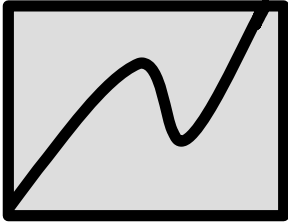


Summit Economics, LLC

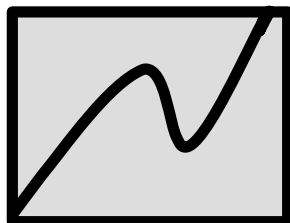


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# ECONOMIC PROSPECTS IN UNCERTAIN TIMES

Presented By:  
Summit Economics

EDC Major Investor Luncheon  
November 18, 2010



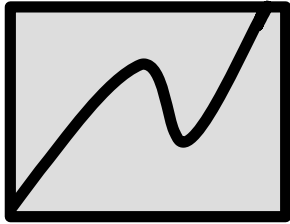
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# Colorado Springs Economic Indicators

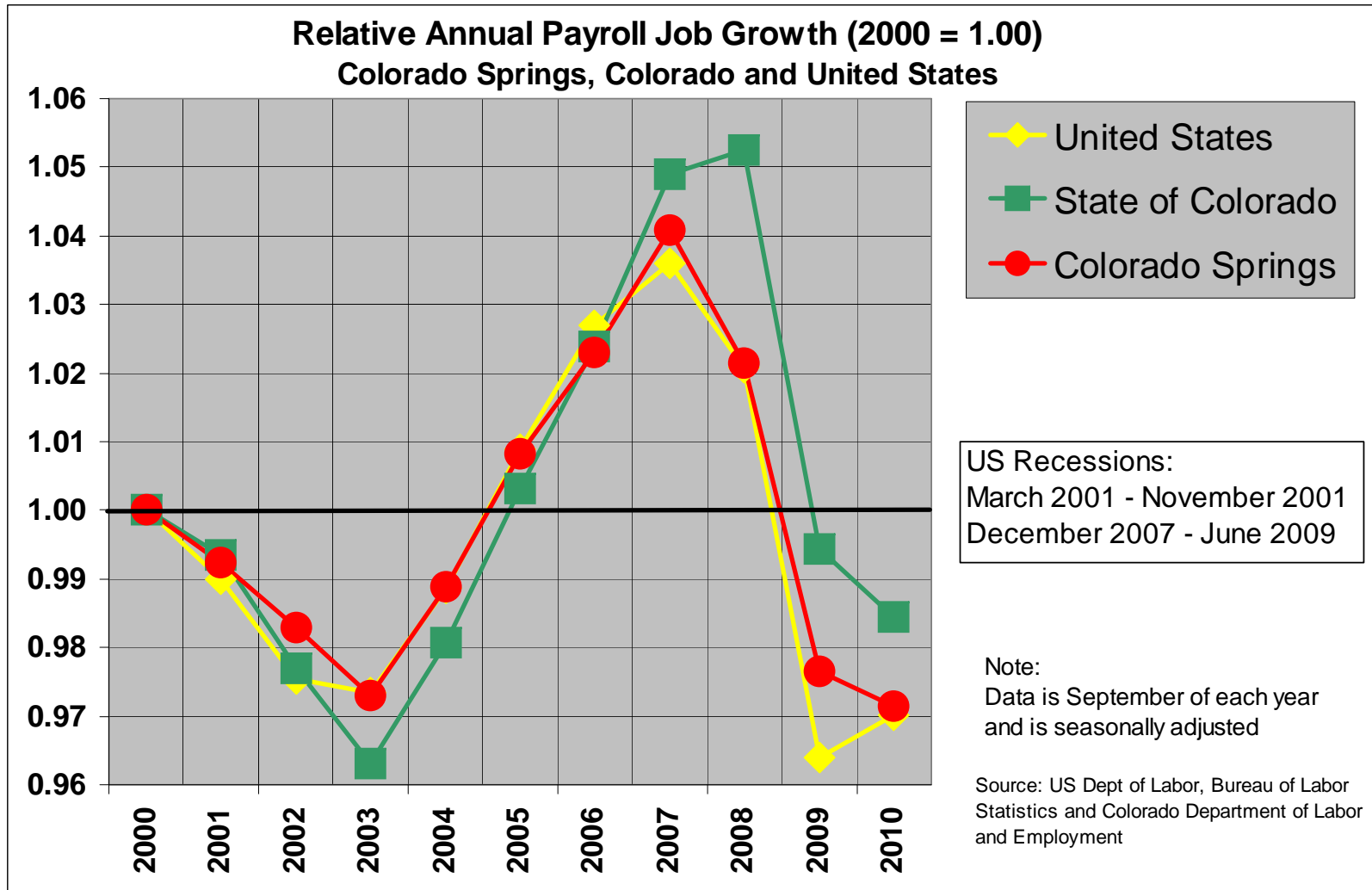
## Monthly Economic Indicators Summary - September 2010 Colorado Springs Metro Area

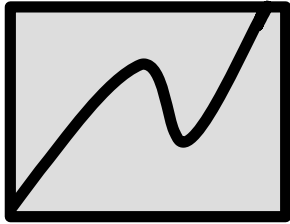
Monthly Indicator	Sep-09	Sep-10	Change	% Change	Good News Bad News
Wage and Salary Jobs	247,900	245,300	-2,600	-1.0%	Bad News
Initial Claims for Unemployment	488	383	-105	-21.5%	Good News
Unemployment Rate	7.8%	8.7%	0.9%	11.5%	Bad News
Single Family Home Permits (units)	97	81	-16	-16.5%	Bad News
New Auto and Truck Registrations	1,485	1,309	-176	-11.9%	Bad News
Taxable Retail Sales (in millions)	\$437.8	\$474.8	\$37.0	8.4%	Good News
Hotel Occupancy Rate	69.9%	72.6%	2.7%	3.9%	Good News
Foreclosure Filings	453	377	-76	-16.8%	Good News

Source: Various published sources.



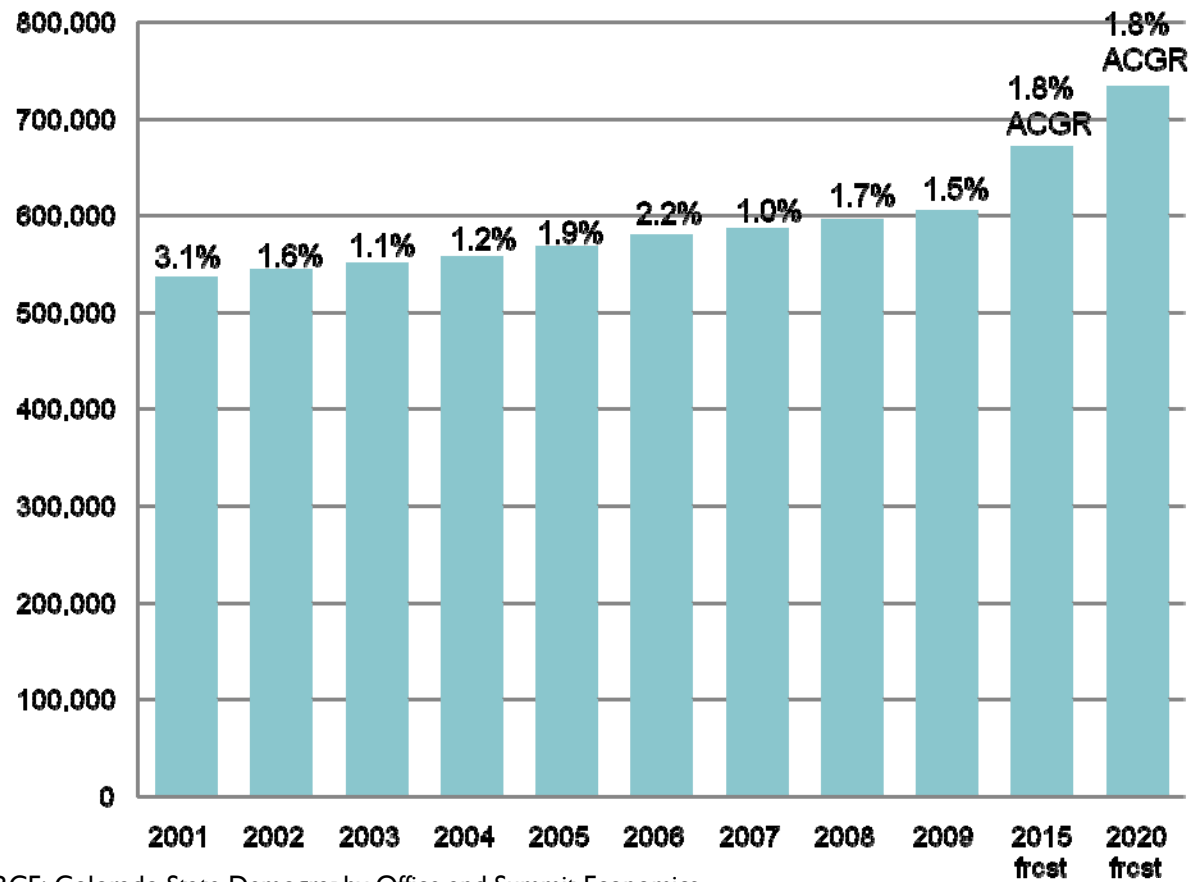
# C.S. and Colorado Performing the Same as the Nation



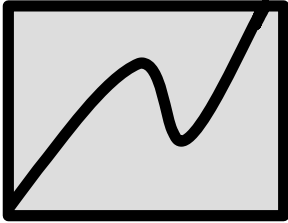


# Population Projections for El Paso County to 2020

## Population and Annual Growth Rate

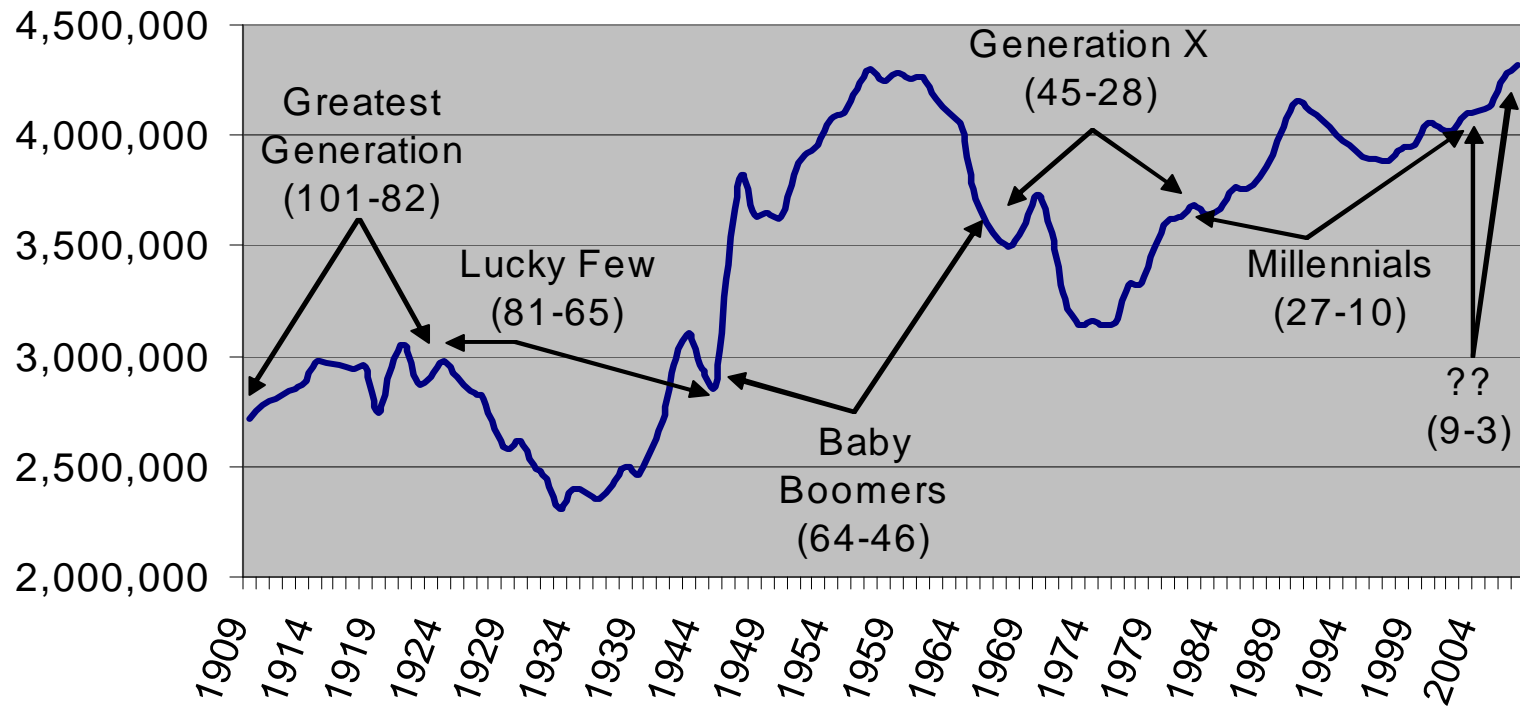


SOURCE: Colorado State Demography Office and Summit Economics



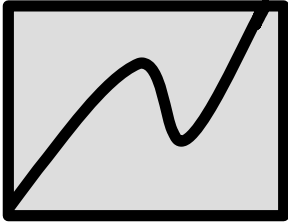
# Demographics

## U.S. Births per Year -- The Last Century



Summit Economics from National Center for Health Statistics; 2006 and 2007 data not final; 1959 and earlier data adjusted for under-registration

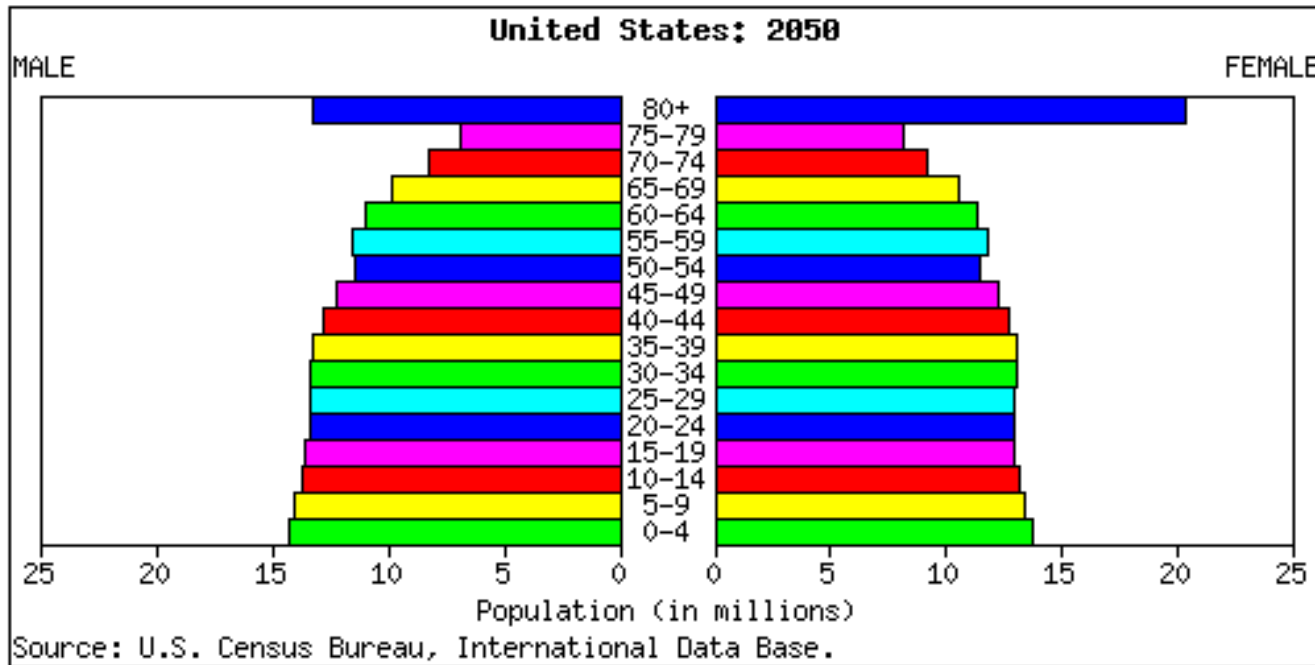
(Generation's age range in parentheses)

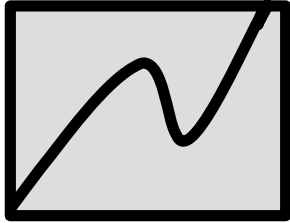


# Demographic Changes

## United States Population Pyramid for 2050

Predicted age and sex distribution for the year 2050:





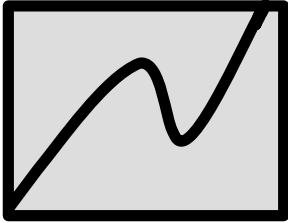
# El Paso County Dependency Ratio

1990	13.0%
2000	14.3%
2010	15.5%
2015	20.1%
2035	33.7%

In 2000 there were seven people of working age for each person of retirement age, that will drop to five workers per retiree in 2015 and less than three workers per retiree in 2035.

**The County experiences net out-migration in the 65+ age cohort**

The **Dependency Ratio** is defined as the population over 65 divided by the population 20-64, i.e., the ratio of those retired to those working.



# Population Projections for Colorado out to 2050

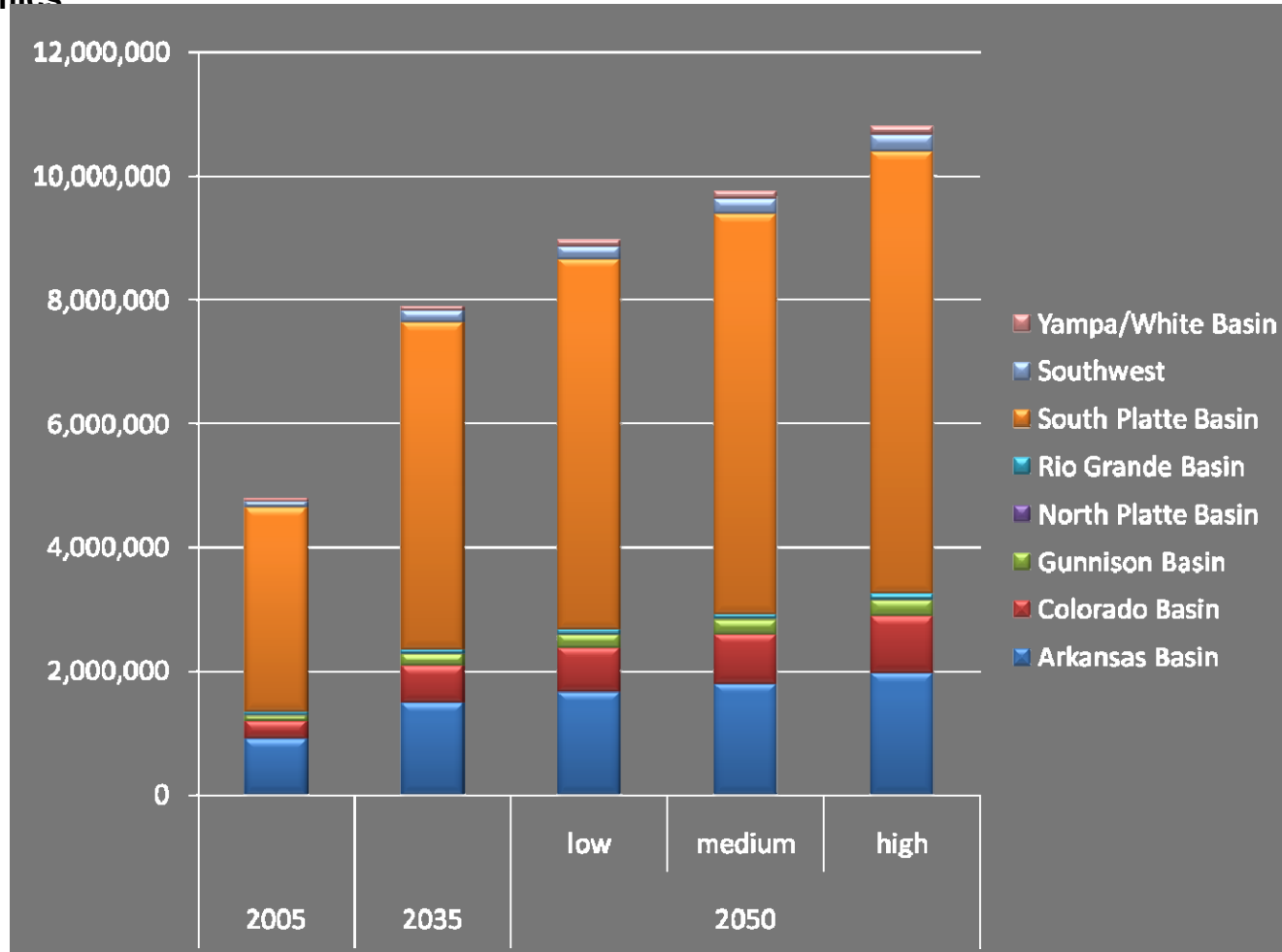
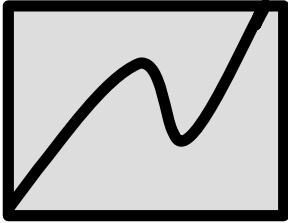


Figure 2. Population projections for Colorado out to 2050 from Colorado Department of Natural Resources



# The Water Gap

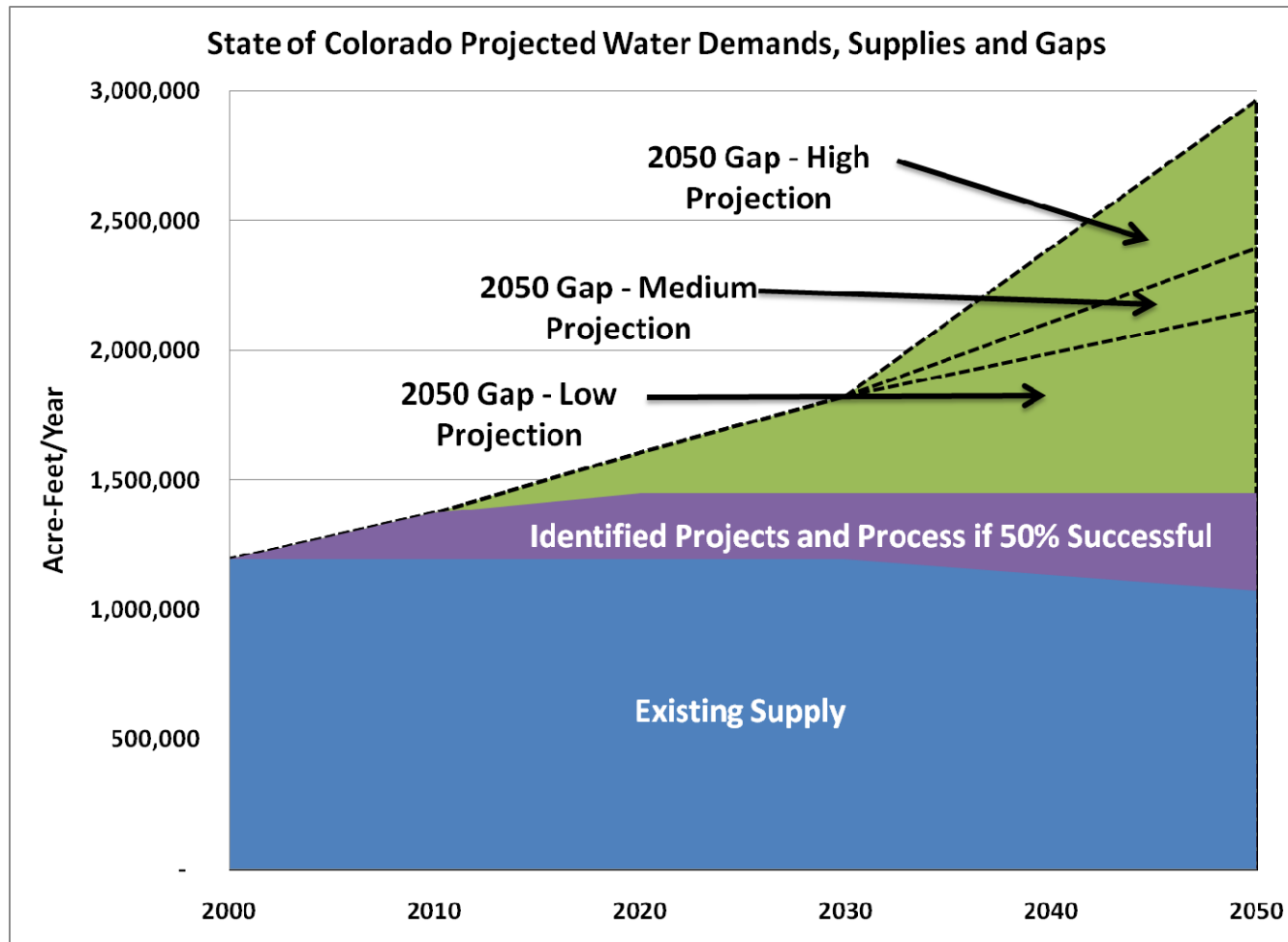
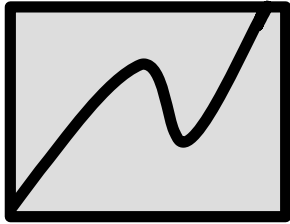


Figure 4. State of Colorado Projected Water Demands, Supplies, and Gaps from Colorado Department of Natural Resources



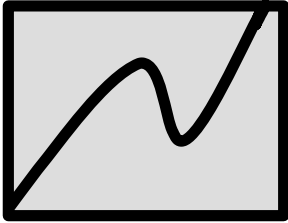
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## Impact of SDS

**Water = Economic Opportunity**

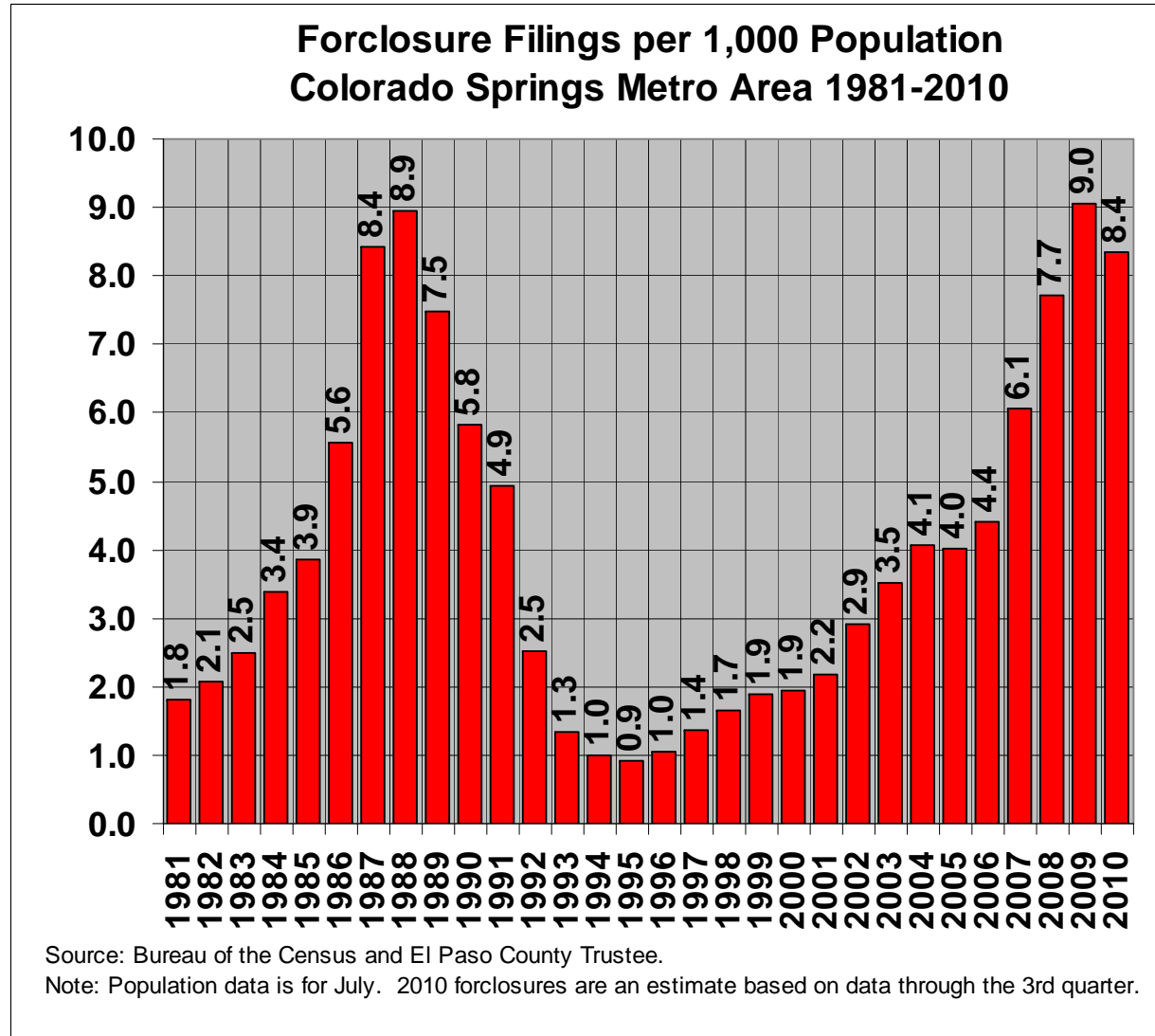
- Direct investment will be \$150 million per year for next 6 years in CS & Pueblo
- Will add 0.5% per year to area GDP
- Equivalent to building 950 new residential units per year

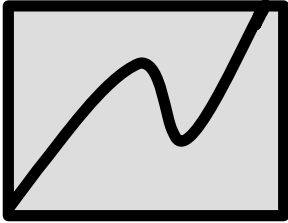
**Southern Colorado will have at least an additional 50 year supply at historical growth and use rates**



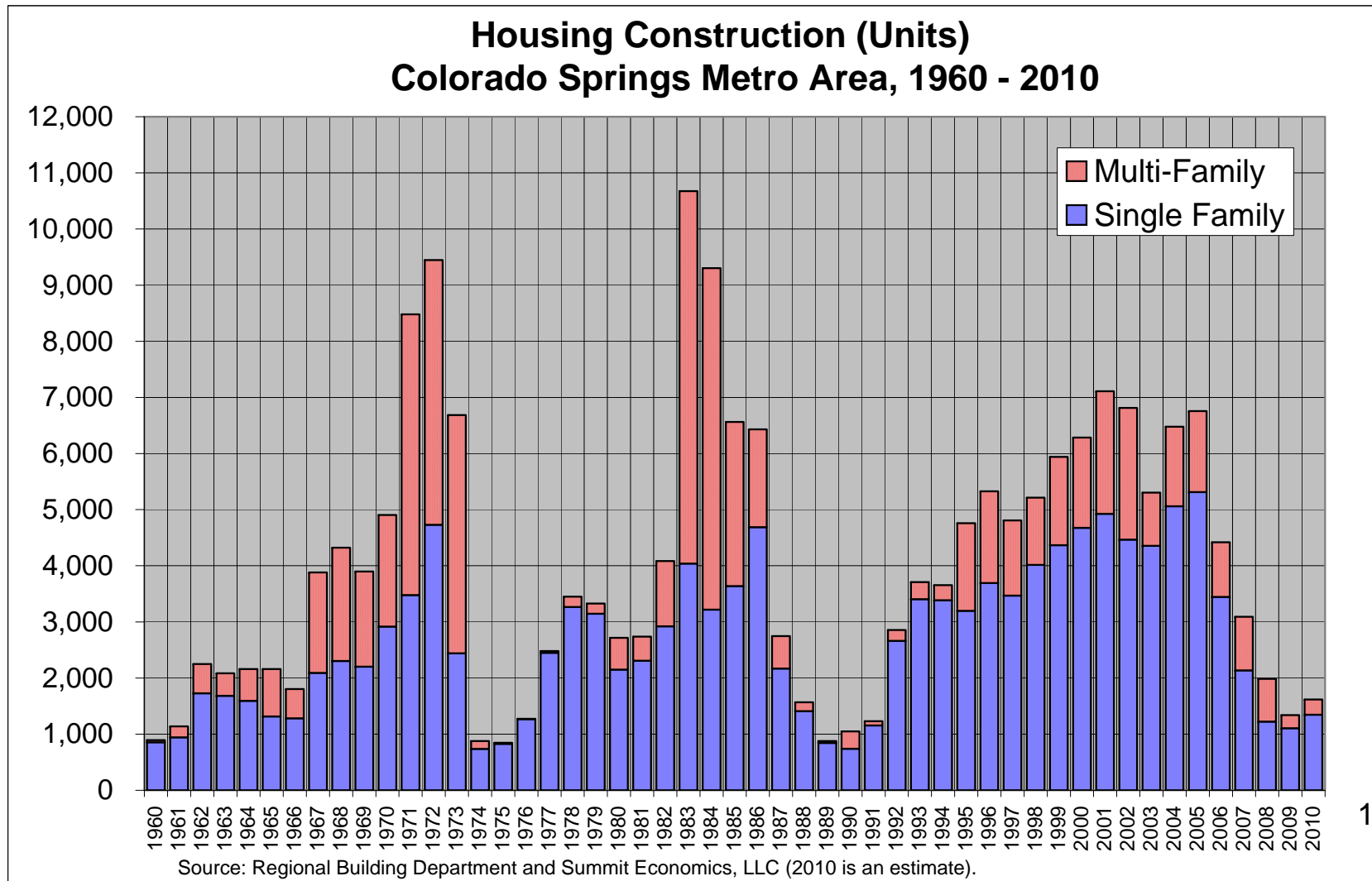
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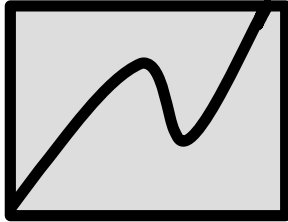
# Foreclosure Filings





# Housing Cycles

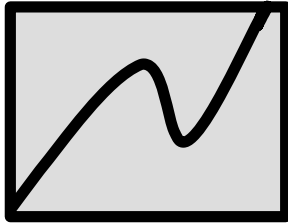




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# Commercial Real Estate

<b>LEASING</b>			
	<b>Current Vacancy</b>	<b>2011</b>	<b>Long-Term</b>
<b>Retail</b>	<b>12%</b>	Slight Improve Retail Reinvents	Mature w/ Population Growth - New Uses Emerge as Retail Goes Virtual
<b>Office</b>	<b>16%</b>	Slight Improve	Mature w/ Employment Growth
<b>Industrial</b>	<b>11%</b>	Improve	Growth w/ New Models
<b>Apartments</b>	<b>6%</b>	Improve	New apartments to be built
Sierra, Turner Commercial, VonStroh, Summit Economics			

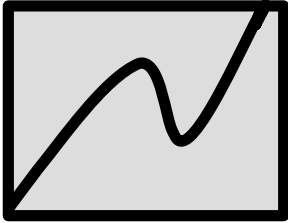


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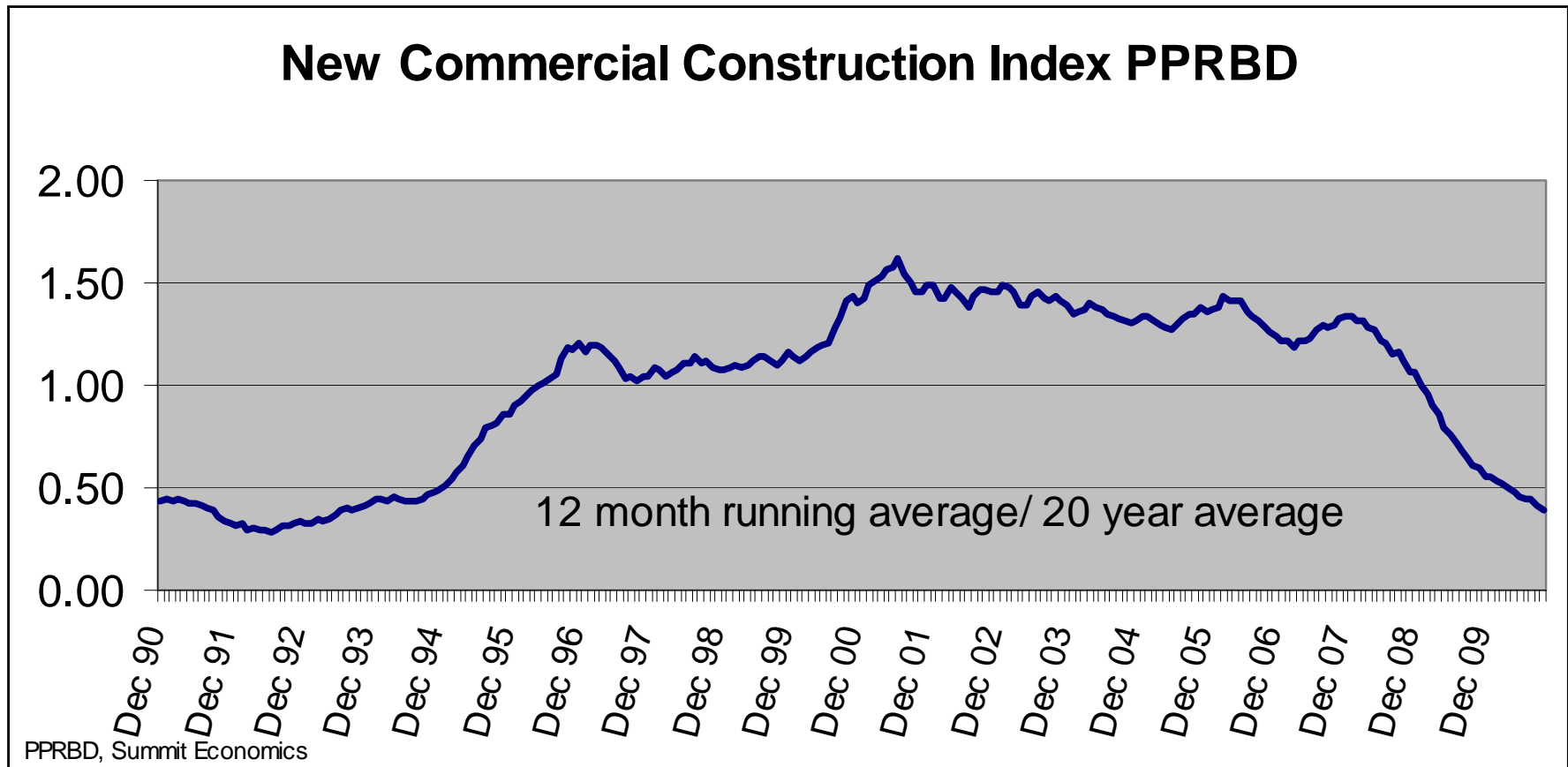
# Investment Real Estate

	Cap-Rates	2011	Long-Term
<b>High Quality *</b>	<b>6% to 7.5%</b>	Peak values due to low interest rates and good, long-term lease rates.	There is always capital for larger, high quality properties -- especially larger deals
<b>Class B - Moderate Quality</b>	<b>7% to 9.5%</b>	Trickle into the market due to regulatory support for banks. Values about 30% lower than peak -- roughly the prior owner's equity.	Coming avalanche of maturities -- \$1.4 trillion nationwide,
<b>Apartments</b>	<b>6% to 7.5%</b>	Existing owners see opportunity to cashout with a gain. Buy and renovate. Prices increasing	Good opportunity for growth due to demographics and move away from home ownership -- especially properties that can capture higher earning Millennials

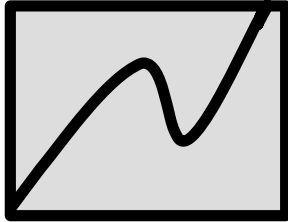
\* Class A, newer, well located, high occupancy w/ good leases, well anchored, larger



# Commercial Construction



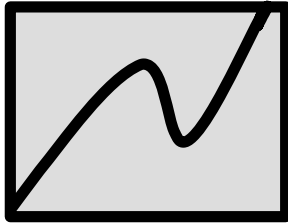
20 Year average = 1.00



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# Construction Market

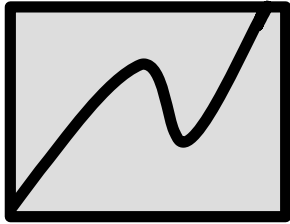
	2011	Long-Term
<b>Public</b>	Decrease	Increase w/ expansion of Peterson & Ft. Carson
<b>Utilities</b>	Increase	Increase w/ Southern Delivery
<b>Private</b>	Steady	Depends on job growth, little new retail
<b>Renovation</b>	Steady	Increase due to retail turnover and energy efficiency
Summit Economics		



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## Our Economic Base

- High tech manufacturing and information technologies (except data centers) declining in share
- Call centers and other professional and business services gaining in share along with defense, space, and tourism related industries
- In total looking at 122,000 basic jobs



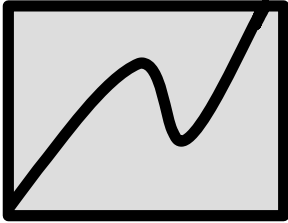
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# 2800 Primary Jobs are Needed Annually

The economy needs to create 1,000 primary jobs per year just to

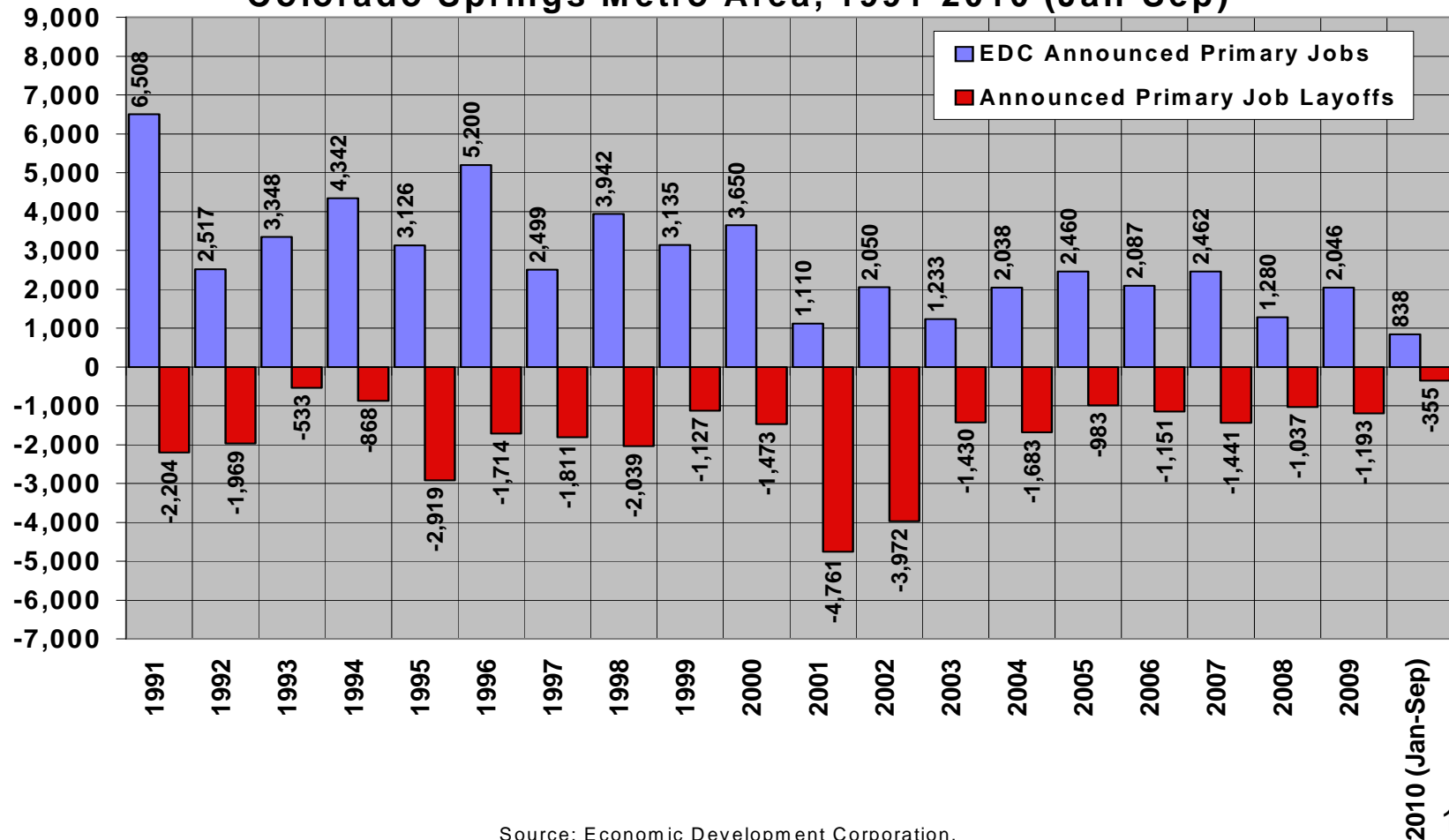
- Keep the unemployment rate from rising, or
- Keep new entrants into the labor force from having to move away to find a job, or
- Cause potential workers from dropping out of the labor force

Plus 1,800 primary jobs per year to make up for annual average primary job layoffs.



# Primary Job Growth Declining Since 2000

Primary Job Gains and Losses,  
Colorado Springs Metro Area, 1991-2010 (Jan-Sep)



Source: Economic Development Corporation.