

TRENDS IN THE CHAFFEE COUNTY ECONOMY

Business Research Division
Leeds School of Business
University of Colorado Boulder

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Trends in the Chaffee County Economy

OVERVIEW

Chaffee County experienced positive economic growth over the past 10 years as measured by gross domestic product, wages, employment, and population. Chaffee County's GDP growth tracks closely to Colorado's, a unique feat for Chaffee County, as rural counties in Colorado as a whole tended to experience a divergence from the state in GDP growth. While wages themselves lagged below both state and national averages, wage growth over the last ten years exceeded that of both state and national average growth. Chaffee County's key industries include Arts, Entertainment, and Recreation; Accommodation and Food; Utilities; Government; and Construction. Chaffee County also has a higher proportion of proprietors than the rest of Colorado. Chaffee County is also experiencing positive population growth, driven mainly by migration, and has a high proportion of residents aged 65+, compared to the state and nation.

GROSS DOMESTIC PRODUCT

Chaffee County nominal GDP grew to \$795.6 million in 2018. Financial Activities contributed to 25.1% of total nominal GDP. Within the Financial Activities sector, the Real Estate, Rental, and Leasing subsectors accounted for 87.3% of GDP in the sector, while the remaining 12.7% fall within the Finance and Insurance subsector. The Government (19.2%) and the Trade, Transportation, and Utilities (16.0%) sectors ranked second and third, respectively, for the highest contribution to nominal GDP in Chaffee County. The Natural Resources and Mining (1.0%), Manufacturing (1.9%), and Information (2.0%) sectors contributed the least to nominal GDP shares.

At a high level, Chaffee County's economy has experienced growth commensurate with the state of Colorado rather than that of other rural counties; Chaffee County significantly outperformed rural Colorado in real GDP growth (adjusted for inflation). While, rural Colorado counties have experienced negative annualized growth over both the 1-year and the 10-year time horizons ending in 2018, Chaffee County has experienced 1-year, 5-year, and 10-year compound annual growth rates of 4.5%, 4.1%, and 2.5% respectively. Chaffee County has outperformed Rural Colorado by 4.6 percentage points, 2.3 percentage points, and 2.5 percentage points for the 1-year, 5-year, and 10-year compound annual growth rates. Both Colorado and Chaffee County share similar GDP growth rates, with Chaffee County growth exceeding Colorado's in terms of 1-year and 5-year annualized growth. For the 10-year compound annual growth rate, both Colorado and Chaffee County experienced 2.5% growth.

FIGURE 1: CHAFFEE COUNTY REAL GDP

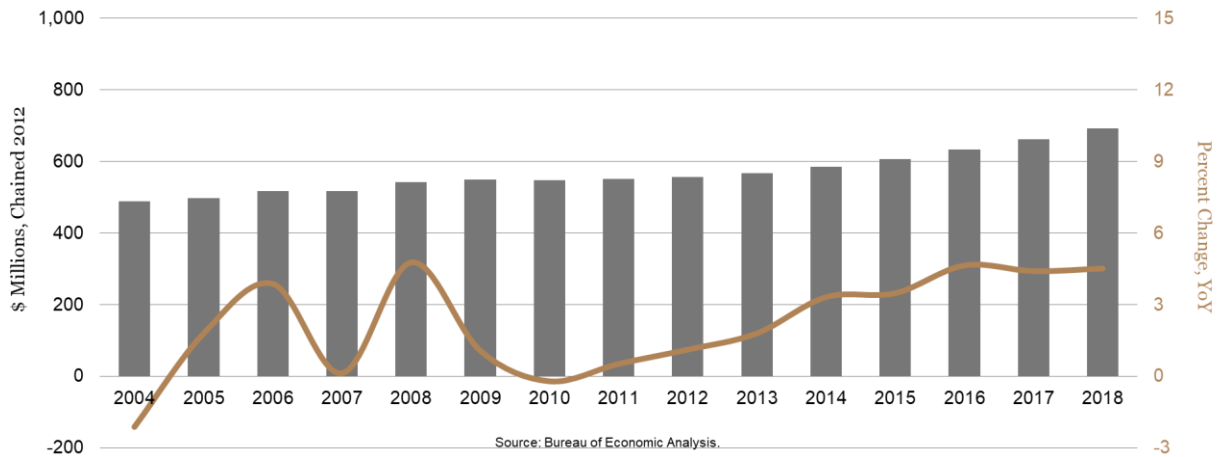
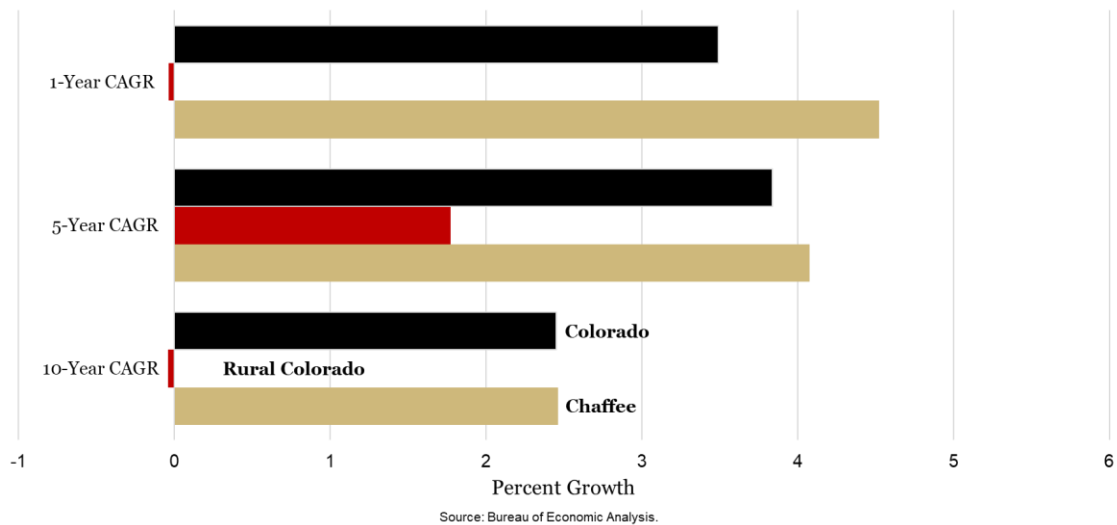
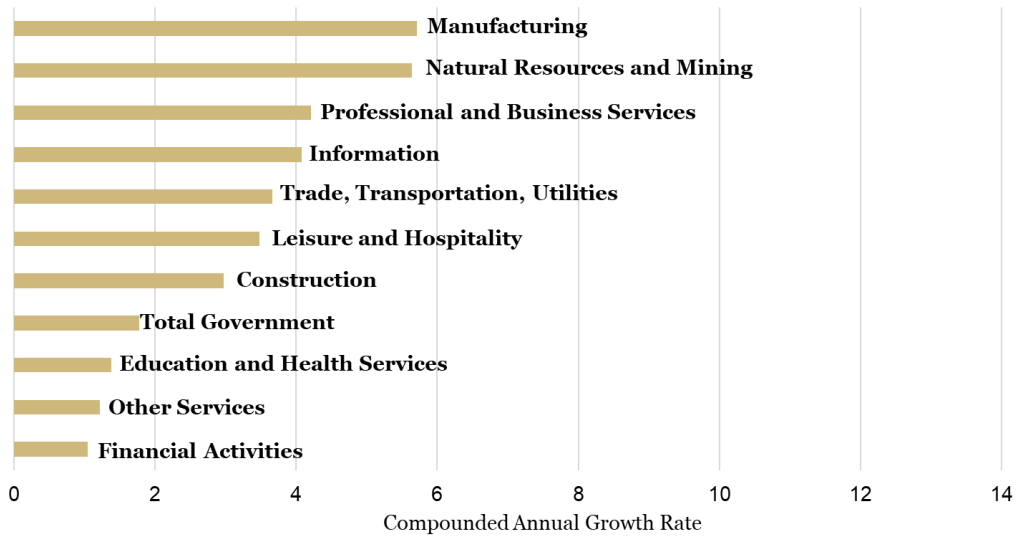


FIGURE 2: CHAFFEE COUNTY REAL GDP COMPARISONS



Chaffee County experienced positive real GDP annualized growth across all industries over the last 10 years. Manufacturing (5.7%), Natural Resources and Mining (5.6%), and Professional and Business Services (4.2%) experienced the highest percent growth rates for all industries. Financial Activities (1.0%), Other Services (1.2%), and Education Health Services (1.4%) experienced the lowest growth across all industries.

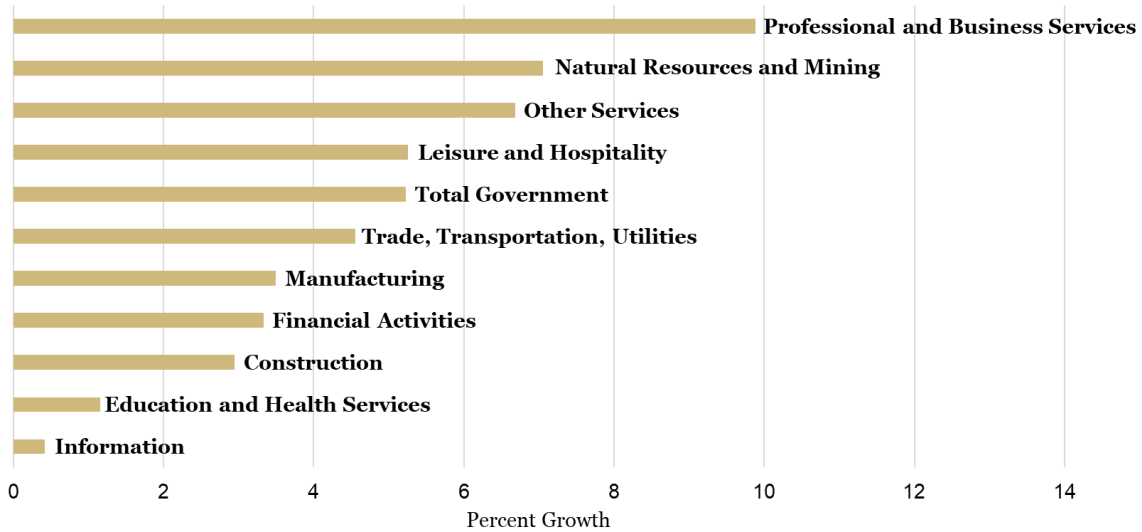
FIGURE 3: CHAFFEE COUNTY REAL GDP 10-YEAR CAGR BY SECTOR



Source: Bureau of Economic Analysis. Data through 2018.

In observing year-over-year real GDP growth from 2017 to 2018, the Professional and Business Services (9.8%), Natural Resources and Mining (7.1%), and Other Services (6.7%) sectors experienced the highest growth. The Information sector had the lowest growth rate at 0.4%, a trend seen across the nation as traditional publishing experienced a dramatic decline over the last decade.

FIGURE 4: CHAFFEE COUNTY REAL GDP PERCENT GROWTH BY SECTOR, 2018

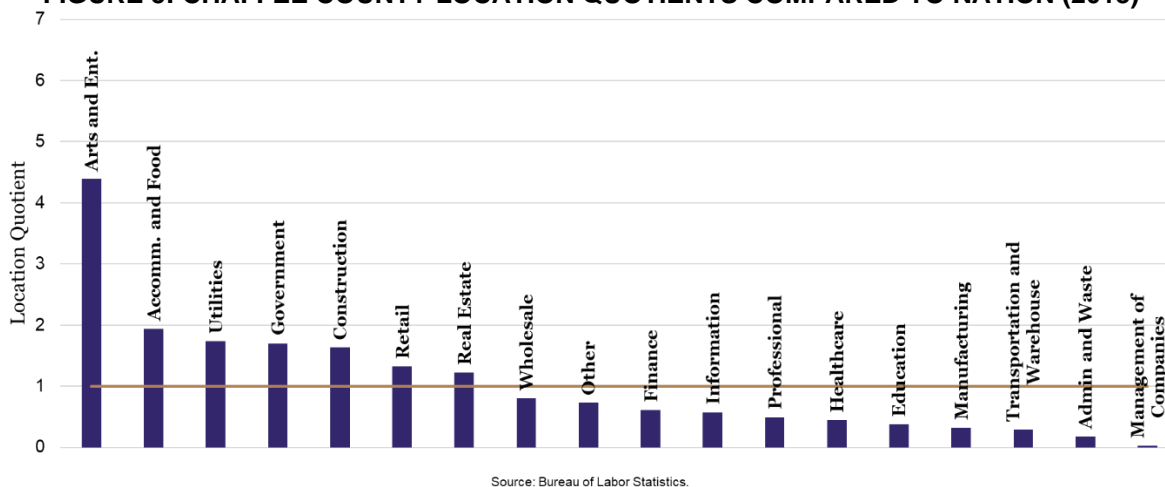


Source: Bureau of Economic Analysis. Data through 2018.

EMPLOYMENT AND INCOME

Relative to the rest of the nation, Chaffee County's location quotient for Arts and Entertainment and Accommodation and Food are 4.4 and 1.9, respectively (i.e., 4.4 times and 1.9 times the national average). Location quotients provide a picture of how an area's employment is concentrated within a specific industry relative to the nation. It is calculated by finding the proportion of an industry's employment to the total employment for Chaffee County, then finding the same proportion for the nation. Dividing the county's ratio with the nation's results in the location quotient. A location quotient greater than one signifies a greater concentration of an industry's employment in the county relative to the nation. Given Chaffee County's vibrant tourism industry, the county has a significant concentration of employees in tourism-related sectors within its total workforce. Leisure and Hospitality employment is seasonal, spiking in the summer months, and dropping by roughly one-third in the winter months.

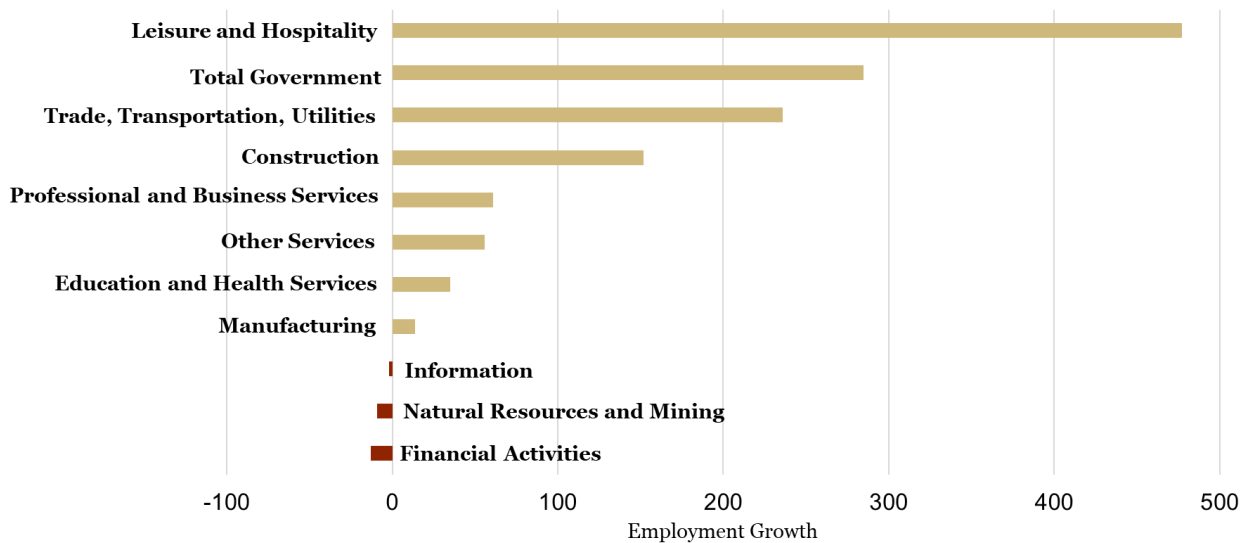
FIGURE 5: CHAFFEE COUNTY LOCATION QUOTIENTS COMPARED TO NATION (2018)



Moreover, the Leisure and Hospitality sector has experienced the highest level of employment growth over the last five years across all sectors. The Leisure and Hospitality sector encompasses the Arts, Entertainment, and Recreation, as well as the Accommodation and Food Services subsectors. Both subsectors have experienced positive employment growth over the past 5 years, outpacing Colorado. Arts, Entertainment, and Recreation has grown at an annualized rate of 6.6% (absolute growth of 157 jobs), while Accommodation and Food Services has grown at an annualized rate of 5% (320 jobs).

The increase in employment in Leisure and Hospitality points to ample tourism demand in Chaffee County. Conversely, the Natural Resources and Financial Activities sectors experienced negative growth over the last five years. The decline in Natural Resources in Chaffee County has also been seen nationwide as coal mining has experienced a number of regulatory headwinds over the last decade. Financial Activities in Chaffee County is largely tied to the Real Estate, Rental, and Leasing subsector, which has experienced a slowdown in demand recently; this will be further examined below in observing the year-over-year declines in the average rental price in Chaffee County.

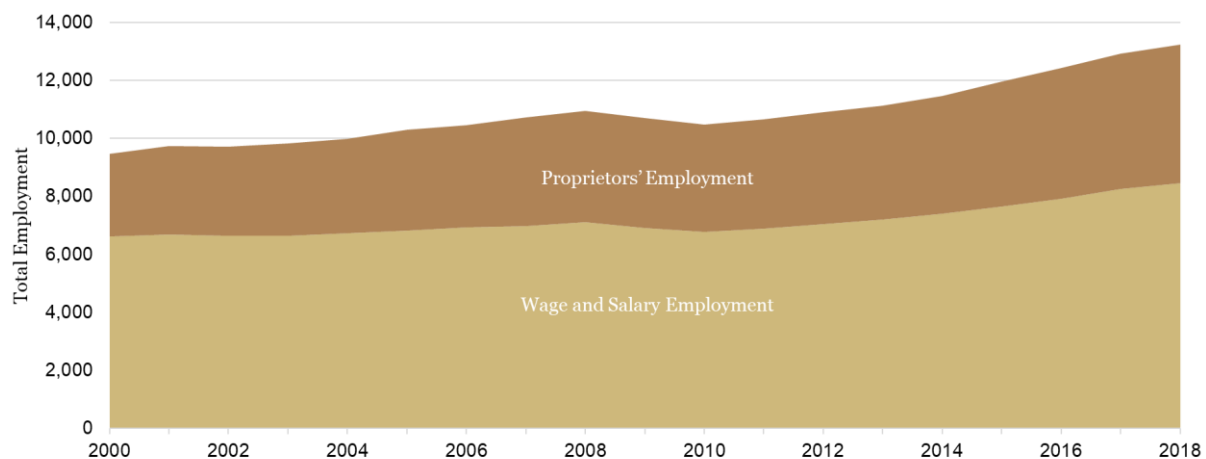
FIGURE 6: CHAFFEE COUNTY EMPLOYMENT ABSOLUTE GROWTH (2014-2019)



Source: Bureau of Labor Statistics, QCEW. Data through 2018.

In Chaffee County, 36.1% of employment were proprietorships in 2018, which has grown from 30% in 2000. Statewide, the proportion of proprietors has also been increasing since 2000, though there are relatively fewer proprietors (26.2% of total employment) compared to wage and salary jobs (73.8%) in Colorado in 2018.

FIGURE 7: CHAFFEE COUNTY PROPRIETORS' TO WAGE AND SALARY EMPLOYMENT

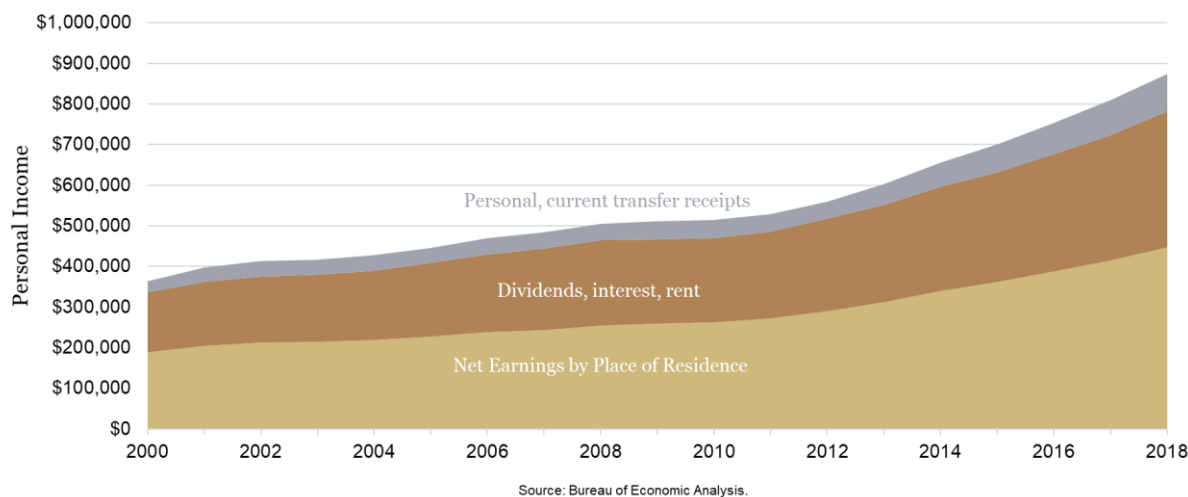


Source: Bureau of Economic Analysis.

Personal income in Chaffee County in 2018 was \$873.6 million, growing at a year-over-year rate of 7.8%, or an increase of \$63.4 million. Meanwhile, personal income across Colorado increased 7.1% year-over-year. Wages and salaries in the county also experienced growth, increasing 8.5% year-over-year in 2018, compared to 5.8% in Colorado. In Q3 2019, farm proprietor income decreased 21.2% year-over-year, and nonfarm proprietor income increased 6.2%. Across the

state, farm proprietor personal income fell 35%, and nonfarm proprietor increased 11.1%. Per capita personal income in the county rose an estimated 5.9% year-over-year in 2018 according to the Bureau of Economic Analysis.

FIGURE 8: CHAFFEE COUNTY COMPONENTS OF PERSONAL INCOME



Chaffee County's change in personal income and wages and salaries has followed similar trends since 2001, both reaching a trough during the Great Recession, and achieving steady increases since. Compared with Colorado, personal income and wages and salaries in Chaffee County reached 8% and 8.6% growth respectively, compared with 7.1% and 5.8% statewide.

FIGURE 9: CHAFFEE COUNTY PERSONAL INCOME AND WAGES AND SALARIES



HOUSING

The U.S. Census Bureau reports higher than average home values for Chaffee County, with the median home price at \$335,900 in 2018, an increase of 7.2% from 2017. This compares to \$313,600 for the state of Colorado and \$204,900 for the nation. The county's median gross rent

was reported to be \$800 per month, a slight decrease from \$805 in 2017. This compares to median gross rent of \$1,196 for Colorado and \$1,023 for the nation.

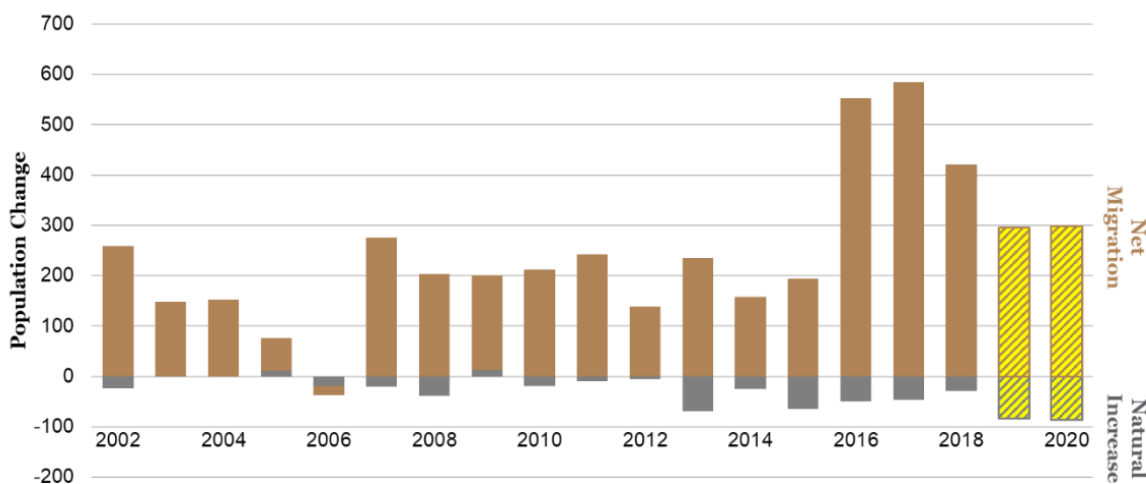
The 2018 American Community Survey shows that 73.2% of the county's housing units are occupied compared to 89.8% of the state's housing units. Owner-occupied housing makes up 76.7% of occupied housing in the county, while renter-occupied housing represents 23.3%. There were 2,917 vacant housing units in the county in 2018, with owner-occupied housing having a 3.2% vacancy rate and renter-occupied housing having a 7.3% vacancy rate.

Over 43% of the county's residents moved into their current residence in 2010 or later, a figure that is below both the state and national average. The county's housing units are also newer than the state and national units, with 26.9% of housing units built after 2000.

POPULATION

Over the past ten years, Chaffee County has experienced an average increase in population of 1.4% annually. Though just below the Colorado average of annual 1.5% growth, Chaffee is relatively similar to the state in this regard. The observed population growth comes mainly from net migration, rather than natural increase, which has been net negative since 2005. Meanwhile, net migration in the state is increasing as a proportion of total population change. Natural increase, defined as births minus deaths, in Colorado is positive, but has been growing at a slower rate since 2008.

FIGURE 10: CHAFFEE COUNTY COMPONENTS OF POPULATION CHANGE

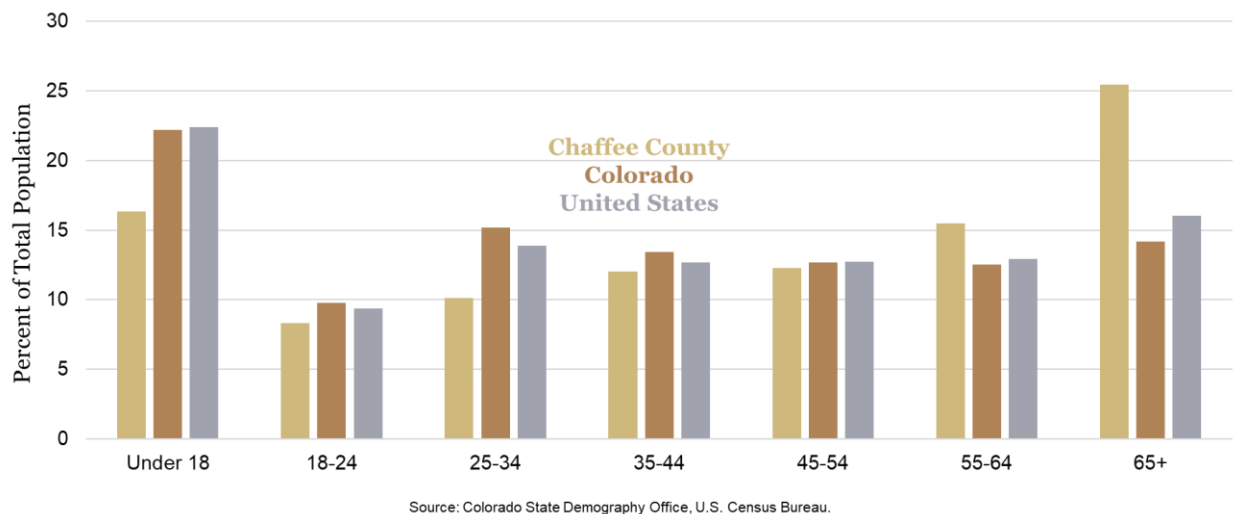


Source: Colorado State Demography Office.

Age

The median age of Chaffee County residents in 2018 was 47.8 years, much higher than the median age of 37.0 for Colorado and 38.2 for the nation. An estimated 30.4% of the adult population in the county is in the 65+ age category, compared to 9.9% for the state and 20.7% for the nation. Over 40.9% of the county's population is over 55, significantly higher than 26.7% for the state and 28.9% for the nation.

FIGURE 11: AGE GROUPS AS A PERCENTAGE OF POPULATION (2018)



Race and Ethnicity

According to the Colorado State Demography Office, Chaffee County's racial composition is as follows: 95.1% of the population is White, 1.9% is Black, 1.9% is American Indian, and 1% is Asian/Pacific Islander. With regards to the ethnic composition of Chaffee County, 89.8% of the population is not of Hispanic Origin, with the remaining 10.2% of the population being of Hispanic Origin. The Chaffee County population of Hispanic Origin has increased 1.6% since 2000.

Gender

In 2018, there were 10,268 (53.6%) males and 8,896 (46.4%) females in Chaffee County. The county has a slightly larger concentration of males than both Colorado and the nation.

TABLE 1: CHAFFEE COUNTY, COLORADO, AND NATIONAL HOUSING UNIT COMPARISON (2018)

	Chaffee County	Colorado	U.S.
Total housing units	10,875	2,352,202	136,384,292
Owner-occupied housing units	6,103	1,371,145	76,444,810
Renter-occupied housing units	1,855	742,242	43,285,318
Vacant housing units	2,917	238,815	16,654,164
Overall occupancy rate	73.2%	89.8%	87.8%
Owner-occupied	76.7%	64.9%	63.8%
Avg household size	2.28	2.64	2.7
Median value	\$335,900	\$313,600	\$204,900
Vacancy rate	3.2%	1.2%	1.7%
Renter-occupied	23.3%	35.1%	36.2%
Avg household size	2.13	2.41	2.51
Median gross rent	\$800	\$1,196	\$1,023
Vacancy rate	7.3%	4.9%	6.0%
Housing Units built:			
2000 or later	26.9%	23.3%	18.5%
1980 – 1999	25.2%	31.2%	27.4%
1960 – 1979	23.5%	27.3%	26.0%
1940 – 1959	8.7%	10.3%	15.4%
1939 or earlier	15.7%	7.8%	12.8%
Moved into housing unit:			
2010 or later	43.9%	53.6%	46.3%
2000 to 2009	30.0%	25.6%	26.4%
1990 to 1999	13.6%	11.7%	13.4%
1989 or earlier	12.5%	9.0%	13.9%

Source: US Census American Community Survey.

TABLE 2: CHAFFEE COUNTY, COLORADO, NATIONAL GENDER PROPORTION (2018)

Gender	Chaffee County	Colorado	US
Male	53.6%	50.3%	49.2%
Female	46.4%	49.7%	50.8%

Source: Colorado State Demography Office.