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Twentieth Annual Economic Update

UCCS Economic Forum

2016



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Ron Chernak, President, The FBB Group, Ltd.[®] Founding Partner of the UCCS Economic Forum



Holland & Hart is proud to sponsor the 20th Annual UCCS Economic Forum. Our firm has been a part of the business community in Colorado Springs for over 60 years, and we look forward to discussing the key issues shaping the area.

We are hopeful that our contributions have helped shape an outstanding program for the local business community, complete with economic forecasts to help you plan for the years ahead, as well as invaluable information from expert panelists and thought leaders on specific business and legal issues affecting your company.

Holland & Hart has a growing presence in Colorado Springs and our team includes attorneys and staff who offer a wide variety of legal services to national and international companies. Our goal is to provide superior value by shaping our services to fit the particular needs of each client. We achieve this by positioning ourselves as an integral part of our clients' legal teams, helping them to construct the best group of advisors with both industry experience and comprehensive legal knowledge to fit each and every issue. In addition to our legal work, we have a strong commitment to the community – both as a firm and individually - and support a full range of charitable causes and organizations.

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Kent Karber, Partner, Holland & Hart LLP

Welcome from the University



Pamela Shockley-Zalabak
Chancellor, University of Colorado Colorado Springs

The University of Colorado Colorado Springs is pleased to join with its business partners to present the 20th Annual UCCS Economic Forum. This program provides a look at the economy and quality of life in the region during the past year and gives a peek at our community's future.

We are fortunate to have many committed individuals involved in this project. I especially wish to thank Tatiana Bailey and Rebecca Wilder of the College of Business and Administration for their data analyses and its presentation in this report. I also wish to thank our panel of experts for their contributions and the Forum sponsors for their continued support.

Since its inception, UCCS has worked closely to align itself with the priorities of southern Colorado. The UCCS Economic Forum is an example of our commitment to ensuring the future of our region.

Thank you for attending.



Venkat Reddy
Dean, College of Business and Administration

This year the Forum comes with a new name and at a new time. Let me start with thanking you for your support of the **20th Annual UCCS Economic Forum in the College of Business** (UCCS Economic Forum) formerly known as the Southern Colorado Economic Forum. Our goal is to bring the Forum to you with a renewed energy and broader scope under the leadership of Dr. Tatiana Bailey. In addition to the in-depth national and local economic updates, this year's panel is focused on best practices in regional economic development. The panel includes state and local experts on this theme, "Colorado Springs: Going for the Gold."

Last fall, we announced the Master of Science in Accounting program to meet the needs of our local accounting firms. We also partnered with the Colorado Rapids to launch a new soccer track under our Sport Management program. Since the last Forum, the College of Business expanded its ethics initiative to southern Colorado by launching the Daniels Fund Ethics Initiative Ethics Champions program with nine partner schools. UCCS continues to expand both in terms of students and buildings. The campus launched several fully online undergraduate degrees this fall for the very first time. Our online graduate and undergraduate degree programs provide flexibility and convenience for both our on-campus and on-line students. Our Career and Placement Center is helping place interns and graduates in our local for-profit and non-profit entities. Our Office of Professional and Executive Programs is expanding beyond offering professional development classes to offering customized business solutions to individual organizations.

In addition, the UCCS Economic Forum has started a new venture in which UCCS and the College of Business will offer economic and business-related consulting services for the community. The Forum is already engaged in some projects locally, and we are excited to be a non-biased and rigorous source of information.

The UCCS Economic Forum would not be possible without the active sponsorship and participation, year after year, of our business partners. We thank them. Not only do they support the Forum financially, they also provide their expertise and use their business connections to help bring you an outstanding program.

About The UCCS Economic Forum

The UCCS Economic Forum provides businesses and other organizations in Colorado Springs with unbiased information that assesses economic conditions in the region. The Forum analyzes and reports upon broad national indicators such as GDP and consumer sentiment, local labor market information, retail and wholesale trade, construction and commercial real estate activity, military employment and expenditures, tourism, sales and use taxes, as well as other economic data. The indicators provide a picture of the economy, the region's quality of life and help answer the questions of "how are we doing" and "where are we going." No single indicator can provide a complete picture of the economy or the quality of life of our citizenry. Examined collectively, however, economic and quality of life indicators provide a picture of the region's economic health, the welfare and educational attainment of the people who live and work here, and the progress of businesses and organizations that operate here. The Forum provides this information to help business leaders, government officials and others make better and more informed decisions with the greater goal of assisting others in economic development efforts.

To learn more about the services the Forum and the College of Business can provide for your organization contact: Tatiana Bailey, Director, UCCS Economic Forum, (719) 255-3661 or tbailey6@uccs.edu.



Tatiana Bailey

Director, UCCS
Economic Forum
Research Faculty, UCCS

Tatiana Bailey has a Master's in Economics and a Doctorate in Public Health, both from the University of Michigan. Since obtaining her doctorate, she has taught micro and macroeconomics as well as health economics and policy at the University of Michigan and Walsh College.

Dr. Bailey currently works in the health care and economic development fields. In the health care arena, she has focused on programs that aim to increase access and quality while reducing costs particularly for at-risk populations. She is also doing presentations to audiences who wish to be better informed about the general framework of the health care system in the U.S. and the particulars of the Affordable Care Act. In the economic development field, she has focused upon economic growth initiatives primarily through the venues of entrepreneurship and innovation. As Director of the UCCS Economic Forum, Dr. Bailey serves as an economic development resource to businesses and government in Colorado Springs. She aims to inform audiences about our national and local economies and also assist with local economic development initiatives. Her focus this past year has been to create consistent and reliable data that is uniformly used by various public and private entities. She has also focused upon growing the consulting arm of the Forum.



Rebecca Wilder

Assistant Data Analyst,
UCCS Economic Forum

Rebecca Wilder joined the UCCS College of Business staff as a part-time Research Assistant for the UCCS Economic Forum in May 2014 while finishing her Master's degree in Business Administration through UCCS. She joined the full-time UCCS College of Business staff as the Assistant Data Analyst for the Forum in June 2015 after her graduation in May. She earned a bachelor's degree in Elementary Education from Taylor University in Indiana.

Rebecca taught for 11.5 years, primarily at the middle school level in math and science. She also worked for Wachovia Securities for five years where she became very familiar with research, analysis and compilation of data. Her love of numbers, organizational skills and background in education give her a unique understanding of what is currently offered and what is needed for young people to be successful, contributing members of our region.

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Executive Summary

Employment

National, state and local employment have all been strong in the past year.

- » The national, seasonally adjusted unemployment rate was 4.9 percent at the end of July 2016, which is a modest improvement from July 2015 (5.3%). This is a welcome improvement from the height of the recession in October 2009 when the unemployment rate was 10 percent in the U.S.
- » The El Paso County seasonally adjusted unemployment rate at the end of 2015 stood at 4.0 percent. The rate has edged up since then to 4.1 percent at the end of July, but this is still quite low and what most economists would consider expected or “frictional” unemployment.

» The Quarterly Census of Employment and Wages (QCEW) for El Paso County indicates total jobs increased by 3.2 percent, or 8,005 positions, in 2015, outperforming last year’s Forum forecast of 2.6 percent.

» More recent data from the QCEW indicates that El Paso County had 8,283 new jobs from 2015 Q1 to 2016 Q1.

Specific Sectors & Employment

Sixteen of the twenty-one industry sectors in **El Paso County** saw job gains in 2015. The most significant gains were in:

- » health care and social assistance (2,082)
- » accommodation and food services (1,408)
- » professional and technical services (889)
- » retail trade (872)
- » construction (844)
- » administrative and waste services (683)
- » other services (623)

The strong showing in health care and social assistance combined with accommodations and food services represented 43.6 percent of total job gains in the county. Job losses took place in five sectors. The most notable losses occurred in information (-212) and manufacturing (-176).

In **Teller County**, which is part of the Colorado Springs metropolitan statistical area (MSA), total jobs increased by 4.1 percent or 275 jobs in 2015. At 6,812 jobs, this is 38 jobs lower than the peak reached in 2008 of 6,950 jobs. The top five job categories available through QCEW data for 2015 were accommodation and food services (1,467 total jobs), retail trade (923), educational services (720), arts, entertainment and recreation (655), and public administration or “government” (545). Fifteen of the twenty-one sectors saw job gains in 2015. The greatest gains were reported in accommodation and food services (61 jobs gained), educational services (28), construction (27), and wholesale trade (27). The most significant job losses were in professional and technical services (-14), transportation and warehousing (-12), and arts, entertainment and recreation (-9).

Regional Wages

Average wages from the Quarterly Census of Employment and Wages (QCEW) across all categories increased in El Paso County from \$45,500 in 2014 to \$46,592 in 2015, or up 2.4 percent.

- » The average wage in El Paso County remains low compared to Colorado as a whole and was 14.0 percent below the state average of \$54,184 in 2015.
- » Average wages in Teller County increased 3.4 percent in 2015 to \$36,400, but the average wage is 32.8 percent below the state average.

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Per Capita Personal Income

Per capita personal income increased in El Paso County, reflecting that individuals who live here did have some appreciation in their total net wealth. This includes not only net earnings, but also personal dividend and interest income, rental income and transfer payments by government sources. In summary:

- » El Paso County per capita personal income increased 3.5 percent to \$41,945 in 2014 over the 2013 level of \$40,541.
- » Data for 2015 for El Paso County is not yet available, but the Forum forecasts per capita personal income will end up 3.4 percent higher (to \$43,359) than the previous year.
- » At the estimated 2015 level, per capita personal income in El Paso County would be 9.2 percent below the U.S. average and 14.0 percent below the Colorado average.

The Forum forecasts per capita personal income in 2016 in El Paso County will increase at a slightly higher rate of 3.6 percent, while the Colorado Office of Planning and Budgeting forecasts lower rates of growth in Colorado (3.1%) and in the U.S. (3.2%).

Residential Real Estate

If the national and local economy is performing well and consumer confidence regarding economic performance is high, individuals are more likely to purchase or lease existing properties or build new properties. Highlights in the residential real estate market include:

- » During the last twelve months from July 2015 through June 2016, there were 3,407 single family permits issued in the Pikes Peak region. This is an increase of 773 permits (29.3%) compared to the 2,634 permits issued from July 2014 through June 2015. The Forum expects approximately 3,200 single family permits to be issued in the region in 2016.
- » Through July 2016, multi-family permits for 14 projects and 467 units have been pulled. Multi-family permits are expected to end the year at 700 units with a forecast for another 720 units in 2017.
- » Average, monthly rents for apartments as of the second quarter of 2016 are currently \$991 per month in the Colorado Springs MSA.
- » Home sales in the Pikes Peak region were 13,252 in 2015 and are projected to be 15,228 in 2016 and 17,055 in 2017 as buyers are taking advantage of historically low mortgage rates and a strong job market.
- » The average sales price of a home is expected to increase to \$303,322 in the Pikes Peak region in 2016, a 6.0 percent increase from \$268,688 in 2015.
- » The median price of a single family home in the Pikes Peak region is expected to increase 5.3 percent to \$251,351 in 2016 compared to \$238,700 in 2015. As reference, the median home price in the U.S. for a single family home in Q2 of 2016 was \$240,700, which is up 4.9 percent from the same quarter last year.
- » Foreclosures continue to decline in the region. Annual foreclosures decreased 19.5 percent in 2015 to 1,470. The average number of foreclosures per month in 2016 through July was 117. The average number of foreclosures in 2009 was 441. The Forum projects there will be 1,476 foreclosures in 2016 and 1,460 foreclosures in 2017.

Commercial Real Estate

The commercial real estate market has rebounded since the recession, but the overall picture is not as positive as the residential market. Highlights include:

- » Commercial office vacancy rates decreased to 11.7 percent at the end of 2015 compared to 13.0 percent at the end of 2014. As of June 2016, the vacancy rate has edged up to 12.4 percent.
- » The industrial vacancy rate decreased to 7.4 percent at the end of 2015 from 7.7 percent at the end of 2014. As of June 2016, the vacancy rate is slightly higher at 7.5 percent.
- » Shopping center vacancy rates have increased slightly from 10.2 percent at the end of 2014 to 10.3 percent at the end of 2015. They have decreased to 9.2 percent in June of 2016.

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- » Medical office vacancy rates decreased from 10.6 percent at the end of 2014 to 10.4 percent at the end of 2015. By June 2016, they were down to 10.1 percent.

Wholesale and Retail Trade

With the increase in GDP and the improvement in employment and consumer confidence, it is not surprising that there has been a rise in the sales of building materials, non-store retailers, food and beverages, motor vehicles and parts, clothing, accessories, health and personal care, hobbies, electronic appliances, furniture and home furnishings.

- » Employment in the retail trade sector increased by 872 jobs from 30,971 in 2014 to 31,843 in 2015, up 2.8 percent. Wages increased by \$780 to \$28,756 (up 2.8%).
- » Wholesale sales in El Paso County increased 8.6 percent to \$4.0 billion in 2014 (over 2013) and then increased 5.1 percent to \$4.2 billion in 2015.
- » The state did not do as well with wholesale sales: levels in 2015 decreased 7.5 percent to \$69.6 billion from \$75.3 billion in 2014.
- » Wholesale trade employment in El Paso County increased by 151 jobs from 5,004 in 2014 to 5,155 in 2015. Average wages for employees in wholesale trade grew 4.0 percent, or \$2,496, from an average of \$62,140 in 2014 to \$64,636 in 2015.

Sales and Use Tax

The City of Colorado Springs benefits from strong and growing taxable retail sales since over fifty percent of the city's budget dollars come from these collections. Highlights include:

- » City sales and use tax collections increased 4.6 percent or \$6.6 million from \$142.1 million in 2014 to \$148.7 million in 2015.
- » Sales and use tax collections are expected to increase 5.6 percent this year and another 3.5 percent in 2017 in nominal terms. However, if these nominal sales tax figures are adjusted for both consumer price inflation and population increases, the real value of sales and use tax collections will increase by just 2.8 percent in 2015 and 0.3 percent in 2017.

Education

During the 2014-2015 school year, Colorado began administering the Colorado Measures of Academic Success (CMAS) in language arts, math, science and social studies. These new computer-based assessments incorporate the Common Core State Standards in language arts and mathematics. Because of these changes, a new baseline is being established. Please visit the Colorado Department of Education website to see testing data (www.cde.state.co.us).

All Colorado juniors continue to take the American College Test (ACT) to help determine how well they will do in their first year of college. Highlights from this test include:

- » The overall unweighted average in El Paso County ACT scores for juniors decreased to 20.5 in 2015 from 20.6 in 2014. This was higher than the 2015 Colorado average of 20.1 for all juniors.
- » Thirteen states require all high school students to take the ACT, and Colorado is one of them, testing all high school juniors. This requirement for juniors brings down the average composite score for Colorado (20.1) so one should exercise caution when comparing Colorado ACT scores to the U.S. average (21.0) or the average scores of most other states. When all the Colorado students (sophomores, juniors and seniors) who took the ACT are compared to all students in the thirteen states that required the test in 2015, Colorado and Illinois had the highest average composite score (20.7).
- » In 2016, Colorado had all high school sophomores take the PSAT, and in 2017, all high school juniors will take the SAT instead of the ACT.

Where is the Economy Heading?

Forecasts for the national, state and local economies from various sources is provided on page 9. It is evident that Colorado has been and will likely continue to outperform the nation in just about every category of the economy. Population projections for the state are more than double what they are for the nation. El Paso County's population growth is not quite

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as high as the entire state, but still well above the national levels and this is also projected to continue for 2017 and beyond. As can be seen on page 13, El Paso County is one of four counties in the state projected to have population growth of more than 300,000 people between 2010 and 2040. Colorado also has the highest rate of in-migration of individuals who have at least a bachelor's degree, which bodes very well for future workforce needs and correspondingly, future economic growth.

Colorado and El Paso County have significantly lower unemployment rates than the nation, and both the state and our region are projected to have fairly static unemployment rates moving into 2017. The rates we are currently seeing are in the range of what most economists would consider "frictional" unemployment (due to normal job mobility). Correlated to this are the favorable employment, gross state product (GSP) and gross metropolitan product (GMP) growth rates. All of these metrics relate to a strong business climate as well as the strong consumer confidence that has defined this recovery as a consumer-driven one. Most economists are predicting that all of these employment and GSP/GMP metrics will stay strong into 2017. It is important to remember, however, that this is an election year, and that alone creates a significant amount of political and economic uncertainty.

Total wages and salaries are projected to increase in the U.S., which is largely due to the tight labor market in which many sectors are struggling to find qualified workers. This, of course, pushes up wages. Upward pressure on wages is favorable in such a labor market perhaps especially right now since across the nation we still have a low civilian participation rate meaning that many workers need to be lured back to the labor force. Doing so would greatly increase American productivity. Wages and salaries in Colorado are projected to continue to experience higher than U.S. growth rates mostly because of the particularly tight labor market in the Denver/Boulder region. El Paso County has a higher than U.S. growth rate projected for wages and salaries for 2016, but lower than the U.S. for 2017. Wages and salaries in El Paso County are lower than the U.S. and Colorado, which is not favorable. There does appear to be some new trending in this regard, however. On page 16, there is very recent data on job postings in Colorado Springs, and these show a high proportion of professional jobs, which typically have higher salaries. Likewise, the local, median wage is higher now than the Colorado median wage. This is a relatively new trend, and it also shows that there is upward pressure on wages and salaries in our region.

There is not any local data on inflation, but the state data reflects a higher consumer price index (CPI) than the U.S. for the Denver/Boulder/Greeley area consistent with the population and economic growth rates in this region. For both 2016 and 2017, the Colorado index is projected to be significantly higher than the U.S. CPI.

Despite the growth of e-commerce (see page 21), retail sales will continue to have robust growth rates for 2016 and 2017 across the nation. Because of the particularly positive economic climate in Colorado, these growth rates will be higher in our state and region. Similarly, due to the somewhat explosive growth in the state, residential and nonresidential construction will be high in the state and in our region. The state is projected to have almost a 19 percent increase in single family permits for 2016, which is one of the highest in the nation. El Paso County will also have a higher percentage growth rate than the nation for 2016. There will likely be 3,900 permits pulled in 2016 by the end of the year, and the Forum has estimated that the ideal number of permits for our region is approximately 4,500. This means that there is still much room for the construction industry to expand assuming economic conditions stay favorable.

It is indeed a good time to live in Colorado, and in particular, Colorado Springs. There is a palpable optimism in the air precisely because of all of the positive indicators in the nation and especially in the state. Colorado seems to be the "place to move" for the educated youth of our nation and thankfully, at almost 5.5 million people, there is room to grow. We are still a relatively young nation, and Colorado continues to have elements of the "Wild West" with a spirit of entrepreneurship and a will to succeed. Colorado Springs, with its new leadership and collaborative attitude, has a thriving business environment now with many companies expanding operations across the country and increasingly, across the globe. All of this is happening while still being a relatively affordable, highly welcoming city that feels like a friendly "small town."

Acknowledgements

A special thank you goes to our valuable sponsors who provide generous financial support and guidance in producing the UCCS Economic Forum. Many thanks again to all of our partners.

A special thanks to all of our partners who helped organize this year's Forum and helped to put together our program. We want to also thank our keynote speaker, our panel moderator, all of the panelists and community update participants.

Finally, to all of the Forum partners, attendees and other supporters, we wish you continued success in the coming year.

WE WOULD LIKE TO ACKNOWLEDGE OUR 2016 UCCS ECONOMIC FORUM SPONSORS

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BIG PICTURE INDICATORS

ACTUAL, ESTIMATED AND FORECAST PERCENT CHANGE IN KEY ECONOMIC INDICATORS: U.S., COLORADO AND EL PASO COUNTY										
		United States			Colorado			El Paso County		
		2015	2016*	2017*	2015	2016*	2017*	2015	2016*	2017*
		Actual	Estimate	Forecast	Actual	Estimate	Forecast	Actual	Estimate	Forecast
1	Population	0.8	0.8	0.8	1.9	1.8	1.8	1.4	1.5	1.5
2	Unemployment Rate (NSA)	5.3	4.8	4.6	3.9	3.3	3.6	4.6	4.0	4.2
3	GDP/GSP/GMP ¹	2.6	1.6	2.2	3.6	3.3	3.4	2.8*	2.0	2.7
4	Non-Agricultural Employment	2.1	1.8	1.5	3.0	2.5	2.5	3.2	2.8	2.8
5	Total Wages & Salaries	4.6	4.6	5.4	5.6	5.3	5.4	5.7	4.9	4.9
6	Consumer Price Index (CPI) ²	0.1	1.4	2.0	1.2	2.0	2.4	n/a	n/a	n/a
8	Per Capita Personal Income	3.6	3.2	3.7	3.2	3.1	3.3	3.4*	3.6	3.3
9	Retail Sales	2.2	4.0	4.0	4.9	4.3	5.2	4.2	4.4	4.5
10	Single Family Housing Permits ³	12.4	7.7	14.3	8.3	18.9	9.1	13.5	9.0	n/c

Sources: Colorado Office of Budgeting and Planning, June 2016 Revenue Forecast; Federal Reserve Bank of St. Louis; U.S. Bureau of Economic Analysis; U.S. Census Bureau; The American Institute of Architects; Kiplinger; UCCS Economic Forum

¹ GMP is for the Colorado Springs MSA and not El Paso County.

² Colorado CPI is actually the Denver/Boulder/Greeley CPI.

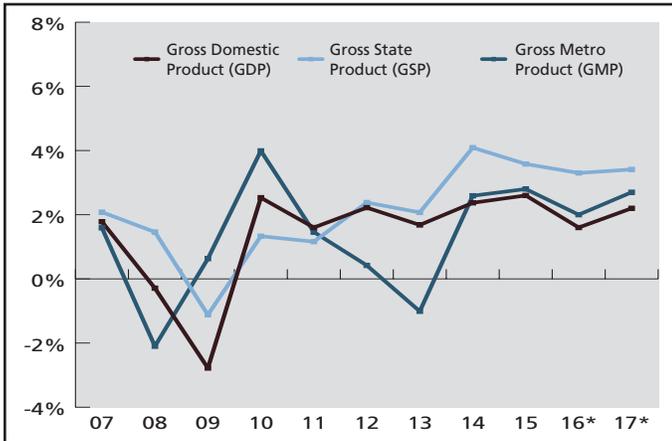
³ Includes single family detached and townhome units. N/C indicates no change over the previous year.

*Estimate/projection

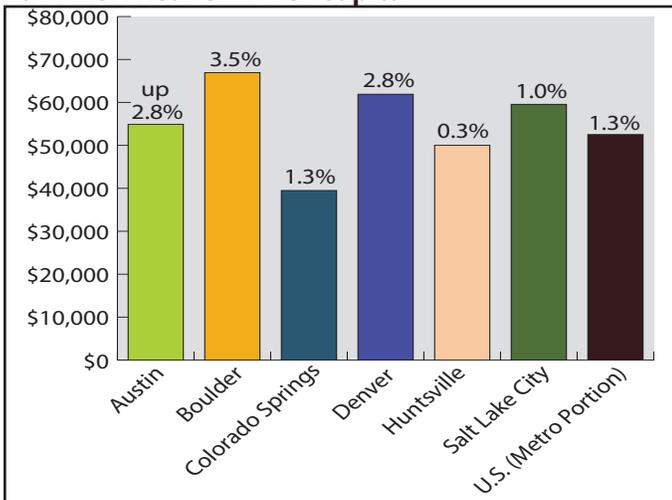


BIG PICTURE INDICATORS

Growth in Real Gross Domestic Product (GDP), Gross State Product (GSP) and Gross Metropolitan Product (GMP)

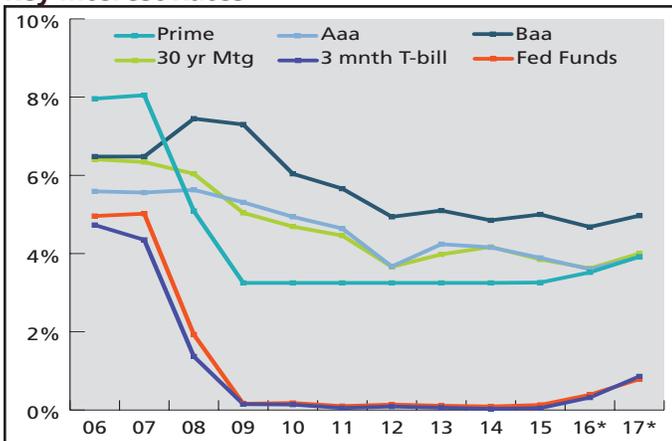


2014 MSA Real GMP Per Capita



Note: Military data is included in both GMP and population. Real GMP is adjusted for regional price differences (RPP). Percentage change compares 2014 to 2013 Per Capita Real GMP.

Key Interest Rates



* Colorado Office of State Planning and Budgeting and UCCS Economic Forum forecasts. Key Interest Rates were Wells Fargo forecasts. GMP forecasts for Colorado Springs MSA in 2015, 2016 and 2017 were estimated by the UCCS Economic Forum.

Sources: U.S. Bureau of Economic Analysis, Colorado Economic Perspective; Office of State Planning and Budgeting; Federal Reserve Bank of St. Louis; IHS Global Insight (USA), Inc.

WHY ARE THESE IMPORTANT?

Gross domestic product (GDP) is one of the primary indicators used to gauge the health of the nation's economy. GDP is the monetary value of all finished goods and services produced within a country's border in a specific time period, usually a year. The Bureau of Economic Analysis also measures gross state product (GSP) and gross metropolitan product (GMP) which are state and local equivalent measures of GDP.

Interest rates are the cost of financing and the reward on investments. Low interest rates encourage borrowing and discourage investment. A notable exception to this is a low interest rate that encourages the investment of buying a home.

HOW ARE WE DOING?

Based on the real GDP series from the U.S. Bureau of Economic Analysis, growth in real GDP was 2.6 percent in 2015 versus a 2.4 percent increase in 2014. The latest GDP estimates indicate the economy will grow 1.6 percent in 2016. Preliminary projections for 2017 suggest real GDP will grow by 2.2 percent.

Colorado's real GSP grew by 3.6 percent in 2015. Informal estimates from the Colorado Office of State Planning and Budgeting expects GSP to grow by 3.3 percent in 2016 and 3.4 percent in 2017.

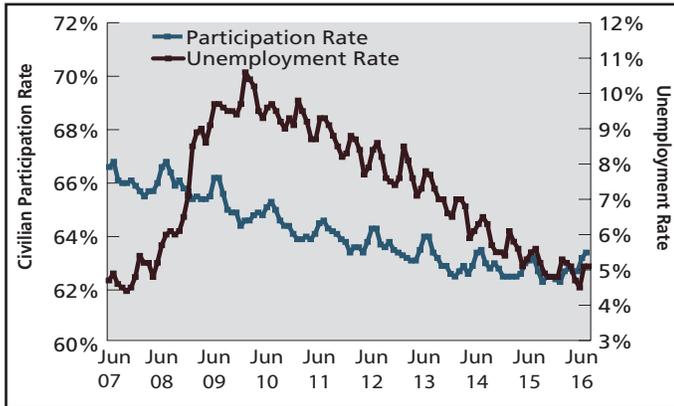
The GMP for Colorado Springs MSA in 2015 is estimated to be about 2.8 percent (final numbers have not been released). It is expected to increase by 2.0 percent in 2016 and 2.7 percent in 2017. The chart to the left shows percentage change in GMP per capita for our region as well as other MSAs and U.S. (metro regions). It is important to remember that although our region could definitely improve in terms of GMP, our younger average age will pull down this metric. The median age in the U.S. in 2014 was 37.7 years, whereas it was 33.8 years in El Paso County (see page 13).

The prime interest rate continued to be at historic lows during 2016. This rate, which is the interest rate used by banks, was 3.25 percent for almost all of 2015 and then there was a modest increase at the end of the year (up 0.01%). Interest rates have been kept low to help stimulate the economy although there is now some concern that keeping rates this low is artificially inflating expectations for businesses due to the (current) low cost of borrowing. As of August 2016, the prime interest rate is 3.5 percent. The federal funds rate, the rate the Federal Reserve charges banks for overnight loans, has been close to zero since 2009. This rate has been kept low to encourage private banks to lend money (also with the end goal of stimulating the economy). In August 2016, the fed funds rate was 0.4 percent. As of the time of publication, there is still much speculation about when the Federal Reserve will increase interest rates again. It seems unlikely that there will be a rate hike in September given some mixed economic signals in August as well as the uncertainty of the election. It is still possible, however, that there will be a modest increase at the end of 2016. It is worth noting that the low interest rates continue to be a major factor in the robust housing market. By the end of 2017, Wells Fargo projects that the prime rate will increase to 3.92 percent and the Fed Funds rate will increase to 0.79 percent.



BIG PICTURE INDICATORS

U.S. Civilian Participation & Unemployment Rates (NSA)

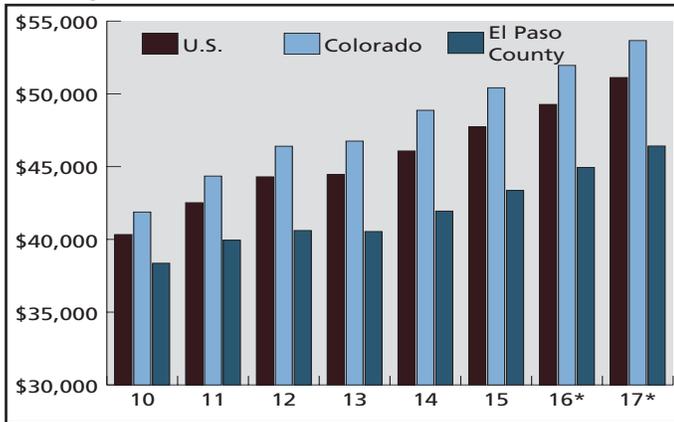


WHY ARE THESE IMPORTANT?

The civilian participation rate is important to track because it indicates what percentage of the working population considers themselves as active members of the workforce. A higher civilian participation rate is good because it increases U.S. productivity, GDP and the tax base, while reducing transfer payments such as unemployment and welfare.

Per capita personal income is measured by taking the total income in a region or country and dividing by the total population. Amounts are calculated before taxes and are not adjusted for inflation. This metric is not the “average income” for individuals since the calculation includes children and non-working individuals. The measure can be pulled down by a large dependency ratio (e.g. a high proportion of children and other dependents). Our region’s lower per capita income can partially be explained by our lower median age as described on the previous page (see GMP per capita).

Per Capita Personal Income



HOW ARE WE DOING?

The civilian participation rate continues to be at historic lows. Prior to the recession, approximately 67 percent of the possible working population chose to be part of the active labor force. During the recession, this rate fell, which is characteristic of recessionary periods as more workers become disgruntled. However, the rate has continued to fall, and as of August 2016, the civilian participation rate was 62.8 percent. Some of this is likely attributable to the aging of the U.S. population, but some of it is also due to a misalignment between available jobs and educational/vocational training.

Estimated local per capita personal income grew 3.4 percent to \$43,359 in 2015. By comparison, the U.S. personal income grew by 3.6 percent and Colorado’s personal income grew by 3.2 percent. The Forum projects local per capita personal income will experience 3.6 percent growth in 2016 (to \$44,942) and 3.3 percent growth in 2017. Projected gains for the U.S. are 3.2 percent (2016) and 3.7 percent (2017). For Colorado, projected gains are 3.1 percent (2016) and 3.3 percent (2017).

* Office of State Planning and Budgeting and UCCS Economic Forum forecast
Sources: U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics

WHY IS THIS IMPORTANT?

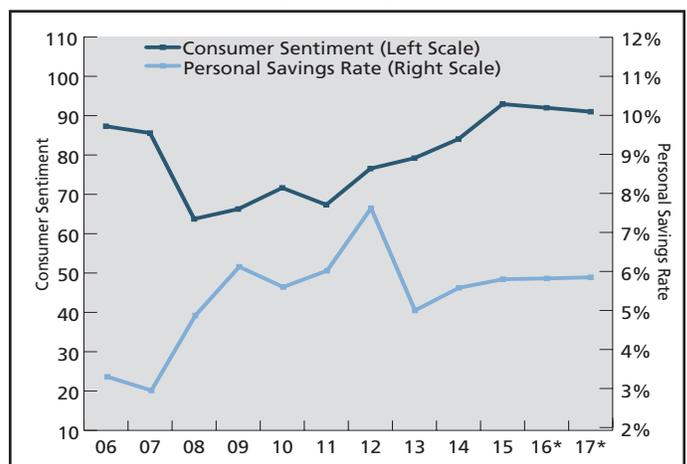
Approximately two-thirds of the American economy is driven by consumer spending. Consumer sentiment is highly correlated to how much individuals are willing to spend. Hence, an understanding of consumer confidence in the economy and expected spending patterns over the next twelve months are essential to effective planning for most businesses. Consumer sentiment measures confidence using 1996-97 as the base year (1996-97=100). The personal savings rate measures the percent of income put into savings, and it is inversely correlated with consumer sentiment. Higher savings rates often indicate that individuals are not as confident about spending any extra money they have, but those saved dollars do create consumption capacity for the future.

HOW ARE WE DOING?

As would be expected, consumer sentiment and confidence had a precipitous fall in the time leading up to and during the recession, hitting a bottom value of 63.75 in 2008. After this low point, national sentiment slowly recovered, although not as quickly as it has in other “recovery” periods. As of August 2016, consumer sentiment was at 89.8. The graphical representation depicts annual averages.

Especially in the past two years, the robust consumer confidence has fueled demand for cars, homes, durable goods, and general retail. This has proven to be a stronghold for the U.S. economy. While consumers have been confident, the savings rate has been low (5.80 in 2015). Given the more favorable, national economic indicators, it is likely that this general trend of higher consumer sentiment and steady savings rates will con-

Consumer Sentiment and Personal Savings Rate Baseline index =100 (1996-97)



* UCCS Economic Forum forecast
Sources: University of Michigan (Tatiana Bailey’s alma mater); Federal Reserve Bank of St. Louis

tinue into the remainder of 2016 as seen in the graph. The Forum projects consumer sentiment for 2016 will be approximately 92.0, and for 2017, it will be 91.0. The projected, personal savings rate will be 5.82 for 2016 and 5.85 for 2017. These projected rates translate into little change compared to 2015.



BIG PICTURE INDICATORS

WHY IS THIS IMPORTANT?

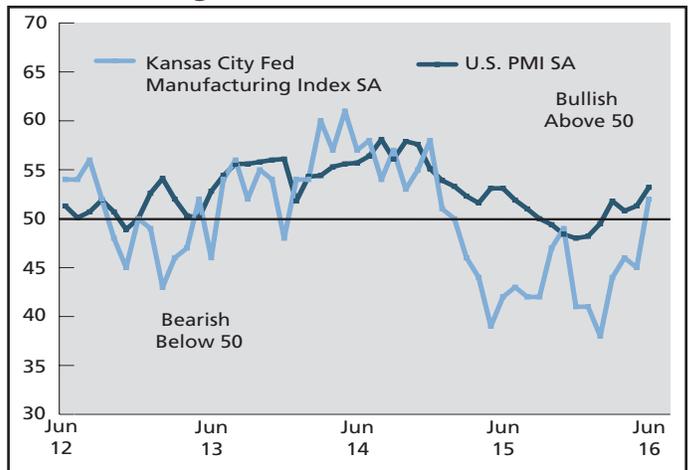
The manufacturing index, also called the purchasing managers index (PMI), is a leading economic indicator measuring the relative health of the manufacturing sector. The manufacturing index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. A manufacturing index of more than 50 represents expansion of the manufacturing sector, compared to the previous month. A reading under 50 represents a contraction, while a reading at 50 indicates no change.

HOW ARE WE DOING?

The Kansas City Federal Reserve region and the U.S. as a whole experienced declines in the PMI beginning in the spring of 2011 and have experienced highs and lows since then. As of June 2016, the PMI for the seven states that comprise the Kansas City Federal Reserve region was 52.0, and for the nation it was 53.2. Year to date, the average PMI for the Kansas City region has been 44.3, whereas it has been 50.8 in the U.S. As stated above, any value for the index above 50 means the manufacturing sector expanded compared to the previous month; or in other terms, the index is “bullish” at values above 50.

The lower PMI in the Kansas City region is largely due to the continued contraction of the oil and gas industry.

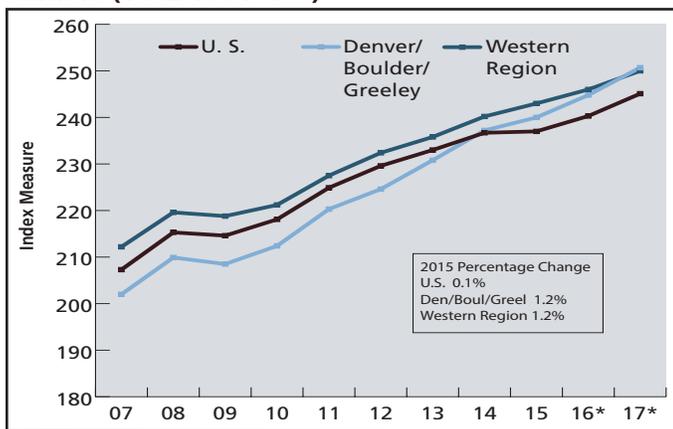
Manufacturing Index



Sources: Institute of Supply Management; Federal Reserve Bank of Kansas City

June 2016	
Kansas City Fed Manufacturing Index SA	U.S. PMI SA
52.0	53.2

The Western Region, Denver/Boulder/Greeley and U.S. Consumer Price Indices (CPI) for all Urban Consumers (1982-1984=100)



* Colorado Office of State Planning and Budgeting and UCSS Economic Forum forecasts

Sources: U.S. Department of Labor, Bureau of Labor Statistics

WHY IS THIS IMPORTANT?

The consumer price index (CPI) measures the average price change (inflation) for a basket of goods and services selected by the U.S. Department of Labor, Bureau of Labor Statistics. The CPI measures the period-to-period loss of purchasing power of a dollar caused by rising prices. The CPI is often used to compute real wages, income and wealth to determine whether consumer purchasing power and household wealth are increasing, decreasing, or remaining constant in “real” terms.

The Fed prefers a CPI increase of around 2 percent. Although lower prices are desirable, prices that rise too slowly or even fall can have negative effects on the economy if consumers and businesses delay their consumption and investment (thinking prices will fall further) and by making loans more expensive to service (banks receive fewer dollars on fixed rate loans when low inflation expectations are built into loans they make today).

HOW ARE WE DOING?

The Denver/Boulder/Greeley CPI rose 1.2 percent in 2015 after increasing 2.8 percent in 2014. Inflation is expected to be 2.0 percent in 2016 and 2.4 percent in 2017 for the Denver/Boulder/Greeley CPI. The Forum is now tracking the “Western Region” CPI since the Denver/Boulder/Greeley measure is quite high due to inflationary pressures in that part of the state. The Western region is also higher than the U.S., but not growing as quickly as the Denver metric. Hence, it may be a more accurate measure of our regional CPI.

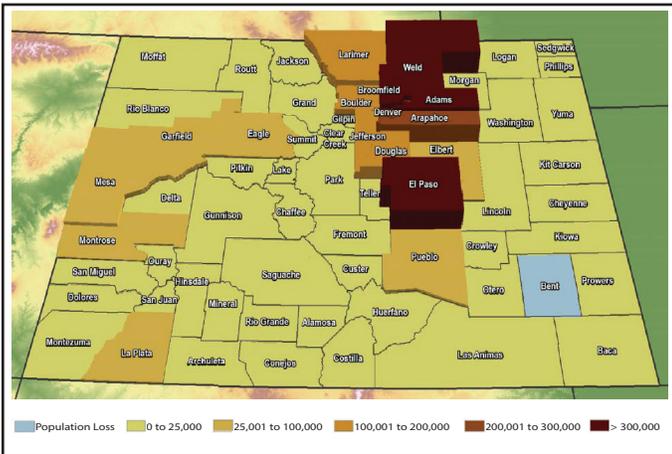
The U.S. urban CPI rose 0.1 percent in 2015 after increasing 1.6 percent in 2014. U.S. inflation is expected to be 1.4 percent in 2016 and 2.0 percent in 2017.

The Colorado Office of State Planning and Budgeting provided the 2016 and 2017 forecasts for both Denver/Boulder/Greeley CPI and U.S. CPI.



DEMOGRAPHIC INDICATORS

Projected Population Change: 2010 to 2040



Source: Colorado State Demography Office

WHY ARE THESE IMPORTANT?

Population growth is important because it influences the labor market, education and other infrastructure needs, the tax base, the future planning and conservation of resources, as well as the health of the economy in general. Understanding population trends helps government officials, businesses and others plan for the future. Population estimates are used for planning and evaluation, state revenue sharing, and distribution of funds by public and private agencies.

Population changes come from natural increase (births minus deaths) and from net in-migration (or out-migration). The sum of these components is the change in population. Identifying trends in these indicators helps project future changes in the county's population, the workforce, and the proportion of the population that is dependent on the workforce, such as children and the non-working elderly. Knowing these trends helps us understand all of these groups' respective impact on the economy.

HOW ARE WE DOING?

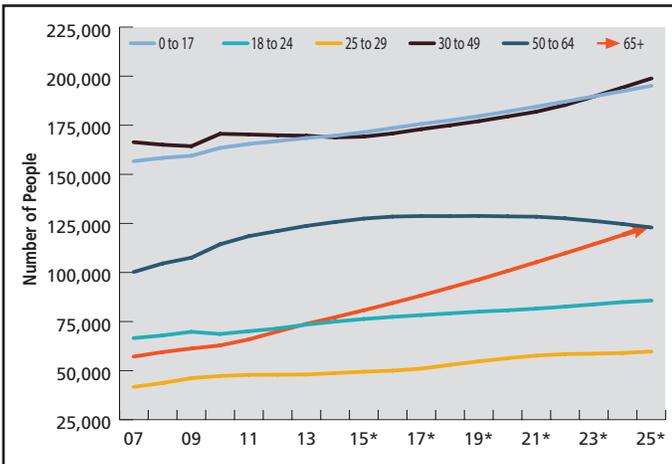
There was a slowdown in the rate of population growth in El Paso County if you compare the 1990s to the 2000s. El Paso County's population grew at an average annual rate of 3.2 percent from 1990 to 2000, whereas it grew only 1.9 percent from 2000 to 2010 according to the census counts. The Colorado Department of Local Affairs estimates El Paso County's population to be 694,967 by 2017, an increase of 3.0 percent (or 20,338 people) from 2015 to 2017.

However, if we look at the information compiled by the Colorado State Demography Office, El Paso County is projected to be one of four counties in the state to have a population increase of at least 300,000 between 2010 and 2040 as can be seen on the map. An increase of this magnitude will have large implications for residents, government and businesses.

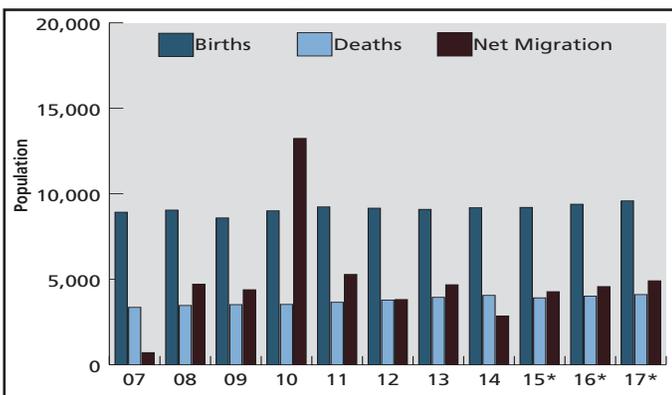
The second graph shows that the projected increases will be seen mostly in the age 65 and older cohort, but also in the 30 to 49 year old group, which is favorable given that those are the prime working ages. Increases will also be seen in the ages leading up to that cohort (ages 0 to 29), while there are projected decreases for the pre-retirement cohort (ages 50 to 64).

The natural increase (births minus deaths) in the population was estimated to be 5,291 in 2015 and net in-migration was 4,269. Projections from the Colorado Department of Local Affairs have births increasing modestly, but have a relatively large, projected in-migration increase for 2016 (4,569) and a larger increase for 2017 (4,906).

El Paso County Annual Population Projections by Age Group



Births, Deaths and Migration in El Paso County



* Colorado Department of Local Affairs estimates
Source: Colorado Department of Local Affairs, State Demography Office

2014 Median Age	
<i>El Paso County</i>	<i>United States</i>
33.8	37.7

Source: U.S. Census Bureau, American Community Survey



EMPLOYMENT & WAGE INDICATORS

WHY ARE THESE IMPORTANT?

The number and types of jobs available and filled is perhaps the most important indicator of economic health and sustainability in a given community. While the presence of large, profitable companies in a community is a positive thing, approximately 50 percent of private sector employment derives from small businesses (defined as 500 employees or less). Since the recession, almost 70 percent of new jobs were from small businesses. This means that entrepreneurial, start-up companies are central to regional economic prosperity. Likewise, a healthy number of small companies usually means economic diversity, which is also of paramount importance since it is risky for a region to be too dependent on one or a few employers (e.g. the military).

The unemployment rate represents the percentage of people who are looking for work who do not have jobs. There will always be some unemployment due to seasonal factors, workers between jobs, recent graduates looking for work and other causes. The optimum scenario that government, businesses and households hope for is one where unemployment for individuals is temporary, there are enough jobs for job-seeking individuals, and there are enough skilled workers for businesses to fulfill their production needs. Comparisons in the unemployment rate provide information about how well our region is doing with respect to job and workforce availability.

HOW ARE WE DOING?

The Quarterly Census of Employment and Wages (QCEW) total employment in the county just prior to the recession in 2007 was 247,123. As of 2015, total employment was 256,706, which represents a 4 percent increase (or 9,583 jobs). However in that time period, the population grew by 15 percent (or 85,858 people).

The U.S. unemployment rate for 2014 was 6.2 percent and fell to 5.3 percent in 2015. Colorado's unemployment rate fell from 5.0 percent in 2014 to 3.9 percent in 2015. For El Paso County, the rate moved from 6.0 percent in 2014 to 4.6 percent in 2015 (all data not seasonally adjusted).

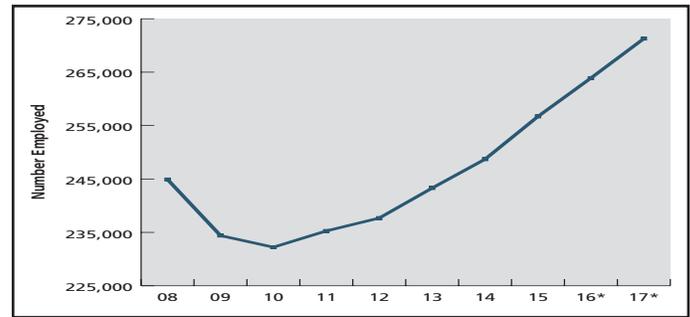
Colorado is outperforming the nation with a 4.0 percent non-seasonally adjusted unemployment rate in June of 2016, a 5.1 percent rate for the U.S. and a 4.7 percent rate for El Paso County. The Colorado Office of Planning and Budgeting projects the state non-seasonally adjusted unemployment rate will average 3.3 percent in 2016 and 3.6 percent in 2017, indicating continued, robust growth in the overall state economy. The Forum projects El Paso County unemployment will average 4.0 percent in 2016 and 4.2 percent in 2017. Both the state and El Paso County are projected to outperform the nation in terms of employment trends.

The Colorado Department of Labor reported that 16 of the 21 NAICS sectors in El Paso County saw job growth in 2015. Significant job gains took place in health care & social assistance (2,082 jobs), accommodations & food services (1,408), professional & technical skills (889), retail trade (872), construction (844), administrative & waste services (683), other services (623), and a few other sectors. Job losses took place in information (-212), manufacturing (-176), utilities (-30), management (-15), and mining (-4). The graph to the right shows how selected sectors have changed since 2006.

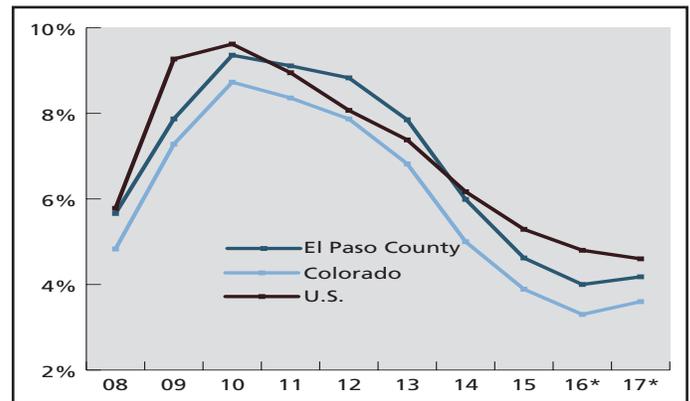
Nineteen sectors saw increases in their average wage. Notable increases took place in agriculture, forestry, fishing & hunting (21.2%), management of companies & enterprises (14.2%), real estate, rental & leasing (7.5%), and arts, entertainment & recreation (7.3%). Decreases took place in mining (-4.5%) and manufacturing (-1.0%).

Recent QCEW data from the first quarter of 2016 shows that El Paso County average weekly wages are 17.0 percent lower than the Colorado average weekly wages as seen in the table to the right.

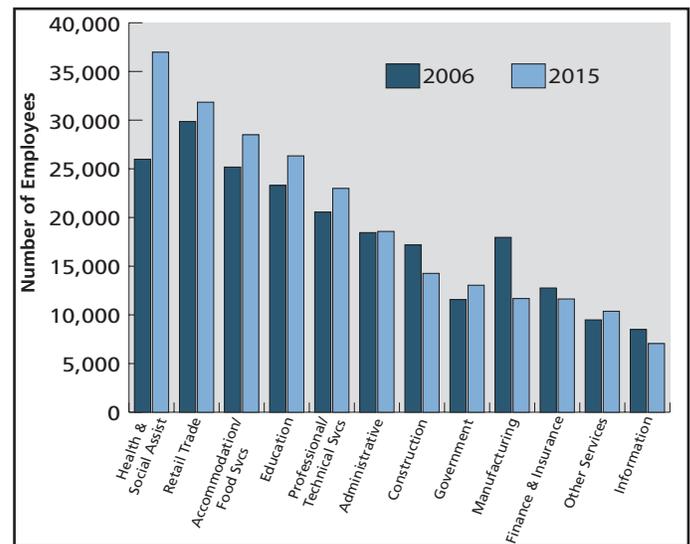
Total QCEW Employment in El Paso County



The Unemployment Rate in El Paso County, Colorado and the U.S. (NSA)



El Paso County Employment in Selected Sectors for 2006 and 2015



2016 Q1 for All Industries		
Colorado Average Weekly Wage	El Paso County Average Weekly Wage	El Paso County Total Employment
\$1,057	\$877	257,753

* UCCS Economic Forum forecast

Sources: U.S. Department of Labor; Colorado Department of Labor and Employment, Labor Market Information, Quarterly Census of Employment and Wages (QCEW)



EMPLOYMENT & WAGE INDICATORS

El Paso County Average Annual Employment and Wages by Industry Classification in 2014 and 2015							
Industry Code ¹		2014			2015		
		Employment	Percent of Total Employment	Average Annual Wage	Employment	Percent of Total Employment	Average Annual Wage
62	Health Care & Social Assistance	34,896	14.03	\$46,956	36,978	14.40	\$48,308
44-45	Retail Trade	30,971	12.45	\$27,976	31,843	12.40	\$28,756
72	Accommodation & Food Services	27,088	10.89	\$17,316	28,496	11.10	\$18,044
61	Educational Services	26,178	10.53	\$37,232	26,332	10.26	\$38,012
54	Professional & Technical Services	22,097	8.88	\$83,356	22,986	8.95	\$84,812
56	Administrative & Waste Services	17,890	7.19	\$35,048	18,573	7.24	\$36,036
23	Construction	13,419	5.40	\$48,048	14,263	5.56	\$49,140
31-33	Manufacturing	11,854	4.77	\$59,748	11,678	4.55	\$59,176
52	Finance & Insurance	11,611	4.67	\$58,864	11,634	4.53	\$62,504
81	Other Services	9,693	3.90	\$39,052	10,316	4.02	\$39,936
51	Information	7,267	2.92	\$72,956	7,055	2.75	\$75,036
42	Wholesale Trade	5,004	2.01	\$62,140	5,155	2.01	\$64,636
48-49	Transportation & Warehousing	4,827	1.94	\$43,836	5,041	1.96	\$44,512
71	Arts, Entertainment & Recreation	4,857	1.95	\$19,916	4,995	1.95	\$21,372
53	Real Estate, Rental & Leasing	4,070	1.64	\$37,648	4,325	1.68	\$40,456
22	Utilities ²	2,461	0.99	\$78,468	2,431	0.95	\$83,304
55	Management of Companies & Enterprises	1,120	0.45	\$109,928	1,105	0.43	\$125,528
11	Agriculture, Forestry, Fishing, & Hunting	249	0.10	\$22,776	307	0.12	\$27,612
21	Mining	96	0.04	\$72,332	92	0.04	\$69,056
99	Non-classifiable	32	0.01	\$53,300	56	0.02	\$56,732
	Total Non-Government	235,680	94.76	\$44,408	243,661	94.92	\$45,526
92	Government	13,021	5.24	\$65,624	13,045	5.08	\$66,456
	Total All Industries	248,701	100.00	\$45,500	256,705	100.00	\$46,592

Source: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages

¹Industry Codes are collapsed two digit NAICS codes

²Does not include Colorado Springs Utilities

HOW ARE WE DOING?

The table shows employment and wage information for twenty-one sectors in El Paso County for 2014 and 2015. Across all sectors, average wages increased in Colorado by 2.8 percent in 2015. Actual average wages went from \$52,728 in 2014 to \$54,184 in 2015 in the state. In El Paso County, wages went from \$45,500 in 2014 to \$46,592 in 2015 translating to a 2.4 percent increase in wages. It is important to note that the average wage in El Paso County in 2015 was 14.0 percent lower than it was in Colorado as a whole.



EMPLOYMENT & WAGE INDICATORS

Colorado Springs MSA: August 2016	
Total job openings	12,117
Average posting duration	44 days
Median salary of posted jobs	\$65,350
Colorado median salary	\$59,800
Top Job Titles	
Registered Nurse	769 jobs
Customer Service Rep	712 jobs
Software Engineer	680 jobs
Teller	527 jobs
Administrative Assistant	511 jobs
Sales Rep	479 jobs
Systems Engineer	418 jobs
Project Manager	416 jobs
Physical Therapist	410 jobs
Receptionist	388 jobs
Actual new jobs in El Paso County 2015 Q1 to 2016 Q1: 8,283	

WHY ARE THESE IMPORTANT?

In the past year, the Forum has started to track the number of job openings (labor demand) and the number of individuals seeking work (labor supply). This enables the community to gauge the health of the local labor market. Ideally, the gap between labor supply and labor demand is small. To provide further detail, the Forum is also tracking the types of jobs that are in highest demand. This can help inform job seekers, but

WHY ARE THESE IMPORTANT?

The military has been a part of the local economy since World War II. Approximately 55,000 military and civilian workers are employed by this sector at either the United States Air Force Academy (USAFA), Peterson, Schriever or Fort Carson.

HOW ARE WE DOING?

It has become increasingly difficult to obtain economic impact and employment information from the military installations. For this reason, the provided graphics have shaded bars to indicate estimates in 2013 for USAFA and Fort Carson and duplicated (actual) data from 2014 to create estimates in 2015 for USAFA, again due to missing information. Total military and civilian employment increased in 2015 at Fort Carson while it decreased at Peterson and Schriever. U.S. Airforce Academy data for 2015 was not available at the time of publication. When employment changes for the three military installations with 2015 data were combined, there was a 0.5 percent growth in employment compared to 2014. Of note, the Academy includes cadets and several kinds of contract workers, and Schriever included 4,826 civilian employees in 2015.

Updated information for 2014 showed a combined total of \$5.85 billion in economic impact from the military installations. In 2015, there was a slight decline from \$1.30 billion to \$1.27 billion for Schriever, \$2.31 billion to \$2.22 billion for Fort Carson, and \$1.29 billion to \$1.26 billion for Peterson. Combined, the economic impact was 2.5 percent lower in 2015 than in 2014, excluding the Academy data that was not available at the time of publication.

Monthly Labor Supply and Demand in Colorado Springs MSA

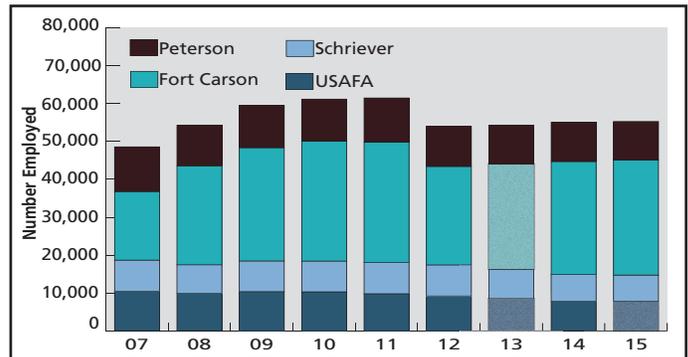


Table and Graph Source: Pikes Peak Workforce Center, WANTED Analytics™ also the relevant training institutions such as community colleges, industry training programs, and four-year universities.

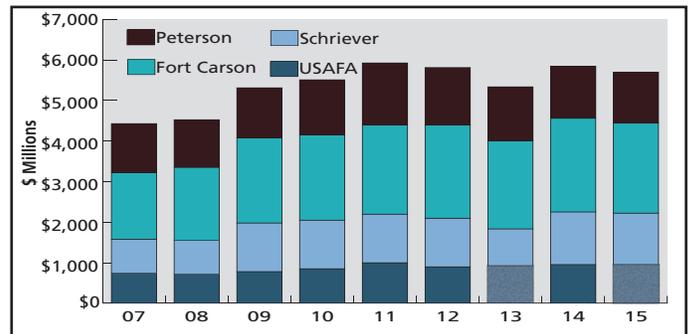
HOW ARE WE DOING?

As the graph shows, the gap between supply of labor and demand for labor was large during the recession, but that gap has closed significantly. In fact, for a short period during the summer of 2015, there were more job postings than there were people looking for work. Job postings can be a short-term prognosticator for employment as well as a good indicator of the health of businesses and the local economy overall. As the table shows, many of the posted jobs are professional jobs, which also bodes well for increasing the median salary in our region, which is higher than the Colorado median. According to QCEW data, there were 8,283 actual new jobs created from 2015 Q1 to 2016 Q1 in El Paso County.

Military Employment in El Paso County



Military Expenditures in El Paso County (\$ millions)

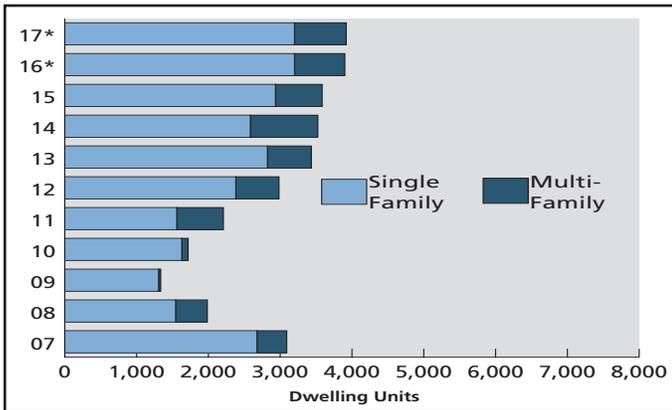


NOTE: Shaded data in 2013 indicate UCCS Economic Forum estimates. Shaded data in 2015 duplicates 2014 since data was not available at publication. Sources: The Colorado Springs Regional Business Alliance; Respective military installations; Department of Military and Veteran Affairs April 2015 report



REAL ESTATE INDICATORS

Residential Building Permits (Dwelling Units)



WHY ARE THESE IMPORTANT?

Residential building permits reflect the general demand for housing and also the type of housing that local residents prefer. If there is natural population growth and in-migration, there will be demand for new homes; and if consumer preferences lean towards new construction, the demand may be greater. El Paso County continues to have positive population growth with an annual rate of increase in 2015 of 1.4 percent. Given this continued growth and the projected high growth in the next 25 years, it is likely that demand for residential building permits will continue, especially if mortgage rates stay within reach during and after 2016 as the Fed retracts some of its quantitative easing.

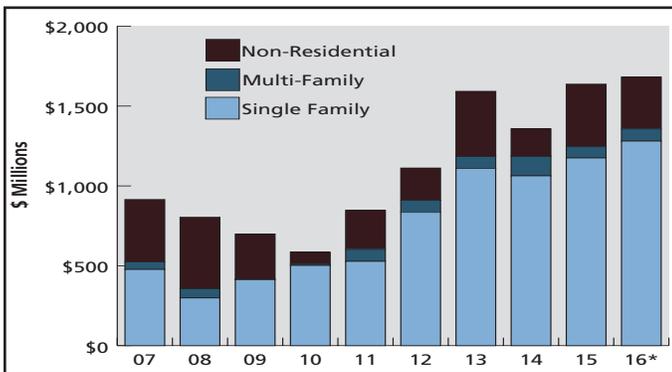
HOW ARE WE DOING?

Residential building increased from 2014 to 2015. There were 2,935 single family permits during 2015, which was a 13.5 percent increase from the 2,585 permits in 2014. Through July 2016, 2,041 permits have been issued whereas the comparable number for 2015 was 1,687. Estimates from the Forum have suggested that for the population size of Colorado Springs, roughly 4,500 building permits per year is a healthy equilibrium. This is important because housing "bubbles" have proven to be problematic for many communities.

After nearly nonexistent multi-family home building in 2009 and 2010, permits for this type of housing are rebounding nicely. In 2010, there were only 88 permits issued in Colorado Springs. In 2015, there were 650 permits issued.

The Forum tracks value of construction for the non-residential market. The higher value seen in 2013 was due to one very large project, the Southern Delivery System for Colorado Springs Utilities. This aberration makes the value of construction in subsequent years appear much smaller. The value of nonresidential construction did increase significantly again in 2015 (to \$392 million). Many commercial real estate brokers and lenders in the region have stated that there has been a marked increase in investment in commercial construction, especially from external investors.

Value of Construction (\$ millions)



* UCCS Economic Forum forecast
Source: Pikes Peak Regional Building Department

WHY IS THIS IMPORTANT?

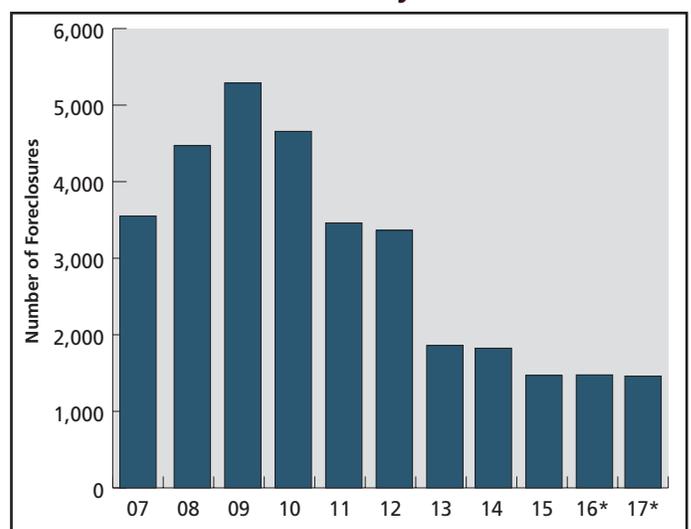
A negative indicator for the housing market is an increasing foreclosure rate. Foreclosures are normally used by economists as a lagging indicator since they tend to peak just about the time an economic recovery commences.

HOW ARE WE DOING?

There were 1,470 foreclosures in 2015, a decrease of 19.5 percent from 2014 when there were 1,825 foreclosures. Through June 2016, there were 738 foreclosures compared to 715 in June 2015. At the current rate, the Forum anticipates there will be 1,476 foreclosures in 2016 and 1,460 in 2017.

It appears that most of the correction in the market has occurred as most of the bad mortgages in the county have been worked through the mortgage industry. The number of foreclosures appear to be returning to normal. Remaining foreclosures depend on housing values, employment, and income levels of homeowners holding a mortgage. Interest rates remain low, making housing and a mortgage more affordable although there is now increasing talk of a rate hike in December of 2016. Qualifying for a new mortgage is more stringent as a result of reforms in Dodd-Frank, making lenders more cautious than they were before the financial crisis. Price appreciation in homes will raise equity value for homeowners, which decreases the number of upside-down mortgages. Most economists are predicting a very strong housing market for the remainder of 2016 and into 2017.

Foreclosures in El Paso County

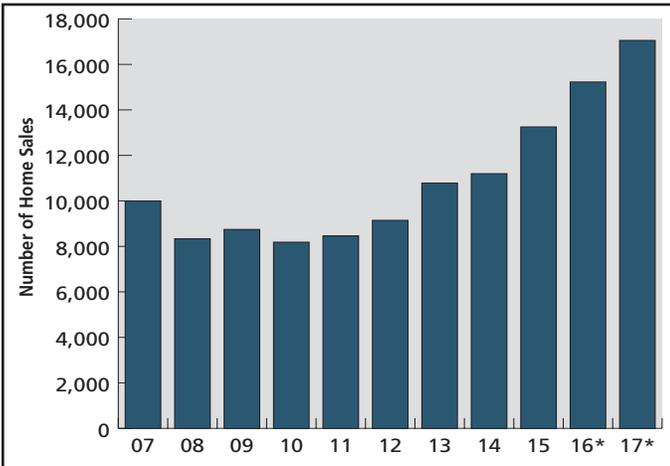


* UCCS Economic Forum forecast
Source: El Paso County Public Trustee

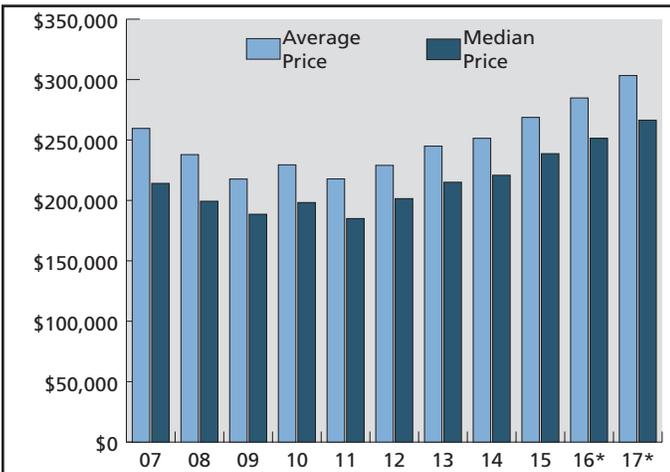


REAL ESTATE INDICATORS

Pikes Peak Region Home Sales



Pikes Peak Region Mean and Median Prices of Homes Sold



Median price calculated off of monthly data from Pikes Peak Association of REALTORS®.

*Pikes Peak Association of REALTORS® experts and UCCS Economic Forum forecasts

Source: Pikes Peak Association of REALTORS®

WHY IS THIS IMPORTANT?

Local electric sales and residential water accounts are good indicators of growth and economic activity. Active residential water accounts correlate with residential construction and housing market activity. Changes in electric sales-on-system capture both residential and commercial activity.

HOW ARE WE DOING?

Electric sales grew at an average annual rate of 4.2 percent from 1993 through 2000. Gigawatt sales increased slightly from 2014 (4,375 gigawatt hours) to 2015 (4,493 gigawatt hours). Colorado Springs Utilities projects local electric sales will increase slightly in 2016 and 2017. It is favorable that electricity usage is not increasing significantly despite population growth. This is likely due to energy efficiency and conservation efforts, which smart communities will pursue given longer-term projections for continued climate change.

The number of water accounts increased from 124,755 in 2014 to 126,181 in 2015. This increase in water accounts is due primarily to new home sales and population growth.

WHY ARE THESE IMPORTANT?

Home sales are an indicator of vitality in the local real estate market. An unusual drop in annual home sales could indicate a problem in one or more economic sectors.

Home values are one of the indicators of the wealth of the community. Home owners want to see an increase in the value of one of their largest assets. Home valuation forms the basis of local residential property taxes. Property taxes, in turn, are used to support public schools in the area.

HOW ARE WE DOING?

Housing sales peaked in 2005 at 13,118 before declining and leveling off in 2008 in the Pikes Pike region. Sales were 13,252 in 2015, up 18.4 percent (2,055 more sales than in 2014). Estimates are highly dependent upon general economic trends including job growth, possible mortgage rate increases in late 2016 and 2017, and other factors. The Forum forecasts home sales will increase 14.9 percent in 2016 to 15,228 and another 12.0 percent in 2017 to 17,055. These strong projections are based upon year-to-date activity and national trends.

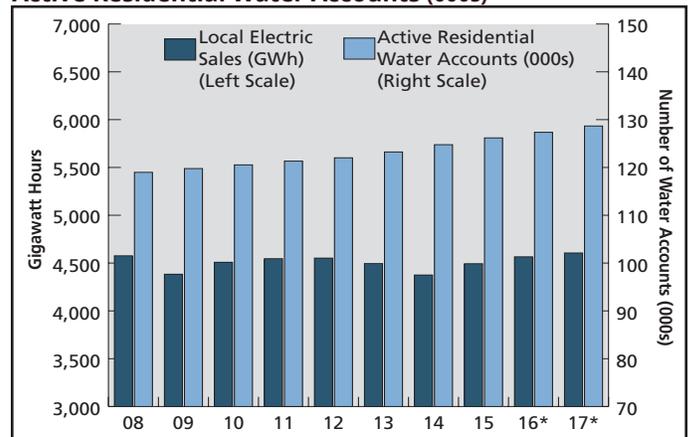
Current market conditions point to an average home sales price increase to \$284,809 in 2016, up 6.0 percent from \$268,688 in 2015 in the Pikes Peak region. The average price is expected to be \$303,322 in 2017. Similar gains are expected for the median price. A median price of \$251,351 is expected in 2016 compared to \$238,700 in 2015 (5.3% increase). Median prices are expected to be \$266,432 in 2017. The recovery in housing sales and prices reflects lower mortgage rates, an increase in population, higher employment levels, and a decline in available housing for sale. National experts are citing an expected 5 percent increase in average prices this year.

For comparative purposes, the table below shows housing price data for Colorado Springs, Denver, Boise and the U.S. Locally, we have higher prices than the U.S. and Boise, but significantly lower prices than Denver. We also have experienced year-to-year increases above the U.S. average.

2016 Q2 Median Home Price				
Location:	Colorado Springs	Denver	Boise	United States
Price:	\$259,300	\$394,400	\$208,200	\$240,700
1-year % Change:	5.9% increase	8.7% increase	9.5% increase	4.9% increase
MSA Rank:	34	14	69	n/a

Source: National Association of REALTORS®

Total Local Electric Sales on System (GWh) Active Residential Water Accounts (000s)



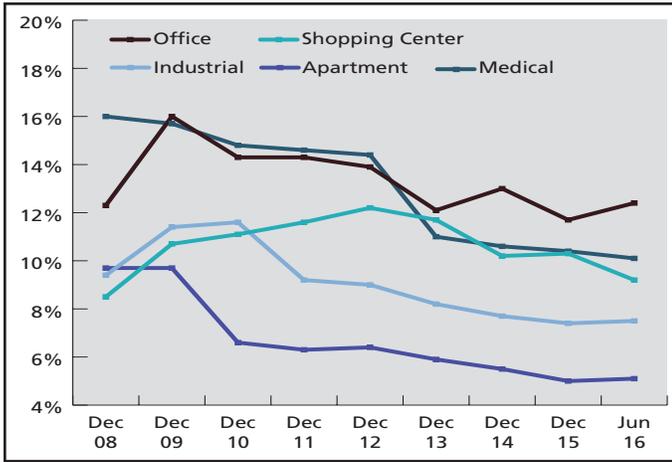
*City Utilities forecast

Source: Colorado Springs Utilities

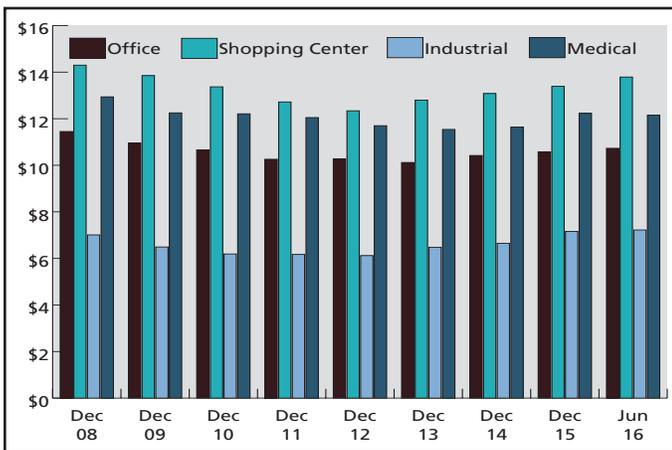


REAL ESTATE INDICATORS

Average Vacancy Rates for Apartment, Office, Shopping Center, Industrial and Medical Spaces



Average Asking Rents For Office, Shopping Center, Industrial and Medical Spaces



Vacancy Rates and Rents (per Sq. Ft. NNN)		
Property Type	2015	2016 Q2
Office	11.7% (\$10.58)	12.4% (\$10.73)
Industrial	7.4% (\$7.16)	7.5% (\$7.22)
Shopping Center	10.3% (\$13.39)	9.2% (\$13.79)
Medical	10.4% (\$12.23)	10.1% (\$12.15)
Apartments	5.0% (\$913.06)	5.1% (\$975.44)

Note: NNN stands for triple net lease, which means that the tenant is responsible for net real estate taxes on the leased assets, net building insurance and net common area maintenance.

Sources: Turner Commercial Research: Commercial Availability Report; Colorado Department of Local Affairs, Division of Housing

WHY ARE THESE IMPORTANT?

Vacancy rates are a key indicator of economic activity. Declining vacancy rates put upward pressure on lease rates. Low vacancy rates reduce location choices for businesses. The availability of adequate and affordable commercial space allows existing companies to expand and helps attract new companies to the area. This may be particularly relevant for Colorado Springs now given the quickly escalating lease rates in the Denver metropolitan area.

HOW ARE WE DOING?

Average vacancy rates were down in 2015 compared to 2014 in all categories except shopping center space. These rates dropped most notably in metro office space (from 13.0% in 2014 to 11.7% in 2015). Vacancy rates rose slightly in shopping center space (from 10.2% in 2014 to 10.3% in 2015). Industrial space vacancy rates also declined slightly from 7.7 percent in 2014 to 7.4 percent in 2015, and it has stayed steady during the first part of 2016. Industrial space across the state has been impacted by the marijuana industry. Apartment space vacancy rates went from 5.5 percent in 2014 to 5.0 percent in 2015. These 2015 rates have also stayed steady in the first half of 2016.

In 2015, average asking rents were up from their 2014 levels, and this trend continued through mid-2016 in all but medical office space as seen in the table to the left.

As of 2016 Q2, average asking rents for office space vary from \$8.39 in the southwestern section of the city to \$12.72 in the downtown area. Average vacancy rates are highest in the southeast part of the city at 21.6 percent and lowest in the western part of the city at 4.0 percent.

For industrial space, the lowest average asking rate is in the downtown area at \$4.10 per square foot and the highest rate at \$9.00 is in the southwest. Average vacancy rates are highest at 24.3 percent in the downtown area and lowest at 0.1 percent in the southwestern section of the city.

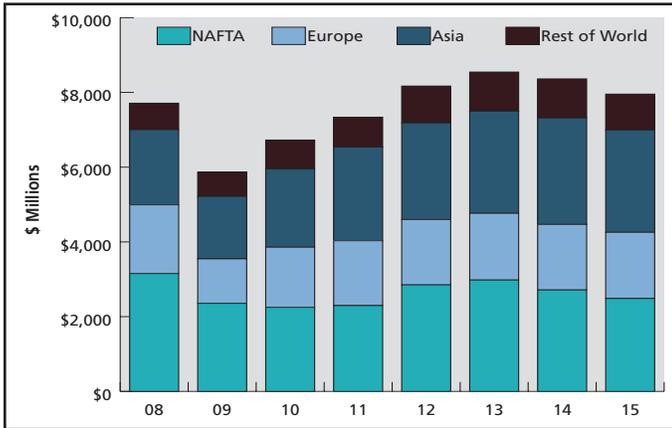
Average asking rents for shopping centers are highest in the southwest section of the city at \$16.85 and lowest in the central section at \$5.00. Average vacancy rates are highest in the downtown area at 20.5 percent and lowest in the western section of the city at 0.8 percent. Anchored shopping centers, which typically refer to malls that have large department stores as anchored tenants, have average vacancy rates of 6.0 percent, a rate much lower than the non-anchored shopping centers' average rate of 14.4 percent.

(Note: The average asking rents in the three paragraphs above are for the second quarter of 2016.)

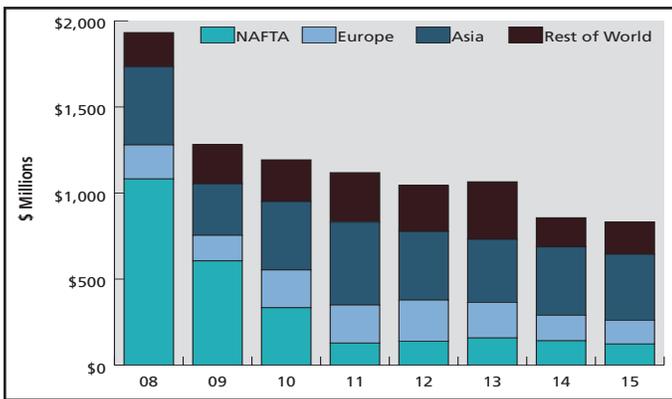


SALES & TAX INDICATORS

Colorado Exports to Selected Destinations (\$ millions)



Colorado Springs MSA Exports (\$ millions)



Source: Office of Trade and Economic Analysis, International Trade Administration

WHY ARE THESE IMPORTANT?

One indicator of the state and local competitiveness in a global economy is the ability to export goods and services. A higher level of export activity translates into more jobs in the state and local region and more income and wealth. Economies that expect to compete in today's global economy need to grow export activity.

HOW ARE WE DOING?

Exports declined in the State of Colorado to all regions except Europe from 2014 to 2015, with a net decrease of \$408 million (down 4.9%). Specifically, exports to Canada and Mexico (NAFTA) decreased \$228 million (8.4%) and exports to Asia decreased by \$110 million (3.8%) while exports to Europe increased \$17 million (1.0%). "Rest of the world" exports decreased \$87 million (8.3%).

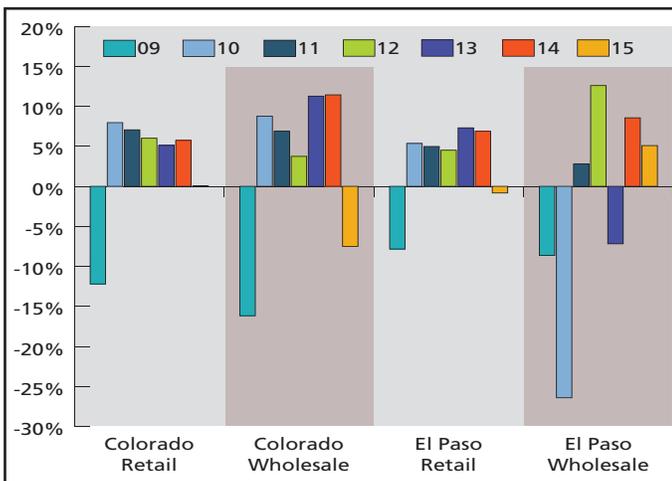
Fourteen of 31 manufacturing categories in Colorado increased exports. The largest percentage gains were in forestry products, \$3 million (75.7%); furniture & fixtures, \$12 million (38.5%); beverages & tobacco products, \$31 million (38.3%); plastic & rubber products, \$30 million (18.6%) and fabricated metal products, \$41 million (15.8%). Significant export declines took place in goods returned to Canada, -\$3 million (-80.2%); petroleum & coal products, -\$35 million (-62.7%); wood products, -\$22 million (-55.5%) and oil & gas, -\$40 million (-48.7%).

The second graph to the left shows that Colorado Springs exports have continued to decline since 2008, which is not a favorable trend. Exports have not rebounded since the recession. In fact, regional exports in 2015 were 56.9 percent of the 2008 levels.

In 2005, the percentage of state exports that derived from Colorado Springs was 24.9 percent. In 2015, regional exports only contributed 9.4 percent to the total, state exports although this represents a modest increase from 2014 levels.

Colorado Springs has not experienced the same increase in exports over the last several years as has been seen in many sectors across the state.

Growth in Retail and Wholesale Sales in Colorado and El Paso County



Source: Colorado Department of Revenue, Office of Tax Analysis

WHY IS THIS IMPORTANT?

Consumer spending is estimated to generate two-thirds of the total economic activity. Thus, growth in retail and wholesale sales are an important indicator of the strength of the local economy.

HOW ARE WE DOING?

Retail sales in El Paso County decreased 0.8 percent from 2014 (\$16.7 billion) to 2015 (\$16.5 billion). Colorado retail sales were up 0.1 percent from 2014 (\$182.7 billion) to 2015 (\$182.8 billion). Retail sales around the country have been declining in part due to the continued growth of online sales.

El Paso County wholesale sales, which tend to be more volatile than retail sales, increased 5.1 percent to \$4.2 billion in 2015 versus an 8.6 percent increase in 2014. Colorado wholesale sales decreased 7.5 percent in 2015. Wholesale trade volumes in a given community are highly correlated to the strength of the manufacturing sector. An increase in manufacturing presence in El Paso County would increase and strengthen wholesale and retail sales.



SALES & TAX INDICATORS

WHY ARE THESE IMPORTANT?

El Paso County is a major retail sales hub in southern Colorado. Retail sales provide information about consumer confidence and purchasing. Typically, retail sales are a good indicator of the economic climate in the region.

HOW ARE WE DOING?

The largest portion of retail sales went to motor vehicles in 2015 (28.3%). All retail sales categories increased in 2015, and the overall increase was 4.2 percent in 2015. Retail sales increased in electronic appliances & furniture (13.4%), clothing, health & personal care, sporting goods & hobby (10.6%), motor vehicles, auto parts & service stations (1.5%), food & beverage (0.9%), general merchandise (2.8%), building materials & nurseries (8.1%), and non-store retailers (7.0%).

Retail sales peaked in 2007 before declining through the recession. Retail sales have recovered in all categories and are now 28.0 percent higher than the previous peak. Since the 2007 peak, retail sales are up in electronic appliances & furniture (8.5%), clothing, health & personal care, sporting goods & hobby (37.2%), motor vehicles, auto parts & service stations (21.7%), food & beverage (47.8%), general merchandise (25.7%), building materials & nurseries (11.0%), and non-store retailers (38.5%).

At the time of publication, all of the first quarter of 2016 was not available, which is why only January/February data is included. Overall, the retail sector is expected to do well locally and nationwide as consumer confidence is forecasted to stay strong.

WHY ARE THESE IMPORTANT?

City sales and use tax revenues are used for municipal operations by the City of Colorado Springs for such purposes as law enforcement, fire protection, street repair and park maintenance. It is critical that these revenues increase along with community growth in order for the city to provide necessary services.

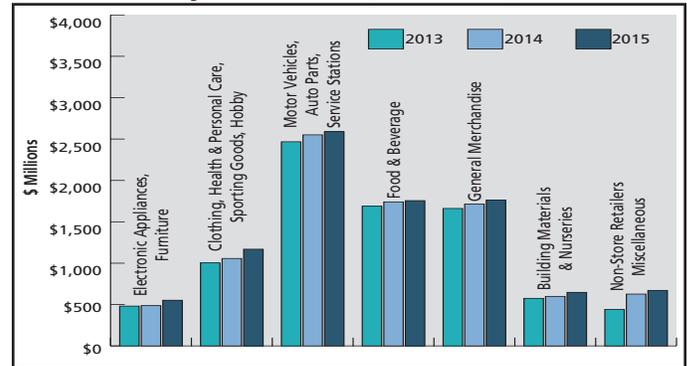
HOW ARE WE DOING?

City sales and use tax collections were \$148.7 million in 2015 (nominal dollars). This is \$6.6 million higher (4.6%) than in 2014. Through July 2016, combined sales and use tax collections were up \$4.02 million (5.7%) over the same period in 2015. The city expects sales and use tax collections will increase by 5.6 percent in 2016 to \$157.0 million and by 3.5 percent in 2017 to \$162.5 million. It is important, however, to account for concomitant increases in inflation (CPI - Western Region) and population. If we factor these in, "real" sales and use tax collections have been relatively flat (darker bars on the graph) and are expected to increase by 2.8 percent in 2016 and 0.3 percent in 2017 using Forum calculations.

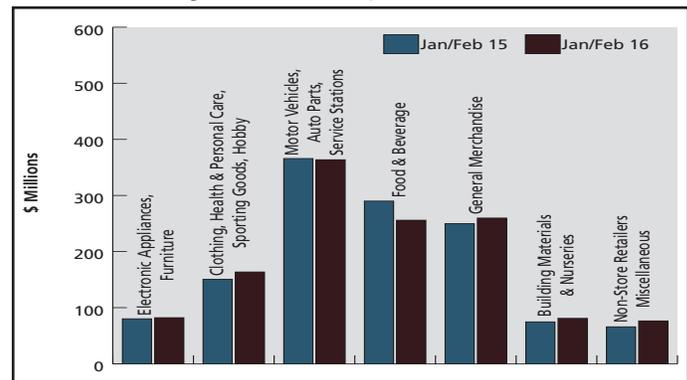
Through July 2016, all sales tax revenue categories were higher than year ago amounts except utilities (-11.1%), department & discounts (-6.5%), and auto dealers (-4.5%). The largest gains were in business services (51.0%), medical marijuana (25.6%), grocery stores (18.4%), and hotel/motel (15.7%).

At the national level, e-commerce activity declined sharply during the recession but still had modest, positive growth year to year during 2008 and 2009. The post-recession comeback reached an e-commerce sales growth high of 17.4 percent in 2011 and began the trend of slower growth in 2012. Statista forecasts e-commerce will increase 13.0 percent in 2016 and 12.2 percent in 2017. Conventional retail sales will most likely grow more slowly for both 2016 and 2017 at a 4 percent rate as projected by Kiplinger.

El Paso County Retail Sales (\$ millions)

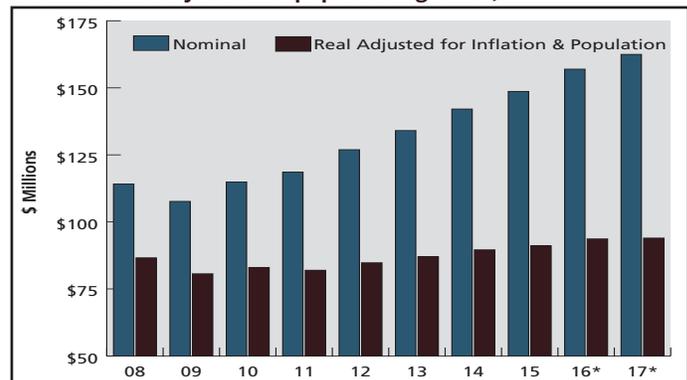


El Paso County Retail Sales Jan/Feb 2015/2016

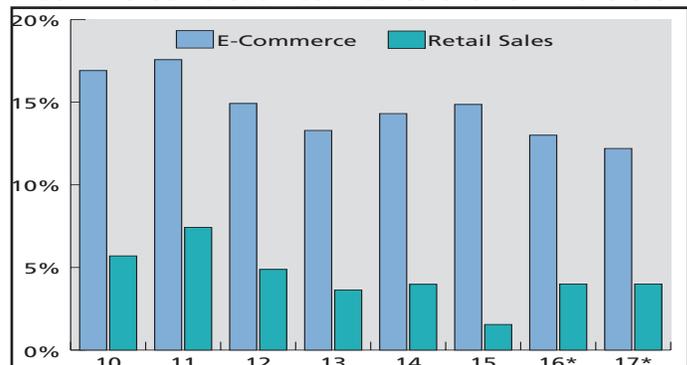


Source: Colorado Department of Revenue

Colorado Springs Sales and Use Tax Collections (Nominal in actual \$ millions. Real indexed for inflation: 2001=100 and adjusted for population growth)



E-Commerce versus Retail Sales Growth in the U.S.



* Forecasts by City of Colorado Springs, Statista and Kiplinger.

Sources: City of Colorado Springs; U.S. Department of Commerce



EDUCATION INDICATORS

During the 2014-2015 school year, Colorado began administering the Colorado Measures of Academic Success (CMAS) in language arts, math, science and social studies. These new computer-based assessments incorporate the Common Core State Standards in language arts and mathematics. Because of these changes, a new baseline is being established. Please visit the Colorado Department of Education website to see testing data (www.cde.state.co.us).

WHY ARE THESE IMPORTANT?

A skilled workforce is essential for an economy to be competitive in world markets. Completion of high school is the minimal requirement to obtain needed skills in the 21st century. High school graduation and dropout rates are indicators of possible future societal costs from underemployment or unemployment and low earning potential.

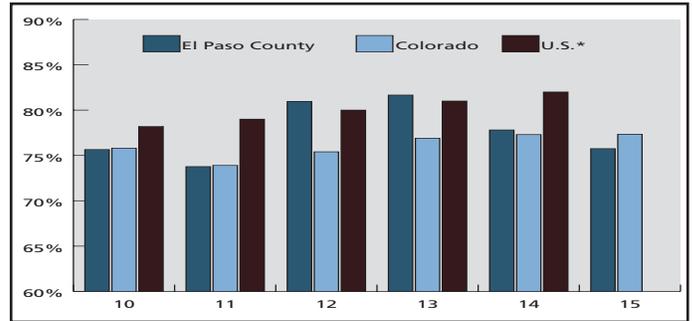
In a global economy, a multi-cultural, skilled workforce is a requirement for success. Providing a quality education to all ethnic groups is important to our economic well-being. Reducing the dropout rate for all ethnic groups is one important measure of success.

HOW ARE WE DOING?

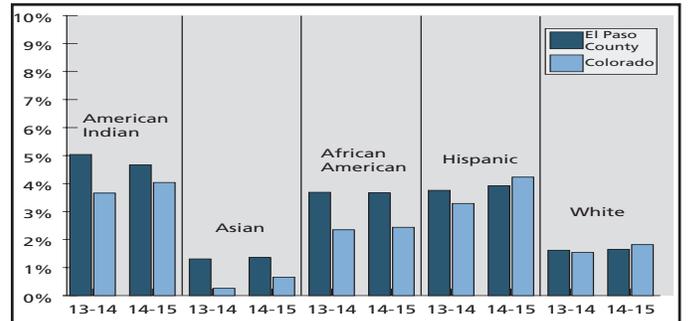
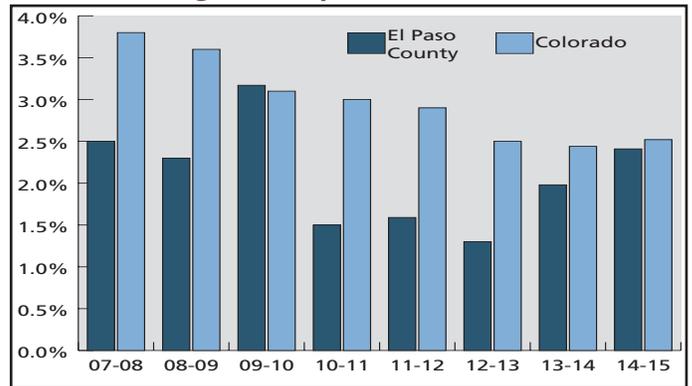
In 2010, the formula for calculating high school graduation rates in Colorado was changed to include only those students who graduate in four years to align with calculations made by other states. The El Paso County graduation rate improved to 81.7 percent in 2013 and then began to decline in 2014 (77.8%) and 2015 (75.7%). Part of this decline is due to the addition of a group of students in online schools who take longer than four years to graduate. In 2015, Colorado's graduation rate (77.3%) was higher than the overall rate for El Paso County, however with the exception of Colorado Springs District 11 (68.5%), Falcon (57.0%) and Edison (54.8%), all other El Paso County districts had higher graduation rates than the state.

Dropout rates in El Paso County increased from 2.0 percent in 2014 to 2.4 percent in 2015, but they stayed below the Colorado dropout rates of 2.4 percent in 2014 and 2.5 percent in 2015. Dropout rates in El Paso County are highest among American Indian/Alaskan Native and Hispanic students. Dropout rates are lowest among Asian and White students, which is consistent with national trends.

High School Graduation Rates



Grade 7 through 12 Dropout Rates



*Estimates based on state data collected by the U.S. Department of Education
Sources: Colorado Department of Education; U.S. Department of Education, National Center for Education Statistics

WHY IS THIS IMPORTANT?

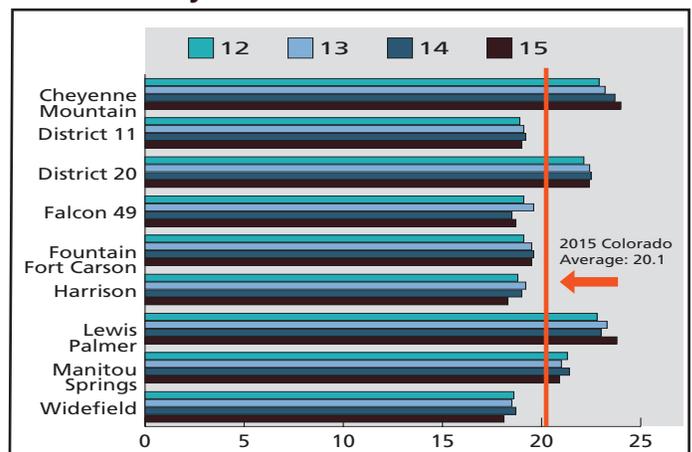
Academic performance of high school students is an important indicator of the knowledge base of the future workforce. In our high technology economy this is especially significant. The American College Test (ACT) is a comprehensive achievement test designed to predict how well high school graduates will do in their first year of college. Colorado is one of (only) thirteen states that require all high school juniors to take the ACT.

HOW ARE WE DOING?

In 2015, the Colorado Department of Education reported that Colorado juniors had an average ACT score of 20.1. This is down from 20.3 in 2014. Cheyenne Mountain (24.0), Falcon (18.7) and Lewis Palmer (23.8) were the three local districts with higher ACT scores in 2015 than 2014.

Of the thirteen states that required all high school students to take the ACT in 2015, Colorado and Illinois had the highest average composite score for sophomores, juniors and seniors combined at 20.7. Colorado creates a downward bias in ACT results by requiring all high school juniors to take the ACT, as indicated when comparing the required juniors' average score of 20.1 with the multi-grade score (20.7).

High School Junior ACT Scores in Selected El Paso County School Districts

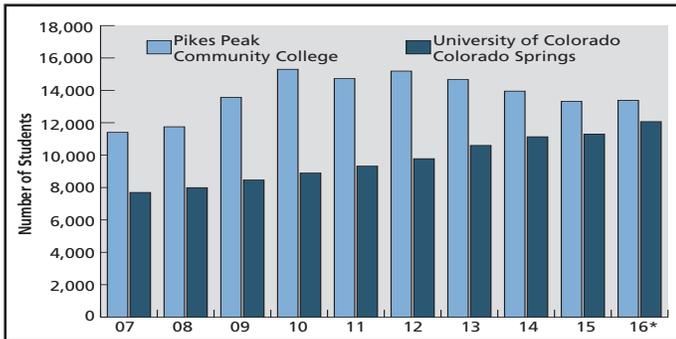


Sources: American College Testing program; Colorado Department of Education

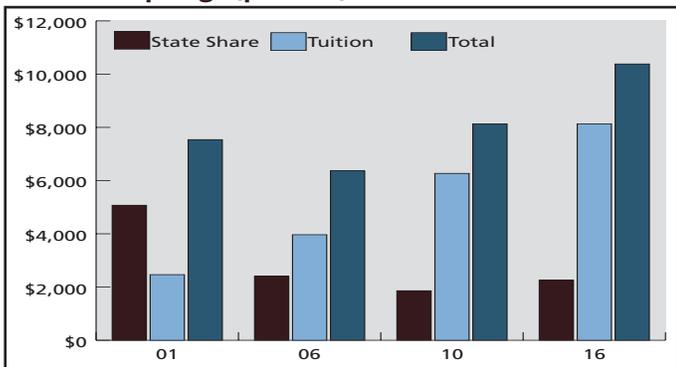


EDUCATION INDICATORS

Enrollments at Public Institutions of Higher Learning in El Paso County

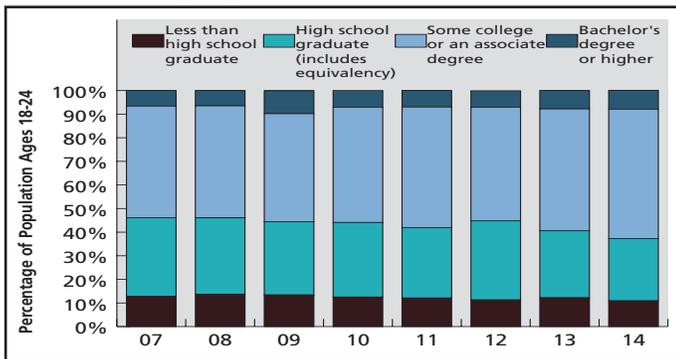


Funding Sources at the University of Colorado Colorado Springs (per FTE)

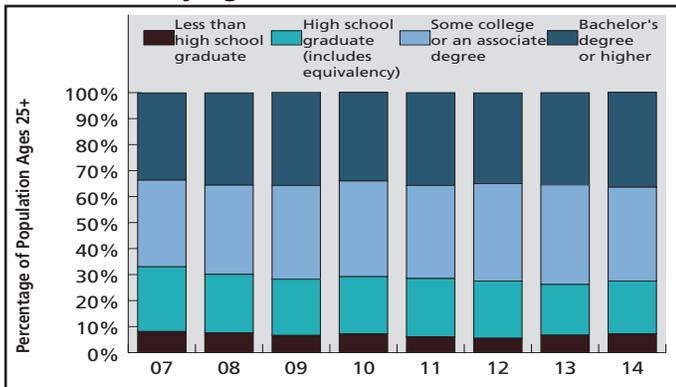


*2016 enrollments are estimated.
Sources: Strategy Management offices at Pikes Peak Community College and UCCS Institutional Research

El Paso County Ages 18-24 Educational Attainment



El Paso County Ages 25+ Educational Attainment



Source: U.S. Census Bureau, American Community Survey

WHY ARE THESE IMPORTANT?

With a population over 650,000 and a demand for skilled labor, El Paso County needs quality public higher education institutions capable of meeting community needs. A well-trained and educated workforce is essential for economic growth. Higher education enrollments are an indicator of the future supply of qualified workers.

HOW ARE WE DOING?

According to preliminary reports from the Office of Admissions and Records, enrollments at the University of Colorado Colorado Springs (UCCS) increased from 11,299 in 2015 to 12,068 students in the fall of 2016, an increase of 6.8 percent. This year marks the 20th anniversary of student housing on campus with almost 1,700 students moving in this fall. Since 2006, enrollments at UCCS have grown 59.9 percent (7,547 to 12,068). The Ent Performing Center is due to open in 2018 and the UCCS Sports Medicine and Performance Center is expected to open in 2019.

Pikes Peak Community College (PPCC) enrollments are expected to increase by 0.5 percent to 13,383 in 2016 from 13,317 in 2015. Enrollments are up 27.1 percent since 2006 (10,526 to 13,383) at PPCC.

Per student state support for an in-state freshman or sophomore at UCCS is 21.7 percent of the total per student revenue in 2016, down from 67.3 percent in 2001. This decline in state support across the country has called for creative and efficient university leadership and management. State support plus tuition per student went from \$7,538 in 2001 to \$10,380 in 2016, an increase of 37.7 percent. Allowing for inflation, per student total revenue increased 1.4 percent from \$7,538 to \$7,645 between 2001 and 2016. Having various, local higher educational institutions including UCCS, Colorado College, Pikes Peak Community College, the Air Force Academy and other smaller, local training institutions is an asset given the current and future workforce needs.

WHY ARE THESE IMPORTANT?

The higher educational attainment of a region's populace is important because well-trained individuals are necessary for business growth and therefore, overall economic growth. Seventy-four percent of jobs in the state will require some form of postsecondary education by 2020. This puts Colorado third in the nation in terms of postsecondary educational requirements.

HOW ARE WE DOING?

According to some recent research, Colorado Springs is the fifth most educated city in the U.S. For ages 25 and up in 2014, Colorado Springs had 37.2 percent of its population attaining a bachelor's or higher, which is comparable to the state (38.4%) and significantly higher than the U.S. (30.1%).

Similarly, Colorado Springs has a high proportion of its population with some college or an associate degree. In 2014, Colorado Springs had 35.1 percent of its population with this attainment level, which is significantly higher than the state (30.3%) and the U.S. (29.2%). The prospects for future business growth are higher when a community has the necessary learning institutions and programs in place that are well aligned with industry needs. For these reasons, the highly demanded jobs (page 16) are important to track as well as the relevant training programs in those job categories.

2014 Population with Bachelor's Degree or Higher			
	Colorado Springs (city)	Colorado	United States
Ages 18-24	9.5%	11.2%	10.1%
Ages 25+	37.2%	38.4%	30.1%
Population with Some College or an Associate Degree			
Ages 18-24	53.5%	48.3%	45.8%
Ages 25+	35.1%	30.3%	29.2%



QUALITY OF LIFE, TOURISM AND OTHER INDICATORS

WHY ARE THESE IMPORTANT?

Although income is an important indicator to track, it is also relevant to track mean household wealth. Wealth represents cash, investment income, retirement accounts and truly, all assets. Wealth is what helps individuals and families decide how to invest in larger assets such as their home. Purchasing a home is often the most significant and important investment decision families make. For this reason, housing affordability in a given region can be a pivotal factor in an individual's or family's decision making when choosing a place to settle.

HOW ARE WE DOING?

Although wages may not be as high in the Colorado Springs MSA, weighted median wealth is relatively high in our region (\$74,381) and in fact, slightly higher than Austin (\$72,821) and San Antonio (\$67,118). The relatively high wealth in Colorado Springs is likely a combination of the high educational attainment level and the high number of retirees. The housing affordability indices show that Colorado Springs is quite affordable compared to the other MSAs. A higher index is favorable because the index represents the ratio of what a homeowner can afford relative to what their average mortgage is. The graph shows that communities like Colorado Springs (166), Austin (169) and Salt Lake City (161) are much more affordable than Denver (129) and San Francisco (73), both of which have typical mortgages above what individuals and families can actually afford.

WHY IS THIS IMPORTANT?

As a city grows, increased traffic leads to congestion, longer travel times, and more pollution. Although roadway improvements can alleviate some congestion, it may not be the total solution. Communities interested in quality of life and mobility will seek alternatives to relieve traffic congestion. These may include expanding and improving public transit, better location planning and walking and biking infrastructure.

HOW ARE WE DOING?

The U.S. Census Bureau's American Community Survey has collected data on travel time to work for workers ages 16 and older who do not work from home. Travel time to work refers to the total number of minutes that it usually took the person to get from home to work each day during the reference week.

The Colorado Springs MSA had a mean travel time to work of 23.6 minutes in 2014, up from 22.1 minutes in 2007. Denver's mean travel time to work (27.4 minutes in 2014) is higher than the U.S. mean travel time to work (26.2 minutes). For comparative purposes, you can see that Boise (21.7 minutes) had a lower mean travel time than Colorado Springs in 2014 as did Salt Lake City (22.2 minutes).

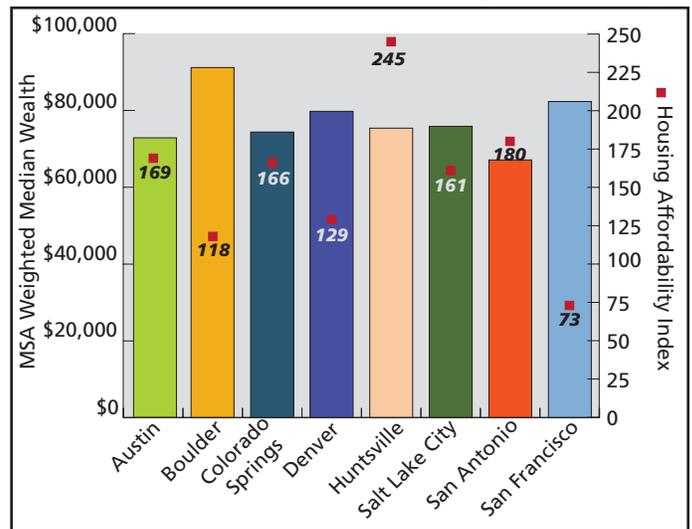
WHY IS THIS IMPORTANT?

Air service can have a profound impact on the local economy, particularly on air-dependent industries. The travel and tourism industry is heavily dependent on quality air service. Companies also need convenient and efficient service in order to maximize productivity and minimize travel time. Company location and expansion decisions are impacted by local air service.

HOW ARE WE DOING?

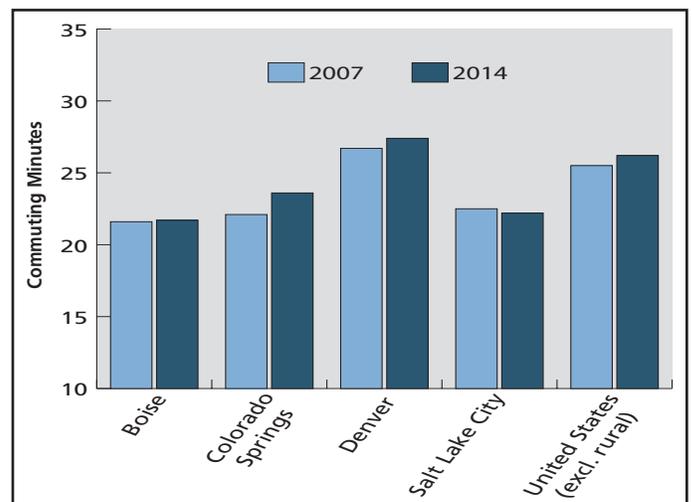
Total enplanements at the Colorado Springs Airport were 597,654 in 2015, which is down from 627,786 in 2014: a decrease of 4.8 percent. This is largely due to heavy competition from the price wars between the top four carriers that service Denver. Colorado Springs airport officials project that enplanements will increase in 2016 and 2017 as further consolidation of the major carriers occurs and Denver fares increase. Airport officials forecast a 9.4 percent increase in enplanements for 2016 over the prior year, and a 4 percent increase in 2017.

2015 Household Wealth and Housing Affordability



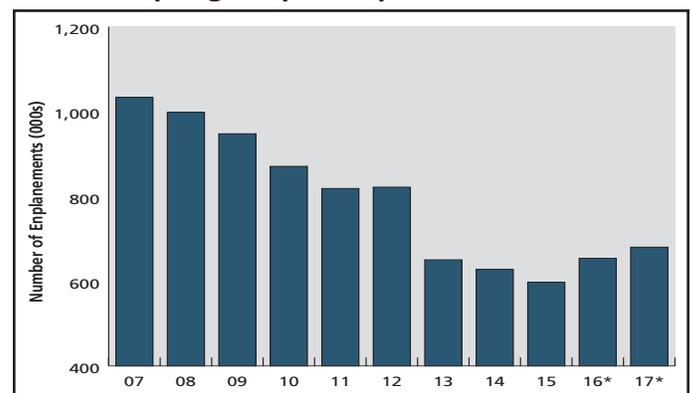
In 2015, U.S. median wealth was \$49,787 and the U.S. average affordability composite index was 164. Sources: Synergos Technologies and U.S. Census Bureau; National Association of REALTORS®; Credit Suisse

MSA Mean Travel Time to Work



Source: U.S. Census Bureau, American Community Survey

Colorado Springs Airport Enplanements (000s)



* Colorado Springs Airport forecast
Source: Colorado Springs Airport



QUALITY OF LIFE, TOURISM AND OTHER INDICATORS

WHY ARE THESE IMPORTANT?

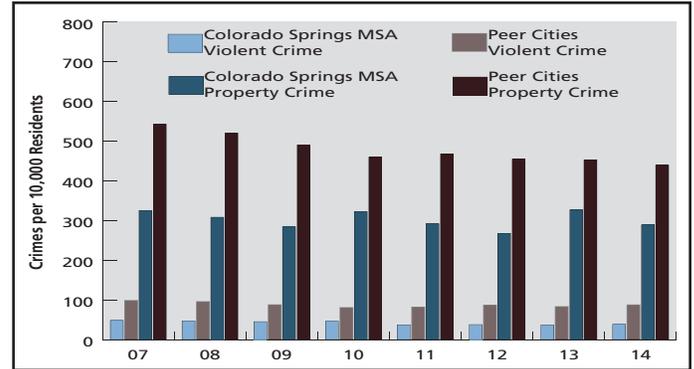
Violent and property crimes result in the loss of life and property. Fighting crime is expensive and uses valuable community resources. Crime affects the business climate, as well as individual perceptions of the quality of life in the community. The graphs show peer comparisons to Colorado Springs MSA. The peer group is made up of all cities in the United States with populations from 500,000 to 999,999.

HOW ARE WE DOING?

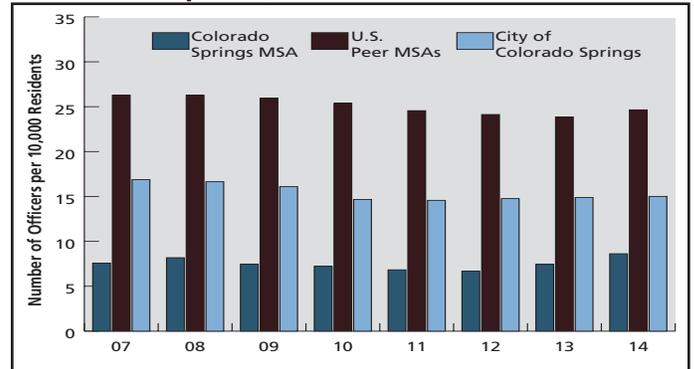
The Colorado Springs MSA violent crime rate remains well below its peers according to the FBI. There were 38.6 violent crimes per 10,000 people in the Colorado Springs MSA in 2014. This is 55.9 percent below the average of the peer group. The property crime rate is also below the peer group with 288.3 property crimes per 10,000 people in the Colorado Springs MSA in 2014. This is 34.3 percent below the average of the peer group. The latest local data available is for the first half of 2015 and indicates violent crime is up 0.9 percent while property crime is down 1.9 percent from the same period in 2014.

In 2014, the number of sworn police officers per 10,000 residents in Colorado Springs MSA was 65.0 percent below the average number of sworn police per 10,000 inhabitants for peer groups. Colorado Springs MSA had 8.6 officers per 10,000 people while peer groups had 24.7 officers. When examining just the City of Colorado Springs (not the MSA, which includes all of El Paso and Teller Counties) there were 15.0 sworn police per 10,000 people in 2014. For both the MSA and the city, there is a very low ratio of sworn police officers to residents.

Colorado Springs MSA and U.S. Peer Cities Violent and Property Crimes per 10,000 Residents

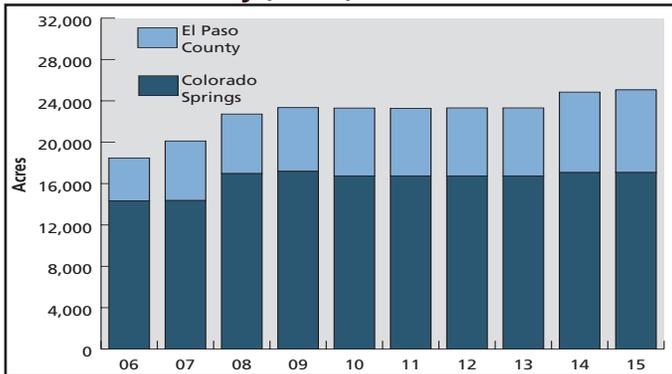


Sworn Police per 10,000 Residents

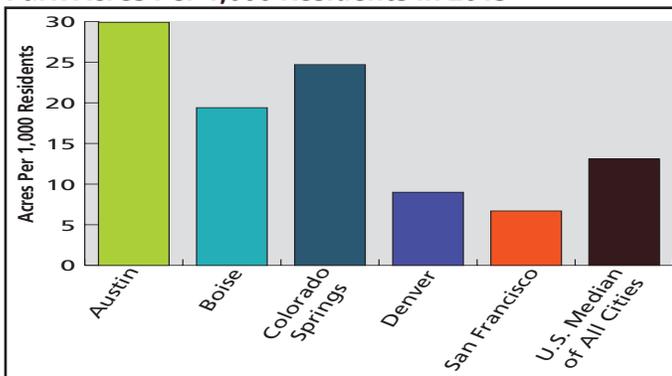


Source: Federal Bureau of Investigation, Uniform Crime Reports

Parks and Open Space in Colorado Springs and El Paso County (Acres)



Park Acres Per 1,000 Residents in 2015*



*Parkland includes city, county, metro, state and federal acres within city limits. Sources: City of Colorado Springs; El Paso County; Trust for Public Lands

WHY IS THIS IMPORTANT?

Open space, trails and parkland provide important areas for recreation and leisure activity, support natural habitat and enhance the visual appeal of the region. Open spaces have a significant impact on the quality of life and even health in the area. The beauty and attraction of the region is enhanced by parks and other open spaces available for public use.

HOW ARE WE DOING?

The Pikes Peak region is blessed with beautiful views and natural, scenic areas. Together, the city and county manage 25,063 acres of open space and parkland or 37.2 acres per 1,000 residents in 2015. The City of Colorado Springs has 17,072 acres of park and open space under management. El Paso County manages 7,991 acres of trails and open space. These facilities are important enhancements to the quality of life of residents in the Pikes Peak region and are an attractive feature for tourists. They are also an important, positive factor affecting business in the region.

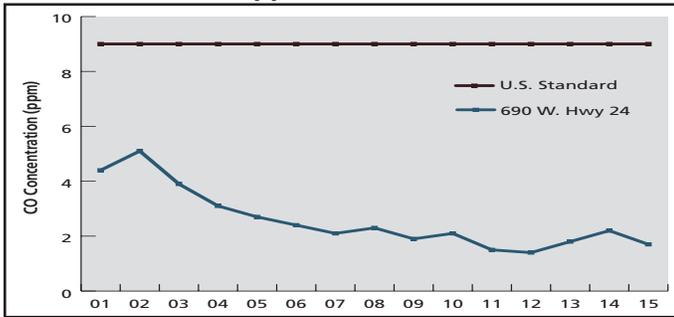
Since the 0.1 percent Trails, Open Space and Parks sales tax (TOPS) was passed and implemented in 1998, the City of Colorado Springs has collected \$110.0 million or roughly \$5.9 million per year for trail construction, park construction, and open space acquisition. At its current pace, TOPS is expected to generate approximately \$7.9 million in 2016, an increase of 5.7 percent over 2015. Managing 25,063 acres of parks, open space and trails is a heavy fiscal responsibility for the county and city, but increased tourism is favorable for local businesses.

The last graph shows that compared to other cities and to the U.S. median, Colorado Springs has a high number of park acres per 1,000 residents (24.7), which is significantly higher than the U.S. median (13.1) and higher than all other comparison cities except Austin (29.9).



QUALITY OF LIFE, TOURISM AND OTHER INDICATORS

Carbon Monoxide (ppm)



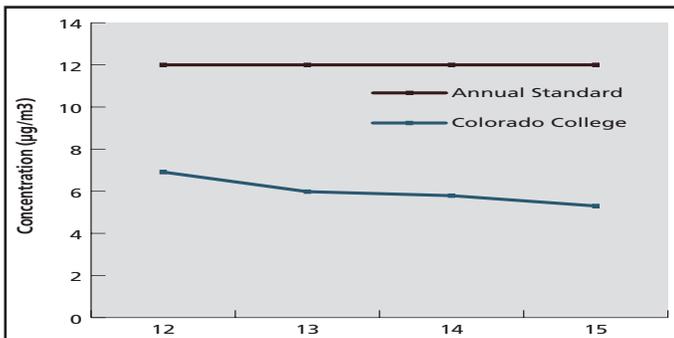
WHY ARE THESE IMPORTANT?

Air quality is fundamental to community health, the environment and the economy. There is growing concern over the interdependence between the health of the environment and the economy. Many people move to Colorado to enjoy sunny days and clean air. While there is no overall index of environmental health, carbon monoxide, particulate concentrations and ozone levels provide an indication of air quality.

HOW ARE WE DOING?

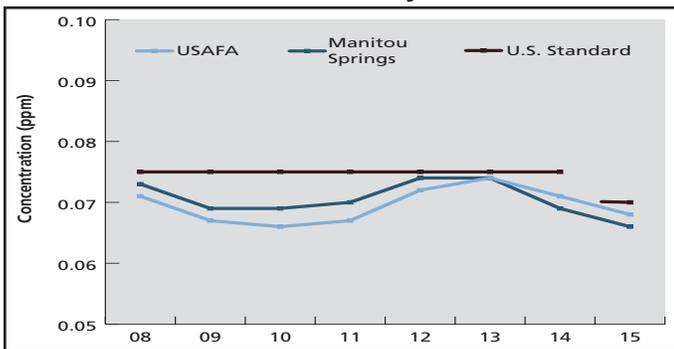
The Pikes Peak region has a comparative advantage over many other communities in terms of its natural beauty and relatively healthy environment. The region has remained below U.S. standards for carbon monoxide emissions since 1989. Carbon monoxide levels have stayed relatively steady in the past ten years despite population increase, most likely due to technological advancements and because older cars are being replaced by low-emission vehicles. Reduced congestion and better traffic flows help alleviate carbon monoxide emissions. Carbon monoxide levels continued a downward trend that began in 1990. The decline in business activity during the recession is also believed to have reduced pollution levels.

Particulate Matter



Particulate matter (PM) includes both solid particles and liquid droplets found in the air, and smaller particles pose the greatest health risks. The threshold for the U.S. standard in particulate matter changed in 2012 to an annual standard of 12 micrograms per cubic meter ($\mu\text{g}/\text{m}^3$). Even with the lower threshold, the Pikes Peak region is still well below the PM concentration, which is favorable from a quality of life and health perspective.

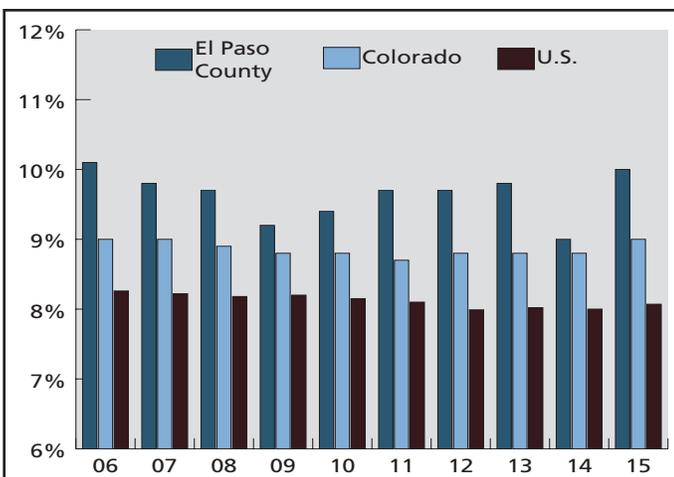
Ozone Trends in El Paso County



Local ozone level readings were on an upward trend from 2010 to 2013, most likely due to a variety of factors including the forest fires and increased vehicle use. Ozone levels from 2013 to 2014 decreased at both the Air Force Academy and Manitou Springs. The national standard for ozone levels dropped in 2015.

Source: Colorado Department of Public Health and Environment

Low Birth Weight Rates in El Paso County, Colorado and the U.S. (less than 2500 grams)



WHY IS THIS IMPORTANT?

The proportion of low birth weight children is a predictor of future costs of both health care and special education. Proper nutrition and prenatal care can reduce the incidence of low birth weight deliveries. A healthy community will help ensure that mothers of all backgrounds practice proper nutrition and have access to prenatal care. The low birth weight threshold is 2,500 grams or about 5.5 pounds.

HOW ARE WE DOING?

Colorado and El Paso County have a high proportion of low birth weight deliveries. The upward trend that began in 1995 peaked in 2003 in El Paso County. Since then, the proportion of low birth weight deliveries has dipped twice. El Paso County reached a low of 9.2 percent in 2009, grew to 9.8 percent in 2013, and dropped to the lowest proportion seen since 1995 (7.8%) in 2014 (9.0%). The low birth weight rate climbed up again in 2015 in El Paso County (10.0%), Colorado (9.0%) and the U.S. (8.1%) compared to the year prior. In 2012, estimated costs for low birth weight/preterm deliveries were approximately \$23,000 and for extremely low birth weight costs were approximately \$100,000. By comparison, in 2012, the average cost for a normal delivery at full term was \$9,800. The U.S. Public Health Service has a target of 5 percent for this metric.

Sources: Colorado Department of Public Health and Environment, Health Statistics and Vital Records; Center for Disease Control and Prevention



QUALITY OF LIFE, TOURISM AND OTHER INDICATORS

WHY ARE THESE IMPORTANT?

The hotel and lodging industry use two primary mechanisms to gauge how their sector is performing. Hotel occupancy is one major indicator, and it simply measures the percentage of rooms that are occupied out of the total number of rooms available. The compiled statistics on occupancy are average rates for the year. The other indicator is “RevPAR,” or revenue per available room, which is the occupancy rate multiplied by the average room rate. RevPAR is a measurement tool that hotel managers and market observers use to analyze the impact of changes in occupancy and average daily rate on hotel revenues, as well as to assess the overall health of the market.

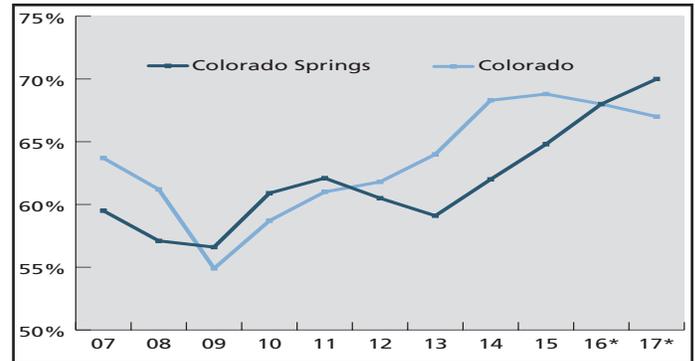
All compiled statistics are from voluntary surveys. Communication with the source reveals there is somewhat of a selection bias in this information because larger hotels typically participate in the survey, which means smaller lodging establishments are not as well represented. The Broadmoor and the Cheyenne Mountain Resort are not included in the hotel category because they are “resorts,” as opposed to hotels.

Each year, about 5.2 million people visit the Pikes Peak area overnight, generating over \$1.4 billion in revenue and resulting in \$43 million in local tax receipts. This makes tourism a major economic sector.

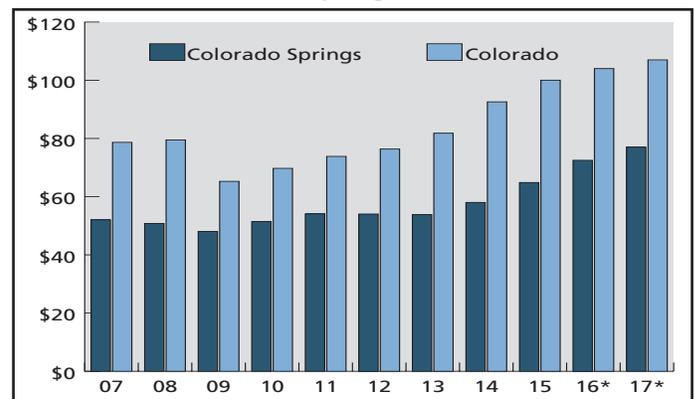
HOW ARE WE DOING?

Lodging in Colorado Springs in 2015 increased as measured by the occupancy rates. In 2014, the average occupancy rate was 62.0 percent, and in 2015, it was 64.8 percent. For the entire state of Colorado, occupancy rates were slightly higher at 68.3 percent in 2014 and 68.8 percent in 2015. RevPAR also increased in Colorado Springs from a value of \$58.02 in 2014 to \$64.86 in 2015. Projected increases for 2016 (up to \$72.50) and 2017 (up to \$77) are strong and in line with the increased tourism activity locally. For the state of Colorado, RevPAR increased from \$92.58 in 2014 to \$100.02 in 2015.

Colorado and Colorado Springs Hotel Occupancy



Colorado and Colorado Springs RevPAR Trends



* Robert S. Benton & Associates, Inc. forecast
Source: Colorado Hotel and Lodging Association, Rocky Mountain Lodging Report

WHY ARE THESE IMPORTANT?

The Forum tracks registrations for new vehicles purchased directly from dealers. Since vehicles are a relatively large purchase for most households, tracking new sales and registration helps gauge the consumer confidence and economic health in a given area.

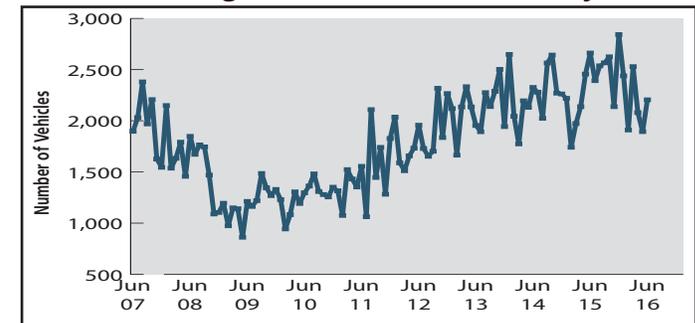
Lodger’s and automobile rental tax collections are also a way of gauging the robustness of the tourism sector.

HOW ARE WE DOING?

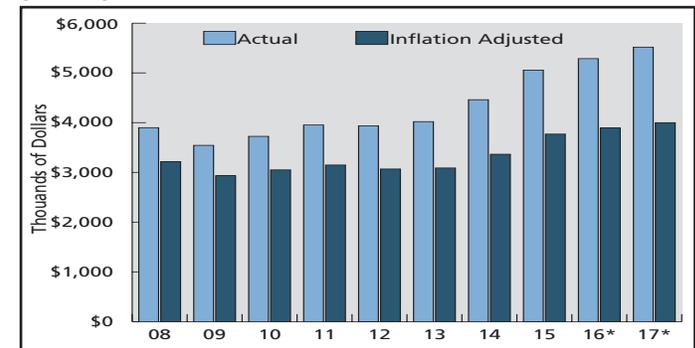
New vehicle registrations have increased significantly since the bottom of the recession (2009). On average, since the beginning of 2016, there have been 2,177 new vehicle registrations per month. This is a marked improvement from the low in May 2009 when average monthly registrations were 1,195 (an 82% increase).

In Colorado Springs, lodger’s and automobile rental taxes increased from \$4,461,172 in 2014 to \$5,056,916 in 2015. With input from the City of Colorado Springs Finance Department, the Forum projects a 4.6 percent actual increase (\$5,287,458) for 2016 and a 4.4 percent increase (\$5,518,000) in 2017.

New Vehicle Registrations in El Paso County



Lodger’s and Automobile Rental Tax Collections (\$000s)



* City of Colorado Springs and UCCS Economic Forum forecast
Sources: El Paso County Commissioners Office; City of Colorado Springs Finance Department, Sales Tax Division



CITY COMPARISONS

Metropolitan Statistical Area (MSA)	Austin, TX	Boulder, CO	Colorado Springs, CO	Denver, CO	Huntsville, AL	Salt Lake City, UT	United States*
Average earnings per job (2014)	\$56,469	\$56,740	\$50,774	\$64,384	\$57,589	\$55,200	\$59,074
Average wage and salary disbursements (2014)	\$54,122	\$59,175	\$48,267	\$59,078	\$53,417	\$48,721	\$53,412
Percent of the population 25 years and over with an associate degree or higher (2014)	47.8%	64.5%	47.0%	48.1%	43.7%	40.2%	38.3%
Percent of the population 25 years and over with a bachelor's degree or higher (2014)	41.5%	58.0%	36.2%	40.8%	35.2%	31.3%	30.1%

*All United States metrics are for the metro portion only except for education which includes the entire United States population.
Sources: U.S. Bureau of Economic Analysis, Regional Economic Accounts; U.S. Census Bureau, American Community Survey

WHY ARE THESE IMPORTANT?

The Forum looks at several other MSAs (metropolitan statistical areas) to provide a relative measure of how Colorado Springs compares with other metropolitan regions in the U.S. The MSAs included in this analysis are cities that compete directly with Colorado Springs for jobs. The table provides comparisons of earnings, wages and salaries, and educational attainment. The figures in the table above are from the U.S. Bureau of Economic Analysis and the U.S. Census Bureau's American Community Survey. All figures are for 2014, the latest available comparison data for these MSAs.

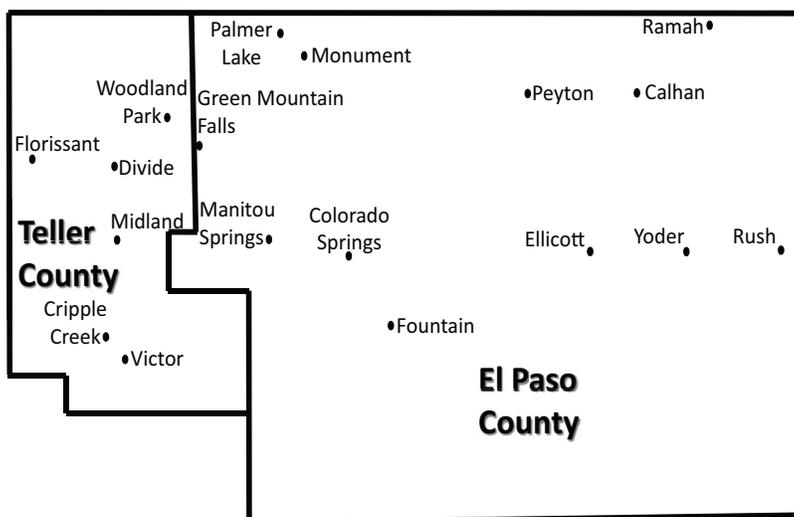
HOW ARE WE DOING?

Two measures of earnings are provided in the table. Average earnings per job is a broad measure that uses total aggregate earnings in the city divided by full- and part-time employment. The wage and salary disbursements in the table are the monetary remuneration made to all employees, including bonuses, commissions and other incentive payments. Average earnings per job for the metro portion of the United States was \$59,074 in 2014. Colorado Springs average earnings per job were \$50,774 in 2014, which is 14.1 percent lower than the U.S. average. The other measure, wage and salary disbursements, averaged \$53,412 in the U.S. metros, while they were \$48,267 in Colorado Springs (9.6% lower than the U.S.).

With respect to educational attainment, the average percentage of the population ages 25 and over with an associate degree or higher for the U.S. was 38.3 percent, while it was much higher in Colorado Springs at 47.0 percent. This bodes well for the current and forecasted high demand in middle skills jobs. The percent of the U.S. population with a bachelor's degree or higher was 30.1 percent in 2014. For Colorado Springs, that average was significantly higher at 36.2 percent. As a whole, the state of Colorado has a significantly higher educational attainment rate than the U.S. average.

Information provided is from 2014 because the U.S. Bureau of Economic Analysis publishes MSA data approximately 22 months after the end of each calendar year.

Map of Colorado Springs MSA





UCCS by the facts

- The current student enrollment estimate for 2016 is 12,068.
- UCCS is ranked 10th among public, regional universities in the West.
- 28 percent of UCCS students are first generation students.
- 32 percent of UCCS students are Pell Grant recipients.
- The UCCS average student loan debt is \$16,780, less than half the national average.
- Over 200 student internship placements occur each year.
- There are 39 bachelor's degrees, 20 master's degrees, and 5 Ph.D. programs.
- There are six academic colleges: business; education; engineering; nursing; letters, arts & sciences; and public affairs.
- UCCS students study abroad in 17 different countries.
- Founded in 1965 at the foot of Pikes Peak in response to community and business needs, UCCS is one of four campuses in the University of Colorado System.

UCCS kudos

- Celebrating over 50 years of building successful futures.
- Named a top Western public university by U.S. News and World Report; The UCCS College of Engineering and Applied Science is ranked, alongside the military service academies, as having one of the best undergraduate engineering curriculums in the nation. The nursing program is among the top 50 in the nation and the best in Colorado. The graduate programs in nursing, business and public affairs are all top-ranked.
- Among the fastest growing college campuses in the state and nation.
- Accrediting agencies: North Central Association of Colleges and Schools, The Higher Learning Commission, AACSB International, Accreditation Board for Engineering and Technology, Commission on Collegiate Nursing Education, National Association of Schools of Public Affairs and Administration, National Council for Accreditation of Teacher Education.

UCCS College of Business and Administration and the Graduate School of Business Administration

The College of Business was established along with the University of Colorado Colorado Springs in 1965. The College awards the Bachelor of Science in Business, the Bachelor of Innovation™ in Business Administration, the Master of Business Administration, and the Master of Science in Accounting degrees. In 2011, the College established a dual degree program in Business Administration with its long-time partner, the Frankfurt School of Finance and Management.

All degree programs are accredited by AACSB, International - the Association to Advance Collegiate Schools of Business. Less than 5% of business schools in the world hold this distinction. The College of Business is nationally ranked by U.S. News and World Report.

Our internationally-recognized doctoral faculty is known for innovative thinking, skilled teaching, and relevant research. A distinctive focus on business ethics complements the knowledge and technical skills our students gain. Employers seek our graduates for their ability to immediately apply classroom learning to real-world business challenges.

The UCCS College of Business is proud of its partnership with the local business community. These relationships are essential in infusing current business practices into the classroom. The College connects to the community in a variety of ways, including the UCCS Economic Forum, the UCCS Career Networking Night, and the Daniels Fund Ethics Initiative at UCCS. Get information about alumni, executive education, working with interns, or hiring graduates by visiting www.uccs.edu/business.

Contact: [College of Business](#)

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