Legislative Council
Denver, Colorado

Tom Dunn
Chief Economist

Kerryn Duran
Staff Assistant

Colorado Economic Chronicle

April 30, 2001

National Economy

by Mike Mauer

Aside from housing markets, information released for the national economy during the last month spun a negative tale, causing the **Federal Reserve Board** to lower the federal funds rate by 50 basis points for the fourth time this year. The federal funds rate now stands at 4.5%, its lowest level since May 1994. The Fed was reacting to a collapse in business investment and rapidly dwindling consumer confidence. On the positive side, low inflation is enabling the Fed to make strong monetary policy moves this year and will allow further actions if the Fed deems them necessary. The moves by the Fed to lower interest rates are supporting the housing market and have begun to impact durable goods sales. Resilient consumers led the nation to a 2.0% increase in inflation-adjusted **gross domestic product** (GDP) during the first quarter of 2001 as they significantly increased their outlays for durable goods. Other positives were a turnaround in the trade deficit and the nation's strong housing market. Growth was constrained by business investment and a drop in business inventories. GDP increased by just 1.0% in the fourth quarter of 2000. The 2.0% gain for GDP was significantly higher than economists projected. Consumers also led the boom during the 1990s, but a slowing job market, increased individual bankruptcies, a jump in late mortgage payments, and growing debt levels all bode ill for the consumer segment of the economy.

The nation's **employment** situation looked very negative in recent news. In March, the employment level declined by 87,000 jobs and the **unemployment rate** increased to 4.3%. Layoff announcements are running about three times above last year's level. In fact, almost 115,000 layoffs were announced between April 5th and April 24th. White-collar workers made up a majority of the job losses in March and the service industry experienced a reduction in employment for just the second time in the last 10 years.

> ***"...low mortgage rates are continuing to support construction markets."***

Despite the slowing economy, low mortgage rates are continuing to support **construction** markets. New home sales set a record in March with an annual rate of over 1 million homes being sold. Existing home sales also approached the record pace set in June 1999. The strong housing market will help keep the economy from entering a recession. It will be difficult for the housing market to remain at or near record levels with the recent weakening of the labor market and falling consumer confidence, however. Accordingly, housing starts weakened in March, especially single-family home construction. If layoffs continue at the pace of the last several months, we expect continued decreases in the number of housing starts.

Things continue to look grim for the **manufacturing** sector. The Chicago Purchasing Managers index fell to its lowest level since March of 1982 and the National Association of Purchasing Managers index revealed that the manufacturing sector has been declining for eight consecutive months. The personal computer market shrank for the first time in seven years during the first quarter of 2001. Accordingly, semiconductor billings dipped in February with most of the slowdown coming from the Americas. Business inventories fell in February, as did business sales, and the inventory-to-sales ratio remained unchanged, suggesting further inventory reductions lie ahead. Vehicle sales were well behind last year's pace in March but sales rates were still high. However, sales were pushed up by large incentives and lower interest rates. Overall durable goods orders increased 3% during March, but the growth was centered in the transportation segment. Durable goods orders fell 1.8% when excluding the volatile transportation sector. Industrial production also rose slightly during March on gains in the production of business equipment.

"...consumers became less confident in the direction of the economy during April."

After supporting the economy again in the first quarter, **consumers** became less confident in the direction of the economy during April. A weakening job market and declining business conditions caused consumers to lose confidence. While personal income increased at a better-than-expected rate in February, the personal saving rate remained at a record low. Accordingly, consumer credit outstanding surged during the month as credit card debt increased at almost a 20% annualized rate. Rising layoffs are causing more people to turn to credit card purchases as a way of coping with income changes. Consumers are borrowing, rather than sharply cutting back spending. Retail sales did decline slightly in March, although much of the decline was centered in automobile and gasoline station sales. Internet sales continued to grow in popularity during the fourth quarter of 2000, however, jumping 36% over the prior quarter. E-sales now represent 1 percent of total sales.

Inflation remained subdued during March, with both consumer and producer inflation increasing just 0.1%. Rising fuel prices and a fall in gasoline stocks make gasoline price spikes very likely during the summer driving season, however. In addition, the GDP price deflator rose, signaling that inflation may become more of a concern for the economy in the near future.

Though weakness in the national economy was less than expected, it is still clear that we are in a slowdown period. Aside from a strong housing market and continued growth during the first quarter, most sectors are pointing towards continued slowing in the economy. Even inflation, while remaining relatively tame, is showing signs of life. As long as inflation remains under control, the Federal Reserve Board should be able to maneuver the economy away from a recession. An up-tick in inflation could tie the Fed's hands, however.

Colorado Economy

by Tom Dunn

Despite a weakening national economy, Colorado's economy continued to roll along in good health through the first quarter. Employment gains remained strong and the unemployment rate was 2.7% in February. However, several job loss announcements created some concern and displaced workers are likely having a more difficult time finding new jobs relative to a year ago. Housing and nonresidential construction remained strong thus far in 2001. Weaker passenger traffic counts at the Denver and Colorado Springs airports indicated that the national economic slowdown began to affect the tourism industry and business travel. Although retail trade sales for the early months of 2001 are not yet available, state sales tax receipts that reflect sales activity through February exhibited a slowing growth rate in 2001 compared with recent years.

Employment

Colorado's employment picture was mixed in early 2001. Employment increased 4.3% through February. The unemployment rate increased to 2.7% in

Colorado's Economy at a Glance

Key Indicators	*Direction*	*Assessment*
Nonfarm Employment Growth		Good
Unemployment Rate		Good
Mortgage Rates		Good
Retail Trade Sales		Good
Home Prices		Neutral
Nonresidential Construction		Good
Colorado Inflation Rate		Bad
Overall Rating		**Good**

February, equal to the record-low average rate for 2000. However, announced job losses are mounting, while announcements of job gains were sparse. Additionally, recruiters and job seekers report that many companies have put a freeze on hiring plans.

Job losses totaled over 4,000 since mid-March, encompassing layoffs, moves, and attrition. Additionally, the losses extended beyond the high-tech sector cutbacks of recent months. Verizon Wireless will move its Englewood call center to Utah this summer affecting 170 workers. HomeBase, a national home improvement retailer, will close all seven of its Colorado stores and idle 700 workers by June. The Keebler snack plant in Denver will close in May and 470 employees will lose their jobs. Crested Butte Mountain Resort will lay off 15 year-round employees and reduce the status of 66 other employees after the ski season ends.

"Job losses totaled over 4,000 since mid-March, encompassing layoffs, moves, and attrition."

Boulder-based GE Access will lay off 55 workers in mid-April. TeleTech announced that 30 Colorado jobs would be cut. Columbia House will shut its record and CD distribution center in Pueblo County by the end of 2001, eliminating over 400 jobs. Software developer Insurance Technologies reduced its Colorado Springs work force by 25. CoorsTek Inc. laid off 15 workers at its Grand Junction facility. Advanced tech employers with announced job losses in the metro-Denver area included eCollege (35 jobs), OnStream (65 employees in Longmont), Global Commerce (90 workers in Broomfield), Lockheed Martin (600 jobs in Jefferson County), Integra Telecom (40 workers in Arapahoe County), Navidec Inc. (44 jobs in Greenwood Village), Convergent Communications (149 jobs in Arapahoe County), and Level 3 Communications (150 positions in Broomfield). Four Colorado Springs advanced technology firms announced cutbacks: Agilent Technologies (200 positions), LSI Logic (500), M/A-Com Inc. (90), and Ramtron International Corp (20). Fort Collins-based Advanced Energy Industries laid off 125 workers, while Hewlett-Packard cut 70 positions, mostly in marketing.

Three firms made positive announcements regarding hiring plans. Biopool International, a California-based biotech company, will move to Broomfield in June, employing 17 workers. ATMI Inc. will open an office in Colorado Springs and transfer 70 workers to serve the local semiconductor industry. A venture capital infusion will enable NeoCore Inc. to increase its Colorado Springs work force by 45 during the next six months. Further details on these job announcements can be found in the regional sections.

Residential Construction and Real Estate

According to the U.S. Census Bureau, housing permits increased 0.9%, or 70 units, through February. Single-family permits increased 5.6%, while permits for multi-family dwellings declined 9.2%.

According to Coldwell Banker, the average sales price in March for a single-family home was $250,249. Average resale prices have been in a narrow range for the last six months, with a high of $253,282 and a low of $248,234. This has been a typical pattern in recent years, while the average resale price typically escalates in May when the hot selling season begins. Meanwhile, the median price of a single-family home was $210,000 in March.

"...only 9.7% of homes in March were sold for less than $150,000."

According to the Denver Board of Realtors, only 9.7% of homes in March were sold for less than $150,000. Meanwhile, 35.2% of homes had a sales price range of $150,000 to $199,999, and 36.3% had a sales price range from $200,000 to $299,999. Condominiums were more affordable as 61.3% sold for less than $150,000.

The rental market for apartments remained tight. According to a report by the Colorado Division of Housing, the statewide vacancy rate was 4.3% in February, compared with 4.9% one year earlier. Eagle County had a single vacant unit out of 738, while the Salida area had no vacancies. In contrast, the Fort Morgan/Sterling area had a 10% vacancy rate. Meanwhile, the average rent for an apartment increased 4.8% from $718 in February 2000 to $753 in February 2001. The average rent in Eagle County topped $1,000, while Fort Morgan/Sterling recorded the lowest rental rent at $335.

Nonresidential Construction and Real Estate

According to F.W. Dodge, the value of nonresidential construction permits increased 27.4% through March. The largest category, commercial buildings, posted less than a 1% increase. Three categories showed gains of more than 100%: manufacturing (577%), education and science (162%), and public buildings (104%).

Frederick Ross Company reported that the metro-Denver office vacancy rate held steady in 2000, falling to 8.2% from 8.3% a year earlier. Nearly 3.3 million square feet of office space was constructed during 2000. Meanwhile, the industrial and retail markets were very healthy in 2000 as their vacancy rates also fell.

Denver was ranked first in an evaluation of commercial real estate investment conditions in the first quarter. Chicago-based Real Estate Research Corp. ranked 13 metro areas in eight areas including downtown, suburban offices, and industrial research and development.

Since the beginning of the year, however, the slowing economy has negatively affected the downtown office market and other business centers around the state. The amount of downtown Denver office space on the sublease market increased by 50% since the beginning of the year. Sublease space is typically rented back for less-than-market rates. According to Fairbairn Commercial, the average lease rate fell 4.1% in the first quarter. The southeast metro office market was affected similarly, as office vacancies were on the rise and lease rates softened. The Colorado Springs office market also dipped, as its vacancy rate increased to 7.2% in the first quarter, compared with 5.4% at year-end 2000.

The Lakewood Villa Italia mall will shut down in July. Retail sales have been declining at the mall for several years. A redevelopment of the site had been announced previously. A new "downtown" Lakewood is envisioned, with a mixed-use project combining retail, business, and residential. The $500 million project is expected to take three to five years to complete. Elsewhere in Lakewood, the Colorado Mills project, a $250 million retail and entertainment complex, had a formal groundbreaking ceremony in late April. The mall will include more than 200 tenants, but will not have major anchor stores. Depending on market conditions, the center could also include office space and residential areas.

Transwestern Commercial Services and MONY Real Estate will team up on a 350,000-square-foot office development in the Compark Business Park in northern Douglas County. The project is adjacent to E-470 and initial construction will begin in late 2001. Initial occupancy should take place in mid-2002.

Personal Income

"In a strong finish to the booming decade, Colorado personal income for 2000 increased 10.8%, a faster pace than any other state."

In a strong finish to the booming decade, Colorado personal income for 2000 increased 10.8%, a faster pace than any other state. Moreover, Colorado's compound average annual growth rate for personal income ranked second over the last ten years. The state's per capita income of $32,949 ranked 8th in 2000. To illustrate Colorado's strong growth during the 1990's, Colorado's per capita income ranked only 32nd in 1990.

Business

Business conditions improved for Colorado's small businesses, according to Vectra Bank. The small business index rose from 90.2 in February to 92.9 in March. Small businesses often have difficulty in hiring and retaining workers during a booming economy. The slightly higher unemployment rate suggests that small businesses may be having an easier time recruiting workers.

According to a report by the U.S. Census Bureau, women had majority ownership in 28% of Colorado's privately held firms in 1997. Only the District of Columbia, New Mexico, and Maryland had a higher percentage of women-owned businesses.

Transportation

Passenger traffic declined 1% at Denver International Airport in February. The traffic count was adjusted to account for leap year in 2000 . Airport officials were uncertain as to the cause of the decline, citing weather and the slowing economy as potential reasons.

Passenger traffic at the Colorado Springs Airport declined 12.8% in February. The figures were not adjusted for the 2000 leap year. Traffic declined by 1.7% in January. The decrease was also attributable to the temporary loss of two flights to Minneapolis.

DIA received $11.7 million from the federal government to help pay for a sixth runway at the airport. The $175 million project, largely financed with federal funds, will be completed in 2003. The three-mile-long runway will help planes with a heavy weight load gain enough speed to take off in Denver's thin air.

Agriculture

Colorado growers are cutting back on the acreage planted this year for its two primary crops. According to a survey conducted by the Colorado Agricultural Statistics Service, 220,000 fewer acres will be planted with corn, a 16% decline from last year. Winter wheat seeding for the 2001 harvest decreased by 100,000 acres, or 4%. Just over 3.5 million acres will be planted for the two crops.

"Colorado growers are cutting back on the acreage planted this year for its two primary crops."

All crop prices averaged higher in March, compared with a year ago. The mid-March price for wheat was 32% higher than last year. Corn prices were 7% higher. Most cattle prices registered higher than last year. The sole exception was the price for calves, which was 2% lower than last March.

Mining

Phelps Dodge Corp. determined that production at the Henderson molybdenum mine near Empire will be reduced this summer. Low prices for molybdenum, combined with higher electricity prices, are causing the reduction. The company is asking its employees to take vacation time, rather than reducing its work force. The company laid off 110 workers in December 1999 and an additional 130 in May 2000. The mine currently employs about 300 workers. The anticipated production in 2001 is 16.5 million pounds, compared with 20 million pounds in 2000.

Metro-Denver Region

Several Denver-area employers announced layoffs in the past month. Three telecommunication companies reduced their work forces. Convergent Communications laid off 149 Colorado workers in mid-April. The remaining staff of 150 is less than 10% of last year's work force. Integra Telecom, another telecommunications company, shut down its Denver business in mid-March, idling 40 workers. The Denver market was the smallest for the Oregon-based company and was cut from the firm's business plan in order to attain positive cash flow. The local workers were offered job transfers. Verizon Wireless transferred 170 jobs to Utah from its Englewood-based call center. Denver's higher-cost environment was cited as one reason for the departure.

Navidec Inc., an e-business consulting company in Greenwood Village, trimmed 44 jobs in an effort to restore profitability. The job cuts were mostly in the administrative area, though some tech jobs were also involved. Denver-based eCollege.com Inc. will lay off 35 workers in its marketing, development, data center, and administrative areas. The company was facing a business slowdown.

Lockheed Martin will reduce its work force by 600 jobs by the end of 2001. Lockheed Martin's employment pattern is highly volatile based on the number of contracts it can land. Most of the job reduction will be accomplished via attrition, though some layoffs will occur. Local company employment was as high as 12,000 in 1988. The latest reductions will reduce the company's local work force to its lowest level in decades.

The Keebler cookie plant in Denver will bake its last cookie in late May. The company was recently acquired by Kellogg Co. and the Denver plant closure is an effort to streamline company-wide operations. Keebler employs 470 workers and has been operating in Denver for 40 years. Meanwhile, the intensively competitive home improvement market claimed another victim in Colorado and other western states. HomeBase will close its five Denver-area and two Colorado Springs stores, idling 700 workers by late June.

"Retail trade sales increased a whopping 12.7% in the metro-Denver area in 2000."

Retail trade sales increased a whopping 12.7% in the metro-Denver area in 2000. Four of the five counties topped 10% growth, while Jefferson County barely missed the mark with a 9.9% increase. Douglas County had its smallest growth rate since 1992 with a 19.3% sales gain. The booming county had a compound average annual growth rate of 26.1% since 1990.

According to F.W. Dodge, a surge in spending on education and science buildings and other public buildings caused the value of nonresidential construction to increase 31.4% through March, compared with one year ago. The commercial sector, which comprises nearly 54% of all nonresidential construction value in metro Denver, advanced only 2.4%.

F.W. Dodge also reported that the number of housing permits fell 12.9% in the metro area through March. Single-family home permits registered a small 1.6% gain, while multi-family permits declined by 32.8%.

Boulder County

High-tech employers in Boulder County are also suffering from the nationwide sectoral slowdown. GlobalCommerce, a Broomfield-based software developer for the online banking industry, reduced its work force by 90. The five-year old company faced a slowdown in orders from its customers.

OnStream Inc., a tape storage firm, closed its Longmont headquarters, idling 64 workers. The company had difficulties obtaining venture capital to continue operations. It should be noted that venture capital has been very difficult to obtain in early 2001. Meanwhile, Exabyte Corp, which laid off 200 Boulder employees in March, will further consolidate its operations later this year. Manufacturing of its high-volume tape libraries and tape drives will be shifted overseas. An undetermined number of jobs will be affected. Exabyte will then close one of its four buildings in September.

GE Access laid off 55 workers in mid-April. The firm provides customer support for sales of products from other high-tech companies. The job reduction involved sales, marketing, and technical personnel.

Broomfield-based Level 3 Communications cut 150 positions in Colorado upon the virtual completion of its global network. The company will turn to marketing and selling the network and anticipates that job growth during the remainder of 2001 will exceed the level of cuts.

F.W. Dodge reported that the value of nonresidential construction increased 96.2% through the first three months of 2001. Commercial construction more than doubled, while the value of amusement facilities increased from $0.3 million through March 2000 to $18.1 million in the first quarter of 2001.

F.W. Dodge also reported that residential housing permits in the first quarter fell by nearly one-half in Boulder County. While permits for single-family homes increased 5.4%, the number of apartment units permitted fell 98.6%.

"The opening of the FlatIron Crossing mall in August strengthened Boulder County's share of retail trade."

Retail trade sales increased 13.8% in Boulder County last year. The opening of the FlatIron Crossing mall in August strengthened Boulder County's share of retail trade. Sales growth from August through the remainder of the year totaled 16.4%. In contrast, sales in the first seven months increased 11.7%. As a potential indicator of the impact of FlatIron Crossing upon metro-Denver retail, the retail trade sales in the five-county metro Denver area had a larger increase (14.5%) in the first seven months, compared with the last five months (10.4%).

El Paso County

Several **Colorado Springs** chip manufacturers announced layoffs of employees during the past month. M/A-Com Inc. will close its manufacturing plant and lay off most of its 90 workers. The company made chips for cell phones, cars, global positioning systems, and other products. The closure was unrelated to the economy or falling demand for chips. The trend is to more sophisticated chip technology used in the production of chips at other M/A-Com facilities.

Agilent Technologies will cut about 200 jobs at its local plant over the next 18 months. The company had previously announced that the planned reduction would be accomplished through attrition. However, normal attrition rates will not accomplish the planned reductions, so layoffs will be needed. The first jobs will be eliminated in June. The reduction is related to a shift of new production to the company's California plant.

LSI Logic will close its manufacturing plant in August, idling 500 workers. Approximately 100 workers will be offered a transfer to the company's Oregon facility. The company makes chips for wireless, data networking, and broadband products. The technology used at the local facility was less advanced than at other company facilities and was soon to be outdated. LSI Logic halted a $100 million upgrade to the plant earlier this year. The engineering and information technology divisions will remain in Colorado Springs.

SCI Systems Inc. closed its electronics plant in southeast Colorado Springs. However, the plant's employees were transferred to another company facility in nearby **Fountain**. The Fountain plant will have 1,700 employees when the consolidation of the two facilities is completed in June. Ramtron International Corp. announced that it would lay off 20 workers. About 100 workers would remain in Colorado Springs. Meanwhile, at Atmel, pay raises were halted and hiring was limited at all plants. The company is slowing the completion of a new 700,000-square-foot manufacturing facility.

"The layoffs at these firms will affect many other firms in Colorado that supply the companies with both services and production materials."

The layoffs at these firms will affect many other firms in Colorado that supply the companies with both services and production materials. Atmel alone conducted business with 550 firms last year in Colorado.

In more positive news, Intel began pre-production in March at its new Colorado Springs facility. Full-scale production will begin later this year. However, the company halted construction of a 60,000-square-foot section of the plant in February. The company has invested $1.1 billion in the facility which it acquired in early 2000. As an indicator of Intel's significance to the local economy, ATMI Inc. will open an office in Colorado Springs. ATMI provides services and products to the semiconductor industry, including cleaning, finishing, inspection, and storage of semiconductor parts. Approximately 70 employees will be transferred from other locations to staff the local operation beginning in June.

A venture capital investment of $10.4 million will allow NeoCore Inc. to increase its work force by 45 during the next six months. The 4-year-old company develops data management software. The new employees will be placed in sales, marketing, engineering, and software development positions.

According to F.W. Dodge, residential building permits increased 13.0% through March, compared with last year. Single-family home permits surged 23.2%, while multi-family permits fell 6.3%. Local building department officials reported that the number of permits in the first quarter was a record high. However, local observers believe that the recent record home-building pace will slow through the remainder of 2001 as the impact of the recent layoffs is felt.

F.W. Dodge also reported that the value of nonresidential construction increased 9.1% over 2000. The value of manufacturing plant construction surged from less than $100,000 last year to nearly $52 million through March. However, commercial construction fell by $50 million through the first three months.

Northern Region

Please refer to the Regional Economic Review for a detailed overview of the economy for Larimer and Weld counties.

Mountain and Western Regions

"A slowdown in destination skier visits to three Colorado ski resorts prompted work force reductions."

A slowdown in destination skier visits to three Colorado ski resorts prompted work force reductions. **Crested Butte** Mountain Resort will lay off 15 full-time workers and reduce 66 workers to seasonal status in May. Skier visits have declined dramatically during the past three years, prompting the job cuts. The resort will scale back its summer season and delay its winter ski opening by about three weeks in an effort to reduce expenses. **Aspen** Skiing Co. slashed 25 year-round positions in its planning and marketing departments, as well as in mountain operations. The company said it would hire fewer seasonal workers next ski season. Aspen's ski areas saw only a modest rebound in ski rider visits this season after declines of 7.5% and 8.5% the previous two years. Declining retail sales were another indicator of the tough times for Aspen. Sales fell by almost 6% in February, following a 3.6% decline in January. Finally, **Sol Vista** in Grand County laid off 16 full-time workers.

"Other ski resort areas are planning new residential construction."

Other ski resort areas are planning new residential construction. Vail Resorts will begin construction on its first project in **Breckenridge** in April, with the first phase scheduled for completion in late summer 2002. Thunder Mountain Lodge will eventually have 188 units in a five-building complex. The new development will also contain a 5,840-square-foot conference center.

Granby will be the location for 608 new homes. The project between the town and the nearby Sol Vista ski resort will include a mix of single-family homes, condos and townhomes, and cabins. A new golf course and other recreational amenities will be part of the development.

Several public-sector projects will keep construction crews busy in **Aspen** this year. The Aspen School District will begin construction on a new high school in June. The city of Aspen started building a new ice rink and swimming pool. The local housing authority began building an affordable housing project in March. The Parks Department is adding and improving several amenities this summer and widening of Highway 82 will resume in April.

The city of **Glenwood Springs** is building two new facilities. Construction will begin this summer on a new 38,000-square-foot municipal center that will house several offices of the city's government. Later this spring, ground breaking will start for a new operations center for the city's fleet maintenance and public works field operations.

Two jet service announcements were made for the western region of Colorado. Continental Airlines will add a Houston to **Montrose** flight during the summer months, marking the first time that Montrose will have flights in the summer. Montrose has flights in the winter that serve the Telluride area. However, Northwest Airlines will stop flights from Minneapolis to **Aspen** in June. June is a "shoulder" month in Aspen when the winter tourism season has ended, but summer tourism is not in full swing. The flights from Minneapolis will resume in July.

Southern Region

Columbia House will shutter its distribution center in **Colorado City** by the end of the year, idling more than 400 workers. Sales from Columbia House were down 40% from two years ago. Record and compact disc distribution companies are facing tough competition from other Internet retailers.

A large residential development is underway in **Pueblo**. The 152-acre Boulevard Park will eventually have 346 single-family homes, 116 patio homes, and 24 multi-family units. An office complex and recreational amenities will accompany the development.

A Wal-Mart Supercenter store opened in **Alamosa** this month. The 187,000-square-foot store will employ more than 400 workers and serve the San Luis Valley. The jobs will be welcomed in the Alamosa-Conejos labor market area which had a 6.3% unemployment rate in February.

Colorado Indicators
Year-to-Date Growth Rates

Indicator	February 2001	2000 Annual Average	1999 Annual Average
Nonfarm Employment Growth ¤	4.3%	3.9%	3.6%
Unemployment Rate ¤ ‡			
(seasonally adjusted)	2.7	2.6	2.9
Housing Permit Growth ~	0.9	9.0	-3.6
Single family	5.6	-1.9	6.4
Apartments	-9.2	47.2	-27.6
Growth in Value of			
Nonresidential Construction §*	27.4	-14.2	25.1
Retail	28.1	-12.8	22.4
Offices	-22.1	22.9	-3.4
Factories	637.0	-71.7	131.6

¤ Colorado Department of Labor and Employment data.
‡ Actual level, not growth rate.
~ U.S. Census Bureau data.
§ F.W. Dodge data.
* Nonresidential Construction data is through March 2001.

Note: An inflation rate is not calculated for the state. The Denver-Boulder-Greeley inflation rate is often used as a proxy for Colorado's inflation rate. The Denver-Boulder-Greeley inflation rate was 4.0% in 2000, following a 2.9% rate in 1999.

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 2001)	-6.4	7.6	3.2	1.7	1.6	2.1	-2.9	0.5	-12.8	-3.4	-1.4	-3.6	-3.3	-2.4
Unemployment Rate (not seasonally adjusted) (in February 2001)	5.6	2.2	3.1	2.3	3.5	2.8	3.8	3.5	2.8	5.6	4.3	1.6	1.4	2.6
Retail Trade Sales Growth (through December 2000)	8.6	13.8	9.5	12.7	7.1	9.9	7.8	12.3	4.2	10.4	4.6	8.1	10.0	9.8
Growth in Value of Non-residential Construction* (through March 2001)	①	96.2	9.1	31.4	-93.5	96.8	②	45.4	③	④	-92.8	⑤	-94.9	⑥
Housing Permit Growth * (through March 2001)	28.6	-49.0	13.0	-12.9	-9.7	-30.7	38.2	25.9	23.1	-1.4	49.3	80.3	⑦	17.2

Actual level not growth rate.
Colorado Department of Labor and Employment data.
* F.W. Dodge data.
Colorado Department of Revenue data.

① $150,000 was contracted in 2001, while nothing was contracted in 2000.
② $12.0 million was contracted in 2001, while $1.3 million was contracted in 2000.
③ Nothing was contracted in either 2000 or 2001.
④ Nothing was contracted in 2001, while $500,000 was contracted in 2000.
⑤ Nothing was contracted in 2001, while $10.9 million was contracted in 2000.
⑥ $1.5 million was contracted in 2001, while nothing was contracted in 2000.
⑦ 63 units were contracted in 2001, while 28 units were contracted in 2000.

Regional Economic Review - Northern Region

by Josh Harwood

The economy in the northern region of Colorado (Larimer and Weld counties) has become increasingly diversified in recent years. From the agricultural and mining employment of eastern Weld County to the urban centers of Greeley and Fort Collins, the region has enjoyed widespread expansion beyond the state average for population and employment growth. It has benefited greatly from nearby growth in Boulder and the Denver metro area, providing lower cost housing and commercial rates for employers. Additionally, it remains a state center for livestock ranches and oil and gas mining.

Population and Employment

Based on figures from the 2000 Census, Larimer County is the seventh-largest county in Colorado with 251,494 people. Weld County remained the state's eighth-largest county, adding nearly 50,000 people over the last decade. Among Colorado's ten-largest counties, Weld (37.3%) and Larimer (35.1%) counties were the second- and third-fastest growing counties, respectively, during the 1990s. The largest city in the region is Fort Collins, which is home to 27.4% of the region's residents, followed by Greeley, which includes 17.8% of the residents. Among Colorado cities with more than 50,000 residents, Fort Collins was the state's third-fastest growing municipality during the 1990s, growing by 35.6%. Table 2 summarizes the Colorado cities with the largest population growth.

The last decade has also seen extremely strong growth among small towns and unincorporated areas in the region, many of which have developed into bedroom communities for Greeley, Fort Collins, Boulder, and Denver. In addition to Greeley's growth of 27.3% during the 1990s, several areas in southwestern Weld County boomed, as building has been more appealing to developers not willing or unable to effectively deal with growth restrictions in Boulder and Larimer Counties. Two examples of this are the towns of Erie, which more than quintupled in size during the 1990s, and Mead, which quadrupled during the last decade. Further north, in between Greeley and Fort Collins, the town of Windsor essentially doubled in size during the last ten years.

Table 1
Northern Region Economic Indicators at a Glance

	Northern Region	Colorado
Population Growth		
1990-2000 Compound Average Annual Growth Rate (CAAGR)	3.1	2.7
Employment Growth		
1990-1999 CAAGR	4.5	3.8
1999-2000 Growth Rate (through 3rd quarter only)	4.6	4.4
Unemployment Rate (Regional data not seasonally adjusted)		
1990-2000 Average	4.1	4.2
2000 Annual Average	3.1	2.7
Retail Trade Sales Growth		
1990-2000 CAAGR	9.2	8.6
1999-2000 Growth Rate	10.7	11.5
2000 Nonresidential Construction	-35.8	-14.2
2000 Residential Construction	1.2	-4.2

Sources: Population - U.S. Census Bureau. Employment and Unemployment - Colorado Department of Labor and Employment and series ES202 data. Construction - F.W. Dodge data.

Table 2
2000 Census Population Gains
(Colorado cities with population over 50,000)

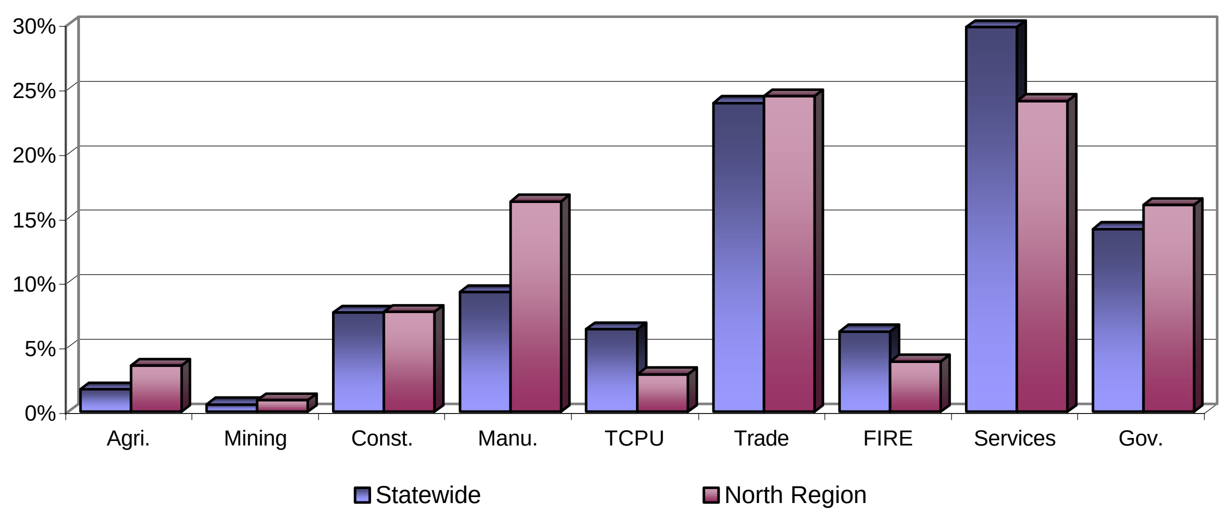
City	1990	2000	Percent Change
Thornton	55,031	82,384	49.7
Longmont	51,976	71,093	36.8
Fort Collins	***87,491***	***118,652***	***35.6***
Loveland	***37,357***	***50,608***	***35.5***
Westminster	74,619	100,940	35.3
Colorado Springs	280,430	360,890	28.7
Greeley	***60,454***	***76,930***	***27.3***
Aurora	222,103	276,393	24.4
Denver	467,610	554,636	18.6
Arvada	89,261	102,153	14.4
Lakewood	126,475	144,126	14.0
Boulder	85,127	94,673	11.2
Pueblo	98,640	102,121	3.5

Employment growth in Larimer and Weld counties has consistently been above the state average. According to the Department of Labor and Employment ES202 series data, employment in the region grew 4.7% through the third quarter of 2000, compared with the same period in 1999, and at a compound average annual rate of 4.4% between 1990 and 1999. Like most of the state, the fastest growing sector was construction. Construction employment grew at a compound average annual rate of 9.3% between 1990 and 1999. The services sector has also grown substantially, at a compound average annual rate of 6.9% between 1990 and 1999. This expansion has been fueled by growth in small bedroom communities surrounding Loveland and Fort Collins, as well as continued spreading from the metro-Denver area into southern Weld County.

Employment in the region is dominated by four industries: services, trade, manufacturing, and state and local government. The trade and services sectors combine to employ nearly one-half of the work force in the region. Meanwhile, manufacturing and government employment each make up roughly 16% of the region's workers. Figure 1 summarizes the region's and statewide employment base. The area's composition of employment has not changed dramatically in the last 10 years, though there has been some movement toward the services and construction sectors as both the manufacturing and government sectors have employed an ever smaller percentage of the work force.

The northern region's **manufacturing** industry experienced moderate growth in the 1990s. Though manufacturing employment grew at an average annual rate of 2.2% between 1990 and 1999, it did show greater expansion in 2000. No doubt benefiting from the high-tech expansion of the last five years, the region's manufacturing employment increased 4.3% in the third quarter of 2000, compared with 1999's third quarter. Additionally, these rates are above the state averages for the same periods.

Figure 1
North Region and Statewide Employment Shares
(Third Quarter 2000)



Manufacturing firms are a much larger percentage of employment in the region than statewide. This is especially the case in Weld County, where ConAgra Inc. is the largest employer. ConAgra, Inc., the parent of Greeley-based meat processor Monfort Inc., is important not only to Weld County's manufacturing industry but also to Weld County's agriculture sector, which sells much of its production to the firm. Monfort's corporate headquarters and some meat processing plants and feedlots are located in Greeley. ConAgra owns two other companies in Weld County – Swift and Co., a pork production plant, and United Agri Products, a chemical and seed distributor. Of ConAgra's nearly 6,000 employees in Colorado, roughly two-thirds are located in Weld County.

"Manufacturing firms are a much larger percentage of employment in the region than it is statewide."

In Larimer County there was some positive news, as Woodward Governor Co., which makes components for power generation equipment, announced it is hiring 100 employees for jobs in Fort Collins and Loveland for its Industrial Controls division. The company hopes to have all the positions filled by the end of May, and then has further plans for expanding its current space by more than 10%. Currently, Woodward employs 724 people in Fort Collins and Loveland.

Larimer County's manufacturing industry relies heavily upon advanced technology, and thus has experienced some slowing in the last year. Hewlett-Packard is the region's largest private employer with nearly 4,000 employees in Fort Collins, Loveland, and Greeley. The company recently announced it will cut up to 3,000 management positions nationwide, or 3.5% of its work force. It is still unclear how many layoffs, if any, will occur in the region.

Smaller firms in the region's high technology industry are also starting to feel the pinch of a declining stock market and slowing consumer spending. Fort Collins-based CollectibleTown.com closed its doors at the end of January. The seller of contemporary collectibles from the likes of Disney and Hummel, had forecast hiring up to 150 employees this year before vacating its 10,000-square-foot headquarters. In similar news, CyberCrop.com, a grain exchange for farmers and buyers, laid off 23 employees, or 30% of its workforce, in December.

In other manufacturing news, Fort Collins-based Encorp announced it will move to Windsor. The company, which provides services that allow businesses to survive brownouts and power flickering, is building an 80,000-square-foot building that will house its administration, manufacturing, and research and development staff. It also expects to double its current work force to 200 by the end of 2001.

Agriculture is a vital sector of Weld County's economy, and a major contributor to the agriculture sector in Colorado as a whole. Over three-quarters of Weld County is covered by farms and ranches. The livestock sector is the most prominent element of Weld County's agriculture industry, with more than 80% of the market value of agricultural products produced in Weld County. Weld County was home to 90 of the state's 185 dairies in 2000. It is the state's largest milk producer, accounting for 64% of the state's milk production. Also, Weld County is home to approximately 20 percent of the state's cattle, hog, and pig inventory. Due to a harsh winter over much the plains states region, retail beef prices soared to record levels in January. Prices for retail beef were $3.21 per pound in January, eclipsing the previous high in September 2000 of $3.13. Analysts cited both the harsh winter, as well as limited supply from farmers still replenishing herds thinned due to drought and low prices in the late 1990s.

"Agriculture is a vital sector of Weld County's economy…"

Citing economic pressure imposed by a voter-approved constitutional amendment restricting waste disposal, National Hog Farms shut down their operations in Kersey, resulting in over 100 layoffs. About twenty senior managers have been retained.

Crop production in Weld County remains a significant portion of the county economy. In 1999, the county was the largest producer of sugar beets and hay in the state. Weld County produced 39.5% of the state's sugar beet harvest, and 13.1% of the state's hay harvest. Weld County also produces a large portion of the state's corn crop. The county produced roughly 12.3% of the state corn harvest in 2000, making it the second-largest producer of corn-for-grain in Colorado. In addition, Weld County is the largest producer of dry beans in the state. Weld County also controls a significant portion of the state's barley harvest, controlling 13.6% of the state's production. Weld County is the state's tenth largest producer of winter wheat, making up 5.5% of the state's total harvest.

Profits on farms took a hit last year as many crops saw prices plummet due to abundant yields. Sugar beet production was up more than 2% in 2000. Weld and Larimer counties are the top and fifth-largest producers of sugar beets, respectively, in Colorado. The increase in sugar beet production, coupled with a 3% increase in sugar cane production, has resulted in prices approaching 22-year lows. In addition, low prices also characterized the markets for corn and wheat for much of 2000 and into 2001.

"Oil and gas production remains a staple of the Weld County economy."

Oil and gas production remains a staple of the Weld County economy. Weld County is the top producer of natural gas in the state, producing 36.7% of the state's total output in 2000. Gas production in the county increased 7.5% in 2000 compared with 1999, much higher than the 2.5% increase statewide. In addition, Weld County passed Rio Blanco County as the state's largest producer of oil in the state, with nearly 30% of the state's oil production through September 2000. Production of oil statewide had declined 3.7% over year-to-date figures for 1999, while production in Weld County had flourished, up 5.6% over the same period. The majority of oil and gas wells are located in the southwest area of the county, near the burgeoning bedroom communities.

High oil and gas prices have prompted many Weld County firms to expand production in the last few months. The Colorado Oil and Gas Conservation Commission expects to issue close to 2,400 permits statewide this year, an increase of approximately 57% over 2000 figures. HS Resources Inc., Weld County's largest natural gas producer, expects to drill up to 100 wells in 2001, twice as many as in 2000.

The **government** sector is another vital component of the area economy, accounting for 16% of the work force. Colorado State University (CSU), located in Fort Collins, is the largest employer in the region with nearly 7,000 full-time employees. Meanwhile, the University of Northern Colorado (UNC) in Greeley provided just under 2,000 jobs. UNC received a 250,000-square-foot office building from a local real estate investor in September. The record donation of $11 million will be used as either an academic building or for university business functions when the university takes control of the building in October 2003. Both schools have seen enrollment gains over the last five years, though CSU has had growth tempered somewhat due to a diminishing nonresident student population. Enrollment at UNC was up 7.8% to 10,310 full-time-equivalent students between FY 1995-96 and FY 2000-01, while Colorado State saw a more modest increase during the same period of 2.2% to 20,709 full-time-equivalent students.

More than 50% of the land in Larimer County is covered by Roosevelt National Forest, Rocky Mountain National Park, state parks, and recreation areas. Rocky Mountain National Park is the largest national park in Colorado, and was visited by 3.8 million people in 2000, up 0.4% from 1999.

The **construction** industry employed 7.8% of northern Colorado's work force in the third quarter of 2000. Similar to a statewide trend, it has remained the region's fastest-growing employment sector, adding an average 9.3% to its employee base each year during the 1990s.

Residential Construction and Real Estate

Residential construction remains healthy in the region. According to F.W. Dodge, residential construction in Larimer and Weld counties grew 1.2% in 2000 compared with 1999. This growth was fueled almost entirely by construction of single-family homes in Weld County. Continued residential building in southwestern Weld County, just north of the metro-Denver area, helped boost single-family home construction by nearly 30% in Weld County in 2000.

As evidence of this trend, Weld County passed Larimer County in new home sales for the first time in 2000. In spite of the boom in residential building, the National Association of Home Builders ranked Greeley as Colorado's least affordable housing market in the fourth quarter of 2000, followed by the Fort Collins-Loveland metro area. The study bases affordability on the percentage of homes affordable to those making the median income. According to the National Association of Realtors, the median home sales price in Greeley during fourth quarter of 2000 was $131,500, up 7.5% from the previous year. Meanwhile, prices in the Fort Collins-Loveland area also jumped significantly, increasing 9.1% to $174,800.

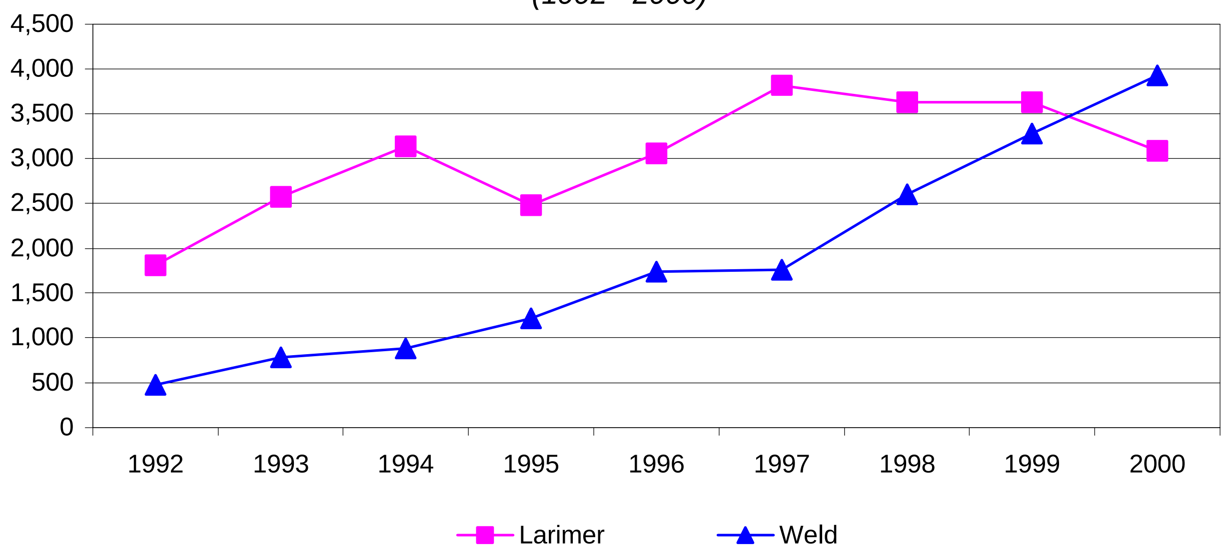
Despite tighter building restrictions and slower growth than neighboring Weld County, Larimer County has several residential projects underway. One of the region's largest developments is Harvest Park, located south of Fort Collins. Some of the 470 homes have already been completed, and developers expect to take three years to complete the mix of single-family houses and townhomes, with prices ranging form $160,000 to $235,000. The Stetson Creek subdivision has approximately 50 homes already occupied, with final buildout expected to be completed by July with 85 new single-family homes ranging from $225,000 to $270,000. Next to Stetson Creek is Saddlebrook, with 100 homes expected to be completed by the end of 2001.

In Weld County, construction has begun at the Tuscany subdivision in Evans. Plans call for more than 2,500 single and multi-family units.

Citing lower prices and looser building restrictions than those found in Boulder, Adams, and Denver counties, the southern part of the region has become increasingly appealing to developers and consumers alike. In Loveland, Hunters Run expects to begin housing occupants in its 249 townhomes and patio homes by the end of the summer. Units are priced between $160,000 and $235,000. Buckhorn Village, also in Loveland, has approximately half of its 200 planned homes completed and occupied.

A national trend of converting agricultural land to other uses has reached the northern region. According to Colorado State University, the rate at which agricultural land is being developed has more than doubled in the last five years, averaging nearly 300,000 acres per year statewide. According to the study, this trend is especially prominent in Larimer

Figure 2
Residential Units Permitted
(1992 - 2000)



and Weld counties as the region's urban areas continue to expand with their growing population.

Nonresidential Construction

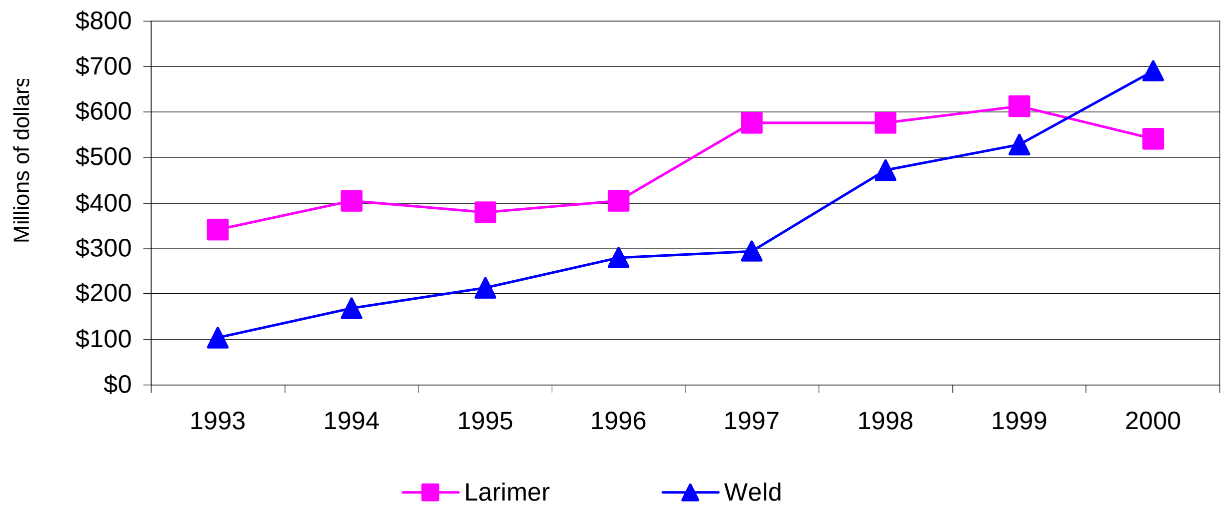
According to F.W. Dodge, the value of nonresidential construction was off 35.6% in 2000, following a banner year in 1999. Similar to residential construction activity from last year, Weld County was stronger than Larimer County, as construction values rose by 13.1%. This was not enough to offset the 57.9% decline found in Larimer County. The positive news in Weld County was led by the office sector, which went from barely above $2 million in activity in 1999 to nearly $32 million in 2000. The decline in Larimer County was widespread as all major sectors fell off, led by manufacturing construction, which declined by more than 85%.

Retail construction again proved to be mixed, as Weld County saw construction soar by 45%. Meanwhile, Larimer County retail construction plummeted by 69.8% in 2000. However, several retail developments are in progress in the region. Greeley's Hillside Mall is in the process of receiving $8.9 million worth of renovations and upgrades. Also planned is an 11-acre retail center for a retail-starved area in East Greeley. Included in the project are a convenience store and car wash, with a strip mall to house a dry cleaner, restaurant, liquor store, and 18,000-square-foot grocery store.

Office construction declined by 71.2% in Larimer County in 2000, while Weld County more than offset Larimer's pullback through the construction of roughly 10 times more office space in 2000 than it did in 1999. Weld County is garnering much of the new office construction. Construction has started on The Bittersweet Office Plaza in Greeley. The first of six 36,000-square-foot buildings is expected to be completed by June 2001. Mountain Vista Center will include up to 60,000 square feet of medical office space to accompany the 24,000-square-foot North Colorado Outpatient Surgery Center in West Greeley.

The Fort Collins area is not without some significant nonresidential construction as vacancy rates have dipped below 7%, according to the latest market survey by Realtec. Preston Center at Wildwood Business Park in Fort Collins is in the final planning stages. Developers hope to begin construction on the 120,000-square-foot office complex in May. Construction has also begun on two 18,000-square-foot research and development buildings at the Centretech complex. Also at this location, Norlarco Credit Union is building a new 4,000-square-foot facility. Centretech is part of the 235-acre Centre for Advanced Technology research park.

Figure 3
Value of Nonresidential Permits
(1993 - 2000)



Mixed-use developments are increasingly more common. The largest ongoing project in the region is the 473,000-square-foot Promontory office project. The $65 million complex will have three buildings and will house the State Farm Insurance Mountain States Regional Headquarters and ConAgra Beef Company. State Farm is expected to move up to 1,300 employees to Promontory in August and ConAgra will relocate in early 2003. In addition, developers are planning 750 single-family homes and up to 600 multi-family units over the next five years. Finally, a two-story, 120,000-square-foot office complex is under construction in Fort Collins. Overall, the mixed-use project will encompass 80 acres and is slated to include a Hilton Hotel, bank, and retail shops.

Summary

Though Weld County has clearly enjoyed the lion's share of the region's growth in the last year, Larimer County's economy is still maintaining healthy growth. In many ways, Larimer County's burgeoning advanced technology industry is providing greater exposure to the stock market plunge, while failing to cash in on high energy prices that have helped Weld's oil and gas industry. Lower construction and housing costs continue to make the northern region appealing to developers and companies looking to relocate. Though the region would not go unscathed if a widespread economic downturn ensues, it should be expected to remain above the statewide averages for growth.