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FREE



All busy on the Western Slope

Energy, housing separate region from national fears

By COLLIN SMITH
DAILY PRESS WRITER

A year ago, Craig business owners Mike Anson and Jay Oxley sat down to discuss whether they wanted to start pursuing development on property they own within city limits.

They settled on yes, Anson said, because they wanted to begin what Anson termed a "long process" while the local economy continued moving up.

Now, in the wake of the Bear Stearns Companies buy-out and national investment paranoia — which experts say stems from the housing market fall — Anson said the two are not 100 percent on moving forward with their residential subdivision.

But, "right now, if you asked our opinion," Anson said, "we would say, 'yes, we're looking to do it.'"

Northwest Colorado's future looks good, he said, despite the national picture.

"On a national level, you hear all this stuff, and there probably are problems out there, but the economy in Northwest

Colorado is pretty strong," Anson said. "My gut tells me, with the energy crisis in the world, and those companies doing really well, this area should be strong for a while."

That's not to say Anson, who owns Anson Excavating and Pipe has been free from doubt.

"Even with my business, there were times I woke up this winter in the middle of the night," he said, "wondering if I should scale backward, sell some of my equipment, because I didn't want to get stuck with a bunch of equipment and no work out there."

It's all confusing, Anson said, and there's little to no way for someone to tell where the market will go, for the nation or Craig.

"I'm not an economist," Anson said. "Like I was saying, there have been a few nights of lost sleep this winter just wondering what is going on out there."

The state of the union

Investments and returns. Investments and losses.

Story at a glance:

- Bear Stearns Companies, a global investment firm, sold out to JPMorgan Chase because it was too involved in sub-prime lending, causing banks and private investors to refuse giving Bear Stearns enough cash to do business.
- Nationally, the fallout from lost investments through sub-prime loans has caused banks and investors to hoard cash and not spend, causing a potential recession.
- Northwest Colorado, because of an expanding energy industry leading to a strong construction industry and housing market, is not perceived to suffer much from the national credit problem.
- How long the Western Slope's bubble lasts is unknown, but record demand for energy suggests regional growth will last for the foreseeable future.

When you plan for the future, do you plan for tomorrow or do you plan for the next five years?

What's the difference, and which is the rosier picture?

By all accounts, the mountains of Colorado's Western Slope have more roses on them than the hills and valleys in most of the country.

The Western Slope's future looks fertile, as well.

"I'd say (the Western Slope is) completely independent of the credit situation in the rest of the country," said Alexandra Hall, Colorado Department of Labor and Employment chief economist, pointing to an expanding energy industry and a healthy housing market.

The numbers back up her estimation.

According to the U.S. Bureau of Economic Analysis, Northwest Colorado has outpaced the state and the country since the 2000 national recession in population growth, wage increases and employment growth — in some cases, by double and triple.

The current national credit picture, however, does not look promising, perhaps most notably illustrated by current events on Wall Street.

Bear Stearns, one of the largest global investment banks, approved a merger agreement last week with JPMorgan Chase, another global financial firm, because of a liquidity crisis.

Bear Stearns did not have enough cash on hand — or liquidity — to back up loans or attract investors, who held money back because they did not believe the company's assets were as valuable as projected.

The investment bank, Hall said, was too



ILLUSTRATION BY AMANDA FLUERTE/DAILY PRESS

PAGE 11

FULFILLING A DREAM

Cowgirl dedicates life to rodeo

PAGE 8

A PIRATE'S LIFE FOR THEM

Meeker students perform musical comedy

PAGE 22

STRIKE-ING BACK

Craig resident bowls despite paralysis

fyi

CARE GROUP: The Care Giver's Support Group meets at 2 p.m. today at Sandrock Ridge Care and Rehab. The support group is for people dealing with Alzheimer's or other related dementias. Call Tracey Behrman at 826-4100.

INSIDE

Agriculture & Livestock	11
Annie's Mailbox	25
Briefs	5
Classifieds	26
Comics	24
Crossword	24
Datebook	4
Education	8
Government update	20
Opinion	6
Sports	22
Television	25
Weather	35

See **ECONOMY** on page 10

ECONOMY: Opportunity from energy industry activity driving the Western Slope

FROM PAGE 1

involved in sub-prime investments, including not only housing but also other ventures, such as start-up businesses.

The banking industry as a whole, she said, is suffering fallout from two problems.

Some banks lent money to people who should not have received a loan because there was no way for them to pay, and when those people filed bankruptcies or suffered foreclosures, banks could not recoup lending losses.

Those losses rippled throughout the country because banks sold some of those home mortgages to other banks as good investments. Private investors started buying parts of them, as well, Hall said.

Now, the players are getting burned and becoming reluctant to grant loans or invest in other ventures, Hall said.

With losses coming in, banks were short on available cash and did not want to lend to Bear Stearns. The investment firm could not attract other investors and had to sell.

"That has just created this malaise across the credit industry," Hall said. "Banks are much more nervous about lending, and that's the reason the Fed is trying all these strategies to get people involved."

Namely, lowering interest rates so investors will seize the chance to spend money.

Many banks and investors, however, are waiting to see how many sub-prime loans are left out there to fail before committing more capital, Hall said. When they become more confident, the country will see more spending.

How long before markets stabilize is anyone's guess.

"One should never doubt the power of psychology," Hall said.

Happy days?

Common psychology around Moffat County is that times are good, at least for as long as anyone is comfortable guessing.

One local bank manager said his bank is confident about investments in the area.

"I think, locally, we're still optimistic on the banking side here that our housing market is still going to be pretty good because the demand is there," said Robert Wiens, First National Bank of the Rockies Craig location bank manager.

"There's a demand here. I think, locally, we're good — this



ECONOMISTS SAY A FAILING HOUSING MARKET is one of the major factors in the nation's current financial crisis. However, area residents say housing in Moffat County still is strong.

year anyway."

The Western Slope, however, is not invincible.

"It's vulnerable," Wiens said. "We have the energy companies. That's really given us the edge. Where there's exploration, there's opportunity. We're seeing subdivisions going through the process, and those people did their homework."

Opportunity from energy industry activity creating opportunity in construction is the kind of beneficial ripple effect economists see driving the Western Slope.

Vernon Yoder, 43, owns local contracting company Sturdy Built Structures of Craig. He moved here from Grand Junction in July.

"We didn't expect to see much economic strength here when we moved," Yoder said. "We thought we'd be able to come to the desert and rest, but we're busier here than in Grand Junction."

Yoder's company does mostly commercial construction, he said, with a limited residential operation.

Although Yoder agrees with the general conception that energy development drives regional fortunes, he thinks growth in nearby Steamboat Springs will benefit Moffat County after

energy operations slow down.

Don't burst my bubble

Steamboat, in general, is known for its tourism and quality of life.

Ben Alexander, for one, thinks that may be the key to the region's continued economic success.

Alexander is the associate director for Headwaters Economics, which last year conducted a large-scale economic assessment of Colorado, Wyoming, Utah and New Mexico.

Headwaters researchers found Colorado's Western Slope was not benefiting from one boom, but two: energy and amenities.

"The Western Slope was in a boom before the latest oil and gas boom," Alexander said. "From the 1990s on, when you look at the fastest-growing rural communities in America, it's in places where people moved there because they wanted to live there."

The common model of job creation driving population migration does not apply to those cases, western Colorado included, Alexander said.

"Where natural and cultural landscapes are most attractive, that's where people started to move, start new businesses and

seemingly — for the most part — prosper," he said.

"In the future, we think how those two booms (energy and lifestyle) co-exist with each other will determine a lot of how long growth can last."

As far as the energy companies go, neither Alexander nor Hall expect them to suffer from the national credit problem, which both said bodes well for the Western Slope's future.

"Some institutions have a liquidity problem, but it's not like nationally we have a liquidity problem," Alexander said.

The demand for energy — including oil, gas and coal — has never been higher, he said. As long as energy companies continue to turn work into profits, investor dividends and cash, those companies will continue to invest in opportunities.

Right now, Alexander said, energy companies consider Northwest Colorado a good opportunity. As long as that perception remains, the area will reap benefits.

Which is not to say Moffat County has nowhere to go but up.

In regards to new residential subdivisions, Jamie McAnally, Northwest American Realty part owner, said two weeks ago

that Craig's housing market likely would see a downward correction in the near future.

It's not that the market was super-inflated, but prices had gotten so high that it would be natural to see a little drop.

Anson said he has the same inkling, adding he too thinks the correction likely will be an adjustment and not a fall.

At the city, sales tax numbers — considered by economists to be a strong indicator of general economic strength and local buying power — are only in from the state through January.

Whatever fallout eventually hits from national investment problems have not come to Craig, yet, city Finance Director Bruce Nelson said.

He added, guessing the economy's future is an inexact science.

"It has a lot to do with people's perceptions," he said. "It's an emotional ride, and (investors here) may hold off because they're not sure."

"It's hard to tell, day to day, month to month, what's going to happen."

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