Welcome to the 27th Annual UCCS Economic Forum

COLLEGE OF BUSINESS
UNIVERSITY OF COLORADO
COLORADO SPRINGS
WATCH THE 27th ANNUAL ECONOMIC FORUM HERE:
https://youtu.be/x9V1bCmvzgM
Thank You to Our Economic Forum Partners

We also wish to thank our nearly 50 silver and sustaining level partners!
Thank You to Our Event Day Partners
UCCS Economic Forum Keynote Address:

Celebrating Colorado Springs’ Success and Looking Forward

Eve Lieberman, Executive Director
Colorado Office of Economic Development and International Trade
2023
Mission Statement

Empower all to thrive in Colorado’s economy.
OEDIT’s Organization

OFFICE OF THE GOVERNOR

OFFICE OF ECONOMIC DEVELOPMENT & INTERNATIONAL TRADE

COLORADO TOURISM OFFICE

OUTDOOR RECREATION OFFICE

BUSINESS SUPPORT & MINORITY BUSINESS OFFICE

RURAL OPPORTUNITY OFFICE

GLOBAL BUSINESS DEVELOPMENT

CREATIVE INDUSTRIES

BUSINESS FUNDING & INCENTIVES

LEGISLATIVE AFFAIRS

FILM, TELEVISION & MEDIA
TOP RANKING U.S. CITIES

Ranked 9th Best Places to Live

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

Forbes

Ranked 7th Top Emerging Destinations in the World

One of the Top 52 Places to Go in the United States

The New York Times

Placed 9th Of 200 U.S. Cities for "Where Black Americans Fare Best Economically"

smartasset
2,350 Net New Jobs Coming to CO Springs
An artist rendering of the $40 million, 32,000 square foot U.S. Air Force Academy visitor center scheduled to open in northern Colorado Springs in 2024.
City for Champions Projects
State Incentivised Projects by Location - as of June 2023

[Bar chart showing the count of location in Colorado for various locations: Pueblo, Denver County, Weld, Jefferson County, Larimer, Arapahoe, Metro Denver, Douglas, Mesa, El Paso, Boulder, Adams, Broomfield.]

Count of Location in Colorado
- Specializes in the aerospace and defense industry
- VCA’s first fund solely based in Southern CO
- Purpose to serve BIPOC-, women-, and Veteran-owned businesses
- One of the VCA’s largest investments
Commitment to Affordable Housing

- IHIP - Innovative Housing Incentive Program
  - Modular, 3D, Kit, Panelized, etc
  - Pairing IHIP & Prop 123 for Modular/manufactured Housing

- Proposition 123 - Affordable Housing Financing Fund
  - Land Banking, Concessionary Debt & Equity Financing
  - CO Springs has opted in

- MIHA - Middle Income Housing Authority
  - Issue tax-free bonds to pump capital investment into middle-income housing (80%-120% AMI)
Affordable Housing Financing Fund (CHFA/OEDIT)

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

- **Land Banking**: Grants and forgivable loans to acquire and preserve land for affordable housing development
- **Equity**: Equity investment to support the creation or preservation of low- and middle-income multifamily rental development
- **Concessionary Debt**: Loans to support the creation and preservation of affordable rental housing
Innovation in Construction

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

- 2.7 jobs for every unemployed person
- 800,000 Coloradans without a high school diploma or partial higher education
- 10,000 individuals impacted by justice system re-enter the workforce every year
- $85 million in grant funding for through Opportunity Now
Opportunity Now Phase I: Results
425 Applications Received From Over 1,000 Education and Industry Partners

18 Grantees in El Paso County
Second to Denver County

Map of Regions Served by Phase I*
*Note that some grantees are serving multiple regions
Opportunity Now Phase I: Regions Served

Scale Grants

Planning Grants

- Denver
- Pikes Peak
- San Luis Valley
- Central Western
- Rocky Mountain
- Northern Colorado
- Southwest Colorado
- Southeast Colorado
- Pueblo
- Golden Plains
- Central Plains
- Upper Arkansas
- Northwest Colorado
- Raton Basin
Semiconductor Industry Advancements

- Colorado Springs is an essential region to the industry

- CHIPS Act is a once-in-a-generation opportunity with billions in federal funding

- OEDIT is supporting this ecosystem through a suite of incentives, programs, and initiatives
OEDIT is Thankful for Meaningful Partnerships
Southern Colorado Economic Outlook

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

UCCS Economic Forum
September 7, 2023
Thank You to Our Economic Forum Partners

We also wish to thank our nearly 50 silver and sustaining level partners!
Thank You to Our Event Day Partners
The Economic Situation
Unprecedented Downturn, Amazing Recovery

April 2020: payrolls decline by 20.5 million!

Payrolls back to Feb. 2020 level in 16 months!

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

Data: Bureau of Labor Statistics
Even Better Locally

Employment Decline Slightly Less Severe in Colorado Springs

Change From Feb. 2020:
- Colorado Springs +5.9%
- Colorado +3.1%
- United States +2.5%

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

Data: Bureau of Labor Statistics

Mar.-Apr. 2020

Nonfarm Payrolls, Feb. 2020 = 100

Local, State and National Employment

Months After Cycle Peak

-6 0 6 12 18 24 30 36

Colorado Springs
Colorado
United States
June 2022 inflation (year-on-year CPI): 9.1%, highest since November 1981!
The Fed Hits the Brakes Hard

Fed Tightening Cycles

Fed Funds Rate, Cumulative Change

0 2 4 6 8 10 12 14 16 18 20 22 24 26

Months Into Cycle

Mar 2022 - present
Jun 2004 - Jul 2006
Feb 1994 - Nov 1995

Data: Federal Reserve Bank of New York
Recession Warning Signs

• Since 1953, 7 of 14 Fed tightening cycles have been followed by recessions within 12 mos.

• Six-month growth rate of Leading Economic Indicators index negative since May 2022

• US Treasury yield curve (10 yr. - 2 yr.) inverted since July 2022
### A Year Later….

<table>
<thead>
<tr>
<th></th>
<th>Unemployment Rate (July)</th>
<th>Avg. Monthly Job Growth (1H 2023)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado Springs</td>
<td>3.7</td>
<td>+500</td>
</tr>
<tr>
<td>Colorado</td>
<td>3.5</td>
<td>+2,800</td>
</tr>
<tr>
<td>United States</td>
<td>3.8</td>
<td>+270,000</td>
</tr>
</tbody>
</table>

Data: Colorado Department of Labor and Employment; Bureau of Labor Statistics. Unemployment Rate is Not Seasonally Adjusted.
Labor Market Still Hot, But Normalizing

Labor Market Tightness

Quits Rate

Data: Bureau of Labor Statistics
Inflation Falling, Wages Catching Up

US Median Wages and Consumer Prices

Percent Change from Year Ago

Data: Bureau of Labor Statistics, Federal Reserve Bank of Atlanta
And We’re Starting to Feel Better

Index of Consumer Sentiment

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

Data: University of Michigan
Housing
Increase in Demand for Housing

Number of Households, 2 yr. % chg.

<table>
<thead>
<tr>
<th>Year</th>
<th>Colorado Springs</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019-21</td>
<td>6.7%</td>
<td>3.8%</td>
</tr>
<tr>
<td>2013-19 avg.</td>
<td>3.2%</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

Working Arrangements, 2023

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

Data: Survey of Workplace Attitudes and Arrangements, wfresearch.com
Increasing Rents, 2021 Through Mid-2022

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

At $1491 in July 2023, rents were down 4.6% from peak
Home Prices Have Been on a Wild Ride

At $472,000 in July, the price of a single-family home in Colorado Springs is down 4.9% from its June 2022 peak, but still 42% above July 2019.
Long-Term Interest Rates Are High

Influences on Long-Term rates:

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

Data: Freddie Mac, Federal Reserve Board
Higher Prices and Rates Impact Affordability

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

<table>
<thead>
<tr>
<th></th>
<th>Colorado Springs</th>
<th>Denver</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 2020</td>
<td>27.1%</td>
<td>29.6%</td>
<td>28.1%</td>
</tr>
<tr>
<td>June 2023</td>
<td>42.7%</td>
<td>47.6%</td>
<td>43.2%</td>
</tr>
</tbody>
</table>

Data: Federal Reserve Bank of Atlanta

Most of the increase occurred in the first three quarters of 2022
When High Rates Follow a Long Period of Low Rates

We Have a “Mortgage Winter”

Avg. rate on outstanding mortgage (CO), 2023 Q1: 3.7%
30 yr. fixed mortgage, Aug. 17: 7.1%
(Freddie Mac)

In Colorado Springs, 72% of owner-occupied housing units have a mortgage
(Census)
Higher Rates Have Put the Freeze on Sales

July 2023 sales were 20% lower than a year ago.
Signs of a Recovery in Building

Note: June 30 deadline for permits before changes in building code
Some Positive Signs
Travel and Tourism Indicators Healthy

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

Data: Colorado Hotel & Lodging Assoc., Rocky Mountain Lodging Report

New routes: Minneapolis and Atlanta, Long Beach, Burbank

Data: Colorado Springs Airport
An Economic Development Winning Streak

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

Demographics
Over the last two decades we’ve
• Grown
• Gotten older
• Become more educated

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>516,929</td>
<td>730,395*</td>
</tr>
<tr>
<td>Median Age</td>
<td>33.0</td>
<td>34.9</td>
</tr>
<tr>
<td>65 and older</td>
<td>8.6%</td>
<td>13.5%</td>
</tr>
<tr>
<td>Bachelors Deg. or Higher (&gt; 25)</td>
<td>31.8%</td>
<td>41.7%</td>
</tr>
</tbody>
</table>

Data: US Census Bureau *2020
## How We Compare

### Selected Population Characteristics, 2021

<table>
<thead>
<tr>
<th></th>
<th>El Paso County</th>
<th>Colorado</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Household Income</td>
<td>$79,427</td>
<td>$82,254</td>
<td>$69,717</td>
</tr>
<tr>
<td>Median Age</td>
<td>34.9</td>
<td>37.6</td>
<td>38.8</td>
</tr>
<tr>
<td>65 and older</td>
<td>13.5%</td>
<td>15.1%</td>
<td>16.8%</td>
</tr>
<tr>
<td>Bachelors Deg. or Higher</td>
<td>41.7%</td>
<td>44.4%</td>
<td>35.0%</td>
</tr>
<tr>
<td>Veteran</td>
<td>14.9%</td>
<td>7.7%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Gov’t Employee</td>
<td>16.8%</td>
<td>13.9%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Military</td>
<td>5.4%</td>
<td>0.9%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Moved From Different State</td>
<td>7.5%</td>
<td>4.3%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Data: US Census Bureau

Compared to the rest of the US, we’re:
- More affluent
- Younger
- More educated
- More military & veteran
- More mobile

Compared to the rest of Colorado, we’re
- Less affluent
- Younger
- Less educated
### Population Forecasts

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

Population is expected to continue to get older compared to the rest of the US, we’re forecast to:
- Be younger
- Grow faster

El Paso County forecast to reach 1 mil. in 2050

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

Data: Colorado State Demography Office, US Census
Caution for the Near-Term
### Economic Forecasts

<table>
<thead>
<tr>
<th></th>
<th>Survey of Professional Forecasters (Aug)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2023</td>
</tr>
<tr>
<td>Real GDP Growth</td>
<td>2.1</td>
</tr>
<tr>
<td>Unemployment</td>
<td>3.6</td>
</tr>
<tr>
<td>Inflation</td>
<td>3.1</td>
</tr>
</tbody>
</table>

2007-2019 (peak-to-peak)
- COS growth: US +0.1
- CO growth: US +0.8
- COS unemployment: US -0.3
- CO unemployment: US -0.3

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

<table>
<thead>
<tr>
<th>30-yr Mortgage Rate, 2024 Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fannie Mae</td>
</tr>
<tr>
<td>Mortgage Bankers Assoc.</td>
</tr>
</tbody>
</table>

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

Locally, Some Recent Signs of Slowing

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

(YTD collections are 0.01% ahead of last year)

Data: Colorado Springs Finance Department.
Note: Collections Reflect Sales the Previous Month.
Another Recent Sign of a Slowdown

Employment (payrolls) growth flattened out in the 2nd quarter
Retail and medical office vacancy rates aren’t unusually high, but they did increase in the 2nd quarter.

Office vacancy rate is highest since 2015.

### Commercial Property Vacancy Rates

<table>
<thead>
<tr>
<th></th>
<th>Office</th>
<th>Retail</th>
<th>Medical</th>
<th>Industrial</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023 Q1</td>
<td>10.0%</td>
<td>3.7%</td>
<td>6.7%</td>
<td>4.7%</td>
</tr>
<tr>
<td>2023 Q2</td>
<td>10.9%</td>
<td>4.3%</td>
<td>7.7%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

Data: CoStar Group™, Olive Real Estate Group, Inc.
Summing Up
Overall, Cautious Optimism for a “Soft Landing”

But risks remain:

• Fed may keep rates high too long

• Commercial real estate (offices)
  • Local situation better than national (e.g., CoS office vacancy rate 10.9%, Denver 16.9%)
  • National banking system heavily exposed to commercial RE

• Corporate debt
  • High relative to GDP by historical standards, will need to be refinanced at higher rates

• United Auto Workers strike?

• Government shutdown (fiscal year ends Sep. 30)

• Geopolitical risk (especially for oil and commodities)

• El Nino/weather risk for food prices
Longer Run Prospects

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

- Challenges of growth: resources, housing, transport, education
Thank You!
Questions?