

Greetings from UCCS – I hope you’re enjoying the temporary spring-like weather!

Highlights:

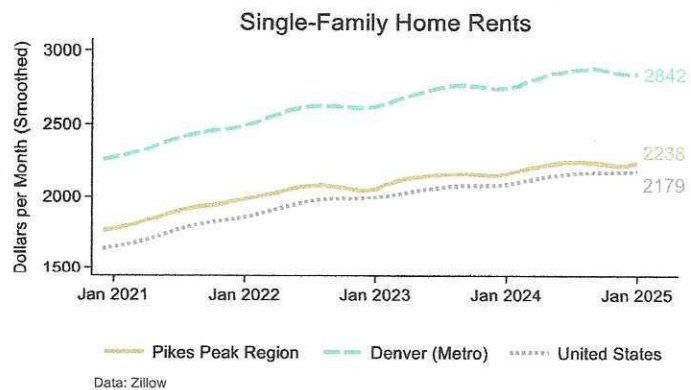
- Single-family listings and apartment vacancy rates are both elevated
- Local retail and travel and tourism indicators have been subdued recently
- Colorado students do better than national average on National Assessment of Educational Progress (NAEP) tests, but scores still below 2019 levels
- Recent US macro data has mostly been solid, but elevated uncertainty due to changes in federal employment and spending and potential tariffs creates a serious risk of a downturn

Housing and Real Estate: January is a slow month for home sales, but, for the fourth consecutive month, the number of sales in the region was up over the same month a year ago. However, January’s year-on-year change, 4.2%, was smaller than the year-on-year changes seen in October-December of 2024. The increase in mortgage rates in the last three months of last year may be slowing momentum. The number of homes on the market continues to be elevated for this time of year – the number of active listings is up 43.7% over January 2024 and more than double the number in January 2020 (1,190) just prior to the pandemic. The median sale price of a single-family home in January was \$482,250, off its seasonal peak of \$499,000 in May-July, but up 7.2% over January 2024.

With an elevated number of apartments on the market, rents continue to fall – at \$1,351 the median rent on a two-bedroom apartment is down from its August 2022 peak of \$1,524, according to Apartment List. At 9.1%, the vacancy rate is elevated, which suggests continued downward pressure in the near future, especially with more units expected to complete this year.

According to Zillow, at \$2,238 in January, rents for single-family homes were slightly off their July-August peak of \$2,244, but up 3.6% from January 2024.

Retail Activity: Colorado Springs sales and use tax collections for December sales were up slightly (1.05%) over December 2024, similar to the (weak) full-year increase for 2024, 1.11%.



Employment: January state and local employment figures will not be released until March – this is when the BLS does its annual revisions, and this is the normal process every year. We did get some good news from, though – the BLS is now satisfied that the problems with Colorado’s employment

data have been resolved enough that they will continue publishing the numbers. As discussed previously, the issue came about because of a change to the employer reporting system for unemployment insurance – information from those reports is an input into the employment data.

Travel and Tourism: Lodgers and Auto Rental Tax data suggest 2024 ended on a soft note – collections for November and December sales were both down on a year-on-year basis (-2.51% and -2.87%, respectively). For the full year 2024, collections were up by a modest 1.15% over 2023.

Education: I've previously noted Colorado's lackluster high school graduation rates, but the state's scores on the National Assessment of Educational Progress (NAEP) are above average. The NAEP is a set of national standardized tests, sometimes referred to as "the nation's report card," overseen by the National Center for Education Statistics, which is part of the US Department of Education.

Scores are still below their 2019 levels, but mathematics scores improved in 2024 compared with 2022. The continued national decline in reading scores is a subject of concern, but Colorado was an exception, at least for 8th graders, who saw a slight improvement in reading scores.

	4 th Grade Mathematics		4 th Grade Reading		8 th Grade Mathematics		8 th Grade Reading	
	CO	US	CO	US	CO	US	CO	US
	2024	239	237	221	215	278	274	265
2022	236	236	223	217	275	274	263	260
2019	242	241	225	220	285	282	267	263

Data: National Center for Education Statistics

National Macro: Recent indicators have been mixed, but more positive than negative. The advance estimate of US real GDP growth for the fourth quarter came in at an annualized rate of 2.3%, which is solid, but a deceleration – the growth rate was at or above 3% in four of the five previous quarters. A strong increase in durable goods purchases (12.1% annualized rate) was interpreted as a sign that consumers were trying to get ahead of potential tariffs – if some activity was being pulled forward, we should expect this component to be weaker in the first half of 2025. The revised "second estimate" will be released on Feb. 27.

The January employment report was also positive. The preliminary estimate showed a payroll gain of 143,000. I considered that to be fairly strong, particularly in light of the decline in immigration in 2024. The household survey was also encouraging – the unemployment rate dipped (from 4.1% to 4.0%), the labor force participation rate ticked up (from 62.5% to 62.6%) and the employment-population ratio for persons aged 25-54 is back up to 80.7% – that's still shy of its mark of 80.9% in July-September 2024, but the dip in October and November, which bottomed out at 80.4%, has been partly reversed. The Job Openings and Labor Turnover (JOLTS) data for December showed the hiring rate steady at a low level – the decline that we were watching appears to have leveled off in the second half of 2024, and the layoff and discharge rate also remains low. That is, most people who want to work are working, few people are losing jobs, but it is a tough environment for those looking for a job.

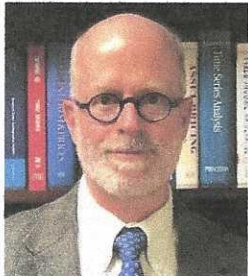
There was more concern from January inflation and retail sales data. The monthly increase in the Consumer Price Index for January was 0.5%, the largest since August 2023. January is a month with a large seasonal effect partly because it is a common time for businesses to reset prices. The statistical seasonal adjustment should remove those patterns, but one theory is that seasonal patterns have shifted in a way that the adjustment applied by the BLS isn't fully accounting for. So, I think we shouldn't overreact, but it bears watching, and, while inflation is not at problematic levels, it

is staying just high enough to put the Fed in an awkward position. January also saw a monthly dip in retail sales – again, there’s a large seasonal effect here (nobody does anything in January) that should be removed by the seasonal adjustment, but the unusually cold weather and LA fires both might have been factors. I think it’s too soon to tell if this signals a meaningful retreat by consumers.

New Administration: It is difficult to estimate the impact of recent cuts in federal employment and spending – we don’t have a clear measure of their magnitude since they are not following the legal appropriations process. Indeed, much of it [appears to be illegal](#) – the Constitution gives Congress power over spending. Legal challenges add to the lack of clarity – e.g., a [federal court ordered](#) a resumption of NIH medical research grant funding, but it appears the administration is finding ways to [continue to hold up funds](#). While many federal services are being degraded – the Colorado Sun has reported on impacts on the [agencies managing public lands in Colorado](#) and [wildland firefighting](#) – I don’t currently believe the scale of the cuts is large enough to significantly change the overall track of the US economy (they also don’t make a meaningful dent in the federal budget deficit). However, the impacts are potentially more significant locally because of the large role of the federal government here – federal workers are 3.8% of civilian employment in the Pikes Peak Region, compared with 1.9% nationwide. Also important locally is that the federal government is a large employer of veterans. The biggest macroeconomic impact may be from households and businesses holding back on activity because of the uncertainty created for the broader universe of federal employees, contractors and grant recipients.

Potential tariffs are another source of uncertainty. Tariffs were cited as one major reason for [a decline in builder confidence](#), according to the National Association of Homebuilders. A 10% tariff has been imposed on all imports from China – the [Budget Lab at Yale estimated the impact](#) on a typical US household as equivalent to an annual \$223 loss of purchasing power. That news was lost amid the relief that the president (temporarily) backed down on 25% tariffs on Canada and Mexico, but the 30-day pause leaves open the possibility that we’ll see a significant disruption to the highly-integrated North American economy soon. Tariffs of 25% on all steel and aluminum imports are scheduled to go into effect on March 12. These will raise the cost of steel and aluminum, putting US manufacturers who use them at a competitive disadvantage, and ultimately result in higher prices for things made with steel and aluminum (which is a lot of stuff!). The administration is also working on plans for broader “reciprocal” tariffs – this will be damaging but we don’t have enough details to know exactly how much (the Budget Lab at Yale has [estimated one possible scenario](#) as costing households \$2,721-\$3,401).

My bottom line is that most indicators suggest the US economy is in solid shape, but an awful lot of harmful uncertainty is being thrown at it, so I will be watching for signs of a downturn.

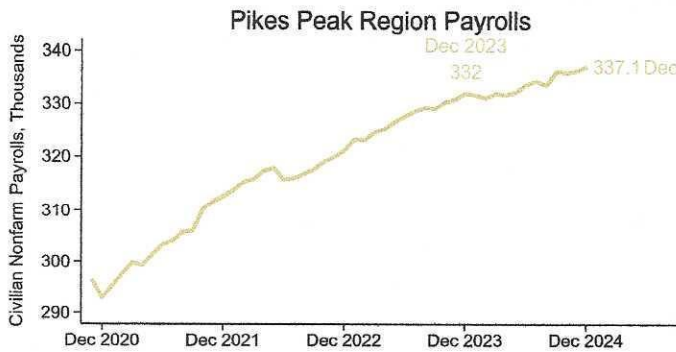


Thank you for your support!

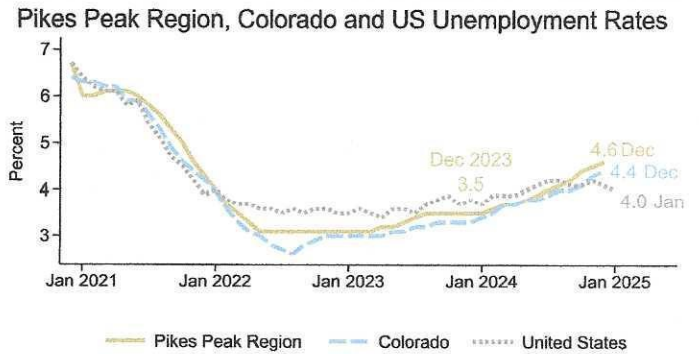
A handwritten signature in black ink that reads "Bill".

Bill Craighead, Ph.D.
Director, UCCS Economic Forum
craighead@uccs.edu

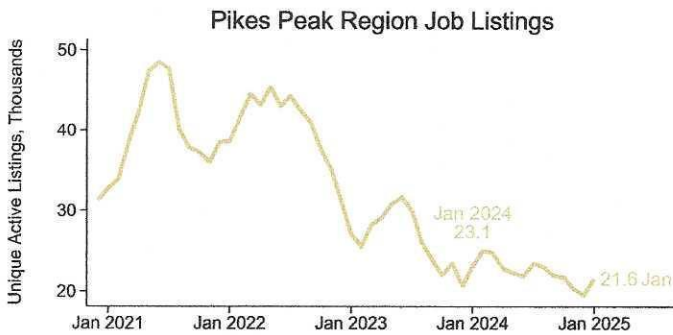
Labor Market



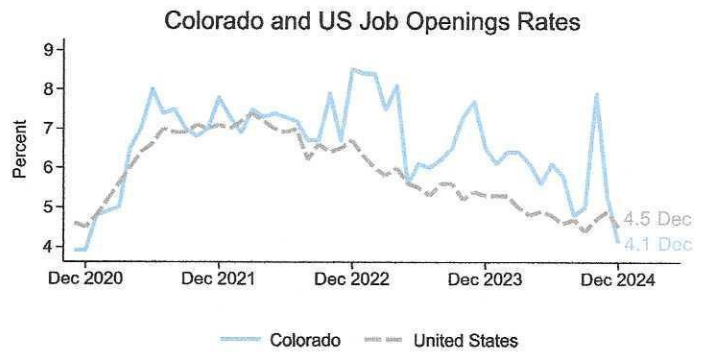
Data: Bureau of Labor Statistics, Seasonally Adjusted



Data: Bureau of Labor Statistics, Seasonally Adjusted
Note: Local estimates released later than national and state data



Data: The Conference Board-Lightcast Help Wanted OnLine®, courtesy Pikes Peak Workforce Center, Not Seasonally Adjusted



Openings Rate is Openings as a Percentage of Employment Plus Openings
Data: Bureau of Labor Statistics, Seasonally Adjusted

Pikes Peak Region Payrolls by Sector, Dec. 2024

Sector	Employment	1 yr. % chg.
Government	61,300	+1.8
Professional & Bus. Services	55,300	+2.8
Private Education & Health Serv.	50,000	+7.8
Leisure & Hospitality	43,400	+1.9
Retail Trade	32,200	-3.6
Other Services	23,000	+1.3
Financial Activities	19,700	-0.5
Mining, Logging & Construction	18,100	-0.5
Manufacturing	12,100	-2.4
Transport, Warehouse & Utilities	11,600	3.6
Wholesale Trade	6,700	-2.9
Information	4,900	-3.9

Data: Colorado Labor Market Information, Current Employment Statistics Program; Bureau of Labor Statistics. Not seasonally adjusted.

Pikes Peak Region Job Postings, January 2025

Occupation	No. of Postings	Median Advertised Ann. Salary
Registered Nurses	1,097	\$93,440
Other Computer Occupations	947	\$137,984
Retail Salespersons	525	\$34,432
Software Developers	523	\$126,208
Heavy Truck Drivers	356	\$70,528
Customer Service Reps.	328	\$41,344
Fast Food & Counter Workers	275	\$34,176
Food Service Managers	270	\$43,520
First-Line Retail Supervisors	263	\$46,464
Sales Reps., Wholesale & Mfg.	262	\$67,456
Total Openings	21,598	\$63,616

Unique, active postings for top 10 occupations shown. Data: The Conference Board-Lightcast Help Wanted OnLine®, courtesy Pikes Peak Workforce Center

Armed Forces in El Paso County

2023	2022
38,320	36,190

Data: Census Bureau

Average Hourly Earnings

	Dec.	1 yr. % chg.
Pikes Peak Region	\$36.12	+5.3%
Colorado	\$39.63	+7.3%
United States	\$35.84	+4.7%

Data: Bureau of Labor Statistics. Private Sector, Not Seasonally Adjusted.

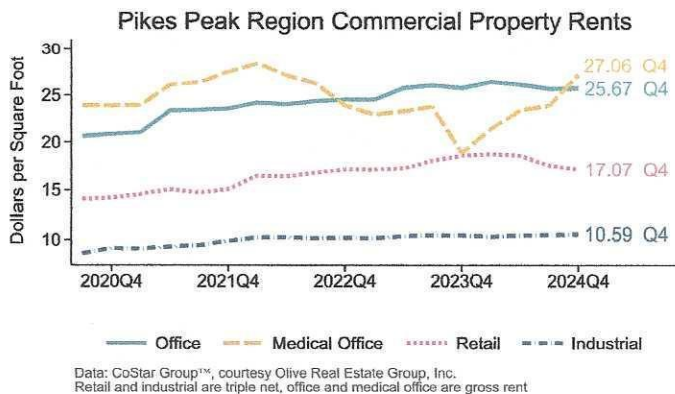
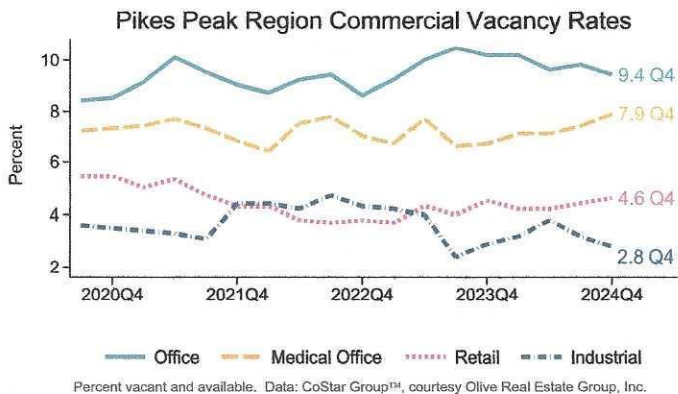
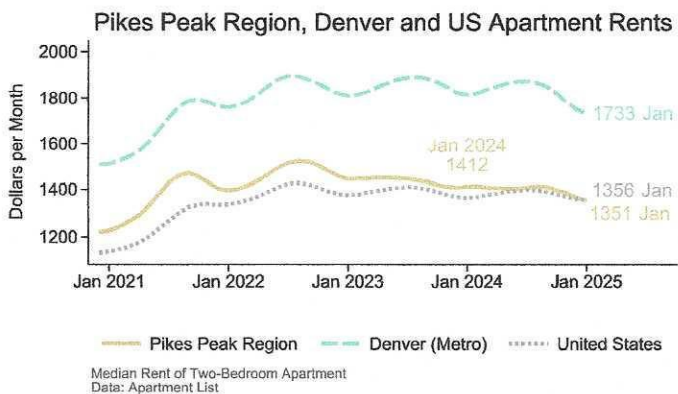
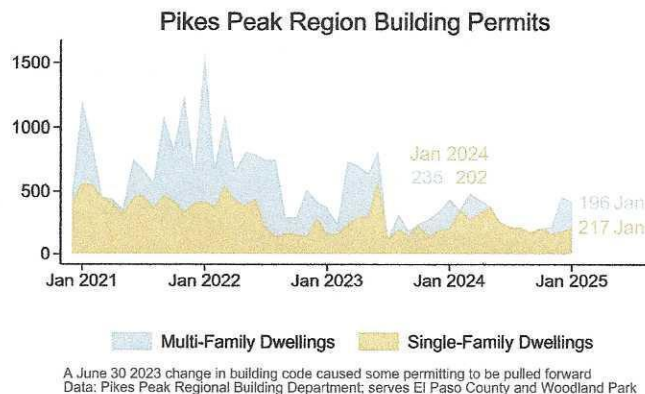
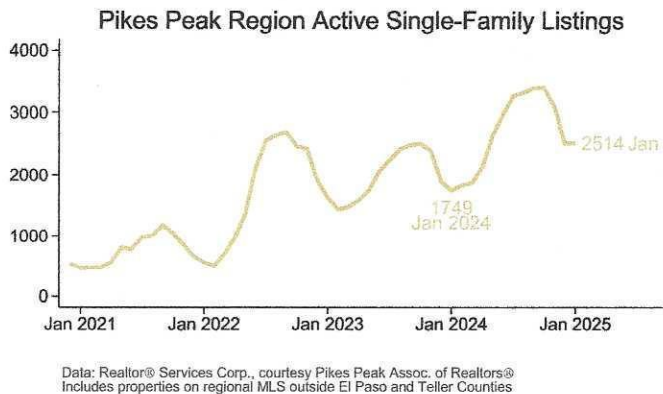
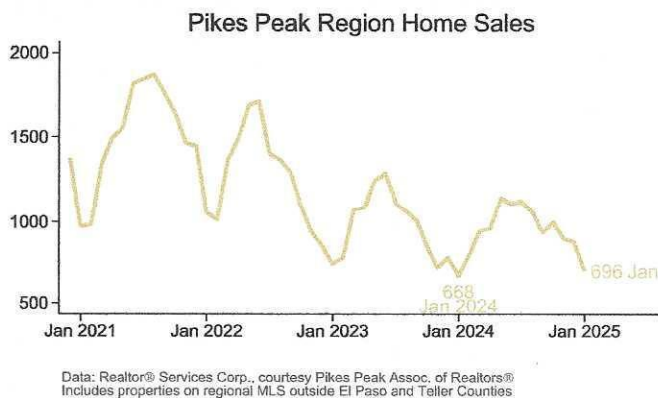
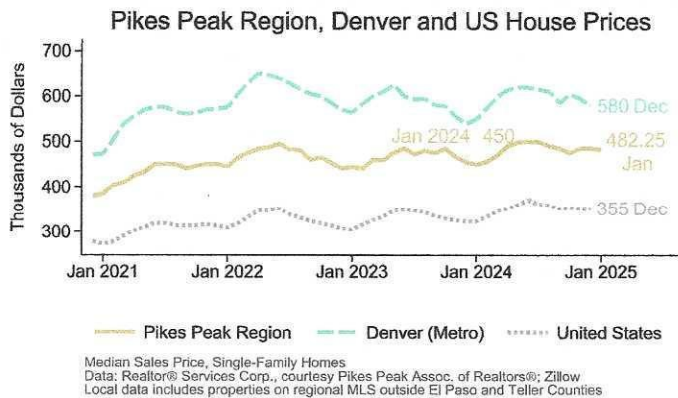
Pikes Peak Region Employment

	December	November
Employed	366,537	368,341
Unemployed	17,800	17,856

Household survey data, includes self-employed, not seasonally adjusted. Data: Colorado Department of Labor & Employment; Bureau of Labor Statistics

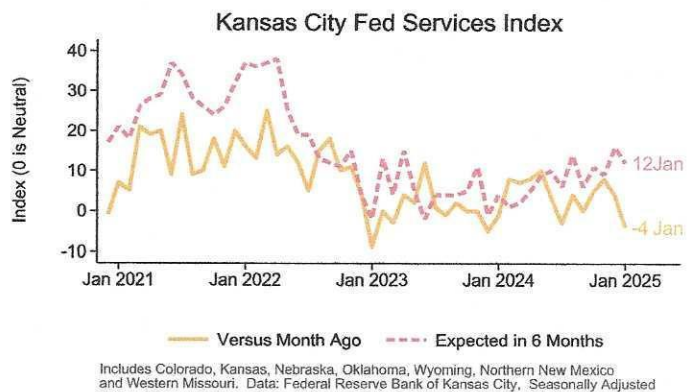
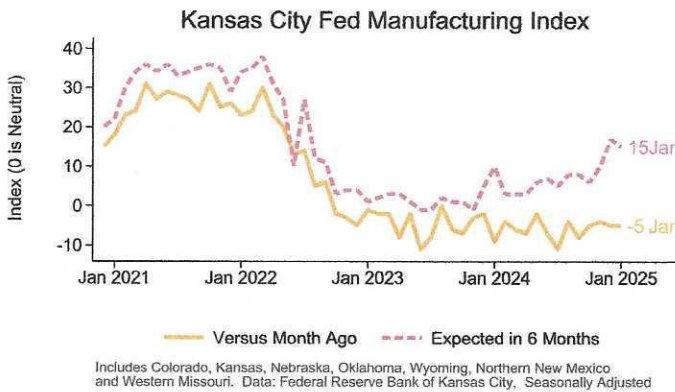
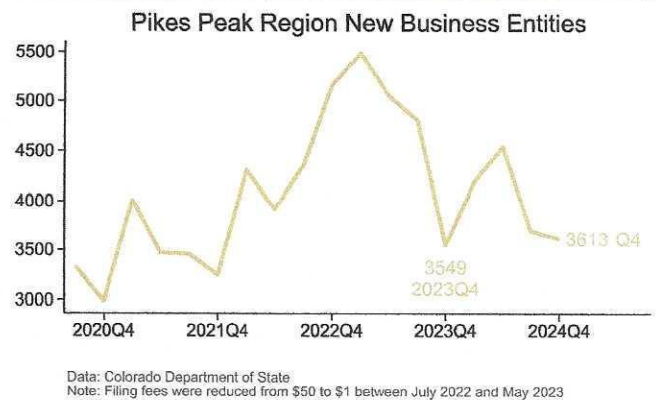
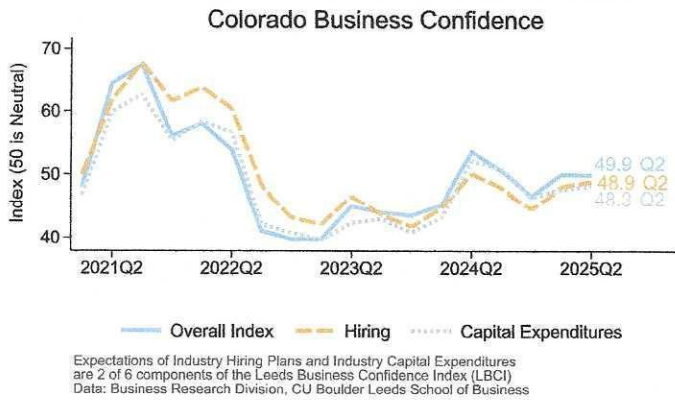
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Real Estate

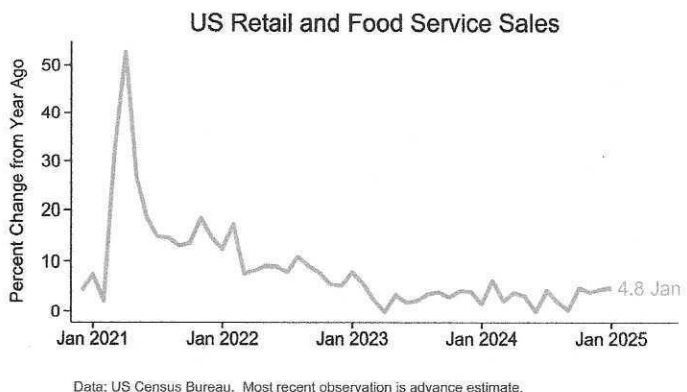
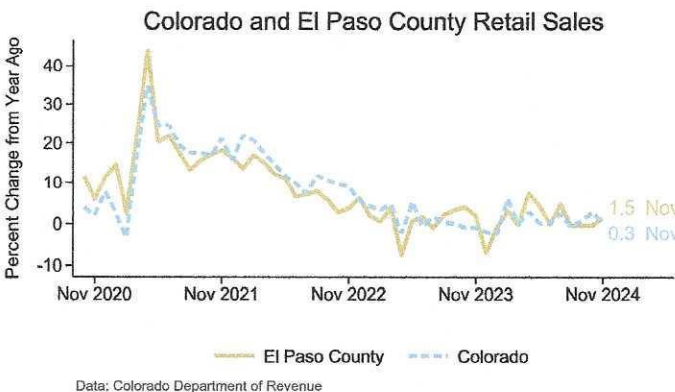
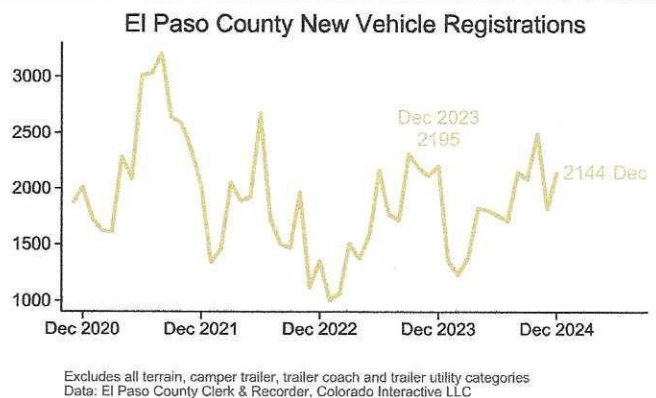
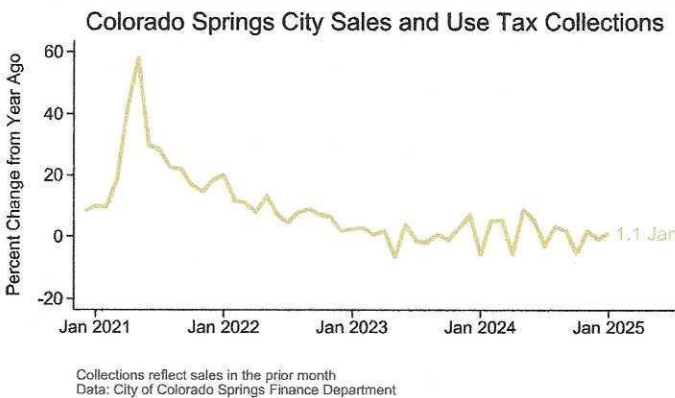


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Business

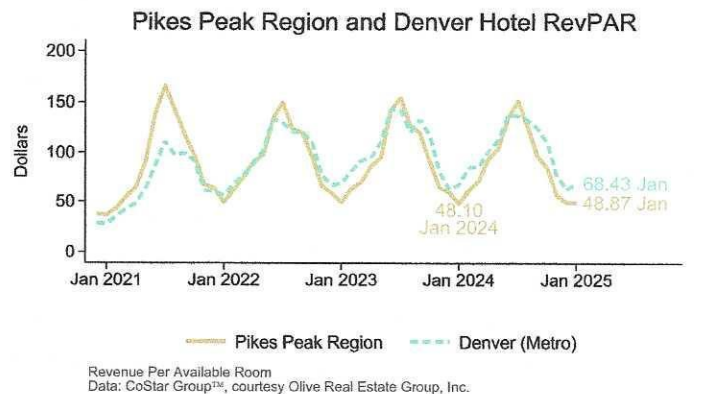
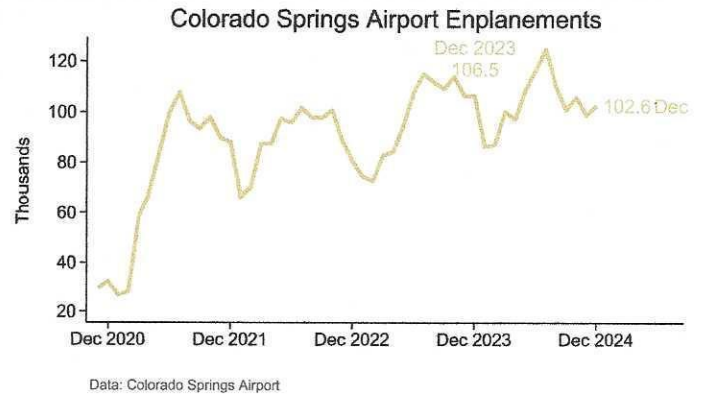
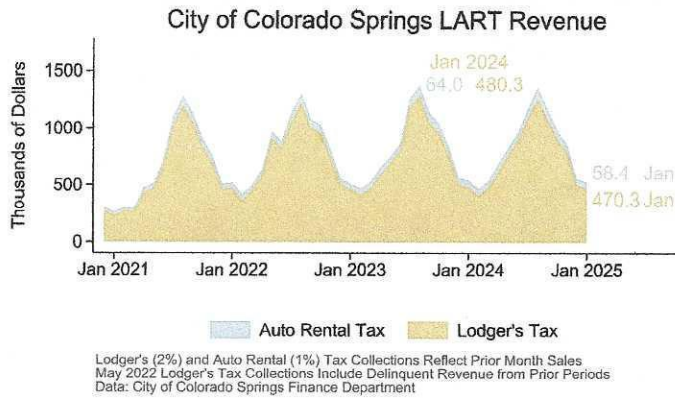


Consumers



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Travel and Tourism



Demographics and Cost of Living

Population and Population Forecasts

	2010	2023	2030	2040
El Paso County	627,232	744,151	810,949	920,109
0-17	163,464 (26.1%)	169,255 (22.7%)	169,317 (20.9%)	187,366 (20.4%)
18-24	68,665 (10.9%)	81,782 (11.0%)	94,993 (11.7%)	94,258 (10.2%)
25-29	42,277 (7.5%)	56,829 (7.6%)	61,407 (7.6%)	69,716 (7.6%)
30-49	170,628 (27.2%)	201,399 (27.1%)	232,182 (28.6%)	277,240 (30.1%)
50-64	114,362 (18.2%)	124,822 (16.8%)	120,749 (14.9%)	146,990 (16.0%)
65+	62,836 (10.0%)	110,064 (14.8%)	132,301 (16.3%)	144,539 (15.7%)
Colorado	5.05 mil.	5.88 mil.	6.32 mil.	6.97 mil.
United States	313.99 mil.	342.84 mil.	358.62 mil.	367.95 mil.

Age group shares of total in parentheses. Data: Colorado State Demography Office, Congressional Budget Office

Selected Population Characteristics, 2023

	El Paso County	Colorado	United States
Median Household Income	\$89,549	\$92,911	\$77,719
Poverty Rate	7.0%	9.3%	12.5%
Median Age	35.4	37.9	39.2
Bachelor's Deg. or Higher (≥25)	44.3%	46.4%	36.2%
Veteran (civilian pop. ≥18)	15.1%	7.2%	6.1%
Military (≥16)	6.5%	1.0%	0.5%

Data: Census Bureau

Mortgage Payment Share of Median Income, Jan. 2025

Pikes Peak Region	45.3%
Denver (Metro)	48.3%
United States	47.0%

Estimated monthly payment for home purchased at local median price as share of median income. Data: Federal Reserve Bank of Atlanta

Cost of Living Index 2024

Pikes Peak Region	101.9
Denver (Metro)	108.6

Relative to National Average of 100
 Data: Council for Community and Economic Research, courtesy Co Springs Chamber & EDC

Pikes Peak Region Estimated Living Wages

Living Wage: 1 Adult with No Children	\$23.88/hr
Living Wage: 1 Adult with 2 Children	\$58.26/hr
Living Wage: 2 Working Adults w/ 2 Children (per adult)	\$31.51/hr

Data: MIT Living Wage Calculator

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