STRATEGIC RESEARCH

The Pueblo Housing Market 2007 - 2009

prepared for

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David Bamberger & Associates

Data → Reasoning → Conclusions

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INTRODUCTION AND FINDINGS

INTRODUCTION

This is the 15th 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 2007-2009.

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 January 2007. Data collected in the survey included 2006 production and sales, year-end unsold inventory and construction activity, past and expected future price increases, expected production for 2007, and buyer demographics. The builder survey covered 24 builders who accounted for about 44% of the builder generated single family permit activity in 2006.

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: 2006 - 45, 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 2006. New single family home production totaled 1,190 starts for the year. The resale housing market also saw strong sales with 2,291 sales for the year.

Three key factors stayed in alignment in 2006 to keep the Pueblo housing market strong. The factors included strong net migration, relatively low interest rates and an increase in jobs.

Net migration in Pueblo in 2006 totaled 2,810. Assuming a household size of 2.5, this meant that occupied housing increased by about 1,120 units.

Last year the Pueblo economy saw employment grow by 2,550, up 4.0%. Employment growth in 2006 was almost four times as high as it was in 2005.

Relatively low mortgage rates also contributed to a strong housing market in 2006. Rates for a conventional 30-year fixed rate loan averaged 6.4% for the year. Rates did climb at mid-year, but by year-end they dropped, and at year-end they were about 6.3%.

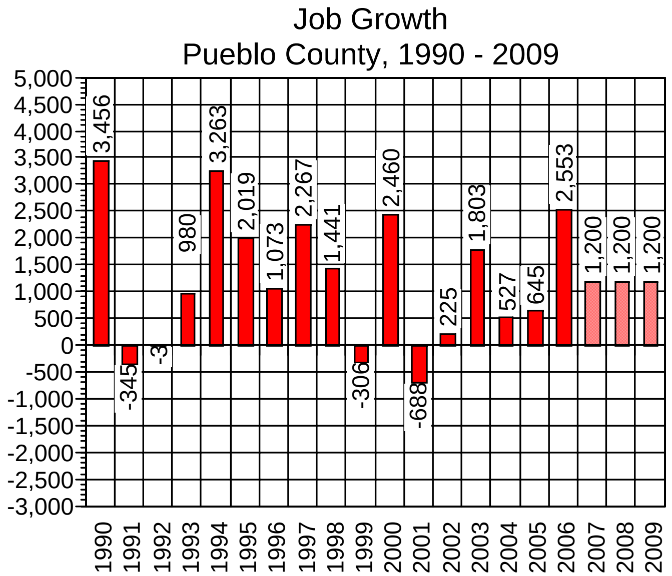
Builder's inventories of speculative homes were down slightly compared a year ago, totaling an acceptable four month supply. Housing production per capita was within normal limits. Supply and demand are in balance.

Our analysis leads us to conclude that the three market demand factors that made for a good 2006, will likely remain favorable through 2009.

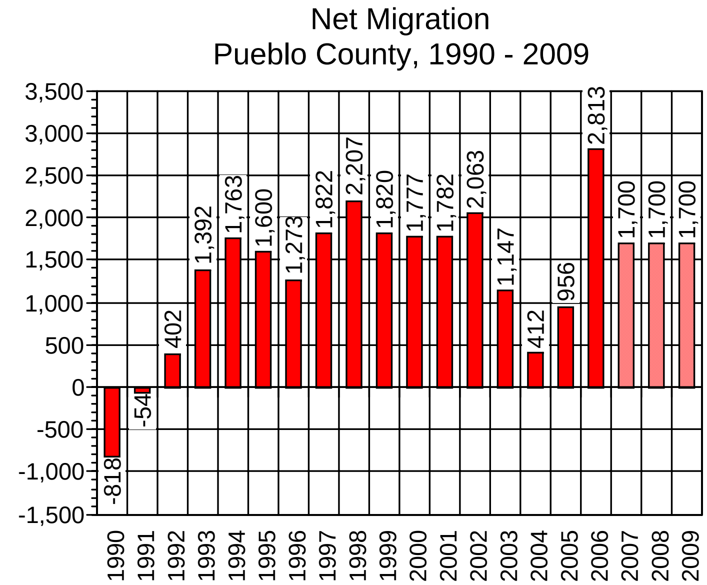
- Pueblo is in an excellent position to attract new move-in buyers including retirees looking for a small city with retirement amenities and workers with jobs in other nearby cities.
- The national economy is likely to continue to expand. New primary job growth should remain strong as Pueblo offers primary 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.

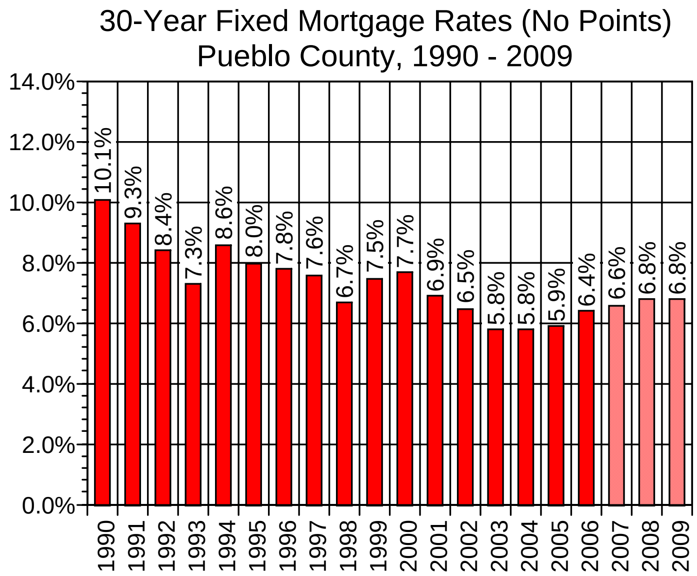
We conclude that the market for new single family housing in Pueblo will continue at a sustainable rate of 1,100 units per year through 2009.



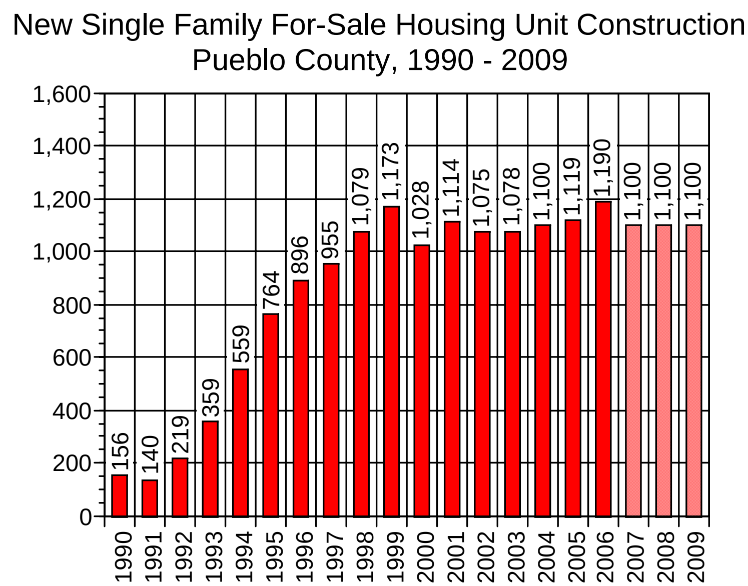
Source: Colorado Department of Labor and Employment and David Bamberger & Associates.



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.

The market for new single family housing in Pueblo will continue at a sustainable rate of 1,100 units per year through 2009.

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.

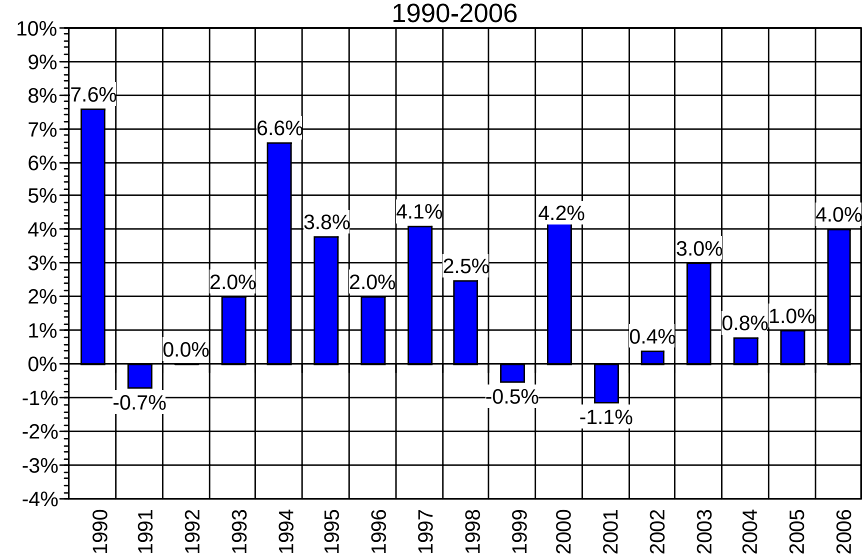
Fort Carson Expansion - On the up-side, Fort Carson, located only 30 miles north of Pueblo on I-25, has announced expansion of about 10,000 troops over the next three to four years. This could add demand for both rental and owner housing as personnel stationed at the base seek an affordable housing option. We expect the troop increases to generate demand of 1,340 to 1,540 owner units and about 5,030 renter 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.

FINDINGS

Employment in the Pueblo metro area totaled 66,640 in 2006, an increase of 2,550, or 4.0% for the year. The number employed showed a gain in 2006 for the fifth year in a row. Employment grew by 530 in 2004, a gain of 0.8% and 1,800 in 2003, a gain of 3.0%. The most recent five years saw a reversal of the loss of jobs experienced in 2001. Total employment dropped by -700 (-1.1%) in 2001.

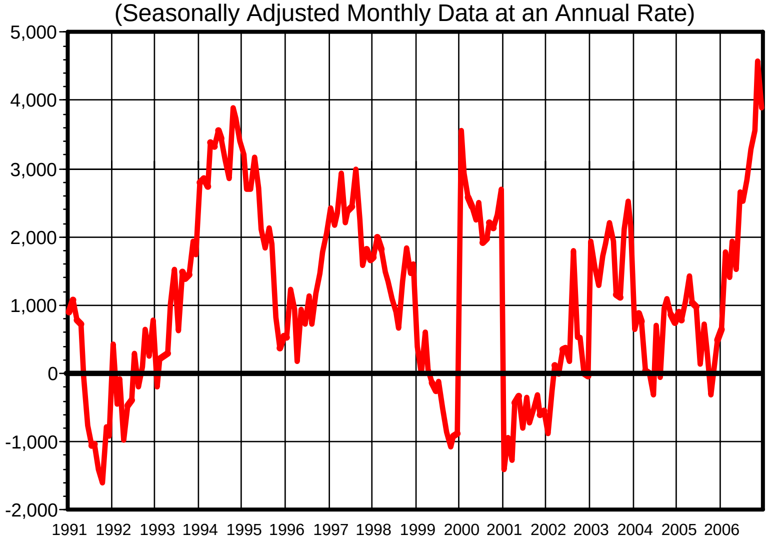
Over the longer term employment growth has been very strong. Employment totaled 41,730 in 1982, Pueblo's low point, following major cutbacks at CF&I Steel. Since then, a total of 24,910 net new jobs have been created, an average of about 1,000 per year and an annual rate of growth of 1.9%.

Rate of Growth of Employment
Pueblo Metropolitan Area
1990-2006



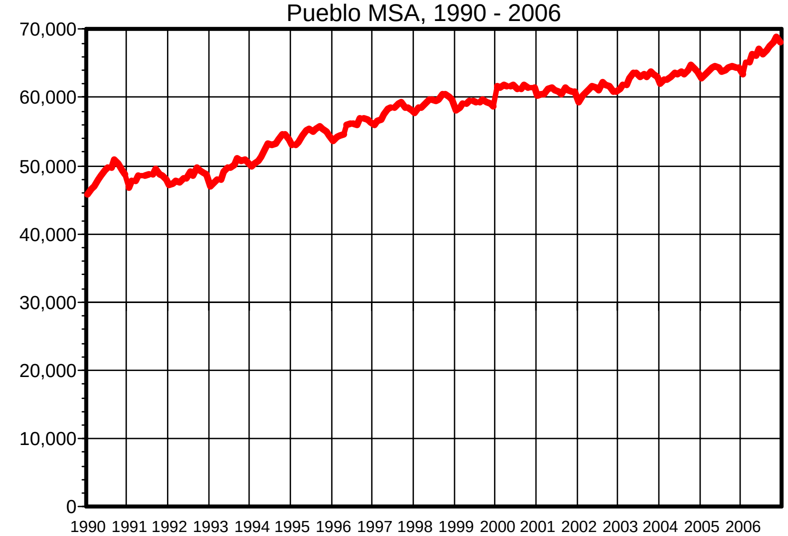
Source: Colorado Department of Labor and Employment.

Change in Employment at Place of Residence
Pueblo MSA, 1991 - 2006
(Seasonally Adjusted Monthly Data at an Annual Rate)



Source: Colorado Department of Labor and Employment

Employment at Place of Residence
Pueblo MSA, 1990 - 2006



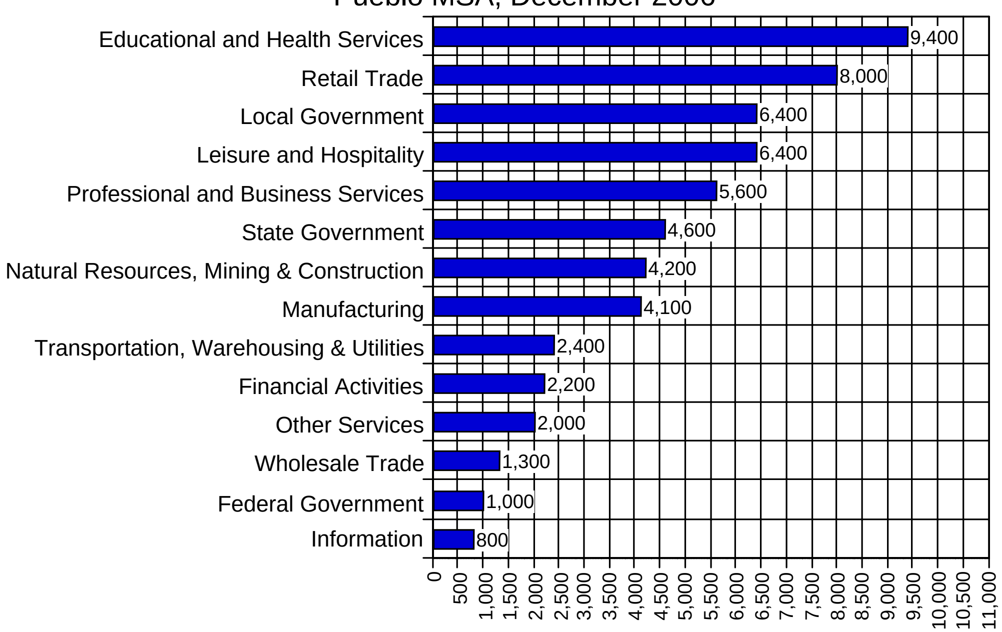
Source: Colorado Department of Labor and Employment

The most recent employment data by industry shows the Pueblo economy has very strong services, retail and government sectors. The leading employer is the Educational and Health Services sector with 9,400 employees. Retail Trade is next with 8,000 employees. Local Government employs 6,400. Manufacturing, which has been a key sector, employed a little over 4,000 employees. The construction industry employs about 4,200.

The unemployment rate in Pueblo dropped to 5.7% in 2006. The unemployment rate last year was higher than the record setting low of 3.8% in 2000. However, the rate for 2006 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.

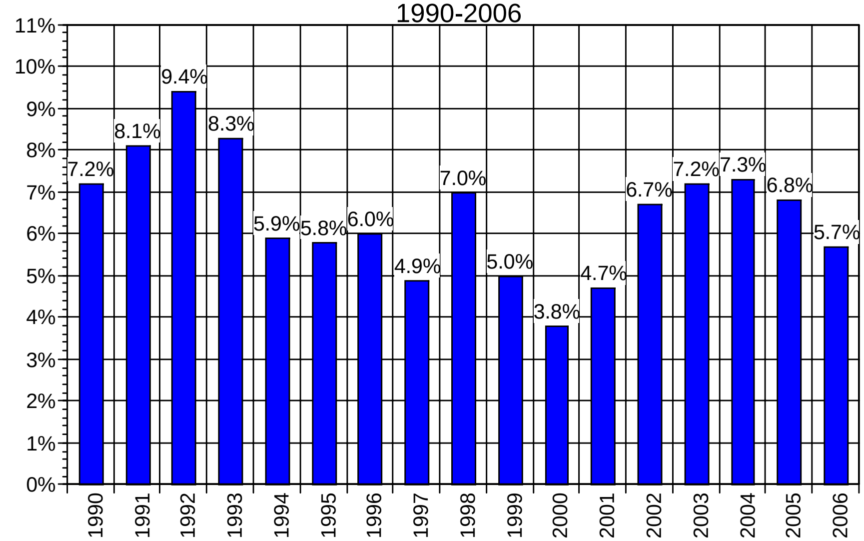
Since 2004 the Pueblo economy has made significant gains in absorbing the unemployed. Economists consider an unemployment rate at, or below, 5% to be full employment. The local economy is quickly approaching that state. We believe that with job growth at about 2%, the local economy will reach full employment in 2007.

Wage and Salary Jobs by Industry
Pueblo MSA, December 2006



Source: Colorado Department of Labor and Employment.

Unemployment Rate
Pueblo Metropolitan Area
1990-2006



Source: Colorado Department of Labor and Employment.

Primary job announcements totaled 737 in 2006. Over the past 10 years PEDCO's economic development efforts have been very successful. PEDCO has made 46 announcements for the retention, expansion or relocation of primary employers and 9,150 new primary jobs since 1997, an average of over 900 per year.

PEDCO New Primary Job Announcements

Pueblo Metro Area, 1997 - 2006

Year	Company	Type of Company	Employees Announced
1997	Ashland Chemical Company	Chemical purification	132
1997	Davie Wire Company	Manufacture wire	125
1997	WR Inc	Manufacturer	10
1997	Fountain Foundry	Foundry	70
1997	CO Fastener & Nail Co.	Manufacturer	20
1997	Foundation Health	HMO / Information processing	1,200
1997	Biomark Incorporated	Distribution center-medical	5
1998	North Am. Telephone Network	Telemarketing	55
1998	Flexible Foam Products	Manufacturer carpet pad	50
1998	Chemical Marketing Concepts	Chemical repackaging	50
1998	Convergys/Matrix Marketing	Telemarketing	350
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	EDSS	Data processing	485
2001	Tenant International	Manages corporate telecom services	165
2001	Stonecraft	Manufacture stone building products	60
2002	Innotrac	Telemarketing/customer service	60
2002	Haddonstone USA	Manufacturer-stonework	30
2002	Eupec Risk Management Systems	Pipeline safety systems	95
2002	Premier Fulfillment	Fulfillment distribution center	75
2002	Flexible Foam Products	Manufacturer carpet pad	18
2002	Lason	Information management	38
2003	Adam Aviation	Aircraft manufacturing	450
2003	Pueblo Suburban Development	Manufacture and run greenhouses	1,300
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	29
2005	Eldorado Stone (StoneCraft)	Manufacture stone building products	25
2006	Doss Aviation	USAF Pilot Traning	200
2006	Atlas Pacific Engineering	Mfg. food products machinery	22
2006	Cingular	Call Center	500
2006	Verisma	Software development	15
Total			9,150

Source: PEDCO

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.

There were no primary job layoffs announced in Pueblo in 2006. In 2005 layoff announcements totaled only 45 and in 2004 they totaled only 25. The peak year for layoffs was 1999 when 600 primary job layoffs were announced at QualMed.

New primary jobs must be created in Pueblo every year just to keep up with plant closures, downsizing and the resulting worker layoffs. It's a fact of modern business; companies come and go. Those primary jobs must be replaced, or the city's economy will rapidly decline. Over the past 10 years, almost over 2,300 primary jobs were lost to layoffs. On the average about 230 new primary jobs must be created each year just to stay even.

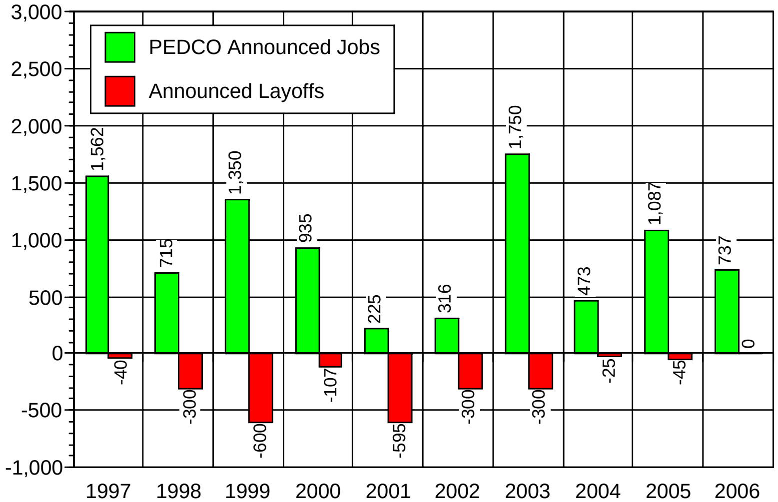
Announced Primary Industry Layoffs

Pueblo Metro Area, 1998 - 2006

Year Announced	Company	Type of Announcement	Type of Company	Number of Employees Announced for Layoff
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
2006	None	None	None	0
Total				2,312

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

Primary Job Gains and Losses
Pueblo Metro Area, 1997 - 2006



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

Net Primary Job Announcements
Pueblo Metro Area, 1997-2006

Year	Announced New Jobs	Announced Layoffs	Net Gain / Loss
1997	1,562	40	1,522
1998	715	300	415
1999	1,350	600	750
2000	935	107	828
2001	225	595	-370
2002	316	300	16
2003	1,750	300	1,450
2004	473	25	448
2005	1,087	45	1,042
2006	737	0	737
Total	9,150	2,312	6,838

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

The big surprise in 2006 was the continuation of relatively low mortgage rates. The Fed's action over the past several years to push up short term interest rates had only a minor impact on 30-year fixed mortgage rates. Rates for a conventional 30-year home mortgage with no points remained below 6.5% for most of the year, dropping to a little over 6% at year end.

Pueblo's population grew by an estimated 2.2% in 2006, the biggest gain in the many years. Population in July 2006 totaled 154,400, up by almost 3,300. Since 1990 population in the metro area increased by 31,320. Much of this increase has been the result of very strong net migration accounting for 72%, or 22,360 of the total growth.

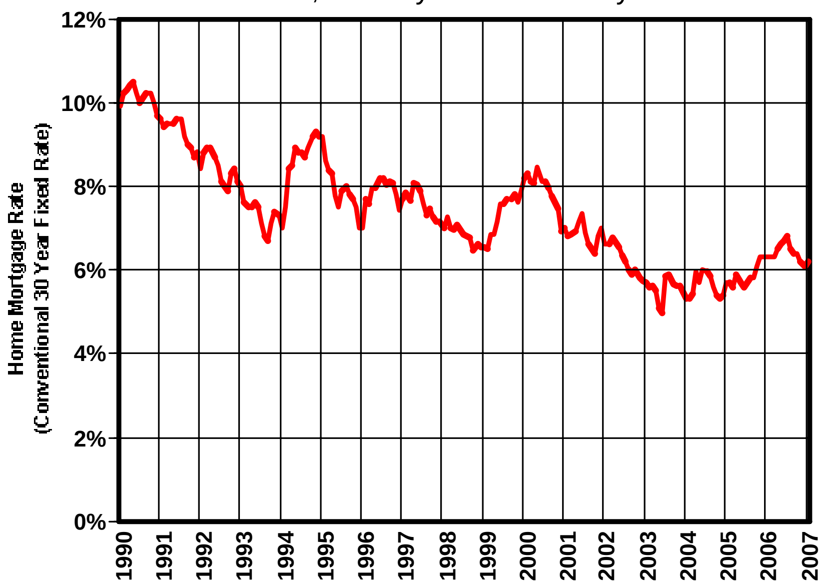
Net migration was exceptionally strong in 2006, adding over 2,800 people to Pueblo County's population. Assuming an average of 2.5 people per household, this translates into an estimated increase of 1,120 occupied homes over the past year.

Components of Population Growth
Pueblo Metro Area, 1990-2006

Year	Population	Change	Births	Deaths	Natural Increase	Net Migration
1990	123,053	-310	1,698	1,190	508	-818
1991	123,486	486	1,724	1,184	540	-54
1992	124,410	924	1,764	1,242	522	402
1993	126,348	1,938	1,805	1,259	546	1,392
1994	128,722	2,374	1,780	1,169	611	1,763
1995	130,832	2,110	1,746	1,236	510	1,600
1996	132,498	1,666	1,730	1,337	393	1,273
1997	134,794	2,296	1,734	1,260	474	1,822
1998	137,381	2,587	1,739	1,359	380	2,207
1999	139,718	2,337	1,869	1,352	517	1,820
2000	142,054	2,336	1,933	1,374	559	1,777
2001	144,383	2,329	1,927	1,380	547	1,782
2002	147,057	2,674	2,004	1,393	611	2,063
2003	148,707	1,650	1,985	1,482	503	1,147
2004	149,728	1,021	2,060	1,451	609	412
2005	151,104	1,376	1,946	1,526	420	956
2006	154,375	3,271	1,997	1,539	458	2,813
Totals		31,065	31,441	22,733	8,708	22,357
Percent		100%			28%	72%

Source: Colorado State Demographer

Home Mortgage Rates
(30 Year Fixed Rates With No Points)
Pueblo, January 1990 - January 2007



Source: Federal Reserve Bank and various mortgage companies.

Housing production totaled 1,254 units in 2006, up from 1,179 in 2004, an increase of 75 units and 6.4%. The market for new housing remained very strong over the past year. The continued strong pace of housing construction is the result of relatively low interest rates, exceptionally strong in-migration, very solid job gains, and the market's ability to pull buyers from Colorado Springs and other surrounding communities.

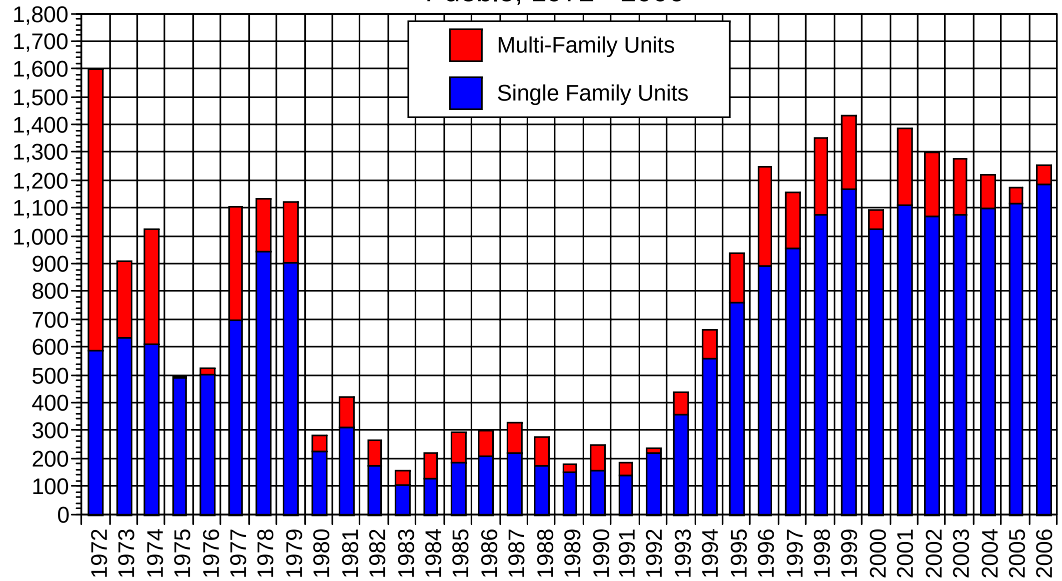
Housing production in 2006 included 1,190 single family units and 64 multi-family units. The level of single family production has hovered around 1,100 units per year over the past nine years. Swings in new multi-family home production with a high in 2001 of 276 and a low of 60 in 2005, have accounted for most of the variation in total residential construction.

New Home Construction (units)
Pueblo Metropolitan Area, 1990 - 2006

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
2006	1,190	64	1,254

Source: Regional Building Department.

New Home Construction
Pueblo, 1972 - 2006



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

Job creation means stronger demand for housing over the long term. Since 1990 job growth totaled 14,020 and housing construction totaled 14,870. For every new job there was a demand for a little over one new home. A strong housing market also means a steady increase in value for existing home owners.

Households moving to Pueblo were major players in the new home market in 2006. Builders report that 56% of their buyers were new move-ins from out of town and 44% of their buyers were local. The big surprise was that 23% of the out-of-town buyers were from out-of-state.

Retirees in particular seem to be attracted to Pueblo for the low cost of living and low-cost, high-value housing. Retirees made up 19% of buyers and working households made up 81% of buyers in 2006.

Move-up buyers made up the largest segment of the new home market in Pueblo in 2006. In 2006 48% of buyers were move-up buyers, 32% were first time buyers and 20% were move-down buyers.

Pueblo New Home Buyer Demographics, 2003, 2004, 2005 and 2006

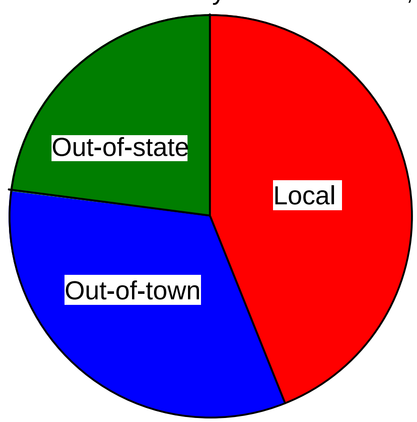
	2003	2004	2005	2006
Previous residence of buyers				
Local	79%	71%	65%	44%
Out-of-town	21%	29%	35%	33%
Out-of state (not collected in 2003-2005)	NA	NA	NA	23%
Total	100%	100%	100%	100%
Housing stage of buyers				
First time buyers	43%	23%	37%	32%
Move-up buyers (buying bigger home)	37%	57%	49%	48%
Move-down buyers (buying smaller home)	20%	20%	14%	20%
Total	100%	100%	100%	100%
Place of work of buyers				
Work in Pueblo	76%	62%	62%	52%
Work in Colorado Springs	11%	12%	13%	20%
Work somewhere else	4%	5%	7%	9%
Retired	10%	22%	22%	19%
Total	100%	100%	100%	100%

Source: David Bamberger & Associates survey

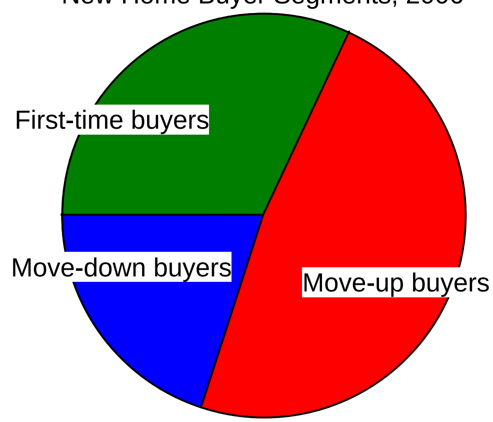
Note: Totals may not add to 100% due to rounding. Data on Out-of-state not collected in 2003-2005.

Pueblo is attracting buyers who work in Colorado Springs. Builders report that this segment made up 20% of new home buyers in 2006. It appears that Pueblo has emerged as a viable affordable housing option for people who work 40 miles to the north in Colorado Springs.

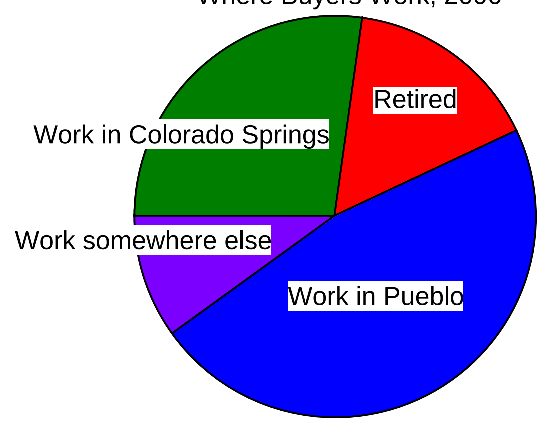
Where New Home Buyers Came From, 2006



New Home Buyer Segments, 2006



Where Buyers Work, 2006



Builder's spec inventories at the start of 2007 were down slightly from a year ago. Based on our survey of builders, there were 319 spec homes under construction, or complete as of January 1, 2007, down from 333 a year ago. The survey found that spec inventory was a little higher in the $250,000 - $299,999 price range relative to sales rates.

Overall, for a market sized at about 1,200 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 normal spec inventory might 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 and interest rate climate.

Estimated Single Family New Home Market Performance

Pueblo County, January 1, 2007

(Sample data scaled to represent the whole market)

Price Range	Started Jan-Dec 2006	Under Construction 1-Jan-07 Presold	Under Construction 1-Jan-07 Unsold	Under Construction 1-Jan-07 Total	Completed (not closed) 1-Jan-07 Presold	Completed (not closed) 1-Jan-07 Unsold	Completed (not closed) 1-Jan-07 Total	Sold 2006	Plan to Build in 2007
Less than $160,000	416	34	77	112	39	43	82	335	262
$160,000 to $199,999	375	100	62	162	57	39	96	311	446
$200,000 to $249,999	220	80	25	105	66	5	71	211	301
$250,000 to $299,999	95	34	21	55	23	21	43	71	100
$300,000 and over	83	25	16	41	2	11	14	61	105
Total	1,190	273	200	474	187	118	305	989	1,214

Source: David Bamberger & Associates Builder Survey, January 2007. Note: The survey included responses from 24 builders, accounting for 44% of permits pulled by builders in 2006.

Prices for new homes increased in 2006 at a rate a little higher than the general rate of inflation. Builders reported a 5.5% price increase in 2006 of over 2005. The US Consumer Price Index increased by about 3.2% during the same time.

Prices of new homes in Pueblo are expected to see a moderate increase in 2007. Builders reported that they expect new home prices to increase by about 4.8% in 2007.

Estimated Price Increases of New Homes

- 2006 average experienced: +5.5%
- 2007 average expected: +4.8%

Analysis of Speculative New Single Family Inventory

January 1, 2007

(Sample data scaled to represent the whole market)

Price Range	Total Unsold Inventory	Sold per Month in 2006	Months of Inventory
Less than $160,000	121	28	4.3
$160,000 to $199,999	100	26	3.9
$200,000 to $249,999	30	18	1.7
$250,000 to $299,999	41	6	6.9
$300,000 and over	27	5	5.4
Total	319	82	3.9

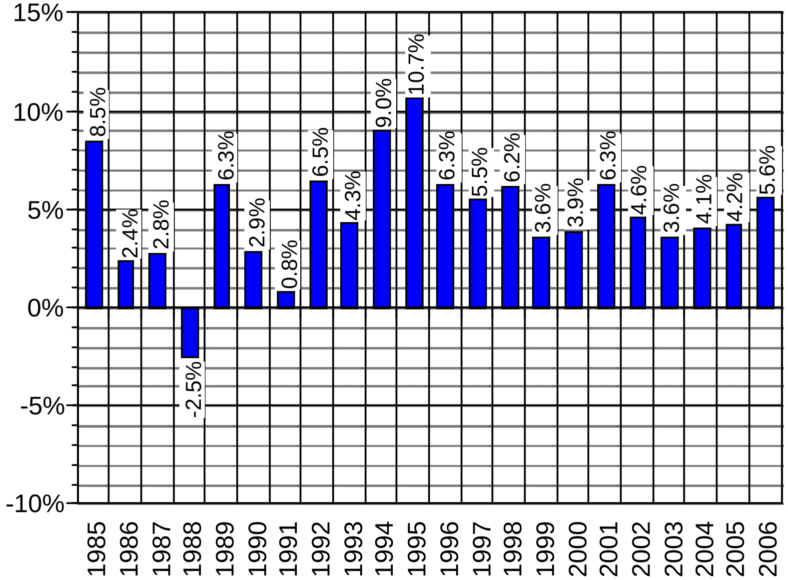
Source: David Bamberger & Associates Builder Survey - January 2007.

The value of single family homes in Pueblo increased by 5.6% between the 3rd quarter of 2005 and the 3rd quarter of 2006. This figure is up slightly from the 4.2% in 2005 and 4.1% in 2004. Recent gains in value are slightly less than the long term average of 7.5% per year gains since 1985.

The estimates of home values are based on data from the Office of Federal Housing Enterprise Oversight. They publish quarterly estimates of the change in value of homes for several hundred cities throughout the US.

The OFHEO estimates are based on repeat sales and re-financing data on the same property over time. This method is substantially better than using a simple median sales price figure which we have used in this report in the past.

Annual Percent Change in Value
Single Family Homes
Pueblo, 1985 3rd Qtr. - 2006 3rd Qtr.



Source: Office of Federal Housing Enterprise Oversight.

Changes in Value - Single Family Homes
Pueblo, 1985-2006

Year	Quarter	Single Family Home Value	Percent Change Over One Year Ago
1985	3rd	$68,300	8.5%
1986	3rd	$69,930	2.4%
1987	3rd	$71,910	2.8%
1988	3rd	$70,120	-2.5%
1989	3rd	$74,540	6.3%
1990	3rd	$76,700	2.9%
1991	3rd	$77,330	0.8%
1992	3rd	$82,320	6.5%
1993	3rd	$85,820	4.3%
1994	3rd	$93,540	9.0%
1995	3rd	$103,570	10.7%
1996	3rd	$110,130	6.3%
1997	3rd	$116,160	5.5%
1998	3rd	$123,320	6.2%
1999	3rd	$127,700	3.6%
2000	3rd	$132,680	3.9%
2001	3rd	$141,040	6.3%
2002	3rd	$147,570	4.6%
2003	3rd	$152,910	3.6%
2004	3rd	$159,200	4.1%
2005	3rd	$165,880	4.2%
2006	3rd	$175,130	5.6%

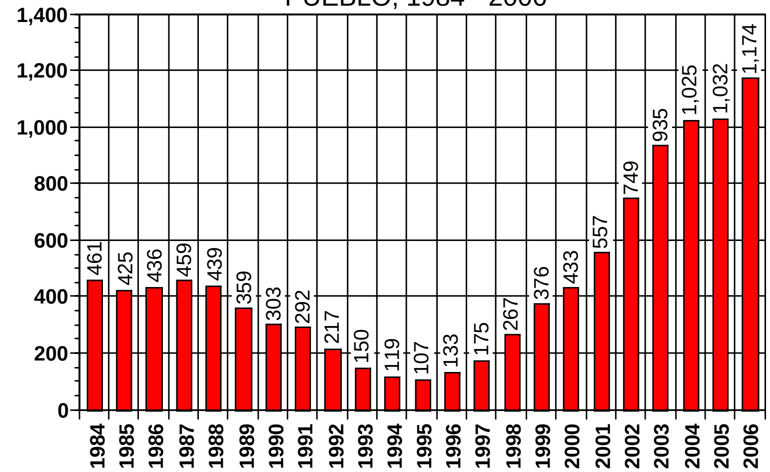
Source: Office of Federal Housing Enterprise Oversight.

The resale market in Pueblo remained strong in 2006. Home resales totaled 2,291 units in 2006, down slightly from from 2,351 in 2005. As a footnote, 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 giving buyers a lot to choose from and giving sellers the opportunity for selling their existing home within a reasonable time on the market.

The number of foreclosures of home mortgages in Pueblo increased to 1,174 in 2006, 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.

HOME MORTGAGE FORECLOSURES FILED
PUEBLO, 1984 - 2006



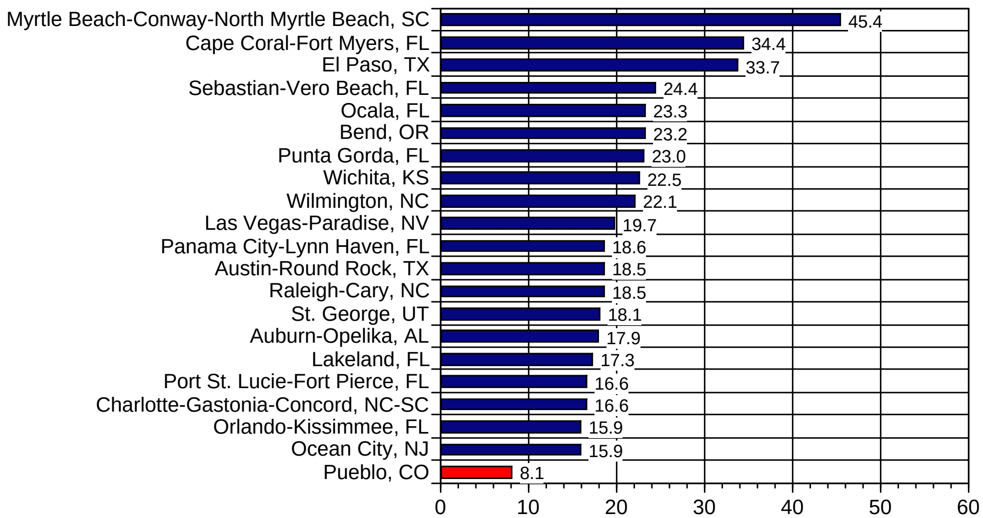
Source: Don Vest, City of Pueblo, Department of Planning and Development

The Pueblo housing market is currently not over-built. The local housing market remains demand-driven. Per capita housing production in Pueblo in 2006 was much lower than the top 20 markets in the country that had the highest new home production per capita.

The hottest housing markets in the country are seeing new home production ranging from about 16 to 45 units per 1,000 population. Many of these are in Florida cities with high in-migration and a big need to replace units destroyed by hurricanes.

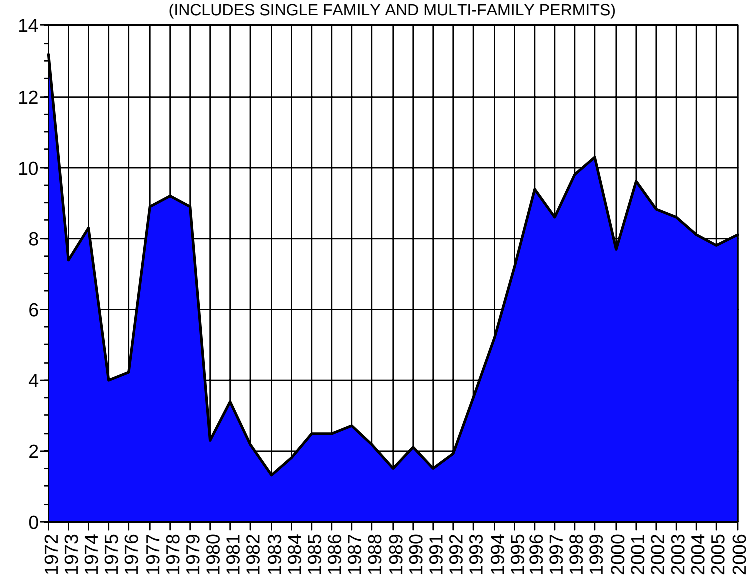
In 2005 new housing construction in Pueblo per 1,000 population totaled 8.1, down from a peak of 10.3 in 1999. Pueblo's housing production rates of about 7 to 10 units per 1,000 population are well below per capita housing production seen in the most active markets in the country.

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



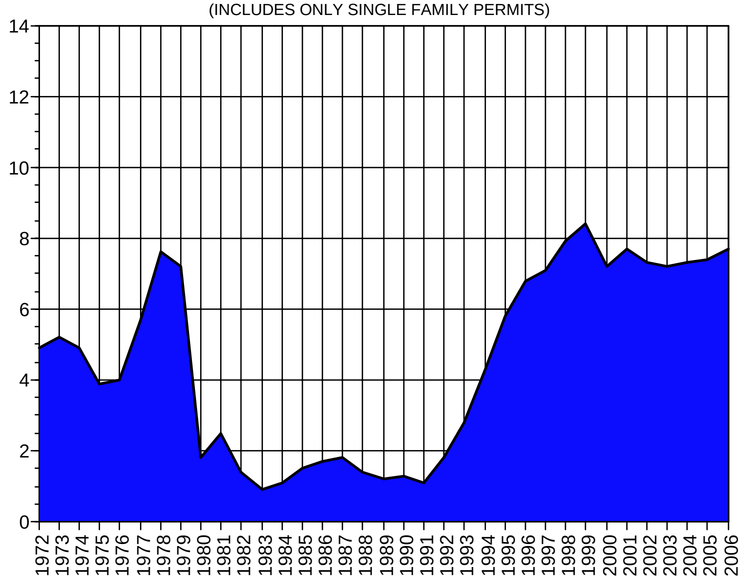
Source: US Bureau of the Census and David Bamberger & Associates

TOTAL HOUSING STARTS (IN UNITS) PER 1,000 POPULATION
PUEBLO COUNTY, 1972-2006
(INCLUDES SINGLE FAMILY AND MULTI-FAMILY PERMITS)



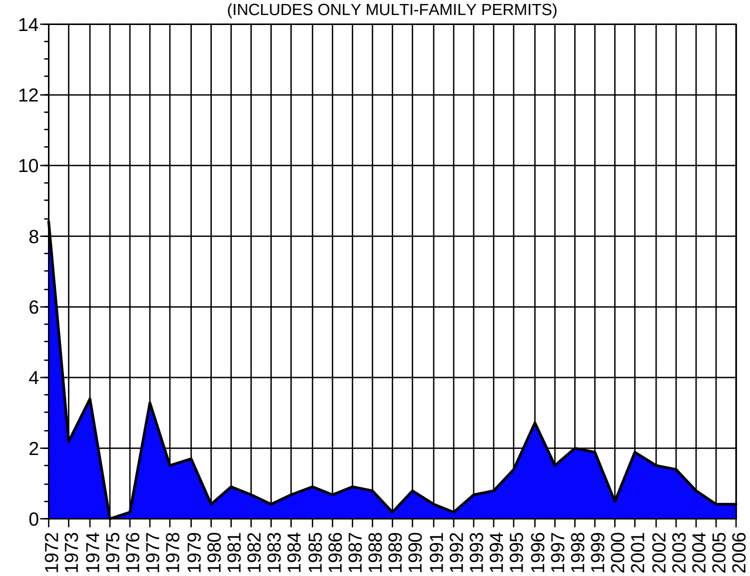
Source: David Bamberger & Associates, Regional Building Department, Bureau of the Census and Pueblo City Planning Department.

SINGLE FAMILY HOUSING STARTS (IN UNITS) PER 1,000 POPULATION
PUEBLO COUNTY, 1972-2006
(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, 1972-2006
(INCLUDES ONLY MULTI-FAMILY PERMITS)



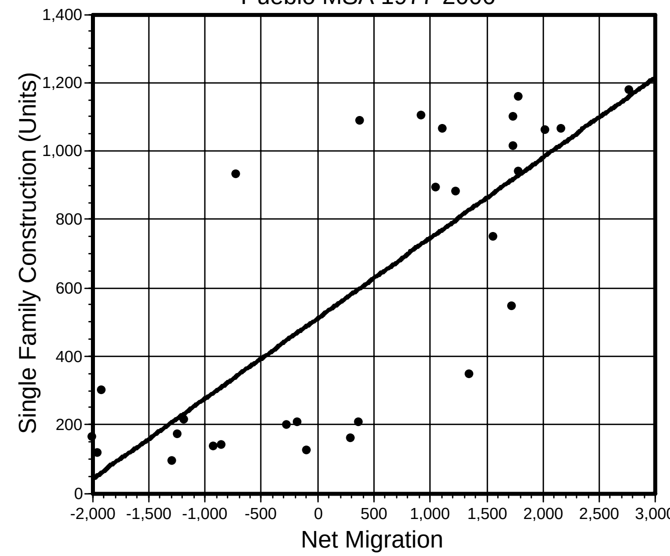
Source: David Bamberger & Associates, Regional Building Department, Bureau of the Census and Pueblo City Planning Department.

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.

In 2005 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.

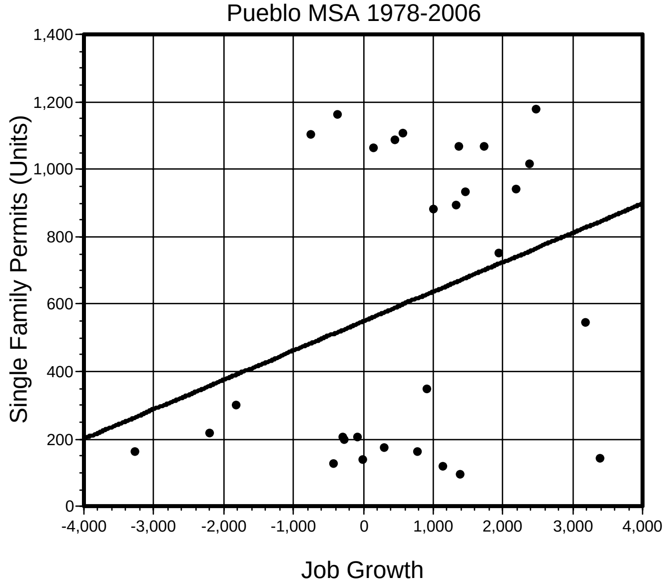
We have learned that commuters with jobs in other cities and retirees moving to Pueblo have recently emerged as important forces in the Pueblo housing market. The large gain in net-migration helps explain why the housing market remained strong even though job growth was weak and even negative in 1999-2001.

Relationship Between
Single Family Construction and Net Migration
Pueblo MSA 1977-2006



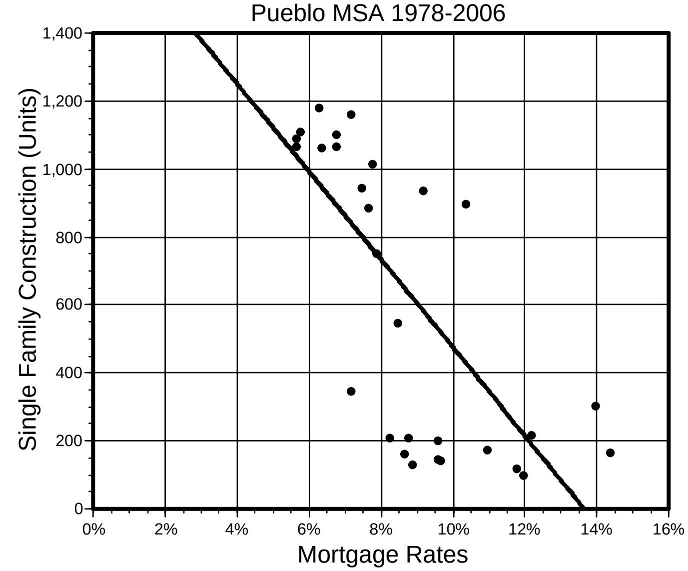
Source: Pueblo Regional Building Department and Colorado State Demographer and David Bamberger & Associates.

Relationship Between
Single Family Construction and Job Growth
Pueblo MSA 1978-2006



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 1978-2006



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

Fort Carson has announced a big increase in troops over the next three to four years. The Army is planning to add about 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. Expansion is expected to take place in the period 2007 to 2010.

The size of the impact of expansion at Fort Carson on the Pueblo housing market is uncertain. The number of troops who choose to buy or rent homes and apartments in Pueblo will be determined by:

• How many troops will be deployed to the Middle East at any given time over the next several years.

• The willingness of troops stationed at Fort Carson to drive the some 30 miles from Pueblo to the post.

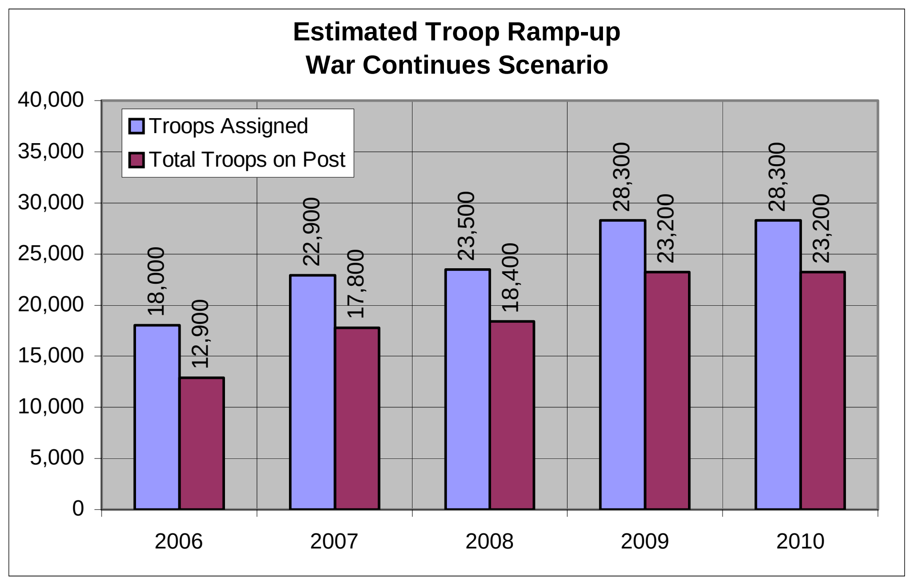
Housing needed to accommodate the expected increase at Fort Carson of 10,000 troops, 5,300 spouses and 9,300 children is estimated to include:

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

We should note that these housing estimates assume that all of the expected 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 at any given time.

Estimated Troop Ramp-up at Fort Carson

Date Year-end	Troops Assigned	Troops Added	Troops Returning	Troops Deployed	Total Troops on Post	Increase in Troops on Post
2006	18,000			5,100	12,900	
2007	22,900	4,900	5,100	5,100	17,800	4,900
2008	23,500	600	5,100	5,100	18,400	600
2009	28,300	4,800	5,100	5,100	23,200	4,800
2010	28,300	0	5,100	5,100	23,200	0
Total		10,300				10,300



The Pueblo housing market made a very strong showing over the past eight 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, war in Afghanistan and Iraq and the 2006 housing market correction all had the potential to drag the Pueblo housing market to its knees. Instead, low mortgage rates, continued strong in-migration and solid job growth kept the local housing market on its feet.

Three factors remained in alignment in 2006 to provide a solid foundation for strong activity in the Pueblo housing market. Rates for a 30-year fixed mortgage with no points averaged 6.4%; net migration totaled 2,810; and job growth continued its positive trend, totaling 2,550 for the year. The result was construction of 1,190 new single family homes, resale activity that totaled 2,291 units and an acceptable amount of spec inventory of homes under construction.

Our forecasts for 2007, 2008 and 2009 show that these same market factors that made for a strong 2006 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.

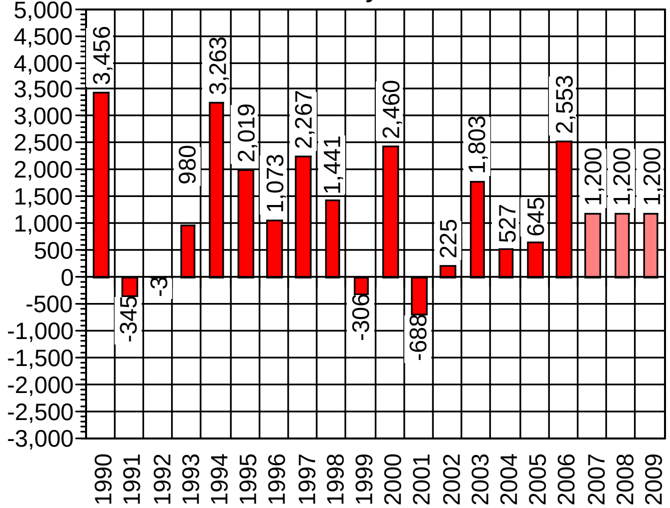
• **Mortgage rates are expected to increase slightly over the next three years**, but will remain relatively low compared to the 8% and 9% rates experienced in the first half of the 1990s.

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:

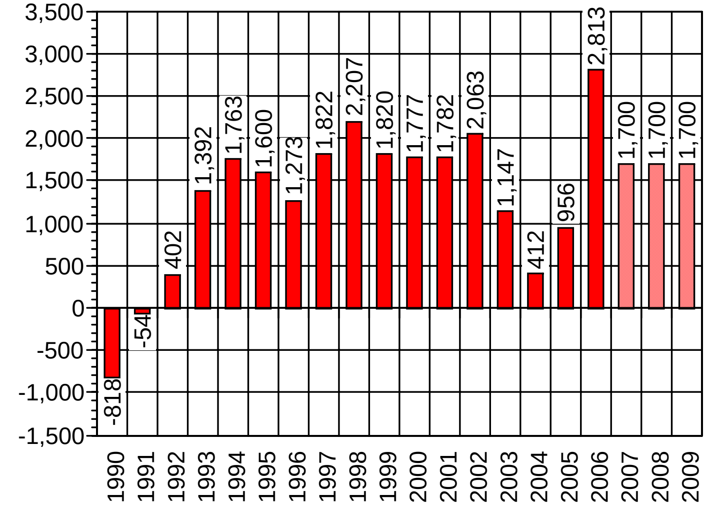
- Mortgage rates: 2007, 6.6%; 2008, 6.8%; 2009, 6.8%
- Net migration: 2007, 1700; 2008, 1700; 2009, 1700
- Job growth: 2007, 1200; 2008, 1200; 2009, 1200
- New single family homes: 2007, 1100; 2008, 1100; 2009, 1100

Job Growth
Pueblo County, 1990 - 2009



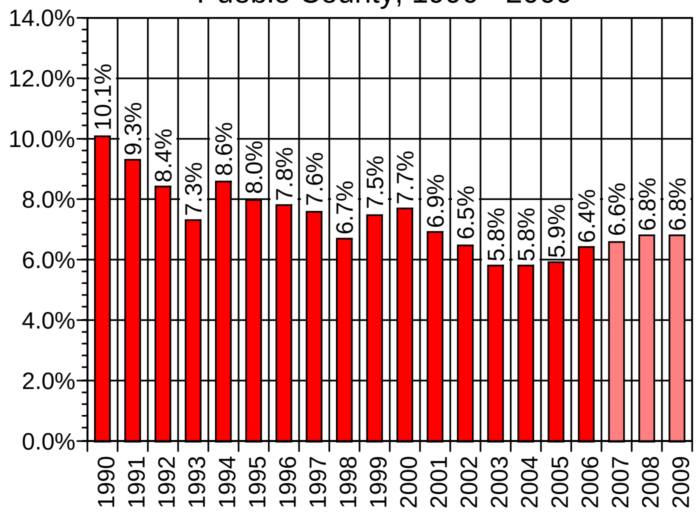
Source: Colorado Department of Labor and Employment and David Bamberger & Associates.

Net Migration
Pueblo County, 1990 - 2009



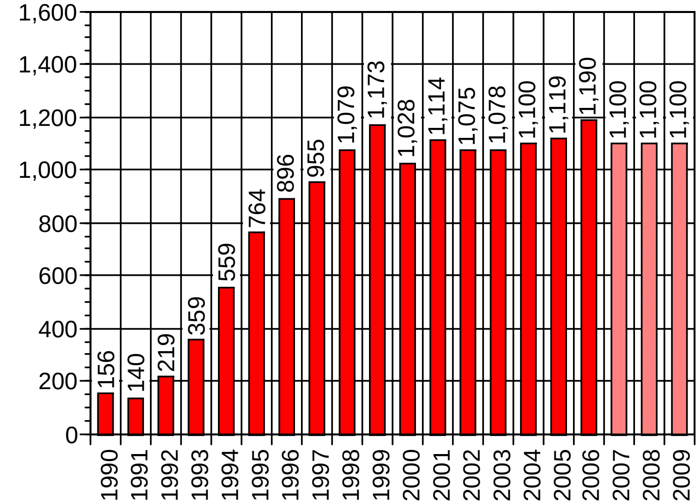
Source: Colorado State Demographer and David Bamberger & Associates.

30-Year Fixed Mortgage Rates (No Points)
Pueblo County, 1990 - 2009



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

New Single Family For-Sale Housing Unit Construction
Pueblo County, 1990 - 2009



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 2009.

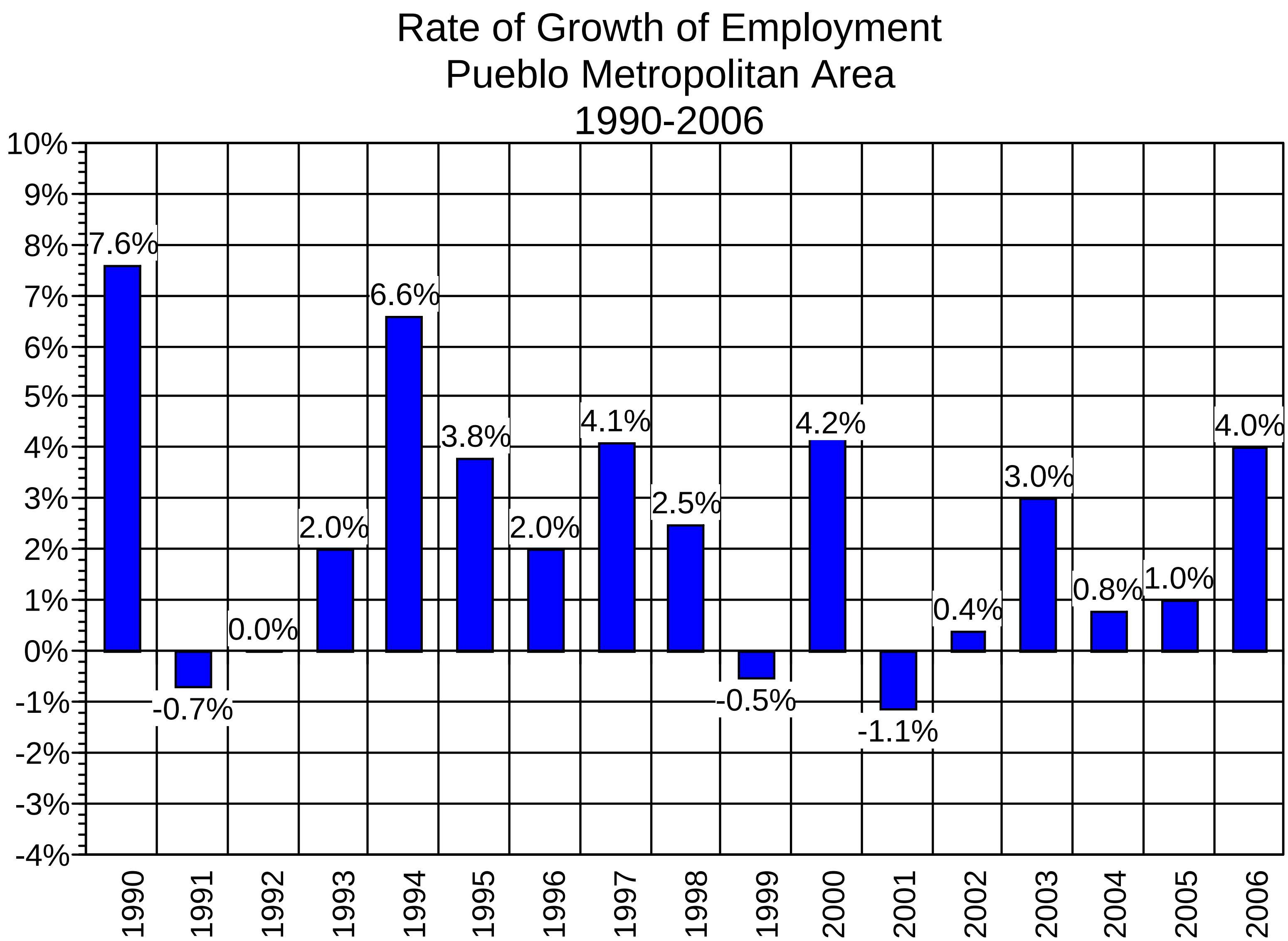
The risks to the forecast include a big jump in mortgage rates and slower than expected job growth.

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.

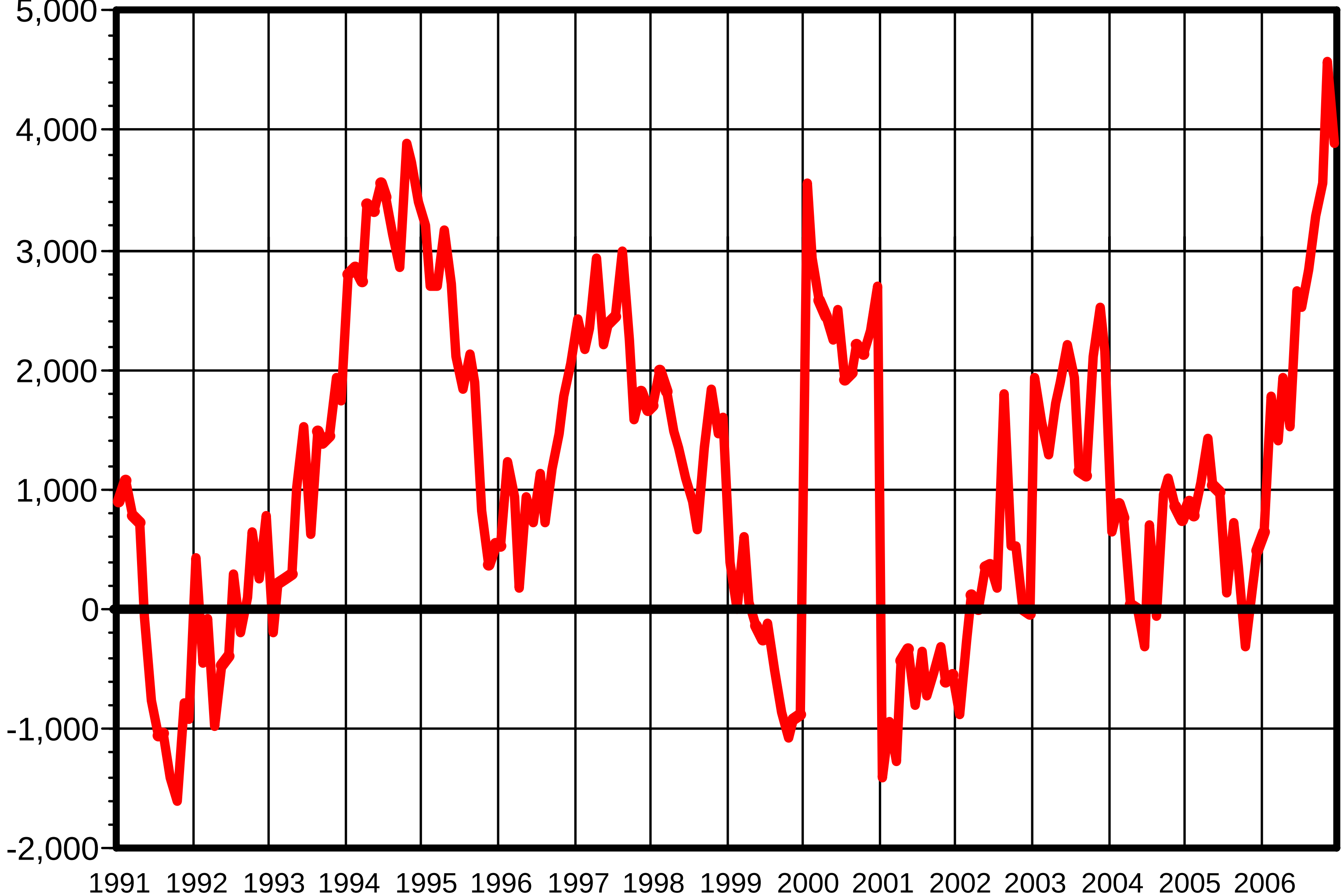
Fort Carson Expansion - On the up-side, Fort Carson, located only 30 miles north of Pueblo on I-25, has announced expansion of about 10,000 troops over the next three to four years. This could add demand for both rental and owner housing as personnel stationed at the base seek an affordable housing option. We expect the troop increases to generate demand of 1,400 to 1,600 owner units and about 5,000 renter 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

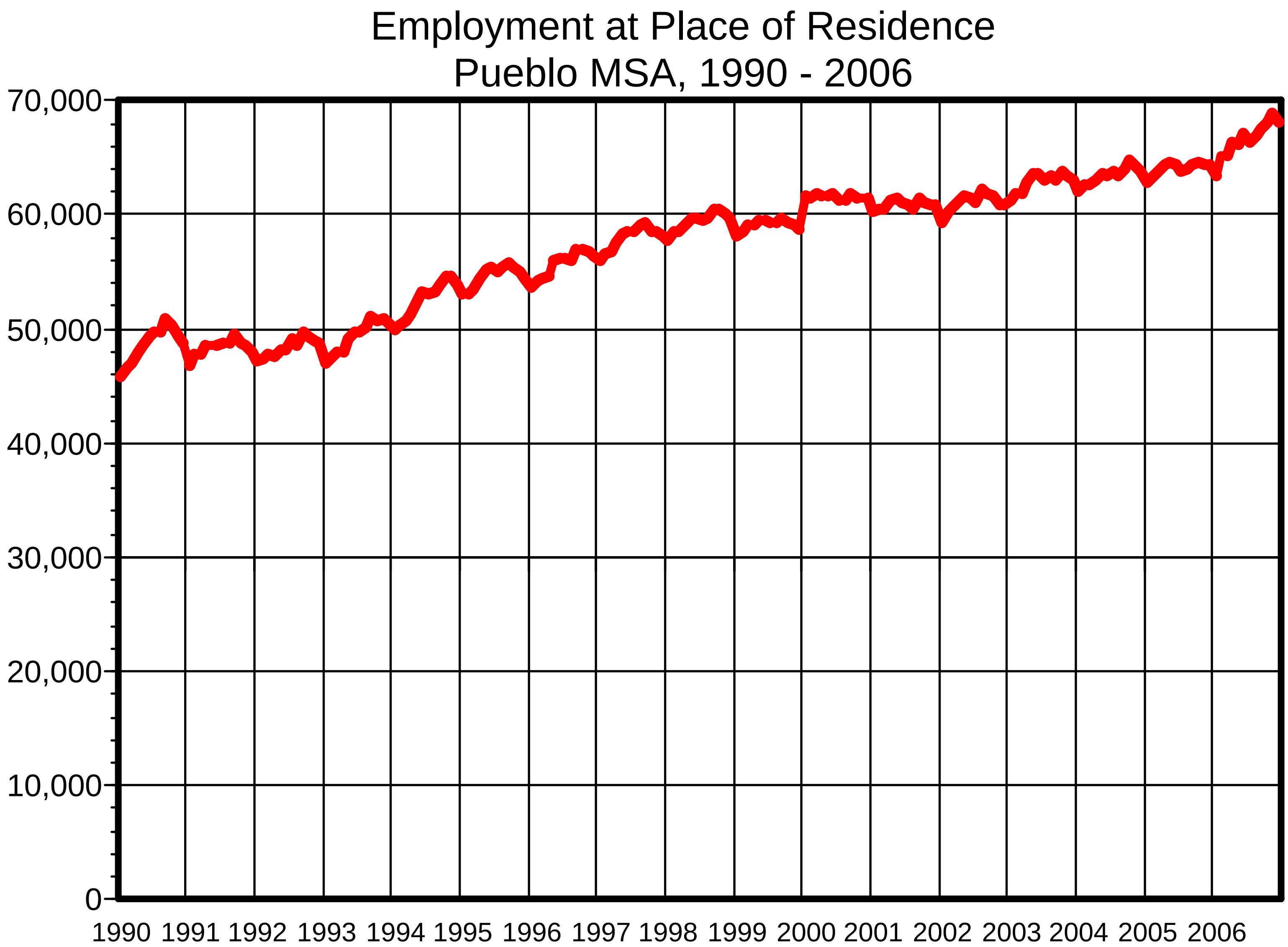


Source: Colorado Department of Labor and Employment.

Change in Employment at Place of Residence
Pueblo MSA, 1991 - 2006
(Seasonally Adjusted Monthly Data at an Annual Rate)

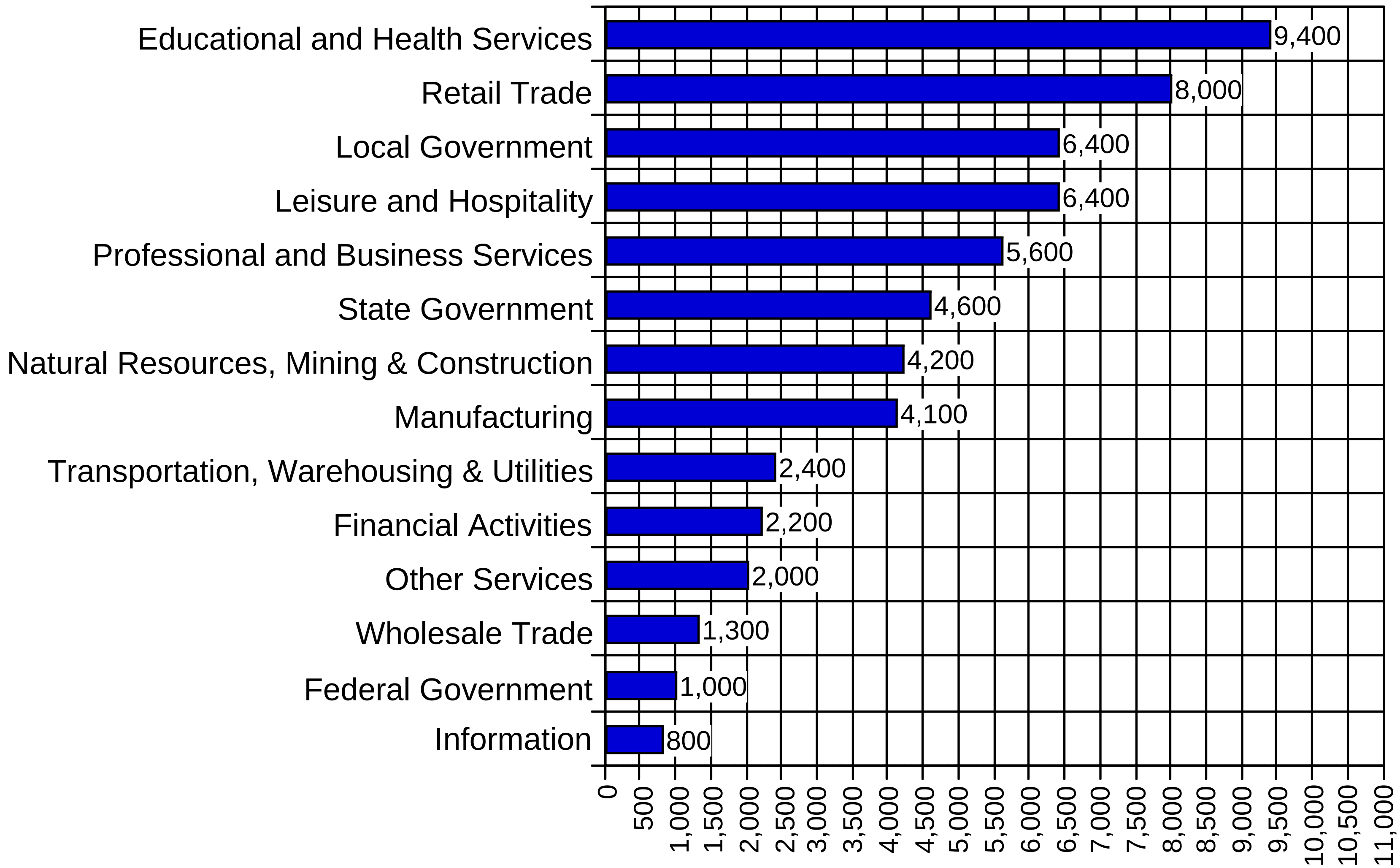


Source: Colorado Department of Labor and Employment



Source: Colorado Department of Labor and Employment

Wage and Salary Jobs by Industry
Pueblo MSA, December 2006

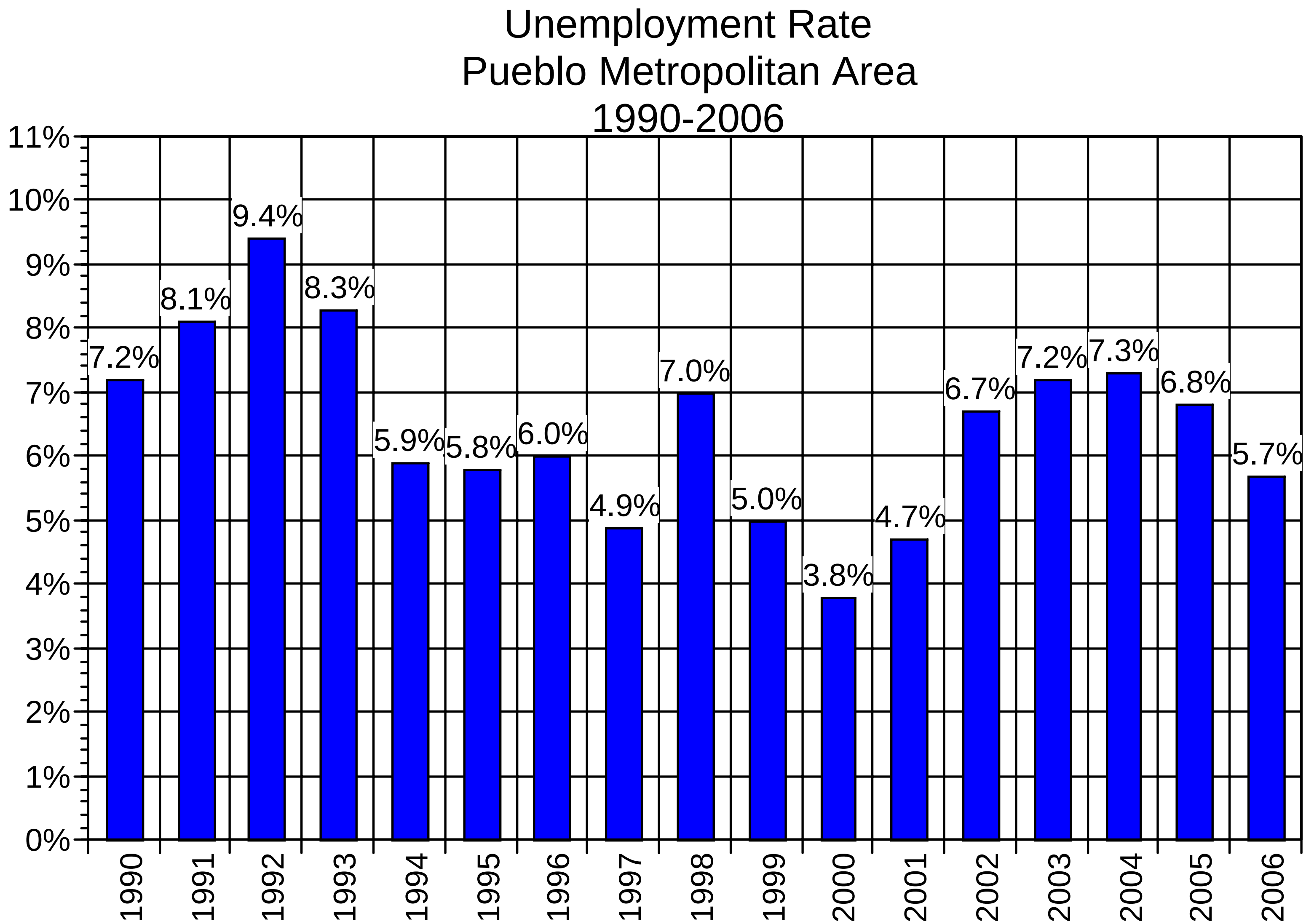


Source: Colorado Department of Labor and Employment.

Nonagricultural Wage and Salary Employment by Industry
Pueblo MSA, December 2005 - December 2006

Industry	December 2005	December 2006	Change	% Change
Natural Resources, Mining & Construction	3,800	4,200	400	6.8%
Manufacturing	3,900	4,100	200	-6.9%
Wholesale Trade	1,300	1,300	0	0.0%
Retail Trade	7,800	8,000	200	3.6%
Transportation, Warehousing & Utilities	2,200	2,400	200	6.8%
Information	800	800	0	0.0%
Financial Activities	2,200	2,200	0	3.4%
Professional and Business Services	4,500	5,600	1,100	3.3%
Educational and Health Services	9,300	9,400	100	3.3%
Leisure and Hospitality	6,200	6,400	200	0.3%
Other Services	2,000	2,000	0	-0.7%
Federal Government	1,000	1,000	0	2.9%
State Government	4,700	4,600	-100	0.0%
Local Government	6,200	6,400	200	3.1%
Total Wage and Salary Employment	55,900	58,400	2,500	4.3%

Source: Colorado Department of Labor and Employment.



Source: Colorado Department of Labor and Employment.

PEDCO New Primary Job Announcements

Pueblo Metro Area, 1997 - 2006

Year	Company	Type of Company	Employees Announced
1997	Ashland Chemical Company	Chemical purification	132
1997	Davie Wire Compamy	Manufacture wire	125
1997	WR Inc	Manufacturer	10
1997	Fountain Foundry	Foundry	70
1997	CO Fastener & Nail Co.	Manufacturer	20
1997	Foundation Health	HMO / Information processing	1,200
1997	Biomark Incorporated	Distribution center-medical	5
1998	North Am. Telephone Network	Telemarketing	55
1998	Flexible Foam Products	Manufacturer carpet pad	50
1998	Chemical Marketing Concepts	Chemical repackaging	50
1998	Convergys/Matrix Marketing	Telemarketing	350
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	EDSS	Data processing	485
2001	Tenant International	Manages corporate telecom services	165
2001	Stonecraft	Manufacture stone building products	60

Year	Company	Type of Company	Employees Announced
2002	Innotrac	Telemarketing/customer service	60
2002	Haddonstone USA	Manufacturer-stonework	30
2002	Eupec Risk Management Systems	Pipeline safety systems	95
2002	Premier Fulfillment	Fulfillment distribution center	75
2002	Flexible Foam Products	Manufacturer carpet pad	18
2002	Lason	Information management	38
2003	Adam Aviation	Aircraft manufacturing	450
2003	Pueblo Suburban Development	Manufacture and run greenhouses	1,300
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	29
2005	Eldorado Stone (StoneCraft)	Manufacture stone building products	25
2006	Doss Aviation	USAF Pilot Traning	200
2006	Atlas Pacific Engineering	Mfg. food products machinery	22
2006	Cingular	Call Center	500
2006	Verisma	Software development	15
Total			9,150

Source: PEDCO

Announced Primary Industry Layoffs

Pueblo Metro Area, 1998 - 2006

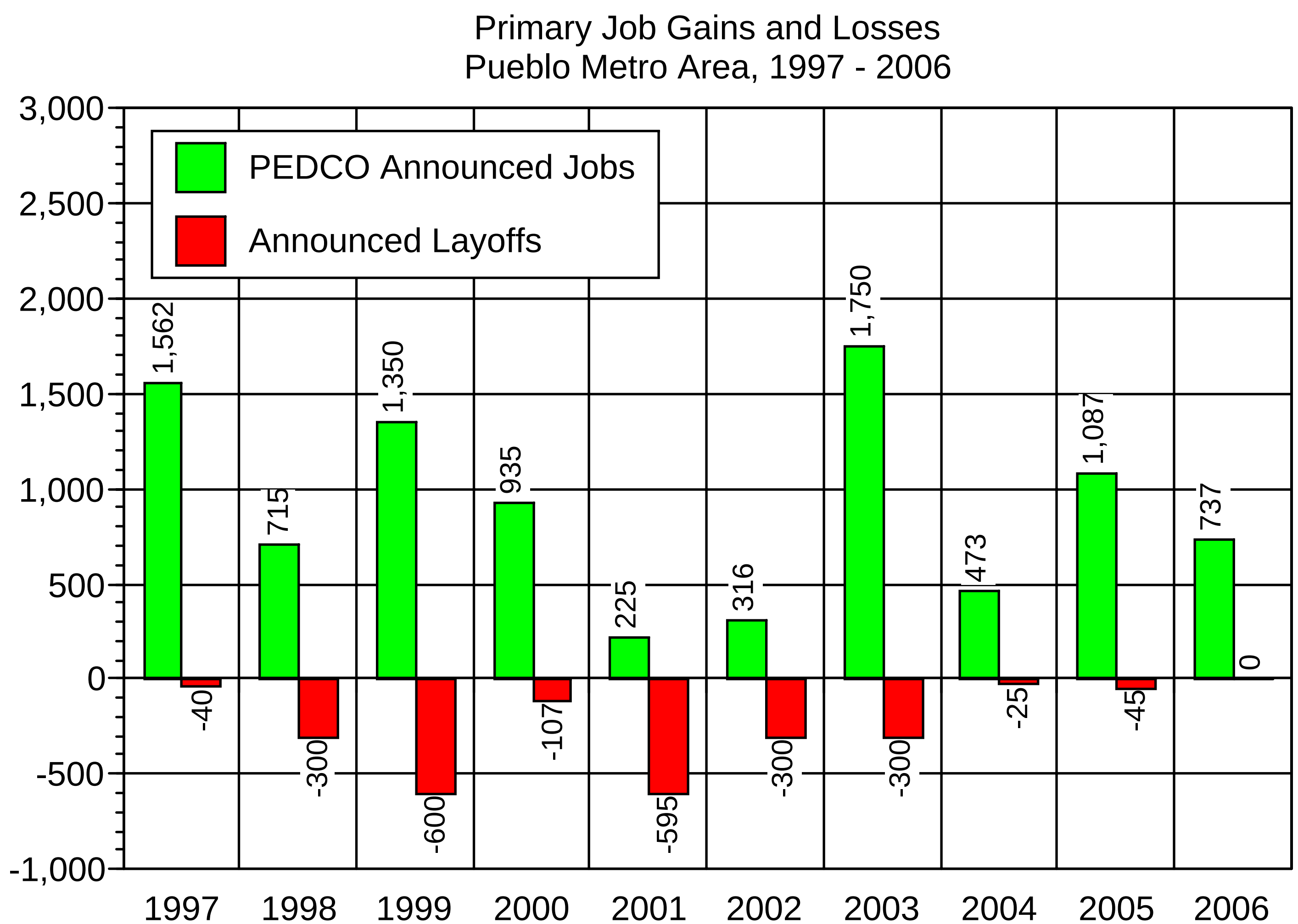
Year Announced	Company	Type of Announcement	Type of Company	Number of Employees Announced for Layoff
1997	Lan Technologies	Shutdown	Manufacturer computer disc	40
1998	Rocky Mountain Steel	Downsizing	Manufacturer of steel	300
1999	QualMed	Shutdown	HMO claims processing	600
2000	Boeing	Downsizing	Aerospace 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
2006	None	None	None	0
Total				2,312

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

Net Primary Job Announcements
Pueblo Metro Area, 1997-2006

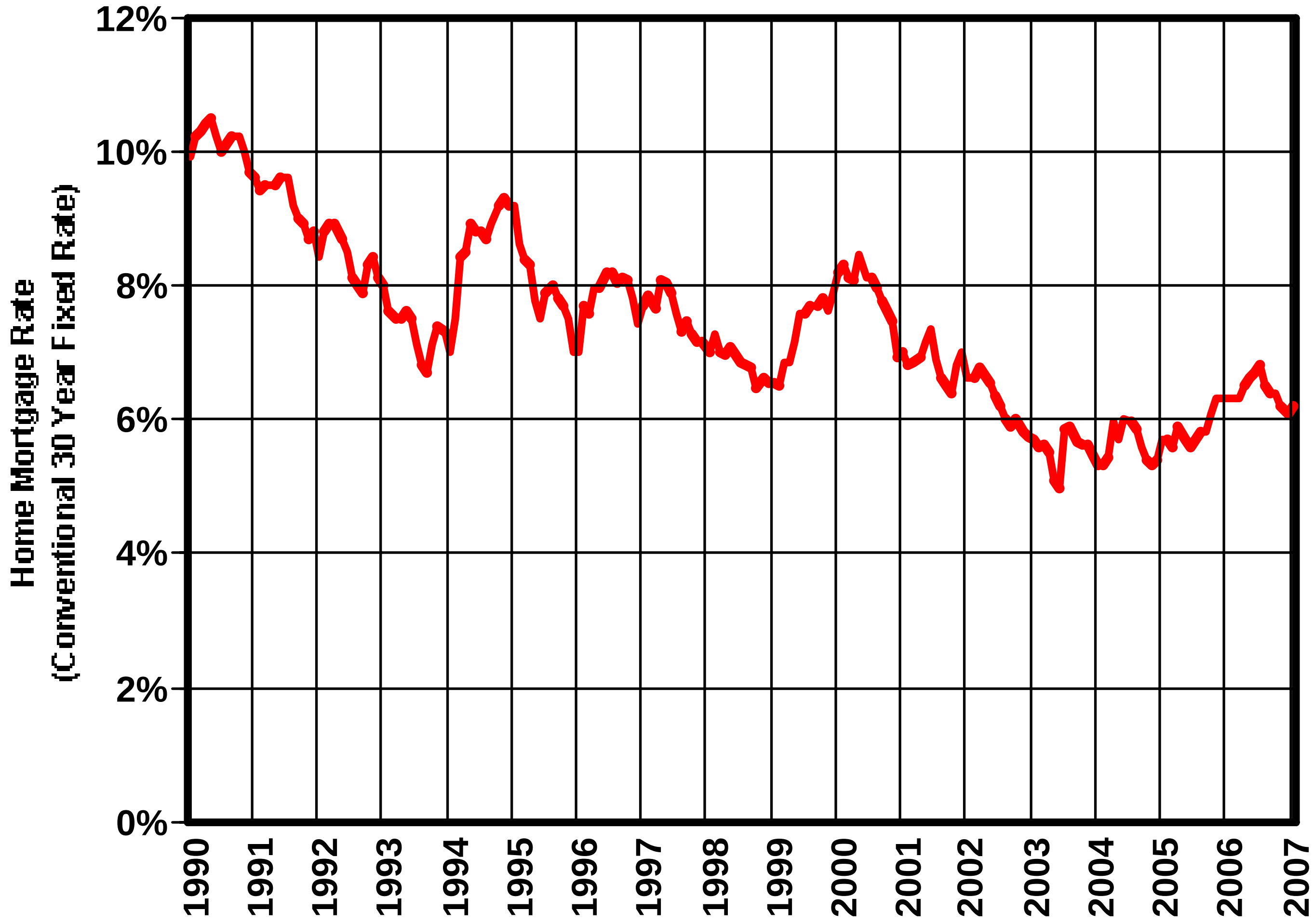
Year	Announced New Jobs	Announced Layoffs	Net Gain / Loss
1997	1,562	40	1,522
1998	715	300	415
1999	1,350	600	750
2000	935	107	828
2001	225	595	-370
2002	316	300	16
2003	1,750	300	1,450
2004	473	25	448
2005	1,087	45	1,042
2006	737	0	737
Total	9,150	2,312	6,838

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 2007



Source: Federal Reserve Bank and various mortgage companies.

Components of Population Growth
Pueblo Metro Area, 1990-2006

Year	Population	Change	Births	Deaths	Natural Increase	Net Migration
1990	123,053	-310	1,698	1,190	508	-818
1991	123,486	486	1,724	1,184	540	-54
1992	124,410	924	1,764	1,242	522	402
1993	126,348	1,938	1,805	1,259	546	1,392
1994	128,722	2,374	1,780	1,169	611	1,763
1995	130,832	2,110	1,746	1,236	510	1,600
1996	132,498	1,666	1,730	1,337	393	1,273
1997	134,794	2,296	1,734	1,260	474	1,822
1998	137,381	2,587	1,739	1,359	380	2,207
1999	139,718	2,337	1,869	1,352	517	1,820
2000	142,054	2,336	1,933	1,374	559	1,777
2001	144,383	2,329	1,927	1,380	547	1,782
2002	147,057	2,674	2,004	1,393	611	2,063
2003	148,707	1,650	1,985	1,482	503	1,147
2004	149,728	1,021	2,060	1,451	609	412
2005	151,104	1,376	1,946	1,526	420	956
2006	154,375	3,271	1,997	1,539	458	2,813
Totals		31,065	31,441	22,733	8,708	22,357
Percent		100%			28%	72%

Source: Colorado State Demographer

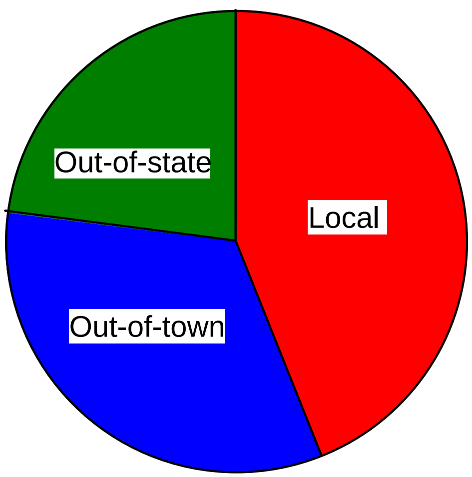
Pueblo New Home Buyer Demographics, 2003, 2004, 2005 and 2006

	2003	2004	2005	2006
Previous residence of buyers				
Local	79%	71%	65%	44%
Out-of-town	21%	29%	35%	33%
Out-of state (not collected in 2003-2005)	NA	NA	NA	23%
Total	100%	100%	100%	100%
Housing stage of buyers				
First time buyers	43%	23%	37%	32%
Move-up buyers (buying bigger home)	37%	57%	49%	48%
Move-down buyers (buying smaller home)	20%	20%	14%	20%
Total	100%	100%	100%	100%
Place of work of buyers				
Work in Pueblo	76%	62%	62%	52%
Work in Colorado Springs	11%	12%	13%	20%
Work somewhere else	4%	5%	7%	9%
Retired	10%	22%	22%	19%
Total	100%	100%	100%	100%

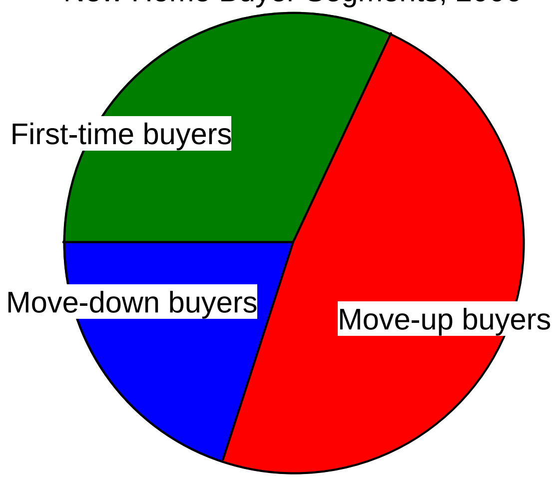
Source: David Bamberger & Associates survey

Note: Totals may not add to 100% due to rounding. Data on Out-of-state not collected in 2003-2005.

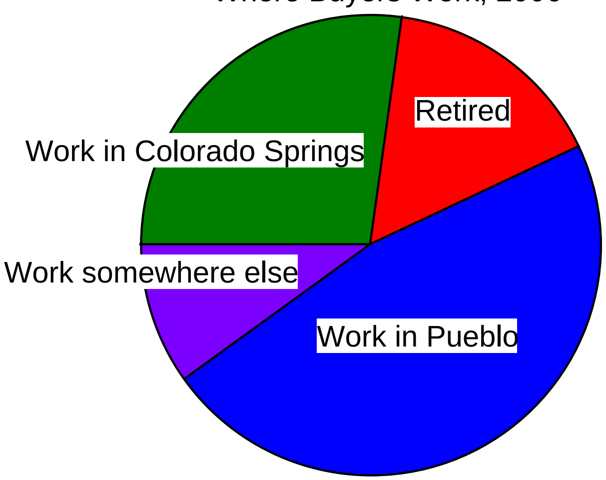
Where New Home Buyers Came From, 2006

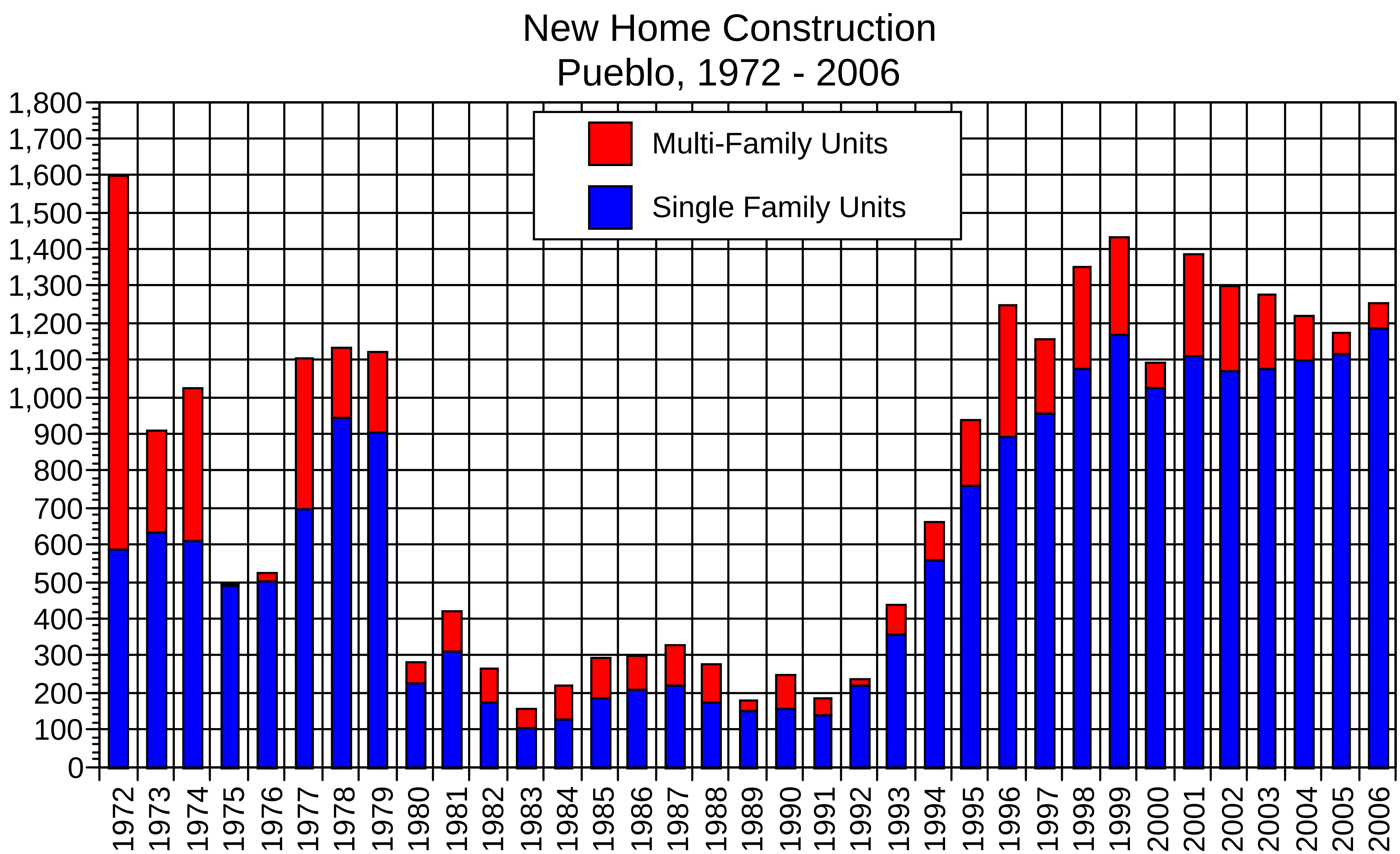


New Home Buyer Segments, 2006



Where Buyers Work, 2006





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

New Home Construction (units)
Pueblo Metropolitan Area, 1990 - 2006

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
2006	1,190	64	1,254

Source: Regional Building Department.

Estimated Single Family New Home Market Performance

Pueblo County, January 1, 2007

(Sample data scaled to represent the whole market)

Price Range	Started Jan-Dec 2006	Under Construction 1-Jan-07			Completed (not closed) 1-Jan-07			Sold 2006	Plan to Build in 2007
		Presold	Unsold	Total	Presold	Unsold	Total		
Less than $160,000	416	34	77	112	39	43	82	335	262
$160,000 to $199,999	375	100	62	162	57	39	96	311	446
$200,000 to $249,999	220	80	25	105	66	5	71	211	301
$250,000 to $299,999	95	34	21	55	23	21	43	71	100
$300,000 and over	83	25	16	41	2	11	14	61	105
Total	1,190	273	200	474	187	118	305	989	1,214

Source: David Bamberger & Associates Builder Survey, January 2007. Note: The survey included responses from 24 builders, accounting for 44% of permits pulled by builders in 2006.

Analysis of Speculative New Single Family Inventory

January 1, 2007

(Sample data scaled to represent the whole market)

Price Range	Total Unsold Inventory	Sold per Month in 2006	Months of Inventory
Less than $160,000	121	28	4.3
$160,000 to $199,999	100	26	3.9
$200,000 to $249,999	30	18	1.7
$250,000 to $299,999	41	6	6.9
$300,000 and over	27	5	5.4
Total	319	82	3.9

Source: David Bamberger & Associates Builder Survey - January 2007.

Summary Builder Survey Question Responses

Estimated Price Increases of New Homes

- 2006 average experienced – 5.5%
- 2007 average expected – 4.8%

Lot Shortages

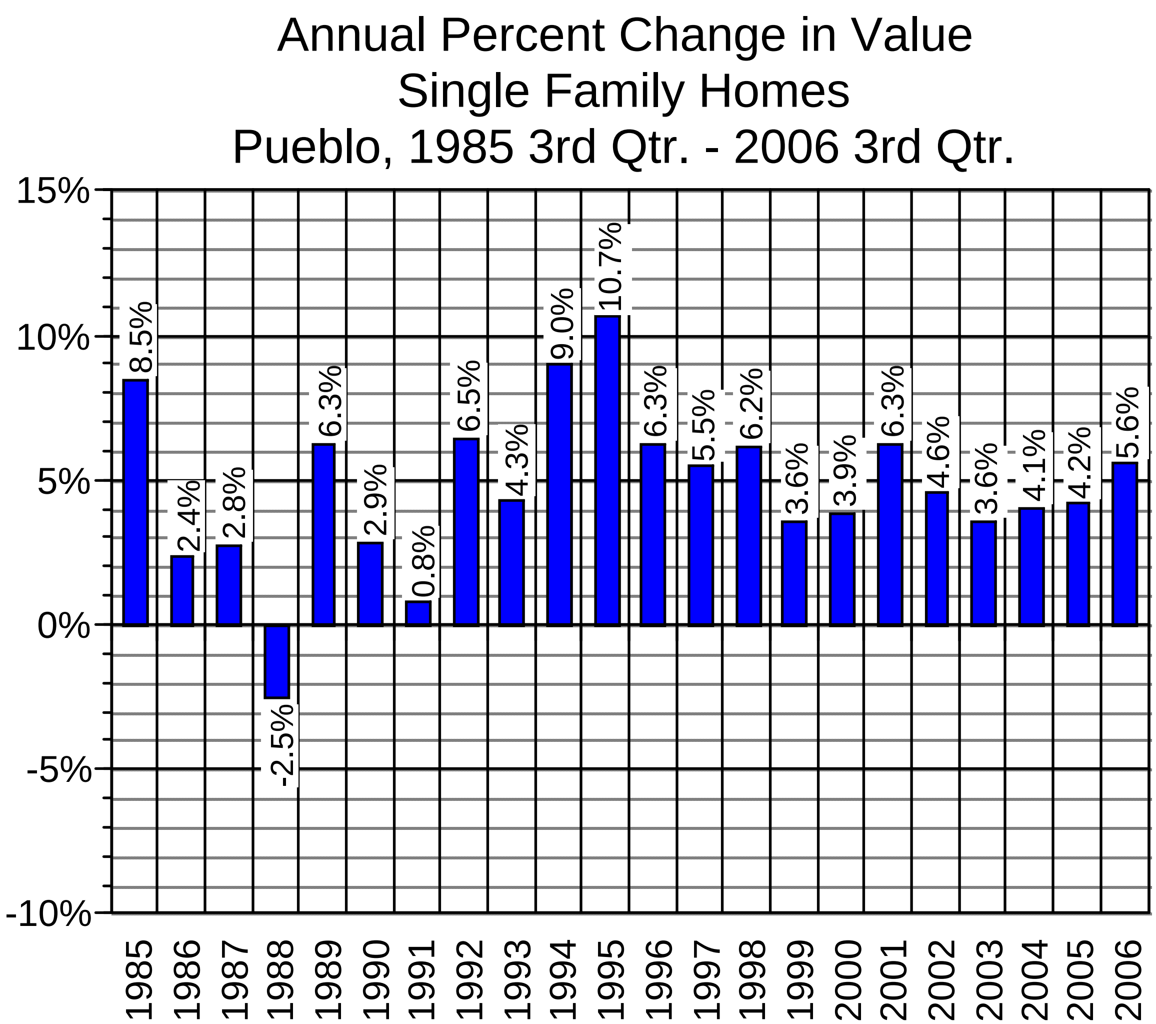
No -- 15 builders Yes -- 8 builders

Price Range of Lot Shortage

- $30-40k
- Affordable
- Under $35k
- $30k
- $30 - $50k
- $20 - $40k
- Under $30k

Areas Where There Are Lot Shortages

- City
- City
- Pueblo West
- Pueblo West
- Southside
- Pueblo West
- Southside
- City

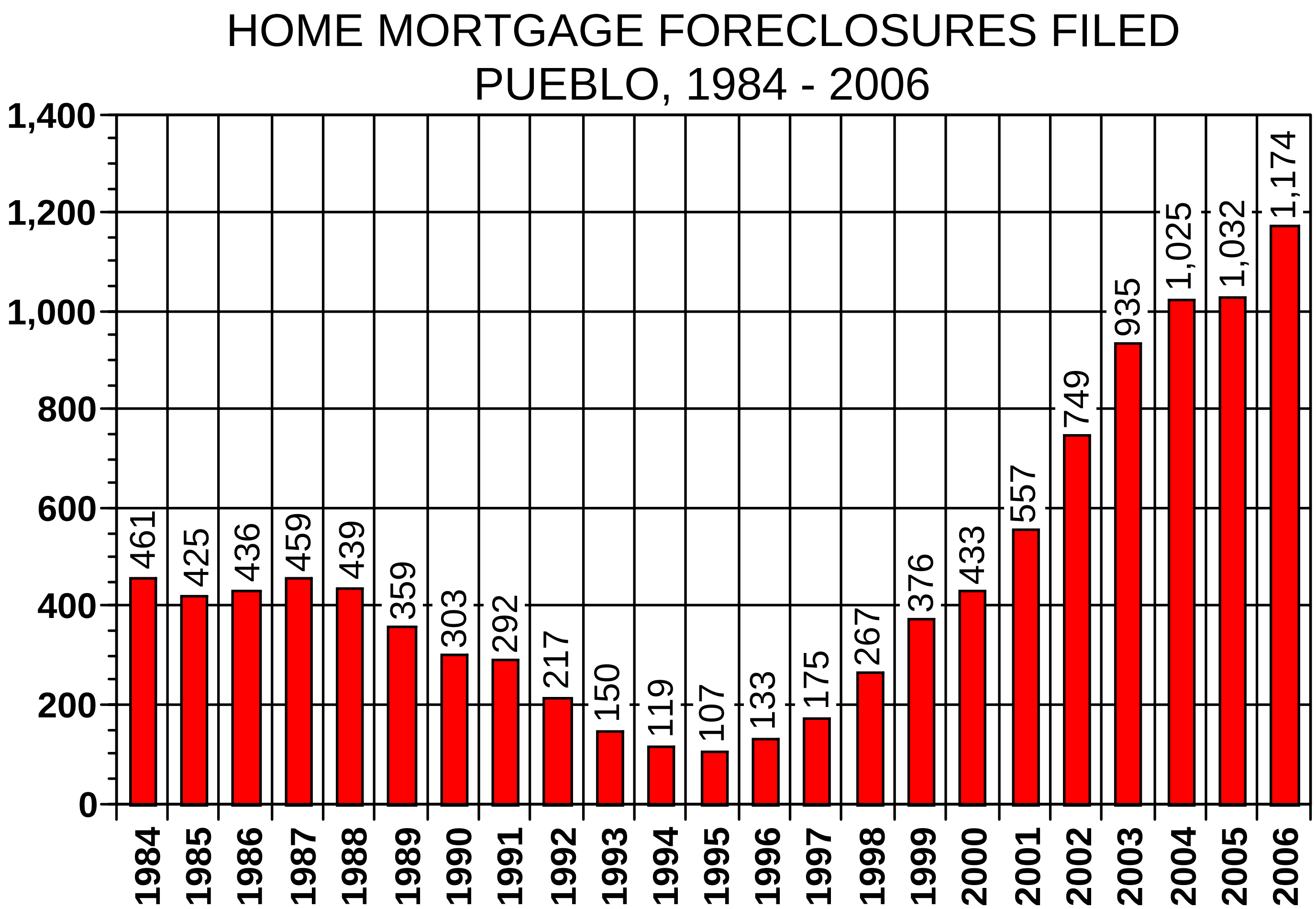


Source: Office of Federal Housing Enterprise Oversight.

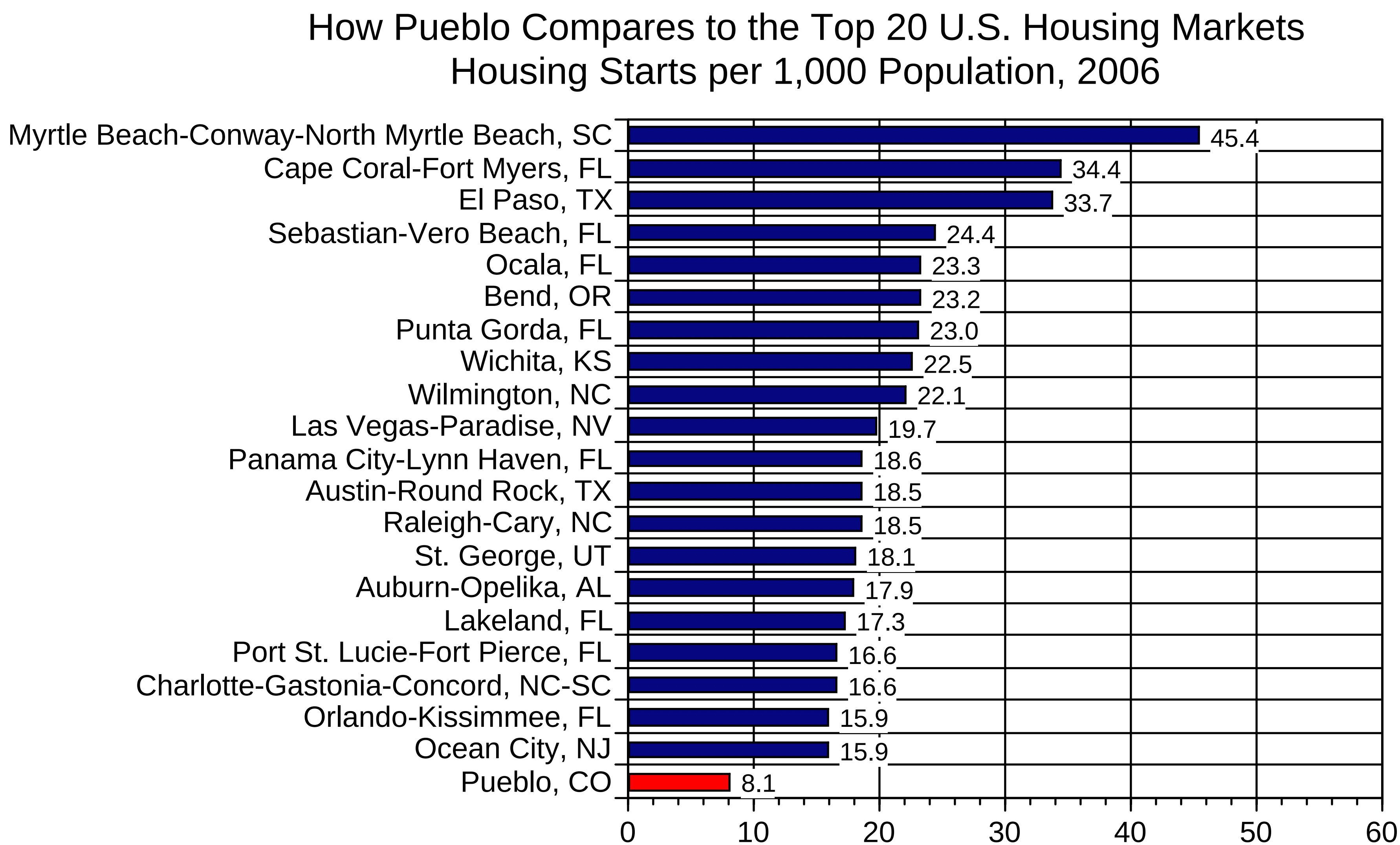
Changes in Value - Single Family Homes
Pueblo, 1985-2006

Year	Quarter	Single Family Home Value	Percent Change Over One Year Ago
1985	3rd	$68,300	8.5%
1986	3rd	$69,930	2.4%
1987	3rd	$71,910	2.8%
1988	3rd	$70,120	-2.5%
1989	3rd	$74,540	6.3%
1990	3rd	$76,700	2.9%
1991	3rd	$77,330	0.8%
1992	3rd	$82,320	6.5%
1993	3rd	$85,820	4.3%
1994	3rd	$93,540	9.0%
1995	3rd	$103,570	10.7%
1996	3rd	$110,130	6.3%
1997	3rd	$116,160	5.5%
1998	3rd	$123,320	6.2%
1999	3rd	$127,700	3.6%
2000	3rd	$132,680	3.9%
2001	3rd	$141,040	6.3%
2002	3rd	$147,570	4.6%
2003	3rd	$152,910	3.6%
2004	3rd	$159,200	4.1%
2005	3rd	$165,880	4.2%
2006	3rd	$175,130	5.6%

Source: Office of Federal Housing Enterprise Oversight.

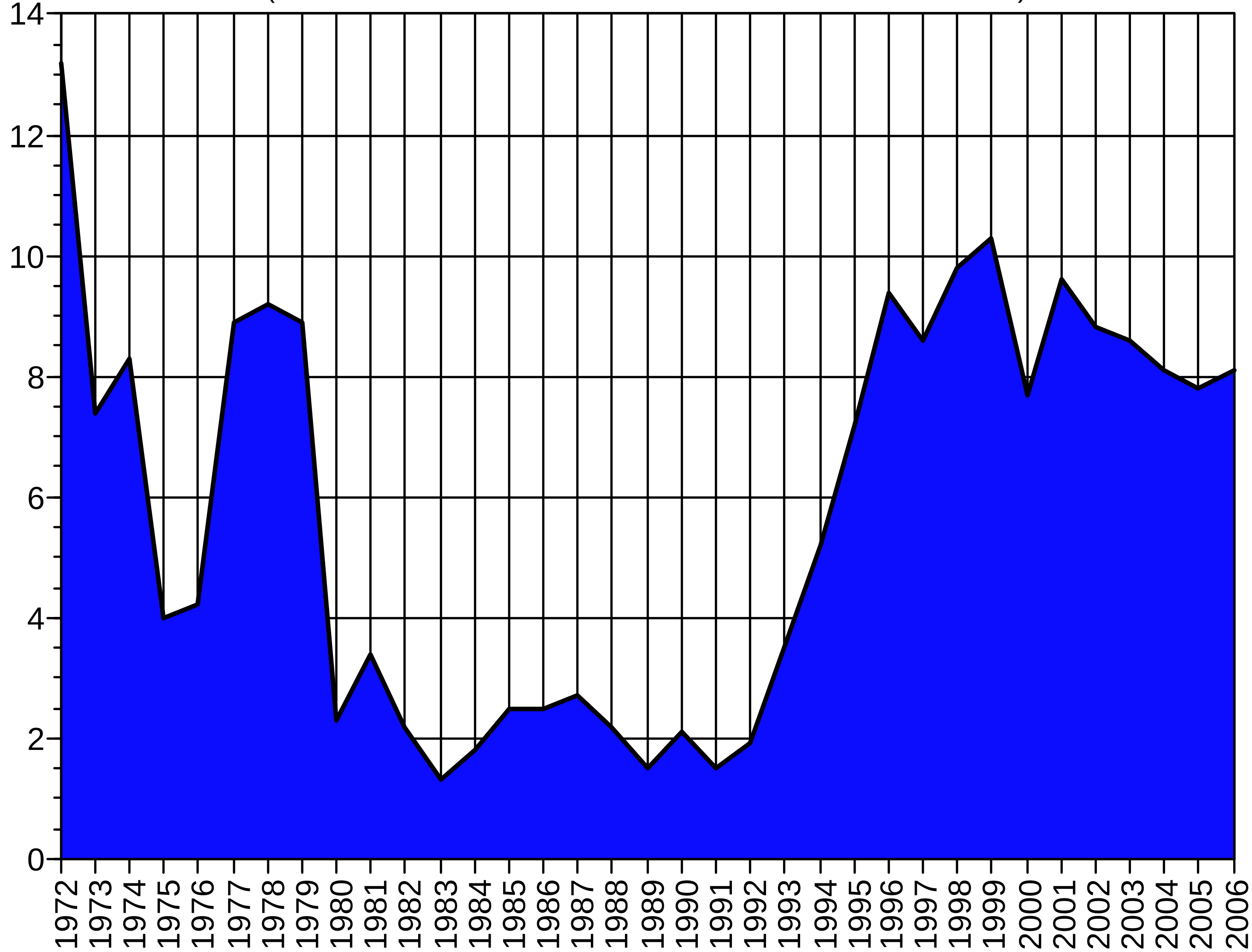


Source: Don Vest, City of Pueblo, Department of Planning and Development



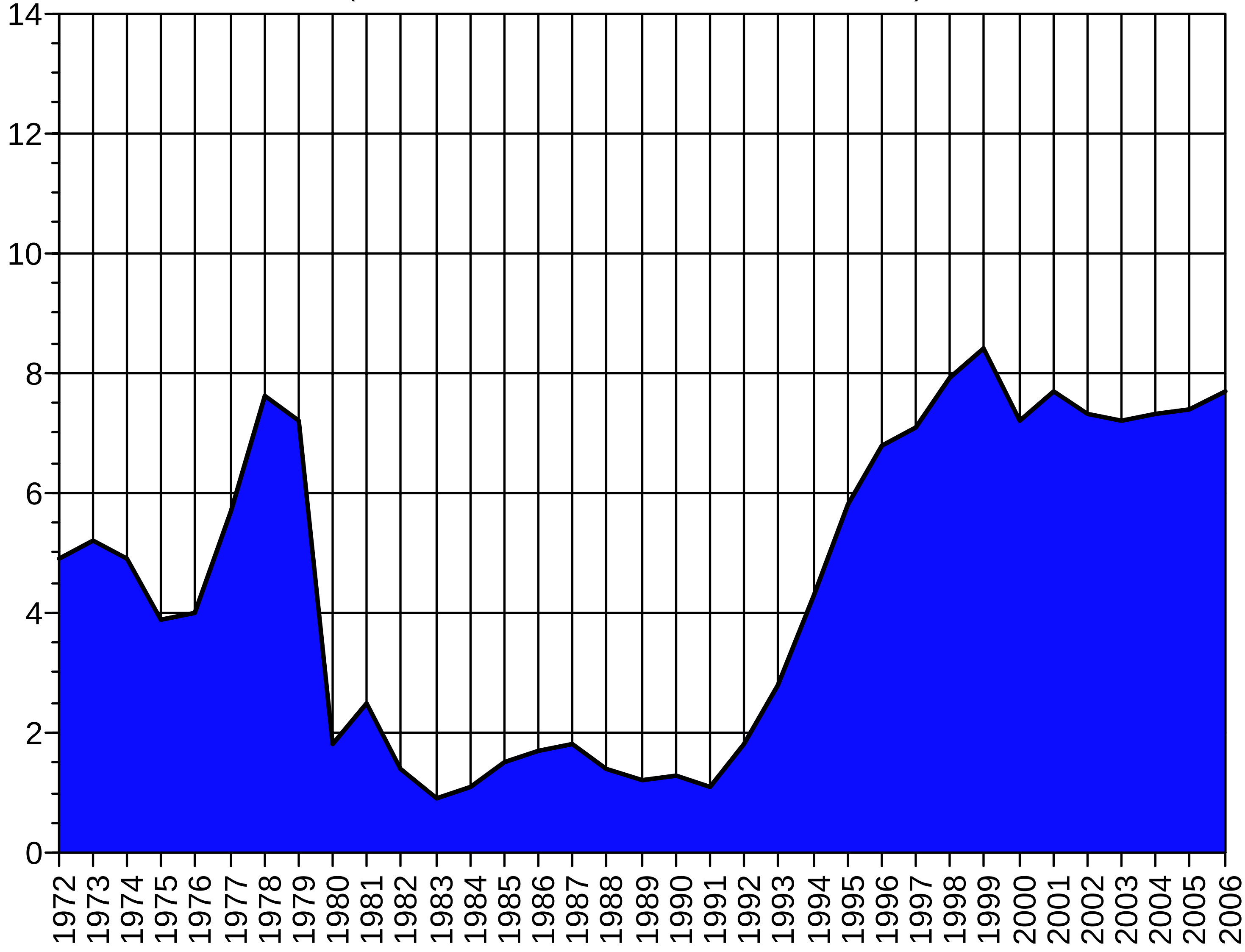
Source: US Bureau of the Census and David Bamberger & Associates

TOTAL HOUSING STARTS (IN UNITS) PER 1,000 POPULATION
PUEBLO COUNTY, 1972-2006
(INCLUDES SINGLE FAMILY AND MULTI-FAMILY PERMITS)



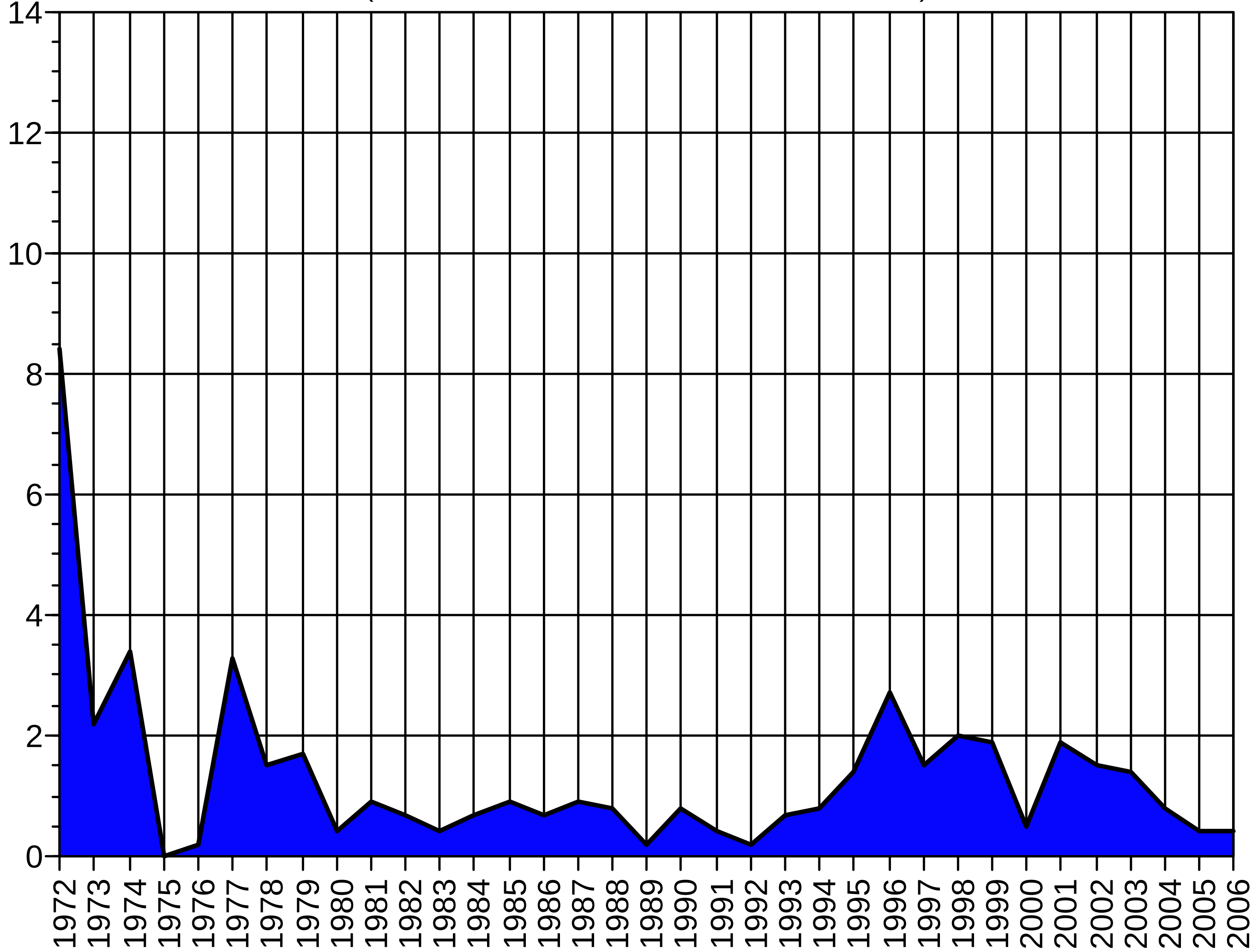
Source: David Bamberger & Associates, Regional Building Department, Bureau of the Census and Pueblo City Planning Department.

SINGLE FAMILY HOUSING STARTS (IN UNITS) PER 1,000 POPULATION
PUEBLO COUNTY, 1972-2006
(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, 1972-2006
(INCLUDES ONLY MULTI-FAMILY PERMITS)



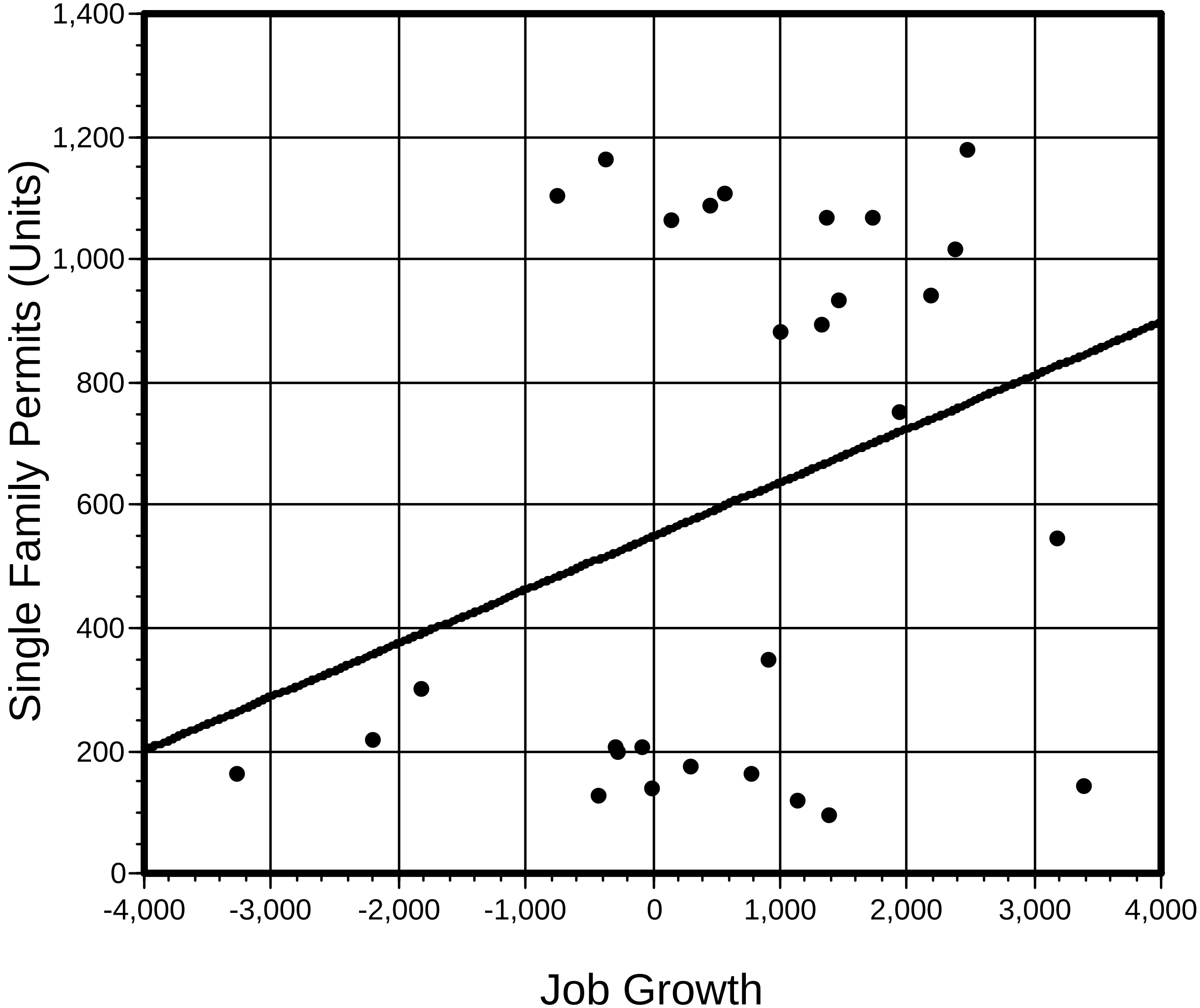
Source: David Bamberger & Associates, Regional Building Department, Bureau of the Census and Pueblo City Planning Department.

HOUSING PERMITS (UNITS) AND POPULATION
PUEBLO COUNTY, 1972 - 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
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	151,104	7.4	0.4	7.8
2006	1,190	64	1,254	154,375	7.7	0.4	8.1
Average	608	173	781		4.5	1.3	5.9

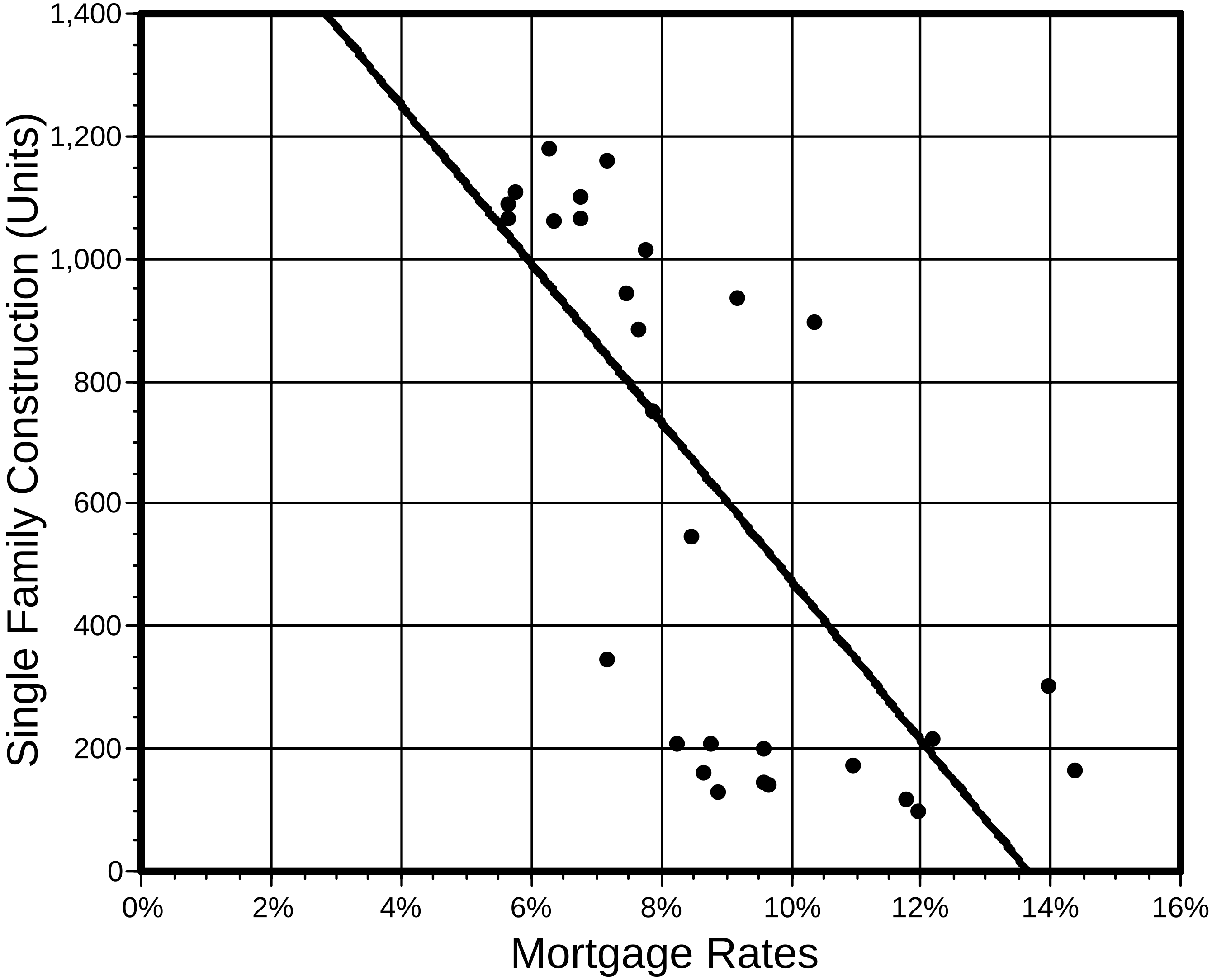
Source: Regional Building Department, Pueblo City Planning Department, Bureau of the Census and David Bamberger & Associates.

Relationship Between
Single Family Construction and Job Growth
Pueblo MSA 1978-2006



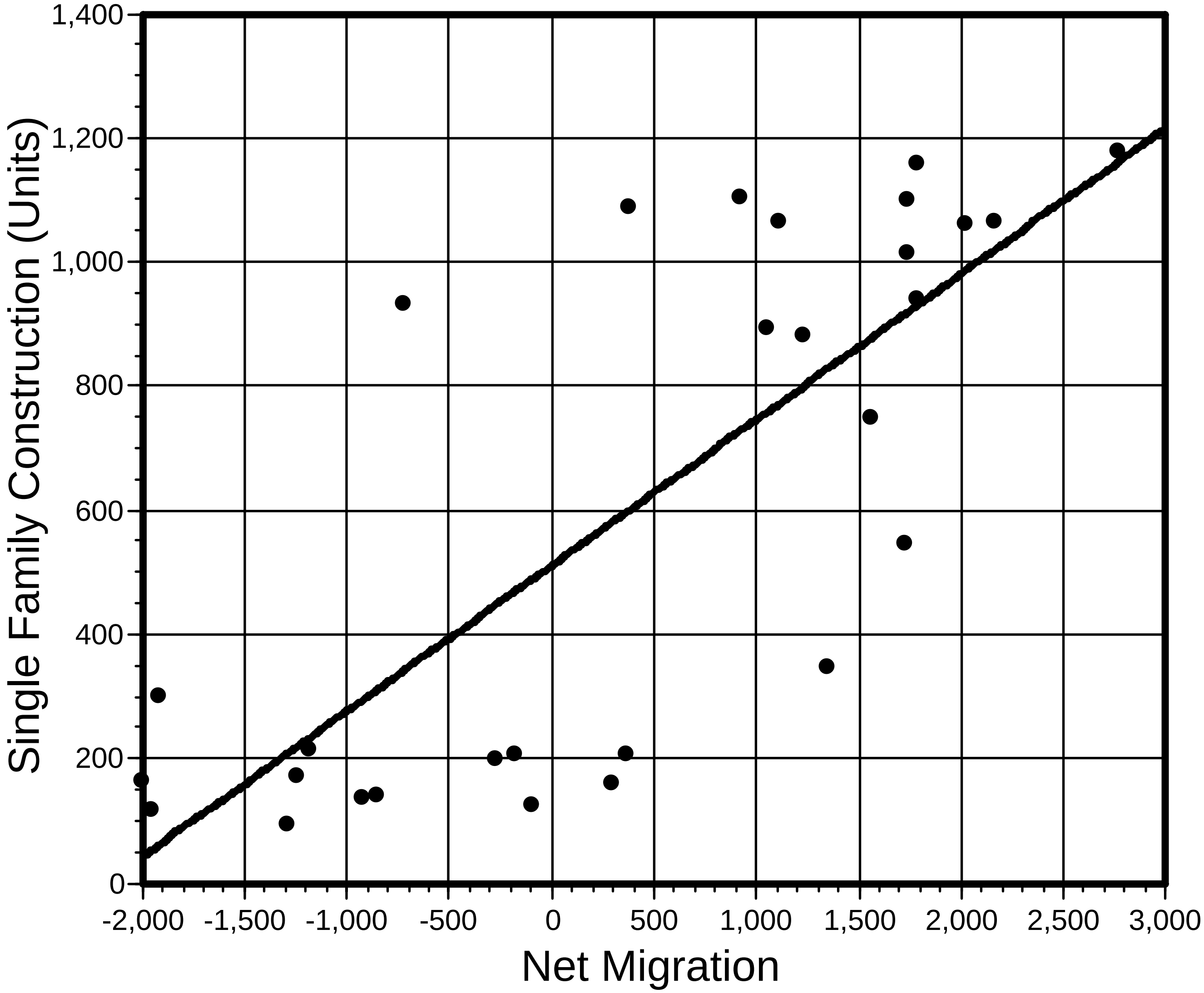
Source: Pueblo Regional Building Department, Colorado Department of Labor and Employment and David Bamberger & Associates.

Relationship Between
Single Family Construction and Mortgage Rates
Pueblo MSA 1978-2006



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

Relationship Between
Single Family Construction and Net Migration
Pueblo MSA 1977-2006



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

HOUSING, JOBS, INTEREST RATES AND NET MIGRATION
PUEBLO, 1977-2006

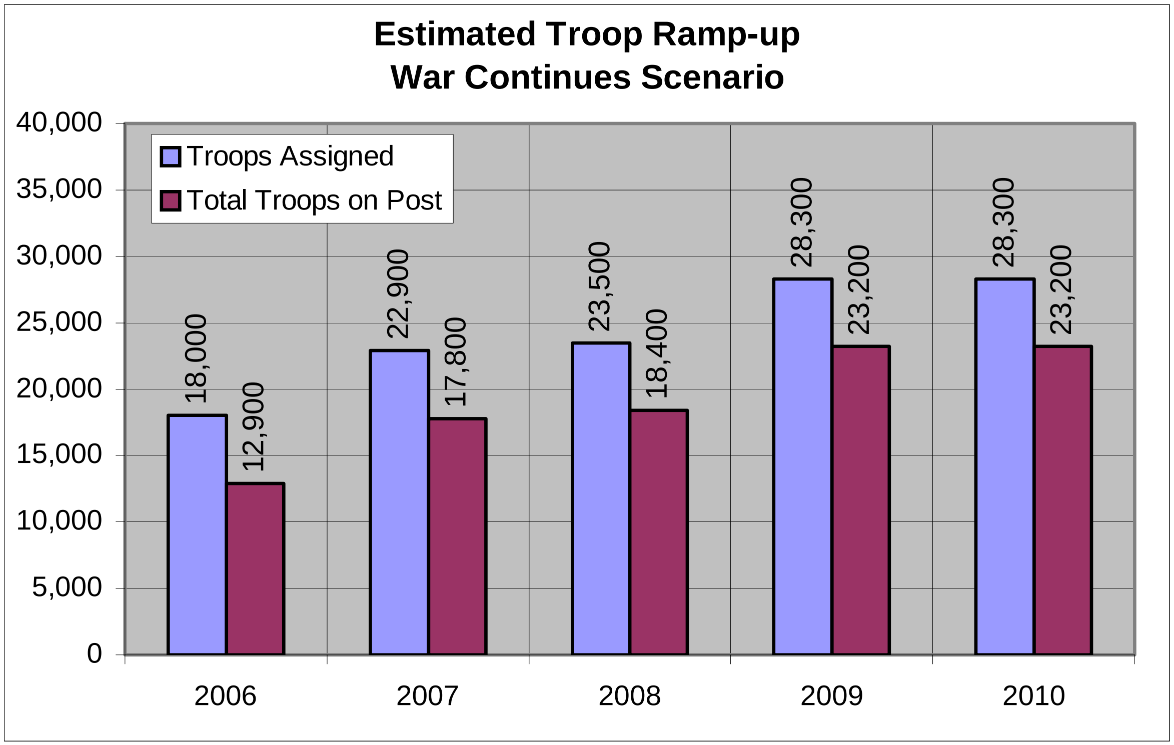
	Total Employment		New Home Construction (units)								
Year	Total	Change	Single Family	Multi-Family	Total	Resale Home Sales	Total Housing Activity	Net Migration	Home Mortgage Rate	New as a % of Total Housing Activity	Change in Employment to New Home Construction
1977	45,872		701	406	1,107	2,058	3,165	-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	-54	9.0%	14.7%	-1.82
1992	48,380	-3	219	21	240	1,245	1,485	402	8.4%	16.2%	-0.01
1993	49,360	980	359	83	442	1,339	1,781	1,392	7.3%	24.8%	2.22
1994	52,623	3,263	559	106	665	1,403	2,068	1,763	8.6%	32.2%	4.91
1995	54,642	2,019	764	179	943	1,541	2,484	1,600	8.0%	38.0%	2.14
1996	55,715	1,073	896	356	1,252	1,629	2,881	1,273	7.8%	43.5%	0.86
1997	57,982	2,267	955	204	1,159	1,603	2,762	1,822	7.6%	42.0%	1.96
1998	59,423	1,441	1,079	274	1,353	1,740	3,093	2,207	6.9%	43.7%	1.07
1999	59,117	-306	1,173	264	1,437	2,008	3,445	1,820	7.3%	41.7%	-0.21
2000	61,577	2,460	1,028	70	1,098	1,611	2,709	1,777	7.9%	40.5%	2.24
2001	60,889	-688	1,114	276	1,390	1,816	3,206	1,782	6.9%	43.4%	-0.49
2002	61,114	225	1,075	228	1,303	1,885	3,188	2,063	6.5%	40.9%	0.17
2003	62,917	1,803	1,078	204	1,282	2,119	3,401	1,147	5.8%	37.7%	1.41
2004	63,444	527	1,100	120	1,220	2,297	3,517	412	5.8%	34.7%	0.43
2005	64,089	645	1,119	60	1,179	2,351	3,530	956	5.9%	33.4%	0.55
2006	66,642	2,553	1,190	64	1,254	2,291	3,545	2,813	6.4%	35.4%	2.04

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.

Estimated Troop Ramp-up at Fort Carson

Date Year-end	Troops Assigned	Troops Added	Troops Returning	Troops Deployed	Total Troops on Post	Increase in Troops on Post
2006	18,000			5,100	12,900	
2007	22,900	4,900	5,100	5,100	17,800	4,900
2008	23,500	600	5,100	5,100	18,400	600
2009	28,300	4,800	5,100	5,100	23,200	4,800
2010	28,300	0	5,100	5,100	23,200	0
Total		10,300				10,300

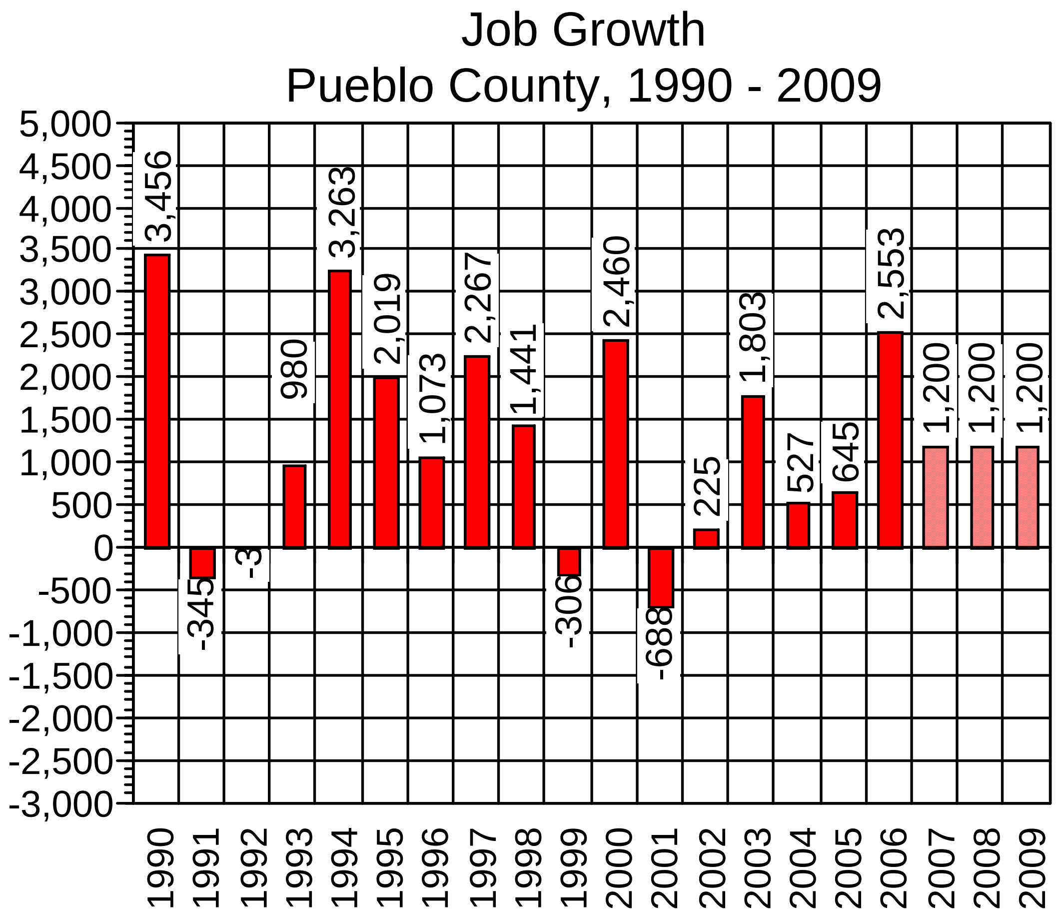


FORECASTS OF NEW SINGLE FAMILY FOR-SALE HOUSING

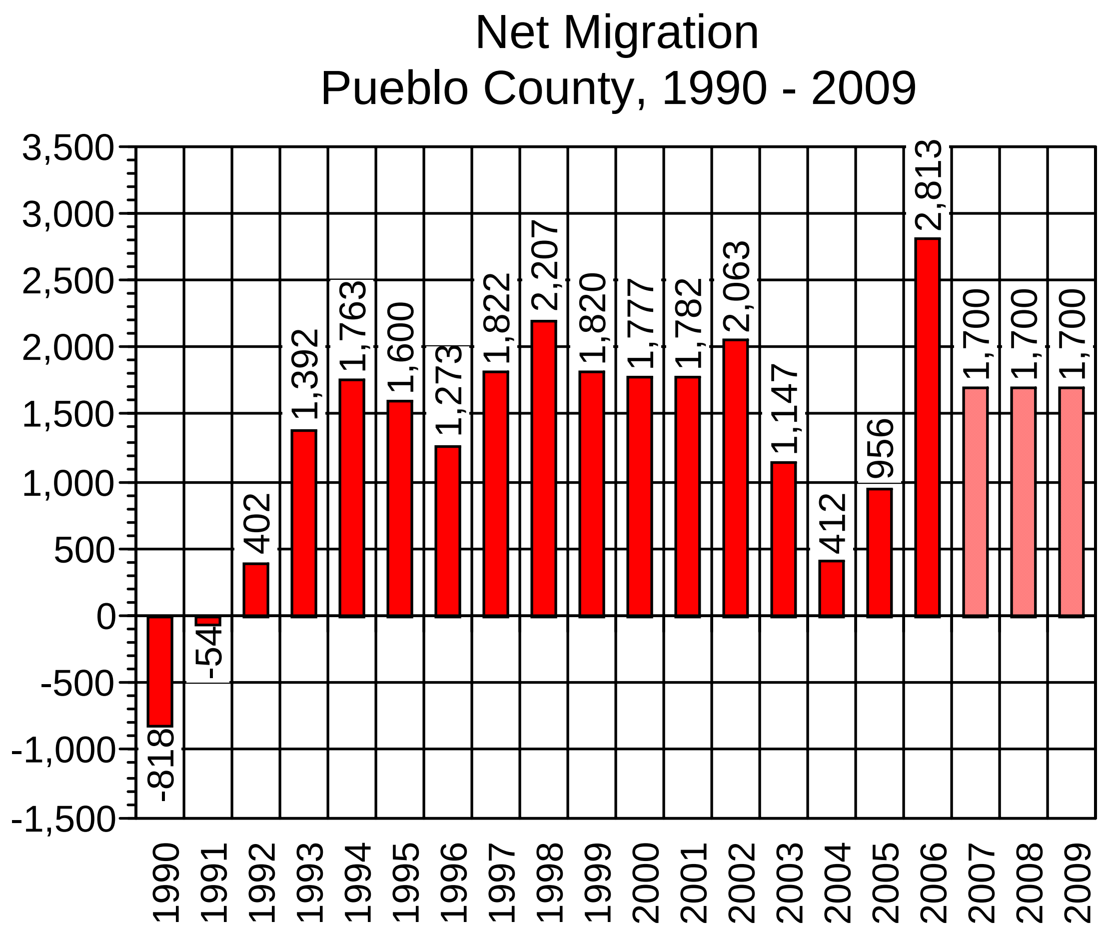
Pueblo County, 1990 - 2006 (Actuals) and 2007 - 2009 (Forecasts)

Year	Mortgage Rate (30 Year Fixed, No Points)	Job Growth	Net Migration	Permits for New Single Family Homes
1990	9.7%	3,456	-818	156
1991	9.0%	-345	-54	140
1992	8.4%	-3	402	219
1993	7.3%	980	1,392	359
1994	8.6%	3,263	1,763	559
1995	8.0%	2,019	1,600	764
1996	7.8%	1,073	1,273	896
1997	7.6%	2,267	1,822	955
1998	6.9%	1,441	2,207	1,079
1999	7.3%	-306	1,820	1,173
2000	7.9%	2,460	1,777	1,028
2001	6.9%	-688	1,782	1,114
2002	6.5%	225	2,063	1,075
2003	5.8%	1,803	1,147	1,078
2004	5.8%	527	412	1,100
2005	5.9%	645	956	1,119
2006	6.4%	2,553	2,813	1,190
Forecast 2007	*6.6%*	*1,200*	*1,700*	*1,100*
Forecast 2008	*6.8%*	*1,200*	*1,700*	*1,100*
Forecast 2009	*6.8%*	*1,200*	*1,700*	*1,100*

Source: David Bamberger & Associates.

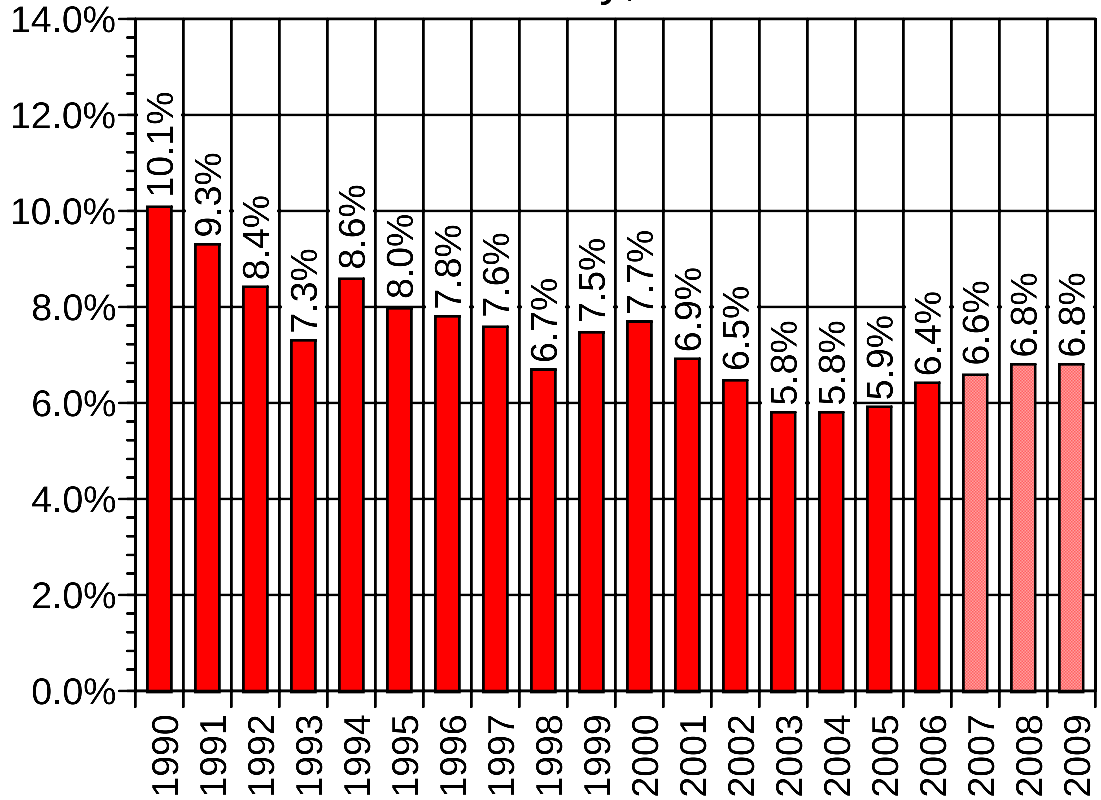


Source: Colorado Department of Labor and Employment and David Bamberger & Associates.

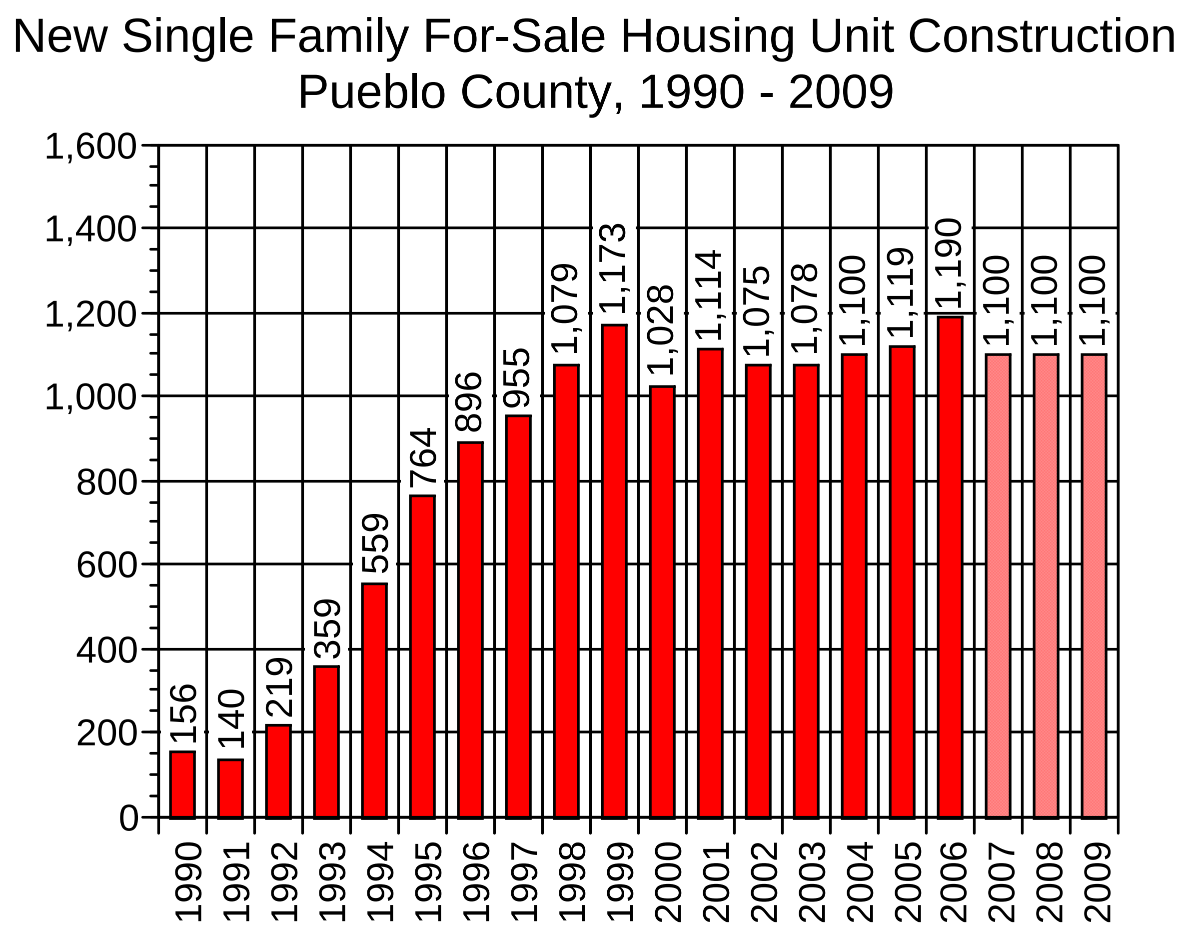


Source: Colorado State Demographer and David Bamberger & Associates.

30-Year Fixed Mortgage Rates (No Points)
Pueblo County, 1990 - 2009



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



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