

COLORADO SPRINGS CITY COUNCIL



January 27, 2020

Colorado Springs: Forecast for a Bright Future

Presented by

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The Real Estate Therapist

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ERA Shields/Salzman Real Estate Services

A PRESENTATION ON BEHALF OF

Pikes Peak Association of REALTORS® &
Pikes Peak REALTOR® Services Corp, Inc





A Localized View of Housing Affordability and Homeownership



Top Ten Outperforming Metro Markets Report for the Next 3-5 Years

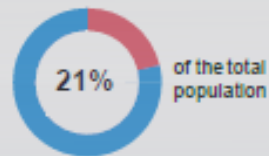
December 2019

MIGRATION IN COLORADO SPRINGS, CO AT A GLANCE

Metro Area Statistics
Population (1 yr and over): 738,939
Movers from a different state: 54,364
Movers from a different county, same state: 20,137
Movers within the same county: 81,152

Recent Movers

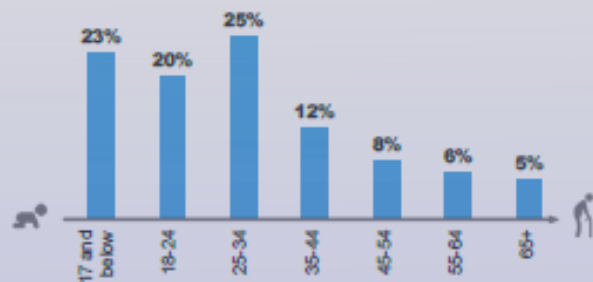
Number of recent movers: **155,653**



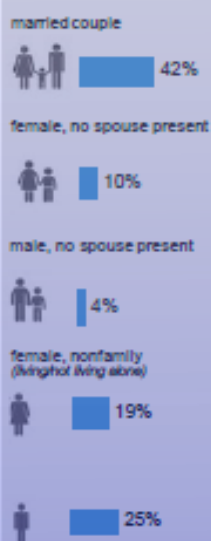
Gender:



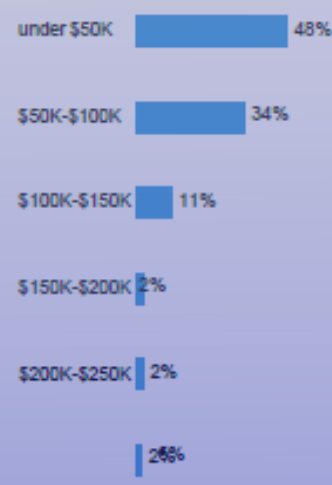
Median age: **27**



Household Type:



Median Income: **\$51,600**



Housing

Tenure:

Homeowners typically live for **8** years in their homes in COLORADO SPRINGS, CO.

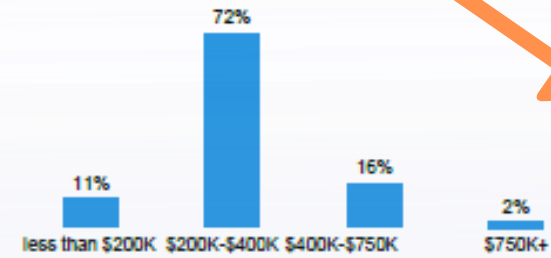


32% of the recent movers are homeowners
68% of the recent movers are renters

Affordability:

35% of the recent movers who are **renters** can afford to buy the typical home in COLORADO SPRINGS, CO (assuming 20% down payment)

Median Value of homes that recent movers bought: **\$286,100**



Origin of Recent Movers



Sources: NAR Calculations of the 1-yr PUMS ACS data, ACS (2013-2017) migration flows

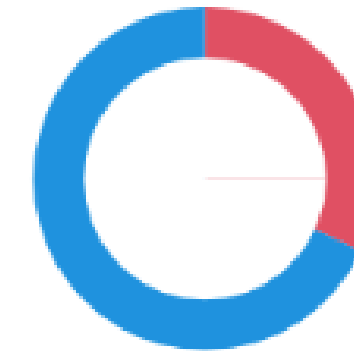
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NAR Predicts that Colorado Springs will continue to outperform other metropolitan markets for the next 3-5 years as businesses flourish and people migrate to the city.

Tenure:

Homeowners typically live for **8** years in their homes in COLORADO SPRINGS, CO.

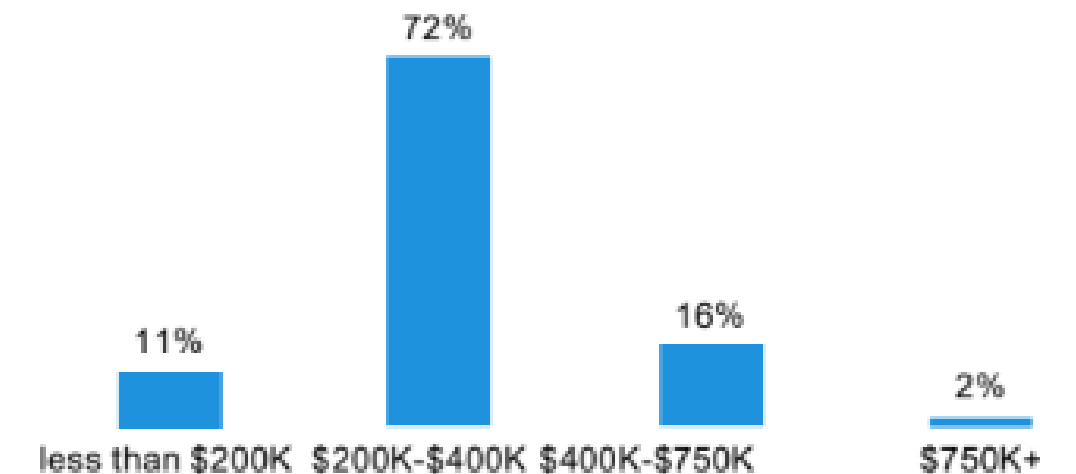


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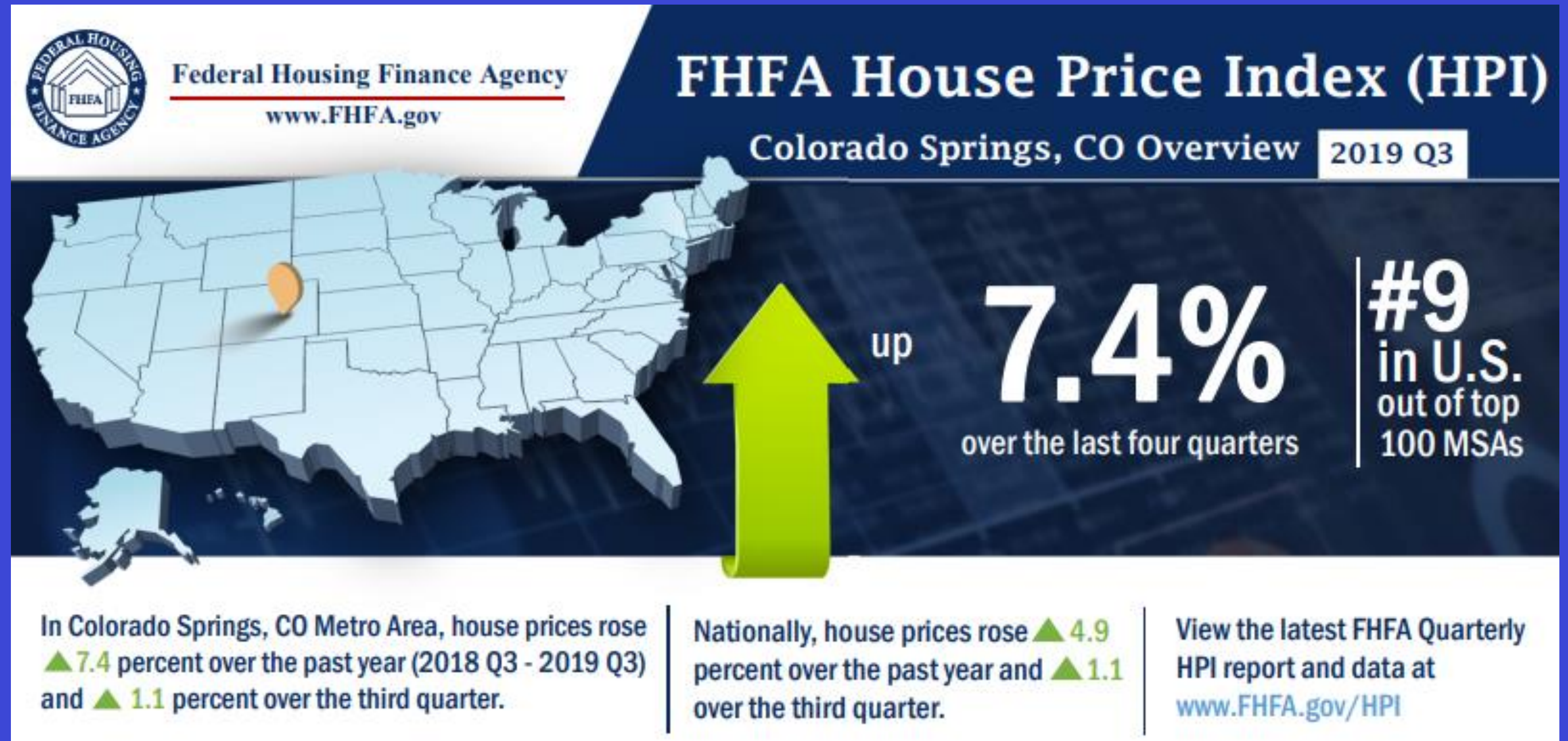
35% of the recent movers who are **renters** can afford to buy the typical home in COLORADO SPRINGS, CO (assuming 20% down payment)

Median Value of homes that recent movers bought: **\$286,100**



Home Value Growth

Colorado Springs continues to outperform the national average in home value growth



LISTING AND SALES SUMMARY
 December 2019

MONTHLY SUMMARY	All Homes					Existing Homes						
	Nov 2019	Dec 2019	% +/-	Dec 2018	% +/-	Nov 2019	Dec 2019	% +/-	Dec 2018	% +/-		
SINGLE FAMILY/PATIO HOMES:												
New Listings	1,081	822	(24.0)	717	14.6	908	700	(22.9)	579	20.9		
Sales	1,188	1,247	5.0	1,064	17.2	1,050	1,078	2.7	902	19.5		
Avg Sales Price	\$365,218	\$364,584	(0.2)	\$340,907	6.9	\$353,198	\$352,408	(0.2)	\$327,567	7.6		
Median Sales Price	\$325,000	\$329,990	1.5	\$300,855	9.7	\$320,000	\$320,000	0.0	\$290,000	10.3		
Total Active	1,667	1,302	(21.9)	1,685	(22.7)	1,208	934	(22.7)	1,098	(14.9)		
Months Supply	1.4	1.0	(4.4)	1.6	(1.3)	1.2	0.9	(8.5)	1.2	(0.8)		
CONDO/TOWNHOMES:												
New Listings	150	121	(19.3)	115	5.2	124	92	(25.8)	100	(8.0)		
Sales	173	172	(0.6)	145	18.6	153	140	(8.5)	130	7.7		
Avg Sale Price	\$248,247	\$249,551	0.5	\$227,354	9.8	\$230,850	\$235,570	2.0	\$213,396	10.4		
Median Sale Price	\$230,000	\$238,950	3.9	\$215,000	11.1	\$220,000	\$225,000	2.3	\$207,250	8.6		
Total Active	152	131	(13.8)	149	(12.1)	91	69	(24.2)	109	(36.7)		
Months Supply	0.9	0.8	23.9	1.0	(0.6)	0.6	0.5	2.8	0.8	(4.8)		
CUMULATIVE YTD SUMMARY												
	Jan-Dec 2019			Jan-Dec 2018			Jan-Dec 2019			Jan-Dec 2018		
SINGLE FAMILY/PATIO HOMES:												
New Listings	18,559			18,604			16,304			16,281		
Sales	16,060			15,576			14,092			13,770		
Avg Sales Price	\$366,371			\$347,289			\$356,738			\$337,464		
Volume	\$5,883,918,260			\$5,409,373,464			\$5,027,151,896			\$4,646,879,280		
CONDO/TOWNHOMES:												
New Listings	2,454			2,492			2,123			2,286		
Sales	2,232			2,274			1,994			2,080		
Avg Sales Price	\$247,958			\$228,215			\$237,753			\$220,422		
Volume	\$553,442,256			\$518,960,910			\$474,079,482			\$458,477,760		

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Listing & Sales Summary

Comparison of Single Family Home/Patio Home sales - Dec. '18 to Dec. '19

SINGLE FAMILY/PATIO HOMES:					
New Listings	1,081	822	(24.0)	717	14.6
Sales	1,188	1,247	5.0	1,064	17.2
Avg Sales Price	\$365,218	\$364,584	(0.2)	\$340,907	6.9
Median Sales Price	\$325,000	\$329,990	1.5	\$300,855	9.7
Total Active	1,667	1,302	(21.9)	1,685	(22.7)
Months Supply	1.4	1.0	(4.4)	1.6	(1.3)

Single Family Homes/Patio Homes, from December 2018 to December 2019, saw an average sales price increase of 6.9% and a median sales price increase of 9.7%

HOW DOES COLORADO SPRINGS RANK?

**Top
10**

National Association of REALTORS®

Colorado Springs is among the top 10 metropolitan markets predicted to outperform the rest of the country

5th

National Association of REALTORS®

Colorado Springs ranked 5th in the 20 Hottest Midwest Housing Markets - October 2019

9th

Federal Housing Finance Agency

Colorado Springs is ranked 9th in U.S. House Price Appreciation

7th

Realtor.com

Colorado Springs is ranked 7th in the top 10 Housing Markets Positioned for Growth

Real Estate as an Investment

Single Family Homes in Colorado Springs

5-Year Appreciation

	<u>Average</u>	<u>Median</u>
Dec '19	\$364,584	\$329,990
Dec '14	<u>255,652</u>	<u>225,000</u>
\$ Gain	108,932	104,990
%Gain	48.27%	46.66%
Annual % Gain	9.65%	9.33%

10-Year Appreciation

	<u>Average</u>	<u>Median</u>
Dec '19	\$364,584	\$329,990
Dec '09	<u>223,143</u>	<u>192,500</u>
\$ Gain	141,441	137,490
%Gain	63.39%	71.42%
Annual % Gain	6.33%	7.14%

El Paso County and COS Growth in Ownership of Single Family Residential, Condo, Townhome, and Farm/Ranch Residential Uses from 2018 to 2019

County

2018 - 205,485

2019 - 209,302

3,817

= 1.86% Growth

City

2018 - 135,465

2019 - 137,624

2,159

= 1.59% Growth

Change of Mill Levy

8.068	2019 El Paso County Mill Levy
+ <u>0.093</u>	2020 Abatements
8.161	2020 Allowed Mill Levy
- 0.609	Temporary Mill Levy reduction due to TABOR law
- <u>0.517</u>	2018 TABOR refund (\$4M)
7.035	Actual Mill Levy to be collected in 2020

2018 City of Colorado Springs Mill Levy was 4.279
2019 City of Colorado Springs Mill Levy is 4.279 (no change)

Source: Steve Schleiker, Assessor
El Paso County Assessor's Office





**PPAR would like to be a part of RetoolCOS
by participating in the updates to the
city's zoning ordinance**



REAL ESTATE FORECAST SUMMIT

DECEMBER 11, 2019 | WASHINGTON, D.C.



@NARforRealtor

@NAR_Research

#NARForecastSummit




NATIONAL
ASSOCIATION of
REALTORS®

Housing Prices Outpacing Wage Growth



Source: U.S. Census Bureau, U.S. Bureau of Labor Statistics

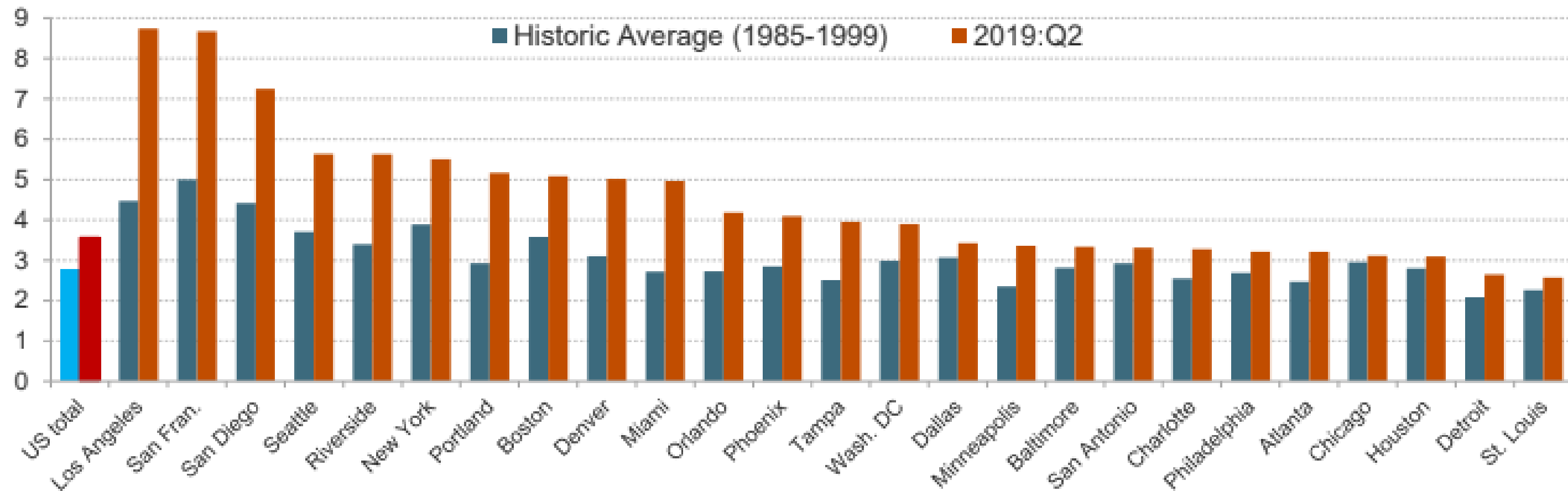
 American Bankers Association

*Housing Prices
continue to
Outpace Wage
Growth*

Supply has been short of demand for several years, contributing to an increase in the price of housing.

Nationally, prices have been rising faster than incomes, pushing up house price-to-income ratios in many large metro areas

Ratio of existing single-family house prices to household income

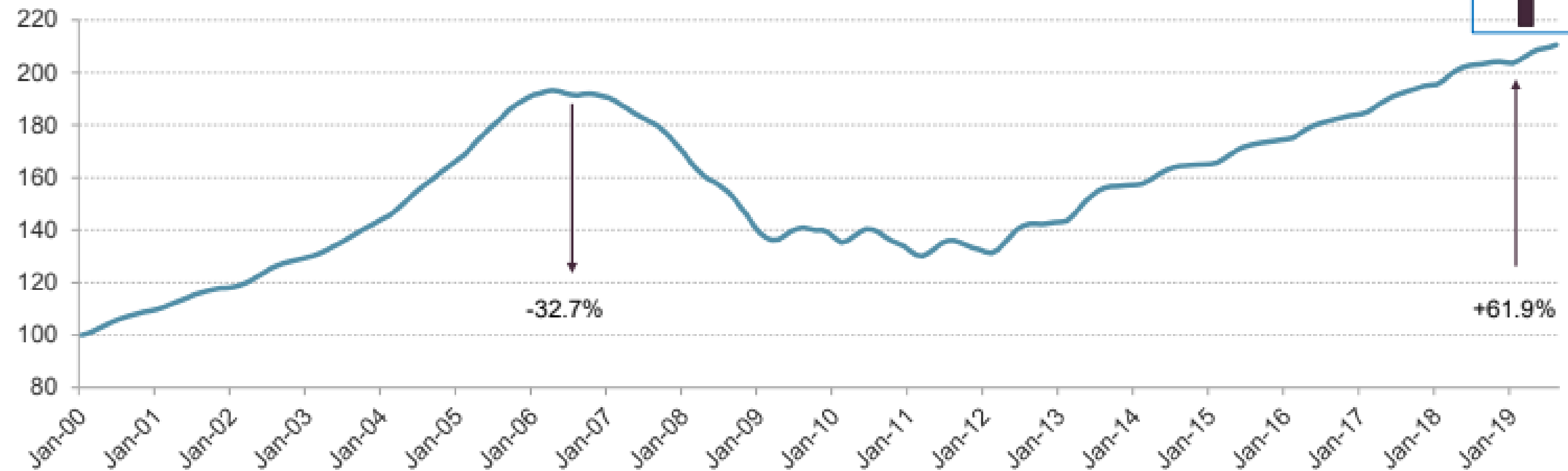


Notes: Data are for 25 largest metros ranked by population in the 2017 American Community Survey. Ratio is calculated as part of Zillow's quarterly Affordability Indices and compares the median price of homes to the median level of household income in a given area.

Source: Zillow Price-to-Income Ratio Q2 2019, <https://www.zillow.com/research/data/>.

House prices have fully recovered from the housing crash

CoreLogic national house price index (NSA, Jan. 2000=100)



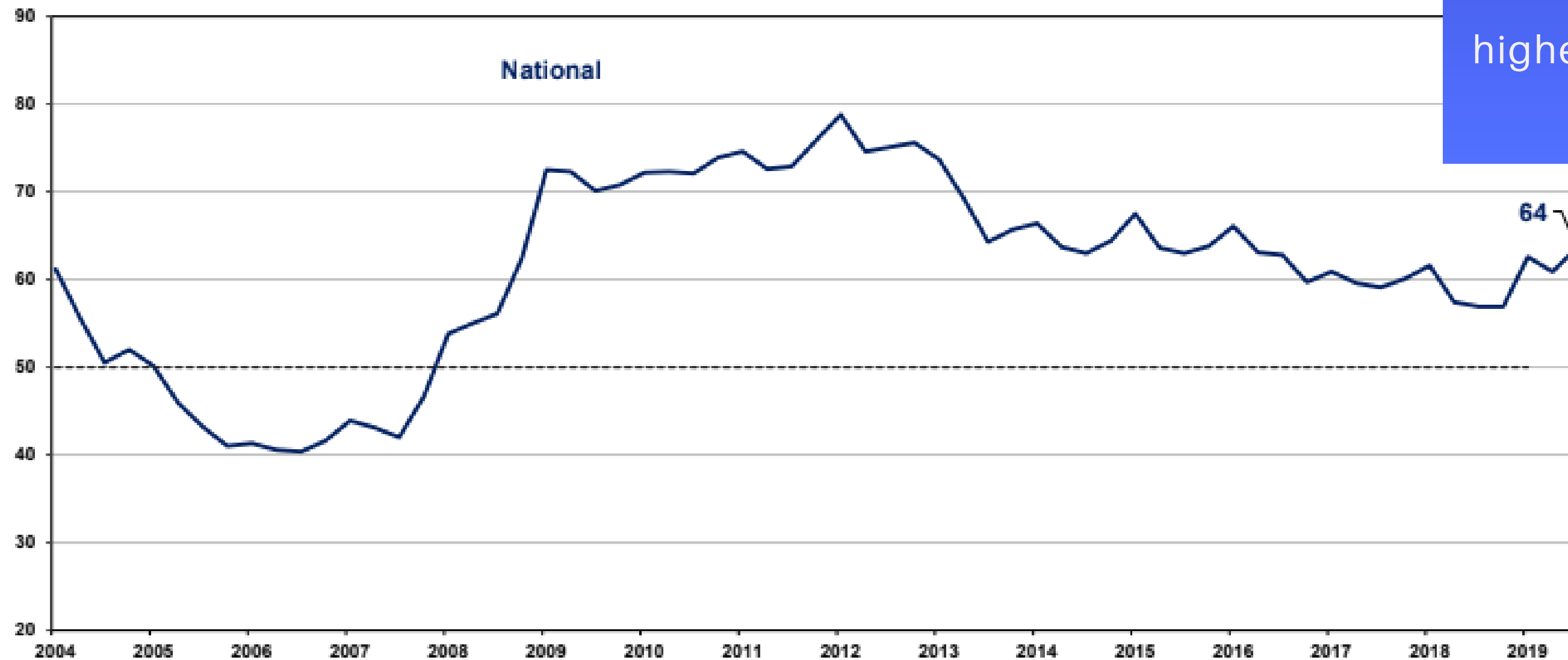
Notes: Index includes single family attached and detached structures. Data accessed on 10/16/19.
Source: CoreLogic, National House Price Index (HPI).

Wide-Angle Analysis of Affordability

By End of 2019, the Housing Opportunity Index was 64

Current Affordability is neither the lowest nor highest it has been in the past 15 years

Housing Affordability – NAHB/Wells Fargo HOI



Source: NAHB/Wells Fargo Housing Opportunity Index.

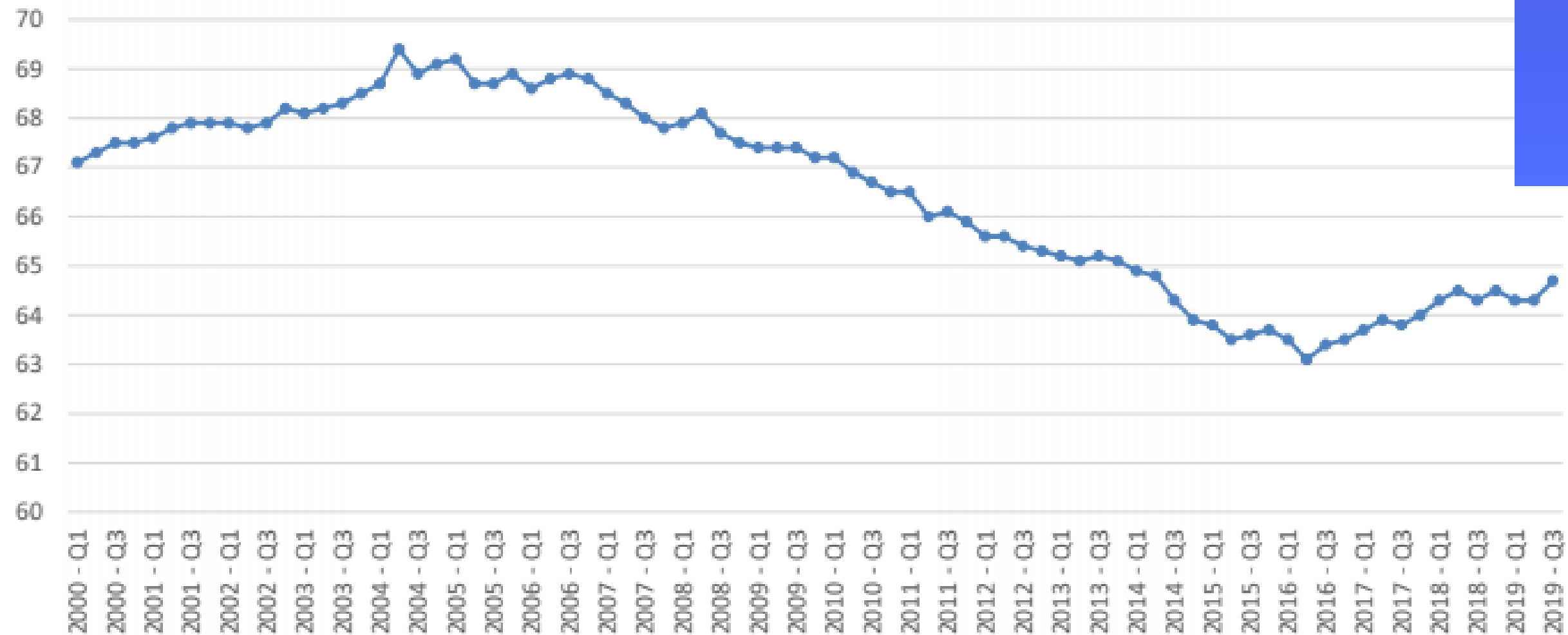


Wide-Angle Analysis of Homeownership

Homeownership Rate Subpar?

Homeownership rate was 63-69.5% in the past 19 years

Current Homeownership rate is just under 65% and is consistent with average rate of homeownership over time



Local Affordability

How does Colorado Springs score when it comes to affordability?



2019 Q2 Average Annual Wages for All Industries

*El Paso County wages are
10.9% lower than U.S. wages
and 13.5% lower than CO wages.*

U.S.	Colorado	El Paso County
\$56,940	\$58,656	\$50,752
2019 Q2 El Paso County Total Employment (excluding military)		283,341
*Estimated military employment in 2018 (and % of total EPC employees who are military).		57,852 (17.3%)

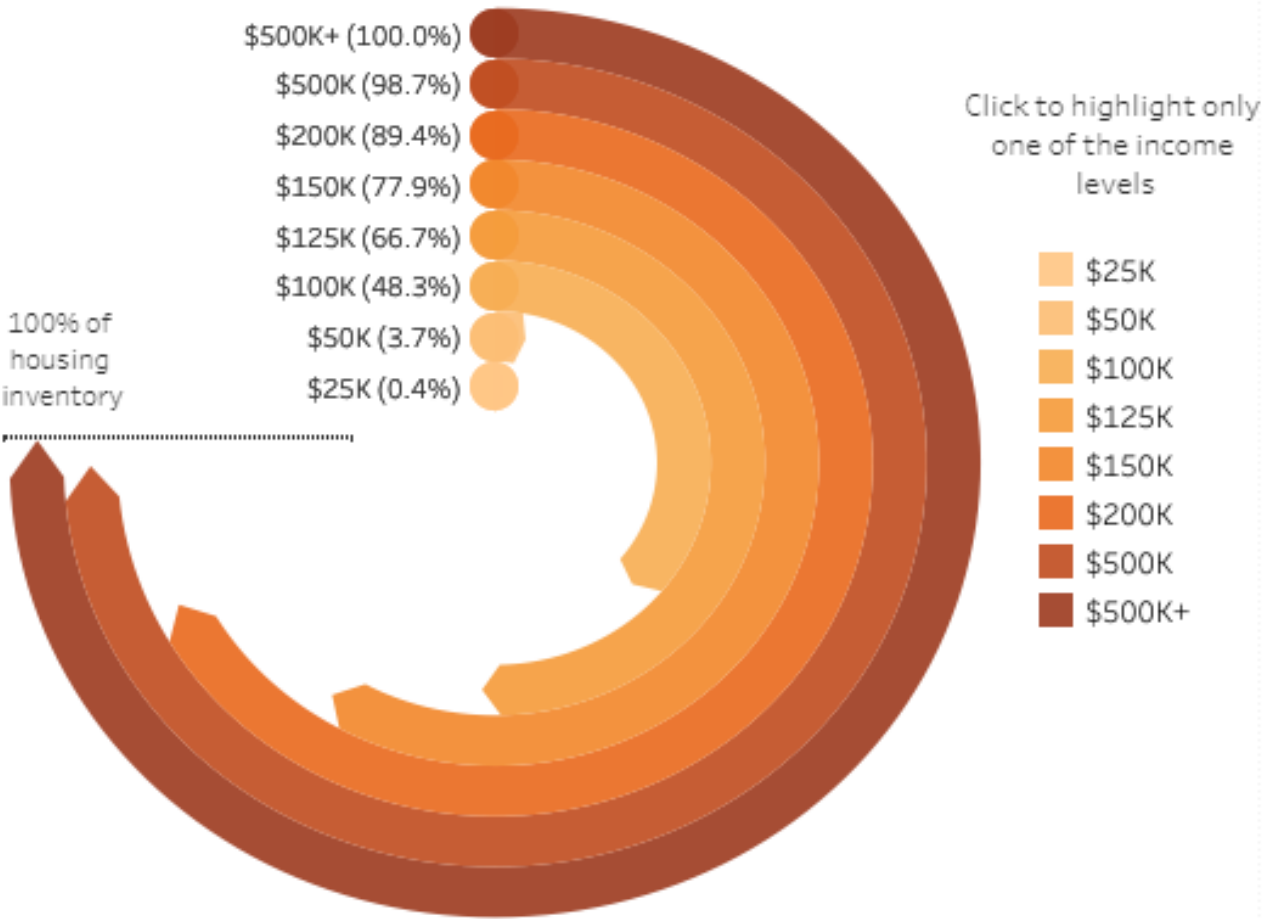
Average Annual Wages in El Paso County

REALTORS® Affordability Distribution Curve

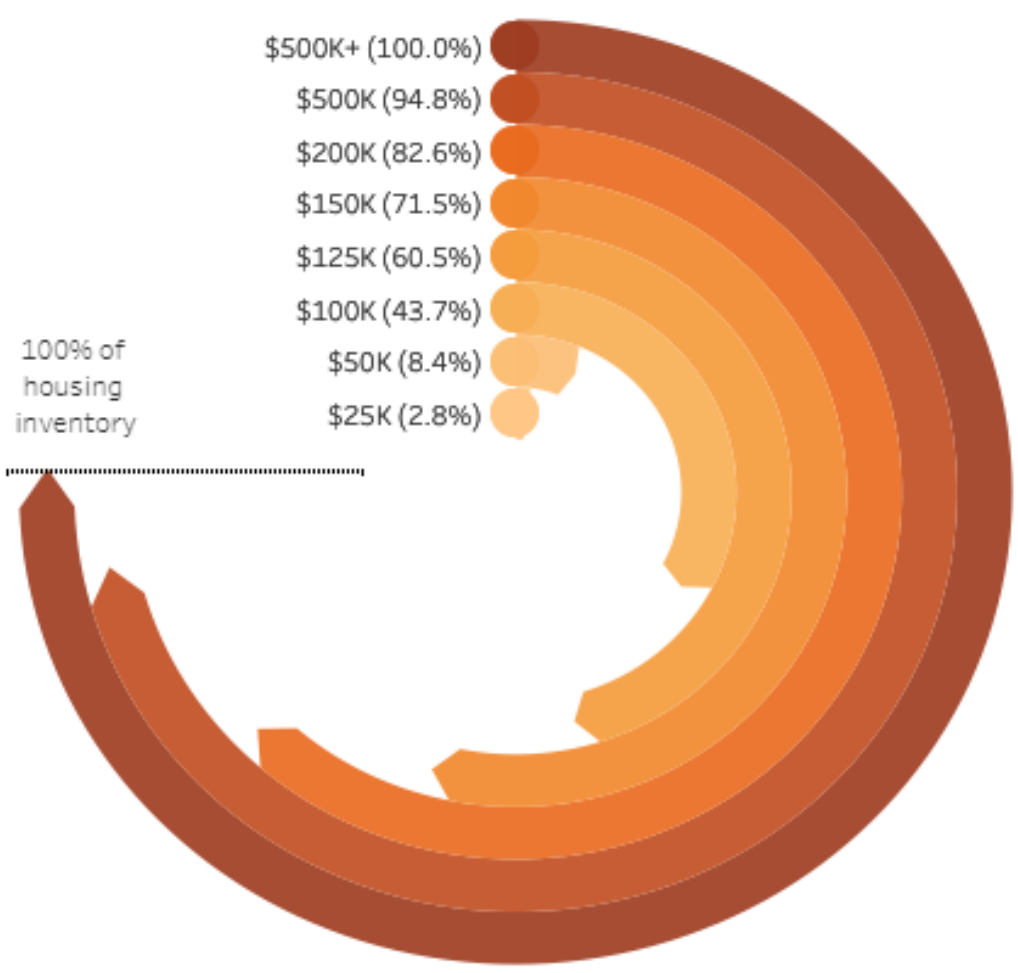
Mar/18 Apr/18 May/18 Jun/18 Jul/18 Aug/18 Sep/18 Oct/18 Nov/18 Dec/18 Jan/19 Feb/19 Mar/19

Compare the housing affordability of selected metro area to the affordability statewide.

Colorado Springs, CO (Score: 0.6)



Colorado



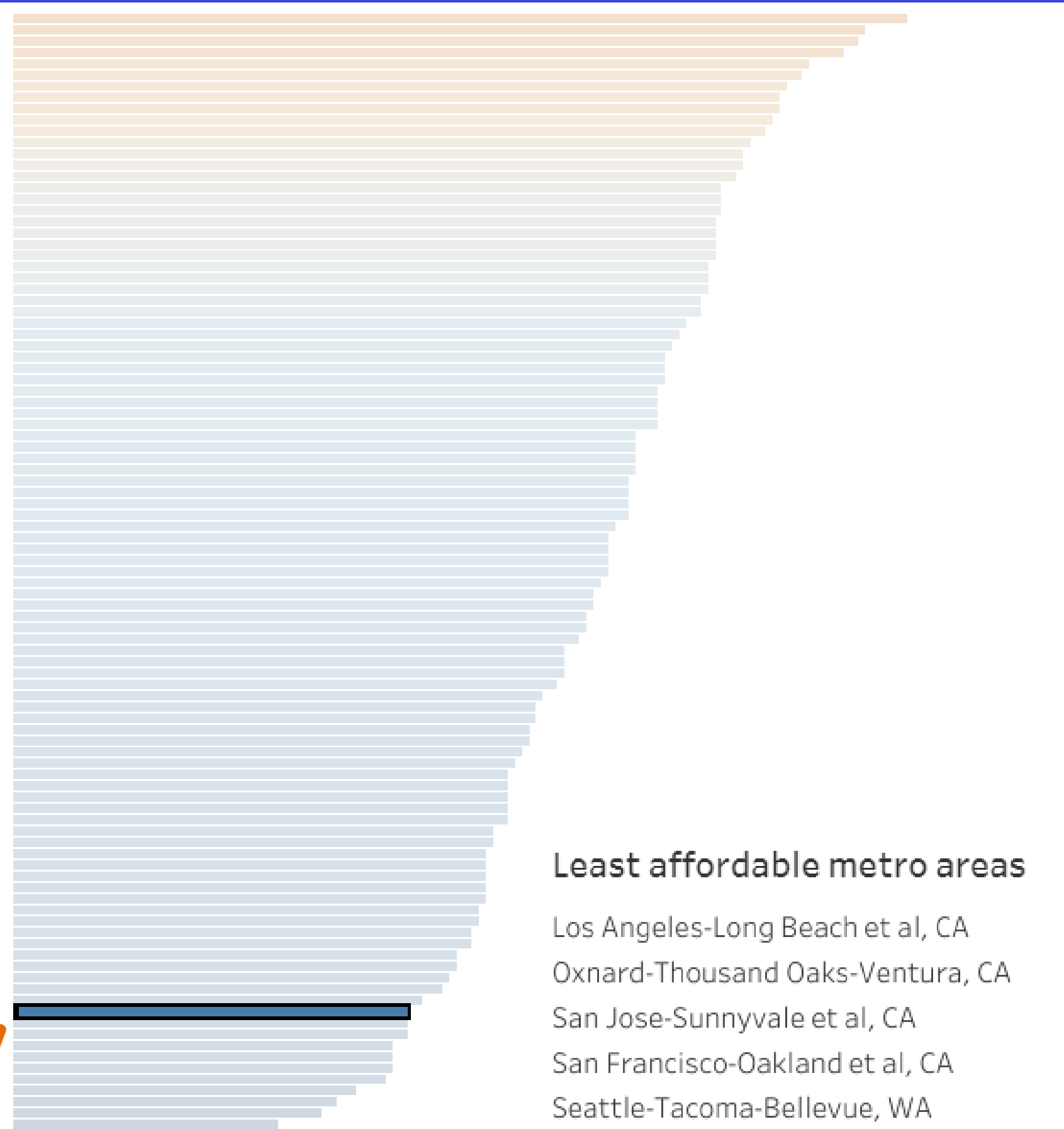
Percentage of total number of houses listed for sale that various income levels can afford

For Example: Households earning an income of \$50k can afford 3.7% of the homes on the market while households earning \$100k can afford 48.3% of the homes on the market.

REALTORS® Affordability Distribution Score

Most affordable metro areas

Youngstown-Warren et al, OH-PA
Dayton, OH
Akron, OH
Toledo, OH
Scranton--Wilkes-Barre et al, PA



Least affordable metro areas

Los Angeles-Long Beach et al, CA
Oxnard-Thousand Oaks-Ventura, CA
San Jose-Sunnyvale et al, CA
San Francisco-Oakland et al, CA
Seattle-Tacoma-Bellevue, WA

Relative
Affordability of the
Top 100 Largest
Metro Areas

A score of 1.0 or higher generally suggests a market which is affordable while a score smaller than 1.0 is an indicator of a relatively less affordable market

Colorado Springs, CO is relatively less affordable- REALTORS® Affordability Distribution score: 0.6



Affordability Index of Existing Single-Family Homes for Metropolitan Areas

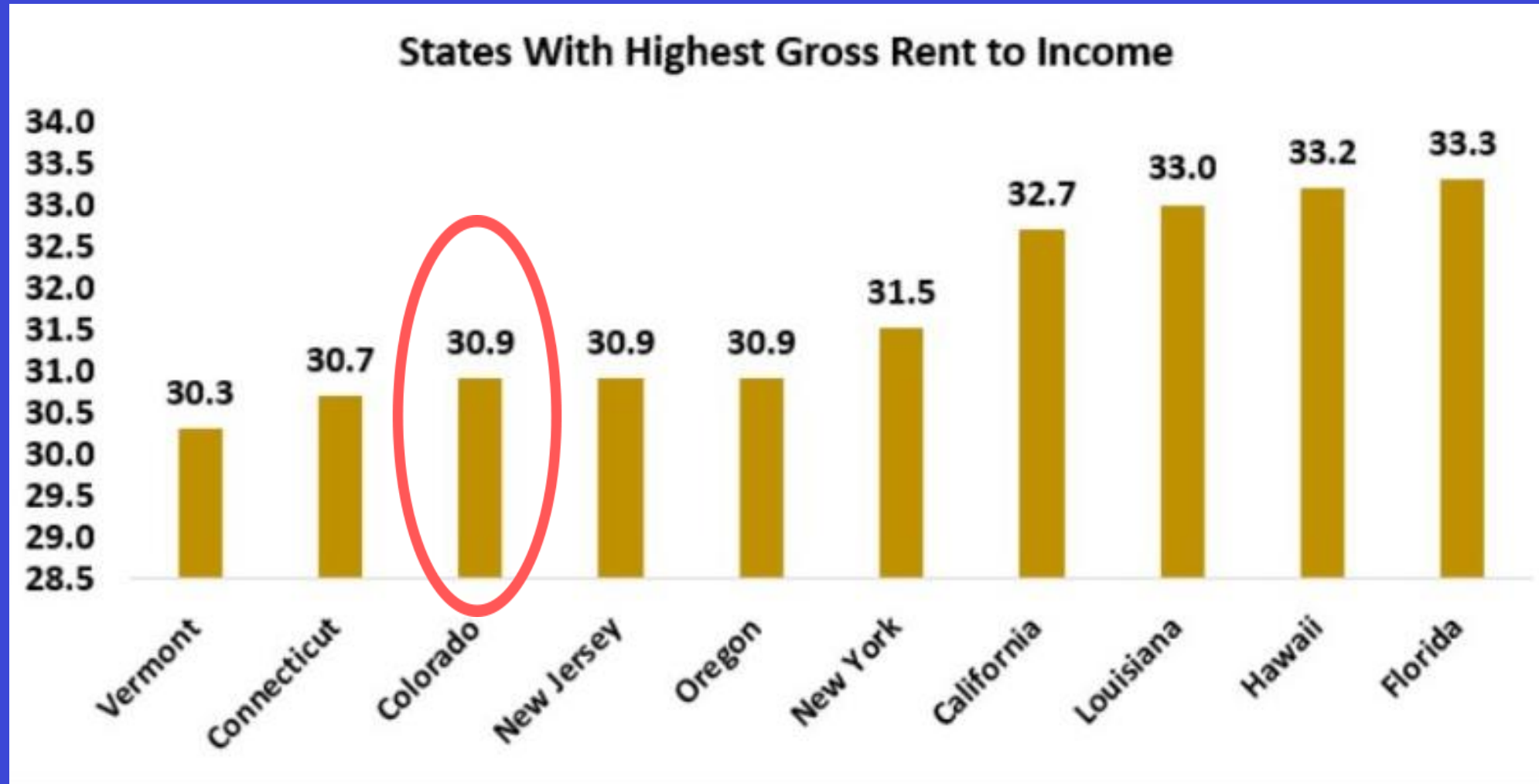
CBSA Code	Metropolitan Area	2015	2016	2017	2018 p	2017	2018 p
10180	Abilene, TX	197.3	211.9	204.9	188.4	-3.3%	-8.0%
10420	Akron, OH	295.5	305.8	287.7	255.2	-5.9%	-11.3%
10580	Albany-Schenectady-Troy, NY	214.9	234.2	246.1	232.6	5.1%	-5.5%
10740	Albuquerque, NM	182.6	183.6	179.0	162.4	-2.5%	-9.3%
10900	Allentown-Bethlehem-Easton, PA-NJ	219.7	227.9	215.3	197.5	-5.5%	-8.2%
11100	Amarillo, TX	231.5	245.6	216.6	207.0	-11.8%	-4.4%
11244	Anaheim-Santa Ana-Irvine, CA	67.0	70.7	67.3	60.7	-4.8%	-9.7%
11460	Ann Arbor, MI	202.8	220.8	196.1	177.1	-11.2%	-9.7%
11540	Appleton, WI	274.4	292.0	269.0	241.2	-7.9%	-10.3%
12060	Atlanta-Sandy Springs-Marietta, GA	212.7	227.8	210.8	182.9	-7.4%	-13.2%
12100	Atlantic City-Hammonton, NJ	174.0	217.6	229.5	214.0	5.4%	-6.7%
12420	Austin-Round Rock, TX	164.9	179.2	168.0	152.6	-6.3%	-9.2%
12580	Baltimore-Columbia-Towson, MD	200.1	211.9	201.6	179.3	-4.8%	-11.1%
12700	Barnstable Town, MA	132.6	131.7	127.7	115.7	-3.1%	-9.4%
12940	Baton Rouge, LA	200.0	200.0	199.0	199.0	-1.0%	-0.0%
13140	Cincinnati, OH-KY-IN	270.0	281.7	268.0	236.6	-4.9%	-11.7%
13780	Cleveland-Elyria, OH	289.4	295.8	275.8	242.7	-6.8%	-12.0%
13820	Birmingham, AL	164.3	167.1	147.8	128.1	-11.6%	-13.3%
13900	Colorado Springs, CO	164.3	167.1	147.8	128.1	-11.6%	-13.3%
14010	Birmingham, AL	164.3	167.1	147.8	128.1	-11.6%	-13.3%
14260	Columbia, MO	236.7	243.8	220.9	201.5	-9.4%	-8.8%
14460	Boston, MA-NH	225.2	222.5	224.2	201.3	0.8%	-10.2%
14500	Boston, MA-NH	225.2	222.5	224.2	201.3	0.8%	-10.2%
14540	Bowling Green, KY	219.2	189.4	195.2	181.0	3.1%	-7.3%
14860	Bridgeport-Stamford-Norwalk, CT	128.9	144.5	133.6	129.6	-7.6%	-3.0%
15380	Buffalo-Cheektowaga-Niagara Falls, NY	280.4	308.1	277.0	248.6	-10.1%	-10.2%
15540	Burlington-South Burlington, VT	170.2	182.8	163.1	149.6	-10.8%	-8.3%
15940	Canton-Massillon, OH	272.4	285.0	272.6	254.6	-4.3%	-6.6%
15980	Cape Coral-Fort Myers, FL	147.0	156.6	143.8	134.0	-8.2%	-6.8%
16020	Cape Girardeau, MO-IL	231.2	240.5	238.6	234.6	-0.8%	-1.7%
16300	Cedar Rapids, IA	275.6	309.2	279.1	257.1	-9.7%	-7.9%
16580	Champaign-Urbana, IL	259.1	294.2	286.2	271.2	-2.7%	-5.2%
16700	Charleston-North Charleston, SC	152.4	163.9	153.4	141.1	-6.4%	-8.0%
16620	Charleston, WV	207.2	246.2	210.1	200.6	-14.6%	-4.5%
16740	Charlotte-Concord-Gastonia, NC-SC	186.1	193.0	179.8	160.5	-6.9%	-10.7%
16860	Chattanooga, TN-GA	205.3	226.1	209.9	191.3	-7.2%	-8.9%
16980	Chicago-Naperville-Elgin, IL-IN-WI	189.8	197.5	182.6	168.1	-7.5%	-7.9%
17140	Cincinnati, OH-KY-IN	270.0	281.7	268.0	236.6	-4.9%	-11.7%
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18140	Columbus, OH	239.5	235.7	227.0	206.0	-3.7%	-9.3%

Metropolitan Index

Existing single-family home affordability index from 2015-2018

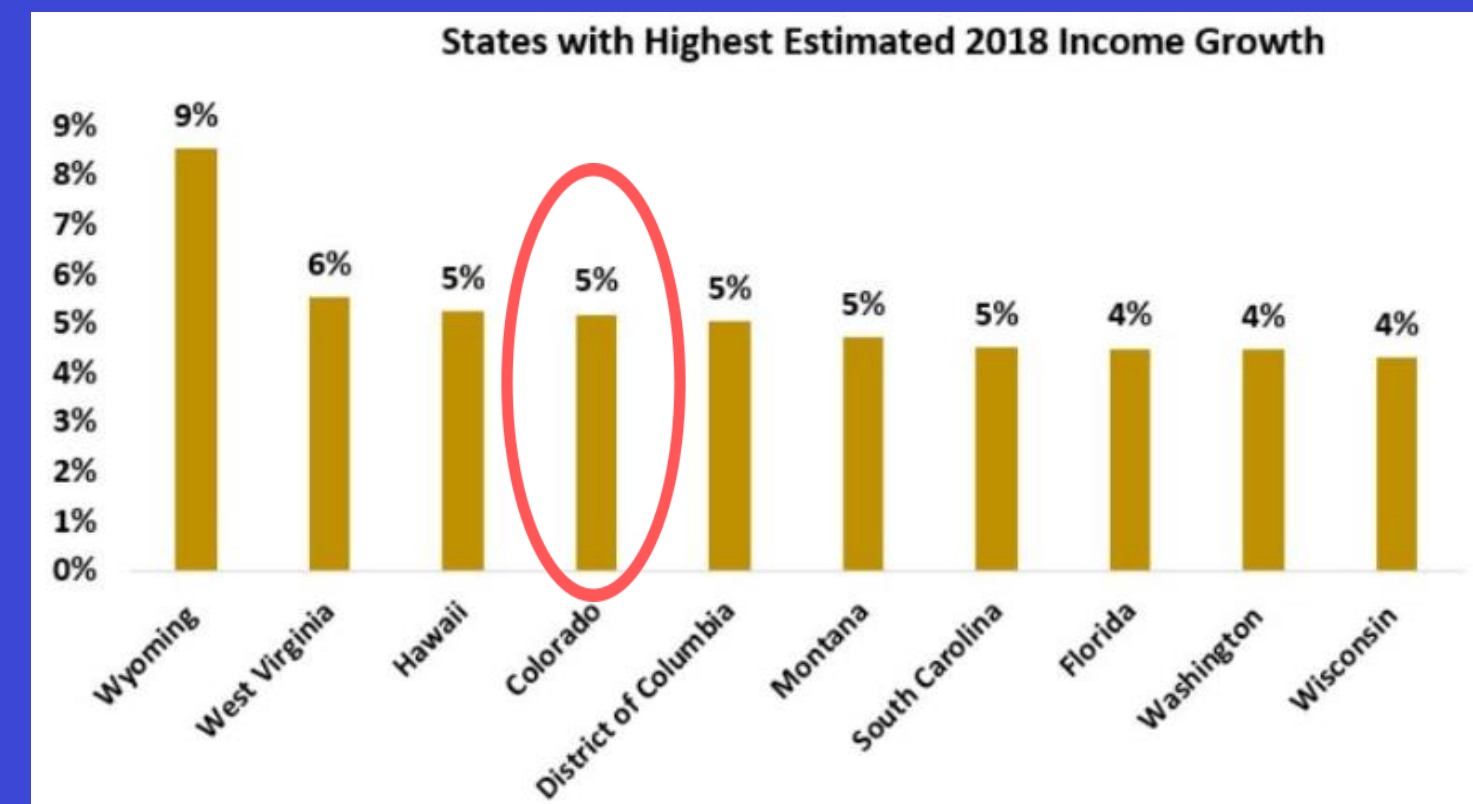
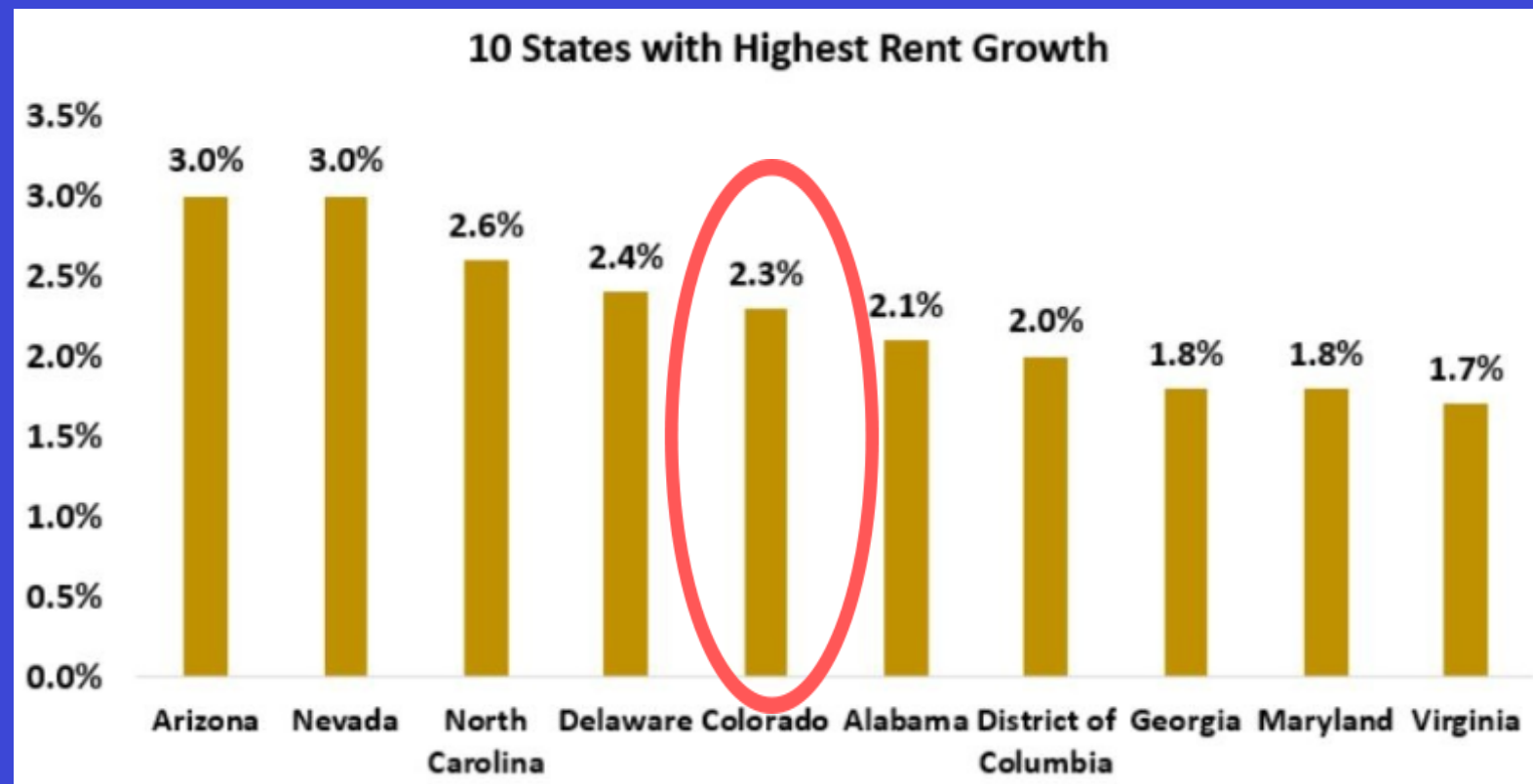
The Housing Affordability Index measures whether a typical family earns enough income to qualify for a mortgage loan on a typical home at the national and regional levels based on the most recent price and income data

Housing Affordability - Rentals



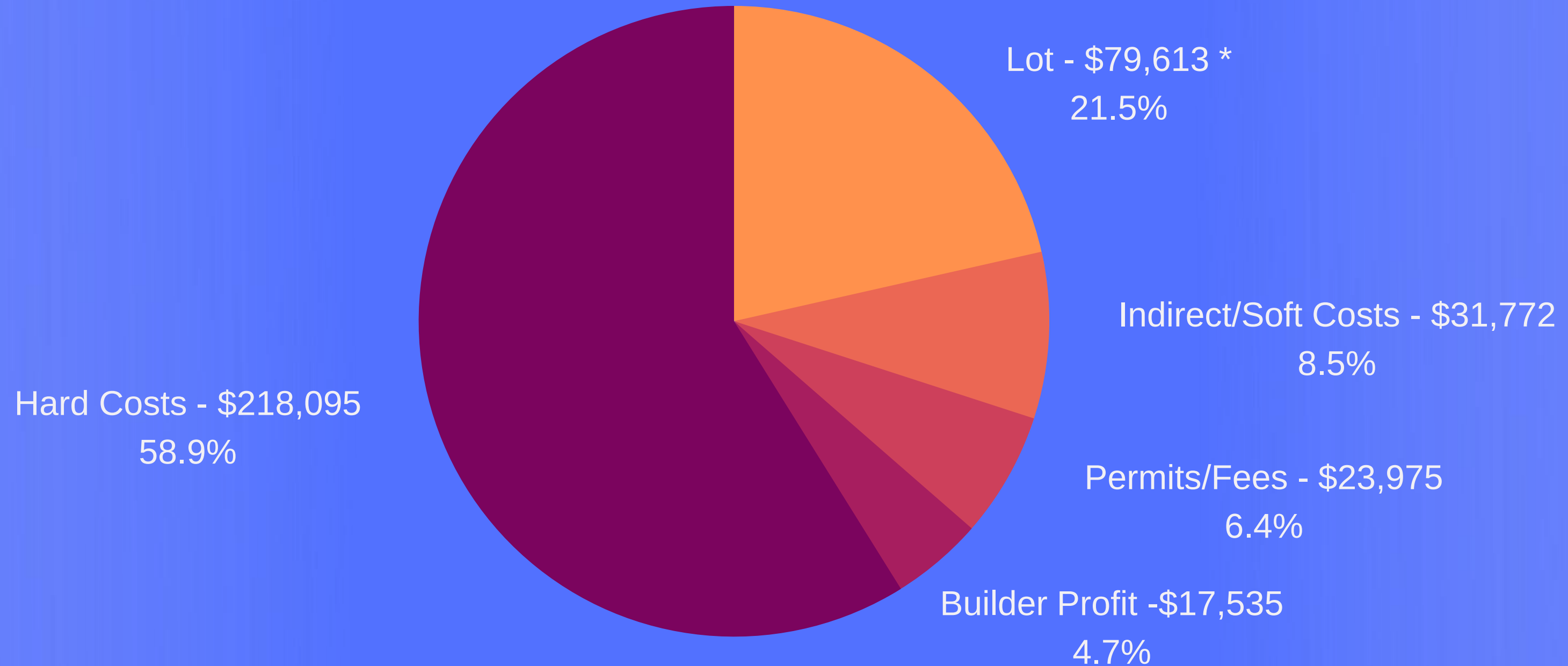
Colorado ranks as one of the top 10 states with the Highest Gross Rent to Income ratio at 30.9%. Residents have seen average rent grow at a rate of 2.3%. They have also seen an estimated increase of 5% in income.

A rent to income ratio of 30% has long been considered the threshold that indicates rent is burdensome for households



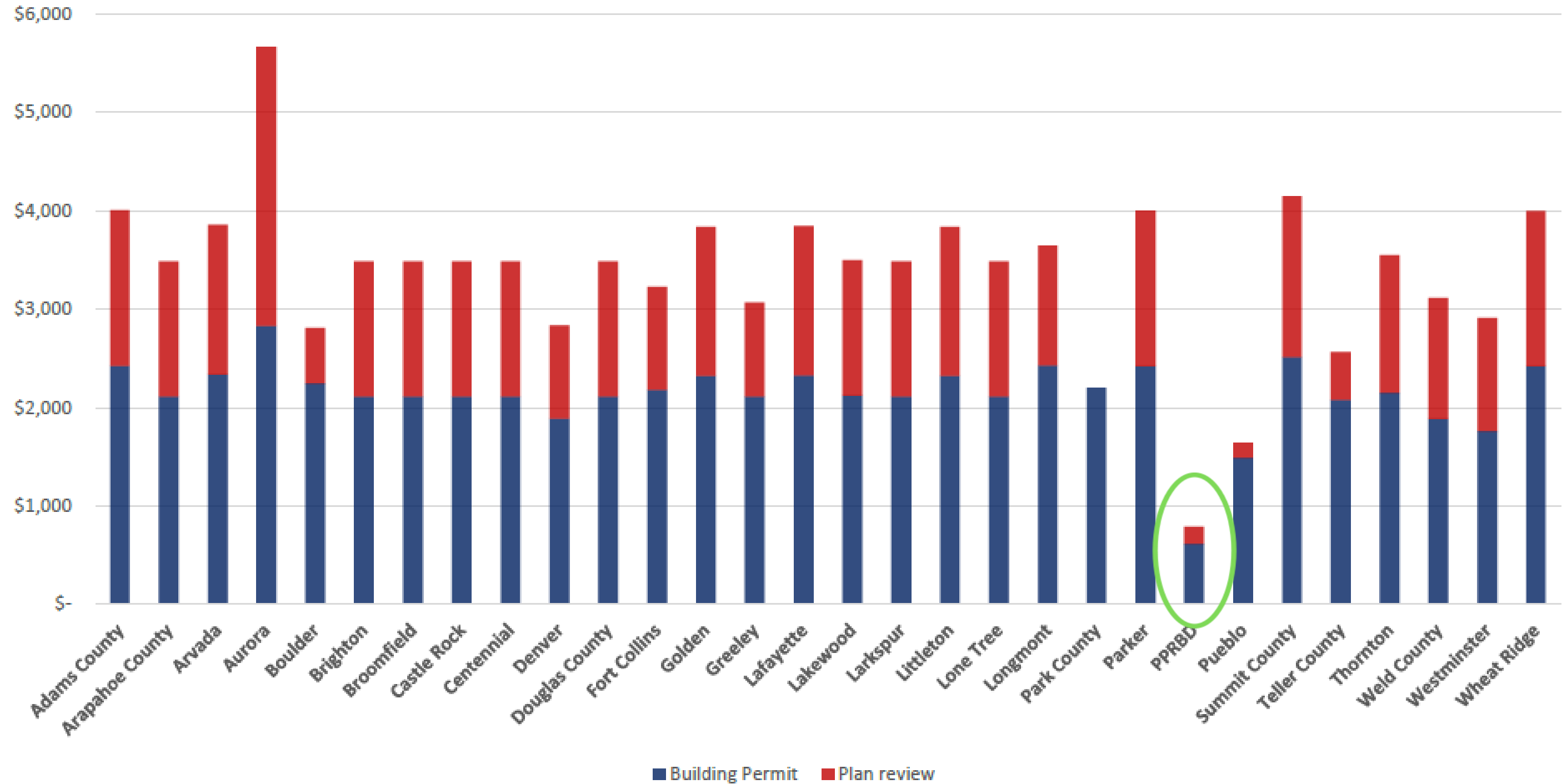
Cost of Building a Home in Colorado Springs

Home Price: \$370,990





Building Permit and Plan Review Fees Comparison for a Single Family Home
Based on Valuation of \$300,000



Building Costs: Permits and Fees

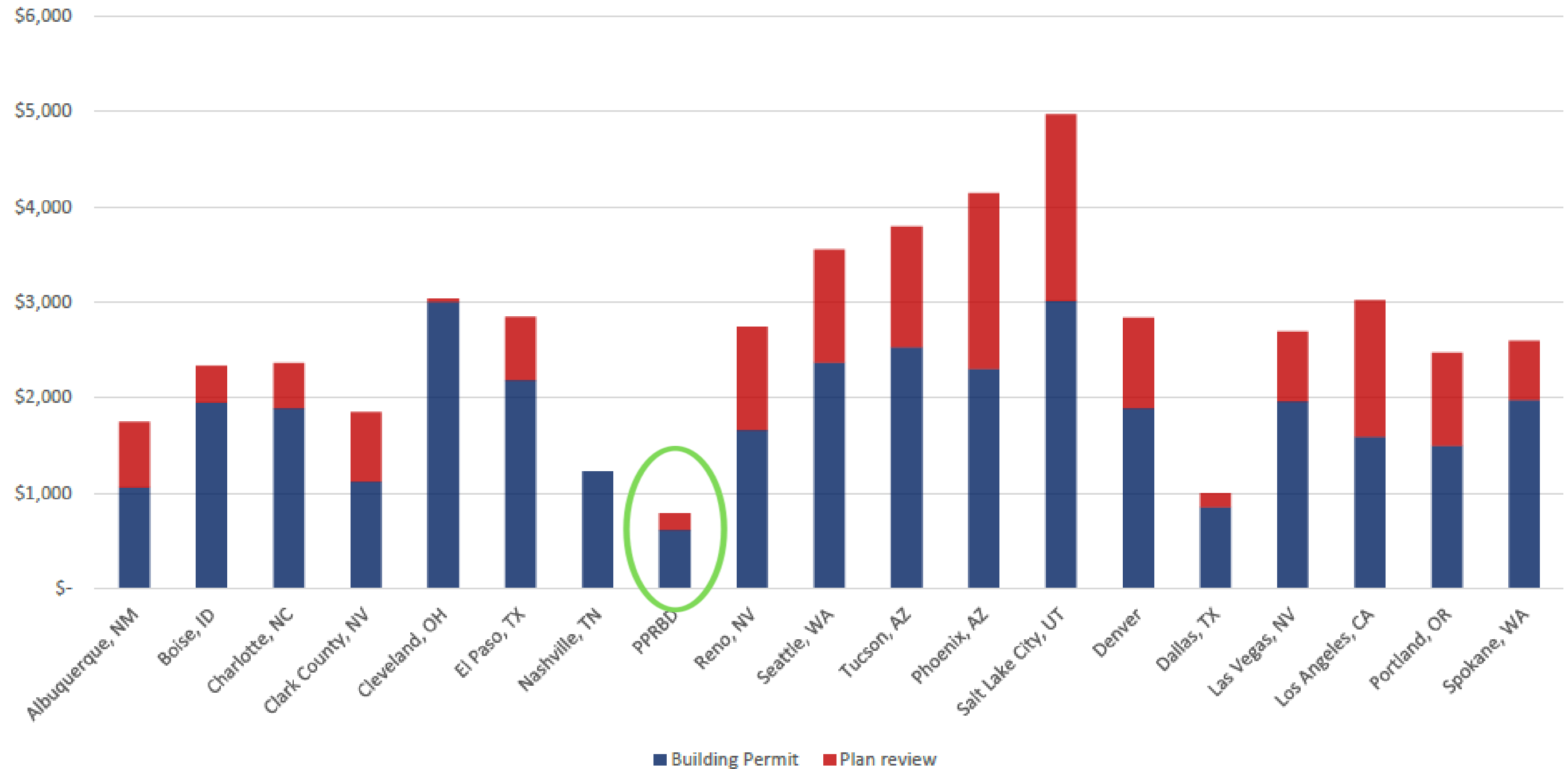
Pikes Peak Regional Building does a phenomenal job of keeping permit fees low compared to other cities and counties in the state



Building Costs: Permits and Fees

Pikes Peak Regional Building also keeps fees low compared to other major metropolitan cities around the country

Building Permit Fee Comparison for a Single Family Home Based on Valuation of \$300,000



KEEPING HOUSING AFFORDABLE



The cost of permits and fees in the Pikes Peak Region are relatively low. Buyers and homeowners benefit by keeping regulatory costs down.



CHFA benefits are not widely known and can offer assistance to potential buyers looking for homes in the more competitive price ranges.



Buyers should consider current interest rate and resulting monthly payment vs. the price of the home when determining how much house to buy.



Limiting growth will drive the cost of housing up. Allowing supply to meet the demand benefits those struggling to find affordable housing in Colorado Springs.



**Harry's Crystal Ball
20/20 Vision for 2020**



INVENTORY OUTLOOK

SUPPLY

Inventory shortages prevail

Gen X & boomers hold onto their homes

DEMAND

Affordability is a key factor

50% of all home purchase mortgages by millennials



More homeowners are staying in their homes longer, preferring to remodel rather than buy up, limiting overall supply

Demand for homes from \$200-350k remains high

Low supply and high demand push home prices up, affecting the overall supply of affordable homes

Home sellers will remain on the sideline, but millennials are on the move.



Mortgage Rates
by End of Year



Average Median
Home Price



Existing
Home Sales



Homeownership
Rate



Single Family
Housing Starts

Source: realtor.com 2020 Economic Forecast

2020
will bring **low**
rates, tight
inventory,
and more
competition

COLORADO SPRINGS 2020 FORECAST



Expect continued economic growth which will retain a good housing industry



Local Residential appreciation to be about 6.5%



*Recession?
Rumors of a recession seem unlikely*



We are very fortunate to be experiencing a strong local economy

COLORADO SPRINGS 2020 FORECAST



*30-year fixed
mortgage rate to be
3.8-4.0%*



*Local inventory to be
low and similar to
2019*



*Strong new housing
construction will act
as a stimulator for
the overall local
economy*

The DOW is looking to reach 30,000 this year. Consumer confidence will encourage people to "buy up."

Curious about your home's equity? Contact a Realtor®

Use the monthly utility newsletter as a low-cost resource for city marketing

Colorado Springs will retain a strong upward trajectory in the Housing Industry



Colorado Springs bumper stickers as a "thank you" to local citizens

Final Thoughts...