University of Colorado at Colorado Springs

SOUTHERN COLORADO ECONOMIC FORUM

fourteenth annual 2010-2011

southern colorado **economic forum**

OCTOBER 1, 2010

Platinum Sponsors

FIRST BUSINESS BROKERS, Ltd.® Founding Partner

HOLLAND & HART LLP

The Colorado Springs Business Journal

WELLS FARGO

The Gazette Locals get it.

UCCS University of Colorado at Colorado Springs

College of Business and Administration and Graduate School of Business

Welcome from First Business Brokers, LTD.

First Business Brokers, Ltd.® is a firm that deals exclusively with the sale of privately owned businesses, located in the Rocky Mountain Region. Established in 1982 by Ronald V. Chernak, CBI, M&AMI, Fellow of the IBBA, the firm is one of Colorado's largest and most successful brokerage companies representing privately owned businesses. First Business Brokers, Ltd.® has completed over 900 business sales covering a wide variety of industries.

First Business Brokers, Ltd.® assists with the complex legal, accounting, and negotiating issues involved with the sale of a business. The firm complements comprehensive professional services with an acute awareness of current market conditions to assist clients in making easier, more informed, and financially stronger transactions. The firm's strength lies in its professional approach and customized strategy to each and every business transfer. A successful transaction requires the input of skilled professionals who are experienced in, and sensitive to, the process of effectively bringing the buyer and seller together. First Business Brokers, Ltd.® understands what building the business has meant to the seller and what opportunity, through acquisition, is perceived by the buyer.

First Business Brokers, Ltd.® offers professional assistance at every phase of the business sale transaction, including: valuation, preparation of a detailed business presentation package, development of a sound marketing strategy, pre-screening of potential purchasers, negotiating the structure of the transaction, and interfacing with accountants, attorneys, and bankers during the closing process.

For further information, please visit www.fbb.com or contact Ron Chernak (rvc@fbb.com or 719-635-9000).

Ron Chernak, President, First Business Brokers, Ltd. and Founding Partner of the Southern Colorado Economic Forum

FIRST BUSINESS BROKERS, Ltd.®

Welcome from Holland & Hart

Holland & Hart is proud to sponsor the 14th Annual Southern Colorado Economic Forum. We believe this year's program will provide an outstanding curriculum for the leaders in our local business community to not only plan for the year ahead based on key economic indicators and data, but also be inspired to innovate and look for new opportunities to plan for the future.

The Colorado Springs office of Holland & Hart includes attorneys and staff who offer a wide variety of legal services to national and international companies while remaining dedicated to our local community. We are committed professionals providing insightful and responsive counsel with the experience to fit your particular needs and to help you pursue new business opportunities. Holland & Hart has more than 400 attorneys lawyers in 15 offices in Colorado, Wyoming, Idaho, Montana, Nevada, New Mexico, Utah and the District of Columbia. We bring the experience of a large national firm to our local businesses and people. For more information, please visit us online at http://www.hollandhart.com.

Wendy Pifher, Partner, Holland & Hart LLP

HOLLAND & HART LLP

Welcome from the Chancellor

The University of Colorado at Colorado Springs is pleased to join with its business partners to present the 14th Annual Southern Colorado Economic Forum. This program provides a look at the economy and quality of life in the region during the past year and gives a peek at our community's future. The information offered at the forum is intended to provide insight to policy makers and to aid in making informed decisions about our region's future. The forum gives a realistic and unbiased economic forecast for the coming year.

We are fortunate to have many committed individuals involved in this project. I especially wish to thank Fred Crowley and Tom Zwirlein of the College of Business and Administration for their data analysis and its presentation in this report. I also wish to thank our panel of experts for their contributions.

I want to thank the Forum sponsors for their continued support of this important link between university research and our community. Since its inception, UCCS has worked closely to align itself with the priorities of southern Colorado. The Southern Colorado Economic Forum is an example of our commitment to ensuring the future of our region.

Thank you for attending the 2010-2011 Southern Colorado Economic Forum. We wish you a productive and successful 2011.

Pamela Shockley-Zalabak, Chancellor, University of Colorado at Colorado Springs

Welcome from the Dean of the College of Business and Administration and the Graduate School of Business Administration

Thank you for your interest in the 14th Annual Southern Colorado Economic Forum. As we weather through difficult financial and economic storms, an understanding of what's in store in the future is very valuable. As in the past, the Forum continues to gather, analyze and explain a complex set of data to help you make informed business decisions.

We will continue to approach the uncertain future with optimism and capitalize on opportunities we seek, as well as those presented to us. For instance, our Daniels Business Ethics Initiative grant allows us to engage our faculty, staff, and our community leaders in instilling ethical decision making skills in our students. Our Career and Placement Center places interns and graduates in numerous profit and non-profit organizations. Our alumni are active in *Operation 6035,* are helping the community strengthen its economic base to soften impacts of future global economic crises. We hope the College of Business, through its vision of building successful futures, is making a difference for all our stakeholders.

We invite you to join us to strengthen our region's economic environment and offer you a number of ways to partner with us. You can learn more about us by meeting with me one-on-one, getting to know our faculty, staff and alumni, attending one of our events, following us on Twitter or Facebook, or joining my email list.

The Southern Colorado Economic Forum would not be possible without the active sponsorship and participation, year after year, of our business partners. We thank them. Not only do they support the forum financially, they also provide their expertise and their business connections to help bring you an outstanding program.

We do not want to be the best business school in Colorado; we want to be the best business school *for* Colorado.

Venkat Reddy, Dean, College of Business and Administration

The Southern Colorado Economic Forum

The Southern Colorado Economic Forum is a university and community supported research effort of the College of Business and Administration at the University of Colorado at Colorado Springs. The forum's mission is to provide timely, accurate and unbiased information about the economy in southern Colorado. The forum analyzes economic and quality of life trends along with other information to provide a forecast of future economic activity. Each fall, the forum provides an update of the area's economy and quality of life. The Southern Colorado Economic Forum publishes the Quarterly Updates and Estimates to keep the business community informed about current changes in economic activity.

Visit http://www.southerncoloradoeconomicforum.com to find back issues of the QUE and the Southern Colorado Economic Forum. The forum is available to help business and other organizations with economic and financial analysis and modeling, survey work, and other custom analysis.

To learn more about the services SCEF and the College of Business can provide your organization contact: Tom Zwirlein, faculty director, Southern Colorado Economic Forum, (719) 255-3241 or tzwirlei@uccs.edu, or Fred Crowley, associate director, Southern Colorado Economic Forum, (719) 255-3531 or fcrowley@uccs.edu.

Thomas J. Zwirlein, PhD

A Professor of Finance, Thomas J. Zwirlein joined the UCCS College of Business faculty in 1984, following his graduation from the University of Oregon where he earned his PhD. He earned a bachelor's in economics and a master's in business administration from the University of Wisconsin, LaCrosse.

In addition to teaching undergraduate and graduate-level courses in finance and investment policy, Dr. Zwirlein's research interests include corporate control, investment policy, financial strategy and shareholder value. He is widely published in areas such as investment strategy, stock selection and corporate takeovers.

He earned the College of Business Outstanding Service Award in 1996 and 2000 and is a member of the Financial Management Association. He founded the Southern Colorado Economic Forum in 1996.

Fred Crowley, PhD

Fred Crowley is a Senior Instructor in the College of Business in the University of Colorado at Colorado Springs. He has been the Senior Economist for the Southern Colorado Economic Forum in the College of Business since September 2001. He is also the Forum's Associate Director. Fred has an earned doctorate from New York University in quantitative methods in urban and regional planning, urban economics and corporate financial theory. Fred has published in a number of academic journals on public finance and economic base diversification topics. His articles have appeared in Urban Studies, Financial Review and the Journal of Energy and Development among others. He has also conducted numerous economic impact studies for the Colorado Department of Transportation, the City of Colorado Springs, the City of Woodland Park, the City of Fountain, Atmel Corporation and others.

Table of Contents

The 2010–11 Southern Colorado Economic Forum

This marks the fourteenth year for the Southern Colorado Economic Forum. Our goal remains the same. We provide businesses and other organizations in El Paso County with information to assess economic conditions in the region. The Forum's objective is to provide timely, accurate, and useful economic and quality-of-life information focused on the Pikes Peak region. This information and our analysis can be used by businesses as they form their strategic plans. The information provided by the Forum serves as a community progress report: identifying areas where we excel, as well as areas where we face challenges.

We concentrate on labor market information, retail and wholesale trade, construction and commercial real estate activity, military employment and expenditures, tourism, sales and use taxes, utility activity and other economic information. The data are used to develop estimates of economic activity for the remainder of the year, as well as forecasts for next year. In addition, we examine several quality-of-life and education indicators for El Paso County to ascertain community progress in dealing with issues such as the impact of growth, congestion, open space, education attainment and the like. The information is gathered to develop a "set" of economic and quality-of-life indicators for El Paso County. The indicators provide a picture of the economy, the region's quality-of-life and help answer the questions of 'how are we doing' and 'where are we going.' The indicators are used to help assess our progress by measuring changes over time. No single indicator can provide a complete picture of the economy, quality-of-life, or educational status of our citizenry. Examined collectively, economic and quality-of-life indicators provide a picture of the region's economic health, the welfare and educational attainment of the people who live and work here, and the progress of businesses and organizations that operate here.

The Southern Colorado Economy

During 2009-2010, the El Paso County economy was influenced strongly by a national and global recession, the continued importance of the military and a deteriorating economic base.

The national recession proved to be the worst since the consecutive recessions of the early 1980's. A decline in consumer sentiment accompanied reduced retail activity and tourism. Colorado Springs' sales tax and the lodging and auto rental tax (LART) collections fell. Local employment patterns have been weak.

LART receipts for 2009 were $3.5 million, 10 percent below 2008 and 15.3 percent below the peak collection of $4.2 million in 2007. Sales tax receipts for Colorado Springs were 4.6 percent below receipts in 2008 and 11 percent below the $114.7 million in 2007.

Employment levels remained relatively stable through the second quarter of 2008 before declining through January 2010. The employment picture improved this year. As of June 2010, 4,121 more people were working than in January 2010. In spite of this employment increase, unemployment remains high because of an increase in the size of the labor force. The seasonally adjusted unemployment rate for El Paso County is 8.7 percent, the highest it has been through the recession.

The military presence has had a positive effect on the economy. According to the Forum's analysis of the Department of Defense wage and allowances for army personnel, the average wage of a soldier at Fort Carson was approximately $58,000 in 2009. This allows for direct wages plus the value of housing, clothes, and meals provided by the Army.

Since the wars in Iraq and Afghanistan, Fort Carson troops have experienced recurring deployments, effectively reducing the military population in the community. Over the same period, the BRAC05 reallocation added approximately 10,000 additional troops to Fort Carson. The deployments and arrivals of additional troops have kept the Army population in the community relatively stable since 2003. The Air Force bases in the region add an additional 15,000 military airmen. When civilian personnel are included, the military bases employ approximately 59,600 people in El Paso County. The direct and indirect economic effects of the military are estimated to be approximately 27.5 percent of the region's Gross Metropolitan Product. The military presence has a stabilizing effect on the local economy. Should all troops actually leave Iraq by 2012 and not be redeployed to Afghanistan, the area should benefit significantly with approximately 25 to 35 percent more troops in the area.

Consumer sentiment began to fall sharply from 85.6 in 2007 to 56.3 in February 2009, a decline of 34 percent. Since then, it has rebounded by 35 percent to 76. Consumer sentiment remains about 10 points below its value in 2007. One consequence of lower consumer sentiment is reduced retail expenditures. Saving rates have increased as consumers de-leverage, stockpile their savings and rebuild their assets. Reduced tourism expenditures and declines in general retail sales results in revenue shortfalls for communities that depend on sales tax revenues to fund their respective general funds. The Colorado Department of Revenue reports county-wide, taxable retail sales declined by $340 million in El Paso County in calendar year 2009. Declines in taxable retail sales took place in Calhan (-$200 thousand), Colorado Springs (-$330 million), Monument (-$2 million), Palmer Lake (-$2.3 million) and unincorporated El Paso County (-$4.2 million). Increases in taxable retail sales were seen in Fountain ($11.6 million), Green Mountain Falls ($380 thousand), Manitou Springs ($80 thousand) and Security ($1 million). The City of Colorado Springs' regional share of taxable retail sales declined to 86.4 percent compared to 91.7 percent in 2001. Unless some municipalities vote to "de-Bruce," they can expect to experience TABOR induced, ratchet down effects. Colorado Springs is experiencing a compound problem in that the recession reduced its absolute taxable retail sales and the city continues to lose market share to its surrounding neighbors. Unless the city's tax base is changed by its voting citizens, Colorado Springs can expect permanent revenue and essential service reductions.

Employment/Unemployment

The El Paso County private sector employment figures from the Quarterly Census of Employment and Wages (QCEW) decreased by 4.3 percent, or 10,507 jobs in 2009. The loss in jobs followed losses of 2,216 in 2008 and gains of 1,884 jobs in 2007.

Five sectors saw job gains in 2009. They are education services (593), health care (261), professional technical services (110), public administration (76) and management of companies (35). All other sectors lost jobs. The greatest losses were in construction (-2,368), manufacturing (-2,221), retail trade (-1,361), accommodation and food services (-993), administration and waste management (-845), information (-698), wholesale trade (-675), other services (-655), finance and insurance (-623), transportation and warehousing (-394) and arts, entertainment and recreation (-328). The remaining sectors lost fewer than 100 jobs each.

The loss in jobs propelled the unemployment rate to 8.7 percent in June 2010, the highest since the recession began. The gradual employment recovery seen since January is expected to continue but at a very slow pace. As additional people enter the labor force in the coming months, the unemployment rate is not expected to show significant improvement since more workers will be looking for a relatively scarce number of jobs. The military presence helped reduce job losses. For example, Colorado lost 4.7 percent of its jobs while El Paso County lost 4.3 percent.

Wages and Income

The Forum has written repeatedly about the changing nature of our economic base. The community lost approximately 16,500 manufacturing/technology related jobs since 2000. These jobs paid very high wages compared to the average wage in the community. However, the jobs were volatile and cyclically sensitive.

High paying manufacturing and information jobs were replaced with jobs in the service sector. These jobs tend to be stable but pay lower wages than jobs that were lost. As a result, the employment base is less susceptible to business cycle swings but provides lower wages.

The average wage in El Paso County increased in 2009 to $42,189. This is 2.2 percent above the 2008 average wage of $41,268 according to the Colorado QCEW data. By comparison, the average wage in Colorado increased 0.5 percent in 2009 to $46,861. El Paso County's average wage is now 10 percent below the state average. Total wages declined 4.2 percent in Colorado in 2009. Over the same period, El Paso County total wages declined 2.7 percent.

The Forum's previous publications pointed to a need to attract high paying primary jobs to the area. Higher income has been linked to higher standards of living, better quality of life, lower crime, better educational attainment, better medical insurance and improved life expectancy. Strong primary job growth in high wage industries is needed in El Paso County.

Retail and Wholesale

The Colorado Department of Revenue reported calendar year retail sales in Colorado were $134.1 billion in 2009 vs $152.7 billion in 2008, a decline of 12.2 percent. El Paso County fared better with retail sales of $12.6 billion, a decline of $1.1 billion (7.8%) from sales of $13.7 billion in 2008. The lower decline in retail sales is believed to be related to the less volatile economy in El Paso County.

The largest loser in the competition for sales tax dollars in El Paso County was the City of Colorado Springs. Ten years ago, the city captured 91.7 percent of taxable retail sales. As of 2009, its share of taxable retail sales fell to 86.4 percent, a decline from its 2008 share of 86.7 percent of retail sales in the county. The Forum repeatedly pointed out that growth in retail activity in El Paso County will follow the growing number of rooftops beyond Colorado Springs' city limits.

Evidence supporting this expectation began over ten years ago and became more pronounced in early 2004. Colorado Springs' ability to support essential services will continue to deteriorate as long as it depends on sales tax revenues to fund 50+ percent of its general fund. Wholesale sales in Colorado decreased at a faster rate (15.9%) than in El Paso County (8.6%).

Housing Construction and Commercial Activity

There were 1,105 permits for new, single family, detached residential homes in 2009, a decline of 9.7 percent compared to 2008. This was less severe than the 42.7 percent decline in 2008 (1,223 permits) and 22.3 percent decline in 2007 (2,135 permits). The decline in permit activity was accompanied by an increase in permit values. The average single family, detached, permit value in 2009 was $342,485, an increase of $128,503 over the average value in 2008 of $213,982.

Nominal permit values increased approximately $193,000 since 2005. Discussions with several builders indicated permit values increased for two reasons. First, builders were including many options and construction incentives on a new home to entice prospective buyers. Second, many builders varied floor plans and had to re-estimate the permit values in 2009.

Town home construction also declined in 2009. There were 201 permits in 2009 compared to 321 permits in 2008. This was a decline of 120 units or 37.4 percent. Town home permit values increased in 2009 to an average of $172,354 compared to $114,859 in 2008.

Multi-family vacancy rates shot up to 9.3 percent in 2002 before plateauing in the 12 percent range through 2005. Since then, vacancy rates fell gradually to the 9.5 percent range by the end of 2009. The Colorado Division of Housing estimated the vacancy rate was 5.8 percent in June 2010. Persistent multi-family vacancy rates in the 10 percent range and declines in real apartment rents discouraged multi-family investors from building from 2002 through 2009. A total of 30 new multi-family housing units were permitted in 2009. In contrast, 430 units were constructed in 2008 and 414 units in 2007.

New arrivals at Fort Carson were expected to reduce multi-family vacancy rates in 2010. This appears to be the case. Vacancies were 5.8 percent in June 2010. Two factors are expected to dampen multi-family permit activity. First, real rents were actually lower in 2009 compared to 2000. Real rents in 2009 were $592 compared to $645 in 2000. Second, evidence from the Federal Reserve suggests that banks have not eased credit standards on these type of investment loans. The Forum does expect a significant increase in multi-family permit activity during the next 6 months.

Commercial construction value decreased to $282 million in 2009 compared to $447 million in 2008 and $390.8 million in 2007. Year to date data suggest commercial permit values will be approximately $100 million in 2010. A small gain in 2011 is expected to accompany the anticipated growth in the economy.

The combination of strong commercial construction earlier in the decade and the recent recession has put pressure on the commercial markets. Vacancies have increased in all classes of commercial and industrial space. Real rents declined in all commercial categories. The Forum does not anticipate a recovery in the commercial market until well into 2011. Significant job creation is needed to clear out the inventory of vacant commercial space.

The Post Recession Recovery

Conditions in the national and local economies deteriorated from the fall of 2007 through the 4th quarter of 2008. GDP declined at an annualized rate of 6.8 percent alone in the fourth quarter of 2008. GDP recovered, turned positive and peaked at an annualized growth rate of 5 percent by the fourth quarter of 2009 before showing signs of weakness over the first and second quarters of 2010. Annualized real GDP is currently running at just 1.6 percent. A significant portion of the growth in GDP is believed to be attributable to the Federal Government's stimulus spending. Much of that spending has been completed. Employment has yet to rebound. The national rate of unemployment for July 2010 was estimated to be 9.5 percent.

A nagging problem in the economy is the reluctance of banks to lend money. Current estimates from the Federal Reserve indicate banks have reduced total loans and leases by $500 to $550 billion compared to 12-18 months ago. Ben Bernanke has repeatedly urged the banks to get back into the business of lending.

Part of the effort to get the economy back on its feet included the Federal Reserve's purchase of high-risk mortgage securities. Currently, the Fed owns approximately $1.1 trillion of these questionable mortgages purchased from banks and other financial institutions. The Fed also increased liquidity for the banks through its open market operations. The banks now have excess reserves of approximately $1.1 trillion. Excess reserves are funds the banks have to lend but refuse to lend.

Lending criteria at the banks grew stricter in the 3rd quarter of 2007. The Fed's most recent survey of bank loan officers indicates most banks have maintained tight standards despite rising demand for loans from businesses and individuals. Why won't the banks lend?

As of March 2010, 2.39 percent of all mortgage loans were being written off the books compared to 0.01 percent in March 2006. Charge-off rates for consumer loans were 6.52 percent in March 2010 compared to 1.76 percent in March 2006. Commercial and industrial loans were written down by 1.95 percent compared to 0.24 percent in March 2006. Even agricultural loans are troubling. Write-offs increased ten-fold from 0.10 percent in March 2006 to 1.03 percent in March 2010.

Banks are concerned with more write-offs in the coming months. Approximately 10 percent of all residential mortgages are delinquent (90+ days late in payments). Approximately 9 percent of all commercial loans are delinquent. It appears that banks are deeply concerned about the quality of their loan portfolios.

The American economy depends on credit to grease its gears. Businesses depend on seasonal lines of credit and other loans to enable them to invest in inventory/equipment. The 2007-2009 recession left business without access to credit. Many intentionally ran down their excess inventory levels during the recession. An inventory adjustment recession normally sees this pattern as well as a recovery sparked, in part, by an increase in demand for goods and services which consumers deferred during the recession. Normally, this is facilitated with bank loans. If banks continue to exercise precautionary levels, additional business and residential credit problems are possible. Without loans, businesses will "liquidate" their remaining inventory to the point they might lack adequate choices for customers. If the businesses fail, unemployment will increase. Higher unemployment will lead to more defaults on consumer debts. This circular logic suggests there is support for Disney's First Law – "Wishing makes it so!" In the current economy, this might be better stated as "Wishing to reduce defaults through tight credit standards may actually increase defaults."

Banks might be slow to lend because the Fed pays interest (0.25%) on all reserve balances held by banks. This risk free return might be more appealing than risky loans to businesses or individuals. In the current economy, consumers increased their savings rate to about 5.5 percent of their incomes. Banks pay near zero interest rates on these deposit balances that become part of a bank's reserves. The reserves are then lent to the Fed at a higher, risk free rate of interest - a perfect arbitrage.

Despite the many concerns banks have about credit markets, some banks are lending – albeit in a manner you might not expect. Citi has extended unsecured one-year loans up to $50,000 that are interest free with no fees to some customers. Chase offered to re-finance customer mortgages with a 30 year, 4.625 percent, fixed loan without any closing costs or prepayment penalties. The loan did not require an appraisal, or proof of income. Banks appear to be restricting their lending practices to select, perceived high net worth, credit worthy customers.

A Likely Recovery in El Paso County

In the past, the economy recovered when consumers and businesses started purchasing deferred goods and services. This led business to hire more workers, increase investment and produce more goods and services. This increased employment and wages. Workers used the income to buy more goods and services. This led businesses to make greater investments in inventory and equipment which led to employment.

There is a significant difference in the 2001 and the 2007-2009 recessions compared to prior recessions. Today the U.S. economy has significantly fewer high-multiplier, primary jobs driving direct, indirect and induced employment levels. For example, post World War II saw about one-third of all workers employed in manufacturing, an economic sector with a significantly higher employment multiplier than the service sectors. Both the national and local economies have lost manufacturing. El Paso County lost 55 percent of its manufacturing jobs since 2001. Colorado lost about 35 percent of its manufacturing jobs while the U.S. lost about 31 percent of its manufacturing jobs since 2001.

Wealth Creation in El Paso County

Individual wealth can be increased by an inheritance, winning the lottery, or to paraphrase John Houseman as he promoted Smith Barney, you can "earn it." That is, develop the jobs that pay above average wages.

El Paso County's per capita income was 9.3 percent below national per capita income in 1990. Manufacturing employment grew from 20,600 in January 1990 to 26,700 in January 2001, a 29.6 percent increase. The manufacturing jobs tended to be in technology related fields that paid high wages and were high employment multipliers. Per capita income grew significantly. By January 2001, per capita income was 0.7 percent below the national average. Then the U.S. and local economies suffered through accounting scandals, the "dot.com" bubble and the attacks on 9/11/2001. Employment in the jobs El Paso County attracted over the course of the previous 11 years began to decline. By June 2010, El Paso County lost 14,300 manufacturing jobs, a decline of 55 percent. This was much worse of a decline in manufacturing than in Colorado (35%) or the U.S. (31%). The gap in per capita income between El Paso County and the U.S. increased to 7.5 percent below the national average. Other factors contributed to the rise and fall in local per capita income since 1990. The loss of manufacturing jobs over the last 10 years is believed to be a significant contributor to slower growth in per capita income relative to the U.S. The Forum repeats its belief that the area needs to expand its primary employer base. This includes manufacturing. *Operation 6035* is a continuing effort that seeks to identify prospective business sectors to invigorate the El Paso County economy.

Operation 6035

Operation 6035 was launched in 2009 as a strategic economic development plan for the Pikes Peak region. Besides developing a shared vision for the region, *Operation 6035* identified "high impact target industries" of the future. An objective of *Operation 6035* is to "establish tangible performance metrics" to assess not only current performance but also to measure the success of the strategy.

The Forum examined the target industries from the AngelouEconomics study, *Report 2: Pikes Peak Region Target Industry Analysis* in order to establish a benchmark which can be used to assess future performance as the *Operation 6035* strategy evolves. The report identified five interrelated promising industries that already exhibit regional strength, have promising national growth potential or both. These industries include:

- Aerospace, defense, and homeland security
- Software and information technology
- Renewable energy and energy efficiency
- Sports and related industries
- Emerging industries/Entrepreneurs

There are measurement issues associated with tracking employment and wages in these broadly classified industries. The current North American Industrial Classification System (NAICS) of categorizing employment and wages do not categorize some of these industries very effectively. There are at least two distinct problems. First, the NAICS categories may not properly classify the jobs that are being created in relatively new industries such as renewable energy. For example, there is no classification for employment in windmill manufacturing. Thus, many of the jobs in this industry will be categorized as "other." *Operation 6035* includes the 6 digit NAICS codes of Other Electric Generation, Other Building Contractors and Other Technical Consulting Services. These categories may or may not capture employment in renewable energy and will capture jobs in industries unrelated to renewable energy.

The second problem is many jobs classified in some NAICS categories may not be affiliated with a specific target industry. A good example is the 6-digit NAICS for Power and Communication System Construction. This is included in *Operation 6035's* renewable energy and energy efficiency industry. Employment in this category includes employment in renewable and non-renewable energy. The reader should be aware of these limitations when reading the Forum's analysis section.

Analysis

The Forum used data from the Quarterly Census of Employment and Wages (QCEW) from the U.S. Bureau of Labor Statistics and Colorado Department of Labor. This data is a comprehensive tabulation of employment and wages for workers covered by State Unemployment Insurance (UI) laws and Federal workers covered by the Unemployment Compensation for Federal Employees (UCFE) program. The data can be aggregated to obtain employment and wage information for an entire year. We used the 2008 data for El Paso County to establish a benchmark of employment and wages for the targeted industries identified by

Operation 6035. The QCEW data provide employment and wage information by six-digit NAICS at the national, state and county levels.

The data under the program represents the number of covered workers who worked or received pay for the pay period that includes the 12th of the month. Members of the armed forces, self-employed, proprietors, domestic workers, family members and railroad workers are excluded from the numbers. Wages can include bonuses and stock options, paid vacation, cash value of meals and lodging and contributions to deferred compensation plans in some states.

Table 1 includes a summary of employment and wages in 2008 for El Paso County for the broadest definition of the five *Operation 6035* targeted industries.

Table 1: Operation 6035 Targeted Industry Employment and Wages in El Paso County in 2008

	Employment	Total Wages	Average Wage
Aerospace, Defense and Homeland Security	4,696	$340,209,174	$72,454
Software and Information Technology	12,029	$985,673,030	$81,941
Renewable Energy and Energy Efficiency	8,996	$688,439,382	$76,527
Sports and Sports Related Industries	5,599	$143,516,217	$25,631
Emerging Industries/ Entrepreneurs	2,766	$250,167,559	$90,430
Total Employment & Wages and Average Wages	34,087	$2,408,005,362	$70,643

Source: Quarterly Census of Employment and Wages, Colorado Department of Labor

The numbers in the table are upper limit estimates of employment and wages in the targeted industries. Aerospace, Defense and Homeland Security and Software and Information Technology are a reasonably accurate representations of these two sectors since the classification scheme used in NAICS provides a clear definition of the industries within these clusters.

Considerably, more judgment must be used in interpreting the remaining clusters. For example, the current NAICS system does not specifically classify renewable energy and energy efficiency. Rather, jobs in these industries are captured in other more common classifications within the NAICS system. For example, an employee selling solar heating systems and working for a plumbing equipment wholesaler would be classified under the NAICS category of Plumbing Equipment Merchant Wholesalers. This may be the only employee working for a particular business selling or installing solar systems. The figures in the table are upper bound estimates since they include all employment and wages in the NAICS categories specified in the *Operation 6035* report. Without firm specific knowledge of how many employees actually work in these industries, the figures will be overestimated.

A second issue is that a number of the *Operation 6035* targeted sectors will evolve naturally. For example, the Sports and Sports Related Industry sector includes sporting good stores. There may be some additional employment at these stores due to the targeting effort in this cluster but most of these stores would exist with or without the Sports and Sports Related Industry.

The Forum estimates 2008 employment in these clusters could be as much as 39 percent lower than depicted in the table. Total wages could be 33 percent lower. These estimates are derived by eliminating NAICS categories that are likely to have employees who are unrelated to the *Operation 6035* targeted clusters. Although this process is subjective, it establishes a lower limit of current employment and wages in the targeted industries. Even at these conservative levels, *Operation 6035* clusters represent a sizeable proportion of employment and wages in the county. A successful implementation of *Operation 6035* should result in growth in these targeted clusters that exceeds growth in employment and wages in non-targeted sectors in the area. This growth should be examined on an annual basis over an extended period of at least 10 years to determine the ultimate success of *Operation 6035*.

Economic Development Considerations

The Forum used Implan to estimate multipliers for the *Operation 6035* sectors by aligning the recommended sectors' NAICS codes and Implan's closest equivalent. Implan data for 2008 were used at the El Paso County level to estimate the multipliers. Colorado data can also be used to expand Implan's ability to match the codes and to reduce estimated leakages. Multipliers were obtained for employment, income and tax effects. Location quotients were estimated for each of the sectors identified in *Operation 6035*. It was assumed a rank order for each sector's multiplier or location quotient would provide an ordered preference for including a sector in the area's economic development strategy. Rank values were developed for individual criteria and aggregated rank across all criteria for a sector. The results are shown in Table 2.

Sectors in Table 2 were ranked by Location Quotients (LQ). An LQ is an estimate of an area's ability to attract and develop a cluster around a sector. A high LQ suggests few incentives are needed to develop a sector. Low LQ's suggest incentives are needed to attract the sector. The first 9 sectors listed in Table 2 have LQ's greater than 1.2. LQ's greater than 1.2 were used as a subjective criterion to identify sectors with a likelihood to locate in El Paso County that is significantly higher than the location neutral LQ value of 1.0.

The overall rank of the sectors indicates that 6 of the top 9 high LQ sectors also have overall high multiplier effects. This analysis suggest these sectors are good starting points for economic development.

Computer and electronic manufacturing has the highest employment and income multipliers as well as the highest LQ among the different sectors. This sector would be expected to be a "natural fit" and would serve as a strong stimulus for indirect and local resident service jobs. If development efforts in this area prove successful, this sector would support strong income and job growth for an anticipated larger work force. Public services to support the necessary infrastructure might be stressed with an economy driven by this sector. In contrast, computer and electronic manufacturing has the second lowest relative tax effect out of the 18 sectors in the analysis. That is, this sector produces very little local marginal tax revenues compared to the other sectors. Its ability to generate its share of local taxes might need careful study.

It is interesting to note that 3 of the top 4 sectors, as ranked by tax effect, do not rank in the top LQ values. Data processing and utilities have very low LQ values but provide good employment and income multipliers. They also offer among the highest tax effects. Municipalities and school districts would probably like to have them locate in the area for their tax revenues. However, their low LQ values suggest there is little reason for these two sectors to locate in El Paso County. It is at this point that a benefit/cost analysis would help the decision process. If local governments are considering tax incentives to these sectors, it would probably be good to estimate if the tax benefits to the local government outweigh the cost of the incentives.

A naive rule of thumb suggests sectors with low LQ values will require the greatest financial incentive to locate in the area. A benefit/cost ratio greater than 1.0 would be needed to support a tax incentive proposal to these sectors.

Table 2: Location Quotients; Employment, Income and Tax Multipliers for Select *Operation 6035* Sectors

Operation 6035 Sectors	Location Quotient	Rank	Employment Multiplier	Rank	Income Multiplier	Rank	Relative Tax Effect	Rank	Overall Rank
334 Computer & electronic mfg	2.73	1	8.17	1	4.26	1	0.46	17	2
511 Publishing except internet	2.24	2	4.77	4	2.83	10	0.71	12	3
813 Membership assoc and orgs	1.84	3	2.71	10	3.18	4	0.57	15	5
451 Sporting goods, hobby ...stores	1.60	4	1.54	19	2.22	13	2.71	1	8
541 Professional and tech services	1.55	5	2.39	12	1.77	21	0.77	9	9
517 Telecommunications	1.52	6	5.55	2	3.37	3	1.48	5	1
339 Miscellaneous manufacturing	1.34	7	1.70	18	2.22	13	0.40	20	19
238 Specialty trade contractors	1.31	8	2.04	16	1.97	18	0.65	13	16
713 Amusements, and recreation	1.21	9	2.08	14	3.06	7	1.39	6	7
621 Ambulatory health care	1.14	10	2.46	11	2.21	15	0.71	11	9
332 Fabricated metal product mfg	1.01	11	2.97	9	2.44	11	0.49	16	9
711 Performing arts/spectator sports	0.99	12	1.39	21	2.02	16	1.62	4	13
237 Heavy/civil engineering cons	0.93	13	2.06	15	2.00	17	0.62	14	19
611 Educational services	0.90	14	1.54	19	1.87	20	0.83	7	21
518 Data processing, hosting & services	0.80	15	3.33	6	4.02	2	0.73	10	6
423 Merchant wholesalers, durable gds	0.67	16	1.82	17	2.25	12	2.58	2	12
221 Utilities	0.67	16	5.01	3	3.04	8	2.27	3	4
551 Management of companies	0.26	18	3.08	8	1.93	19	0.77	8	13
335 Electrical equipment mfg	0.25	19	2.38	13	3.10	5	0.42	18	18
333 Machinery manufacturing	0.24	20	3.54	5	2.97	9	0.40	21	16
336 Transportation equip mfg	0.23	21	3.10	7	3.10	5	0.41	19	13

Six considerations might augment the *Operation 6035* strategy. First, target industries should be growing faster than the current industry base. Second, they should provide incomes that are greater than the prevailing average wages. Third, since the presence of a business provides different amounts of tax revenues for city, county, schools, special districts and the state, incentives need to be developed regionally. Fourth, because an employer has a regional impact, tax incentives should be roughly proportional to the respective benefits of the different taxing agencies. Fifth, sector targeting should be done within the community's resources, especially qualified workers. Sixth, sector targeting should contribute to a more stable and diversified economy.

A final constraint on an economic development plan is the availability of qualified workers. If a neighboring county has the good fortune to attract a primary employer, local community leaders should develop trade missions to its neighbors to learn what goods and services businesses in El Paso County can provide the neighboring primary employers that they cannot obtain in their respective markets. The concept of export-import trade should be expanded to include any trade opportunities outside of El Paso County.

Acknowledgments

A special thank you goes to our valuable partners who provide generous financial support and guidance in producing the Southern Colorado Economic Forum. Many thanks again to our partners.

Platinum Level:

Colorado Springs Business Journal
First Business Brokers, LTD.
Holland & Hart LLP
The Gazette
University of Colorado at Colorado Springs
Wells Fargo

Gold Level:

Colorado Springs Utilities
Fittje Brothers Printing Company

Silver Level:

ADD STAFF, Inc.
BiggsKofford Certified Public Accountants
Colorado Lending Source
ENT Federal Credit Union
Pikes Peak Workforce Center
Strategic Financial Partners
UCCS College of Business and Administration

Sustaining Level:

Air Academy Federal Credit Union
Antlers Hilton Hotel
Aventa Credit Union
Classic Companies
Colorado Springs Chamber of Commerce
Colorado Springs Regional Economic Development Corporation
DaVinci Financial Planning, Inc.
DSoft Technology, Inc.
Executive Programs, University of Colorado
Financial Planning Association of Southern Colorado
GH Phipps Construction Companies
Hoff & Leigh
KRDO, News Channel 13 (Pikes Peak Television)
La Plata Communities, Inc.
Legacy Bank
Nunn Construction
Pikes Peak Association of REALTORS®
Salzman Real Estate Services, LTD
Security Service Federal Credit Union
TMR Direct
Transit Mix Concrete Company
UMB Bank Colorado
US Bank
Vectra Bank

This year marks another year of our joint effort between the Forum and Holland & Hart's annual Business Symposium. We thank Holland & Hart for their partnership and we want to especially thank them for providing marketing, design and web support for the Forum.

A special thanks to all of our partners who helped organize the Forum this year, especially members of the program, finance and marketing committees.

Finally, to all of the Forum partners and other supporters, we wish you continued success in the coming year.

Thomas J. Zwirlein, Ph.D.

Professor of Finance and Faculty Director of the Southern Colorado Economic Forum

Fred Crowley, Ph.D.

Associate Director and Senior Economist for the Southern Colorado Economic Forum

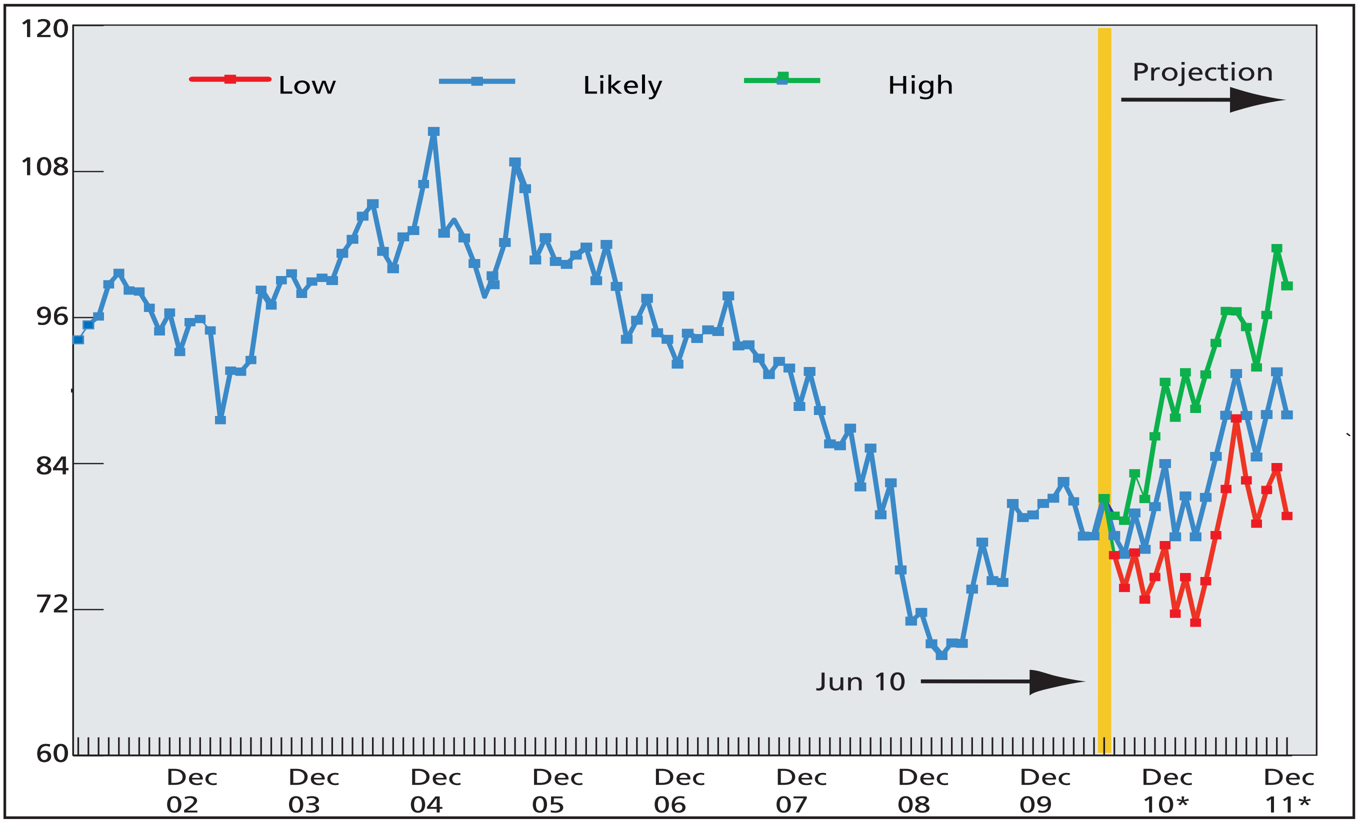
Forecast Summary

	Actual, Estimated and Forecast Percent Change in Key Economic Indicators for the U.S., Colorado and El Paso County									
		United States			Colorado			El Paso County		
		2009	2010	2011	2009	2010	2011	2009	2010	2011
		Actual	Estimate	Forecast	Actual	Estimate	Forecast	Actual	Estimate	Forecast
1	Population	0.8	1.0	1.1	1.8	1.7	1.6	1.5	3.0	1.5
2	Unemployment Rate	9.3	9.6	9.2	7.3	7.8	7.7	7.9	8.4	7.9
3	GDP/GSP/GMP	-2.4	2.9	2.7	-2.8	2.9	2.7	-3.8	1.9	3.0
4	Industrial Production	-9.7	5.5	4.3	-	-	-	-	-	-
5	Non-Agricultural Employment	-4.5	-0.4	1.3	-4.5	-1.0	1.1	-4.3	1.5	1.8
6	Total Wages & Salaries	-	-	-	-4.2	2.0	3.7	-2.7	3.5	4.3
7	Average Wage & Salaries	-	-	-	-2.6	1.7	3.7	2.2	2.0	2.5
8	Consumer Price Index (CPI)	-0.4	2.3	2.0	-0.7	1.5	2.1	-	-	-
9	Personal Income	-1.7	3.8	6.7	-2.2	3.4	4.3	1.0	2.0	2.2
10	Per Capita Personal Income	-2.5	2.8	5.5	-4.7	1.7	2.6	2.2	1.1	3.0
11	Retail Trade	-	-	-	-10.5	6.9	5.7	-6.7	7.0	6.0
12	Single Family Housing Permits[1]	-23.0	12.7	22.6	-50.5	44.7	8.8	-15.4	22.3	18.8
13	Non-Residential Construction	-15.0	-25.7	3.1	-22.4	-18.0	26.9	-22.9	-65.0	60.0

Sources: Colorado Office of Budgeting and Planning, June 2010 Revenue Forecast, Federal Reserve Bank of Philadelphia, Bureau of Economic Analysis, the Southern Colorado Economic Forum. and various industry sources

[1] Includes single family detached and town home units.

Business Conditions Index (BCI)



	COS Enplane-ments	El Paso SF & TH Permits	U Of Mich Consumer Sentiment	Kansas City Fed Mfg Index	El Paso Employ-ment Rate	Colorado Springs 2% Sales & Use Tax	El Paso New Car Registra-tions	El Paso County Fore-closures	El Paso County Employ-ment	El Paso County Income	BCI
Jan-10	77.7	25.9	79.8	139.8	95.2	93.7	65.2	98.1	103.5	93.2	81.2
Feb-10	74.9	39.6	80.7	143.1	95.0	96.9	48.9	98.3	103.7	93.2	82.5
Mar-10	71.8	33.3	80.0	146.1	95.0	100.0	47.7	98.1	104.1	92.8	80.9
Apr-10	75.1	23.6	79.3	131.9	94.6	95.6	53.3	98.1	105.0	89.9	77.9
May-10	73.6	26.6	80.7	146.1	94.7	76.3	54.8	98.4	103.7	90.0	78.0
Jun-10	73.6	32.3	78.9	131.9	94.6	110.2	53.3	98.4	102.5	89.4	81.2

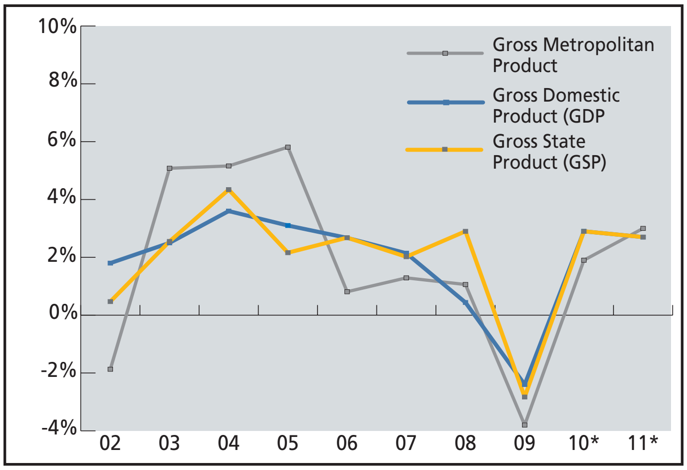
WHY IS THIS IMPORTANT?

An aggregate trend of the local economy is extremely useful in gauging whether the economy is expanding, contracting or remaining stable. Rather than replace individual measures of activity such as housing or retail sales, the aggregate index should be compared to the individual indicators within the index to identify leading, lagging and roughly coincident indicators to facilitate business planning at the local level. The Business Conditions Index (BCI) for El Paso County was developed for this purpose. The BCI and its component indicators are seasonally adjusted. A seasonally adjusted index is a more reliable identifier of emerging trends. It is not biased by non-seasonally adjusted, monthly data spikes and troughs.

HOW ARE WE DOING?

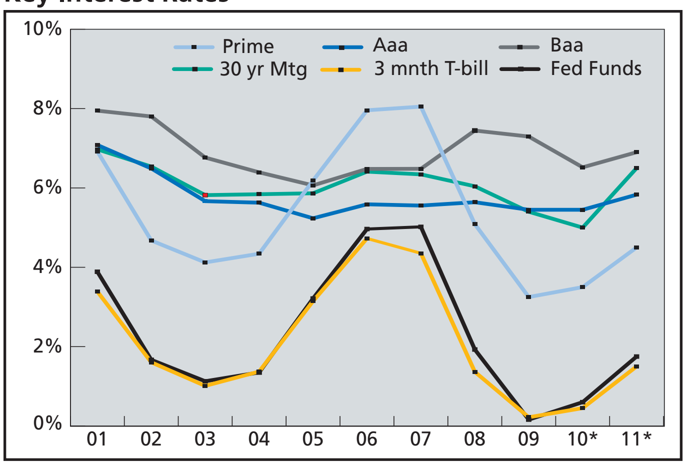
The BCI bottomed out in February 2009 at 68.2 before beginning a rapid increase through February 2010. Since then, the BCI has shown little movement. As of June 2010, the BCI is up approximately 19.1 percent from its low. The local economy is exhibiting traditional recovery patterns in most BCI components. Foreclosures peaked, building permits are increasing, manufacturing activity is increasing and new car sales are increasing. Much of this is reflected in the almost 30 percent improvement in consumer sentiment since February 2009. Employment rebound from the recession is expected to be more difficult than the post 2001 recession. El Paso County lost 55 percent of its high multiplier manufacturing jobs since 2001. This is significantly worse than Colorado (35% loss) or the U.S. (31% loss).

Real Gross Domestic Product (GDP), Gross State Product (GSP) and Gross Metropolitan Product (GMP)



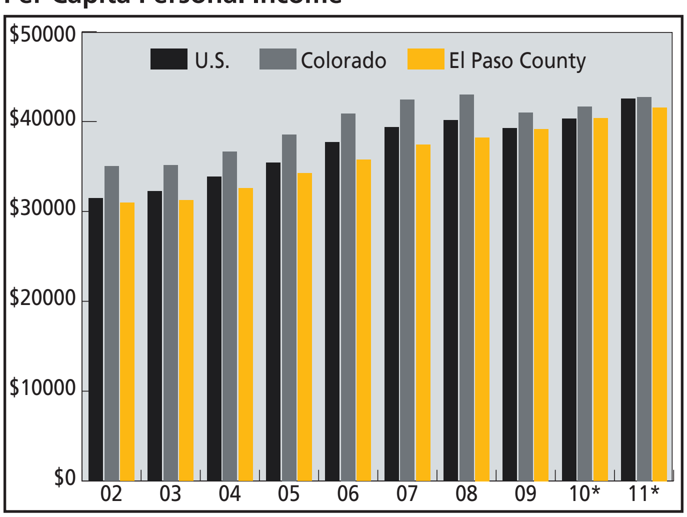
*Projections

Key Interest Rates



*Projections

Per Capita Personal Income



* Office of State Planning and Budgeting and SCEF forecasts

Sources: Bureau of Economic Analysis, Colorado Economic Perspective, Office of State Planning and Budgeting.

WHY ARE THESE IMPORTANT?

The indicators on this page are predominately state and national in scope. Gross domestic product (GDP) measures the output of goods and services produced by labor and property located in the United States. The Bureau of Economic Analysis also measures gross state product (GSP) and Gross Metropolitan Product (GMP) which are state and local equivalent measure of GDP.

Interest rates represent the cost of financing and the reward on investments. Low interest rates encourage borrowing and discourage investment (unless the investment is associated with borrowing for appreciable assets such as borrowing to purchase a home).

Personal income measures the total income received by individuals, before taxes and not adjusted for inflation. Per capita personal income reflects individual wealth creation and is a good indicator of the area's wealth.

HOW ARE WE DOING?

Growth in real GDP was -2.4 percent in 2009, a decline from a rate of 0.4 percent in 2008. The latest GDP estimate indicates growth in the economy slowed to an annualized rate of 1.6 percent, a sharp decline from the 5.0 percent growth in the 4th quarter of 2009. The national economy is struggling to create jobs. GDP is projected to grow at 2.9 percent in 2010 and 2.7 percent in 2011. Colorado's real GSP growth in 2009 was -2.8 percent. Growth in GSP for Colorado is expected to be about the same as the U.S. in 2010 and 2011. Estimated Real Gross Metropolitan Product (GMP) for Colorado Springs was -3.8 percent in 2009. The area is expected to lag national and state growth through 2011, on average.

Concerns about capital markets and a slowing economy drove the Fed Reserve to lower the primary discount rate in nine steps from 5.75 percent to 0.50 percent from August 17, 2007 to December 16, 2008. The target rate for the Fed Funds rate was reduced from 5.25 percent to a range of 0.0 to 0.25 percent during the same period. Since December 2008, both benchmark rates have remained at their December 2008 target values. Current indicators suggest interest rates will begin increasing by late 2010 to early 2011.

Per capita income shrank in the U.S. and Colorado in 2009. A small increase took place in El Paso County. This is attributable to income gains in the local government sector in 2009. Modest gains of roughly 2.0 to 2.5 percent are expected through 2011.

Colorado's per capita income is expected to be $41,648 in 2010 and $42,737 in 2011. Colorado's per capita income growth is slowing at a faster rate than the nation's.

El Paso County per capita personal income remains below both the U.S. and Colorado averages. The gap between El Paso County and Colorado narrowed from 10.2 percent in 2000 to 4.4 percent in 2009. The relative gain in per capita income is due to weakness in income in Colorado and the military presence in El Paso County. The lack of strong growth in the private sector is expected to constrain per capita income growth. Per capita income for El Paso County is expected to be $40,352 in 2010 and $41,562 in 2011.

Sentiment and Savings

WHY IS THIS IMPORTANT?

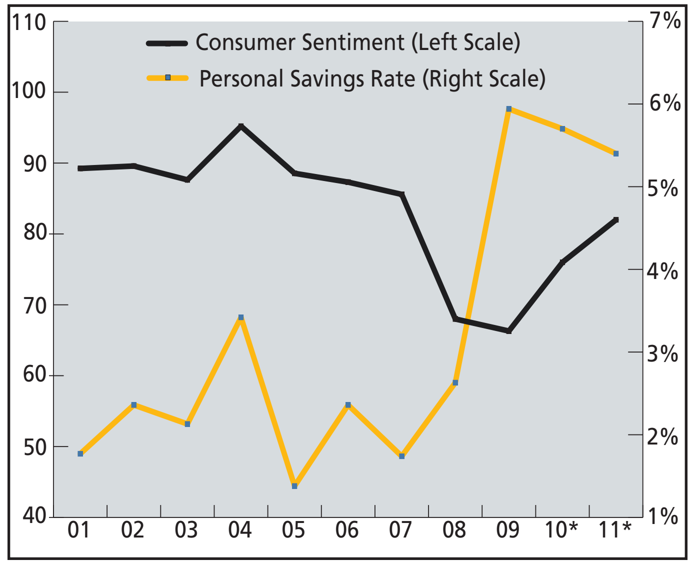
Approximately two-thirds of the American economy is driven by consumer spending. An understanding of the consumer's confidence in the economy and expected spending patterns over the next twelve months are essential to effective planning. Consumer sentiment measures confidence using 1996-97 as the base year (1996-97=100). The personal savings rate is an indication of the consumer's confidence in the current economy and a proxy for consumption capacity in the future.

HOW ARE WE DOING?

Consumer sentiment peaked in December 2000. It trended down through recession, war, escalated gasoline prices, a national housing crisis and rising interest rates. It bottomed out in February 2009 when it hit 56.3. The June 2010 consumer sentiment stands at 76, a 35 percent increase over February 2009. The Forum anticipated an improvement in retail activity would take place after consumer sentiment improved. Retail and food service sales accompanied the 35 percent increase in consumer sentiment with a 7.1 percent increase from February 2009 to June 2010. Additional gains in consumer sentiment are not expected to come easily, especially if the jobless rate in the U.S. remains in the 9.5 percent range.

Personal savings rate data suggest consumers are determined to rebuild their personal reserves. The savings rate averaged approximately 5.9 percent in 2009. Through June 2010, the savings rate was 6.2 percent. The savings rate is expected to remain in this range until unemployment declines.

Consumer Sentiment and Personal Savings Rate



* SCEF forecast

Sources: University of Michigan and Federal Reserve Bank of St. Louis

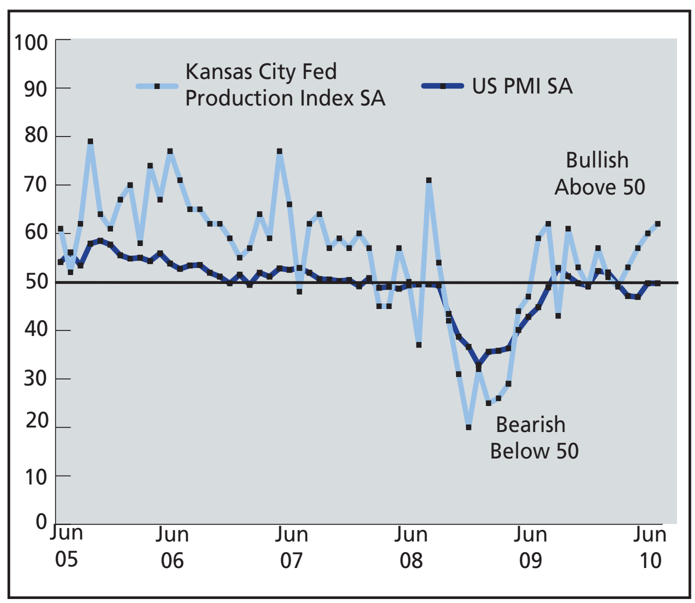
WHY IS THIS IMPORTANT?

The Purchasing Managers Index (PMI) is a leading economic indicator. PMI measures expectations in business activity in raw materials and finished goods, employment and pricing of goods for the next 12 months among purchasing managers in the manufacturing sector. Values greater than 50 are considered bullish. Values below 50 are considered bearish.

HOW ARE WE DOING?

Both the Kansas City Federal Reserve's Production Index (KCPI) and the national PMI bottomed out in November-December 2008. Manufacturing in the Kansas City Fed district rebounded from a low of 20 in November to 62 in June 2010. Similar gains were seen in the PMI as it went from 32.9 in December 2008 to 51.7 in June 2010. Both indicators have remained relatively unchanged since a year ago. The Forum noted the rapid growth from their respective troughs through June 2009 was not sustainable. While some additional growth is expected in 2010 and into 2011, significant growth is not expected until employment increases. The PMI is likely to remain in the mid 50's, on average, through the middle of 2011. The KCPI is more likely to have greater volatility but is expected to remain close to 60 over the next 12 months.

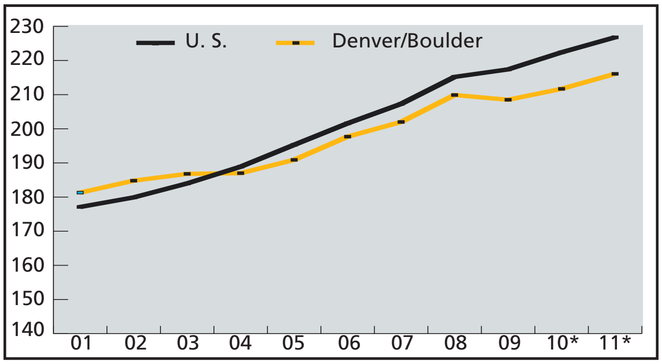
Purchasing Managers Index



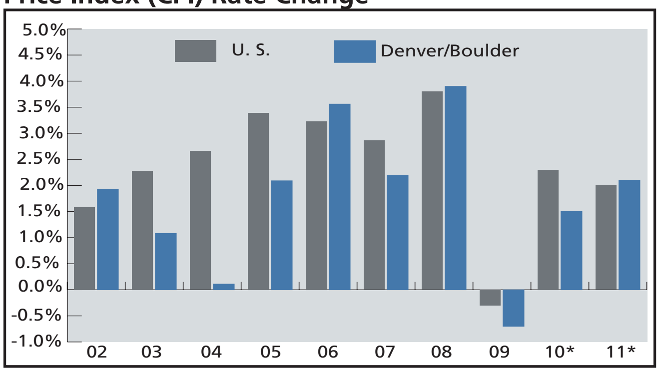
Sources: Institute of Supply Management and Federal Reserve Bank of Kansas City

CPI and Population

The Denver/Boulder/Greeley and U.S. Consumer Price Index (CPI) for all Urban Consumers (1982-1984=100)



The Denver/Boulder/Greeley and U.S. Consumer Price Index (CPI) Rate Change



* SCEF forecast
Source: U.S. Department of Labor, Bureau of Statistics

WHY IS THIS IMPORTANT?

The consumer price index (CPI) measures the average price change (inflation) for a basket of goods and services selected by the U.S. Department of Labor, Bureau of Labor Statistics. The CPI measures the period-to-period loss of purchasing power of a dollar caused by rising prices. The CPI is often used to compute real wages, income and wealth to determine whether consumer purchasing power and household wealth are increasing, decreasing, or remaining constant.

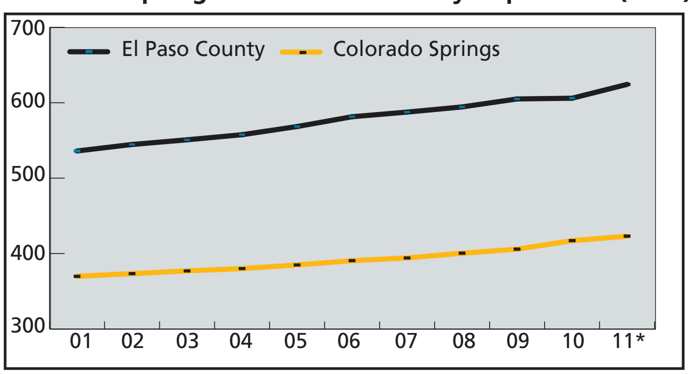
HOW ARE WE DOING?

The Denver/Boulder/Greeley CPI fell 0.7 percent in 2009 after rising 3.9 percent in 2008. Recessions are good for lowering inflation rates. Through December 2009, the Denver/Boulder/Greeley CPI declined approximately 0.7 percent. As the economy returns to growth, some levels of inflation are expected to return. The Colorado Office of State Planning and Budgeting expects a 1.5 percent rate of inflation in 2010 and a 2.1 percent rate of inflation in 2011.

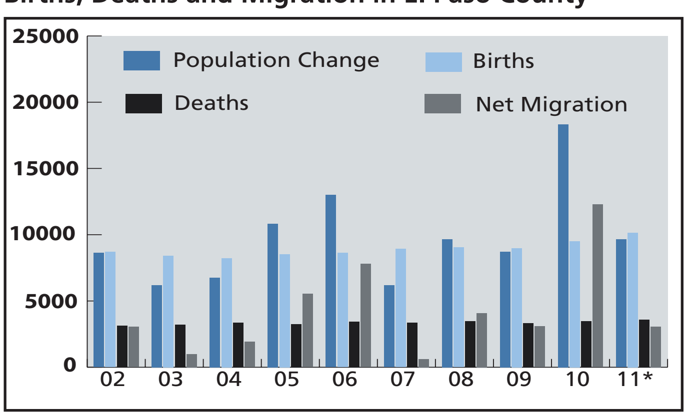
The U.S. urban CPI declined -0.4 percent in 2009 after increasing 3.8 percent in 2008. According to the Federal Reserve Bank of Philadelphia, inflation is expected to be 2.3 percent in 2010 and 2.0 percent in 2011.

While there is general consensus that inflation pressures are minimal for the next 6 to 12 months, there is concern that inflation could become an issue in 18 months. The unfolding global economic recovery is expected to put price pressure on basic commodities. Together with $1.1 trillion in excess banking reserves, there is the potential for higher inflation in 2011.

Colorado Springs and El Paso County Population (000s)



Births, Deaths and Migration in El Paso County



* Colorado Department of Local Affairs and SCEF estimates
Sources: Colorado Department of Local Affairs, Colorado Department of Health and Environment.

WHY IS THIS IMPORTANT?

Population growth is important because it influences the labor market and the health of the economy in general. Understanding population trends helps government officials, builders, retail establishments and others plan the future. Population estimates are used for planning and evaluation, state revenue sharing, and distribution of projects and money by public and private agencies.

Population growth is defined as natural change (births minus deaths) plus net migration (in-migration minus out-migration). Identifying trends in population growth helps plan for changes in housing, schools, roads, job growth and health care among other socioeconomic needs.

HOW ARE WE DOING?

From 1990 to the 2000 Census, Colorado's population grew at an average annual rate of 3.0 percent. El Paso County's population grew at an average annual rate of 3.2 percent over the same period. The Colorado Division of Local Affairs (DOLA) estimates El Paso County's population at 624,313 in 2010, an increase of 18,337 over 2009. The increase was attributed to additional troops stationed at Fort Carson.

The natural increase in the population was 6,062 in 2010, a record increase. As expected, net in-migration (12,275) drove population increases in 2010. All population growth contributes to economic growth. However, net in-migration has a more immediate effect on the local economy. Families who move to Colorado Springs need housing, schools, food, clothing and other local residential services immediately. This is especially good for the local residential housing industry. Improving foreclosure conditions should also help single-family residential construction rebound in 2010 and into 2011.

Unemployment and Employment

WHY IS THIS IMPORTANT?

The number and mix of jobs are important indicators of the local economy's quality and sustainability during business cycle fluctuations. During good economic times, we expect the economy to grow, to expand, and to change the employment base through the addition of high quality, well paid jobs. A diversified employment base is better able to withstand eventual economic downturns.

The unemployment rate is the percentage of the work force without jobs. There will always be some unemployment due to seasonal factors, workers between jobs, recent graduates looking for work and others. Comparisons with the state and national unemployment rate provide information about how well the region provides jobs for its work force.

HOW ARE WE DOING?

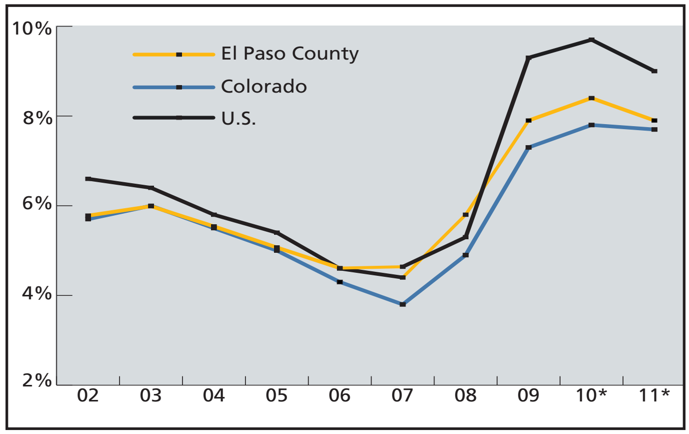
The seasonally adjusted (SA) June 2010 unemployment rate in El Paso County stood at 8.6 percent vs. 7.9 percent in June 2009. Colorado's SA June 2010 unemployment rate was 8.0 percent vs. 8.3 percent in June 2009. The U.S. unemployment rate was 9.5 percent in June 2009, rose to 10.1 percent in September 2009 before working its way back down to 9.5 percent in June 2010. Local and state unemployment trends have been lower than in the U.S. during the recent recession. The Colorado Office of Budget and Planning estimates that unemployment will be 7.8 percent in Colorado for all of 2010 and 7.7 percent in 2011. The Forum projects El Paso County unemployment will average 8.4 percent in 2010 and 7.9 percent in 2011.

The employment picture deteriorated in El Paso County during 2009. The Colorado Department of Labor reported a loss of 10,507 jobs in 2009. Five sectors gained jobs. They are Education Services (593), Health Care (261), Professional, Technical Services (110), Government (76) and Management of Companies (35). All other sectors lost jobs. The most significant losses took place in Construction (-2,368), Manufacturing (-2,221), Retail Trade (-1,361), Accommodation and Food Service (-993), Administration and Waste Management (-845), Information (-698), Wholesale Trade (-675), Other Services (-655) and Finance & Insurance (-623).

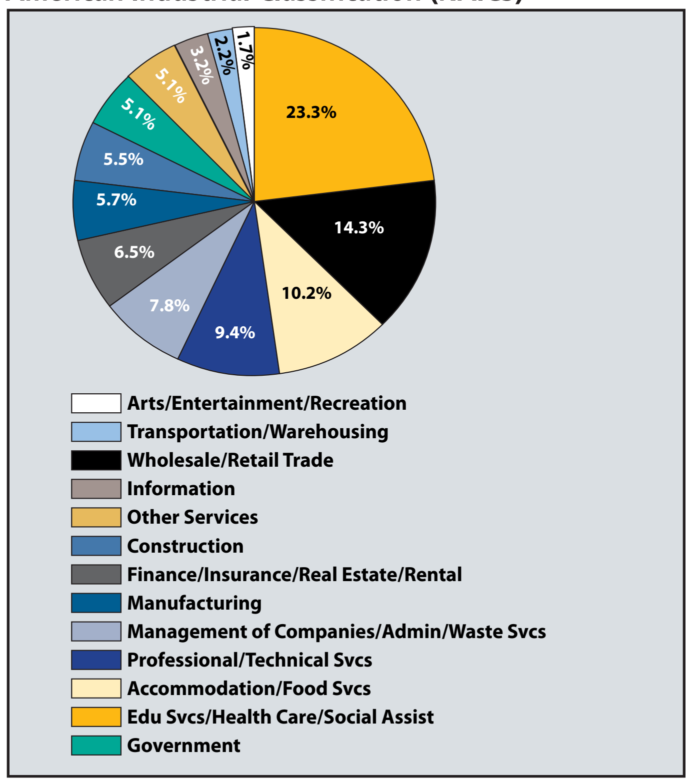
Average wages in the private sector increases 1.9 percent in 2009. Wages in the government sector increased 4.6 percent. The average of all wages in El Paso County increased 2.2 percent to $42,189 in 2009 vs $41,268 in 2008. A review by sector indicated the average wage declined in three sectors; Mining (-10.8%), Management of Companies and Enterprises (-7.2%), Wholesale (-3.3%) and Agriculture (-0.2%). The strongest wage gains were seen in Information (4.3%), Health Care (3.6%), Other Services (3.5%), Utilities (3.3%) and Arts, Entertainment and Recreation (3.0%). All other sectors had average wage increases of approximately 2.5 percent or less.

Average wages decreased in Colorado by 0.5 percent in 2009. Wages went from $47,096 in 2008 to $46,861 in 2009. The wage gap between Colorado and El Paso County narrowed in 2009. The average wage among employers in the Quarterly Census of Employment and Wages (QCEW) in El Paso County is now 10.0 percent lower than the average wage in Colorado. In 2008, QCEW wages in El Paso County were 12.1 percent below the average in Colorado.

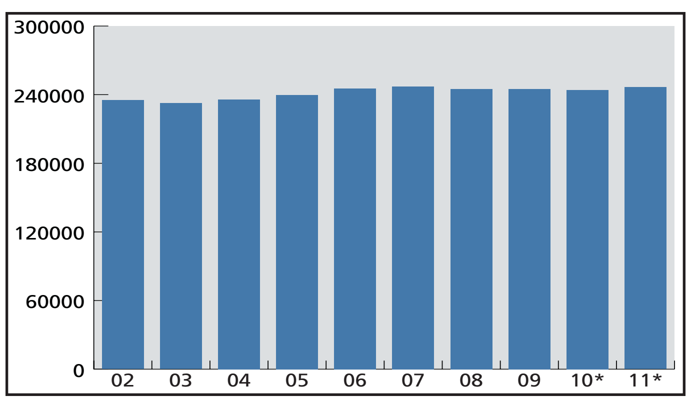
The Unemployment Rate in El Paso County, Colorado, and the U.S.



2009 Employment in El Paso County by North American Industrial Classification (NAICS)



Total QCEW Employment in El Paso County



* Through March 2009 and estimate for 2010
Sources: U.S. Department of Labor; Colorado Department of Labor and Employment, Southern Colorado Economic Forum

El Paso County Average Annual Employment and Wages by NAICS Classification in 2008 and 2009							
		2008			2009		
NAICS Code		Employ-ment	Percent of Total Employment	Average Annual Wage	Employ-ment	Percent of Total Employment	Average Annual Wage
11	Agriculture, Forestry, Fishing & Hunting	250	0.1	$24,388	184	0.1	$24,336
21	Mining	133	0.1	$98,072	126	0.1	$87,516
22	Utilities[1]	2,749	1.1	$75,244	2,699	1.2	$77,740
23	Construction	15,334	6.3	$43,784	12,966	5.5	$43,888
31-33	Manufacturing	15,582	6.4	$54,808	13,361	5.7	$54,860
42	Wholesale Trade	5,954	2.4	$53,092	5,279	2.3	$51,324
44-45	Retail Trade	29,534	12.1	$25,532	28,173	12.0	$25,948
48-49	Transportation & Warehousing	5,501	2.2	$40,456	5,107	2.2	$41,392
51	Information	8,124	3.3	$60,684	7,426	3.2	$63,284
52	Finance & Insurance	11,784	4.8	$49,764	11,161	4.8	$50,856
53	Real Estate, Rental & Leasing	4,362	1.8	$31,252	4,066	1.7	$31,408
54	Professional & Technical Services	21,892	8.9	$72,644	22,002	9.4	$74,464
55	Management of Companies & Enterprises	881	0.4	$86,268	916	0.4	$80,028
56	Administrative and Waste Services	18,186	7.4	$33,956	17,341	7.4	$34,996
61	Educational Services	24,620	10.1	$34,736	25,213	10.8	$35,360
62	Health Care & Social Assistance	29,113	11.9	$41,028	29,374	12.5	$42,484
71	Arts. Entertainment & Recreation	4,386	1.8	$18,980	4,058	1.7	$19,552
72	Accommodation & Food Services	24,956	10.2	$15,704	23,963	10.2	$15,860
81	Other Services	9,566	3.9	$34,580	8,911	3.8	$35,776
99	Non-Classifiable	17	0.0	$49,400	15	0.0	$76,024
	Total Non-Government	232,924	95.1	$40,349	222,341	94.9	$41,125
92	Government	11,982	4.9	$59,124	12,058	5.1	$61,828
	Total All Industries	244,906	100.0	$41,268	234,399	100.0	$42,189

Source: Colorado department of Labor QCEW,
[1]Does not include Colorado Springs Utilities

WHY IS THIS IMPORTANT?

Wages and benefits represent a significant cost to any business. These two indicators show the total increase in wages and benefits indexed to 2001 (2001 = 100). Both indexes in the top chart are based on national figures.

The Cost of Business Index (COBI) is compiled by the Southern Colorado Economic Forum. This index combines four local factors with one national component. The local factors are average wages, electricity prices, rents and aggregate property tax levies. The fifth measure used in COBI is the national cost of benefits. All measures are indexed to 2001 = 100. The COBI is an unweighted geometric average of the five measures. This index captures the average annual increase in the major cost elements of most businesses. The final chart on this page shows the average annual change in the individual items in the cost of business index. Together these indicators provide a relative measure of business costs and cost changes over time.

HOW ARE WE DOING?

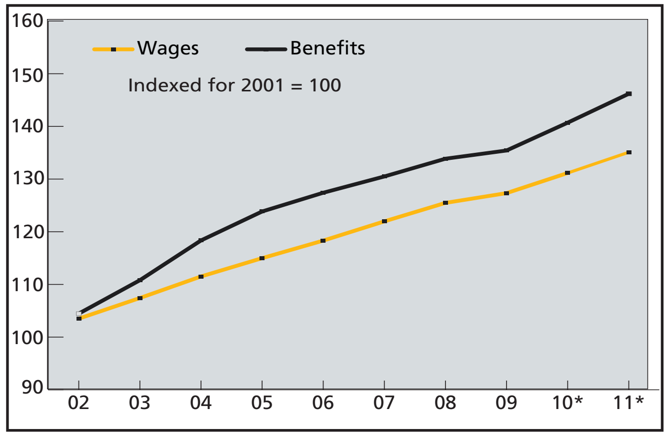
The national benefit cost index continued to rise faster than wages in 2009. Benefits rose approximately 2.8 percent in 2009 compared to 2.8 percent in 2008. Wages rose at a faster rate in 2008 (2.6%) than in 2007 (2.4%). Nationally, wages have increased a modest 3.1 percent a year since 2001. Benefits have increased 3.9 percent a year since 2001. The Forum expects wages will increase nationally by 3.0 percent while benefits will increase by 3.9 percent in 2010 and 2011. The price tag for the recent health care program could alter these projections significantly.

The base year for the COBI is set at 100 in 2001. The index stood at 126.3 at the end of 2009. This means the average cost of business was 26.3 percent higher in 2009 than in 2001. By comparison, the CPI rose 21.1 percent while the PPI rose 28.9 percent through 2009. The Forum forecasts that the cost of business index will increase 2.0 percent to 128.8 in 2010 and 2.5 percent in 2011 to 132.25.

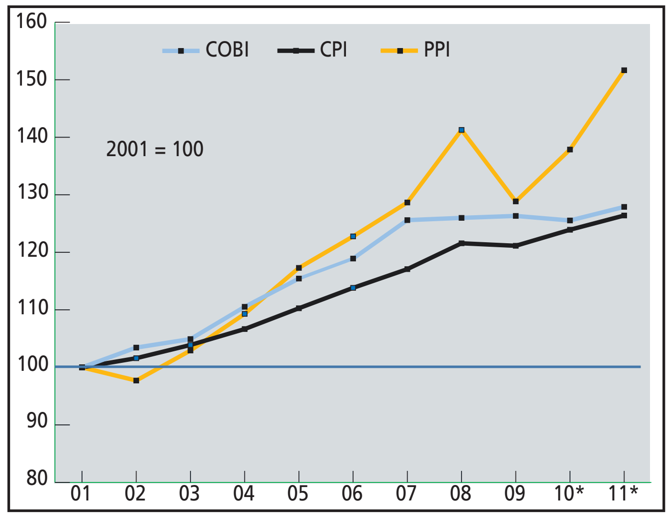
The final chart on this page provides the average annual percentage increase in the individual components in the COBI since 2001 and their respective increases in 2009 compared to 2008. All costs of business in 2009 were below their historical averages in 2009. The components and their change in cost in 2009 compared to 2008 were: electricity -.09 percent; wages 1.5 percent; benefits 1.2 percent; rents -4.1 percent; property taxes 4.1 percent. The property tax change is based on total property taxes collected. It is not a change for a specific property.

Commercial utility rates were lowered during 2009, in part, due to an internal cost of services audit City Utility conducted in 2008. Given the initiative to reduce carbon footprints, similar savings in the future are extremely unlikely. The Forum expects that inflationary pressures that stabilized in 2008 and part of 2009 will continue through the end of 2010. Rents are expected to decline. Electricity costs are expected to increase significantly in the next few years due to expiring coal and gas contracts for Colorado Springs Utilities along with potential Cap and Trade effects. Property tax collections will probably decrease on a per parcel basis, given the decline in property values in 2008 and 2009.

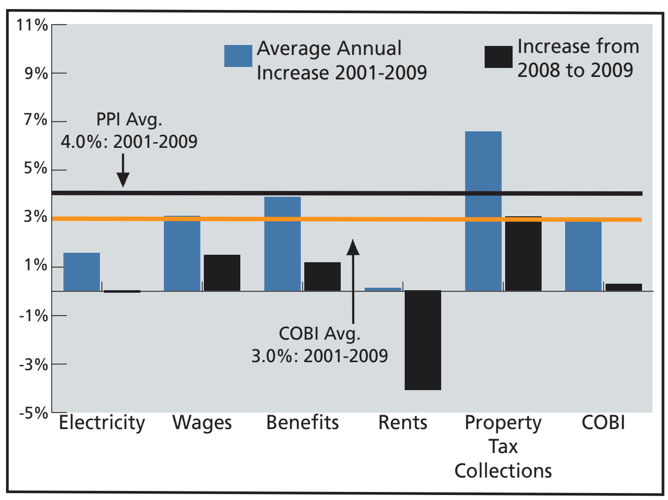
Wage and Benefit Cost Index U.S. Average



Cost of Business Index for El Paso County (2001 = 100)



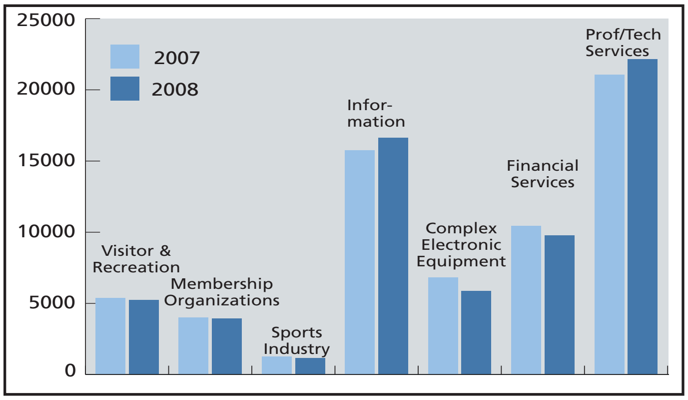
Percent Change in Individual Items in the Cost of Business Index for El Paso County



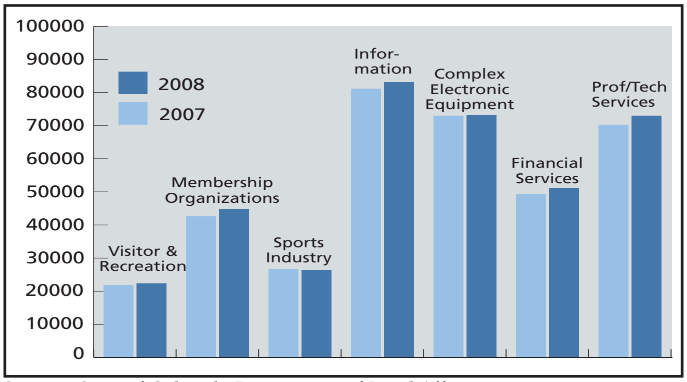
* SCEF forecast
Source: Federal Reserve Bank of St. Louis, SCEF

Key Employers

Number of Employees in Cluster Industries



Average Wages of Employees in Cluster Industries



Sources: State of Colorado Department of Local Affairs; State of Colorado Division of Local Governments

WHY IS THIS IMPORTANT?

The Economic Development Corporation identified key cluster industries as targets for economic development. The clusters group industries that complement each other and generate income and wealth for the community by exporting goods and services out of the region. Employment, growth and wages derived from these industries help to support induced sectors of the economy such as services, retail and construction.

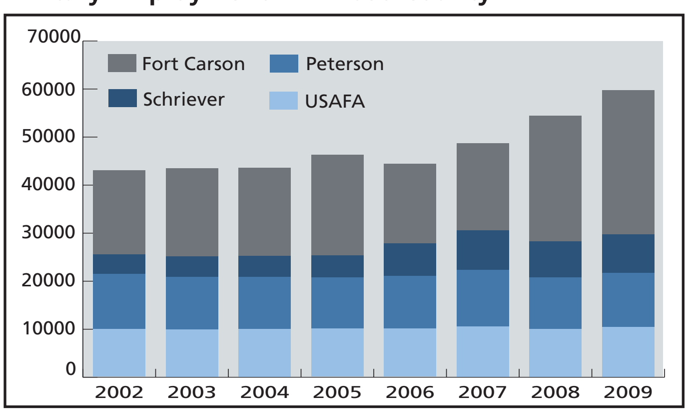
HOW ARE WE DOING?

Primary employers/cluster industries are the economic engine in the economic multiplier process. A primary employer generates at least half of its revenues from customers outside the local economy.

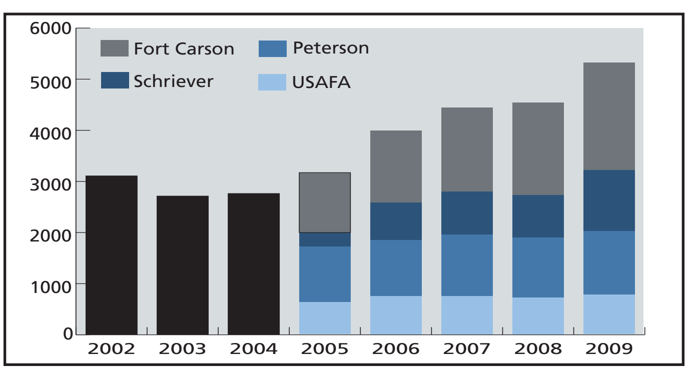
Primary sectors provided 28.8 percent of all jobs and 39.5 percent of all wages in 2001. By 2008, primary sectors provided 26.2 percent of all jobs and 41.5 percent of all wages in El Paso County. The primary employers' share of employment in the local economy has deteriorated since 2001. Employment in Information and Professional and Technical Services grew in 2008 while the remaining clusters experienced declines. Employment growth in Information and Professional and Technical is important because these clusters are among the highest paying sectors in the county. The average wage for the seven clusters was $65,624 in 2008 which was 59 percent higher than the average wage in the county.

Key primary employers must be continually identified and attracted to the local economy to raise the standard of living for its residents.

Military Employment in El Paso County



Military Expenditures ($ millions)



Sources: The Greater Colorado Springs Economic Development Corporation and Quality of Life Indicators Report

WHY IS THIS IMPORTANT?

The military has been an important contributor to the local economy since World War II. The military's influence on the local economy has increased since 2001 and especially since BRAC '05. The military is the largest employer in the county.

HOW ARE WE DOING?

Active duty and civilian employment at military establishments grew to 59,581 in 2009 from 54,294 in 2008. This was an increase of 5,287 positions or 9.7 percent. Unlike last year, all bases/installations saw an increase in total personnel. The largest gain was at Fort Carson which added approximately 3,800 military and civilian position in 2009. According to Pikes Peak Area Council of Governments' *Fort Carson Regional Growth Plan*, released in April 2010, an additional couple of thousand troops are possible at Fort Carson by 2013. The current employment levels on the military facilities represent approximately 19 percent of all jobs in the community, military and civilian.

Based on available data from the Chamber of Commerce and the United Way *Quality of Life Indicators* publication, the Forum estimated the economic impact of the military facilities at $5.3 billion in 2009, an increase of $800 million over 2008. The Bureau of Economic Analysis estimated the Colorado Springs Metropolitan Statistical Area's Gross Metropolitan Product (GMP) at $21.3 billion in 2009, a decrease of $2.7 billion from 2008. Allowing for up to $2 billion in GMP for Teller County, the military installations were responsible for approximately 27.5 percent of all economic activity in El Paso County in 2009. The military provided significant economic stability to the area in 2009. The recession in the region would have been much more serious without the military.

Tourism and Lodging

WHY IS THIS IMPORTANT?

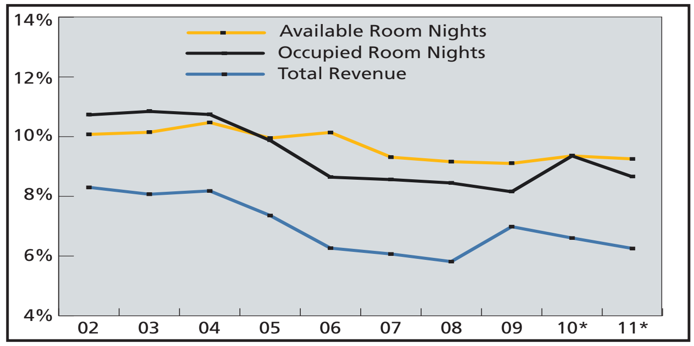
Hotel market share, relative to Colorado totals, are general indicators of the health of local tourism. Changes in these can signal changes in the popularity of Colorado Springs as a tourism destination compared to the rest of Colorado. The lodgers and auto rental tax is an additional tourism indicator.

HOW ARE WE DOING?

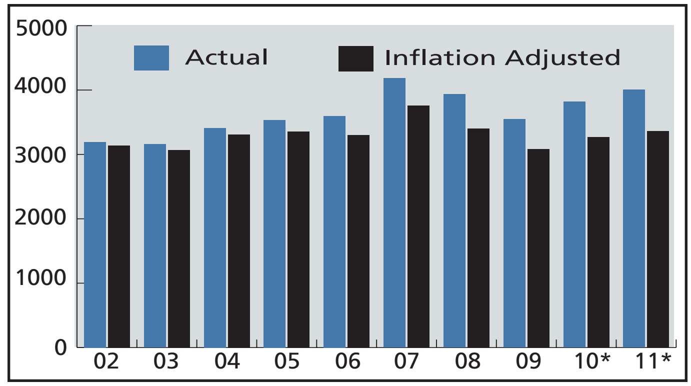
Each year, about 6 million people visit the Pikes Peak area. These visitors generate over $1 billion in travel-related revenue. The area's market share of statewide occupied room nights, revenues and available room nights increased the first time since 2003-2004. Colorado Springs captured 9.8 percent of occupied room nights in 2009 compared to 8.6 percent in 2008. The share of statewide room rents was 7.1 percent in 2009 compared to 6.0 percent in 2008. Through June 2010, occupied room nights increased by 30,910 (6.4%) compared to June 2009. During the same period, occupancies and revenues increased in Denver 5.8 and 17.1 percent, respectively. Occupancies and revenues varied in the balance of Colorado (-1.7% and 7.0%, respectively).

Problems in the local hotel industry persist but are not as bad as in Denver or the rest of Colorado. Room revenues in 2009 decreased 1.6 percent compared to -17.8 percent in Denver and -10.6 percent in the balance of Colorado. Projections of growth in 2010 are also better in the Springs (6.5%) than in Denver (5.3%) or the balance of Colorado (4.0%). While lodging and auto rental tax in Colorado Springs declined 8 percent in 2009, it is expected to increase 8 percent in 2010 and 5 percent in 2011 to $4 million. Over time, if Colorado Springs does not re-invigorate its brand as a tourism destination, its market share and tax base are not expected to grow.

Colorado Springs Hotel Market Share as a Percent of Colorado Totals



Lodgers and Rental Car Tax Collections ($000s)



* SCEF forecast
Source: Rocky Mountain Lodging Report; City of Colorado Springs Finance Department, Sales Tax Division

WHY IS THIS IMPORTANT?

Air service contributes to the quality of life and the economic prosperity of southern Colorado. Air service has a profound impact on the local economy, particularly air-dependent industries. Companies need convenient service to maximize productivity and minimize travel time. Company location and expansion decisions are influenced by air service. Travel and tourism are heavily dependent on quality air service.

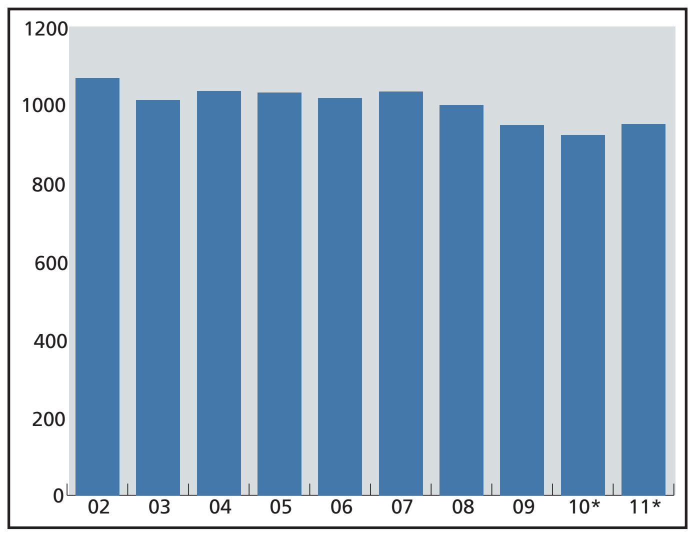
HOW ARE WE DOING?

Enplanement activity at the Colorado Springs Airport was 947,936 in 2009, a 5.1 percent decline from the 998,347 in 2008. The decrease was projected by the Forum.

Through June 2010, enplanement activity was down 9.8 percent compared to June 2009. The prolonged recession, reduced business class travel, fewer flights and struggling income levels of the region's residents contributed to the decline.

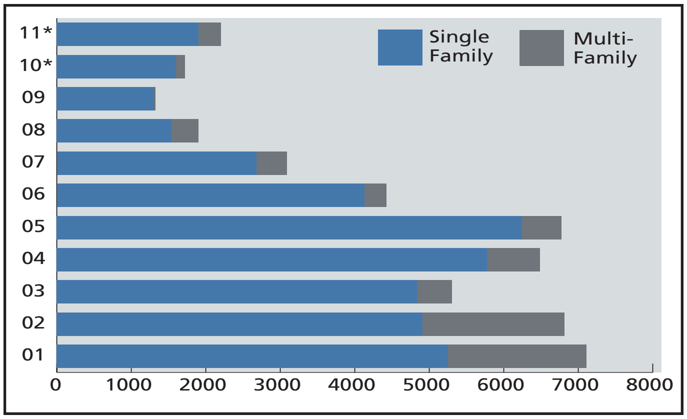
Enplanement activity for the balance of 2010 is not promising. Major carriers continue to redefine their hub operations in manners that have not been helpful to regional airports like Colorado Springs. U.S. Air's termination of service between Colorado Springs and Phoenix in 2010 is a good example. Despite improvements at the national level (enplanements are up 2.2% through May 2010), the Colorado Springs airport is expected to struggle through 2010 and most of 2011. Enplanements in 2010 are expected to be down 6 percent in 2010 and up 3 percent in 2011. The airport is expected to see its best growth opportunities in 2012 when the local economy is expected to show significant improvement in income, employment, economic base and a fully staffed Fort Carson.

Colorado Springs Airport Enplanements (000s)

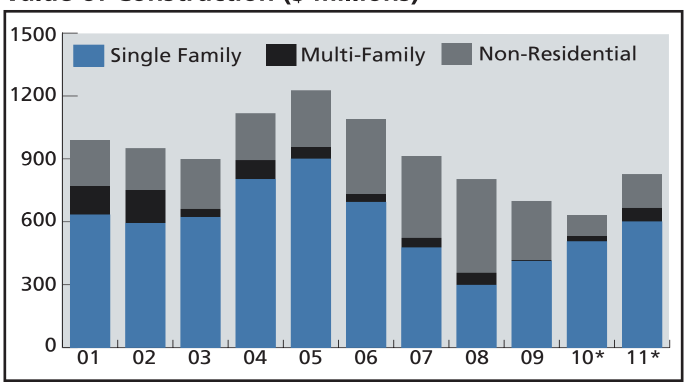


* SCEF forecast
Source: Colorado Springs Airport

Residential Building Permits (Dwelling Units)



Value of Construction ($ millions)



* SCEF forecast
Source: Pikes Peak Regional Building

WHY IS THIS IMPORTANT?

Growing communities like Colorado Springs continually add to the housing stock in order to meet the needs of new residents. With a desirable location, Colorado Springs and El Paso County will continue to grow. Adequate and affordable housing must be available to accommodate the growth.

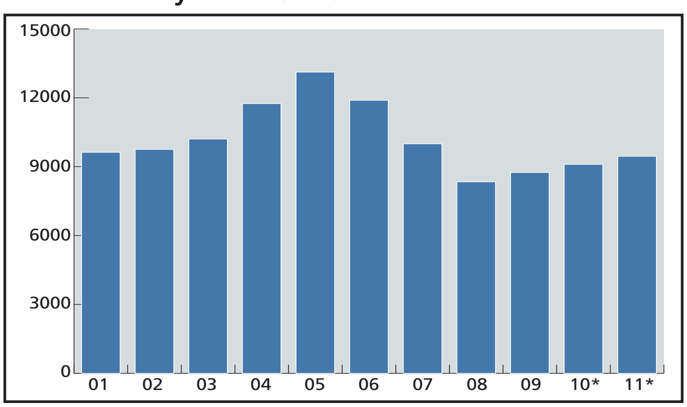
HOW ARE WE DOING?

Capital market and sub prime mortgages continued to wreak havoc on residential construction in 2009 and into 2010.

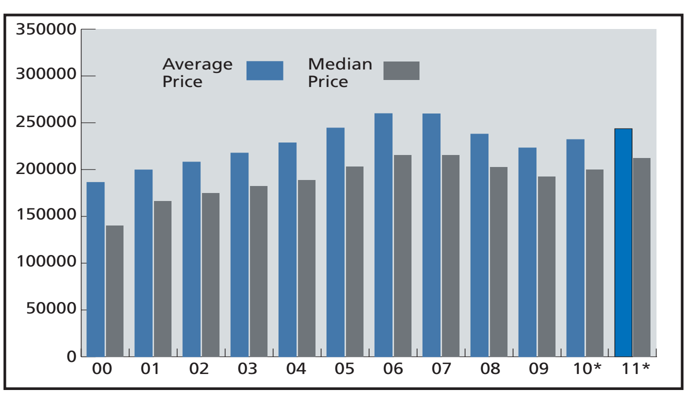
There were 1,306 single family permits in 2009. This is 238 below the 1,544 permits in 2008. Troop arrivals, tax incentives and normal population growth have contributed to a slow, but defined recovery in new residential construction that began in the spring of 2009. The Forum projects there will be 1,600 single family permits in 2010 and 1,900 permits in 2011. There were permits for 20 multi-family units in 2009 compared to 362 in 2008. Low multi-family vacancy rates are expected to increase multi-family permits to 120 units in 2010 and 300 units in 2011.

Non-residential construction totaled $282 million in 2009, a decline of $83.9 million from $365.9 million in 2008. Most of the non-residential construction projects started in 2007 and 2008 are finished. The recent recession is spilling over to commercial property and is contributing to rising commercial vacancy rates and foreclosures. This sector traditionally lags economic activity around a recession. The value of non-residential permits is expected to be $100 million in 2010 and $160 million in 2011. Single family permit value is expected to be $506 million in 2010 and $601 million in 2011.

El Paso County Home Sales



Mean and Median Prices of Homes



* SCEF forecast
Source: Pikes Peak Association of Realtors

WHY IS THIS IMPORTANT?

Home sales are an indicator of vitality in the local real estate market. An unusual drop in annual home sales could indicate a problem in one or more economic sectors.

Home value is an indicator of the community's wealth. Home owners want to see an increase in the value of one of the largest assets in an individual's portfolio. Home valuation forms the basis of local residential property taxes. Property taxes, in turn, are used to support public schools in the area.

HOW ARE WE DOING?

Housing sales fell sharply after June 2006 and continued through the 2008-2009 winter. MLS transactions began to improve by late 2008. There were 8,746 sales in the Pikes Peak Region in 2009, up 4.9 percent from 2008. Housing sales are expected to increase about 4 percent in 2010 to 9,100. A recovering economy and the Fort Carson effect are expected to increase sales to 9,450 in 2011.

The average home price in the region stood at $237,318 in June 2010, an increase of 5.3 percent above June 2009. The June median price was also 5.3 percent higher than a year ago, $205,000 vs $194,700 in June 2009. Volume and prices have been helped by home buyer tax credit programs. A short-term reduction in sales volume is expected as the market adjusts to the post tax credit programs. The anticipated pull-back from the tax credit expiration is not expected to be as negative for several reasons. The local economy is realizing employment and income gains, delinquency rates and foreclosures are declining, and the first time home-buyer program does not expire until June 30, 2011 for military who were deployed for 90+ days from December 31, 2008 to May 1, 2010.

Foreclosures and Utilities

WHY IS THIS IMPORTANT?

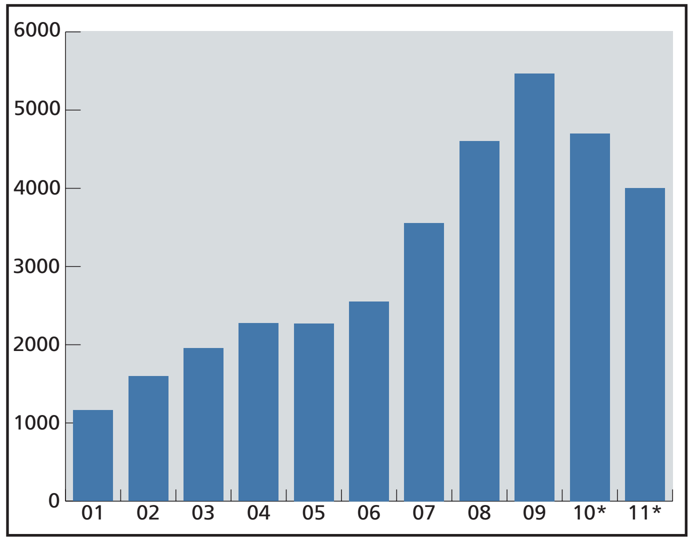
The downside of the housing market is when a foreclosure occurs. Foreclosures are normally used by economists as a lagging indicator, since they tend to peak just about the time an economic recovery occurs.

HOW ARE WE DOING?

There were 5,470 foreclosures in 2009, up 18.9 percent from the 4,597 foreclosures in 2008. It appears the number of foreclosures peaked in 2009. Through July 2010, foreclosures were 2,773 compared to 3,209 foreclosures in the first seven months of 2009. At the current rate, the Forum expects there will be 4,700 foreclosures in 2010.

An ongoing contributing factor to the foreclosure problem has been the number of low documentation or no documentation mortgage loans. According to data from the Federal Reserve Bank of New York, El Paso County has been at the front end of reducing these problem loans. Low mortgage rates (4.25% on a 30 year conventional mortgage as of August 2010) have continued to support a re-finance boom in 2010. The rate of mortgage transitions to delinquency has decreased substantially in the last year. Nationally, the rate declined from 3 percent to 1.7 percent over the last 12 months. In El Paso County, the rate declined by -0.5 percent, tied for the lowest rate with Denver and Larimer among all Front Range counties. Delinquencies in bank cards and automobile loans are doing better in El Paso County than the nation and most counties in Colorado. Increases in jobs and average wages are also helping to reduce foreclosure concerns in El Paso County. The Forum expects foreclosures will decline to 4,000 in 2011.

Foreclosures in El Paso County



* SCEF forecast
Source: El Paso County Public Trustee

WHY IS THIS IMPORTANT?

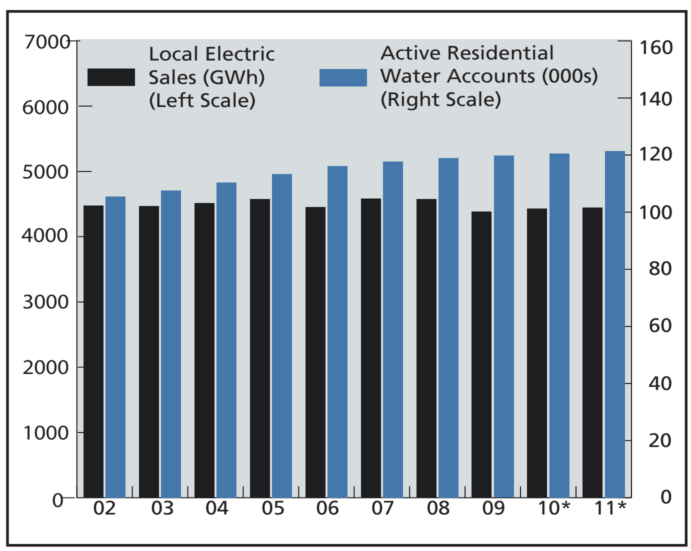
Local electric sales and residential water accounts are good indicators of growth and economic activity. Active residential water accounts correlate with residential construction and housing market activity. Changes in electric sales on system capture both residential and commercial activity.

HOW ARE WE DOING?

From 1993 to 2000, the number of active residential water accounts increased at an average annual rate of 3.1 percent. This covered a period of rapid economic expansion in Colorado Springs and El Paso County. Between 2000 and 2006, growth in water accounts slowed to 2.6 percent per year. Water account growth from 2006 to 2009 grew a modest 1.0 percent a year. Projections for 2010 and 2011 put water account growth at 0.7 percent growth per year, the same as the growth from 2008 to 2009. This reflects the slow growth pattern in El Paso County and, a declining share of the new residential units for the City of Colorado Springs.

Electric sales grew at an average annual rate of 4.2 percent from 1993 through 2000. Growth slowed materially to 0.8 percent from 2001 through 2006. Electric sales decreased by 0.5 percent a year from 2006 to 2009. Electric sales in 2009 were down 4.2 percent compared to 2008. The decline in electric sales reflects the weak economy and the loss of sales to the closed Intel plant. Electric sales are projected to grow 1 percent in 2010 and 0.3 percent in 2011.

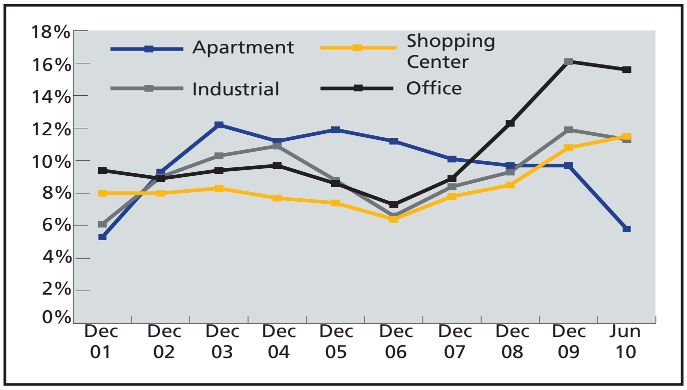
Total Local Electric Sales on System (GWh)
Active Residential Water Accounts (000s)



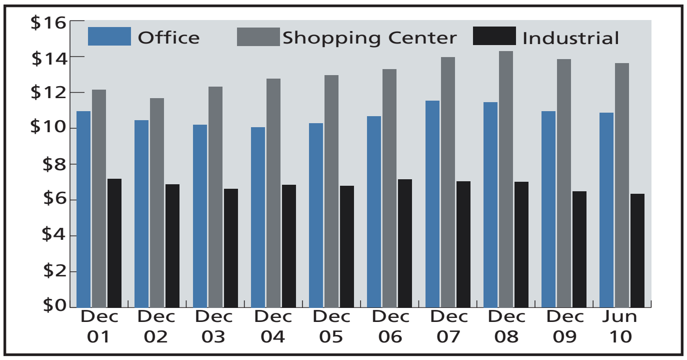
*City Utilities forecast
Source: Colorado Springs Utilities

Commercial Property and Retail

Average Vacancy Rates for Apartment, Office, Shopping Center and Industrial Space



Average Asking Rents For Office, Shopping Center and Industrial Space



Source: Turner Commercial Research: Commercial Availability Report; Colorado Department of Local Affairs, Division of Housing

WHY IS THIS IMPORTANT?

Vacancy rates are a key indicator of economic activity. Declining vacancy rates put upward pressure on lease rates. Low vacancy rates reduce location choices for businesses. The availability of adequate and affordable commercial space allows existing companies to expand and helps attract new companies to the area.

HOW ARE WE DOING?

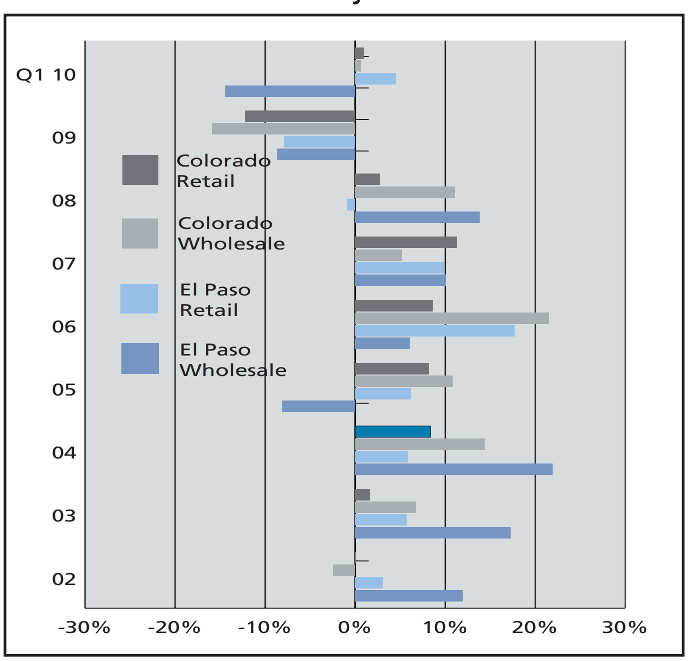
The Forum expected a decline in multi-family vacancy rates in late 2009 and into 2010. The declines are attributed to a growing population and an increase in the number of troops at Fort Carson. Apartment vacancies are likely to decline a little more in 2010 before additional multi-family permits are taken out to meet the demand for this housing.

Vacancy rates for commercial, industrial and shopping centers fell victim to the recession. All are higher than in 2008.

Vacancy Rates and (Rents, NNN)		
Property type	December 2009	June 2010
Metro Office	16.1% ($10.94)	15.6% ($10.86)
Industrial	11.8% ($6.49)	11.3% ($6.33)
Shopping	10.8% ($13.85)	11.5% ($13.64)
Apartments	9.7% ($711.66)	5.8% ($719.22)

Rents declined between December 2008 and December 2009. Real declines in rent were: office (-8.1%), industrial (-10.6%), shopping (-3.9%) and apartments (-1.4%). Additional declines in real rent are expected through 2010 with the exception of apartments due to their low vacancy rates.

Growth in Retail and Wholesale Sales in Colorado and El Paso County



Source: Colorado Department of Revenue, Office of Tax Analysis

WHY IS THIS IMPORTANT?

Consumer spending is estimated to generate two-thirds of the total economy. Thus, growth in retail and wholesale sales are an important indicator of the strength of the local economy.

HOW ARE WE DOING?

Retail sales in El Paso County decreased 7.8 percent to $12.6 billion in 2009 after declining 0.9 percent in 2008 to $13.7 billion. The county's 7.8 percent decline in retail sales was significantly better than the 12.2 percent decline in Colorado in 2009. Preliminary first quarter 2010 El Paso County retail sales were $2.9 billion, or 4.5 percent higher than the first quarter of 2009. Colorado retail sales were up 0.9 percent for the first quarter of 2010. A deep recession, declining consumer sentiment, weak tourism expenditures and rising unemployment rates contributed to the poor performance in retail volume.

Wholesale sales, which tend to be more volatile than retail sales, decreased 8.6 percent in El Paso County in 2009. Colorado wholesale sales shrank 15.9 percent in 2009. First quarter 2010 wholesale volume for El Paso County shrank by 14.4 percent below the first quarter in 2009 while first quarter wholesale sales were up 0.7 percent in Colorado.

Retail sales are expected to be 6-8 percent higher in 2010. Wholesale sales are expected to be 2-3 percent higher in 2010 than in 2009. Retail sales growth in El Paso County is expected to be 5-8 percent in 2011. Wholesale sales growth is expected to be 10 percent in 2011.

Retail Trade and Sales Tax

WHY IS THIS IMPORTANT?

Colorado Springs is a major retail trade hub in southern Colorado. Sales in the retail trade sectors provide information about consumer buying behavior and are good indicators of the health of this important part of the economy.

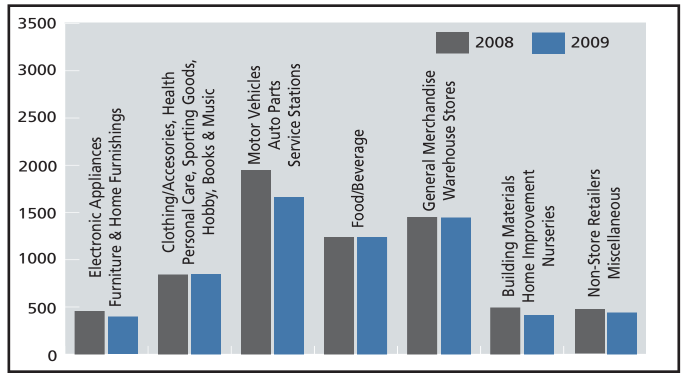
HOW ARE WE DOING?

Retail trade in 2009 was $6.45 billion or 51.3 percent of the total retail sales in the county. Retail trade declined by 6.7 percent below the $6.91 billion in 2008. Every retail trade category declined except for clothing (up 0.3%) and food/beverage (up 0.1%). Declines in the remaining sectors were: building (-15.9%) motor vehicles (-14.8%), electronics (-10.1%), non-store retailer (-6.2%) and general merchandise (-0.5%).

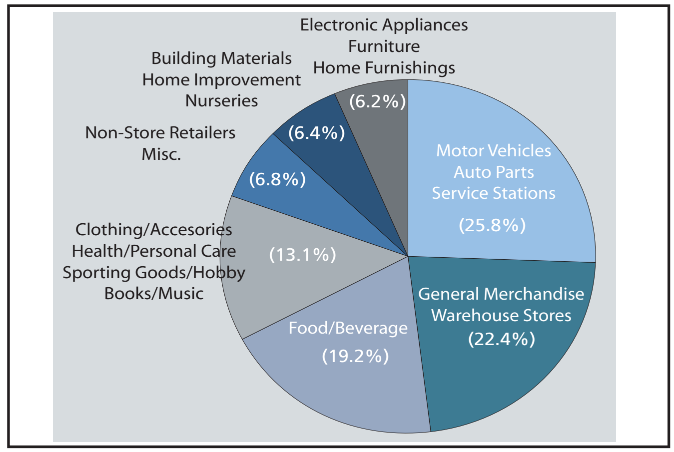
Since 2002, when the Forum began tracking retail trade in this manner, significant shifts in share of retail trade have been observed. Declines have taken place in electronics (-4.9%), motor vehicles (-14.9%), building materials (-19.2%) and non-store retailers (-20.5%). Except for non-store retailers, all of these are "big ticket," durable good items and are subject to sales tax. Increases in relative shares of retail trade took place in food (21.9%), general merchandise (17.8%) and clothing (10.6%). Some of these smaller ticket items are exempt from sales tax. The ongoing shift in the retail sales tax portfolio in the county is expected to contribute to future sales tax revenue volatility and TABOR mandated ratchet down effects for local governments with a high dependency on sales tax revenues to fund a large portion of their budgets.

Through the first quarter of 2010, retail trade was up approximately 7.5 percent compared to 2009. For the year, retail trade sales are expected to be 7 percent higher than in 2009.

El Paso County Retail Trade ($ millions)



El Paso County Retail Trade First Quarter 2010



Source: Colorado Department of Revenue

WHY ARE THESE IMPORTANT?

City sales and use tax revenue is used for municipal operations by the City of Colorado Springs for such purposes as law enforcement, fire protection, street repair and park maintenance. It is critical that these revenues increase along with community growth and needs, in order for the city to provide necessary services.

HOW ARE WE DOING?

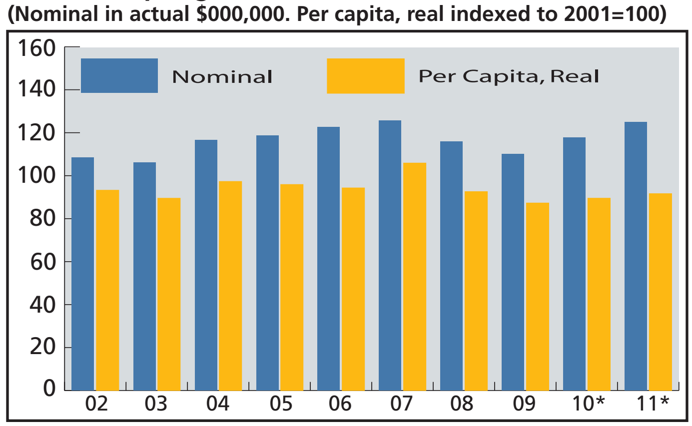
City sales and use tax collections were $108.0 million in 2009. This is $8.0 million lower (6.9%) than in 2008. Through June of 2010, combined sales and use tax collections were up about 5.8 percent compared to June 2009. A 7.0 percent increase is projected for 2010. A 6 percent increase is projected for 2011.

Sales tax revenues through June 2010 for Colorado Springs reflect an improving economy. All revenue categories are above their 2009 figures. Significant gains were seen in: sales to business (16.8%), auto dealers (12.4%), utilities (9.2%), grocery stores (6.9%), clothing stores (5.5%), building materials (4.9%), miscellaneous retail (4.1%), restaurants (3.3%) and department/discount stores (3.1%). Auto repair/leases, furniture, appliances and electronics, and hotel/motel were up between 1.4 and 1.7 percent.

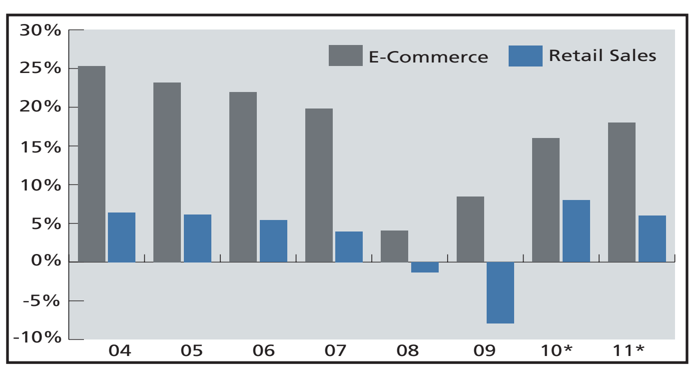
Prior to the recession e-tail grew approximately 20 to 25 percent a year. Growth rates for e-tail were cut sharply during the recession but managed to demonstrate gains in 2008 (4.1%) and 2009 (8.4%). Last year's holiday shopping survey indicated 61% of local residents do shop on the internet. Concerted efforts to capitalize on the internet are needed to stabilize the local retail economy and its jobs.

Colorado Springs Sales and Use Tax Collections

(Nominal in actual $000,000. Per capita, real indexed to 2001=100)



E-Commerce vs. Retail Sales Growth in the U.S.

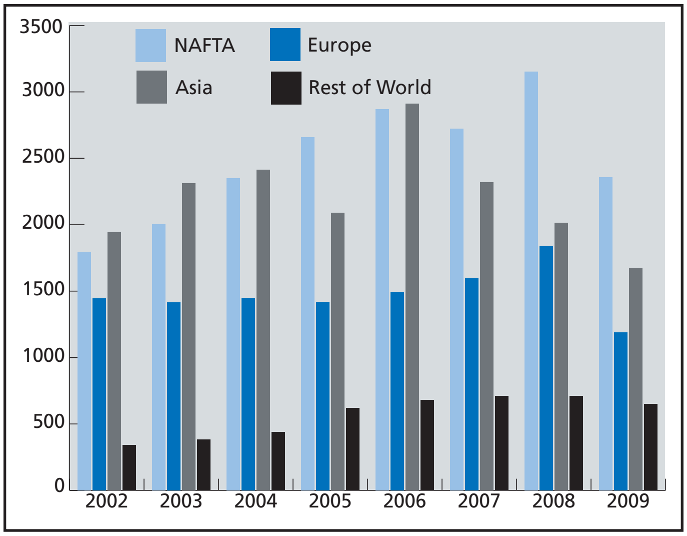


* SCEF forecast

Sources: City of Colorado Springs Finance Department, Sales Tax Division: U.S. Department of Commerce

Exports and Education

Colorado Exports to Selected Destinations ($ millions)



Source: Office of Trade and Economic Analysis, International Trade Administration

WHY IS THIS IMPORTANT?

One indicator of the state's competitiveness in a global economy is the ability to export goods and services. A higher level of export activity translates into more jobs in the state and more income and wealth. Colorado and Colorado Springs must continue to grow exports of goods and services in order to compete in a global economy. The International Trade Administration reports exports at the state level.

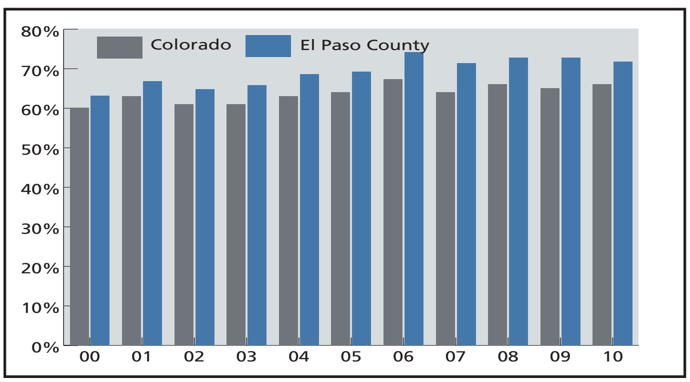
HOW ARE WE DOING?

The global recession and a 7.4 percent increase in the trade-weighted value of the dollar led to a $1.8 billion (26.2%) decrease in exports by Colorado in 2009. Exports to Canada and Mexico decreased $797 million (-25.3%). Exports to Asia decreased by $648 million (-16.9%). Exports decreased to Europe by $341 million (-35.3%) Rest of the world exports decreased $59 million (-8.4%).

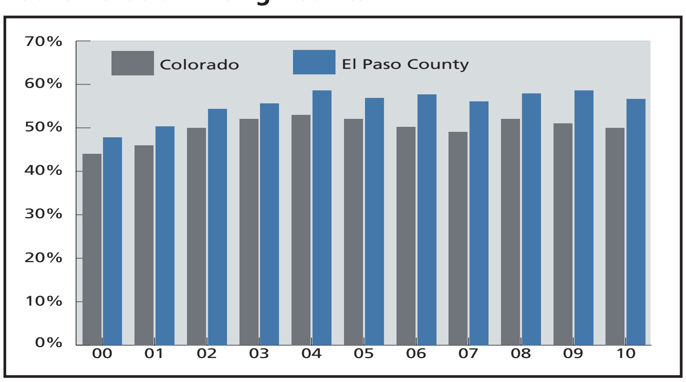
Twenty-five of 32 export categories experienced declines in 2009. The most important decline was in computer related products, down $1.1 billion (-41.3%). Significant declines in exports also took place among minerals and ores (-$257 million or -73.5%), food products (-$220 million or -22.7%) and machinery (-$182 million or 23.6%). Oil and gas exports realized the only significant gain in exports ($121 million or 72.6%).

Exports are expected to be weak in 2010 until the global economy rebounds, especially demand for value added electronics, energy, food products and minerals and ores. Basic material exports have the best chance of seeing increases in 2010.

Colorado Student Assessment Program Fourth Grade Reading Results



Colorado Student Assessment Program Fourth Grade Writing Results



Source: Colorado Department of Education

WHY IS THIS IMPORTANT?

Beginning in 1995, Colorado adopted content standards in the areas of reading, writing, mathematics, science, social studies, foreign languages, visual arts, physical education and music. Content standards define what students should know and be able to do at various levels in the schooling process. The Colorado Student Assessment Program (CSAP) is administered to give parents, the public and educators a uniform source of information on how proficient Colorado students are at meeting the standards. These scores provide a benchmark for assessing the educational progress of Colorado students.

HOW ARE WE DOING?

CSAP is designed to measure how close students are to the targets of what they should know and be able to do by the time they reach a given grade, giving a performance-level score for each student. This year, 71.8 percent of El Paso County fourth graders were proficient or advanced in reading. This is a drop of one point from last year's proportion of 72.8 percent. The El Paso County proficiency rate is noticeably higher than the statewide score of 66.0 percent. Five El Paso County school districts achieved reading proficiency rates above 80 percent while 6 districts were below the Colorado average. Reading scores in El Paso County have improved 13 points (22%) since the first CSAP, fourth grade reading exam in 1997 vs. an 11 point improvement in reading scores for Colorado since 1997.

This year, 56.6 percent of El Paso County fourth graders were proficient or advanced in writing. This is 6.6 points higher than the statewide proficient or advanced proportion of 50% in 2010. Writing scores in El Paso County have improved 16.8 points compared to a 14 point improvement in Colorado since CSAP's first fourth grade writing exam in 1997.

WHY IS THIS IMPORTANT?

An educated work force is essential for an economy to be competitive in world markets. Completion of high school is the minimal requirement to obtain needed skills in the 21st century. High school graduation and dropout rates are indicators of possible future societal costs from underemployment or unemployment and low earning potential.

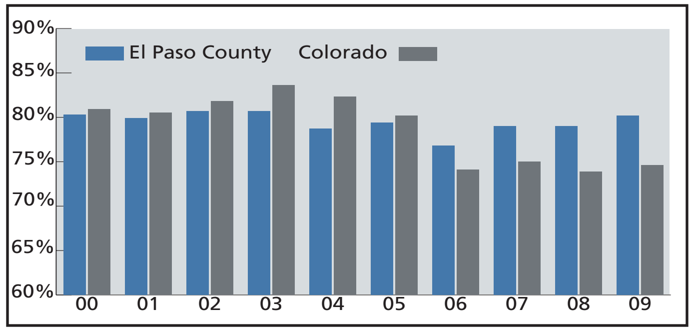
In a global economy, a multi-cultural, skilled work force is a requirement for success. Providing a quality education to all ethnic groups is important to our economic well-being. Reducing the dropout rate for all ethnic groups is one measure of success.

HOW ARE WE DOING?

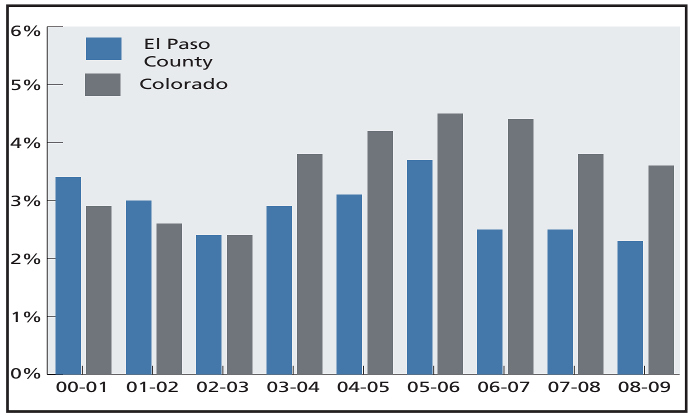
Graduation rates in El Paso County increased to 80.2 percent in 2009 from 79.0 percent in 2008. This is significantly higher than Colorado's graduation rate of 74.6 percent in 2009. Colorado Springs District 11 and Harrison Districts' graduation rates were below 70 percent. Graduation rates for the other school districts in El Paso County were higher than 80 percent. They are Peyton 23 JT (96.7), Lewis Palmer 38 (95), Cheyenne Mountain 12 (94.4), Ellicott 22 (91.7), Academy 20 (91.6), Calhan RJ-1 (90.7), Manitou springs 14 (88.7), Fountain 8 (87.6), Hanover 28 (85.7), Edison 54 JT (85.2), Widefield 3 (82.9), Falcon 49 (81.5). In general, graduation rates in El Paso County have remained close to 80 percent for the last 15 years. During the same time, graduation rates in Colorado rose slightly to the 80 percent range before dropping to the 73-74 percent range for the last 5 years.

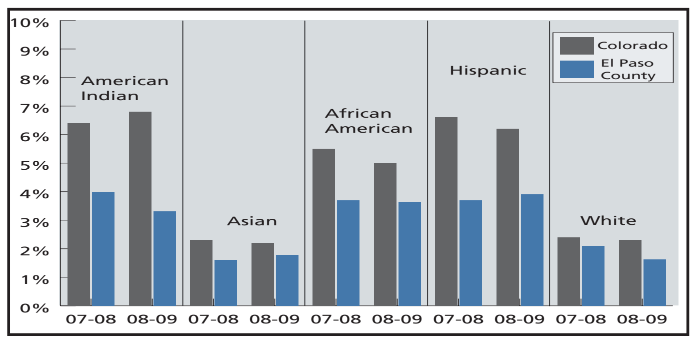
Dropout rates in El Paso County declined to 2.3 percent in 2008-2009 from 2.5 percent in 2007-08. This is significantly below the historical average of 3.2 percent. The Colorado dropout rate decreased to 3.6 percent in 2008-09 vs 3.8 percent in 2007-2008. Dropout rates in El Paso County are highest among Hispanics and American Indians/Alaskan Natives. Dropout rates are lowest among Asians and Whites.

High School Graduation Rates



Grade 7 through 12 Dropout Rates





Source: Colorado Department of Education

WHY IS THIS IMPORTANT?

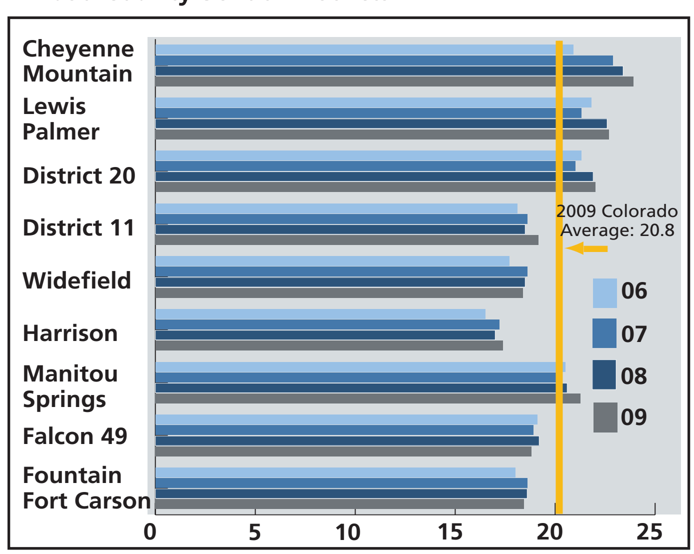
Academic performance of high school students is an important indicator of the knowledge base of the work force of the future. In our high technology economy this is especially significant. The American College Test (ACT) is a comprehensive achievement test designed to predict how well high school graduates will do in their first year of college. Colorado is one of five states that requires all high school juniors to take the ACT.

HOW ARE WE DOING

The 2009 average ACT score for Colorado juniors is 20.8, up from 20.4 in 2008. Cheyenne Mountain (23.9), District 11 (19.2), Academy District 20 (22.0), Harrison (17.4), Lewis Palmer (22.7), and Manitou Springs (21.3) saw improved ACT scores. Falcon (18.8), Fountain Fort Carson (18.4) and Widefield (18.4) saw their respective ACT scores decline. Overall, the region continued its upward trend in ACT scores.

Colorado creates a downward bias in ACT results by requiring all high school students to take the ACT. The average composite score for Colorado juniors was 20.8, the thirty-eighth lowest in the nation. Only five other states (Illinois, Kentucky, Michigan, Tennessee and Wyoming) require all students to take the ACT. An unbiased alternative test should be considered.

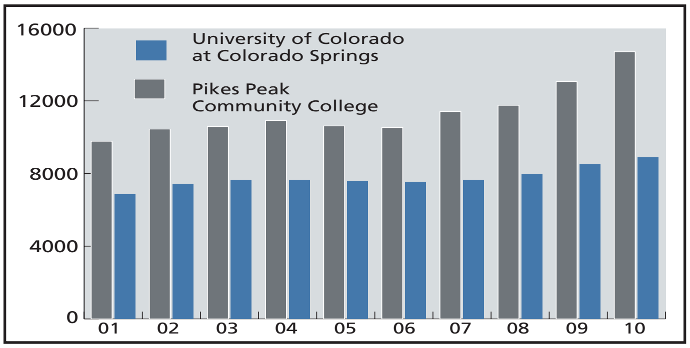
High School Junior ACT Scores in Selected El Paso County School Districts



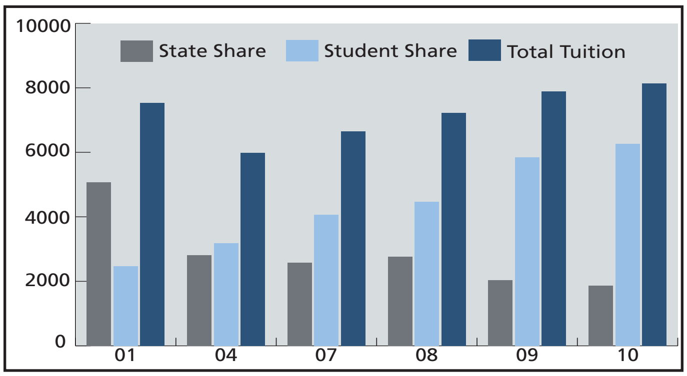
Sources: American College Testing program;
Colorado Department of Education; local school districts

Higher Education and Air Quality

Enrollments at Public Institutions of Higher Learning in El Paso County



Funding Sources at UCCS (per FTE)



Sources: Registrars' offices at Pikes Peak Community College and UCCS Institutional Research

WHY IS THIS IMPORTANT?

With a population over one-half million and a demand for skilled labor, El Paso County needs quality public higher education institutions capable of meeting community needs. A well-trained and educated work force is essential for economic growth. Higher education enrollments are an indicator of the future supply of qualified workers.

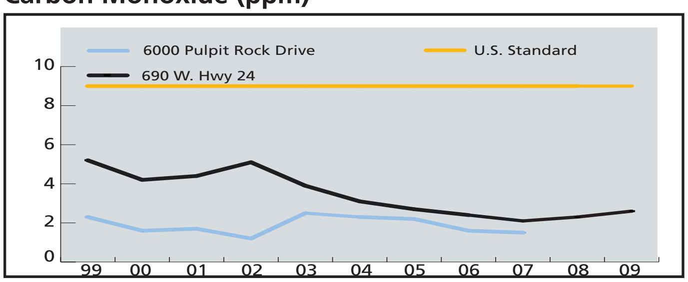
HOW ARE WE DOING?

Enrollments at UCCS increased from 8,464 in 2009 to a projected 8,892 in the fall of 2010, a 5.0 percent increase. The campus has facilities to house 900 students which reached capacity in 2008. A new science-engineering building opened fall 2009. Renovations to the existing science building will be completed for the fall 2010 semester. These improvements will give UCCS some of the best science labs in the state.

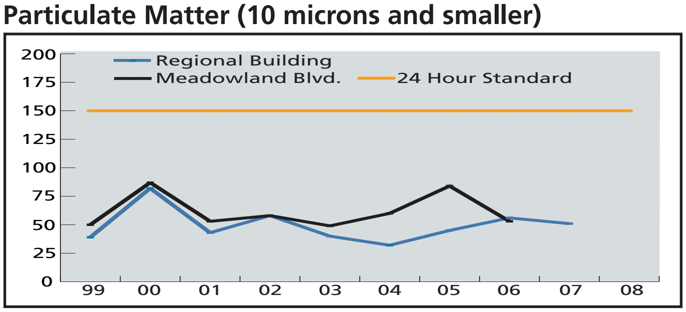
Pikes Peak Community College experienced double digit enrollment growth in 2009 (11.1%) and in 2010 (12.6%). Fall 2010 enrollments are expected to be 14,700.

Since 2001, total tuition at UCCS increased 7.9 percent. Adjusting for inflation, an education at UCCS actually decreased 7.6 percent. Since 2001, Colorado's share of an in-state student's total tuition dropped from 67.3 percent 2001 to 22.9 percent in 2010. Adjusting for inflation, per student state support at UCCS declined from $5,072 in 2001 to $1,593 in 2010. This shifted the cost of tuition to students, effectively increasing their share of total tuition in real terms from $2,466 in 2001 to $5,370 in 2010. Declines in state revenues led to a decrease in student support in higher education by 67.3 percent and increased the cost to students by 118 percent.

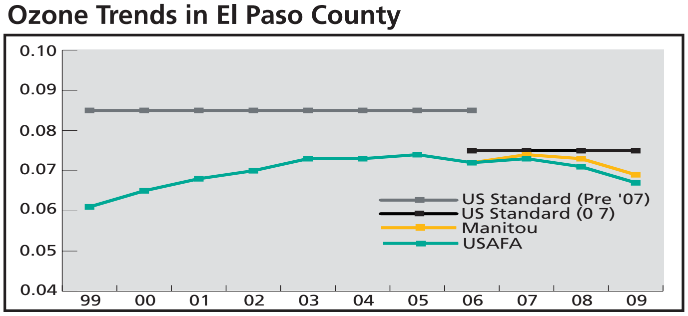
Carbon Monoxide (ppm)



Particulate Matter (10 microns and smaller)



Ozone Trends in El Paso County



Sources: Pikes Peak Area Council of Governments

WHY IS THIS IMPORTANT?

Air quality is fundamental to community health, the environment and the economy. There is growing concern over the interdependence between the health of the environment and the economy. A key selling point of our area is the quality of and opportunity to enjoy outdoor activities. Many people move to Colorado to enjoy sunny days and clean air. While there is no overall index of environmental health, carbon monoxide, particulate concentrations and ozone levels provide an indication of air quality.

HOW ARE WE DOING?.

The Pikes Peak region has remained well below the U.S. standard for carbon monoxide (CO) emissions since 1989. The Pikes Peak Area Council of Governments expects more improvement in CO emissions because of technological advancements and because older cars are being replaced by cleaner burning autos. Reduced congestion and better traffic flows help to alleviate CO emissions. CO levels continued their downward trend that began in 1990. The decline in business during the recession is also believed to have contributed to a reduction in pollution levels.

Particulate matter (PM) includes both solid particles and liquid droplets found in the air. Particles less than 10 micrometers in diameter can pose the greatest health concerns when inhaled, because they accumulate in the respiratory system. Particulate matter improved slightly in 2007 and 2008 after having increased in 2006. Ozone levels have also improved. They now register 0.067 at the Air Force Academy, 10.7 percent below the tougher 0.75 standard that was implemented in 2007.

Congestion and Crime

WHY IS THIS IMPORTANT?

As the city grows, increased traffic leads to congestion, longer travel times and more pollution. Although roadway improvements may alleviate some congestion, it may not be the total solution. Communities interested in quality of life and mobility will seek alternatives to relieve traffic congestion. These may include expanding and improving public transit, better location planning and walking and biking infrastructure.

HOW ARE WE DOING?

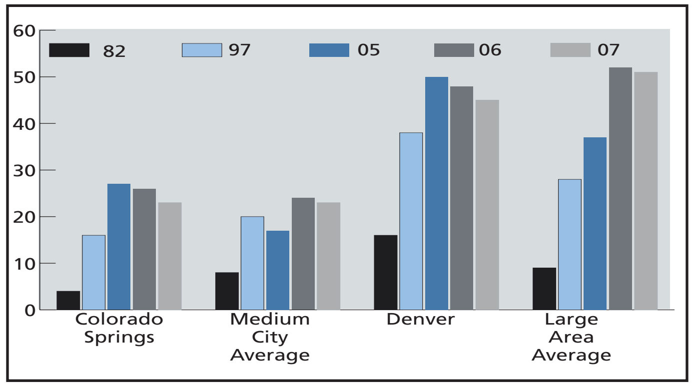
Traffic congestion continues to be an issue for the community. This information is reported by the Texas Transportation Institute. The results of the 2009 report are shown in the chart to the right.

The annual delay in Colorado Springs, per traveler, in 2007 was 23 hours, an improvement of 3 hours since 2006 and 6 hours from the worst delay of 29 hours in 2002. The latest score now matches the average for medium cities. The annual delay estimate is the extra travel time in hours spent in traffic per traveler each year during peak period travel. Peak travel periods occur between 6 to 9 a.m. and 4 to 7 p.m.

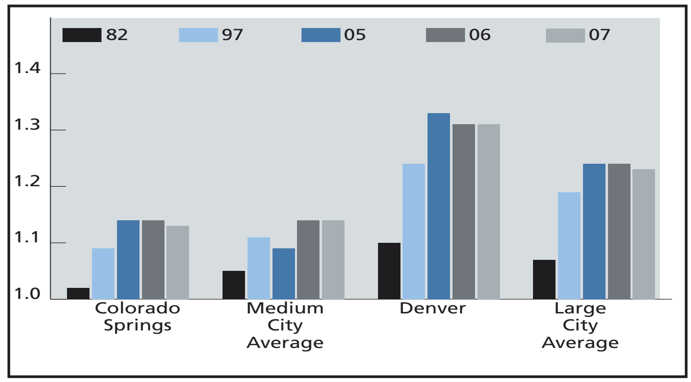
Annual delays per traveler in Denver improved to 45 hours in 2007 compared with 52 hours in 2002. The average delay for large cities decreased by 1 hour to 51 in 2007.

The travel time index is a ratio of travel time in the peak period to the travel time during free-flow conditions. The value of 1.13 for Colorado Springs in 2007 means that a 30 minute free-flow trip would take 33.9 minutes during the peak period. On average, this has improved steadily since 2002.

Annual Delay per Traveler in Hours for Peak Period Travel



Travel Time Index



Source: The Urban Mobility Report, Texas Transportation Institute, various reports

WHY IS THIS IMPORTANT?

Violent and property crimes result in the loss of life and property. Fighting crime is expensive and uses valuable community resources. Crime affects the business climate as well as individual perceptions of the quality of life in the community. Due to a departure from the concept of an index crime by the FBI, violent and property crimes are shown separately. The comparisons are with MSA's with populations between 500,000 and 999,999.

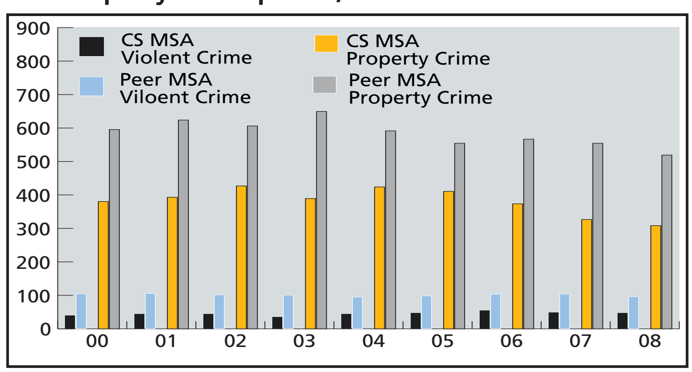
HOW ARE WE DOING?

The top graph provides information on violent and property crimes in the Colorado Springs MSA. This includes El Paso and Teller counties.

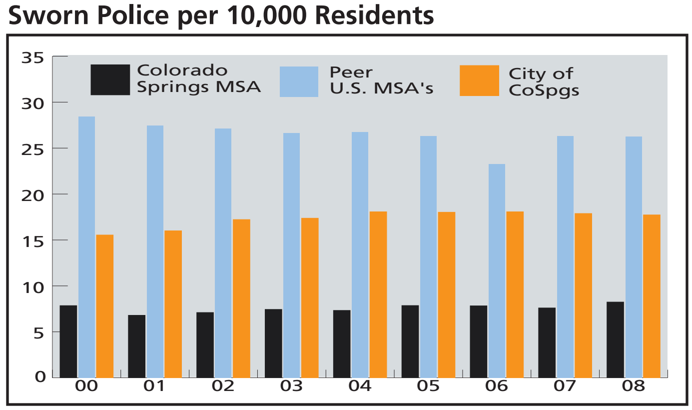
The Colorado Springs MSA enjoys significantly lower violent and property crime rates than peer MSA's in the U.S. There were 47.1 violent crimes per 10,000 people in the Colorado Springs MSA in 2008. This is 50.7 percent below the peer group. There were 308.4 property crimes per 10,000 people in the Colorado Springs MSA in 2008. This is 40.6 percent below the peer group.

The number of sworn police officers per 10,000 residents in the Colorado Springs area is well below the number of sworn police per 10,000 inhabitants among the peer group. For example, Colorado Springs MSA had 8.2 officers per 10,000 population while the peer group had 26.3 officers in 2008. The low number of sworn police officers per 10,000 residents reflects the rural nature of the MSA. The City of Colorado Springs has 17.7 sworn officers per 10,000 residents, 33 percent below the peer group. Given the current trends in the economy, the number of sworn police officers per 10,000 residents is not expected to increase in 2010 or 2011.

Colorado Springs MSA and U.S. Peer MSA's Violent and Property Crime per 10,000 Residents



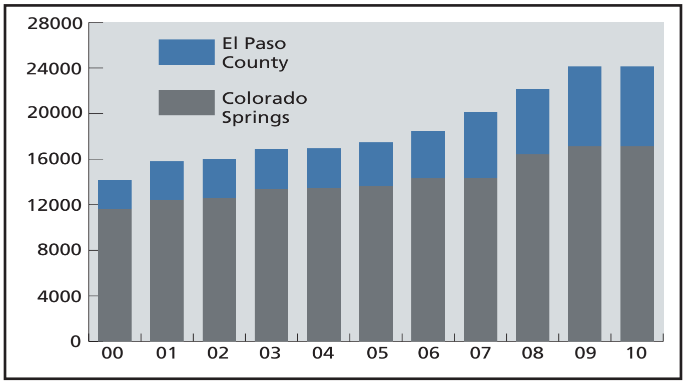
Sworn Police per 10,000 Residents



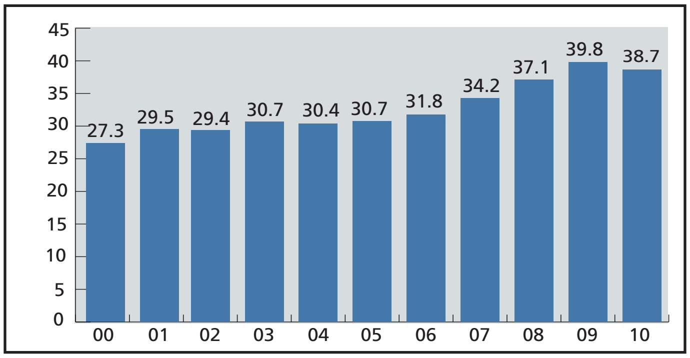
Sources: Colorado Springs Police Department; FBI

Park Acres and Birth Weight

Parks and Open Space in Colorado Springs and El Paso County (Acres)



Acres Per 1,000 Inhabitants



Sources: City of Colorado Springs and El Paso County Parks Departments

WHY IS THIS IMPORTANT?

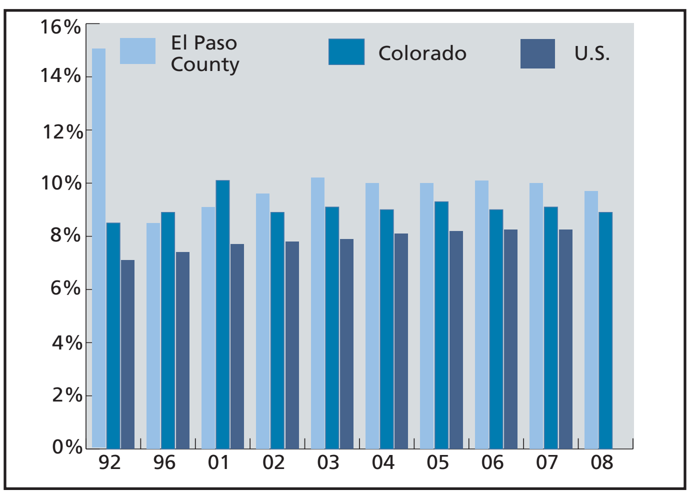
Open space, trails and park land provide important areas for recreation and leisure activity, support natural habitat and enhance the visual appeal of the region. Open spaces have a significant impact on the quality of life in the area. The beauty and attraction of the region is enhanced by parks and other open spaces available for public use.

HOW ARE WE DOING?

The Pikes Peak region is blessed with beautiful views and natural scenic areas. Together, the city and county manage 24,132 acres of open space and park land or 38.7 acres per 1,000 residents in 2009. The City of Colorado Springs has 17,132 acres of park and open space under management. El Paso County manages 7,000 acres. These facilities are important enhancements to the quality of life of residents in the Pikes Peak region. They are also an important, positive factor affecting business in the region.

Managing 24,132 acres of parks, open space and trails has become a fiscal burden to the county and city. Park and recreation budgets are being cut in both local governments. Since the 0.1 percent Trails, Open Space and Parks sales tax (TOPS) was passed and implemented in 1998, the City of Colorado Springs has collected approximately $70 million or roughly $5.7 million per year for trail construction, park construction, and open space acquisition. At its current pace, TOPS is expected to generate approximately $5.8 million in 2010, an increase of 4.8 percent compared to 2009.

Low-Weight Birth Rate in Colorado and El Paso County (less than 2500 grams)



Source: Colorado Department of Public Health and Environment, Health Statistics and Vital Records

WHY ARE THESE IMPORTANT?

The proportion of low-weight birth children is a predictor of future costs of both health care and special education. Proper nutrition and prenatal care can reduce the incidence of low-weight births. A healthy community will help ensure that mothers of all backgrounds practice proper nutrition and have access to and are encouraged to receive prenatal care. The low-weight criterion is 2,500 grams or about 5.5 pounds.

HOW ARE WE DOING?

Colorado and El Paso County have a high proportion of low-weight births. The proportion of low-weight babies born in El Paso County is significantly lower than it was in 1992. Improvements were seen through 1995 before an upward trend began in 1996. This appears to have peaked in 2003. Since then, the proportion of low-weight birth babies declined slightly. Currently, 9.5 percent of the children born in El Paso County are low-weight babies.

The proportion of low-weight birth babies has increased steadily for the U.S. and has declined slightly for Colorado in recent years.

The global nature of the problem appears to be worsening while the El Paso County problem may have stabilized. El Paso County, Colorado and the U.S. remain well above the 5 percent target set by the U.S. Public Health Service.

City Comparisons

	Per Capita Personal Income	Percent Change in Personal Income 2001 - 2008	Per Capita Personal Income as a Percent of the U.S. Average	Household Size	Average Earnings per Job	Average Wage and Salary Disbursements
Albuquerque	35,415	33.8%	88.2%	2.4	43,695	40,059
Austin	37,362	14.1%	93.0%	2.4	48,503	47,227
Boise	35,615	21.9%	88.7%	2.4	42,368	38,045
Boulder	50,058	21.9%	124.6%	2.2	51,806	52,845
Colorado Springs	38,221	26.5%	95.2%	2.5	47,359	43,317
Denver	48,010	25.1%	119.5%	2.3	58,127	51,870
Huntsville	38,259	37.4%	95.3%	2.3	51,756	46,967
Kansas City	40,396	24.9%	100.6%	2.3	50,850	45,263
Minneapolis	47,653	27.5%	118.6%	2.2	54,758	50,630
Portland	39,942	21.9%	99.4%	2.3	49,425	45,891
Pueblo	30,564	30.3%	76.1%	2.4	38,632	35,137
Salt Lake City	38,237	33.4%	95.2%	2.5	46,173	42,195
Tucson	34,058	37.1%	84.8%	2.6	42,140	40,544
Wichita	39,207	36.0%	97.6%	2.4	47,728	40,940
Average	39,500	28.0%	98.3%	2.4	48,094	44,352

Source: Bureau of Economic Analysis, Regional Economic Accounts, 2006-2008 American Community Survey U.S. Census Bureau

WHY IS THIS IMPORTANT?

The Forum added several metropolitan statistical area (MSA) comparisons to its indicators in 2008. The MSA's included in this analysis are cities that compete directly with Colorado Springs for jobs. The table provides comparisons of per capita personal income, earnings, and wages and salaries. The figures in the table above are from the Bureau of Economic Analysis and the 2006-2008 American Community Survey, U.S. Census Bureau. All figures are for 2008, the latest available comparison data for these MSA's.

HOW ARE WE DOING?

Per capita personal income in Colorado Springs was $38,221 compared to $39,500 for the average of the MSA's. Per capita personal income in the Colorado Springs MSA was 95.2 percent of the U.S. average in 2008. Eight of the comparison MSA's have per capita personal income higher than Colorado Springs. Personal income in Colorado Springs grew 26.5 percent from 2000 to 2008 compared to a 28.0 percent average growth rate for the group. Differences in per capita income are not explained by differences in household size. Household size varies marginally from 2.2 in Minneapolis to 2.6 in Tucson.

Per capita income is largely determined by jobs and the earnings in these jobs. Two measures of earnings are provided in the table. The wage and salary disbursements in the table are the monetary remuneration made to employees including corporate officer salaries, bonuses, commissions and other incentive payments. Average earnings per job is a broader measure that uses total aggregate earnings in the city divided by full- and part-time employment. In addition to wage and salary disbursements, this figure also includes other labor income and proprietors' income. Wage and salary disbursements averaged $44,352 for all of the MSA's in the table. Wage and salary disbursements in Colorado Springs averaged $43,317 ranking it 8th out of the 14 MSA's. Average earnings per job for the MSA's was $48,094 in 2008. Colorado Springs average earnings per job were $47,359 in 2008 ranking the area 9th out of the 14 MSA's. The average earnings per job is $735 lower in Colorado Springs compared to the group average. Per capita income is largely determined by the earnings of people at their job. Higher earnings translate into higher per capita income in these communities.

City Comparisons

WHY IS THIS IMPORTANT

NAI Global Commercial Real Estate Services, Worldwide maintains a readily accessible database of comparative information on commercial real estate market conditions in many MSA's around the country. This information can be used to benchmark a region's commercial real estate market against cities that compete directly with the region for jobs and business.

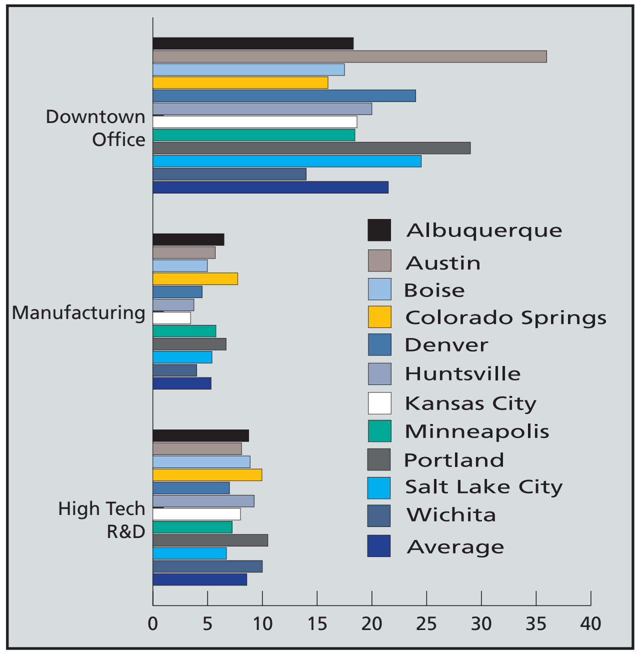
HOW ARE WE DOING?

NAI Global reported that downtown class A asking rents for this group of cities averaged $21.49 per sq. ft. NNN in October 2009. Rents in the Colorado Springs downtown area ($15.99 per sq. ft.) compare favorably to downtown rents in these other cities. Wichita ($14.00 per sq. ft.) is the only city with lower reported rents in the downtown class A space. Rents fell in most cities compared to last year with the exception of Kansas City, Minneapolis, Portland and Salt Lake City. These cities saw only a modest increase in asking rents.

Manufacturing rents in the Colorado Springs MSA were reported to be at the top of all of the comparison cities at ($7.75 per sq. ft.). The average manufacturing rent in October 2009 was $5.32 per sq. ft. for the eleven cities. Albuquerque ($6.50 per sq. ft.) and Portland ($6.69 per sq. ft.) were other cities with manufacturing rents that were significantly above the average.

High Tech/R&D space in the Colorado Springs MSA is also comparatively high at $9.96 per sq. ft. but down substantially from last year. Average High Tech/R&D for the comparable cities is $8.58 per sq. ft. Rents fell in all of the comparative cities with the exception of Minneapolis and Portland.

NAI Metro Area Commercial Rents



WHY IS THIS IMPORTANT?

NAI Global Commercial Real Estate Services, Worldwide maintains a readily accessible database of comparative information on commercial real estate market conditions in many MSA's around the country. This information can be used to benchmark a region's commercial real estate market with cities that compete directly with the region for jobs and business..

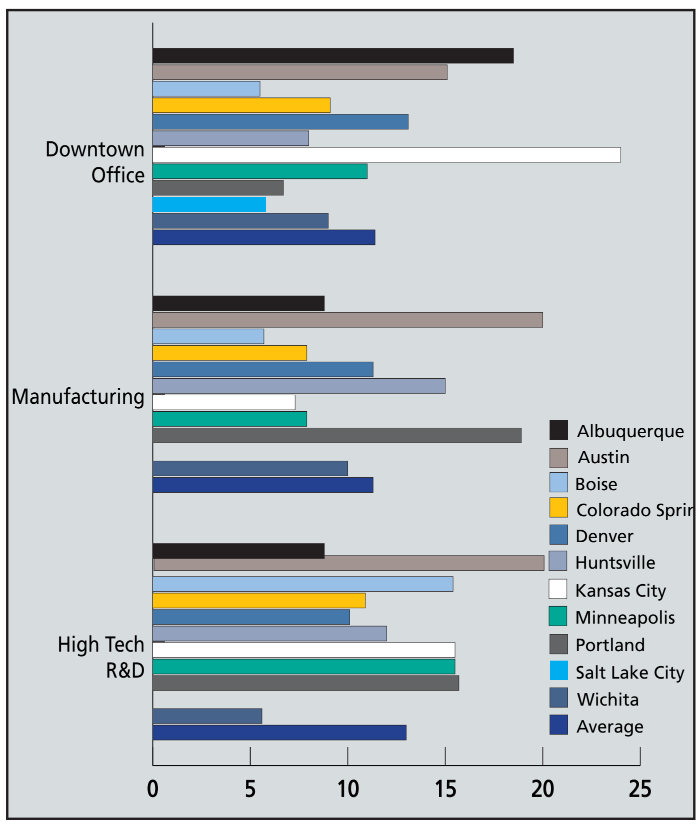
HOW ARE WE DOING?

The Downtown Class A vacancy rate for these comparable cities averaged 11.4 percent as of October 2009. The Downtown Class A vacancy rate in Colorado Springs was considerably lower at 9.1 percent. Rents varied from a high of 24 percent in Kansas City to a low of 5.5 percent in Boise. Colorado Springs benefits from the relatively low lease rates in the downtown area. Most of the comparable cities experienced a vacancy rate increase over the last year. Only Minneapolis and Portland experienced a decline in Class A vacancy rates.

In spite of the relatively high per square foot rent among the comparable cities, Colorado Springs has a relatively low manufacturing vacancy rate. The reported vacancy rate was 7.9 percent in October 2009 which was up only modestly from the prior year. With the exception of Boise, all of the comparable cities experienced an increase in manufacturing vacancy rates.

High Tech/R&D vacancy in Colorado Springs was 10.9 percent in October 2009 which is below the 13.0 percent average for these comparison cities. All of the comparison cities saw an increase in High Tech/R&D vacancy rates over the past year. Five of the comparison cities have vacancy rates above 15 percent.

NAI Metro Area Commercial Vacancy Rates



Source: NAI Global Commercial Real Estate Services, Worldwide.

UCCS & The Southern Colorado Economic Forum

The Southern Colorado Economic Forum is the research product of Tom Zwirlein and Fred Crowley, faculty members of the UCCS College of Business. As a research university, UCCS prides itself on faculty who are leaders not only in their respective fields, but also in the pursuit of new knowledge that can be applied to regional issues and concerns. The sharing of this research is a tenet of the university's mission and its promise to be closely connected with and engaged in the communities of southern Colorado.

UCCS by the facts

- Current student enrollment is approximately 8,900.
- Students come from all 50 states and 67 countries.
- The student body is 56 percent women and 44 percent men.
- 30 Bachelor's degrees, 19 Master's degrees, and 4 Ph.D. programs.
- 13 UCCS athletic programs are part of the NCAA Division II.
- More than 300 students are active military and more than 30 are U.S. Olympic athletes.
- There are six academic colleges: business, education, engineering and applied science, public affairs, letters, arts and sciences, nursing and health sciences.
- Founded in 1965 at the foot of Pikes Peak in response to community and business needs; one of three campuses of the University of Colorado System.

UCCS kudos

- Named a top Western public university by *U.S. News and World Report*; The UCCS College of Engineering and Applied Science is ranked, alongside the military service academies, as having one of the best under graduate engineering curriculums in the nation.
- Among the fastest growing college campuses in the nation.
- Named a national leader in community engagement efforts by the American Association of State Colleges and Universities.
- Accrediting agencies: North Central Association of Colleges and Schools, The Higher Learning Commission, Accreditation Board for Engineering and Technology, Commission on Collegiate Nursing Education, National Association of Schools of Public Affairs and Administration, National Council for Accreditation of Teacher Education.

UCCS College of Business and Administration and the Graduate School of Business Administration

The College of Business and Administration was established in 1965, the same year as the University of Colorado at Colorado Springs. The College awards the Bachelor of Science in Business Administration degree and a Masters of Business Administration degree. All degree programs are accredited by the Association to Advance Collegiate Schools of Business placing the College in the top 30 percent of business schools nationally. The College of Business was recently recognized by the readers of the Colorado Springs Business Journal as the Best Business School in Colorado. Dwire Hall, home to the College of Business, reopened in 2008 after undergoing a $10 million renovation. Dwire Hall provides a state-of-the-art learning environment.

Professors at the College of Business and Administration provide intense, effective teaching, focused on understanding the fundamentals of business solutions. The faculty is internationally acclaimed and doctoral-degree qualified. The classroom experience is enriched by leading-edge research, academic publishing, community involvement, and industry consultation. Students are prepared for lifelong careers in diverse fields as banking, advertising, accounting, information systems, marketing, human resource management, finance, manufacturing, golf and other sport management fields.

The UCCS College of Business and Administration is proud of its partnership with the business community. These contacts are essential in infusing current business practices into the classroom. The college connects to the community through a variety of organizations including the Small Business Development Center and the Southern Colorado Economic Forum. Find out information about extended studies , career, intern, and placement opportunities by visiting http://business.uccs.edu.

Contact: College of Business and Administration
(719) 255-3113

Proud Sponsors of the 2010-2011 Southern Colorado Economic Forum

Platinum Level
Colorado Springs Business Journal
First Business Brokers, LTD
Holland & Hart LLP
The Gazette
University of Colorado at Colorado Springs
Wells Fargo

Gold Level
Colorado Springs Utilities
Fittje Brothers Printing Company

Silver Level
ADD STAFF, Inc.
BiggsKofford Certified Public Accountants
Colorado Lending Source
Ent Federal Credit Union
Pikes Peak Workforce Center
Strategic Financial Partners
UCCS, College of Business & Administration

Sustaining and Supporting Level
Air Academy Federal Credit Union
Antlers Hilton Hotel
Aventa Credit Union
Classic Companies
Colorado Springs Chamber of Commerce
Colorado Springs Regional Economic Development Corporation
DaVinci Financial Planning, Inc.
DSoft Technology, Inc.
Executive Programs, University of Colorado
Financial Planning Association of Southern Colorado
GH Phipps Construction Companies
Hoff & Leigh
KRDO News Channel 13
La Plata Communities, Inc.
Legacy Bank
Nunn Construction, Inc.
Pikes Peak Association of REALTORS®
Salzman Real Estate Services, LTD
Security Service Federal Credit Union
TMR direct
Transit Mix Concrete Company
UMB Bank Colorado
US Bank
Vectra Bank

SOUTHERN COLORADO ECONOMIC FORUM

UCCS
UNIVERSITY OF COLORADO AT COLORADO SPRINGS

Southern Colorado Economic Forum
College of Business and Administration and
Graduate School of Business
University of Colorado at Colorado Springs

(719) 255-3241
www.SouthernColoradoEconomicForum.com

University of Colorado at Colorado Springs
1420 Austin Bluffs Parkway
Colorado Springs, CO 80918

www.uccs.edu