



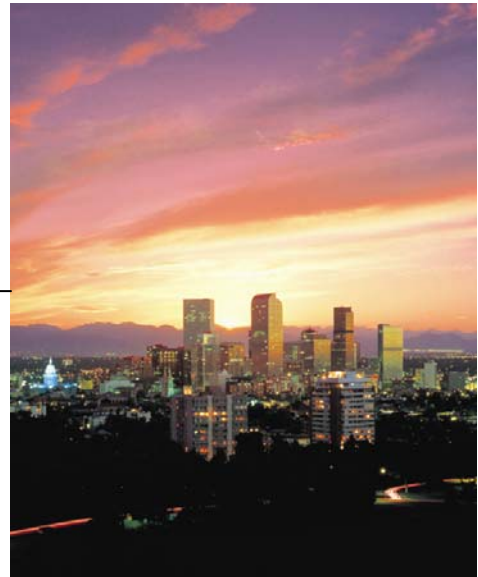
Metro Denver
Economic Development Corporation

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 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

- ◆ Metro Denver was recently named the eighth “Nano Metro” in the U.S. for its concentration of nanotechnology companies, universities, research laboratories, and research organizations by the Project on Emerging Nanotechnologies. There are currently 18 nanotech companies in Metro Denver and 24 in Colorado. San Jose, Boston, San Francisco, Oakland, Middlesex-Essex, San Diego, and Austin preceded Metro Denver on the latest Nano Metro list.
- ◆ The 2007 top public companies in Colorado are Qwest (\$13.9 million), EchoStar (\$9.8 million), Liberty Media Interactive (\$7.3 million), First Data (\$7.1 million), and Ball (\$6.6 million) in terms of annual revenue. The latest list by the *Rocky Mountain News* also categorizes the top Colorado companies by market capitalization, employees, net income, and earnings per share gain.

Revenue	Market Capitalization	Employees	Net Income	EPS Gain
Qwest	Newmont Mining	TeleTech	First Data	Markwest Energy
EchoStar	First Data	Qwest	Western Union	PYR Energy
Liberty Media	Western Union	First Data	ProLogis	Liberty Global
First Data	EchoStar	Red Robin	Newmont Mining	Apartment Investment & Management
Ball	Qwest	EchoStar	Archstone-Smith	United Western Bancorp

- ◆ Denver International Airport (DIA) was the third busiest airport over Memorial Day weekend, according to the Orbitz Insider Index, which tallied air-only ticket sales for outbound and returning flights between May 25 and May 28. In other airport-related rankings, recent data from the U.S. Bureau of Transportation Statistics shows DIA posted the fifth best rate of on-time flights among major airports in March with 79.8% of scheduled flights arriving on time. Denver-based Frontier Airlines had the third best on-time rate in March with nearly 85% of its flights landing on schedule while United Airlines, the largest carrier at DIA, ranked 10th.
- ◆ Colorado and Minnesota ranked fourth (tied) for the share of residents occupying a home with four or more bedrooms, according to the latest 2005 U.S. Census Bureau data. An estimated 26.2% of Coloradans occupy a home with four or more bedrooms and Centennial ranked fourth among U.S. cities with populations of more than 65,000 residents with 52.5% of its homes containing four or more bedrooms. The average Colorado family consisted of 3.1 persons in 2005. As of 2005, 20% of Americans occupy a home with four or more bedrooms compared to 15% in 1990.
- ◆ Denver drivers are the sixth most courteous on the road of the 25 cities surveyed by AutoAdvantage, a Connecticut-based automobile membership club. The most courteous drivers live in Portland, OR while Miami earned the “worst driver” title for the second consecutive year.

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General Economic Overview

New data from the U.S. Bureau of Economic Analysis indicates a marked slowdown in U.S. economic growth. Preliminary estimates for gross domestic product (GDP) growth reveal a modest 0.6% increase in the first quarter of 2007, down from the advance estimate released last month of 1.3%. The downward revision primarily resulted from reduced business inventories and a surge in imports. While the 0.6% GDP increase in the January-March period was the slowest quarterly gain in more than four years, many analysts predict that the first quarter reading will be the lowest this year.

The National Association of Business Economists (NABE) softened its expectation for economic growth in 2007 in light of the recent GDP revision. In February, the survey of national economists forecasted 2.8% annual GDP growth in 2007 but revised their expectation down to 2.3% in May. GDP growth is expected to increase to 3.1% in 2008 due to rebounding investment spending and business inventories. The NABE panel affirmed the housing market continues to be a drag on the overall economy with almost half of the panelists forecasting the housing "bottom" will not be reached until late this year.

The Federal Open Market Committee (FOMC) of the Federal Reserve left the target for the federal funds rate unchanged at 5.25% in May as it has since its August 2006 meeting. The Committee acknowledged the continuing adjustment in the national housing market and the slowdown in overall economic growth so far this year but still expects the U.S. economy to expand at a moderate pace in the coming quarters. The FOMC also expects inflation to moderate but notes that the high level of resource utilization has the potential to create inflationary pressures. The next FOMC meeting is scheduled for June 27, 2007.

The U.S. trade deficit in March rose to its highest level in six months largely due to a surge in foreign oil imports. The trade deficit increased 10.4% in March to \$63.9 billion. Meanwhile, the U.S. trade deficit with China shrank in March as U.S. exports to China reached an all-time high.

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

- ◆ The Conference Board's Index of Leading Economic Indicators decreased 0.5% in April, indicating slower economic growth for the nation in the coming months. The Leading Index declined from a revised 138.0 in March to 137.3 in April with positive contributions from only two of the 10 indicators: stock prices and the real money supply. The coincident index, which measures current economic activity, increased for the third consecutive month in April, rising 0.2% from a revised 123.6 in March to 123.8 in April.
- ◆ The nation's manufacturing sector expanded in May for the fourth consecutive month but at a slightly faster pace than exhibited in April. According to the Institute for Supply Management's Purchasing Managers Index, the Index increased 0.3% from 54.7 in April to 55.0 in May. Twelve industries posted growth in May, led by nonmetallic mineral products; fabricated metal products; and food, beverage, and tobacco products. The nation's overall economy expanded for the 67th consecutive month in May. A reading over 50 indicates economic expansion whereas a reading below 50 suggests economic contraction.
- ◆ The Metro Denver manufacturing industry continued to expand in April but at a slower rate. The Denver Manufacturing Purchasing Managers Index, compiled by the College of Business at the University of Colorado at Denver, decreased from 59.8 in March to 58.9 in April, suggesting positive but slower economic growth locally. Similar to the national index, a reading above 50 indicates economic expansion.
- ◆ The national service economy expanded for the 49th consecutive month in April and at a faster pace than in March. The Institute for Supply Management's Non-Manufacturing Index increased 3.6% from 52.4 in March to 56.0 in April. Thirteen of 17 non-manufacturing industries reported heightened economic activity in April, led by arts, entertainment, and recreation; accommodation and food services; and transportation and

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warehousing. A reading above 50 indicates economic expansion whereas a reading below 50 suggests economic contraction.

- ◆ Metro Denver's non-manufacturing or service economy was stable in March, according to an unchanged Non-Manufacturing Purchasing Managers Index. The index, compiled by the College of Business at the University of Colorado at Denver, stayed at 37.5 in March. Similar to the national service economy index, a reading below 50 suggests economic contraction.
- ◆ The Creighton University Business Conditions Index for the Mountain States region declined from 75.3 in April to 65.3 in May amid weaker inflationary pressures. The May index points to healthy economic growth for the Colorado-Wyoming-Utah region in the coming months. The individual Colorado index also declined in May, slipping from a robust 80.4 in April to a still strong 64.9 in May. A reading greater than 50 indicates expansionary conditions.
- ◆ Economic conditions for Colorado's small businesses declined in April, according to Vectra Bank's Colorado Small Business Index. The Colorado Index slipped from a revised 93.1 in March to 91.0 in April, primarily due to tighter labor market conditions that can make hiring employees more difficult from the small-business perspective. U.S. small business conditions, on the other hand, improved slightly from a revised 86.5 in March to 87.2 in April. Both indexes use a baseline value of 100 in 1997.
- ◆ The latest results of the Colorado Business Leaders Confidence Index indicate Colorado business leaders expect slightly stronger but still modest economic growth throughout the state in the second quarter of 2007. The index, which measures growth expectations for the coming quarter, increased from 53.5 in the first quarter of 2007 to 54.9 in the second quarter, primarily due to the strength of projected sales and profits. The index is comprised of six component indexes, of which five reported improvements from first to second quarter and only one registered below the neutral point of 50. An increase above the 50 mark suggests the economy is in expansion mode.
- ◆ The Metro Denver Leading Index rebounded in February to 101.0 after slipping to 100.9 in January. Previously, the Leading Index had stabilized at 101.0 in the final three months of 2006. Three of the seven Leading Index components moved in a positive direction in February 2007. The Leading Index gauges economic activity in Metro Denver six to nine months in advance. The Historic Index, which measures year-over-year growth, increased for the second consecutive month in February, rising to its highest level since November 2001. The Historic Index increased 0.2% from 131.8 in January to 132.1 in February for a 1.5% year-over-year gain. The two components of the Historic Index moved in opposite directions in February. The 100 level represents the benchmark year of 1995 for both indices, compiled by Development Research Partners.

Labor and Employment

Total employment in Metro Denver increased by 10,800 positions from March to April, bringing total employment in the Metro Denver region to 1,394,000 positions. Employment growth through the first four months of the year has averaged 2.0% compared to the same period in 2006. A closer look reveals a 1.8% year-to-date increase in the Denver-Aurora MSA and a 3.4% increase in the Boulder-Longmont MSA. The state of Colorado posted a 2.1% year-to-date gain through April compared to a 1.5% gain at the national level. Seven of the 11 industry supersectors in Metro Denver have experienced average employment growth from this time last year, including the Leisure & Hospitality (+4.5%), Professional & Business Services (+4.4%), and Education & Health Services (+2.9%) sectors. On the other hand, three sectors are showing year-to-date losses, including the Transportation, Warehousing, & Utilities (-1.5%); Manufacturing (-1.2%); and Natural Resources & Construction (-1.1%) sectors. Information sector employment is flat from this time last year.

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

	Month of Apr-07 (p)	Month of Mar-07	Month of Apr-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*	1,394.0	1,383.2	1,366.5	1,379.2	1,352.7	2.0%	-3.1%	4.4%
Denver-Aurora MSA	1,226.5	1,216.4	1,204.2	1,213.6	1,192.6	1.8%	-3.0%	4.4%
Boulder-Longmont MSA	167.5	166.8	162.3	165.6	160.1	3.4%	-3.4%	4.7%
Natural Resources & Construction	98.4	97.7	99.6	96.5	97.5	-1.1%	-4.9%	6.4%
Manufacturing	89.5	89.6	91.1	89.7	90.7	-1.2%	-9.0%	3.5%
Wholesale & Retail Trade	209.8	209.3	207.8	210.3	207.1	1.5%	-2.9%	2.7%
Transp., Warehousing & Utilities	49.9	49.5	50.3	49.7	50.4	-1.5%	-9.8%	2.4%
Information	57.8	56.9	56.5	56.6	56.6	0.0%	-14.2%	11.2%
Financial Activities	108.3	108.1	107.3	108.0	107.0	0.9%	-0.8%	5.5%
Professional & Business Services	235.5	231.1	225.9	231.5	221.7	4.4%	-6.1%	5.3%
Education & Health Services	144.9	144.4	140.8	143.8	139.7	2.9%	2.9%	7.4%
Leisure & Hospitality	144.9	142.6	138.5	141.5	135.4	4.5%	-0.6%	3.2%
Other Services	51.5	51.8	51.1	51.7	50.7	2.1%	1.6%	3.6%
Government	203.5	202.2	197.6	200.1	195.9	2.2%	3.4%	2.3%
Federal Gov't	30.8	30.4	30.7	30.5	30.7	-0.5%	0.5%	0.0%
State & Local Gov't	172.7	171.8	166.9	169.6	165.2	2.7%	4.0%	2.8%
Colorado	2,307.5	2,298.1	2,259.9	2,289.3	2,242.8	2.1%	-1.9%	4.2%
United States	137,668	136,835	135,802	136,399	134,380	1.5%	-1.1%	2.6%

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

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

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

Aviation: XJet Club LLC will open a 100,000-square-foot private jet club at Centennial Airport in June that will help lure lucrative business-jet travelers. The \$10 million facility will include hanger space, a clubhouse and restaurant, concierge service, and lower fuel prices. XJet is able to offer lower fuel costs than other fixed-based operators at Centennial Airport because fuel is not XJet's main source of revenue. XJet charges a membership fee and generates revenue from the additional services offered. XJet's Centennial location is the first of its kind but the company is also planning to open a second location in Grand Rapids, Michigan and six more locations in the New York, Chicago, Dallas, Southern California, and South Florida areas over the next five years.

Energy: Houston-based Marathon Oil Co. will restart operations in Colorado after its departure in the early 1990s. The nation's fourth largest U.S.-based oil company will invest \$2.5 billion in Colorado through 700 natural-gas wells that will be added to the Western Slope over the next seven years. Marathon will initially employ about 25 workers at a Grand Junction office and hire 200 contract workers to operate its drilling program.

The value of Colorado's natural gas, coal, oil, and minerals production fell in 2006 for the first time since 2002. The overall decline in value is largely attributed to lower market prices for the energy resources. Despite increased production levels, the overall value of the state's energy sector decreased 5.0% from \$12.2 billion in 2005 to \$11.6 billion in 2006, according to the latest study by the Colorado Geological Survey. More specifically, the value of coal in Colorado increased from \$0.8 billion in 2005 to \$1.0 billion in 2006, oil increased from \$1.2

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billion to \$1.4 billion, gas decreased from \$8.1 billion to \$7.2 billion, carbon dioxide increased from \$0.2 billion to \$0.3 billion, and minerals stayed the same at \$1.8 billion.

Information Technology: The eCollege.com headquarters will return to Denver later this year. ECollege.com was founded in Denver in 1996 but moved its headquarters to Chicago in 2005 after its initial public offering in 2000. London-based Pearson Plc., the world's largest educational publisher, is purchasing the software developer for \$538 million and moving its headquarters back to Denver where it still employs about 250 people. ECollege.com develops software used by schools to run online classes and works with about 180 colleges and universities in the U.S.

IBM cut 150 Metro Denver jobs in May as part of a company-wide restructuring to help meet its customers' changing needs that will reduce its worldwide workforce by 1,300 positions. The local job losses focused on the company's information technology delivery organization. IBM, which has a global workforce of 355,000, employs about 5,500 workers in Colorado and operates its IBM Global Services division out of Boulder.

The Revere Group, a global business and technology-consulting firm, has selected Denver as its regional headquarters. The company, which is owned by Japan-based NTT Data, could eventually support 200 high-paying local jobs within four to five years. For the Western region as a whole, Revere envisions a workforce of 500 positions and annual revenues of \$125 million. Revere is currently located in the Denver Tech Center.

Telecommunications: Vodafone Americas Inc. recently moved its headquarters from Walnut Creek, CA to Metro Denver. The 6,000-square-foot office in Downtown Denver is staffed by 14 employees, which is not likely to grow substantially. Vodafone Americas Inc. manages its 45% stake in Verizon Wireless. Executives selected Metro Denver for the new headquarters because of the region's lower operating costs, high quality labor force, and international airport.

In more headquarter news, Pro-Build Holdings Inc. also relocated its headquarters to Denver. The lumber company, which has more than 500 locations and 17,000 employees nationwide, was *Forbes* magazine's 37th largest private company in 2006. Pro-Building currently employs about 20 workers but expects to increase its staff by 60 positions over the next several months. The company is also considering Denver for a data center that would bring additional jobs to the region.

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

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

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

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Employment Outlook Survey

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

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

Labor market conditions in Metro Denver tightened in April for the third consecutive month. The unemployment rate in the seven-county Metro Denver region decreased from 4.0% in March to 3.4% in April, the lowest monthly rate since May 2001 when the unemployment rate dropped to 2.9%. All seven Metro Denver counties saw lower unemployment rates in April as well as lower unemployment rates on a year-to-date basis. The year-to-date unemployment rate for Metro Denver stands at 4.2% through April compared to 4.8% at this time last year. The statewide unemployment rate also decreased in April, falling from 4.0% in March to 3.4% in April, also the lowest monthly rate since May 2001. Through the first four months of 2007, the average annual unemployment rate in Colorado was 4.2% compared to 4.8% at this time last year. The national unemployment rate declined from 4.5% in March to 4.3% in April for a year-to-date unemployment rate of 4.7%.

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

	April 2007 (p)		2007 YTD Avg		2006 YTD Avg		2002	1997
	Total Labor Force	Unemployment Rate	Total Labor Force	Unemployment Rate	Total Labor Force	Unemployment Rate	Ann Avg Unemployment Rate	Ann Avg Unemployment Rate
Metro Denver	1,492.9	3.4%	1,494.6	4.2%	1,465.5	4.8%	5.9%	2.8%
Adams County	215.8	4.0%	216.2	5.0%	212.3	5.5%	6.4%	3.1%
Arapahoe County	307.4	3.5%	306.8	4.1%	301.5	4.6%	5.7%	2.4%
Boulder County	173.7	2.9%	175.4	3.6%	169.4	4.1%	5.7%	2.8%
Broomfield County	25.3	3.4%	25.3	4.2%	24.8	4.7%	5.7%	**
Denver County	309.7	3.7%	310.6	4.8%	305.3	5.4%	6.8%	3.8%
Douglas County	147.6	2.8%	147.2	3.5%	144.5	3.9%	5.0%	1.8%
Jefferson County	313.4	3.3%	313.1	4.0%	307.7	4.6%	5.5%	2.4%
Colorado	2,632.9	3.4%	2,654.0	4.2%	2,599.3	4.8%	5.7%	3.4%
United States	151,829	4.3%	151,967	4.7%	149,753	4.9%	5.8%	4.9%

**Broomfield County was formed in November 2001 from parts of Adams, Boulder, Jefferson, and Weld counties.
Source: Colorado Department of Labor and Employment, Labor Market Information. (p) =preliminary

First time unemployment insurance applications increased from March to April in the seven-county Metro Denver region. According to reference week statistics, first time unemployment claims increased 18.6% from March to April. Despite the April jump, first time unemployment claims are up only 0.4% on a year-to-date basis. Statewide claims surged 36.4% from March to April for a 1.7% year-to-date gain through the first four months of the year.

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Weekly First-Time Unemployment Insurance Claims

	Month of Apr-07	Month of Mar-07	Month of Apr-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change
Metro Denver	1,121	945	1,110	1,206	1,202	0.4%
Colorado	2,278	1,670	2,277	2,245	2,207	1.7%

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

Consumer Sector

Gas prices continue to rise across the U.S. but Metro Denver prices recently surpassed the national average after enjoying months of below average prices. According to AAA's Fuel Gauge Report, the average price for a gallon of regular gas in the U.S. was \$3.19 as of May 31, 2007 compared to \$2.85 a year earlier. The average price for a gallon of regular gas in Metro Denver increased to \$3.27 in late May compared to \$2.73 a year earlier. The statewide average cost of gasoline in Colorado is currently the 15th highest in the U.S.

Expensive gasoline is likely impacting national consumer spending. New data from the U.S. Commerce Department reveals the weakest month-to-month increase in consumer spending in March since October 2006. Consumer spending increased 0.3% from February to March following a 0.6% increase in February. Real consumer spending, or spending that has been adjusted for inflation, was down 0.2% in March. Unadjusted retail and food service sales, a separate indicator from the U.S. Census Bureau, fell 0.2% from March to April but stands 3.2% ahead of April 2006.

Retail sales in Metro Denver slowed slightly in February, the latest month of available data, but posted a 10% year-to-date gain over retail sales in the first two months of 2006. All seven Metro Denver counties reported stronger retail sales in the January-February period compared to the same period last year, including double-digit gains in Broomfield County (+14.2%) and Denver County (+13.3%). More moderate but still strong gains occurred in Arapahoe County (+9.8%), Adams County (8.8%), Boulder County (+8.8%), Douglas County (+8.3%), and Jefferson County (+6.6%). Statewide retail sales also slipped from January to February but stand 10.9% ahead of 2006 on a year-to-date basis.

Total Retail Sales (\$000s)

	Month of Feb-07	Month of Jan-07	Month of Feb-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Annual Growth 2002	Annual Growth 1997
Total Metro Denver	6,046,626	6,176,394	5,579,125	12,223,020	11,113,570	10.0%	-0.5%	5.8%
Adams County	957,672	904,096	847,826	1,861,768	1,711,557	8.8%	-0.3%	7.7%
Arapahoe County	1,339,833	1,398,364	1,305,055	2,738,197	2,493,832	9.8%	1.6%	0.7%
Boulder County	547,078	576,501	515,273	1,123,579	1,033,015	8.8%	-14.5%	3.8%
Broomfield County	124,163	119,611	103,204	243,774	213,418	14.2%		
Denver County	1,713,173	1,739,319	1,496,320	3,452,492	3,045,917	13.3%	-3.2%	4.9%
Douglas County	430,973	472,918	416,192	903,891	834,402	8.3%	3.6%	30.9%
Jefferson County	933,734	965,585	895,255	1,899,319	1,781,429	6.6%	-2.5%	8.7%
Colorado	10,384,388	10,448,189	9,467,270	20,832,577	18,781,390	10.9%	0.3%	6.4%

Source: Colorado Department of Revenue.

Rising gas prices do not appear to be affecting travel plans. AAA Colorado estimated that 38.3 million Americans traveled 50 miles or more over the Memorial Day weekend for a 1.7% travel increase over last year. A separate

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survey by the Travel Industry Association of America projects a record 329.6 million Americans will take a major trip between June and August, which represents a 1.4% increase over last summer.

Consumer confidence levels in the Mountain region slipped from March to April, according to the Conference Board's Consumer Confidence Index. The index decreased from a revised 143.0 in March to a preliminary 135.7 in April, still the highest April reading of the nation's nine regions. On an annualized basis, consumer confidence levels in the Mountain Region are 1.5% ahead of 2006. The confidence index is comprised of the present situation index and the expectations index, both of which declined from March to April in the Mountain Region. The perception of the current situation decreased from a revised 177.2 in March to a preliminary 170.4 in April. The future expectations index decreased from a revised 120.3 in March to a preliminary 112.6 in April.

National consumer confidence also weakened in April with overall confidence levels decreasing from a revised 108.2 in March to a 104.0 in April. The U.S. present situation index slipped from 138.5 in March to 131.3 in April while the U.S. future expectations index decreased from a revised 87.9 in March to 85.8 in April. Advance estimates for May reveal a rebound in confidence levels at the national level to 108.0.

Consumer Confidence Index

	Month of Apr-07 (p)	Month of Mar-07	Month of Apr-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change	Ann Avg 2002
Mountain	135.7	143.0	139.4	138.0	136.0	1.5%	104.3
United States	104.0	108.2	109.8	108.4	106.7	1.6%	96.6

Source: The Conference Board. (p) =preliminary

In other consumer news, Colorado's second largest theatre closed unexpectedly in May and will likely file for bankruptcy. The Country Dinner Playhouse entertained more than 5.0 million theatergoers in Greenwood Village over the last five years. Dinner theatres in Colorado have been on the decline in recent years, slipping from 10 in 2004 to just seven with the Country Dinner Playhouse closure.

Rocky Mountain ski resorts fared better than their national counterparts did during the last ski season. Preliminary data from the National Ski Areas Association shows a 6.9% decrease in U.S. skier visits in the 2006-2007 season from the 2005-2006 season while ski resorts in the six-state Rocky Mountain region saw a 0.9% increase. Total skier visits in the U.S. slipped from a record 58.9 million in the 2005-2006 season to 54.8 million in the 2006-2007 season. Rocky Mountain skier visits accounted for 38% of total skier visits in the U.S. in the most recent season. Disappointing snowfalls in the Southeast and Pacific West are likely contributors to the national decline.

Casino revenues posted a 2.0% year-over-year increase in April, according to the Colorado Division of Gaming. Colorado's 44 casinos reported \$67.1 million in adjusted gross proceeds, or total bets minus payouts, in April 2007, up from \$65.8 million a year earlier. Black Hawk's 20 casinos, which account for much of Colorado's gambling revenues, saw a slight year-over-year decline while Central City's revenues increased 22%.

Metro Denver's lodging industry reported mixed results from March to April with a softer occupancy rate and a stronger average room rate. The occupancy rate decreased from 66.2% in March to 63.2% in April while the average room rate increased from \$106.31 in March to \$108.80 in April. On a year-to-date basis, both the occupancy rate and average room rate are stronger compared to the first four months of 2006. The year-to-date occupancy rate stands 1.6% ahead of 2006 while the average room rate is up 11.3%. The statewide lodging industry also reported improvements in April compared to the same month a year earlier. The Colorado occupancy rate in April registered 60.8%, up from 59.5% in April 2006. The average room rate in Colorado also increased from \$120.68 in April 2006 to \$132.78 in April 2007.

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Metro Denver Hotel Statistics

	Month of Apr-07	Month of Mar-07	Month of Apr-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change	Annual 2002	Annual 1997
Percent of Hotel Rooms Occupied	63.2%	66.2%	60.3%	61.7%	60.7%	1.6%	60.3%	72.1%
Average Hotel Room Rate	\$108.80	\$106.31	\$97.84	\$105.96	\$95.17	11.3%	\$88.05	\$84.06

Source: Rocky Mountain Lodging Report.

The local lodging industry will be bolstered by numerous upcoming meetings and events taking place in Metro Denver, including the 2009 SportAccord. Metro Denver will be the first North American city to host the seventh annual SportAccord, a gathering of International Sports Federations, Olympic committees, cities hosting major sporting events, and related businesses. The event will take place in late March 2009 and bring an estimated 1,300 delegates from 60 countries to the region. Previous host cities include Madrid, Spain; Lausanne, Switzerland; Seoul, South Korea; Berlin, Germany; and Beijing, China. Athens, Greece is hosting the 2008 conference.

Passenger traffic at Denver International Airport (DIA) surged 23.9% from February to March for a 4.7% increase in first quarter passenger traffic compared to the same period last year. Nearly 4.4 million passengers traveled through DIA in March 2007, representing a 4.3% increase over March 2006 passenger traffic. Through the first quarter, a record 11.6 million passengers have traveled through DIA, up from 11.1 million at this time last year.

Denver International Airport Passengers

	Month of Mar-07	Month of Feb-07	Month of Mar-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Annual 2002	Annual 1997
Number of Airline Passengers	4,363,409	3,520,982	4,184,868	11,585,688	11,070,455	4.7%	35,652,084	34,969,021

Source: Denver International Airport, Traffic Statistics.

The nation's major stock indexes continued to climb in May, marking the third consecutive month-to-month gain for the S&P 500, Dow Jones Industrial Average, and NASDAQ. All three indexes are posting year-to-date gains through May 2007, but the Dow Jones Industrial Average leads with a 9.3% increase, followed by the 7.9% increase in the S&P 500 and the 7.8% increase in the NASDAQ.

Colorado stocks continue to out-perform the national indexes so far this year with a 14.8% return in the Bloomberg Colorado Index through May 2007. The Bloomberg Colorado index posted the eighth consecutive month-to-month increase in May, rising 4.5% to a record 439.2. The Bloomberg Colorado Index is a price-weighted index designed to measure the performance of the Colorado economy. The Index currently includes 110 companies with a minimum market capitalization of \$10 million that are headquartered in Colorado.

Stock Market Indexes

	Month of May-07	Month of Apr-07	Month of May-06	YTD Return 2007	YTD Return 2006	YTD Return 2005
Bloomberg Colorado	439.2	420.3	339.2	14.8%	4.0%	-1.4%
S&P 500	1,530.6	1,482.4	1,270.1	7.9%	1.7%	-1.7%
NASDAQ	2,604.5	2,525.1	2,178.9	7.8%	-1.2%	-4.9%
DJIA (Dow Jones)	13,627.6	13,062.9	11,168.3	9.3%	4.2%	-2.9%

Sources: Bloomberg.com, Yahoo! Finance.

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Residential Real Estate

The national housing market continues to encounter mixed but generally soft market conditions. Existing home sales declined 2.6% in April to a seasonally adjusted annual rate of 5.99 million units, the slowest annual pace since June 2003. The National Association of REALTORS (NAR) senior economist, Lawrence Yun, anticipated slower previously-owned home sales in April due to the fallout of the subprime loan market. The April slowdown combined with the onset of summer resulted in a 10.4% increase in inventory levels for an 8.4-months supply at the current sales pace. NAR data also indicates that the median sales price of an existing home increased 1.4% from March to April but the April 2007 median home price remains 0.9% below the April 2006 price.

On the other hand, new home sales jumped 16.2% from March to April, the largest month-to-month increase since April 1993. Sales of new homes increased to a seasonally adjusted annual rate of 981,000 units in April. Meanwhile, the median sales price for new homes decreased 11.1%, or by the largest amount on record from March to April. The median sales price for new homes decreased to \$229,100 in April.

In light of the subprime loan market troubles and stricter lending standards, the NAR revised its home sales and appreciation forecasts downward for both the previously-owned and new home markets. The 2007 median sales price for previously-owned homes will decline 1% to \$219,800 compared to the NAR's earlier forecasted decline of 0.7%. Previously-owned home sales are forecasted to decrease to 6.29 million units in 2007, down from the earlier forecast of 6.34 million units. The 2007 median home price for the new home market will slip \$100 to \$246,400 for the first annual decline since 1991 compared to the NAR's earlier forecast of a 0.4% increase. New home sales are also forecasted to decrease from the earlier forecast, falling from 904,000 sales to 864,000 sales.

At the local level, Metro Denver's existing or previously-owned home sales strengthened in April for a 3.3% year-to-date increase. Home sales under contract, a forward-looking indicator, also increased in April for a 2.0% year-to-date gain. The level of unsold inventory increased from March to April as the summer selling market got underway but remains 4.3% below inventory levels at this time last year.

On the other hand, the Metro Denver residential market continues to see sales price declines, suggesting still soft market conditions. The average sales price for a single-family home increased from \$302,084 in March to \$322,510 in April but stands 2.3% below the annualized average sales price at this time last year. The median sales price in the single-family category also improved from \$240,000 in March to \$248,000 in April but stands 2.0% below 2006 on a year-to-date basis. The condominium market exhibited sharper price declines in Metro Denver through April. The average sales price for a condominium decreased from \$183,451 in March to \$182,549 in April and stands 4.0% below the annualized average sales price at this time last year. The median sales price in the condominium category decreased from \$153,000 in March to \$148,900 in April and stands 3.2% below 2006 on a year-to-date basis.

Previously-Owned Home Sales Activity

	Month of Apr-07	Month of Mar-07	Month of Apr-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Ann Avg 2002	Ann Avg 1997
Home Sales (Under Contract)	6,173	6,122	5,813	21,516	21,095	2.0%	30,089	35,963
Home Sales (Closed)	4,399	4,274	4,300	15,303	14,821	3.3%	47,919	40,185
Unsold Homes on Market	27,795	26,430	29,045	27,795	29,045	-4.3%	20,740	12,903
Average Sales Price-Single Family	\$322,510	\$302,084	\$318,949	\$304,979	\$312,054	-2.3%	\$268,926	\$169,587
Average Sales Price-Condo	\$182,549	\$183,451	\$188,146	\$177,153	\$184,522	-4.0%	\$168,226	\$100,694
Median Sales Price-Single Family	\$248,000	\$240,000	\$250,000	\$240,000	\$245,000	-2.0%	\$221,000	
Median Sales Price-Condo	\$148,900	\$153,000	\$157,400	\$150,000	\$155,000	-3.2%	\$149,500	

Sources: MetroList, Inc.

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

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

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

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

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

A home value index by Seattle-based Zillow.com reveals a 1.9% decline in the Metro Denver median home price from \$221,825 in the first quarter 2006 to \$217,533 in the first quarter 2007. The index includes existing, new, and for-sale-by-owner homes and tracks 45 metropolitan areas in the nation. Of the 45 areas tracked, 35 areas, including Metro Denver, experienced negative appreciation.

High foreclosure activity continues to be a drag on the local residential market. *Public trustee data reveals the total number of foreclosures in Metro Denver decreased from March to April but still stands 30.1% ahead of this time last year on a year-to-date basis. All Metro Denver counties except Jefferson County reported fewer opened foreclosure cases in April than in March with the sharpest month-to-month declines in Douglas County, Adams County, and Broomfield County. On a year-to-date basis, the strongest year-to-date increases occurred in Broomfield County (+43.6%), Adams County (+35.5%), and Denver County (35.1%) through the first four months of the year. Boulder County reported the smallest year-to-date gain in foreclosure cases of only 9.0%. At the state level, a report by the Colorado Division of Housing places Colorado on target for an estimated 30% more foreclosures in 2007 than in 2006. During the first quarter of 2007, Colorado posted a rate of one foreclosure for every 385 households in the state. There were 9,254 foreclosures across the state in the recent January-March period.*

Real Estate Foreclosures

	Month of Apr-07	Month of Mar-07	Month of Apr-06	YTD Total 2007	YTD Total 2006	YTD Total % Change
Total Metro Denver*	1,970	2,416	1,493	8,169	6,278	30.1%
Adams County	431	596	299	1,887	1,393	35.5%
Arapahoe County	516	604	406	2,069	1,545	33.9%
Boulder County	76	85	65	292	268	9.0%
Broomfield County	20	26	12	79	55	43.6%
Denver County	523	646	392	2,226	1,648	35.1%
Douglas County	127	191	85	500	432	15.7%
Jefferson County	277	268	234	1,116	937	19.1%

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

Sources: Various County Public Trustees in Metro Denver; CB Richard Ellis.

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A separate report from California-based RealtyTrac ranks Colorado second in the nation for foreclosures. In April, Colorado was sandwiched between Nevada and California, although local housing officials disagree with RealtyTrac's methodology in that Colorado is unfairly analyzed. RealtyTrac's metropolitan area rankings placed Greeley third and Denver 10th for the highest foreclosures rates or foreclosures to total households in the nation.

Unlike the U.S. new home market that experienced a recent jump in new home sales, the new home market in Metro Denver has yet to show signs of recovery. The Genesis Group describes a struggling new home housing market in Metro Denver in their first quarter 2007 report. *New home sales in the first quarter of 2007 are off by 39% from first quarter 2006 with sales volume falling in all seven Metro Denver counties. For the 12 months ending in March 2007, sales volume hit an 11-year low of 12,268 sales. Demand for single-family attached units continues to be stronger than average. Single-family attached sales accounted for 42% of total new home sales in the 12 months ending March 2007, marking the second 12-month period that single-family attached sales have accounted for more than 35% of total new home sales in the past 18 years. The prior occurrence was in 2006. Concurrently, first quarter 2007 new detached sales are down 42% from the same quarter last year. On the bright side, the average base price of new detached homes increased 5.9% from first quarter 2006 to \$359,320 while the average base price of new attached homes increased 8.7% from first quarter 2006 to \$273,270.*

Slower new home sales led to higher unsold inventory levels in Metro Denver, according to the latest Genesis report. Inventory levels increased 6.0% from first quarter 2006 to first quarter 2007, including a 17% drop in new detached inventory levels and a 26% increase in new attached inventory levels. The month's supply of new detached homes increased from 1.7 months in the first quarter of 2006 to 2.1 months in the first quarter of 2007, marking the first time the detached month's supply has exceeded two months. The month's supply of attached homes jumped from 3.5 months in the first quarter of 2006 to 5.2 months in the first quarter of 2007.

Homebuilders at both the national and local levels are responding to the soft market conditions by limiting new development. Construction of new homes across the U.S. increased 2.5% from March to April according to the U.S. Commerce Department, but is down 25.9% from April 2006. Looking ahead, building permit applications for new home construction plunged 8.9% from March to April for the largest monthly decline in 17 years.

Locally, new home construction activity in Metro Denver slowed for the third consecutive month in March, according to building permit data from the Home Builders Association of Metro Denver. The total number of building permits filed in March 2007 decreased 10.5% from the month prior and 46.5% from the same month last year. Through first quarter, building permits are down 31.8% compared to the same three-month period last year. A closer look reveals a 52.2% decline in single-family detached construction activity, a 26.6% decline in single-family attached construction activity, and a 141.2% increase in multi-family construction activity. The most single-family detached permits issued in the first quarter of 2007 occurred in Aurora (339), Denver County (284), and unincorporated Douglas County (160). The City of Boulder (413), Denver County (182), and unincorporated Arapahoe County (158) issued the most permits for single-family attached construction. Aurora (288), unincorporated Arapahoe County (270), unincorporated Boulder County (199), unincorporated Douglas County (88), Denver County (37), and Broomfield County (32) have issued multi-family permits so far this year.

Residential Building Permits

	Month of Mar-07	Month of Feb-07	Month of Mar-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Total 2002	Total 1997
Single-Family Detached Units	620	551	1,407	1,707	3,572	-52.2%	13,793	14,890
Single-Family Attached Units	239	175	415	1,028	1,400	-26.6%	4,425	2,647
Multi-Family Units	160	412	84	914	379	141.2%	4,085	5,415
Total Units	1,019	1,138	1,906	3,649	5,351	-31.8%	22,303	22,952

Source: Home Builders Association of Metro Denver.

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

Apartment Statistics

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

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

A recent report from ITRA Realty Group reveals that Metro Denver has the fourth highest office vacancy rate among the 36 metropolitan markets that the company tracks on a quarterly basis. Metro Denver's office vacancy rate of 16.7% in the fourth quarter of 2006 was below that of Dallas (20.8%), Atlanta (19.2%), and Chicago (18.0%). The relatively high vacancy rate corresponds with one of the lowest average lease rates. Metro Denver's average office lease rate of \$19.22 was the 11th lowest of the 36 metro areas.

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

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

More specifically, the southeast submarket in Metro Denver is benefiting from tight office market fundamentals and the opening of T-REX and the Southeast Corridor light rail line as more than 1.0 million square feet of new office space is either in the planning or construction stages. Current office projects include Belleview Station

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(100,000 square feet at \$23 per square foot), Palazzo Verdi (285,000 square feet at \$19-\$23 per square foot), Arapahoe Station (174,117 square feet at \$23 per square foot), Corporex Center (200,000 square feet at \$22-\$23 per square foot), One Lincoln Station (141,828 square feet at \$19.50 per square foot), and Southlands (164,266 square feet at \$21-\$23 per square foot). Trammel Crow Co. also recently announced plans for a 120,000-square-foot building near Interstate 25 and East Belleview Avenue that will break ground by year-end. Finally, Opus Northwest will build a 100,000- square-foot building in the Inverness Business Park. Construction of the Parkside Office Plaza will begin in the fall with completion in May 2008. Rents will start at about \$16 per square foot.

Office Market Statistics

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

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

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

Industrial Market Statistics

	Quarter 1 2007	Quarter 4 2006	Quarter 1 2006	Quarter 1 2005	Quarter 1 2004	Quarter 1 2003
Number of Buildings	5,843	5,802	5,780	5,748	5,711	5,668
Existing Square Feet (millions)	204.3	203.7	202.8	201.0	199.4	197.2
Vacant Square Feet (millions)	13.0	13.7	15.3	16.1	15.5	13.0
Vacancy Rate (Direct)	6.4%	6.7%	7.5%	8.0%	7.8%	6.6%
Vacancy Rate (With Sublet)	6.8%	7.2%	8.0%	8.6%	8.6%	7.4%
Average Lease Rate (per square foot, NNN)	\$4.97	\$4.95	\$4.79	\$4.55	\$4.60	\$5.30
New Construction Completed (year-to-date)	0.07 MSF, 2 Bldgs	1.65 MSF, 28 Bldgs	0.73 MSF, 6 Bldgs	0.18 MSF, 8 Bldgs	0.48 MSF, 7 Bldgs	0.45 MSF, 16 Bldgs
Currently Under Construction	2.49 MSF, 28 Bldgs	2.11 MSF, 28 Bldgs	0.83 MSF, 17 Bldgs	0.57 MSF, 9 Bldgs	1.26 MSF, 17 Bldgs	1.20 MSF, 14 Bldgs

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

Unlike the strengthening office and industrial markets, the flex market in Metro Denver reported mixed results in the first quarter of 2007 with increasing lease rates and vacancy rates from the prior quarter. *The direct vacancy rate increased from 13.7% in the fourth quarter to 14.0% in the first quarter while the overall vacancy rate*

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increased from 14.3% to 14.8%. Costar Realty Information, Inc. also reported a \$0.40 over-the-year increase in the average lease rate. Construction activity remains moderate with only three buildings underway that are located in Arapahoe, Denver, and Jefferson counties.

Flex Space Statistics

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

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

Marcus & Millichap report that the U.S. retail vacancy rate has risen to almost 10%. They expect national retail construction to decelerate in 2007 and 2008, keeping overall vacancy rates from increasing too severely. M&M expects 2007 construction to include 43% big box retail, with mixed-use development surpassing the construction of regional and super-regional malls.

Frederick Ross's assessment of Metro Denver's retail sector is one of vibrancy and vitality, despite a slowdown in absorption rates from fourth quarter 2006 to first quarter 2007. The overall vacancy rate of 6.6% remains solid with several submarkets posting vacancy rates below 5% and all submarkets posting vacancy rates below 9%.

Construction is strongest in emerging markets like the North and Northwest Denver submarkets, although redevelopment projects are occurring throughout the region. Eight of the 11 submarkets tracked by Frederick Ross showed positive movements in the January-March period, especially the Downtown Denver area.

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

Looking ahead, Opus Northwest will develop a \$65 million retail center at RidgeGate in Lone Tree early next year. The Lincoln Commons development will feature about 300,000 square feet of retail and restaurant space along with a boutique hotel and 150,000 square feet of office space. Lincoln Commons will also include the Lone Tree public library and performing arts center.

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Retail Market Statistics

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

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

In other commercial real estate news, Centura Health released details about the new St. Anthony's West health care facility in Lakewood that will replace St. Anthony's Central in Denver. The \$500 million facility will be situated near West Alameda Parkway and South Union Boulevard on land currently owned by the federal government. St. Anthony's West will begin serving patients in mid-2009 although completion is not expected until 2011. The seven-story building will total 900,000 square feet and hold 301 beds.

Hotel developers Charlie Biederman and Steve Roitman of BWAB Inc. announced plans for a \$400 million mixed-use development across from the former Fitzsimons Army Medical Center. The 32-acre development will include up to 700 residential units, 500,000 square feet of office space, 100,000 square feet of retail space, a full-service hotel, and an extended-stay hotel. The two hotels will total 380 rooms and 20,000 square feet of meeting space. Construction is slated to begin in the first quarter of 2008 and last for six years.

MONTHLY ECONOMIC SUMMARY

Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↑	Employment increased by 10,800 jobs from Mar to Apr; employment is up 2.0% through Apr 2007
% Companies Hiring (Denver Area)	↔	↑	42% of companies expect to add workers in Denver and 13% to add in Boulder in Q2 2007
Unemployment Rate	↓	↓	Metro rate down from 4.0% in Mar to 3.4% in Apr, lowest since May 2001; YTD rate at 4.2%
Initial Claims (Weekly)	↑	↑	Claims increased 18.6% from March to April; YTD claims are up 0.4% through April 2007
Total Retail Sales	↓	↑	YTD Metro retail sales up 10.0% through Feb 2007; 10.9% year-to-date gain for Colorado
Consumer Confidence Index	↓	↑	Mountain region confidence level decreased from 143.0 in March to 135.7 in April; YTD up 1.5%
Hotel Occupancy	↓	↑	Hotel occupancy decreased from 66.2% in Mar to 63.2% in Apr; avg room rate increased to \$108.80
DIA Passengers	↑	↑	Traffic surged 23.9% from Feb to Mar; YTD traffic of 11.6 million up 4.7% through Q1 2007
Bloomberg Colorado Index	↑	↑	Bloomberg Colorado Index increased 4.5% from April to May; index up 14.8% for the year
Dow Jones Industrial Average	↑	↑	DOW increased 3.3% from April to 13,627.6 in May; index up 9.3% for the year
Home Sales (closed)	↑	↑	Home sales increased from March to April for a 3.3% YTD gain; avg SF sales price down 2.3%
Median Home Price (Denver-Aurora MSA)	↓	↓	Median home price in Denver MSA fell to \$239,400 in Q1 2007; YTD price down 2.0%
Foreclosures	↓	↑	Foreclosures declined 18.5% from March to April; YTD foreclosures up 30.1% through April 2007
Residential Building Permits (Total)	↓	↓	Total permits decreased 31.8% in Q1 2007 despite a 141% increase in multi-family permits
Apartment Vacancy Rate	↑	↓	Vacancy rate increased from 7.0% in Q4 to 7.1% in Q1; avg rental rate down to \$843 per month
Office Vacancy Rate (with Sublet)	↓	↓	Vacancy rate down to 13.6% in Q1 2007; 2.23 million sq. ft. under construction
Industrial Vacancy Rate (with Sublet)	↓	↓	Vacancy rate down to 6.8% in Q1 2007; 2.49 million sq. ft. under construction
Flex Space Vacancy Rate (with Sublet)	↑	↑	Vacancy rate up to 14.8% in Q1 2007; 110,000 sq. ft. of construction underway
<i>Positive Changes</i>	9 of 18	13 of 18	



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