

# Housing Market Profile

Rocky Mountain • HUD Region VIII



## Colorado Springs, Colorado

The Colorado Springs metropolitan area, located about 60 miles south of Denver, consists of El Paso and Teller Counties. As of June 1, 2009, the population of the metropolitan area is estimated at 626,500; this figure reflects an average annual increase of 1.6 percent since 2000. The area is home to several major military installations, which have a total annual economic impact of approximately \$5 billion on the local economy. Fort Carson Army Base (AB), the second-leading employer in the state of Colorado, has approximately 23,000 active-duty military and civilian personnel in the metropolitan area. Lockheed Martin Corporation, Hewlett Packard Development Company, and Progressive Casualty Insurance Company are the leading private-sector employers in the area.

During the 12 months ending May 2009, average non-farm employment fell by nearly 6,000 jobs, or 2.3 percent, to 255,400 jobs. The largest declines occurred in the manufacturing; mining, logging, and construction; and financial activities sectors, which lost 1,500, 1,000, and 900 jobs, respectively. Despite the overall job losses during the past 12 months, several employment sectors expanded. The education and health services sector increased by approximately 1,000 jobs, or 3.7 percent, in the past year. Employment in the government sector increased by 800 jobs, or 1.8 percent, while the professional, scientific, and technical services industry grew by 400 jobs, or 2.1 percent. Despite losing 400 jobs in the past year, the information sector is expected to grow because Affiliated Computer Services, Inc., announced plans to relocate to the Colorado Springs metropolitan area and hire 600 people by August 2009. During the 12-month period ending May 2009, the unemployment rate in the metropolitan area averaged 6.7 percent, up from 4.7 percent during the same period a year earlier.

The Colorado Springs metropolitan area is home to the North American Aerospace Defense Command, Peterson Air Force Base (AFB), Schriever AFB, Fort Carson AB, and the U.S. Air Force Academy. In 2008, the number of permanent military and military-connected civilian personnel at these installations totaled nearly 48,000, with 29,000 active-duty military and 19,000 civilian personnel. Military strength levels at Fort Carson AB are expected to grow significantly in 2009. The 4th Infantry Division will be transferred from Fort Hood AB to Fort Carson AB, adding another 6,500

soldiers to the onpost strength levels by the third quarter of 2009. It is expected that the transfers will add approximately 4,000 new military households to the area. Based on the availability of onbase housing, most of these new households are expected to live off base in rental housing.

In response to the declining economy and tighter lending standards, the sales housing market in the metropolitan area is soft. According to the Pikes Peak Association of REALTORS®, the number of existing single-family homes sold in the past 12 months decreased by 12 percent, from 8,250 to 7,275. For the 12 months ending May 2009, the average price of an existing single-family home fell by 8 percent to \$219,100. According to the Colorado Division of Housing, the number of foreclosures in El Paso County increased from 1,220 in the 12 months ending March 2008 to 1,290 in the 12 months ending March 2009.

Single-family homebuilding activity, as measured by the number of building permits issued, averaged 1,190 homes during the 12 months ending May 2009, a decrease of 45 percent from the 2,150 homes permitted during the same period a year earlier. New home construction has continued to decline from the peak level of 6,520 single-family homes permitted in 2005. The inventory of unsold new homes has also decreased, falling from approximately 775 as of June 1, 2008, to 550 as of June 1, 2009. Smaller homes with fewer amenities and deep developer discounts have contributed to the average sales price of new homes declining by 11 percent to \$320,000 for the 12 months ending May 2009.

In recent months, the rental housing market has improved but remains soft. In its second quarter 2009 survey, *Apartment Insights* reported that the apartment vacancy rate in the Colorado Springs metropolitan area is 8.5 percent, down from 9.3 percent reported in its second quarter 2008 survey. Since 2003, the apartment rental market has been extremely soft because of military deployments and a weak economy. For the past 6 years, the rental market vacancy rate has been higher than 9 percent. The effect of troops returning to the area was evident in the submarket directly surrounding Fort Carson AB, which had the largest decline in vacancy, falling from a rate of more than 15 percent in the second quarter of 2008 to 7.8 percent in the second quarter of 2009. Even with the very recent decline in vacancy rates, the average rent for apartments in the area was \$690, unchanged from a year ago.



Despite a soft rental market, new apartment construction has increased in anticipation of the arrival of troops at Fort Carson AB. During the 12 months ending May 2009, permits for 440 multifamily units were issued, an increase of 42 percent from the number of units permitted during the same period a year ago. This

level of multifamily construction is well below the annual average of 900 multifamily units permitted since 2000. In 2009, 400 market-rate units in the Federal Housing Administration-insured pipeline are expected to begin construction; two of the developments are relatively close to Fort Carson AB.