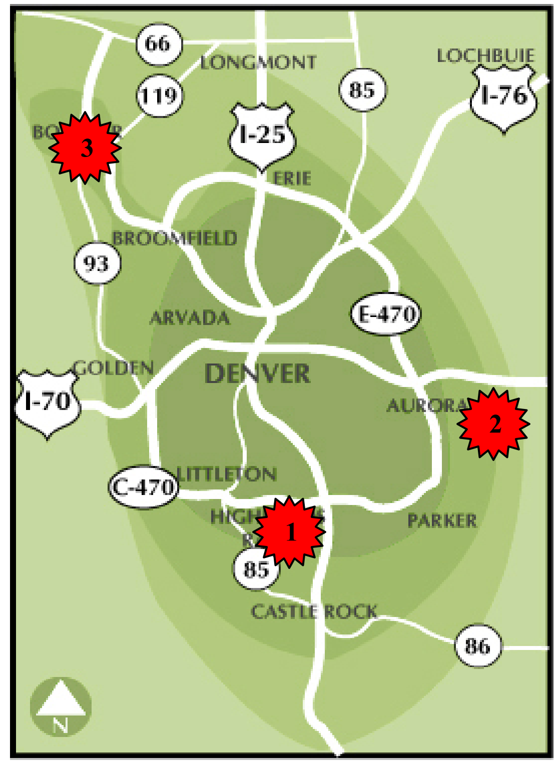
The GENESIS Tour

#1 Tresana Luxury Residences - *Shea Homes*
Tresana is a quaint, hill-side community modeled after a Tuscan village. The location is convenient to open-space, nearby shopping in Highlands Ranch and amenities including a pool and spa. This community is sure to attract a sophisticated buyer looking for the elegant lifestyle of a Tuscan villa.

In addition to the already-existing condominium-style homes, two new collections opened in December of 2006 at Tresana—the Montage and Essenza. These collections are luxury-style duplex and triplex homes priced from the upper $200s to the mid $400s. The Montage collection includes five new plans ranging in size from 1,728 to 2,349 square feet, and the Essenza also offers five plans, including a ranch and a main-floor master plan, ranging from approximately 2,085 to 2,909 square feet. Each home in the Essenza collection will have a walk-out basement, and all plans but one will include a partially finished basement.

#2 Beacon Point – *Engle Homes*
At Beacon Point by Engle Homes, there are two collections—the Executive and the Estate—each with models that opened last summer. The single family homes range from 1,964 to 3,317 square feet and are priced from the $320s to the $420s. Beacon Point is within walking distance of Aurora Reservoir; the close proximity of the reservoir with its eight-mile trail system make this one of the community's greatest selling points. Beacon Point also has a clubhouse with pool and waterslide, a fitness center with locker rooms and a number of small pocket parks throughout. Another appealing element of the community is its location within the highly acclaimed Cherry Creek School District.

#3 The Peleton – *Bancroft Capital*
North of Arapahoe Avenue and east of 33rd Street in Boulder, Bancroft Capital is developing The Peloton, a $93 million condominium project that will feature 390 loft and condominium units in four 4-story buildings with subterranean parking. The Twenty Ninth Street redevelopment, on the site of the former Crossroads Mall, is nearby, and Peloton itself will provide approximately 17,000 square feet of retail in two phases. Condo units range from one-bedroom lofts priced at $309,000 to $1 million-plus penthouse suites, and occupancy will begin in late 2007. The sales center features a model with kitchen, dining, living room, and bath, along with a scale model of the entire community. Bancroft recently purchased nine additional acres where it plans another condo project.



The Genesis Perspective is a quarterly newsletter containing excerpts from our quarterly Metro Denver Housing Overview, which is considered to be the most informative analysis and forecast of the Denver housing market.. This newsletter is available free via email, and if you prefer, we will mail you a hard copy for a $50 annual fee. To order or change your subscription, please contact Meghan Kelly at 303-662-0155 or at mkelly@thegenesisgroup.net.

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The GENESIS Perspective

Metropolitan Denver

Year-End 2006

Volume 2006, Issue 4

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KEY INDICATORS
Compared to Year-End 2005

Employment	↑
Mortgage Rates	=
New Home Sales	↓
For-Sale Permits	↓
Rental Permits	↑
Resale Activity	↓

Surviving a "Goldilocks Economy"

National economic pundits have recently likened the U.S. economy to Goldilocks' experience with her third bowl of porridge; not too hot, not too cold – just right. The problem for any one sector of the economy, housing, for example, is that the U.S. economic "porridge" is comprised of both hot and cold sectors at any given point in time. The metro Denver housing market currently comprises the "cold" part of the economic mix.

Metropolitan Denver's housing market is hurting. In spite of continued job growth and other signs of general economic improvement, both the resale and new housing markets suffered from declining sales volume, rising inventories and flat or declining home prices in 2006. The downturn started in Fourth Quarter 2005 and accelerated through the second half of 2006. The percentage decline in new home sales was more than double the decline in sales of existing homes.

The metropolitan Denver homebuilding market is dominated by publicly traded companies, which accounted for 73 percent of detached production home sales in 2006. According to the Dow Jones home construction index, publicly traded homebuilder stocks increased in price by an astounding 250 percent over three years to reach a historic peak in mid-2005, falling back moderately by 10 percent by the end of 2005. A slowing national housing market in 2006, fueled by widely reported softening in many of the country's most active markets, pushed stock prices down by 45 percent from early to mid-2006, and at the end of 2006 the index was down approximately 25 percent for the year.

These public builder stock prices had an impact on the Colorado market as well. In an attempt to continue their 2005 growth into 2006, several of the publics pushed their Colorado operations to maintain and grow market share by building inventory homes and opening new projects. When sales continued to slow as 2006 progressed, incentives and concessions intensified as builders attempted to clear excess inventory homes. By late in 2006 most public builders had halted new land acquisitions and many cancelled previous commitments, sometimes walking away from investments of millions of dollars.

We believe the metro Denver area's economic recovery will continue and pick up steam over the next several years. Unlike the years 2003 through 2005, however, when the new housing sector was the engine driving the economic recovery, we anticipate other sectors will pick up the slack in 2007 while the new housing market languishes before recovering. Therefore, **we anticipate no change in new production home sales volume in the Denver metropolitan area from 2006 to 2007, or a total of 14,000 new attached and detached home sales for 2007**.

ECONOMIC Trends

- Employment growth in the state surpassed that of the nation and the metropolitan Denver area during the 12 months ending Fourth Quarter 2006. **In the State of Colorado, 12-month average employment increased at a 2.1 percent growth rate; this compares to 1.8 percent growth in both the metropolitan Denver area and the nation.**
- **Solid increases in retail sales continued, at 9.5 percent for the state and 8.8 percent for metro Denver** for the first ten months of 2006, well above the rate of inflation.
- The Consumer Confidence Index for the Mountain Region in January 2007 was 132.8. **The Mountain Region index has generally ranged from 130 to 150 since the beginning of 2006, well exceeding the index for the U.S.**
- **Both fixed and adjustable mortgage rates declined during Fourth Quarter 2006.** The 30-year fixed mortgage interest rate averaged 6.35 percent during Fourth Quarter 2006 compared with 6.67 percent the previous quarter. During the same period, the average rate for one-year adjustable rate mortgages fell from 5.98 to 5.84 percent.

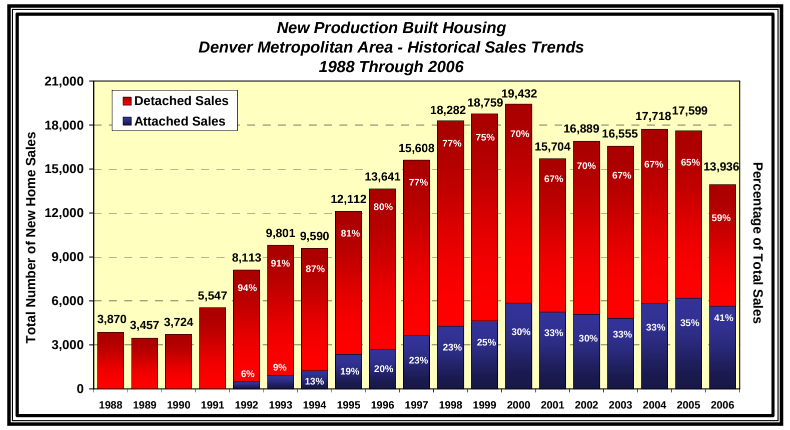
NEW Housing Activity

During 2006 total new production home sales (13,936 units) were down 20.8 percent as compared to 2005. Overall sales volume decreased in all seven metropolitan Denver market areas.

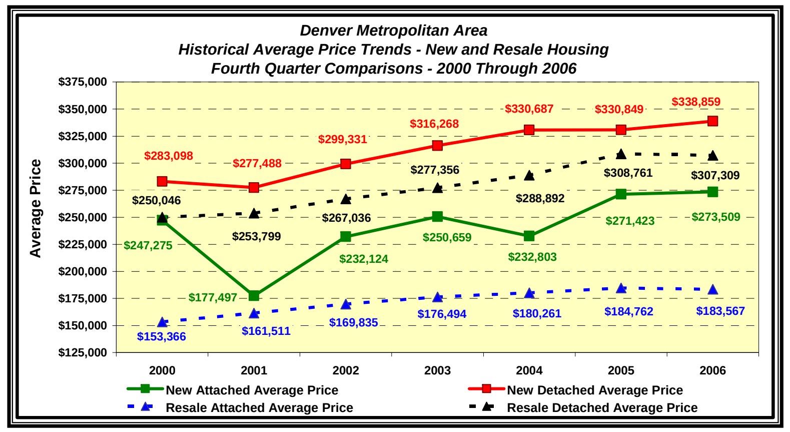
Sales of attached homes declined 8.7 percent from 2005 to 5,647 sales at Year-End 2006. Despite the decline, there was still strong demand for new attached housing in 2006, however. Sales of condominiums, townhomes and duplexes accounted for 41 percent of all sales in 2006. The attached sector has steadily grown in overall capture of the metropolitan Denver new housing market. This is only the second time in the last 18 years that sales of attached homes accounted for 35 percent or more of total sales volume.

New detached home sales also declined, by a dramatic 27.4 percent from 2005 to 2006, reaching 8,289 sales. The calendar year 2006 marked the first period since 1999 in which detached sales dropped below 8,300 homes. Over the last seven years, the detached housing market has captured between 65 percent and 70 percent of the overall market. This is the first time that the detached housing sector dropped under 60 percent in market capture.

The average base price of a new detached home in the Denver Metropolitan area increased to $338,859 in Fourth Quarter 2006, a 2.4 percent increase from Fourth Quarter 2005. The average price of a new attached home ($273,509) also increased, by a slight 0.8 percent in fourth quarter comparisons.



Sources: The Genesis Group; Data compiled by Hanley Wood LLC. *Note*: 1988 through 1991



Sources: The Genesis Group, Metrolist Inc., IRES LLC; Data Compiled by Hanley Wood LLC.

New Housing INVENTORY

New home inventory increased 39 percent from 2,896 homes to 4,023 homes in Fourth Quarter 2005 to 2006 comparisons. **The number of unsold new detached homes increased 7.5 percent while the number of available attached homes was up 67.8 percent.**

As of Fourth Quarter 2006, the month's supply of available new detached homes increased to 2.2 months from 1.5 months a year earlier. Notably, this is the first time that detached supply has exceeded two months and is the highest fourth quarter level recorded over the past seven years.

The month's supply of unsold new attached homes jumped to 5.4 months in Fourth Quarter 2006, up from 2.9 months in Fourth Quarter 2005. This is the only quarter in the past seven years that month's supply has exceeded five months.

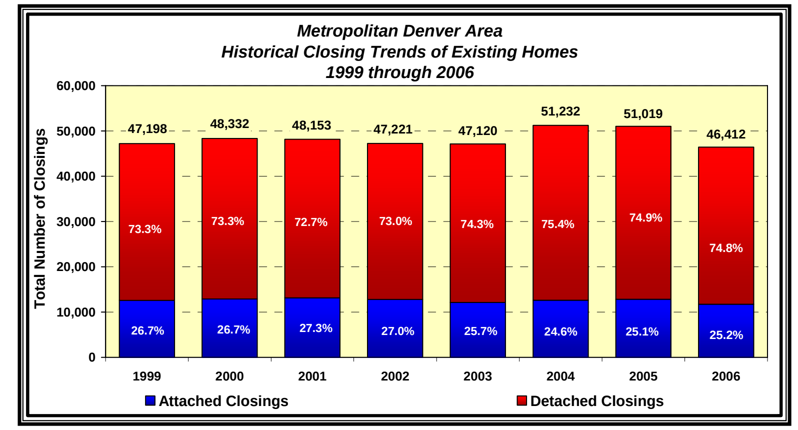
Resale Housing INVENTORY

Inventory volume for existing homes (attached and detached) continued to rise in Fourth Quarter 2005 and 2006 comparisons. There were 21,124 total existing homes (attached & detached) listed for sale in Fourth Quarter 2006 compared to 19,359 listings a year earlier, a 9.1 percent increase.

Comparing Fourth Quarter 2005 to Fourth Quarter 2006, attached listing volume increased 2.0 percent from 6,547 to 6,675 listings. Detached listing volume increased 12.8 percent from 12,812 to 14,449 listings.

Based on the monthly sales rate for 2006, the supply of existing homes (attached and detached) increased to 5.5 months, up from 4.6 months as of Fourth Quarter 2005. The supply of existing attached homes increased from 6.1 to 6.8 months, and the supply of existing detached homes increased from 4.0 to 5.0 months.

RESALE Housing Activity



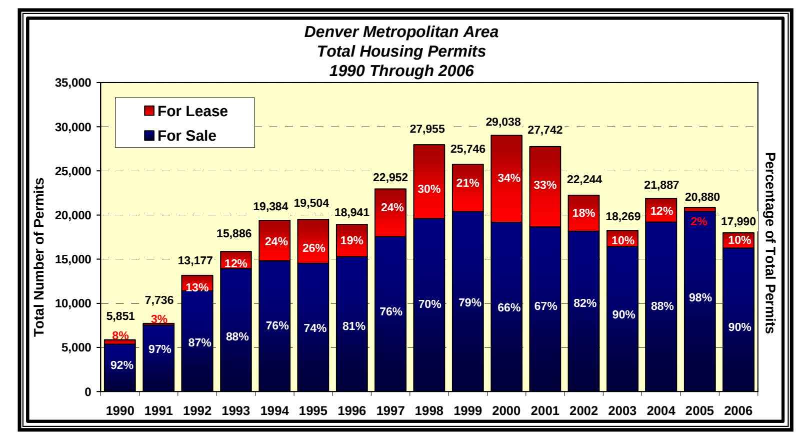
Sources: The Genesis Group, Metrolist Inc., IRES LLC.

The number of existing home closings (attached & detached) declined by 9.0 percent in the metropolitan Denver area, from 51,019 to 46,412 closings, in 2005 and 2006 year-end comparisons. Resale attached home closings were down 8.4 percent and resale detached closings were down 9.2 percent.

Detached homes accounted for 74.8 percent of total closings for existing homes in the metropolitan Denver area for 2006. This percentages is nearly identical to 2005.

Closing volume of detached homes was down in all seven metropolitan Denver market areas for 2006. The largest decline occurred in the Jefferson market area, down 12.9 percent. **Closing volume of attached homes was down in six of the seven metropolitan Denver market areas.** The only increase occurred in the Denver market area which was only slightly up 0.8 percent comparing 2005 and 2006. During this time period, the most significant decline in attached closings occurred in the Arapahoe market area where closings declined 15.0 percent.

Building PERMIT Activity



Sources: Home Builders Association of Metro Denver and The Genesis Group

Total residential building permits continue to trend downward from the peak in 2000 when 29,038 permits were issued. **In 2006, building permits reached the lowest level since 1993 with 17,990 permits.** Permit volume decreased 13.8 percent from 20,880 to 17,990 total permits comparing 2005 to 2006.

For-sale housing permits accounted for 90.4 percent of the 17,990 total permits reported in 2006, which is a smaller percentage than the 97.8 percent in 2005. Multi-family (rental) permits accounted for the remaining 9.6 percent of permits in 2006, up from 202 percent in 2005.

Of the 16,263 for-sale permits issued in 2006, 67.3 percent were for detached homes, and the remaining 32.7 percent were for attached homes. For-sale permits experienced a substantial drop off reaching the lowest level since 1996. For-sale permits declined from 20,420 to 16,263 permits issued, comparing 2005 to 2006, a decrease of 20.4 percent.

Multi-family (apartment) permits were up from a 14-year low of 460 permits in 2005 to 1,727 in 2006.

*Join us for our **First Quarter 2007 Genesis Perspective Briefing on March 28th**, starting at 3:00 pm. We are partnering with the Home Builders Association of Metro Denver during their 2007 Builder Product Night. The Genesis Group's three part program will kick-off the event and will focus on solutions to the challenges we face in 2007. Look for your personal invitation coming soon! For more information, contact Kris Dickey at the HBA: kdickey@hbadenver.com or (303) 778-1400 x.305.*