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Analysis of the Colorado Springs, Colorado Housing Market

As of April 1, 2003

ECONOMIC RESEARCH

U.S. Department of Housing and Urban Development

Foreword

This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing conditions and trends. The analysis does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals that may be under consideration in a particular locality or the housing market area.

The factual framework for this analysis was developed by HUD's Economic and Market Analysis Division as thoroughly as possible on the basis of information available on the "as-of" date from both local and national sources. As such, they may be modified by subsequent developments. We wish to express our appreciation to those industry sources and government officials who provided data and information on local economic and housing market conditions.

This analysis takes into consideration changes in the economic, demographic, and housing inventory characteristics of the market area during three periods: 1990 to 2000, 2000 to the as-of date of the analysis ("Current date"), and from the Current date to a "Forecast date." The analysis presents counts and estimates of employment, population, households, and housing inventory as of the 1990 and 2000 Censuses, the Current date, and Forecast date. For the purposes of this analysis the forecast period is 24 months.

The prospective demand expressed in the analysis should not be construed as a forecast of building activity; rather, it presents the prospective housing production that would maintain a reasonable balance in demand-supply relationship given the market's condition on the as-of date of the analysis. This analysis was prepared by Mr. George H. Antoine, Economist in the Denver Regional HUD Office, based on fieldwork conducted in March 2003. If there are questions regarding the findings and conclusions of the analysis, he may be reached at (303) 672–5289 and at George_H._Antoine@hud.gov.

Housing Market Area

The Housing Market Area (HMA) is defined as the Colorado Springs Metropolitan Statistical Area (MSA), which consists of El Paso County, Colorado. El Paso County is in the east central portion of Colorado, approximately 70 miles south of Denver. Its boundaries include the foothills and mountainous areas of Pikes Peak to the west and flat rangelands to the east. Colorado Springs is the largest municipality in El Paso County, accounting for an estimated three-fourths of the county's population. The city is the economic and service center for much of southern Colorado. Smaller towns in the county include Monument and Palmer Lake to the north; Security, Widefield, and Fountain to the south; and Manitou Springs, Cascade, and Green Mountain Falls to the west.

Summary

In 2002 the 12-year boom ended that made the HMA one of the fastest growing economies in the nation. The period from 1990 through 2000 was marked by rapid growth in advanced technology industries, computers and information, new firms moving to the area, and employment growth averaging 4.6 percent annually. With the onset of the national recession in 2001 and continued weakness in the advanced technology sector in 2002, many of the same firms that brought rapid growth in the 1990s announced closures and layoffs. However, there have been signs of a turnaround with increased defense spending in the area. Although the outlook over the next few years is for improvement, the temporary deployment of nearly 12,000 Army personnel to the Middle East could constrain civilian job growth over the next 12 months.

With prospects for an improved U.S. economy and new businesses locating to the area, growth will be small but positive over the first year before achieving a modest level by the second year of the forecast period. Accordingly, average annual growth in population and households during the 2-year forecast is expected to be less than that during the 1990 to 2000 and 2000 to Current periods.

Single-family construction has dominated activity since 2000, contributing to a significant increase in the homeownership rate to 67.6 percent as of the Current date. Single-family production is concentrated on the city's north and eastern edges with some spillover into adjacent unincorporated areas. Multifamily building permit activity reached its highest levels in 10 years in 2001 and 2002, but has been cutback recently. Nearly all of the HMA's multifamily building occurred within the city limits and mostly in the north submarket.

Conditions in the area's housing markets are mixed. The market for new homes is generally balanced except for some softness in the higher-end recently. Both the new and existing markets have been supported by low interest rates. The rental market is soft; rents have declined and vacancy rates are into the double digits. The significant increase in homeownership as a result of low interest rates and the large volume of new apartments coming online have contributed to the current conditons. The bulk of the

multifamily units permitted in 2002 will come online over the next 12 months. As a result occupancy rates are expected to continue to fall and rents will remain flat.

Demand for new homes is forecast at 6,300 units during the 2-year forecast period, approximately 60 percent of the average annual production between 2000 and the Current date. This level of construction is consistent with a slight surplus in the current inventory and anticipated slower household growth. Most of the demand will be for affordable and moderately priced homes. While there will be demand for new rental housing during the forecast period the number will not be sufficient to support construction of additional units. It is estimated that there are more than 2,400 excess vacant rental units in the HMA and another 1,700 units currently under construction. As a result the market is not expected to achieve a reasonable balance between supply and demand until sometime after the forecast period. Any further activity will only result in lengthening the adjustment period.

Economy of the Area

The Colorado Springs economy is based largely on military activity, defense research, and contracting. Although defense spending still exerts a major influence on the local economy its impact is less than it was 10 years ago. Growth in advanced technology manufacturing, information and computer services, nonprofit organizations, and tourism have contributed toward a diversifying economy. Major private sector employers with more than 1,000 employees include Agilent Technologies, Atmel, Checks Unlimited, Hewlett-Packard, Intel, MCI Communications, and the United States Automobile Association. Data on labor force, total employment, and nonfarm employment trends are presented on Tables 1 and 2.

The HMA contains four large military installations. In total these installations account for approximately 35,100 military and military-connected civilian personnel, a level that has held steady for several years (see Table 3). This excludes all civilian non-appropriated funded (NAF) and contract personnel working at the bases, which are estimated to total 8,500; and additional defense contractors in the HMA, not assigned to an installation, estimated to total 6,000. The four installations are:

- ♦ Peterson Air Force Base (AFB), home to the 21st Space Wing and Air Force Space Command, which monitors U.S. military surveillance satellites and operates land-based sensors that can detect ballistic missile launches; the North American Aerospace Defense Command (NORAD) at Cheyenne Mountain Air Station, which provides surveillance and control of the North American air space; the 302nd Airlift Wing, a U.S. Air Force Reserve unit of C-130H aircraft; and the new Northern Command of the Homeland Security. In total there are 8,200 military and military-connected civilian personnel. Strength levels at the installation are expected to increase slightly during the next few years with the continued buildup in homeland security and space operations.

- Shriever AFB, home to the 50th Space Wing, a component of the Air Force Space Command, which is responsible for the command and control of Department of Defense (DoD) and Air Force satellites. There are 2,700 military and military-connected civilian personnel stationed at the base.

- The U.S. Air Force Academy, established in 1958 to provide cadet instruction and training for potential career officers in the Air Force. There are a total of 3,700 military and civilian personnel stationed at the academy. This excludes the approximately 4,000 cadet trainees that reside in dormitories located at the academy. Personnel and cadet strength at the academy are expected to remain stable over the next few years.

- Fort Carson Army Base (AB) is currently home to the 3rd Armored Cavalry Regiment, 3rd Brigade, and 10th Special Forces Group. The 3rd Armored Cavalry Regiment and 3rd Brigade are mechanized and rapid deployment units using M1A1 Abrams tanks and M3A2 Bradley Fighting Vehicles. The 10th Special Forces Groups mission is to conduct combat, unconventional warfare, special reconnaissance, and foreign internal defense operations. There are presently approximately 14,600 military and 2,000 civilians stationed at the base. The recent deployment of nearly 12,000 of these personnel has been mitigated by the deployment to the base of more than 4,000 National Guard and Army reservists. The reservists are operating base functions or serve as backup support to units already deployed.

The Colorado Springs Economic Development Corporation (EDC) estimates that total direct and indirect payroll impact of the four installations is $2.6 billion annually, or 30 percent of all wages in the HMA in 2001. While the military impact remains significant it is expected to continue to decline as the civilian economy grows and diversifies.

The most recent period of economic expansion in the HMA began in the early 1990s when Apple Computer and MCI Communications located in the area and ended with the recession in 2001. The robust economic growth of the 1990s continued into 2000 largely due to the strength of the advanced technology industry, residential and commercial construction, and a buildup in the trade and service sectors. Colorado Springs became a software center, ranking among top areas in the nation in software jobs per capita. Trade and service employment also increased rapidly with the construction of new shopping centers, arenas, and hotels.

Between 1990 and 2000 nonfarm employment grew an average of 4.6 percent a year and the unemployment rate reached a decade low of 2.6 percent in December 2000. The fast growth ended abruptly in 2001 when the computer and information industries, as a result of over-capacity and weak demand, began to layoff workers and close plants. In 2001 and 2002 an estimated 8,000 workers (6,000 employed in advanced technology) in more than 80 different companies lost their jobs. Total nonfarm employment registered a small gain in 2001 but declined by 1.6 percent in 2002. Professional and business services, manufacturing, and information sectors were most affected.

Colorado Springs EDC estimates that the average wage lost due to layoffs was $53,600 compared with the overall average of $34,400 in the HMA. Therefore, the impact on the HMA has been greater than just the loss of jobs.

Increased defense spending in the HMA has helped offset some of the recent job loss. The Northern Command of Homeland Security opened in November 2002 at Peterson AFB and will eventually employ 500 to 1,000 military and civilian personnel. Additionally, local defense contractors—Boeing, Honeywell, ITT Industries, and Lockheed Martin—received billions of contracts from DoD for the upgrade of the military satellite network, radar systems, and missile defense initiatives, primarily at Peterson AFB, Cheyenne Mountain Air Station, and Shriever AFB. Despite these expansions the actual number of military and civilian personnel at these installations has increased only slightly due to other offsetting reductions.

For the 12-month period ending in March 2003 total nonfarm employment declined by 0.9 percent compared with the period 1 year earlier. This does represent an improvement compared to the 1.6-percent decline in employement recorded for 2002. During the most recent 12-month period the average unemployment rate increased from 5.3 percent to 6.4 percent, while resident labor force increased by 2.2 percent. This suggests that many unemployed workers are still actively looking for work in the area even as new entrants join the labor force. The outlook for the economy of the Colorado Springs HMA during the next few years is mixed. Most of the major layoffs and closures in high technology firms have already occurred, but the continued deployment of an estimated 12,000 Army personnel to the Middle East will impact local businesses that serve the population of Fort Carson. New companies moving into the area and expansions by existing firms will help offset some of the potential impact. One example is Progressive Insurance Company, which broke ground on a sales and service call center that is scheduled to employ 1,700 workers by some time in 2004. ICT Group is adding 500 jobs to its local call center and several small defense contractors and advanced technology companies have announced plans for relocation to the HMA. Colorado Springs' amenities will continue to attract tourists and retirees, and its lower costs of business and skilled workforce are positive factors. However, prospective growth in the economy will hinge largely on the national economic recovery. Based on these factors employment growth is forecast to total 9,000 jobs during the 24-month period with the bulk created in the latter half of the period.

Household Incomes

Since 2000 annual increases in area incomes have not been as great as during the period from 1990 to 2000. The slowdown is the result of the loss of high paying jobs. According to HUD's Economic and Market Analysis Division the median family income (MFI) in the Colorado Springs HMA was estimated to be $59,700 in 2003, a 3.1-percent average annual increase since the 2000 Census. Between 1990 and 2000 the average annual rate of increase in the HMA was 4.2 percent.

Population

The trends in population from 1990 through the Forecast date are presented in Table 4. The population of the Colorado Springs HMA is estimated to be 546,100 persons as of April 1, 2003. This represents an average annual increase of 9,730 persons, or 1.8 percent since 2000. From 1990 to 2000 population grew an average of 11,992 persons a year or 2.7 percent. Net in-migration accounted for 57 percent of the gain. An estimated 70 percent of the in-migration during the decade occurred between 1992 and 1996 as a result of the rapidly expanding local advanced technology sector that attracted workers and families from other areas.

The slower population growth since 2000 is due to the slower economy. This decade began with strong employment growth and continued high levels of net in-migration. However, with the slowdown in the economy in 2001 in-migration declined. From 2000 to the Current date average annual in-migration has declined by one-third compared with the previous period. The average annual increase in population due to in-migration is now less than the population gains from net natural increase. Based on the level of economic growth forecast, in-migration anticipated during the period, and the expected stability of net natural increase, population growth will continue to be moderate during the first year of the forecast period. As the economy begins to recover in-migration will increase in the second year of the forecast but will remain well below the average recorded during the prior decade. As of the Forecast date the population of the HMA is expected to increase to 562,300 persons.

With the continued increases in the overall population in the HMA the proportion of military and military-connected civilians and their dependents has declined steadily for a number of years. As of the Current date military, military-connected civilians, and their dependents numbered an estimated 78,000, or more than 14 percent of the total population. This is down from an estimated 20 percent as of 1990 and 15 percent as of 2000. The total number of military personnel, military-connected civilians, and their dependents is expected to remain stable. However, as a percent of total population it will continue to decline as the civilian population grows.

Households

The trend in growth in the number of households in the Colorado Springs HMA parallels the changes in the area's population during the past 13 years. There are a total of 206,900 households currently in the HMA. This represents an increase of 4,820 households a year since 2000 or 2.4 percent a year, compared with 2.7 percent recorded between 1990 and 2000. Most of the household growth has been in the subdivisions in northeast Colorado Springs, north to the unincorporated areas near Monument, and in eastern El Paso County near Shriever AFB.

Because of the stability at the military installations in the HMA the number of military and military-connected civilian households has changed little since 1990. As of the Current date it is estimated that there are more than 18,600 military and military-connected civilan households in the market area, or more than 11 percent of all households. This compares with an estimated 18 percent of households in 1990 and 13 percent in 2000. These counts do not include NAF employees, defense contractors, and retired military households. Nearly three-fourths of military households live off base in the civilian housing market. The ratio of military personnel living on base has remained stable despite the increase in on-base housing. Households formed by single persons living off base have offset any reductions in the civilian housing market due to military family households moving on base.

As with population growth household growth will also be slower during the forecast period. Total households will grow at an average of 3,600 or 1.7 percent a year. Households will grow slightly faster than the population because of a continued decline in household size. Military-connected households as a percent of total household will also continue to decline.

Housing Inventory

As of 2000 the housing inventory in the HMA totaled 202,428 units, an average annual increase of 3,737 units, or 2 percent since the 1990 Census. Sixty percent of the total gain occurred in the second half of the period. The rate of additions to the inventory continued to increase from 2000 to the Current date when an estimated 6,120 units, or 3 percent were added annually. There are currently 220,800 housing units in the HMA. The trends in building permit activity from 1992 through April 1, 2003 are presented in Table 6.

The significant overbuilding during the 1980s contributed to the low level of single-family building permit activity at the beginning of the 1990s. Single-family permit activity picked up dramatically in 1992 and 1993 as the economy began to recover, growing steadily with the rapid growth in employment and strong demand from new households moving to the HMA. The decade high was reached in 1999 when permits were issued for 4,587 homes. From 2000 to the Current date single-family permit activity continued to increase, peaking at 5,250 homes in 2001. Activity in 2002 was down but still high compared with average annual volume during the previous decade. Much of the single-family development has occurred in northeast Colorado Springs in subdivisions such as Briargate, Norwood, Northgate, Stetson Hills, Ridgeview, and Springs Ranch.

Manufactured homes as a part of the housing inventory have increased steadily since 1990. There were 1,776 manufactured homes added to the housing inventory between 1990 and 2000. There are currently an estimated 8,500 manufactured homes within the HMA. A majority of the homes are located outside of Colorado Springs because of a lack of available lots within the city limits.

Multifamily construction in the Colorado Springs HMA has been highly cyclical over the past three decades, with boom years and overbuilding followed by significant declines. The long adjustment period (nearly 10 years) before the next building cycle begins reflects the extent of overbuilding relative to household growth. The most recent cycle, from 1995 to the end of 2002, has not been as severe as previous ones. In contrast to the earlier periods building activity was spread out over an 8-year period, and with approximately 11,000 units added to the inventory the recovery period will not be nearly as long. The recent multifamily building cycle began in 1995 with permits issued for 1,420 units. Construction activity continued at a strong pace, averaging 1,225 units annually between 1996 and 1999. Developers, looking at high rents and low vacancy rates continued to move forward on projects based on growth projections. In 2001 and 2002 multifamily building permit activity was the highest since boom years of the mid-1980s. The multifamily permit activity totaled 1,859 units in 2001 and 1,907 in 2002. The continued high volumes of construction and the slowdown in the economy have resulted in softening conditions. Builders recently responded to the weaker market by postponing starts, and multifamily permit activity during the first 3 months of 2003 is down 50 percent. Although there are few projects in the planning pipeline there are more than 1,700 apartment units, permitted in 2001 and 2002, under construction and scheduled to enter the market over the next 12 months.

Availability of developable land will not be an impediment to Colorado Springs’ future growth. The 26,000-acre Banning Lewis Ranch project on the city’s east side, currently undeveloped, could contain as many as 70,000 housing units and 71 million square feet of commercial space. A phase I residential development on the ranch’s north side is expected to begin by next year. Other subdivisions already under development in other areas of the city, including Briargate, Stetson Hills, and Springs Ranch, have thousands of undeveloped acres. Plans for revitalization of areas downtown and south of the downtown area are already in progress, potentially adding up to 2,000 housing units. The city estimates that land already in the city limits is sufficient for 40 years of residential and commercial absorption before further annexations are needed.

Housing Vacancy

Strong economic growth and affordable housing costs in the HMA have led to a significant increase in homeownership since 1990. In 1990, 57.4 percent of all households in the HMA were owners. By 2000 the homeownership rate had increased to 64.7 percent. From 2000 to the Current date the rate increased to an estimated 67.6 percent. Much of the shift in tenure in both the 1990 to 2000 and 2000 to Current periods reflects continued low interest rates and the ability of builders to construct homes at prices to meet the growing demand.

As a result of robust demand for homes vacancy rates declined dramatically from 4.4 percent in 1990 to 1.3 percent in 2000. The rental rate also declined from 13.4 percent to 6.0 percent. From 2000 to Current date builders responding to the tight market conditions increased production of new homes and apartments. The increased activity in the sales market pushed the vacancy rate up to a more balanced 1.6 percent. The slower economy and relatively high construction volume in multifamily housing had the result of increasing the rental vacancy rate to 10 percent. As of the Current date there are estimated to be 2,280 vacant sales units and 7,440 vacant rental units in the HMA.

Military Housing

Based on information from local DoD personnel at the installations, the current inventory of military permanent party housing is as follows:

	Number of Units	
	Group Quarters (a)	Family Housing
Peterson AFB	720	490
USAF Academy	4,500	1,230
Fort Carson AB (b)	5,100	2,670
Shriever AFB	0	0
Total	10,320	4,290

(a) Excludes personnel in temporary quarters.
(b) Includes the addition of 840 new family units.

Until the recent construction at Fort Carson AB the family housing inventory has been stable since the 1960s. Fort Carson AB benefited from DoD's Military Family Housing Privatization Initiative and in 1999 became the first Army installation to privatize its entire inventory of on-post housing units. This includes the renovation of 1,830 existing units and the construction of 840 new units scheduled for completion by 2004. The demand for on-base family housing is strong because of financial advantages and the conveniences of an on-base location. There are between 3,000 to 4,000 personnel on waiting lists for on-base housing. The number of on-base group quarter beds has declined by nearly 5,000 since 1990 because of demolition of obsolete structures and conversions of barracks to single-room occupancy units. In additon, a new military policy allowing single noncommissioned officers to live off base has decreased the need for dormitory beds.

Sales Market Conditions

The relative stability in the sales market, despite a large volume of building, has been helped by the continued low interest rates. The sales market has become more balanced in recent years. Amid increased housing production and a slower economy market conditions cooled off over the past few years compared to the tight conditions of the past decade. From 1990 to 2000 average sales price for an existing single-family home increased at an average annual rate of approximately 7 percent. During the same period sales volume more than doubled. Double-digit price increases were recorded early in the decade in 1993 and 1994. Since then the market recorded steady increases in average sales price and sales activity leveled off by the end of the decade. Starting in 2001 construction volume began meeting and then slightly exceeding demand, resulting in more balance to the market. Sales in the 12 months ending March 2003 totaled 9,723 homes, an increase of 1.0 percent compared with the same period a year earlier. With conditions more balanced price increases have been lower. The average sales price for an existing home for the period was $209,400, or 2.9 percent over the comparable period 1 year earlier.

The number of active single-family listings as of the Current date totaled 4,325 homes, up 30 percent from 1 year earlier. This represents 5.3 months supply of homes versus 4.0 recorded 1 year ago. Homes within or near the city limits sell quicker compared with homes in the outlying areas to the north or east of the city. Also, higher priced homes remain on the market longer. Homes priced for more than $400,000 have more than a year's supply of inventory compared with a 4- to 5-month supply for homes priced for less than $180,000. Active listings for townhouses and condominiums total only 627 units, but are up 60 percent from 1 year ago. Much of the increase is due to investors putting their condominium rentals on the market. The weakened rental market has proved to be an unwelcome reality check for many owners.

Builders report some slowing of new sales but the inventory of speculative unsold finished homes remains in balance. David Bamberger & Associates reported in an April 2003 study that builders are shifting production from more expensive products to the entry-level and standard price ranges under $230,000. Seventy percent of the new home sales in 2002 were at or below $230,000 compared with 50 percent in 2001. The next most popular price range, with a 20-percent market share, was move-ups priced from $230,000 to $430,000. Luxury homes prices over $430,000 accounted for only 5 percent. The same report points out that single-family lot production has been difficult for the small volume builders, and this could limit production in 2003 and 2004.

Rental Market Conditions

The 1990 to 2000 period began with an overbuilt rental market and ended with tight market conditions. Strong employment growth and new households quickly absorbed the surplus units available in 1990. Extremely tight conditions resulted in double-digit rent increases from 1993 to 1995. With the increase in production of new units conditions became more balanced from 1996 to 1998 before tightening again by 2000.

From 2000 to the Current date the rental market has gone from tight to soft conditions. The rental market reversed course due to the slower economy, a significant movement of renters to homeownership as a result of low interest rates, and the large volume of new apartment units coming on line. Of the five major submarkets in the HMA four registed double-digit apartment vacancy rates. The highest vacancies were found in the far south market and the lowest in the central submarket. There are an estimated 2,400 excess vacant rental units in the HMA as of the Current date.

The far south submarket includes the cities of Security, Fountain, and Widefield. This normally tight market has been impacted by the recent troop deployments, as were the southeast and southwest submarkets. The north submarket where layoffs in advanced technology and a high volume of the recent new construction is concentrated recorded the second highest vacancy rate. Nearly 70 percent of the apartment units added in the HMA since 1995 are located in this area. The average rent for a recently completed twobedroom/two-bath unit in this submarket is approximately $1,150. However, with rent concessions, often as high as 3 months free rent, the actual rents are much lower. Although highly competitive the central submarket, which has had little new construction, recorded the lowest vacancy rate.

Tax credit and Resolution Trust Corporation (RTC) financing have added to the HMA's affordable housing stock. RTC properties were acquired following the collapse of the savings and loan industry in the late 1980s and early 1990s. In total there are 770 units in 18 different properties that are affordable to households earning 50 and 60 percent of median income. This inventory of affordable housing was increased when construction of tax credit-financed developments began in the HMA. Since 1995 more than 1,400 tax credit units in 15 different projects have been added to the market, bringing the total income-restricted inventory to 2,200 units. Nearly 80 percent of the RTC and tax credit developments are targeted to households with income of 60 percent of the area's median income.

With the slower economy the market for tax credit and RTC units has also weakened, especially at the 60 percent level, but not to the degree in the general market. In response to lower rents in the general rental market 60 percent of projects have had to lower rents to be competitive. Conversely, the market for tax credit and RTC projects that target the 50-percent or lower households remains tight.

While overall rental market conditions have weakened the market for federally assisted rent subsidized units has strengthened. As of April 1, 2003, there are approximately 4,500 units available to income-qualified family and elderly households that receive federal subsidy. Waiting lists for public housing, vouchers, and Section 8 projects have doubled to an estimated 5,000 since the economic downturn began.

Forecast Housing Demand

Based on anticipated household growth, replacement needs, and the current market conditions there is a demand during the 2-year forecast period for approximately 6,300 new housing units, or an annual demand of 3,150. All of this demand will be for sales housing units with the majority of the demand in single-family detached homes. It is expected that 10 to 15 percent of the demand will be met by manufactured homes, townhouses, and condominiums. The annual volume of owner demand forecast is slightly below the average annual permit activity for the 1990 to 2000 period and 40 percent below the average for the 2000 to Current period. This lower level of demand reflects the slight surplus of housing in the market currently and the prospects for slower household growth. It is anticipated that much of the demand for detached homes, townhouses, and condominiums will be for properties priced at $180,000 and below.

The demand for new nonsubsidized rental housing during the forcast period will be met by the 2,400 surplus vacancies currently available in the market and the 1,700 units now under construction. Production of new market-rate rental units would not be needed to meet demand for the next 2 years and perhaps beyond. While some improvement is expected by the second year of the forecast period a return to a balanced market will not occur until after April 1, 2005. There is a strong likelihood that surplus rental units and soft market conditions will remain at the end of the forecast period.

The time needed to return to a balanced market depends on the strength of the economic recovery and mortgage interest rates. Although the Colorado Springs rental market is now in a down cycle it is not nearly as severe as during the building cycles of the 1970s and 1980s. Nevertheless, the need to limit rental production will likely persist until after the forecast period.

Table 1

Labor Force and Total Employment

Colorado Springs HMA

1992 to April 1, 2003

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Prior 12 Mos.	Current 12 Mos.
Labor Force	196,558	205,655	220,480	233,319	238,469	245,076	253,663	258,815	268,188	272,297	279,833	274,603	280,510
Total Employment	182,482	192,649	209,792	222,573	227,408	236,175	242,318	250,226	259,535	260,140	261,479	259,916	262,535
Total Unemployment	14,076	13,006	10,688	10,746	11,061	8,901	11,345	8,589	8,653	12,157	18,354	14,687	17,975
Rate (%)	7.2	6.3	4.8	4.6	4.6	3.6	4.5	3.3	3.2	4.5	6.6	5.3	6.4

Source: Colorado Department of Labor and Employment

Table 2

Nonfarm Employment

Colorado Springs HMA

1992 to April 1, 2003

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Prior 12 Mos.	Current 12 Mos.
Total	166,100	176,000	185,300	197,400	208,200	217,500	224,000	234,300	242,500	244,500	240,500	242,800	240,600
Construction and Mining	7,600	8,800	9,400	10,200	11,700	12,100	12,900	13,700	15,400	15,900	15,200	15,600	15,100
Manufacturing	19,100	20,400	21,300	23,200	23,400	24,700	24,900	24,700	25,300	25,200	22,400	24,300	22,200
Trade, Transportation, and Utilities	26,800	27,500	29,000	31,100	34,600	35,800	34,900	36,500	37,800	38,300	38,000	38,200	37,900
Information	5,400	5,600	6,300	6,700	7,000	7,200	8,700	10,400	12,300	14,200	12,600	13,900	12,300
Financial Activities	9,300	10,200	10,500	11,100	11,800	12,900	14,000	15,000	15,300	15,300	16,300	15,600	16,400
Professional and Business Services	20,800	23,900	26,000	28,400	29,900	32,800	34,800	38,100	38.400	34,600	33,200	34,000	33,300
Education and Health	18,500	19,100	19,600	20,500	21,400	22,000	21,400	20,700	20,800	21,800	22,500	21,900	22,600
Leisure and Hospitality	19,900	20,400	21,600	23,300	24,600	24,700	25,100	25,900	26,400	26,600	26,500	26,400	26,500
Other Services	8,500	8,900	9,300	9,900	10,000	10,500	11,300	12,200	13,100	13,700	13,900	13,800	14,000
Public Administration	30,200	31,300	32,400	33,100	33,800	34,800	35,900	36,900	37,700	38,700	40,000	39,100	40,300
Total Percent Change (%)	NA	6.0	5.3	6.5	5.5	4.5	3.0	4.6	3.5	0.8	–1.6	NA	–.09

Notes: NA = Not available.
Numbers may not add up to totals due to rounding.

Source: Colorado Department of Labor and Employment

Table 3

Military and Military-connected Personnel

Colorado Springs HMA

October 1, 1990 to April 1, 2003

	Colorado Springs HMA		
	Military Strength[a]	Civilian Employment[b]	Total
1990	28,828	5,853	34,681
1991	31,943	6,036	37,979
1992	31,016	6,267	37,283
1993	32,054	6,159	38,213
1994	31,044	6,552	37,596
1995	30,565	6,592	37,157
1996	30,958	6,590	37,548
1997	29,348	6,229	35,577
1998	28,426	6,131	34,557
1999	28,968	6,097	35,065
2000	29,010	6,220	35,220
2001	29,218	5,995	35,213
2002	29,817	5,902	35,719
2003–Current	29,200	5,900	35,100

Notes: [a] Excludes military reservists and temporary duty personnel.
[b] Does not include nonappropriated funded and contract personnel.

Sources: Pikes Peak Area Council of Governments
Economic Development Corporation
Current—Estimate by Analyst

Table 4

Population and Household Trends

Colorado Springs HMA

April 1, 1990 to April 1, 2003

	April 1, 1990	April 1, 2000	Current Date	Forecast Date	Average Annual Change: 1990 to 2000 Number	1990 to 2000 Rate (%)	2000 to Current Number	2000 to Current Rate (%)	Current to Forecast Number	Current to Forecast Rate (%)
Population										
Colorado Springs HMA	397,014	516,929	546,100	562,300	11,992	2.7	9,733	1.8	8,100	1.5
Households										
Colorado Springs HMA	146,965	192,409	206,900	214,100	4,544	2.7	4,816	2.4	3,600	1.7

Note: Rate of change calculated on a compound basis.

Sources: 1990 and 2000—U.S. Census Bureau
Current and Forecast—Estimates by Analyst

Table 5

Housing Inventory Tenure and Vacancy

Colorado Springs HMA

April 1, 1990 to April 1, 2003

	Colorado Springs HMA		
	1990	2000	Current
Total housing inventory	165,056	202,428	220,800
Occupied units	146,965	192,409	206,900
Owners	84,318	124,433	139,900
%	57.4	64.7	67.6
Renters	62,647	67,976	66,950
%	42.6	35.3	32.4
Vacant units	18,091	10,019	13,930
Available units	13,561	6,002	9,710
For sale	3,887	1,628	2,280
Rate (%)	4.4	1.3	1.6
For rent	9,674	4,374	7,440
Rate (%)	13.4	6.1	10.0
Other vacant	4,530	4,017	4,220

Note: Numbers may not add up to totals due to rounding.

Sources: 1990 and 2000—U.S. Census Bureau
Current and Forecast—Estimates by Analyst

Table 6

Residential Building Permit Activity

Colorado Springs HMA

1992 to April 1, 2003

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003[a]
Total	2,855	3,710	3,803	4,758	5,445	4,604	5,214	5,941	6,286	7,111	6,813	1,223
Single-family	2,851	3,625	3,620	3,338	4,064	3,514	4,213	4,587	4,976	5,252	4,906	1,040
Multifamily[b]	4	85	183	1,420	1,381	1,090	1,001	1,354	1,310	1,859	1,907	183

Notes: [a] Permits issued January 1, 2003 through March 31, 2003.
[b] Multifamily permits include all structures with two or more units excluding townhouses.

Source: Pikes Peak Regional Building Department