



Colorado Economic Chronicle

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National Economy

After a robust second quarter performance, wherein inflation-adjusted gross domestic product advanced at a 4.8% pace, the national economy showed signs of slowing during the summer, but was still on a steady course. Consumers remained confident, but spent modestly. Steady demand helped bolster industrial production and durable goods orders. However, the performance of the housing sector was mixed, and the trade gap widened.

“After a robust second quarter performance, wherein inflation-adjusted gross domestic product advanced at a 4.8% pace, the national economy showed signs of slowing during the summer . . .”

Consumers were confident about their finances, but were hesitant to spend. After a decline in June, retail sales increased 0.1% in July. Purchases of durable goods (those intended to last three years or more) decreased, while purchases of non-durables rose. The Conference Board reported that its survey of consumer confidence surged to a six-year high in August. A buoyant job market and recent income growth contributed to consumers' positive sentiments. Through July 1996, the national economy added an impressive 1.9 million jobs, compared with only 386,000 jobs for all of 1995. Meanwhile, consumer installment credit, led by higher auto loan activity, increased at an annual rate of 8.7% in June.

The **manufacturing** sector showed signs of slowing. Output from the nation's mines, factories, and utilities edged 0.1% higher in July, while U. S. industries operated at 83.2% of capacity. The National

Association of Purchasing Management said that its July survey indicated expansion in the manufacturing industry, but that production growth slowed. Separately, the productivity of American workers, a figure that measures output per hour worked, slipped at a 0.1% annual rate in the second quarter after jumping 1.8% in the first. Declines in productivity are of concern because productivity represents worker efficiency. Increases in efficiency generally lead to non-inflationary wage gains, which subsequently raise the nation's standard of living.

The **housing sector** was mixed. Single-family home starts fell 5.7%, but starts of multi-family units swelled 25% in July. For the month, total housing starts slipped 1.3%. Additionally, the National Association of Realtors reported that sales of existing homes dipped 0.5% in July. Sales of new homes surged 7.9% in July. The national median sales price of an existing single-family dwelling stood at \$121,400.

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Inflation was calm in July. The producer price index (PPI) was unchanged. The core PPI, which excludes the erratic food and energy sectors, crept up 0.1%. Prices at the consumer level rose 0.3% in July after a weak increase in June.

The national economy started the third quarter of 1996 in good shape. Led by confident consumers, retail

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sales grew. The manufacturing sector slowed slightly and housing construction and sales turned in a mixed performance. Inflation remained tame. Growth during the rest of the year may be hard won, however. Much of the consumption gains during the first half of the year were from durable goods. Durable goods

purchases are one-time in nature and will not be repeated in the near future. This may be the reason for the decline in durable goods sales in July. Furthermore, debt-laden consumers may need to cut back their consumption.

Colorado Economy

The state's economy continues to expand in 1996. Nonfarm employment growth remains well above the national average. Residential and nonresidential construction are experiencing continued strength. The tourism industry, despite regional areas of weakness, is generally expanding, and inflation, as measured by the Denver-Boulder consumer price index, is easing.

Employment

Total nonfarm employment increased 4.0% through July 1996, down from the 4.7% pace set in 1995, but still double the national average. The state's low unemployment rate of 4.1% in July remained below that of the nation. Through July, Colorado's unemployment rate averaged 1.6 percentage points below the national rate.

A survey of the nation's 100 largest metropolitan areas showed that the Denver area, excluding Boulder County, ranked 17th for job growth between 1993 and 1995. Nonfarm jobs in the metro area increased 8.3% during the period, to 982,100. Many large scale private and public sector construction efforts fueled the job increases.

Since the last *Chronicle*, several companies have announced job gains or losses. ICG Communications Inc., a telephone access provider, plans to add 200 workers to its local workforce. US WEST Communications Inc. plans to hire up to 200 workers for a new directory assistance center in Colorado Springs. Construction of a 120-bed nursing home facility in Greeley will lead to 140 new jobs in November 1997. Bibles for the World, a ministry group, will move to Colorado Springs in August, employing 28 people.

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On the negative side, US WEST announced that 5,000 jobs, primarily management level positions, will be cut throughout its 14-state region during the next 18 months. The impact on Colorado is unknown. The merger of the Union Pacific (UP) and Southern Pacific (SP) railroads will lead to 1,200 job layoffs in Colorado, primarily at the locally-based SP. Electronic Fab Technology Corp. laid off 142 workers at its Greeley headquarters.

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

The gaming industry in Colorado also experienced job cuts during the past year. The Colorado Division of Gaming reported that the industry employed 473 fewer workers in June 1996 than a year earlier. This represents a 7.3% drop in the gaming job base. Casinos in Cripple Creek had a decline of 294 workers (13.9%). Central City gaming employment fell by 210 (12.9%), while Black Hawk casinos reported an increase of 31 (1.1%). There were three fewer casinos open for business in June 1996 compared with one year ago. These job announcements are discussed in more detail throughout the *Chronicle*.

Inflation

The Denver-Boulder inflation rate was 3.5% through the first half of 1996. An inflation rate is not calculated for the entire state, therefore the Denver-Boulder rate is often used as a proxy for the state. The sharpest increase was in apparel and upkeep, at 9.6%, but prices in this category have been relatively restrained since 1988. In fact, until 1996, apparel and upkeep prices were below their levels of the early 1980s. Competition and cost-cutting efforts kept the rise in medical care prices to 1.8%, while food and beverage prices increased 1.7%.

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Income and Wages

Colorado personal income in the first quarter of 1996 increased 6.6% over the prior year. The largest segment of income, wages, increased 7.6%. Farm proprietor's income grew only 2.2%, reflecting poor crop production and low beef prices, while income from dividends, interest, and rent increased 5.1%.

The average wage per worker in 1995, as reported by the Colorado Department of Labor and Employment, grew 3.7%, to \$27,122. By comparison, the Denver-Boulder inflation rate was 4.3% in 1995. Thus, average wages did not keep pace with inflation. The industries with the largest percentage average wage increases were finance, insurance, and real estate (6.1%), state government (5.2%), and wholesale trade (5.0%). The sectors with smallest increases were construction (1.7%), retail trade (2.6%), and local government (2.7%). The mining sector had the highest average wage, at \$50,699. Retail trade pays the lowest amount, with an average wage of \$14,881. Part of the reason for the low wage in retail trade is the predominance of part-time workers in this industry.

Residential Construction

Residential construction rose 39.9% through July 1996. The construction of apartment units increased 92.6%, while single-family home building rose 27.1%, according to F. W. Dodge data.

Meanwhile, the second-quarter vacancy rate for apartments in the Denver metro area increased to 5.3% from 4.3% one year ago. A surge of apartment construction pushed the vacancy rate higher. More than 8,000 units have been built in the Denver area since the beginning of 1995. The highest vacancy rates were in high-rent luxury apartments, which is where most of the apartment construction is also taking place.

Federal officials reported that while national home ownership rates recently set records, the Denver area's rate declined 1.5 percentage points during the first two quarters of 1996. The Denver metropolitan area's drop is likely attributable to rapid population growth and the propensity of new residents to initially rent rather than purchase homes. Ownership rates have also been negatively affected by surging local home prices that lessen affordability.

The research firm U.S. Housing Markets released statistics showing that Colorado's average price for new and existing homes ranked seventh in the country. Metro Denver's average price for new and existing homes ranked ninth among metropolitan areas. Additionally, Colorado residents pay 23.4% of their income for house payments, ranking the state fourth in the country after Hawaii, California, and Montana.

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Ground was broken for an 18-unit loft project in lower downtown Denver last month. The project features two penthouse units priced at \$1 million or more. Plans for a \$16 million, 72-unit condominium project were unveiled in Keystone during August, as were plans for construction of 200 to 300 condominium, town home, and hotel units in Breckenridge. Meanwhile, the Windsor Town Board approved an annexation that will allow developers to initially construct over 500 homes, the first of which will be ready for occupancy in late 1997.

Nonresidential Construction

The value of Colorado nonresidential construction increased 16.0% through July 1996, relative to the same period in 1995, according to F. W. Dodge. Strong growth was registered in the construction of manufacturing, government, and amusement facilities.

Several construction plans were announced for nearby **Denver International Airport**. Construction will begin in October on a \$20 million, 535,000-square-foot speculative warehouse complex owned by Prime West Aurora Venture I. The first phase, which will cover 277,000 square feet, will open in spring 1997. As much as 15% of the warehouses will be developed as office space, more than the typical 5 to 10% allocation. Marriott announced plans for a full-service hotel with 246 rooms in Gateway Park. The Marriott will include a restaurant, a cocktail lounge, an athletic club, and 6,000 square feet of ballroom and meeting space. It is one of six hotels planned for the first phase of Gateway Park. Gateway Park is planned as a \$1.5 billion, mixed-use development, covering 1,200 acres. Construction will begin in October for a 100,000-square-foot office building near DIA. A second office building is planned upon completion of the first.

J. D. Edwards, a leading software company, broke ground on a \$22 million headquarters building in the Denver Technological Center (DTC). The space will accommodate prospective employment growth for the company, which currently employs 1,250 people in two other buildings in the DTC. Record low vacancy rates in the southeast Denver area are sparking the biggest building boom in that area in a decade. Vacancy rates are as low as 1.5% in some southeast office parks. The absence of large blocks of contiguous office space is causing many companies to look at build-to-suit or speculative buildings.

“The Park Meadows Mall in northern Douglas County opened in late August.”

There has been a significant amount of **retail** construction in metropolitan Denver. The Park Meadows Mall in northern Douglas County opened in late August. Many new retailers to the Denver area, including the major department stores of Dillard’s and Nordstrom, will be in the mall. Other big-box retailers

have opened or are planning to open near Park Meadows.

The Sears store at Southglenn Mall will spend \$4 million to remodel its facility in the face of increased competition from the nearby Park Meadows Mall. Two, and possibly three, other major department stores will be present at both the Southglenn and Park Meadows malls.

Denver’s Cherry Creek Mall announced plans to open approximately 30 new stores in 1998, as part of a \$70 million expansion. The expansion is in response to fully leased conditions at the mall, which opened in 1990.

In addition, Lakewood’s Villa Italia Mall will spend \$61.9 million to remodel. Equitable Life Assurance Society, owners of the mall, will invest \$46.9 million to build a new 4,000-seat movie theater complex and to introduce more modern design features to the mall. Meanwhile, the City of Lakewood will provide \$15 million for construction of a parking garage and refurbishment of the food court and an additional \$10 million for Equitable’s cost to finance the project. Residents must first approve three ballot questions at the November election for the city financing to occur, however.

Finance

“Colorado ranked seventh nationally in total venture capital investment during the second quarter of 1996, topping \$100 million for the first time.”

Colorado is attracting a disproportionate share of venture capital investment in 1996, likely due to its vigorous economic climate. Colorado ranked seventh nationally in total venture capital investment during the second quarter of 1996, topping \$100 million for the first time. Traditionally, venture capital finances relatively new companies with potential for high growth in their early years. Meanwhile, two new venture capital funds in Colorado are scheduled to begin later this year. Centennial Funds, the largest metro Denver-based venture capital firm, will start a new \$160 million fund this fall. Catalyst Venture Management, a Colorado Springs company, hopes to begin investing in October.

Tourism

The state's tourism industry is enjoying robust growth in 1996. Tourism at Rocky Mountain National Park, Colorado's top tourist destination, is surging. Visitation during the first seven months of the year is 4.6% ahead of its record year of 1994. A mild spring, combined with the early openings of Trail Ridge Road and the Longs Peak hiking trail, contributed to the record pace.

Meanwhile, visitation to the Colorado National Monument near Grand Junction increased 16% over July 1995, which was an abnormally low month. The number of people stopping at the Visitor and Convention Bureau visitor center in Grand Junction was down 15% in July, while the area's July lodging tax collections, representing June activity, were 6.3% higher than in 1995.

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The strength of the tourist and business travel market is also reflected in rising hotel occupancy and rental rates in Denver. The average nightly hotel room rate in downtown Denver is approaching \$100. Rental rates are increasing because occupancy rates are strong. Weekend business, when occupancy typically tails off relative to weekday bookings, has strengthened because of Coors Field, Elych Gardens, and the overall vitality of the downtown entertainment market. In spite of rising hotel rates, a study of travel trends by *Business Travel News* indicates that Denver's hotel rates were the 28th highest in the nation, while overall travel costs were 41st highest in 1995, ranking the city below any other major U.S. metropolitan area.

Traffic west of Denver on Interstate 70 through the Eisenhower Tunnel increased a record 6% thus far in 1996. Six of the tunnel's ten busiest days ever occurred since July 4.

Colorado's ski areas are attempting to capture a larger share of national skier visits, by spending nearly \$100 million this year on capital improvements. This eclipses the previous spending record of \$77 million in 1986-87.

Colorado casinos reported a meager 1% increase in their take from gamblers in July. However, this does not appear to be indicative of a trend, as casino revenues are up 10% after 10 months of their business year.

Agriculture

The U.S. Department of Agriculture estimates the state's winter wheat harvest will be 71.3 million bushels in 1996, down 30.5% from last year. As noted in previous issues of the *Chronicle*, southeast Colorado has been hard hit by lack of precipitation in 1996, while farmers in northeast Colorado had sufficient moisture for bumper crops. Most Colorado wheat is produced without irrigation; therefore southeastern Colorado crop farmers will experience declining production this year. Nationally, wheat production is down 3% from last year. The tight supplies have driven up the price of wheat.

Colorado's corn crop is not harvested until October, but preliminary projections suggest that this year's production will be significantly higher than last year. Corn production is expected to total 136.3 million bushels, up 48% from 1995, which had the smallest crop in more than a decade. Corn is an irrigated crop and ample water supplies from reservoir storage contributed to this year's bumper crop.

Metro-Denver Region

The Denver Regional Council of Governments (DRCOG) released 1995 population estimates for the metro Denver area. DRCOG estimates that the six-county area grew by 63,000 people in 1995, to 2,117,100. **Jefferson County**, with an estimated 498,300 residents, surpassed Denver County as the most populous county in the state. Arapahoe County had the largest number of new residents, while Douglas County had the largest percentage increase, 14.8%.

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As previously mentioned, the much touted Park Meadows Mall in **Douglas County** opened in August.

The 1.5-million-square-foot, 100-shop mall is expected to employ 2,500 workers when it is fully open. Douglas County expects the mall to generate \$8.4 million in sales and property taxes by 1998.

Lower downtown Denver (LoDo) experienced significant growth in consumer spending since the early 1990s. The Denver Treasurer's Office announced that sales tax collections in the LoDo area increased 86% in 1995. The strength in 1995 is attributable to the opening of Coors Field and the surrounding entertainment mecca of restaurants, taverns, and retail shops.

Tourism in metro Denver improved in late spring and early summer. Attendance at metro-area attractions increased 5.5% during the second quarter with suburban attractions doing better than those in Denver, according to a study conducted by the Adams Group for the Denver Metro Convention and Visitors Bureau. Restaurant spending was up 4.2% during the quarter. Ground transportation, including vans and taxis, was down 2.4% in the quarter while air transportation increased 2.1% through May.

In **Commerce City**, officials broke ground on a new municipal services center. The center includes three buildings that will house the public works and parks departments, a fleet and building maintenance department, and a police training facility. The buildings are expected to be completed by mid-1997.

US WEST Communications Inc. announced that it intends to eliminate 5,000 jobs in its 14-state service territory by the end of 1997. The company began a "re-engineering" effort 3 years ago in order to be cost-competitive. Job cuts will primarily be middle management positions or those rendered obsolete or nonproductive by computer technology. The number of job cuts in Colorado and metro Denver is unknown, but Denver is the company's headquarters.

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Northern Region

Life Care Centers of America began construction on a 120-bed, 64-unit nursing home facility in **Greeley**. The center will provide adult day-care services, care for the elderly, for injured patients, and for those with Alzheimer's, and transitional care between hospital and nursing home stays. When the center is open in late 1997, it is expected to provide 140 new jobs. Also in Greeley, Electronic Fab Technology Corp. laid off 142 workers. The company is retooling its business and will focus on products for the medical, instrumentation, telecommunications, and high-end computer storage industries. The company had produced printed circuit boards and other components for computer peripherals and other high-volume products.

Windsor will be the site of a master-planned community with 500 to 600 homes, 853 apartment units, 110 townhouse units, and a large retail shopping center. The project will be developed in several phases, with the first phase of residential construction completed by late 1997. These homes will range in price from the low-\$100,000s to the low-\$200,000s.

Southern Region

"Pueblo is embarking on a \$13 million project to turn an empty river basin into a landscaped artificial waterfront with businesses, parks, and a lake."

Pueblo is embarking on a \$13 million project to turn an empty river basin into a landscaped artificial waterfront with businesses, parks, and a lake. The project will follow the original route of the Arkansas River, which was redirected during the 1920s to avoid flooding in central Pueblo.

Kaiser Permanente of Colorado could take over the number one position as the state's largest health maintenance organization if it follows through on exploratory plans to enter the **Colorado Springs** market. The organization estimates that it could add 40,000 new members over the next five years to its existing membership base of 322,000. The impact on

local jobs is uncertain as Kaiser is considering contracting with area physicians or using its current format of hiring its own staff doctors and other personnel.

Colorado Springs is currently home to more than 70 religious organizations. An additional company, Bibles for the World, is moving to the city in August. The firm plans to hire 27 employees from the area. US WEST Communications Inc. will begin hiring up to 200 operators for a new directory assistance center in Colorado Springs. The center will serve other telephone companies which pay US WEST to handle their customers' directory assistance calls. The company recently closed its Denver directory assistance center, eliminating 164 jobs.

The Village at Skyline, a retirement community, plans a \$34 million expansion during the next 4 years to accommodate an expected surge in El Paso County's over-85 population during the next 25 years. The expansion consists of a 90-unit apartment building, a 60-unit assisted-living facility, and a 60-unit skilled nursing home. Construction will begin in November and the first building will be completed in late 1997.

"In response to local growth over the past few years, more than 1 million square feet of new retail space is currently under construction in Colorado Springs."

In response to local growth over the past few years, more than 1 million square feet of new retail space is currently under construction in Colorado Springs. Four major retailers are scheduled to open by the end of August, with several other stores planning their openings in time for the holiday spending season. Additionally, a developer is seeking approval for a nearly 400,000-square-foot shopping center in the city. Sixteen buildings would be built on the site.

Western Region

Coming on the heels of last month's announcement of the purchase of the Breckenridge, Keystone, and Arapahoe Basin ski areas, Vail Associates received approval from the U.S. Forest Service to expand the Vail ski resort. Already the largest ski area in North America, the expansion will increase the resort's size to almost 5,000 acres. The new terrain should open earlier in the season and stay open longer because of its north face exposure, thus lengthening the ski season. The opening of the new terrain is planned for the 1998-99 ski season.

Colorado Indicators
Year-to-Date Growth Rates

Indicator	July 1996 Increase	June 1996 Increase	1995 Annual Average
Nonfarm Employment * Growth	4.0%	4.3%	4.7%
Unemployment Rate ∇ * (seasonally adjusted)	4.1	4.1	4.2
Housing Growth §			
Single-Family	39.9	37.2	-5.2
Apartments	27.1	31.9	-7.9
Apartments	92.6	60.2	4.6
Growth in Value of Nonresidential Construction §			
Retail	16.0	15.7	16.2
Offices	-16.0	-32.1	50.5
Factories	26.5	48.2	11.4
	32.2	50.0	-11.7

∇ 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 July 1996)	2.9	§ 2.9	§ 6.8	§ 3.3	5.2	3.8	3.0	5.3	4.1	4.5	§ 1.3	3.9	4.0	-0.5
Unemployment Rate ⊗ ◆ (not seasonally adjusted) (in July 1996)	5.8	3.8	4.6	3.7	4.6	3.8	5.0	4.7	4.6	6.3	5.7	2.3	3.6	4.0
Retail Trade Sales Growth ∇ (through June 1996)	-1.2	4.7	4.6	6.5	9.6	8.7	8.8	14.2	-2.7	4.9	5.7	8.3	5.7	19.7
Housing Permit Growth * (through July 1996)	-19	112	55	35	-4	49	23	57	⊛	9	32	29	-11	38
Growth in Value of Non-residential Construction * (through July 1996)	-70	80	17	9	79	-56	66	29	0	●	52	61	⌘	-98

§ 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.

⊛ Fifty-three residential units have been contracted thus far in 1996, while 19 were contracted during the same period in 1995.

● \$17.4 million has been contracted thus far in 1996, while nothing was contracted during the same period in 1995.

⌘ \$5.9 million has been contracted thus far in 1996, while \$782,000 was contracted during the same period in 1995.