



# Colorado Economic Chronicle

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## National Economy

The nation's economy fell further than previously reported in the third quarter, with inflation-adjusted gross domestic product (GDP) contracting at a 1.1% annual rate. Previous reports had shown a 0.4% contraction in the quarter. A reduction in inventories accounted for most of the downward revision. The inventory reduction creates the possibility of increased production in the future, however, when the economy turns back up and consumer demand rebounds. The report solidifies the news that the country entered a recession in March and was solidly in one during the third quarter.

*“Employment fell by 331,000 jobs in November, following a revised loss of 468,000 jobs in October.”*

**Employment** fell by 331,000 jobs in November, following a revised loss of 468,000 jobs in October. October's job loss was the largest monthly decline since 1980. The manufacturing sector lost 163,000 jobs in November, topping 1.2 million in job losses during the past year and one-half. The **unemployment rate** jumped to 5.7% in November from 5.4% in October. While this rate is the highest since 1995, it is still well below the peak 7.8% rate during the last recession. On the positive side, initial jobless claims fell during the week of November 24 and the number of continuing claims dropped by its largest amount in 18 years. Despite the large drop, continuing claims remain at a high level.

*“The end of the zero interest financing deals in early January will result in weaker vehicle sales as many recent sales are being made at the expense of next year.”*

**Consumer confidence** remained weak in November, but showed signs that consumers expect the current economic malaise to be short lived, according to both the University of Michigan's and the Conference Board's surveys of consumer confidence. **Personal income** remained essentially flat in October. This marks the second consecutive month that consumers have not experienced income gains, an unusual event. While **consumer spending** soared 2.9%, it comes on the heels of sharp spending declines after the September 11 attacks and was pushed up by a record gain for automobile purchases spurred by zero interest loans. In fact, vehicle sales in October far exceeded the growth rate of the first nine months of the year. *Vehicle sales* remained strong in November, but fell significantly compared with October. The end of the zero interest financing deals in early January will result in weaker vehicle sales as many recent sales are being made at the expense of next year. While this has provided an important steadying force to the economy after the attacks, it will cause the rate of recovery to be slower and may lengthen the recession. *Consumer credit* expanded by only 2.5% in September and at a rate below 2.0% for the third quarter. Stagnant income growth and a faltering job market have forced consumers to become

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wary of additional borrowing. A slight up-tick in mortgage rates recently will dampen the flow of additional cash from refinancing. Meanwhile, *Internet sales* maintained a positive growth rate during the third quarter, despite an overall decrease in retail sales. This indicates that Internet “stores” may be able to weather a recession better than their brick-and-mortar counterparts.

While the **manufacturing industry** experienced its 16<sup>th</sup> consecutive monthly decline, the National Association of Purchasing Managers’ Index rose during November. The most promising part of the increase occurred in the index of new orders, which grew 10.5%. Other positive news was a continuing decline in the prices index, which hit its lowest level in 50 years, indicating that inflation is nil in the manufacturing sector. *Industrial production*, as would be expected during a recession, declined for the thirteenth consecutive month. The production of business equipment saw a precipitous drop while the production of consumer goods continued to weaken. Also, *capacity utilization* reached its lowest level since 1983. On the positive side, *durable goods orders* increased 12.8% in October, more than accounting for the September declines. Orders of defense aircraft led to the strong numbers. Helped by the strong gains in durable goods orders, overall *factory orders* increased 7.6% in October.

Excellent weather and strong construction in the public sector led to a \$16 billion increase in **construction spending** during October. This jump was almost three times the drop experienced in September. While *new home sales* were down in October relative to the previous year, the rate of sales was much stronger than most analysts expected and showed

signs that consumers have not completely abandoned the economy. Builders are clearly concerned, however, as *new residential construction* slowed significantly in October despite the strong sales rate and low interest rates. *Existing home sales* also saw strong growth, increasing 5.5% from weak September numbers.

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**Inflation** remained tame in October, with both the producer and consumer price indexes showing declines. The fall in consumer prices was based on a steep decline in energy prices. Excluding food and energy, the core rate of inflation increased 0.2% for the fourth straight month. This level of growth is quite moderate and poses no risks for the economy. Producer prices, also impacted by lower energy costs, dropped a record 1.6% during October. The core index fell by 0.5%, meaning that prices at the production level are feeling no pressure even without the impacts of falling energy prices. In fact, producer prices are actually below the level of October 2000.

Continued weakness in the manufacturing sector, coupled with a weak job market which has tightened consumer spending, will almost certainly bring further contraction to the national economy during the fourth quarter. Inflation remains the economy’s best friend, as it refuses to budge despite the ten interest rate cuts this year by the Federal Reserve Board. Low inflation will likely allow the Fed to move rates lower again in December in reaction to continued weakness in the economy.

## Colorado Economy

Colorado’s economy continues to weaken. The unemployment rate surged from 3.7% in September to 4.2% in October. Meanwhile, October’s employment level was only 0.1% higher than a year ago. Consumer spending plummeted in September, largely attributable to the terrorist attacks. The construction markets are still relatively healthy.

## Employment

A weakening national economy, slowing consumer spending, and declining business investment have all contributed to softening labor markets leading to the sixth consecutive month of an increase in the state unemployment rate.

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## Colorado's Economy at a Glance

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Key Indicators	Direction	Assessment
Nonfarm Employment Growth	↑	Weak
Unemployment Rate	↑	Bad
Mortgage Rates	↑	Good
Retail Trade Sales	↑	Weak
Home Prices	↑	Neutral
Nonresidential Construction	↔	Good
Colorado Inflation Rate	↑	Bad
<b>Overall Rating</b>	↑	<b>Weak</b>

The unemployment rate jumped in October to 4.2%, up from 2.7% in October 2000 and an increase of 0.5% from September. Only nine states saw an increase of a half percentage point or more in October. Only five other states have seen a greater increase in the unemployment rate in the past year.

Nonagricultural wage and salary employment was 2.3% higher through October, compared with the same period in 2000. However, employment growth has continued to weaken throughout the year. October's employment was only 0.1% higher than in October 2000.

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Job announcements were numerous in the past month. Again, due to the slowdown in the state's economy, announced layoffs exceeded announced new hires. Layoffs totaled 1,621, while gains were 1,318.

The U.S. Mint has begun laying off 350 workers nationwide, including the major coin-production plant in Denver. The layoffs are due to a softening economy that has resulted in a surplus of coins. Instead of 23 billion new coins, mint officials believe only 15 billion will be needed next year.

Bermuda-based Global Crossing Ltd., a fiber-optic network provider, cut another 10% of its work force worldwide, including employees at its Boulder and Westminster operations. The cuts are the result of the company's desire to refocus and remain competitive. The number of local cuts was not disclosed.

Agilent Technologies Inc., manufacturer of test and measurement equipment for high-tech industries, is cutting another 4,000 jobs company wide, in addition to the 4,000 announced in August. The company, which has plants in Fort Collins, Loveland, Colorado Springs, and Englewood, will cut approximately 310 jobs, or 10% of its local work force. The cuts are part of a continuing effort to reduce costs due to the economic slowdown.

## Residential Real Estate

According to the U.S. Census Bureau, total housing permits through October increased 6.2%, or 2,826 units. Single-family permits increased 0.9%, while permits for multi-family dwellings increased 19.0%.

According to Coldwell Banker Residential Brokerage of Colorado, the average sales price for an existing single-family home in the **metro-Denver** area in November was \$256,434. The average price increased 3.3% from a year ago, and was up 0.7% from October. Meanwhile, the November median price of \$208,000 for a single-family home increased 4.1% from a year ago, but slipped 2.2% from October.

The average apartment vacancy rate for Colorado increased to 4.5% in September, compared with 3.0% in the third quarter of 2000, according to the Colorado Division of Housing. In **metro Denver**, the apartment vacancy rate in the third quarter of 2001 hit an 11-year high of 6.8%. A 5.0% vacancy rate represents a balanced market in which renters have options and developers can receive decent returns on investments.

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In **Aspen** and **Summit County**, the apartment vacancy rates rose to 4.4%. In Colorado Springs, the rate almost doubled to 5.4%. However, Pueblo's vacancy rate dropped to 3.2% from 5.7% in February.

Sales of new homes in the **metro-Denver** area fell 33.8%, with 3,192 homes sold in the third quarter of

this year, compared with 4,819 during the same period last year. In Boulder, there were only 224 home sales, a 66.5% drop from the 669 sales last year. In Aspen, single-family home sales dropped from 70 in 2000 to 49 through the third quarter of this year. Meanwhile, sales of single-family homes in the **Ba-salt to Glenwood Springs** area increased from 215 in 2000 to 218 this year.

According to the Pikes Peak Regional Building Department, permits for single-family homes in **El Paso County** totaled 288 in November, a 24.2% drop from the same month a year ago. The slowdown in the local economy was responsible for the decline.

### **Nonresidential Construction**

According to F.W. Dodge, the value of nonresidential construction permits fell 2.3% through October, compared with last year. Activity in the commercial construction sector decreased by 17.9%, with the public buildings sector experiencing the largest decrease of 53.8%. Building activity was higher in the manufacturing, education, and hospital and health treatment sectors.

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*“The office vacancy rate is at a 10-year high and continues to grow.”*

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In the **metro-Denver** area, office vacancies are rising and lease rates are falling. Because of these factors and the slowing economy, fewer buildings have been sold. The office vacancy rate is at a 10-year high and continues to grow. The office vacancy rate rose to 11.1% in September, compared with 7.4% for the same period last year. With sublease space included, the rate increases to 18.0%, according to a report by Cushman & Wakefield. However, in the warehouse market, vacancy rates are still in a healthy range, increasing to 6.3% in the third quarter from 4.8% for the same period last year.

The total value of office, industrial, and retail properties sold in 2001 is expected to be \$1.1 billion, compared with \$1.2 billion in 2000, the lowest level for commercial real estate sales since 1996. In October, new commercial spending plunged 59.5% to \$12.4

million, down from \$30.6 million during the same month last year. According to Cushman & Wakefield, the slowdown in sales is due to sellers asking more for properties than buyers are willing to pay.

Janus Capital Corp. pulled out of plans for an office park at Lowry. Instead, Lowry Redevelopment Authority announced plans for a new office park, Crosswinds, consisting of half the office space to be constructed on the same site as the former Janus office park. Crosswinds will include eight buildings with a total of 600,000 square feet of office space on a 24-acre site. The initial phase includes two 90,000-square-foot, four-story office buildings with plans to begin construction within a year. The mixed-use project will include stores, housing, offices, and recreation space.

### **Transportation**

Although devastated following the attacks on September 11, the airline industry seems to be making a slow but steady comeback. Although passenger traffic at the Colorado Springs airport dropped 25% in October 2001 compared with the same month last year, traffic is slowly increasing. Passenger traffic reached 75,355 in October, compared with 65,726 passengers in September. Denver International Airport's (DIA) passenger traffic was down 20% from a year ago with a total of 2.58 million passengers for October 2001, compared with 3.24 million last year. Traffic at DIA fell by 33% in September.

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Despite the travel woes for the airline industry, there were a number of positive announcements. Vanguard Airlines announced that it will begin twice-daily flights between Colorado Springs and Kansas City by the end of December. The Kansas City-based carrier also increased flights on its Denver-to-Kansas City route from three to five.

Frontier Airlines will add flights from its hub at DIA to existing service to Chicago's Midway Airport, Orlando, Salt Lake City, and Las Vegas by the end of

January 2002. The airline will also begin service to New Orleans, Fort Lauderdale, and Sacramento at the end of February 2002. The flights are being added in response to increased bookings to leisure destinations. After the additions, Frontier will be back to its pre-September 11 capacity. Frontier has accordingly recalled many of its furloughed workers.

United Airlines announced it will add one flight during weekdays and two flights on both Saturdays and Sundays between Denver and Aspen for the winter season. There will be a total of 10 daily flights between Aspen and Denver, a daily non-stop flight between Aspen and Los Angeles, and 13 flights between Aspen and Denver on the weekends. Even though the number of flights is down 16% from last winter, the new schedules will accommodate more connections in Denver.

Rio Grande Air is expanding its ski-season flight service to Durango by adding flights between Taos, N. M., Ruidoso, N.M., Albuquerque, and the Durango-La Plata Airport. The company also recently converted all its Durango-Albuquerque flights to non-stop flights for easier connections. Plans are being made to partner with Great Plains air to provide non-stop flights between Durango and Oklahoma City, Tulsa, and Memphis.

Garfield County Airport is undergoing a \$23 million upgrade. A new 15,000- to 20,000-square-foot terminal will house the fixed-base operator for the airport, an administrative office, a fire dispatch center, a restaurant, a rental car office, and an aircraft charter service. Plans include improvements to the runway, taxiways, and safety zones. Construction will begin in 2004 and be completed within two years.

Although the effects of the terrorist attacks have diminished, there are still a few negative impacts on some areas of the airline industry. According to AAA Colorado, 87% of people traveling 50 miles or more during the Thanksgiving holiday utilized ground transportation, the highest percentage the agency has recorded. The increase was due to a shortage of airline seats, lower gas prices, and favorable weather conditions for surface travel. Amtrak has added 75,000 seats to its trains and Greyhound has seen a significant increase in bus passengers.

In November, United Airlines canceled three ski-season flights into the Eagle County Airport from Los Angeles, Denver, and New York. Negotiations are under way with American to take over the Los Angeles flight.

## Tourism and Gaming

Although the tourism industry has taken several hard hits this year, the industry is recovering slowly. A fear of traveling outside of the country may cause more Americans to spend tourist dollars in places like Colorado, according to the Colorado Tourism Office. Colorado's tourism industry suffered less than any other state as a result of the attacks due to the fact that tourists consider it safer to travel here. The Colorado Tourism Office plans to capitalize on the safety factor in future marketing efforts.

Several cities felt a positive impact due to people vacationing via automobiles rather than airplanes. According to the city of **Durango**, lodging-tax receipts were 6.0% ahead of September 2000. Lodging-tax receipts for September for **Grand Junction** were 7.8% higher than the same month last year. **Glenwood Springs** saw a 1.7% increase in occupancy in September compared with the same month last year.

Adjusted gross proceeds from Colorado's gaming industry totaled \$56.3 million in October, up 3.7% from October 2000. Black Hawk casinos generated 70.9% of the total, while casinos in Cripple Creek and Central City accounted for 20.4% and 8.5%, respectively.

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However, the tourism sector in other areas of the state did not fare as well. Hotel occupancy for the state fell to 52.4% in October from 61.2% last year. **Metro-Denver** hotel occupancy was 15% lower in October than the same period last year. **Colorado Springs** reported a 12.0% decline in hotel occupancy for October, compared with the same month last year, according to the Rocky Mountain Lodging Report.

Overall visits to the state's national parks declined 3.8% through September. Almost all of the parks showed a decline in visitations except Bent's Old Fort with a 2.6% increase, Florissant with a 5.9% increase, Rocky Mountain National Park with a 1.0% increase, and Mesa Verde with the largest increase of 14.9%.

In **Durango**, the Durango & Silverton Narrow Gauge railway is cutting 40 trips total next year due to the decline in tourism after the September 11 attacks. Ridership in 2001 was down 7.0% from last year. If increases in bookings occur, the railway's new schedule will allow cars to be added.

## Exports

Due to the September 11 attacks and a weakening economy, Colorado's exports were hit hard. The state's manufacturing and farm exports fell 1.8% in the third quarter from the same period a year ago. The technology sector sustained a 30% decline through September. The technology sector was the top export category last year, dropping to second this year. Canada remained Colorado's top export market.

## Manufacturing

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Colorado's manufacturing sector slumped in October to its lowest level in four years and then bounced back somewhat in November. The Front Range Purchasing Managers' Index dropped to 36.4 in October, compared with 42.4 in September. The index level was 40.6 in November and paralleled the upturn in the national index. A score below 50 means manufacturing activity is declining. All five major indicators in the index showed weakness, including new orders, production, employment, lead times, and inventories. The index showed that Colorado's tight labor supply has reversed sharply, with high availability of skilled and unskilled workers. A number of participating manufacturing companies indicated

that conditions could improve in the first half of 2002.

## Consumer Spending

Retail trade sales fell 5.9% in September, compared with a year ago. While consumer spending has been weak this year, with declines in four of the past five months, September marked the low point. All categories of trade sales declined. Sales at clothing (-16.8%) and furniture stores (-15.6%) showed the largest declines, while sales at department and discount stores held up relatively well with a decline of only 0.1%.

## Energy

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Gasoline prices continue to drop throughout the state with some areas falling below \$1.00, the lowest price since 1999, according to AAA Colorado. Low crude oil prices, competition, and a lack of demand have contributed to the decreases. Overall, the price of a gallon of self-serve unleaded regular gasoline statewide dropped by an average of 3.5 cents since mid-November. Vail had the highest price of \$1.459, down from \$1.522.

Natural gas prices are also continuing to decrease. Kinder Morgan has slashed its rates for the second time by 34% this fall, and Excel Energy has cut its rates by 41%. The cuts are due to the fact that the supply of gas and amount of storage are at much higher levels than last year.

As natural gas prices continue on a downward spiral, electricity rates are beginning to drop as well. In January, the Colorado Springs Utilities will be reducing electric costs to residential customers by about 12.0%, or an average of \$5.80 per month. The reductions are due to the requirement that the costs be reduced whenever the utility's costs of supplying energy go down. Other factors include mild weather and a decrease in wholesale prices for gas which is

used to power the utility's electricity generating plants.

The number of permits issued to drill wells in Colorado is expected to break a 20-year record. Colorado's Oil and Gas Conservation Commission is expecting between 2,300 and 2,400 permits to be issued by the end of 2001, compared with the record of 2,378 permits in 1981. The increased activity is largely due to very high prices earlier this year. Additionally, the Commission believes activity is strong because regional prices for wholesale natural gas are still far above the average prices registered in the 1990s.

## Agriculture

In the **San Luis Valley**, the fall potato growers produced 21.4 million cwt of potatoes this year, down almost 24% from last year. Sugar beet production is now forecast at 815,000 tons, down 32% from last year. In more positive news, sorghum for grain production for 2001 is now expected to reach 12.0 million bushels, up 11% from the October forecast and 84% above the 2000 crop of 6.5 million bushels.

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Sunshine Potato Company and Idaho-based Idaho Pacific Corporation have joined in an effort to re-open the **Center** dehydration potato plant by mid-December. The reopening is due to the decline in natural gas prices, making it affordable to operate the dehydration equipment. Idaho Pacific Corp., which began hiring employees in mid-November, will operate and manage the business.

## Metro Denver

Layoffs continue to be prevalent in the metro-Denver region as companies attempt to streamline operations and cut costs. Ocean Journey laid off 11 employees in November to help cut \$700,000 in costs. The layoffs will not affect staff who care for animals and fish or maintain exhibits.

Charles Schwab Corp. announced a second round of layoffs in November, eliminating 117 jobs in Colorado as part of a companywide cost-cutting plan. In April, the company cut 395 Colorado jobs. The two rounds of layoffs will leave the company with about 1,300 employees in Colorado.

Lockheed Martin Space Systems Co., a satellite and launch business, announced that it will cut 360 jobs nationwide as part of measures to reduce \$30 million in costs and to streamline operations. The cuts will be spread between layoffs, attrition, and placements into other parts of its parent company, Maryland-based Lockheed Martin Corp. About 180 jobs in Denver will be affected. The company designs, builds, and operates satellites and other space equipment for military and commercial customers.

Denver-based Inflow, a data-center provider, laid off about 75 employees, or 15% of its worldwide workforce in November in an effort to reach profitability sooner. The layoffs will affect about 50 workers in Denver. The company hopes to attain profitability by the middle of 2002.

Xcel Energy will close its Denver call center by the end of 2001, laying off or reassigning 165 workers. The center will be closed as part of a consolidation resulting from last year's merger of Northern States Power and New Century Energies. Colorado customer calls will be routed to service centers in Amarillo, Texas, and Eau Claire, Wisconsin. Affected Colorado employees are being offered a chance to transfer to the out-of-state centers or to seek different jobs within Xcel.

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Tucker Anthony Sutro merged with Dain Rauscher in October causing the Tucker Anthony Sutro Denver office to be shut down and almost all 30 employees to be laid off. A few employees have been retained to work at the Dain Rauscher Denver office which was renamed RBC Dain Rauscher. The cuts were due to overlap after the merger.

Koala Corp., a Denver company that makes family and children's products, announced plans to cut about

20% of its work force, or 80 employees. The cutbacks are a result of a streamlining effort as well as a seasonal downturn in sales. Cutbacks will include administrative and production positions at each of the company's locations.

**Greenwood Village**-based Crown Media Holdings Inc. is eliminating 15% of its work force, or about 60 jobs, as part of a consolidation effort. The layoffs will affect 33 of the company's 287 employees in Colorado. The company owns and operates pay television channels.

In more positive news, Krispy Kreme Doughnuts Inc. opened its second Colorado store in November. The 4,200-square-foot store in **Thornton** will employ up to 125 people.

Matrix Bancorp. is relocating the largest of its subsidiaries, Matrix Capital Bank, from Las Cruces, N. M. to Colorado. The bank has grown in the last few years and decided that Colorado would provide more resources for expanding its personnel to fit the growth rate. The bank plans to hire 100 local people and move 10 to 15 people from Las Cruces to its location near the Colorado Convention Center in Denver. The move should be complete by the end of this year.

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*“Sprint Corp. is opening a 150,000-square-foot data center in Aurora...”*

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Sprint Corp. is opening a 150,000-square-foot data center in Aurora, providing such services as Web hosting and data storage, as well as connections to Sprint's high-speed, long-distance fiber-optic network. Eighteen to 20 people will be employed at the center after its opening in December.

McCandless International Trucks of Colorado began construction in December on a \$10 million, 16-acre sales and service facility in Aurora. The facility will include a sales department, 58 service bays, a warehouse, and a paint booth. The firm plans to hire up to 30 more service mechanics and salespeople for a total of 135 employees.

In **Montbello**, Minneapolis-based Holden Direct Marketing Services Group is opening a call center

with plans to hire about 200 people over the next three years. The new 153,000-square-foot center will include an order fulfillment center for various products.

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*“Three new building projects have been approved by the Parker Planning Commission.”*

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Three new building projects have been approved by the **Parker** Planning Commission. The Waffle House plans to build a 24-hour, 1,800-square-foot building on Parker Road. TCF National Bank plans to build a 4,600-square-foot building on two acres in the Parker Pavilions shopping center. The Grease Monkey will build a 31-foot high, single-story building with four bays near Jordan Road in Parker.

Although the Meyers Group reported a 28% drop in condo sales in the third quarter of 2001, the reason is due to lack of supply, rather than demand. Thus, a few condominium projects are being developed, including two retirement communities in the metro-Denver area.

In **Arvada**, Springwood Retirement Campus will house a 41-unit, three-story apartment building and six one-story duplexes and apartments. In **Montbello**, a three-story building with an underground parking garage, will bring 61 independent senior apartments to the area. The building will include a common lounge, recreation room, exercise room, and a small beauty salon.

Lakemont Landing Condominiums in **Wheat Ridge** will consist of a two-story flex development on 3.56 acres near Lakemont Center. Construction of the \$4.4 million project will begin at the end of 2001. The Morgan Group Inc. plans to begin construction in January on two upper-class apartment communities. One community will consist of 240 garden-style units to be built across from the new University of Colorado Health Sciences Center at Lowry. The other community, Resort at Glasier Farms, will be a \$24 million project built on 9.9 acres across from the former Lowry Air Force Base.

First Creek Farm in **Aurora** will consist of a \$45 million, 14-building, 324-unit condominium project. The project will also include a 4,500-square-foot



health club, swimming pool, and business center. Construction will begin in February 2002 with the first four buildings opening in June. The units will be priced from \$99,000 to \$150,000.

## El Paso County

Nonfarm wage and salary employment in October was 2,000 below the year-ago level. The local unemployment rate was 5.0%, compared with 2.9% last October. As the venture capital and financing markets continue to shrivel, layoffs continue to be most prevalent in the technology sector in El Paso County. **Colorado Springs**-based Shaman Corp., formerly TellSoft Technologies, closed in November as a result of not securing adequate financing from its parent company or other investors.

Vitesse Semiconductor Corp., designer of computer components and optical communications equipment, reduced its worldwide work force by about 10% in November as a way to manage the company's cost structure. The company employs 200 workers at its Colorado Springs fabrication plant, but the number of local layoffs was not disclosed.

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*“The Air Force Academy plans to cut 114 jobs in May in an effort to privatize its work force.”*

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The Air Force Academy plans to cut 114 jobs in May in an effort to privatize its work force. San Antonio-based Rohmann Joint Venture will take over the responsibilities of civil service workers. Military personnel in the remaining jobs will be reassigned. Current civil service workers will be given the option of working for Rohmann with possible pay cuts.

In more positive news, FutureCall is hiring 200 employees in December for full- and part-time telemarketing positions. The company landed a contract for telemarketing services with a top credit card-issuing company. FutureCall currently employs 500 people at its Colorado Springs Call Center.

The third-quarter apartment vacancy rate for Colorado Springs rose to its highest level in 2½ years according to a Colorado Division of Housing survey.

The rate was 5.4% from July to September, nearly double the rate for the same period last year. The slumping economy was the main reason for the increase, although falling mortgage rates resulted in more renters purchasing homes.

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The prices of homes continue to rise in the Pikes Peak region. The median price for single-family homes in October increased 20.5% to \$165,000 from the same month last year. The inventory of homes has also increased by 25.6% in October from the same time a year ago, while the number of homes sold declined 6.1% according to the Pikes Peak Association of Realtors.

LNR McDermott Properties LLC has begun construction on a \$14.5 million, 160-unit multifamily development in Colorado Springs. The project will consist of two- and three-bedroom affordable rental units located in 16 two-story buildings on nine acres. In nonresidential news, the Colorado Springs Planning Commission approved a development plan for a new open-air lifestyle center with construction to begin in December. The 217,000-square-foot Shops of Briargate center will consist of about 50 stores linked by pedestrian walkways with no large retail anchors. Construction should be complete by the end of 2002.

## Boulder Region

The economic downturn continues to affect the technology and telecommunications sectors in the Boulder region. In October, **Broomfield**-based Level 3 Communications announced plans to cut another 750 jobs worldwide, meaning that a total of 40% of its work force has been slashed since April. An unknown number of local jobs will be affected.

In September, **Boulder**-based Athene Software laid off 60 of its 80 employees and Minnesota-based Sheldahl laid off 60 of its 90 workers at its Longmont facility. Boulder-based NetLibrary, a digital textbook provider, essentially laid off its 230 em-

employees in October, although workers could return for drastically reduced salaries. The company went up for sale in October after failing to raise needed funds.

IBM Corp. announced plans to cut about 1,000 jobs from its chip manufacturing division, including about two dozen of the company's 5,000 Boulder workers. The cuts are a result of drastically slowing sales. Louisville-based Storage Technology Corp. laid off 111 workers from its local staff of 3,000.

Two microdisplay makers in the Boulder region cut employees due to the economic downturn which caused a slowdown in revenue growth for both companies. Boulder-based Zight Corp. cut 20 of its 70 workers in November after laying off 25% of its employees in July. In **Longmont**, Displaytech Inc. cut 25 people in October after laying off 34 of its 141 workers in August.

In more positive news, Red Lobster opened its 14<sup>th</sup> Colorado restaurant in **Broomfield** in November bringing 115 new jobs to the area. The 200-seat, 7,000-square-foot restaurant is located in the Flatiron Marketplace.

In January, Minneapolis-based Faegre & Benson LLP and Boulder-based Chrisman, Bynum & Johnson law firms will merge and become Faegre & Benson at which time the firm will be considered one of the top five law firms in the state. Personnel in the firm's Boulder and Denver offices will remain the same currently, with plans to increase the local staff by mid-2002.

Kirkland, Wash.-based YottaYotta, a computer processing and storage provider, plans to expand its current Boulder workforce of 20 employees to 75 by the beginning of next year.

The Westgate Office Park in **Lafayette** is under construction with plans to open the first building in January 2002. The park will consist of several small buildings on 10.5 acres. Each building will be about 6,200 square feet with basement space of about 2,000 square feet. The total number of buildings has not been disclosed; however, the first phase of construction will consist of nine buildings.

## Northern Region

Several restaurants recently opened in the **Loveland** area bringing about 214 jobs to the area. Little Tokyo Japanese Grill at the Orchards Shopping Center opened in September with seven full- and part-time employees. Lorenzo's Italian Deli, also in the Orchards Shopping Center, opened in early October with four full-time employees. The Inglenook Restaurant opened in November employing 13 full- and part-time employees. Black-Eyed Pea also opened in November after hiring 150 full- and part-time workers. The Waffle House hired about 40 full- and part-time employees when it opened in November.

**Fort Collins**-based Advanced Energy Industries Inc., maker of tools used in the manufacture of semiconductors, data storage products, and flat panel displays, announced that it is cutting its work force by 8% or 107 employees, including 49 in Colorado. The second round of layoffs in two months is due to the economic downturn and a slowdown in orders.

Fort Collins-based Steele's Markets, a small independent grocery chain, closed its last two stores in mid-November. A decline in sales since the September 11 attacks and the opening of a super Wal-Mart caused the closures. Besides the two stores in Niwot and Fort Collins, the firm recently closed stores in downtown Fort Collins, Windsor, and Fort Morgan.

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*“Office vacancy rates have doubled for the northern region since the beginning of the year.”*

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Office vacancy rates have doubled for the northern region since the beginning of the year. According to CoStar, vacancy rates were 12.2% during the third quarter, compared with 6.1% in the first quarter of this year. In **Weld** and **Larimer** counties, the office vacancy rate was 12.4% for the third quarter in 2001, compared with 8.7% for the same period of 2000.

Despite the high office vacancy rates, several commercial projects are underway in the northern region. Preston Center in **Fort Collins** will consist of 55,000 square feet of office building catering to the communication, real estate, and technical professions. Promontory at Fossil Creek in Fort Collins and

Nasello Office Park in **Loveland** will consist of business condominiums. The properties will offer units ranging from 1,500 to 9,500 square feet.

## Southern Region

The October unemployment rate in **Pueblo County** was 5.1%, compared with 4.0% in October 2000. Pueblo's employment has declined 0.2% through October. There were two recent announcements of employment increases. Pizza Warehouse opened its first Colorado facility at the Treasure Island Shopping Center in Pueblo in October. The operation has hired 15 local employees and plans to hire 10 more. In November, the Sears department store in Pueblo moved from its location at Midtown Shopping Center to much larger space at the Pueblo Mall. Due to more space and a new tool section, the company has increased its staff by 30% to a total of 200 employees.

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*“Pueblo’s employment has declined 0.2% through October.”*

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Meanwhile, Georgia-based Innotrac Corp., a call center company, laid off 115 employees at its facility in Pueblo's industrial park. The layoffs are due to the loss of a major Pueblo-serviced account, SBC Communications

Housing starts for Pueblo County continue to increase compared with last year. For the first 10 months of 2001, there were 515 new houses in the county compared with 478 for the same period last year, and 439 new houses in the city compared with 382. In commercial construction, however, building permits decreased. Total county construction for the first 10 months of 2001 was \$68.8 million, compared with \$87.6 million for the same period last year.

In Pueblo West, work has begun on a new \$8 million water treatment plant to be completed in the next 15 months. The plant's treatment capacity will increase to 19 million gallons daily, compared with 9.5 million gallons currently. A study commissioned by the Pueblo West community reported a need for the plant because of the community's consistent growth. New residential homes increased 17% in September

compared with a year ago, while 12 new duplexes were built during 2001 compared with last year.

Construction began in November on a new commercial complex consisting of two strip malls, a Social Security office, and several restaurants. One strip mall, Plaza del Sol, will have a 15,000 square-foot building, a 2,600-square-foot building, and a 3,200-square-foot building. The mall will house the Social Security office, retail stores, and restaurants. The other strip mall, Iaza del Sol, will consist of a 16,875-square-foot building that will house several retail stores. Both strip malls will be ready for occupancy by spring 2002.

## Western Slope and Mountain Region

The October unemployment rate of 3.4% in **Mesa County** was 0.1 percentage point higher than a year ago. Job growth was 1.5% through October. Eagle Valley Millwork Corp., a custom woodworking mill, is relocating its manufacturing and corporate offices from Avon to **Montrose** during December with operations to begin on January 1, 2002. Five current employees will be transferred from Avon and an additional five to eight people will be hired. The company makes custom millwork, such as moldings, cabinetry, and doors, for use in private homes.

In **El Jebel**, a new \$3.25 million, 15,000-square-foot community center and county office building is under construction with a spring 2002 completion date. The building will include the clerk and recorder's office, sheriff's office, health and human services, and meeting space. In addition to the center, 50 acres of the 125-acre property will have two ball fields, two soccer fields, tennis and basketball courts, pedestrian trails, picnic areas, and playgrounds.

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*“Durango has the lowest apartment vacancy rate in the state...”*

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**Durango** has the lowest apartment vacancy rate in the state, according to a study by the Colorado Division of Housing. While the statewide average apartment vacancy rate increased from 3.2% to 4.5% between February and September of this year, Du-

rango's vacancy rate dropped from 2.9% to 0.9% for the same period. Hillcrest Apartments in Durango, a 130-unit apartment complex which is fully occupied, is responding to the high demand by adding 112 units that will be completed by April 2002.

In other residential construction news, two developments are planned for La Plata County. The Bluff, a development at Edgemont Ranch near Durango, will consist of 31 single-family and 16 multi-family home sites on 18.52 acres. No completion date has been disclosed. 250 residential lots will be added to Village East, a 48-lot subdivision near Bayfield. The two-phase, 130-acre project is expected to take five years to complete.

In **Edwards**, plans have been announced for a local government employee housing development on 31 acres for the Re50J school district, Eagle County, and the Town of Vail. The development will consist of 285 units including single-family homes, duplexes, row houses, and lofts. The project also includes large and small park areas and a day care center.

The Barrancas, an affordable condominium project, will be developed on 9.6 acres near **Avon**. The project will consist of 45-units in four building towers with garages on the first of four levels. The completion date has not been disclosed.

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

Indicator	October 2001	September 2001	2000 Annual Average
Nonfarm Employment Growth <sup>α</sup>	2.3%	2.6%	3.9%
Unemployment Rate <sup>α ‡</sup> (seasonally adjusted)	4.2	3.7	2.7
Housing Permit Growth <sup>~</sup>	6.2	8.7	9.0
Single family	0.9	3.6	-1.9
Apartments	19.0	20.8	47.2
Growth in Value of			
Nonresidential Construction <sup>§</sup>	-2.3	-1.7	-14.2
Retail	9.8	4.6	-12.8
Offices	-24.8	-25.4	22.9
Factories	190.4	246.3	-71.7

<sup>α</sup> Colorado Department of Labor and Employment data.

<sup>‡</sup> Actual level, not growth rate.

<sup>~</sup> U.S. Census Bureau data.

<sup>§</sup> 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.*

## 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 October 2001)	0.4	3.8	1.4	2.9	2.6	4.4	1.5	2.7	-3.8	3.3	-0.2	4.0	3.0	2.7
Unemployment Rate ◇◆ (not seasonally adjusted) (in October 2001)	4.5	4.1	5.0	4.1	3.1	3.6	3.4	4.1	2.4	3.5	5.1	4.4	2.5	2.9
Retail Trade Sales Growth ▼ (through September 2001)	-0.2	9.9	0.5	0.7	3.9	1.4	1.5	7.5	3.9	9.6	-0.1	1.3	5.1	-6.1
Growth in Value of Non-residential Construction* (through October 2001)	62.9	-9.4	-33.6	0.1	-92.8	①	②	45.8	③	56.1	-37.3	-54.1	-36.1	④
Housing Permit Growth * (through October 2001)	-14.3	-38.1	4.5	13.6	5.1	15.7	20.8	26.9	3.8	-0.4	34.0	-3.4	-52.9	20.8

◇ Actual level not growth rate.

◆ Colorado Department of Labor and Employment data.

\* F.W. Dodge data.

▼ Colorado Department of Revenue data.

① \$169.8 million was contracted in 2001, while \$75.9 million was contracted in 2000.

② \$69.9 million was contracted in 2001, while \$25.3 million was contracted in 2000.

③ \$994,000 was contracted in 2001, while \$350,000 was contracted in 2000.

④ \$2.7 million was contracted in 2001, while \$200,000 was contracted in 2000.