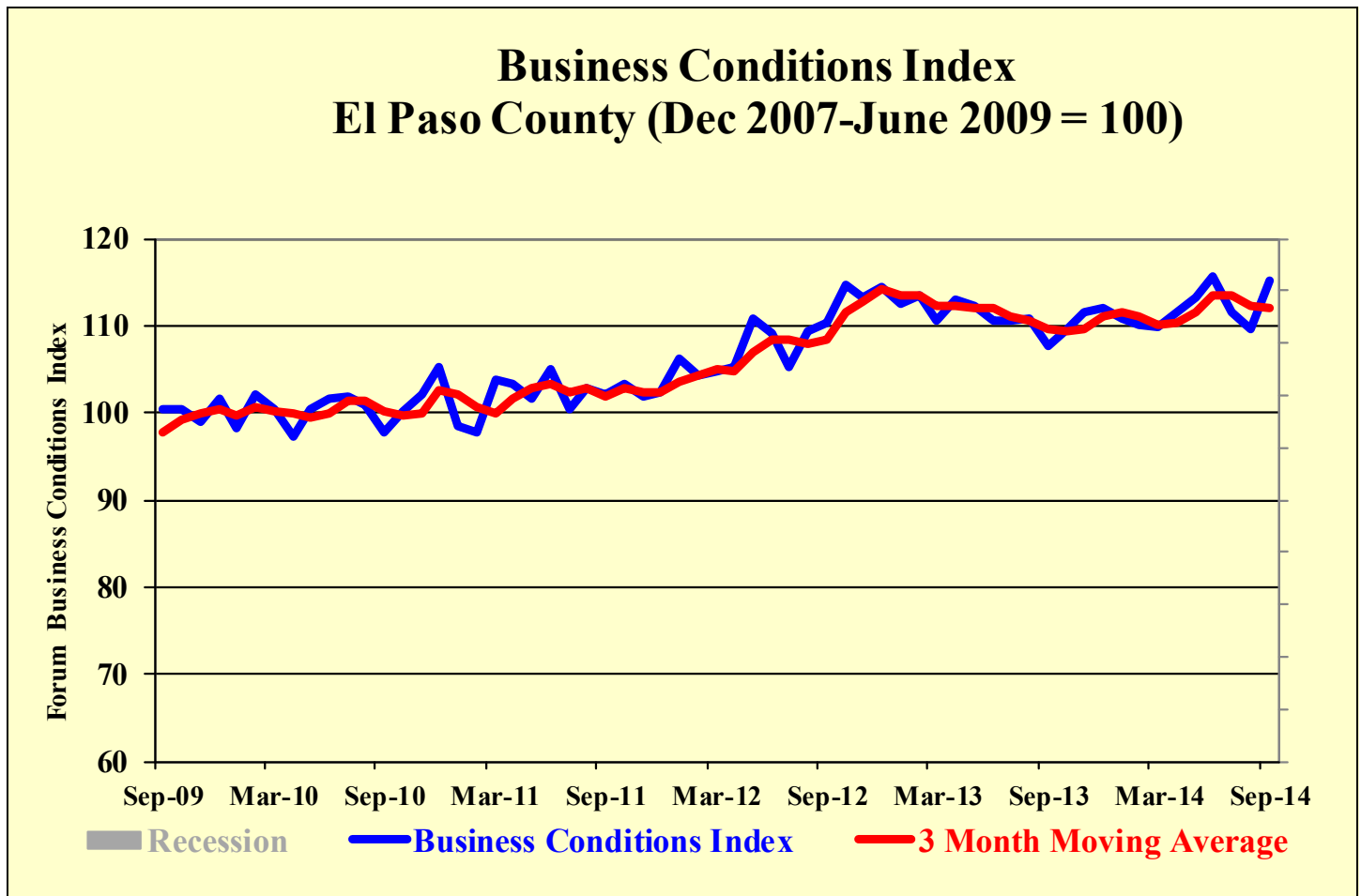


# Quarterly Updates and Estimates

3rd Quarter, 2014 Data  
 Posted November, 2014

## Update on the El Paso County Economy

The local economy performed well during the third quarter. The Business Conditions Index (BCI) was 115.06 in September, 2014, which is almost identical to the revised BCI in June of 115.75. All ten of the BCI's components are higher than one year ago with particularly strong increases in single family and town home permits, consumer sentiment and its strong correlates, sales and use tax, and new car registrations. Even enplanements had a modest increase over last year. Many municipalities across the nation are seeing consistently stronger economic trends as the national GDP numbers continue to improve. In Q3, the GDP annualized growth rate was 3.5%, which stands in strong contrast to the lowest comparable rate of -8.2% in Q4 of 2008. It does appear that the economic recovery, both nationally and locally, is on solid footing even with



<sup>1</sup> The Business Conditions Index (BCI) is a geometric index of ten seasonally adjusted data series. The El Paso County data are single family and town home permits, new car sales, employment rate, foreclosures, QCEW employment and QCEW wages and salaries. Colorado Springs data are sales and use tax collections and airport enplanements. University of Michigan's Consumer Sentiment and the Federal Reserve Bank of Kansas City Manufacturing Index are non-local indicators in the BCI. The BCI is indexed to December 2007—June 2009 = 100. All raw series are seasonally adjusted by UCCS Southern Colorado Economic Forum using the Department of Commerce X12 adjustment process.



**Business Conditions Index Components - All Values Indexed: Dec 2007 - June 2009 = 100**

	COS Enplanements	El Paso County SF & TH Permits	U Of Mich Con Sent	Kansas City Fed Mfg Index	El Paso <u>Employ-</u> <u>ment</u> Rate	CoSpgs 2% Sales & Use Tax	County New Car Registra- tions	El Paso County Fore- closures	El Paso County Employed	El Paso County Real Wages	BCI
Jun-13	74.25	196.44	130.99	100.24	98.00	119.74	126.17	101.60	98.15	96.65	110.58
Jul-13	65.73	204.54	132.54	112.23	98.31	116.03	125.43	101.57	97.77	96.32	110.59
Aug-13	62.94	190.17	127.87	117.19	98.42	115.65	140.02	101.78	97.99	96.87	110.69
Sep-13	63.71	160.98	120.71	109.12	98.55	116.08	140.10	101.74	98.21	96.63	107.65
Oct-13	61.52	183.43	114.01	116.14	98.49	116.64	143.27	101.88	97.83	101.78	109.57
Nov-13	60.82	159.21	116.97	115.68	98.69	120.71	188.84	101.93	97.83	101.99	111.60
Dec-13	64.12	221.63	128.49	99.21	99.17	122.07	139.71	101.92	97.85	101.53	111.99
Jan-14	53.71	191.35	125.22	112.09	98.79	119.08	169.07	101.39	97.56	97.83	110.75
Feb-14	47.03	189.98	127.09	111.20	98.67	126.53	169.42	101.44	98.26	97.96	110.06
Mar-14	62.91	192.90	124.60	118.48	98.62	116.33	126.23	101.19	98.55	98.30	109.78
Apr-14	57.68	191.27	130.99	116.34	99.13	118.23	152.23	101.56	98.41	98.82	111.47
May-14	71.30	173.92	127.56	124.07	99.62	119.40	150.30	101.67	98.57	99.52	113.34
Jun-14	72.87	195.93	128.49	117.67	100.20	131.84	150.19	101.92	99.09	99.77	115.75
Jul-14	73.53	137.63	127.40	118.63	99.98	128.21	151.01	101.66	99.49	99.10	111.49
Aug-14	73.34	156.91	128.49	110.11	100.40	123.75	124.57	101.94	98.91	99.42	109.71
Sep-14	67.23	171.47	131.76	115.78	101.30	136.49	168.00	101.88	98.81	98.91	115.06
September 2014 Compared to:											
Aug-14	-8.3%	9.3%	2.5%	5.1%	0.9%	10.3%	34.9%	-0.1%	-0.1%	-0.5%	4.9%
Jun-14	-7.7%	-12.5%	2.5%	-1.6%	1.1%	3.5%	11.9%	0.0%	-0.3%	-0.9%	-0.6%
Mar-14	6.9%	-11.1%	5.8%	-2.3%	2.7%	17.3%	33.1%	0.7%	0.3%	0.6%	4.8%
Sep-13	5.5%	6.5%	9.2%	6.1%	2.8%	17.6%	19.9%	0.1%	0.6%	2.4%	6.9%
Real Wages in El Paso County were calculated by the Forum. Enplanements for Sep were estimated by the Forum.											

some indicators still having room for improvement. This is most notably true for employment levels. Very recently, the persistent and stubborn, high unemployment rate finally did abate with a rate of 5.9% in September. The percentage of people who consider themselves “active” in the labor force (the civilian participation rate), continues to be historically low, however. This is turning out to be more of a structural issue, which basically means it is more difficult to ameliorate and will require more long-term thinking. Of particular interest will be better alignment of workforce training with workforce needs.

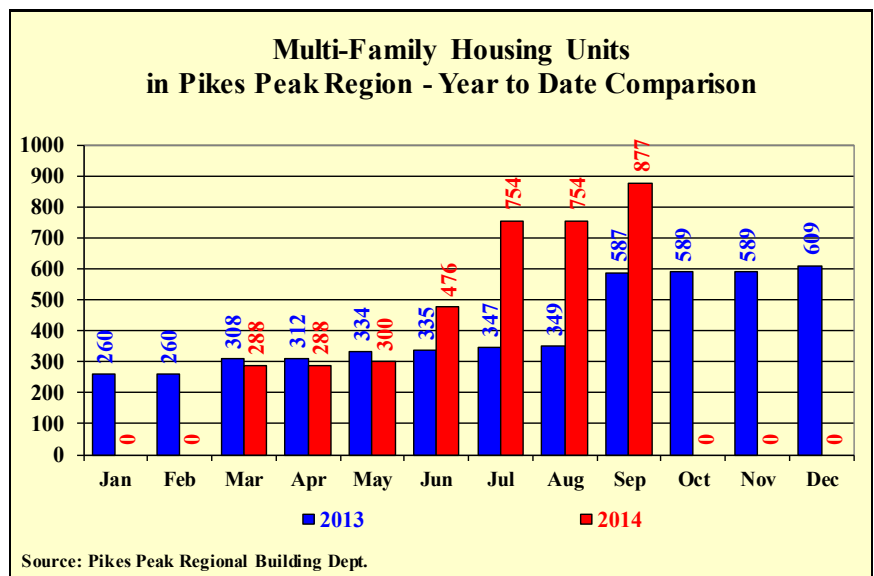
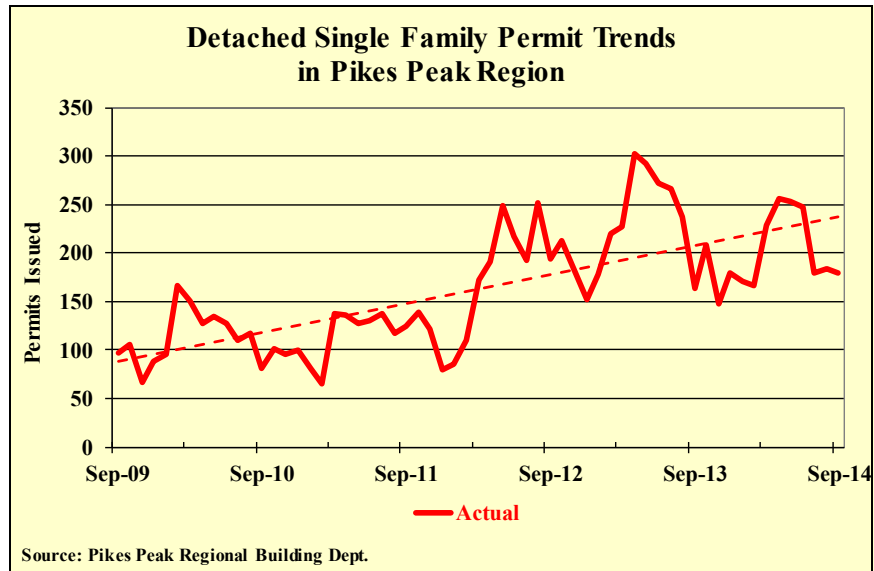
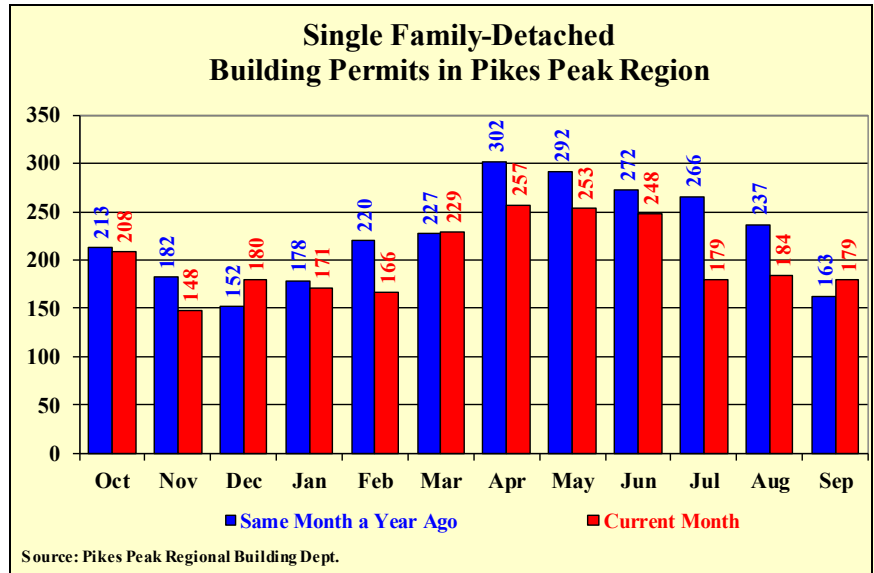
The quantitative easing (QE) of the last six and a half years has come to a close. Many experts believe that QE appears to have been a useful tool for the Fed in stimulating the economy via the purchases of government securities with the end goal of lowering interest rates and increasing the money supply. Both of these goals appear to have been achieved by the Fed and to have been successful in infusing financial institutions with capital in order to increase lending and liquidity. Quantitative easing of this magnitude and of this length is a relatively untested way to stimulate the economy especially when short-term interest rates are already low. As of this quarter, inflation also seems to be in check with a CPI increase of 1.7% compared to one year ago. This is a little lower than what the Fed would prefer (2%), but still within reason. An unknown, however, is how the economy will respond to the retraction of QE and increases in interest rates. Given that interest rate increases will likely be modest and still historically much lower than (pre-recession) levels, many experts are saying that the overall impact on the economy of increased rates in the latter half of 2015 should not be too strong or deleterious.

## Single and Multi-family Housing in El Paso County

Single family building permits have held relatively steady since July, 2014. As can be seen in the graphic to right, the seasonal trend of an increase during the spring months happened last year as it did this year. Hence, the recent and static levels over the past three months should not be alarming. It is interesting that September permits this year are slightly above last year's level. This may indicate that building activity will remain steady over the coming months.

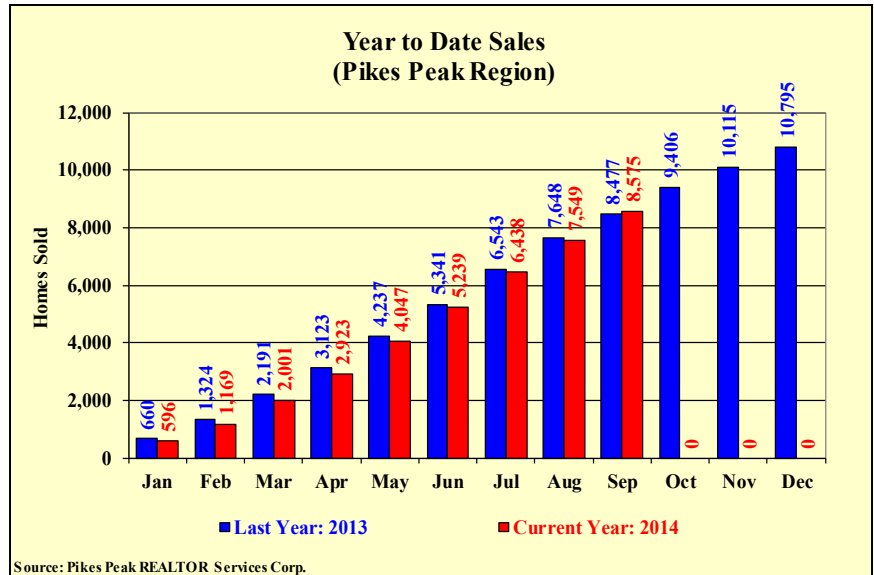
The figure to the right illustrates the trend in detached housing permits for the last five years. This graphic also shows that the peaks occur during the spring months. The good news is that the overall trend line is an upward one when looking at the entire five year period. Some of that is definitely due to the rebuilding that occurred after the two fires in 2012 and 2013 although some of the upward trend is due to the stronger economy since recent higher permit levels have persisted despite the fact that the rebuilding from the fire is complete.

Multi-family housing has been particularly strong in 2014. This has been especially true in the summer months. This marked increase is perhaps due to a shift in consumer preferences towards multi-family housing and away from single home housing. Colorado Springs has a high percentage of retirees and that may also be influencing this trend as it is usually an older demographic that prefers multi-family housing.

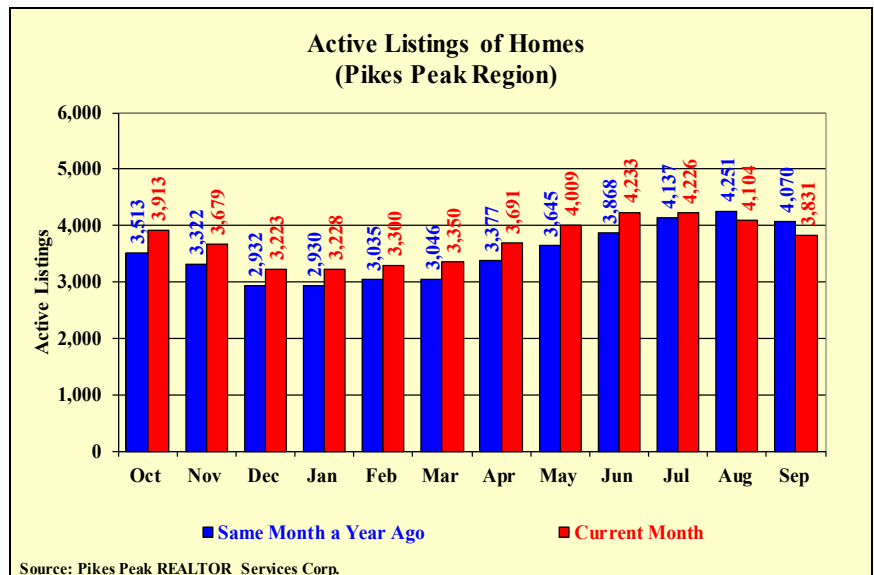


## MLS Activity

The trend in home sales continues to improve. Through September, there were 98 (1.2%) more homes sold than in 2013. This is a modest increase, but still a significant departure from the weak sales trends over the last five years. The September year-to-date sales of 8,575 (red bar to the right) is approximately 2,000 more than sales were from 2008 to 2010 during this month.

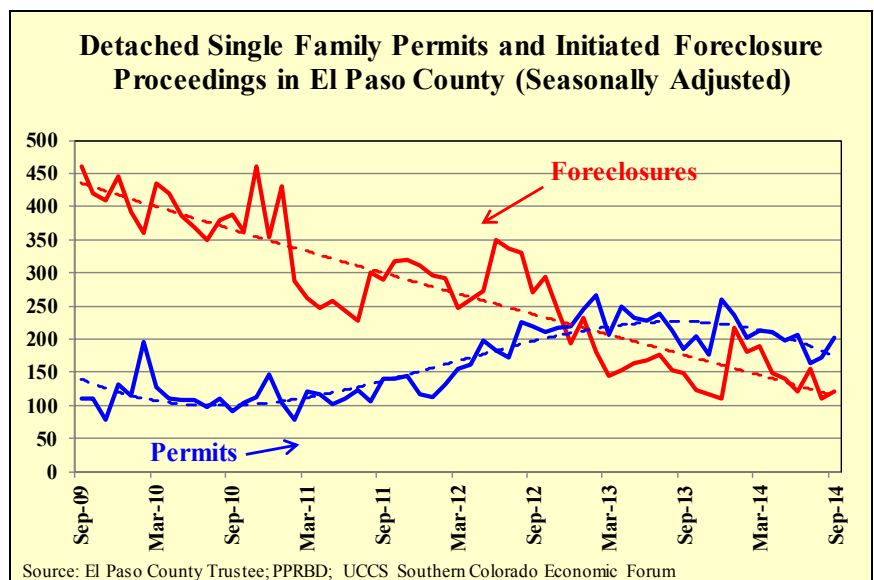


The number of active listings in the Pikes Peak region is a bit lower than it was a year ago (-6.0%). The average price of a home sold in September 2014, however, is 3.3 percent higher than a year ago. Given that active home listings have held relatively steady over the past few months and that recent numbers are not significantly lower than last year, it appears that there is stability in the real estate market, which is favorable.



## Foreclosures

There were 1,861 foreclosure proceedings in 2013. This year will likely have a lower rate. If current year-to-date trends continue the total number of foreclosures will be approximately 1,700 for all of 2014. There is a historical, inverse relationship between foreclosures and detached single family building permits. However, it appears that since March of 2013 both permits and foreclosures are on a downward trend perhaps indicating some needed adjustments in the real estate market.

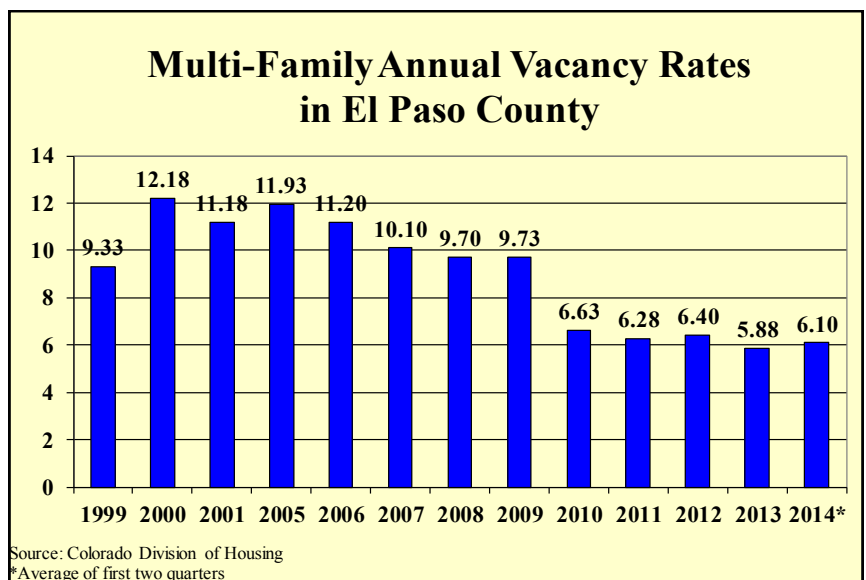
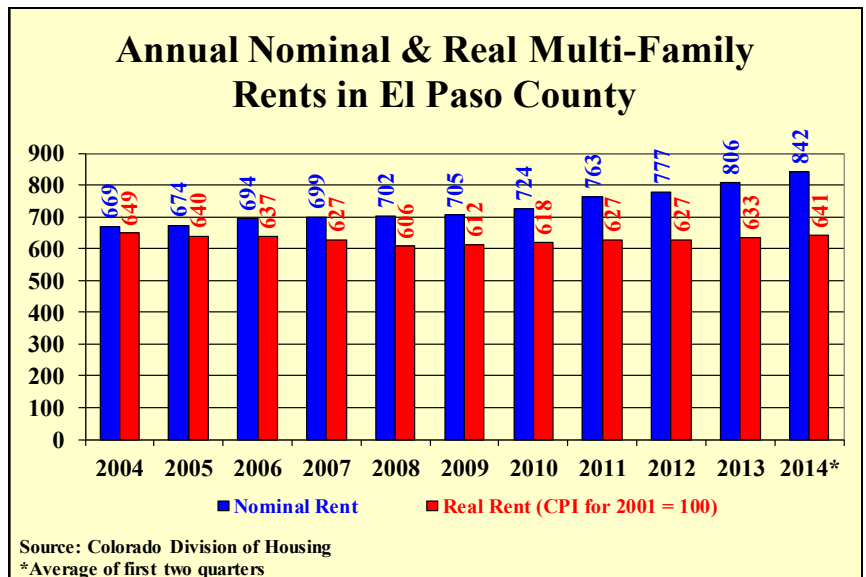
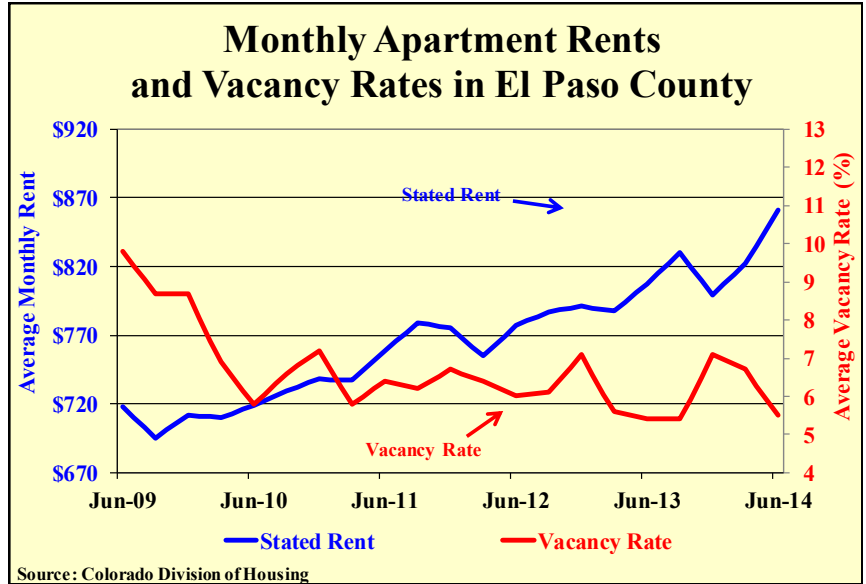


## Multi-family Market

The market for multi-family housing is currently quite strong. Vacancies dropped to 5.5 percent from 6.7 percent in the second quarter, which is a positive indicator. Compared to a year ago, vacancy rates are somewhat similar. However, there is a marked change in rental rates. As of June, 2014, the average monthly apartment rent was \$861. A year ago, the rental rate was only \$807, reflecting an increase in demand. Current trends are creating pressure for additional multi-family units to be built.

Average nominal and real rental rates for multi-family housing have continue to increase albeit modestly. Real rental rates, which are adjusted for inflation, are projected to be \$641 per month for 2014. This is 1.3% higher than last year.

The estimated annual vacancy rate for 2014 for multi-family housing is 6.1%, which is slightly higher than the 5.9% rate of 2013. Annual vacancy rates will continue to be largely dependent upon the status of Department of Defense cutbacks. If sequestration cuts continue, there may be some impact on local vacancy rates (upward) and therefore, rental rates (downward). However, this may be offset to some extent by the continued increase in enrollment at UCCS. Previous enrollment records were surpassed in the fall of 2014 with slightly over 11,000 students attending UCCS.





## Colorado Springs Airport Trends

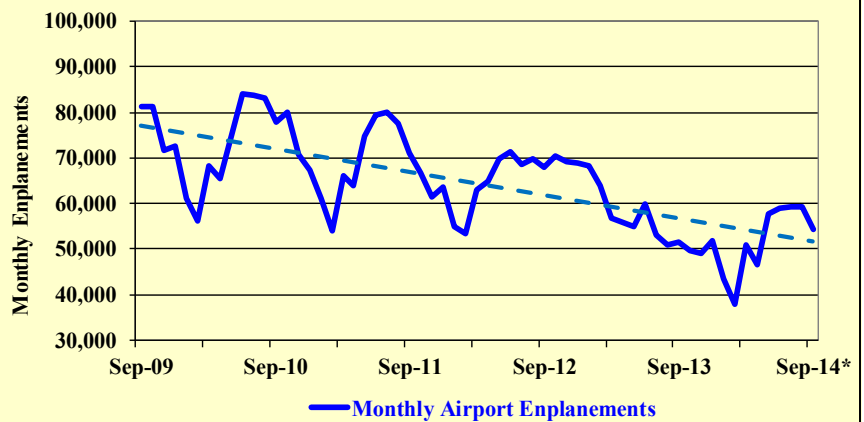
Enplanements at the Colorado Springs Airport continued their downward trend. There were 52,814 enplanements in September, 2014. This is 3.7% higher than September of last year (50,909), but 29% lower than September, 2012 (68,257). This significant decline is the result of decreasing demand for local flights alongside the decision of airlines to reduce or cancel service to Colorado Springs. This is a negative feedback cycle that does not appear to have a solution in the near future. Enplanements are at their lowest monthly levels in the 16 years the Forum has monitored airport activity.

## Employment Trends and Wages

The seasonally adjusted unemployment rate for September was 5.3 percent. It continues the downward trend taking place since the unemployment rate peaked at 10.6 percent in 2010. By comparison, the seasonally adjusted unemployment rate in Colorado was 4.7 percent in September, down from 9.1 percent in 2010.

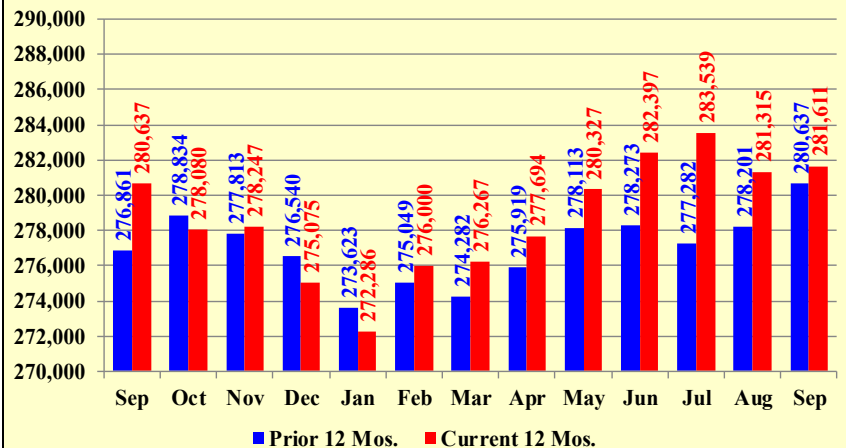
The local labor force decreased by 6,646 (-2.2%) over the past year, which seems to be emblematic of the national trend. The Federal Reserve is now saying that the persistently low civilian participation rate appears to be not only cyclical (due to the discouraged workers during and after the recession), but also structural. The increasing number of baby boomers who are retiring seems to be pushing participation rates downward among other reasons such as the mismatch between existing skill sets and employer needs. Local employment increased slightly by 974 (0.3%). Unemployment decreased by 7,620 (-33.5%). While encouraging, the employment statistics for El Paso County continue to lag behind the 290,544 employed persons in September 2007. Employment levels are calculated by the Forum using

Enplanement Trends at Colorado Springs Airport (Seasonally Adjusted)



Source: Colorado Springs Airport; UCCS Southern Colorado Economic Forum  
\*estimate

Monthly Employment Levels in El Paso County Current vs. Prior Twelve Months



Source: Bureau of Labor Statistics; UCCS Southern Colorado Economic Forum

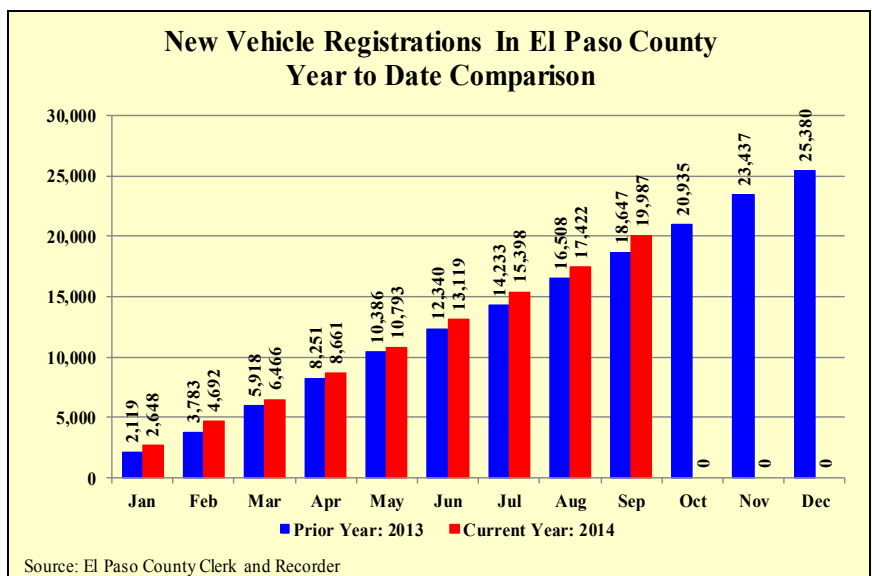
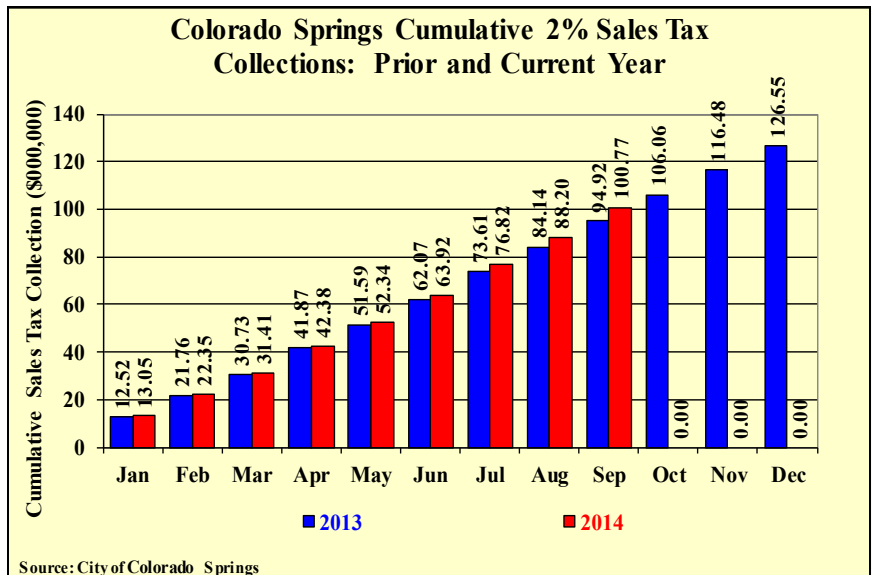
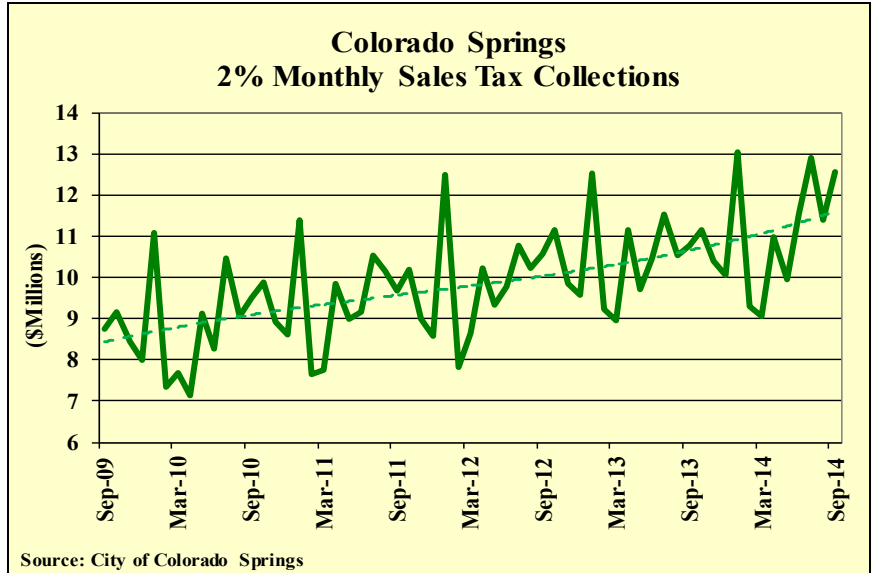
## Colorado Springs Sales Taxes

As the national and local economy continues to improve, consumer sentiment also becomes more positive. This impacts consumption patterns. The 2% sales tax collection for August, 2014 (reported in September), were \$12,572,764. This represents a 16.7% increase over last year. Much of this significant increase is from the increase in tourism over the summer months. The largest month to month increases within each category were in commercial machines (141%), furniture, appliances and electronics (22%), grocery items (18%), and hotel/motel accommodations (17%).

A year-to-date comparison indicates sales tax collections are 6.2 percent higher than in 2013. The largest percentage increases were in commercial machines (65%), hotel/motel accommodations (10%), grocery items (13.2%) and furniture and appliances (8.3%).

## New Car Registration Trends

Through September, new vehicle registrations continue to run approximately 7.2% above the year ago pace. This is again a reflection of the improved economy and higher consumer sentiment. Given that 2014 cumulative new vehicle registrations are consistently higher every month over the 2013 cumulative registrations, it is likely that this trend will continue. The average age of vehicles as of August, 2013 in the U.S. as a whole was 11.4 years, which may indicate that there is still pent up demand as a remnant of the recession.





Selected Economic Indicators																
<b>National Quarterly Data</b>													Change vs. Yr Ago			
Total Retail Sales NSA (\$ billions)			2013 Q4						2014 Q1			2014 Q2			2014 Q3	
			1144.5						1147.3			1174.7			1185.0	\$49.53
e-Sales NSA (\$ billions)			83.7						66.9			70.1			na	\$9.63
e-Sales as % of Retail Sales			7.3%						5.8%			6.0%			na	0.01%
GDP Real % Annual Growth SA (from prior year's same quarter)			3.1%						1.9%			2.6%			2.4%	*
GDP Real % Quarterly Growth SA (at annualized rate)			3.5%						-2.1%			4.6%			3.5%	*
Household Debt Service Ratio			10.0%						10.0%			9.9%			9.9%	0.04%
<b>National Monthly Data</b>	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Change vs. Yr Ago			
Capacity Utilization SA	78.20	78.50	78.50	78.10	78.60	79.10	79.00	79.10	79.10	79.10	78.70	79.30	1.00			
Car & Lt Trk Sales Millions SA	15.28	16.19	15.44	15.20	15.33	16.42	15.97	16.67	16.85	16.40	17.45	16.34	1.00			
Cons Sent (1966=100) SA	73.2	75.1	82.5	80.4	81.6	80.0	84.1	81.9	82.5	81.8	82.5	84.6	11.7			
CPI-U 1982-84=100 SA	233.78	234.03	234.59	234.93	235.17	235.64	236.25	237.08	237.69	237.91	237.43	237.63	1.7%			
Federal Funds Rate (Effective)	0.09%	0.08%	0.09%	0.07%	0.07%	0.08%	0.09%	0.09%	0.10%	0.09%	0.09%	0.09%	0.01%			
Gasoline Price per Gal. of Regular	3.34	3.24	3.28	3.31	3.36	3.53	3.66	3.67	3.69	3.61	3.49	3.41	-\$0.13			
Ind Production (1997=100) SA	100.82	101.38	101.56	101.31	102.26	103.11	103.19	103.66	103.95	104.19	104.02	105.07	4.36			
Inventory/Sales Ratio SA	1.29	1.28	1.29	1.31	1.30	1.29	1.29	1.29	1.29	1.29	1.29	na	0.01			
Mtg Rate, 30 Yr Conventional NSA	4.19	4.26	4.46	4.43	4.30	4.34	4.34	4.19	4.16	4.13	4.12	4.16	-0.33			
Prime Rate (%) NSA	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	0.00			
Purch Mgr Index SA	56.60	57.00	56.50	51.30	53.20	53.70	54.90	55.40	55.30	57.10	59.00	56.60	0.60			
Real Rtl/Food Svc Sales SA (billions)	426.52	428.21	427.83	423.94	427.55	434.02	436.73	438.61	440.33	441.51	444.13	442.69	18.31			
S&P500	1695.0	1761.6	1805.8	1805.8	1782.6	1859.5	1885.5	1883.7	1923.6	1973.3	1925.2	1925.2	292.2			
Tech Index SA - Mar 2001 = 100	108.3	109.7	105.82	106.89	105.56	110.06	109.79	107.97	111.22	109.20	111.03	111.03	3.6			
Trade Weighted Dollar	75.2	76.2	76.4	77.3	77.1	76.8	76.6	76.4	76.6	76.5	77.7	79.8	6.6			
West Texas Oil Spot Price NSA	100.5	93.9	97.6	94.6	100.8	100.8	102.1	102.2	105.8	103.6	96.5	93.2	5.3			
<b>Colorado Data</b>	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Change vs. Yr Ago			
Denver-Boulder CPI SA (est)	226.18	226.18	226.18	226.18	226.18	234.09	234.64	235.19	235.74	236.52	237.31	238.09	5.27%			
Labor Force SA (000's)	2,751	2,749	2,749	2,755	2,773	2,793	2,802	2,805	2,803	2,807	2,803	2,803	50.3			
Employment SA (000's)	2,572	2,576	2,578	2,587	2,604	2,620	2,634	2,642	2,649	2,658	2,660	2,671	100.2			
Unemployment Rate SA	6.5%	6.3%	6.2%	6.1%	6.1%	6.2%	6.0%	5.8%	5.5%	5.3%	5.1%	4.7%	-1.9%			
<b>Colorado Springs Data</b>	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Change vs. Yr Ago			
Business Conditions Index SA	109.57	111.60	111.99	110.75	110.06	109.78	111.47	113.34	115.75	111.49	109.71	115.06	7.4			
Co Spgs Airport Boardings SA	50,539	48,812	51,610	51,610	37,971	50,789	46,571	57,567	58,834	59,364	59,215	54,279	3,370			
Foreclosures SA	128	100	126	201	181	202	167	141	117	147	111	112	-26			
New Car Registrations SA	2,095	2,762	2,043	2,472	2,478	1,846	2,226	2,198	2,196	2,208	1,822	2,457	408			
Sales & Use Tax (\$million) SA	11.192	11.583	11.714	11.426	12.142	11.163	11.344	11.457	12.650	12.303	11.875	13.097	1.958			
Single Family & TH Permits SA	216	188	261	226	224	227	225	205	231	162	185	202	12			
Labor Force NSA (000's)	301.0	300.2	296.4	296.3	300.3	300.6	298.6	300.5	302.7	303.9	299.3	296.7	-6.65			
Employment NSA (000's)	278.1	278.2	275.1	272.3	276.0	276.3	277.7	280.3	282.4	283.5	281.3	281.6	0.97			
Unemployment Rate NSA	7.6%	7.3%	7.2%	8.1%	8.1%	8.1%	7.0%	6.7%	6.7%	6.7%	6.0%	5.1%	-2.4%			
Unemployment Rate SA	7.9%	7.7%	7.3%	7.6%	7.7%	7.8%	7.3%	6.8%	6.3%	6.5%	6.1%	5.3%	-2.6%			

“na” data is not available as of publication; \* indicates an item that does not apply based on how data is calculated.





## About the Forum

The Southern Colorado Economic Forum (SCEF) is part of the College of Business outreach to the Colorado Springs Community. The Forum gathers, analyzes and disseminates information relevant to the economic health of the region. Through its efforts, the Forum has gathered a number of unique data sets. The Forum and its staff are available for fee-for-service work to analyze business situations, develop forecasts, conduct and analyze surveys and develop solutions to other business problems you may have. Examples of prior work include Small Area Forecast for the Pikes Peak Area Council of Governments, Colorado Springs Airport Passenger Survey, exit survey for La-Z-Boy, a Community Audit for the Pikes Peak Workforce Center and the Data Mining Project for the Colorado Workforce Centers. If you would like additional information about how the Forum can assist you, contact Tatiana Bailey at (719) 255-3661 or e-mail at [tbailey6@uccs.edu](mailto:tbailey6@uccs.edu).

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