

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 OF METRO DENVER

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. The data 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

- ◆ Seventeen Colorado companies made the 2006 Fortune 1000 list, down from 18 companies last year. The 2006 rankings are based on company revenues in 2005. Total revenue of the 17 Colorado companies in 2005 was approximately \$95.2 billion. Liberty Global, UAP Holding and ProLogis were newcomers to the list in 2006. Exxon Mobil Corp. usurped Wal-Mart's top position on the national list this year with 2005 revenues exceeding \$339.9 billion or \$98.9 million per day.

Colorado's Fortune 1000 Companies

Company	2005 Revenue (billions)	2006 Rank*	2005 Rank*
Qwest Communications	\$13.9	160	154
First Data	\$10.5	224	223
TransMontaigne	\$8.6	269	193
EchoStar Communications	\$8.5	273	291
Liberty Media	\$8.4	277	254
Molson Coors Brewing Co.	\$5.8	373	447
Ball Corp.	\$5.8	374	360
Liberty Global	\$5.3	408	n/a
MDC Holdings	\$4.9	437	466
Newmont Mining	\$4.5	461	428
Western Gas Resources	\$4.0	501	561
Level 3 Communications	\$3.7	521	491
CH2M Hill	\$3.2	591	491
Sports Authority	\$2.5	690	656
UAP Holdings	\$2.5	693	n/a
ProLogis	\$1.9	840	n/a
AIMCO	\$1.6	923	902

Source: Fortune, April 17, 2006.

*2006 rank based on 2005 revenue; 2005 rank based on 2004 revenue.

- ◆ The annual tally of the state's corporate economy by the *Rocky Mountain News* places EchoStar Communications at the top, partly because the company posted the biggest earnings per share gain of all the 50 companies on the list. First Data, ProLogis, Dex Media and Newmont Mining rounded out the top five Colorado companies. The *News* considers company revenue, market capitalization, number of employees, net income and one-year growth in earnings per share for 2005 in the ranking analysis.
- ◆ Colorado ranks first in the concentration of high-tech workers for the seventh consecutive year. On the other hand, Colorado's concentration of 88.72 high-tech workers per 1,000 private sector workers came in only slightly stronger than Virginia's concentration of 88.6 high-tech workers. The average concentration across the U.S. is 51.06 high-tech workers. The latest report by the AeA (formerly known as the American Electronics Association) also shows that high-tech workers in Colorado are the eighth highest-paid workers in the nation, earning an average annual salary of \$74,603. California workers are paid the highest wages

in nation, earning an average annual salary of \$90,554. Concentration and wage data is based on 2004 data, the latest available.

- ◆ Colorado ranked fifth for venture capital funding in the first quarter of 2006 with \$132.2 million distributed among 21 companies. Only California, Massachusetts, New York, Texas and Washington attracted more dollars during the January-March period, according to a report by PricewaterhouseCoopers, Thomson Venture and the National Venture Capital Association. Funding to Colorado's software companies represented the largest industry share. Overall, first quarter funding totals were down compared to 2005 levels.
- ◆ A different venture capital study by Ernst & Young and Venture One revealed similar results. Venture capital firms awarded fewer funds to more Colorado companies during the first quarter. Eighteen Colorado companies were awarded \$107.2 million over the three-month period, down from \$176.9 million awarded to 11 companies during first quarter 2005. Copan Systems of Longmont (\$17.5 million), ARCA Discovery of Denver (\$15.0 million) and Market Force Information of Boulder (\$11.3 million) were the top three recipients in the latest round of funding.
- ◆ Metro Denver (not including Boulder) ranks third in the large metro area category for the best places for "telework" behind San Jose, CA and Baltimore, MD. The federal government's definition of telework or telecommuting is the ability to do your work at a location other than your "official duty station." The report by Sperling's Best Places and Intel Corp. listed typical commuting times, fuel prices, percentage of the population in telework-friendly jobs and the availability of broadband Internet access among the reasons for Metro Denver's third place ranking. The Boulder MSA ranked first in the small metro area category.
- ◆ A report by PMI Group Inc., the second largest provider of private mortgage insurance in the U.S., states that homes prices in Metro Denver have a 16.8% chance of declining, down from a 20.8% risk a year ago. The PMI U.S. Market Risk Index ranks Metro Denver's probability of a price decline 27th out of the 50 largest housing markets in the nation, down from 17th a year ago. Two California markets have the highest risk of price declines, followed by Boston, MA.
- ◆ Three Colorado universities made *Kiplinger's Personal Finance* magazine's list of the 100 "Best Values in Public Education," including University of Colorado at Boulder (26th); Colorado School of Mines (51st); and Colorado State University (73rd). The study considers academic quality, financial aid and cost in the analysis.
- ◆ U.S. Census data revealed that Colorado ranks 32nd in per-pupil spending in public schools, spending \$7,412 per pupil during the 2003-2004 school year (the latest year available). Comparatively, the national average of spending per public school pupil was \$8,287. New Jersey spent the most per pupil or \$12,981, followed by New York and Washington, D.C. The Census findings concur with a study released earlier this year by the U.S. Department of Education that ranked Colorado 33rd for spending during the 2002-2003 school year.
- ◆ In 2004, Douglas County reported the tenth highest gain in net domestic migration in the nation, according to U.S. Census Bureau data. Douglas County added 50.9 residents for each 1,000 current residents in 2004. Flagler County in Florida, Rockwall County in Texas and Loudoun County in Virginia were the top three counties for net migration in 2004.
- ◆ Colorado ranked 11th in the percentage increase of African American-owned companies from 1997 to 2002, according to the U.S. Census Bureau. Black-owned businesses increased 43% over the five-year period to 7,066 businesses. The report also suggests that the construction industry has been a major driver behind the 43% increase. At a national level, the number of businesses owned by African Americans has increased 45% to 1.2 million while the total number of U.S. companies has grown 10% to 23.0 million over the five-year period. Hispanic-owned businesses in the U.S. increased 31% to 1.6 million and Asian-owned businesses grew 24% to 1.1 million. The number of companies owned by women increased 20% to 6.5 million.

General Economic Overview

Advance estimates of U.S. gross domestic product (GDP) growth indicate that the economy expanded by a robust 4.8% in the first quarter of 2006 after posting a 1.7% gain in the final quarter of 2005. The U.S. Department of Commerce, Bureau of Economic Analysis reported that several GDP components rebounded in the first quarter after weakening in the previous quarter, including consumer spending, business investment in equipment and software, federal government spending and exports. The 4.8% pace is the fastest pace reported in two and a half years.

Continued job growth and increasing wages spurred economists to upgrade their stance on the national economy. Results from the monthly survey of 75 economists by Bloomberg News revealed a forecast of 3.4% GDP growth for this year, up from 3.3% in the March survey. The survey group also expects the Consumer Price Index to increase 3.0% in 2006, up from 2.9% in the February survey.

The Federal Open Market Committee (FOMC) voted to increase the target for the federal funds rate by 25-basis points at its March meeting, raising the target to 4.75%. The March increase was the 15th of its kind since 2004 and marks a five-year high. The next FOMC meeting is scheduled for May 10th.

The U.S. trade deficit improved from \$68.7 billion in January to \$65.7 billion in February, a 4.2% decrease. Despite the improvement, the trade gap in February is the third largest deficit on record. Through February, the U.S. trade deficit is 13.5% higher than the same two-month period in 2005. Most analysts expect the deficit will continue to grow in the coming months.

Various indexes reveal generally positive economic gains at the national, state and metro level:

- ◆ The Conference Board's Index of Leading Economic Indicators decreased 0.1% in March to 138.4 after slipping 0.5% in February. The two consecutive months of declines suggest that a slowing in the national economy can be expected in coming months. The national index gauges future economic conditions based on 10 components, five of which moved in a positive direction in March. The Conference Board's coincident index, which gauges current economic conditions, increased 0.2% to 122.4 with all four index components reporting improvements.
- ◆ The nation's manufacturing sector expanded for the 35th consecutive month in April, according to the Institute for Supply Management's Purchasing Managers' Index. The index increased from 55.2 in March to 57.3 in April, indicating expansion at a quicker pace. The index, which tracks overall business activity of more than 350 manufacturing companies located throughout the country, reported the strongest growth in the miscellaneous, primary metals and transportation & equipment categories. A reading greater than 50 suggests economic expansion whereas a reading below 50 suggests economic contraction.
- ◆ The national service economy expanded in February for the 35th consecutive month in February while both business activity and new orders grew at a faster rate than in January, according to the National Institute for Supply Management's non-manufacturing index. The index increased from 56.8 in January to 60.1 in February. Ten of the 17 service sectors tracked by the organization reported increased activity in February, led by the mining, insurance and communication sectors.
- ◆ The Front Range Purchasing Managers Index compiled by the University of Colorado at Denver Business School rebounded in January after a downturn in the local manufacturing sector in December. The index increased to 53.1 in January after registering 46.9 in December. A reading below 50 indicates economic contraction while a reading greater than 50 indicates economic expansion.
- ◆ The Colorado service economy index, compiled by the University of Colorado at Denver Business School, was positive in January at 56.8 compared to 55.2 in November. Due to technical difficulties, there was not December index. The index indicates expansionary

conditions with values greater than 50 and is a composite of five components: delivery times, inventory levels, new orders, production and employment.

- ◆ The Creighton University Business Conditions Index for the Mountain States region slipped in March after three months of consecutive increases. The index for the Colorado-Utah-Wyoming region decreased from 75.2 in February to 73.9 in March. The individual Colorado index, on the other hand, moved to the highest level since the survey began in 1994. The Colorado index increased from 70.0 in February to 80.6 in March. A reading greater than 50 indicates expansionary conditions.
- ◆ The Vectra Bank Small Business Index for Colorado increased from a revised 101.6 in January to 102.2 in February due in part to statewide job growth. Job growth can be both good news for small businesses in terms of stronger consumer spending and bad news because of the pressure it places on small firms to retain their key employees. The national small business index also increased from a revised 90.1 in January to 95.6 in February.
- ◆ The Colorado business leaders maintained their optimism about the state economy in the second quarter outlook, according to the Colorado Business Leaders Confidence Index. The second quarter index reading of 60.1 was just slightly lower than the first quarter 2006 index reading of 60.9. The forward-looking index is comprised of six component indexes, all of which reported expansionary results. The second quarter 2006 index is also just below the second quarter index for last year of 61.5.
- ◆ After three consecutive months of stability, the Leading Index increased from 100.8 to 100.9 in January. More robust hiring expectations and increasingly optimistic consumers were the two key factors behind the faster-paced growth. The Leading Index is a predictor of economic activity six to nine months in advance. The Historic Index increased from a revised 129.2 in December 2005 to 130.2 in January, reflecting both increased retail sales and employment levels compared to a year ago. Inflation-adjusted retail activity in Metro Denver was up 2.9% from January 2005 while total employment was up 2.5%. The January Historic Index was at its highest level in four years. The Historic Index measures year-over-year growth, so both the direction and magnitude of change are important. The 100 level represents the benchmark year of 1995 for both indexes compiled by Development Research Partners.

Labor and Employment

First quarter 2006 employment in Metro Denver is up 2.2% compared to first quarter 2005 employment levels. A closer look reveals employment in the Denver-Aurora MSA is ahead 2.3% through March compared to a 1.4% increase for the Boulder-Longmont MSA. Statewide employment levels are 2.3% higher over the same time period while the U.S. is reporting only a 1.5% year-to-date gain.

The industry sectors reporting the most robust gains in percentage terms through the first three months of the year are the Natural Resources & Construction (+7.0%), Professional & Business Services (+3.0%) and Education & Health Services (+2.5%) sectors. The Information sector reported the only percentage decline in employment of 4.5%. The remaining sectors reported modest growth with the exception of Other Services that experienced relatively flat growth.

In absolute terms, the Professional & Business Services sector reported the largest employment gain through the first quarter of 6,400 positions. Natural Resources & Construction followed closely with a gain of 6,300 positions while Wholesale & Retail Trade reported the third largest gain of 4,900 positions. Again, the Information sector reported the only loss of 2,600 positions. Revised February data indicated Information employment actually declined from January to February by 100 positions, but preliminary March data shows an increase of 200 positions from February to March.

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

	Month of Mar-06 (p)	Month of Feb-06	Month of Mar-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*	1357.5	1349.1	1330.3	1350.0	1320.8	2.2%	0.0%	3.1%
Natural Resources & Construction	98.0	96.4	92.1	96.6	90.2	7.0%	2.0%	5.5%
Manufacturing	91.6	91.6	90.8	91.5	90.6	1.0%	-5.8%	2.0%
Wholesale & Retail Trade	208.0	207.6	204.0	208.5	203.6	2.4%	-0.4%	2.9%
Transp., Warehousing & Utilities	51.6	51.7	50.7	51.6	50.6	2.0%	2.3%	5.4%
Information	55.6	55.4	57.9	55.5	58.1	-4.5%	-3.3%	5.1%
Financial Activities	108.0	107.7	105.9	107.6	105.2	2.3%	-0.3%	5.5%
Professional & Business Services	220.6	218.2	213.9	218.9	212.5	3.0%	-1.4%	3.6%
Education & Health Services	139.9	139.5	136.9	139.3	136.0	2.5%	4.1%	3.5%
Leisure & Hospitality	135.8	133.6	133.0	134.2	131.1	2.3%	1.0%	1.2%
Other Services	50.6	50.4	50.3	50.5	50.2	0.6%	-0.2%	5.1%
Government	197.8	197.0	194.8	195.7	192.6	1.6%	2.5%	0.8%
Federal Gov't	31.2	31.3	31.4	31.3	31.5	-0.6%	-3.3%	-5.2%
State & Local Gov't	166.6	165.7	163.4	164.4	161.1	2.1%	3.8%	2.5%
Colorado	2247.6	2231.0	2199.1	2232.4	2181.5	2.3%	0.6%	3.6%
United States	134,140	133,201	132,038	133,223	131,200	1.5%	0.0%	2.1%

*Includes Adams, Arapahoe, Boulder, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson and Park counties.

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:

Aerospace: Colorado Springs hosted the 22nd annual National Space Symposium in April that drew a record crowd of about 7,000 participants. Colorado has the third highest number of private aerospace workers in the nation with about 24,600 workers. Between 2000 and 2005, Colorado's aerospace workforce grew 19.8% compared to a 2.0% increase at the national level.

Federal defense contract spending increased 60% in Colorado from 2001 to 2005 compared to a 75% increase nationwide. The 60% increase earned Colorado 36th place in the percentage increase in funds. In terms of total defense contract spending, Colorado ranked 20th in 2005 with \$3.7 billion. California (\$31.1 billion), Virginia (\$26.8 billion) and Texas (\$20.7 billion) were the top three contractor states. Between 2001 and 2005, 3,900 Colorado companies were awarded defense contracts. More than half of the \$14 billion in total awards over the four-year period were recorded in El Paso County.

A Boulder-built satellite launched into space in April from Vandenberg Air Force Base in California. CloudSat, the \$217 million satellite constructed at Ball Aerospace and Technology Corp., can examine cloud systems at a more detailed level and provide insight into weather. Researchers from Colorado State University will analyze the data retrieved by the satellite. CloudSat is one of many recent success stories for Ball. The company has doubled its sales in the past five years and increased the number of employees by 45%. Currently, the Boulder-based company is working on a \$65 million expansion that includes a new facility for manufacturing stealth military antennas and a testing facility for large spacecraft.

Eaton Corp. is eliminating 120 aerospace manufacturing jobs in Aurora and 20 in Denver. The Cleveland-based company acquired Aurora-based Stanley Aviation and FR-HiTemp of Denver

last year. A company spokesperson explained that the jobs are being moved to Tijuana, Mexico and Jackson, MS. Eaton will retain 108 engineering, ground-support and administrative jobs at its Aurora facility but completely close its Denver facility by year-end.

Biotechnology: Construction finally began on the \$202 million University of Colorado medical school campus in April after a two-year delay. All seven buildings at the Fitzsimons campus will be complete by 2008. The construction delay was caused by a legal battle between anti-prison activists and the state of Colorado.

Louisville-based Replidyne filed with the Securities and Exchange Commission in April in an effort to raise \$100 million for the company's first commercial product launch. The five-year old company develops antibiotics and employs 61 workers in Metro Denver. The Orapem drug which could treat numerous infections like pneumonia and tonsillitis is currently undergoing review by the U.S. Food and Drug Administration.

Energy: The Colorado Oil and Gas Commission is forecasting a 6.5% increase in oil and gas drilling permits this year to a record 4,560 permits. The Commission also estimates that natural gas production will reach a record 3.37 billion cubic feet in 2006, a 6% increase over 2005 production. Garfield, Weld and Yuma counties are the top three Colorado counties for drilling activity through mid-April of this year.

The Climax mine near Fremont Pass will reopen to produce molybdenum once again. The mine will produce 30 million pounds of molybdenum each year for at least the next 20 years. Phoenix-based Phelps Dodge plans to hire 300 workers to operate the mine. The re-opening is estimated to cost between \$200 and \$250 million. Molybdenum production in Colorado has increased from 18.6 million pounds in 2001 to 32 million pounds in 2005, according to the Colorado Mining Association.

Financial Services: Western Union decided to keep its headquarters in Metro Denver after the spin-off from First Data Corp. is completed later this year. First Data Corp. will also maintain its Metro Denver headquarters.

Telecommunications: Tech-sector job cuts across the country were down 40% in the first quarter of 2006 compared to the same quarter a year ago. Challenger, Gray & Christmas Inc. also noted that the first quarter results mark the fourth consecutive quarter that tech-sector job cuts were less than the same quarter a year earlier.

Broomfield-base Level 3 Communications purchased Douglas County-based ICG Communications for \$163 million. The acquisition extends Level 3's network in Colorado and the Ohio Valley. Level 3 acquisitions of 360networks for an undisclosed amount, WiTel Communications (\$700 million) and Progress Telecom of Florida (\$137 million) preceded the ICG purchase. About 6,000 workers are employed by Level 3. ICG currently employs 250 workers but employed 2,500 workers at its peak. At this time, the fate of the 250 ICG jobs is not known.

The hiring pace in Metro Denver will strengthen in the second quarter of 2006, according to the latest Manpower Employment Outlook Survey. About 38% of the companies interviewed plan to hire more employees in the second quarter, the strongest level since first quarter 2001. On the other hand, the percentage of companies reducing payrolls will also increase in the second quarter, jumping from 4% to 15%. Another 44% of respondents are expected to maintain current staffing patterns in the April to June period, leaving 3% of employers unsure of their plans. Job prospects in Metro Denver appear best in construction, durable and non-durable goods manufacturing, finance/insurance/real estate, education and public administration. Mixed intentions were reported by employers in wholesale and retail trade and services. No change is expected in the transportation and public utilities sectors.

The national employment outlook for second quarter 2006 is weaker than in Metro Denver. About 30% of companies plan to increase payrolls while 6% of the 16,000 companies interviewed will reduce payrolls. Another 58% of respondents anticipate no change in current staffing patterns and 6% are unsure of their plans.

Employment Outlook Survey

	Quarter 2	Quarter 1	Quarter 2	Year-to-Date	Year-to-Date
	2006	2006	2005	Average	Average
	2006	2006	2005	2006	2005
Percent of Companies Hiring	38%	30%	35%	34%	30%
Percent of Companies Laying Off	15%	4%	7%	10%	5%
Percent of Companies No Change	44%	55%	55%	50%	63%

Source: Manpower Inc.

The Metro Denver unemployment rate remained unchanged from February to March at 4.7%. Unemployment rates were also unchanged at the state level in March, remaining at 4.6%. On an annualized basis, the unemployment rate in Metro Denver stands at 4.9% and is slightly higher than the state unemployment rate of 4.8%. Both Metro Denver and Colorado posted lower unemployment rates for first quarter 2006 than the U.S. Denver and Adams counties reported the highest unemployment rates in March across the seven-county region of 5.5% and 5.4%, respectively. On the other hand, the most favorable rates were reported in Douglas County (3.2%) and Boulder County (4.0%). Five of the seven counties reported the same unemployment rate in February and March while the rate increased from 4.4% to 4.6% in Broomfield and decreased from 5.6% to 5.5% in the City & County of Denver. The national unemployment rate decreased from 5.1% in February to 4.8% in March.

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

	March 2006 (p)		2006 YTD AVG		2005 YTD AVG		2001	1996
	Total Labor Force	Unemployment Rate	Total Labor Force	Unemployment Rate	Total Labor Force	Unemployment Rate	Ann Avg Unemployment Rate	Ann Avg Unemployment Rate
Metro Denver	1,462.1	4.7%	1,457.1	4.9%	1,425.9	5.7%	3.9%	3.8%
Adams County	205.3	5.4%	204.6	5.6%	200.3	6.6%	4.2%	4.2%
Arapahoe Cnty	301.6	4.5%	300.5	4.7%	293.8	5.5%	3.8%	3.2%
Boulder Cnty	170.3	4.0%	169.5	4.1%	166.7	4.9%	3.5%	3.8%
Broomfield Cnty*	24.4	4.6%	24.3	4.6%	23.7	5.3%		
Denver County	309.0	5.5%	308.4	5.7%	302.2	6.8%	4.7%	5.0%
Douglas Cnty	138.7	3.2%	138.2	3.3%	134.7	3.9%	3.2%	2.2%
Jefferson Cnty	312.8	4.6%	311.7	4.7%	304.5	5.5%	3.7%	3.4%
Colorado	2,588.4	4.6%	2,576.5	4.8%	2,518.4	5.6%	3.9%	4.2%
United States	150,027	4.8%	149,601	5.0%	147,506	5.6%	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

Mass layoff events, which occur when 50 or more employees file first-time unemployment claims during a consecutive five-week period, increased in the final quarter of 2005 to 18 events from 5 events in the prior quarter. On the bright side, mass layoff events were down from 21 events in fourth quarter 2004. More than half of the extended layoffs occurred in the construction industry for seasonal reasons. The manufacturing sector accounted for about a quarter of the layoffs.

The number of first time unemployment insurance claims filed in Metro Denver increased in March to 4,783 claims from 4,631 in February. The monthly average number of claims filed in the first quarter of 2006 was 7.4% below the average number of claims filed in the same period last year. First time unemployment claims also increased at the state level in March, rising from 9,186 in February to 9,500 in March. Through first quarter, Colorado claims are down 12.5% from the same period last year.

First-Time Unemployment Insurance Claims

	Month of Mar-06	Month of Feb-06	Month of Mar-05	Year-to-Date Average 2006	Year-to-Date Average 2005	Year-to-Date Average % Change	Annual Average 2001	Annual Average 1996
Metro Denver	4,783	4,631	4,870	5,154	5,565	-7.4%	6,599	4,573
Colorado	9,500	9,186	10,614	10,372	11,849	-12.5%	13,624	

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

Women continue to lag behind men in pay. Data from the U.S. Census Bureau shows that the average woman earns 76.5 cents to a man's \$1 and that minority women incur even greater disparities. Black and Hispanic women earn 68 cents and 57 cents on the dollar. In Metro Denver, women earn between 76 cents (Adams and Arapahoe counties) and 89 cents (Denver County) on the dollar. The data also revealed that women's pay declined for the first time in 2005 since 1999. Women represented 31% of workers in the highest-earning category last year.

Consumer Sector

The Consumer Price Index, the nation's measure of inflation, rose 0.4% in March, up from a modest 0.1% increase in February. Gasoline prices were the major driver behind the increase as oil prices returned to high levels. Core inflation, which excludes energy and food prices, also posted an increase in March of 0.3%, the fastest pace recorded for core inflation in a year. The 0.3% increase reflected the largest price increase for clothes in seven years, more expensive airline tickets and higher rent payments for apartments. The widespread rise in core inflation is worrisome to some analysts because it suggests that rising energy costs are spilling over into other areas. Consumer prices in the West, a region of 13 states including Colorado, increased 0.5% in March.

Gas prices increased about \$0.35 per gallon in April across Metro Denver to an average of \$2.81 per gallon of regular gas. A year ago, gas prices averaged \$2.18 per gallon in Metro Denver. Still, Metro Denver gas prices remain below the national average of \$2.92 per gallon, representing an increase of \$0.37 from a month ago. Price data from the AAA fuel gauge report is as of May 1, 2006.

According to a forecast released in early April by the U.S. Department of Energy, gas prices will average \$2.62 per gallon through September 2006. Many analysts suspect gasoline prices will surpass \$3.00 per gallon for reasons including strong demand, political tension between the U.S. and Iran and higher crude-oil prices. Oil refiners are also in the process of phasing out an additive to satisfy a new energy law, which is tightening supplies of ethanol. In April, the price for a barrel of crude-oil briefly reached \$75.

On the bright side, natural gas bills will fall by an estimated 37% in May due to falling wholesale prices and reduced usage. A typical residential bill is expected to be \$37 in May, down from \$59 in April and \$40 in May 2005. A typical bill for a small business customer is expected to be \$176 in May, a 35% cut from April and down from \$190 a year ago.

Despite higher consumer prices, national retail sales rebounded in March with a 0.6% increase following a revised decline of 0.8% reported in February. The March increase was higher than the forecasted 0.5% increase. Auto dealers, furniture stores, building and garden centers, sporting goods, books and music stores, and health and beauty stores reported gains in March while electronics and appliances stores reported weaker activity. Sales at grocery stores and clothing stores were flat, according to the U.S. Department of Commerce.

Retail sales across Metro Denver decreased in January from December, marking the end of the holiday shopping season. On a positive note, January retail sales were 7.7% higher compared to the same month last year. The strongest annual gains occurred in Broomfield County (+17.5%), Arapahoe County (+10.6%) and Adams County (+9.7%). All counties reported increases in retail sales over the same comparison period with the smallest gain of 2.8% reported in Jefferson

County. Colorado retail sales grew at a slightly slower pace of 7.6% from January 2005 to January 2006. February retail sales data was not available at the time of this report.

Total Retail Sales (\$000s)

	Month of Jan-06	Month of Dec-05	Month of Jan-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Annual Growth 2001	Annual Growth 1996
Total Metro Denver	5,537,041	9,396,099	5,139,798	5,537,041	5,139,798	7.7%	2.9%	7.1%
Adams County	863,730	1,322,673	787,673	863,730	787,673	9.7%	3.6%	3.2%
Arapahoe County	1,191,376	2,090,195	1,076,966	1,191,376	1,076,966	10.6%	-0.5%	10.1%
Boulder County	517,739	1,010,965	474,033	517,739	474,033	9.2%	1.6%	10.4%
Broomfield County	110,214	194,152	93,764	110,214	93,764	17.5%		
Denver County	1,549,596	2,521,234	1,461,200	1,549,596	1,461,200	6.0%	1.6%	2.2%
Douglas County	418,210	714,763	384,304	418,210	384,304	8.8%	16.5%	46.4%
Jefferson County	886,176	1,542,117	861,858	886,176	861,858	2.8%	2.6%	5.8%
Colorado	9,319,823	16,053,420	8,659,835	9,319,823	8,659,835	7.6%	2.9%	7.2%

Source: Colorado Department of Revenue.

In other retail news, California-based Liborio Markets will open its first Colorado store in Commerce City this summer. The Hispanic grocery store chain selected Commerce City because U.S. Census Bureau data shows more than half the area's population is of Hispanic decent. Liborio Markets also plans to open two more stores in Colorado this year and four more in 2007.

Denver-based Heidi's Brooklyn Deli opened its first out-of-state franchise last month in Phoenix. Twelve years after opening their first deli in north Denver, the company has sold nearly 100 franchises nationwide. The company is also expanding its portfolio with four new concepts to be tried in Colorado: the organic Soup 'n Juice, a Japanese restaurant called Sushi Hai, Sister's Pizza and Mussels, and Lucille's Italian Steakhouse.

Fazoli's is closing three Metro Denver stores but plans to leave the remaining 15 stores and 450 employees untouched. The Lexington, KY-based company operates in 33 states with 140 corporate stores and 160 franchises.

Consumer confidence in the mountain region rebounded in March to historically high levels. After registering 144.3 in January 2006, the highest index reported in six years, consumer confidence in the mountain region declined to a revised 119.0 in February. Preliminary March data indicates confidence levels are back up to 142.3, according to The Conference Board. The mountain region reported the highest overall confidence level of the nine U.S. regions and a 15.0% increase in consumer confidence on an annualized basis. National consumer confidence also improved in March from 102.7 in February to 107.2.

The confidence index is comprised of the present situation index and the expectations index. Mountain region consumers reported an increase in their perceptions of current situations from a revised 151.1 to 172.1, the highest reading among the nine regions. The future expectations index in the mountain region also increased from a revised 97.7 in February to 122.5 in March, also the highest reading among the nine regions.

Advance estimates for national confidence levels show increasing optimism in April with the overall index moving from a revised 107.5 in March to 109.6 in April, the highest index reading since May 2002. The present situation index increased from 133.3 to 136.2 while the future expectations index also improved from 90.3 to 91.9.

Consumer Confidence Index

	Month of Mar-06 (p)	Month of Feb-06	Month of Mar-05	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Ann Avg 2001
Mountain	142.3	119.0	117.8	135.2	117.6	15.0%	115.2
United States	107.2	102.7	103.0	105.6	104.2	1.3%	106.6

Source: The Conference Board. (p) =preliminary

The Metro Denver lodging industry continued to strengthen in March. Hotel occupancy rates increased from 60.4% in February to 65.1% in March, bringing the average occupancy rate for the first quarter to 60.9% compared to 57.3% from first quarter 2005. In the Downtown Denver market specifically, occupancy rates increased 13.0% from March 2005, alleviating fears that the Downtown market is getting overbuilt. The average room rate in Metro Denver increased slightly in March from \$95.54 to \$95.86. The average room rate of \$94.29 for the first quarter stands 9.0% above the average rate in the first quarter of 2005. Both the occupancy and average room rates are improved over March 2005 levels. The statewide lodging industry also reported improvements in March. The average hotel occupancy rate for Colorado rose to 65.4%, 5.5% higher than occupancy a year ago. The average room rental rate increased to \$130, \$5.58 higher than a year ago.

Metro Denver Hotel Statistics

	Month of Mar-06	Month of Feb-06	Month of Mar-05	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Annual 2001	Annual 1996
Percent of Hotel Rooms Occupied	65.1%	60.4%	58.8%	60.9%	57.3%	6.3%	62.5%	72.3%
Average Hotel Room Rate	\$95.86	\$95.54	\$85.29	\$94.29	\$86.53	9.0%	\$88.52	\$77.58

Source: Rocky Mountain Lodging Report.

Southwest Airlines intends to triple its daily departures from Denver International Airport (DIA). The low-cost carrier is close to receiving approval from the Federal Aviation Administration to fly up to 60 daily non-stop flights from DIA. The airline currently offers travelers 20 daily non-stop flights. Potential new destination cities include Oakland, Houston, Orlando and Nashville. This year, Southwest will increase its total fleet by 33 new planes and plans to add an additional 140 planes before 2012.

In anticipation of the summer travel season, Denver-based Frontier Airlines added capacity on 23 routes it flies from Denver. The airline will use larger planes on some routes such as Denver to Austin, Spokane and Dayton but add flights on other routes like Denver to Nashville, Portland, Seattle and San Francisco.

Leisure fares to Denver are down 18% compared to this time last year while leisure fares nationwide are up 2.0%. The report by Harrell Associates also notes that business fares to Denver are down 2.0% while business fares nationwide are up 18%. Increased competition from discount carriers is the primary driver behind the affordable fares or as Bob Harrell of Harrell Associates puts it, "The simple answer is Southwest."

Metro Denver travelers appear to be taking advantage of the low airfares. DIA set its tenth consecutive monthly passenger traffic record in February with traffic levels approaching 3.4 million passengers. February traffic was up 10.5% compared to February 2005, the largest month-over-month increase since September 2003 to September 2004. Passenger traffic through the first two months of the year is up 9.3% compared to the same period last year with almost 6.9 million passengers. Southwest Airlines reported an increase in passenger traffic from 78,600 passengers during its first month of operation at DIA to 80,400 passengers in February. Denver-

based Frontier Airlines experienced a 20.1% increase in passengers in February from a year ago and both United Airlines and its low-fare carrier, Ted, also reported month-over-month increases.

Denver International Airport Passengers

	Month of Feb-06	Month of Jan-06	Month of Feb-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Annual 2001	Annual 1996
Number of Airline Passengers	3,386,544	3,501,620	3,064,798	6,888,164	6,299,505	9.3%	36,092,806	32,296,174

Source: Denver International Airport, Traffic Statistics.

A Gallup Organization and USB AG poll reported that investor optimism dropped to its lowest level in five months in April amid rising oil prices and inflationary concerns. The Index of Investor Optimism fell to 63 in February from 79 in March. Optimism levels have deteriorated since January.

Investors realized mixed results in the financial markets during April. The Colorado stock index, a compilation of the stock prices of 30 companies either headquartered in Colorado or having significant operations in the state, decreased 1.7% in April to 1,780.2. The three companies reporting the largest stock price percentage losses from March to April were Crown Media Holdings Inc. (-38.2%), Katy Industries (-20.8%) and Wild Oats (-15.5%). The largest percentage gains were achieved by Newmont Mining (+12.5%), Apache (+8.4%) and Coors Molson Brewing Co. (+7.6%). The NASDAQ also reported a decline in April of 0.7% while the DOW and S&P 500 boasted respective month-to-month gains of 2.3% and 1.2%. On an annualized basis, the DOW leads the four indexes with a 6.1% increase, followed by a 5.3% increase in the NASDAQ and a 5.0% increase in the S&P 500. The Colorado Stock Index trails with a 0.3% increase.

Stock Market Indexes

	Month of Apr-06	Month of Mar-06	Month of Apr-05	YTD Return 2006	YTD Return 2005	YTD Return 2004
Colorado	1,780.2	1,810.5	1,531.7	0.3%	-3.8%	-0.9%
S&P 500	1,310.6	1,294.9	1,156.9	5.0%	-4.5%	-0.4%
NASDAQ	2,322.6	2,339.8	1,921.7	5.3%	-11.7%	-4.2%
DOW	11,367.1	11,109.3	10,192.5	6.1%	-5.5%	-2.2%

Sources: Development Research Partners; Yahoo! Finance.

Residential Real Estate

National existing home sales inched up 0.3% in March after posting a 5.1% increase in February. Prior to February and March, existing homes sales posted five months of consecutive declines. The conservative increase in March brings the seasonally adjusted annual rate of existing sales to 6.92 million units, according to the National Association of Realtors (NAR). The NAR is forecasting a 6.0% annual decline in existing home sales this year to 6.65 million units, down from 7.08 million units in 2005. New home sales are also expected to slow in 2005. According to the NAR forecast, new home sales will decline by 10.9% to 1.14 million units in 2006 compared to a record high of 1.28 million unit sales set in 2005. Still, 2006 is expected to be the third best year for both the new and existing home sectors.

Sales of previously-owned homes in Metro Denver are following a similar upward trend as the nation but at a more robust pace. The number of existing home sales in Metro Denver increased by 34.6% in March, following a 15.1% increase in February. Through the first quarter of 2006, home sales in the seven-county region are up 13.5% from the same period last year.

Unfortunately, the inventory of existing homes on the market is also up compared to last year. Inventory levels through March are 18.6% higher than first quarter 2005 inventory levels. Real

estate experts explain that inventory levels are being driven by the high rate of foreclosures coupled with a seasonal increase in listings. Steve McGuire of RE/MAX Professionals says inventory levels are likely to surpass the record high of 27,798 homes set in June 2004 over the next few months. McGuire adjusted the record high for recent methodology changes at MetroList. On the bright side, the average days on the market for single-family detached homes decreased from 105 days in February to 99 days in March. The condominium market reported no change in the days on the market measure of 126 days.

Home Sales Activity

	Month of Mar-06	Month of Feb-06	Month of Mar-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Ann Avg 2001	Ann Avg 1996
Home Sales (Under Contract)	6,102	4,914	5,483	15,282	13,669	11.8%	32,248	33,406
Home Sales (Closed)	4,405	3,273	3,778	10,521	9,270	13.5%	47,832	37,755
Unsold Homes on Market	27,309	25,484	23,023	27,309	23,023	18.6%	15,892	12,315
Average Sales Price-Single Family	\$313,339	\$305,017	\$291,903	\$309,265	\$289,692	6.8%	\$257,394	\$159,132
Average Sales Price-Condo	\$182,727	\$175,422	\$183,791	\$183,222	\$186,601	-1.8%	\$160,342	\$94,596
Median Sales Price-Single Family	\$247,500	\$238,500	\$236,500	\$244,000	\$234,000	4.3%	\$213,950	
Median Sales Price-Condo	\$159,900	\$149,440	\$158,500	\$155,000	\$157,200	-1.4%	\$141,000	

Sources: MetroList, Inc.

Home prices were up in both the single-family and condominium sectors in March. The average sale price for a single-family home increased from about \$305,000 in February to \$313,300 in March, representing a 2.7% appreciation rate. The average single-family home price through the first quarter is up 6.8% compared to the January-March period last year. The median single-family home price also increased in March, landing at \$247,500 which represents a 4.3% appreciation rate for the first quarter.

After two months of average price declines in the condominium sector, the average sold price increased to \$182,700 in March. Despite the increase, the average price is still down from the record high of \$201,400 in August 2005. Appreciation in the condominium sector is negative through the first quarter at -1.8%. Median condominium prices reflect a similar trend with a negative appreciation rate through the first quarter of -1.4%. The median sale price for Metro Denver condominiums in March increased to \$159,900 from \$149,440 in February. Median prices are generally considered a better market descriptor because average prices can be skewed by extremely high or low values.

The median home price in Metro Denver, which is reported on a quarterly basis by the National Association of Realtors (NAR), slipped 2.4% from a revised \$253,500 in the third quarter to \$247,500 in the fourth quarter of 2005. For the period from fourth quarter 2004 to fourth quarter 2005, Metro Denver home prices increased 4.4% and Boulder home prices increased 16.8% compared to the national increase of 13.6%.

The median home price in Metro Denver averaged \$247,100 in 2005, making the region the 36th most expensive housing market in the country. The Boulder median home price in 2005 of \$348,400 ranks the region as the 21st most expensive market. In terms of annual price appreciation, Metro Denver's increase of 3.3% earned it a 136th place ranking while Boulder ranked 96th with a 7.1% annual increase. Of 155 metro areas included in the annual rankings, 69 metro areas posted double-digit rates of increase from 2004 to 2005.

Median Home Price (\$000s)

	Quarter 4 2005 (p)	Quarter 3 2005	Quarter 4 2004	Year-to- Date Average 2005	Year-to- Date Average 2004	Year-to- Date Average % Change	Median 2000	Median 1995
Metro Denver	\$247.5	\$253.5	\$237.1	\$247.1	\$239.1	3.3%	\$196.8	\$214.5
United States	\$213.0	\$215.9	\$187.5	\$207.3	\$184.1	12.6%	\$139.0	\$113.1

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

Total foreclosures in the U.S. are up 75% through the first quarter of the year compared to first quarter 2005, according to data from RealtyTrac of California. During the January-March period, 323,102 homes nationwide entered some stage of foreclosure. In Colorado, RealtyTrac reported that 13,267 homes entered some stage of foreclosure during the three-month period, a 96% increase from 2005. Colorado's first quarter foreclosure rate is the second highest in the country with one new foreclosure for every 138 households. RealtyTrac data includes homes in all stages of foreclosure including pre-foreclosure stage while the CB Richard Ellis data below strictly reports homes that have fully entered foreclosure.

Metro Denver foreclosures increased to a record 1,637 in March from 1,565 in February. The largest number of foreclosures in March occurred in Denver, Arapahoe and Adams counties. Metro Denver foreclosures are up 30.3% through the first quarter of the year. All metro counties have experienced an increase in foreclosures in the first quarter with Broomfield, Denver and Jefferson counties reporting the highest percentage increases.

Real Estate Foreclosures

	Month of Mar-06	Month of Feb-06	Month of Mar-05	YTD Total 2006	YTD Total 2005	YTD Total % Change
Total Metro Denver	1,637	1,565	1,289	4,725	3,627	30.3%
Adams County	343	352	333	1,094	879	24.5%
Arapahoe County	436	347	304	1,139	923	23.4%
Boulder County	73	72	66	203	176	15.3%
Broomfield County	18	13	7	43	29	48.3%
Denver County	445	426	318	1,229	851	44.4%
Douglas County	85	103	78	314	256	22.7%
Jefferson County	237	252	183	703	513	37.0%

Source: CB Richard Ellis.

Home-builder optimism fell to the lowest level since November 2001 this month, declining from a revised index of 54 in March to 50 in April. The National Association of Home Builders/Wells Fargo index has declined 18 points in six months. Rising mortgage rates, increasing inventory levels and diminishing demand are all factors behind the weakened perspective.

National housing starts continued to slow in March. Privately-owned housing starts fell 7.8% from a seasonally adjusted annual rate of 2.12 million units in February to 1.96 million units in March. March 2006 housing starts were 6.9% higher than March 2005 housing starts. The single-family market, specifically, reported a 12.0% slowdown in housing starts from February to 1.59 million units in March.

The total number of residential permits issued in Metro Denver in February increased to 1,902 units from 1,543 units in January. On a year-to-date basis, residential construction activity is 9.4% higher than 2005. All three residential sectors reported increases from January to February as well as annualized gains. Two-family units, also known as single-family attached units, reported the strongest annualized gain of 35.1%, followed by a 3.9% increase in the multi-family or apartment sector.

The most residential construction activity in February occurred in Denver, Aurora and Lakewood. A closer look reveals that single-family detached construction was strongest in Aurora, single-family attached construction was strongest in Denver and the 223 permits for apartments or multi-family units were all filed in Lakewood. Through the first two months of the year, Denver, Aurora and Castle Rock lead the metro area in residential construction activity.

Residential Building Permits

	Month of Feb-06	Month of Jan-06	Month of Feb-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Total 2001	Total 1996
Single-Family Units	1,095	1,070	1,160	2,165	2,135	1.4%	14,262	13,182
Two-Family Units	584	401	289	985	729	35.1%	4,442	2,093
Multi-Family Units	223	72	0	295	284	3.9%	9,090	3,666
Total Units	1,902	1,543	1,449	3,445	3,148	9.4%	27,794	18,941

Source: Home Builders Association of Metropolitan Denver.

Several residential projects are in the works throughout Metro Denver. The Littleton City Council approved plans for Littleton Village which will be an urban-style development featuring between 600 and 900 homes and 200,000 square feet of retail space. The estimated value of the 77-acre development at South Broadway and Dry Creek Road, the former Marathon Oil research facility site, is \$100 million. Construction is anticipated to begin in 2007.

Construction is underway at the Glass House development in the Central Platte Valley's Riverfront Park and early sales are an indication of the development's strong popularity. More than 250 units of the 389-unit, 23-story building have already sold. Strong demand has developer East West Partners considering a similar project with prices ranging from \$150,000 to \$500,000. Glass House construction will be complete in January 2007.

Ground was broken on the \$15.5 million University Lofts at DU project at South University Boulevard and East Evans Avenue. The 35 rental lofts that range from 552 square feet to 1,842 square feet in size will provide much-needed University of Denver student housing. The project also includes 8,800 square feet of retail space and is expected to be completed in about one year.

Mercy Housing began construction on a 33-unit affordable condominium project in April. The Legacy at City Park South offers units priced between \$130,000 and \$195,000 to income-qualified buyers. Applicable family incomes can range from \$40,000 to \$61,000, depending on family size. The Legacy site is adjacent to the Pinnacle at City Park South development.

Hested's department store in Golden will be replaced by a \$20 million mixed-use development called Gateway Station. The five-story building will open in 2007 and feature 34 condominiums, 16,000 square feet of retail space and 4,800 square feet of office space. The residences will be priced from the low \$300,000s up to about \$800,000. As of mid-April, 19 of the 34 units have been reserved.

The apartment vacancy rate in Metro Denver dropped to 7.4% in the first quarter of 2006, the lowest rate in five years. Experts point to rising interest rates that keep potential buyers in a rental position and to the high rate of foreclosures that have buyers moving back to renters as factors in the steady decline. First quarter vacancy rates have fallen from a high of 13.1% in 2003 to 10.5% in 2004 and 9.3% in 2005. Gordon Van Stroh, the report author, says that landlords will continue to offer renters incentives until the vacancy rate falls below the 7.0% mark. Meanwhile, average apartment rents have held steady, increasing by a slight 0.2% from first quarter 2005 to first quarter 2006. The average apartment rent in Metro Denver is \$835 per month.

Apartment Statistics

	Quarter 1	Quarter 4	Quarter 1	Year-to-Date	Year-to-Date	Year-to-Date	Annual	Annual
	2006	2005	2005	Average	Average	% Change	Average	Average
				2006	2005		2001	1996
Apartment Vacancy Rate	7.4%	7.9%	9.3%	7.4%	9.3%		6.4%	5.0%
Average Monthly Rental Rate (all units)	\$835	\$848	\$834	\$835	\$834	0.2%	\$822	\$607

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

The first quarter office market reports by various local commercial brokerage companies reveal similar, improving office market results.

The direct office vacancy rate in Downtown Denver, according to Jones Lang LaSalle's first quarter report, decreased from 12.3% in the fourth quarter of 2005 to 11.8%. A smaller improvement was reported for the suburban market with the vacancy rate falling from 15.2% to 15.0% in the first quarter of the year. However, the suburban market reported a bigger gain in average office rents. Office rents increased 1.52% in the downtown market compared to a 3.8% increase in the suburban market. Jones Lang LaSalle forecasts rents will post increases over the next three years in both the downtown and suburban markets. By 2009, the vacancy rate will be an estimated 12.5% in Downtown Denver and 14.8% in the suburban market.

Frederick Ross Company's first quarter report also revealed positive trends in Metro Denver's office market. The overall vacancy rate in Metro Denver decreased to 19.0% in the January-March period while 730,600 square feet of positive absorption was recorded. Median Class A rents per square foot range from \$20.75 in the midtown submarket which includes Cherry Creek to \$16.75 in the southeast submarket. So far this year, one new office building has been completed, the ProLogis World Headquarters, but another 1.2 million square feet of new office space are in progress. The report also notes that 25 office buildings changed hands during the first quarter, putting Metro Denver at pace to surpass the investment record set in 2005. The biggest sale so far this year was the sale of the World Trade Center buildings for \$115.7 million.

Grubb & Ellis reported declining vacancy rates and 748,300 square feet of positive absorption in Metro Denver during the first quarter. The overall vacancy rate in Metro Denver currently stands at 16.5% with rates reaching as high as 20.6% in the southeast market and as low as 7.2% in the lower downtown market. The central business district vacancy rate is estimated at 14.1%. Current office rents average \$20.80 per square foot for Class A space in Metro Denver and \$17.36 per square foot for Class B space. Grubb & Ellis reported that about 1.1 million square feet of new construction is underway.

The vacancy rate in the northwest market will soon be strengthened by the recent announcement that Vail Resorts Inc. will move its headquarters from Avon to Interlocken in Broomfield in search of a more affordable, convenient and urban location. The publicly-traded company plans to lease about 46,000 square feet to house about 100 employees.

In other northwest market news, Houston-based Hines Co. purchased the 461,000-square-foot Mountain View Corporate Center in April. Commercial real estate analysts estimate the undisclosed purchase price to be about \$71.5 million or about \$155 per square foot. Analysts also note that this sale is another indication of the U.S. 36 corridor's comeback.

Office fundamentals from Costar Realty Information, Inc. confirm that the Metro Denver office market is steadily improving. The (direct) vacancy rate declined for the fifth consecutive quarter in the first quarter of 2006 to the lowest (direct) vacancy rate since third quarter 2002 even though more space was added to the market during the January–March period. The average lease rate crept up to \$17.47 per square foot, the highest average lease rate in ten quarters.

More than 1.21 million square feet of new office space is currently under construction in Metro Denver. Over half of the new space is located in the City and County of Denver, including the Denver Newspaper Agency building and the Environmental Protection Agency building in Downtown Denver. Construction in Arapahoe County accounts for 18.4% of total construction followed by Douglas County with 11.9% of total construction. Nine buildings were recently completed since January 2006 with nearly 50% of the new square footage added to the City and County of Denver market.

Office Market Statistics

	Quarter 1 2006	Quarter 4 2005	Quarter 1 2005	Quarter 1 2004	Quarter 1 2003	Quarter 1 2002
Number of Buildings	4,430	4,349	4,323	4,282	4,240	4,170
Existing Square Feet (millions)	149.9	148.8	148.3	147.5	145.9	143.5
Vacant Square Feet (millions)	19.5	19.6	21.5	21.9	20.4	16.8
Vacancy Rate (Direct)	13.0%	13.2%	14.5%	14.8%	14.0%	11.7%
Vacancy Rate (With Sublet)	14.4%	14.6%	16.1%	16.9%	16.6%	14.7%
Average Lease Rate (per square foot)	\$17.47	\$17.41	\$16.96	\$16.97	\$18.38	\$20.32
New Construction Completed (year-to-date)	0.18 MSF, 9 Bldgs	0.73 MSF, 42 Bldgs	0.16 MSF, 11 Bldgs	0.48 MSF, 10 Bldgs	0.80 MSF, 20 Bldgs	0.83 MSF, 25 Bldgs
Currently Under Construction	1.21 MSF, 31 Bldgs	1.34 MSF, 38 Bldgs	1.02 MSF, 32 Bldgs	0.58 MSF, 22 Bldgs	0.62 MSF, 21 Bldgs	2.20 MSF, 52 Bldgs

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

The industrial vacancy rate decreased to 8.37% in the first quarter of 2006 with the highest first quarter rate of 14.6% reported in the southeast submarket and the lowest rate of 3.5% reported in the west submarket, according to the Grubb & Ellis first quarter report.

Grubb & Ellis includes R&D/flex and the warehouse sectors in their overall industrial statistics. The vacancy rate for the warehouse sector, specifically, settled at 6.79% for the first quarter. First quarter absorption was positive in the warehouse sector at nearly 402,600 square feet. The report noted that the largest rent increases are most noticeable in the central, northwest and southeast submarkets where new product exists. Median single-tenant rents in the warehouse sector range from \$3.75 per square foot in the east submarket to \$6.00 per square foot in the southeast submarket. Median multi-tenant rents in the warehouse sector range from \$4.00 per square foot in the east and northeast submarkets to \$6.75 per square foot in the southeast submarket.

About 278,000 square feet of new industrial space was delivered in the first quarter with another 1.5 million square feet currently under construction. Approximately 1.2 million square feet will be warehouse product and 300,000 square feet will be R&D/flex product. Investment sales activity has moderated from last year but Grubb & Ellis expects sales activity to pick up later this year. Seven industrial buildings priced over \$3.0 million were sold in the first quarter, totaling \$37.2 million in sales.

According to CoStar, industrial real estate market fundamentals in Metro Denver are improving. The (direct) vacancy rate slipped from 7.9% in the fourth quarter of 2005 to 7.6% in the first quarter of the new year while the vacancy rate (with sublet) also declined. CoStar data shows lease rates increased to \$4.70 per square foot in the first quarter, up from a revised \$4.62 per square foot in the fourth quarter of 2005.

About 830,000 square feet of new industrial buildings are currently under construction. More than two-thirds of the total square footage will be added to the City and County of Denver market including the Gateway East building. So far this year, about 730,000 square feet of new industrial space was added to the Metro Denver market.

Industrial Market Statistics

	Quarter 1 2006	Quarter 4 2005	Quarter 1 2005	Quarter 1 2004	Quarter 1 2003	Quarter 1 2002
Number of Buildings	5,577	5,514	5,488	5,453	5,411	5,365
Existing Square Feet (millions)	199.6	197.4	196.3	194.8	192.6	189.9
Vacant Square Feet (millions)	15.2	15.5	16.1	15.2	12.6	10.6
Vacancy Rate (Direct)	7.6%	7.9%	8.2%	7.8%	6.5%	5.6%
Vacancy Rate (With Sublet)	8.0%	8.3%	8.8%	8.7%	7.4%	6.4%
Average Lease Rate (per sq. ft, nnn)	\$4.70	\$4.62	\$4.49	\$4.54	\$5.30	\$5.49
New Construction Completed (year-to-date)	0.73 MSF, 6 Bldgs	1.30 MSF, 40 Bldgs	0.18 MSF, 8 Bldgs	0.48 MSF, 7 Bldgs	0.45 MSF, 16 Bldgs	0.41 MSF, 13 Bldgs
Currently Under Construction	0.83 MSF, 17 Bldgs	0.86 MSF, 19 Bldgs	0.57 MSF, 9 Bldgs	1.26 MSF, 17 Bldgs	1.20 MSF, 14 Bldgs	1.59 MSF, 17 Bldgs

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

Grubb & Ellis reported an 18.8% vacancy rate for Metro Denver's R&D/flex sector in the January-March period. The northwest submarket posted the highest vacancy rate of 26.8% while the southwest submarket posted the lowest of 7.5%. First quarter absorption totaled 153,300 square feet. Median single-tenant rents in the warehouse sector range from \$5.00 per square foot in the central submarket to \$8.75 per square foot in the northwest and southeast submarkets. Median multi-tenant rents in the warehouse sector range from \$6.25 per square foot in the east to \$8.75 per square foot in the west submarket. Grubb & Ellis research shows that more than 300,000 square feet of single- and multi-tenant flex space is in the pipeline.

CoStar data shows mixed results for Metro Denver's flex space market during the first quarter of 2006. The direct and sublet vacancy rates increased slightly to 14.4% and 15.2%, respectively, while the average lease rate increased from \$8.09 in the fourth quarter 2005 to \$8.29 in the first quarter 2006, the highest average lease rate in 11 quarters.

Flex space construction remained at a steady pace in the first quarter of the year with 13 buildings and 500,000 square feet of space currently under construction. More than three-quarters of the total square footage under construction is occurring in Douglas (42.3%) and Jefferson (33.6%) counties. One building of about 20,000 square feet was completed during the first quarter in Jefferson County.

Flex Space Statistics

	Quarter 1 2006	Quarter 4 2005	Quarter 1 2005	Quarter 1 2004	Quarter 1 2003	Quarter 1 2002
Number of Buildings	1,229	1,211	1,196	1,181	1,172	1,143
Existing Square Feet (millions)	36.8	36.6	36.3	36.0	35.8	34.9
Vacant Square Feet (millions)	5.3	5.2	5.8	6.0	5.3	5.1
Vacancy Rate (Direct)	14.4%	14.2%	16.0%	16.7%	14.9%	14.6%
Vacancy Rate (With Sublet)	15.2%	15.0%	17.4%	18.5%	16.5%	16.3%
Average Lease Rate per sq. ft, nnn)	\$8.29	\$8.09	\$7.95	\$7.95	\$8.36	\$9.00
New Construction Completed (year-to-date)	0.02 MSF, 1 Bldgs	0.37 MSF, 21 Bldgs	0.06 MSF, 3 Bldgs	0.0 MSF, 0 Bldgs	0.09 MSF, 3 Bldgs	0.15 MSF, 7 Bldgs
Currently Under Construction	0.50 MSF, 13 Bldgs	0.46 MSF, 15 Bldgs	0.46 MSF, 18 Bldgs	0.08 MSF, 3 Bldgs	0.17 MSF, 3 Bldgs	0.83 MSF, 17 Bldgs

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

Retail construction activity is high across Metro Denver. Albert Development Partners LLC of Greenwood Village announced plans to build a \$150 million, 750,000-square-foot retail development at the southwest corner of South Parker and East Arapahoe roads. The 158-acre Cornerstar development will be a cross between a town-center and big-box format and may include 325 multi-family housing units in the future. Construction will begin this fall and is hoped

to be complete in two years. While no specific tenants have been announced, a natural foods grocer, large-format bookstore, a sporting goods store, a brew pub and other restaurants are likely to be included.

The Prairie Center development in Brighton is also moving forward with a 175,000-square-foot SuperTarget store underway. A Home Depot store will also anchor the first phase of the 1,760-acre development by THF Realty, a St. Louis-based company headed by Stan Kroenke. Construction of 70,000 square feet of smaller shops and restaurants will begin soon. Eventually, the mixed-use development will include residential and other commercial uses but specific plans have not been released.

CMCB Development Co. was chosen to construct The Landings at DIA retail project on the 17-acre site north of Pena Boulevard near the Conoco gas station. The project will feature about 100,000 square feet of retail and restaurant space and is the first phase in the 500-acre "Aeropolitan" development that will transform the land surrounding the airport. The developer hopes to take advantage of the 8,500 cars that travel along Pena Boulevard each day.

Monthly Economic Summary of Metro Denver

Indicator	Monthly/ Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↑	Employment increased by 8,400 jobs from Feb to Mar; Employment through Q1 up 2.2%
% Companies Hiring	↑	↑	38% of companies expect to add workers in Q2 2006; strongest since Q1 2001
Unemployment Rate	↔	↓	Metro rate stayed at 4.7% in Mar; Q1 2006 rate at 4.9% compared to 5.7% in Q1 2005
Initial Claims	↑	↓	Initial unemployment claims increased in Mar; annual claims down 7.4% from 2005
Total Retail Sales	↓	↑	Total metro retail sales up 7.7% in first month of 2006; total retail sales up 7.6% for state
Consumer Confidence Index	↑	↑	Mountain region confidence levels surged in Mar; up 15.0% from Q1 2005 to Q1 2006
Hotel Occupancy	↑	↑	Hotel occupancy increased in Mar to 65.1%; avg room rate stable at \$96
DIA Passengers	↓	↑	Feb traffic decreased 3.4% from Jan, annual traffic is 9.3% higher than 2005
Colorado Stock Index	↓	↑	CO Stock Index decreased in April; index posting a minor 0.3% increase through April
Dow Jones Industrial Average	↑	↑	Dow increased in April; index posting a 6.1% increase through April
Home Sales (closed)	↑	↑	Home sales increased in Mar and are up 13.5% over 2005; avg SF sold price up 6.8%
Median Home Price	↓	↑	Median home price decreased to \$247,500 in Q4 2005; 2005 price 3.3% higher than 2004
Foreclosures	↑	↑	Foreclosures up 30% through March; Broomfield Cnty posting largest gain of 48%
Residential Building Permits (Total)	↑	↑	Total permits increased from Jan to Feb; annual permits are up 9.4% from 2005
Apartment Vacancy Rate	↓	↓	Vacancy rate decreased to 7.4% in Q1 2006; avg rental rate increased to \$835 per month
Office Vacancy Rate (with Sublet)	↓	↓	Vacancy rate with sublet down to 14.4%; 1.21 million sq. ft. construction is underway
Industrial Vacancy Rate (with Sublet)	↓	↓	Vacancy rate with sublet down to 8.0%; 0.83 million sq. ft. of construction underway
Flex Space Vacancy Rate (with Sublet)	↑	↓	Vacancy rate with sublet increased to 15.2%; 0.50 million sq. ft. construction underway
Positive Changes	10 of 18	17 of 18	