



Colorado Economic Chronicle

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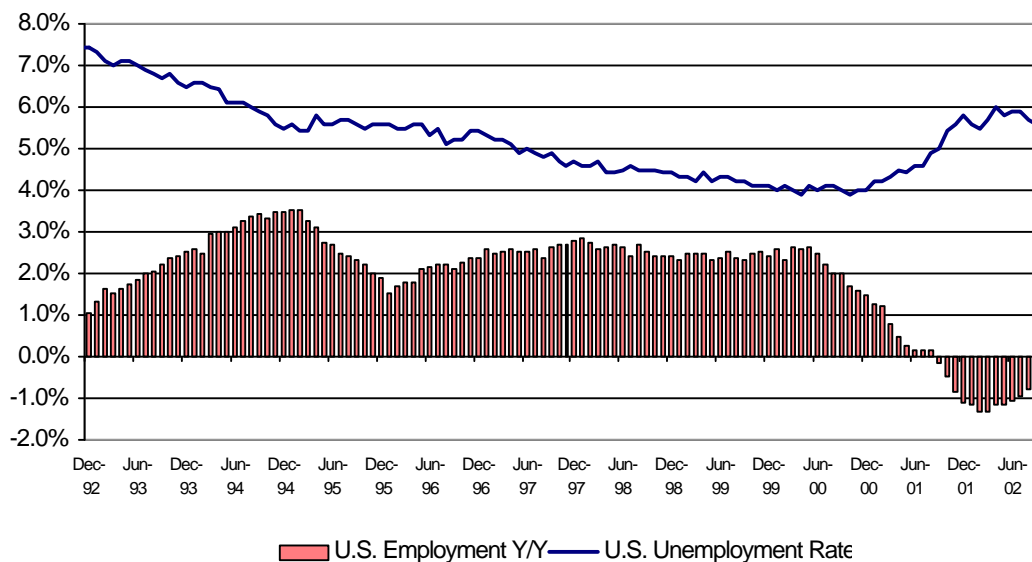
National Economy

The revised inflation-adjusted gross domestic product (**GDP**) indicated the economy grew at a 1.3% annualized rate in the second quarter of 2002, up from the previous estimate of 1.1%. Consumer spending was the stalwart performer in the economy with a 1.8% growth rate. However, consumption growth was down from the auto sales driven pace of 3.1% in the first quarter of 2002 and 6.0% in the last quarter of 2001. Business investment is the primary reason for the recession and weak economic growth over the past two years. Though business investment has fallen for seven consecutive quarters, the rate of decline in the second quarter (-2.4%) was the lowest

during this span. Net exports also slid for the fifth consecutive quarter, causing the trade deficit to grow to nearly \$500 billion.

Recent labor market trends through September have been mixed. Following four months of job gains, **nonfarm employment** decreased by 43,000 jobs in September. Compared with the same month a year ago, the number of nonfarm jobs in September was 0.7% lower. Meanwhile, the national **unemployment rate** dipped from 5.7% in August to 5.6% in September. As can be seen in Figure 1, the recent trends in employment gains and the unemployment

Figure 1. U.S. Employment Trends, September 1992 - September 2002



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rate indicate that the labor market may be rebounding from recent unemployment peaks and employment troughs.

Manufacturing indicators were mixed in the recent releases of data. The manufacturing sector led the economy into recession in early 2001 and turned up after the apparent end of the recession. However, the recent data raises worries about a possible double-dip recession. The *Institute of Supply Management (ISM) Index* slipped below 50 (an index value below 50 suggests the sector is in a contraction) to 49.5 in August, after seven months of expansion. August *industrial production* dipped 0.3% from July, the first decline after a seven-month stretch of gains. *Capacity utilization* also decreased 0.2% in August. However, the September average number of *manufacturing overtime* hours increased 5.1% over a year ago, extending a seven-month trend of annual gains. *Durable goods orders* also posted an annual gain of 4.5% in August, the second monthly gain following two months of losses.

“Manufacturing indicators were mixed in the recent releases of data.”

Total construction spending declined by 0.4% in August. The value of residential construction dropped by 0.2%, while the value of nonresidential construction fell by 2.0%. Public sector construction increased by 0.8%. Through August, construction has decreased 1.7% from the first eight months of 2001. *New home sales* reached an annualized rate of 996,000 in August, a record high. Sales were propelled by ongoing record-low 30-year fixed mortgage rates which averaged 6.09% in September. This extended home ownership to a number of first-time home buyers. The housing market may be showing some signs of moderation as August *existing home sales* declined 1.7%, the fifth decline in 2002, and *housing starts* fell 2.2%, the third consecutive drop.

Personal income increased 0.4% in August, extending a growth trend of 10 months. Rather than attributing the rise to transfer payments and unemployment insurance, as has been the case in several recent months, wage and salaries increased 0.5%. Buoyed

by continued strength in auto sales, **retail sales** increased 0.8% in August, following stronger gains in July and June. Excluding auto sales, retail sales still increased 0.4%, also the third straight month of gains. Building materials sales also pushed retail growth as homeowners chose to renovate and remodel instead of selling their homes. Meanwhile, the slide in the stock market has eliminated earlier gains in **consumer confidence**, as both The Conference Board Consumer Confidence Index and the University of Michigan Consumer Sentiment Survey fell in September for the third and fourth consecutive months, respectively.

“...retail sales increased 0.8% in August following stronger gains in July and June.”

Concerns regarding **inflation** remained sedate. Following *consumer* price increases of 0.1% in June and July, prices advanced 0.3% in August. Through August, consumer prices have increased 1.4% over the same period in 2001. This year may end up with the lowest consumer price inflation since 1986, when inflation measured a mere 0.7%. Meanwhile, *producer* prices were unchanged in August. Year-to-date producer price inflation has decreased 2.1%.

“Fears of a possible double-dip recession increased over the past month...”

Fears of a possible double-dip recession increased over the past month, due to an unstable stock market, uncertainty in the manufacturing sector, and an increasing chance of war in Iraq. The real estate market showed signs that record home sales can't be sustained much longer. On the positive side, inflation will be low in 2002. While the employment picture remained poor, it may have weathered the worst as the unemployment rate decreased and employment losses have slowed. The indicators to watch over the next few months will be industrial production, manufacturing orders, and overtime hours, which — if they steadily increase — will suggest the labor market can absorb more workers and employment will increase.

Colorado Economy

Evidence for the Colorado economy still indicates that the state is in recession. The number of announced job reductions is abating, but still remains troublesome for the state economy. Layoffs in the third quarter were less than one-half the level of the first quarter. However, job gain announcements are few and far between.

Seasonally-adjusted employment increased in August, the third gain in five months. However, employment levels remain nearly 56,000 below the peak in December 2000. The state's sales tax receipts, a good measure of consumer and business spending, have been below year-ago levels in seven of the eight months this year. State sales tax collections for August economic activity turned in the second-best performance *vis-a-vis* a year ago. Housing and nonresidential construction are well below last year's levels. The Colorado economy is likely bouncing around a bottom level. It is not likely to become significantly better or worse in the upcoming months. The risks at the national level are all downside risks and would affect the Colorado economy negatively if the risks come to fruition.

Employment

Seasonally-adjusted employment increased by 4,800 in August, following a loss of 9,100 jobs in July, the single-worst month of the current contraction. Colorado did not hold the bottom position for job growth

after the August data was released. Through August, nonagricultural employment was 2.1% below last year's levels. The labor market has not shown a clear sign of direction in recent months. Employment rose in April and May, the first gains in 15 months, then fell again in June and July before the recent increase in August. The gains in August occurred in the services and government sectors. This office's September economic forecast estimated that employment would be 1.8% below 2001.

The unemployment rate was 5.1% in August, a slight decrease from 5.2% in July. The unemployment rate averaged 5.3% through August.

Announced job losses continue to exceed announced job gains. Job losses over the past two months totaled 1,610, while job gains were 989. Details on these job announcements can be found in the regional sections of the *Chronicle*.

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	↓	Good
Overall Rating	↑	Bad

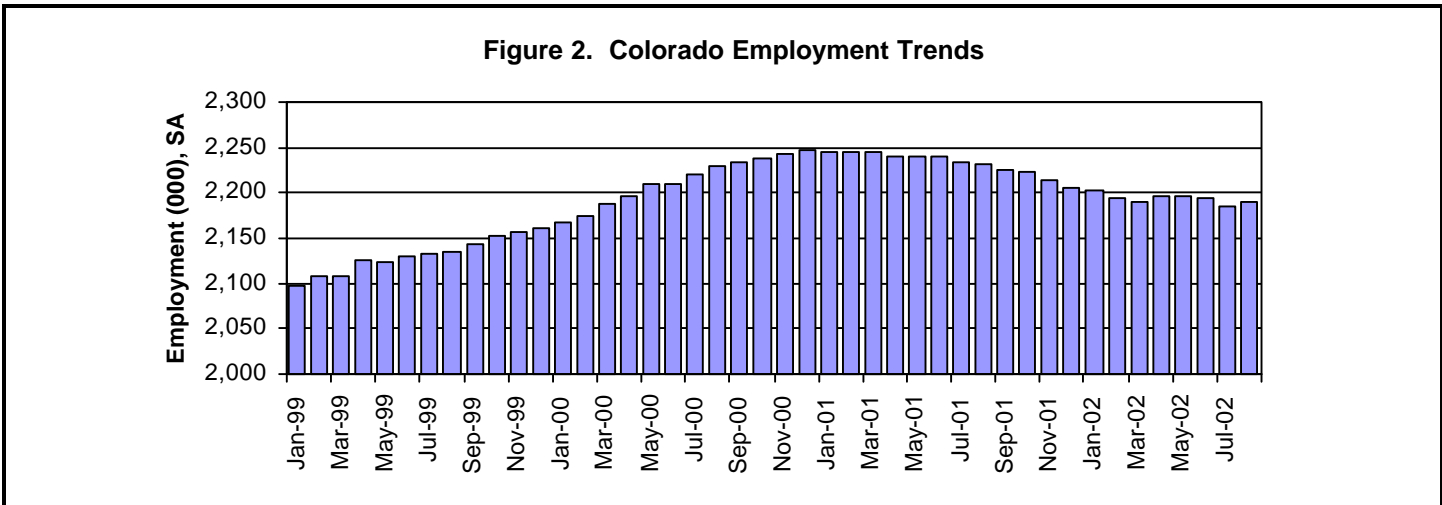
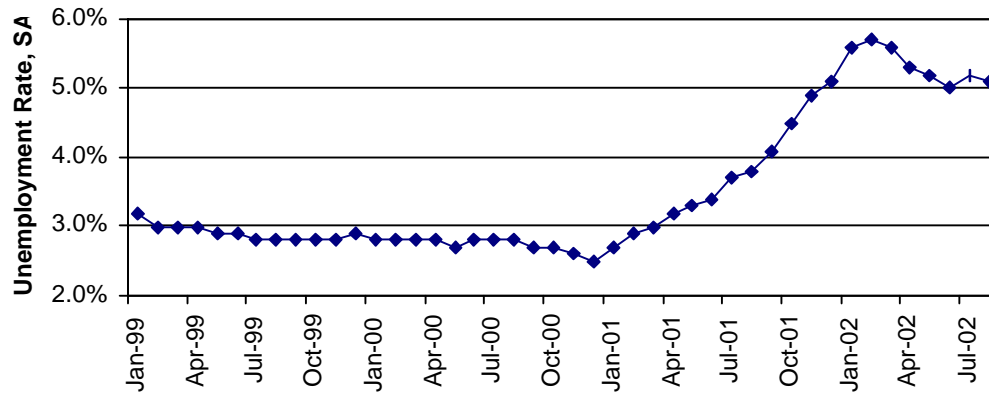


Figure 3. Colorado Unemployment Rate



Residential Real Estate

The average sales price of an existing single-family home fell \$5,000 in September, according to Coldwell Banker Residential Brokerage. The decline in September is attributable to seasonal factors. The average sales price in September declined in seven of the previous ten years. The average sales price in September was 5.0% higher than a year ago. The resale market is plagued by a record-high number of unsold homes. In September, there were 23,370 homes still on the market, a 9.7 month supply at September's pace of homes placed under contract.

Meanwhile, The Genesis Group reported that sales of new homes increased 4.7% in the second quarter. Low interest rates contributed heavily to the gains. Nonetheless, the consulting firm believes that the gain is not sustainable and new home sales may decline 10% in 2003. The Genesis Group also reported that would-be new home buyers are canceling 20% of their contracts, primarily because of job losses or fears of job losses.

“Job losses are also leading to a significant rise in home foreclosures.”

Job losses are also leading to a significant rise in home foreclosures. Preliminary data through the third quarter indicated a 55% rise in foreclosures. The high number of foreclosures could eventually place downward pressure on housing prices.

According to the U.S. Census Bureau, the number of building permits in Colorado declined 17.5% through August, compared with the same period in 2001. Permits for single-family homes were 8.3% below last year, while permits for multi-family units dropped 38.5%.

Despite the large decline in multi-family building permits, the apartment market in the metro-Denver area is plagued by high vacancy rates. According to the Apartment Association of Metro Denver, the vacancy rate was 9.3% in the second quarter, the highest rate in 12 years. The decline in apartment construction will eventually force the vacancy rate down. Meanwhile, apartment owners are having to offer concessions to attract renters.

Nonresidential Construction

Several second-quarter reports analyzing the Denver-area commercial real estate market suggested a sharp rise in vacancy rates, particularly in the office sector. Three local real estate companies reported that the metro-area office market's overall vacancy rate was between 17% and 22% at the end of the second quarter, up 2.5 percentage points from the first quarter and a 50% increase from a year ago. As a result of the increased supply of available office space, average rents have fallen an estimated 2.5% from the first quarter.

Low Enterprises Colorado announced the purchase of 28.5 acres near the intersection of Interstates 70

and 25 in Denver. Lowe intends to demolish the 535,569-square-foot former Keebler plant on the property and develop four industrial buildings totaling 540,000 square feet with a completed value of \$30 million. The buildings will supply space to tenants with needs ranging from 12,000 to 176,000 square feet. The first phase of the project is slated to open in 2004.

Due to high vacancy rates and a shaky local economy, the nonresidential construction sector continued to deteriorate. According to F.W. Dodge, the value of nonresidential construction decreased 15.9% through August, compared with the first eight months of 2001. Factory construction (-79.4%) and office space (-49.5%) experienced significant declines while the retail sector remained somewhat resilient with a smaller decline of 10.7% through August. Construction of amusement parks, dormitories, warehouses, and garages provided the only growth to the sector.

Personal Income

“...per capita personal income in Colorado was \$33,470 in 2001...”

According to the U.S. Bureau of Economic Analysis, per capita personal income in Colorado was \$33,470 in 2001, up 1.4% from \$33,018 in 2000. Colorado's per capita personal income remained the 7th highest in the nation in 2001 after ranking 7th in 2000, but grew at a slower rate in 2001 than in 44 other states. Nationwide, per capita personal income increased 2.4% to \$30,472 in 2001.

Meanwhile, 15,860 bankruptcies were filed in Colorado through the first three quarters of the year, up 11.7% from the same time period last year. Colorado is on track this year to break the record of 19,075 filings in 1997.

Inflation

The Denver-Boulder-Greeley consumer price index advanced 2.2% in the first half of 2002, compared

with the first half of 2001. The inflation rate was the lowest in four years and was attributable to a 23.4% decline in energy prices. Clothing prices also registered a significant decline of 12.3%. Medical care costs advanced 4.4%, while food and beverage costs rose 3.5%. The decline in energy prices constrained overall housing prices to a 2.3% increase and overall transportation prices to a 2.9% hike. The weak local economy will hold down the annual inflation rate to 1.9% in 2002, according to our most recent forecast.

Agriculture

According to the Colorado Wine Industry Board of the Colorado Department of Agriculture, state vineyards increased their market share of all wine consumed in the state to 1.2%, a 33% increase over 2001 fiscal year sales. The sales boost was attributed to a 22% increase in wine production. While wines from Colorado wineries saw an increase, statewide wine sales were down 7% from the prior year. With 41 licensed wineries, Colorado produces more than 465,000 liters of wine a year. An estimated 75% of these wineries are in Mesa County.

The Colorado Department of Agriculture released the results of its 2002 state survey of fruit trees and vineyards. Mesa and Delta Counties were responsible for much of the 2001 fruit and wine production in the state. Table 1 provides the top producing coun-

Table 1. Colorado Fruit Production, 2001

Fruit Crop	Top Producing County (% of total trees/vines)	2001 Production (annual % change)	2001 Crop Value (annual % change)
Apples	Delta (76.9%)	26.0 million pounds (13% decrease)	\$4.61 million (22% increase)
Cherries (tart)	Delta (70.9%)	800,000 pounds (11% decrease)	\$260,000 (23% increase)
Grapes (wine)	Mesa (65.0%)	465,000 liters/year	ND *
Peaches	Mesa (74.4%)	18.0 million pounds (5% decrease)	\$17.5 million (18% increase)
Pears	Delta (52.9%)	1,900 tons (37% decrease)	\$950,000 (14% decrease)

* Grapes for wine were not tracked for production or value in 2001. However, there were 540,000 vines as of January 2002, a 77.0% increase over the most recent survey in 1994.

Source: Colorado Department of Agriculture Fruit Tree/Vineyard Survey 2002, Colorado Agricultural Statistics 2002

ties, the production, and the crop value for each of the tracked fruit crops in the state. While production decreased for nearly every crop in 2001 — due in part to a late spring frost — the crop values increased for every crop except pears.

According to the National Climatic Data Center, the state was listed as the driest area in the nation in the six-month period from November 2001 and April 2002. Several ranchers in the state reportedly sold all or portions of their cattle herds due to low alfalfa yields. Due in part to drought conditions, red meat production through August was up 3.7% from the same period in 2001. As a result of increased supply of cattle for slaughter, prices have dropped significantly. The September beef cattle price of \$64.60 per 100 pounds was down 6.7% from September 2001.

Due in part to drought conditions this summer, September crop prices increased. The September all wheat price, at \$4.07 per bushel, was up 44 cents (12.1%) from August and \$1.22 (42.7%) above September 2001. The corn price, at \$2.56 per bushel, was up 18 cents (7.6%) from August and 65 cents (34.0%) above the price a year ago.

Energy

“...the average Colorado customer's natural gas bill is expected to decline by up to 20 percent.”

The U.S. Energy Department said households will likely see their winter utility bills increase 19 percent for natural gas and 45 percent for heating oil because of colder weather, a stronger economy, and higher crude oil prices. However, according to Xcel Energy, the average Colorado customer's natural gas bill is expected to decline by up to 20 percent. The discrepancy will occur because Xcel overcollected from customers over the past several quarters as natural gas prices fell faster than expected.

The Colorado Public Utilities Commission approved a 162-megawatt wind farm near Lamar. The project will cost \$160 million and produce enough electricity for about 160,000 households. GE Power Systems

will build the turbines, and Xcel Energy will buy the electricity from GE. The wind farm is expected to begin producing electricity in 2003.

Transportation

The improvement in passenger traffic at Denver International Airport since the aftermath of last year's terrorist attacks has largely stopped. DIA traffic in July was down 5.7% from a year ago. Traffic in May and June declined 5.7% and 6.1%, respectively. An estimated 3.6 million passengers traveled through the airport in July, compared with 3.8 million in July 2001, the busiest month in the airport's seven-year history. Although traffic numbers slipped from a year ago, DIA travel was stronger than the national average that was down 10.6% during the month. Year-to-date, DIA traffic decreased 8.4% from the first seven months of 2001.

“The improvement in passenger traffic at Denver International Airport since the aftermath of last year's terrorist attacks has largely stopped.”

August traffic at the Colorado Springs Airport fell 8.9% from a year earlier, in part because of the departure of Vanguard Airlines. The loss of flights from the bankrupt carrier may have accounted for about half the drop in passengers from August 2001. However, the number of departing flights in the first eight months of 2002 was up 11.1%.

Gaming and Tourism

Tourism slowed during the first half of 2002 in metro Denver, with most of the indicators in The Adams Group's study showing a decline over the second quarter of 2001. Passenger boardings dropped 8.1% at Denver International Airport, lodging occupancy fell 1.7%, and spending at metro-area restaurants declined slightly. Restaurant spending increased in the second quarter, however, providing some good news to the report. Also, gaming spending in Colorado increased 9.5% during the first half of the year.

Hotel occupancy rates did increase in August as the result of the Grand Prix and three large conventions.

The Grand Prix is estimated to have filled 10,000 hotel rooms and the three conventions combined to bring 5,800 people to the city. In fact, the average hotel rental rate in August was higher than the same month in 2001 for only the second time this year.

Hotel occupancy increased in Colorado Springs for the fifth consecutive month in August, according to the Colorado Hotel and Lodging Association. The hotels had to offer lower rates than last year to bring the visitors in, however.

“The Durango and Silverton Narrow Gauge Railroad experienced a 35% drop in ridership through August...”

The Durango and Silverton Narrow Gauge Railroad experienced a 35% drop in ridership through August, compared with the same period in 2001. After notching almost 150,000 riders during the first eight months of last year, the number of passengers dropped to below 100,000 this year. The drought and wildfires through part of the summer had the biggest influence on ridership. The railroad experienced several closures during the peak of the tourism season.

Vail regained the top ranking in Ski Magazine’s annual ranking of the best ski resorts in North America. Vail took the top spot for the 11th time. Other Colorado resorts in the top ten were Snowmass, which was 4th, Beaver Creek 5th, Steamboat 6th, Aspen 8th and Breckenridge 10th.

In an effort to boost tourism in the state, the Cherry Creek mall opened a \$250,000, 600-square-foot Guest Services Center that will offer tourism information. The booth is a joint venture between the mall, the Denver Metro Convention & Visitors Bureau, and Copper Mountain Resort.

“The gaming industry brought in record revenue in July and matched it in August...”

The gaming industry brought in record revenue in July and matched it in August, as gamblers lost \$64.6 million each month. The summer months are histori-

cally the best for the gambling communities as good weather and vacation travel brings many visitors to the casinos. Despite the record numbers, however, the state’s largest casino, the Black Hawk Casino by Hyatt, faces possible bankruptcy after only being open 10 months.

Exports

The state’s exports declined 14% to \$2.7 billion during the first six months of the year, compared with the same period in 2001. The decline was centered in overseas transactions, as exports to Canada and Mexico increased 28% and 7%, respectively. Canada is the state’s largest trading partner. While Colorado experienced a large increase in the export of electronic circuits to Asian countries, Japan’s continuing economic problems led to a 52% decrease in exports. Despite the drop, Japan remained Colorado’s second-largest trading partner.

“The state’s exports declined 14% to \$2.7 billion during the first six months of the year...”

Metro Denver

Nonagricultural wage and salary employment in the metro-Denver area was 2.6% lower through August, compared with the same period in 2001. This translated to 30,400 fewer jobs. The unemployment rate was 5.2% in the metro-Denver area in August.

“Job losses in the metro area have continued over the past two months.”

Retail trade sales are also underperforming the overall state economy. In metro Denver, retail trade sales were 2.0% lower through July, compared with a 1.1% decline for the entire state. Only **Arapahoe** and **Douglas** counties showed a gain in retail trade. Douglas County has experienced perennial double-digit gains (a 25.4% compound average annual gain from 1990 to 2001). However, the county has not been immune to the current slowdown, posting only a 1.3% increase through July.

Job losses in the metro area have continued over the past two months. Tanning Technology, a software developer for online transactions, will reduce its Denver work force by 20. An effort to reach profitability prompted Time Warner Telecom to lay off 115 workers at its Douglas County headquarters in August. An early September Chapter 11 bankruptcy filing by Consolidated Freightways was accompanied by immediate layoffs of 200 workers in Colorado, including 170 in Denver. A second round of layoffs at Westminster-based Voyant Technologies Inc. this year led to approximately 40 job cuts. The Moving World, a Denver-based moving company, laid off approximately 100 workers. Hamilton Sundstrand, a long-time Denver-area company serving the aircraft and aerospace industries, will shutter its Adams County plant by early 2004. A phase-out of work will eventually lead to the termination of 210 jobs in three phases and the transfer of 20 positions to Nebraska. Finally, Charles Schwab, a discount stock brokerage, will lay off an unannounced number of workers at its Denver call center because of the poor performance of the stock market.

Ford Motor Co. opened a 200,000-square-foot parts distribution center in September. The company will employ 38 workers at the center which will service a ten-state region.

According to the U.S. Bureau of the Census, the number of building permits in the metro-Denver area declined by 25.9% through August. Permits for single-family homes dropped by 10.4%, while permits for multi-family units declined by 47.5%. The 12-year peak in the vacancy rate for apartments as well as a recent two-year boom in multi-family construction are responsible for this year's large decline.

“Two residential projects were announced for one of the hottest neighborhoods in metro Denver.”

Two residential projects were announced for one of the hottest neighborhoods in metro Denver. The Prospect neighborhood near Coors Field will see development of a 10-story loft-style building containing 83 units ranging in price from \$150,000 to \$600,000. The lower-priced units will be reserved as affordable housing. Construction will begin in De-

ember on a 60-unit building called the Jack Kerouac Lofts. The average sales price for these units will be in the mid-\$200,000 range. The first occupancies are slated for December 2003.

Adams County has witnessed the creation of many relatively low-paying jobs in recent years. A developer broke ground on an affordable apartment community in **Brighton** in September. The 120-unit Hughes Station community will provide rental housing for workers earning from 30% to 60% of the area's median income.

According to F.W. Dodge, the value of nonresidential construction in metro Denver is down 22.4% through August. High vacancy rates in office buildings has led to a 50.6% decline in office construction. Nearly 150 office buildings are completely vacant. While several measures of office vacancy are reported by real estate firms, Frederick Ross Company reported a 21.6% vacancy rate for the Denver office market, including Boulder and Broomfield. Just over 10% of available new construction was absorbed during the first half of 2002.

F.W. Dodge also reported that nonresidential construction in the manufacturing sector rose 231%, led by construction of warehouses. The vacancy rate for the Denver-area industrial market was 8.9%, according to Frederick Ross Company.

Nonresidential construction for retail stores fell by 36.2% through August. The vacancy rate for retail space was 9.2% at mid-year 2002, compared with a stable rate of 5% to 6% from 1997 to 2000. Construction of the Colorado Mills regional mall in **Lakewood** is nearly complete. The 1.2-million-square-foot mall will open in mid-November. The mall will be highlighted by 18 anchor-type stores and over 200 specialty retailers. Nearly 3,000 full-and part-time workers will staff the mall during the peak holiday period.

Boulder Region

Nonagricultural employment in the Boulder region has declined 2.3% through August. The area continues to suffer many layoffs in the advanced technology sector.

“The Boulder area manufacturing sector continues to struggle, with four manufacturing firms announcing layoffs.”

The Boulder area manufacturing sector continues to struggle, with four manufacturing firms announcing layoffs. Sunrise Medical Home Health is moving its wheelchair seat manufacturing plant away from **Longmont** to California and Mexico, eliminating 63 full-time jobs and 33 part-time jobs by the end of 2002. The company will leave its administrative offices in Longmont. Computer data-storage manufacturer StorageTek laid off 28 people in **Louisville** and 51 people nationwide. Those laid off in Louisville included 9 sales people and 19 from the firm's Global Services Division. StorageTek employs 2,700 people in Colorado and 7,800 people worldwide. Medical device manufacturer Colorado Medtech will lay off 45 people in **Boulder** this month. The layoffs represent 10% of the firm's workforce and are the result of a cost-cutting effort. Also in Boulder, DataPlay Inc., a manufacturer of digital discs, laid off 120 people in July, including the 80 layoffs reported in the August edition of the *Colorado Economic Chronicle*. In September, DataPlay's remaining employees were asked to take two months of mandatory paid furloughs. The company has been unable to raise sufficient capital to maintain production.

Biotech firm Ribozyme Pharmaceuticals eliminated 30 jobs after two drugs did not perform as well as expected in clinical trials. The Boulder-based firm employed 90 people after the layoffs.

“Development continues near the FlatIron Crossing Mall in Broomfield...”

Development continues near the FlatIron Crossing Mall in **Broomfield**, with a new athletic club and a hotel. Construction began in August on the Lakeshore Athletic Club-Flatiron, a \$25 million, three-level, 150,000-square-foot health club. Meanwhile, a 232-room Renaissance Suites Hotel opened in September near the mall. The hotel includes a restaurant, a fitness center, and 6,300 square feet of meeting space.

Plans for residential construction remain healthy in Broomfield. Preliminary plans were announced to build the "Lake Powell" project, a residential community for the elderly in southern Broomfield. The plan includes a medical office building, 70 independent living cottages, 100 assisted-living apartments, 12 dementia units, 34 beds in a nursing home facility, and a child care facility. In addition, plans to build 111 single-family homes on Lowell Boulevard south of 136th Avenue, including 49 affordable homes, were announced. The affordable homes will be reserved for buyers that earn less than 80% of the area's median income, and will start at around \$180,000. Finally, construction began in September on the first phase of "Preble Creek," a 3,000-acre residential development. The development could eventually include up to 4,000 single-family homes, 3,600 multi-family homes, 800 acres of open space, and 14 million square feet of retail, commercial, and office space. The first homes will be complete by the end of 2003. The entire development is expected to take between 15 and 18 years to build. Meanwhile, a new Safeway store, employing 100 people, opened in Broomfield in early October.

El Paso County

“Two defense contracts were awarded to Colorado Springs firms during the last few months.”

While there have been a number of announced layoffs in El Paso County this year, particularly in the high-tech sector, employment has held up relatively well. Through August, nonagricultural employment had declined by only 0.6%, outperforming the state. Colorado Springs reported a healthy 6.1% increase in sales and use taxes for August sales activity. However, these collections decreased by 5.3% through August, compared with a year ago.

Two defense contracts were awarded to Colorado Springs firms during the last few months. The contracts will lead to the retention of existing jobs. Aerospace firm Harris Corp. was awarded a \$43 million contract from the Air Force to support communications operations for the Air Force Satellite Control Network. The contract could eventually be

worth \$355 million by 2009. Since most of those that Harris Corp. will hire to work on the contract are already employed, the contract will not create many jobs. TRW Inc. was awarded an extension on a contract through 2005 from the U.S. Missile Defense Agency that employs 200 software engineers. The contract, to work on computer models and simulations intended to seek out and destroy missiles aimed at the United States, could eventually be worth \$600 million.

Two firms announced plans to hire in **Colorado Springs**. Littleton-based satellite television provider EchoStar Communications Corp. announced plans in August to open a regional service center and hire 50 people. In addition, Carnival Cruise lines hired 70 people at its reservation call center, increasing the number employed there from 325 to 395 people. Carnival Cruise Lines has had increased demand for deeply discounted luxury cruises.

Checks Unlimited, a direct-mail check marketer, laid off 25 people in Colorado Springs as a result of fewer responses to their mailings. The company employed 1,100 people prior to the layoffs.

The high-tech manufacturing industry continues to suffer in Colorado Springs, with four firms announcing layoffs. Hewlett-Packard Co. reduced its local work force by 400 people in August and September, an undisclosed number of which were laid off as a result of the company's effort to cut 16,800 jobs worldwide by the end of October. The total number expected to be laid off in Colorado through October was not disclosed. The cuts are a result of the computer manufacturer's merger with Compaq Computer Corp. in May. Meanwhile, MKS Instruments, Inc. will close its Colorado Springs manufacturing operations by March 2003, laying off 60 people. The manufacturer of semiconductor instruments will maintain its current engineering and design office in Colorado Springs.

Semiconductor manufacturer Atmel Corp. announced 100 layoffs in September, or about 5% of the company's local workforce. Atmel had already eliminated 700 jobs in 2001 as a result of the slow-down in the semiconductor industry. Finally, the work force of computer tape-drive manufacturer

Quantum Corp. in Colorado Springs has fallen from 434 in early September to less than 350 by early October. In September, the company announced it would layoff 51 people in Colorado — 31 in Colorado Springs and 20 in Boulder. They announced another 20 layoffs in Colorado Springs in early October. The company plans to cut a total of 1,100 jobs worldwide by March. The layoffs are a result of corporate restructuring and a merger with Boulder-based Benchmark Storage Innovations.

According to the Pikes Peak Regional Building Department, the number of single-family home building permits issued in the region through September declined 14.9%, compared with the same time period in 2001. Despite the decline, the level remains relatively healthy given the current recession. Foreclosures in El Paso County declined slightly in July, at 96 foreclosures compared with 101 in July 2001. The decline has been attributed to the relatively healthy real estate market and record low mortgage rates, which make it easier for those facing foreclosure to refinance.

Plans were announced for a \$4 million mixed-use project that would renovate a former auto testing garage in downtown **Manitou Springs**. Once complete, the building will include eight street-level retail units, eight lofts and a lower-level parking garage. The lofts are expected to sell at between \$400,000 and \$500,000 each.

Mountain and Western Region

A new condominium complex is being constructed at the base of the **Steamboat Springs** ski mountain. The project will include 23 condominiums with 8,000-square-feet of commercial space and a heated underground parking garage. Nearby in **Craig**, Wendy's opened a 100-seat outlet that will employ 55 people.

The City of Denver and Intrawest Corp. announced a 50-year operations and development agreement at **Winter Park**. The agreement will result in \$99 million in capital improvements over the next decade, \$50 million of which must be on-mountain. The agreement will also provide \$3 million per year to the city for park maintenance and upgrades. Intra-

west must develop at least 570 residential units between now and 2012.

Also in Winter Park, The Timbers at Winter Park Ranch will include 55 residential units with 66,000 square feet of space in 11 buildings. The complex will begin construction early next year with two-bedroom, three-bathroom units.

“Breckenridge Ski Resort is preparing to enter the new ski season with the first part of its decade-long \$500 million expansion completed.”

Breckenridge Ski Resort is preparing to enter the new ski season with the first part of its decade-long \$500 million expansion completed. The resort has added 165 acres of intermediate terrain on Peak 7 and two new lifts that will help the flow of skiers across the four peak resort.

Construction is underway in **Avon** marking the beginning of an 1,800-acre development that will include 2,400 residential units and 650,000 square feet of commercial space. The first phase includes an already completed \$40 million interchange off of Interstate-70, a Wal-Mart, a Home Depot, and a two-acre park. Also, 122 affordable housing rentals will be open by spring.

Montrose will be home to Performance Consulting Services Inc., a high-technology training company in the electric power industry, which is moving from Overland Park, Kansas. The company plans to hire 26 local workers during the next five years at pay levels over three times the local average. The company will also be a boon to other businesses as people travel to Montrose to take part in the company's classes.

Mercy Medical Center in **Durango** will move to a new \$76 million space in Grandview. The project should break ground next spring. The new medical campus will include 1,000 parking spaces, the main hospital, and a medical office building with private practices and administrative offices. The buildings will contain 240,000 square feet of workspace. The hospital will have 80 private rooms, up from 65 semi-private beds in the current hospital. Plans al-

low for an expansion of 200 additional beds as needed.

Southern Region

Several nonresidential projects are either in the planning stages or already under construction in **Pueblo**, one of which could bring new jobs to Pueblo within the next two years. The Pueblo Planning and Zoning Commission has approved a master plan for the "Outlook East" project, a 224-acre development that will include commercial and residential projects. The commission also approved plans to the Eden Commercial Center, a new development west of the Eden Interchange. Details on both developments were unavailable. Meanwhile, construction began on "Eagle Crossing," a commercial condominium building with six 1,700-square-foot units on the south side of Eagleridge Boulevard. In August, construction began on Budweiser's new 88,000-square-foot distribution center in Pueblo. The facility is expected to be complete before summer 2003. Finally, construction began in September on a 30,000-square-foot industrial facility for Hospital Cooperative Laundry Inc. at Minnequa Industrial Park in Pueblo. The project, valued at between \$2.5 million and \$3.0 million, will employ 50 people when it is complete in March 2003. The company expects to expand its work force to 100 people within the next two years.

“...between 500 and 800 jobs will be created over the next eight years for the cleanup of the Pueblo Chemical Depot.”

According to Pueblo County Commissioners, between 500 and 800 jobs will be created over the next eight years for the cleanup of the Pueblo Chemical Depot. More than 2,500 tons of chemical mustard agent will need to be destroyed by 2010. The cleanup process, which includes the construction of a neutralization plant, is expected to generate as much as \$80 million for the local economy through 2010.

Cotter Corp., operator of five uranium processing mills near **Cañon City**, laid off at least 10 people in early August after the Colorado Department of Public Health and the Environment halted uranium shipments to the mills, leaving a workforce of about 50.

The company had already laid off 45 people in May after the department cited the company for 16 violations related to employee radiation exposure. In September, however, the department was allowing limited uranium processing to give Cotter the opportunity to demonstrate the effectiveness of new safety measures.

“This summer's wildfires and the statewide drought has hurt tourism in southern Colorado.”

This summer's wildfires and the statewide drought has hurt tourism in southern Colorado. The number of visitors to the Royal Gorge Bridge near Cañon City decreased 16% through the end of the summer. Wildfires caused the bridge to be evacuated in June, which reduced visitations by 30% to 40% that month. Meanwhile, the economy, drought, and wildfires did not hurt attendance at the Colorado State Fair. Attendance at the fair in Pueblo increased 4.8% to 667,457 people this year.

Eastern Plains

Due to abnormally dry conditions, the Logan County Extension Office expects only half of the normal spring wheat fields yield this year in **Logan County**. Late spring frosts damaged grain heads, and the lack of moisture devastated the wheat that managed to escape the frost.

According to the Colorado Agricultural Statistics Service, the final 2002 wheat production for Colorado will be the lowest production since 1968, down 44% from last year to 38.7 million bushels. The worst drought on record forced farmers to reduce production and abandon almost 700,000 acres intended for grain. Winter wheat production was estimated at 36.3 million bushels, 45% below the 2001 crop while the spring wheat crop was estimated at 2.4 million bushels, down 24% from 2001. Colorado's barley production in 2002 was estimated at 7.2 million bushels, down 16% from a year ago. Production of oats in 2002 totaled 464,000 bushels, 76% under last year.

“According to the Colorado Agricultural Statistics Service, the final 2002 wheat production for Colorado will be the lowest production since 1968...”

With regard to livestock, September usually represents the beginning of the heavy sale season as ranchers bring herds in from summer pasture and decide which animals to auction and which they want to feed through the winter. However, the record-setting drought this year turned this auction season from sales of a few animals to sales of entire herds. One auction house, the La Junta Livestock Commission, sold 7,600 animals over two days in mid-August, setting a summer record. Another auction house, Winter Livestock, sold 5,368 head in one week in August when it would normally expect to sell 1,200 head.

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 August 2002)	5.0	-2.3	-0.6	-2.6	3.6	3.8	4.0	5.5	-0.3	4.0	1.4	2.8	6.2	5.8
Unemployment Rate ⇄◆ (not seasonally adjusted) (in August 2002)	5.6	5.2	5.7	5.2	3.6	4.4	4.4	5.2	3.9	4.0	6.0	2.8	2.3	3.4
Retail Trade Sales Growth -- (through July 2002)	1.5	-17.9	1.6	-2.0	-4.2	2.2	4.9	7.9	-12.8	-0.1	2.7	-6.0	-0.8	-0.6
Growth in Value of Non-residential Construction* (through August 2002)	-38.8	-13.4	31.9	-22.4	â	-15.9	28.4	-42.7	ã	ä	-41.7	-3.6	-61.6	å
Housing Permit Growth * (through August 2002)	-15.2	32.2	2.6	-25.6	2.7	3.3	-30.2	4.8	-93.3	3.6	-23.4	-3.4	41.8	-53.8

⇄ Actual level not growth rate.

◆ Colorado Department of Labor and Employment data.

* F.W. Dodge data.

-- Colorado Department of Revenue data.

- Boulder retail trade excludes Broomfield City and County since November 2001.

â \$13.8 million was contracted in 2002, while \$2.1 million was contracted in 2001.

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

ä \$5.8 million was contracted in 2002, while \$2.2 million was contracted in 2001.

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

Colorado Indicators Year-to-Date Growth Rates

Indicator	August 2002	July 2002	2001 Annual Average
Nonfarm Employment Growth ¶	-2.1	-2.1	0.9%
Unemployment Rate ¶ ‡ (seasonally adjusted)	5.1	5.2	3.7
Housing Permit Growth ~			
Single family	-17.5	-16.8	1.5
Apartments	-8.3	-8.1	-3.2
	-38.5	-37.1	12.5
Growth in Value of			
Nonresidential Construction §	-15.9	-9.9	-0.6
Retail	-10.7	-9.2	12.8
Offices	-49.5	-42.6	-34.9
Factories	-79.7	-86.9	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 2.2% through the first half of 2002, following a 4.7% rate in 2001.

Regional Economic Review - Northern Region

The economy in the northern region of Colorado (Larimer and Weld counties) has managed to fend off many of the obstacles that have hit both the state and national economy over the last two years. Residential construction has remained strong, and increasing employment in many services, retail, mining, and agriculture firms has offset declines in other employment sectors. Though nonresidential construction, manufacturing, and information technology employment have fallen off, they remain better than the statewide performance.

Population and Employment

Based on 2001 figures from the U.S. Census Bureau, Larimer County is the seventh-largest county in Colorado with 259,472 people. Meanwhile, Weld County was the state's third-fastest growing county, adding 7.4% to its population in 2001. Among Colorado's ten-largest counties, Weld (37.3%) and Larimer (35.1%) counties were the second- and third- fastest growing counties, respectively, during the 1990s. Their rapid growth is attributable not only to their expanding economies, but also to their proximity to the metro-Denver area. Many northern region residents are commuting to the Denver area after finding less expensive housing in Larimer and

Weld counties. The largest city in the region is Fort Collins, which is home to 27.0% of the region's residents, followed by Greeley, which includes 17.8% of the residents.

Employment growth in Larimer and Weld counties has consistently been above the state average. According to the Department of Labor and Employment ES202 series data, employment in the region shrank by 0.1% from the first quarter of 2001 to the first quarter 2002. This compares to a 2.9% decline in employment statewide for this comparison period. Declines in the information technology, administrative, and manufacturing sectors, were offset with strong expansion in the mining, health, and educational sectors. Also of note was the significant growth in the construction sector. While the state saw a decline in construction employment of 5.3%, continued health in residential construction helped the northern region see a 3.8% increase over the same period. Figure 4 summarizes selected sectors of the region's and statewide employment base.

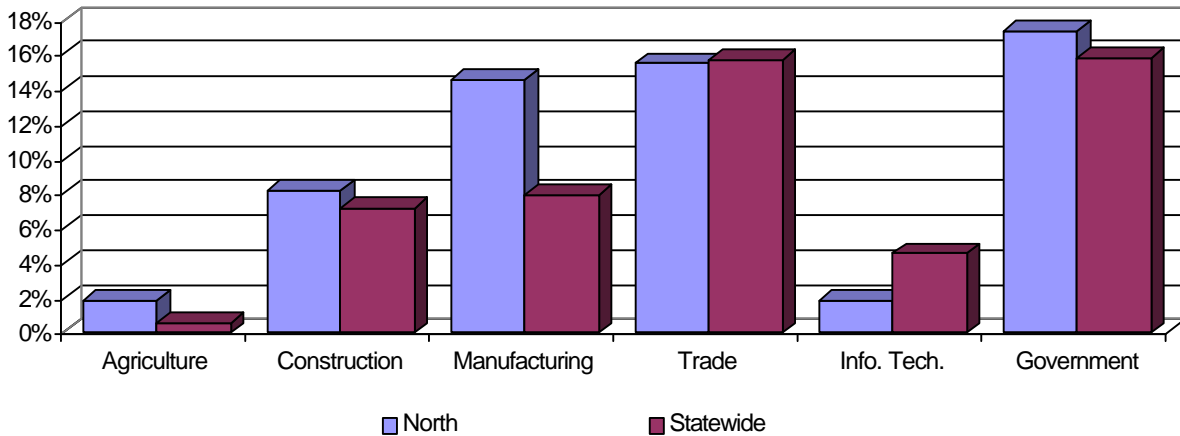
The northern region's manufacturing industry experienced moderate growth in the 1990s. Manufacturing employment grew at an average annual rate of 2.3% between 1990 and 2000, though it has mirrored much of the rest of the country as of late. Manufacturing

Table 2. Northern Region Economic Indicators at a Glance

	Northern Region	Colorado
Population Growth		
1990-2000 Compound Average Annual Growth Rate (CAAGR)	3.1	2.7
2000-01 Growth Rate	4.3	0.9
Employment Growth		
1990-2000 CAAGR	4.5	3.8
2000-01 Growth Rate	2.6	0.9
Unemployment Rate (Regional data not seasonally adjusted)		
1991-2001 Average	4.1	4.2
2002 (August)	4.7	5.0
Retail Trade Sales Growth		
1991-2001 CAAGR	8.4	7.4
2002 (Through July)	4.1	-1.1
2002 Nonresidential Construction (Through August)	-27.5	-15.9
2002 Residential Construction (Through August)	4.2	-11.4

Sources: Population - U.S. Census Bureau Employment and Unemployment - Colorado Department of Labor and Employment and series ES202 data. Construction - F.W. Dodge data.

Figure 4. Selected Shares of the Employment Base



employment fell 8.3%, third most of any sector, from first quarter 2001 to first quarter 2002. Remarkably, this decline remains better than the statewide average of 10.4% over the same period.

Manufacturing employment is nearly twice as prevalent in Larimer and Weld counties than it is statewide. ConAgra, Inc., the parent of Greeley-based meat processor Monfort Inc., is the largest private employer in the region. Monfort's corporate headquarters and some meat processing plants and feedlots are located in Greeley. ConAgra owns two other companies in Weld County — Swift and Co., a pork production plant, and United Agri Products, a chemical and seed distributor. Of ConAgra's nearly 6,000 employees in Colorado, roughly two-thirds are located in Weld County.

“Manufacturing employment is nearly twice as prevalent in Larimer and Weld counties than it is statewide.”

With the decline in manufacturing employment, especially in high-technology manufacturing, the area saw many layoffs and closures over the last year. One of the region's most prominent companies, Agilent Technologies Inc., a manufacturer of test and measurement equipment, announced that of the 8,000 companywide layoffs planned last year, between 500 and 550 were to take place in Loveland and Fort Collins. Also, Tampa, Fla.-based Sykes Enterprises Inc. closed its Greeley call center in February in order to cut costs and to streamline operations.

The closure resulted in the layoff of about 400 local employees. Meanwhile, Singapore-based Flextronics International Corp., a contract circuit board manufacturer, announced plans to close its Del Camino facility in Weld County, laying off hundreds of local workers. The layoffs began in August. The exact number was not announced, although at the end of last year 580 people were employed at the local plant. Finally, Fort Collins-based VantagePoint Network LLC, an agricultural dot-com, closed in early March, laying off 32 employees.

Holnam Inc., a maker of cement, built a new facility in Fremont County. When the new facility was operational, Holnam closed its LaPorte facility this summer, eliminating or transferring 100 jobs. Eastman Kodak Company announced in late 2001 that it would cut 150 positions over the next year due to weak film sales. The company hoped to attain all but 20 of the cuts through attrition and early retirements.

Advanced Energy Industries, a manufacturer of tools used in the manufacture of semiconductors, data storage products, and flat panel displays cut 49 positions in late 2001. The company has gone through several cycles of expansion and contraction in recent years. Steele's Markets closed its last two stores in the region in late 2001. The local grocery retailer was affected by increasing competition from other grocers. Heska Corp. cut 13 jobs, or 6% of its Fort Collins work force, in order to reduce 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.

Veeco Instruments, a Fort Collins-based 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.

The area did see some good news as Star Precision announced that it expects to add 150 employees by the end of 2003. The company specializes in machining, welding, water-jet cutting, painting and powder coating, silk screening, and assembling sheet metal. The company recently spent \$5 million on an expansion to its facility. The new facility includes 100,000 square feet for manufacturing and 8,400 square feet for administrative offices.

Weld County's economy depends significantly on agriculture. In January, the Colorado Livestock Association moved its headquarters from Golden to Greeley so that offices would be closer to its membership. Seven people will move with the association with plans to hire more later in 2002. Other job additions associated with new construction are discussed in the Nonresidential Construction section of this regional review.

"...Weld County is the richest agricultural county east of the Rocky Mountains."

Weld County is among the top ten counties in production of all major crops and livestock tracked by the Colorado Department of Agriculture. Over three-quarters of Weld County is covered by farms and ranches. Furthermore, according to the National Agricultural Statistics Service, Weld County is the richest agricultural county east of the Rocky Mountains. Livestock are the most prominent element of Weld County's agriculture industry. Weld County was home to 50% of the state's dairies in 2002, accounting for 65% of the state's milk production. Also, Weld County is home to approximately 20% of the state's cattle inventory.

Crop production in Weld County is the other agricultural component to the region's economy. In 2001, the county was the largest producer of sugar beets and hay in the state. Weld County produced 54.4% of the state's sugar beet harvest, and 12.5% of the state's hay harvest. Weld County also produces a large portion of the state's corn crop. Though yields were off by about 1%, the county was the second-largest producer of corn for grain in 2001. Weld County also produces 24.8% of the state's dry beans, 9.6% of the state's barley harvest, and 5.5% of the state's total winter wheat harvest.

The drought that has encompassed much of 2002 continues to have a dramatic effect on farmers in Weld County. Though the overall effect is still being measured, there are several ongoing reports of crops yields and livestock production declining precipitously as farms do not have the water necessary for production.

"Oil and gas remains a staple of the Weld County economy."

Oil and gas remains a staple of the Weld County economy. Weld County is the top producer of natural gas in the state, with 33.4% of the state's total output in 2001, despite a drop off of 23.3% from 2000 levels. In addition, Weld County was the state's largest producer of oil in 2001, accounting for over 40% of the state's oil production. Production of oil statewide declined 2.8% over 2000 figures, while production in Weld County flourished, up 9.9% over the same period. Drilling permits are off this year, but only slightly. A record 2,273 permits were issued in 2001, and it is on pace to issue over 2,000 again this year.

The government sector is another vital component of the area economy, accounting for 17.3% of the work force. Colorado State University (CSU), located in Fort Collins, is the largest employer in the region with nearly 8,000 employees. Meanwhile, the University of Northern Colorado (UNC) in Greeley provided just under 3,500 jobs. Enrollment continues to grow at both institutions. Enrollment was up 3.6% at CSU in FY 2001-02 to 21,468 full-time-equivalent students, while UNC saw a more modest increase

during the same period of 0.2% to 10,329 full-time-equivalent students.

More than 50% of the land in Larimer County is covered by Roosevelt National Forest, Rocky Mountain National Park, state parks, and recreation areas. Rocky Mountain National Park is the fifth-most visited national park in the country, as 3.8 million people visited the park in 2001, off 1.8% from record levels in 2000.

“...residential development in southwestern Weld County helped maintain the increasing construction employment levels.”

Due to prolonged demand from the northern expansion of the metro-Denver area, construction industry employment increased 3.5% from the first quarter of 2001 to the first quarter of 2002. Though statewide construction employment has fallen off, residential development in southwestern Weld County helped maintain the increasing construction employment levels.

Services and retail continue to grow in an attempt to meet the needs of the region's expanding population. Jax Farm & Ranch, an agricultural supply business, opened in LaPorte earlier this year. The store will stock supplies for farms and ranches, as well as hardware, equestrian supplies, and lawn-and-garden equipment. The owner plans to hire 30 employees.

Residential Construction and Real Estate

Residential construction remains healthy in the region, far outpacing statewide growth. According to F.W. Dodge, residential construction in Larimer and Weld counties grew 4.2% from August 2001 to August 2002. Based on data supplied by the National Association of Realtors, the median home sales price in Greeley during the second quarter of 2002 was \$139,000, up 4.4% from the previous year. Meanwhile, median prices in the Fort Collins-Loveland metro area also jumped significantly, increasing 6.6% to \$183,000. In spite of the boom in residential building, the National Association of Home Builders ranked Greeley as Colorado's least affordable housing market in the second quarter of 2002, followed

by the Fort Collins-Loveland metro area. The study bases affordability on the percentage of homes affordable to those making the median income.

Residential construction was fueled almost entirely by multi-family construction, as developers attempt to provide lower-cost housing options to a growing population base. Furthermore, due to lower prices and looser building restrictions than those found in neighboring metro-Denver area counties, the southern part of the region has become increasingly appealing to developers and consumers alike. Paragon Builders began building the first work force housing development in cooperation with the Fort Collins Housing Authority at Rigden Farm in Fort Collins in spring 2002. Lakeside at Rigden Farm will feature a mix of 165 attached and detached homes, including 120 affordable housing units. Meanwhile, construction started in June for a 58-unit affordable housing complex in Wellington. The development will have 17 single-family houses priced from \$100,000 to \$135,000, depending on the level of subsidies available. The project will also have 41 townhomes. Also, 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 opened in August. Thirty of the 950-square-foot, two-bedroom, two-bath condominiums will sell for \$128,900, while 26 will be available as rentals.

“...the southern part of the region has become increasingly appealing to developers and consumers alike.”

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

Other parts of Larimer County are also seeing some expansion. The Estes Park Planning Commission has approved a two-part housing project that was submitted by the Estes Park Housing Authority and Good Samaritan. In January, the authority's plan for an affordable housing project was approved and will include 92 units on two lots totaling 9.25 acres. All affordable housing units will be two-story, two- and three-bedroom condominiums. In 2001, the plans for the Good Samaritan senior housing were approved and will include a total of 104 units within 25 buildings.

Construction began in May in Greeley on Plaza del Sol, a Catholic Charities housing project for adult farm workers. The \$4.9 million project will consist of 42 ranch-style units and a community center. The project will also provide health screenings, meals, and access to immigrant and refugee services.

Nonresidential Construction

Following a record year in 2001, Weld County saw a dramatic drop off in nonresidential construction, while Larimer County continued its three-year decline. According to F.W. Dodge, the value of nonresidential construction was off 27.5% through August 2002. Weld County led the decline as construction values were nearly halved. Meanwhile, Larimer County saw a decline of 15.9%. The biggest hits in nonresidential construction were taken in the retail sector, as Weld County saw construction fall by 55.1%, based on year-to-date figures through August 2002. Meanwhile, Larimer County retail construction plummeted by 83.1% over the same period. Positive growth occurred in construction of office buildings in Larimer County and education construction in Weld County.

“Following a record year in 2001, Weld County saw a dramatic drop off in nonresidential construction, while Larimer County continued its three-year decline.”

Office construction increased by 20.7% in Larimer County through August 2002, while Weld County more than offset Larimer's rebound as office construction was only 5.3% of the construction value

through August 2001. According to the latest market survey by Realtec, office vacancy rates throughout the region increased to over 10%. Second quarter 2002 vacancy rates in Fort Collins, Loveland, and Greeley were 10.1%, 13.4%, and 12.7%, respectively.

Office construction was concentrated in Larimer County in much of 2002. 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. Also, the Poudre Valley Health System broke ground in the spring on a 96-acre, \$30 million hospital and adjacent medical office near downtown Fort Collins. The Poudre Valley Hospital will move its medical services for women and children into the new facility located about 5 miles south of the hospital. The facility will open in early spring or summer of 2003 with 100 new health-care workers.

“...the Poudre Valley Health System broke ground in the spring on a 96-acre, \$30 million hospital and adjacent medical office near downtown Fort Collins.”

In spite of the slowdown in the retail sector, there is construction to help meet growing demand in some locales. In **Fort Lupton**, construction has finished on a 58,000-square-foot, 12-acre, \$6.5 million Safeway Marketplace. The store employs about 100 people. Safeway also plans to expand one of its stores in Firestone. In additional positive news, a new 205,000-square-foot Wal-Mart Supercenter opened in April in **Loveland**. Several other national franchises will be located on the site, including McDonald's, Cost Cutters, and Tire & Lube Express. The Wal-Mart store plans to employ about 550 workers, an increase from the 200 that worked at the former discount store. Finally, in Loveland, plans have been approved to build the Loveland Marketplace shopping center on a 15-acre site. The shopping center will consist of 160,000 square feet of retail space.

Although hotel occupancy has declined in Fort Collins, two hotel construction projects were announced. In June, construction began on an 88-room Hilton Garden Inn in the Harmony Corridor. In the same corridor, The Residence Inn began a 35-room expansion in September.

In **Windsor**, State Farm Insurance began construction in January on a 50,000-square-foot building in the Diamond Valley Tech Center that was completed in the summer. The building will be used for document storage for the company's new office campus at Promontory.

A mixed-use project, the Knolls of Wellington South, is being developed in **Wellington**. The project will consist of 305 homes and 28.6 acres of commercial and industrial buildings. The residential phase of the project is expected to be complete by September 2003. Also in Wellington, a \$2 million, 63-room Comfort Suites hotel is being built on the 14-acre Coal Creek Center site. The hotel should be complete by spring 2003. Also, in downtown Fort

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

Summary

Buoyed by residential construction and high energy prices, the northern region enjoyed a relatively healthy 2001. The region has seen some benefit from an otherwise lackluster economic situation, with increases in enrollment in the region's universities, as many in the labor force head back to school to help with the increasingly competitive job market. A major concern is the current drought, which is poised to cause a massive downturn in the area's agricultural economy. Though the region has felt some of the effects of the state and national recession, its increasing economic diversity has allowed it to remain above the statewide averages for growth in most economic facets.