14th Annual
Southern Colorado Economic Forum

October 1, 2010

Tom Zwirlein, Ph.D. and Fred Crowley, Ph.D
Southern Colorado Economic Forum
University of Colorado at Colorado Springs
College of Business and Administration
Overview

- Employment and Income
- Housing
- Commercial Real Estate
- Macro and Micro Perspectives
- The Local Forecast
- The Recovery
- Operation 6035
- Cluster Development
Seasonally Adjusted Monthly Unemployment Rate

Source: BLS, Colorado LMI
Employment Trends (March 2001 = 100)

Source: BLS, Colorado LMI
Manufacturing Employment Trends  
(Dec 2000 = 100)

Source: Federal Reserve Bank of St. Louis
Per Capita Personal Income

Source: Bureau of Economic Analysis
Employment in Cluster Industries

Source: Colorado Quarterly Census of Employment and Wages
Wages in Cluster Industries

Source: Colorado Quarterly Census of Employment and Wages
Military Employment

Source: Colorado Springs Chamber of Commerce
Overview

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Key Interest Rates (%)

Source: Federal Reserve Bank of St. Louis
Housing Affordability Index

Source: National Association of REALTORS®
Supply/Demand of Housing and Prices

Source: PPAR (RCS) and UCCS Forum
Average and Median Home Price

Source: PPAR (RSC) and UCCS Forum
Foreclosures in El Paso County

Source: El Paso County Public Trustee and UCCS Forum
Home Sales

Source: PPAR (RSC) and UCCS Forum
Single Family Permits in El Paso County

Source: PPRBD and UCCS Forum
Single and Multi-Family Permits

Source: PPRBD and UCCS Forum
Multi-Family Rents and Vacancy Rates in El Paso County

Source: Colorado Division of Housing
Overview

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Industrial, Shopping Center and Office Vacancy Rates

Source: Turner Report and UCCS Forum
Industrial, Shopping Center and Office Rents

Source: Turner Report and UCCS Forum
NAI Comparative Vacancy Rates (%)

Source: NAI Global Commercial Real Estate Services, Worldwide
NAI Comparative Rents

Source: NAI Global Commercial Real Estate Services, Worldwide
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Purchasing Managers Index

Source: Federal Reserve Bank of Kansas City, Institute of Supply Management, Forum
GDP, Gross State Product (GSP) and Gross Metro Product (GMP)

Source: Federal Reserve Bank of St. Louis
S&P500 Performance
Over the Last Two Bear Markets

Source: Federal Reserve Bank of St. Louis
Consumer Price Index

Source: Bureau of Labor Statistics, Colorado LMI, Forum
Business Conditions Index and 3-Month Moving Average
Colorado Springs Sales & Use Tax
(Blue is in millions, Yellow is indexed to 2001=100)

Source: City of Colorado Springs and UCCS Forum
Overview

- Employment and Income
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### Projections for El Paso County (%)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population Growth</td>
<td>3.0</td>
<td>1.5</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>8.4</td>
<td>7.9</td>
</tr>
<tr>
<td>Non-Agricultural Employment</td>
<td>1.5</td>
<td>1.8</td>
</tr>
<tr>
<td>Total Wages and Salaries</td>
<td>3.5</td>
<td>4.3</td>
</tr>
<tr>
<td>Average Wages and Salaries</td>
<td>2.0</td>
<td>2.5</td>
</tr>
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</table>
## Projections for El Paso County (%)

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income</td>
<td>2.0</td>
<td>2.2</td>
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<tr>
<td>Per Capita Personal Income</td>
<td>1.1</td>
<td>3.0</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>7.0</td>
<td>6.0</td>
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<tr>
<td>Single Family Housing Permits</td>
<td>22.3</td>
<td>18.8</td>
</tr>
<tr>
<td>Non-Residential Construction</td>
<td>-65.0</td>
<td>60.0</td>
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</table>
Overview

- Employment and Income
- Housing
- Commercial Real Estate
- Macro and Micro Perspectives
- The Local Forecast
- The Recovery
- Operation 6035
- Cluster Development
Personal Savings ($Billions)

Source: Federal Reserve Bank of St. Louis
Net Percent of Loan Officers Reporting Higher Consumer Loan Demand

Source: Federal Reserve Bank of St. Louis
Net Percent of Loan Officers Willing to Make Consumer Loans

Source: Federal Reserve Bank of St. Louis
Net Percent of Bank Loan Officers Willing to Make Prime Residential Mortgage Loans

Source: Federal Reserve Bank of St. Louis
Net Percent of Loan Officers Reporting Higher Comm/Ind Loan Applications

Source: Federal Reserve Bank of St. Louis
Net Percent of Bank Loan Officers with Easier Loan Standards for Small Firms

Source: Federal Reserve Bank of St. Louis
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• Cluster Development
Operation 6035 – Key Sectors

- Aerospace, defense and homeland security
- Software and information technology
- Renewable energy and energy efficiency
- Sports and related industries
- Emerging industries, entrepreneurs
# Measurement Issues

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

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

Source: Quarterly Census of Employment and Wages, Colorado Department of Labor
Aerospace Firms in Colorado (2008)

Source: Colorado QCEW, UCCS Forum
Software Firms in Colorado (2008)

Source: Colorado QCEW, UCCS Forum
Renewable Energy Firms in Colorado (2008)

Source: Colorado QCEW, UCCS Forum
Sports Firms in Colorado (2008)

Source: Colorado QCEW
Common Threads

- Education
- Sciences/Engineering
Graduation Rates (%)

Source: Colorado Department of Education
ACT Scores

Source: Colorado Department of Education
Engineering Firms in Colorado (2008)

Source: Colorado QCEW, UCCS Forum
Ranking *Operation 6035* Target Sectors

- Telecommunications
- Complex Electronics, Computer Assembly
- Publishing
- Utilities
- Membership Associations
- Data Processing/Hosting Services
- Amusements and Recreation
<table>
<thead>
<tr>
<th>Operation 6035 Sectors</th>
<th>Location Quotient</th>
<th>Rank</th>
<th>Employment Multiplier</th>
<th>Rank</th>
<th>Income Multiplier</th>
<th>Rank</th>
<th>Relative Tax Effect</th>
<th>Rank</th>
<th>Overall Rank</th>
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</thead>
<tbody>
<tr>
<td>334 Computer &amp; electronic mfg</td>
<td>2.73</td>
<td>1</td>
<td>8.17</td>
<td>1</td>
<td>4.26</td>
<td>1</td>
<td>0.46</td>
<td>17</td>
<td>2</td>
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<tr>
<td>511 Publishing except internet</td>
<td>2.24</td>
<td>2</td>
<td>4.77</td>
<td>4</td>
<td>2.83</td>
<td>10</td>
<td>0.71</td>
<td>12</td>
<td>3</td>
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<tr>
<td>813 Membership assoc and orgs</td>
<td>1.84</td>
<td>3</td>
<td>2.71</td>
<td>10</td>
<td>3.18</td>
<td>4</td>
<td>0.57</td>
<td>15</td>
<td>5</td>
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<tr>
<td>451 Sporting goods, hobby ...stores</td>
<td>1.6</td>
<td>4</td>
<td>1.54</td>
<td>19</td>
<td>2.22</td>
<td>13</td>
<td>2.71</td>
<td>1</td>
<td>8</td>
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<tr>
<td>541 Professional and tech services</td>
<td>1.55</td>
<td>5</td>
<td>2.39</td>
<td>12</td>
<td>1.77</td>
<td>21</td>
<td>0.77</td>
<td>9</td>
<td>9</td>
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<tr>
<td>517 Telecommunications</td>
<td>1.52</td>
<td>6</td>
<td>5.55</td>
<td>2</td>
<td>3.37</td>
<td>3</td>
<td>1.48</td>
<td>5</td>
<td>1</td>
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<tr>
<td>339 Miscellaneous manufacturing</td>
<td>1.34</td>
<td>7</td>
<td>1.70</td>
<td>18</td>
<td>2.22</td>
<td>13</td>
<td>0.4</td>
<td>20</td>
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<tr>
<td>238 Specialty trade contractors</td>
<td>1.31</td>
<td>8</td>
<td>2.04</td>
<td>16</td>
<td>1.97</td>
<td>18</td>
<td>0.65</td>
<td>13</td>
<td>16</td>
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<tr>
<td>713 Amusements, and recreation</td>
<td>1.21</td>
<td>9</td>
<td>2.08</td>
<td>14</td>
<td>3.06</td>
<td>7</td>
<td>1.39</td>
<td>6</td>
<td>7</td>
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<tr>
<td>621 Ambulatory health care</td>
<td>1.14</td>
<td>10</td>
<td>2.46</td>
<td>11</td>
<td>2.21</td>
<td>15</td>
<td>0.71</td>
<td>11</td>
<td>9</td>
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<tr>
<td>332 Fabricated metal product mfg</td>
<td>1.01</td>
<td>11</td>
<td>2.97</td>
<td>9</td>
<td>2.44</td>
<td>11</td>
<td>0.49</td>
<td>16</td>
<td>9</td>
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<tr>
<td>711 Performing arts/spectator sports</td>
<td>0.99</td>
<td>12</td>
<td>1.39</td>
<td>21</td>
<td>2.02</td>
<td>16</td>
<td>1.62</td>
<td>4</td>
<td>13</td>
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<tr>
<td>237 Heavy/civil engineering cons</td>
<td>0.93</td>
<td>13</td>
<td>2.06</td>
<td>15</td>
<td>2.00</td>
<td>17</td>
<td>0.62</td>
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<td>19</td>
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<tr>
<td>611 Educational services</td>
<td>0.90</td>
<td>14</td>
<td>1.54</td>
<td>19</td>
<td>1.87</td>
<td>20</td>
<td>0.83</td>
<td>7</td>
<td>21</td>
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<tr>
<td>518 Data processing, hosting &amp; svcs</td>
<td>0.80</td>
<td>15</td>
<td>3.33</td>
<td>6</td>
<td>4.02</td>
<td>2</td>
<td>0.73</td>
<td>10</td>
<td>6</td>
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<tr>
<td>423 Durable goods wholesalers</td>
<td>0.67</td>
<td>16</td>
<td>1.82</td>
<td>17</td>
<td>2.25</td>
<td>12</td>
<td>2.58</td>
<td>2</td>
<td>12</td>
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<tr>
<td>221 Utilities</td>
<td>0.67</td>
<td>16</td>
<td>5.01</td>
<td>3</td>
<td>3.04</td>
<td>8</td>
<td>2.27</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>551 Management of companies</td>
<td>0.26</td>
<td>18</td>
<td>3.08</td>
<td>8</td>
<td>1.93</td>
<td>19</td>
<td>0.77</td>
<td>8</td>
<td>13</td>
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<tr>
<td>335 Electrical equipment mfg</td>
<td>0.25</td>
<td>19</td>
<td>2.38</td>
<td>13</td>
<td>3.10</td>
<td>5</td>
<td>0.42</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>333 Machinery manufacturing</td>
<td>0.24</td>
<td>20</td>
<td>3.54</td>
<td>5</td>
<td>2.97</td>
<td>9</td>
<td>0.40</td>
<td>21</td>
<td>16</td>
</tr>
<tr>
<td>336 Transportation equip mfg</td>
<td>0.23</td>
<td>21</td>
<td>3.10</td>
<td>7</td>
<td>3.10</td>
<td>5</td>
<td>0.41</td>
<td>19</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: Colorado Quarterly Census of Employment and Wages, Implan, UCCS Forum
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Cluster Development

- Telecommunications: Ranked 1st from multiplier analysis
- Complex Electronics: Ranked 2nd from multiplier analysis
Telecommunications Suppliers
Share of Inputs (22%)

- Wire Manufacturing (5%)
- Monetary Institutions (4%)
- Internet Publishing (4%)
- Lessors of Non-Financial Intangibles (3%)
- Employment Services (3%)
- Petroleum Refineries (3%)

Source: Implan
Telecomm Inputs in Colorado (2008)

Source: Colorado QCEW, UCCS Forum
Telecommunications Buyers: Share of Output (60%)

- Telecommunications (40%)
- Securities Dealers (6%)
- Custom Programming (4%)
- Wholesale Trade (3%)
- Management of Companies (3%)
- Construction of Residential and Non-Residential Structures (2%)
- Internet Providers (2%)

Source: Implan
Telecomm Users in Colorado (2008)

Source: Colorado QCEW, UCCS Forum
Complex Electronics Suppliers Share of Input (25%)

- Printed Circuit Boards (9%)
- Management of Companies and Enterprises (6%)
- Hardware Manufacturing (6%)
- Inorganic Chemical Manufacturing (5%)

Source: Implan
Complex Electronics Suppliers in Colorado (2008)

Source: Colorado QCEW, UCCS Forum
Complex Electronics Buyers
Share of Output (60%)

- Computer Mfg (16%)
- Computer Storage (9%)
- Telecommunications (7%)
- Computer Peripherals (6%)
- Management of Cos. (5%)
- Telephone Mfg (5%)
- Nondeposit Credit Institutions (4%)
- GPS Equipment (3%)
- Miscellaneous Prof/Sci/Tech (3%)
- Electromedical Manufacturing (2%)

Source: Implan
Complex Electronics Users in Colorado (2008)

Source: Colorado QCEW, UCCS Forum
Compared to the Current Economic Base

• Target industry employment should be growing faster
• Target industries should provide higher and faster growing incomes
• If incentives are appropriate, they should be a regional effort
• Regional incentives should be proportional to tax district benefits
• Target industries should capitalize on local labor skills
• Target industries should contribute to a more diversified and stable local economy
Conclusion

• El Paso County has a core component of Operation 6035 sectors

• Successful cluster development may require regional efforts

• Trade missions to neighboring communities in Colorado might prove useful to identify
  – Cluster suppliers
  – Cluster end users
CSAP 4th Grade Reading Assessment

- Colorado
- El Paso County
CSAP 4th Grade Writing Assessment

- Colorado
- El Paso County
Average Asking Rents per sq ft. by Sector
(December figures)

Turner Commercial Research
Industrial Asking Rents

Turner Commercial Research
<table>
<thead>
<tr>
<th>Year</th>
<th>Asking Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$16.00</td>
</tr>
<tr>
<td>2001</td>
<td>$10.00</td>
</tr>
<tr>
<td>2002</td>
<td>$12.00</td>
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<td>2003</td>
<td>$14.00</td>
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<tr>
<td>2004</td>
<td>$16.00</td>
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<tr>
<td>2005</td>
<td>$10.00</td>
</tr>
<tr>
<td>2006</td>
<td>$8.00</td>
</tr>
<tr>
<td>2007</td>
<td>$6.00</td>
</tr>
<tr>
<td>2008</td>
<td>$4.00</td>
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<tr>
<td>2009</td>
<td>$2.00</td>
</tr>
<tr>
<td>Jun-10</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

Shopping Center Asking Rates
Excludes Regional Malls

Turner Commercial Research
El Paso County Sales ($millions)

Food and Beverage
Retail
Total

2006 2007 2008 2009 2010 (Through May)
Office Vacancy Rates by Sector
(December figures in percent)
## Comparison City Data

<table>
<thead>
<tr>
<th>MSA</th>
<th>Per Capita Personal Income 2008</th>
<th>Percent Change in Personal Income 2001-2008</th>
<th>Per Capita Personal Income as a Percent of the U.S. Average</th>
<th>Household Size</th>
<th>Average Earnings per Job</th>
<th>Average Wage &amp; Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albuquerque</td>
<td>$35,415</td>
<td>33.8%</td>
<td>88.20%</td>
<td>2.4</td>
<td>$43,695</td>
<td>$40,059</td>
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<tr>
<td>Austin</td>
<td>37,362</td>
<td>14.1%</td>
<td>93.0%</td>
<td>2.4</td>
<td>48,503</td>
<td>47,227</td>
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<tr>
<td>Boise</td>
<td>35,615</td>
<td>21.9%</td>
<td>88.7%</td>
<td>2.4</td>
<td>42,368</td>
<td>38,045</td>
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<tr>
<td>Boulder</td>
<td>50,058</td>
<td>21.9%</td>
<td>124.6%</td>
<td>2.2</td>
<td>51,806</td>
<td>52,845</td>
</tr>
<tr>
<td>Colorado Springs</td>
<td>38,221</td>
<td>26.5%</td>
<td>95.2%</td>
<td>2.5</td>
<td>47,359</td>
<td>43,317</td>
</tr>
<tr>
<td>Denver</td>
<td>48,010</td>
<td>25.1%</td>
<td>119.5%</td>
<td>2.3</td>
<td>58,127</td>
<td>51,870</td>
</tr>
<tr>
<td>Huntsville</td>
<td>38,259</td>
<td>37.4%</td>
<td>95.3%</td>
<td>2.3</td>
<td>51,756</td>
<td>46,967</td>
</tr>
<tr>
<td>Kansas City</td>
<td>40,396</td>
<td>24.9%</td>
<td>100.6%</td>
<td>2.3</td>
<td>50,850</td>
<td>45,263</td>
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<tr>
<td>Minneapolis</td>
<td>47,653</td>
<td>27.5%</td>
<td>118.6%</td>
<td>2.2</td>
<td>54,758</td>
<td>50,630</td>
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<tr>
<td>Portland</td>
<td>39,942</td>
<td>21.9%</td>
<td>99.4%</td>
<td>2.3</td>
<td>49,425</td>
<td>45,891</td>
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<td>Pueblo</td>
<td>30,564</td>
<td>30.3%</td>
<td>76.1%</td>
<td>2.4</td>
<td>38,632</td>
<td>35,137</td>
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<tr>
<td>Salt Lake City</td>
<td>38,237</td>
<td>33.4%</td>
<td>95.2%</td>
<td>2.5</td>
<td>46,173</td>
<td>42,195</td>
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<td>Tucson</td>
<td>34,058</td>
<td>37.1%</td>
<td>84.8%</td>
<td>2.6</td>
<td>42,140</td>
<td>40,544</td>
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<tr>
<td>Wichita</td>
<td>39,207</td>
<td>36.0%</td>
<td>97.6%</td>
<td>2.4</td>
<td>47,728</td>
<td>40,940</td>
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<tr>
<td>Comparison City Avg</td>
<td>39,500</td>
<td>28.0%</td>
<td>98.3%</td>
<td>2.4</td>
<td>48,094</td>
<td>44,352</td>
</tr>
</tbody>
</table>
Industrial Vacancy Rates

Turner Commercial Research
El Paso County Employment

Source: Colorado Department of Labor
Shopping Center Vacancy Rates
Excludes Regional Malls

Turner Commercial Research