



Colorado Economic Chronicle

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National Economy

The final estimate of inflation-adjusted gross domestic product (**GDP**) indicated growth of 6.1% in the first quarter, compared with the previous estimate of 5.6%. The change was attributable to an increase in final sales, rather than further adjustments to inventories, providing a more positive outlook for the economy. A positive adjustment to fixed nonresidential investment provided the impetus for the GDP change and, while still declining 6.2%, had its best showing in a year. While business investment in structures fell by more than 22%, business investment in equipment and software had the first increase since the third quarter of 2000, albeit small at 0.1%. The latter gain provides confirmation that the economy is rebounding.

“Income gains have been slowed by a listless job market.”

Personal income growth remained weak with a gain of 0.3% in May. Income gains have been slowed by a listless job market. *Consumer spending* declined by 0.1% in May, following four months of relatively robust growth. *Consumer confidence* dipped in June. The nation's households are more pessimistic about current and future economic conditions because of the decline in the stock market indices, accounting scandals, and the tepid recovery in the jobs market. The drop in confidence will not bode well for consumer spending in upcoming months.

Nonfarm employment in June increased for the second consecutive month, logging 36,000 new jobs.

While the amount of the job gains is small, the labor market has started a turnaround. Two consecutive increases had not occurred since March 2001, the beginning of the recession. Other positive indicators for the labor market include gains in total hours and overtime hours worked, as well as an increase in hourly earnings. The number of *initial jobless* claims is trending down. June's average was 29,300 lower than in May. Claims in the last week of June reached a 15-month low. The *unemployment rate* in June was 5.9%, up from 5.8% in May. Employment gains will likely continue at low levels in upcoming months until business profitability and investment resume. Likewise, the unemployment rate will remain in a narrow band, more likely to increase than decrease in the next few months.

Total construction spending declined by 0.7% in May. The value of residential construction dropped by 0.8%, while nonresidential construction value fell by 3.1%. Public sector construction increased by 1.9%. However, construction has increased overall in 2002. *New home sales* were over 1 million at an annualized rate, a record high. *Existing home sales* through May continued at a record pace as well. The strength in the housing market is attributable to low mortgage rates and a move of consumer funds from the stock market into housing. The latter factor has also provided strength to housing prices. The contract rate on 30-year conventional mortgages averaged 6.81% in May, 34 basis points lower than a year previously and 171 basis points below May 2000. Interest rates dropped further in June, providing additional support for a strong housing market.

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The **manufacturing** sector is now five months into a recovery. The *Institute of Supply Management Index* rose from 55.7 in May to 56.2 in June. *Industrial production* in May also increased for the fifth consecutive month, rising 0.2%. New orders for *durable goods* also posted a gain, providing further evidence that the manufacturing sector's turnaround is not ephemeral.

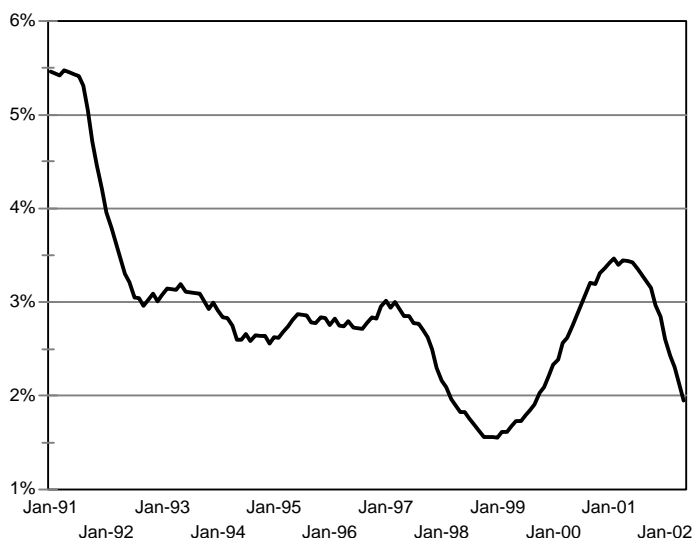
“The nation’s economic recovery is moving forward, albeit at a slow pace.”

Inflation is still under control. The consumer price index was unchanged in May. The 12-month average inflation rate has been trending down for the past 15 months to 1.9%. The lack of inflation means that the Federal Reserve Board can afford to let interest rates remain low to stimulate the economy. Meanwhile, producer prices declined for the second consecutive month, indicating a lack of pressure on consumer prices in upcoming months.

The nation’s economic recovery is moving forward, albeit at a slow pace. The strong pace of the first

quarter is unsustainable and the second quarter’s growth will be approximately 2%. The housing market and manufacturing sector are currently the brightest stars in the economy. The nation’s labor markets are in a weak recovery. Until job growth reaches a stronger pace, income growth and consumer spending, and thus the overall economic recovery, will be weak.

**Chart 1. National Inflation Rate
12 Month Moving Average**



Colorado Economy

The latest economic indicators showed that the Colorado economy is now in recovery mode. However, the recovery is tenuous given the impact that the drought and wildfires will have on the economy. The state’s unemployment rate declined for the third consecutive month while seasonally adjusted employment increased in April and May, the first gains since December 2000. The construction sector is adjusting to the reduced economic activity. Nonresidential construction is substantially lower than year-ago-levels, while major sectors of the nonresidential real estate market, particularly the office market, are suffering increasing vacancy rates and falling rental rates from a considerable oversupply of space on the market. The residential real estate market continues to slow at a reasonable pace, helping to maintain the balance of supply and demand in the slower economy. The drought and the wildfires doused the small amount of momentum that the economy had in May,

particularly in rural Colorado, with the agriculture, tourism, and manufacturing sectors suffering as a result. The manufacturing sector continues to expand, but pulled back somewhat in June. The drought has wreaked havoc on agriculture in Colorado, and the drought coupled with the wildfires have significantly scaled back expectations for the summer tourism sea-

Colorado's Economy at a Glance

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

son. Perseverance of the national economic recovery is necessary to maintain slow growth in Colorado's economy.

Employment

According to the Colorado Department of Labor and Employment, the unemployment rate decreased slightly to 5.2% in May, from 5.3% in April. This is the third consecutive month in which the unemployment rate has decreased.

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Nonagricultural wage and salary employment declined 1.9% through May, compared with the same period in 2001. Of the state's eight major industry sectors, five added workers and three lost workers in May. Due to seasonal layoffs, the trade and services sectors lost 3,200 and 2,000 jobs, respectively. However, the declines were smaller than usual for the April-May period. State government lost 600 jobs during May. Among the sectors adding workers, the construction sector added 5,200 seasonal jobs, local, federal government employment increased by 2,000, and employment agencies and labor contracting companies increased for the third consecutive month. Seasonally-adjusted employment increased by 8,600 in April and May, the first gains since December 2000.

Job announcements were numerous in the past month. Announced layoffs greatly exceeded announced hires. Layoffs totaled 866, while gains totaled 205. In addition to the permanent job losses, over 200 seasonal workers will not be hired this summer due to the drought and wildfire situations in the state.

The biggest announcement was made by Mississippi-based WorldCom Inc., the nation's number two long-distance company, which laid off 17,000 workers, or 20% of its worldwide workforce, at the end of June, including 500 in Colorado, primarily in Denver and Colorado Springs. Further details regarding job announcements throughout the state can be found in the regional sections of the *Chronicle*.

Residential Real Estate

According to the U.S. Census Bureau, total housing permits issued through May decreased 11.7%, or 2,599 units. Single-family permits decreased 10.9%, while multi-family permits decreased 14.0%.

Fueled by consistently low interest rates and a movement toward investment in real estate rather than the stock market, the average sales price of existing single-family homes in metro Denver continues to escalate. According to Coldwell Banker Residential Brokerage, the average sales price hit a record high of \$270,519 in June. Meanwhile, the average price year-to-date through June was \$265,751, up 4.1% from the first half of 2001. The median price year-to-date through June was \$219,900, up 4.2% from the median price through June last year.

Nonresidential Construction

According to F.W. Dodge, the value of nonresidential construction decreased 12.4% through May, compared with the first five months of 2001. Activity declined in most major sectors, including the commercial sector (down 29.3%), the manufacturing sector (down 62.5%), and the public buildings sector (down 65.4%). Activity increased in the hospital and health treatment sector (up 1.4%), the religious sector (up 25.7%), and the amusement sector (up more than 100%).

“The office market is plagued by a record amount of vacant sublease space...”

Denver's office market continues to suffer in 2002 from a decrease in demand. According to Cushman and Wakefield's mid-year report, the office vacancy rate in the metro area was 18.8% at mid-year. The office market is plagued by a record amount of vacant sublease space, with more than 4 percentage points of the vacancy rate attributable to sublease space. The vacancy rate was 15% in the downtown office market and 23% in the southwest suburban office market. Rents are falling; according to a recent study by Julian J. Studley, Inc., the average rental rate, less lease concessions, in Denver's office mar-

ket decreased 5.3% during the first quarter of 2002, compared with the last quarter of 2001.

The industrial market is also struggling. According to Cushman and Wakefield, the industrial vacancy rate was 8.5% at mid-year, up substantially from its low of 4.5% at mid-year 2001. Industrial rents were \$6.13 per square foot at mid-year 2002, down from their peak of \$6.85 during the third quarter of 2001. Of the total amount of space put on the market during the first quarter of 2002, 560,000 square feet was not leased.

Agriculture

Colorado experienced its driest six-month period in more than a century between November 2001 and April 2002, according to the National Climatic Data Center. The state is listed as the driest area in the nation. Grape yields have declined by more than 20% and 90% of ranchers in the southeastern portion of the state have sold all or portions of their cattle herds because of low alfalfa yields. Due to the number of cattle for sale, prices have dropped considerably. The price for top-grade beef cattle declined to \$800 per pair, from \$1,100 per pair last year.

“...the winter wheat crop will be the smallest crop for Colorado since 1965.”

According to the Colorado Agricultural Statistics Service, the winter wheat crop will be the smallest crop for Colorado since 1965. Winter wheat production is forecast at 41.4 million bushels, down 12.6 million bushels from the May forecast and down 24.6 million bushels from last year's production. Due to abnormally dry wheat fields, the Logan County Extension Office expects only half of the normal yield this year in Logan County. Late spring frosts damaged many grain heads. Lack of moisture is devastating the rest of the wheat that managed to escape the frosts.

Transportation

Passenger traffic at Denver International Airport (DIA) in April was down 7.7%, compared with April

2001. However, it remains a substantial improvement over the final quarter of 2001, when traffic was down 20% after the September 11 attacks.

United Airlines is closing four of its eight ticket offices at DIA to reduce costs. A total of 23 offices will be closed in the western half of the United States. The number of local employees that will be affected was not disclosed. Some employees will be transferred to the remaining offices.

“The Durango-La Plata County Airport set a record for revenue passenger boardings for the second consecutive month.”

The Durango-La Plata County Airport set a record for revenue passenger boardings for the second consecutive month. Prior to April, the last record was set in May 1993. Passenger boardings totaled 7,727 in May, a 30% increase over May 2001 and a 12.2% increase over the May 1993 record of 6,889 passengers. The increase has been attributed to the addition of direct flights to Houston and Dallas, spring airline fare sales, and a 22% increase in the number of available seats due to additional carriers.

Continental Airlines will expand service to Colorado from Texas. Beginning in December, Continental Airlines will add the Crested Butte resort in Gunnison County to its 2002-2003 wintertime Colorado ski resort service from Houston. Gunnison has also agreed to make Continental the carrier of choice for the Gunnison Valley and is working on an agreement with the airline to establish direct winter and summer flights from Houston and Newark, New Jersey.

Gaming and Tourism

According to the Metropolitan Denver First Quarter Tourism Indicators Report, business at metro-Denver hotels dropped 6.3% during the first quarter of 2002, compared with the same period last year. Restaurants in the metro area reported a 3.1% decline in business during the first quarter of 2002. Meanwhile, attendance at tourist attractions increased 5.8%. The report attributed the healthy ac-

tivity to people staying closer to home for vacation activities.

The tourism industry overall is beginning to feel the effects of the drought and wildfires. The average hotel occupancy rate for the metro Denver area dropped to 62.4% during May 2002, compared with a 65.3% occupancy rate in May 2001. Outside of the metro area, the hotel occupancy rate was 55.4% in May down from 59% for the same month last year.

May 2002 was the third-best month for Colorado's three gaming towns since gambling was legalized in 1991. The three towns generated \$61 million in adjusted gross proceeds in May, up 9.3% from May 2001 and 10.1% year-to-date compared with the first five months of 2001. The best month occurred in March, when \$63.6 million in adjusted gross proceeds was generated, while the second-best month occurred in July 2001, when \$62.2 million was generated.

In some areas, such as Cortez, tourism is continuing to improve. In Mesa Verde, lodgers' tax revenues through April were up 4.6% over the previous year and recent public events have been well attended. At the Canyons of the Ancients National Monument, visitations for May were 4% higher and sales in May soared 37% over May 2001. The tourism outlook for the area will likely change as a result of wildfires in southwest Colorado and the closure of some parts of Mesa Verde National Park.

"...the Durango & Silverton Narrow Gauge Railroad suspended round trips to Silverton in June due to worries that the train's smokestack cinders may start a fire."

Despite reporting a 5% increase in ridership for the first quarter of 2002, compared with the same period in 2001, the Durango & Silverton Narrow Gauge Railroad suspended round trips to Silverton in June due to worries that the train's smokestack cinders may start a fire. The train will continue to run round trips to Hermosa at a 50% reduced ticket price. The railroad will lay off most of its estimated 120 seasonal workers, but retain all of its full-time employ-

ees. The suspension will cost the railroad up to \$5 million in revenue.

Skier visits totaled 11.2 million for the 2001-02 season, a decrease of 4.5% over the previous season, according to Colorado Ski Country USA. The decrease was attributed to the drop in air travel following the September 11 attacks and inadequate snowfall. Destination resorts had the largest decrease in skier visits, down nearly 5%, while Front Range resorts reported a 2% drop in visits. The Aspen Skiing Company reported a drop of 6% in skier visits to a total of 1.3 million visits for the 2001-02 season. Snowmass, Aspen Skiing Company's largest ski area, had the greatest decrease of 8.5%, dropping to 676,505 skier visits.

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In Fremont County, the Royal Gorge reported a 22% decrease in visitors during June, compared with June 2001, with the rafting industry reporting a 20% decrease in business. Meanwhile, visitation at the Seven Falls Waterfall near Colorado Springs fell 12% in June after the fires started and the Pikes Peak Cog Railway reported a 15% decrease. The Pikes Peak Highway reported a 14% decline in traffic since the beginning of June.

Energy

Effective January 2003, Xcel Energy Inc. plans to raise electricity prices, thereby generating \$220.1 million of additional revenue. However, the company will reduce their charges for natural gas, reducing revenue by \$12.9 million. Residential customers will see a \$6.10 increase for monthly electricity bills, and commercial customers will see a \$11.79 increase. This will be the first general electricity rate case Xcel has requested in Colorado since 1993. The average monthly natural gas bill will decline by 71 cents for residential customers.

In Arvada, a new natural gas-fired power plant began providing commercial service for the city at the end

of May. The Plains End is an 111-megawatt plant with the capability to provide electricity to more than 110,000 homes. Located on 15 acres, the plant uses 20 reciprocating engines to produce electricity and is equipped with modern carbon monoxide catalysts for emissions reduction.

Manufacturing

Colorado's manufacturing sector is growing considerably slower in June after three consecutive months of growth. The slower growth is being blamed on the drought and wildfires. Farmers have reduced equipment purchases and new orders, while deliveries of many goods have been delayed by the fires. The Front Range Purchasing Manager's Index (PMI) was just barely expanding with an index of 50.1 in June, down from 56.5 in May. A score above 50 indicates an increase in manufacturing activity. Of the five major indicators in the index, production, employment and lead times had scores above 50, although all showed slower growth than in May.

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Exports

Colorado's exports totaled \$11.1 billion in 2001, a decrease of 9.8% from the \$12.3 billion reported for 2000. Exports of electronic integrated circuits and micro assemblies were hardest hit due to the worldwide decline in the semiconductor industry. Exports of scientific instruments also declined 26% to \$449 million. Meanwhile, exports of data-processing equipment and magnetic readers grew by 12.0% to \$990 million, becoming Colorado's largest export category in 2001. The next largest category of exports, office machine parts, grew 15.0% to \$656 million. Colorado's number one export trading partner in 2001 was Japan. Exports to that country in 2001 increased to \$1.5 billion, up 2.7% from the previous year. Meanwhile, trade with Mexico declined over 25.0% from \$1.39 billion in 2000.

Business

According to the U.S. Bureau of Economic Analysis, Colorado's economy was the 6th fastest growing in the nation in 2000, with real gross state product increasing 7.3%. Colorado showed strong growth in business services, manufacturing, and communications.

Advanced Technology

According to the 2002 New Economy Index released by the Progressive Policy Institute, Colorado ranks fourth on a list of states that have aligned with the technology-driven, globalized new economy. The study ranks the strength of each state's economy based on 21 criteria, including the number of knowledge jobs a state offers, the percentage of adults with Internet access, and the state's access to venture capital investments. Despite the numerous layoffs in the technology and telecommunications industries, Colorado ranked first nationwide for the highest number of technology jobs in nontech industries, second for its educated work-force, and third for the number of venture capital investments it had last year. The state's weaknesses were in government use of digital technology, work force employed by foreign companies, and technology in schools.

“...Colorado led the nation in the number of high-tech jobs per capita for the third consecutive year, according to the Cyberstates 2002 report...”

Although total technology employment fell slightly, Colorado led the nation in the number of high-tech jobs per capita for the third consecutive year, according to the Cyberstates 2002 report issued by the American Electronics Association. Ninety-eight out of every 1,000 Colorado workers were employed in high-tech jobs in 2001. The nation's average was 50 out of every 1,000 jobs. Other results reported in the study included venture capital investments, high-technology exports, and high-technology wages. The study ranked Colorado fifth in venture capital spending in 2001, although actual venture capital investment fell 70%, from \$5 billion to \$1.5 billion.

Only four states nationwide saw investment growth in 2001. While Colorado's high-technology exports declined by \$477 million to \$3.6 billion in 2001, 59% of the state's total exports were high-technology products. The state placed sixth with an average high-technology wage of \$75,000, compared with an average private sector wage of \$37,500.

Meanwhile, biotechnology companies in Colorado are growing in popularity among investors, according to a report released by Ernst & Young. Colorado ranked 12th nationwide during 2001 for the number of biotech companies with headquarters located in the state. The state employed 665 biotech workers in 2001 and generated \$1 billion in revenues. The state also garnered two of the industry's largest venture-capital investments of 2001. Westminster-based Myogen, a company that develops treatments for heart disease, raised \$66.4 million in August 2001. Boulder-based Pharmion, a drug development company specializing in oncology and hematology, raised \$65 million in December 2001.

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Metro Denver

According to the American Chamber of Commerce Research Association (ACCRA) cost of living survey, Denver was rated the 13th most expensive metro area to live in among the 26 largest metropolitan areas in the nation during the first quarter of 2002. The cost-of-living index scores each city based on average cost of groceries, housing utilities, transportation, health care, and miscellaneous goods and services. The median score is 100. Denver's cost of living came in at 106.5. Denver's slightly high score is attributable to higher than average housing prices and health care costs.

Two job losses were announced for the **metro Denver** area. In order to offset city and state budget cuts totaling more than \$4.67 million, 14 employees were

laid off from the Denver Public Library in June. The library also plans to reduce spending for books and materials and trim statewide services. Invesco Funds Group laid off 111 employees, or 15% of its work force, at the end of June. The layoffs are attributed to the poor financial market over the last two years. The cuts will include employees from the investment team and the operations staff and are in addition to the 100 employees lost through attrition in 2001.

Synergy Manufacturing Inc. closed its plants in Arvada, Longmont, and Englewood during June. The company plans to move its Englewood corporate headquarters and all operations to a 115,000-square-foot facility in **Aurora**. The company decided to consolidate employees and equipment into one facility in order to expand capacity and improve efficiency. Synergy provides metal fabrication, custom machining and wiring, and cable and electronic assembling.

Englewood-based Champps Entertainment Inc. opened a second Denver restaurant in the Aspen Grove Lifestyle Center in **Littleton** at the end of May 2002. The company hired more than 200 local employees to staff the new restaurant. In June, Lamar's Donuts International Inc. moved its corporate headquarters from Lincoln, Nebraska to **Englewood**. The company will set up its offices in the Inverness Business Center. Five employees will move with the company from Nebraska.

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In residential real estate news, overall building activity in the metro area fell by 13.7% through May, according to the Home Builders Association of Metropolitan Denver. The number of apartment building permits issued fell 26.9%, compared with the same period last year. However, in more positive news, the number of building permits issued for townhomes, condominiums, and duplexes increased 10.4%.

Two apartment buildings and a housing development have been approved by the **Arvada** City Council. The Arvada Club Apartments will add two 12-unit

buildings to its current complex as well as pedestrian walkways and better traffic access. Construction is planned to begin in July or August. Village Homes is developing the Village of Five Parks which will consist of housing, commercial space, amphitheaters, a town center, and five public parks. There will be 662 single-family houses and 246 apartment-style and townhome units. Homes will be priced between \$200,000 and \$380,000. The town center will consist of 22,500 square feet of retail space including a coffee shop, dry cleaner, deli, and offices. The first phase of construction will be completed in June with each of six subsequent sections finished on an annual basis. The project should be completed between 2008 and 2010.

Construction began in June on a \$14 million, 44-unit condominium community near downtown Denver. The Denver Square project will consist of four floors of units and two floors of structured parking. The units will be priced between the low \$200,000s and the low \$400,000s. Construction should be completed in 14 months.

A neighborhood revitalization effort located on 2.6 acres near Morrison Road in Denver has been approved. The development will consist of 80 to 100 residential units and approximately 10,000 square feet of retail space. Construction will begin in August.

“In Denver, a multi-use development valued at between \$500 million and \$1 billion is being developed on the former Gates Rubber Company site.”

In Denver, a multi-use development valued at between \$500 million and \$1 billion is being developed on the former Gates Rubber Company site. The 50-acre site will include up to 4,000 residential units, 2 million square feet of offices, 250,000 square feet of retail, and a 150,000-square-foot hotel. Construction is expected to be completed in 10 to 15 years.

The Lowry Town Center, located at the former Lowry Air Force Base, will be completed in late September or early October and will consist of 118,000 square feet of retail space, a bank, a dry

cleaner, and several restaurants. The project will be anchored by a 53,000-square-foot Albertson’s grocery store.

Boulder Region

Louisville-based Storage Technology Corp., a data storage firm, plans to cut costs by outsourcing work to California-based Sanmina-SCI Corp. The decision will cause the elimination of about 100 jobs in Louisville and up to 211 jobs in Puerto Rico. About 24 of the Louisville workers were offered comparable jobs at Sanmina-SCI.

“Broomfield-based Level 3 Communications cut 220 jobs worldwide in June leaving a total of 2,800 employees, down from 6,000 a year ago.”

Broomfield-based Level 3 Communications cut 220 jobs worldwide in June leaving a total of 2,800 employees, down from 6,000 a year ago. The number of employees that will be affected at the headquarters was not announced.

In nonresidential construction news, new office space is being developed in downtown **Longmont**. Roosevelt Place will consist of a three-story, 20,000-square-foot office/retail building on an 18,750-square-foot site. The building will be the largest privately developed commercial building to be built in Longmont in several decades.

El Paso County

According to a report compiled by the Southern Colorado Economic Forum, several economic indicators for the **Colorado Springs** area have improved since December. Through April, permits for single-family homes are up, new car sales have increased, and lodging and automobile sales tax collections are higher. The increases are attributed to improving consumer confidence and low interest rates. However, the technology and telecommunications industries continue to stagnate, and tourism, which accounts for about 12% of the local economy, has been hurt by the recent wildfires.

Although the sales tax collections for Colorado Springs in May dropped 2.0% from May 2001, the decrease is the smallest since January. Collections from department, discount, and clothing stores were up more than 2.0%. Collections from furniture, electronics, and appliance stores were up more than 9.0%. Restaurant collections were up more than 3.0%. The gains are attributed to low mortgage rates, which have caused more people to buy new homes and furnishings. Meanwhile, grocery stores showed a decrease of more than 11.0%.

According to the American Chamber of Commerce Researchers Association (ACCRA), the relative cost of living in Colorado Springs has dropped to its lowest level in almost two years. The cost-of-living index dropped 1.3% since the fourth quarter of 2001, almost 2% below the national average. The index compares like costs with other cities. Housing and health care costs are still relatively high; however, utilities are more than 20% less than the national average.

The unemployment rate for **El Paso County** dropped for the fourth consecutive month to 5.5% in May, the lowest number since October 2001, according to the Colorado Department of Labor and Employment. However, employment was 0.9% below the level of May 2001.

“In the Pikes Peak region, available jobs dropped by more than half from August 2001 to February 2002, according to a survey released by the Colorado Department of Labor.”

In the Pikes Peak region, available jobs dropped by more than half from August 2001 to February 2002, according to a survey released by the Colorado Department of Labor. During February, only 13% of employers in El Paso County and **Teller County** reported job vacancies. Three-quarters of the job vacancies were in the services and retail industries, including 29% in health care jobs and 23% in office and administrative support, sales, and related jobs. High-tech vacancies represented only about 6% of the vacancies.

In June, Colorado Springs-based USA.net, an Internet services provider, laid off 20 employees, including 10 in Denver. The layoffs are a result of the continuing economic slowdown. The company employs 100 workers in Colorado Springs and Denver.

Through May, foreclosures in El Paso County totaled 661, a 37% increase over the same period last year, according to the El Paso County Public Trustee's Office. The increase is due to local layoffs, the economic slowdown, more homes in the region and the ease of obtaining consumer credit. Almost 90% of the foreclosures involve single-family homes.

In May, the *median* price for a single-family home in El Paso County and Teller County increased to \$173,995, a 2.4% increase over April and a 3.0% increase over May 2001. The *average* price increased to \$205,593, a 1.9% over April and a 2.8% increase over the same month last year. Inventory of all homes available for sale declined 2.7%, compared with May 2001, while the number of homes sold in May increased 4.9% over the same time a year ago.

Home construction in El Paso County fell for the ninth consecutive month. Single-family home permits totaled 490 during May, a 15.7% decrease from May 2001. For the first five months of 2002, single-family permits totaled 1,948, a 17.4% decrease compared with the same period a year ago. Meanwhile, the value of nonresidential construction rose 2.8% for the first five months of 2002, compared with the same period in 2001.

Construction will begin in July in **Monument** on Base Camp Office/Warehouse, a single-story, two-building, flex-space project. The project will consist of 15 units in a 10,800-square-foot building and a 13,700-square-foot building. The units will be leased as office and warehouse space, with no more than 50% allotted to office space.

Northern Region

Fort Collins-based Veeco Instruments, a manufacturer of instruments used for making fiber optics, laid off 16 employees in June, or about 13% of its work force. The layoffs are due to the continuing downturn in the telecommunications industry which has

caused several of Veeco's customers to declare bankruptcy. The company now employs 110 people.

In an effort to cut costs, Center Partners, a call center with offices in Fort Collins and Loveland, will consolidate its two Colorado offices into the Fort Collins facility. The consolidation will be complete by the end of August and will result in the layoff of about 15 employees. Nationwide, the company is laying off about 1% of its work force. The company's clients include Verifone Inc. and Hewlett-Packard Co.

“Single-family home construction continues to show healthy growth in Fort Collins.”

Single-family home construction continues to show healthy growth in Fort Collins. The city issued 171 single-family home permits in May, more than double the number issued in April, and 39.0% more than the 123 permits issued in May 2001.

Safeway plans to expand two of its anchor stores in **Firestone** and **Fort Lupton**. In Firestone, construction will begin in June on 22,000 square feet of inline space on either side of the new Firestone Safeway. In Fort Lupton, construction will begin at the end of summer on 25,000 square feet of retail space at the new Safeway Marketplace.

Mountain and Western Region

In **Steamboat Springs**, construction values totaled \$34.7 million at the end of May, down 14%, or almost \$6 million, from the same period last year. The main reason for the decrease is the lack of expensive condominium projects at the base of the mountain compared with the past several years.

“Several affordable housing projects are being developed in the mountain region during 2002.”

Several affordable housing projects are being developed in the mountain region during 2002. In **Pitkin County**, construction will begin in August on Still-

water Ranch, a 17-unit, four-acre townhouse project east of Aspen. The units will range in price from \$87,138 to \$279,645 and should be completed by the end of 2003. In **Edwards**, an affordable-housing neighborhood is being developed to include schools, recreation areas, retail, and restaurants. The Berry Creek neighborhood will consist of 282 units of affordable housing ranging from small lofts to single-family homes. In **Granby**, the Grand Meadows manufactured home project will consist of 85 lots on 27 acres. The homes on each lot will range in size from 1,450 square feet to 1,600 square feet and will sell for approximately \$179,000. Winter Park Resort has purchased 10 homes for employee housing. Installation of the manufactured homes will begin in July.

Plans were announced to develop the “Rendezvous”, a 163-cabin development on 1,150 acres in **Fraser** near Winter Park Resort. The cabins will range in size from 1,425 square feet to 2,108 square feet and in price from \$396,000 to \$425,000. The first phase of 16 cabins is already under development, while the entire development could take several years to complete.

Construction started near **Tabernash** in June on a new subdivision called Pole Creek Valley that will include a single-family housing development, a 104-unit condominium project, a 56-unit townhome project, a gas station, a restaurant, a sewage treatment plant, and a nine-acre lake. The housing development will consist of 106 single-family lots, ranging in size from one-quarter acre to 1.5 acres. Prices will range from \$63,250 to \$112,550 for the lots. The townhome development called the Lakeside at Pole Creek will consist of units ranging in size from 1,720 square feet to 2,390 square feet and ranging in price from \$322,400 to \$359,600.

In **Bailey**, the Board of County Commissioners approved the construction of a \$550,000, two-story, office building that will house Park County offices. The building will contain a full basement for storage and future expansion. Construction began in June and will be completed by December.

The Durango & Silverton Narrow Gauge Railroad laid off between 80 and 100 employees in June after suspending round trips between **Durango** and Silver-

ton due to the risk of fires being started by cinders from the engine stack. The railroad expects to lose up to \$5 million in revenue, but will continue to offer three other train trips between Durango and Hermosa, Silverton and Elk Park, and Rockwood and High Line. The company plans to keep 90 full-time employees and about 30 seasonal employees.

“The Durango & Silverton Narrow Gauge Railroad laid off between 80 and 100 employees in June...”

Southern Region

According to the Colorado Department of Labor and Employment, **Pueblo**'s unemployment rate dropped to 5.8% in May, down from 6.5% in April, but still a substantial increase over the 3.5% rate reported in

May 2001. Pueblo's high unemployment rate is a result of cutbacks in retail and service businesses due to the recession.

Single-family housing starts in Pueblo County totaled 433 through May, down 15.6% from 513 starts for the same period last year. Horizon Communities, which has four active subdivisions in Pueblo, is planning 33 lots on 40 acres. HB Realty is developing another 30 acres in Westridge, a subdivision in Pueblo.

Near **Trinidad**, the Lorencito Coal Company temporarily laid off 40 employees after suspending mining operations in June. The closure comes after the company lost a major coal contract with the Tennessee Valley Authority. The 18,000-acre mine opened in September 2001 and produced up to 1,000 tons of coal per day at its peak in March 2002. The company is negotiating new contracts and plans to re-open the mine by the end of July.

Colorado Indicators Year-to-Date Growth Rates

Indicator	May 2002	April 2002	2001 Annual Average
Nonfarm Employment Growth ^α	-1.9	-1.8	0.9%
Unemployment Rate ^{α ‡} (seasonally adjusted)	5.2	5.3	3.7
Housing Permit Growth [~]			
Single family	-11.7	-9.3	1.5
Apartments	-10.9	-12.3	-3.2
Apartments	-14.0	1.2	12.5
Growth in Value of			
Nonresidential Construction [§]	-12.4	-7.1	-0.6
Retail	22.3	26.2	12.8
Offices	-53.8	-46.1	-34.9
Factories	-84.0	-91.0	194.4

^α Colorado Department of Labor and Employment data.

[‡] Actual level, not growth rate.

[~] U.S. Census Bureau data.

[§] F.W. Dodge data.

Note: An inflation rate is not calculated for the state. The Denver-Boulder-Greeley inflation rate is often used as a proxy for Colorado's inflation rate. The Denver-Boulder-Greeley inflation rate was 4.7% in 2001, following a 4.0% rate in 2000.

Regional 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 May 2002)	5.9	-2.0	-0.5	-2.8	4.4	5.1	4.5	6.4	-1.6	4.6	1.8	4.5	8.3	7.1
Unemployment Rate ⇄♦ (not seasonally adjusted) (in May 2002)	4.5	4.9	5.5	5.0	3.3	4.3	3.8	5.0	2.9	4.3	5.8	6.7	4.4	3.1
Retail Trade Sales Growth – (through April 2002)	5.7	-18.8	0.8	-2.5	-2.4	1.3	4.1	7.8	-6.7	-0.9	1.2	-7.5	0.9	-3.0
Growth in Value of Non-residential Construction* (through May 2002)	-63.4	-74.5	2.8	0.7	â	5.3	52.6	-70.6	ã	37.5	43.1	ä	-58.4	å
Housing Permit Growth * (through May 2002)	-25.0	-14.8	12.5	-10.6	3.8	11.7	-32.1	-3.2	-89.3	11.8	-32.7	-12.4	85.7	-52.5

⇄ Actual level not growth rate.

♦ Colorado Department of Labor and Employment data.

* F.W. Dodge data.

– Colorado Department of Revenue data.

â \$5.9 million was contracted in 2002, while \$1.9 million was contracted in 2001.

ã Nothing was contracted in 2002, while \$994,000 was contracted in 2001.

ä \$14.1 million was contracted in 2002, while \$6.0 million was contracted in 2001.

å \$13.4 million was contracted in 2002, while \$2.7 million was contracted in 2001.