Colorado Economic Chronicle

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National Economy

The longest economic expansion in the nation's history is officially at an end. Inflation-adjusted gross domestic product (**GDP**) fell 0.4% in the third quarter of 2001, the worst GDP report since the beginning of 1991. While the decline in GDP is the strongest signal that the nation may be in recession, the results were better than most analysts were anticipating. Consumer spending remained positive, though it increased by only 1.2%. Business investment, however, dropped at an annualized pace of 11.9%. Both imports and exports declined during the quarter. A large decline in consumer confidence in October causes concern for spending in the fourth quarter, the most important quarter for the majority of retailers. It is unlikely that businesses will increase spending in the fourth quarter, so if consumer spending continues to slow, it is likely that fourth quarter GDP will also decline.

"The longest economic expansion in the nation's history is officially at an end."

The **employment** situation took a dramatic dive in October, with the number of jobs dropping by 415,000. These losses are on top of a 213,000 job decline in September. October marked the single worst monthly job loss since May 1980. While manufacturing continues to be hit hard, losing over 1 million jobs since the beginning of the year, job cuts have become quite widespread. The service and retail sectors, which have seen very strong growth in jobs for the last decade, shed 111,000 and 81,000 positions, respectively, during October. This is more of a concern in the retail sector, as October is typically the month that retailers begin to add help for the holiday season. The **unemployment rate** also jumped to 5.4%, the highest rate since the end of 1996. The four-week moving average of initial jobless claims crossed the 500,000 plateau for the first time since 1991 during the week of October 20, before falling back slightly to 497,000 in the week of October 27. Continuing claims are also very near their 1991 high.

Consumers deserted the economy after the September 11 terrorist attacks. Consumer confidence fell to its lowest level since 1994, and has declined 30 percentage points during the past two months. Consumer spending experienced its largest one month decline since 1987 and a larger drop has not been seen since 1960. Consumer spending, which has been the primary driving force of the long-running economic expansion, represents two-thirds of the nation's economic activity. Accordingly, retail sales also fell sharply during the month. The drop was led by apparel sales, which declined 5.9%, and automobile sales, which fell 4.6%. However, rebate and financing offers from automobile manufacturers helped automobile sales, which were down 40% the week after the attacks. Sales are also fighting flat personal income growth in September and are down despite the impacts of the federal tax rebate checks.

The **construction** sector is slowing on all fronts. Construction spending fell 0.4% in September after declining 1.2% in August. Construction spending has declined for five straight months, showing that the economy was slowing prior to the terrorist attacks. The decline during the past two months has been led by reduced spending on new nonresidential projects including industrial, retail and warehouses, and streets and highways. Spending on single-family home construction declined for the first time since March. In addition, existing home sales, new home sales, and new home construction all declined in September. Permits for new home construction fell 3% in September with single-family permits falling 4%. Existing home sales fell sharply, dropping 11.7% in September. Meanwhile, the median home price declined 3.6%. Conditions in the housing and construction markets will continue to tighten as business and consumer sentiment remains skeptical about the downturn in the economy, business conditions, and the prospects for a continued war on terrorism.

"The National Association of Purchasing Manager's index fell dramatically in October…"

The National Association of Purchasing Manager's index fell dramatically in October, marking the 15th consecutive month of contraction in the **manufacturing** sector. Previously, the index had shown that a correction in inventories may have been underway, which would allow manufacturers to increase production. The latest release, however, shows that the manufacturing sector has been stymied by the terrorist attacks. The index reached its lowest level since 1991. The index also showed that weak world economies are providing little support for the faltering domestic manufacturing sector. The one positive from the index was a 50-year low reading for the prices index, showing that inflation is almost nonexistent in manufacturing. Meanwhile, industrial production declined for the 12th consecutive month in September, falling 1%. The declines in production have led to the lowest level of capacity utilization since 1983. Durable goods orders dropped sharply in September as a result of the attacks. On the positive side, some signs of stability were seen in the semiconductor industry where improved inventory levels have led to two straight monthly increases in orders.

"Overall low inflation rates continue to be a positive card in the Federal Reserve Board's hand as they attempt to stimulate the economy."

Inflation increased faster than anticipated at the consumer level during September, jumping 0.4%. The core rate, which excludes the volatile food and energy sectors, rose just 0.2%, however. In addition, prices increased at an annual rate of just 0.7% in the third quarter, significantly slower than the first and second quarter rates of 4.0% and 3.7%, respectively. Producer prices also increased 0.4% in September, matching the rate of increase experienced in August. Overall low inflation rates continue to be a positive card in the Federal Reserve Board's hand as they attempt to stimulate the economy. Indeed, the Fed cut the federal funds rate to 2.0% after its November 6 meeting.

With the national economy already slowing significantly, the effect of the September 11 attacks was to dramatically speed up the economic malaise. Most of the economic data released during the past month was negative and there are few signs of better circumstances in the near future. Low inflation will allow the Fed continued leeway with monetary policy. Consumers have become concerned about the job situation, terrorism, and historically high debt levels, thus they are working to improve their balance sheets. While this is good for the long-term health of the economy, it adds to the pressures on businesses and the economy in the short term.

Colorado Economy

Colorado's economy continues to weaken. The state was hit hard by the cutbacks that followed the September 11 attacks, especially in the transportation and tourism industries. Declines from one year ago can also be seen in the manufacturing and construction sectors. The economy has been further weakened due to slowing job growth, anemic retail sales, and subpar income growth.

Colorado's Economy at a Glance

Key Indicators	*Direction*	*Assessment*
Nonfarm Employment Growth	↑	Weak
Unemployment Rate	↑	Good
Mortgage Rates	↓	Good
Retail Trade Sales	↑	Weak
Home Prices	↑	Neutral
Nonresidential Construction	↔	Good
Colorado Inflation Rate	↑	Bad
Overall Rating	↑	**Good, but weakening**

Employment

The unemployment rate remained fairly stable at 3.7% in September, an increase of 0.1% from August. Nonagriculture wage and salary employment is 2.6% higher through September, compared with the same period in 2000. However, employment growth has weakened throughout the year. September's employment was only 0.9% higher than in September 2000. The employment data do not yet incorporate the impacts of the September 11 terrorist attacks. The survey encompassed the week beginning September 10. A worker was counted as employed if working only a single day during that week. The release of the October unemployment rate and employment level is expected to show further deterioration.

"September's employment was only 0.9% higher than in September 2000."

Job announcements were numerous in the past month. Due to the slowdown in the state's economy, however, announced layoffs exceeded announced new hires. Layoffs totaled 2,719, while gains were 457.

Among the gains, Keller Williams Realty, despite the downturn in the residential real estate, recently hired more than 190 new agents at its market centers in Colorado. Keller Williams is one of the nation's fastest-growing, full-service real-estate companies with more than 1,100 agents in Colorado.

Information regarding additional employment losses and gains can be found in the regional sections.

Residential Real Estate

According to the U.S. Census Bureau, total housing permits increased 8.7%, or 3,534 units, through September. Single-family permits increased 3.6%, while permits for multi-family dwellings increased 20.8%. Local construction officials believe that the residential real estate sector may be reversing course in coming months. Much of the strength is due to projects that were in the pipeline when the economy was stronger. The vacancy rate for apartments rose to 6.8% in the third quarter, compared with 3.7% one year ago, and will lead to a construction slowdown.

Single-family home prices in the **metro-Denver** area fell in September, a normal seasonal occurrence. The average resale price for a single-family home was $254,643, only 1.8% higher than one year ago. The average price year-to-date was 8.3% higher than last year. The median prices for homes and condos this year increased 10.7% and 11.8%, respectively. The number of foreclosures in the metro-Denver area increased 17.5% during the third quarter, compared with one year ago. However, foreclosures have increased only 4.8% year to date. The number of foreclosures are far below the real estate bust period of the late 1980s and early 1990s. Still, some real estate analysts are concerned about the rising trend because of the large number of layoffs and high debt to equity ratios for many homeowners.

According to the Aspen Board of Realtors, the dollar volume of home sales in **Aspen** was down 37%

through the third quarter, compared with the same period last year. The number of single-family home sales in Aspen dropped to 49 during the third quarter this year from 70 during the same period in 2001.

Single-family housing construction in **El Paso County** decreased 20.4% in September, compared with the same month last year. The weakening in demand for new houses is being attributed to the high number of layoffs and the terrorist attacks on September 11. To further signal a slowdown in the local real estate market, single-family home resales fell 20.2% in September, compared with the same month last year.

The University of Colorado in **Boulder** is planning the college's first major housing project in 30 years. The $100 million student apartment complex will consist of clusters of two- to six-story buildings and multiple parking structures to be completed by 2008.

Nonresidential Construction

According to F.W. Dodge, the value of nonresidential construction permits fell 1.7% through September, compared with last year. Activity in the commercial construction sector decreased by 18.6%, with the public building sector experiencing the largest decrease of 53.4%. Despite the decrease in overall nonresidential construction, building activity increased in the manufacturing, education, and hospital and health treatment sectors.

A **Loveland**-based company, Super Vacuum Manufacturing Co., plans to build a 42,000-square-foot manufacturing facility in Loveland. The company plans to consolidate its rescue-truck manufacturing business into the new business. The company's cast-aluminum foundry and its emergency-ventilation and rescue-light production operations will remain in the other two buildings the company currently occupies. The company currently employs 75 people and plans to create 15 new positions over the next two years. Construction on the new building will begin in November and be completed by mid-2002.

McWhinney Enterprises announced plans to build a distribution warehouse complex near the **Fort Collins-Loveland** Municipal Airport. The first phase of development includes a 100,000-square-foot facility to be completed within the next 18 months. Long-range plans consist of 500,000 square feet of warehouse space to be developed on the site. The total project will be geared toward large distribution tenants with a minimum space of 10,000 square feet per tenant.

Consumer Spending

Retail trade sales have weakened considerably thus far in 2001. Consumers are wary of the high number of layoffs and tourism in Colorado is weak. August marked the fourth-consecutive month of a year-over-year decline in sales. Through August, retail trade sales increased only 1.7%. The magnitude of the spending slowdown is large as spending increased 11.5% in 2000.

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Transportation

Due to the terrorist attacks on September 11, air travel has been affected drastically throughout Colorado. The number of passengers boarding airplanes at Denver International Airport (DIA) fell by one-third, or by nearly one million, compared with a year ago. In September, passenger traffic at the Colorado Springs airport fell nearly 35% to its lowest monthly total in 6 years. At Walker Field Airport in Grand Junction, there were 40% fewer passengers in September, compared with the same time last year. Montrose Regional Airport's passenger traffic was 20% lower than September 2000.

Air Wisconsin announced plans in October to cut 330 jobs nationwide, or 10% of its work force and 14% of its flights. The airline operates as United Express in Colorado with routes to Grand Junction, Rifle, Vail, Colorado Springs, Montrose, and other small communities. Three of the United Express flights to be cut will be between Aspen and Denver during the heart of the ski season. The Eagle County Airport also suffered cuts with the loss of one flight from Denver and one flight from Los Angeles. At the Montrose Regional Airport, Air Wisconsin will eliminate all 17 positions as part of the cuts. However, most of the 17 employees will keep their jobs when SkyWest Airlines takes over the four Denver-Montrose daily flights.

In more positive news, private jet companies are seeing an increase as business travelers turn to chartered flights as a solution to the security situations at commercial airports. Broomfield-based Mountain Aviation, a nationwide service which also serves Aspen, has seen business double since the attacks.

"Frontier Airlines plans to rehire almost 70 of the workers who were laid off…"

Frontier Airlines plans to rehire almost 70 of the workers who were laid off after the September 11 attacks. The rehiring is a result of the airline adding a fourth daily flight from its Denver hub to Dallas, Kansas City, and San Francisco.

Northwest Airlines will resume Saturday-only service from Memphis, Tennessee to Aspen in January. The airline will have daily service between the two cities from February through April. Tulsa-based Great Plains Airlines began daily nonstop service from Oklahoma City and Tulsa to Colorado Springs at the end of October. The airline plans to offer service from Colorado Springs to one or more Rocky Mountain ski areas on a year-round basis.

Gaming and Tourism

Although there was a noticeable decline in casino patronage immediately after the terrorist attacks on September 11, adjusted gross proceeds from Colorado's gaming industry bounced back and totaled $59.7 million in September, an increase of 9.9% from September 2000. Black Hawk casinos generated 70.0% of the total, while casinos in Cripple Creek and Central City accounted for 21.5% and 8.5%, respectively.

In September, hotels throughout Colorado experienced the lowest occupancy rates since the late 1980s. Occupancy at Denver hotels averaged 57.8% in September, down 15.7% from September 2000 and 16.4% from August 2001. The Colorado Springs hotel occupancy rate for September was down almost 20% from September of last year.

However, hotels that had less than a 20% occupancy rate during September were experiencing 50% - 55% occupancy by the end of October revealing that the hotels are partially rebounding from the effects of the September 11 attacks. Part of the rebound is due to the fact that conventioneers began to reschedule events that were supposed to be held during September. Five national conventions are scheduled for Denver in October and November.

The September 11 attacks have taken a toll on the ski industry as well. Bookings at ski resorts are down an average of 28% with Aspen bookings down 34%, according to Aspen Ski Tours. A survey conducted by Colorado Ski Country and the Colorado Tourism Office reports that between 20% and 30% of all preplanned trips have been canceled or postponed by at least a month.

"The September 11 attacks have taken a toll on the ski industry as well."

Although overall visits to the state's national parks and monuments declined 3.3% through August, several areas experienced increased visitation. Attendance at Rocky Mountain National Park increased 0.6%, the first increase for the year. Visits at Mesa Verde increased 19.3% through August, the highest increase since fires devastated the area last year. The areas that contributed to the overall decrease include Hovenweep with a decline of 27.1%, Curecanti with a decline of 20.1%, and Dinosaur with a decline of 18.6%.

Venture Capital

Investors continue to show caution about the economy. According to the PricewaterhouseCoopers MoneyTree Survey, venture capital investments in Colorado companies plunged by 80.3% in the third quarter, compared with the same period in 2000. Investments are 60% behind the pace set last year. Still, the dollar volume in 2001 will be the third highest level of investment.

An earlier report showed the importance of venture capital. Over the past 30 years, venture capital funding helped to create 63,000 jobs. Those investments led to an additional $14.6 billion of revenue for Colorado companies in 2000 alone. Colorado businesses have been the target of venture capital firms, ranking fifth in the country.

"Investors continue to show caution about the economy."

Manufacturing

Colorado's manufacturing sector remains in a decline. The Front Range Purchasing Managers' Index (PMI) was 42.4 in September, up only slightly from 41.8 in August. September was the third time in four months that the index was below 50. A score below 50 means manufacturing activity is declining. September's index indicated that all five major components — lead times, inventory levels, new orders, production, and employment — added to the negative picture with all the components remaining below 50. The most noteworthy increase was in the new orders index, which rose from 39.8 in August to 44.2 in September.

In northern Colorado, manufacturing workers were the highest paid in the region in 2000 due to the ongoing shortage of skilled workers in the area. The concentration of well-paid computer-related manufacturing jobs also contributed to the high wage levels. In Weld County, the average manufacturing wage increased 14.6% in 2000, reaching $44,853. In Larimer County, factory workers' wages rose 12.8% to $59,350.

Montrose-based Western Skyways, an aircraft engine manufacturer, expects to complete a new $1.5 million facility by spring 2002 at the 38-acre Aerospace Research Park near the Montrose Regional Airport. The Lockheed Martin Astronautics rocket-building plant in Jefferson County will be working on the Joint Strike Fighter. The new airplane will replace older aircraft such as the F-16 and F-15 beginning in 2008. Approximately 100 engineers will be hired locally for the project.

Energy

The decline in air travel since the September 11 attacks has created a shift in the supply of fuel types, contributing to the current drop in gasoline prices. Prices have declined nearly 40 cents per gallon since the beginning of September. The statewide average price is the lowest since February 2000.

Natural gas prices have been reduced throughout the state due to increased storage capacity, additional natural gas production, milder weather, and customer conservation. Several gas companies, including Greeley Gas Company, Xcel Energy, Kinder Morgan Inc., and Peoples Natural Gas, received approval from the Colorado Public Utilities Commission to drop natural gas prices by 27% to 45% beginning in October. Most of the gas companies plan to avoid the increases previously seen by purchasing more natural gas at lower fixed rates.

"The decline in air travel since the September 11 attacks has created a shift in the supply of fuel types, contributing to the current drop in gasoline prices."

Xcel Energy debuted its second Colorado wind farm in mid-October near **Peetz** in northeastern Colorado. The $30 million project consists of 33 wind turbines which can generate up to 30 megawatts of electricity for Xcel's Windsource program, the largest customer-driven wind energy program in the nation.

Agriculture

"A 17% increase in the harvest area for sunflowers, combined with significantly higher yields, will push sunflower seed production 31% higher this year."

Expected dry bean production for October is down 10% from last year. The average expected yield of 1,700 pounds per acre is 100 pounds below the 2000 yield making this the lowest harvested acreage of dry beans in Colorado since 1921. On the positive side, warm and dry weather in September was favorable for the final development of corn, increasing the corn for grain production forecast to 150.42 million bushels, 3.4% higher than the September forecast and slightly higher than last year's crop of 149.86 million bushels. A 17% increase in the harvest area for sunflowers, combined with significantly higher yields, will push sunflower seed production 31% higher this year.

El Paso County

According to the U.S. Bureau of Labor Statistics, El Paso County had 2,000 fewer people employed in September 2001 compared with the same month in 2000. Until September, the county's job growth remained positive, making September the first monthly decline in more than 10 years.

"...El Paso County had 2,000 fewer people employed in September 2001 compared with the same month in 2000."

Layoffs for El Paso County have mostly been felt in the communications and technology sectors, particularly in the Colorado Springs area where more than 3,800 or about 80% of the jobs have been cut in the technology sector during the past year. Opuswave Networks Inc., a **Colorado Springs**-based communciations company, ceased operations in September resulting in the layoffs of 101 workers. The company developed systems for wireless and other types of communications.

Software developer Mindport Inc. eliminated about 50 jobs in September in Colorado Springs due to a sluggish market for broadband Internet services. The cuts include full-time, contract, and seasonal workers, leaving only 40 workers at the local facility. DMCare Inc., a provider of online assistance for diabetics, ceased operations in October and laid off 35 employees due to a failed financing deal.

In September, Firesale.com Inc., an online computer retailer, cut about 30 local positions, or 60% of its work force, due to a financial deal falling through at the last moment. After a series of layoffs this year, the Colorado Springs-based company now employs 21 workers, down from more than 110 earlier in the year. The investors withdrew from the deal due to the possible impacts the September 11 attacks might have on the economy.

An Oregon company with offices in Colorado Springs, Oresis Communications, has incorporated the technology and other assets of software developer VSYS into its own product line. Nearly 4 months ago, Denver-based VSYS placed 60 employees, including 40 in Colorado Springs, on unpaid leave as the result of a financial investment falling through. VSYS officially dissolved in October resulting in the layoffs of the 60 employees. Oresis Communications hired 28 of the former VSYS employees to work at its Colorado Springs facility.

In more positive news, security and defense companies are seeing an increase in business since the terrorist attacks on September 11. Cleveland-based TRW Inc., one of Colorado Springs largest defense contractors, is increasing its local work force. The company develops and supports defense, intelligence, and information-technology systems. The company did not disclose the expected number of new employees.

"...security and defense companies are seeing an increase in business…"

In residential news, despite the weakening demand for new housing in El Paso County, Pueblo-based Yellico Leach Co. Inc. is developing a townhouse community in Colorado Springs. The development, Stonesthrow at Springs Ranch, will have 34 units in 17 duplex-like buildings. The single-story units will range in size from 1,200 to 1,750 square feet.

Although the vacancy rate for local apartment complexes rose 2.5% since December, developers are planning three new apartment complexes with a total of more than 700 units. Construction will begin in spring 2002 on a 220-unit complex in northern Colorado Springs and a 228-unit complex in the southeastern part of the city. Completion of the initial buildings for both projects is scheduled for fall 2002. The third complex, on the north side of the city, will consist of 276 units in the Northgate development.

Unlike the other two complexes which will target moderate-income residents, the Northgate complex will target high-income residents.

According to Turner Commercial Research, the combined vacancy rates for offices, industrial buildings, and shopping centers in Colorado Springs increased to 7.3% during the third quarter, compared with 4.8% during the same period last year. The problem is most prevalent among office buildings where most of the layoffs have occurred this year. Despite the higher vacancy rates, plans have been announced for a multi-use complex within the Lowell Neighborhood Development. 750 residential units including apartments, condominiums, town houses, and office condos will be built on 58 acres. The project will include 40,000 square feet of retail space, an extended-stay hotel, and a 150,000-square-foot business campus. The first phase of construction should be completed by late spring 2002.

Boulder County

Boulder County employment was only 1,500, or 0.8%, higher in September than one year ago. Layoffs continue to be prevalent in the technology sector for Boulder County. Texas-based Electronic Data Systems Corp. laid off at least 200 Boulder County workers in October. EDS has offices in **Longmont** and **Louisville** in its Customer Relationship Management division which manages ordering and maintains databases for small and large publishers. Most of the layoffs were due to restructuring after Centrobe and Neodata merged in August to become Electronic Data Systems.

"Layoffs continue to be prevalent in the technology sector for Boulder County."

In **Broomfield**, Global Commerce, a software company, moved to smaller quarters in September and plans to lay off about 30 employees over the next few months. In April of this year, the company laid off 100 employees, over half of its staff. Recently, the company laid off another 16 employees reducing its staff to 66 workers. The company, which makes software for the financial services industry, has recently seen a dramatic drop in customer purchasing. Sun Microsystems, maker of computer servers and workstations, announced plans to cut its work force by about 9.0% or almost 3,900 jobs nationwide. At the company's offices in Broomfield, between 230 and 250 workers will be affected. Workers were notified of the layoffs at the end of October.

Genomica Corp., a company that makes software for gene analysis, laid off 90 workers at its **Boulder** headquarters in October. The job cuts were due to slowness in the market which led the company to shift from being a business-to-consumer company to selling its technology to other businesses. After the purchase of Schwinn/GT Corp. by Pacific Cycle and Direct Focus Inc., at least 160 jobs will be eliminated in Boulder County due to restructuring. The cycling operations will be moved to the company's Wisconsin headquarters with up to 50 jobs at the headquarters being offered to local workers. A small operation of 67 employees will remain in Boulder to focus on the retail and commercial lines of Schwinn Fitness and the retail lines of Nautilus.

Despite the slowing economy and the numerous layoffs in the county, two retail developments are being planned. The Gunbarrel Town Center will consist of 200,000 square feet of commercial space and 169,000 square feet of residential space. Plans include apartments, townhomes, a farmers' market, outdoor cafes, a health club, and underground parking. Construction will begin in September 2002. In **Erie**, Tebo Development plans to develop a 43,800-square-foot retail/commercial complex. The plan includes two historic-style buildings and two free-standing buildings which will house a restaurant and a two-story bank.

Eastern Plains

The Colorado Department of Agriculture closed the Arriba Grain Facility in **Arriba** at the end of September due to the facility not having enough grain to meet its obligations to producers. The company will not be able to purchase or accept grain for storage, or to ship grain from the facility until the situation is resolved.

Wausau Homes of Wisconsin, a home manufacturer, plans to build a plant in **Wiggins.** Construction will begin in the early spring of 2002. Up to 100 workers will be employed to assemble kits for clients interested in constructing their own custom houses.

Northern Region

Eastman Kodak Company announced plans to cut 150 positions at its **Windsor** plant over the next year. 100 jobs in operations will be eliminated through attrition, 30 employees will be offered voluntary retirement, and 20 others will be laid off. The cuts are due to a yearlong slump in film sales.

"Eastman Kodak Company announced plans to cut 150 positions at its Windsor plant over the next year."

Hewlett-Packard Co. is closing a development laboratory in New Jersey and transferring about 100 employees, mostly engineers and developers, to its **Fort Collins** facility. The lab has been working on HP-UX, a UNIX operating system that helps customers quickly put Internet services in place. The closure is part of Hewlett-Packard's companywide consolidation effort.

Leed Fabrication Services Inc. will be hiring up to 15 employees for its new facility in **Greeley**. Leed builds storage tanks used by oil and gas producers and backup-generator manufacturers and dispatches crews to local oil and gas operations. The company opened the facility due to increased demands by Weld County oil and gas producers. The company plans to double its total work force at the Greeley and existing Brighton facilities from 90 to approximately 200 workers in the next 5 years.

Despite a downturn in the tourism economy, construction on an 88-room, 2.6-acre Hilton Garden Inn in Fort Collins will continue as planned. Construction will begin in early 2002 and will be completed within 12 months.

In downtown Fort Collins, a multi-use project is being developed which consists of 160 residential loft-style condominiums on the upper floors with retail and office space on the lower floors. A restaurant and 2½ floors of secured parking will be included.

Southern Region

Pueblo County's economy was flat through August. The employment level was unchanged, while retail trade sales increased only 0.9%.

Due to the September 11 terrorist attacks, security services have had increased business in Colorado, including at TNT Security in **Pueblo**. The company, which serves Pueblo, Cañon City, and Colorado Springs, has increased the number of its employees at its Pueblo office from 24 to 36 workers since the attacks. A new office in Greeley was opened in September to serve the northern region.

Big 5 Sporting Goods, a Southern California-based chain, opened a new store in Pueblo in November in a 10,000-square-foot freestanding building in the Eagleridge Shopping Center. Big 5 operates 253 full-line sporting goods stores in 10 western states including one in southwest Colorado.

Mi Ranchita II restaurant opened in November in Pueblo on the site where a newly constructed steakhouse closed in September. The owner of the new restaurant plans to hire 15 employees.

In residential construction news, Sun Communities Inc. is developing a new community in Pueblo called North Point estates. The development will consist of 108 initial home sites and 430 total sites after all phases of development are complete. A clubhouse, swimming pool, and recreation area will be included.

Western Slope and Mountain Region

The economic slowdown and travel uncertainty are affecting the state's ski resorts. Aspen Skiing Co. will close three restaurants in **Aspen** this season. Forty employees will be affected at one restaurant with an unknown number for the other two restaurants. One restaurant will be converted into a warming hut with microwave ovens and vending machines. Telluride and Mountain Village Visitor Services, a regional marketing organization for **Telluride**, Mountain Village, and San Miguel County, was forced to lay off 20 of its 26 employees as a result of having to refund $25,000 in airfare immediately after the terrorist attacks.

"The economic slowdown and travel uncertainty are affecting the state's ski resorts."

Country General, a specialty farm and agriculture-related merchandise retailer, will be closing 133 stores nationwide, including its **Glenwood Springs** outlet. The closures are a result of the bankruptcy restructuring implemented by its parent company. Sixteen employees will be laid off at the Glenwood Springs store. In **Olathe**, the Louisiana-Pacific Corp. is closing its oriented-strand board plant in November due to high timber costs. The closure is considered indefinite until February 2002 at which time the company will decide whether to close permanently or resume production. No severance pay will be provided to the 100 workers to be laid off until a decision is made in February.

"...the Louisiana-Pacific Corp. is closing its oriented-strand board plant in November due to high timber costs."

A new business center is being developed in **Bayfield**, the town's first center in over a decade. The 57-acre development will include 38 lots for retail, office, hospitality, light-industrial, and other commercial uses. In **Aspen**, a two-story building is being developed to include a mix of small service shops and residential units. The plans include 1,600 square feet of commercial space on the ground floor and three one-bedroom affordable housing units on the second floor. The housing units are to be used as affordable employee housing for the commercial tenants of the building.

At the **Copper Mountain** ski resort, plans have been announced for the development of a 70,000-square-foot, multi-million-dollar entertainment, recording, and conference complex. The complex will include two performance halls, high-definition video and audio recording studios, a broadband transmission facility, and a high-tech conference center. The complex is expected to open in 2003.

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 September 2001)	0.4	4.1	1.6	3.2	2.7	4.5	1.7	2.9	-3.6	3.3	-0.1	3.9	2.9	2.7
Unemployment Rate ◊◆ (not seasonally adjusted) (in September 2001)	4.7	3.9	4.9	3.7	3.0	3.4	3.4	3.9	2.2	3.2	4.7	2.3	1.6	3.1
Retail Trade Sales Growth ▼ (through August 2001)	-0.9	10.9	1.8	1.1	5.1	1.4	2.6	8.3	-3.6	11.9	0.9	3.1	7.1	-6.4
Growth in Value of Non-residential Construction* (through September 2001)	62.9	-8.6	-39.1	0.9	-92.5	â	ã	61.4	ä	8.2	-17.8	-54.1	-44.2	å
Housing Permit Growth * (through September 2001)	-2.0	-37.9	10.3	22.5	5.5	17.0	25.2	31.3	0.0	2.1	34.8	2.8	-47.1	20.8

◊ Actual level not growth rate.
◆ Colorado Department of Labor and Employment data.
* F.W. Dodge data.
▼ Colorado Department of Revenue data.
â $155.4 million was contracted in 2001, while $60.9 million was contracted in 2000.
ã $57.1 million was contracted in 2001, while $17.9 million was contracted in 2000.
ä $994,000 was contracted in 2001, while $350,000 was contracted in 2000.
å $2.7 million was contracted in 2001, while $200,000 was contracted in 2000.

Colorado Indicators
Year-to-Date Growth Rates

Indicator	September 2001	August 2001	2000 Annual Average
Nonfarm Employment Growth ¤	2.6%	2.8%	3.9%
Unemployment Rate ¤ ‡ (seasonally adjusted)	3.7	3.6	2.6
Housing Permit Growth ~	8.7	7.4	9.0
Single family	3.6	5.8	-1.9
Apartments	20.8	11.2	47.2
Growth in Value of			
Nonresidential Construction §	-1.7	1.1	-14.2
Retail	4.6	12.4	-12.8
Offices	-25.4	-27.3	22.9
Factories	246.3	266.0	-71.7

¤ Colorado Department of Labor and Employment data.
‡ Actual level, not growth rate.
~ U.S. Census Bureau data.
§ F.W. Dodge data.

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 5.4% through the first half of 2001, following a 4.0% rate in 2000.

The metro-Denver economy in the last twelve months has succumbed to the national economic slowdown. Layoffs in the technology services and telecommunications sectors, combined with the slow growth in manufacturing, has brought employment growth to perhaps its lowest rate since 1992. Still, the unemployment rate has been below the national level and, until recently, statewide figures. Inflationary pressures increased in the first half of 2001, as consumer prices increased 5.4% over the first half of 2000. Residential home prices continued to rise, though not as strongly as the last few years. Large development projects continue to suggest a strong nonresidential market at the former Stapleton International Airport, Lowry Air Force Base, and much of Douglas County.

Population and Income

Based on data from the state demographer and the 2000 Census, the metro-Denver area's population increased 2.7% from 1999 to 2000, about the same rate as the compound average annual growth rate of 2.7% from 1990 to 2000. Douglas County led metro growth over the past decade. Though its population base was still the smallest in the region, representing 8.3% of the Denver area population in 2000, the addition of over 115,000 new residents in Douglas County over the past ten years accounted for an 11.1% compound average annual growth rate over the last decade (see Table 2).

Personal income steadily increased throughout most of the 1990s. Inflation-adjusted per capita personal income for the metro-Denver region increased at a compound annual average of 2.2% from 1990 to

Table 2. Metro-Denver Population By County

County	Total Population (2000)	Percent of Population (2000)	Percent of Population (1990)	Average Annual Growth Rate (1990-2000)
Adams	365,863	17.3%	16.3%	3.3%
Arapahoe	490,650	23.1%	24.2%	2.2%
Denver	557,690	26.3%	28.7%	1.8%
Douglas	***176,728***	***8.3%***	***3.8%***	***11.1%***
Jefferson	529,958	25.0%	27.0%	1.9%
Region	2,120,889			2.7%

Source: Colorado Department of Local Affairs, Demography Division.

Table 1. Metro-Denver Economic Indicators at a Glance

	Metro Denver	Colorado
Population Growth		
1990-2000 Compound Average Annual Growth Rate (CAAGR)	2.7%	2.7%
1999-2000 Growth Rate	2.7%	2.6%
Nonfarm Employment Growth		
1990-2000 CAAGR	3.5%	3.8%
1999-2000 Growth Rate	3.8%	3.9%
2000-2001 Year to Date Growth Rate	3.2%	2.6%
Unemployment Rate (seasonally adjusted)		
1990-2000 Average	3.8%	4.2%
September 2001	3.7%	3.7%
Retail Trade Sales Growth		
1990-2000 CAAGR	8.0%	7.7%
1999-2000 Growth Rate	12.7%	11.5%
2000-2001 Year to Date Growth Rate	1.1%	1.7%
Year-to-date Nonresidential Construction (Permit Values)	0.9%	-1.7%
Year-to-date Residential Construction (Units Permitted)	3.7%	8.7%

Sources: Colorado Department of Local Affairs, Demography Division; Colorado Department of Labor and Employment; Colorado Department of Revenue, Office of Tax Analysis; F.W. Dodge 2001 year-to-date data through September; U.S. Census 2001 year-to-date data through August.

1999. The largest jumps occurred in the last four years, in part due to the abundance of high-paying advanced technology jobs available in the region. Income growth is expected to slow, however, as employers in the Denver area cut back their demand for high-skilled labor.

"Income growth is expected to slow, however, as employers in the Denver area cut back their demand for high-skilled labor."

In November 2000, the Census Bureau reported that Douglas County earnings were the highest in the nation, based on 1997 *median* household income. The median Douglas household income was $77,513 in 1997, meaning that half of the households earned more and half earned less. In comparison with other Colorado counties, Jefferson ranked third ($54,175) and Arapahoe ranked seventh ($50,748). Based on 1999 *average* household income, Arapahoe ranked second, Douglas ranked fourth, Jefferson ranked sixth, and Denver ranked eighth in the state.

Employment

From 1990 to 2000, overall employment in the metro-Denver region grew by 3.5% annually. Though a bit weaker than the statewide growth rate of 3.8% during that period, it is still more than twice the metro growth rate in the 1980s. However, 2001 has thus far revealed the effects of a nationwide economic slowdown. Metro-Denver nonagricultural employment grew by 3.2% through September, slower than the average growth rate from 1995 to 2000. However, the pace of employment growth has steadily slowed throughout the year, from a 4.4% rate in January to 1.4% in September. The manufacturing, transportation/communication, and finance services sectors were furthest from their average growth rates. Table 3 illustrates the average growth rate from 1995 to 2000 and the year-to-date growth rates in 2001.

According to wage and salary data collected by the Department of Labor and Employment, there are between 5,000 and 6,000 jobs in the ***mining*** sector in the metro-Denver area. Over the past ten years, the sector's presence diminished in the metro area. In 2000, the sector comprised just 0.5% of the region's work force, falling from 1.3% in 1990 and 2.7% in 1985. The sector tapered off at an annual average rate of 5.3% from 1995 to 2000. In the past year, national industrial news was dominated by mergers and consolidating measures as energy firms attempted to streamline costs. In September 2000, for instance, Marathon Oil announced plans to close a research and development center in Littleton, eliminating 150 jobs.

While employment in the sector declined 3.4% in 2000, it almost recovered the loss with a 2.3% in-

Table 3. Metro-Denver Employment Trends

Sector	1990-1995 Average Annual Growth Rate	1995-2000 Average Annual Growth Rate	2000-2001 YTD Growth*
Construction	10.3%	10.6%	8.8%
Manufacturing	-1.6%	0.8%	-2.4%
Transportation, Communication, Public Utilities	3.5%	4.4%	0.6%
Wholesale	2.4%	2.4%	3.9%
Retail	3.8%	2.9%	3.4%
Finance, Insurance, Real Estate	2.6%	4.4%	1.1%
Services	4.5%	4.9%	4.6%
Government	1.8%	1.7%	2.8%
GOODS PRODUCING **	1.4%	4.5%	3.0%
SERVICE PRODUCING	3.4%	3.7%	3.3%
TOTAL	**3.1%**	**3.8%**	**3.2%**

** Through September.*
*** Goods producing sectors include mining, construction and manufacturing. All other sectors are service producing.*
Source: Colorado Department of Labor and Employment.

crease through September 2001. The energy sector was given a boost this year by rising energy prices. The price hikes caused suppliers to ratchet up extraction and production earlier in the year.

By September 2001, the ***construction*** sector, which was the fastest growing sector in the metro economy during the 1990s, increased 8.8% through September 2001 compared with the same period a year ago. While the sector underwent the most growth of any sector year-to-date, this year's employment gains fall below prior growth periods, following double-digit employment increases of 12.5% in 2000, 13.5% in 1999 and 11.7% in 1998. In fact, the sector grew at an average annual rate of 10.6% from 1995 to 2000. This pace inflated the sector from 3.9% of the work force in 1990 to 7.5% in 2000.

"The employment trend for the manufacturing sector was not as positive as other goods-producing industries."

The employment trend for the ***manufacturing*** sector was not as positive as other goods-producing industries. Through September 2001, employment fell 2.4% over the same period last year. Meanwhile, the average annual growth rate from 1995 to 2000 hovered at 0.8% growth per year. Weak growth in manufacturing employment during the 1990s caused the sector to shrink from 11.4% of the work force in 1990 to only 7.8% in 2000. The decline in the share of total employment is mirrored by state and national statistics. Three factors have contributed to the manufacturing decline over the past ten years: increased worker productivity, an Asian economic slump in the later part of the decade, and most recently, a significant inventory stockpile as a result of weakening demand and durable goods orders.

Until recently, there was little good news for the local manufacturing industry. The astronautics division of Lockheed Martin, based in Jefferson County, announced a work force reduction of 600 jobs by the end of 2001. The latest reduction, part of a $2.8 billion restructuring plan, reduced the company's local work force to its lowest level in decades. Lockheed Martin's employment pattern is highly volatile, based, in part, on the number of defense contracts available. Recently, however, Lockheed Martin secured a record-high $200 billion contract from the Department of Defense to develop the Joint Strike Fighter jet. As many as 100 engineering jobs may be created in the Denver area, in addition to the retention of jobs at Lockheed Martin.

"As many as 100 engineering jobs may be created in the Denver area, in addition to the retention of jobs at Lockheed Martin."

The economic slowdown was responsible for layoffs and plant closures in several manufacturing industries other than advanced technology. In April 2001, nearly 350 employees at Samsonite's manufacturing plant in Denver were laid off as the company restructured to meet shifting consumer preferences. NBTY, one of the largest vitamin and supplement manufacturers, has laid off 285 employees after purchasing a NatureSmart plant in Thornton. A Keebler plant closure put 470 employees out of work in May. After a 50-year presence in Wheat Ridge, Jolly Rancher announced it would close its plant there and move operations to Pennsylvania, eliminating 240 workers. Denver-based Titanium Metals Corp. announced it would lay off 50 people at its melting operations in response to the downturn in the commercial aerospace business. Volant Sports, a Wheat Ridge-based ski manufacturer, failed to secure additional financing and closed its plant and released all 95 employees.

The ***transportation, communications, and public utilities*** sector increased at a faster rate than total metro area employment in the last five years. The sector increased at an average annual rate of 4.4% from 1995 to 2000, compared with a 3.8% growth rate for all industries. However, year-to-date figures for 2001 through September suggested that the growth in this industry remained nearly flat at a 0.6% rate.

Major news items suggest that this sector may have been the hardest hit this past year. The telecommunication industry was responsible for most of the employment cuts. In the last few years, technological developments in communications sparked several new companies. As the economic conditions weakened over the past 12 months and venture capital funding dried up, these firms had difficulty staying afloat. While some were acquired by larger businesses, some made job cuts in order to streamline operations, and several filed for bankruptcy.

Nearly a year after Qwest cut 12,800 jobs (approximately 3,000 in Colorado) upon completing its acquisition of US West, the telecom giant announced a second significant round of layoffs, totaling 4,000 state jobs by the end of 2002 first quarter. This will reduce Qwest's overall employment from 66,000 to 62,000. It is estimated that 1,300 of the recent Qwest layoffs will take place in the metro-Denver area. While 20% of the total job cuts should occur through attrition, the rest of the cuts will involve job elimination.

"...1,300 of the recent Qwest layoffs will take place in the metro-Denver area."

AT&T Broadband announced over 300 layoffs in the state as a result of its acquisition of MediaOne Group. Most of these jobs were eliminated in the Arapahoe County headquarters. The broadband division of AT&T employs 50,000 nationally and 6,000 in Colorado. Meanwhile, Time Warner Telecom announced cuts in the Pacific Northwestern part of the country and expects that 65 of the eliminated positions will be relocated or rehired in the Arapahoe County headquarters.

Level 3 Communications announced plans to cut 750 of 4,500 jobs in order to trim costs and reduce debt. This second announcement followed an earlier paring of 500 local jobs in order to boost cash flow. The company hopes to reach break-even cash flow by 2004.

In another effort to streamline costs and increase profitability, Lucent Technologies laid off 16,000 employees nationally, 13% of its total work force. The job cuts in Colorado were expected to total 250, 10% of Lucent's employees in the state. Most of these employees worked in sales and customer support.

Avaya Inc., a communications systems and software company spun off from Lucent, announced plans to lay off 100 workers in Colorado by year-end when it closes its global in-house training program. The company had already cut 833 Colorado employees at mid-year at its offices in Westminster and Highlands Ranch.

"Several smaller telecommunications providers downsized or liquidated in the past twelve months."

Several smaller telecommunications providers downsized or liquidated in the past twelve months. Englewood-based ICG Communications laid off 800 employees. New Global Telecom, a long-distance telecom firm based in Golden, eliminated 40 of its 150 jobs. Rhythms NetConnections, a DSL Internet service provider based in Arapahoe County, filed for bankruptcy and released 900 local employees. Greenwood Village-based Jato Communications ended business late last year, after laying off more than 500 people since September. Convergent Communications laid off 149 Colorado workers in mid-April. The remaining staff of 150 was less than 10% of last year's work force. Integra Telecom shut down its Denver business in mid-March, idling 40 workers. 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.

There was some news regarding expansion in the telecommunications industry. Expanets, a communications company, will move up to 70 employees to its new headquarters in the Meridian Office Park in northern Douglas County. The company will create as many as 190 additional jobs at the 40,000-square-foot facility in the next three years. The company plans to immediately hire up to 40 employees from the local work force. In addition, the company could double the size of its regional office, also located in Meridian, in the next 18 months.

The September 2001 terrorist attacks created significant ripple effects in the transportation industry. The September 11th attack on the World Trade Center brought the ***airline*** industry to a screeching halt. Since the attack, United Airlines announced that it would cut back the number of flights departing from Denver International Airport by 32%, reflecting reduced demand for airline travel. Frontier Airlines, the second-largest local carrier behind United, reduced its flights by 18%.

United Airlines originally estimated that 20% of its work force would have to be let go in order to reduce costs. In November, United announced that 4,600 employees nationwide chose to accept early retirement, voluntary furloughs, and other incentive packages terminating their employment. While these still represent employment reductions, this means that fewer layoffs will occur. Including the volunteers, the impact upon the local work force of 9,300 workers is estimated at 1,800.

"As a result of reduced demand for airline travel, travel-dependent industries have sustained a minor economic shock."

As a result of reduced demand for airline travel, travel-dependent industries have sustained a minor economic shock. TG Worldwide, a metro area travel agency, closed its corporate services division and eliminated 30 jobs. Arapahoe County-based Navigant International, a travel management firm, announced it will eliminate 60 workers in the Denver area. Adams Mark hotel cut 22 management employees and initiated a hiring freeze soon after September 11th.

Employment in the ***trade*** industries increased at an annual average rate of 2.8% between 1995 and 2000. September 2001 figures indicate that employment in the trade industries increased 3.5% over the first nine months of last year, maintaining the growth rates of 2000 and 1999. The sector employed 23.9% of the work force in 2000.

As a result of an economic slowdown and increased competition for consumer spending, several retailers closed businesses in the metro area. HomeBase, a home improvement and home furnishings chain, was forced to close five metro area stores and layoff 700 in the state. A similar home furnishing store, HomePlace closed a location in Denver after filing for bankruptcy protection. Longs Drugs closed six stores in the Denver area and Phar-Mor will close two metro area stores as it restructures under bankruptcy protection. J.C. Penney Company closed several stores nationwide and Montgomery Wards filed for bankruptcy early last year, closing five stores in the Denver area. As a result of poor economic conditions, the Villa Italia Mall in Lakewood shut down by mid-year.

"As a result of an economic slowdown and increased competition for consumer spending, several retailers closed businesses in the metro area."

Eagle Automotive, Inc. announced that it will move its corporate headquarters from Denver to Tennessee in the summer of 2001. Approximately 350 employees will either be laid off or relocated. In June, Payless Cashways, the parent company of Hugh M. Woods hardware stores, filed for bankruptcy. As a result of poor retail sales and inadequate financing from investors, Payless Cashways announced a liquidation of all 18 hardware stores in Colorado. A Hugh M. Woods store typically employed between 30 and 60 employees.

There were some positive job announcements in this sector. ESPN Zone will open a sports bar and restaurant in the Tabor Center on downtown Denver's 16th Street Mall. The restaurant will offer 250 jobs, all of which are part-time, when the project is operating in November. The Aspen Grove shopping area in Littleton opened in early November and will eventually have a peak work force of 2,000 during the holiday season.

"Until recently, the finance, insurance, and real estate sector enjoyed consistent growth over the last few years."

Until recently, the ***finance, insurance, and real estate*** sector enjoyed consistent growth over the last few years. Between 1995 and 2000, the sector experienced average annual growth of 4.4%. However, this sector has been hit hard by the weakness in the stock market and the economic slowdown of 2001. Through September 2001, the sector increased employment by 1.1% over the same period a year ago.

Janus Capital Corporation, a Denver-based mutual fund investment firm, cut 40% of its 1,875 employees in Denver. Charles Schwab Corporation, the nation's largest discount brokerage, laid off 395 jobs in Colorado in its service operations. Schwab operates six retail brokerage locations along the Front Range and one regional service center. U.S. Bancorp will merge with Firstar Corp. leading to the elimination or transfer of about two dozen local jobs. However, Colorado could ultimately gain jobs from Salt Lake City or Idaho later this year. MassMutual Life Insurance closed its Greenwood Village call center in order to centralize its operations in Springfield, Massachusetts. Safeco, an insurance provider, cut about 60 positions at its Lakewood commercial and business insurance underwriting operations.

"Thus far in 2001, the services sector showed little deviation from its five-year trend."

Thus far in 2001, the services sector showed little deviation from its five-year trend. The sector is the largest in the local economy, employing over 30% of the local work force. The sector grew at an average annual rate of 4.9% from 1995 to 2000. However, service employment increased at a slightly slower pace, 4.6%, during the first three quarters of 2001 as the recent economic downturn forced several firms to cut costs and streamline operations.

Small startup companies were also hurt by the softening economic conditions and sinking financial markets. Evoke Communications cut 43 of its 145 Colorado jobs as part of a restructuring plan in order to see a profit by 2002. Mshow.com, cut back its total work force by 58%, including 120 jobs in Colorado. IXL Enterprises, an Internet-commerce consulting firm, will close its Denver office and release 135 workers in early December.

Software developers underwent restructuring in the last twelve months. J.D. Edwards, a Denver software maker, laid off 128 local employees at the beginning of May in an effort to reduce operating expenses. Overall, layoffs totaled 374 or 7% of the company's nationwide work force. The company plans to streamline its business operations and realign its sales force to increase market penetration. New Era of Networks announced plans to cut 150 of 990 jobs nationally. Of the 250 positions in the Denver office, the company estimated 25 positions would be eliminated. Within a month of announcing the cutback, NEON tentatively agreed to an acquisition by Sybase Inc., a Silicon Valley e-business company. It is not known at this time how the merger will affect employment.

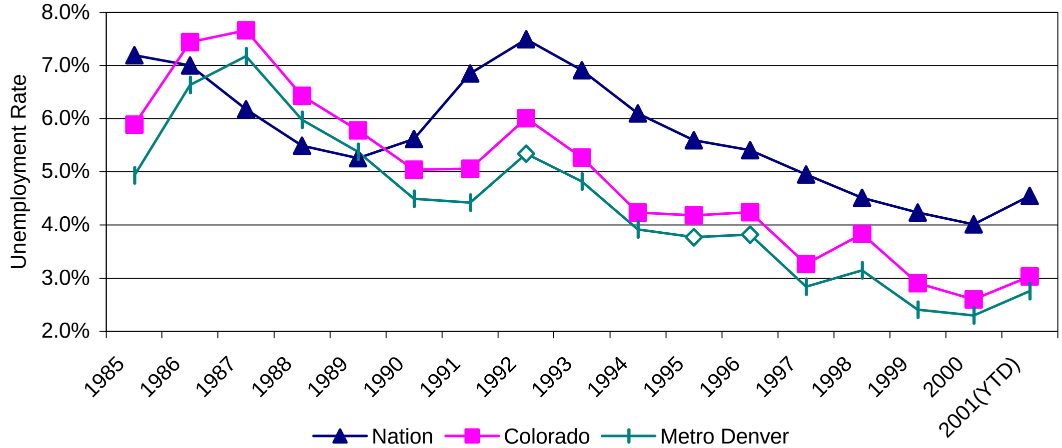
Avolent Inc., an electronic billing systems provider, laid off an undisclosed number of employees at the Westminster branch in order to focus on core markets and to increase profitability. Requisite Technology, located in the Westmoor Technology Park in Westminster, eliminated 50 positions at the end of April due to market conditions and restructuring. Restructuring also caused Arapahoe County-based application services provider, Agilera Inc., to lose about 80 employees or 32% of its work force. Agilera reduced the number of computer applications it made available via the Internet which affected positions within the company's business development unit. Relera Inc., an Internet start-up service, laid off 60 employees at the beginning of May, including 40 at its Denver headquarters. The company discontinued all construction and eliminated jobs related to the expansion. Relera announced it would cut 198 out of 260 metro-area jobs in an effort to restructure the company toward a new business model, away from website management and toward Internet access and warehousing space for Internet hosting.

Denver-based Verado Holdings, a data-center company, shut six of its eight data centers across the country and reduced its local work force by 64. The layoffs are a result of cutting costs and will only affect non-core business operations. Verado Holdings later announced another set of layoffs by letting go 59 of its 130 employees in the Denver area.

Ereo Inc., a company which created a technology for searching images on the Web, laid off 40 employees when the company closed its Westminster office due to a loss of online advertisers and investors. In closing its Castle Rock plant, Entegris Inc. will eliminate about 170 full-time positions as of June 1, although eight employees will be offered the chance to transfer to the Colorado Springs plant.

MatchLogic, an online marketer based in Westminster, was forced to close as the company's parent, Ex-

Figure 1. Unemployment Rate Comparison
Seasonally-Adjusted, 1985-2001 *(through September)*



Source: U.S. Bureau of Labor Statistics, Colorado Department of Labor and Employment.

citeAtHome, a high-speed internet access provider, struggled to reach profitability by selling operations. All 200 employees, mostly located in Westminster, were laid off. ExciteAtHome Corp., laid off an additional 380 workers mid year. The layoffs were due to the fallout in Internet advertising.

Due to a tumultuous telecommunications market, New Global Telecom Inc. underwent a second round of layoffs in April since the beginning of the year, culminating in the elimination of 46 worldwide positions. An undisclosed number of employees were laid off from the headquarters in Golden, although the number of remaining employees has decreased from 160 in January to less than 100 in May.

In some good news, InPhase Technologies, a spinoff of Lucent specializing in storage technology, announced plans to hire 100 additional employees in the next two years. The company hopes to hire primarily engineers and product developers.

"...an estimated 3,500 jobs were offered by technology sector employers in the Front Range during the two-week survey period of June 21 to July 3, 2001."

According to the Colorado Front Range High-Tech Job Vacancy Survey, an estimated 3,500 jobs were offered by technology sector employers in the Front Range during the two-week survey period of June 21 to July 3, 2001. Employers in the Denver Metro/Boulder area accounted for 80% of all high-tech vacancies. The survey revealed the degree of a labor shortage for high-tech jobs. According to employers' responses, 60% of job openings were either "very difficult" or "somewhat difficult" to fill.

In ***medical*** services, there was mixed news through the year. Sulzer Medica, a biomedical technology company, closed its orthopedics research office in Wheat Ridge. The closing released 60 employees. In some positive news, Apria Healthcare will be building a $7 million, 100,000-square-foot regional headquarters in the Ken Caryl Business Center. The company expects to add 210 jobs to Jefferson County by the time the construction is complete.

The ***government*** sector grew at a 1.7% annual average rate from 1995 to 2000. The sector has grown 2.8% through September 2001. The U.S. Postal Service in Colorado announced it would hire 1,300 temporary employees to work through the holiday season. This is fewer than the 1,500 to 2,000 the service usually hires. The less-than-expected additional number of temporary employees is due to the reduced use of mail in the past few months and the economic slowdown.

The unemployment rate for the Denver region continued to stay below both the state and national levels since 1990. Unemployment rates for both the state and region remain among the lowest in the country.

In metro Denver, the September 2001 seasonally-adjusted unemployment rate was 3.7%, equal to the statewide unemployment rate. Meanwhile, the national unemployment rate was 5.4% in October and 4.9% in September.

"The unemployment rate for the Denver region continued to stay below both the state and national levels since 1990."

Tourism

The tourism industry represents a vital contribution to the Denver-area economy. According to the Denver Metro Convention and Visitors Bureau, there were 9.6 million overnight business and pleasure trips spent in Denver. Of the business visitors, the bureau estimated that $219.3 million was spent by delegates to the Colorado Convention Center in 1999 and a projected $188.6 million was spent in 2000.

The Denver Metro Convention and Visitors Bureau estimated 6.9 million overnight non-business trips to metro Denver in 2000, 7.8% more than 1999. Metro area retail sales for lodging increased 18.1% in 2000 and restaurant spending increased 11.1%. Through August 2001, however, consumer spending by tourists has not kept pace with earlier figures. Lodging revenue has decreased 6.2% below the sales in the first eight months of 2000. Restaurant spending has only increased 4.6% in the same period.

The Colorado Convention Center expansion project has begun with the demolition of Currigan Hall. The project will add 292,000 square feet of new exhibit space, 35,000 square feet of new meeting space, a 50,000-square-foot ballroom, a 5,000-seat auditorium, and a 1,000-space parking garage. The project should be complete by 2004.

Hyatt Hotels announced the construction of an 1,100-room hotel across the street from the Colorado Convention Center. The hotel project, with an estimated cost of $211 million, will include 85,000 square feet of meeting space and ballrooms.

Nonresidential Construction

According to F.W. Dodge, the value of nonresidential construction permits in metro Denver through September 2001 remained relatively stagnant at a 0.9% rate of growth over the first three quarters of 2000. The value of construction contracts remained high, bringing in over $1.5 billion. While contracts for office projects were down 39.4% over last year's value, the value of retail construction increased 60.4% and the value of manufacturing plant construction increased 132.5% through September.

Retail

"The Denver retail market has been negatively affected by the recent slump in consumer spending."

The Denver retail market has been negatively affected by the recent slump in consumer spending. Through June 2001, 1.45 million square feet were vacated, mostly attributable to the 1.1 million square feet formerly occupied by Montgomery Wards and HomeBase. This caused the vacancy rate to increase from 5.7% to 8.1%. However, with several large retail projects on the horizon, 2.1 million square feet is expected to enter the market before the end of 2001 and another 5.6 million square feet is expected in 2002 and early 2003. However, some projects are still in a preliminary phase and may be cut back if the economy continues to slide.

"Through August 2001, the weak employment gains, combined with consumer uncertainty, led to an anemic sales gain of 1.1%."

Retail sales in the metro-Denver area grew by an average of 8.0% during the 1990s, pushed by a 12.7% gain in 2000. Through August 2001, the weak employment gains, combined with consumer uncertainty, led to an anemic sales gain of 1.1%. The largest growth over the last several years has come in Douglas County, matching its increasing population base. Douglas County has enjoyed eight consecutive years of retail sales growth near or above 20%. Figure 2 illustrates the metro Denver retail sales from 1990 to 2000 and a year-to-date comparison of January through August of 2001 with the same period in 2000.

There were several large-scale retail projects announced in the last 12 months. The 1.2 million-square-foot Colorado Mills Mall in Lakewood, 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. The mall is scheduled to open in late 2002. Depending on market conditions, the center could also include office space and residential areas.

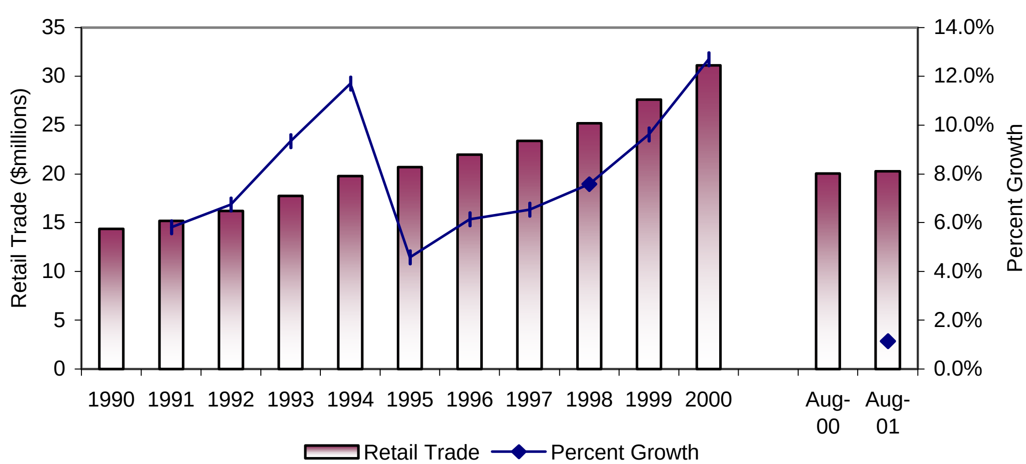
Stapleton redevelopment plans were announced involving three anchor stores of Home Depot, Sam's Club, and a Super Wal-Mart occupying 750,000 square feet at the old airport site. Another mega-retail center was announced at E-470 and Smoky Hill Road. The Southlands Project will develop 1.7 million square feet of retail on 276 acres. An outdoor events center is included in the preliminary plan.

The Aspen Grove shopping mall, a 300,000-square-foot retail center, in Littleton, opened its first stores in early November 2001. The retail center will contain approximately 50 upscale stores and restaurants. The development is next to the southern terminus of the southwest light-rail line at Mineral Ave. and Santa Fe Drive.

There were indicators of retail saturation in the area. A study by Torto Wheaton Research found that the Denver area has 23.65 square feet of retail shopping per resident. This was the second-highest ratio in the fifty markets monitored by the research firm. Only Charlotte, North Carolina had more shopping space per person. Another firm, The International Council of Shopping Centers, found that the Denver area had over 50% more square feet of shopping space per person than the national average.

Other relatively smaller projects, albeit significant, were also announced this past year. The University Park shopping center in Highlands Ranch was announced early this year offering 100,000 square feet of retail. The Hampden Town Center, a mixed-use project in southeast Denver, announced plans to anchor a 207,000-square-foot Super Wal-Mart. Plans were announced to redesign the Shops at the Tabor Center in downtown Denver. The $25 million renovation will add an additional 26,000 square feet of retail space to the current 110,000-square-foot center. In Castle Pines Village, north of Castle Rock, plans have been made to develop a $20 million, 115,000-square-foot retail town square scheduled to open in fall 2002. The development will include a health club, gourmet grocery store, a wine shop, a cooking school, a five-star restaurant, and a service station. In Littleton, the $3.2 million Shops at River-Bend project will include 16,000 square feet of retail space near Arapahoe Community College. The shops, already 50% pre-leased, are expected to be completed by the first quarter of 2002.

Figure 2. Metro Denver Retail Sales



Source: Colorado Department of Revenue, Office of Tax Analysis.

Office

The Denver office market was hit hard by the economic slowdown of 2001. According to Frederick Ross, during the first six months of 2001, the office market could not absorb nearly 1.3 million square feet while adding new supply of 2.4 million square feet to its inventory. As a result, the metro area office vacancy rate shot up from 7.3% in 2000 to 9.5% through June 2001, according to CB Commercial Real Estate Group.

"The Denver office market was hit hard by the economic slowdown of 2001."

According to F.W. Dodge, $319.6 million in office development was added to the metro area through September 2001, down 39.4% from the value added in the first three quarters of 2000. The number of contracted projects is also down 11.6% from the same period a year ago.

Due to the number of closures and layoffs in the technology sector, Denver's office vacancy rate jumped to above 10% earlier in the year for the first time since the mid-1990s. The hardest hit areas were in the southeast and northwest suburbs, according to commercial broker Fuller and Company, with the northwest vacancy rate reaching 32%.

In spite of the office market development moving to the suburban metro area, downtown Denver still witnessed some activity. Brookfield Properties proposed construction of a 14-story office building stacked on an 11-level parking garage on 15th St. in downtown. Brookfield expects to lease up to 70% of the office space before construction begins.

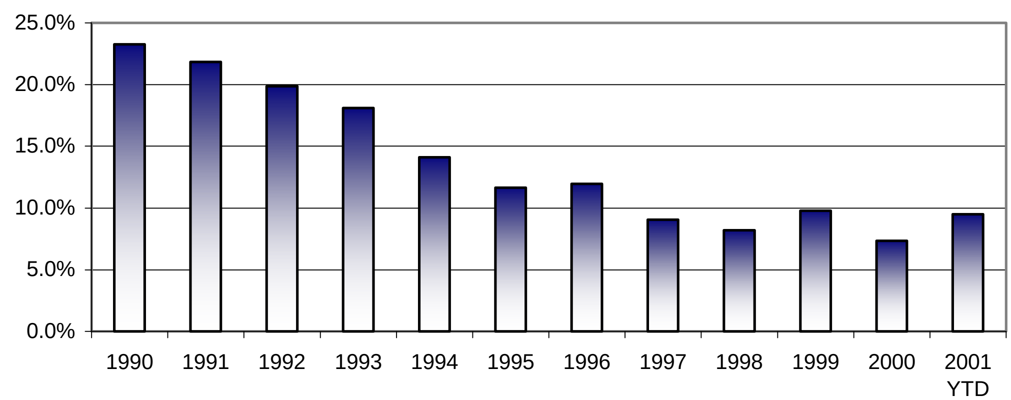
Legacy Partners began groundbreaking on a 10-story office tower at the end of 16th Street between lower downtown and the Central Platte Valley. Legacy Plaza will be the largest private office building to be developed downtown since 1986. Construction on the 290,000-square-foot building began in October and will be complete by mid-2002.

Construction on the 12-story, $131 million Civic Center Office Building in downtown Denver began this year. Upon completion in late 2002, 2,200 employees will be consolidated from 16 office locations, most of which are rented. This will become one of the largest buildings in downtown Denver, with 690,000 square feet of office space and a 630-space underground parking garage.

Forest City Stapleton Inc. will begin construction in the first quarter of 2002 on The Town Square Building, a 168,000-square-foot, five-story office building to be built on the former Stapleton Airport site. Completion of the building and occupancy are planned for the first quarter of 2003.

Janus Capital Corporation abandoned its plans to build a 35-acre campus for up to 3,000 workers in the Lowry Business Park. Citing a decline in demand and increased automation, the mutual fund company decided it no longer needed the 800,000 to

Figure 3. Office Vacancy Rates, 1990-2001 YTD



Source: CB Commercial Real Estate Group. 2001 YTD figures are through the second quarter.

1.2 million square feet of offices it planned to build at Lowry.

"There were several large office complex developments announced during the past year."

There were several large office complex developments announced during the past year. The Prairie Center in Brighton will bring over 8 million square feet of construction to a 1,400-acre site over the next 10 to 15 years. The site will include office, light-industrial, manufacturing, retail, and residential buildings, as well as almost 300 acres of open space. The early stages of the project will emphasize facilities that produce jobs as nearly 70% of Brighton's residents currently commute to jobs outside of the city.

Construction began at the end of July on a new Aurora municipal building to open in early 2003. The $66.5 million building will be 280,000 square feet and will consolidate most of the city's offices, saving about $450,000 a year in lease payments. Also in Aurora, TRW began construction in early August on a 103,800-square-foot office building to be built on 13.6 acres. Construction should be completed in about a year.

The construction of an interchange at Alameda Avenue and Interstate-225 is helping push the construction of two business parks on Sixth Avenue near the Aurora City Center. The first, Corporate Center 225, will be anchored by a $23.5 million office complex. The second, Business Center 225, will have an $8 million flex-space building. Both sites will have additional commercial building spaces available.

Several expansion projects began along the U.S. 36 corridor last year. Avaya Communications, formerly part of Lucent Technologies, announced an expansion at its Westminster facility by 480,000 square feet for a total campus size of 1.7 million square feet. Current plans may be cut back in light of the economic conditions for technology firms such as Avaya. However, across the street from the Avaya complex, North Ridge Investment purchased 105 acres to develop an estimated 1 million square feet of office space. North Ridge plans to develop the land and sell some parcels to builders, keeping some land for an $150 million anchor office project. Meanwhile, a 426,000-square-foot office park will be built at the site of the old Lange ski boot factory at U.S. 36 and 96th street in Broomfield. The first phase of the $50 million, 23-acre development will be completed by the end of this year.

Douglas County continues to be a center for new office development. Transwestern Commercial Services and MONY Real Estate will team up on a 350,000-square-foot office development in the Compark Business Park. The project is adjacent to E-470 and initial construction will begin in late 2001 with initial occupancy occurring in mid-2002. Plans were also made for a new business center, the Prairie Trail Business Park, to be constructed on 7.92 acres at the Compark Business Campus. The plan consists of three buildings totaling 83,000 square feet which are expected to be completed by summer 2002.

"Douglas County continues to be a center for new office development."

Shea Properties began construction on an 161,000-square-foot office complex in Highlands Ranch. Visa USA will occupy the building for its debit processing center. The $24 million, 15.4-acre project includes a one-story, 50,000-square-foot data center and a three-story, 111,000-square-foot office building. Construction should be completed by mid-2002. White Lodging Services Corp. plans to build a $39 million, 278-room Marriott Hotel in the Park Ridge Corporate Center. The six-story hotel will be on an 8-acre site with construction to begin late this summer. Upon completion in late 2002, the hotel will have a restaurant, fitness center, business offices, and 12,500 square feet of meeting space.

In order to consolidate its three offices in southeast Denver, CH2M Hill, an engineering firm, plans to construct a $53 million corporate headquarters on a 17-acre site in the Meridian International Business Center. Construction of the two-building, 250,000-square-foot complex began in early August and should be completed by the end of 2002. Future plans may include three more office buildings on an additional 8 acres.

Several projects were announced in the hospital and health treatment sector in 2001. Centura Health announced plans to build a full-service hospital with up to 200 beds on 40 acres, located on the southeast corner of Parker Road and E-470, to be completed by 2004. Adjacent to the hospital will be 180,000 square feet of medical office space. Platte Valley Medical Center in Brighton plans to purchase property for an expansion at E-470 and I-76. Construction is proceeding on a $38 million expansion of the Centura Health Littleton Adventist Hospital near C-470 and Broadway. HealthOne recently broke ground on a hospital at I-25 and Lincoln Avenue in Lone Tree with up to 335 beds, scheduled for completion in 2003.

"Several projects were announced in the hospital and health treatment sector in 2001."

Another large infill project involved the move of the University of Colorado Hospital and Health Sciences Center to 217 acres at the old Fitzsimmons Army Hospital location. In September, the hospital began construction of a $147 million, 12-story hospital. The Anschutz Inpatient Pavilion will be ready for use by late 2003. The University of Colorado will spend $1.3 billion in the move over the next ten years. Recently, the Children's Hospital agreed to join CU, spending $400 million to move its campus. It will begin construction in 2003 on a 270-bed, 900,000-square-foot hospital to be complete by 2006.

Construction will begin on the first of a 180,000-square-foot, three-building office complex in the Ken Caryl Business Park near C-470 southwest of Denver. Each building will be three stories and contain 60,000 square feet of office space.

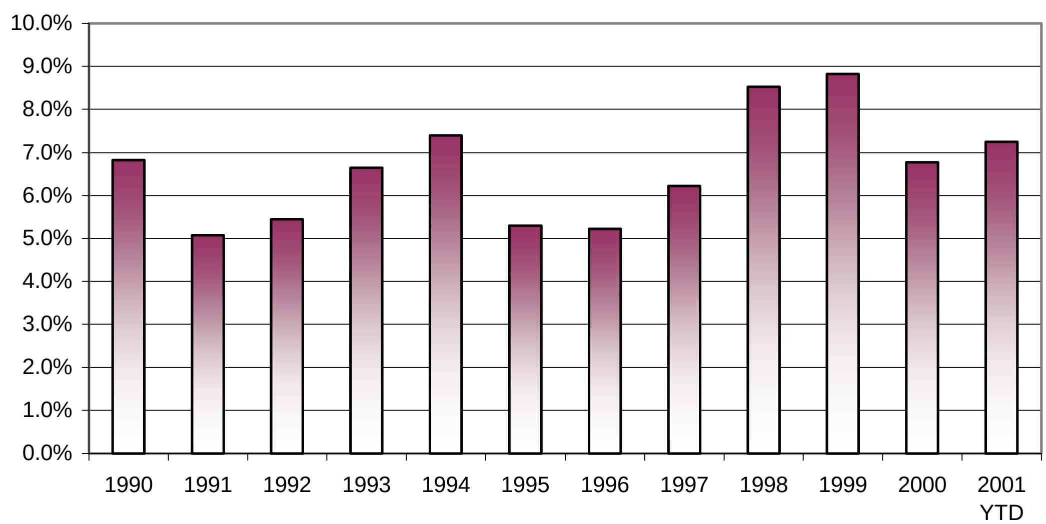
A $24 million, 174-room Embassy Suites Hotel will be built near DIA. The seven-story hotel will have a restaurant, business center, fitness center, 5,000 square feet of meeting space, and a 4,000-square-foot ballroom. The hotel should be open in late 2002.

Industrial

Denver's industrial sector has also felt the impacts of the economic slowdown. The first half of 2001 saw 2 million square feet of space added to the market, according to Frederick Ross Research Services. About a third of this has remained vacant and absorption so far has been in negative territory. As a result, the vacancy rate, as measured by CB Commercial Real Estate Group, increased from 6.8% to 7.3% during the first six months of 2001.

According to F.W. Dodge, $15.5 million in factory and warehouse construction was added to the metro area through September 2001. Although this repre-

Figure 4. Industrial Vacancy Rates, 1990-2001 YTD



Source: CB Commercial Real Estate Group. 2001 YTD figures are through the second quarter.

sents a similar number of projects, it is almost 50% more than the value added through September 2000.

Other Nonresidential Construction

Mixed-use projects have been on the rise as large parcels became available for development, commensurate with the population growth in suburban areas. After five years of negotiations between the city of Thornton, Adams County, and Gateway American Properties, public hearings began on the annexation of 1,900 acres for residential and commercial development. The proposed annexation comes with a comprehensive plan including the construction of 5,000 homes, an 18-hole golf course and a 942-acre business park. The planned community, called Centricom-Colorado, will offer 1,500 single-family homes and 3,500 multi-family units. The business park will be accessible to E-470, which is nearing its final construction phase through Thornton. E-470 should be complete by June 2003.

"There were some significant infill redevelopment multi-use projects announced this year."

There were some significant infill redevelopment multi-use projects announced this year. Lakewood announced the mixed-use redevelopment of the Villa Italia mall site featuring retail stores, office space, and residential. Lakewood envisions that the area will become the city's downtown. Project completion could take as long as 10 years. The Lakewood City Common shopping area across from Villa Italia was completed earlier this year. Colfax Avenue will be revitalized with the Vance Street Promenade, a mixed-use development with apartments, townhomes, a park, movie theater, and retail and office space.

One of the largest mixed-use redevelopment areas continues to be the 4,700-acre Stapleton Airport in Denver. Last year, Forest City Corporation announced plans to construct 1.3 million square feet of retail and office space. In the first phase, over 800 single- and multi-family homes, the town center, and a retail center should be completed by 2003. Plans were unveiled in June for the centerpiece of the redevelopment activities at the former Stapleton airport. An 80-acre park will anchor the over 1,100 planned acres of parks and open space. The $44 million parks project will include a nature center, regional recreation and aquatic center, walking and biking trails, and plant nursery.

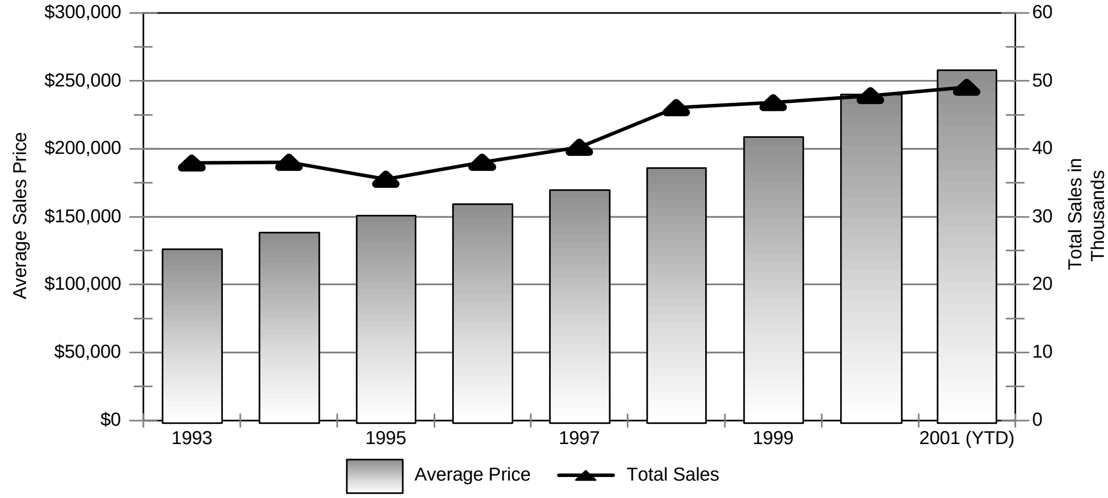
The $110 million renovation of the Executive Tower Inn in downtown Denver will result in 130 condominium units and 321 luxury hotel rooms. Ten percent of the owned units will be made available to people making 80% of the median income. The Denver Urban Renewal Authority is expected to provide as much as $20 million to subsidize the low-income residential plan. The project will be complete by late 2004, at which time it is expected the hotel will employ 250 workers, up from the current 50 to 75 workers.

The City of Denver also recently announced that it will pour $22 million into the renovation of the Red Rocks Amphitheater in Morrison beginning in fall 2001. The project, to be completed by 2002, will include updating infrastructure and constructing a restaurant plaza above the seating area, as well as a new history and information center. Denver also opened its new South Platte River park system on July 30. The parks extend 1½ miles along the river from the Children's Museum to North 20th Ave., and include hiking, biking, and skating trails amongst the seven current and future park spaces.

Crown Point, a 285-acre mixed-use development in Parker, is expected to be built over the next three to five years with a value of $300 to $350 million. The project, which will include Class A office space, lodging and retail space, and 660 multi-family residences, will have over 1.64 million square feet of space when completed.

Clear Creek Square in Golden will mix office, retail, and residential space into a pedestrian-friendly project near Coors Brewery. The $25 million project on 5 acres will include 60,000 square feet of office space, 20,000 square feet of retail space, 72 residences, and 300 parking spaces. The office space will be occupied primarily by 250 employees of New Global Telecom, the developer of the project.

Figure 5. Single Family Home Sales, 1993-2001 YTD



Source: Coldwell Banker Residential Brokerage. Current year based on year-to-date through September.

The Westminster Building Authority and the Westminster City Council approved the development of a public safety center which will consist of a 73,000-square-foot, $18.8 million facility that will house the Fire Department's administrative offices and the Police Department. Construction began in June and will be completed by November 2002. The Westminster City Council also approved the 120-acre Bradburn "New Urbanism" mixed-use project. The project will include 157,000 square feet of retail, office, and restaurant space, 805 residential units, public parks, and open space.

Brighton will be the home to a 1,400-acre mixed-use development that includes 3,000 housing units, 8-million-square-feet of offices, parks, and a major mall. Construction on Prairie Center will begin later this year beginning with water lines, roadways, and other infrastructure. The $1 billion development should be complete within 10 to 20 years.

The northeast corridor to Denver International Airport is one of the few remaining available undeveloped areas in the city and county of Denver. Plots are becoming even more scarce as 1,300 acres were swallowed by a plan to create a mixed-use area of office, industrial, residential, and retail in the Parkfield Area of northeast Denver. Parkfield Partners also announced plans to develop 300 acres just southwest of the airport for residential and commercial uses. As many as 950 homes could be built.

Residential Construction

According to the U.S. Bureau of the Census, the number of residential building permits for metro-Denver residences increased 3.7% through August 2001, compared with a 6.5% decrease in 2000. Adams, Arapahoe, and Denver counties, responsible for over 70% of metro area permits, had significantly increased activity in 2001 year-to-date, up 53.4%, 26.9% and 27.0% respectively. Meanwhile, Douglas, and Jefferson counties had decreases (-10.5% and -22.5%) through August.

"...the number of existing home sales in metro Denver was down 3.3% through September 2001…"

According to Coldwell Banker Residential Brokerage, the number of existing home sales in metro Denver was down 3.3% through September 2001, compared with the first three quarters of 2000. The median price of an existing single-family home in September 2001 was $215,000, representing a 7.9% increase over September 2000. Until this year, strong demand and an income boom fueled rising home prices. Since incomes have tapered from employment and financial market woes, prices increases have somewhat settled and homes have stayed on the market longer. Figure 5 shows the trend in metro area single-family home average prices and number of properties closed.

According to a report by the Apartment Association of Metro Denver, the metro-area apartment vacancy rate topped at 6.8% in the third quarter 2001, the highest rate in 11 years. A year ago, the apartment vacancy rate was 3.7%. The average rent increased to $827 in the third quarter, up 8.5% from a year ago. Douglas County had the highest average rent of $1,040, while Denver had the lowest average rent of $778.

"...the metro-area apartment vacancy rate topped at 6.8% in the third quarter 2001, the highest rate in 11 years."

The Lowry Redevelopment Authority revealed plans to build 950 homes on 233 acres of the converted Lowry Air Force Base. Over the next three years, several projects will create a range of home types and prices. McStain Enterprises will build 400 homes, each around 1,000 square feet, in the $125,000 to $150,000 range. Stites Development will also build 18 duplexes with prices starting at $200,000. Three developers will begin construction on another 270 homes with prices beginning in the high $200,000s. Braiman Properties will offer 30 townhouses starting at $300,000. There will also be several custom homes starting at $500,000 and estate-size lots for homes priced at $800,000 and higher. The Denver City Council recently approved a change to the plan involving 70 more townhomes priced from $125,000 to $150,000 and 24 single-family homes priced from $400,000 to $600,000.

First Creek Farm will represent one of the first high-density residential projects near Denver International Airport. The $39 million development will include 320 condominium units on 16 acres. Prices will range from under $100,000 for a one-bedroom unit to $129,000 for a two-bedroom unit.

"There were several residential projects announced in the Central Platte Valley last year."

There were several residential projects announced in the Central Platte Valley last year. Gart Properties announced an 152-unit, $45 million project early in the year. Prices at the WaterTower Lofts will range from $150,000 to $600,000 for each unit. Ninety-six of the units will be the result of the renovation of the 108-year old Benedict Warehouse. The remaining 56 units will be added in an adjacent building. Also in the Central Platte Valley, an $105 million apartment project was proposed involving 643 units. The first phase is expected to be completed early in 2002. Another project began groundbreaking late last year, in which 266 studios and townhomes will become available by late 2002. The $50 million project will offer apartment units with rents from $1,100 to $2,900 a month. Zoning requirements mandate that at least 37 of the units be affordable to families earning between 50% and 100% of the area's median income. The developer plans to eventually convert the apartments to owned condominiums.

In nearby lower downtown Denver, plans were announced for the ShoShone Lofts, a $9 million, 29-unit complex at West 32nd Avenue and Shoshone Street. The units will range in size from 984 to 1,732 square feet, and will cost between $220,000 and $520,000. The first floor of the complex will include 40 parking spaces. The project is close to two separate condominium complexes currently under development — the $30 million, 104-unit, Highland Crossing development and the $12 million, 56-unit, Highland Terrace Lofts development.

"The former Fitzsimons Army Medical Center has several residential redevelopment projects."

The former Fitzsimons Army Medical Center has several residential redevelopment projects. However the residential projects have not been as visible as the medical center projects. A $45 million apartment complex will include 345 luxury units on 28 acres. The typical unit will rent for about $1,200 per month and the project will include 40,000 square feet of retail space. The $36 million Monterey Pointe Apartment project will include 176 one-bedroom units, 146 two-bedroom units, 32 three-bedroom units in 20 two- and three-story buildings. In addition, a 5,000-square-foot club house and 1,500-square-foot exercise center will be constructed.

DPC Development and C&A Holding announced a joint venture to build 500 multi-family units at the

1,400-acre Stonegate, near E-470 and Jordan Road in southeast metro Denver. The housing project, consisting of condominiums and townhomes, will take up 28 acres and units are expected to be sold for between $100,000 to $200,000. The project should be complete by mid-2002.

The Denver Housing Authority (DHA) announced a $12.3 million residential development plan in Denver's East Village. The city will redevelop the existing residences and construct additional units. The existing low-income housing units will be maintained, while new units for market rate renters will be added. Up to $1.5 million will be spent to bring the existing units up to code.

Plans were announced to start construction on two residential projects in the Denver neighborhoods of Whittier and Lincoln Park. The Lincoln Park project will convert a 20,000-square-foot warehouse into 32 studio condominiums. Units will range in size from 730 to 1,200 square feet and will range in price from $130,000 to $250,000. While these units are not designated as affordable housing, the developers hope to fill strong demand for homes priced under $300,000. The Whittier development will offer 33 housing units and 10,000 square feet for retail space and parking. Each of the 33 units will be 1,000 square feet and will be priced from $154,000 to $300,000. Eight of the units will be offered through an affordable housing program administered by the Northeast Denver Housing Center.

As part of the ongoing redevelopment, the Lowry Redevelopment Authority agreed to allow higher density housing in order to accommodate an additional 37 units, nine of which will be affordable housing. Other affordable housing will be built just north of Commerce City through $570,000 in funding approved by the Colorado Division of Housing. The 156-unit project, named Belle Creek, will be completed in May 2002.

Summary

Metropolitan Denver continues to be the economic leader in Colorado. Accounting for over half of the state's employment, the metro area continues to lead the state in employment, specifically communications, advanced technologies, and construction. Recent economic downturns in financial markets have prompted mergers and acquisitions of large companies and bankruptcy filings among small startup companies in the region. The economy in the short-term is tenuous and is dependent upon financial markets to jumpstart business investment and consumer spending to ignite retail, tourism, and travel. Ultimately, however, Denver remains one of the fastest growing metropolitan areas in the country. Due to a growing diversity in economic sectors and a preference for a quality of life that balances open space, residential, and commercial development, metro Denver is poised to bounce back from the current slowdown and continue its vibrant growth.