

CITY TOURISM IMPACT

THE ECONOMIC IMPACT OF TRAVEL & TOURISM IN THE
AUSTIN-ROUND ROCK, TX MSA

2006

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I. Methodology Overview

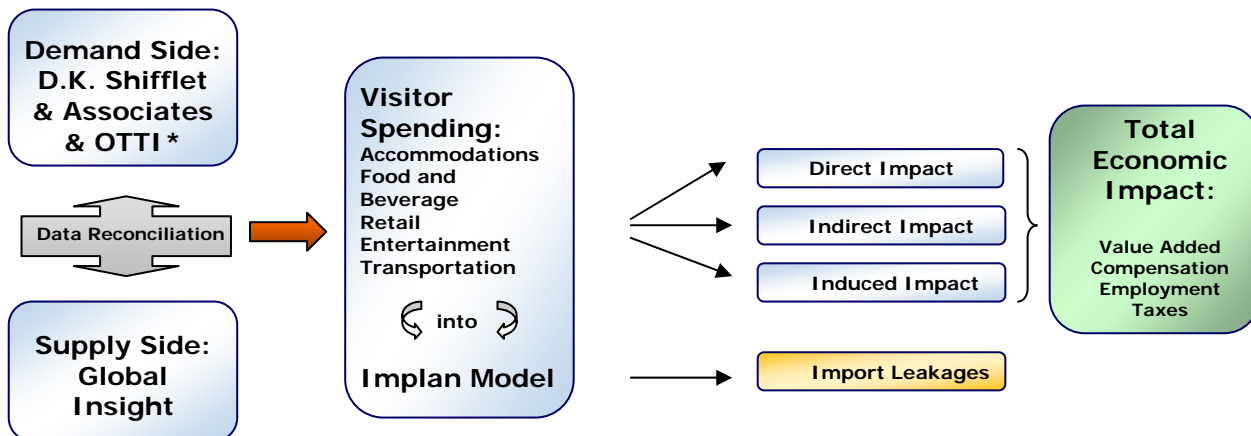
The purpose of this study is to estimate the economic benefits of travel & tourism to the Austin-Round Rock, Texas MSA. Travelers are defined as those who made an overnight trip or traveled in excess of 50 miles for a day-trip. The spending of visitors from international markets has also been included. The total economic impact of travelers is separated into three distinct parts: direct, indirect, and induced. The *direct* impacts represent the value added¹ of those sectors that interact directly with the visitor. The *indirect* impact represents the benefit to suppliers to those direct sectors. This would include, for example, Austin-based food suppliers to a restaurant. The *induced* impact adds the impact of tourism-generated wages as they are spent in the Austin economy. The image of the iceberg represents the various impacts of tourism. Those industries that are part of the direct tourism sector represent the impact that is visible, i.e., above the surface of the water. But below the surface, traveler spending generates wages, employment, and taxes in a host of supporting industries. Although these are not seen, they are critical to understanding the full economic impact of tourism in Austin.



The economic impacts reported in this study are based on traveler spending as reported in D.K. Shifflet & Associates' *PERFORMANCE/Monitor*SM travel survey and Office of Travel and Tourism Industries data on international visitation. Global Insight cross-checked and augmented these data with its own detailed NAICS database on sales and employment by sector. The IMPLAN Input-Output economic impact model for Austin was used to estimate the direct, indirect, and induced impacts.

Traveler spending exceeds the direct impact. This is because not all goods and services purchased by travelers are supplied by firms located in Austin. The IMPLAN model accounts for import leakages to suppliers located outside of Austin.

The economic benefits here apply to the Austin-Round Rock, Texas MSA. The Austin-Round Rock, Texas MSA is comprised of Bastrop, Caldwell, Hays, Travis and Williamson Counties. All data for the Austin-Round Rock MSA is based upon predefined geographical boundaries.



*OTTI: Office of Travel and Tourism Industries, U.S. Department of Commerce

¹ Value added of an industry is equal to the sum of wages, taxes, profits, and capital depreciation.

II. Executive Summary

A. Background and Purpose

This study provides a comprehensive and detailed account of the economic and tax impacts generated by visitor spending in the Austin-Round Rock MSA for calendar year 2006.

Global Insight has made several changes, which improve our work on metro area tourism impacts, since the previous City Tourism Impact Report for Austin. One of the major changes is that spending numbers have been updated to reflect the new metropolitan definitions. The new MSA's are based on 2003 Metropolitan Statistical Area definitions as defined by the U.S. Office of Management and Budget (OMB). While this does not affect the Austin-Round Rock MSA results, as the study area for the Austin CTI has not changed, spending results for many MSA's have been changed. This will affect the top 100 rankings.

In addition, we have improved our measurement of international spending. Global Insight has improved the international spending measure to better reflect particular destination's tourist spending characteristics. So, cities where people either stay longer, like Honolulu, or spend more, like New York City, are treated differently than other cities. The new international spending measure contains variables that take spending differences between cities into account.

Global Insight and D.K. Shifflet & Associates' have recalculated 2003 spending numbers to be consistent with the new MSA definitions and with the 2006 spending numbers provided on following page. Metropolitan areas that have received previous studies done by D.K. Shifflet & Associates and Global Insight will be given comparable numbers for their prior years study. However, because of these changes, these numbers will not be comparable to previous CTI reports that have been sent out.

In this report, the words 'Austin' and 'Austin MSA' are used interchangeably. All refer to the Austin – Round Rock Metropolitan Statistical Area.

B. Key Findings

Figure II-1

Key Findings: Austin				
2006	Direct	Indirect	Induced	Total
Total Spending	-	-	-	\$3.50 billion
Economic Impact	\$1.68 billion	\$529 million	\$609 million	\$2.82 billion
Wages	\$1.23 billion	\$315 million	\$402 million	\$1.95 billion
Jobs	58,039	7,193	10,631	75,863
Tax Receipts				\$822 million
2003	Direct	Indirect	Induced	Total
Total Spending	-	-	-	\$2.89 billion
Economic Impact	\$1.36 billion	\$432 million	\$495 million	\$2.28 billion
Wages	\$1.00 billion	\$256 million	\$327 million	\$1.58 billion
Jobs	49,989	6,249	9,209	65,448
Tax Receipts				\$705 million

Source: Global Insight, D.K. Shifflet & Associates

The 18.9 million visitors to the Austin MSA in 2006 spent a total of \$3.50 billion.

- Travelers spent \$607 million on lodging, \$961 million at restaurants, \$670 million for entertainment, and \$1.26 billion on a broad range of goods and services including transportation and shopping.
- In 2006, visitation to the Austin MSA measured 18.9 million visitors.
- In 2003, Traveler spending in Austin totaled just under \$2.9 billion. Between 2003 and 2006, tourism spending growth in Austin averaged 6.6% per year.
- The economic impact of these expenditures (after import leakages) totaled \$2.82 billion. This includes \$1.68 billion in direct economic impact, \$529 million in indirect economic impact (supplier effect), and \$609 million in induced economic impact (income effect).
- Including the induced effect, the Austin MSA 'keeps' over 80% of the tourism dollar within the region. This is defined as total value added over total spending.

Traveler spending supported 75,863 Jobs and \$1.95 billion in wages.

- Traveler spending supported 75,863 jobs in Austin in 2006. Of these, 58,039 were directly employed by tourism sectors. Tourism generated an additional 7,193 indirect jobs and 10,631 induced jobs.
- Total (including direct, indirect, and induced) tourism-generated employment comprises 13.5% of all non-governmental jobs in Austin.
- Over 10,000 tourism jobs have been created since 2003, tourism employment growth has averaged over 5.0% between 2003 and 2006.
- \$1.95 billion in wages were generated for these employees.

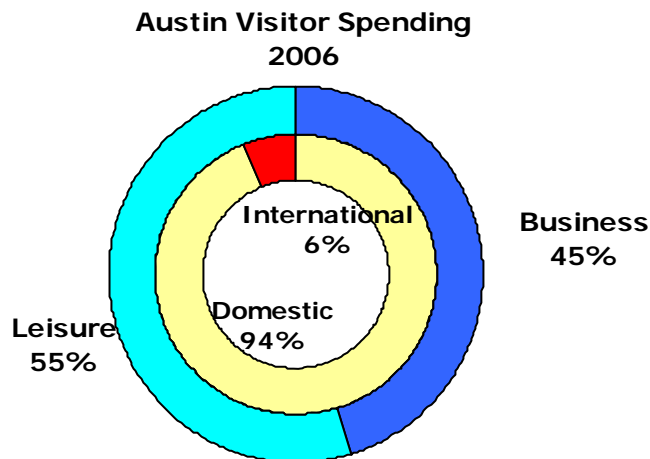
Travelers generated federal, state, and local tax revenue totaling \$822 million in 2006.

- In 2006, spending by travelers in Austin generated \$400 million in state and local taxes, and \$422 million in federal taxes.
- The local governments of the Austin region received \$200 million from tourism related taxes in 2006.

Domestic markets represent 94% of total visitor spending in Austin with international markets comprising the remaining 6%. Leisure travel claimed 55% of tourism spending in 2006 in Austin with business travel spending the remaining 45%.

- Domestic and international spending totaled \$3.28 billion and \$215 million, respectively, in 2006.
- Leisure and Business spending totaled \$1.91 billion and \$1.59 billion in 2006.

Figure II-2



Source: Global Insight, D.K. Shifflet & Associates

III. Detailed Results

A. Total Spending by Travelers

Travelers spent \$3.50 billion in Austin in 2006. These expenditures included \$519 million on all transportation, \$607 million on lodging, \$961 million on food and beverages, and \$1.41 billion on shopping and entertainment. Figure III-1 lists the total expenditures by travelers in Austin in 2006.

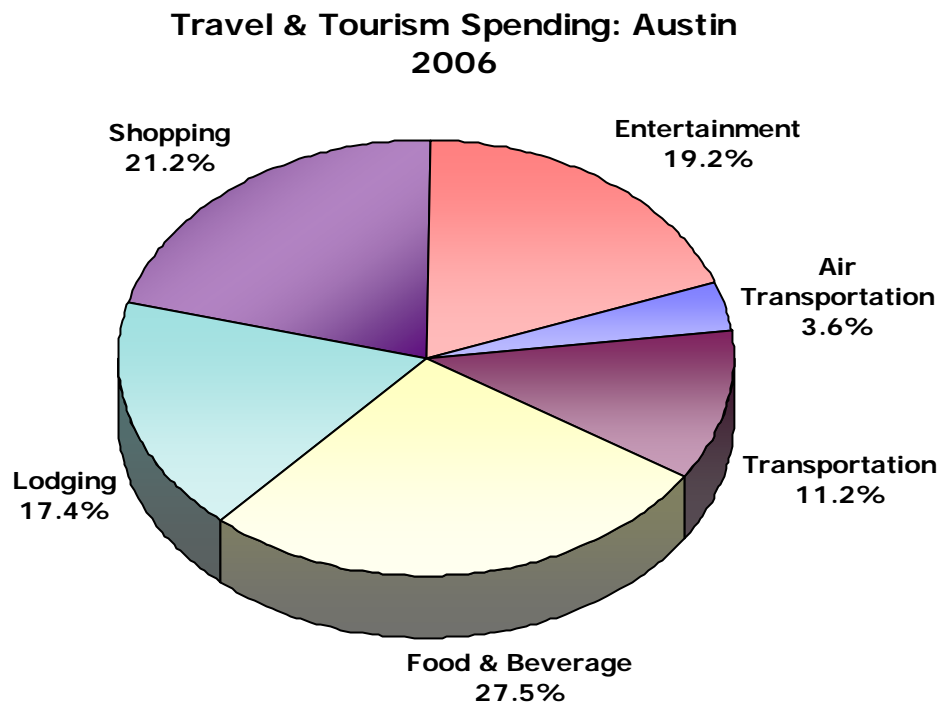
Figure III-1

Expenditure Category	2006 (million \$)
Air Transportation	126.5
Other Transportation	392.0
Lodging	607.2
Food & Beverage	960.7
Shopping	740.0
Entertainment	669.9
Total	3,496.3

Source: Global Insight, D.K. Shifflet & Associates

Tourism spending in Austin is led by food and beverage spending. This spending, which contains restaurant spending makes up more than 27.5% of all spending. Spending at retail establishments ranked second with 21.2% of the tourism dollar in Austin. Entertainment expenses take up about 19 cents of every tourist dollar leaving 17 cents spent in Hotels and Motels in 2006. Figure III-2 shows the major spending categories and their percentage of all dollars spent from visitors to Austin.

Figure III-2



Source: Global Insight, D.K. Shifflet & Associates

B. Economic Impact (Value Added) of Tourism

As shown in Figure III-3, travel & tourism consists of many different standard industries as defined by the North American Industry Classification System (NAICS). A share of the retail, transportation, restaurant, lodging, and entertainment industries directly contributes to the travel sector.

In 2006, Austin tourism directly generated almost \$1.70 billion of economic value in sectors “touching” the visitor.

Additional sectors benefited as suppliers to direct tourism industries, with an indirect tourism-generated economic impact of almost \$530 million. The induced impact of tourism reached nearly \$610 million as tourism wages were spent within the Austin area.

In total, travelers to Austin generated \$2.82 billion of economic value.

Figure III-3

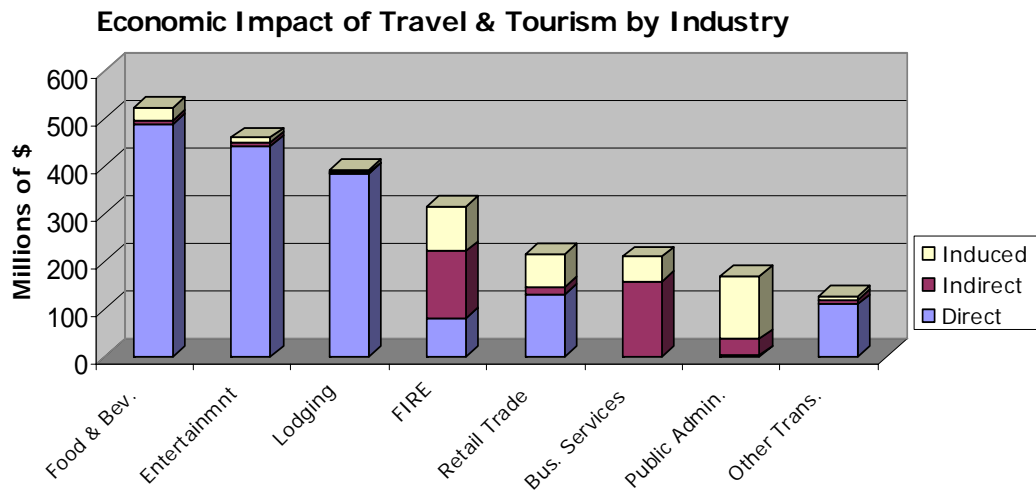
Austin Travel & Tourism: 2006 Economic Impact (Value Added)				
Industry (NAICS)	Direct (million \$)	Indirect (million \$)	Induced (million \$)	Total (million \$)
Food & Beverage	489.0	7.4	25.5	522.0
Entertainment	442.2	8.6	9.2	460.0
Lodging	383.9	2.7	5.2	391.9
Finance, Insurance & Real Estate	80.9	139.5	95.0	315.4
Retail Trade	131.9	14.1	69.9	215.9
Prof. & Business Services	0.0	156.9	52.5	209.4
Public Administration	2.2	33.8	132.4	168.4
Other Transportation	110.2	9.7	6.3	126.2
Wholesale Trade & Utilities	0.0	58.2	43.5	101.7
Other Services	0.0	39.2	44.9	84.1
Education & Health Services	0.0	1.0	81.1	82.1
Information	0.0	26.2	20.4	46.7
Air Transportation	44.5	0.4	1.5	46.4
Manufacturing	0.0	21.0	19.1	40.1
Construction	0.0	7.7	1.6	9.3
Agriculture, Forestry & Fishing	0.0	2.5	0.6	3.1
Natural Resources & Mining	0.0	0.0	0.0	0.0
Total	1,684.9	528.8	608.8	2,822.6
Total - 2003	1,357.0	431.7	494.6	2,283.3
% Change (CAGR)	7.5%	7.0%	7.2%	7.3%

Source: Global Insight

While the largest economic impacts will be to the core tourism businesses like hotels and restaurants, Figure III-4 illustrates the fact that certain industries not directly involved in travel and tourism see significant economic benefits because of tourism in Austin. The Professional and Business Services sector (denoted by Bus. Services in the table below) receives \$157 million in indirect economic impact and \$52 million in induced impacts. The total impact in Business Services of \$209 million is on par with the total impact of Retail Trade. This shows not only the linkages between the tourism industry and the rest of the economy in Austin but the importance of tourism to businesses not directly impacted by tourism spending.

Tourism's impact is significant to the suppliers of goods and services to businesses that directly touch the visitor.

Figure III-4



Source: Global Insight

C. Wages Supported by Tourism

Wages and salaries generated by visitors to Austin are shown in Figure III-5. In 2006, directly paid wages and salaries to tourism sectors reached \$1.23 billion; indirect production generated \$315 million in compensation; and induced wages tallied just over \$402 million. In total, workers received over \$1.95 billion in wages and benefits as a result of Austin tourism activity.

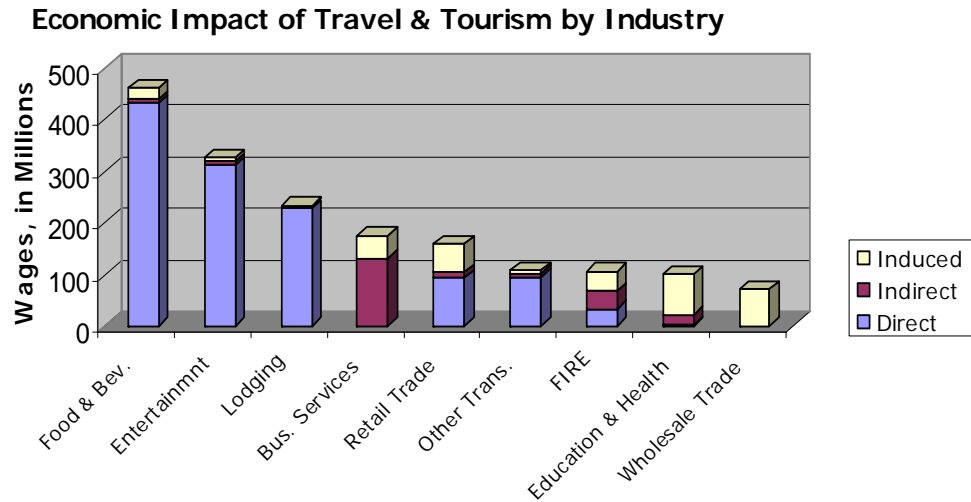
Figure III-5

Austin Travel & Tourism: 2006 Wages				
Industry (NAICS)	Direct (million \$)	Indirect (million \$)	Induced (million \$)	Total (million \$)
Food & Beverage	433.4	6.6	22.6	462.6
Entertainment	312.3	7.7	7.1	327.0
Lodging	228.6	1.6	3.1	233.4
Prof. & Business Services	0.0	131.2	44.0	175.3
Retail Trade	94.4	10.8	52.7	157.9
Other Transportation	94.6	8.3	5.1	107.9
Finance, Insurance & Real Estate	32.7	34.3	38.6	105.6
Public Administration	1.3	20.3	79.8	101.4
Education & Health Services	0.0	0.8	71.2	72.0
Wholesale Trade & Utilities	0.0	32.4	24.3	56.8
Other Services	0.0	23.5	27.9	51.4
Air Transportation	37.0	0.3	1.2	38.6
Information	0.0	14.4	10.6	25.0
Manufacturing	0.0	12.9	11.6	24.5
Construction	0.0	8.3	1.7	10.1
Natural Resources & Mining	0.0	0.6	0.4	1.1
Agriculture, Forestry & Fishing	0.0	0.8	0.3	1.1
Total	1,234.3	315.0	402.3	1,951.6
Total - 2003	996.8	256.2	326.8	1,579.8
% Change (CAGR)	7.3%	7.1%	7.2%	7.3%

Source: Global Insight

Notice the benefit to the professional services sector, as denoted by 'Bus. Services' in Figure III-6 below. Even though this sector does not benefit directly from tourism spending and has less total employment impact than those same sectors, wages and benefits paid to its employees are higher than in an industry like Retail Trade or the non-Air Transportation sector. The higher compensation numbers in the professional services sector mean \$175 million was paid to Business Service employees in Austin as a result of tourism spending in Austin.

Figure III-6



Source: Global Insight

D. Employment Supported by Tourism

Figure III-7 shows the total employment by industry supported by Austin traveler spending. Tourism directly supported 58,039 full-time and part-time jobs throughout the metro region in 2006 — primarily in lodging, restaurants, transportation, retail and entertainment. The indirect impact of travelers' dollars supports another 7,193 jobs. An additional 10,631 jobs are generated by the spent wages of direct and indirect tourism employees.

Figure III-7

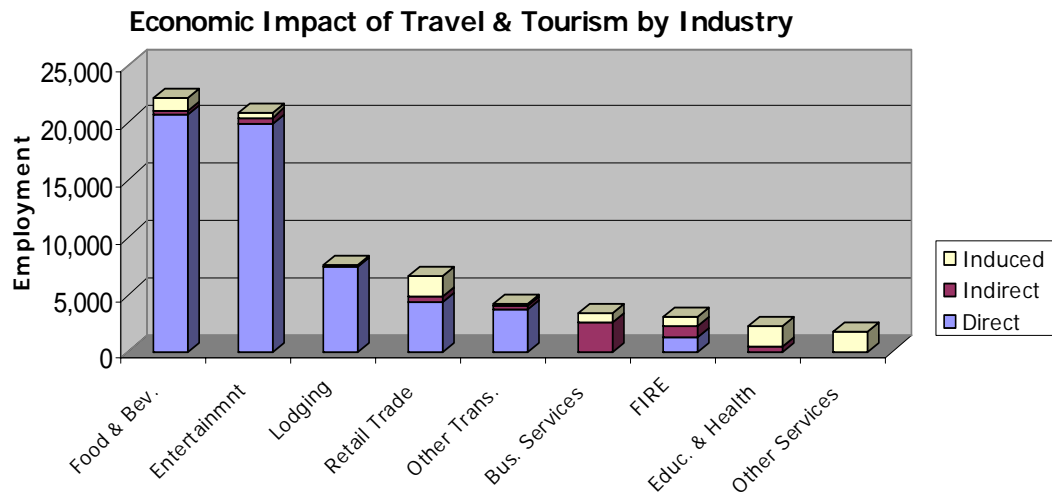
Austin Travel & Tourism: 2006 Employment					
Industry (NAICS)	Direct	Indirect	Induced	Total	% of Total
Food & Beverage	20,716	315	1,081	22,112	29.1%
Entertainment	19,868	566	471	20,906	27.6%
Lodging	7,387	53	101	7,540	9.9%
Retail Trade	4,387	381	1,886	6,654	8.8%
Other Transportation	3,742	283	179	4,204	5.5%
Prof. & Business Services	0	2,526	826	3,352	4.4%
Finance, Insurance & Real Estate	1,229	915	902	3,047	4.0%
Public Administration	28	431	1,689	2,148	2.8%
Education & Health Services	0	28	1,717	1,746	2.3%
Other Services	0	565	1,076	1,641	2.2%
Air Transportation	681	6	23	709	0.9%
Wholesale Trade & Utilities	0	296	222	517	0.7%
Manufacturing	0	271	200	471	0.6%
Information	0	183	142	325	0.4%
Agriculture, Forestry & Fishing	0	195	74	269	0.4%
Construction	0	169	35	204	0.3%
Natural Resources & Mining	0	9	7	16	0.0%
Total	58,039	7,193	10,631	75,863	100.0%
Total – 2003	49,989	6,249	9,209	65,448	
% Change (CAGR)	5.1%	4.8%	4.9%	5.1%	

Source: Global Insight

Industries directly linked to tourism have the highest percentage of tourism supported jobs. The Food & Beverage industry, mainly restaurants, has 29% of all tourism related jobs. The majority of these jobs are direct but nearly 1,400 restaurant jobs exist due to the indirect and induced effects of tourism! The Professional & Business Services industry realizes the highest number of tourism-generated jobs that are not directly related to travelers—3,352, 4.4% of all tourism supported jobs.

As is shown in the following graph, the majority of the employment from visitor spending is highest in industries that directly touch the visitor. This is a bit different from our other graphs, where we saw certain industries not directly involved in the visitor experience benefited more than industries directly related to tourism.

Figure III-8



Source: Global Insight

After seeing how much tourism spending impacts other industries, it is also important to look at tourism employment against other industries in Austin. Direct tourism employment is the appropriate employment number to use for this comparison. As shown in Figure III-9, employment from travel and tourism is the fifth largest source of private jobs in Austin. Tourism as an industry comprises 10.4% of all 2006 private employment in Austin.

Note that, in Figure III-9, tourism employs 58,039 people in 2006. These jobs are not netted out of the other categories. The Leisure and Hospitality industry employs 72,626 people in 2006 and some of those people are also in the travel and tourism industry. One way of reading this table is to say that "Tourism as an industry employs 58,039 people. The leisure and hospitality industry, in total, including tourism related jobs, employs 72,626 people."

Tourism's employment growth over the past three has allowed tourism to pass total employment in the Manufacturing industry to become the 5th largest industry in Austin. In addition, tourism employment growth of 5.1% from 2003 to 2006 far outpaces the 3.3% employment growth of non-government industries in the whole Austin MSA.

Figure III-9

Primary Industries in Austin 2006			
Rank	Industry	2006 employment	% of Total
1	Professional & Business Services	97,850	17.5%
2	Retail Trade	74,677	13.3%
3	Education & Health Services	73,926	13.2%
4	Leisure & Hospitality	72,626	13.0%
5	Travel & Tourism	58,039	10.4%
6	Manufacturing	57,145	10.2%
7	Construction, Natural Resources, & Mining	42,964	7.7%
8	Financial Activities	41,931	7.5%
9	Wholesale Trade	37,594	6.7%
10	Other Services	27,658	4.9%
	All Other	33,681	6.0%
	Total	560,052	100.0%

Source: BLS and Census data

E. Federal, State and Local Taxes Paid

The federal government, as well as the state and local governments, derive significant taxes from companies, households, and the travelers themselves. Businesses and households pay income, sales, and excise taxes. Travelers pay tourism-specific taxes along with general sales taxes.

Tourism in Austin generated \$822 million in federal, state, and local taxes in 2006. Locally, Texas state tax receipts related to Austin tourism were \$201 million. Local governments in the Austin-Round Rock MSA gained \$200 million in tax receipts from traveler spending in 2006.

Figure III-10 lists 2006 Federal and State and Local taxes.

Figure III-10

Austin Tourism: 2006 Tax Revenue Generation	
Tax	2006 (\$)
Federal: U.S.	
Corporate Income	30,574,281
Personal Income	175,635,865
Excise & Fees	38,931,517
Social Security & Other Taxes	176,452,633
U.S. Federal Total	421,594,296
State: Texas	
Corporate Income	56,846
Personal Income	0
Social Security & Other Taxes	2,464,034
Hotel Tax	36,879,351
Car Rental Tax	10,937,897
Excise & Fees	11,250,129
Sales Taxes	139,175,149
Texas Total	200,763,405
Local: Austin	
Corporate Income	0
Hotel Tax	47,416,308
Car Rental Tax	12,031,687
Property Taxes	86,836,667
Excise & Fees	8,663,421
Sales Taxes	44,536,048
Austin Total	199,484,131
Grand Total	821,841,832

Source: Global Insight

Austin Household Savings

If tourism did not exist in the Austin MSA, Austin would need to generate an average of \$722 in State & Local taxes from each of the 554,544 households in Austin, in order to maintain the current level of tax receipts.

IV. Benchmarking of Top Metro Areas (Ranked Visitor Spending)

Welcome to Global Insight's and DK Shifflet and Associates' fourth annual ranking of the Top 100 Tourism Metropolitan Areas (ranked by Tourism Spending).

The list of Top 100 Tourism Metropolitan Area's for 2006 highlights the impact tourism has in metropolitan areas in the United States. These rankings reflect tourism expenditures that occur in a particular jurisdiction. Tourism spending is defined as spending by travellers in one of the top 100 Metropolitan Statistical Area's (MSA). This will not equal total trip spending, i.e., this is not what they have spent to travel to that metro region. Only spending that happens within the metro region is counted.

The 2006 Top 100 Metropolitan Areas by Tourism Spending list has been especially interesting to compile as, due to changes to the metropolitan area definitions, tourism spending data has been updated and improved.

As mentioned, this list has been updated to reflect the new metropolitan definitions. The new MSA's are based on 2003 Metropolitan Statistical Area definitions as defined by the U.S. Office of Management and Budget (OMB). Previous lists and the models used to calculate spending and economic impact were based on the 1999 Metropolitan Statistical Area definitions. These models have been updated over the past two years to reflect the new 2003 MSA definitions. These metropolitan regions are defined using government standards on metropolitan regions following each decennial census. Areas based on the Census 2000 data were defined in June of 2003.

In addition, we have improved our measurement of international spending to reflect particular destination's tourist spending characteristics. So, cities where people either stay longer, like Honolulu, or spend more, like New York City, are treated differently than other cities. The new international spending measure contains variables that take spending differences between cities into account.

Due to the changes in the metropolitan definitions and updates to the model, any comparisons made between the 2006 ranking and previous rankings done in 2003 and 2004 are not appropriate.

Ranking of Top 100 MSA's by Total Spending

Rank	City Name	Rank	City Name
1	Orlando, FL MSA	31	St. Louis, MO-IL MSA
2	Las Vegas-Paradise, NV MSA	32	Sacramento--Arden-Arcade--Roseville, CA MSA
3	New York-Wayne-White Plains, NY-NJ MD	33	Memphis, TN-MS-AR MSA
4	Los Angeles-Long Beach-Glendale, CA MD	34	Baltimore-Towson, MD MSA
5	Chicago-Naperville-Joliet, IL MD	35	Oklahoma City, OK MSA
6	San Francisco-San Mateo-Redwood City, CA MD	36	Nashville-Davidson--Murfreesboro, TN MSA
7	San Diego-Carlsbad-San Marcos, CA MSA	37	Pittsburgh, PA MSA
8	Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	38	Gulfport-Biloxi, MS MSA
9	Atlanta-Sandy Springs-Marietta, GA MSA	39	Charleston-North Charleston, SC MSA
10	Miami-Miami Beach-Kendall, FL MD	40	Milwaukee-Waukesha-West Allis, WI MSA
11	Tampa-St. Petersburg-Clearwater, FL MSA	41	Detroit-Livonia-Dearborn, MI MD
12	Phoenix-Mesa-Scottsdale, AZ MSA	42	Austin-Round Rock, TX MSA
13	Dallas-Plano-Irving, TX MD	43	Indianapolis, IN MSA
14	Virginia Beach-Norfolk-Newport News, VA-NC MSA	44	Jacksonville, FL MSA
15	Reno-Sparks, NV MSA	45	Charlotte-Gastonia-Concord, NC-SC MSA
16	Houston-Baytown-Sugar Land, TX MSA	46	Portland-Vancouver-Beaverton, OR-WA MSA
17	Honolulu, HI MSA	47	Portland-South Portland-Biddeford, ME MSA
18	Boston-Quincy, MA MD	48	Madison, WI MSA
19	Santa Ana-Anaheim-Irvine, CA MD	49	Albuquerque, NM MSA
20	Myrtle Beach-Conway-North Myrtle Beach, SC MSA	50	San Jose-Sunnyvale-Santa Clara, CA MSA
21	Philadelphia, PA MD	51	Lancaster, PA MSA
22	Minneapolis-St. Paul-Bloomington, MN-WI MSA	52	Louisville, KY-IN MSA
23	Seattle-Bellevue-Everett, WA MD	53	Richmond, VA MSA
24	San Antonio, TX MSA	54	Cincinnati-Middletown, OH-KY-IN MSA
25	Denver-Aurora, CO MSA	55	Cleveland-Elyria-Mentor, OH MSA
26	Riverside-San Bernardino-Ontario, CA MSA	56	Salt Lake City, UT MSA
27	Fort Lauderdale-Pompano Beach-Deerfield Beach, FL MD	57	West Palm Beach-Boca Raton-Boynton Beach, FL MD
28	New Orleans-Metairie-Kenner, LA MSA	58	Cape Coral-Fort Myers, FL MSA
29	Atlantic City, NJ MSA	59	Columbus, OH MSA
30	Kansas City, MO-KS MSA	60	Edison, NJ MD

Rank	City Name	Rank	City Name
61	Harrisburg-Carlisle, PA MSA	81	Naples-Marco Island, FL MSA
62	Buffalo-Niagara Falls, NY MSA	82	Colorado Springs, CO MSA
63	Savannah, GA MSA	83	Norwich-New London, CT MSA
64	Oakland-Fremont-Hayward, CA MD	84	Raleigh-Cary, NC MSA
65	Fort Worth-Arlington, TX MD	85	Asheville, NC MSA
66	Rochester, NY MSA	86	Knoxville, TN MSA
67	San Luis Obispo-Paso Robles, CA MSA	87	Santa Barbara-Santa Maria-Goleta, CA MSA
68	Albany-Schenectady-Troy, NY MSA	88	Panama City-Lynn Haven, FL MSA
69	Hartford-West Hartford-East Hartford, CT MSA	89	Tucson, AZ MSA
70	Omaha-Council Bluffs, NE-IA MSA	90	Warren-Farmington Hills-Troy, MI MD
71	Deltona-Daytona Beach-Ormond Beach, FL MSA	91	Lexington-Fayette, KY MSA
72	Newark-Union, NJ-PA MD	92	Des Moines, IA MSA
73	Birmingham-Hoover, AL MSA	93	Palm Bay-Melbourne-Titusville, FL MSA
74	Ocean City, NJ MSA	94	Tulsa, OK MSA
75	Salinas, CA MSA	95	Syracuse, NY MSA
76	Corpus Christi, TX MSA	96	Providence-New Bedford-Fall River, RI-MA MSA
77	Flagstaff, AZ MSA	97	Santa Rosa-Petaluma, CA MSA
78	Fort Walton Beach-Crestview-Destin, FL MSA	98	Dayton, OH MSA
79	Wilmington, NC MSA	99	Columbia, SC MSA
80	Sarasota-Bradenton-Venice, FL MSA	100	Pensacola-Ferry Pass-Brent, FL MSA

Source: Global Insight, D.K. Shifflet & Associates

Notes:

1. CTI covers the top 100 cities within the United States, defined as MSA's.
2. All data for other cities are confidential and may not be released publicly without prior consent from Global Insight and D.K. Shifflet & Associates, LTD.



V. Economic Review of Austin, Texas

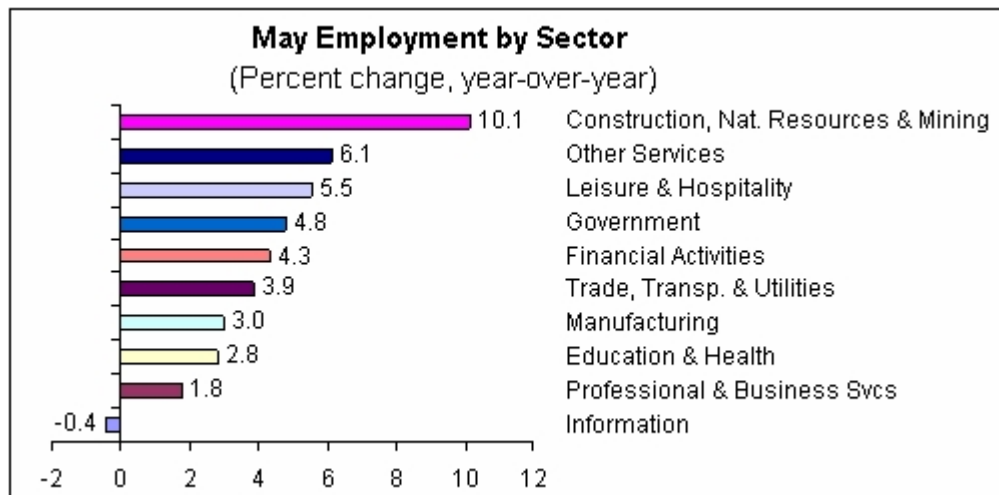
Austin, TX

Highlights

Austin Chugging Along in 2007

Austin is beating out last year's growth rate thus far this year. The metro expanded 4.1% in May, which is impressive considering the nation's pace of 1.3%. Labor-force supply has not kept up with labor demand; in May, the labor force grew 1.6% year-over-year. The declining growth rate of the labor force has contributed to the low unemployment in the metro area, which dipped to 3.3%. A rate this low has not been witnessed since February 2001.

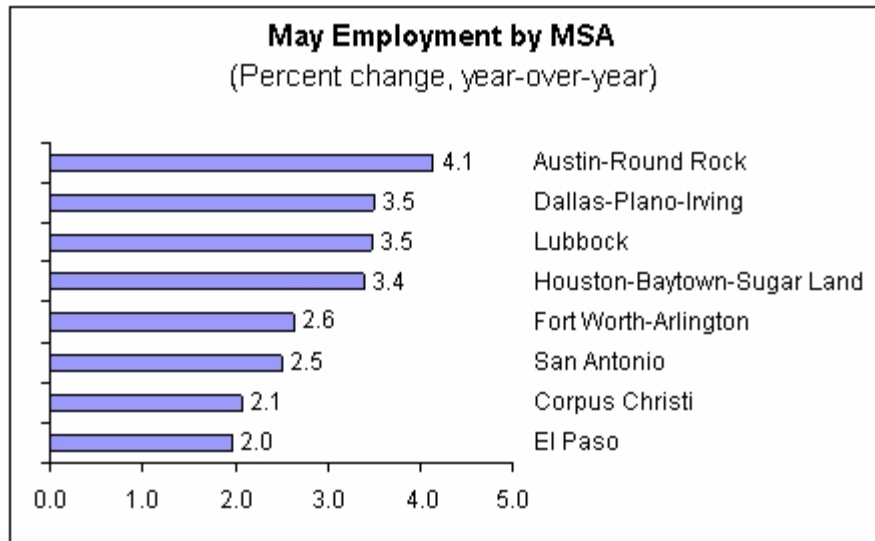
The nonresidential sector, which includes the construction of commercial buildings, has boosted the construction, natural resources, and mining sector, which grew 10.1% in May. Nevertheless, we expect that this rate will slow down because the residential sector is cooling. For the second consecutive quarter, housing starts declined by 23% from year-earlier levels in the first quarter of 2007.



Semiconductors Take Queue from a Weaker Market

In 2006, semiconductor revenue growth ramped back up, hitting 12.3% on the strength of consumer sales for cell phones, MP3 players, and high-definition televisions. There are some signs that the high-tech industry has entered a lull in 2007, however, as Freescale Semiconductor, Advanced Micro Devices, and Newisys are all reporting layoffs in Austin. New orders and shipment data for computers were down in the first quarter of 2007, and manufacturers have not been able to exert pricing power in the short term. Even as

quality-adjusted computer prices continue to decline, as measured by the producer price index, concerns about growing inventory heading into last fall and price competition between AMD and Intel have led to bargain selling prices.



Outlook

Employment in 2007: Austin's growth has been propelled by the revival in high-tech industries, and this will continue to strengthen its economy this year. The metro area will barely be affected by the slowdown that has affected other metros mainly in the Northeast and Midwest, and growth will be almost as strong as last year at 3.9%. The services sectors, especially financial services and professional and business services, will fuel growth.

Employment Through the Next Five Years: Austin's economy will be remarkably strong and stable in the next five years. Total employment growth will average 2.3% annually. Manufacturing employment levels will be essentially flat throughout the coming five years, however; potential losses could be stemmed by gains from new manufacturing facilities located in the metropolitan statistical area to supply Toyota's new assembly plant in San Antonio or the slowly strengthening electronics industry. Austin, which is located fewer than 100 miles from San Antonio, is courting auto parts suppliers looking to relocate in Texas. Growth in service-providing employment will more than compensate for any manufacturing losses, however. The professional and business services sector is forecasted to average 5.2% annual job growth; leisure and hospitality, 1.8%; and education and health services, 2.4%.

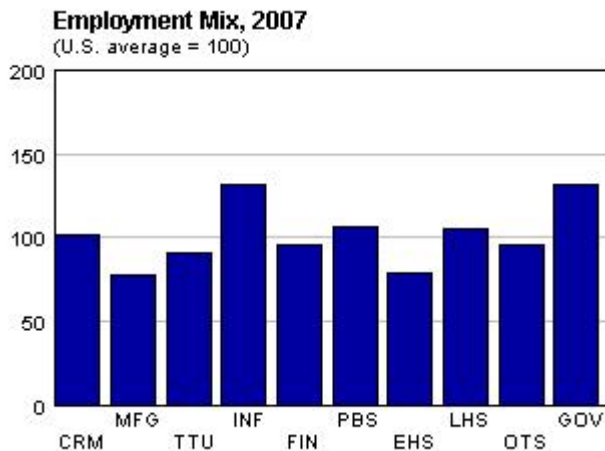


Economic Structure

Austin is home to the Texas state capital and the University of Texas, and is a major hub of high-tech business activity in the South. The 48,000 annual enrollees at the University of Texas boost the local economy, as well as its educational attainment levels. The area's well-educated work force, world-class research facilities, and high quality of life have attracted some of the world's largest microchip and microprocessor manufacturers—Dell, Motorola, and Advanced Micro Devices—as well as hundreds of smaller technology-intensive companies. Indeed, this network of complementary firms, including software companies, multimedia firms, and wafer-fabrication plants, helps the metro area to weather shifting industry winds.

Risks

The primary risk to the Austin economy comes from world demand for semiconductors. In 1998, a slump in demand and prices, triggered by the Asian economic crisis, caused layoffs at semiconductor manufacturing facilities in the area, and the 2001 industry downturn produced similar results. Other risks to the economy's vital growth are the tight labor market, increasing housing prices relative to the rest of Texas (Austin's home price index is the highest in the state, after surpassing Dallas/Fort Worth in 1999), and traffic congestion that impedes both commuters and commerce, which has discouraged some business development in Austin.



Labor Force and Demographics

Age Distribution (Percent of population, 2006)

	Austin-Round Rock	Texas	United States
0-24	37.8	38.1	34.5
25-34	18.2	14.9	13.5
35-44	15.2	14.3	14.5
45-54	13.6	13.3	14.3
55-64	7.9	9.3	10.6
65+	7.3	10.0	12.6
Source: Global Insight			

Population Characteristics (Percent of population, 2005)

	Austin-Round Rock	Texas	United States
High School Diploma *	55.5	48.9	55.4
Higher Education *	29.1	19.5	22.9
Foreign-born	13.7	15.9	12.4
Non-US Citizen	9.9	11.0	7.2
Median Household Income (Dollars)	50,484	42,139	46,242
Median Family Income (Dollars)	65,739	49,769	55,832
Poverty Rate	13.2	17.5	13.3
*Population over 25 years of age			
Source: American Community Survey			

Income

The metro's real per capita personal income grew 1.6% in 2005, according to the latest data from the Bureau of Economic Analysis. Austin had the third-largest growth among the Texas metros in 2005, behind Fort Worth-Arlington and Houston. Austin also had the third-highest average wage among these metros, a trend that has been consistent since 2001 when the dot-com bubble burst and hurt Austin the most.

Real Per Capita Personal Income (Percent change)	2000	2001	2002	2003	2004	2005	2005 Level
Fort Worth-Arlington	7.0	3.7	-0.6	1.0	3.7	3.8	\$32,910
Houston	6.5	2.1	-3.8	0.0	1.7	1.8	\$34,513
Austin	2.5	-2.7	-4.9	-1.3	0.9	1.6	\$30,349

Dallas-Plano-Irving	6.7	-2.0	-2.5	-1.7	1.5	1.6	\$34,894
San Antonio	6.1	-1.1	-1.4	0.7	1.6	1.3	\$26,972

Average Annual Wage (Thousand dollars)	2000	2001	2002	2003	2004	2005
Dallas-Plano-Irving	43.7	44.1	44.5	45.5	47.4	49.5
Houston	41.3	43.1	43.1	43.7	45.9	48.2
Austin	42.2	42.0	40.8	42.1	43.4	45.2
Fort Worth-Arlington	35.0	37.0	38.0	38.6	40.0	41.4
San Antonio	30.6	31.8	32.6	34.2	35.9	37.5

