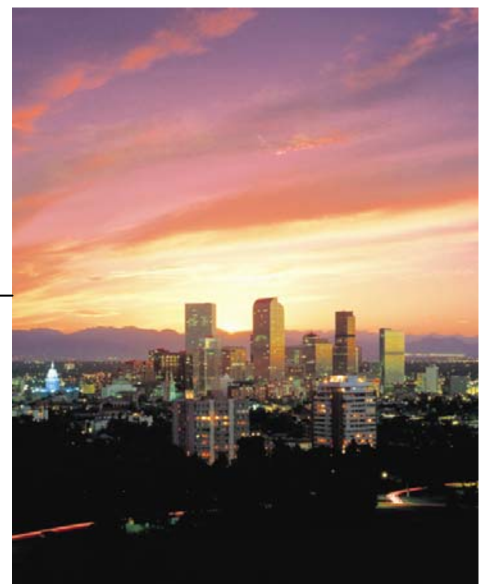
Metro Denver
Economic Development Corporation

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 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

- Denver International Airport was the fifth-busiest airport in the U.S. in 2006, according to data through November from the Bureau of Transportation Statistics. Hartsfield-Jackson Atlanta International Airport was the nation's busiest airport based on the number of passengers boarding planes. DIA's on-time ranking fell from third in 2005 to eighth in 2006, partly due to severe weather in December. On average, about 78.7% of flights to DIA arrived on time last year. In December 2006, 64.6% of flights arrived on time, earning DIA the 27th best rate among major airports in the U.S. compared to 17th in December 2005.
- Colorado posted the fourth highest rate of foreclosures in January after leading the nation for nine months in 2006. Data from RealtyTrac reveals Colorado recorded 2,397 homes in some stage of foreclosure in January 2007 for a rate of one of 377 homes in foreclosures. Analysts note that Colorado did not loose the top rank because the rate of foreclosures in Colorado has fallen but because other states have simply seen heightened foreclosure activity. Nevada topped the January 2007 list, followed by Michigan and Georgia. At the metro level, Greeley dropped from the top position to fifth in January with one of every 173 homes in foreclosure as Detroit took over with one of every 124 homes in foreclosure.
- *Fortune* magazine named four Colorado companies to its 2007 list of the 100 best companies to work. The four companies featured on the latest list are Amgen (Boulder), Booz Allen Hamilton (Colorado Springs), PCL Construction (Denver – headquarters), and Qualcomm (Boulder).
- New data from the National Science Foundation reveals that the University of Colorado's federal and nonfederal research expenditures were in the top 10% of all ranked U.S. universities in 2006. More specifically, CU was 11th for federally-financed research expenditures among the 630 private and public ranked universities and first for federally-financed research expenditures among the 150 public ranked universities. CU attracted a total of $640.1 million in research awards in 2006.
- Colorado ranks 14th in the U.S. for wealth and 2nd for adults with college education, but the new "State Accountability Report" pegs the state 48th for higher education funding, 37th for pre-K funding, and 31st for college completion rates. Colorado was also given "unsatisfactory" ratings for closing the academic achievement gaps between ethnicities, Hispanic high school graduation rates, and college enrollment for the minority populations. The 2005-2006 report indicates black and Latino students score an average of 30% below their white peers on state tests. The report also noted that in 2004 more Coloradoans were struck by lightening than black students received "advanced" scores in math and that there was a 9% chance that a Denver Public Schools ninth-grader would complete college but a 41% chance that student would drop out of high school. The report was produced by the Center for Education Policy Analysis, Colorado Children's Campaign, Donnell-Kay Foundation, and the Piton Foundation.

- Colorado is home to four "Distinguished Hospitals for Clinical Excellence," according to Lakewood-based HealthGrades which assesses 5,000 U.S. hospitals on complication and mortality rates for 26 procedures and diagnoses. The four hospitals on the prized list are Denver's Rose Medical Center, Porter Adventist Hospital, Poudre Valley Hospital in Fort Collins, and Penrose-St. Francis Health Services in Colorado Springs.

General Economic Overview

The national economy expanded 2.2% in the fourth quarter of 2006, according to preliminary estimates from the U.S. Bureau of Economic Analysis. The preliminary estimate is down 1.3% from the fourth quarter advance estimate of 3.5%. Still, the fourth quarter expansion outpaced the 2.0% pace set in the third quarter of 2006. Analysts cited accelerated consumer spending, exports, and federal government expenditures as well as decreased imports as contributors to the fourth quarter expansion. On the other hand, inventory investment, equipment and software investment, and nonresidential structures investment turned downward. Based on the preliminary fourth quarter estimates, the 2006 annual growth pace was 3.3%.

The U.S. trade deficit hit a record high in 2006 of $763.6 billion, representing the fifth straight annual trade deficit record. The 2006 trade deficit was 6.5% higher than the 2005 record deficit, reflecting America's increasing foreign oil bill and trade imbalance with China. At the state level, the total value of Colorado exports surged to $7.96 billion in 2006 from $6.78 billion in 2005. The 17.3% annual gain is the sharpest increase in more than a decade and surpassed the national increase of 14.7%. Analysts note that a 70% increase in semiconductor exports, 43% increase in exports to China (including Hong Kong), 244% increase in exports to Taiwan, and re-opened beef trade with Japan were behind the 17.3% overall increase in 2006. Colorado's five largest export markets in 2006 were Canada ($1.85 billion, +2%), Mexico ($1.0 billion, +20%), China ($800 million, +43%), Taiwan ($700 million, +244%), and Japan ($400 million, +4%).

Federal Reserve Chairman Ben Bernanke delivered a mostly upbeat report on the nation's economy during his semiannual presentation to the Senate Banking Committee in mid-February. Bernanke delivered improved assessments of the nation's inflation situation and housing market. Bernanke also projected that, "Overall, the U.S. economy seems likely to expand at a moderate pace this year and next, with growth strengthening somewhat as the drag from housing diminishes." On the other hand, inflation remains a potential risk, prompting the Federal Research Chairman to note that further monetary tightening may be needed.

The Federal Open Market Committee (FOMC) of the Federal Reserve left the target for the federal funds rate unchanged at 5.25% in January, the latest meeting. The FOMC has left the target unchanged since its August 2006 meeting. The Committee regards recent economic indicators to be signs of firm economic growth and potential stabilization in the housing market. Core inflation readings have moderated recently, easing inflationary pressures; however, continued high resource utilization may apply upward inflationary pressure this year. Overall, moderate economic expansion throughout 2007 is likely. The FOMC will re-evaluate such inflationary pressures at the next meeting on March 20, 2007.

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

- The Conference Board's Index of Leading Economic Indicators increased 0.1% in January to 138.5, following an upward revision to the December index and suggesting positive economic growth for the U.S. in the coming months. Four of the ten indicators contributed to the January increase, including real money supply, consumer expectations, average weekly claims for unemployment insurance, and stock prices. Negative contributors were average weekly manufacturing hours, building permits, manufacturer's new orders for nondefense capital goods, the interest rate spread, vendor performance, and manufacturer's new orders for consumer goods and materials. The coincident index, which measures current economic activity, also increased 0.1% in January to 123.3.

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- The nation's manufacturing sector rebounded in February after contracting in January, according to the Institute for Supply Management's Purchasing Managers Index (PMI). The Index increased 3.0% from 49.3 in January to 52.3 in February. Thirteen industries posted growth in February, led by apparel, leather & allied products, and petroleum and coal products. The nation's overall economy expanded for the 64th consecutive month in February. A reading greater than 50 suggests economic expansion whereas a reading below 50 suggests economic contraction.
- The local manufacturing industry contracted in January after four consecutive months of expansion, according to the Denver Manufacturing Purchasing Managers Index, which is compiled by the College of Business at the University of Colorado at Denver. The index decreased from 51.6 in December to 46.4 in the first month of 2007, suggesting softer economic conditions for the local manufacturing economy. Similar to the national index, a reading above 50 indicates economic expansion.
- The national service economy expanded for the 47th consecutive month in February but at a slower pace than exhibited in January. The Institute for Supply Management's Non-Manufacturing Index decreased from 59.0 in January to 54.3 in February. Nine of 17 non-manufacturing industries reporting heightened economic activity in February, including other services; health care and social assistance; and professional, scientific, and technical services.
- Metro Denver's non-manufacturing or service-economy continued to contract in December, despite an increase in the non-manufacturing index from 42.7 in November to 44.7 in December. The non-manufacturing index is compiled by the College of Business at the University of Colorado at Denver. Similar to the national manufacturing and service-economy indexes, a reading below 50 suggests economic contraction.
- The Creighton University Business Conditions Index for the Mountain States region decreased in February to a still robust 65.3 from 72.8 in December as inflationary pressures spiked. The February results suggest economic expansion for the Colorado-Wyoming-Utah region in the coming months but at a slower rate than projected last month. Both Wyoming and Utah reported stronger economic growth expectations in February while Colorado's individual index decreased to 54.2 in February from January's 69.8. A reading greater than 50 indicates expansionary conditions.
- Economic conditions for Colorado's small businesses declined in January for the second consecutive month, according to Vectra Bank's Colorado Small Business Index. The index decreased from a revised 100.7 in December to 94.1 in January, partly due to a lower unemployment rate, rising bankruptcies, and softer residential construction activity. A declining unemployment rate is said to negatively impact small businesses because labor can be more difficult to obtain. The U.S. small business conditions also declined in the first month of 2007, decreasing from a revised 95.1 in December to 91.5 in January. Both indexes use a baseline value of 100 in 1997.
- Colorado business leaders expect modest economic growth in the first quarter of 2007, according to the latest results of the Colorado Business Leaders Confidence Index. After decreasing for three consecutive quarters, the index increased from 49.9 in the fourth quarter of 2006 to 53.5 in the first quarter of 2007. The survey results also reveal that Colorado business leaders have had more confidence in the economic performance of Colorado than the nation for seven consecutive quarters. The forward-looking index is comprised of six component indexes, five of which reported improvements from the fourth quarter to first quarter. An increase above the 50 mark suggests the economy is in expansion mode.
- The Metro Denver Leading Index declined for the second consecutive month, slipping from 101.0 in October to 100.9 in November. The November index stands at its lowest level since January 2006 and confirms the slower growth trend ahead for Metro Denver. Prior to the recent downturn, the Leading Index had stalled at 101.1 for six consecutive months. The Historic Index, which measures year-over-year growth, increased 0.2% in November to 130.5 from 130.2 in October. The November increase was preceded by two consecutive

month-to-month declines. Compared to last year, the Historic Index is up 0.5%, which is the smallest year-over-year increase since the 0.2% increase in March 2006. The 100 level represents the benchmark year of 1995 for both indices, which are compiled by Development Research Partners.

Labor and Employment

Employment in Metro Denver increased by 6,600 positions from November to December, bringing total employment in Metro Denver to 1,396,600 jobs by year end. Total employment in Metro Denver increased 1.8% in 2006 compared to a 1.4% gain at the national level. A closer look reveals employment increased 1.9% in the Denver-Aurora MSA and 1.5% in the Boulder-Longmont MSA, according to preliminary data released by the Colorado Department of Labor and Employment. Ten of the 11 major industry groups reported increased employment levels from 2005 to 2006. The most active sectors for job growth in 2006 were the Natural Resources & Construction (+4.3%); Transportation, Warehousing & Utilities (+3.6%); and Professional & Business Services (+3.0%) sectors in percentage change terms. The strongest absolute gains occurred in the Professional & Business Services (+6,700 jobs); Natural Resources & Construction (+4,100 jobs); and Leisure & Hospitality (+3,200 jobs) sectors. The Information sector, which includes telecommunications, is the only sector to report jobs losses from 2005 to 2006. Information sector employment finished the year down 2.1% for an annual loss of 1,200 jobs, albeit the smallest annual loss since losses began in 2001. January employment data was unavailable at the time of this report.

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

	Month of Dec-06 (p)	Month of Nov-06	Month of Dec-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*	1,396.6	1,390.0	1,375.2	1,375.7	1,350.7	1.8%	0.0%	3.1%
Denver-Aurora MSA	1,228.8	1,223.6	1,211.5	1,212.8	1,190.1	1.9%	-0.2%	3.2%
Boulder-Longmont MSA	167.8	166.4	163.7	162.9	160.6	1.5%	1.5%	2.7%
Natural Resources & Construction	98.9	100.6	98.5	100.9	96.8	4.3%	2.0%	5.5%
Manufacturing	92.8	92.5	92.0	92.0	91.3	0.7%	-5.8%	2.0%
Wholesale & Retail Trade	219.8	215.6	218.7	210.7	208.5	1.0%	-0.4%	2.9%
Transp., Warehousing & Utilities	55.8	55.5	52.9	53.0	51.1	3.6%	2.3%	5.4%
Information	55.8	55.8	55.9	55.9	57.1	-2.1%	-3.3%	5.1%
Financial Activities	109.0	108.2	108.3	108.3	106.8	1.4%	-0.3%	5.5%
Professional & Business Services	229.1	227.7	223.7	226.7	220.0	3.0%	-1.4%	3.6%
Education & Health Services	141.7	141.5	139.7	140.2	137.5	2.0%	4.1%	3.5%
Leisure & Hospitality	141.1	140.4	136.9	140.9	137.7	2.3%	1.0%	1.2%
Other Services	51.0	50.6	50.3	50.7	50.4	0.6%	-0.2%	5.1%
Government	201.6	201.6	198.3	196.6	193.6	1.5%	2.5%	0.8%
Federal Gov't	31.8	31.2	32.0	31.3	31.4	-0.1%	-3.3%	-5.2%
State & Local Gov't	169.8	170.4	166.3	165.2	162.2	1.9%	3.8%	2.5%
Colorado	2,313.1	2,293.6	2,269.6	2,272.1	2,225.5	2.1%	0.6%	3.6%
United States	136,935	137,141	135,041	135,371	133,463	1.4%	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

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

Aviation: Frontier Airlines is establishing Cabo San Lucas as its second "focus" city in an effort to diversify beyond its Denver hub. Frontier service from Cabo San Lucas to five cities will begin in March, allowing the airline's Mexico flight capacity to reach 18% of total capacity during the peak season. Cancún is Frontier's other "focus" city. Frontier Airlines plans to grow 12% in the fiscal year starting in April and will add more than 30 planes to its current fleet of 66 by the 2011 fiscal year.

Bioscience: The 2007 proposed budget for the National Institutes of Health (NIH) will increase only 2.2% more than inflation, according to a House Appropriations Committee spokesperson. The limited budget increase will result in fewer funded medical research proposals and potentially encourage an exodus of academic researchers to the private side if funding does not materialize. About 27% of research proposals received NIH funding five years ago compared to only 16.7% in 2006. The funding rate of Pioneer Grants, or those grants that finance groundbreaking approaches to biomedical problems, has dropped below 5%.

The University of Colorado at Denver and Health Sciences Center's $822 million move to the former Fitzsimmons Army Medical Center may also feel the impact of limited NIH funding. NIH funding includes "indirect" costs for expenses such as electric bills but recipients can determine how to spending the money. CU was planning to use some portion of the funding to assist with the Fitzsimons move. CU currently receives about 54 cents of indirect funding for every dollar of research-specific funding but the university is negotiating to raise that rate. The limited funding could result in a slower move to the Fitzsimons campus and smaller buildings.

According to 2005 funding data from the NIH, the University of Colorado at Denver and Health Sciences Center received 53.6% of the total $346.6 million awarded to Colorado recipients, followed by Colorado State University (15.4%), University of Colorado at Boulder (12.0%), National Jewish Medical and Research Center (11.0%), University of Denver (1.1%), Denver Health (0.9%), and 51 hospitals, nonprofits, and labs (6.1%).

Energy: The City and County of Denver and Xcel Energy have proposed plans for a gas-to-energy plant that would burn methane emitting from the Lowry Landfill and Denver Arapahoe Disposal Site and thereby generate electricity. The electricity, enough to serve 3,000 customers annually, would be sold to Xcel Energy and considered renewable energy under Amendment 37. Waste Management, who operates the city-owned landfills, would build the new plant this summer and share in the profits. Prior to construction, the Environmental Protection Agency and the Colorado Department of Public Health and Environment must approve the project.

Broomfield-based Range Fuels Inc. announced plans to build the nation's first commercial-scale plant that will manufacture ethanol fuel from wood chips. The ethanol plant will be built in a major timber-producing area in east-central Georgia. Range Fuels' proprietary process that economically converts wood chips to ethanol is the first of its kind as most ethanol in the U.S. is made from corn. The facility will produce 10 million gallons of ethanol a year and employ about 70 workers in Georgia.

The Colorado School of Mines, University of Colorado at Boulder, Colorado State University, and the National Renewable Energy Lab signed a "Collaboratory" in February aimed at making Colorado the renewable-energy capital of the nation. The Collaboratory requested $21 million in federal funds within its first two weeks to increase the efficiency of solar cells but will also receive $2 million in state funds annually for three years.

Information Technology: A new report by the Brookings Institute estimates Denver and Boulder will lose about 17% of their computer programming, software engineer, and data entry jobs between 2004 and 2017 to overseas markets. Boulder was one of only five cities expected to lose between 3.1% and 4.3% of its total jobs to other countries over the same time period. Lowell, MA, San Francisco, San Jose, and Stamford, CT. were the four other cities facing similar losses.

Telecommunications: Level 3 Communications will cut about 1,000 jobs in 2007 as a result of its recent string of acquisitions but its Colorado workforce will not be materially affected. The Broomfield-based company spent roughly $3.9 billion in cash and stock over the past 13 months to acquire seven companies, including Texas-based Broadwing Corp. which is expected to see the majority of job losses. As of year-end 2006, Level 3 employed 5,800 workers of which 2,000 are based in Colorado. The Broadwing Corp. acquisition in January 2007 added another 1,600 workers to the telecommunication company's workforce. Local analysts estimate that 100 to 200 Colorado jobs may be at risk in the upcoming layoffs.

California-based Polycom Inc. will acquire Boulder-based SpectraLink for $229 million. Polycom makes voice and video-conferencing equipment and SpectraLink make wireless telephones for businesses. SpectraLink, which was founded in 1990 and went public in 1996, employs 600 workers worldwide of which 325 are based in Boulder. A SpectraLink spokesperson expects Boulder to remain the headquarters of the wireless segment.

In other employment news, David Thompson, author of "Blueprint to a Billion," says Colorado has a disproportionate share of blueprint companies, or companies that bring in more than $1 billion in sales. There are seven public blueprint companies in Colorado including EchoStar Communications, Wild Oats, ProLogis, Cimarex Energy, Apartment Investment and Management Co., and Teletech Holdings. According to Thompson, only one in 20 companies that have gone public since 1980 have reached $1 billion in total sales. On the private side, TIC Holdings Inc., MWH Global Inc., and MediaNews Group Inc. have reached Thompson's blueprint status in Colorado and CH2M Hill and PCL Construction generate more than $3 billion in sales, annually.

The hiring pace in Metro Denver will strengthen in the first three months of 2007, according to the latest Manpower Employment Outlook Survey. An estimated 42% of Denver area employers will hire workers in the first quarter of 2007, up from 33% in the fourth quarter of 2006 and 30% in the first quarter of 2006. About 8% of Denver area companies are expected to reduce payrolls in the first quarter of 2007, up from 2% in the prior quarter. About 42% of Denver area companies expect no staffing changes. Hiring expectations in the Boulder area are also stronger in the first quarter of the year, but not as robust as in the Denver area. About 27% of Boulder employers plan to hire additional staff in the January-March period, up from 23% in the fourth quarter of 2006. Seven percent of Boulder respondents plan to reduce payrolls in the first quarter, down from 10% in the fourth quarter, and 66% are not planning any staffing changes. First quarter job prospects in the Denver area appear best in wholesale/retail trade, education, services, and public administration. Construction, durable and non-durable goods manufacturing, and finance/insurance/real estate employers reported mixed hiring intentions for the coming quarter. No changes are anticipated in transportation/public utilities.

The Metro Denver employment outlook is more positive than Manpower Inc.'s national outlook, which weakened for the second consecutive quarter. About 23% of the 14,000 employers surveyed nationwide plan to add staff in the first quarter of 2007, down from 28% in the fourth quarter. About 11% plan to reduce staff levels, up from 8% in the fourth quarter, and another 60% are unsure about upcoming staffing changes.

Employment Outlook Survey

	Quarter 1 2007	Quarter 4 2006	Quarter 1 2006	YTD 2007	YTD 2006
Denver Area*					
Percent of Companies Hiring	42%	33%	30%	42%	30%
Percent of Companies Laying Off	8%	2%	4%	8%	4%
Percent of Companies No Change	42%	60%	55%	42%	55%
Boulder County					
Percent of Companies Hiring	27%	23%	27%	27%	27%
Percent of Companies Laying Off	7%	10%	10%	7%	10%
Percent of Companies No Change	66%	67%	56%	66%	56%

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

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The Metro Denver unemployment rate was unchanged in December at 4.0%. The November and December rates are at the lowest level in more than five years. Metro Denver's average unemployment rate in 2006 registered 4.5% compared to 5.1% in 2005. All seven Metro Denver counties reported unemployment rate declines from 2005 to 2006. Labor market conditions in 2006 were the strongest in Douglas (3.2%), Boulder (3.9%), and Broomfield (4.3%) counties. The City and County of Denver (5.2%) and Adams County (5.1%) reported the highest rates. Arapahoe and Jefferson counties both reported average annual unemployment rates of 4.4% in 2006. The statewide unemployment rate was also unchanged in December at 3.9%. Through December, the average annual Colorado and U.S. unemployment rates stand at 4.4% and 4.6%, respectively. January data was not available at the time of this report.

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

	December 2006 (p)		2006 YTD AVG		2005 YTD AVG		2001	1996
	Total Labor Force	Unemploy-ment Rate	Total Labor Force	Unemploy-ment Rate	Total Labor Force	Unemploy-ment Rate	Ann Avg Unemploy-ment Rate	Ann Avg Unemploy-ment Rate
Metro Denver	1,465.8	4.0%	1,481.5	4.5%	1,442.3	5.1%	3.9%	3.8%
Adams County	209.3	4.6%	208.3	5.1%	202.5	5.8%	4.2%	4.2%
Arapahoe Cnty	307.7	3.8%	306.5	4.4%	297.8	5.0%	3.8%	3.2%
Boulder Cnty	147.9	3.9%	169.5	3.9%	167.6	4.5%	3.5%	3.8%
Broomfield Cnty	24.9	3.7%	24.8	4.3%	24.0	4.7%	3.7%	**
Denver County	315.0	4.6%	313.7	5.2%	305.1	6.0%	4.6%	5.0%
Douglas Cnty	142.1	2.8%	141.1	3.2%	136.8	3.6%	3.1%	2.2%
Jefferson Cnty	318.9	3.8%	317.6	4.4%	308.5	5.0%	3.6%	3.4%
Colorado	2,642.5	3.9%	2,629.5	4.4%	2,547.9	5.0%	3.8%	4.2%
United States	152,571	4.3%	151,428	4.6%	149,320	5.1%	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 increased sharply from December 2006 to January 2007, partly due to a typical seasonal pattern. In fact, the number of first time unemployment claims have increased from December to January 10 times since 1995 with the only two month-to-month declines occurring in 1998 and 1999. On the other hand, the 51.9% jump from December 2006 to January 2007 is the sharpest on record since 1995 (the earliest year of available data). The number of claims filed in the first month of 2007 is also 19.5% above January 2006 claims. Statewide claims also increased sharply from December to January, rising 43.3% and bringing January 2007 claims 21.1% above January 2006 claims.

First-Time Unemployment Insurance Claims

	Month of Jan-07	Month of Dec-06	Month of Jan-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change	Annual Average 2002	Annual Average 1997
Metro Denver	7,228	4,758	6,048	7,228	6,048	19.5%	7,215	3,640
Colorado	15,052	10,505	12,429	15,052	12,429	21.1%	14,637	

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

Consumer Sector

Prices in the Denver-Boulder-Greeley region rose 3.6% in 2006, outpacing the national inflation rate of 3.2%. Metro Denver inflation rose to its highest level since 2001 and outpaced the nation for the first time since 2002. According to the Consumer Price Index (CPI), local cost increases for clothes, medical care, transportation, shelter, and other items offset cooling energy prices last year. Core inflation, which excludes the more volatile food and energy prices, surged 4.9% in 2006 in the Denver-Boulder-Greeley region compared to the national increase of 2.7%.

Energy price inflation may be more robust in the coming months, according to recent gas price increases. Metro Denver gas prices increased almost $0.40 in February after registering about $2 per gallon of regular gasoline at the beginning of the month. The average price for a gallon of regular gasoline was $2.39 as of the March 4, 2007 AAA Fuel Gauge report. Rising crude oil prices are primarily behind the uptick as tensions over Iran's nuclear program grow, colder weather stimulates energy demand along the East Coast, and petroleum stockpiles are being drawn down. Metro Denver gas prices remain below the national average of $2.47 per gallon as of early March compared to $2.17 a month ago.

Low fuel prices in January may have contributed to better-than-expected retail spending in the U.S. Retail spending in January was up 3.7% compared to the same month a year earlier, up from the 3.0% gain analysts had predicted. Data from the International Council of Shopping Centers, which tracks sales at 51 chain stores, suggests that the January cold snap lured shoppers in for coats and other cold weather outwear. About half of holiday gift cards and certificates were redeemed in January and merchandise sales were needed to make way for spring items.

Retail sales in Metro Denver slipped from October to November in a typical seasonal pattern but stand 3.7% above November 2005 retail sales. On a year-to-date basis, retail sales in Metro Denver are up 8.3% through the first 11 months of the year compared to the same period in 2005. Through November, the City and County of Denver and Arapahoe County posted double-digit gains while other counties experienced more moderate gains. On the bright side, year-to-date retail sales are up in all seven Metro Denver counties through November. Retail sales at the state level are also up through November despite a decline from October to November.

Total Retail Sales ($000s)

	Month of Nov-06	Month of Oct-06	Month of Nov-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Annual Growth 2001	Annual Growth 1996
Total Metro Denver	5,960,536	6,215,382	5,748,450	68,757,159	63,477,208	8.3%	2.9%	7.1%
Adams County	878,376	887,045	872,998	10,321,865	9,426,452	9.5%	3.6%	3.2%
Arapahoe County	1,276,440	1,359,005	1,184,511	15,180,478	13,802,961	10.0%	-0.5%	10.1%
Boulder County	528,593	547,651	509,066	6,298,001	6,067,921	3.8%	1.6%	10.4%
Broomfield County	117,484	121,291	110,263	1,335,118	1,255,624	6.3%		
Denver County	1,783,792	1,889,226	1,657,697	19,277,676	17,386,420	10.9%	1.6%	2.2%
Douglas County	449,935	470,237	469,176	5,339,033	5,027,805	6.2%	16.5%	46.4%
Jefferson County	925,916	940,927	944,739	11,004,988	10,510,025	4.7%	2.6%	5.8%
Colorado	9,797,048	10,268,088	9,485,199	116,404,885	106,986,536	8.8%	2.9%	7.2%

Source: Colorado Department of Revenue.

Consumer confidence levels in the Mountain region increased from December to January, rising to the highest monthly reading since September 2006. The Consumer Confidence Index increased from a revised 127.8 in December to 132.8 in January, suggesting improved consumer sentiment in the Mountain region. Mountain *region consumers reported the most optimistic reading of the nine regions in the first month of 2007, according to the Conference Board, although the January 2007 reading was 8.0% below the January 2006 reading.* The confidence index is comprised of the present situation index and the expectations index. The perception of the current situation improved from a revised 164.3 in December to 171.0 in January, the highest January reading among the nine regions. The future expectations index also improved in January, rising from a revised 103.5 in December to 107.3 in January, the third highest January reading of the nine regions. National consumer confidence was essentially flat in January at 110.3 from a revised 110.0 in December. The U.S. present situation index improved from a revised 130.5 in December to 133.9 in January while the future expectations index declined from a revised 96.3 in December to 94.5 in January. Advance estimates for February confidence levels reveal an improvement in overall consumer confidence to 112.5.

Consumer Confidence Index

	Month of Jan-07 (p)	Month of Dec-06	Month of Jan-06	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Ann Avg 2002
Mountain	132.8	127.8	144.3	132.8	144.3	-8.0%	104.3
United States	110.3	110.0	106.8	110.3	106.8	3.3%	96.6

Source: The Conference Board. (p) =preliminary

Denver saw a record 320,950 delegates at 530 meetings and conventions in 2006, generating an economic impact of $521.2 million. The Denver Metro Convention & Visitors Bureau notes the 2006 economic impact is 23% greater than the 2005 economic impact of $424.3 million. Bureau officials attribute much of the escalation to increased tourism funding from a voter-approved lodging tax hike that boosted the bureau’s marketing budget by $4.1 million.

In addition to meetings and conventions, sporting events represent a significant component of Metro Denver’s tourism market. Unfortunately, Metro Denver will loose two major sporting events in 2007 that previously attracted national attention because tournament officials were unable to secure title sponsorships. The International golf tournament held at Castle Pines Golf Club in Castle Rock drew 100,000 spectators annually and has served as a venue for business deals and corporate networking since 1986. The International also produced millions of dollars of international media exposure, according to Richard Scharf, President of the Denver Metro Convention & Visitors Bureau. The International has been without a title sponsor since 2004 when Qwest declined to renew a five-year contract. Earlier in the month, Champ Car World Series removed Denver from its Grand Prix tour list, citing scheduling issues and the lack of title sponsorship. Centrix Financial of Centennial withdrew its Grand Prix sponsorship after financial woes forced the company to cut back spending.

On the other hand, the International Speedway Corp. is looking at two 1,300-acre sites in Metro Denver for a racetrack that would seat about 75,000 spectators and draw an estimated 60% of fans from outside the region. The racetrack will have an estimated annual impact of $150 million to Metro Denver and cost $350 million to $400 million of public and private funds. The two sites are located in Commerce City and Aurora. The International Speedway Corp. says that the, “Denver-area is home to 17,000 registered international speedway travelers who travel the U.S. for events.”

Looking ahead, the Colorado Tourism Office is gearing up for the release of its major advertising campaign, “Let’s Talk Colorado,” created by Kansas City-based MMG Worldwide. The campaign’s goal is expanding Colorado’s tourism market from 25.9 million visitors in 2005 to 30.0 million visitors by 2008. The MMG Worldwide campaign costs $6.9 million, including $2.2 million in online advertising, and will focus on markets such as Boston, Minneapolis, New York, San Diego, and Phoenix. According to company representatives, the ad features everything from the expanded Denver Art Museum, Red Rocks Amphitheatre, Great Sand Dunes National Park, Western Slope wine country, and various outdoor activities like fly fishing, mountain biking, and horseback riding. Increased state funding for the Colorado Tourism Office from $5.5 million in 2006 to $19 million is helping make the ad campaign possible.

Metro Denver's lodging industry started 2007 off on the right foot with increased occupancy and average room rates compared to December. The average occupancy rate increased from 51.3% in December to 57.2% in January, although occupancy rates in January 2007 were only marginally stronger than a year earlier. The average room rate also increased in January, rising from $95.93 in December to $102.72 in the first month of 2007. The average room rate in January 2007 was more than $10 ahead of January 2006.

Metro Denver Hotel Statistics

	Month of Jan-07	Month of Dec-06	Month of Jan-06	YTD Avg 2007	YTD Avg 2006	YTD Avg % Change	Annual 2002	Annual 1997
Percent of Hotel Rooms Occupied	57.2%	51.3%	57.0%	57.2%	57.0%	0.4%	60.3%	72.1%
Average Hotel Room Rate	$102.72	$95.93	$92.34	$102.72	$92.34	11.2%	$88.05	$84.06

Source: Rocky Mountain Lodging Report.

In other hospitality news, Centennial-based Stonebridge Cos. announced plans to build a 140-room Aloft hotel at Arista in Broomfield. Starwood Hotels and Resorts' Aloft brand was unveiled in September 2005 and is a less expensive version of its W Hotel line. Metro Denver is one of the nation's first regions to see an Aloft hotel. The project broke ground in February and is expected to be complete by the spring of 2008.

Momentum is building for additional lodging near Denver International Airport (DIA). Redwood Real Estate Partners LLC expects to sign a lease with the City and County of Denver in March for a 17-acre parcel north of Pena Boulevard that would accommodate a 200-room high quality, limited-service hotel. Also, airport representatives are close to issuing a request for proposals for a hotel attached to the southeast corner of the airport terminal. Denver officials scrapped plans for a $125 million Westin hotel attached to the airport in 2003 because of United Airlines' financial uncertainty and the overall economic downturn. Industry insiders say a full-service hotel at DIA will offer meeting space options, which can be a key amenity for business travelers. The 3,000 existing hotel rooms in the airport area posted the strongest average occupancy rate in all of Metro Denver in 2006, suggesting additional inventory in the area is appropriate.

Passenger traffic at DIA in 2006 increased 9.1% from 2005, partly due to increased competition and low airfares. More than 47.3 million travelers passed through DIA in 2006 compared to 43.4 million in 2005. Prior to Metro Denver's severe weather in the later half of December, analysts had forecasted 2006 passenger traffic to surpass the 50 million mark. December 2006 also marked the first over-the-year decrease in passenger traffic in 20 months with a 3.0% decline from December 2005. In other airport news, the market share of United Airlines (including United, United International, and Ted) at DIA was unchanged from 2005 to 2006 at about 43%. Denver-based Frontier Airlines saw an increase in market share from 16.7% in 2005 to 18.0% in 2006. Newcomer Southwest Airlines captured 3.3% of the local market during its first year of operations at DIA. Cargo operations continue to decline with 2006 total operations down 9.0% from 2005.

Denver International Airport Passengers

	Month of Dec-06	Month of Nov-06	Month of Dec-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Annual 2001	Annual 1996
Number of Airline Passengers	3,441,187	3,674,866	3,546,529	47,325,016	43,387,369	9.1%	36,092,806	32,296,174

Source: Denver International Airport, Traffic Statistics.

The nation's major stock indexes tumbled on Tuesday, February 27 as analysts and economists speculated whether the downturn was a one-day aberration or a sign of more to come. Most stocks regained some ground on the final day of the month but year-to-date returns reflected the late February slide. According to month-end data, *the S&P 500 year-to-date return through February was -1.4% compared to -2.0% for the DOW and -0.3% return for the NASDAQ. On the bright side, the Bloomberg Colorado index posted a 3.8% year-to-date gain through February.* The Bloomberg Colorado Index replaces the previously-reported Colorado stock index, which incorporated only 30 companies. The Bloomberg Colorado Index is a price-weighted index designed to measure the performance of the Colorado economy and currently includes 110 companies that are headquartered in Colorado with a minimum market capitalization of $10 million. The Bloomberg Colorado index was developed with a base value of 100 as of December 30, 1994.

Stock Market Indexes

	Month of Feb-07	Month of Jan-07	Month of Feb-06	YTD Return 2007	YTD Return 2006	YTD Return 2005
Bloomberg Colorado	396.9	393.9	343.2	3.8%	5.3%	1.9%
S&P 500	1,399.0	1,438.2	1,280.7	-1.4%	2.6%	-0.7%
NASDAQ	2,407.9	2,463.9	2,281.4	-0.3%	3.4%	-5.7%
DOW	12,216.2	12,621.7	10,993.4	-2.0%	2.6%	-0.2%

Sources: Bloomberg.com, Yahoo! Finance.

In more local news, Centennial-based National CineMedia Inc. joined on the NASDAQ stock exchange in February under the trading symbol NCMI. Share prices soared as high as 26% above its opening price to close 21% above its opening price of $21. The initial public offering (IPO) raised $798 million, making it the richest IPO based on market capitalization of the 15 deals so far this year. National CineMedia sells on-screen advertising in move theaters and employs about 250 workers in Centennial and 200 workers elsewhere.

Residential Real Estate

Existing homes sales rose throughout the nation for the third time in the past four months in January, according to the National Association of Realtors (NAR). January home sales increased to 6.46 million units for a 3.0% increase above December 2006 home sales but January 2007 sales are down 4.3% from a year earlier. Total inventory levels of existing homes increased in January by 99,000 units in a typical seasonal change to 3.55 million homes on the market at the end of the month, which represents a 6.6-month supply at the current sales pace.

The existing residential market in Metro Denver reported mixed results from December to January with increasing home sales but decreasing average sale prices in both the single-family and condominium categories. Single-family home sales increased from 2,445 in December to 2,667 in January, helping inventory levels decline for the sixth consecutive month. Condominium sales increased from 659 in December to 873 in January, bringing down inventory levels for the seventh consecutive month. Total homes sales for both single-family and condominiums increased from 3,104 in December to 3,540 in January. January 2007 homes sales are 24.5% ahead of January 2006 homes sales.

Home price appreciation in Metro Denver is negative compared to this time last year. The average sales price for single-family homes in January dropped by a record 7.5% from $321,524 in December to $297,368. Compared to a year ago, the average sales price is down 3.1%. The median sales price in the single-family category also declined from December to January and stands 3.7% below the January 2006 median sales price. Condominium prices are following a similar trend, according to the latest data. The average sale price for condominiums softened from December to $170,440 in January, bringing the January 2007 sales price 11.4% below the January 2006 sales price. Despite an increase in the condominium median sales price from December to January, the January median price is 0.1% below that of January 2006.

Home Sales Activity

	Month of Jan-07	Month of Dec-06	Month of Jan-06	YTD Total 2007	YTD Total 2006	YTD Total % Change	Ann Avg 2002	Ann Avg 1997
Home Sales (Under Contract)	4,292	3,328	4,266	4,292	4,266	0.6%	30,089	35,963
Home Sales (Closed)	3,540	3,104	2,843	3,540	2,843	24.5%	47,919	40,185
Unsold Homes on Market	24,350	24,534	24,387	24,350	24,387	-0.2%	20,740	12,903
Average Sales Price-Single Family	$297,368	$321,524	$306,982	$297,368	$306,982	-3.1%	$268,926	$169,587
Average Sales Price-Condo	$170,440	$180,084	$192,271	$170,440	$192,271	-11.4%	$168,226	$100,694
Median Sales Price-Single Family	$236,000	$247,500	$245,000	$236,000	$245,000	-3.7%	$221,000	
Median Sales Price-Condo	$154,900	$150,000	$155,000	$154,900	$155,000	-0.1%	$149,500	

Sources: MetroList, Inc.

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

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

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

Median Home Price ($000s)

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

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

New research from California-based DataQuick Information Systems identified the most expensive Metro Denver housing markets in 2006 by zip code. North Boulder (80304) boasted the highest median sales price of $597,254 in 2006, followed by Arvada (80007) at $502,222, Larkspur (80118) at $490,000, Franktown (80116) at $466,000, and Denver (80209) at $455,000. The lowest median prices can be found in Denver (80235) at $116,126, Aurora (80010) at $123,250, Denver (80216) at $126,914, Denver (80231) at $144,000, and Aurora (80011) at $150,000.

Despite Colorado losing its notorious title of the highest foreclosure rate in January, foreclosures remain a serious concern throughout the state and Metro Denver. A recently completed report by the Denver Office of Economic Development and the Division of Housing and Neighborhood Development pinpoints high concentrations of foreclosures in Denver and suggests that foreclosures can quickly multiply in a neighborhood once a handful of homes are in foreclosure. Neighborhoods with high concentrations of foreclosures are also plagued with high incidences of vacant homes, which can depress property values, hurt local school districts that are dependent on property taxes, and attract transients and criminals. The "Foreclosures in Denver" report identifies parts of the Westmoor, University, Hampden, Lowry Field, Lincoln Park, West Colfax, and City Park West neighborhoods as having high foreclosure rates of between 16% and 26%. The foreclosure rate in the City and County of Denver report is determined by the number of 2005 foreclosures as a percent of owner-occupied units.

The total number of foreclosures in Metro Denver jumped by 360 cases from December to January, the sharpest month-to-month gain since October. The seven-county region reported 1,990 foreclosures in January compared to 1,630 in December, with January 2007 foreclosures representing a 23.2% gain over January 2006. The City and County of Denver led the seven-county region in January foreclosures with 589 cases or about 30% of Metro Denver's total foreclosures. Compared to a year ago, the sharpest increases have occurred in Jefferson County (+45.8%), Arapahoe County (+36.5%), and the City and County of Denver (+30.9%). On a positive note, Douglas County reported a 22.2% year-over-year decline in January.

Real Estate Foreclosures

	Month of Jan-07	Month of Dec-06	Month of Jan-06	YTD Total 2007	YTD Total 2006	YTD Total % Change
Total Metro Denver*	1,990	1,630	1,615	1,990	1,615	23.2%
Adams County	426	344	399	426	399	6.8%
Arapahoe County	486	357	356	486	356	36.5%
Boulder County	65	61	58	65	58	12.1%
Broomfield County	14	21	12	14	12	16.7%
Denver County	589	428	450	589	450	30.9%
Douglas County	98	173	126	98	126	-22.2%
Jefferson County	312	246	214	312	214	45.8%

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

NAR data reveals new home sales dropped by a sharp 16.6% from December to January, partly due to elevated sales in December. Compared to a year earlier, new home sales are down 20.1%. Sales softened to 937 million units in January, the slowest pace in four years. A separate data series from the U.S. Commerce Department shows a similar change in January with new home sales suffering their worst month-to-month decline in January in 13 years. New home sales dropped 16.6% in January, pushing inventory levels up to a 6.8-month supply at the current sales pace. More specifically, the western U.S. recorded a 37.4% decline in new home sales in January. New home construction activity in the U.S. plunged to the lowest level in nearly a decade in January with the seasonally-adjusted pace of construction falling to 1.408 million units, or the slowest pace since August 1997. The U.S. Commerce Department also reported January 2007 construction activity was down 37.8% from a year earlier and down 14.3% from the month prior.

The new home market in Metro Denver softened in 2006 with a 21% decline in new home sales compared with the year prior. The report by Englewood-based Genesis Group tallies 13,936 new home sales in 2006 compared to 17,559 in 2005. Single-family detached home sales fell 27% in 2006 while condominium and attached home sales accounted for 40% of all new home sales last year, the highest representation since the mid-1980s. Assuming the economy holds steady, Genesis' Mike Rinner forecasts new homes sales will stabilize in 2007 at about 14,000.

MONTHLY ECONOMIC SUMMARY

New home construction activity in Metro Denver increased in December to its highest level since June with 1,510 permits filed for single-family and multi-family home construction in the seven-county region. Despite the December uptick, the total number of permits filed in 2006 totaled only 17,990, which was down 13.8% from 2005. Single-family detached construction activity culminated in 10,952 permits in 2006, a 30.6% decline from 2005 while single-family attached or two-family home construction reached 5,311 permits in 2006 for a 14.4% increase over 2005. Multi-family construction also reported an increase from 2005 activity levels, reaching 1,727 permits in 2006 for a 276.3% annual increase. The most single-family detached permits issued in 2006 occurred in Aurora (1,957), the City and County of Denver (1,428), and Castle Rock (942). The City and County of Denver (1,658), Aurora (603), and unincorporated Douglas County (554) issued the most permits for single-family attached construction in 2006. The only communities to report any multi-family construction in 2006 were unincorporated Douglas County (640), Arvada (324), the City and County of Denver (319), Lakewood (307), Boulder (77), and Lafayette (60).

Residential Building Permits

	Month of Dec-06	Month of Nov-06	Month of Dec-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Total 2001	Total 1996
Single-Family Units	688	587	1,236	10,952	15,778	-30.6%	14,262	13,182
Two-Family Units	389	217	351	5,311	4,642	14.4%	4,442	2,093
Multi-Family Units	433	153	75	1,727	459	276.3%	9,090	3,666
Total Units	1,510	957	1,662	17,990	20,879	-13.8%	27,794	18,941

Source: Home Builders Association of Metro Denver.

The rental market in Metro Denver benefited from the region's high foreclosure activity and rising mortgage rates in 2006. The apartment vacancy rate in Metro Denver increased slightly from third quarter to fourth quarter but the fourth quarter 2006 vacancy rate of 7.0% stands well below the 7.9% vacancy rate reported a year earlier. For the year, the average vacancy rate in the seven-county region declined from 8.2% in 2005 to 7.0% in 2006. The last time the annual vacancy rate was lower than 7.0% was in 2001 when the metro region posted a 6.4% vacancy rate, during which time about 25,000 rental units have been added to the market. The average monthly apartment rent decreased from third quarter to fourth quarter but the fourth quarter 2006 rate stands about even with the fourth quarter 2005 rental rate. On an annual basis, the average apartment rental rate was 1.2% higher in 2006 than in 2005.

A Colorado Division of Housing report pegs the fourth quarter "affordable" apartment vacancy rate in Colorado at 5.2% and the rental single-family homes, condominiums, townhomes, duplexes, triplexes, and four-plexes in Colorado at 5.5% compared to 5.4% a year earlier.

Apartment Statistics

	Quarter 4 2006	Quarter 3 2006	Quarter 4 2005	YTD Average 2006	YTD Average 2005	YTD Average % Change	Annual Average 2001	Annual Average 1996
Apartment Vacancy Rate	7.0%	6.7%	7.9%	7.0%	8.2%		6.4%	5.0%
Average Monthly Rental Rate (all units)	$850	$866	$848	$849	$839	1.2%	$822	$607

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

Frederick Ross calls 2006 a "powerful year" for the office segment in Metro Denver as absorption levels soared to a seven-year high by year-end, vacancy rates decreased, rental rates increased in high-demand areas, sales activity increased, and new construction projects abounded. Ross identifies solid job growth, the completion of Denver's T-Rex Project (including the Southeast light rail system), and investor optimism as the contributing factors of the solid performance. The vacancy rate in the Southeast Suburban sector declined from 22.1% in 2005 to 17.5% in 2006 with nearly 1.4 million square feet of positive absorption. The Central Business District (CBD) saw the vacancy rate fall from 16.1% in 2005 to 12.8% in 2006 along with almost 1.3 million square feet of positive absorption and the delivery of the Denver Newspaper Agency's headquarters and the Environmental Projection Agency's regional headquarters. Frederick Ross counts six speculative construction projects in the CBD totaling 2.0 million square feet of office space. Looking ahead, Frederick Ross says the Metro Denver market "appears to be on a reasonably healthy foundation" and reasons that if the market could perform so well in 2006 that 2007 is sure to be another solid year.

In addition to the 2.0 million square feet of new construction discussed above is a 200,000 square-foot office-condominium project by Resolute Investments. The building will stand adjacent to the planned Union Station development at 18th and Wewatta streets in Downtown Denver with about 180,000 square feet of office condominium space and 20,000 square feet of retail and lobby space. Wewatta Plaza will be an environmentally-friendly project.

The Metro Denver office market improved in 2006 according to the latest data from Costar Realty Information, Inc. The direct vacancy rate fell from 13.3% in the fourth quarter of 2005 to 12.6% in the fourth quarter of 2006 even though developers added about 1.55 million square feet of office space to the seven-county region in 2006. The latest fourth quarter direct vacancy rate is the lowest it has been since third quarter 2002. The total vacancy rate, including sublet space, also fell over the same period from 14.8% to 13.7%. Meanwhile, average lease rates increased in Metro Denver, providing further evidence of a strengthening office market. The average lease rate increased from $17.46 per square foot in the fourth quarter of 2005 to $18.54 per square foot in the fourth quarter of 2006, the highest average lease rate reported since fourth quarter 2002.

About 1.33 million square feet of office construction is currently underway in Metro Denver among 53 buildings. Approximately 37.7% of the office square footage under construction is occurring in the City and County of Denver. Construction projects in Jefferson and Douglas counties account for 27.3% and 23.0% of total office construction activity in Metro Denver. The three biggest projects currently underway are the RE/MAX International headquarters in Denver at 250,000 square feet, the Signature Centre at Denver West in Jefferson County at 186,000 square feet, and the Lone Tree Medical Plaza in Douglas County at 71,100 square feet.

Office Market Statistics

	Quarter 4 2006	Quarter 3 2006	Quarter 4 2005	Quarter 4 2004	Quarter 4 2003	Quarter 4 2002
Number of Buildings	4,516	4,507	4,473	4,422	4,377	4,332
Existing Square Feet (millions)	150.9	150.5	149.4	148.5	147.2	145.9
Vacant Square Feet (millions)	19.0	18.8	19.9	21.6	21.1	20.1
Vacancy Rate (Direct)	12.6%	12.5%	13.3%	14.5%	14.3%	13.8%
Vacancy Rate (With Sublet)	13.7%	13.6%	14.8%	16.3%	16.7%	16.6%
Average Lease Rate (per square foot)	$18.54	$18.21	$17.46	$17.03	$17.36	$18.95
New Construction Completed (year-to-date)	1.55 MSF, 41 Bldgs	0.96 MSF, 33 Bldgs	0.73 MSF, 42 Bldgs	1.20 MSF, 38 Bldgs	1.24 MSF, 39 Bldgs	2.90 MSF, 82 Bldgs
Currently Under Construction	1.33 MSF, 53 Bldgs	1.77 MSF, 48 Bldgs	1.34 MSF, 38 Bldgs	0.72 MSF, 28 Bldgs	0.82 MSF, 24 Bldgs	1.39 MSF, 33 Bldgs

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

The fourth quarter report by Frederick Ross reveals a "successful year" for the industrial segment in Metro Denver. Absorption was positive at more than 4.0 million square feet and vacancy rates declined from more than 8.0% in 2005 to 6.7% in 2006. Rental rates also ticked upwards due to strengthening demand. The industrial warehouse sub-segment took in 3.5 million square feet of absorption and the vacancy rate declined to 5.2% in 2006 after hovering around 7.0% since 2002. Construction activity in the industrial warehouse sub-segment delivered 1.0 million square feet in 2006 with another 1.8 million square feet on the way. Frederick Ross is cautiously optimistic about the industrial segment in Metro Denver in 2007.

Metro Denver's industrial market experienced improving fundamentals in 2006, according to Costar Realty Information, Inc. The direct vacancy rate in the industrial category decreased from 7.8% in the fourth quarter of 2005 to 6.9% in the fourth quarter of 2006, representing Metro Denver's lowest direct vacancy rate in more than three years. The overall industrial vacancy rate, which includes sublet space, also declined in 2006, falling from 8.1% in the fourth quarter of 2005 to 7.4% in the fourth quarter of 2006. Average lease rates increased over the same period, rising from $4.70 per square foot to $4.96 per square foot. The fourth quarter 2006 average lease rate is at the highest level since second quarter 2003. About 1.71 million square feet of industrial space in 32 buildings was added to Metro Denver in 2006 and another 2.11 million square feet of space is currently under construction. Construction activity is at the strongest level since 1999. More than half of the industrial space currently under construction is being added in Adams County, including the more than 400,000-square-foot Aurora Commerce Center Building.

In other construction news, Denver-based ProLogis announced it will design and build a 625,000-square-foot distribution center in Aurora for Furniture Row Cos. along with a 360,000-square-foot speculative building nearby. Although not released, analysts peg the cost of the warehouse at about $25 million. ProLogis will own and manage 7.5 million square feet of local space in Metro Denver with the completion of the aforementioned buildings. ProLogis currently boasts a 97% lease rate locally, up from 85% in 2003.

Industrial Market Statistics

	Quarter 4 2006	Quarter 3 2006	Quarter 4 2005	Quarter 4 2004	Quarter 4 2003	Quarter 4 2002
Number of Buildings	5,699	5,688	5,667	5,629	5,594	5,553
Existing Square Feet (millions)	202.9	202.4	201.2	199.8	198.0	196.0
Vacant Square Feet (millions)	14.0	14.3	15.6	15.5	14.3	12.2
Vacancy Rate (Direct)	6.9%	7.1%	7.8%	7.8%	7.2%	6.2%
Vacancy Rate (With Sublet)	7.4%	7.5%	8.1%	8.4%	8.1%	7.2%
Average Lease Rate (per square foot, nnn)	$4.96	$4.93	$4.70	$4.59	$4.67	$5.39
New Construction Completed (year-to-date)	1.71 MSF, 32 Bldgs	1.19 MSF, 20 Bldgs	1.30 MSF, 40 Bldgs	1.82 MSF, 34 Bldgs	2.07 MSF, 38 Bldgs	2.77 MSF, 49 Bldgs
Currently Under Construction	2.11 MSF, 28 Bldgs	1.53 MSF, 25 Bldgs	0.86 MSF, 19 Bldgs	0.33 MSF, 14 Bldgs	1.20 MSF, 12 Bldgs	0.87 MSF, 17 Bldgs

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

Unlike the strengthening office and industrial markets, the flex real estate market in Metro Denver is stable. Costar Realty Information, Inc. reported unchanged direct and overall vacancy rates from year-end 2005 to year-end 2006. On the bright side, vacancy rates were unchanged even though 460,000 square feet of flex space was added to the Metro Denver market last year. In addition, the average lease rate improved from $8.40 per square foot in the fourth quarter of 2005 to $8.59 per square foot in the fourth quarter of 2006, the highest lease rate since second quarter 2003. Construction activity in the final quarter of 2006 was at its lowest level since second quarter 2004 with only two buildings under development. Flex space construction is occurring in Denver and Jefferson counties.

Flex Space Statistics

	Quarter 4 2006	Quarter 3 2006	Quarter 4 2005	Quarter 4 2004	Quarter 4 2003	Quarter 4 2002
Number of Buildings	1,267	1,266	1,251	1,224	1,213	1,196
Existing Square Feet (millions)	38.1	38.1	37.6	37.2	37.0	36.6
Vacant Square Feet (millions)	5.3	5.2	5.2	5.8	6.3	5.4
Vacancy Rate (Direct)	13.9%	13.7%	13.9%	15.6%	17.1%	14.6%
Vacancy Rate (With Sublet)	14.5%	14.2%	14.5%	16.9%	18.6%	16.5%
Average Lease Rate (per square foot, nnn)	$8.59	$8.47	$8.40	$8.30	$8.05	$8.37
New Construction Completed (year-to-date)	0.46 MSF, 15 Bldgs	0.39 MSF, 13 Bldgs	0.37 MSF, 21 Bldgs	0.12 MSF, 6 Bldgs	0.22 MSF, 10 Bldgs	0.81 MSF, 27 Bldgs
Currently Under Construction	0.09 MSF, 2 Bldgs	0.07 MSF, 2 Bldgs	0.46 MSF, 15 Bldgs	0.37 MSF, 17 Bldgs	0.05 MSF, 1 Bldg	0.25 MSF, 6 Bldgs

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

The retail segment of Metro Denver's commercial real estate market tightened in 2006 with almost 3.8 million square feet of absorption and an improving vacancy rate to 5.0%. Absorption and the declining vacancy rate were supported by several new and large-scale retail developments that became fully occupied in 2006 such as Southlands in Aurora, Northfield Stapleton, and Walnut Creek in Westminster. Cherry Creek remains the tightest retail submarket in Metro Denver with a 2.1% vacancy rate.

Metro Denver's retail market fundamentals reported mixed results in 2006, according to Costar Realty Information, Inc. The direct vacancy rate increased slightly from 6.1% in the fourth quarter of 2005 to 6.5% in the fourth quarter of 2006, partly due to the 4.99 million square feet of new retail space among 60 buildings that was added to the seven-county region last year. The overall vacancy rate, including sublet space, also increased over the same period, rising from 6.5% to 6.9%. Meanwhile, the average lease rate improved from $15.15 in the fourth quarter of 2005 to $16.63 a year later, the highest average lease rate on record. About 4.71 million square feet of new retail space is currently under construction in Metro Denver of which about 48.2% is located in Adams County. Retail projects in Broomfield account for 15.0% of the total square footage under construction. The remaining new square footage is dispersed among Boulder (9.3%), Arapahoe (8.9%), Jefferson (7.7%), Denver (6.4%), and Douglas (4.5%) counties. One of the current retail projects is the $225 million, 750,000-square-foot redevelopment in Sheridan called River Point. River Point, the largest development project in the history of Sheridan, will encompass 135 acres and feature such prospective tenants as Target, Costco, J.C. Penney, Regal Cinema, and Circuit City. Englewood-based developer Miller Weingarten broke ground on the project in mid-December.

Retail Market Statistics

	Quarter 4 2006	Quarter 3 2006	Quarter 4 2005	Quarter 4 2004	Quarter 4 2003	Quarter 4 2002
Number of Buildings	3,890	3,832	3,789	3,698	3,600	3,483
Existing Square Feet (millions)	129.1	127.3	123.8	117.1	112.2	107.2
Vacant Square Feet (millions)	8.4	8.6	7.5	6.3	5.9	1.5
Vacancy Rate (Direct)	6.5%	6.8%	6.1%	5.4%	5.2%	1.4%
Vacancy Rate (With Sublet)	6.9%	7.2%	6.5%	5.7%	5.4%	1.4%
Average Lease Rate (per square foot)	$16.63	$16.61	$15.15	$15.43	$13.27	$12.67
New Construction Completed (year-to-date)	4.99 MSF, 60 Bldgs	3.47 MSF, 34 Bldgs	N/A	N/A	N/A	N/A
Currently Under Construction	4.71 MSF, 60 Bldgs	4.23 MSF, 62 Bldgs	N/A	N/A	N/A	N/A

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

MONTHLY ECONOMIC SUMMARY

Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	⇑	⇑	Employment increased by 6,600 jobs from Nov to Dec; employment up 1.8% in 2006
% Companies Hiring	⇑	⇑	42% of companies expect to add workers in Denver and 27% to add in Boulder in Q1 2007
Unemployment Rate	⇔	⇓	Metro rate unchanged at 4.0% in Dec; annual rate for 2006 at 4.5%
Initial Claims	⇑	⇑	Claims surged 51.9% from Dec 2006 to Jan 2007; Jan 2006 claims are up 19.5% over Jan 2005.
Total Retail Sales	⇓	⇑	Total metro retail sales up 8.3% through Nov 2006; 8.8% YTD increase for Colorado
Consumer Confidence Index	⇑	⇓	Mountain region confidence level increased from 127.8 in Dec to 132.8 in Jan; YTD down 8.0%
Hotel Occupancy	⇑	⇑	Hotel occupancy increased from 51.3% in Dec to 57.2% in Jan; avg room rate increased to $103
DIA Passengers	⇓	⇑	Traffic down 6.4% from Nov to 3.44 million in Dec; 2006 traffic up 9.1% to 47.3 million
Bloomberg Colorado Index	⇑	⇑	Bloomberg Colorado Index increased 0.8% from January to February; index up 3.8% for the year
Dow Jones Industrial Average	⇓	⇓	DOW decreased 3.2% from January to February; index posting a 2.0% year-to-date loss
Home Sales (closed)	⇑	⇑	Jan home sales up 14.1% from Dec and up 24.5% over Jan 2006; avg SF sales price down 3.1%
Median Home Price (Denver-Aurora MSA)	⇓	⇑	Median home price in Denver MSA decreased to $245,600 in Q4; median price up 1.3% YTD
Foreclosures	⇑	⇑	Foreclosures increased 22.1% from Dec to Jan; Jan foreclosures up 23.2% over a year earlier
Residential Building Permits (Total)	⇑	⇓	Total permits increased 57.8% from Nov to Dec; annual permits are down 13.8% through Dec
Apartment Vacancy Rate	⇑	⇓	Vacancy rate increased to 7.0% in Q4 from 6.7% in Q3; avg rental rate down to $850 per month
Office Vacancy Rate (with Sublet)	⇑	⇓	Vacancy rate increased slightly to 13.7% in Q4 from Q3; 1.33 million sq. ft. under construction
Industrial Vacancy Rate (with Sublet)	⇓	⇓	Vacancy rate down slightly to 7.4% in Q4 from Q3; 2.11 million sq. ft. under construction
Flex Space Vacancy Rate (with Sublet)	⇑	⇔	Vacancy rate increased to 14.5% in Q4 from Q3; 90,000 sq. ft. of construction underway
Positive Changes	**8 of 18**	**12 of 18**	

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