

Airway Heights

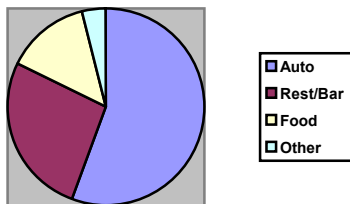
--Restaurant Economic Growth Potential in 2008

Summary

The restaurant/bar industry in Airway Heights is one of the strongest and biggest contributors to the tax base of the City. The National Restaurant Association's 2008 Industry Forecast expects industry wide sales to reach \$558 billion in 2008, a 4.4% sales increase over 2007. According to this forecast the restaurant industry is entering its 17th year of sales growth in 2008. Airway Heights, with a large restaurant presence, has followed this trend and can expect to not only continue this sales growth in 2008, but to nearly double it.

City Retail Market Share

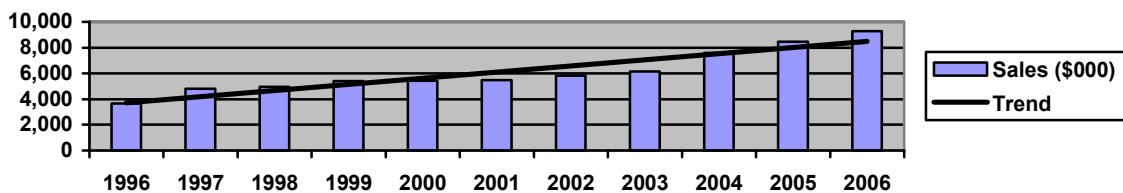
In 2006 the Eureka Group published their annual Sales Report and Rankings for Airway Heights. Overall the City of Airway Heights scored a 5-star rating in terms of retail sales growth, and is 10th in the state in terms of per capita sales growth. The restaurant/bar retail sales in 2006 totaled \$9,281,000, nearly 27% of the City's retail economy.



The restaurant/bar industry makes up over a quarter of the retail economy of Airway Heights. As the graph below indicates this industry has shown steady

growth from 1996 to 2006. Over the same time frame the City's retail sales in this industry averaged a 9% growth rate, more than double the estimated 2008 national average; from 2005 to 2006 this translated into \$817,000 in increased sales.

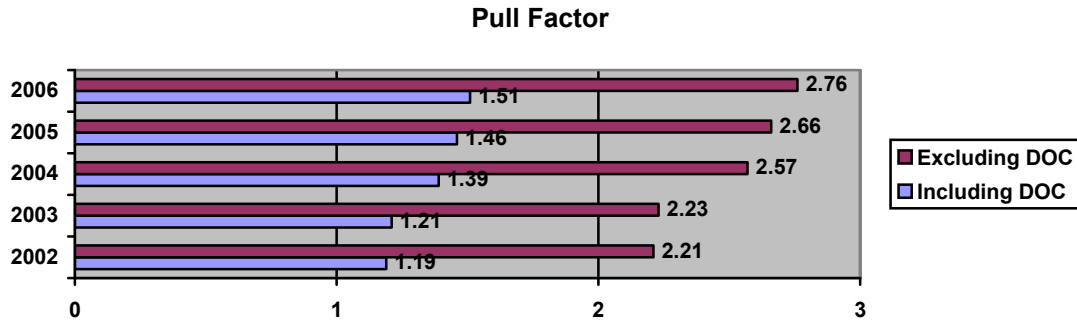
Restaurant Sales Growth



Pull Factor—Surplus or Leakage

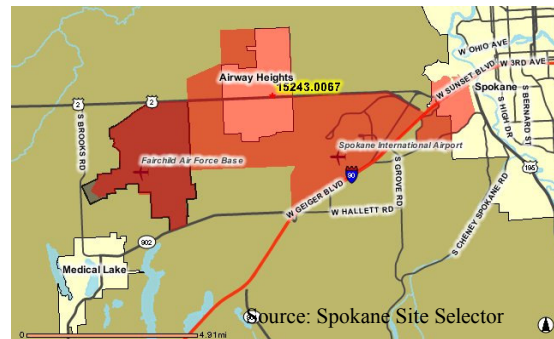
A good measure to determine a City's, or a particular industry's, retail sales activity is a concept economists call "pull factor". This factor is determined by dividing the City's per capita retail sales by the state's per capita retail sales for this industry. As shown in

the Eureka Report the City's per capita retail sales in the restaurant/bar sector is \$1,996; the state's per capita sales in this industry is \$1,318. The pull factor is 1.51, which means the City (industry) is pulling in 151% of the City's population therefore there is a surplus in this industry, i.e. the City is serving its population *and* drawing in sales from other areas. Interesting to note is that this per capita figure includes the 2,100 population of the Department of Corrections (DOC) facility. If this population was excluded the pull factor would be 2.76, which means the restaurant industry is pulling in 276% times its population.



Trade Area Population

Because the City has a surplus in the restaurant/bar industry this surplus can translate into an estimate of the number of customers in the City's trade area. This is calculated by multiplying the percent surplus by the population of the City. For example, Airway Heights' population of 5,030 multiplied by 151% (above) would show a population gain of 7,595. Adding this number to Airway Heights' population gives an estimate of 12,625 as the population of the City's trade area in this industry. The map shows a close estimate as to the trade area of the City.

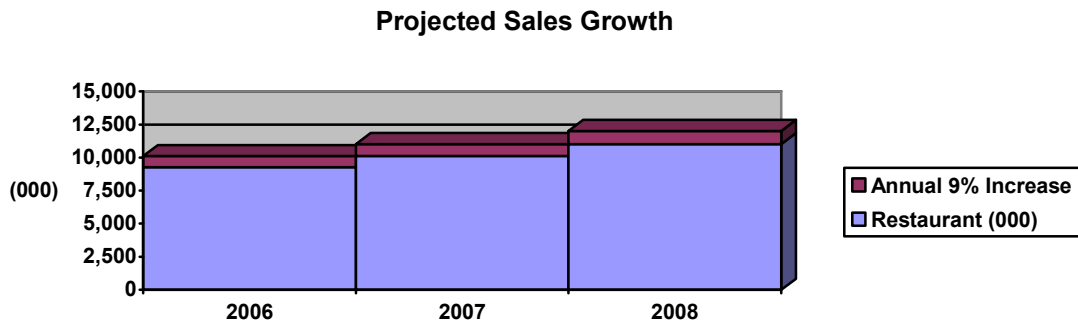


Economic Assumptions

The growth in this industry in Airway Heights can be attributed to several factors such as the increased residential base, commuter traffic, and the addition of several new restaurants. In theory, adding new restaurants to the local economy will cannibalize existing sales from one establishment to the other if other factors such as traffic or the residential base stay the same. Over the past two years the City has seen a net gain of two additional restaurants yet sales have continued to increase, somewhat debunking the cannibalization theory.

The City has experienced a relatively sharp increase in the residential base over the past few years that could be attributed to the recent rise in restaurant/bar sales. In 2007 the

City issued 77 new single family home permits and a 51-unit senior apartment building began leasing as well. In terms of commuter traffic through the City, the main Highway 2 corridor traversing the heart of the commercial district has an average daily traffic count of approximately 24,000. Wal-Mart opened its doors and the Ambassadors People to People Headquarters relocated on the outskirts of the City in the Fall of 2007. It's too soon however to tell what impact the addition of Wal-Mart and the Ambassadors Headquarters in 2007 will have but it will definitely bring an increase of traffic to the City.



Conclusion

With a number of large employers in and near the City, i.e. Fairchild AFB, Wal-Mart, Ambassadors Group, Department of Corrections, Northern Quest Casino, and the nearby Spokane International Airport the commuter traffic through the City produces a high average daily traffic count of 24,000 vehicles. The City's residential base is due to increase incrementally for the next several years with the complete platting of several housing subdivisions with approximately 1,100 new lots.

Considering these factors the restaurant/bar industry in Airway Heights can expect to remain strong and continue to follow and perhaps exceed past industry trends.