STRATEGIC RESEARCH

Semiannual
Colorado Springs Single Family Housing Market
1st Quarter 2007

“Has the market reached the bottom?”

Prepared by
David Bamberger & Associates

May 2007

FINAL REPORT

Peer into the future before it becomes the present

David Bamberger & Associates

Data

Reasoning

Conclusions

David Bamberger & Associates

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New home construction, lot inventory and shopper traffic data provided by:

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Introduction

Introduction

This report presents an analysis of the Colorado Springs single family housing market. This is the 15th year in a row that we have published an in-depth analysis of the single family market. The report is designed to provide insight into current industry trends and to draw conclusions about where the market is likely to go in the remainder of 2007 and through 2008. The report is updated and published twice a year in early May, with data thru the 1st quarter, and in early November, with data thru the 3rd quarter.

What's New in this Report

This report continues our partnership with a new data partner, Metrostudy, a national supplier of builder and developer survey data. Metrostudy conducts on-going data collection and publication of a variety of data on home construction, new home sales, shopper traffic, lot entitlement and development activity in a large number of market areas throughout the country, including Denver and Colorado Springs.

This report reflects our attempt to provide more timely data. The report includes data through the 1st quarter of 2007. Much of the data was released within the past two weeks. Included in this report is research we recently updated on estimates of Fort Carson expansion and the timing of troop increases through 2010. We have also included data from First American--Loan Performance on investor and second home purchases and interest only and negative amortization loans in Colorado Springs. In addition, we have tried to get a better fix on the amount of spec unsold inventory of new homes.

Methodology

The data contained in this report came from a number of sources, including both published data and proprietary surveys. In addition to the data supplied by Metrostudy, a large amount of published statistical data, including employment, housing production, resale home sales and prices is compiled from several private and public sector sources. To supplement the hard data, we conducted interviews with a number of industry people to get their opinions and views about the market.

Many of our conclusions are based on an analysis using several quantitative models we have developed over the past 15 years. As our information base grows, our models are updated and our knowledge of how the local economy and housing markets work is improved, we hope.

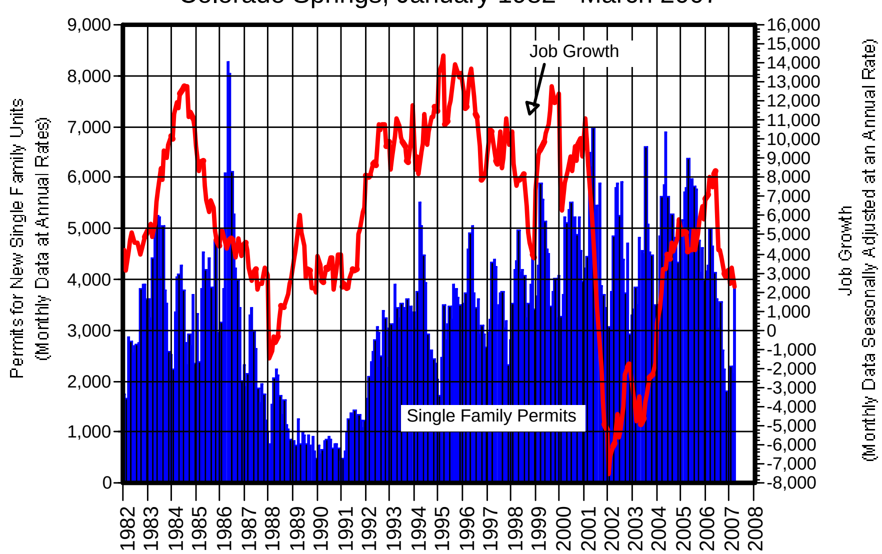
Summary of Findings

The Colorado Springs single family housing market continues as a buyer's market in the 1st quarter of 2007. New and resale home sales are down and the number of new spec and resale homes on the market are up. The Colorado Springs housing market transitioned into the inventory correction phase last year following two record years of production and sales in 2004 and 2005. Has the market seen the bottom?

Historically low mortgage rates and the availability of creative mortgage instruments, such as interest-only and negative amortization loans, pulled many people into the market in 2004 and 2005….but by mid-year 2006 the party had ended.

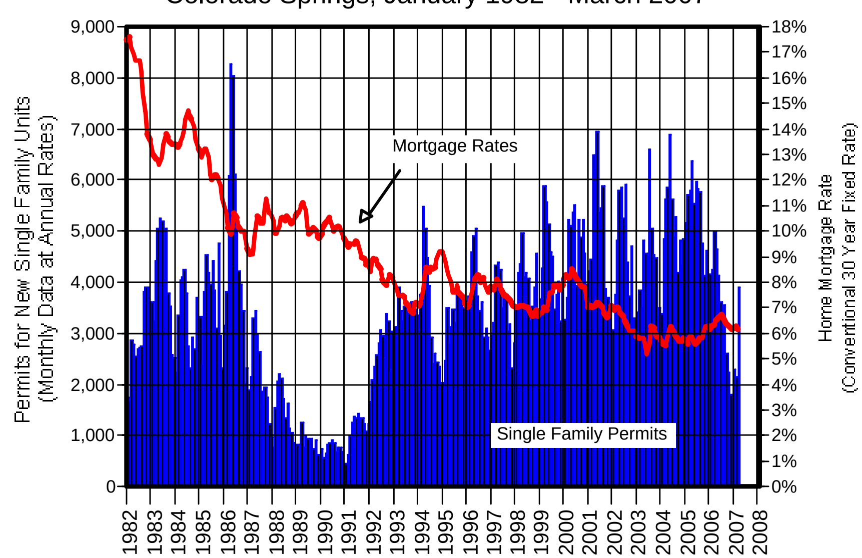
The local housing market paid the price for borrowing buyers from the future. People who would be in the market today and tomorrow bought homes yesterday and the day before. Builders saw shopper traffic slow and contract cancellations increase substantially in the spring of 2006. The slowdown continues through the 1st quarter of 2007.

Permits for New Single Family Units and Job Growth
Colorado Springs, January 1982 - March 2007



Source: Permits are from Regional Building Department. Employment is from the Colorado Department of Labor and Employment.

Permits for New Single Family Units and Home Mortgage Rates
Colorado Springs, January 1982 - March 2007



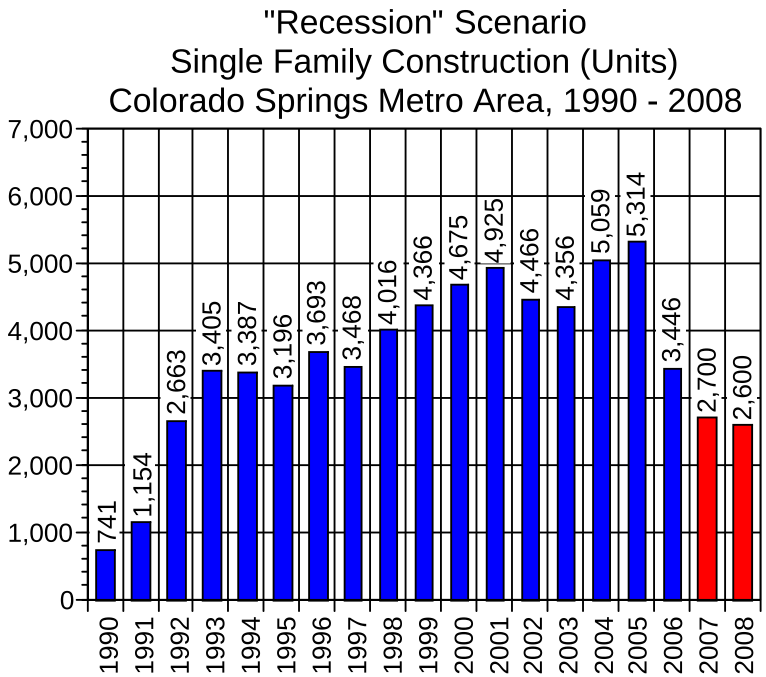
Source: Permits are from Regional Building Department. Mortgage rates are from Federal Reserve Bank and various mortgage companies.

The big question is…. where will the local housing market go in 2007 and through 2008? Let's see if we can find some answers.

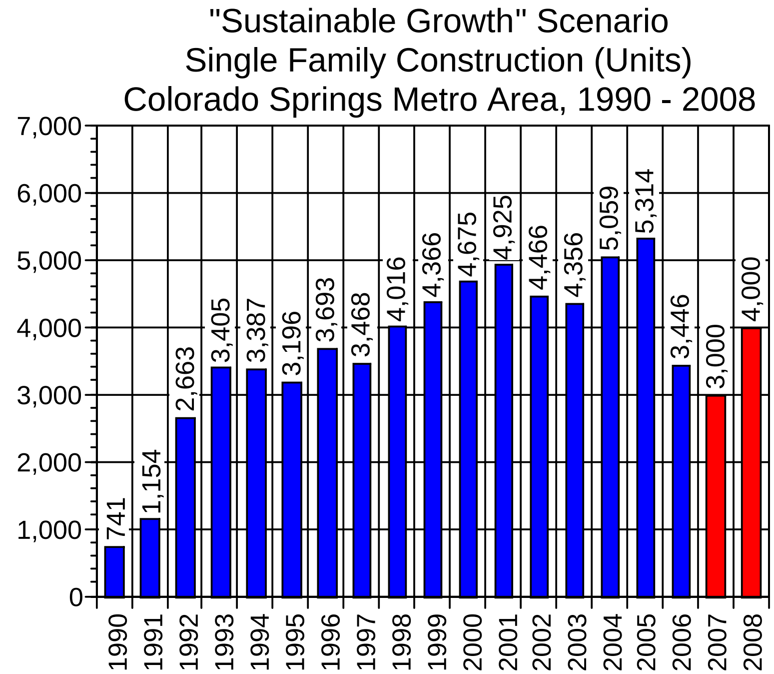
Will the US and Colorado Springs economies see a fall in economic growth and housing market activity as a result of a "Recession", or will the national and local economies follow a "Sustainable Growth" path? Has the local single family housing market seen the bottom and when will it return to better times?

"Recession" scenario – The US economy slows in 2007 and goes into a recession in mid-year 2008. The national slowdown impacts the Colorado Springs economy and housing markets. Job growth falls and mortgage rates rise. Buyer traffic slows significantly. Single family construction falls to 2,700 units in 2007 and falls more to only 2,600 units in 2008.

"Sustainable growth" scenario – The US economy sees continued growth in 2007 and 2008. The Colorado Springs economy follows and job growth increases. Mortgage rates remain low and excess inventory of new homes is absorbed in 2007. Single family construction totals 3,000 units in 2007 and then climbs to a more normal 4,000 units in 2008.



Source: Regional Building Department and David Bamberger & Associates.



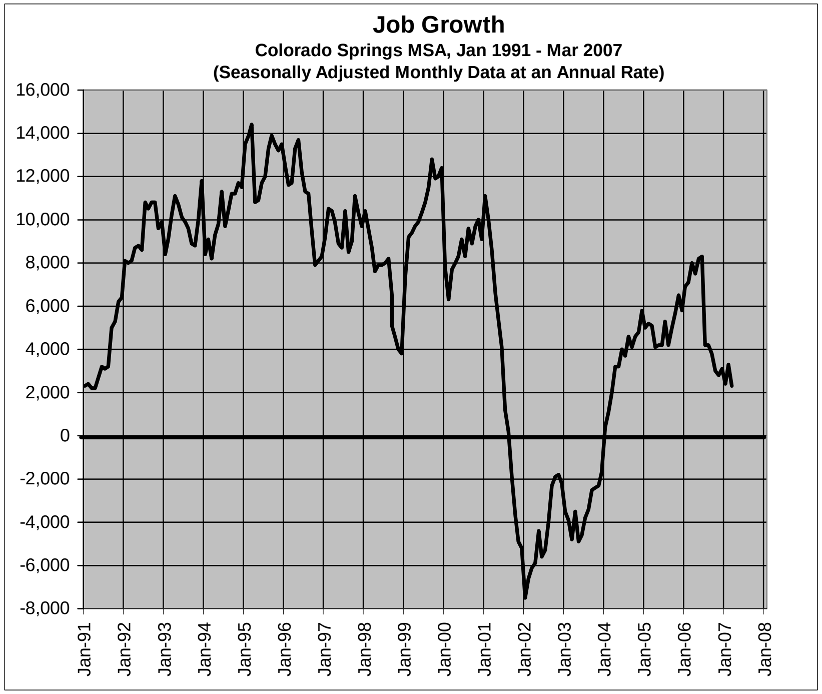
Source: Regional Building Department and David Bamberger & Associates.

Detailed Discussion of Findings

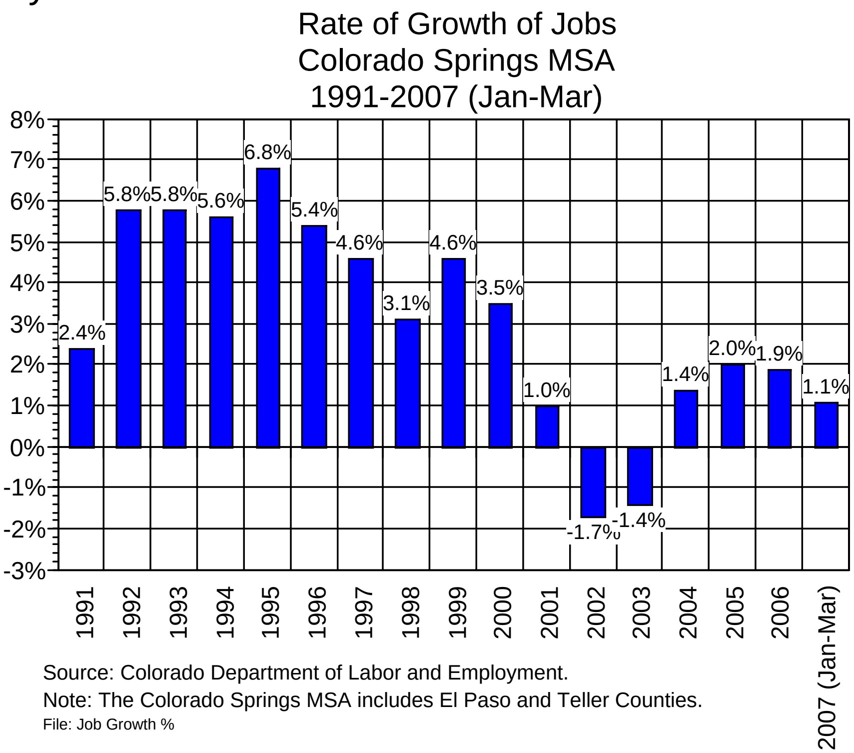
The Colorado Springs economy remained on a path of moderate growth during the 1st quarter of 2007. Job growth totaled 2,700 jobs, an annual rate of about 1.1% during the 1st quarter. Jobs are growing a little slower so far this year compared to last year. Jobs grew by 1.9% in 2006, a gain of about 4,800 new jobs.

The gains in job growth over the past three years are in stark contrast to 2002 and 2003 when job growth went into negative territory. The US recession, the events of 9/11, the stock market melt-down, corporate accounting scandals and the war in Iraq had a big impact on the Colorado Springs economy. Job growth was a negative -1.7% in 2002, with total jobs falling by -4,400. Job growth fell again in 2003 to -1.4%, with total jobs falling by -3,500.

While the local economy is currently experiencing gains, it still has a long way to go to return to the go-go era of the 1990s. From 1991 to 2001 the local economy created 91,600 new jobs. Total employment grew from 160,700 in 1991 to a peak of 252,300 in 2001, a gain of 57% in only 10 years. The highest growth came in 1995 when new jobs grew by 12,900, an increase of 6.8% for the year.



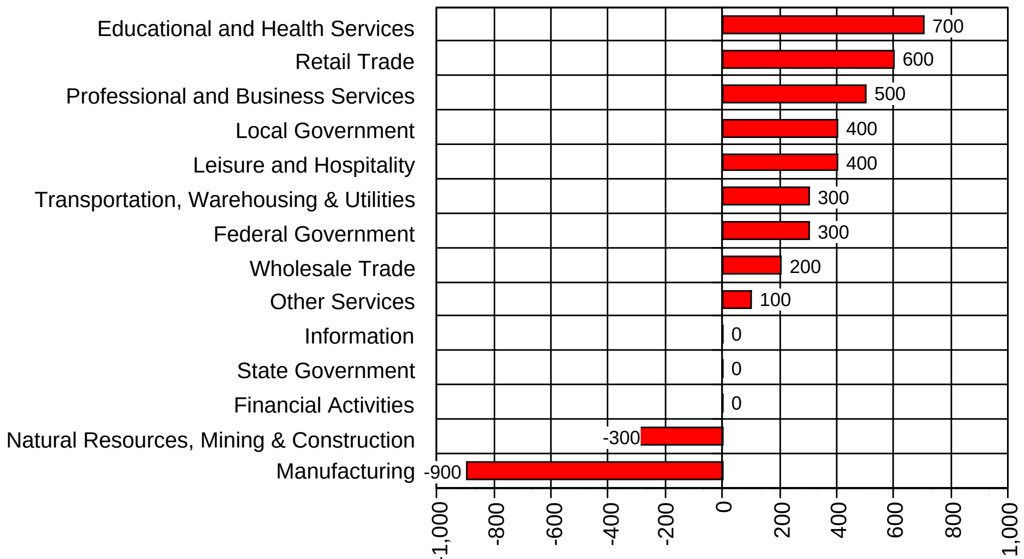
Source: Colorado Department of Labor and Employment and David Bamberger & Associates



Source: Colorado Department of Labor and Employment.
Note: The Colorado Springs MSA includes El Paso and Teller Counties.
File: Job Growth %

Sector job growth performance has generally been positive. Over the 12 months, March 2006 to March 2007, nine sectors saw job gains, three sectors saw zero growth, and two sectors saw job losses. Sectors with the biggest gains were in the Services and Retail sectors. The Manufacturing and Construction sectors were characterized by job losses.

Wage and Salary Job Growth by Industry
Colorado Springs, March 2006 - March 2007



Source: Colorado Department of Labor and Employment.

Nonagricultural Wage and Salary Employment by Industry

Colorado Springs MSA, March 2006 - March 2007

Industry	February 2006	February 2007	Change	% Change
Natural Resources, Mining & Construction	17,600	17,300	-300	-1.7%
Manufacturing	18,300	17,400	-900	-4.9%
Wholesale Trade	5,700	5,900	200	3.5%
Retail Trade	28,600	29,200	600	2.1%
Transportation, Warehousing & Utilities	5,100	5,400	300	5.9%
Information	8,100	8,100	0	0.0%
Financial Activities	18,300	18,300	0	0.0%
Professional and Business Services	39,300	39,800	500	1.3%
Educational and Health Services	25,500	26,200	700	2.7%
Leisure and Hospitality	29,800	30,200	400	1.3%
Other Services	14,800	14,900	100	0.7%
Federal Government	10,800	11,100	300	2.8%
State Government	4,200	4,200	0	0.0%
Local Government	29,900	30,300	400	1.3%
Total Wage and Salary Employment	256,000	258,300	2,300	0.9%

Source: Colorado Department of Labor and Employment. File: Industry Employment.

The economic base of Colorado Springs consists of a broad mix of industries. Key industries include high-tech manufacturing, software development, call centers, defense contractors, information processing, back office, Olympic sports, national associations and the military. Total civilian employment in these primary industries is estimated to be over 100,000 with military personnel adding an estimated 27,100 to the total.

Primary jobs are a major driver of economic growth because they bring new dollars into the local economy. The new dollars support jobs at supermarkets, real estate offices, gas stations, home building companies and the like. Then as the workers in these local industries spend their earnings, even more jobs are supported. Thus, primary industry activity has a multiplier effect on the local economy.

The military makes up a significant part of the Colorado Springs economic base. Total employment at the four military bases in 2006 was estimated to be about 42,440, including 27,110 military personnel and 15,330 civilian workers. Employment on local military bases amounts to about 10% of total jobs in the Colorado Springs area. As a footnote, these figures include an estimated 6,000 Air Force and Army troops deployed to the Middle East.

Military Base Employment
Colorado Springs, 2005/2006

Base	Military Personnel	Civilian Employees	Total
Fort Carson	17,025	4,481	21,506
Peterson Complex	5,805	4,840	10,645
Air Force Academy	2,320	3,445	5,765
Schriever AFB	1,964	2,562	4,526
Total	27,114	15,328	42,442

Source: Colorado Springs Chamber of Commerce and local military bases
Note: Does not include 4,321 AFA cadets, but includes military personnel on deployment.

The defense contractor sector also makes up a significant part of the Colorado Springs economic base. Employment in this sector was estimated to be about 12,300 in 2006. This is up from an estimated 7,000 in 1998, a gain of 70% over the past eight years. Defense contractor firms include several of the area's largest employers - Lockheed-Martin (2,100), Northrop-Grumman (1,200), ITT (1,052) and L3 Communications (634).

The local defense contractor sector consists of about 120 high-tech firms, primarily in aerospace and software engineering. Most of the jobs in this sector are related to the presence of the Air Force's space operations at Schriever and the Cheyenne Mountain complex and various command headquarters located at Peterson AFB, including the Northern Command, Space Command and NORAD.

The defense contractor sector in Colorado Springs is expected to see significant growth in the future. A Colorado Springs division of Northrop-Grumman Corporation recently landed a government contract worth as much as $2.5 billion over ten years to continue work on a broad range of Missile Defense Agency projects. The company recently started construction on a 30 acre campus facility at the Airport Business Park.

Top Private Sector Primary Employers
Colorado Springs, 2006

Company	Employees
1. Lockheed-Martin	2,100
2. Hewlett-Packard	2,098
3. Atmel	2,010
4. The Broadmoor	1,850
5. Progressive Insurance	1,300
6. Verizon	1,300
7. Northrop-Grumman	1,200
8. Intel	1,200
9. USAA Insurance	1,055
10. ITT Industries	1,052
11. FEDEX	1,000
12. T-Mobile	955
13. Honeywell	900
14. Current USA	825
15. Oracle	700
16. Checks Unlimited	670
17. L3 communications	634
18. Agilent Technologies	600

Source: the Gazette

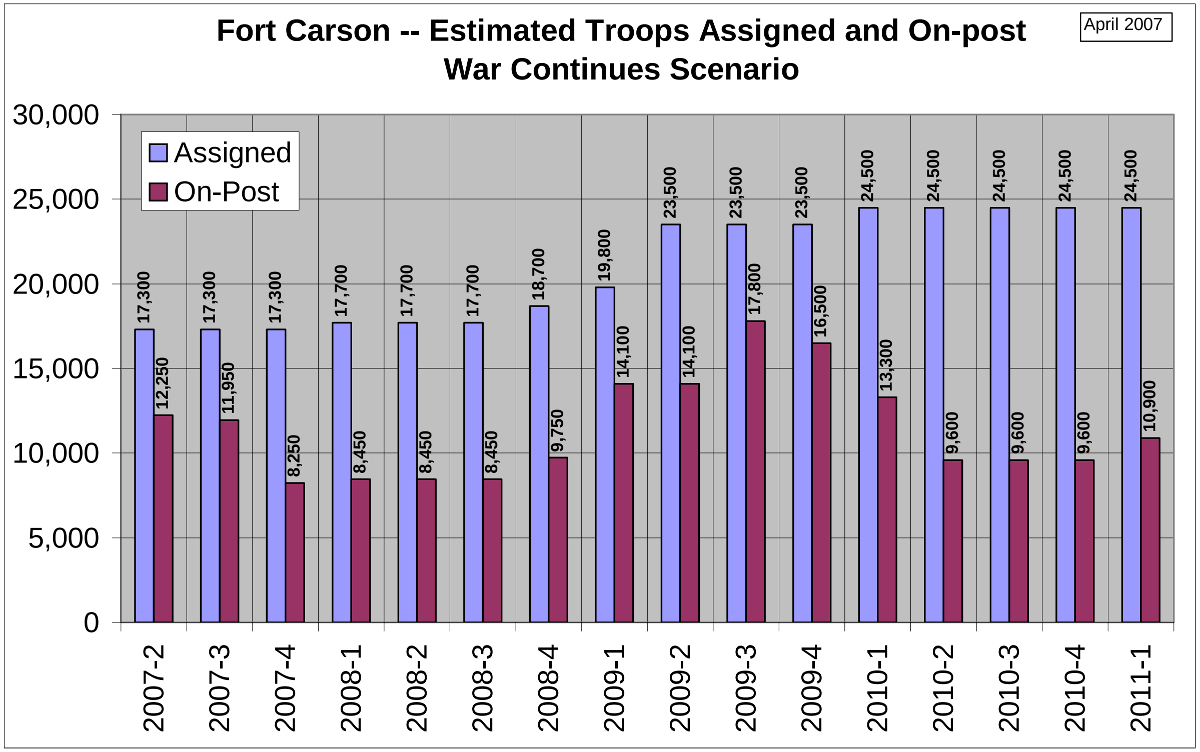
Fort Carson is see expected to see a big increase in troops over the next three to four years. In 2005 the Army announced plans to add about 8,000 to 10,000 more troops to Fort Carson. The expansion is part of a realignment of commands that will bring the 4th Infantry Division Headquarters and related units under its command to the post. Movement of new units to Fort Carson started in 2006, but the big increase in troops assigned to the post will not take place until 2009 and 2010.

At the present time there are about 17,000 troops assigned to Fort Carson and an estimated 12,000 on-the-ground at the post and about 5,000 deployed to Iraq and Afghanistan. Over the past four war-years deployments of troops from Fort Carson have ranged from about 5,000 to 10,000 at any given time.

An increase of about 1,000 troops assigned to Fort Carson is expected to take place in 2007. Approximately 800 to 1,000 troops are scheduled to be transferred to Fort Carson from Fort Hood in the 2nd quarter of 2007. These troops will merge with troops already at Fort Carson and will be incorporated into the 2nd Brigade Combat Team of the 4th Infantry Division.

Deployments are expected to have a big impact on the total number of troops on-the-ground at Fort Carson over the next two years. Based on the latest information from Fort Carson troops on-the-ground are expected to drop to a little over 8,000 in the 4th quarter of 2007 and remain below 10,000 until the 1st quarter of 2009. A schedule for troop build-up and unit deployments is detailed on the following page.

(As a note of caution, there is a lot of uncertainty associated with the Fort Carson numbers we have presented here. They seem to change daily.)



Fort Carson Unit Status and Expected Unit Transition 2010

April 2007

Unit (Today)	Headquarters 4th Infantry Division	1st Brigade Combat Team 4th Infantry Division	Provisional 4th Infantry Division Brigade (3rd ACR)	3rd Heavy Brigade Combat Team 4th Infantry Division	2nd Brigade Combat Team 2nd Infantry Division	43rd Area Support Group	10th Special Forces Group	Other Units - Installation Management, First Army - West (Training) and others
Notes	Assigned to Fort Hood - Some troops moved to Fort Carson in 3rd qtr 06. Unit will be deployed to Iraq in the 3rd qtr of 07. Will arrive at Fort Carson 4th qtr of 08.	Assigned to Fort Hood. Will deploy to Iraq in 1st qtr of 08. Will restation to Fort Carson in the 2nd qtr of 09.	Some troops are already assigned to Fort Carson. Remaining troops assigned to Fort Hood. Fort Hood troops will move to Fort Carson in the 2nd qtr of 07.	Assigned to Fort Carson. Currently at Fort Carson. Scheduled to deploy to Iraq 3rd qtr of 2007. Return 1st qtr 08	Assigned to Fort Carson. Deployed to Iraq 3rd qtr 2006. Will return to Fort Carson in the 1st qtr of 2008 and will be redesignated as the 4th BCT of the 4th Infantry Division	Assigned to Fort Carson. Will be redesignated as a Sustainment Brigade of the 4th Infantry Division	Assigned to Fort Carson. Unknown number of troops deployed at any given time.	Assigned to Fort Carson
Transition	New	New	Incorporated into	Remains	Incorporated into	Incorporated into	Remains Support Battalion 500 troops added in 2009	Some expansion in number of troops
Unit (Future)	Headquarters 4th Infantry Division	1st Brigade Combat Team 4th Infantry Division	2nd Brigade Combat Team 4th Infantry Division	3rd Heavy Brigade Combat Team 4th Infantry Division	4th Brigade Combat Team 4th Infantry Division	Sustainment Brigade	10th Special Forces Group	Other Units - Installation Management, First Army - West (Training) and others

Troops Assigned to Fort Carson

April 2007

									Assigned	
Year-Qtr	HQ 4ID	1BCT 4ID	2BCT 4ID	3HBCT 4ID	4BCT 4ID	43ASG / SB	10th SFG	Other	Total	Change
2007-1	**300**		**2,700**	**3,700**	**3,700**	**1,200**	**1,500**	**3,200**	**16,300**	**-**
2007-2	300		3,700	3,700	3,700	1,200	1,500	3,200	17,300	1,000
2007-3	300		3,700	3,700	3,700	1,200	1,500	3,200	17,300	0
2007-4	300		3,700	3,700	3,700	1,200	1,500	3,200	17,300	0
2008-1	**300**		**3,700**	**3,700**	**3,700**	**1,600**	**1,500**	**3,200**	**17,700**	**400**
2008-2	300		3,700	3,700	3,700	1,600	1,500	3,200	17,700	0
2008-3	300		3,700	3,700	3,700	1,600	1,500	3,200	17,700	0
2008-4	1,300		3,700	3,700	3,700	1,600	1,500	3,200	18,700	1,000
2009-1	**1,300**		**3,700**	**3,700**	**3,700**	**2,000**	**2,000**	**3,400**	**19,800**	**1,100**
2009-2	1,300	3,700	3,700	3,700	3,700	2,000	2,000	3,400	23,500	3,700
2009-3	1,300	3,700	3,700	3,700	3,700	2,000	2,000	3,400	23,500	0
2009-4	1,300	3,700	3,700	3,700	3,700	2,000	2,000	3,400	23,500	0
2010-1	**1,300**	**3,700**	**3,700**	**3,700**	**3,700**	**3,000**	**2,000**	**3,400**	**24,500**	**1,000**
2010-2	1,300	3,700	3,700	3,700	3,700	3,000	2,000	3,400	24,500	0
2010-3	1,300	3,700	3,700	3,700	3,700	3,000	2,000	3,400	24,500	0
2010-4	1,300	3,700	3,700	3,700	3,700	3,000	2,000	3,400	24,500	0
2011-1	**1,300**	**3,700**	**3,700**	**3,700**	**3,700**	**3,000**	**2,000**	**3,400**	**24,500**	**0**

Troops On-the-Ground at Fort Carson (Assumes 5 quarter deployments and 4 quarter restations)

April 2007

									On-Post	
Year-Qtr	HQ 4ID	1BCT 4ID	2BCT 4ID	3HBCT 4ID	4BCT 4ID	43ASG / SB	10th SFG	Other	Total	Change
2007-1	**300**		**2,700**	**3,700**		**600**	**750**	**3,200**	**11,250**	**-**
2007-2	300		3,700	3,700	0	600	750	3,200	12,250	1,000
2007-3	0		3,700	3,700	0	600	750	3,200	11,950	-300
2007-4	0		3,700	0	0	600	750	3,200	8,250	-3,700
2008-1	**0**		**3,700**	**0**	**0**	**800**	**750**	**3,200**	**8,450**	**200**
2008-2	0		0	0	3,700	800	750	3,200	8,450	0
2008-3	0		0	0	3,700	800	750	3,200	8,450	0
2008-4	1,300		0	0	3,700	800	750	3,200	9,750	1,300
2009-1	**1,300**		**0**	**3,700**	**3,700**	**1,000**	**1,000**	**3,400**	**14,100**	**4,350**
2009-2	1,300	3,700	0	3,700	0	1,000	1,000	3,400	14,100	0
2009-3	1,300	3,700	3,700	3,700	0	1,000	1,000	3,400	17,800	3,700
2009-4	0	3,700	3,700	3,700	0	1,000	1,000	3,400	16,500	-1,300
2010-1	**0**	**3,700**	**3,700**	**0**	**0**	**1,500**	**1,000**	**3,400**	**13,300**	**-3,200**
2010-2	0	0	3,700	0	0	1,500	1,000	3,400	9,600	-3,700
2010-3	0	0	0	0	3,700	1,500	1,000	3,400	9,600	0
2010-4	0	0	0	0	3,700	1,500	1,000	3,400	9,600	0
2011-1	**1,300**	**0**	**0**	**0**	**3,700**	**1,500**	**1,000**	**3,400**	**10,900**	**1,300**

Source: David Bamberger & Associates from various military and local sources. File Fort Carson Ramp-up

The expected expansion at Fort Carson will require a significant amount of new construction of warehouse buildings, office buildings, training facilities, roads, barracks and family housing on post and a large number of both rental and owner housing off post to accommodate expansion. Fort Carson planners estimate that construction needs will come close to $1.0 billion. Construction of new facilities and housing has already started and is likely to have a huge short term impact on the local economy, increasing construction and related jobs by several thousand over the next four to five years.

Housing needed to accommodate the expected increase at Fort Carson of 8,000 to 10,000 troops, 4,000 to 5,000 spouses and 7,000 to 9,000 children is estimated to include:

- 400 to 600 family units on post
- 1,500 to 2,000 barracks spaces on post
- 1,000 to 1,500 owner units off post
- 4,000 to 5,000 renter units off post

We should note that these housing needs estimates assume that <u>all</u> of the expected 8,000 to 10,000 troops will be on-the-ground at Fort Carson. The actual need and timing of new housing construction to meet that need will depend on the number of troops deployed overseas.

Announced New Primary Jobs
Economic Development Corporation Assisted Projects, 2006 - 2007 (Jan-Apr)

Company	Jobs Announced	Type of Business
2006 Announced Primary Jobs		
Community Bible Study	35	Headquarters / Non-Profit Association– Headquarters operations
dpiX, LLC	125	Manufacturing – Flat panel technology
Bal Seal Engineering	115	Manufacturing – Medical-laboratory instrumentation
Oceania Cruise Lines	25	Customer Service – Cruise center reservations and disaster recovery center
T.Rowe Price Associates, Inc.	650	Information Processing - Financial Services
Accounts Receivable Management, Inc.	100	Information Processing - 3rd party collection agency
Aerospace Corporation, The	12	Aerospace / Defense - Software
Unnamed	60	Research & Development – Disc drives
Ford Credit Regional Service Center	250	Information Processing - Financial Services
Glassical Designs, Inc.	10	Headquarters / Manufacturing – Corporate Crystal and Glass Awards
CareCore National	95	Healthcare Customer Service – Diagnostic Imaging Services
Vincera, Inc.	40	Software Information – Document Software Technology
Pantel Systems, Inc.	20	Software Information – Digital Advertising Signs
PRC	550	Information Processing – 3rd Party Customer Service
Total	**2,087**	
2007 (Jan-Apr) Announced Primary Jobs		
Spectranetics	300	Medical Manufacturing - Medical Lasers
Coast IRB	180	Biotechnology - Pharmaceutical Independent Review Board
FedEx Services Corporation	105	Information Technology – Data Center
Term 101	18	Other Office - Term Life Insurance
Quantum Corporation	90	Manufacturing - Tape Drive Manufacturer
Total	**693**	

Source: EDC File: EDC - Ann + Layoffs 06-07

The Economic Development Corporation announced the expansion and / or relocation of 14 companies in 2006 and four through April of 2007. The announcements include a total of 2,780 new primary jobs. The largest announcements were T.Rowe Price, a financial services firm, with expansion plans that will add 650 new jobs, PRC, an information processing form with 550 new jobs and Spectranetics, a medical equipment manufacturing firm with 300 new jobs.

Primary job layoff announcements in the 2006 totaled 1,151 and 48 through April 2007. The largest layoff was the Bank of America's announced closure of its call center, resulting in a loss of 650 jobs. Six announcements were high-tech employers, and seven of the announcements were for closure of Colorado Springs operations.

Intel announced earlier in the year that their local semiconductor fab facility was for sale. The company is hoping that they can find a buyer soon. If a buyer is not found, they plan to close the plant in August of 2007. The closure would have a significant impact affecting about 900 local employees and an annual payroll of about $58 million.

Announced Layoffs
Colorado Springs Metro Area, 2005- 2006 (Jan-Apr)

Company / Organization	Line of Business	Industry Sector	Employees Announced for Layoffs	High-Tech	Close Local Operation
2006 Announced Layoffs					
Current USA Inc.	Printing Operations	Direct marketing check printing	25	No	No
Current USA Inc.	Customer Service / Printing Operations	Direct marketing check printing	10	No	No
Kidde Residential & Commercial, Inc.	Manufacture Fire and Safety Products	Electronic equipment manufacturing	45	No	Yes Mfg.
Bank of America	Customer Service / Call Center	Financial services	670	NO	Yes
Sanmina-SCI	Electronic Component Maker	Electronic equipment manufacturing	77	Yes	No
United Airlines	Airline Crew / Ground Operations	Air Transportation	65	NO	No
Sun Microsystems	Data Storage	Electronic equipment manufacturing	4	Yes	No
Safetran Traffic Systems	Manufacturing of traffic control signal controllers and cabinets	Electronic equipment manufacturing	50	Yes	Yes
Wells Fargo Consumer Credit Group	Customer Fulfillment	Financial services	76	NO	Yes
Farmers Insurance Group	Customer Service	Insurance	96	NO	No
Precision Wave	Electronic Test Equipment	Electronic equipment manufacturing	7	Yes	No
Atmel	Semiconductor Fabrication	Electronic equipment manufacturing	26	Yes	No
		Total	**1,151**	**14%**	**73%**
2007 Announced Layoffs (Jan - Apr)					
Precision Wave	Electronic Test Equipment	Electronic equipment manufacturing	7	Yes	Yes
Xanthus Higher Education Loan Program	Student loan consolidator	Financial Services	30	No	Yes
Billards Congress of America	National Governing Body for billiards	Sports	6	No	Yes
		Total	**43**	**0%**	**100%**

Source: EDC File: EDC - Ann + Layoffs 06-07

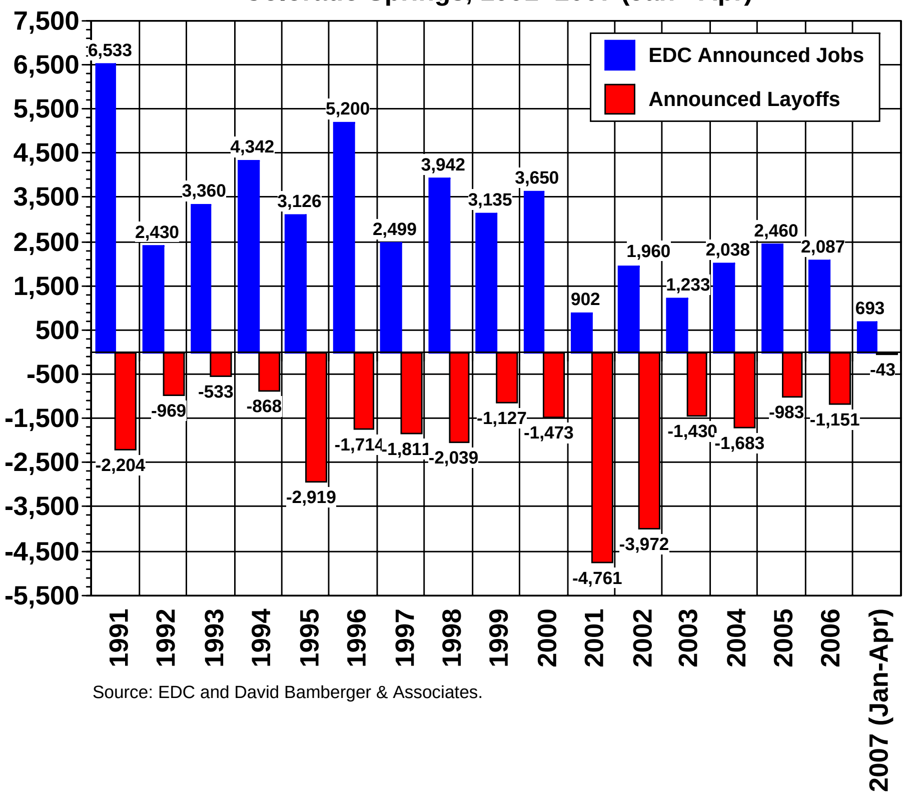
The 1,151 announced primary job layoffs in 2006 compares to a total of 983 in 2005, and 1,683 in 2004. The past three years saw primary job layoff announcements much lower than during the recent recession which saw announced layoffs peak in 2001 at 4,761.

The local economy has been exposed to some softening over the past year. The local homebuilding industry has a big impact on the local economy. Homebuilding was responsible for about 19,000 local jobs in 2005. This included both direct and indirect jobs. With the slowdown in home building activity of 35%, in 2006 and a continuation of the slow-go this year, job losses could total as high as an estimated 2,500. This would mean that the local economy would have to grow by about 1% just to make up those losses.

During the decade of the 1990s primary job announcements were much higher than primary job losses. This all changed in 2001 with the national recession and all the economic problems that occurred over the next several years. Local layoffs and the lack of corporate expansions caused a steep rise in layoffs and a big drop in announced new jobs. The net of announced primary job gains and losses went negative in 2001 and remained negative through 2003.

Higher job announcements and lower announced layoffs in 2004 and in 2005 reversed the three years of negative primary job growth arithmetic. In 2004 the net was +355 and in 2005 the net increased substantially to +1,477. However, the local economy still has a way to go to meet the net primary job growth seen in the decade of the 1990s, when primary job announcements averaged 3,822, announced layoffs averaged 1,566 and net announced primary job growth averaged 2,256 per year.

Primary Job Gains and Losses
Colorado Springs, 1991- 2007 (Jan - Apr)



Source: EDC and David Bamberger & Associates.

Job Gains and Losses
Colorado Springs MSA, 1990-2006

Year	Total Wage and Salary Jobs	Change in Wage and Salary Jobs	% Change in Wage and Salary Jobs	Total EDC Announced Jobs	Announced Job Layoffs	Net Announced EDC Jobs and Layoffs
1990	157,000					
1991	160,700	3,700	2.4%	6,533	2,204	4,329
1992	170,100	9,400	5.8%	2,430	969	1,461
1993	180,000	9,900	5.8%	3,360	533	2,827
1994	190,100	10,100	5.6%	4,342	868	3,474
1995	203,000	12,900	6.8%	3,126	2,919	207
1996	213,900	10,900	5.4%	5,200	1,714	3,486
1997	223,700	9,800	4.6%	2,499	1,811	688
1998	230,600	6,900	3.1%	3,942	2,039	1,903
1999	241,200	10,600	4.6%	3,135	1,127	2,008
2000	249,700	8,500	3.5%	3,650	1,473	2,177
2001	252,300	2,600	1.0%	902	4,761	-3,859
2002	247,900	-4,400	-1.7%	1,960	3,972	-2,012
2003	244,400	-3,500	-1.4%	1,233	1,430	-197
2004	247,900	3,500	1.4%	2,038	1,683	355
2005	252,900	5,000	2.0%	2,460	983	1,477
2006	258,500	4,800	1.9%	2,087	1,151	936
Total		100,700		48,897	29,637	19,260
Annual Average		6,294	3.2%	3,056	1,852	1,204

Source: Colorado Department of Labor and Employment, the Gazette and the Economic Development Corporation.
Note: Data for 2006 includes January - October 2006.
Note: The Colorado Springs MSA includes El Paso and Teller Counties.

The US economy appears to be on a slower, but still positive track. In the 1st quarter of this year, GDP grew at an annual rate of 1.3%. The decline in housing construction subtracted about 1% from potential GDP growth. Payroll jobs grew by 180,000 in March 2007. The unemployment rate in March was 4.6%. The CPI for March was at 4.4% at an annual rate. The price of gasoline jumped to about $3.00 per gallon in April. The DOW stock market index soared to a new high of over 13,000 in late April.

Selected US Economic Indicators 2006

- Gross Domestic Product +1.3% (1st Qtr 2007)
- CPI 4.4% (March 2007)
- Unemployment Rate 4.6% (March 2007)
- Job growth +180,000 (March 2007)
- Productivity +1.6% (4th Qtr. 2006)
- Housing starts -23.0% (March 2007)
- DOW 13,000 (April 2007)

KEY ECONOMIC INDICATORS
COLORADO SPRINGS, 2001 to 2007 1st Qtr.)

Indicator	2001	2002	2003	2004	2005	2006	2007 1st Qtr
Wage and Salary Employment (% Change)	1.0%	-1.7%	-1.4%	1.4%	2.0%	1.9%	1.1%
Announced Primary Job Layoffs	4,761	3,572	1,123	1,683	983	1,011	43
EDC Announced New Primary Jobs	902	1,960	1,233	2,038	2,460	1,522	693
New Car and Truck Sales (% Change)	-3.5%	-1.5%	-8.0%	7.2%	0.5%	-5.8%	5.6%
For-Sale Residential Construction (% Change)	5.2%	-4.7%	-1.3%	20.3%	8.3%	-28.4%	-69.7%
Colorado Springs Taxable Retail Sales (% Change)	3.0%	-3.0%	-1.3%	7.7%	2.7%	3.2%	0.1%
Unemployment Rate (%)	4.4%	6.4%	6.4%	5.7%	5.3%	4.9%	4.6%
Apartment Vacancy 1st Qtr. (%)	2.8%	9.1%	12.7%	12.3%	12.7%	10.6%	10.6%

Source: Various published sources. File: Indicators 2007 Q1

Key local economic indicators for the 1st quarter of 2007 show mixed signals. New car and truck sales were up 5.6%, taxable retail sales were up 0.1%. The apartment vacancy rate was steady at 10.6%. Production of new for-sale homes (single family, condos and townhomes) saw a whopping -69.7% decline. The unemployment rate dropped to 4.6%.

Population in the Colorado Springs metro area was estimated to be 576,900 as of July 2006. Over the past year population grew by 2.1%, adding an estimated 12,000 people. Natural increase accounted for 5,000 of the gain and net migration accounted for 7,000 of the gain.

Components of Population Growth
Colorado Springs Metro Area, 1970-2006

Year	Population	Change	Annual Percent Change	Births	Deaths	Natural Increase	Net Migration
Decade							
1970	240,100						
1980	312,600	72,500	2.7%	56,324	15,748	40,576	31,924
1990	397,500	84,900	2.4%	69,412	19,009	50,403	34,497
2000	519,348	121,848	2.7%	76,506	24,591	51,915	69,933
Annual							
2001	535,074	15,726	3.0%	8,359	3,013	5,346	10,380
2002	543,708	8,634	1.6%	8,712	3,139	5,573	3,061
2003	549,745	6,037	1.2%	8,437	3,225	5,212	825
2004	557,083	7,338	1.4%	8,246	3,393	4,853	2,485
2005	564,857	7,774	1.4%	8,184	3,263	4,921	2,853
2006	576,884	12,027	2.1%	8,370	3,320	5,050	6,977
Totals							
Totals		336,784		252,550	78,701	173,849	162,935
Percent		100%				52%	48%

Source: Bureau of the Census File: Population Growth

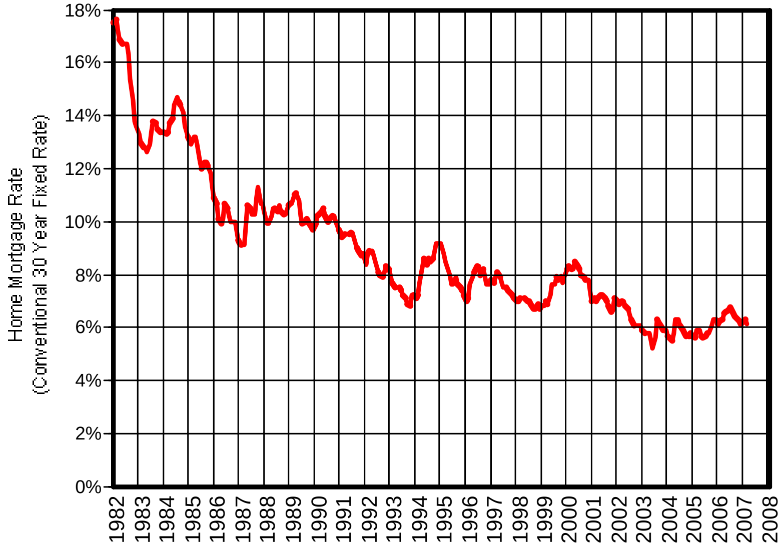
Note: Population for 1970 - 2000 is April 1. Population for 2001-2006 is July 1.

The big surprise over the past year has been low mortgage rates. The rate for a conventional 30-year fixed rate loan with no points at the end of April was at 6.2%. This is up less than one whole point from 2005's low in July of 5.5%.

We now have 2½ years of history that shows how there is virtually no relationship between increases in short term rates and long term rates. While the Fed Funds rate increased from 1% in July 2004 to 5.25% in December 2005, the 10-year Treasury rate remained roughly the same at 4.5%.

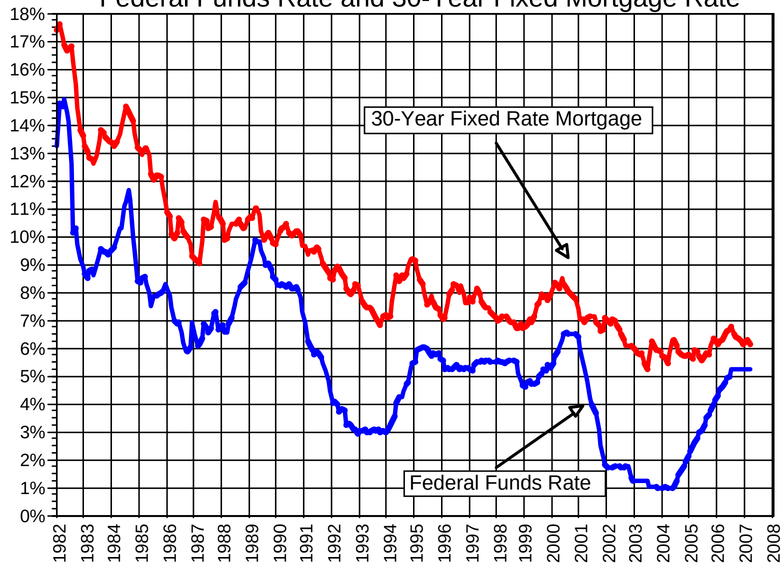
Most economists attributed the exceptionally low long term rates to foreign purchases of mortgage securities and US Treasury bonds. Strong demand pushed bond prices up and yields down. Researchers working for the Federal Reserve concluded that the 10-year bond rate would be about 1.5% higher without foreign purchases.

Home Mortgage Rates
(30 Year Fixed Rates With No Points)
Colorado Springs, January 1982 - March 2007



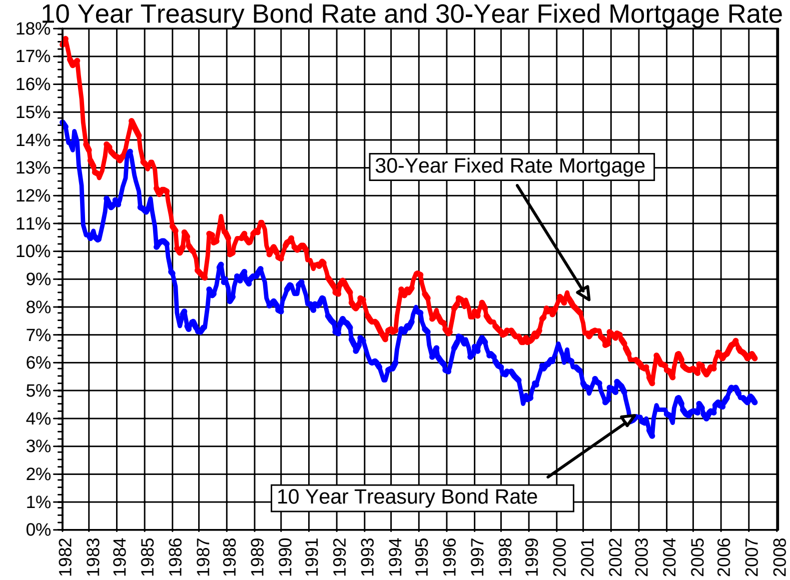
Source: Federal Reserve Bank and various mortgage companies.

Relationship Between
Federal Funds Rate and 30-Year Fixed Mortgage Rate



Source: Federal Reserve Bank.

Relationship Between
10 Year Treasury Bond Rate and 30-Year Fixed Mortgage Rate



Source: Federal Reserve Bank.

New single family home construction in the first three months of 2007 declined by a staggering 44.7% compared to the same period of 2006. That's the bad news, but the good news is that builders have seen their unsold inventory decline. The market mechanism is working.

Single Family Permits		
2001	4,925	+ 5.4%
2002	4,466	- 9.3%
2003	4,356	- 2.5%
2004	5,059	+ 16.1%
2005	5,314	+ 5.0%
2006	3,446	- 35.2%
2006 (Jan-Mar)	1,148	
2007 (Jan-Mar)	635	- 44.7%

Local builders responded to the market signals very quickly last year when traffic declined and contract cancellations increased. The result was a significant drop in new construction that has carried over to 2007. Most of the high volume builders interviewed last October said they planned to sell off their excess inventory before they would start pulling permits for new spec construction. This is indeed what happened.

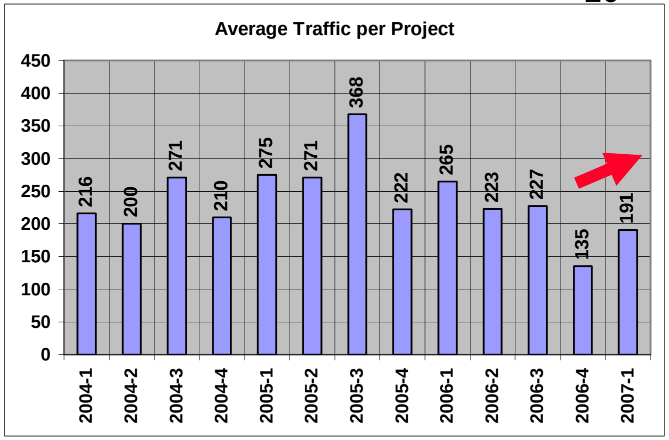
Several builders interviewed recently for this study believe that the market has finally hit bottom and better times are ahead. They may be right; the data through the 1st quarter of 2007 shows that traffic is increasing, conversion rates are rising and contract cancellation rates are falling.

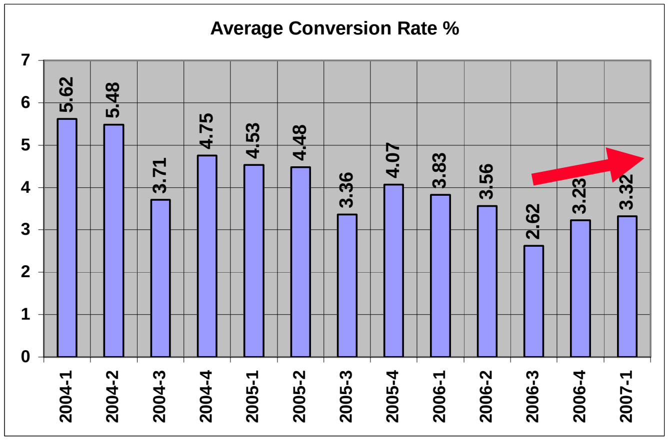
Shopper Traffic, Conversion and Cancellation

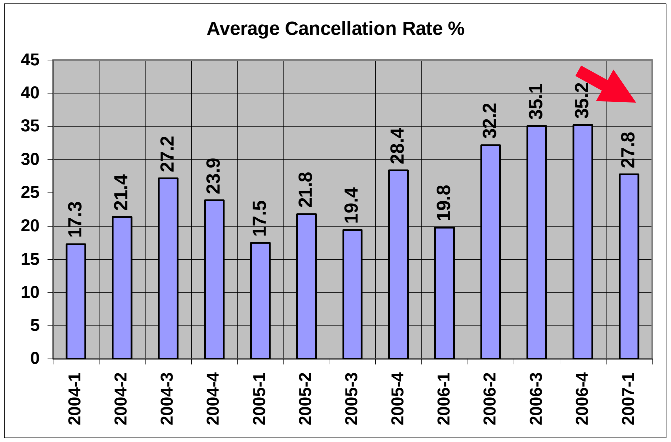
Colorado Springs Metro Area, 1st Qtr 2004 - 1st Qtr 2007

Year-Qtr	Average Traffic per Project	Average Conversion Rate %	Average Cancellation Rate %
2004-1	216	5.62	17.3
2004-2	200	5.48	21.4
2004-3	271	3.71	27.2
2004-4	210	4.75	23.9
2005-1	275	4.53	17.5
2005-2	271	4.48	21.8
2005-3	368	3.36	19.4
2005-4	222	4.07	28.4
2006-1	265	3.83	19.8
2006-2	223	3.56	32.2
2006-3	227	2.62	35.1
2006-4	135	3.23	35.2
2007-1	191	3.32	27.8

Source: Metrostudy File: Traffic







Single family detached homes continue to make up the lion's share of the new home market in the Colorado Springs metro area. Since 1999 single family production averaged 75% of new home permits. Townhomes and condos started gaining share over the past few years, jumping from 6.9% of permit activity in 1999 to 21.9% in the 1st quarter of 2007.

New Housing Permits Issued (Housing Units)
Colorado Springs Metro Area, 1999-2007 (Jan-Mar)

	1999	2000	2001	2002	2003	2004	2005	2006	2007 (Jan-Mar)
Units Permitted									
New Single Family Housing (Detached)	4,366	4,675	4,925	4,466	4,356	5,059	5,314	3,446	635
New Town Houses (Attached)	221	301	327	440	477	715	927	681	122
New Duplex	14	12	6	32	39	26	33	20	4
New Condominiums	192	149	145	212	211	316	349	192	57
New Three and Four Family Buildings	80	44	82	54	22	8	4	15	0
New Five or More Family Buildings	1,068	1,105	1,626	1,609	197	352	127	65	0
Total	5,941	6,286	7,111	6,813	5,302	6,476	6,754	4,419	818
Share of Total									
New Single Family Housing (Detached)	73.5%	74.4%	69.3%	65.6%	82.2%	78.1%	78.7%	78.0%	77.6%
New Town Houses (Attached)	3.7%	4.8%	4.6%	6.5%	9.0%	11.0%	13.7%	15.4%	14.9%
New Duplex	0.2%	0.2%	0.1%	0.5%	0.7%	0.4%	0.5%	0.5%	0.5%
New Condominiums	3.2%	2.4%	2.0%	3.1%	4.0%	4.9%	5.2%	4.3%	7.0%
New Three and Four Family Buildings	1.3%	0.7%	1.2%	0.8%	0.4%	0.1%	0.1%	0.3%	0.0%
New Five or More Family Buildings	18.0%	17.6%	22.9%	23.6%	3.7%	5.4%	1.9%	1.5%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Regional Building Department. File: Permits by Type

New apartment construction has been cyclical, with building activity occurring when vacancies are low and rents are rising. With higher vacancy rates and declining real rents over the past several years, apartment construction has dropped significantly.

Investor and second home purchases have been a driving force in many housing markets throughout the country, but not in Colorado Springs. Investor purchasing activity made up a little over 9% in 2006, about where it has been for the past four years. These percentages may seem high, but in some parts of the country, such as California, Nevada and Florida, investor activity made up 25%, and even higher, of all home purchases during the 2004-05 housing boom. Buying and flipping was a risky game in Colorado Springs because the market did not see 25% to 30% annual gains in home price appreciation like it did in some parts of the country.

Investor and 2nd Home Purchases
Colorado Springs Metro Area, 1999-2006

	Investor Purchases		2nd Home Purchases	
Year	US	Colorado Springs	US	Colorado Springs
1999	6.17%	6.56%	2.01%	0.80%
2000	5.47%	6.29%	2.10%	0.87%
2001	5.73%	7.27%	2.17%	0.79%
2002	6.50%	8.18%	3.21%	1.22%
2003	7.02%	8.06%	4.67%	2.06%
2004	8.48%	9.30%	5.89%	2.46%
2005	9.62%	9.86%	7.41%	4.03%
2006	8.10%	9.31%	6.89%	3.94%

Source: First American LoanPerformance File: Mortgage Type Data

The big news in the housing market in 2007 is the sell-off of the bubble of unsold inventory that emerged in 2006. Builder's spec inventory at the end of the 1st quarter of 2007 is estimated to be a about 540 units, down from over 1,000 at the end of the 3rd quarter of 2006. Today's spec inventory includes about 300 units under construction and about 240 finished units. Overall, at current sales rates, there is less than a 2 month supply of specs, but in the higher price ranges, $430,000 and above, there is close to a 3 to 6 month supply.

Single Family New Home Market Performance, Colorado Springs Metro Area,1st Quarter 2007

Price Range	Annual Starts April 2006 to March 2007	Annual Closings April 2006 to March 2007	Under Construction April 1, 2007: Unsold Specs	Under Construction April 1, 2007: Presales Under Contract	Under Construction April 1, 2007: Total	Finished Inventory April 1, 2007: Unsold Specs	Finished Inventory April 1, 2007: Presales Under Contract	Finished Inventory April 1, 2007: Total Finished Inventory	Finished Inventory April 1, 2007: Models	Finished Inventory April 1, 2007: Total Finished Inventory Including Models
Less than $249,999	1,165	1,481	69	182	251	95	157	252	80	584
$250,000 to $299,000	552	759	28	113	140	33	84	117	42	276
$300,000 to $349,999	391	552	31	57	88	20	62	82	36	200
$350,000 to $399,999	285	362	46	57	103	27	38	65	29	159
$400,000 to $499,999	181	239	33	49	81	21	30	51	17	119
$500,000 and Over	252	262	90	59	149	47	45	92	22	206
Totals	2,826	3,655	296	516	812	243	416	659	226	1,544

Source: Metrostudy survey and David Bamberger & Associates. Unsold specs is an estimate prepared by David Bamberger & Associates based on discussions with builders, data from realtor and builder marketing materials and websites. File:Inventory Starts and Closings

Source: Metrostudy survey and David Bamberger & Associates. Note: Includes builder production new homes.

The data suggests that the inventory correction phase of the cycle is over. New home production has adjusted downward from a rate of sales of over 5,000 units per year in 2004 and 2005 to somewhere around 3,000 sales per year. Builder starts totaled only 2,830 over the past 12 months, while closings totaled over 3,600 homes. Spec inventories have been drawn down. Now the stage is set for a return to a sustainable level of market activity.

Analysis of Speculative New Single Family Inventory, April 1, 2007

Price Range	Total Spec (Unsold Inventory) April 1, 2007	Annual Closings April 2006 to March 2007	Months of spec (Unsold) Inventory
Less than $249,999	164	1,481	1.3
$250,000 to $299,000	61	759	1.0
$300,000 to $349,999	51	552	1.1
$350,000 to $399,999	73	362	2.4
$400,000 to $499,999	54	239	2.7
$500,000 and Over	137	262	6.3
Totals	539	3,655	1.8

Source: Metrostudy survey and David Bamberger & Associates. Note: Includes builder production new homes.

Note: Unsold spec inventory is an estimate prepared by David Bamberger & Associates and is not an exhaustive count. The estimates were made based on discussions with builders, data from builder and realtor marketing materials and websites.

The shift from the use of conventional-type financing to innovative financing for home purchase and refinancing expanded the market for buyers, giving the new home market an added push in 2004-2005. These innovative financing tools included zero down, interest-only, and negative amortization mortgages. Most of these creative financing tools also included an adjustable rate as part of the package. Many lenders used these innovative mortgage instruments to qualify buyers who would otherwise not qualify for a loan.

The housing market is beginning to pay a price for the liberal use of creative mortgage financing over the past few years. Local home loan foreclosures are on the rise, with the latest data showing an annual rate of over 2,800, up from an annual rate of about 1,600 in 2003. It would not be a surprise to see local foreclosures push toward an annual rate of 3,500 by year's end.

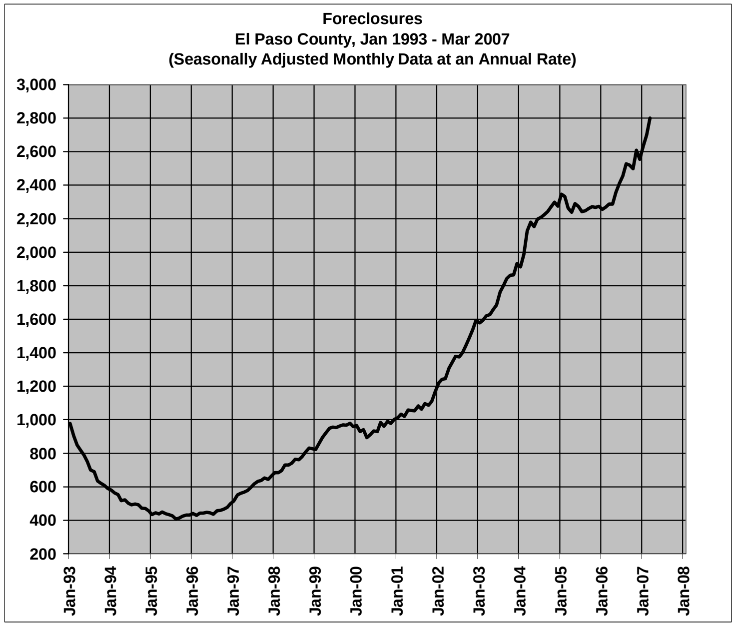
Over the recent building cycle, the rate of new home construction in Colorado Springs has been much lower than in previous cycles where over-building was a more serious problem. Per capita local housing production is about one-third of the level seen in the previous cycles. When the slowdown in buyer activity started about one year age, builders cut back on new construction very quickly. The bubble of excess inventory has generally been absorbed and the market is approaching a balance of supply and demand at the present time. More details on the rate of new home construction over past and current cycles in Colorado Springs and how Colorado Springs compares to the cities with high per capita production are presented in the charts on the following page.

Mortgage Loans Home Purchase and Refinance
Estimated By Type of Loan
Colorado Springs Metro Area, 2003-2006

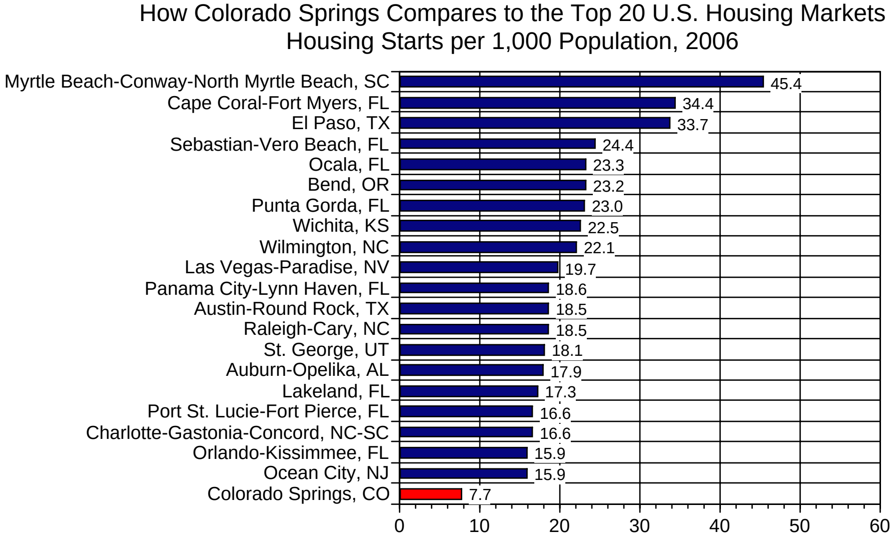
	Interest Only Loans					
	Purchase		Refinance		Total	
Year	US	Colorado Springs	US	Colorado Springs	US	Colorado Springs
2003	13.3%	8.3%	8.6%	9.8%	10.2%	9.3%
2004	29.8%	35.4%	17.0%	29.2%	22.8%	32.3%
2005	32.5%	46.5%	19.9%	31.8%	26.0%	39.9%
2006	27.5%	35.3%	16.7%	19.3%	22.0%	27.7%

	Negative Amortization Loans					
	Purchase		Refinance		Total	
Year	US	Colorado Springs	US	Colorado Springs	US	Colorado Springs
2003	0.3%	0.1%	0.5%	0.6%	0.4%	0.4%
2004	3.0%	1.7%	4.5%	4.9%	3.8%	3.3%
2005	6.8%	3.1%	10.9%	8.5%	8.9%	5.5%
2006	6.6%	4.3%	15.4%	8.8%	11.1%	6.4%

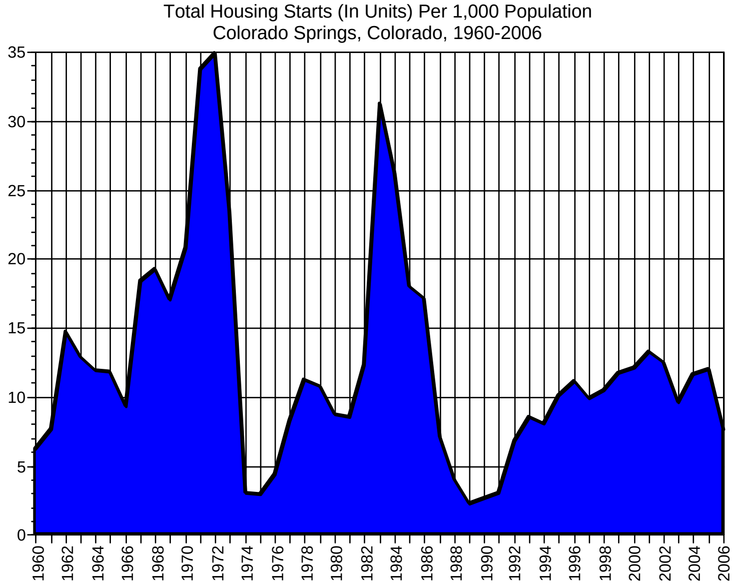
Source: First American LoanPerformance File: Mortgage Type Data



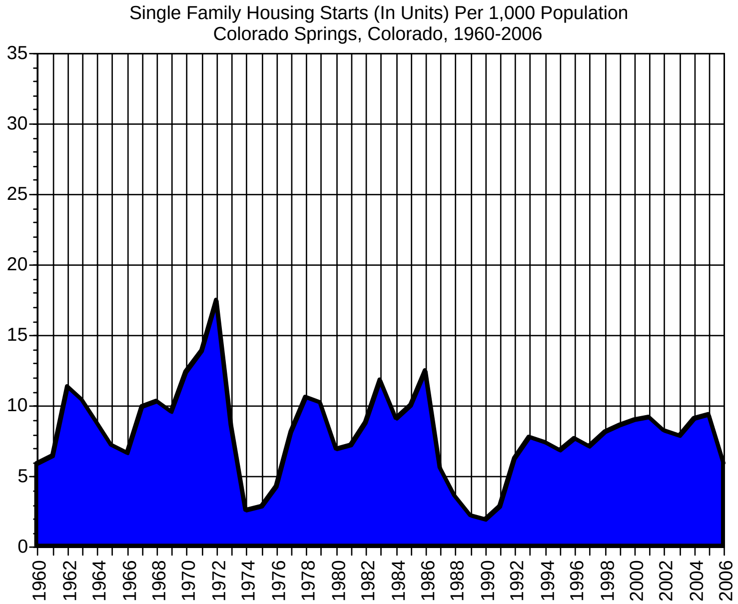
Source: El Paso County Trustee and David Bamberger & Associates



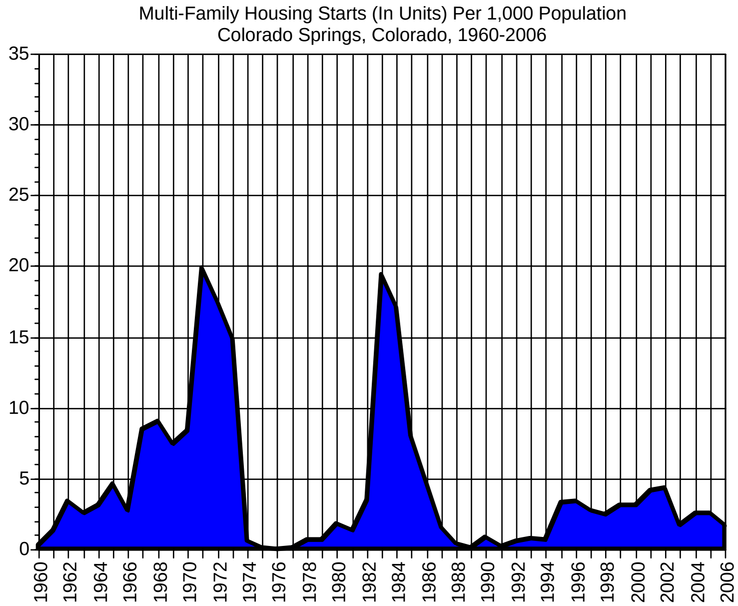
Source: US Bureau of the Census and David Bamberger & Associates



Source: David Bamberger & Associates, Regional Building Department, Bureau of the Census and PPACG.



Source: David Bamberger & Associates, Regional Building Department, Bureau of the Census and PPACG.



Source: David Bamberger & Associates, Regional Building Department, Bureau of the Census and PPACG.

The inventory of vacant lots has increased by almost 900 over the past year, a gain of 17%. Metrostudy reports a total vacant lot inventory as of the end of the 1st quarter 2007 of 5,817, up from 4,957 a year ago.

The increase of about 900 in lot inventory is directly the result of production of single family homes dropping. New home starts totaled 2,883 and lot deliveries totaled 3,743 for the 12 months ending March 2007.

The largest inventory of vacant lots is in lots with 90 feet, or greater frontage. These large lots typically target the luxury custom home market where an abundant supply gives individual lot buyers and custom home builders a wide choice. In this segment there is almost a four year supply of lots available.

Overall, the lot production generally remains in balance with demand, but leans slightly toward the excess side at current housing production rates. For the past 10 years lot production has closely paced new home construction. 1st quarter lot inventory survey data from Metrostudy shows about a 24 month supply at today's "slow" rate of new home starts. Today's supply of lots is up from the historical 13 month supply, which is just about equal to the amount of time it takes to build lots after entitlement and platting is completed.

Lot Inventory and Production
Colorado Springs Metro Area, 3rd Qtr 2002 - 1st Qtr 2007

Year	Quarter	Annual Housing Starts (Previous 12 Months)	Vacant Lot Inventory at end of Quarter	Months of Supply	Annual Delivery of Finished Lots (Previous 12 Months)
2002	3	3,683	4,015	13	4,142
2002	4	3,642	4,637	15	4,279
2003	1	3,755	4,653	15	4,274
2003	2	3,567	4,871	16	4,328
2003	3	3,698	4,726	15	4,294
2003	4	3,807	4,947	16	3,997
2004	1	4,019	4,916	15	4,217
2004	2	4,334	4,760	13	4,158
2004	3	4,385	4,841	13	4,509
2004	4	4,448	5,120	14	4,646
2005	1	4,629	4,773	12	4,371
2005	2	4,660	4,877	13	4,598
2005	3	4,648	4,963	13	4,680
2005	4	4,805	4,647	12	4,196
2006	1	4,750	4,957	13	4,852
2006	2	4,463	4,859	13	4,388
2006	3	3,938	5,217	16	4,086
2006	4	3,451	5,750	20	4,548
2007	1	2,883	5,817	24	3,743

Source: Metrostudy survey. File: Lot Inv and Prod

Lot Inventory by Size Segment
Single Family Detached
Colorado Springs Metro Area, 1st Quarter, 2007

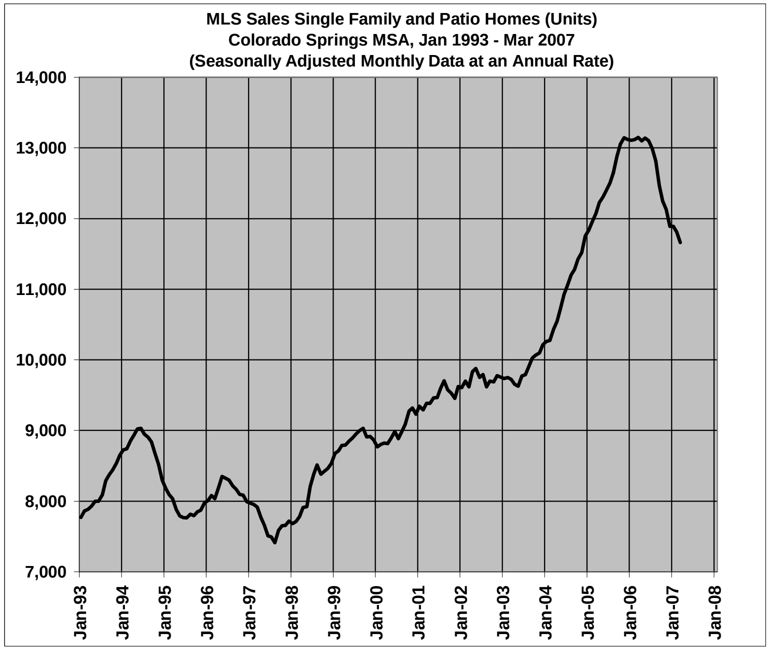
Lot Size Segment (Frontage)	Annual Housing Starts April 2006 to March 2006	Vacant Lot Inventory April 2006	Months of Supply
Less than 50'	320	917	34.4
50'-54'	750	1,075	17.2
55'-59'	352	260	8.9
60'-64'	430	671	18.7
65'-89'	253	346	16.4
70'-79'	209	548	31.5
80'-89'	103	288	33.6
90' and Greater	466	1,712	44.1
Total	2,883	5,817	24.2

Source: Metrostudy survey. File: Lot Inventory

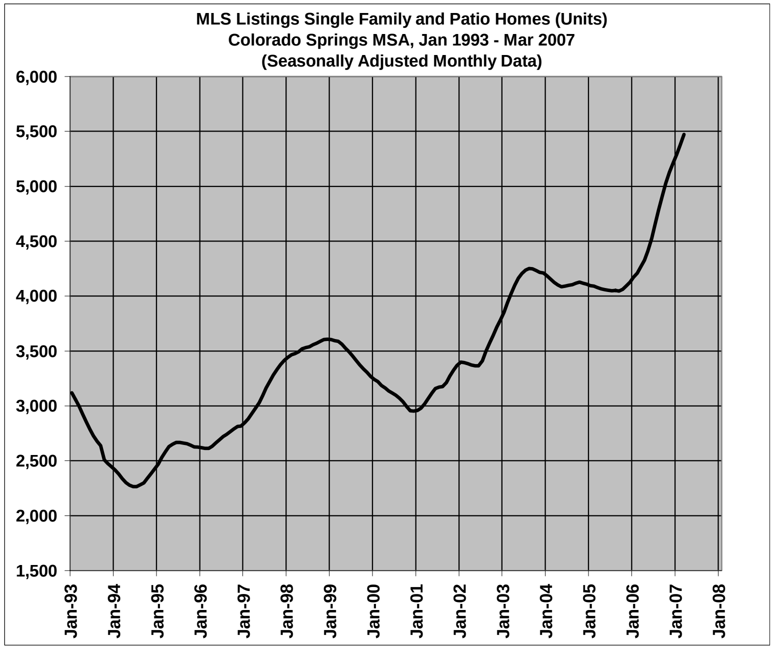
The market for single family resale home sales has gone from a sellers market to a buyers market over the past year. This comes after a record year in 2005. Sales of single family homes reported by the Pikes Peak Association of Realtors (MLS) totaled 2,233 in the 1st quarter of 2007, down from 2,463 in the 1st quarter of of 2006, a decline of 9.3%.

Adding more misery to the resale market, MLS listings are way up this year. The number of active listings of single family and patio homes in March 2007 totaled 5,659, up significantly from 4,262 in September 2005, an increase of 32.8%.

The slower resale market is having an impact on the new home market. Builders report that they are reluctant to take contingency contracts specifying that the buyer can sell their existing home first.



Source: Pikes Peak Association of Realtors / Multiple Listing Service and David Bamberger & Associates



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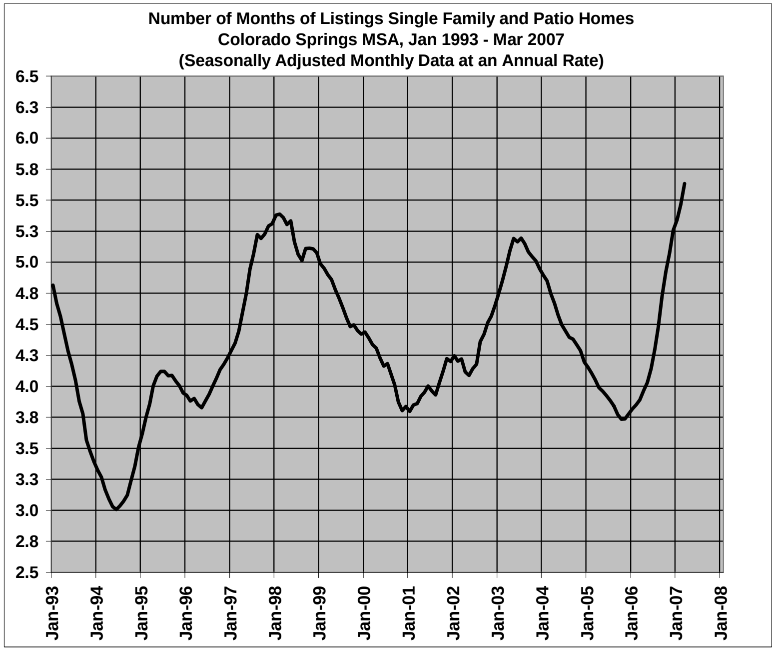


Source: Pikes Peak Association of Realtors / Multiple Listing Service and David Bamberger & Associates

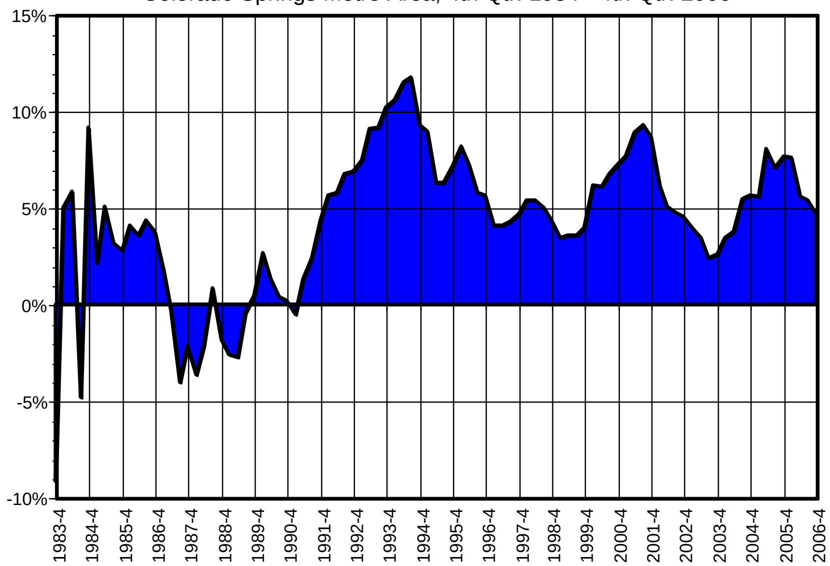
The value of single family homes in the Colorado Springs Metro area increased by 4.7% between the 4th quarter of 2005 and the 4th quarter of 2006. This figure is down slightly from the 7.7% in 2005, but up from 2.6% in 2003. Since 1992, housing values gains have averaged 6.2% per year in Colorado Springs.

Changes in Value - Single Family Homes
Colorado Springs Metro Area, 1992-2006

Year	Quarter	Single Family Home Value	Percent Change Over a Year Ago
2000	4th	$136,050	7.3%
2001	4th	$147,870	8.7%
2002	4th	$154,740	4.6%
2003	4th	$158,710	2.6%
2004	4th	$167,760	5.7%
2005	4th	$180,720	7.7%
2006	4th	$189,200	4.7%

Source: Office of Federal Housing Enterprise Oversight File: SF Values

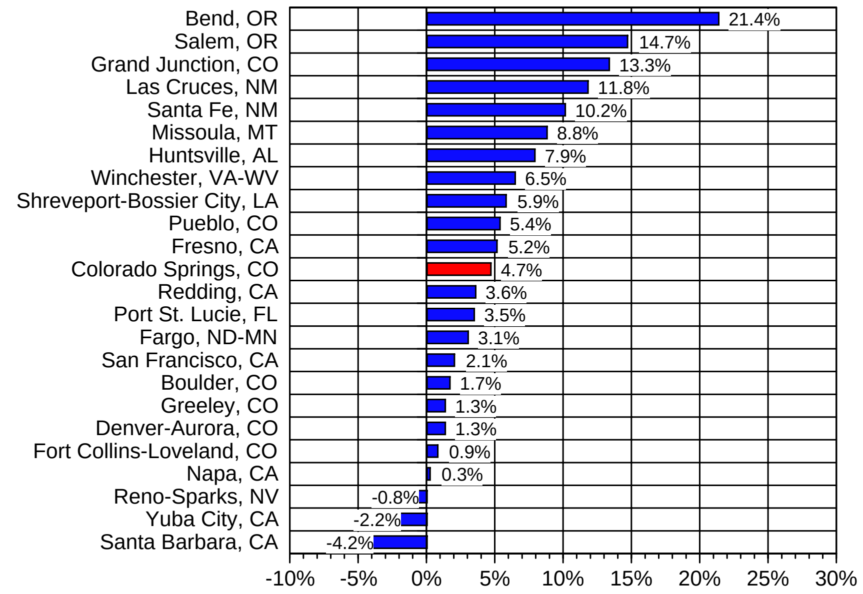
Annual Percent Change in Single Family Home Values
Colorado Springs Metro Area, 4th Qtr. 1984 - 4th Qtr. 2006



Source: Office of Federal Housing Enterprise Oversight.

How does Colorado Springs compare in housing value gains to other cities? At the upper end of the range, housing values increased in Bend, OR by 21.4%, At the lower end, values in Santa Barbara, CA dropped by -4.2%.

How Colorado Springs Compares to Selected Cities
Annual Percent Change in Single Family Home Values, 4th Qtr 2006



Source: Office of Federal Housing Enterprise Oversight.

Most Colorado cities, have seen modest gains in housing value, the big exception is Grand Junction:

- Grand Junction: 13.3%
- Pueblo: 5.4%
- **Colorado Springs: 4.7%**
- Boulder: 3.6%
- Denver-Aurora: at 1.3%
- Greeley: 1.3%
- Fort Collins-Loveland: 0.9%

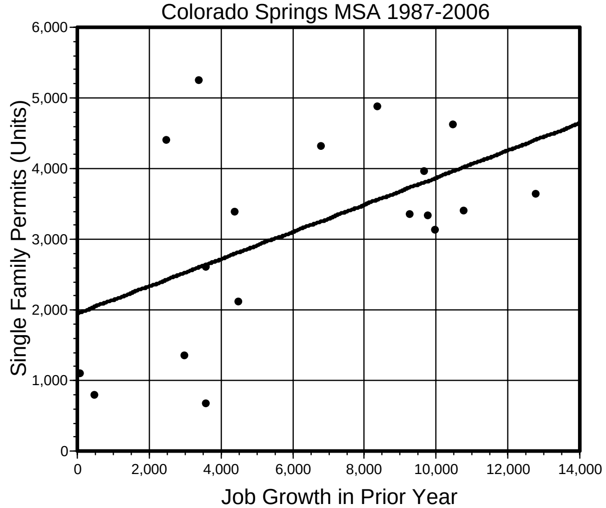
Our statistical research over the past 15 years has identified and measured the relationship between single family construction activity and several key factors that determine the level of activity in the local single family housing market. They include: (1) Job growth, (2) Mortgage rates, (3) Net migration.

Job growth - Job growth has a big impact on new home construction activity. One new single family home is built for every four new jobs created in the previous year. The relationship between job creation and housing demand statistically explains about 30% of the variation in new single family home construction.

Mortgage Rates - Mortgage rates also have a big impact on new home construction activity. For every one-point drop in the mortgage rate, production of new single family homes increases by about 1,000 units. Mortgage rates statistically explain about 45% of the variation in new single family home construction.

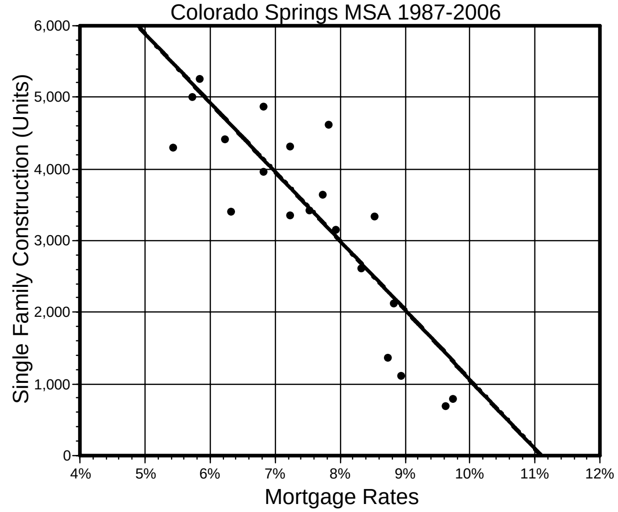
Net migration - Net migration is another factor that determines demand for single family new construction. One new single family home is built for every seven net in-migrants. Net-migration statistically explains about 25% of the variation in new single family home construction.

Relationship Between
Single Family Construction and Job Growth in Prior Year
Colorado Springs MSA 1987-2006



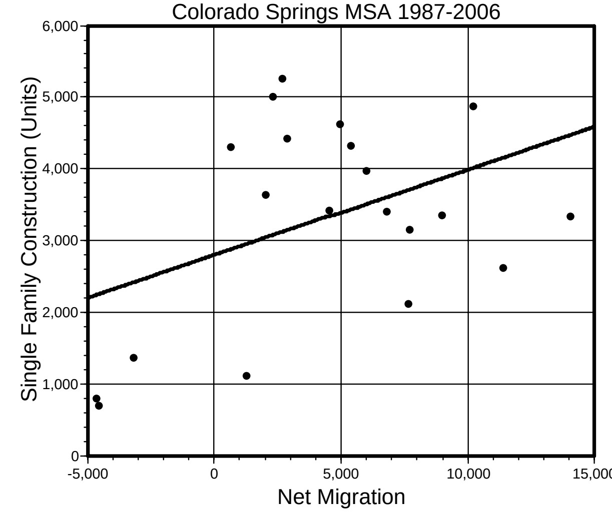
Source: Regional Building Department, Colorado Department of Labor and Employment and David Bamberger & Associates. Note: Years when job growth was negative (2002 and 2003) were excluded.

Relationship Between
Single Family Construction and Mortgage Rates
Colorado Springs MSA 1987-2006



Source: Regional Building Department, Federal Reserve Bank, Various Mortgage Companies and David Bamberger & Associates.

Relationship Between
Single Family Construction and Net Migration
Colorado Springs MSA 1987-2006



Source: Regional Building Department, Colorado State Demographer and David Bamberger & Associates.

The steep drop in mortgage rates in 2004 and 2005 expanded the reach of households towards home ownership. Low rates and creative financing instruments have made home ownership for many families a reality. Home ownership in Colorado Springs increased from about 65% of households in 2000 to about 68% in 2006.

Mortgage rates have increased some from their record lows in 2004 and 2005. How much higher they may go over the next several years is uncertain. Higher rates clearly have impacted the housing market in two ways:

1. A mortgage rate increase of 1% means a loss in purchasing power of about 9% for home buyers. The loss in purchasing power in effect will hit buyers all across the product range from entry level to luxury custom homes. At a 6% mortgage rate (30-year fixed) a buyer with an income of $66,000 can qualify to buy a home priced at $230,000; at a 7% mortgage rate (30-year fixed) the buyer can qualify to buy a home priced at only $210,000.

2. Higher rates also mean that fewer households can qualify to buy a new entry level home. When rates for a 30-year fixed mortgage increase by one point from 6% to 7% a total of 10,600 fewer households in Colorado Spring can qualify to buy a new home priced at $200,000. Close to half of these buyers are in the 25 to 44 year old age group, the prime age for first time and first time move-up buyers.

ESTIMATED LOSS IN PURCHASING POWER
RESULTING FROM AN INCREASE IN MORTGAGE RATES FROM 6% TO 7%

		Mortgage Rate			
Type of Home	Income Needed to Qualify	Price of Home Affordable at 6.0%	Price of Home Affordable at 7.0%	Loss in Purchasing Power	Percent Loss in Purchasing Power
ENTRY 1	$51,587	$180,000	$164,580	-$15,420	-8.6%
ENTRY 2	$65,917	$230,000	$210,236	-$19,764	-8.6%
MOVE-UP 1	$80,246	$280,000	$255,892	-$24,108	-8.6%
MOVE-UP 2	$94,576	$330,000	$301,684	-$28,316	-8.6%
LUXURY 1	$123,236	$430,000	$392,996	-$37,004	-8.6%
LUXURY 2	$180,555	$630,000	$575,893	-$54,107	-8.6%

SOURCE: DAVID BAMBERGER & ASSOCIATES

File: Home Purchase Financials / Finance.xls

Estimate of Change in the Number of Households Able Qualify to Buy a $200,000 New Home After an Increase of One Point from 6% to 7% (30-Year Fixed Rate with No Points)
Colorado Springs Metro Area, 2006

Age of head of household	Change in number of households able to qualify after rate increase
18-24	-340
25-44	-4,840
45-64	-4,230
65 and Over	-1,200
Total	-10,610

Assumptions	
Mortgage rate increase	1%
Price of home	$200,000
Mortgage rate before increase	6.00%
Mortgage rate after increase	7.00%
Term in years	30
Down payment	5%
% PITI to income to qualify	28%
Monthly PITI before increase	$1,358
Income to qualify before increase	$58,206
Monthly PITI after increase	$1,483
Income to qualify after increase	$63,560

Source: David Bamberger & Associates

File: Rates and Affordability / Rate Impact Summary.xls

Family life-cycle is a fairly good determinant of housing needs – renter, first-time buyer, move-up buyer, move-down buyer market needs are determined by family life cycle.

Family life cycle is a fairly good determinant of market needs – renter, first time, move-up, move down markets are driven by life cycle.

Typical Family Life Cycle and Housing Needs

Family Life Cycle	Age	Housing Stage
Young unmarried singles	20-29	Renter
Young married couple with young children	30-39	First-time buyer
Middle-age couple with older children	40-59	Move-up buyer
Empty nester and retirees	60-84	Move-down buyer
Elderly with care needs	84+	Assisted care

Demographics have been, and will continue to be, a key factor in maintaining a high level of activity in the local housing market. The baby boom generation, roughly ages 40 to 60, makes up a large part of the local population, roughly 35% of the population over 15 years old.

The baby-boom generation is currently and has been over the past 10 years at their peak earning years. They are also in a life-style stage where they are moving up the housing ladder to larger and more expensive single family homes to accommodate their growing families.

The oldest baby-boomers are entering the empty nester and retirement stage. Growth in owner households in the 60 to 84 year old age group will increase by an estimated 10,640 in Colorado Springs between 2007 and 2012. As they move through this stage their housing needs will change, providing local builders an opportunity to meet a growing need for the move-down buyer.

Housing Segment Growth
Colorado Springs Metro Area

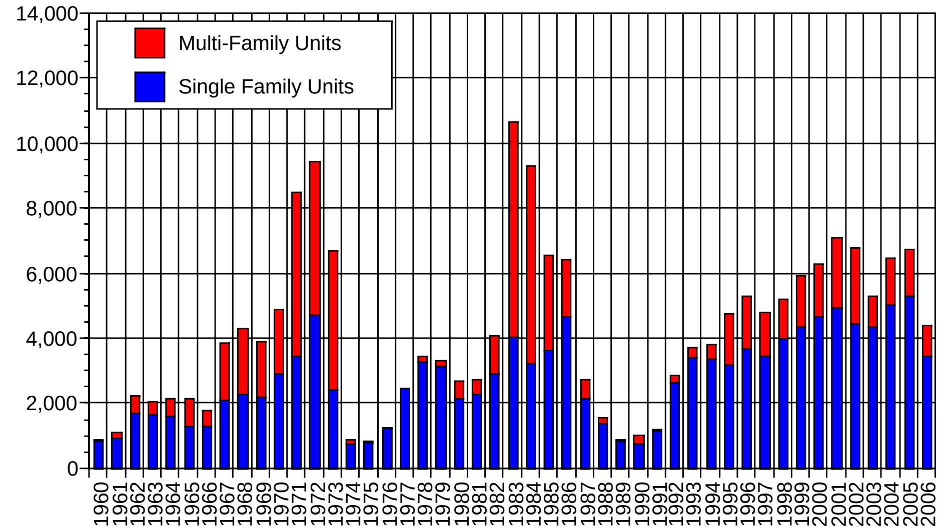
Total Population			
Age		2007	2012
15-29		145,000	167,100
30-39		80,100	89,200
40-59		163,600	170,500
60-84		73,800	94,300
84+		5,500	7,100
Total Households			
Age	% Households	2007	2012
15-29	28%	40,600	46,800
30-39	50%	40,100	44,600
40-59	58%	94,900	98,900
60-84	65%	48,000	61,300
84+	100%	5,500	7,100
Total		223,600	251,600
Owner Households			
Age	% Owners	2007	2012
15-29	10%	4,060	4,680
30-39	65%	26,070	28,990
40-59	75%	71,180	74,180
60-84	80%	38,400	49,040
84+	10%	550	710
Total		139,710	156,890
Renter Households			
Age	% Renters	2007	2012
15-29	90%	36,540	42,120
30-39	35%	14,030	15,610
40-59	25%	23,720	24,720
60-84	20%	9,600	12,260
84+	90%	4,950	6,390
Total		83,890	94,710
Change in Owner Households			
Age	Market Segment		2012
15-29	First-time buyers		620
30-39	First-time buyers		2,920
40-59	Move-up buyers		3,000
60-84	Move-down		10,640
84+	Assisted care		160
Total			17,180
Change in Renter Households			
Age	Market Segment		2012
15-29	First-time Renters		5,580
30-39	Move-up renters		1,580
40-59	Middle-age renters		1,000
60-84	Move-down renters		2,660
84+	Assisted care		1,440
Total			10,820

Source: David Bamberger & Associates

The Colorado Springs housing market has been characterized by cyclical ups and downs over the past four decades. The local building cycles have been 14 to 15 years in duration and the amplitude of the swings has generally been very dramatic.

The boom – bust swings in the 1970s and 1980s cycles were classic inventory cycles - massive over-building followed by a long period of adjustment with close to zero new construction. Both cycles were characterized by rapid economic growth on the up-side and a major recession on the down-side. Both were also characterized by significant overbuilding of apartments.

The Home Building Cycle
New Homes Built
Colorado Springs Metro Area, 1960-2006



Source: David Bamberger & Associates. Data from Regional Building Department.

The current home building cycle, which started in 1989 and peaked in 2001, is different than past cycles. There was very little overbuilding of apartments. Apartment construction quickly came to a standstill in 2003 when vacancies jumped into double digit territory, the result of:

• Many renters leaving apartments to become homeowners as a result of low mortgage rates making home ownership much more affordable and

• Many troops stationed at Fort Carson leaving apartments as a result of deployment to the wars in Afghanistan and Iraq.

Local Building Cycle Dates and Production Levels

1960 Trough - 894 units
1972 Peak - 9,448 units
1975 Trough - 847 units
1983 Peak - 10,676 units
1989 Trough - 877 units
2001 Peak - 7,111 units

The single family market also adjusted very quickly. In 2006 single family builders responded quickly to the rapid drop in buyer traffic and slowed the rate of new construction dramatically.

In short, this time around, builders paid close attention to market signals and did not overshoot demand by very much. As a result, the inventory correction phase for single family market has been short-lived.

The US economy is 5 ½ years into the recovery phase since the last recession ended in November 2001. Today, there are mixed signals:

• On the upside, the stock market recently moved into record breaking territory, personal income has made big gains, job growth has been relatively strong, unemployment is low and corporate profits are up.

• On the down side, oil prices have recently increased a lot, negative trade balances have grown larger, the value of the dollar continues to drop and the housing market has gone from boom to bust.

On balance the mixed signals add significantly to the uncertainty of the future direction of the US economy.

Economists have a dismal track record when it comes to predicting the future… and they can't even agree on the future direction of the US economy. At the present time there are two schools of thought on the direction the US economy will take over the next two years, or so.

• Some economists think the Federal Reserve's action to raise short term interest rates will curb inflation and will ease the US economy in for a "soft" landing, leading to ***sustainable growth**.*

• Some economists think the Federal Reserve's action to raise short term interest rates will be both ineffective in curbing inflation and will also tip the economy into a ***recession***.

So, what will the future hold for us here in Colorado Springs?

One way to provide useful information for business decision makers is to develop scenarios showing how the future could play out. Then, as the future unfolds it makes it easier to determine which path is being followed.

The single family housing market in Colorado Springs could follow one of several different paths over the next two years. To keep it simple we have developed two scenarios to illustrate the future direction of the market.

The first path we call "**Recession**" scenario; the second path we call the "**Sustainable Growth**" scenario. Stay tuned in for the latest news……

“Recession” Scenario

This scenario illustrates how the US and Colorado Springs economies could fall into a recession in 2008.

US Economy

In November 2007, investor confidence falls dramatically on the news that an anti-American coalition of oil producing countries lead by Iran and Venezuela has agreed to cut production and limit imports into the US.

Shortages of petroleum supplies push energy prices up. Gasoline prices increase to $3.50 per gallon and home heating costs rise by 40% by early 2008. Consumer confidence falls dramatically as energy costs bite into household budgets.

The stock market’s adventure into record territory ends abruptly. The Dow Jones industrial average drops from 13,000 to 10,900 within a four week period. Investor’s equity holdings lose more than 15% of their value. Wall Street’s outlook shifts dramatically from record highs to gloom and doom.

A big drop in the value of the dollar cuts into the demand for long term bonds and mortgage securities by foreign investors. Prices of bonds and mortgage securities drop and yields rise. Mortgage rates, rise to 7.0% in late 2007 and stay there through 2008.

Higher interest rates and energy prices push consumers over the brink. The consumer debt bubble pops. Consumer and home loan defaults rise.

Consumers cut back on their spending. Retail sales drop by 3% in the first half of 2008. Home mortgage foreclosures rise to record levels.

Business and industry cut back on production in early 2008. Business investment declines. The nation’s job growth rate falls to zero. Layoffs of workers increase and unemployment lines get longer. Personal income falls at an annual rate of 1% in 2008.

Economic output declines in the 3rd and 4th quarters of 2008; the US economy officially tips into a recession at mid-year 2008.

"Recession" Scenario (continued)

Colorado Springs Economy and Housing Market

The Colorado Springs economy follows the path set by the US economy. Higher energy prices, interest rates and job losses have a heavy impact on local consumer spending, which slows considerably by late-2007.

Troop deployments to Iraq are stepped up in 2007 and 2008 the number of troops on the ground at Fort Carson declines and remains at about 7,000 through 2008.

Expansion at Fort Carson is delayed, the result of the surge in the war effort. New construction at the post is postponed.

Local consumer confidence drops as a result of growing economic uncertainty. Consumer debt defaults and home foreclosures increase significantly.

Forecasts -- "Recession" Scenario
Single Family Permits, Mortgage Rates and Job Growth
Colorado Springs, 1990 - 2008

Year	Single Family Units	Mortgage Rate	Net Migration	Job Growth
1990	741	10.1%	-4,350	200
1991	1,154	9.3%	1,431	3,700
1992	2,663	8.4%	11,570	9,400
1993	3,405	7.3%	9,155	9,900
1994	3,387	8.6%	14,245	10,100
1995	3,196	8.0%	7,868	12,900
1996	3,693	7.8%	2,231	10,900
1997	3,468	7.6%	4,737	9,800
1998	4,016	6.9%	6,194	6,900
1999	4,366	7.3%	5,577	10,600
2000	4,675	7.9%	5,147	8,500
2001	4,925	6.9%	10,380	2,600
2002	4,466	6.3%	3,061	-4,400
2003	4,356	5.5%	825	-3,500
2004	5,059	5.8%	2,485	3,500
2005	5,314	5.9%	2,853	4,520
2006	3,446	6.5%	6,977	4,700
2007 forecast	***2,700***	***6.5%***	***2,000***	***3,000***
2008 forecast	***2,600***	***7.0%***	***1,000***	***0***

Source: David Bamberger & Associates.

A weak economy and a slowdown of expansion at Fort Carson slows net-migration to 2,000 per year in 2007 and 1,000 in 2008.

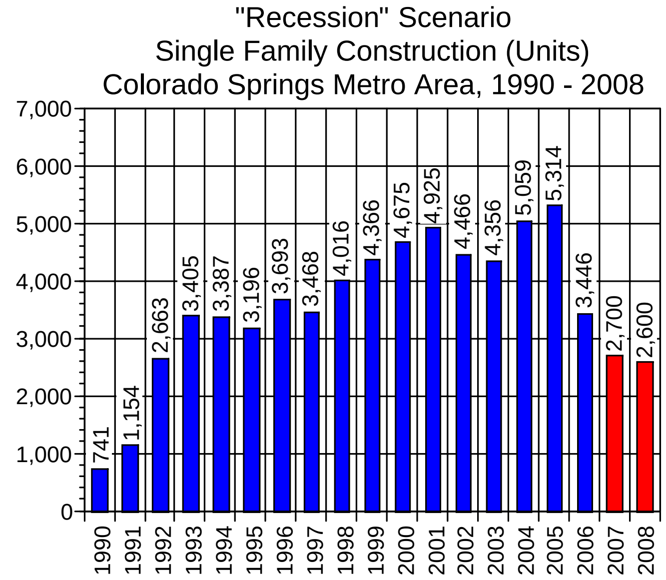
Mortgage rates increase to 6.5% in 2007 and then climb to 7.0% in 2008.

Local industry feels the impact of a slowing US economy. Lay-offs, especially in the high-tech sector, increase significantly. Job growth slows to 3,000 in 2007 and to zero in 2008.

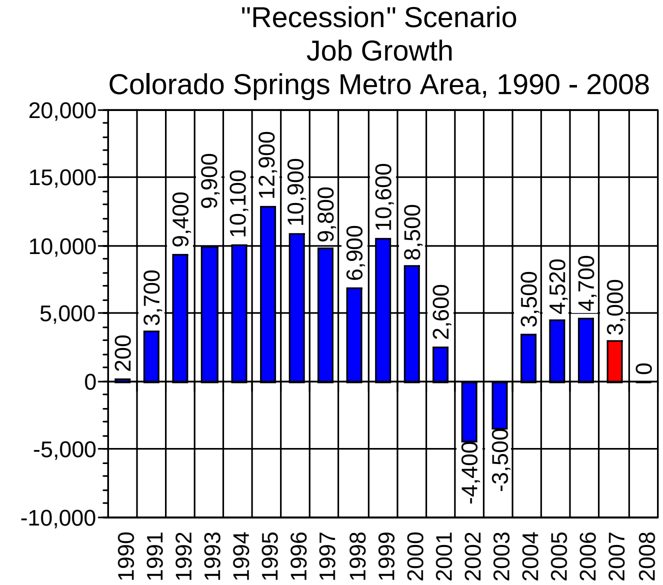
Local builders see shopper traffic fall off by mid-year 2007. Builders continue to cut back on production as contract cancellations increase and shopper traffic falls starting in mid-year 2007.

Single family permits drop to 2,700 in 2007 and fall further to 2,600 in 2008.

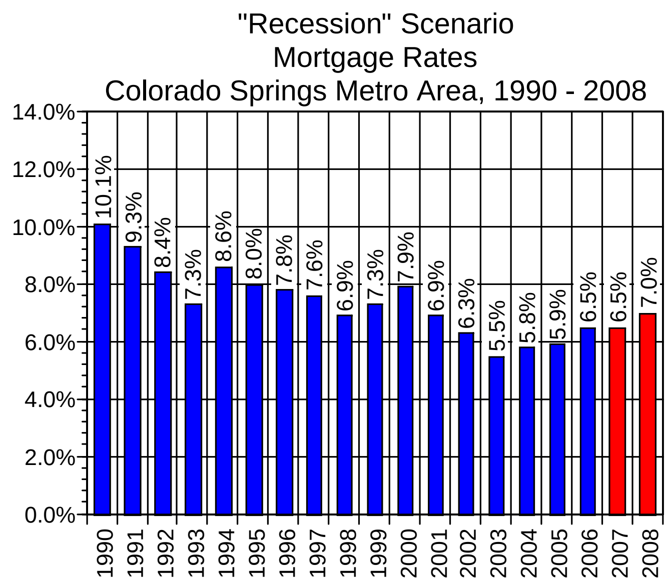
“Recession” Scenario



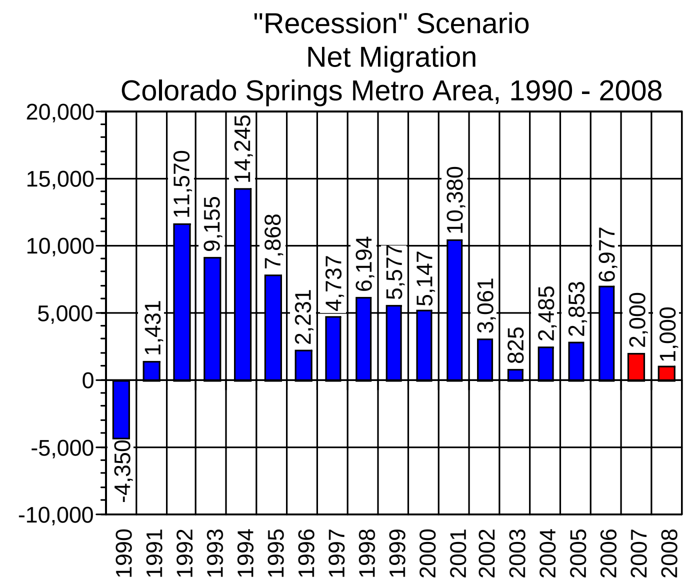
Source: Regional Building Department and David Bamberger & Associates.



Source: Colorado Department of Labor and Employment and David Bamberger & Associates.



Source: Federal Reserve Bank, various mortgage companies and David Bamberger & Associates.



Source: Colorado State Demographer and David Bamberger & Associates.

"Sustainable Growth" Scenario

This scenario illustrates how the US and Colorado Springs economies could remain on a path of sustained growth over the next two years.

US Economy

The Fed's action raising short term interest rates resulted in slowing down a heated housing market and dampening inflation, but did not push the national economy into recession.

Growth in US economic output slows only slightly in 2007, to 2.5%, but picks up in 2008 at a 3.5% annual rate. Employers add several million new workers to their payrolls each year in 2007 and 2008. Unemployment remains steady at less than 4.5% through 2008.

On the strength of positive economic news, the stock market's adventure into record territory continues into 2007 and 2008. The Dow Jones industrial average makes a steady climb and reaches a new record of 13,800 by mid-2008.

Global oil production increases to meet increased demand. Petroleum prices, which increased in the first half of 2007, start to fall at mid-year. By year-end 2007 the price of gasoline drops to $2.10 per gallon and remains steady throughout 2008.

Relatively strong demand for long term Treasury bonds and mortgage securities by foreign purchasers keeps bond prices up and yields down. The 10 year Treasury bond increases only slightly in 2007 to 4.9%. The rate for a 30 year fixed-rate mortgage remains low at 6.5% in 2007 and 2008.

Strong job growth and a tight labor market boosts wage increases. Personal income increases by 5 percent in 2007 and 2008. Inflation moderates to 2.8% in 2007 and 2008.

With a drop in energy prices, low interest rates, and rising incomes, consumers remain optimistic and continue to borrow and spend**.** Retail sales show strong growth.

The US economy stays afloat and remains on a path of sustained growth in 2007 and 2008.

"Sustainable Growth" Scenario (continued)

Colorado Springs Economy and Housing Market

The Colorado Springs economy follows the lead set by the US economy. Lower energy prices and interest rates, combined with strong job growth, keep local consumer spending strong in the 2nd half of 2007 and into 2008.

Expansion plans for Fort Carson and spending on defense contracts play out as expected. Construction at Fort Carson to accommodate troop increases is stepped up.

Local industry feels the impact of a growing US economy, stronger defense contract spending, and construction activity at Fort Carson. Job growth climbs to 4,900 in 2007 and 6,000 in 2008.

A strong economy and increases in troops on-the-ground at Fort Carson boosts net-migration to 4,000 per year in 2007 and 7,000 in 2008.

Forecasts -- "Sustainable Growth" Scenario
Single Family Permits, Mortgage Rates and Job Growth
Colorado Springs, 1990 - 2008

Year	Single Family Units	Mortgage Rate	Net Migration	Job Growth
1990	741	10.1%	-4,350	200
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2007 forecast	***3,000***	***6.5%***	***4,000***	***4,900***
2008 forecast	***4,000***	***6.5%***	***7,000***	***6,500***

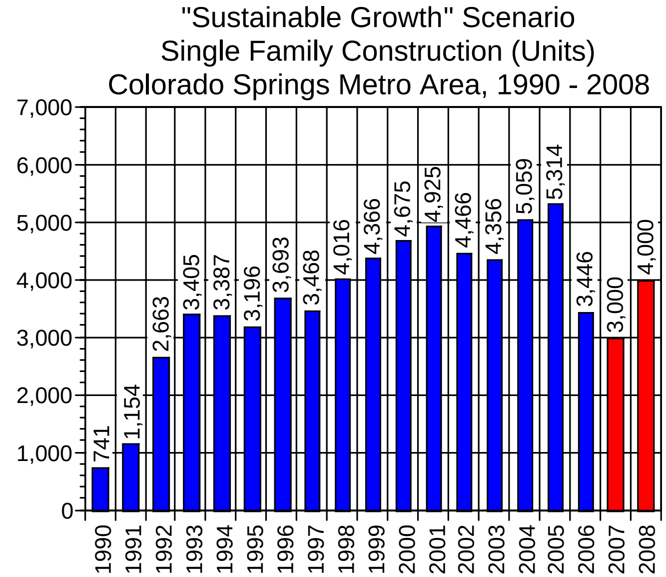
Source: David Bamberger & Associates.

Mortgage rates remain low at 6.5% throughout 2007 and 2008.

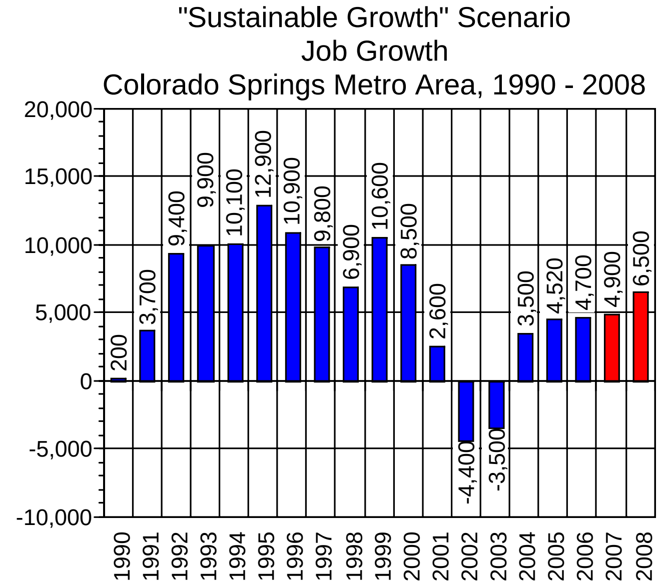
The Colorado Springs new home market gains considerable strength. Builders work through all of their excess inventories and buyer traffic picks up by mid-year 2007. To meet growing demand builders increase new home spec construction in the summer of 2007.

Job growth and military transfers bring new buyers into the market in the last half of 2007 and through 2008. Single family permits total 3,000 units in 2007, then, increase significantly to 4,000 units in 2008.

"Sustainable Growth" Scenario



Source: Regional Building Department and David Bamberger & Associates.



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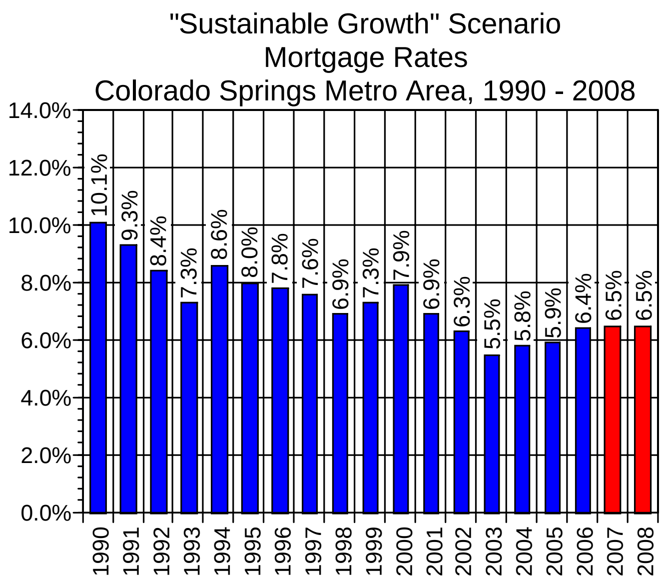
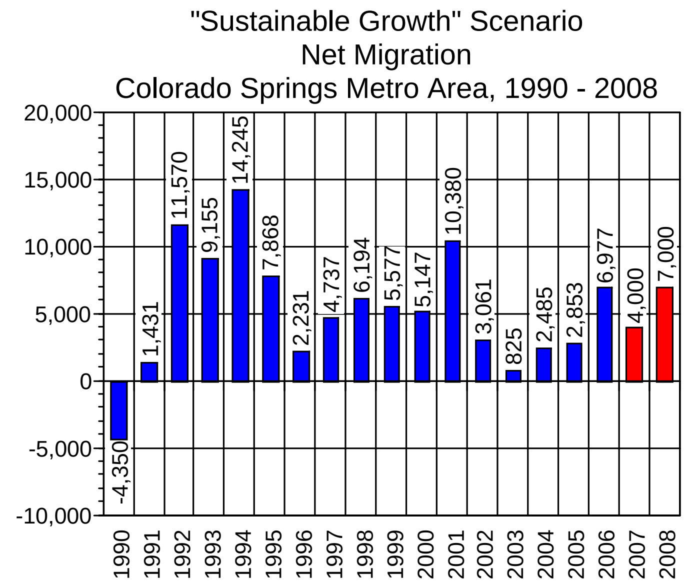


Source: Federal Reserve Bank, various mortgage companies and David Bamberger & Associates.



Source: Colorado State Demographer and David Bamberger & Associates.

Final Thoughts

Following two record years for production and sales, the Colorado Springs single family housing market moved into an inventory correction phase in 2006. Unsold inventories climbed as sales activity slowed and contract cancellations increased. The party ended in 2006.

Some financial pain was experienced in the homebuilding and industry in 2006. To clear their shelves of excess new homes, builders offered price discounts, free upgrades and special financing options. Many builders layed off workers and several of the national builders consolidated offices and moved administrative operations to Denver.

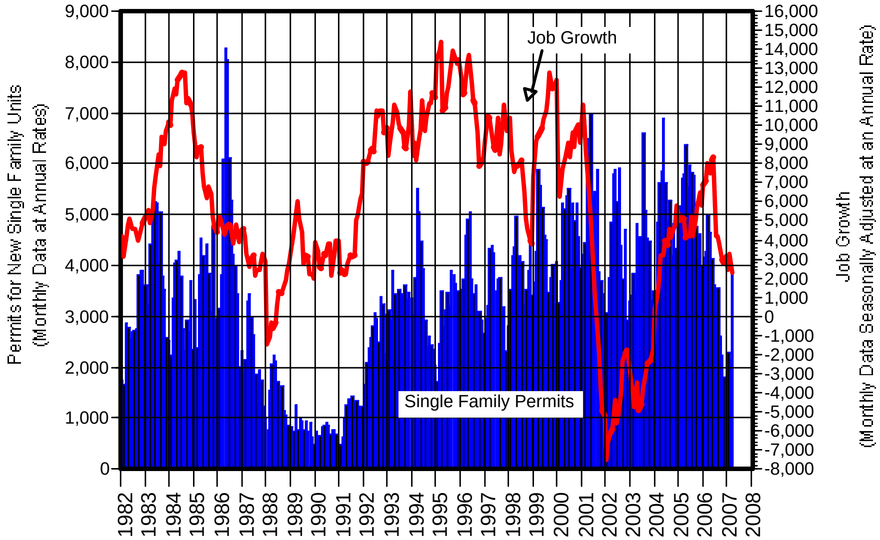
Today spec inventories in Colorado springs are close to normal. Traffic has picked up some and contract cancellation rates have dropped. **The question everybody is asking is….. Have we seen the bottom?**

The answer is…. probably, yes. The caution is there are a large number of resale homes currently on the market and resale home sales have continued to decline through the first quarter of 2007. Many of those sellers will be in the market for a new home as soon as they sell. So, keep your eyes on the resale market.

We estimate that about 2,500 new home buyers were borrowed from the future in 2004 and 2005. This means a slow-go for the home building industry through 2007 in Colorado Springs. The buyer pipeline will probably start filling again in late 2007 unless the U.S. economy tips into a recession. Then, the industry could see another slow-go year in 2008.

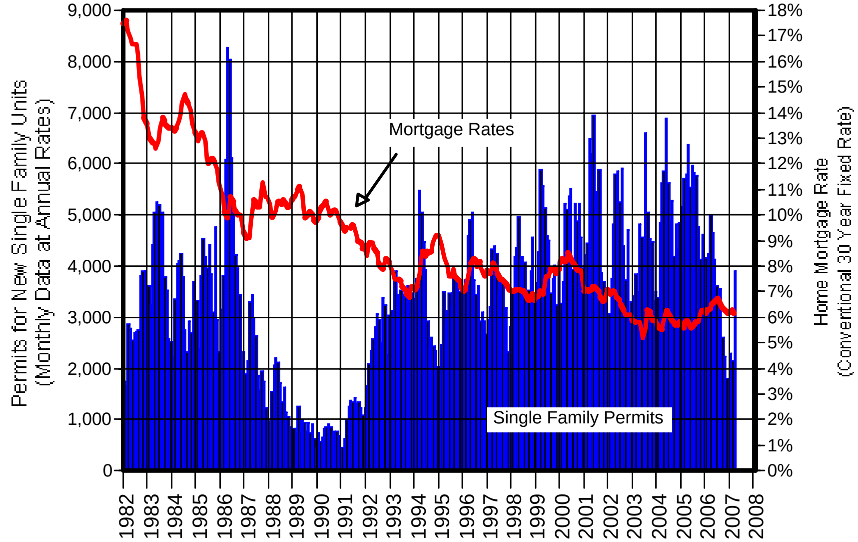
Attachments

Permits for New Single Family Units and Job Growth
Colorado Springs, January 1982 - March 2007

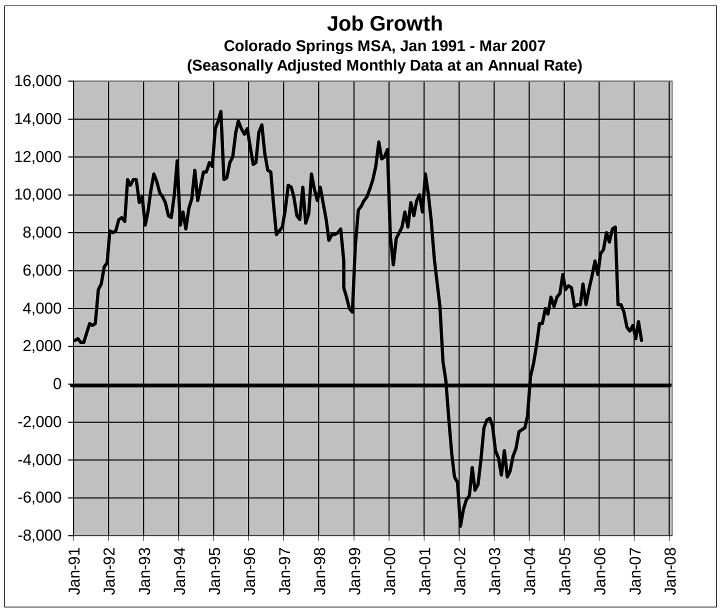


Source: Permits are from Regional Building Department. Employment is from the Colorado Department of Labor and Employment.

Permits for New Single Family Units and Home Mortgage Rates
Colorado Springs, January 1982 - March 2007

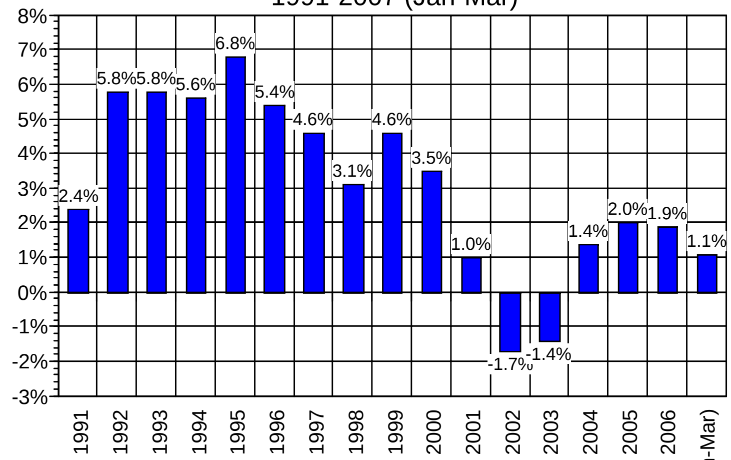


Source: Permits are from Regional Building Department. Mortgage rates are from Federal Reserve Bank and various mortgage companies.



Source: Colorado Department of Labor and Employment and David Bamberger & Associates

Rate of Growth of Jobs
Colorado Springs MSA
1991-2007 (Jan-Mar)



Source: Colorado Department of Labor and Employment.
Note: The Colorado Springs MSA includes El Paso and Teller Counties.
File: Job Growth %

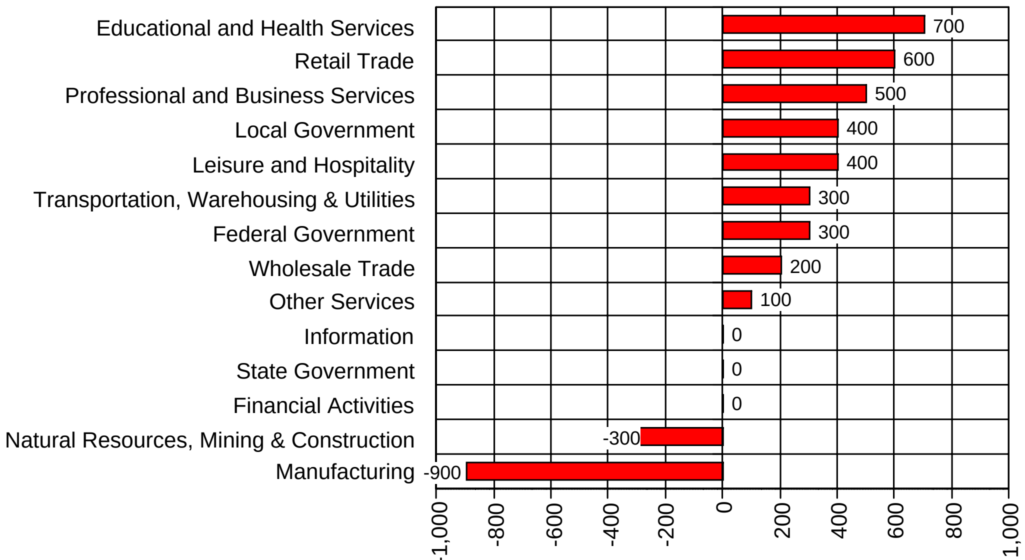
Nonagricultural Wage and Salary Employment by Industry

Colorado Springs MSA, March 2006 - March 2007

Industry	February 2006	February 2007	Change	% Change
Natural Resources, Mining & Construction	17,600	17,300	-300	-1.7%
Manufacturing	18,300	17,400	-900	-4.9%
Wholesale Trade	5,700	5,900	200	3.5%
Retail Trade	28,600	29,200	600	2.1%
Transportation, Warehousing & Utilities	5,100	5,400	300	5.9%
Information	8,100	8,100	0	0.0%
Financial Activities	18,300	18,300	0	0.0%
Professional and Business Services	39,300	39,800	500	1.3%
Educational and Health Services	25,500	26,200	700	2.7%
Leisure and Hospitality	29,800	30,200	400	1.3%
Other Services	14,800	14,900	100	0.7%
Federal Government	10,800	11,100	300	2.8%
State Government	4,200	4,200	0	0.0%
Local Government	29,900	30,300	400	1.3%
Total Wage and Salary Employment	256,000	258,300	2,300	0.9%

Source: Colorado Department of Labor and Employment. File: Industry Employment.

Wage and Salary Job Growth by Industry
Colorado Springs, March 2006 - March 2007



Source: Colorado Department of Labor and Employment.

Fort Carson Unit Status and Expected Unit Transition 2010

April 2007

Unit (Today)	Headquarters 4th Infantry Division	1st Brigade Combat Team 4th Infantry Division	Provisional 4th Infantry Division Brigade (3rd ACR)	3rd Heavy Brigade Combat Team 4th Infantry Division	2nd Brigade Combat Team 2nd Infantry Division	43rd Area Support Group	10th Special Forces Group	Other Units - Installation Management, First Army - West (Training) and others
Notes	Assigned to Fort Hood - Some troops moved to Fort Carson in 3rd qtr 06. Unit will be deployed to Iraq in the 3rd qtr of 07. Will arrive at Fort Carson 4th qtr of 08.	Assigned to Fort Hood. Will deploy to Iraq in 1st qtr of 08. Will restation to Fort Carson in the 2nd qtr of 09.	Some troops are already assigned to Fort Carson. Remaining troops assigned to Fort Hood. Fort Hood troops will move to Fort Carson in the 2nd qtr of 07.	Assigned to Fort Carson. Currently at Fort Carson. Scheduled to deploy to Iraq 3rd qtr of 2007. Return 1st qtr 08	Assigned to Fort Carson. Deployed to Iraq 3rd qtr 2006. Will return to Fort Carson in the 1st qtr of 2008 and will be redesignated as the 4th BCT of the 4th Infantry Division	Assigned to Fort Carson. Will be redesignated as a Sustainment Brigade of the 4th Infantry Division	Assigned to Fort Carson. Unknown number of troops deployed at any given time.	Assigned to Fort Carson
Transition	New	New	Incorporated into	Remains	Incorporated into	Incorporated into	Remains Support Battalion 500 troops added in 2009	Some expansion in number of troops
Unit (Future)	**Headquarters 4th Infantry Division**	**1st Brigade Combat Team 4th Infantry Division**	**2nd Brigade Combat Team 4th Infantry Division**	**3rd Heavy Brigade Combat Team 4th Infantry Division**	**4th Brigade Combat Team 4th Infantry Division**	**Sustainment Brigade**	**10th Special Forces Group**	**Other Units - Installation Management, First Army - West (Training) and others**

Source: David Bamberger & Associates from various military and local sources. File Fort Carson Ramp-up

Troops Assigned to Fort Carson

April 2007

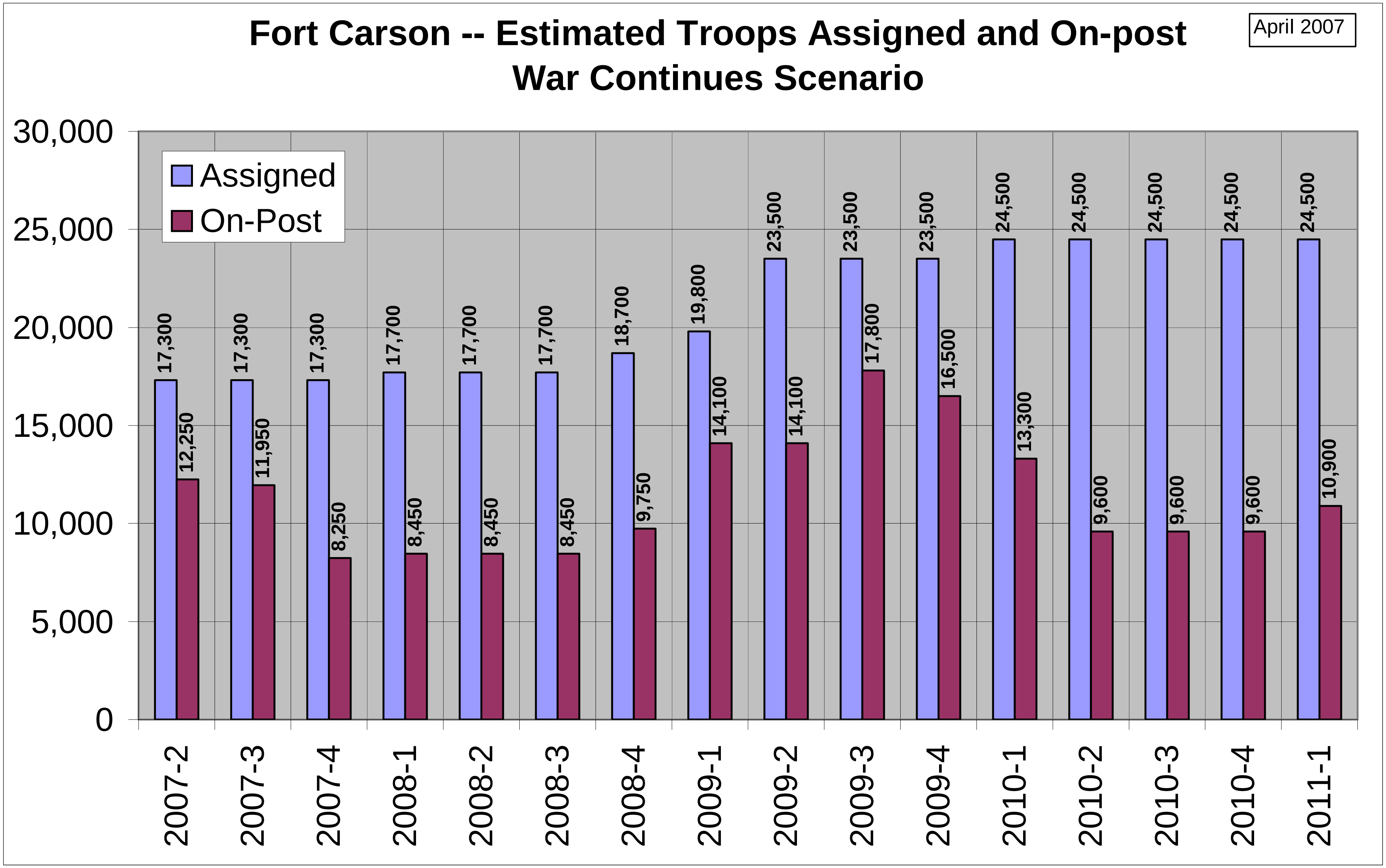
Year-Qtr	HQ 4ID	1BCT 4ID	2BCT 4ID	3HBCT 4ID	4BCT 4ID	43ASG / SB	10th SFG	Other	Assigned Total	Assigned Change
2007-1	**300**		**2,700**	**3,700**	**3,700**	**1,200**	**1,500**	**3,200**	**16,300**	**-**
2007-2	300		3,700	3,700	3,700	1,200	1,500	3,200	17,300	1,000
2007-3	300		3,700	3,700	3,700	1,200	1,500	3,200	17,300	0
2007-4	300		3,700	3,700	3,700	1,200	1,500	3,200	17,300	0
2008-1	**300**		**3,700**	**3,700**	**3,700**	**1,600**	**1,500**	**3,200**	**17,700**	**400**
2008-2	300		3,700	3,700	3,700	1,600	1,500	3,200	17,700	0
2008-3	300		3,700	3,700	3,700	1,600	1,500	3,200	17,700	0
2008-4	1,300		3,700	3,700	3,700	1,600	1,500	3,200	18,700	1,000
2009-1	**1,300**		**3,700**	**3,700**	**3,700**	**2,000**	**2,000**	**3,400**	**19,800**	**1,100**
2009-2	1,300	3,700	3,700	3,700	3,700	2,000	2,000	3,400	23,500	3,700
2009-3	1,300	3,700	3,700	3,700	3,700	2,000	2,000	3,400	23,500	0
2009-4	1,300	3,700	3,700	3,700	3,700	2,000	2,000	3,400	23,500	0
2010-1	**1,300**	**3,700**	**3,700**	**3,700**	**3,700**	**3,000**	**2,000**	**3,400**	**24,500**	**1,000**
2010-2	1,300	3,700	3,700	3,700	3,700	3,000	2,000	3,400	24,500	0
2010-3	1,300	3,700	3,700	3,700	3,700	3,000	2,000	3,400	24,500	0
2010-4	1,300	3,700	3,700	3,700	3,700	3,000	2,000	3,400	24,500	0
2011-1	**1,300**	**3,700**	**3,700**	**3,700**	**3,700**	**3,000**	**2,000**	**3,400**	**24,500**	**0**

Troops On-the-Ground at Fort Carson (Assumes 5 quarter deployments and 4 quarter restations)

April 2007

Year-Qtr	HQ 4ID	1BCT 4ID	2BCT 4ID	3HBCT 4ID	4BCT 4ID	43ASG / SB	10th SFG	Other	On-Post Total	On-Post Change
2007-1	**300**		**2,700**	**3,700**		**600**	**750**	**3,200**	**11,250**	**-**
2007-2	300		3,700	3,700	0	600	750	3,200	12,250	1,000
2007-3	0		3,700	3,700	0	600	750	3,200	11,950	-300
2007-4	0		3,700	0	0	600	750	3,200	8,250	-3,700
2008-1	**0**		**3,700**	**0**	**0**	**800**	**750**	**3,200**	**8,450**	**200**
2008-2	0		0	0	3,700	800	750	3,200	8,450	0
2008-3	0		0	0	3,700	800	750	3,200	8,450	0
2008-4	1,300		0	0	3,700	800	750	3,200	9,750	1,300
2009-1	**1,300**		**0**	**3,700**	**3,700**	**1,000**	**1,000**	**3,400**	**14,100**	**4,350**
2009-2	1,300	3,700	0	3,700	0	1,000	1,000	3,400	14,100	0
2009-3	1,300	3,700	3,700	3,700	0	1,000	1,000	3,400	17,800	3,700
2009-4	0	3,700	3,700	3,700	0	1,000	1,000	3,400	16,500	-1,300
2010-1	**0**	**3,700**	**3,700**	**0**	**0**	**1,500**	**1,000**	**3,400**	**13,300**	**-3,200**
2010-2	0	0	3,700	0	0	1,500	1,000	3,400	9,600	-3,700
2010-3	0	0	0	0	3,700	1,500	1,000	3,400	9,600	0
2010-4	0	0	0	0	3,700	1,500	1,000	3,400	9,600	0
2011-1	**1,300**	**0**	**0**	**0**	**3,700**	**1,500**	**1,000**	**3,400**	**10,900**	**1,300**

Source: David Bamberger & Associates from various military and local sources. File Fort Carson Ramp-up



Source: David Bamberger & Associates from various military and local sources. File Fort Carson Ramp-up

Announced New Primary Jobs
Economic Development Corporation Assisted Projects, 2006 - 2007 (Jan-Apr)

Company	Jobs Announced	Type of Business
2006 Announced Primary Jobs		
Community Bible Study	35	Headquarters / Non-Profit Association– Headquarters operations
dpiX, LLC	125	Manufacturing – Flat panel technology
Bal Seal Engineering	115	Manufacturing – Medical-laboratory instrumentation
Oceania Cruise Lines	25	Customer Service – Cruise center reservations and disaster recovery center
T.Rowe Price Associates, Inc.	650	Information Processing - Financial Services
Accounts Receivable Management, Inc.	100	Information Processing - 3rd party collection agency
Aerospace Corporation, The	12	Aerospace / Defense - Software
Unnamed	60	Research & Development – Disc drives
Ford Credit Regional Service Center	250	Information Processing - Financial Services
Glassical Designs, Inc.	10	Headquarters / Manufacturing – Corporate Crystal and Glass Awards
CareCore National	95	Healthcare Customer Service – Diagnostic Imaging Services
Vincera, Inc.	40	Software Information – Document Software Technology
Pantel Systems, Inc.	20	Software Information – Digital Advertising Signs
PRC	550	Information Processing – 3rd Party Customer Service
Total	**2,087**	
2007 (Jan-Apr) Announced Primary Jobs		
Spectranetics	300	Medical Manufacturing - Medical Lasers
Coast IRB	180	Biotechnology - Pharmaceutical Independent Review Board
FedEx Services Corporation	105	Information Technology – Data Center
Term 101	18	Other Office - Term Life Insurance
Quantum Corporation	90	Manufacturing - Tape Drive Manufacturer
Total	**693**	

Source: EDC

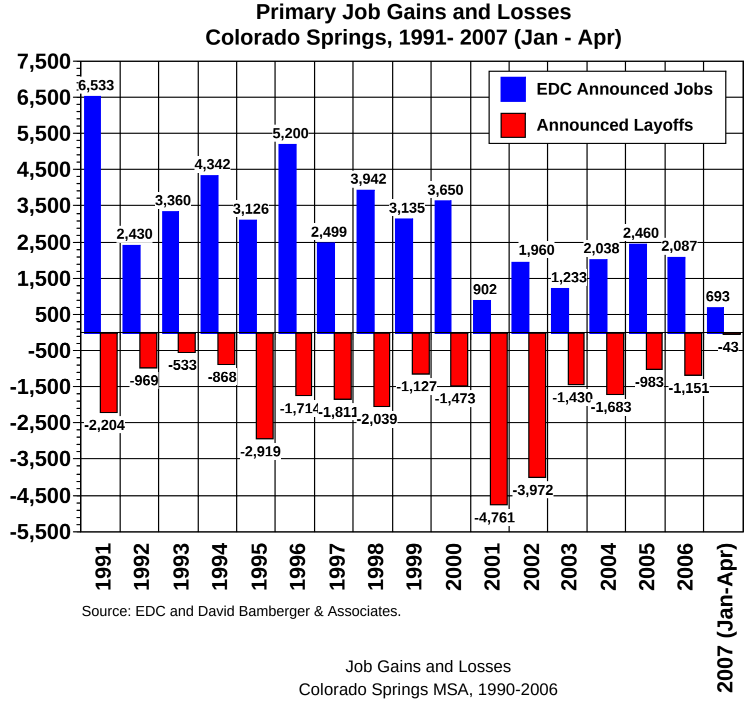
File: EDC - Ann + Layoffs 06-07

Announced Layoffs
Colorado Springs Metro Area, 2005- 2006 (Jan-Apr)

Company / Organization	Line of Business	Industry Sector	Employees Announced for Layoffs	High-Tech	Close Local Operation
2006 Announced Layoffs					
Current USA Inc.	Printing Operations	Direct marketing check printing	25	No	No
Current USA Inc.	Customer Service / Printing Operations	Direct marketing check printing	10	No	No
Kidde Residential & Commercial, Inc.	Manufacture Fire and Safety Products	Electronic equipment manufacturing	45	No	Yes Mfg.
Bank of America	Customer Service / Call Center	Financial services	670	NO	Yes
Sanmina-SCI	Electronic Component Maker	Electronic equipment manufacturing	77	Yes	No
United Airlines	Airline Crew / Ground Operations	Air Transportation	65	NO	No
Sun Microsystems	Data Storage	Electronic equipment manufacturing	4	Yes	No
Safetran Traffic Systems	Manufacturing of traffic control signal controllers and cabinets	Electronic equipment manufacturing	50	Yes	Yes
Wells Fargo Consumer Credit Group	Customer Fulfillment	Financial services	76	NO	Yes
Farmers Insurance Group	Customer Service	Insurance	96	NO	No
Precision Wave	Electronic Test Equipment	Electronic equipment manufacturing	7	Yes	No
Atmel	Semiconductor Fabrication	Electronic equipment manufacturing	26	Yes	No
		Total	**1,151**	**14%**	**73%**
2007 Announced Layoffs (Jan - Apr)					
Precision Wave	Electronic Test Equipment	Electronic equipment manufacturing	7	Yes	Yes
Xanthus Higher Education Loan Program	Student loan consolidator	Financial Services	30	No	Yes
Billards Congress of America	National Governing Body for billiards	Sports	6	No	Yes
		Total	**43**	**0%**	**100%**

Source: EDC

File: EDC - Ann + Layoffs 06-07



Source: EDC and David Bamberger & Associates.

Job Gains and Losses
Colorado Springs MSA, 1990-2006

Year	Total Wage and Salary Jobs	Change in Wage and Salary Jobs	% Change in Wage and Salary Jobs	Total EDC Announced Jobs	Announced Job Layoffs	Net Announced EDC Jobs and Layoffs
1990	157,000					
1991	160,700	3,700	2.4%	6,533	2,204	4,329
1992	170,100	9,400	5.8%	2,430	969	1,461
1993	180,000	9,900	5.8%	3,360	533	2,827
1994	190,100	10,100	5.6%	4,342	868	3,474
1995	203,000	12,900	6.8%	3,126	2,919	207
1996	213,900	10,900	5.4%	5,200	1,714	3,486
1997	223,700	9,800	4.6%	2,499	1,811	688
1998	230,600	6,900	3.1%	3,942	2,039	1,903
1999	241,200	10,600	4.6%	3,135	1,127	2,008
2000	249,700	8,500	3.5%	3,650	1,473	2,177
2001	252,300	2,600	1.0%	902	4,761	-3,859
2002	247,900	-4,400	-1.7%	1,960	3,972	-2,012
2003	244,400	-3,500	-1.4%	1,233	1,430	-197
2004	247,900	3,500	1.4%	2,038	1,683	355
2005	252,900	5,000	2.0%	2,460	983	1,477
2006	258,500	4,800	1.9%	2,087	1,151	936
Total		100,700		48,897	29,637	19,260
Annual Average		6,294	3.2%	3,056	1,852	1,204

Source: Colorado Department of Labor and Employment, the Gazette and the Economic Development Corporation.

Note: Data for 2006 includes January - October 2006.

Note: The Colorado Springs MSA includes El Paso and Teller Counties.

KEY ECONOMIC INDICATORS
COLORADO SPRINGS, 2001 to 2007 1st Qtr.)

Indicator	2001	2002	2003	2004	2005	2006	2007 1st Qtr
Wage and Salary Employment (% Change)	1.0%	-1.7%	-1.4%	1.4%	2.0%	1.9%	1.1%
Announced Primary Job Layoffs	4,761	3,572	1,123	1,683	983	1,011	43
EDC Announced New Primary Jobs	902	1,960	1,233	2,038	2,460	1,522	693
New Car and Truck Sales (% Change)	-3.5%	-1.5%	-8.0%	7.2%	0.5%	-5.8%	5.6%
For-Sale Residential Construction (% Change)	5.2%	-4.7%	-1.3%	20.3%	8.3%	-28.4%	-69.7%
Colorado Springs Taxable Retail Sales (% Change)	3.0%	-3.0%	-1.3%	7.7%	2.7%	3.2%	0.1%
Unemployment Rate (%)	4.4%	6.4%	6.4%	5.7%	5.3%	4.9%	4.6%
Apartment Vacancy 1st Qtr. (%)	2.8%	9.1%	12.7%	12.3%	12.7%	10.6%	10.6%

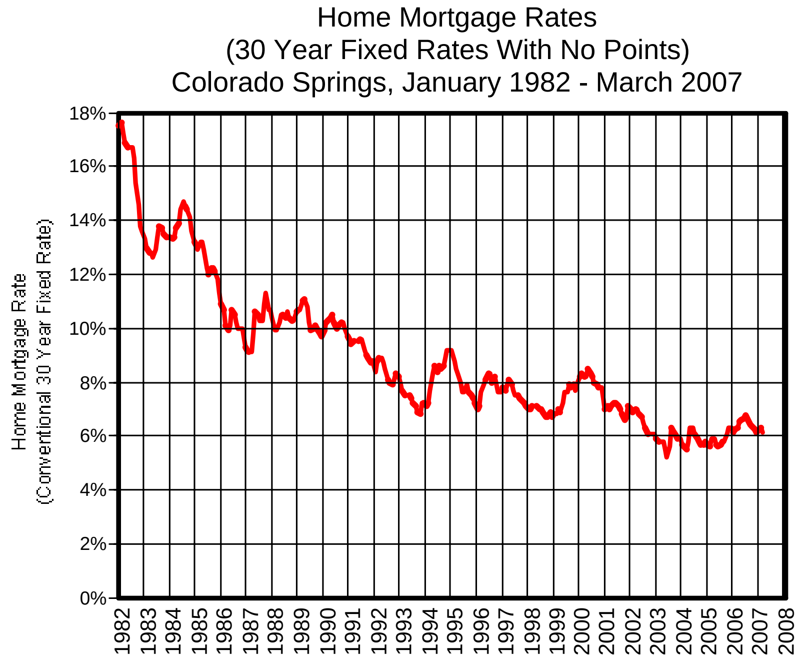
Source: Various published sources. File: Indicators 2007 Q1

Components of Population Growth
Colorado Springs Metro Area, 1970-2006

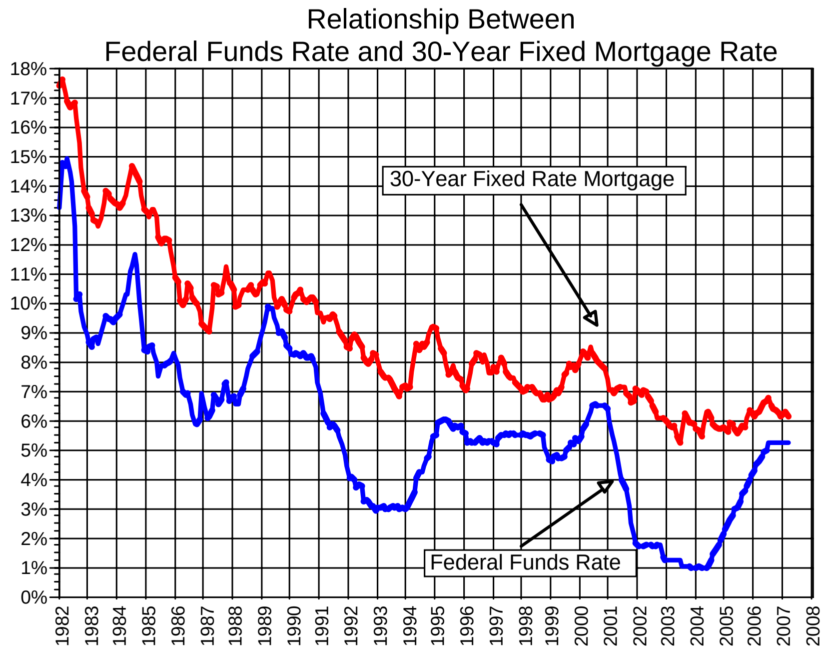
Year	Population	Change	Annual Percent Change	Births	Deaths	Natural Increase	Net Migration
Decade							
1970	240,100						
1980	312,600	72,500	2.7%	56,324	15,748	40,576	31,924
1990	397,500	84,900	2.4%	69,412	19,009	50,403	34,497
2000	519,348	121,848	2.7%	76,506	24,591	51,915	69,933
Annual							
2001	535,074	15,726	3.0%	8,359	3,013	5,346	10,380
2002	543,708	8,634	1.6%	8,712	3,139	5,573	3,061
2003	549,745	6,037	1.2%	8,437	3,225	5,212	825
2004	557,083	7,338	1.4%	8,246	3,393	4,853	2,485
2005	564,857	7,774	1.4%	8,184	3,263	4,921	2,853
2006	576,884	12,027	2.1%	8,370	3,320	5,050	6,977
Totals							
Totals		336,784		252,550	78,701	173,849	162,935
Percent		100%				52%	48%

Source: Bureau of the Census File: Population Growth

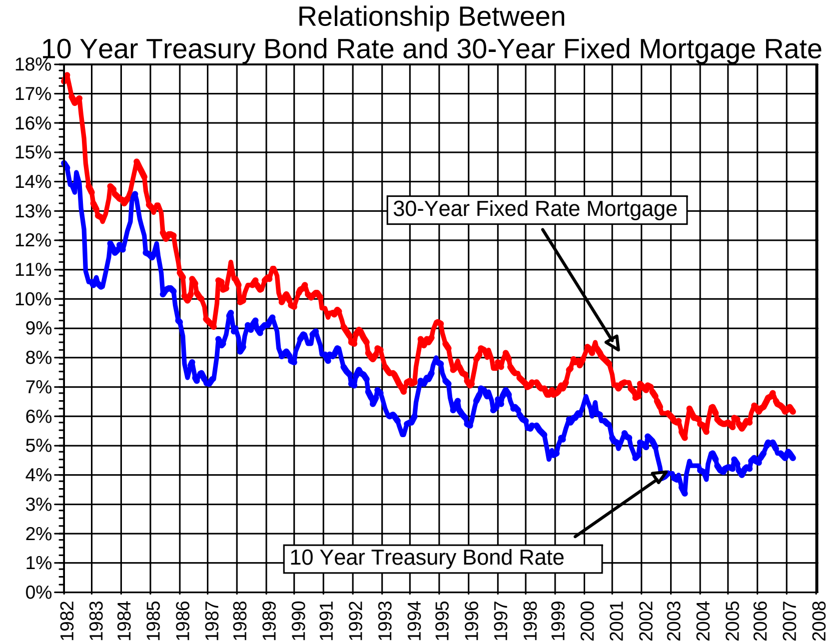
Note: Population for 1970 - 2000 is April 1. Population for 2001-2006 is July 1.



Source: Federal Reserve Bank and various mortgage companies.



Source: Federal Reserve Bank.



Source: Federal Reserve Bank.

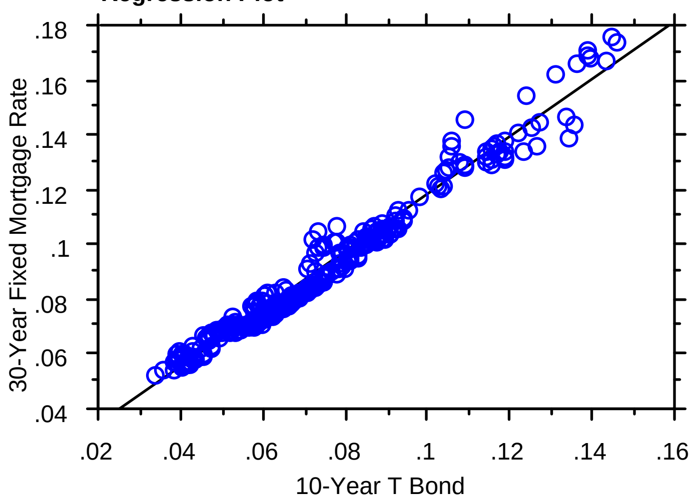
Regression Summary
30-Year Fixed Mortgage Rate vs. 2 Independents

Count	284
Num. Missing	0
R	.987
R Squared	.975
Adjusted R Squared	.975
RMS Residual	.004

Regression Coefficients
30-Year Fixed Mortgage Rate vs. 2 Independents

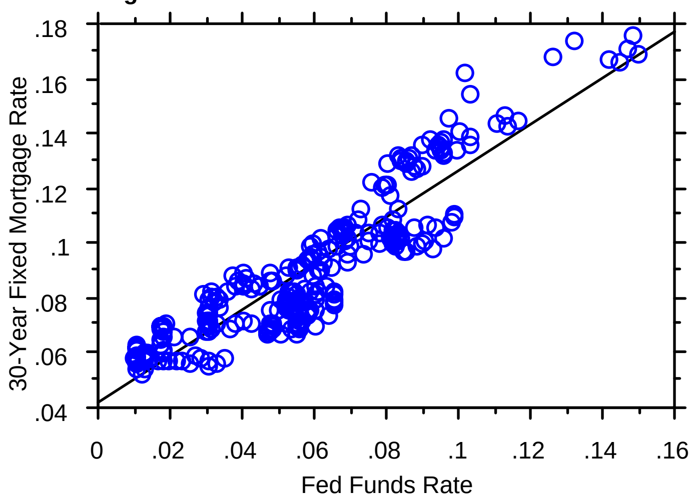
	Coefficient	Std. Error	Std. Coeff.	t-Value	P-Value
Intercept	.015	.001	.015	18.060	<.0001
10-Year T Bond	.952	.023	.897	41.494	<.0001
Fed Funds Rate	.093	.020	.100	4.613	<.0001

Regression Plot



Y = .014 + 1.047 * X; R^2 = .973

Regression Plot



Y = .042 + .843 * X; R^2 = .82

New Housing Permits Issued (Housing Units)
Colorado Springs Metro Area, 1999-2007 (Jan-Mar)

	1999	2000	2001	2002	2003	2004	2005	2006	2007 (Jan-Mar)
Units Permitted									
New Single Family Housing (Detached)	4,366	4,675	4,925	4,466	4,356	5,059	5,314	3,446	635
New Town Houses (Attached)	221	301	327	440	477	715	927	681	122
New Duplex	14	12	6	32	39	26	33	20	4
New Condominiums	192	149	145	212	211	316	349	192	57
New Three and Four Family Buildings	80	44	82	54	22	8	4	15	0
New Five or More Family Buildings	1,068	1,105	1,626	1,609	197	352	127	65	0
Total	5,941	6,286	7,111	6,813	5,302	6,476	6,754	4,419	818
Share of Total									
New Single Family Housing (Detached)	73.5%	74.4%	69.3%	65.6%	82.2%	78.1%	78.7%	78.0%	77.6%
New Town Houses (Attached)	3.7%	4.8%	4.6%	6.5%	9.0%	11.0%	13.7%	15.4%	14.9%
New Duplex	0.2%	0.2%	0.1%	0.5%	0.7%	0.4%	0.5%	0.5%	0.5%
New Condominiums	3.2%	2.4%	2.0%	3.1%	4.0%	4.9%	5.2%	4.3%	7.0%
New Three and Four Family Buildings	1.3%	0.7%	1.2%	0.8%	0.4%	0.1%	0.1%	0.3%	0.0%
New Five or More Family Buildings	18.0%	17.6%	22.9%	23.6%	3.7%	5.4%	1.9%	1.5%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

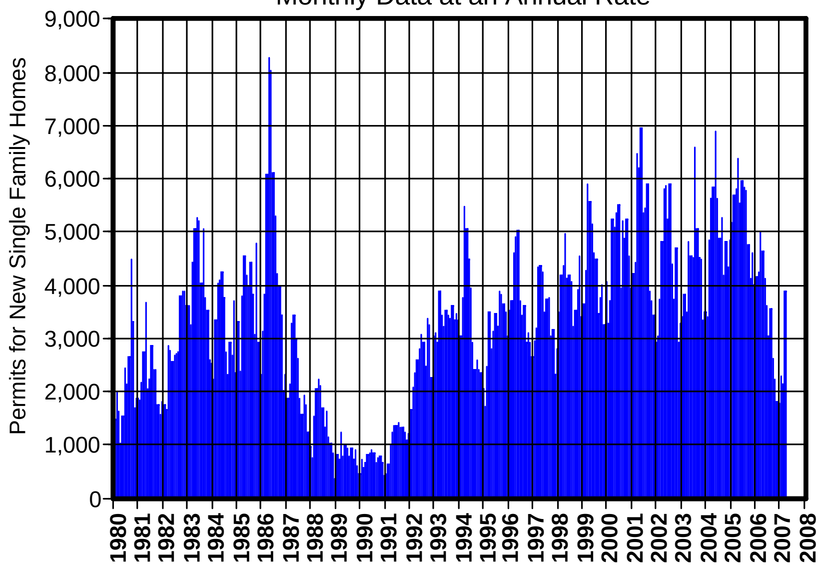
Source: Regional Building Department. File: Permits by Type

Housing Permits (Units)
Colorado Springs Metro Area, 1990-2007 (Jan-Mar)

Year	Single Family Units	Multi-Family Units	Total Units
1990	741	308	1,049
1991	1,154	78	1,232
1992	2,663	192	2,855
1993	3,405	305	3,710
1994	3,387	268	3,655
1995	3,196	1,562	4,758
1996	3,693	1,633	5,326
1997	3,468	1,339	4,807
1998	4,016	1,198	5,214
1999	4,366	1,575	5,941
2000	4,675	1,611	6,286
2001	4,925	2,186	7,111
2002	4,466	2,347	6,813
2003	4,356	946	5,302
2004	5,059	1,358	6,417
2005	5,314	1,440	6,754
2006	3,446	973	4,419
2007 (Jan-Mar)	635	183	818

Source: Regional Building Department. File Housing Time Series

Permits for New Single Family Homes
Colorado Springs Metro Area
January 1980 - March 2007
Monthly Data at an Annual Rate



Source: Regional Building Department

Mortgage Loans Home Purchase and Refinance
Estimated By Type of Loan
Colorado Springs Metro Area, 2003-2006

	Interest Only Loans					
	Purchase		Refinance		Total	
Year	US	Colorado Springs	US	Colorado Springs	US	Colorado Springs
2003	13.3%	8.3%	8.6%	9.8%	10.2%	9.3%
2004	29.8%	35.4%	17.0%	29.2%	22.8%	32.3%
2005	32.5%	46.5%	19.9%	31.8%	26.0%	39.9%
2006	27.5%	35.3%	16.7%	19.3%	22.0%	27.7%

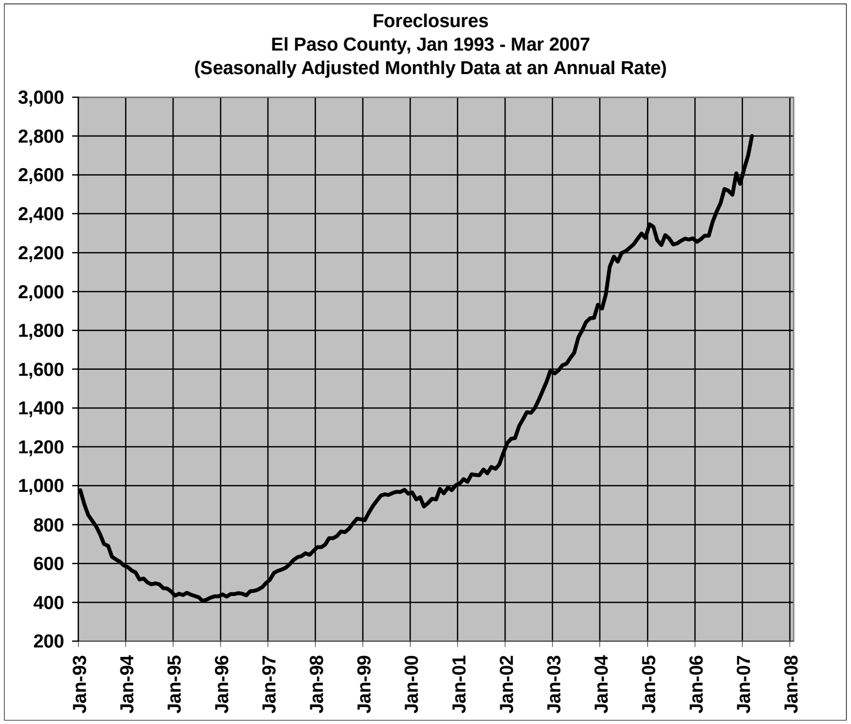
	Negative Amortization Loans					
	Purchase		Refinance		Total	
Year	US	Colorado Springs	US	Colorado Springs	US	Colorado Springs
2003	0.3%	0.1%	0.5%	0.6%	0.4%	0.4%
2004	3.0%	1.7%	4.5%	4.9%	3.8%	3.3%
2005	6.8%	3.1%	10.9%	8.5%	8.9%	5.5%
2006	6.6%	4.3%	15.4%	8.8%	11.1%	6.4%

Source: First American LoanPerformance File: Mortgage Type Data

Investor and 2nd Home Purchases
Colorado Springs Metro Area, 1999-2006

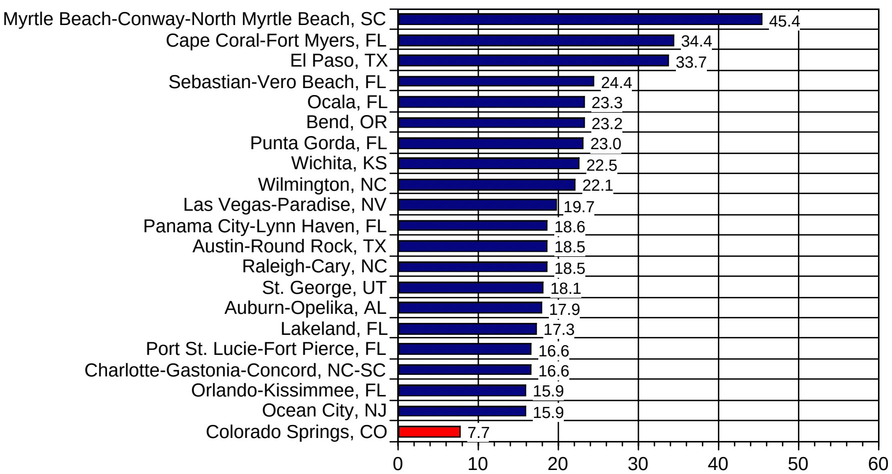
	Investor Purchases		2nd Home Purchases	
Year	US	Colorado Springs	US	Colorado Springs
1999	6.17%	6.56%	2.01%	0.80%
2000	5.47%	6.29%	2.10%	0.87%
2001	5.73%	7.27%	2.17%	0.79%
2002	6.50%	8.18%	3.21%	1.22%
2003	7.02%	8.06%	4.67%	2.06%
2004	8.48%	9.30%	5.89%	2.46%
2005	9.62%	9.86%	7.41%	4.03%
2006	8.10%	9.31%	6.89%	3.94%

Source: First American LoanPerformance File: Mortgage Type Data



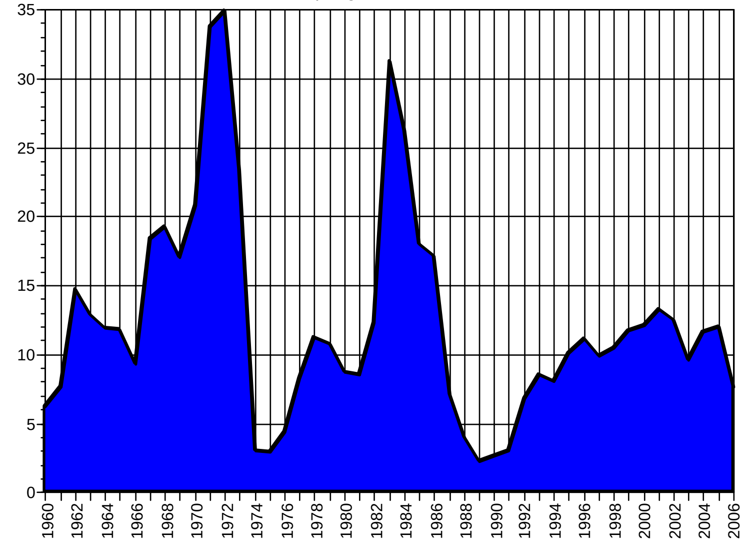
Source: El Paso County Trustee and David Bamberger & Associates

How Colorado Springs Compares to the Top 20 U.S. Housing Markets
Housing Starts per 1,000 Population, 2006



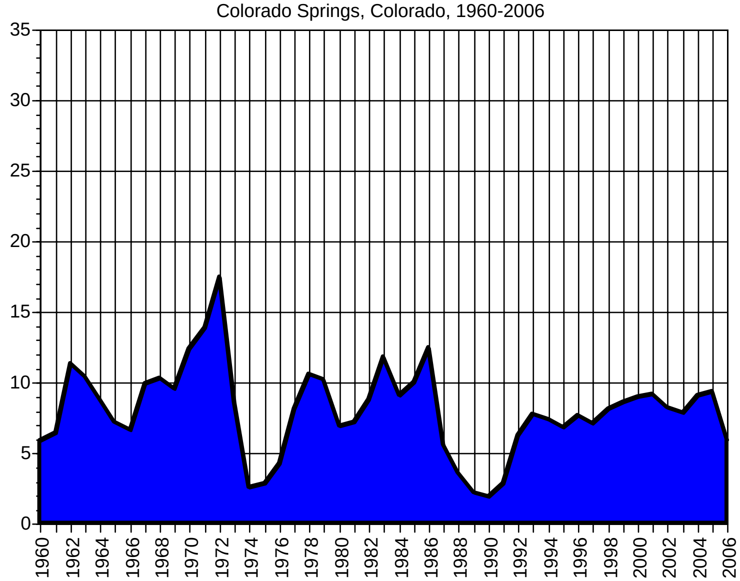
Source: US Bureau of the Census and David Bamberger & Associates

Total Housing Starts (In Units) Per 1,000 Population
Colorado Springs, Colorado, 1960-2006



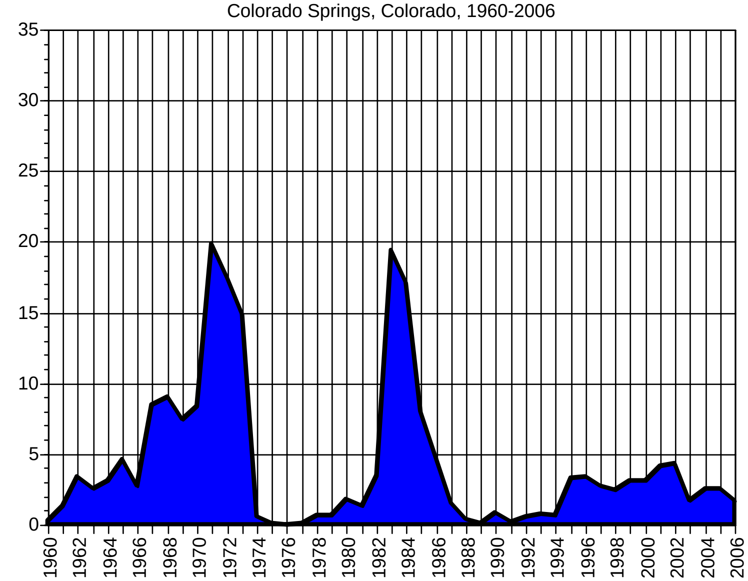
Source: David Bamberger & Associates, Regional Building Department, Bureau of the Census and PPACG.

Single Family Housing Starts (In Units) Per 1,000 Population
Colorado Springs, Colorado, 1960-2006



Source: David Bamberger & Associates, Regional Building Department, Bureau of the Census and PPACG.

Multi-Family Housing Starts (In Units) Per 1,000 Population
Colorado Springs, Colorado, 1960-2006



Source: David Bamberger & Associates, Regional Building Department, Bureau of the Census and PPACG.

HOUSING CONSTRUCTION (UNITS) AND POPULATION
COLORADO SPRINGS METRO AREA, 1960-2006

Year	Single Family Units	Multi-Family Units	Total Units	Population	Single Family Units per 1,000 Population	Multi-Family Units per 1,000 Population	Total Units per 1,000 Population
1960	855	39	894	143,700	5.9	0.3	6.2
1961	943	194	1,137	148,500	6.4	1.3	7.7
1962	1,728	521	2,249	153,500	11.3	3.4	14.7
1963	1,683	402	2,085	162,000	10.4	2.5	12.9
1964	1,594	564	2,158	181,600	8.8	3.1	11.9
1965	1,316	843	2,159	183,500	7.2	4.6	11.8
1966	1,283	520	1,803	194,000	6.6	2.7	9.3
1967	2,091	1,790	3,881	211,000	9.9	8.5	18.4
1968	2,304	2,017	4,321	223,900	10.3	9.0	19.3
1969	2,202	1,695	3,897	229,500	9.6	7.4	17.0
1970	2,915	1,989	4,904	236,000	12.4	8.4	20.8
1971	3,478	5,003	8,481	251,000	13.9	19.9	33.8
1972	4,731	4,717	9,448	270,900	17.5	17.4	34.9
1973	2,440	4,245	6,685	285,200	8.6	14.9	23.4
1974	738	138	876	287,600	2.6	0.5	3.0
1975	827	20	847	288,900	2.9	0.1	2.9
1976	1,267	8	1,275	292,600	4.3	0.0	4.4
1977	2,451	28	2,479	302,700	8.1	0.1	8.2
1978	3,264	185	3,449	307,300	10.6	0.6	11.2
1979	3,145	181	3,326	308,900	10.2	0.6	10.8
1980	2,150	566	2,716	313,700	6.9	1.8	8.7
1981	2,307	430	2,737	322,200	7.2	1.3	8.5
1982	2,923	1,161	4,084	331,800	8.8	3.5	12.3
1983	4,040	6,636	10,676	341,900	11.8	19.4	31.2
1984	3,218	6,086	9,304	355,100	9.1	17.1	26.2
1985	3,640	2,922	6,562	363,600	10.0	8.0	18.0
1986	4,688	1,741	6,429	375,900	12.5	4.6	17.1
1987	2,170	575	2,745	384,800	5.6	1.5	7.1
1988	1,410	158	1,568	388,700	3.6	0.4	4.0
1989	844	33	877	392,000	2.2	0.1	2.2
1990	741	308	1,049	397,491	1.9	0.8	2.6
1991	1,154	78	1,232	404,419	2.9	0.2	3.0
1992	2,663	192	2,855	422,062	6.3	0.5	6.8
1993	3,405	305	3,710	437,105	7.8	0.7	8.5
1994	3,387	268	3,655	457,150	7.4	0.6	8.0
1995	3,196	1,562	4,758	469,757	6.8	3.3	10.1
1996	3,693	1,633	5,326	478,381	7.7	3.4	11.1
1997	3,468	1,339	4,807	486,934	7.1	2.7	9.9
1998	4,016	1,198	5,214	498,062	8.1	2.4	10.5
1999	4,366	1,575	5,941	509,044	8.6	3.1	11.7
2000	4,675	1,611	6,286	519,326	9.0	3.1	12.1
2001	4,925	2,186	7,111	535,074	9.2	4.1	13.3
2002	4,466	2,347	6,813	543,708	8.2	4.3	12.5
2003	4,356	946	5,302	549,745	7.9	1.7	9.6
2004	5,059	1,417	6,476	557,083	9.1	2.5	11.6
2005	5,314	1,440	6,754	564,857	9.4	2.5	12.0
2006	3,446	973	4,419	576,884	6.0	1.7	7.7
Average	2,787	1,378	4,165		8.1	4.3	12.3

Source: Regional Building Department, PPACG, Bureau of the Census and David Bamberger & Associates.

Note: Population data is for July. File: Housing Time Series

Single Family New Home Market Performance, Colorado Springs Metro Area,1st Quarter 2007										
			Under Construction April 1, 2007			Finished Inventory April 1, 2007				
Price Range	Annual Starts April 2006 to March 2007	Annual Closings April 2006 to March 2007	Unsold Specs	Presales Under Contract	Total	Unsold Specs	Presales Under Contract	Total Finished Inventory	Models	Total Finished Inventory Including Models
Less than $249,999	1,165	1,481	69	182	251	95	157	252	80	584
$250,000 to $299,000	552	759	28	113	140	33	84	117	42	276
$300,000 to $349,999	391	552	31	57	88	20	62	82	36	200
$350,000 to $399,999	285	362	46	57	103	27	38	65	29	159
$400,000 to $499,999	181	239	33	49	81	21	30	51	17	119
$500,000 and Over	252	262	90	59	149	47	45	92	22	206
Totals	2,826	3,655	296	516	812	243	416	659	226	1,544

Source: Metrostudy survey and David Bamberger & Associates. Unsold specs is an estimate prepared by David Bamberger & Associates based on discussions with builders, data from realtor and builder marketing materials and websites. File:Inventory Starts and Closings

Source: Metrostudy survey and David Bamberger & Associates. Note: Includes builder production new homes.

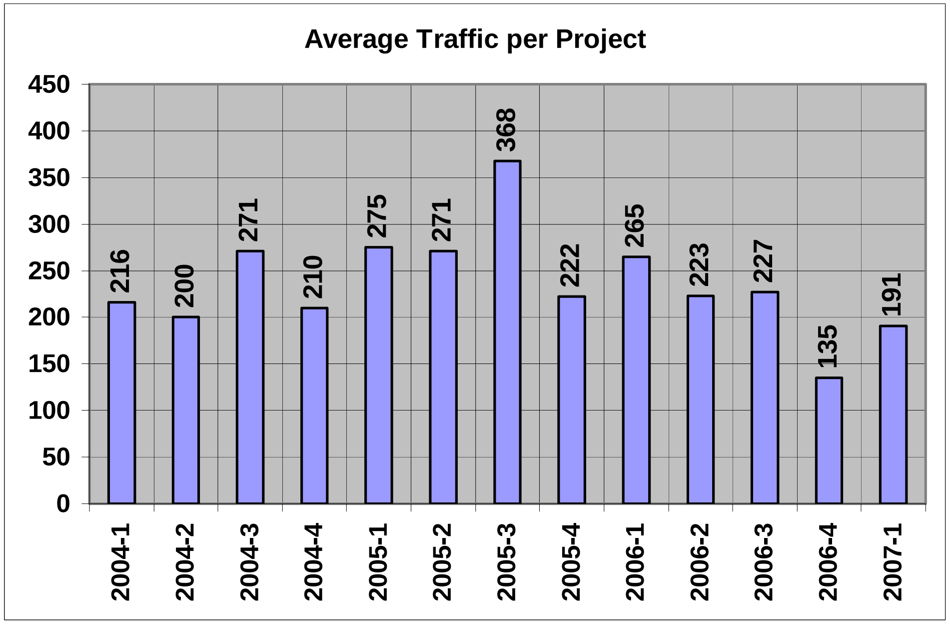
Analysis of Speculative New Single Family Inventory, April 1, 2007			
Price Range	Total Spec (Unsold Inventory) April 1, 2007	Annual Closings April 2006 to March 2007	Months of spec (Unsold) Inventory
Less than $249,999	164	1,481	1.3
$250,000 to $299,000	61	759	1.0
$300,000 to $349,999	51	552	1.1
$350,000 to $399,999	73	362	2.4
$400,000 to $499,999	54	239	2.7
$500,000 and Over	137	262	6.3
Totals	539	3,655	1.8

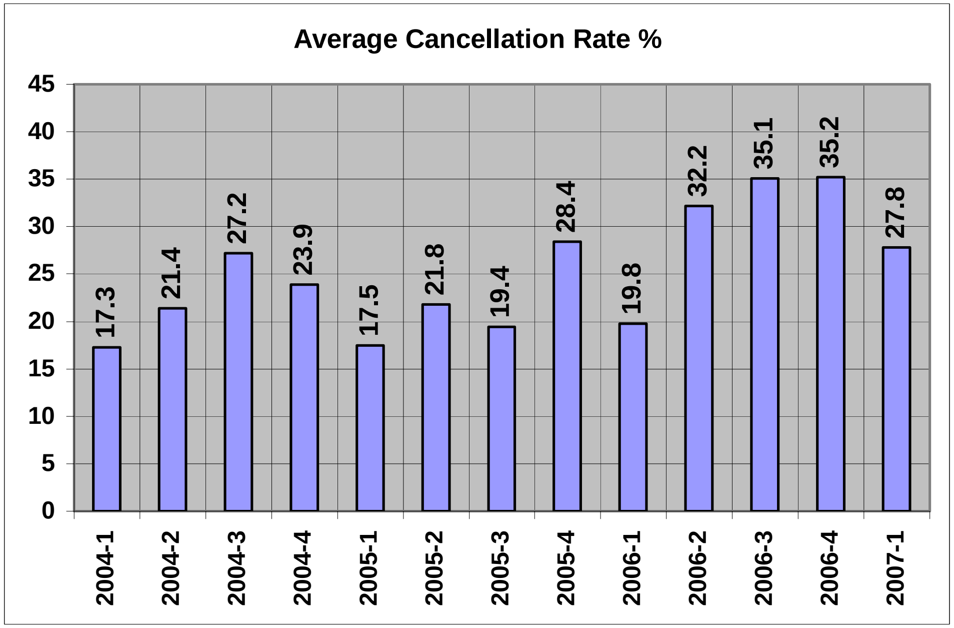
Source: Metrostudy survey and David Bamberger & Associates. Note: Includes builder production new homes.

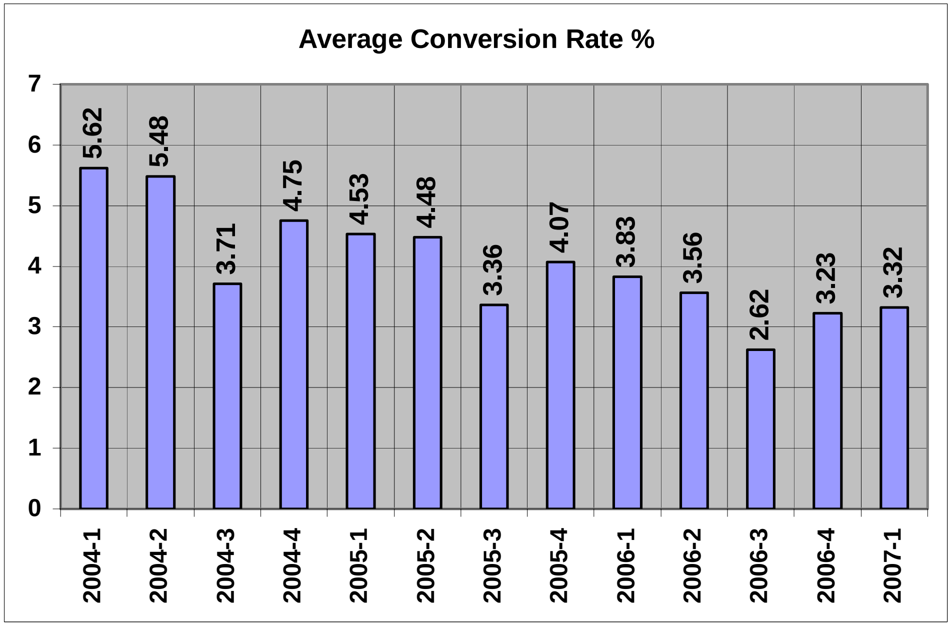
Shopper Traffic, Conversion and Cancellation
Colorado Springs Metro Area, 1st Qtr 2004 - 1st Qtr 2007

Year-Qtr	Average Traffic per Project	Average Conversion Rate %	Average Cancellation Rate %
2004-1	216	5.62	17.3
2004-2	200	5.48	21.4
2004-3	271	3.71	27.2
2004-4	210	4.75	23.9
2005-1	275	4.53	17.5
2005-2	271	4.48	21.8
2005-3	368	3.36	19.4
2005-4	222	4.07	28.4
2006-1	265	3.83	19.8
2006-2	223	3.56	32.2
2006-3	227	2.62	35.1
2006-4	135	3.23	35.2
2007-1	191	3.32	27.8

Source: Metrostudy File: Traffic







Lot Inventory by Size Segment
Single Family Detached
Colorado Springs Metro Area, 1st Quarter, 2007

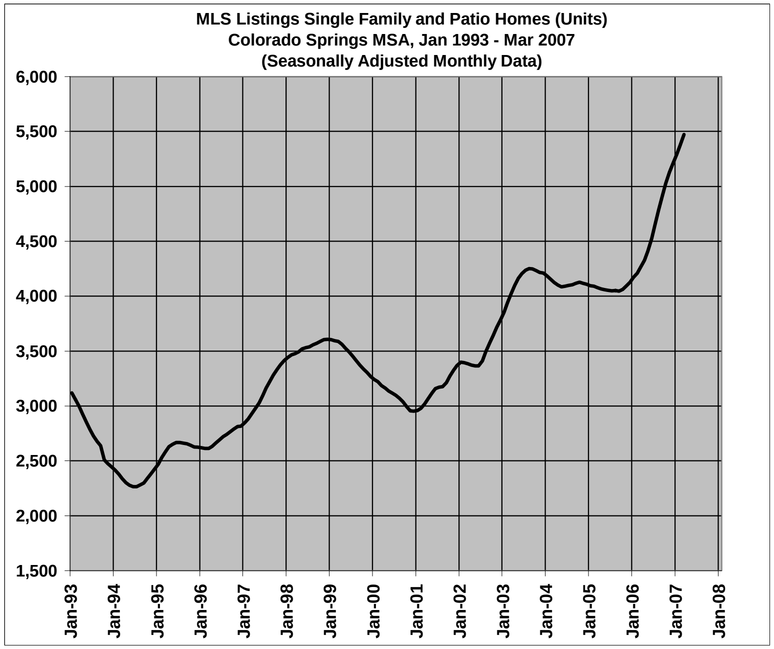
Lot Size Segment (Frontage)	Annual Housing Starts April 2006 to March 2006	Vacant Lot Inventory April 2006	Months of Supply
Less than 50'	320	917	34.4
50'-54'	750	1,075	17.2
55'-59'	352	260	8.9
60'-64'	430	671	18.7
65'-89'	253	346	16.4
70'-79'	209	548	31.5
80'-89'	103	288	33.6
90' and Greater	466	1,712	44.1
Total	2,883	5,817	24.2

Source: Metrostudy survey. File: Lot Inventory

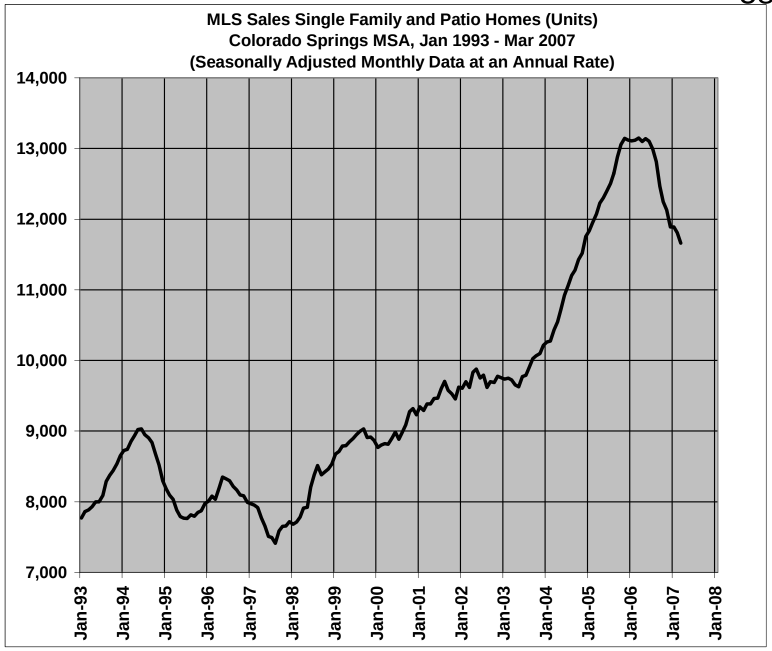
Lot Inventory and Production
Colorado Springs Metro Area, 3rd Qtr 2002 - 1st Qtr 2007

Year	Quarter	Annual Housing Starts (Previous 12 Months)	Vacant Lot Inventory at end of Quarter	Months of Supply	Annual Delivery of Finished Lots (Previous 12 Months)
2002	3	3,683	4,015	13	4,142
2002	4	3,642	4,637	15	4,279
2003	1	3,755	4,653	15	4,274
2003	2	3,567	4,871	16	4,328
2003	3	3,698	4,726	15	4,294
2003	4	3,807	4,947	16	3,997
2004	1	4,019	4,916	15	4,217
2004	2	4,334	4,760	13	4,158
2004	3	4,385	4,841	13	4,509
2004	4	4,448	5,120	14	4,646
2005	1	4,629	4,773	12	4,371
2005	2	4,660	4,877	13	4,598
2005	3	4,648	4,963	13	4,680
2005	4	4,805	4,647	12	4,196
2006	1	4,750	4,957	13	4,852
2006	2	4,463	4,859	13	4,388
2006	3	3,938	5,217	16	4,086
2006	4	3,451	5,750	20	4,548
2007	1	2,883	5,817	24	3,743

Source: Metrostudy survey. File: Lot Inv and Prod



Source: Pikes Peak Association of Realtors / Multiple Listing Service and David Bamberger & Associates



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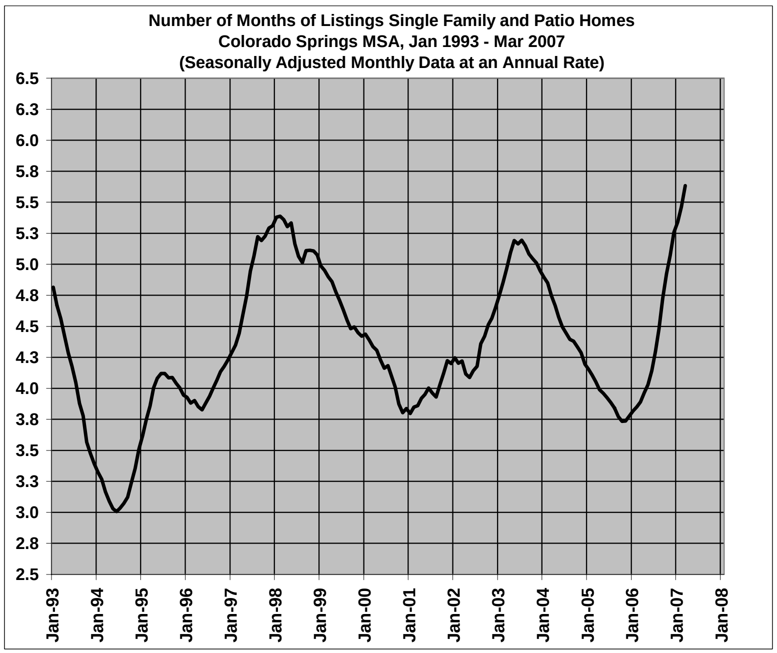


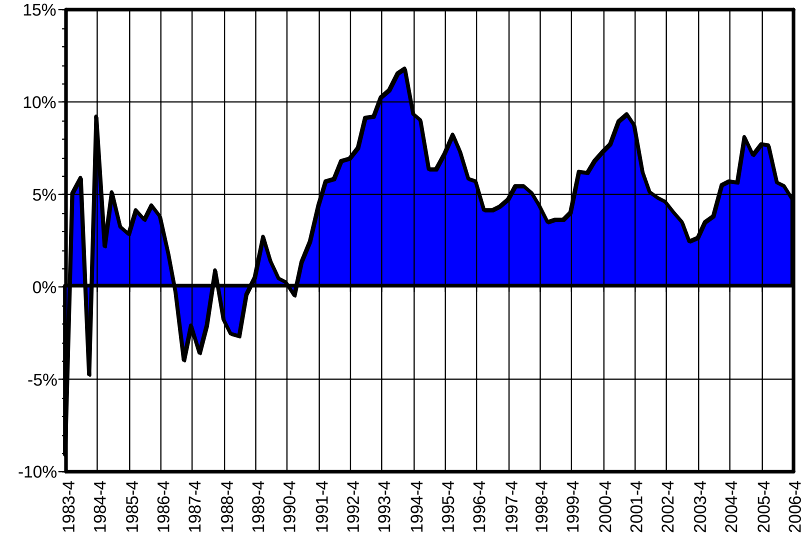
Source: Pikes Peak Association of Realtors / Multiple Listing Service and David Bamberger & Associates

Changes in Value - Single Family Homes
Colorado Springs Metro Area, 1992-2006

Year	Quarter	Single Family Home Value	Percent Change Over One Year Ago
1992	4th	$81,740	6.9%
1993	4th	$90,080	10.2%
1994	4th	$98,420	9.3%
1995	4th	$105,480	7.2%
1996	4th	$111,510	5.7%
1997	4th	$116,710	4.7%
1998	4th	$121,850	4.4%
1999	4th	$126,740	4.0%
2000	4th	$136,050	7.3%
2001	4th	$147,870	8.7%
2002	4th	$154,740	4.6%
2003	4th	$158,710	2.6%
2004	4th	$167,760	5.7%
2005	4th	$180,720	7.7%
2006	4th	$189,200	4.7%

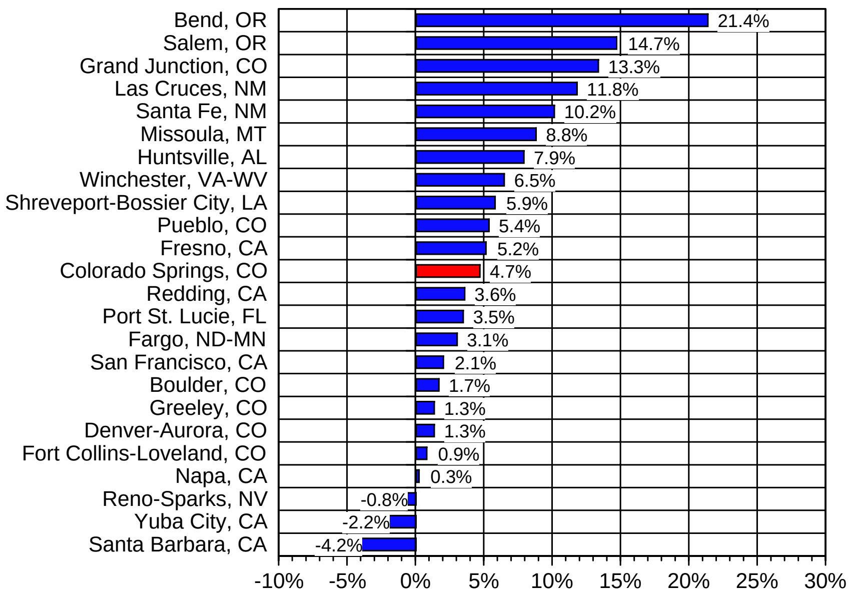
Source: Office of Federal Housing Enterprise Oversight
File: SV Values

Annual Percent Change in Single Family Home Values
Colorado Springs Metro Area, 4th Qtr. 1984 - 4th Qtr. 2006



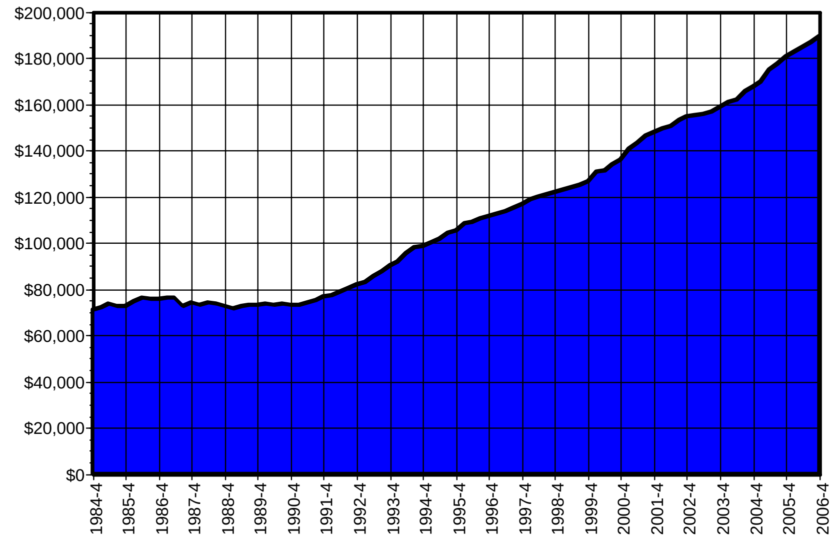
Source: Office of Federal Housing Enterprise Oversight.

How Colorado Springs Compares to Selected Cities
Annual Percent Change in Single Family Home Values, 4th Qtr 2006



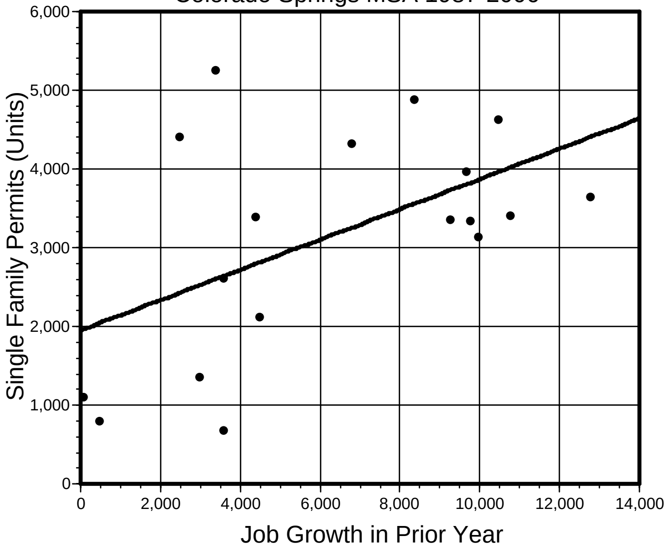
Source: Office of Federal Housing Enterprise Oversight.

Average Value of Single Family Homes
Colorado Springs Metro Area, 4th Qtr. 1984 - 4th Qtr. 2006



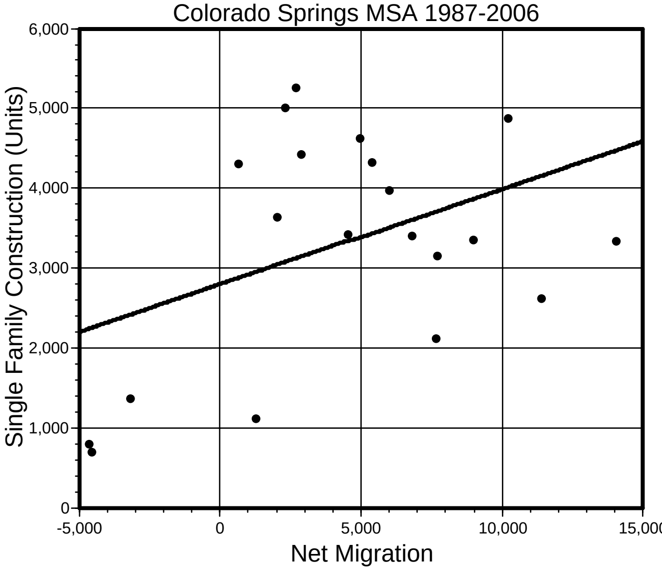
Source: Office of Federal Housing Enterprise Oversight.

Relationship Between
Single Family Construction and Job Growth in Prior Year
Colorado Springs MSA 1987-2006



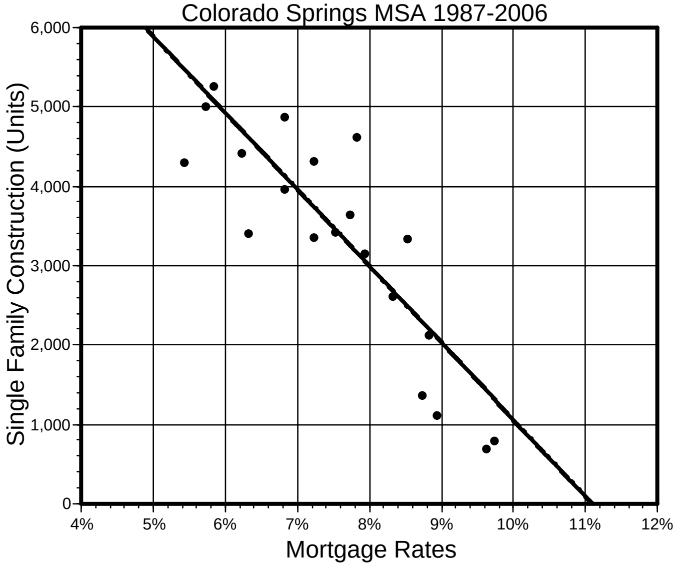
Source: Regional Building Department, Colorado Department of Labor and Employment and David Bamberger & Associates. Note: Years when job growth was negative (2002 and 2003) were excluded.

Relationship Between
Single Family Construction and Net Migration
Colorado Springs MSA 1987-2006



Source: Regional Building Department, Colorado State Demographer and David Bamberger & Associates.

Relationship Between
Single Family Construction and Mortgage Rates
Colorado Springs MSA 1987-2006



Source: Regional Building Department, Federal Reserve Bank, Various Mortgage Companies and David Bamberger & Associates.

ESTIMATED LOSS IN PURCHASING POWER
RESULTING FROM AN INCREASE IN MORTGAGE RATES FROM 6% TO 7%

		Mortgage Rate			
Type of Home	Income Needed to Qualify	Price of Home Affordable at 6.0%	Price of Home Affordable at 7.0%	Loss in Purchasing Power	Percent Loss in Purchasing Power
ENTRY 1	$51,587	$180,000	$164,580	-$15,420	-8.6%
ENTRY 2	$65,917	$230,000	$210,236	-$19,764	-8.6%
MOVE-UP 1	$80,246	$280,000	$255,892	-$24,108	-8.6%
MOVE-UP 2	$94,576	$330,000	$301,684	-$28,316	-8.6%
LUXURY 1	$123,236	$430,000	$392,996	-$37,004	-8.6%
LUXURY 2	$180,555	$630,000	$575,893	-$54,107	-8.6%

SOURCE: DAVID BAMBERGER & ASSOCIATES

File: Home Purchase Financials / Finance.xls

IMPACT OF MORTGAGE RATE INCREASE ON PURCHASE AFFORDABILITY

	ENTRY 1	ENTRY 2	MOVE-UP 1	MOVE-UP 2	LUXURY 1	LUXURY 2
6.0% 30 YEAR FIXED MORTGAGE RATE						
PURCHASE PRICE	**$180,000**	**$230,000**	**$280,000**	**$330,000**	**$430,000**	**$630,000**
AMOUNT BORROWED	$171,000	$218,500	$266,000	$313,500	$408,500	$598,500
PRINCIPAL AND INTEREST (MONTHLY)	$1,035	$1,323	$1,610	$1,898	$2,473	$3,623
TAXES (MONTHLY)	$83	$106	$129	$152	$198	$290
INSURANCE (MONTHLY)	$86	$109	$133	$157	$204	$299
TOTAL PAYMENT (MONTHLY)	**$1,204**	**$1,538**	**$1,872**	**$2,207**	**$2,875**	**$4,213**
ANNUAL INCOME TO QUALIFY	$51,587	$65,917	$80,246	$94,576	$123,236	$180,555
YEARS FOR AMORTIZATION	30	30	30	30	30	30
MORTGAGE RATE	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
DOWN PAYMENT %	5%	5%	5%	5%	5%	5%
QUALIFICATION %	28%	28%	28%	28%	28%	28%
DOWN PAYMENT	$9,000	$11,500	$14,000	$16,500	$21,500	$31,500
7.0% 30 YEAR FIXED MORTGAGE RATE						
PURCHASE PRICE	**$164,580**	**$210,236**	**$255,892**	**$301,684**	**$392,996**	**$575,893**
AMOUNT BORROWED	$156,351	$199,724	$243,097	$286,600	$373,346	$547,099
PRINCIPAL AND INTEREST (MONTHLY)	$1,050	$1,341	$1,633	$1,925	$2,507	$3,674
TAXES (MONTHLY)	$76	$97	$118	$139	$181	$265
INSURANCE (MONTHLY)	$78	$100	$122	$143	$187	$274
TOTAL PAYMENT (MONTHLY)	**$1,204**	**$1,538**	**$1,872**	**$2,207**	**$2,875**	**$4,213**
ANNUAL INCOME TO QUALIFY	$51,600	$65,914	$80,229	$94,586	$123,214	$180,557
YEARS FOR AMORTIZATION	30	30	30	30	30	30
MORTGAGE RATE	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
DOWN PAYMENT %	5%	5%	5%	5%	5%	5%
QUALIFICATION %	28%	28%	28%	28%	28%	28%
DOWN PAYMENT	$8,229	$10,512	$12,795	$15,084	$19,650	$28,795

SOURCE: DAVID BAMBERGER & ASSOCIATES

File: HOME PURCHASE FINANCING.xls

Estimate of Number of Households that Qualify to Buy a $200,000 New Home
Before and After a One Point Increase in the 30 Year-Fixed Mortgage Rate With No Points
Colorado Springs Metro Area, 2006

Total Households						
Household Income		Age Group				
From	To	18-24	25-44	45-64	65 and Over	Total
$0	$5,000	566	1,420	1,115	855	3,957
$5,000	$10,000	1,081	1,555	1,882	2,214	6,731
$10,000	$15,000	1,429	2,505	2,319	2,794	9,048
$15,000	$20,000	1,834	3,117	2,735	2,260	9,946
$20,000	$25,000	1,982	4,498	2,900	1,801	11,181
$25,000	$30,000	1,913	5,346	3,157	2,212	12,627
$30,000	$35,000	1,481	5,217	3,437	1,718	11,853
$35,000	$40,000	1,042	4,941	3,146	1,639	10,769
$40,000	$45,000	954	5,348	3,746	3,317	13,366
$45,000	$50,000	547	5,921	3,520	1,004	10,992
$50,000	$60,000	1,047	10,228	8,165	2,192	21,633
$60,000	$75,000	643	12,680	11,644	3,379	28,346
$75,000	$100,000	377	11,876	13,477	3,911	29,641
$100,000	$999,999	295	13,242	22,128	4,246	39,911
Total Households		15,192	87,894	83,373	33,545	220,003

	Income Needed to Qualify										
	Home Price	% Down	Down Payment	Amount Financed	Mortgage Rate	Monthly PI	Monthly TI	Total Monthly Payment	% PITI to Income to Qualify	Monthly Income to Qualify	Annual Income to Qualify
Cost	$200,000	5%	$10,000	$190,000	6.00%	$1,139	$219	$1,358	28%	$4,851	$58,206
Cost	$200,000	5%	$10,000	$190,000	7.00%	$1,264	$219	$1,483	28%	$5,297	$63,560

Number of Households Able to Qualify Before and After Rate Change						Percent of Households Able to Qualify Before and After Rate Change					
	Age Group						Age Group				
	18-24	25-44	45-64	65 and Over	Total		18-24	25-44	45-64	65 and Over	Total
Number of Hslds that Qualify Before	1,503	39,633	48,713	11,929	101,779	Percent of Hslds that Qualify Before	9.9%	45.1%	58.4%	35.6%	46.3%
Number of Hslds that Qualify After	1,163	34,788	44,485	10,734	91,170	Percent of Hslds that Qualify After	7.7%	39.6%	53.4%	32.0%	41.4%
Change	-340	-4,844	-4,228	-1,195	-10,609	Change	-2.2%	-5.5%	-5.1%	-3.6%	-4.8%

Source: David Bamberger & Associates. Income and household data is from the Colorado Division of Housing.
File: Rates and Affordability / Affordability.xls

Estimate of Change in the Number of Households Able Qualify to Buy a $200,000 New Home After an Increase of One Point from 6% to 7% (30-Year Fixed Rate with No Points)
Colorado Springs Metro Area, 2006

Age of head of household	**Change in number of households able to qualify after rate increase**
18-24	-340
25-44	-4,840
45-64	-4,230
65 and Over	-1,200
Total	-10,610

Assumptions	
Mortgage rate increase	1%
Price of home	$200,000
Mortgage rate before increase	6.00%
Mortgage rate after increase	7.00%
Term in years	30
Down payment	5%
% PITI to income to qualify	28%
Monthly PITI before increase	$1,358
Income to qualify before increase	$58,206
Monthly PITI after increase	$1,483
Income to qualify after increase	$63,560

Source: David Bamberger & Associates
File: Rates and Affordability / Rate Impact Summary.xls

Housing Segment Growth
Colorado Springs Metro Area

Total Population			
Age		2007	2012
15-29		145,000	167,100
30-39		80,100	89,200
40-59		163,600	170,500
60-84		73,800	94,300
84+		5,500	7,100
Total Households			
Age	% Households	2007	2012
15-29	28%	40,600	46,800
30-39	50%	40,100	44,600
40-59	58%	94,900	98,900
60-84	65%	48,000	61,300
84+	100%	5,500	7,100
Total		223,600	251,600
Owner Households			
Age	% Owners	2007	2012
15-29	10%	4,060	4,680
30-39	65%	26,070	28,990
40-59	75%	71,180	74,180
60-84	80%	38,400	49,040
84+	10%	550	710
Total		139,710	156,890
Renter Households			
Age	% Renters	2007	2012
15-29	90%	36,540	42,120
30-39	35%	14,030	15,610
40-59	25%	23,720	24,720
60-84	20%	9,600	12,260
84+	90%	4,950	6,390
Total		83,890	94,710
Change in Owner Households			
Age	Market Segment		2012
15-29	First-time buyers		620
30-39	First-time buyers		2,920
40-59	Move-up buyers		3,000
60-84	Move-down		10,640
84+	Assisted care		160
Total			17,180
Change in Renter Households			
Age	Market Segment		2012
15-29	First-time Renters		5,580
30-39	Move-up renters		1,580
40-59	Middle-age renters		1,000
60-84	Move-down renters		2,660
84+	Assisted care		1,440
Total			10,820

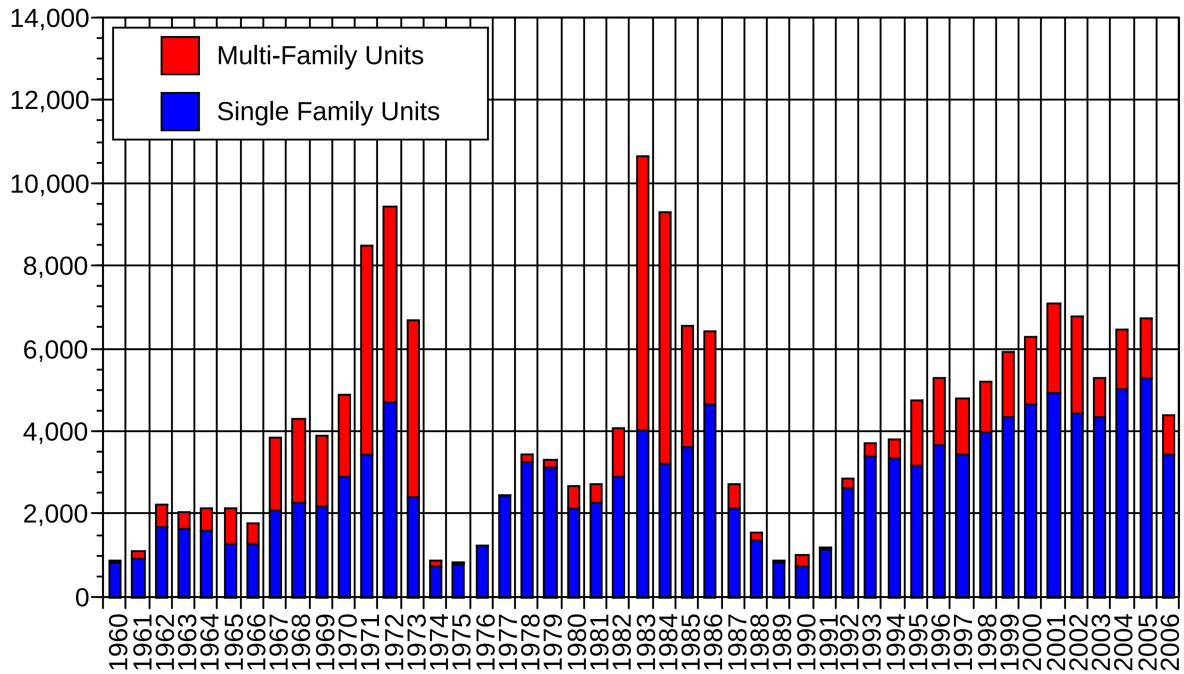
Source: David Bamberger & Associates

Family life cycle is a fairly good determinant of market needs – renter, first time, move-up, move down markets are driven by life cycle.

Typical Family Life Cycle and Housing Needs

Family Life Cycle	Age	Housing Stage
Young unmarried singles	20-29	Renter
Young married couple with young children	30-39	First-time buyer
Middle-age couple with older children	40-59	Move-up buyer
Empty nester and retirees	60-84	Move-down buyer
Elderly with care needs	84+	Assisted care

The Home Building Cycle
New Homes Built
Colorado Springs Metro Area, 1960-2006



Source: David Bamberger & Associates. Data from Regional Building Department.

Forecasts -- "Recession" Scenario
Single Family Permits, Mortgage Rates and Job Growth
Colorado Springs, 1990 - 2008

Year	Single Family Units	Mortgage Rate	Net Migration	Job Growth
1990	741	10.1%	-4,350	200
1991	1,154	9.3%	1,431	3,700
1992	2,663	8.4%	11,570	9,400
1993	3,405	7.3%	9,155	9,900
1994	3,387	8.6%	14,245	10,100
1995	3,196	8.0%	7,868	12,900
1996	3,693	7.8%	2,231	10,900
1997	3,468	7.6%	4,737	9,800
1998	4,016	6.9%	6,194	6,900
1999	4,366	7.3%	5,577	10,600
2000	4,675	7.9%	5,147	8,500
2001	4,925	6.9%	10,380	2,600
2002	4,466	6.3%	3,061	-4,400
2003	4,356	5.5%	825	-3,500
2004	5,059	5.8%	2,485	3,500
2005	5,314	5.9%	2,853	4,520
2006	3,446	6.5%	6,977	4,700
2007 forecast	***2,700***	***6.5%***	***2,000***	***3,000***
2008 forecast	***2,600***	***7.0%***	***1,000***	***0***

Source: David Bamberger & Associates.

Forecasts -- "Sustainable Growth" Scenario
Single Family Permits, Mortgage Rates and Job Growth
Colorado Springs, 1990 - 2008

Year	Single Family Units	Mortgage Rate	Net Migration	Job Growth
1990	741	10.1%	-4,350	200
1991	1,154	9.3%	1,431	3,700
1992	2,663	8.4%	11,570	9,400
1993	3,405	7.3%	9,155	9,900
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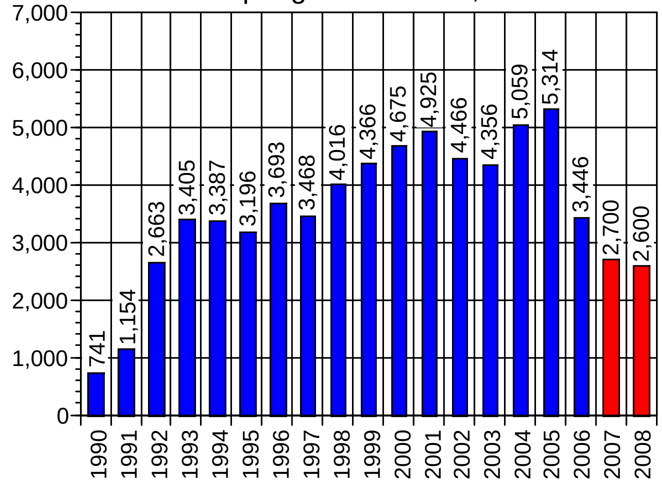
2004	5,059	5.8%	2,485	3,500
2005	5,314	5.9%	2,853	4,520
2006	3,446	6.4%	6,977	4,700
2007 forecast	***3,000***	***6.5%***	***4,000***	***4,900***
2008 forecast	***4,000***	***6.5%***	***7,000***	***6,500***

Source: David Bamberger & Associates.

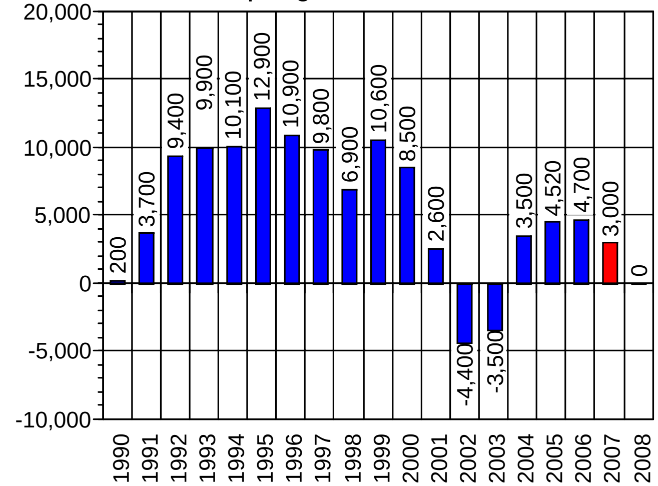
“Recession” Scenario

"Recession" Scenario
Single Family Construction (Units)
Colorado Springs Metro Area, 1990 - 2008



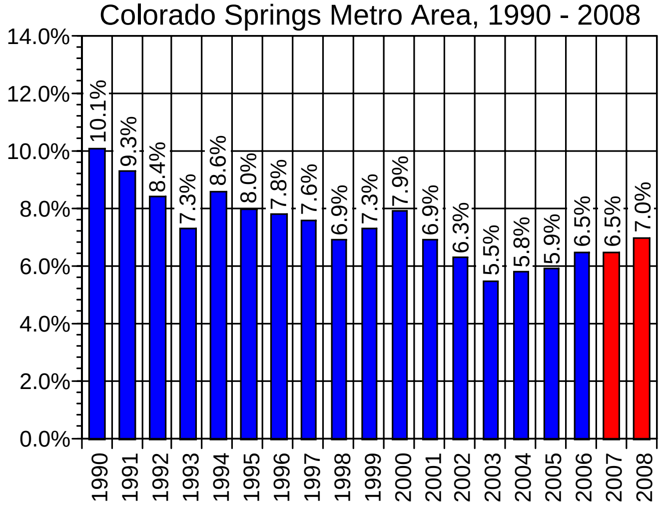
Source: Regional Building Department and David Bamberger & Associates.

"Recession" Scenario
Job Growth
Colorado Springs Metro Area, 1990 - 2008



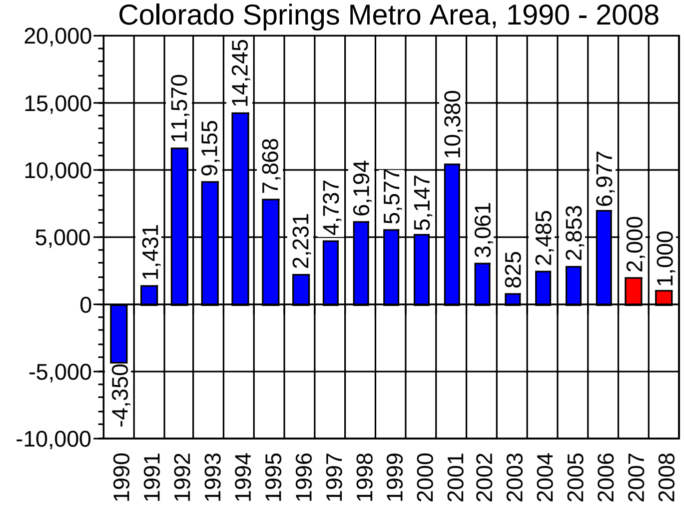
Source: Colorado Department of Labor and Employment and David Bamberger & Associates.

"Recession" Scenario
Mortgage Rates
Colorado Springs Metro Area, 1990 - 2008



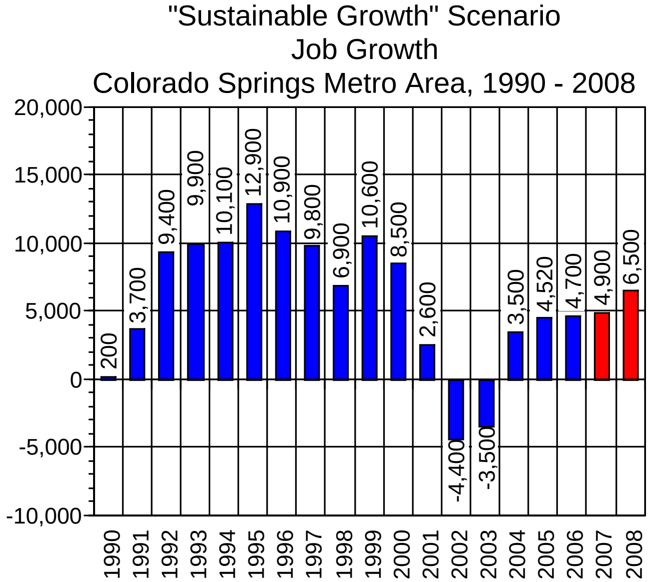
Source: Federal Reserve Bank, various mortgage companies and David Bamberger & Associates.

"Recession" Scenario
Net Migration
Colorado Springs Metro Area, 1990 - 2008

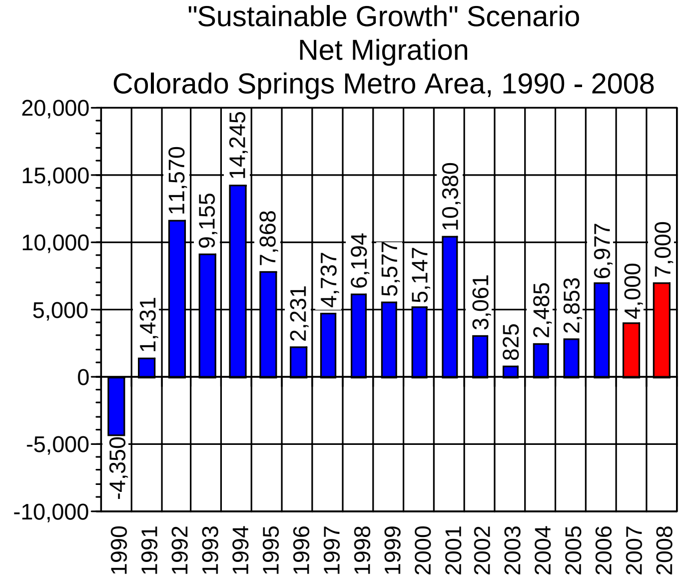


Source: Colorado State Demographer and David Bamberger & Associates.

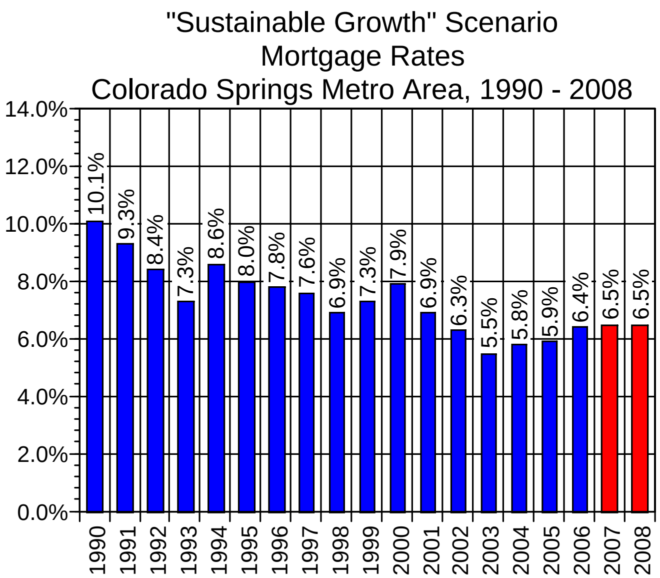
"Sustainable Growth" Scenario



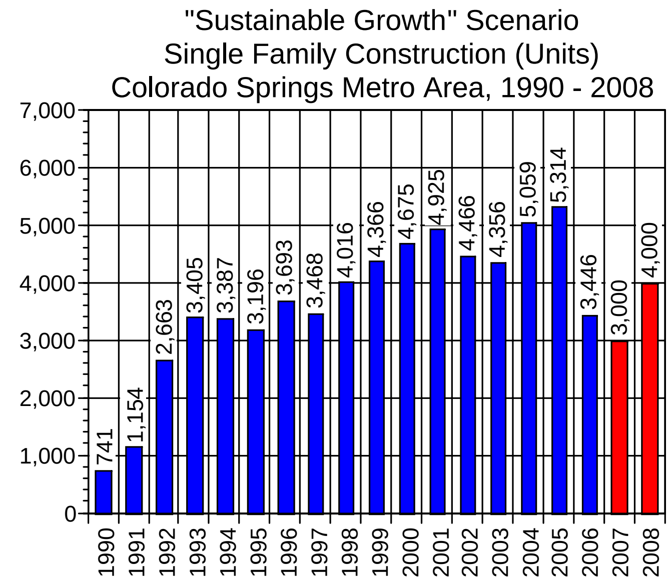
Source: Colorado Department of Labor and Employment and David Bamberger & Associates.



Source: Colorado State Demographer and David Bamberger & Associates.



Source: Federal Reserve Bank, various mortgage companies and David Bamberger & Associates.



Source: Regional Building Department and David Bamberger & Associates.