



INFORMATION TECHNOLOGY

Metro Denver Industry Cluster Profile

The information technology industry is a dynamic industry that plays a significant role in all other sectors of the business economy, ranging from virus protection and other security programs for computers to the study of genetics in bioscience laboratories. Technology industries are high knowledge, human capital-based industries that are growing globally and are forecasted to experience continued growth. The broadest information technology industry definition includes those companies involved in software, hardware and telecommunications. The definition may also include those individuals that are employed in an information technology occupation, no matter what the industry. Using this broader definition, the Colorado Software & Internet Association boasts 80,000 information technology workers in the state.

This industry cluster report is based on a narrower definition of information technology to avoid double-counting workers in other technology sectors such as telecommunications and aerospace. The information technology cluster is divided into two sub-sectors: software and hardware. The hardware sector includes companies involved in manufacturing computers and other hardware products. The software sector, which is covered in this report, includes companies involved in a broad range of activities, ranging from those that develop off-the-shelf software products to those that provide custom computer programming, computer systems design or data processing services. Network solutions, business software solutions, web-based applications, database development, data processing solutions, provisioning applications and operating systems development are some of the services provided by software companies. The seven-county* Metro Denver area has a unique recreational lifestyle that produces, attracts and retains talented and creative workers who are fueling the continuous innovations needed to maintain leadership in the information technology revolution.

Software Snapshot

Metro Denver ranks fifth out of the 50 largest metros areas in software employment concentration in 2004. With direct employment of nearly 44,600 software employees, Metro Denver ranks tenth out of the 50 largest metro areas in absolute employment.

| | Metro Denver | U.S. |
|--|---------------------|-------------|
| Direct Employment 2004 | 44,582 | 2,047,157 |
| Total Direct Employment Growth 1999-2004 | 12.2% | 18.4% |
| Avg. Annual Direct Employment Growth 1999-2004 | 2.3% | 3.4% |
| Number of Direct Industry Cluster Companies 2004 | 3,694 | 195,016 |
| Direct Employment Concentration | 4.3% | 1.7% |

Major Software Companies

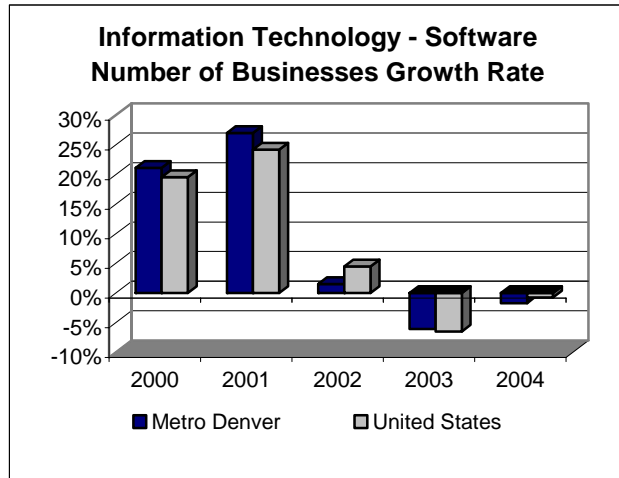
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*Metro Denver includes seven counties: Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson counties.

Information Technology Economic Profile

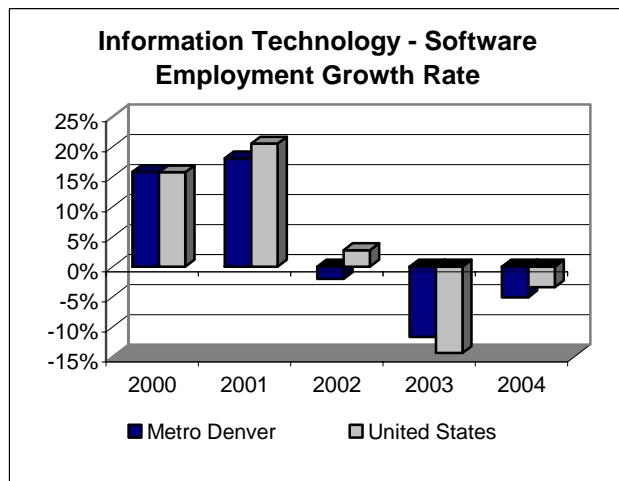
The software industry cluster is defined by nine six-digit North American Industry Classification System (NAICS) codes including software reproduction, software publishers, custom computer programming, data processing/hosting, web search portals, internet service providers and computer systems design services. Metro Denver has about 3,700 software companies employing nearly 44,600 people.

Companies



- About 3,700 software companies were located in the seven-county Metro Denver area in 2004.
- Metro Denver experienced a 7.6% average annual increase in the number of software companies from 1999 through 2004 compared to a 7.5% average annual increase nationally.
- About 80% of the companies employ less than 10 people while less than 1% of the companies employ more than 250 people.
- Nearly half of Metro Denver's software companies are involved in custom computer programming.

Employment



- Software companies employ about 4.3% of Metro Denver's total employment base, compared to a 1.7% concentration nationally.
- This industry cluster directly employs 44,580 people in the seven-county Metro Denver area.
- Although software employment in Metro Denver has declined since 2001, cluster employment has grown 12.2% from 1999-2004, compared to 18.4% growth nationally.
- Software employment is primarily concentrated in Boulder (27%), Arapahoe (22%), Jefferson (22%) and Denver counties (20%).

Wages

Total payroll for the software industry cluster in the Metro Denver area reached an estimated \$3.1 billion in 2003. The 2003 average annual salary for software employees was \$69,600 for Metro Denver and \$73,500 for the United States.

Metro Denver Occupational Salaries, 2004**

| | |
|---|----------|
| Database Administrators | \$63,510 |
| Computer Programmers | \$68,100 |
| Computer Software Engineers, Applications | \$77,770 |
| Computer and Information Scientists, Research | \$91,790 |

**Salary data is for the six-county Denver Metropolitan Statistical Area (MSA), which does not include Boulder County. May 2004 mean annual salary data for additional occupations and geographical areas are available from the U.S. Bureau of Labor Statistics, www.bls.gov.

Key Reasons for Information Technology Companies to Locate in Metro Denver

Metro Denver is a top ten information technology location offering:

1. The ability to attract and retain high quality, productive IT professionals and technical talent.

- With 33.7% of the adult population having completed a bachelor's degree or higher, Colorado ranks as the fourth most educated state in the country, behind Massachusetts, Maryland and Connecticut. (*American Community Survey, 2004*)
- Colorado ranks fourth in the number of science and engineering graduate students enrolled in doctorate-granting institutions. (*Corporation for Enterprise Development, 2004*)
- Colorado ranks second in the percent of total wage and salary jobs in high technology industries. The high proportion of advanced technology industries is an indicator of economic dynamism. (*Corporation for Enterprise Development, 2004*)
- For the fifth year in a row, the Boulder-Longmont area has the strongest concentration of software employment in the U.S. (*Software & Information Industry Association, 2004*)
- Colorado ranks fifth in the software publishers industry with 14,400 workers and has the highest concentration of high tech workers in the country. (*Cyberstates, 2005*)

2. Direct access to a large and growing customer base.

- Metro Denver has about 500 employers that employ 250 or more workers and is home to ten Fortune 500 companies. (*County Business Patterns, 2003 and Fortune, 2005*)
- Colorado ranks third in new company formation and 16th in initial public offerings, strong measures of entrepreneurial energy. (*Corporation for Enterprise Development, 2004*)
- Colorado ranks second in the U.S. for obtaining research money from the Small Business Innovation Research (SBIR) program. The level of Small Business Innovation Research (SBIR) grants indicates the state's level of technological sophistication. (*Corporation for Enterprise Development, 2004*)
- Colorado ranks sixth in venture capital investments per employee which is an indicator of a rapidly developing economy and multiple investment opportunities. (*Corporation for Enterprise Development, 2004*)
- Colorado ranks sixth in the country for the percentage of households with computers, indicating an advanced Internet infrastructure and usage. (*Corporation for Enterprise Development, 2004*)
- High-tech exports accounted for 61% of Colorado's exports in 2004, the fourth highest percentage in the nation. (*Cyberstates, 2005*)

3. Lower overall costs of doing business.

- Colorado has the eighth most business-friendly tax climate in the nation according to the State Business Tax Climate Index. (*The Tax Foundation, 2004*)
- Colorado places second in the U.S. Economic Freedom Index which also notes that Colorado has the fewest regulatory barriers and ranks high in the fiscal sector. (*Pacific Research Institute for Public Policy, 2004*)
- Metro Denver average office occupancy costs of \$17.76 per square foot are lower than most worldwide cities. (*CB Richard Ellis, August 2005*)

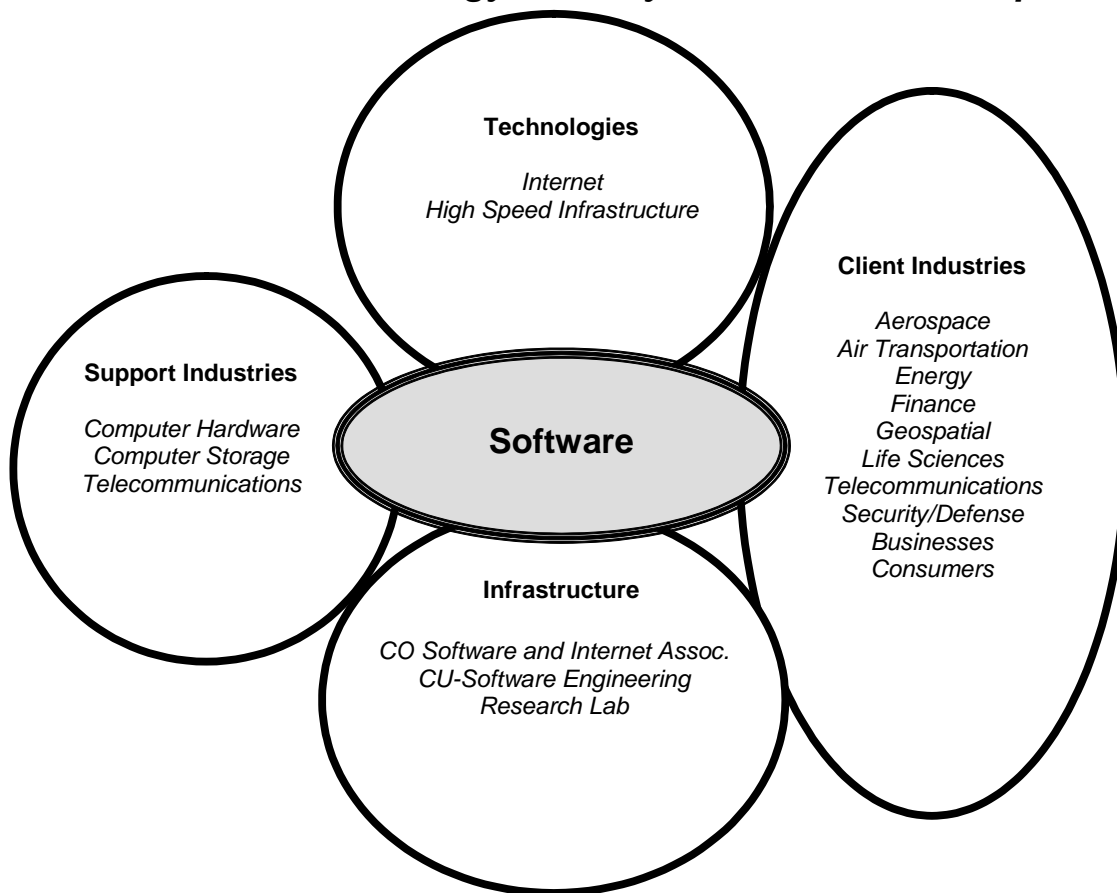
4. An overall better quality of life.

- Metro Denver voters recently approved the funding of FasTracks, which is the \$4.7 billion, 12-year comprehensive plan for the design and construction of high-quality, metro-wide transit service and facilities. FasTracks will vastly improve mobility throughout the region.
- Metro Denver was named as one of the nine most livable large cities in the United States. The 2004 livability list was based on creativity and the ability to prepare for the new economy. (*Partners for Livable Communities, 2004*)
- Metro Denver ranks slightly above the national average for cost of living according to the ACCRA cost of living index, but well below many other major cities. (*ACCRA, 2005*)
- Metro Denver has the fourth highest density of arts businesses per capita among major metro areas in the country. According to the first Creative Industries study, Denver has 7,200 arts-related businesses employing 12,500 people. (*Americans for the Arts, 2004*)

Information Technology Industry Cluster Definition

| NAICS | NAICS Description | SIC | SIC Description |
|--------------|---|------------|---|
| 541511 | Custom Computer Programming Services | 7371 | Custom computer programming services |
| 334611 | Software Reproducing | 7372 | Prepackaged software |
| 511210 | Software Publishers | 7372 | Prepackaged software |
| 541512 | Computer Systems Design Services (pt) | 7373 | Computer integrated systems design |
| 518210 | Data Processing, Hosting & Related Services | 7374 | Data processing |
| 518111 | Internet Service Providers | 7375 | Information retrieval services (on-line services) |
| 541513 | Computer facilities management services | 7376 | Computer facilities management |
| 541519 | Other Computer Related Services | 7379 | Computer related services NEC |
| 518112 | Web Search Portals | | |

Information Technology Industry Cluster Relationships



For additional information, contact us:



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