Presentation to Colorado Springs City Council

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by

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Overview and Update of Colorado Springs Residential Real Estate and my "2020 Vision" (aka Forecast)

This presentation is on behalf of the membership of:

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Overview and Update of Colorado Springs Residential Real Estate and my "2020 Vision"

When I began my presentation to you in January 2018, I spoke of the remarkable growth experience by Colorado Springs during 2017 in terms of population, jobs, and home price appreciation. I mentioned that *The Wall Street Journal* used the word "unstoppable" in reference to the national housing stage and that "unstoppable" most certainly applied to our city.

In my "Crystal Ball" I correctly forecasted a 7-8% home appreciation locally and that the 30-year fixed-rate mortgage would increase to 4.75%.

At that time, I certainly didn't anticipate that I'd be telling you two years later that mortgage interest rates have actually fallen to historic lows once again and that our local home appreciation is one of the highest in the nation!

Considering all the "top 10" lists that include Colorado Springs, it's no wonder that more and more folks are wanting to call our city "home".

Today we will discuss the relative strength of Colorado Springs compared to the U.S. and I will provide a real estate forecast on behalf of PPAR for the Colorado Springs region.

And once again, I am happy to share good news on the state of local residential real estate, along with ways we can work to make things even better for our residents.

- **In December 2019, NAR published the first Real Estate Forecast Summit** (Exhibit A)

  - **Colorado Springs is forecasted to remain one of the top 10 outperforming markets for the next 3-5 years** (Exhibit B)

  - NAR identified the top 10 metro areas based on a myriad of factors including Domestic Migration, Housing Affordability for New Residents, Consistent Job Growth relative to the national average, Population Age Structure, Attractiveness for Retirees, and Home Price Appreciation, among other variables

  - "Potential buyers in these 10 markets will find conditions especially favorable to purchase a home going into the next decade." – NAR

- **The Federal Housing Finance Agency ranked Colorado Springs 9th out of 100 metro areas** (Exhibit C)

  - As of end of Q3 2019, COS = 7.4% over the last 4 quarters

  - There's no cooling off in COS this winter and forward

  - Low inventory and low mortgage interest rates mean we will continue to have a strong, steady market

- **PPAR Year End Statistics** (Exhibit D)

  - The bottom line is that it's hard to find a home to buy

- **How Does Colorado Springs Rank?** (Exhibit E)

- **Real Estate as an Investment**

- Presented is an analysis of home value appreciation for single family homes over the past 5 and 10 years here in Colorado Springs (Exhibit F)

- These market values demonstrate that the local residential market is both a better and safer investment than previously believed

- People always focus on personal asset strength, i.e. Home Vs. Stocks and Mutual Funds

- **Today's issue is one of inventory**

  - Homes priced less than $350k will mostly experience multiple offers and bidding wars

  - Local ownership averages have lengthened. Ten years ago owners averaged about 7.2 years in a home. Today, the average is about 13 years.

  - Nationally, just 9.8% of Americans changed their residence between 2018 and 2019 according to economist Elliot Eisenberg, the Bowtie Economist

  - HGTV has had an influence in the real estate market. More people are staying put and remodeling rather than buying up.

- **Total projects for the City of Champions indirectly contribute to the housing demand**

  - $120.5M for 4 major projects all under construction

    - Great economic spinoffs
    - Permanent full time and part time jobs
    - Increase in demand for housing (both ownership and rental) for new employees who migrate into the area

- **Recent numbers from the Assessor's Office show an increase in residential uses from 2018 to 2019** (Exhibit G)

- **But we also see a reduction of actual Mill Levy based on TABOR** (Exhibit H)

  - 2020 Allowed Mill Levy = 8.161
  - 2020 Actual Mill Levy = 7.035

- **PlanCOS – The update to the city's zoning ordinance**

  - PPAR wants to be part of that committee

- **National Housing Prices** (Picture 1, Exhibit I, Exhibit J)

- **Housing Prices have recovered** (Exhibit K)

- **Housing Affordability continues to be a hot topic as we enter 2020.**

  - People at every level from President Trump and HUD Secretary Carson to governors, mayors, and Jack and Jill homebuyer are talking about housing affordability (Appendix A & B)

  - Our economy is growing, millennials are looking to buy homes and interest rates continue to be low.

  - The housing shortage is contributing to the increase in home value appreciation, making it more difficult for some to qualify for mortgage loans.

  - Rental prices are at an all-time high, creating even more of a problem for those trying to save for a down payment on a home.

  - Student debt is continuing to play a significant role in the ability to own a home.

- Recently, HUD Secretary Carson said, "Regulations are creating excessive costs that are holding back the development of needed affordable housing.

- Regardless, any efforts to improve housing affordability and accessibility must be led by state and local governments, NAR argues, while encouraging local experts to weigh in on zoning laws, building codes, and other policies that spur free market production of affordable housing units. (Exhibit L)

- **Homeownership** (Exhibit M)

- **Local Affordability** (Exhibit N)

  - **Affordability Distribution Curve** 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. (Exhibit O)

  - **Affordability Distribution Score -** 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 (Exhibit P)

  - **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 (Exhibit Q)

  - **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. (Exhibit R)

- **Cost of building a home** (Exhibit S, T, U)

- **Keeping housing affordable** (Appendix C)

- 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 "20/20 Vision" Crystal Ball Forecast for 2020 - to be presented on January 27, 2020**