

Arizona's top 10 business stories in '07

Dec. 19, 2007

- 1) Housing problems deepen.** A spike in foreclosures and too many houses on the market depressed prices on existing and new homes. Housing permits dropped, residential construction work tailed off and those troubles spread across the broader economy.
- 2) Defaults trigger a credit crunch.** Lending agencies had to rethink their philosophies on high-risk customers as hundreds of customers struggled or failed to make their mortgage payments, and more interest-rate re-sets loomed. The era of easy ARM financing and zero-down loans is over. Lenders such as 1st National Bank Holding Co. scaled back and laid off hundreds, while First Magnus of Tucson filed for Chapter 11 bankruptcy protection.
- 3) Employer-sanctions law looms.** The business community was pulled into the divisive national debate over illegal immigration when state Rep. Russell Pearce's bill passed and Gov. Janet Napolitano signed it. Many business groups brought a legal challenge to the law, and others said it would be a burden if it takes effect. Beginning Jan. 1, all business owners in Arizona risk losing their state and local licenses if they knowingly or intentionally hire undocumented workers after that date. Licenses can be suspended for 10 days or longer for a first offense and revoked altogether for a second offense. (Find more information at sanctions101.azcentral.com.)
- 4) Downtown Phoenix booms.** Cranes dotted the downtown skyline - an unfamiliar sight in recent years. New projects include Arizona State University's journalism school, CityScape, a \$900 million mixed-use development, and One Central Park East, a 26-story building expected to deliver 485,000 square feet of high-end office space by fall 2009, not to mention the light-rail work and bioscience expansion.
- 5) Copper changeover.** Freeport-McMoRan Copper & Gold Inc. completed the largest-ever takeover of an Arizona company when it paid \$26 billion for Phelps Dodge, a mining company with a long history in the state. Freeport added a little more shine to the deal by moving its New Orleans headquarters to Phoenix, too.
- 6) US Airways faces turbulence.** The Tempe-based airline faced operations problems that affected on-time arrivals, baggage and customer service. Labor unions representing pilots and other workers continued to battle management over contract details. The company also blushed amid a scrapped bid for Delta Air Lines and CEO Doug Parker spending a night in jail after being cited for DUI.
- 7) The economy falters.** Experts said the nation and the state are likely to at least flirt with a recession with the rising number of bankruptcies, record oil and gas prices, food-price inflation and other pressures. Job growth slowed, and consumer spending is falling so much that taxable sales are way down, forcing state and city budget cuts. The dollar's value sunk so low that pop stars started flaunting euros.
- 8) Public offerings add luster.** Wall Street liked what Arizona Inc. had to offer, with companies such as Tempe-based Limelight Networks Inc. hauling in more than \$200 million during its June IPO (even though it later cooled), and Scottsdale-based RSC Holdings Inc., an equipment-rental company, with its \$458 million offering that was among the top 10 in the second quarter. Phoenix-based First Solar Inc. announced enough contracts for its solar panels to send shares above \$235. Its initial offering in late 2006 was at \$20 a share.

9) Grand Canyon Skywalk opens. Tourist shrieked and Hualapai Tribe members cheered in the spring and visitors took their first precarious steps onto the surreal new viewing platform. The glass-bottomed walkway over the West Rim takes visitors 70 feet past the canyon's edge and 4,000 feet above its floor, renewing world-wide attention on the natural wonder.

10) Commercial development shines. Despite the residential doldrums, commercial real estate activity stayed strong in all categories, with new retail, office and industrial space. Four major open-air retail projects opened for business: **Mesa Riverview**, Tempe Marketplace, SanTan Village and The Promenade at Casa Grande. Westgate City Center also added to the development that opened in late 2006.