El Paso County Economic & Workforce Progress Report *(EPR)*

Highlights - January 2024

Happy New Year to you! I am excited to start the new year with some positive reporting on the U.S. economy, which I've lately heard referred to as the "Teflon" economy. But before I jump in there is a February 26th event I'd like to share that is real estate specific. Oakwood and Banning Lewis have become DDES sponsors, and they have graciously opened the event to any realtor who wants a short economic update focusing on the current and upcoming real estate market. Please contact karole@madwomanms.com (or 719-649-3987) to register.

To start, **Gross Domestic Product {Page 3}**, or GDP, for 2023 Q4 was just released, and it showed that year-over-year, the U.S. economy grew 3.1%. If we annualize the Q4 economic activity, the economy grew by 3.3%. Growth over the quarter was attributable to (once again) personal consumption expenditures (+2.8%), investment spending (+1.7%), government spending (+3.3%), and exports (+6.3%), which out-stripped imports (+1.9%). The increase in net exports was the positive "surprise" element of the GDP data.

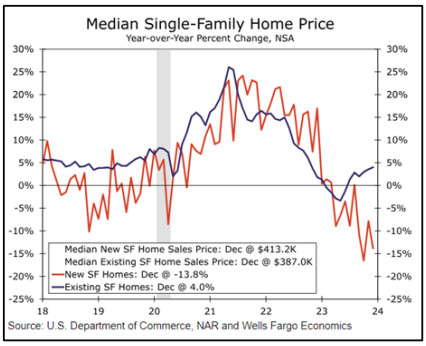
Many of the indicators that have been flashing "recession alert" for the past 1-2 years, are still in recession-likely territory, but those indices are retreating. For example, the LEI, or Leading Economic Indicator from the Conference Board has been below the recession threshold for 22 consecutive months with an average over Q4 of -0.7%. However, in December it had the smallest decline (0.1%) since March 2022 when the Fed began interest rate hikes. The LEI improvements emanated from stock market gains, low unemployment claims, positive building permits, and slowly easing credit conditions for borrowers (due to the expectation that the Fed will ease rates this year). Other indices that feed into the LEI were still negative such as manufacturing new orders, but I would say that if the LEI continues to be "less bad," it may confirm the soft landing (e.g., no recession) scenario. Now, the implications of a stronger-than-expected economy mean that interest rate cuts may be fewer than some experts thought (I've always thought six cuts in 2024 was unrealistic). Now many experts are saying that most developed economies (the "G10") will cut 25 basis points (0.25%) once a quarter starting in late spring or early summer. The latest Fed meeting indicates those decision makers are leaning towards three 0.25% cuts (total 0.75%) during 2024, and they are the decision makers. I pay closer attention to their statements, alongside the incoming data.

But an earlier rate cut is not out of the question because of the progress on inflation. "Headline" **Inflation {Page 3}** is still above the Fed's 2% target, and it actually increased from November to December from 3.1% to 3.4%. Stripping out food and energy ("core inflation") stayed about the same. However, the Fed uses a slightly different measure for inflation called the PCE deflator, and it was lower in 2023 Q4 at 3.2% compared to Q4 of last year. The core PCE deflator without food and energy was amazingly at the Fed target (2.0%) if that Q4 measure is annualized. It may seem like splitting hairs, but that core PCE deflator is what the Fed uses for decision making so it's a big deal, and that's why a March rate cut may happen, although I'd be surprised. Many of you work in interest-rate sensitive industries so I will say that a May rate cut is the most likely scenario as long as there are no surprises in the data and/or geopolitical shocks that impact our economy.

The resiliency is remarkable considering the Fed has hiked 525 basis points since March 2022, and the rest-of-the-world economy isn't in great shape. There is a plethora of reasons for the resiliency, but I believe it largely has to do with the relative self-sufficiency of the U.S. economy. We produce a lot of the goods and services our residents need and want, including energy and agricultural goods. Another major factor is that consumers keep buying those goods (feeding the virtuous business/household economic cycle) because people have jobs as I've often stated. The **Unemployment Rates {Page 3}** for the U.S. (3.5%), Colorado (3.2%), and El Paso County (3.3%) all stayed exactly the same at historically very low levels between November and December. Despite headlines of mostly tech and some financial institutions that are cutting jobs, the relative shortage of workers is advantageous for the average worker – and their confidence has made them particularly optimistic about income expectations. This is much of what has fueled continued consumerism with some consumers who are over-extended. As that two-minute segment shows, consumer borrowing is at record highs, and I am hoping in 2024 that overstretched consumers begin to pay down debt even if they are optimistic about those income expectations, which I discussed in a subsequent segment.

By the way, those rosy income expectations are the main reason that **Consumer Sentiment {Page 3}** had a significant increase from 69.7 in December to 78.8 as discussed in that segment. Moderating price increases also helped those favorable outlooks.

Speaking of expectations, there is a positive momentum that comes from low unemployment, persistent consumerism, and impending interest rate cuts. New home sales in the U.S. jumped in December (+8.0%) after a roughly similar decline in November. It may seem like a wash but lower mortgage rates (6.7% as of January 25th), high inventory, and falling new home prices all helped some consumers who were on the fence jump in and buy a new home. I believe this momentum will continue because interest rates will only go down from here, excess inventory (at 8.2 months' supply) will take time to dwindle down, and many builders are still offering concessions. In fact, median new home sale prices in the U.S. fell 3.0% in December to $413,200, and over the course of 2023, new home prices were down 13.8% (although to be fair, square footage of the average new



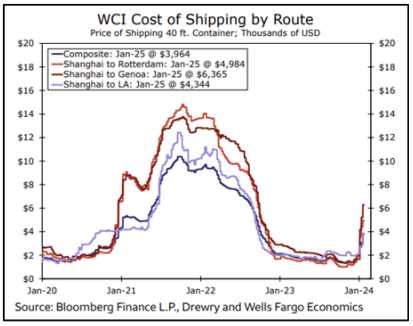
Page 3 - Macroeconomic "Big Picture"
Page 4 - Local Labor Market
Page 5 - Demographics
Page 6 - Real Estate
Page 7 - Taxation, Vehicles, Air & Tourism
Page 7 - Crime & Safety

Data-Driven Economic Strategies

home fell by 100 sq. ft. in 2023).

The trend to buy new homes due to low existing home inventory remains fully intact as evidenced by (new) home buyer surveys. In December, new home sales were up 4.4% year-over-year while existing single-family home sales were *down* 6.1%. The dearth of existing single-family homes had prices in 2023 ***up*** by 4.0%. Existing home prices historically have been lower than new home prices, but the current supply distortions fomented over the past 15 years, have turned that upside down. Estimates are that the "premium" to buy a new home (compared to a similar existing home) is only $26,000. That's easily one significant repair in an older home. I'm feeling pretty smug right now about our 2019 home build.

The affordability crunch that's resulted from years of underbuilding in the U.S. continues to also be the case locally. Pikes Peak **Building Permits {Page 6}** show the final numbers for 2023 at a total of 5,033 single and multi-family permits – well short of the roughly 8,500 that are needed to close the supply gap and accommodate new residents. As that graph shows, a large portion of the 2023 local residential building was multi-family. Although it's true that locally we have an overall shortage of housing, I do wonder what will happen when 30-year rates fall below 6%, spring/summer hits, and more single-family buyers enter the market. Many of those individuals are renters now and as the **Apartment Rental Information {Page 6}** shows, Colorado Springs, Denver and Salt Lake City all have "soft" markets right now with vacancies between 8-11%. Lease rates have come down a little in those markets, but not much. As more first-time buyers enter the market later this year, some of those apartments will be taken by people who are now doubling up or staying with family. However, the multi-family market may suffer a bit with the 2024 rate cuts and continued increase in local, new (multi-family) product.



Despite all my talk of a sturdy economy that defies expectations, I do want to mention one other risk besides consumer debt levels. The militant attacks on container and other cargo ships in the Red Sea pose a geopolitical threat in an already volatile part of the world, and they pose a threat to global supply chains and inflation. The Red Sea and Suez Canal host 12% of total global trade and roughly 30% of container trade flows. One of the largest global shipping giants, Maersk, suspended all operations in the Red Sea this past week. The chart shows how shipping costs have suddenly jumped. But that visual also shows that these increases are so far impacting prices at about half the order of magnitude compared to the pandemic-related supply disruptions. Mind you, since the beginning of this month, the shipping cost increases are logarithmic and should they continue at that pace, the world economy will acutely feel it, especially Europe and other countries closer to the Red Sea. In the U.S., however, business inventory levels are higher now than they were in 2021/2022, and consumer demand, while still hot, is not at the levels when stimulus checks, and pent-up demand were pervasive. I will caution, however, that as of last week, shipping companies are reporting 12-20 additional days to ship items, with (as an example) a 400% increase in shipping costs from Shanghai to Italy and about a 200% increase from Shanghai to LA. I can only imagine how insurance companies are responding, which will further add to the costs of shipping. Once again, the ability of the U.S. to produce a lot of what it consumes, such as energy, is also helping us. Energy consumption in the U.S. began levelling off in 2005, and U.S. energy production has been increasing. This has led to an energy trade surplus enabling the U.S. to be a net energy exporter for the past three years.

There are global, positive externalities to the outperformance of the U.S. economy. The U.S. makes up 4.5% of the world population but contributes about 11% to global GDP. Our economy is big enough and trades enough with allies that the strength of the U.S. economy will enable the Euro Area and U.K. to recover from their (likely) recessions more quickly. Mexico and Canada, our biggest trade partners, will also benefit as the U.S. represents 70% of the end destination of goods for both of those countries (combined). And when other countries do well, they buy more U.S. exports fueling business growth in the U.S. It's positive momentum, and I hope it keeps up. For all reasons stated above, most economic thinktanks have revised up their 2024 **Forecasts for U.S. GDP {Page 3}** (to rates between 1.2% to 1.7% depending on the source) and global GDP growth (lower than trend growth but still positive at 2.7%).

Speaking of positive momentum, my whole family (and every Maize and Blue human on the planet) is feeling euphoric about the Natty (e.g., College Football National Championship). I'll let the visual speak for itself. For those of you who don't know, the previous tagline was "Michigan Against Everybody." With the departure of the head coach and many key players, things will be challenging moving forward. But for now, the sweet aroma of victory swirls around me.

Tatiana & Rebecca

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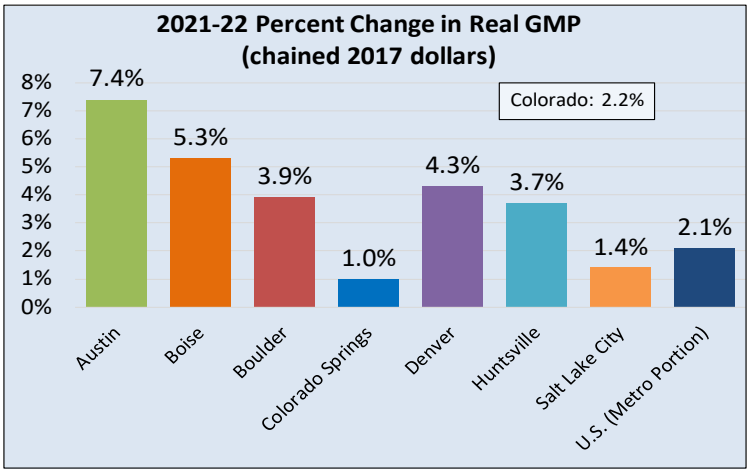
Page 3 - Macroeconomic "Big Picture"
Page 4 - Local Labor Market
Page 5 - Demographics
Page 6 - Real Estate
Page 7 - Taxation, Vehicles, Air & Tourism
Page 7 - Crime & Safety

MACROECONOMIC "BIG PICTURE" (PAGE 3)

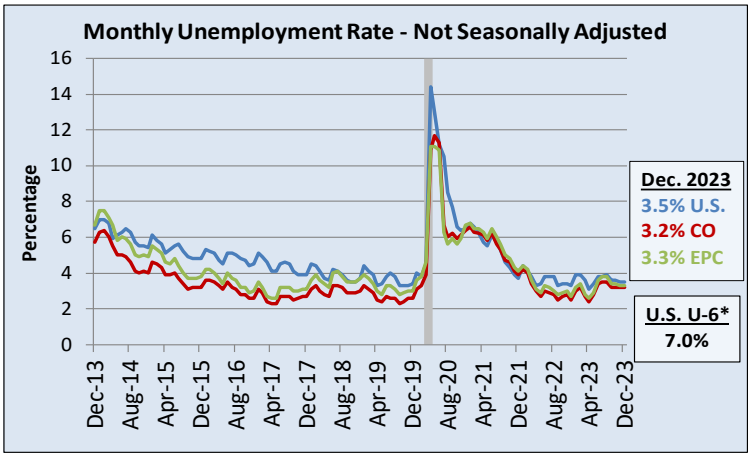
*Estimate of real GDP percent change from same quarter a year ago, SA
**If quarterly changes were annualized over the year.
Source: U.S. Bureau of Economic Analysis

Forecasts for U.S. Real GDP and Unemployment (SA)				
	2022 Actual	2023 Actual	2024 Forecast	2025 Forecast
Real GDP Growth	1.9%	2.5%	1.2%	1.7%
Unemployment Rate	3.6%	3.6%	4.0%	4.0%

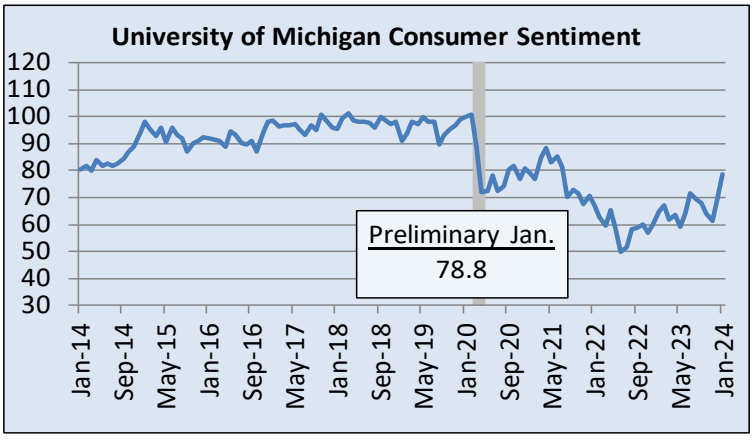
Forecasts by Data-Driven Economic Strategies with input from the Conference Board, Wells Fargo, Colorado Department of Labor & Employment, and other anecdotal resources.
Sources: U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics



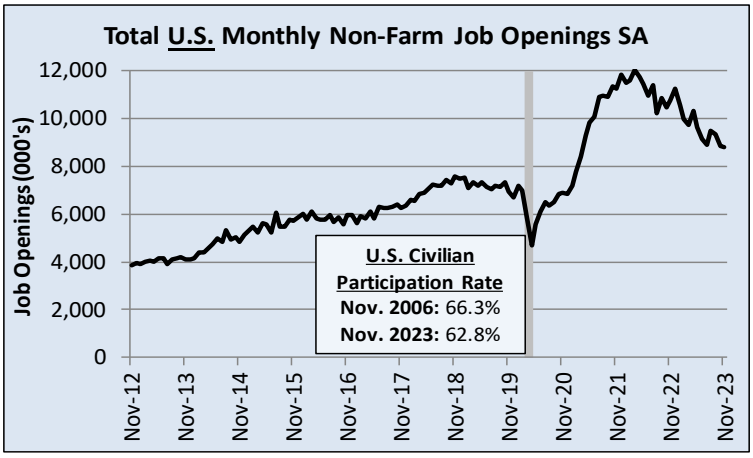
Note: Data includes military. Real GMP is adjusted for regional price parity (RPP). This regional data lags ~23 months.
Source: U.S. Bureau of Economic Analysis



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



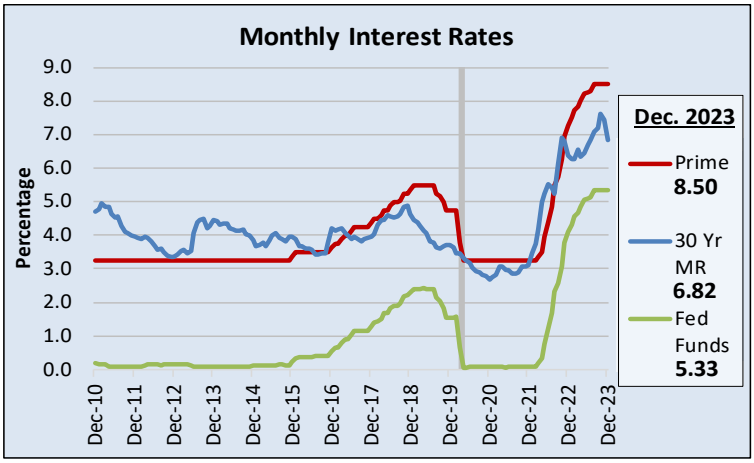
Source: University of Michigan



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

U.S. Consumer Price Index - December 2023		
	All items	Less food & energy
Change from November to December 2023 (SA)	0.3%	0.3%
Last 12-months (NSA)	3.4%	3.9%
The 2023 Q3 cost of living in the **Colorado Springs MSA** was **107.9%** 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)



Source: Board of Governors of the Federal Reserve System

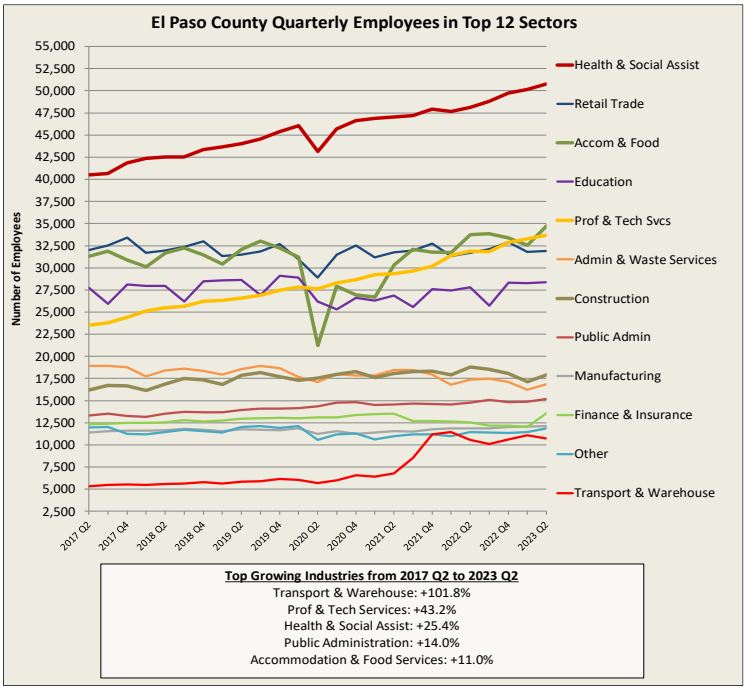
Return to highlights

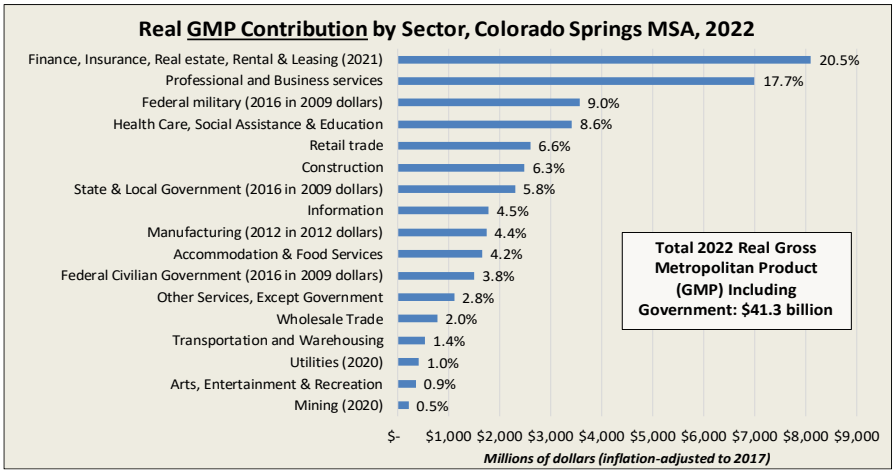
LOCAL LABOR MARKET (PAGE 4)

Top Job Openings, Colorado Springs MSA December 2023		
Top Job Titles	**# of Job Postings**	**Median Advertised Salary**
Registered Nurses (L)	853	$87,808
Retail Salespersons (M)	522	$33,408
Software Developers (L)	452	$125,696
1st-Line Supervisors, Retail Sales (L)	400	$44,416
Sales Reps, Wholesale & Mfg (M)	361	$60,288
Computer Sys Engineers/Architects (L)	315	$127,744
Customer Service Reps (M)	306	$39,552
Fast Food & Counter Workers (H)	271	$32,640
Managers (L)	256	$116,480
Maintenance & Repair Workers (M)	247	$46,720

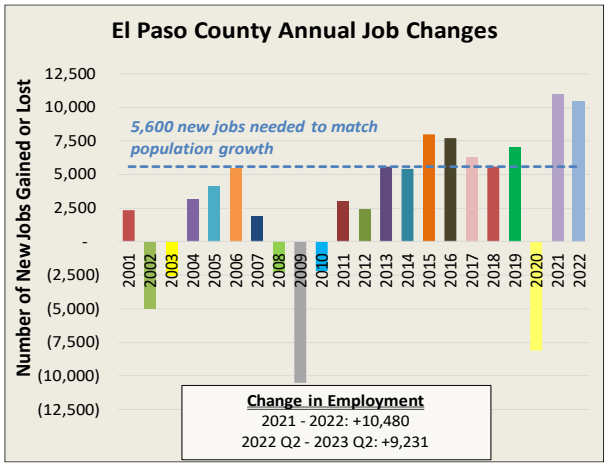
Colorado Springs MSA, December 2023
TOTAL Job Openings: 17,900
TOTAL Unemployed: 12,699
Workers Available per Job Opening: 0.71

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



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.
Source: Colorado Dept. of Labor & Employment, Quarterly Census of Employment and Wages (QCEW)

Colorado Springs MSA Lowest & Highest Earnings with High School Grad Rates, 2022		
School District	**H.S. Grad Rate**	**Median Earnings**
Harrison D2	80.0%	$41,496
Lewis-Palmer D38	94.0%	$86,928
Colorado	82.3%	$63,277

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.		

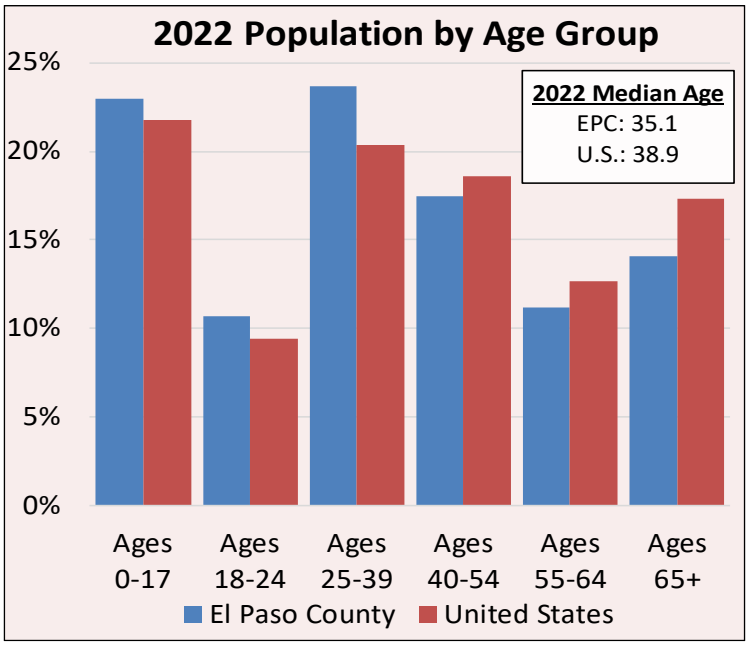
2022-23 Minimum Wage & Living Wage El Paso County		
	Wage/Hr	**Annualized**
Minimum wage salary for full-time worker	$13.65	$28,392
Living wage: HHs with 1 adult, 2 children	$49.16	$102,253
Living wage: HHs with 2 adults (1 working), 2 children	$41.02	$85,322
Living wage: HHs with 2 adults* (2 working), 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 9.4% lower than U.S. wages and 15.3% lower than CO wages.		
U.S.	**Colorado**	**El Paso County**
$69,264	$74,100	$62,764
2023 Q2 El Paso County Total Employment (excluding military)		307,098
***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

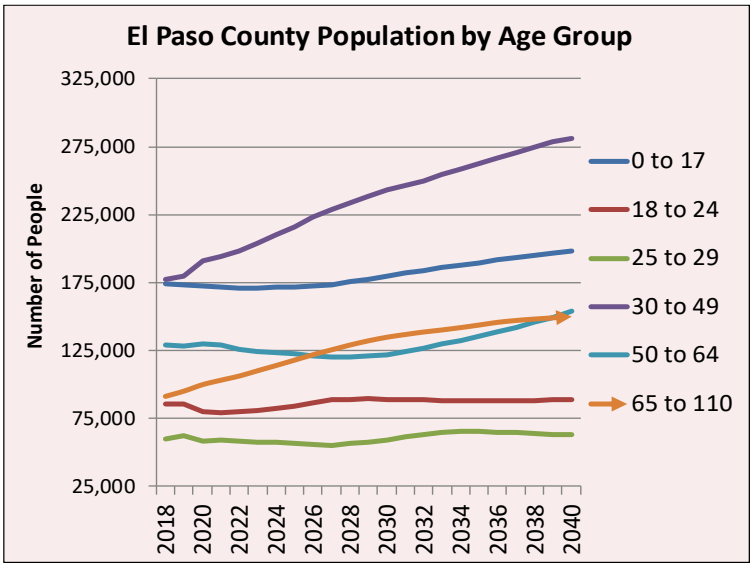
Return to highlights

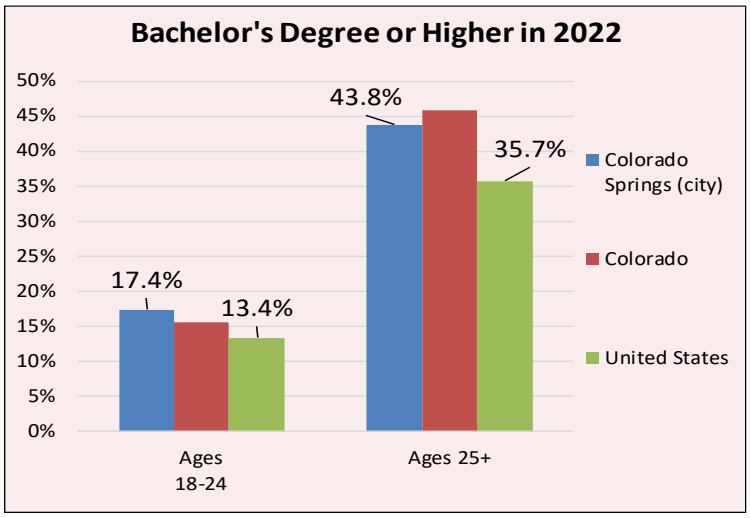
DEMOGRAPHICS (PAGE 5)

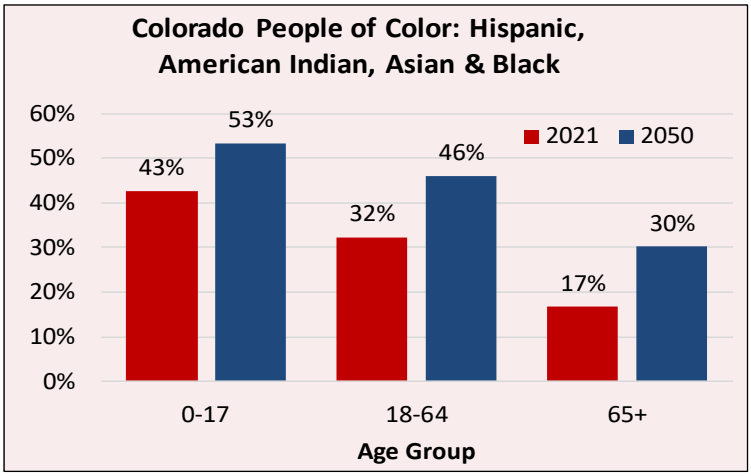


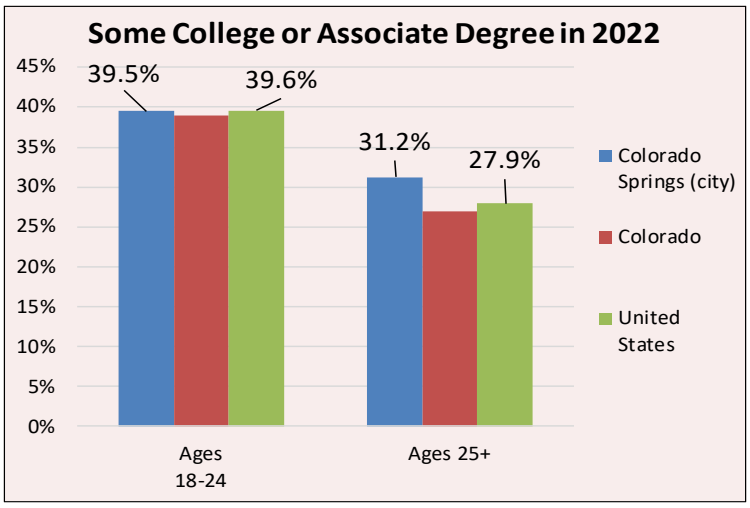
Source: U.S. Census Bureau, Population Division

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

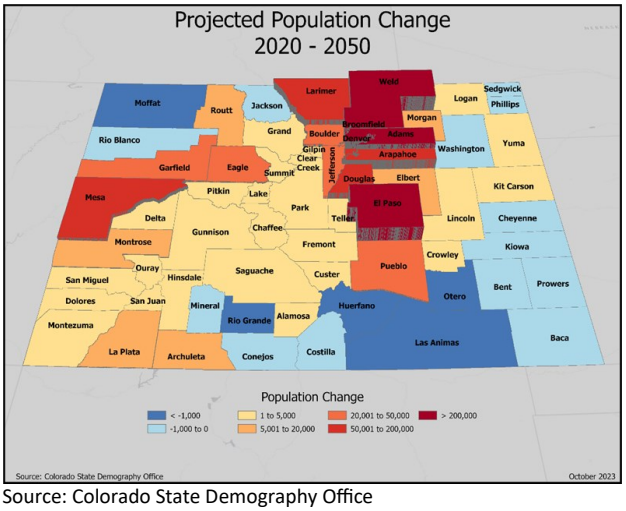








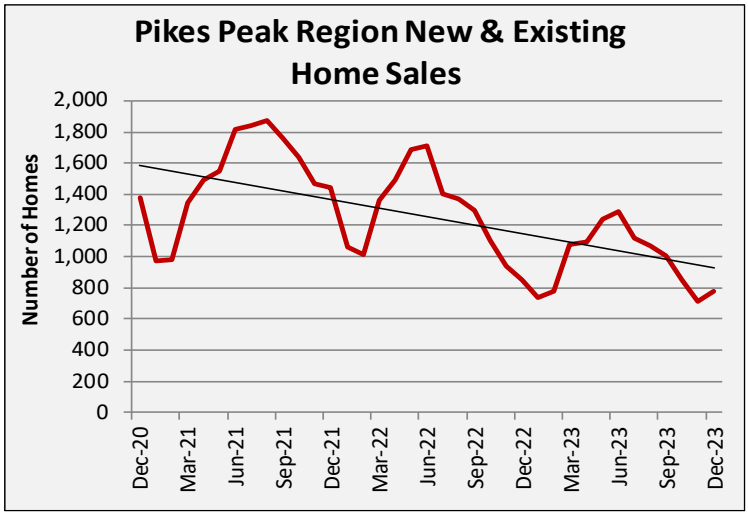
Source: U.S. Census Bureau, American Community Survey 1-year estimates



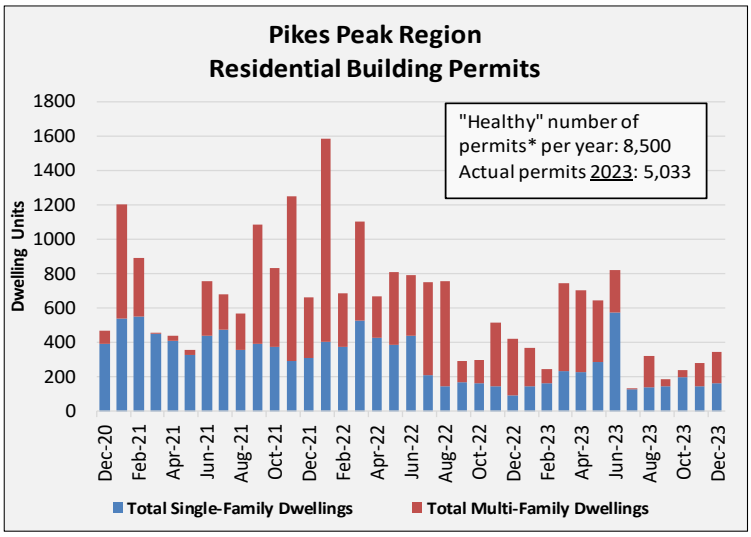
Source: Colorado State Demography Office

Return to highlights

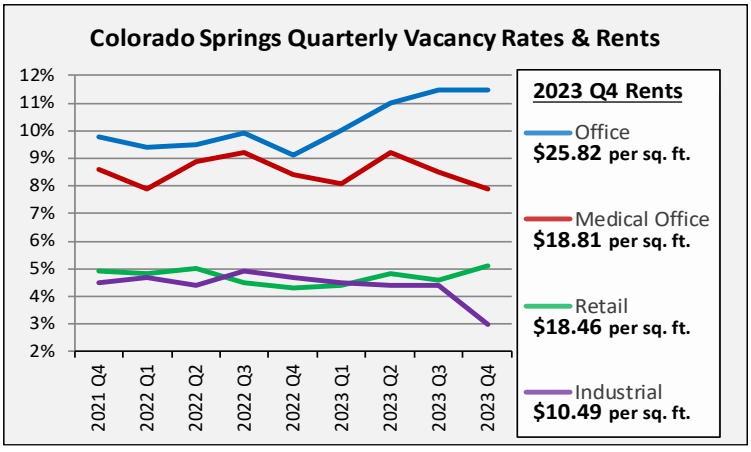
REAL ESTATE (PAGE 6)



Source: Pikes Peak REALTOR® Services Corp.



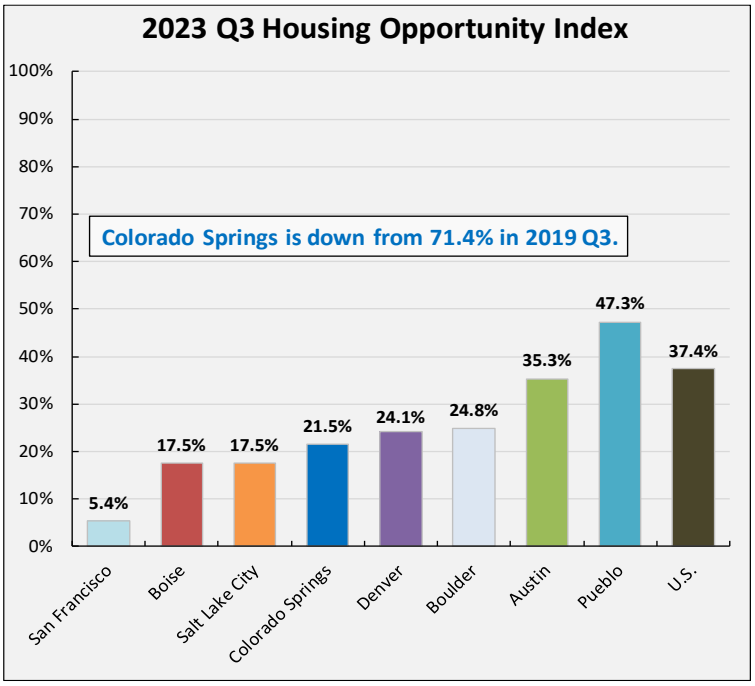
*The methodology for "healthy permits" now includes single-family and multi-family dwellings needed if we incorporate both population growth and the existing shortage of housing between 2023 and 2028. These calculations by Data-Driven Economic Strategies incorporate research by Common Sense Institute 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®



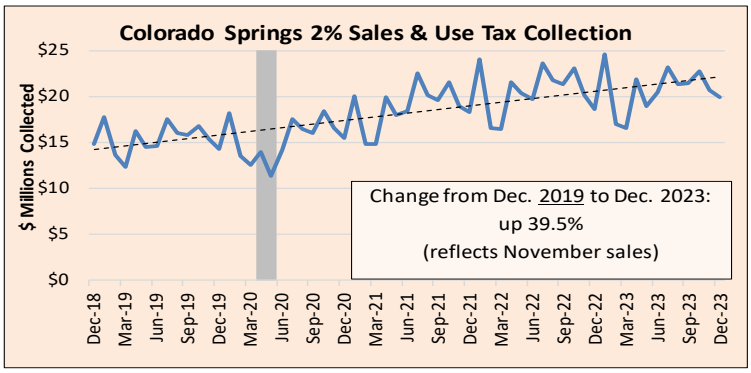
Notes: The Housing Opportunity Index (HOI) is defined as the share of homes sold in that area that are affordable to a family earning the local median income, based on standard mortgage underwriting criteria. It includes new and existing homes.
Sources: National Association of Home Builders; Wells Fargo

Apartment Rental Information			
	Colorado Springs	Denver	Salt Lake City
Market Conditions 2023 Q3	Soft	Soft	Soft
Vacancy Rate 2022 Q3	*9.5%*	*6.6%*	*8.5%*
Vacancy Rate 2023 Q3	11.0%	8.0%	10.6%
Average Rent 2022 Q3	*$1,474*	*$1,823*	*$1,603*
Average Rent 2023 Q3	$1,440	$1,834	$1,580

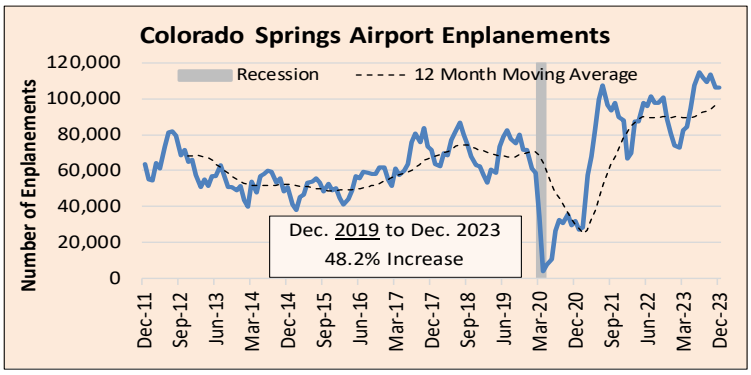
Source: U.S. Department of Housing & Urban Development (HUD), U.S. Market Conditions report

Return to highlights

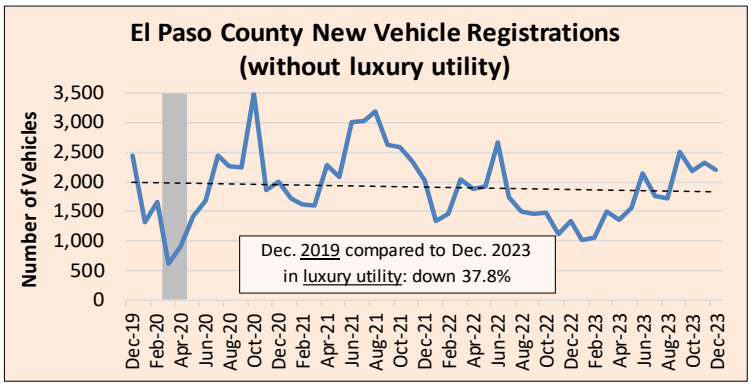
TAXATION, VEHICLE SALES, AIR QUALITY, AND TOURISM (PAGE 7)



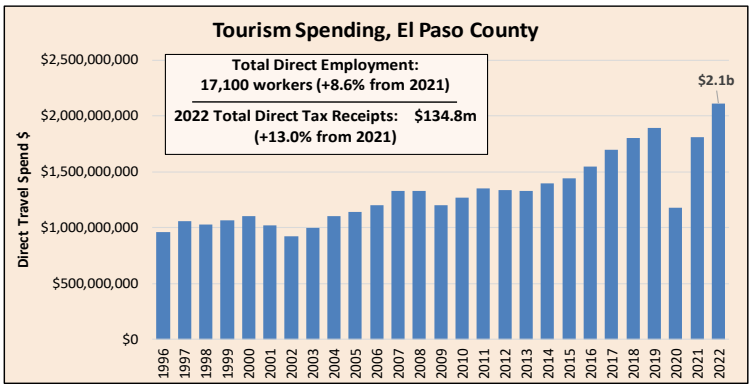
Source: City of Colorado Springs



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/m³)	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; SO_2 at Hwy 24

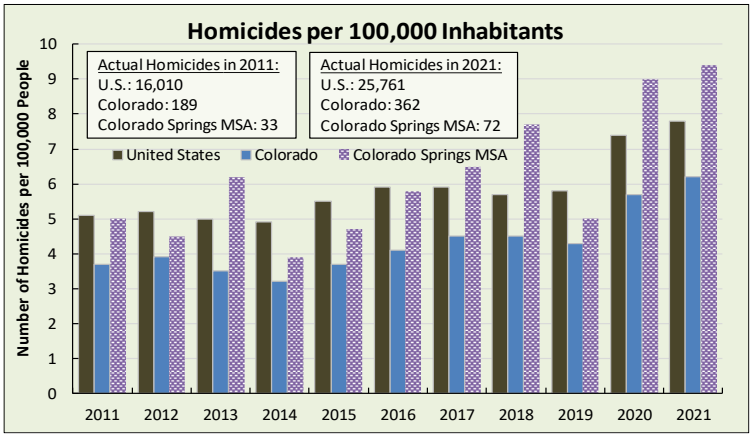
Source: Colorado Department of Public Health & Environment

Hotel Occupancy Rate December 2023		
Colorado Springs	Denver	Colorado
47.2%	49.9%	50.7%

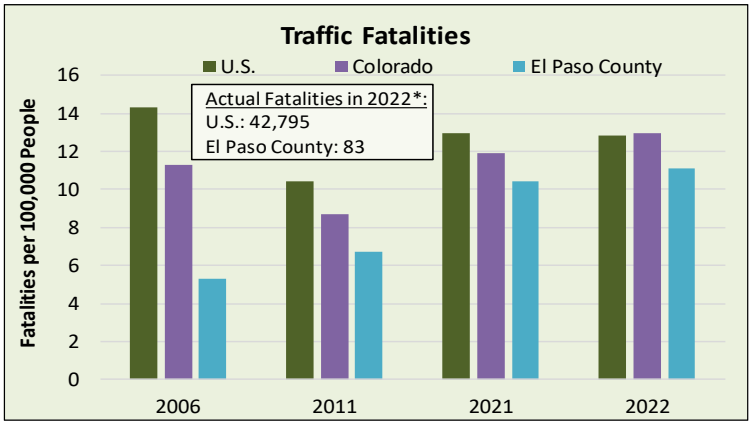
Hotel RevPAR* December 2023		
Colorado Springs	Denver	Colorado
$50.53	$62.28	$98.65

*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

Return to highlights

SUPPORTERS (PAGE 8)

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THANK YOU!

Data updated on 1/29/2024.

Contact Rebecca Wilder at rwilder@ddestrategies.org.