

El Paso County Economic & Workforce Progress Report (EPR)

Highlights - November 2023

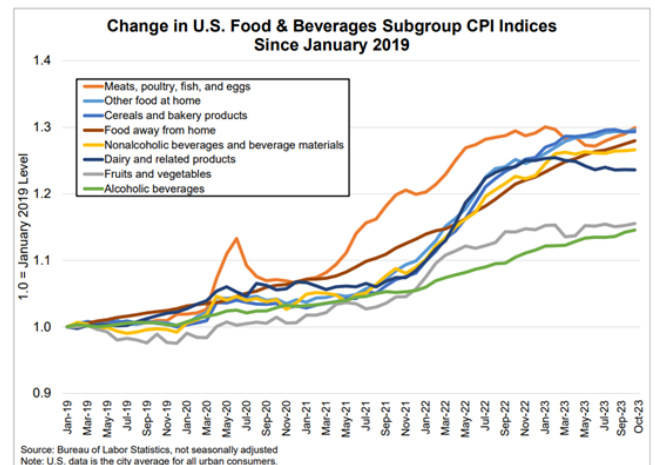
I hope everyone had a great Thanksgiving weekend filled with scrumptious food, great company and maybe a little college football. It was an EPIC Thanksgiving at my house with our third son home from college meaning that all kids and their significant others were with us for the **THIRD WIN IN A ROW FOR THE UNIVERSITY OF MICHIGAN AGAINST OHIO STATE** (see photos). My kids said I had to do a shot of tequila and take a puff of a cigar if we won again this year. I declined on the shot, but as you can see, I partook in the stogie. Isn't life just wonderful?



For DDES sponsor, if you have not yet RSVP'd to our mini-presentation/Q&A/happy hour on December 6th, please reach out to Gaby (gglassford@ddestrategies.org) to solidify your spots. We must give Vine & Wheel a final count this week. The event is **free for our 36 financial supporters listed on the back page of the EPR**. If you are not a DDES sponsor and would like information on becoming a supporter of our economic reporting and workforce initiatives with K-12, please also contact Gaby.



Last month I talked in detail about the outperformance of **GDP {Page 3}** in Q3 of this year, and it's interesting to me that despite the elevated economic growth rate, **Consumer Sentiment {Page 3}** continues to deteriorate. The final November index came in at 61.3, which as the graph on the dashboard shows is historically a very low level of confidence. If consumers are still spending (retail sales are holding steady), the unemployment rate is consistently below 4%, and personal income has increased (at least on a nominal basis), why is sentiment still dour? It's still primarily about inflation. As I've covered before, although we now have slowing in the **Inflation Rate {Page 3}** to 3.2% in October from 3.7% in September (technically called disinflation), it doesn't change the fact that virtually all items are significantly more expensive than they were pre-pandemic. The Colorado Department of Labor and Employment, or CDLE, recently did a CPI analysis and as the chart shows, compared to January of 2019, food items are between 15-30% higher in price (e.g., meat is 30% more expensive). Food categories in general are up about 25%, as are transportation (+35%) and shelter costs (+23%) with Denver's CPI consistently higher. Locally, we may not be as expensive as Denver, but we aren't that far off either with our Regional **Cost of Living Index {Page 3}** at 107% of the U.S. average. The sticker shock across the country has elevated consumer expectations on inflation to a 4.5% rate for the coming 12 months and to 3.2% over the next 5-10 years – both well above the Fed's desired target of 2.0%. If you were to chart consumer's future expectations on inflation and actual inflation as it materializes, they are remarkably close. This has me a little worried that inflation may be unpredictable and volatile over the next few years.



Honing in on shelter costs, I recently did a segment and article on our **local multi-family market** and how it is now categorized as “soft” according to HUD primarily because of a high vacancy rate. This hasn't caused rents to come down much, but it does mean renters can look for concessions such as lower security deposits or 1-2 months' free rent. Note that our economic dashboard now has **Apartment Rental Information {Page 6}** for Colorado Springs, as well as Denver and Salt Lake City for the sake of comparison. As that table shows and as I discuss in the segment, the 2023 Q2 local vacancy rate is quite high at 13.6% with an average rent of \$1,479 a month. The segment and corresponding **Gazette article** has more info. Please note that local **Home Sales {Page 6}** and **Median Existing Home Price {Page 6}** information is updated to Q3 of this year. That data shows that existing home sales continue to fall mostly due to low inventory. As a point of reference, in the U.S. existing home sales are at 2010 levels. Local median (existing) home prices are holding steady with Q3 at \$466,300. If we combine existing and new homes, the *average* price sits at \$557,000 in October, indicating that new homes are typically more expensive and there are a lot of \$1m+ homes that are pulling up the average price. We also need to remember that compared to October 2019, average home prices including existing and new homes are up 49.7% when compared to October 2023 home prices.

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The percentage of homes sold affordable to the median household income, as defined by the local **Housing Opportunity Index {Page 6}** declined further in Q3 to 21.5% (from 25.3% in Q2). As Mayor Yemi often addressed when he was campaigning, the HOI was 71.4% as recently as 2019 Q3 – so, a massive drop in local home affordability. The lower level of **Building Permits {Page 6}** both locally and in the U.S. only exacerbate the shortage of homes. This isn't projected to change much as The Conference Board is forecasting residential investment for all of 2023 at -11.0% on top of the 9% decline in 2022. For 2024, residential investment is forecasted to modestly improve at a 1.5% growth rate.

Nonresidential investment, which includes commercial real estate, is forecasted to end this year at a decent 5.2% growth rate, but to deteriorate to a -0.7% growth rate in 2024. The office commercial real estate (CRE) market is dragging down all the CRE market with more headwinds coming. These include a) higher interest payments as variable rate loans mature or building improvements have to be financed; b) more tenants letting leases expire or requiring less space due to hybrid/remote work; c) more product on market with sublease space available, which is at 215 million square feet versus 80 million pre-pandemic; d) office-based professional employment that is not as robust; and e) generally unfavorable conditions and lower property valuations making obtaining credit even more difficult. Looking forward, many CRE experts say that AI, or artificial intelligence, may further reduce the need for office space as white collar jobs are more likely to be impacted by the automation of big data. Class A space with a lot of amenities is performing notably better. Longer term it's more favorable to the CRE market for less (office) space construction to occur to hopefully bring eventual balance to the structural changes occurring in this subsector. This is true to some extent for multi-family construction, too.

The NFIB small business survey also shows some persistent headwinds. In October, surveys showed that 33% of owners plan to raise prices over the next three months, which is the highest reading in a year. In addition, wage pressures persist primarily due to the difficulty in finding quality labor with 43% of owners having **Job Openings {Page 3}** that are "hard to fill." As that dashboard chart shows, job openings have come down from pandemic highs, but they are still elevated. And if you look at the detail in the small business survey, it's apparent that some employers have given up on posting jobs at all probably because they simply can't find the talent they need again, implying persistence in wage pressures. Hybrid and remote work appear entrenched in the new world of work, and I believe this will keep some upward wage pressure on in-person jobs such as health care and hospitality. Small businesses are also saying they have slower sales traffic (net 17% fewer firms reporting higher sales), reduced credit availability, and lower earnings (32% reporting a drop). Typically, when business conditions and consumer sentiment deteriorate, employers have their pick of workers, and that's simply not the case in this cycle (or for the foreseeable future due to demographics). A net 24% of firms plan to raise compensation in order to keep or attract workers. I've never seen a scenario where businesses are reporting lower earnings and overall conditions but are still struggling to find labor.

Businesses (and consumers) also address the strain of higher interest rates in various surveys. The impact of higher rates often materializes with a lag. I believe that lag is catching up as variable rate loans mature, and new acquisitions become necessary (such as from a broken dishwasher, defunct automobile, or expired capital equipment). During the Fed's November meeting, it opted to keep **Interest Rates {Page 3}** the same due to inflation improvements. And given that the **GDP Forecast {Page 3}** and overall economic picture has a below trend growth rate of 0.8% for 2024, they are not looking to throw the U.S. economy decisively into a recession; thus the "pause" in hikes.

Now how about some good news (other than the UM win over OSU)? **El Paso County New Jobs {Page 4}** in 2023 Q2 blew past Q1 levels with 12,391 new jobs in the 2nd quarter of this year compared to average job growth for all of 2022. As the dotted line on the chart shows, our region needs approximately 5,600 new jobs per year to match annual population growth, so 12,391 jobs is stellar performance. Indeed, other than 2020, our region has been matching or exceeding the 5,600 threshold since 2013. I'd like to point out that this QCEW data set includes employment by industry (which is not out yet) and wage information, which is updated. The 2nd quarter wages for the U.S., CO and EPC are all quite a bit lower than they were in Q1, which is a pattern we have noticed before. This QCEW data does have some quarterly volatility, so I'll comment more on wages when we have Q3 data, and more accurately, year-end data.

That's all for now. Have a great week!

Tatiana & Rebecca

If you wish to unsubscribe from this monthly report, please email rwilder@ddestrategies.org.

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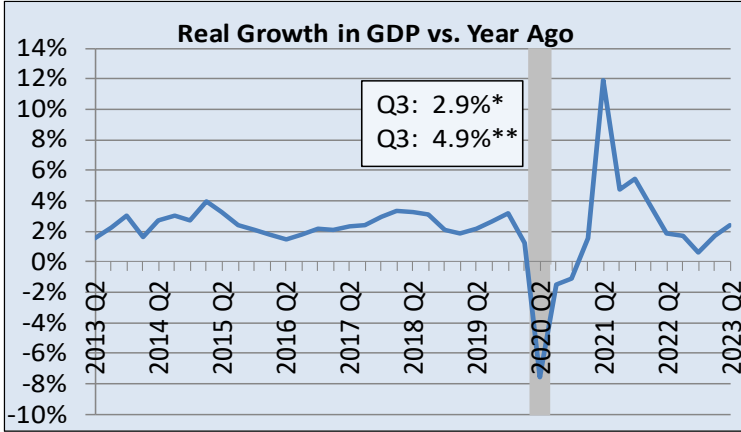
[Page 6 - Real Estate](#)

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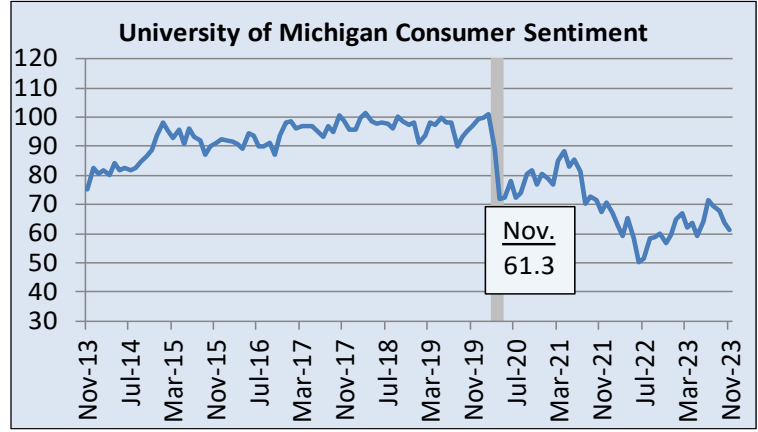
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MACROECONOMIC "BIG PICTURE" (PAGE 3)



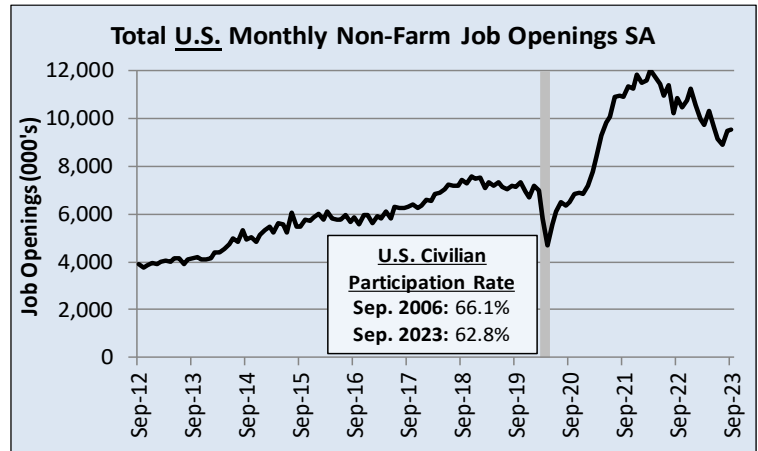
*Estimate of real GDP percent change from same quarter a year ago, SA
 **If quarterly changes were annualized over the year.
 Source: U.S. Bureau of Economic Analysis



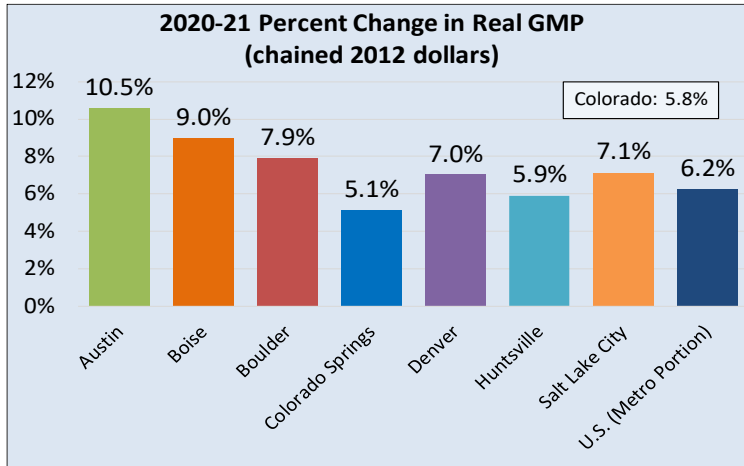
Source: University of Michigan

Forecasts for U.S. Real GDP and Unemployment (SA)				
	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast
Real GDP Growth	5.8%	1.9%	2.2%	0.8%
Unemployment Rate	5.4%	3.7%	3.7%	4.0%

Forecasts by Data-Driven Economic Strategies with input from the Conference Board, Wells Fargo, Colorado Department of Labor & Employment, Colorado-based Business & Economic Research, and other anecdotal resources.
 Sources: U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics



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

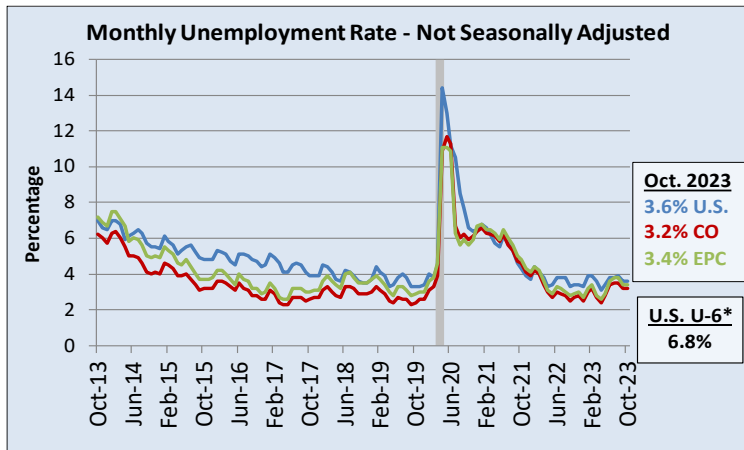


Note: Data includes military. Real GMP is adjusted for regional price parity (RPP). This regional data lags ~23 months.
 Source: U.S. Bureau of Economic Analysis

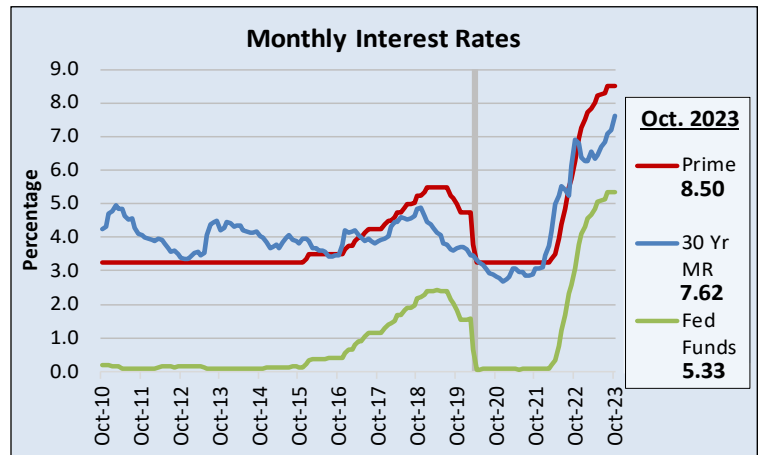
U.S. Consumer Price Index - October 2023		
	All items	Less food & energy
Change from September to October 2023 (SA)	0.0%	0.2%
Last 12-months (NSA)	3.2%	4.0%

The 2023 Q2 cost of living in the **Colorado Springs MSA** was **107.2%** the U.S. according to C2ER data provided by the CS Chamber & EDC.

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



Note: Data not seasonally adjusted (NSA) to enable comparisons with counties.
 *U-6 includes unemployed, those marginally attached to the labor force, plus those employed part time who would prefer full-time work.
 Sources: U.S. Bureau of Labor Statistics; CO Dept. of Labor & Employment



Source: Board of Governors of the Federal Reserve System

LOCAL LABOR MARKET (PAGE 4)

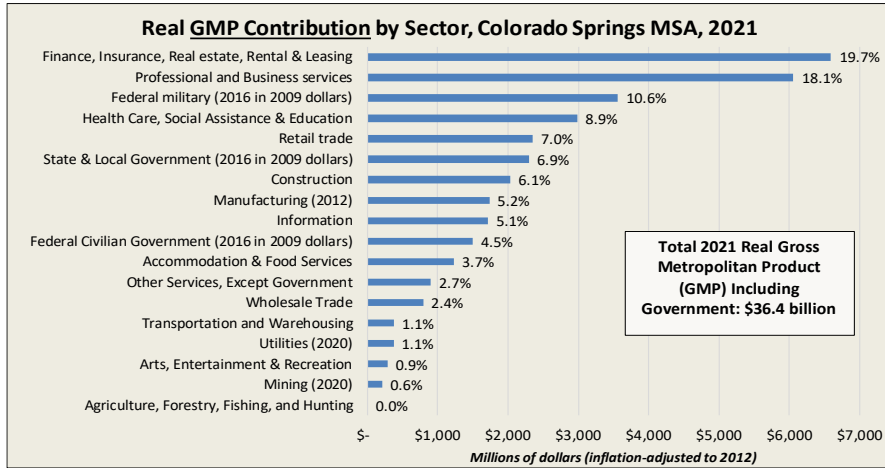
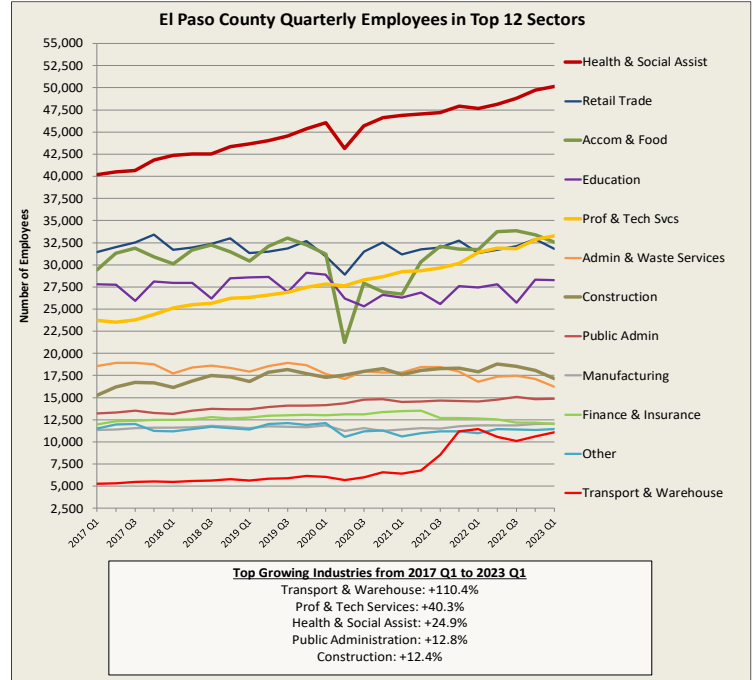
Top Job Openings, Colorado Springs MSA October 2023

Top Job Titles	# of Job Postings	Median Advertised Salary
Registered Nurses (L)	976	\$87,808
Retail Salespersons (M)	624	\$32,896
Software Developers (L)	572	\$123,904
1st-Line Supervisors, Retail Sales (L)	398	\$43,648
Computer Sys Engineers/Architects (L)	393	\$125,184
Sales Reps, Wholesale & Mfg (M)	341	\$60,288
Customer Service Reps (M)	306	\$37,504
Maintenance & Repair Workers (M)	277	\$46,208
Fast Food & Counter Workers (H)	274	\$32,640
Food Service Managers (H)	258	\$52,480

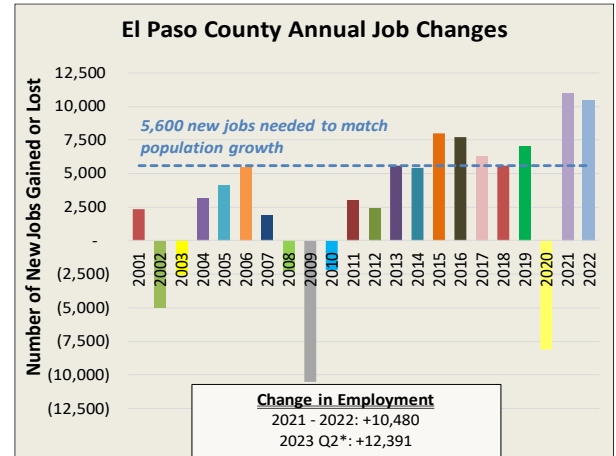
Colorado Springs MSA, October 2023

TOTAL Job Openings: 18,728
TOTAL Unemployed: 12,686
Workers Available per Job Opening: 0.68

Risk of Automation: L = Low; M = Medium; H = High
 Sources: The Conference Board®-Lightcast® Help Wanted Online® via Pikes Peak Workforce Center; CO Dept. of Labor & Employment



Manufacturing data last disclosed in 2012. Utilities and Mining data last disclosed in 2020. Government data is no longer released by sector so data shown is for 2016 in 2009 dollars. GMP (local) data lags by approximately 23 months. GMP is the same as GDP for the nation but at the local level.
 Source: U.S. Bureau of Economic Analysis



*Quarterly data reflects new jobs above 2022 annual average number of jobs.
 An estimated 5,600 new jobs are needed based upon population growth and age composition. This QCEW data lags up to three quarters and includes public and private employment, but not military-related employees.
 Sources: U.S. Bureau of Labor Statistics and Colorado Dept. of Labor & Employment, Quarterly Census of Employment and Wages (QCEW)

Colorado Springs MSA Lowest & Highest High School Grad & Earnings, 2021

School District	H.S. Grad Rate	Median Earnings
Harrison D2	79.9%	\$38,307
Lewis-Palmer D38	95.1%	\$79,865
Colorado	81.7%	\$57,524

Sources: Colorado Department of Education; U.S. Census Bureau, American Community Survey 5-year estimates

2022 Federal Poverty Level (FPL)

	El Paso County	U.S.
% people at FPL or below	8.3%	12.6%

Note: FPL in 2022 was \$18,310 for an individual and \$27,750 for a family of four.

2022-23 Minimum Wage & Living Wage El Paso County

	Wage/Hr	Annualized
Minimum wage salary for full-time worker	\$13.65	\$28,392
Living wage: HHs with 1 adult, 2 children	\$49.16	\$102,253
Living wage: HHs with 2 adults (1 working), 2 children	\$41.02	\$85,322
Living wage: HHs with 2 adults* (2 working), 2 children	\$26.74	\$55,619

*Living wage is for each working adult. For specifics, go to livingwage.mit.edu.

2023 Q2 Average Annual Wages for All Industries

El Paso County wages are 9.5% lower than U.S. wages and 15.4% lower than CO wages.

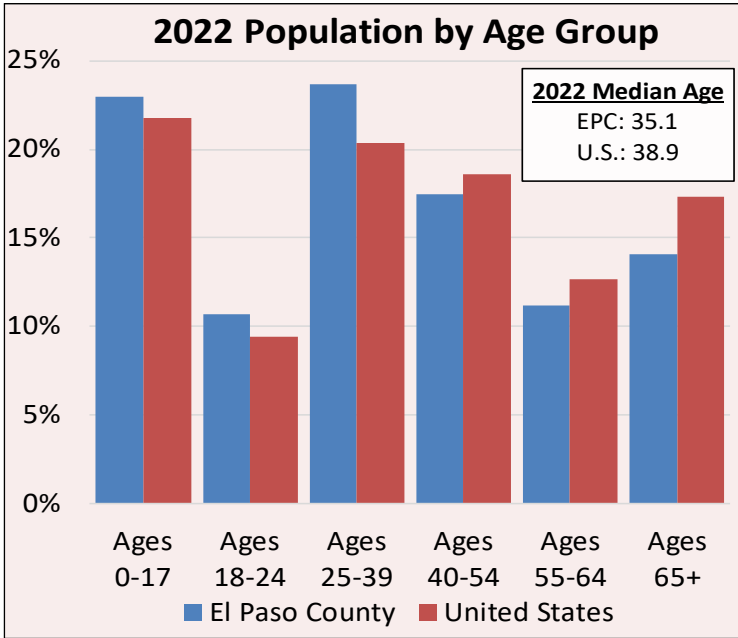
U.S.	Colorado	El Paso County
\$69,264	\$74,152	\$62,712

2023 Q2 El Paso County Total Employment (excluding military) 306,744

***Estimated military employment in 2021 (and % of total 2021 EPC who are military).** 61,489 (17.4%)

*QCEW data does not include military-related employees. Military employment includes USAFA, Schriever, Fort Carson, Peterson & Cheyenne Mountain. Data from the installations is delayed so this is still 2021 employment.
 Sources: U.S. Bureau of Labor Statistics and Colorado Department of Labor and Employment, QCEW; Local military installations; U.S. Census Bureau, American Community Survey 1-year estimates; U.S. Department of Health & Human Services; MIT Living Wage Calculator

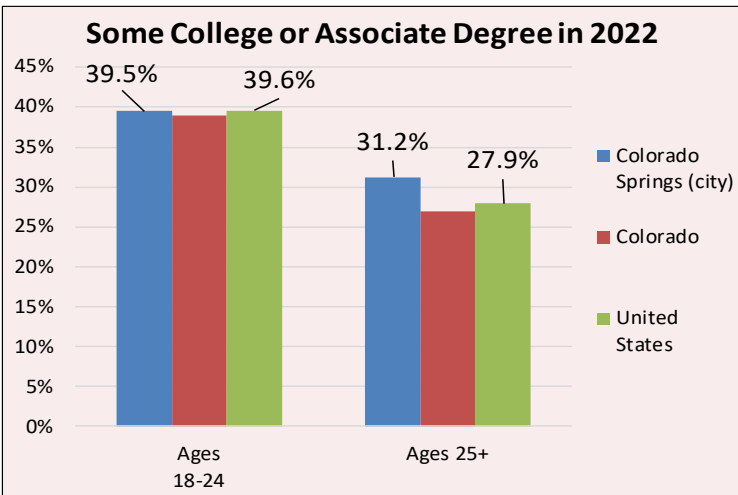
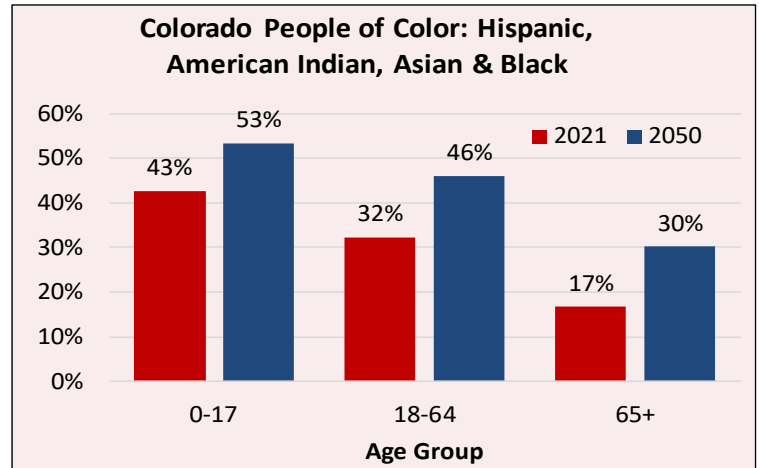
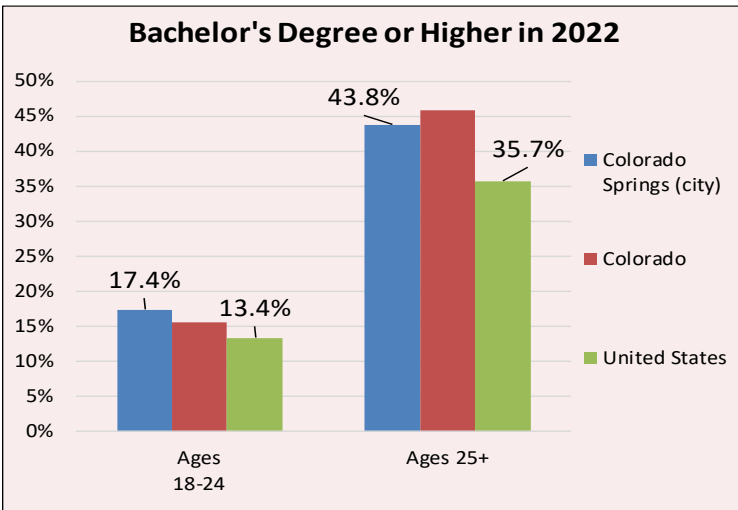
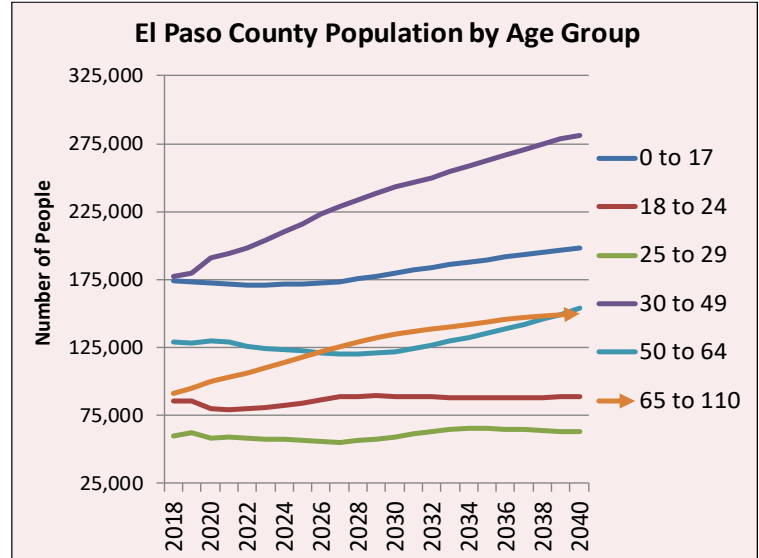
DEMOGRAPHICS (PAGE 5)



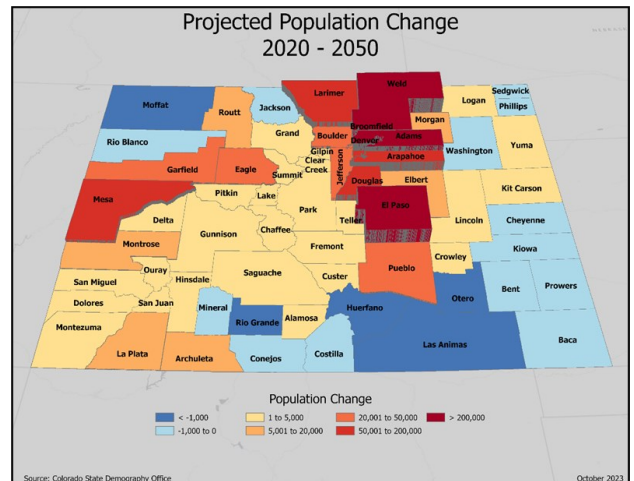
Source: U.S. Census Bureau, Population Division

Population Estimates

	2022	2050
El Paso County	740,552	1,008,489
Colorado	5,838,736	7,491,886

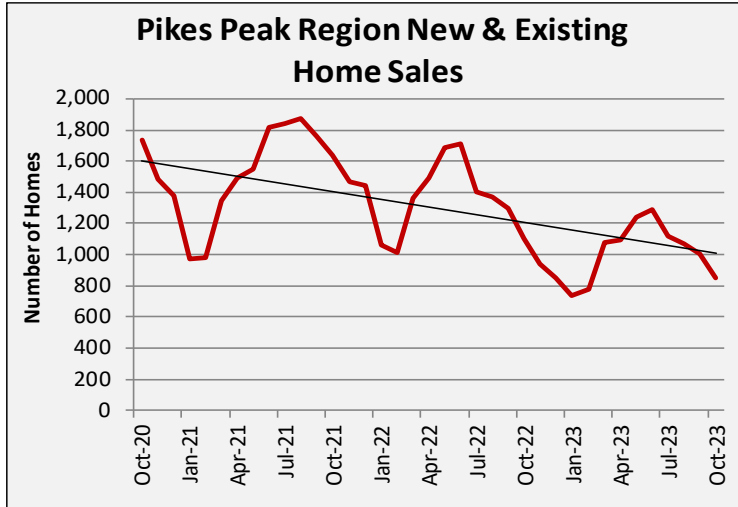


Source: U.S. Census Bureau, American Community Survey 1-year estimates

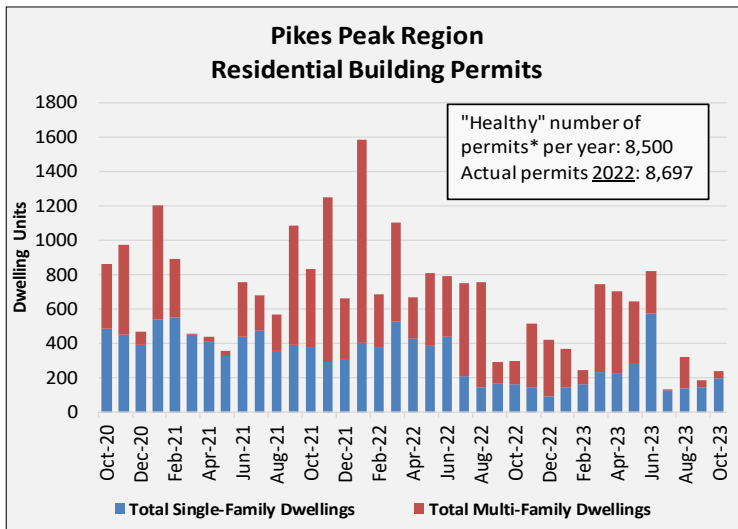


Source: Colorado State Demography Office

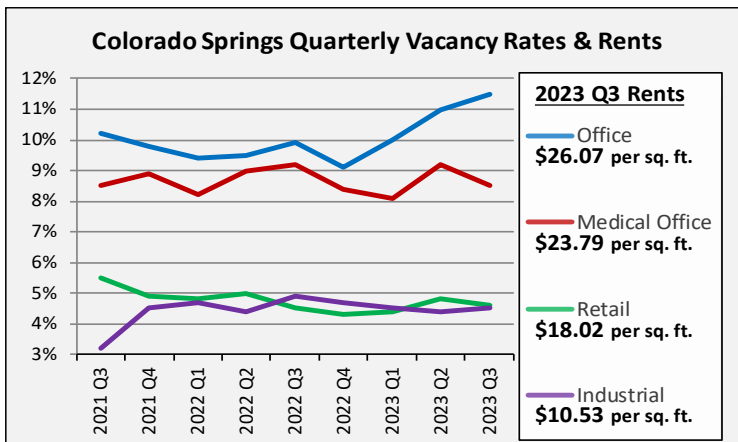
REAL ESTATE (PAGE 6)



Source: Pikes Peak REALTOR® Services Corp.



*The methodology for "healthy permits" now includes single-family and multi-family dwellings needed if we incorporate both population growth and the existing shortage of housing between 2023 and 2028. These calculations by Data-Driven Economic Strategies incorporate research by Common Sense Institute and input from the Colorado State Demography Office. The National Association of REALTORS® has calculated that the U.S. has underbuilt roughly 6.5 million homes since the Great Recession.
Source: Pikes Peak Regional Building Department

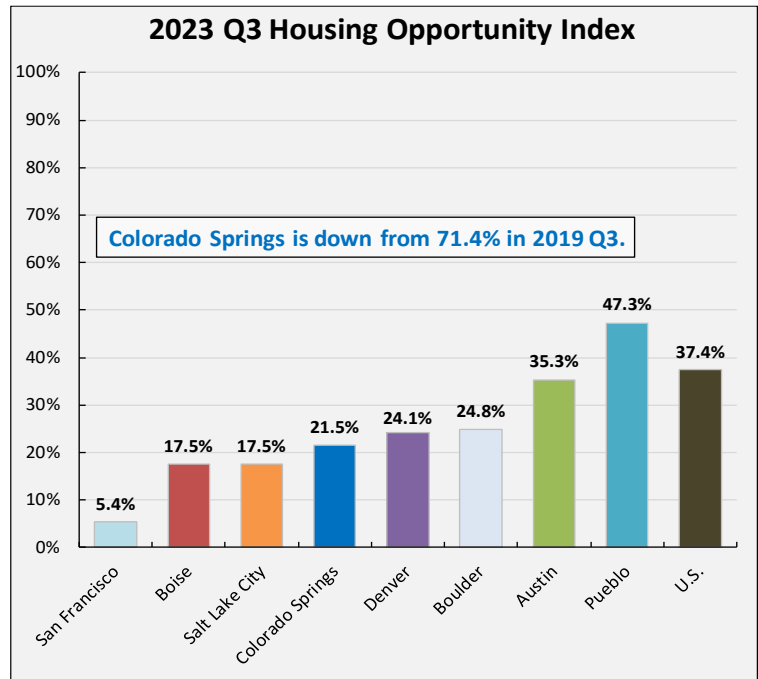


Sources: CoStar Group™; Olive Real Estate Group, Inc.

Median Existing Single-Family Home Price 2023 Q3

Location	Colorado Springs	Denver	Boise	United States
Price	\$466,300	\$673,000	\$485,900	\$406,900
1-year % Change	0.9% increase	1.1% increase	0.4% increase	2.2% increase
MSA Rank	45	17	36	n/a

Sources: National Association of REALTORS®



*Most recent Pueblo data is not available so Pueblo HOI above is still 2022 Q3.
Notes: The Housing Opportunity Index (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. It includes new and existing homes.
Sources: National Association of Home Builders; Wells Fargo

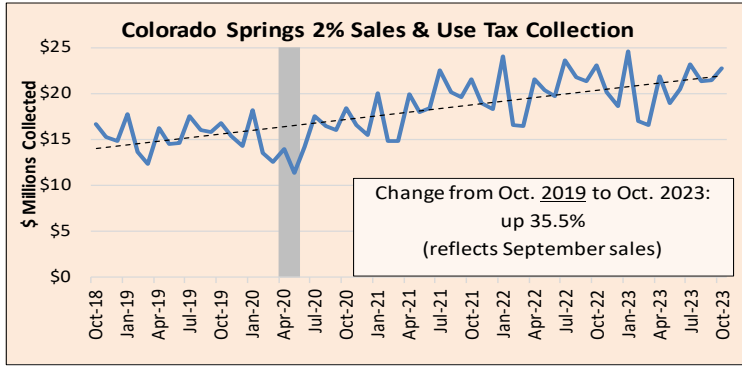
Apartment Rental Information

	Colorado Springs	Denver	Salt Lake City
Market Conditions	Soft	Slightly Soft	Soft
Vacancy Rate 2022 Q2	7.8%	7.4%	6.5%
Vacancy Rate 2023 Q2	<u>13.6%</u>	<u>8.9%</u>	<u>10.2%</u>
Average Rent 2022 Q2	\$1,490	\$1,844	\$1,603
Average Rent 2023 Q2	<u>\$1,479</u>	<u>\$1,879</u>	<u>\$1,582</u>

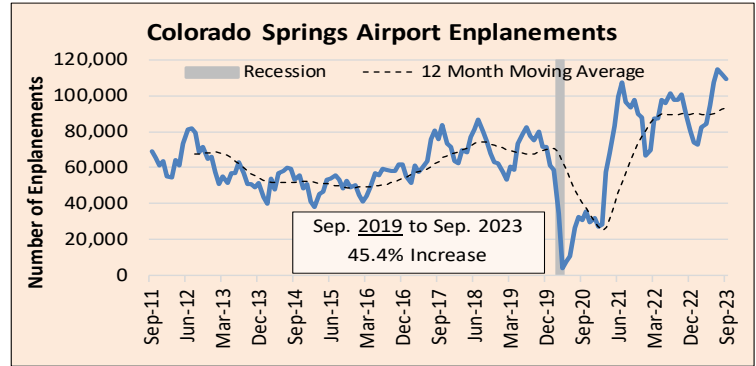
Source: U.S. Department of Housing & Urban Development (HUD), U.S. Market Conditions report

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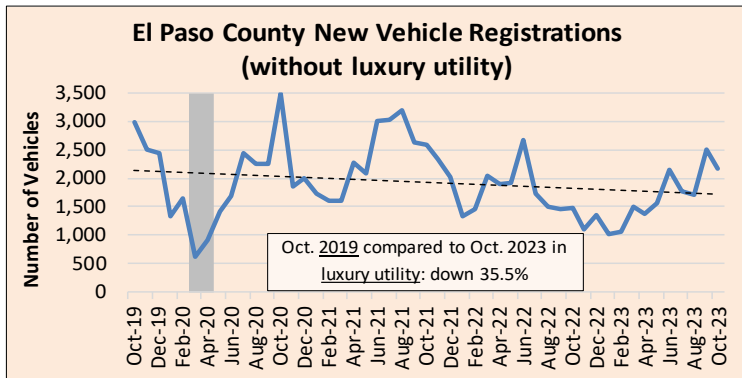
TAXATION, VEHICLE SALES, AIR QUALITY, AND TOURISM (PAGE 7)



Source: City of Colorado Springs

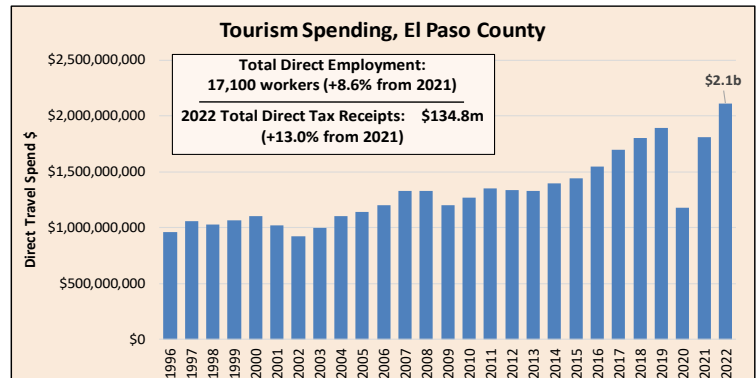


Source: Colorado Springs Airport



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

Source: Colorado Interactive LLC



Note: Direct travel includes day and overnight visitors.

Source: Colorado Tourism Office

2022 Air Quality		
	Colorado Springs*	U.S. Standard
Carbon Monoxide (CO) Concentration (ppm)	0.9	9.0
Particulate Matter (µg/m ³)	4.50	12.00
Ozone (ppm) at USAFA	0.74	0.70
Ozone (ppm) at Manitou Springs	0.74	0.70
Sulfur Dioxide (SO ₂) (ppb)	5.4	75.0

*Locations of measurements: CO at 690 W. Hwy 24; Particulate Matter at Colorado College; SO₂ at Hwy 2

Source: Colorado Department of Public Health & Environment

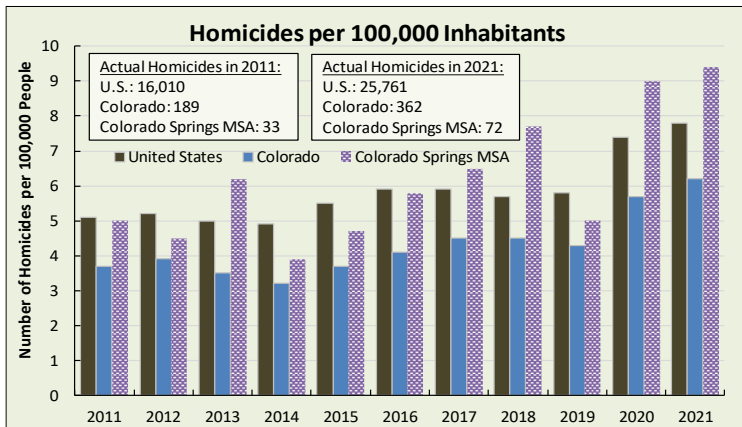
Hotel Occupancy Rate October 2023			
Colorado Springs	Denver	Colorado	
68.3%	75.1%	69.5%	

Hotel RevPAR* October 2023		
Colorado Springs	Denver	Colorado
\$87.68	\$127.98	\$118.86

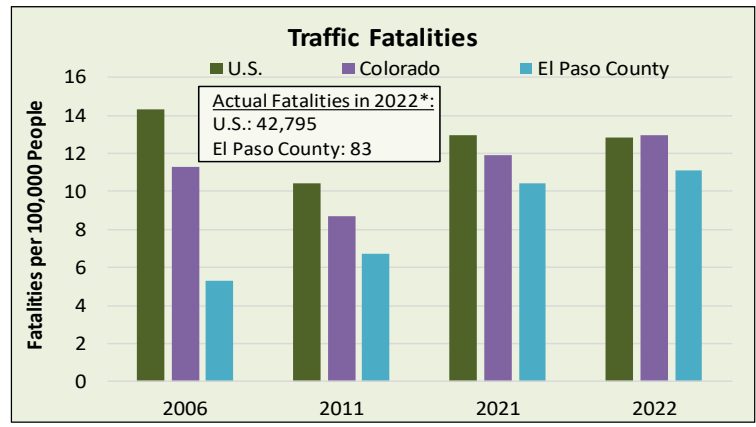
*RevPAR measures hotel revenue by taking the average room rate times hotel occupancy.

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

CRIME & SAFETY (PAGE 7)



Source: United States Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Health Statistics, Underlying Cause of Death on CDC WONDER online Database.



Sources: National Highway Safety Administration; Colorado Department of Transportation; World Bank; U.S. Census Bureau; Colorado State Demography Offices; Data-Driven Economic Strategies

2021 Mortality Rates due to Homicide per 100,000 Population				
Canada	Germany	Italy	Japan	United States
2.1	0.8	0.5	0.2	6.8

Source: UN Office on Drug and Crime's International Homicide Statistics database through The World Bank and World Population Review

Note: "Each year when Crime in the United States is published, some entities use reported figures to compile rankings of cities and counties. These rough rankings provide no insight into the numerous variables that mold crime in a particular town, city, county, state, or region. Consequently, they lead to simplistic and/or incomplete analyses that often create misleading perceptions adversely affecting communities and their residents. Valid assessments are possible only with careful study and analysis of the range of unique conditions affecting each local law enforcement jurisdiction. The data user is, therefore, cautioned against comparing statistical data of individual reporting units from cities, metropolitan areas, states, or colleges or universities solely on the basis of their population coverage or student enrollment."
- Federal Bureau of Investigation

Sworn Police Officers Per 10,000 Inhabitants in 2022	
City of Colorado Springs	15.0
Colorado Springs MSA	7.1
Cities with Population 500,000-999,999	21.2

Sources: Federal Bureau of Investigation, Uniform Crime Report; U.S. Census Bureau, Population Division

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El Paso County Economic & Workforce Progress Report (EPR)

SUPPORTERS (PAGE 8)



SPARKSWILLSON, P.C.



Tiemens Private Wealth Management Group of



THANK YOU!