



Colorado Economic Chronicle

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National Economy

Inflation-adjusted gross domestic product (**GDP**) grew at an annualized rate of 4.1% during the fourth quarter of 2003. For the entire year, GDP grew 3.1%, the highest growth rate since 2000. The most significant factor contributing to growth was the continued strong recovery in fixed investment, particularly business spending. After nine quarters of declines, business spending increased an average of 10.2% in each of the last three quarters.

After months of declines or lackluster gains, national **employment** jumped by 308,000 jobs in March. While the last quarter of 2003 posted an average monthly gain of 60,000 jobs, the first quarter of 2004 posted an average monthly gain of 171,000 jobs. This provides the first sign of a national employment recovery. Meanwhile the *unemployment rate* held steady at 5.7% in March 2004. For the first three months of 2004, the unemployment rate averaged 5.6% compared to the average unemployment rate of 5.8% in first three months of 2003. While initial claims for unemployment insurance remained above 400,000 each week through much of the first nine months of 2003, they have remained below 400,000 for over six months, an indication of a stable labor market.

“...the first quarter of 2004 posted an average monthly gain of 171,000 jobs, the first sign of a national employment recovery.”

Personal income increased 0.4% in February and is 4.6% ahead on a year-over-year basis, the strongest

twelve-month growth rate in three years. For the second month in a row, the largest factor behind the rise in income was the growth in wages and salaries. *Consumer spending* rose 0.2% in February, representing the fifth straight month of growth. Retail sales posted strong growth with a 1.8% growth rate in March and an 8.2% growth rate over a year ago. Among retail sectors, building materials led the way as the spring season motivated plans for additional residential construction. Consumer confidence held steady over the past two months. The University of Michigan Consumer Sentiment Index rose 1.4 points in March, while the Conference Board measure of consumer confidence was unchanged. Both surveys found that respondents felt that current conditions improved over the prior month, suggesting that the optimism regarding recent economic performance may translate to improved economic conditions in the near future.

The **manufacturing sector** continues to show signs of expansion. The *Institute of Supply Management Index* rose to 62.5 in March, the fifth straight month it has been above 60. Before this recent trend, the index had not reached 60 since 1987. The new orders index was over 65, suggesting a positive view for demand of manufactured products. The employment index has been above 50 for five months, indicating an expansion trend in manufacturing jobs. While the official measure of manufacturing employment shows a decreasing trend in jobs, the decline has significantly slowed in recent months and can be viewed as an improving indicator. *Industrial pro-*

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duction rose 0.7% in February, marking the eighth consecutive monthly increase. *Durable goods orders* rose 1.0% in February and *nondurable goods orders* rose 0.8% after two months of declines.

While off from recent record high levels, the **housing sector** is still very strong. *Existing home sales* registered an annualized rate of 6.12 million sales in February, 2.0% higher than January's rate, but down 8.5% from the record high figure set in September. February *new home sales* jumped 5.8% over the prior month. February's rate was the highest since last August.

Consumer prices rose 0.5% in March, with a 1.7% increase over a year ago. The 12-month inflation figure has been steadily declining since the 3.1% rate

registered a year ago. Energy prices increased 1.9% during the month, but rose only 0.4% over a year ago. At its March meeting, the Federal Reserve Board did not change interest rates.

The most significant recent economic news was the positive sign regarding employment growth. As long as other indicators — particularly business demand for manufactured goods, wage and salary growth, and consumer spending — show resilience, the economy will continue to expand. The possible emergence of inflationary pressures and the positive employment trend suggest that the Fed may be approaching a position to increase rates later in 2004.

Colorado Economy

Most indicators point to the beginning of a rebound in Colorado's economy. After a dismal showing in 2003, employment has begun to turn the corner. Many municipalities have reported encouraging retail sales growth thus far in 2004. Finally, the correction in the construction industry seems to be leveling off somewhat.

“Jobs finally materialized in March, with an addition of 10,700 jobs over February and the March unemployment rate dipped to a seasonally-adjusted 4.9%...”

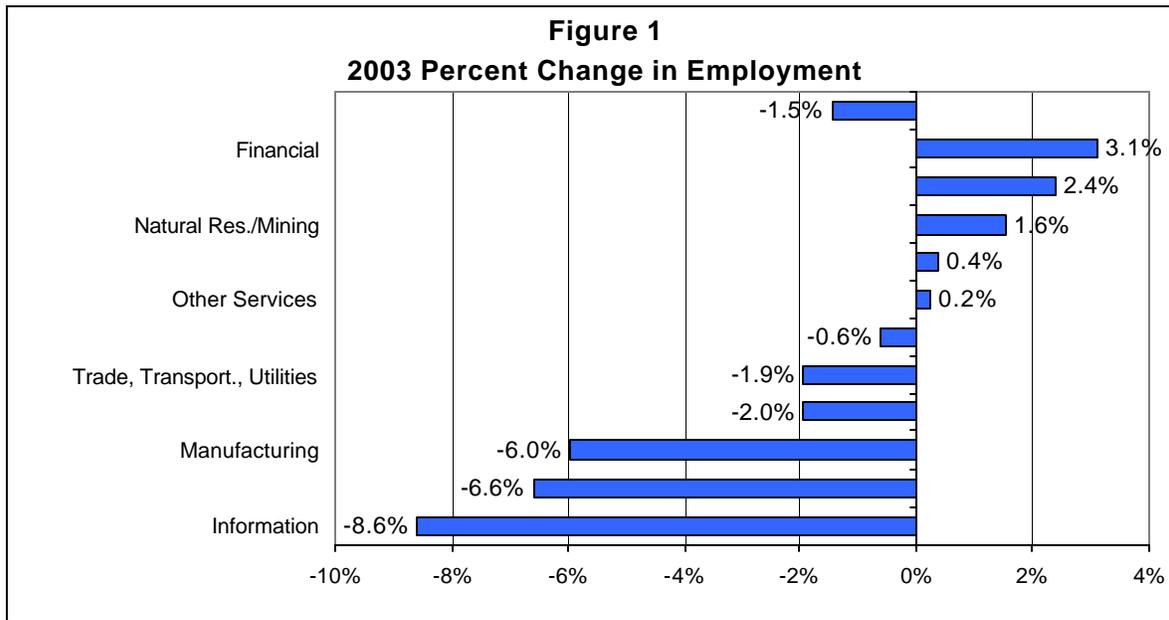
Employment

Colorado's employment picture has been grim for three years. Colorado's unemployment rate averaged 6.1% in 2003, up from 5.8% in 2002. The unemployment rate was 4.9% in February, down from 5.5% in February. Nonagricultural employment decreased 1.5% in Colorado during 2003 after a 1.9% decrease in 2002 and flat growth in 2001. On a seasonally adjusted basis, Colorado lost another 16,500 jobs in January and February. Through February, a total of 118,100 jobs had been lost, 5.3% off the cyclical peak in December 2000. We believe, however, that employment is at or very near its cyclical low in Colorado. Jobs finally ma-

terialized in March, with an addition of 10,700 jobs over February and the March unemployment rate dipped to a seasonally-adjusted 4.9%.

Figure 1 shows the average change in employment by industry during 2003. The information sector lost the greatest percentage of jobs, with an 8.6% loss. Manufacturing and construction continued to lose jobs. Natural resources and mining expanded, primarily as a result of rising oil and gas prices. Education and health expanded as people went back to school to be retrained and health needs remained prominent. The financial services industry showed the greatest expansion in response to an environment of historically low interest rates.

Job announcements during January through April were refreshingly positive. This edition of the *Chronicle* reports the announcement of 895 job losses and 2,219 job gains — the majority of which have already occurred or will by the end of the year — for a net of more than 1,300 announced job gains. The retail/restaurant sector fared well with an announced net increase of 425 jobs. United Airlines and Frontier Airlines announced a combined immediate job gain of 649. Advanced technology manufacturing and development also fared well, with 250 job announcements for high-paying positions, most of which are expected to be filled be-



fore the end of the year. Software firms have added 85 jobs already, with another 560 expected over the next few years. Traditional manufacturing companies lost a net 25 jobs, but announced both gains and losses. The agricultural sector lost an announced 190 jobs in January at Fort Morgan and Greeley meat processing plants due to concerns over mad cow disease, and the non-software-related services sector lost 430 jobs.

In addition, according to the Denver Metro Chamber of Commerce's monthly summary of business and economic conditions, the job market should continue to improve in Denver through the second quarter of 2004. About 14% of companies surveyed plan on hiring during April through June, about the same as the 15% surveyed in January. However, fewer companies expect to decrease staff. The percent expecting to reduce jobs was only 3% in the second quarter, down from 17% in the first quarter.

Bankruptcy and Foreclosures

According to the Federal Courts, Colorado has the highest bankruptcy rate in the country. The number of bankruptcy filings in Colorado increased 21.5% in 2003 from 21,359 filings in 2002 to a record

25,956 filings in 2003. Texas experienced the second fastest rate of increase, at 14.7%. The average increase for the nation was 5.2%.

2003 also marked the worst year in Colorado since 1988 for real estate foreclosures and the second-worst year on record. Roughly 9,500 foreclosures were filed in Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties, representing nearly a 45% increase over 2002.

“Inflation in Colorado was very low in 2003, increasing only 1.1% after a modest 1.9% increase in 2002.”

Inflation and Personal Income

Inflation in Colorado was very low in 2003, increasing only 1.1% after a modest 1.9% increase in 2002. The core inflation rate, excluding food and energy from consumer prices, rose a scant 0.2% in 2003, the lowest core inflation on record. The highest inflation occurred in residential fuel and utilities component of housing (16.1%) and in the motor fuel component of transportation (11.8%).

State personal income for 2003 reportedly grew by 2.8% while income from wages and salaries grew

1.4%. Both of these figures were improvements over 2002, in which personal income rose 0.8% and wage and salary income dipped 1.9%. When combined with inflation figures for 2003, real personal income and real wages grew 1.7% and 0.3% respectively.

Retail Trade

Retail trade in Colorado decreased 1.0% in 2003, after a 0.3% decrease in 2002. The Denver and Colorado Springs metro areas saw retail trade sales that were slightly lower during 2003 than in 2002, registering losses of 0.2% and 0.3%, respectively. Larimer County saw a 0.9% drop in retail trade sales last year while Pueblo County saw a 1.0% gain over 2002 figures. Mesa County registered a 0.4% increase over 2002 sales and the sales in the ski counties of Eagle, Summit, and Pitkin were unchanged from 2002.

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Computer manufacturer Gateway Inc. closed its 188 retail stores nationwide on April 9, eliminating 2,500 jobs. The four stores closed in Colorado were located in Arvada, Centennial, Colorado Springs, and Fort Collins. The company closed the stores to cut costs and will continue selling its products online and by phone.

Residential Real Estate and Construction

According to the U.S. Census Bureau, permits for residential housing units fell 18% in 2003, although the value of those permits declined by less than 1%. Single-family housing permits declined 4% in 2003 and multi-family permits declined 53%. Corresponding to the drop in the number of multi-family permits, the value of new multi-family permits fell 43% last year. However, the value of new single-family permits increased by 6%.

Recent data for the first two months of 2004 from the Census Bureau suggest that economic activity in the

housing market is improving. Although year-to-date single- and multi-family permits are both lower compared to 2003 levels, the value of housing permits in the first two months of 2004 is up 9% compared with 2003 levels. Moreover, based on F. W. Dodge reports, both the number of residential permits and the value of permits show year-over-year increases.

In the past twelve months, median housing prices in metro Denver increased modestly, from \$224,000 in March 2003 to \$231,000 in March 2004, a 3.1% annual increase. In 2003, home prices in Boulder-Longmont increased 1.7%, the slowest rate in the state, while prices increased 3.1% in Greeley, 3.2% in Colorado Springs, 3.2% in Loveland/Fort Collins, 4.1% in Pueblo, and 6.2% in Grand Junction. In addition, home closings increased 28% in March 2004 compared with March 2003 levels. These developments suggest that the housing market is rebounding in tandem with the rest of the state's economy.

The apartment rental market also points to a “bottoming-out” of the economic recession. In contrast to falling rents in the first two quarters of 2003, rents in the third and fourth quarters of 2003 were relatively unchanged. The median monthly rent was \$775.19 in the fourth quarter compared to \$770.82 in the third quarter. Recent surveys also indicate that landlords are offering fewer concessions to renters, a move that increases effective rental rates. In addition, apartment vacancy rates declined slightly in the fourth quarter, to 10.9%, compared with 11.1% in the third quarter of 2003.

Nonresidential Construction

Based on F. W. Dodge Construction reports, nonresidential construction is beginning to turn around. In 2003, the aggregate value of new nonresidential construction decreased by 7%, with some of the largest reductions occurring in Larimer County, metro Denver, Boulder County, and Mesa County. Both Weld County and El Paso County registered increases in nonresidential construction in 2003, however. For the first three months of 2004, the aggregate value of new nonresidential construction increased by 3%, compared with the first three months of 2003. Some of the biggest increases were for grocery stores in

Adams County and Jefferson County, and for schools and colleges in Arapahoe County and El Paso County.

Business

The Colorado Business Leaders Confidence Index dropped from 66.9 in the first quarter to 64.2 in the second quarter, with five of the six components of the index showing decreases. The index, compiled by Compass Bank and the Leeds School of Business at the University of Colorado at Boulder, measures expectations for the national and state economies, as well as industry-specific performance. Expectations for the national economy fell to 68.0 from 74.3, and expectations for the state economy fell to 64.3 from 68.2. Figures above 50.0 are considered expansionary.

According to a monthly Creighton University survey of commercial activity in Colorado, Utah, and Wyoming, business conditions in the three-state region fell for a second consecutive month in March, from an index value of 59.8 to 59.5. An index above 50 indicates economic growth. The prices-paid index, which is often a leading indicator of inflationary pressures, jumped to its highest level in more than year with a March reading of 78.8. For Colorado, however, the index fell for the third consecutive month from 58.3 to 53.2. Components of the overall index were 50.0 for employment and new orders, 61.1 for production, 37.5 for inventories, and 83.3 for prices paid.

Tourism & Gaming

Colorado's rafting industry reported a 45% increase in business in 2003, the largest jump in 15 years, according to the Colorado River Outfitters Association. Despite the leap, rafting has yet to fully rebound from the devastating drought and wildfires in 2002.

The Denver Botanic Gardens set a general attendance record for the third consecutive year. Last year, 549,681 people visited the gardens, an increase of 40,987. The increase was due largely to new garden openings throughout the year.

Denver-area hotels had about the same occupancy rate in 2003 as the year before, but lost a little ground in terms of room rates, according to the January Rocky Mountain Lodging Report, published by the Colorado Hotel and Lodging Association. Last year, local hotels averaged 59.5% occupancy, compared to 60.3% for 2002. Room rates averaged \$84.79 a night, down from \$86.05 the year before.

Royal Gorge Bridge operators reported that 2003 was a lackluster year. Although the summer months' attendance was equal or slightly better than the year before, year-round attendance dropped from 329,000 in 2002 to 300,921 in 2003. Last year the bridge company spent \$600,000 to install a Skycoaster ride, and the company also plans to finish its wildlife park this year with the addition of a bighorn sheep exhibit, plus visitors will see a new front gate and new building facades this year.

“Drought conditions in Colorado negatively impacted crop production in 2003 and sustained dry conditions will reduce crop plantings in 2004.”

Agriculture

Drought conditions in Colorado negatively impacted crop production in 2003 and sustained dry conditions will reduce crop plantings in 2004. According to data from the Colorado Agricultural Statistics Service, plantings of wheat (winter and spring), oats, barley, sunflower, and hay will decrease in 2004 because of the drought and uncertainty regarding water availability for irrigation. The only crops expected to increase production are corn, sugar beets, and sorghum.

In the livestock market, the number of cattle and calves on feed for slaughter increased 3% in the twelve months ending March 1, 2004. However, in the first two months of 2004, commercial red meat production, including beef, pork, veal, and lamb/mutton, declined by about 10%. The inventory of cattle and calves may continue to diminish if

drought conditions persist and cattle move off Colorado's farms and ranches for greener pastures in other states.

In March 2004, the *All Farm Products Index of Prices Received* increased 23% from March 2003. The All Crops price index increased 17% from last year, with most crops experiencing price gains, except for potatoes and hay. The Livestock and Products price index rose 29% from year ago levels, with beef and hog prices increasing 16% and 30%, respectively.

In January, 150 people lost their jobs at the Excel Corporation's beef processing plant in Fort Morgan. The company announced plans to layoff between 6% and 7% of its employees at five facilities nationwide. The layoffs were blamed on a reduction in demand for beef resulting from concerns over mad cow disease. In addition, Swift and Co. laid off 40 people at its meatpacking plant in Greeley due to the same concerns. Swift employs 2,600 people at the plant.

Transportation

Denver International Airport was travelers' first choice among U.S. airports and No. 2 worldwide in J.D. Power and Associates' 2003 passenger-satisfaction survey. DIA ranked behind only Frankfurt International Airport. Also, DIA said it handled 37.5 million passengers last year, the third-best traffic volume logged since the airport opened in 1995. For 2003, traffic was up 5.2% over 2002 figures, with much of the increase attributed to the rapid expansion of Frontier Airlines and the addition of new, lower-cost airlines such as JetBlue Airways, Spirit Airlines and AirTran. DIA has the highest growth rate among the top U.S. airports for both flight and seat departures on low-cost carriers since 2001, according to data from the Official Airline Guide. The number of flights from DIA on low-cost-carriers in 2003 increased 65.3% over 2001, and the number of seats from Denver increased 51.7% for the same time period.

Meanwhile, United Airlines announced plans to recall up to 600 of the 4,600 flight attendants furloughed during the last two years. United is adding

the flight attendants this spring to staff additional charter flights and to cover flight schedule changes. Frontier Airlines is also adding jobs in Denver. The airline announced plans to hire 49 people to staff its own catering facilities at Denver International Airport.

Energy

Gasoline prices continued to surge in March and April of 2004. Based on data gathered through April 19, U.S. retail gasoline prices averaged \$1.81 per gallon, almost 32% higher than at the same time last year. Increasing crude oil costs and low gasoline inventories heading into the summer driving season are expected to push gasolines prices higher in the coming months.

“Based on data gathered through April 19, U.S. retail gasoline prices averaged \$1.81 per gallon, almost 32% higher than at the same time last year.”

In contrast, natural gas spot prices are expected to stabilize at about \$5.40 per thousand cubic feet (mcf), after peaking at more than \$6 per mcf in January. In the near-term, sufficient inventories of natural gas are expected to prevent further spikes in prices, assuming weather-induced demand approaches historical averages. In addition, coal prices were relatively unchanged in the first nine months of 2003, but have climbed steadily in the past six months. In particular, spot market prices for Unita Basin coal (Colorado and Utah) have increased by almost 40% since November 2003.

In 2003, Colorado's production of natural gas and coal increased 7% and 2%, respectively. These trends are expected to continue, especially given price expectations for gas and coal and the opening up of additional federal lands for exploration, drilling, and mining.

Metro Denver

Employment in the six-county metro Denver area

decreased 0.2% in 2003. The construction and information industries experienced the greatest decreases, at 7.4% and 5.4%, respectively. Large increases occurred in the financial services sector (4.5%), the educational & health services sector (3.2%), and the leisure & hospitality sector (2.2%). The unemployment rate averaged 5.9% in 2003 and was unchanged from the average unemployment rate in 2002. Meanwhile, retail trade decreased 0.2% in 2003.

According to the U.S. Census Bureau, the number of permits for residential construction granted in the metro Denver area decreased 24.3% in 2003. Permits for single-family homes decreased 8.0% and permits for multi-family homes decreased 55.9%. Meanwhile, the value of nonresidential construction decreased 16.7% in metro Denver during 2003, according to F.W. Dodge.

“According to the U.S. Census Bureau, the number of permits for residential construction granted in the metro Denver area decreased 24.3% in 2003.”

Denver-based automotive and industrial-part manufacturer Gates Corp. announced plans to build a new product research, development, and training center at the Inverness Business Park in **Douglas County**. Gates plans on employing 45 engineers, technicians, and scientists in the \$14 million, 69,800-square-foot building. While some of the 45 people are already employed in Denver, an unannounced number will either be transfers from other states or new hires.

Plans were announced to build a retail, office, and residential development in **Westminster** at Interstate-25 and 144th Avenue. The 1.2 million-square-foot project will include an outdoor mall area, a 12-screen movie theater, and more than 950,000 square feet of retail space dominated by fashion-oriented stores. The outdoor area will include offices, townhomes, and apartments. In addition, an interchange will be built at the I-25 and 144th Avenue intersection. The interchange and the first phase of the development are scheduled to open in 2006.

"Mayfair Village," a \$5 million retail development

planned for the intersection of E. Colfax Avenue and **Krameria Street in Denver**, will include 10 restaurants, coffee shops, and upscale retailers. Nearby, Safeway announced plans to tear down its current building on Krameria Street and replace it with a new, two-story store.

Plans were announced to build "Park Meadows," a \$23 million, 120-unit condominium development in **Lone Tree** near Park Meadows Drive and Lincoln Avenue. The development will include a swimming pool, exercise facility, and meeting space. The units will be priced between \$150,000 and \$200,000 each.

The Lord & Taylor store at Park Meadows Mall in **Littleton** will close its doors on May 1, laying off 60 people. The 136,000-square-foot space has been put up for sale. The other two Lord & Taylor stores in Colorado, located in Broomfield and Cherry Creek, are also slated for closure by parent company May Department Stores Company. There has been no announcement on closure dates for the other two stores.

Between 110 and 120 people were hired to staff McCormick & Schmick's, a new seafood restaurant that opened on April 17 in the Denver Technological Center.

Defense contractor Raytheon will hire 150 people this year, primarily engineers who will work on the "National Polar-Orbiting Operational Environmental Satellite System." The project, worth \$4.5 billion over 16 years, will combine the weather satellite systems of the Department of Defense, the National Oceanic and Atmospheric Administration, and NASA. It is expected to be a cost saving measure for the federal government and was awarded to the company in August, 2002.

Broomfield-based McData Corp. laid off 50 people in **Broomfield** and another 42 people in California and Toronto in January. Mcdata, which manufacturers switches for data storage computer networks, employed 585 people in Broomfield and 982 people worldwide after the layoffs. Meanwhile, Univera Inc. will move from Broomfield to Washington State this summer, laying off 40 people and relocat-

ing another 40. Univera is a holding company for pharmaceutical and health-related firms.

New York-based online marketer DoubleClick announced plans to hire up to 600 people over the next four years at its Thornton location. About 300 of those jobs will be software and engineering positions. The rest will be administrative, sales, and accounting positions. Through January, DoubleClick had added 40 of the 600 positions. The company, which plans to consolidate all of their systems in **Thornton**, currently employs 100 people in Thornton and 1,200 people worldwide.

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Boulder

Nonfarm employment decreased 0.8% in Boulder County through February compared with the first two months of 2003, while the unemployment rate was 4.9% in February. Retail sales decreased 0.6% in Boulder County in 2003 compared with 2002. Some municipalities fared better than others. Lafayette's sales taxes increased only \$200,000 over that collected in 2002 and Louisville's increased 1.7%. Longmont's sales taxes were flat. Meanwhile, Boulder continued to struggle with its sales tax base, which pays for the majority of its budget. Sales tax receipts in Boulder have decreased steadily since 2000, falling from \$80.8 million in 2000 to \$67.7 million in 2003. Sales tax receipts increased for the first time in nearly three years in January, however, increasing 2.4% over the amount collected in January 2003.

According to the U.S. Census Bureau, the number of permits granted in the Boulder-Longmont area for residential construction decreased 20.5% in 2003. Permits for single-family homes decreased 16.2% and permits for multi-family homes decreased 31.4%. Meanwhile, according to F.W. Dodge, the value of nonresidential construction in Boulder County decreased 38.4% in 2003.

Plans were announced for "Twenty-Ninth Street," the redevelopment of Crossroads Mall in **Boulder**. Demolition on the entire mall except the Foley's building is scheduled to begin this summer. The 60-acre area will include two acres of open space and hold 800,000 square feet of retail space in four shopping zones that include big box and boutique retailers, a grocery store, and a movie theater. Residences are also under consideration.

Boulder software provider Roving Planet announced plans to hire 45 people in 2004. The 30-employee company, announced the expansion as a result of the receipt of \$9.5 million in venture capital. Roving Planet is a provider of software that manages local area networks.

Storage tape drive manufacturer Quantum Corp. laid off 40 people in Boulder, mostly engineers, and 20 people in Colorado Springs earlier this month. The company attributed the job losses to a reorganization of its operations. Before the layoffs, Quantum employed 300 people in Boulder, 400 people in Colorado Springs, and a total of 1,900 people nationwide.

Red Robin Gourmet Burgers hired more than 120 people in March to staff a new restaurant in **Longmont**. In **Superior**, Gart Sports hired 55 people to staff a new store in March. The store is located in a newly built 40,000-square-foot building. Next door to the new Gart Sports, Wild Oats announced plans to hire 160 people to staff a store slated to open in May.

Northern

According to the U.S. Census Bureau, the number of residential permits granted in the Fort Collins-Loveland area decreased 8.6% in 2003, as the multi-family sector propped up a sluggish single family market. Less expensive land in nearby Weld County has prompted much of the single family home construction to move east. Permits for single-family homes decreased 14.7%, while permits for multi-family homes increased more than 17.2%. A similar pattern held in nonresidential construction, as Larimer County saw a 35.8% decline, while

Weld County enjoyed a 33.3% increase in 2003. Finally, retail sales growth in 2003 decreased 0.9% in Fort Collins, while new retail construction helped boost collections in Greeley by 4.5%.

Despite a significant population increase in 2003, the Fort Collins-Loveland unemployment rate for the year remained unchanged at 5.2%. Meanwhile, the unemployment rate in Greeley rose to 6.6% in 2003, up from 6.1% a year earlier.

Group Publishing Inc. began construction in February on a \$6 million, three-story, 47,000-square-foot office building in **Loveland**. The company currently has 47,000 square feet of office space and a 34,000-square-foot distribution center at the site. The company, which currently employs about 270 people, expects to add another 100 jobs to staff the expansion over the next few years.

Wild Oats Market announced that it has signed a letter of intent to build its second **Fort Collins** location at The Summit Front Range, a lifestyle center proposed by Alabama-based developer Bayer Properties. The 450,000-square-foot lifestyle center also will house a Dillard's department store and a range of other upscale retailers that are yet to be announced. The shopping center is scheduled to open in 2005. Meanwhile, a 700,000-square-foot shopping center is planned at the interchange of I-25 and U.S. 34 in Loveland with a handful of tenants already announced for "The Shops at Centerra." Among those that have signed letters of intent are Foley's department store, Galyan's Trading Company, Victoria's Secret, and Express. That center is also slated to open in 2005, and construction could begin in several weeks.

Environmental technology firm In-Situ announced plans to move its headquarters from Laramie, Wyoming to Fort Collins this summer. The company will bring 65 employees with them and expects to hire another 85 people during the next few years. The company will build a new \$2.7 million, two-story, 30,000-square-foot headquarters building.

Fort Collins' Eckerd drugstore, which has only been open since January, will close and another store under construction in the city will not open as part of

J.C. Penney Co.'s sale of the Eckerd chain to CVS Corp. and Canada-based Jean Coutu Group Inc. All nine Colorado Eckerd stores, including those under construction, will be closed.

Kodak announced a \$30 million to \$40 million expansion of its digital imaging business at its **Windsor** plant, adding roughly 60 jobs in the process. The Windsor plant now has a work force of about 1,700 people.

“Kodak announced a \$30 million to \$40 million expansion of its digital imaging business at its Windsor plant...”

Ross Dress for Less opened its 21st Colorado location at the CenterPlace Shopping Center in **Greeley** in February. The store employs 40 to 50 full- and part-time people and is expected to generate roughly \$7 million in revenues annually.

Greeley's Community Development Department is expecting more than 6,000 new housing units by 2009, representing average annual growth of 3.3%.

El Paso

According to the U.S. Census Bureau, the number of permits granted in the Colorado Springs metropolitan area for residential construction decreased 23.2% in 2003, with the multi-family sector responsible for the decrease. Permits for single-family homes actually increased 1.3%, while permits for multi-family homes decreased more than 90%. Also, the value of nonresidential construction in El Paso County jumped 19.3% behind the construction of several new office and bank buildings. Growth in retail sales slumped slightly in 2003, falling 0.3%.

The unemployment rate in Colorado Springs dropped from 6.6% in 2002 to 6.0% in 2003, despite the loss of 2,400 jobs in 2003. Gains were posted in the educational and health services, financial activities, and professional and business services sectors. Meanwhile, the information sector

lost 2,000 jobs in 2003, representing a 16.1% decline.

Gift catalog company Walter Drake Inc. announced plans to lay off 350 people as a result of the sale of its company to another gift catalog company. The company employed 375 people prior to the sale. The remaining 25 will continue to be located in **Colorado Springs**.

Mortgage foreclosures surged to a 12-year high in El Paso County in 2003. Lenders sought foreclosure of 1,954 mortgages in the county, up 21.5% from a year earlier and the highest annual total since 2,000 mortgage foreclosures were filed in 1991, according to the El Paso County Public Trustees Office. The 252 foreclosures filed in December were the highest monthly total in more than 14 years.

Intel Corp. will spend \$35 million in 2004 to install a new wireless computer chip manufacturing process at its Colorado Springs plant, adding 20 to 30 jobs. The manufacturing process will make wireless local area network, or LAN, chips for notebook computers fitted with Intel Centrino technology. As many as 500 local construction workers will be hired to upgrade the clean room inside the 500,000-square-foot plant on Garden of the Gods Road. The project is expected to be finished in the third quarter of 2004.

Memorial Hospital plans to break ground as early as June on an 84-bed medical center designed to serve Colorado Springs' fast-growing north side. Plans for Memorial Hospital North also include medical office buildings and outpatient services. The medical campus will be located on roughly 44 acres and cost \$62.5 million to build. The initial plans call for 84 beds, but the design allows for expansion to as many as 500 beds.

The Colorado Springs-area apartment vacancy rate, which reached a 13-year high of 14% last June, has fallen to 10.6%, according to a local survey. The quarterly survey represents a snapshot of 37,400 apartments in the local market.

Broadmoor Development Co. plans to begin building 160 luxury residences on hotel grounds in May. The redevelopment will cost about \$190 million, with the

first of the townhomes completed by mid- to late 2005. The units will range in size from 2,700 square feet to more than 5,000 square feet and each will cost at least \$1 million.

Southern Region

Pueblo County witnessed a 1.1% estimated growth in employment in 2003. In February 2004, the county unemployment rate was 7.3%, one of the highest rates among Colorado counties. According to the U.S. Census Bureau, Pueblo County housing permits in 2003 dipped slightly compared with permits issued in 2002.

Xcel Energy announced plans to build Colorado's largest coal-fired power plant in **Pueblo**. The \$1.3 billion power plant will be located near Xcel's Comanche power station and will generate enough electricity to power 750,000 households. Pending approval by the Public Utilities Commission, Xcel will start the project this year and complete it by late 2009. The cost of the plant eventually will be passed on to customers through a rate hike. Xcel has yet to reveal the rate impact on its 1.2 million electric customers in Colorado or the possible date of its rate increase. It is expected that the plant will hire 40 workers.

“Xcel Energy announced plans to build Colorado’s largest coal-fired power plant in Pueblo.”

Hacienda Foods announced plans to move its Pueblo operation to Texas and lay off 100 people in May. The plant manufactures frozen foods.

Mountain and Western Regions

Economic conditions in the mountain and western regions are improving. Employment levels and the unemployment rate have stabilized, and spending and sales tax collections are up in many communities. For instance, taxable retail sales in calendar year 2003 increased 2.8% in Aspen, 3.8% in Grand Junction, and 6.4% in Durango. However, retail

sales were still sluggish in some areas, such as Summit, San Miguel, and Routt counties, which experienced taxable sales declines of 3.2%, 6.4%, and 1.2%, respectively in 2003. Moreover, sales tax collections in Glenwood Springs were hurt by the opening of a new Wal-Mart Supercenter in Rifle in 2003. As a result, Rifle's taxable sales were running 13% above last year's level.

In addition, construction activity appears to be expanding in the western region. The number of building permits issued in Grand Junction and the rest of Mesa County grew by double-digit levels in 2003. In Grand Junction, the number of permits grew by almost 13%, and throughout the rest of Mesa County, the number of permits increased 19%. Single-family home construction was the principal contributor, fueled by low mortgage rates. The number of foreclosures in Mesa County also dropped 13% in 2003.

Many resort communities also experienced increases in construction activity in 2003. Aspen, Vail, Telluride, and Crested Butte reported increases in residential construction activity in 2003, measured by either the number of permits or the value of new construction. However, nonresidential construction in Eagle, Pitkin, and Summit Counties declined 55% in 2003. A pick-up in nonresidential construction in 2004 and 2005 is expected as the state's economic expansion gains momentum. Based on data through March 2004, the value of nonresidential construction increased in Routt, Eagle, Pitkin, and Summit Counties compared to the same period in 2003.

Eastern Plains

Economic conditions in the eastern plains of Colorado are not improving as hoped. Although the unemployment rate was unchanged in 2003, at 4.0%, compared to 2002, taxable retail sales in 2003 declined in most counties and cities in eastern Colorado, with the exception of Trinidad, Fort Morgan, Holyoke, Akron, Ovid, Sedgwick, and Yuma. Even though agricultural prices are improving for many crops and livestock, the on-going drought is limiting output, which is hampering the economic recovery of the region.

On the positive side, **Fort Morgan** appears to be rebounding the fastest. Multi-family vacancy rates have dropped to 2.8%, which has caused rental rates to increase. Moreover, the city has experienced recent boosts in both residential and nonresidential construction. A new Ace Home Center is opening up in mid-March, which will employ 25 people. Also, construction on a new \$12 million residential housing project is underway, which will provide 72 new homes and six new restaurants.

“Aspen, Vail, Telluride, and Crested Butte reported increases in residential construction activity in 2003.”

On the negative side, a major employer in **La Junta**, Premier Roasters LLC, has announced plans to close because of the loss of Safeway as a customer. An estimated 25-30 employees were notified of the impending closure in January 2004. Additionally, the opening of a new Wal-Mart in Sidney, Nebraska is expected to have a negative impact upon retail sales in nearby Sterling.

Regional Overview 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 /A (through December 2003)	3.5	N/A	-1.0	N/A	2.7	1.8	3.9	3.2	-1.0	4.1	1.1	1.8	3.7	3.2
Unemployment Rate /A (February 2004)	7.4	4.9	5.7	5.9	4.6	5.5	6.3	6.7	3.8	5.6	7.3	3.3	2.7	4.1
Retail Trade Sales Growth /B (through December 2003)	-1.9	-0.6	-0.3	-0.2	5.2	-0.9	0.4	4.5	-2.6	4.8	1.0	0.0	-1.2	8.4
Growth in Value of Non-residential Construction /C (through December 2003)	-59.4	-38.4	19.3	-16.7	/1	-35.7	-31.7	33.3	/2	-16.7	/3	-59.4	-16.7	-92.1
Housing Permit Growth /D (through December 2003)	-5.2	-20.5	-23.2	-24.3	48.0	-8.6	16.0	-9.4	50.0	22.8	-1.6	-5.3	40.8	-24.3

Notes: County data were used as proxies for cities listed. Boulder and Metro Denver employment growth not comparable due to inclusion/exclusion of Broomfield County.

/A Colorado Department of Labor and Employment data.

/B Colorado Department of Revenue Data

/C F.W. Dodge data

/D F.W. Dodge with U.S. Census Bureau for Boulder, Colorado Springs, Denver MSA, Fort Collins, Grand Junction, Greeley, Pueblo, Steamboat Springs.

/1 In La Plata County, \$92.5 million in nonresidential construction was contracted in 2003, while \$16.6 million as contracted in 2002.

/2 In Prowers County, \$7.8 million in nonresidential construction was contracted in 2003, while \$817,000 was contracted in 2002.

/3 In Pueblo County, \$98.0 million in nonresidential construction was contracted in 2003, while \$31.3 million was contracted in 2002.

Colorado Indicators Year-to-Date Growth Rates

Indicator	March 2004 Average	2003 Annual Average
Nonfarm Employment Growth /A	-1.1%	-1.5%
Unemployment Rate /A (seasonally adjusted)	4.9	6.1
Housing Permit Growth /B	17.4	-17.6
Single family	4.3	-4.5
Apartments/Duplexes	80.8	-53.3
Growth in Value of Nonresidential Construction /B		
Retail	2.9	-7.0
Offices	14.9	-13.4
Manufacturing	-21.4	-32.3
Manufacturing	8.9	-62.9
Price Inflation	NA	1.1
All Items less Food and Energy	NA	0.2
Food and Beverages	NA	1.6
Housing	NA	0.4
Medical Care	NA	0.4
Transportation	NA	2.0

/A Colorado Department of Labor and Employment seasonally adjusted data.

/B F.W. Dodge data.

Note: An inflation rate is not calculated for the state. The Denver-Boulder-Greeley inflation rate is often used as a proxy for Colorado's inflation rate.