

Colorado Springs, Colorado

HUD Region VIII

(U.S. Housing Market Conditions Report – 3rd Quarter 2011)

The Colorado Springs metropolitan area, located about 60 miles south of Denver, consists of El Paso and Teller Counties. As of October 1, 2011, the population of the metropolitan area is estimated at 660,600. Since 2008, population growth in the area has averaged nearly 10,900 people, or 1.7 percent, annually compared with an increase of 10,500 people, or 1.8 percent, annually from 2004 through 2007. Net in-migration has averaged 5,600 people a year since 2008, about 52 percent of which consisted of retirees and military families. The area is home to several major military installations, which have a total annual impact of approximately \$5 billion on the local economy, according to the Pikes Peak Area Council of Governments. Fort Carson Army Base (AB), the largest employer in the state of Colorado, employs approximately 23,000 military and civilian personnel in the metropolitan area. The Colorado Springs metropolitan area is also home to the North American Aerospace Defense Command, Peterson Air Force Base (AFB), Schriever AFB, and the United States Air Force Academy, which combined have approximately 59,600 military and civilian personnel currently stationed in the area. The metropolitan area's leading private-sector employers are Memorial Health Care System, Hewlett-Packard Development Company, and Atmel Corporation, with 4,000, 2,200, and 1,850 employees, respectively.

Total nonfarm payroll jobs in the Colorado Springs metropolitan area continued a 2-year trend of decline, although the rate of decline appears to be slowing. Nonfarm payrolls decreased by 1,300 jobs, or 0.5 percent, to an average of 245,000 jobs during the 12 months ending August 2011 compared with a 2.2-percent decrease during the 12 months ending August 2010. During the 12 months ending August 2011, mining, logging, and construction sector employment declined by 7.3 percent, or 900 jobs, because of weak housing and commercial real estate markets. Despite recent losses, the outlook for construction jobs is favorable. Phase 1 of the Southern Delivery System, an \$880 million water pipeline project, recently broke ground and is expected to create approximately 3,000 construction jobs during the next 4 years. Although local government payrolls declined by 300 jobs during the 12 months ending August 2011, gains of 200 and 100 jobs at the federal and state levels, respectively, offset those losses. The education and health services sector led employment growth in the metropolitan area during the 12 months ending August 2011, with an increase of 900 jobs, or 3 percent, from a year ago. Payrolls in the leisure and hospitality and the information sectors increased by 1.2 percent each, or 300 and 100 jobs, respectively. The average unemployment rate for the 12 months ending August 2011 was 9.7 percent, slightly higher than the 9.4-percent rate for the previous 12 months and above the statewide unemployment rate of 8.8 percent.

The home sales market in the Colorado Springs metropolitan area is currently soft. Hanley Wood, LLC, reported that, during the 12 months ending August 2011, sales of existing single-family homes were down 9 percent, to 10,600 homes sold, compared with 11,700 sold during the previous 12 months. During the same period, the average existing single-family home sales price fell nearly 1 percent, to \$221,800. The weak sales market is exacerbated by continued foreclosure activity. According to LPS Applied Analytics, in August 2011, 4.2 percent of all home loans in the metropolitan area were 90 or more days delinquent, in foreclosure, or in REO (Real Estate Owned), down from the 4.6-percent rate recorded in August 2010. Hanley Wood, LLC, reported that during the 12 months ending August 2011, sales of new single-family homes decreased by 10 percent from a year earlier, to 1,400 homes, and the average sales price for a new home was nearly unchanged from a year ago, at about \$269,200. In response to the soft housing market, single-family home construction in the metropolitan area has slowed. Based on preliminary data, the number of single-family homes authorized by permits decreased by 9 percent, to 1,510 homes, during the 12 months ending August 2011 compared with the number of permits issued during the previous 12 months. This number was well

below that of the peak period of 2001 through 2005, when an average of about 5,800 homes were permitted annually.

Rental housing market conditions in the Colorado Springs metropolitan area have improved over the past 2 years and the market is now slightly tight, with an estimated 5.5-percent overall rental vacancy rate, down from a 6.8-percent rate a year ago. The average apartment vacancy rate peaked at 12 percent in 2005, according to *Apartment Insights*, largely as a result of troop deployments. The return of troops and their families, along with an expanded troop presence at Fort Carson AB, has contributed to stronger rental demand in the past 2 years. The apartment vacancy rate was approximately 5 percent in the second quarter of 2011, down from 6.2 percent during the same quarter a year ago. According to *Apartment Insights*, apartment rents in the second quarter of 2011 averaged \$750 for a one-bedroom unit, \$910 for a two-bedroom unit, and \$1,130 for a three-bedroom unit. Overall, the average effective rent was \$732 in the second quarter of 2011, nearly 12 percent higher than during the same quarter a year ago, with average concessions dropping to \$19, the lowest rate in 5 years. The large military presence has a significant impact on the local rental housing market because approximately 25,300, or 70 percent, of the military and military-connected civilian personnel in the area live off base, most in rental units. Active-duty military and military-connected households account for nearly 30 percent of the current renter households in the metropolitan area.

In response to increased demand for rental units, multifamily housing construction has increased. Based on preliminary data, during the 12 months ending August 2011, approximately 420 multifamily units were permitted, up from 10 units in the previous 12 months. Despite the recent increase, the number of multifamily units permitted during the past 12 months is well below the average of 750 units a year permitted from 2001 through 2008. Rental units currently under construction include The Peaks at Woodmen, a 230-unit project that began construction in July 2011 and is expected to be completed in May 2012, with rents of \$750 for one-bedroom, \$990 for two-bedroom, and \$1,175 for three-bedroom units. In addition, the Vistas at Jackson Creek, a 177-unit project in Monument, recently broke ground and will likely be completed at the end of 2012.