STRATEGIC RESEARCH

The Pueblo Housing Market 2006 - 2008

prepared for

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Data → Reasoning → Conclusions

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INTRODUCTION AND FINDINGS

INTRODUCTION

This is the 14th consecutive year that we have compiled detailed data and published a report on the Pueblo County single family housing market. The analysis is designed to give insight into current market trends and to draw some conclusions about where the market is likely to go in 2006-2008.

For our study we conducted interviews with people knowledgeable about the local housing industry. We also compiled a large amount of published statistical data, including employment, housing production, listing of resale homes and home sales from a number of private and public sector sources.

In addition to the published data we also conducted a builder survey in December 2005 - January 2006. Data collected in the survey included 2005 production and sales, year-end unsold inventory and construction activity, past and expected future price increases, expected production for 2006, and buyer demographics. The builder survey covered 25 builders who accounted for about 40% of the builder generated single family permit activity in 2005.

Manufactured Housing Footnote: At the end of the 1990s manufactured homes were a relatively big player in the Pueblo new home market. Since then, they have declined. The Pueblo Regional Building Department issued permits for manufactured homes in the Pueblo MSA: 2005 - 56, 2004 - 80, 2003 - 112, 2002 - 254, 2001 - 287. This report does not include manufactured housing in the data or analysis.

Summary

The Pueblo housing market had another good year in 2005. New single family home production totaled 1,119 starts for the year. The resale housing market also saw strong sales with 2,351 sales for the year.

Three key factors stayed in alignment in 2005 to keep the Pueblo housing market strong. The factors included strong net migration, low interest rates and an increase in jobs.

Net migration in Pueblo in 2005 totaled 1,040. Assuming a household size of 2.5, this meant that occupied housing increased by about 420 units.

Last year the Pueblo economy saw employment grow by 1,000, up 1.6%. Employment growth in 2005 was about twice as high as it was in 2004.

Low mortgage rates were the big news in 2005. Rates for a conventional 30-year fixed rate loan averaged 5.8% for the year. Towards the end of the year they did climb, however. At year-end they were about 6.2%.

Builder's inventories of speculative homes were a little higher than a year ago, totaling close to a four month supply. Housing production per capita is within normal limits. Supply and demand are in balance.

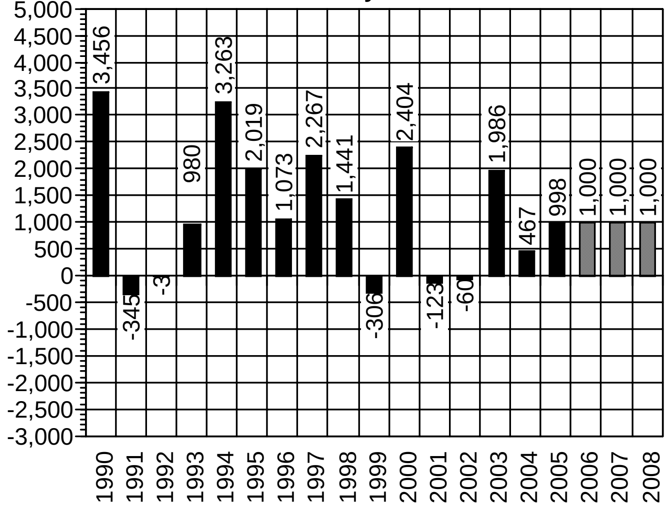
Our analysis leads us to conclude that the three market demand factors that made for a good 2005, will likely remain favorable through 2008.

- Pueblo is in an excellent position to attract new move-in buyers including retirees looking for a small city with retirement amenities and workers with jobs in other nearby cities.
- The national economy continues on a growth path. New primary job growth should remain strong as Pueblo offers primary employers a quality labor market and expansion opportunities with low operating costs.
- Mortgage rates are expected to increase slightly over the next three years, but will remain relatively low compared to the 8% and 9% rates experienced in the first half of the 1990s.

Strong job growth and in-migration will off-set any down-side impact of a minor rise in mortgage rates.

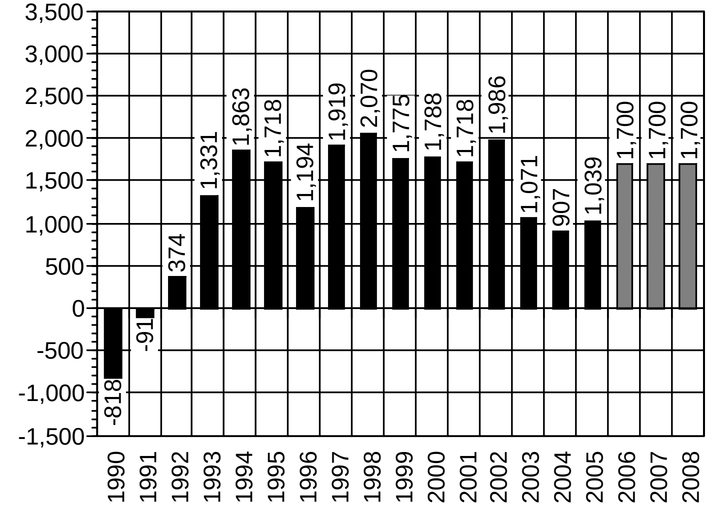
We conclude that the market for new single family housing in Pueblo will continue at a sustainable rate of 1,100 units per year through 2008.

Job Growth
Pueblo County, 1990 - 2008



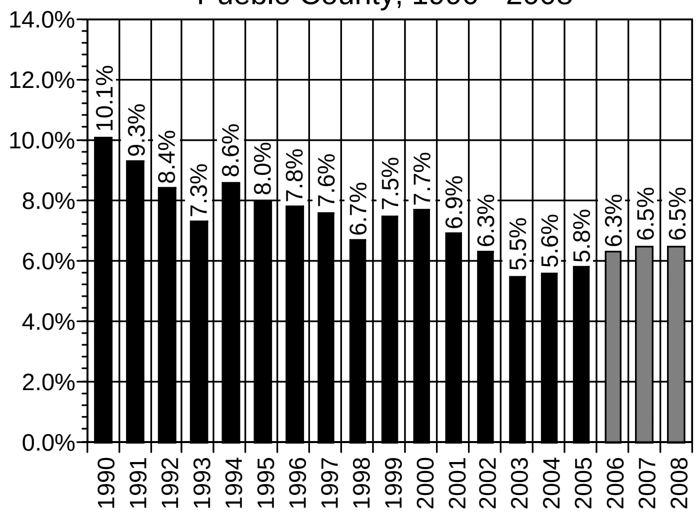
Source: Colorado Department of Labor and Employment and David Bamberger & Associates.

Net Migration
Pueblo County, 1990 - 2008



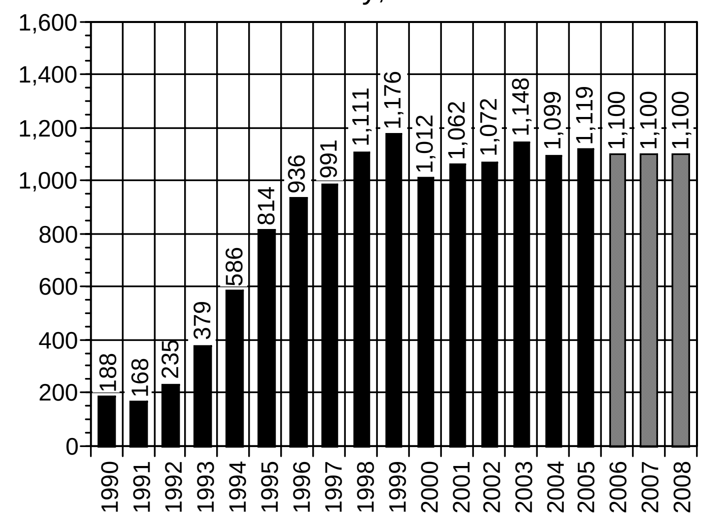
Source: Colorado State Demographer and David Bamberger & Associates.

30-Year Fixed Mortgage Rates (No Points)
Pueblo County, 1990 - 2008



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

New Single Family For-Sale Housing Unit Construction
Pueblo County, 1990 - 2008



Source: Pueblo Regional Building Department and David Bamberger & Associates.

The risks to the forecast include a big jump in mortgage rates and slower than expected job growth.

Mortgage Rate Risk - If mortgage rates rise significantly (2% points, or more) over the next two to three years, it is likely that many existing Pueblo homeowners who refinanced at once-in-a-lifetime low 4% and 5% rates would be reluctant to buy new homes because of the big increase in monthly payments. In addition, a large number of potential buyers who can qualify at low mortgage rates, would not be able to qualify to buy if rates increase. This would mean a smaller market for new homes.

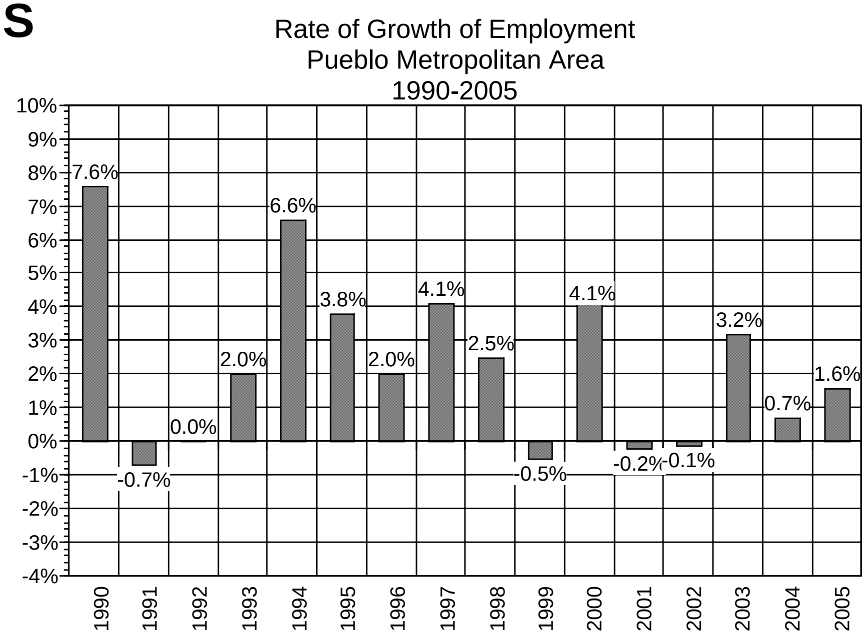
Slow Job Growth Risk - The U.S. economy has seen strong growth since the recession ended in November 2001. Much of the growth has been fueled by strong consumer spending pushed up by rapid increases in housing asset values, increased consumer debt and extra spendable income from home refinancing. If the consumer spending bubble breaks, there is a good chance the national economy could dip into recession. A recession would likely have an impact on the Pueblo economy and result in a slow down in job growth and weaker new home demand.

Fort Carson Expansion - On the up-side, Fort Carson, located only 30 miles north of Pueblo on I-25, has announced expansion of about 12,000 troops over the next three to four years. This could add demand for both rental and owner housing as personnel stationed at the base seek an affordable housing option. We expect the troop increases to generate demand of about 1,400 family housing units off-base. It is difficult to make an accurate estimate of the impact on the Pueblo market, but single family home sales could see an increase of several hundred over the projected 1,100 annually over the next three years.

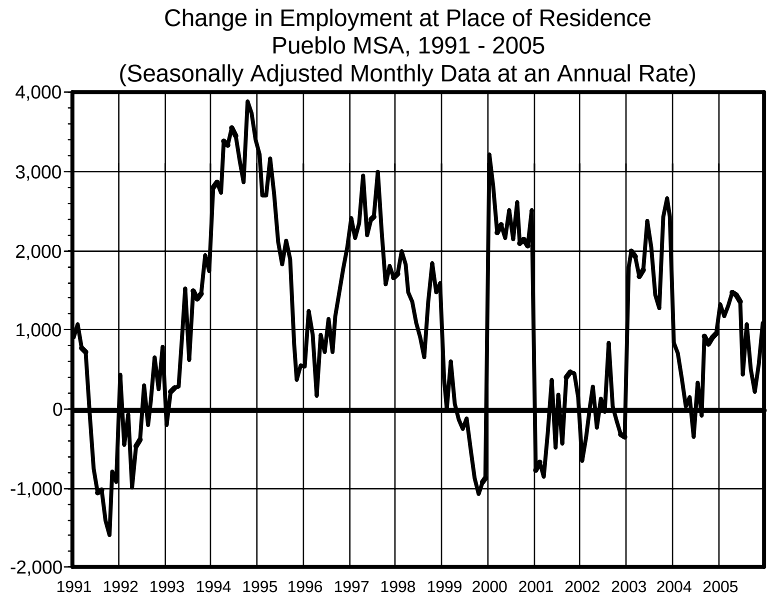
FINDINGS

Total employment in the Pueblo metro area totaled 64,800 in 2005 an increase of 1,000, or 1.6% for the year. The number employed showed a gain in 2005 for the third year in a row. Employment grew by 470 in 2004, a gain of 0.7% and 1,990 in 2003, a gain of 3.2%. The most recent three years saw a reversal of the loss of jobs experienced in 2001-2002. Total employment dropped by -60 (-0.1%) in 2002 and -120 (-0.2%) in 2001.

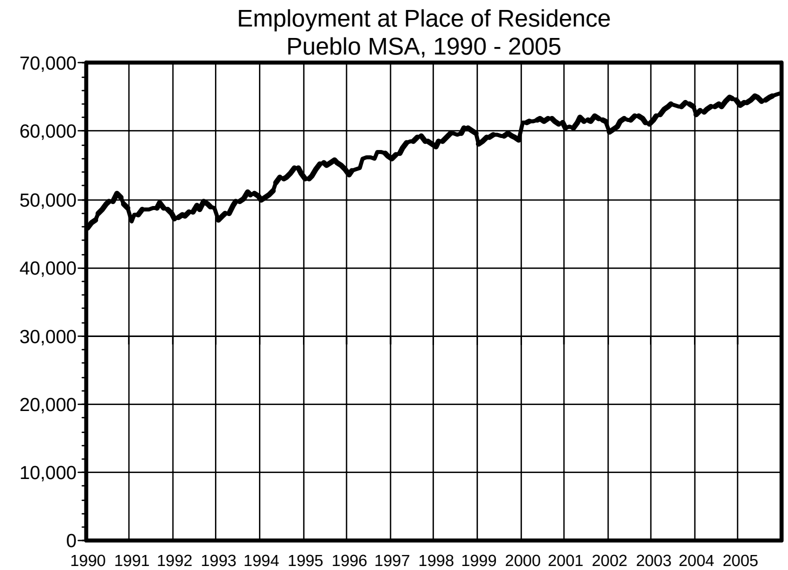
Over the longer term employment growth has been very strong. Employment totaled 41,730 in 1982, Pueblo's low point, following major cutbacks at CF&I Steel. Since then, a total of 23,070 net new jobs have been created, an average of about 1,000 per year and an annual rate of growth of 1.9%.



Source: Colorado Department of Labor and Employment.



Source: Colorado Department of Labor and Employment

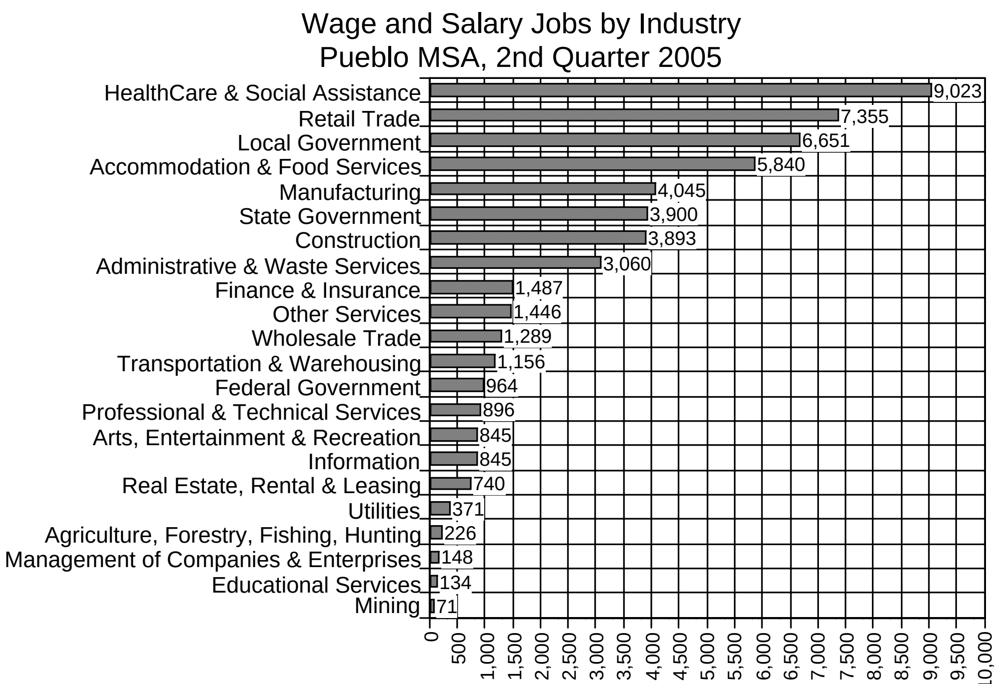


Source: Colorado Department of Labor and Employment

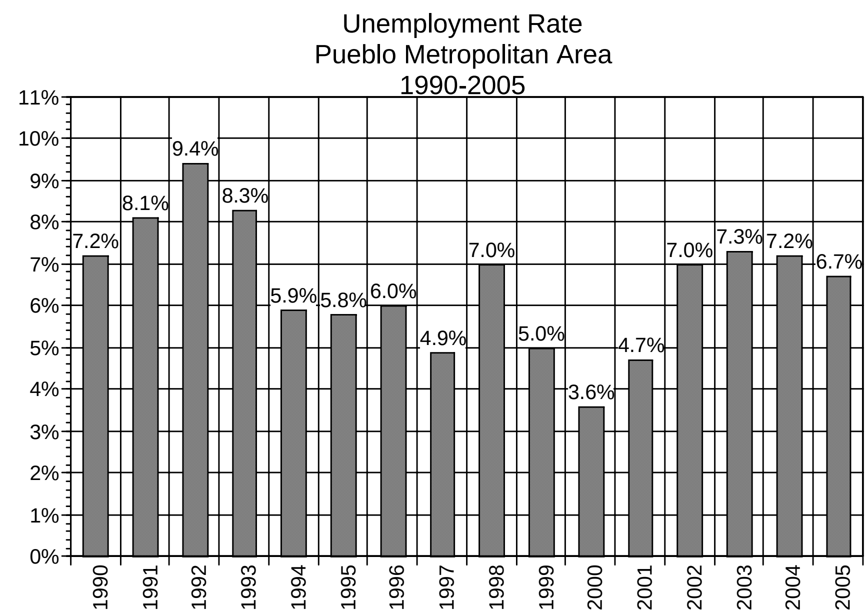
The most recent industry-level data shows the Pueblo economy has very strong government and services sectors. The leading employer is the government sector with over 11,000 employees. Health care is next with over 9,000 employees. Manufacturing, which has been a key sector, employed a little over 4,000 employees. The construction industry employs about 3,900.

The unemployment rate in Pueblo dropped slightly to 6.7% in 2005. This is quite a contrast to the record setting low of 3.6% in 2000. However, the rate for 2005 was dramatically below the double digit rates Pueblo saw in the mid-1980s, and below the 8% to 9% rates seen in 1991, 1992 and 1993.

Over the past five years Pueblo lost its status as a city experiencing full employment. The high number of layoffs and negative job growth in 2001 to 2002 contributed to the current rise in the unemployment rate. Economists consider an unemployment rate below 5% to be full employment. We believe that with job growth at about 2%, the unemployment rate should show a decline in the future.



Source: Colorado Department of Labor and Employment.



Source: Colorado Department of Labor and Employment.

Primary job announcements totaled 1093 in 2005. Over the past 14 years PEDCO's economic development efforts have been very successful. PEDCO has made 72 announcements for the retention, expansion or relocation of primary employers and 12,517 new primary jobs since 1992, an average of almost 900 per year.

Creating primary jobs is an important part of a successful economic development strategy. Primary industry includes businesses, nonprofit organizations and government agencies that bring income into the local economy from outside the area. This income then directly creates more new jobs serving the local market.

PEDCO New Primary Job Announcements
Pueblo Metro Area, 1992 - 2005

Year	Company	Type of Company	Employees Announced
1992	PCL Packaging	Manufacturer-plastic bags	20
1992	Target Distribution	Distribution center	189
1992	Kremlin Company	Manufacture-embroidery	12
1992	Matrix Marketing	Inbound telemarketing	200
1992	Looking Glass Enterprises	Manufacturer-napkin rings	25
1993	EATON Corp.	Electronic Control Panels	40
1993	Oregon Steel	Manufacturer-steel	1,400
1993	Pacific Aero	Machine/Tooling	40
1994	LAN Technologies	Manufacturer-computer discs	100
1994	Hyd-Mech, Inc.	Manufacturer-band saws	80
1994	McDonnell Douglas	Assembly of Delta vehicle	180
1994	Atlas Pacific Engineering	Fruit Processing Machines	50
1994	Telling Systems	Telemarketing	100
1994	Navajo/Dig by (Swift Transport)	Trucking	125
1995	Kurt Manufacturing	High intensity precision mach	35
1995	Am. Association of Railroads	Rail system	75
1995	Jones Tones	Manufacture-craft products	100
1995	BF Goodrich	Manufacture-carbon brakes	160
1995	TRANE Company	Manufacture/water chillers	210
1995	CO State Patrol Dispatch	Dispatch	60
1995	Kurt Impact	Manufacture-air bag	30
1995	Estrada Foods	Prepared foods	220
1995	Compana	Heavy equipment repair	20
1996	Haddonstone USA	Manufacturer-stonework	40
1996	Swift Transportation	Trucking	60
1996	Matrixx Marketing (Convergys)	Inbound telemarketing	300
1996	Qual-Med	Health maintenance	650
1997	PCL Packaging	Manufacture-plastic bags	35
1997	Ashland Chemical Company	Chemical purification	137
1997	Davie Wire Compamy	Manufacture wire	125
1997	WR Inc	Manufacturer	10
1997	Castlewood Building Corp.	Manufacturer housing	50
1997	Boeing	Assembly of Delta vehicle	210
1997	Fountain Foundry	Foundry	70
1997	CO Fastener & Nail Co.	Manufacturer	20
1997	Miomark Incorporated	Distribution center-medical	25
1998	North Am. Telephone Network	Telemarketing	53
1998	Flexible Foam Products	Manufacturer carpet pad	50
1998	Chemical Marketing Concepts	Chemical repackaging	50
1998	Convergys	Telemarketing	350
1998	Pueblo Call Service Center	Telemarketing	55
1998	Hartung Agalite Glass	Manufacturer	60
1998	Kroger Foods	Back office operation (accounting)	20
1998	Grupo Cementos de Chihuahua	Cement Manufacturer	130
1999	ALM Aviation	Aircraft painting and maintenance	70
1999	Innotrac	Telemarketing/customer service	450
1999	The TPA, Inc.	Medical claims processing	600
1999	Universal Boilerworks	Manufacture industrial boilers	100
1999	Stonecraft Industries	Manufacture stone building products	80
1999	McCallin Diversified Industries	Fabricate steel plates	50
2000	Vestas Wind Systems	Wind turbine manufacturer	450
2000	Electronic Data Submission Systems	Data processing	485
2001	Tenant International	Manages corporate telecom services	160
2001	Stonecraft	Manufacture stone building products	60
2002	Eupec Risk Management Systems	Pipeline safety systems	75
2002	Premier Fulfillment	Fulfillment distribution center	35
2002	Hospital Cooperative Laundry	Hospital Laundry	125
2002	Lason	Information management	50
2003	Adam Aviation	Aircraft manufacturing	450
2003	Haddonstone USA	Manufacturer-stonework	30
2003	Innotrac	Telemarketing/customer service	60
2003	Pueblo Suburban Development	Manufacture and run greenhouses	1,650
2004	Takeshiba Electric	Medical equipment R&D	48
2004	Deneen & Company	Food procressing	40
2004	Benshaw (Trane)	Manufacturer / water chillers	60
2004	Dun & Bradstreet	Business services - call center	325
2005	Express Scripts	Business services - call center	500
2005	Receivable Management Services	Business services - call center	325
2005	Professional Bull Riders	Sports association headquarters	180
2005	LB Foster	Prefabricated rail manufacturing	28
2005	Timberline Steel	Fabricated steel manufacturing	35
2005	Eldorado Stone (StoneCraft)	Manufacture stone building products	25
Total			12,517

Source: PEDCO

Over the past 14 years primary job layoff announcements have averaged 247 per year. The peak year since 1992 for layoffs was 1999 when 600 primary job layoffs were announced.

Announced primary industry layoffs totaled only 45 in 2005. Eupec, a pipeline safety and risk management firm, announced 45 layoffs in 2005. The company plans to close most of its Pueblo operations.

The good news is the Pueblo economy did not see the high number of primary job layoffs experienced in other cities along the Front Range. The 2001 recession hit the high-tech sector in Colorado pretty hard. Layoffs totaled about 10,000 in Colorado Springs in 2001, 2002 and 2003. About 85% were in the high-tech sector, including semiconductor manufacturing and software development. Pueblo's exposure to high-tech layoffs was minimal because high-tech is not a major player in the local economy.

Announced Primary Industry Layoffs
Pueblo Metro Area, 1992 - 2005

Year Announced	Company	Type of Announcement	Type of Company	Number of Employees Announced for Layoff
1992	Pueblo Army Depot	Downsizing	U.S. Army	400
1994	Dana Corporation	Shutdown	Manufacturer automotive pistons	100
1995	Kaiser Aerospace	Shutdown	Manufacturer aerospace equipmer	100
1996	Loral (Unisys Corporation)	Shutdown	Manufacturer computers	550
1997	Lan Technologies	Shutdown	Manufacturer computer disc	40
1998	Rocky Mountain Steel	Downsizing	Manufacturer of steel	300
1999	QualMed	Shutdown	HMO claims processing	600
2000	Boeing	Downsizing	Aerospace manufacturing	77
2000	Hyd-Mech	Shutdown	Industrial band saw manufacturing	30
2001	Columbia House	Shutdown	Mail order fulfillment	400
2001	Benesight	Downsizing	Health insurance service provider	60
2001	Innotrac	Downsizing	Call center	115
2001	Flexible Foam	Shutdown (Temporary)	Manufacturer carpet pad	20
2002	Convergys	Downsizing	Telemarketing	250
2002	Benesight	Downsizing	Health insurance service provider	50
2003	Benesight	Downsizing	Health insurance service provider	50
2003	Boeing	Suhtdown (2004)	Aerospace manufacturing	250
2004	Benesight	Downsizing	Health insurance service provider	25
2005	Eupec - RMS	Shutdown	Pipeline safety systems	45
Total				3,462

Source: Colorado Department of Labor and Employment, PEDCO, Pueblo Chieftain and Colorado Department of Labor and Employment

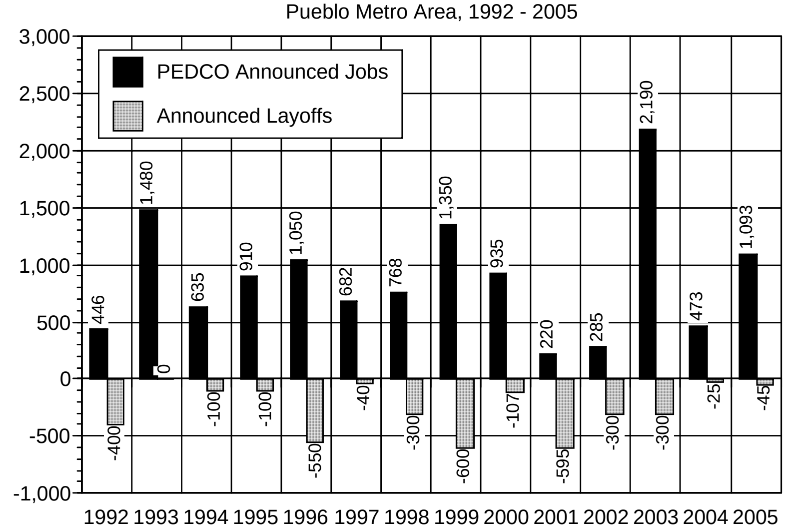
The data on jobs created and layoffs shows how important it is for leadership in a community to continue to work toward creating new jobs, even though job growth might be strong. Since 1992, a little more than one out of every three new primary jobs announced made up for layoffs. In slow times it becomes even more important for economic development efforts to push full speed ahead.

Net Primary Job Announcements
Pueblo Metro Area, 1992-2005

Year	Announced New Jobs	Announced Layoffs	Net Gain / Loss
1992	446	400	46
1993	1,480	0	1,480
1994	635	100	535
1995	910	100	810
1996	1,050	550	500
1997	682	40	642
1998	768	300	468
1999	1,350	600	750
2000	935	107	828
2001	220	595	-375
2002	285	300	-15
2003	2,190	300	1,890
2004	473	25	448
2005	1,093	45	1,048
Total	12,517	3,462	9,055

Source: PEDCO, Pueblo Chieftain and the Colorado Department of Labor and Employment

Primary Job Gains and Losses
Pueblo Metro Area, 1992 - 2005



Source: PEDCO, Pueblo Chieftain, Colorado Department of Labor and Employment and David Bamberger & Associates.

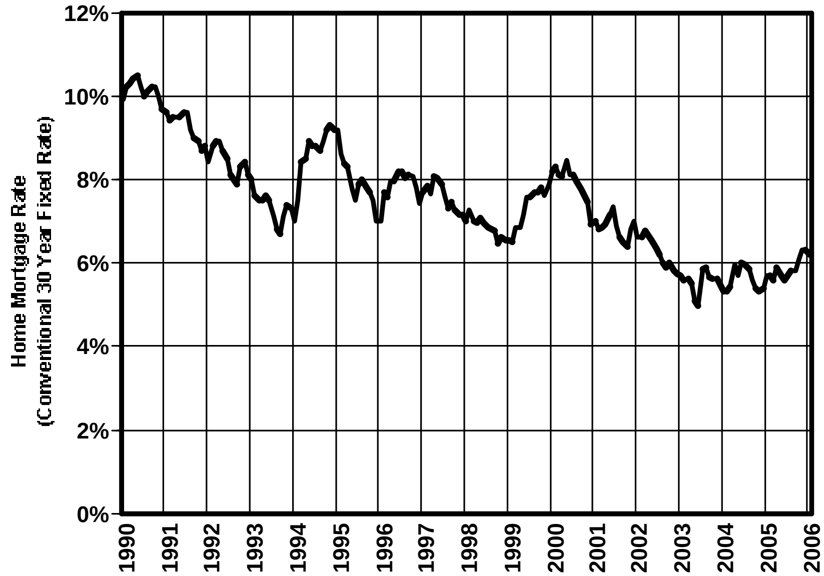
Job creation means stronger demand for housing. Between 1982 and 2005 job growth totaled 23,070 and housing construction totaled 17,440. For every 100 new jobs there was a demand for about 76 new homes. A strong housing market also means a steady increase in value for existing home owners.

The big surprise in 2005 was continuation of low mortgage rates. The Fed's action over the past two years to push up short term interest rates had little impact on 30-year fixed mortgage rates. Rates for a conventional 30-year home mortgage with no points remained below 6% for most of the year, climbing to about 6.2% at year end.

Pueblo's population grew by an estimated 1.0% in 2005. Population in July 2005 totaled 151,700, up by 1,530 from 150,170 in 2004. Since 1990 population in the metro area increased by 28,650. Much of this growth has been the result of very strong net migration accounting for 70% of the growth.

Net migration continued to be strong in 2005, adding almost 1,040 people to the county's population. Assuming an average of 2.5 people per household, this translates into an estimated increase of 416 occupied homes over the past year.

Home Mortgage Rates
(30 Year Fixed Rates With No Points)
Pueblo, January 1990 - January 2006



Source: Federal Reserve Bank and various mortgage companies.

Components of Population Growth
Pueblo Metro Area, 1990-2005

Year	Population	Change	Births	Deaths	Natural Increase	Net Migration
1990	123,053	-310	1,698	1,190	508	-818
1991	123,486	433	1,766	1,242	524	-91
1992	124,410	924	1,807	1,257	550	374
1993	126,348	1,938	1,774	1,167	607	1,331
1994	128,722	2,374	1,745	1,234	511	1,863
1995	130,832	2,110	1,729	1,337	392	1,718
1996	132,498	1,666	1,732	1,260	472	1,194
1997	134,794	2,296	1,736	1,359	377	1,919
1998	137,381	2,587	1,868	1,351	517	2,070
1999	139,718	2,337	1,936	1,374	562	1,775
2000	142,054	2,336	1,928	1,380	548	1,788
2001	144,383	2,329	2,003	1,392	611	1,718
2002	147,057	2,674	2,032	1,344	688	1,986
2003	148,707	1,650	2,030	1,451	579	1,071
2004	150,171	1,464	2,099	1,542	557	907
2005	151,700	1,529	2,050	1,560	490	1,039
Totals		28,647	29,933	21,440	8,493	20,154
Percent		100%			30%	70%

Source: Bureau of the Census, Colorado State Demographer and David Bamberger & Associates.

Households moving to Pueblo were major players in the new home market in 2005. Builders report that 35% of their buyers were new move-ins from out of town and 65% of their buyers were local.

Retirees in particular seem to be attracted to Pueblo for the low cost of living and low-cost high-value housing. Retirees made up 17% of buyers and working households made up 83% of buyers in 2005.

Move-up buyers made up the largest segment of the new home market in Pueblo in 2005. In 2005 49% of buyers were move-up buyers, 37% were first time buyers and 14% were move-down buyers.

Pueblo is attracting buyers who work in Colorado Springs. Builders report that this segment made up 13% of new home buyers in 2005. It appears that Pueblo has emerged as an affordable housing option for people who work 40 miles to the north in Colorado Springs.

Housing affordability is a big issue with Army personnel stationed at Fort Carson. With the expansion of some 12,000 troops expected over the next three to four years, the Pueblo housing market will be in a good position to capture some of the increase in affordable housing demand.

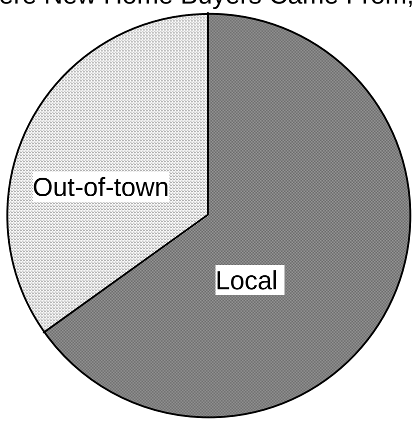
Pueblo New Home Buyer Demographics, 2003, 2004 and 2005

	2003	2004	2005
Previous residence of buyers			
Local	79%	71%	65%
Out-of-town	21%	29%	35%
Total	100%	100%	100%
Housing stage of buyers			
First time buyers	43%	23%	37%
Move-up buyers (buying bigger home)	37%	57%	49%
Move-down buyers (buying smaller home)	20%	20%	14%
Total	100%	100%	100%
Place of work of buyers			
Work in Pueblo	76%	62%	62%
Work in Colorado Springs	11%	12%	13%
Work somewhere else	4%	5%	7%
Retired	10%	22%	17%
Total	100%	100%	100%

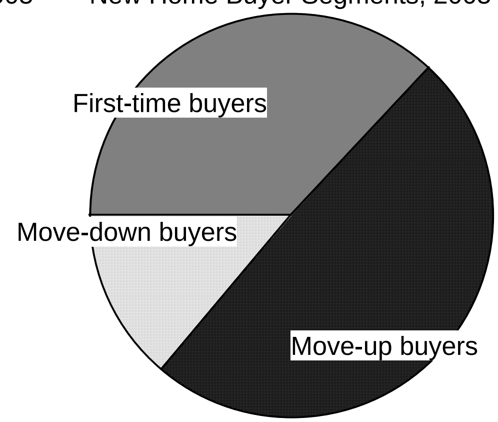
Source: David Bamberger & Associates survey

Note: totals may not add to 100% due to rounding.

Where New Home Buyers Came From, 2005



New Home Buyer Segments, 2005

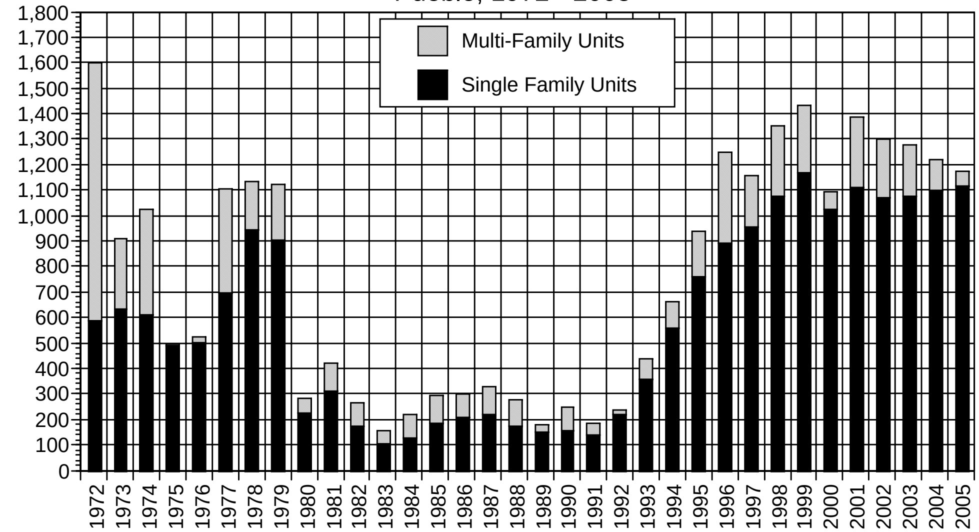


Housing production totaled 1,179 units in 2005, down slightly from 1,220 in 2004, a decrease of only 41 units and 3.4%. The market for new housing remained very strong over the past year. The continued strong pace of housing construction is the result of exceptionally low interest rates, strong in-migration, solid job gains, and the market's ability to pull buyers from Colorado Springs.

Housing production in 2005 included 1,119 single family detached units and 60 multi-family units. The level of single family production has hovered around 1,100 units per year over the past eight years. Swings in new multi-family home production with a high in 2001 of 276 and a low of 60 in 2005, have accounted for most of the variation in total residential construction.

New single family housing production for January 2006 was exceptionally strong. Builders pulled 103 permits in January 2006, up from 85 permits pulled in January 2004, 88 in January 2003 and 85 in January 2003. Is this a signal that 2006 will be a strong year for new home construction? Stay tuned.

New Home Construction
Pueblo, 1972 - 2005



Source: Regional Building Department and US Bureau of the Census.

New Single Family Permits (Units)
Pueblo County, 2003-2006 (Jan)

Month	2003	2004	2005	2006
Jan	85	88	85	103
Feb	97	85	84	
Mar	80	100	123	
Apr	119	105	95	
May	109	129	96	
Jun	94	78	101	
Jul	113	72	80	
Aug	93	90	88	
Sep	109	109	99	
Oct	91	75	88	
Nov	82	81	86	
Dec	76	87	94	

Source: Pueblo Regional Building Department.

New Home Construction (units)
Pueblo Metropolitan Area, 1990 - 2005

Year	Single Family	Multi-Family	Total
1990	156	97	253
1991	140	50	190
1992	219	21	240
1993	359	83	442
1994	559	106	665
1995	764	179	943
1996	896	356	1,252
1997	955	204	1,159
1998	1,079	274	1,353
1999	1,173	264	1,437
2000	1,028	70	1,098
2001	1,114	276	1,390
2002	1,075	228	1,303
2003	1,078	204	1,282
2004	1,100	120	1,220
2005	1,119	60	1,179

Source: Regional Building Department.

Builder's spec inventories at year-end were about the same as a year ago. Based on our survey of builders, we estimate there were 333 spec homes under construction, or complete as of January 1, 2006, up from 260 a year ago. The survey found that spec inventory was a little higher in the $160,000 - $199,999 price range relative to sales rates. Overall, for a market sized at about 1,100 units per year, spec construction represents almost four months of permitting activity; well within acceptable levels considering that the lead time to build a new home is five to six months from start to finish. The relatively low spec inventory might even suggest a fairly tight market. However, we recommend that builders and lenders continue to closely monitor supply and demand conditions because of the volatility of the current economic climate.

Estimated Single Family New Home Market Performance
Pueblo County, January 1, 2006
(Sample data scaled to represent the whole market)

Price Range	Started Jan-Dec 2005	Under Construction 1-Jan-06			Completed (not closed) 1-Jan-06			Sold 2005	Plan to Build in 2006
		Presold	Unsold	Total	Presold	Unsold	Total		
Less than $130,000	110	25	32	57	2	10	12	116	167
$130,000 to $159,999	339	52	65	117	22	20	42	347	408
$160,000 to $199,999	267	70	77	147	17	47	65	243	487
$200,000 to $249,999	229	84	45	129	5	5	10	154	340
$250,000 to $299,999	96	40	7	47	5	5	10	91	132
$300,000 and over	77	15	17	32	5	2	7	72	60
Total	1,119	286	244	529	57	89	147	1,023	1,593

Source: David Bamberger & Associates Builder Survey, December 2005 - January 2006. Note: The survey included responses from 25 builders, accounting for 40% of permits pulled by builders in 2005.

Analysis of Speculative New Single Family Inventory
January 1, 2006
(Sample data scaled to represent the whole market)

Price Range	Total Unsold Inventory	Sold per Month in 2004	Months of Inventory
Less than $130,000	42	10	4.4
$130,000 to $159,999	84	29	2.9
$160,000 to $199,999	124	20	6.1
$200,000 to $249,999	50	13	3.9
$250,000 to $299,999	12	8	1.6
$300,000 and over	20	6	3.3
Total	333	85	3.9

Source: David Bamberger & Associates Builder Survey December 2005 - January 2006.

Prices for new homes increased in 2005 at a rate more than double the general rate of inflation. Builders reported price increases of new homes of 8.3% in 2005 over the previous year. The US Consumer Price Index increased about 3.4% during the same time. Much of the increase is attributable to big jumps in the price of building materials. Builders also reported that they expect new home prices to increase by about 7.0% in 2006.

Estimated Price Increases of New Homes

- 2005 average experienced: +8.3%
- 2006 average expected: +7.0%

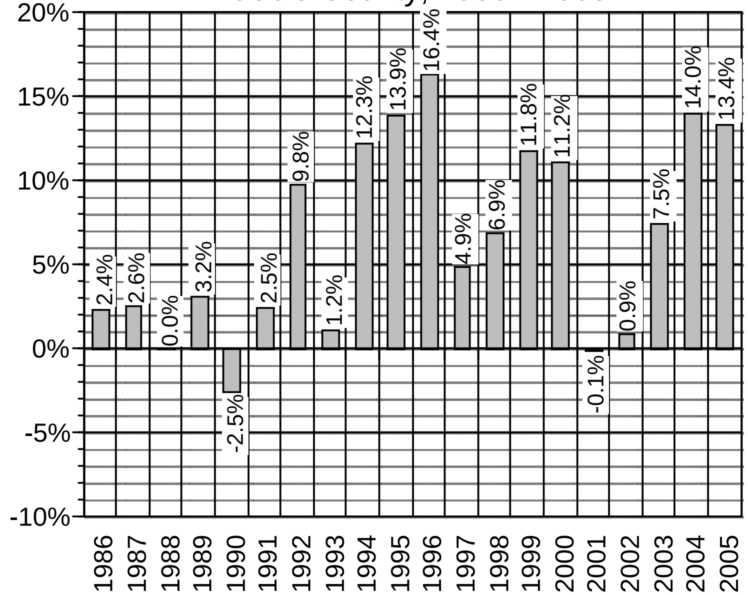
The median price of resale homes increased by 13.4% to $122,322 in 2005. This compares to an increase of 14.0% in 2004, less than 1% in 2002 and a drop of -0.1% in 2001. The gains in 2004 and 2005 were a return to the lengthy period of strong gains experienced from 1993 to 2000, when the median price of a resale went from $54,712 to $101,115, an annual rate of 8%.

The resale market was very strong in 2005. Home resales totaled 2,351 units in 2005, up from 2,297 in 2004. Resale activity in 2005 was the highest figure recorded over the past three decades.

A strong resale market means a strong move-up and move-down market opportunity for both new home buyers and builders. It also provides an opportunity for buyers looking for affordable housing. It is clear that the classic filter-up housing market process is working in the Pueblo housing market.

The number of foreclosures of home mortgages in Pueblo increased to 1,032 in 2005, a recent historic high. The increase in foreclosures over the past several years is likely caused by the large amount of debt that many home owners have taken on recently and a softening of the home loan underwriting requirements.

Median Price of Resale Homes Sold
Pueblo County, 1986 - 2005



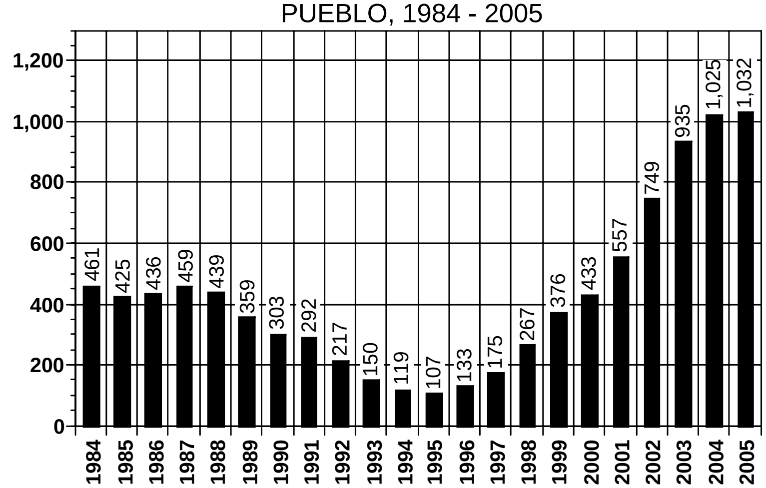
Source: Don Vest, Pueblo City Planning Department. Based on data from MLS

MEDIAN PRICE
RESALE HOMES SOLD
PUEBLO, 1985 - 2005

YEAR	MEDIAN PRICE	PERCENT CHANGE
1985	$45,410	
1986	$46,510	2.4%
1987	$47,700	2.6%
1988	$47,721	0.0%
1989	$49,266	3.2%
1990	$48,034	-2.5%
1991	$49,224	2.5%
1992	$54,054	9.8%
1993	$54,712	1.2%
1994	$61,449	12.3%
1995	$70,000	13.9%
1996	$81,494	16.4%
1997	$85,518	4.9%
1998	$90,913	6.3%
1999	$95,586	11.8%
2000	$101,115	11.2%
2001	$101,005	-0.1%
2002	$101,965	0.9%
2003	$108,630	7.5%
2004	$116,097	14.0%
2005	$122,322	13.4%

Source: Pueblo Board of Realtors and Don Vest, City of Pueblo, Department of Planning and Development.

HOME MORTGAGE FORECLOSURES FILED
PUEBLO, 1984 - 2005

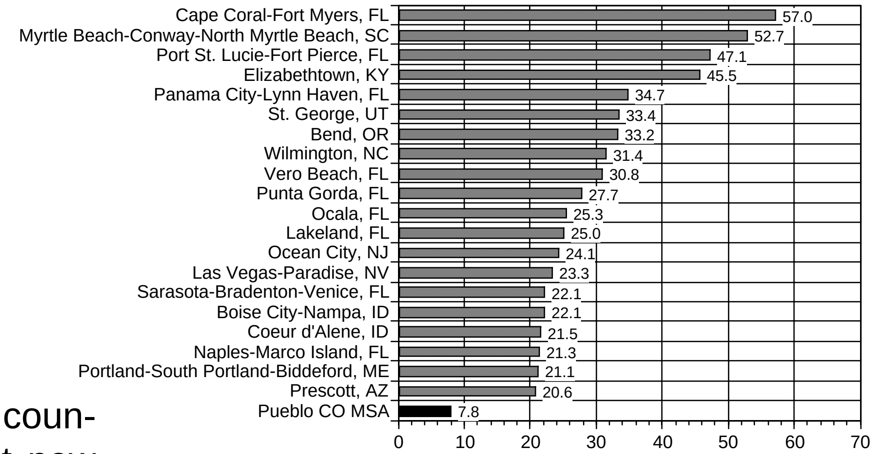


Source: Don Vest, City of Pueblo, Department of Planning and Development

The Pueblo housing market is currently not overbuilt. The market remains demand-driven. Per capita housing production in Pueblo in 2005 was much lower than the top 20 markets in the country with the highest new home production per capita.

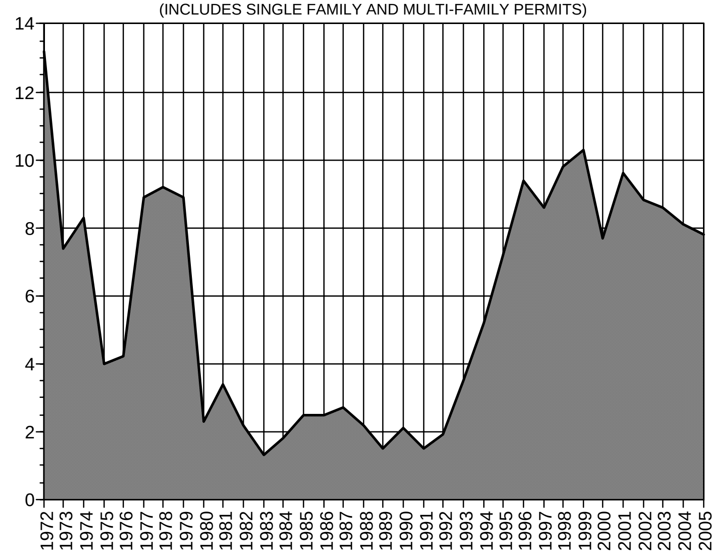
In 2005 new housing construction in Pueblo per 1,000 population totaled 7.8, down from a peak of 10.3 in 1999. Pueblo's housing production rates of about 7 to 10 units per 1,000 population is in contrast to rates that range from about 20 to over 50 annual starts per 1,000 population in the most active markets in the country.

How Pueblo Compares to the Top 20 U.S. Housing Markets
Housing Starts per 1,000 Population, 2005



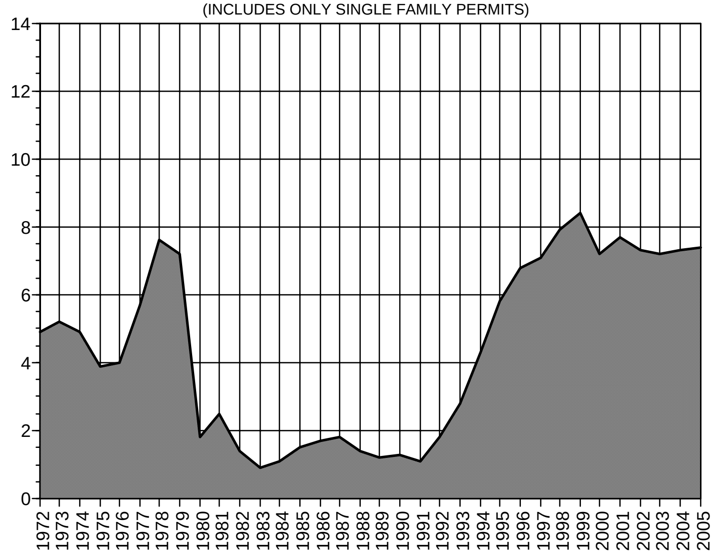
Source: US Bureau of the Census and David Bamberger & Associates

TOTAL HOUSING STARTS (IN UNITS) PER 1,000 POPULATION
PUEBLO COUNTY, 1972-2005
(INCLUDES SINGLE FAMILY AND MULTI-FAMILY PERMITS)



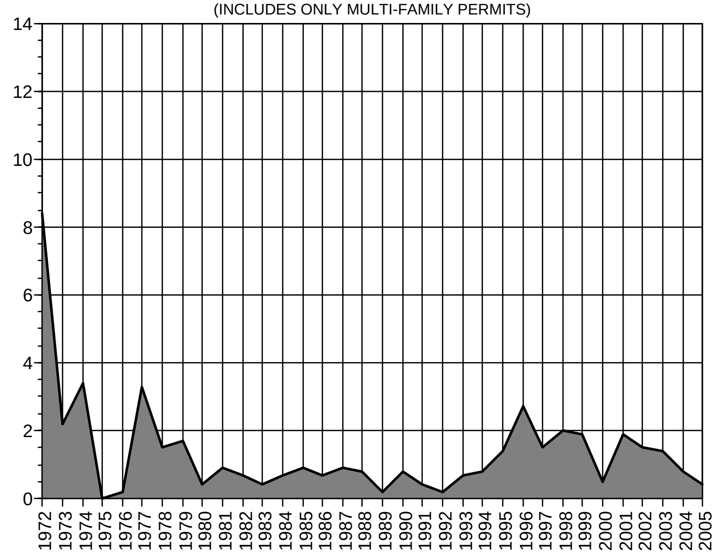
Source: David Bamberger & Associates, Regional Building Department, Bureau of the Census and Pueblo City Planning Department.

SINGLE FAMILY HOUSING STARTS (IN UNITS) PER 1,000 POPULATION
PUEBLO COUNTY, 1972-2005
(INCLUDES ONLY SINGLE FAMILY PERMITS)



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

MULTI-FAMILY HOUSING STARTS (IN UNITS) PER 1,000 POPULATION
PUEBLO COUNTY, 1972-2005
(INCLUDES ONLY MULTI-FAMILY PERMITS)



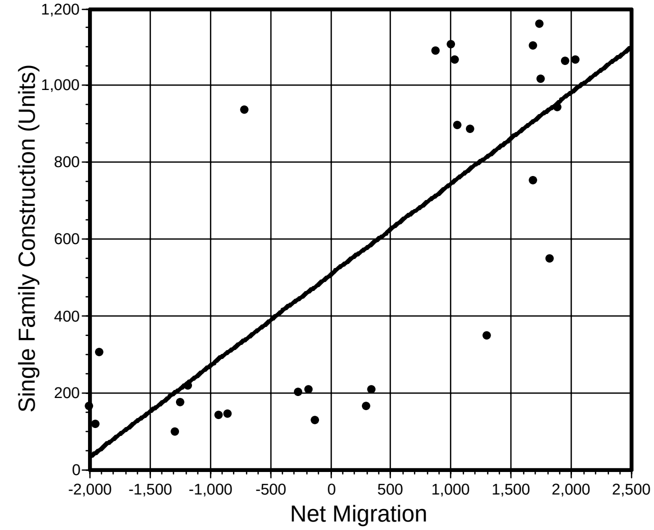
Source: David Bamberger & Associates, Regional Building Department, Bureau of the Census and Pueblo City Planning Department.

The main drivers of the Pueblo housing market are job growth, interest rates and net migration. This is confirmed in a recent update to the research that we conduct every year on the Pueblo housing market.

Last year we added net migration to our kit of data and analysis tools. Plugging in net migration as an explanatory variable enhances our understanding of how the market works and the direction it might take in the future.

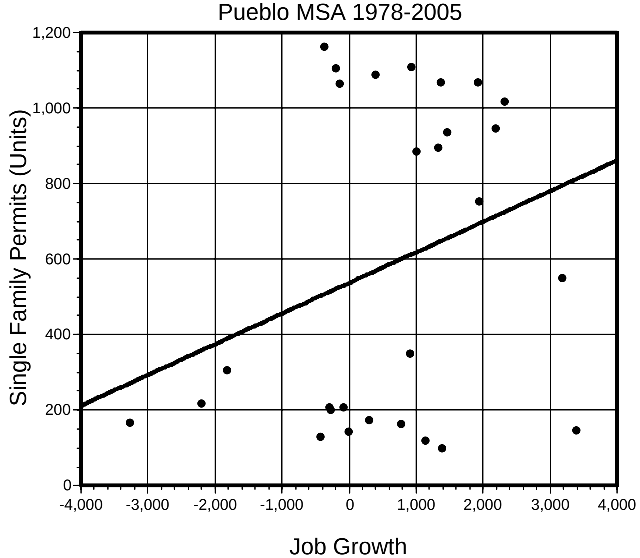
We have learned that commuters with jobs in other cities and retirees moving to Pueblo have recently emerged as important forces in the Pueblo housing market. The large gain in net-migration helps explain why the housing market remained strong even though job growth was weak and even negative in 1999-2001.

Relationship Between
Single Family Construction and Net Migration
Pueblo MSA 1977-2005



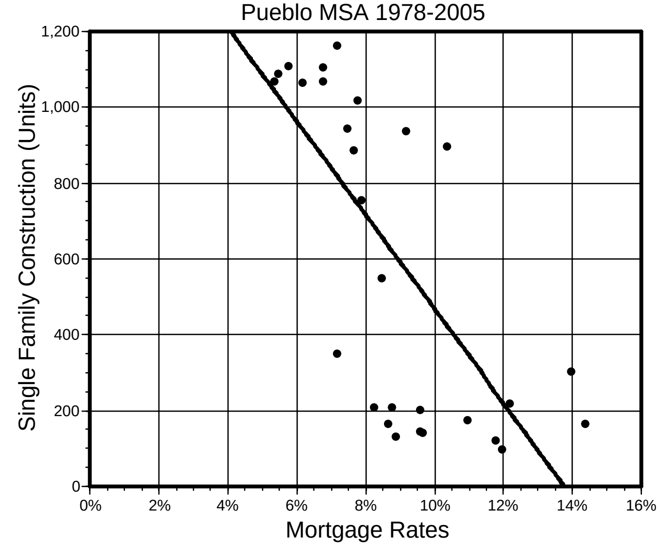
Source: Pueblo Regional Building Department and Colorado State Demographer and David Bamberger & Associates.

Relationship Between
Single Family Construction and Job Growth
Pueblo MSA 1978-2005



Source: Pueblo Regional Building Department, Colorado Department of Labor and Employment and David Bamberger & Associates.

Relationship Between
Single Family Construction and Mortgage Rates
Pueblo MSA 1978-2005



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

The Pueblo housing market made a very strong showing over the past seven years in spite of significant national economic turmoil. The stock market melt-down, US recession, massive corporate lay-offs, the events of 9/11, accounting scandals and war in Iraq all had the potential to drag the market to its knees. Instead, record low mortgage rates and continued strong in-migration kept the market on its feet.

Three factors remained in alignment in 2005 to provide a solid foundation for strong activity in the Pueblo housing market. Rates for a 30-year fixed mortgage with no points averaged 5.8%; net migration totaled 1,040; and job growth continued its positive trend, totaling 1,000 for the year. The result was construction of 1,119 new single family homes, resale activity that totaled 2,351 units and little spec inventory of homes under construction.

Our forecasts for 2006, 2007 and 2008 show that these same market factors that made for a strong 2005 are expected to generally stay aligned, with some increase in mortgage rates expected.

• **Pueblo is in an excellent position to attract new move-in buyers,** including retirees looking for a small city with a lot of retirement amenities, such as low cost of living, recreational opportunities and pleasant climate, and workers with jobs in other cities such as Canon City and Colorado Springs looking for affordable housing.

• **The national economy continues on a growth path**. New primary job growth should remain strong as Pueblo offers primary employers a quality labor market and expansion opportunities with low operating cost.

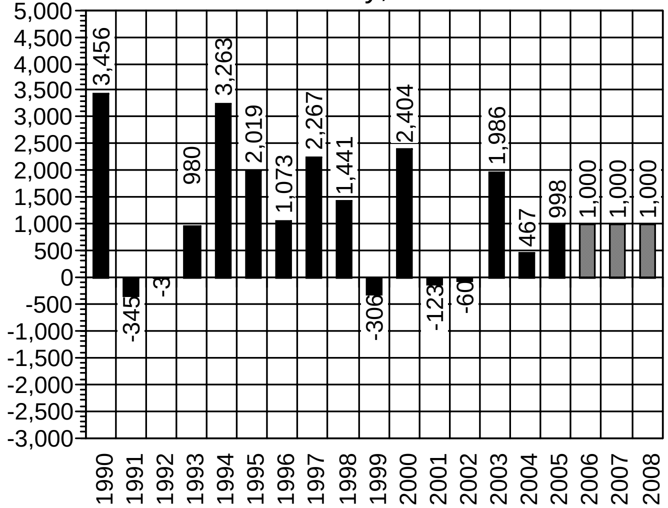
• **Mortgage rates are expected to increase slightly over the next three years**, but will remain relatively low compared to the 8% and 9% rates experienced in the first half of the 1990s.

We believe that continued strong job growth and in-migration will off-set the down-side impact of a rise in mortgage rates.

Our forecasts are as follows:

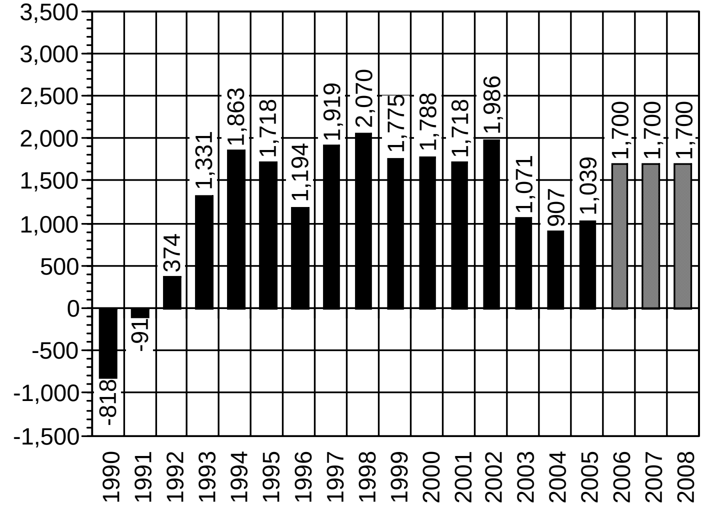
- Mortgage rates: 2006, 6.3%; 2007, 6.5%; 2008, 6.5%
- Net migration: 2006, 1700; 2007, 1700; 2008, 1700
- Job growth: 2006, 1000; 2007, 1000; 2008, 1000
- New single family homes: 2006, 1100; 2007, 1100; 2008, 1100

Job Growth
Pueblo County, 1990 - 2008



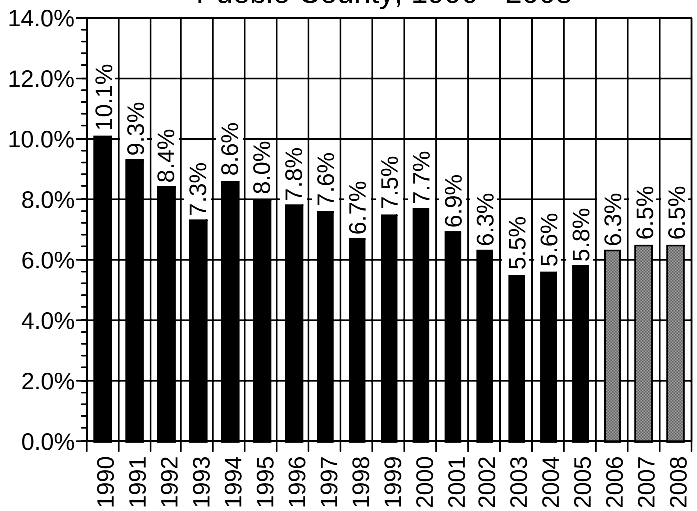
Source: Colorado Department of Labor and Employment and David Bamberger & Associates.

Net Migration
Pueblo County, 1990 - 2008



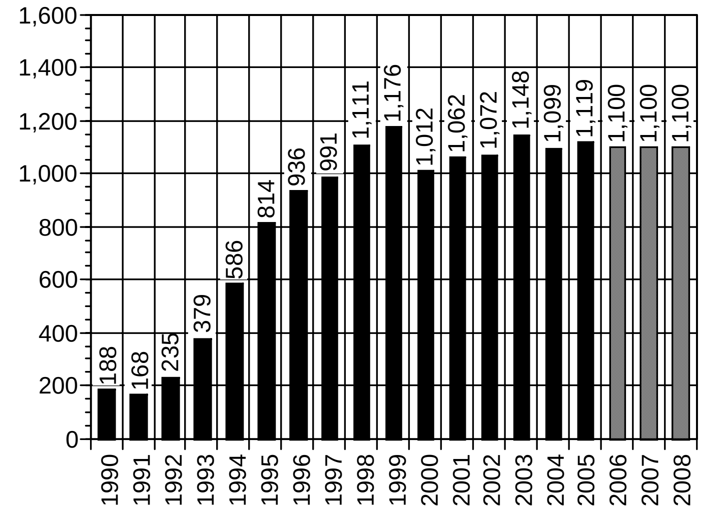
Source: Colorado State Demographer and David Bamberger & Associates.

30-Year Fixed Mortgage Rates (No Points)
Pueblo County, 1990 - 2008



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

New Single Family For-Sale Housing Unit Construction
Pueblo County, 1990 - 2008



Source: Pueblo Regional Building Department and David Bamberger & Associates.

We conclude that the market for new single family housing in Pueblo will continue at a sustainable rate of 1,100 units per year through 2008.

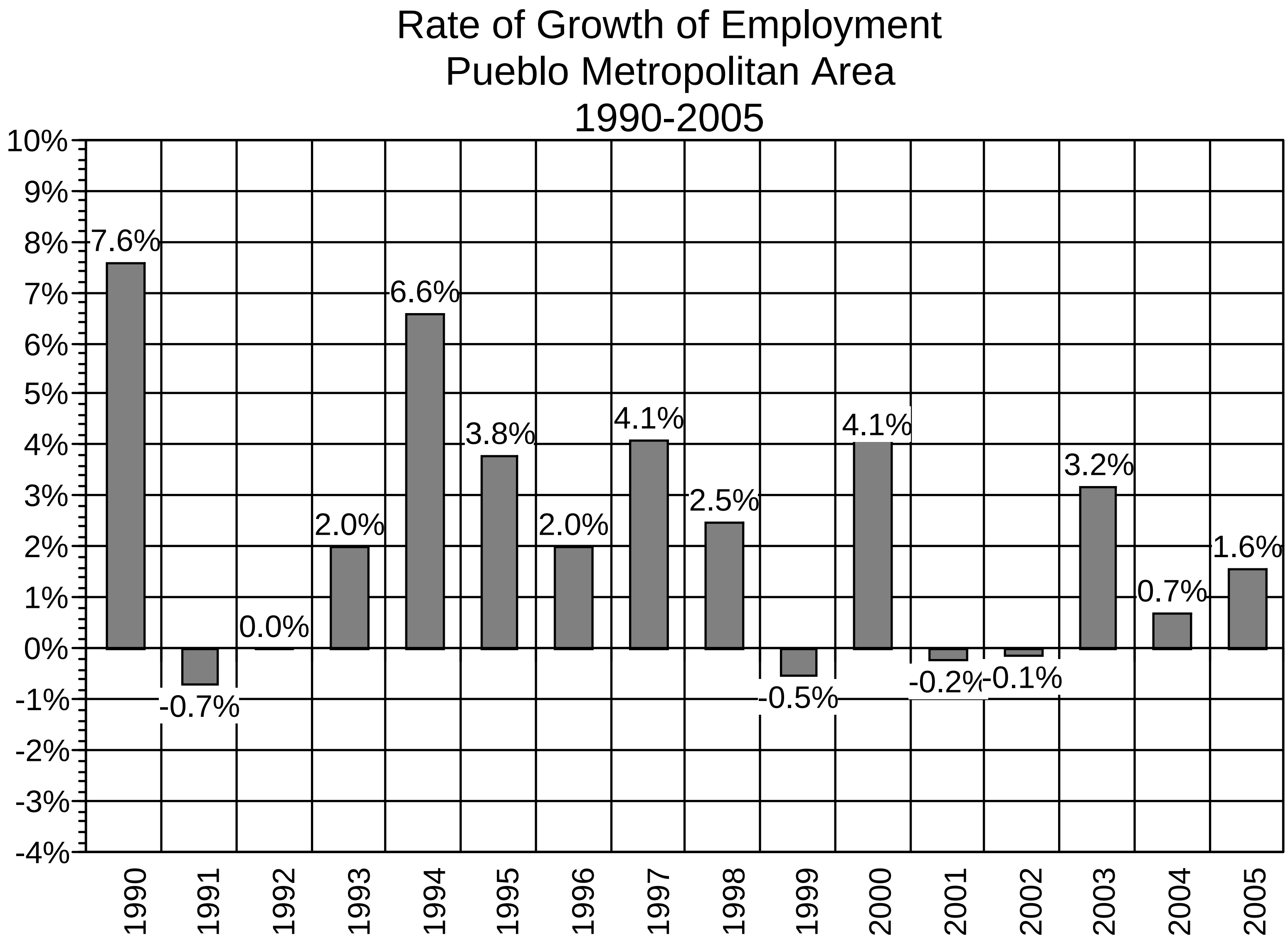
The risks to the forecast include a big jump in mortgage rates and slower than expected job growth.

Mortgage Rate Risk - If mortgage rates rise significantly (2% points, or more) over the next two to three years, it is likely that many existing Pueblo homeowners who refinanced at once-in-a-lifetime low 4% and 5% rates would be reluctant to buy new homes because of the big increase in monthly payments. In addition, a large number of potential buyers who can qualify at low mortgage rates, would not be able to qualify to buy if rates increase. This would mean a smaller market for new homes.

Slow Job Growth Risk - The U.S. economy has seen strong growth since the recession ended in November 2001. Much of the growth has been fueled by strong consumer spending pushed up by rapid increases in housing asset values, increased consumer debt and extra spendable income from home refinancing. If the consumer spending bubble breaks, there is a good chance the national economy could dip into recession. A recession would likely have an impact on the Pueblo economy and result in a slow down in job growth and weaker new home demand.

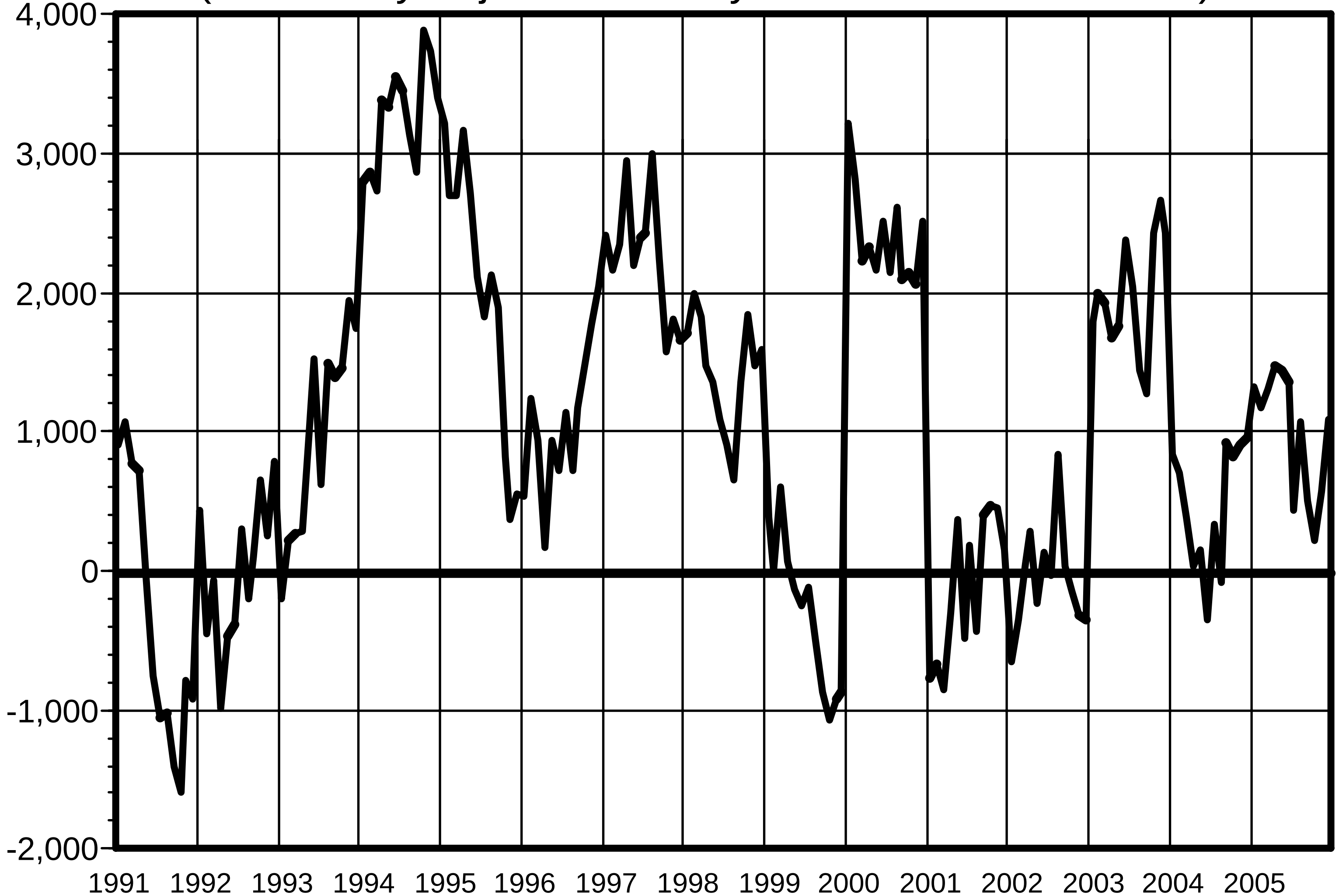
Fort Carson Expansion - On the up-side, Fort Carson, located only 30 miles north of Pueblo on I-25, has announced expansion of about 12,000 troops over the next three to four years. This could add demand for both rental and owner housing as personnel stationed at the base seek an affordable housing option. We expect the troop increases to generate demand of about 1,400 family housing units off-base. It is difficult to make an accurate estimate of the impact on the Pueblo market, but single family home sales could see an increase of several hundred over the next few years.

ATTACHMENTS

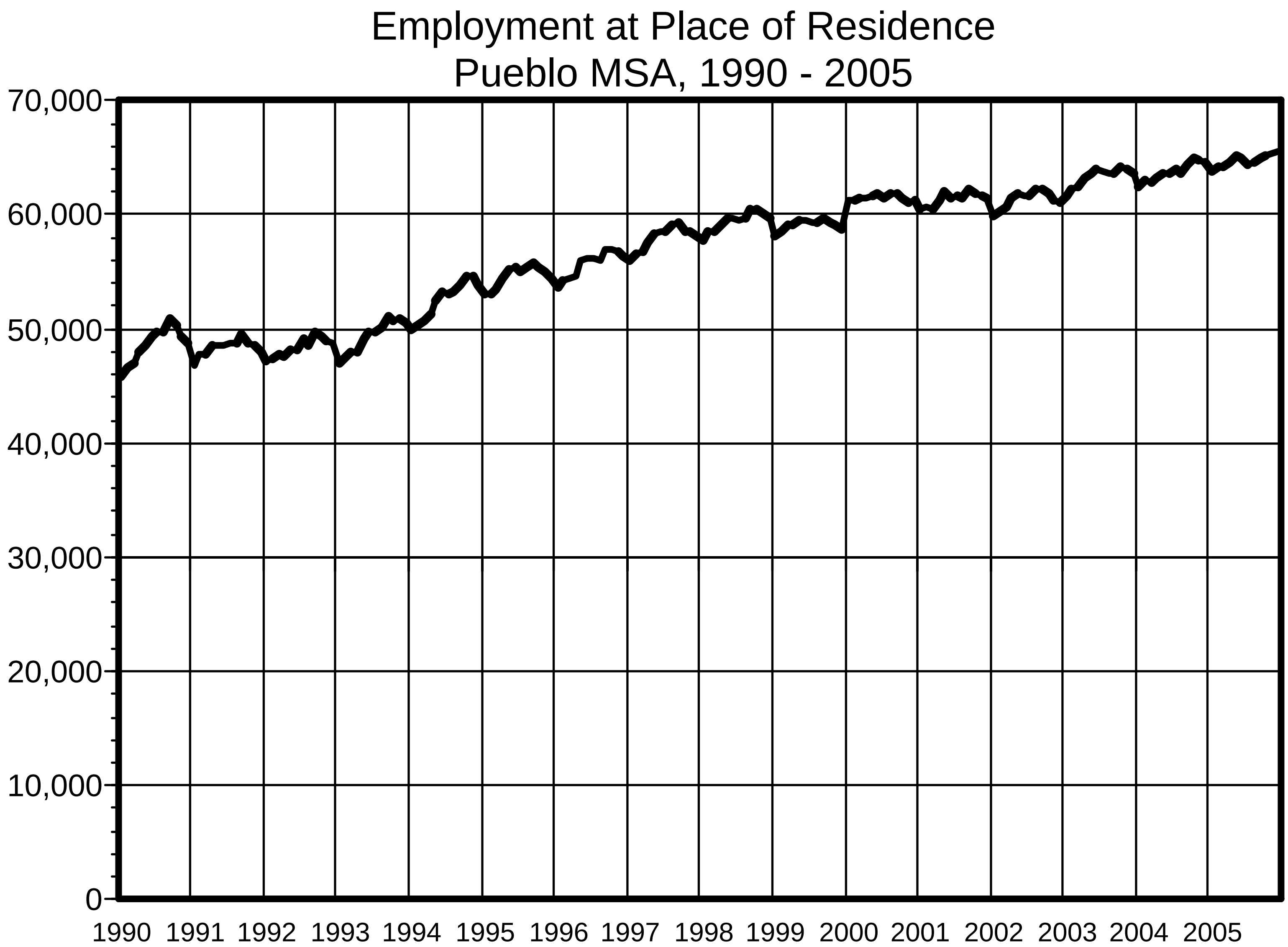


Source: Colorado Department of Labor and Employment.

Change in Employment at Place of Residence
Pueblo MSA, 1991 - 2005
(Seasonally Adjusted Monthly Data at an Annual Rate)

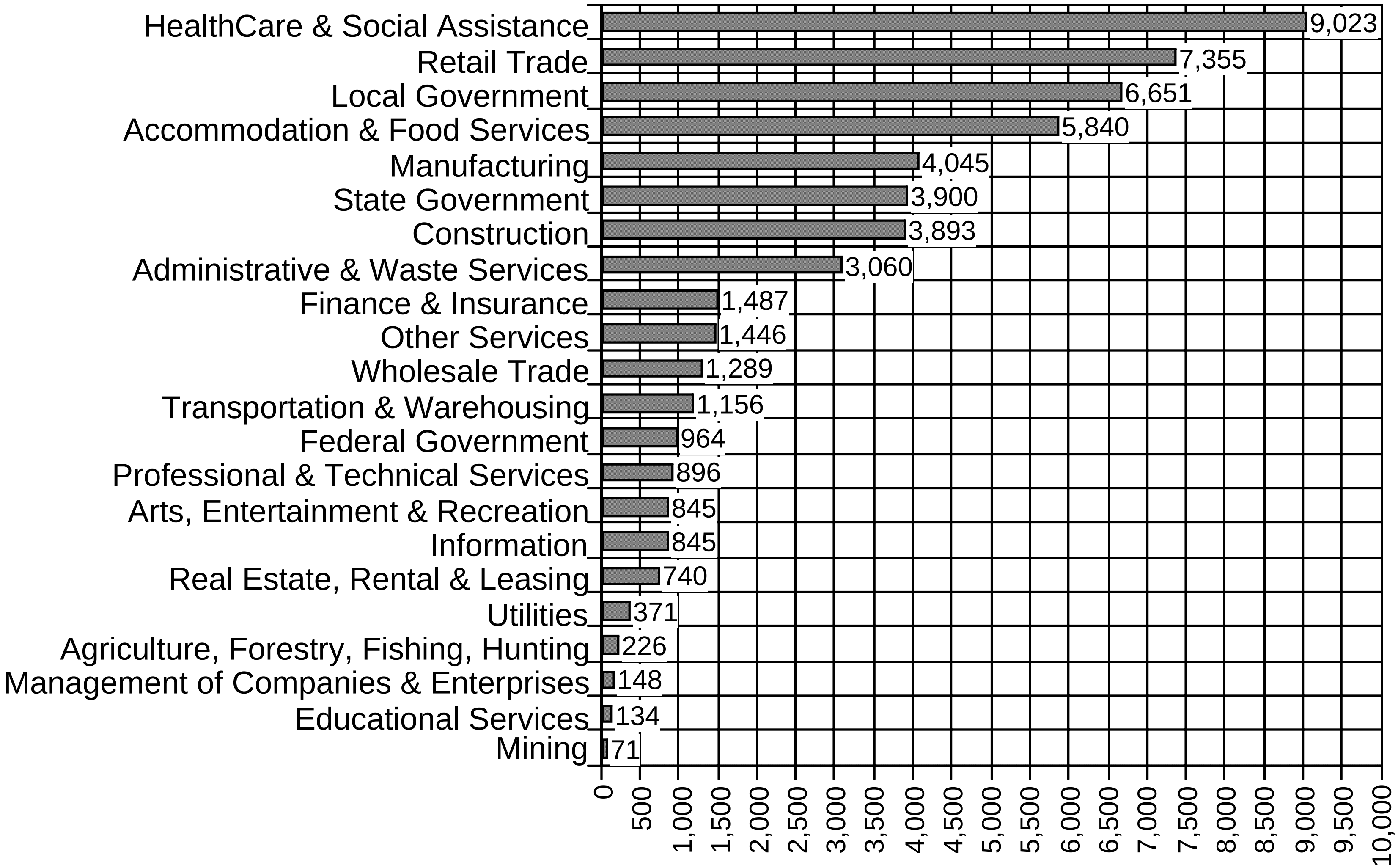


Source: Colorado Department of Labor and Employment



Source: Colorado Department of Labor and Employment

Wage and Salary Jobs by Industry
Pueblo MSA, 2nd Quarter 2005

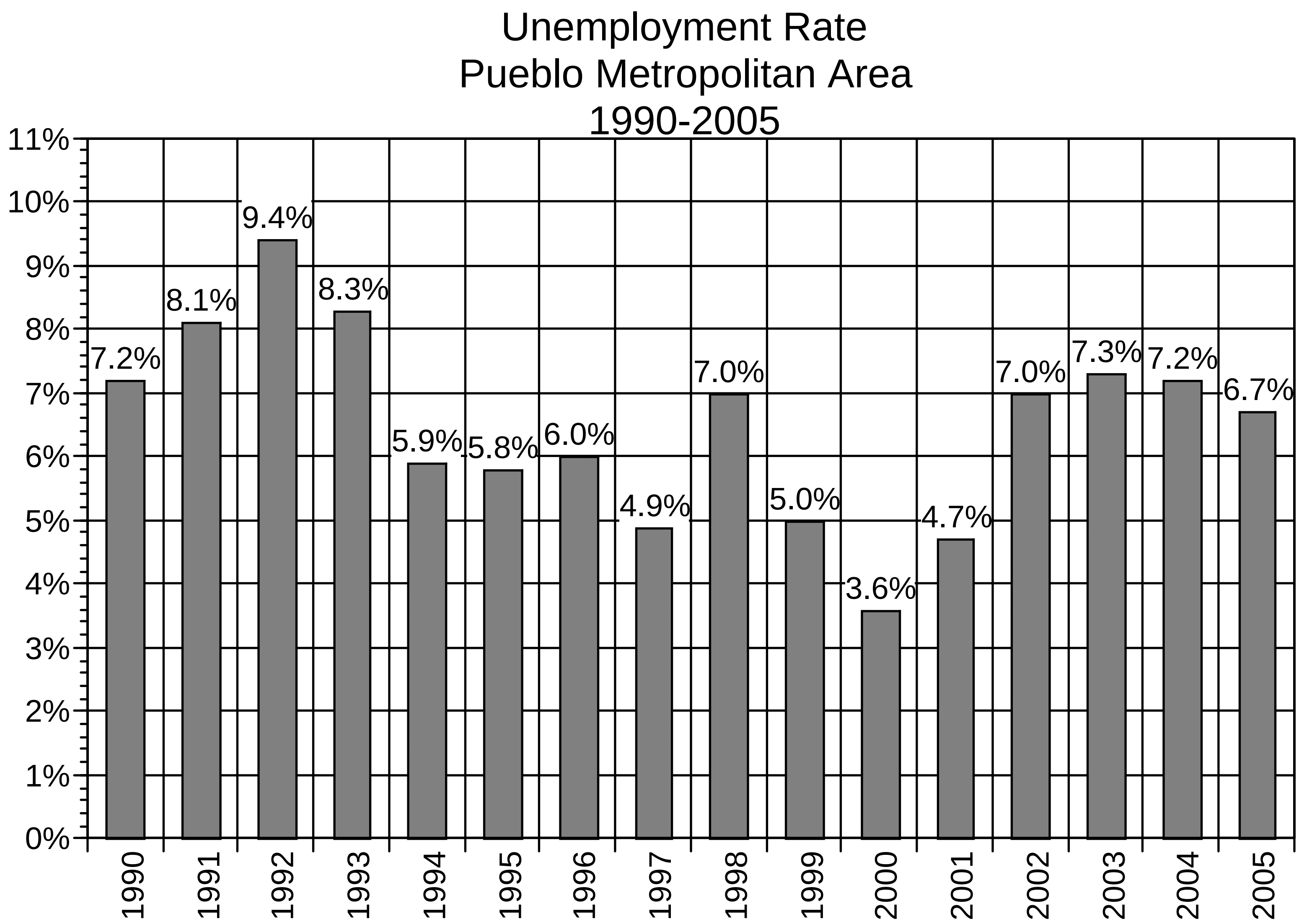


Source: Colorado Department of Labor and Employment.

Wage and Salary Employment by Industry
Pueblo MSA, 2004 2nd Qtr and 2005 2nd Qtr

Industry	2004-2nd Qtr	2005-2nd Qtr	Change
Accommodation & Food Services	5,453	5,840	387
Local Government	6,324	6,651	327
Retail Trade	7,080	7,355	275
Arts, Entertainment & Recreation	681	845	164
Educational Services	92	134	42
Information	817	845	28
Real Estate, Rental & Leasing	712	740	28
Mining	47	71	24
Federal Government	948	964	16
Utilities	366	371	5
Management of Companies & Enterprises	145	148	3
State Government	3,897	3,900	3
Construction	3,897	3,893	-4
Agriculture, Forestry, Fishing, Hunting	231	226	-5
Wholesale Trade	1,297	1,289	-8
Finance & Insurance	1,505	1,487	-18
Other Services	1,478	1,446	-32
Professional & Technical Services	943	896	-47
HealthCare & Social Assistance	9,092	9,023	-69
Transportation & Warehousing	1,261	1,156	-105
Manufacturing	4,253	4,045	-208
Administrative & Waste Services	3,462	3,060	-402
Total	53,981	54,385	404

Source: Colorado Department of Labor and Employment



Source: Colorado Department of Labor and Employment.

PEDCO New Primary Job Announcements
Pueblo Metro Area, 1992 - 2005

Year	Type	Company	Type of Company	Number of Employees Announced
1992	Expansion	PCL Packaging	Manufacturer-plastic bags	20
1992	Expansion	Target Distribution	Distribution center	189
1992	Relocation	Kremlin Company	Manufacture-embroidery	12
1992	Expansion	Matrix Marketing	Inbound telemarketing	200
1992	Relocation	Looking Glass Enterprises	Manufacturer-napkin rings	25
1993	Relocation	EATON Corp.	Electronic Control Panels	40
1993	Retention	Oregon Steel	Manufacturer-steel	1,400
1993	Relocation	Pacific Aero	Machine/Tooling	40
1994	Relocation	LAN Technologies	Manufacturer-computer discs	100
1994	Relocation	Hyd-Mech, Inc.	Manufacturer-band saws	80
1994	Expansion	McDonnell Douglas	Assembly of Delta vehicle	180
1994	Expansion	Atlas Pacific Engineering	Fruit Processing Machines	50
1994	Relocation	Telling Systems	Telemarketing	100
1994	Relocation	Navajo/Dig by (Swift Transport)	Trucking	125
1995	Expansion	Kurt Manufacturing	High intensity precision mach	35
1995	Relocation	Am. Association of Railroads	Rail system	75
1995	Relocation	Jones Tones	Manufacture-craft products	100
1995	Expansion	BF Goodrich	Manufacture-carbon brakes	160
1995	Expansion	TRANE Company	Manufacture/water chillers	210
1995	Relocation	CO State Patrol Dispatch	Dispatch	60
1995	Relocation	Kurt Impact	Manufacture-air bag	30
1995	Relocation	Estrada Foods	Prepared foods	220
1995	Relocation	Compana	Heavy equipment repair	20
1996	Relocation	Haddonstone USA	Manufacturer-stonework	40
1996	Expansion	Swift Transportation	Trucking	60
1996	Expansion	Matrixx Marketing (Convergys)	Inbound telemarketing	300
1996	Expansion	Qual-Med	Health maintenance	650
1997	Expansion	PCL Packaging	Manufacture-plastic bags	35
1997	Relocation	Ashland Chemical Company	Chemical purification	137
1997	Relocation	Davie Wire Compamy	Manufacture wire	125
1997	Relocation	WR Inc	Manufacturer	10
1997	Relocation	Castlewood Building Corp.	Manufacturer housing	50
1997	Expansion	Boeing	Assembly of Delta vehicle	210
1997	Relocation	Fountain Foundry	Foundry	70
1997	Relocation	CO Fastener & Nail Co.	Manufacturer	20
1997	Relocation	Miomark Incorporated	Distribution center-medical	25
1998	Relocation	North Am. Telephone Network	Telemarketing	53
1998	Relocation	Flexible Foam Products	Manufacturer carpet pad	50
1998	Relocation	Chemical Marketing Concepts	Chemical repackaging	50
1998	Expansion	Convergys	Telemarketing	350
1998	Expansion	Pueblo Call Service Center	Telemarketing	55
1998	Relocation	Hartung Agalite Glass	Manufacturer	60
1998	Expansion	Kroger Foods	Back office operation (accounting)	20
1998	Relocation	Grupo Cementos de Chihuahua	Cement Manufacturer	130
1999	Relocation	ALM Aviation	Aircraft painting and maintenance	70
1999	Relocation	Innotrac	Telemarketing/customer service	450
1999	Relocation	The TPA, Inc.	Medical claims processing	600
1999	Relocation	Universal Boilerworks	Manufacture industrial boilers	100
1999	Relocation	Stonecraft Industries	Manufacture stone building products	80
1999	Relocation	McCallin Diversified Industries	Fabricate steel plates	50
2000	Relocation	Vestas Wind Systems	Wind turbine manufacturer	450
2000	Expansion	Electronic Data Submission Systems	Data processing	485
2001	Relocation	Tenant International	Manages corporate telecom services	160
2001	Expansion	Stonecraft	Manufacture stone building products	60

PEDCO New Primary Job Announcements (Continued)
Pueblo Metro Area, 1992 - 2005

Year	Type	Company	Type of Company	Number of Employees Announced
2002	Relocation	Eupec Risk Management Systems	Pipeline safety systems	75
2002	Relocation	Premier Fulfillment	Fulfillment distribution center	35
2002	Relocation	Hospital Cooperative Laundry	Hospital Laundry	125
2002	Relocation	Lason	Information management	50
2003	Relocation	Adam Aviation	Aircraft manufacturing	450
2003	Expansion	Haddonstone USA	Manufacturer-stonework	30
2003	Expansion	Innotrac	Telemarketing/customer service	60
2003	Relocation	Pueblo Suburban Development	Manufacture and run greenhouses	1,650
2004	Relocation	Takeshiba Electric	Medical equipment R&D	48
2004	Relocation	Deneen & Company	Food procressing	40
2004	Retension	Benshaw (Trane)	Manufacturer / water chillers	60
2004	Relocation	Dun & Bradstreet	Business services - call center	325
2005	Relocation	Express Scripts	Business services - call center	500
2005	Relocation	Receivable Management Services	Business services - call center	325
2005	Relocation	Professional Bull Riders	Sports association headquarters	180
2005	Relocation	LB Foster	Prefabricated rail manufacturing	28
2005	Relocation	Timberline Steel	Fabricated steel manufacturing	35
2005	Expansion	Eldorado Stone (StoneCraft)	Manufacture stone building products	25
Total				12,517

Source: PEDCO

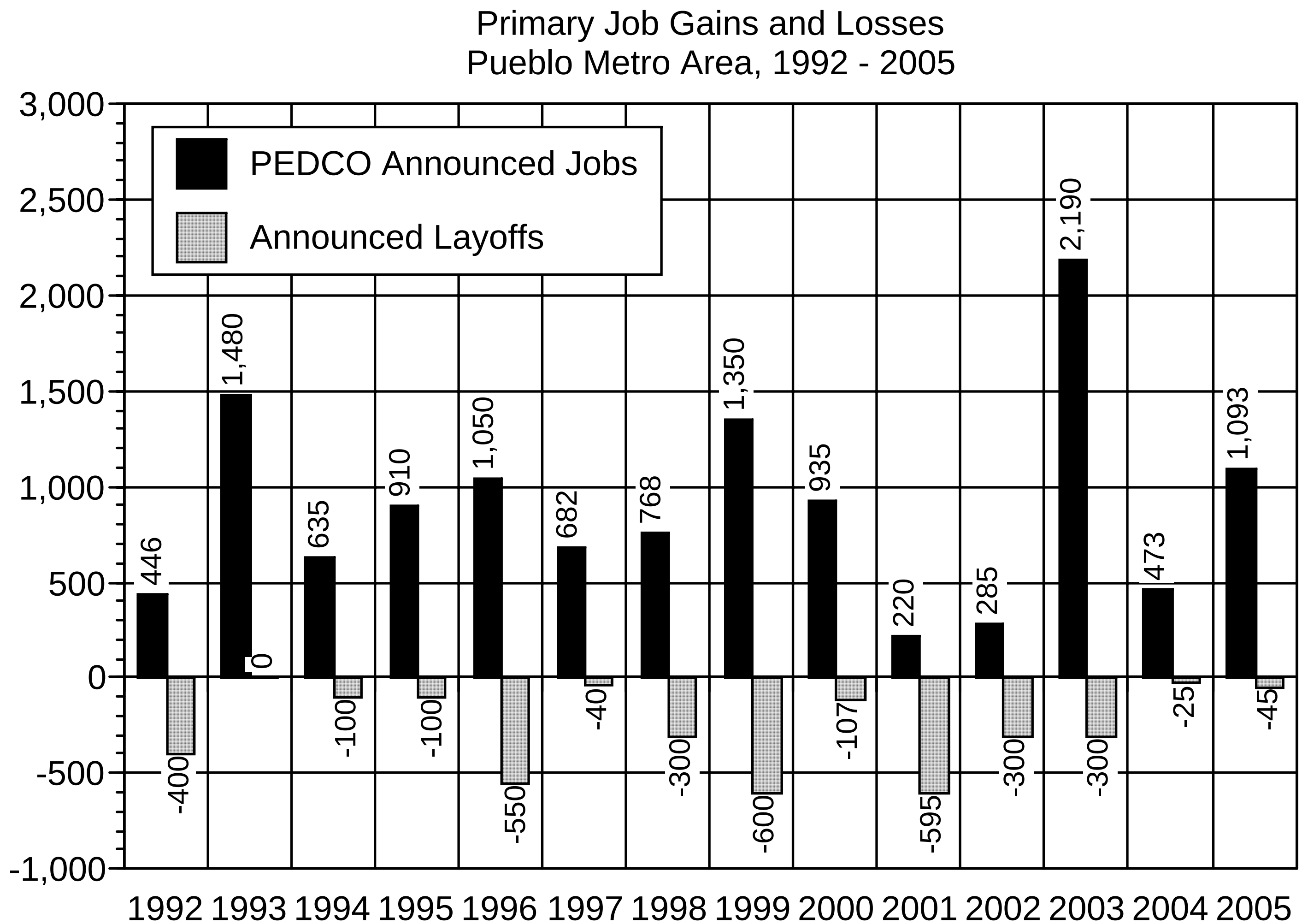
Announced Primary Industry Layoffs
Pueblo Metro Area, 1992 - 2005

Year Announced	Company	Type of Announcement	Type of Company	Number of Employees Announced for Layoff
1992	Pueblo Army Depot	Downsizing	U.S. Army	400
1994	Dana Corporation	Shutdown	Manufacturer automotive pistons	100
1995	Kaiser Aerospace	Shutdown	Manufacturer aerospace equipmer	100
1996	Loral (Unisys Corporation)	Shutdown	Manufacturer computers	550
1997	Lan Technologies	Shutdown	Manufacturer computer disc	40
1998	Rocky Mountain Steel	Downsizing	Manufacturer of steel	300
1999	QualMed	Shutdown	HMO claims processing	600
2000	Boeing	Downsizing	Aerospace manufacturing	77
2000	Hyd-Mech	Shutdown	Industrial band saw manufacturing	30
2001	Columbia House	Shutdown	Mail order fulfillment	400
2001	Benesight	Downsizing	Health insurance service provider	60
2001	Innotrac	Downsizing	Call center	115
2001	Flexible Foam	Shutdown (Temporary)	Manufacturer carpet pad	20
2002	Convergys	Downsizing	Telemarketing	250
2002	Benesight	Downsizing	Health insurance service provider	50
2003	Benesight	Downsizing	Health insurance service provider	50
2003	Boeing	Suhtdown (2004)	Aerospace manufacturing	250
2004	Benesight	Downsizing	Health insurance service provider	25
2005	Eupec - RMS	Shutdown	Pipeline safety systems	45
Total				3,462

Net Primary Job Announcements
Pueblo Metro Area, 1992-2005

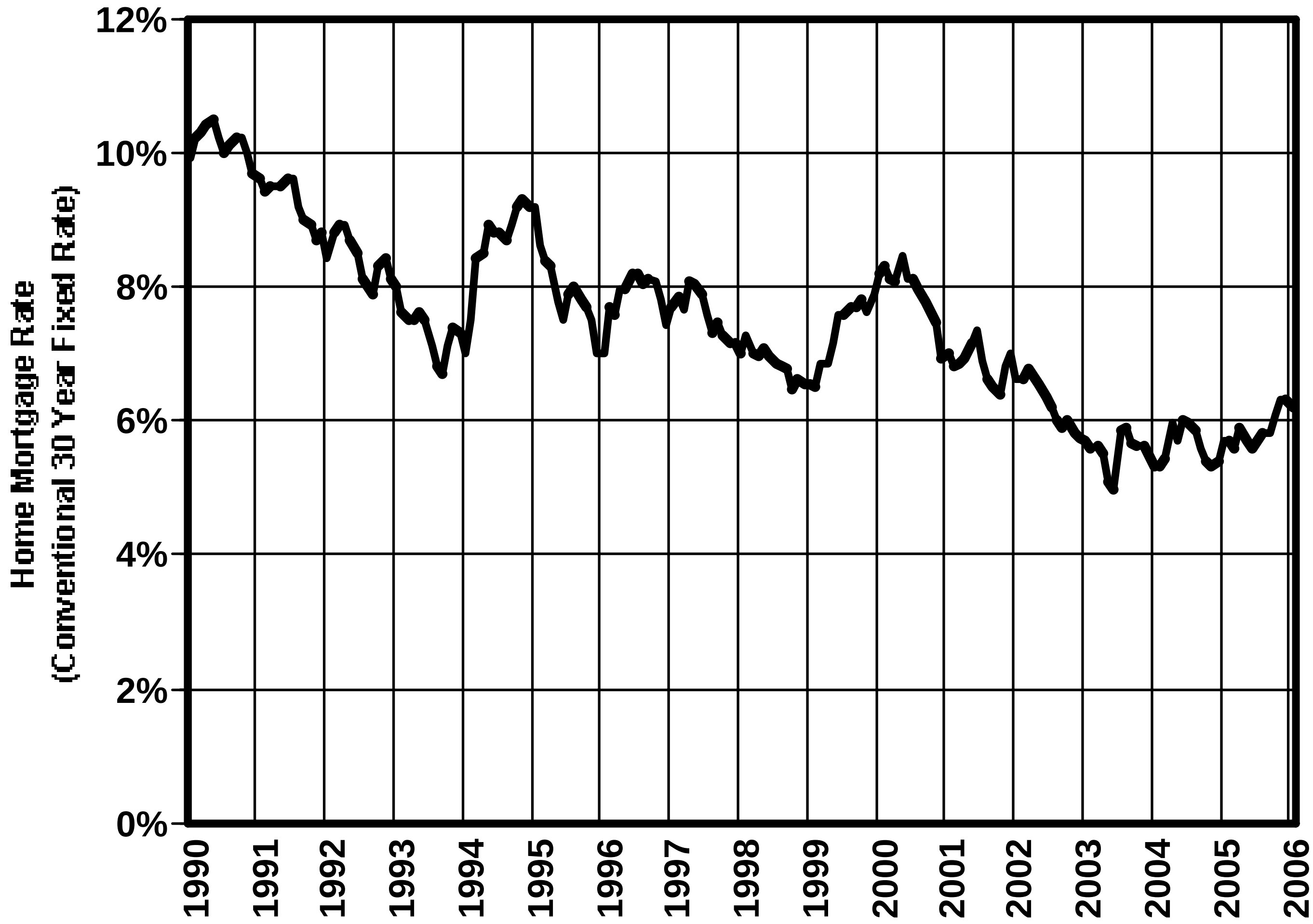
Year	Announced New Jobs	Announced Layoffs	Net Gain / Loss
1992	446	400	46
1993	1,480	0	1,480
1994	635	100	535
1995	910	100	810
1996	1,050	550	500
1997	682	40	642
1998	768	300	468
1999	1,350	600	750
2000	935	107	828
2001	220	595	-375
2002	285	300	-15
2003	2,190	300	1,890
2004	473	25	448
2005	1,093	45	1,048
Total	12,517	3,462	9,055

Source: PEDCO, Pueblo Chieftain and the Colorado Department of Labor and Employment



Source: PEDCO, Pueblo Chieftain, Colorado Department of Labor and Employment and David Bamberger & Associates.

Home Mortgage Rates
(30 Year Fixed Rates With No Points)
Pueblo, January 1990 - January 2006



Source: Federal Reserve Bank and various mortgage companies.

Components of Population Growth
Pueblo Metro Area, 1990-2005

Year	Population	Change	Births	Deaths	Natural Increase	Net Migration
1990	123,053	-310	1,698	1,190	508	-818
1991	123,486	433	1,766	1,242	524	-91
1992	124,410	924	1,807	1,257	550	374
1993	126,348	1,938	1,774	1,167	607	1,331
1994	128,722	2,374	1,745	1,234	511	1,863
1995	130,832	2,110	1,729	1,337	392	1,718
1996	132,498	1,666	1,732	1,260	472	1,194
1997	134,794	2,296	1,736	1,359	377	1,919
1998	137,381	2,587	1,868	1,351	517	2,070
1999	139,718	2,337	1,936	1,374	562	1,775
2000	142,054	2,336	1,928	1,380	548	1,788
2001	144,383	2,329	2,003	1,392	611	1,718
2002	147,057	2,674	2,032	1,344	688	1,986
2003	148,707	1,650	2,030	1,451	579	1,071
2004	150,171	1,464	2,099	1,542	557	907
2005	151,700	1,529	2,050	1,560	490	1,039
Totals		28,647	29,933	21,440	8,493	20,154
Percent		100%			30%	70%

Source: Bureau of the Census, Colorado State Demographer and David Bamberger & Associates.

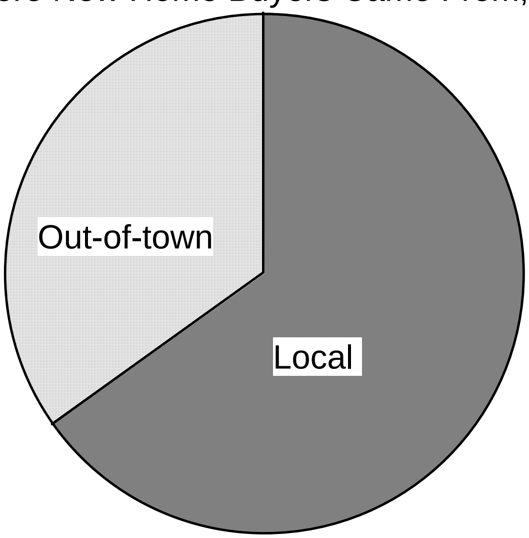
Pueblo New Home Buyer Demographics, 2003, 2004 and 2005

	2003	2004	2005
Previous residence of buyers			
Local	79%	71%	65%
Out-of-town	21%	29%	35%
Total	100%	100%	100%
Housing stage of buyers			
First time buyers	43%	23%	37%
Move-up buyers (buying bigger home)	37%	57%	49%
Move-down buyers (buying smaller home)	20%	20%	14%
Total	100%	100%	100%
Place of work of buyers			
Work in Pueblo	76%	62%	62%
Work in Colorado Springs	11%	12%	13%
Work somewhere else	4%	5%	7%
Retired	10%	22%	17%
Total	100%	100%	100%

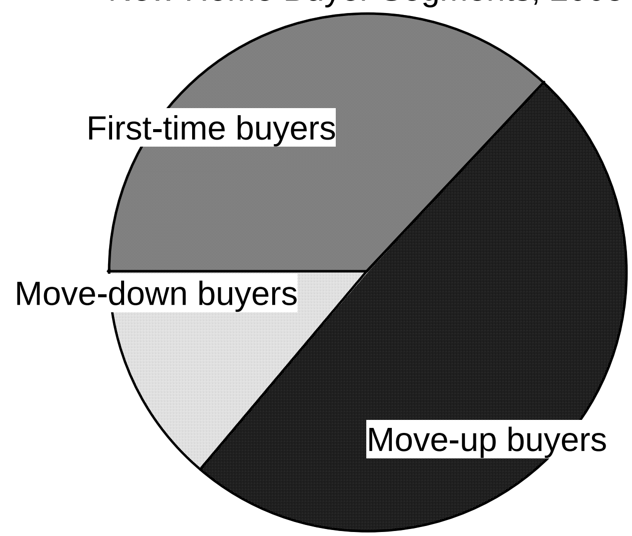
Source: David Bamberger & Associates survey

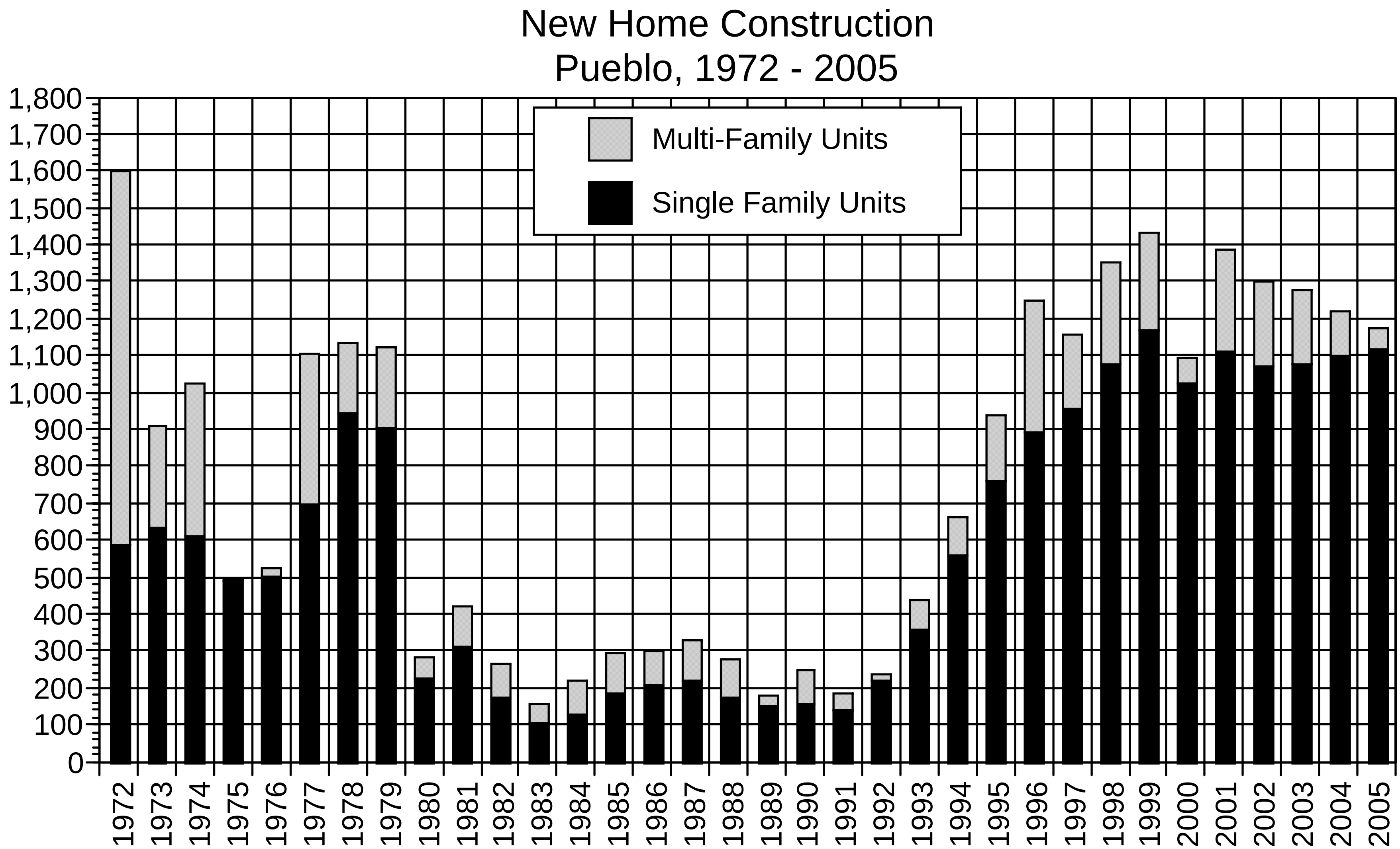
Note: totals may not add to 100% due to rounding.

Where New Home Buyers Came From, 2005



New Home Buyer Segments, 2005





Source: Regional Building Department and US Bureau of the Census.

New Single Family Permits (Units)
Pueblo County, 2003-2006 (Jan)

Month	2003	2004	2005	2006
Jan	85	88	85	103
Feb	97	85	84	
Mar	80	100	123	
Apr	119	105	95	
May	109	129	96	
Jun	94	78	101	
Jul	113	72	80	
Aug	93	90	88	
Sep	109	109	99	
Oct	91	75	88	
Nov	82	81	86	
Dec	76	87	94	

Source: Pueblo Regional Building Department.

Estimated Single Family New Home Market Performance
Pueblo County, January 1, 2006

(Sample data scaled to represent the whole market)

Price Range	Started Jan-Dec 2005	Under Construction 1-Jan-06			Completed (not closed) 1-Jan-06			Sold 2005	Plan to Build in 2006
		Presold	Unsold	Total	Presold	Unsold	Total		
Less than $130,000	110	25	32	57	2	10	12	116	167
$130,000 to $159,999	339	52	65	117	22	20	42	347	408
$160,000 to $199,999	267	70	77	147	17	47	65	243	487
$200,000 to $249,999	229	84	45	129	5	5	10	154	340
$250,000 to $299,999	96	40	7	47	5	5	10	91	132
$300,000 and over	77	15	17	32	5	2	7	72	60
Total	1,119	286	244	529	57	89	147	1,023	1,593

Source: David Bamberger & Associates Builder Survey, December 2005 - January 2006. Note: The survey included responses from 25 builders, accounting for 40% of permits pulled by builders in 2005.

Analysis of Speculative New Single Family Inventory
January 1, 2006

(Sample data scaled to represent the whole market)

Price Range	Total Unsold Inventory	Sold per Month in 2004	Months of Inventory
Less than $130,000	42	10	4.4
$130,000 to $159,999	84	29	2.9
$160,000 to $199,999	124	20	6.1
$200,000 to $249,999	50	13	3.9
$250,000 to $299,999	12	8	1.6
$300,000 and over	20	6	3.3
Total	333	85	3.9

Source: David Bamberger & Associates Builder Survey December 2005 - January 2006.

Summary Builder Survey Question Responses

Estimated Price Increases of New Homes

- 2005 average experienced – 8.3%
- 2006 average expected – 7.0%

Lot Shortages

No -- 15 builders   Yes -- 9 builders

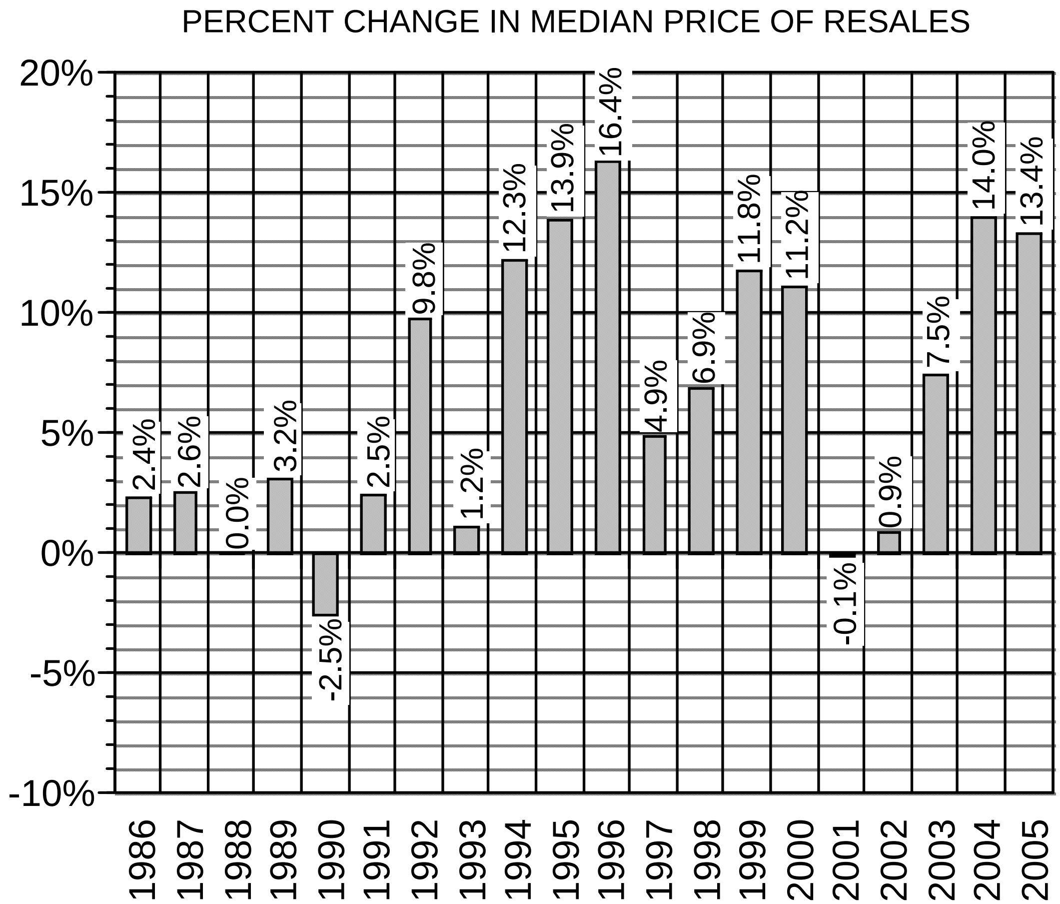
Price Range of Lot Shortage

- Under $10k
- Under $40k
- $20k
- $25-30k
- Under $15k
- Under $50k
- $35k
- $25-$60k
- All price ranges

Areas Where There Are Lot shortages

- Pueblo West
- Anywhere
- Pueblo
- Pueblo West
- Southside
- Pueblo west
- Pueblo
- Other than pueblo west
- Town

MEDIAN PRICE OF RESALE HOMES SOLD, PUEBLO, 1985 - 2005

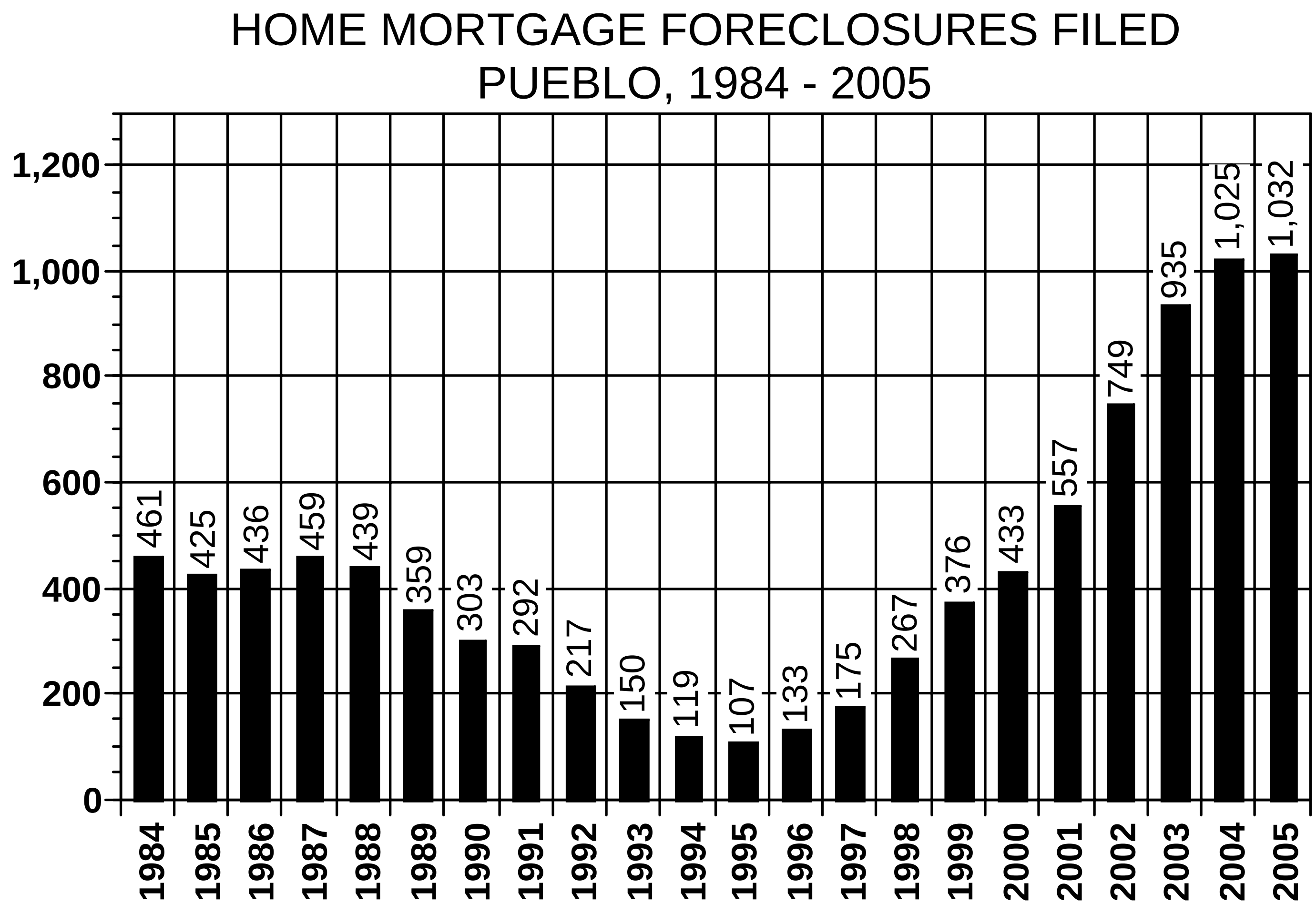


Source: Don Vest, Pueblo City Planning Department. Based on data from MLS.

MEDIAN PRICE
RESALE HOMES SOLD
PUEBLO, 1985 - 2005

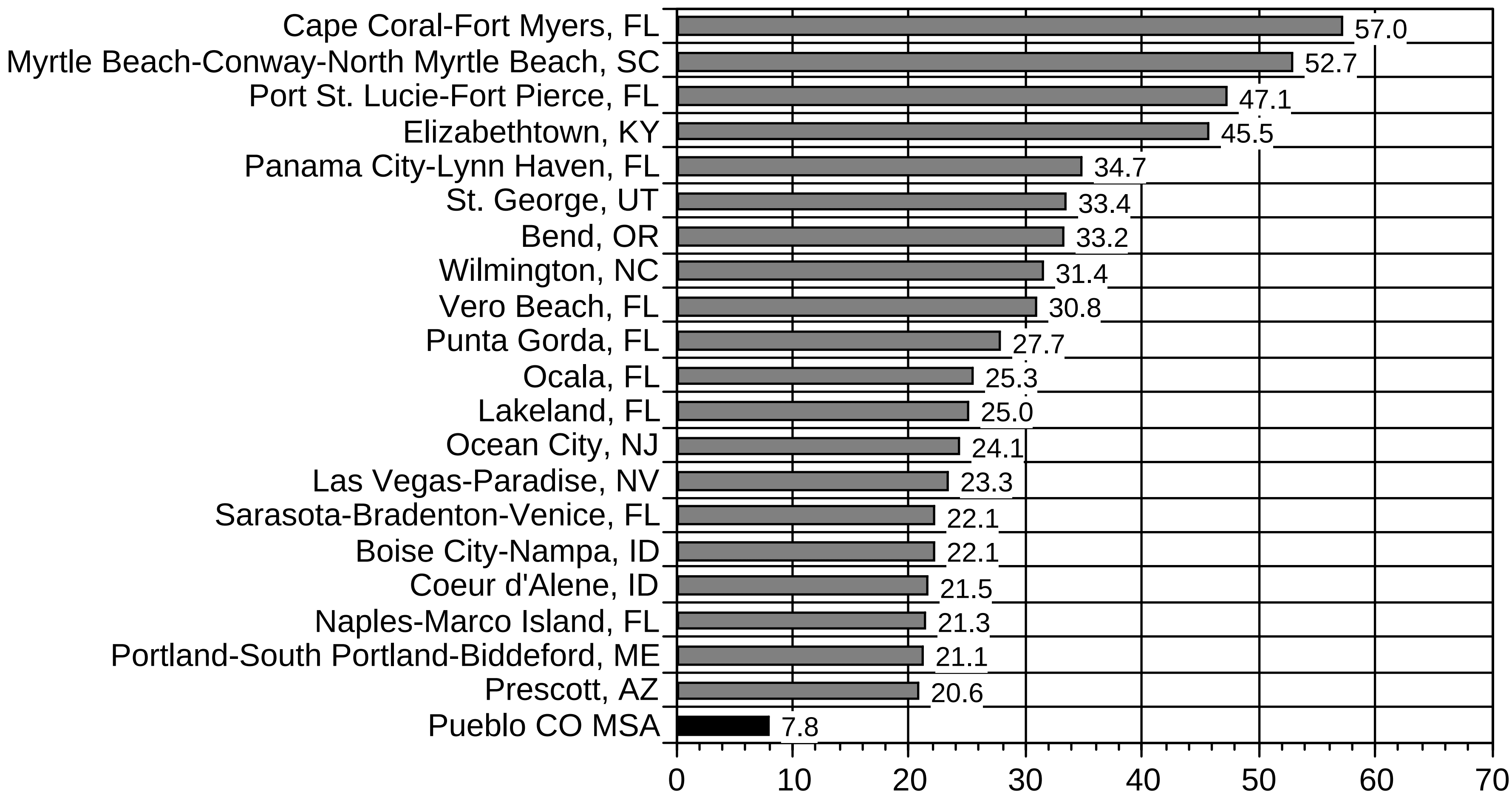
YEAR	MEDIAN PRICE	PERCENT CHANGE
1985	$45,410	
1986	$46,510	2.4%
1987	$47,700	2.6%
1988	$47,721	0.0%
1989	$49,266	3.2%
1990	$48,034	-2.5%
1991	$49,224	2.5%
1992	$54,054	9.8%
1993	$54,712	1.2%
1994	$61,449	12.3%
1995	$70,000	13.9%
1996	$81,494	16.4%
1997	$85,518	4.9%
1998	$90,913	6.3%
1999	$95,586	11.8%
2000	$101,115	11.2%
2001	$101,005	-0.1%
2002	$101,965	0.9%
2003	$108,630	7.5%
2004	$116,097	14.0%
2005	$122,322	13.4%

Source: Pueblo Board of Realtors and Don Vest, City of Pueblo, Department of Planning and Development.



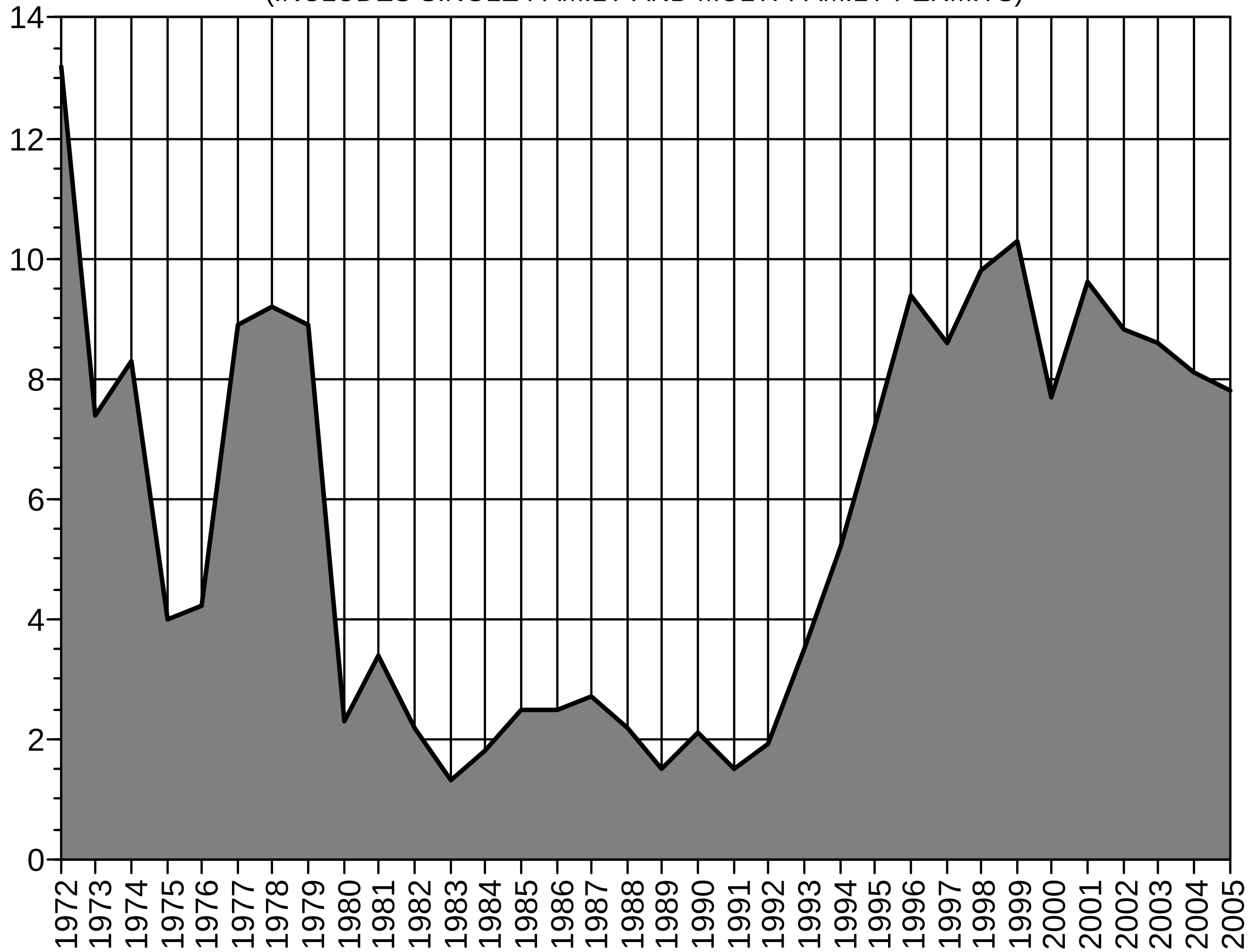
Source: Don Vest, City of Pueblo, Department of Planning and Development

How Pueblo Compares to the Top 20 U.S. Housing Markets
Housing Starts per 1,000 Population, 2005



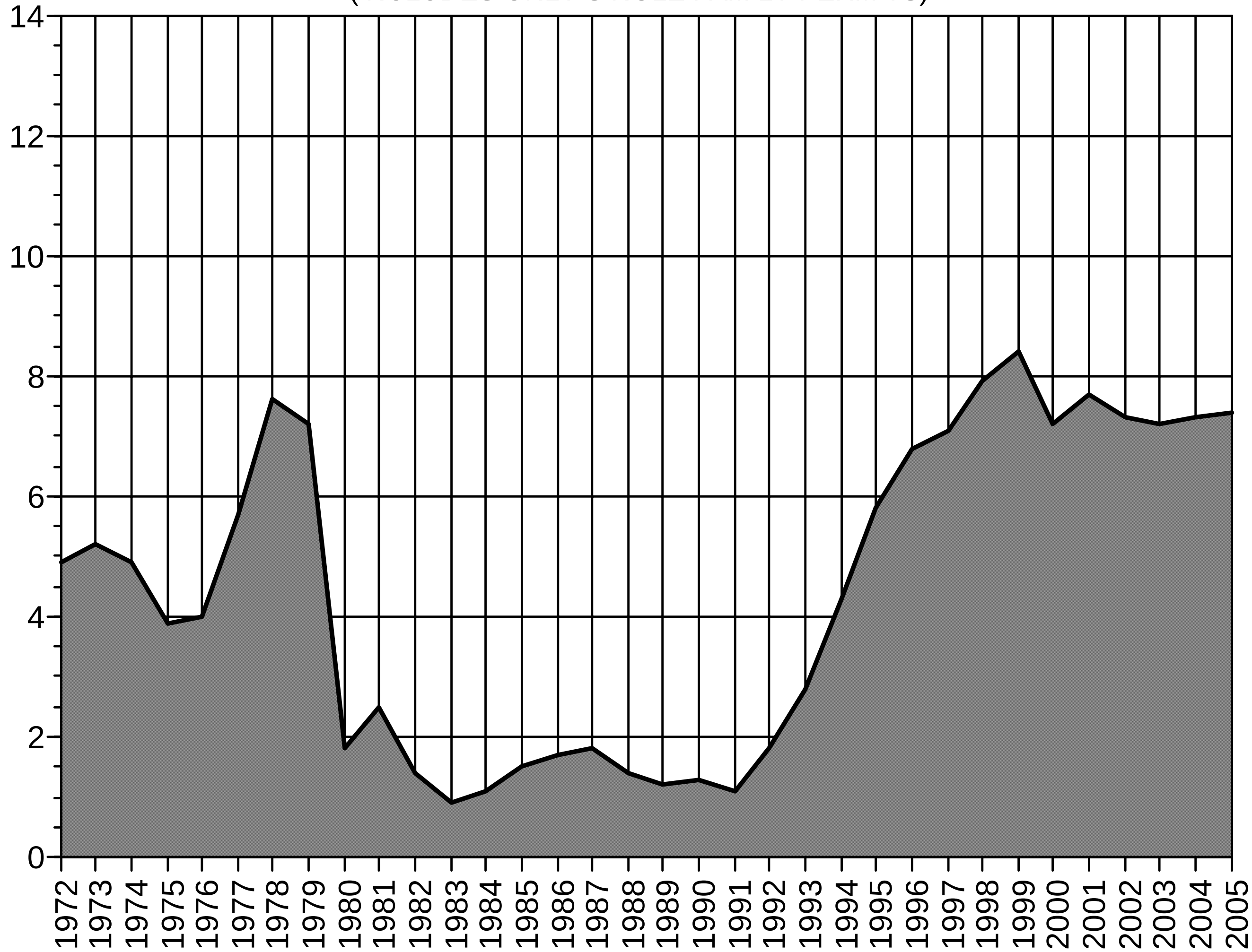
Source: US Bureau of the Census and David Bamberger & Associates

TOTAL HOUSING STARTS (IN UNITS) PER 1,000 POPULATION
PUEBLO COUNTY, 1972-2005
(INCLUDES SINGLE FAMILY AND MULTI-FAMILY PERMITS)



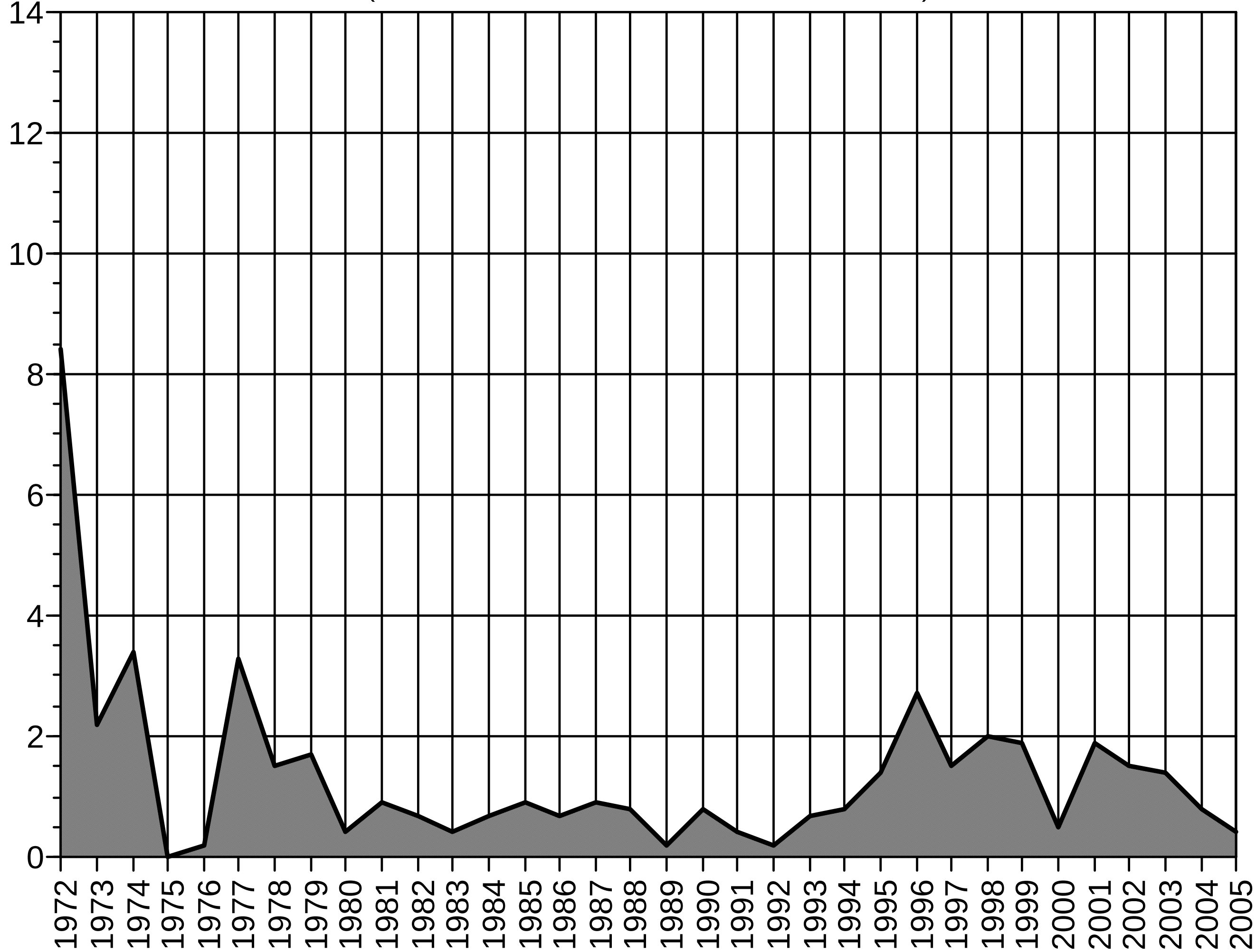
Source: David Bamberger & Associates, Regional Building Department, Bureau of the Census and Pueblo City Planning Department.

SINGLE FAMILY HOUSING STARTS (IN UNITS) PER 1,000 POPULATION
PUEBLO COUNTY, 1972-2005
(INCLUDES ONLY SINGLE FAMILY PERMITS)



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

MULTI-FAMILY HOUSING STARTS (IN UNITS) PER 1,000 POPULATION
PUEBLO COUNTY, 1972-2005
(INCLUDES ONLY MULTI-FAMILY PERMITS)

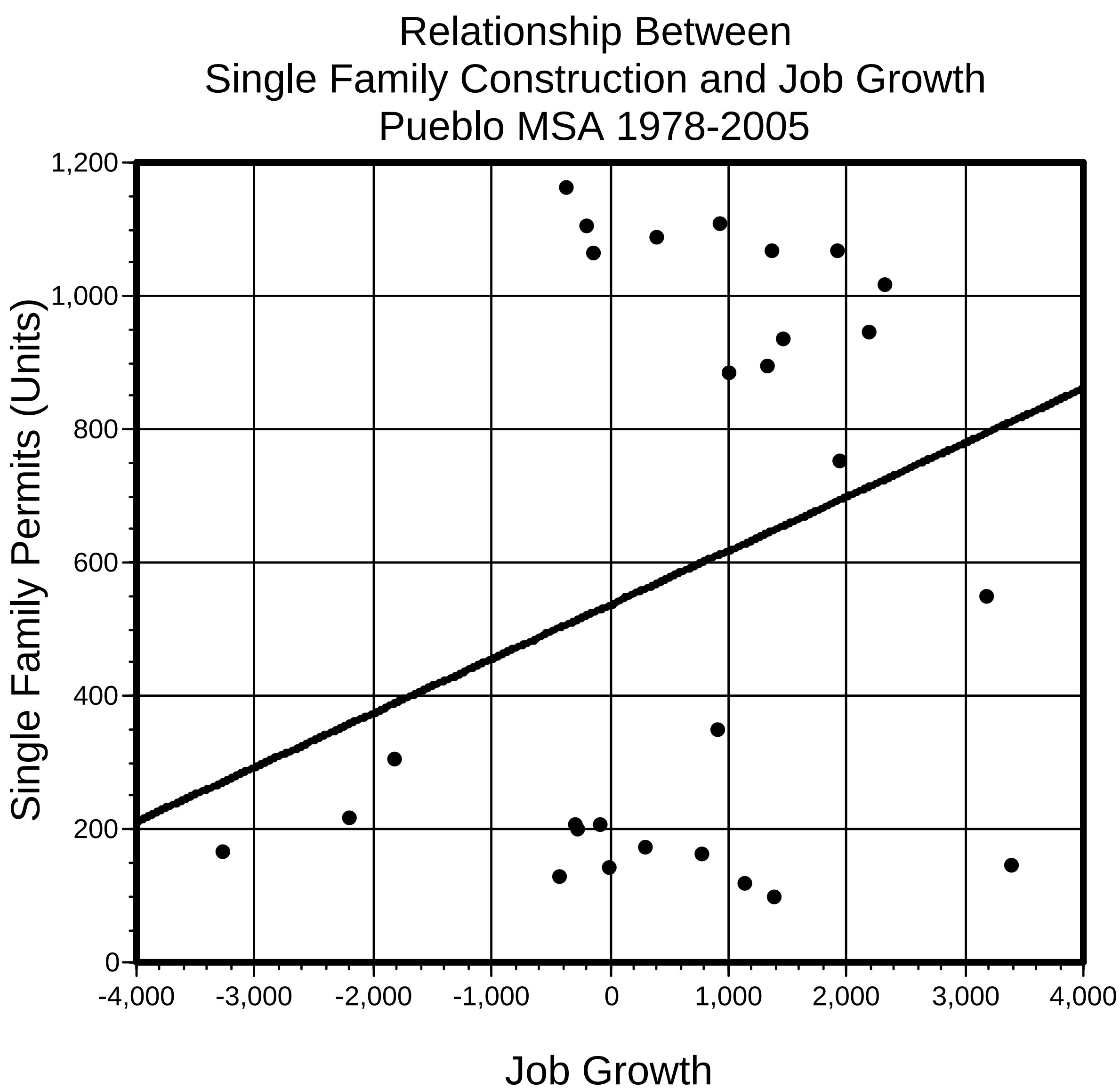


Source: David Bamberger & Associates, Regional Building Department, Bureau of the Census and Pueblo City Planning Department.

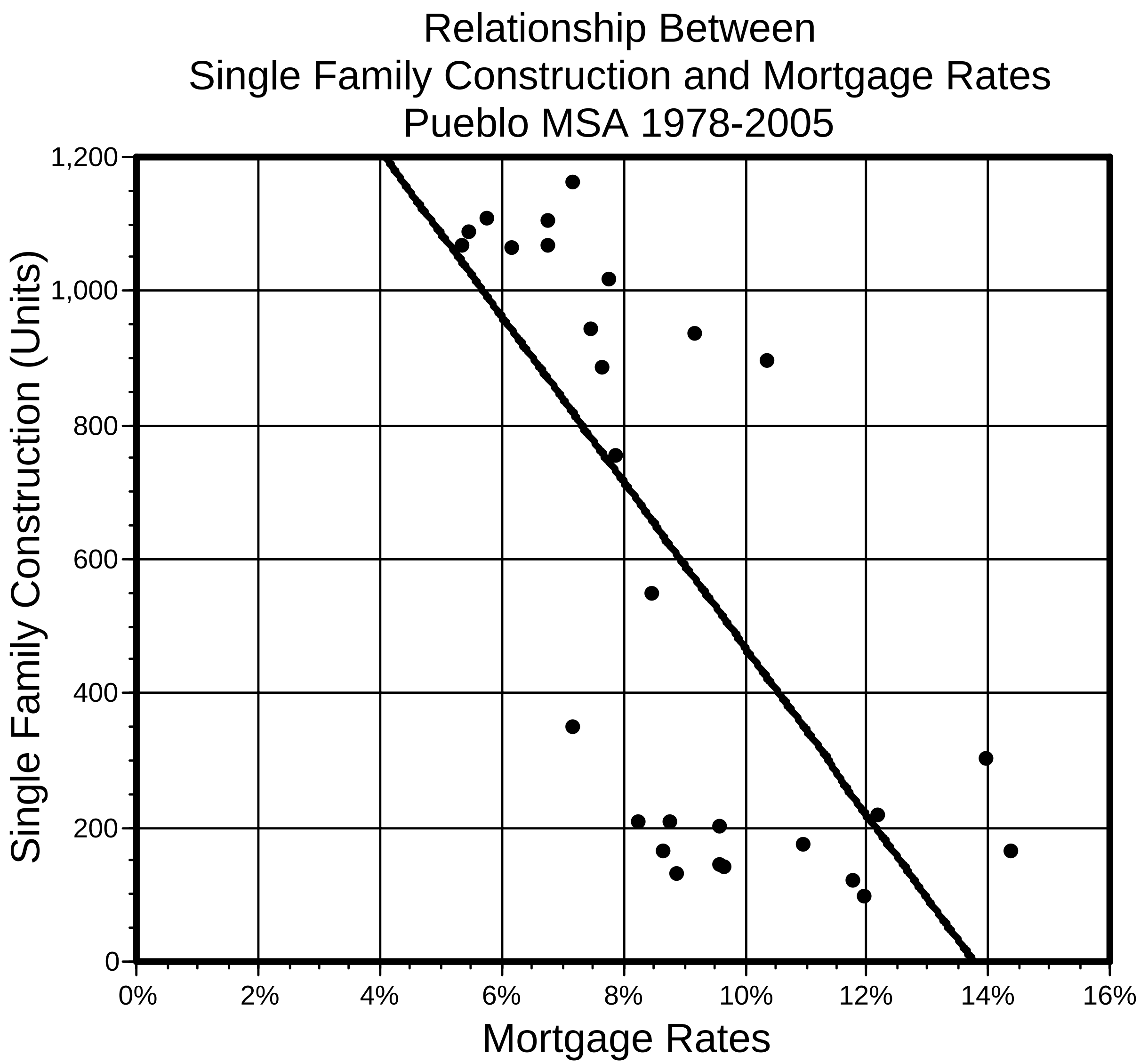
HOUSING PERMITS (UNITS) AND POPULATION
PUEBLO COUNTY, 1972 - 2005

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
1972	590	1,012	1,602	121,150	4.9	8.4	13.2
1973	636	275	911	122,607	5.2	2.2	7.4
1974	610	416	1,026	124,063	4.9	3.4	8.3
1975	494	4	498	125,520	3.9	0.0	4.0
1976	504	24	528	124,789	4.0	0.2	4.2
1977	701	406	1,107	123,752	5.7	3.3	8.9
1978	947	188	1,135	123,937	7.6	1.5	9.2
1979	907	216	1,123	125,933	7.2	1.7	8.9
1980	229	54	283	125,745	1.8	0.4	2.3
1981	315	110	425	124,797	2.5	0.9	3.4
1982	176	92	268	123,756	1.4	0.7	2.2
1983	108	49	157	123,434	0.9	0.4	1.3
1984	130	91	221	122,360	1.1	0.7	1.8
1985	185	114	299	121,900	1.5	0.9	2.5
1986	212	91	303	122,400	1.7	0.7	2.5
1987	219	111	330	122,800	1.8	0.9	2.7
1988	174	104	278	123,700	1.4	0.8	2.2
1989	152	28	180	123,400	1.2	0.2	1.5
1990	156	97	253	123,053	1.3	0.8	2.1
1991	140	50	190	123,486	1.1	0.4	1.5
1992	219	21	240	124,410	1.8	0.2	1.9
1993	359	83	442	126,348	2.8	0.7	3.5
1994	559	106	665	128,722	4.3	0.8	5.2
1995	764	179	943	130,832	5.8	1.4	7.2
1996	896	356	1,252	132,498	6.8	2.7	9.4
1997	955	204	1,159	134,794	7.1	1.5	8.6
1998	1,079	274	1,353	137,381	7.9	2.0	9.8
1999	1,173	264	1,437	139,718	8.4	1.9	10.3
2000	1,028	70	1,098	142,054	7.2	0.5	7.7
2001	1,114	276	1,390	144,383	7.7	1.9	9.6
2002	1,075	228	1,303	147,057	7.3	1.6	8.9
2003	1,078	204	1,282	148,707	7.2	1.4	8.6
2004	1,100	120	1,220	149,728	7.3	0.8	8.1
2005	1,119	60	1,179	151,383	7.4	0.4	7.8
Average	591	176	767		4.4	1.4	5.8

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

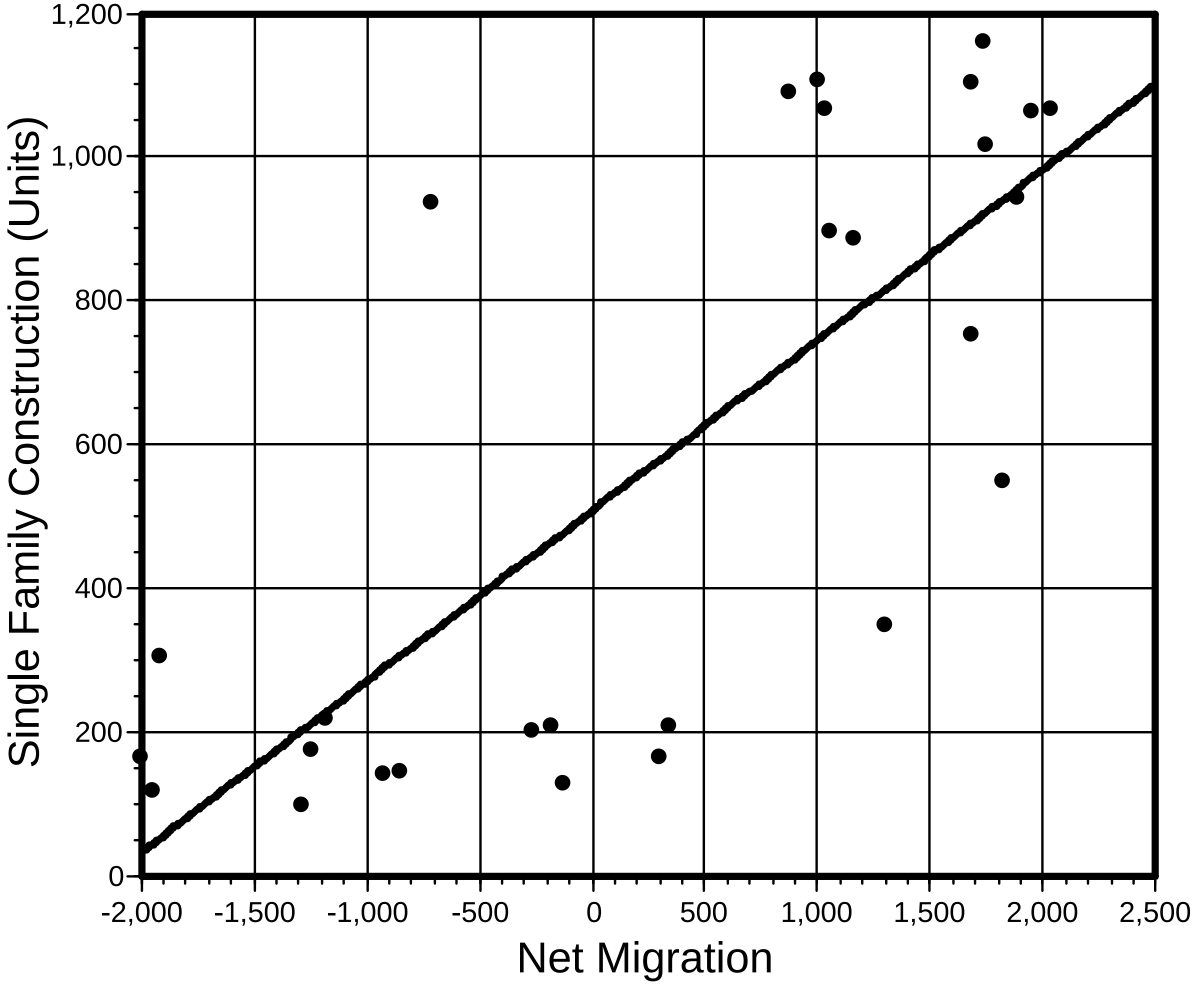


Source: Pueblo Regional Building Department, Colorado Department of Labor and Employment and David Bamberger & Associates.



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

Relationship Between
Single Family Construction and Net Migration
Pueblo MSA 1977-2005



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

HOUSING, JOBS, INTEREST RATES AND NET MIGRATION
PUEBLO, 1977-2005

	Total Employment		New Home Construction (units)								
Year	Total	Change	Single Family	Multi-Family	Total	Resale Home Sales	Total Housing Activity	Net Migration	Home Mortgage Rate	New as a % of Total Housing Activity	Change in Employment to New Home Construction
1977	45,872		701	406	1,107	2,058	3,165	-1,919	8.8%	35.0%	
1978	47,405	1,533	947	188	1,135	2,073	3,208	-681	9.3%	35.4%	1.35
1979	48,813	1,408	907	216	1,123	2,249	3,372	1,089	10.5%	33.3%	1.25
1980	46,682	-2,131	229	54	283	1,298	1,581	-1,149	12.3%	17.9%	-7.53
1981	44,932	-1,750	315	110	425	1,464	1,889	-1,883	14.1%	22.5%	-4.12
1982	41,734	-3,198	176	92	268	1,059	1,327	-1,962	14.5%	20.2%	-11.93
1983	43,187	1,453	108	49	157	1,034	1,191	-1,246	12.1%	13.2%	9.25
1984	44,395	1,208	130	91	221	1,255	1,476	-1,910	11.9%	15.0%	5.47
1985	44,761	366	185	114	299	1,129	1,428	-1,205	11.1%	20.9%	1.22
1986	44,556	-205	212	91	303	1,299	1,602	-228	9.7%	18.9%	-0.68
1987	44,342	-214	219	111	330	1,167	1,497	-142	8.9%	22.0%	-0.65
1988	45,200	858	174	104	278	1,171	1,449	332	8.8%	19.2%	3.09
1989	45,272	72	152	28	180	940	1,120	-887	9.8%	16.1%	0.40
1990	48,728	3,456	156	97	253	1,052	1,305	-818	9.7%	19.4%	13.66
1991	48,383	-345	140	50	190	1,100	1,290	-91	9.0%	14.7%	-1.82
1992	48,380	-3	219	21	240	1,245	1,485	374	8.4%	16.2%	-0.01
1993	49,360	980	359	83	442	1,339	1,781	1,331	7.3%	24.8%	2.22
1994	52,623	3,263	559	106	665	1,403	2,068	1,863	8.6%	32.2%	4.91
1995	54,642	2,019	764	179	943	1,541	2,484	1,718	8.0%	38.0%	2.14
1996	55,715	1,073	896	356	1,252	1,629	2,881	1,194	7.8%	43.5%	0.86
1997	57,982	2,267	955	204	1,159	1,603	2,762	1,919	7.6%	42.0%	1.96
1998	59,423	1,441	1,079	274	1,353	1,740	3,093	2,070	6.9%	43.7%	1.07
1999	59,117	-306	1,173	264	1,437	2,008	3,445	1,775	7.3%	41.7%	-0.21
2000	61,521	2,404	1,028	70	1,098	1,611	2,709	1,788	7.9%	40.5%	2.19
2001	61,398	-123	1,114	276	1,390	1,816	3,206	1,718	6.9%	43.4%	-0.09
2002	61,338	-60	1,075	228	1,303	1,885	3,188	1,986	6.3%	40.9%	-0.05
2003	63,324	1,986	1,078	204	1,282	2,119	3,401	1,071	5.5%	37.7%	1.55
2004	63,791	467	1,100	120	1,220	2,297	3,517	907	5.6%	34.7%	0.38
2005	64,789	998	1,119	60	1,179	2,351	3,530	1,039	5.8%	33.4%	0.85

Sources: Colorado Dept. of Labor and Employment, Pueblo Regional Building Dept., Pueblo Board of Realtors, U.S. Bureau of the Census and the Colorado State Demographer.

Note: Multi-family includes duplexes, 4-plexes, townhomes, condos and apartments.

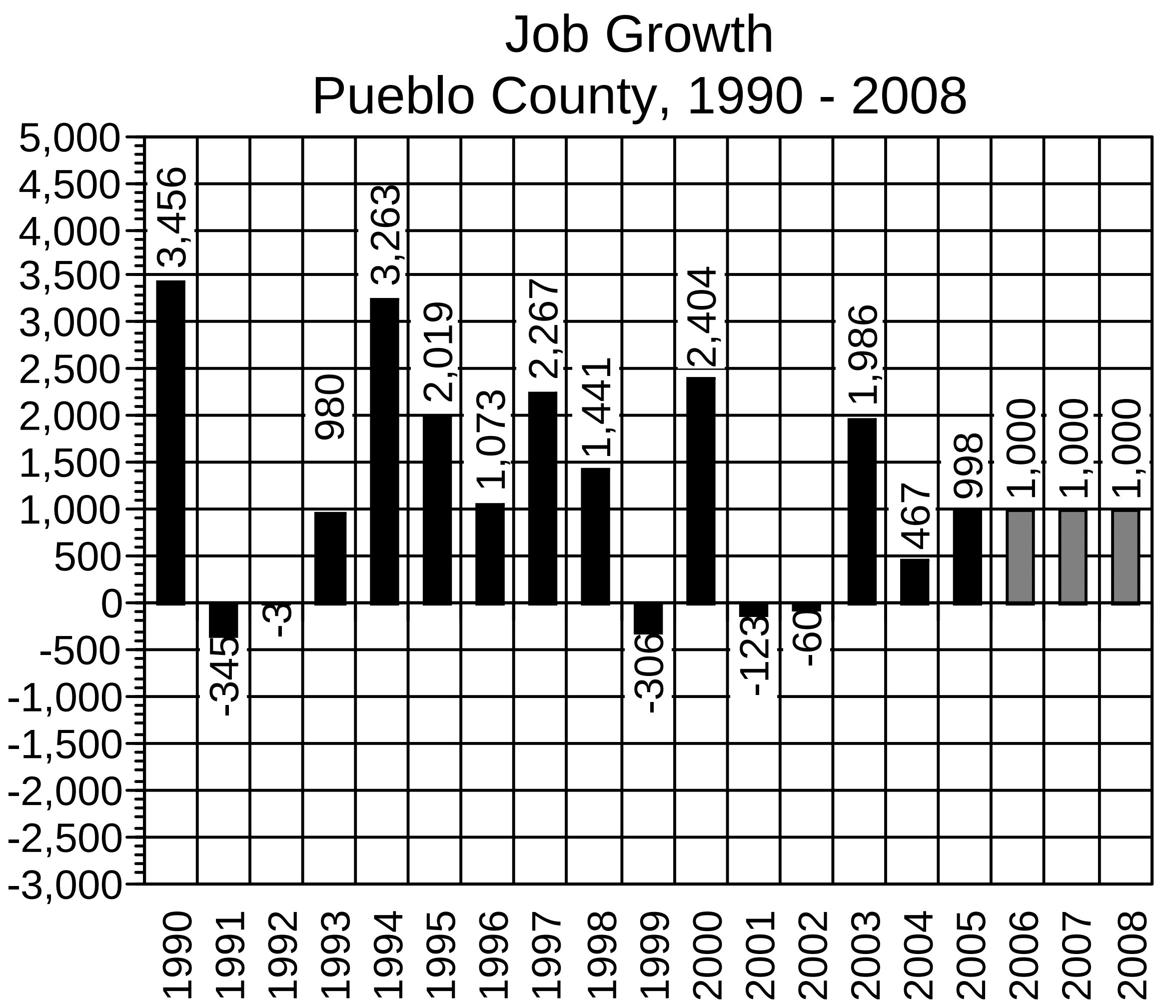
Note: Single family includes single family detached.

FORECASTS OF NEW SINGLE FAMILY FOR-SALE HOUSING

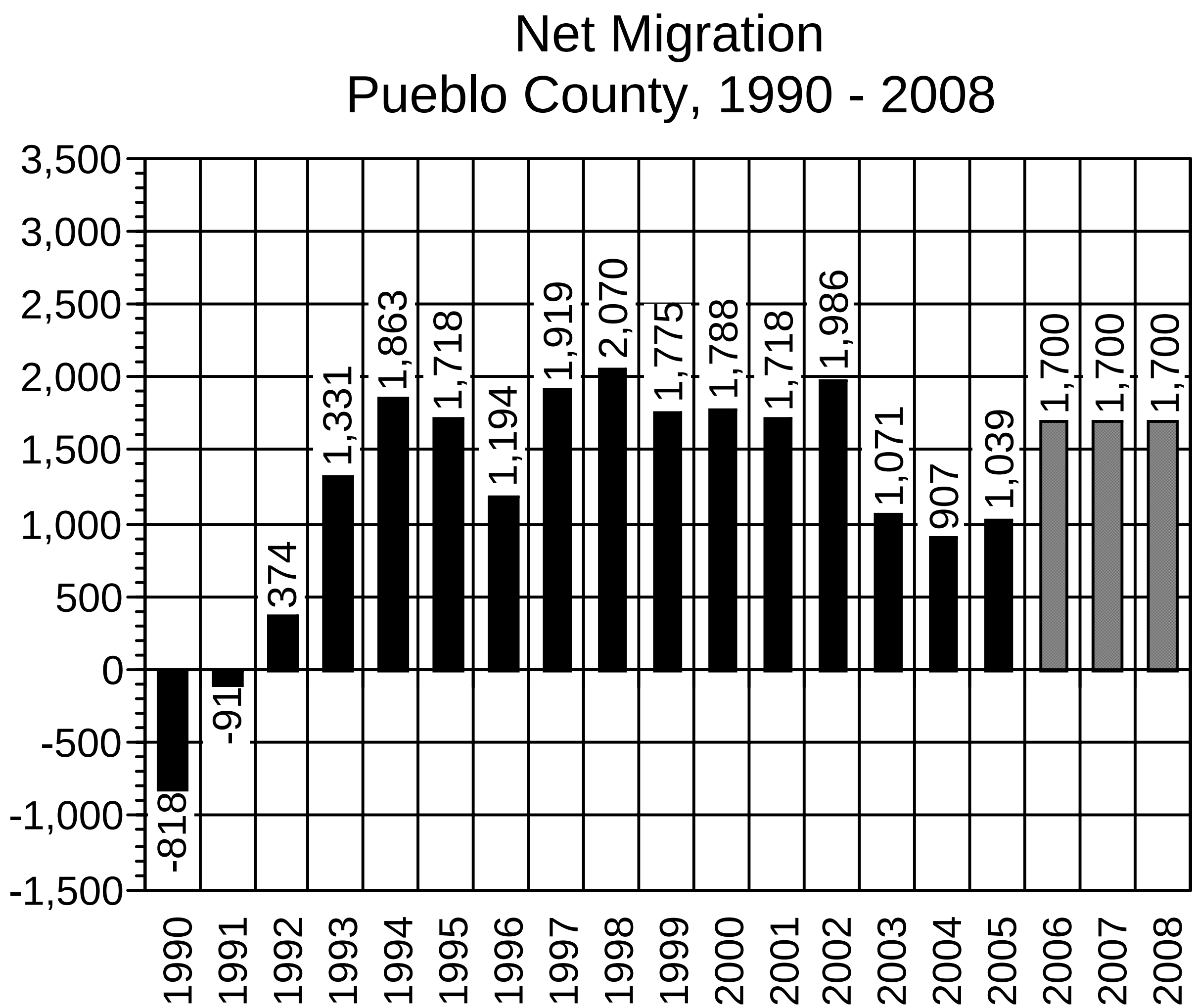
Pueblo County, 1990 - 2005 (Actuals) and 2006 - 2008 (Forecasts)

Year	Mortgage Rate (30 Year Fixed, No Points)	Job Growth	Net Migration	Permits for New Single Family Homes
1990	10.1	3,456	-818	188
1991	9.3	-345	-91	168
1992	8.4	-3	374	235
1993	7.3	980	1,331	379
1994	8.6	3,263	1,863	586
1995	8.0	2,019	1,718	814
1996	7.8	1,073	1,194	936
1997	7.6	2,267	1,919	991
1998	6.7	1,441	2,070	1,111
1999	7.5	-306	1,775	1,176
2000	7.7	2,404	1,788	1,012
2001	6.9	-123	1,718	1,062
2002	6.3	-60	1,986	1,072
2003	5.5	1,986	1,071	1,148
2004	5.6	467	907	1,099
2005	5.8	998	1,039	1,119
Forecast 2006	*6.3*	*1,000*	*1,700*	*1,100*
Forecast 2007	*6.5*	*1,000*	*1,700*	*1,100*
Forecast 2008	*6.5*	*1,000*	*1,700*	*1,100*

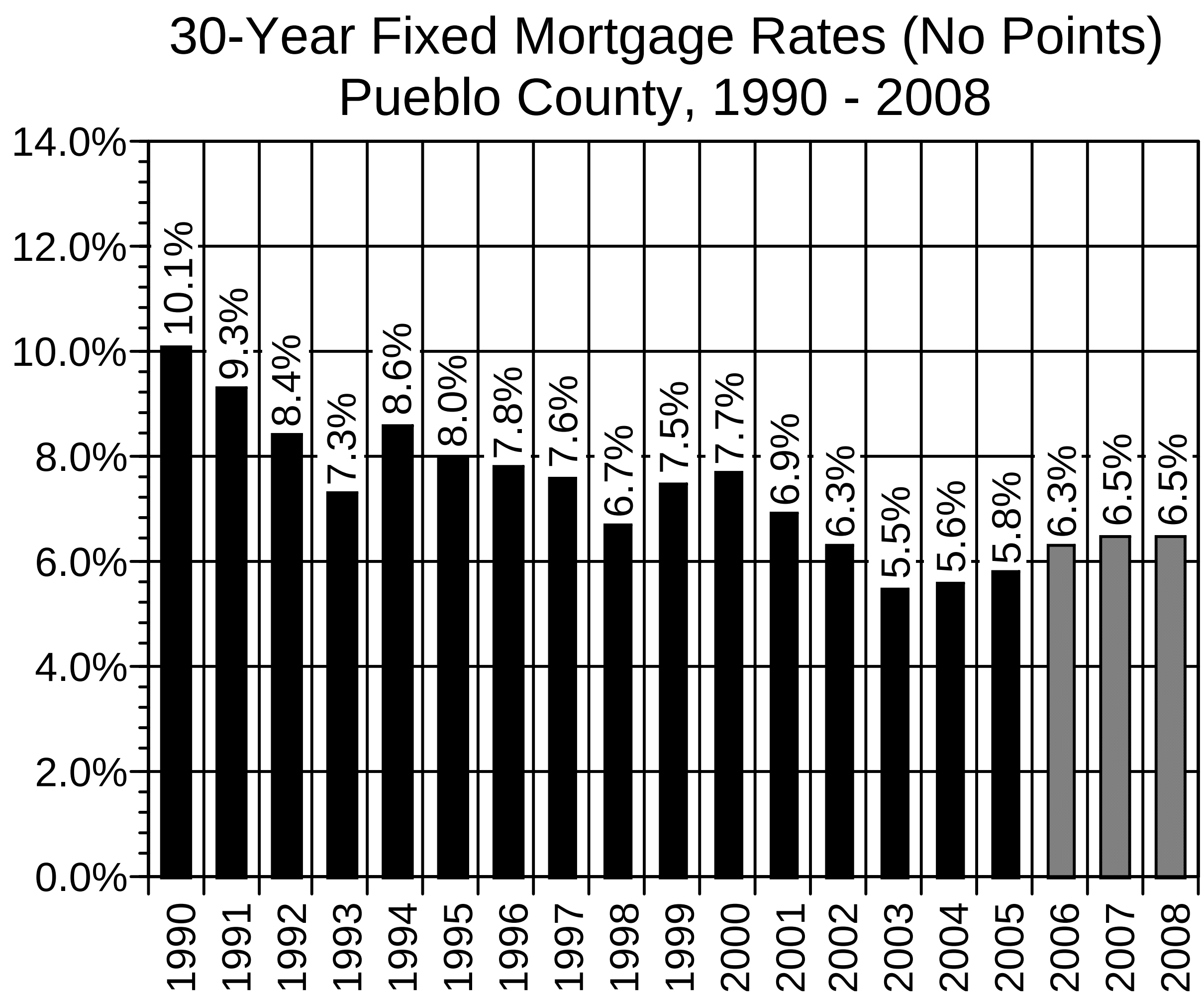
Source: David Bamberger & Associates.



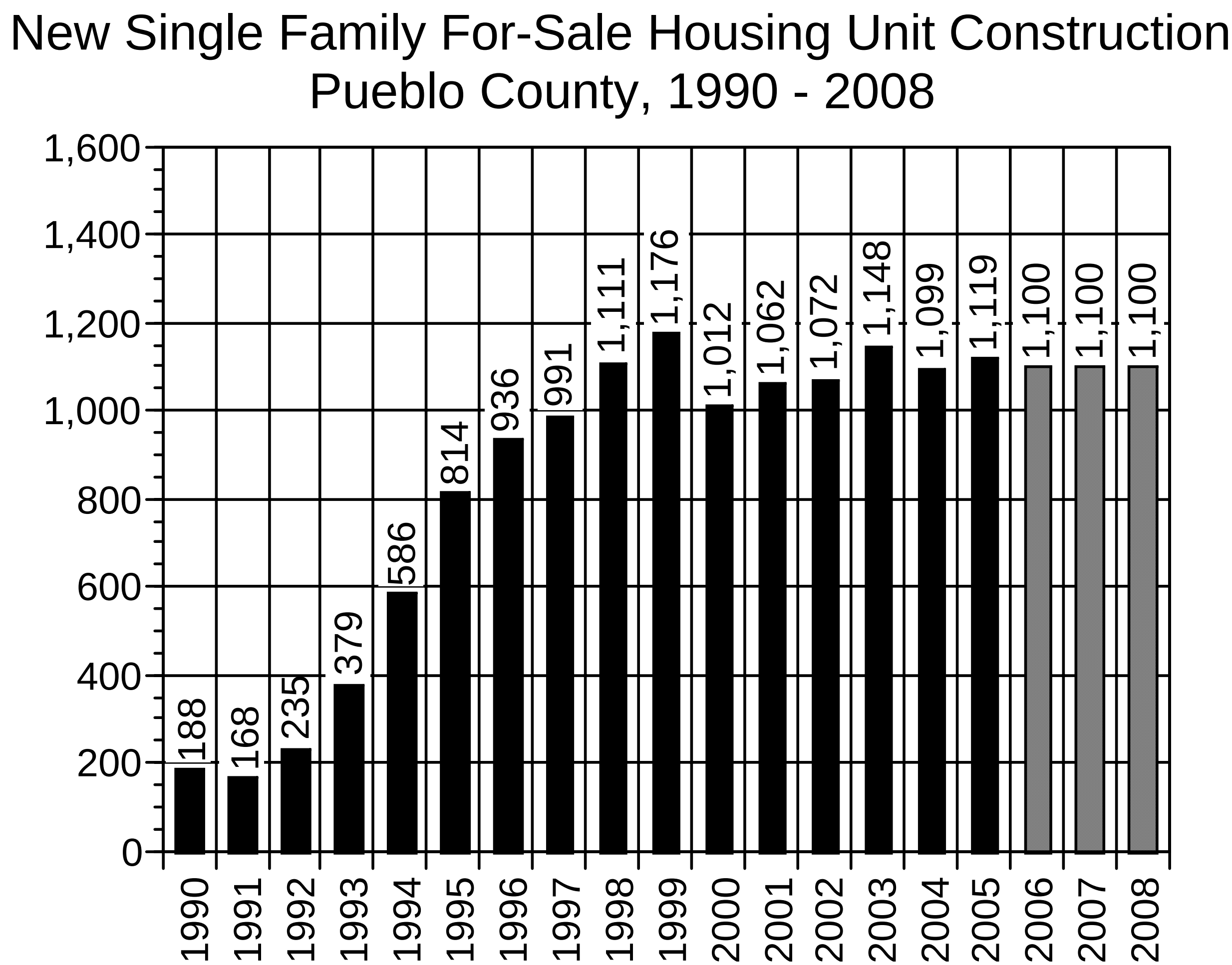
Source: Colorado Department of Labor and Employment and David Bamberger & Associates.



Source: Colorado State Demographer and David Bamberger & Associates.



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



Source: Pueblo Regional Building Department and David Bamberger & Associates.