

MILE HIGH Marketwatch

DENVER'S MONTHLY ECONOMIC REVIEW

AUGUST 2007

NOTABLE RANKINGS

- A new study shows that of the 45 states that have a state sales tax Colorado's 2.9 percent rate is the lowest. More than half of the states with a sales tax have a rate of 5.5 percent or more.
- A survey by America Online ranks Denver 9th in "e-mail addiction."
- High-Tech goods now account for more than half of Colorado's total exports. Computers and industrial electronics make up 55% of Colorado's exports – 4th in the nation and triple the national average.
- The city and county of Denver is the largest of 8 counties nationwide to cross the "minority majority" threshold – more than half of the 566,974 population is now non-white. Census data analysis reveals that Denver County would have lost residents between 2000 and 2006 without Latino population growth. Additionally, almost 9 of every 10 new residents in Adams County identify themselves as Latino.
- At 35.3%, Adams County now has the metro area's highest percentage of Hispanics.
- For the first time in 17 years, Denver has more people moving in than moving out. New housing for families, empty-nesters and young professionals is allowing more people to stay and move up rather than move to the suburbs.
- Metro Denver racked up the best average score among 25 cities on 8 key health indicators. The Metro Denver Health and Wellness Commission ranks us 4th for physical activity, 8th for fruit and vegetable consumption, 12th for health care coverage, 2nd for (lack of) obesity, 1st for (lowest incidence of) diabetes, 3rd best for hypertension and activities limitations and 18th for asthma.
- Thanks mostly to increased competition, Denver's average domestic airfares have declined by 5.4%, but still rank mid-pack at 54th. Cincinnati, Anchorage and Honolulu are the most expensive; Dallas, Chicago and Houston are the cheapest.
- Based on education, quality of life and job growth, the city of Louisville ranked the third-most livable city in America in *Money* magazine's annual ranking. Louisville was also named "Best in the West." Parker was the only other Colorado city in the top 100.



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- With per capita income of \$44,299, Denver and Aurora rank 16th among 360 metro regions, but 2006 income gains of 4.6% lag well behind the U.S. metro average income growth of 5.4%.
- Based on cost of living, cost of doing business, job growth and local labor pool quality, Colorado ranked 8th on *Forbes*' 2007 "Best States for Business" list. The ranking is down from last year's 5th-place spot.

ECONOMIC INDICATORS

- Metro Denver employment increased by 10,700 jobs May to June – a 1.8% YTD gain and ahead of the 1.5% national job growth rate. Colorado's job growth slowed in June due to weakening in the construction and manufacturing sectors. A separate report says that Colorado's manufacturing employment sector is off by 1.4%, due mostly to small companies closing and 11 industrial relocations to other states.
- The average number of employees at Colorado's small businesses rose 3.4% between January and June, while wages increased by 1.7%.
- The U.S. minimum wage is up to \$5.85 an hour, but Colorado's \$6.85 minimum already exceeds the new federal minimum by a dollar. Colorado's minimum wage will continue to rise with the local pace of inflation and faster than the federal level.
- Metro Denver's unemployment rate moved up to 3.8% in June from 3.3% in May, still below last year's 4.6% rate and well below the national 4.7% unemployment figure.
- Metro Denver employers have downgraded their hiring expectations from Q2 to Q3. According to Manpower's Employment Outlook Survey, 26% of Denver-area employers now say they expect to add workers in Q3 2007, down from 42% in Q2.
- Metro Denver's retail sales remain 9.9% ahead of last year at this time. All seven metro counties reported gains over the previous year, and four of seven report double digit gains: Broomfield +16.7%, Adams +12.6%, Boulder +11.8% and Denver +11.2%.
- Early July retail indicators show sales at U.S. retailers may have risen 3.1%, the biggest gain in four months. Summer closeouts and early school shopping appear to be the drivers, even though sluggish sales for the year continue to be blamed on cautious consumers, gas prices, a weak housing market and "boring" merchandise.

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- Consumer Confidence in the Mountain Region declined to 129.2 in June, but still ranks ahead of the nation's 103.9 and first of the nine regions. Our Consumer Confidence Index has slipped below year ago levels for the first time in many months and overall, Mountain Region consumers are feeling less positive about current and future economic trends.
- While the DOW decreased 1.6% from June to July, the Bloomberg Colorado Index decreased 2.7% - still up 10.9% for the year and well ahead of the DOW YTD average of +6.0%. (The Bloomberg Colorado Index is a price-weighted index that includes 115 Colorado companies.)
- 22 Colorado companies received venture capital investment totaling \$285 million in Q2 2007 – the largest single quarter since Q4 2002.
- Residential real estate sales slowed from May's 15.5% increase to a 0.9% gain between May and June. YTD homes under contract through June stand at 1.2% over the same period a year ago. Actual closings are only 0.2% over last year. Unsold inventory increased to 30,256 in June, but remains 5% below a year ago.
- Average single-family home sales prices rose to \$335,000 in June, the highest level since last June. It appears, however, that the higher average sales price is being driven by the faster relative sales pace among higher-priced properties. Median home prices have fallen to \$239,400 – down 2.0% YTD.
- Total residential building permits increased 22.5% from May to June, but still remain 15.2% below a year ago. Recent activity is being driven by everything BUT single family detached homes, down 34.5% from May to June.
- Metro Denver foreclosures slowed some between May and June. June's 2,524 foreclosure setups are up more than 50% from the 1,664 in June 2006. YTD, foreclosures are up 42.6%, and Colorado again ranks first in the U.S. for the first half of the year.
- The Denver rental market strengthened in Q2 2007. Vacancy rates declined to 6.2% - lowest since 2001, and average monthly rental rates increased from \$843 to \$864. Foreclosure increases and higher construction costs could lead to continued improvement in rental trends.
- Metro Denver's office market shows continued good health. Vacancy rates are down to 12.9% and average lease rates are up to \$19.60 per square foot – highest since Q3 2002. 2.15 million sf of office space and 1.87 million sf of industrial space is currently under construction.
- In the first six months of 2007, investors paid \$2.5 billion for commercial properties in Denver, and will likely break last year's record of \$5 billion.

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RETAIL & BUSINESS DEVELOPMENTS

- Server and software maker Sun Microsystems plans to cut an unspecified number of jobs as part of a new restructuring plan.
- Qwest doubled its profit to \$246 million in Q2 compared to the same period a year ago, but revenues were flat. Profits are coming from cost control, high-speed Internet service growth and “bundle” sales.
- JBS-Swift plans to hire 1,300 more workers to add a second shift at its Greeley meat packing plant starting September 4. The additional workers could add as much as \$80 million in economic benefit to the northern Colorado economy.
- Denver-based Chipotle said its Q2 net income nearly doubled as the casual dining restaurant added stores and saw sales rise 11.6%. The newest location opens this month in Castle Rock.
- Frontier Airlines posted a quarterly loss of \$3.5 million on sluggish demand in April and May and costs associated with its new turboprop subsidiary. Lynx Aviation will start flying in October.
- Ball Aerospace and Technologies Corporation won a \$128 million contract under NASA’s Landsat program. The satellite imaging project could continue through 2021.
- United Airlines \$274 million Q2 profit was the carrier’s largest gain in 7 years.
- Cricket Communications has doubled its Denver work force over the past year and has designated its DTC office as the company’s operating headquarters. The company has recently expanded into 14 new wireless markets and more are planned.
- Commerce Bancshares of Kansas City closed on its \$29.5 million purchase of Commerce Bank in Denver.
- Glass fabricating equipment manufacturer Bystronic-Glass, Inc., is moving its headquarters from New York to Aurora for a “better location to get to all our customers.
- A \$20 million, 90,000 sf boutique hotel called Aloft is breaking ground next month near DIA. The “loft concept, hip and edgy” hotel is said to be sought by young travelers.
- Responding to downtown resident growth, record tourism and retail shortcomings, the Downtown Denver Partnership is looking for ways to attract new retailers to the 16th Street Mall and surrounding areas. Parking issues, incentives for retailers and new marketing plans are all under consideration.
- French 250 Haute Cuisine will open this August in Cherry Creek North.

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- Phoenix-based Mountainside Fitness is celebrating its first Colorado location at 120th and Federal. The fitness center includes flat-screen TVs, virtual reality cycling, movie theater and child care center.
- Tambien Cantina is opening a tequila bar and Mexican restaurant at 250 Steele St. in Denver.
- Peerless Tyre has opened a Wheat Ridge location at 3815 Wadsworth.
- A 9,000 sf Powerhouse Gym is scheduled to open in October at the former Twist & Shout music store location at Alameda and Logan.
- GNat Original Design jewelers have moved to 2625 E. Third Ave. in Cherry Creek North.
- The Banana Republic and Gap/gap Body will both open this August in Lakewood's Belmar.
- Camp BowWow has opened a new location at 2125 S. Jasmine St.
- In Flatiron Crossing, Bella Nails and Footlocker have opened locations while The Discovery Store has closed.
- Downtown Denver parking rates are rising due to higher office-occupancy rates and a loss of space due to new construction.
- Colorado Springs developer Sunshine Development Co. is planning a \$175 million mixed-use development just north of Union Station. The "gateway" site at 1601 Wewatta will include offices, shops, restaurants and a boutique hotel.
- DIA saw a record 4.6 million passengers in June, up 3.3% from June 2006. The airport also announced its plans to spend \$1.2 billion on improvements over the next seven years, including another try at an automated baggage system. A separate development will add a privately-run pet boarding and daycare center to serve increased traveler demand.
- Kroger Co., parent of King Soopers and City Market, is expanding its Private Selection brand to include more than 60 organic items by the end of the year to lure more health-conscious shoppers with a one-stop option.
- Wal-Mart has opened its newest supercenter in Lafayette at 745 N. Highway 287.
- Trammel Crow and Village Homes have broken ground at Lowery to build 74 condominiums.
- Lower-than-expected foot traffic, delays and perceived lack of marketing have spurred tenant discontent and even lawsuits at the Twenty-Ninth Street development that replaced Boulder's Crossroads Mall last fall. Management calls it "growing pains."
- With the Four Seasons and the Ritz-Carlton, the announcement of a W Hotel on the 16th Street Mall brings the downtown posh hotel total up to three, with a combined value of \$570 million.
- Metro Taxi added five more hybrid vehicles to its fleet.



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- SunEdison was awarded a \$6.9 million contract for the design and construction of a solar park at the Denver Federal Center.
- The former Tattered Cover Book Store in Cherry Creek North is poised to get a West Elm furniture store as an anchor tenant. The addition of the next-generation retailer is seen as good for cross-traffic.
- Denver broke ground on the state's only plant that will convert landfill gases into energy and generate about \$250,000 annually for the city.
- Snavelly Development Co. is negotiating with the city of Denver on a plan to build 119 condominiums at the intersection of West 10th Avenue, Speer and Cherokee.
- Broomfield-based Level 3 Communications has acquired Servecast, an Irish video-streaming company. The \$45 million purchase will expand primarily sports webcasting services.
- Colorado's mountain casinos took in almost \$800 million in fiscal 2007, surpassing last year's record performance by 4.4%.
- Idaho General Mines Inc. has moved its headquarters from Spokane to Lakewood to take advantage of a wider talent pool.
- Recent rumors abound that Macy's may be the target of a leveraged buyout. Reports say a private equity firm is pondering a \$24 billion offer for Macy's.
- Aspen Skiing Co. announced its \$87 single-day lift ticket price for the coming ski season, setting a record for Colorado resorts.
- McDonald's Corp. is selling Golden-based Boston Market, a year after spinning off Denver-based Chipotle Mexican Grill Inc. The impact for Colorado's 20 locations and 220 headquarters employees is still unclear.
- The stagnant housing market is stalling demand for retail land, and commercial contracts and projects are being allowed to expire and some projects are on hold. The trade area shift has impacted vacancy rates in older retail developments. Westbrook Shopping Center is 30% vacant; The Colonnades at Standley Lake is 40% vacant and Standley Shores is 74% empty.
- Metro Denver new car sales declined 11.5% in May from a year ago. Nationally, car registrations decreased 3.5%. Local dealers agree that we're paying the price for the unprecedented rebates, employee pricing and zero percent financing binge between 2003 and 2005. Customers came in sooner than they would have, so longer terms and fewer current customer returns are hurting sales.

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MEDIA UPDATES

- Louisville-based AirCell has signed a deal with American Airlines to offer high-speed Internet services to passengers on select routes next year.
- EchoStar Communications plans to launch 15 additional HD offerings, including eight regional sports networks and eight national channels.
- Qwest is quadrupling the capacity of its national fiber-optic network to handle increased network traffic and bid for business with Internet-intensive companies and government agencies.
- One in five online Americans views video over the Internet on any given day. News ranked first and comedy second overall.
- Turner Media Group, owner of eight television stations, filed for bankruptcy court protection. Denver-based Turner Media owes its 20 largest creditors more than \$27 million. The largest claim was filed by Douglas County-based EchoStar Communications.
- Denver wireless network Ricochet has changed hands again. Civitas Wireless Solutions has bought the network from California-based Terabeam. The new owner says they will honor the company's agreement to provide Denver with municipal Wi-Fi services.
- Recent Nielsen research reveals that only a third of viewers could recall any TV commercials they had seen. Among those who could recall a spot, an average of only 2.2 specific commercials could be recalled.
- 92% of America's top 100 newspapers now offer video on their websites, up from 61% just a year ago.
- From a new FCC media study ... with fewer radio group owners than there were 10 years ago, radio ad rates have nearly doubled since 1996, while the number of average quarter-hour listeners has declined 6.6%.
- Due mostly to continued growth of Satellite TV penetration, Wired Cable penetration of television households has fallen to 61.1%, a 17-year low.
- A "CSI" rerun on CBS was the top-rated show on TV during the last week of July. Its 6.4 rating means that on average, 6.4% of television households report viewing. Denver newspapers reach about 40% of the market every day and 55% on Sunday.
- A new Mediamark Research study on multi-tasking finds that 54.1% of TV viewers are engaged in other activities while viewing and over 70% of radio listeners are simultaneously doing something else.
- Harvard's JFK School of Government survey found that 28% of teens pay almost no attention to daily news and an additional 32% are casually attentive to a single source only.



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- Internet giant Yahoo! has posted its sixth consecutive fall in profits, wiping \$1.5 billion from its market value. Forecasts have been lowered for the rest of the year.
- Magazine ad pages came in flat for the first half of 2007. Ad pages grew 1% during Q1, but declined 1.9% in Q2 according to the Publishers Information Bureau.
- More than 59 million people and 37.3% of all active Internet users visited newspaper websites during Q2 2007, a record number that represents a 7.7% increase over the same period a year ago.
- DNA website traffic is on a record-breaking pace as well. YTD monthly unique visitor traffic is approaching 4.5 million.

Sources: The Denver Post, Rocky Mountain News, Denver Business Journal, Mountain States Employers Council, University of Colorado, Colorado Economic Chronicle, Metro Denver Economic Development Corporation, Development Research Partners, Denver Scarborough Report, The Wall Street Journal, The New York Times, Colorado Department of Labor and Employment, Manpower, Inc., Colorado Department of Revenue, The Conference Board, Rocky Mountain Lodging Report, Denver International Airport, MetroList, Inc., National Association of Realtors, CB Richard Ellis, Home Builders Association of Metro Denver, Denver Metro Apartment Vacancy and Rent Survey, CoStar Realty Information, Inc., World Association of Newspapers, Nielsen Media Research, Center for Media Research, Minnesota Opinion Research, emarketer.com, washingtonpost.com