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UCCS

Economic Forum

COLLEGE OF BUSINESS

UNIVERSITY OF COLORADO

COLORADO SPRINGS

WATCH THE 27th ANNUAL ECONOMIC FORUM
HERE:

<https://youtu.be/x9VIbCmvzgM>

Thank You to Our Economic Forum Partners



We also wish to thank our nearly 50 silver and sustaining level partners!

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COLORADO SPRINGS
AIRPORT

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COLORADO

Office of Economic Development
& International Trade


UCCS Economic Forum Keynote Address:

Celebrating Colorado Springs' Success and Looking Forward

Eve Lieberman, Executive Director

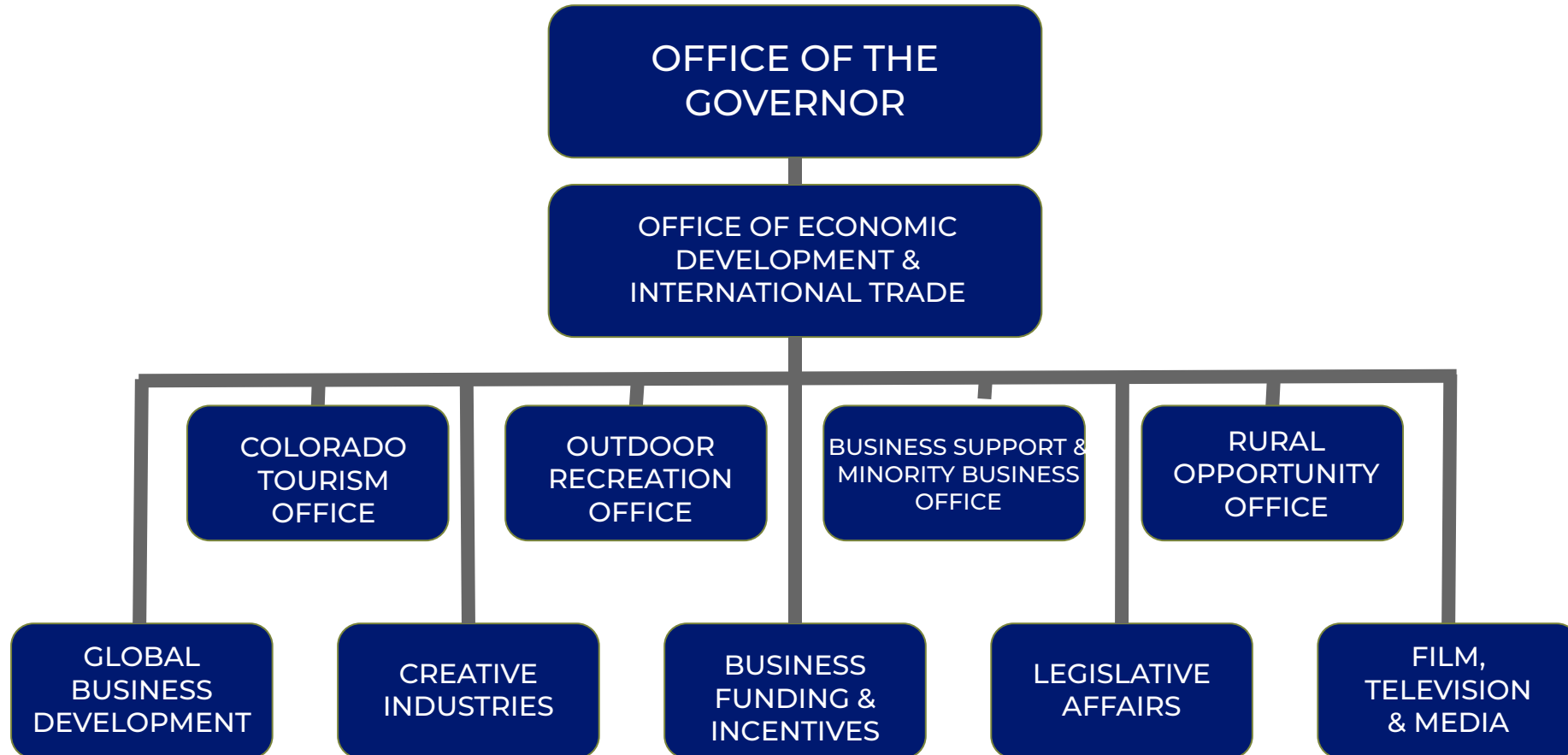
Colorado Office of Economic Development
and International Trade

2023



Mission Statement
Empower all to thrive in
Colorado's economy.

OEDIT's Organization



TOP RANKING U.S. CITIES

Ranked

9th

Best Places to Live



"There's Never Been A
Better Time To Visit
Colorado Springs"

Forbes

Ranked

7th

Top Emerging Destinations
in the World



One of the

Top 52 Places

to Go in the United States

The New York Times

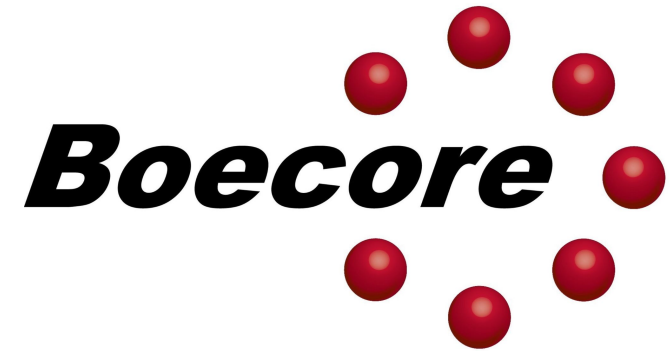
Placed

9th

Of 200 U.S. Cities for
"Where Black Americans Fare
Best Economically"

smartasset™

2,350 Net New Jobs Coming to CO Springs



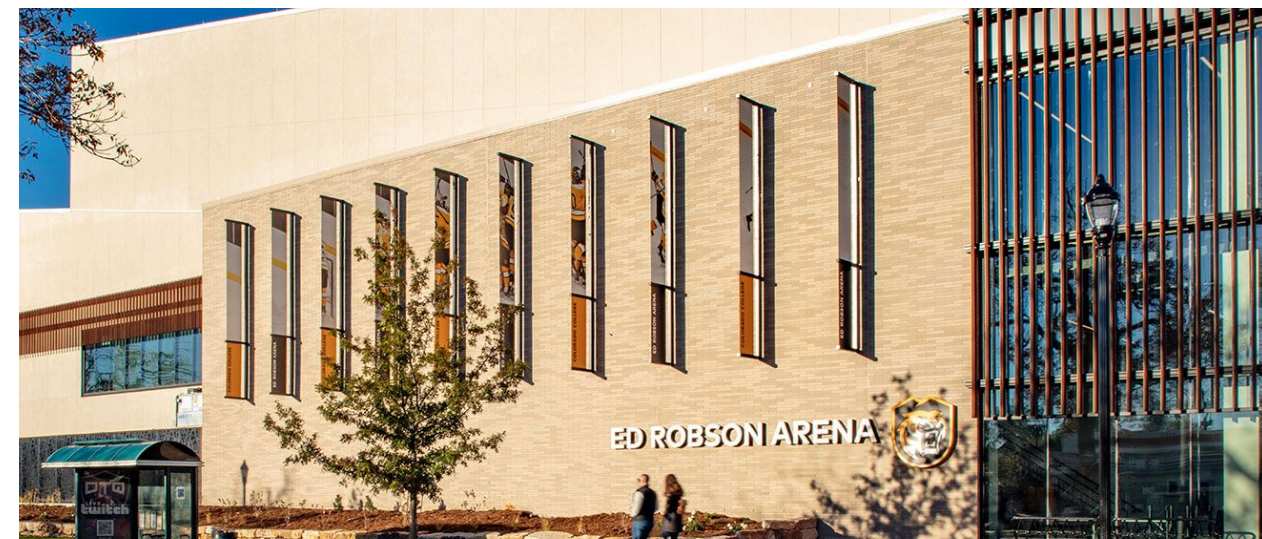
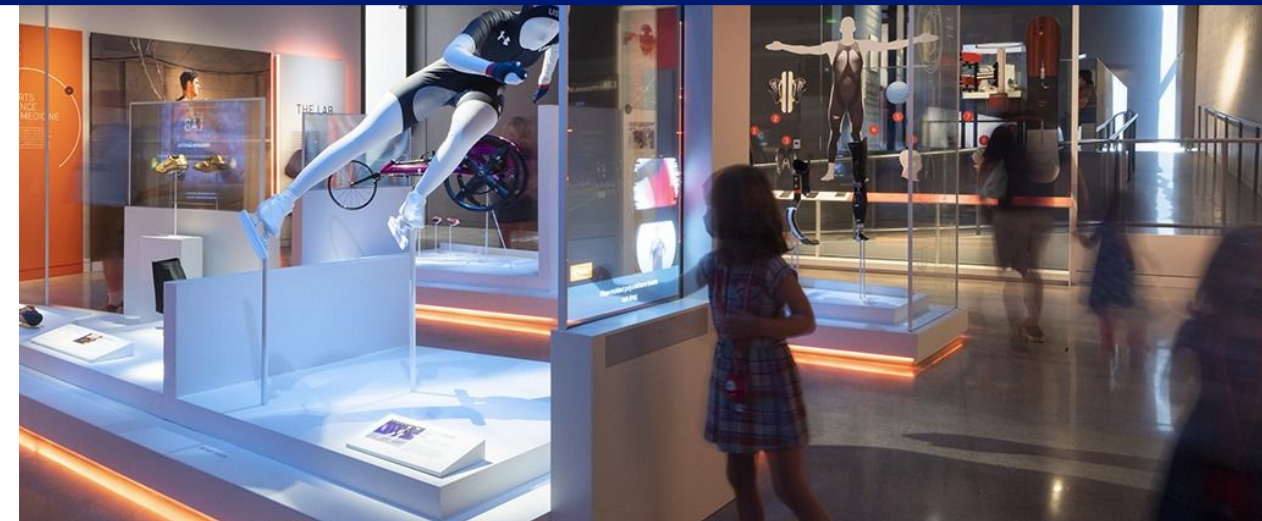
US Air Force Academy Visitor Center

5th and Final *City for
Champions* Venue

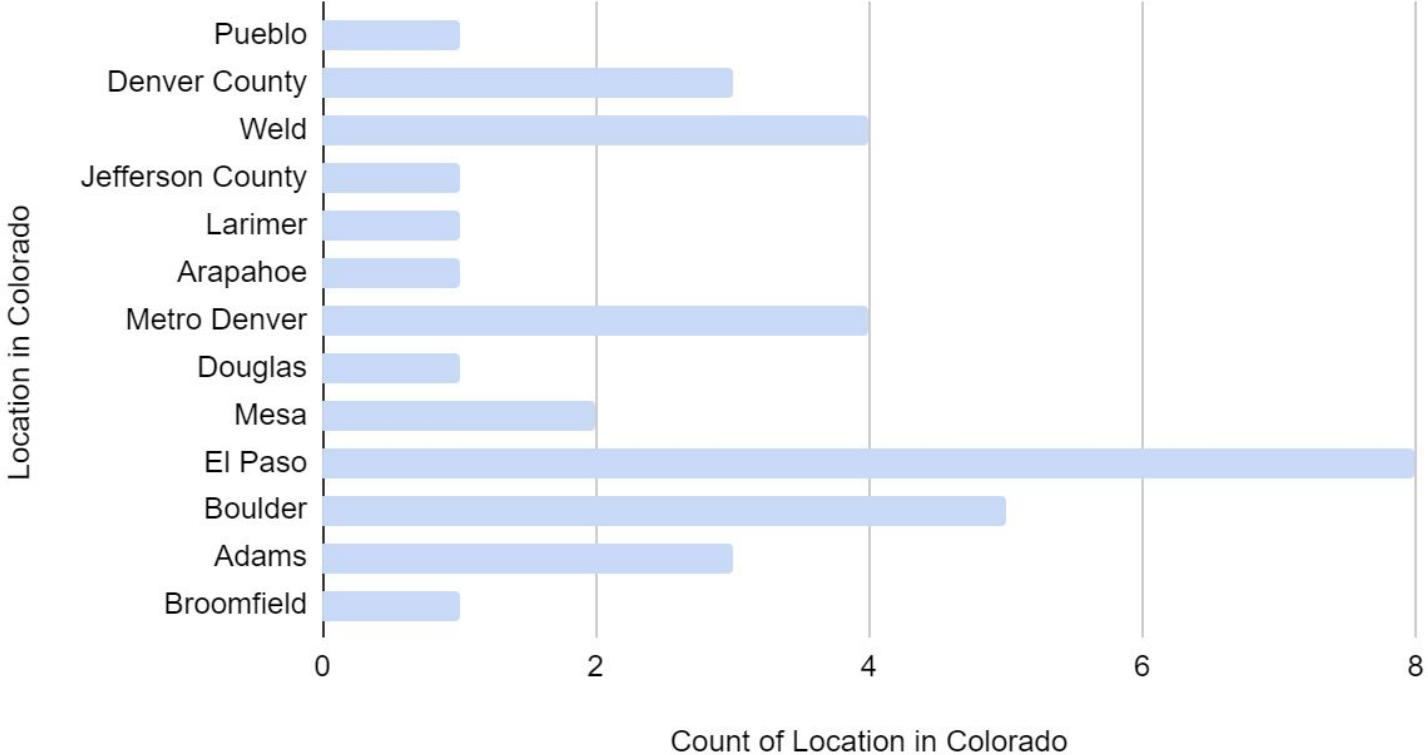


An artist rendering of the \$40 million, 32,000 square foot U.S. Air Force Academy visitor center scheduled to open in northern Colorado Springs in 2024.

City for Champions Projects



State Incentivised Projects by Location - as of June 2023



Venture Capital Authority & Colorado ONE FUND



- Specializes in the aerospace and defense industry
- VCA's first fund solely based in Southern CO
- Purpose to serve BIPOC-, women-, and Veteran-owned businesses
- One of the VCA's largest investments

Commitment to Affordable Housing

- IHIP - Innovative Housing Incentive Program
 - Modular, 3D, Kit, Panelized, etc
 - Pairing IHIP & Prop 123 for Modular/manufactured Housing
- Proposition 123 - Affordable Housing Financing Fund
 - Land Banking, Concessionary Debt & Equity Financing
 - CO Springs has opted in
- MIHA - Middle Income Housing Authority
 - Issue tax-free bonds to pump capital investment into middle-income housing (80%-120% AMI)



Affordable Housing Financing Fund (CHFA/OEDIT)

Year 1 (actual): \$96 million
Year 2 (estimate): \$192 million



Land Banking

Grants and forgivable loans to acquire and preserve land for affordable housing development



Equity

Equity investment to support the creation or preservation of low- and middle-income multifamily rental development



Concessionary Debt

Loans to support the creation and preservation of affordable rental housing

Innovation in Construction



StructureBot, a Colorado Springs startup offers 3D concrete printing and other robotics functions that support housing development

Workforce Development



2.7 jobs

for every unemployed person



800,000

Coloradans without a high school diploma or partial higher education



10,000

individuals impacted by justice system re-enter the workforce every year



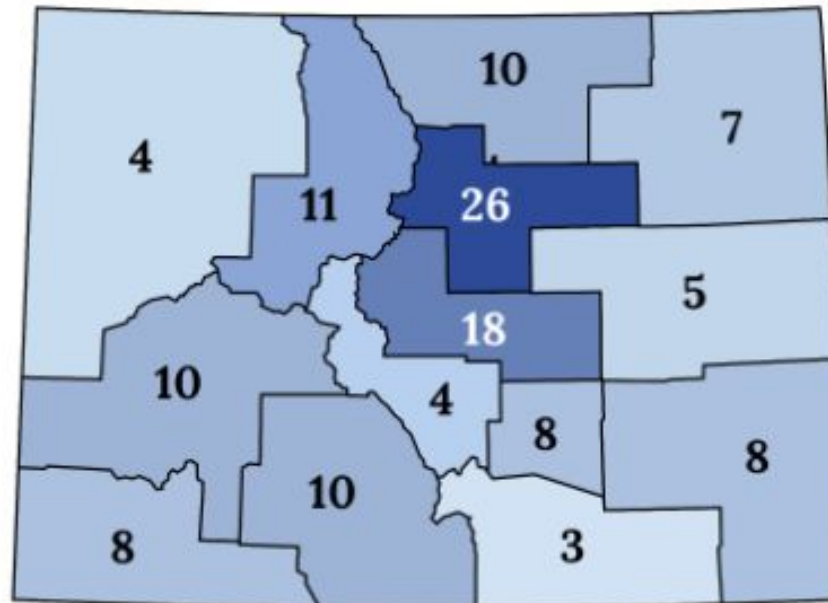
\$85 million

in grant funding for through Opportunity Now

Opportunity Now Phase I: Results

425 Applications Received From Over 1,000 Education and Industry Partners

18 Grantees in El Paso County Second to Denver County

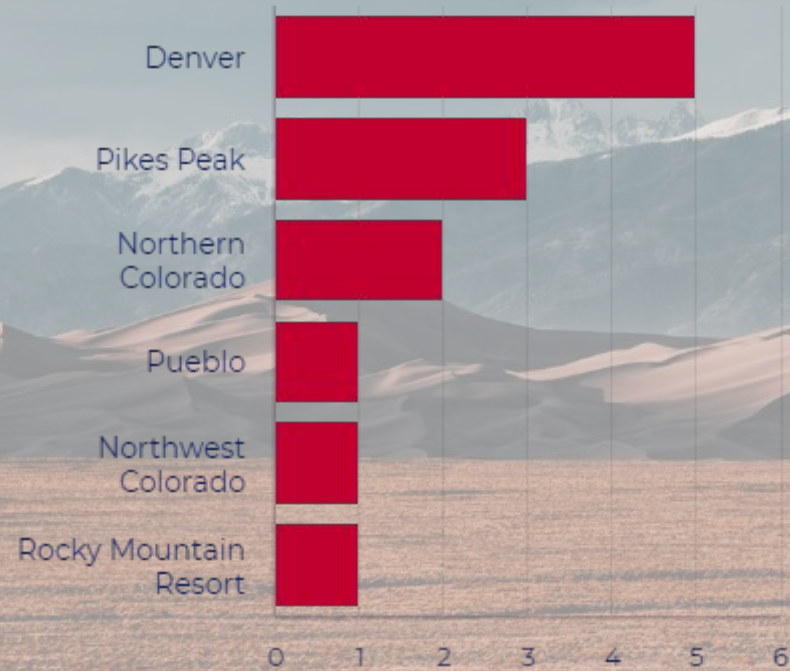


Map of Regions Served by Phase I*

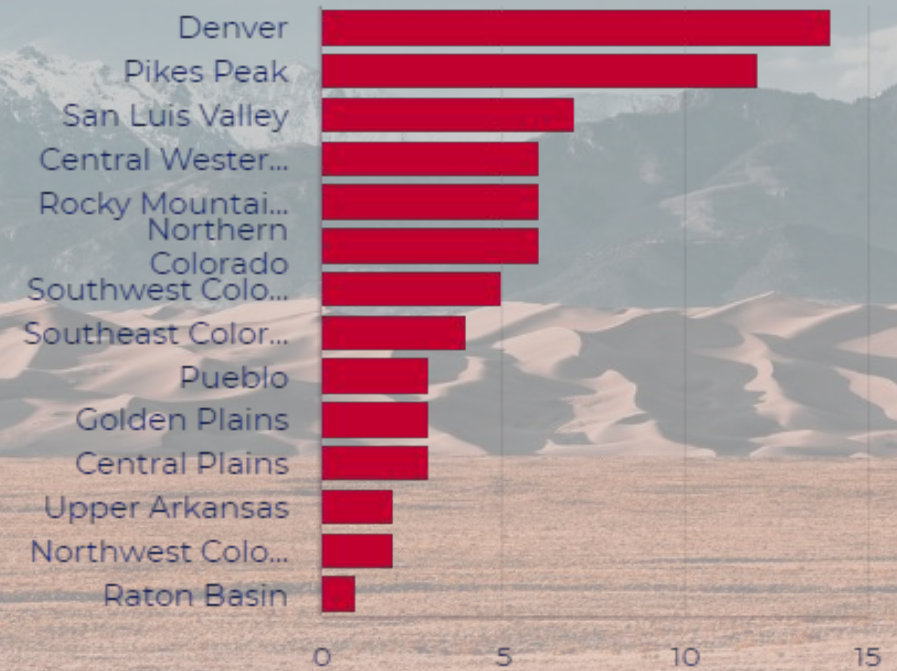
*Note that some grantees are serving multiple regions

Opportunity Now Phase I: Regions Served

Scale Grants

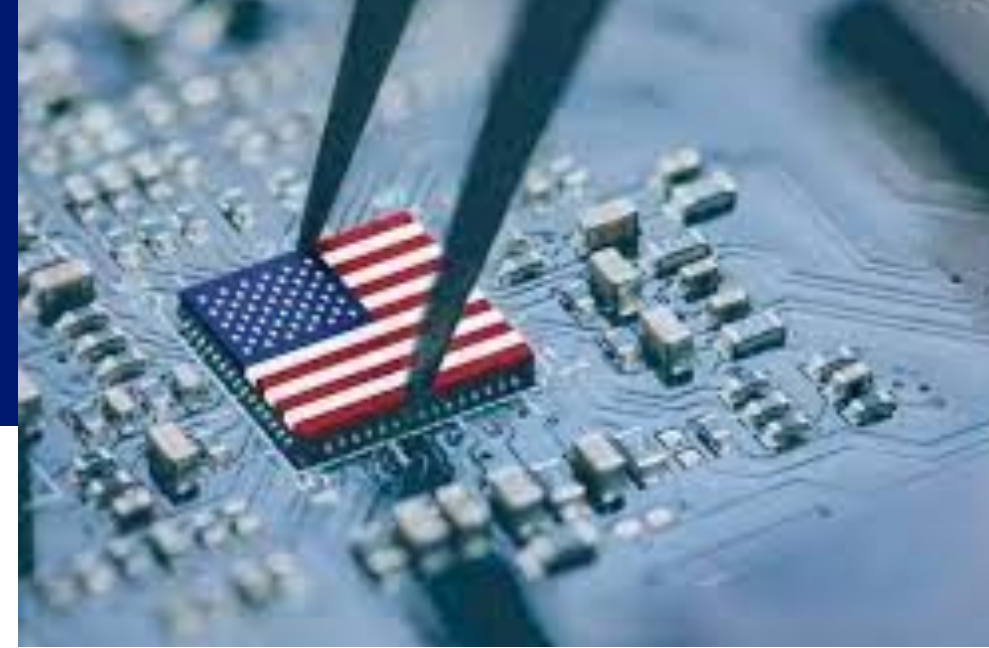


Planning Grants



Semiconductor Industry Advancements

- Colorado Springs is an essential region to the industry
- CHIPS Act is a once-in-a-generation opportunity with billions in federal funding
- OEDIT is supporting this ecosystem through a suite of incentives, programs, and initiatives



OEDIT is Thankful for Meaningful Partnerships



Southern Colorado Economic Outlook



Bill Craighead, Ph.D. Joe Craig, Ph.D.

UCCS Economic Forum

September 7, 2023

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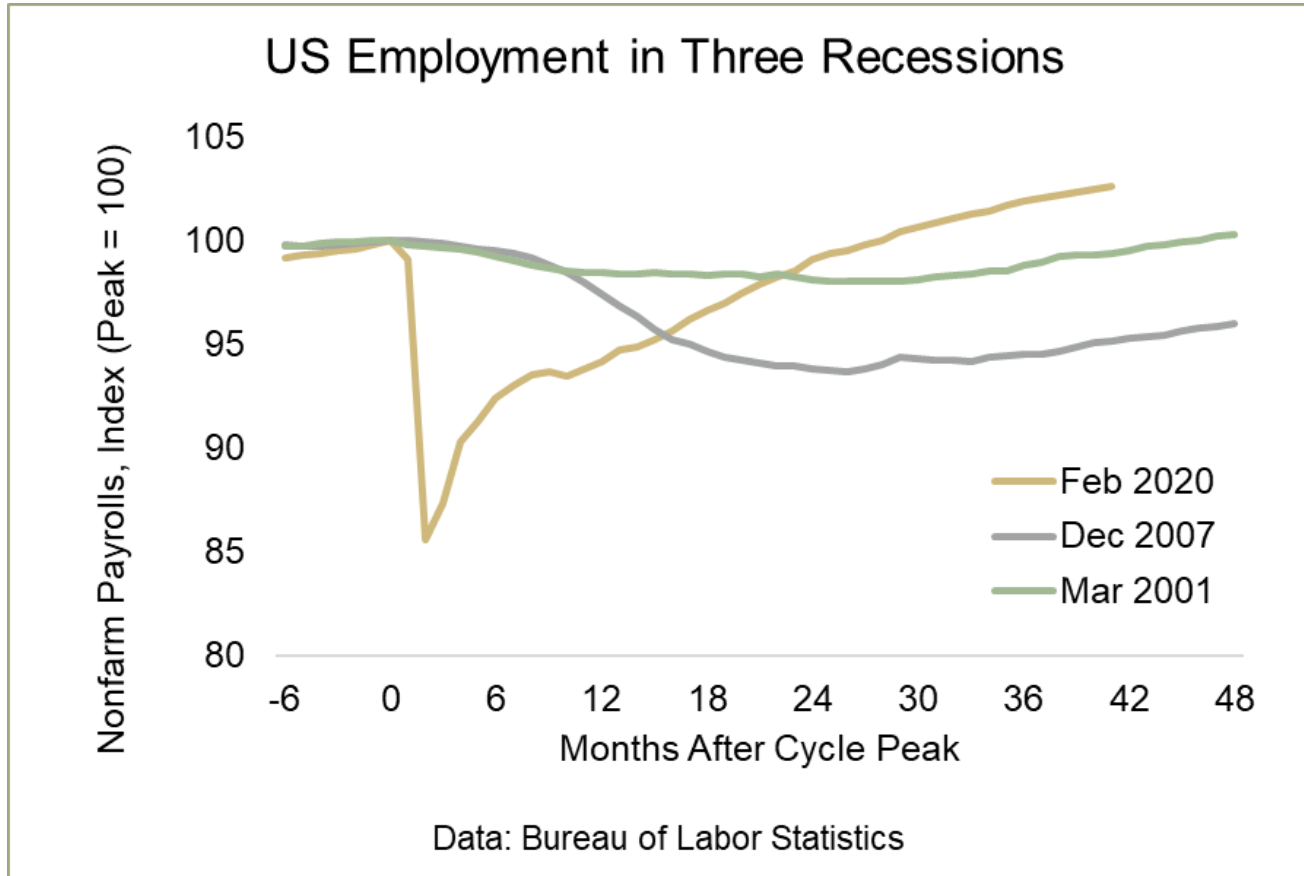
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The Economic Situation

Unprecedented Downturn, Amazing Recovery

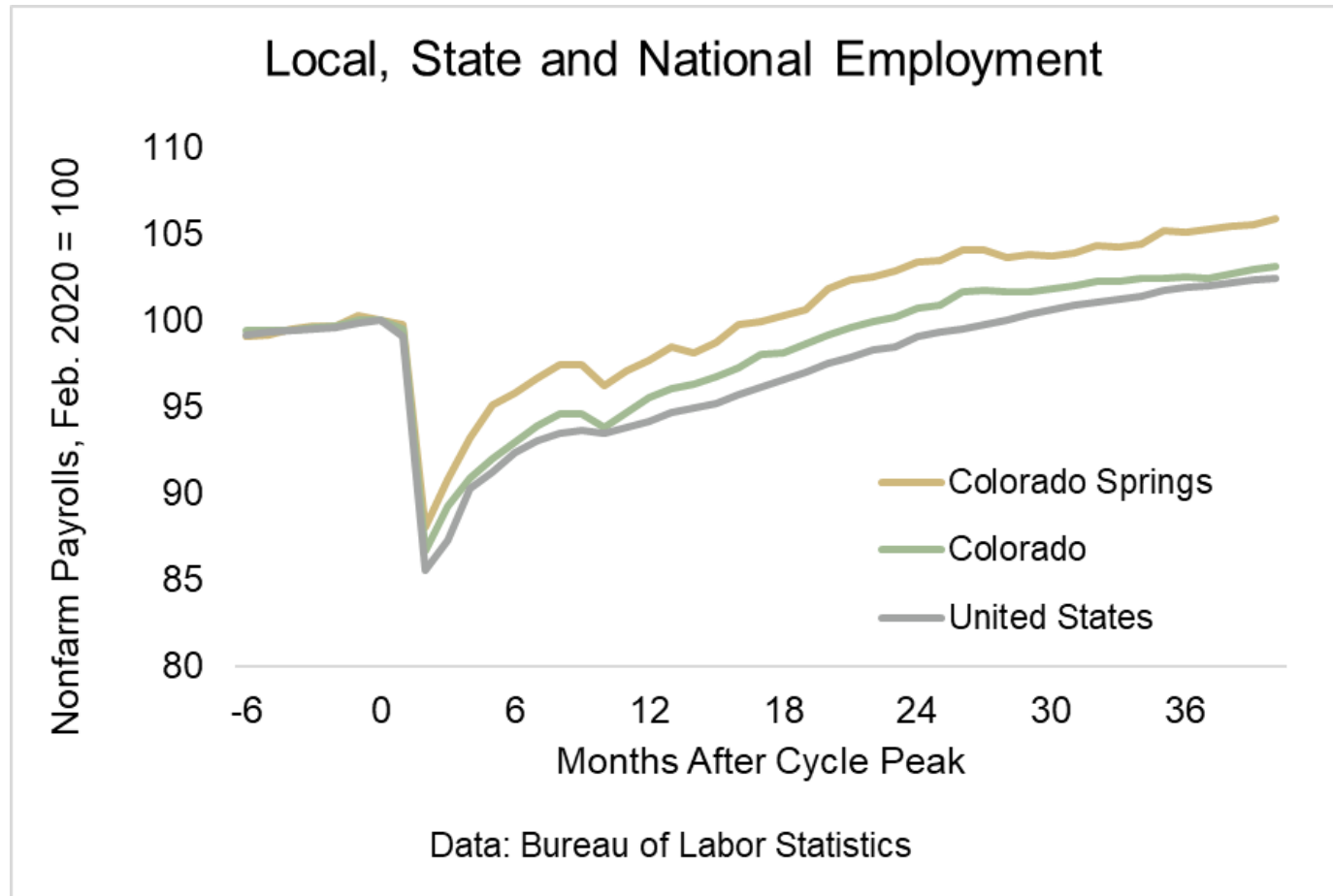


April 2020: payrolls decline by 20.5 million!

Payrolls back to Feb. 2020 level in 16 months!

Time to return to pre-recession level after:
Dec. 2007: 77 months
Mar. 2001: 46 months

Even Better Locally



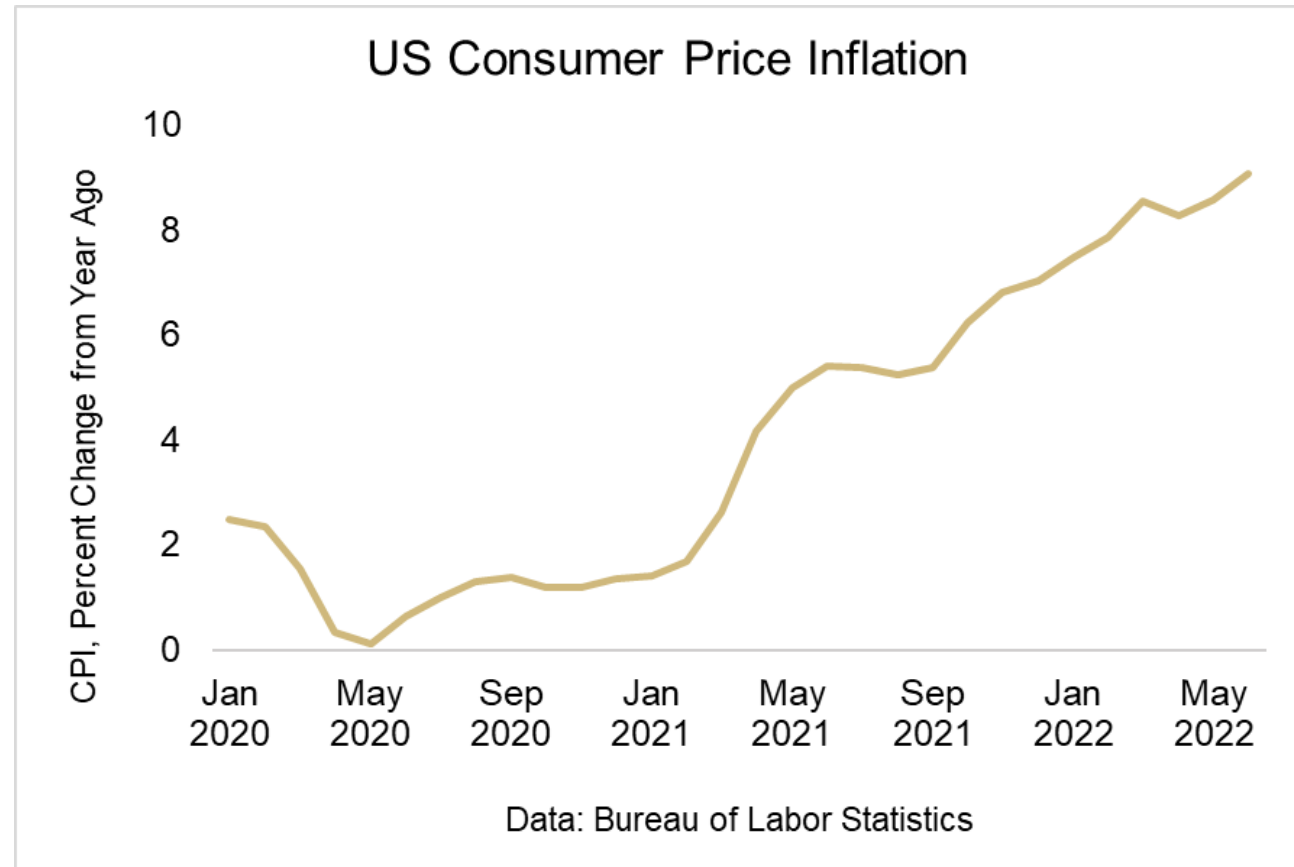
Mar.-Apr. 2020
Employment Decline
Slightly Less Severe in
Colorado Springs

Change From Feb. 2020:

- Colorado Springs +5.9%
- Colorado +3.1%
- United States +2.5%

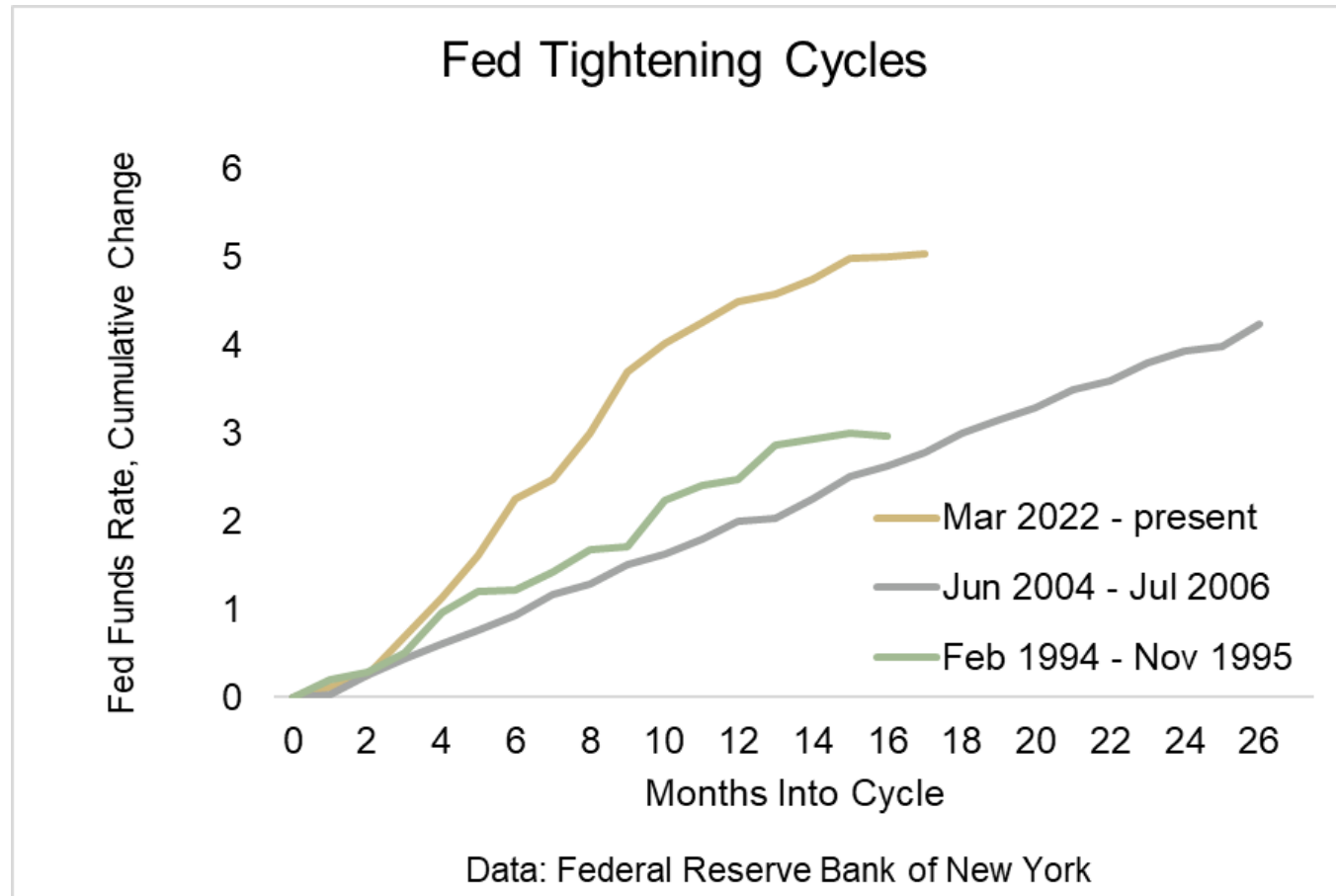
Note: “Colorado Springs” refers to
El Paso and Teller counties

Yes, But...



June 2022 inflation (year-on-year CPI): 9.1%, highest since November 1981!

The Fed Hits the Brakes Hard



Recession Warning Signs

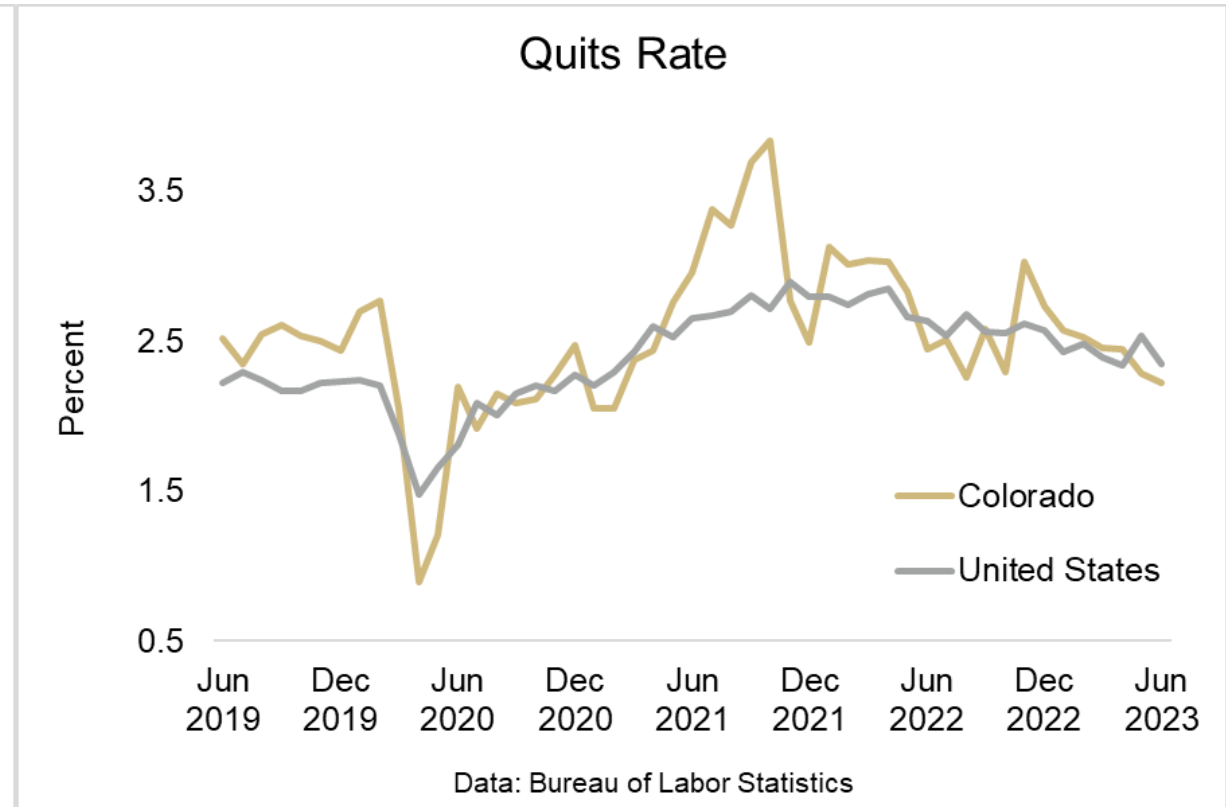
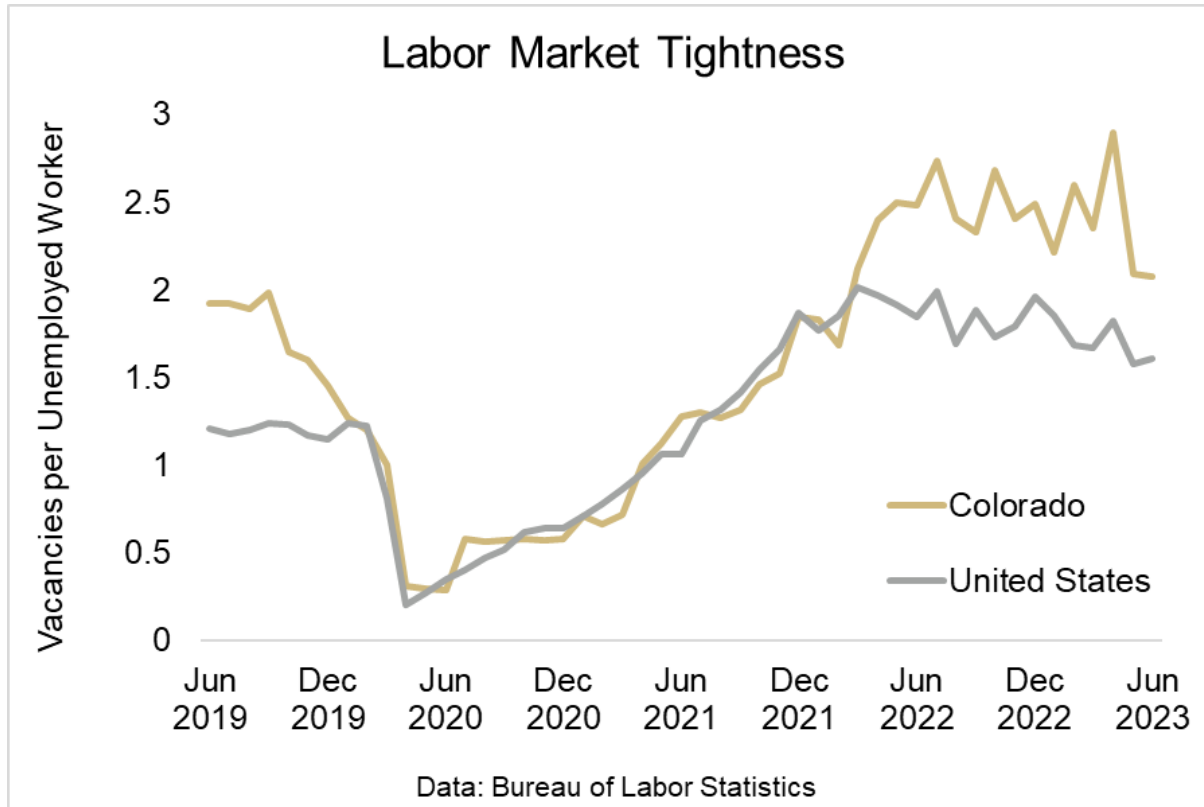
- Since 1953, 7 of 14 Fed tightening cycles have been followed by recessions within 12 mos.
- Six-month growth rate of Leading Economic Indicators index negative since May 2022
- US Treasury yield curve (10 yr. - 2 yr.) inverted since July 2022

A Year Later.....

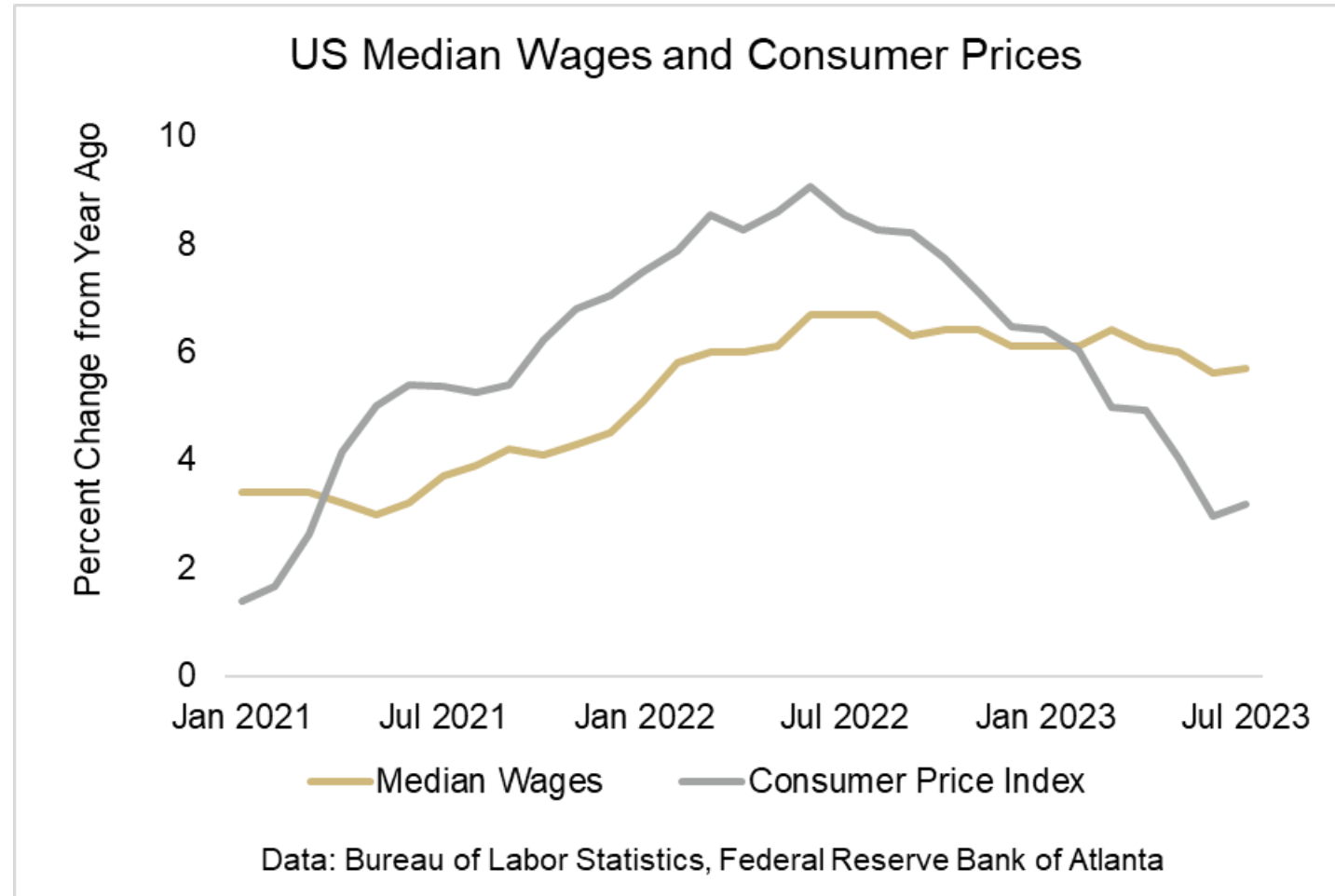
	Unemployment Rate (July)	Avg. Monthly Job Growth (1H 2023)
Colorado Springs	3.7	+500
Colorado	3.5	+2,800
United States	3.8	+270,000

Data: Colorado Department of Labor and Employment; Bureau of Labor Statistics. Unemployment Rate is Not Seasonally Adjusted.

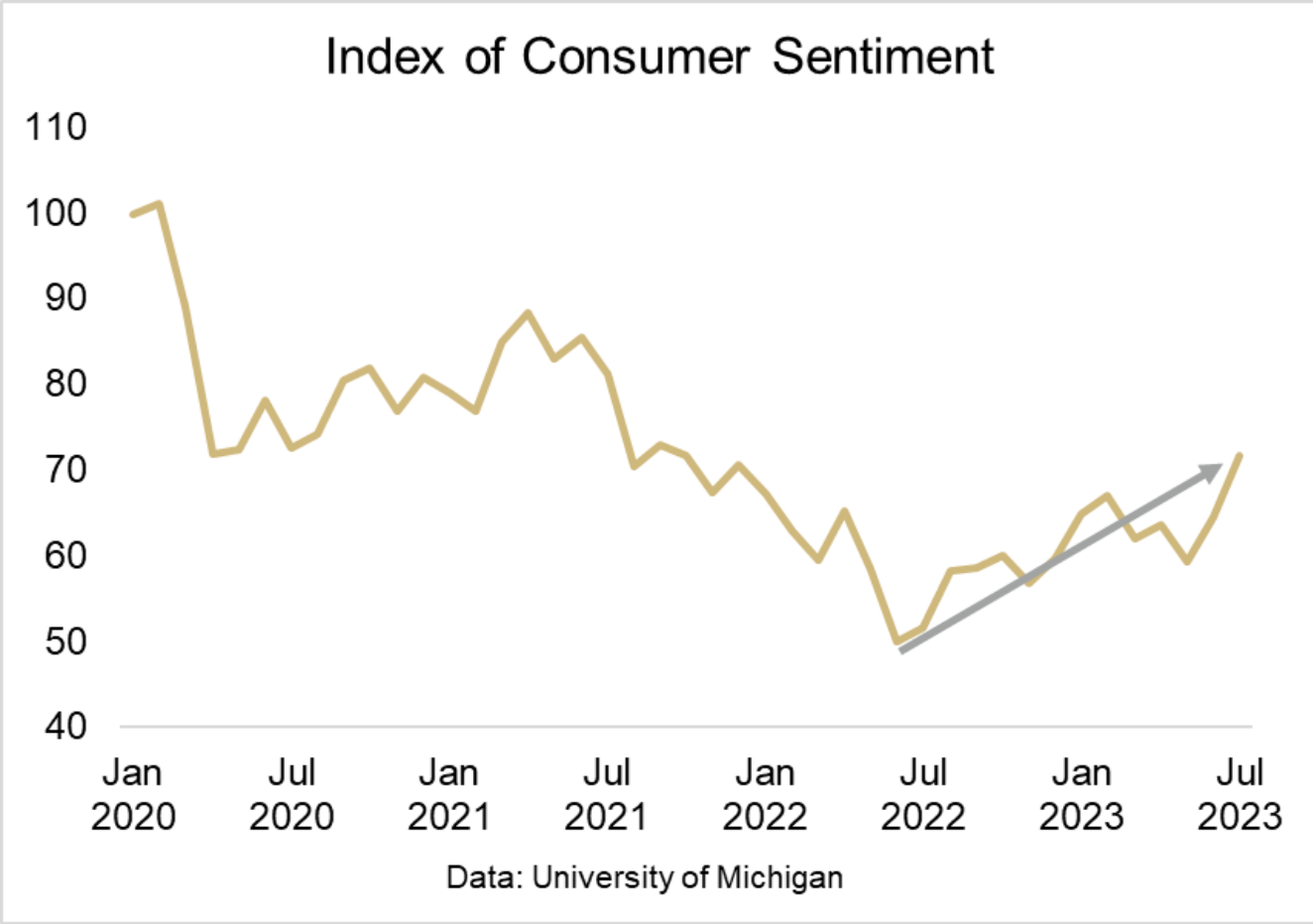
Labor Market Still Hot, But Normalizing



Inflation Falling, Wages Catching Up



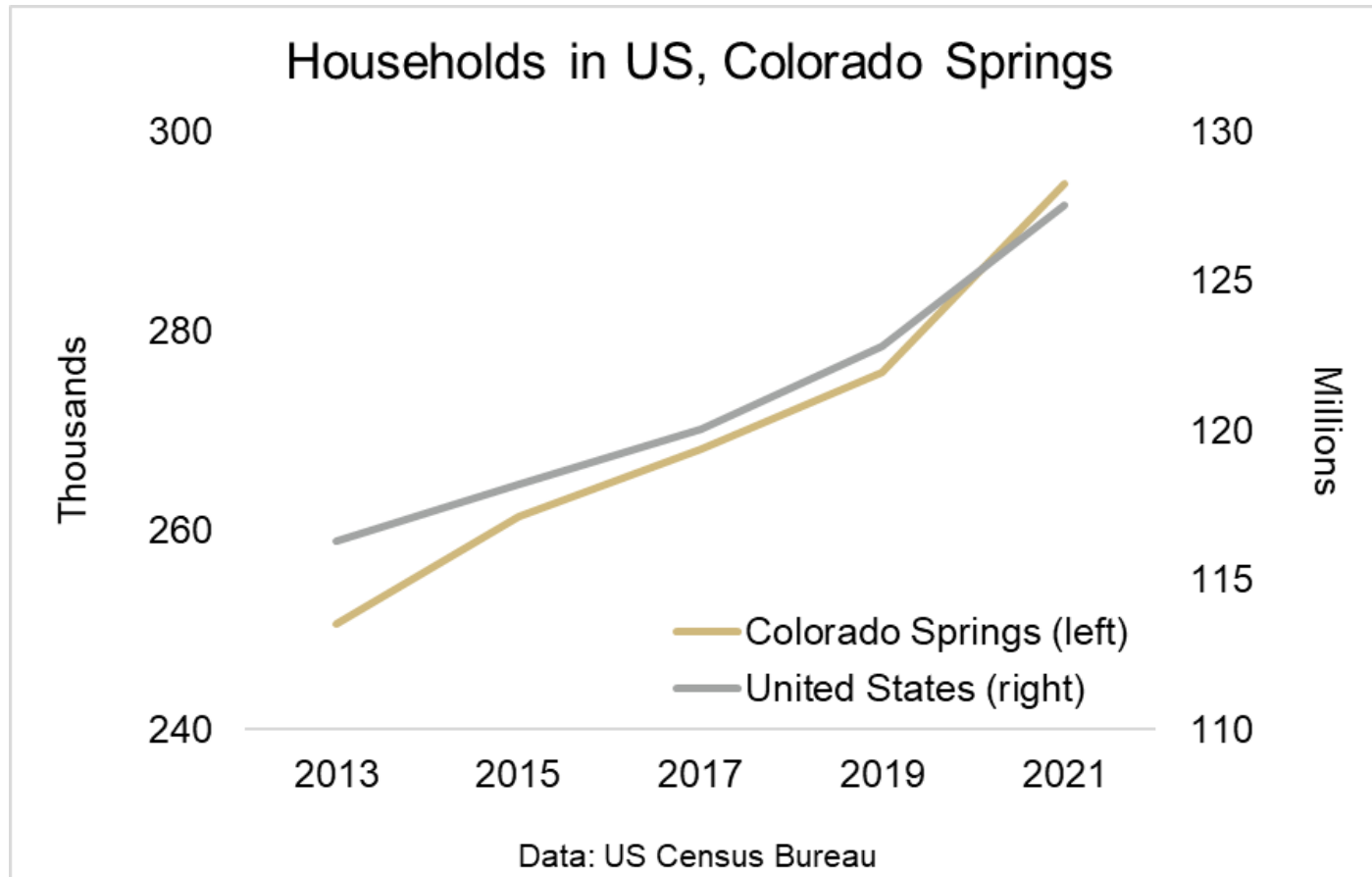
And We're Starting to Feel Better



February 2020: 101.0
June 2022: 50.0
July 2023: 71.6

Housing

Increase in Demand for Housing



Number of Households, 2 yr. % chg.

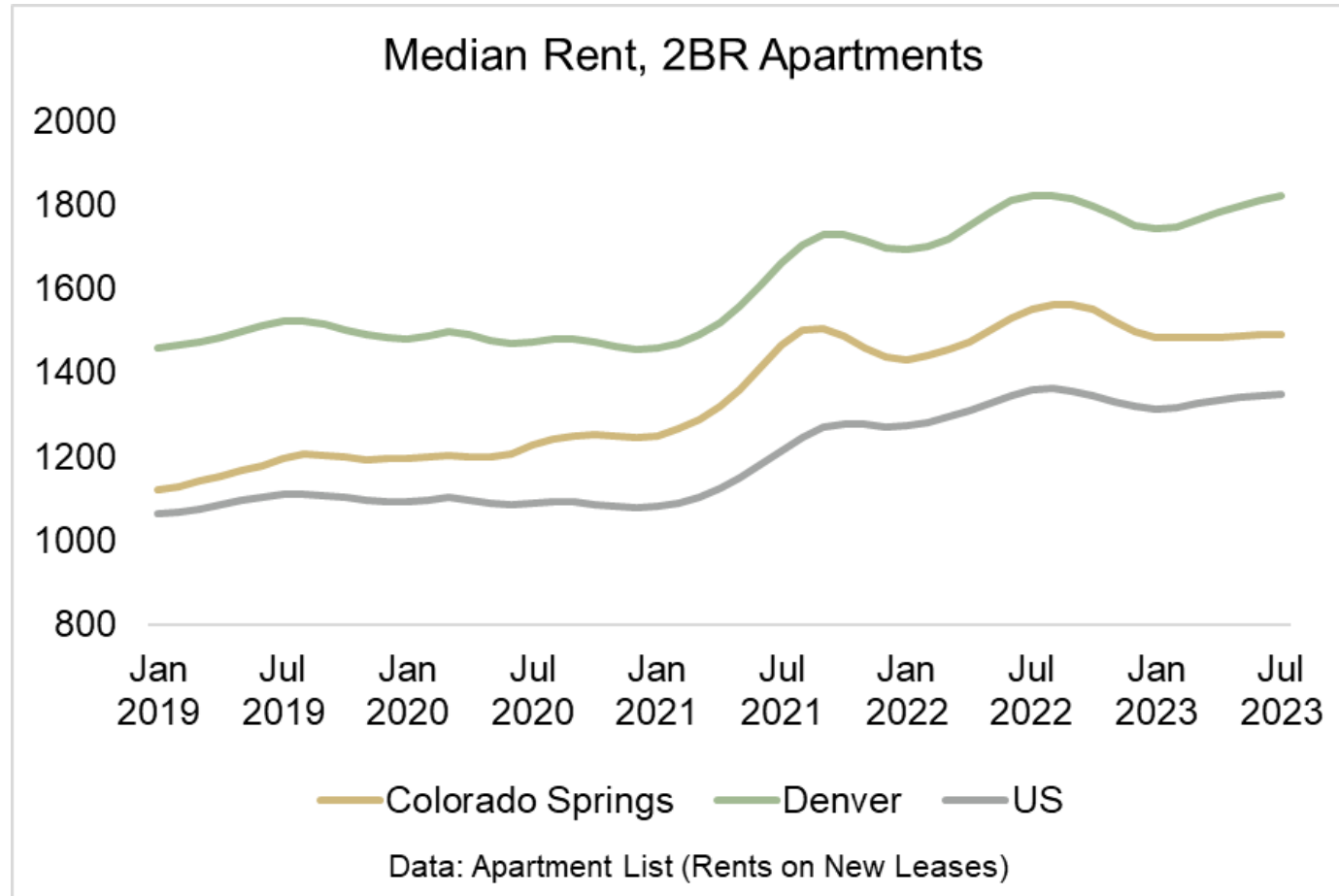
	Colorado Springs	United States
2019-21	6.7%	3.8%
2013-19 avg.	3.2%	1.8%

Working Arrangements, 2023

Fully on site	59.6%
Hybrid	28.8%
Fully remote	11.5%

Data: Survey of Workplace Attitudes and Arrangements, wfhresearch.com

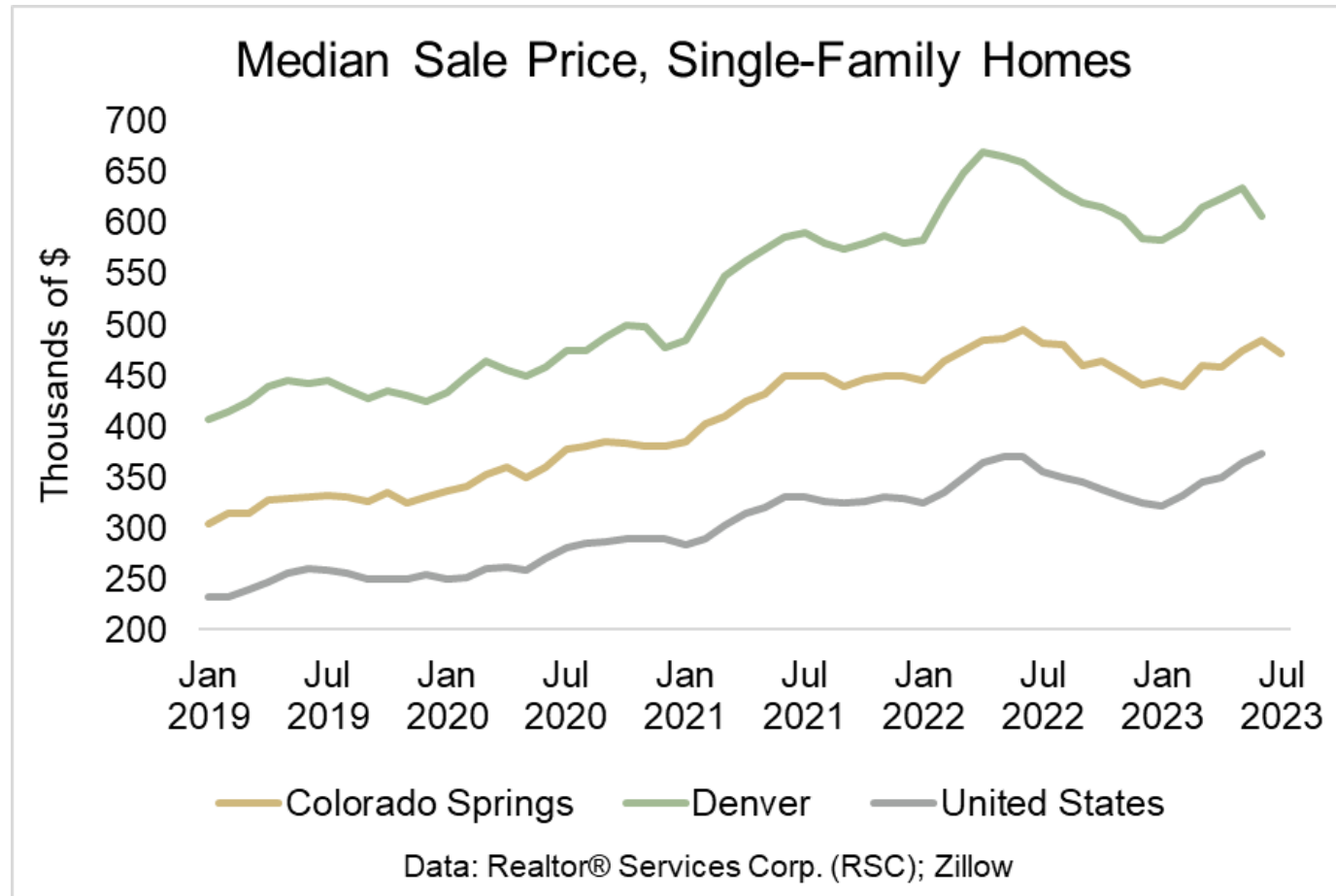
Increasing Rents, 2021 Through Mid-2022



From Jan. 2021 through Aug. 2022 peak, Colorado Springs rents increased by 25%

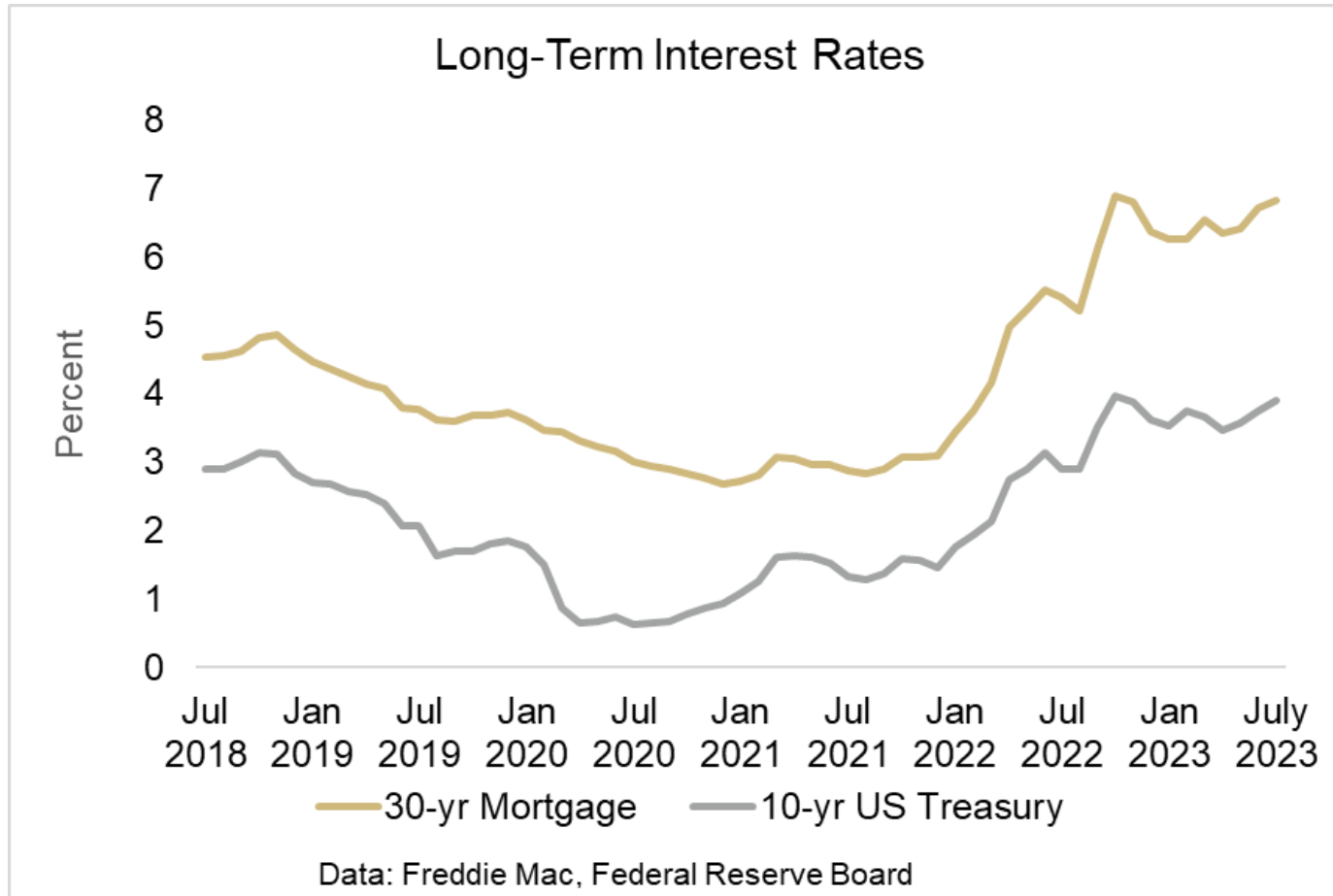
At \$1491 in July 2023, rents were down 4.6% from peak

Home Prices Have Been on a Wild Ride



At \$472,000 in July, the price of a single-family home in Colorado Springs is down 4.9% from its June 2022 peak, but still 42% above July 2019

Long-Term Interest Rates Are High



Influences on Long-Term rates:

- Investment demand
- Expected future monetary policy
- Fed balance sheet
- Government borrowing
- International flows

Higher Prices and Rates Impact Affordability

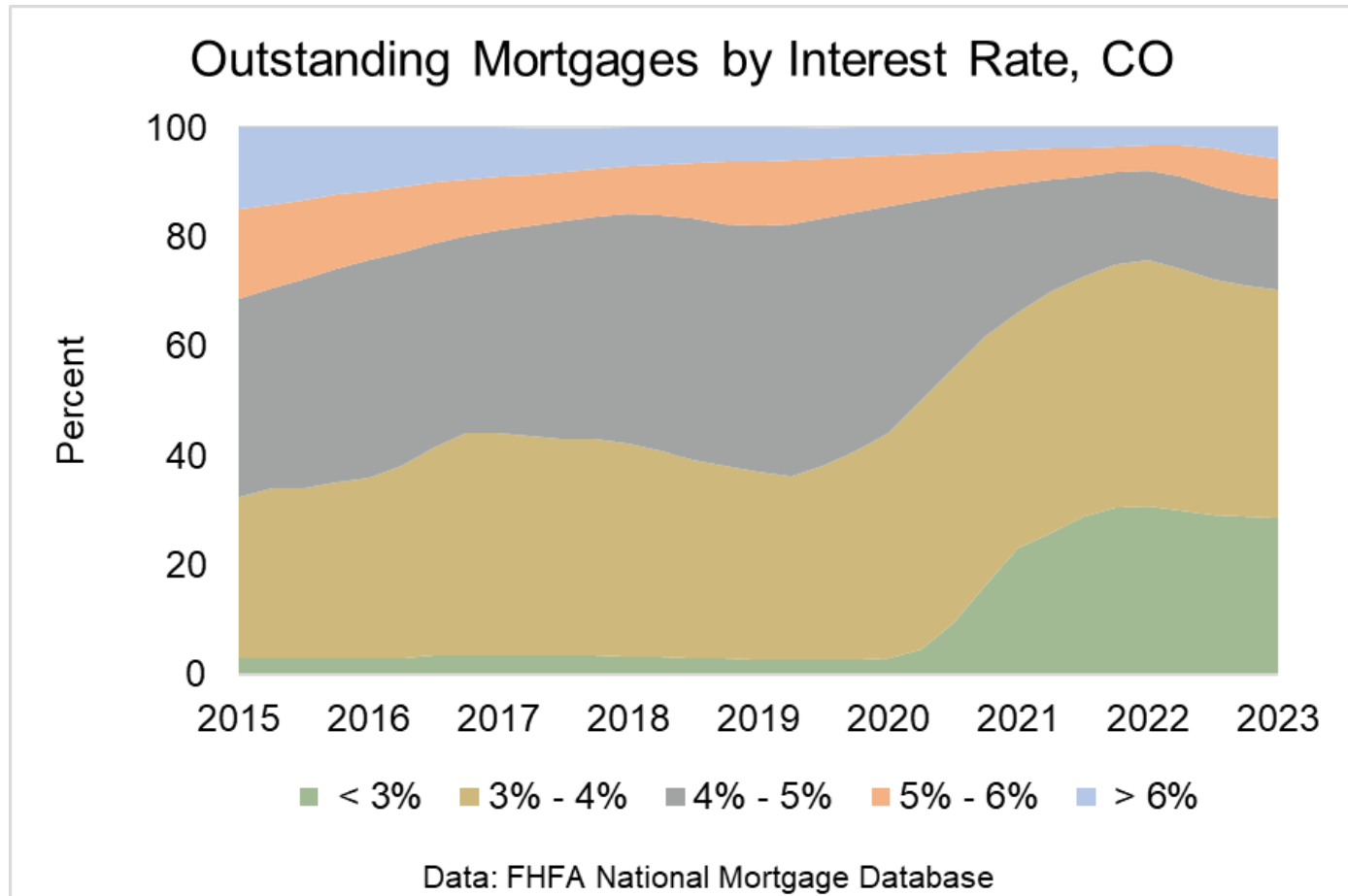
Payment on a median newly-purchased single-family home (incl. taxes, insurance etc.) as % of median household income

	Colorado Springs	Denver	United States
Feb. 2020	27.1%	29.6%	28.1%
June 2023	42.7%	47.6%	43.2%

Data: Federal Reserve Bank of Atlanta

Most of the increase occurred in the first three quarters of 2022

When High Rates Follow a Long Period of Low Rates



We Have a “Mortgage Winter”

Avg. rate on outstanding mortgage (CO), 2023 Q1: 3.7%

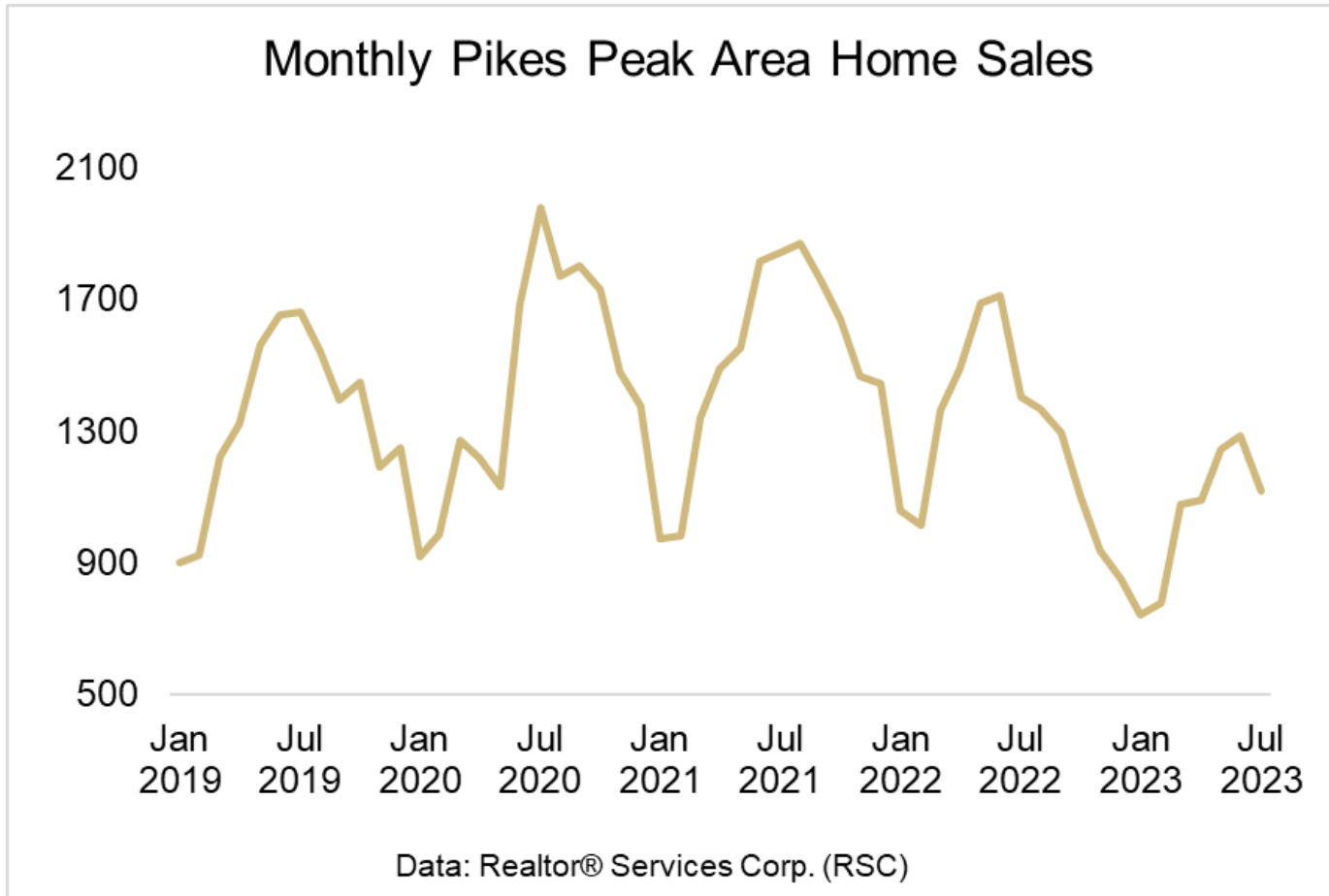
30 yr. fixed mortgage, Aug. 17: 7.1%

(Freddie Mac)

In Colorado Springs, 72% of owner-occupied housing units have a mortgage

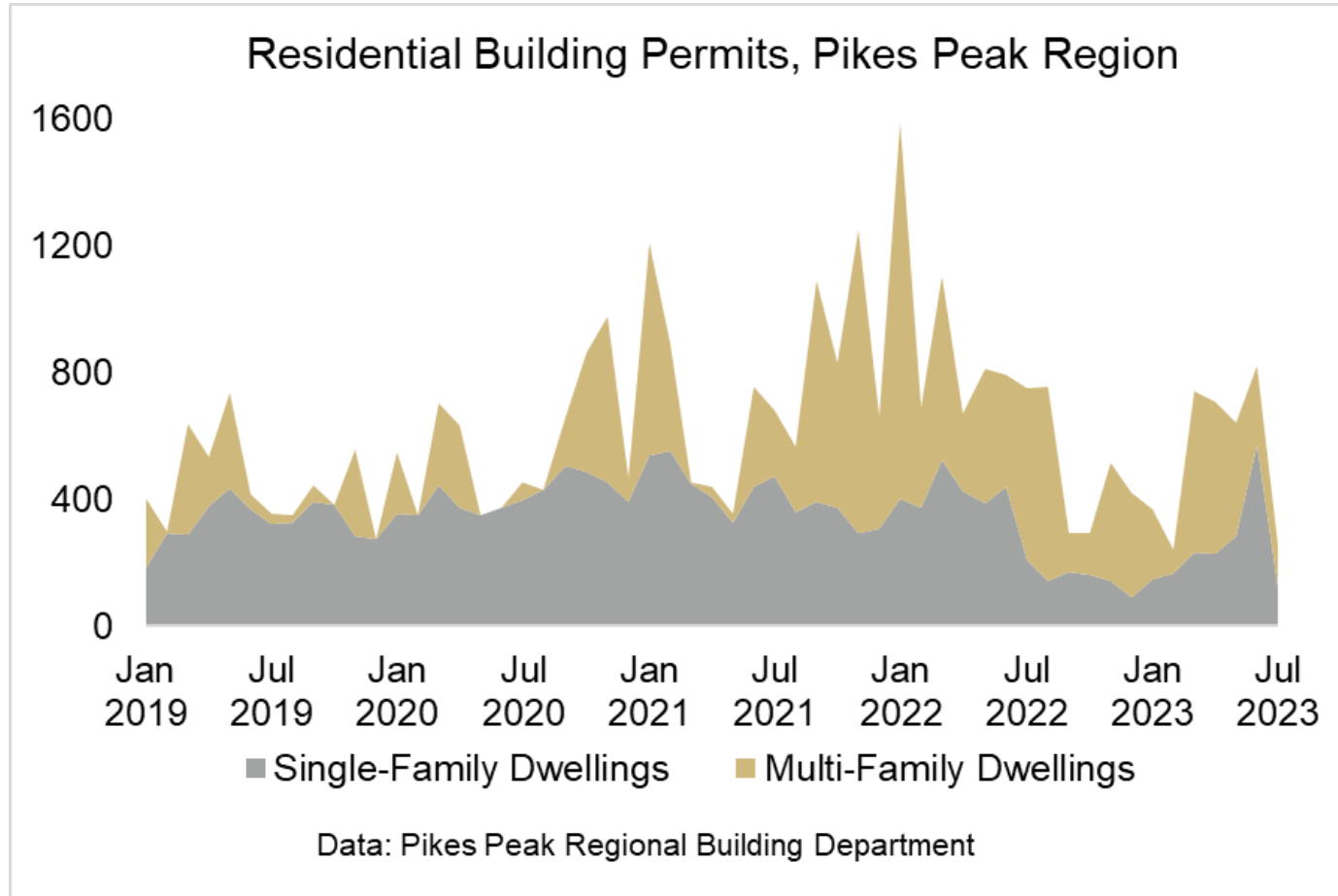
(Census)

Higher Rates Have Put the Freeze on Sales



July 2023 sales were 20% lower than a year ago

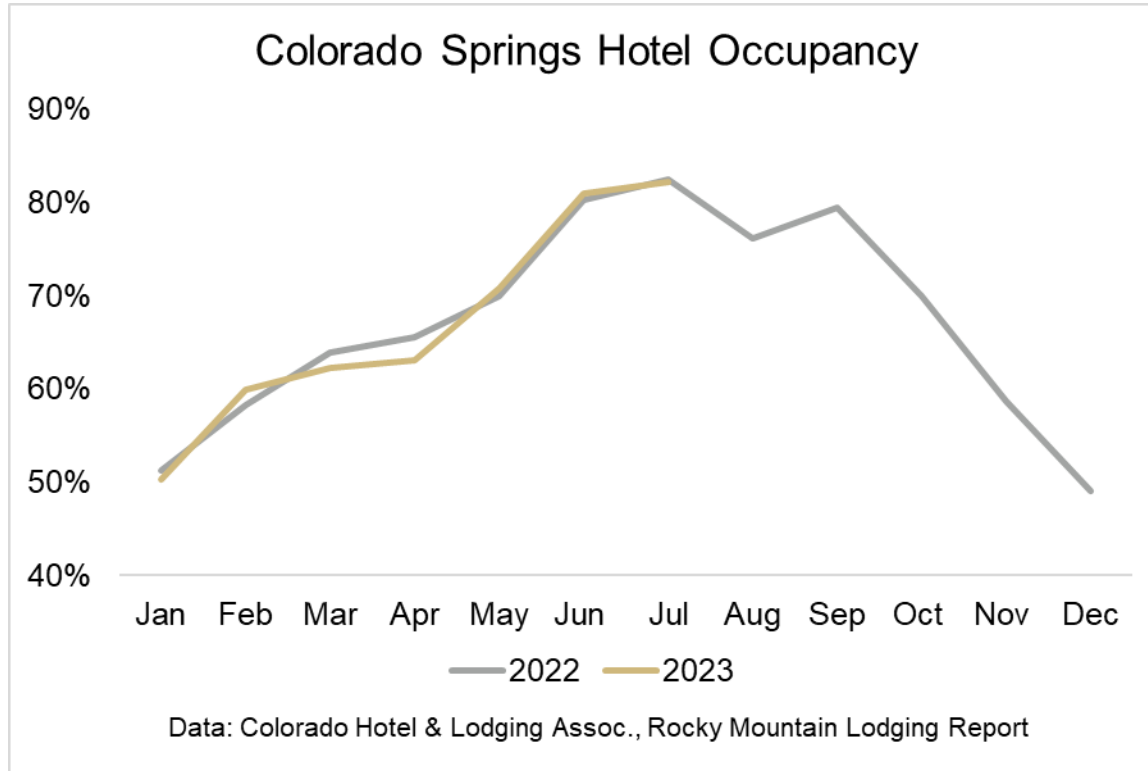
Signs of a Recovery in Building



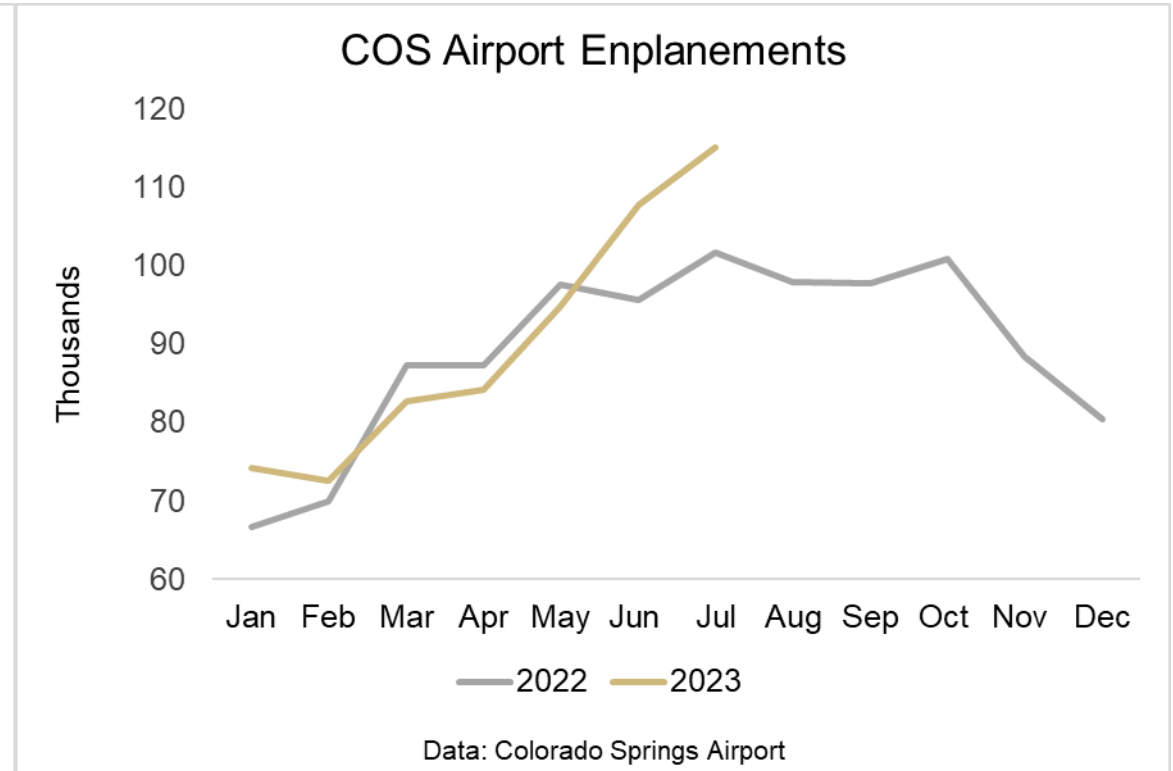
Note: June 30
deadline for
permits before
changes in
building code

Some Positive Signs

Travel and Tourism Indicators Healthy



Number of rooms up about 7.5% over last year (June)



New routes: Minneapolis and Atlanta, Long Beach, Burbank

An Economic Development Winning Streak

- Zivaro (information technology), 300 jobs, December
- Entergis (electronic materials), 600 jobs, \$600 mil., December
- Microchip Technology (semiconductors), 400 jobs, \$1.4 bil., February
- Nooks (classified workspaces), 25 jobs, \$33-50 mil., April
- Boecore (aerospace & defense), 600 jobs, \$8 mil., August
- Meyer Burger (solar), 350 jobs, \$400 mil., August

Source: "Six Major Colorado Springs Economic, Job Announcements in Recent Months," *Colorado Springs Gazette*, Aug. 22, 2023

Demographics

Then and Now

El Paso County, Selected Population Characteristics		
	2000	2021
Population	516,929	730,395*
Median Age	33.0	34.9
65 and older	8.6%	13.5%
Bachelors Deg. or Higher (> 25)	31.8%	41.7%

Data: US Census Bureau *2020

Over the last two decades we've

- Grown
- Gotten older
- Become more educated

How We Compare

Selected Population Characteristics, 2021			
	El Paso County	Colorado	United States
Population (2020)	730,395	5.77 mil.	331.45 mil.
Median Household Income	\$79,427	\$82,254	\$69,717
Median Age	34.9	37.6	38.8
65 and older	13.5%	15.1%	16.8%
Bachelors Deg. or Higher	41.7%	44.4%	35.0%
Veteran	14.9%	7.7%	6.4%
Gov't Employee	16.8%	13.9%	14.6%
Military	5.4%	0.9%	0.5%
Moved From Different State	7.5%	4.3%	2.4%

Data: US Census Bureau

Compared to the rest of the US, we're:

- More affluent
- Younger
- More educated
- More military & veteran
- More mobile

Compared to the rest of Colorado, we're

- Less affluent
- Younger
- Less educated

Population Forecasts

	El Paso County	Colorado	United States
Population (2040)	937,205	7.1 mil.	373.5 mil.
65 and older	16.1%	18.6%	21.6%
Under 18	20.9%	18.9%	20.7%
Annual Growth Rate 2020-2040	1.2%	1.0%	0.6%

Data: Colorado State Demography Office, US Census

In % terms, EPC forecast growth is slower than 2000-2020 (1.7%)

Population is expected to continue to get older

Compared to the rest of the US, we're forecast to

- Be younger
- Grow faster

El Paso County forecast to reach 1 mil. in 2050

Caution for the Near-Term

Economic Forecasts

	Survey of Professional Forecasters (Aug)		
	2023	2024	2025
Real GDP Growth	2.1	1.3	2.1
Unemployment	3.6	4.0	4.2
Inflation	3.1	2.5	2.4

2007-2019 (peak-to-peak)

COS growth: US +0.1

CO growth: US +0.8

COS unemployment: US -0.3

CO unemployment: US -0.3

Growth is expected to be slow enough that unemployment rises a bit next year (4% is still low by historical standards)

30-yr Mortgage Rate, 2024 Q3

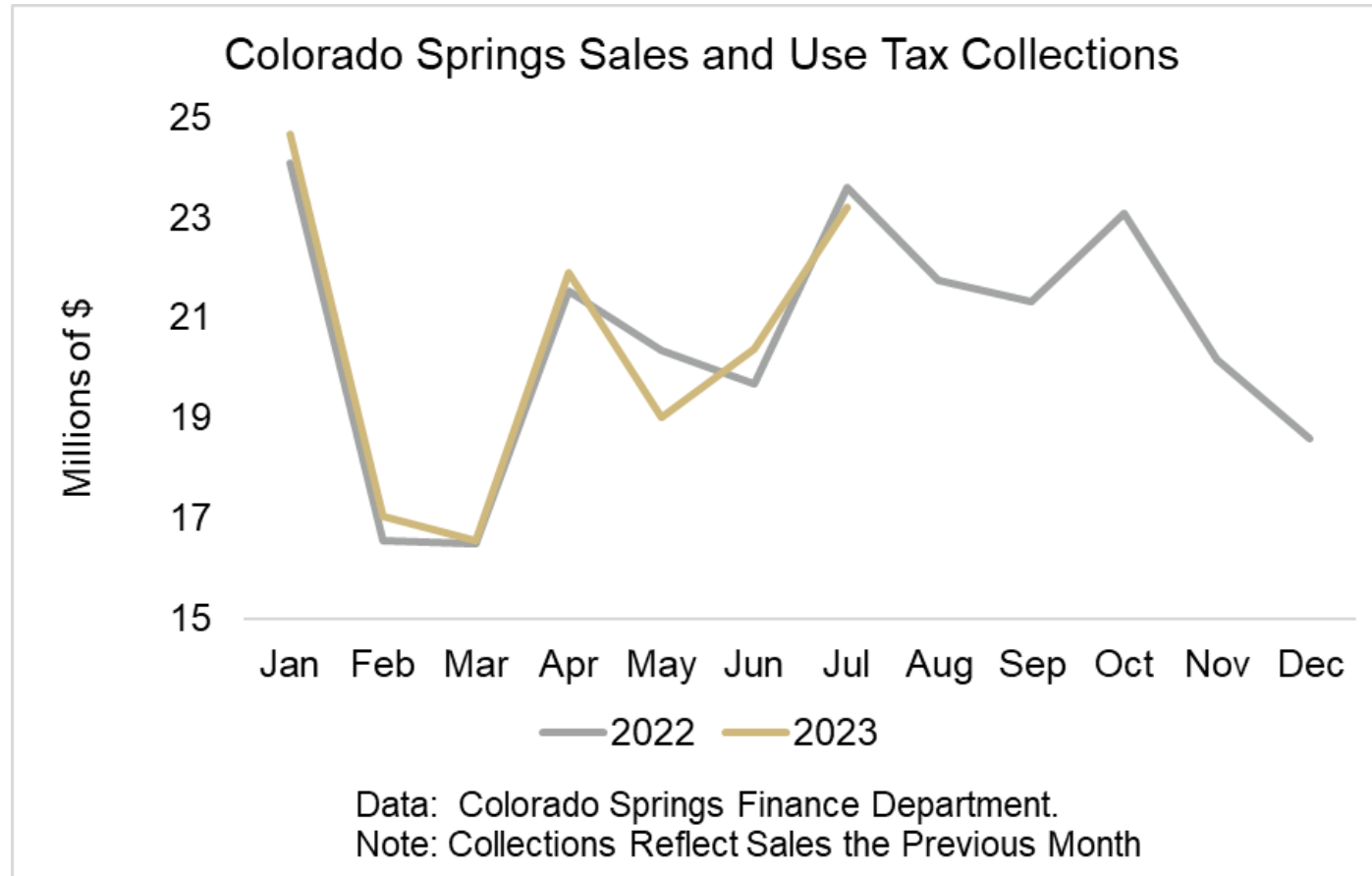
Fannie Mae 6.2%

Mortgage Bankers Assoc. 5.3%

Mortgage rates may fall, but 3%-4% rates are not expected to return

Data: Federal Reserve Bank of Philadelphia, Bureau of Economic Analysis, Bureau of Labor Statistics, Fannie Mae, Mortgage Bankers Association.

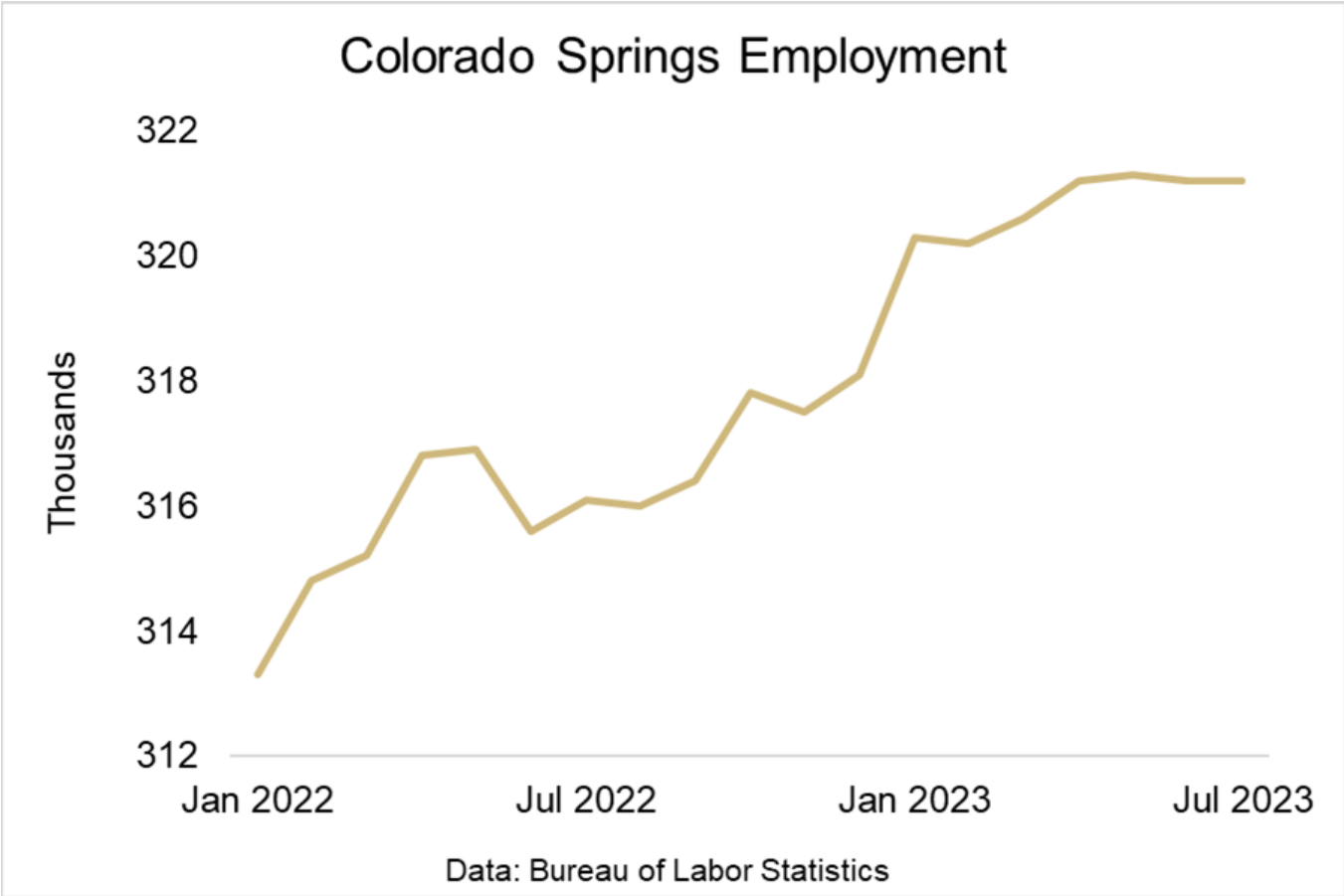
Locally, Some Recent Signs of Slowing



City sales tax collections were slightly behind last year's in July. The main difference was much lower collections from building supplies.

(YTD collections are 0.01% ahead of last year)

Another Recent Sign of a Slowdown



Employment (payrolls) growth flattened out in the 2nd quarter

One More...

Commercial Property Vacancy Rates				
	Office	Retail	Medical	Industrial
2023 Q1	10.0%	3.7%	6.7%	4.7%
2023 Q2	10.9%	4.3%	7.7%	4.5%

Data: CoStar Group™, Olive Real Estate Group, Inc.

Retail and medical office vacancy rates aren't unusually high, but they did increase in the 2nd quarter

Office vacancy rate is highest since 2015

Summing Up

Overall, Cautious Optimism for a “Soft Landing”

But risks remain:

- Fed may keep rates high too long
- Commercial real estate (offices)
 - Local situation better than national (e.g., CoS office vacancy rate 10.9%, Denver 16.9%)
 - National banking system heavily exposed to commercial RE
- Corporate debt
 - High relative to GDP by historical standards, will need to be refinanced at higher rates
- United Auto Workers strike?
- Government shutdown (fiscal year ends Sep. 30)
- Geopolitical risk (especially for oil and commodities)
- El Nino/weather risk for food prices

Longer Run Prospects

- Military/defense economy acts as a stabilizer
 - Exposes us to risk from decisions made in Washington and Northern Virginia
- Region attracting new employers, high-wage, high-skill jobs
- Favorable demographics
 - Challenges of growth: resources, housing, transport, education

Thank You!

Questions?