



Colorado Economic Chronicle

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National Economy

Inflation-adjusted gross domestic product (GDP) increased at a revised 2.0% annual rate in the third quarter of 1996, with a decline in residential spending and a widening trade deficit holding growth down. Previously, third quarter growth was reported at 2.2%. The slowdown follows strong second quarter growth of 4.7%. Meanwhile, after-tax profits of U.S. corporations fell 5.8% during the quarter, their worst performance since the first quarter of 1994. The trade deficit, which is the difference between what the country buys from and sells to the rest of the world, reached the second highest level on record in September, climbing to \$11.3 billion.

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Employment grew robustly during October. Payroll jobs increased by 210,000 during the month, bolstered by growth in the service sector of 119,000 jobs. Employment at retail establishments, schools, and hospitals also exhibited strong growth. Although the manufacturing sector added 6,000 positions during October, this growth followed a 59,000 job-decline in September. Furthermore, striking workers returning to work accounted for the manufacturing growth. While the construction industry continued to gain jobs, the rate of growth was considerably slower than during the first half of the year. Through October, job growth averaged 2.0%. The unemployment rate was 5.2% during October, only 0.1 percentage point higher than its seven-year low reached in August.

Data released during November showed mixed growth in the **consumer** sector. Consumer confidence remained high during November, according to the Conference Board, and the board's index of sentiment on current business conditions increased to a seven-year high. This high consumer confidence led to a 0.5% increase in consumer spending during October. There was significant growth in spending on services. Despite the strong growth in consumer spending, retail sales increased a sluggish 0.2% in October. Consumer spending is a broader measure of purchases than retail sales because it includes services. Strong consumer confidence bodes well for fourth quarter spending, however.

Despite a decline in new home sales, **construction** spending increased during October registering its strongest pace since March. Construction spending growth was buoyed by strength in the nonresidential sector. As previously noted, residential construction was weak. The number of housing starts declined for the second month in a row, to their lowest level in a year. Declines in mortgage rates should help the residential market in coming months, however.

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The **manufacturing** sector expanded in November, according to the National Association of Purchasing Management's index. Orders for durable goods increased slightly in October as orders for electronic

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equipment offset declines in orders for transportation goods. Durable goods are those that have an expected lifetime of three or more years. Shipments of durable goods declined during October, but were 4.4% higher during the first ten months of 1996 than during the same period the prior year.

News on the inflation front was mixed. Wholesale prices increased 0.4% during October, their fastest increase since March. Excluding the often volatile food and energy segments, producer prices decreased 0.3%. Thus, all of the producer inflation was concentrated in food and energy. In addition, the cost

of raw materials declined and the prices of intermediate goods were unchanged. Consumer price inflation, meanwhile, was 0.3% during the month. Through October, inflation, as measured by consumer prices, averaged 2.8%.

Data released during November for the national economy indicated moderate growth. The manufacturing sector showed signs of expansion, employment grew, and inflation remained under control, but residential construction sagged and GDP growth was sluggish.

Colorado Economy

Colorado's economy continues to grow at a strong pace according to data released in November, albeit at a slower rate than the robust growth experienced since 1992. Construction projects, both residential and nonresidential, are sustaining growth in the state. Strong employment and consumer spending growth also bode well for Colorado's economic future.

state's unemployment rate averaged 3.9%, compared with a 5.4% average rate for the nation during the same period.

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Employment

Colorado's nonfarm employment increased 3.6% through September, with notable slowing during the summer and fall months. While this rate of increase is well below 1995's 4.8% advance registered during the same period, Colorado's growth still exceeds national gains. The state's unemployment rate remained steady at 4.1% during September. Through September, the

Many companies announced job expansions or relocations during November. In Colorado Springs, FutureCall Telemarketing West Inc. added 500 positions and Home Depot opened a new store that employs 130 workers. Hewlett-Packard is increasing its Fort Collins work force by 100, and Novartis Generics will expand its Broomfield operations by 100 positions during the next five years. Smaller gains were experienced in Boulder, where Lockheed-Martin will add 50 jobs, and in Denver, where Champion Window and Enclosure Co. will open a manufacturing plant with 35 to 50 workers.

A few declines in employment were also announced during November. Innovative Companies Inc. of Fort Collins is closing its manufacturing facility, eliminating 130 positions. The Battle Mountain Gold Mine in Costilla County is ceasing operations, leaving 87 people unemployed, and Journal Graphics in Denver reduced its staff by 30. These job gains and losses are described in more detail throughout the *Chronicle*.

Colorado's Economy at a Glance

<i>Key Indicators</i>	<i>Direction</i>	<i>Assessment</i>
Nonfarm Employment Growth	↑	Good
Unemployment Rate	→	Good
Mortgage Rates	↓	Good
Retail Trade Sales	↑	Good
Home Resales	↑	Good
Nonresidential Construction	↑	Good
U.S. Inflation Rate	→	Good
Overall Rating	↑	Good

Residential Construction

Residential construction increased 22.0% through October 1996, relative to the same period in 1995, according to F.W. Dodge. Low apartment vacancy rates throughout the state led to a 43.0% increase in apartment construction, while single-family home building increased 16.9% during the same period.

The first new residential development near Denver International Airport will be a \$25 million apartment complex in Gateway Park in Aurora. The upscale units are expected to rent for about \$900 per month, and half of them will have attached garages. Another high-end apartment development is planned for the West Bank area of the Central Platte River Valley. Construction on the \$30 million project will begin in the second quarter of 1997 and will take approximately 20 months to complete. The 350-unit project will also contain retail space and a pedestrian promenade between the buildings and the Platte River.

“Existing home sales in metro Denver increased 8.5% through November 1996 . . . compared with the same period in 1995 . . .”

Apartment construction has also been brisk in Colorado Springs. Strong migration of people and businesses to the city, combined with low apartment vacancy rates, is spurring an apartment building boom. Builders have already completed 1,280 units, with an additional 928 units under construction. Also, 1,032 more units are expected to begin construction in the first six months of 1997, according to data from Palmer McAllister.

Existing home sales in metro Denver increased 8.5% through November 1996 (based on properties closed), compared with the same period in 1995, according to Perry & Butler Realty, Inc. Despite the strong sales growth, 11.8% more unsold homes were on the market during November 1996 than one year earlier. The average price of an existing single-family home sold through November 1996 increased 5.5%, to \$159,148, relative to the same period in 1995.

Nonresidential Construction

Nonresidential construction increased 30.6% through October 1996, compared with the same period in 1995. Strong growth in the religious, amusement, commercial, and manufacturing sectors more than compensated for declines in dormitories and hospital and health treatment buildings, according to F.W. Dodge.

A two-phase, \$25 million speculative office development will be constructed in the Inverness Business Park in Douglas County. The 225,000-square-foot development will be the first speculative project in the office park since the mid-1980s. The first phase, a 136,000-square-foot building, will be completed in 1997.

In spring 1997, construction will begin on the largest speculative office project in Colorado Springs since 1990. The \$23 million project will include a 116,000-square-foot office building and a 92,800-square-foot office and industrial complex in the Briargate Business Park. The facilities are scheduled to open in February 1998. The office vacancy rate in Colorado Springs has fallen from 21% in 1990 to 9% today, creating the incentive for the new project.

Douglas County is building a \$44.5 million justice center that is being funded by a tax increase approved by voters in 1995. The center includes a 96,000-square-foot jail with 192 cells. It will open in August 1998.

Consumer Spending

“Retail spending in Douglas County, with its new Park Meadows Mall, increased 34.9% . . .”

Consumer spending increased 7.0% through September 1996, compared with the same period in 1995, according to the Colorado Department of Revenue. Retail spending in Douglas County, with its new Park Meadows Mall, increased 34.9% during the period. Consumer spending growth was also strong in

the northern front range and in the ski counties. Larimer and Weld counties increased a combined 10.0%, while spending in the ski counties was up 9.6%. Slower growth occurred in the San Luis Valley and the northeastern plains, while the southeastern plains reported a slight decrease in spending.

School Enrollment

Strong migration to Colorado pushed kindergarten through twelfth grade public school enrollments up 2.6% in 1996. Significant growth occurred in Douglas County, which experienced an 11.2% increase in enrollment. The Denver Public School District, the state's second largest, also showed strong enrollment growth, 3.9%. Strong growth was also exhibited by many districts on the outskirts of the metro-Denver area. For example, enrollment in the Elizabeth School District in Elbert County grew 10.2%. The southeastern plains displayed the slowest enrollment growth in the state, with many districts experiencing a decrease in students.

Health Care

The University of Colorado Health Sciences Center and University Hospital have a 50-year plan to move from their current location in Denver to the site of Fitzsimons Army Medical Center in Aurora. The first phase of the move, scheduled to take place between 1999 and 2008, will cost \$112 million, and will entail construction of an educational/academic facility, a biomedical research building, a warehouse and receiving facility, an adult day care and senior center, and a parking structure. The total cost of the 50-year project is estimated to be \$2.1 billion.

Advanced Technology

"A team headed by Lockheed Martin received the first contract for a new space-based early warning missile defense system, valued at \$1.8 billion."

A team headed by Lockheed Martin received the first contract for a new space-based early warning missile defense system, valued at \$1.8 billion. The contract will result in 50 new employees at the company's Boulder center. In addition, Buckley Air Force Base in Aurora will be responsible for overseeing and operating the new system. Buckley's role in the new

system will result in hundreds of new Air Force personnel at the base during the next decade. These new employees are in addition to 200 members of the space group that were moved to Buckley earlier this year.

Transportation

Maverick Airlines will begin operations in early December flying from Denver to Grand Junction and Steamboat Springs. The discount airline is replacing service that was lost when Continental Express discontinued those routes two year ago. The airline plans four round trip flights from Denver to each city daily.

Tourism

Most signs of tourism activity in Denver are positive. Denver hosted 41 conventions with 189,074 delegates during 1996. In 1995, the city hosted 32 conventions which attracted only 111,285 delegates. The Denver Metro Convention & Visitors Bureau estimates that conventioners spent \$196 million in the city during 1996.

"Denver hosted 41 conventions with 189,074 delegates during 1996."

Tourism indicators for metro Denver were slightly higher in the third quarter of 1996 than during the same quarter one year earlier, according to the Adams Group Inc. Third quarter growth followed a relatively weak first half of 1996, which registered no growth when compared with the first half of 1995. Through September 1996, air transportation to the metro area and attraction attendance experienced increases over the same period in 1995, but restaurant spending declined.

Agriculture

Colorado's corn for grain production for 1996 is expected to be 43% above 1995's freeze-reduced crop. The 1996 crop is just slightly below the record crop produced in 1994. While corn prices have fallen somewhat since a year ago, they are still significantly higher than historical norms. Thus, corn farmers should register a relatively good year in 1996.

Red meat production in Colorado declined 16% during September 1996, relative to one year earlier. The slaughter of hogs, sheep, and lambs also declined drastically compared to a year ago. Prices for livestock in Colorado increased in October 1996 compared with October 1995, but still remain relatively low.

Metro-Denver Region

Courtyard by Marriott broke ground on a 202-room hotel near **Denver** International Airport. The \$15 million hotel will be located at Tower Road and East 69th Avenue. At the same intersection, the Fairfield by Marriott Hotel plans to expand its current 107 rooms to 161 rooms. In addition to the airport hotels, Extended Stay America Inc. opened a new 120-room hotel in **Lakewood** geared towards long-term stays. The company is also building a 150-room long-term stay hotel at 6th Avenue and Kipling Street, scheduled to open next month. La Quinta Inn & Suites is also entering the long-term stay market, with the construction of a 150-room hotel in the Denver Technological Center. Long-term stay hotels typically provide larger rooms and more conveniences, such as microwave ovens, than regular stay hotels. La Quinta also plans to open new hotels in Lakewood, **Littleton**, **Louisville**, and near Denver International Airport during 1997.

Samsonite, the world's largest luggage manufacturer, will cut 450 people from its worldwide work force, including some Denver employees. However, the company also plans to relocate other employees to Denver. While Denver will experience a net loss of approximately 30 administrative employees, Denver will gain workers from the relocation of hardside luggage operations from Canada and Mexico to Denver. Storm window manufacturer Champion Window and Enclosure Co. will open a 36,000-square-foot manufacturing facility in Denver in May 1997. The plant will employ between 35 and 50 workers when it opens. Meanwhile, Journal Graphics, a Denver transcription company for television and radio programming, released 30 staff members as the result of a large reduction in its contracts.

Growth in the Meridian International Business Center in **Douglas County** spurred plans for a new retail center on Lincoln Avenue east of Interstate-25. The \$10 million retail center will include 20,000 square

feet of inline space devoted to smaller convenience tenants and four pad-sites that will handle larger retailers such as gas stations or restaurants.

Construction will begin in December on an Office Max outlet in **Longmont**. The 23,500-square-foot office supply store is part of a 32,500-square-foot expansion of the Diagonal Marketplace. When complete, the shopping center will consist of over 350,000 square feet of retail space. Also in the northern part of the metropolitan area, Novartis Generics will add 100 jobs during the next five years to expand its **Broomfield** manufacturing and distribution operations. The company produces generic pharmaceuticals.

Southern Region

FutureCall Telemarketing West Inc. added 500 workers in **Colorado Springs** during November to meet growth created by the addition of two new accounts. FutureCall's employment reached 1,700 with the new additions. Most of the jobs pay approximately \$9 per hour. The second Home Depot outlet in Colorado Springs opened during November as well. The 105,000-square-foot store employs 130 workers.

"FutureCall Telemarketing West Inc. added 500 workers in Colorado Springs during November . . ."

The Cheyenne Mountain Conference Resort in Colorado Springs plans to add 40 guest rooms in 1997. The additional rooms will make the hotel the third largest in Colorado Springs. The hotel, which currently has 276 rooms, also plans a \$1 million renovation of its lobby, meeting rooms, and golf course clubhouse. The expansion of this hotel is one of many in Colorado Springs. Plans are in the works for construction of over 1,000 new hotel rooms in Colorado Springs during the next year. Some of the need for extra hotel space has been the result of strong growth in airline traffic to the city. Western Pacific Airlines, Colorado Springs busiest airline, experienced a 65.4% increase in passenger traffic during October 1996, relative to the same month in 1995.

The Thatcher School in **Pueblo** will be demolished to allow construction of a parking garage and a 45,000-square-foot medical building for Parkview Episcopal Hospital. The \$7 million project will create

330 parking spaces versus the 170 spaces the hospital has now. Construction on a new 16-screen theater will begin at the Eagle Ridge Shopping Center in Pueblo in early 1997. Pueblo currently has only nine movie screens open in the city.

Northern Region

Hewlett-Packard will move its workstation marketing and management office to **Fort Collins** in early 1997, bringing 100 employees to the city from Massachusetts. Hewlett-Packard already performs most of its graphics software and hardware functions in Fort Collins. Meanwhile, Innovative Companies Inc. is shutting down operations in Fort Collins, eliminating 130 jobs. The company, which produces fixtures for stores, has been unprofitable and can no longer stay open. Innovative Companies employed as many as 200 people a few years ago.

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High Country Beverage Corp. will build a 32,000-square-foot regional distribution facility at the **Fort Collins-Loveland** Industrial Airpark. Construction of the facility will be completed in the spring of 1997 and will include 12,000 square feet of refrigerated storage as well as dry storage and office space. Additional construction in Fort Collins is planned at Horsetooth Road and Shields Street, next to the Poudre Valley Plaza which is currently under construction. RFG Management Inc. plans to build the Four Seasons Condominiums on 15 acres of land just south of the plaza. The 224 condominiums would be priced from \$70,000 to \$100,000. Also, a new 130,000-square-foot shopping center is planned near the Colorado State University campus that would include a 69,000-square-foot grocery store.

In **Loveland**, 225 apartment units will be built in the Windsong subdivision. A tight rental market in the city led to the multi-million-dollar project that will begin construction in 1997.

The **Windsor** school district, northwest of Greeley in Weld County, will spend \$14.8 million on remodeling and additions at its five schools. The construction is the result of a bond issue passed during the November

election, and will take place over the next two years. Windsor will also be the site of a new 350,000-square-foot business park. The first building in this park will begin construction in the spring of 1997 and the entire development is expected to take five to seven years to complete.

Western Region

A new La Quinta Inn will be constructed in **Grand Junction**, and a nearby Holiday Inn will receive a \$2 million facelift. The \$6 million La Quinta Inn will consist of 108 rooms in 56,000 square feet and should open in October of 1997. High hotel occupancy rates in the city are spurring construction plans, which also include a \$1 million renovation of the Clifton Inn.

Mountain Region

A \$23 million apartment complex planned for **Central City** would triple the town's population. The complex would be geared toward casino employees. The complex would include 305 one- and two-bedroom apartments in 13 buildings. The city will also be building a new two-lane highway that will bypass the neighboring town of Black Hawk. Central City residents passed a \$35 million bond issue in November for the construction. Black Hawk, which is adjacent to Central City, is where the majority of gaming activity takes place in the state and is a formidable competitor for Central City.

"A \$23 million apartment complex planned for Central City would triple the town's population."

The Summit School District, which serves most of **Summit County**, opened two new elementary schools this year and will open a new high school in January. The school construction was the result of a \$58 million bond issue passed in 1995. School enrollment in the district has increased from 1,536 students in 1988 to 2,341 students in 1996.

The first phase of the Franz Kammer lodge in **Telluride** opened in November. The \$33 million membership lodge includes 29 units with ski-in/ski-out access to the ski area. A 34-unit second phase, which will cost \$45 million, and a performing

arts center will open August 1998. In the first phase, 280 out of 290 memberships were sold.

produced approximately 70,000 ounces of gold per year, has been open since 1990.

The Stanley Hotel in **Estes Park**, a 96-year old landmark, will undergo a \$3.6 million renovation. Some of the renovation is the result of the filming of a television mini-series at the hotel that brought \$10 million into the local economy.

San Luis Valley Region

The Battle Mountain Gold Mine in **Costilla County** closed in November, and will result in a loss of 87 employees in the area by early 1997. The mine, which

Colorado Indicators
Year-to-Date Growth Rates

Indicator	October 1996 Increase	September 1996 Increase	1995 Annual Average
Nonfarm Employment * Growth	NA	3.6%	4.7%
Unemployment Rate ∇ * (seasonally adjusted)	NA	4.1	4.2
Housing Growth §	22.0%	25.9	-5.2
Single-Family	16.9	19.9	-7.9
Apartments	43.0	49.4	4.6
Growth in Value of Nonresidential Construction §	30.6	33.1	16.2
Retail	-4.1	-5.6	50.5
Offices	45.9	55.5	11.4
Factories	16.7	27.1	-11.7

NA Not Available.

∇ Actual level, not growth rate.

§ F.W. Dodge data.

* Colorado Department of Labor and Employment data.

Note: An inflation rate is not calculated for the state. The Denver-Boulder inflation rate is often used as a proxy for Colorado's inflation rate. The Denver-Boulder inflation rate was 3.5% through the first half of 1996, following a 4.3% rate in 1995.

Regional Growth
Cumulative Year-to-Date Growth Rates

	Alamosa	Boulder	Colorado Springs	Metro Denver	Durango	Fort Collins	Grand Junction	Greeley	Lamar	Montrose	Pueblo	Ski Counties (Eagle, Pitkin, and Summit)	Steamboat Springs	Sterling
Employment Growth ◆ (through October 1996)	1.1	§ 3.0	§ 5.7	§ 2.8	2.7	2.6	1.8	3.4	3.1	2.9	§ 1.9	3.9	3.8	-2.9
Unemployment Rate ⊗ ◆ (not seasonally adjusted) (in October 1996)	4.7	3.3	4.0	4.9	3.7	3.3	4.2	3.7	2.7	4.8	4.7	4.1	3.7	3.9
Retail Trade Sales Growth ▽ (through September 1996)	0.9	5.7	5.0	6.7	5.7	9.1	8.2	12.0	4.0	4.8	5.6	9.5	4.7	14.9
Housing Permit Growth * (through October 1996)	-19	84	28	15	-1	30	17	43	⊕	-4	19	18	-9	32
Growth in Value of Non-residential Construction * (through October 1996)	⊠	39	59	27	41	-45	28	19	0	●	70	35	⊠	-96

§ Non Farm Employment Growth

⊗ Actual level, not growth rate.

◆ Colorado Department of Labor and Employment data.

* F.W. Dodge data.

▽ Colorado Department of Revenue data.

⊕ Sixty-two residential units have been contracted thus far in 1996, while 30 were contracted during the same period in 1995.

● \$23.4 million has been contracted thus far in 1996, while \$5.5 million was contracted during the same period in 1995.

⊠ \$5.9 million has been contracted thus far in 1996, while \$1.3 million was contracted during the same period in 1995.

⊠ \$9.1 million has been contracted thus far in 1996, while \$1.3 million was contracted during the same period in 1995.