



**King & Associates, Inc.**

*Strategic planning and economic analysis*

**Memorandum**

To: Banning Lewis Ranch Metropolitan District No. 2  
From: Bruce Martin, King & Associates, Inc.  
Date: February 27, 2014  
RE: Banning Lewis Ranch Metropolitan District No. 2 - Review and Analysis of Development Assumptions

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**Scope**

King & Associates, Inc. has been retained by Banning Lewis Ranch Metropolitan District No. 2 to provide an assessment of absorption and valuation pertaining to development planned in the District. To complete the assessment, development related factors such as; demographics, employment, building permits, new home sales and new home pricing trends have been reviewed within El Paso County and the project trade area.

**Development Program**

- The District’s developer – Oakwood Homes – has outlined a three-year absorption schedule involving 483 single-family residential homes planned for completion from 2014 through 2016.
- This equates to an average absorption rate of 161 homes per year.
- Estimated base-year (2014) valuation for homes planned in the District is approximately \$300,000.

**Banning Lewis Ranch Metropolitan District No. 2  
Development (Absorption) Schedule and New Home Pricing**

Unit Type / Year	2013	2014	2015	Total
Projected Absorption				
Single-Family Residential homes	149	175	159	483
Projected Average Sales Prices (base year 2014)				\$299,880

Source: Banning Lewis Ranch Metropolitan District No. 2.

**Trade Area**

- A polygonal shaped trade area has been determined as the primary geographic area from which the majority new homebuyers in the District will reside.
- The trade area has the following approximate boundaries: Shoup Road (north), SH 94 (south), Academy Boulevard (west) and Curtis Road (east).

### ***Demographics Forecasts***

- Trade area population is projected to increase from 164,000 to 206,000 from 2012 – 2025, equaling growth of 3,200 residents per year and a corresponding 1.76% average annual growth rate.<sup>1</sup>
- During the same period (2012 -2025), the number of households in the trade area is projected to grow by 1,255 each year, increasing from 59,000 in 2012 to 75,000 by 2025.

### ***Employment Trends & Forecasts***

- Colorado Springs, MSA (El Paso County) employment has increased during each of the past three years (2011 – 2013).
- Approximately 2,900 jobs were added in 2011 and 2,400 in 2012.
- A total of 3,100 new jobs were added in El Paso County during 2013, reflecting a 1.2% increase from average annual employment levels in 2012.
- The State of Colorado has forecast employment in the Colorado Springs, MSA to increase by an average of 5,155 jobs per year from 2012 to 2022, reflecting a 1.76% average annual growth rate.

### ***Building Permits, New Home Sales & Prices***

- Building permits trends been reviewed to assess new home construction activity in El Paso County.
- Single-family detached building permits increased from 1,399 to 2,216 (58%) from 2011 to 2012 and building activity increased 21% in the past year as 2,688 permits were issued in 2013.
- Single-family detached new home sales in El Paso County increased by 32% in the past year, comparing 1,626 sales in 2012 with 2,142 in 2013.
- Single-family detached new home sales in the trade area also jumped substantially (54%) in the past year, increasing from 678 in 2012 to 1,045 in 2013.
- In the past five years (2009 – 2013), single-family detached new home sales in the trade area have averaged nearly 700 units per year.
- The trade area has accounted for a 47% average share of regional (El Paso County) new home sales since 2009.
- The average price of trade area single-family detached new homes was \$312,000 in 2013 and increasing by 5% from an average price of \$297,000 in 2012.

### ***Housing Supply – Single Family Detached Homes***

- There were 12 primary (more than 10 sales) single-family detached projects in the trade area in 2013.
- Forest Meadows (181 sales and a 17% market share rate) and Meridian Ranch (161 sales and a 15% market share rate) were the trade area's market leading projects in 2013.
- Banning Lewis Ranch (District) was the third most active trade area project in the past year (2013) with 146 sales and a 14% market share rate.
- Banning Lewis Ranch, (the District) has recorded 452 single-family detached sales the past five years (2009 through 2013), with a corresponding 13% average market share rate.
- The average new home sales price in Banning Lewis Ranch in 2013 was approximately \$295,000.

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<sup>1</sup> A base year of 2012 has been used in demographic, employment and housing demand forecasts that are referenced in this memorandum to correspond with available data.

### ***Housing Demand & Capture Rate***

- El Paso County housing demand is projected to range from 3,500 to 4,500 units annually during the forecast period (2012 through 2025), with single-family detached demand ranging from 2,600 to 3,400 units per year.
- During the same period, trade area single-family detached housing demand is projected to average 1,200 to 1,600 units per year from 2012 through 2025.
- Given average absorption of 161 units annually, the capture rate for detached homes planned in the District equals 10% to 13% of forecast trade area single-family detached housing demand and similar to the District's recent market share rate.

### ***Conclusion***

- A total of 483 single-family detached homes are planned for development in Banning Lewis Ranch Metropolitan District No. 2 from 2014 through 2016.
- The District's developer anticipates base-year (2014) single-family detached homes prices to average approximately \$300,000 per unit.
- King & Associates, Inc. has reviewed and analyzed El Paso County and trade area housing market conditions along with projected new home construction rates and pricing that has been provided by the District and concludes that the absorption schedule and average new home sale price estimates for Banning Lewis Ranch Metropolitan District No. 2 are reasonable.