

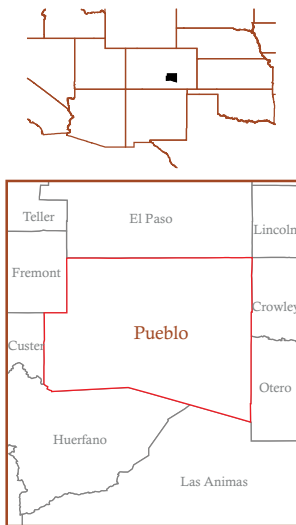


Pueblo, Colorado

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



Housing Market Area



The Pueblo, Colorado Housing Market Area (HMA) is defined as Pueblo County and encompasses the cities of Pueblo and Pueblo West and the smaller towns of Colorado City, Rye, and Boone. The city of Pueblo is located 50 miles south of Colorado Springs along Interstate 25.

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Summary

Economy

The economy of the Pueblo HMA has been improving since 2005, and residents are benefiting from improved economies and job growth in adjacent counties as well. More than 7,000 residents work outside the county, primarily in the Colorado Springs area. Fort Carson Army Base (AB) in El Paso County, located near the Pueblo County line, has significantly increased the number of soldiers stationed at the base over the past year, and the Army has started \$1 billion in capital improvements to the base to accommodate the larger troop levels.

Sales Market

Since 2000, the Pueblo HMA sales market has been strong. Homeownership reached an estimated 73 percent in 2005. The median existing home sales price increased by 4.2 percent to \$121,000 in 2005 from 2004, which is approximately 60 percent of the median sales price of existing homes in Colorado. In the 12 months ending May 1, 2006, the cost of construction, excluding land values, for single-family homes in the area rose by 27 percent to an average of \$162,600. During the 3-year forecast period, demand for approximately 2,800 new homes is expected.

Rental Market

The Pueblo HMA rental market is soft, although it has improved over the past year. The rental vacancy rate declined from 13 percent in the spring of 2005 to its current level of approximately 10 percent. Relatively low mortgage interest rates have enabled many renters to purchase homes. In addition, many individual investors have purchased single-family units for rental investments. Over the next 3 years, the rental market is expected to strengthen and demand is estimated to increase; 390 new rental units will be needed to meet that demand. Table 1 details demand for sales and rental housing through the forecast period.

Table 1. Housing Demand in the Pueblo HMA, 3-Year Forecast, May 1, 2006 to May 1, 2009

	Pueblo HMA	
	Sales Units	Rental Units
Total Demand	2,800	390
Under Construction	500	90

Note: 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, 2006. Source: Estimates by analyst

Economic Conditions

Historically, the city of Pueblo has been thought of as a steel town, but that perception began changing in the 1980s as the focus of the local economy shifted toward services as an economic base. Although steel fabrication remains an important part of the area economy, education and health services account for the largest number of employees, and total service-providing employment accounts for 86 percent of nonfarm employment. The leading employers in the area are listed in Table 2.

During the 1990s, residential employment grew by an average of 2.4 percent a year (see Figure 1). The increase in resident employment was primarily due to increasing numbers of healthcare-related businesses, telemarketing call centers, and manufacturing facilities locating to the area. Employment growth across all employment sectors from 1990 through the 12 months ending April 2006 is featured in Figure 2. Most of the new large companies relocated to the Pueblo HMA during the second half of the 1990s. These companies included QualMed Inc., a healthcare maintenance organization, and Convergys Corporation, a telemarketing company, which added 1,000 and 300 jobs, respectively to the HMA. Benesight, Inc., a medical claims processing organization, also relocated to the Pueblo HMA, adding 600 jobs. Gains in total employment were also a result of strong economies in neighboring communities, primarily in Colorado Springs and Canon City.

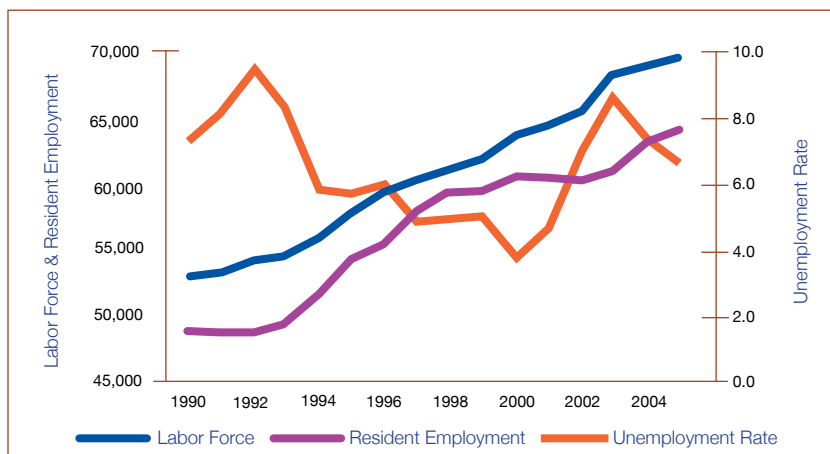
The economy in the Pueblo HMA grew slightly last year after an economic downturn in the early part of the decade. Between 2001 and 2003, companies in the HMA reduced employment by 700 jobs through downsizing and closures. The last significant layoff in the area occurred in 2004 when Boeing closed its manufacturing plant, eliminating 250 jobs. In 2005, nonfarm employment averaged 55,000 jobs, equaling the average in 2000. During the 12-month period ending April 2006, growth in retail trade, government, and construction employment offset losses in the manufacturing, financial activities,

Table 2. Major Employers in the Pueblo HMA

Name of Employer	Employment Sector	Number of Employees
Pueblo School District No. 60	Education Services/Government	2,400
Parkview Medical Center	Health Services	1,540
St. Mary-Corwin Medical Center	Health Services	1,230
Colorado Mental Health Institute at Pueblo	Health Services	1,050
Pueblo County	Government	1,020
Convergys Corporation	Business Services	1,000
Trane	Manufacturing	1,000
Pueblo School District No. 70	Education Services/Government	820
Rocky Mountain Steel Mills	Manufacturing	780
Wal-Mart Stores, Inc.	Retail Trade	750

Source: The Greater Pueblo Chamber of Commerce

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

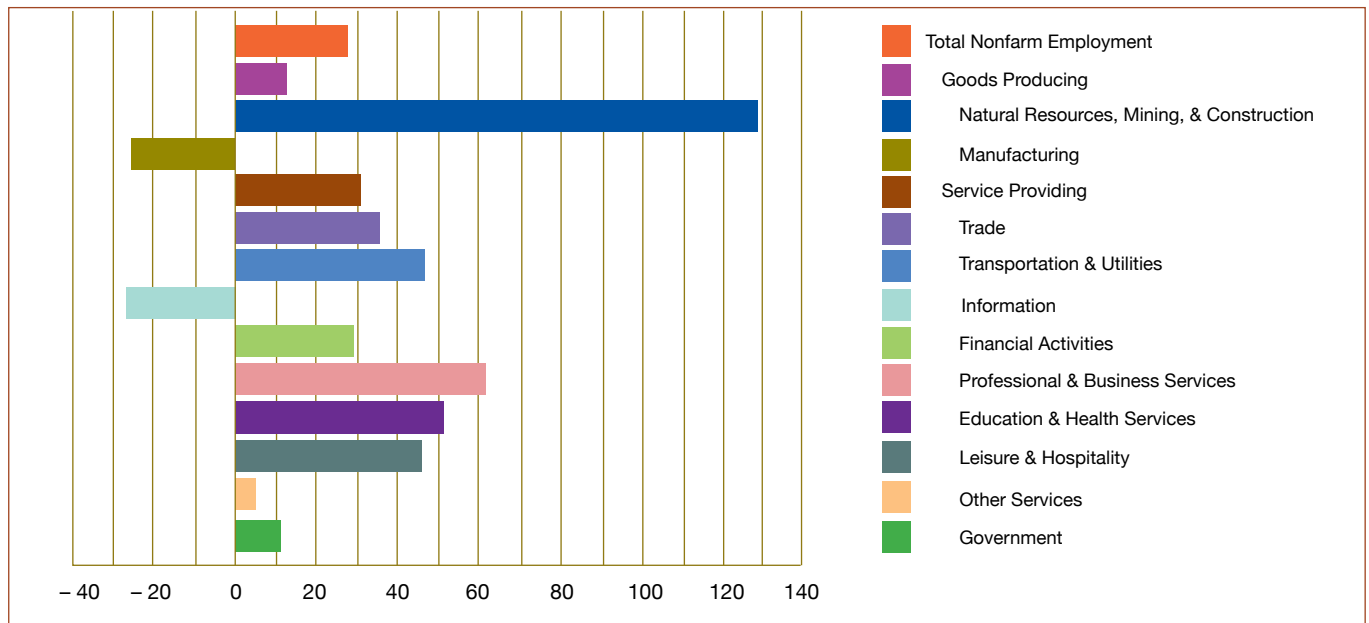


Source: U.S. Bureau of Labor Statistics

and professional and business services sectors, resulting in a net gain of almost 1 percent (see Table 3). The distribution of employment by sector for the 12 months ending in April 2006 is shown in Figure 3.

The economy in the HMA is expected to continue to grow modestly over the next 3 years. Express Scripts, Inc., a pharmacy call center that recently opened a new facility in Pueblo County, is projected to employ more than 500 people.

Figure 2. Sector Growth in the Pueblo HMA, Percentage Change, 1990 to Current



Note: Current is based on 12-month averages through April 2006.

Source: U.S. Bureau of Labor Statistics

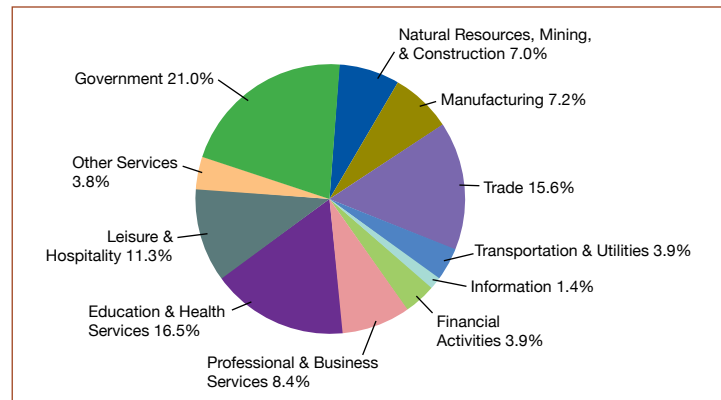
Table 3. 12-Month Average Employment in the Pueblo HMA, by Sector

Employment Sector	12 Months Ending April 2005	12 Months Ending April 2006	Percent Change (%)
Total Nonfarm Employment	55,000	55,500	0.9
Goods Producing	7,800	7,900	1.3
Natural Resources, Mining, & Construction	3,700	3,900	5.4
Manufacturing	4,100	4,000	-2.4
Service Providing	47,300	47,600	0.6
Trade	8,500	8,700	2.4
Transportation & Utilities	2,200	2,200	0.0
Information	800	800	0.0
Financial Activities	2,300	2,200	-4.3
Professional & Business Services	4,500	4,700	4.4
Education & Health Services	9,200	9,200	0.0
Leisure & Hospitality	6,200	6,300	1.6
Other Services	2,000	2,100	5.0
Government	11,700	11,700	0.0

Notes: Numbers may not add to total due to rounding. Based on 12-month averages through April 2005 and April 2006.

Source: U.S. Bureau of Labor Statistics

In 2006, a 10-year Department of Defense initiative to convert the Pueblo Chemical Depot, which stores more than 2,600 tons of mustard gas, into usable industrial space will move from the planning phase to the construction phase. The project will employ up to 600 workers during the conversion. In 2009, Xcel Energy, the local power company, is scheduled to complete the expansion of the Comanche Station. More than 750 workers will be on site throughout the construction phase. Fort Carson AB, in neighboring El Paso County, is scheduled to gain 6,000 to 8,000 soldiers by 2009. An investment of \$1 billion by the Department of Defense to accommodate soldiers will result in as many as 7,000 new jobs during the improvement process and 10,000 more jobs to provide goods and services to soldiers and their dependents.

Figure 3. Current Employment in the Pueblo HMA, by Sector

Note: Based on 12-month averages through April 2006.

Source: U.S. Bureau of Labor Statistics

Nonfarm employment is forecast to increase by approximately 2.1 percent a year and residential employment is forecast to increase by 2.4 percent a year during the next 3 years. Approximately 33 percent of the growth in residential employment is expected to be from jobs located outside the Pueblo HMA. Gains in construction employment will account for an estimated 10 percent of job growth in the Pueblo HMA during the next 3 years.

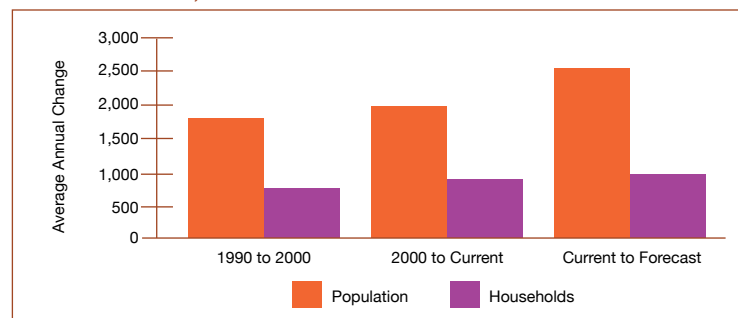
Population and Households

The population of the Pueblo HMA grew by an annual average of 1,850 between 1990 and 2000. Although the annual population growth rate for that period averaged 1.4 percent, a large out-migration of area residents in the late 1980s, which coincided with the closure of several steel mills, continued until 1993 when the economy started to grow again. Net in-migration averaged 1,160

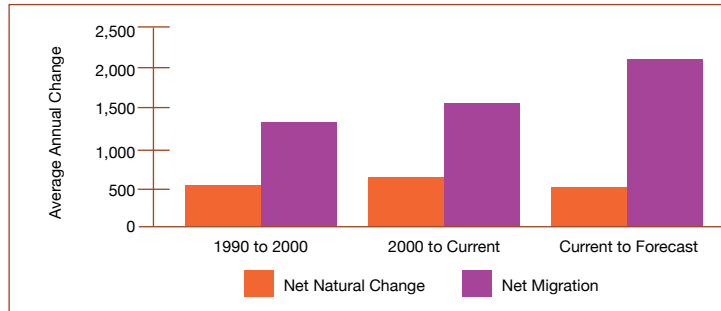
residents a year between 1994 and 1997 but increased to 1,925 residents a year between 1998 and 2002. Figure 4 shows the annual average growth in population and households from 1990 to 2000, from 2000 to the current date, and from the current date to the forecast date.

The nonhousehold population of the Pueblo HMA is currently approximately 4,200. Included in this group are approximately 530 assisted living residents, 1,030 nursing home residents, and 500 dormitory residents at the University of Colorado's Pueblo campus. Dormitories on the campus are at capacity.

Based on the anticipated economic growth in the area, the estimated volume of in-migration is expected to increase over the forecast period. Figure 5 illustrates the components of population change in the HMA, increasing net migration with

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

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

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

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

consistent net natural increase. The population in the Pueblo HMA is currently estimated to be 154,000 and is expected to grow at an annual rate of 1.6 percent to reach 161,600 by the forecast date. Currently an estimated 60,190 households are in the Pueblo HMA; by May 2009, the number of households is expected to reach 63,170.

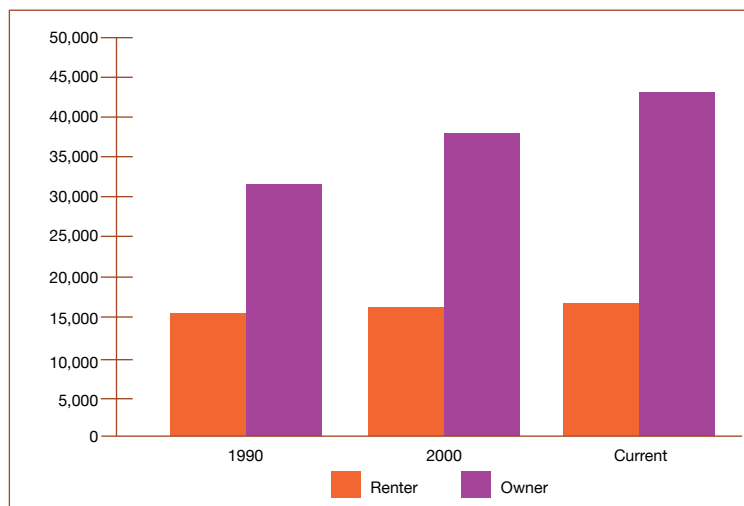
Housing Market Trends

Sales Market

The recent period of historically low mortgage interest rates combined with improved economic conditions have enabled homeowners to move into newer, larger homes and many renters to become homeowners.

Figure 6 highlights the growth in the number of homeowners since 1990. An estimated 5,350 homes intended for sale have been built since 2000.

Annual existing residential home sales rose by 50 percent from 2000 to the 12 months ending in April 2006. In 2004, the Federal Financial Institutions Examination Council reported that more than 1,200 home loans were originated in Pueblo County to households with incomes less than 80 percent of the area median income compared with only 575 loans originated in 2000.

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

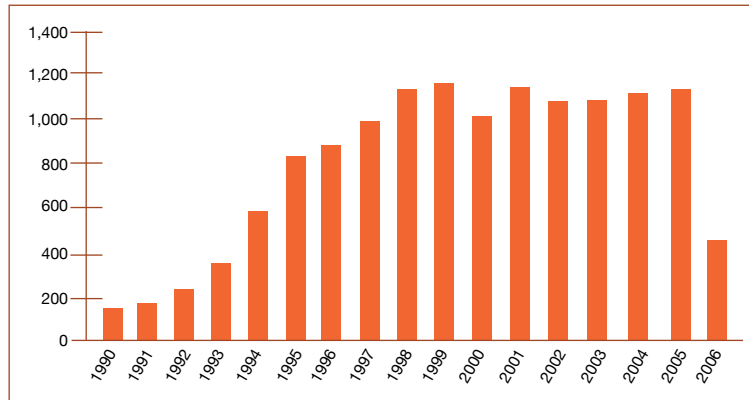
Sources: 1990 and 2000—U.S. Census; current—estimates by analyst

According to the Pueblo Regional Building Department, the estimated cost of construction for new single-family residences has risen significantly since 2000. The cost of homes permitted in the area, excluding the land value, averaged \$162,600 over the past 12 months, compared with \$128,000 a year earlier. The 27-percent increase is partially due to increasing construction costs but is more commonly the result of increased square footage and costly upgrades. Local sources report that move-up buyers purchased nearly 50 percent

of new homes and that 65 percent of new homebuyers were from the area.

In 2005, according to the Colorado Association of REALTORS®, the median sales price of existing single-family homes in the HMA topped \$121,000, a 4.2 percent increase over the 2004 median sales price. Houses in the Pueblo HMA are considerably more affordable than houses in many other areas in Colorado. The median sales price in the HMA is almost 60 percent lower than the \$214,700 median sales price of homes in nearby Colorado Springs.

Figure 7. Single-Family Building Permits Issued in the Pueblo HMA, 1990 to 2006



Notes: Includes only single-family units. Includes data through April 2006.

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

Rental Market

Despite recent economic improvements, the rental market remains soft because of competition with the home sales market. The current rental vacancy rate is 10 percent (see Figure 8), down from 13 percent a year ago. The lack of multifamily unit production in recent years combined with increasing interest rates is expected to cause the rental market to tighten during the next 3 years.

Currently, rents in the HMA are affordable and have not changed much since 2000. The Multifamily Housing Vacancy and Rental Survey conducted biannually by the Colorado Division

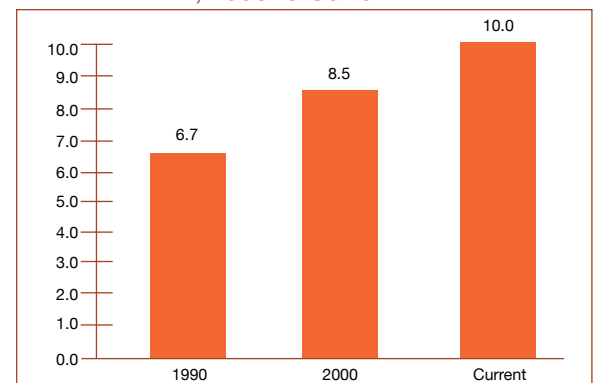
Demand for sales housing in the Pueblo HMA is expected to remain strong, averaging 930 units a year during the next 3 years. This trend is consistent with the number of single-family building permits issued since 1998 (see Figure 7). New homes are expected to be built and sold in an array of prices ranging from \$100,000 for new starter homes to properties in excess of \$300,000 for move-up buyers. Table 4 provides an estimate of single-family housing demand through the forecast period by various price ranges.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Pueblo HMA, May 1, 2006 to May 1, 2009

Price Range (\$)		Units of Demand	Percentage of Total
From	To		
100,000	119,999	280	10.0
120,000	139,999	450	16.1
140,000	159,999	530	18.9
160,000	179,999	420	15.0
180,000	199,999	250	8.9
200,000	224,999	280	10.0
225,000	249,999	200	7.1
250,000	274,999	150	5.4
275,000	299,999	110	3.9
300,000	and higher	130	4.6

Source: Estimates by analyst

Figure 8. Rental Vacancy Rates in the Pueblo HMA, 1990 to Current



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

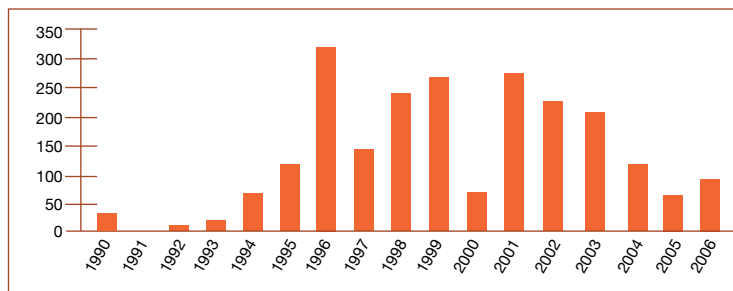
Housing Market Trends

Rental Market *Continued*

of Housing indicates that average monthly rents declined from \$479 in the first quarter of 2005 to \$474 in the first quarter of 2006. Average rents have fluctuated moderately since 2000, starting at \$426 in the first quarter of 2000 and rising to a recent high of \$498 in the same quarter of 2004. After rent concessions are considered, however,

effective rents have remained at 2000 levels. A lack of demand has resulted in little new market-rate rental development since 1990. The last substantial rental development in the area opened in late 2004. Figure 9 shows multifamily building permits issued in the HMA since 1990.

Figure 9. Multifamily Building Permits Issued in the Pueblo HMA, 1990 to 2006



Notes: Includes all multifamily units in structures with two or more units. Includes data through April 2006.

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

Rental demand is expected to increase over the next 3 years. The existing supply of excess rental inventory will be absorbed within the next year. The market will require approximately 390 units to be constructed during the last 2 years of the forecast period to achieve a balance. Table 5 provides a noncumulative breakdown of the demand estimate by number of bedrooms and rent level. Currently, one small rental development is under construction, and the construction pipeline contains two second-phase, high-end developments consisting of 200 units that have been in the planning stage since 2003.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Pueblo HMA, May 1, 2006 to May 1, 2009

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
500	120	650	150	800	120
550	100	700	115	850	100
600	90	750	100	900	95
650	75	800	85	950	65
700	60	850	65	1,000	45
750	40	900	50	1,050	30
800	25	950	30	1,100	20
and higher		and higher		and higher	

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. Pueblo HMA Data Profile, 1990 to Current

	1990	2000	Current	Annual Average Change (%)	
				1990 to 1999	2000 to Current
Total Resident Employment	48,700	61,577	64,550	2.4	0.8
Unemployment Rate (%)	7.2	3.8	6.3		
Nonfarm Employment	43,400	55,500	55,500	2.5	0.0
Total Population	123,051	141,472	154,000	1.4	1.4
Total Households	47,057	54,579	60,200	1.5	1.6
Owner Households	31,946	38,449	43,750	1.9	2.1
Percent Owner (%)	67.9	70.4	72.7		
Renter Households	15,111	16,130	16,450	0.7	0.3
Percent Renter (%)	32.1	29.6	27.3		
Total Housing Units	50,872	58,926	65,065	1.5	1.6
Owner Vacancy Rate (%)	2.0	1.8	2.0		
Rental Vacancy Rate (%)	6.7	8.5	10.0		
Median Family Income	\$25,784	\$40,130	\$46,800	4.5	2.6

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

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 5/1/2006—Analyst's estimates

Forecast period: 5/1/2006–5/1/2009—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_PuebloCO.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.