



# Colorado Economic Chronicle

*A Research Newsletter*

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## National Economy

The third longest expansion in the post-World War II era continued during early 1998, with the construction sector leading the way. Despite the economy's continued growth, inflation has remained low. Inflation-adjusted **gross domestic product** (GDP) increased at a robust 3.7% pace during 1997's fourth quarter, although this was slightly slower than the previous estimate of 3.9%. Despite the downward revision in the fourth quarter, GDP growth for all of 1997 registered its strongest rate in nine years, 3.8%.

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News in the **consumer** sector was generally positive. Income and spending increased at strong rates during January and February. After-tax personal income growth outpaced spending growth in both months, leading to an increase in the national savings rate. Consumer confidence fell during March, from a 29-year high in February. Despite the drop, consumer

confidence remains at a very high level. The unemployment rate increased slightly in March, to 4.7%, as the nation experienced its first decline in employment since January 1996 when winter storms slowed economic activity. However, a 4.7% unemployment rate is still very low and, in combination with rising incomes, bodes well for the consumer sector.

The **manufacturing** sector continued to grow in February, according to the National Association of Purchasing Management. The association's index jumped to 54.8 during the month, well above the 50.0 level that indicates positive growth. Industrial production was flat during the month, but factories are operating at high levels even without increased production. On the negative side, factory orders fell significantly in February, led by a decline in orders for aircraft. When the volatile transportation sector is excluded, factory orders increased slightly during the month. Meanwhile, the economic crisis in Asia has kept the price of Asian goods low, thus making U.S. products less competitive, and pushed the U.S. trade deficit for goods to an all-time high.

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The **construction** sector continued to grow robustly. Home resales jumped to a new record in February and the median price of an existing home increased 5.8% from a year earlier. New home sales also set a record during February, increasing 4.8%. Strong sales led to a 6.0% increase in housing starts during the month, bringing starts to their highest level in more than a decade. Construction spending increased as housing and government construction growth offset a decline in commercial projects.

Despite the strong growth in the economy, **inflation** remained almost nonexistent during February and March. Producer prices declined for the fifth consecutive month in March. Consumer prices, meanwhile, increased just 0.1% during February after

remaining constant during January. Big declines in energy prices caused the subdued inflation. Gasoline prices declined 10.8% between October and February.

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The national economy continued to grow robustly, while inflation remained low, according to data released during March. The construction sector led economic activity. There are signs, however, that growth has begun to slow: production levels were flat in February and employment fell for the first time in two years in March.

## Colorado Economy

The Colorado economy remained robust in early 1998. The state’s unemployment rate is low. Many nonresidential construction projects are underway or are planned. In particular, activity is strong in the Interlocken and the south metro Denver areas. Some layoffs were announced, but the employment outlook for the state remains good.

### Employment

Colorado’s unemployment rate rose slightly, to 3.0%, in February from 2.8% in January. Still, the unemployment rate is extremely low and Colorado’s unemployment rate was 1.6 percentage points lower

than the national average in February. Colorado’s employment situation is not unique; the Colorado Department of Labor reported that seven other states had unemployment rates at or below 3.0%.

Job growth is robust. For the first two months of 1998, job growth in the state is averaging 4.3%, compared with the same period in 1997.

1997 was a banner year for business incorporations in Colorado. QuickInformer.com, a Longmont firm that tracks public records said that new business incorporations jumped 10.4%.

Since the last *Chronicle*, a number of job gains have been announced. Notably, EchoStar and Primestar will add 900 employees to the Denver area, Iomega will add 130 workers, KDVR-Channel 31 will add 60 employees in Denver, and Bombardier Capital Inc. is adding 80 workers in Colorado Springs.

On the negative side, several firms announced job losses. Columbia/HealthOne will eliminate its Homecare unit which employs 270 workers, SCI Systems laid off 150 workers in March, Samsonite will lay off 149 employees, and Staodyn will eliminate 70 jobs. These job gains and losses are discussed in greater detail throughout the *Chronicle*.

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### Colorado's Economy at a Glance

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<i>Key Indicators</i>	<i>Direction</i>	<i>Assessment</i>
Nonfarm Employment Growth	↑	Good
Unemployment Rate	→	Good
Mortgage Rates	→	Good
Retail Trade Sales	↑	Good
Home Resales	↑	Good
Nonresidential Construction	↓	Neutral
Colorado Inflation Rate	↓	Good
Overall Rating	↑	Good

## Residential Construction

According to Perry & Butler Realty, existing home sales in metro Denver were 9.8% higher through March 1998, compared with the same period in 1997. Home values are increasing as well. Through March 1998, the average price of a single-family home (\$177,423) was 9.5% higher than the price of homes sold during the same period in 1997.

Construction of new homes is advancing at a healthy pace, according to F.W. Dodge. Through February, the value of residential construction underway was 13.9% higher than through the same period in 1997. Meanwhile, the total number of residential units under construction was 16.4% higher. It should be noted that only two months of data are available for 1998, thus trends should not yet be inferred from the data.

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Home building activity remains high at the former Lowry Air Force Base. Village Homes reported that all of its original 83 home sites have been reserved and that the company purchased more land at the site for an additional 65 homes. Separately, National Properties is in negotiation with the Lowry Redevelopment Authority to renovate the former Air Force headquarters into 250 rental loft apartments and to build 106 town homes on other Lowry property. The combined cost of the projects is expected to total \$27 million.

## Nonresidential Construction

Through February, the value of nonresidential construction in Colorado was down 34.4%, compared with the same period in 1997. Most nonresidential construction sectors are experiencing lower activity than last year with the exception of the commercial sector, which is up 19.8 percent. In the commercial sector, retail, warehouse, and hotel construction were up significantly. It should be noted that only two months of data are available for 1998, thus trends should not yet be inferred from the data.

The Panattoni Development-Catlin Group currently has 1.1 million square feet of commercial space either in the planning stages or under construction at five sites in the metro Denver region, including a 118,000-square-foot speculative office building in the Meridian International Business Park.

Ground was broken on the \$370 million Westmoor Technology Park in Westminster. The first phase of the speculative project, which will total 368,000 square feet and include four buildings, will be completed by the end of 1998.

J. D. Edwards, a Denver-based software manufacturer is planning to break ground in April on its third office building in the Denver Technological Center. The new building, expected to cost \$30 million, will have 200,000 square feet and be open in early 1999.

## Advanced Technology

California-based Adaptec Inc. agreed to purchase Symbios Inc. for \$775 million. Symbios employs approximately 1,550 workers at plants in Colorado Springs and Fort Collins. Adaptec said it plans no immediate changes at Symbios. Adaptec recently constructed a 200,000-square-foot facility in Longmont that employs 200 people. The company is also building an additional 45,000 square feet of space.

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EchoStar Communications Corp., a national satellite television concern, plans to add 500 new employees to the Denver area. Many of the positions will be in the customer service area. EchoStar's headquarters are in the Inverness Business Park. Meanwhile, Primestar, another national satellite television company, will move its corporate headquarters to metro Denver, eventually adding 400 jobs.

## Health Care

**Columbia/HealthOne** is closing its Homecare home health unit, displacing 270 workers. The unit served 538 patients. The unit had experienced a year of financial losses and a buyer for the agency could not be found. The ailing unit contributed to \$46 million in losses incurred by the company in 1997. Separately, **QualMed**, the nation's fourth-largest health maintenance organization is debating whether to remain in Colorado as part of a company streamlining. QualMed employs 900 workers in Pueblo.

In its annual survey of the nation's best graduate schools, *U.S. News and World Report* ranked the University of Colorado School of Medicine the fourth best program in the nation. In the year-earlier ranking, the school placed eleventh.

## Tourism

The American Society of Association Executives announced that it selected Denver as the site of its 2002 convention. The association, which is a trade group for convention planners, estimates that 5,000 delegates will attend the event. The event is significant for Denver, since a positive experience at this convention could influence planners to choose Denver for other conventions. Denver was selected over Minneapolis and Philadelphia.

According to a study by The Adams Group Inc. for the Denver Metro Convention and Visitors Bureau, poor weather in the last quarter of 1997 reduced attendance at several tourist attractions in Denver, compared with the same period in 1996. However, other tourism indicators such as passenger boardings, lodging nights, gaming, and restaurant spending were all above the year-earlier quarter's level.

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***“Colorado Ski Country USA reported that skier visits through the end of February were up 3.8% . . .”***

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Colorado Ski Country USA reported that skier visits through the end of February were up 3.8%, compared with the same period in 1997. The group cited positive responses from a Colorado Tourism Board marketing campaign as the reason for the increase.

## Metro-Denver Region

Through February 1998, the value of nonresidential construction in **Adams, Arapahoe, Denver, Douglas, and Jefferson** counties was down 44.6% compared with the same period in 1997, according to F.W. Dodge. Much of the decline was related to a drop in the miscellaneous and amusement construction categories. In the same period, the number of residential permits was up 44.7%, led by surging apartment construction.

Ross Research Services reported positive news for the metro Denver retail, industrial, and office space markets in 1997. In **retail**, the vacancy rate slipped to 5.7% in 1997. Even though 1.6 million square feet of new retail space came on line in 1997, 1.8 million square feet was absorbed. In the **industrial** market, 1997's vacancy rate increased slightly, to 6.3%, as 3.3 million square feet of new construction was added. Although a significant amount (1.4 million square feet) of industrial space was absorbed, new construction edged the industrial vacancy rate higher. In **office** space, 1.9 million square feet was absorbed and 1.5 million square feet was constructed. The vacancy rate dipped to 9.3%.

KDVR-Channel 31 announced that it will construct a new facility where it will produce and broadcast local news reports. The Fox-owned station plans to do an evening hour-long news show that will air at nine o'clock, when the Fox prime time schedule ends. About 60 employees will be added to the station.

Polar Ice Entertainment, Inc. is going ahead with plans to expand the Entertainment District near the Park Meadows mall. The \$9 million project calls for two ice rinks, a climbing wall, a video arcade, and a restaurant.

Several Denver-area employers announced layoffs. Samsonite Corp. laid off 149 production workers in early April. Officials of the firm said the layoffs were the result of bloated inventories and regular seasonal factors that affect the company. Also, poor financial performance led Boston Chicken Inc. to reduce employment at its Golden headquarters by 35 jobs.

An abandoned Army medical warehouse in northeast Denver will receive an \$18 million renovation under an agreement between the U.S. government and the

Denver Urban Renewal Authority. Under the plan, a private developer and a neighborhood non-profit group will invest the funds to create an industrial and office park that could potentially draw as many as 1,200 jobs.

## Boulder

Through February 1998, the value of nonresidential construction in Boulder County was down 39.9% compared with the same period in 1997, according to F.W. Dodge. The drop was due in part to reduced construction of manufacturing plants and hospitals and health treatment centers. The number of residential permits was down 47.6%, on weakness in multi-family housing. Single family construction was up 15.7%, however.

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Ross Research Services reported increased but moderate vacancy rates at the end of 1997 for Boulder's industrial (5.5%) and retail (3.1%) real estate markets, while office vacancies slipped to 4.5%. In the **industrial** market, nearly 700,000 square feet of new space was added to the Boulder market, while 344,900 square feet was absorbed. In the **retail** sector, no new space was added, while in the **office** sector, 274,500 square feet was added and 299,200 square feet was absorbed.

The real estate company Trammel Crow is planning a \$20 million office park in Louisville to be called the Coal Creek Business Park.

As a result of a U.S. Food and Drug Administration ruling that will keep its primary product out of the U.S. market, NaPro Bio-Therapeutics will reduce its staff by about 50 workers. The Boulder-based firm manufactures a chemotherapy drug used to treat an AIDS-related syndrome. The workers could potentially be reinstated if the company's partner is able to market the drug in Europe later in 1998.

Iomega Corp., a computer disk drive manufacturer, started moving 130 employees to its **Longmont** site from Utah in February. The acquisition of Staodyn Inc., a medical device maker with plants in

Longmont and Florida, will result in the closure of the Longmont plant. The move will displace about 70 employees.

## Northern Region

Through February 1998, the value of nonresidential construction in **Weld** County plummeted 92.0%, compared with the same period in 1997, according to F.W. Dodge. Every major construction category was down. Meanwhile, the number of residential permits was up 49.7%, due to surging single-family home construction.

In the construction industry, preparation of a Greeley site for a new retail mall that will include such stores as Home Depot, Circuit City, and Office Max began in February. Other redevelopment of the site will include a redesigned golf course and a residential subdivision that will include 280 apartments and 150 patio homes.

The Greeley-Weld County Airport received a \$300,000 grant from the Colorado Department of Local Affairs to aid in building a new aviation terminal and administration building. The city and county will contribute \$900,000 to the project, which will begin in June.

F.W. Dodge also reported that through February 1998, the value of nonresidential construction in **Larimer** County was flat compared with the same period in 1997. The number of residential permits in the county was up 15.5%, the result of increases in all categories of residential construction.

## Southern Region

Through February 1998, the value of nonresidential construction in **El Paso** County was up 81.2% compared with the same period in 1997, according to F.W. Dodge. The jump was the result of increased construction of warehouses, offices, and manufacturing plants. In the county, the number of residential permits was up 27.7% due to strong gains in single-family home construction.

Federal Express Corp. leased another 58,000 square feet of office space in Colorado Springs, to allow for further expansion of its software-development

operation. Bombadier Capital Inc., a Canadian financial services firm will open a Colorado Springs office that will initially employ 80 workers, the majority of whom are expected to earn between \$18,000 and \$28,000 annually. SCI Systems, a contract computer manufacturer in Fountain, near Colorado Springs, laid off 150 employees in early March. The company said the layoffs were necessary because of lower demand for products from existing clients.

Through February 1998, the value of nonresidential construction in **Pueblo** County was down 39.3% compared with the same period in 1997, according to F.W. Dodge. Reduced construction of manufacturing plants contributed to the decline. Still, construction of stores, food service buildings, and offices and banks were up sharply. In the county, the number of residential permits was down 2.2%, as large drops in multi-family construction canceled out a small gain in single-family construction.

## Western Slope

Through February 1998, the value of nonresidential construction in **Mesa** County was up 90.2%, compared with the same period in 1997, according to F.W. Dodge. The substantial increase was due to the construction of a hospital and health treatment center. In the county, the number of residential permits was unchanged.

In **Montrose**, construction activity started 1998 lower than it did last year. According to F.W. Dodge, the value of nonresidential construction was down 43.7% through February 1998, compared with the same period in 1997. Last year at this time, a library was under construction and is now complete. As for residential construction in the county, the number of permits was up 2.9% through February 1998.

## Mountain Region

Through February 1998, the value of nonresidential construction in **Eagle, Pitkin, and Summit** counties was up substantially compared with the same period in 1997, according to F.W. Dodge. The substantial increase was due to hotel construction. In the same three counties, the number of residential permits issued was down 11.0%.

Proland Management LLC, a Summit County developer, plans to build \$250 million in real estate projects in Central City. The proposal, which is going through the annexation process, will include 4,300 housing units and 650,000 square feet of commercial space.

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***“Ski resorts continue to expand and invest in new projects.”***

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Ski resorts continue to expand and invest in new projects. Steamboat Ski Resort has proposed a new 277-unit condominium project called the Grand Summit Hotel. The new development will include on-site amenities such as child care, conference facilities, a fitness center, and restaurants. The ski resort is anticipating a mid-1999 opening. And, ground was broken on an \$18 million renovation of the Sheraton Steamboat Resort. Meanwhile, Intrawest, the owner of Copper Mountain, plans to spend \$66 million on base area and mountain improvements next year. The development plan includes a 108-unit condominium complex that sold out in six hours, a three-story lodge, high-speed chair lifts, buses, and snowmaking equipment.

Vail Resorts Inc., which bought the Breckenridge and Keystone ski resorts in early 1997, reported a 47% increase in net income for the quarter ending January 31, 1998, compared with the same period in 1997.

**Colorado Indicators  
Year-to-Date Growth Rates**

Indicator	February 1998	1997 Annual Average	1996 Annual Average
Nonfarm Employment * Growth	4.3%	4.0%	3.6%
Unemployment Rate ∇ * (Seasonally adjusted)	3.0%	3.3%	4.2%
Housing Permit Growth §			
Single-Family	16.4	-0.5	18.8
Apartments	8.9	4.7	12.5
Apartments	60.1	-13.6	42.9
Growth in Value of Nonresidential Construction §			
Retail	-34.4	22.3	30.0
Offices	35.3	-11.7	-4.0
Factories	-8.5	43.6	28.4
Factories	-73.1	20.2	34.2

∇ Actual level, not growth rate.

§ F.W. Dodge data.

\* Colorado Department of Labor and Employment data.

*Note: An inflation rate is not calculated for the state. The Denver-Boulder inflation rate is often used as a proxy for Colorado's inflation rate. The Denver-Boulder inflation rate was 3.3% in 1997, following a 3.5% rate in 1996.*

**Regional Growth  
Cumulative Year-to-Date Growth Rates**

	Alamosa	Boulder	Colorado Springs	Metro Denver	Durango	Fort Collins	Grand Junction	Greeley	Lamar	Montrose	Pueblo	Ski Counties (Eagle, Pitkin, and Summit)	Steamboat Springs	Sterling
Employment Growth ◆ (through February 1998)	9.5	§ 5.8	§ 1.8	§ 3.8	10.6	7.9	6.9	8.0	10.5	9.1	§ 2.8	5.5	1.1	2.9
Unemployment Rate ⊗ ◆ (not seasonally adjusted) (in February 1998)	6.8	2.6	3.6	2.7	4.7	3.2	4.4	3.7	2.9	7.6	6.7	1.8	2.3	5.0
Retail Trade Sales Growth ∇ (through December 1997)	2.6	7.6	5.1	6.2	4.5	6.5	2.7	4.4	7.7	5.3	8.3	8.8	17.9	4.6
Housing Permit Growth * (through February 1998)	300	-48	28	45	33	16	0	50	29	3	-2	-11	175	25
Growth in Value of Non-residential Construction * (through February 1998)	♣	-40	81	-45	-58	0	90	-92	0	-44	-39	@	0	¤

§ Nonfarm Employment Growth.

⊗ Actual level not growth rate.

◆ Colorado Department of Labor and Employment data.

\* F.W. Dodge data.

∇ Colorado Department of Revenue data.

♣ \$33,000 was contracted through February 1998, while nothing was contracted through the same period in 1997.

@ \$3.0 million was contracted through February 1998, while \$83,000 was contracted through the same period in 1997.

¤ \$2.3 million was contracted through February 1998, while \$70,000 was contracted through the same period in 1997.