Park. Also, another 550,000 square feet of space will eventually be added to the former Keebler plant next to the Denver Commerce Center.

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

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The second quarter average lease rate is the highest rate since third quarter 2003. About 1.08 million square feet of industrial space in 14 buildings was added to the Metro Denver market since January 2006. Another 1.35 million square feet of industrial space is currently under construction in Metro Denver.

Industrial Market Statistics

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

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

Metro Denver's flex real estate market has made modest improvements over the past year. The direct vacancy rate increased from first quarter 2006 to second quarter but remains below second quarter 2005. A similar pattern in the total vacancy rate can be observed. The average lease rate has increased steadily, up from \$8.24 per square foot (nnn) to \$8.46 per square foot (nnn). The second quarter average lease rate is the highest in twelve quarters. Only 0.29 million square feet of flex space was added to the Metro Denver market over the past six months while another 0.23 million square feet is currently under construction. Jefferson County accounts for about 40% of the flex space currently under construction, in terms of square feet, followed by 28% in Douglas County, 22% in Arapahoe County and 10% in Denver.

Flex Space Statistics

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

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

Despite negative absorption in the second quarter, the retail market in Metro Denver strengthened in terms of higher lease rates. Second quarter absorption was negative mostly due to the loss of Media Play from Metro Denver. Lease rates increased from \$15.18 per square foot in the first quarter of 2006 to \$15.91 per square foot in the second quarter. The highest lease rate of \$21.88 per square foot occurred in the Colorado Boulevard/Cherry Creek submarket while the lowest lease rate of \$11.71 per square foot occurred in the Aurora submarket. The average vacancy rate increased slightly from 5.7% in the first quarter to 5.9% in the second quarter. The Aurora

MONTHLY ECONOMIC SUMMARY

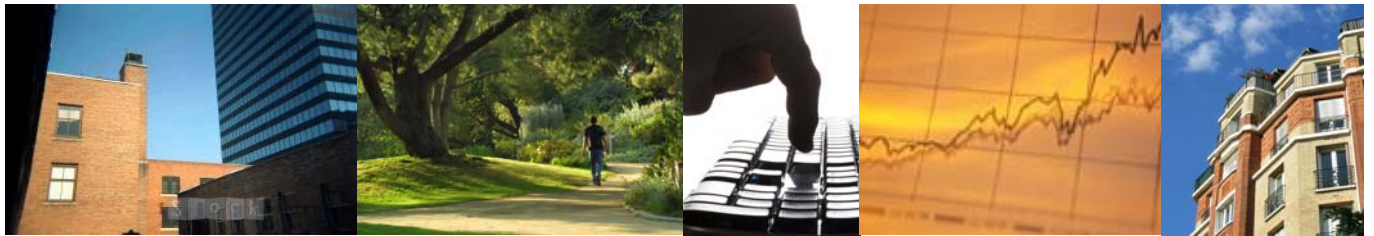
submarket reported the highest second quarter vacancy rate of 9.2% compared to just 3.0% in the Southeast market.

The retail sector continues to grow throughout Metro Denver. CB Richard Ellis reported that 6.1 million square feet of space was under construction during the second quarter of 2006 compared to about 4.2 million square feet under way a year earlier. Developers are likely to continue building in Metro Denver with another 6.0 million square feet in the pipeline. For example, Wal-Mart Stores Inc. submitted plans for a 195,000-square-foot Wal-Mart Supercenter in Commerce City. The store would serve approximately 7,000 households in the master-planned Reunion development that currently lacks convenience neighborhood retail. Sunflower Markets will open its third Colorado store in Highlands Ranch early next year in a defunct Mervyn's store. Sunflower currently operates stores in Denver and Fort Collins but also plans to add a fourth store at Highlands Garden Village. Sunflower hopes to open three or four more stores in Metro Denver over the next few years. The 26,000-square-foot grocery store will accompany a 50,000-square-foot Floor & Décor store that sells hard surface flooring at 30% to 50% below market prices.

MONTHLY ECONOMIC SUMMARY

Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↑	Employment increased by 13,500 jobs from May to June; employment up 2.2% through Q2
% Companies Hiring	↑	↑	43% of companies expect to add workers in Q3 2006 in Denver and 47% to add in Boulder
Unemployment Rate	↑	↓	Metro rate increased to 4.8% in June; annual rate through Q2 down to 4.7% from 5.5%
Initial Claims	↓	↓	Unemployment claims decreased in June to below 4,000; annual claims down 7.5%
Total Retail Sales	↑	↑	Total metro retail sales up 9.2% through May 2006; up 9.9% for Colorado
Consumer Confidence Index	↑	↑	Mountain region confidence level rebounded in June to 136.9 and stands 12.5% above 2005
Hotel Occupancy	↑	↑	Hotel occupancy increased in June to 77.9% from 66.6%; avg room rate increased to \$103
DIA Passengers	↑	↑	May traffic increased 8.3% from April; annual traffic up 11.8% through May
Colorado Stock Index	↑	↔	CO Stock Index increased 2.8% from June to July; index flat through July
Dow Jones Industrial Average	↑	↑	Dow increased 0.6% in July; index posting a 4.7% gain through July 2006
Home Sales (closed)	↑	↓	Home sales increased in June but are down 1.6% through Q2; avg single-fam sales price up 4.5%
Median Home Price	↓	↑	Median home price fell to \$244,200 in Q1 2006; Q1 price up 3.5% over Q1 2005
Foreclosures	↑	↑	Foreclosures up 33.5% through Q2; all metro counties posting double-digit increases
Residential Building Permits (Total)	↑	↑	Total permits increased from April to May; annual permits are up 17.6% from 2005
Apartment Vacancy Rate	↓	↓	Vacancy rate decreased to 6.9% in Q2 from 7.4% in Q1; avg rental rate up to \$844 per month
Office Vacancy Rate (with Sublet)	↓	↓	Vacancy rate with sublet down to 14.0% in Q2; 1.56 million sq. ft. construction is underway
Industrial Vacancy Rate (with Sublet)	↑	↓	Vacancy rate with sublet up to 8.2%; 1.35 million sq. ft. of construction underway
Flex Space Vacancy Rate (with Sublet)	↑	↓	Vacancy rate with sublet increased to 15.4%; 0.23 million sq. ft. construction underway
<i>Positive Changes</i>	13 of 18	15 of 18	



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