



Colorado Economic Chronicle

Legislative Council
Denver, Colorado

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May 8, 2002

National Economy

The national economy is well into a recovery. Inflation-adjusted **gross domestic product** (GDP) increased a surprising 5.8% during the first quarter of 2002, after growing 1.7% during the fourth quarter of 2001. Consumer spending increased 3.5% during the first quarter. Business investment continued to decline, but at a slower rate than in recent quarters. Because much of the increase in GDP was attributable to a slowdown in the liquidation of business inventories, we expect GDP to continue increasing in 2002, but at a more moderate pace.

“The labor market will gradually recover in 2002, but at a slower rate than the rest of the economy.”

The labor market will gradually recover in 2002, but at a slower rate than the rest of the economy. Businesses tend to increase the work hours for current employees before hiring new employees, and add new employees only after profitability becomes more certain. In addition, strong productivity gains will allow businesses to utilize existing employees rather than adding new employees. **Nonfarm employment** increased by 43,000 jobs in April, following a revised decline of 21,000 jobs in March. For the second month in a row, the previous month's increase was revised to a decrease, providing further proof that gains in employment will come slowly. The national **unemployment rate** increased in April to 6.0% from 5.7% in March. Much of the increase in

the unemployment rate resulted from a larger labor force, suggesting higher optimism among job seekers.

Healthy consumer spending was one of the primary drivers preventing last year's recession from becoming more than a shallow downturn. There is thus little pent-up demand among households. While consumer spending will remain healthy, it is not expected to surge this year as the economy recovers, as is usually the case during a recovery. **Consumer confidence** faltered slightly in April following strong gains in March. However, the trend remains upward, according to both the University of Michigan Consumer Sentiment Survey and the Conference Board Consumer Confidence Index. **Personal income** increased 0.4% in March, with most of the increase occurring in other labor income, which includes soaring employer contributions to health insurance and retirement programs. The wage and salary component increased 0.2%. Meanwhile, consumer spending kept pace with income, increasing 0.4% in March. **Retail sales** increased 0.2% in March over February, a result of higher gasoline prices. Excluding gasoline sales, retail sales were unchanged from February. Meanwhile, demand for vehicles remained high through April, buoyed by continued generous incentives to buy. However, GM recently announced an end to zero-percent financing.

Manufacturing, although experiencing a gradual recovery, began contributing to economic growth in

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the first quarter of 2002 with a boost in production intended to slow inventory reductions. The *Institute of Supply Management (ISM) Index* indicated an expanding manufacturing sector for the third consecutive month following an 18-month period of contraction. The pace of the recovery, however, remains gradual; the index decreased slightly in April to 53.9%, down from 55.6% in March. *Industrial production* increased 0.7% in March, as businesses replenished depleted inventories. Factory capacity utilization increased for the second consecutive month following two years of declines to 75.4%, its highest level since September. However, *durable goods orders* declined 0.6% in March, indicating flat business investment. A recovery in business investment will be important to help sustain the economic recovery overall.

“The residential real estate sector remains quite healthy despite declines in both new and existing home sales in March.”

The residential **real estate** sector remains quite healthy despite declines in both *new and existing home sales* in March. While new home sales declined 3.1% and existing home sales declined 8.0%, both remained at high levels of activity. Real total **construction** spending declined 0.8% in March, after posting three consecutive months of increases. Residential construction continued to be strong despite slight increases in interest rates, while private non-

residential construction suffered as office vacancies continue to rise.

Fears of **inflation** remained muted through March. Although rapidly rising energy prices applied considerable pressure on producer prices in March, they failed to materialize into inflationary pressure on the consumer. Producer prices increased 1.0% in March, while consumer prices increased by a lower-than-expected 0.3%. Excluding volatile food and energy prices, both producer and consumer prices increased 0.1%. The relatively tame inflation data allows room for the Federal Reserve to refrain from raising interest rates, which would hinder the economic recovery.

With a 5.8% increase in GDP during the first quarter, the nation is officially firmly grounded in recovery. However, the recovery will be gradual. While the consumer and housing sectors remain strong, they will provide little additional fuel for the recovery. Households have very little pent-up demand for real estate and other goods and services. Much of the strong showing in GDP during the first quarter was a result of increased production as businesses slowed the depletion of their inventories. Although this will continue into the second quarter, it will be a much less powerful source of growth. Continued expansion of the economy will depend on improving corporate profits and business investment. While inflation currently remains tame despite pressure from energy prices, political instability in the Middle East will continue to be a risk to the recovery.

Colorado Economy

Colorado’s economy, although weak, continues to show evidence of slight improvement. Unemployment decreased to 5.6% in March, the first decrease the state experienced since December 2000. Venture capital investments for Colorado for the first quarter of 2002 fell by 58.0% from the first quarter of 2001, but rose 2.5% from the fourth quarter of last year. Colorado’s manufacturing sector continued to show growth for the second consecutive month.

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

Employment

According to the Colorado Department of Labor and Employment, the unemployment rate decreased by one-tenth of a percentage point to 5.6% in March, down from 5.7% in February. Although the drop is small, it was the first decrease since December 2000. Overall, Colorado's labor market seems to be entering a period of stability after three months of relatively little change in the unemployment rate.

“Nonagricultural wage and salary employment declined 1.9% through March...”

Nonagricultural wage and salary employment declined 1.9% through March, compared with the same period in 2001. The two sectors with the greatest job losses during March were trade, down 2,200 workers, and manufacturing, down 1,900 workers. Services gained 5,300 workers during March, while construction and government gained 500 and 200 workers, respectively.

Job announcements were numerous in the past month. The space systems division of Lockheed Martin in Jefferson County won a preliminary contract that will lead to \$1 billion worth of work building special sensors for Army spy planes. The preliminary contract is for \$35 million to design the Aerial Common Sensor system and will create 100 local jobs over the next year. If the Army accepts the design, the company will be hired to mass produce it under a \$1 billion to \$2 billion contract.

Seattle-based Washington Mutual Inc. plans to enter the Denver banking market with 20 locations by the end of 2002. The company plans to hire a total of 240 workers and build an additional 10 locations during 2003. Washington Mutual is one of the country's largest financial institutions.

Denver-based Qwest Communications International plans to eliminate 2,000 jobs after it lowered its revenue forecast for 2002. The company plans to make the reductions through attrition and layoffs by the end of September. The cuts are in addition to the 7,000 jobs already announced. The number of Colorado jobs to be eliminated in the latest round has not been determined.

WorldCom Inc. eliminated 3,700 jobs nationwide in April, including 110 in Colorado. The layoffs, which account for 4.0% of its global work force, are a result of the company attempting to reduce costs. WorldCom has offices in Denver and Glendale, and a large customer call center and other operations in Colorado Springs.

Douglas County-based Time Warner Telecom cut 140 jobs in April, including 70 in Colorado. The cuts are part of a realignment to make the company more efficient. Englewood-based Evolving Systems Inc. cut 73 workers in April, mostly in Colorado, as part of a cost-cutting plan expected to save the company \$9 million per year. The cuts are in addition to the 43 reported in January and February. Other announcements on company employment changes can be found in the regional sections of the *Chronicle*.

Residential Real Estate

According to the U.S. Census Bureau, total housing permits through March decreased 16.9%, or by 2,026 units. Single-family permits and permits for multifamily dwellings decreased 18.3% and 11.8%, respectively.

According to Coldwell Banker Residential Brokerage, the average sales price for an existing single-family home in the metro-Denver area in April was \$259,706, an increase of 3.7% from April 2001. The median single-family home price was \$218,230, an increase of 5.0%.

The number of new home purchases in the metro-Denver area decreased 5.8% from April 2001. Adams County had the largest percentage increase in new home sales during 2001 in the metro-Denver area with a 19% gain from 2000, according to The Genesis Group. Overall, metro Denver saw a 38% decrease in the sales of new homes last year. Boulder County saw a 55% decrease and Jefferson County sales were down 16%.

While house prices continue to rise, albeit at a slower pace, a national report indicated that the Denver area was ranked as the seventh most risky metro area for declining home values. According to the PMI Group

Inc., the Denver-area housing market was 26% overpriced, the ninth-most overpriced market in the nation, and at a high risk of seeing a 10% or more decrease in prices during the next two years.

“...a national report indicated that the Denver area was ranked as the seventh most risky metro area for declining home values.”

The apartment vacancy rate for Colorado, excluding the metro-Denver area, increased to 7.3% in February, up from 3.2% a year ago, and up from 4.5% in September 2001, according to the Division of Housings' twice-yearly study. The rate is the highest since September 1995. However, the mountain areas continue to have low apartment vacancy rates. In February, the rate in Summit County was 0.3%, in Eagle County the rate was 2%, and in Glenwood Springs, the rate was 1.4%. The low vacancy rates in the mountain regions are due to a lack of new construction.

The metro-Denver apartment vacancy rate was 8.7% in the first quarter of 2002, the highest rate since the second quarter of 1990, although the same as the last quarter of 2001. According to the Apartment Association of Metro Denver, the average monthly rent in the Denver area was \$805.65 in the first quarter of 2002, down 1.9% from the fourth quarter of 2001, the largest quarterly decline in 21 years.

Douglas County had the highest apartment vacancy rate with 16.6% during the first quarter of 2002. In the Fort Collins-Loveland area, apartment vacancy rates increased to 7.0% in February, the highest level in seven years and up from 2.6% in February 2001. However, the average monthly rent still increased to \$753 in February, up from \$710 in September 2001. Colorado Springs' apartment vacancy rate increased to 8.4% during the first quarter of 2002, up from 8.2% in the fourth quarter of 2001. The average monthly rent in Colorado Springs was \$699 during the first quarter of 2002.

Nonresidential Construction

According to F.W. Dodge, the value of nonresidential construction permits fell 24.2% through March,

compared with last year. Activity in the commercial sector decreased by 43.7%, with the manufacturing sector experiencing the largest decrease of 70.1%. The only sector that showed an increase was the hospital and health treatment sector at 40.6%.

Office vacancies in the Front Range more than doubled during 2001, reaching 17.5%, according to a report released by Marcus & Millichap, a real estate investment brokerage company in Denver. The office vacancy rate in the northwest area of Colorado, including Boulder, reached 35.2% during 2001 and 36.0% during the first quarter of 2002.

In the metro-Denver area, the office vacancy rate rose to 20.8% during the first quarter of 2002, up from 19.3% during the fourth quarter of 2001. The Central Business District had the lowest office vacancy rate of 12.9% during the first quarter of 2002. The southeast market realized an office vacancy rate of 25.2% during the first quarter of 2002. Metro-Denver's industrial space experienced an overall vacancy rate of 8.8% for the first quarter of 2002, up from 8.2% at the end of the fourth quarter of 2001.

Personal Income

Per capita personal income rose only 1.6% in Colorado during 2001, ranking the state 44th in the nation, according to the U.S. Bureau of Economic Analysis. Overall personal income rose 3.8% in the state last year, compared with a growth rate of 9.8% in 2000. Last year, Coloradans generated \$145.9 billion in personal income. The per capita income at \$32,957 remains strong, ranking Colorado seventh in the nation.

“Per capita personal income rose only 1.6% in Colorado during 2001...”

The income slowdown in Colorado is attributed to the layoffs in the technology and telecommunications sectors; weak earnings in the agriculture, transportation, wholesale trade, and manufacturing sectors; and low interest rates. Three areas that did have significant income gains include government transfer payments, up 3.2%; mining earnings, up 30.2%; and construction earnings, up 7.5%.

The Center on Budget and Policy Priorities and the Economic Policy Institute compiled a joint study that ranked Colorado among 44 states where the average income in the top fifth of families grew faster than that of the rest of the population. The average income of the top fifth in Colorado increased by \$43,730, or 39%, in the past 20 years. For the same period, the middle fifth grew by \$10,125, or 20.7%, and the bottom fifth grew by \$2,931, or 17.7%.

However, the widening income gap between the groups grew at a slower pace in Colorado than in most of the nation. Colorado ranked 41st in the nation with only an 8.0% widening of the ratio from top to bottom. The state also ranked 32nd in the nation with only a 2.6% widening of the ratio from middle to top. The slower pace has been attributed to a tight labor market, low unemployment rates, and a growth in manufacturing.

Bankruptcy filings in Colorado increased slightly during the first quarter of 2002 with 4,325 total filings, a 1.1% increase from the same period last year. Businesses filing under Chapter 11 reported the greatest increase with 33 filings in the first quarter of 2002, up 65.0% from the 20 filed during the same period in 2001. Individuals and smaller businesses registered 3,711 filings during the first quarter of 2002, up 1.7% from the 3,649 filed for the same period in 2001. The only decrease was in Chapter 13 filings which declined 4.4% to 581 during the first quarter of 2002. The increase in filings is due to the economic slump, extensive layoffs, and high consumer debt.

Transportation

Despite a 6.9% drop in passenger traffic last year, Denver International Airport (DIA) was ranked the fifth-busiest airport in the nation for 2001, according to the Airports Council International. With 36.1 million passengers in 2001, DIA was also ranked the 10th-busiest airport worldwide.

Passenger traffic at DIA fell in February for the sixth consecutive month, although the declines are gradually slowing. The number of passengers declined 10.9% to 2.5 million in February from 2.8 million in February 2001. January showed a 14% decline and

December had a 19.7% decline. In more positive news, officials at DIA expect that passenger traffic will show an increase in June compared with the previous year.

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According to a study conducted by the U.S. Department of Transportation, air fares from DIA are 25% above the average for routes of similar distance and traffic volume. The airport’s average one-way fare of \$219 during the first quarter of 2002 was ninth-highest among 90 airports surveyed and fifth-highest among the nation’s 20 largest airports.

At the Colorado Springs Airport, passenger traffic declined 7% in March, compared with the previous year. The decrease ended five months of gradually improving traffic at the airport. For the first quarter of 2002, traffic declined 3.6% to 231,938 passengers compared with the same period last year. In Steamboat Springs, passenger traffic at the Yampa Valley Regional Airport increased 6.9% to 89,328 passengers for the 2001-02 ski season, compared with 83,541 passengers during last year’s ski season.

The Telluride Airline Guarantee Program supported flights that brought 28,000 visitors to the Montrose area during the 2001-02 ski season, an increase of more than 50% from the 2000-01 ski season. The program supported American and Continental flights between Montrose and Chicago, Dallas, Houston, and Newark.

Tourism and Gaming

Low snowpack levels, the downturn in the economy, and the events of September 11 have had adverse effects on Colorado’s tourism industry. Through March, Colorado skier visits totaled 7.2 million, down 5.1% from the 7.6 million visitors for the same period last year, according to Colorado Ski Country U.S.A. Owners of local ski equipment and apparel shops saw a decrease in sales for the winter season. Statewide, the snowpack is 31% lower than normal, the lowest level since 1977, according to the Natural

Resources Conservation Service. Due to decreased runoff from the low snowpack, Colorado rafting companies in the southwest region will not be able to offer trips on several rivers and the whitewater season will be cut short on other rivers.

“Through March, Colorado skier visits totaled 7.2 million, down 5.1%...”

According to the Colorado Hotel and Lodging Association, the hotel occupancy rate for metro Denver fell to 56.4% in March, down from 65.7% a year earlier. The downtown Denver area also reported a lower-than-average occupancy rate of 61.9% for the first quarter of 2002. The decreases are attributed to a decline in business travel for the high-tech and telecommunications industries. The Denver Metro Convention and Visitors Bureau plans to launch a \$300,000 marketing campaign this spring to offset the decline in business travel. In more positive news, lodging tax revenues in Grand Junction for the first quarter of 2002 were 3% higher than last year.

In the Roaring Fork Valley, a tramway is planned to carry visitors 3,500 feet up Iron Mountain to the entrance of Glenwood Caverns. The Glenwood Tramway will consist of the tramway, an origination station, parking, and a 68-room hotel on 3-acres at the bottom of the mountain. Construction will begin in July with an opening date planned for December.

Colorado's three gaming towns generated a record \$63.5 million in adjusted gross proceeds in March. The previous record was \$62.2 million reported in July 2001. The increase is attributed to warm weather, the arrival of income tax refunds, and new marketing plans, according to the Colorado Division of Gaming.

Energy

The decrease in natural gas prices that occurred in 2001 caused oil and gas drilling activity to decrease by almost 5% through April, according to the Colorado Oil and Gas Conservation Commission. In La Plata County, 36 permits were issued through April, a slight decrease from the year before. However, gas prices began to increase in April due to the

strengthening economy and higher oil prices. The price for gas in Colorado gas increased 47.8% since January, from \$2.26 per 1,000 cubic feet in January to \$3.34 in April.

Manufacturing

Although slightly down from March, Colorado's manufacturing sector continued to show growth for the second consecutive month. The Front Range Purchasing Manager's Index (PMI) was 53.2 in April, slightly down from 53.5 in March. A score above 50 indicates an increase in manufacturing activity. Three of the five major indicators in the index, including production, new orders, employment, lead times, and inventories, had scores above 50.

“...Colorado's manufacturing sector continued to show growth for the second consecutive month.”

The new orders index remained strong at 56.7, although slightly down from the 60.4 reported in March. The production index increased to 57.5, up from 52.9 in March. The employment index showed a turnaround with an index of 51, up from 47.2 in March. Inventories and lead times, however, still showed a slight decline with indices slightly below 50.

Exports

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According to a study by the American Electronics Association Mountain States Council, Colorado was the 13th largest exporter of high-technology products and services in the nation in 2001, with \$3.6 billion in high-tech exports. The state's tech exports as a percentage of total exports ranked fourth in the nation at 59%. Both figures were down from 2000. In 2000, Colorado had \$4.1 billion worth of high-technology exports, or 62% of the state's total exports for the year.

Business Investment

According to a PricewaterhouseCoopers, Venture Economics, and National Venture Capital Association MoneyTree survey, venture capital investments for Colorado for the first quarter of 2002 fell by 58.0% from the first quarter of 2001, but rose 2.5% from the fourth quarter of last year. The energy and industrial sectors brought in \$127.5 million in venture capital, or 62.3% of the total \$204.7 million brought in during the first quarter of 2002. The telecommunications sector brought in 11.3% of the total, software firms generated 9.5%, and the biotech sector attracted 6.4%.

Metro Denver

According to a report released by the U.S. Census Bureau, **Douglas County** was the fastest-growing county in the nation, with a 13.6% growth rate between April 2000 and July 2001. The county's population increased by 23,987 to nearly 200,000 during that period, compared with the nation's growth of 1.2% for the same period. The state's population grew by about 3% during the same period, increasing by 116,452 to 4.4 million.

“...Douglas County was the fastest-growing county in the nation...”

Metro Denver experienced a number of layoffs during April. Quark Inc., a Denver-based software maker, laid off about 20 local employees at the beginning of April. The company has laid off about 240 employees from its work force of 440 since July 2001. The layoffs are due to the economic downturn.

The **Jefferson County** school district announced that they will cut nearly 15 positions in a second round of layoffs. Three central department positions will be eliminated through layoffs and 10 full-time jobs will be cut through attrition. Four part-time positions will also be eliminated. The district has eliminated nearly 51 positions since February.

Nicolet Vascular, a manufacturer of medical Doppler ultrasound products for obstetrical and vascular ap-

plications, will move its **Golden** operations to its headquarters in Madison, Wisconsin. About 50 employees will be affected by the move, expected to be completed by July 2002.

Ohio-based Bluebird International, a division of Electrolux that makes turf-care products, is closing its 78,000-square-foot Denver plant during summer 2002. The company is consolidating its manufacturing capabilities with a plant in Beatrice, Nebraska. Some of the 75 laid-off employees will be offered the opportunity to relocate.

Arapahoe County-based ICG Communications Inc., a high-speed telecommunications provider, will cut about 10% to 15% of its work force as the company emerges from bankruptcy protection. The company will lay off up to 207 of its 1,382 workers by the end of June. The cuts will affect about 90 to 135 employees in the Denver area.

Denver-based Inflow Inc., a web provider, is shutting down and selling some of its operations worldwide in order to ensure positive earnings by the end of the second quarter of 2002. Internet data centers in California are being closed and the centers in Ireland and Dallas are being sold. Due to the reorganization, about 230 of the company's work force of 380 were laid off at the end of April, including 50 systems administrators and operations technicians at the Denver operation.

In more positive news, the metro-Denver area experienced some job gains during April. Washington Group International will be moving the 20-person headquarters for its mining division to Denver from Boise, Idaho. In addition, the company has leased 216,000 square feet at the Denver Tech Center for an 800-employee national operations center.

“Washington Group International will be moving the 20-person headquarters for its mining division to Denver...”

In nonresidential construction news, Magna Development Co. plans to begin construction in May on a 108,000-square-foot shopping center on 16 acres near Buckley Air Force Base. The Somerset Village Shopping Center will be anchored by a 57,560-

square-foot Albertson's grocery store that is relocating from its current location at Iliff Avenue and Buckley.

“A \$500 million “New Urbanism” project is being developed on the site of the former Villa Italia mall in Lakewood.”

A \$500 million “New Urbanism” project is being developed on the site of the former Villa Italia mall in **Lakewood**. “New Urbanism” is a planning and architectural design that is more pedestrian-oriented, allowing people to walk to work, shopping, and entertainment. The project will consist of 1 million square feet of retail space, a hotel, about 1,300 residential units, and 800,000 square feet of office space. It will also include a major retailer, a grocery store, and a 16-screen cinema. The first phase of construction will include 150,000 square feet of office space that is expected to open in spring 2003.

Two mixed-use developments are planned for the metro-Denver area. In northwest Denver, construction will begin in May on the Lofts at Berkeley Park near 44th and Tennyson. The project will consist of 27 residential lofts and three commercial units on 25,000 square feet of property. In north Park Hill, developers are planning a \$90 million mixed-use project on 35 acres. The Park Hill Town Center will include a 100,000-square-foot shopping center anchored with a 58,000-square-foot grocery store, and 460 condos, townhomes, and rental units. All of the for-sale units will be priced below \$200,000.

Shea Homes broke ground in March on a 3,100-acre community in **Commerce City**. The Reunion development will consist of more than 10,000 residential units including single-family homes, townhomes, condominiums, and rental apartments. The entire construction process will take approximately 15 to 20 years. Another planned community in Commerce City, the Belle Creek development, will include single-family homes, mixed-income apartments, and commercial space. Both communities are near E-470.

The **Aurora** City Council has approved construction of a 240-unit apartment complex and retail center on

two separate parcels totaling 18 acres. The residential section will be on 14.5 acres on the east side of South Buckley Road and the retail section will be on 3.5 acres on the west side of the road.

The Aurora City Council also approved a \$32.9 million mixed-use development to be built on 4.5 acres within the Fletcher Plaza Enhancement Area. The development will become an arts community that will include a 220-unit apartment building, retail space, restaurants, art galleries, and art studios. Plans are being made for a second phase of the project that will include more retail space and residential homes. The first phase of construction will begin in late 2003.

Developers announced plans to build a \$45 million, 13-story condominium project east of downtown Denver. “Tower on the Park” will consist of 143 units ranging in size from 700 square feet to 1,400 square feet. Approximately 75% of the units will be priced below \$300,000, with 50 units available under \$200,000. Construction will begin in October 2002.

At the Denver Tech Center, construction on a two-phase senior housing development will begin in June or July 2002. St. Catherine Greek Orthodox Church and an independent developer are joining efforts to construct a \$11.5 million development that will consist of 70 assisted-living apartments and independent-living cottages and an expansion of the church. The units will not be restricted to parishioners.

Boulder Region

In March, the unemployment rate for Broomfield County was 4.3% and the rate for Boulder County was 6.0%. Job losses were again prevalent in the technology and telecommunications sectors.

Boulder-based Rogue Wave Software, a software and services company, plans to cut 10% of its domestic work force in order to enhance profitability. The restructuring should save the company \$2 million per quarter.

In April, Boulder-based SignalSoft Corp. cut 83 jobs, or 36% of its nationwide work force due to lower-than-expected revenues. About 40 jobs in Boulder

will be affected. The company makes software for the wireless telecommunications industry. Global-Commerce laid off 28 of its 35 employees in April, leaving seven employees to shut down the company and sell its assets.

Maxtor Corp., a hard-drive maker, cut 80 jobs nationwide in April, including 30 employees at its **Longmont** operations.

Cellport Systems, a manufacturer of hands-free phone kits for cars, laid off 80 workers in April, leaving only 20 employees. Most of the layoffs were in Boulder.

Boulder-based DigitalMed Inc. laid off approximately 25% of its work force at the beginning of April. The company provides professional development services for health care workers.

The Salomon Design Center in Boulder will close in September, laying off 45 workers. Most of the functions of the center will relocate to the main design center in France and local workers will be offered job transfers to France. The Boulder center designs footwear, apparel, and gear for the global ski and sporting goods maker.

In more positive news, Boeing-SVS Inc., part of Chicago-based Boeing Co.'s space and communications division, will open an office in Boulder in May. The office will employ three workers initially and will provide contributions to NASA space science programs.

In **Broomfield**, Petco will open a store in August in the former Longs Drugs Store space at the Broomfield Town Center. The store will employ about 25 people plus pet groomers.

In residential real estate news, the median sales price for a single-family home in Boulder through March was \$359,000, down 9% from February. The apartment vacancy rate for Boulder County was 9.3% in the first quarter of 2002, down slightly from the fourth quarter last year. Boulder County rents were also down, averaging \$945 in the first quarter 2002 compared with \$999 for the fourth quarter of 2001.

Thistle Community Housing is developing a 200-unit affordable housing community in **Longmont**. The

18.3-acre project will consist of two- to four-bedroom single-family homes, townhouses, duplexes, condominiums, and co-housing units. Single-family homes will range in price from \$125,000 to \$160,000. Construction will begin fall 2002.

“Thistle Community Housing is developing a 200-unit affordable housing community in Longmont.”

The Broomfield City Council approved plans for an 11-acre apartment community as part of a 60-acre mixed-use area near Storage Technology Corp. The community will consist of 532 high-end apartments ranging from 675 to 1,550 square feet. 32 units will be affordable and 18 units will be handicapped-accessible. Construction will begin in August and continue for about ten months. Proposals for the mixed-use part of the area include retail stores, an 80,000-square-foot hotel, a gas station, and a bank.

Developers plan to begin construction in mid-2004 on the Village Center, a mixed-use project to be built in north Boulder. The project will include a library, a postal station, light industrial development, 85,000 square feet of retail space, 20,000 square feet of civic use, and 147,000 square feet of office space. A village green will act as a gateway and house the library. The North Boulder Village, built on 8.5 acres, will be the central portion of the Center. The Village will include 32,000 square feet of retail space and 223 residential units.

El Paso County

“The unemployment rate for El Paso County remained unchanged at 6.6% in March...”

The unemployment rate for El Paso County remained unchanged at 6.6% in March, although other indicators are showing that the county's economy continues to slow rather than grow. Overall, the county's annual employment fell 0.6% in March from a year earlier. Most of the declines occurred in the manufacturing, construction, telecommunications, and retail sectors. Employment in the manufacturing sector fell 14.3% to its lowest level in five years. 766 layoffs have been reported for the first quarter of 2002, compared with 4,761 jobs cut for all of 2001.

Consumer spending, construction activity, and city sales tax collections also continue to show declines.

In April, **Colorado Springs**-based USA.Net Inc, an e-mail provider, cut 25 to 30 jobs, or about 18% to 22% of the company's work force. The cuts make up the fourth round of layoffs during the past 18 months as the company attempts to realign its business.

“...Peterson Air Force Base in Colorado Springs could become the location for the Northern Command, the nerve center of the nation's homeland defense.”

In more positive news, according to a plan announced by the Pentagon in April, Peterson Air Force Base in Colorado Springs could become the location for the Northern Command, the nerve center of the nation's homeland defense. The Northern Command will be created in October and could provide between 500 and 1,000 jobs for the local area. The Northern Command will be responsible for homeland defenses and provide military support to civilian agencies, such as the Federal Emergency Management Agency. The local aerospace industry may see continued growth with the presence of the Northern Command attracting more space contractors and businesses.

The combined vacancy rate for office space, industrial buildings, and shopping centers in Colorado Springs rose to 8% during the first quarter of 2002, a slight increase from 7.5% during the fourth quarter of 2001. The office vacancy rate during the first quarter of 2002 was 10.0%, unchanged from the fourth quarter of 2001 and an increase from the 7.2% during the first quarter of 2001.

In Colorado Springs, the Flea Market will be adding a \$500,000, 15,000-square-foot indoor shopping pavilion on 25 acres. The building is being constructed to meet the demand for additional selling space which has increased by 10% due to the economic fallout from the events of September 11.

The Colorado Springs Cohousing Community has started construction on the city's first cohousing development. Cohousing is a modern approach to re-

claiming a traditional village lifestyle. The \$9 million project will consist of 34 units in two-story duplexes and fourplex homes clustered around a community-owned common house. Prices on the Victorian-style homes will range from \$168,000 to \$312,000 and sizes will range from 858 square feet to 1,575 square feet.

Hill Development Corp. is planning an 85-acre, high-end residential project in northwest Colorado Springs. Gateway Vista will consist of 77 dwellings on lots ranging from three-quarters of an acre to 1.25 acres. Also in northwest Colorado Springs, plans were announced for a 70-acre development consisting of 10 homes. The homes will be built on lots ranging in size from ½ acre to 1½ acres which will cost \$125,000 each. 60 additional acres will be designated as open space. Construction will begin in summer 2002.

Northern Region

The unemployment rate for **Larimer County** in March remained at the 5.2% reported in February, but increased from the 3.1% in March 2001. **Weld County** had a 6.1% unemployment rate for March, compared with 3.9% in March 2001. **Loveland** experienced the lowest unemployment rate of 4.9%, down from 5% in February. **Fort Collins** reported 5.5%, compared with 5.6% in February, and **Greeley** registered 6.2%, compared with 6.3% in February.

Heska Corp. cut 13 jobs, or 6% of its Fort Collins work force, in order to cut costs from speculative research-and-development projects. The layoffs are a result of the company's suspension of several of the projects. The company makes animal health diagnostic products and pharmaceuticals.

In more positive news, a new 205,000-square-foot Wal-Mart Supercenter opened in April in Loveland on the site of its former discount store. The store will include a pharmacy, one-hour photo processing center, vision center, and a portrait studio. Several other national franchises will be located on the site, including McDonald's, Cost Cutters, and Tire & Lube Express. The store plans to employ about 550 workers total, an increase from the 200 that worked at the former discount store.

In residential real estate news, two northern areas experienced decreases in the number of building permits issued through March. In Fort Collins, 218 permits were issued for single-family homes during the first quarter of 2002, down 15.8% from the same period in 2001. In unincorporated Larimer County, 101 permits were issued, a 33% decrease from 2001. Valley Crest Homes is building its second phase of condominiums near Colorado State University. Big Horn Village II will consist of 56 condominium units and will be open by August 2002. 30 of the 950-square-foot, two-bedroom, two-bath condominiums will sell for \$128,900, while 26 will be available as rentals.

In more positive news, Greeley issued 84 building permits for new single-family homes through March, a 55.6% increase over the same period last year. Multifamily units also saw an increase to 30 building permits through March, nearly four times as many as issued during the first three months of 2001.

Atrix Laboratories began construction in April on a \$10 million expansion of its Fort Collins manufacturing facility. The 32,000-square-foot addition will be completed within a year. The expansion will allow the company to add up to 100 more employees. The company is also planning to build a 72,000-square-foot administrative office building at the site after the expansion is completed.

Mountain and Western Region

“...a total of 850 job vacancies in the western region were reported at the end of January, a 43.3% decrease from the 1,500 vacancies reported six months previously.”

According to a survey conducted by the Colorado Department of Labor and Employment, a total of 850 job vacancies in the western region were reported at the end of January, a 43.3% decrease from the 1,500 vacancies reported six months previously. Small- to mid-size employers accounted for 67% of the vacancies with 61% of the openings in the services and retail trade sectors. The overall average wage for the positions was \$12.40 an hour.

An 18,000-square-foot Harley-Davidson motorcycle dealership in **Durango** will open in July across from Bodo Industrial Park. The dealership will provide vehicles, clothing, accessories and a full service department. The company plans to hire between eight and 12 full-time employees as well as a few part-time workers.

Several commercial developments have been approved in the Mountain and Western region. In **Basalt**, Caddis Fly Partners LLC began construction in April on a 30,000-square-foot building on a two-acre site in the downtown area. The two-story building will consist of 18,500 square feet of commercial and residential space and will include covered parking.

In **Bailey**, Regency Centers plans to develop an 80,000-square-foot grocery-anchored shopping center at Deer Creek Corners. The grocery store will utilize about 50,000 square feet with the rest of the space designated for other retail stores. Two additional buildings on the site will include a bank and a restaurant.

“The Ute Mountain Indian tribe will break ground this spring on a \$9 million, four-story hotel attached to the tribe’s casino...”

The Ute Mountain Indian tribe will break ground this spring on a \$9 million, four-story hotel attached to the tribe’s casino at Tribal Park near **Cortez**. The hotel will have 80 to 90 rooms, a lobby, a gift shop, and a restaurant. Construction will be completed within 18 months. The hotel will provide 30 jobs for tribal members.

In residential real estate news, the median price of a home in the Durango-Bayfield-Ignacio area was \$245,000 at the end of the first quarter of 2002, a 32.4% increase from \$185,000 at the end of December. During the same period, Bayfield experienced the largest increase to \$206,000, a 30.4% increase from \$158,000. Durango’s median price increased only a slight 0.9% to \$241,000, up from \$238,750. Annually, Durango’s median price increased 33.1% to \$241,000 during the first quarter of 2002, up from \$181,000 during the same period last year. The median price for condominiums in the area decreased

3.0% to \$157,450 in March from \$162,250 in December. Resort properties increased 22.1% to \$105,000 from \$86,000 for the same period.

In **Mesa County**, real estate sales for the first quarter of 2002 totaled 1,144, an increase of 11.4% from the 1,027 sales reported in the first quarter of 2001. However, the number of building permits in the same period totaled 274, a decrease of 11.3% from the 309 issued last year.

According to the Colorado Division of Housing, Durango had an apartment vacancy rate of 2.9% for February, the same as in February 2001. **Summit County** had the lowest apartment vacancy rate at 0.3%. **Lake County** experienced the highest apartment vacancy rate at 17.1%. A 5% vacancy rate is considered the equilibrium rate, where supply and demand are equal. The average apartment rental rate in Durango was \$738 in February 2002, compared with \$714 in February 2001.

Due to the low vacancy rates in Durango, Hillcrest Apartments is building 120 additional apartments near Fort Lewis College. Sixty of those units opened in April and the remaining 60 units will be available in June.

A 30-unit apartment complex has been approved by the school board in **Salida**. The school district in Salida will lease 2.3 acres of its 19 acres to the Salida Housing Development Corporation, a non-profit organization, at \$1 per year for up to 30 years. As part of the lease, several of the units will meet affordable housing requirements.

Southern Region

In **Pueblo County**, the number of foreclosures filed in the first quarter of 2002 continued to mount after a record number of filings last year. In 2001, 557 filings were recorded in the county, a 28.6 percent increase over 2000. In 2002, 167 mortgage foreclo-

ures were filed in the first quarter, up 15 percent from the first quarter of 2001.

Despite the large number of foreclosures and the slow growth in employment in the Southern region, housing construction in Pueblo County continues to be steady. During the first quarter of 2002, housing starts totaled 249, down only 2% from a year ago.

“...housing construction in Pueblo County continues to be steady.”

Sun Communities began construction on 108 sites in April at North Point Estates in **Pueblo**, a manufactured housing community. Residents will rent the land and purchase the home with a traditional mortgage. A total of 412 lots will be built during four phases and will include free-standing garages. A clubhouse and a swimming pool will be added during phase two.

Colorado’s Cuchara ski area will be undergoing renovations as soon as the U.S. Forest Service terminates the current ski permit for the resort. The ski lifts have been idle since July 2000 and under federal mandates the permit must be terminated after two seasons of dormancy. The current owner will have until May 15 to remove all ski area structures. A Texas oilman plans to revive the ski hill with select real estate development and hands-on ownership at an unknown time in the future.

Trinidad Rail Ventures Co. has purchased 28 miles of rail line starting in Jansen, 2 miles west of **Trinidad**. The company plans to use the rail line for a tourist train called the Picketwire Valley Railroad. The train will consist of an old-fashioned steam engine and three cars with a total capacity for 90 passengers. The Trinidad Las Animas Chamber of Commerce plans to convert abandoned buildings along the line to provide mining, artifact, and wild-life exhibit museums for passengers to visit. The opening date for the train will be July 4.

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 March 2002)	7.0	-1.9	-0.5	-3.1	4.2	5.7	4.2	6.5	-2.1	4.1	2.8	4.4	7.6	7.2
Unemployment Rate ⇄◆ (not seasonally adjusted) (in March 2002)	6.2	5.6	6.6	5.9	4.6	5.2	5.2	6.1	2.9	6.6	7.3	3.2	2.2	3.3
Retail Trade Sales Growth – (through February 2002)	2.6	-17.2	2.3	-2.9	-1.5	-0.3	2.5	4.1	-5.5	-0.7	2.5	-10.2	-0.1	-4.0
Growth in Value of Non-residential Construction* (through March 2002)	â	-69.7	-45.1	-10.2	ã	-59.8	42.4	-83.4	0.0	0.0	ä	å	-54.2	æ
Housing Permit Growth * (through March 2002)	-33.3	12.1	30.8	-29.4	3.6	72.1	-53.5	10.4	-87.5	20.9	-36.7	-22.5	-32.6	-54.5

⇄ Actual level not growth rate.

◆ Colorado Department of Labor and Employment data.

* F.W. Dodge data.

– Colorado Department of Revenue data.

â Nothing was contracted in 2002, while \$7.7 million was contracted in 2001.

ã \$4.8 million was contracted in 2002, while \$998,000 was contracted in 2001.

ä \$4.7 million was contracted in 2002, while \$1.2 million was contracted in 2001.

å \$5.8 million was contracted in 2002, while \$300,000 was contracted in 2001.

æ \$13.0 million was contracted in 2002, while \$1.5 million was contracted in 2001.

Colorado Indicators Year-to-Date Growth Rates

Indicator	March 2002	February 2002	2001 Annual Average
Nonfarm Employment Growth ☒	-1.9%	-1.7%	0.9%
Unemployment Rate ☒ ‡ (seasonally adjusted)	5.6	5.7	3.7
Housing Permit Growth ~ Single family	-16.9	-19.9	1.5
Apartments	-18.3	-18.6	-3.2
	-11.8	-23.0	12.5
Growth in Value of Nonresidential Construction §			
Retail	-24.2	-48.6	-0.6
Offices	11.4	-6.5	12.8
Factories	-57.4	-63.5	-34.9
	-91.5	-93.5	194.4

☒ 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.