COLORADO SPRINGS CITY COUNCIL

January 27, 2020

Colorado Springs: Forecast for a Bright Future

Presented by

Harry A. Salzman, Broker Associate

The Real Estate Therapist

REALTOR® Emeritus/CRS, CRP, E-Pro, CNE

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

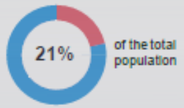
December 2019

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

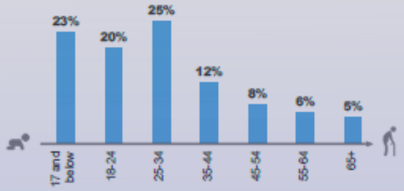
Recent Movers

Number of recent movers: 155,653

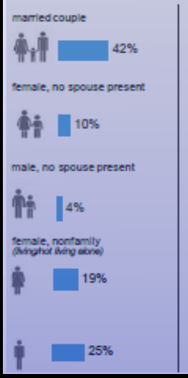


Gender:

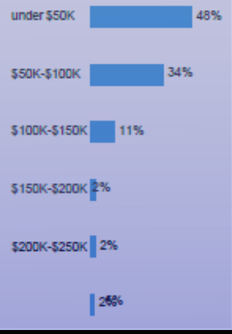
Median age: 27



Household Type:



Median Income: $51,600



Housing

Tenure:

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

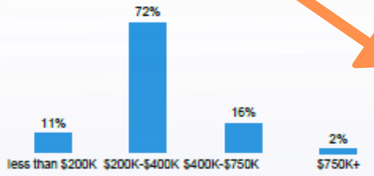
32% of the recent movers are **homeowners**

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

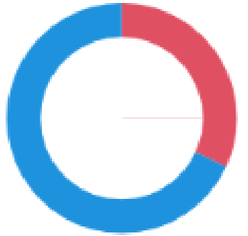
©2019 National Association of REALTORS®. All Rights Reserved. May not be reprinted in whole or in part without permission of the National Association of REALTORS®. For reprint information, contact data@realtors.org.

NATIONAL ASSOCIATION of REALTORS®

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.



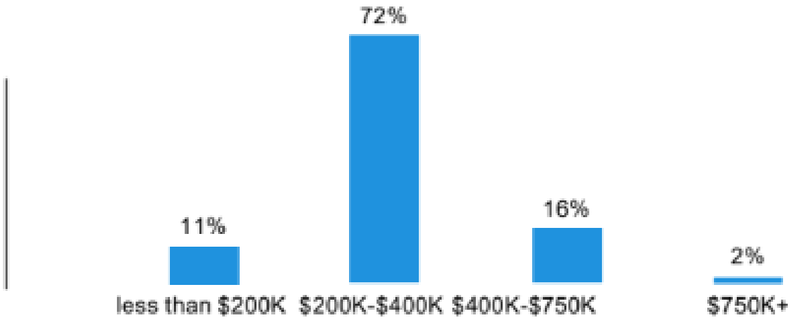
32% of the recent movers are **homeowners**

68% of the recent movers are **renters**

Affordability:

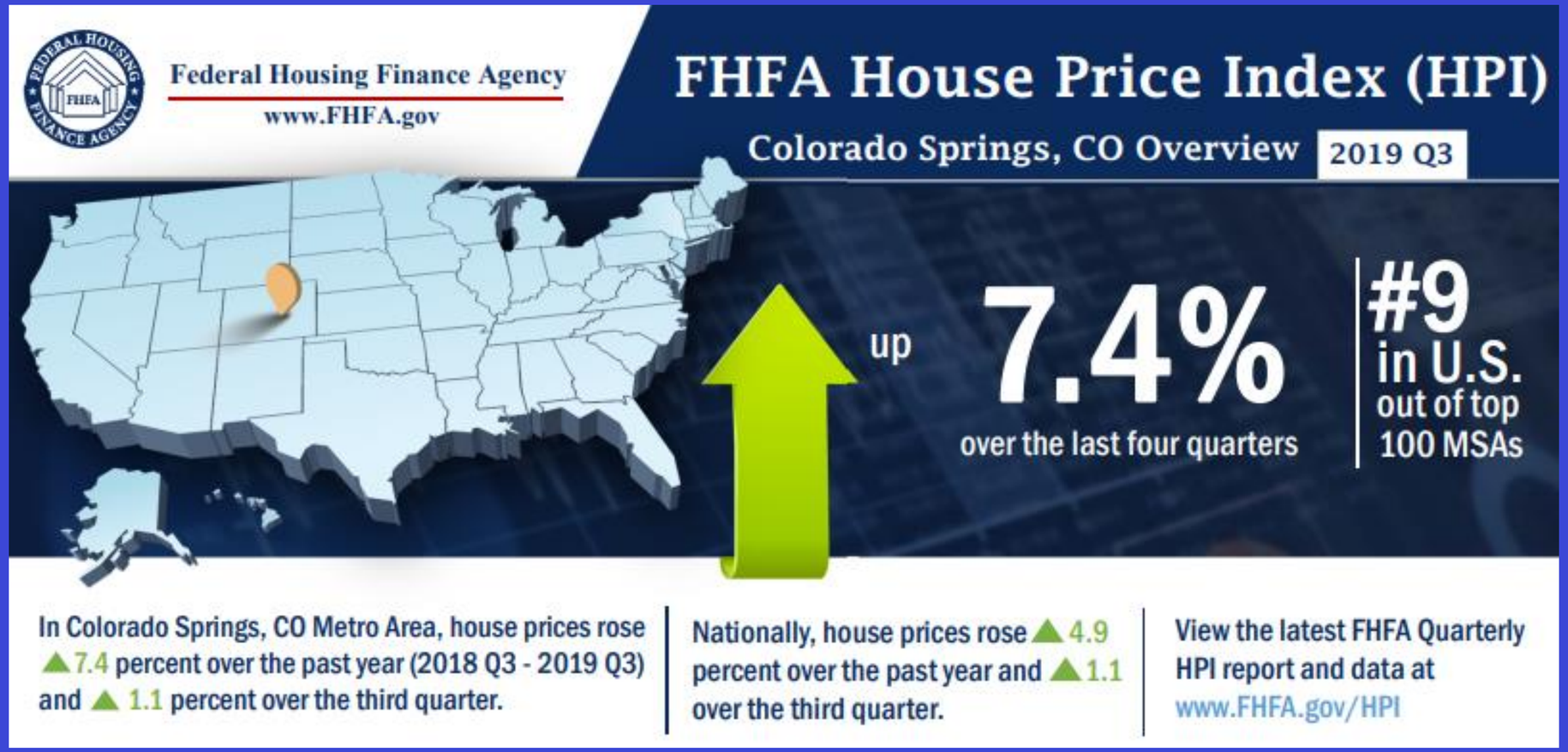
35% of the recent movers who are **renters** can afford to buy the typical home in COLORADO SPRINGS, CO (assuming 20% down payment)

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



Home Value Growth

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



PPRSC

PIKES PEAK REALTOR® SERVICES CORP

Provider of the Pikes Peak Multiple Listing Service™ powering PPAR.com

LISTING AND SALES SUMMARY
December 2019

	All Homes					Existing Homes				
MONTHLY SUMMARY										
	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	[illegible]
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	(0.2)	16,304			16,281	0.1
Sales	16,060			15,576	3.1	14,092			13,770	2.3
Avg Sales Price	$366,371			$347,289	5.5	$356,738			$337,464	5.7
Volume	$5,883,918,260			$5,409,373,464	8.8	$5,027,151,896			$4,646,879,280	8.2
CONDO/TOWNHOMES:										
New Listings	2,454			2,492	(1.5)	2,123			2,286	(7.1)
Sales	2,232			2,274	(1.8)	1,994			2,080	(4.1)
Avg Sales Price	$247,958			$228,215	8.7	$237,753			$220,422	7.9
Volume	$553,442,256			$518,960,910	6.6	$474,079,482			$458,477,760	3.4

©Copyright 2020 Pikes Peak REALTOR® Services Corp.(RSC)
All rights reserved. Unauthorized reproduction is prohibited.

RSC authorizes RSC REALTOR® Participants and Sub-Participants to reproduce and display a single copy of this Listing and Sales Summary on his/her own real estate website and/or electronic or print communications. Any such display must include the following notice with the correct range of dates:

©Copyright 2020 Pikes Peak REALTOR® Services Corp. All rights reserved. Unauthorized reproduction is prohibited. Based on information from the Pikes Peak REALTOR® Services Corp. ("RSC") for the period ***December 2018 through December 2019****. RSC information may not reflect all real estate activity in the market and is provided as is without warranty or guaranty.*

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

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

10-Year Appreciation

	Average	Median
Dec '19	$364,584	$329,990
Dec '09	223,143	192,500
$ 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

Source: Stephen Fischer
El Paso County Assessor's Office

Change of Mill Levy

8.068	2019 El Paso County Mill Levy
+ 0.093	2020 Abatements
8.161	2020 Allowed Mill Levy
- 0.609	Temporary Mill Levy reduction due to TABOR law
- 0.517	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

PlanCOS

LEADING THE WAY TO OUR FUTURE

PPAR would like to be a part of RetoolCOS

by participating in the updates to the

city's zoning ordinance

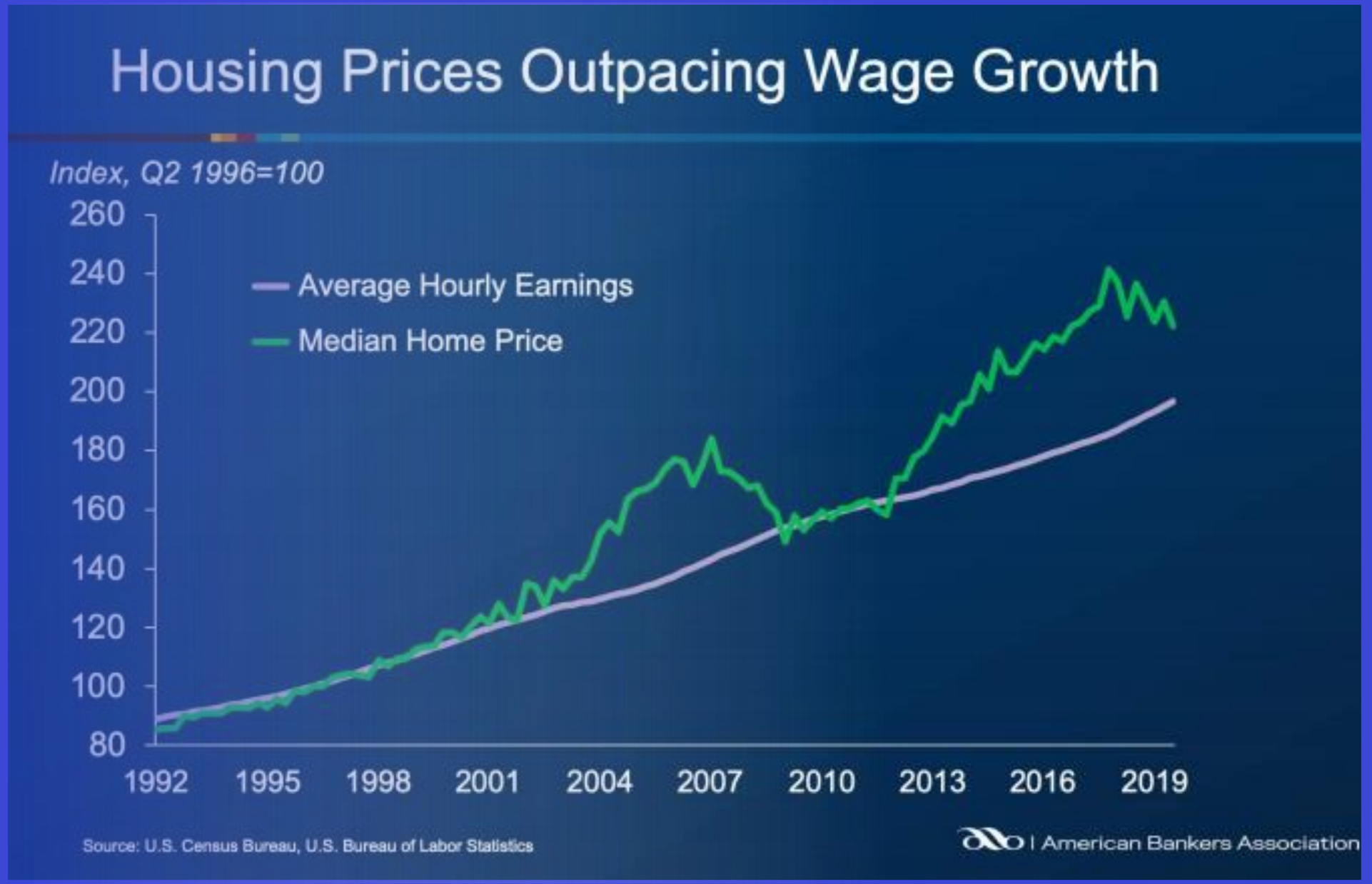
REAL ESTATE FORECAST SUMMIT

DECEMBER 11, 2019 | WASHINGTON, D.C.

@NARforRealtor | @NAR_Research

#NARForecastSummit

NATIONAL ASSOCIATION of REALTORS®

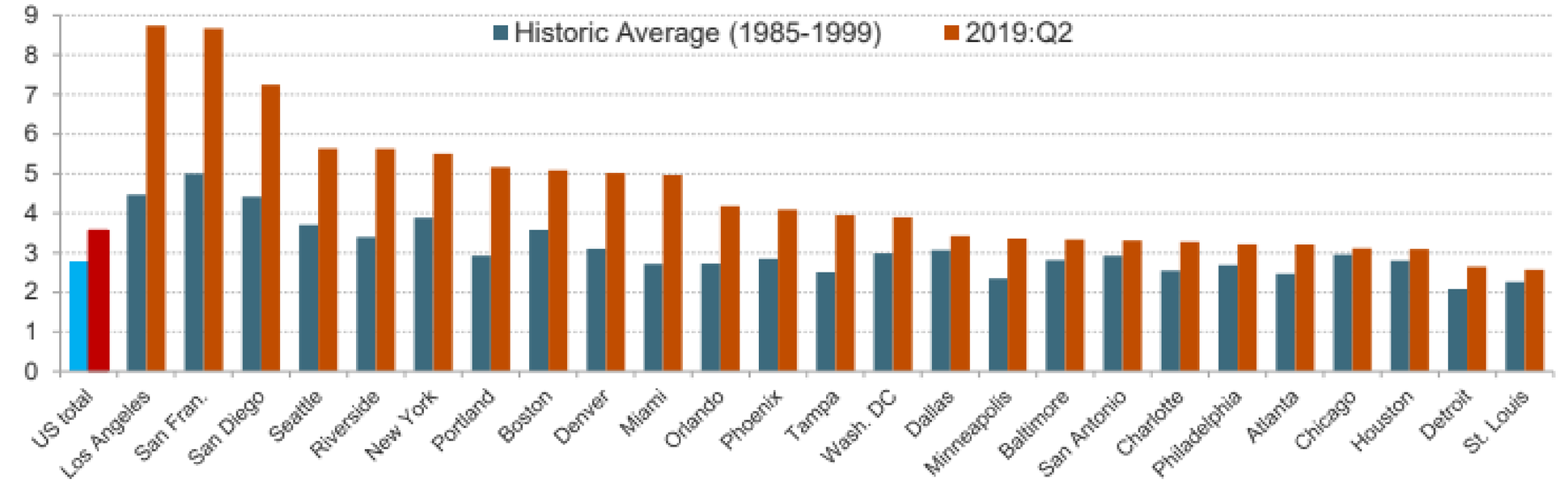


Housing Prices continue to Outpace Wage Growth

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

NATIONAL ASSOCIATION of REALTORS®

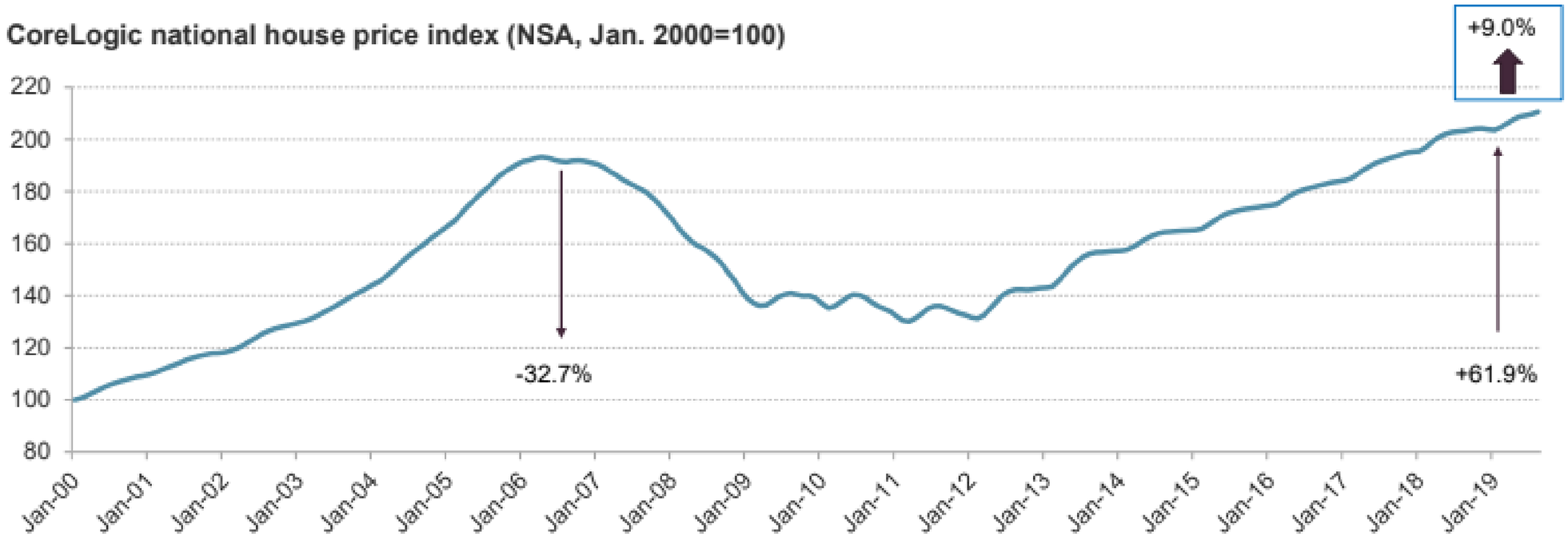
Nationally, prices have been rising faster than incomes, pushing up house price-to-income ratios in many large metro areas



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/.

NATIONAL ASSOCIATION of REALTORS®

House prices have fully recovered from the housing crash



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

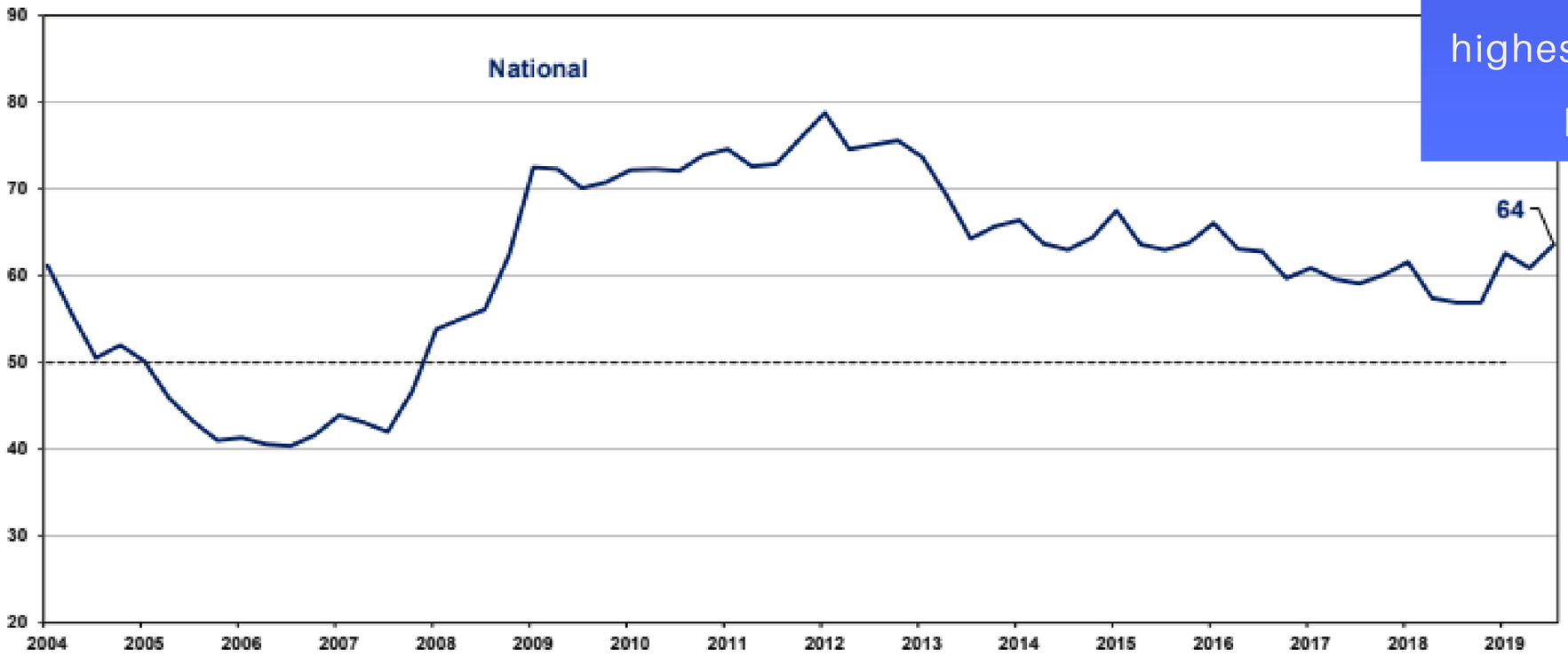
NATIONAL ASSOCIATION of REALTORS®

Wide-Angle Analysis of Affordabililty

By End of 2019, the Housing Opportuinty 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

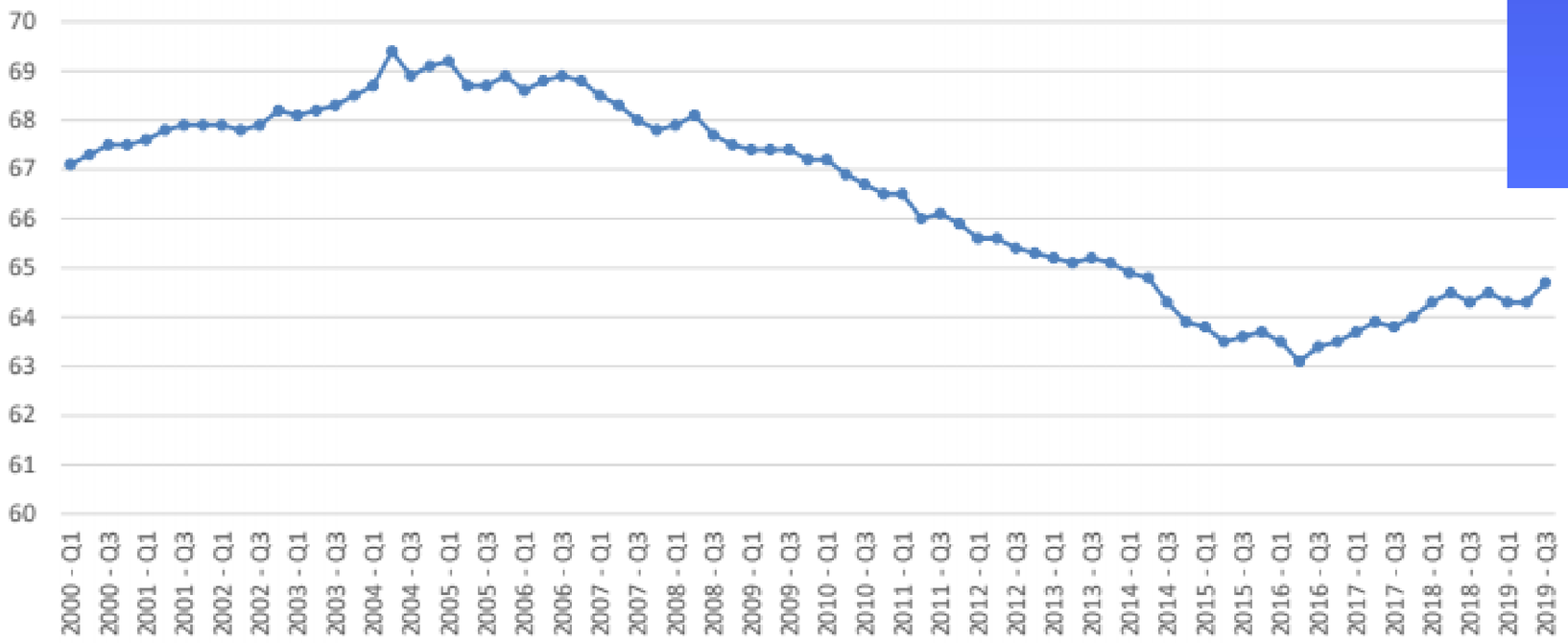


Source: NAHB/Wells Fargo Housing Opportunity Index.

NAHB National Association of Home Builders

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

NATIONAL ASSOCIATION of REALTORS®

Local Affordability

How does Colorado Springs score when it comes to affordability?

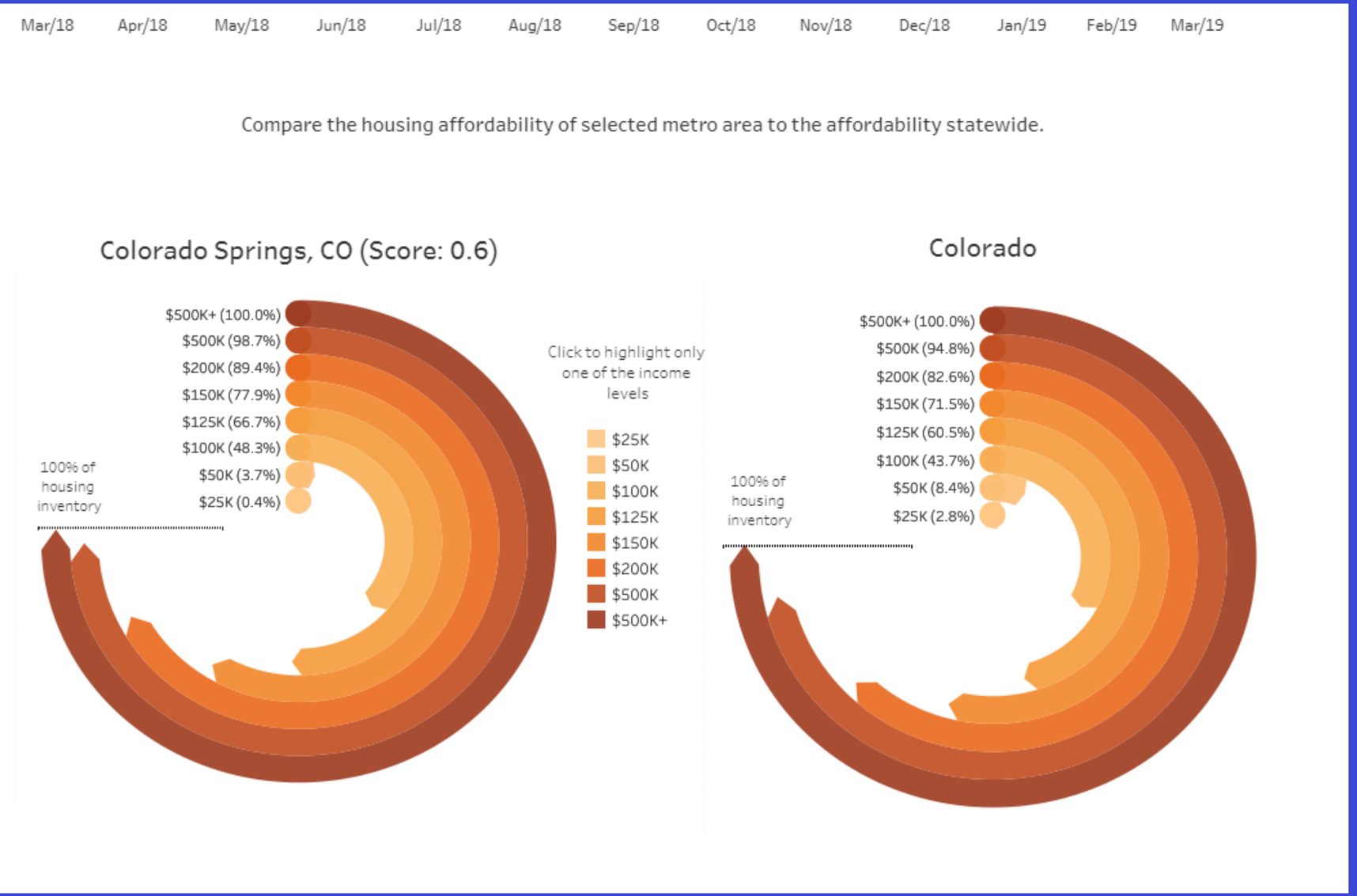
Average Annual Wages in El Paso County

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%)

UCCS Economic Forum
COLLEGE OF BUSINESS
UNIVERSITY OF COLORADO
COLORADO SPRINGS

updated (12/20/2019)

REALTORS® Affordability Distribution Curve

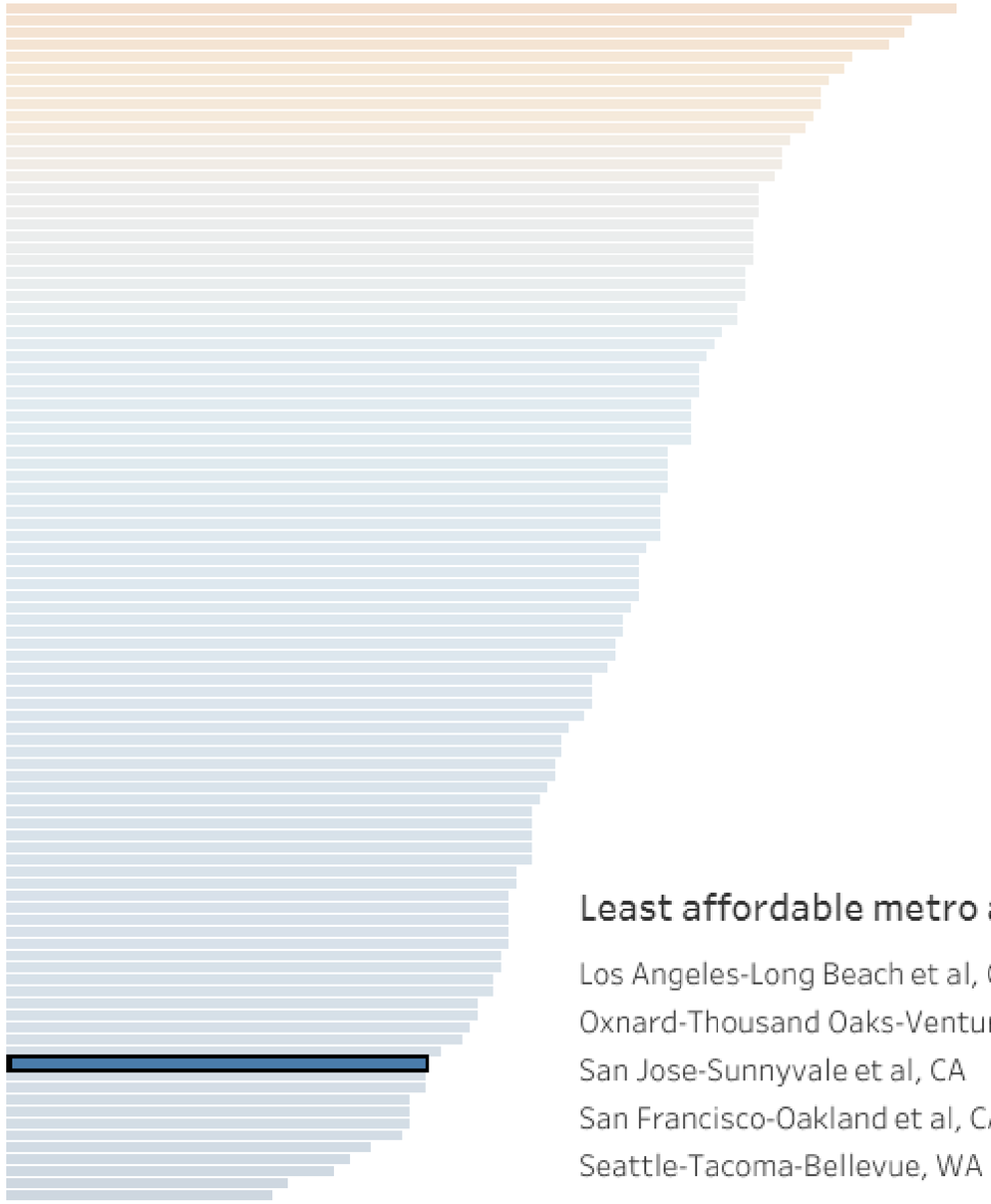


Percentage of total number of houses listed for sale that various income levels can afford

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.

NATIONAL ASSOCIATION of REALTORS®

REALTORS® Affordability Distribution Score



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

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

NATIONAL ASSOCIATION of REALTORS®

National Association of REALTORS®
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	Ba						
13140	Be						
13780	Bi						
13820	Bi						
13900	Bi						
14010	Bl						
14260	Bo						
14460	Bo						
14500	Bo						
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	3	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	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%
17460	Cleveland-Elyria, OH	289.4	295.8	275.8	242.7	-6.8%	-12.0%
17820	Colorado Springs, CO	164.3	167.1	147.8	128.1	-11.6%	-13.3%
17860	Columbia, MO	236.7	243.8	220.9	201.5	-9.4%	-8.8%
17900	Columbia, SC	225.2	222.5	224.2	201.3	0.8%	-10.2%
18140	Columbus, OH	239.5	235.7	227.0	206.0	-3.7%	-9.3%

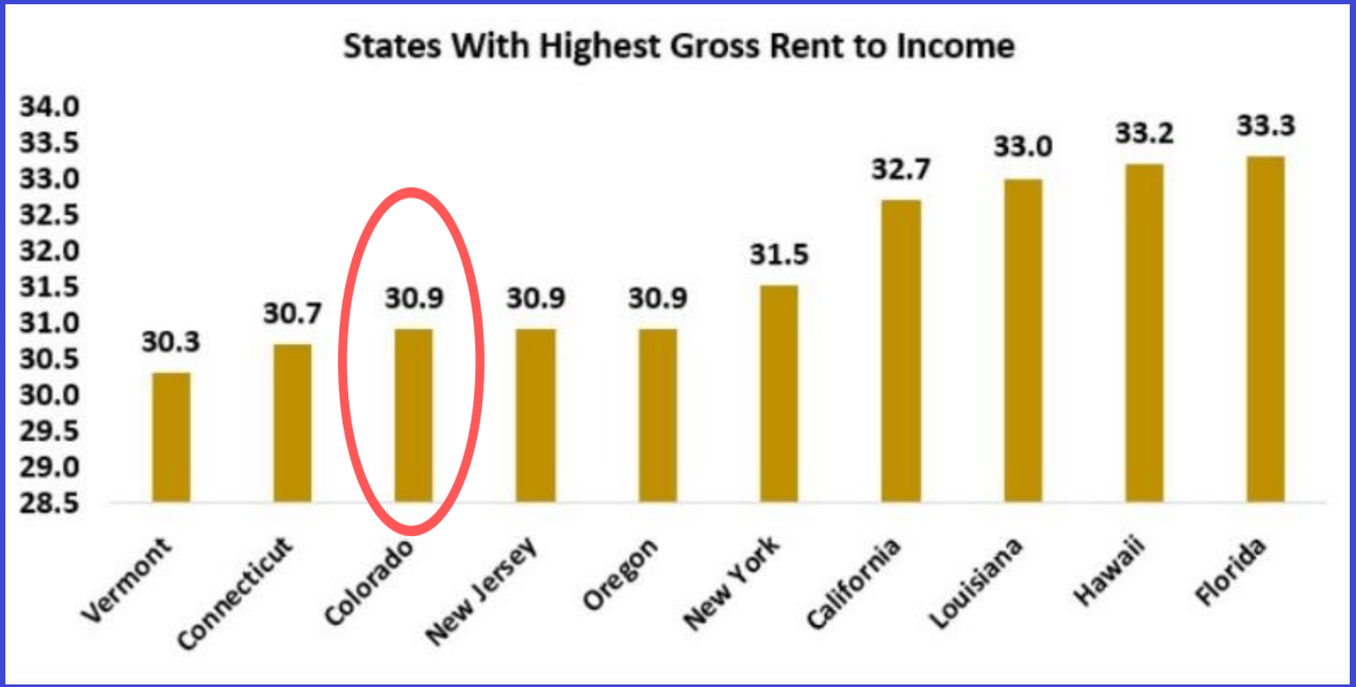
Metropolitan Index

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

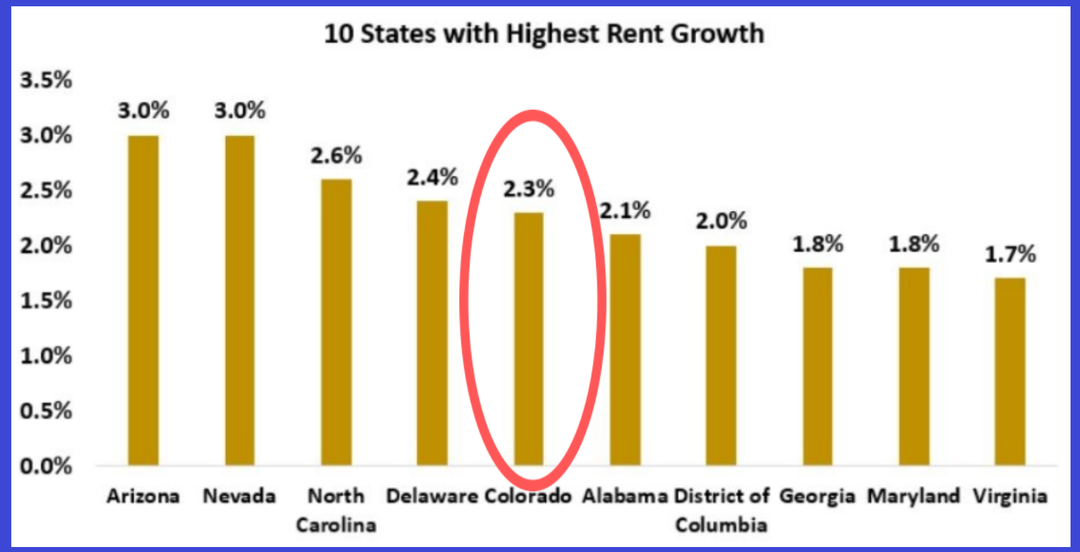
NATIONAL ASSOCIATION of REALTORS®

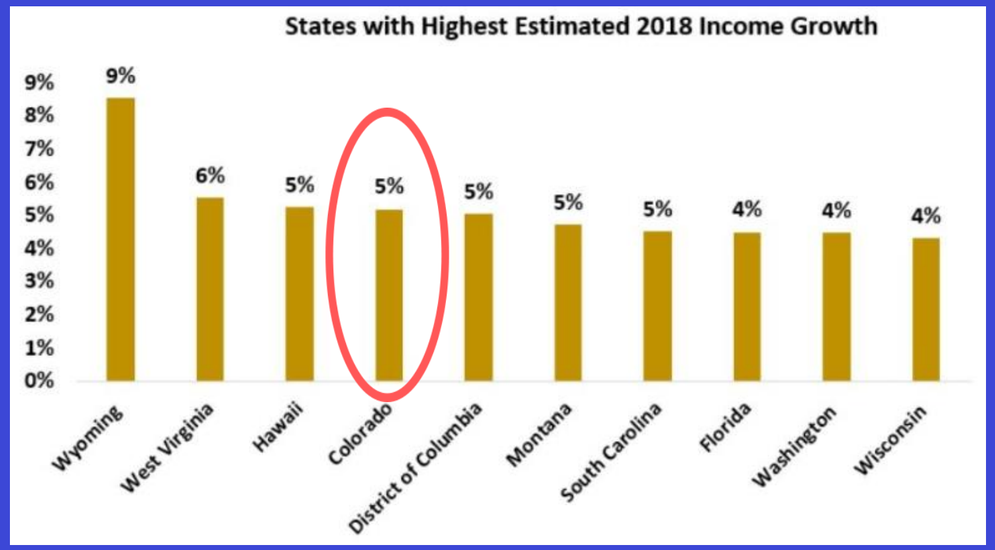
Housing Affordability - Rentals



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

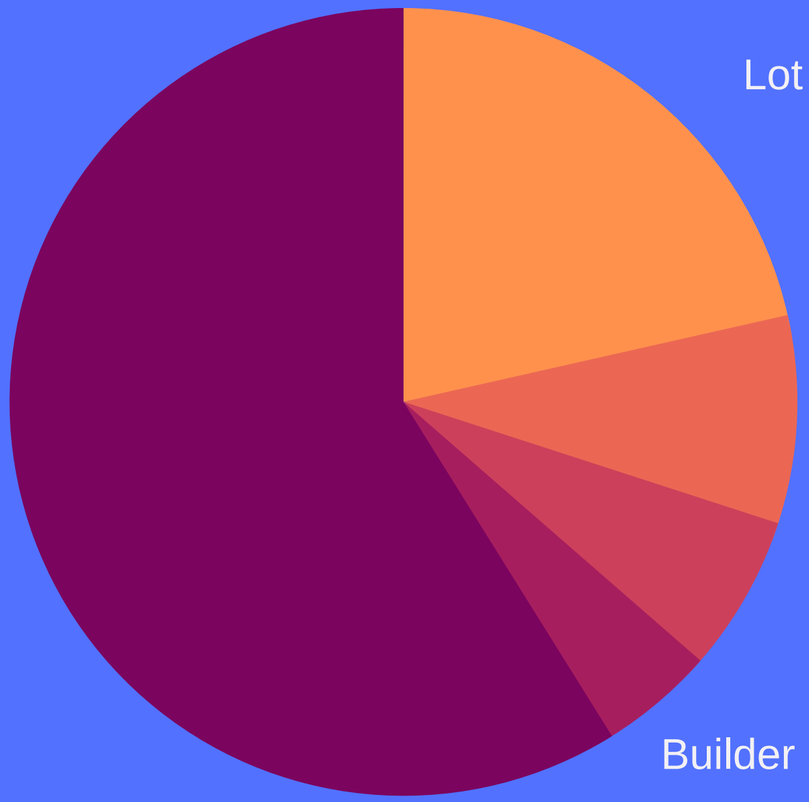




NATIONAL ASSOCIATION of REALTORS®

Cost of Building a Home in Colorado Springs

Home Price: $370,990



Lot - $79,613 *
21.5%

Indirect/Soft Costs - $31,772
8.5%

Permits/Fees - $23,975
6.4%

Builder Profit -$17,535
4.7%

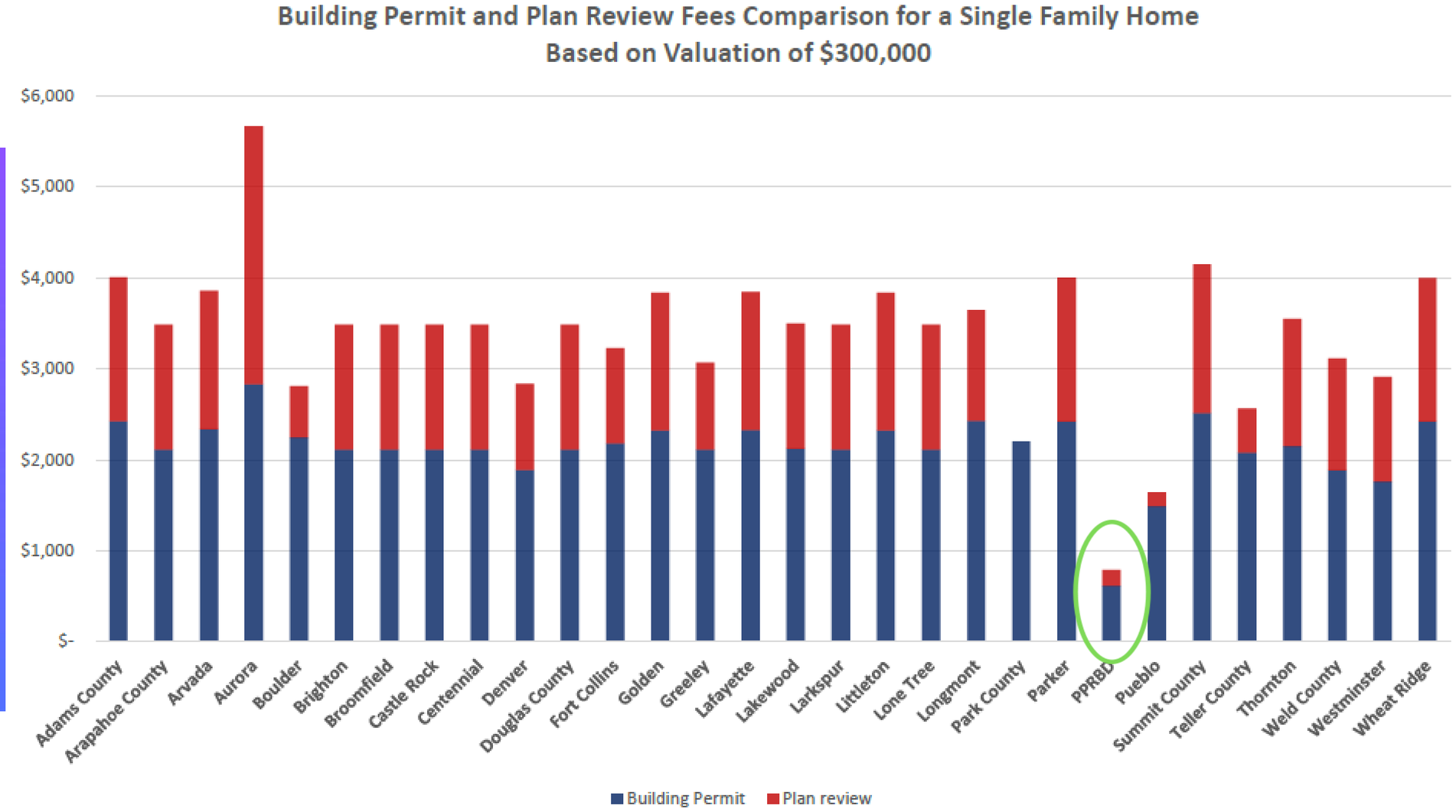
Hard Costs - $218,095
58.9%

Source: Amanda DeMarco
Housing and Building Association of Colorado Springs

*Lot Price dependent upon subdivision

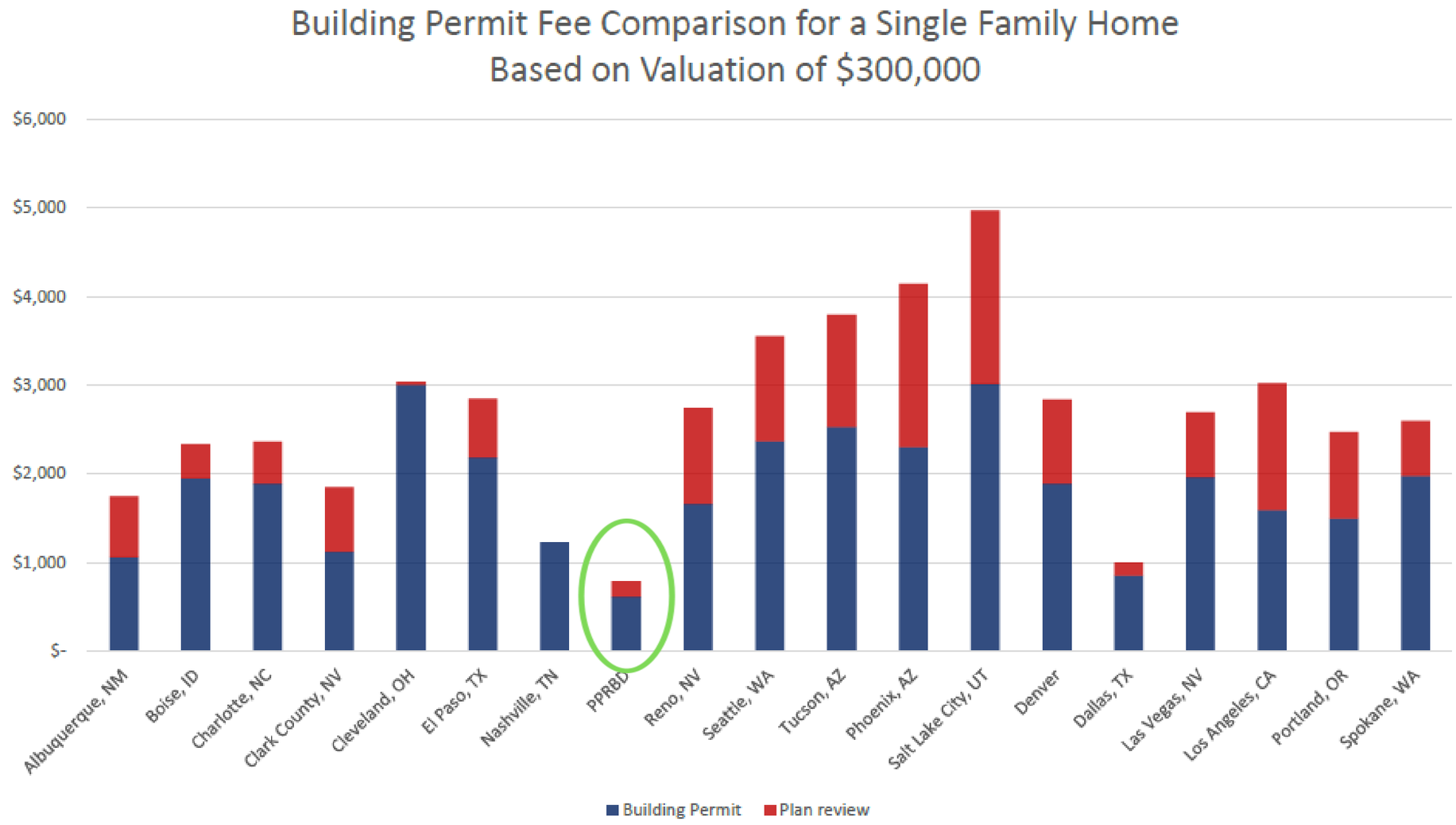
Building Costs: Permits and Fees

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

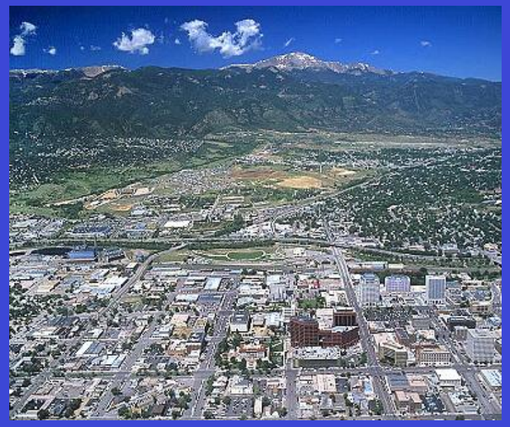


KEEPING HOUSING AFFORDABLE

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

realtor.com®

HOUSING 2020 FORECAST

INVENTORY OUTLOOK

SUPPLY

Inventory shortages prevail

Gen X & boomers hold onto their homes

DEMAND

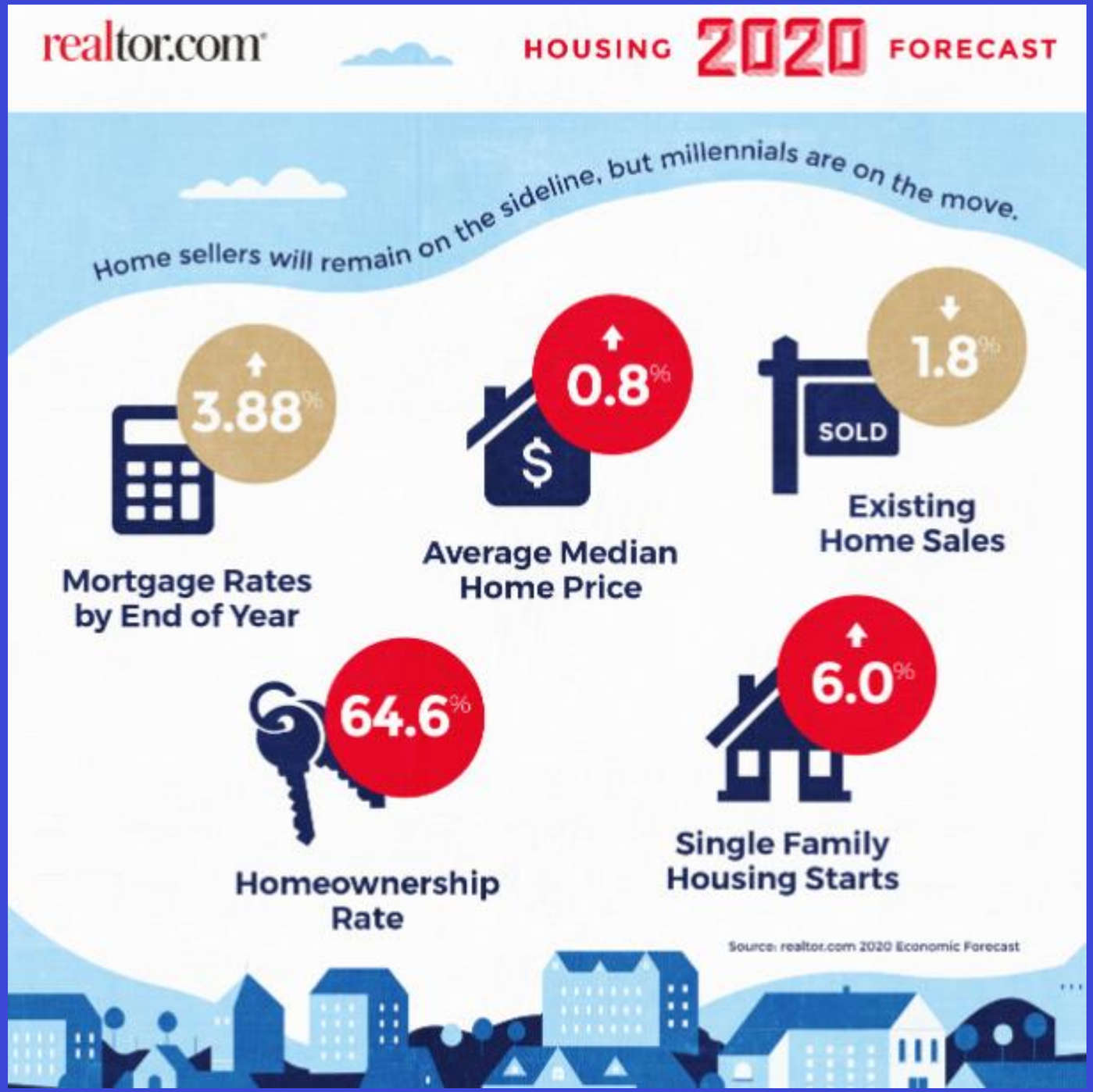
Affordability is a key factor

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



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...