



# Housing Presentation for City Council

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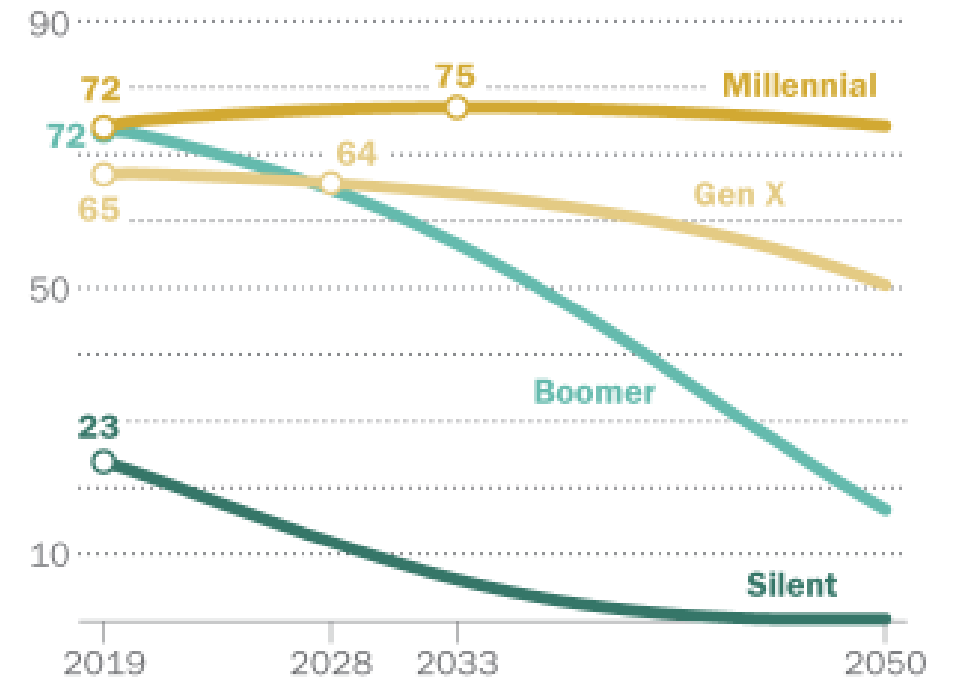
# **(Housing-Related) Context Matters**

# Demographics: A Structural Challenge for Affordability

- Increased demand for housing will be with us for at least another 25 years.
- This is true nationwide and locally.

## Projected population by generation

*In millions*



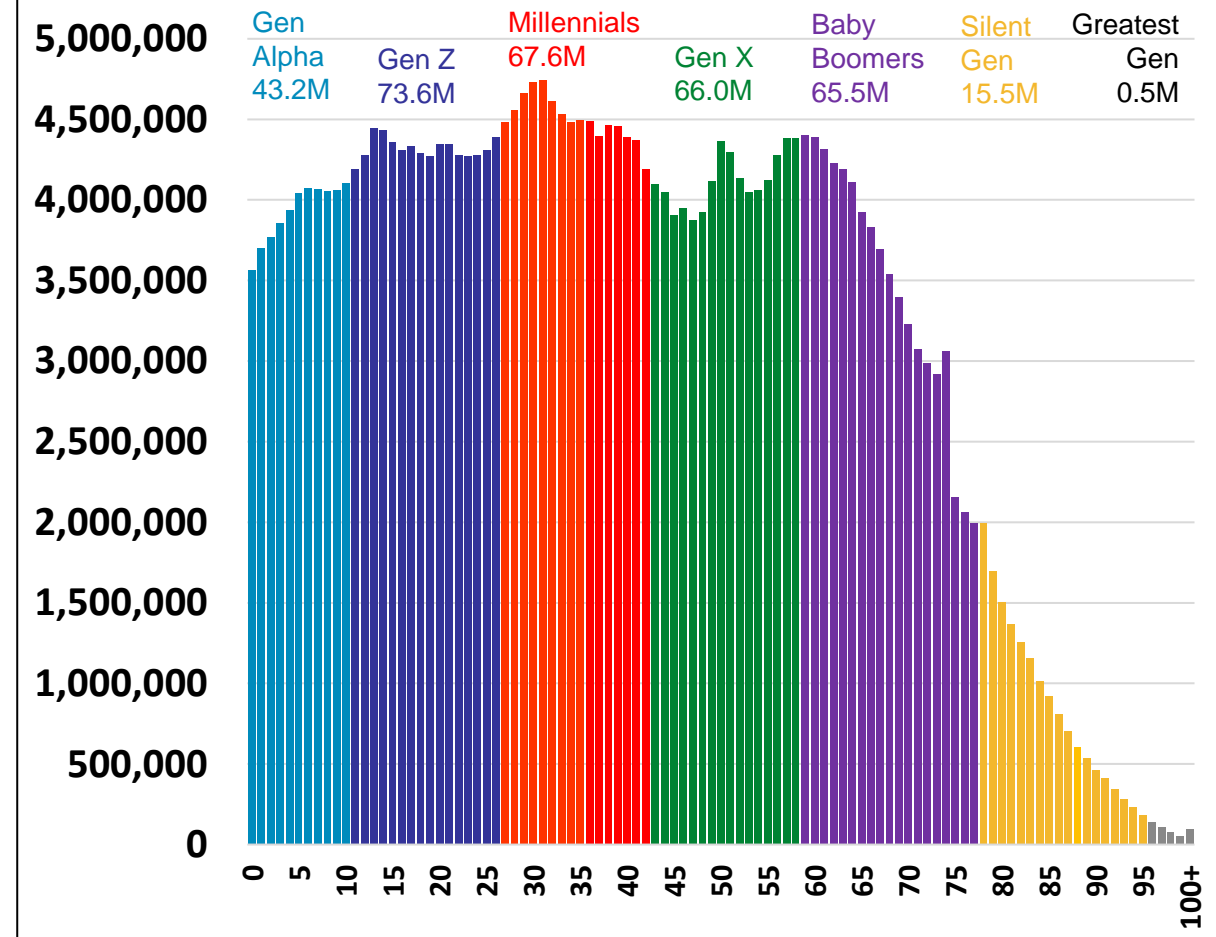
Note: Millennials refer to the population ages 23 to 38 as of 2019.

Source: Pew Research Center tabulations of U.S. Census Bureau population estimates released April 2020 and population projections released December 2017.

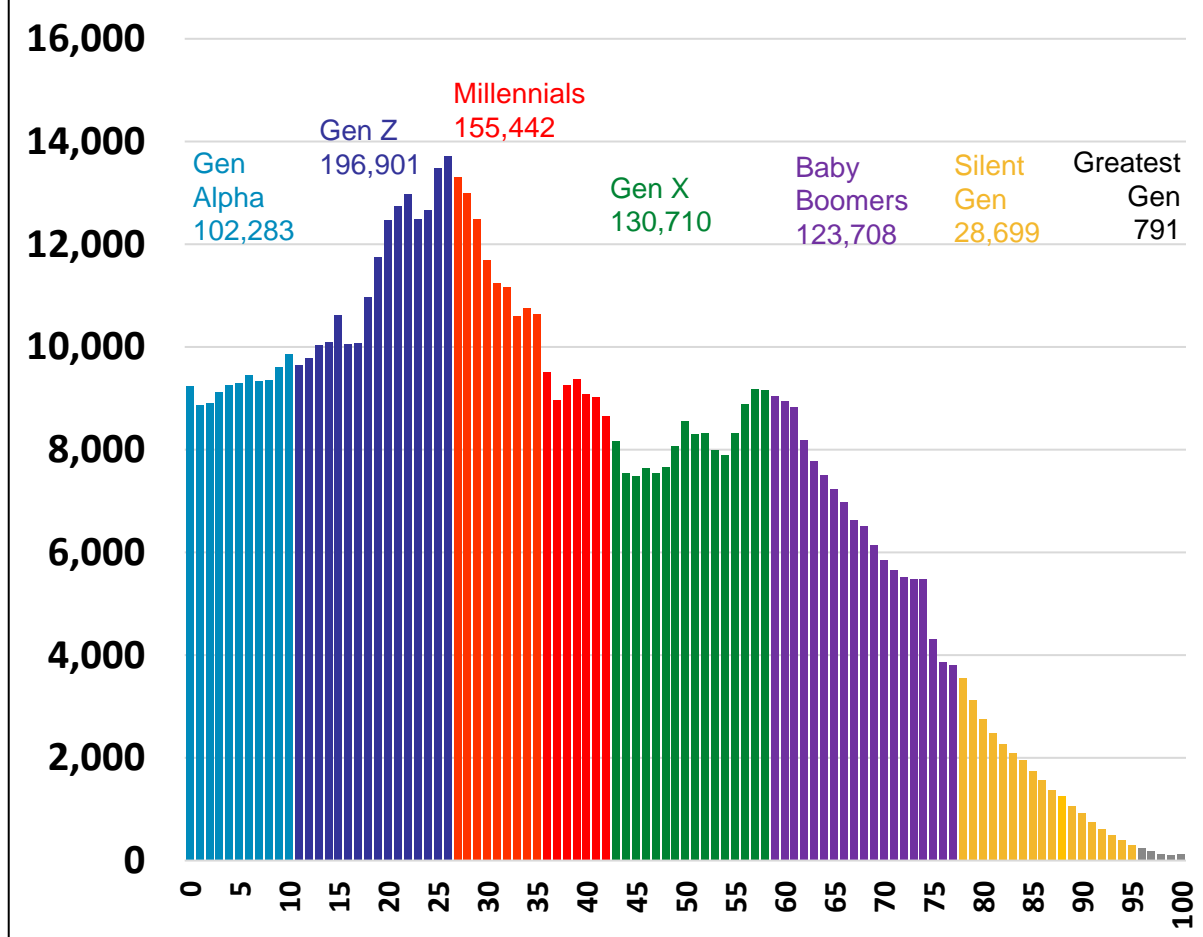
PEW RESEARCH CENTER

# Millennials Largest Population Group in U.S. Gen Z Largest Population Group in EPC

**U.S. Population 2021 = 331.9 million**



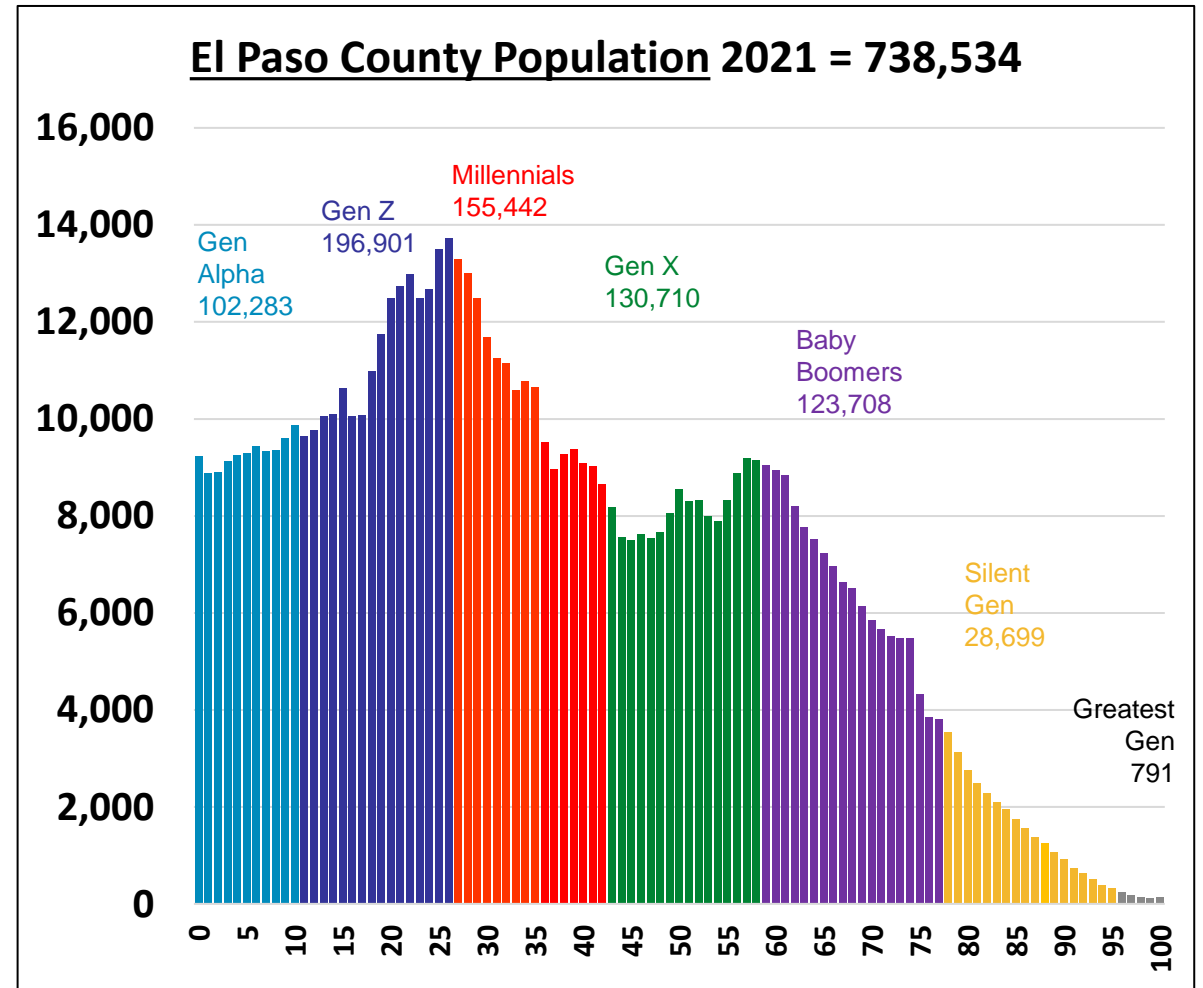
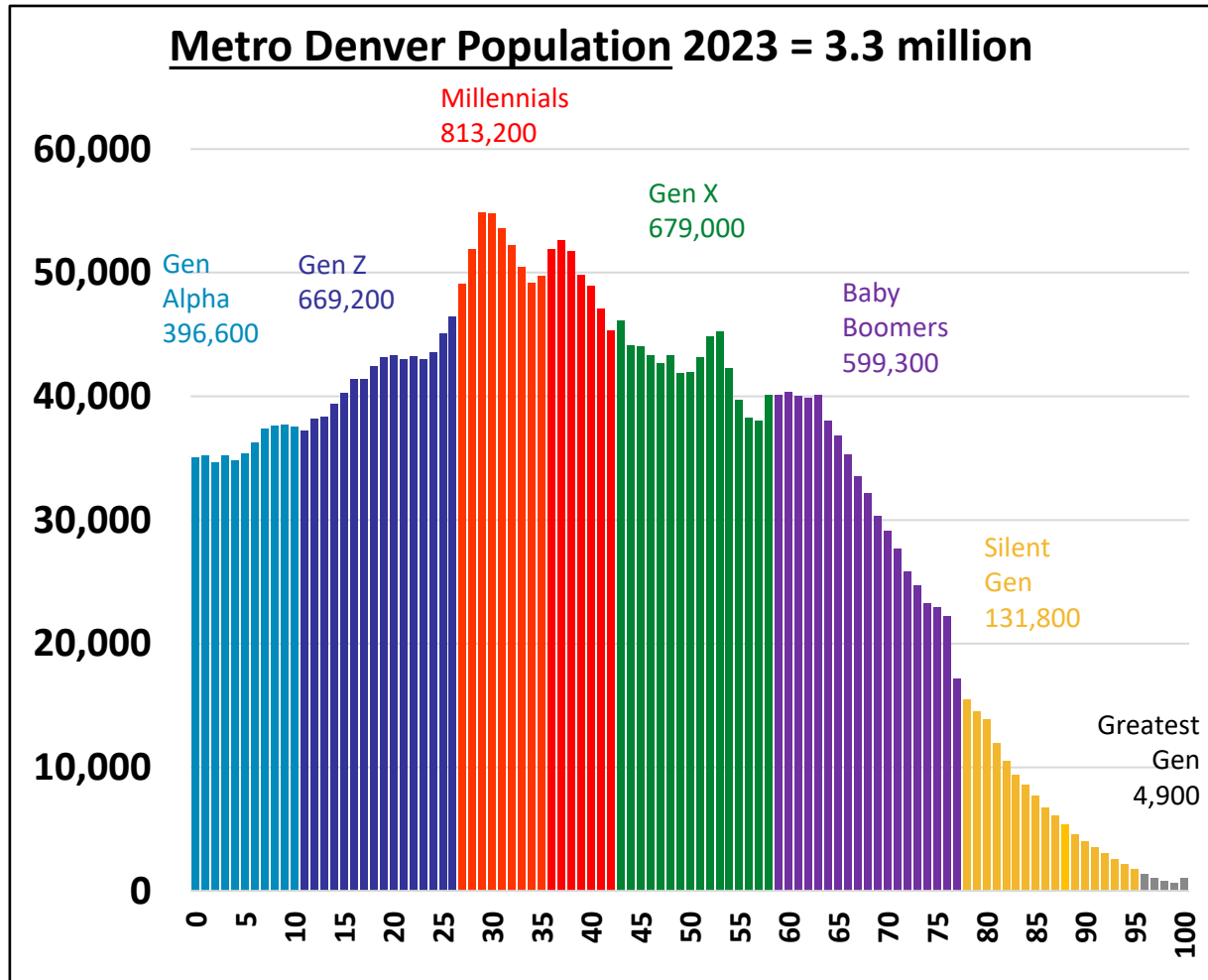
**El Paso County Population 2021 = 738,534**



Sources: U.S. Census Bureau, vintage 2021 data; Colorado Department of Local Affairs, State Demography Office, vintage 2021 data released in 2022

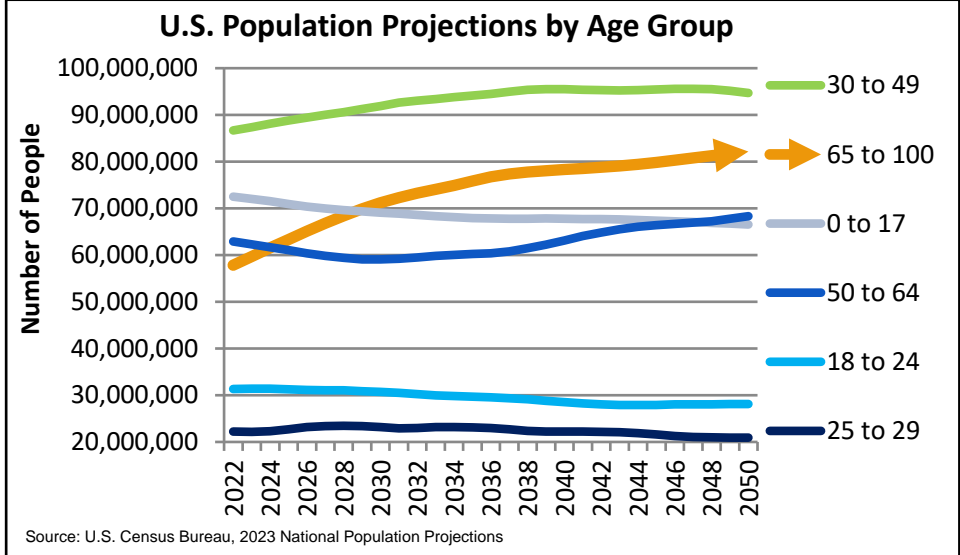
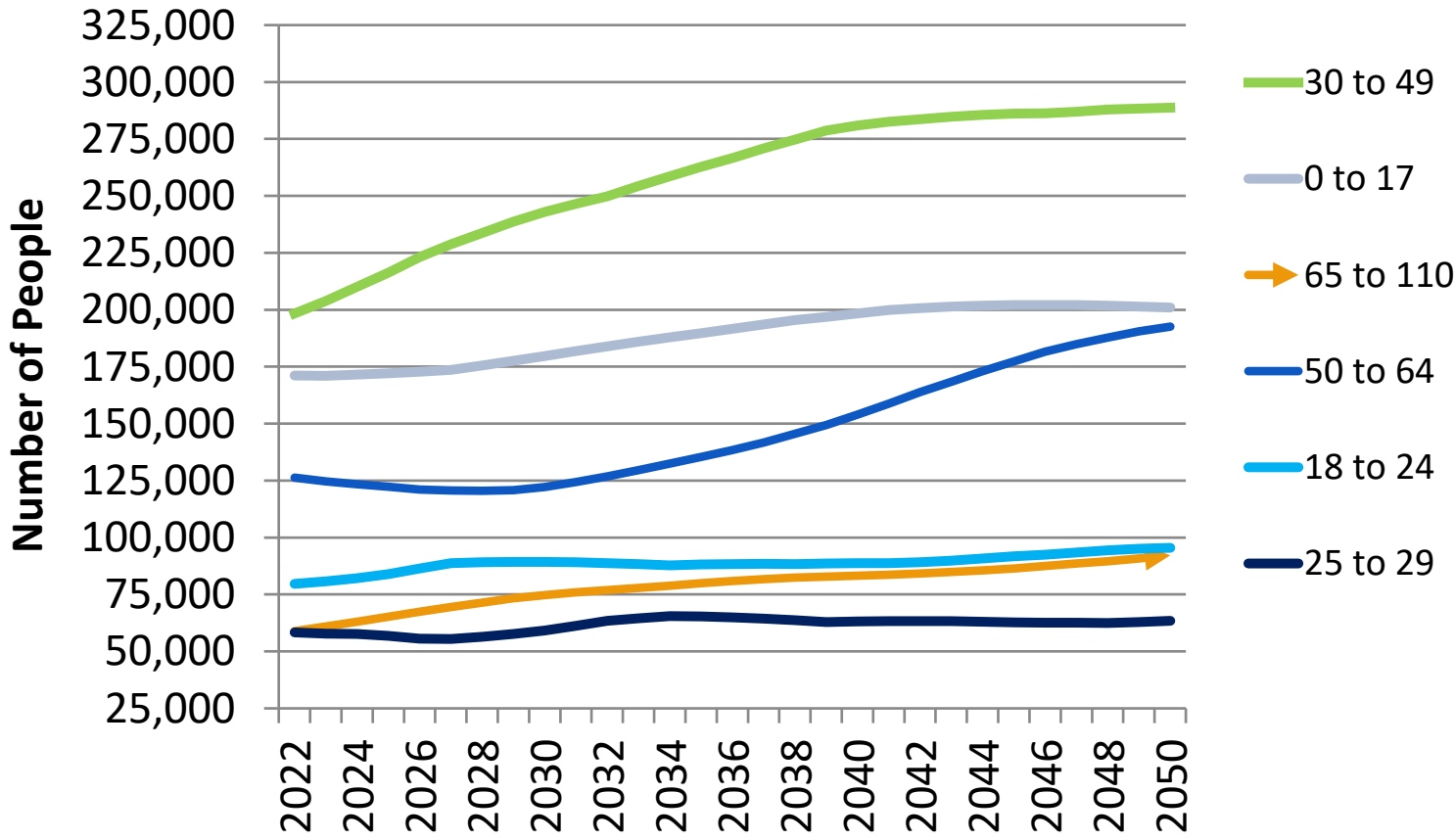
# El Paso County Skews Younger than Denver

*(and many young people have left Denver County due to affordability)*



Source: Colorado Division of Local Government, State Demography Office. Vintage 2021 Data, released October 2022. Generational groups defined by Pew Research Center, January 2019.

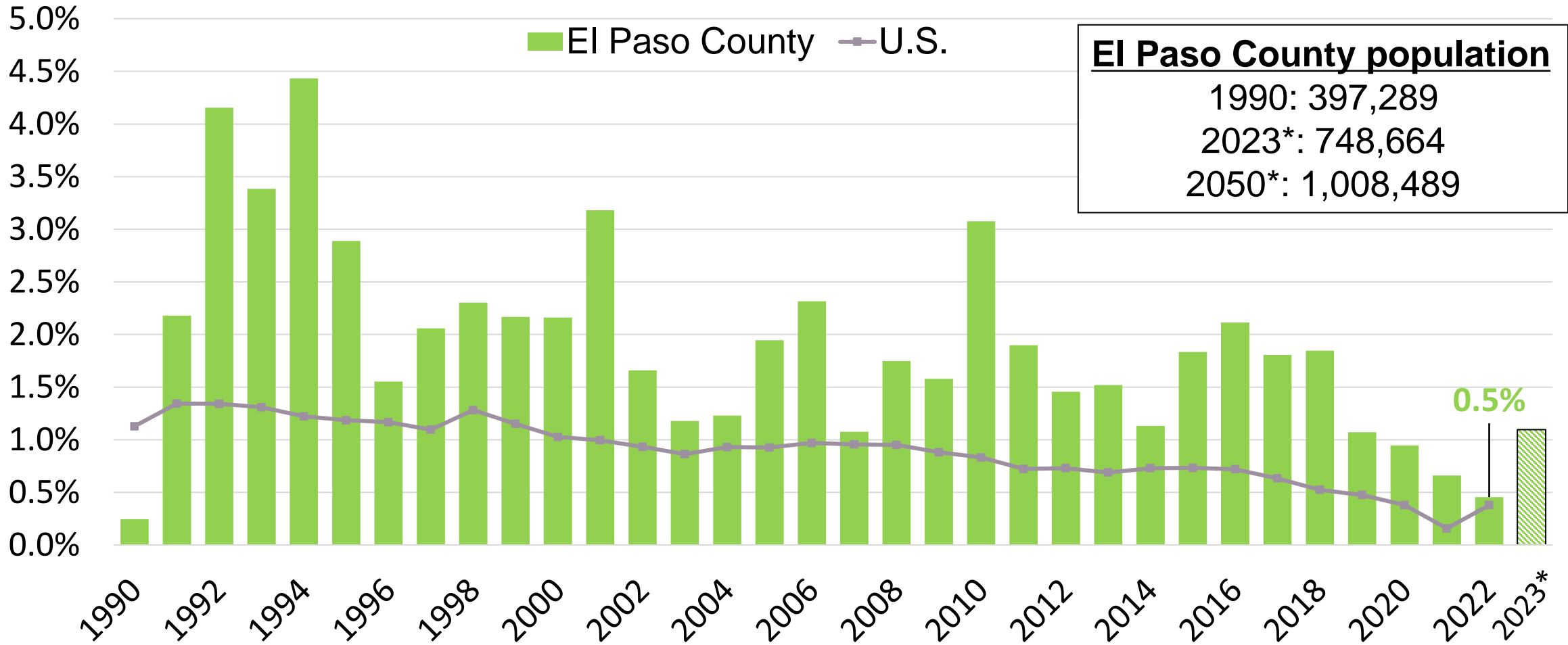
# El Paso County Population Projections by Age Group



*Our young population today and tomorrow give us a **HUGE** competitive advantage IF we can keep them here..*

Note: From 2010 to 2015, Colorado Springs had a 14.7% increase in its millennial population. (Brookings)  
 Source: Colorado Department of Local Affairs, State Demography Office

# Rate of EPC Population Increase



**El Paso County population**  
 1990: 397,289  
 2023\*: 748,664  
 2050\*: 1,008,489

0.5%

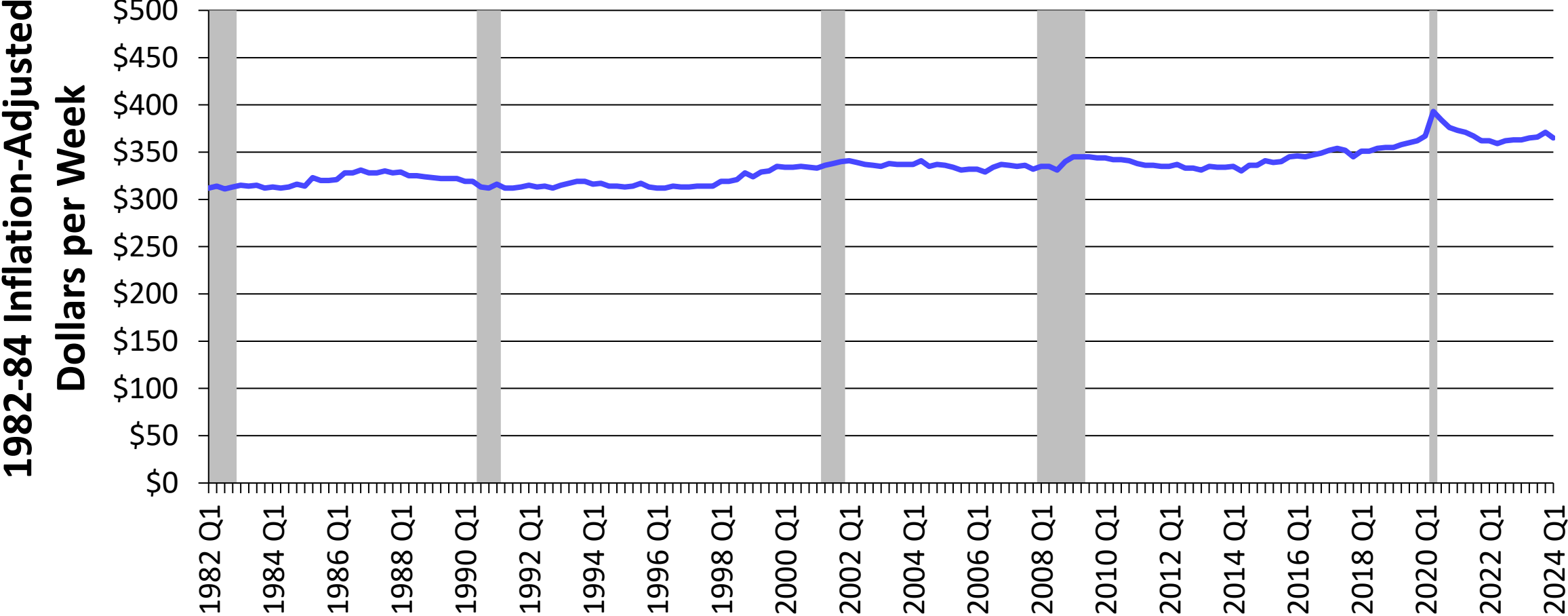
\*Forecast from Colorado State Demography Office in November 2023  
 Sources: Colorado State Demography Office; U.S. Census Bureau, Population Division (latest data available is 2022)

# **U.S. & Regional Wages Are Not Helping Us**



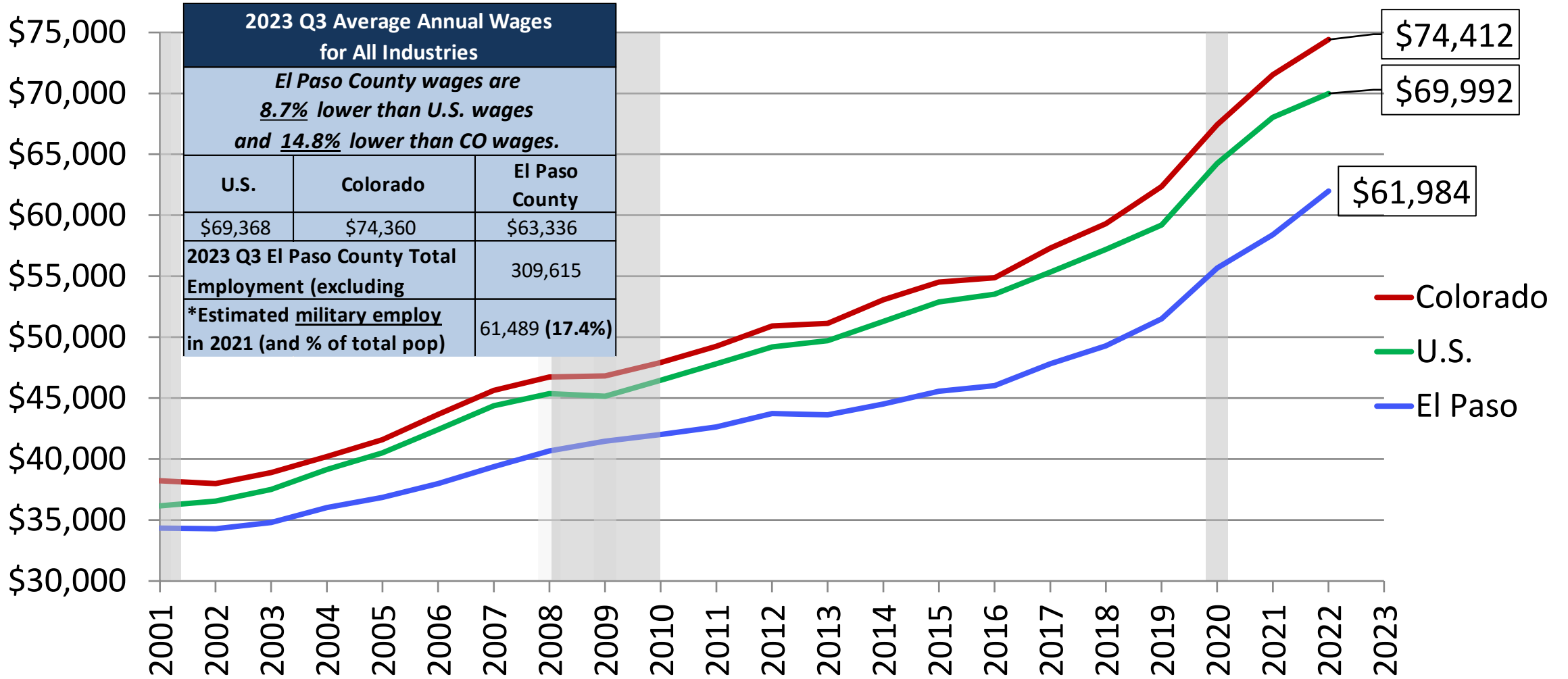
# U.S. Median Weekly Real Earnings, SA

## Wage & Salary Workers, Ages 16+



Source: U.S. Bureau of Labor Statistics; Data-Driven Economic Strategies

# Private Annual Wages (Nominal)



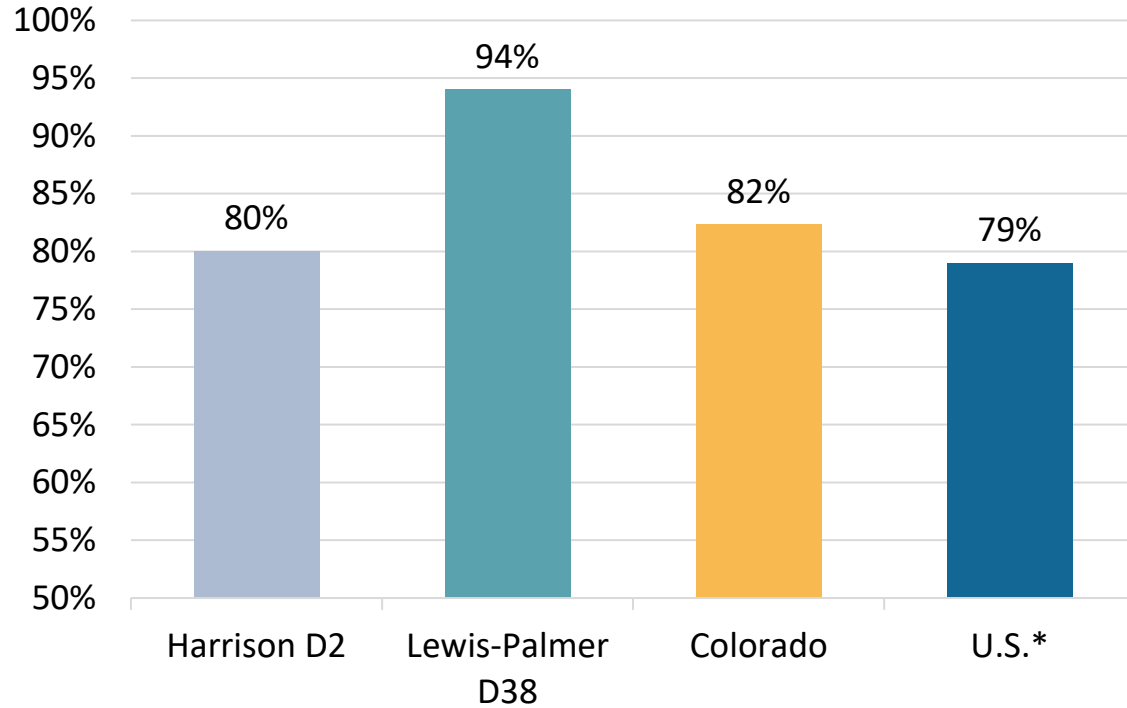
Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW).

# Need Affordability for All Populations

## High School Grad Rates & Median Earnings, 2022

### Lowest & Highest in Colorado Springs MSA

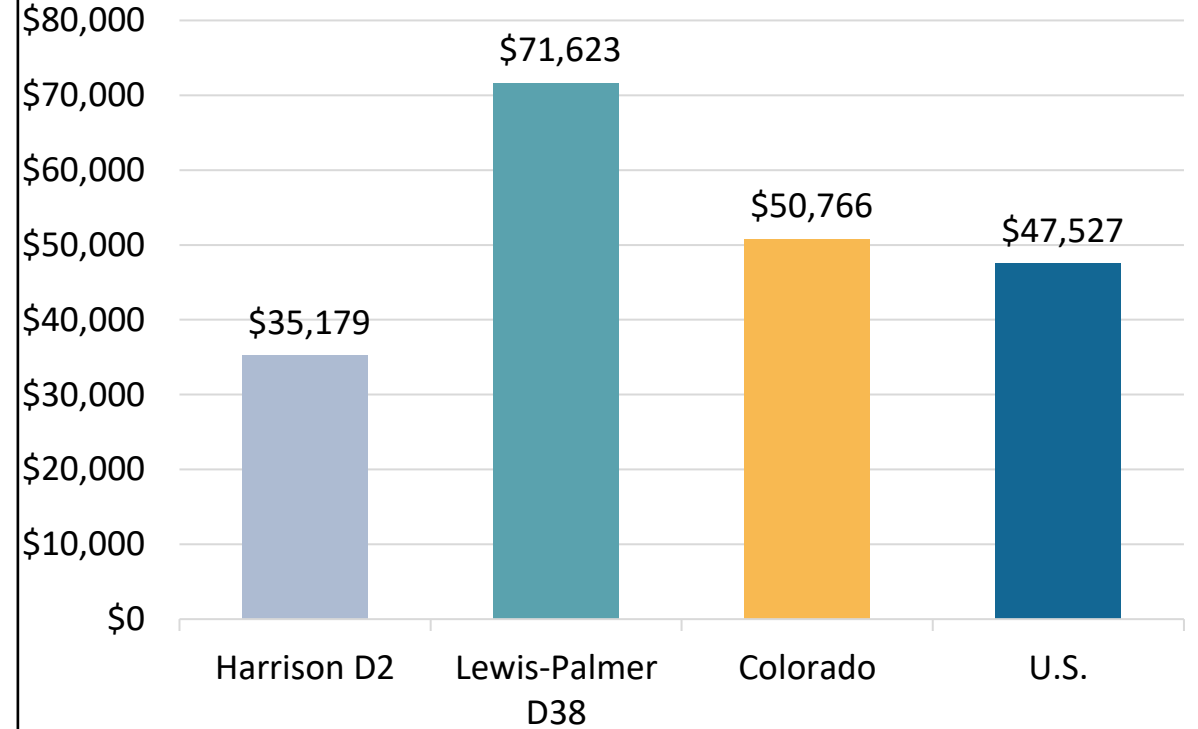
#### High School Graduation Rates, 2022



\*Official graduation rates for the U.S. in 2022 have not yet been released. This preliminary rate does not include Oklahoma.

Sources: Colorado Department of Education

#### Median Earnings per Person, 2022



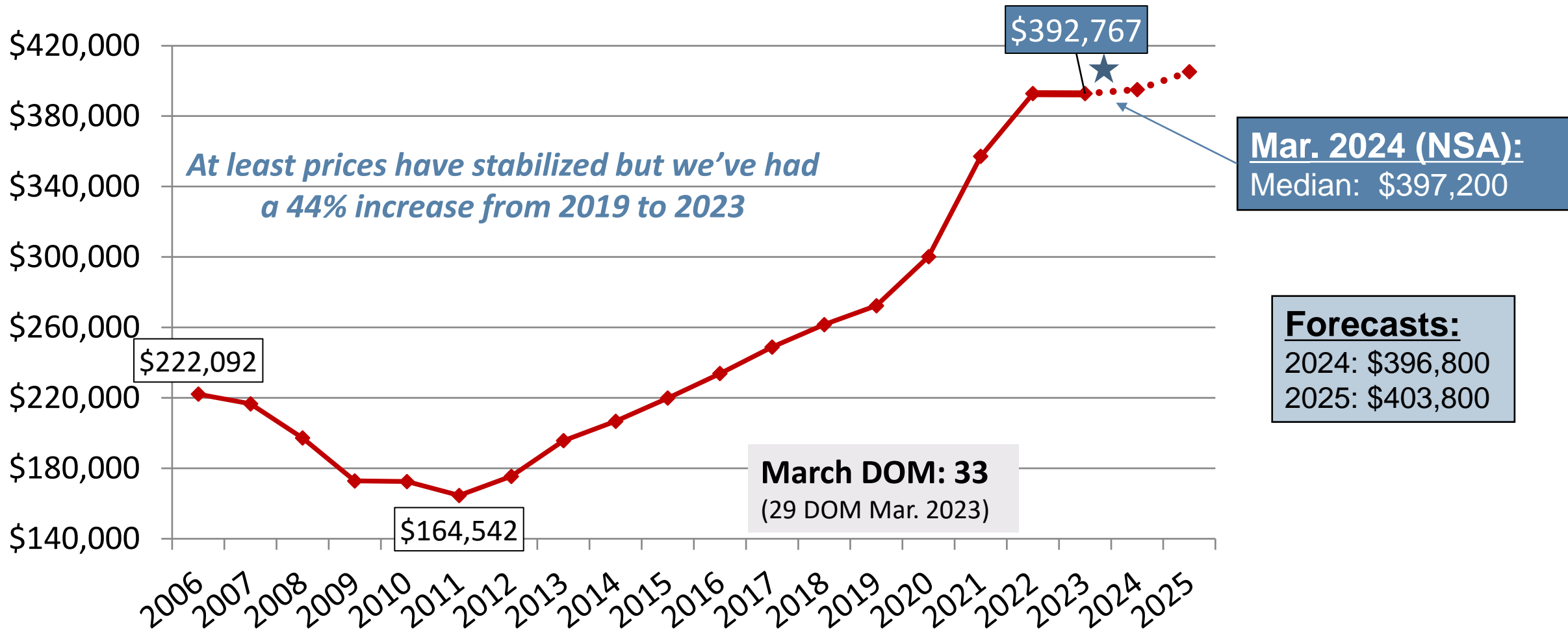
Source: U.S. Census Bureau, American Community Survey 5-year estimates

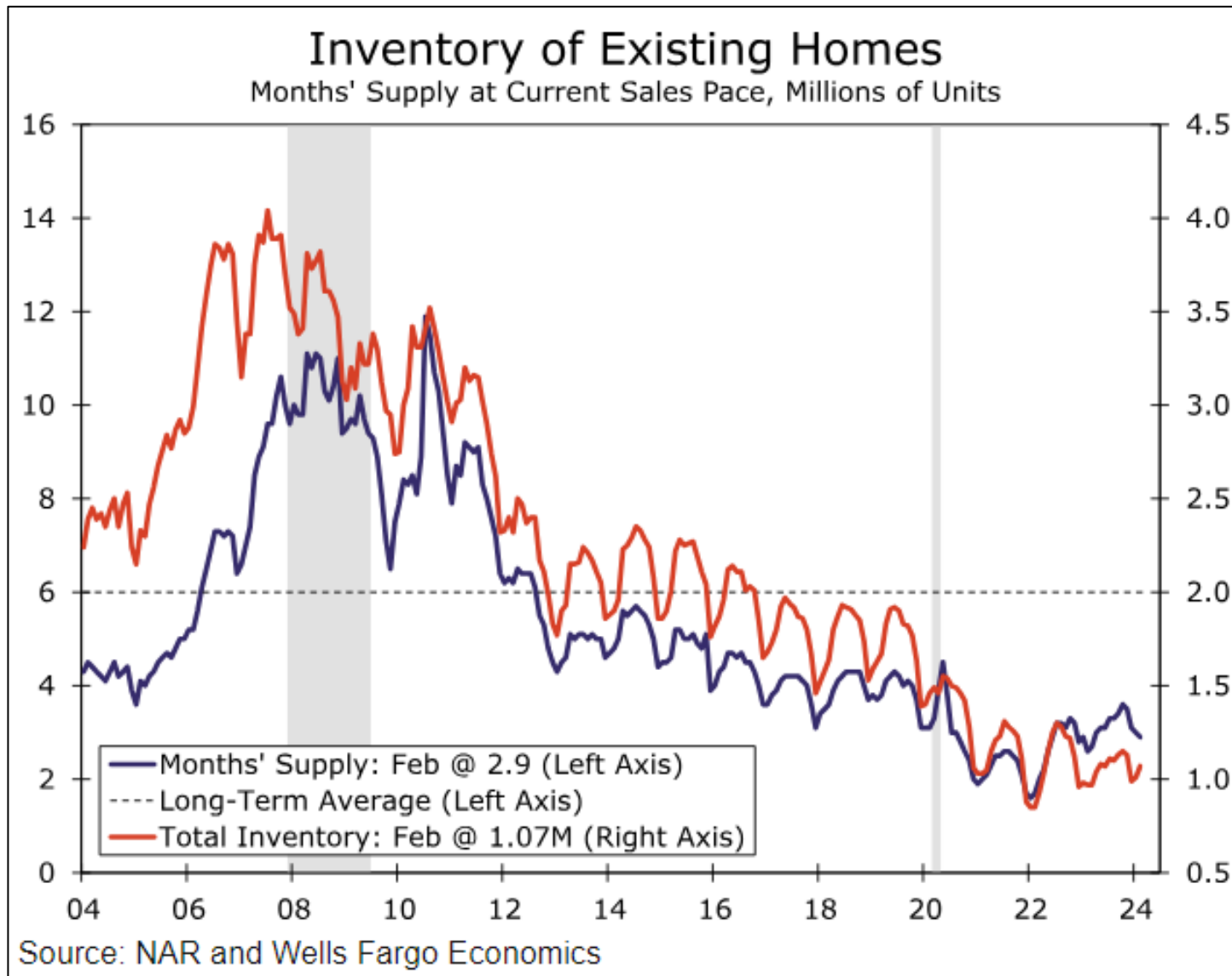
# Housing and Housing Affordability

*Real estate makes up 12-15% of GDP  
(if you include resale, new construction, SF, MF, and rental markets)*

*Home ownership is primary mechanism for wealth accumulation*

# U.S. Annual Median Existing Single-Family Home Prices



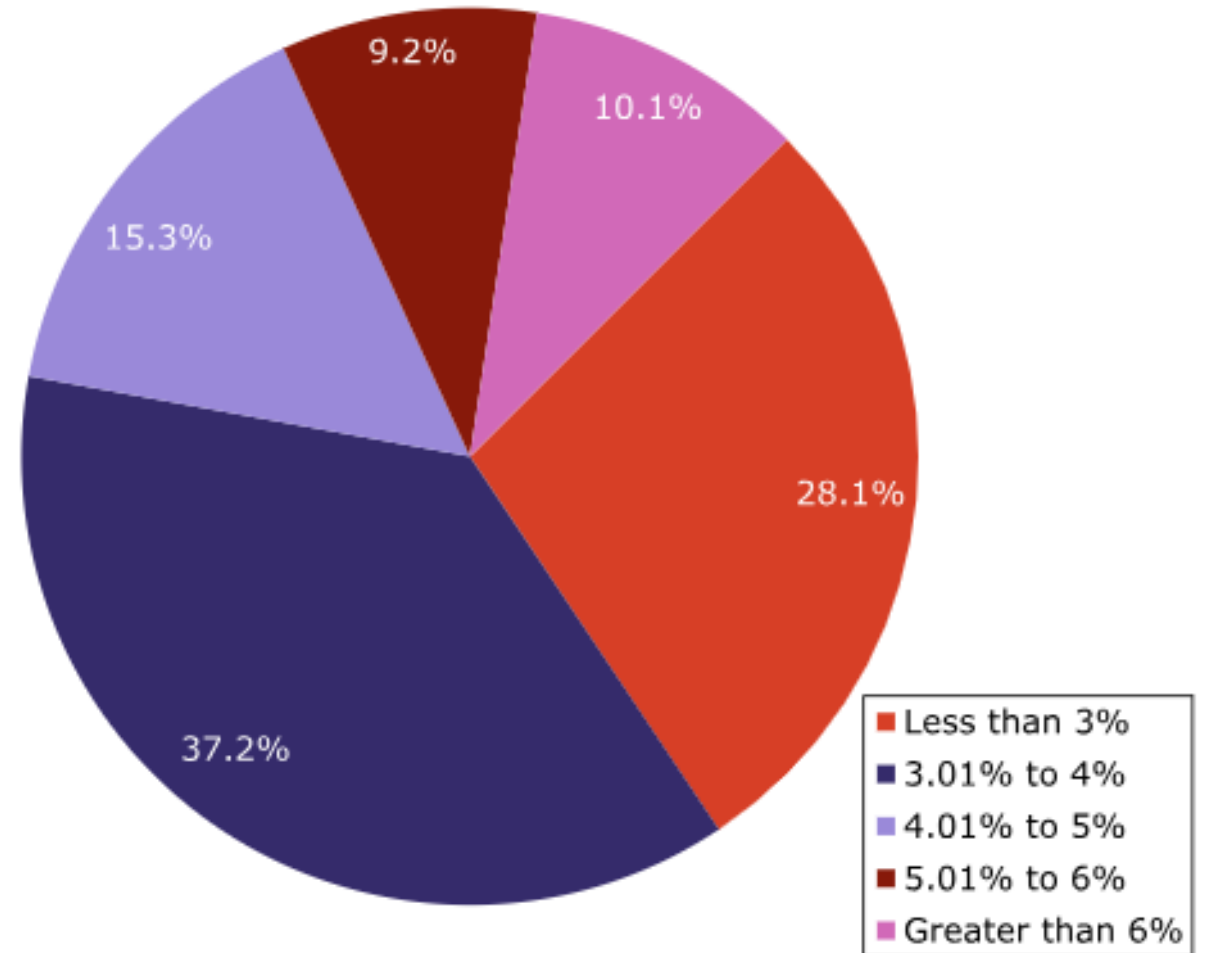


# Inventory of Existing Homes for Sale Still Low..

- Low inventory of existing homes is keeping some modest price appreciation
- Persistently low inventory of existing homes pivoting more buyers to new homes!
- Small declines in 30-year mortgage rate with bump in sales show still many homebuyers on the sidelines (elastic demand).

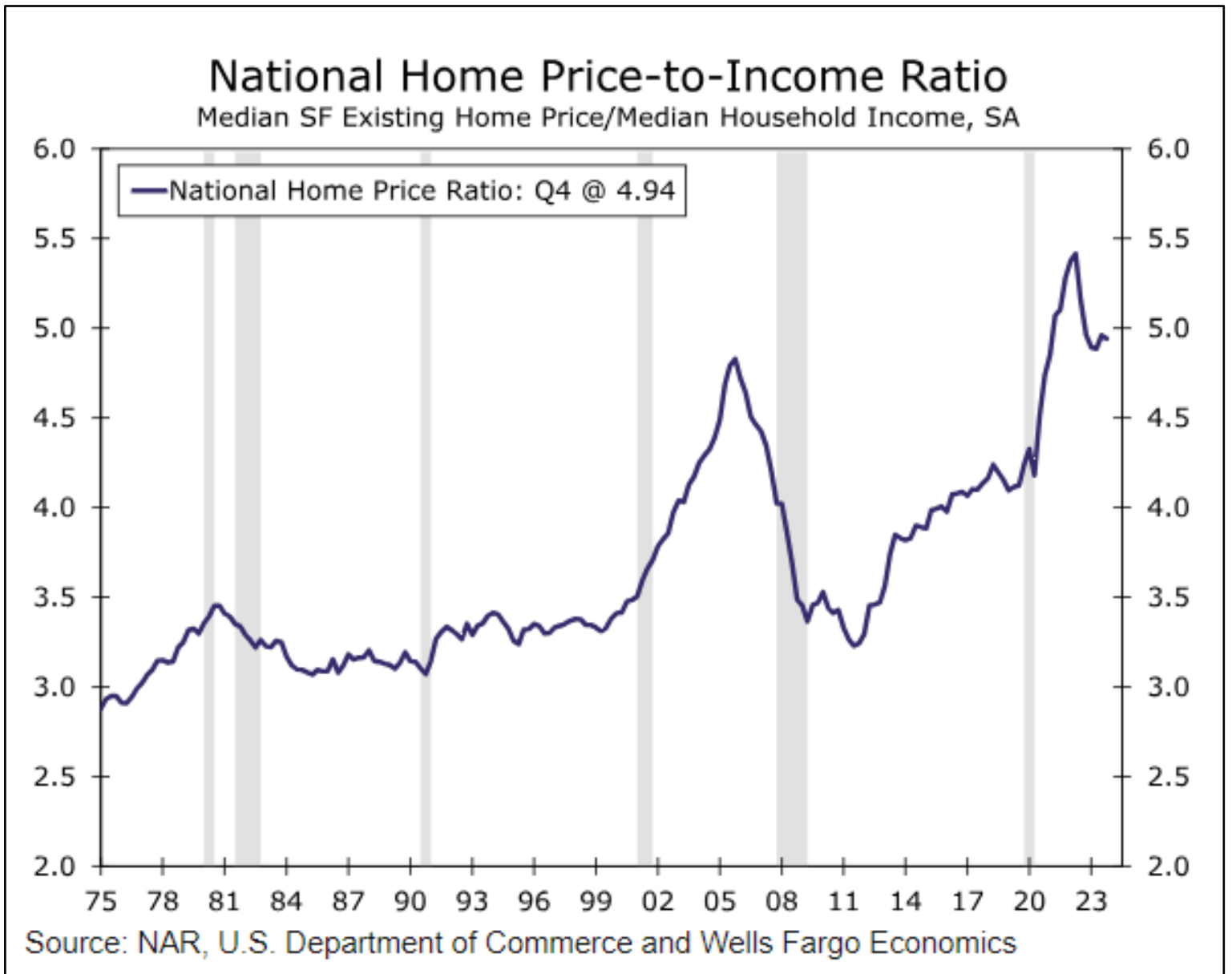
- I don't think we are going to see 30-year mortgage rates at ~3% in the next five years (likely more)
- This is another structural headwind to increasing supply and to affordability.
- Will have to rely more on new construction

Most Outstanding Mortgages Have a Rate <5%  
Share of Outstanding Mortgages by Interest Rate, Q3-2023



Source: FHFA and Wells Fargo Economics

- End result is too many (especially young people/families) cannot afford homes.
- Interest rates will come down\* later in 2024/25, and that will help some..
- But we must increase housing stock across many price ranges.
- And preferably with different types of structures (e.g., apartments/condos, townhomes, and efficiently-sized SF homes).
- Communities are going to need creativity and nimbleness

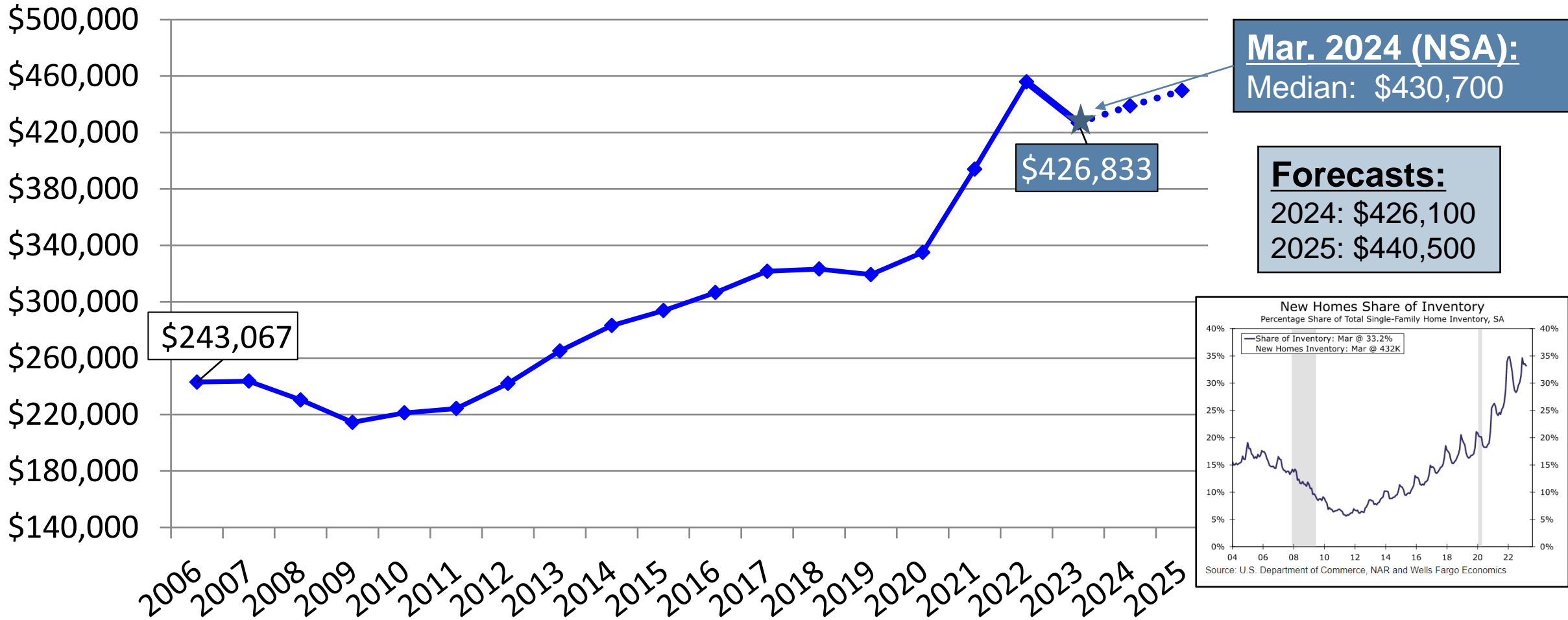


\*Payment on \$450,000 mortgage at 7% is \$3,000/month, and at 5% it's \$2,400/month (or 20% lower).



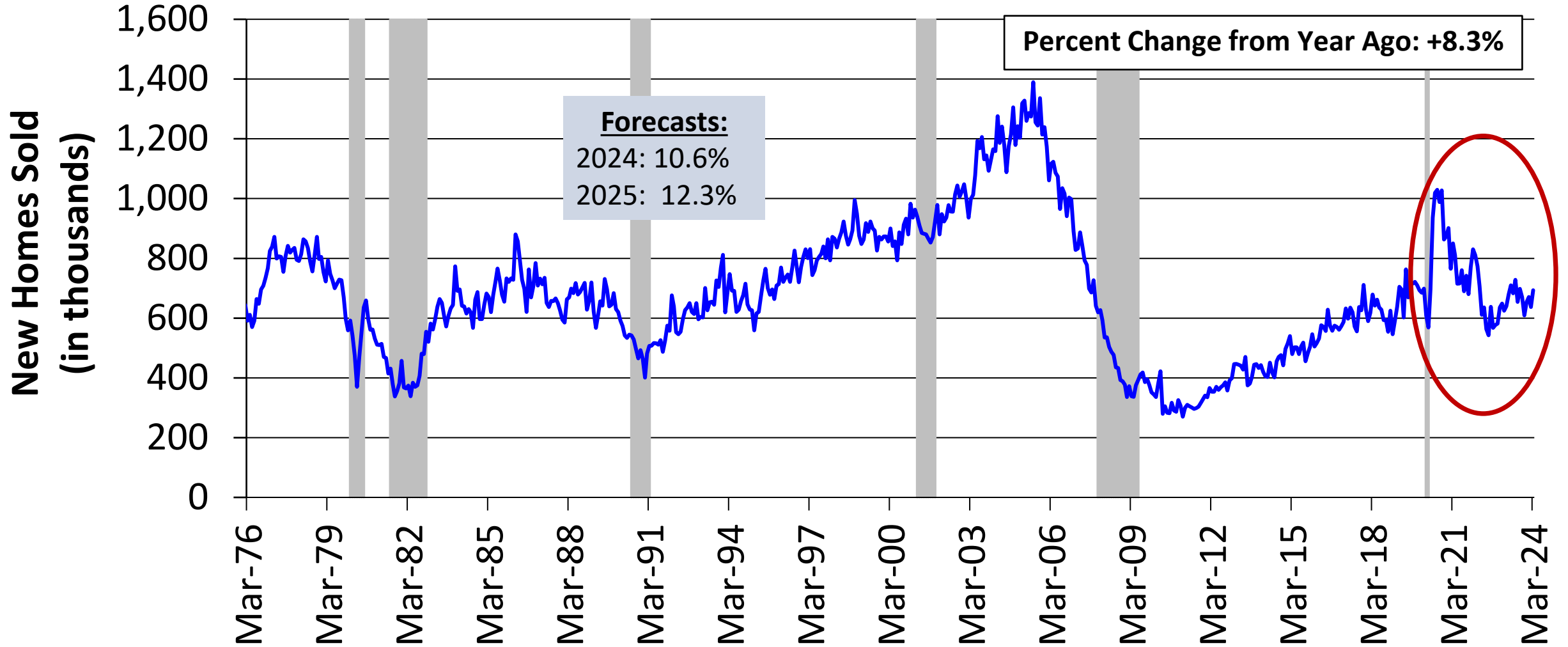
# **What About New Residential Construction?**

# U.S. Annual Median New Single-Family Home Prices



Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; Forecasts National Association of REALTORS®, April 2024 Economic Outlook

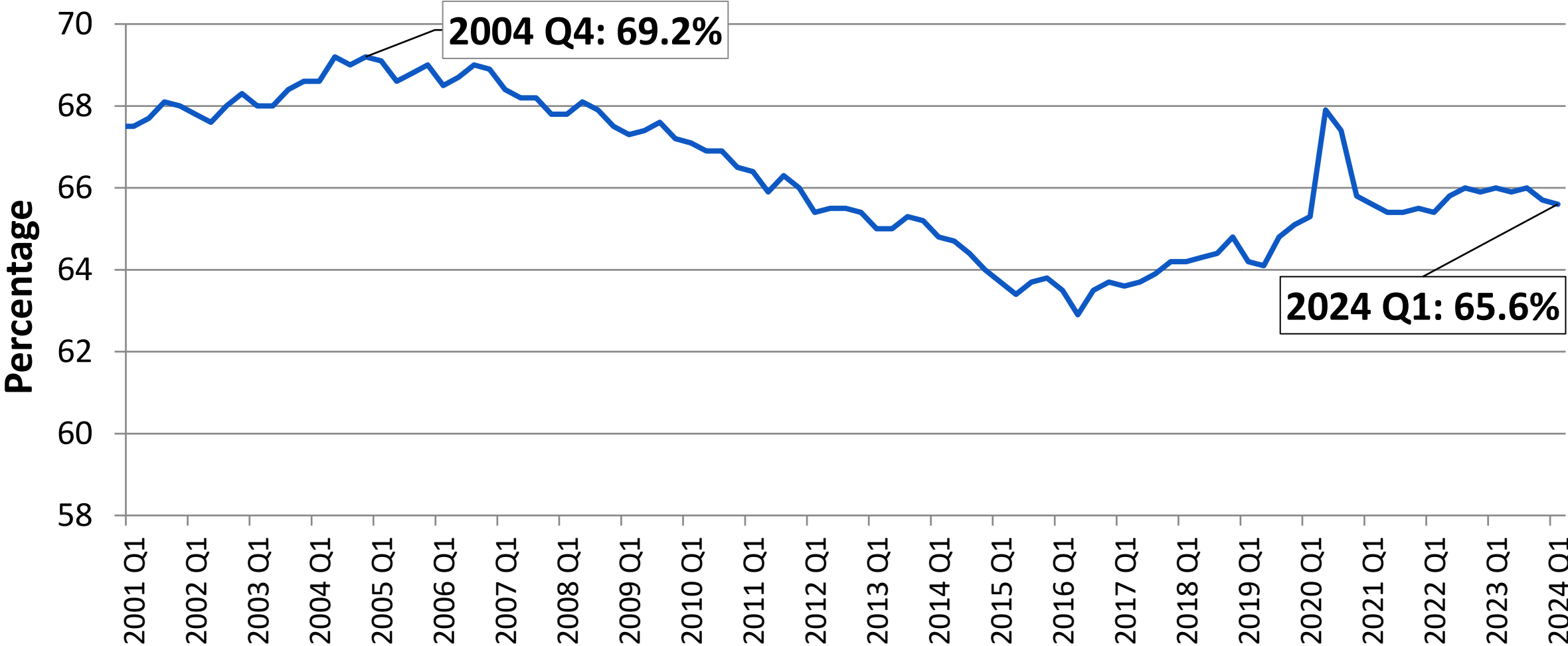
# U.S. New Single-Family Home Sales - SA



Note: Existing data trends closely mirror new home sales.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; Forecasts by National Association of REALTORS®, April 2024 Economic Outlook

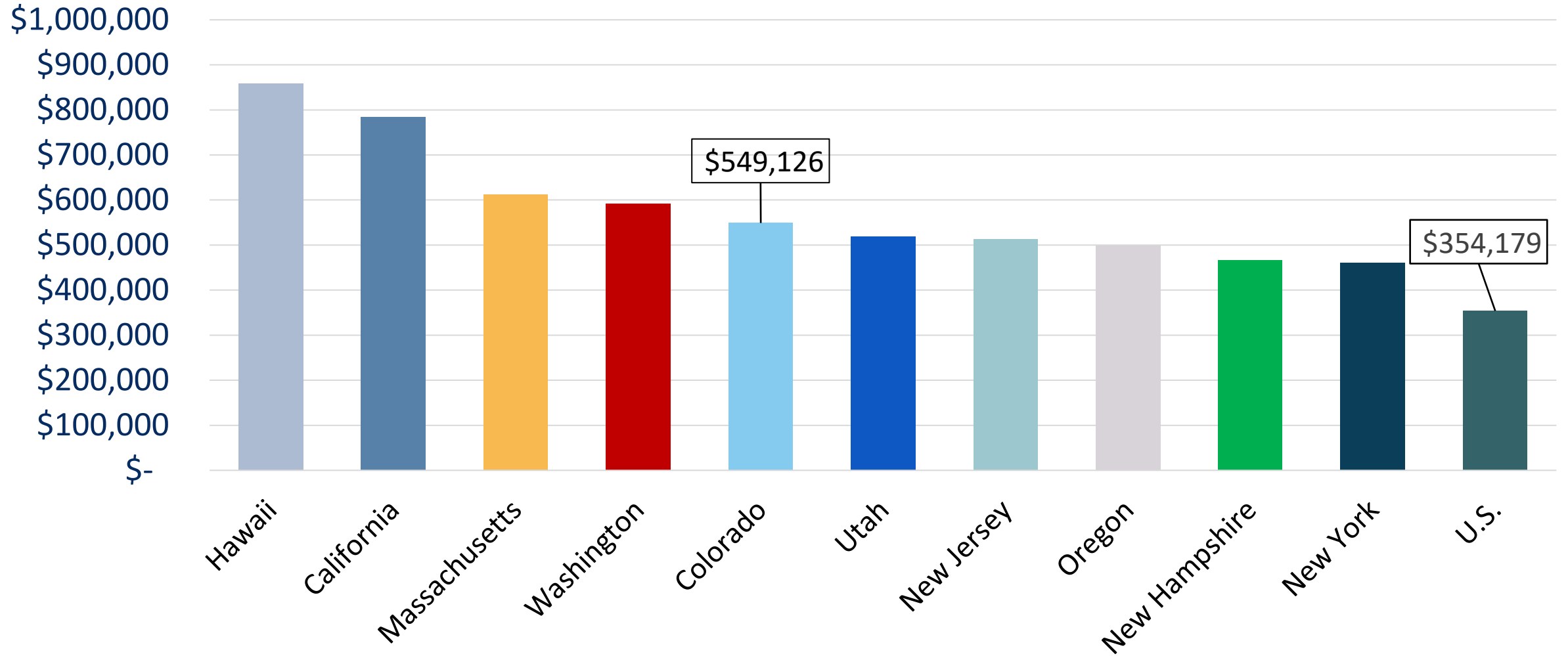
# U.S. Home Ownership Rates, Quarterly



Source: U.S. Census Bureau; Data-Driven Economic Strategies

# **State & Regional Affordability**

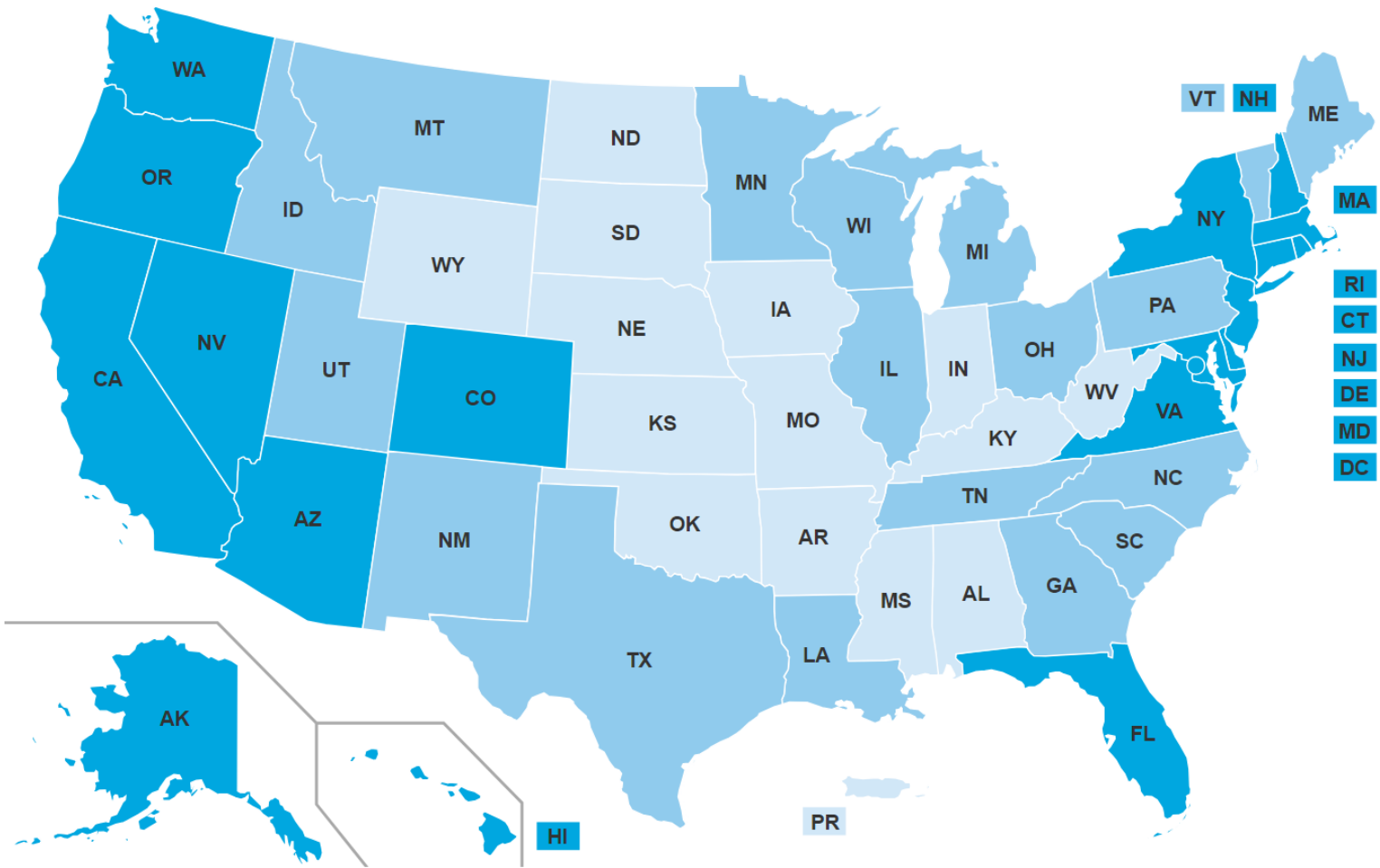
# Zillow Home Value Index – 10 Most Expensive States March 2024



# But How Affordable Are the New Apartments? What You Need to Earn to Afford a Modest Apartment in 2023

Hourly wage required to afford a two-bedroom rental home by state.

● Below \$19.00 ● \$19.00 - \$26.00 ● Above \$26.00



Colorado ranks 8<sup>th</sup> highest state at \$32.13/hour to rent a 2-bedroom apartment.

But average renter makes \$25.47.

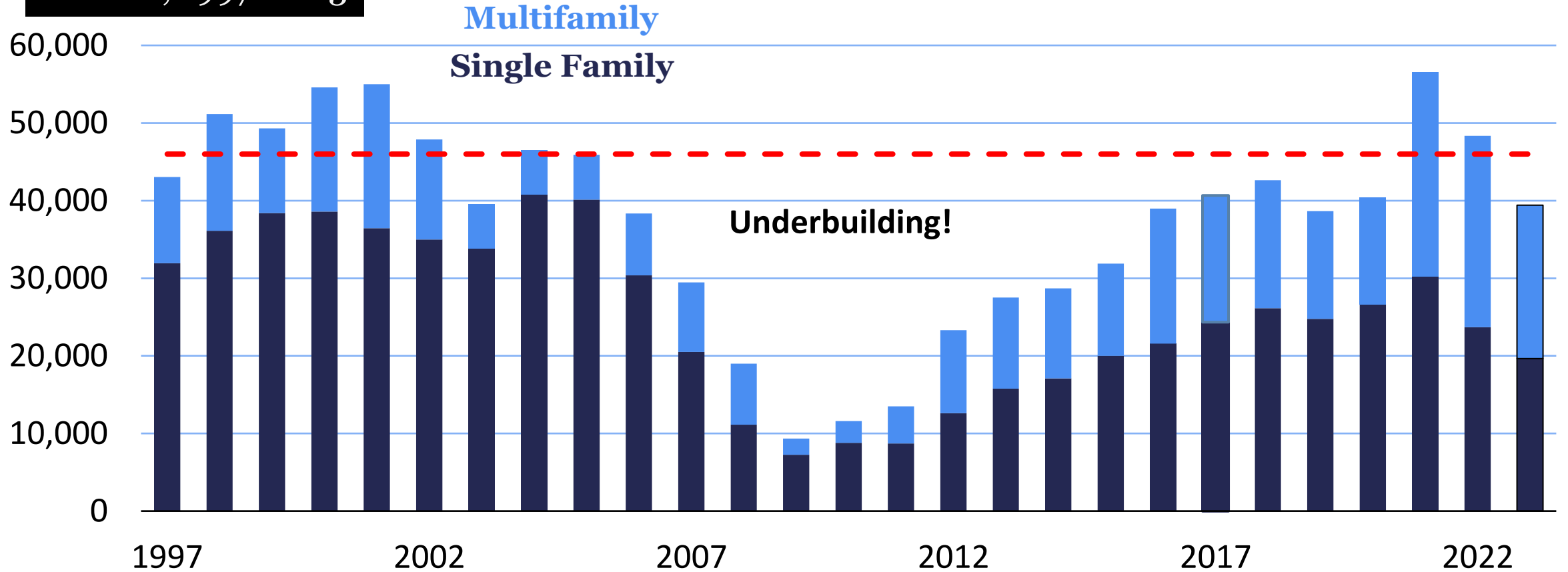
It would take 94 hours/week at the minimum wage to rent a 2-bedroom.\*

Source: National Low Income Housing Coalition; Data Driven Economic Strategies. \*And 77 hours/week to rent the average 1-bedroom.



# Colorado Residential Building Permits Underbuilding Has Impacted CO More So...

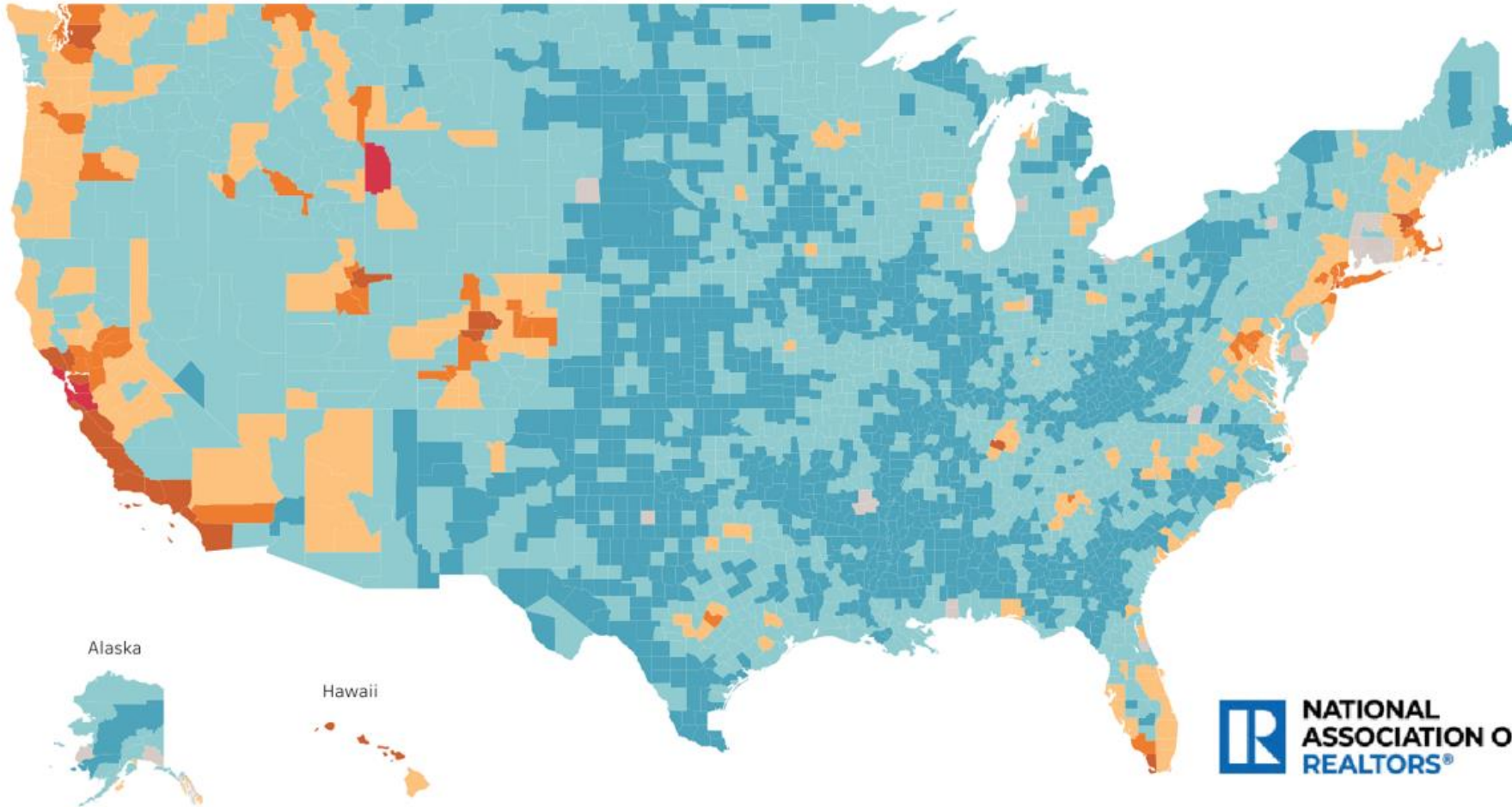
Permits, 1997-2023





# Local Real Estate

# County Median Home Prices 2023 Q4 data



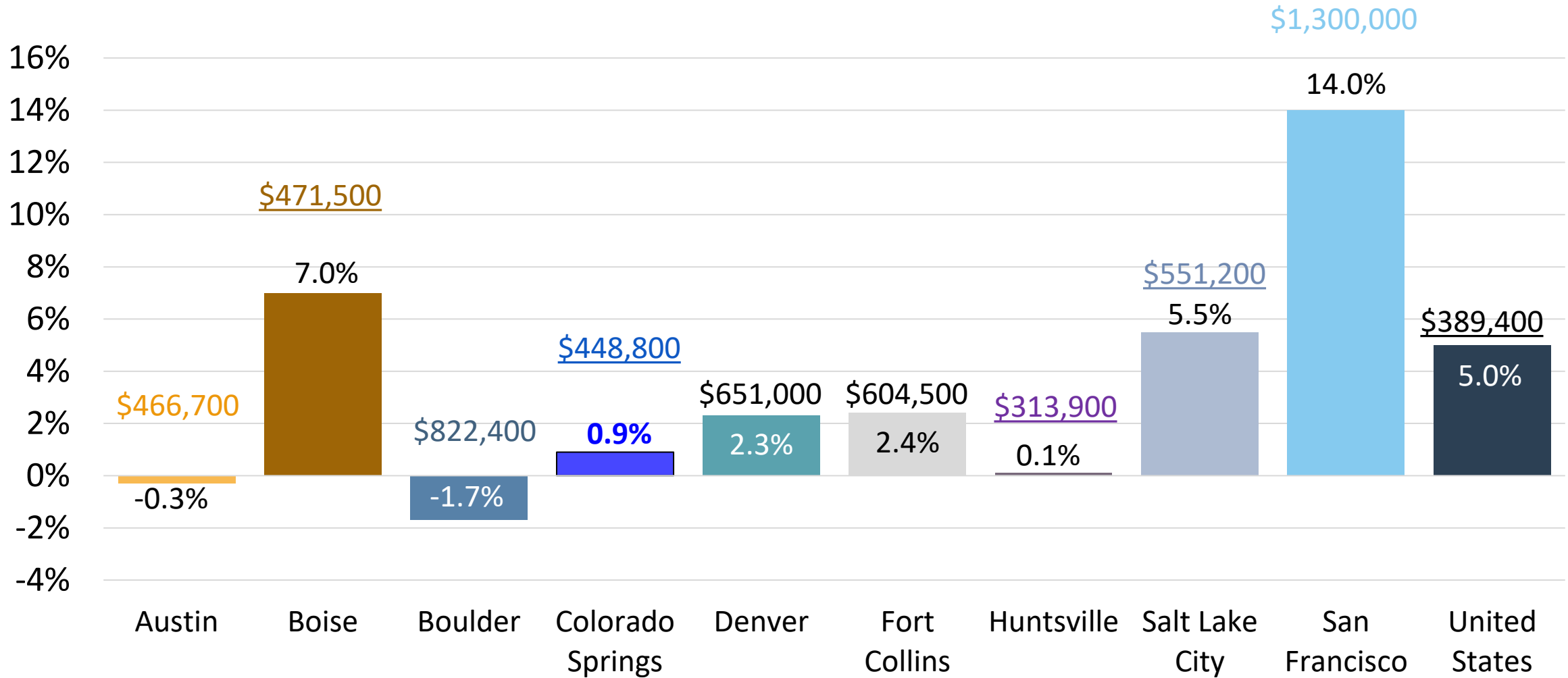
## Affordability by County El Paso County, Colorado

Monthly mortgage payment  
**2022 Q4: \$2,700**  
**2023 Q4: \$2,930**



Note: NAR Calculations of American Community Survey data; Federal Housing Finance Agency data.  
See Methodology.

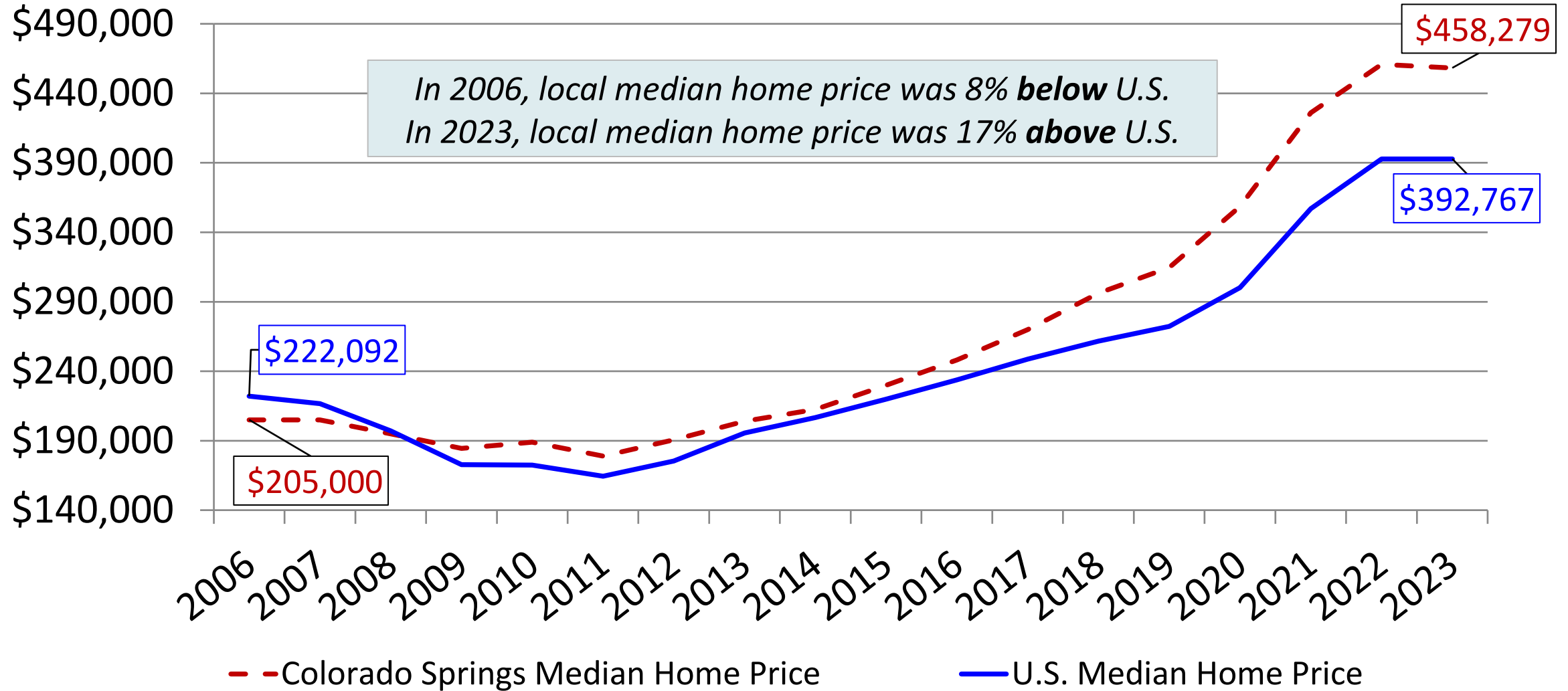
# Annual Median Home Price Appreciation 2023 Q1 to 2024 Q1



**Note:** This data is *seasonally adjusted*. PPAR data is not seasonally adjusted. Year over year.

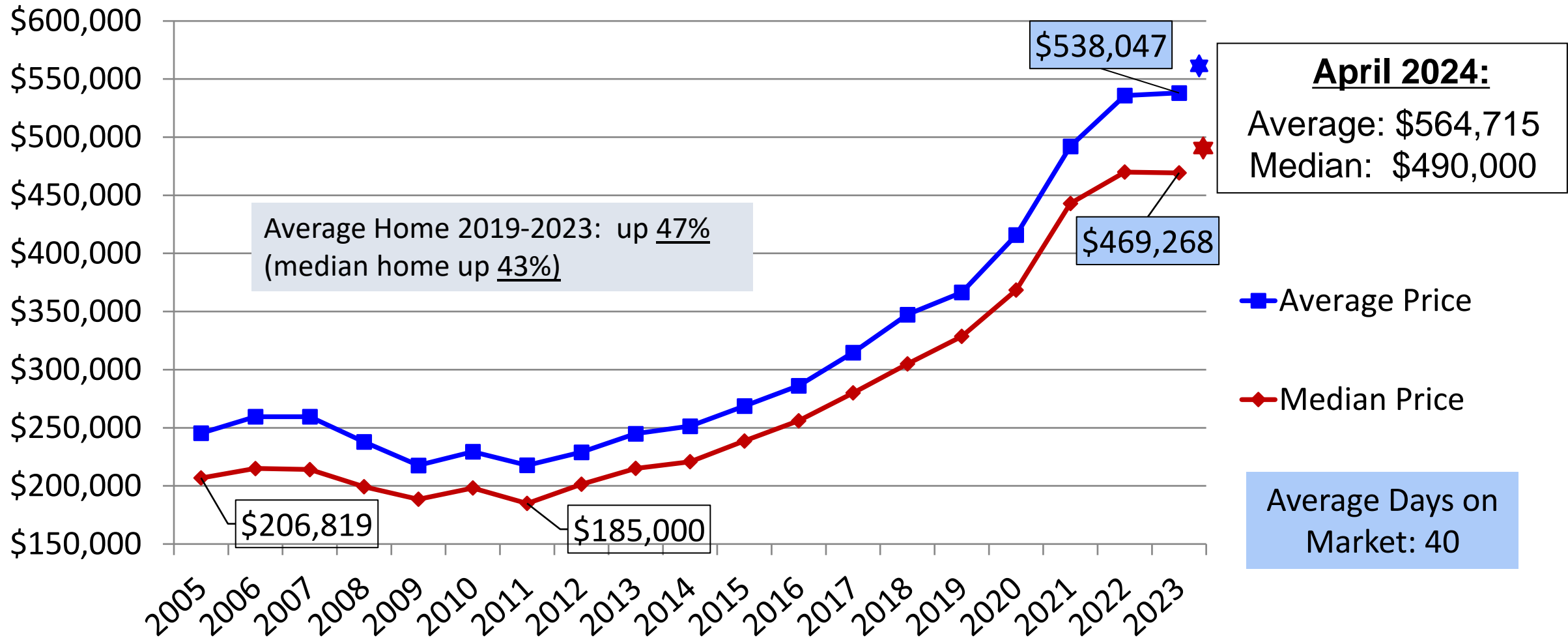
Sources: National Association of REALTORS®

# Median (Existing) Annual Home Prices, U.S. & Colorado Springs



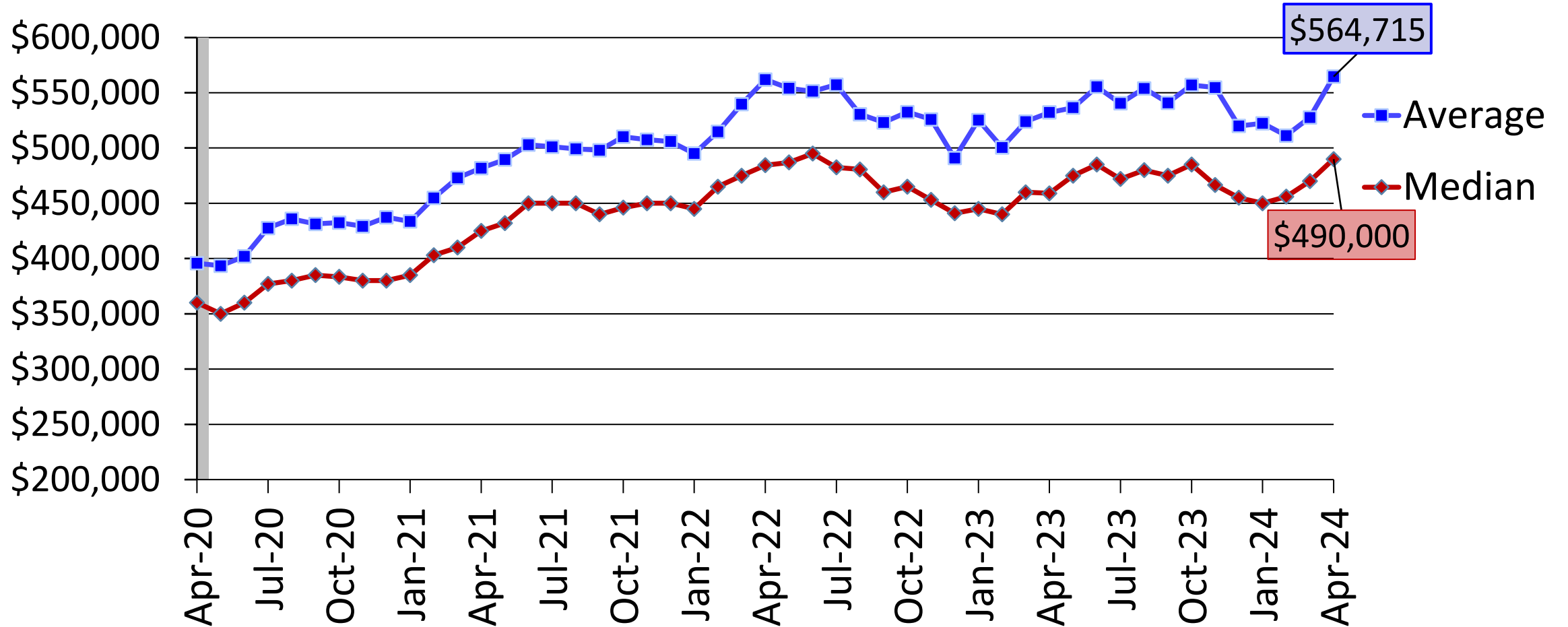
Source: National Association of REALTORS®; Pikes Peak REALTOR® Services Corp. (RSC)

# Pikes Peak Region Annual Average & Median\* (Single-Family) New & Existing Home Prices



\*Includes all homes: new and existing. **Average home price increase 2019-23: \$171,933. Average home price doubled from 2015 to 2023 (usually takes 20 yrs. to double\*), Bruce Betts.** Source: Pikes Peak REALTOR® Services Corp. (RSC).

# New & Existing Single-Family Home Prices Pikes Peak Region



# U.S. Existing Sales Distribution, March 2024

\$0- <u>100</u> K	\$ <u>100</u> - 250K	\$250- 500K	\$500- <u>750</u> K	\$ <u>750</u> K- 1M	\$1M+
4%	19%	45%	18%	7%	7%

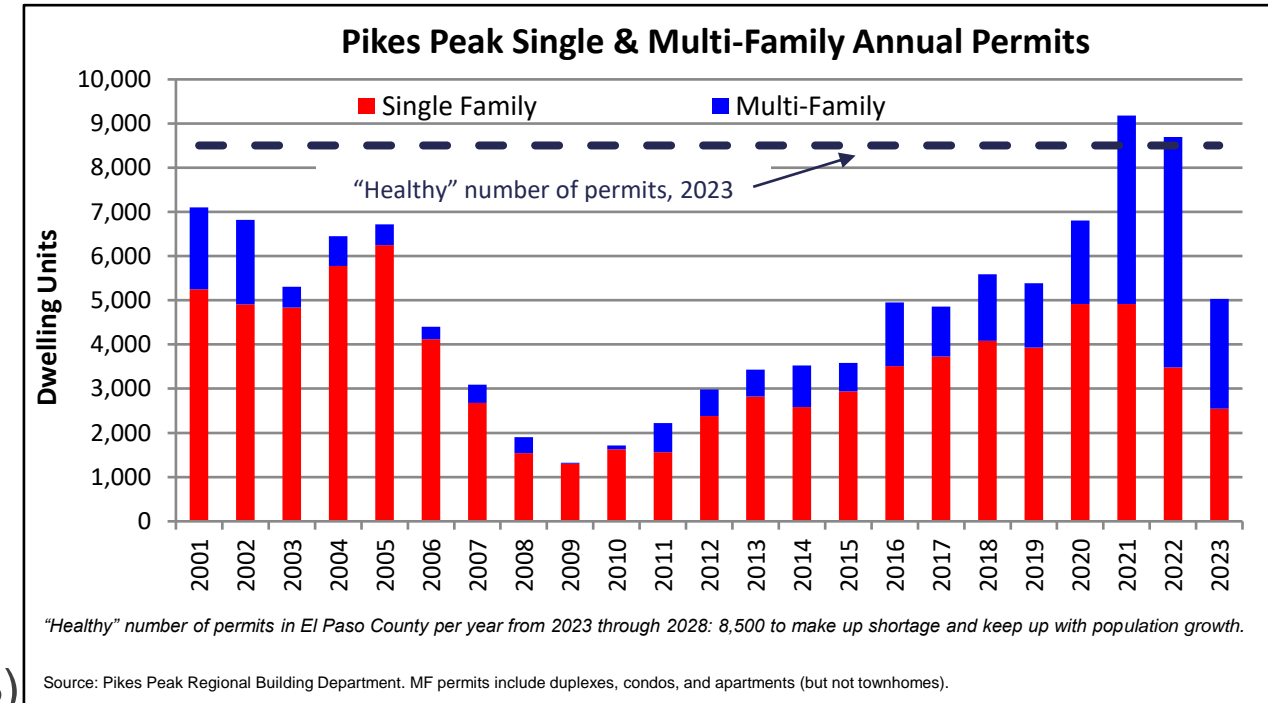
# Colorado Springs MSA Sales Distribution, March 2024

\$0- <u>200</u> K	\$ <u>200</u> - <u>300</u> K	\$ <u>300</u> - 500K	\$500- <u>800</u> K	\$800K- 1M	\$1M+
0.5%	2%	55%	34%	5%	3%

Note: U.S. sales are existing only; Colorado Springs MSA sales are for all single-family homes. Notice price categories are slightly different.  
Sources: National Association of REALTORS®; Pikes Peak REALTOR® Services Corp. (RSC)

# Home Building

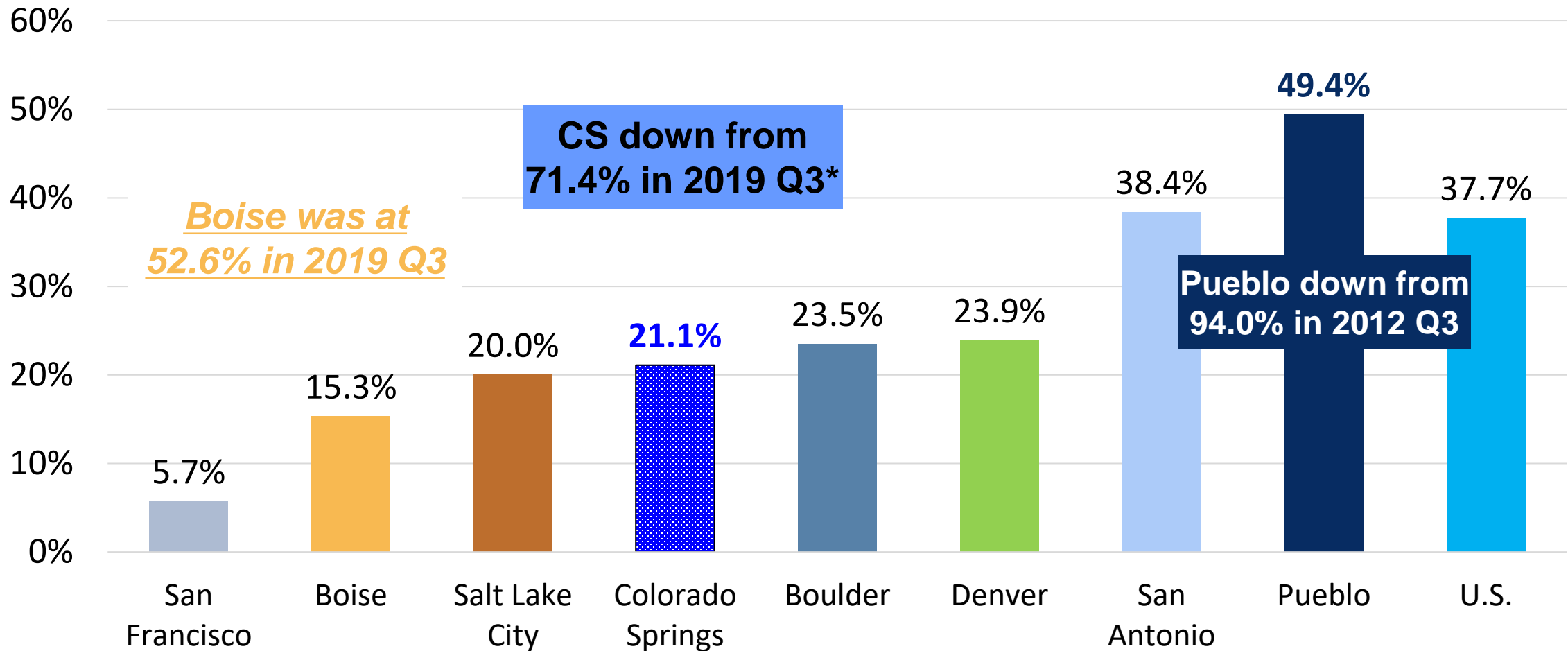
- Home building had been increasing and meeting the estimated construction needed to match population growth in 2021/22 (and then some for MF)...
- SF permits, however, down **29%** from 2021 to 2022 and another **27%** from 2022 to 2023
- 2022 total dwelling permits: 8,697
- 2023 total dwelling permits: 5,033
- NAR says U.S. home shortage is ~6.5m dwelling (thus builder confidence still relatively strong – NAHB)
- DDES estimates healthy permits of **8,500 per year** to keep up with population growth and make up for shortage





# Housing Opportunity Index – 2023 Q4

## Includes New & Existing

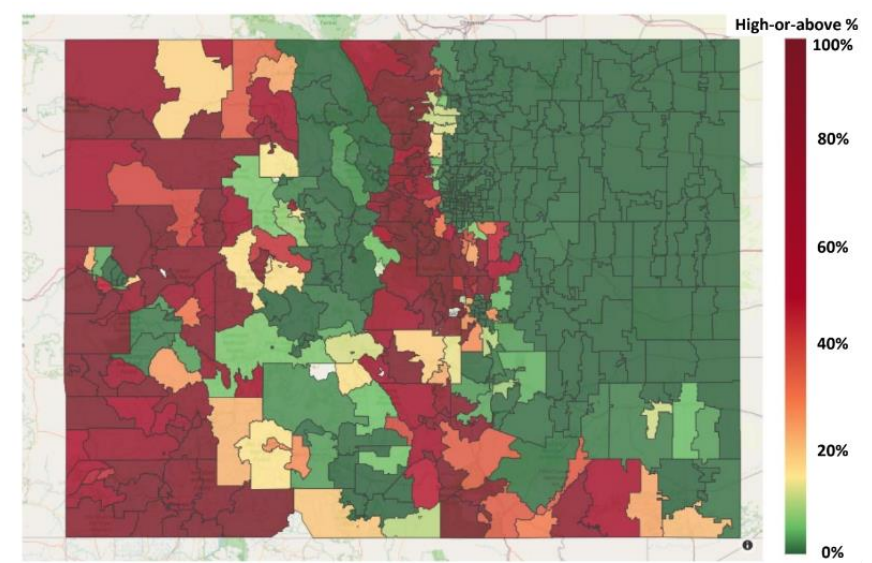


Notes: HOI is defined as the share of homes sold in that area that are affordable to a family earning the local median income, based on standard mortgage underwriting criteria. Includes new and existing homes. \*U.S. homeownership rate at 66% in 2022, and EPC at 70%.

Sources: National Association of Home Builders and Wells Fargo

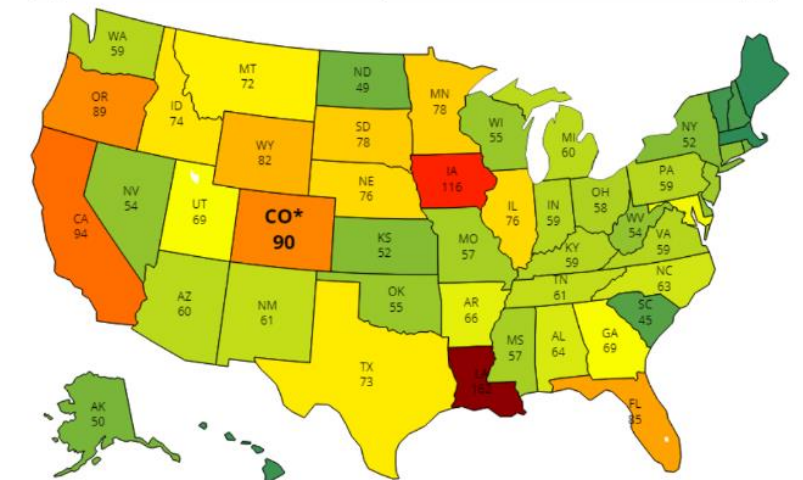
## And Homeowner's Insurance Doesn't Help Affordability..

- CO is the 6<sup>th</sup> most expensive state in the U.S. to insure a home; one of worst states for insurance company profits
- High risk of wildfires (although hail and other climate issues cited)
- From 2019 to 2022, average homeowner premium up 51.7% (about double the U.S. increase)
- Consolidation of insurance companies b/c smaller insurers can't take large losses
- Some homes not insurable
- New construction can build to mitigate



Source: Guy Carpenter's wildfire risk score, ESRI dataset of U.S. ZIP Codes (from ArcGIS), Oliver Wyman Analysis © Oliver Wyman

**5-year Direct Loss & DCC Ratio by state – Homeowners Multi-Peril (%)**



Colorado has reported the 4<sup>th</sup> highest Loss & DCC ratio in the US over the last 5 years (out of 51 jurisdictions – including DC), exceeded only by Louisiana, Iowa & California.

# Keep the Momentum since 2013 Going... New Jobs - Colorado Springs

## El Paso County Annual Net New (or Lost) Jobs

