Economic Outlook for the Pikes Peak Region

Bill Craighead, Ph.D.

28th Annual UCCS Economic Forum

September 26, 2024

Mission Statement

The UCCS Economic Forum is a community resource for data and analysis to help citizens, businesses and civic leaders understand the economic and business conditions affecting the Pikes Peak Region and make better-informed decisions.

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Outline

1. **Prologue: Economic Discontent**
2. **Local Impact of Higher Rates**
3. **Housing Market**
4. **Bright Spots**
5. **Challenges**
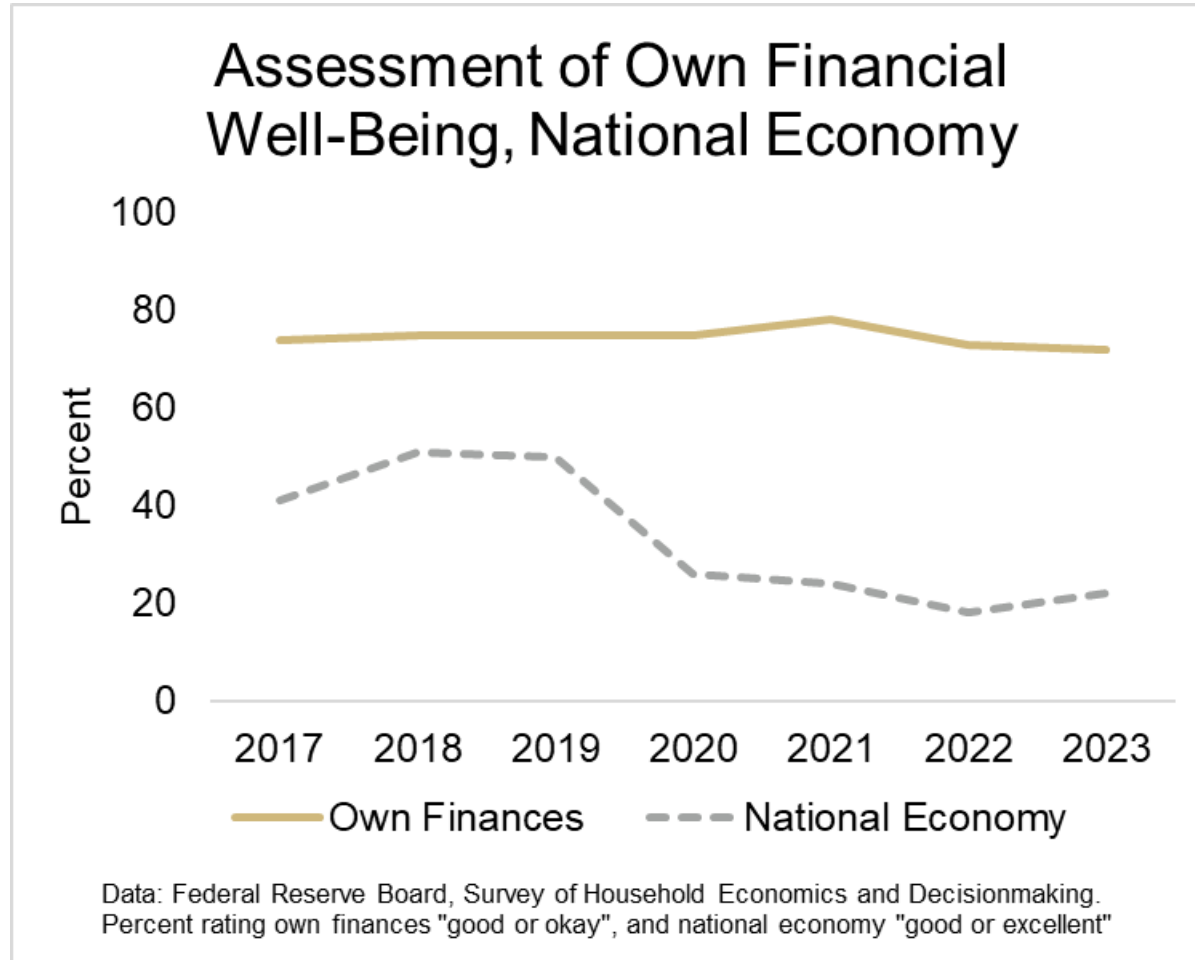6. **Macroeconomic Outlook**

Note: Slides will be available at business.uccs.edu/economic-forum

1. Prologue: Economic Discontent

"*The Dismal Science*"

(Thomas Carlyle, 1849)

Are We in a "Vibecession"?

Assessment of Own Financial Well-Being, National Economy

Data: Federal Reserve Board, Survey of Household Economics and Decisionmaking. Percent rating own finances "good or okay", and national economy "good or excellent"

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The "Misery Index"

Misery Index = Inflation Rate + Unemployment Rate

	Average, 1948-2024	Highest, June 1980
Inflation	3.5%	14.4%
Unemployment	5.7%	7.6%
Misery Index	*9.2*	*22.0*

Data: Bureau of Labor Statistics

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The "Misery Index"

Misery Index = Inflation Rate + Unemployment Rate

|	Average, 1948-2024	Highest, June 1980	August 2024
Inflation	3.5%	14.4%	2.5%
Unemployment	5.7%	7.6%	4.2%
Misery Index	*9.2*	*22.0*	*6.7*

Data: Bureau of Labor Statistics

Last Words on Inflation

Inflation is the *rate of change* of prices

- 1931: -8.9%, 1932: -10.3%
- 2021-22 price level increases will not be reversed

Inflation includes increases in the price of labor (wages)

- Consumer prices initially accelerated ahead of wages
- Since early 2023, wages increasing faster than prices

US Median Wages and Consumer Prices

Data: Bureau of Labor Statistics, Federal Reserve Bank of Atlanta
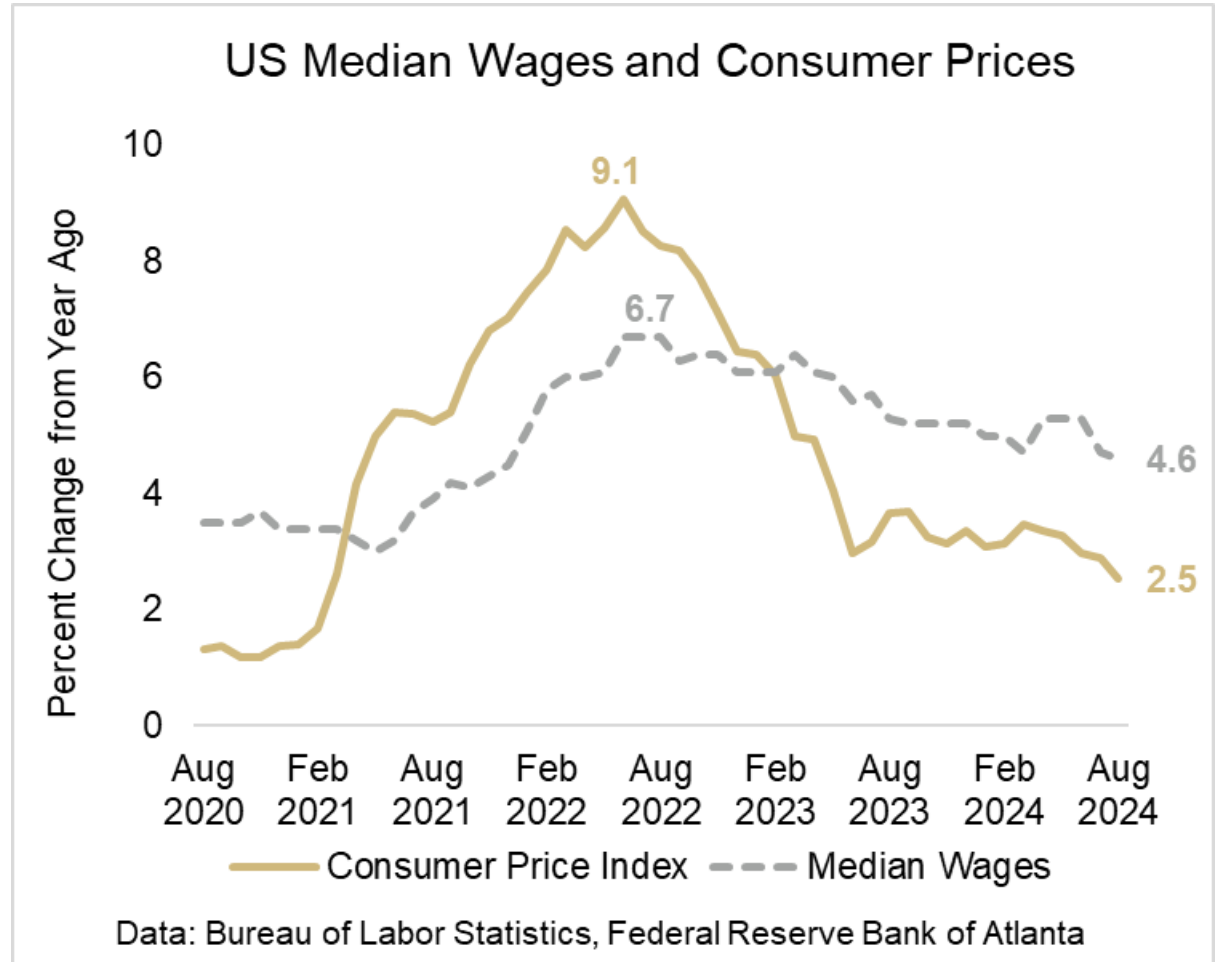
2. Local Impact of Higher Rates

Interest-Sensitive Local Economy

Pikes Peak Region* GDP (2022): $47.9bn
- 81st - largest (out of 384)
- Larger than Vermont, Jamaica

Construction Share of GDP	
Pikes Peak Region	6.8%
United States	4.2%

Data: Bureau of Economic Analysis

Real Estate Agents per 1000 Jobs	
Pikes Peak Region	4.0
United States	1.3

Data: Bureau of Labor Statistics

* "Pikes Peak Region" = Colorado Springs Metropolitan
Statistical Area (El Paso + Teller Counties)

The Chill of High Mortgage Rates
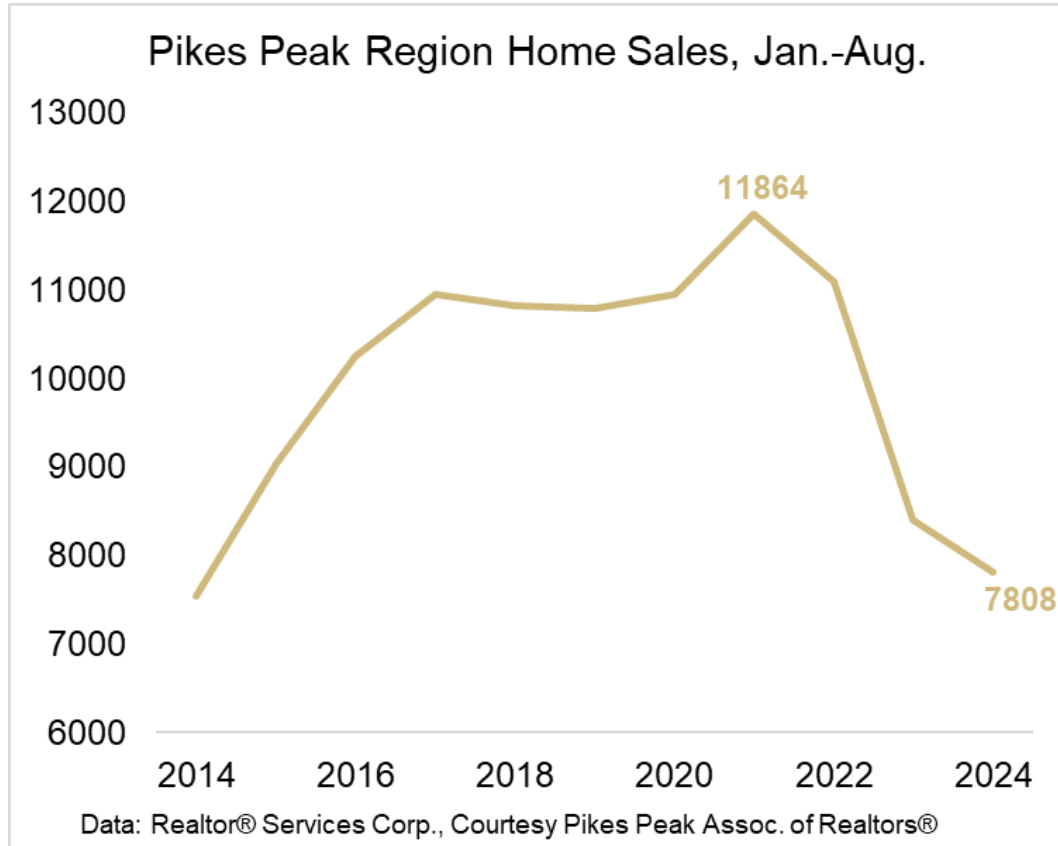

Mortgage Rates: Outstanding vs. New
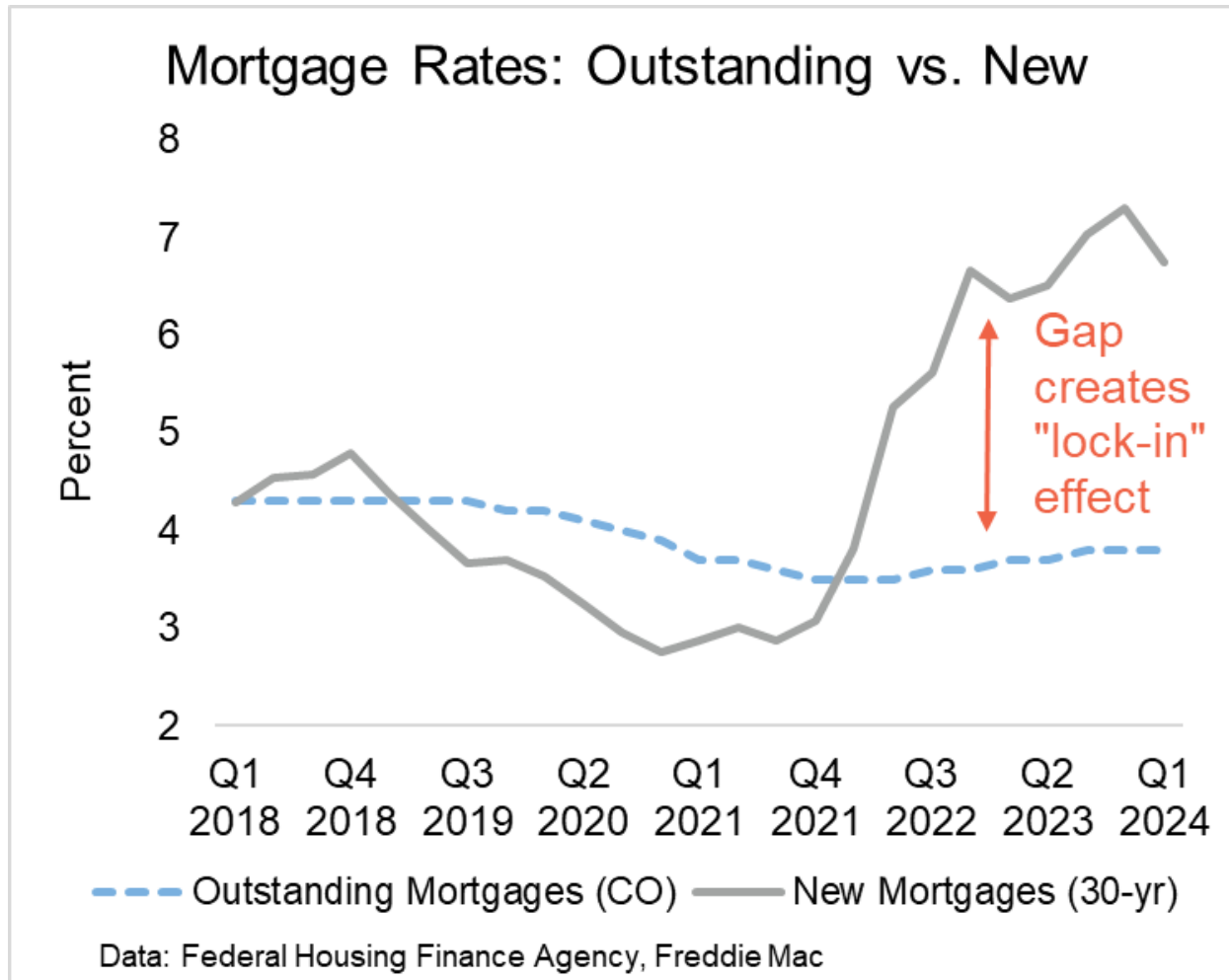
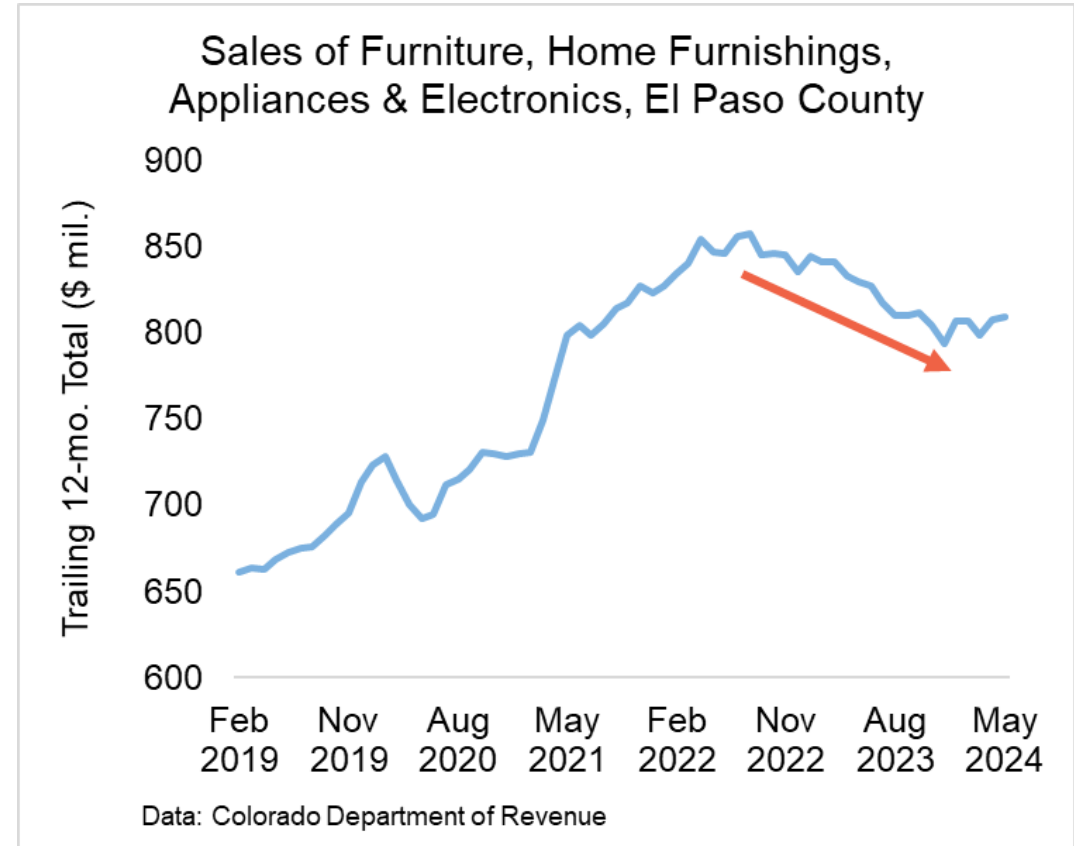Higher mortgage rates deter buyers

Higher rates, immediately after a period of very low rates, deter sellers (the "lock in" effect)
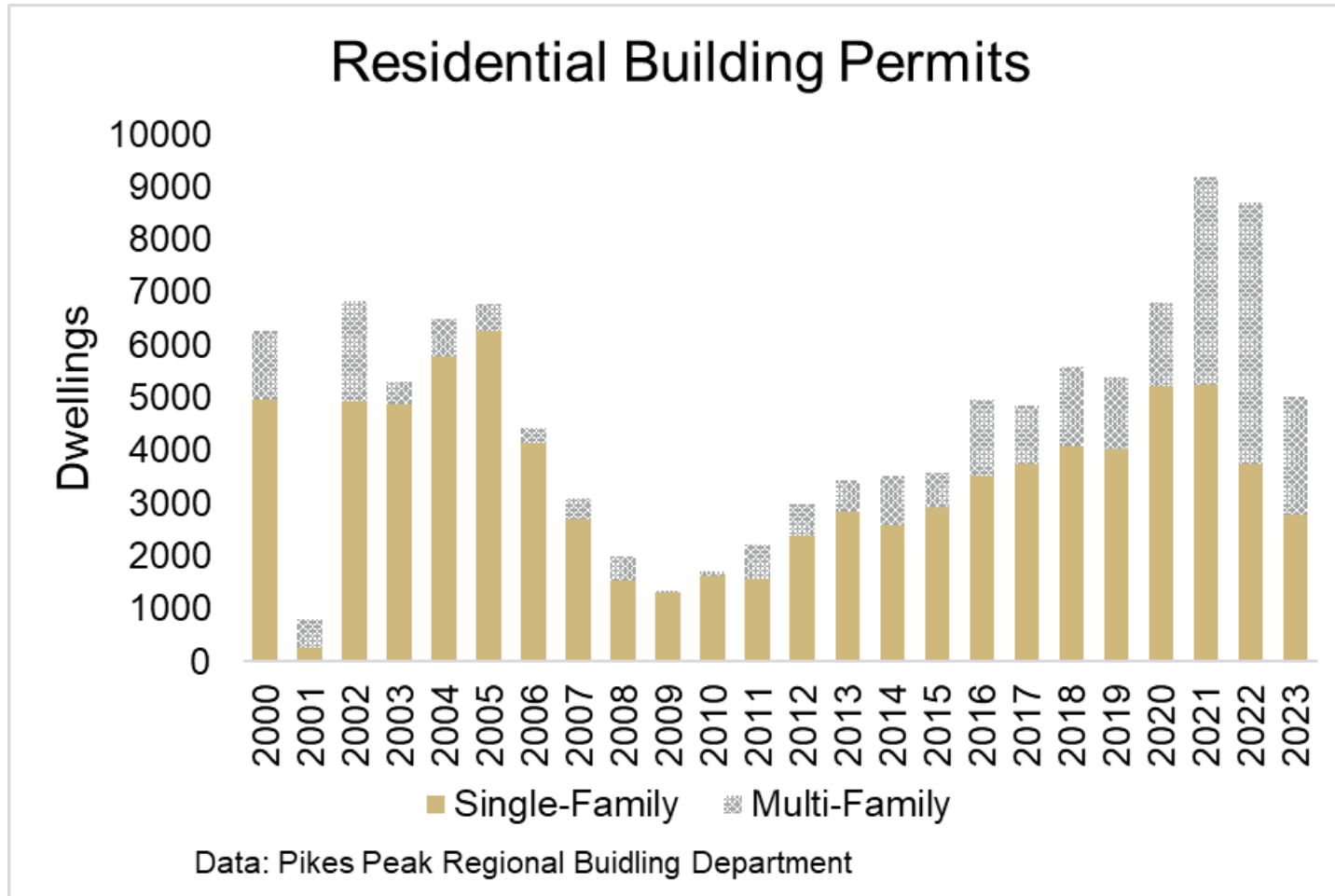
Home Sales & Economic Activity

Declining home sales   impact other activity


Pikes Peak Region Home Sales, Jan.-Aug.

11864

7808

Data: Realtor® Services Corp., Courtesy Pikes Peak Assoc. of Realtors®

Sales of Furniture, Home Furnishings, Appliances & Electronics, El Paso County

Data: Colorado Department of Revenue

Building Permits

Residential Building Permits

Data: Pikes Peak Regional Buidling Department

In 2024, multi-family permits continue to fall, but modest rebound in single-family

Dwellings Permitted, Jan-Aug		
	Single-Family	Multi-Family
2023	2062	1916
2024	2223	547

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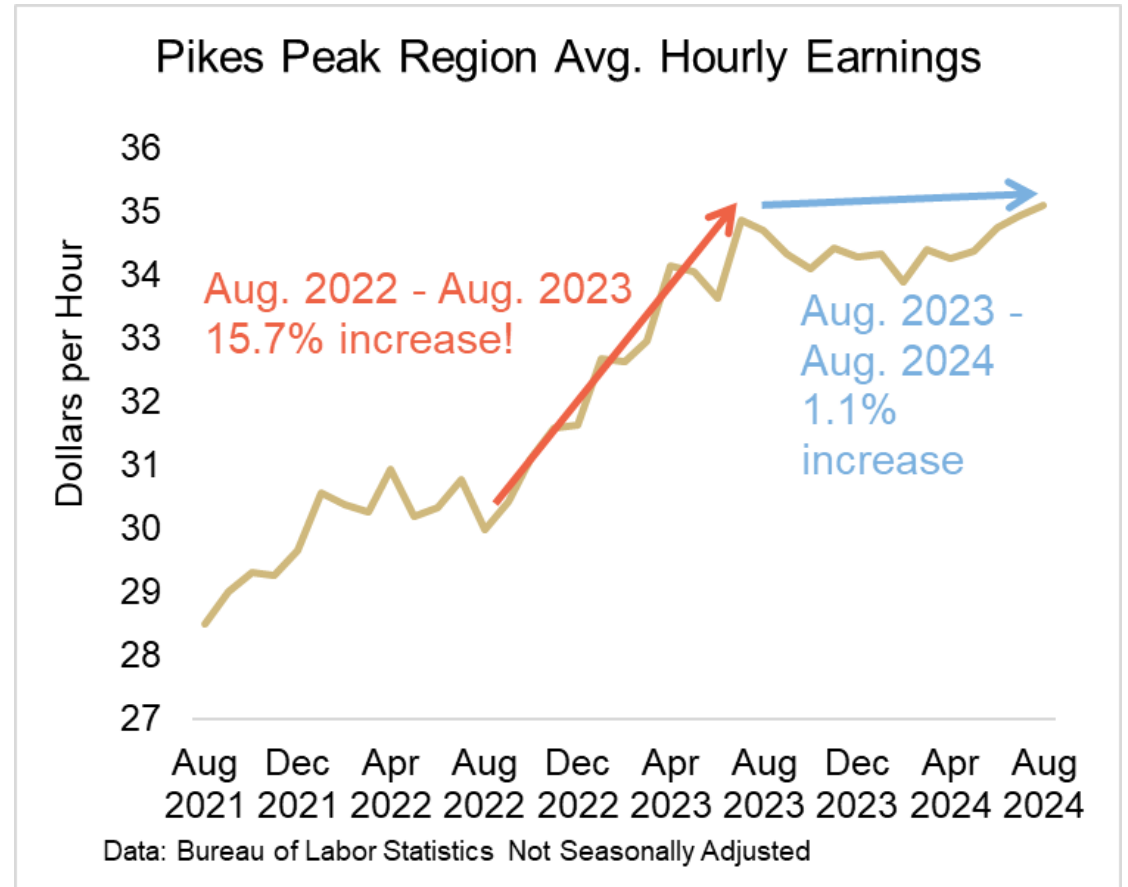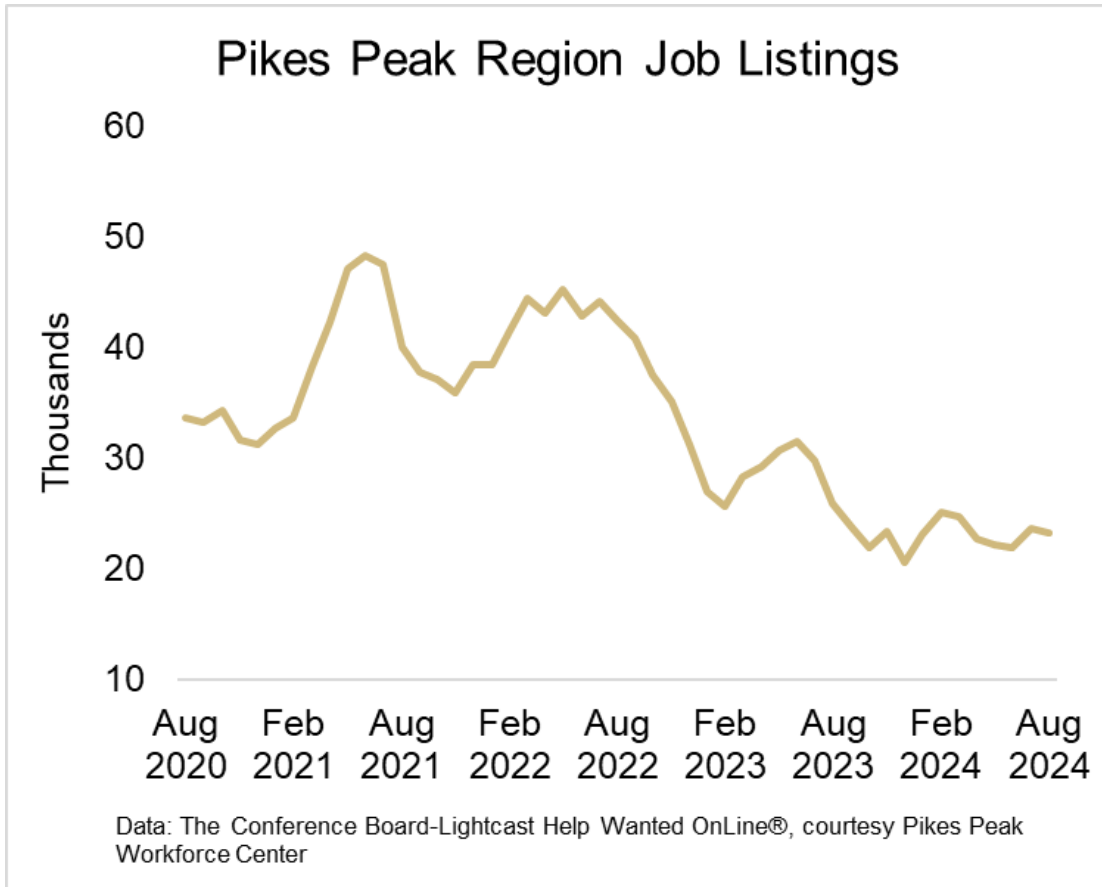UNIVERSITY OF COLORADO **COLORADO SPRINGS**

Job Growth Despite Headwinds

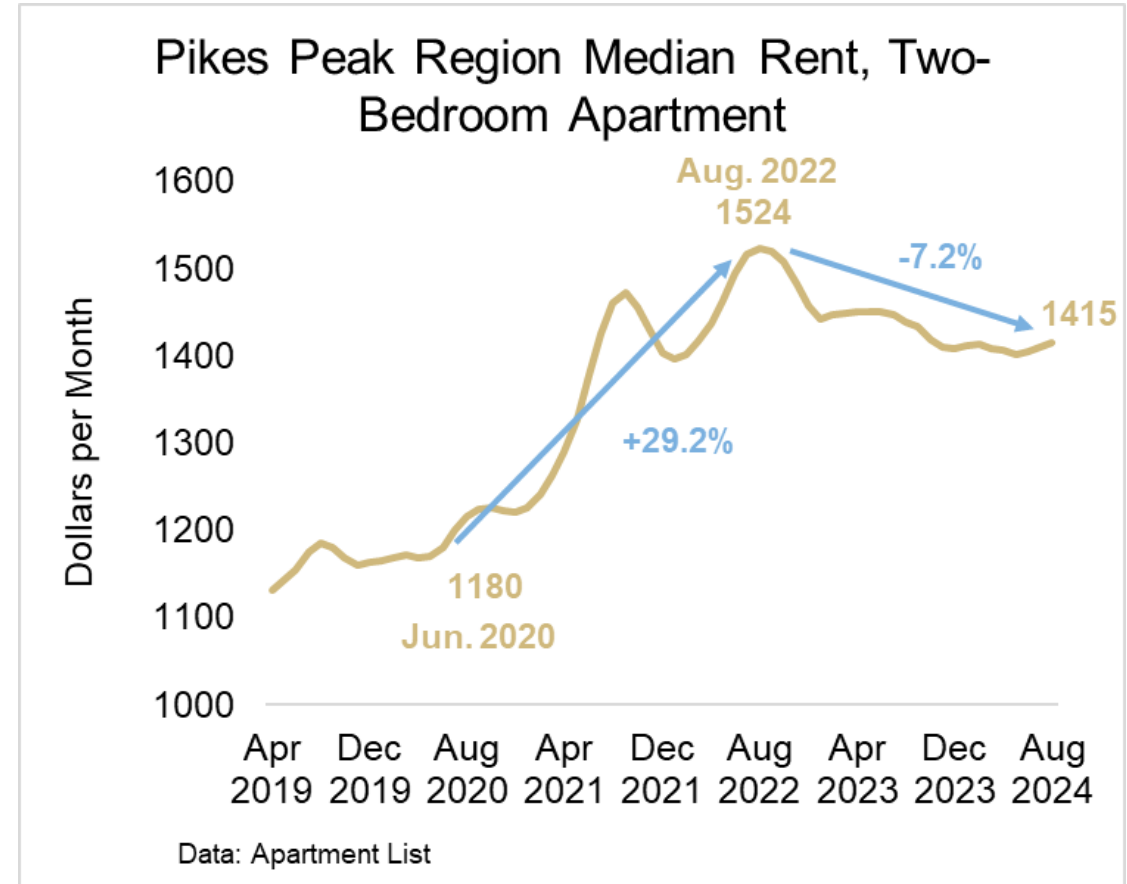Local employment has continued to grow, but at a slowing rate
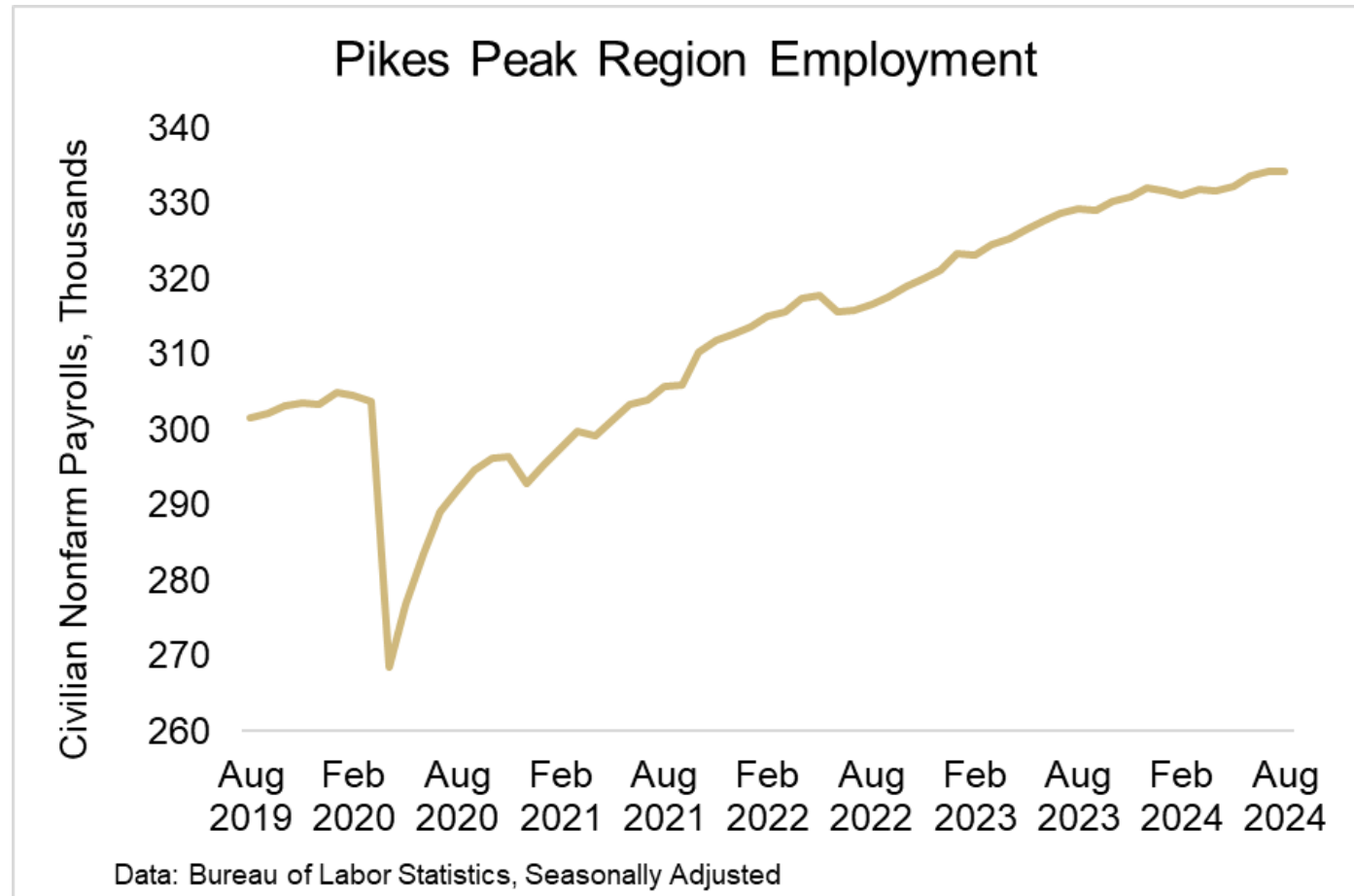
*Downward revision expected, but other data (household survey) shows similar trend

Local Labor Market Softening

Pikes Peak Region Job Listings

Data: The Conference Board-Lightcast Help Wanted OnLine®, courtesy Pikes Peak Workforce Center

Pikes Peak Region Avg. Hourly Earnings

Aug. 2022 - Aug. 2023 15.7% increase!

Aug. 2023 - Aug. 2024 1.1% increase

Data: Bureau of Labor Statistics Not Seasonally Adjusted

3. Housing Market

Modest Progress on Affordability

Pikes Peak Region Median Sale Price, Single-Family Home

June 2022
495

490

Note: Median Household Income Typically Increases Approx. 3.9% per Year

Data: Realtor® Services Corp., courtesy Pikes Peak Assoc. of Realtors®

Pikes Peak Region Median Rent, Two-Bedroom Apartment

Aug. 2022
1524

-7.2%

1415

+29.2%

1180
Jun. 2020

Data: Apartment List
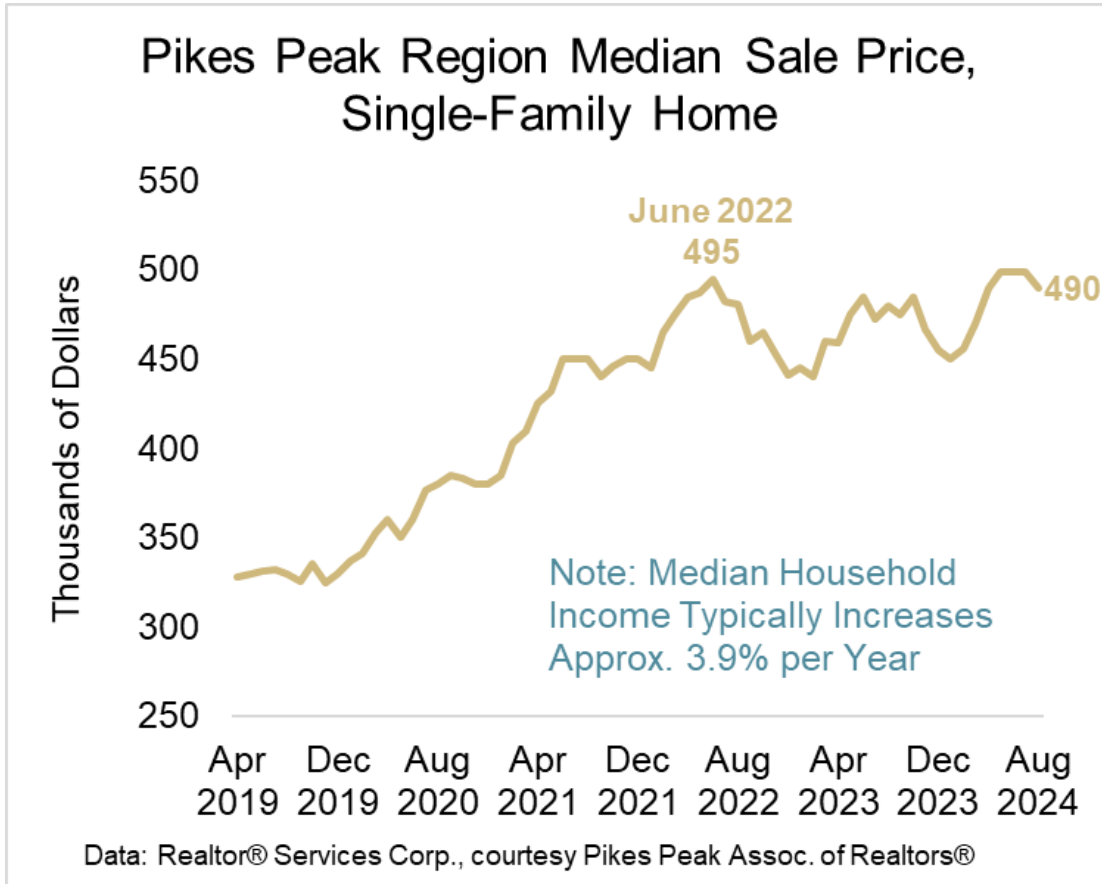
Current Supply Situation

Pikes Peak Region Active Single-Family Home Listings

3320
2420
2194
1009

Jan Mar May Jul Sep Nov

— 2019 — 2021 --- 2023 — 2024

Data: Realtor® Services Corp., courtesy Pikes Peak Assoc. of Realtors®

Pikes Peak Region Apartment Vacancy Rate

Percent

7.8

2017-19
Avg.: 5.9%

Aug 2017 Aug 2018 Aug 2019 Aug 2020 Aug 2021 Aug 2022 Aug 2023 Aug 2024

Data: Apartment List
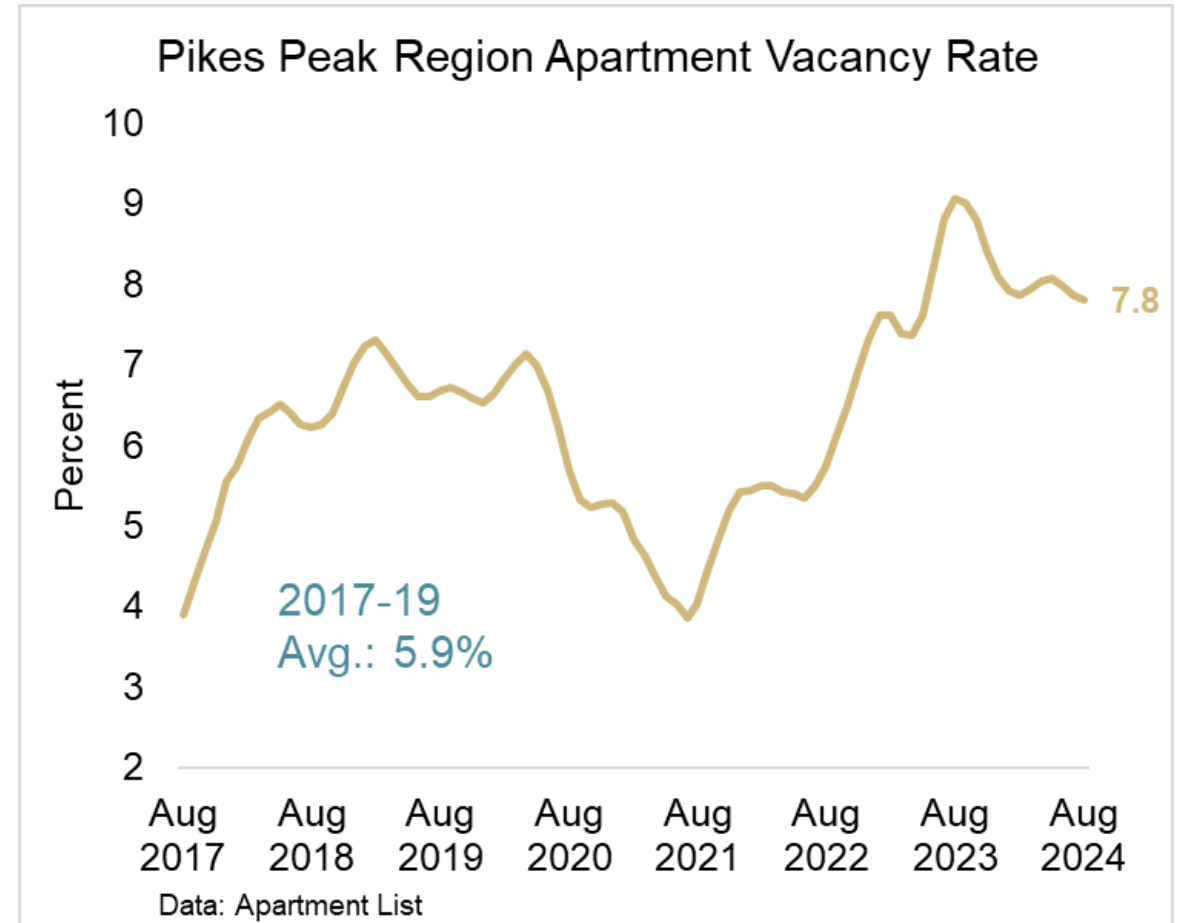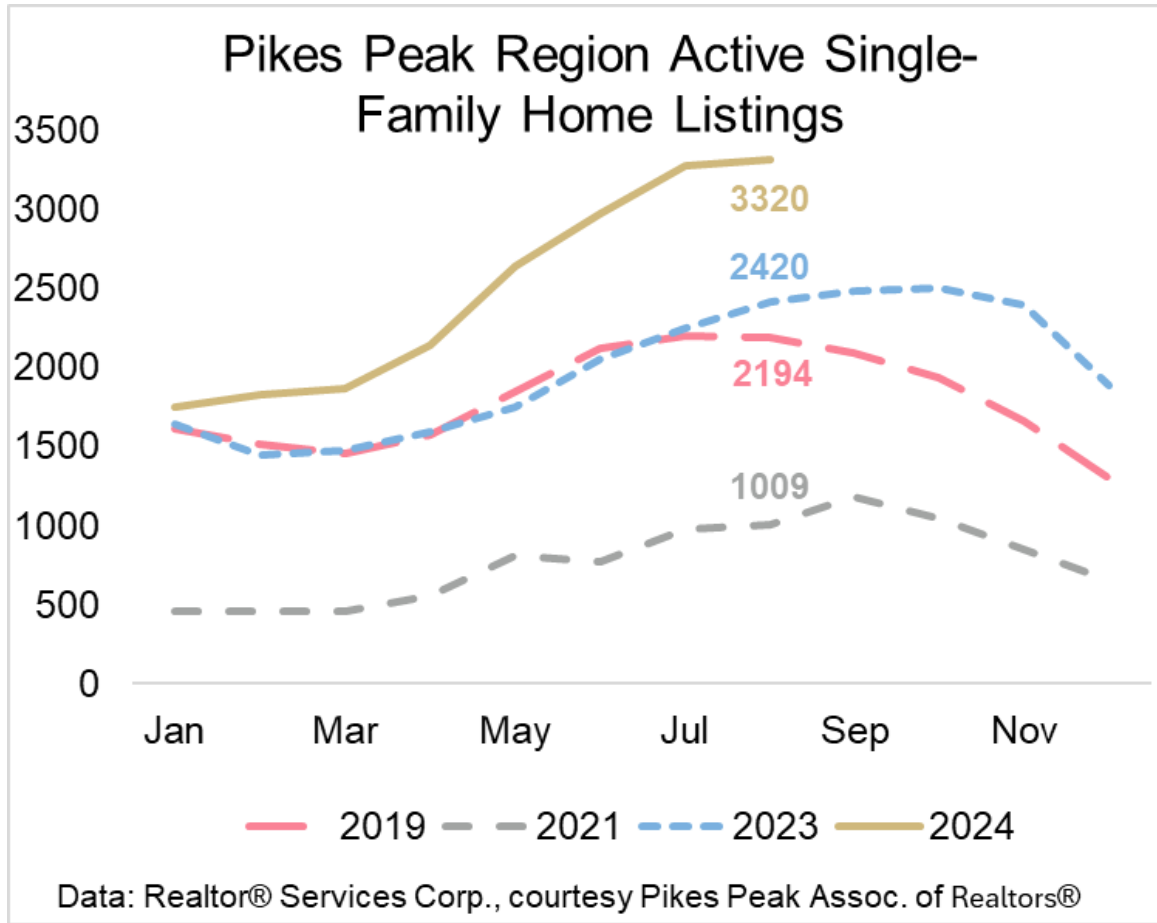
Shift to Remote Work Uneven

How do you *usually* get to work?
% saying "worked from home"
2019: 5.7%
2021: 17.9%
2023: 13.8%

US Working Arrangements, June 2024	
Fully On-Site	57.9%
Hybrid	29.9%
Fully Remote	12.1%

Source: Barrero et al., "Why Working From Home Will Stick," NBER WP 28731

Top Metros for Work From Home		
1	Boulder	28.1%
2	Austin	24.9%
3	Raleigh	24.5%
4	Denver	24.3%
5	Washington	21.9%
6	Charlotte	21.5%
7	Portland	21.2%
8	Bend	20.8%
9	San Francisco-Oakland	20.5%
10	Ft. Collins-Loveland	20.4%
42	Pikes Peak Region	16.7%

Data: Census Bureau
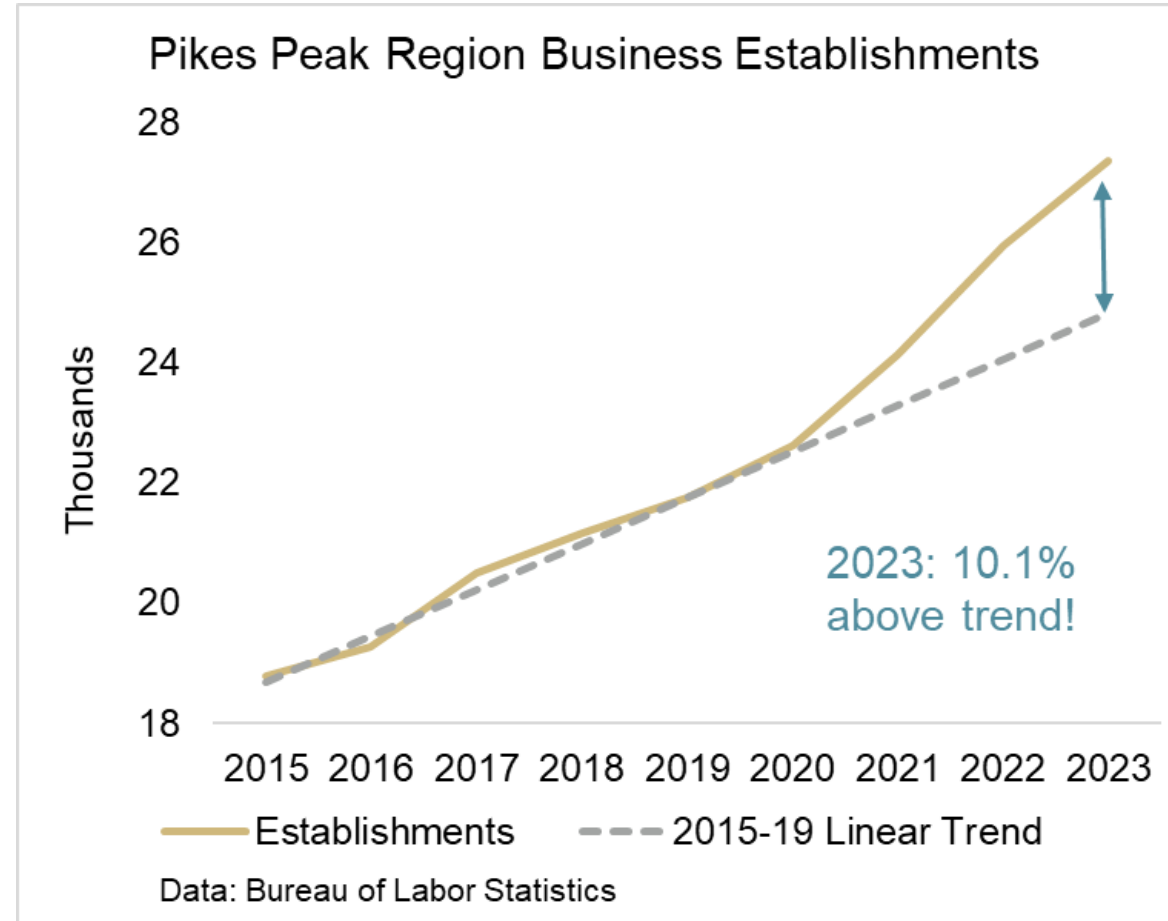
4. Bright Spots

Business Formation

2008-19: Reduced rate of new business formation fuel concerns about reduced business dynamism
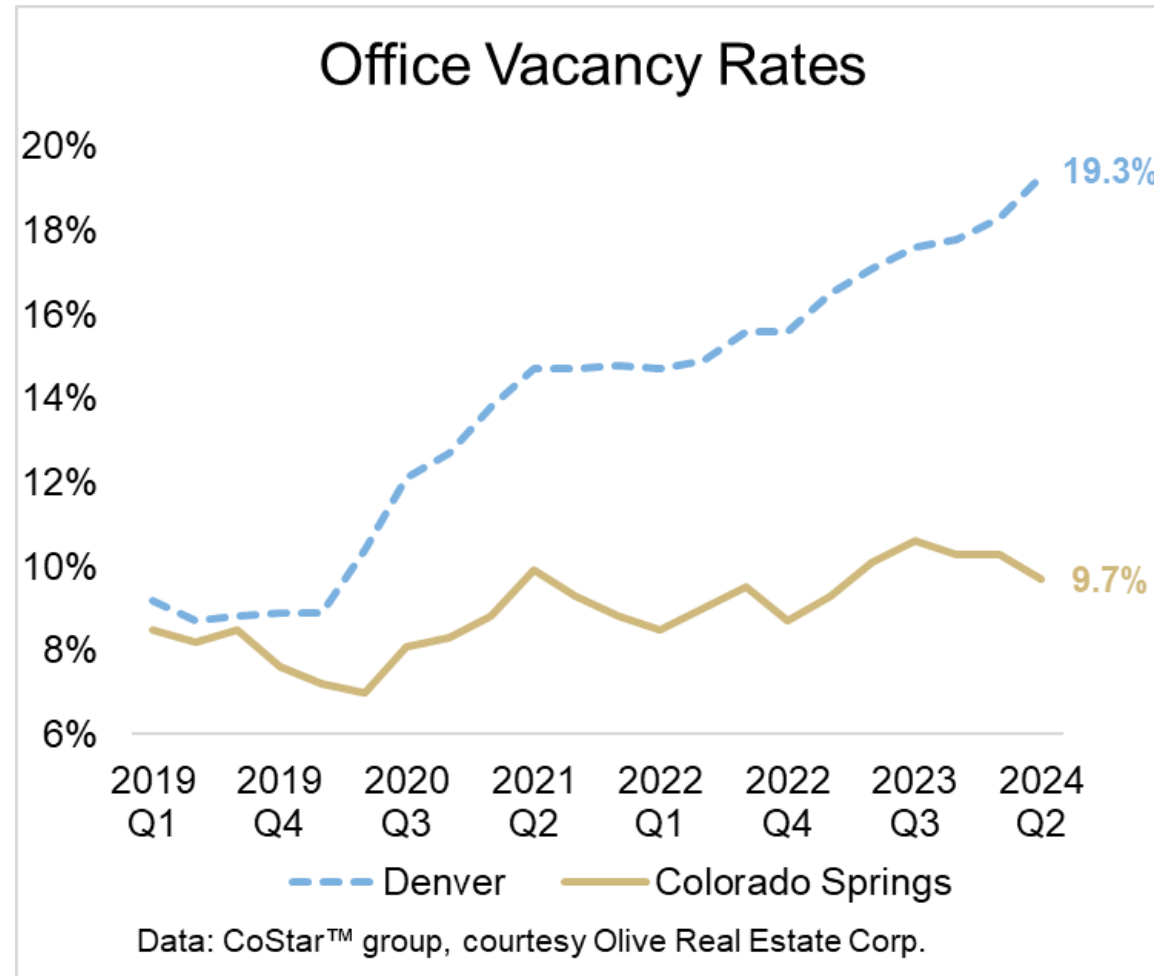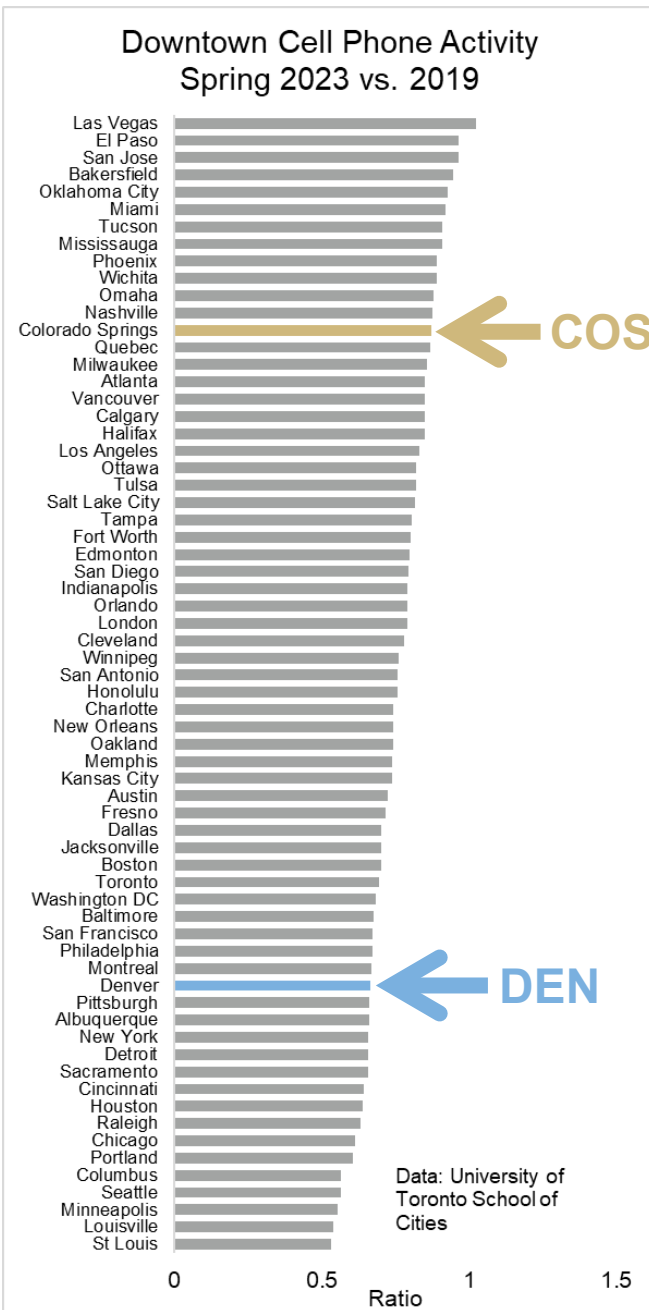
2020-present: We're back, baby!

US Business Applications	
2019	1.30 mil.
2023	1.78 mil.

Data: Census Bureau. High-Propensity Applications.

Pikes Peak Region Business Establishments

2023: 10.1% above trend!

Legend: Establishments — 2015-19 Linear Trend

Data: Bureau of Labor Statistics

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Downtown Recovery

Downtown Cell Phone Activity Spring 2023 vs. 2019

Data: University of Toronto School of Cities

Office Vacancy Rates

19.3%

9.7%

Denver — Colorado Springs

Data: CoStar™ group, courtesy Olive Real Estate Corp.

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Travel and Tourism

Visitaton to Colorado Springs

Data: Longwoods International Tavel USA Visitor Profile Study, commissioned by VisitCOS

COS Airport Enplanements, Jan.-Jul.

Data: Colorado Springs Airport

This year: First-half 2024 Lodgers and Auto Rental (LART) tax revenue: + 3.7%
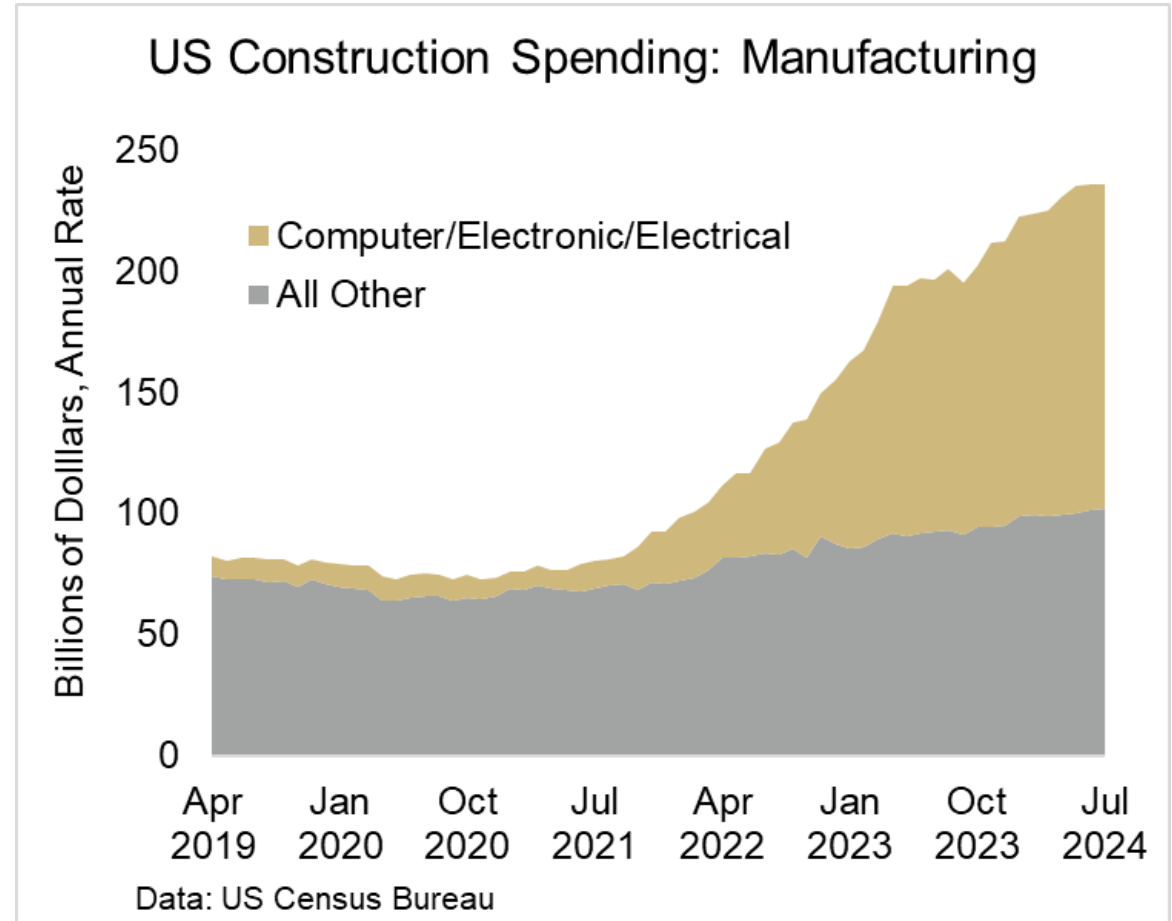
Industrial Policy Revival

"Industrial Policy" – government promotion of specific industries

CHIPS and Science Act: Support for semiconductor industry
  ➢ Microchip
  ➢ Entergis
  ➢ Elevate Quantum Tech Hub

Inflation Reduction Act (IRA): Support for clean energy, electric vehicles
  ➢ CS Wind

US Construction Spending: Manufacturing
- Computer/Electronic/Electrical
- All Other

Billions of Dollars, Annual Rate

Data: US Census Bureau

5. Challenges

Education

Colorado ranks 2nd among states for the share of the 25 and older population with a bachelor's degree or higher

Share of Population 25 and Over with Bachelor's Degree or Higher	
United States	36.2%
Colorado	46.4%
Pikes Peak Region	44.2%

Data: Census Bureau. Data for 2023.

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Education

Colorado ranks 2nd among states for the share of the 25 and older population with a bachelor's degree or higher

Colorado Ranks 40th among states for high school graduation rate

High School Graduation Rate	
United States	86.6%
Colorado	82.3%

Data: Digest of Education Statistics. Four-year Adjusted Cohort Graduation Rate. Data for 2021-22

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Data: Census Bureau. Data for 2023.

Median Earnings by Highest Level of Education Attained			
	United States	Colorado	Pikes Peak Region
High School Grad	$39,428	$42,541	$41,557
Bachelor's Degree	$67,256	$73,072	$62,353
% Difference	71%	72%	50%

Data: Census Bureau. Data for 2023.

Early Childhood Education

ECE Workforce Per 100 Children Under 5

- United States: 5.2
- Colorado: 5.1
- Pikes Peak Region: 3.4

Data: Bureau of Labor Statistics, Census Bureau. Data for 2022.

All Parents Participating in Labor Force, Families with Own Children Under 6

- United States: 69.3
- Colorado: 70.3
- Pikes Peak Region: 62.7

Percent

Data: Census Bureau. Data for 2023
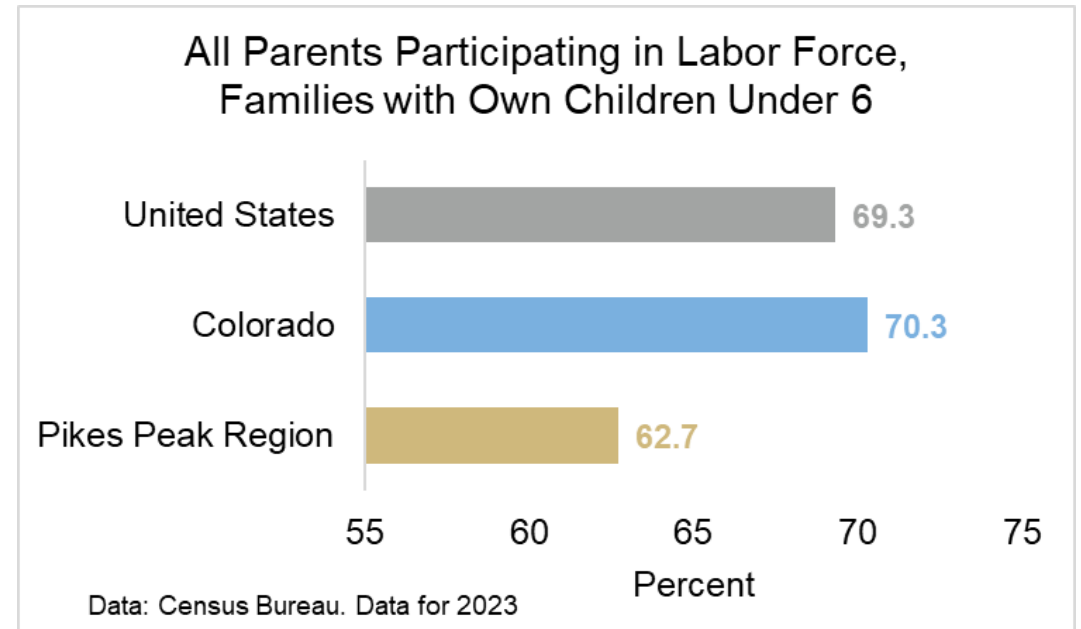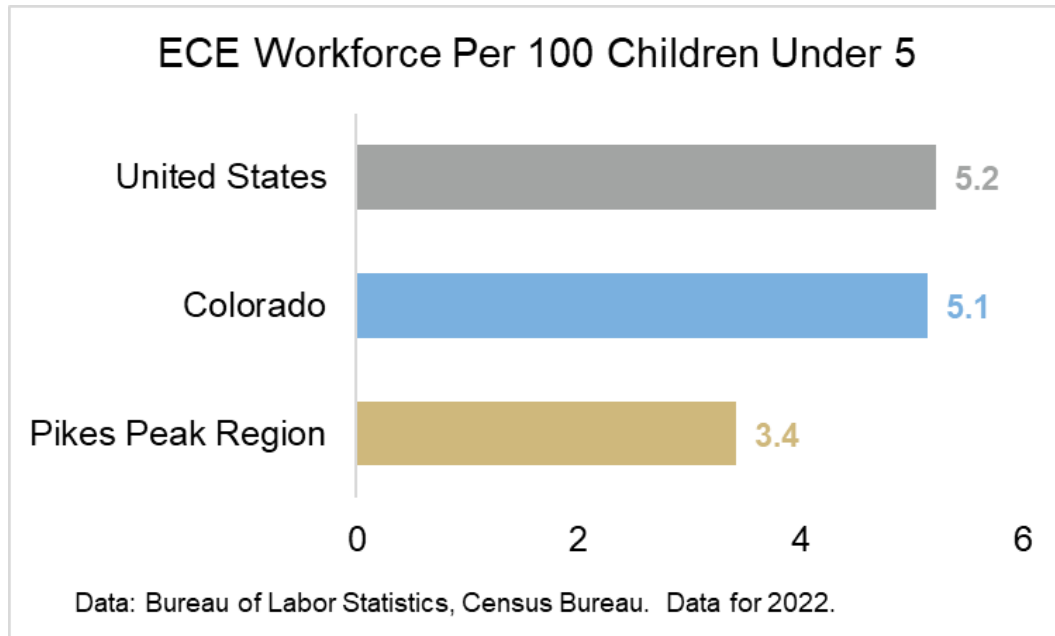
6. Macro Outlook

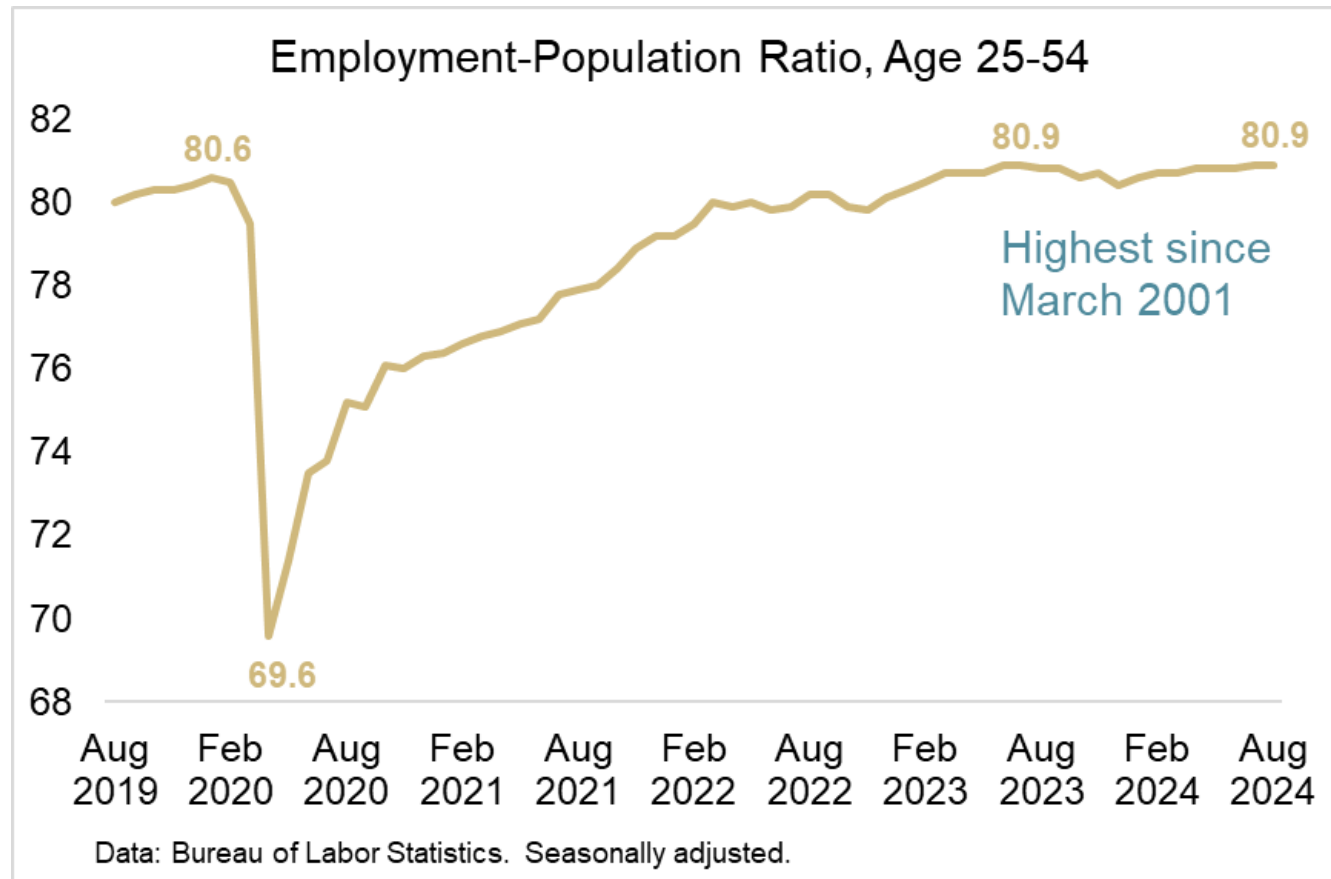# Consumers

Real Disposable Personal Income
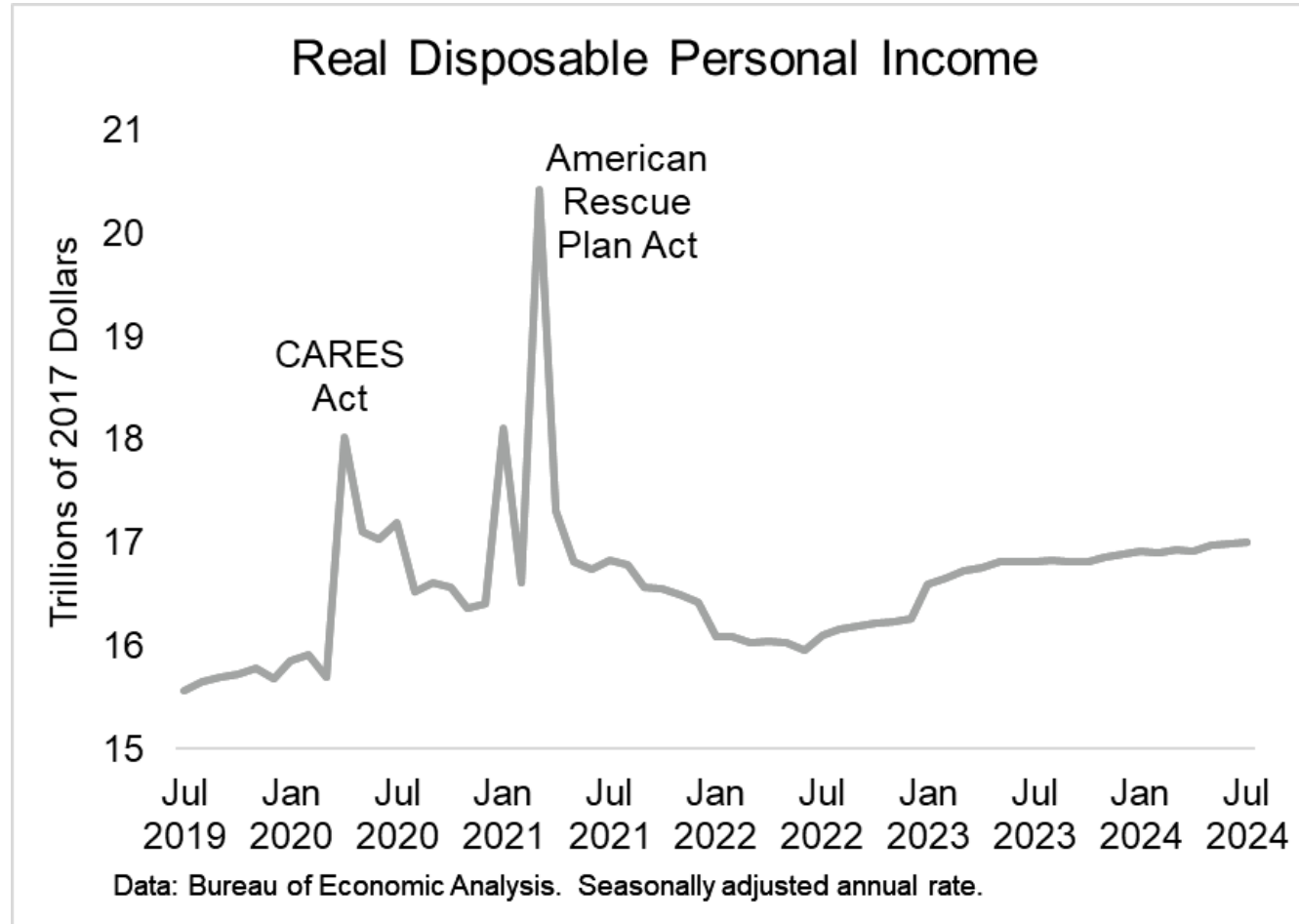
Real (inflation-adjusted) incomes fell Apr. 2021-June 2022

- End of pandemic support
- Real incomes eroded by inflation

Rising trend since June 2022, but

- Pandemic "excess" saving is gone
- Saving rate: 2.9% (Jul.)

Employment

Employment-Population Ratio, Age 25-54

80.6

69.6

80.9   80.9

Highest since March 2001

Data: Bureau of Labor Statistics. Seasonally adjusted.

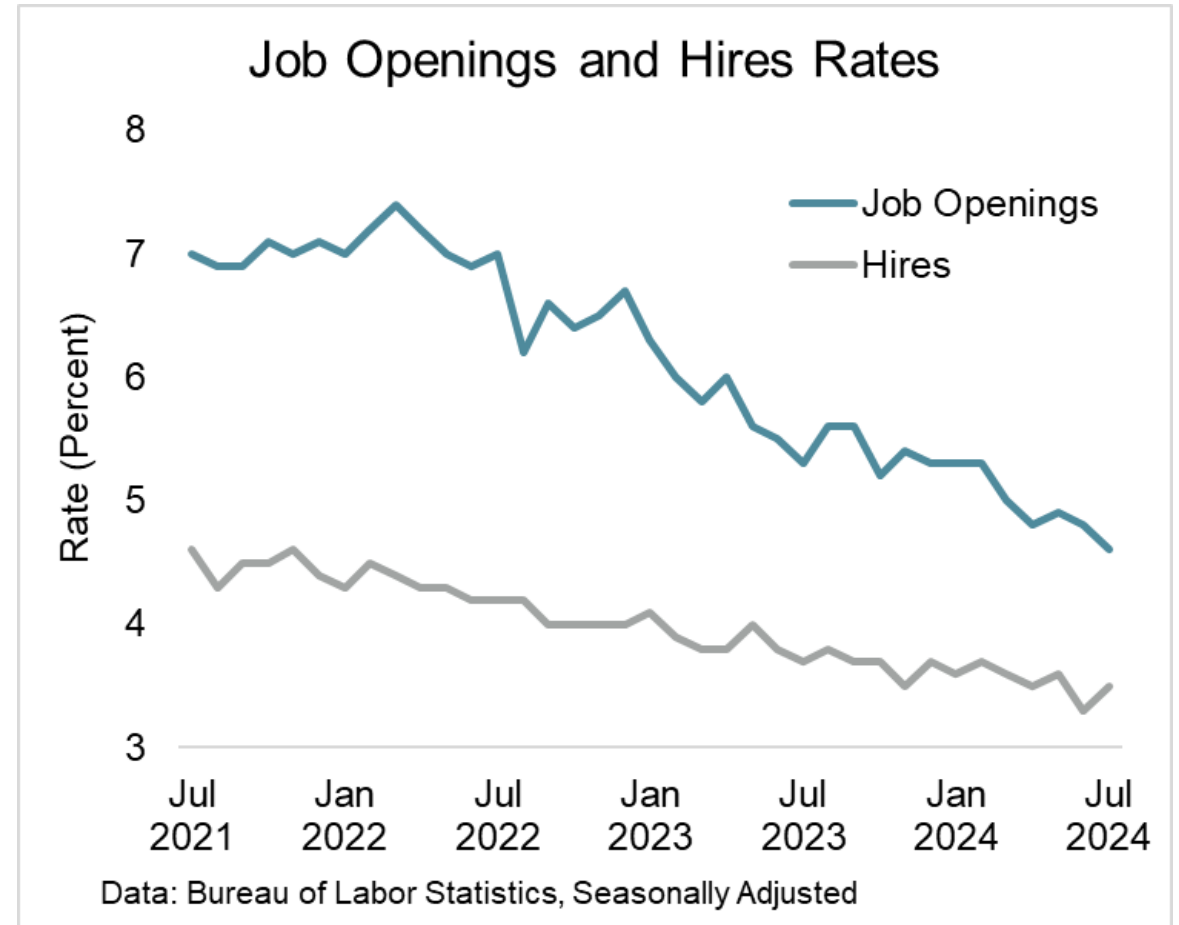Share of Americans that are working is high

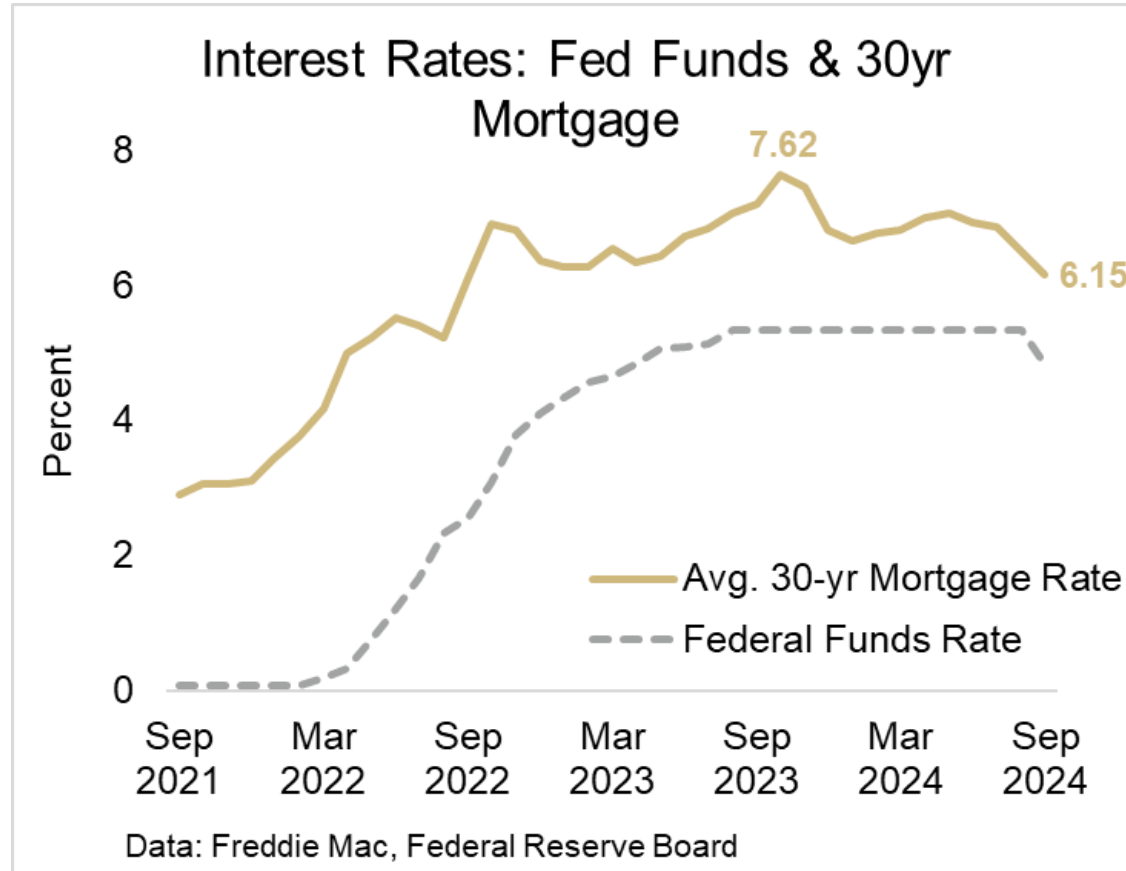Note: Recent uptick in unemployment rate due to more job-seekers

Labor Market Cooling

Going from "too hot" to "too cold" ?

Monetary policy impacts economy with "long and variable" lags

Job Openings and Hires Rates

Data: Bureau of Labor Statistics, Seasonally Adjusted

Interest Rates Outlook

Interest Rates: Fed Funds & 30yr Mortgage

7.62

6.15

Avg. 30-yr Mortgage Rate
Federal Funds Rate

Data: Freddie Mac, Federal Reserve Board

Mortgage rates depend on *expectations* of short-term rates – Fed easing is "priced in"

2009-19 was unusual (QE policies, etc.) – 4% mortgage rates unlikely to return

Fannie Mae forecast for 2025 Q4: 5.7%

Thank You!

Questions?

See You Next Year!

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