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La Plata County – The First Half of 2008

By: Dr. Deborah Walker

Let's take a look at the first half of 2008 and see how La Plata County's economy compares to last year. Interestingly, the average unemployment rate for the first six months of 2008 was 3.65%, while it

The median price for La Plata County homes increased about 8% from the first half of 2007 to the first half of 2008 (not adjusting for inflation).

was only 2.88% for the first six months of 2007. While the unemployment rate has increased, the number of employed has also increased. The average number employed over the first six months of 2008 was approximately 30,255 people. The average number of people employed during the first six months of 2007 was approximately 29,882. So this means that more people have entered the labor force looking for a job in the County. While some found a job, adding to the number of employed, others did

not, adding to the unemployment rate. A 3.65% unemployment rate is still considered low by economists. The average (for the first six months of 2008) unemployment rate for the United States was 5.13% (compared to 4.51% for the first six months of 2007).

Tourism indicators for the first half of 2008 were mixed. The Durango-Silverton Railroad accomodated 11.7% fewer riders the first half of 2008 over the first half of 2007. However, 2.9% more visitors entered Mesa Verde in the first half of this year when compared to the first half of 2007.

Number of residential electric meters in the County is a good indicator of population growth. The monthly average of the first half of 2008 was 24,691 meters. The monthly average in the first half of 2007 was 24,185 meters. This is an increase of about 2.0%.

Agriculture still remains an important contributor to the local economy. Unadjusted average alfalfa hay prices increased 21.1% over the first half of last year. Calf prices fell in 2008 (compared to the first half of 2007) by 3.4% (not adjusted for inflation).

Industrial kilowatt hours used in the County increased slightly from the first half of 2007 to the first half of 2008 (by 0.4%). The first half of 2008 (average monthly index) showed an increase in the energy price

index by almost 50% (unadjusted for inflation) when compared to the first half of 2007.

Residential real estate prices continued to increase. The median price for La Plata County homes increased about 8% from the first half of 2007 to the first half of 2008 (not adjusting for inflation). Fort Lewis enrollment remained almost stable when comparing the winter term combined with the first two summer terms of 2008 to these same terms in 2007. In 2007, 4,753 students enrolled in those three terms, whereas in 2008, 4,749 students enrolled in those three terms.

What a Waste

By: Dr. Robert Sonora

Twice a year, the good citizens of Zagreb, Croatia, bring all their excess stuff out to the street to be taken off to the city landfill. Over the course of a week or so, one can see mounds of household junk grow one day to the next. At one such informal dumping ground, I saw the pile grow from a few pieces of furniture to a mountain blocking one lane of traffic.

But before the flotsam is taken to the dump, armies of people camp out on the garbage, protecting desirable junk from other garbage predators to collect some of it for recycling and sale.

This has certainly mitigated Zagreb's own landfill use, in a city which has grown three fold since the end of WWII -- though the dump has grown into mini-mountain visible from the city.

In Naples, the garbage crisis went on for weeks accumulating at the rate of five tons per minute, according to an article in USA Today.

Data from the Organization of Economic Cooperation and Development (OECD) reveals the average OECD country produces 464kg per person of municipal waste and 336kg per person of household waste per year – in the US, the leader in the waste category, the numbers are about 1.75 times greater.

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So why has this happened? Why have we become more wasteful? It's a matter of prices, in 1950 food accounted for about 30% of US disposable income, today it is around 15%, despite recent increases in global food prices, the cost of throwing away food has fallen.

But recently food price have been increasing, in part of ethanol. Ethanol produces less pollution, a waste, than gasoline. It is now well documented that the price of food has been rising in part due to resources, land and other agricultural inputs, are being diverted away from food production to energy – and pollution reduction.

So we pay for cleaner air with higher food prices. But there are spillover effects on the world market. A famous study by the Indian Nobel Laureate A.K. Sen showed that many famines took place in times of plenty and generally occurred because incomes in afflicted areas stagnated with a corresponding decline in prices and goods always flow to the highest bidder.

Currently, the food share of income has grown dramatically over the past year or so in countries with stagnate incomes. Riots in Egypt, Haiti, Bangladesh, and other countries have been directly linked to rising food prices.

Which brings us back to waste. Waste impacts not only those who create it, but also spills over to other regions and countries. When I flick on my switch in Durango, that electricity, and its associated pollution, is produced elsewhere; I throw away my take home Chinese and worldwide prices rise.

And that's the problem, at the individual level these actions are lost like tears in the rain, but multiply these actions by millions and you have a downpour. How might my behavior change if the dump or power plant was next to my house?

Durango Real Estate: Revisiting California and Price-to-Rent

By: Dr. Luke Miller

About one year ago, I compared Durango real estate to southern California and also conducted a price-to-rent ratio analysis for the local market. Historically in housing cycles, southern California real estate is the first market in the U.S. to boom and then, accordingly the first market in the U.S. to bust. Assuming history repeats itself, individual housing markets need only determine their lag time to southern

California's housing cycle in order to obtain some future gauge for their local market. For example, southern California's real estate leads New York City by 6 months, Boston and Washington D.C. by about 1 year, and Seattle and Houston by about 2 years. In other words, southern California could be viewed as everyone else's crystal ball.

I found that Durango lags southern California real estate by approximately one year

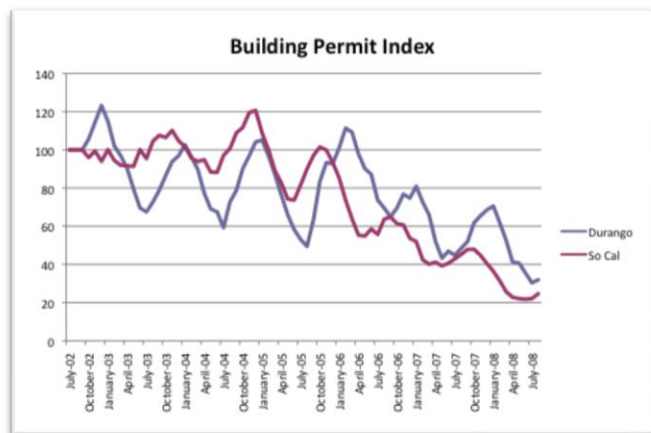
In August 2007, I found that Durango lags southern California real estate by approximately one year (using residential building permits as

a proxy for housing activity). I recently updated my charts from last year and found this same pattern still holds. Further, I gathered monthly building permits for Durango vs. southern California and found a nearly identical, but lagged, downward trend in building permits from July 2002 to the present. Since 2002, southern California building permits are down 80%, whereas Durango permits are down 65%.

What does all this mean for Durango? I developed a quarterly home price index for Durango and southern California since the first quarter of 2000, and again found a one-year time lag in median home price. Since 2000, southern California home prices were up as much as 140% with three "topping" quarters in Q3 2004, Q2 2005, and Q3 2006. Similarly, but lagged, Durango home prices were up as much as 100% with three "topping" quarters in Q3 2005, Q2 2006, and Q3 2007. Home prices in southern California are currently at 2004 levels. If the one-year lag stays true, it implies Durango median home prices could reach 2005 levels, or 10% lower than today's prices, before stabilizing. From the peak Durango median prices in 2006-2007, this represents a 25% total pullback -- equaling the projected correction for the nation.

Further, in January 2008, I conducted a price-to-rent ratio analysis for Durango real estate and observed a long run multiple of 16. At the peak in late 2006, the price-to-rent ratio in Durango spiked as high as 28. Assuming a tight rental market in Durango, I predicted rental rates would accelerate twice the weekly wage rate for the next several years. This has occurred with rents increasing about 10% since one year ago, or three times the weekly wage rate. If Durango home prices drop an additional 10% over the coming several years and rental rates continue their uptrend, Durango's price-to-rent ratio should stabilize at its long run average by late 2010.

In summary, it would not be surprising for Durango home prices to fall an additional 10% over the next two years as supply excesses are worked off around the country. Please visit our website at soba.fortlewis.edu/econoweb, for several plots related to this article.



For building permit information please go to the following U.S. Census Bureau website:
<http://censtats.census.gov/bldg/bldgprmt.shtml>



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