



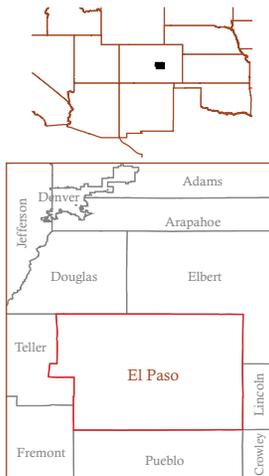
# Colorado Springs, Colorado

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of August 1, 2006



## Summary

### Housing Market Area



The Colorado Springs, Colorado Housing Market Area (HMA), defined as El Paso County, is located approximately 70 miles south of Denver. The city of Colorado Springs is the economic and service center for the HMA and for much of southern Colorado. Large military installations in the HMA—Fort Carson (U.S. Army), Peterson Air Force Base (AFB), Shriever AFB, and the U.S. Air Force Academy—have a significant impact on the local economy and housing markets.

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### Economy

Economic conditions in the Colorado Springs HMA strengthened during the past 2 years after a downturn in the early part of the decade. Resident employment for the 12 months ending July 2006 was 277,100 jobs, up 2.6 percent compared with the previous 12 months. Employment increased at the fastest rate in 6 years, resulting in approximately 4,700 new jobs during the past 12 months, led by the defense industry. Increased military spending and strength levels are expected to provide the stimulus for employment growth during the next 3 years.

### Sales Market

The existing home sales market remains relatively balanced despite an increase in the unsold inventory since January 2006. During the past 12 months, sales of existing single-family homes were up 5 percent and the average home sales price increased to \$252,500. The inventory of unsold existing homes increased to a record 5,990 units in July 2006, primarily due to higher interest rates. The average price of new homes increased by 9 percent to \$278,800 as of the current date. During the 3-year forecast period, demand for new sales housing is expected to total 14,500 units (see Table 1).

### Rental Market

The rental housing market in the Colorado Springs HMA has been soft since 2003 because of earlier overbuilding and military deployments from Fort Carson. Although the market is improving, the apartment vacancy rate remains high and rent increases have been minimal. The current renter vacancy rate is 9 percent and the average monthly contract rent is \$610. The 3-year demand for rental units is forecast to be 1,010 units (see Table 1), and construction starts should be timed to enter the market in the third year.

**Table 1.** Housing Demand in the Colorado Springs HMA, 3-Year Forecast, August 1, 2006 to August 1, 2009

|                    | Colorado Springs HMA |              |
|--------------------|----------------------|--------------|
|                    | Sales Units          | Rental Units |
| Total Demand       | 14,500               | 1,010        |
| Under Construction | 2,700                | 200          |

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of August 1, 2006.

Source: Estimates by analyst

## Economic Conditions

The presence of four large military installations in the Colorado Springs HMA has a significant impact on the local economy. In a Colorado Springs Chamber of Commerce report for 2005, the annual economic impact of the military, including expenditures for payroll, construction, services, materials, and secondary employment, was estimated at \$3.2 billion, or 35 percent of total economic activity in the HMA. An estimated 46,140 active-duty military and civilian personnel are currently stationed at the four

installations. By 2009, Fort Carson is expected to expand by an additional 6,000 soldiers. See Table 2 for the major employers in the HMA.

Labor force and nonfarm employment trends are identified in Figures 1 and 2, respectively. Throughout the 1990s, employment grew significantly because of the strength of the local high technology industry and growth in the trade and professional and business services sectors. The HMA became a software center, ranking cities in the HMA among the highest in software jobs per capita in the United States. Employment in the trade and professional and business services sectors also increased with the construction of new shopping centers, arenas, and hotels. Between 1990 and 2000, nonfarm employment grew at an average rate of 4.6 percent a year; in 2000, the unemployment rate declined to a low of 2.6 percent.

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 chipmaking 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

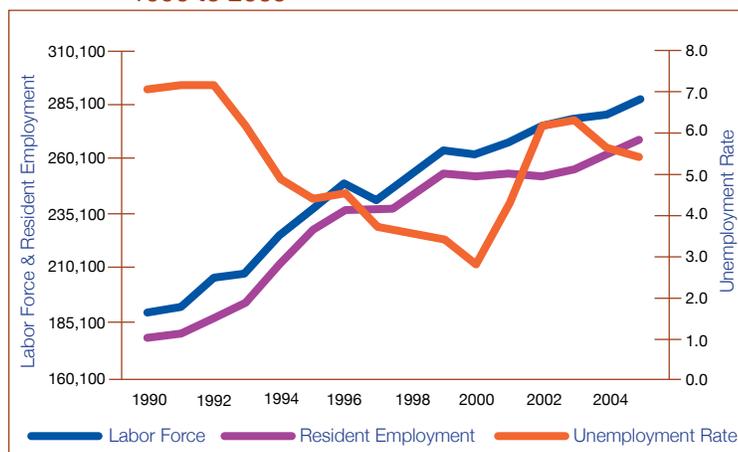
**Table 2. Major Employers in the Colorado Springs HMA**

| Name of Employer                             | Employment Sector    | Number of Employees |
|--|----------------------|---------------------|
| Fort Carson                                  | Government           | 20,880              |
| Peterson Air Force Base                      | Government           | 10,650              |
| U.S. Air Force Academy                       | Government           | 5,770               |
| Schriever Air Force Base                     | Government           | 4,520               |
| Wal-Mart Stores, Inc.                        | Retail Trade         | 3,880               |
| Penrose-St. Francis Health Services          | Health Services      | 2,730               |
| Lockheed Martin Corporation                  | Manufacturing        | 2,100               |
| Atmel Corporation                            | Manufacturing        | 2,010               |
| The Progressive Group of Insurance Companies | Financial Activities | 1,300               |
| Northrop Grumman Corporation                 | Manufacturing        | 1,200               |

Note: Government includes military and civilian personnel.

Source: Economic Development Corporation

**Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Colorado Springs HMA, 1990 to 2005**



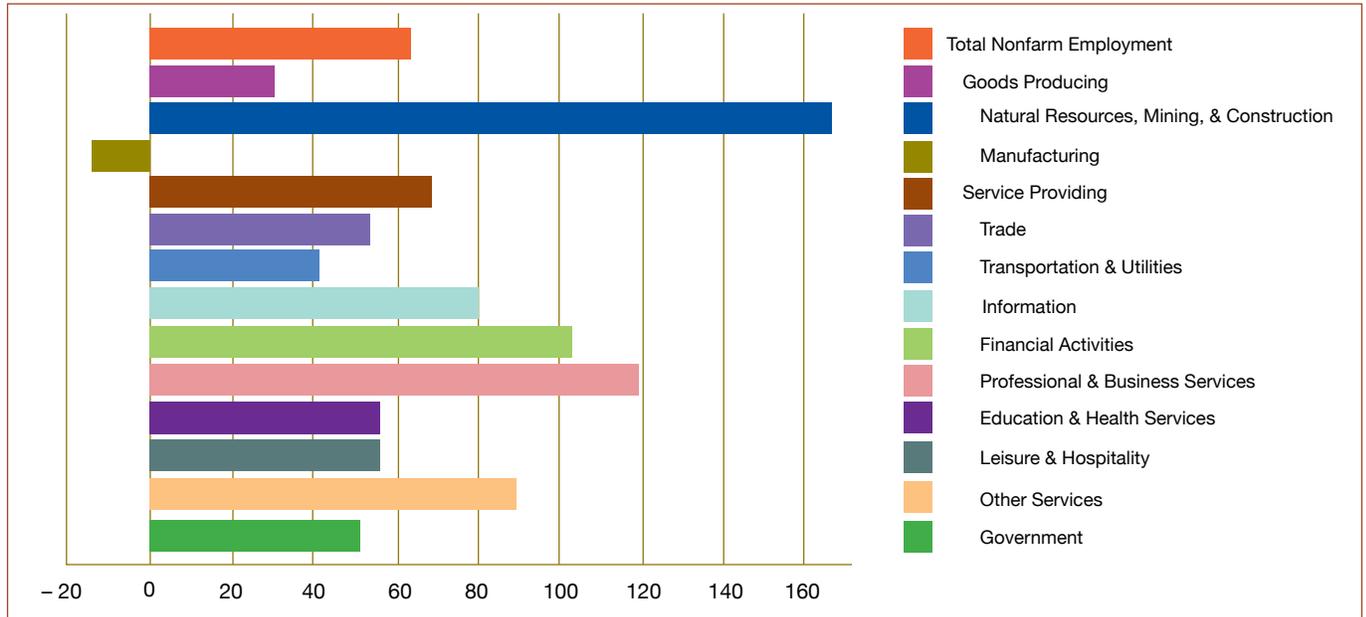
Source: U.S. Bureau of Labor Statistics

region, which affected local businesses that serve the soldiers and their dependents. Approximately 35 percent of the 18,000 soldiers stationed at Fort Carson have been deployed since 2003.

The same industries—defense, hospitals, and call centers—that turned the economy around in

2004 continued to grow during the past year. For the 12-month period ending July 2006, nonfarm employment grew by 4,700 jobs when compared with the previous 12 months (see Table 3). Gains in the professional and business services, education and health services, financial activities, and construction sectors accounted for most of the

**Figure 2.** Sector Growth in the Colorado Springs HMA, Percent Change, 1990 to Current



Notes: Nonfarm employment includes El Paso and Teller Counties. Current is based on 12-month average through July 2006.

Source: U.S. Bureau of Labor Statistics

**Table 3.** 12-Month Average Employment in the Colorado Springs HMA, by Sector

| Employment Sector                         | 12 Months Ending July 2005 | 12 Months Ending July 2006 | Percent Change (%) |
|---|----------------------------|----------------------------|--------------------|
| Total Nonfarm Employment                  | 250,600                    | 255,300                    | 1.9                |
| Goods Producing                           | 35,500                     | 35,400                     | -0.3               |
| Natural Resources, Mining, & Construction | 16,400                     | 17,600                     | 7.3                |
| Manufacturing                             | 19,100                     | 17,800                     | -6.8               |
| Service Providing                         | 215,100                    | 219,900                    | 2.2                |
| Trade                                     | 35,000                     | 35,600                     | 1.7                |
| Transportation & Utilities                | 4,500                      | 4,500                      | 0.0                |
| Information                               | 9,300                      | 9,000                      | -3.2               |
| Financial Activities                      | 17,800                     | 18,300                     | 2.8                |
| Professional & Business Services          | 36,800                     | 38,100                     | 3.5                |
| Education & Health Services               | 24,400                     | 25,000                     | 2.5                |
| Leisure & Hospitality                     | 29,800                     | 30,300                     | 1.7                |
| Other Services                            | 14,600                     | 14,600                     | 0.0                |
| Government                                | 42,800                     | 44,000                     | 2.8                |

Notes: Nonfarm employment includes El Paso and Teller Counties. Numbers may not add to totals due to rounding. Based on 12-month averages through July 2005 and July 2006.

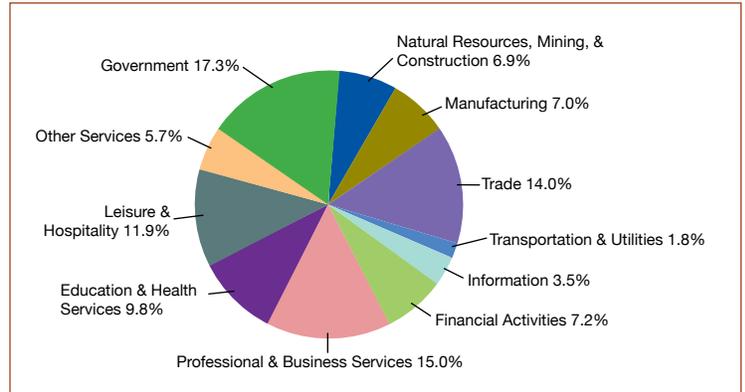
Source: U.S. Bureau of Labor Statistics

increase in nonfarm employment. Many of the professional services jobs are related to defense spending at the local bases. Figure 3 shows the current employment level by sector.

Because of military buildup and increased defense expenditures, the prospects for employment growth are good, particularly in the aerospace manufacturing industry. Boeing, ITT Corporation, Lockheed Martin Corporation, and Northrop Grumman Corporation have plants located in the HMA and, with more than \$3 billion in defense contract work, will continue to hire workers in addition to the 5,800 already employed at these companies. To accommodate the additional 6,000 soldiers, more than \$1 billion in construction contracts have been approved to upgrade Fort Carson, potentially creating 2,000 new construction jobs over a 5-year period. During the next 3 years, resident employment in the HMA is expected to grow by 20,000

jobs, with nearly half the increase occurring in the last year of the 3-year forecast period. Growth will be stronger in the third year of the forecast period because of the expected impact of additional soldiers and their families at Fort Carson.

**Figure 3. Current Employment in the Colorado Springs HMA, by Sector**



Notes: Nonfarm employment includes El Paso and Teller Counties. Based on 12-month average through July 2006.

Source: U.S. Bureau of Labor Statistics

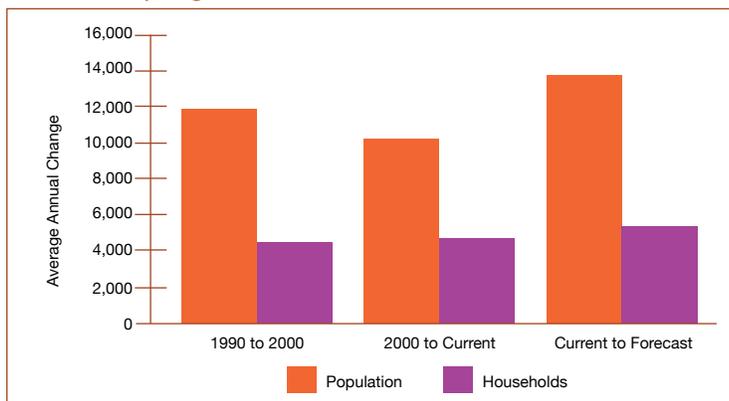
## Population and Households

Trends in population and household growth in the Colorado Springs HMA from 1990 through the forecast date are presented in Figure 4. The current population of the HMA is estimated to be 582,100, representing an average annual increase of about 10,300 people, or 1.9 percent a year from the 2000 Census. Since 2000, the

population has grown at a slower rate than during the previous decade because of a weaker economy. From 1990 to 2000, the population grew by an average of 12,000, or 2.7 percent, annually.

The 2000s began with strong employment growth and continued high levels of net in-migration. With the slowing of the economy in 2002, however, net in-migration declined significantly. Even so, positive net in-migration remained because many high technology workers who lost their jobs opted to stay in the area. Overall, the annual average level of net in-migration since 2000 is below the population increase generated by net natural increase (resident births minus resident deaths). Components of population change in the HMA from 1990 to the forecast date are shown in Figure 5.

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



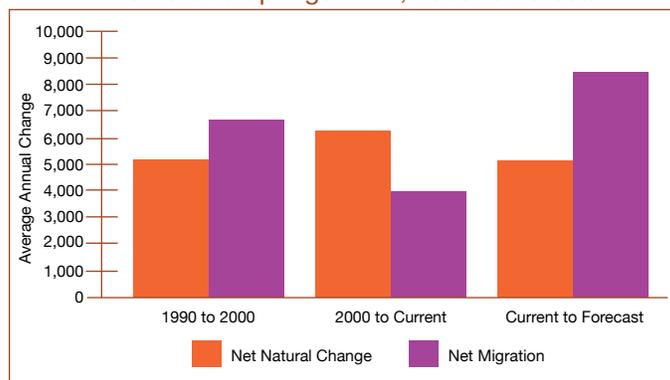
Sources: 1990 and 2000—U.S. Census; current and forecast—estimates by analyst

Based on the level of economic growth and immigration anticipated during the 3-year forecast period, a higher rate of population growth—2.3 percent—is forecast. As of the forecast date, the population of the HMA is expected to reach 623,700. Population increases are expected to be moderate during the first 2 years of the forecast period, but the population will increase considerably during the third year. The acceleration is

anticipated because of a stronger civilian economy and an increase in the number of soldiers (and their families) arriving in the area, estimated at 10,000 people.

Since 1990, the growth trend in the number of households has coincided with the direction of population change in the area, but changes in the number of households have been less volatile. From 2000 to the current date, the lower cost of housing, attributed to low interest rates and reduced rents, allowed additional household formations and resulted in a decline in household size. The absolute annual growth in households slightly exceeded the increase recorded from 1990 to 2000, despite a slowdown in population growth. The number of households is currently estimated at 222,900. Based on the rate of population growth expected as a result of increased net in-migration, the forecast number of households will increase by an average of 5,570, or 2.4 percent, a year to 239,600 households by the end of the 3-year forecast period.

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



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

## Housing Market Trends

### Sales Market

Because of strong demand for housing, sales of new and existing single-family homes and the average sales price more than doubled from 1990 to 2000. By 2000, the sales market was extremely tight. Home builders increased production of single-family homes beginning in 2000 and continued at a high level of production until reaching a record high in 2005 (see Figure 6). Demand did not keep pace with supply, however, and the inventory of unsold new and existing homes significantly

increased. The increase in inventory is partially due to the rising costs of interest-only and adjustable rate mortgages that have forced some homeowners to place their homes on the market. In response, home builders have reduced production. During the 12 months ending July 2006, the number of single-family homes permitted declined by 1,200 homes, or 19 percent, to 5,440 compared with the same period a year ago.

## Housing Market Trends

### Sales Market *Continued*

The decline in homebuilding activity in 2006 also reflects slower new home sales. According to a second quarter 2006 survey from The Genesis Group, a market research firm, sales of new single-family homes decreased by 24 percent during the past 12 months, while the average home sales price increased by 9 percent to \$278,800. As the costs of owning a new home increased, many builders shifted production to more affordable townhomes and condominium homes. Home sales for these units increased by 23 percent, and the average sales price decreased by \$7,800 to \$195,400. Homes in the \$150,000-to-\$175,000 price range showed the largest absolute sales increase. The market is considerably weaker in the eastern part of the HMA because of the large

volume of new construction, especially construction of single-family homes in the \$200,000-to-\$250,000 price range.

Even with rising home prices, the number of owner households and the homeownership rate have increased steadily since 1990 (see Figure 7). Over the next 3 years, the shift to homeownership will not be as great because of relatively higher interest rates and the in-migration of military households who are typically renters. Household formations will be concentrated more in the southern portion of the HMA, near Fountain City, because of the availability of land and proximity to the new eastern gates of Fort Carson.

Despite the recent inventory buildup, the existing home sales market remains balanced. According to Pikes Peak Association of Realtors®, as of July 2006, the inventory of unsold homes increased by 35 percent to approximately 5,990 homes in the last 12 months. Even with an increase in inventory, sales of existing single-family homes were up by 5 percent during the past 12 months, and the average home sales price increased by 6 percent to \$252,500. During the same period, sales of existing townhomes and condominium homes decreased slightly, but the average sales price of these homes increased by 10 percent to \$153,200. See Table DP-1 at the end of the report for additional information about housing inventory and sales vacancy rates from 1990 to the current date.

During the forecast period, demand for new homes is expected to be below the level of construction of the past few years because of a current surplus inventory and a slowdown in the shift to homeownership. Forecast owner-occupied housing demand for the next 3 years is estimated to be 14,500 units. Of that demand, 80 percent will be met by single-family homes. Demand for townhomes and condominium homes is expected to increase due to their relative affordability. Sales prices for new townhomes or starter single-family homes begin at \$150,000. Demand is expected to be strongest in the \$200,000-to-\$300,000 range. See Table 4 for a profile of demand by price range.

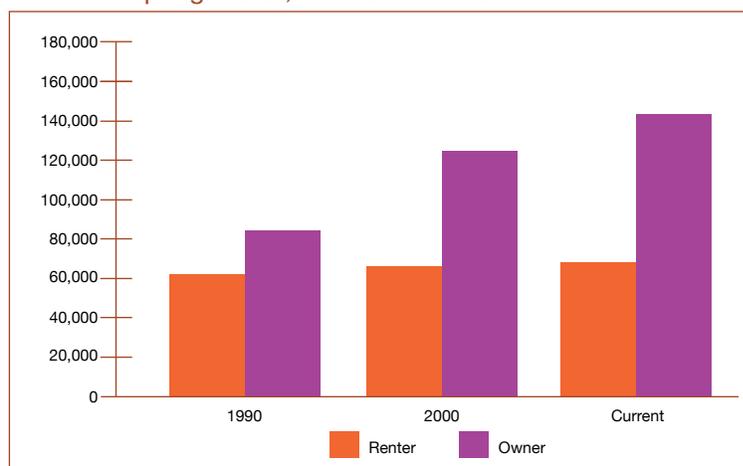
**Figure 6.** Single-Family Building Permits Issued in the Colorado Springs HMA, 1990 to 2006



Notes: Includes single-family and townhome units. Includes data through July 2006.

Source: Pikes Peak Regional Building Department

**Figure 7.** Number of Households by Tenure in the Colorado Springs HMA, 1990 to Current



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

**Table 4.** Estimated Demand for New Market-Rate Sales Housing in the Colorado Springs HMA, August 1, 2006 to August 1, 2009

| Price Range (\$) |         | Units of Demand | Percent of Total | Price Range (\$) |            | Units of Demand | Percent of Total |
|------------------|---------|-----------------|------------------|------------------|------------|-----------------|------------------|
| From             | To      |                 |                  | From             | To         |                 |                  |
| 150,000          | 199,999 | 1,450           | 10.0             | 350,000          | 449,999    | 2,030           | 14.0             |
| 200,000          | 249,999 | 4,350           | 30.0             | 450,000          | 649,999    | 730             | 5.0              |
| 250,000          | 299,999 | 3,770           | 26.0             | 650,000          | and higher | 290             | 2.0              |
| 300,000          | 349,999 | 1,880           | 13.0             |                  |            |                 |                  |

Source: Estimates by analyst

## Rental Market

Conditions in the rental market of the HMA have changed from an extremely tight market in 2000 to the current soft conditions. The tight market in 2000 was the result of growing rental demand as the economy expanded and population increased during the 1990s. The current soft market is due to job losses recorded in 2002 and 2003 and a large volume of apartment units that entered the market at the same time. The deployment of soldiers from Fort Carson also has contributed to the market softness since 2003.

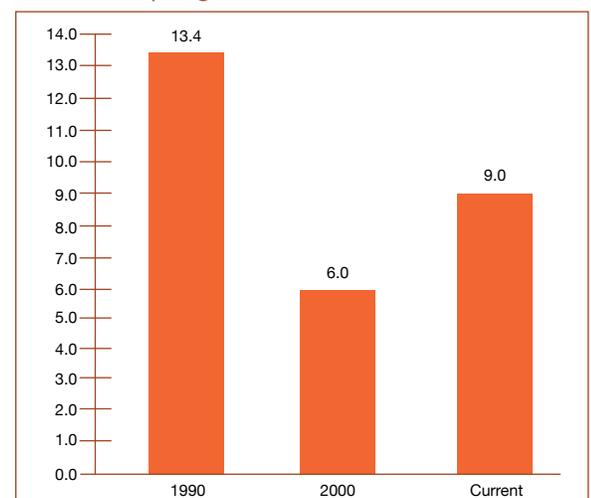
Military personnel in the HMA have a significant impact on the overall demand for rental housing. The military and its contractors operate approximately 4,250 family units and 9,900 barracks beds at the four bases. Approximately 70 percent of the military personnel stationed in the area live off base, with most of them living in rental units. During the next 4 years, more than 400 family units and 600 barracks beds will be built at Fort Carson. Although this new construction will help ease some of the housing impact of the additional soldiers, the rental market will be significantly impacted.

Although the rental market is improving, the apartment vacancy rate remains high and rent increases have been small. According to Doug Carter, LLC, the vacancy rate declined from 13 percent to 9 percent (see Figure 8) between the second quarter of 2005 and the second quarter of 2006. During the same period, the average monthly contract rent in the HMA increased by 4 percent to \$610. The highest vacancy

rates were in areas that were heavily impacted by deployments at Fort Carson; the Colorado Springs Airport area recorded a 19-percent vacancy rate followed by 16 percent in the southwest area.

Because of soft rental market conditions, multifamily housing construction in the HMA has significantly decreased since 2002 (see Figure 9). The number of multifamily units permitted during the 12 months ending July 2006 declined by 40 percent to 400 units compared with the same period last year. This level of construction is well below the average 1,700 multifamily units permitted during the 2000-through-2002 period. According to the Pikes Peak Regional Building Department, apartments accounted for 70 percent of total multifamily units permitted in the early part of the decade. In contrast, apartments accounted for only

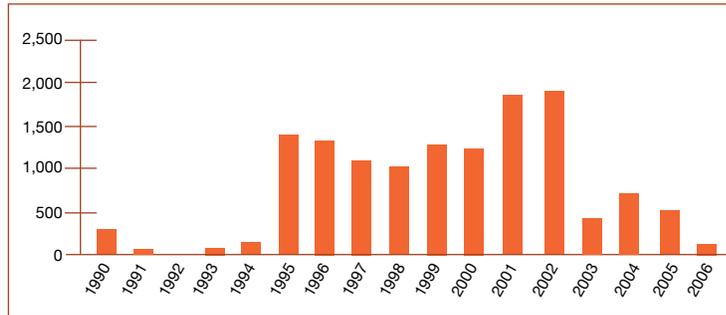
**Figure 8.** Rental Vacancy Rates in the Colorado Springs HMA, 1990 to Current



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

**Housing Market Trends**  
**Rental Market** *Continued*

**Figure 9. Multifamily Building Permits Issued in the Colorado Springs HMA, 1990 to 2006**



*Notes: Includes all multifamily units in structures with two or more units, excluding townhome units. Includes data through July 2006.*

*Source: Pikes Peak Regional Building Department*

30 percent of the multifamily units permitted during the past 12 months. With reduced apartment construction and the expected increase in renter households, the market should continue to improve and come into balance in 2008.

Federally subsidized rental units are in growing demand. As of the current date, approximately 4,500 units are available to income-qualified families and households headed by the elderly that receive federal subsidies. Waiting lists for public housing, Section 8 vouchers, and project-based Section 8 include more than 4,000 households, 50 percent higher than the level recorded in 2000. Besides the federally subsidized units, approximately 2,400 low-income housing tax credit and Resolution Trust

Corporation units are in the HMA. The market for these rent-restricted units is tighter than the general market.

Based on anticipated household growth, current market conditions, and the surplus vacant units available in the market, demand for additional rental housing is estimated to total 1,010 units during the forecast period. The outlook is for the market to absorb most of the estimated 2,200 surplus vacant units and the 200 units currently under construction over the next 2 years. Demand is expected to increase considerably in the third year of the forecast period as population growth accelerates. Therefore, starts should begin in late 2007 with completions scheduled by late 2008 or by 2009. Table 5 provides an estimate of the noncumulative distribution of demand by rent levels and the number of bedrooms per unit.

**Table 5. Estimated Demand for New Market-Rate Rental Housing in the Colorado Springs HMA, August 1, 2006 to August 1, 2009**

| 0 Bedrooms              |                 | 1 Bedroom               |                 | 2 Bedrooms              |                 | 3 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 |
| 550                     | 50              | 650                     | 135             | 750                     | 665             | 850                     | 160             |
| 600                     | 40              | 700                     | 120             | 800                     | 365             | 900                     | 115             |
| 650                     | 40              | 750                     | 110             | 850                     | 335             | 950                     | 100             |
| 700                     | 35              | 800                     | 100             | 900                     | 300             | 1,000                   | 90              |
| 750                     | 30              | 850                     | 85              | 950                     | 260             | 1,050                   | 75              |
| 800                     | 25              | 900                     | 75              | 1,000                   | 220             | 1,100                   | 65              |
| 850                     | 20              | 950                     | 60              | 1,050                   | 185             | 1,150                   | 55              |
| 950                     | 15              | 1,050                   | 50              | 1,150                   | 150             | 1,250                   | 40              |
| 1,050 and higher        | 10              | 1,150                   | 40              | 1,250                   | 95              | 1,350                   | 30              |
|                         |                 | 1,250                   | 30              | 1,350                   | 65              | 1,450                   | 20              |
|                         |                 | 1,350 and higher        | 25              | 1,450 and higher        | 45              | 1,550 and higher        | 20              |

*Notes: Distribution above is noncumulative. Demand shown at any rent represents demand at that level and higher.*

*Source: Estimates by analyst*

# Data Profile

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

|                           | 1990     | 2000     | Current  | Annual Average Change (%) |                 |
|---------------------------|----------|----------|----------|---------------------------|-----------------|
|                           |          |          |          | 1990 to 2000              | 2000 to Current |
| Total Resident Employment | 177,900  | 258,200  | 277,100  | 3.8                       | 1.1             |
| Unemployment Rate (%)     | 7.1      | 3.4      | 4.9      |                           |                 |
| Nonfarm Employment        | 157,000  | 243,000  | 255,300  | 4.5                       | 0.8             |
| Total Population          | 397,014  | 516,929  | 582,100  | 2.7                       | 1.9             |
| Total Households          | 146,965  | 192,409  | 222,900  | 2.7                       | 2.4             |
| Owner Households          | 84,318   | 124,433  | 153,400  | 4.0                       | 3.4             |
| Percent Owner (%)         | 57.4     | 64.7     | 68.8     |                           |                 |
| Renter Households         | 62,647   | 67,976   | 69,500   | 0.8                       | 0.4             |
| Percent Renter (%)        | 42.6     | 35.3     | 31.2     |                           |                 |
| Total Housing Units       | 165,056  | 202,428  | 236,440  | 2.1                       | 2.5             |
| Owner Vacancy Rate (%)    | 4.4      | 1.3      | 1.9      |                           |                 |
| Rental Vacancy Rate (%)   | 13.4     | 6.0      | 9.0      |                           |                 |
| Median Family Income      | \$33,931 | \$54,116 | \$63,100 | 4.8                       | 2.5             |

*Note: Median family income data are for 1989, 1999, and 2006.*

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

## Data Definitions and Sources

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1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 8/1/2006—Analyst's estimates

Forecast period: 8/1/2006–8/1/2009—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.

For additional data pertaining to the housing market for this HMA, go to [www.huduser.org/publications/pdf/CMARtables\\_ColoSpringsCO.pdf](http://www.huduser.org/publications/pdf/CMARtables_ColoSpringsCO.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 wishes to express 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](http://www.huduser.org/publications/econdev/mkt_analysis.html).