

HUD PD&R Housing Market Profiles

Colorado Springs, Colorado



Quick Facts About Colorado Springs

- Current sales market conditions: slightly tight
- Current apartment market conditions: balanced
- COVID-19 had a severe impact on the Colorado Springs economy in the second quarter of 2020, including a large decline in the leisure and hospitality sector payrolls. Still, housing demand remained strong and market conditions remained relatively stable.

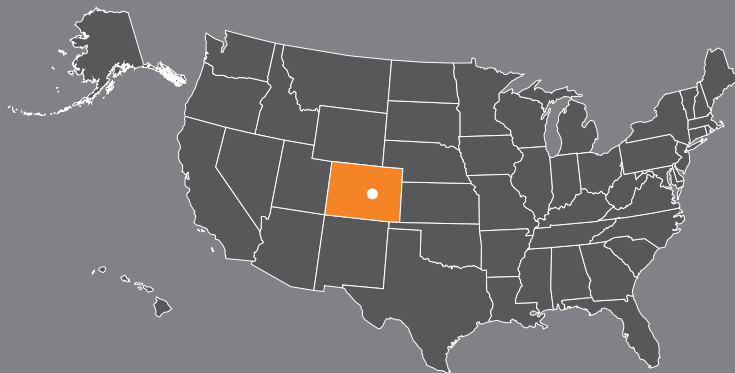
By James Conner | As of July 1, 2020

Overview

The Colorado Springs metropolitan area, consisting of El Paso and Teller Counties in south-central Colorado, includes numerous outdoor recreation areas, including Pikes Peak and the Garden of the Gods. The metropolitan area is also close to ski resorts and national parks, making tourism an important industry. The military is the leading employer, however, and the metropolitan area is home to Fort Carson, one of the largest U.S. Army bases in the nation, as well as Peterson and Schriever Air Force Bases, the U.S. Air Force Academy, the North American Aerospace Defense Command (NORAD), and more recently, the U.S. Space Command. Combined, the bases in the area have more than 34,000 active-duty military personnel and 20,000 civilian employees (Department of Defense, Military OneSource). Colorado Springs also attracts former military personnel; it has the third largest military retiree population in the United States, with more than 98,000 veterans living in El Paso County.

- The current population in the Colorado Springs metropolitan area is estimated at 753,800, an average increase of about 10,550, or 1.5 percent, a year since 2010. Nearly 97 percent of the population resides in El Paso County.

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- Net in-migration of about 5,475 people a year accounted for 52 percent of the population growth since 2010. Following the last recession, net in-migration averaged 3,725 people a year from 2010 to 2014, strengthening to 7,625 people a year from 2014 to 2018 as job growth accelerated and many troops returned from overseas deployments. Since 2018, net in-migration has slowed again to about 3,675 people a year.
- The largest employers in the area also include healthcare providers and defense contractors. UCHealth Memorial Health System and Penrose-St. Francis Health Services have about 6,200 and 3,500 employees, respectively; Lockheed Martin Corporation and Northrop Grumman Corporation have about 1,000 and 950 employees, respectively (Colorado Springs Chamber & EDC).

Economic Conditions

The economy in the Colorado Springs metropolitan area weakened in the second quarter of 2020, reflecting the impact of measures taken to limit the spread of COVID-19. Before the pandemic, the economy had been expanding since 2010 and job growth was strong in recent years. From 2015 through 2019, nonfarm payrolls increased by an average of 7,500 jobs, or 2.9 percent, a year, after increasing by 4,200 jobs, or 1.7 percent, a year from 2010 through 2014. An expanding retiree population led to rapid growth in healthcare services in the past 5 years; health care and social assistance industry payrolls increased an average of 5.1 percent a year from 2015 through 2019. In the second quarter of 2020, however, nonfarm payrolls declined by 21,900 jobs, or 7.3 percent, from a year earlier. The leisure and hospitality sector accounted for nearly three-fourths of the payroll losses in the metropolitan area, with a decline of 16,100 jobs, or 40.3 percent. Hotels and

resorts in the Colorado Springs area announced more than 2,250 temporary layoffs due to COVID-19, including about 1,400 jobs at The Broadmoor and 450 jobs at the Great Wolf Lodge (Colorado Department of Labor and Employment, WARN [Worker Adjustment and Retraining Notification] notices). Other industries reliant on in-person contact were also hard hit. The other services and the education and health services sectors decreased by 2,900 and 2,200 jobs, or 16.1 and 5.4 percent, respectively. With a large share of its jobs in the public sector or in private firms that receive government contracts, the local economy has weathered the downturn comparatively well. The 7.3-percent decline in total nonfarm payrolls in the metropolitan area in the second quarter of 2020 was less severe than the 8.6- and 11.3-percent payroll declines in the state of Colorado and the nation, respectively.

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In the second quarter of 2020, payrolls decreased in nearly all nonfarm sectors compared with a year ago.

	3 Months Ending		Year-Over-Year Change	
	June 2019 (Thousands)	June 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	299.4	277.5	-21.9	-7.3
Goods-Producing Sectors	30.6	29.7	-0.9	-2.9
Mining, Logging, & Construction	18.8	18.4	-0.4	-2.1
Manufacturing	11.9	11.3	-0.6	-5.0
Service-Providing Sectors	268.7	247.8	-20.9	-7.8
Wholesale & Retail Trade	38.2	38.3	0.1	0.3
Transportation & Utilities	5.5	5.2	-0.3	-5.5
Information	5.7	5.6	-0.1	-1.8
Financial Activities	18.9	18.0	-0.9	-4.8
Professional & Business Services	46.8	49.7	2.9	6.2
Education & Health Services	40.5	38.3	-2.2	-5.4
Leisure & Hospitality	40.0	23.9	-16.1	-40.3
Other Services	18.0	15.1	-2.9	-16.1
Government	55.1	53.7	-1.4	-2.5
Unemployment Rate	3.3%	10.9%		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics



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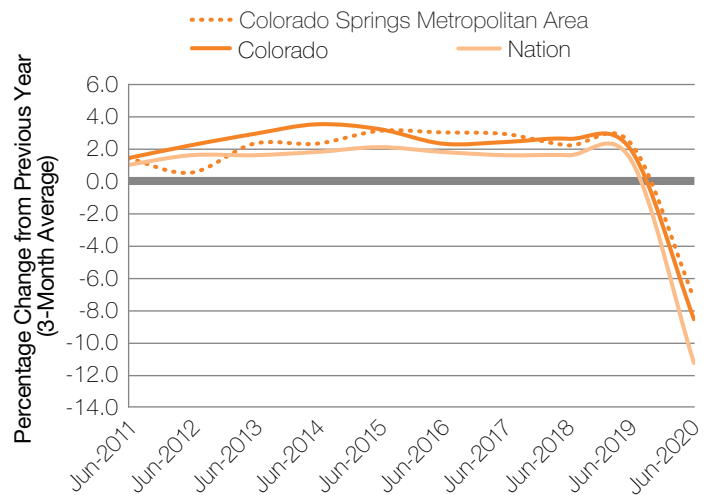
During the second quarter of 2020—

- The metropolitan area unemployment rate was 10.9 percent, up from 3.3 percent a year ago and above the previous peak of 9.5 percent in the first quarter of 2010 following the last recession. The number of people in the labor force declined by 2,600, or 0.7 percent, from a year ago, but the number of people employed fell by 23,900, or 7.0 percent.
- Average earnings for private payroll employees in the metropolitan area declined more than 1 percent from a year ago, compared with increases in the state of Colorado and the nation of 3 and 6 percent, respectively. The pandemic led to large payroll declines in lower-paying jobs and fewer losses in higher-paying jobs, causing the earnings averages to be skewed upward in many areas. However, Colorado Springs had many losses in higher-paying jobs, including declines in the manufacturing and the financial activities sectors of 5.0 and 4.8 percent, compared with statewide declines of 3.9 and 1.7 percent, respectively. Total overall earnings fell more than 7 percent in both the United States and the state of Colorado and nearly 10 percent in the Colorado Springs metropolitan area.
- A decline in visitors to Colorado Springs caused lodging and rental car tax receipts to fall 70 percent from a year earlier (Colorado Springs Department of Finance). Also, sales and use tax revenues in Colorado Springs decreased 13 percent from a year ago, exceeding the statewide decline of 10 percent (Colorado Department of Revenue).
- Although sales tax collections were down, payrolls in the wholesale and retail trade sector in the metropolitan area were up by nearly 100 jobs, or 0.3 percent, from a year ago, in contrast to the statewide decline of 26,300 jobs, or 6.9 percent. The increase in the metropolitan area was also a reversal from the loss of 200 jobs, or 0.5 percent, a year ago, and reflected increased sales at building materials, grocery, and auto retailers, partly offsetting declines at hotels and restaurants (Colorado Springs Department of Finance).

The recent payroll declines in most nonfarm sectors were partly offset by an increase in the professional and business

services sector of 2,900 jobs or 6.2 percent. In 2018, Peterson Air Force Base was chosen as the interim location for the U.S. Space Command, contributing to private-sector payroll growth at defense contractors in the metropolitan area. Although a permanent base location will not be chosen until 2021 or later, the Air Force recently announced the Space Command will remain in the Colorado Springs area for at least 6 more years.

The decline in nonfarm payrolls in the Colorado Springs metropolitan area was less severe than the decline in the state or the nation.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Colorado Springs Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fort Carson Army Base	Government	34,400
U.S. Air Force Academy	Government	8,600
Peterson Air Force Base	Government	8,300

Notes: Excludes local governments and school districts. Employee totals are rounded and include civilian and military personnel. Sources: Colorado Springs Chamber and Economic Development Commission, as of March 2020

Sales Market Conditions

Despite the weaker economy in the metropolitan area, the home sales market remained slightly tight in the second quarter of 2020, easing from tight conditions during most of the past 5 years. Home sales were down in the second quarter of 2020, but it was partly due to a decrease in the available inventory. In June 2020, about 1,600 homes were listed for sale, down from 2,300 homes a year earlier (Pikes Peak Association of Realtors®). The

active listings in June 2020 represented a 0.8-month supply of homes for sale, down from a 1.2-month supply in June 2019. Approximately 20,400 new and existing single-family homes, condominiums, and townhomes sold in the metropolitan area during the 12 months ending June 2020, down less than 1 percent from the previous 12 months (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). Home sales

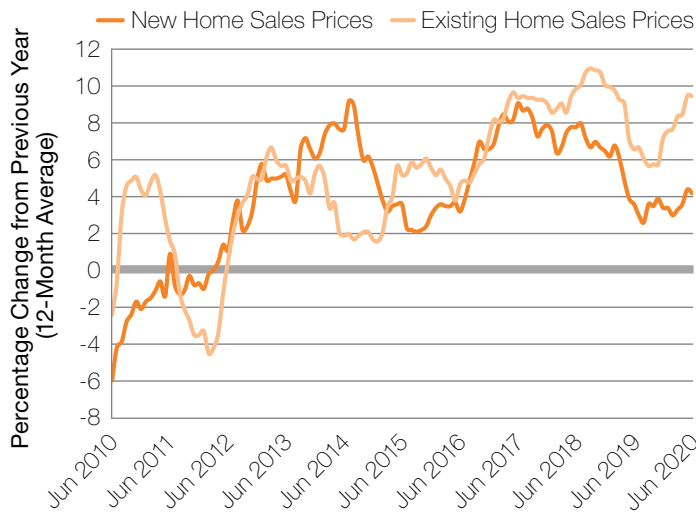
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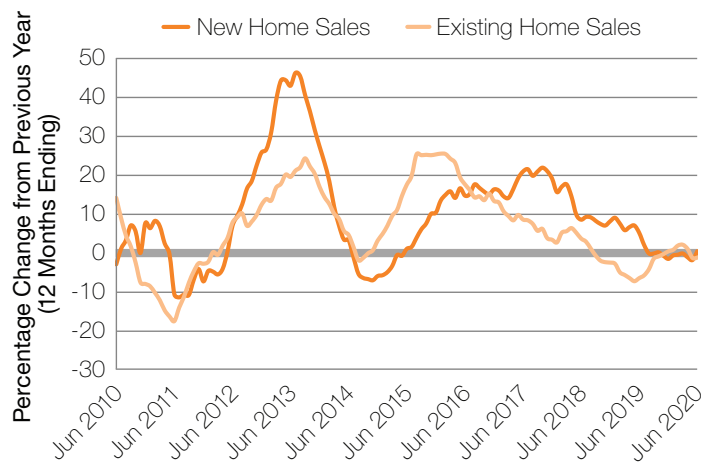
were increasing before the pandemic, and the decline in sales was entirely in recent months. In the second quarter of 2020, sales were down nearly 11 percent from a year earlier, to about 5,275 homes sold. Prices for new and existing homes in the 12 months ending June 2020 were up more than 8 percent from a year earlier, to approximately \$357,900, and prices in the second quarter of 2020 were also up more than 8 percent from a year earlier, to about \$373,200.

Home price increases in the Colorado Springs metropolitan area remained strong in the second quarter of 2020, especially for existing homes.



Note: Prices are for single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Despite strong demand since 2015, new and existing home sales were virtually flat in recent months in the Colorado Spring metropolitan area, in part due to a low for-sale inventory.



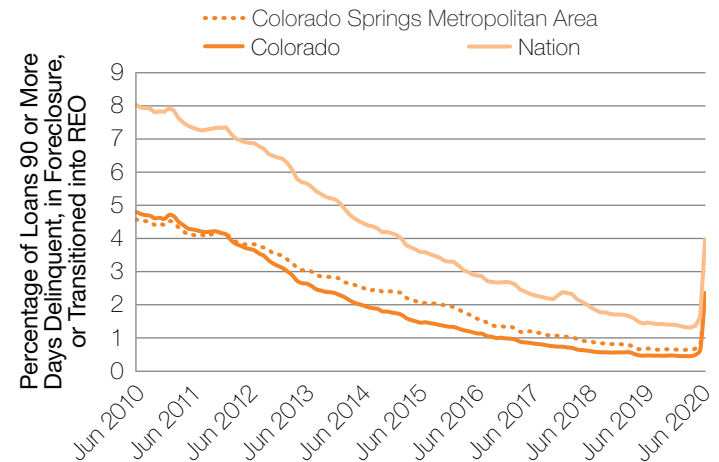
Note: Sales include single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Mortgage delinquencies increased recently, causing a jump in the overall rate of home mortgages that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status in the metropolitan area. The rate was 2.3 percent in June 2020, up from 0.7 percent a year earlier (CoreLogic, Inc.). The rate previously peaked in February 2010 at 4.9 percent, but it declined steadily in the past 10 years, reaching a low of 0.6 percent in January 2020. Rising home prices since 2010 contributed to increased owner equity and fewer underwater mortgages.

- During the 12 months ending June 2020, approximately 16,650 single-family homes sold in the metropolitan area, a number essentially unchanged from the previous 12 months, but sales of all other units, including townhomes and condominiums, were down nearly 3 percent, from about 3,850 to 3,750 homes sold (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).
- Single-family home prices averaged about \$378,300 in the 12 months ending June 2020, up nearly 8 percent from the previous 12 months, and townhome and condominium prices averaged \$273,400, up nearly 10 percent from a year earlier. Prices for new homes averaged about \$427,300, up 4 percent from the previous 12 months, whereas prices for existing homes averaged \$343,700, up more than 9 percent from a year earlier.
- The decline in home listings partly reflected fewer sellers willing to show their homes due to concerns about exposure to COVID-19; however, inventories had been declining before the pandemic, from a monthly average of about 2,375 homes in 2016 to an average of 1,950 homes in 2019 (Pikes Peak Association of Realtors®).

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The share of distressed mortgages in the Colorado Springs metropolitan area rose sharply in June 2020, but remained well below the national rate.



REO = real estate owned. Source: CoreLogic, Inc.



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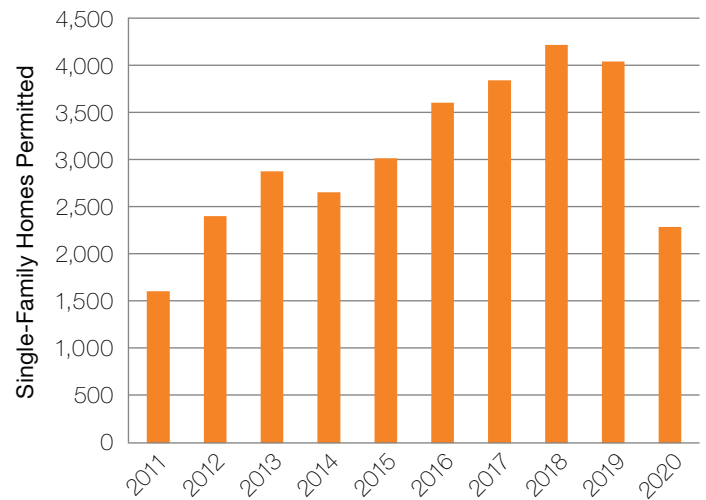
- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) included mortgage forbearance provisions for homeowners. In June 2020, the number of foreclosures in the metropolitan area was down 39 percent from a year earlier, but the number of delinquencies more than tripled, from about 500 to 1,700 mortgages that were delinquent 90 days or more (CoreLogic, Inc.).

Single-family construction activity was strong in recent years, averaging about 3,950 homes a year permitted from 2016 through 2019, up from 2,750 homes a year from 2012 through 2015, but building activity declined in recent months.

- Nearly 4,350 single-family homes were permitted in the metropolitan area during the 12 months ending June 2020, up more than 12 percent from a year earlier, but the increase was entirely before the pandemic. In the second quarter of 2020, about 1,125 single-family homes were permitted, down 7 percent from the second quarter of 2019.
- Social distancing required by COVID-19 led to fewer home showings, but vacant homes, including new homes, were less affected. New homes accounted for 18 percent of home sales in the second quarter of 2020, up from less than 16 percent a year earlier. About 940 new homes sold in the second quarter of 2020, up from 930 homes a year earlier, but in the same period, existing sales declined from nearly 5,000 to less than 4,350 homes sold.
- Many single-family subdivisions under construction in the second quarter of 2020 are in east or northeast Colorado Springs. The Enclaves at Mountain Vista, with 114 available

lots, offers three- and four-bedroom homes ranging in size from about 1,700 to 2,350 square feet, with starting prices ranging from about \$300,000 to \$408,000. Seasons at The Sands, with 276 lots, has two- to five-bedroom homes ranging in size from 1,425 to 3,050 square feet at starting prices ranging from \$321,000 to \$410,000.

Single-family home construction has been strong during the past 4 years in the Colorado Springs metropolitan area, but homebuilding decreased in the second quarter of 2020.



Note: Includes preliminary data from January 2020 through June 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

The apartment market in the Colorado Springs metropolitan area is balanced. Vacancies were up from a year ago in recent months, but the average rent also increased. The CARES Act passed by Congress in March 2020 contained provisions that helped sustain rental demand, including a 90-day eviction moratorium at some properties, and the extra \$600 a week paid to workers receiving unemployment benefits helped offset the impact of job losses on renter households. At stabilized market-rate apartment properties with 50 or more units, vacancies averaged 6.3 percent in the second quarter of 2020, up from 5.5 percent a year earlier (*Apartment Insights*). Apartment rents averaged \$1,158, an increase of nearly 5 percent from the second quarter of 2019.

- The apartment market was soft after the last recession, with the vacancy rate averaging nearly 8 percent in 2009, but vacancies subsequently declined, and by 2016 the market was tight, with the vacancy rate averaging 4.1 percent

(*Apartment Insights*). Vacancies then rose again, mainly due to new deliveries; from 2017 through 2019, completions averaged about 1,175 apartments a year, up from 650 units a year from 2012 through 2016. Market conditions in the Colorado Springs metropolitan area have been balanced since 2018.

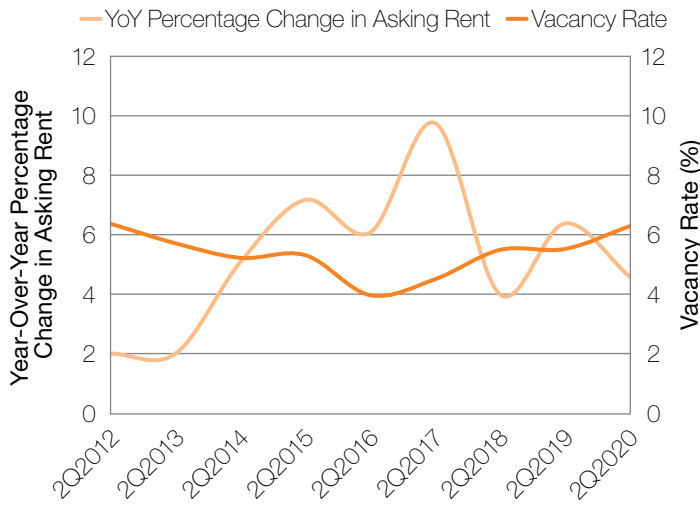
- The apartment vacancy rate in the second quarter of 2020 was highest in the *Apartment Insights*-defined Airport submarket at 11.9 percent, up from 5.9 percent a year earlier and 8.8 percent the previous quarter. The Security/Widefield/Fountain submarket, southeast of Colorado Springs near Fort Carson, had the lowest vacancy rate at 3.2 percent, down from 6.3 percent a year earlier and 5.8 percent in the preceding quarter.
- The North submarket had the most completions in the metropolitan area since 2012 and the highest average

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The apartment market has been balanced for the past 2 years in the Colorado Springs metropolitan area, and conditions remained stable in the second quarter of 2020.



2Q = second quarter. YoY = year-over-year.
Source: Apartment Insights

apartment rent in the second quarter of 2020 at \$1,310, up 3 percent from a year earlier. Rents were lowest in the North Central submarket, which includes downtown and surrounding neighborhoods, which had an average rent of \$909, up nearly 4 percent from a year earlier.

- At apartment communities in southern Colorado Springs near Fort Carson, rents tend to be influenced by the Department of Defense Basic Allowance for Housing (BAH), which in 2020 starts at \$1,377 for enlisted personnel without dependents or \$1,776 for those with dependents, and the BAH increases with rank. The BAH in 2020 was up nearly 12 percent from 2019. In the Apartment Insights-defined Southwest submarket, which includes Fort Carson, apartment rents in the second quarter of 2020 averaged \$1,270, up more than 8 percent from a year earlier, the fastest rent growth in all submarkets.

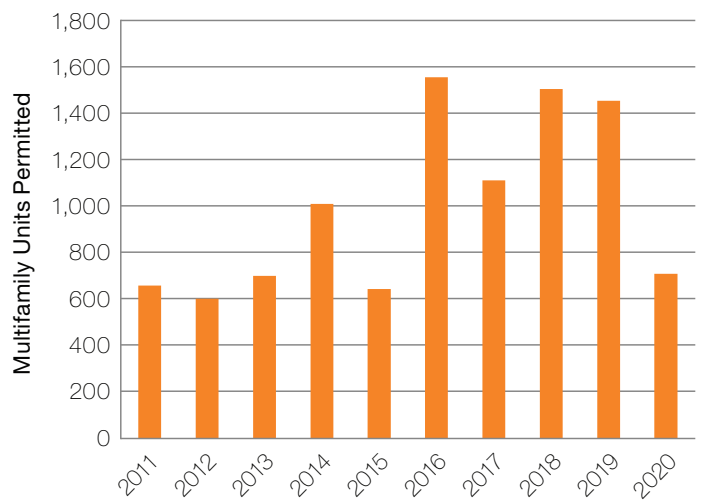
Multifamily permitting in the Colorado Springs metropolitan area was strong from 2016 through 2019, averaging more than 1,400 units a year, but building activity fell sharply in recent months.

- Approximately 1,075 multifamily units were permitted in the 12 months ending June 2020, a decrease of 225 units, or

17 percent, from a year earlier, with the decline mostly concentrated in recent months. In the second quarter of 2020, about 260 multifamily units were permitted, down by 250 units, or nearly 50 percent, from 510 units a year earlier.

- Nearly two-thirds of the recent construction was in the Apartment Insights-defined North submarket, which accounted for more than 4,500 of the 6,700 units completed from 2012 through 2019. Of the 2,975 units Apartment Insights reported as being under construction in the second quarter of 2020, nearly 60 percent were in the North submarket. Much of the job growth in recent years was in the northern parts of the metropolitan area; the North submarket is also nearest to job centers in the south part of the adjacent Denver-Aurora-Lakewood, CO metropolitan area.
- The 288-unit apartment complex, FalconView, located in the North submarket, opened in 2019 and is currently leasing up; the property is 77 percent occupied as of the second quarter of 2020. The asking rents (not including lease-up concessions) range from \$1,399 to \$1,499 for one-bedroom units; from \$1,699 to \$2,299 for two-bedroom units; and from \$2,449 to \$2,534 for three-bedroom townhome units.

Multifamily construction was strong in the Colorado Springs metropolitan area from 2016 through 2019, but permitting of additional units declined in 2020.



Note: Includes preliminary data from January 2020 through June 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

