

METRO DENVER COLORADO MARKET

As with most of the country, the Metro Denver Marketplace is experiencing challenging market conditions. However, unlike most of the country, Metro Denver is starting to show signs of improvement. There are numerous factors to credit this improvement to, with significant emphasis being that Metro Denver was one of the first Metropolitan areas leading into the housing market decline, and may therefore be one of the first to lead the nation out.

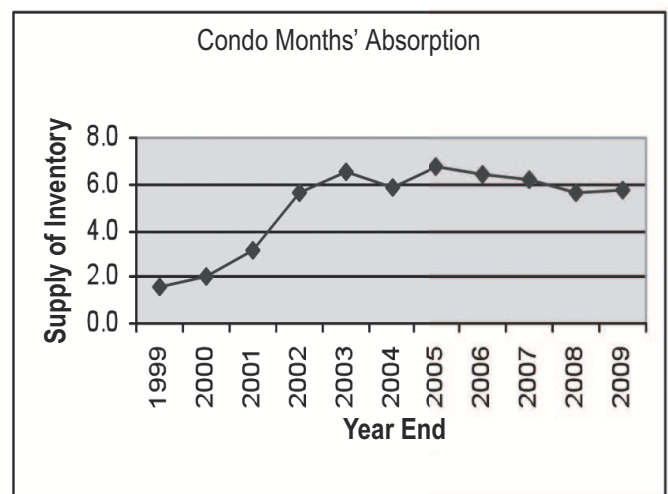
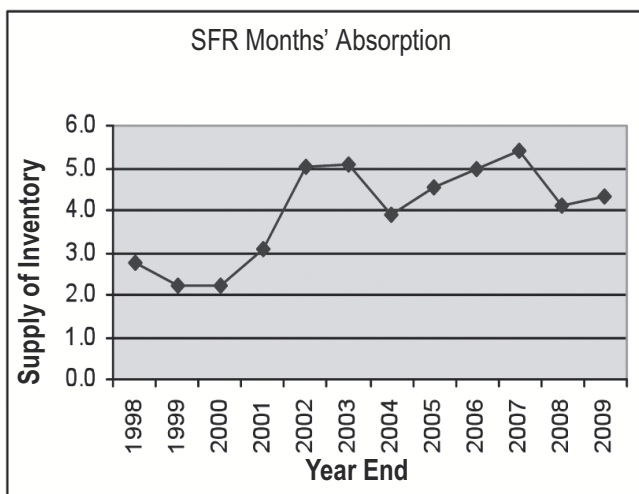
This reporting area consists of six areas including: Adams, Arapahoe, Broomfield, Denver, Douglas and Jefferson Counties.

Supply/Demand

Housing supply of inventory is hovering around the 4-5 month range over the past 2 years, which is considered to be a relatively balanced market.

| | SFR's Months' Absorption | # Closings |
|------|--------------------------|------------|
| 1998 | 2.8 | 35,159 |
| 1999 | 2.2 | 35,500 |
| 2000 | 2.2 | 37,012 |
| 2001 | 3.1 | 35,888 |
| 2002 | 5.0 | 36,272 |
| 2003 | 5.1 | 36,677 |
| 2004 | 3.9 | 37,373 |
| 2005 | 4.6 | 36,907 |
| 2006 | 5.0 | 34,527 |
| 2007 | 5.4 | 33,268 |
| 2008 | 4.1 | 33,512 |
| 2009 | 4.3 | 30,154 |

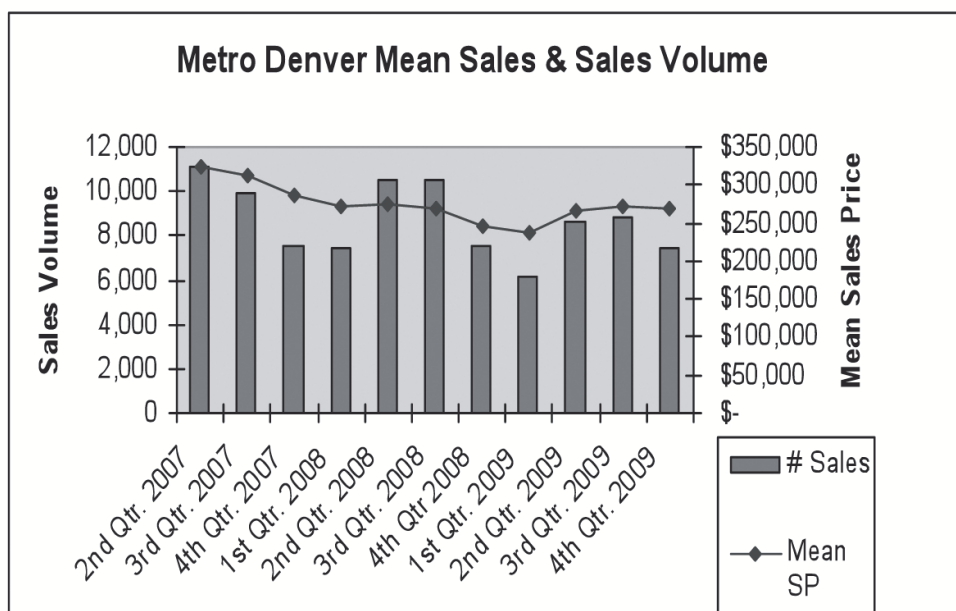
| | Condo Months' Absorption | # Closings |
|------|--------------------------|------------|
| 1998 | 2.5 | 10,792 |
| 1999 | 1.6 | 11,266 |
| 2000 | 2.0 | 11,599 |
| 2001 | 3.2 | 11,944 |
| 2002 | 5.7 | 11,647 |
| 2003 | 6.5 | 11,289 |
| 2004 | 5.8 | 11,158 |
| 2005 | 6.7 | 11,202 |
| 2006 | 6.4 | 10,458 |
| 2007 | 6.2 | 9,920 |
| 2008 | 5.6 | 9,137 |
| 2009 | 5.8 | 8,538 |



DENVER COLORADO MARKET *continued*

Average Prices

The average price of a home in this reporting area for 2009 was \$262,591 which is only 1.2% down from the average price of \$265,769 in 2008. As noted by the chart below, average sales prices are stabilizing, but the number of sales has shifted downward.



Foreclosures

Foreclosures have bumped up slightly from 2008 with 5.6% more reported in 2009, but are still 4% fewer than the high of 2007. REO and foreclosure inventory lead the nation in 2006/2007, but is starting to stabilize.

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | %Change |
|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Adams | 1,329 | 2,528 | 3,281 | 4,330 | 6,246 | 5,631 | 5,646 | 0.27% |
| Arapahoe | 2,250 | 3,170 | 3,600 | 4,719 | 6,259 | 5,860 | 6,243 | 6.50% |
| Denver | 918 | 1,795 | 2,203 | 5,162 | 7,909 | 6,145 | 6,141 | -0.07% |
| Douglas | 652 | 787 | 912 | 1,258 | 1,865 | 2,186 | 2,765 | 26.49% |
| Jefferson | 1,532 | 1,807 | 2,120 | 2,971 | 3,588 | 3,669 | 4,027 | 9.76% |
| Broomfield | N/A | N/A | N/A | N/A | N/A | N/A | 264 | N/A |
| Total | 6,681 | 10,087 | 12,116 | 18,440 | 25,867 | 23,491 | 25,086 | 5.60%* |

*Excludes Broomfield County from percentage change as it was not reported in 2008.

New Construction

Building permits have been on the decline since 2004. The number of permits pulled has gradually decreased with the two largest drops being from 2007 to 2008 with 40% fewer permits pulled and from 2008 to 2009 with 54% fewer permits pulled. The new housing industry is obviously facing significant challenges.

| 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | %Change |
|--------|--------|--------|--------|--------|--------|-------|-------|---------|
| 21,436 | 16,255 | 21,189 | 20,826 | 17,936 | 14,234 | 8,518 | 3,932 | 54% |

DENVER COLORADO MARKET *continued*

Unemployment

The historical unemployment trend has mirrored the national average, but at significantly lower levels, and was reported at 7.3% at year-end 2009. This is up 21.6% from a year ago reporting 6% unemployment.

Looking Forward

Prior to the sub-prime mortgage problem and the subsequent national recession, Metro Denver was poised to experience a strong housing market. Although home prices have declined from peak levels set three to four years ago, sale prices have stabilized. Builder magazine named Denver as the city most ready for a housing rebound and among 5 housing markets likely to recover quickly. Foreclosures will continue to be a challenge, but there will likely be fewer foreclosures in 2010 than in the past few years due to programs that are available to assist homeowners and lenders implementing short sales as an alternative to foreclosures. However, there are concerns that home sales will weaken after March 31, the date the Federal Reserve is set to end its purchase of mortgage backed securities, and after April 30, the date that the tax incentive programs expire. Although Denver is in a good position to experience a strong recovery, the recovery could be jeopardized by the economic climate throughout the nation.

At A Glance

| | Today | 1 Year Ago | Change |
|-------------------------|-----------|------------|---------|
| Unemployment | 7.3% | 6% | +21.6% |
| Months of Supply | 4.64 | 4.12 | +12.62% |
| Annualized Sales Volume | 30,154 | 33,152 | -10.02% |
| Annualized Average SP | \$262,591 | \$265,769 | -1.20% |
| Average DOM | 95 | 98 | -3.06% |



For additional or more current information on the residential market in the Metro Denver area, visit www.rac.net and select "The RAC Report," or contact either of the following RAC members:

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