

MILE HIGH Marketwatch

DENVER'S MONTHLY ECONOMIC REVIEW

MAY 2008

NOTABLE RANKINGS

- Colorado ranked 8th in the nation last year for NASA contract funding. Texas, California and Maryland ranked first, but our \$354.6 million included the nation's largest amount of NASA research funding devoted to a university (CU).
- At \$86,122, Pitkin County's per capita income ranks first among Colorado counties. Boulder, Arapahoe and Denver also make the top five right behind Clear Creek. At the bottom end is Crowley, with per capita income at \$16,859.
- The price of (past) success? Tickets to see the Colorado Rockies have jumped 18%, but still remain below the MLB average. And a family of four can still go to a Coors Field game for half the price of a day at Boston's Fenway Park.
- Metro Denver is now the 14th-largest Hispanic market in the nation. Though growth rates have slowed slightly, the Hispanic population continues to grow at a rate more than double the market average.
- The three fastest-growing groups overall? Hispanics, Asians and Baby-Boomers, all up 3.5% or more annually.
- Colorado's median age is 35.6 – tied with Louisiana for 9th-lowest in the U.S. The state also has the 5th-lowest percentage of seniors age 65 and over.
- Even with five years of telecommunications job losses and consolidations, Colorado has the nation's 3rd-highest concentration of high-tech workers, and the state's tech workers earn the 5th-highest wages in the nation.
- Update on the list of Colorado's top public companies – Qwest remains at #1, followed by Liberty Media (up from #6), Dish Network (up from #12) and Molson Coors stays at #4. Chipotle is a surprising #5 – up from #24. Ranking data is based on annual income, market capitalization, number of employees, net income and one-year share earnings growth.
- Fares for flights originating from Denver are slightly lower than the national average, but have risen at a faster pace. DIA ticket prices rose 5% between Q4 2006 and Q4 2007 while airfares nationally increased 4%.
- Xcel Energy has been ranked by the National Renewable Energy Laboratory as the utility with the No. 1 Green Pricing program in 2007 for Windsource, a voluntary program that allows customers to sign up for wind power. More than 75,000 customers are participating.
- Record numbers so far this year for RTD. Bus and light rail ridership is up 13% to an annualized 100 million riders.



MILE HIGH Marketwatch

DENVER'S MONTHLY ECONOMIC REVIEW

- *Forbes.com* recently recognized Metro Denver's real estate market as one of the best AND one of the worst for sellers. How? We rank 10th on the list of "America's Worst-Selling Home Markets" and 7th on the list of "Best Cities for Home Sellers" – all based on foreclosure rates and over-building on one end and stable job growth, positive economic outlook and potential for recovery on the other.
- Even with higher airfares, AAA forecasts international travel by Colorado residents to increase as much as 3.6% this summer – over 508,000 Coloradans are expected to travel outside the U.S. with a 7.2% increase in travel spending.
- Denver-based Spicy Pickle was recently ranked #25 on Fast Casual magazine's listing of the "Top 100 Movers and Shakers" of 2007.
- Colorado's immigrant population is increasing at nearly twice the rate of the nation as a whole. The combination of authorized and illegal immigrants grew 27% in our region.
- Final 2007 figures from U-Haul rank Colorado as the top growth state for families, with 7% more families moving in than out.

ECONOMIC INDICATORS

- Metro Denver added 10,400 jobs between February and March; year-to-date employment dipped very slightly to 1.9% over March 2007. National job growth has slowed to a 0.6% growth rate. In Denver, Finance sector employment is down 2.5% year-to-date due to ongoing challenges in the credit and mortgage while Education and Health Services still have job growth rates near 4%.
- Colorado ranks third in the nation for month-over-month employment increases. 5,100 new jobs were seen here in March.
- The national economy lost 20,000 jobs in April, the fourth consecutive month of decline, but a significantly smaller total than most analysts had predicted, leading some to even declare that the current downturn will be "mild and short-lived." With the dollar gaining a little strength and unemployment dipping, the economy is showing signs of strength.
- Metro Denver's unemployment rate held at 4.7% - higher than the year-ago 4.1% figure but better than the national average of 5.2%.
- Manpower's Employment Outlook Survey now says 22% of Denver-area employers say they expect to add workers in Q2 2008 – down from 27% in Q1 and 42% a year ago. If there's a positive side, the percentage of employers expecting layoffs fell from 14% to 7% for Q2 2008.

MILE HIGH Marketwatch

DENVER'S MONTHLY ECONOMIC REVIEW

- Of the seven metro counties, 2007 retail spending increased the most in Boulder (+15.3%) and Adams (+14.6%). Growth elsewhere in the metro area ranged from 6% in Jefferson to 9.3% in Broomfield. Restaurants and household goods are two retail sectors experiencing slower consumer spending.
- Early April retail returns at the national level indicate spending increases in health and beauty care, building materials, garden equipment, sporting goods, discount stores, electronics and appliance stores. But throw auto sales into the mix and total U.S. retail sales have fallen for the third time in the past five months.
- A survey of sales tax collection data for six metro malls shows that while sales are slowing, Denver stores are still performing slightly better than the national average. Park Meadows and Cherry Creek have actually posted increases.
- In fact, Colorado ranks fourth in per capita spending at shopping malls: \$7,573 compared to the national average of \$4,969.
- Consumer Confidence in the Mountain Region has fallen 22.8% YTD, and down from 102.1 in February to 96.5 in March – now second-highest among the nation's nine regions after a long run in the top spot. By comparison, the U.S. Consumer Confidence Index fell further to 64.5 – a five-year low for March.
- In a related measure, Consumer Sentiment (a measure that includes more impact from food and fuel prices) has fallen to its lowest level since 1980.
- Consumer borrowing rose in March at the fastest pace in four months, more than double the increase of the previous month, a sign of rising economic stress.
- Inflation moderated in April. The core Consumer Price Index (which excludes food and energy costs), was up 0.1% in April after rising 0.2% in March. Food prices, however, rose 0.9% - the largest gain since 1990.
- While the DOW increased 4.9% from March to April (-3.4% YTD), the Bloomberg Colorado Index gained 4.3% (-3.8% YTD). (The Bloomberg Colorado Index is a price-weighted index that includes 115 Colorado companies.)
- Colorado venture capital is up. 10 deals worth \$98.7 million hit the books in Q1 2008 compared to 8 deals worth \$70 million a year ago.
- Even though home sales are 11.1% below a year ago, Metro Denver home sales increased 23.6% from February to March. Unsold inventory has dipped and selling time has declined. Nationally, home sales declined again and stand 19.3% below a year ago, with pending sales at a new low in March.
- In a national survey, Johns Manville found that 24% of U.S. homeowners are considering using federal economic stimulus payments to upgrade or remodel their homes. Metro Denver has seen an increase in home improvement projects.
- Three other national surveys indicate that a growing number of consumers will dedicate their stimulus checks to paying down debt and buying gas and groceries as opposed to spending at restaurants, fashion stores and electronics retailers as the program had hoped.

NOTABLE RANKINGS ■ ECONOMIC INDICATORS ■ RETAIL DEVELOPMENTS ■ MEDIA UPDATES

Produced by the Denver Newspaper Agency Marketing Department

MILE HIGH Marketwatch

DENVER'S MONTHLY ECONOMIC REVIEW

- PMI Mortgage Insurance Company research forecasts Denver home values have only a 1% chance of falling below Q4 2007 values by Q4 2009. By comparison, Riverside has a 93% chance, Las Vegas 93% and Orlando 85%.
- The latest Genesis Group report emphasizes Denver's stable job growth, well-educated work force and quality of life as factors that will continue to help us weather the housing downturn more smoothly than most of the nation.
- Nationally, median home prices have fallen to a level 7.7% below a year ago. With a 5.5% decline over the prior year, Denver ranked among only a handful of cities with more moderate price declines. Only Seattle, Portland, Dallas, Charlotte and Boston fared better than Denver. On an annual average (all of 2007 vs. all of 2006), Denver prices are off only 1.6%. The bad news is the April to April median price data – Denver prices are down 10.2% by that measure. Clearly, there are plenty of different measures to choose from ...
- Metro Denver's foreclosure count increased 16.8% in March, but foreclosures are now growing at a slower rate for the third month in a row. Our Q1 foreclosures are about 19% over Q1 2007. The state currently ranks 5th in the nation.
- In a certainly related development, bankruptcy filings rose to 4,205 in Q1 2008 compared to 3,083 in Q1 2007. Business bankruptcies also rose 28% over the same period of time.
- The Census Bureau reports that 2.9% of U.S. homes (2.28 million properties) are vacant and for sale – the highest quarterly number in records going back to 1956.
- Here's a scary number: Nationally, 51.6% of homes bought in 2006 are now worth less than their mortgage.
- Even though local building permit activity has increased, the totals are still 43.6% below a year ago at this time. Nationally, new home sales fell 8.5% between February and March and stands 36.6% down to a year ago – a new 17-year low. Early April returns at the national level show an 8.2% increase in housing starts, led by a 36% increase in multi-family units.
- Metro Denver's rental vacancy rate increased slightly to 6.1% in Q4 2007, but the overall vacancy rate remains the lowest recorded since 2001. Averaging \$860, rental rates remain relatively stable overall, up only 0.8% from the 2006 average.
- Metro Denver's office market vacancy rate remains unchanged so far in 2008 at 11.5%. Average lease rates are up slightly to \$20.66 per square foot.
- An offshoot of downtown building activity: monthly parking rates in downtown Denver are rising an average 8 to 9 percent since 2006 as parking lots give way to new buildings and more companies move offices to downtown.
- Tight credit, construction costs and sluggish contract activity has several hotel projects on hold. The DIA Westin, Greenwood Village's Renaissance Hotel and two local Embassy Suites properties are among the more notable projects facing delays, scale-backs or even cancellation.

MILE HIGH Marketwatch

DENVER'S MONTHLY ECONOMIC REVIEW

- Industrial vacancy rates have increased slightly as of Q1 2008 – up from 5.6% to 6.2%. Lease rates also increased to \$5.11 per square foot.
- CB Richard Ellis reports that weakness in credit and housing is having an impact on the retail market. Q1 2008 has seen negative absorption, but 4.4 million sf of new retail space is currently under construction. Direct vacancy rates and lease rates are still stable – 5.6% vacancy and \$16.67 per square foot.

RETAIL & BUSINESS DEVELOPMENTS

- The Vistas at Park Meadows has opened. The center's new outdoor addition adds 154,000 sf of restaurants and retailers to the 1.6 million sf complex. The addition will eventually house about 25 new tenants.
- Longmont city count members have voted that the city's Twin Peaks Mall is "blighted" and the city and property owners should work together toward a redevelopment process.
- California-based Foster Farms is considering building a processing plant in Weld, Morgan or Logan county and hiring up to 1,200 workers.
- Denver's bid for federal aid to extend US 36 toll and HOV lanes to Boulder has failed a second time. Grant money lost by New York ended up in Los Angeles. The Denver proposal didn't fit the emphasis on public transportation.
- Southwest Airlines has added five more nonstop flights from Denver, including Sacramento, Phoenix, New Orleans and Ft. Lauderdale. At the same time, Frontier continues to add regional services through its Lynx subsidiary – Durango, Aspen, Grand Junction, Fargo and Jackson Hole among others.
- United Airlines raised its fuel surcharge from \$10 to \$20, just a week after increasing fares.
- And United is back in the red. A \$537 million Q1 net loss is leading to announcements to eliminate 1,100 positions, cut domestic flights, reduce costs and retire more planes to help offset fuel costs.
- ... chump change compared to the \$10.1 billion Q1 losses reported by potential partners Delta and Northwest. Write-downs and fuel costs get the blame.
- Southwest and Continental say they are scaling back expansion plans and raising ticket prices to help make up for skyrocketing fuel costs.
- DIA recorded a 5.3% traveler increase in March – its fourth-busiest month ever. The airport has now put together a string of 15 consecutive months of increases.
- One of five vehicles sold in April was a compact or subcompact – an industry first. Just ten years ago, only one in every eight vehicles sold was a small car. In another first, 4-cylinder engines surpassed 6-cylinder models in April sales.

MILE HIGH Marketwatch

DENVER'S MONTHLY ECONOMIC REVIEW

- Compact Ford Focus sales are up 88% over the past year, and helped Ford turn in a surprise Q1 profit. Overall sales are still 14.3% below a year ago, and even with more Focus production, the company still expects to sustain losses for the year.
- Ford also forecast that industry-wide sales of minivans may fall to a 23-year low while full-size pickups decline to the fewest in a decade.
- Even though GM posted a \$3.25 billion Q1 loss, Wall Street had expected worse. A 20% jump in sales outside North America wasn't enough to make up for weakness at home. In fact, 64% of all GM sales came from outside the U.S.
- Colorado's casinos posted a record 15 percent year-over-year drop in March, the third straight monthly decline. Casino operators still say some of the blame goes to weather and the economy, but now feel that at least 60% of the decline is directly attributable to the smoking ban that took effect in January.
- Department stores are still taking a beating. For Q1 2008, sales at Macy's are down 2.6%, Kohl's down 6.7%, JCPenney down 7.4% and Nordstrom down 6.5%.
- OutfitEZ announced the launch of its online clothing store offering a custom sizing and style matching service.
- Discount home-furnishings retailer Real Deals on Home Décor has opened its Denver store at 1100 Yuma Court.
- Colorado's fifth Wag N' Wash Healthy Pet Center will open this summer at 2229 W. Wildcat Reserve in Highlands Ranch.
- Rising Roll Gourmet has opened its first area restaurant at 5380 Greenwood Plaza Blvd in Greenwood Village. Five more locations are planned in the next three years.
- Fashion maternity clothier Hot Mama has opened a store in Littleton's Aspen Grove.
- The high-end retail and condo development NorthCreek is gaining attention as "Denver's Rodeo Drive." The \$500 million development in the four-block stretch along First Avenue includes the most expensive retail and condominium space seen in Denver – some up to \$1,000 per square foot.
- Lucy Activewear has opened a third Colorado store at the Vistas at Park Meadows.
- Buyback? Greenwood Village-based Red Robin Gourmet Burgers is paying \$20.9 million for 11 of its franchised subsidiary stores in Wisconsin and Minnesota.
- McAlister's Deli has opened its first Denver-area location at 3471 N. Salida in Aurora.

MILE HIGH Marketwatch

DENVER'S MONTHLY ECONOMIC REVIEW

- Smashburger, the next thing from the guys at Quizno's, plans to add 20 locations to the four original Denver stores, and eventually expand to 500 across the country.
- Denver-based Chipotle posted a 39 percent increase in net income as sales increased 10 percent. The fast-casual dining chain plans to open as many as 140 restaurants.
- Third-generation candy-maker Enstrom Candies has opened the old Stephany's Chocolate store in Arvada.
- Hoist 'em if ya got 'em – Denver favorite Fat Tire Amber Ale will be offered in special new aluminum cans for the first time. New lined cans are lighter, more recyclable and more portable for concerts, camping, etc. where glass might not be allowed.
- Citing a weak economy, Denver-based John Atencio Jewelers will close its stores in California and Arizona.
- Ball Corp. is closing its aluminum can plant in Kent, Washington in Q3 this year. The 28-year-old plant is one of Ball's smaller manufacturing facilities employing 111.
- Upscale dog services center Bark Doggie Daycare + Hotel + Spa has opened at 1277 Santa Fe Drive.
- Greenwood Village is getting a new Comedy Works that also features a martini bar, restaurant and event catering. The 21,000 sf \$8 million venue is set to open in September.
- FirstTier Bank opened a new location in Parker at South Parker Road and Parkglenn Way.
- Linens 'n Things filed for Chapter 11 bankruptcy and said it would close 120 under-performing stores including four in Colorado. Nearly a fourth of the store closings are in California.
- Home Depot is abandoning plans to add about 50 stores that were in the works. The Atlanta-based home improvement retailer is also closing 15 locations. Sales and profits have been taking a beating at the hands of the declining housing market, and market share losses to Lowe's.
- Rock Bottom's Old Chicago has opened a new location at 102nd Avenue and Grant Street in Thornton.
- Broomfield-based Noodles & Co. is expanding into the Orlando and Gainesville region with 18 new stores over the next six years.
- Colorado darling Crocs eliminated 27 of its 625 Boulder-area jobs, following recent announcements of the closure of its Canadian production facility and lowering of its Q1 and full-year outlook because of decreased sales.
- Privately owned regional commercial banker Hillcrest Bank announced plans to expand into the Denver market to cater to high net-worth clients

MILE HIGH Marketwatch

DENVER'S MONTHLY ECONOMIC REVIEW

- Five Guys Famous Burgers & Fries will open its first Colorado location in Aurora at the Promenade, 2300 S. Parker Road this summer.
- Lakewood's city council voted unanimously to pass an ordinance that would eliminate the sales tax on food starting January 1. The city expects to offset the tax loss by revoking a 1 percent sales tax waiver granted to Colorado Mills and Wal-Mart.
- A new Wal-Mart Supercenter has opened at 7155 Sheridan Blvd. in Westminster.

MEDIA UPDATES

- Owner of three local TV stations (KUSA, KTVD and KWGN) have launched a local edition of a national entertainment website. Metromix Denver offers event listings, information about restaurants and bars, articles and photo galleries.
- La Voz, Denver's oldest bilingual newspaper, has been sold by its co-founder to a group of prominent Latino business people. New owners promise expansion.
- Qwest has struck a deal to offer service from Verizon Wireless to its customers, parting ways with Sprint Nextel.
- Final 2007 revenue tallies show Internet ad spending totaled \$21.2 billion, up 26% over 2006. Search revenue accounted for 42% of the total, display 35%, classified 14% and lead generation 7%.
- Wireless only homes are up to 15.8% - nearly one of every six U.S. homes no longer has a land line. The trend is strongest among young adults – 34.5% of people 25-29 live in households with only wireless phones.
- AT&T is launching a new video service for cell phones and will charge \$15 per month for 10 channels. AT&T is also investing \$20 billion in technology this year to speed up Internet connections through phone lines and wireless handsets.
- Online video viewing has increased 66% in the last year, with 10.1 billion video views in February alone when 72.8% of the U.S. Internet audience viewed online video. 3.42 billion videos were viewed on YouTube.com.
- Qwest Communications is raising prices on some of its Internet services by as much as 11% as it struggles amid the current economic and housing slump. Qwest is hoping that more customers will be prompted into subscribing to phone/online/television "bundles."
- As the "speed wars" escalate, Qwest has launched superfast Internet services in select neighborhoods. Qwest is the current speed leader at 12 megabits per second.

MILE HIGH Marketwatch

DENVER'S MONTHLY ECONOMIC REVIEW

- Plans to install citywide wireless Internet networks in Boulder, Broomfield and eight other Front Range municipalities have hit a stumbling block because the Boulder-based vendor picked to install the system can't raise enough money. Municipal wireless efforts have run into financial and technical trouble nationwide.
- What online security? An on-the-street survey in London found that 21% of office workers were willing to share their computer passwords with an attractive researcher offering ... chocolate. More than half of those surveyed said they use the same password for everything.
- The price of super exposure is going up. NBC has announced prices for 30-second spots on the 2009 Super Bowl. Try \$3 million bucks – a measly \$100,000 per second.
- Borell Associate's fifth annual local online revenue survey revealed that newspaper-owned web sites have maintained a three-to-one lead over other local competitors in advertising market share, capturing 26.9% of the market.
- And a new Google/CM&B study shows that 67% of people who did research after seeing a newspaper ad did it online, and nearly 70% went on to make a purchase following their additional research. In the last month, nearly 30% of Internet-using newspaper readers went online to research at least one product they saw in the newspaper.
- Broadcast TV programming still dominates cable. Of the top 100 programs in the most recent Nielsen weekly measures, only five were cable. With a 1.7 rating, the top cable program was WWE Entertainment at #72.
- The number one program overall was of course American Idol with a 9.0 rating, meaning 9% of television households viewed. By comparison in Denver, 36% of all homes get a newspaper every day and 46% of all homes get a newspaper every Sunday.

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, BIG Research, Pew Research Center, Burst Media, Denver Scarborough Report, The Wall Street Journal, The New York Times, Reuters, Colorado Department of Labor and Employment, Bureau of Labor Statistics, 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, Television Business Report, Newspaper Association of America, Harris Interactive Poll, Nielsen Media Research, Center for Media Research, Minnesota Opinion Research, emarketer.com, washingtonpost.com, TNS Media Intelligence, AdAudit Services, Borrell Associates

NOTABLE RANKINGS ■ ECONOMIC INDICATORS ■ RETAIL DEVELOPMENTS ■ MEDIA UPDATES

Produced by the Denver Newspaper Agency Marketing Department