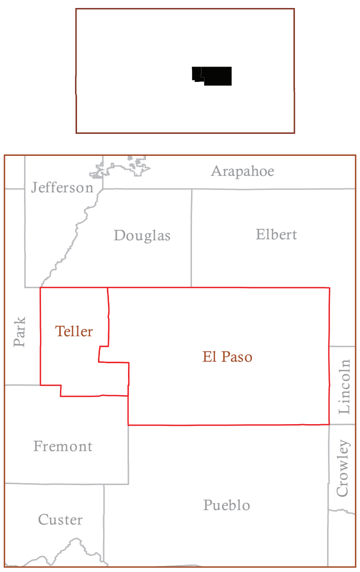
Colorado Springs, Colorado

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of May 1, 2011

PD&R

Summary

Housing Market Area



The Colorado Springs Housing Market Area (HMA), located 60 miles south of Denver, includes El Paso and Teller Counties. The city of Colorado Springs is the economic and service center for the HMA and much of southern Colorado. Large military installations in the HMA—Fort Carson Army Base (AB), Peterson Air Force Base (AFB), Schriever AFB, North American Aerospace Defense Command, and the U.S. Air Force Academy—significantly affect the local economy and housing markets.

Market Details

Economy

After growing by an average annual rate of 1.7 percent from 2003 to 2007, nonfarm payrolls in the Colorado Springs HMA began to decline in 2008. During the 12 months ending April 2011, nonfarm payrolls decreased by 800 jobs, or 0.3 percent, to an average of 246,000 jobs compared with the previous 12 months, when payrolls decreased by 3.5 percent. Government employment, primarily at the federal level, accounts for nearly 20 percent of local jobs. Increased troop levels in the HMA are expected to result in average employment growth of 1.1 percent during the next 3 years.

Sales Market

The sales housing market conditions in the HMA are soft, with a current estimated vacancy rate of 2.7 percent. During the 3-year forecast period, demand is expected for approximately 9,350 new homes in the HMA (see Table 1). A portion of the estimated 9,000 other vacant units in the HMA may reenter the sales housing market and satisfy some of the forecast demand.

Rental Market

The rental housing market is nearly balanced, with an estimated vacancy rate of 6.6 percent as of May 2011, and average rents increased by approximately 3 percent from a year ago. Apartment construction has remained relatively low since 2003, averaging 280 new units a year. Demand is expected for 2,150 new rental units in the HMA during the 3-year forecast period (see Table 1).

Table 1. Housing Demand in the Colorado Springs HMA, 3-Year Forecast, May 1, 2011 to May 1, 2014

	Colorado Springs HMA	
	Sales Units	Rental Units
Total Demand	9,350	2,150
Under Construction	50	0

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of May 1, 2011. A portion of the estimated 9,000 other vacant units will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

Nonfarm payroll job levels in the Colorado Springs HMA continued a 3-year decline during the past 12 months, although at a much slower pace. Nonfarm payrolls decreased by 800 jobs, or 0.3 percent, to an average of 246,000 jobs during the 12 months ending April 2011 compared with the previous 12 months, when payrolls decreased by 8,900 jobs, or 3.5 percent. Nonfarm payrolls increased by an average of 4,375 jobs, or 1.8 percent, annually from 2004 to 2007, following a 1.4-percent decline in 2003 due to a decrease in manufacturing payrolls. During the 12 months ending April 2011, employment in the mining, logging, and construction sector was down 8.6 percent, or 1,100 jobs, primarily due to weak housing and commercial real estate markets. The manufacturing sector declined by 350 jobs, or 2.7 percent. Despite the overall job losses, the education and health services sector added 1,000 jobs, or 3.6 percent, primarily in private-sector health care (see Table 2). The loss of 400 jobs in the state and local government subsectors, a result of lower sales tax revenue affecting local budgets, was offset by an increase of 600 jobs in the federal subsector in the HMA. The average unemployment rate for the 12 months ending April 2011 was 9.7 percent, up from 9.3 percent during the previous 12 months. Figure 1 shows the change in the unemployment rate since 2000.

The fast-growing economy of the 1990s reversed direction in 2002 when the computer manufacturing and information industries, struggling with overcapacity and weak demand, began to lay off workers and close plants. In 2002 and 2003, nearly 8,000 workers in more than 80 companies lost their jobs, many in high-paying areas such as computer chip and disk-drive manufacturing. The economy began to recover in 2004 due to an increase in defense contracting, the expansion of hospitals, and the establishment of insurance claims processing centers. Net job growth occurred despite the deployment of a significant number of Army personnel to the Middle East/Gulf region, which affected local businesses that serve soldiers and their dependents. In the 3-year period between December 2006 and December 2009, the Fort Carson Mountain Post grew from 12,600 to nearly 25,000 troops. Figure 2 illustrates job growth by sector in the HMA since 2000.

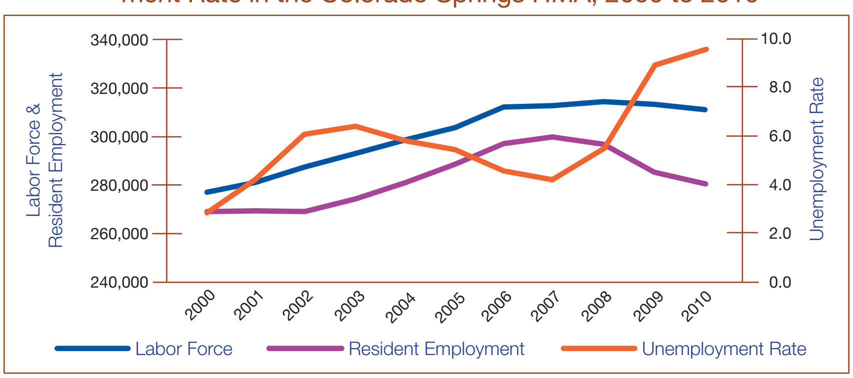
Table 2. 12-Month Average Nonfarm Payroll Jobs in the Colorado Springs HMA, by Sector

	12 Months Ending April 2010	12 Months Ending April 2011	Percent Change
Total Nonfarm Payroll Jobs	246,800	246,000	– 0.3
Goods Producing	25,850	24,400	– 5.6
Mining, Logging, & Construction	12,950	11,850	– 8.6
Manufacturing	12,900	12,550	– 2.7
Service Providing	221,000	221,600	0.3
Wholesale & Retail Trade	33,100	33,000	– 0.4
Transportation & Utilities	4,650	4,550	– 2.1
Information	6,925	7,050	1.6
Financial Activities	15,650	15,300	– 2.2
Professional & Business Services	40,000	39,450	– 1.4
Education & Health Services	28,500	29,500	3.6
Leisure & Hospitality	29,600	29,950	1.2
Other Services	14,600	14,650	0.3
Government	47,950	48,150	0.5

Notes: Based on 12-month averages through April 2010 and April 2011. Numbers may not add to totals because of rounding.

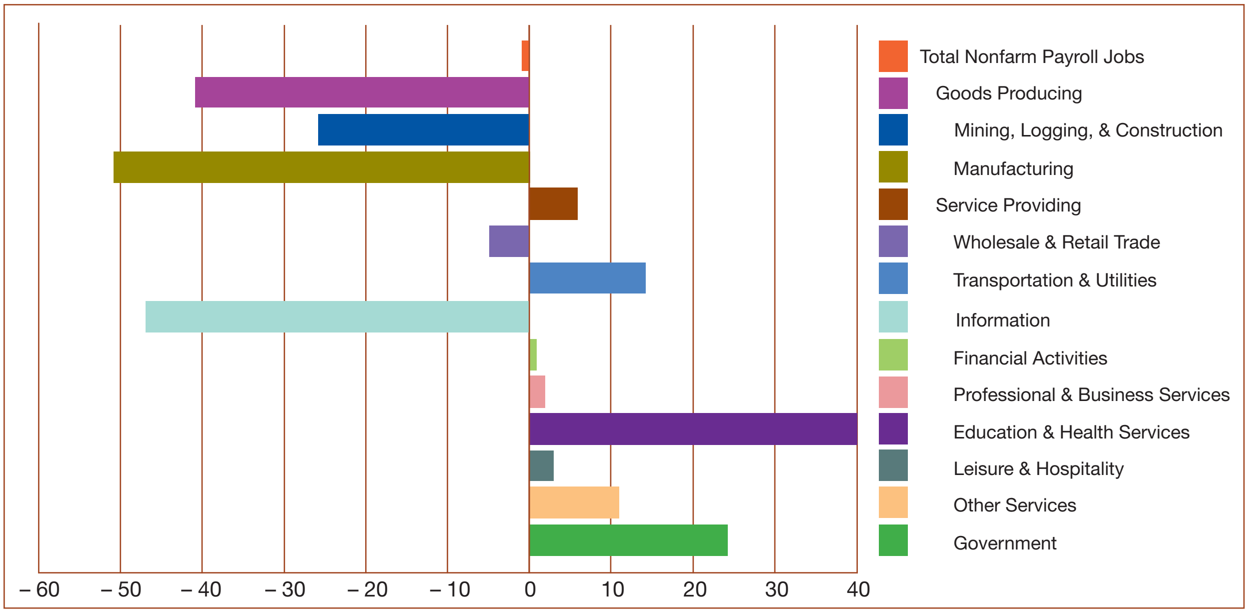
Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Colorado Springs HMA, 2000 to 2010



Source: U.S. Bureau of Labor Statistics

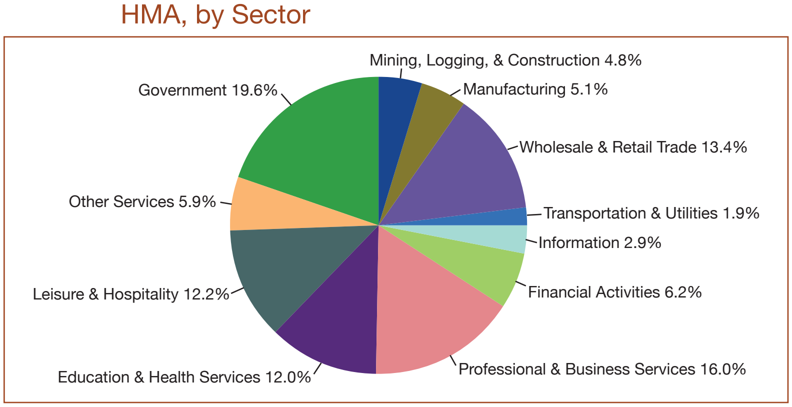
Figure 2. Sector Growth in the Colorado Springs HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through April 2011.
Source: U.S. Bureau of Labor Statistics

Government employment is the leading component of the area economy in the Colorado Springs HMA, as the presence of four large military installations significantly affects the local economy (see Figure 3). The military installations encompass approximately 8 percent of the total land area in El Paso County. The direct and indirect annual economic impact of the military, including expenditures for payroll, construction, services, materials, and secondary employment, was estimated at $5 billion in 2010, or nearly 28 percent of the region's gross metropolitan product, according to the Pikes Peak Area Council of Governments. In 2010, an estimated 59,600 active-duty military and military-connected civilian personnel were stationed at the four installations. Fort Carson is expected to add a 2,700-troop Combat Aviation Brigade (CAB) in late 2013 and will also accommodate the influx of troops returning from overseas deployments because of a drawdown of military forces in Afghanistan. Fort Carson Army Base (AB), the second largest employer in Colorado, employs approximately 23,000 active-duty military and civilian personnel in the HMA. According to the Pikes Peak Area Council of Governments, Fort Carson supports more than 35,000 jobs a year, roughly one-half of which are off post. Memorial Hospital, Hewlett Packard Development Company, and Atmel Corporation are the largest private-sector employers in the HMA, with 4,100, 2,200, and 1,850 employees, respectively (see Table 3).

Figure 3. Current Nonfarm Payroll Jobs in the Colorado Springs HMA, by Sector



Note: Based on 12-month averages through April 2011.
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Colorado Springs HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fort Carson Army Base	Government	29,100
Peterson Air Force Base	Government	18,000
Schriever Air Force Base	Government	6,000
U.S. Air Force Academy	Government	5,600
Memorial Health System	Education & Health Services	4,100
Hewlett-Packard Development Company, L.P.	Manufacturing	2,200
Atmel Corporation	Manufacturing	1,850
The Broadmoor	Leisure & Hospitality	1,775
Penrose-St. Francis Health Services	Education & Health Services	1,640
Northrop Grumman Corporation	Manufacturing	1,200

Note: Excludes troop counts.

Source: Moody's Economy.com

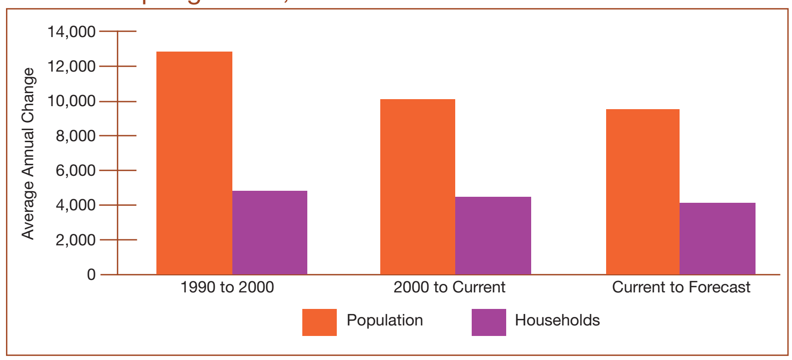
During the next 3 years, nonfarm payrolls in the HMA are expected to grow by 2,700 jobs annually, or 1.1 percent. The education and health services, leisure and hospitality, and government sectors are expected to contribute to most of the estimated nonfarm payroll growth during the forecast period. Growth is expected to be stronger in the second year of the forecast period because of the expected impact of additional soldiers and their families at Fort Carson. To accommodate the additional troops at the CAB, Fort Carson anticipates between $700 million and $750 million in military construction.

Population and Households

Population growth in the Colorado Springs HMA increased from an average annual rate of 1.8 percent from 2000 to 2004, to 2 percent from 2005 to 2010. According to the Census Bureau, as of April 1, 2010, the population of the HMA was 645,600. As of May 2011, the population is estimated to be 655,600 (see Table DP-1 at the end of this report). Approximately 49 percent of the growth since 2000 was due to net in-migration. The HMA is the fifth largest military retirement community in the United States, according to the Pikes Peak Area Council of Government's Military Impact Planner. The 4th Infantry Division was transferred from Fort Hood AB in Texas to Fort Carson AB in the third quarter of 2009, adding 6,500 troops, which includes approximately 4,000 new military households. In addition, approximately 4,000 local troops are currently stationed in Afghanistan. It is estimated that when troops deploy overseas, nearly 30 percent of military family dependents relocate to be near family and other support networks. As the deployed troops return to the HMA, their dependents are likely to return as well. During the forecast period, the population of the HMA is expected to grow by an average annual rate of 1.4 percent and reach 684,300.

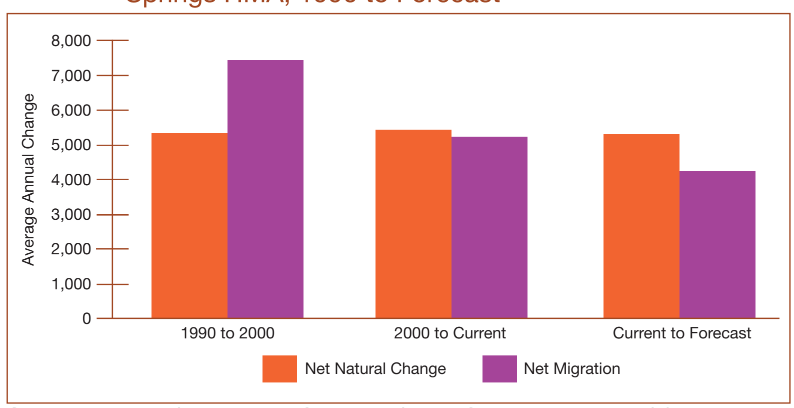
The number of households in the HMA is currently estimated at 249,600, reflecting an average annual increase of 4,450, or 2 percent, since 2000, partially due to the large influx of troops and their dependents from 2006 through 2009. Household growth is expected to occur at an annual rate of approximately 1.6 percent during the next 3 years and total 261,700 households at the end of the forecast period. See Figure 4 for population and household growth in the HMA from 1990 through the forecast period and Figure 5 for the components of population change in the HMA from 1990 through the forecast period. The current homeownership rate of 65.5 percent is 1.5 percentage points less than the 2009 American Community Survey estimate of 67 percent and is only 0.2 percentage points higher than the homeownership rate in 2000 of 65.3 percent. Figure 6 shows the number of households by tenure in the HMA.

Figure 4. Population and Household Growth in the Colorado Springs HMA, 1990 to Forecast



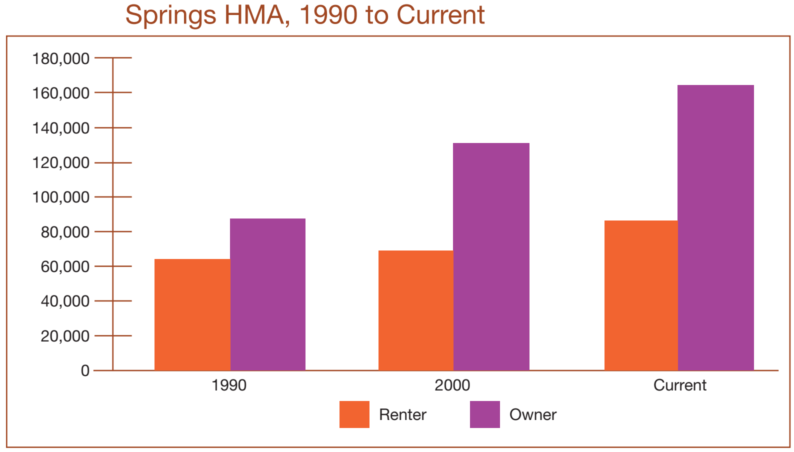
Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Colorado Springs HMA, 1990 to Forecast



Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Colorado Springs HMA, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Housing Market Trends

Sales Market

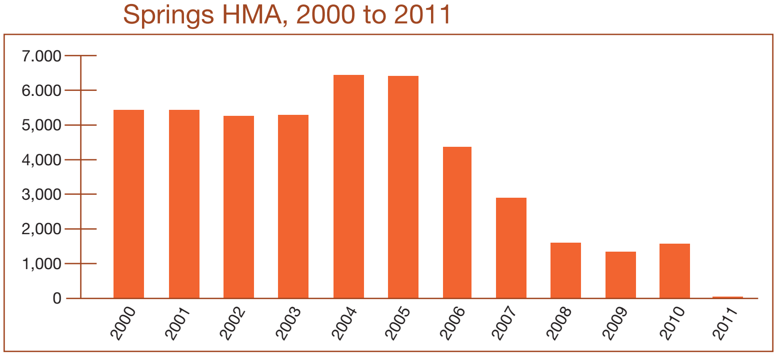
In response to the current weak economy and tighter mortgage lending standards, the sales housing market in the Colorado Springs HMA is soft, with an estimated vacancy rate of 2.7 percent. Hanley Wood, LLC, reported that, during the 12 months ending April 2011, sales of new and existing attached and single-family homes were down nearly 11 percent to 12,600 homes compared with 14,100 homes sold during the previous 12 months. The average number of new and existing homes for sale during the 12 months ending April 2011 increased to a 7.5-month supply from a 6.2-month supply during the previous 12 months. The HMA has typically had between a 6.5- and 7.5-month supply during the past 5 years based on Pikes Peak Association of REALTORS® data. The median sales price of new and existing single-family homes decreased by 1 percent in the first quarter of 2011 to $180,800 compared with the median price of $182,800 in the first quarter of 2010.

According to LPS Applied Analytics data for April 2011, 4.3 percent of home loans in the HMA were 90 days or more delinquent, in foreclosure, or in REO (Real Estate Owned), which is less than the 4.8-percent rate in April 2010 and substantially less than the current national rate of 7.9 percent.

According to preliminary data, building permits were issued for 1,550 new single-family homes during the 12 months ending April 2011, down slightly from the nearly 1,650 homes permitted during the previous 12 months. Single-family homebuilding activity, as measured by the number of building permits issued, remains well below the activity of the 2000-to-2005 peak period, when an average of 5,725 homes were permitted annually (see Figure 7). New developments in the HMA include a single-family development called Cordera, which is offering two- and three-bedroom homes ranging in price from $296,000 to $397,000.

During the 3-year forecast period, demand is expected for an estimated 9,350 new homes in the Colorado Springs HMA. It is likely that a portion of the estimated 9,000 other vacant units will return to the market during the forecast period and satisfy some of the demand. See Table 4 for estimated demand for sales housing in the HMA by price range. Demand is expected to be strongest in the $200,000-to-$249,999 price range.

Figure 7. Single-Family Building Permits Issued in the Colorado Springs HMA, 2000 to 2011



Notes: Includes only single-family units. Includes data through April 2011.
Source: U.S. Census Bureau, Building Permits Survey

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Colorado Springs HMA, May 1, 2011 to May 1, 2014

Price Range ($)		Units of Demand	Percent of Total
From	To		
195,000	199,999	560	6.0
200,000	249,999	3,925	42.0
250,000	299,999	1,125	12.0
300,000	399,999	1,875	20.0
400,000	499,999	940	10.0
500,000	599,999	750	8.0
600,000	and higher	190	2.0

Notes: The 50 homes currently under construction will satisfy some of the estimated demand. In addition, a portion of the 9,000 other vacant units will likely satisfy some of the forecast demand. Numbers may not add to totals because of rounding.

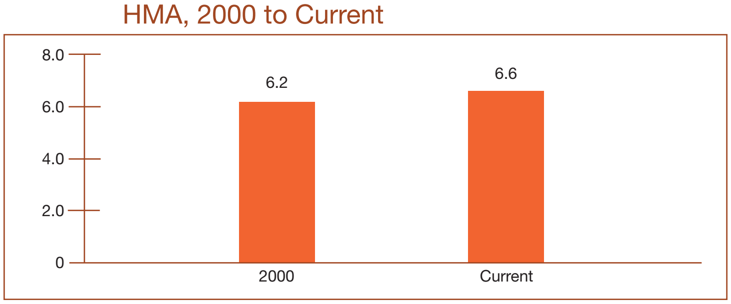
Source: Estimates by analyst

Rental Market

Rental market conditions in the Colorado Springs HMA have improved during the past 2 years, and the rental housing market is now nearly balanced, with an estimated 6.6-percent overall rental vacancy rate (see Figure 8), down from an 11.7-percent rate in the first quarter of 2009. Apartment vacancy rates rose to 9.3 percent in 2002 and continued to increase before reaching a plateau near 12 percent in 2005, largely due to troop deployments. As of the first quarter of 2011, apartment vacancy rates were 5.8 percent in the HMA, according to Apartment Insights.

The large military presence in the HMA has a significant effect on the local rental housing market, because approximately 25,300, or 70 percent, of the military personnel in the area live off base, with most living in rental units. Nearly 30 percent of the current renter households in the HMA are composed of active-duty military and military-connected households. The military and its contractors operate approximately 4,650 family units and 10,500 barracks beds at the four bases. Although a small amount of the planned new housing construction on the base will ease some of the effect of the arrival of additional soldiers, the HMA private rental market will support most new incoming renters. According to the Fort Carson Regional Growth Plan, soldiers indicate a preference for renting single-family homes, and, although about 20 percent of the rental supply is single-family homes, rents in the single-family homes are generally higher. Fort Carson AB benefited from the Department of Defense Military Family Housing Privatization Initiative and, in 1999, became the first Army installation to privatize its entire inventory of on-post housing units. On-base housing is now provided through a public-private partnership in which the military leases the land to a private developer, who then uses the Basic Allowance for Housing

Figure 8. Rental Vacancy Rates in the Colorado Springs HMA, 2000 to Current



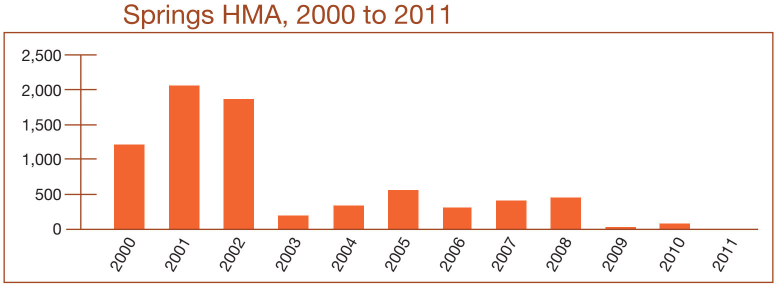
Sources: 2000—2000 Census; current—estimates by analyst that is provided for troops to cover rent, rental insurance, and utilities to support the development.

Average asking apartment rents, according to Apartment Insights, were $670 for a one-bedroom unit, $770 for a two-bedroom unit, and $890 for a three-bedroom unit in the first quarter of 2011. Overall average effective rent was $720 in the first quarter of 2011, nearly 3 percent higher than a year ago. The most recent rental development in the HMA, the Alexan at Briargate Apartments, a 322-unit project completed in 2009, has rents of $940 for a one-bedroom unit, $1,200 for a two-bedroom unit, and $1,400 for a three-bedroom unit. A 230-unit project called The Peaks at Woodmen, which will begin construction in July 2011, will have rents of $750 for a one-bedroom unit, $990 for a two-bedroom unit, and $1,175 for a three-bedroom unit.

Based on preliminary data, during the 12 months ending April 2011, 310 multifamily units were permitted, up from 10 units permitted during the previous 12 months. The number of units permitted during the past 12 months is well below the average of 750 units permitted between 2001 and 2008. Figure 9 shows the number of annual multifamily units permitted from 2000 to 2011.

During the 3-year forecast period, demand is expected for an additional 2,150 rental units in the Colorado Springs HMA. The Peaks at Woodmen project, as well as two proposals for developing nearly 420 units in the Federal Housing Administration pipeline, will likely meet a portion of this demand. See Table 5 for estimated demand for rental housing in the HMA by number of bedrooms and rent range.

Figure 9. Multifamily Building Permits Issued in the Colorado Springs HMA, 2000 to 2011



Notes: Includes all multifamily units in structures with two or more units. Includes data through April 2011.

Source: U.S. Census Bureau, Building Permits Survey

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Colorado Springs HMA, May 1, 2011 to May 1, 2014

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
675 to 874	80	750 to 949	220	990 to 1,189	190	1,175 to 1,374	55
875 to 1,074	65	950 to 1,149	170	1,190 to 1,389	150	1,375 to 1,574	40
1,075 to 1,274	65	1,150 to 1,349	170	1,390 to 1,589	150	1,575 to 1,774	40
1,275 to 1,474	50	1,350 to 1,549	130	1,590 to 1,789	120	1,775 to 1,974	30
1,475 to 1,674	50	1,550 to 1,749	130	1,790 to 1,989	120	1,975 to 2,174	30
1,675 or more	20	1,750 or more	45	1,990 or more	40	2,175 or more	10
Total	330	Total	860	Total	760	Total	210

Notes: The 230 units currently under construction will satisfy some of the estimated demand. Numbers may not add to totals because of rounding.

Source: Estimates by analyst

Data Profile

Table DP-1. Colorado Springs HMA Data Profile, 1990 to Current

				Average Annual Change (%)	
	1990	2000	Current	1990 to 2000	2000 to Current
Total Resident Employment	185,053	269,121	278,900	3.8	0.3
Unemployment Rate	7.0%	2.9%	9.7%		
Nonfarm Payroll Jobs	157,000	249,700	246,000	4.7	– 0.1
Total Population	409,482	537,484	655,600	2.8	1.8
Total Households	151,685	200,402	249,600	2.8	2.0
Owner Households	87,955	130,901	163,400	4.1	2.0
Percent Owner	58.0%	65.3%	65.5%		
Renter Households	63,730	69,501	86,200	0.9	2.0
Percent Renter	42.0%	34.7%	34.5%		
Total Housing Units	172,621	212,790	269,300	2.1	2.1
Owner Vacancy Rate	4.5%	1.4%	2.7%		
Rental Vacancy Rate	13.4%	6.2%	6.6%		
Median Family Income	$33,932	$53,995	$67,211	4.8	2.2

Notes: Employment data represent annual averages for 1990, 2000, and the 12 months through April 2011. Median family incomes are for 1989, 1999, and 2009.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 5/1/2011—Analyst's estimates

Forecast period: 5/1/2011–5/1/2014—Analyst's estimates

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In HUD's analysis, these include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied, held for seasonal, recreational or occasional use, used by migrant workers and includes units that fall into the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all the residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units are classified as commercial structures and are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_ColoradoSpringsCO_11.pdf.

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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 also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.