

# Boom Times

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*Low mortgage rates, job growth propel record-pace home sales in the region*

By RICH LADEN THE GAZETTE

Six is the magic number for Colorado Springs' housing market.

Mortgage rates of 6 percent — or in that neighborhood — during the first quarter of 2005 have put home buying, selling and building on a record pace in the Colorado Springs area.

Although economists and real estate-industry experts can't predict what will happen during the next few months, rates that remain relatively stable could mean more of the same furious activity in the spring and summer — the time of year when families traditionally make a move.

Mortgage rates tumbled to 40-year lows two years ago, averaging as low as 5.2 percent nationally for a 30-year fixed rate. Since then, rates repeatedly have inched up — only to slide back down. Those low rates have fueled the local housing market's growth, even as the area slowly climbed out from beneath the 2001 recession.

"We're still hovering right at 6 (percent) or under 6 (percent)," said Joe Clement, owner of three Springs-area Re/Max Properties locations. "It's part of our success, if not a huge part of our success. It gives people the opportunity to move around and to sell and buy. It keeps our market flowing."

The market has done more than flow in the first quarter; it's rushed like Colorado rapids:

c Booming single-family home sales. In Colorado Springs and El Paso and Teller counties, first-quarter sales topped 2,400 — about 300 more than during the same period last year. Home sales are on pace to break last year's record of 11,746. The figures reflect transactions recorded by members of the Pikes Peak Association of Realtors.

c Rising prices. The median price for a single-family home in March — the midpoint of all prices for home sales during the month — was \$192,850, up almost \$10,000 from the same month last year. Monthly median prices have risen and fallen, but they're now regularly in the \$190,000s and show no sign of slipping. Prices are based on sales handled by members of the Realtors Association.

c Soaring home construction. In El Paso County, which includes Colorado Springs, Monument and fast-growing, unincorporated areas such as Falcon, singlefamily building permits for the first quarter totaled almost 1,400, a 20 percent increase from the same period last year. The figures were compiled by the Pikes Peak Regional Building Department.

Real estate-industry insiders and economists predicted last year that mortgage rates eventually would climb. They did — but then retreated.

The same thing has happened this year. In mid-February, average mortgage rates nationally began to rise. But after seven consecutive weekly increases, they fell back below 6 percent in early April.

Mortgage rates are key for the industry. Cheaper borrowing costs mean lower monthly payments, making homes affordable for all types of buyers. Apartment dwellers can afford to buy their first homes; existing owners can move up to bigger properties.

The ability to buy holds true whether owners purchase resales or move into newly built homes.

The market's renewed strength has been apparent even among homes selling for several hundreds of thousands of dollars, Clement said. The supply of those homes — priced from \$300,000 to \$700,000 — has shrunk from the same time a year ago because lower rates make them more affordable and because of an improved economy, Clement said.

Lower rates also have opened up the market to investors who aren't satisfied with stock market returns or other investments, said Bill Hurt, president of ERA Shields Real Estate in Colorado Springs. Some — mostly individuals and small investment clubs — buy homes, spend perhaps \$5,000 on paint, carpeting and counter tops, and then seek to sell them. It's known as "fix and flip."

But most investors find they need to spend much more than a few thousand dollars on upgrades to sell

homes. Instead, they'll rent out the homes for several years and hope for a double-digit return on the money, Hurt said.

Although investors make up a small percentage of homeowners, "it's a much safer investment than lots of other investments in the industry," Hurt said. "The returns are pretty good."

Although mortgage rates have been the housing industry's best friend, they haven't been its only friend. The local economy added jobs in 2004 for the first time in several years, and the trend has continued this year.

Jobs lure newcomers to town and instill confidence in consumers to make major purchases.

"It all comes back to job growth," said Harry Salzman, owner of Salzman Real Estate Services Ltd. in Colorado Springs. "A lot of people who were renting felt more comfortable with their employer. If they close on a house, they feel they're not going to lose their job in a few months. They've got, let's call it, 'employment stability.' I think that's a real key."

The area's military installations, including Fort Carson, the Air Force Academy, U.S. Northern Command and Peterson and Schriever Air Force bases, continued to be a backbone of the local economy. The 5,200-soldier 3rd Armored Cavalry Regiment at Fort Carson was sent back to Iraq in late February. But two new units based in South Korea and serving in Iraq will be reassigned to Fort Carson this year, which will bring about 7,200 troops to the Springs.

In his semiannual report on the local housing industry, Colorado Springs economist David Bamberger of Bamberger & Associates said the loss of troops this year shouldn't significantly hurt the economy. In fact, the Springs remains in a good position to benefit from higher defense spending on homeland defense, space operations and satellite control, among other needs, Bamberger said.

Whether the housing industry finishes as strong in 2005 as it has started will come down to mortgage rates and jobs, Bamberger and Salzman said.

If mortgage rates do creep up this year, Salzman thinks sustained job growth should offset the higher borrowing costs.

But if job growth doesn't continue, then the housing market — buying, selling and building — will slow.

"If interest rates are at 7 percent," Salzman said, "(and) if jobs are coming here . . . then the market is going to still be going strong."

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## **AT A GLANCE**

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### **Build it, and they will come:**

In El Paso County during the first quarter of 2005, single-family building permits totaled 1,392, a 20.2 percent increase from the same period last year. That puts the county on pace to smash last year's record of 5,059 permits. When the economy stumbled 15 years ago, single-family permits for 1990 totaled just 741. c

### **A-selling we will go:**

In the Pikes Peak region, which includes Colorado Springs and El Paso and Teller counties, first-quarter home sales totaled 2,432, or 315 more than the same period last year. For March alone, sales totaled 1,004. Home sales totaled a record 11,746 in 2004. c

### **A shrinking supply:**

Homes listed for sale by real estate agents totaled 3,843 in March, a 3.9 percent drop from the same

month a year earlier. c

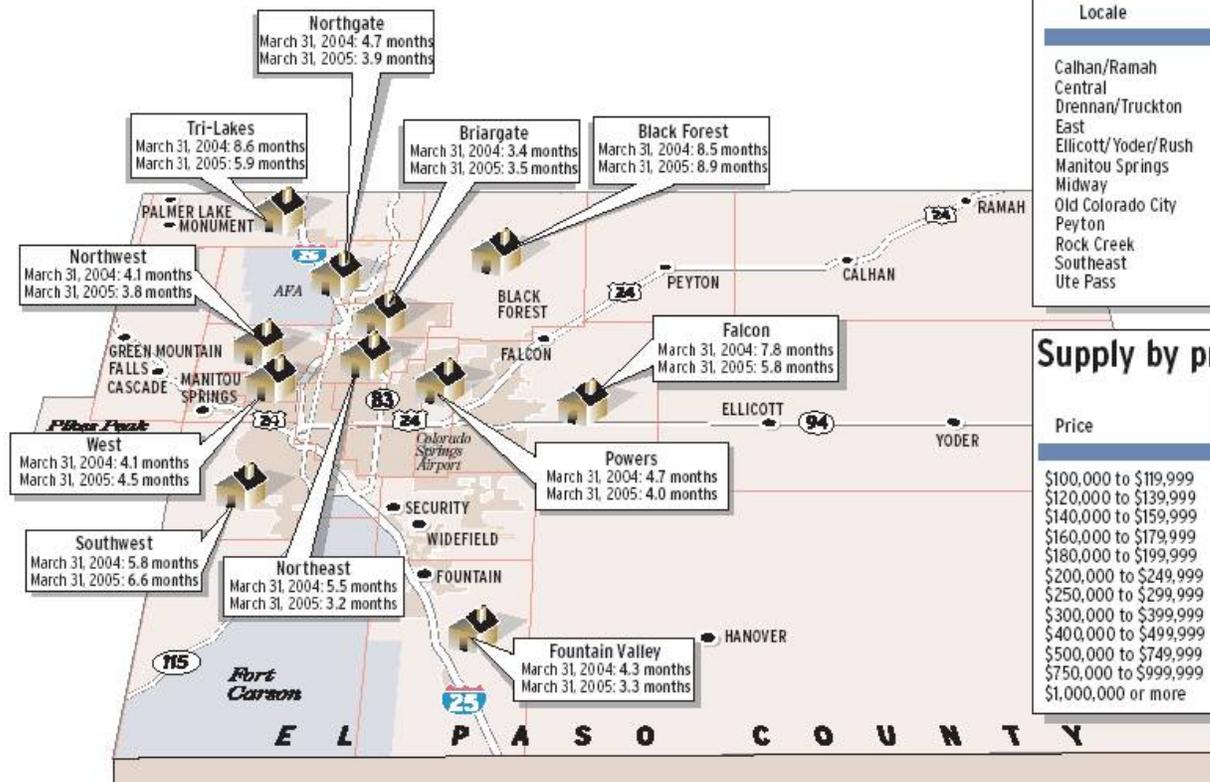
**The price is right — for sellers:**

The median price for a single-family home was \$192,850 in March, an increase from \$183,000 in the same month last year.

SOURCES: Pikes Peak Regional Building Department, Pikes Peak Association of Realtors, Gazette Research

**Shrinking supply**

The supply of homes for sale in several fast-growing neighborhoods dwindled during the first few months of 2005, compared with the same time last year. Those areas include the city's northeast side, Northgate, the Powers Boulevard corridor, the Tri-Lakes communities north of the Springs and the unincorporated Falcon area northeast of town. The figures below show how long it would take to exhaust the supply of homes listed for sale in various neighborhoods as of March 31, and how those figures compare to a year ago.\*



**Other areas**

Locale	Months supply of homes as of March 31, 2004	Months supply of homes as of March 31, 2005
Calhan/Ramah	18.8	10.2
Central	3.8	4.7
Drennan/Truckton	30.2	13.8
East	3.4	2.7
Ellicott/Yoder/Rush	16.7	22.5
Manitou Springs	10.4	10.5
Midway	2.3	2.4
Old Colorado City	5.5	3.8
Peyton	11.7	9.8
Rock Creek	24.4	22.2
Southeast	3.6	2.7
Ute Pass	9.9	4.4

**Supply by price**

Price	Months supply of homes as of March 31, 2004	Months supply of homes as of March 31, 2005
\$100,000 to \$119,999	4.3	6.1
\$120,000 to \$139,999	4.0	5.4
\$140,000 to \$159,999	4.2	3.9
\$160,000 to \$179,999	4.7	3.6
\$180,000 to \$199,999	4.5	4.3
\$200,000 to \$249,999	6.1	5.0
\$250,000 to \$299,999	7.1	6.2
\$300,000 to \$399,999	8.0	7.0
\$400,000 to \$499,999	9.1	7.0
\$500,000 to \$749,999	13.1	10.2
\$750,000 to \$999,999	18.1	24.4
\$1,000,000 or more	23.5	42.8

SOURCES: Pikes Peak Association of Realtors, Re/Max Properties Inc. of Colorado Springs and Gazette research THE GAZETTE

\* The length of time needed to sell homes is based on the number of homes listed and sold in a given area as of March 31, and the pace at which those homes sold in the four months leading up to that date.

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