



Colorado Economic Chronicle

Legislative Council
Denver, Colorado

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April 9, 2002

National Economy

The national economy is emerging from last year's recession. Inflation-adjusted **gross domestic product** (GDP) increased at a revised rate of 1.7% in the fourth quarter, up from 1.4% in the previous release. While an improvement in the trade balance over previous estimates was primarily responsible for the upward revision, fourth quarter after-tax profits declined at a 10.6% rate. Despite going into a recession in March 2001, GDP increased at a 1.2% rate for the year and experienced only one quarter with a decline. Consumer spending grew 6.1% during the fourth quarter, but fixed investment, brought down by nonresidential investment, declined 13.8%.

"The national economy is emerging from last year's recession."

Employment showed the first increase since last July in March, increasing by 58,000 jobs following a loss of 2,000 in February. It was initially reported that the nation added 66,000 jobs in February. The revision for February provides further proof that the nation's labor market, while no longer suffering large losses, will probably not experience a quick recovery. The nation's **unemployment rate** increased from 5.5% in February to 5.7% in March. The least-skilled groups in the labor force are losing some of the advances they made during the tight labor market of recent years; the unemployment rate for teenagers increased from 15.6% in February to 16.4% in March. **Initial jobless claims** rose to 460,000 during the last week of March from 396,000 the week be-

fore. The unexpected rise was a result of recent federal legislation extending unemployment benefits, which requires claimants whose previous benefits had ended to re-apply for unemployment benefits after March 15. Meanwhile, continuing claims rose to 3.6 million for the week ending March 23 from 3.5 million a week before.

"...consumer confidence rose substantially in March, indicating that consumers believe an economic recovery is underway."

According to both the University of Michigan Consumer Sentiment Survey and the Conference Board Consumer Confidence Index, **consumer confidence** rose substantially in March, indicating that consumers believe an economic recovery is underway. Both income and spending showed strong gains in February; **personal income** increased 0.6%, while consumer spending increased 0.5%. **Vehicle sales** were also at healthy levels in March, running at 16.4 million annually compared with 16.7 million in March 2001. Vehicle sales will probably slow slightly by the end of the year, since sales continue to be buoyed by dealer incentives and relatively low interest rates that are not sustainable. Meanwhile, the *saving rate* increased to 2.0% in February, up from 0.5% in January.

The **manufacturing** sector, which led the nation into recession, continues to show signs of improvement. The *Institute of Supply Management (ISM) Index* in-

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creased slightly to 55.6% in March, remaining above the critical level of 50% that indicates expansion in the sector for the second consecutive month. While the index indicates that inventories remain lean, the indexes for new orders and the backlog of orders are very high historically. Employment continues to decline in the manufacturing sector, but at much slower rates than previously. *Durable goods orders* increased 1.5% in February, marking the third consecutive month of expansion. While the increase was concentrated in orders for aircraft and parts, business spending on equipment and software showed tentative signs of a recovery. *Industrial production* increased 0.4% in February, increasing for the second month in a row following over a year of nearly-continuous declines. Meanwhile, factory capacity utilization increased to 74.8% in February, the first increase in almost two years.

The **construction** sector continued to show signs of strength with the data released for February. The sector has remained amazingly healthy throughout the recession and has not sputtered with a slight uptick in mortgage rates. *New home sales* increased 5% during February and are only 9% below the level of a year ago despite the recession starting in March 2001. Strength in construction activity, which increased 2.8% in February, has combined with the slower sales *vis-a-vis* one year ago to cause the inventory of available new homes to reach a 4.6 month supply. *Housing starts* have reached their highest level since the end of 1998. Single-family home construction increased 7.4% while multi-family activity declined by 14.3%. While *existing home sales* declined slightly in February, they declined from record territory in January and maintained the highest level of sales on record aside from January. The strength in residential activity also caused overall construction spending to increase in February, but nonresidential construction activity remains weak. In fact, rents for office space during the first quarter 2002 fell at the fastest rate since 1991. Vacant office

space continues to come online as business failures and cutbacks reduce the need for newly-constructed buildings. During the first quarter, 26.4 million square feet of space was vacated, approximately the amount of space in 12 Empire State Buildings.

“...rents for office space during the first quarter 2002 fell at the fastest rate since 1991.”

Inflation remained quite moderate during February, with both the consumer price index (CPI) and the producer price index (PPI) advancing at a 0.2% rate. Part of the moderation in the CPI was caused by a decline in energy prices during the month. However, crude oil prices surged in late March and early April, portending an uptick in the inflation rate. Food and energy prices pushed up the PPI. The core rate, which excludes those items, was flat during the month. Food prices have increased significantly during the last several months and continued increases in this category, combined with higher energy costs, could begin to impact spending patterns of low-wage earners. Overall, continued low inflation rates will give the Federal Reserve Board more leeway in determining when to increase interest rates. We still expect that moves will need to be made later this year to prevent the recovering economy from causing higher prices than would be acceptable to the board.

The nation is out of recession, and most economic signs point to a modest recovery. Although the unemployment rate will remain at relatively high levels at least until summer, employment has shown signs of a moderate recovery. The construction industry continues to buck negative trends in other sectors of the economy. Although food and energy prices are rising, inflation remains low and consumers incomes and outlooks are showing strong gains. Most promising, however, is the end of the recession and signs of future growth in the manufacturing sector.

Colorado Economy

Colorado's economy continues to show signs of weakness, although with some evidence of improvement. Unemployment increased slightly to 5.7% in February after four consecutive months of much larger gains. Colorado's manufacturing sector showed growth with an index over 50 for the first time since July 2001. However, during the fourth quarter of 2001, Colorado saw the highest number of foreclosures and delinquent mortgages since 1992. Denver International Airport revenues for 2001 were down 1.2% from the amount generated in 2000 and the ski industry registered 5.3% fewer skiers than last winter. The declines in the travel sector and the ski industry were attributed to a decrease in tourism after the September 11 attacks and a below average snowpack for Colorado. However, the tourism decline reached bottom and is now improving, thus several airlines are expanding service and DIA is planning a \$200 million expansion.

Employment

According to the Colorado Department of Labor and Employment, the unemployment rate increased only one-tenth of a percentage point to 5.7% in February, up from a revised 5.6% in January. February's rate is encouraging after several months of much larger increases in the unemployment rate.

Nonagricultural wage and salary employment declined 1.5% through February, compared with the same period in 2001. Six major sectors reduced

employment and only two added workers. The government sector added 11,300 workers due to seasonal hiring in the state and local education sub-sector. Services gained 3,800 workers in the educational, health, and engineering and management service areas.

“The number of layoffs in March was the lowest since the downturn started a year ago.”

Job announcements were numerous in the past month. Announced layoffs greatly exceeded announced hires. Layoffs totaled 440, while gains totaled only 62. The number of layoffs in March was the lowest since the downturn started a year ago.

Michigan-based Kmart plans to close 284 stores nationwide, including stores in Fountain, Louisville, and Parker. Nearly 200 local jobs will be among the 22,000 nationwide jobs to be eliminated. The closures are part of the company's restructuring plans under bankruptcy protection. The stores will remain open for 60 to 90 days during the liquidation process.

Residential Real Estate

According to the U.S. Census Bureau, total housing permits through February decreased 19.9%, or 1,519 units. Single-family permits and permits for multi-family dwellings decreased 18.6% and 23.0%, respectively.

According to Coldwell Banker Residential Brokerage, the average sales price for an existing single-family home in the metro Denver area in March was \$265,055, an increase of 5.9% from March 2001. The median single-family home price was \$216,900 during the first quarter, compared with \$206,000 for the same period last year.

The weak economy caused the number of Denver area residential foreclosures to increase by 39% in the first quarter of 2002. The area had an estimated 1,668 foreclosures.

Colorado's Economy at a Glance

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

Nonresidential Construction

According to F.W. Dodge, the value of nonresidential construction permits fell 48.6% through February, compared with last year. Activity in the commercial sector decreased by 51.7%, with the manufacturing sector experiencing the largest decrease of 91.9%. Building activity continued to increase in the religious, amusement, and hospital and health treatment sectors.

According to a report released by Grubb & Ellis and Knight Frank, a property consulting firm, lease rates for office space in the metro-Denver area were the eighth-lowest among 61 major markets in the world. Denver's average lease rate was \$22.52 per square foot in 2001, a 12.4% decrease from \$25.72 in 2000.

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Illinois-based DeVry University plans to break ground on a 72,000-square-foot classroom building in spring 2002 in Westminster. The building will house classrooms, computer laboratories, and a technical library. The university, which plans to support 3,000 students at the Westminster campus, offers degrees in business and technology. Construction is expected to be completed in March 2003.

The Denver Art Museum will break ground by the end of April on its \$62.5 million expansion. Construction will begin with the 1,000-space parking structure with housing and retail/office space to be attached in subsequent phases. The parking structure will be complete within 10 months. The housing will consist of 145 condominiums with 10% designated as affordable housing.

Agriculture

March winds and snow storms have affected cattle producers and wheat growers. The wind chill factor put newborn calves at risk causing the newborn

death rate to increase from 2% to 5% this season. Meanwhile, some of the winter wheat was blown out by erosion.

All Colorado crop prices in March were higher compared with March 2001, except wheat, corn, and alfalfa, according to the Colorado Agricultural Statistics Service. All livestock prices were lower compared with March 2001, except cows. Cow prices increased to \$45.00 per cwt, up \$1.30 per cwt from March 2001, and up \$3.10 from February 2002.

Transportation

Denver International Airport (DIA) revenues for 2001 decreased 1.2%. The decline was attributed to the decrease in tourism after the September 11 attacks. After September 11, passenger traffic at DIA dropped 23%, compared with 2000. The number of flights using DIA dropped 17.5% after September 11, and dropped 5.7% for 2001 from the previous year.

DIA is planning a \$200 million expansion of Concourse A in order to accommodate the growth of Frontier Airlines. The plans include adding 10 jet gates and six regional jet gates to the concourse by 2006. Fourteen of the gates will be designated for Frontier with two gates to be used for general expansion at DIA. Construction on the first gate will begin immediately due to how quickly Frontier Airlines is growing. Frontier plans to boost its capacity by 35% by the summer of 2002 and to acquire 45 new airplanes by 2005, expanding its fleet by 50% overall. DIA and Frontier are also planning to expand the airline's check-in counter space in the terminal from 12 to 16-18 positions.

“DIA is planning a \$200 million expansion of Concourse A ...”

As part of Frontier's growth, the airline started three new flights to Indianapolis, Boise, and Tampa in March. The new flights bring the total number of cities the airline serves to 31. The airline will add 10 Airbuses during the next 12 months to accommodate the new flights.

United Airlines will be offering expanded service during its summer 2002 schedule. In order to handle the 170 additional daily flights, another 1,300 workers have been recalled and an additional 900 will be hired across the nation, including Denver. The number to be recalled and hired locally has not been disclosed; however, the number of flights from DIA will increase to 248 from its current 238 flights. The additional flights will restore the airline's schedule to 1,900 flights by June. However, the airline's seat capacity for June will still be 17% less than the previous year.

In May, Mexicana Airlines will expand its service to include nonstop flights from DIA to Zacatecas. The statement follows the announcement made in March that the airline will offer four weekly nonstop flights between DIA and Mexico City.

Passenger traffic for the Colorado Springs Airport was down 12.7% in 2001. However, for the first time in more than a year, passenger traffic rose 2.6% in February. The increase is attributed to the arrival of new carriers such as Allegiant Air, Great Plains Airlines, and Vanguard Airlines which have launched service to Colorado Springs since October 2001.

American Airlines is adding a third daily nonstop flight between Colorado Springs and St. Louis beginning April 7. In March, the airline added a sixth daily nonstop flight between Colorado Springs and Dallas and will add a seventh on June 15. American also plans to add a third daily nonstop flight from Colorado Springs to Los Angeles, but the date is still undetermined.

Tourism and Gaming

The Denver-area tourism sector declined during the fourth quarter of 2001 due to fewer travelers after the September 11 attacks, according to a report released by the Denver Metro Convention & Visitors Bureau. Passenger boardings at Denver International Airport fell 19.4%, lodging declined 9.8%, and restaurant spending decreased 7.8%. However, tourism in two sectors thrived during the fourth quarter. Attendance at Denver-area attractions grew 3.5% from the fourth quarter of 2000 and gaming revenues jumped 9.3%.

Although skier visits to Colorado were down 14% through December 2001 due to anxiety over terrorism, the weak economy, and poor snow conditions, skier visits improved in January and February matching last year's total with 4.72 million visits, according to Colorado Ski Country USA.

“...skier visits improved in January and February matching last year's total...”

Overall visits to the state's national parks declined 19.3% through February. Only two of the parks showed an increase in visitations. Bent's Old Fort had a 24.6% increase, and Florissant showed a 1.3% increase. Sand Dunes and Black Canyon of Gunnison showed the greatest declines with 40.9% and 30.6%, respectively.

Colorado's three gaming towns brought in \$56.6 million in adjusted gross proceeds in February, up 9.8% from the \$51.5 million generated in February 2001. Black Hawk casinos generated 73.2% of the total, while casinos in Cripple Creek and Central City accounted for 19.5% and 7.3%, respectively.

Energy

According to AAA Colorado, the recent increase in gasoline prices is due to the rising cost of crude oil, which has increased 25% since the beginning of 2002. However, the average Colorado price of self-serve unleaded regular gasoline of \$1.387 in March was still lower than the average of \$1.48 a year ago. During March, Pueblo had the lowest average of \$1.318 and Vail had the highest at \$1.643.

“Colorado's coal production was 33 million tons in 2001, a 13.8% increase from the prior year.”

Colorado's coal production was 33 million tons in 2001, a 13.8% increase from the prior year. Routt County led the state in coal production for 2001 with 9.4 million tons of coal. Gunnison County was second with 7.8 million tons of coal, and Moffat County slipped to third with 7.7 million tons of coal.

Although Moffat County moved from second-leading producer in 2000 to third-leading producer in 2001, its total production increased by 500,000 tons from 2000. Moffat County has the two largest surface coal mines in the state.

Manufacturing

Colorado's manufacturing sector showed growth for the first time since July 2001. The Front Range Purchasing Manager's Index (PMI) increased to 53.5 in March, up from 43.9 in February. A score above 50 indicates an increase in manufacturing activity. Three of the five major indicators in the index, including production, employment, lead times, and inventories, had scores above 50.

“Colorado's manufacturing sector showed growth for the first time since July 2001.”

Two areas grew dramatically with new orders increasing to 60.4 from 51 in February, and production increasing to 52.9 from 41.2. Inventories increased to 51 from 41.2. Employment continues to show an overall decline, but is steadily growing with an index of 47.2, compared with 40.4 for February. The lead times index also remained below 50, but continues to show growth with an increase to 49.5 from 41.1.

Metro Denver

France-based Genesys Conferencing will cut about 50 call-center jobs in **Denver** as part of a companywide consolidation. The employees will be offered transfers at three other locations. In a positive move, however, the company plans to add 25 to 35 administrative jobs at its North American headquarters in Denver over the next six months.

PentaStar Communications Inc., a communications service provider, laid off all of its employees other than its officers at the end of March. The number of layoffs was not disclosed. The layoffs are due to the company being unable to collect receivables from various communications-service providers.

Encoda Systems, a systems and software provider for the broadcast industry, laid off 80 workers at its Denver office as part of a 20% worldwide reduction. The cuts were due to job duplications after five years of merger activity with about 20 other companies, including Enterprise Software and Drake Automation Ltd.

Castle Rock-based WideOpenWest, cable television provider, laid off 11 workers in March and is stopping construction of systems elsewhere in Colorado temporarily. The company must raise about \$50 million in order to continue operations.

Three housing projects have been approved by the **Westminster** City Council. The Highlands at Westbury will consist of 213 lots for multi-family housing and Westview Heights will consist of 48 lots for multi-family housing. The third project will be the Westminster Retirement Residence which will provide senior housing. Construction will begin in the next few months on all three projects.

“Three housing projects have been approved by the Westminster City Council.”

Forest City Stapleton Inc. plans to break ground in July on 315 apartments in three developments at the Stapleton Town Center. The largest of the three developments will consist of 232 apartments in two- to four-story modules.

NEWSED Community Development Corp. plans to begin construction in late summer 2002 on its \$8 million Santa Fe Commons four-story, mixed-use, 44,000-square-foot development. The project will consist of office and retail space, and affordable apartment units.

The Denver City Council approved plans for a 50,000-square-foot, four-story building near Coors Field. The Diamond will consist of 7,100 square feet of retail space, 27 condominiums, and an underground parking garage. Construction will begin in summer 2002 and be completed in 18 months.

In **Cherry Creek**, construction will begin in summer 2002 on a 38-room bed-and-breakfast which will complement a major hotel planned for the nearby Sears redevelopment site. The owners of the Inn at Cherry Creek plan to handle spillover from events at the larger hotel. The opening date is planned for early 2003.

Boulder Region

Layoffs in the Boulder region were most prevalent in the technology and telecommunications sectors.

Broomfield-based Persona, an online marketing firm, cut about 12 jobs during a recent restructuring of the company. The cuts were as a result of saving costs. **Longmont**-based Displaytech, a microdisplay maker, laid off 20 of its 70-member staff in March in order to refocus its business on its core offering of microdisplays for viewfinders. The jobs were cut from the division that provided microdisplay technology for projection television sets. A small optical unit and a small research group will be retained to explore new business.

Boulder-based Carrier Access Corp., manufacturer of telecommunications equipment, is reducing its work force by 17%, causing 42 jobs to be cut in Boulder. The layoffs are due to the company implementing a plan to return to profitability and are the third round of cuts in the last eight months. The cuts will affect all departments.

In more positive news, Genset Oligos of Paris will merge with Boulder-based Prologo by the end of the first quarter of 2002. The merger will create a fully integrated supplier of nucleic-acid specialties used for research. The merger will increase the work force at the Boulder location by 15%, or 12 employees, within a year.

In the residential real estate market, according to the Boulder Area Realtor Association, 103 homes were sold in February, up 4% from the same month last year. However, the median price was \$359,000 in February, 9% lower than last year. The median price for condominiums and townhouses dropped 4.5% from last year.

El Paso County

Consumer spending in **Colorado Springs** declined in February due to high unemployment, the recession, and post-September 11 concerns. The monthly city sales tax report revealed a 6.5% drop in February sales tax collections, compared with February of 2001. The weakest retail sectors included furniture, appliances, and electronics with a decrease of nearly 15% compared with last year.

“El Paso County's unemployment rate decreased slightly in February to 6.6%...”

El Paso County's unemployment rate decreased slightly in February to 6.6%, compared with 6.7% in January. According to the Department of Labor and Employment, there has been a shift from technology and manufacturing jobs to the service employment sector. The service sector showed the greatest increase in jobs with 201,400, up 1.9% from 197,600 in February 2001. The sector also showed an increase of 800 more jobs in February than in January. On the other hand, the manufacturing and goods-producing sectors showed the greatest decreases from January to February with the loss of 500 jobs and 600 jobs, respectively.

Connecticut-based Kaman Corp., a defense technology company, will close its 34-employee local subsidiary in Colorado Springs by September 2002. The closing is part of the company's plans to sell its microwave technology business to Meggitt Safety Systems Inc. About 12 employees at the local site may be absorbed by Meggitt. The remainder of the local operation will be consolidated with the company's subsidiary, Kaman Instrumentation, in Connecticut. The remaining employees will be offered transfers to Connecticut.

In March, Premiere Conferencing laid off 14 employees at its Colorado Springs teleconferencing center. The layoffs are due to the company utilizing Web-based teleconferencing and becoming more automated. In a positive move, the company has begun hiring sales and customer service personnel at the local center.

Woodmoor Pines Country Club in Colorado Springs closed in March, laying off about 25 employees. The closure was due to a combination of a large debt and a weak economy which caused fewer people to apply for membership.

In Colorado Springs, Ford Motor Credit Co. is closing its subsidiary, Fairlane Credit LLC, in July 2002 due to a consolidation of operations. Most of the subsidiary's 170 employees will be absorbed by Ford Credit and moved to the Ford Credit Service Center in the InterQuest business park. The closure will cause 40,000 square feet of office space to become vacant. The number of layoffs has not been disclosed.

In more positive news, **Woodland Park**-based Configuresoft Inc., a software developer, has increased its workforce by 50% and expanded its office space by 2,000 square feet during the first quarter of 2002. The company has hired 20 employees since the beginning of the year with plans to hire up to 30 more employees by the end of the year.

“The median price for a single-family home in the Pikes Peak region rose to \$173,000 in March...”

The median price for a single-family home in the Pikes Peak region rose to \$173,000 in March, a 1.7% increase from February and a 4.9% increase from March 2001, according to the Pikes Peak Association of Realtors. The average price for a single-family home rose to \$208,775 in March, up 4.3% from February and an increase of 9.3% over the same month last year.

The number of single-family home permits issued in El Paso County totaled 973 for the first quarter of 2002, down 23.1% from the same period in 2001, according to the Pikes Peak Regional Building Department. In March, single-family housing permits totaled 403, a 25.5% decrease from the 541 permits issued in March 2001. The slowdown has been attributed to an economic downturn and a high unemployment rate.

In rural El Paso County, a suburban-style development of 769 modular homes will be built on

475 acres. Viewpoint Village will also include 23 acres of commercial development, an elementary school site, and open space. The affordable homes will be priced between \$125,000 and \$200,000. Construction will begin this year and be completed by 2009.

In downtown Colorado Springs, a \$22 million, 10-story, 44-unit residential loft building will be built on one acre near Monument Valley Park. Units will range in price from \$300,000 to \$600,000. Construction will begin in 2003 and be completed by 2004.

The apartment vacancy rate in Colorado Springs reached 8.9% in the fourth quarter of 2001, according to the Colorado Springs Metro Area Apartment Vacancy and Rent Study. Despite the rising rate, two apartment complexes have been planned for the Colorado Springs area. In southeastern Colorado Springs, an \$18.5 million affordable housing project is planned. The development will be a mixture of one-, two-, and three-bedroom units in 17 two- and three-story buildings on 12.5 acres. Construction on the 228-unit project will begin in June. The \$20 million Preserve at Cottonwood Creek will consist of luxury apartments. Construction on the complex will begin spring 2002.

“The office vacancy rate in downtown Colorado Springs reached 11% by the end of 2001.”

The office vacancy rate in downtown Colorado Springs reached 11% by the end of 2001. A \$6 million, four-story office building is being built in the downtown area. Four Gateway Plaza, a 28,500-square-foot-building with parking for 75 cars, will cater to small businesses. Construction will begin in August 2002 and be completed by late 2003.

Northern Region

Fort Collins-based VantagePoint Network LLC, an agricultural dot-com, closed in early March, laying off 32 employees. The closure is due to a low subscriber base. The company offered a website for farmers and ranchers that provided online record-

keeping, weather forecasts, and crop-management tools. The closure follows layoffs of about 38 people in November 2001 when the parent company, Illinois-based Deere & Co., began to dissolve the company, discontinue subscriber-based services and absorb the technology into the parent company's Agricultural Services Group based in Atlanta.

“In Larimer County, the weak economy slowed housing starts in the rural areas...”

In **Larimer County**, the weak economy slowed housing starts in the rural areas and the downturn continued into 2002. Permits for new single-family homes in the unincorporated areas of the county fell 1.6% from 629 in 2000 to 619 in 2001. In January 2002, 23 single-family building permits were issued in the rural areas, compared with 51 in January 2001. Through February, single-family permits for the unincorporated areas were 37% behind the same period last year. Total building permits issued through February for Fort Collins were 20.6% less than the same period in 2001.

In south Fort Collins, construction began in March on a 108-unit condominium development. The Lodge at Miramont will be built on seven acres near Miramont Park residential development.

Mountain and Western Region

Sales tax collections for **Archuleta County** decreased 5.6% through February, compared with the same period in 2001. On the other hand, total building permits in the county were up through the end of February with 51 permits issued, or 34.2% more than the same period in 2001. The increase was attributed to unusually mild weather that allowed builders to work throughout the winter.

“Several nonresidential construction projects are under way in southwest Colorado.”

Several nonresidential construction projects are under way in southwest Colorado. Mercy Medical Center will begin construction on a \$76 million,

245,000-square-foot hospital on 25 acres in **Durango**. The hospital will be operational by early 2005.

The Home Depot plans to build a 93,700-square-foot store with an 18,762-square-foot outdoor garden center in Durango. The buildings will be located on 10.5 acres near U.S. Highway 160.

Construction will begin in summer 2002 on a 600-acre development at Durango Mountain Resort. Plans include 1,649 homes and 410,000 square feet for a commercial village. For every 10 housing units, one unit will be dedicated for employee housing. Plans also include luxury hotels, high-end condos, and five residential communities surrounding the mountain. Construction will continue for 25 years.

In residential real estate, prices jumped throughout **La Plata County** during 2001, according to the Durango Area Association of Realtors. The median price for a home in the county increased from \$186,850 in 2000 to \$217,500 in 2001. In Durango, homes appreciated by about 15% during 2001.

In Durango, Tamarron Properties Associates is planning a \$40 million expansion of the Tamarron Resort to include 350 lots and residences, a driving range, a nine-hole golf course, and a 20,000-square-foot clubhouse. Construction will begin in June with completion planned for summer 2003.

Vail Resorts announced plans to spend \$75 million to \$100 million on renovations to four acres owned by the company in **Vail Village**. The redevelopment is in addition to the \$400 million renovation of Lionshead Village. The redevelopment will include the new Lodge at Vail residence club featuring 12 fractional-ownership residences and an 11,000-square-foot spa; a 1.5-acre site near the Vista Bahn Gondola featuring a heated plaza, public art, more seating, and an escalator at the base of the slopes; and a community park with two levels of parking buried underneath. The project should be completed by 2006.

In **Copper Mountain**, Intrawest revealed plans for Cirque, a 37-unit, fractional-ownership luxury resort

building. Fractional ownership is similar to time-sharing except that, instead of buying time, a portion of the real estate is purchased. Owners will have use of the unit for one week each month and two weeks at Christmas. Construction will begin after 50% of the units are pre-sold. The most expensive unit will cost \$289,900.

“Plans have been announced for a development of manufactured housing in Bayfield.”

Plans have been announced for a development of manufactured housing in **Bayfield**. The Village East development will include 245 modular units on 131 acres. In Granby, construction will begin on a 72-unit townhome development in May. The Village at Horseshoe Creek Townhomes will be built within the 440-acre Grand Elk community.

In **Telluride**, the Mountain Village Town plans to develop 10 detached condominiums for sale to local employees first, and then to regional employees, at subsidized prices. Construction will begin in 2002 with plans for completion in 2003.

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

Indicator	February 2002	2001 Annual Average	2000 Annual Average
Nonfarm Employment Growth \boxtimes	-1.7%	0.9%	3.8%
Unemployment Rate $\boxtimes \ddagger$ (seasonally adjusted)	5.7	3.7	2.7
Housing Permit Growth \sim Single family	-19.9	1.5	9.0
Apartment	-18.6	-3.2	-1.9
	-23.0	12.5	47.2
Growth in Value of Nonresidential Construction \S	-48.6	-0.6	-14.2
Retail	-6.5	12.8	-12.8
Offices	-63.5	-34.9	22.9
Factories	-93.5	194.4	-71.7

- \boxtimes Colorado Department of Labor and Employment data.
- \ddagger Actual level, not growth rate.
- \sim U.S. Census Bureau data.
- \S 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 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 \blacklozenge (through February 2002)	7.4	-1.1	-0.5	-3.2	4.2	5.7	4.3	6.7	-1.7	4.3	2.7	4.4	7.6	7.6
Unemployment Rate \blacklozenge (not seasonally adjusted) (in February 2002)	6.4	5.5	6.6	5.9	4.7	5.3	5.7	6.3	3.0	9.3	7.7	3.2	2.2	3.4
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 February 2002)	\hat{a}	-78.3	-58.3	-41.9	\tilde{a}	-56.2	\ddot{a}	-86.7	0.0	0.0	\grave{a}	\ae	-71.4	Ç
Housing Permit Growth* (through February 2002)	-36.4	33.6	30.9	-38.3	4.1	81.8	-52.4	22.7	-90.0	30.2	-14.3	-13.8	-11.5	14.6

- \blacklozenge Actual level not growth rate.
- \blacklozenge Colorado Department of Labor and Employment data.
- * F.W. Dodge data.
- $-$ Colorado Department of Revenue data.
- \hat{a} Nothing was contracted in 2002, while \$150,000 was contracted in 2001.
- \tilde{a} \$4.0 million was contracted in 2002, while \$200,000 was contracted in 2001.
- \ddot{a} \$15.7 million was contracted in 2002, while \$7.1 million was contracted in 2001.
- \grave{a} \$3.3 million was contracted in 2002, while \$579,000 was contracted in 2001.
- \ae \$5.6 million was contracted in 2002, while nothing was contracted in 2001.
- Ç Nothing was contracted in 2002, while \$1.2 million was contracted in 2001.

Regional Economic Review - Pueblo Region

The Pueblo region, including Pueblo, Fremont, and Custer counties, consists of a diverse economy that grew at a steady pace from 1990 to 2000. The region developed a more diverse economy over the past ten years, with years of strong construction employment growth and a reduced reliance upon government employment. The retail trade sector grew steadily over the years as growing population, development, and tourist activities increased the need for retail services. Similar to statewide trends, the recent economic slowdown hit the Pueblo regional economy, particularly in the manufacturing, retail, and services sectors. Over the past year, this region often led the state in high unemployment rates and Pueblo-area unemployment rates have hit near-record highs in early 2002. Moreover, recent employment growth figures indicate employment has decreased. However, due in part to its increasingly diverse economy, it is likely that the Pueblo region will be more resilient to this recession than in past recessions.

Population and Income

According to the 2000 Census, the combined **population** of Pueblo, Fremont, and Custer counties

grew 21.5% from 1990 to 2000, with an average annual growth rate of 2.0% per year, a little less than the statewide average growth rate of 2.7%. Between 1990 and 2000, Pueblo County population increased 15%, Fremont County increased 43%, and Custer County grew 82%. Custer County population growth over the last decade ranked 7th in the state. With an estimated 2000 population of 102,121, the city of Pueblo represented the 7th largest municipality in the state and the Pueblo County population of 141,472 represented the 10th largest county in the state. The Pueblo metropolitan area, interpreted as Pueblo County, was ranked the 215th largest metro area in the country in 2000, up from the 219th largest in 1990.

Per capita **personal income** increased an average of 4.5% per year from 1990 to 1999, less than the statewide personal income average growth of 5.4% per year. Pueblo County was responsible for most of the per capita personal income growth with an average rate of 4.8% over the decade, while Fremont and Custer personal income increased an average of 3.9% and 2.7%, respectively, per year. Figure 1 shows population and per capita personal income annual growth for the Pueblo region over the last ten years.

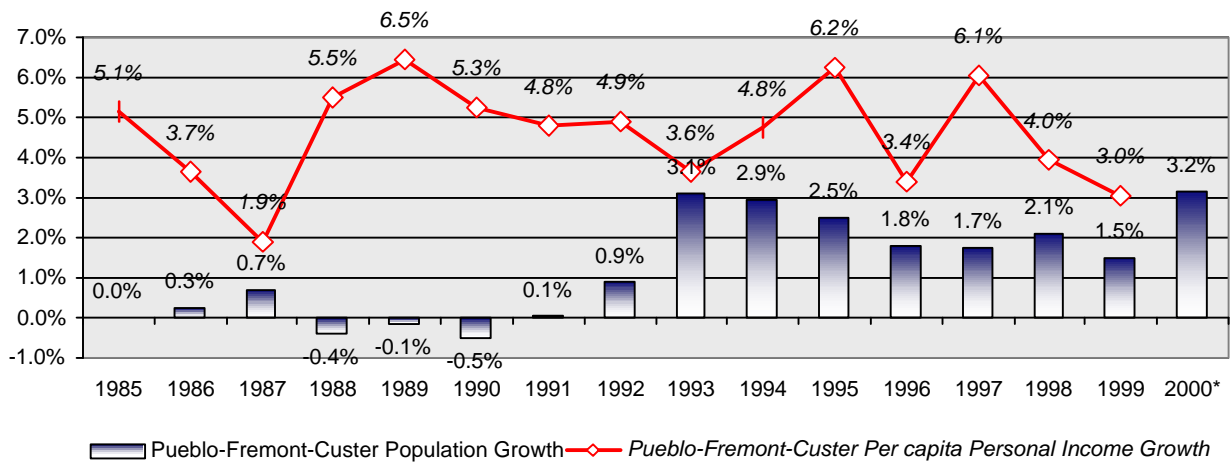
Table 1. Pueblo Region Economic Indicators at a Glance

	Pueblo Region	Colorado
Population Growth		
1990-2000 Compound Average Annual Growth Rate (CAAGR)	2.0	2.7
2000 Growth Rate	2.1	2.6
Employment Growth		
1990-2000 CAAGR	2.9	3.8
2001 Growth Rate	-0.5	0.9
Unemployment Rate (regional data not seasonally adjusted)		
1990-2000 Average	6.2	4.2
2001 Average	4.8	3.7
February 2002	7.2	5.8
Retail Trade Sales Growth		
1990-2000 CAAGR	6.7	7.7
2001 Growth Rate	2.3	1.6
2001 Growth in Nonresidential Construction Value *	-41.8	-0.6
2001 Growth in Residential Construction Permits *	26.6	-0.1

Sources: U.S. Census Bureau, Colorado Department of Local Affairs, Colorado Department of Labor and Employment (Colorado statistic is nonfarm employment, Pueblo region is total employment), F.W. Dodge for Nonresidential Construction, and U.S. Census Bureau for Residential Construction.

* Regional Data Available for Pueblo County Only.

Figure 1. Pueblo Region Population and Income Growth (1985-2000)



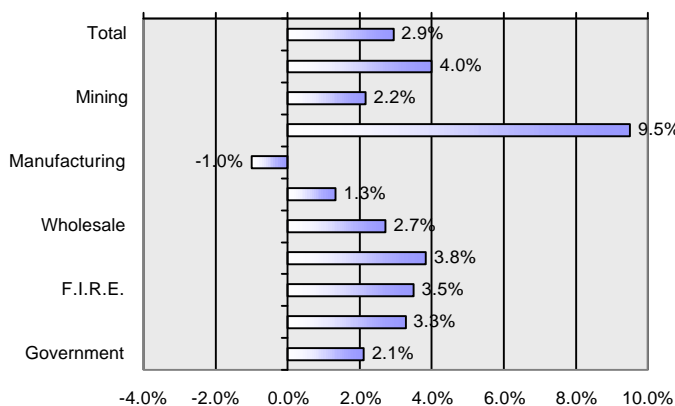
* Year 2000 population is based on April 2000, rather than mid-year, Census estimates.
Sources: U.S. Census, Bureau of Economic Analysis

Employment

Total **employment** in the Pueblo region grew at an average annual rate of 2.9% during the 1990s, compared with average growth rate of 0.6% in the 1980s. The construction sector led the way for the three-county area with 9.5% average annual growth from 1990 to 2000, after increasing only 0.6% per year from 1980 to 1990. The manufacturing sector contracted in the 1990s, decreasing by an average annual rate of 1.0% per year. Figure 2 illustrates the average annual growth rates for each regional employment sector from 1990 to 2000.

Based on the preliminary 2001 household employment survey, Pueblo employment decreased 0.5% in

Figure 2. Pueblo Region Employment Growth by Sector
(Compound Average Annual Growth Rate 1990-2000)



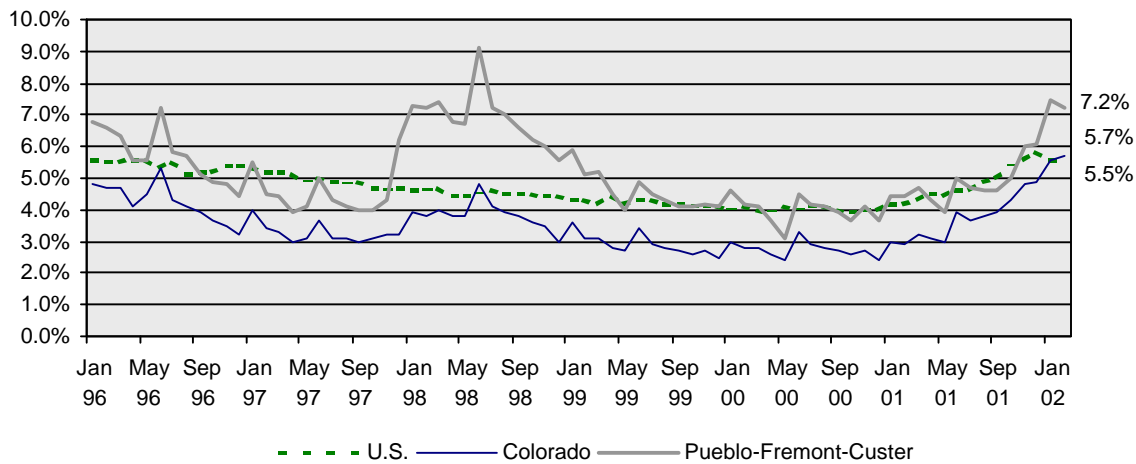
Source: Colorado Department of Labor and Employment

2001, compared with statewide 0.9% growth rate. These figures suggest that the Pueblo region felt the effects of an economic downturn in a more significant manner. A recent survey conducted by Manpower Incorporated suggests that the job picture for Pueblo's 2002 second quarter may not improve significantly. The survey revealed that only 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.

The Pueblo region typically has a higher unemployment rate than the state. The regional **unemployment rate** averaged 4.0% and 4.8% in 2000 and 2001, respectively. While these rates were low for the region historically, they were higher than the state unemployment rates of 2.7% in 2000 and 3.7% in 2001. Similar to state and national trends, the unemployment rate in the Pueblo region steadily increased from 3.9% in May 2001 to 7.5% in January 2002 (the highest monthly rate since July 1998) then settled to 7.2% in February. Pueblo County posted its highest monthly unemployment rate in years with 8.1% in January. Figure 3 shows the monthly unemployment rates for the three-county region, Colorado, and the United States.

Construction employment increased an average of 9.5% per year during the 1990s, more than any other sector in the region. In 2000, construction employment increased 14.2% in the Pueblo region, larger

Figure 3. Regional, Statewide, and National Unemployment Rates



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

than the statewide sector growth rate of 10.8%. The frenetic pace continued through 2001 as this sector expanded by 6.1% through two quarters in 2001 over the same period in 2000. There is more discussion regarding residential and nonresidential construction trends in the *Residential* and *Nonresidential Construction* sections.

“The manufacturing sector has been a shrinking component of the Pueblo area economy.”

The **manufacturing** sector has been a shrinking component of the Pueblo area economy. In 1980, the sector was responsible for 19.0% of the regional employment. By 2000, manufacturing provided only 8.7% of total employment. To some extent, this indicates the degree to which the Pueblo economy has diversified from being reliant upon manufacturing. However, it is also due to a contracting manufacturing sector. From 1990 to 2000, manufacturing employment decreased an average of 1.0% per year. In fact, manufacturing employment was the only sector to decrease over the ten-year period.

In the last twelve months, there were some layoff announcements in the manufacturing sector. Pueblo-based ABC-Naco, a railroad switching equipment manufacturer, filed for bankruptcy protection and ceased production in the fall, laying off about 130 local workers. There were also some positive employment announcements in the last year. San Mar-

cos, Calif.-based Stonecraft Industries LLC, a company making decorative stone veneer, offered plans to hire up to 60 workers at its Pueblo plant this spring, increasing the company’s work force to 184 employees. The company is adding a third shift following the completion of an expansion that will nearly double the size of its current building.

Boeing Company’s blanket insulation unit in Pueblo was one plant that saw production increase in early to mid-2001, then near-zero production at the end of the year. In early 2001, the Pueblo operation was making 400 sizes and shapes of airplane storage insulating material. By August, it was making 5,000 made-to-order products. As airlines stockpiled unused planes since September 11th production increased. However, the company has cut back its workforce from 30 to 15 as a result of the recent return to pre-September airline travel trends.

Rocky Mountain Steel Mill, a division of Oregon Steel Mills, is one of the largest manufacturing employers in the region. As of March 2002, the mill had 684 employees, down an estimated 10% from fourteen months earlier. However, current projections indicate production may reach 350,000 tons, up 40% from 2001’s below average level of 250,000 tons. The mill recently negotiated a settlement with the State of Colorado to resolve air emission compliance issues by shutting down a furnace and installing an emission control system. Moreover, the mill agreed to fund \$1.5 million in community environmental and educational projects in Pueblo.

The **transportation, communications, and public utilities** sector increased an average of 1.3% per year in the 1990s, compared with a statewide average growth rate of 4.4% from 1990 to 2000. Due to the population growth in Pueblo West, the town began construction on a new \$8 million water treatment plant in October. The plant will be able to triple the water production from 9.5 million gallons to 28.5 million gallons a day. The water plant should be complete by the end of 2003.

Wholesale trade employment increased an average of 2.7% from 1990 to 2000 while the statewide sector employment grew an average of 4.4% a year over the same period. In 2000, though, employment in wholesale trade decreased 4.6% from 1999. In the fall of 2001, Columbia House closed its wholesale distribution center in Colorado City in southwestern Pueblo County, idling more than 400 workers. However, beginning this year Matrix Logistics will be utilizing the former Columbia House facility as a distribution center for grocery retailer Kroger Company with plans to hire 45 to 50 people.

“...Matrix Logistics will be utilizing the former Columbia House facility as a distribution center...”

The **retail trade** sector comprised 18.9% of the total employment in the Pueblo region in 1990. In 2000, retail sector employment was 23.1% of total employment. During the 1990s, retail trade employment increased an average of 3.8% per year, about the same pace of the statewide retail average growth. However, in 2001, the sector was one of the first to succumb to a deteriorating economy. During the summer, the Pueblo Mall lost two of its national chain stores: Northern Reflections and Athlete's Foot.

There were also some announcements regarding retail employment expansions. In November, the Sears department store in Pueblo moved from its location at Midtown Shopping Center to a much larger space at the Pueblo Mall. Due to more retail area and a new tool section, the company increased its staff by 30% to a total of 200 employees. The Vitamin Cottage purchased the Pueblo Mall Cinemas and plans to open in the spring of 2002 after an extensive renovation. The Denver-based retailer plans to hire be-

tween 15 and 30 workers. Big 5 Sporting Goods, a Southern California-based chain, opened a new store in Pueblo in November in a 10,000-square-foot building in the Eagleridge Shopping Center. The store employs between 10 and 15 workers. A Pizza Warehouse also opened last fall employing 15.

The **finance, insurance, and real estate** sector increased at an average rate of 3.5% per year from 1990 to 2000, slightly less than the statewide growth rate of 3.7% a year over the same ten-year period. Based on the first two quarters in 2001, financial employment increased 12.1% over the same period in 2000. Community Banks of Southern Colorado, a Rocky Ford-based subsidiary of Community Bankshares Incorporated, moved a portion of the its loan production operations from the Denver Tech Center to offices in Pueblo in early 2002. Each Pueblo-area office will employ five workers initially with plans to employ up to 30 workers.

Services employment provided 27.0% of total 2000 employment in the region, making it the largest sector in the Pueblo region. Services employment increased an average of 3.3% per year from 1990 to 2000. Based on the first two quarters in 2001, services employment increased nearly 3.2% over the same period in 2000. Several firms opened or expanded into the Pueblo area in the last year. Tenet International, a provider of telecommunication financial management services, opened a Pueblo branch last summer that was estimated to employ roughly 160 workers. Due to the September 11th terrorist attacks, security services have increased business in Colorado, including at TNT Security in Pueblo. The company, which serves Pueblo, Cañon City, and Colorado Springs, increased the number of its employees at its Pueblo office from 24 to 36 workers since the attacks.

“Layoff announcements in the services sector last year were primarily associated with the fallout of advanced technology firms...”

Layoff announcements in the services sector last year were primarily associated with the fallout of advanced technology firms and their supporting operations such as marketing and customer service. Teleperformance, a Georgia-based telemarketing firm,

shut its doors in the spring of 2001, laying off 200 employees at its Pueblo branch. Meanwhile, Georgia-based Innotrac Corporation, a call center company, laid off 115 employees at its facility in Pueblo's industrial park. The layoffs were due to the loss of a major Pueblo-based account, SBC Communications.

“The government sector provides a strong employment presence in the Pueblo region...”

The **government** sector provides a strong employment presence in the Pueblo region, particularly in Fremont County, where the majority of the state prisons are located. In 2000, this sector had a significant share of total employment at 22.9%, compared with a statewide share of 14.6%. The number of government workers increased an average of 2.1% per year from 1990 to 2000. With regard to state employment, the Colorado Department of Corrections currently employs an estimated 516 full-time workers in Pueblo County and 1,974 full-time workers in Fremont County. In the last two years, Department of Corrections employment in Pueblo and Fremont Counties increased 10.1%. There is also a significant federal employment source in the region. The Florence federal prison complex in Fremont employs an estimated 1,100 federal workers. The Federal Consumer Information Center in Pueblo County provides several federal consumer publications and employs approximately 50 workers.

Consumer Spending

Pueblo area retail trade sales increased an average of 6.7% a year from 1990 to 2000, compared with an average statewide rate of 7.7% a year in the same period. Last year witnessed the lowest retail trade growth rates since 1987, due in part to the economic downturn. The regional retail growth was 2.3% in 2001, compared with a statewide growth rate of 1.6%. Figure 4 presents the Pueblo retail trade sales from 1987 to 2001 and the annual growth rates for both the region and the state. While consumer spending tapered in 2001, a survey conducted by the Hasan School of Business at the University of Southern Colorado indicated that perceived economic conditions are improving. The Pueblo area February consumer confidence index value of 89.6 was 7.2% higher than the September 2001 index value of 83.6 after the terrorist attacks, and 2.9% higher than the February 2001 index. The index reached a peak of 104.6 in February 2000.

“Pueblo Lake State Park serves over one million visitors a year ...”

Tourism has been a critical component to the regional economy. Pueblo Lake State Park serves over one million visitors a year and ranks third in number of annual visitors behind Cherry Creek and Chatfield state parks in the metro-Denver area. Preliminary figures for the 2001 Pueblo State Fair indicated that attendance of 637,098 declined 5.4% from the prior

Figure 4. Pueblo Region Retail Trade Sales 1986-2001



Source: Colorado Department of Revenue

year. However, estimates also suggested that gate revenues increased \$23,668 due to the fact that more attendees paid daily fees relative to those with tickets paid by sponsors. Pueblo State Fair authorities suggested that fewer sponsors were given free tickets for employees.

Retail sales for lodging and restaurants often indicate the level of tourism in the area. For the Pueblo region, restaurant sales increased an average of 5.3% per year from 1991 to 2001. Over the same ten-year period, lodging sales increased an average of 9.2% a year, a stronger growth rate than the statewide rate of 7.7%. However, lodging sales decreased 9.6% in 2001, after two years of increases. Lodging sales decreased statewide in 2001 as well, though not to the extent in the Pueblo region, with a 4.2% loss in 2001. Figure 5 presents the annual growth in lodging and restaurant establishments for the Pueblo region and the state.

Residential Construction

Residential permit growth was responsible for a significant portion of construction employment growth. Total residential permit growth for Pueblo County increased an average of 17.2% per year from 1990 to 2000 and increased 26.6% in 2001. Most of this growth was attributable to multi-family unit housing, which grew an average of 18.5% per year in the 1990s while single-family housing permits increased an average of 6.9% per year in the same period. Figure 6 illustrates the growth in Pueblo County single-

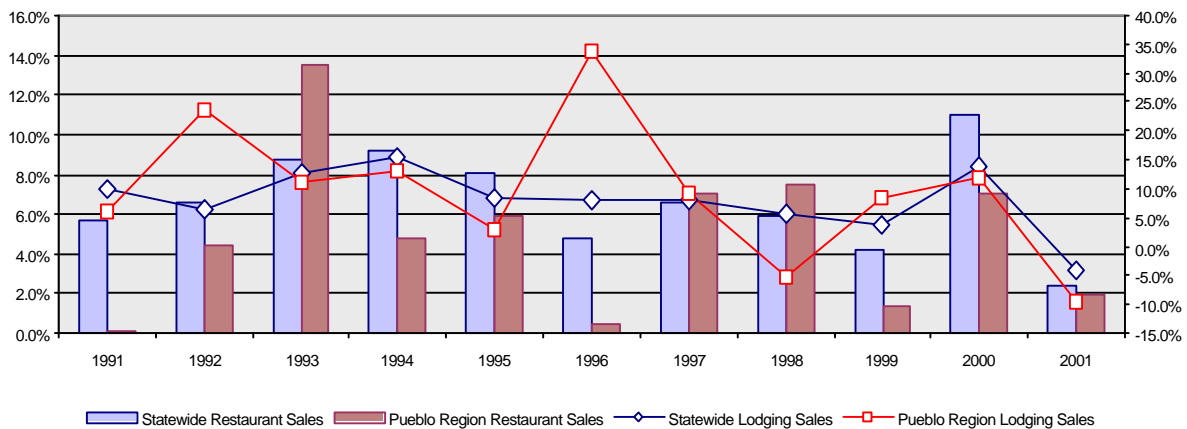
family unit permits, multi-family unit permits, and total residential permit growth from 1980 to 2001. According to the Pueblo Regional Building Department, housing starts in the city were up 17% in January and February 2002 while county permits were down 34% through the same period compared with the first two months of 2001.

“...the September 2001 Pueblo average apartment rent, at \$446 a month, was the third lowest in the state...”

The Colorado Department of Local Affairs, Division of Housing semiannual apartment survey revealed the September 2001 Pueblo average apartment rent, at \$446 a month, was the third lowest in the state, behind Alamosa and Fort Morgan. The average rent decreased 3.5% from the February 2001 rent and 6.3% from the September 2000 survey. In Cañon City, the average apartment rent was \$471 a month in September 2001, down 5.5% from February 2001 but 3.1% higher than twelve months prior. The survey also found a 3.2% vacancy rate in Pueblo, down from the 5.7% rate reported in February 2001. The survey excluded rentals of single-family detached units.

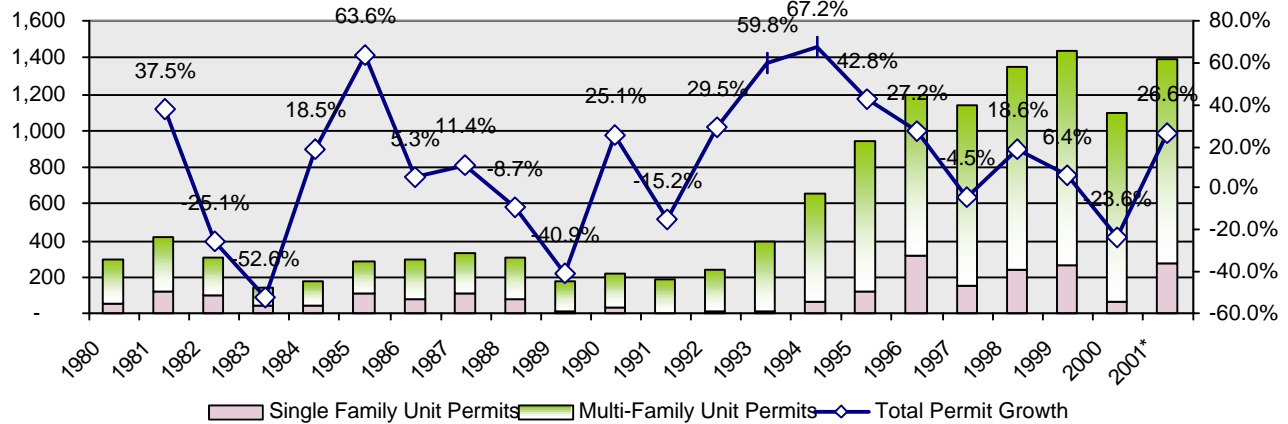
Several news announcements supported the data indicating strong residential development in the Pueblo area. In April 2001, a 152-acre residential development was announced. It is expected that, upon completion, Boulevard Park will eventually have 346 single-family homes, 116 patio homes, and 24 multi-

Figure 5. Pueblo Region and Statewide Tourism Growth 1991-2001



Source: Colorado Department of Revenue

Figure 6. Pueblo County Residential Permits 1980-2001



* 2001 Preliminary Data.
Source: U.S. Census Bureau

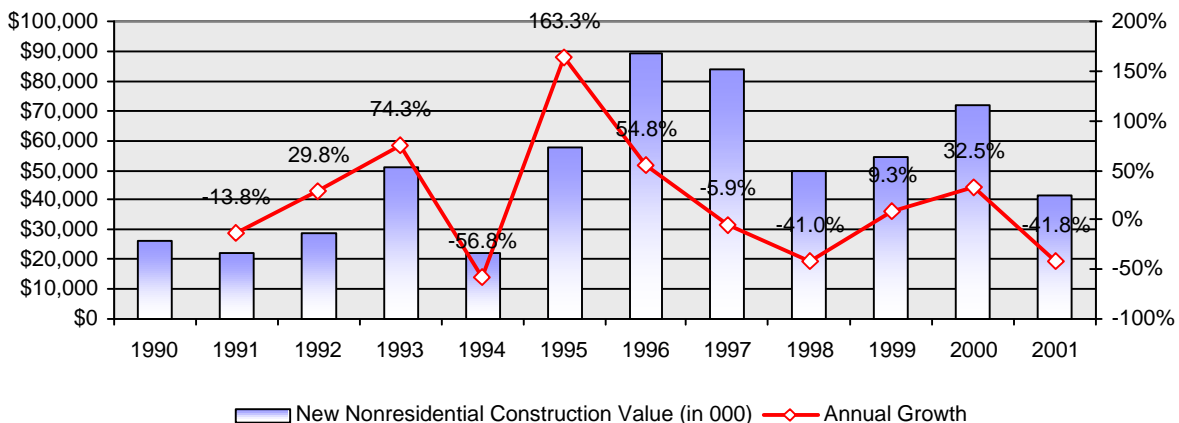
family units. The Pueblo Housing Authority announced its biggest project in a quarter century, consisting of a tract of 50 single-family, low-income homes to be built east of Belmont. The project provided that the units will be rental properties for 15 years at which time, if the tenants have remained in the units the full 15 years, the authority will transfer the deeds to the tenants. Sun Communities Inc. announced the development of a new community in Pueblo called North Point estates. The first phase of the development consisting of 108 initial home sites is complete and another 308 sites in three phases will be developed based on resident demand.

Nonresidential Construction

Nonresidential construction has undergone ebbs and flows during the period from 1990 to 2001. Though

the value increased at a 10.7% average annual pace from 1990 to 2000, 2001 saw a 41.8% decline after two years of gains. Still, there were several nonresidential projects announced in the past twelve months. Pueblo Associates LLC broke ground last fall in northern Pueblo on a \$30 million shopping center that will offer 400,000 square feet of retail space. Construction began in the fall on a new commercial complex consisting of two strip malls. Plaza del Sol, will offer approximately 20,800 square feet of office and retail in three buildings. The second strip, Iaza del Sol, will offer approximately 17,000 square feet of retail space. Both malls will be ready for occupancy in spring 2002. Writer Group Realty of Denver revealed a plan to build a 20,000-square-foot complex of offices and warehouse space on several acres adjacent to U.S. Highway 50 West. The \$1.5 million project is expected to begin in spring 2002. Figure 7 displays

Figure 7. Pueblo County Nonresidential Value Added 1990-2001



Source: F.W. Dodge

the value of nonresidential construction added from 1990 to 2001.

Summary

The Pueblo region has enjoyed a strengthening economy in the past 10 years. Only one sector saw a decrease in employment over the 1990s. Moreover, a population influx and a steady tourism base has kept retail trade sales healthy. Finally, both residential and nonresidential development have bolstered construction employment to the strongest growth rates seen of any sector in 2000 or in the decade. The recent recession has chipped away at tourism and service employment and total employment decreased over the past year. Due in part to its increasingly diversified economy, the Pueblo region should weather this recession.