



Colorado Economic Chronicle

Legislative Council
Denver, Colorado

Tom Dunn
Chief Economist

Natalie Mullis
Economist

Kerryn Duran
Staff Assistant

February 7, 2002

National Economy

The initial release of the nation's economic output for the fourth quarter of 2001 showed that inflation-adjusted gross domestic product (GDP) registered a surprising 0.2% annualized gain. Consumer spending increased 5.4%, after rising at only a 1.0% pace in the third quarter. The sharp gain was attributable to spending on cars because of the zero interest rate finance offers. Government spending increased 9.2%, the largest increase in 15 years. The government increase was attributable to spending on the war on terrorism and national security. The increases in consumer and government spending are not sustainable, however, and will be much lower in the first quarter of 2002. Business investment remained weak, declining for the fourth consecutive quarter. Office building construction is very sluggish due to rising vacancy rates in the face of the economic slowdown. The telecom industry is also anemic.

“The nation’s unemployment rate fell from 5.8% in December to 5.6% in January.”

The nation's **unemployment rate** fell from 5.8% in December to 5.6% in January. The decline was attributable to nearly a million people dropping out of the labor force rather than improving economic conditions. **Nonfarm employment** declined for the sixth consecutive month, although the amount of the decline was the lowest in five months. Initial claims for unemployment insurance increased for the first time in four weeks. However, the level of claims are

well below the peak attained in the weeks following the September 11 terrorist attacks.

Personal income increased for the first time in four months with a 0.4% gain in December. Personal income increased 4.9% in 2001, following a 7.0% gain for 2000. **Consumer spending** in December declined 0.2%. However, the spending decline is likely a residual effect from October's large increase in spending on automobiles. **Consumer confidence** is on the rebound. While households agree that current conditions are poor, they are optimistic about an impending economic recovery. Increasing consumer confidence will be a key to the recovery.

The **manufacturing** sector, which led the economic downturn beginning in late 2000, is now showing signs of recovery. The *Institute for Supply Management index* (formerly the National Association of Purchasing Managers index) reached 49.9%, just shy of the 50.1% threshold that shows the economy is expanding. The index has been below the critical level for 18 months. *Durable goods orders* increased 1.7% in December, but remain weak compared with early 2001 figures. *Industrial production* fell 0.1% in December, the 14th decline in 15 months. Seven industry groups showed production increases amid signs that new orders are improving for other groups.

The **real estate** industry showed resiliency last year. *Existing home sales* hit a record-high 5.25 million units in 2001, despite an economy that was in recession for much of the year. However, the second half of the year was weaker than the first half and the

The Legislative Council is the research arm of the Colorado General Assembly.
The Council provides non-partisan information services and staff support to the Colorado Legislature.

Representative Doug Dean, Speaker of the House
Representative Lola Spradley, Majority Leader of the House
Representative Dan Grossman, Minority Leader of the House

Senator Stan Matsunaka, President of the Senate
Senator Bill Thiebaut, Majority Leader of the Senate
Senator John Andrews, Minority Leader of the Senate

housing market will likely be weaker in the first part of the new year due to the employment situation. *New home sales* also reached a new peak in 2001 with 901,170 units. Low interest rates helped to support the housing market in 2001. The thirty-year fixed mortgage rate averaged 6.97% in 2001, compared with 8.06% in 2000. *Total construction spending* increased 0.2% in December. Private nonresidential construction continued its downward trend, while residential spending increased slightly.

“The consumer inflation rate was 2.8% for 2001...”

Consumer inflation peaked in early 2001 with the rapid rise of energy prices. Energy prices subsided as the year progressed. The **consumer inflation rate** was 2.8% for 2001, following a 3.4% rate in 2000. Medical and housing costs had the largest increases at 4.6% and 4.0%, respectively. The price index for food and beverages rose 3.1%. While consumers will remember the high gasoline prices of the summer, the average price of gasoline for the year declined 3.6% from 2000. The fuel cost decline kept

all transportation costs to a low 0.7% increase in 2001. The index for clothing prices fell 1.8%. Meanwhile, **producer prices** increased 1.6% in 2001. However, producer prices declined during the second half of 2001.

There are increasing signs that the economic downturn is moderating. Manufacturing is in a recovery mode and will likely be expanding in the first quarter. Consumer confidence is recovering and consumers will begin spending more. The employment losses are gradually declining and the trend of initial claims for unemployment benefits is down. Business inventories are declining and businesses will have to ramp up production soon to meet consumer and business demand for goods. With increased manufacturing output, incomes will increase as overtime is added and additional workers are hired. Lower energy costs are putting more money into consumers' wallets and business' profits. The eleven interest rate cuts by the Federal Reserve Board in 2001 and the tax cuts will start having a more perceptible effect on the economy. The Fed recognized that the economy is perhaps on the cusp of a turnaround when it held interest rates steady at its late January meeting.

Colorado Economy

Colorado's economy continues to show evidence of weakness. The unemployment rate rose to 5.2%, its highest rate since 1993, and layoff announcements were numerous. December employment levels were below year-ago levels. The metro-Denver area apartment vacancy rate reached the highest rate since the second quarter of 1990. Retail trade sales were weak compared with recent years with only a small 2.1% increase through November. Overall skier visits to Colorado resorts through December were down 14.1% due to low snowfall levels, unseasonably warm weather, the September 11 attacks, and the economic recession.

Employment

According to the Colorado Department of Labor and Employment, the labor market conditions in Colo-

rado ended the year in a subdued manner. The state's unemployment rate rose to 5.2% in December, up from 2.5% in December 2000, and an increase of 0.5% from November. The rate reached its highest since 1993.

Colorado's Economy at a Glance

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

Nonagricultural wage and salary employment increased 1.7% in 2001, the weakest growth rate since the previous national recession ended in 1991. The annual average unemployment rate for 2001 rose to 3.5% from 2.7% in 2000. The majority of the job growth during December reflected seasonal hiring in services and trade for the winter recreation and holiday shopping seasons. Job announcements were numerous in the past month with announced layoffs greatly exceeding announced hires. Announced layoffs totaled 4,196, while gains totaled 435.

“Nonagricultural wage and salary employment increased 1.7% in 2001, the weakest growth rate since the previous national recession ended in 1991.”

Layoffs continue to be prevalent in the technology sector. LSI Logic Corp., a semiconductor maker, is eliminating a total of 172 local jobs, including 10 in Boulder, 121 in Fort Collins, and 41 in Colorado Springs. The local cuts were part of worldwide layoffs totaling 1,400 jobs, or 20% of the total work force and were intended to reduce costs and help the company return to profitability. The cuts followed the closure of the company's Colorado Springs chip plant in April, 26 layoffs in Fort Collins in June, and 36 layoffs in Fort Collins in September.

Denver-based TeleTech Holdings Inc. will take over customer service for wireless provider Nextel Communications Inc., causing 1,000 jobs to be cut in Arapahoe County. Virginia-based Nextel hired IBM Computer Corp. to provide customer resource management systems and IBM, in turn, hired TeleTech to staff the company's customer call centers. The companies will close two of Nextel's six centers this year, including one in the Denver Tech Center. The laid-off employees will be offered the chance to relocate to remaining operations. TeleTech has local operations in Thornton and Montbello.

California-based Gateway Inc., a personal computer maker, cut 430 jobs in Colorado. The company laid off 400 workers when it closed its Colorado Springs technical support center and 30 workers at its Denver information-technology center. The cuts were in ad-

dition to a 25% nationwide work force reduction last year.

In the healthcare industry, PacifiCare Health Systems, parent company of PacifiCare of Colorado, announced nationwide work force cuts of 15% as a result of consolidating operations. PacifiCare will outsource some services in order to save \$80 million to \$90 million in 2002. The cuts will occur through layoffs, attrition, and elimination of vacant positions. The effect on the local work force was not disclosed. Information on other job announcements can be found in the regional sections of the *Chronicle*.

According to a U.S. Census Bureau report, Colorado had the third-highest increase in single-employee firms in the nation. In 1999, the state had 325,432 single-employee business that generated \$13.3 billion worth of receipts in 1999, up 4.4% from 1998.

Residential Real Estate

According to the U.S. Census Bureau, total housing permits in 2001 increased 1.5%, or 788 units. Single-family permits decreased 3.2%, while permits for multi-family dwellings increased 12.5%.

According to Coldwell Banker Residential Brokerage of Colorado, the average sales price for an existing single-family home in the metro-Denver area in January was \$261,431. The average price increased 3.3% from a year ago and 2.5% from December. Meanwhile, the January median price of \$214,950 for a single-family home increased 6.4% from a year ago, but remained virtually unchanged from the December price of \$215,000.

“...the average sales price for an existing single-family home in the metro-Denver area in January was \$261,431.”

The Denver-area apartment vacancy rate in the fourth quarter of 2001 rose to 8.7% from 4.7% at the end of 2000, the highest rate since it reached 9.4% in the second quarter of 1990. The increase in rates was attributed to low mortgage rates that made home ownership an affordable alternative and layoffs. Al-

though the vacancy rate increased, rents have remained virtually the same, decreasing 0.7% from \$827 in the third quarter of 2001 to \$822 in the fourth quarter.

Nonresidential Construction

According to F.W. Dodge, the value of nonresidential construction permits fell 0.6% in 2001. Activity in the commercial construction sector decreased by 21.0%, while the public buildings sector had the largest decrease of 47.7%. Building activity increased in the manufacturing, education, and hospital and health treatment sectors.

In Golden, Aurora-based ProLogis began construction on a \$15 million, 277,890-square-foot distribution center for the Coors Brewing Co. Construction should be completed in September 2002.

Agriculture

Mild weather conditions in Colorado during 2001 were favorable for the final maturity and harvest of several late season crops. Proso millet production totaled 8.05 million bushels, close to three times the amount produced in 2000. Sorghum for grain production was at 9.46 million bushels, up 2.7 million bushels, or 39.9%, from the prior year. The corn for grain crop was at 149.80 million bushels, 3.4% more than 2000. Sunflower production rose 21% last year with 208.1 million pounds from 182,000 acres harvested.

“Mild weather conditions in Colorado during 2001 were favorable for the final maturity and harvest of several late season crops.”

Conditions for some crops in 2001 were not as favorable. In the San Luis Valley, the 2001 fall potato production yielded its smallest crop since 1989. Average yield was 315 cwt per acre, down 14.9% from 370 cwt the previous year. Dry bean production was 10% below the previous year and harvested acres were at the lowest since 1922. The sugar beet crop for 2001 was down 31.7%. Wheat production was

down 3.0% below 2000. Barley production for 2001 was estimated at 8.56 million bushels, 20% smaller than the 2000 crop. Oat production totaled 1.9 million bushels, 13% below the 2000 crop.

Transportation

Passenger traffic at the Colorado Springs Airport continued to decline as passenger numbers fell 16.1% in December 2001. Traffic for 2001 was down 12.7% with 1.07 million passengers, the lowest annual total since 1994. However, the December drop was the smallest monthly decline in four months. November 2001 traffic was down 21.6%, October traffic was down 25.0%, and September traffic was down 35%.

In more positive news, the Yampa Valley Regional Airport in Routt County reported an increase in the total number of passengers arriving at the airport to 15,371 in December 2001, up 4.7% from the 14,688 passengers in December 2000.

“...several airlines announced expanded services to Colorado.”

Despite the low passenger traffic numbers of recent months, several airlines announced expanded services to Colorado. Seattle-based Alaska Airlines will fly three non-stop flights from Seattle to Denver International Airport (DIA) and two non-stop flights from Portland to DIA. Horizon, a regional line, will fly one daily flight from Boise, Idaho to DIA. Both airlines plan to begin service on April 28.

United Airlines plans to move its regional jet operation, Air Wisconsin, to United's eight leased gates on A concourse of Denver International Airport within the next two months. Air Wisconsin expects to operate as many as 70 daily departures out of the concourse. Florida-based Spirit Airlines, a privately held discount carrier, will begin round-trip, nonstop service from DIA to Detroit and Fort Lauderdale beginning in May.

In Colorado Springs, Kentucky-based Sunworld International Airlines plans to begin two daily non-stop flights between Colorado Springs and Wichita in

March. The airline will become the fourth new airline to begin service to the Colorado Springs Airport since the September 11 attacks. Fresno-based Allegiant Air will begin daily service on February 14 between Colorado Springs and Las Vegas, with continuing flights to Fresno, becoming the third carrier to offer flights on the route. American Airlines will add two flights between Dallas and Colorado Springs and a flight between Los Angeles and Colorado Springs by spring 2002.

Tourism

Despite the economic slowdown and decline in airline travel, attendance at the 96th National Western Stock Show in 2002 totaled 632,296, up from 623,182 in 2001 and broke the record of 631,801 set in 2000. The show drew participants from more than 40 states and five Canadian provinces.

In the Roaring Fork Valley, an estimated 35,000 to 40,000 visitors attended the Winter X Games. More than 16,000 visitors rented rooms in local towns for the four-day sport competition.

The sluggish economy and travel concerns negatively affected the ski and hotel industries. Overall skier visits to Colorado resorts through the end of December totaled 2.44 million visits, down 14.1% from 2.84 million visits during the same period last year. The decline was attributed to a low November snowfall, unseasonably warm weather, the September 11 attacks, and the economic recession.

Visits to Front Range resorts, including Winter Park, were down 6.8%, visits to Front Range destinations, including Vail, were down 13.8%, and visits to pure destination resorts, including the four Aspen/Snowmass areas, were down 15.0%. The Front Range resorts had the smallest decrease in December due to an increase in visits at the Winter Park resort, up 2.4% from December 2000. Smaller Front Range resorts registered a 9.0% decrease.

Aspen Skiing Co. reported that combined skier visits at the company's four mountains increased 4% from December 18 to January 6, compared with the same period in 2000-01. In regard to overall state visits,

although the numbers were low, the figures were 12% higher than the same period during the 1999-2000 season when concerns about Y2K and low snowfall levels contributed to declining visits.

Ski-vacation bookings in Aspen were down 15% in early January, compared with the same period last year, with Breckenridge reporting a 33% decrease, Vail reporting a 20% decrease, and Snowmass Village reporting a 10% decrease.

Denver's hotel occupancy rate fell to 62% in 2001 from 68% in 2000, the lowest level in a decade, according to Horwath Horizon Hospitality Advisors LLC/Montgomery & Associates. The occupancy rate is based on the average nightly supply of hotel rooms in the metro area.

“...the hotel market showed signs of improvement.”

However, the hotel market showed signs of improvement. The hotel occupancy rate for December 2001 was down only 0.9%, compared with December 2000. 37.4% of the metro area's hotel rooms were occupied, compared with 38.3% a year earlier.

Denver's convention season continued to thrive. The convention bureau booked 380,479 room nights in 2001 and none of the conventions at the Colorado Convention Center were cancelled. Hotel rates were also up due to previously-booked business from conventions. The average cost at Denver area hotels was \$91.50 per night in 2001, compared with \$91.25 in 2000.

Gaming

Colorado's three gaming towns generated \$676.7 million in total revenue for 2001, a 7.1% increase over 2000. Black Hawk led with \$378.3 million in revenues for 2001, a 10% increase from 2000. Cripple Creek posted \$138.6 million in revenues for 2001, up 3%. Central City, however, saw a 6% decrease to \$59.7 million in 2001. Fiscal year-to-date adjusted gross proceeds increased 8.1% over the first half of FY 2000-01. Meanwhile, AGP from Colo-

rado's gaming industry totaled \$56.6 million in December, up 15% from a year earlier.

Exports and Consumer Spending

State exports fell to \$4.68 billion in the first nine months of 2001, down 1.9% from the \$4.77 billion reported for the same period in 2000, according to the State of Colorado's Office of Economic Development and International Trade. The drop in exports translated to an estimated loss of 1,000 jobs. An estimated 10,000 to 12,000 jobs are created by each \$1 billion in exports.

“Colorado ranked 11th in online holiday shopping...”

Colorado ranked 11th in online holiday shopping with per capita sales of \$28.36. The number one state, Alaska, had \$37.98 in sales per capita.

According to TeleCheck Services Inc., the state's total holiday retail sales for December increased by 2.1% over December 2000. Colorado's same-store sales also increased 1.8% in December, compared with the same month last year.

Venture Capital

According to the annual MoneyTree Survey, produced by PricewaterhouseCoopers, Venture Economics, and the National Venture Capital Association, Colorado ranked sixth nationwide in overall venture capital investments in 2001. Colorado's investments plunged 72% in 2001 from the previous year, compared with the 63% drop experienced nationwide.

The state was harder hit than the rest of the nation since its venture capitalists invested 66% of investment dollars in the crumbling telecom industry, compared with 22% invested in the same industry nationwide. Overall, only \$1.4 billion was invested in 111 companies in 2001 in Colorado, after the state's venture capital industry had grown to \$5.1 billion in 2000.

Biotechnology

Colorado's biotech industry is growing at a rate far outpacing other states, according to an Ernst & Young report. Biotech infrastructure improvements as part of the Fitzsimons redevelopment and a renewed commitment by the state to support the industry will contribute to the industry's growth in the state.

From 1999 to 2000, eight private Colorado companies hired more than 1,000 people, revenue increased 484% to \$96.7 million in 2000, and total assets increased 367% to \$468.3 million in 2000. There are currently more than 60 biotechnology companies based in Colorado with many more companies that have operations in the state.

Energy

Gasoline prices in Colorado were stable in January and are expected to show little change during the next few months, according to AAA Colorado. In January, the price of self-serve unleaded regular gasoline statewide fell from \$1.159 mid-month to \$1.158 by the end of January.

Several electric companies in Colorado have announced increases in electric rates due to the 10% rate hikes announced by the wholesale provider, Tri-State Generation and Transmission. United Power, a customer of Tri-State, will raise electric rates by about \$7 per month in February, the first increase the company has had since 1998.

San Isabel Electric Association announced an average increase of 5.2% per customer beginning March 1, the first increase the company has had since it joined Tri-State in 1991. The company is also proposing an adjustment in fixed charges in each rate class. La Plata Electric Association also announced an increase effective March 1. The rates will increase an average 7% with a 10% cap on each rate class.

Empire Electric Association will raise its rates by 14.9% in March and use the profits to pay off RE-Anet's bankruptcy debt. Empire and La Plata Elec-

tric Association partnered to form REAnet in 1998 to bring high-speed telecommunication services to the Four Corners area and to generate money to help the rural electric co-ops with deregulation.

Due to the bankruptcy situation of Enron Corp., Xcel Energy has temporarily delayed construction of a \$160 million, 162-megawatt wind farm near Lamar until the company learns the outcome of Enron and Enron Wind. Enron Wind was supposed to build the wind turbines, and Xcel planned to buy the electricity generated by the turbines.

Metro Denver

According to a report by the Milken Institute, the Denver metro area ranked 22nd among 315 metro cities in the number of jobs lost as a result of the September 11 terrorist attacks. Denver had 1.4% or 17,100 fewer jobs than it otherwise would have had due to its reliance on the hard-hit airline industry.

“...the Denver metro area ranked 22nd among 315 metro cities in the number of jobs lost as a result of the September 11 terrorist attacks.”

Several companies announced layoffs in January. Integer Group laid off 10% of its staff, or about 40 employees, at its Lakewood and Golden offices. The percentage of the cuts matched the firm's decline in client billings in 2001. Denver-based Tanning Technology cut 100 employees in January, or 30% of its global work force, including 33 local workers. The layoffs were due to cuts in its corporate information technology spending.

Lockheed Martin Corp. will cut 10% of its Denver work force, or 700 jobs, as it completes three major projects. Most of the jobs will be eliminated through attrition with a few layoffs expected. Employees will have the option of working elsewhere in the company while the company pursues new projects. The cuts will be in addition to the 180 support positions to be cut in Jefferson County by this March.

In February, Janus Capital Corp. cut 222 jobs from its Denver retail operations as part of its third round of layoffs in a year. The cuts were due to a contin-

ued slowdown in service calls from shareholders. The eliminated positions were in shareholder servicing. The cuts left the company with 1,233 employees, a 57% reduction from the company's peak employment a year ago.

AT&T Corp. will eliminate an undisclosed number of jobs at its Arapahoe County-based cable television business in an effort to cut costs and raise profitability. In January, Pentax Corp., a camera manufacturer, laid off 36 workers at its U.S. distribution office in Englewood. The layoffs were due to a sluggish economy and declining film camera sales.

Fort Lauderdale-based Mars Music, a provider of private music instruction, announced it will close its stores in Denver and Aurora by the end of March, laying off about 80 employees. Electron Corp., an industrial foundry, filed for bankruptcy in November, laying off all 250 employees except two at its Oklahoma and Littleton offices. The cuts were a result of declining business after the September 11 attacks. The number affected at the local branch was not disclosed.

Xcel Energy announced plans to cut about 500 jobs, or 3.8% of its work force, in the first quarter of 2002 in order to streamline its operations after the merger of Northern States Power Co. and New Century Energies. Most of the cuts will be management and administrative positions in Minneapolis and Denver. The cuts are the second round of layoffs as a result of the merger after which 720 jobs were cut at the end of 2000.

“Xcel Energy announced plans to cut about 500 jobs...”

St. Louis-based Charter Communications closed its Western Division headquarters office in Denver, eliminating 20 to 30 jobs locally. The company is streamlining operations by moving half of the Denver operations to Wisconsin and half to St. Louis.

In more positive news, Spatial Corp., a software components maker, leased 35,000 square feet in the Westmoor Technology Park near Interlocken, with an arrangement to grow to 52,911 square feet over the next five years. The company plans to add 100 employees to the park.

In residential real estate, the biggest drop in permit issuance in Douglas County was for single-family homes. 2,300 permits were issued in 2001, a 22% drop from the nearly 3,000 permits issued in 2000. Multifamily permits rose 58.8% to 270. In Evergreen, home sales through November 2001 decreased by 28%, or 209 single-family homes, compared with the same period in 2000.

Despite high apartment vacancy rates in the metro area, several apartment communities are being planned. Urban Real Estate Partners is planning to build a 310-unit apartment community in Westminster. Construction on the high-density housing will begin in early spring 2003.

Denver-based Corum Real Estate Group is developing a \$42 million luxury apartment and retail complex near Coors Field. The project will include 287 luxury apartments in a 387,000-square-foot, eight-story building, 15,000 square feet of retail and commercial space, and an underground parking garage. The apartment units will range from 600 square feet to 1,200 square feet with eight 1,400-square-foot townhomes on the ground floor. Monthly rents will range from \$1,080 to \$2,520 with 10% of the units established as affordable housing. The project is scheduled to open in 2004.

“Denver-based Mercy Housing SouthWest is planning to build 68 apartments for low-income residents at the Stapleton redevelopment site.”

Denver-based Mercy Housing SouthWest is planning to build 68 apartments for low-income residents at the Stapleton redevelopment site. The development will include 17 one-bedroom, 34 two-bedroom and 17 three-bedroom units. The units will be reserved as affordable housing. Construction will begin at the end of 2002 with completion scheduled in early 2004.

TP Development plans to construct about 100 units in Denver for seniors with maximum yearly incomes of \$27,000 for a one-person household and \$31,000 for a two-person household. The project is scheduled to open in 2003. In Aurora, plans are under way for Pioneer Hills, a 57-acre, mixed-use center that

will consist of a 520,000-square-foot retail center and a 67-acre residential component.

El Paso County

According to the Colorado Labor and Employment Department, the unemployment rate in El Paso County increased to 5.7% in December, compared with 2.3% in December 2000. Employment growth in El Paso County for 2001 was the slowest in 11 years, averaging 1.0%. In the past year, about 4,800 people have lost jobs due to layoffs, with the technology industry the hardest hit as consumer and business demand for high-tech products plummeted.

“Employment growth in El Paso County for 2001 was the slowest in 11 years, averaging 1.0%.”

In January, layoffs were again most prevalent in El Paso County's technology industry, continuing the trend started in January 2000. California-based Mindport Inc., software developer, closed its Colorado Springs operation, laying off between 25 and 35 people. The layoffs were the result of a weakened market for software products and slow adoption of applications for high-speed Internet technology.

Sanmina-SCI Corp., formerly SCI Systems Inc., cut 120 positions at its contract electronics manufacturing plant in Fountain. In December, SCI merged with Sanmina Corp. in order to land a contract making IBM's NetVista desktop computers. The work on the contract will take place in North Carolina with no benefit for the Fountain facility. The cuts are due to the merger and to the weak economy in the electronics industry.

In more positive news, Colorado Springs did announce a few job gains. Krispy Kreme will begin construction on a store in Colorado Springs in early February. The 4,600-square-foot store is scheduled to open in early May with 140 new employees.

BiggsKofford LLC and Covalt & Associates PC merged in January to create one of the largest local accounting firms. The merger boosts the company's revenue by 30% and adds five employees.

The Colorado Springs-based systems division of ITT Industries Inc., a manufacturing and engineering conglomerate, was awarded a contract to update the military's satellite tracking and missile warning sensors throughout the world. Most of the work will be done in Colorado Springs and will provide contract work to several hundred local residents.

Colorado Springs' commercial real estate market continues to have a surplus of space. During the fourth quarter of 2001, office vacancy rose to 9.9%, the highest since 1994; industrial vacancy rose to 6.1%, the highest since December 1993; and retail vacancy rose to 6.7%.

According to Grubb & Ellis/Quantum Commercial Group, office market absorption in 2001 declined to 430,000 square feet from 1.6 million in 2000. Industrial absorption in 2001 declined to a negative 525,000 square feet from more than one million square feet in 2000. The absorption rate measures how much space is filled over time. The company attributed the steep declines to several large technology firms vacating space during 2001.

A Colorado Springs developer began planning a 130-acre project in Fountain that will consist of a 60- to 80-room hotel, retail space, a bank, and a three- to four-story medical/office building. Construction began in January with sewer and water line installation.

A Kansas developer is planning a 113-room Marriot Residence Inn for the InterQuest office and business park in Colorado Springs. Construction on the \$10.5 million, four-story hotel will begin in April and be completed by early 2003.

In residential real estate, single-family home prices in El Paso County continued to increase to a median price of \$173,000 in December, 19.3% higher than December 2000. For 2001, average single-family home prices increased to \$200,544, up 8.5% from the average of \$184,880 in 2000. The total number of homes listed for sale rose 20.1% in December 2001 from the same month in 2000. However, total number of home sales rose only 4.2% in 2001 from 2000. Residential foreclosures also increased in El Paso County during 2001 due to the slumping economy. Foreclosures totaled 1,172, a 15.6% increase from the 1,014 reported in 2000.

Due to layoffs, lower mortgage rates, newly constructed apartments, and fewer newcomers, the apartment vacancy rate in Colorado Springs increased to 8.9% in the fourth quarter of 2001, compared with 5.4% in the previous quarter and 3.1% during the fourth quarter of 2000. The average rent, however, decreased to \$673 in the fourth quarter of 2001, down 3.7% from \$698 in the third quarter.

“...the apartment vacancy rate in Colorado Springs increased to 8.9% in the fourth quarter of 2001...”

Construction began in January on a 328-unit, 17 building, multifamily apartment community in Colorado Springs. The buildings will range from one to three stories and the apartments will range from 775 square feet to 1,250 square feet.

Boulder Region

Announced layoffs in January continued to occur in the technology sector in the Boulder region. Boulder-based Circadence Corp., an Internet applications provider, cut 22 more jobs in January. The company's work force has decreased from 194 employees to 15 in five months. The cuts are due to the company reducing its expenses.

Boulder-based SignalSoft, a software developer, cut 30 employees, including 17 at its Boulder branch. The company will employ 235 after the job cuts, including 154 in Boulder.

Another Boulder-based company, Carrier Access, cut 26 employees, or 5% of its staff in January. Twelve cuts were at the Boulder headquarters and in Gunbarrel. The job cuts were designed to reduce costs in order for the company to become profitable. Carrier Access makes access equipment for telecommunications companies.

Exabyte Corp., maker of data storage disk drives and tape automation equipment, cut 33% of its nationwide work force in January, including 100 jobs at its Boulder headquarters. The cuts will help lower the company's break-even point by 20% and are in addition to the 235 layoffs in Boulder last spring and 80 in November.

In more positive news, two companies announced job gains in the Boulder region. Broomfield-based Distinctive Technologies, a provider of the PC Pinpoint automated online computer diagnosis and repair service, is planning to hire 25 to 50 employees over the next year. The company also provides tech support for PC Peripherals, a repair shop and reseller of hard drives.

“...two companies announced job gains in the Boulder region.”

In Broomfield, Buca di Beppo, a southern Italian restaurant, opened in January with 60 new employees. The Minneapolis-based company owns 68 restaurants nationwide with locations in Colorado Springs and Denver.

GreyStar Real Estate Partners LLC is planning to build a \$61 million, 500-unit apartment community in Broomfield. The Summit community will include a mix of one- and two-bedroom apartments ranging from 613 to 1,411 square feet. Construction will begin in February and should be completed by mid-2003.

Also in Broomfield, the Heritage Place development will consist of 74 mid-rise condominiums, 59,000 square feet of retail and restaurants, and 28,000 square feet of offices. The 1,500-square-foot condos will vary between \$300,000 and \$600,000. Across from Heritage Place, the Interlocken Commons development will consist of one four-story building flanked by three one-story buildings. The 180,000-square-foot project will include 130,000 square feet of restaurants and retail and 50,000 square feet of office space.

Northern Region

Agilent Technologies Inc., manufacturer of test and measurement equipment, announced that of the 8,000 companywide layoffs planned last fall, between 500 and 550 employees in Loveland and Fort Collins will be affected. A total of 900 employees statewide will lose jobs in two rounds of layoffs.

In January, the Colorado Livestock Association moved its headquarters from Golden to Greeley so that offices would be closer to its membership. Seven people will move with the association with plans to hire more later in 2002.

Apartment vacancy rates in Larimer and Weld counties continue to increase. In January, the vacancy rate was 12.0%, more than twice the 5.6% vacancy rate in the first quarter of 2001. In the office market, there were 203 office buildings in January 2002 with 3.1 million square feet of vacant space, compared with 195 buildings with 2.8 million square feet of vacant space.

In more positive news, real estate agents in Fort Collins sold 4,054 homes in 2001, an increase of 9.0% over 2000. This marked the first time Fort Collins sales surpassed the 4,000 threshold, according to Information Real Estate Services. The average sales price of a Fort Collins home in 2001 was \$213,227, a 10.5% increase from 2000.

KB Home is planning a development of 850 homes on 180 acres in southeast Fort Collins. About one-third of the homes will be affordable housing. The first phase of development, called Provincetowne, will consist of 190 single-family homes, 141 condominiums, and a five-acre commercially-zoned site for a dry cleaner, coffee shop, and restaurant. Construction on the first phase will begin in spring 2002 and the entire development should be completed by late 2004 or early 2005.

In downtown Fort Collins, Mason Street North, a 37,500-square-foot mixed-use project, will combine 20 residential units with 17,500 square feet of retail and office space in a three-building complex. The residential units will range from \$146,000 to \$368,000.

In Windsor, State Farm Insurance began construction in January on a 50,000-square-foot building in the Diamond Valley Tech Center to be completed by early summer. The building will be used for document storage for the company's new office campus at Promontory. Construction began in January on a \$3.6 million, 58,446-square-foot Safeway store in Fort Lupton. The store's opening is planned for June.

The Estes Park Planning Commission has approved a two-part housing project that was submitted by the Estes Park Housing Authority and Good Samaritan. Both parts will be built on the 62-acre Good Samaritan campus. In January, the authority's plan for an affordable housing project was approved and will include 92 units on two lots totaling 9.25 acres. The project will include 48 home ownership units on a 5.54-acre parcel and 44 rental units on 3.75 acres. All affordable housing units will be two-story, two- and three-bedroom condominiums. The rental side will also feature a community building, a play area, and a basketball court. Last fall, the plans for the Good Samaritan senior housing were approved and will include a total of 104 units within 25 buildings. One building will consist of 34 apartment units, one will consist of 24 assisted-living apartment units, and 23 buildings will consist of 46 duplexes.

“The Estes Park Planning Commission has approved a two-part housing project...”

Mountain and Western Regions

Reflecting the continued uncertainty by consumers after the September 11 attacks, sales in Vail and Aspen were below year-ago levels. In Vail, overall sales tax receipts for November 2001 decreased by 21.2%, compared with the previous year. Lodging receipts were down 33.5% and retail sales were down 21.4%. Food and beverage sales were down 14.3% and utilities and miscellaneous were down 14.3%.

“...sales in Vail and Aspen were below year-ago levels.”

In Aspen, November 2001 sales receipts declined 15.0%, compared with the same month in 2000, according to the city finance department. Retail sales were down 5.3% and food and drug sales were down 1.7%, compared with November 2000. Meanwhile, the value of Aspen single-family home sales fell 36% in 2001, compared with 2000. \$239.2 million in single-family home sales were registered in 2001, compared with \$373.4 million in 2000.

In more positive news, the valuation of building permits in Grand County increased \$12.2 million or 12.5% in November 2001, compared with the same month the previous year. The total number of permits issued in 2001 increased 3.4% or 33 permits from the 964 permits issued in 2000.

In Rifle, developers are planning a 48-acre big-box shopping center. Rifle Ventures will include 155,000 square feet and 135,000 square feet of space for a pair of big-box retailers. Construction will begin in summer 2002.

Vail Resorts will undertake a \$400 million renovation of 16 acres in Lionshead Village with construction beginning in spring 2003. The plans include a 100-room hotel, a 226,000-square-foot conference center, up to 240 housing units, a 265-spot parking structure, 100 units for employee housing, 50,000 square feet of restaurant and retail space, and a European-style pedestrian mall. Renovations should be completed by the 2005-06 ski season.

Southern Region

“Pueblo was one of the hardest hit regions of the state last year ...”

According to the Colorado Department of Labor and Employment, Pueblo's unemployment rate rose to 6.7% in December from 6.3% in November and 3.6% in December 2000. The increase was attributed to the general economic slowdown and the recent layoffs at Innotrac and Benesight. Pueblo was one of the hardest hit regions of the state last year as the number of jobs declined by 0.4%.

Pueblo-based ABC-Naco, a railroad switching equipment manufacturer, ceased production in January, laying off about 130 local workers. The Illinois-based company filed for bankruptcy protection in October and is selling its assets. The new owner, TCF Railco Pueblo Corp., will rehire some of the employees at a drop in wages and benefits.

Despite the increase in the unemployment rate, gains were announced in the southern region job market

and an office-warehouse complex is being developed in Pueblo. In Colorado City, Matrix Logistics will be utilizing the former Columbia House facility as a distribution center for grocery retailer Kroger Co. beginning in early 2002 with plans to hire 45 to 50 people.

Community Banks of Southern Colorado, a Rocky Ford-based subsidiary of Community Bankshares Inc., will move a portion of the company's loan production operations from the Denver Tech Center to offices in Pueblo and complete remodeling on a branch office in early 2002. Each office will employ five workers initially with plans to employ up to 30 workers.

Writer Group Realty in Pueblo plans to build a 20,000-square-foot complex of offices and warehouse space. The \$1.5 million project will begin in mid-March.

In southern Colorado, the Nature Conservancy purchased the 97,000-acre Baca Ranch and two 14,000-foot peaks near the Great Sand Dunes National Monument and Preserve for \$31.3 million. The conservancy plans to turn the deed over in 2005 to the federal government at which time the monument, the ranch, Kit Carson Peak, and Challenger Point will become Great Sand Dunes National Park. An adjacent preserve will become Baca National Wildlife Refuge.

Colorado Indicators Year-to-Date Growth Rates

Indicator	December 2001	November 2001	2000 Annual Average
Nonfarm Employment Growth ☐	1.7	2.0%	3.9%
Unemployment Rate ☐ ‡ (seasonally adjusted)	5.2	4.7	2.7
Housing Permit Growth ~	1.5	4.7	9.0
Single family	-3.2	-1.5	-1.9
Apartments	12.5	19.7	47.2
Growth in Value of			
Nonresidential Construction §	-0.6	-4.3	-14.2
Retail	12.8	11.7	-12.8
Offices	-34.9	-34.3	22.9
Factories	194.4	176.6	-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.

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 December 2001)	0.6	3.2	1.0	2.3	2.3	4.2	1.3	2.7	-3.9	3.0	-0.4	3.9	3.4	2.8
Unemployment Rate ◇♦ (not seasonally adjusted) (in December 2001)	5.3	4.7	5.7	4.9	3.8	4.1	4.2	4.8	2.5	4.9	6.7	3.3	2.2	3.1
Retail Trade Sales Growth – (through November 2001)	0.0	6.6	1.2	1.4	3.1	3.3	3.1	9.9	5.6	10.2	2.1	0.6	5.4	-5.9
Growth in Value of Non-residential Construction* (through December 2001)	66.7	-11.8	-41.6	6.4	-92.3	â	ã	86.3	-58.4	74.6	-41.9	-56.3	-31.2	ä
Housing Permit Growth * (through December 2001)	-40.8	-39.5	2.0	10.3	3.1	22.9	22.5	24.7	0.0	-2.4	26.5	-13.8	-53.4	14.6

◇ Actual level not growth rate.

♦ Colorado Department of Labor and Employment data.

* F.W. Dodge data.

– Colorado Department of Revenue data.

â \$179.5 million was contracted in 2001, while \$81.7 million was contracted in 2000.

ã \$72.0 million was contracted in 2001, while \$29.6 million was contracted in 2000.

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

Regional Economic Review - Western Colorado

After a very healthy decade of growth during the 1990's, western Colorado's economy slowed somewhat in 2001 but remained relatively healthy despite the economic downturn. Western Colorado (defined as Archuleta, Delta, Dolores, Garfield, Hinsdale, La Plata, Mesa, Moffat, Montezuma, Montrose, Ouray, Rio Blanco, San Juan, and San Miguel counties) has moved away from its traditional base of agricultural and mining and toward a more diversified economy based on the retail trade and services sectors. The transformation has been fueled by tourism and the rapidly growing population centers of Grand Junction and Durango.

Population and Income

Population in western Colorado increased at an average annual rate of 2.8% between 1990 and 2000, slightly higher than the average increase statewide of 2.7%, according to the state demographer's office. Archuleta, San Miguel, Hinsdale, and Ouray were the fastest growing counties, growing at average annual rates of 6.3%, 5.9%, 5.5%, and 4.9%, respec-

tively. However, these counties contributed only 11.4% of new residents in the region. Mesa County, representing over one-third of the region's population, contributed 28.5% of new residents to the area, growing at an average annual rate of 2.2%. La Plata, Garfield, and Montrose counties, with their healthy resort towns, together contributed 42.7% of new residents to the area, and increased at healthy average annual rates of 3.7%, 3.5%, and 3.1% over the decade, respectively. Rio Blanco and San Juan counties saw their populations decrease between 1990 and 2000 at average annual rates of 0.1% and 2.7%, respectively.

Portions of western Colorado, particularly southwest Colorado, have seen increased populations of young retirees over the last decade. While the increase occurred among the baby boom generation (those between the ages of 50 and 64), which is growing nationwide, it was substantially larger in some areas of western Colorado than the state as a whole. While this age group increased at an average annual rate of 4.6% statewide and 4.9% in western Colorado, the southwestern counties of San Miguel,

Table 1. Western Colorado Economic Indicators at a Glance

	Western Colorado	Colorado
Population Growth		
1990-2000 CAAGR	2.8%	2.7%
1999-2000 Growth Rate	1.8%	2.6%
Nonfarm Employment Growth		
1990-2000 CAAGR	4.2%	3.8%
1999-2000 Growth Rate	3.2%	3.9%
2001 Preliminary	1.9%	1.7%
Unemployment Rate (Regional data not seasonally adjusted)		
1990-2000 Average	5.5%	4.2%
2001 Average	3.6%	3.5%
Retail Trade Sales Growth		
1990-2000 CAAGR	7.7%	7.7%
1999-2000 Growth Rate	11.1%	11.5%
2001 Year-to-date (Through November)	3.1%	2.1%
2001 Nonresidential Construction Growth* (Permit Values)	26.8%*	-0.6%*
2001 Residential Construction Growth** (Units Permitted)	-12.6%*	1.5%**

* F.W. Dodge. Only includes data from Mesa, La Plata, and Montrose counties only.

** U.S. Bureau of the Census.

Ouray, Hinsdale, La Plata, and Archuleta showed growth rates of 14.0%, 8.4%, 8.3%, 6.5%, and 9.3%, respectively. The population age 65 and older grew 2.4% statewide and 2.7% in western Colorado between 1990 and 2000, and at average rates of 3.0%, 4.4%, 4.2%, 2.5%, and 6.7%, respectively, in the counties of San Miguel, Ouray, Hinsdale, La Plata, and Archuleta. Garfield County is also showing an increased retiree population, with its population between the ages of 50 and 64 increasing 6.0% and its population at age 65 and above increasing 2.6% between 1990 and 2000.

Per capita personal income increased at an average annual rate of 4.7% between 1990 and 1999 among the western counties. The largest increases occurred in San Miguel and La Plata counties, where per capita personal income increased at average rates of 6.5% and 5.8%, respectively, over the decade. Hinsdale County saw the smallest increase, averaging 2.5% growth over the decade. Figure 1 shows population and per capita personal income for western Colorado.

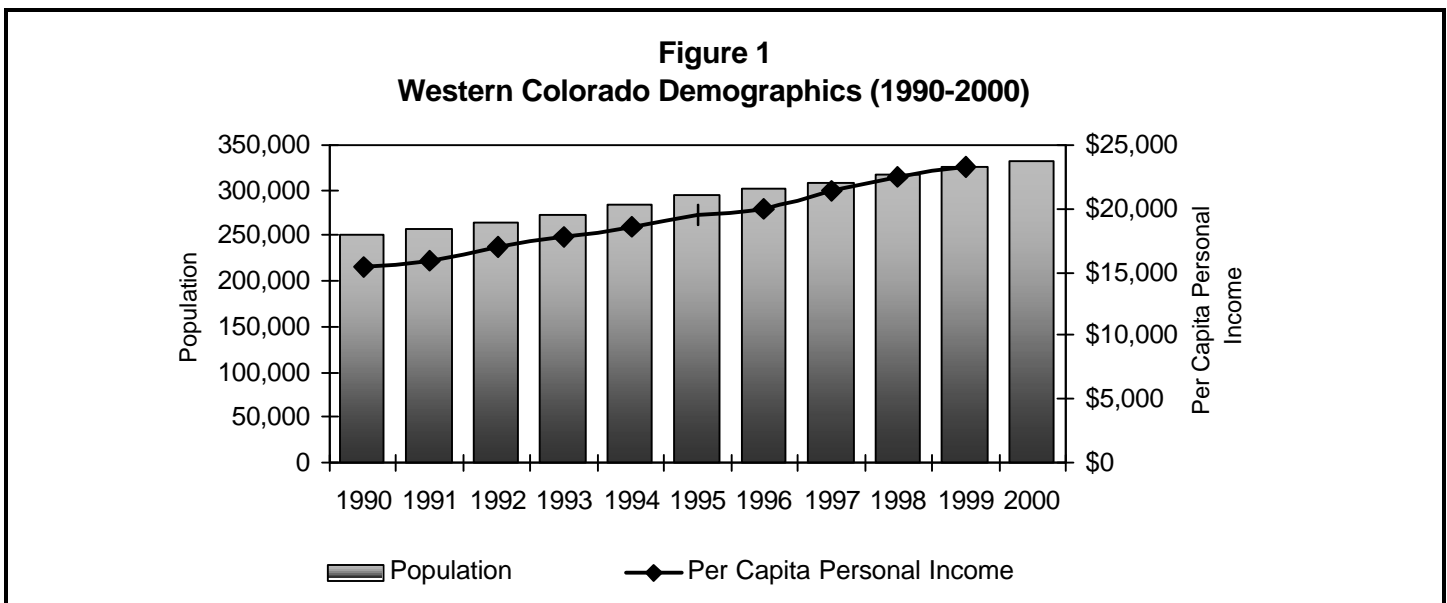
Employment

Between 1990 and 2000, employment increased at an average annual rate of 4.2% in western Colorado, outpacing the statewide gain of 3.8%. Figure 2 shows western Colorado employment growth by sector between 1990 and 2000. The largest western

Colorado industries in 2000, services and retail trade, had annualized gains of 5.6% and 4.5%, respectively, since 1990. Fueled by a surge in second homes and an increase in the retiree population, construction was the fastest growing sector, averaging 8.8% over the decade. Agriculture increased at a healthy average annual rate of 6.3%. Mining lost jobs over the decade, declining at an average annual pace of 6.3% between 1990 and 2000.

Employment growth slowed substantially in 2001 along with the national and Colorado economy. Preliminary data indicate that employment in Western Colorado increased 1.9% in 2001, slightly higher than the statewide increase of 1.7%. Meanwhile, the unemployment rate continued to fall in 2001 to 3.6% from 3.8% in 2000. The unemployment rate remains at a fairly low level; it was at 5.8% in 1998 and 4.0% in 1999.

Much of the western Colorado economy was devastated by the collapse of the oil and gas industry in the 1980s. Since then, the employment base in the region has become more diversified, shifting away from the mining and the transportation, communications, and public utilities (TCPU) sectors and toward services, retail trade, and construction. Mining represented 8.3% of total employment in 1980, 4.3% in 1990, and only 1.5% in 2000. Much of the increase in the services, retail trade, and construction sectors can be attributed to increasing tourism and a growing retiree population. The services and trade sectors



(including wholesale trade), represented 53.4% of total western Colorado employment in 2000, up from 44.4% in 1980. While the finance, insurance, and real estate (FIRE) sector increased at a healthy 4.6% between 1990 and 2000, it represented only 4.4% of total employment in 2000.

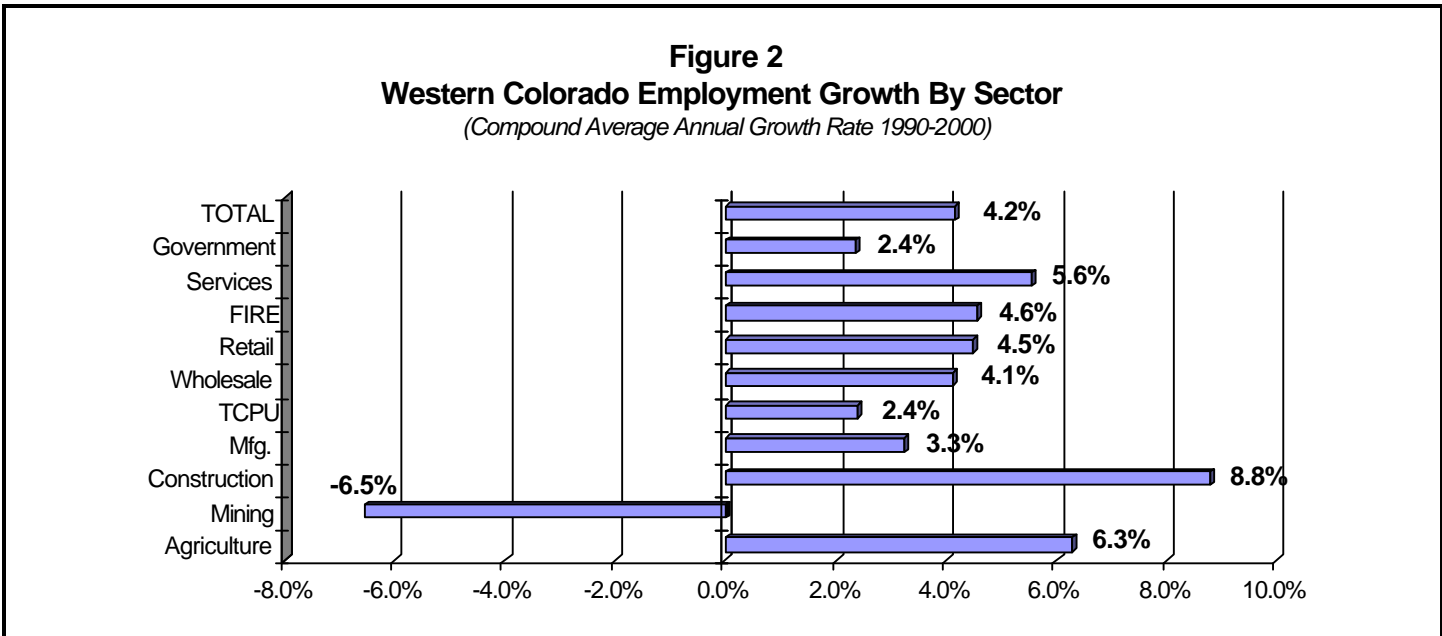
Tourism is important to the western Colorado economy and has been the driving force for much of the region's population and employment growth in the last decade. Major tourism destinations in western Colorado include six national parks, twelve state parks, four ski resorts, and the Durango-Silverton Railroad. **National park tourism** has suffered in western Colorado during the past few years. Visitation to western Colorado's National Park System (which includes Black Canyon of the Gunnison National Park, Colorado National Monument, Curecanti National Recreation Area, Dinosaur National Monument, Mesa Verde National Park, and Hovenweep National Monument) decreased 9.9% in 2000, and another 9.9% through October 2001 compared with the first ten months of 2000. Visitations suffered in 2000 because of massive fires in Mesa Verde National Park and elsewhere in the region. In 2001, the year started out with what looked like a rebound, but by the second quarter the economic slowdown began to take its toll. Year-to-date growth in visitations slumped slightly in September after the terrorist attacks, but was back to pre-attack levels by October.

Meanwhile, visitations to western Colorado's twelve state parks in FY 2000-01 declined 4.7% from the previous year.

Skier days at western Colorado's **ski resorts** (which include Durango Mountain Ski Resort (La Plata), Telluride Ski Resort (San Miguel), Powderhorn Ski Resort (Mesa County near Grand Junction), and Sunlight Ski Resort (Glenwood Springs)) increased 16.8% overall during the 2000-01 ski season. While skier days increased at Durango Mountain, Sunlight, and Telluride Ski Resorts, they declined 2.5% at Powderhorn Ski Resort. With the exception of Telluride, ski resorts in western Colorado serve local populations, and skier days are extremely sensitive to snow conditions in the area.

After growing at an average annual rate of 7.7% between 1990 and 2000, **retail trade** sales increased 3.1% in 2001, down from the heady growth of 11.1% seen in 2000. This is further evidence that portions of western Colorado are weathering the current economic downturn better than the state as a whole, since retail trade sales statewide increased only 2.1% in 2001, after increasing 11.5% in 2000 and at an average annual rate of 7.7% between 1990 and 2000.

Western Colorado supports a significant **agriculture** industry, with Mesa and Delta counties producing the lion's share of Colorado's fruit harvest, while Rio



Blanco and Moffat counties produce wheat, barley, oats, and hay. According to the Department of Agriculture, good weather conditions allowed the apple, peach, and pear harvests to be fairly bountiful in 2001, although down from 2000, when the weather conditions were ideal. Colorado's apple harvest was 26 million pounds in 2001, down from 30 million pounds in 2000. The pear harvest fell from 3,000 tons in 2000 to 1,900 tons in 2001. Finally, the peach harvest fared well in 2001, falling from 17.5 million pounds in 2000 to 17.0 million pounds in 2001.

“Western Colorado supports a thriving wine industry...”

Western Colorado supports a thriving wine industry that has grown substantially during the last decade. The heart of Colorado's wine industry lies in the Grand Valley, where the number of wineries increased from three in 1993 to fifteen in 2001. Four wineries are located nearby in Delta County, one in Montrose County, and another in Montezuma County. According to the Colorado Wine Development Board, wine production in Colorado more than quadrupled during the last 10 years, increasing at an average annual rate of 15.2% between FY 1990-91 and FY 2000-01. In FY 2000-01, the Grand Valley produced 75.9% of Colorado's wine, with another 9.3% produced elsewhere in western Colorado. The Grand Valley not only produces most of Colorado's wine, but almost all of the grapes used to produce it. According to Colorado State University's Western Colorado Research Center, 96.8% of the grapes grown in Colorado are grown in the Grand Valley, 2.5% are grown in Delta County, with the remaining 0.7% grown elsewhere in western Colorado.

Western Colorado produces much of the state's **natural resources**. Rio Blanco County extracted 35.1% of the state's oil production in 2000. Garfield, La Plata, Rio Blanco, and Moffat counties provide 39.9% of total state gas production in 2000. Montezuma County produced 87.8% of the state's carbon dioxide (CO₂) production in 2000, and La Plata County provided 91.7% of coal bed methane gas production statewide in 2000.

Mesa County

Mesa County is the largest county in the region, representing 35.1% of western Colorado's population. Population in Mesa County increased 2.0% in between July 1999 and April 2000, and grew at an average annual rate of 2.2% between 1990 and 2000. Preliminary data indicate that employment in Mesa County increased 1.3% in 2001, after growing at an average annual rate of 3.9% between 1990 and 2000. Employment is dominated by the services (28.8% of total employment), retail trade (23.0% of total employment), and government sectors (15.6% of total employment), which together represented 67.4% of the county's employment base in 2000. According to the Grand Junction Area Chamber of Commerce, five of the top ten employers in Mesa County are government employers. Although agriculture represents only 1.6% of total employment, Mesa County has a rich agricultural base, producing much of western Colorado's fruit and wine. The unemployment rate was 3.6% in Mesa County in 2001, compared with 3.7% in 2000.

Grand Junction, western Colorado's largest city, represents 36.1% of Mesa County's population and generates 81.5% of the county's sales tax revenues. Grand Junction is western Colorado's cultural center, with several museums, a symphony, and several performing arts theaters. In addition, Mesa State College, with 748 employees the third-largest employer in Grand Junction, draws more than 4,000 students each year, with approximately 10% coming from outside of Colorado.

“Mesa County tourism prospered in 2001...”

Like much of western Colorado, **tourism** plays a major role in the county's economy. According to the Grand Junction Visitor and Convention Bureau, the Grand Valley's top three tourist attractions are the Colorado National Monument in Fruita, Grand Mesa National Forest, and Mesa County's ten wineries. Mesa County is also home to the Colorado River State Park, Highline State Park, Sweitzer State Park, Vega State Park, and the Powderhorn Ski Resort. According to the Grand Junction Visitor and Con-

vention Bureau, Mesa County tourism prospered in 2001, with lodging tax collections in the city of Grand Junction increasing 10% in 2001 due to a substantial increase in the number of tourists who drive into the valley and a successful year for conventions. Visitations to the Colorado National Monument declined 11.4% through October 2001 compared with the first ten months of 2000. In FY 2000-01, visitations to the Colorado River, Sweitzer, and Vega state parks increased 2.0%, 17.8%, and 6.2%, respectively, while visitations to Highline State Park decreased 5.4%. Skier days at Powderhorn Ski Resort decreased 2.5% in the 2000-01 ski season, from 71,941 skier days in 1999-00 to 70,118 in 2000-01. Skier days declined in 2000-01 due to smaller snowfall levels. Snow conditions have been better this year; a Powderhorn Ski Resort official indicated that visits are up 21% through January 2002 for the 2001-02 season.

“...the value of nonresidential construction in Mesa County increased by 143.1% in 2001.”

According to F.W. Dodge, the value of **nonresidential construction** in Mesa County increased by 143.1% in 2001. Much of this growth came in the hospital and health treatment sector, with an expansion of Clagett Memorial Hospital and E. Dene Moore nursing home constructed in 2001. The retail and office sectors also saw strong growth. Due to the relatively limited building in the area, one project can have a major effect on construction figures, and thus nonresidential construction has been extremely volatile in the past. Plans were announced to begin construction in March 2002 on a 70-room Hilton Garden Inn in downtown Grand Junction. The new hotel is expected to open in April 2003.

According to the U.S. Census Bureau, the number of **residential construction** permits issued in Mesa County through November 2001 decreased 1.5%, compared with the same time period in 2000. Permits for single-family homes increased 0.6% over the same time period and represented more than 90% of all residential construction permits issued in the county. The number of permits issued for apartment units decreased 19.8% from 121 permits issued

through November 2000 to 97 permits issued through November 2001. Meanwhile, the rental market in Grand Junction is softening. According to the Colorado Division of Housing, the average apartment vacancy rate in Grand Junction increased from 4.7% in the third quarter of 2000 to 6.3% in the third quarter of 2001, while the average rental rate fell from \$494 to \$459.

La Plata County and Southwest Colorado

Southwest Colorado represented 24.4% of western Colorado's population in 2000, up slightly from 23.5% in 1990. Much of southwest Colorado has become a popular destination for retirees and second homes, causing it to grow faster than western Colorado and the state as a whole. According to the U.S. Census Bureau, southwest Colorado's population increased 3.1% between July 1999 and April 2000, and grew at an average annual rate of 3.2% between 1990 and 2000.

After growing at an average annual rate of 4.5% between 1990 and 2000, preliminary data indicate that employment in southwest Colorado (Archuleta, Dolores, Hinsdale, La Plata, Montezuma, and San Juan counties) grew 1.4% in 2001. The unemployment rate for the southwest counties averaged 4.0% in 2001, down from 4.3% in 2000.

During the last decade, the area's economy was driven by increased tourism and an increasingly large retiree population. It was also sustained by natural resources and government. Tourism and retirees fueled a shift toward the services and retail trade sectors during the 1990s; the services and retail trade sectors represented 55.3% of southwest Colorado's total employment in 2000, up from 46.8% in 1990. Government represented 17.9% of southwest Colorado employment in 2000. According to the Durango Area Chamber Resort Association, six of the top eleven employers in La Plata County are government employers. While mining represented only 1.0% of total employment, 87.8% of Colorado's carbon dioxide (CO₂) production came from Montezuma County, and 91.7% of Colorado's coal bed methane gas production came from La Plata County in 2000.

Major tourist destinations in southwest Colorado include Mesa Verde National Park, Mancos State Park, Navajo State Park, the Durango-Silverton Narrow Gauge Railway and Durango Mountain Ski Resort. While the number of visitors to Mesa Verde National Park increased 13.7% through October 2001 compared with the first ten months of 2000, they were still 19.5% lower than the number of visitors during the same time period in 1999. Fires ravaged more than 28,000 acres of Mesa Verde National Park in 2000, causing a dramatic decline in tourism in southwestern Colorado from which the region has not yet fully recovered. Visitations to Mancos State Park declined 5.0% in FY 2000-01, while visitations to Navajo State Park increased 2.4%.

“Ridership on the Durango-Silverton Narrow Gauge Railway decreased 6.6% in 2001.”

Ridership on the Durango-Silverton Narrow Gauge Railway decreased 6.6% in 2001. As a result of the lower ridership levels, the railway announced they would run about 40 fewer trips in 2002 than in 2001, with some flexibility should demand increase on short notice. However, a spokesman for the railroad indicated that advance reservations are considerably higher for 2002 than they were for 2001, and that there are substantially more Colorado residents choosing to vacation closer to home than in the past.

Skier visits at Durango Mountain Ski Resort increased 36.9% during the FY 2000-01 ski season, a result of extremely good snow conditions. Meanwhile, San Juan and La Plata county planning commissioners approved a plan in January to put 1,649 new residential units on 612 acres near Durango Mountain Ski Resort.

La Plata County represents more than half of southwest Colorado’s population, 61.8% of its employment, and 58.4% of its retail trade sales. Much of the economic activity in southwest Colorado revolves around Durango, La Plata County’s largest city. Durango is the home of Fort Lewis College, which generates 10% of the economic activity in La Plata County. Fort Lewis College provided 519 full-time-equivalent jobs to the local economy during its

fall 2001 semester. Enrollment at Fort Lewis College was at 4,019 full-time-equivalent students during the 2000-01 school year, one-third of which came from outside of Colorado and the large majority of which came from outside of La Plata County.

According to F.W. Dodge, the value of **nonresidential construction** in La Plata County declined 92.3% in 2001 over 2000. Construction activity fell primarily among retail stores and office buildings. Meanwhile, the number of **residential construction** permits issued in La Plata County decreased 3.0% in 2001. While the number of permits issued for single-family homes remained essentially flat in 2001, increasing from 366 permits in 2000 to 369 permits in 2001, the number of permits issued for apartments decreased from 13 in 2000 to none in 2001. According to the Fort Lewis College School of Business Administration, the median sales price of an existing single-family home in La Plata County was \$184,950 during the third quarter of 2001, down somewhat from \$192,000 during the third quarter of 2000. However, while prices county-wide have remained fairly flat, prices within the city limits of Durango have risen substantially.

“...Durango had the lowest vacancy rate out of seventeen markets statewide in the third quarter of 2001.”

Meanwhile, the rental market in Durango tightened substantially during 2001. According to the Colorado Division of Housing, the apartment vacancy rate decreased from 6.2% in the third quarter of 2000 to 0.9% on the third quarter of 2001, while the average rental rate increased from \$641 to \$758 over the same time period. The rental market softened rather than tightened in most areas of the state; Durango had the lowest vacancy rate out of seventeen markets statewide in the third quarter of 2001.

Plans were announced in late 2001 to build 250 residential homes on 130 acres near U.S. Highway 160 between **Bayfield** and **Gem Village** south of Durango in La Plata County. Current plans include a mixture of single-family homes and multi-family homes, with 20% of the acreage left as open space. Meanwhile, La Plata County commissioners ap-

proved plans in November for “The Bluff”, a residential development east of Durango at **Edgemont Ranch** that will include 31 single-family homes and 16 sites for multi-family homes.

Construction is expected to be complete on the new Durango Air Tanker Base at the Durango-La Plata County Airport by June. The \$4 million base, which will be used as a place where aircraft can fill up with water and fire retardant to fight fires, will include four 10,000-gallon retardant tanks and two 20,000-gallon water tanks, an aircraft ramp, a 3,400-square-foot office building, and a 1,500-square-foot warehouse.

Garfield County

Located strategically on the I-70 Corridor, Garfield County’s economy is centered around tourism and retail trade. Garfield County’s population increased at an average annual rate of 3.8% between 1990 and 2000, substantially faster than western Colorado and the state as a whole, which grew at average rates of 2.8% and 2.7%, respectively. Garfield County has become a bedroom community for many high priced mountain communities along the I-70 Corridor.

“...employment in Garfield County has been less affected by the current economic downturn than the state as a whole.”

While slowing somewhat, employment in Garfield County has been less affected by the current economic downturn than the state as a whole. After increasing at an average annual rate of 4.3% between 1990 and 2000, preliminary data indicate that Garfield County employment increased 5.0% in 2001. Total employment in Colorado slowed from an average annual rate of 3.8% between 1990 and 2000 to 1.7% in 2001. In addition, the unemployment rate in Garfield County fell from 2.5% in 2000 to 2.3% in 2001. According to the Glenwood Springs Chamber Resort Association, the Glenwood Springs economy has remained healthy through the downturn except for that portion of the economy tied to mountain communities along the I-70 Corridor. Some Garfield County residents have lost jobs held in the mountain

counties. In addition, residents of mountain counties who usually travel to Glenwood Springs to shop have cut down on their consumer spending. Indeed, retail trade in Garfield County has suffered more than retail trade statewide. After increasing at an average annual rate of 8.1% between 1990 and 2000, retail trade sales in Garfield County declined 0.6% through November 2001, compared with the same time period in 2000. Retail trade sales in the state increased 2.1% through November 2001, after increasing at an average annual rate of 7.7% between 1990 and 2000.

Employment is dominated by the retail trade and services sectors, which represented 47.8% of total employment in the county in 2000. However, the largest employers in Garfield County are school districts and governmental agencies; government employed 16.8% of the county’s employment in 2000. Fueled by strong population growth, employment in the construction industry increased from 9.8% of the county’s employment in 1990 to 18.2% in 2000.

Given the economic downturn, Garfield County’s tourism industry fared well in 2001 and is expected to continue doing so into 2002. Major tourism destinations in Garfield County include the city of Glenwood Springs, with hot springs and white-water rafting as major draws, the cities of Rifle and Carbonade, Sunlight Ski Resort, and three state parks (Harvey Gap State Park, Rifle Falls State Park, and Rifle Gap State Park). In addition, 62.7% of the county’s land is managed either by the U.S. Forest Service or the Bureau of Land Management. According to the Glenwood Springs Chamber Resort Association, city accommodations tax receipts increased 2.5% in 2001 over 2000. Tourism destinations county-wide have benefitted from increased driving-related tourism since the September 11 attacks. The Glenwood Springs Chamber Resort Association indicated that 85% of tourists in Glenwood Springs drive from the Colorado Front Range.

Visitations to Garfield County’s three state parks were up 5.8% overall in FY 2000-01. The growth was lead by visitations to Rifle Falls State Park, which increased 24.1% in FY 2000-01. Visitations to Rifle Gap increased 1.2%, while visitations to Harvey Gap State Park decreased 5.3%. Meanwhile, skier days at Sunlight Ski Resort increased 9.3% dur-

ing the FY 2000-01 ski season.

While Glenwood Springs is the largest city in the county, representing 17.7% of the county's population, its population is nearly rivaled by Rifle (15.5%) and Carbondale (11.9%). Indeed, Rifle's and Carbondale's populations have grown substantially faster than Glenwood Springs' population over the last decade. According to the U.S. Census Bureau, Rifle's population grew at an average annual rate of 5.6%, Carbondale's population grew at an average annual rate of 3.4%, and Glenwood Springs population grew at an average annual rate of only 1.7% between 1990 and 2000.

The real estate market in Glenwood Springs continues to be healthy, but slowed slightly in 2001. According to the Glenwood Springs Chamber Resort Association, the average price of an existing single-family home in Glenwood Springs increased from \$264,573 in 1999 to \$300,543 in 2000, and declined slightly to \$297,270 in 2001. Meanwhile, the median price fell slightly from \$279,950 in 2000 to \$267,550. Although prices fell, they remain at historically high levels.

Plans were announced for a \$23 million expansion and upgrade to the Garfield County Airport near Rifle. The expansion will include a 15,000 to 20,000-square-foot terminal, a 350-foot extension of the runway, and improvements to the taxiways and safety zones.

Moffat and Rio Blanco Counties (Northwest Colorado)

The population of Moffat and Rio Blanco counties increased at an average annual rate of 1.0% between 1990 and 2000, falling from 6.9% of western Colorado's population in 1990 to 5.8% in 2000. Employment in Moffat and Rio Blanco counties grew slower than anywhere else in western Colorado during the last decade, at an average annual rate of 1.0%. Preliminary data indicate that employment decreased 0.3% in 2001, while the unemployment rate fell from 4.2% in 2000 to 4.0% in 2001.

The economy in northwest Colorado is driven by natural resources and government. Although the

area's employment base relies much less on natural resources now than it did only a decade ago, much of Colorado's natural resources comes from the area. Rio Blanco produced 35.1% of the state's oil, while together the counties produced 10.6% of the state's gas production in 2000. Mining represented 13.3% of the area's employment in 2000, down from 24.2% in 1990. Government employed nearly a third of all workers in the area in both 1990 and 2000. Some of the government employment is related to federal management of public lands. Indeed, 72.7% of the land in Rio Blanco County is managed either by the U.S. Forest Service or the Bureau of Land Management. In addition, much of Dinosaur National Monument is located in Moffat County. Meanwhile, employment in the retail trade and services sectors is expanding in importance to the area's economy; together they represented 36.8% of the area's employ-

“The economy in northwest Colorado is driven by natural resources and government.”

ment in 2000, up from 27.1% in 1990. Visitations to Dinosaur National Monument in Moffat County declined 18.2% through October 2001 compared with the same time period in 2000, after falling 3.1% in 2000 and 2.6% in 1999.

Montrose, Delta, Ouray, and San Miguel Counties

“Population growth has been strong in Ouray and San Miguel counties, which have become popular destinations for retirees and second homes.”

The counties of Montrose, Delta, Ouray, and San Miguel represented 21.6% of western Colorado's population in 2000, up slightly from 20.5% in 1990. The area's population increased at an average annual rate of 3.3% between 1990 and 2000. Montrose County represented nearly half of the area's population and 10.1% of western Colorado's population in 2000. Montrose County population increased at an average annual rate of 3.1% between 1990 and 2000. Population growth has been strong in Ouray and San Miguel counties, which have become popular destina-

tions for retirees and second homes.

After growing at an average annual rate of 4.8% between 1990 and 2000, preliminary data indicate that employment in Montrose, Delta, Ouray, and San Miguel counties increased 2.2% in 2001. While employment increased by 3.0% or more in Montrose, Ouray, and San Miguel counties in 2001, it increased only 0.4% in Delta County. Like much of the rest of western Colorado, employment is dominated by the services and retail trade sectors, which together represented 43.8% of total employment in 2000. Government is also important, representing 21.3% of total employment in 2000. Meanwhile, the unemployment rate for these counties averaged 4.2% in 2001, up from 4.0% in 2000.

Major tourist destinations in Montrose, Delta, Ouray, and San Miguel counties include Telluride Ski Resort, three state parks (Crawford State Park, Paonia State Park, and Ridgeway State Park), and Black Canyon of the Gunnison National Monument. Visitations to the area's state parks declined in FY 2000-01; visitations to Crawford State Park, Paonia State Park, and Ridgeway State Park decreased by 16.2%, 51.5%, and 27.7%. The fires that ravaged much of the area hurt tourism levels substantially in the summer and fall of 2000. Visitations to the Black Canyon of the Gunnison National Monument decreased 5.4% through October 2001, compared with the same time period in 2000.

Skier days at Telluride Ski Resort increased 8.0% during the FY 2000-01 season. Telluride recently opened Prospect Bowl, a \$14 million expansion of the ski area that nearly doubles the size of its skiable terrain.

For the most part, Montrose County's economy has managed to evade the economic downturn thus far. After increasing at an average annual rate of 4.3% between 1990 and 2000, preliminary data indicate that employment in Montrose County increased 3.0% in 2001. While much of the rest of the state experienced substantially lower growth or declines in retail trade sales, Montrose County retail trade sales increased 10.2% through November 2001, compared with the same time period in 2000 after increasing at an average annual rate of 7.5% between 1990 and 2000.

According to F.W. Dodge, **nonresidential construction** in Montrose County increased 75.6% in 2001, with the largest increases occurring in the construction of office buildings. Montrose-based Western Skyways, an aircraft engine manufacturer, announced plans in late 2001 to build a \$1.5 million facility near the Montrose Regional Airport.

The number of permits issued for **residential construction** increased 2.4% in 2001, with a slight decline in permits issued for single-family homes and the number of permits issued for multi-family homes increasing from 4 in 2000 to 12 in 2001.

Eagle Valley Millwork Corp. announced plans to relocate from Avon to Montrose in late 2001. The custom woodworking mill expects to employ between 12 and 15 people by the end of 2002, only five of which will relocate from Avon.

Louisiana-Pacific Corp. announced plans in October to close its lumber plant in **Olathe**, citing high timber costs as the reason. The company laid off 32 people when it shut down temporarily last April, then hired them back when it resumed operations in June. Innovative Manufacturing Corp., a manufacturer of paper ink fountains, relocated its manufacturing plant from Minnesota to **Delta** last fall. The company employed 13 people by October 2001, and had expected to hire another 7 before the end of the year.

Summary

After a decade of healthy growth, much of the western Colorado economy continued to fare relatively well during 2001 despite the economic downturn felt elsewhere in the nation. Most economic indicators remain healthy, though showing somewhat slower growth than in recent years. Tourism is the driving force behind much of the western Colorado economy, and thus the services and retail trade sectors have become the dominant employment sectors in the region. Tourism along the I-70 Corridor fared the best region-wide in 2001, as more people began to drive to their vacation destinations.