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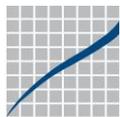
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Economic Forum

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The National, State & Local Economies

October 4, 2018

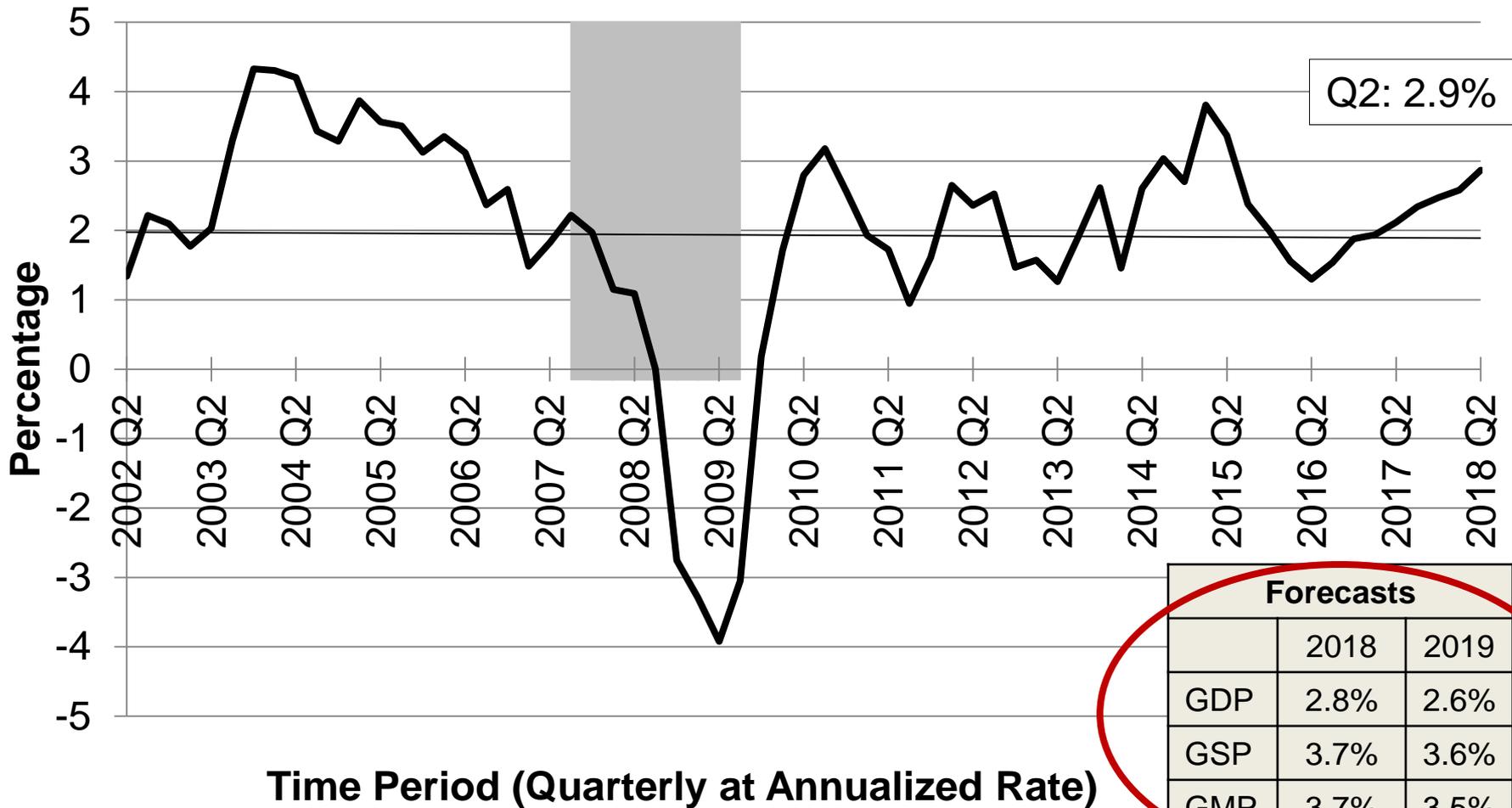
Tatiana Bailey, Ph.D.
Director, UCCS Economic Forum

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Overview

- **A Few National Indicators**
- The Colorado State Economy
- Our Local Economy

Real Growth in GDP vs. Year Ago

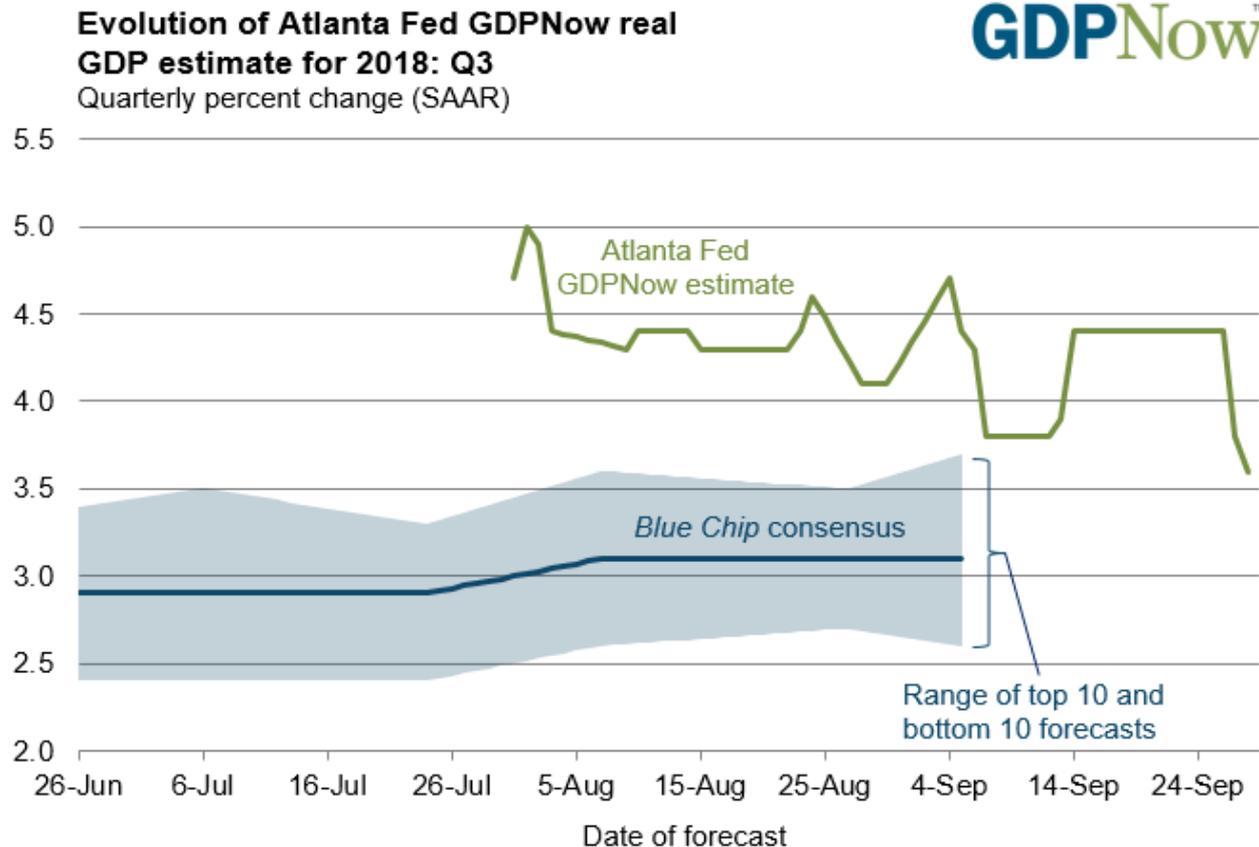


Forecasts		
	2018	2019
GDP	2.8%	2.6%
GSP	3.7%	3.6%
GMP	3.7%	3.5%

GDP 2018 forecast by CO OSPB. GDP 2019 forecast by Wells Fargo. GSP and GMP forecasts by the UCCS Economic Forum with input from the CO OSPB. Graph shows **seasonally adjusted** information.

Source: U.S. Bureau of Economic Analysis

GDPNow from Atlanta Federal Reserve



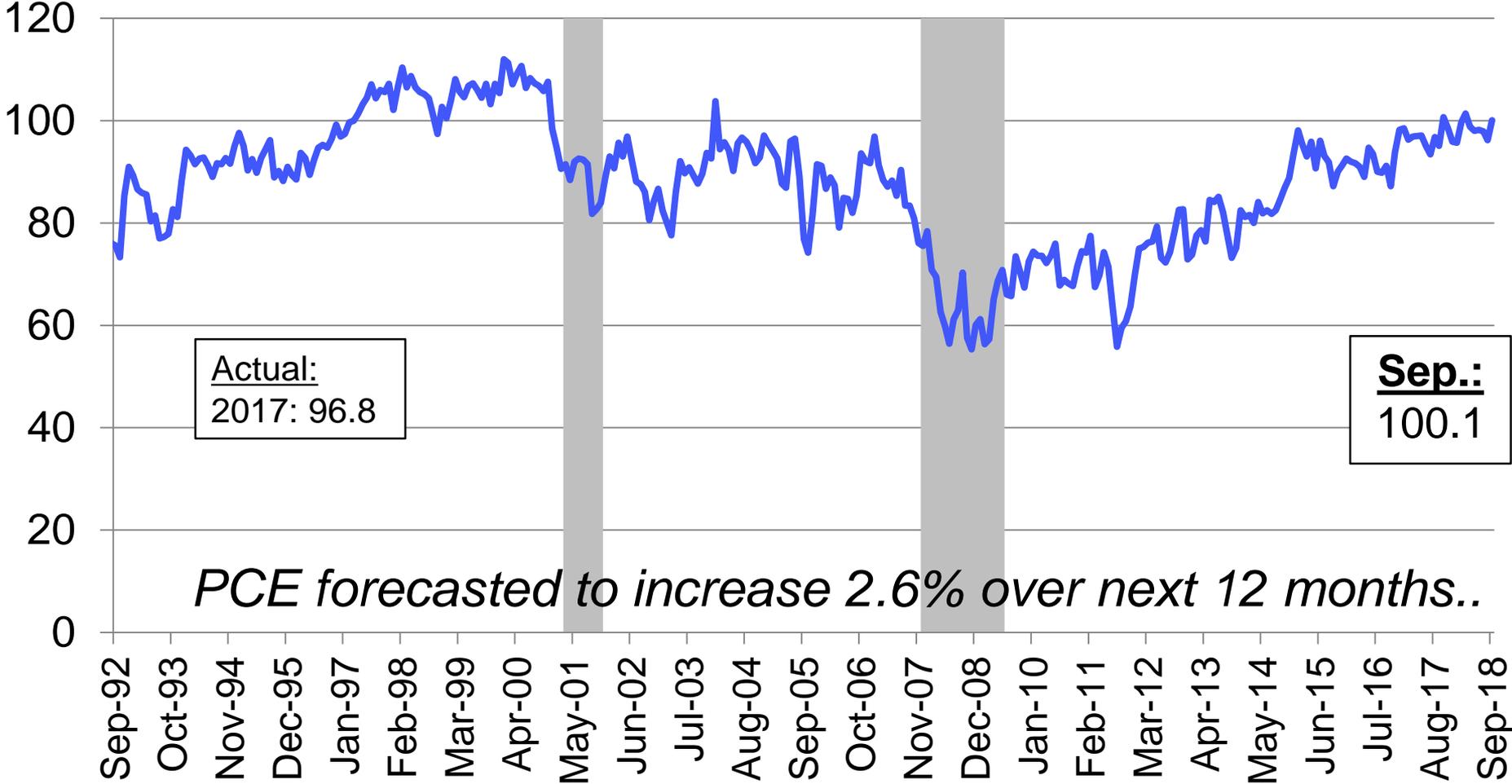
- Atlanta Fed previously forecasting a 4.4% growth in GDP for Q3, but then revised to 4.1%, 3.8% and now 3.6% due to drag of imports & PCE.

Where is GDP Headed?

- Many experts expect net exports to pull down GDP by 1.0%.
- Consumer spending still quite robust, which pulls up our demand for foreign-made goods.
- Imports up in 5 out of 6 major categories.
- Since January, the value of the dollar against the currencies of our major trading partners is up 6%. That makes U.S. made goods more expensive to foreigners.
- This will only increase our trade deficit.
- Still have some steam in the fiscal stimulus (tax cuts).
- CBO states that Q2 real GDP about 1.1% higher than real *potential GDP* (e.g. what can be sustained over the long run).

Source: Atlanta Federal Reserve, Wells Fargo, Deutsche Bank, Bloomberg

University of Michigan Consumer Sentiment



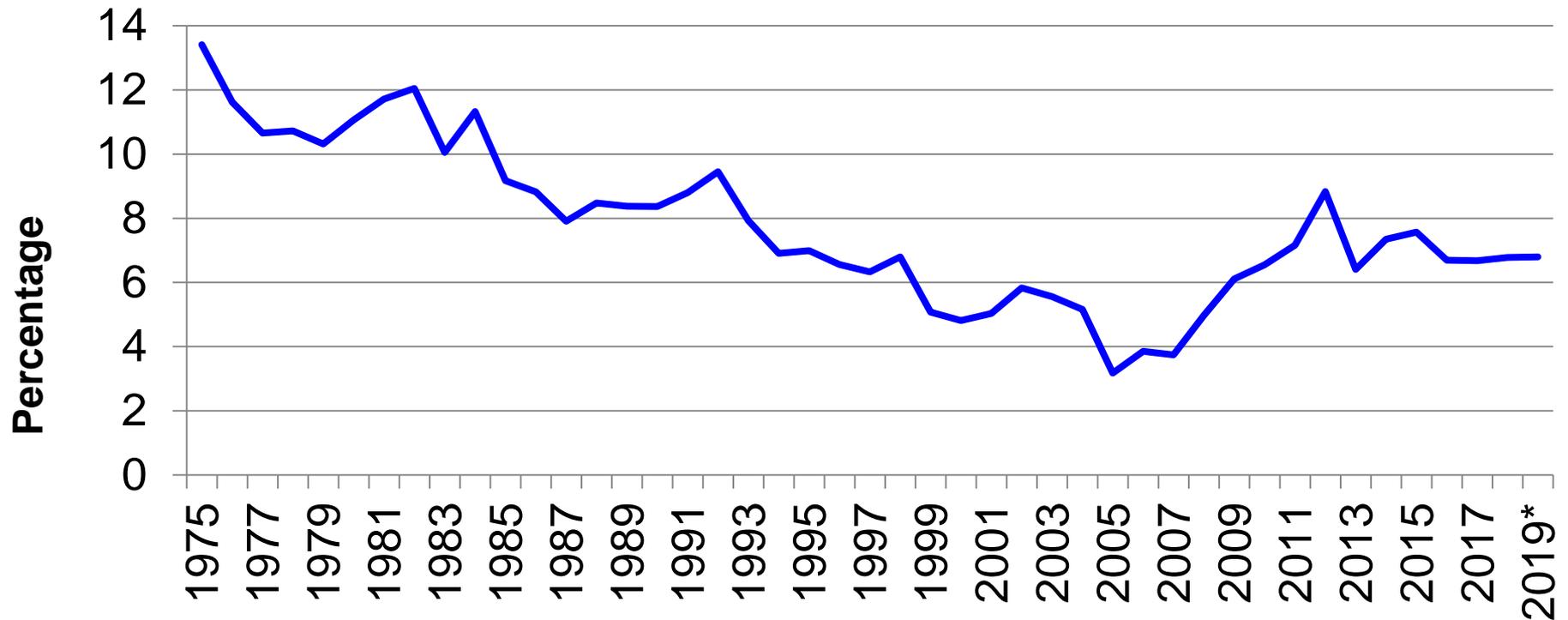
Notes: PCE forecast from the University of Michigan as of August 2018. Annual number for 2017 is the average over the course of the year.

Source: University of Michigan

High Consumer Sentiment

- The 100.1 reading is 3rd highest since 2004.
- Gains widespread across all socioeconomic groups and September reading mostly attributable to HHs in bottom 1/3 income group.
- Continued high prospects for jobs and incomes
- Consumers anticipate continued growth in the economy: more jobs and even lower unemployment rates.
- Largest cited problem is anticipated negative impact from tariffs (1/3 of respondents)

Personal Savings Rate

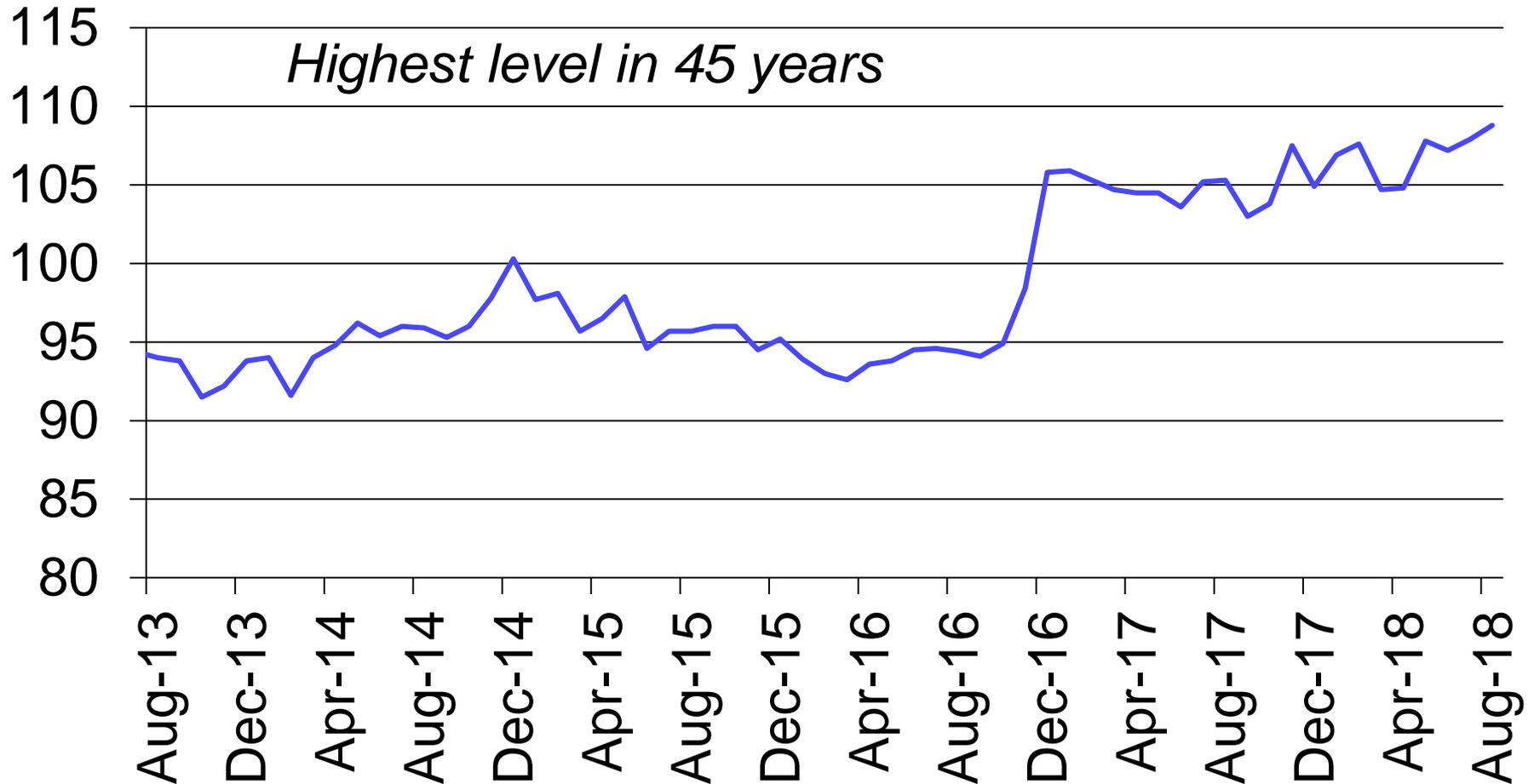


- Higher savings rate than previously thought.
- Provides protection to consumers when a downturn does happen (PCE stays higher than it would otherwise) - **Resiliency**
- This also protects the broader economy as domestic demand is 2/3 of GDP.

Source: U.S. Bureau of Economic Analysis; Forecast by UCCS Economic Forum

Small Business Optimism Index

Seasonally Adjusted 1986=100



Source: ©NFIB Research Center, August 2018 Small Business Economic Trends Report



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Small Business Confidence – August 2018

- 32% of respondents say they have increased compensation (*wage push inflation*)
- 38% of employers have job openings; 26% creating jobs in the next three months
- 34% say now is a good time to expand
- 56% reported capital outlays
- Labor quality stated as #1 problem (25%)

Source: ©NFIB Research Center, August 2018 Small Business Economic Trends Report



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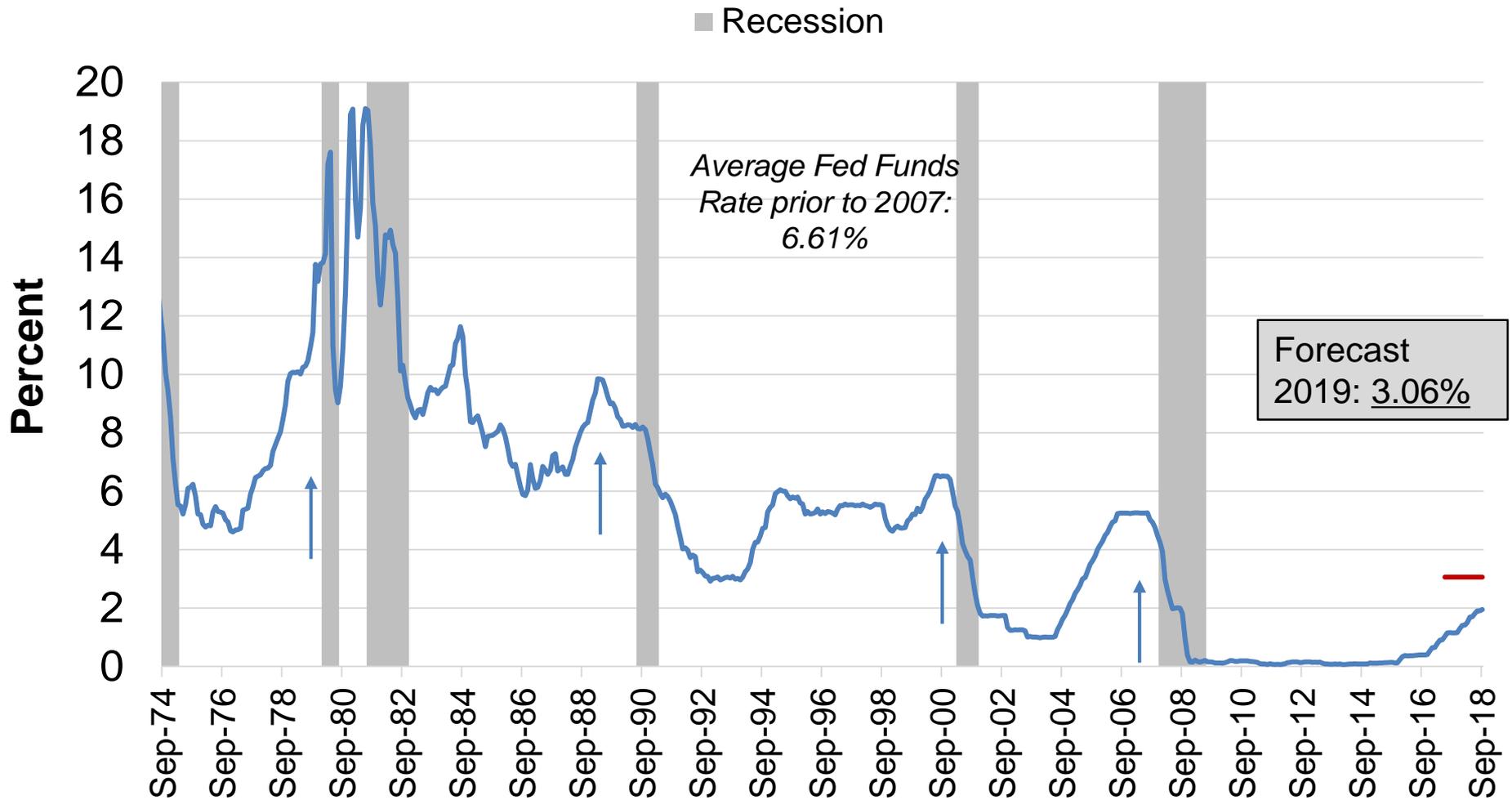
U.S. Manufacturing

September PMI: 59.8%

The manufacturing industry as a whole (PMI) has been expanding for 25 months while the overall economy has grown for 113 consecutive months.

Note: Lower than August (61.8%) mostly due to higher raw material prices and lower orders.
Source: Institute for Supply Management, May 2018 Report

Federal Funds Rate



Source: Board of Governors of the Federal Reserve System (US); Forecast by Wells Fargo

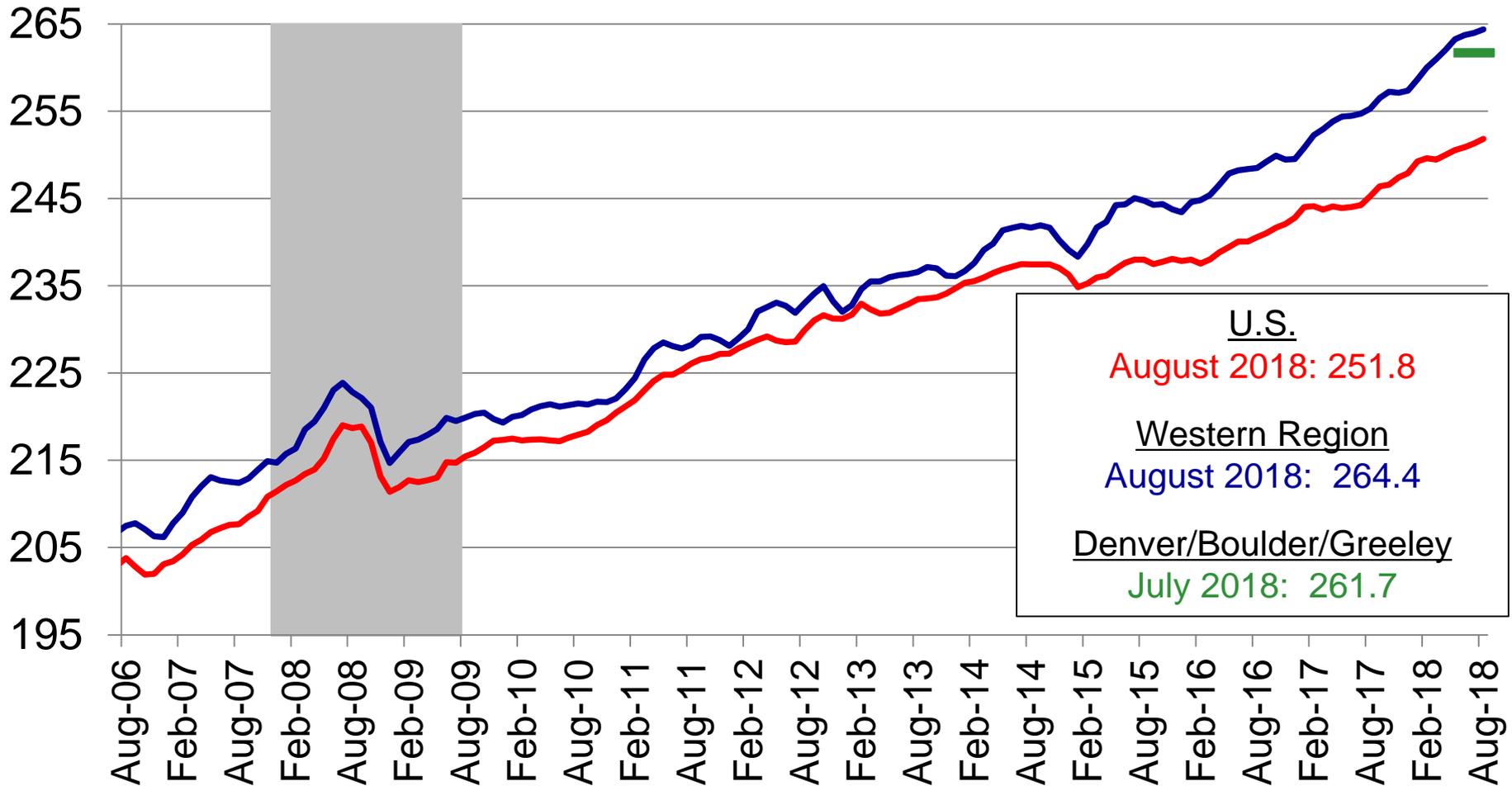


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Consumer Price Index (1982-1984 = 100)



NOTE: The 2018 forecast is 2.5% inflation rate for U.S. according to Wells Fargo and 3.0% for Colorado according to the CO OSPB.
 Source: U.S. Bureau of Labor Statistics

Structural Limits to Inflation??

- Usually, low unemployment causes wages to rise.
- Employers eventually pass those cost increase onto consumers...
- However, high health care costs have kept wages from rising too much.
- E-commerce has introduced a new level of competition and capitalism keeping prices low.
- Globalism has had a similar effect.

Factors Hinting at a Slowdown...

- 1) Unemployment falling below ~3.5%* & rising wages
- 2) More pressure on inflation due to trade wars; PCE down
- 3) Inflation concerns precipitating interest rate hikes; yields
- 4) A leveling of worker productivity (aging population and low labor participation for young cohorts); the skills gap
- 5) Further reductions from immigration restrictions
- 6) Asset bubbles – overexuberance in stock market
- 7) The synchronized global growth of today will be the synchronized contraction of monetary policy tomorrow.
- 8) Downgrading of U.S. treasuries because of high debt (LT)

~Number of factors and/or confluence of these factors~

*August 2018 at 3.9% SA; was 4.4% in August 2017

Fueling the Debt..

- 2018 Q2 after-tax corporate profits grew 16.1%.
- The largest year-over-year gain in six years.
- Corporate earnings were strong before this as well.
- Federal taxes paid by U.S. companies fell by 33% in the past year.
- OMB now states that our debt will be \$1t higher in the next decade (or \$100b more a year in deficits).
- Due to federal tax law changes that took effect in 2017.
- Avoid further overheating the economy, and save fiscal stimulus for when we need it.

Source: OSPB September 2018 Report, U.S. Commerce Department

Factors Hinting at Continued Growth...

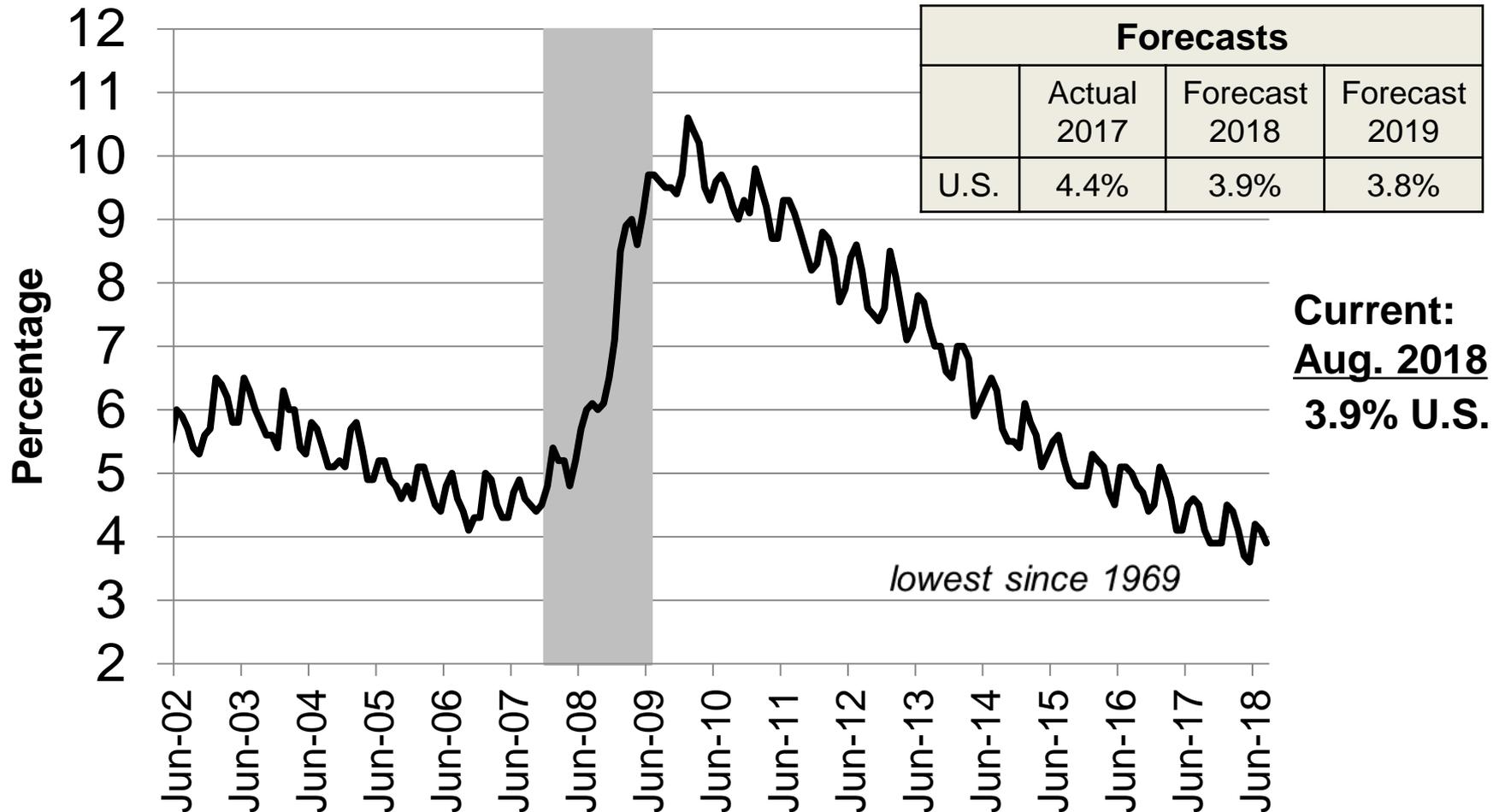
- 1) Consumers still confident - domestic growth in PCE.
- 2) Major global economies are simultaneously growing
- 3) Increased demand for our goods (PMI at 59.8, up 25 mo.)
- 4) Tax Act increases corporate and SB profits buoying business cap ex and stock market (short-term)
- 5) Seeing modest increase in labor participation (keeps unemployment from falling too low; increases productivity without too much wage pressure)
- 6) Interest rates still very low – people and companies still taking out loans and growing the economy
- 7) Great Recession created resiliency (banks still relatively cautious, savings rate high..)

Cyclical vs. Structural Issues

Cyclical Forces <i>Short-term</i>	Structural Forces <i>Long-term</i>
1) Tax Cuts 	1) Deficit 
2) Low Unemployment 	2) Aging Population/Skills Gap 
3) Inflation 	3) High Health Care Costs 
4) Higher Interest Rates 	4) High Education Costs 
5) Tariffs and a Reduction in Global Trade/Demand for U.S. Goods (ST or LT?) 	5) Better Terms of Trade (?) 

A Look at Employment

Monthly Unemployment Rate – NSA



Sources: U.S. Bureau of Labor Statistics, BLS unemployment rate is from the CPS and includes self employed. Forecast by the Colorado Office of State Planning and Budgeting, June 2018

U.S. Industry Changes in the Past 12 Months

Highlights include:

- Professional & Business Svc: +536,000
- HC & Social Assistance: +395,400
- Construction: +287,000
- Leisure and Hospitality: +273,000
- Accommodation & Food Svc: +256,200
- Manufacturing: +253,000

Nice mix of high, middle & low skill

Source: U.S. Bureau of Labor Statistics, Comparing August 2018 to August 2017



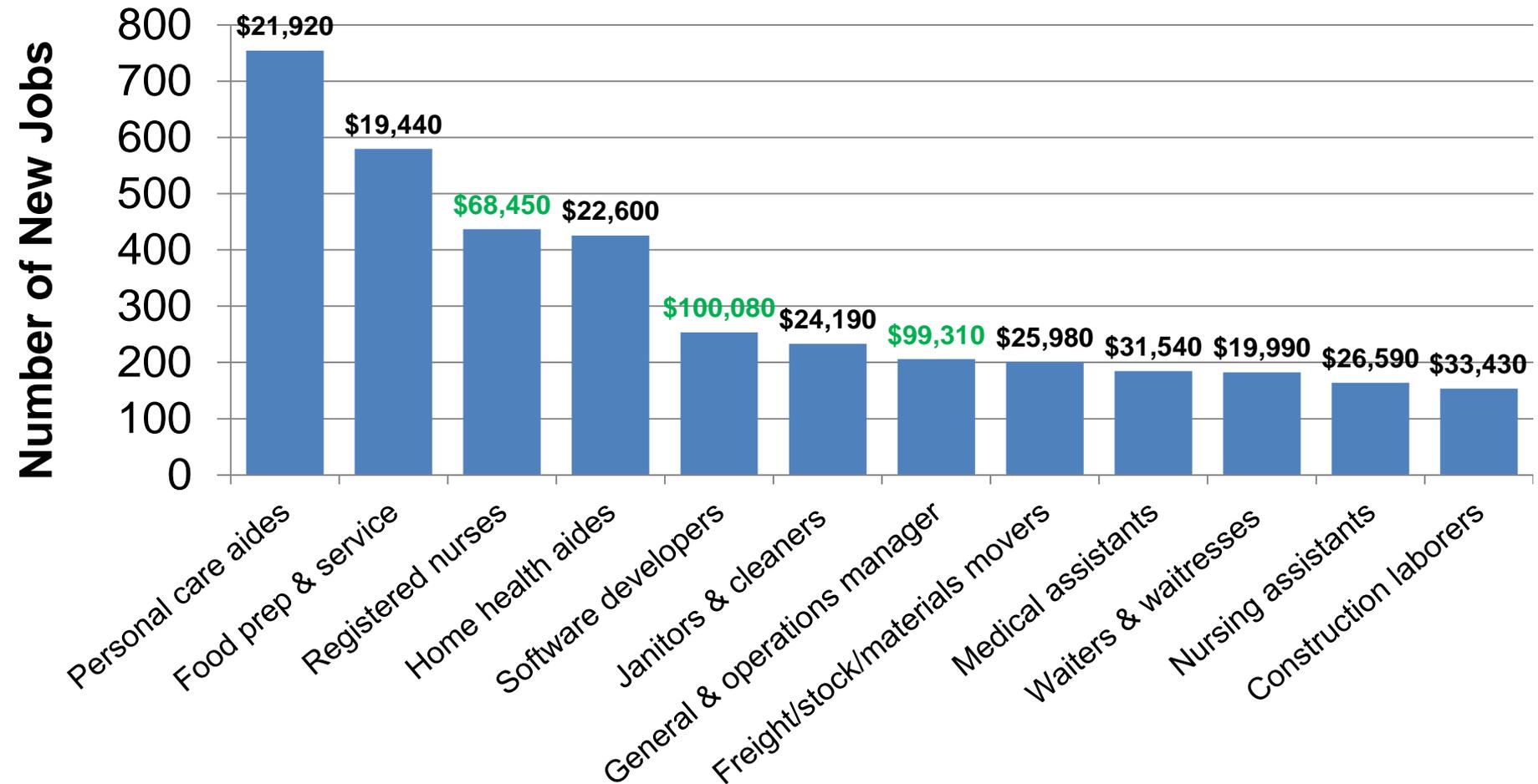
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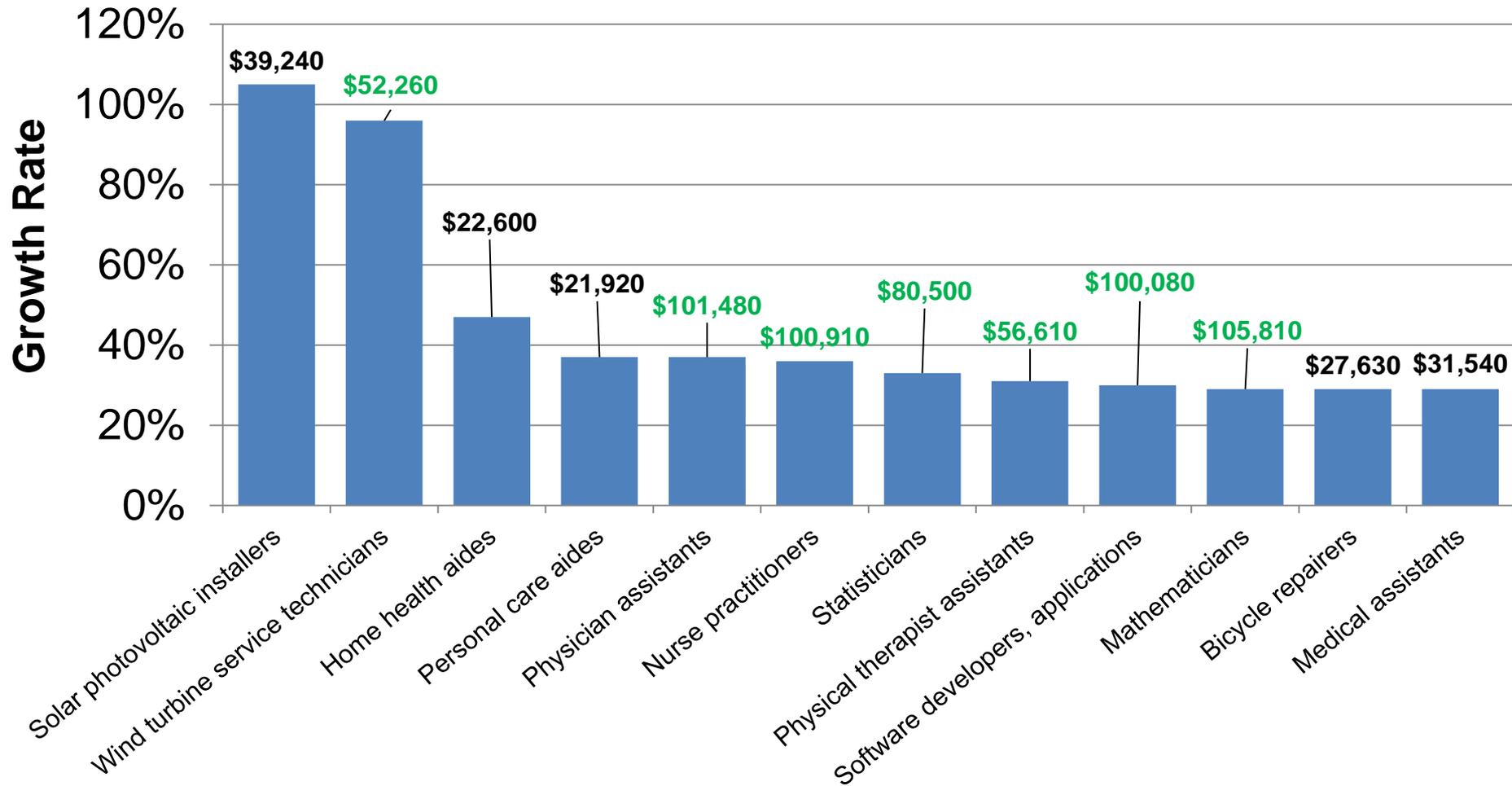
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Highest Job Growth Projections in the U.S., 2016 to 2026



Note: Annual median salaries (2016) for these occupations are given above job growth projection bars. Highest paying are in green.
Source: U.S. Bureau of Labor Statistics

Fastest Growing Occupations in the U.S., 2016 to 2026



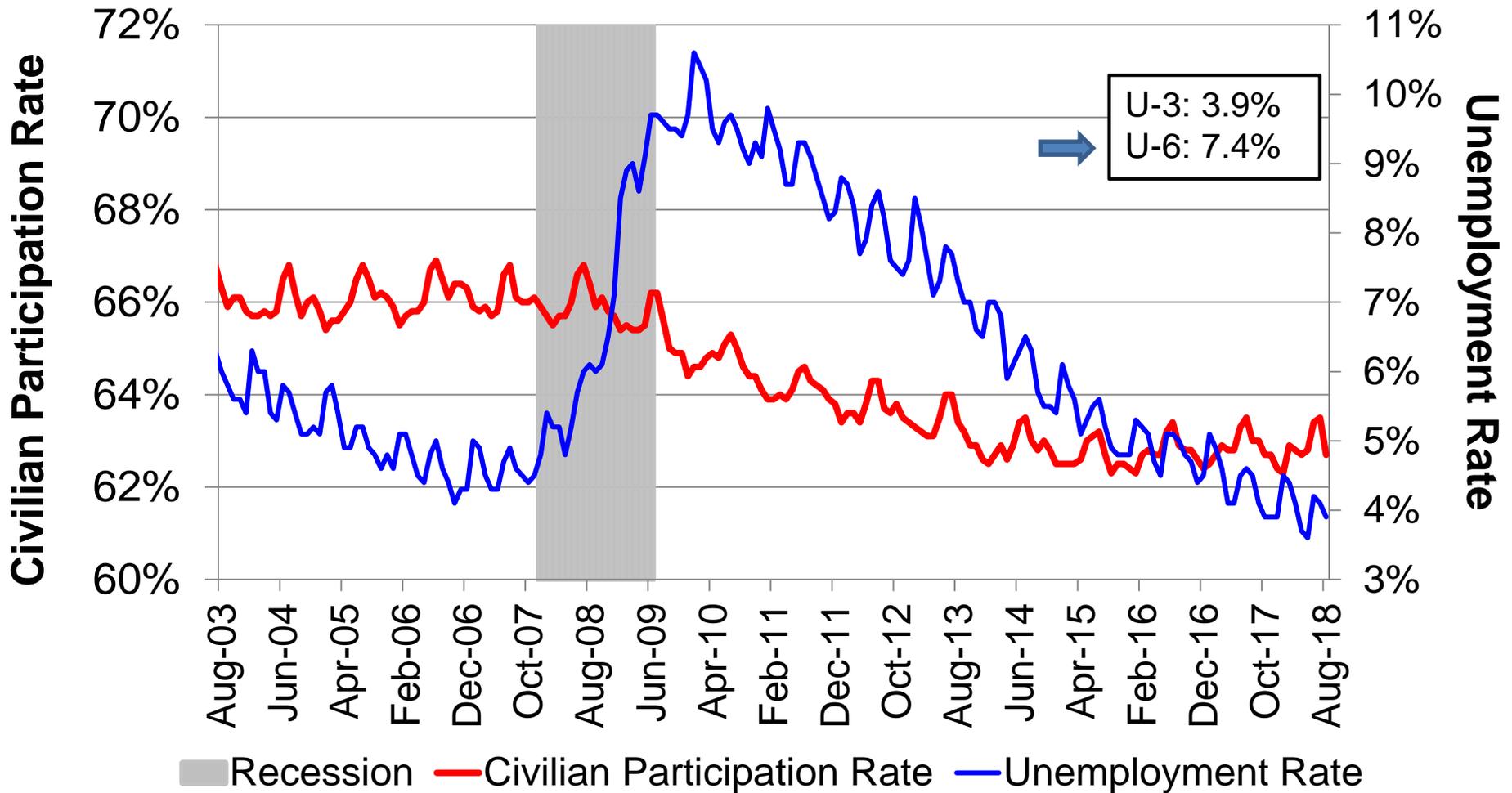
Note: The 2016 annual median salaries for these occupations are given above job growth projection bars.

Source: U.S. Bureau of Labor Statistics

Future Workforce Trends

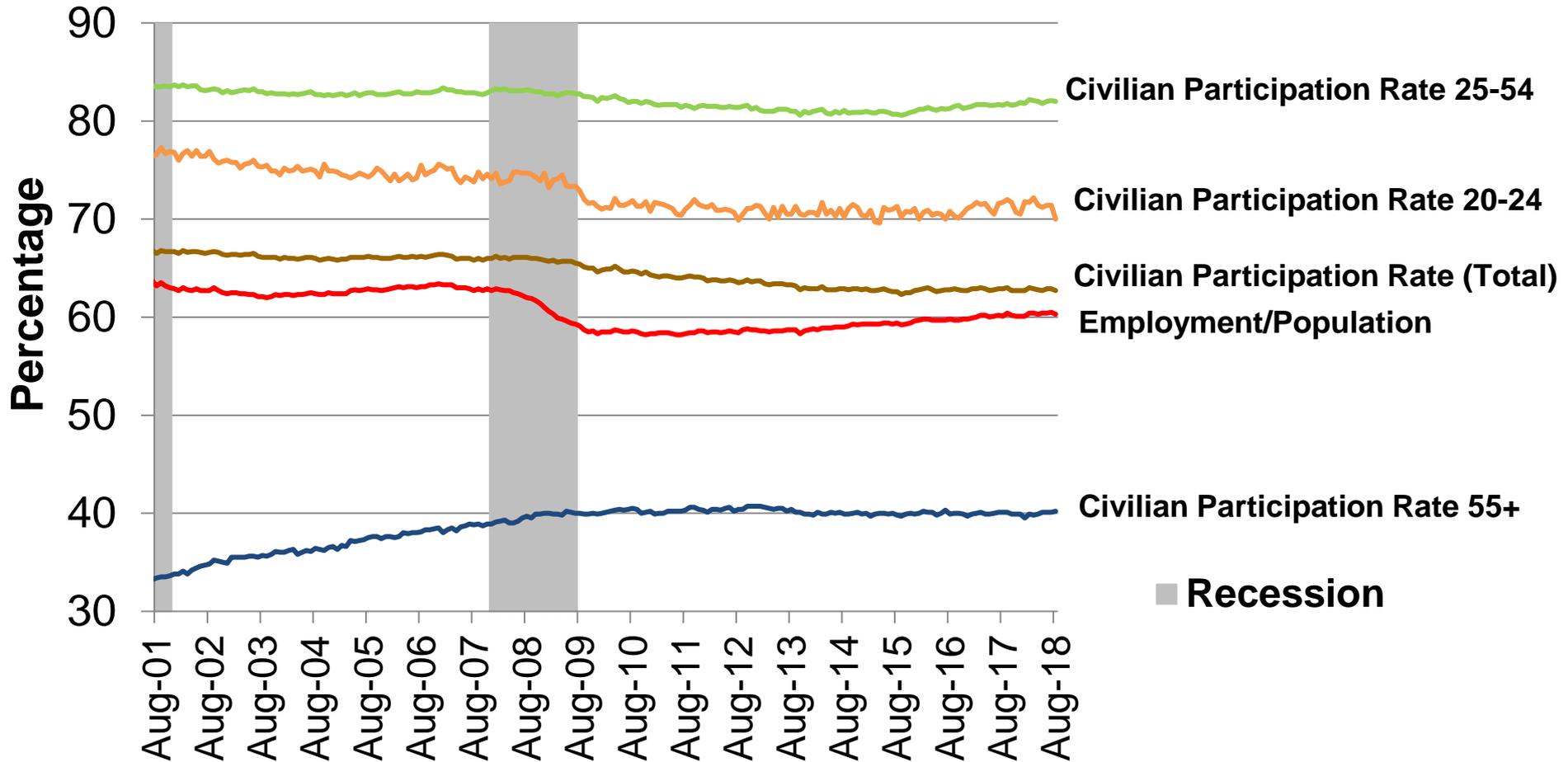
- Health care (because we're getting old and decrepit) and software engineering (because technological change impacts every industry)
- Statisticians/mathematicians needed to interpret big data that feeds technological change
- Energy sector will have very high level of disruption in next 10 years.
- Our global competitiveness will hinge upon our ability to educate for today and tomorrow's jobs.

U.S. Civilian Participation and Unemployment Rates, NSA



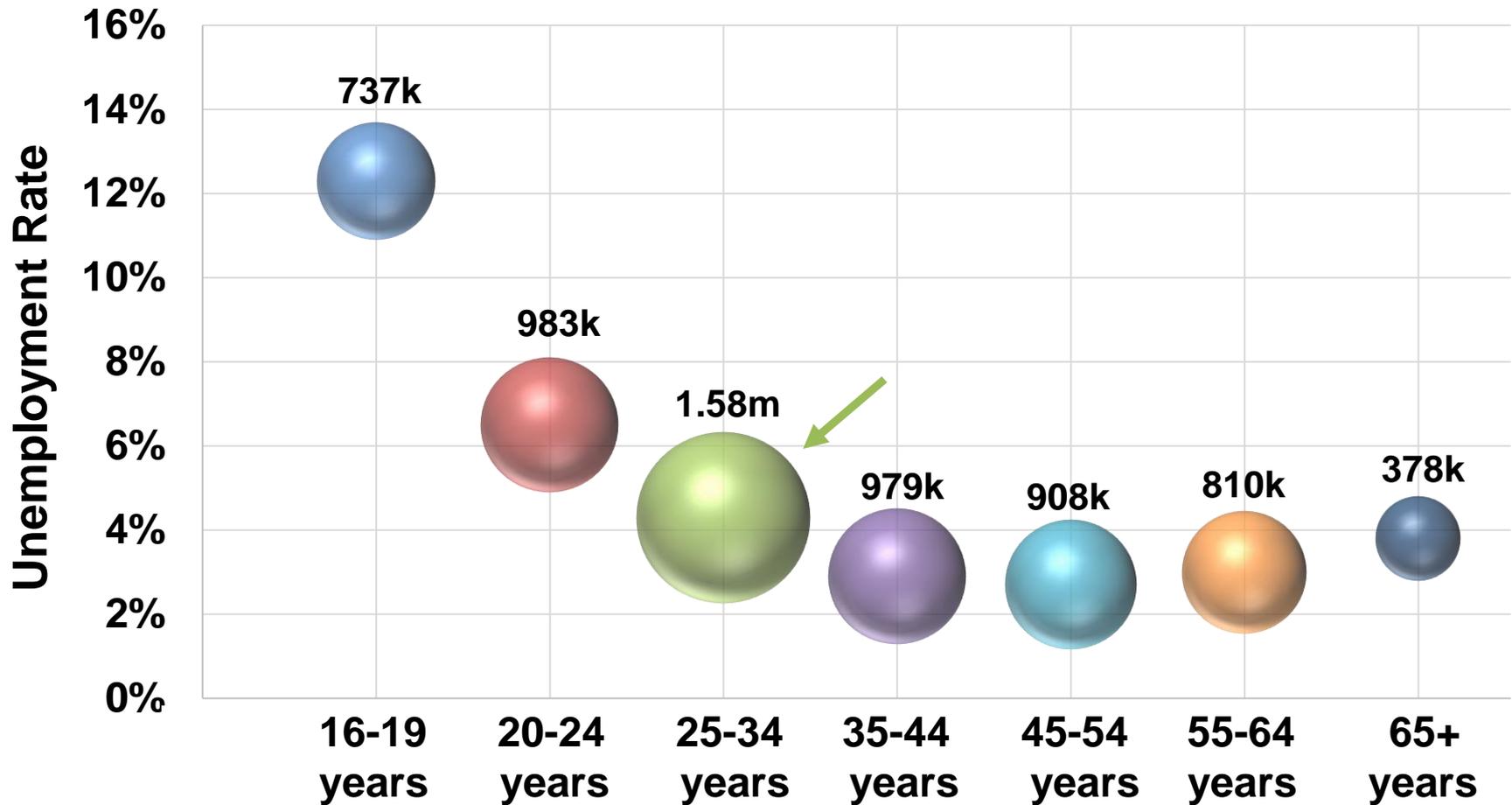
U-6 includes unemployed, those marginally attached to LF, plus those employed PT for economic reasons. In August 2017, it was 8.6%.
 Source: U.S. Bureau of Labor Statistics

Household Data: U.S. Civilian Participation Rates SA Employment/Population SA



Source: Federal Reserve Bank of St. Louis, U.S. Bureau of Labor Statistics

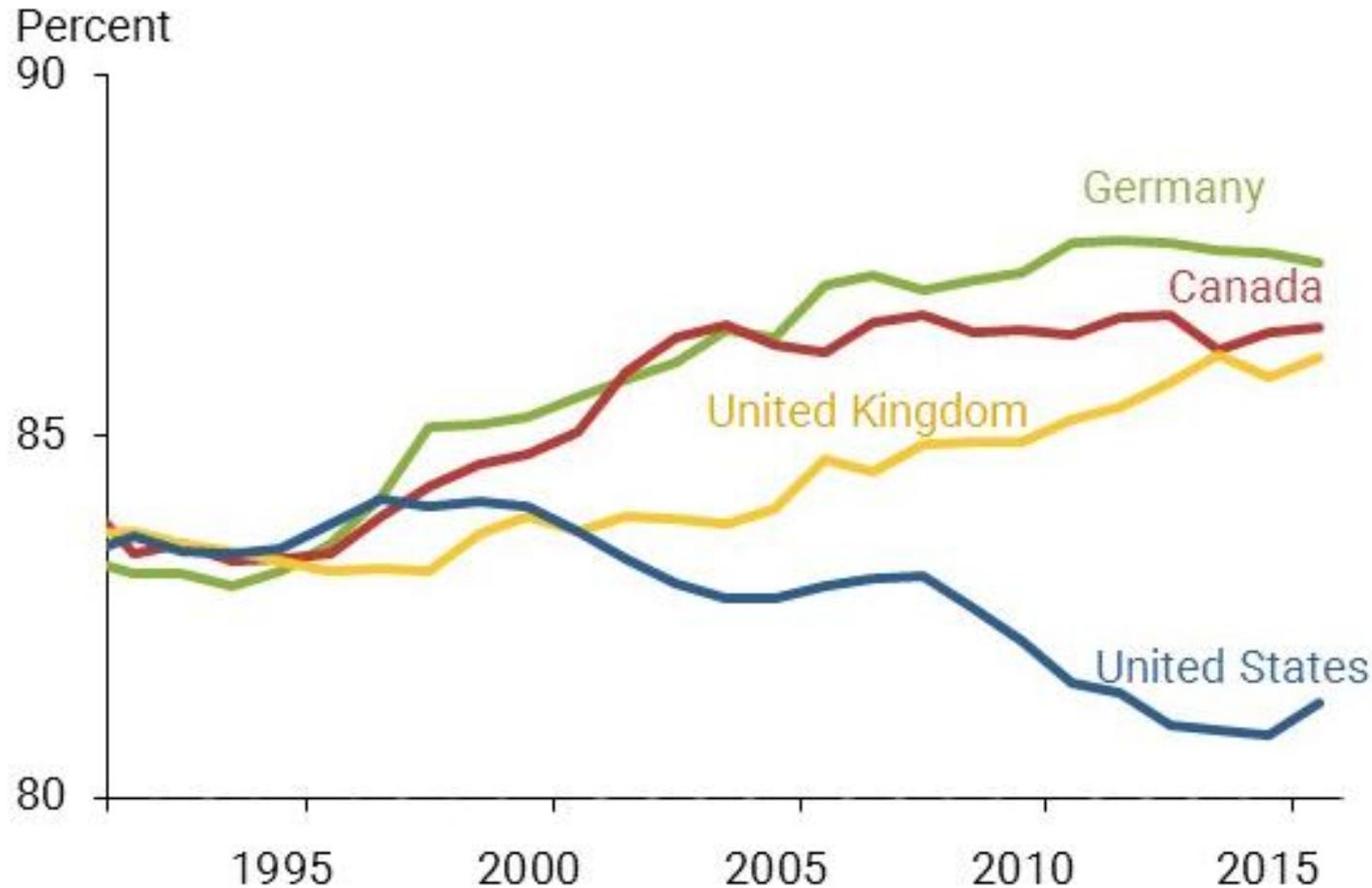
Unemployment Rate & Number Unemployed by Age, August 2018*



*Bubble size represents number of unemployed. Data not seasonally adjusted.

Source: U.S. Bureau of Labor Statistics

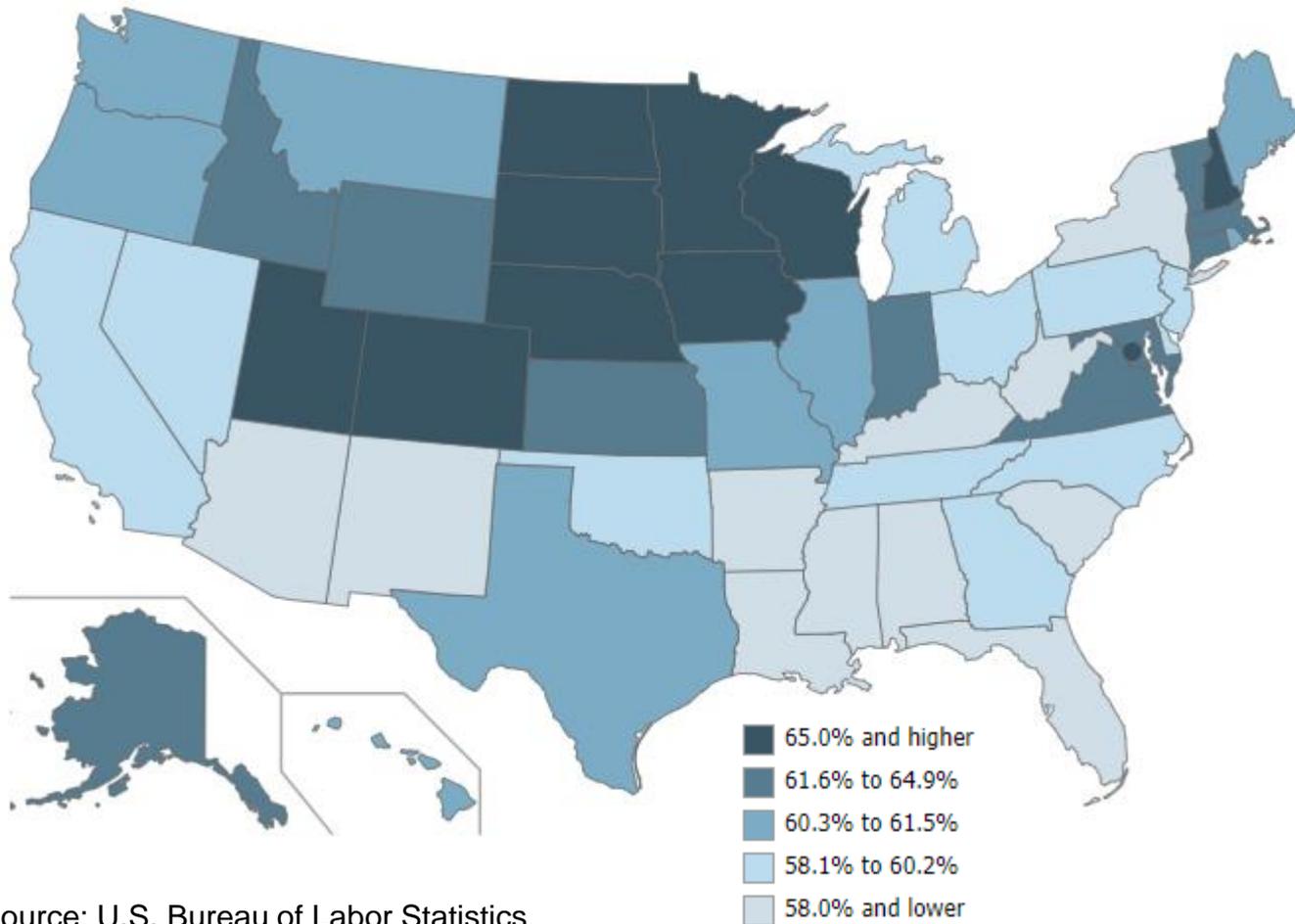
International Labor Participation Rates for Ages 25-34



Source: Federal Reserve Bank of San Francisco, OECD

2017 Employment-Population Ratio by State

Colorado is Moving in the Right Direction!



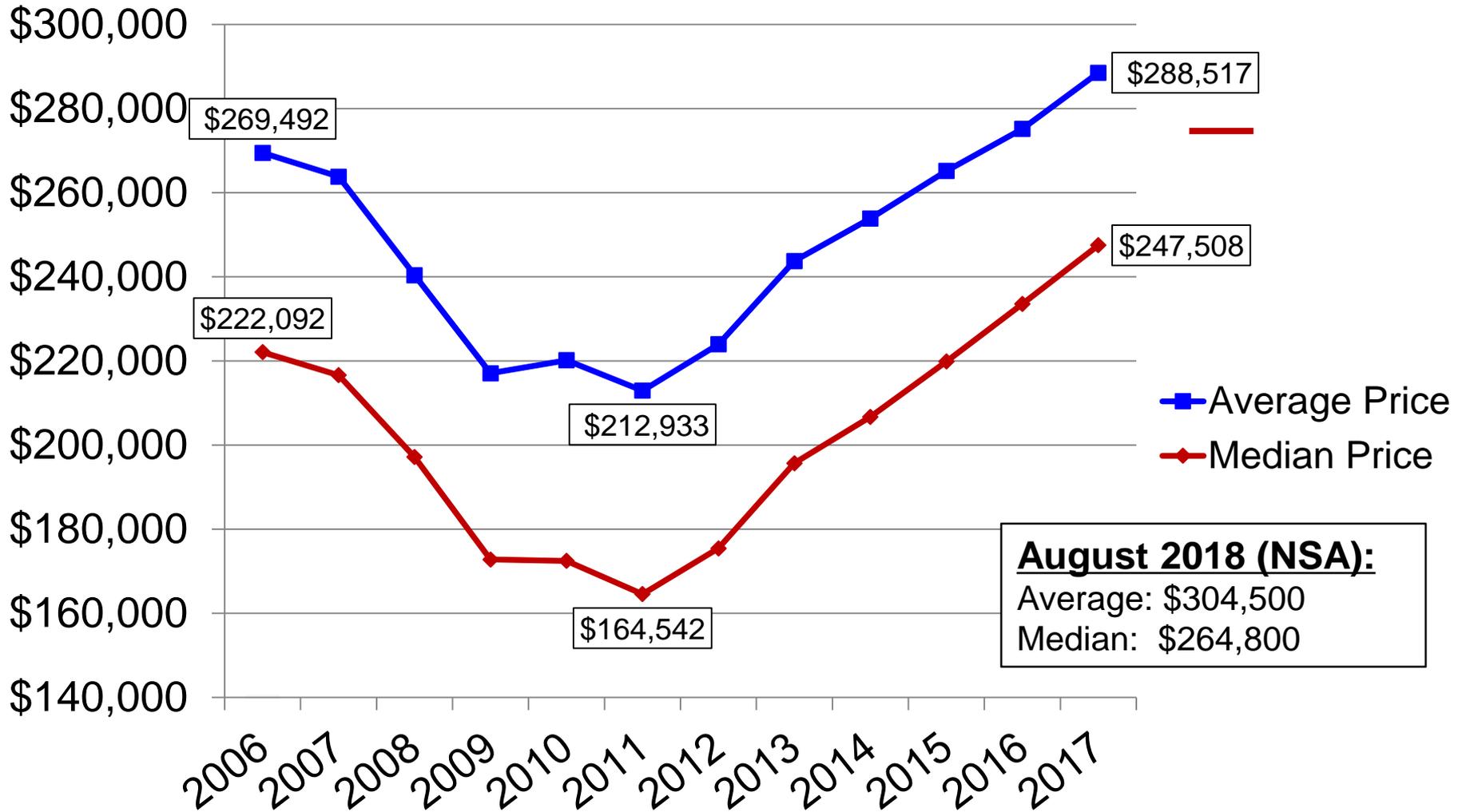
- The LARGEST E/P ratio increase in U.S. was in CO (+1.3%)!
- N. Dakota has highest ratio at 69.6%.
- CO was 66.2%.
- U.S. was 60.1%.
- WV was lowest at 50.5%.

Source: U.S. Bureau of Labor Statistics

A Little Bit on U.S. Housing...

Real estate makes up 15% of GDP

U.S. Annual Average & Median Existing Single-Family Home Prices



Source: National Association of REALTORS®

National Picture – Housing Prices Q2

- 90% of measured MSAs (178) showed gains in single-family home prices.
- 90% of MSAs (61) showed gains in median condo prices.
 - U.S. median existing SF home price in Q2 was **\$269,000** (up 5.3% 2018 Q2 from 2017 Q2).
 - Median condo price in the U.S. was **\$248,200** (up 3.6%).

August marks 78 consecutive months of YoY gains.*

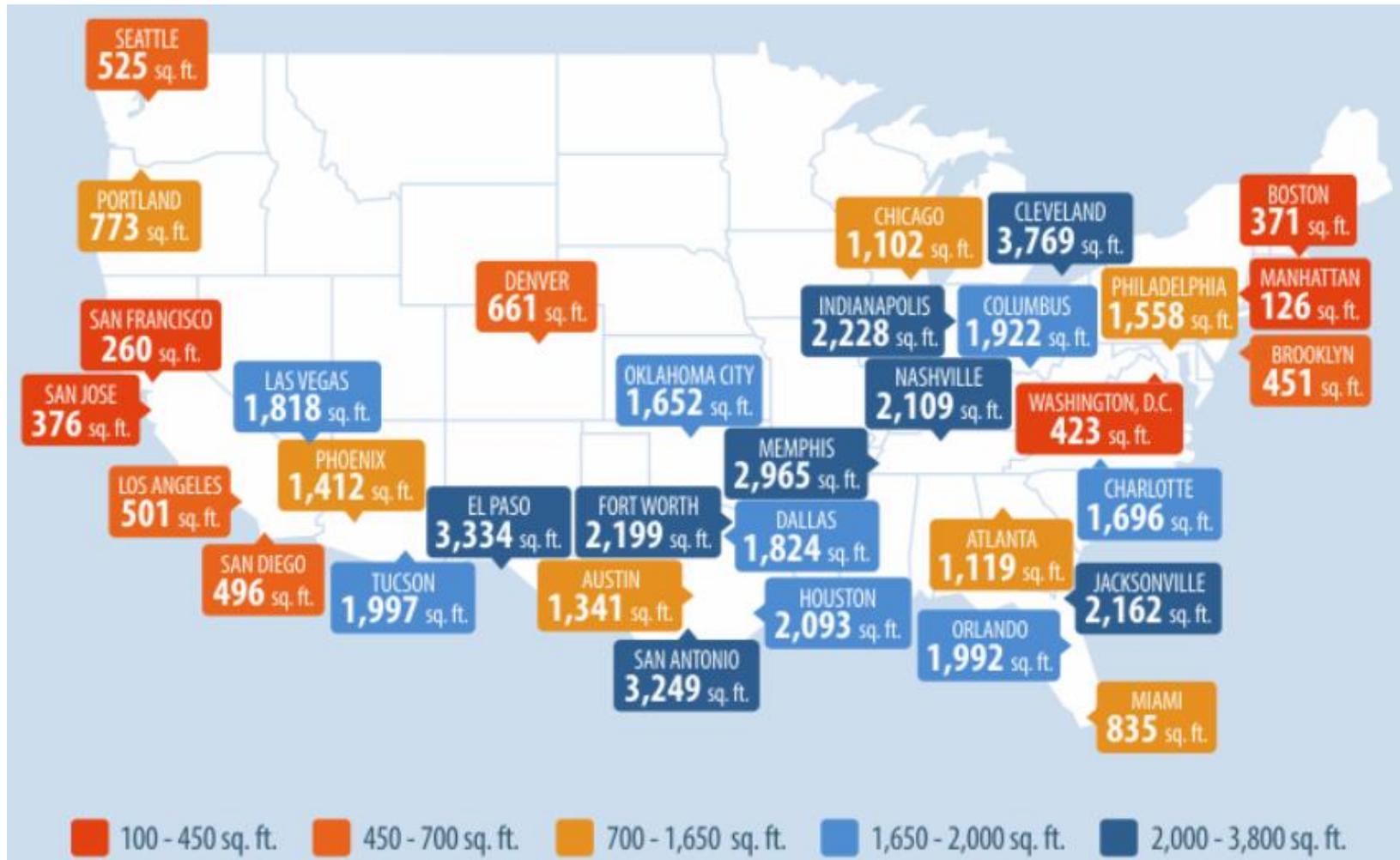
Source: National Association of REALTORS® ; *for existing homes all types

National Real Estate

- Only 31% of buyers in August were first time buyers.
- First time buyers are squeezed out of market due to low inventory, higher prices and increasing mortgage rates.
- Renters state they are ready to buy, but not enough properties in their price range.
- Likely that building of more affordable homes would boost national sales and home ownership rates.
- Most MSAs are still underbuilding relative to demand.

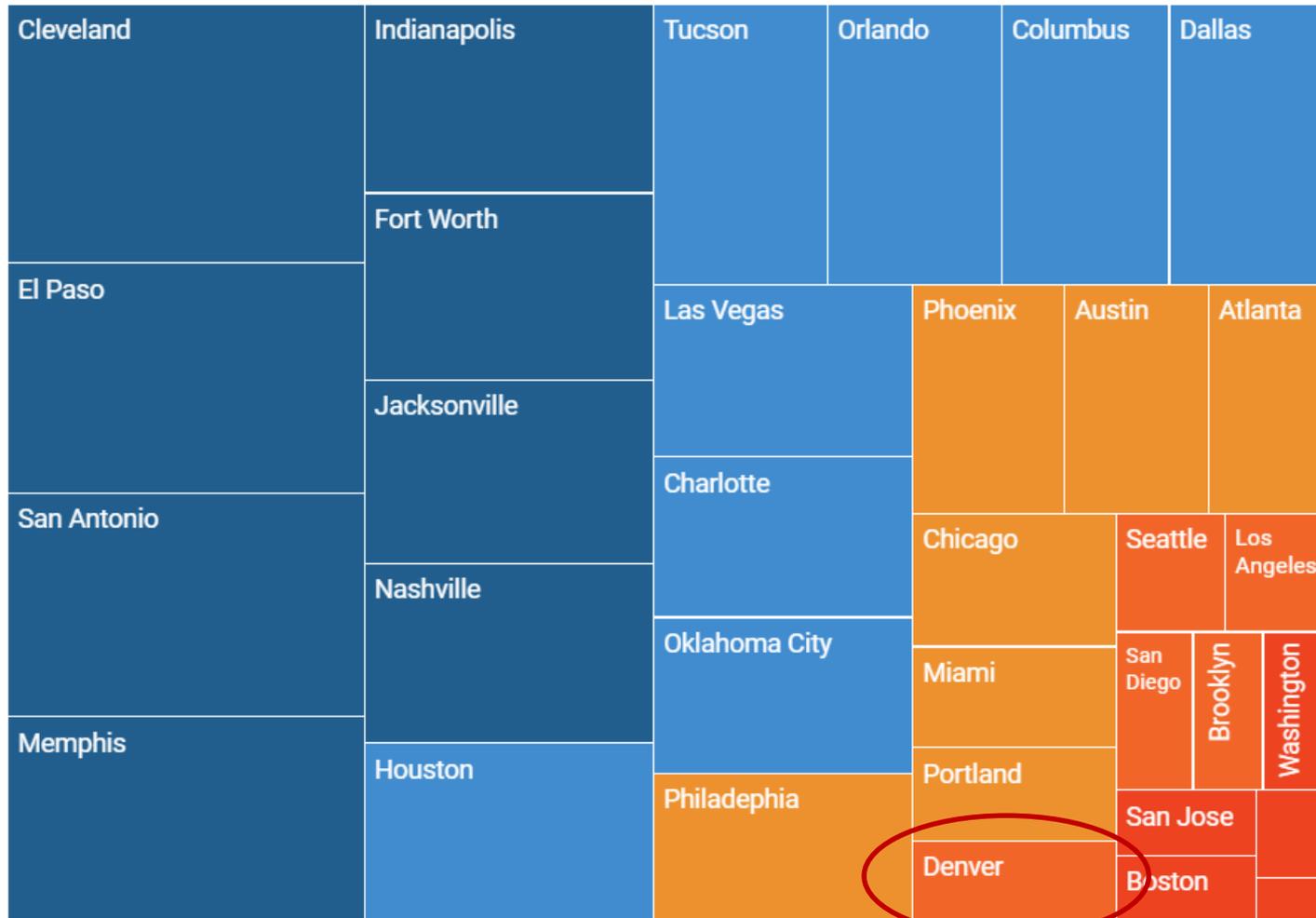
Source: National Association of REALTORS®

How Much Home Can You Buy with \$200,000



Source: Property Shark, May 2018

How Much Home Can You Buy with \$200,000



Source: Property Shark, May 2018

U.S. Home Building Projections

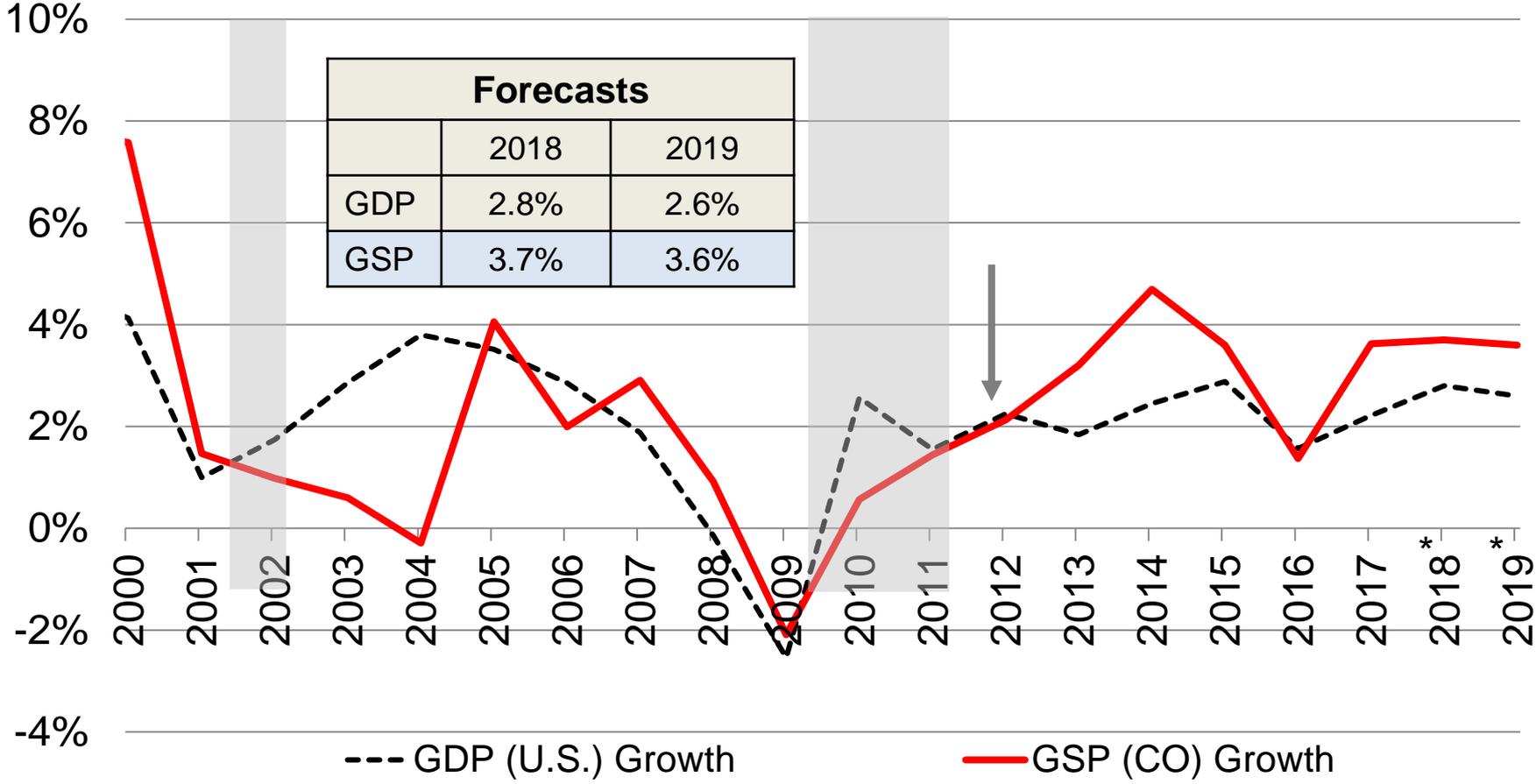
- Home builders say strong demand for new homes across all price ranges and in most major markets, but building has decelerated some.
- ...but shortage of zoned land, and high labor and material costs.
- NAHB projects SF housing starts to increase ~5% per year from 2018 to 2020.
- NAHB projects MF housing starts increasing in 2018 (up 5.6%) and then decreasing in 2019 (-7.2%) and 2020 (-3.1%).

Notes: 11% of all housing is for new homes. Source: National Association of Home Builders

Overview

- National Indicators – The Big Picture
- **The Colorado State Economy**
- Our Local Economy

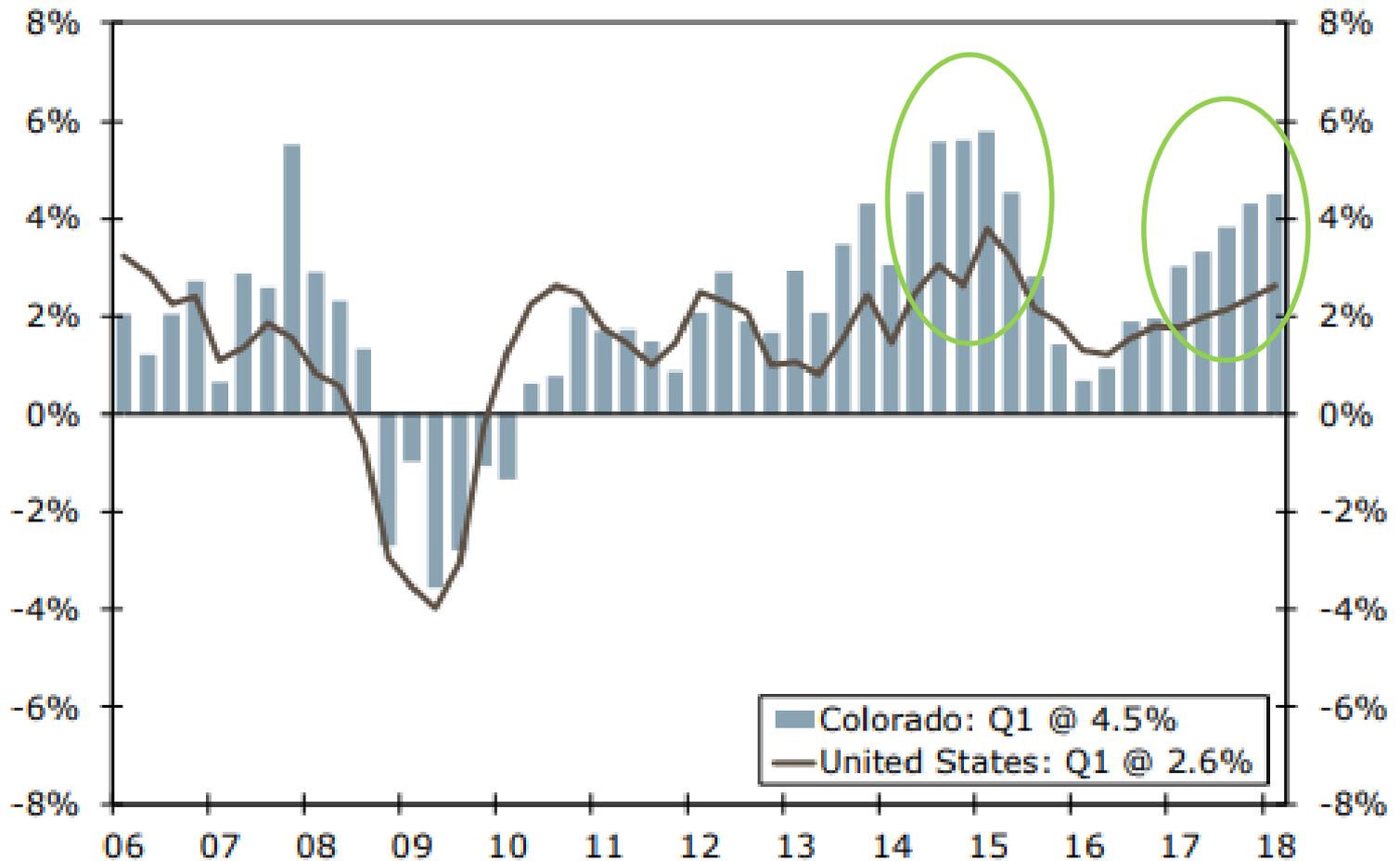
Real Growth in GDP and GSP vs. Year Ago



Not seasonally adjusted, annualized information – 2017 Real GDP U.S. (2.2%) and CO (3.6%)
 *2018 GDP forecast by CO Office of State Planning & Budgeting. 2019 GDP forecast by Wells Fargo. GSP forecasts by the UCCS Economic Forum with input from the CO Office of State Planning & Budgeting.
 Source: U.S. Bureau of Economic Analysis

Colorado Real GDP Growth vs. U.S.

Year-over-Year Percent Change



Source: U.S. Department of Commerce, Wells Fargo

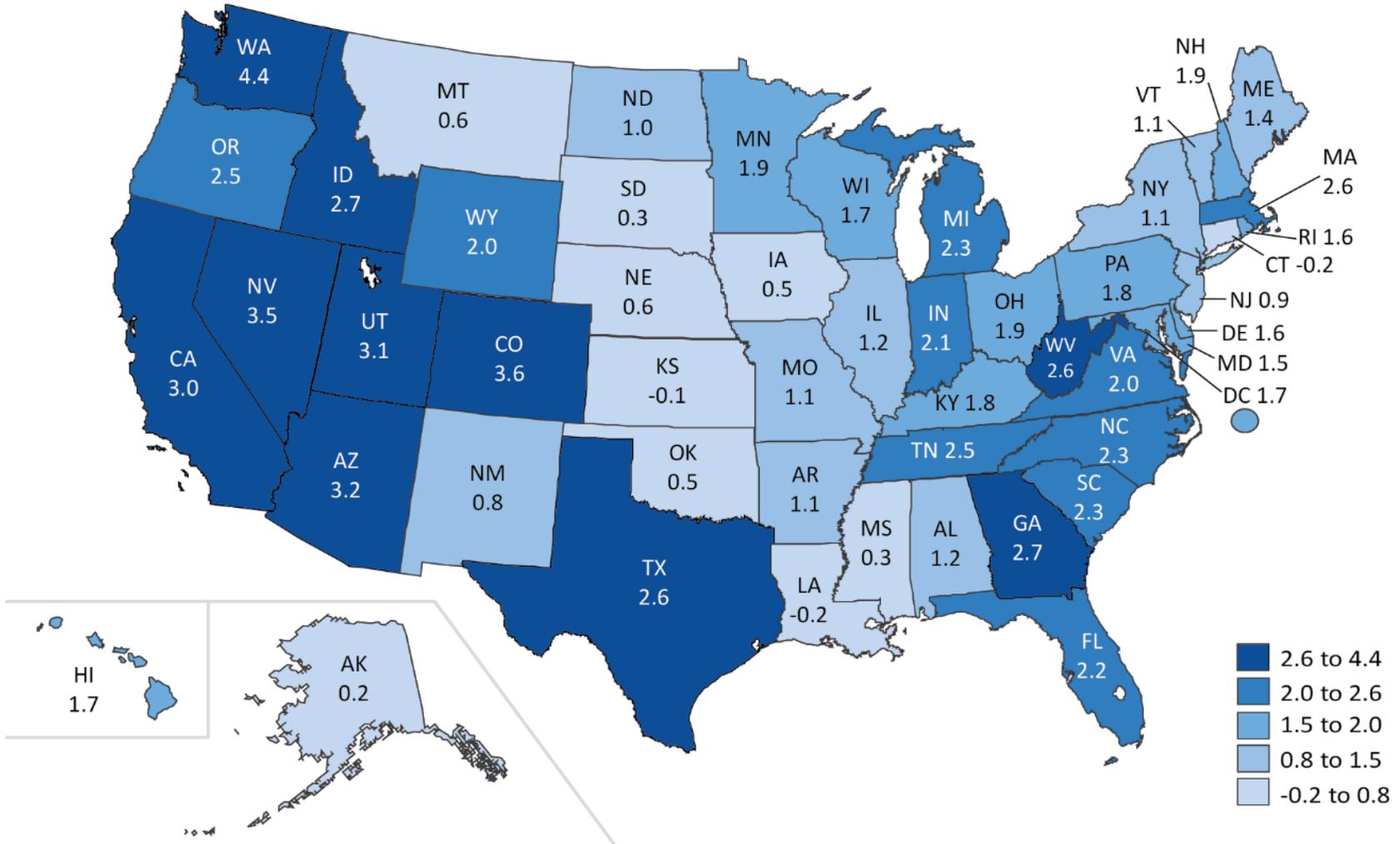
Colorado GSP, 2017

- Based on GSP, Colorado had the 2nd fastest “real” growth (3.6%) of all states*
 - U.S. real growth rate was 2.2% in 2017.
- Largest contributors to growth were IT sector and professional & technical sectors.
 - Also real estate, construction, and health care.

*Fastest growing state was Washington (4.4%)

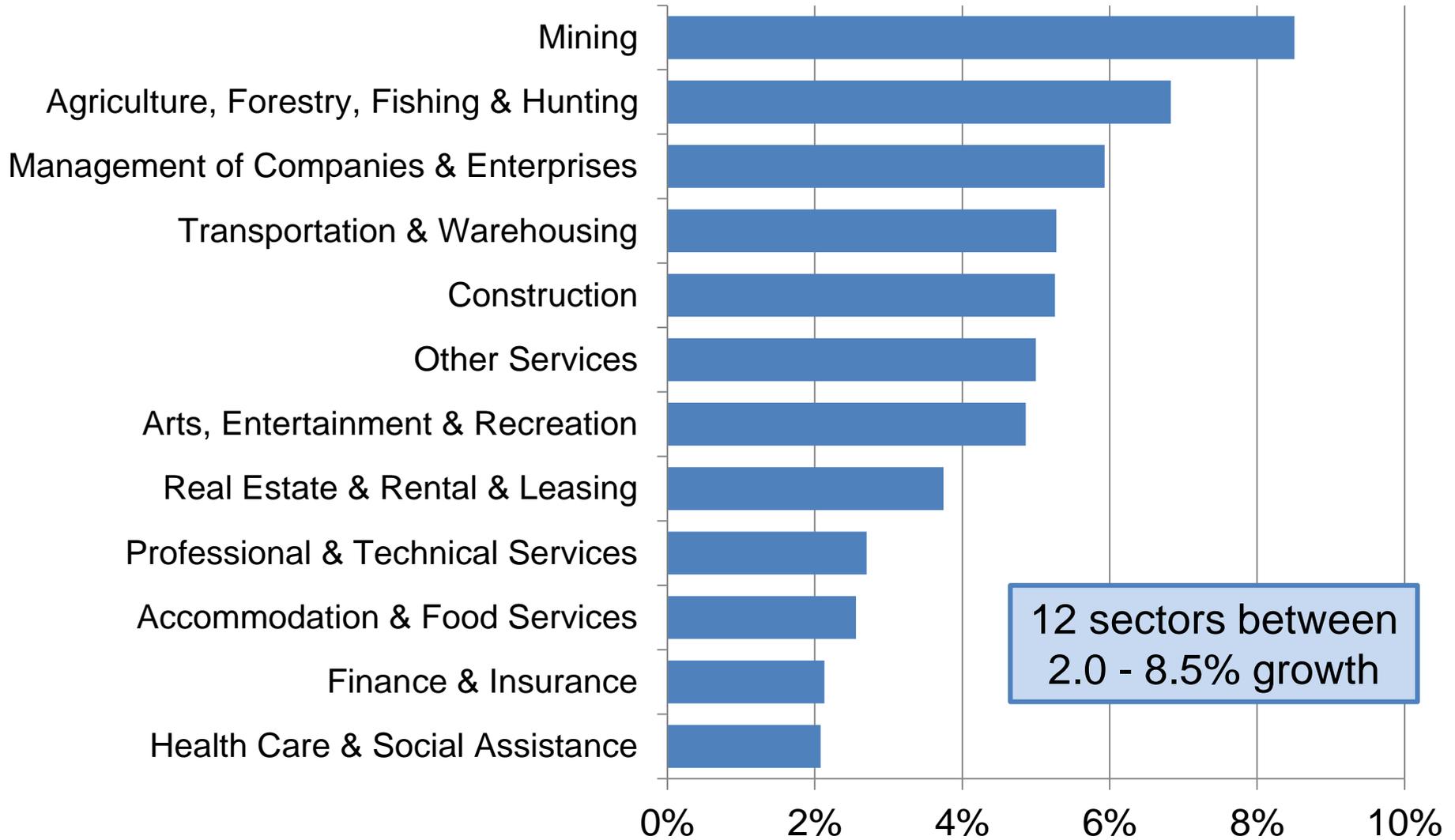
Sources: U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; Colorado State Demography Office

Percent Change in Real GDP by State, 2016-17



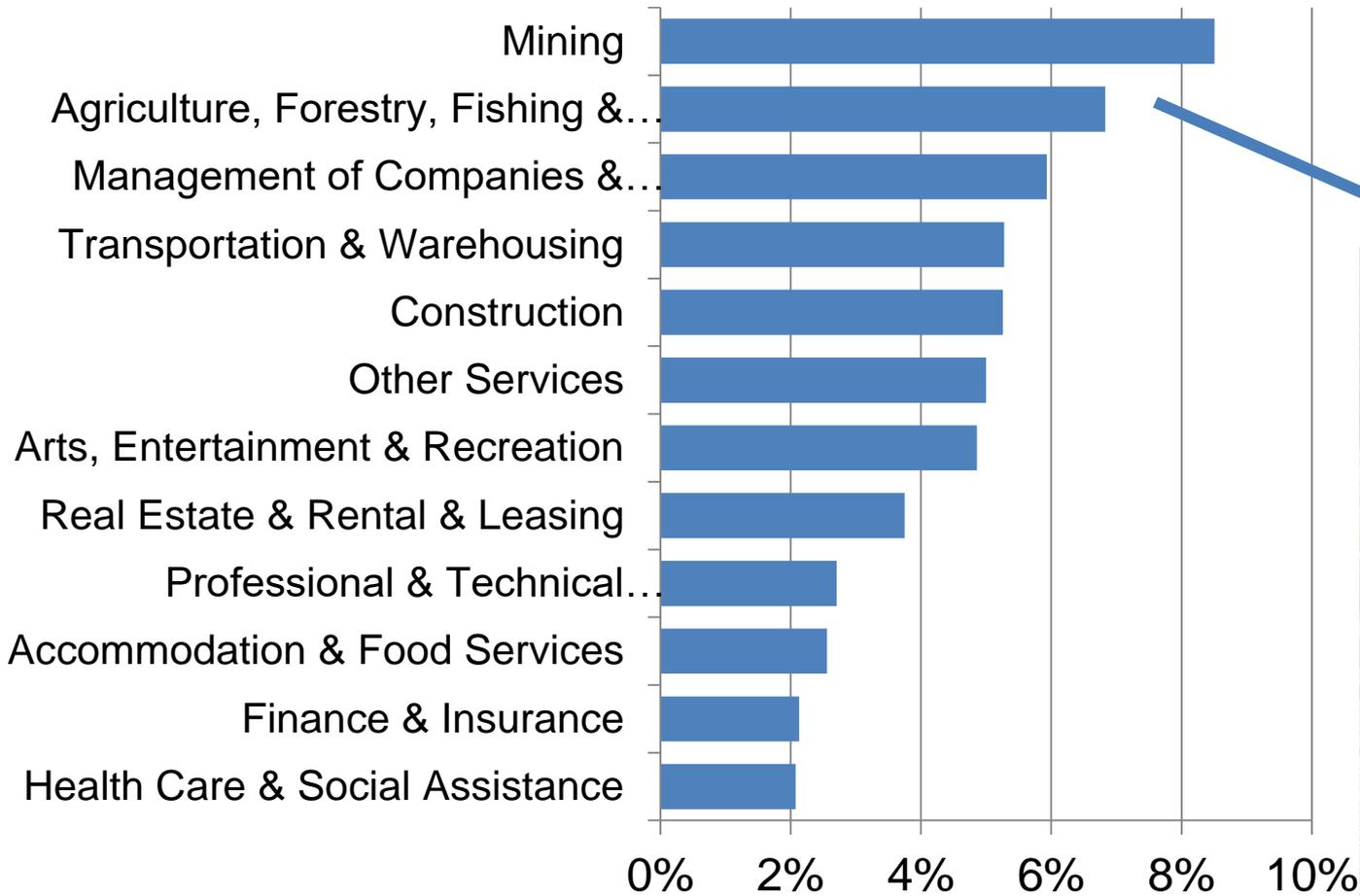
Source: U.S. Bureau of Economic Analysis

2017 Fastest Growing Industries in Colorado



Source: Colorado Department of Labor and Employment, QCEW

2017 Fastest Growing Industries in Colorado

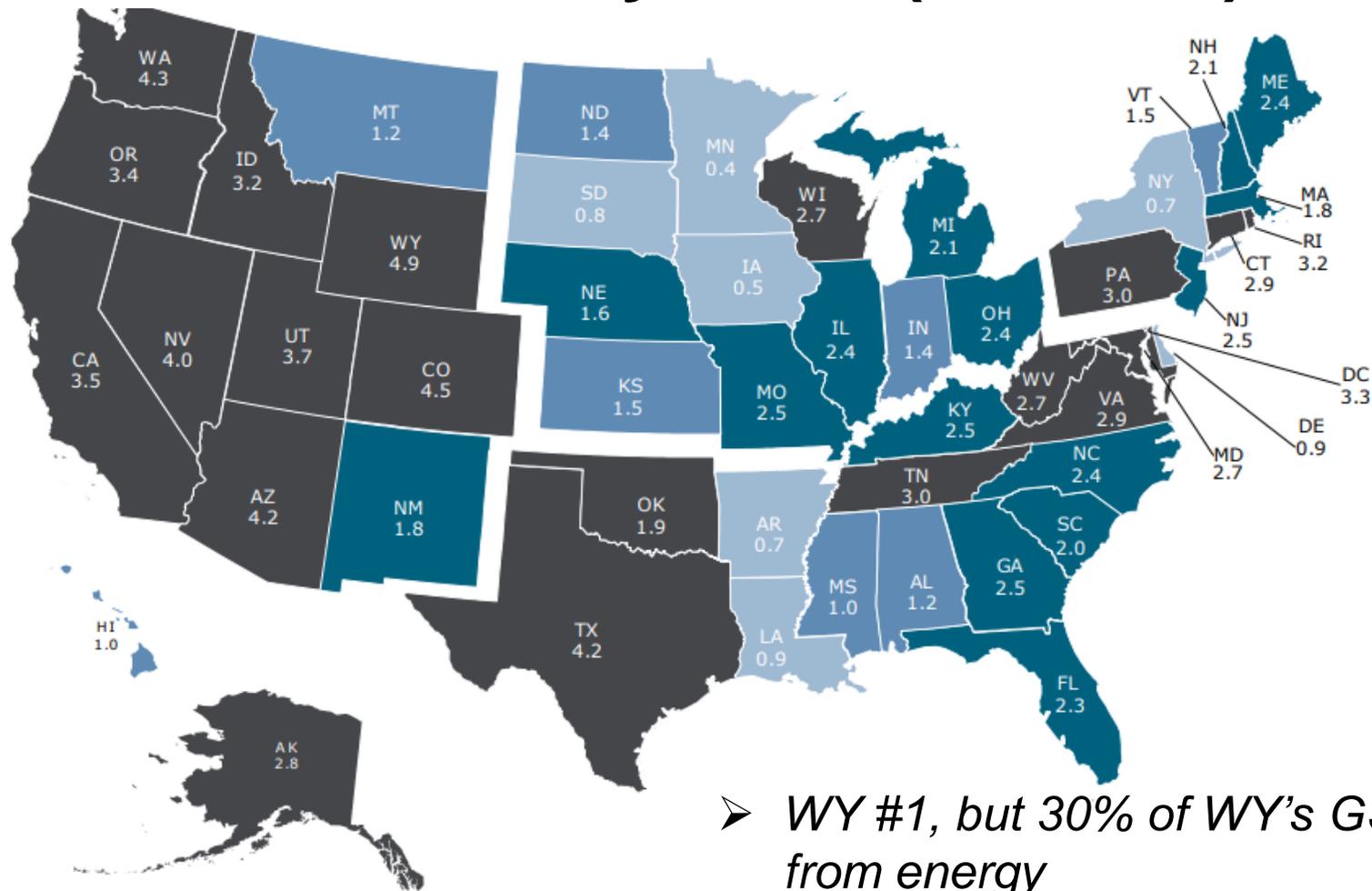


Up 6.8%!



Source: Colorado Department of Labor and Employment, QCEW

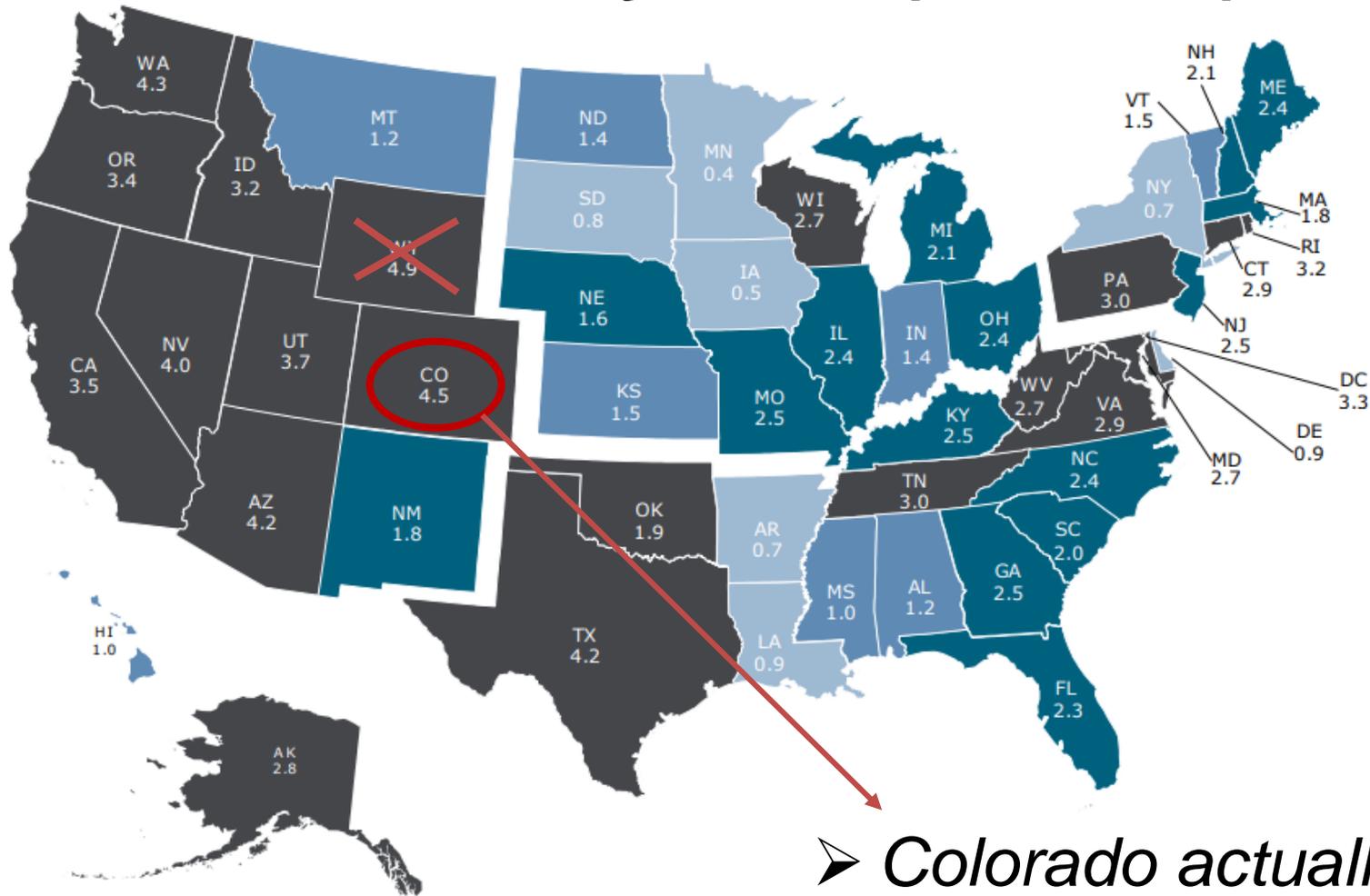
Year-over-Year Percent Change in Real GDP by State (2018 Q1)



- *WY #1, but 30% of WY's GSP from energy*
- *CO's growth is across 12+ sectors*

Sources: U.S. Department of Commerce; Wells Fargo

Year-over-Year Percent Change in Real GDP by State (2018 Q1)



➤ *Colorado actually #1 !*

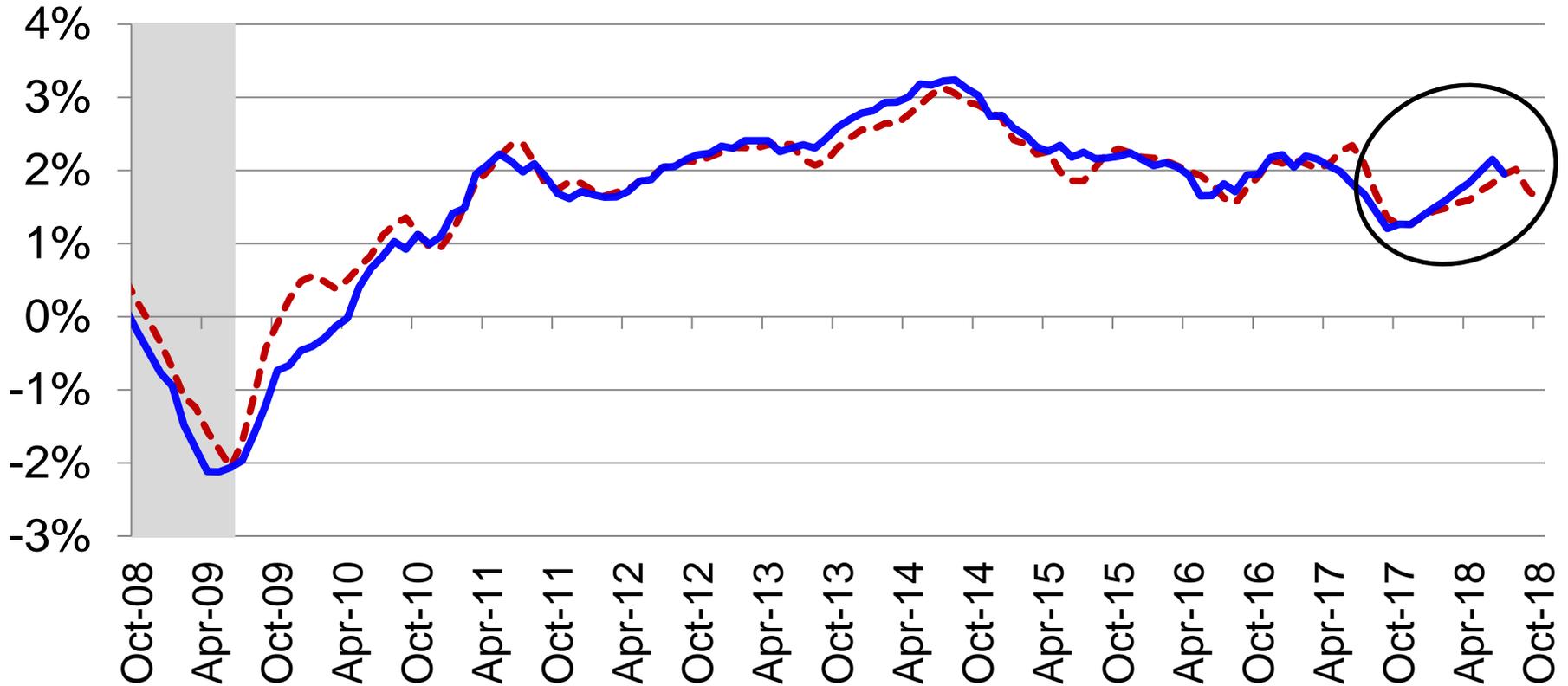
Sources: U.S. Department of Commerce; Wells Fargo

Colorado GSP, 2017 - 2018

- Projections for GSP for 2018 (3.7%) are a bit higher than 2017.
- Have strong leading indicators:
 - High rate of new business formation, high tech sector growth (large multiplier), high job postings, and uptick in oil/gas sectors.
- In August we had 125,000 open jobs in the state, wages grew by 5.2% (Aug to Aug), and 1:5 jobs are in computer and mathematical occupation.

Source: Colorado Office of State Planning & Budgeting; CO Department of Labor and Employment, Conference Board

Colorado Leading and Coincident Economic Indices



■ Recession

--- Leading Index for Colorado 3-months ahead, SA (3-month moving average)

— Coincident Economic Activity Index for Colorado, July 1992=100, 6-month % change, SA

Sources: Colorado Office of State Planning and Budgeting; Federal Reserve Bank of Philadelphia

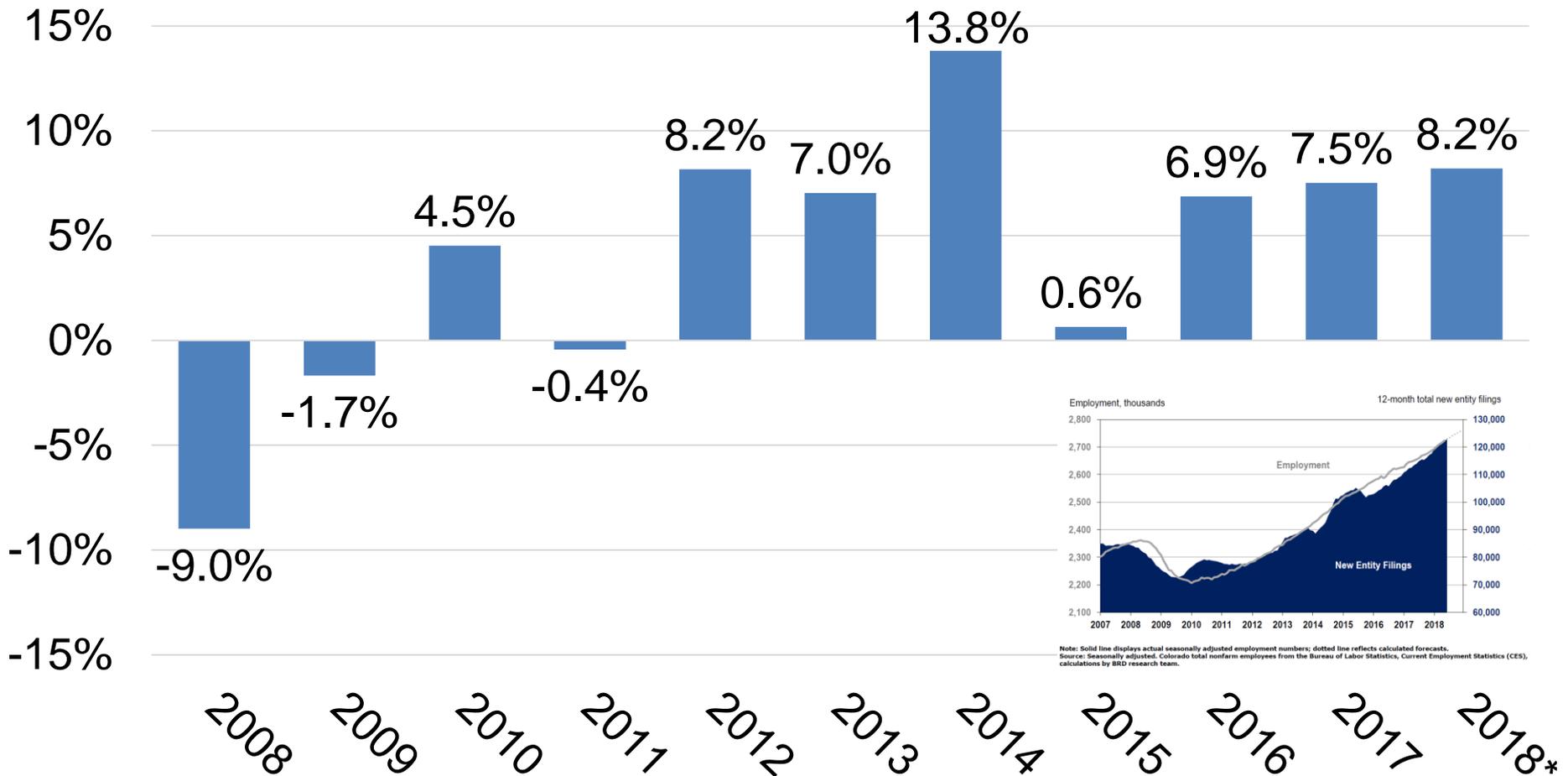


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Change in New Entity Filings in Colorado



Note: Solid line displays actual seasonally adjusted employment numbers; dotted line reflects calculated forecasts.
 Source: Seasonally adjusted, Colorado total nonfarm employees from the Bureau of Labor Statistics, Current Employment Statistics (CES), calculations by BRD research team.

*2018 is the first half of the year. Measures are year-over-year otherwise.

Sources: Colorado Office of State Planning and Budgeting; Colorado Secretary of State

Impact of Tariffs on Colorado



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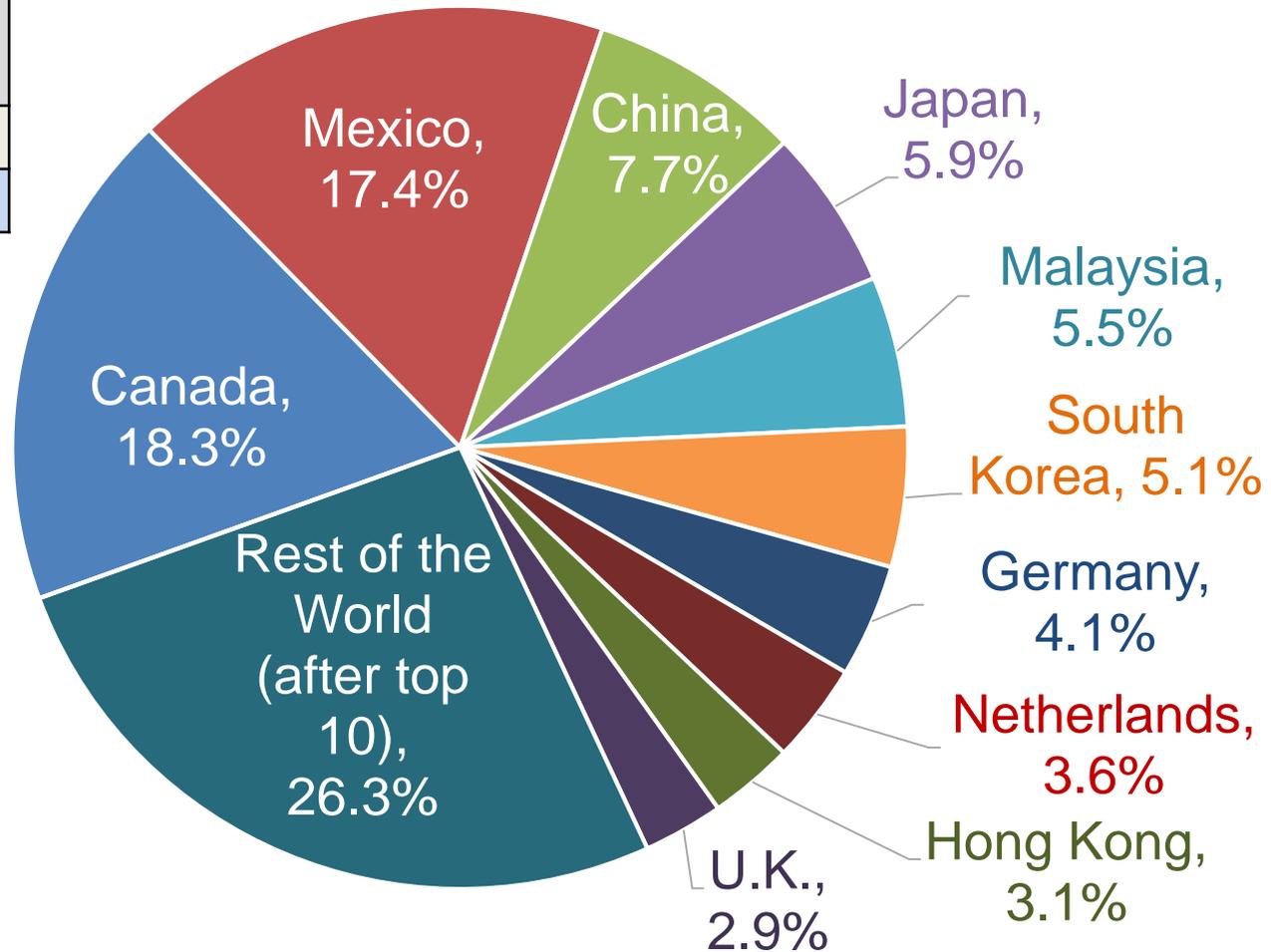


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Colorado Exports in 2017

US Exports (Percent of GDP)	
U.S.	8.0%
CO	2.3%



Sources: U.S. Department of Commerce, International Trade Administration; U.S. Bureau of Economic Analysis; UCCS Economic Forum

Impact of Tariffs on Colorado

- Tariff impact on CO export industries = \$232 million (0.1% of GSP)

- Most impacted industries:
 - Agriculture – Commodity prices are already low
 - Aluminum (beer and Sunday football!)
 - Industrial machinery (computers)
 - Plastics
 - Furniture

- Arrow Electronics and 1,000 jobs..
 - Colorado (high-paying/skill) employment decreases
 - Our output (GSP) decreases
 - Jobs potentially go to another country
 - That country benefits from tariffs we imposed to supposedly help our economy

Source: OSPB, The Colorado Sun



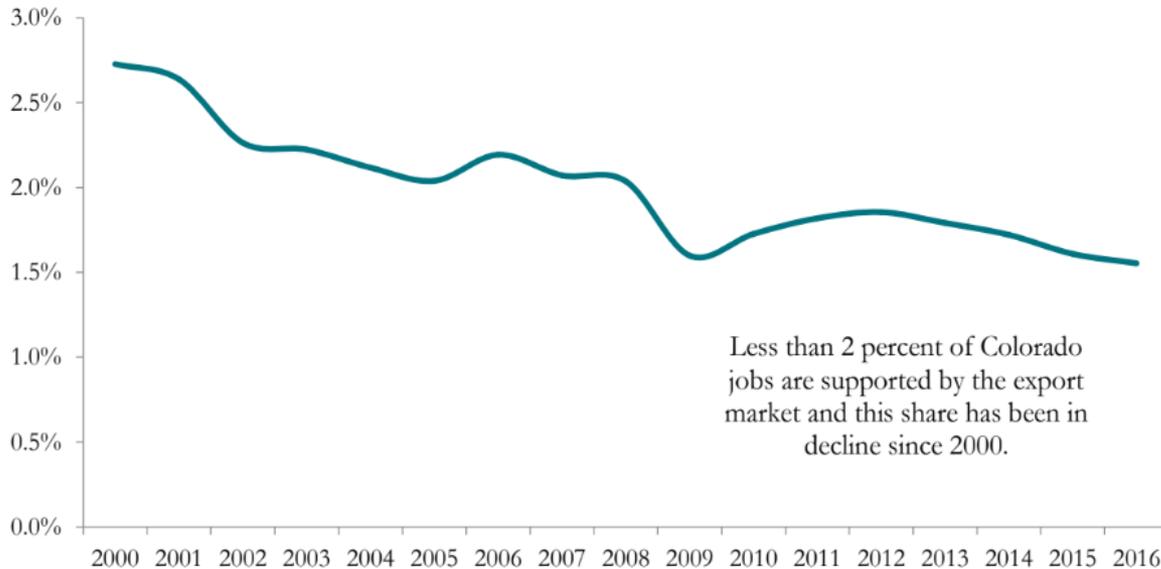
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Colorado Jobs Supported by Export Goods (% of total jobs)



Source: International Trade Administration, OSPB calculations

- U.S. Commerce Department states that 733,900 jobs in CO are supported by trade.
- This represents 26.8% of all CO jobs as of July 2018.

World Trade is 55% of World GDP



Source: World Bank, DB Global Research

State Employment



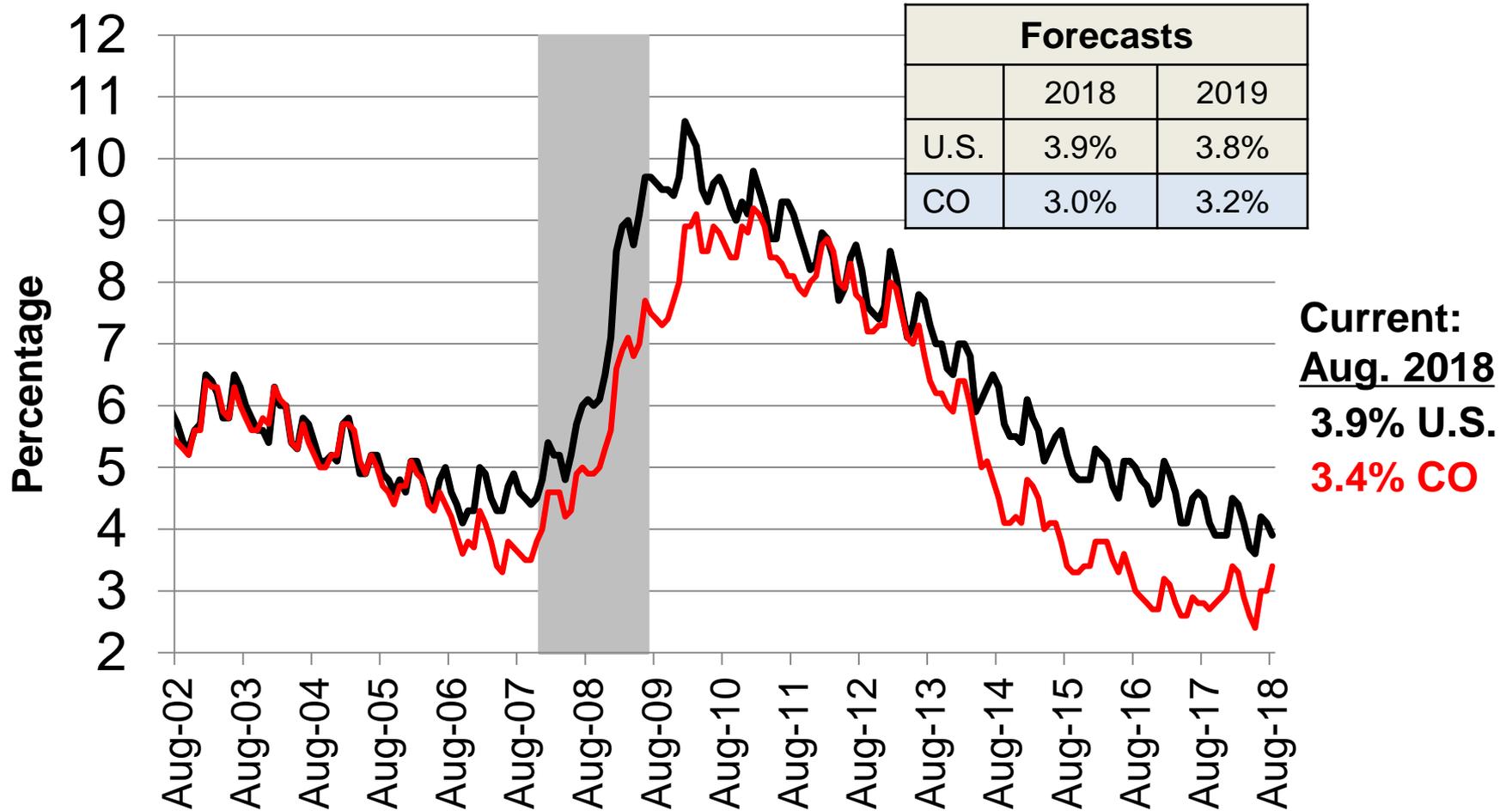
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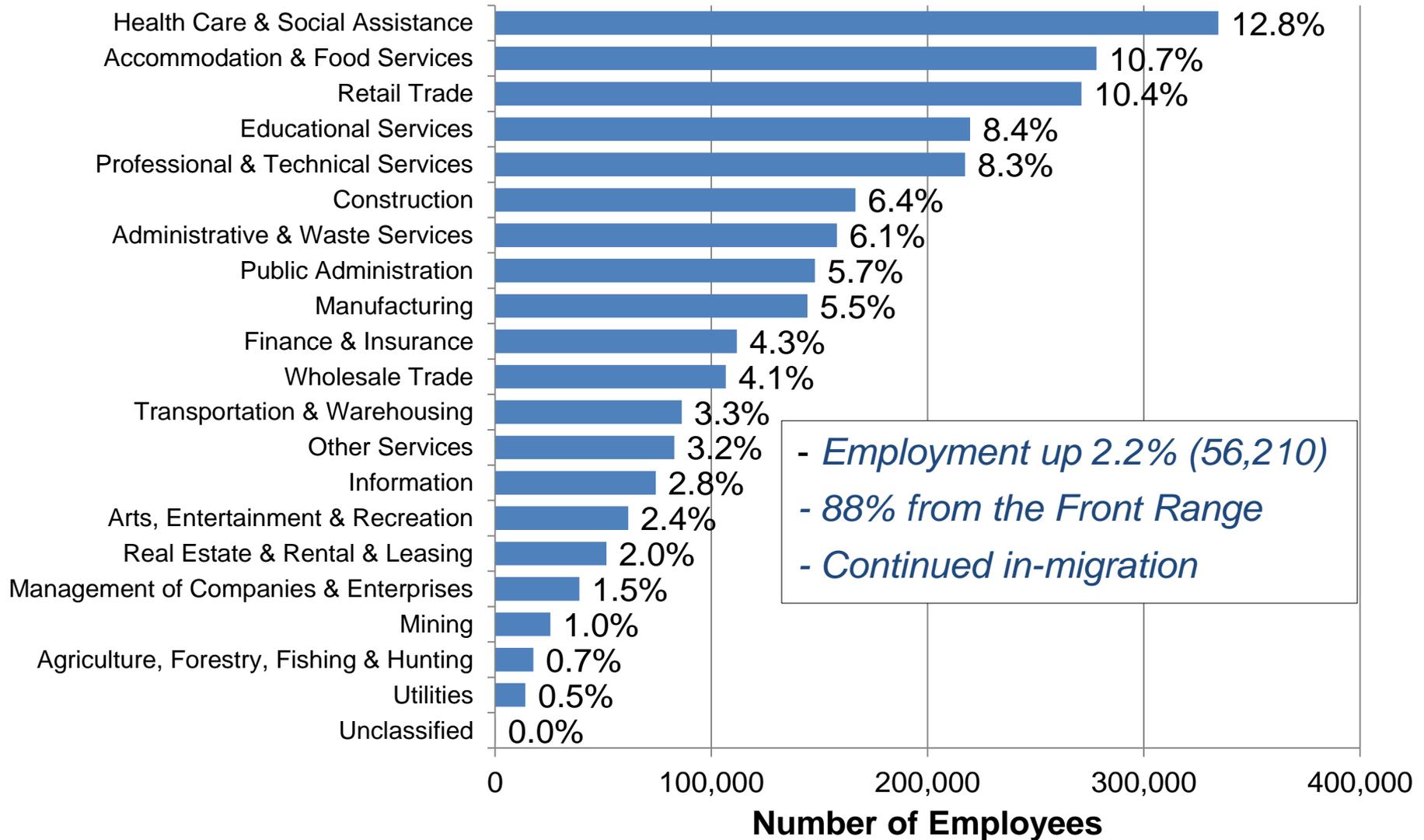
Monthly Unemployment Rate – NSA



Note: NSA Unemployment in U.S. (4.4%) and CO (2.9%) in 2017

Sources: U.S. Bureau of Labor Statistics, BLS unemployment rate is from the CPS and includes self employed. Forecasts by the Colorado Office of State Planning and Budgeting, June 2018

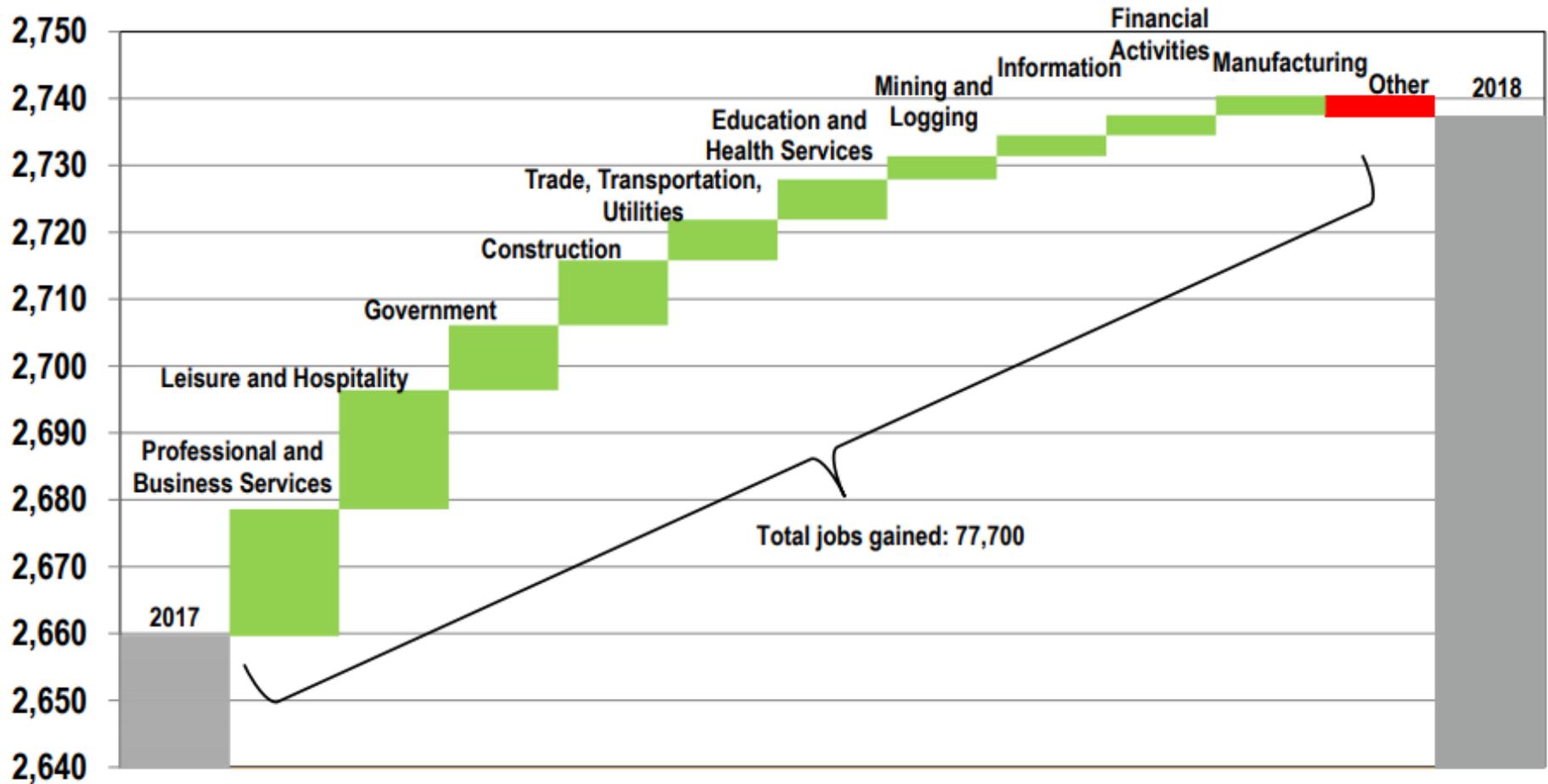
Employment by Sector in Colorado, 2017



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

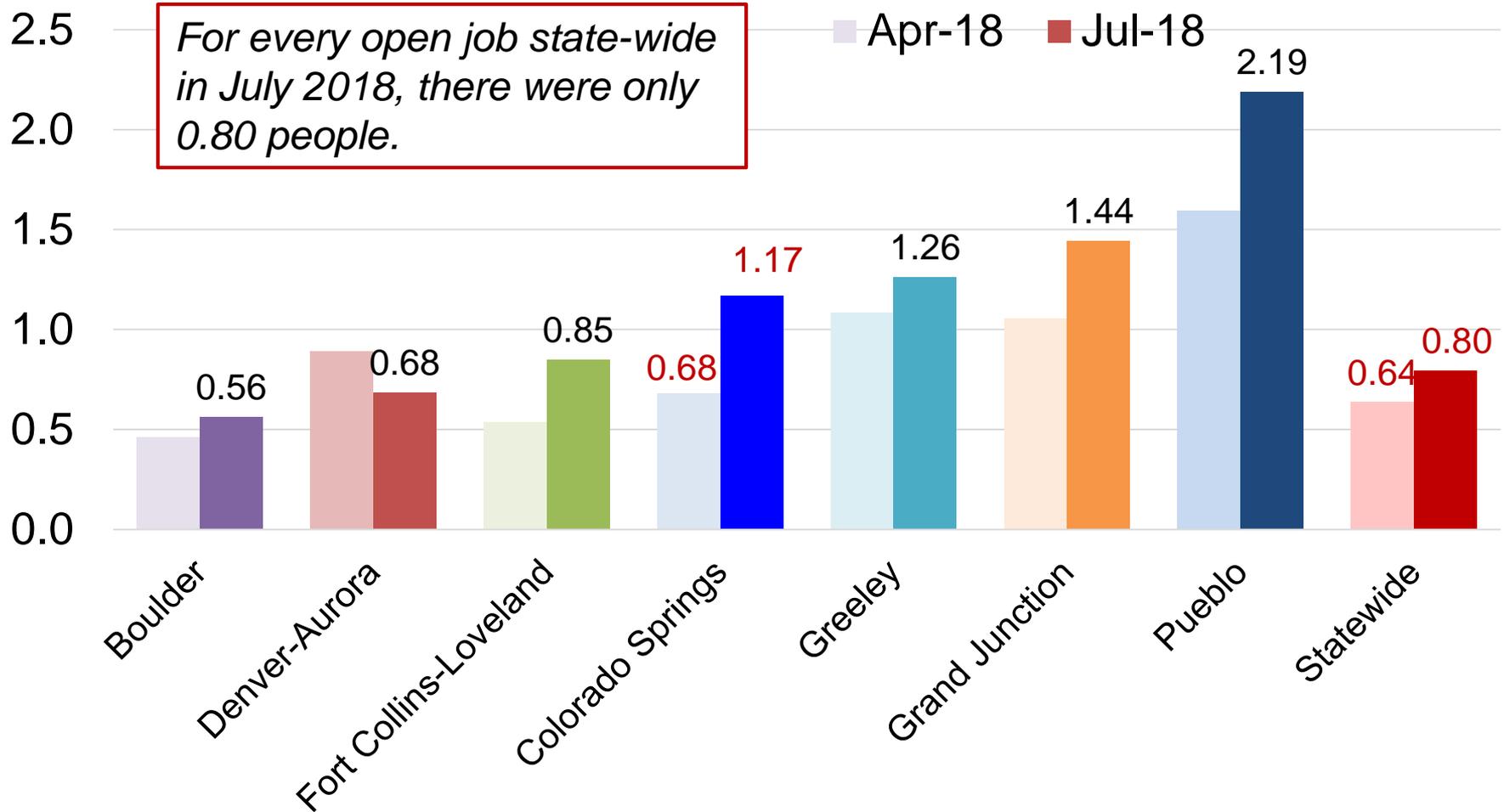
Colorado Employment Change July 2017 to July 2018

Employment in Thousands



Source: Bureau of Labor Statistics, Current Employment Statistics (SA).

Supply and Demand of Jobs by Metro Area, April & July 2018



Sources: Colorado Office of State Planning and Budgeting; The Conference Board, U.S. Bureau of Labor Statistics

An Interesting Phenomenon in Colorado..

- August 2017 to August 2018, the number people in the labor force increased by 83,241 people (up 2.8%). Number unemployed only increased by 700.

- Total employment grew by almost the same amount (up 84,400).
 - Good because businesses can still find workers (even if it's hard).
 - Good because it raises our overall productivity (e.g. GSP).
 - Good because it reduces transfer payments like unemployment insurance and Medicaid.

Source: Colorado Department of Labor and Employment

State Business Growth & Climate



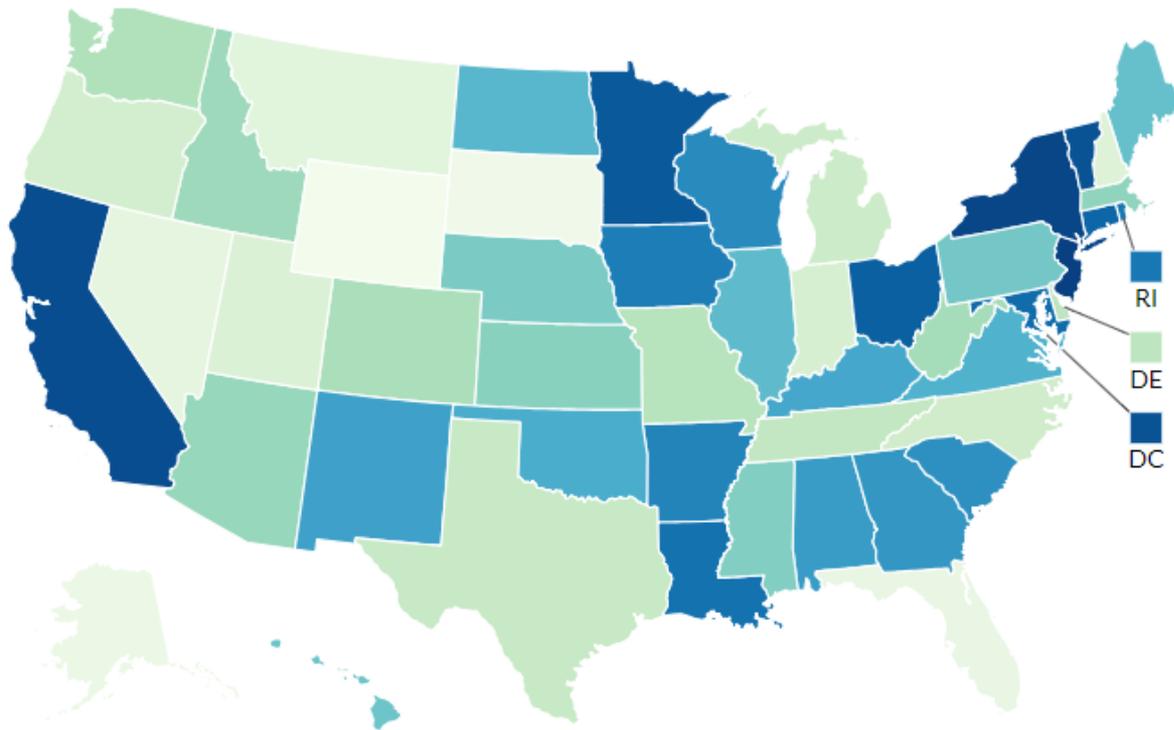
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2018 State Business Tax Climate Index



CO Tax Ranking	
	Rank
Overall Rank	8
Corporate	4
Individual	11
Sales	17
Property	5
Unemp Insur	21

Around 94% of businesses in the U.S. file their taxes as individuals.

Source: Tax Foundation 2018 State Business Tax Climate Index

Ranking Top States for Business 2018

	Over- all	Work- force	Infra- structure	Cost of Doing Bus.	Econ- omy	Quality of Life	Tech & Innova- tion	Edu- cation	Business Friend- liness	Access to Capital	Cost of Living
Texas	1	7	1	18	1	31	9	37	21	3	11
Washington	2	2	31	33	4	5	6	12	32	11	37
Utah	3	11	10	23	2	12	19	34	12	18	22
Virginia	4	3	20	34	13	19	15	6	5	13	33
Colorado	5th	5	<u>29</u>	<u>37</u>	8	9	7	11	17	11	<u>34</u>
Minnesota	6	16	6	38	18	3	5	5	28	17	29
Georgia	7	4	3	36	2	32	21	29	21	8	9
Massachusetts	8	1	42	43	14	10	2	1	18	7	48

Source: CNBC Scorecard on State Economic Climate, 2018

State & Local Demographics



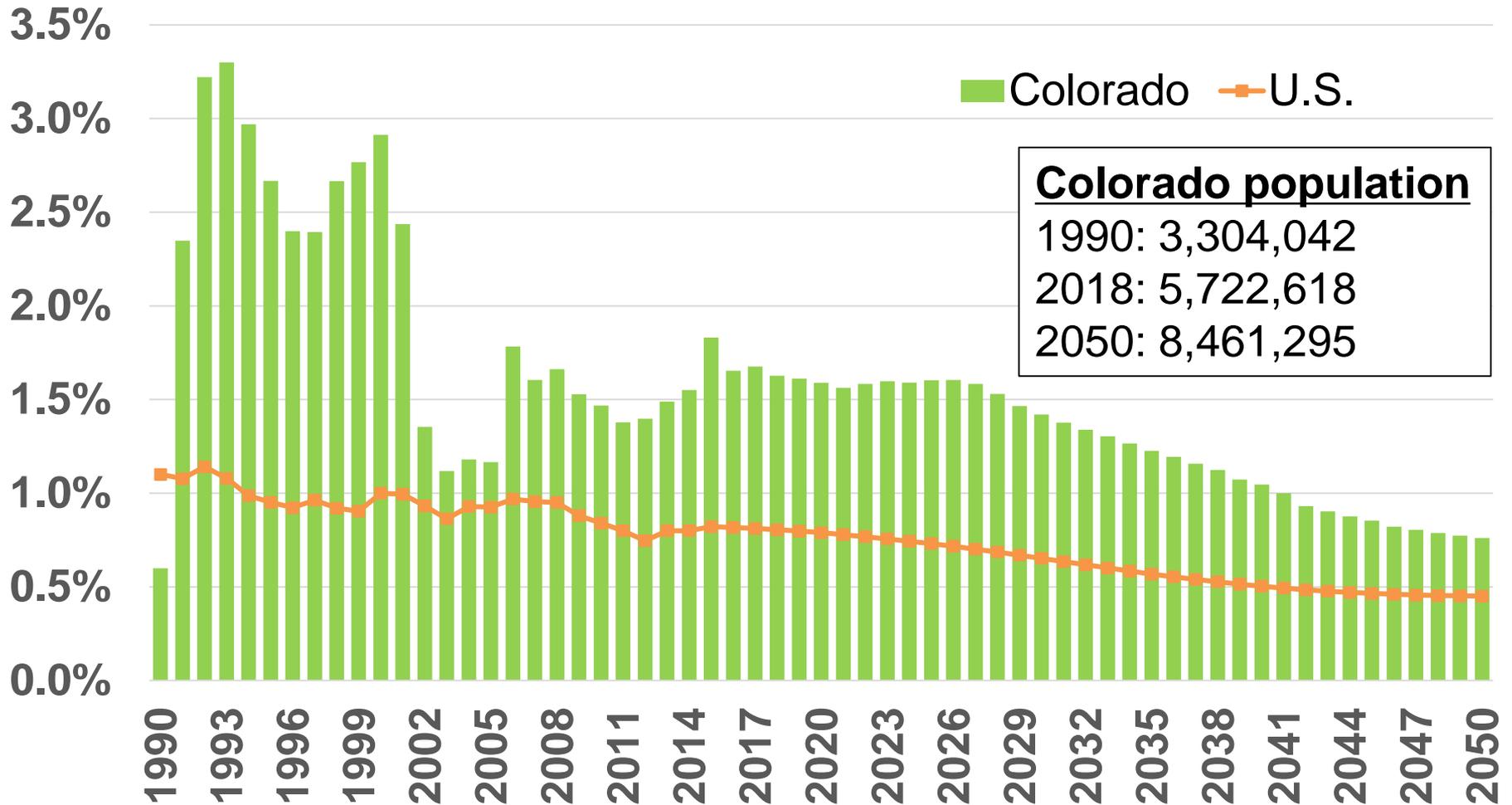
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Colorado & U.S. Growth Rates

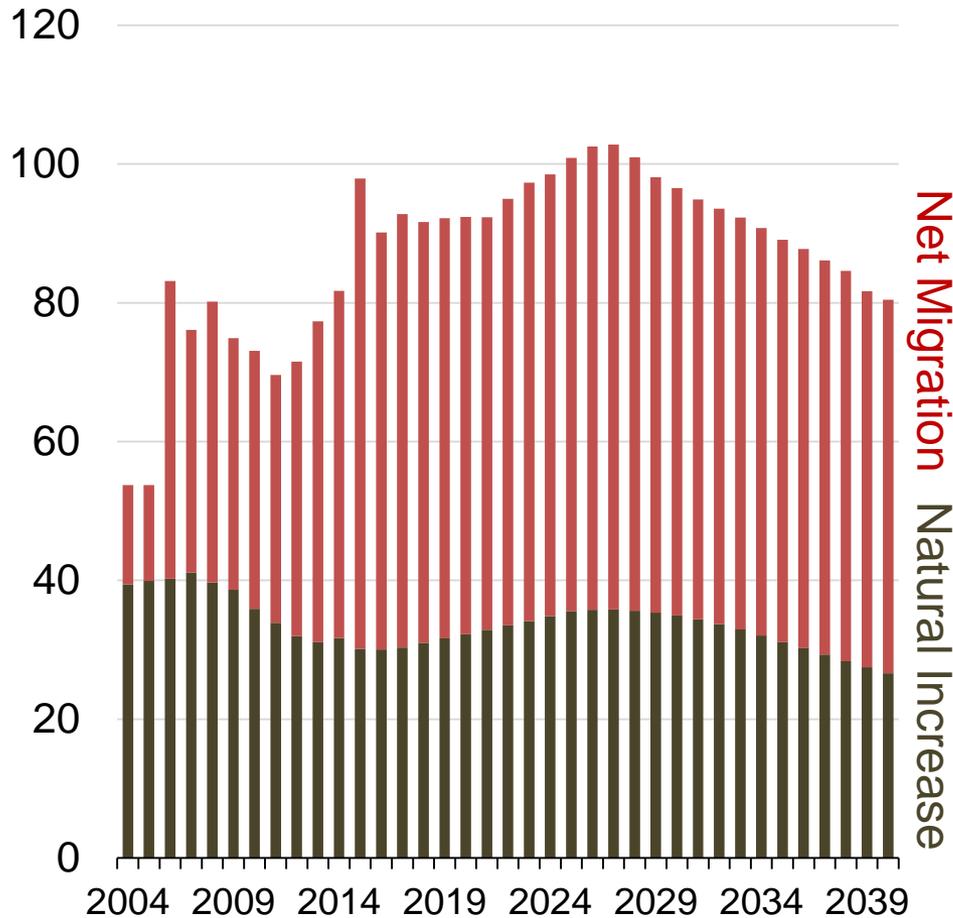


Source: Colorado State Demography Office; U.S. forecast prepared by U.S. Bureau of the Census, 2014

Colorado Change in Population

2005 - 2040

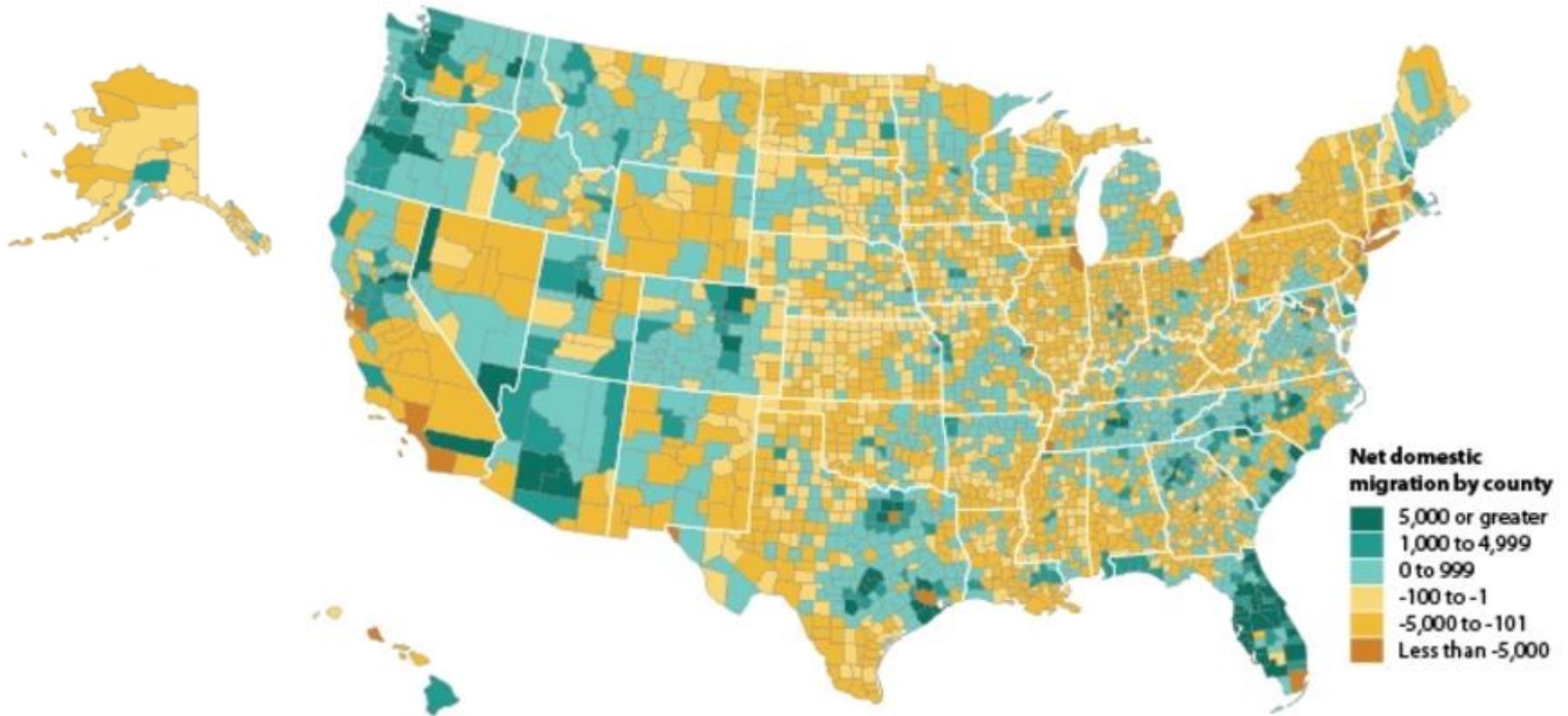
Thousands



- 7th-fastest state for percentage growth
- 8th-fastest state for absolute growth
- 88% of growth along the Front Range
- Denver the most populous county until 2019
 - *Denver County: 723,654*
 - *El Paso County: 723,994*

Source: Colorado State Demography Office; CU Boulder Leeds School of Business

2015-16 Net Domestic Migration

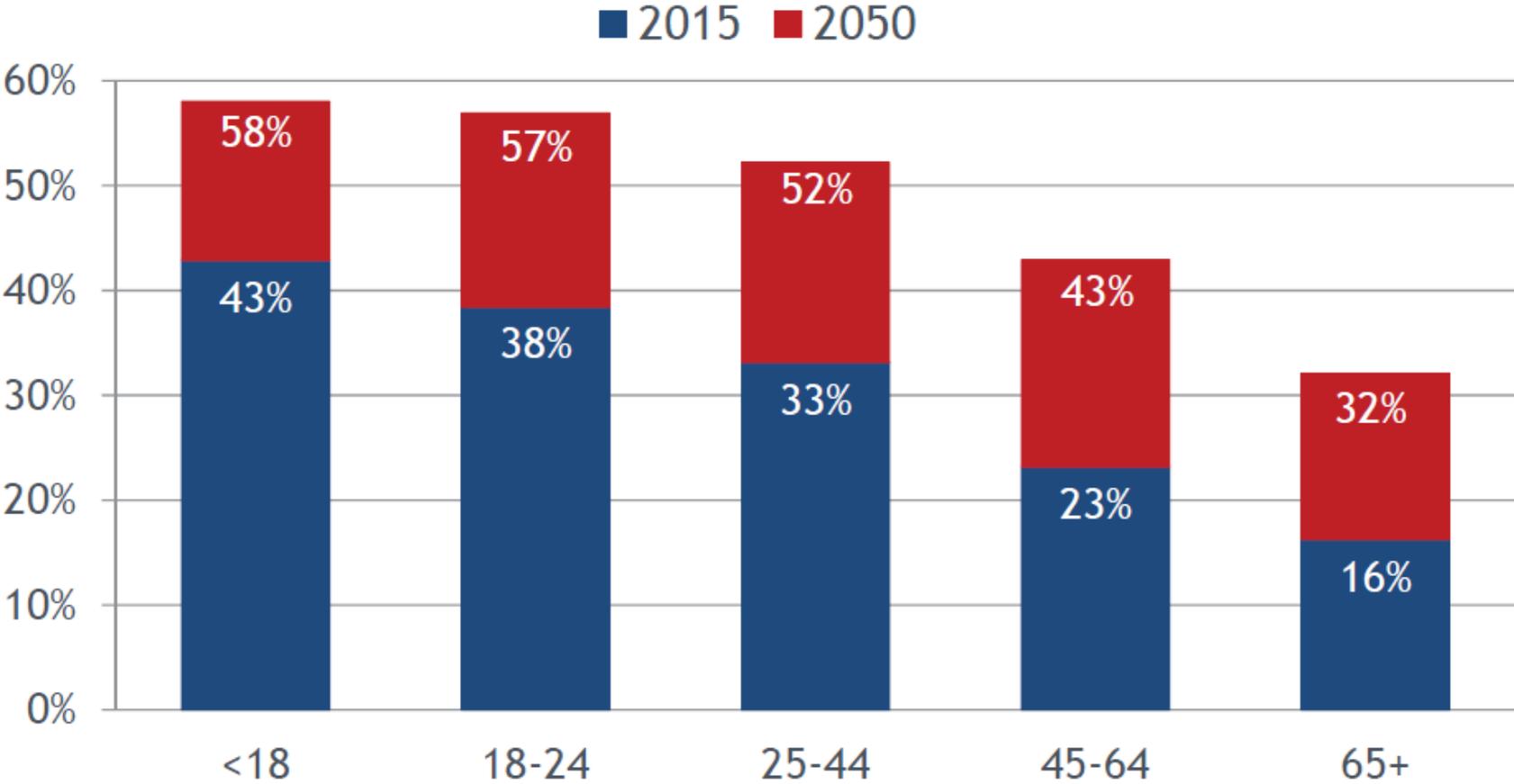


2017 percent of the population moving from a different state to:
El Paso County: 7.1% Colorado: 4.1% United States: 2.3%

Source: U.S. Census Bureau; American Community Survey 1-year estimates

Colorado: Projected Diversity by Age

Hispanic, Black, Asian, and other minority share



Source: Colorado State Demography Office

State Budgets and Expenditures



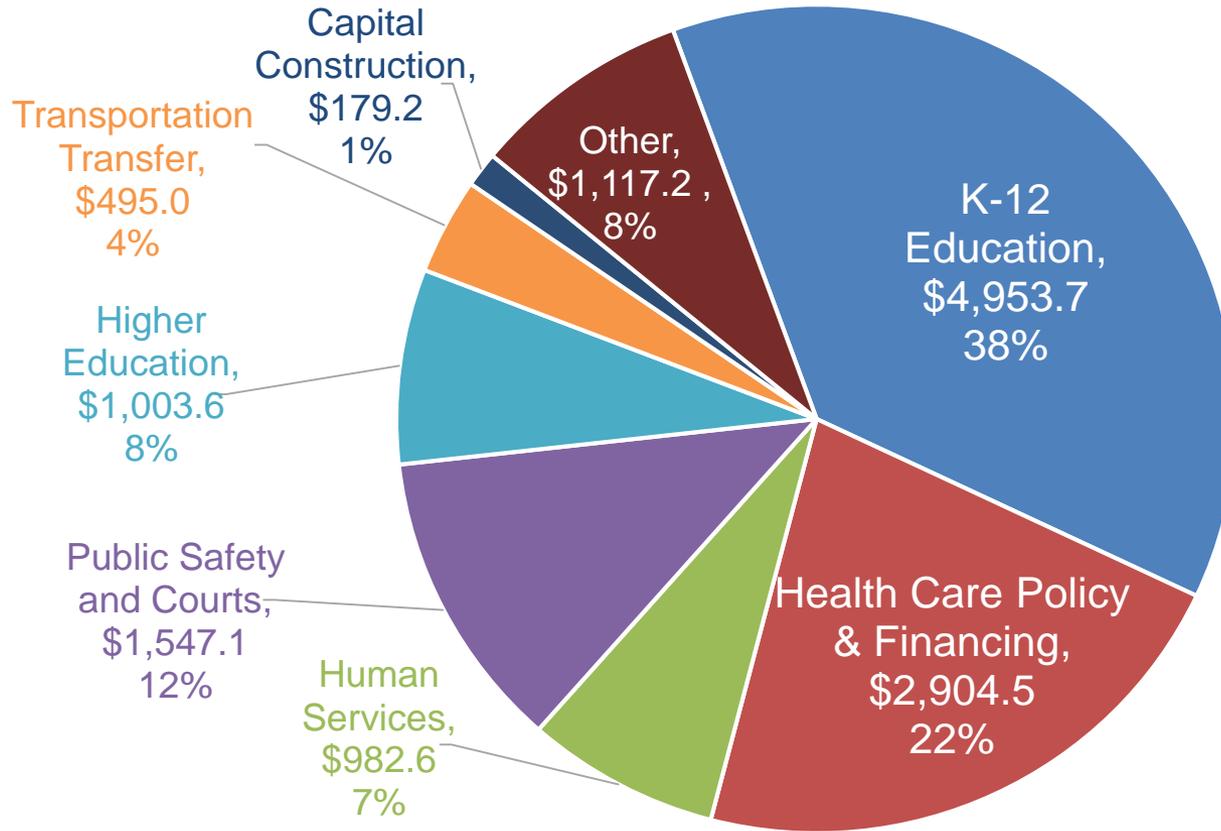
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Governor's Budget Request General Fund Budget for FY 2018-19

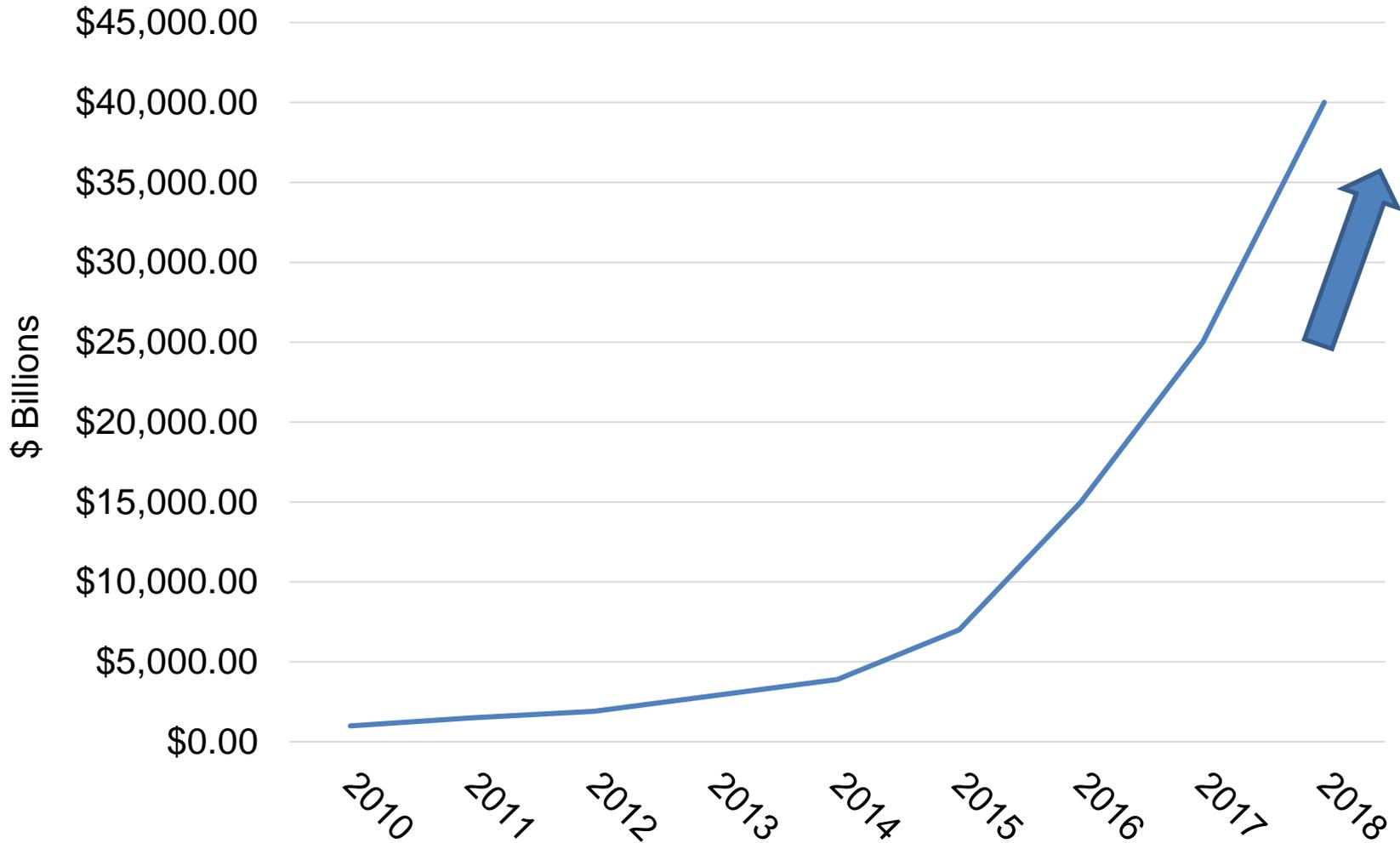


Total Budget:
\$12.2 Billion

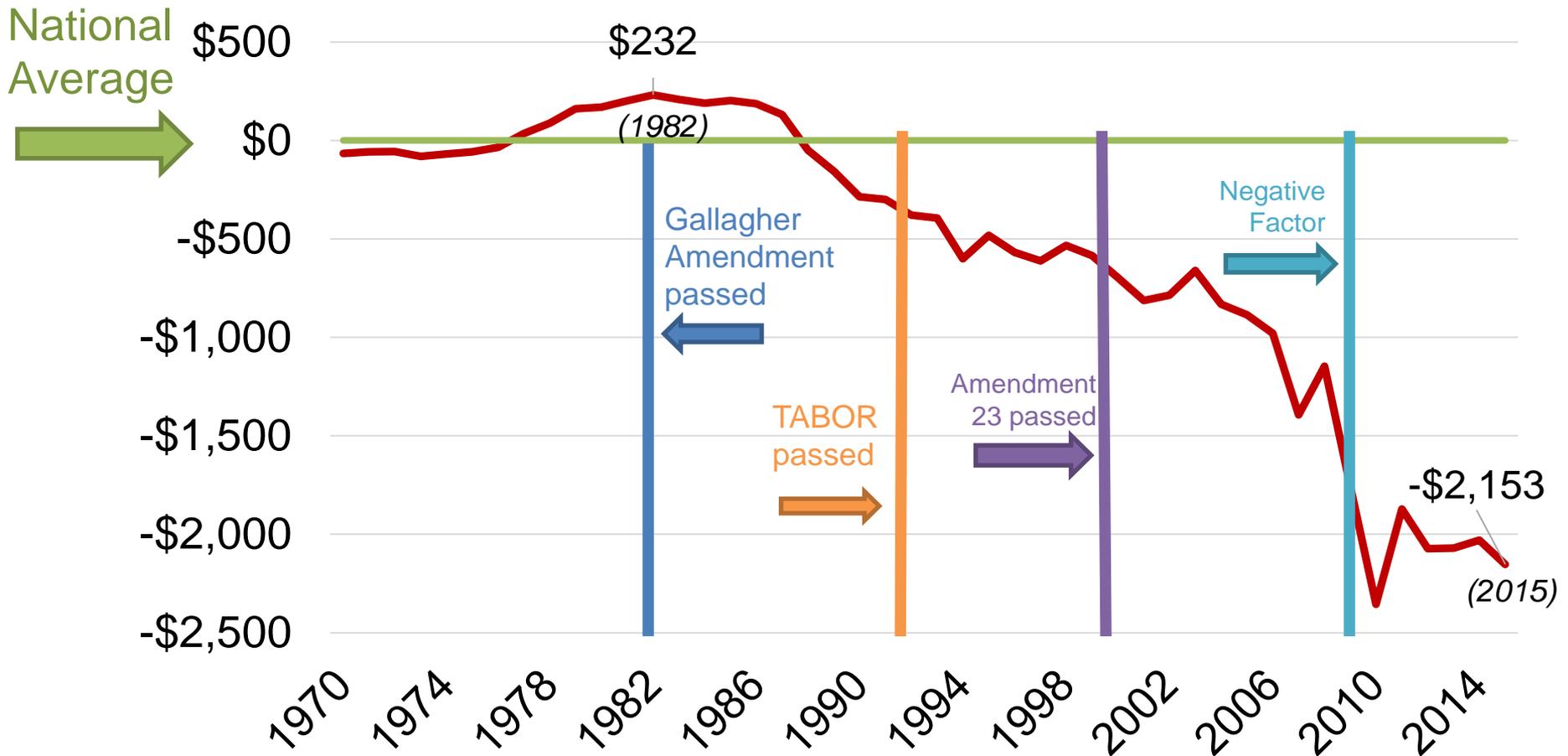
\$249.8M in total
marijuana taxes
(retail & medical)

Source: Colorado Office of State Planning and Budgeting, June 2018 Colorado Outlook

Sales – Taco Bell



K-12 Per Pupil Expenditures: Colorado versus National Average



Sources: National Center for Education Statistics; Great Education Colorado

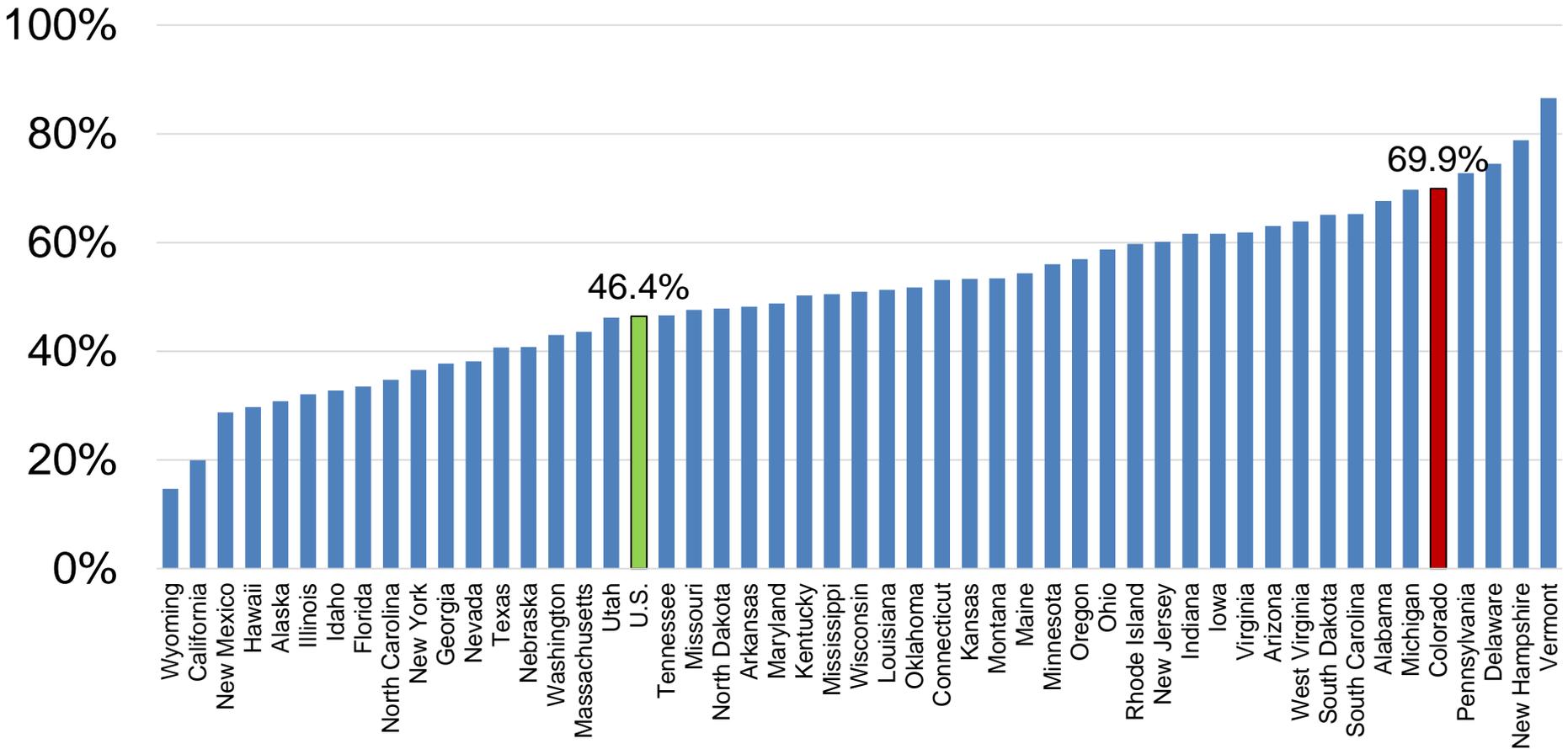


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Student-Paid Portion of Higher Education Tuition at Public Institutions in 2017



Source: 2017 SHEF Report, State Higher Education Executive Officers

TABOR Refund per Coloradan

Figure 35. Average TABOR Refund per Taxpayer by Fiscal Year Paid
(Excluding Homestead Exemption)

Average Refund Paid	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Single Filers	0	\$32	\$63	\$54
Joint Filers	0	\$64	\$126	\$176

Source: Colorado Office of State Planning and Budgeting

Colorado Real Estate



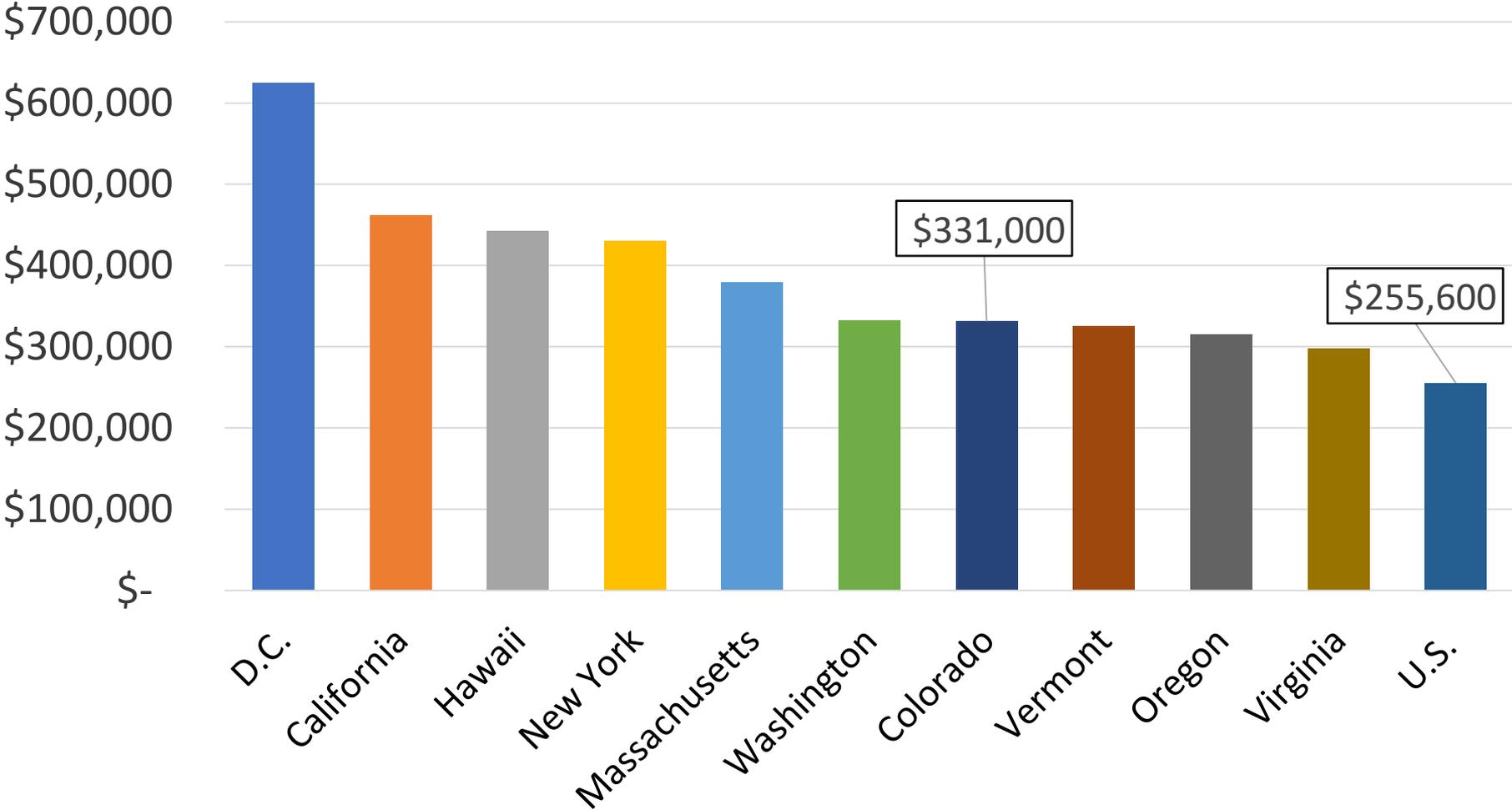
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Median Home Prices – 10 Most Expensive States

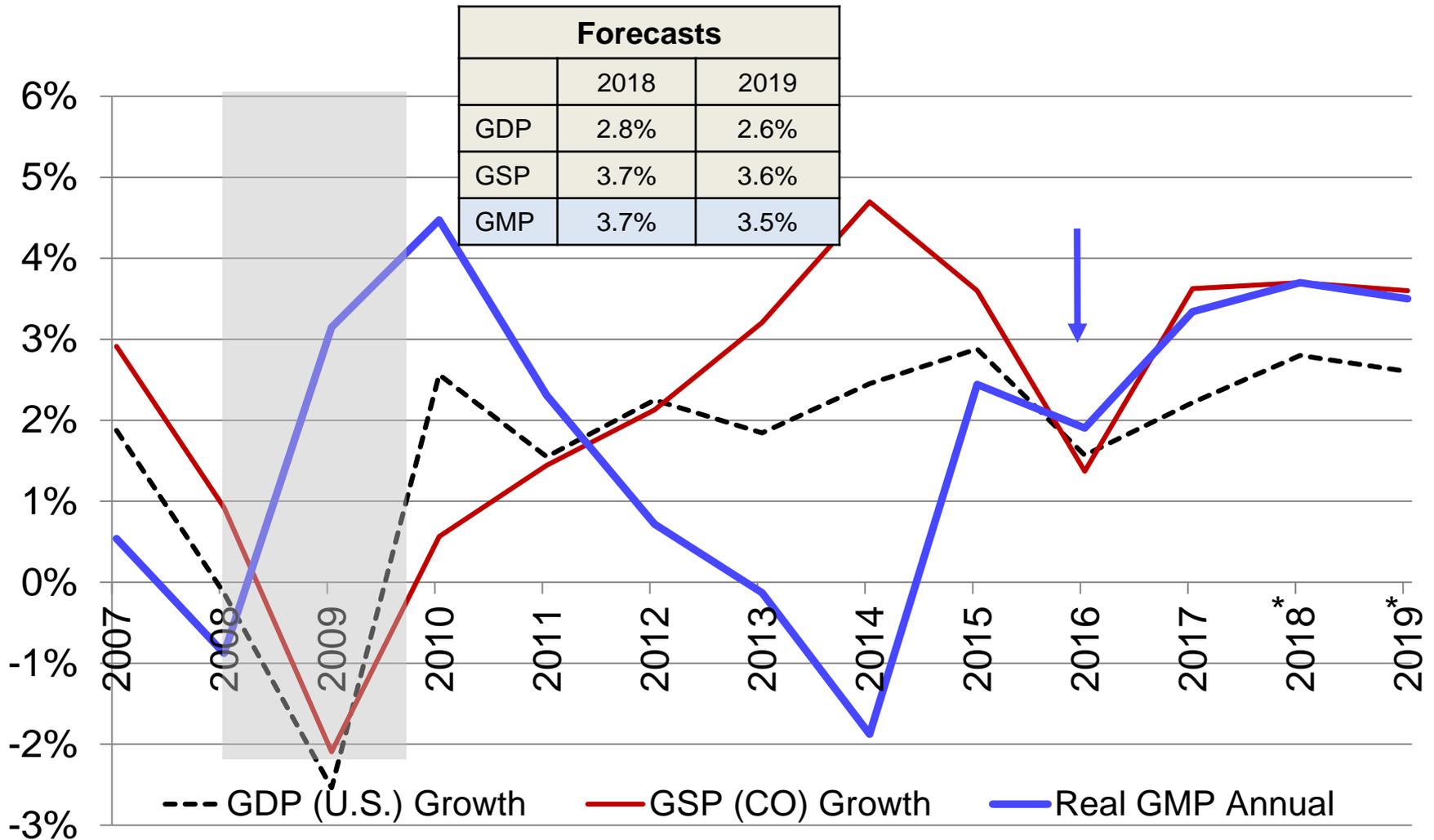


Sources: Trulia for state prices, May-Aug. 2017; National Association of REALTORS® for U.S. 2017 Q2

Overview

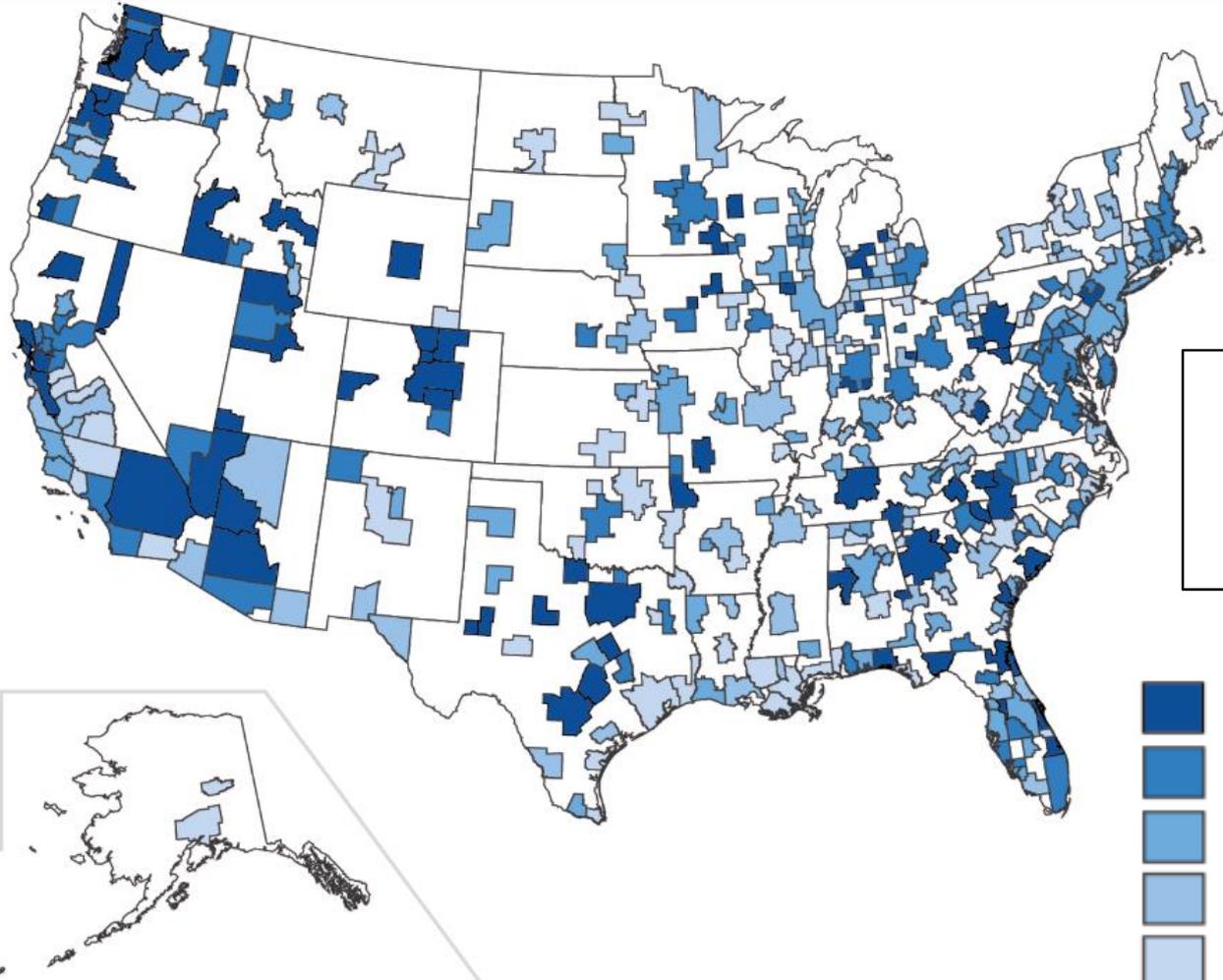
- National Indicators – The Big Picture
- The Colorado State Economy
- **Our Local Economy**

Real Growth in Annual GDP, GSP & GMP vs. Year Ago



2018 GDP forecast by CO OSPB. 2019 GDP forecast by Wells Fargo. GSP and GMP forecasts by the UCCS Economic Forum with input from the CO Office of State Planning & Budgeting. In 2017, Real GDP for the U.S. (2.2%), CO (3.6%) and EPC (3.3%)
 Source: U.S. Bureau of Economic Analysis

Percent Change in Real Gross Metropolitan Product 2017



Colorado Springs:
Real GMP % change
2016-17: **3.3%**
(higher than U.S.
metro portion 2.1%)

- 2.9 to 12.1
- 2.0 to 2.9
- 1.2 to 2.0
- 0.2 to 1.2
- 7.8 to 0.2

Nominal increase in U.S. GDP metro portion was 4.1% and for CS was 5.0%.
Source: U.S. Bureau of Economic Analysis

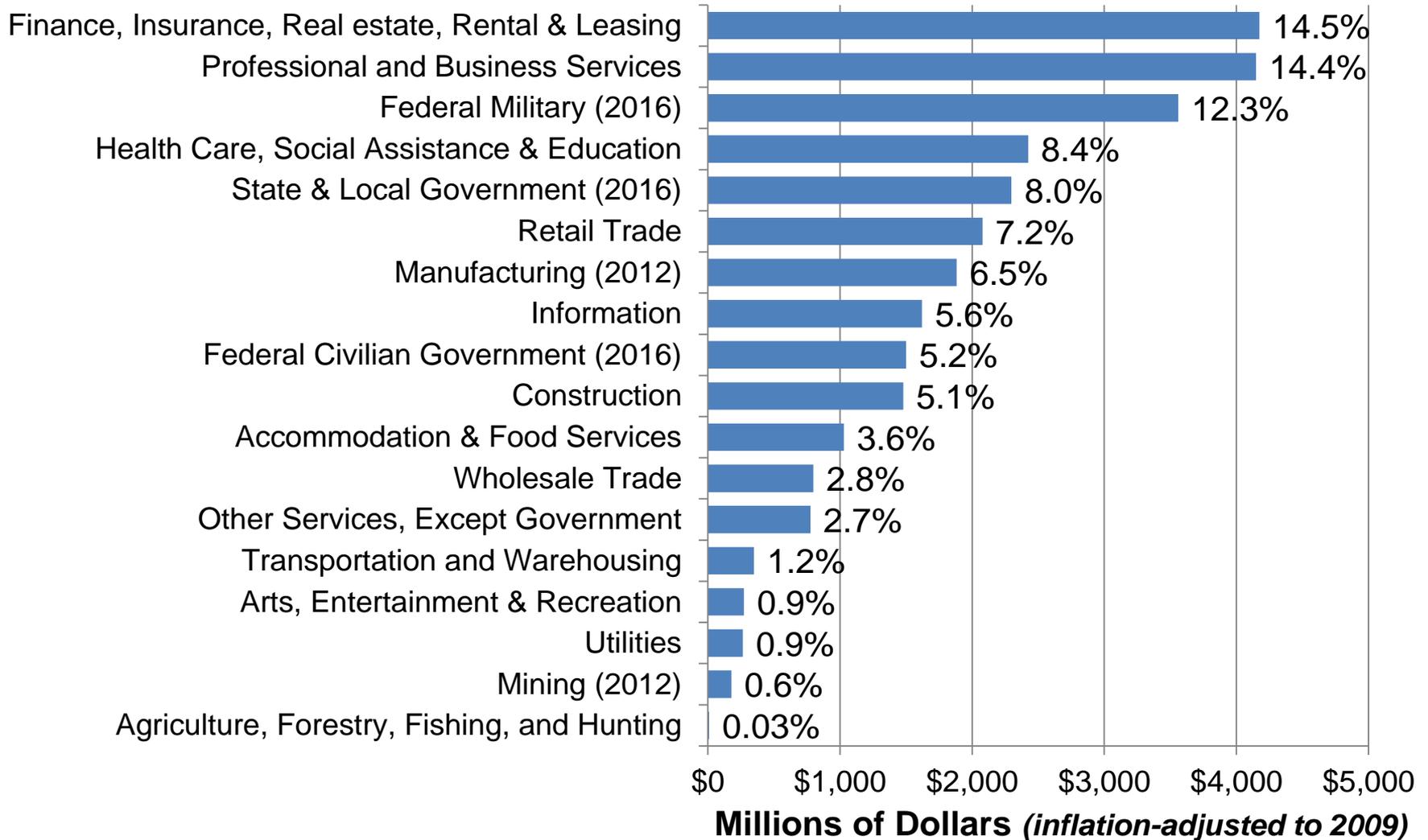
Real GMP Highlights

- 312 of 383 (or 81%) metro areas saw increase in GMP in 2017
 - Professional & business services grew 3.5% (in 317 metros)
 - Wholesale and retail trade grew 3.2% (323 metros)
 - Finance, insurance, real estate, rental & leasing grew 1.5% (237 metros)
 - Natural resources & mining grew 2.2%

- Colorado Springs ranked 58th out of 383 metro areas for 2017 (top quartile).
 - In 2016, Colorado Springs ranked 83rd.

Source: U.S. Bureau of Economic Analysis & U.S. Department of Commerce

Real GMP Contribution by Sector, Colorado Springs MSA, 2017*

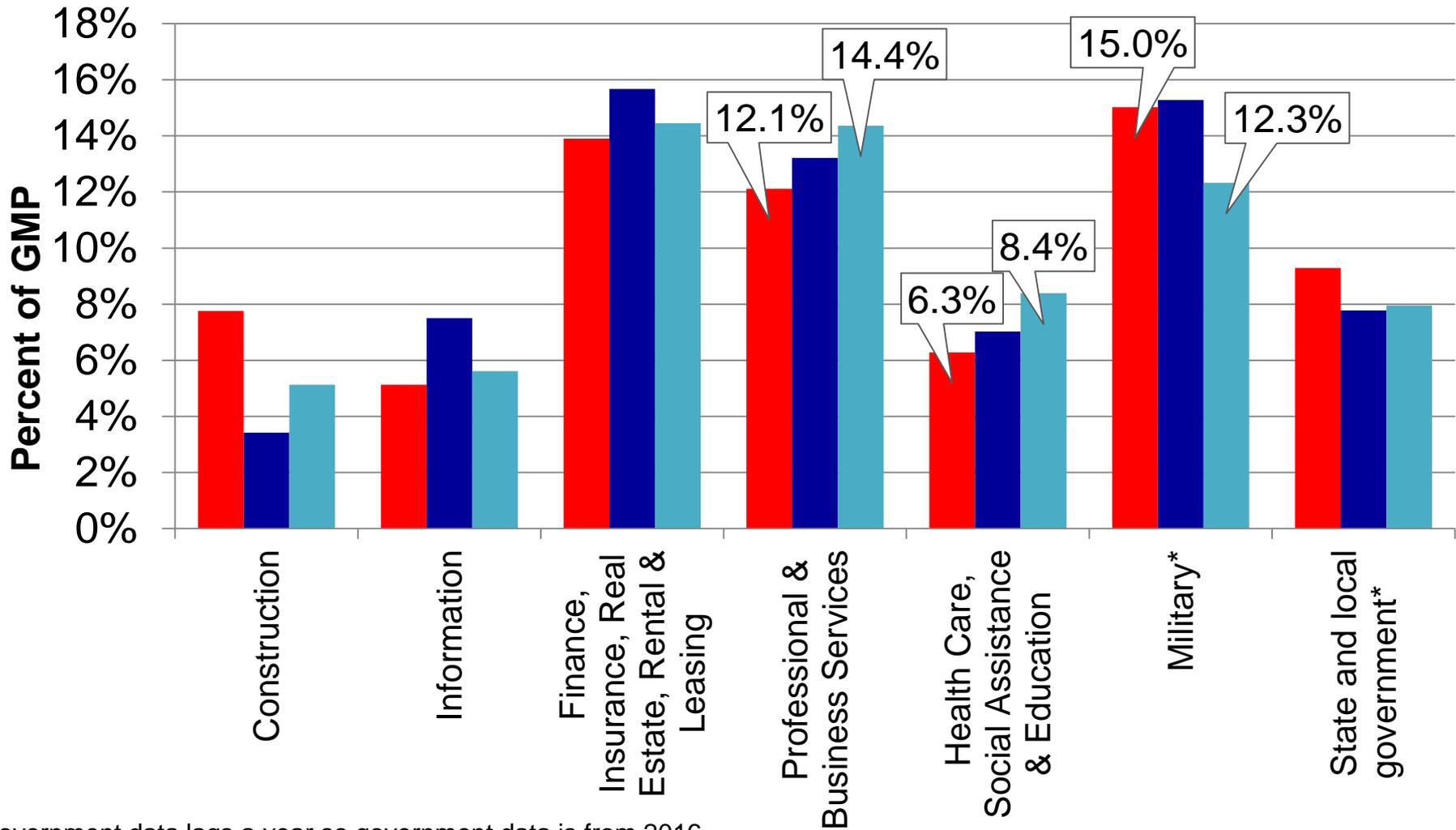


*Manufacturing and Mining data last disclosed in 2012. Government data lags a year.

Source: U.S. Bureau of Economic Analysis

Contribution to GMP by Industry, Colorado Springs MSA

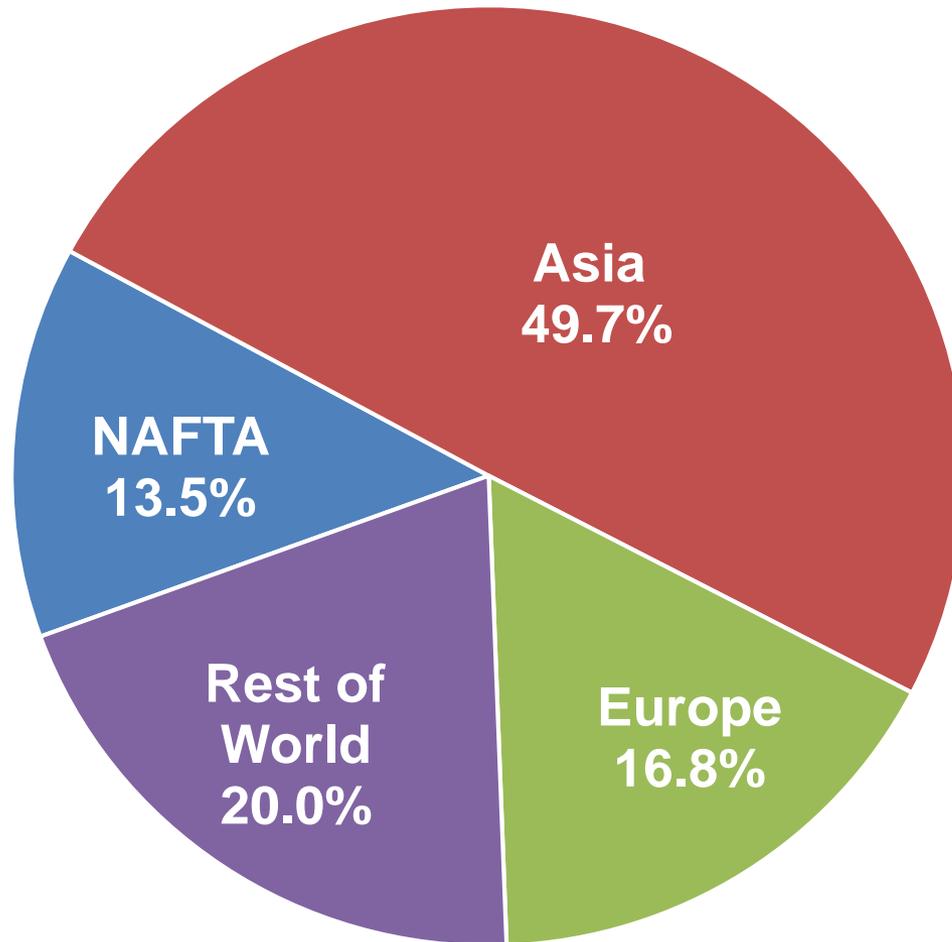
■ 2001 ■ 2011 ■ 2017



*Government data lags a year so government data is from 2016.
 Source: U.S. Bureau of Economic Analysis

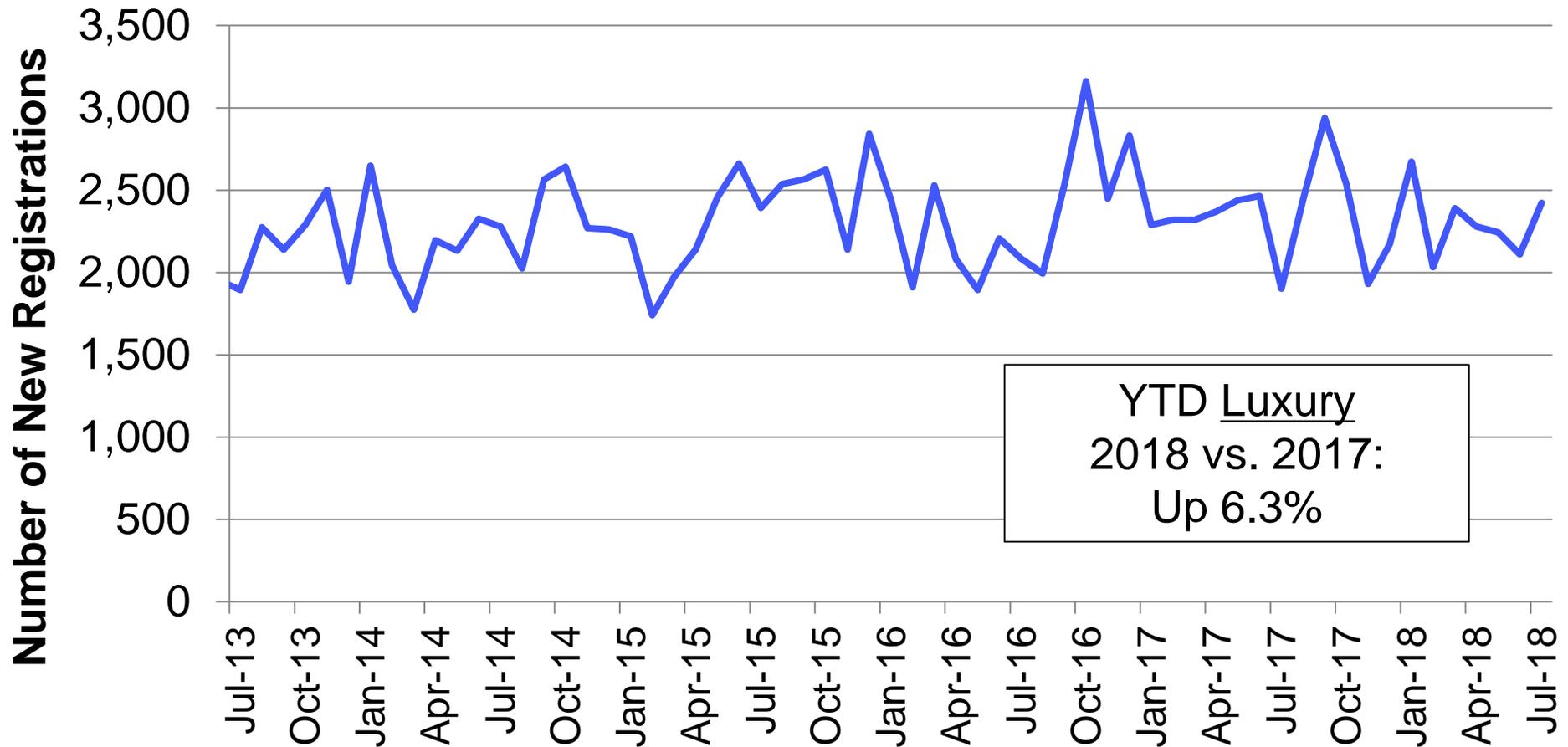
Colorado Springs Exports in 2017

US Exports (Percent of GDP)	
U.S.	8.0%
CO	2.3%
CS	2.5%



Sources: U.S. Department of Commerce, International Trade Administration; U.S. Bureau of Economic Analysis; UCCS Economic Forum

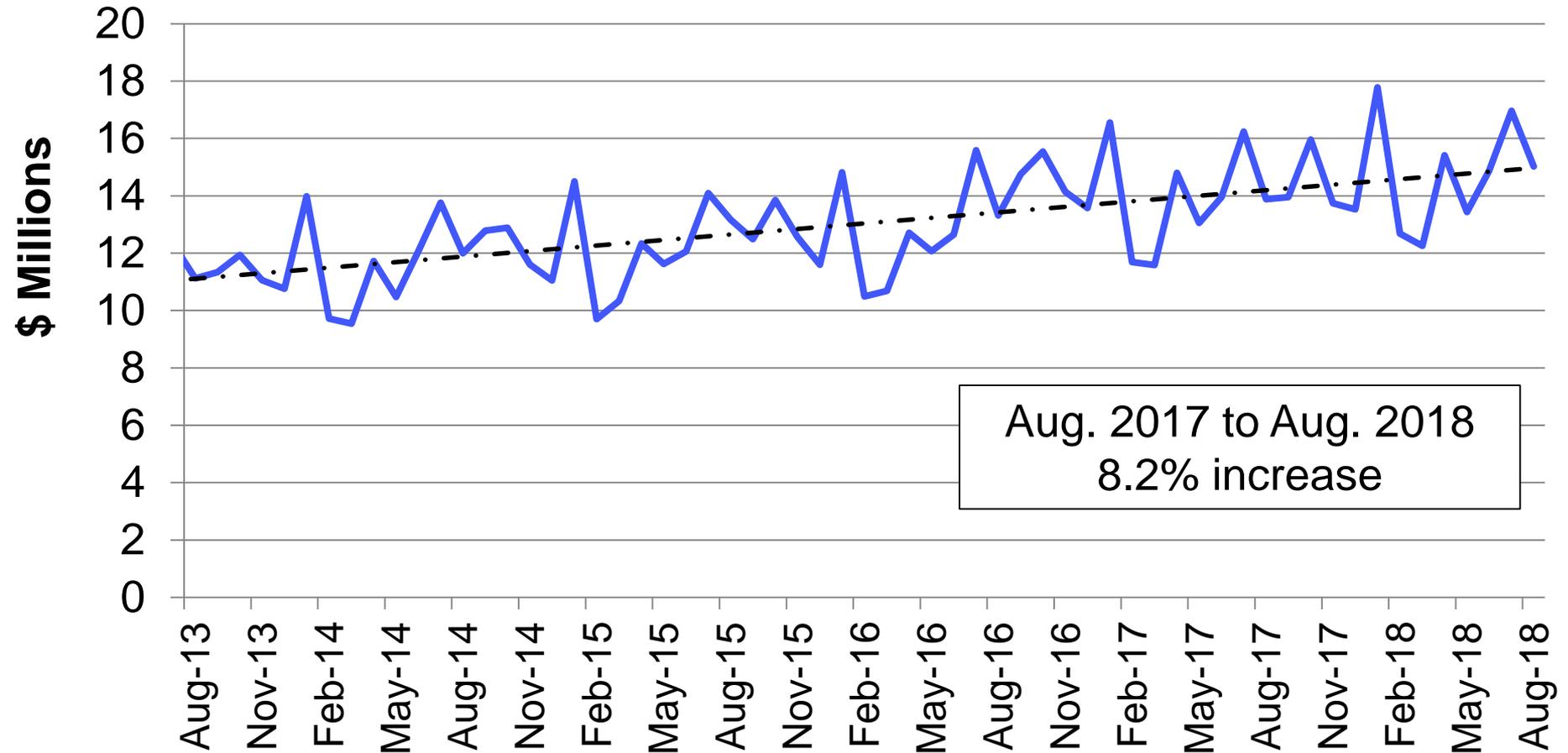
Local Consumer Sentiment: El Paso County New Vehicle Registrations (w/o luxury utility)



Luxury utility categories (all terrain, camper trailer, trailer coach and trailer utility) are not included in the graph line above, but % change in this category is noted in the text box.

Source: El Paso County Clerk and Recorder

Colorado Springs 2% Monthly Sales & Use Tax Collections



Aug. 2017 to Aug. 2018
8.2% increase

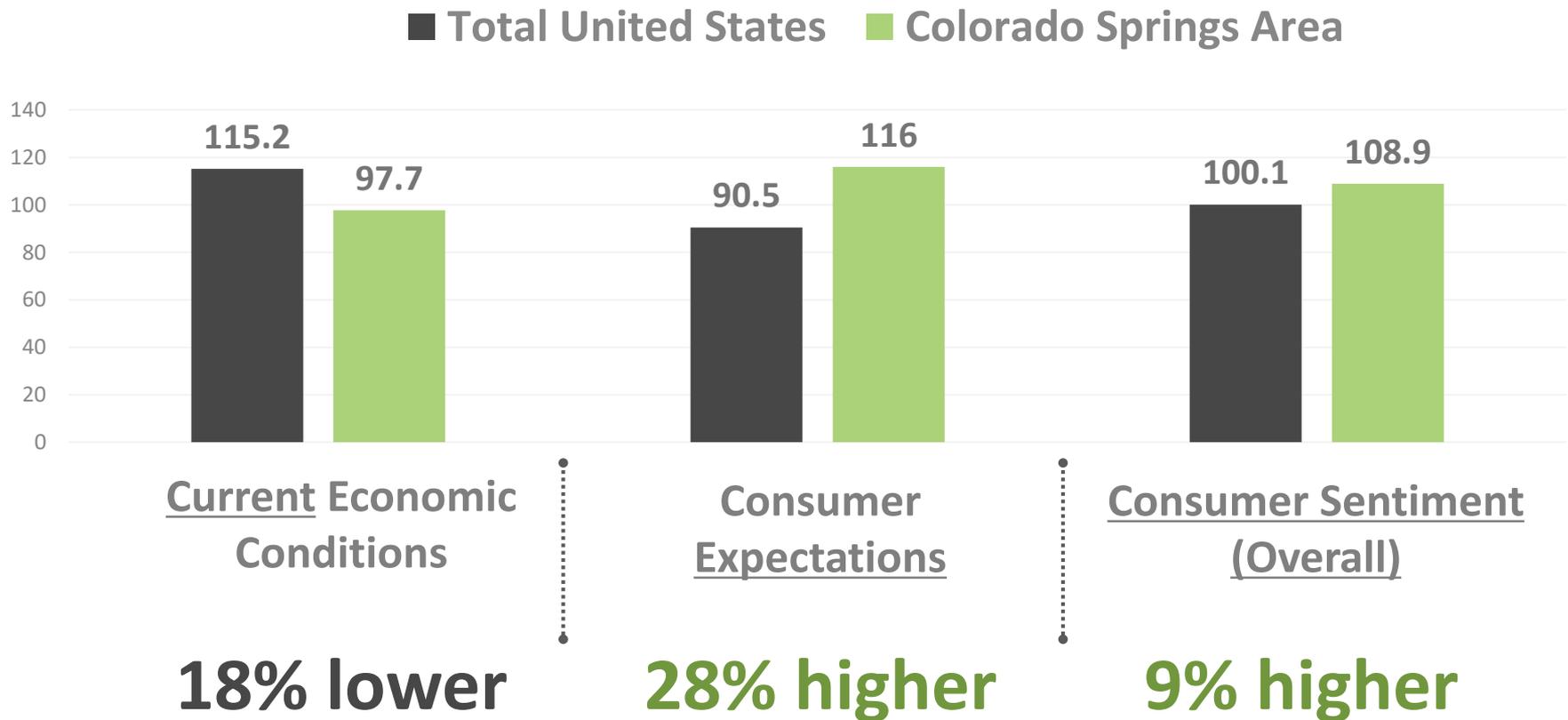
Note: The largest YTD (Aug to Aug) increases by major industries were in commercial machines (25.2%), business services (17.5%), grocery stores (11.33%), and furniture/app/elec (9.5%). Source: City of Colorado Springs

Consumer Sentiment Indices

Total United States VS. Colorado Springs Area

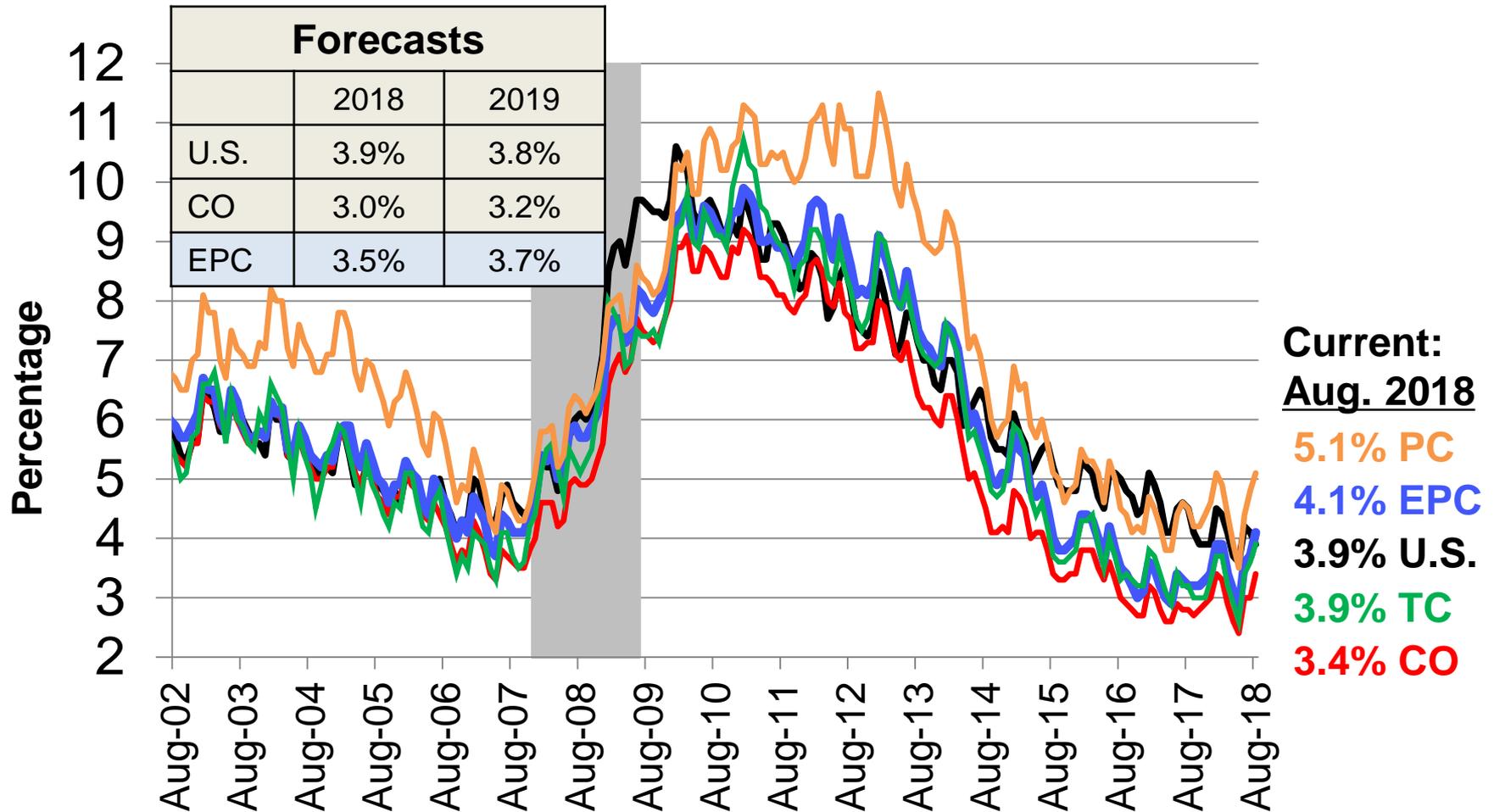


Compared to the total U.S., Colorado Springs residents are substantially more confident in future economic conditions, contributing to a higher overall Index of Consumer Sentiment.



Local Employment

Monthly Unemployment Rate – NSA

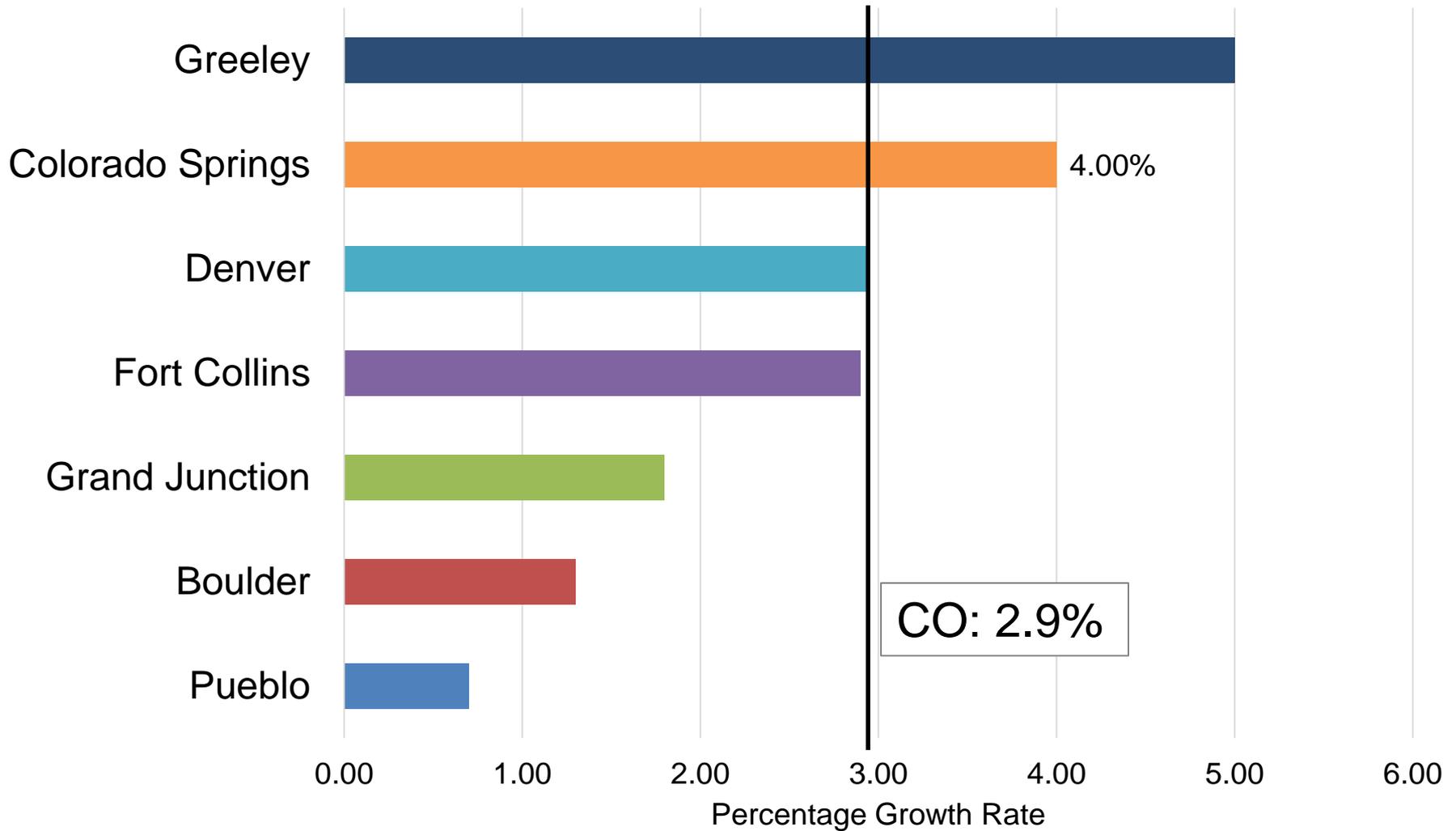


Unemployment rate is from the CPS and includes self employed. Last time EPC rate was higher than U.S. was April 2014.

Forecasts by the Colorado Office of State Planning and Budgeting

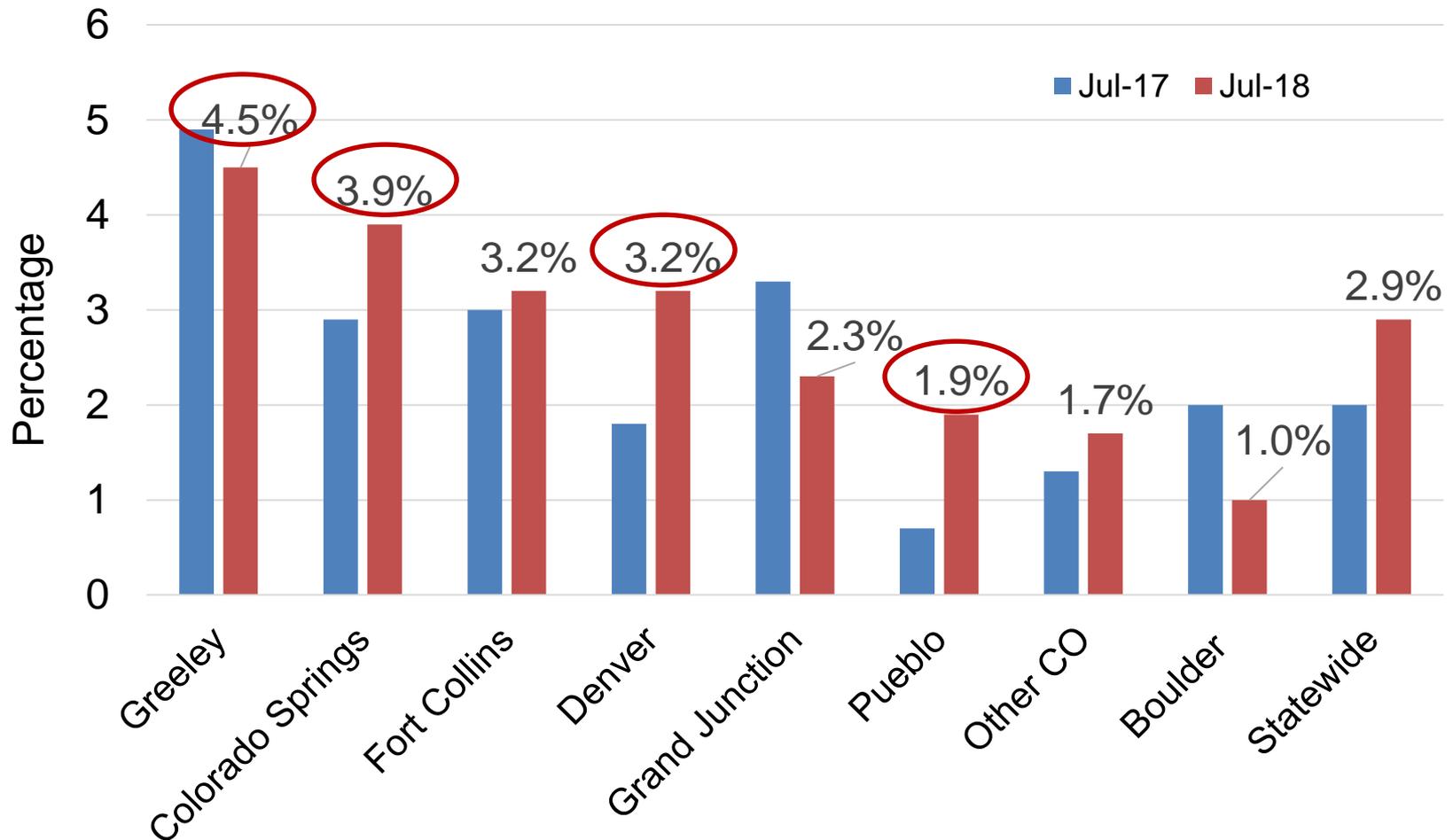
Sources: U.S. Bureau of Labor Statistics; CO Department of Labor and Employment

Employment Growth Rate, July 2017 to July 2018



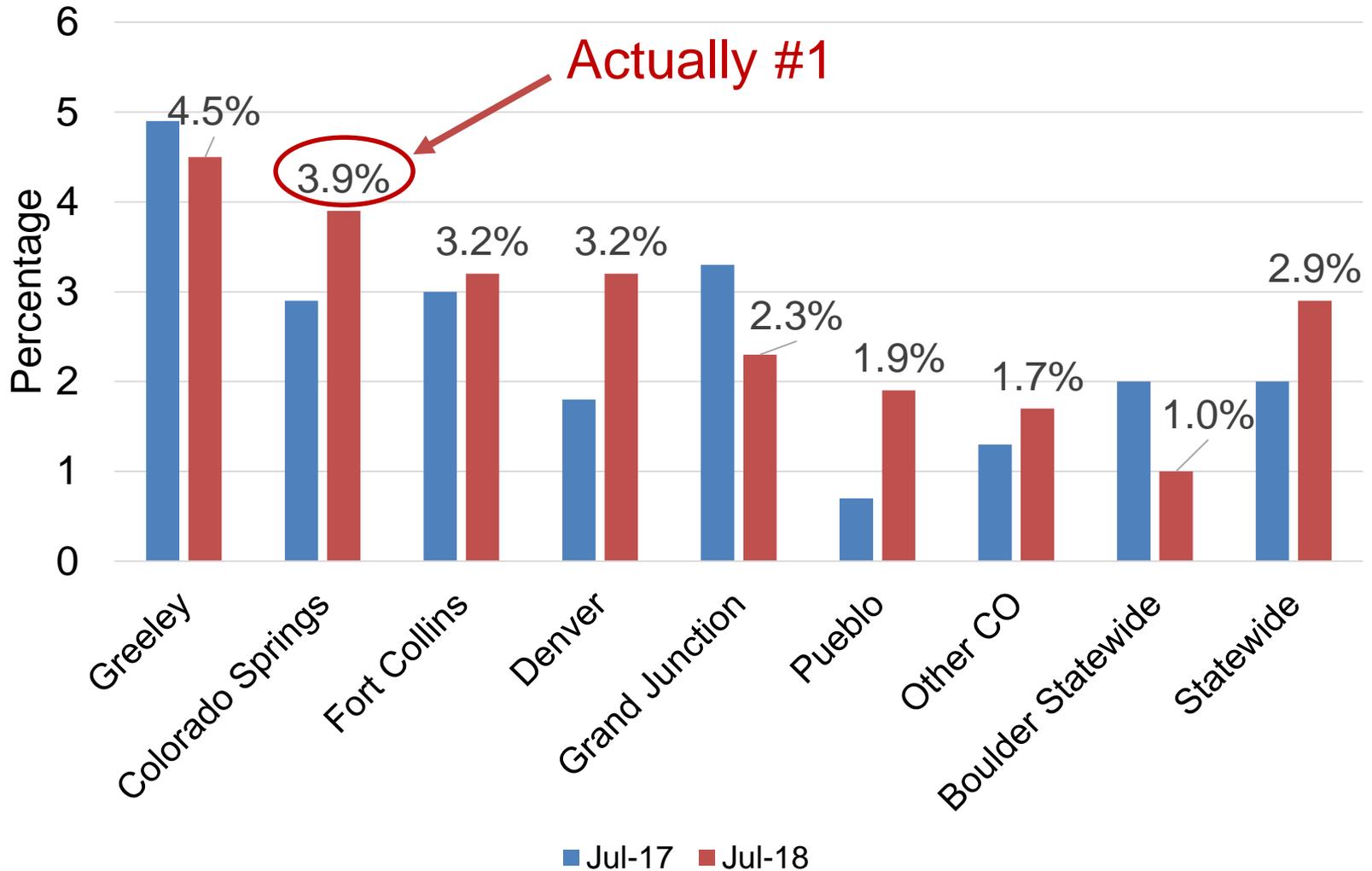
Sources: U.S. Bureau of Labor Statistics; CO Department of Labor and Employment

July 2017 to July 2018 Job Growth



Source: Colorado Department of Labor and Employment

July 2017 to July 2018 Job Growth



Source: Colorado Department of Labor and Employment

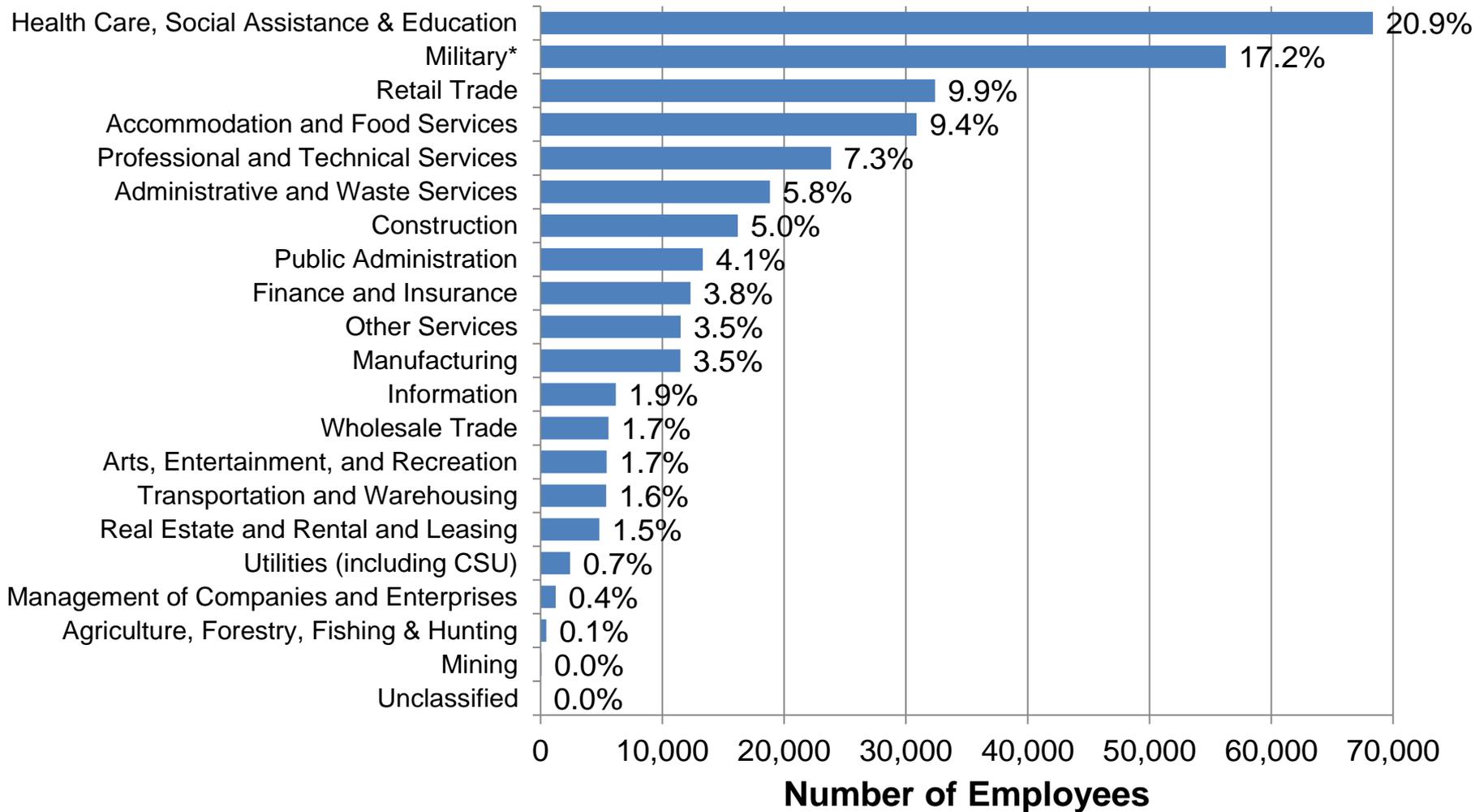


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Employment by Sector in El Paso County, 2017



*2017 USAFA military employment was not available so 2016 data was used.

Sources: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages (QCEW); Department of Military and Veteran Affairs; Colorado Springs Chamber of Commerce & EDC; respective military installations

EPC Industry Specific Changes, 2017 Q1 to 2018 Q1

- Industry specific data shows significant increase in employment in...
 - health care & social assistance (+2,196),
 - professional & technical assistance (+1,420)
 - construction (+878)
 - accommodations & food service (+686)

Notes: Prof & Tech up 726 from 2017 Q4 to 2018 Q1; HC up 526 for same quarter.

Source: CO Department of Labor and Employment, Quarterly Census of Employment and Wages (QCEW)

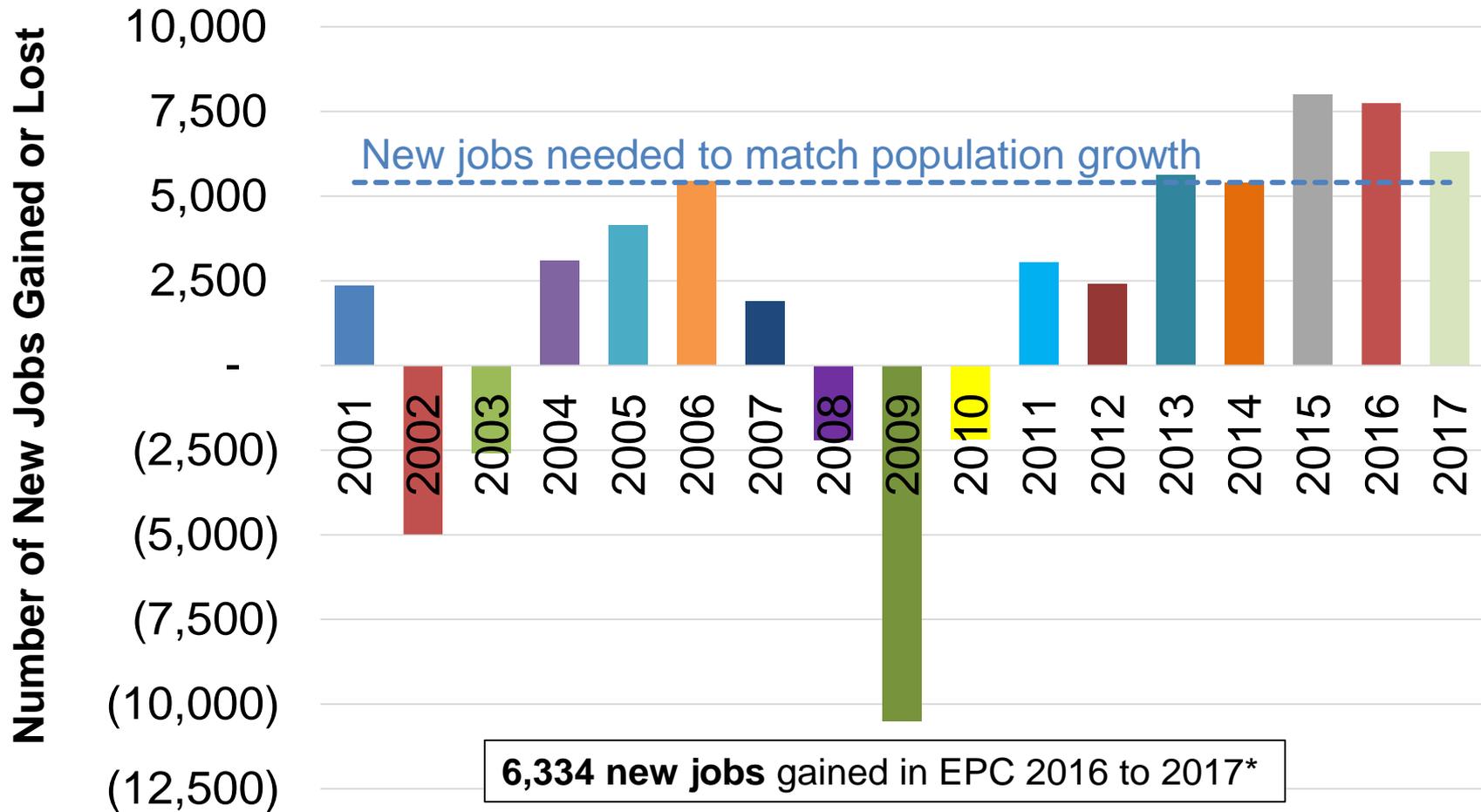
Top 7 Industries for Employee Growth in Colorado Springs MSA, 2017 and 2027

	Employment Change	Annual Average Percent Increase
Health & Social Assistance	14,688	3.29%
Accom & Food Services	7,470	2.11%
Educational Services	6,418	2.12%
Construction	5,692	3.02%
Retail Trade	4,221	1.21%
Pro, Scientific & Tech Services	4,212	1.63%
Finance & Insurance	3,020	2.09%

Source: Colorado Department of Labor and Employment: QCEW

- Total Growth Projection: 59,656 employees gained, 1.80% annual average increase
- CO projected increase in employment: 1.79%
- Total projected population growth: 117,089, 1.7% annual average increase

Local Labor Market: El Paso County Annual Job Changes



*There were 6,057 new jobs gained in EPC 2016 Q4 to 2017 Q4. **QCEW does NOT include self employed;** unemp rate does.
Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW)

Colorado Springs MSA Job Openings

Real Time Job Market Data

September 2018

- Average daily job openings: 13,291
- Average posting duration (33 days)
- Median salary of posted jobs (\$78,000); higher now than Colorado median (\$73,125)
- April 2015 the CS and CO medians were:
 - \$55,550 for CS
 - \$54,950 for CO
 - Suggests more professional/higher skills jobs

Sources: CEB TalentNeuron™; Pikes Peak Workforce Center

State of the City

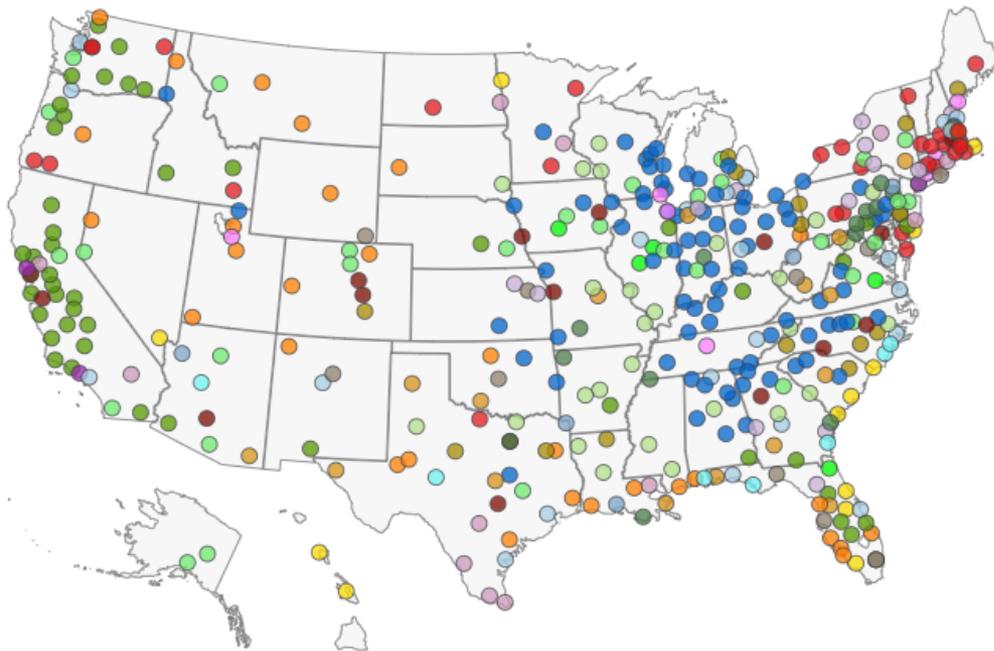
Median Salary of Posted Job

MEDIAN SALARIES
OF POSTED JOBS:



Source: Talent Neuron & UCCS Economic Forum

Location Quotients Across the U.S.



- Architecture and Engineering
- Building and Grounds Cleaning and Maintenance
- Community and Social Service
- Construction and Extraction
- Farming, Fishing, and Forestry
- Healthcare Practitioners and Technical
- Installation, Maintenance, and Repair
- Life, Physical, and Social Science
- Personal Care and Service
- Protective Service
- Arts, Design, Entertainment, Sports, and Media
- Business and Financial Operations
- Computer and Mathematical
- Education, Training, and Library
- Food Preparation and Serving Related
- Healthcare Support
- Legal
- Management
- Production
- Transportation and Material Moving

Hover over a metro area to see data.
Hover over legend items to see metro areas in a category.
Source: U.S. Bureau of Labor Statistics.

- 1.7 LQ for Colorado Springs in Computer & Mathematical (13,980*)
- 1.65 LQ for Denver in Computer & Mathematical (71,000)

Is number employed in this occ group, May 2017;
Military is not included

Colorado Springs MSA Job Openings

Top job titles September 2018:

- 1) *Registered Nurse (1,589 jobs)*
- 2) *Software Engineer (893 jobs)*
- 3) Customer Service Rep (867 jobs)
- 4) *Systems Engineer (828 jobs)*
- 5) *Systems Administrator (743)*
- 6) *Medical Assistant (742 jobs)*
- 7) Administrative Assistant (677 jobs)
- 8) *Certified Nursing Assistant (676 jobs)*
- 9) Teller (594 jobs)
- 10) Sales Rep (588 jobs)

August 2018	
Demand for Labor	Supply of Labor
11,853	14,452

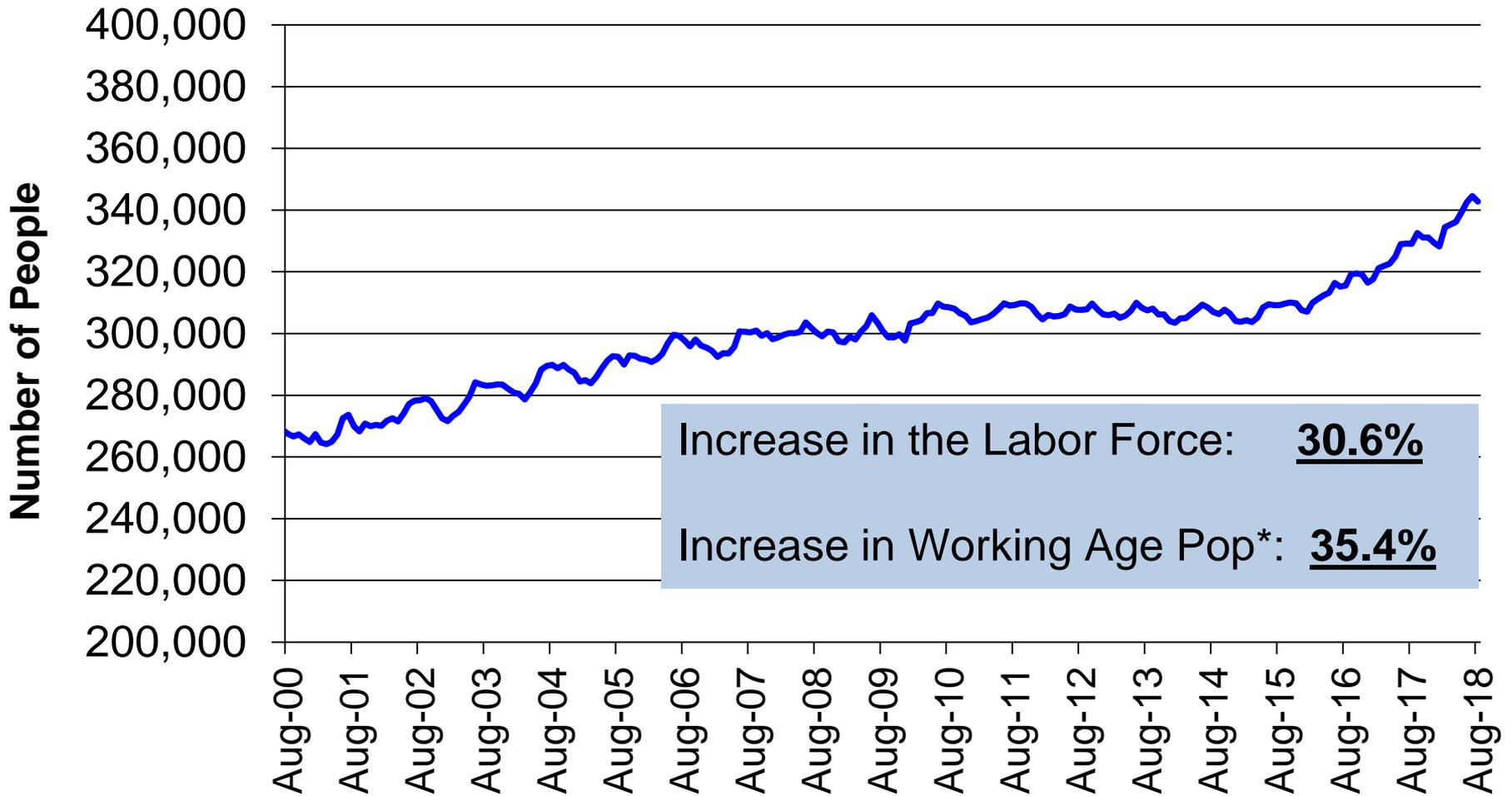
Sources: CEB TalentNeuron™; Pikes Peak Workforce Center; U.S. Bureau of Labor Statistics; CO Department of Labor and Employment; UCCS Economic Forum; The Conference Board Help Wanted Online®

An Interesting Phenomenon in El Paso County...

- After decades of stagnant growth in the labor force...
- EPC had an increase in the labor force August 2017 to August 2018 of 13,617 (or 4.1%)

Source: Colorado Department of Labor and Employment, Colorado Labor Market Information (LMI Gateway)

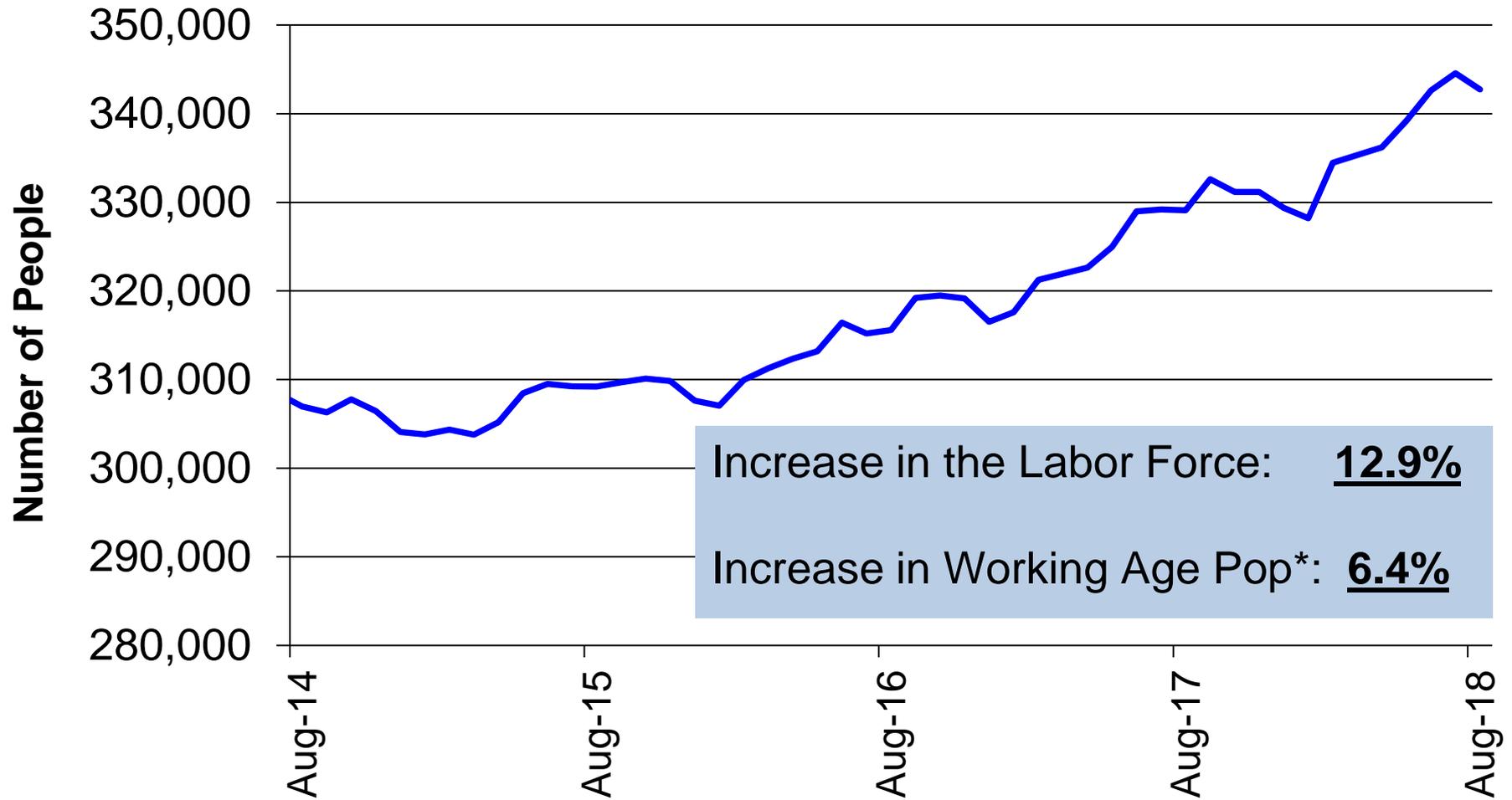
Increase in the Labor Force El Paso County 2000 – 2018



*Ages 18-64

Sources: U.S. Bureau of Labor Statistics; Colorado Department of Local Affairs

More Recent Increase in the Labor Force El Paso County 2014 – 2018



*Ages 18-64

Sources: U.S. Bureau of Labor Statistics; Colorado Department of Local Affairs



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Colorado Springs Workforce Asset Map

The Workforce Asset Map (WAM!) is a "one stop," free, online tool that helps job seekers, employers, and students identify and easily access workforce-related resources within the Colorado Springs region.



I am a...



STUDENT



JOB SEEKER



EMPLOYER

Health Care Audit Preliminary Results

Job Category	2017 Job Postings Junior Level (0-2 Years)	Job Postings Total All Levels	2017 Labor Supply (Number of Local Graduates)**	Total Unmet Need (Demand – Supply)
Registered Nurse (#1)*	1,615	5,394	190	<u>5,204</u>
Medical Assistant (#6)	259	1,063	214	<u>849</u>
Nursing Assistant (#9)	486	1,463	95	<u>1,368</u>
LPN (Licensed Practical Nurse)	238	480	3	<u>480</u>
Phlebotomist	53	134	18	<u>116</u>

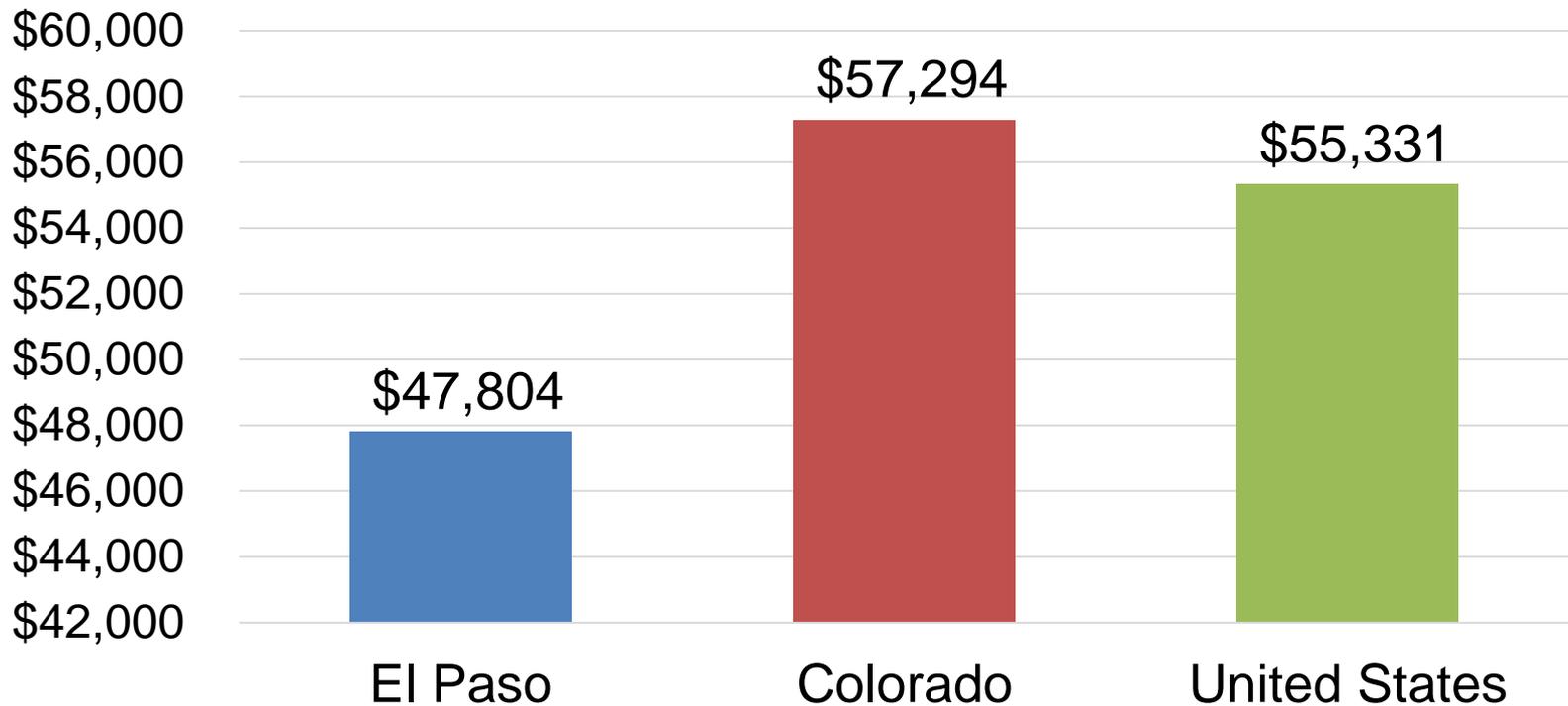
*Rankings are for job titles in Talent Neuron’s May 2018 data, which is characteristic of 2017 postings.

** Graduates from PPCC, UCCS, Pima Medical Institute, National American University, IntelliTec for calendar year 2017.

Note: Job postings are for Colorado Springs MSA.

Local Wages

Private Industry Average Annual Wages, 2017

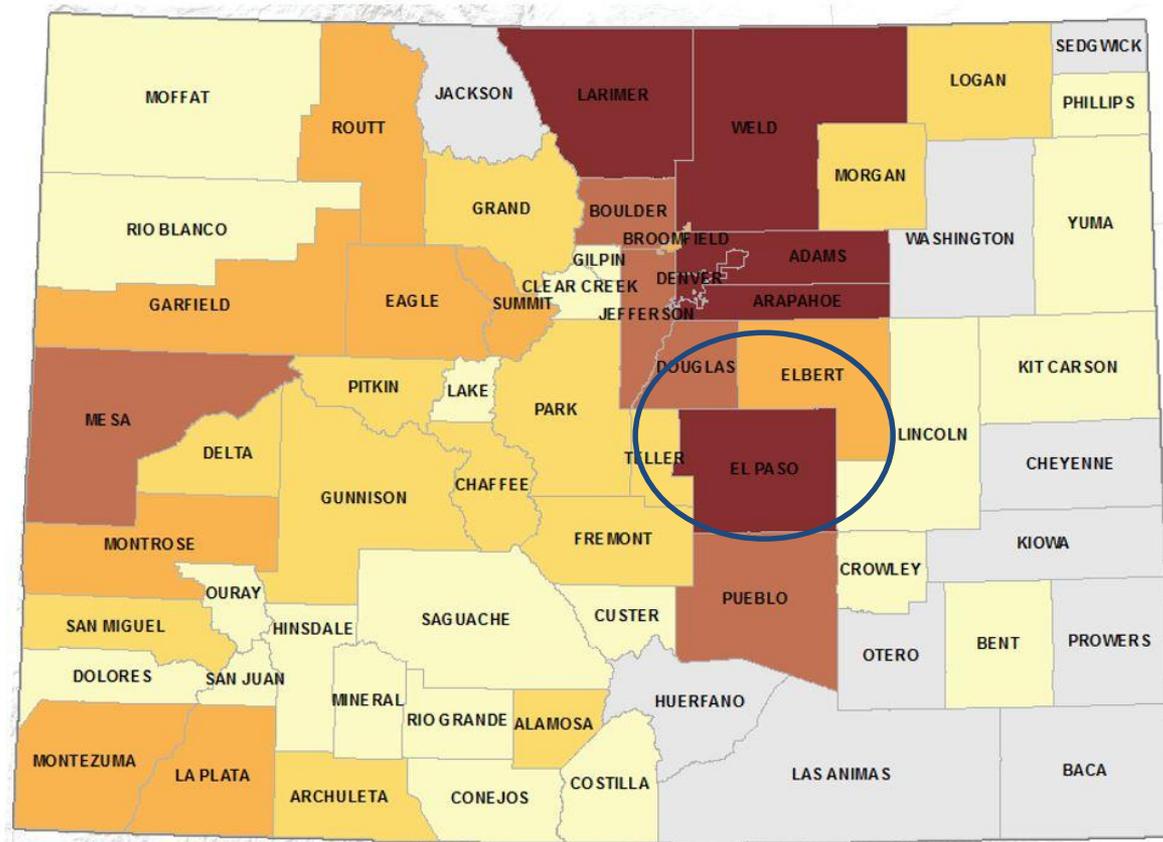


El Paso County % difference from CO	El Paso County % difference from U.S.
-16.6%	-13.6%

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW)

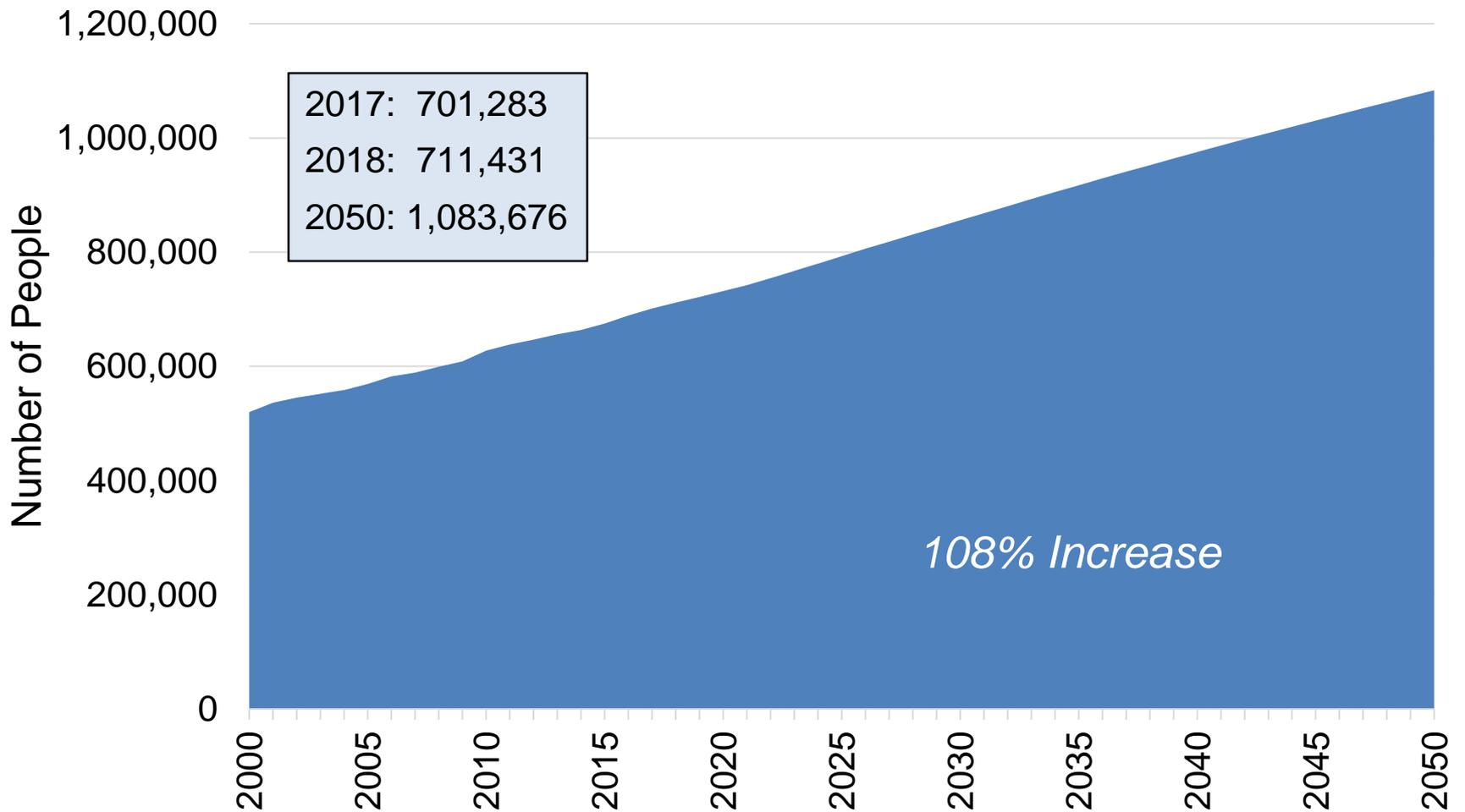
Local Demographics

Demographics: EPC Population Projections 2015 to 2050



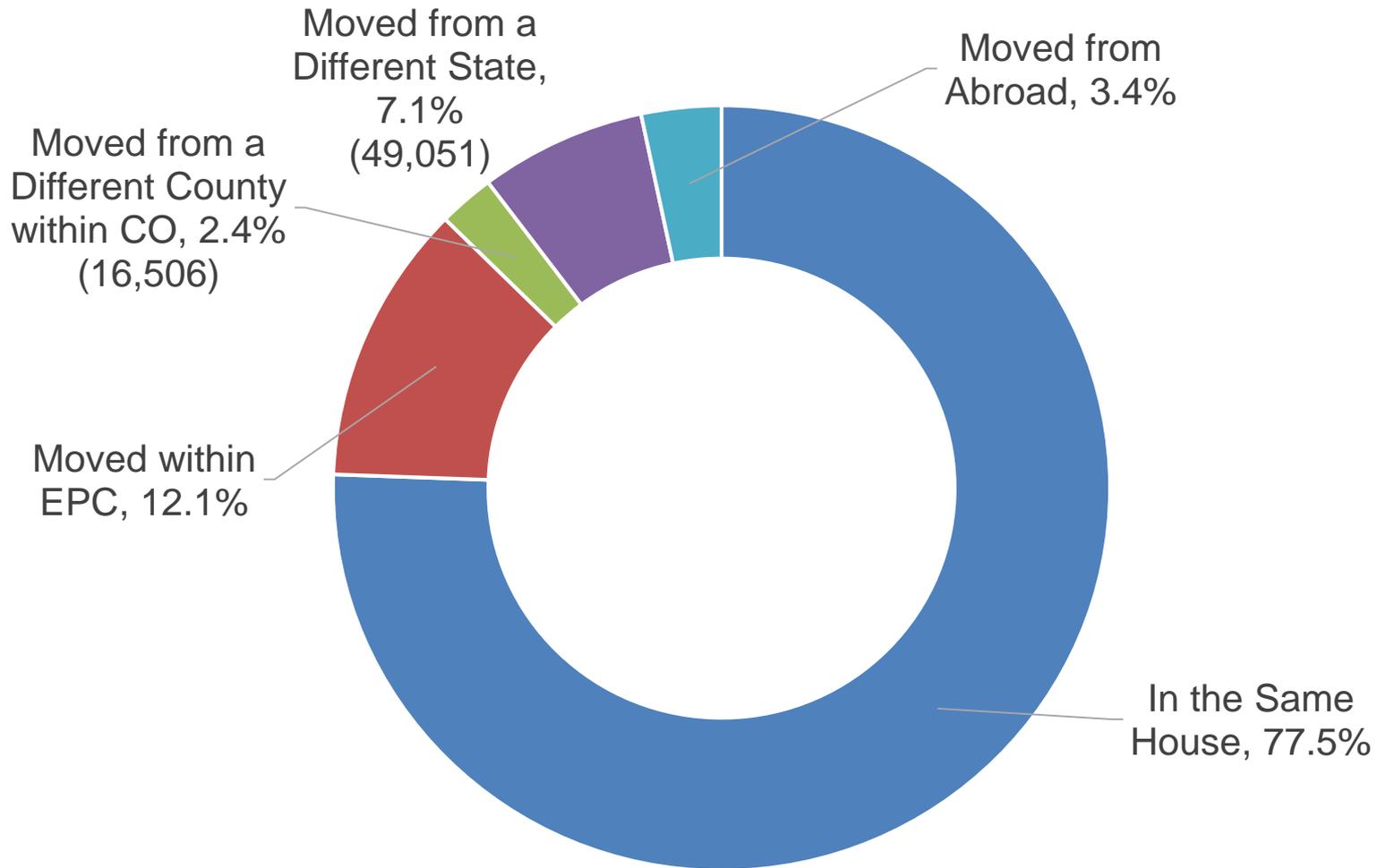
Source: Colorado State Demography Office

Population Increase in El Paso County



Note: 2017 to 2018 up 1.4%.
Source: State Demographer's Office

Migration Patterns in El Paso County 2017



Notes: Net migration was 7,401. Total in-migration was 71,027 (meaning out migration 63,626).

Source: American Community Survey, 2017

2017 Median Age

El Paso County	Colorado	United States
34.2	36.8	38.0

Source: U.S. Census Bureau, American Community Survey 1-year estimate



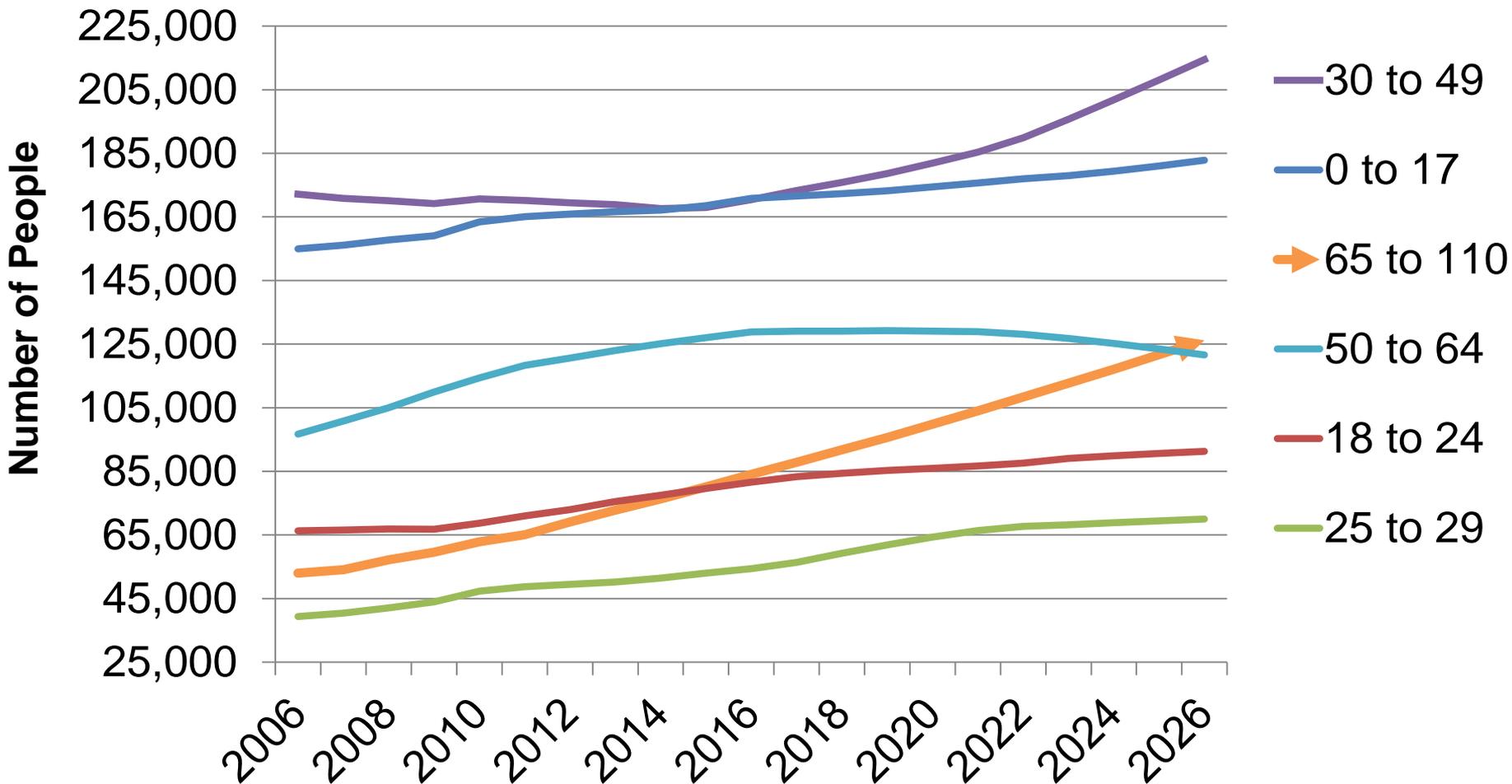
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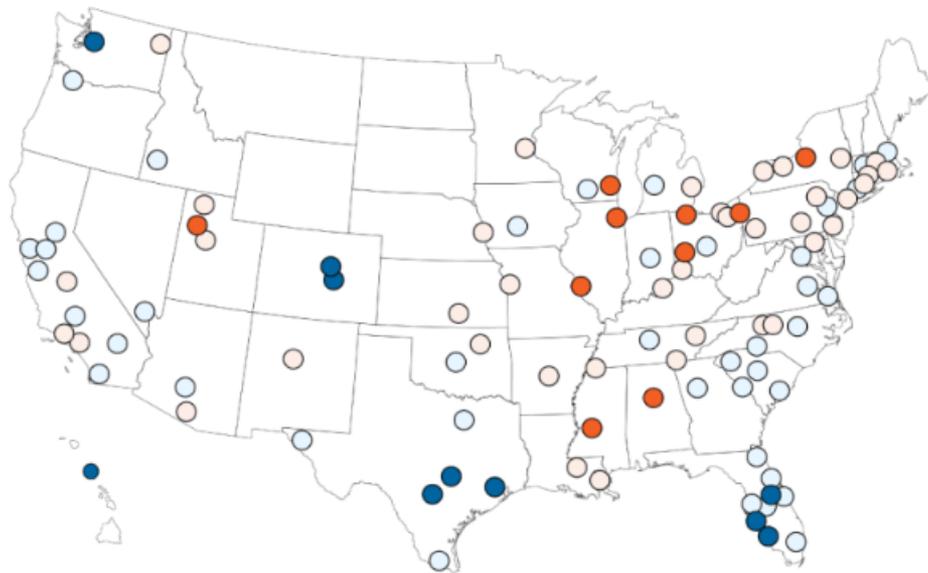
El Paso County Population Projections by Age Group



Source: Colorado Department of Local Affairs, State Demography Office

Growth of age 18-34 year old population

Metro areas, 2010-2015



● Over 10.8% (top 10) ● 5.8% - 10.8% ● 2% - 5.8% ● Below 2% (bottom 10)

Top 10 metros

Colorado Springs	14.7%
San Antonio-New Braunfels	14.4%
Denver-Aurora-Lakewood	12.8%
Orlando-Kissimmee-Sanford	12.7%
Honolulu	12.2%
Austin-Round Rock	11.8%
Cape Coral-Fort Myers	11.7%
Houston-The Woodlands-Sugar Land	11.7%
North Port-Sarasota-Bradenton, FL	11.1%
Seattle-Tacoma-Bellevue	10.8%

Bottom 10 metros

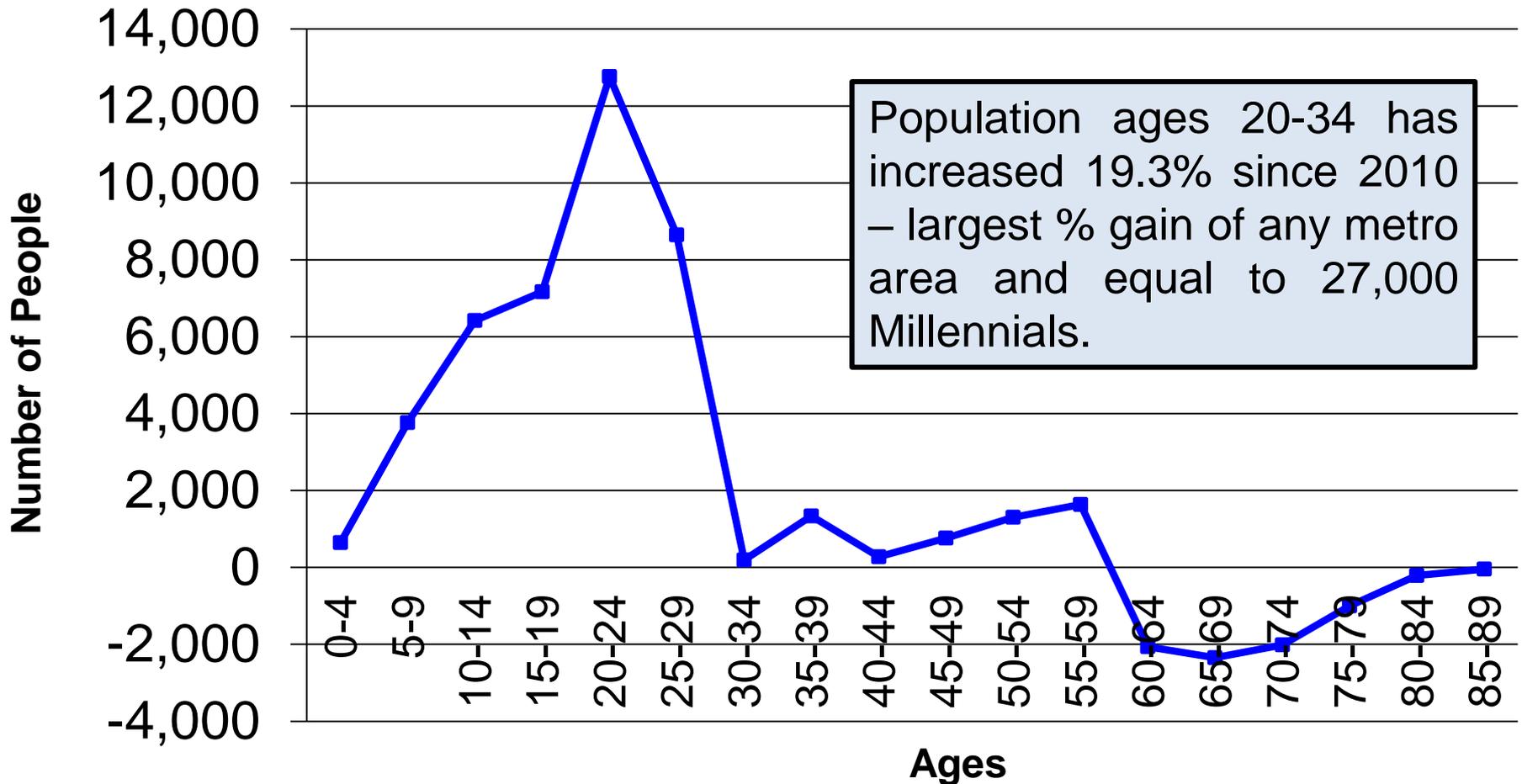
Salt Lake City	1.9%
Dayton	1.7%
Syracuse	1.5%
Milwaukee-Waukesha-West Allis	1.4%
Jackson	1.2%
Youngstown-Warren-Boardman, OH-PA	1.0%
St. Louis, MO-IL	0.9%
Toledo, OH	0.5%
Chicago-Naperville-Elgin, IL-IN-WI	0.2%
Birmingham-Hoover, AL	-0.6%

Colorado Springs is Fastest-Growing City for Millennials..

Source: William H. Frey analysis of US Census estimates

B Metropolitan Policy Program
at BROOKINGS

Colorado Springs MSA Net Migration 2010 to 2020 by age group



Source: Colorado Department of Local Affairs, State Demography Office, ACS data from WF Colorado Economic Outlook, 2018

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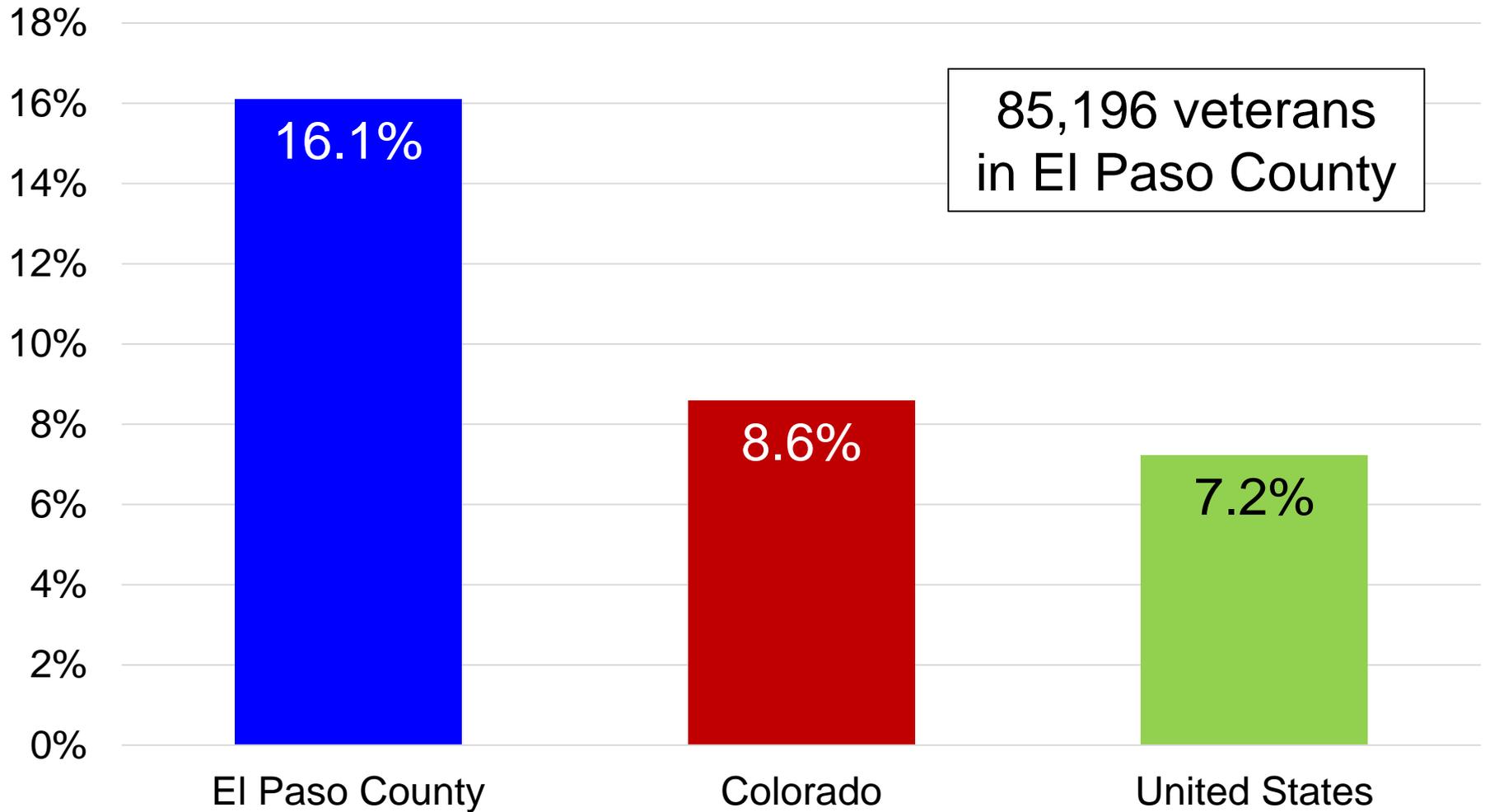
Sam Has a New Job...



Sam Elliott the Professional

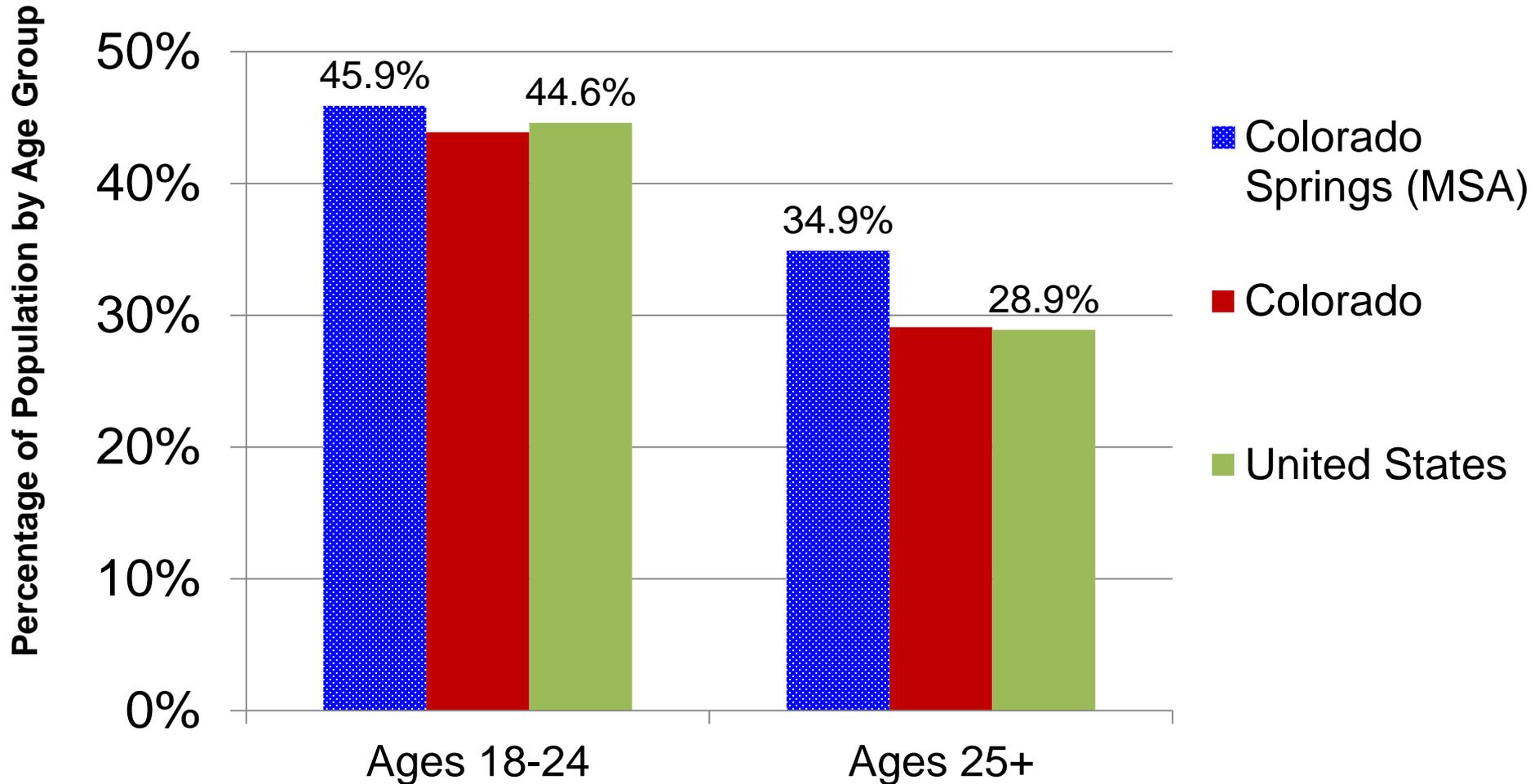


2017 Adult Population with Veteran Status



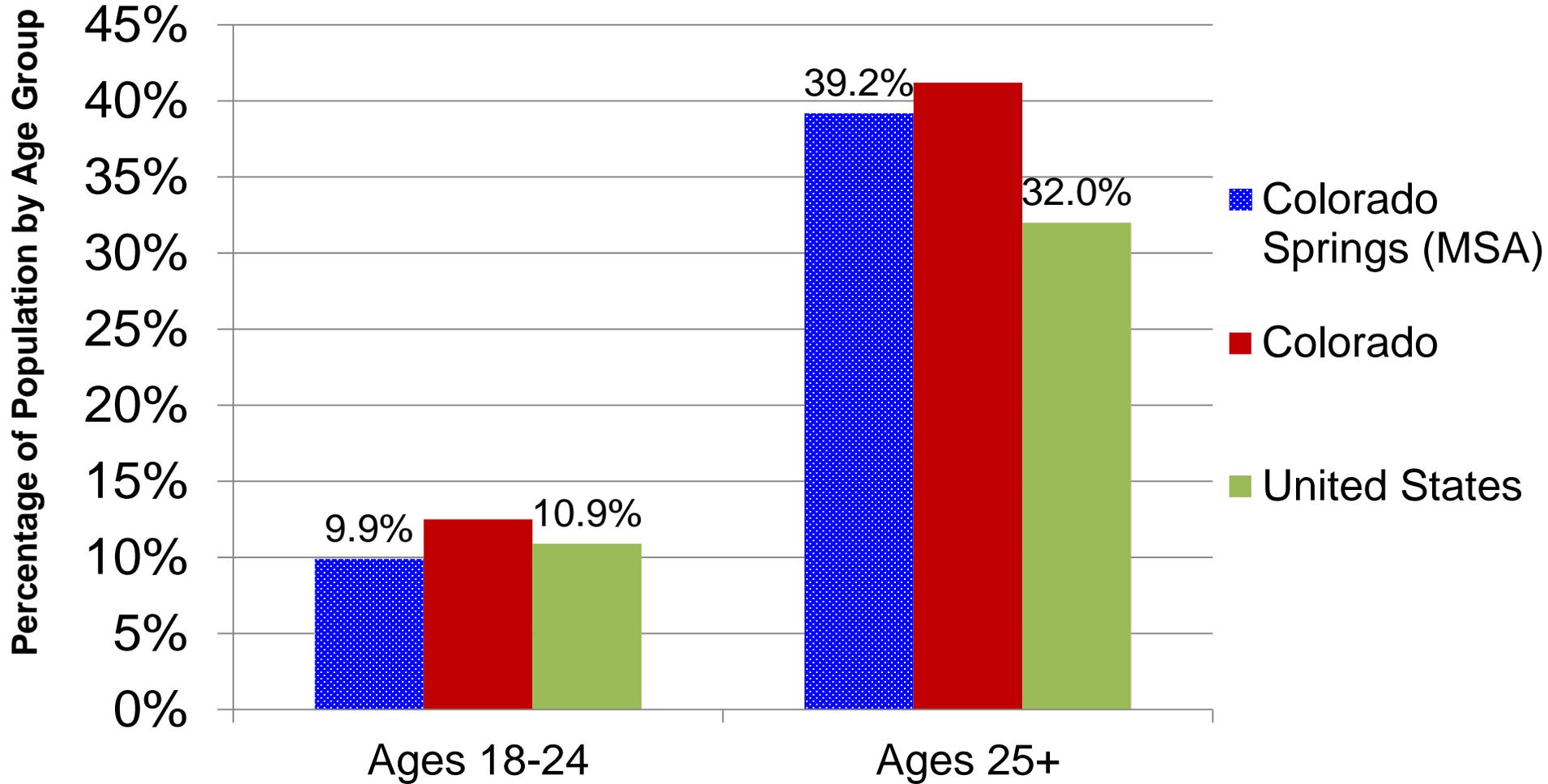
Source: U.S. Census Bureau, American Community Survey 1-year estimates

Some College or Associate Degree in 2017



Source: U.S. Census Bureau, American Community Survey 1-year estimates

Bachelor's Degree or Higher in 2017



Source: U.S. Census Bureau, American Community Survey 1-year estimates

Local Housing

More Recently in the Colorado Springs MSA

- In 2018 Q2, for existing single-family homes:
 - Median home price was \$323,600
 - Up **13.9%** from 2017 Q2
 - U.S. median in Q2 was \$269,000.
 - We are now 20.3% higher than U.S.
 - 1.9 months supply in September 2018 in the Pikes Peak Region.
 - DOM in September – 27 days

Sources: National Association of REALTORS®; Pikes Peak REALTOR® Services Corp. (RSC)

It's all Relative..

- Denver's median price was \$462,900 (up 9.0% Q2 to Q2).
- Boulder's median price \$631,100 (up 6.4% Q2 to Q2).
- Boulder is the 6th most expensive city for median home price, Denver is 13th and Colorado Springs ranked 26th (out of 178 MSAs).

Sources: National Association of REALTORS®; PPAR (RSC)

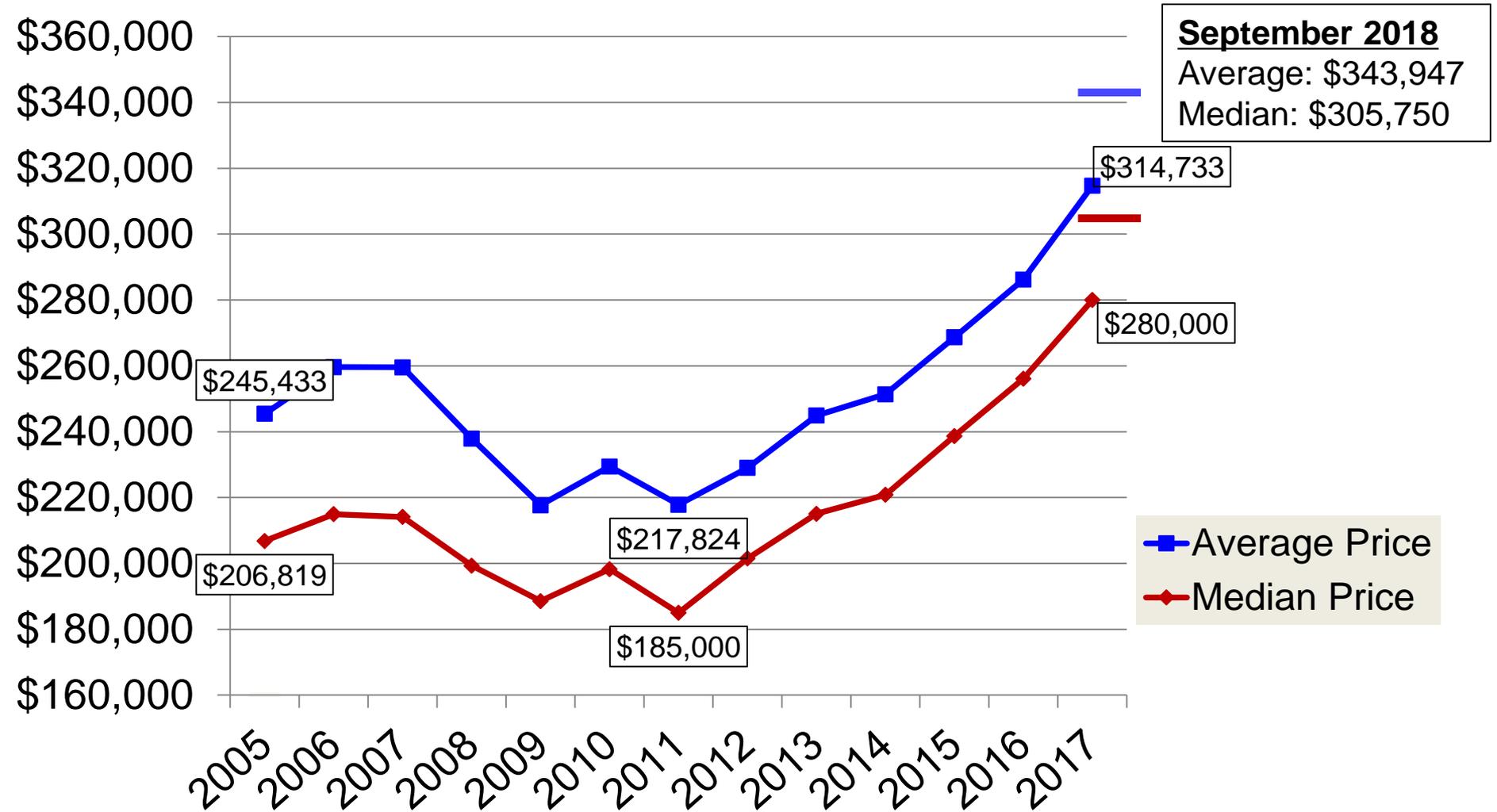


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Pikes Peak Region Annual Average & Median* (Single-Family) Home Prices



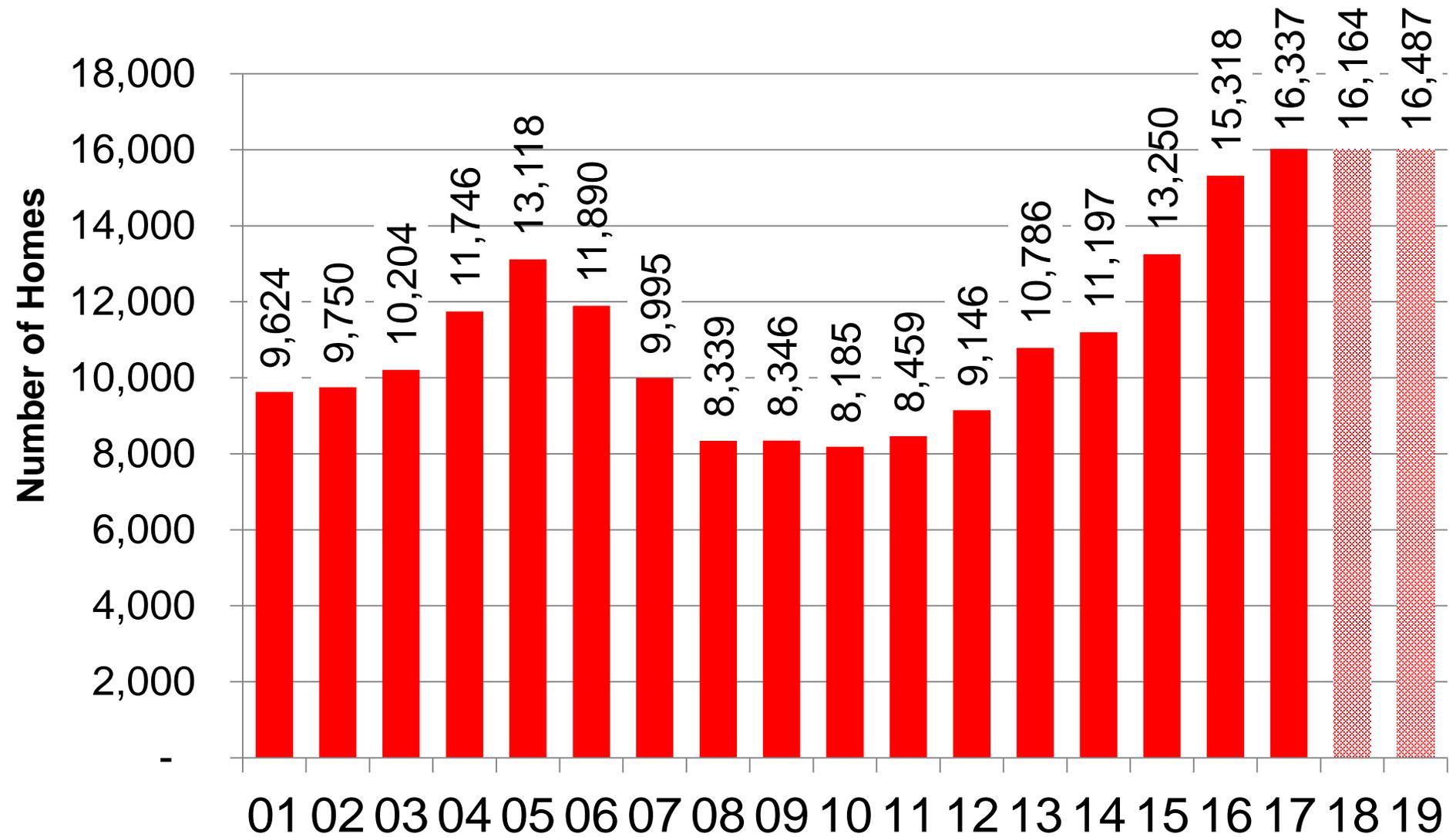
Source: Pikes Peak REALTOR® Services Corp. (RSC); Forecasts by UCCS Economic Forum. *Includes all homes: new and existing.

Single-Family Home Prices Forecast (New & Existing)

	2017	2018	2019
Average	\$314,733	\$347,789 (up <u>10.5%</u>)	\$368,647 (up <u>6.0%</u>)
Median	\$280,000	\$311,920 (up <u>11.4%</u>)	\$332,195 (up <u>6.5%</u>)

Source: Pikes Peak REALTOR® Services Corp. (RSC); Forecasts by UCCS Economic Forum.

Pikes Peak Single-Family (Detached) Home Sales



Source: Pikes Peak REALTOR® Services Corp. (RSC)



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Sales Distribution

U.S. Sales in August 2018

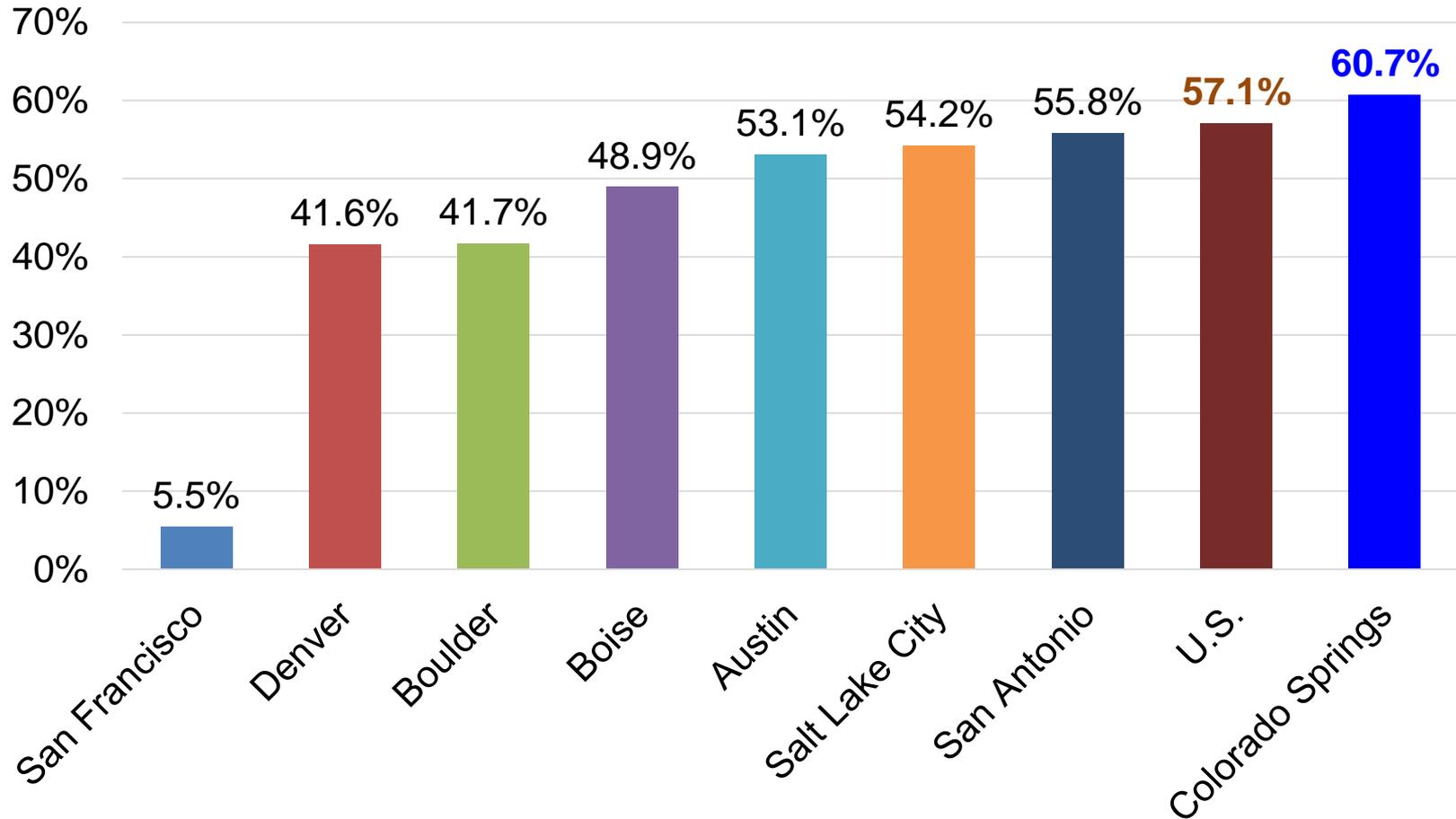
\$0-100K	\$100-250K	\$250-500K	\$500-750K	\$750K-1M	\$1M+
8%	38%	36%	10%	4%	4%

EPC Sales in Apr-Sept 2018

\$50-100K	\$100-250K	\$250-500K	\$500-800K	\$800K-1M	\$1M+
0.1%	21%	68%	10%	1%	0.7%

Sources: National Association of REALTORS®, August 2018; RE/MAX, Darrell Wass

Housing Opportunity Index – April to June 2018



Notes: HOI is defined as the share of homes sold in that area that are affordable to a family earning the local median income, based on standard mortgage underwriting criteria. Includes new and existing homes.

Source: National Association of Home Builders and Wells Fargo



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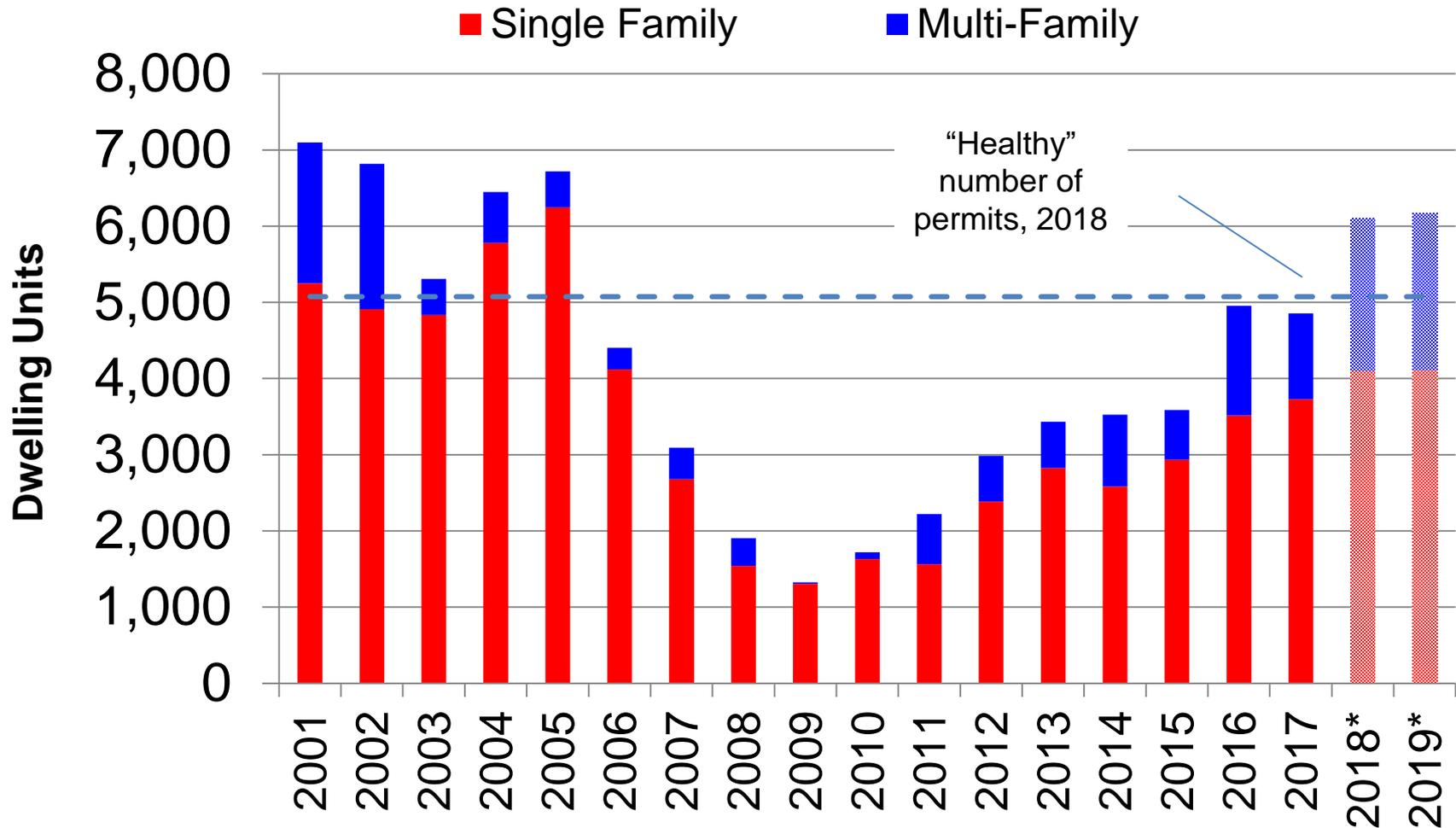


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Home Building

Pikes Peak Single & Multi-Family Permits



*Forecasts by UCCS Economic Forum with input from PPRBD
 Source: Pikes Peak Regional Building Department

Projections for Local Housing

- With input from local experts, the Forum is forecasting strong growth in single-family building for 2018 and relatively flat construction levels for 2019.
 - 2018 – up 10.0% – permits for SF dwellings
 - 2019 – up 0.2%
- Construction costs are high & available land is low.
- 2016 had a 19.7% increase in SF permits
- 2017 saw 6.1% increase in permits for SF dwellings

Notes: Single-family dwellings include detached and attached (townhomes).

Source: Pikes Peak Area Realtors, UCCS Economic Forum

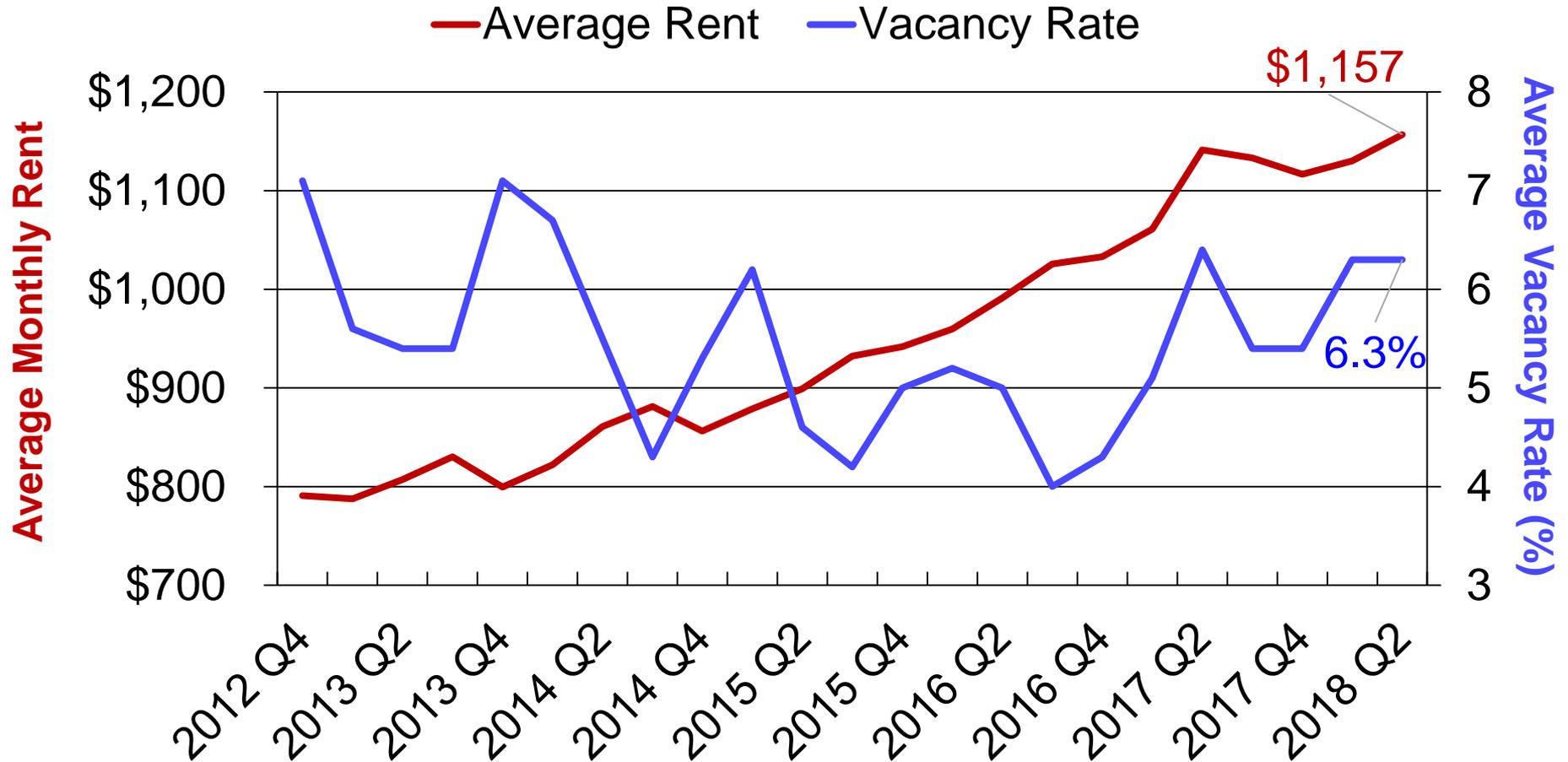
Rental Market

Apartment Leasing in Colorado Springs

- Apartment building and leasing is indicative of level of economic growth.
- In 2018 Q2:
 - Average rent: \$1,157 (new & old units combined)
 - Compared to \$660 in 2002 (has almost doubled)
 - Average rent for units built 2010-present: \$1,432
 - 1,521 units built in 2017 (there are 49,260 units total)
 - Compared to 528 units built in 2016

Source: CO Department of Local Affairs, Colorado Springs Metropolitan Area Apartment Vacancy and Rent Survey, 2018 Q2

Multi-Family Rental & Vacancy Rates in Colorado Spring MSA



Source: CO Department of Local Affairs, Colorado Springs Metropolitan Area Apartment Vacancy and Rent Survey

HUD Report, Region 8

Apartment market conditions ranged from slightly tight in Utah with strong job growth to soft in markets in energy-impacted states.

	Market Condition	Q2 2017 (%)	Vacancy Rate		Average Monthly Rent		
			Q2 2018 (%)	Percentage Point Change	Q2 2018 (\$)	Q2 2018 (\$)	Percent Change
Billings	Slightly soft	8.8	7.1	- 1.7	975	936	- 4
Cheyenne	Balanced	2.7	4.1	1.4	886	890	0
Colorado Springs ^a	Balanced	4.5	5.5	1.0	1,000	1,040	4
Denver ^a	Balanced	5.4	5.2	- 0.2	1,372	1,426	4
Fargo ^b	Soft	8.4	8.8	0.4	NA	NA	NA
Ogden	Slightly tight	3.6	3.4	- 0.2	928	972	5
Salt Lake City	Slightly tight	3.9	4.1	0.2	1,068	1,118	5
Rapid City	Soft	3.4	2.6	- 0.8	925	932	1

2Q = second quarter. NA = data not available.

Note: Fargo apartment vacancy rates as of June 1.

Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—(a) *Apartment Insights*; (b) Appraisal Services, Inc; all other areas: Real Data, Inc.

2017 percentage of renter occupied housing units:

El Paso County: 37.0%

Colorado: 34.8%

United States: 36.1%

Source: U.S. Census Bureau, American Community Survey 1-year estimates

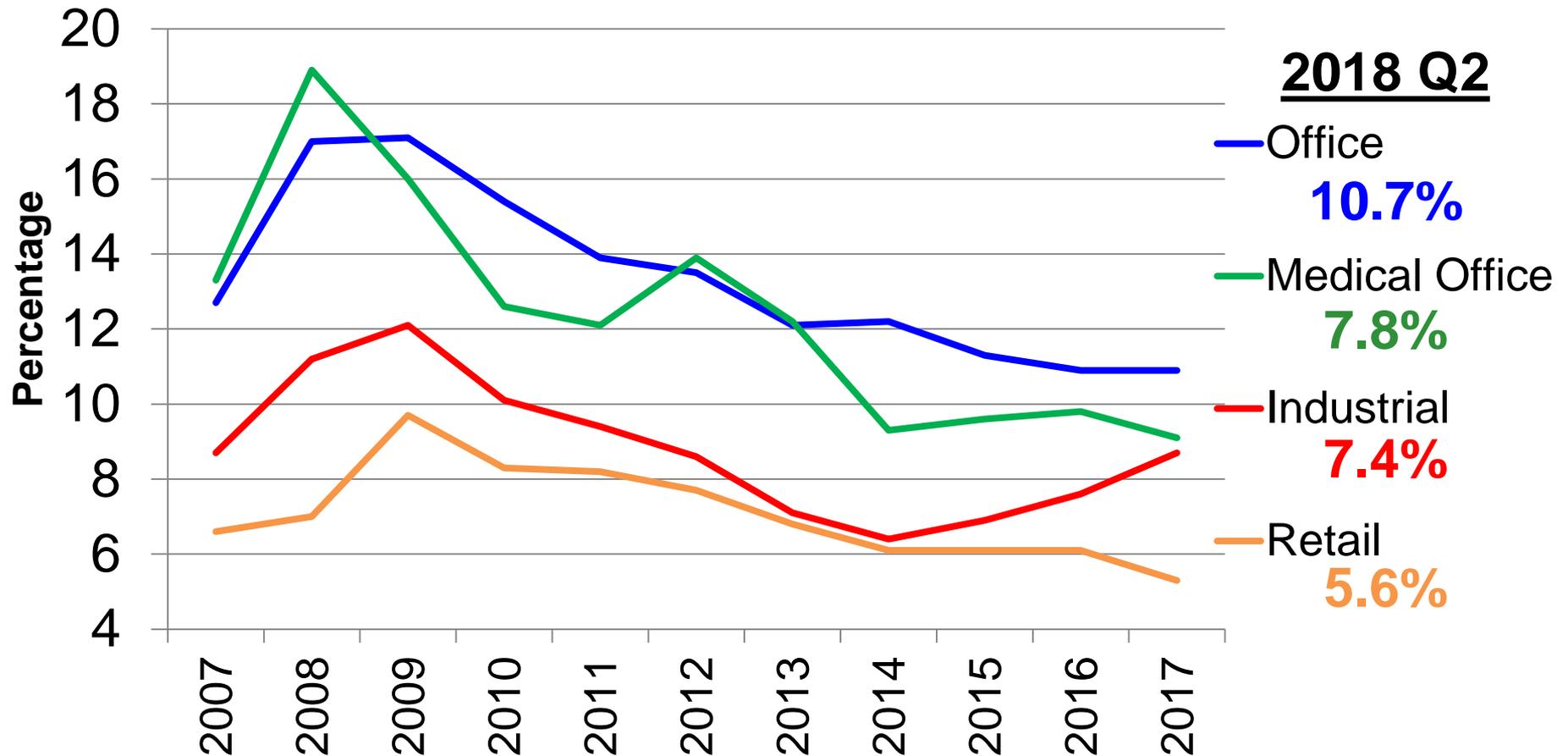
Denver and Colorado Springs, 2018 Q2

	Denver	Colorado Springs
Average Monthly Rent	\$1,426	\$1,040
Vacancy Rate	5.2%	6.3%*
Number of Units Built Past 12 Months (2017)	10,854 (94% absorption)	1,521 (95% absorbed)

Note: Absorption is the net change in the # of apartment units rented in the current time period (quarter/year) compared to the same time period last year. *CS vacancy rate is the from CS Metro Area Apartment Vacancy & Rent Study; Denver's is from HUD. Source: Housing and Urban Development, 2018 Q2 Report; CS Metro Area Apartment Vacancy & Rent Study; The Denver Post

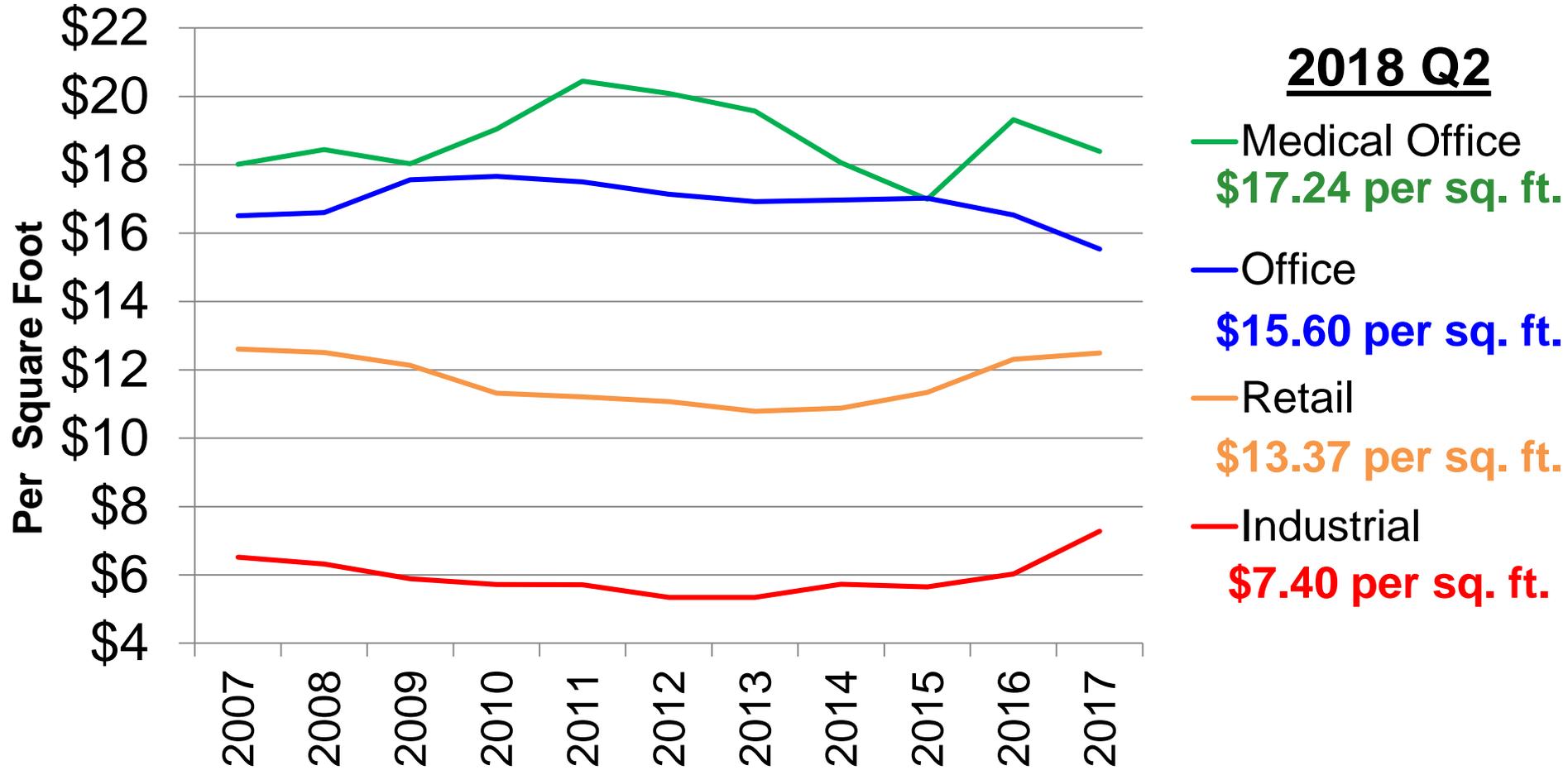
Commercial Real Estate

Colorado Springs Industrial, Retail, Office and Medical Office Vacancy Rates



Sources: CoStar Group™; Olive Real Estate Group, Inc.

Colorado Springs Industrial, Retail, Office and Medical Office Rents



Sources: CoStar Group™; Olive Real Estate Group, Inc.

Colorado Springs to Denver (metros): Rents per Square Foot

2018 Q2				
	Retail	Office	Industrial	Medical Office
Colorado Springs	\$13.37	\$15.60	\$7.40	\$17.24
Denver	\$22.20	\$30.75	\$7.46	\$28.24
% Difference	-39.8%	-49.3%	-0.8%	-39.0%

Sources: CoStar Group™; Olive Real Estate Group, Inc., Jim Justus & Jim DiBiase

Tourism

Pikes Peak Tourism 2017

- 23 million visitors (1% increase over 2016)
- Almost half (10 million) were overnight trips.
- All visitors spent \$2.31 billion or \$73/second.
 - \$96 million in tax receipts
- Used to be mostly to visit family; now attractions, of which we will have more of..

Source: Colorado Springs Convention & Visitors Bureau and Longwoods International, Pikes Peak Region 2017 Visitor Research

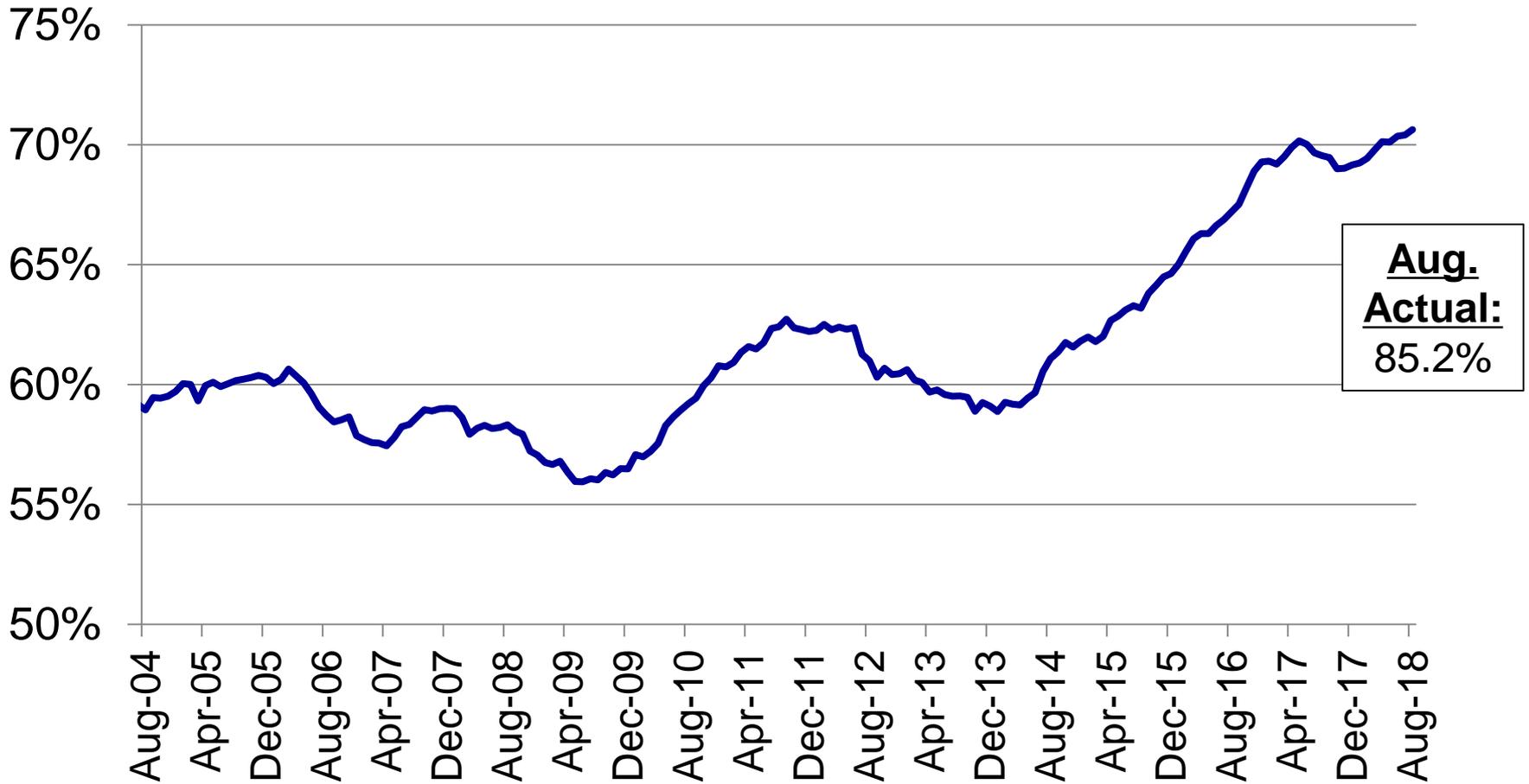


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Colorado Springs Hotel Occupancy Rate 12 Month Moving Average



**Aug.
Actual:
85.2%**

Source: CO Hotel and Lodging Association, Rocky Mountain Lodging Report

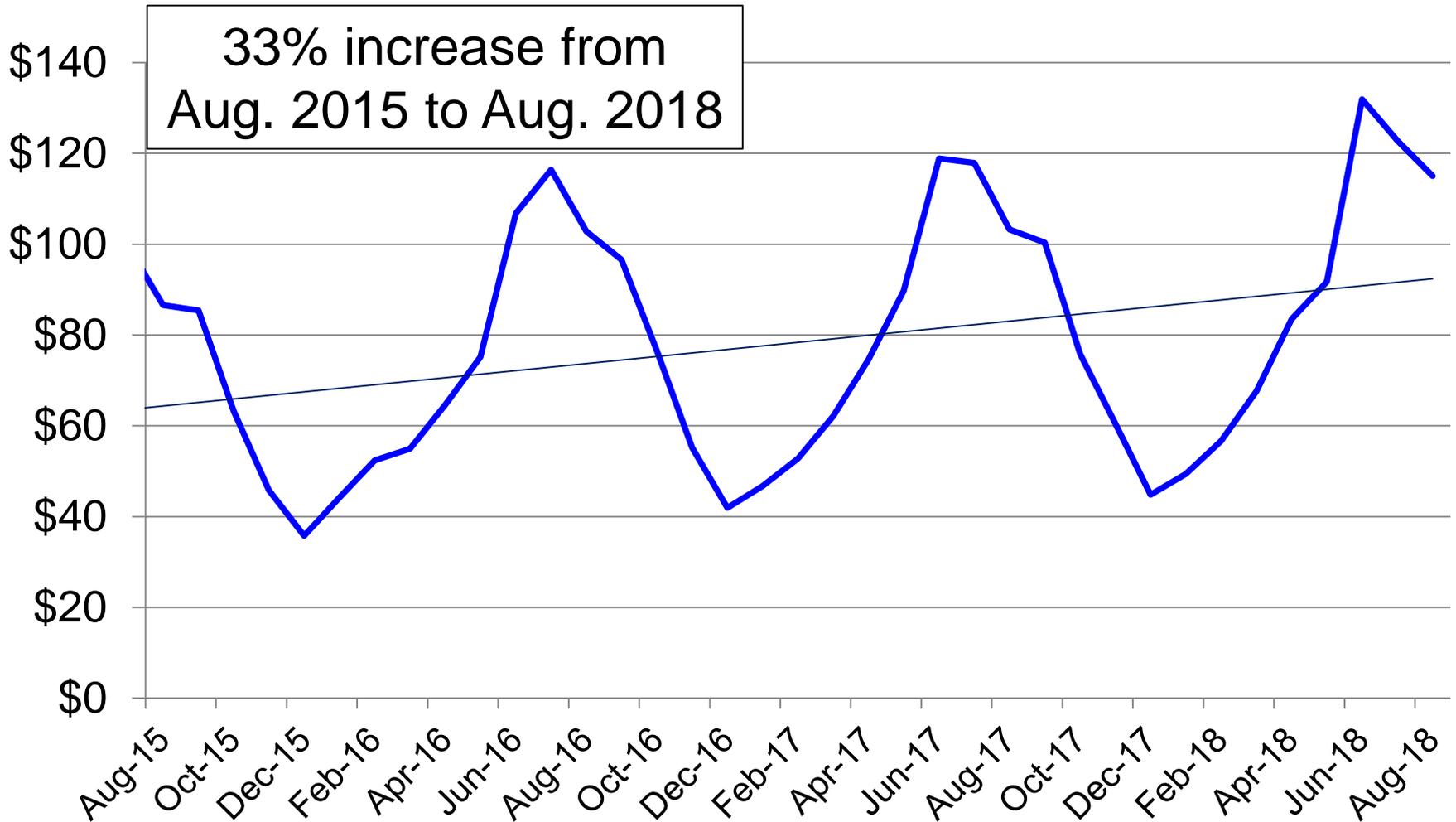


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Colorado Springs



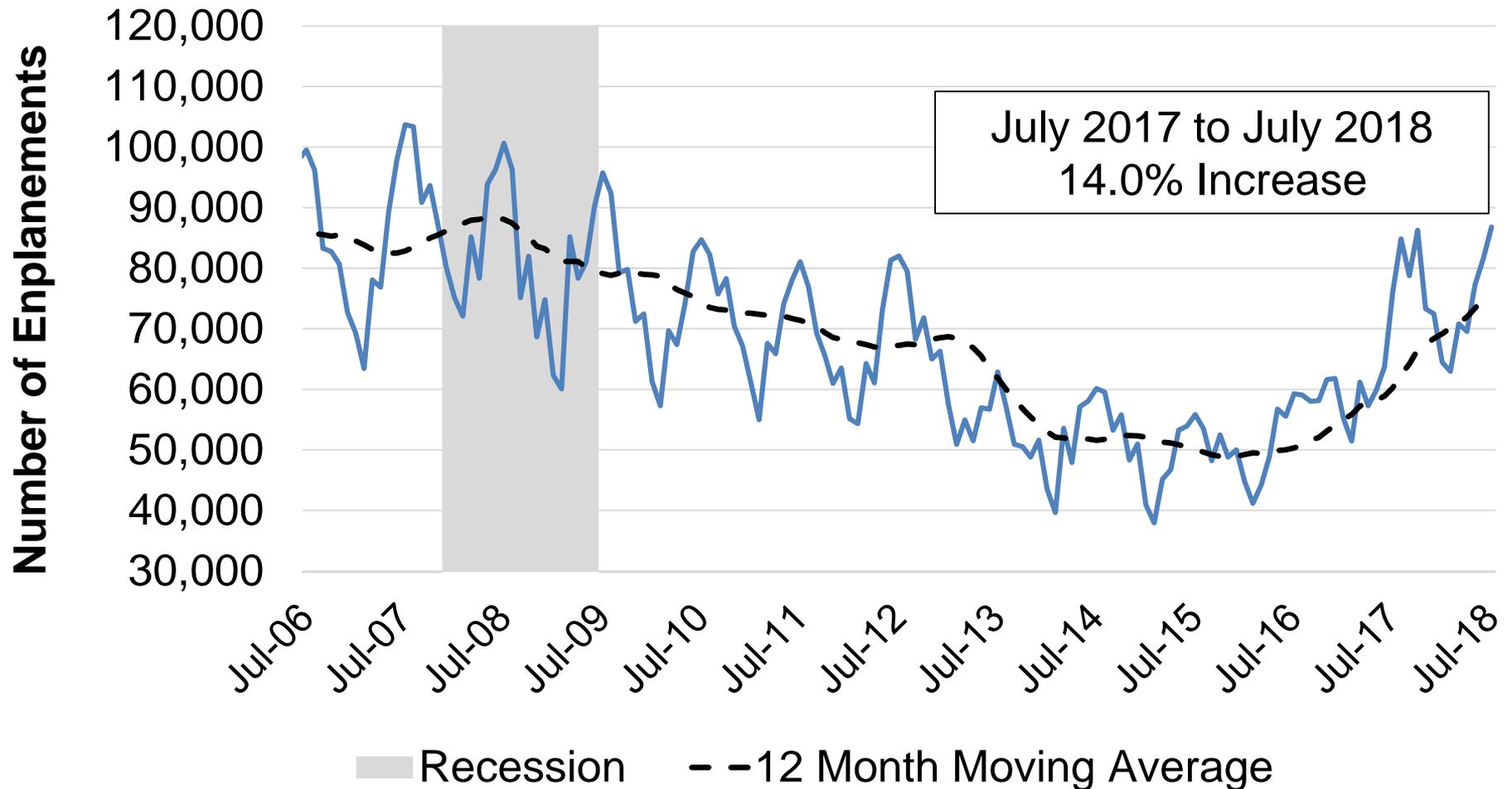
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Colorado Springs Hotel RevPAR



Source: CO Hotel and Lodging Association, Rocky Mountain Lodging Report

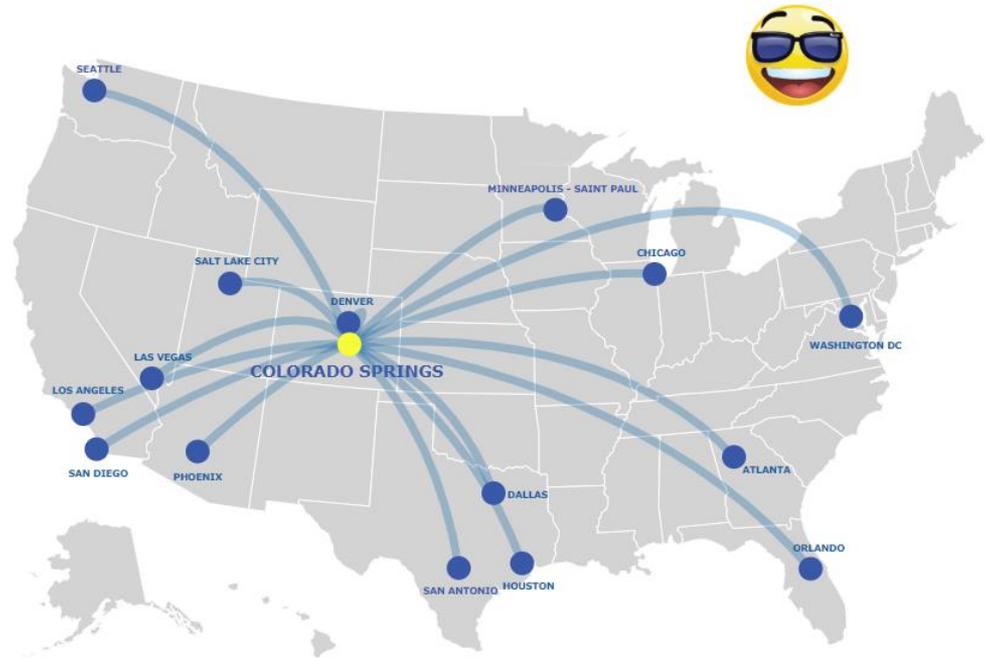
Colorado Springs Airport Enplanements



Note: By way of comparison, DIA enplanements were 30m while CS's were 840,661. Source: Colorado Springs Airport

Look Before You Book!

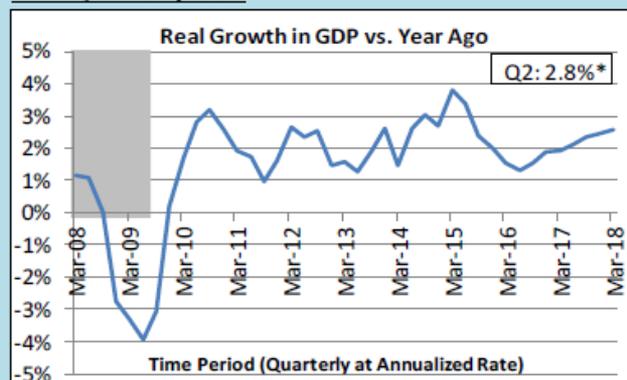
- Atlanta
- Chicago
- Dallas
- Denver
- Houston
- Las Vegas
- Los Angeles
- Minneapolis/Saint Paul
- Orlando
- Phoenix
- Salt Lake City
- San Antonio
- San Diego
- Seattle
- Washington D.C.



Notes: Some flights are seasonal. Source: Colorado Springs Airport

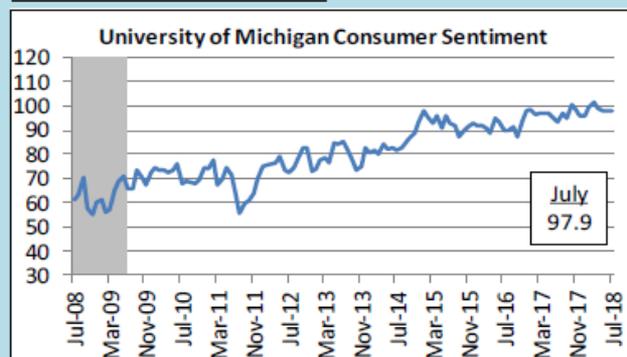
The Big Picture

U.S. Quarterly GDP



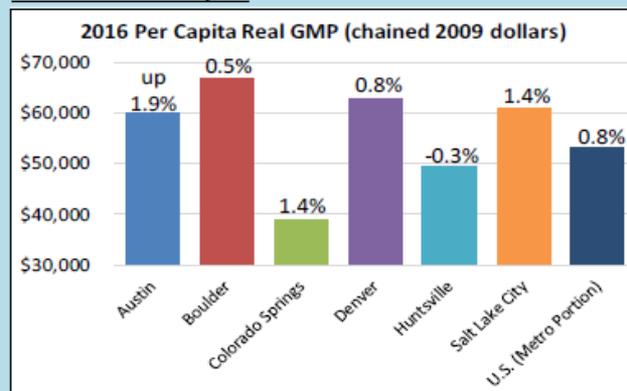
Source: U.S. Bureau of Economic Analysis
*July release of Real GDP Percent Change from Q2 Year Ago, SA

U.S. Consumer Sentiment



Source: University of Michigan

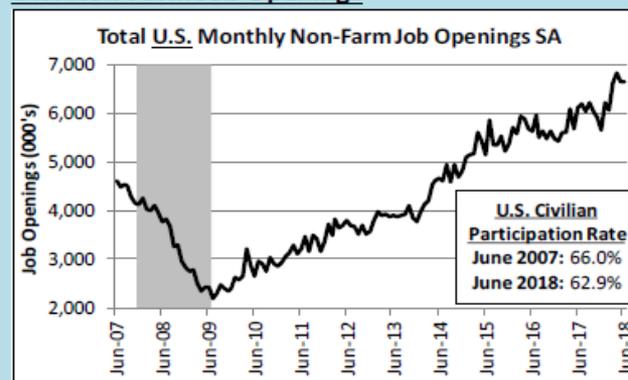
MSA GMP Per Capita



Note: Military data is included in both GMP and population. Real GMP is adjusted for regional price parity (RPP). Percentage change compares 2016 to 2015 per capita real GMP.
Source: U.S. Bureau of Economic Analysis

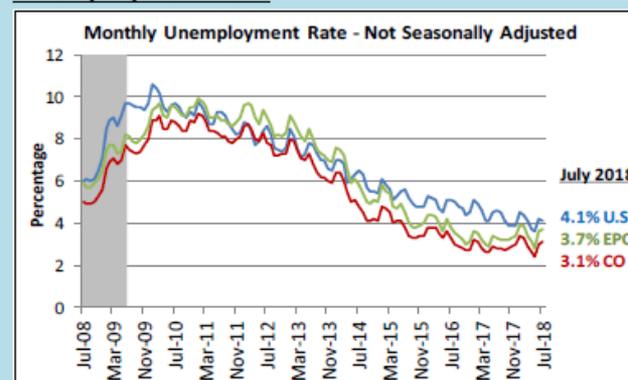
Labor Force/Employment

U.S. Non-Farm Job Openings



Source: U.S. Bureau of Labor Statistics; Job openings data lags.

Unemployment Rate



Sources: U.S. Bureau of Labor Statistics; CO Dept. of Labor and Employment; Data not seasonally adjusted.

Inflationary Measures

U.S. Consumer Price Index - July 2018		
	All items	Less food & energy
Change from June 2018 to July 2018 (SA)	0.2%	0.2%
Last 12-months (NSA)	2.9%	2.4%

Source: U.S. Bureau of Labor Statistics; data for all urban consumers (CPI-U)



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updated (08/23/2018)

Local Labor Force/Employment

Colorado Springs MSA Job Openings

July 2018

Average daily job openings: 12,850
Average posting duration: 33 days
Median salary of posted jobs: \$73,175
Colorado median salary: \$66,050

Top Job Titles

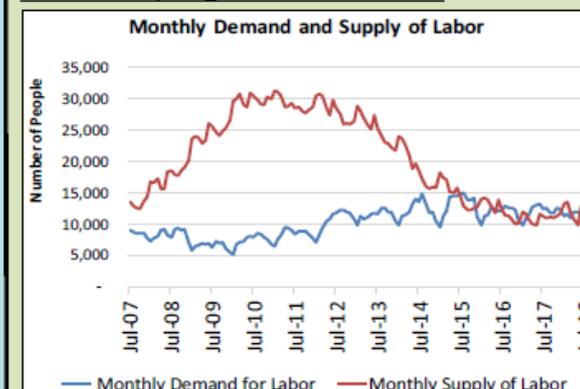
Registered Nurse (1,527 jobs)
Software Engineer (912 jobs)
Systems Engineer (840 jobs)
Customer Service Rep (802 jobs)
Systems Administrator (744 jobs)
Medical Assistant (708 jobs)
Administrative Assistant (682 jobs)
Certified Nursing Assistant (662 jobs)
Teller (614 jobs)
Sales Rep (586 jobs)

July 2018

Demand for Labor	Supply of Labor
11,462	13,376

Sources: Pikes Peak Workforce Center—CEB TalentNeuron™; U.S. Bureau of Labor Statistics; CO Dept. of Labor and Employment; UCCS Economic Forum

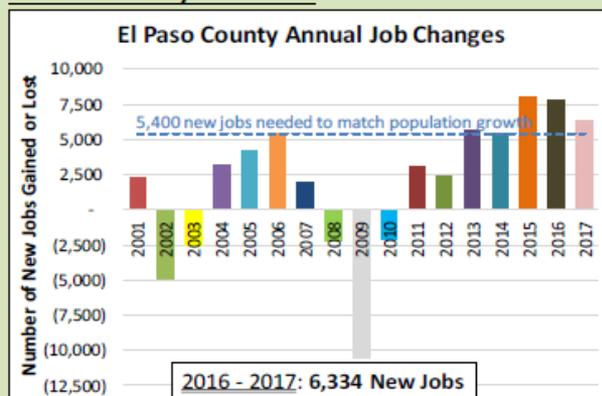
Colorado Springs MSA Labor Force



Sources: Pikes Peak Workforce Center—CEB TalentNeuron™; U.S. Bureau of Labor Statistics; CO Dept. of Labor and Employment; UCCS Economic Forum

Local Employment/Wages

El Paso County New Jobs



Source: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages (QCEW); UCES Economic Forum

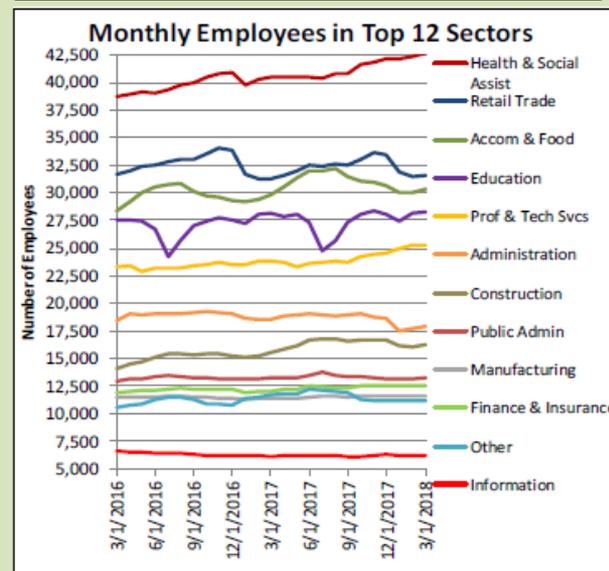
**Actual New jobs in El Paso County
2017 Q1 to 2018 Q1: 6,023**

**Estimated New Jobs Needed (2015-2020)
5,400 (or 2% growth rate)**

Estimated jobs needed based upon population growth and age composition; calculated by the UCES Economic Forum.

Note: QCEW data lags by up to two quarters and does not include military-related employees. Sources: Colorado Department of Labor and Employment, QCEW. See military section for military employment sources.

El Paso County Employment in Selected Sectors

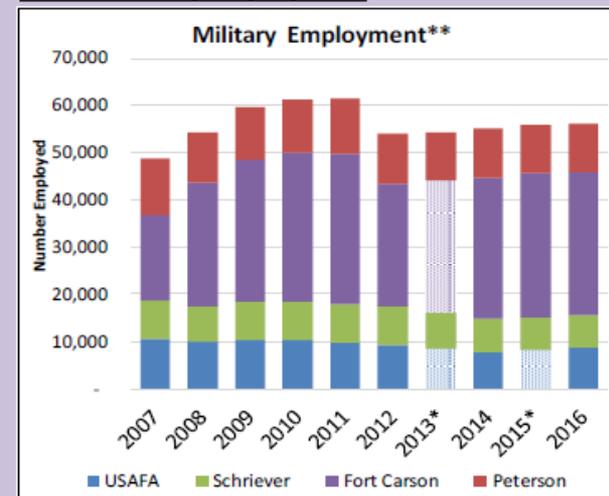


2018 Q1 Wages for All Industries

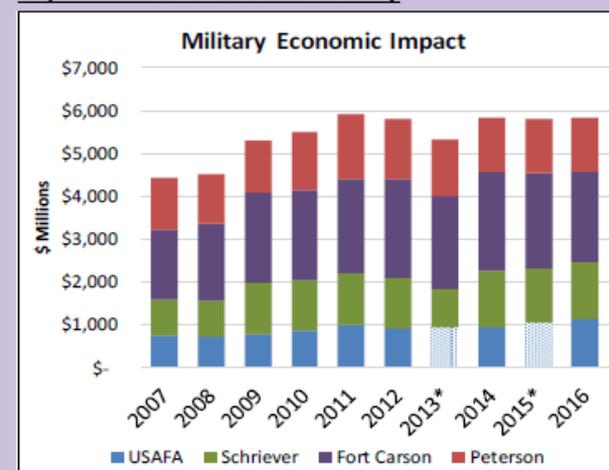
Colorado Average Annual Wage	El Paso County Average Annual Wage	El Paso County Total Employment
\$61,152	\$50,856	270,859
<i>El Paso County wages are 16.8% lower than CO wages.</i>		
<i>*Estimated military employment in 2016 (and % of total EPC employees who are military).</i>		55,900 (17.5%)

Military

El Paso County Employment

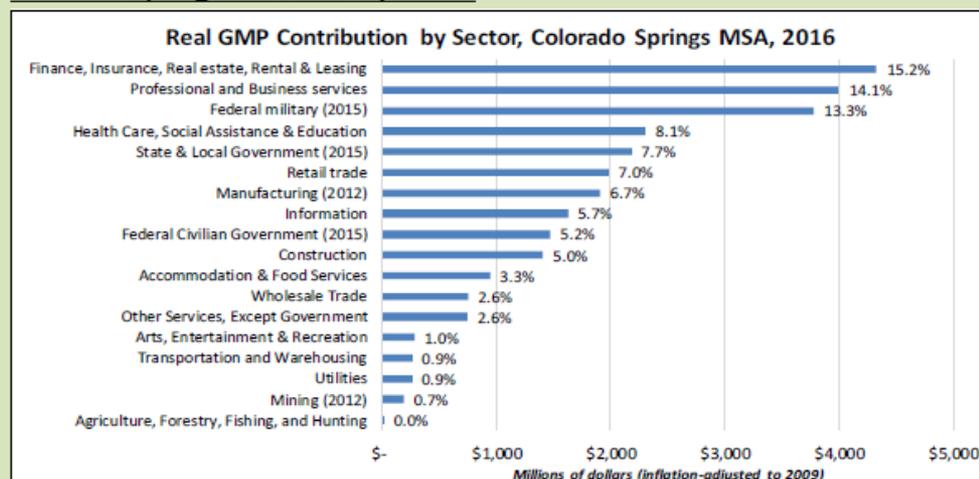


Expenditures in El Paso County



*2013 and 2015 data was not available for all locations. Textured bars are an estimate in 2013 and 2015 made by the UCES Economic Forum.
**The employment numbers for Schriever and Peterson include significant numbers of civilian contractors. The employment numbers for USAFA include cadets and several kinds of contract workers.
Sources: Department of Military and Veteran Affairs; Colorado Springs Chamber of Commerce & EDC; respective military installations

Colorado Springs MSA GMP by Sector



Manufacturing and Mining data last disclosed in 2012. Government data last disclosed in 2015.
Source: U.S. Bureau of Economic Analysis

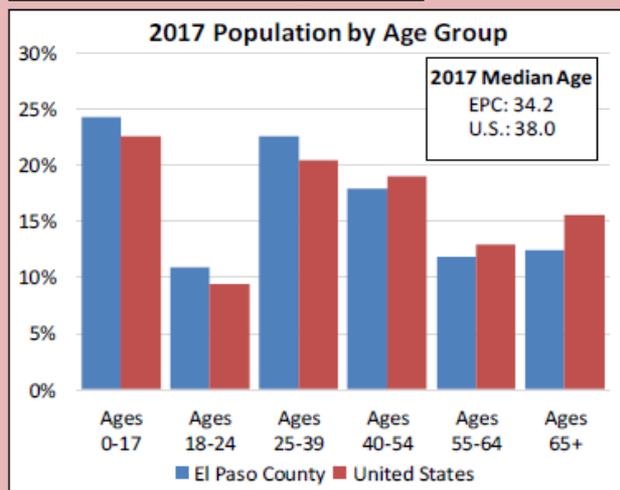
Demographics

2017 Population

Colorado Springs (city)	El Paso County	Colorado Springs MSA
464,474	699,232	723,878

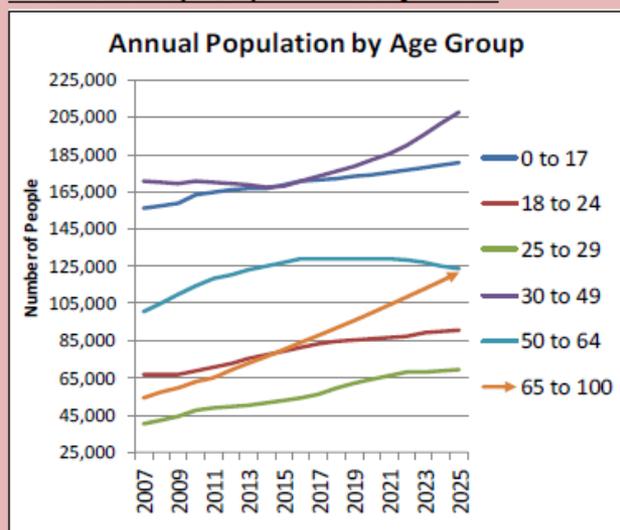
Colorado Springs MSA is made up of El Paso and Teller Counties.
Source: U.S. Census Bureau, Population Division

El Paso County & U.S. Age Groups



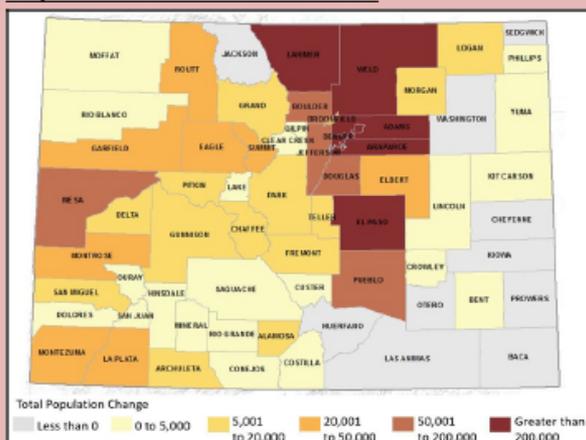
Source: U.S. Census Bureau, American Community Survey

El Paso County—Population Projections



Source: Colorado Department of Local Affairs, State Demography Office

Population Growth 2015-2050

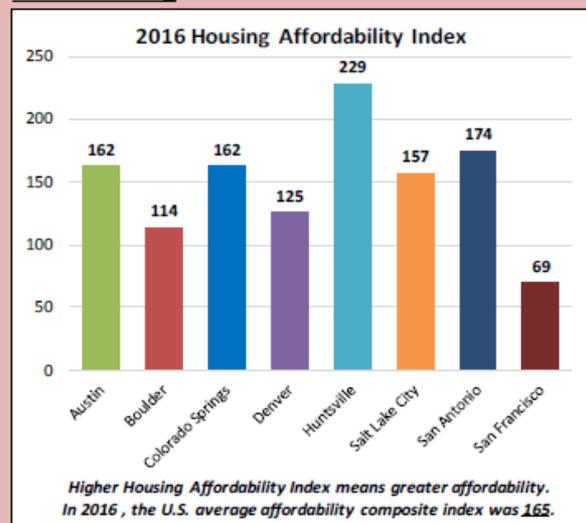


The State Demography Office projects a population increase of 400,308 additional people between 2015-50.
Source: Colorado Department of Local Affairs, State Demography Office

Population Estimates		
	2015	2050
El Paso County	676,178	1,076,486
Colorado	5,448,055	8,461,295

Source: Colorado Department of Local Affairs, State Demography Office

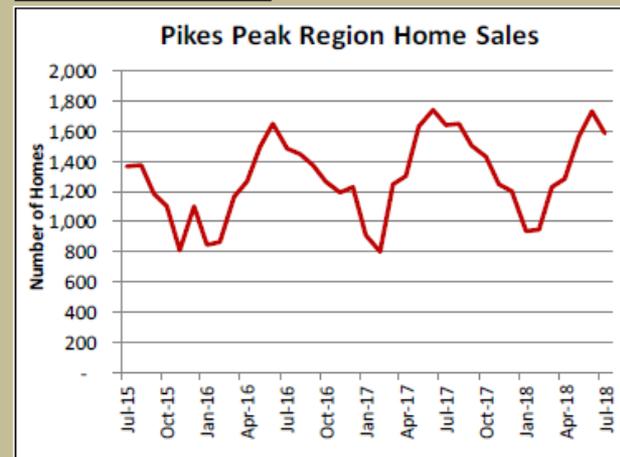
Cost of Living



Source: National Association of REALTORS®

Real Estate

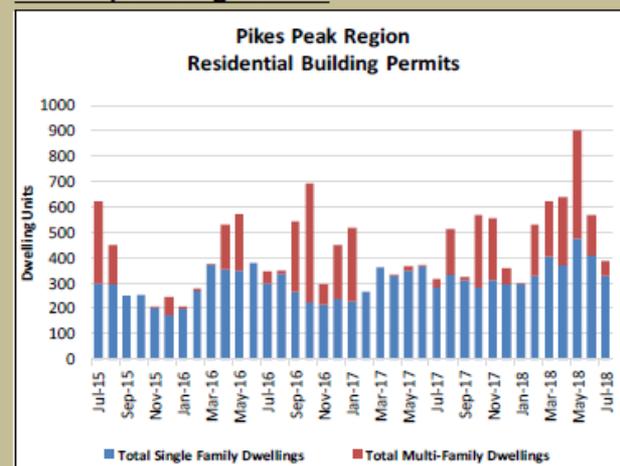
Monthly Home Sales



Median Home Price 2018 Q2				
Location	Colorado Springs	Denver	Boise	United States
Price	\$323,600	\$462,900	\$262,800	\$269,000
1-year % Change	13.9% increase	9.0% increase	15.4% increase	5.3% increase
MSA Rank	26	13	53	n/a

Sources: Pikes Peak REALTOR® Services Corp.; National Association of REALTORS®

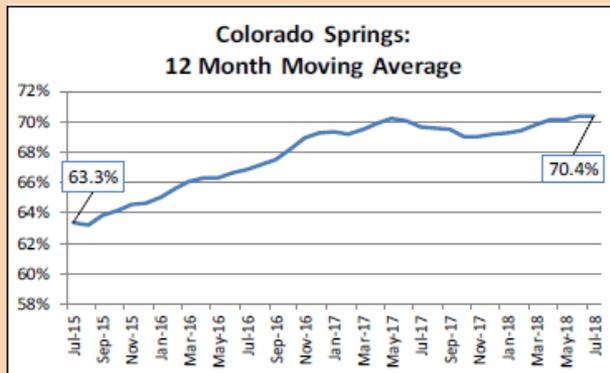
Monthly Building Permits



Source: Pikes Peak Regional Building Department

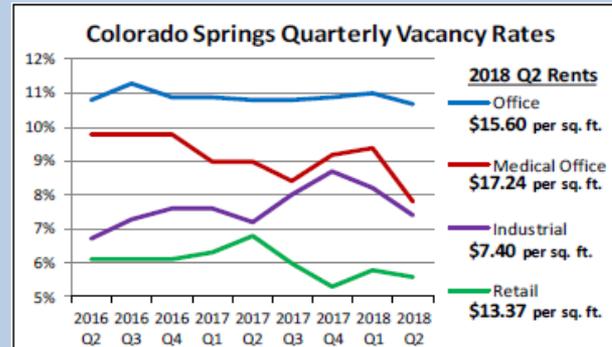
Tourism

Hotel Occupancy Rate



Additional Metrics

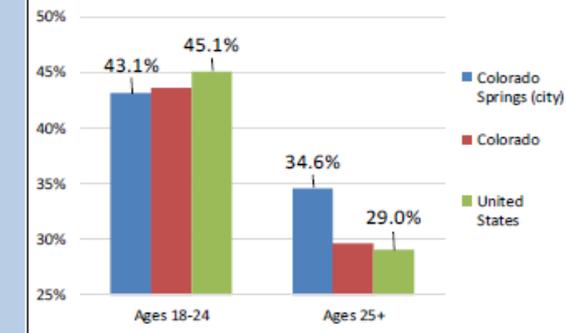
Colorado Springs Commercial Real Estate



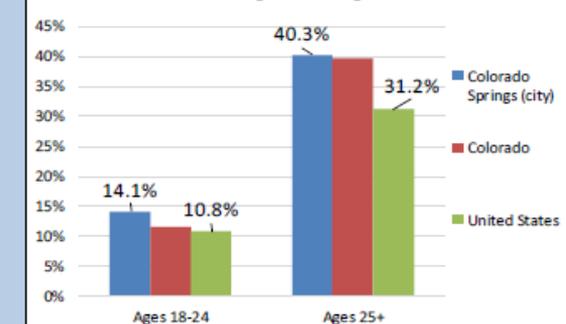
Sources: CoStar Group™; Olive Real Estate Group, Inc.

Educational Attainment

Some College or Associate Degree in 2016

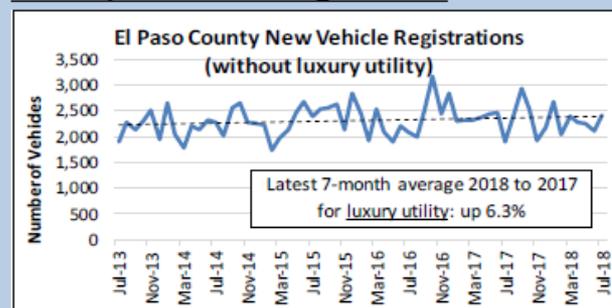


Bachelor's Degree or Higher in 2016



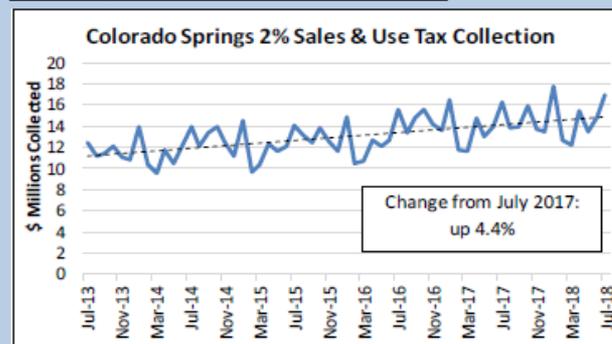
Source: U.S. Census Bureau, American Community Survey

Monthly New Vehicle Registrations



Luxury utility categories are not included in this category is noted in the text box.
Source: El Paso county Clerk and Recorder

Monthly Sales & Use Tax Collection



Source: City of Colorado Springs

U.S. Interest Rates

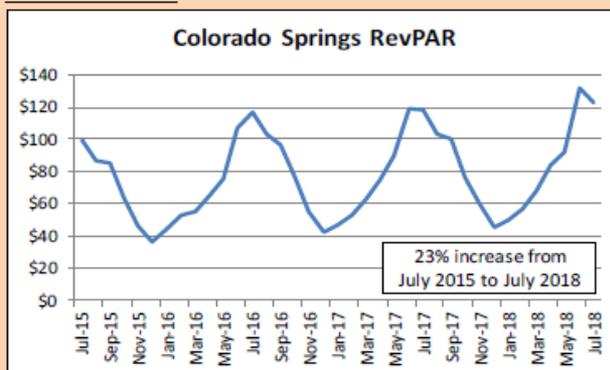


Source: Board of Governors of the U.S. Federal Reserve System

Hotel Occupancy Rate July 2018		
Colorado Springs	Denver	Colorado
87.5%	86.4%	83.0%

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

Hotel RevPAR



Hotel RevPAR July 2018		
Colorado Springs	Denver	Colorado
\$122.75	\$136.91	\$141.58

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

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