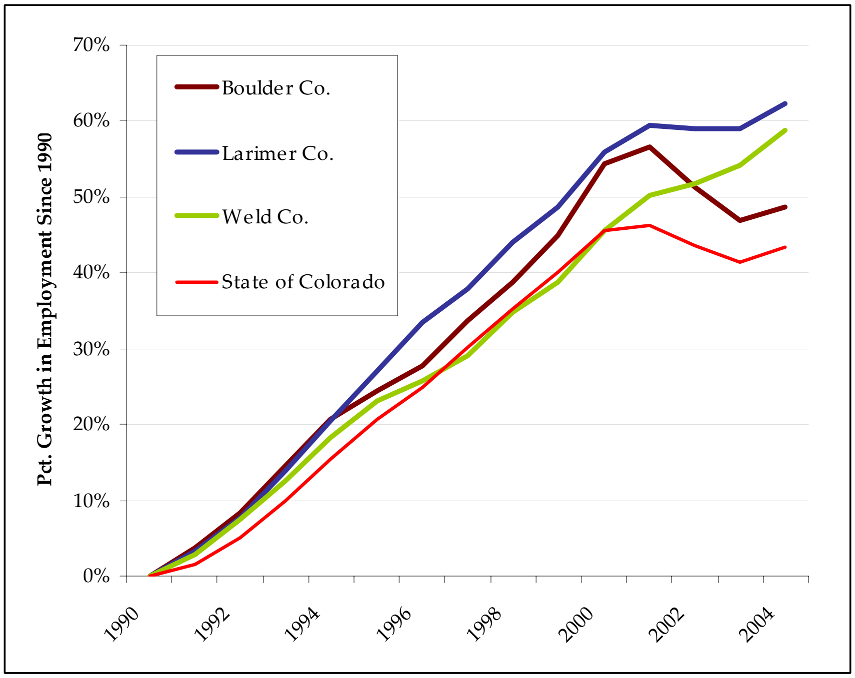
Figure 2
Regional Employment Growth Trends



Source: Bureau of Labor Statistics (Current Employment Statistics); and Leland Consulting Group
Note: Non-farm employment only

Boulder County's high-tech jobs infrastructure is concentrated most heavily in the City of Boulder, primarily because of the University of Colorado complex, and along the U.S. Highway 36 corridor, because of its large supply of recently-constructed office space inventory (and convenient access to both Boulder and Denver). Longmont, due to its geographic location, has more in common with parts of Larimer and Weld Counties than with southern and central Boulder County. Specifically, it is somewhat removed from the high-tech infrastructure assets of the City of Boulder and the U.S. 36 corridor. This relative isolation reduces Longmont's employment and real estate volatility somewhat, but could hinder its ability to fully capitalize on future upswings in technology-driven sectors.

Table 2 illustrates non-farm employment growth across the same comparison counties, using Bureau of Labor Statistics' Current Employment Estimate series data. Note that Weld County total employment is under one-half the size of Boulder County's workforce, whereas Larimer County's total employment is nearing the size of Boulder County's. Boulder County has historically comprised between 7.0 and 7.5 percent of the total state employment.

Table 2
Regional Employment Growth Trends

Total Non-Farm Employment

	Boulder County	**Larimer County**	**Weld County**	**State of Colorado**
1990	106,100	79,200	46,900	1,520,800
1991	110,000	81,800	48,200	1,544,900
1992	114,900	85,300	50,400	1,596,900
1993	121,400	90,200	52,800	1,670,700
1994	128,100	95,500	55,500	1,755,900
1995	132,000	100,600	57,700	1,834,400
1996	135,500	105,700	59,000	1,900,400
1997	141,900	109,200	60,500	1,979,500
1998	147,100	114,000	63,200	2,056,700
1999	153,800	117,700	65,100	2,131,500
2000	163,700	123,400	68,300	2,212,600
2001	166,200	126,300	70,400	2,225,400
2002	160,500	126,000	71,200	2,182,500
2003	155,900	125,900	72,300	2,151,000
2004	157,600	128,500	74,500	2,178,900

Source: Bureau of Labor Statistics (Current Employment Statistics); and Leland Consulting Group
Note: Non-farm employment only

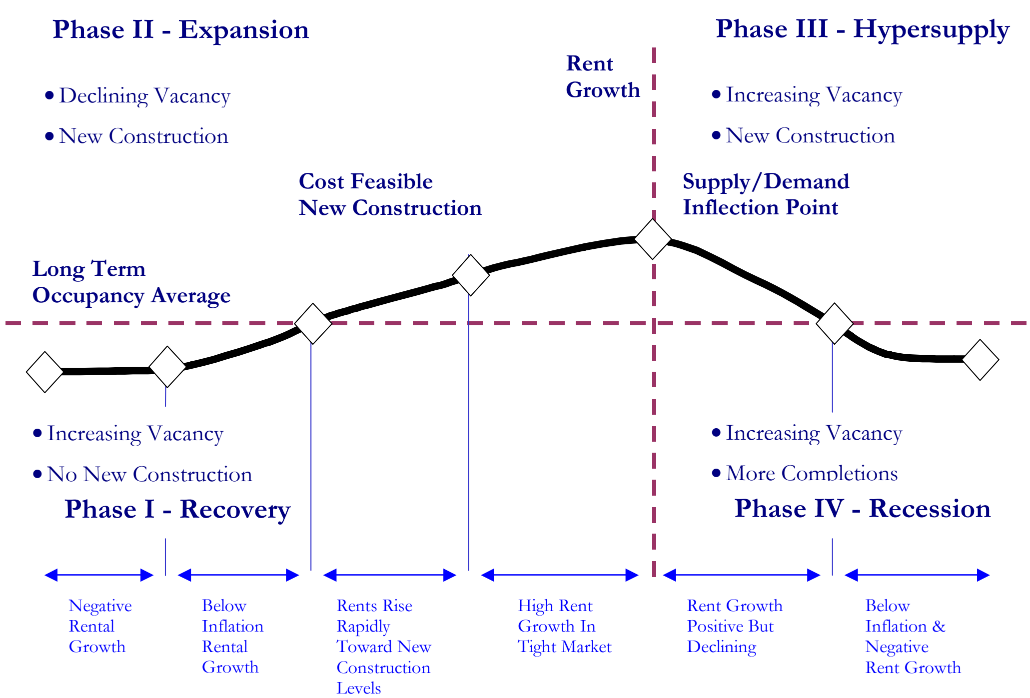
Real Estate Market Supply and Demand

An analysis of the performance of real estate products within a market, as well as competitive projects within a trade area, provide an indication of whether an area may be ready for new development. It also helps to identify potential gaps in the market -- niches that new development could fill. As market opportunities are developed for the *Middle Main Street Study Area*, it is important to note where a community might be with respect to real estate cycles, both under current conditions and projecting ahead to the future.

Figure 3 illustrates the nationally accepted cycle of real estate as presented by Legg Mason Wood Walter, Inc. and Leland Consulting Group. Based on the experiences of markets across the U.S., both small and large, this illustration highlights the way in which real estate reacts to changing market conditions. In Colorado and the southwestern U.S., this cycle has historically occurred in 10- to 15-year periods over the last three decades. Most local real estate professionals believe that the Colorado market has completed one of these real estate cycles within the past 2 to 3 years, and have begun a new one. Based on current and short-term real estate trends, the Colorado market is most likely emerging from Phase I of the cycle (Recovery) and entering Phase II (Expansion). This Phase II segment of the cycle provides the greatest opportunity to capitalize on future growth and/or fill unmet niches for certain real estate products. Additionally, it is the portion of the cycle within which capital is most readily available for investment. Therefore, a planning effort such as that for Midtownwill take advantage of this window of opportunity.

Keeping in mind where the market area is in relation to the real estate cycle, the information which follows presents a summary of current supply and demand conditions for competitive retail, office and residential properties within which the Study Area will compete (the Longmont Planning Area).

Figure 3
Real Estate Market Cycles



Source: Legg Mason Wood Walker, Inc. and Leland Consulting Group

Retail Supply Characteristics

Summary retail supply characteristics for the Boulder County Longmont Submarket[1] as defined by Frederick Ross Company are presented as follows (detailed tables are included in the previously completed *Market Profile*):

- The Boulder County retail market, as defined by Frederick Ross,[2] is comprised of approximately 5.9 million square feet of space, of which 8.7 percent was vacant as of year-end 2004. In comparison, the Boulder County Longmont Submarket is comprised of approximately 2.0 million square feet of space, or 35 percent of the Boulder market. Boulder County Longmont Submarket's vacancy rate at year-end 2004 was 8.6 percent.

- New retail construction in Boulder County totaled 65,000 square feet in 2004, 24,000 square feet of which occurred in the Boulder County Longmont Submarket.

- Retail rents in the Boulder County Longmont Submarket generally range from $7.00 to $18.00 per square foot, and are at the low end of the range for other Boulder County submarkets.

- The Boulder County retail market as a whole experienced net negative absorption of approximately 237,000 square feet during 2004. The Boulder County Longmont Submarket experienced only slightly negative absorption of 900 square feet.

Estimating Retail Demand– Methodology

To develop reasonable forecasts of market demand for retail real estate products, LCG uses a model based on projections of household growth and consumer expenditure patterns within a residential trade area. For Longmont, the primary trade area for this analysis is the City of Longmont itself. Because of its relative geographic isolation from nearby residential competition, it is reasonable to assume that a new project planned within Longmont would simply capture some portion of household spending from Longmont residents. Depending on the nature of the retail establishment, demand may be sources from a larger trade area (such as southwest Weld County),

---

[1] Boulder County Longmont Submarket for retail and office includes that area generally east of 75th Street, south of Ute Road, west of 119th Street, and north of Pike Road and the Longmont Diagonal.
[2] Boulder County market consists of Longmont and the Gunbarrel, North, Downtown, Central, East and South Submarkets within the City of Boulder.