



Colorado Economic Chronicle

Legislative Council
Denver, Colorado

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March 8, 2002

National Economy

Inflation-adjusted gross domestic product (GDP) for the fourth quarter of 2001 was revised from a 0.2% annualized gain to a higher-than-expected 1.4%. Significant factors in the gain were a strong 6.0% annualized gain in consumer spending, boosted in part by strong automobile sales, and a 10.1% increase in government spending. The increase represents a quick turnaround from the third quarter's downturn characterized by the September 11th attacks and a shaken stock market. The startling revision leads to the prospect of a swift recovery. The final judgment of the recession will be that it was short and shallow.

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The employment news for February was positive and provided additional evidence that the recession is likely over. The national **unemployment rate** decreased from 5.6% to 5.5% in February. Meanwhile, **nonfarm employment** increased by 66,000 workers in February, the first increase since July. Temporary help jobs did not post a decline for the first time in a year and a half. This is additional positive news for the economy as the sector is considered a leading economic indicator. The four-week moving average of initial unemployment claims has slowly declined 25% from the 500,000 peak in late October to around 375,000 in early March.

Personal income rose 0.4% in January, posting a second increase after three months of declines.

However, the income increase was due to a rise in unemployment benefits rather than wages and salaries. Wages and salaries decreased by less than 0.1%. Consumer spending also increased 0.4% despite a dip in durable goods spending resulting from the end of automobile zero-percent financing offers. Because consumer spending has been the linchpin in economic growth, consumer confidence has been a leading indicator in the watch for recovery signs. After increasing for two months, the Conference Board's Consumer Confidence Index took a downward turn in February and decreased 3.8% to 94.1, with declines in both reported indices of 'present situation' and 'expectations.' The University of Michigan Consumer Sentiment Survey revealed a similar declining trend. However, the survey showed a slight increase in the sentiment toward present conditions.

The **manufacturing** sector led the country into a recession and many analysts anticipate that it will be critical in leading the country out of recession. The *Institute for Supply Management (ISM) Index* surged to 54.7% in February from 49.9% the prior month. This represents the first time the sector marked an expansion since July 2000 and is the highest index since April 2000. New orders, order backlogs, and production components all showed significant improvement, suggesting positive prospects for continued growth. The high inventory levels of last year abated, thus allowing production to climb. *Durable goods orders* increased 2.6% in January, compared with 0.9% in December. Excluding the big-ticket

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aircraft orders, demand for durables increased 1.3%. Bookings of semiconductors saw a second month of double-digit growth. January shipments of durable goods increased 2.9% after a modest 0.8% increase in December. This marked the first back-to-back monthly increases since June 2000, just before the manufacturing sector went into recession. *Industrial production* decreased slightly by 0.1% in January, posting fifteen months of contraction out of the last sixteen. However, the expansionary trend in the February ISM Index is expected to push industrial production into positive territory.

“Existing home sales in January shattered all expectations and increased at an annualized 16.2% rate.”

The real estate industry has remarkably weathered much of the economic downturn of the last year. *Existing home sales* in January shattered all expectations and increased at an annualized 16.2% rate. A moderate winter and resilient consumer spending yielded a seasonally adjusted annual sales rate of over six million homes. This has also buoyed the median existing home price to \$151,100, a 10.2% increase over January 2001. Due in part to the availability of existing homes, *new home sales* in January decreased at an annualized pace of 14.8%. Seasonal adjustment factors contributed to the decline in new

home sales and the gain in existing home sales. Still, the median new home price of \$183,400 is 7.1% higher than a year ago. Thirty-year fixed mortgage rates averaged 7.00%, lower than the prior month, but slightly higher than the average rate in 2001. Real total construction spending increased 1.7% in January, its highest growth rate in a year. Private nonresidential construction recovered with a 2.2% increase after posting three straight months of declines. Office construction continued to slump, while industrial and retail development rebounded from levels that fell more than 33% from late 2000.

Inflation remained tame in January. *Consumer prices* increased 0.2%. The first increase in four months was attributable to rising energy prices. Meanwhile, *producer prices* showed little inflation with an 0.1% increase over December and sank 2.8% from January 2001.

Several economic indicators suggest a rebound. The February manufacturing index posted its first expansion in eighteen months and durable goods orders and shipments were strong in January and December. While the labor market remains weak, the number of layoff announcements and new claims for unemployment insurance benefits have receded from their peak levels. These variables will be closely watched in the next few months to see if they represent longer trends than one or two months.

Colorado Economy

Colorado's economy continues to show signs of weakness. Amid numerous layoff announcements, the statewide unemployment rate rose to 5.7% in January and a record 16,244 Coloradans sought Chapter 7 bankruptcy protection in 2001, up 24% from the previous year. Passenger traffic at Denver International Airport in 2001 decreased 6.9% from 2000, and the number of flights in 2001 fell nearly 4% from the previous year. Inflation increased at a 4.7% rate in 2001, the largest increase since 1984.

Employment

The unemployment rate in Colorado increased in January to 5.7%, up from 2.7% in January 2001, and

an increase of 0.6% from December. The Rocky Mountain Region currently has the second highest unemployment rate in the nation. In fact, Colorado's unemployment rate is now higher than the nation's for the first time in 12 years. Data for the year 2001 reveal a 3.7% annual average unemployment rate, compared with 2.7% in 2000. Nonfarm job growth in 2001 moderated to 0.9%, down from 3.8% the previous year. Colorado's economy weakened substantially at the end of 2001. Though the state's employment growth ranked 13th in 2001, the state ranked 41st in December, thus lending credence to the belief that Colorado entered the recession later. Colorado's job growth ranking slipped further to 43rd in January.

Colorado's Economy at a Glance

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

Last year's employment news was inundated with layoffs in the technology, telecommunications, and manufacturing sectors. In the last month, layoffs continued to follow the precedent set in 2001. The layoffs greatly exceeded job gains in the past month. Announced layoffs totaled 1,873, while gains totaled 370.

“Colorado’s job growth ranking slipped further to 43rd in January.”

As an indication of the weak job market, a record 16,244 Coloradans sought Chapter 7 bankruptcy protection in 2001, up 24% from the previous year. The last high mark for Colorado was 15,727 cases in 1997. Colorado bankruptcy filings by businesses in 2001 were up about 23% in all categories. The main factors for the increase in individual filings include rising unemployment, individuals carrying record debt levels, and creditors willing to lend to people with tarnished credit histories. The main factors for the increase in business filings are the collapse of Internet businesses and the slowing of the economy following a decade of expansion.

Jefferson County School District began eliminating 36 positions in February in an effort to recover from a \$6 million deficit that was discovered in its technology fund last fall. The positions will be fully phased out by the end of the 2001-2002 school year.

Colorado aerospace companies won more than \$2.2 billion in military contracts since December 2001. The contracts will translate into several hundred new jobs in the industry. As national defense becomes

the top government priority, the local aerospace industry is seeing continued growth, particularly in Colorado Springs.

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Despite numerous layoffs in several sectors, groceries and restaurants have begun a hiring trend. Texas-based Whole Foods Markets plans to hire 200 people in Highlands Ranch. Boulder-based Abo's Pizza is opening restaurants in Highlands Ranch, Broomfield, and Superior. Safeway is opening a location in Fort Lupton with 100 new employees. Jax Farm & Ranch is opening a new supply store in LaPorte with 30 new employees.

Information on other job announcements can be found in the regional sections of the *Chronicle*.

Residential Real Estate

According to Coldwell Banker Residential Brokerage of Colorado, the average sales price for an existing single-family home in the metro-Denver area in February was \$265,451. The average price increased 4.8% from a year ago and 1.5% from January. Meanwhile, the February median price of \$217,000 for a single-family home increased 7.4% from a year ago.

In the metro-Denver area, 5,705 residential properties closed through February, up 9.6% from the 5,207 properties closed through February 2001, according to the Coldwell Banker Residential Brokerage Report. However, 15.9% fewer homes were under contract in February, compared with the same month last year. The decrease has been attributed to higher unemployment rates and other economic figures indicating that a turnaround in the economy is not yet apparent.

The Moffat County Commission approved plans for a subdivision to be developed within the Dinosaur National Monument. The 164-acre Mantle Ranch and 360-acre Redrock Ranch, bordered on all sides

by the national park, have been rezoned for the purpose of building nearly 80 vacation homes. No construction dates have been disclosed.

Nonresidential Construction

Flintco Inc. is developing a \$60 million Hilton hotel, a conference center and spa, and an 18-hole golf course near Denver International Airport. The hotel will consist of 350 rooms which can be expanded to 500. The golf course will be built on 200 acres owned by DIA with Flintco and DIA sharing revenues. Construction will begin in fall 2002 with a 2004 opening date for all three entities.

Agriculture

According to the National Organic Standards Board, Colorado is ranked first in the nation in the amount of open range acres that are certified organic and is second in certified vegetable acreage. Sales of organic products in Colorado reached an estimated \$80 million in 2001 with more than 200 Colorado producers certified as organic.

Colorado State University (CSU) and the Colorado Department of Agriculture (CDA) have formed a partnership in which the CDA provided a \$1.5 million, five-year grant to CSU for a program focusing on specialty crops. The program will focus on research into producing and marketing specialty crops that can be grown in Colorado, such as strawberries, chili peppers, medicinal herbs, and exotic vegetables. Each state in the nation received money from the United States Department of Agriculture for specialty crops, based on sales generated by unusual produce. Currently, Colorado is ranked second in carrots and third in lettuce nationwide and produces more than \$600 million in specialty crops each year. The program will help Colorado meet consumer demand for diverse, high-quality horticultural crops and will help growers reduce financial risks when raising such crops.

Although the 2001 potato crop in the San Luis Valley was 23.3% smaller than in 2000, the prices are the highest the area has seen in decades. In 2000,

27.9 million hundredweight (cwt) of potatoes from 75,600 acres brought in \$60.2 million. In 2001, 21.4 million cwt of potatoes harvested from 68,100 acres were worth about \$235 million. Because of the good prices, movement of the 2001 crop has been favorable. The San Luis Valley growers and storage facilities had 11.0 million cwt of potatoes on hand in February, down 27.2% from the 15.1 million cwt on hand during the same month last year. Colorado ranks fourth in the nation in annual potato production.

Transportation

Due to reduced flights after the September 11 attacks and a slowing economy, passenger traffic at Denver International Airport decreased to nearly 36.1 million passengers in 2001, down 6.9% from nearly 38.8 million passengers in 2000. The number of flights in 2001 fell nearly 4% from the previous year. However, the industry is showing signs of recovery. Passenger traffic at DIA declined 14.1% in January, compared with the prior year. This was an improvement from the 19.7% drop in December.

“Passenger traffic at DIA declined 14.1% in January...”

Frontier Airlines began two daily non-stop flights in February from DIA to Sacramento, California and Fort Lauderdale, Florida. Also in February, Frontier JetExpress, which operates as a partnership between Frontier and Mesa Air Group, began service to San Jose, California and Houston, Texas from DIA. In early April, Frontier JetExpress will operate three flights each weekday between DIA and St. Louis and two daily trips to Ontario, California. In June, Frontier will increase to three flights daily from DIA to Portland and Minneapolis/St. Paul.

United Airlines is recalling 1,200 of the 2,700 flight attendants that were laid off last fall, including 54 in Denver. The recalls are based on the airline's plan to restore 127 flights in April in response to stronger customer demand. Twenty-six of the restored flights will be in Denver bringing the total number of the airline's daily departures at DIA to 248. Prior to

September 11, 2001, United operated 310 daily flights from DIA.

United Express, the commuter service operated by Air Wisconsin, will begin service in May with three daily flights from Denver to El Paso, and two daily flights from Denver to Edmonton, Alberta and Pasco, Washington.

Tourism and Gaming

According to the Rocky Mountain Lodging Report, the average hotel occupancy rate for Colorado in January fell to 49.2%, compared with 53.8% a year ago. The average room rate fell to \$98.42 from \$104.64. In the metro-Denver area, the average occupancy rate fell to 50.8% from 58.1%. The average room rate dropped to \$79.47 from \$84.50. During the President's Day weekend, Colorado ski resorts showed an increase of 4% in ski traffic, compared with the same weekend last year. According to the state transportation department, during the same weekend, a record was set for winter traffic at the Eisenhower Tunnel with 127,989 vehicles, compared with 126,782 vehicles in 2000.

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Due to the September 11 attacks, visitations to the Royal Gorge Bridge fell 10% in 2001 from the previous year. Prior to September 11, visitation totals were about 4% to 5% below the previous year. The decline was due to a drop in visitors from outside the state. The Royal Gorge Company of Colorado plans to conduct an aggressive marketing campaign this year and to spend nearly \$142,000 on improvements at the bridge, including expansion and remodeling of the Royal Grill and Cliff Terrace restaurants.

Colorado's three gaming towns generated \$58 million in adjusted gross proceeds in January, up 13.9% from the \$50.9 million generated in January 2001. Black Hawk generated \$43.1 million in January, up 20.1% from the \$35.9 million generated in January 2001.

Mining

The Tonto Apache Tribe of Payson, Arizona is planning to develop a 10-acre open pit mica mine on a 40-acre site near Poncha Springs. The tribe plans to construct an 8,000-square-foot building to perform the operations of crushing and processing the ore. A tailings pond will be constructed as part of the mining and refining process. Among its many uses, mica is used in fertilizers, wallboard, and as a bonding agent in beauty powders.

Population

According to a study prepared by Allied Van Lines, a household moving company, the percentage of people moving into the state has decreased. Last year, 54.7% of Colorado's 7,199 interstate moves were people moving into the state, compared with 57% in 2000 and 60% in 1997. Californians made up 15% of the new arrivals and Texans made up 11.7%. In the metro Denver area, 48.6% of moves were inbound, compared with 52.4% of moves in 2000.

Consumer Spending and Inflation

Statewide retail trade increased only 1.6% in 2001, following an 11.1% gain in 2000. Slowing employment figures throughout 2001, the national recession that started in March, and the aftermath of the terrorist attacks all contributed to the weak trade gains.

“Inflation in the Denver-Boulder-Greeley area increased 4.7% in 2001, the largest increase since 1984.”

Inflation in the Denver-Boulder-Greeley area increased 4.7% in 2001, the largest increase since 1984. The cost of housing (6.5%) and medical care (5.6%) had the largest increases. Clothing prices rose 3.3% in 2001, the first increase in four years. The cost of transportation remained unchanged, while fuel prices experienced a decrease of 1.1%, the first decrease since 1998.

Energy

According to the Colorado Oil and Gas Conservation Commission, Colorado issued the most drilling permits last year since 1981 due to the firm commodity gas prices. A total of 2,273 permits were issued statewide last year, compared with 1,573 in 2000. Garfield County had the highest number of permits since 1990 with 353 permits approved in 2001, 140 more than 2000. However, 2002 began with a below-average number of permits in January with only 161 permits issued. Drilling activity is expected to decline in 2002 because natural gas prices are significantly lower. The Northwest Colorado Gas Price Index reached a peak of \$9 per 1,000 cubic feet in 2001, compared with only \$1.73 currently.

Due to higher natural gas prices and production levels in 2001, Colorado brought in \$64 million in federal mineral royalties last year, a 36.2% increase over the \$47 million earned in 2000. The money represents Colorado's share of bonuses, rents, and royalties collected on federal lands in 2001 and is distributed by the U.S. Department of the Interior's Minerals Management Service.

In Weld County, California-based Calpine Corp. will break ground in spring of 2002 on a 600-megawatt natural gas power plant on a 633-acre site. The plant will generate enough power to serve 600,000 people and will be operational by spring of 2004. Xcel Energy has signed a 10-year agreement to purchase all the power provided by the plant.

Manufacturing

Although Colorado's manufacturing sector continues to be in a recession, the sector is improving. The Front Range Purchasing Manager's Index (PMI) was still below 50 in February at 43.9, but increased from 42.7 in January. A score below 50 means manufacturing activity is declining. Four of the five major indicators in the index, including production, employment, lead times, and inventories, continued to remain below 50.

In more positive news, the new orders index reached its highest level since June 2001 with a rate of 51.

Employment also showed a slight improvement with an index of 40.4, compared with 39 in December. The availability of skilled labor and unskilled labor was still high at 62.8 and 71.6 respectively, although the rates are slowly declining.

“Although Colorado's manufacturing sector continues to be in a recession, the sector is improving.”

Gates Rubber Co. is moving its AirSprings division, one of its manufacturing units, from Denver to Mexico, eliminating 60 to 65 jobs. The AirSprings division makes suspension devices that replace steel suspension springs for load leveling on vehicles. The division will shift production over the next two years from Denver to the new manufacturing plant which is scheduled to open in February 2003.

Toronto-based Celestica Inc., an electronics manufacturer, announced that it will consolidate its Westminster operations into other factories worldwide between April and July of 2002. The consolidation will eliminate 500 local jobs, with only a few being offered transfers to other plants. The other assembling and testing operations will remain in Westminster. The consolidation is due to a decline in sales orders and revenues.

Metro Denver

“AT&T Broadband announced 500 corporate jobs would be cut at its headquarters in Englewood...”

Announced layoffs in the metro Denver area were most prevalent in the technology and telecommunications sectors. AT&T Broadband announced 500 corporate jobs would be cut at its headquarters in Englewood as the company adjusts to a new customer relations operating model. Workers in field operations won't be affected and some corporate workers will be offered the chance to transfer into field positions. The cuts are unrelated to the downturn in the economy.

Verio Inc., an Internet service provider, laid off 650 employees worldwide in February, including 25 workers at its Arapahoe County headquarters. The layoffs are due to a slowing economy that has caused a reduction in spending on Internet services. The company will cease operations in 18 cities, consolidating its data centers and other operations into 22 cities. Denver-based Evolving Systems, a software developer, laid off nearly 40 employees nationwide in February in order to cut costs. Of the cuts, approximately half are in Colorado.

TeleTech Holdings plans to close its customer-call center in **Thornton** in spring 2002, laying off 235 employees. The cuts are due to the company consolidating the operation with an under-used facility in California. Laid-off workers will be able to apply at the company's **Montbello** office for 180 positions that were left vacant through attrition over a six-month period. Although TeleTech planned to close its Nextel call center in the Denver Tech Center, as announced in the February issue of the *Chronicle*, the call center will remain open, although 300 of the previously announced 1,000 job cuts will be retained.

ADT, part of the security arm of Tyco International Ltd., laid off 30 of its 1,600 workers at its Aurora customer care and security-monitoring center at the end of February. The layoffs are a result of the company attempting to cut costs and work with greater efficiency.

CSG Systems Inc. laid off 200 employees worldwide in February as the Arapahoe-based customer billing and services company completed a \$260 million acquisition of the billing division of Lucent Technologies. The layoffs affected about 40 employees in Denver.

Great-West Life & Annuity Insurance Co., a subsidiary of Great-West Lifeco, Inc., cut 160 jobs in February in metro Denver as part of a 3.7% nationwide workforce reduction and a consolidation of business operations. The consolidation and workforce reductions are due to a slowing in the company's health care, retirement services, and life insurance business divisions.

ING Group, a Dutch insurance and banking conglomerate, cut about 130 jobs from its Denver

workforce of 850 employees in February as part of a national cost-cutting strategy. The company plans to cut 15% of its total work force focusing on accounting, actuarial, and annuity pay-out jobs. The company has no plans to close its Denver operations.

In more positive news, Texas-based Whole Foods Markets is opening a store in the Highlands Ranch area in March. The natural foods grocery chain plans to hire 200 people by mid-March.

A \$25 million townhome project is being constructed in **Westminster** near the Interlocken Business Park. The Ranch Creek Villas will consist of 136 units, a pool, and a clubhouse. The units will range in size from 1,290 to 1,546 square feet and will cost between \$165,000 to \$200,000. The project will open in summer of 2003, although pre-sales began in February 2002.

Allied Realty Services Ltd. will break ground in summer 2002 on a \$22.7 million apartment community in **Aurora** featuring 225 units with structured parking located on a 7.2 acre-site. The community will be the first new rental housing on the 500-acre Aurora City Center.

The Clock Tower Building in the Ballpark Neighborhood in Denver is being renovated into the Clock Tower Lofts. The \$7 million dollar redevelopment will consist of a 37-unit apartment building with half of the units available as affordable housing. Renovation should be completed by the end of 2002.

“...the overall office market vacancy rate for metro Denver was 19.3% at the end of 2001.”

According to Liberty Greenfield LLP, the overall office market vacancy rate for metro Denver was 19.3% at the end of 2001. The northwest market, including Boulder, Louisville, Broomfield, Arvada, and Golden, had a vacancy rate of more than 35%. The southeast suburban market had a vacancy rate of slightly more than 23%. The downtown Denver market had the healthiest vacancy rate in the metro area with a rate of 11.8%, although the rate saw a 6.8% increase from the end of 2000.

In the north Denver Tech Center, the office market vacancy rate in the 15-building center is at a record high of 40%, according to a study by Fuller and Co. The center accounts for about 25% of the vacant space in the southeast market. The high vacancy rates will likely lead to an ongoing weakness in new office construction. Office construction declined 39.5% in 2001.

“The high vacancy rates will likely lead to an ongoing weakness in new office construction.”

Centura Health plans to build a medical complex with a three-story, 260,000-square-foot hospital on a 40-acre site at Crown Pointe in **Parker**. The hospital will have 101 beds, three operating rooms, an emergency room, a full radiology laboratory, full diagnostic and imaging services, and a nursery. The complex will also have a 60,000-square-foot medical office building for community physicians and outpatient treatment. The \$100 million project will break ground in April with a target opening date of summer 2004.

Boulder Region

In February, DoubleClick, the new owner of the former MessageMedia, cut nearly 75 local workers in an effort to consolidate its operations in Louisville and Broomfield. The company completed its purchase of MessageMedia in January. The consolidation efforts should be complete by the end of March.

In more positive news, Lafayette-based Aegis Analytical Corp. is deploying its newest product, Discoverant, at up to 30 of its drug production plants. Discoverant is a software package designed to help pharmaceutical and biotechnology firms optimize and streamline their manufacturing processes. Aegis plans to hire about 10 more employees by the end of the year to assist in selling and implementing the new software.

In Longmont, commercial vacancy rates increased to 18.7% at the end of 2001, up from 12.6% at the end of 2000. The total square footage of office and

industrial space available at the end of 2001 was 1.8 million square feet.

“...a 50-unit affordable housing development is being planned in Broomfield near FlatIron Crossing.”

In residential construction news, a 50-unit affordable housing development is being planned in Broomfield near FlatIron Crossing. The project will include three, three-story buildings of one-, two-, and three-bedroom townhomes. The housing would be geared to families with annual household incomes between \$24,000 and \$52,000. Ground breaking on the \$6.5 million development is planned for the end of 2002.

Northern Region

In **Fort Lupton**, construction has begun on a 58,000-square-foot, 12 acre, \$6.5 million Safeway that is scheduled to open in mid-June. The store will include a Starbucks coffee outlet, in-store pharmacy, a natural foods center, full service deli and bakery, a floral department, a meat and seafood center, and a fuel service center. The store will employ about 100 people.

Jax Farm & Ranch, an agricultural supply business, will open in the former Country General store in **LaPorte** in April. The store will stock supplies for farms and ranches, as well as hardware, equestrian supplies, and lawn-and-garden equipment. The owner plans to hire 30 employees, including former Country General employees.

Paragon Builders will begin building the first work-force housing development in cooperation with the Fort Collins Housing Authority at Rigden Farm in **Fort Collins** in spring 2002. Work-force housing provides quality housing for people with entry-level incomes. Lakeside at Rigden Farm will feature a mix of 165 attached and detached homes, including 120 affordable housing units.

Mountain and Western Region

According to the Colorado Department of Labor and Employment, unemployment rates for the Western

Slope continue to rise, paralleling the increase in the statewide unemployment rate. In Mesa County, the rate increased from 3.7% in December 2000 to 4.2% in December 2001. In Delta County, the rate jumped 0.9% from December 2000 to 4.5% in December 2001. In Garfield County, the rate climbed from 2.7% to 3.3%, and in the Montrose and Ouray area, the rate increased from 4.5% to 4.7%.

“...unemployment rates for the Western Slope continue to rise...”

Thermo Assembly and Test, a manufacturer of circuit boards and electronic components, temporarily closed its **Delta** plant in order to consolidate electronics assembly lines thereby eliminating 40 jobs. Eight of the 40 employees were transferred to the company's Grand Junction plant. The company will decide in April if the closure will be permanent.

In 2001, Mesa County reached its highest number of foreclosures since 1988. Foreclosures in 2001 increased by 52, or 19.4%, from 268 foreclosures in 2000. The majority of the foreclosures were in the residential sector.

Home prices in Mesa County increased 8.9% from \$130,182 in 2000 to \$141,821 in 2001. For 2001, Mesa County realized a total of \$727.4 million in real estate sales, nearly 16% over the total for 2000. The increase has been attributed to low mortgage rates. Residential building permits declined slightly, however. 1,140 single-family permits were issued last year, a decrease of 2.2%.

In **Silt**, the town approved the Spruce Meadows development, a 91-unit housing project to be built on an 18-acre site. The project will consist of 70 single-family modular housing units and 21 multi-family units. In **Carbondale**, construction will begin in early 2003 on a 136-unit apartment complex.

In **Glenwood Springs**, Glenwood Meadows will become the largest development in the town. The development will divide the 345-acre Wulfsohn Ranch into 72 acres of commercial, office, and hotel space, 55 acres of residential space, and 215 acres of open space and parks. The project will include

490,000 square feet of commercial and office space and 475 apartments, townhouses, and single-family homes. Construction is expected to begin in spring 2003.

Penrose Plaza in Glenwood Springs, a 30,000-square-foot, mixed-use building will be completed by fall 2002. The \$5.9 million project will feature retail/commercial space on the first floor, office space on the second floor, and eight penthouse condominiums. The 2¼-acre site will also feature a 16-unit, \$3.2 million townhome project to be completed in April 2002.

A 338,000-square-foot commercial development is underway in **Rifle**. The project will include a 155,000-square-foot superstore, restaurants, a bank, a motel, and other retail stores on a 48-acre site. Construction will begin in spring 2002 with plans to open in 2003.

In spring 2002, construction will begin on the Tech Center Plaza, a 40,000-square-foot, three-story office building to be located in the **Durango** Tech Center. The building will accommodate up to 64 tenants.

Southern Region

In southeastern Colorado, a record 4,681 individuals and businesses filed for bankruptcy in 2001 as the region experienced its first major economic slowdown in a decade, according to the U.S. Bankruptcy Court in Denver. Last year's total was up 30.4% from 2000 and surpassed the record of 4,142 bankruptcies filed in 1998. Bankruptcies continued to increase in 2002 with 271 filed in January, up 3.8% from January 2001.

“...the job picture for Pueblo's second quarter reveals that 20% of local firms plan to hire more people...”

According to a survey conducted by Manpower Inc., the job picture for **Pueblo**'s second quarter reveals that 20% of local firms plan to hire more people, 3% plan to cut back, and 74% do not plan to make any changes in staffing levels. Most of the new jobs will be in the transportation, public utilities, retail trade, and services sectors.

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 December 2001)	0.3	4.5	1.0	0.7	3.7	3.4	3.5	9.1	5.4	9.1	2.3	-0.8	4.9	-5.6
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.

Colorado Indicators Year-to-Date Growth Rates

Indicator	2001 Annual Average	2000 Annual Average
Nonfarm Employment Growth □	0.9%	3.8%
Unemployment Rate □ ‡ (seasonally adjusted)	3.7	2.7
Housing Permit Growth ~	1.5	9.0
Single family	-3.2	-1.9
Apartments	12.5	47.2
Growth in Value of		
Nonresidential Construction §	-0.6	-14.2
Retail	12.8	-12.8
Offices	-34.9	22.9
Factories	194.4	-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 4.7% in 2001, following a 4.0% rate in 2000.

Regional Economic Review - El Paso County

El Paso County has long been identified by the presence of military installations. In the mid 1990s, the high tech industry moved in to take advantage of a highly skilled workforce and helped make it one of Colorado's fastest growing counties in the 1990s. The last 18 months have seen the area take a step backwards following its unprecedented growth as the high tech industry has fallen on hard times. As a result employment news has been predominantly negative over the last year, especially with respect to high-tech product manufacturing. Overall construction, though booming for most of the last decade, has slowed recently, especially in nonresidential markets.

Population and Income

According to the 2000 Census, El Paso County experienced the largest population gain in the state between 1990 and 2000, adding 119,915 people. It grew by an annual average of 2.7% throughout the 1990s and is the third largest county in the state in terms of population behind Jefferson and Denver counties. The Colorado Springs metropolitan area, defined as El Paso County, grew from the 91st largest metropolitan area in the nation in 1990 to the 81st largest in 2000.

Per capita personal income grew 4.5% in El Paso County in 1999, and at an average annual rate of 4.8% between 1990 and 1999, slightly slower than the 5.4% average annual growth rate experienced statewide during that time period. The expansion of the high-tech industry in Colorado Springs helped the area to its largest gains in the latter half of the 1990s.

Employment

Overall employment in El Paso County grew at an average annual rate of 4.7% during the 1990s, after growing 3.8% during the 1980s. El Paso County employment leveled off in 2001 as wage and salary employment increased by 1.6%. The economic situation deteriorated throughout the year as the number of jobs was only 0.2% higher in December compared with a year earlier.

About 4,800 people lost jobs due to layoffs in 2001. The technology industry received the most negative news as a result of a dramatic fall off in consumer and business demand for high-tech products. Approximately 85% of the layoffs occurred in technology companies. So far, 2002 has shown little sign of

Table 1. El Paso County Economic Indicators at a Glance

	Colorado Springs	Colorado
Population Growth		
1990-2000 CAAGR	2.7	2.7
1999-2000 Growth Rate	2.2	2.6
Nonfarm Employment Growth		
1990-2000 CAAGR	3.4	3.8
2001 Growth Rate	1.6	0.9
Unemployment Rate (Regional data not seasonally adjusted)		
1990-2001 Average	5.0	4.2
January 2002	6.8	5.7
Retail Trade Sales Growth		
1990-2001 CAAGR	7.8	7.1
2000-01 Growth Rate	1.0	1.6
2001 Nonresidential Construction*	-41.6	-0.6
2001 Residential Construction*	2.0	5.0

* F.W. Dodge

letting up as roughly 700 layoffs have been announced in Colorado Springs through February. High-tech manufacturing companies, such as LSI Logic and Quantum, were the hardest hit. Plants were shut down as the slumping economy caused demand for their products to slide.

“So far, 2002 has shown little sign of letting up as roughly 700 layoffs have been announced in Colorado Springs through February.”

Illustrative of the weakness that characterized the semiconductor market, Atmel Corporation laid off 2,500 workers worldwide and about 500 in Colorado Springs. The company announced in September that it would consolidate its two Colorado Springs plants, resulting in the layoffs of nearly 20% of its local workforce. This was Atmel's second such move in three months after it already let 250 employees go in July. In a similar move, computer components and optical communications equipment designer Vitesse Semiconductor Corp. announced in November a 10% reduction in its worldwide work force in an attempt to manage the company's cost structure. The fate of the company's 200 workers at its Colorado Springs fabrication plant was not disclosed.

LSI Logic laid off 41 employees from its Colorado Springs semiconductor engineering facility in January as part of its latest cut backs, which included eliminating 1,400 jobs worldwide. In September, LSI closed its 500-employee Colorado Springs manufacturing plant. The Milpitas, California-based company still employs roughly 320 workers at its engineering and accounting facility in Colorado Springs.

The software industry shared much of the same fate as the semiconductor field in the past year. Shaman Corp., formerly TellSoft Technologies closed its doors in November, releasing its 20-person local workforce. Other negative software industry news included layoffs at e-mail provider USA.Net Inc. and NeoCore. USA.Net Inc. laid off an undisclosed number of employees in Colorado Springs in December, while it had previously cut 60 positions in May and an undisclosed number in September. Meanwhile, NeoCore, cut 10 positions, or 18% of its

work force, in December as the company completed some contract work.

Just after the new year, California-based Mindport Inc. closed its Colorado Springs operation, laying off between 25 and 35 people. The software developer cited a weakened market for software products and slow adoption of applications for high-speed Internet technology as reasons for the layoffs. This was the final round of layoffs that started with the company cutting 55% of its local workforce in September.

Meanwhile, some software companies enjoyed good news in 2001. Alliente Inc., a software company specializing in business productivity enhancement, landed \$9 million in venture capital in November. The company was just the fifth to receive outside funding in 2001. Local software firm TeamShare Inc. received \$3 million in outside funding in September. In spite of this investment, Colorado Springs firms garnered only \$38 million in venture capital through third quarter 2001, compared with \$86 million brought in over the same period in 2000.

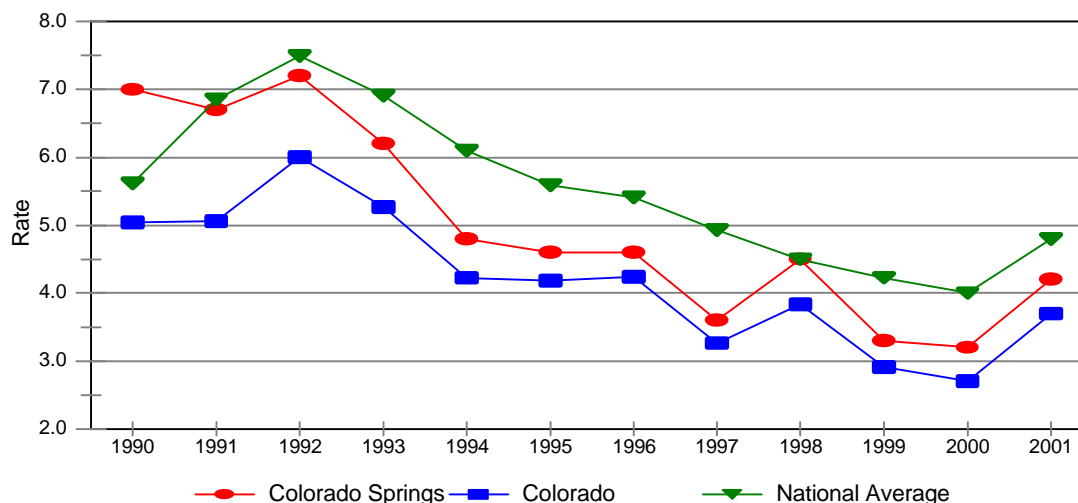
“...some software companies enjoyed good news in 2001.”

VSYS officially dissolved in October as investment resources dried up, resulting in the layoffs of 60 employees. Oresis Communications, an Oregon company with offices in Colorado Springs, lessened the blow by hiring 28 of VSYS's former employees to staff its Colorado Springs facility. The developer of switching technology for telecommunication companies has also incorporated the technology and other assets of software developer VSYS into its own product line.

“...the local unemployment rate shot up at the end of 2001.”

Following an extended period of falling unemployment rates in the late 1990s, the local unemployment rate shot up at the end of 2001. In Colorado Springs, the unemployment rate rose from 3.2% in January 2001 to 6.8% in January 2002. Consistently above the statewide average, unemployment in Colorado

**Figure 1. Unemployment Rate, 1990-2001
Colorado Springs, Colorado, and U.S.**



Springs has been below the national average since 1991 (see Figure 1).

Construction and mining employment increased by 2.6% in 2001, compared with 2000 figures. This followed a period of unprecedented growth in this sector as construction employment grew at an annualized pace of 9.1% during the 1990s in Colorado Springs, after flat growth during the 1980s. This sector enjoyed growth in both the private and public sectors, but fell on harder times recently as many projects were delayed or postponed due to the slumping economy. Healthy residential construction has helped maintain employment in this sector at historically high levels.

“...the influx of high-tech manufacturing that transformed the sector in the 1990s has stalled...”

Consistent with many of the nation’s metropolitan areas, *manufacturing* employment has had a decreasing presence in the local economy over much of the last decade. By December 2001, this sector accounted for 11.7% of employment in the region, compared with 11.9% in 2000 and 14.9% in 1990. Manufacturing employment growth was flat in 2001. Furthermore, the influx of high-tech manufacturing that transformed the sector in the 1990s has stalled and some companies, most notably LSI Logic and Atmel, have been forced to shut down plants.

Tape-drive maker Quantum Corp. will finish a five-phase layoff plan in March. In the last six months, the company has laid off 500 workers, and 1,300 since January 2001, thereby reducing its local workforce to 400. Quantum’s restructuring is part of a plan to update its facilities and is expected to save the company \$30 million annually.

Few companies illustrate the turbulent economic times for high-tech companies better than Sanmina-SCI Corp., formerly SCI Systems Inc. First, through consolidation with its Fountain plant, the electronics manufacturer closed its Colorado Springs plant last summer, displacing roughly 150 workers. Then, in January, following the merger with Sanmina Corp., the company cut 120 positions at its contract electronics manufacturing plant in Fountain, as it moved contract work to its North Carolina facilities.

Cincinnati-based Eagle-Picher Industries Inc. will close its Colorado Springs battery factory in September, displacing 71 employees. The company cited a shrinking market for its nickel-cadmium batteries, many of which are used by the defense industry.

In the otherwise lackluster high-tech environment, data storage device producer Plasmon Plc. announced it will move its manufacturing operations from Eden Prairie, Minnesota to Colorado Springs. In an attempt to take advantage of the large high-tech labor pool, the company expects to hire 110 technicians and engineers by the end of the year.

Test and measurement equipment maker Agilent Technologies Inc. announced last August it would lay off 175 local employees by the end of 2003 as part of a plan to save \$500 million annually. The move came on the heels of a companywide 10% pay cut in April 2001. Agilent will employ roughly 1,700 in Colorado Springs at the end of the current restructuring.

Fueled by the county's largest private employer MCI-WorldCom, employment in the *transportation, communications, and public utilities* sector grew at an average rate of 9.4% during the 1990s, faster than any other sector in Colorado Springs. The sector has remained relatively flat over the last year, as employment declined 0.7% from 2000 to 2001.

Offsetting the decrease in travelers since September 11, Colorado Springs Airport has remained financially healthy through an influx of new carriers. Thanks to the addition of service by several airlines, passenger traffic was down just 4.9% in January, compared with January 2001 figures. This is the smallest decline since September. Great Plains Airlines began nonstop service to Oklahoma City last October, and Vanguard Airlines began service to Kansas City in December. Meanwhile, America West Airlines and Allegiant Air both began service to Las Vegas in February.

“Thanks to the addition of service by several airlines, passenger traffic was down just 4.9% in January...”

Further expansion is expected to continue as United Express and American Airlines will begin service to Los Angeles by the end of May. Also, Sunworld International Airlines plans to start offering nonstop service to Wichita in March.

Opuswave Networks Inc., a Colorado Springs-based communications company, ceased operations in September 2001, resulting in the layoffs of 101 workers. The developer of communication systems originally attempted to stay afloat by cutting 43 jobs in August. *Retail and wholesale trade* employment grew 1.5% in 2001, following average annual growth of 3.8% from 1990 to 2000. The trade sector employs the

second-largest number of workers in Colorado Springs, but its relatively moderate growth, compared with other sectors, has gradually decreased its share of the employment base from 23.8% of all jobs in 1990 to 21.8% in 2001.

“...retail trade sales in El Paso County grew at an average annual rate of 8.5% between 1990 and 2000.”

According to the Colorado Department of Revenue, retail trade sales in El Paso County grew at an average annual rate of 8.5% between 1990 and 2000. Increased economic uncertainty throughout the year led to a more modest increase of 1.0% in 2001. The City of Colorado Springs reported that though 12-month sales tax collections were up by 1.9% in 2001, local sales tax collections were off by more than 4% in December 2001, compared with December 2000. The sector enjoying the most significant gain was auto sales, as sharp price decreases and unique financing plans prompted many of those considering buying an automobile in the next year to make purchases. Meanwhile, the travel and tourism sector took the biggest hit as the lodging industry saw tax collections drop more than 12% in 2001 over 2000 figures.

Firesale.com Inc., an online computer retailer, shut down in November following September layoffs that left 60% of its workforce out of a job. After a series of unfulfilled financial endeavors, the Colorado Springs-based company, which had as many as 110 employees in early 2001, closed its doors abruptly, eliminating its remaining 21 jobs. Investors cited the possible impacts the September 11 attacks might have on the economy as reasons for retreating from investments.

In more positive news, Colorado Springs did announce some job gains, though typically in the lower paying service or retail sectors. Krispy Kreme began construction on its first Colorado Springs store in early February. The 4,600-square-foot store is scheduled to open in May with 140 new employees. Meanwhile, office supplies retailer Staples announced it will open two stores in Colorado Springs in October 2002. Each store is expected to employ about 30 workers.

Employment in the *finance, insurance, and real estate* sector in Colorado Springs saw healthy growth, increasing 4.3% in 2001, compared with 2000 figures. It employs 5.9% of the local work force and has grown to meet the needs of El Paso County's expanding population.

ChannelPoint Inc., an insurance software developer, cut 72 local jobs at the end of January. This was the company's fifth round of cuts in the last year, slashing its local work force from 600 to less than 200. The cuts are due to a lack of support in the company's initial public offering and will affect only the Colorado Springs operation.

The *services* sector is the largest sector in the Colorado Springs economy with nearly 81,000 workers. Growing at an annual average rate of 6.5% during the 1990s, the services sector strengthened its contribution to the local economy, expanding from 28.4% of the work force in 1990 to 33.0% in 2001. Through 2001, employment in the sector grew 1.1%, compared with 2000.

As part of a response to rapidly declining revenues, Gateway Inc., the nation's fourth largest personal computer manufacturer, shut down its Colorado Springs technical support center in January. The move left 400 local employees looking for work. Gateway maintains a presence in Colorado Springs through a local retail store. In similar computer industry news, Compaq Computer Corp. laid off 158 Colorado Springs employees in 2001, and announced that further cuts could be on the way in 2002.

Another Colorado Springs-based technology company felt the sting of the slumping economy when DMCare Inc. was forced to close in October. The provider of online assistance for diabetics laid off its 35 employees after MiniMed Inc., an initial investor in the fledgling internet company, pulled its \$7 million investment.

"...FutureCall is in the process of hiring 200 employees for full- and part-time telemarketing positions."

Following the landing of a large credit card service contract, FutureCall is in the process of hiring 200 employees for full- and part-time telemarketing posi-

tions. FutureCall currently employs 500 people at its Colorado Springs call center.

With several major federal military installations, the *government* is a vital part of the Colorado Springs economy. Federal, state, and local government employed 15.8% of the area work force in 2001, down from 19.3% in 1990. Though defense spending decreased significantly in the 1990s, the sector remained relatively healthy as large population increases necessitated the expansion of many government services. Government employment grew 3.2% in 2001, compared with 2000.

There are five major military installations in El Paso County, three of which make up the area's largest employers. With more than 34,800 employees between them, the county's three largest employers are Fort Carson (19,087 employees), Peterson Air Force Base (10,126 employees), and the Air Force Academy (5,603 employees). Meanwhile, Schriever Air Force Base is the county's fifth largest employer (3,824 employees). A significant portion of the military employment in Colorado Springs is related to advanced technology and is relatively high-wage. Schriever Air Force Base houses the Air Force's 50th Space Wing, which controls the Department of Defense's weather, warning, navigational, and communications satellites. The Cheyenne Mountain Air Station is the home of the North American Air Defense Command (NORAD) and the U.S. Space Command, which monitor foreign aircraft, missiles, and space systems.

"The military also provides an abundance of indirect employment in El Paso County through both services and government contracts."

The military also provides an abundance of indirect employment in El Paso County through both services and government contracts. Recently, the most notable of these occurred with the awarding of a contract to update the military's satellite tracking and missile warning sensors to a Colorado Springs-based division of ITT Industries Inc. The manufacturing and engineering conglomerate will create 250 software and hardware jobs after winning the potential 18-year military contract in February worth \$950 million. ITT Systems employs 6,000 people, including

1,000 in Colorado Springs. Nearly all of the 250 new jobs will be in Colorado Springs.

San Antonio-based Rohmann Joint Venture will take over 114 civil service jobs at the Air Force Academy in May. The move is an attempt to cut costs through the privatization of some services at the academy. Military personnel in the remaining jobs will be reassigned. Meanwhile, current civil service workers will be given the option of working for Rohmann, though most likely at a lower salary range. This was the second such venture by the academy following an agreement in August with J&J Maintenance Inc. that affected roughly 300 civilian employees. Under terms of that agreement, all displaced employees were offered jobs with J&J Maintenance or given the opportunity to apply for other civil service jobs within the military.

Three local government employers are also among the ten largest employers in El Paso County. Thanks to a booming population throughout the last ten years, the City of Colorado Springs has expanded to the region's sixth-largest employer with 3,685 employees. With 3,368 workers, Colorado Springs School District #11 ranks as the area's seventh-largest employer. Finally, the City of Colorado Springs-owned Memorial Hospital sits as the eighth-largest employer, with 2,700 employees.

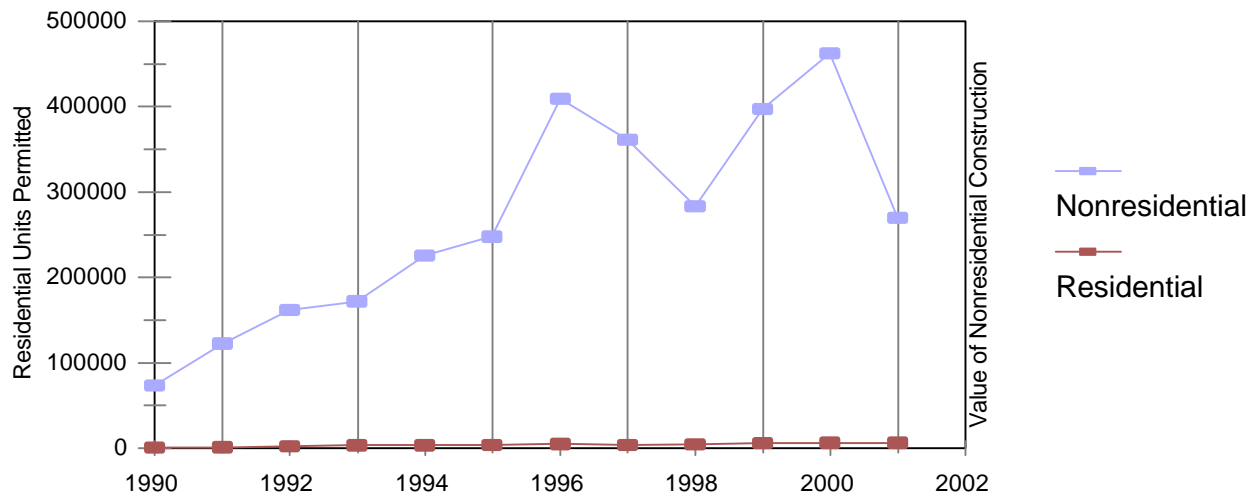
Nonresidential Construction

According to F.W. Dodge, the value of nonresidential construction declined 41.6% in 2001, compared with 2000. The decline resulted in the lowest level of construction since 1995. The value of nonresidential construction boomed at an average annual rate of 20.2% between 1990 and 2000, before the precipitous drop in 2001. Many projects have been slowed or postponed, with the most notable being Intel's flash chip manufacturing plant which originally was expected to be at full capacity by the end of 2001 (see Figure 2).

The value of construction in the *office* sector declined an astounding 83.7% through the end of 2001, after growing at an average annual rate of 28.8% during the 1990s, according to F.W. Dodge.

Both the office and industrial markets were hit hard toward the end of 2001. Colorado Springs' commercial real estate market continued to have a surplus of space as it entered 2002, though vacancy rates remained healthier than in Denver. By the end of 2001, office vacancy rose to 9.1% in Colorado Springs, according to Grubb & Ellis/Quantum, and absorption had plummeted from 1.6 million square feet in 2000 to 430,000 square feet in 2001. Class A office space, the most expensive office type, was in even worse

Figure 2. El Paso County Nonresidential and Residential Construction



shape according to Turner Commercial Research as vacancy rates neared 14% at the end of 2001.

According to F.W. Dodge, *industrial* construction declined 19.8% in 2001, after growing at an average annual rate of 17.3% between 1990 and 2000. Meanwhile, industrial vacancy rose to 6.4%, and, as a result of large plants such as LSI Logic's shutting down, experienced negative absorption of 525,000 square feet. Despite limited demand, especially in the lucrative high-tech sector, lease rates in Colorado Springs for industrial space remained stable in 2001, according to Grubb & Ellis/Quantum.

After rapidly expanding by an average annual rate of 24.7% throughout the 1990s, *retail* construction has faltered in the last two years with drops of 29.1% and 51.4% in 2000 and 2001, respectively. According to Grubb & Ellis/Quantum, retail vacancy rose slightly, to less than 7% in 2001 from 6.1% in 2000.

“Despite the increased vacancy rates, several projects are in the works.”

Despite the increased vacancy rates, several projects are in the works. Construction started on water and sewer lines as part of the first phase of development at a 130-acre parcel in Fountain. Final development plans include a 60- to 80-room hotel, retail space, a bank, and a three- to four-story medical/office building. The area will also see a new 113-room hotel at the InterQuest office and business park in Colorado Springs. Construction on the \$10.5 million Marriott Residence Inn will begin in April and be completed by early 2003.

Construction has begun in Colorado Springs on a 40,000-square-foot speculative office/research-and-development building near the Garden of the Gods corridor, and should be completed in October 2002.

The Colorado Springs Urban Renewal Authority is examining three proposals for revitalizing the city's southwest downtown area. The redevelopment will encompass roughly 100 acres between Interstate-25 and the current downtown. All three proposals call for a combination of urban apartment and office buildings alongside waterfront parks and walkways. The largest proposal, known as Palmer Village,

could have its first phase, including 450 apartments and 450,000 square feet of office space, completed as early as 2003, with the entire redevelopment completed in 2022.

“The Colorado Springs Urban Renewal Authority is examining three proposals for revitalizing the city's southwest downtown area.”

Developers have begun work on the 226,525-square-foot Shops at Briargate on 29 acres. The project will be a "lifestyle center" consisting of 52 retailers and restaurants in an outdoor center without the anchor stores of a traditional mall. Construction began in November and will be completed in spring 2003.

Construction in the *hospital and health treatment* sector declined 62.3% in 2001, compared with 2000, according to F.W. Dodge.

In an effort to consolidate facilities at the Air Force Academy, the academy's hospital will undergo expansion and renovation beginning in 2004. A 26,000-square-foot addition to house specialty services and a renovation of 45,000 square feet of the 180,000-square-foot hospital are the most notable changes. The \$15 million expansion will not increase the capacity of the 25-bed hospital and construction should be completed by fall 2006.

Two of the three largest remaining nonresidential sectors had significant building declines in 2001. After a boom year in 2000, *government* construction fell off 32.5% in 2001. Despite this drop off, the government sector is still at historically high levels. Construction in the *education and science* sector went the way of many nonresidential building sectors in 2001, falling by 75.1% over 2000 figures. In positive news, construction in the *amusement* sector rebounded to 1999 levels in 2001 after a down year in 2000. The value of construction in the amusement sector more than doubled in 2001.

Residential Construction

The number of residential units under construction in 2001 increased 2.0%, compared with 2000, according to F.W. Dodge. Construction of single-family

homes grew slightly, while the construction of apartment units showed slim declines. Construction of single-family homes continues to dominate the market, as it has the last decade.

The median sales price of an existing single-family home in January was 8.5% higher than January 2001 prices. Residential foreclosures increased in El Paso County in 2001 for the sixth consecutive year. The previously modest increases were attributed to the local population boom and the ease of obtaining mortgages in a favorable economy. However, the slumping economy can be added to the list of reasons for the 15.6% increase to 1,172 foreclosures in 2001 from the 1,014 reported in 2000.

“The previously underserved multi-family housing market in Colorado Springs finally began to show significant signs of loosening in the last year.”

The previously underserved multi-family housing market in Colorado Springs finally began to show significant signs of loosening in the last year. Though rental rates continued to rise through the third quarter, rates fell by 3.7% in the fourth quarter of 2001, according to the Apartment Association of Colorado Springs. Furthermore, vacancy rates reached 8.9%, up from 5.4% in the third quarter and 3.1% from the fourth quarter of 2000. This trend is in sharp contrast to much of the 1990s, which saw construction of multi-family units grow by 28.2% annually, while vacancy rates hovered around 4%. This helped boost rental rates by almost 26% from 1995 to 2000.

Additionally, Colorado Springs has long had a shortfall of multi-family housing. Therefore, even in times of rising vacancy rates, developers are planning several new projects, resulting in over 1,000 new units by 2004. Construction is beginning soon on a \$16 million, 220-unit complex in northern Colorado Springs that will have rents ranging from \$750 to \$950. Meanwhile, a 228-unit complex is in the works in the southeastern part of the city. The \$18.5 million project will include a pool, clubhouse, and carports, with rents between \$550 and \$775. Completion of the initial buildings for both projects is

scheduled for fall 2002. On Colorado Springs' north side, a 276-unit development is planned for the Northgate community that will attempt to capture demand for high-end apartments and townhomes.

Construction is moving forward on a 328-unit, 17-building, multi-family apartment community in Colorado Springs. The one to three-story buildings will have apartments ranging from 775 square feet to 1,250 square feet in size. All of the apartments will be fitted with high-speed data ports. Also, a \$14.5 million, 160-unit multifamily development is being constructed in Colorado Springs by LNR McDermott Properties LLC. The project will consist of two- and three-bedroom affordable rental units located in 16 two-story buildings on nine acres in the latest addition to the Stetson Hills development.

Meanwhile, plans have been announced for a multi-use complex within the Lowell Neighborhood Development. Once completed, 750 residential units including apartments, condominiums, town houses, and office condos will be built on 58 acres. The project will include 40,000 square feet of retail space, an extended stay hotel, and a 150,000-square-foot business campus. The first phase of construction, which includes the most expensive lofts and condominiums, should be completed by late spring 2002.

Pueblo-based Yellico Leach Co. Inc. is developing Stonesthrow at Springs Ranch, a townhouse community, in Colorado Springs. The development will have 34 units in 17 duplex-like buildings. The single-story units will sit on 6.4 acres and range in size from 1,200 to 1,750 square feet.

A Colorado Springs developer plans to construct a \$25 million, 11-story building in downtown. The 160,000-square-foot building will contain 50 to 70 lofts and condominiums. Retail space will occupy the first floor with office space occupying the second and third floors. Construction on the project will begin in summer 2003.

Tourism

With a wide variety of attractions, and its role as a gateway to Colorado's central mountains, El Paso

County's tourism industry has long had a major impact on the local economy. No sector of the economy has been more susceptible to the effects of September 11 than tourism, as people are slowly getting back to traveling following the tragedies. However, even before September 11, tourism in El Paso County had fallen from its peak levels of the late 1990s. The effects of September 11 on the tourism industry are still being felt, especially in El Paso County where the number one attraction is the Air Force Academy.

"...El Paso County's tourism industry has long had a major impact on the local economy."

After tourist visits fell 5.4% in 2000, the Air Force Academy, which is the second largest tourism attraction in the state after Rocky Mountain National Park, saw the number of academy visitors fall even further in 2001, plummeting 14.6%. The September 11 attacks forced a temporary closure of the campus. The Air Force Academy renovated its visitor center in an attempt to help draw more people. However, officials indicated that they expect fewer people will visit the academy this year as the heightened security from September 11 bars visitors from certain places on academy grounds that were previously open.

The lodging industry in Colorado Springs slowly rebounded as the hotel occupancy rate for November was down a modest 6.3% compared with November 2000. According to the Rocky Mountain Lodging Report, the numbers are an improvement from October, when the occupancy rate was down 18.2% from the previous year, and September, when the rate was down 26%.

Summary

"Though the high-tech industry has fallen on harder times recently, the defense industry appears poised to rebound..."

The contraction of the defense industry in the mid-1990s helped give rise to El Paso County's expansive high-tech industry as companies moved in to take advantage of the area's highly skilled workforce. Though the high-tech industry has fallen on harder times recently, the defense industry appears poised to rebound, as government increases in defense spending following September 11 have already created jobs in both the public sector and through private contracts. Further evidence of recovery is coming through the tourism and travel industry as the local airport attracts more flights and service to more cities. Construction is down, but vacancy rates, though historically high, remain lower than those found in the Denver-metro area.