

Springs-area home building could set record

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By **RICH LADEN** THE GAZETTE

At the rate they're going, it's only a matter of time until home builders are accused of being on steroids.

For the first two months of 2005, they've started constructing homes at such a furious pace in Colorado Springs and El Paso County that they threaten to shatter the area's annual homebuilding record, set just last year.

Single-family homebuilding permits totaled 908 in January and February, a nearly one-third increase over the same period in 2004, according to figures released Tuesday by the Pikes Peak Regional Building Department. For February, 476 permits were issued, up nearly 18 percent from the same month last year.

The number of permits in January and February is far and away higher than the recent historical average during those same months, said Fred Crowley, an economist at the Southern Colorado Economic Forum.

Because the latest numbers are rising, and if the spring and summer months hold true to form and permits spike upward when families want to move, home permits could total 5,700 to 7,000 this year, Crowley said. Last year's El Paso County record was 5,059.

"We're looking at 7,000 units for the year, and that would be unbelievable," Crowley said.

Single-family permits are more than another statistic; the home-building industry is one of several important cogs in the local economy.

The home-building industry employs carpenters, roofers, plumbers, electricians and thousands of others. Likewise, the sale of home-building materials generates millions each year in sales tax revenue to the city of Colorado Springs, which uses the money to fund police and fire protection, roads, parks and other basics.

Mortgage rates continue to be the gift that keeps on giving for the home-building industry. Every time rates begin to rise beyond the neighborhood of 6 percent, they slide back down.

Last week, 30-year, fixed-rate mortgages averaged 5.69 percent nationwide — up from the previous week, but down slightly from January, according to mortgage giant Freddie Mac.

Low mortgage rates allow first-time buyers to move from apartments into entry-level homes. But low rates also help homeowners move into newer, larger homes.

"Mortgage rates are low enough so that there's not a big material impact on their payments," said Ron Covington, president of the Colorado Springs division of California based John Laing Homes.

Laing is building homes largely based on demand, not speculation, Covington said. That's important, because the building industry ran into trouble in the late 1980s when it constructed thousands of homes on the expectation that buyers would come along later. But the economy tanked, home buyers never showed up and many unsold homes stayed on the market for months.

A small portion of John Laing buyers are coming from out of state, he said. Newly created jobs are rippling through the local economy and helping to lure newcomers; 2004 was the first year for positive job growth in El Paso County in several years.

Other factors are at work, too, Crowley said.

For example, empty nesters and retirees who are older and who have more money to spend are moving to Colorado Springs and buying new homes, he said.

"They come here and see this as a good place to retire. We might be seeing just the tip of the iceberg of a new demographic moving to the area."

Crowley also suggested the area's overall population is growing at a much faster clip than estimates by state officials.

But even as homes are being built, a slowdown is possible if mortgage rates climb significantly, said Springs economist David Bamberger.

"I'm still kind of looking down the road at an adjustment to . . . the marketplace," said Bamberger, whose Bamberger & Associates research firm tracks the home-building industry.

"It's hard to say they will, but expect them (interest rates) to go up sometime this year, and then things could slow down."

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