YAMPA VALLEY DATA PARTNERS

Strengthening our community through data and collaboration

Regional Economic Forecast Newsletter

Moffat and Routt Counties

2nd Quarter 2012
Volume 3, Issue 2

Indicators Point to a Cause for Optimism

The economy in the Yampa Valley is on the road to recovery. Although the industries associated with winter tourism had a challenging season, many other segments are doing well. In this issue of the Quarterly Economic forecast, the industry sector spotlight is on the Oil and Gas industry. Specifically, we will look at the contribution made by the crews responsible for locating, drilling and completion of a well.

The release of 2010 housing census data reveals some trends that are in this issue's mini spotlight. We'll look at the growth of housing since the last census was taken. The number of housing units in the Yampa Valley have grown by 34%, however, the population has only grown by 13%.

Although consumer confidence remains low, YVDP is projecting an increase in retail sales in the second quarter. Historically the second quarter of the year has the lowest volume of sales of any quarter accounting for only 19% of the yearly retail sales. In this issue, YVDP will begin tracking the retail sales by key classification. The two sectors for which there is monthly data on a countywide basis for both counties is food/beverage sales and general merchandise which includes the important category of groceries. Food/beverage sales have remained flat for the past 5 years. The General Merchandise sales in Moffat are at a slow but steady upward trend; whereas Routt County has seen a declining general merchandise sales trend. However, for both counties, the spending patterns of both locals and visitors from one season to the next is recognizable.

The economic stress factor due to employment continues to make a steady march into the positive territory. Although this is good news, the key element to watch on this indicator is the equilibrium in the change in labor force and the number of jobs from the same period year to year. The critical number that YVDP pays great attention to is the value of .025. It does not matter if this ratio is positive or negative, we know that when swings in the balance of workforce to jobs are greater than .025 the local economy begins to experience stress. Based on the continuing upward trend YVDP would expect that the ratio will exceed .025 this quarter in both counties. In sectors highly dependent on labor will begin to see shortages emerge in accommodations/food services, health care services and eventually in retail trade.

In real estate, housing continues to show sign of a sustainable recovery in both counties as median listing prices have stabilized. The prices in Routt County have started to improve which can be tied directly to the decline in inventory that is for sale. The real estate "bottom" in both counties has been reached and a recovery is slowly occurring. Baring any significant changes on the national economy, this recovery should continue for the balance of this year. This coming quarter may also represent the best value in real estate in the Yampa Valley since 1981/82.

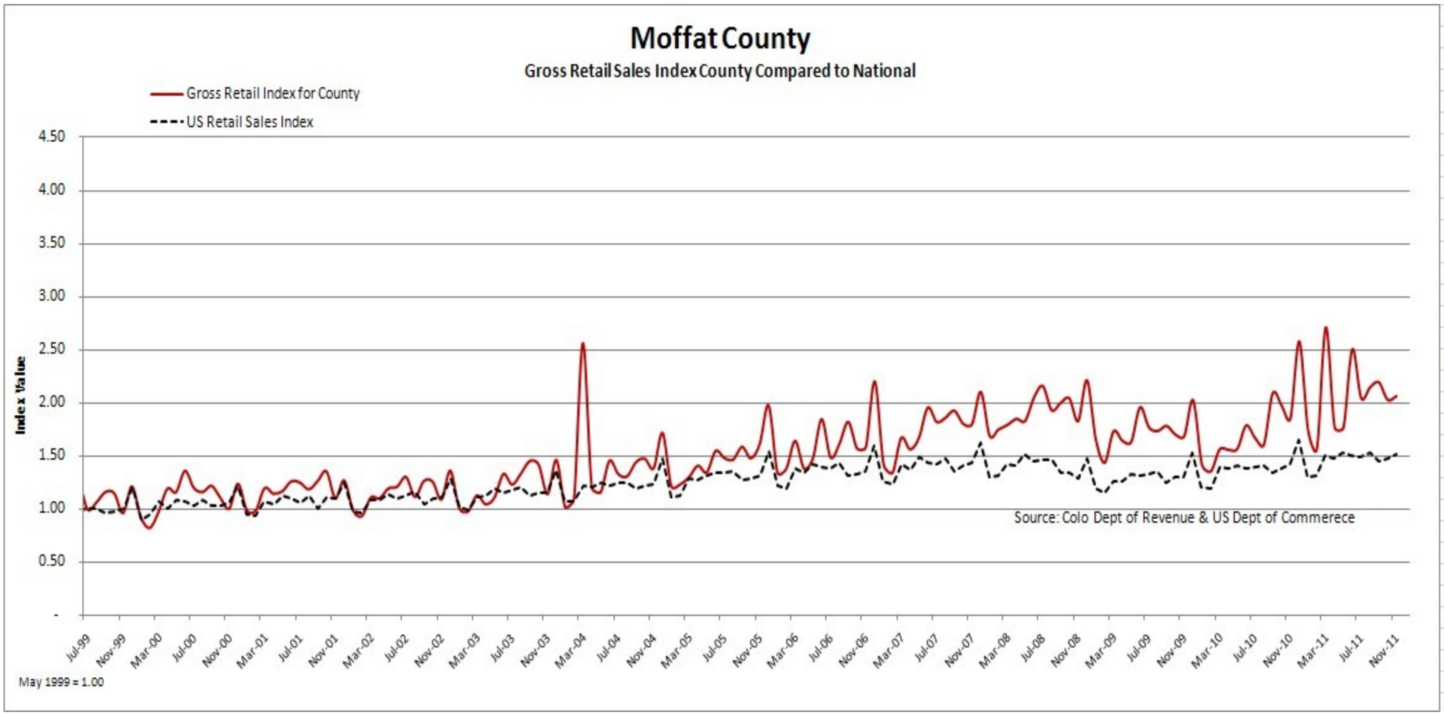
The bottom line is that the vast majority of the economic indicators outlined in the Quarterly Economic forecast point to a continuing economic recovery and a cause for optimism.

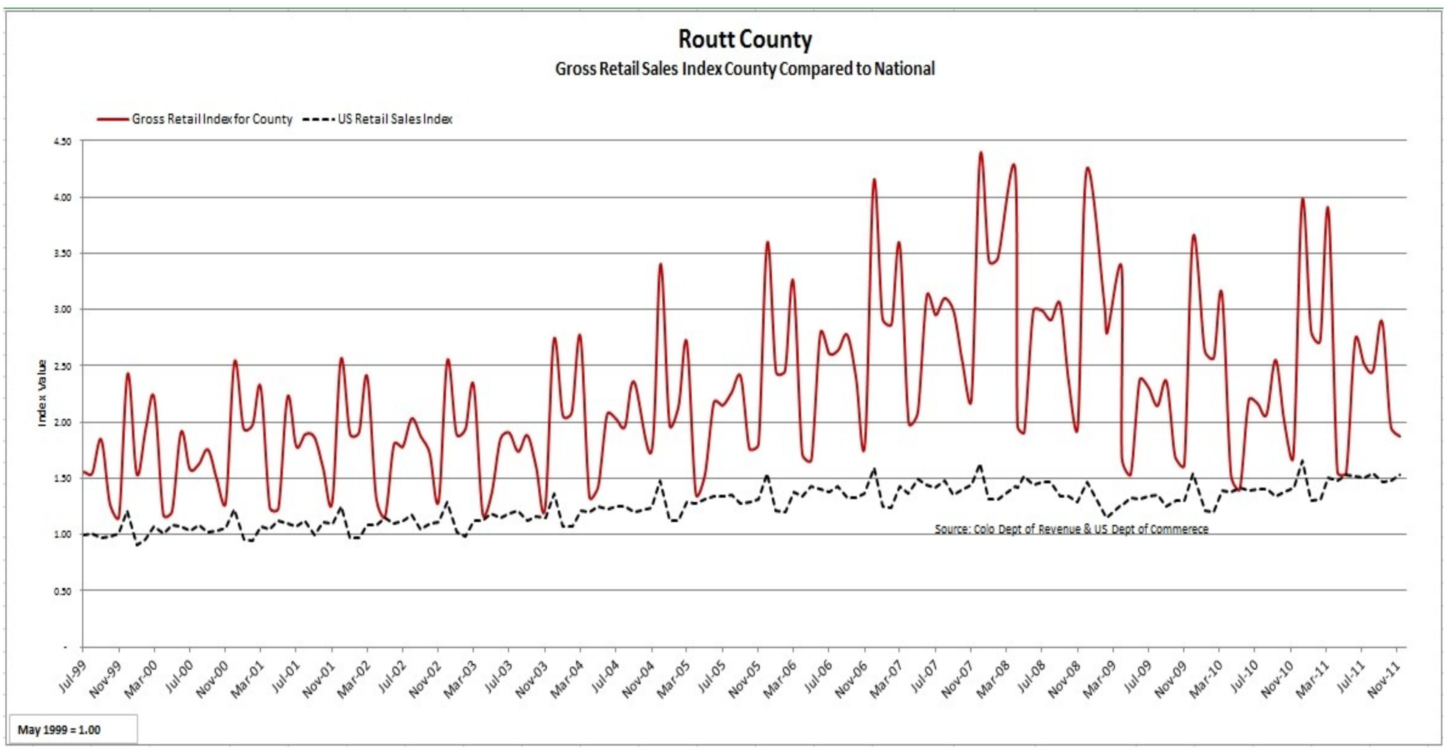
Inside this issue:

More economic data is available at www.yampavalleypartners.com Email kate@yampavalleypartners.com to subscribe and receive this newsletter each quarter. Sponsorship & advertising opportunities available.

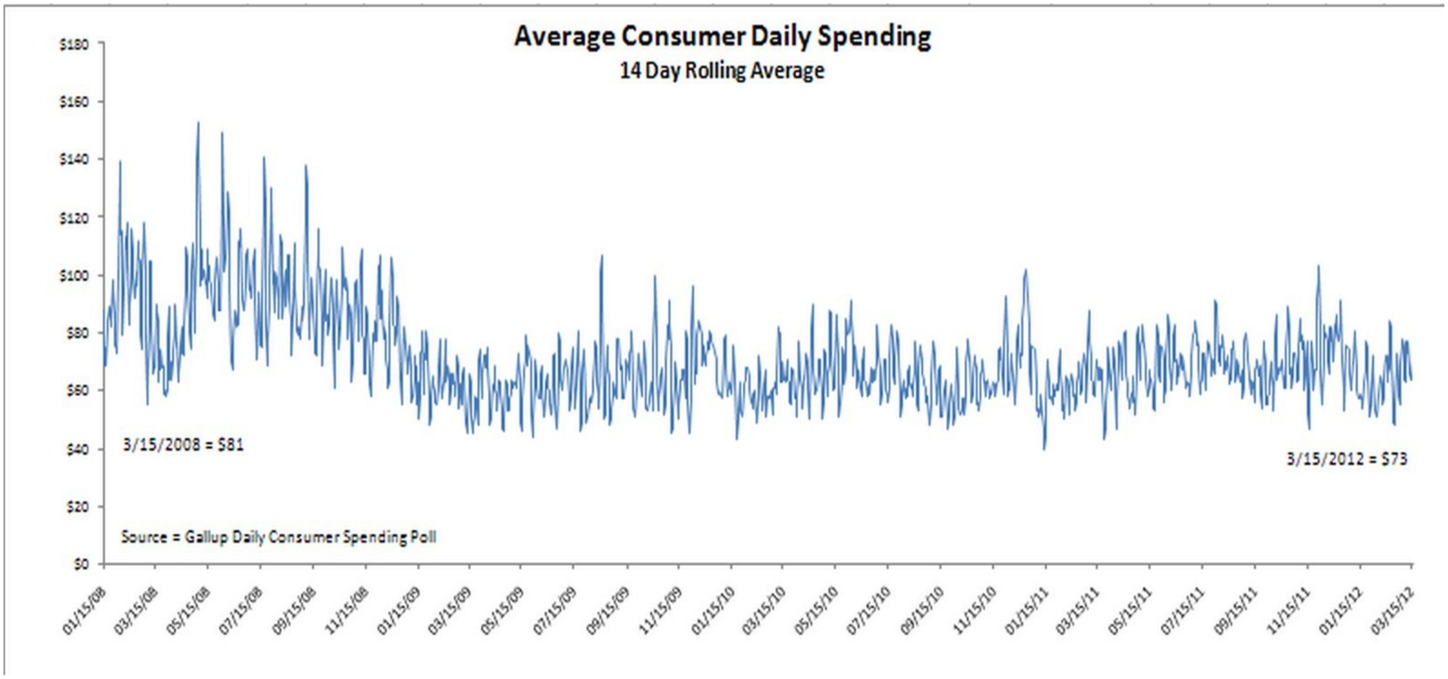
Gross Retail Sales

The US Department of Commerce is forecasting an increase in retail sales (April thru June) over the prior year. This is good news; however it needs to be tempered with the Conference Board's Consumer Confidence Index. Although still at historical lows it is projected that sales will increase modestly in the 2nd quarter for reason perhaps no more substantial than spring is in the air. Consumer daily spending continues to improve. During the 2nd quarter daily spending will likely improve to in the range of $65 to $70 per day. This is $6 to $7 per day improvement over the prior year where the spending was in the $62 per day for the same period. However, how these trends are manifested at the county level will vary.

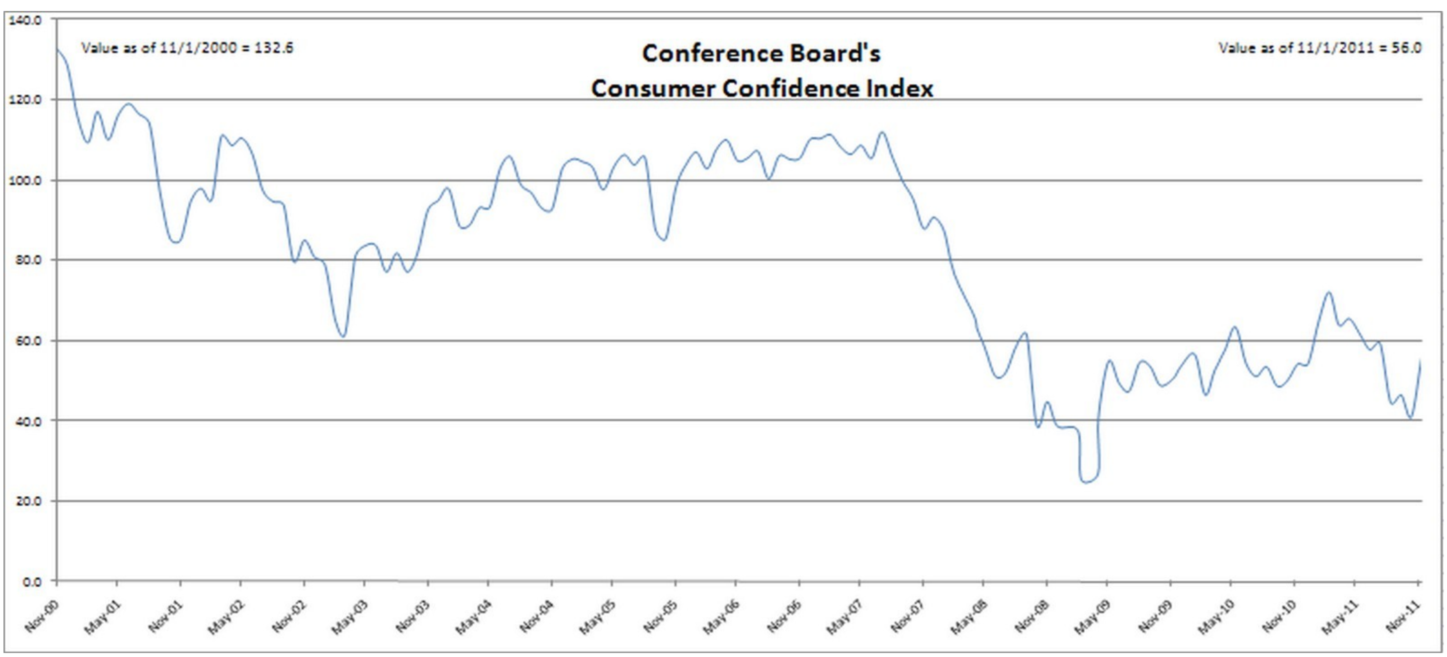




Consumer Spending

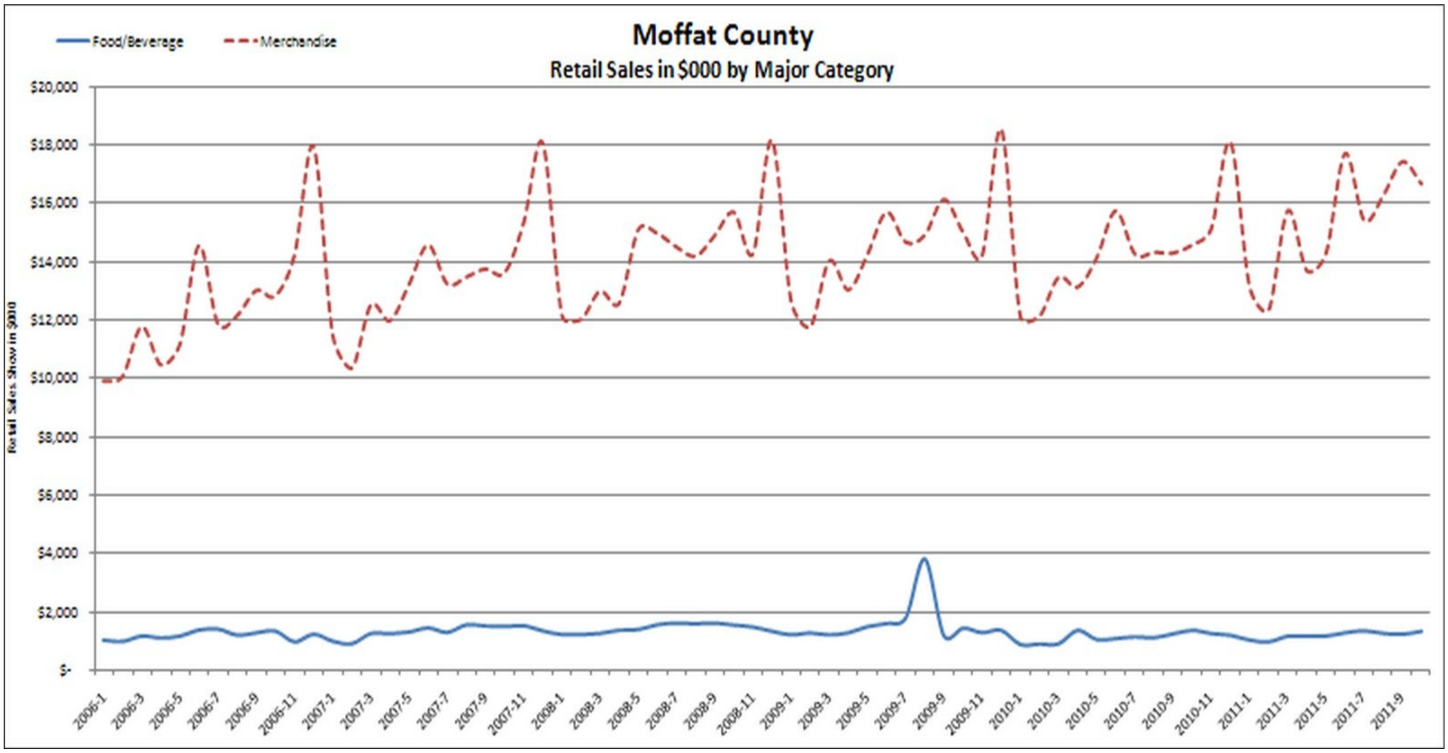


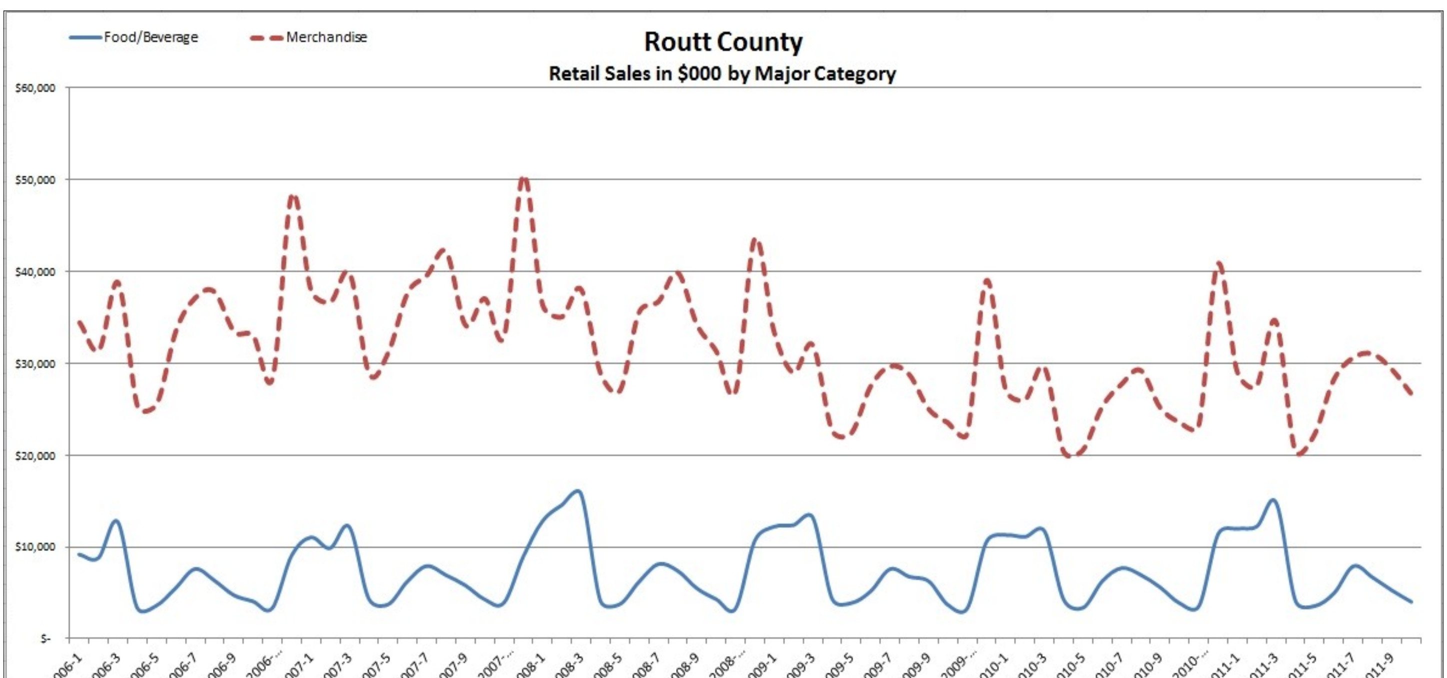
Moffat County Gross Retail Sales					Routt County Gross Retail Sales Forecast				
Date	Yr over Yr %	Retail Sales Forecast	50% +/-	80% +/-	Date	Yr over Yr %	Retail Sales Forecast	50% Correct +/-	80% Correct +/-
Apr-12	5.2%	$32,534,000	2.1%	4.6%	Apr-12	5.2%	$50,190,000	2.1%	4.6%
May-12	6.0%	$32,746,000	2.4%	5.4%	May-12	6.0%	$50,263,000	2.4%	5.4%
Jun-12	6.3%	$46,491,000	2.7%	6.0%	Jun-12	6.3%	$88,880,000	2.7%	6.0%



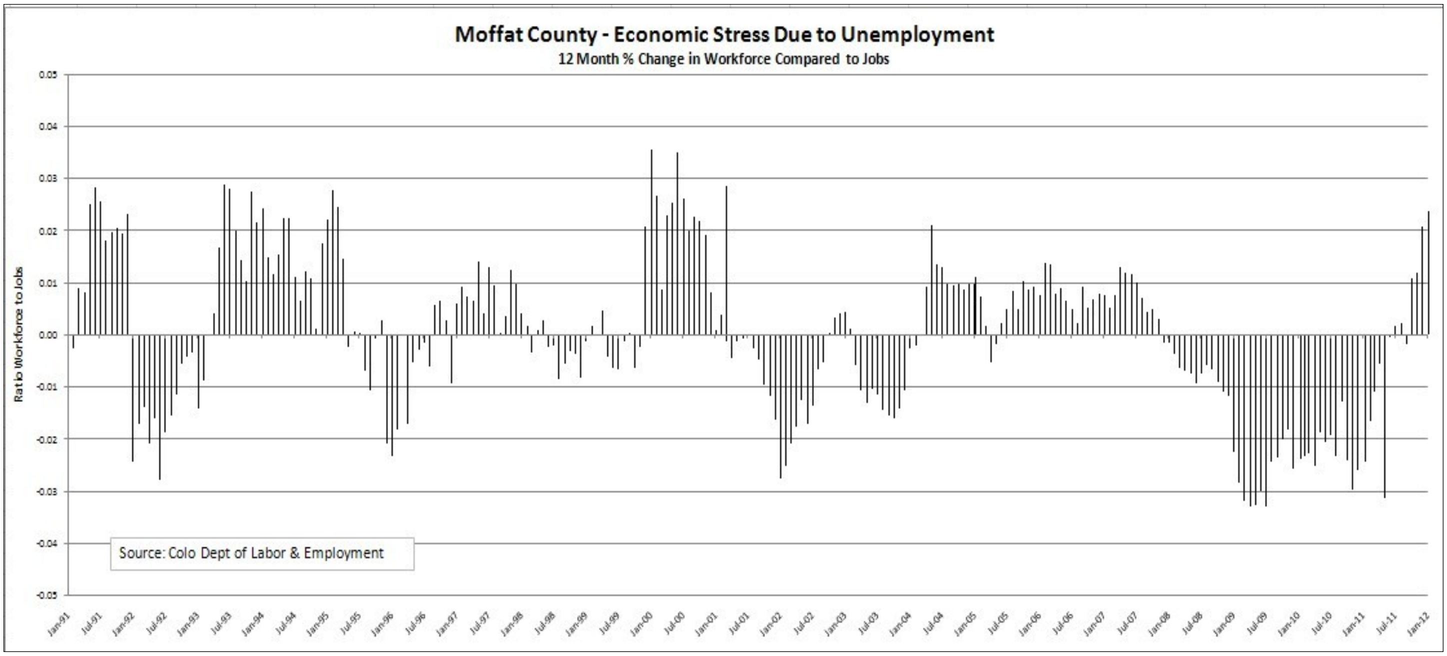
Retail Sectors

In this edition of the Quarterly Newsletter we are providing a more detail regarding Retail Sales. Information regarding Food/ Beverage and Merchandise are being provided. In both counties these two categories account for over 53% of total retail sales and are the most sensitive to consumer mind-set at the time. For both counties food/beverage sales will remain essentially unchanged. It is about the same as it has been since January 2006. In the coming quarter Moffat County will see increases in general merchandise sales whereas Routt may see a slight decline. One of the results of being able to track sales at this detail level is greater forecasting accuracy.

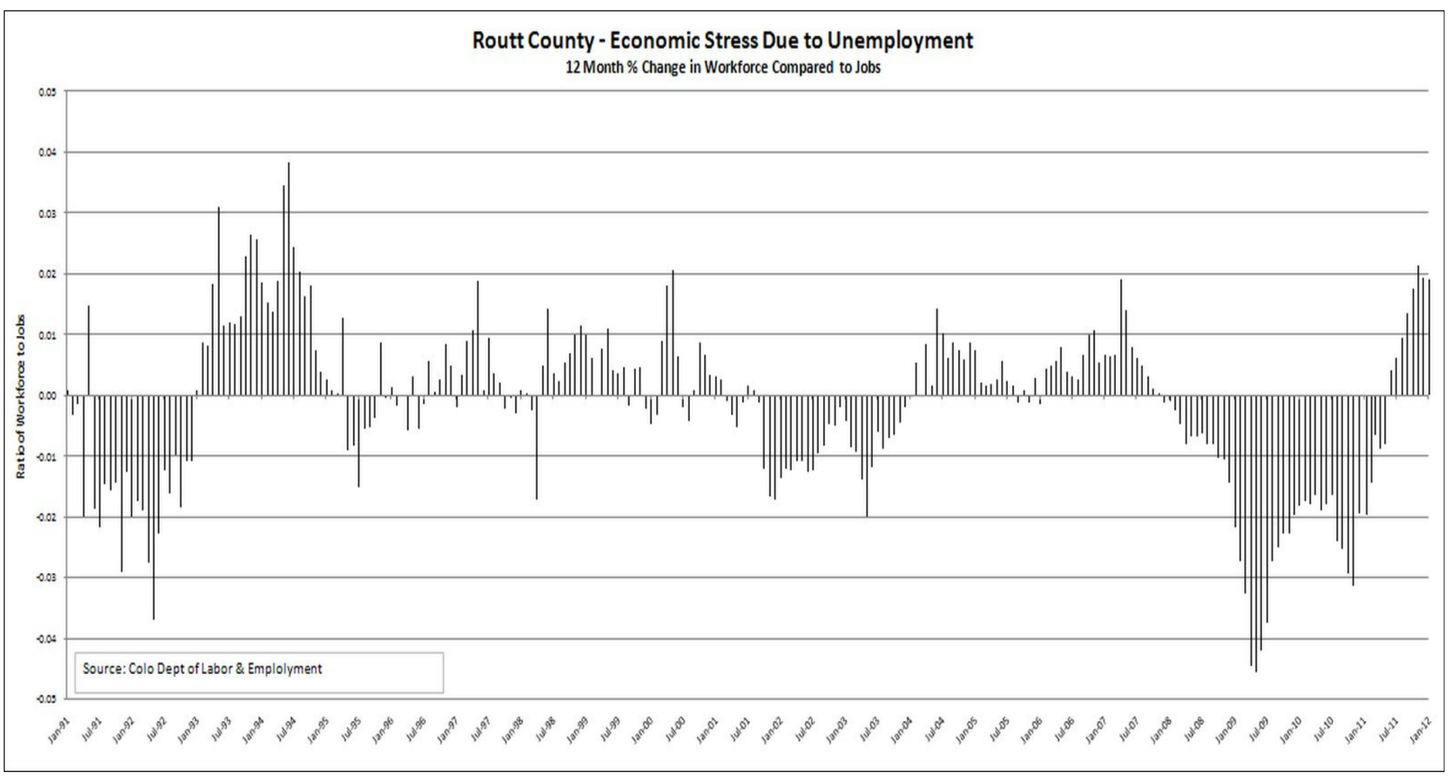




Employment & the Economic Stress Indicator



The key word in reviewing this indicator is balance. If the stress indicator is above or below zero by a margin of .025 the economy will experience stress due to employment. If the indicator runs positive at .025 and over, employers will experience difficulty in attracting and /or retaining staff. If it is negative .025, individuals will experience difficulty in finding steady employment. The current value for Moffat County is a positive .024. For Routt the current value is .019. Both of these ratios are high enough that it is very likely there will be labor shortages in selected industry sectors as we complete the second quarter and enter into the third quarter.



Real Estate

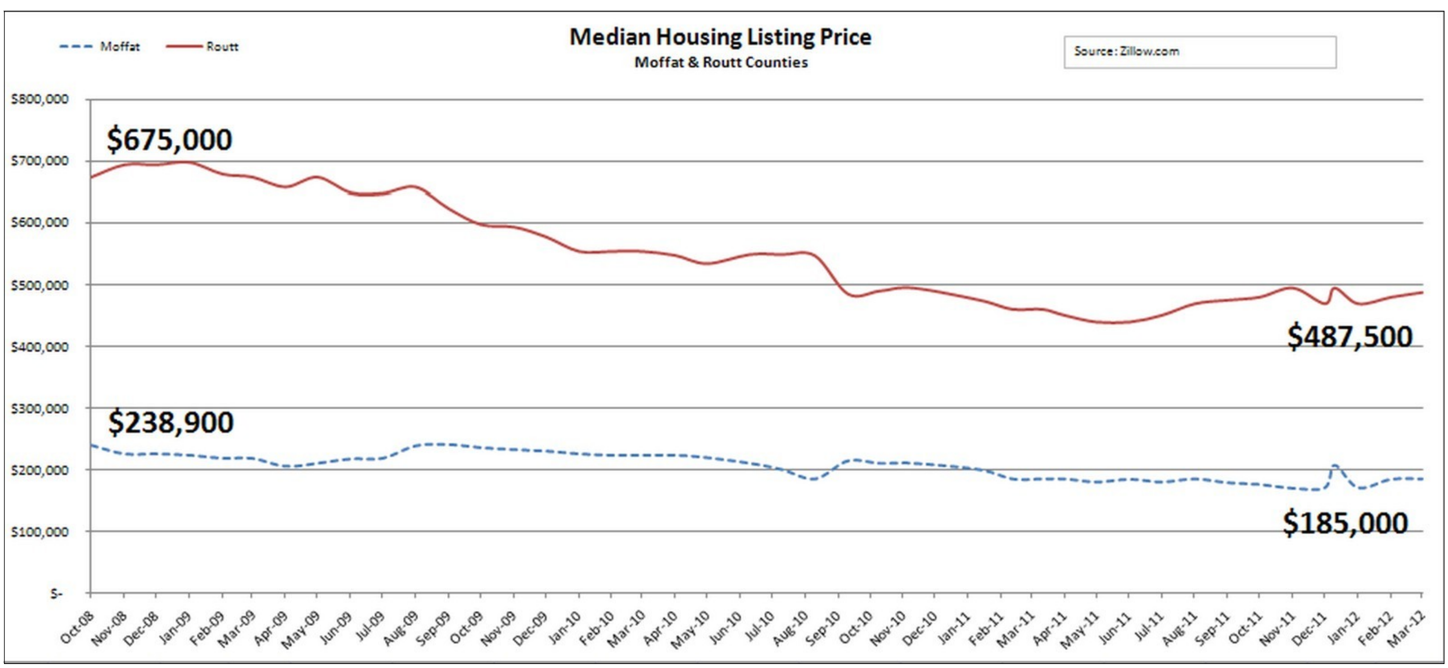
Good news! It appears the median listing prices has stabilized. The March 2012 median listing price for a home in Moffat County is $185,000 and $487,500 in Routt County. Although these levels represent a 28% decline in Routt and 23% in Moffat since the peak in October 2008, listing prices in Moffat County are unchanged from last year and prices in Routt have increased by 6%. The inventory of homes for sale in both counties has declined slowly but this trend will add support to continued modest price appreciation. The next two quarters may represent one of the best "value" time for real estate purchases that we'll see for many years to come.

There continues to be a steady decline in the number of properties that are in the process of foreclosure. As of February 2012 In Moffat County the foreclosure ratio was 1 to 516, which means that out of the 6,196 housing units 12 were in foreclosure proceedings. In Routt the ratio was 1 to 618 or 26 properties. In both counties this is a slower pace than what was seen during the second and fourth quarters of 2011.

Comparative Median Listing Price and Foreclosure Data

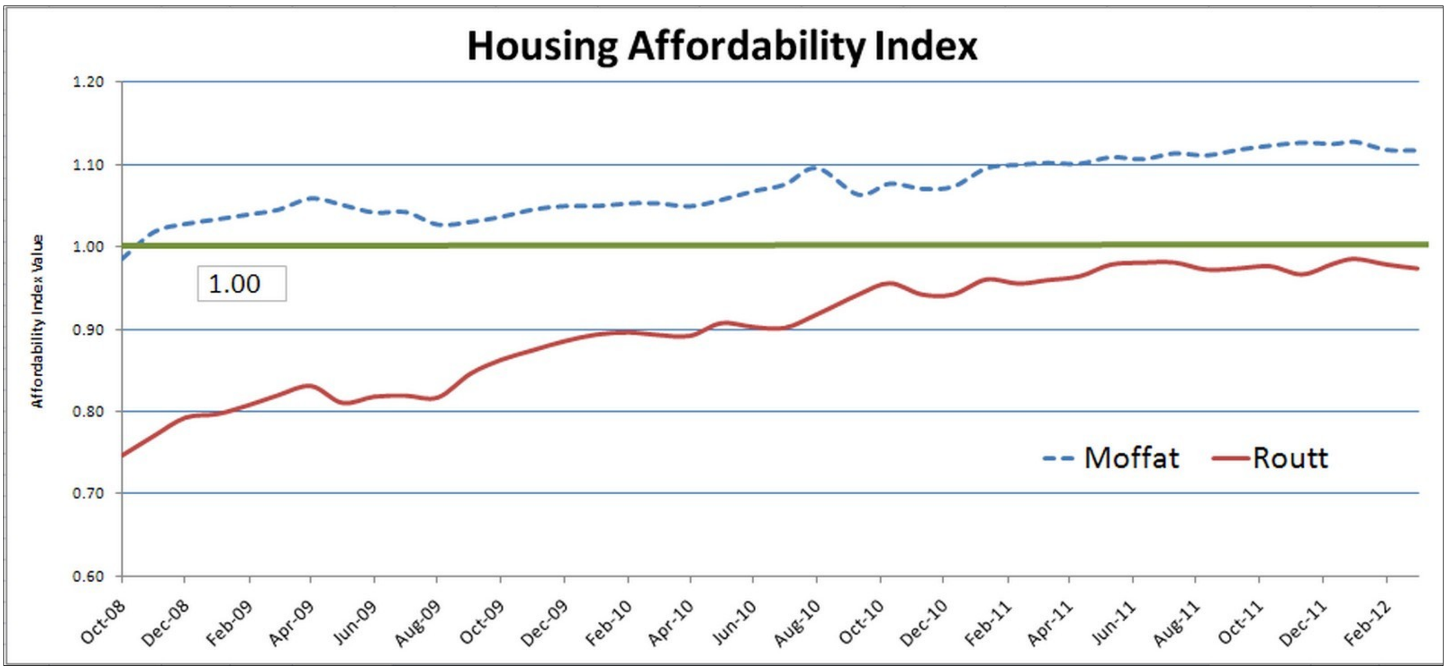
	Moffat	Routt	Eagle	Garfield	La Plata	Summit	Colorado	National
Median Listing Price	$185,000	$487,500	$825,000	$269,900	$299,000	$409,000	$255,000	$182,500
Change								
M-o-M	1%	2%	3%	3%	0%	4%	2%	1%
Qtr-o-Qtr	6%	3%	23%	0%	-4%	0%	2%	0%
Yr-o-Yr	-1%	4%	18%	-5%	-9%	-5%	2%	-2%
Foreclosure Ratio	1 in 516	1 in 618	1 in 370	1 in 243	1 in 979	1 in 1,492	1 in 605	1 in 647
Est. Housing Units	6,196	16,303	31,312	23,309	25,860	29,842	2.2 Million	130 Million

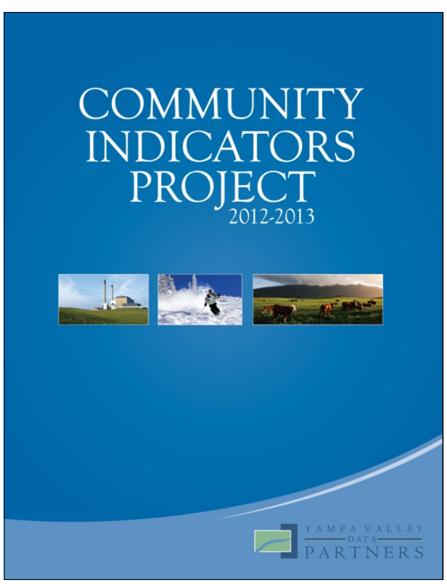
Source= Zillow & RealtyTrac



Real Estate—Affordability Index

This monthly housing affordability index (HAI) provides a way to track over time whether housing is becoming more or less affordable for the typical household. The HAI incorporates changes in key variables affecting affordability such as housing prices, interest rates, down payment and family income. A ratio of 1.00 indicates that the median family income is just sufficient to purchase the median-priced home in the area. When the ratio falls below 1.00, the typical household has less income than necessary to purchase the typical house. The current recession has resulted in some of the best HAI numbers that have been available in years. The ratios in Moffat County have averaged above 1.00 since November 2008. In Routt County, although the HAI has not yet exceeded the 1.00 threshold, it has been very close since June 2011. This improvement in the HAI is primarily due to a decline in home prices and the long-term, low interest rates. The HAI has its limitations and is only one of many indicators YVDP uses to assess the housing situation. The HAI's biggest limitation is assessing the number of individuals that qualify for a mortgage in today's tight credit markets





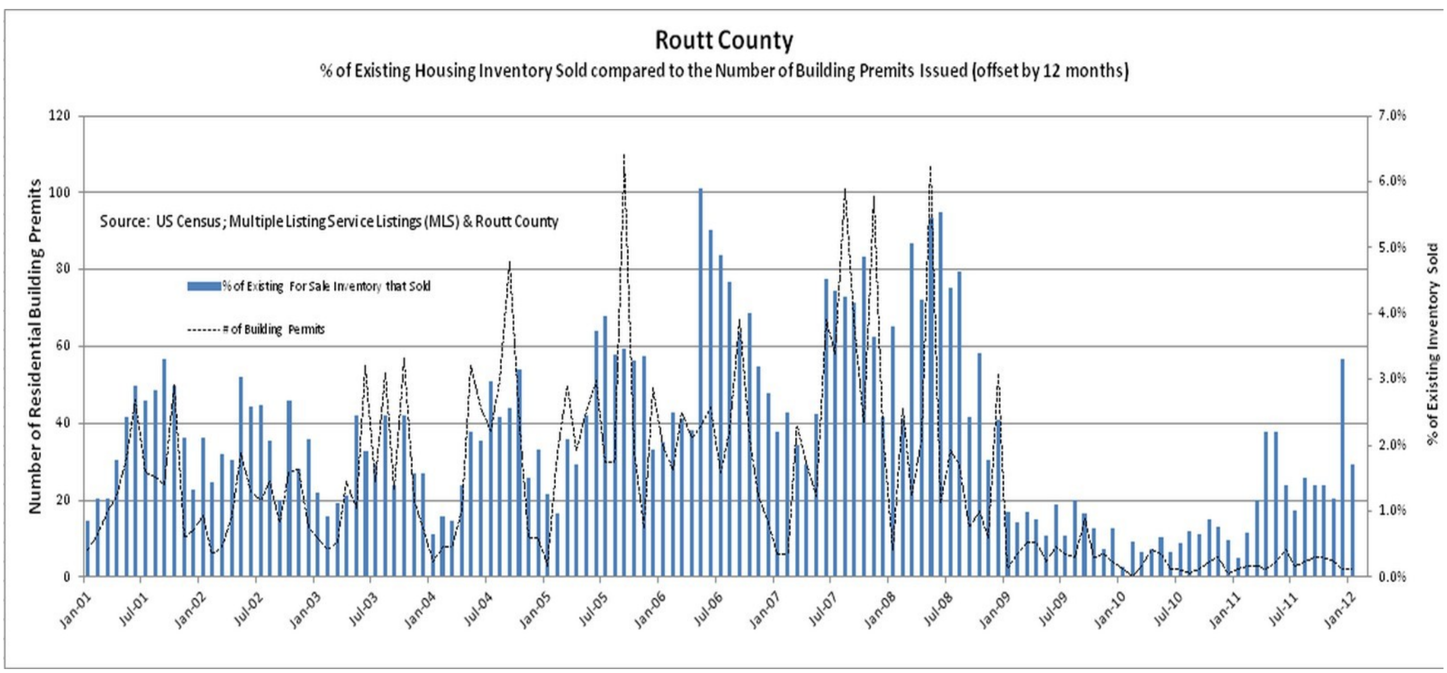
New Community Indicators Project

This executive reference is a must-have for your desk. Reference more than 300 data points on line . Key findings from the latest data sources are highlighted in civic, economic, environmental and social sectors. Pick up your copy today the library, courthouse, city hall or chamber. Or email kate@yampavalleydatapartners.com to request a copy.

Construction - Routt

This industry sector will continue to stay just a shadow of its former self. However, housing inventory is lower, either as a result of sales or individuals that have taken their home off the market. The end result is that the ratio of existing homes sold to inventory has been steadily improving.

The average ratio for the 24 month period ending December 2011 was 1.0%. For the 12 months ending December 2012 it was 1.6%. This percentage will need to increase to 2.5% and above on a sustained basis for 12 to 18 months before there will be any significant increase in new home construction.
There is still a lot of room for improvement before construction activity will begin, however, the ratio is moving in the right direction on a paced trend.



Housing Landscape in the Yampa Valley

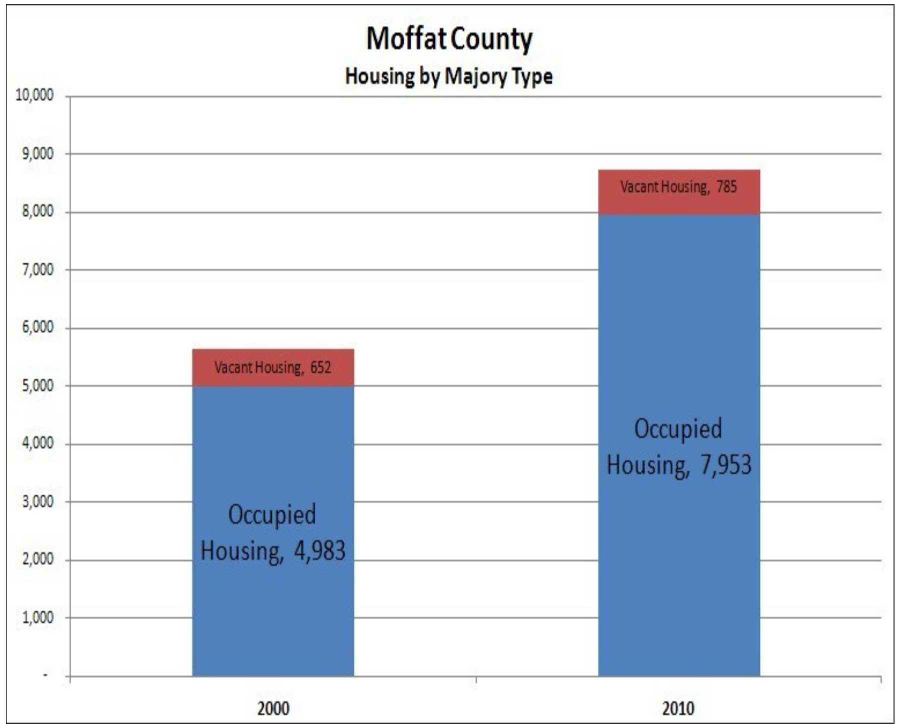
With the release of the 2010 Census Data we get an opportunity to assess the changing housing landscape in both Moffat and Routt counties over the past 10 years. Moffat County experienced a 10% increase in the number of housing units over the past 10 years. Routt County saw 45% increase.

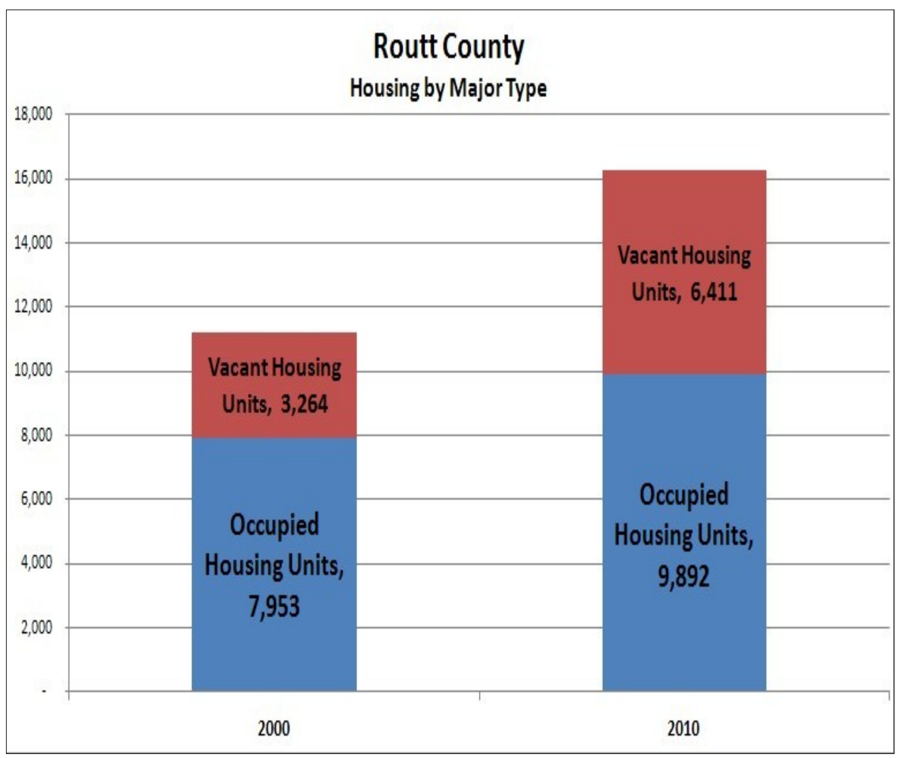
In Moffat County the vast majority of the increase in housing units can be attributed to occupied units. Where as in Routt County there was about a 25% increase in occupied housing units, however at 90%+ increase in the number of units classified as vacant and the vast majority of these units being classified as "Seasonal and Occasional Use".

In Routt County of the 4,946 units with "Seasonal and Occasional Use", it is estimated that 70% are condos and 30% are single family/duplex or townhomes. In Routt County about 55% of the "Seasonal and Occasional Use " housing is available for nightly rentals.

Although there has been a significant increase in the number of "Seasonal and Occasional Use" housing units, the percentage share of these units that is available for nightly rental has fallen. This data is evidence of a trend that was identified several years ago - owners of these housing units are increasingly inclined to only use the unit for themselves or for friends and family.

The ratio of "Seasonal and Occasional Use" housing units to total housing units was unchanged over the past 10 years.





Did you know that data presentations and information are available for free at www.yampavalleypartners.com? Data On Request—Call us! 970-824-1133

Spotlight on Oil & Gas

The focus of this economic spotlight will be on the economic impact of outside crews that come to the area when a well is in development. The approval of a drilling permit does not necessarily mean the well will be drilled. In the past the trend has been about a third of drilling permits will be become wells. Recognizing that there is no such thing as an "average" well cost, here in our area the cost to develop a well roughly runs about $2.5 to $3 million per well. The energy companies outsource various parts of the well development process.

The development process has three phases. The first phase involves the construction of roads and the infrastructure to support the well drilling process such as a concrete drilling pad. The construction crew is typically comprised of between 6 to 10 workers that will be on site for about 30 days. During this period, weather and light permitting may work 10 to 12 hours per day non-stop for 14 days.

The next phase is the drilling phase which begins once the drilling rig arrives on the well site. Once the rig is installed on site it will operate 24/7 until the well is completed. There are typically four crews associated with the drilling. Each crew is comprised of 7 to 8 workers. Each crew works 12 hours shift for 14 days straight. At the end of the 14 day period they get two weeks off and there is a crew swap with another crew. It typically takes about 40 days to complete the drilling phase.

Once the well has been drilled the drilling rig crew will move on to the next project. At this point the completion phase begins. It is during this phase that that the production infrastructure of the well is put in place which includes pumps, tanks, etc. This phase also takes about 30 days and involves 6 to 8 employees that work 12 hour shifts for 14 days and then rotate with another crew. Depending on the location of the well and depending on the wells in the area these efforts can be combined.

For discussion purposes it is safe to assume that it takes about 90 to 100 days from start to finish for a well to be completed. The crews associated with the development of the well do not live in the area. This means that the wage/salary benefit of the crews is manifested outside of the Yampa Valley. The crews, however, do have impact while they are here. These crews are visitors with unique spending patterns.

If drilling activity is similar to that of 2006 there will be at any given time 10 wells in some phase of development in Routt and Moffat counties. Assuming the numbers above, the maximum crew size for each well would involve 1,180 workdays or 11,800 workdays for projected activity.

Most of the crews receive a per diem allowance for food and lodging while they are on the well site. The per diem creates a great incentive for the crews to spend as little as possible while they are in the community. So for economic projections it has been assumed that their daily spending will be allocated as follows: Total per diem per person = $85, Lodging $30, Food $25, In their Pocket $30

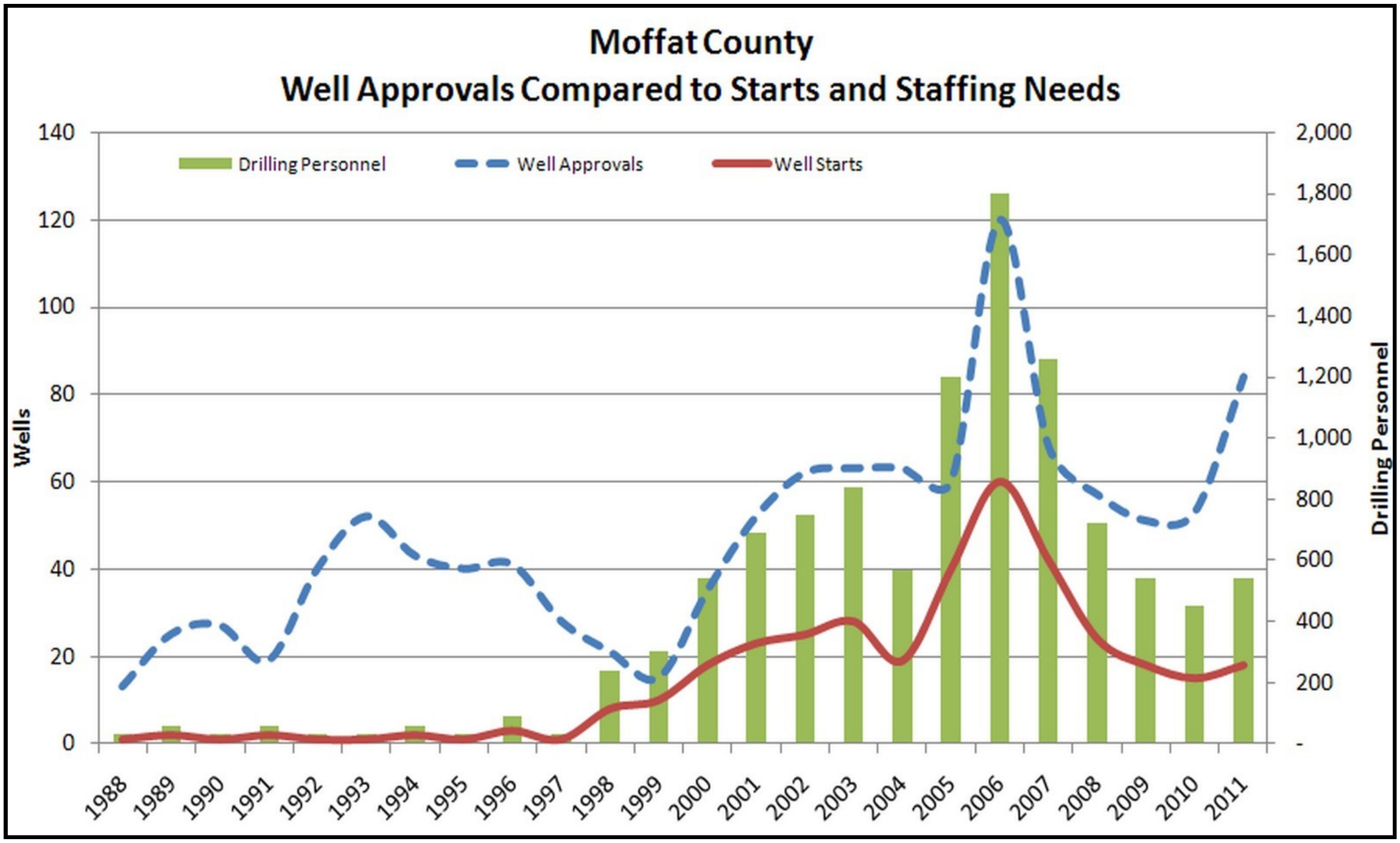
At this level of spending the well development crews have essentially minimum economic benefit to the community. Using the economic development model developed by YVDP it is projected that on an annual basis 10 wells in development would result in the following benefits:

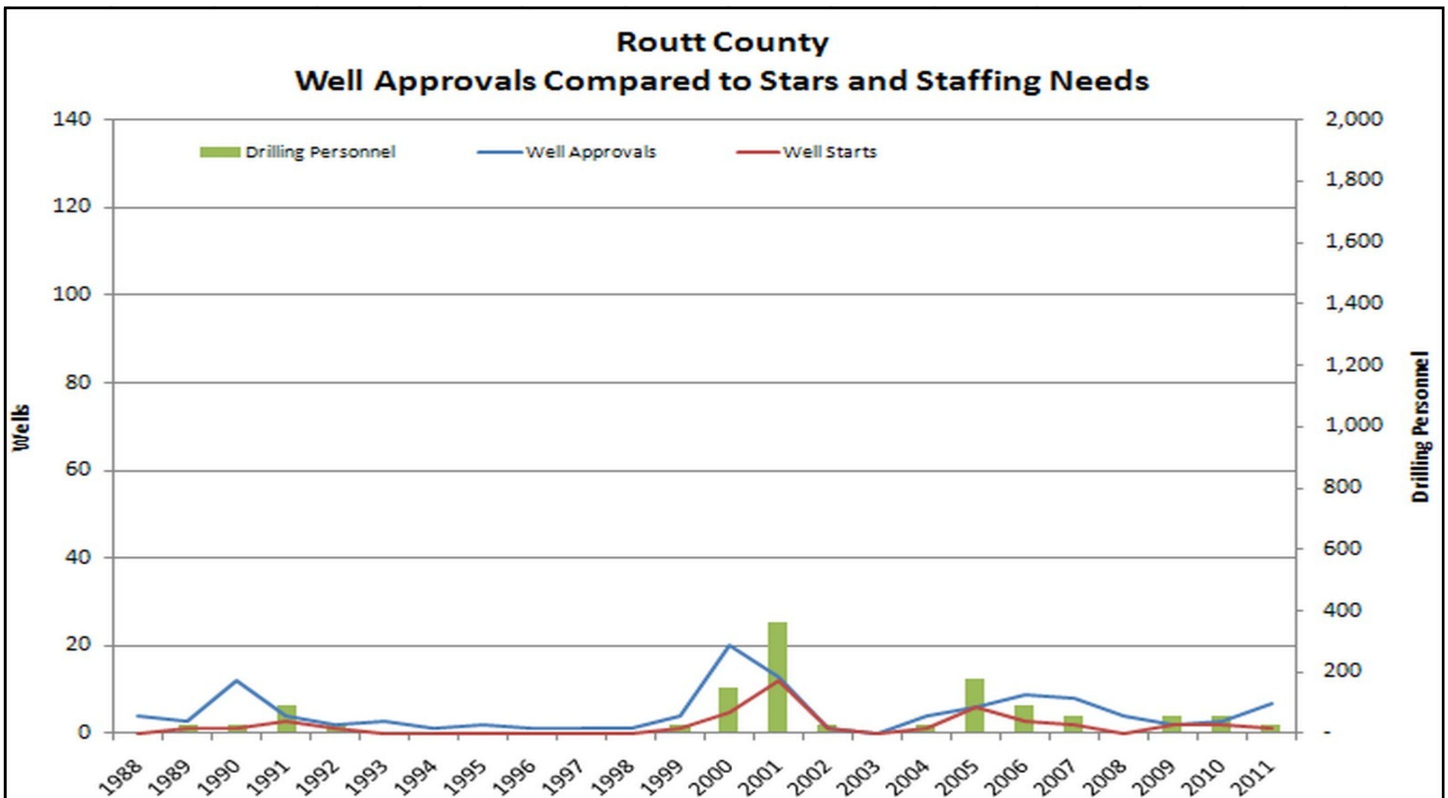
Sales Tax Collections

State of Colorado	Moffat County	City of Craig	Moffat Lodging Tax
$18,221	$12,980	$18,821	$3,637

Activity at this level would support the equivalent of 6.2 jobs split almost equally between the industry sectors of Accommodations/Food Service and Retail Trade (grocery store). In summary although the presence of a drilling crew is very apparent, their economic impact is very modest. The crews are visitors that spend very little in the community.

Oil & Gas


Moffat County
Well Approvals Compared to Starts and Staffing Needs
Drilling Personnel
Well Approvals
Well Starts
Wells
Drilling Personnel
140
120
100
80
60
40
20
0
2,000
1,800
1,600
1,400
1,200
1,000
800
600
400
200
-
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011


Routt County
Well Approvals Compared to Stars and Staffing Needs
Drilling Personnel
Well Approvals
Well Starts
Wells
Drilling Personnel
140
120
100
80
60
40
20
0
2,000
1,800
1,600
1,400
1,200
1,000
800
600
400
200
-
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011

PO Box 1641, Craig, CO 81626
50 College Dr., Craig, CO 81625
Phone: 970-824-1133
E-mail: info@yampavalleydatapartners.com

YAMPA VALLEY DATA PARTNERS

Strengthening our community through data and collaboration

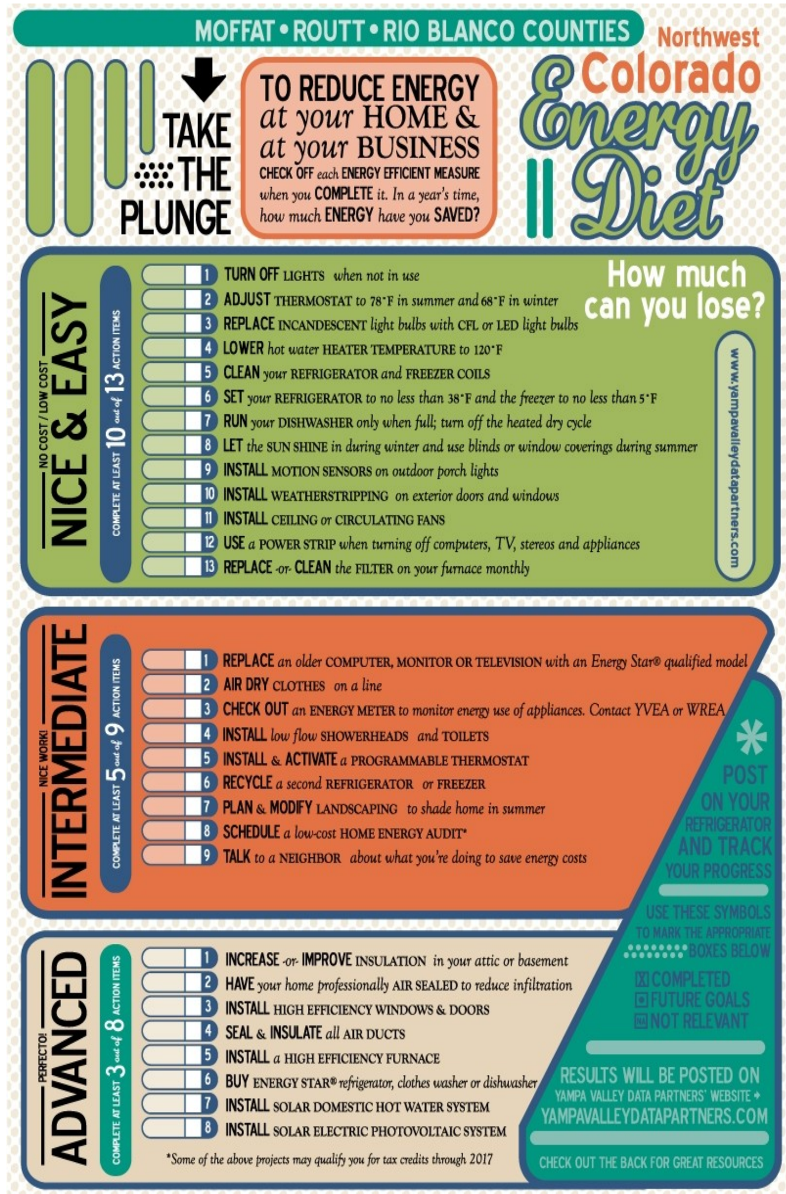
Northwest Colorado Energy Diet– Take the Plunge!

The Northwest Colorado Energy Education Plan Steering committee has been hard at work developing a useful tool for households and business to use in evaluating their electrical and gas usage. The checklist to the right shows the three stages of items you can easily do at home or at your business. Once you complete the mice and easy stages, progress to the intermediate. Then on to the advance section for some real diet challenge.

The checklist will be rolled out to all three counties involved in the Yampa Valley Data Partner's Community Energy Coordinator three county region of Moffat, Rio Blanco and Routt counties. The committee is planning to work with existing groups in the community to reach the widest audience such as Yampa Valley Sustainability Council, School districts and other education groups.

The idea is for each household to post this checklist on their refrigerator (magnet attached) and check off items as they complete them throughout the years. On the back of the checklist is a place to write in your electrical and gas usage from the year before and the current year to track how much the household has saved. Report the totals to Yampa Valley Data Partners and we'll spread the good news on our web site.

We encourage everyone to take the plunge and see how much you can lose on the Northwest Colorado Energy Diet.



Yampa Valley Data Partners *Mission*

The mission of Yampa Valley Data Partners is to strengthen the communities in our region through collaborative partnerships and through providing relevant, timely and accessible data to decision makers.

Yampa Valley Data Partners *Board of Directors*

- Matt Anderson — Pamela Kinder
- Terry Carwile — Tom Krabacher
- Greg Dixson — Randy Rudasics
- Tyler Jacobs — Sharon Smith