

COMPREHENSIVE HOUSING MARKET ANALYSIS

Colorado Springs, Colorado

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of November 1, 2023



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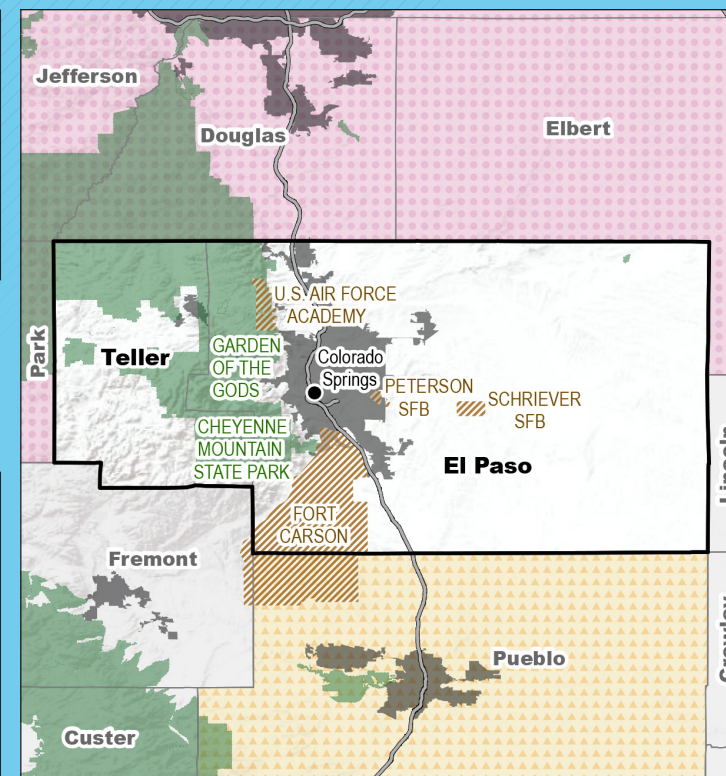
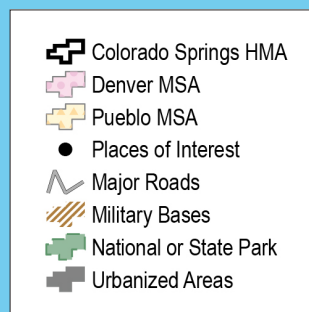
Executive Summary

Housing Market Area Description

The Colorado Springs Housing Market Area (HMA) is coterminous with the Colorado Springs, CO Metropolitan Statistical Area (MSA), which includes El Paso and Teller Counties in south-central Colorado at the eastern edge of the Rocky Mountains. The HMA is home to numerous outdoor recreation areas, including Pikes Peak and the Garden of the Gods. The principal city of Colorado Springs is home to the U.S. Olympic and Paralympic Committee Headquarters.

The current population of the HMA is estimated at 776,200.

The military is the leading employer, and the HMA is home to Fort Carson Army Base, one of the largest U.S. Army bases in the nation, in addition to Peterson and Schriever Space Force Bases (SFB), the U.S. Air Force Academy, the North American Aerospace Defense Command (NORAD), and more recently, the U.S. Space Command. Combined, the bases in the area have more than 65,800 active-duty military personnel and civilian employees (Colorado Springs Chamber & Economic Development Corporation [EDC]).



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).


Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).




Market Qualifiers

Economy

 **Moderating:** The unemployment rate averaged 3.2 percent during the 12 months ending October 2023, down from 3.5 percent the previous year and from 6.0 percent during the 12 months ending October 2021.


Economic conditions in the Colorado Springs HMA were stable during the 12 months ending October 2023, with a gain of 5,500 jobs, or 1.7 percent—down from an increase of 14,100 jobs, or 4.7 percent, the previous year. The professional and business services sector had the highest growth rate in the HMA during the 12 months ending October 2023, rising by 4,100 jobs, or 8.0 percent, followed by the government sector, which rose by 1,900 jobs, or 3.4 percent. During the 3-year forecast period, payrolls are expected to increase at an average annual rate of 2.2 percent.

Sales Market

 **Balanced:** During the 12 months ending October 2023, new home sales prices increased 7 percent, and existing home sales prices increased less than 1 percent (CoreLogic, Inc., with adjustments by the analyst).

The home sales vacancy rate is estimated at 1.5 percent and has increased since April 2020, when the vacancy rate was 1.0 percent. New and existing home sales declined 35 percent during the 12 months ending October 2023, and the average price increased 2 percent to \$499,100 (CoreLogic, Inc., with adjustments by the analyst). During the forecast period, demand is estimated for 8,625 additional sales units. The 1,425 units under construction and the 480 units in planning are expected to meet a portion of demand during the first year of the forecast period.

Rental Market

 **Soft:** A surge in apartment construction in the HMA since 2020 has contributed to rising rental vacancy rates during the past 2 years as more units enter the market.

Rental market conditions in the HMA are soft. The overall rental market vacancy rate is currently estimated at 9.5 percent, up from 6.2 percent in April 2020 and above the 7.8-percent rate in April 2010. Apartment market conditions in the HMA are also soft, with an apartment vacancy rate of 10.4 percent during the third quarter of 2023, up from 8.9 percent a year earlier (CoStar Group). During the forecast period, demand is expected for 3,250 rental units. The 4,175 units under construction and the 550 units in planning are expected to satisfy all the demand and contribute to an oversupply of rental units in the HMA.

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3-Year Housing Demand Forecast			
Colorado Springs HMA		Sales Units	Rental Units
	Total Demand	8,625	3,250
	Under Construction	1,425	4,175

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of November 1, 2023. The forecast period is November 1, 2023, to November 1, 2026.
Source: Estimates by the analyst



Economic Conditions

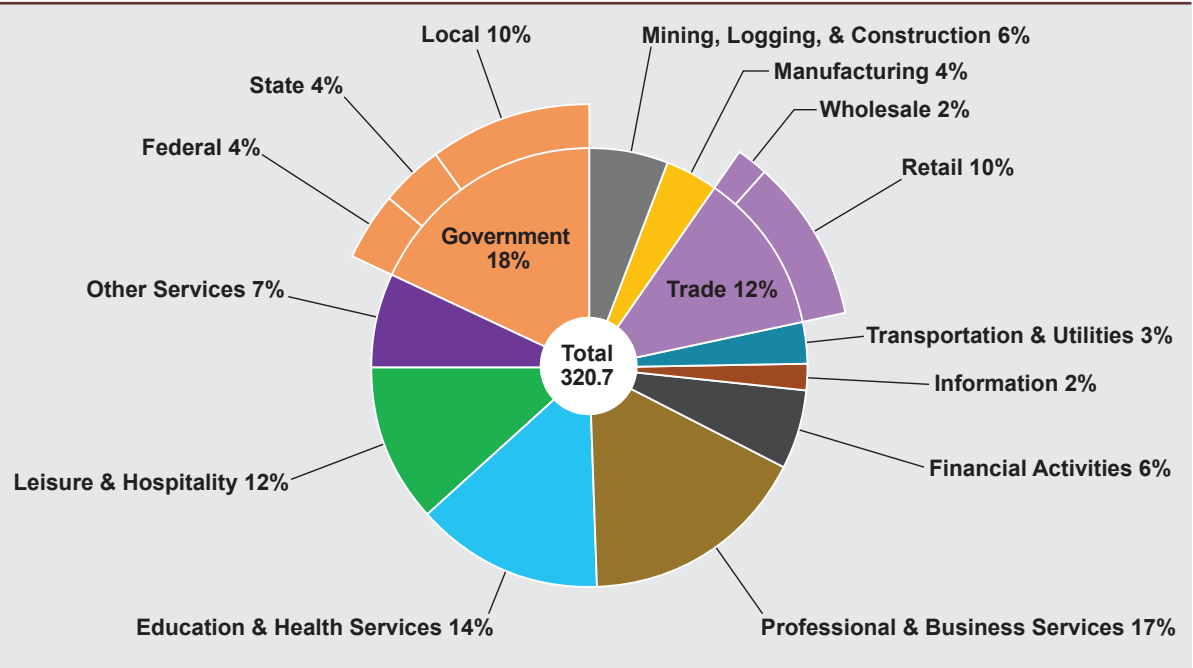
Largest Sector: Government Sector

In addition to direct military spending, the significant Department of Defense (DoD) presence in the Colorado Springs HMA supports large numbers of jobs in the manufacturing and the professional and business services sectors through private aerospace, defense, and cyber security contractors.

Primary Local Economic Factors

The government sector provides economic stability in the HMA, accounting for 57,200 jobs, or 18 percent of total nonfarm payrolls, during the 12 months ending October 2023 (Figure 1). Four of the five largest employers are major military installations, including the Fort Carson Army Base, Peterson SFB and NORAD, the U.S. Air Force Academy, and Schriever SFB and the U.S. Space Command (Table 1). In 2018, Peterson SFB and Schriever SFB were chosen as interim locations for the U.S. Space Command, contributing to private-sector payroll growth at defense contractors in the HMA. The aerospace and defense industry accounts for more than 35 percent of the jobs in the local economy, including more than 200 defense, space, aerospace, and cybersecurity companies, with an annual economic impact of more than \$10.2 billion in 2022 (Colorado Springs Chamber & EDC). The professional and business services sector is the second largest in

Figure 1. Share of Nonfarm Payroll Jobs in the Colorado Springs HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through October 2023. Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Colorado Springs HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Fort Carson Army Base	Government	33,500
Peterson Space Force Base and the North American Aerospace Defense Command	Government	17,100
U.S. Air Force Academy	Government	7,700
Schriever Space Force Base and U.S. Space Command	Government	7,500
UCHealth Memorial Hospital	Government	7,050
University of Colorado, Colorado Springs	Government	3,700
City of Colorado Springs	Government	3,050
Amazon.com, Inc.	Wholesale & Retail Trade	3,000
Penrose-St. Francis Health Services	Education & Health Services	2,450
Progressive Casualty Insurance Company	Financial Activities	1,800

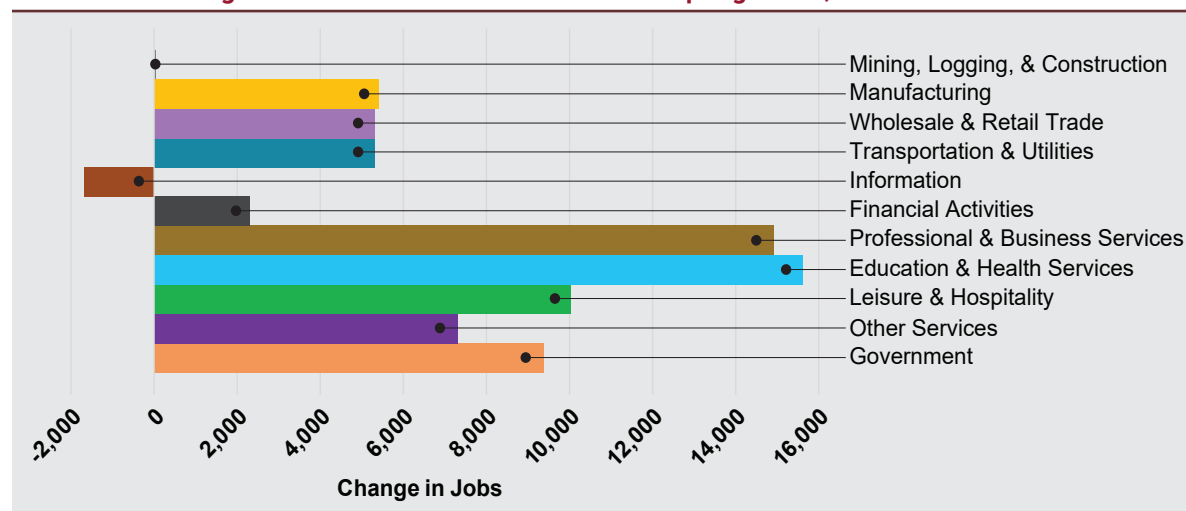
Notes: Excludes local school districts. Data include military personnel, who are generally not included in nonfarm payroll survey data. Source: Colorado Springs Chamber & Economic Development Corporation

the HMA, accounting for 55,500 jobs during the 12 months ending October 2023, followed by the education and health services sector, with 44,200 jobs. Colorado Springs attracts large numbers of former military personnel and has the third largest military retiree population in the United States, with more than 84,500 veterans living in the HMA. During much of the period since 2010, an expanding retiree population has led to rapid growth in the education and health services sector, the only sector to have added jobs each year since 2011. Figure 2 shows the change in jobs for each sector from 2011 to the current date.

Current Conditions— Nonfarm Payrolls

Economic conditions in the HMA are currently moderating, and job growth slowed during the past year as the economy transitioned from recovery to expansion. During the 12 months ending October 2023, nonfarm payrolls increased year over year by 5,500 jobs, or 1.7 percent, to 320,700 (Table 2). By comparison, payrolls increased by 14,100 jobs, or 4.7 percent, to 315,200 jobs during the 12 months ending October 2022. Partly due to the relatively modest effect of the COVID-19 pandemic in the HMA, nonfarm payrolls are currently 7.4 percent above the level of payrolls during the 12 months ending October 2019—the most recent corresponding period before the pandemic—compared with 3.4 percent nationally (Figure 3).

Figure 2. Sector Growth in the Colorado Springs HMA, 2011 to Current



Note: Current data are based on the 12-month averages ending October 2023.

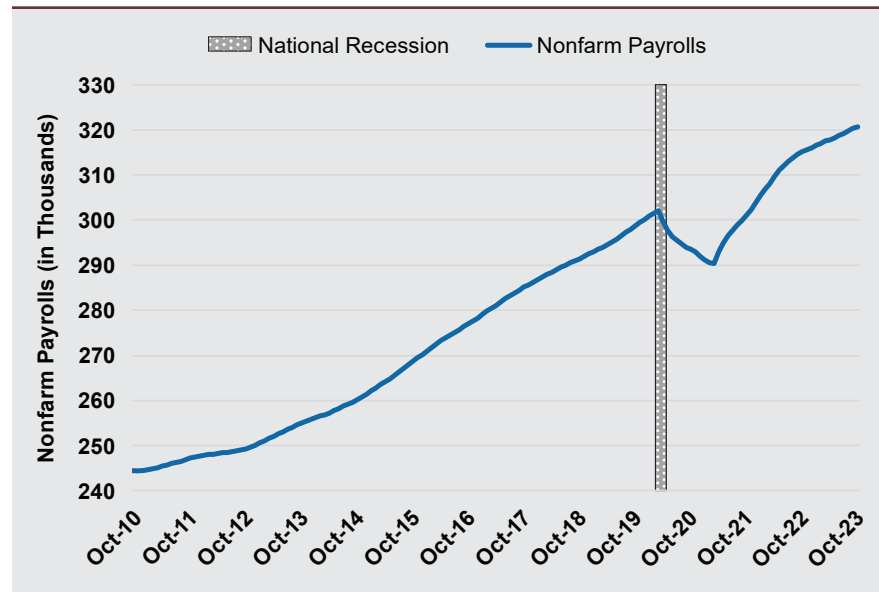
Source: U.S. Bureau of Labor Statistics

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Colorado Springs HMA, by Sector

	12 Months Ending October 2022	12 Months Ending October 2023	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	315.2	320.7	5.5	1.7
Goods-Producing Sectors	31.2	30.8	-0.4	-1.3
Mining, Logging, & Construction	19.2	18.9	-0.3	-1.6
Manufacturing	12.0	11.9	-0.1	-0.8
Service-Providing Sectors	284.0	290.0	6.0	2.1
Wholesale & Retail Trade	39.0	38.7	-0.3	-0.8
Transportation & Utilities	10.3	9.8	-0.5	-4.9
Information	5.2	5.1	-0.1	-1.9
Financial Activities	18.7	17.8	-0.9	-4.8
Professional & Business Services	51.4	55.5	4.1	8.0
Education & Health Services	43.1	44.2	1.1	2.6
Leisure & Hospitality	39.8	39.8	0.0	0.0
Other Services	21.3	21.8	0.5	2.3
Government	55.3	57.2	1.9	3.4

Notes: Based on 12-month averages through October 2022 and October 2023. Numbers may not add to totals due to rounding. Data are in thousands.

Source: U.S. Bureau of Labor Statistics

Figure 3. 12-Month Average Nonfarm Payrolls in the Colorado Springs HMA

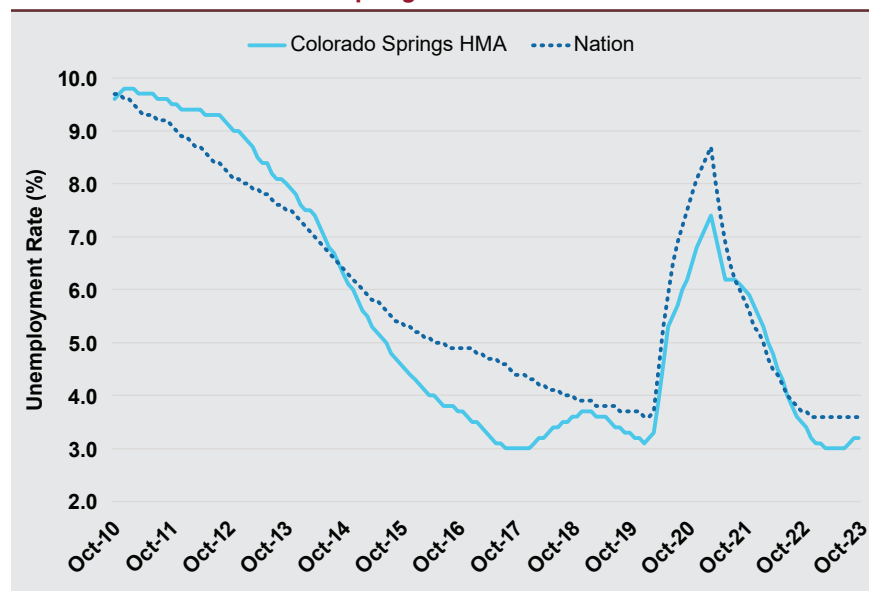
Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

During the 12 months ending October 2023, the professional and business services sector added the most jobs of any employment sector in numeric terms, increasing by 4,100 jobs, or 8.0 percent. By comparison, the sector added 1,900 jobs, or 3.9 percent, during the previous 12 months. Within the sector, the professional, scientific, and technical services industry added 4,200 jobs, or 13.1 percent, during the most recent 12 months compared with a gain of 2,400 jobs, or 8.1 percent, during the previous year. Losses in six sectors—led by the financial activities sector, which fell by 900 jobs, or 4.8 percent, during the most recent 12 months, following a decrease of 600 jobs, or 2.9 percent, a year earlier—partially offset overall nonfarm payrolls gains. Recent job losses in the sector occurred mostly because of rising interest rates that led to a decrease in mortgage lending and declining investment banking activities, including both equities and fixed-income trading, mirroring national trends.

Current Conditions—Unemployment

The unemployment rate in the HMA averaged 3.2 percent during the 12 months ending October 2023, down from an average of 3.5 percent during the previous 12-month period, because resident employment growth of 2.0 percent outpaced the 1.7-percent growth in the labor force. The unemployment rate reached a recent 7.4-percent high during the 12 months ending March 2021 compared with a prepandemic rate of 2.8 percent during the 12 months ending October 2019 (Figure 4). For context, the unemployment rate in the HMA peaked at 9.8 percent during 2010 because of the Great Recession. The current rate in the HMA is above the statewide rate in Colorado of 3.0 percent but below the national figure of 3.6 percent.

Figure 4. 12-Month Average Unemployment Rate in the Colorado Springs HMA and the Nation

Note: Based on the 12-month moving average.

Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

2011 Through 2014

Recovery from the economic downturn in the late 2000s was initially sluggish in the HMA before job growth accelerated sharply beginning in 2015. From 2011 through 2014, nonfarm payrolls increased by an average of 4,200 jobs, or 1.7 percent, a year. In 2014, the HMA recovered the number of jobs lost during the Great Recession, averaging 261,400 jobs. By comparison, the state of Colorado and the nation surpassed their respective prerecession peaks in 2013. Because of the significant federal civilian and military employment and investment in the HMA, the across-the-board federal spending cuts mandated by the Budget Control Act of 2011 (also known as sequestration) contributed to the lagged economic recovery.

Nine of the 11 sectors added jobs from 2011 through 2014, with the fastest increases in the mining, logging, and construction and the education and health services sectors, which rose by averages of 4.1 and 3.6 percent a year, or 500 and 1,100 jobs, respectively. The government sector rose by an average rate of 0.2 percent annually, or 100 jobs. Significant gains in the state government subsector—which rose an average of 18.9 percent, or by 1,200 jobs, the greatest percentage and absolute increase of any subsector in the HMA—more than offset losses in the federal and local government subsectors. Gains in the subsector were largely associated with the more than 3,000 combined jobs at Memorial Hospital Central and Memorial Hospital North, which were operated by the city of Colorado Springs until late 2012, when they joined the University of Colorado Health (UCHealth) system. The information sector was the only sector to decrease during the period, falling by an average of 100 jobs, or 1.5 percent, annually.

2015 Through 2019

From 2015 through 2019, job growth in the HMA accelerated sharply. Nonfarm payrolls rose by an average of 7,700 jobs, or 2.8 percent, annually to an average of 300,100 jobs in 2019. The education and health services

and the government sectors—which rose by respective averages of 1,600 and 1,400 jobs, or 4.6 and 2.7 percent, annually—led gains. An expanding retiree population led to rapid growth in healthcare services during the period. Healthcare and social assistance industry payrolls increased an average of 5.2 percent a year from 2015 through 2019.

Most government sector job gains were in the state and local government subsectors, which added respective averages of 700 and 600 jobs, or 7.0 and 2.1 percent, each year, partly because UCHealth acquired and expanded medical facilities in the HMA. UCHealth completed two hospital expansions during this period, Children’s Hospital Colorado and Memorial Hospital North, increasing the combined employment at the facilities to more than 600 people.

2020 Through 2022—The COVID-19 Pandemic and Recovery

The economy in the HMA weakened during 2020, reflecting the measures taken to limit the spread of COVID-19, and nonfarm payrolls decreased by 8,100 jobs, or 2.7 percent. The rate of decline was less than for the nation, 5.8 percent, during the same period. Payroll jobs fell in 6 of the 11 sectors in the HMA, with the fastest decline in the leisure and hospitality sector, which accounted for most of the payroll losses. The number of jobs in the sector declined by 7,100, or 17.9 percent. Hotels and resorts in the Colorado Springs area announced more than 2,250 temporary layoffs due to COVID-19, including approximately 1,400 jobs at The Broadmoor and 450 jobs at the Great Wolf Lodge (Colorado Department of Labor and Employment, Worker Adjustment and Retraining Notification notices). The government and the wholesale and retail trade sectors decreased by 1,100 and 900 jobs, or 2.0 and 2.3 percent, respectively. However, all the losses in the government sector were in the state and local government subsectors, and the significant concentrations of federal government jobs and private firms that receive federal government contracts contributed to the relatively mild effect of the pandemic. Five sectors added jobs during 2020, with the largest increases in the transportation and utilities and the professional and business services

sectors, rising by 900 and 600 jobs, or 16.4 and 1.3 percent, respectively. A large part of the increase in the transportation and utilities sector was the significant increase in Amazon.com distribution centers in the area. In addition, other companies, such as In-N-Out Burger, use Colorado Springs as a logistics center. Commercial warehousing and speculative, or spec, space is more available in the HMA than in nearby Denver.

During 2021, the local economy recovered the total number of nonfarm payrolls lost due to the effects of the 2020 recession and surpassed the prerecession level of 300,100 payroll jobs in 2019. Of the 11 nonfarm payroll sectors in the HMA, 7 had recovered to at least prepandemic levels during

2021, a figure that rose to 10 of 11 during 2022. From 2021 through 2022, nonfarm payrolls in the HMA increased by an average of 12,000 jobs, or 4.0 percent, annually. The sectors that added the most jobs during the period were generally those that lost the most jobs during 2020. The leisure and hospitality sector led gains, increasing by an average of 3,600 jobs, or 10.7 percent, annually. Growth in the transportation and utilities and the other services sectors was also strong, rising by respective averages of 1,900 and 1,800 jobs, or 26.2 and 9.6 percent, annually. In recent years, warehouse and distribution centers in the HMA have expanded significantly, and the city of Colorado Springs has grown as a regional distribution location.

Forecast

During the 3-year forecast period, the economy of the HMA is expected to continue expanding, with nonfarm payrolls expected to rise an average of 2.2 percent annually. Job growth is expected in several sectors, including the professional and business services, the education and health services, and the government sectors. Many companies within the professional and business services sector are expanding, including Frontier Technology Inc. (FTI), a provider of technology-enabled solutions to the federal government, particularly the DoD and the intelligence community. FTI is building a 46,000-square-foot secure facility and adding 200 jobs during the next

4 years. Auria, an aerospace and defense engineering contractor, is expected to add 620 jobs in the HMA. Although the manufacturing sector has generally declined in recent years, that trend may reverse soon. Meyer Burger, a Swiss high-performance solar manufacturer, is currently developing a manufacturing facility in the HMA, which is expected to add 350 new jobs after construction is complete. In addition, the recent decision to make Colorado Springs the permanent home for the U.S. Space Command headquarters is expected to contribute to expansions in the manufacturing sector by independent contractors that partner with the DoD.



Population and Households

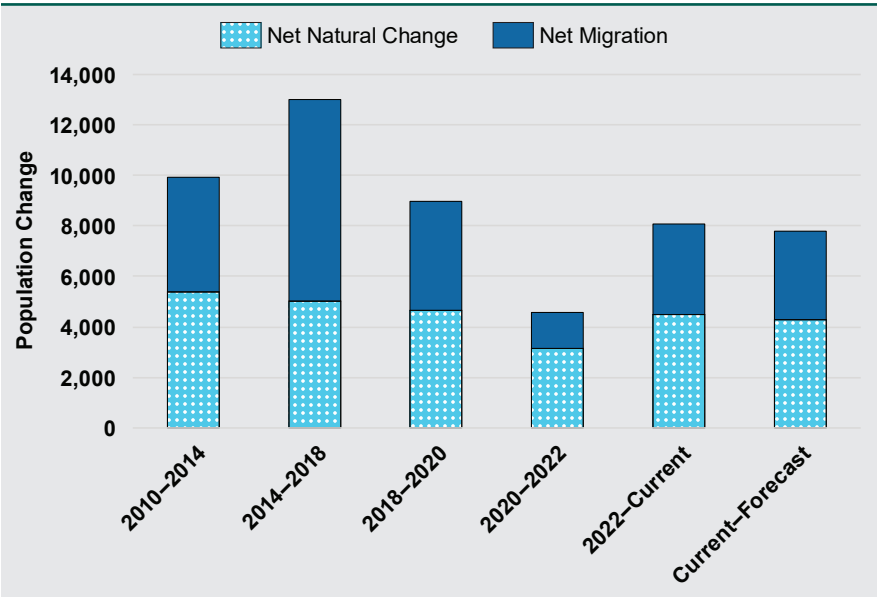
Current Population: 776,200

Population growth has accelerated since 2022 because net natural change and net in-migration have both increased compared with the period from 2020 to 2022.

Population Trends

The population of the Colorado Springs HMA has increased every year since 2010, with population growth accelerating in the mid-2010s before slowing by the end of the decade to 2022. From 2010 to 2014, population growth averaged 9,825 people, or 1.5 percent, annually (U.S. Census Bureau decennial census counts and population estimates as of July 1; Figure 5). Net in-migration during this period averaged 4,450 annually, and net natural change averaged 5,375 annually. Population growth increased to an average of 12,150 people, or 1.7 percent, annually from 2014 to 2019. During this period, net in-migration increased to an average of 7,225 people annually because strong job growth attracted workers from other areas. Net natural change declined to an average of 4,925 a year. From 2019 to 2020, the population of the HMA grew by 9,175, or 1.2 percent, as net in-migration slowed to 4,525, and net natural change slowed to 4,650 people. Net natural change slowed further to an average of only 3,175 people a year from 2020 to 2022, primarily due to COVID-19. The slower net natural change contributed to population growth slowing to an average of 4,575 people, or 0.6 percent, annually. Net in-migration fell to an average of 1,400 people a year during the period. Since 2022, population growth has averaged 8,100 people, or 1.1 percent, annually to a population of 776,200 as of November 1, 2023 (Table 3). Net natural change has increased to an average of 4,500 a year, partly because of the reduced effects of COVID-19. Net in-migration also increased from the previous period, rising to an average of 3,600 people a year, coinciding with an expanding economy.

Figure 5. Components of Population Change in the Colorado Springs HMA, 2010 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is the current date (November 1, 2023) to November 1, 2026.
Sources: U.S. Census Bureau and estimates by the analyst; current and forecast—estimates by the analyst

Table 3. Colorado Springs HMA Population and Household Quick Facts

Population Quick Facts		2020	Current	Forecast
	Population	755,105	776,200	799,600
	Average Annual Change	10,950	5,900	7,800
	Percentage Change	1.6	0.8	1.0
Household Quick Facts		2020	Current	Forecast
	Households	283,304	303,000	314,900
	Average Annual Change	3,750	5,500	3,975
	Percentage Change	1.4	1.9	1.3

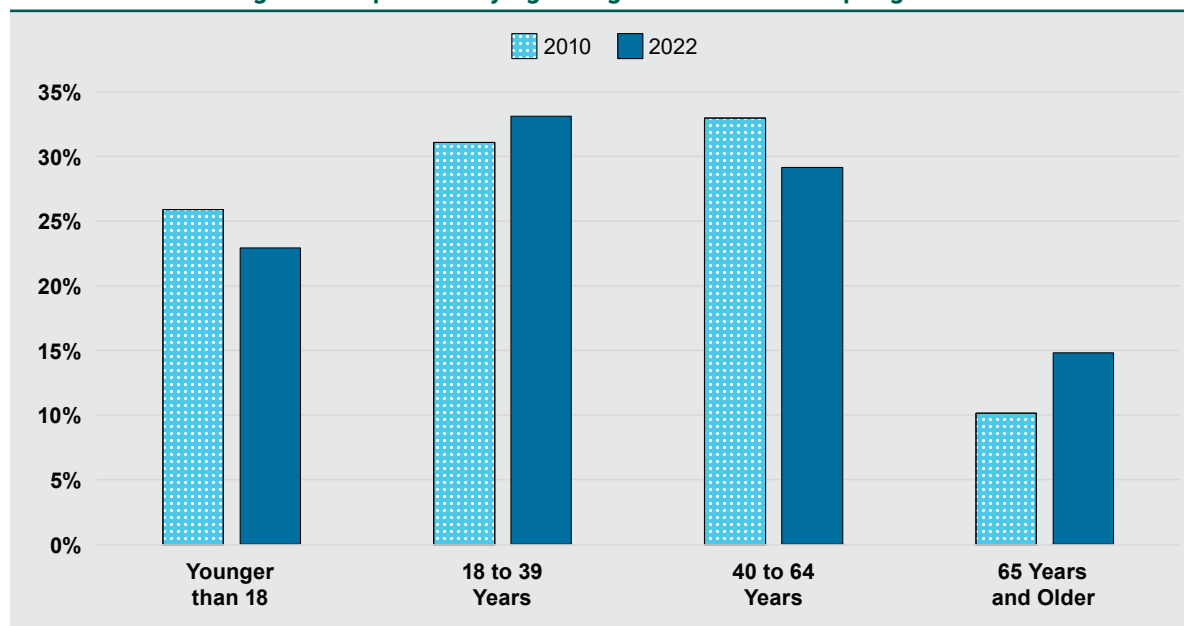
Notes: Average annual changes and percentage changes are based on averages from 2010 to 2020, 2020 to current, and current to forecast. The forecast period is the current date (November 1, 2023) to November 1, 2026.
Sources: 2010 and 2020—2010 Census and 2020 Census; current and forecast—estimates by the analyst



Age Cohort Trends

The HMA is attractive to young professionals and military veterans, offering a high quality of life due to the availability of outdoor recreation and an expanding healthcare system. In 2022, the largest age cohorts in the HMA were residents aged 18 to 39 followed by residents aged 40 to 64, constituting 33.1 and 29.2 percent of the total population, respectively (Figure 6). These age cohorts are the mainstays of the professional and business services sector and include many highly educated people. In 2022, 38 percent of HMA residents aged 18 to 64 had bachelor's degrees or higher compared with 34 percent nationally (American Community Survey [ACS] 1-year data). The fastest growing age cohort in the HMA includes people aged 65 and older, which grew from approximately 10.1 percent of the population in 2010 to 14.8 percent in 2022. During the same period, the share of the population younger than 18 declined to approximately 22.9 percent, down from 25.9 percent in 2010. The rising share of people aged 18 to 39 includes portions of Millennials and Generation Z, both of which are in stages of life typically associated with moving out of shared housing, and has contributed to increasing demand for rental units in the HMA. This cohort increased from approximately 31.1 percent in 2010 to 33.1 percent of the population in 2022.

Figure 6. Population by Age Range in the Colorado Springs HMA



Source: Colorado State Demography Office

Household Trends

The household growth rate in the HMA has exceeded the population growth rate since 2020. As of November 1, 2023, the number of households is estimated at 303,000. Since 2020, the number of households has increased by an average of 5,500, or 1.9 percent, a year, faster than the 0.8-percent population growth during the same period. The rate of household growth in the HMA has been above the rate of population growth since 2020, partly due to the increasing share of people aged 65 and older, who tend to have smaller household sizes, and many Millennial and Generation Z population members moving into their own homes following the pandemic. By comparison, from 2010 to 2020, the number of households increased by an average of approximately 3,750, or 1.4 percent, a year, slightly slower than the 1.6-percent population growth rate. An estimated 66.0 percent of households in the HMA are currently homeowners, slightly less than the homeownership rate of 66.2 percent in

2020 (Figure 7). Renter household formation has accelerated since 2020, increasing at an average annual rate of 2.1 percent, or 2,025 households, compared with an average annual increase of 1.1 percent, or 1,000 households, from 2010 to 2020.

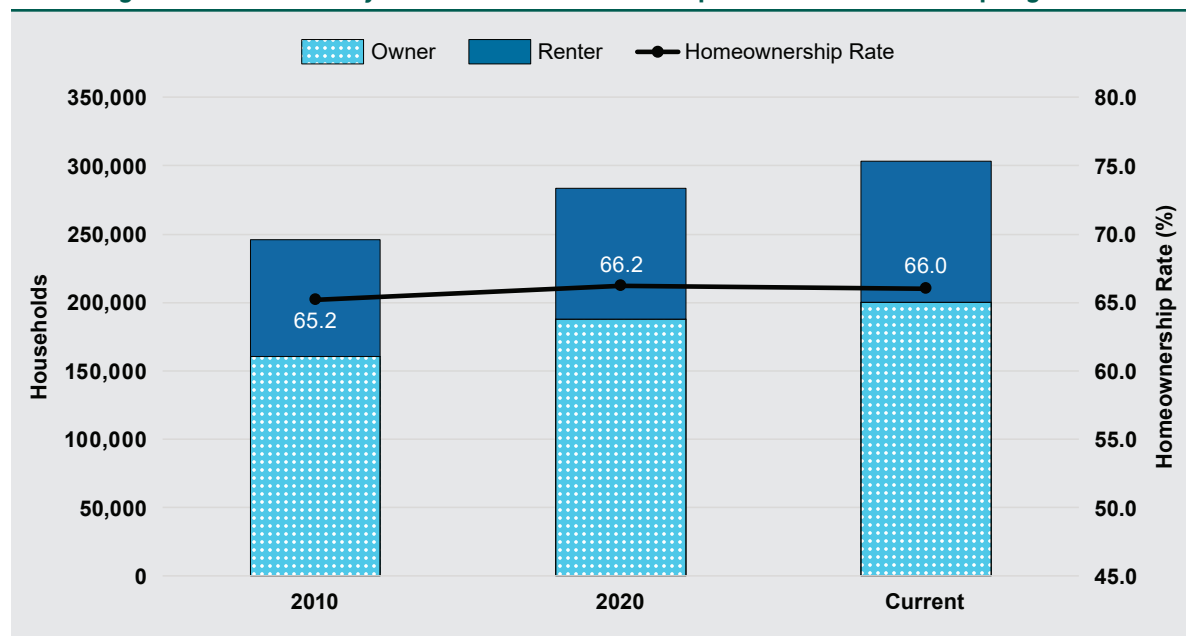
Military Households

Approximately 70 percent of the nearly 66,000 military personnel stationed in the HMA live off base, mostly in rental units (Fort Carson housing office, with estimates by the analyst). Approximately two-thirds of enlisted personnel are renters, whereas one-third of officers are renters. The military bases are spread throughout the HMA, and therefore, the effect on housing is also dispersed. All permanently assigned military personnel not receiving government quarters are eligible to receive a Basic Allowance for Housing (BAH) based on pay grade, duty status, assigned base, and number of dependents, ranging from \$1,584 to \$2,844 a month. In 2023, the minimum BAH for personnel with no dependents was 35 percent greater than the average rent in the CoStar Group-defined area of Outer Southwest El Paso County, the location of Fort Carson, not including utilities and fees.

Forecast

During the next 3 years, the population and number of households are expected to increase

Figure 7. Households by Tenure and Homeownership Rate in the Colorado Springs HMA



Note: The current date is November 1, 2023.

Sources: 2010 and 2020—2010 Census and 2020 Census; current—estimates by the analyst

by annual averages of 7,800 and 3,975, or 1.0 and 1.3 percent, respectively. The population is expected to increase because net in-migration and net natural change are expected to rise to annual averages of 3,500 and 4,300 people, respectively. Household growth in the HMA is expected to moderate compared with the previous period as the wave of young adults that delayed forming households until after the pandemic levels out. The relatively high rate of household growth during the 2020-to-current period was partially due to the pandemic, when consumer preferences around housing shifted and demand for housing increased. Based on expected economic and net migration trends, the population and number of households in the HMA are estimated to reach 799,600 and 314,900, respectively, by November 1, 2026, with growth expected to be generally steady throughout the 3-year forecast period.

Home Sales Market

Market Conditions: Balanced

The average home sales price during the 12 months ending October 2023 increased 2 percent, but reduced demand, partly due to higher mortgage interest rates, contributed to a 35-percent decline in sales compared with the previous 12 months (CoreLogic, Inc., with adjustments by the analyst).

Current Conditions

Sales market conditions in the Colorado Springs HMA are currently balanced, with an estimated 1.5-percent vacancy rate compared with 1.0 percent in 2020 (Table 4). The market eased during the past year, although relatively low levels of for-sale inventory have contributed to a general trend of declining affordability since 2020. As of October 2023, the number of available single-family homes for sale in El Paso County represented 2.5 months of supply, up from 2.2 months in October 2022. In Teller County, the number of single-family homes for sale represented 4.6 months of supply in October 2023, up from 3.2 months the previous year (Colorado Association of REALTORS®). From 2019 through 2021, tight home sales market conditions were partly due to increased home sales demand stemming from low mortgage interest rates. Although the average interest

Table 4. Home Sales Quick Facts in the Colorado Springs HMA

Home Sales Quick Facts	Colorado Springs HMA		Nation
	Vacancy Rate	1.5%	NA
	Months of Inventory	2.8	3.1
	Total Home Sales	14,500	5,132,000
	1-Year Change	-35%	-26%
	New Home Sales Price	\$614,200	\$493,100
	1-Year Change	7%	2%
	Existing Home Sales Price	\$479,800	\$394,100
	1-Year Change	1%	0%
	Mortgage Delinquency Rate	0.6%	1.0%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending October 2023; and months of inventory and mortgage delinquency data are as of October 2023. The current date is November 1, 2023.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage, mortgage delinquency rate, and home sales and prices—CoreLogic, Inc., with adjustments by the analyst

rate for a 30-year fixed-rate mortgage reached 7.6 percent during October 2023, the average rates were 3.1 and 3.0 percent during 2020 and 2021, respectively, representing the two lowest average annual rates during the past 50 years (Freddie Mac). Starting in 2022, the number of home sales began to fall as mortgage rates increased. Home prices continued to rise, although at a much slower rate than during the previous period of tight market conditions. During the 12 months ending October 2023, the average home price rose 2 percent from the previous year, when the average home price increased 11 percent (CoreLogic, Inc., with adjustments by the analyst).

New Home Sales and Prices

New home sales have accounted for approximately 15 percent of total home sales in the HMA since 2010. An average of 1,875 new homes sold annually from 2010 through 2014, a period of weak economic conditions as the area recovered from the Great Recession, before rising to an average of 3,125 annually from 2015 through 2019 when net in-migration reached record levels (Figure 8). In 2020 and 2021, an average of 3,875 new homes sold annually but the rate has since declined, with rapidly rising mortgage interest rates significantly affecting homeownership affordability. During the 12 months ending October 2023, 2,075 new homes sold, down 41 percent compared with 3,525 new home sales a year ago, when new home sales decreased 10 percent. From 2011 through 2019, the average new home price increased an average of 5 percent a year. New home price growth then accelerated from 2020 through 2021, increasing by an average of 8 percent

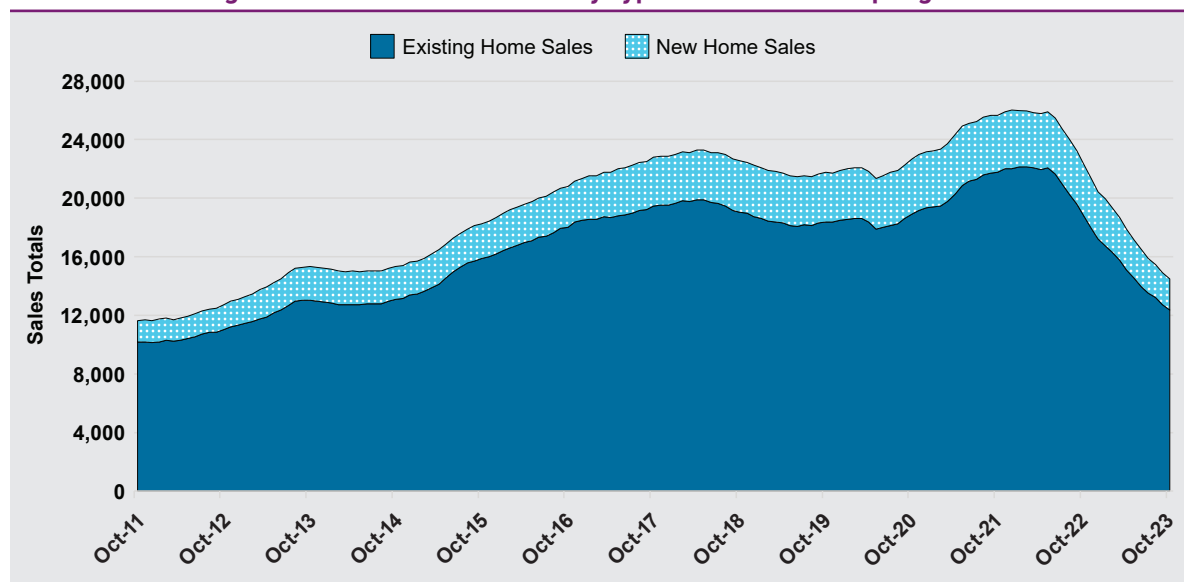


annually as rising costs for homebuilding supplies contributed to higher new home construction costs (Figure 9). Despite falling sales and rising mortgage interest rates, the average new home price rose 21 percent to \$585,600 in 2022. More recently, the pace of price increases has slowed. During the 12 months ending October 2023, the average new home price increased 7 percent to \$614,200 compared with the 12 months ending October 2022, when the average new home price rose 21 percent to \$572,100.

Existing Home Sales and Prices

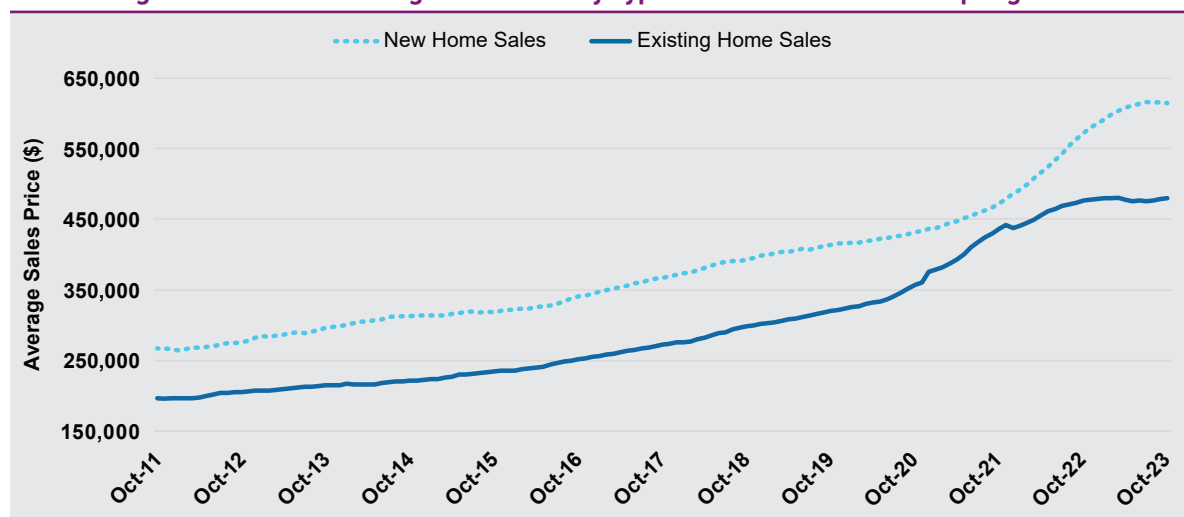
Similar to national trends, sales of existing homes in the Colorado Springs HMA peaked after the COVID-19 pandemic when 22,050 homes sold in 2021. By comparison, an average of 11,650 existing homes sold annually from 2010 through 2014, a figure that rose to an average of 18,300 annually from 2015 through 2019. From 2020 through 2021, an average of 20,700 existing homes sold annually because strong sales demand continued despite rising home prices. More recently, 12,400 existing homes sold in the HMA during the 12 months ending October 2023, down 34 percent from the 12 months ending October 2022, when existing home sales declined 14 percent to 18,800. Despite the decline in sales activity, prices for existing homes have continued to increase. The average sales price of an existing home in the HMA rose 1 percent to \$479,800 during the 12 months ending October 2023, following a 9-percent increase to \$476,700 during the 12 months ending

Figure 8. 12-Month Sales Totals by Type in the Colorado Springs HMA



Source: CoreLogic, Inc., with adjustments by the analyst

Figure 9. 12-Month Average Sales Price by Type of Sale in the Colorado Springs HMA



Source: CoreLogic, Inc., with adjustments by the analyst

October 2022. From 2011 through 2019, the average sales price of an existing home rose an average of 5 percent a year before accelerating to an average increase of 16 percent each year during 2020 and 2021, when demand for existing homes was notably strong.

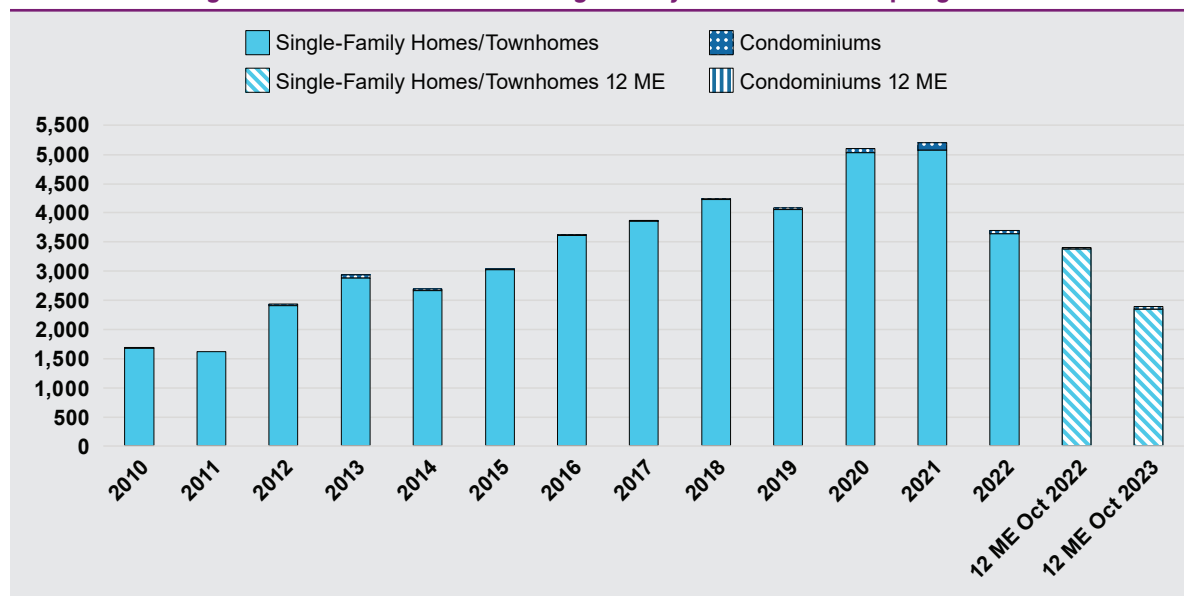
Seriously Delinquent Mortgages and Real Estate Owned Properties

Seriously delinquent mortgages and real estate owned (REO) properties have declined sharply in the HMA after increasing briefly in 2020 due to the COVID-19 pandemic. The share of seriously delinquent mortgages and REO properties in the HMA was only 0.6 percent in October 2023, down from 0.8 percent in October 2022 and the recent high 1.5-percent rate in October 2020 (CoreLogic, Inc.). By comparison, the national percentage of seriously delinquent mortgages and REO properties was 1.0 percent in October 2023, down from 1.3 percent a year earlier and significantly below the 8.6-percent January 2010 peak rate associated with the Great Recession.

Sales Construction Activity

Home sales construction activity in the HMA—as measured by the number of units permitted (see [building permits](#)) for sales housing, including single-family homes, townhomes, and condominiums—increased significantly in 2020 and continued to rise through 2021 but has declined since 2022 (Figure 10). Sales

Figure 10. Annual Sales Permitting Activity in the Colorado Springs HMA



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

construction activity generally trended upward from 2010 through 2019, averaging 3,025 homes permitted annually before increasing to 5,100 homes permitted in 2020. Strong home sales demand stemming from relatively affordable home prices and low mortgage interest rates and job and population growth were the primary reasons for increased homebuilding during much of the period. Home construction activity peaked in 2021, rising to 5,200 homes permitted, but slowed to 3,700 homes permitted during 2022 when demand began to ease. During the 12 months ending October 2023, homebuilding fell to 2,400 homes permitted, a 29-percent decrease from the previous 12-month period when 3,400 homes were permitted.

New Home Developments

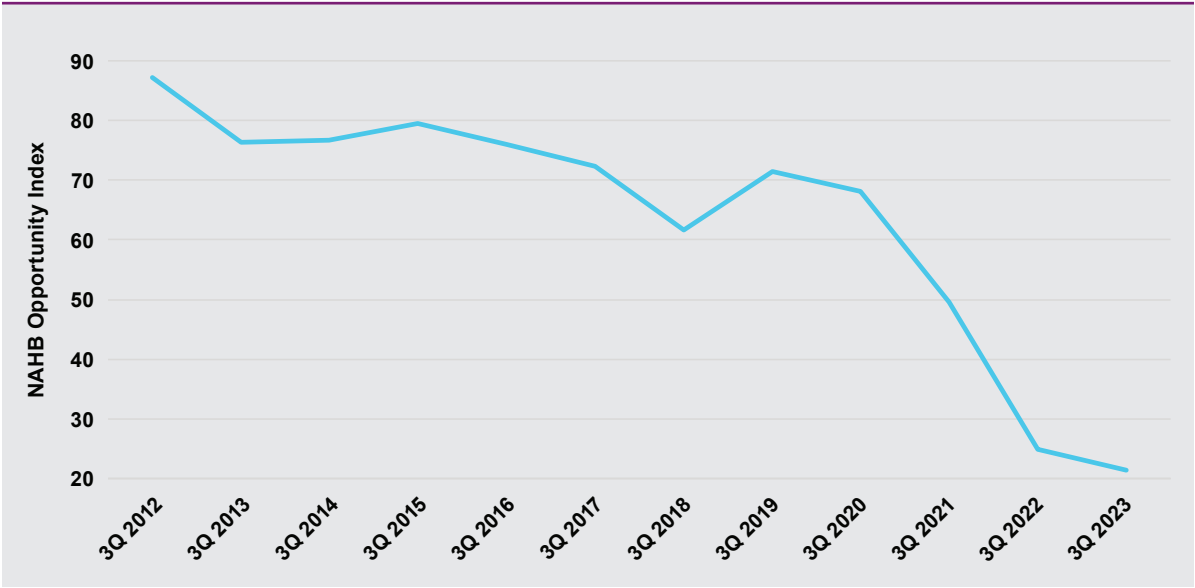
Most new home construction activity has been concentrated east of downtown Colorado Springs, where a greater supply of developable land exists. Banning Lewis Ranch, a subdivision near Peterson SFB in the eastern portion of the city of Colorado Springs, plans to add 500 single-family homes to the master-planned community. New two-bedroom, two-bath homes—located south of Colorado State Highway 94 at Marksheffel Road—will start at \$330,900. The Flying Horse North residential development is also under

construction, with 283 single-family homes planned at buildout. Construction is expected to proceed in phases as lots are purchased. The community is in the northern portion of the city of Colorado Springs near Black Forest Regional Park, with prices starting at \$661,200.

Housing Affordability: Sales

Homeownership in the Colorado Springs HMA has historically been relatively attainable, but affordability has declined dramatically since 2020 because of increases in home prices and mortgage interest rates. The National Association of Home Builders/Wells Fargo Housing Opportunity Index, which represents the share of homes sold that would have been affordable to a family earning the local median income, was 21.5 in the HMA during the third quarter of 2023, falling from 24.9 during the third quarter of 2022 and 68.0 during the third quarter of 2020 (Figure 11). During the third quarter of 2023, 188 of the 238 metropolitan areas measured, or 79 percent of metropolitan areas in the nation, had greater housing affordability than the HMA. The Denver-Aurora-Lakewood MSA (hereafter, Denver MSA), the closest metropolitan area to the HMA, is currently ranked 173 nationally and has been more affordable than the HMA since the first quarter of 2021. Historically, the HMA was significantly more affordable than the Denver MSA. As of the second quarter of 2012, the HMA was ranked 81, and the Denver MSA was ranked 157 nationally.

Figure 11. Colorado Springs HMA Housing Opportunity Index



3Q = third quarter. NAHB = National Association of Home Builders.
Source: NAHB/Wells Fargo

Forecast

During the next 3 years, demand is estimated for 8,625 new homes (Table 5). Although the market has recently eased, new home sales demand is expected to remain strong each year of the 3-year forecast period, partly because of increasing employment and net in-migration. The 1,425 homes under construction and the 480 units in planning are expected to meet a portion of the demand during the first year of the forecast period.

Table 5. Demand for New Sales Units in the Colorado Springs HMA During the Forecast Period

Sales Units	
Demand	8,625 Units
Under Construction	1,425 Units

Note: The forecast period is November 1, 2023, to November 1, 2026.
Source: Estimates by the analyst



Rental Market

Market Conditions: Soft

In 2022, rental permitting was at the highest level since at least 2000, with 5,800 units permitted. This trend of elevated levels of rental construction has continued, leading to increased apartment vacancy rates in the Colorado Springs HMA.

Current Conditions and Recent Trends

Rental market conditions in the HMA are currently soft compared with balanced conditions in 2020 and slightly soft conditions in the early 2010s. The vacancy rate for all rental units—including apartments, renter-occupied single-family homes, townhomes, condominiums, and mobile homes—is currently estimated at 9.5 percent, up from 6.2 percent in 2020 (Table 6). In 2022, 45 percent of all renter households in the HMA lived in multifamily structures with five or more units (ACS 1-year data). By comparison, approximately 39 percent of all renter households in the HMA lived in single-family homes in 2022.

Apartment market conditions in the HMA are also soft. As of the third quarter of 2023, the apartment vacancy rate was 10.4 percent, up from 8.9 percent during the third quarter of 2022 and 6.1 percent during the same quarter in 2021 (CoStar Group). Increased new

Table 6. Rental and Apartment Market Quick Facts in the Colorado Springs HMA

Rental Market Quick Facts	2020 (%)	Current (%)
	Rental Vacancy Rate	6.29.5
	2022 (%)	
	Occupied Rental Units by Structure	
	Single-Family Attached & Detached	39
	Multifamily (2–4 Units)	12
Apartment Market Quick Facts	Multifamily (5+ Units)	45
	Other (Including Mobile Homes)	4
	3Q 2023	YoY Change
	Apartment Vacancy Rate	10.41.5
	Average Rent	\$1,4270%
	Studio	\$1,083-2%
	One-Bedroom	\$1,277-1%
	Two-Bedroom	\$1,5420%
	Three-Bedroom	\$1,8183%

3Q = third quarter. YoY= year-over-year.
Notes: The current date is November 1, 2023. Percentages may not add to 100 due to rounding.
Sources: 2020 vacancy rate—2020 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2022 American Community Survey 1-year data; apartment data—CoStar Group

apartment completions since 2021 have contributed to the increased apartment vacancy rate and a decline in the average rent during the past year. From the third quarter of 2022 to the third quarter of 2023, the average asking rent in the HMA held steady at \$1,427. The average asking rents for studio and one-, two-, and three-bedroom apartments during the third quarter of 2023 were \$1,083, \$1,277, \$1,542, and \$1,818, respectively.

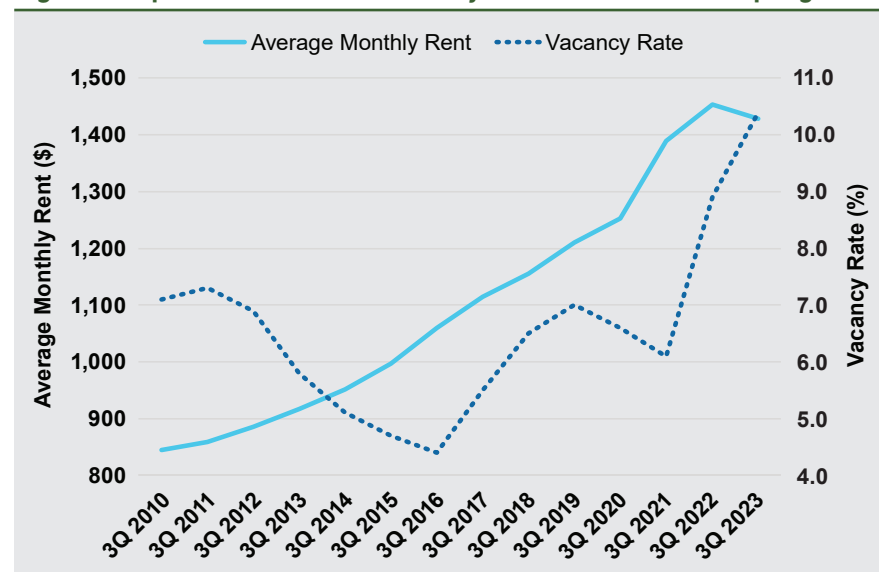
Apartment market conditions in the CoStar Group-defined Outer Southwest El Paso County market area, which includes Fort Carson, are slightly tight. As of the third quarter of 2023, the apartment market vacancy rate was 5.5 percent, up from 4.8 percent the previous year and 3.4 percent during the third quarter of 2021. The average asking rent as of the third quarter of 2023 was \$1,178, a 1-percent increase from the previous year and 18 percent below the average asking rent in the HMA. Deliveries in the submarket have been scarce, with only four apartment buildings, or 470 units, delivered since 2000, only 2 percent of all units delivered in the HMA.



Historical Asking Rent Growth and Apartment Vacancy Rates

Apartment rents have increased steadily in the HMA during much of the period since 2010, despite fluctuations in the apartment vacancy rate. Rent growth was steady from the third quarter of 2010 through the third quarter of 2015, averaging 3 percent annually, and the apartment vacancy rate fell 2.4 percentage points during the period to 4.7 percent (Figure 12). From the third quarter of 2015 through the third quarter of 2019, the average rent increased an average of 5 percent annually. After falling to 4.4 percent by the third quarter of 2016, the average vacancy rate rose by 2.6 percentage points to 7.0 percent as of the third quarter of 2019. From the third quarter of 2019 through the third quarter of 2021, the average rent increased an average of 7 percent annually. During the period, absorption accelerated,

Figure 12. Apartment Rents and Vacancy Rates in the Colorado Springs HMA



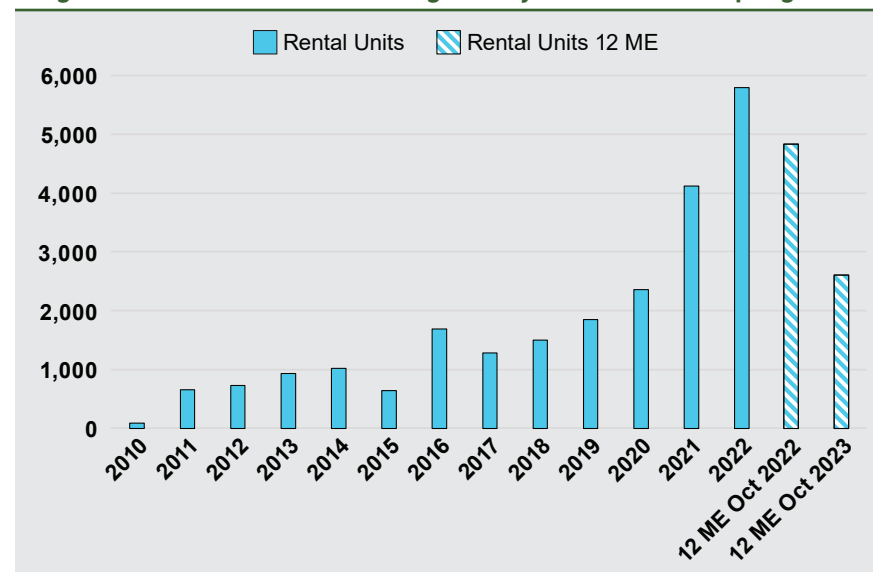
3Q = third quarter.
Source: CoStar Group

and the average apartment vacancy rate fell to 6.1 percent. The elevated absorption was mostly due to high rates of household formation and rising home sales prices, which contributed to increased demand for rental units. A significant increase in the number of apartment completions in the HMA subsequently led to an increase in the average vacancy rate, which rose to an average of 8.9 percent as of the third quarter of 2022, and the average rent increased 5 percent during the year.

Rental Construction

Construction of new rental units, as measured by the number of rental units permitted (primarily apartments), has been increasing in the HMA since the late 2010s. From 2010 through 2015, permitting averaged 680 rental units annually (Figure 13). Lower levels of apartment construction and rising net in-migration during the latter part of the period contributed to declines in

Figure 13. Annual Rental Permitting Activity in the Colorado Springs HMA



12 ME = 12 months ending.

Note: Includes apartments and units intended for rental occupancy.

Sources: U.S. Census Bureau, Building Permits Survey; 2010–22—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst



the average apartment vacancy rate. Developers responded with increased production from 2016 through 2019, when an average of 1,575 rental units were permitted annually. In 2020 and 2021, demand for rental units increased, and an average of 3,225 units were permitted annually. Rental construction activity increased to 5,800 units permitted in 2022 despite slowing absorption of new units and rising apartment vacancy rates that began after the third quarter of 2021. During the 12 months ending October 2023, builders responded to easing rental market conditions, and construction activity fell to 2,600 units permitted, down 46 percent from the previous year when 4,825 units were permitted (preliminary data, with adjustments by the analyst).

Rental Construction by Geography

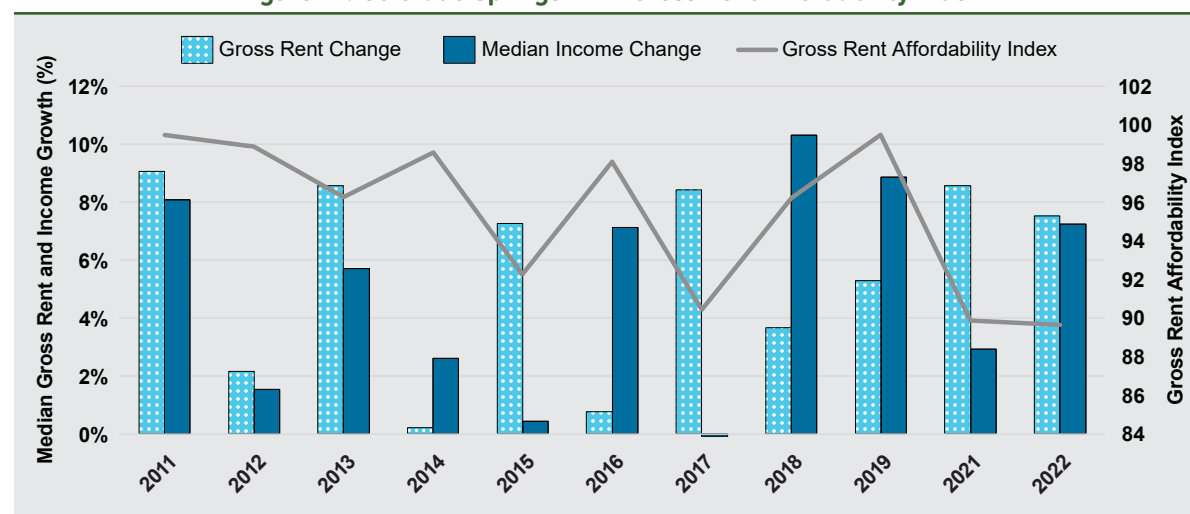
Recent construction activity in the HMA has been strongest along the I-25 corridor and in the city of Colorado Springs. Avian is a 169-unit multifamily community currently under construction at the southeast corner of Weber and Cucharas Streets in the downtown area of the city of Colorado Springs. The development is expected to open in 2024 and will offer a mix of studio and one- and two-bedroom units and more than 6,000 square feet of amenity space. The Solace at the Ranch apartment community on the east side of Colorado Springs is also under construction. The 374-unit, garden-style development will include one-, two-, and three-bedroom units and has a planned opening for

May 2024. Since 2021, more than 30 apartment communities have opened in the HMA. One of these communities, Alta Living, opened in 2022 and is in southeast Colorado Springs with 501 units, and amenities include an onsite dog park and paw spa. The average asking rents for studio and two-bedroom apartments during the third quarter of 2023 were \$1,014 and \$1,076, respectively. The community caters to long-term residents in addition to medium- and short-term corporate guests. Apex, a 360-unit luxury community, also opened in 2022 and is northeast of Colorado Springs in the Briargate neighborhood in close proximity to Peterson SFB. The average asking rents for one-, two-, and three-bedroom apartments during the third quarter of 2023 were \$1,524, \$1,914, and \$2,446, respectively. Both communities are still in lease up.

Housing Affordability: Rental

Rental housing affordability in the HMA fluctuated during the 2010s but has decreased since 2021. From 2011 to 2019, the median gross rent rose an average of 5 percent annually, and the median income for renter households rose similarly. As a result, the HUD Gross Rent Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, was 99.5 in both 2011 and 2019 (Figure 14). However, the index declined to 89.9 in 2021 because the median gross rent

Figure 14. Colorado Springs HMA Gross Rent Affordability Index



Notes: Rental affordability is for the Colorado Springs Metropolitan Statistical Area. The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website in that it is based on combined rent and utilities expenditure. Data for 2020 are not available.

Source: American Community Survey 1-year data

increased more than 8 percent, and the median income rose less than 3 percent from the previous year. In 2022, the index fell slightly to 89.7 because the increase in the median gross rent of 8 percent outpaced the 7-percent increase in the median income. By comparison, the National Gross Rent Affordability Index was 94.6 in 2022, signifying that renting in the HMA is less affordable than the national average.

Forecast

During the 3-year forecast period, demand is estimated for 3,250 new rental units (Table 7). Demand is expected to be relatively steady throughout the forecast period, with job and population growth supporting demand for rental units. The 4,175 units under construction and the 550 units in planning are

expected to satisfy demand through the entirety of the forecast period. To prevent the market from further softening, developers should not plan for units beyond what are already under construction to come online until after the forecast period.

Table 7. Demand for New Rental Units in the Colorado Springs HMA During the Forecast Period

Rental Units	
Demand	3,250 Units
Under Construction	4,175 Units

Note: The forecast period is November 1, 2023, to November 1, 2026.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Absorption	The net change, positive or negative, in the number of occupied units in a given geographic range.
Apartment Vacancy Rate/Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease-up.
Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures 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.
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.
Existing Home Sales	Includes resales, short sales, and real estate owned sales.
Forecast Period	November 1, 2023–November 1, 2026—Estimates by the analyst.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.

Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2020 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	The National Association of Home Builders/Wells Fargo Housing Opportunity Index represents the share of homes sold in the housing market area that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	This analysis has been prepared for the assistance and guidance of 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.
3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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.

D. Photo/Map Credits

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