

MILE HIGH Marketwatch

DENVER'S MONTHLY ECONOMIC REVIEW

OCTOBER 2007

NOTABLE RANKINGS

- Colorado ranks 11th in the nation for growth in miles traveled on its roadways in the past 25 years, and the Denver metro area ranks 9th. The Urban Land Institute expects the state's total miles driven to increase 59% by 2030.
- A related report put Metro Denver 13th when measuring rush hour drive times, worse than some larger cities including Boston, Philadelphia, Detroit and Phoenix. Rush hour travel takes 33% longer than off-peak drive times and rush hour congestion got 10% worse than the previous year.
- For the first time since 1990, Colorado was the largest beer-producing state in the nation. Our 23.3 million barrels pushed California out of the top spot.
- Colorado now ranks 9th in the nation for the lowest prevalence of adult smoking, lowest since 1990 and down from 14th in 2005. 17.9% of Colorado adults are smokers compared to 20.1% nationally.
- The number of property crimes in Colorado dropped 12.9% from 2005 to 2006, but the number of violent crimes rose slightly. Fort Collins was the only major city to see an increase in property crime.
- Colorado now has the second-largest private sector aerospace work force, but Texas is disputing the ranking. California continues to rank first. Lockheed's NASA contract and the new ULA headquarters are pushing the category growth.
- DIA ranks as the nation's 4th-busiest airport for the first half of 2007. 11.65 million boardings pushed DIA ahead of LAX in Los Angeles.
- A new U.S. Census report reveals that a larger percentage of people in Colorado are holding off on marriage or deciding to forgo tying the knot altogether. Between 2000 and 2006, the percentage of Coloradans 15 and older who were married dropped from 55.6 to 52.9. National figures showed an even bigger drop, from 54.4 percent to 50.4 percent over the same time period.
- Based on concentration of company headquarters, unemployment rate and population growth among other factors, Metro Denver is the nation's second-best center for business. Minneapolis-St.Paul ranked first, but Denver performed especially well in small business rankings.
- Hispanic Enterprise magazine ranked Denver-based Re/Max International among the Top 25 franchise opportunities - the only real estate network in the survey.
- Colorado ranks 37th in job aid distribution and got significantly less than the typical state in a federal job-assistance program that gave out \$233.9 million.
- Metro Denver generated \$118 billion in goods and services in 2005, making us the 18th-largest economy in the nation, behind San Jose and ahead of Baltimore.

MILE HIGH Marketwatch

DENVER'S MONTHLY ECONOMIC REVIEW

ECONOMIC INDICATORS

- Metro Denver employment increased slightly (1,300 jobs) between July and August – still 1.8% over a year ago and ahead of the 1.4% national job growth rate YTD. Job growth was strongest in the Professional and Business Services, Education & Health, while continued declines were seen in manufacturing, construction, transportation and warehousing.
- Metro Denver's unemployment rate edged down to 3.7% in August - well below the 4.6% rate of a year ago. Nationally, unemployment dropped slightly to 4.6% in August.
- Metro Denver employers report mixed hiring expectations for Q4 2007. According to Manpower's Employment Outlook Survey, 23% of Denver-area employers say they expect to add workers in Q4 2007, down from 26% in Q3. Early in the year, half of Metro Denver companies expected to add workers.
- Between June 2004 and mid-year 2007, 6 million private-sector jobs have been created nationally – up 6.4% from the bottom in June 2002. Phoenix and Salt Lake City are the top two job growth markets while Denver ranks 36th.
- Worldwide job cuts announced by Sun Microsystems will affect 130 local employees by early December. The company's Broomfield and Louisville campuses will have the largest staffing cut of any Sun location in the nation.
- Metro Denver's retail sales are up 9.0% through the first half of the year. Late summer sales gains in clothing, electronics and restaurants helped push spending over the same period a year ago.
- Consumer Confidence in the Mountain Region dropped from 137.6 in July to 125.2 in August, but still ranks first among the nine U.S. regions. Six other regions also saw declines while the national index decreased to 105.0.
- A poll of Colorado CEOs also finds declining confidence, recording a confidence score of 85.5 compared to 92.6 in the prior quarter. Financing and economic concerns are causing many to put planned investments on hold for the remainder of the year.
- While the DOW increased 4.0% from August to September, the Bloomberg Colorado Index increased 6.4% - up 18.0% for the year and well ahead of the DOW YTD average of +11.5%. (The Bloomberg Colorado Index is a price-weighted index that includes 115 Colorado companies.)
- Metro Denver home sales edged up 0.6% in August, but inventory rose by 2% and homes under contract dropped by nearly 11%. Through August, Metro Denver home sales are 0.5% ahead of the same period a year ago.
- Metro Denver single-family home prices rose in August to an average of \$330,000. Even with the month-to-month gain, prices are down 1% compared to a year ago. Condominium prices are not doing as well – down 3% YTD.



MILE HIGH Marketwatch

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- Nationally, new home sales in August fell 8.3% from July to their lowest level in seven years. In Metro Denver, builders sold 5,842 homes in the first half of the year, a third fewer than the same period a year ago.
- Metro Denver foreclosure filings rose to 2,274 in August, 43% over a year ago YTD. Because of increases in other states, Colorado's foreclosure rate is now 8th-highest in the nation, but in the first nine months of 2007, Metro Denver has already matched the total for all of 2006.
- Total residential building permits declined to 1,055 - 44.8% below the previous month. YTD, permits are 20% below a year ago, with the greatest decline seen in permits for single-family attached dwellings. Apartments are the only dwelling type without YTD declines.
- The vacancy rate in Denver's rental market declined to 4.7% as more households were forced into rental housing, and the tightening rental market continues to push increases in average monthly rental rates. Foreclosures and construction costs will continue to put pressure on rental trends, and affordability is becoming an issue.
- 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. 1.7 million sf of office space and 1.87 million sf of industrial space is currently under construction. Industrial development is being led by major projects at Stapleton North, Mountain West Business Park and Airways II.
- The retail space market is a little shakier with 332,000 sf of negative absorption in Q2 2007. Lease rates seem unaffected for now, and retail vacancy rates are up to 7 percent compared to 6.7% a year ago. About 5.9 million sf of new retail space is in the pipeline – 38% of that in Adams County and 23% in Arapahoe County.
- An updated report for Metro Denver lists GDP growth at 3.9% compared to the national average of 3%. Financial services accounted for 21% of Denver's economic output.
- Xcel Energy says that heating bills for average Colorado residential customers are expected to drop 11% this December thanks to a plentiful natural gas supply. On the other hand, Excel is also asking for an 11% increase for residential electricity and those using home heating oil can expect a 10.5% increase.
- Inflation in food categories has risen to 4% - highest since 1990. Pressure from the biofuels industry and a weak U.S. dollar are getting most of the blame. Outside of food and energy, core inflation stands at 1.8% over a year ago.
- Colorado personal income grew by 1.4% in Q2 after climbing 2% in the first three months of the year. Nationally, income growth cooled to 1.2% from 2.5%. Denver's 2.5% inflation rate outpaced income growth for the first half of the year resulting in standard of living declines.

NOTABLE RANKINGS ■ ECONOMIC INDICATORS ■ RETAIL DEVELOPMENTS ■ MEDIA UPDATES

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- Colorado's booming oil and gas industry recorded a new high last month when the number of drilling rigs hit 120 – more than double the number for the same month in 2003.
- Colorado Merger & Acquisition activity slowed in Q3 compared to a year ago. Colorado companies announced 71 deals worth \$43.5 billion compared to 93 deals worth \$6.35 billion a year ago. Echoing the U.S. slowdown, concerns about subprime lending and credit tightening has impacted corporate activity.
- Most Denver-area economists are calling for a slower 2008, with some even predicting recession. Increases in tax revenues, the energy boom on our western slope and transportation grants continue to be overshadowed by the housing slump, slower job growth and consumer debt.

RETAIL & BUSINESS DEVELOPMENTS

- The National Retail Federation is forecasting a 4% gain in holiday sales for 2007 holiday season, below the 10-year average of 4.8% and the lowest holiday sales growth since 2002's 1.3%. Continuing economic jitters and large-scale toy recalls are getting advance blame.
- With the October 19 opening of Nordstrom, Cherry Creek mall becomes one of only six malls in the nation to have Nordstrom, Saks Fifth Avenue, Neiman Marcus and Macy's. Cherry Creek is also in the top 1% of revenue-producing malls in the country.
- St. Charles Town Co. plans to break ground in November on additional developments in the Ballpark area. The Chroma development will include 23 townhomes and three other building restorations for use as art galleries.
- JCPenney has opened its newest store at the Shops at Northfield Stapleton, including an upscale Sephora cosmetics boutique.
- Colorado's mountain casinos saw a 4.65% increase in August revenue. Bets minus payouts topped \$72 million. Golden Gates Casino will host the Heartland Poker Tour, one of the most prestigious poker tours in the nation. A decline in Powerball ticket sales led to a 2.8% drop in revenue for the Colorado Lottery.
- Sunstone Yoga has sold its first franchise studio in Colorado, bringing its total to 20.
- Frontier Airlines has begun service to Wichita.
- Wal-Mart announced a 10% expansion of its national \$4 generic prescription drug program to now cover glaucoma, ADD, birth control and others.
- The Broomfield Event Center has selected Ticketmaster to serve as their authorized ticketing provider for all events at the venue.

MILE HIGH Marketwatch

DENVER'S MONTHLY ECONOMIC REVIEW

- Only one Wild Oats store – the 8194 Kipling location – is being closed under the Whole Foods plan to shut down nine stores nationwide. The 40 employees will be offered positions at other locations.
- A 2-megawatt solar-energy system coming to DIA in mid-2008 will generate 3.5 million kilowatt-hours of clean energy – roughly half the power needed to run the airport's train system.
- Sears has opened its first Colorado Lands' End shops inside its stores at Southwest Plaza and Westminster Mall.
- The 2008 Parade of Homes will be July 26 to September 1 at Lakewood's new Solterra master-planned community. Nearly 90,000 people visited this year's event at Southshore in southeast Aurora.
- Office Depot has opened its newest store at 3905 E. Evans in Denver.
- Wingman Chicken Wings is opening a restaurant in Parker's Robinson's Village Center.
- Camp Bow Wow opened its newest location at 10325 S. Progress Way in Parker.
- A spa called Changes has opened at 11435 E. Briarwood in Centennial.
- Jungle Quest, an indoor adventure center has leased 12,000 sf at 9499 Washington in Thornton for its first franchise location.
- Two major residential projects in Colorado Springs – the 24,000 acre Banning Lewis Ranch will eventually encompass 75,000 homes and 75 million sf of office, retail and industrial space and 16 schools, and 839 new homes for the two Air Force bases.
- Rancho Liborio Market will be the anchor store at the 90,000 sf redevelopment project at East 88th Avenue and Washington in Thornton. The Plaza las Americas shopping center will feature a large gazebo with a stage and seating to house large gatherings.
- The 45-story Four Seasons Hotel and Private Residences at 14th and Arapahoe has finally broken ground. The project is expected to create more than 1,000 jobs and be complete by spring 2010.
- SIP, a new fine wine and spirits shop, opened its flagship LoDo location at 1920 Market St.
- Active lifestyle manufacturer prAna announced the opening of its first retail stores in Boulder and Santa Ana later this year.
- Staples opened its 15th Colorado store in Highlands Ranch. Increased competition has all three major chains (Office Depot and Office Max) making concerted efforts to redo the look and feel of their stores.
- Colorado's ski areas are investing \$3 billion into resort makeovers to better deal with higher upscale consumer expectations. Improvements involve everything from slopeside real estate development to mountain upgrades.

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- REI has opened its bigger, greener outdoor recreation store in Boulder. It's the first of three prototypes planned to test new environmentally sensitive building materials as well as new concepts.
- First Century Development broke ground on a \$30 million office building at 1755 Blake, the smallest of six office buildings under construction or in planning for the area.
- Centennial Bank Holding will drop the "Centennial Bank of the West" name for "Guaranty Bank & Trust" at all 36 of its branches. State and national regulators have approved the new \$2.6 billion institution.
- Bennett's Bar-B-Que has filed for Chapter 11 bankruptcy protection and closed two of its four Colorado locations, trimming 50 jobs in the process.
- Sun Microsystems has struck a deal to sell its vast 440-acre campus in Louisville that was once home to StorageTek. Buyer and price tag has not been disclosed.
- After more than six years of planning, the new 270-bed, \$560 million Children's Hospital has opened in Aurora at the new Anschutz Medical Campus in Aurora.
- Fast-food chain Jack in the Box is returning to Colorado after an 11-year absence. The first company-owned store with a more polished café style will open in Golden in November, followed by others early next year.
- JBS Swift has hired hundreds of workers to fill a second shift at its Greeley plant, but still needs hundreds more. Immigration raids and the recent merger have added to the needs created by normal turnover.
- Patagonia will open a store at 1212 Pearl St. in Boulder next March.
- Denver-based Vicorp (parent of Village Inn) admits it's close to violating terms of its bank loans due to low earning performance. Nearly 40 of its restaurants are at risk of closure because they're unprofitable. CEO Ken Keymer blames flagging consumer sentiment and high gas and grocery prices.
- GoDaddy.com, an Arizona Internet company and the world's largest registrar of domain names, is opening a technical center in Greenwood Village.
- Planet Funk, a Los Angeles-based retailer of high-fashion denim, has opened its first store outside California at the Park Meadows Shopping Center.
- German bank HypoVerinsbank has pulled the plug on its deal to finance the \$175 million Spire condominium project at 891 14th St. across from the Colorado Convention Center – the largest example to date in Denver of how turmoil in international lending markets affects a local project. Developers are now using equity financing until another construction loan can be secured.
- Wal-Mart is planning a 67-acre development next to Buckley Air Force Base in Aurora. The plan calls for restaurants and entertainment in addition to retail.
- Volkswagen is building a \$12 million high-altitude research and development operation at the Coors Technology Center in Golden to test new engines and transmissions.



MILE HIGH Marketwatch

DENVER'S MONTHLY ECONOMIC REVIEW

- Alberta Development Partners is working to buy and redevelop Westminster Mall, one of the area's largest, but most outdated shopping centers. The 1.2 million sf mall is long overdue for redevelopment according to Westminster city government.
- A third Lodo's Bar and Grill opened at 104th and Federal in Westminster.
- Salad Creations opened its first Colorado restaurant at 12501 E. 17th on the Fitzsimons Medical Campus.
- Noodles & Company opened another location at the Southlands Center in Aurora.
- The Shops at Northfield Stapleton have gained The Improv comedy club and an Off Broadway Shoe Warehouse.
- Movie Gallery Inc. will close 7 Colorado video rental locations.
- Poggenpohl, a designer kitchen, accessory and furniture company, opened its first Colorado showroom at 2501 Blake St. in Denver.
- Red Brick Pizza opened in Aurora's Southlands Shopping Center.
- Children's' birthday facility Snicker Snorts opened at 651 Topeka Way in Castle Rock.
- The Adam's Mark Hotel will get a \$70 million makeover starting soon after its new owners take over October 31. Sheraton-based renovations include guest rooms, food and beverage and common areas.
- Meal-preparation franchise Entrée Vou recently opened five franchise locations.
- In an historic merger, Molson Coors and SABMiller have agreed to a joint venture to compete more aggressively with number one Anheuser-Busch. The deal is expected to close by mid-2008. A location for their headquarters has not been chosen. In a related development, Coors Light has unseated Budweiser as the official beer sponsor of NASCAR. The five-year agreement starts with the 2008 racing season.

MEDIA UPDATES

- A new Nielsen global consumer study finds that printed newspaper ads are still the most trusted form of advertising, far outscoring newer media options. Nearly two-thirds of consumers in 47 markets said they trust newspaper ads the most.
- After weeks of outcry from cable networks and advertising executives, Nielsen has backed off a controversial loophole that allowed broadcast networks to report a single, unduplicated audience for programs that air multiple times with commercial content intact. Nielsen says they remain committed to finding new ways of integrating and aggregating audience data across multiple platforms.

MILE HIGH Marketwatch

DENVER'S MONTHLY ECONOMIC REVIEW

- Clear Channel Communications shareholders have approved a \$19.5 billion buyout of the radio giant, 10 months after the deal was proposed.
- More and more newspapers are leveraging news assets and online audiences to create the next headache for online radio – live and on-demand streaming stations online that are sure to be fighting for the same radio dollars.
- MediaMark Research reports that as of this April, the percentage of Americans in cell phone-only households overtook the percentage in landline-only households. 84.5% of households now have landlines while 86.2% have at least one cell phone.
- Among last month's top television shows, NBC's Monday Night Football beat out Fox's Emmy Award broadcast. MNF pulled a 9.8 rating, which means 9.8% of television households in a given market watched. By comparison in Denver, 42% of all households get a newspaper every weekday and 55% every Sunday.
- Microsoft has unveiled Zune digital media players – three models more in line with Apple's market-leading iPod. Zunes go on sale in mid-November.
- Verizon Wireless also plans to challenge Apple's iPhone by releasing touch-screen devices that browse the Web and play music.
- Dish Network provider Echostar has added four regional sports channels in High Definition.
- Internet advertising revenues in the U.S. grew by more than 26% to about \$10 billion in the first half of 2007. Keyword ads account for about 40% of online revenue, display ads made up 21% and classifieds had 17%.
- Disney is pulling the plug of its branded cell phone service by the end of the year. Disney said that customers liked the child-locator feature, but it was having problems getting the phone into large retailers.
- Denver-based National Hispanic Business Information Clearinghouse has launched a web site (nhbic.org) to help minority entrepreneurs start their own businesses.
- Dex is testing a voice service in Denver that allows callers to retrieve business listings and driving directions over the phone.
- London-based Ad-Air Group says it has secured sites on the ground near major airports including Denver for football field-size billboards designed to be viewed from the air.

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, Nielsen Media Research, Center for Media Research, Minnesota Opinion Research, emarketer.com, washingtonpost.com

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