



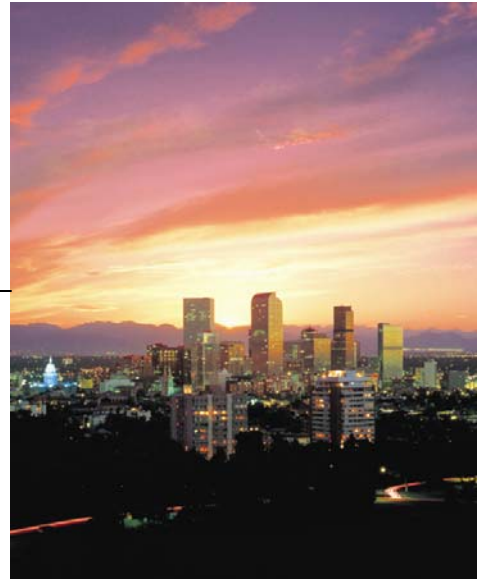
Metro Denver
Economic Development Corporation

Monthly Economic Summary

A Monthly Summary of Economic Conditions in Metro Denver

*(Adams, Arapahoe, Boulder, Broomfield, Denver,
Douglas and Jefferson counties)*

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

- ◆ Colorado is the fifth best state in the nation for business. *Forbes* magazine ranked all 50 states on 30 metrics in the following six major categories with Colorado's individual rankings in parenthesis: business costs (31), economic climate (35), growth prospects (1), labor (2), quality of life (19), and the regulatory environment (8). Virginia, Texas, North Carolina, and Utah ranked higher than Colorado on the 2006 list.
- ◆ Per capita personal income in the Denver-Aurora MSA was the 13th highest among the nation's metropolitan areas in 2005 at \$42,574, down from 12th in 2004. Personal income data from the U.S. Bureau of Economic Analysis combines wages and salary with dividend, interest and rental-property income. Total personal income increased 5.5% in 2005 in the Denver-Aurora MSA compared to a 5.0% increase for the U.S. metro regions as a whole. In 2004, the Denver-Aurora MSA recorded a 5.6% gain in total personal income. Meanwhile, the Boulder-Longmont MSA maintained its seventh place ranking with a 5.6% increase in personal income in 2005, resulting in per capita personal income of \$45,944. At the national level, per capita personal income is \$36,048. Another report from the U.S. Bureau of Economic Analysis shows that personal income in Colorado expanded by a modest 1.3% from first quarter to second quarter 2006, the 45th fastest rate in the U.S. and slower than the 1.7% national increase.
- ◆ Colorado ranks third for wireless technology investment based on an analysis of purchase records of CDW Government Inc.'s public-sector customers. Colorado and six other states (including Ohio which ranked second) were designated "early investors" in that the best technologies are adopted in the state as soon as it is appropriate. Rhode Island was named the "lead investor."
- ◆ New tech transfer rankings for Colorado universities reveal room for improvement. The Milken Institute ranked Colorado State University's tech transfer program 116th out of 134 U.S. and Canadian schools, the only Colorado university to make the list. The survey considered such factors as the number of startup companies resulting from technology developed on campus and revenue generation from university-developed technology that is licensed to a business. Data from 2000-2004 was used in the analysis. Representatives from both the University of Colorado and Colorado State University expect the rankings to improve in the coming years based on tech transfer activity at the schools since 2004.
- ◆ Eighteen of every 100 college students completed a degree or certificate program in Colorado in 2004, which exceeds the national average of 16.8 students. On the other hand, 11 of the 30 most industrialized nations have a higher graduation rate than Colorado and 15 have a higher graduation rate than the U.S. Japan leads with a 26% graduation rate followed by Portugal (25%) and the U.K. (24%), according to "Measuring Up 2006: The National Report Card on Higher Education" from the National Center for Public Policy and Higher Education.

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- ◆ A new study on longevity by Harvard University shows that seven Colorado counties rank in the top ten for the longest average lifespan. The average lifespan in Clear Creek, Eagle, Gilpin, Grand, Jackson, Park, and Summit counties is 81.3 years. The three remaining counties in the top ten are located in Iowa and Maryland. Douglas and Elbert counties tied for 49th with an average lifespan of 80.3 years.
- ◆ Denver International Airport ranked sixth in July for on-time arrivals, down from second in July 2005. The U.S. Bureau of Transportation reported 79% of flights arrived in Denver on time in July and that Frontier Airlines had the third highest on-time rate in Denver during the seventh month of the year.
- ◆ Six ski resorts in Colorado are among the top 10 ski destinations in North America, according to *Ski Magazine's* annual ranking. The scoring was based on 19 metrics which ranged from terrain/variety to value and access. Vail took the top ranking for Colorado, followed by Snowmass (3rd), Breckenridge (6th), Aspen (7th), Beaver Creek (8th), and Steamboat (9th). Other resorts in the top ten included Deer Valley Utah (2nd), Whistler Blackcomb (4th), Park City (5th), and Sun Valley (10th).
- ◆ Seven Coloradoans made *Forbes* magazine's annual list of the 400 richest people in the U.S., including Phil Anschutz (31st, \$7.8 billion), Charles Ergen (34th), John Malone (204th), James Leprino (242nd), Pat Stryker (278th), Thomas Bailey (322nd), and Gary Magness (354th). Bill Gates and Warren Buffett topped the 2006 list of which all 400 people reported more than \$1 billion in net worth for the first time in history.
- ◆ Golden-based Coors Brewing Co. has the 17th most diverse workforce, according to *Hispanic Business* magazine's 2006 Business Diversity Report. Coors Brewing Co. is a member of the National Minority Supplier Development Council and has created a program to promote vendor relations with minorities.
- ◆ Nielsen Net/Ratings reported that Greenwood Village-based eBags was the fastest-growing online retailer in the U.S. during August, primarily due to back-to-school backpack shopping. The number of eBags' online visitors increased 118% from July to 1.3 million visitors in August.
- ◆ Xcel Energy is the eighth most innovative technology-using company and the highest ranking energy and utility provider in the U.S. The new rankings from Information Week mark the second year in which Xcel Energy has placed in the top 10 overall for companies that regularly practice technical and operational innovation.

General Economic Overview

The U.S. economy expanded at a rate of 2.6% in the second quarter of 2006. The final estimate of gross domestic product (GDP) growth from the U.S. Bureau of Economic Analysis reveals an overall deceleration in national economic activity primarily due to decreases in consumer spending on durable goods, investment in equipment and software, and Federal government spending. Second quarter GDP growth of 2.6% is down 0.3% from the preliminary estimate released in August. Comparatively, GDP increased 5.6% in the first quarter of the year.

At their September 20th meeting, the Federal Open Market Committee (FOMC) decided to leave the target for the federal funds rate at 5.25%, marking only the second time the FOMC has paused its monetary tightening since June 2004. The committee noted that economic growth continues to moderate, which is reflected in the cooling housing market nationwide. Inflationary pressures are also likely to moderate over time but elevated core inflation, high levels of resource utilization, and high price levels for energy and other commodities persist and continue to present inflationary risks. The next FOMC meeting is scheduled for October 24/25, 2006.

The U.S. trade deficit, which measures the difference between U.S. exports and imports, increased 5.0% from a revised \$63.8 billion in June to a record \$68.0 billion in July due to increased imports and decreased exports. The July record surpasses the previous deficit record of \$66.6 billion set in October 2005. At the current pace, the 2006 U.S. trade deficit is estimated to hit \$815.0 billion, well beyond the 2005 record deficit of \$716.7 billion.

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The Federal Reserve's Beige Book for the Tenth District, which includes Colorado, reported modest economic growth in late July and early August for the region but noted a slightly slower growth rate than reported in the previous survey. Overall, employment and energy sector activity increased while the commercial real estate market improved. Conversely, residential real estate activity declined and growth in consumer spending and manufacturing activity slowed.

Looking ahead, the National Association of Business Economists (NABE) revised its 2007 GDP forecast downward from 3.1% projected in May to 2.7%. Consumer prices are expected to increase more than previously thought this year but inflation will diminish in late 2007. The NABE also forecasts GDP will expand at an annual rate of 2.6% during the second half of this year.

While most Colorado economists are forecasting a slowdown in economic growth in 2007 at the state level, they differ in terms of the intensity of the slowdown. Below are highlights from recent presentations:

CU-economist, Rich Wobbekind, is predicting slower economic growth next year for the state but expects Colorado's economic growth to outpace the nation. Wobbekind forecasts 1.9% employment growth for Colorado in 2007, down from an estimated 2.2% or 2.1% this year. Comparatively, U.S. employment will increase by a more modest 1.3%, down from an estimated 1.6% this year. In general, Wobbekind sees the Colorado economy "...heading for a soft landing." At the national level, Wobbekind forecasts 3.0% GDP in 2007, and notes that a national recession is not likely in 2007 barring a dramatic drop in consumer spending.

Tucker Hart Adams, U.S. Bank's chief economist for the Rocky Mountain region, warns of the high probability of a U.S. recession in 2007 with GDP advancing only 2.1% next year. Adams adds that a Colorado recession will lag the nation but that the state will catch up in the first half of 2008. Adams expects Colorado employment levels to increase 1.4% in 2006, down from her 2006 estimate of 2.2%. A recession is defined as two consecutive quarters of economic contraction.

Two of the state's top economists, Mike Mauer and Henry Sobanet, agree that the Colorado economy is in a good position due to rising corporate profits, employment and personal income taxes. Mike Mauer is the chief economist of the Legislative Council and Henry Sobanet is the director of the Governor's Office of State Planning and Budgeting. Mauer explains that the state economy will remain "healthy" for the next five years unless consumer spending, home prices, commercial construction activity, and the stock market experience sharp declines.

These mixed messages are also evident in the following indexes compiled for the national, state, and metro levels:

- ◆ The Conference Board's Index of Leading Economic Indicators slipped again in August, suggesting slower economic growth in the coming six months. The August index decreased 0.2% to 137.6 after declining by a revised 0.2% in July. The leading index has declined in five of the last eight months. Three of the ten contributing factors moved in a positive direction in August, including stock prices, real money supply, and manufacturers' new orders for consumer goods and materials. The coincident index, which gauges current economic conditions, continued its steady climb with a 0.1% increase in August to 123.3.
- ◆ The nation's manufacturing sector expanded for the 40th consecutive month in September but at a slower rate than recorded in August, slipping from 54.5 in August to 52.9 in September. The Institute for Supply Management, which compiles the Purchasing Managers' Index, noted that the industry is losing momentum due to higher interest rates and the cooling housing market. The top three performing manufacturing industries in September were petroleum and coal products, apparel, and leather and allied products. A reading greater than 50 suggests economic expansion whereas a reading below 50 suggests economic contraction.
- ◆ The Front Range Purchasing Managers' Index, compiled by the University of Colorado at Denver Business School, decreased in August, reversing the positive trend and dipping below the 50 mark. The August index

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registered 43.3, down from 56.6 in July. The August reading is the only reading since December 2005 to fall below 50, which indicates economic contraction.

- ◆ The national service economy expanded for the 40th consecutive month in July with 11 of the 17 non-manufacturing industries reporting increased activity. The National Institute for Supply Management's Non-Manufacturing Index slipped from 57.0 in June to 54.8 in July, indicating positive but slower growth. The top three performing industries in July were other services, retail trade, and educational services.
- ◆ After recovering to 57.0 in July from 49.8 in June, Metro Denver's non-manufacturing or service economy reported declining economic conditions again in August. The non-manufacturing index slipped from 57.0 in July to 43.7 in August, according to the College of Business at the University of Colorado at Denver. Similar to the national index, a reading below 50 indicates economic contraction while a reading greater than 50 indicates economic expansion.
- ◆ The Creighton University Business Conditions Index for the Mountain States region advanced to a robust 75.6 in August from July to 75.0 and 65.4 in June, indicating strengthening economic conditions for the Colorado-Wyoming-Utah region. Inflationary conditions moderated in August while supply managers and business leaders in the region noted that fuel and commodity prices are applying upward price pressure for many firms. The individual Colorado index slipped from 72.5 in July to 71.3 in August. A reading greater than 50 indicates expansionary conditions.
- ◆ Colorado's small-business owners experienced improved conditions in August, according to Vectra Bank's Colorado Small Business Index. The index increased from a revised 103.8 in July to 104.4 in August, primarily due to a slightly higher unemployment rate. The index considers increased unemployment to be a positive factor for small businesses because workers are easier to hire. On the other hand, the national Small Business Index slipped from a revised 90.9 in July to 88.1. Both indices use a baseline value of 100.0 in 1997.
- ◆ Colorado business leaders expect continued economic growth in the state during the third quarter but are slightly less optimistic compared to the second quarter outlook. The Colorado Business Leaders Confidence Index declined from 60.1 in the second quarter to 54.2 for the July-September period. The forward-looking index is comprised of six component indexes, all of which reported declines from the second quarter outlook.
- ◆ The Metro Denver Leading Index was unchanged for the third consecutive month in June at 101.1, suggesting that the Metro Denver economy is growing at a steady pace. The good news is that the April, May, and June readings are at the highest level since June 2001, indicating economic recovery. Only one of the seven Leading Index components moved in a negative direction from May to June. The Leading Index is a predictor of changing economic activity six to nine months in advance. The Historic Index, which measures year-over-year growth, slipped 0.1% from 130.7 in May to 130.6 in June. Both of the Historic Index's two components improved from May to June; however, only nonfarm employment levels were improved on a year-to-date basis. 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 ticked upward in August by 1,000 jobs, according to preliminary data released by the Colorado Department of Labor and Employment. Year-to-date employment in Metro Denver is 2.0% ahead of 2005 employment levels compared to a 2.2% increase statewide and a 1.4% increase at the national level. A closer look at the Metro Denver market reveals that employment is up 1.3% in the Boulder-Longmont MSA and 2.1% in the Denver-Aurora MSA. Total employment in Metro Denver reached 1,381,900 jobs in August.

Ten of the 11 major industry groups are showing increased employment levels through August compared to the first eight months of 2005. The Natural Resources & Construction (+5.9%); Professional & Business Services

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(+3.2%); and Transportation, Warehousing & Utilities (+2.8%) sectors are reporting the largest year-to-date gains in percentage terms while the largest absolute gains have occurred in the Professional & Business Services (+7,100 jobs); Natural Resources & Construction (+5,600 jobs); and Wholesale & Retail Trade (+3,500 jobs) sectors. The Information sector, which includes telecommunications, continues to be the only sector reporting a year-to-date loss. Information sector employment is down 2.9% so far this year, representing a loss of about 1,700 jobs.

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

	Month of Aug-06 (p)	Month of Jul-06	Month of Aug-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*	1,381.9	1,380.9	1,357.7	1,368.8	1,341.5	2.0%	0.0%	3.1%
Denver-Aurora MSA	1,221.9	1,220.3	1,199.3	1,207.2	1,182.1	2.1%	-0.2%	3.2%
Boulder-Longmont MSA	160.0	160.6	158.4	161.6	159.5	1.3%	1.5%	2.7%
Natural Resources & Construction	104.9	104.9	101.6	100.7	95.1	5.9%	2.0%	5.5%
Manufacturing	92.4	92.2	91.9	91.8	91.1	0.8%	-5.8%	2.0%
Wholesale & Retail Trade	210.4	210.1	208.6	209.4	205.9	1.7%	-0.4%	2.9%
Transp., Warehousing & Utilities	52.6	52.8	51.1	52.1	50.7	2.8%	2.3%	5.4%
Information	56.3	56.5	56.8	55.9	57.6	-2.9%	-3.3%	5.1%
Financial Activities	108.8	108.3	107.4	108.2	106.2	1.8%	-0.3%	5.5%
Professional & Business Services	231.6	231.3	224.7	225.4	218.4	3.2%	-1.4%	3.6%
Education & Health Services	139.8	139.2	137.1	139.6	136.8	2.1%	4.1%	3.5%
Leisure & Hospitality	147.4	147.2	144.0	140.5	137.7	2.0%	1.0%	1.2%
Other Services	51.0	51.1	50.7	50.7	50.5	0.5%	-0.2%	5.1%
Government	186.7	187.3	183.8	194.5	191.7	1.5%	2.5%	0.8%
Federal Gov't	31.0	31.5	31.3	31.3	31.4	-0.4%	-3.3%	-5.2%
State & Local Gov't	155.7	155.8	152.5	163.2	160.3	1.8%	3.8%	2.5%
Colorado	2,290.3	2,284.9	2,241.5	2,260.7	2,211.5	2.2%	0.6%	3.6%
United States	135,281	135,174	133,594	134,675	132,781	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:

Aerospace: Northrop Grumman Corp. broke ground on a 75,000-square-foot office building in Aurora in September. The new facility will accommodate 300 employees for the growing company of which about 200 positions are expected to be added in the next two years. Northrop Grumman employs 2,700 workers in Colorado.

The Colorado Springs unit of Lockheed Martin Corp. won a \$589 million U.S. Air Force contract that could expand to a \$2 billion contract if all options are exercised. Lockheed Martin will integrate and modernize 20 air and space command centers worldwide which will involve about 200 employees in Colorado Springs. It is not known whether the contract will generate new jobs at this time.

Aviation: U.S. airlines employed 5.9% fewer workers in July 2006 than a year earlier. Data from the U.S. Bureau of Transportation shows that United Airlines' payroll has decreased from 54,000 full-time-equivalent (FTE) workers to 53,000 over the 12-month period. Meanwhile, Denver-based Frontier Airlines added about 1,000 FTE workers, bringing total employment to approximately 5,000 FTE workers.

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Frontier Airlines is adding 10 Bombardier Q400 turboprop planes to its fleet to serve 18 new destinations in the Rocky Mountain region that are within a 650-mile radius of Denver. The 74-seat planes will allow Frontier to tap into markets like Aspen, Jackson Hole, and Durango. Between 300 and 400 jobs will be created by year-end 2007 with Frontier Express service expected to begin in summer 2007. Aviation consultant Mike Boyd says the regional service gives Frontier Airlines a competitive edge over rival Southwest Airlines.

Energy: The National Renewable Energy Lab (NREL) headquartered in Golden is looking outside Colorado to build a state-of-the-art wind turbine testing facility. The \$10 million-dollar research facility will be able to test turbine blades up to 230 feet long compared to the existing facility in Golden that can accommodate turbines as long as 164 feet. NREL says Colorado is not a viable location because of a lack of federal funding and the innate difficulty of transporting the long blades to an inland location. Texas, Ohio, Delaware, and Massachusetts expected to submit proposals for the facility that will employ several highly paid scientists and have the potential to attract related businesses.

Mobile Energy Solutions in Golden announced it will expand its facilities with a new 13,000-square-foot corporate office and research center. Mobile Energy Solutions, which was founded in 2004, will develop and manufacture commercial, hybrid-electric, battery powered and fuel cell vehicles in the new facility.

Financial Services: Centennial-based Centrix Financial filed for Chapter 11 bankruptcy protection in response to three creditors that filed a petition for an involuntary bankruptcy. The creditors, including IFC Credit, Suntrust Leasing, and Wells Fargo Equipment Finance, say they are owed a total of \$4.6 million. Centrix Financial, which provides auto loans to sub prime borrowers, has underwritten 250,000 auto loans valued at almost \$4 billion since 1998 and currently employs about 400 workers in Metro Denver. No staff changes are anticipated but employment is down significantly from a peak of 1,500 workers.

Information Technology: The prospects of hiring for technology jobs are above average in Metro Denver and the Mountain States region, according to Robert Half Technology who conducted the survey. About 15% of CIOs in Metro Denver plan to hire tech workers in the fourth quarter of 2006 and only 2% plan to cut jobs, producing a 13% net figure. Comparatively, a net 21% of CIOs in the Mountain States region and a net 10% of CIOs nationwide plan to hire tech workers in the fourth quarter. In third quarter 2006, Metro Denver's net hiring figure was 14%. The survey notes that help-desk professionals, system administrators, dot-net developers, and business intelligence gurus are the most in-demand tech jobs in Metro Denver.

Colorado Tech Week in September showcased Colorado's wide range of technology firms and kicked off with the release of the "Colorado Nanotechnology Roadmap 2006" report by the University of Colorado Leeds School of Business that will help Colorado become one of the top 10 states for nanotechnology-based economic development. Nanotechnology is the engineering and manufacturing of molecular-sized products. According to the report, Colorado needs to double the number of firms involved in nanotechnology to about 150 and increase employment by about 30% to 400 workers. The report noted several obstacles to achieving the top 10 goal such as Colorado ranks 48th in the nation for state and local spending on higher education and 49th for state spending on nanotechnology economic development.

Santa Clara, CA-based Intel Corp. will cut more than 10% of its global workforce or 10,500 positions to reduce its overall expenses. Job cuts are expected to be minimal for Intel's 1,600 workers employed in Colorado of which 1,200 are located in Colorado Springs. The remaining 400 workers are located in Fort Collins and Metro Denver. Intel Corp. manufactures semiconductors and has an 84% market share on microprocessor chips.

Golden-based Infinite Power Solutions (IPS) was awarded \$34.7 million in venture capital funding to produce a lithium-based, thin-film battery that can be recharged thousands of times and loses only minimal power overtime. IPS expects to manufacture millions of batteries a year in a new 30,000-square-foot plant and will accordingly increase employment from 11 workers to 50 workers. Denver and Golden locations are under consideration.

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Telecommunications: Philadelphia-based Comcast will create another 500 customer service, call-center jobs in Centennial and Colorado Springs by year-end 2007 on top of the 200 technical and customer service jobs added earlier this year. Workers will earn starting pay ranging from \$11 to \$13 an hour, depending on experience. The telecommunications company will add a total of 4,000 installers and customer services workers nationwide this year. In Colorado, Comcast has more than 800,000 subscribers and employs about 4,000 workers.

The hiring pace in Metro Denver will soften in the final quarter of 2006 but remain at a stronger level than a year ago, according to the latest Manpower Employment Outlook Survey. About 33% of the companies interviewed in the Denver area plan to hire more employees in the fourth quarter of 2006, down from 43% in the third quarter and 38% in the second quarter. On the bright side, only 2% of the companies expect to reduce payrolls in the fourth quarter, down from 8% in the third quarter. About 60% of Denver area companies expect no staffing changes. Hiring expectations are also lower in the Boulder area with about 23% of companies planning to hire in the fourth quarter, down from 47% in the third quarter. Ten percent of Boulder respondents plan to reduce payrolls in the fourth quarter, up from 0% in the third quarter. Job prospects in the Denver area appear best in construction, durable goods manufacturing, transportation/public utilities, wholesale/retail trade, finance/insurance/real estate, and public administration.

Similar to the Metro Denver outlook, the national employment outlook for fourth quarter 2006 is also softer with 28% of companies planning to add workers during the October-December period, down from 31% in the previous quarter. About 8% of the 14,000 companies interviewed plan to reduce staff levels, 58% expect no staffing changes, and the remaining 6% are undecided.

Employment Outlook Survey

	Quarter 4 2006	Quarter 3 2006	Quarter 4 2005	YTD Average 2006	YTD Average 2005
Denver Area*					
Percent of Companies Hiring	33%	43%	23%	36%	29%
Percent of Companies Laying Off	2%	8%	18%	7%	7%
Percent of Companies No Change	60%	49%	56%	52%	61%
Boulder County					
Percent of Companies Hiring	23%	47%	17%	34%	29%
Percent of Companies Laying Off	10%	0%	7%	5%	8%
Percent of Companies No Change	67%	53%	76%	59%	58%

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

Source: Manpower Inc.

The Metro Denver unemployment rate was unchanged at 4.8% in August for the third consecutive month. On a year-to-date basis, the Metro Denver unemployment rate stands at 4.7% compared to 5.4% at this time last year.

The labor market was stable from July to August across Metro Denver with only Adams County reporting a change in their unemployment rate. Denver (5.5%) and Adams (5.3%) counties reported the highest unemployment rates in August while Douglas (3.3%) and Boulder (4.1%) counties reported the lowest unemployment rates. Comparatively, the Colorado and U.S. unemployment rates were 4.6% in August.

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

	August 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	1,493.3	4.8%	1,475.4	4.7%	1,437.4	5.4%	3.9%	3.8%
Adams County	210.0	5.3%	207.2	5.3%	201.9	6.1%	4.2%	4.2%
Arapahoe Cnty	309.3	4.7%	304.8	4.6%	296.8	5.3%	3.8%	3.2%
Boulder Cnty	170.1	4.1%	170.4	4.0%	167.0	4.7%	3.5%	3.8%
Broomfield Cnty*	25.0	4.6%	24.6	4.5%	23.9	4.9%	3.7%	
Denver County	316.4	5.5%	312.1	5.5%	304.2	6.2%	4.6%	5.0%
Douglas Cnty	142.2	3.3%	140.2	3.3%	136.2	3.7%	3.1%	2.2%
Jefferson Cnty	320.4	4.7%	316.0	4.6%	307.4	5.2%	3.6%	3.4%
Colorado	2,668.0	4.6%	2,615.3	4.6%	2,540.4	5.3%	3.8%	4.2%
United States	152,465	4.6%	150,992	4.8%	148,949	5.3%	4.7%	5.4%

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

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

The number of first time unemployment insurance claims filed in Metro Denver decreased from 4,413 in July to 4,220 in August, bringing year-to-date unemployment claims 6.0% below total claims reported at this time last year. On the other hand, unemployment claims increased slightly at the state level, rising from 8,313 in July to 8,508 in August. Still, statewide claims are down 9.4% so far this year.

First-Time Unemployment Insurance Claims

	Month of	Month of	Month of	YTD Avg	YTD Avg	YTD Avg	Annual	Annual
	Aug-06	Jul-06	Aug-05	2006	2005	% Change	Average 2001	Average 1996
Metro Denver	4,220	4,413	4,580	4,606	4,900	-6.0%	6,599	4,573
Colorado	8,508	8,313	9,022	9,400	10,380	-9.4%	13,624	

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

Workers in the Denver-Aurora MSA could see a 3.6% increase in pay in 2007, according to the results of the annual Mountain States Employers Council survey. Boulder-Longmont workers can expect a 3.7% increase compared to a 3.6% increase for all of Colorado, the largest annual increase in five years. Oil and gas (+4.9%), software/hardware (+4.2%), and mining (+4.0%) occupations will see the largest pay raises in 2007. Pay raises are expected to outpace inflation in 2007 but increasing health insurance costs are described as the wild card.

A new report by the Kaiser Family Foundation found that health insurance premiums surged 78% from 2000 to 2006 compared to a 20% wage increase over the same period. The Foundation's data is developed from 3,159 randomly selected surveys of public and private employers in the U.S. In a glimmer of hope, premiums only increased 7.7% in 2006, the smallest annual increase since 1999.

Consumer Sector

U.S. consumer prices increased 0.2% in August, according to the U.S. Bureau of Labor Statistics. The Consumer Price Index for August was 3.8% higher than the August 2005 index. On the bright side, falling energy and gasoline prices will help to hold back inflation in September.

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Average gasoline prices in Metro Denver surpassed the nation in August and remained above the national average throughout September even as gas prices dropped from record levels. The average price for a gallon of regular gasoline in the Metro Denver region was \$2.57 as of the October 1, 2006 AAA Fuel Gauge Report compared to the U.S. average of \$2.32 per gallon. The average price a year earlier was \$2.86 per gallon in Metro Denver and \$2.89 per gallon in the U.S. Colorado price decreases usually lag the nation because Colorado is farther from oil refineries and ports than other states.

On a positive note, Xcel Energy is forecasting lower heating bills for Metro Denver customers this winter due to higher inventory levels and moderate demand from gas-fired power plants. In fact, decreased natural gas prices could reduce heating bills by 13% to 14% this winter with the average residential customer paying an estimated \$135 in December 2006 compared to \$157 a year earlier (not including any electrical costs).

New data from the U.S. Department of Commerce indicates that U.S. retail sales posted a slight increase of 0.2% from July to August, marking the weakest monthly gain since retail sales declined 0.5% in June. The August increase was improved, however, from analysts' expectations of a 0.1% decline. Consumers may not hold back through the holiday season though, at least according to the National Retail Federation's (NRF) forecast. The NRF is anticipating a 5.0% increase in retail sales this coming November and December over the same two-month period last year. Last year's holiday sales posted a 6.1% gain over the 2004 holiday season.

Retail sales activity in Metro Denver decreased from June to July in a typical seasonal pattern but remains well above 2005 levels. Through the first seven months of 2006, retail sales are up 9.0% in Metro Denver and 9.8% across the state. The strongest year-to-date gains in Metro Denver have occurred in Denver (+11.3%), Adams (+9.9%), and Arapahoe (+9.8%) counties. Boulder County is reporting the most modest gain among the seven counties of 3.9%. The City and County of Denver captured the largest share of retail sales in July, followed by Arapahoe and Jefferson counties.

Total Retail Sales (\$000s)

	Month of Jul-06	Month of Jun-06	Month of Jul-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Annual Growth 2001	Annual Growth 1996
Total Metro Denver	6,116,599	7,203,246	5,741,219	43,189,631	39,613,849	9.0%	2.9%	7.1%
Adams County	925,813	1,041,063	841,640	6,562,480	5,969,950	9.9%	3.6%	3.2%
Arapahoe County	1,333,748	1,569,441	1,305,074	9,618,484	8,756,205	9.8%	-0.5%	10.1%
Boulder County	557,139	681,985	520,151	3,954,989	3,804,783	3.9%	1.6%	10.4%
Broomfield County	114,594	139,802	119,681	840,037	782,145	7.4%		
Denver County	1,663,561	1,974,179	1,517,574	11,858,348	10,653,702	11.3%	1.6%	2.2%
Douglas County	488,528	617,760	462,458	3,370,942	3,082,234	9.4%	16.5%	46.4%
Jefferson County	1,033,216	1,179,016	974,640	6,984,351	6,564,830	6.4%	2.6%	5.8%
Colorado	10,578,015	12,251,684	9,893,598	73,469,079	66,937,395	9.8%	2.9%	7.2%

Source: Colorado Department of Revenue.

Consumer confidence in the mountain region retreated for the second month in a row in August, according to the Conference Board's Consumer Confidence Index. Despite the two-month decline, consumer confidence in the mountain region remains more optimistic than the nation. Mountain region consumer confidence decreased from a revised 127.7 in July to a preliminary 119.5 in August, bringing confidence levels through August 7.9% above 2005 levels. Only one of the nine regions surveyed by the Conference Board reported a more optimistic confidence level in August. The confidence index is comprised of the present situation index and the expectations index which both decreased in August. The perception of the current situation decreased from a revised 166.2 in July to 154.3 in August, the highest reading of the nine regions. The future expectations index decreased from a revised 102.1 in August, the fourth highest reading of the nine regions.

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Consumer Confidence Index

	Month of Aug-06 (p)	Month of Jul-06	Month of Aug-05	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Ann Avg 2001
Mountain	119.5	127.7	132.0	131.2	121.6	7.9%	115.2
United States	99.6	107.0	105.5	105.4	103.6	1.8%	106.6

Source: The Conference Board. (p) = preliminary

National consumer confidence also decreased in August, slipping from a revised 107.0 in July to a preliminary 99.6 in August. Both perceptions of current conditions and future expectations declined in August at the national level. Advance estimates for September confidence levels indicate a rebound with the overall consumer confidence index increasing to 104.5.

Colorado's 74 casinos generated \$68.8 million in adjusted gross proceeds, or the amount wagered minus the casinos' payouts, in August. Casino revenues in August were 7.7% greater than in August 2005. Central City casino's enjoyed the largest increase of 15% followed by a 10% increase for Black Hawk casinos and a 3.5% gain for Cripple Creek casinos. Despite the 15% increase in Central City, city officials and Central City's gaming industry are still not seeing the revenues and developments that were expected to result from the \$38 million Central City Parkway. Scarlet's Casino closed in September, marking the second casino to close since the four-lane road opened in November 2004.

The Metro Denver lodging industry continues to post improvements over 2005 in terms of increased occupancy and higher average room rates. The average occupancy rate slipped from 78.1% in July to 76.7% in August; however, the average occupancy rate through the first eight months of the year is up 2.3% compared to the same period last year. Despite the slip in occupancy, the average room rate increased from \$103.38 in July to \$106.81 in August. The average room rate on a year-to-date basis is up 10.5% compared to last year. At the state level, occupancy rates were flat at 72% in August 2006 from 71.5% a year earlier but the average room rate increased almost \$8.00 over the 12-month period to \$113.72.

Metro Denver Hotel Statistics

	Month of Aug-06	Month of Jul-06	Month of Aug-05	YTD Avg 2006	YTD Avg 2005	YTD Avg % Change	Annual 2001	Annual 1996
Percent of Hotel Rooms Occupied	76.7%	78.1%	77.0%	67.8%	66.3%	2.3%	62.5%	72.3%
Average Hotel Room Rate	\$106.81	\$103.38	\$96.78	\$99.93	\$90.40	10.5%	\$88.52	\$77.58

Source: Rocky Mountain Lodging Report.

Plans were announced for a \$172 million, 505-room hotel that will be part of the High Point community near Denver International Airport. High Point is being developed by LNR Property Corp. and will eventually house 10.0 million square feet of commercial space, 500,000 square feet of retail space, and an 18-hole golf course. The 13-story High Point conference resort hotel will feature 68,000 square feet of meeting space. Construction is scheduled to begin in early 2007 with completion in 2009.

July was the busiest month on record at Denver International Airport (DIA) with nearly 4.6 million passengers. July 2006 passenger traffic was up 6.9% over July 2005 traffic. Passenger traffic for the first seven months of the year is up 10.4% over 2005 traffic levels. July 2006 also marks the 15th consecutive month the airport has set a monthly passenger traffic record.

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Denver International Airport Passengers

	Month of Jul-06	Month of Jun-06	Month of Jul-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Annual 2001	Annual 1996
Number of Airline Passengers	4,571,230	4,394,473	4,275,779	28,017,549	25,382,476	10.4%	36,092,806	32,296,174

Source: Denver International Airport, Traffic Statistics.

The nation's financial markets rallied in September amid falling gasoline prices, widespread investor optimism, and the Federal Reserve's decision to leave interest rates unchanged. In late September, the DOW flirted with a record high close but finished the day at the second highest close. The DOW had its best third quarter advance since 1995 and the S&P 500 posted its biggest third quarter advance since 1997. Both the DOW and the S&P indexes hit 52-week highs in late September. Looking forward, Fred Taylor of Northstar Investment Advisors LLC says that the DOW has the potential to surpass the current record close if energy and interest rates stay low, corporate profits exceed analysts' expectations, and company executives are optimistic about their fourth quarter performance. For the year, the DOW and S&P 500 show robust gains of 9.0% and 7.0%, respectively, compared to a more tepid gain of 2.4% for the NASDAQ.

Meanwhile, the Colorado stock index, a compilation of the stock prices of 30 companies either headquartered in Colorado or having significant operations in the state, increased 1.9% in September but is only up 2.3% on a year-to-date basis. The companies reporting the largest stock price percentage gains from August to September were Katy Industries (+28.2%), McData Corp. (+17.2%), and Target Corp. (+14.2%). The largest percentage losses occurred for Newmont Mining (-16.6%), Cenveo Inc. (-10.4%) and Forest Oil (-6.7%).

Stock Market Indexes

	Month of Sep-06	Month of Aug-06	Month of Sep-05	YTD Return 2006	YTD Return 2005	YTD Return 2004
Colorado	1,815.3	1,781.4	1,763.9	2.3%	10.8%	1.9%
S&P 500	1,335.9	1,303.8	1,228.8	7.0%	1.4%	0.2%
NASDAQ	2,258.4	2,183.8	2,151.7	2.4%	-1.1%	-5.3%
DOW	11,679.1	11,381.2	10,568.7	9.0%	-2.0%	-3.6%

Sources: Development Research Partners; Yahoo! Finance.

Residential Real Estate

Economic indicators released in September confirmed that the U.S. residential market has cooled. Existing home sales leveled out to a sustainable pace of 6.3 million units in August after slowing more than expected in July. Total existing home sales slowed 0.5% in August, according to the National Association of Realtors (NAR). A year earlier, the annual sales pace was 7.21 million, the second highest pace on record. A closer look reveals that the pace of single-family home sales was stable in August while condominium home sales fell 3.5%. Regionally, home sales increased modestly in the Northeast and Midwest but declined in the South and West. The NAR revised its 2006 forecast for existing home sales downward to 6.54 million units, representing a 7.6% drop from 2005. Still, 2006 is expected to be the third best year on record next to 2004 and 2005.

The NAR also dropped its forecast for new home sales in 2006 to 1.08 million, a 17.6% decline from 2005. After three consecutive declines in new home sales from May through July, the U.S. Department of Commerce reported a 4.1% increase in August to a seasonally adjusted annual rate of 1.05 million units. The August increase is the largest gain in five months and follows a 7.5% plunge in July. Analysts regard the August increase as an indication the steep slide in the new-home market is leveling off.

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Metro Denver experienced an uptick in home sales from July to August as buyers wanted to get settled before the school year began; however, sales through August are down 4.0% from the same period last year. A similar pattern was reported for home sales under contract. Inventory levels decreased in August for the first time since December 2005 but remain at historically high levels. Data from MetroList also reveals that the zip codes associated with the shortest days on the market in Metro Denver are in Niwot (14 days), Table Mesa (37 days), and Capital Hill (40 days). Zip codes with the longest days on the market are in Nederland (298 days), Ward/Gold Hill/Jamestown (286 days), and Idledale (273 days). The metro-wide average through August was 101 days on the market.

Analysis from Boulder-based Housingmetrics reveals that the lower-end market is struggling while the higher-end market is showing signs of weakening. Conversely, the middle market segment is reporting satisfactory performance and the very upper-end market is strong. Also, homes in ultra-urban neighborhoods and good school districts are experiencing below average days on the market while homes in need of renovation, entry-level condos, and homes located in mountain and fringe suburban developments are staying on the market longer.

Home Sales Activity

	Month of Aug-06	Month of Jun-06	Month of Aug-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Ann Avg 2001	Ann Avg 1996
Home Sales (Under Contract)	5,673	5,538	6,351	44,814	47,518	-5.7%	32,248	33,406
Home Sales (Closed)	5,025	4,850	5,539	35,334	36,788	-4.0%	47,832	37,755
Unsold Homes on Market	31,664	31,989	26,548	31,664	26,548	19.3%	15,892	12,315
Average Sales Price-Single Family	\$320,092	\$328,721	\$314,678	\$319,604	\$307,229	4.0%	\$257,394	\$159,132
Average Sales Price-Condo	\$196,659	\$194,705	\$199,022	\$188,463	\$189,374	-0.5%	\$160,342	\$94,596
Median Sales Price-Single Family	\$252,900	\$259,500	\$255,000	\$251,000	\$247,000	1.6%	\$213,950	
Median Sales Price-Condo	\$160,000	\$163,000	\$164,000	\$158,500	\$160,000	-0.9%	\$141,000	

Sources: MetroList, Inc.

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

Both the average and median sale prices in the single-family home category dropped in August after declining in the month prior as well. *Despite the two consecutive declines, the average sale price for single-family homes through August is up 4.0% compared to this time last year and the median price is up 1.6%.* The condominium market reported mixed results in August with the average sale price increasing and the median sale price declining. *On a year-to-date basis, the average sale price in the condominium category is down 0.5% compared to 2005 and the median price is down 0.9%.*

U.S. home prices continued to increase in the second quarter of the year but at the slowest pace since the Office of Federal Housing Enterprise Oversight (OFHEO) began tracking the data in 1975. The average home price increased only 1.2% during the April-June period compared to a 3.7% increase recorded in the second quarter of 2005 and a 2.2% gain in the first quarter of 2006. Locally, the average home price declined 0.4% from second quarter 2005 to second quarter 2006 in Weld County. Metro Denver home prices posted a 2.7% gain in the second quarter, down from a 3.4% gain in the first quarter. Finally, the average home price in Larimer County increased 1.2% from second quarter to second quarter, also down from a 3.9% gain from first quarter to first quarter. OFHEO, which oversees mortgage financiers Freddie Mac and Fannie May, cited higher interest rates and inventory levels as factors behind the cooling residential market.

A National Association of Realtors report indicates that the median sales price of previously-owned single-family homes in the U.S. cooled to single-digit appreciation rates from the second quarter of 2005 to the second quarter of 2006 in most parts of the country. Thirty-seven of the 151 metropolitan areas tracked reported double-digit gains and 26 areas reported modest declines. Overall, the median sales price for single-family homes in the U.S.

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increased 3.7% to \$227,500 in the second quarter. Meanwhile, appreciation was flat for previously-owned condominiums. The median sales price for condominiums slipped 0.3% to \$225,800 in the second quarter. Fifteen of the 57 metropolitan areas tracked reported double-digit gains and 14 areas suffered declines.

The median home price for previously-owned single-family homes in the Denver-Aurora area increased 4.5% from the first quarter to \$255,200 in the second quarter, according to the National Association of Realtors. Compared to second quarter 2005, the median home price for the single-family category appreciated 2.7%. The Boulder-Longmont area has experienced higher appreciation rates over the past year. The median home price for previously-owned single-family homes in the Boulder-Longmont area increased 3.6% from the first quarter to \$373,200 in the second quarter and grew 7.8% from second quarter 2005. Home price appreciation from second quarter to second quarter ranked the Denver-Aurora area 95th out of the 151 largest metropolitan statistical areas (MSAs) in the U.S. and the Boulder-Longmont area experienced the 51st largest price appreciation. The median home price in the Denver-Aurora area of \$255,200 was the 36th highest while Boulder's median price of \$373,200 ranked 19th during the second quarter of 2006. The three most expensive home markets in the country are the San Francisco, San Jose, and Anaheim-Santa Ana metropolitan areas in California.

Median Home Price (\$000s)

	Quarter 2 2006 (p)	Quarter 1 2006	Quarter 2 2005	YTD Average 2006	YTD Average 2005	YTD Average % Change	Median 2001	Median 1996
Boulder-Longmont MSA	\$373.2	\$360.4	\$346.2	\$366.8	\$341.7	7.3%	n/a	n/a
Denver-Aurora MSA	\$255.2	\$244.2	\$248.4	\$249.7	\$242.2	3.1%	\$218.3	\$133.4
United States	\$227.5	\$217.9	\$219.4	\$222.7	\$208.5	6.8%	\$156.6	\$122.6

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

The total number of foreclosures in the U.S. increased 24% from July to August, according to California-based RealtyTrac which also counts homes in pre-foreclosure stages. Similarly, the total number of homes entering some stage of foreclosure in August is up 53% over August 2005. *Unfortunately, Colorado continued to lead the nation with the highest rate of foreclosures in August as it has for the past six months. Nevada and Florida held the second and third highest foreclose rates in the nation. RealtyTrac reported a 60% spike in Colorado foreclosures from July to August, pushing August foreclosures up 150% over August 2005. In absolute terms, Colorado had the seventh highest number of foreclosures in August. The Greeley metropolitan area had the highest foreclosure rate in August of the 252 metro areas tracked by the California-based company while Metro Denver was close behind with the fifth highest rate of one new foreclosure filing for every 196 households.*

A separate report by Foreclosure.com, which tracks only bank-owned properties in the final stage of foreclosure, indicated a 5.0% decrease in the number of Colorado foreclosures from July to August and an 11% drop from August 2005 to August 2006. Still, Colorado has the highest foreclosure rate in the nation according to Foreclosure.com. Colorado's new director of the Division of Real Estate for Colorado, Erin Toll, cites inflated appraisals as one contributing factor in Colorado foreclosure troubles and plans to crack down on the pervasive problem.

Metro Denver foreclosures rose to a record high in August after moderating in July, according to data from CB Richard Ellis. The total number of foreclosures in Metro Denver jumped from 1,410 in July to 1,706 in August, pushing total foreclosures for the year 34.6% above the same period last year. Foreclosures increased in all seven Metro Denver counties from July to August with the exception of Arapahoe County. Broomfield, Boulder, and Adams counties suffered the sharpest percentage increases in August, but Denver, Arapahoe, and Adams counties have recorded the largest number of foreclosures so far this year.

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Real Estate Foreclosures*

	Month of Aug-06	Month of Jul-06	Month of Aug-05	YTD Total 2006	YTD Total 2005	YTD Total % Change
Total Metro Denver	1,706	1,410	1,207	12,658	9,403	34.6%
Adams County	407	292	256	2,849	2,146	32.8%
Arapahoe County	333	383	301	3,070	2,301	33.4%
Boulder County	66	47	56	527	407	29.5%
Broomfield County	19	12	12	117	77	51.9%
Denver County	493	373	288	3,367	2,397	40.5%
Douglas County	122	94	96	782	670	16.7%
Jefferson County	266	209	198	1,946	1,405	38.5%

*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.

U.S. housing starts decreased 6.0% from July to August, bringing the annualized pace down to 1.67 million units. Compared to August 2005, housing starts are down 19.8% in the U.S., according to the U.S. Department of Commerce. Housing starts have been declining on an annualized basis since April of this year. Relatedly, home builder confidence fell to a 15-year low in September. The National Association of Home Builders/Wells Fargo survey fell from a revised 33 in August to 30 in September due to slowed sales and diminishing profits. September marks the eighth consecutive decline in confidence levels. A reading below 50 suggests home builders are experiencing poor conditions in the market place.

New home construction activity weakened from June to July in Metro Denver by almost 500 building permits or 31.0%. Both the single-family attached and single-family detached or two-family units reported less activity in July. On the other hand, no building permits were issued in the multi-family category for the third consecutive month. Aurora, Broomfield, and unincorporated Douglas County issued the most number of permits for single-family homes in July while Erie, Boulder, and unincorporated Douglas County issued the most permits for two-family homes. *For the year, single-family home construction is down 18.7%, two-family construction is up 57.4%, and multi-family construction is up 45.1%.* Aurora (162 permits), Broomfield (122 permits), and unincorporated Douglas County (115 permits) have seen the most residential building activity for all categories through July.

Residential Building Permits

	Month of Jul-06	Month of Jun-06	Month of Jul-05	YTD Total 2006	YTD Total 2005	YTD Total % Change	Total 2001	Total 1996
Single-Family Units	826	1,123	1,372	7,637	9,391	-18.7%	14,262	13,182
Two-Family Units	249	436	481	3,870	2,459	57.4%	4,442	2,093
Multi-Family Units	0	0	60	499	344	45.1%	9,090	3,666
Total Units	1,075	1,559	1,913	12,006	12,194	-1.5%	27,794	18,941

Source: Home Builders Association of Metro Denver.

Opus Northwest LLC unveiled plans for a 400,000-square foot, mixed-use development in Denver's lower downtown district. The \$125-million, three-building development will feature a minimum of 50,000 square feet of luxury condominiums as well as 300,000 square feet of Class AA office space, retail space and a high-end restaurant. The condominiums are expected to sell for \$450 per square foot and construction is slated to begin in early 2007 with completion in the fall of 2008.

In other building news, plans for a luxury senior living tower were announced for the Riverfront Park development in Downtown Denver. The Cosmopolitan Club is being developed by Louisville-based Balfour

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Senior Care and will feature about 240 units in the seven-story building. Construction begins in February and is expected to take almost two years.

The rental market is strengthening as rising interest rates take their toll on the new and existing home sales markets. The apartment vacancy rate in Metro Denver dropped from 7.4% in the first quarter to 6.9% in the second quarter, the lowest rate since third quarter 2001. The second quarter 2006 vacancy rate was the highest in the City and County of Denver at 7.6% compared to the lowest rate of 5.7% in Douglas County. According to Gordon Von Stroh, the University of Denver business professor who compiles the data, it is likely that the vacancy rate could fall to 6.0% by year-end if the economy does not falter.

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

Apartment Statistics

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

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

The Metro Denver office market continues its steady improvement. Absorption was positive in Metro Denver for the third straight quarter, according to the Third Quarter MarketView report from CB Richard Ellis. *The vacancy rate decreased from 14.8% in the second quarter to 14.2% in the third quarter while average asking lease rates increased from \$17.33 to \$17.74 over the same time period. The Northeast market offered the most competitive rates during the third quarter of about \$13.40 per square foot compared to rates of \$20.26 and \$21.09 per square foot in the Cherry Creek and Downtown submarkets, respectively. The highest vacancy rates occurred in the Boulder, Northwest, and Aurora submarkets in the July-September period.*

CB Richard Ellis has identified about 827,900 square feet of office space currently under construction mainly between small to mid-sized projects. The Denver office of Hines, an international real estate firm, announced plans to build a \$90 million office project near Union Station in Downtown Denver. The 300,000-square-foot building will be the first speculative project in Downtown Denver since about 2000 and will also feature 26,000 square feet of retail space. In addition to the \$125 million Opus Northwest LLC project that will add about 50,000 square feet of Class AA office space, Kennedy Associations of Seattle will construct 300,000 square feet of speculative office space downtown.

According to data from Costar Realty Information, Inc., the overall vacancy rate in Metro Denver decreased from 14.1% in the second quarter of 2006 to 13.7% in the third quarter. The third quarter vacancy rate is at the lowest level since fourth quarter 2001. A year ago, the office vacancy rate stood at 15.4%. Meanwhile, the average lease rate per square foot increased from \$17.87 in the second quarter to \$18.18 in the third quarter. Last year, office rents averaged \$17.40 per square foot. *About 1.77 million square feet of construction is currently underway in Metro Denver. About 42% of the new square footage is being added in the City & County of Denver, 23% in Jefferson County, and 17% in Douglas County.* Almost 1.0 million square feet of office space has been added to the Metro Denver market since the beginning of the year, including the Denver Newspaper Agency building in Downtown Denver that opened during the third quarter.

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Office Market Statistics

	Quarter 3 2006	Quarter 2 2006	Quarter 3 2005	Quarter 3 2004	Quarter 3 2003	Quarter 3 2002
Number of Buildings	4,485	4,431	4,396	4,354	4,311	4,260
Existing Square Feet (millions)	150.7	149.7	149.1	148.4	146.9	145.5
Vacant Square Feet (millions)	19.0	19.3	20.8	22.0	21.8	18.3
Vacancy Rate (Direct)	12.6%	12.9%	14.0%	14.8%	14.8%	12.6%
Vacancy Rate (With Sublet)	13.7%	14.1%	15.4%	16.8%	17.4%	15.3%
Average Lease Rate (per square foot)	\$18.18	\$17.87	\$17.40	\$16.86	\$17.56	\$19.57
New Construction Completed (year-to-date)	0.96 MSF, 33 Bldgs	0.40 MSF, 21 Bldgs	0.50 MSF, 31 Bldgs	1.05 MSF, 31 Bldgs	1.22 MSF, 36 Bldgs	2.39 MSF, 66 Bldgs
Currently Under Construction	1.77 MSF, 48 Bldgs	1.56 MSF, 40 Bldgs	1.21 MSF, 32 Bldgs	0.82 MSF, 27 Bldgs	0.59 MSF, 21 Bldgs	1.55 MSF, 40 Bldgs

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

Market fundamentals in the industrial segment are also improving. CB Richard Ellis reports a decrease in the metro-wide vacancy rate from 7.5% in the second quarter to 7.3% in the third quarter. Absorption in the third quarter of 2006 represents the second highest quarterly absorption level in six years. Average asking lease rates inched upward to \$5.66 in the third quarter from \$5.48 in the previous quarter. The Boulder and Southeast submarkets posted the highest third quarter lease rates of \$7.60 per square foot and \$7.06 per square foot, respectively. Rates are the most competitive in the North Central and Airport Montbello submarkets. CB Richard Ellis totaled 1.3 million square feet of industrial space currently under construction in the third quarter of the year.

CoStar data also reveals improving market fundamentals for the industrial segment. The vacancy rate decreased from 7.8% in the second quarter of this year to 7.6% in the third quarter. The overall vacancy rate is down from 8.3% reported in the same quarter last year. Average lease rates increased slightly from \$4.83 in the second quarter to almost \$5.00 in the third quarter, similar to three years prior. About 1.19 million square feet of industrial space in 20 buildings was added to Metro Denver since January 2006. Another 1.53 million square feet of space is currently under construction of which more than 70% is occurring in Adams and Denver counties.

Industrial Market Statistics

	Quarter 3 2006	Quarter 2 2006	Quarter 3 2005	Quarter 3 2004	Quarter 3 2003	Quarter 3 2002
Number of Buildings	5,643	5,589	5,558	5,526	5,487	5,442
Existing Square Feet (millions)	200.2	199.3	197.7	196.4	194.2	192.6
Vacant Square Feet (millions)	14.4	14.8	15.6	15.4	13.4	11.2
Vacancy Rate (Direct)	7.2%	7.4%	7.9%	7.8%	6.9%	5.8%
Vacancy Rate (With Sublet)	7.6%	7.8%	8.3%	8.4%	7.6%	6.7%
Average Lease Rate (per square foot, nnn)	\$4.92	\$4.83	\$4.72	\$4.65	\$4.96	\$5.48
New Construction Completed (year-to-date)	1.19 MSF, 20 Bldgs	1.08 MSF, 14 Bldgs	0.61 MSF, 21 Bldgs	1.40 MSF, 27 Bldgs	1.33 MSF, 32 Bldgs	2.20 MSF, 35 Bldgs
Currently Under Construction	1.53 MSF, 25 Bldgs	1.35 MSF, 14 Bldgs	0.84 MSF, 21 Bldgs	0.61 MSF, 14 Bldgs	1.52 MSF, 12 Bldgs	0.79 MSF, 18 Bldgs

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

Metro Denver's flex real estate market is stable, according to data from Costar Realty Information, Inc. The overall third quarter vacancy rate increased slightly to 7.6% from second to third quarter and remains on par with third quarter 2003. The average lease rate was unchanged from second to third quarter at \$8.46 per square foot but stands higher than the average lease rate a year earlier. Only 390,000 square feet of flex space has been

MONTHLY ECONOMIC SUMMARY

added to the Metro Denver market so far this year and only 70,000 square feet is currently under construction of which all is located in Jefferson County.

Flex Space Statistics

	Quarter 3 2006	Quarter 2 2006	Quarter 3 2005	Quarter 3 2004	Quarter 3 2003	Quarter 3 2002
Number of Buildings	1,255	1,245	1,233	1,207	1,198	1,179
Existing Square Feet (millions)	37.5	37.4	37.0	36.6	36.4	36.0
Vacant Square Feet (millions)	5.5	5.4	5.4	6.0	6.2	5.1
Vacancy Rate (Direct)	14.7%	14.3%	14.6%	16.4%	17.2%	14.3%
Vacancy Rate (With Sublet)	15.3%	15.1%	15.6%	17.9%	19.0%	16.1%
Average Lease Rate (per square foot, nnn)	\$8.46	\$8.46	\$8.32	\$8.37	\$8.32	\$8.60
New Construction Completed (year-to-date)	0.39 MSF, 13 Bldgs	0.29 MSF, 8 Bldgs	0.26 MSF, 16 Bldgs	0.08 MSF, 3 Bldgs	0.14 MSF, 4 Bldgs	0.67 MSF, 19 Bldgs
Currently Under Construction	0.07 MSF, 2 Bldgs	0.23 MSF, 9 Bldgs	0.23 MSF, 7 Bldgs	0.34 MSF, 16 Bldgs	0.06 MSF, 5 Bldgs	0.22 MSF, 9 Bldgs

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

The retail market in Metro Denver rebounded in the third quarter with positive absorption of 611,600 square feet, according to CB Richard Ellis. The vacancy rate decreased slightly from 5.9% in the second quarter to 5.7% in the third quarter despite a \$0.23 increase in the average asking lease rate to \$15.68 per square foot. About 5.6 million square feet of construction was underway during the July-September period with several construction projects nearing completion in Metro Denver, including The Southlands in Aurora and Northfield at Stapleton.

Costar data reveals slightly different statistics for the retail segment in Metro Denver. The overall vacancy rate ticked upward from 7.0% in the second quarter to 7.2% in the third quarter while the average lease rate increased from \$16.13 in the second quarter to \$16.41 in the third quarter. About 3.47 million square feet of new construction has been added to Metro Denver in 34 buildings since the beginning of the year. Another 4.23 million square feet is currently under construction of which about 39% is located in Adams County and 32% is located in Boulder County.

In other retail news, Colorado's 12 Foley's Department Stores were converted into Macy's Department Stores in September and the former Lord & Taylor department store at the Park Meadows Mall will be razed and replaced with a Main Street-style retail development. Demolition of the department store has already begun.

Retail Market Statistics

	Quarter 3 2006	Quarter 2 2006	Quarter 3 2005	Quarter 3 2004	Quarter 3 2003	Quarter 3 2002
Number of Buildings	3,376	3,178	3,138	3,077	2,969	2,893
Existing Square Feet (millions)	121.7	118.1	114.5	109.5	102.5	98.1
Vacant Square Feet (millions)	8.3	7.9	7.1	6.3	4.9	0.9
Vacancy Rate (Direct)	6.8%	6.7%	6.2%	5.7%	4.8%	0.9%
Vacancy Rate (With Sublet)	7.2%	7.0%	6.6%	6.1%	4.9%	0.9%
Average Lease Rate (per square foot)	\$16.41	\$16.13	\$15.17	\$14.65	\$13.75	\$12.58
New Construction Completed (year-to-date)	3.47 MSF, 34 Bldgs	N/A	N/A	N/A	N/A	N/A
Currently Under Construction	4.23 MSF, 62 Bldgs	N/A	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 1,000 jobs from July to August; employment up 2.0% through August
% Companies Hiring	↓	↑	33% of companies expect to add workers in Denver and 23% to add in Boulder in Q4 2006
Unemployment Rate	↔	↓	Metro rate unchanged in August at 4.8%; annual rate through August down from 5.4% to 4.7%
Initial Claims	↓	↓	Unemployment claims decreased in August to 4,220 from 4,413; annual claims down 6.0%
Total Retail Sales	↓	↑	Total metro retail sales up 9.0% through July 2006; 9.8% YTD increase for Colorado
Consumer Confidence Index	↓	↑	Mountain region confidence level slipped in August to 119.5 but is up 7.9% above 2005 YTD
Hotel Occupancy	↓	↑	Hotel occupancy decreased in August to 76.7% from 78.1%; avg room rate increased to \$107
DIA Passengers	↑	↑	July traffic increased 4.0% from June to record 4.6 million; annual traffic up 10.4% through July
Colorado Stock Index	↑	↑	CO Stock Index increased 1.9% from August to September; index up 2.3% for the year
Dow Jones Industrial Average	↑	↑	Dow increased 2.6% in September; index posting a 9.0% gain for the year
Home Sales (closed)	↑	↓	Home sales increased in August but are down 4.0% for the year; avg SF sales price up 4.0%
Median Home Price (Denver-Aurora MSA)	↑	↑	Median home price increased to \$255,200 in Q2 2006; median price up 3.1% YTD
Foreclosures	↑	↑	Foreclosures up 34.6% through August; all metro counties posting double-digit increases
Residential Building Permits (Total)	↓	↓	Total permits decreased from June to July; annual permits are down 1.5% from 2005
Apartment Vacancy Rate	↓	↓	Vacancy rate decreased to 6.9% in Q2 from 7.4% in Q1; avg rental rate up to \$844 per month
Office Vacancy Rate (with Sublet)	↓	↓	Vacancy rate with sublet down to 13.7% in Q3; 1.77 million sq. ft. construction is underway
Industrial Vacancy Rate (with Sublet)	↓	↓	Vacancy rate with sublet down slightly to 7.6% in Q3; 1.53 million sq. ft. under construction
Flex Space Vacancy Rate (with Sublet)	↑	↓	Vacancy rate with sublet increased to 15.3%; 70,000 sq. ft. of construction underway
<i>Positive Changes</i>	10 of 18	15 of 18	



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