

REAL ESTATE

## Housing Peaks

Oct 31, 2005

*Sales of homes in the Pikes Peak region are on track to set a record this year after a strong summer season*

By RICH LADEN THE GAZETTE

The Pikes Peak region's housing market remained on a roll during the summer. And despite fears a national housing bubble is ready to burst, home buying, selling and building show no signs of a slowdown for the rest of 2005.

"It's not a sellers' market, it's not a buyers' market," said Joe Clement, broker-owner of five Re/Max Properties locations in the area. "It's (moving) right along, and keeps going along like the Energizer bunny."

Single-family homes were bought and sold at a furious pace during the peak buying and selling season of May through September.

Sales topped 1,200 each of those months, and now total 10,090 year-todate, according to the Pikes Peak Association of Realtors.

Home sales last year set a record of 11,746, a mark likely to be broken in 2005 considering the current pace of sales. Several areas around the Springs and El Paso County already have seen a yearover-year drop in the supply of homes listed for sale, as the accompanying neighborhood map shows.

Meanwhile, based on activity through September, single-family homebuilding permits will crash through the 5,000 mark for the second straight year on their way to another record of 5,420, estimates Springs economist David Bamberger of Bamberger & Associates.

That projection is part of Bamberger's semiannual look at the area housing industry.

The main reasons for the industry's strength: mortgage rates that have remained surprisingly affordable, and more jobs added by key area employers, say real estate agents, builders and other members of the area housing industry.

Through August, the number of jobs being added to the economy grew at an annual rate of 2.5 percent in Colorado Springs and El Paso County, according to the Colorado Department of Labor and Employment.

That's nowhere near the pace of job growth in the late 1990s, yet it's the best rate in the past five years.

"We were not so great with jobs a year or two ago, and now we're improving in that area," Clement said. "We're seeing some jobs. We're getting some positive reports from Intel and other employers."

Intel Corp., as one prominent employer, has added more than 200 employees in the past year to its chip-making operation on Colorado Springs' northwest side.

Other businesses that have made significant local job announcements include Northrop Grumman Corp., Science Applications International Corp., Chef's Catalog and SkyWest Airlines.

"When you have hiring," said Wynne Palermo, owner of Wynne Realty in Colorado Springs, "people are optimistic, they're feeling secure in their own jobs. They're willing to take a little more risk."

When they did take the plunge, home buyers found 30-year, fixed-rate mortgages

averaging just below 6 percent for much of the summer, according to national mortgage giant Freddie Mac.

In the past few weeks, rates ticked upward to slightly above 6 percent, but that's hardly a blow to the housing industry, said Harry Salzman, owner of Salzman Real Estate Services Ltd. in Colorado Springs.

"We're dancing around with 6," Salzman said. "You know, that is really cheap. That is a very, very reasonable rate. The only thing is, in the last two to three years, we've been around 5. So, everybody thinks, 'oh my God, it's getting crazy because we're up 1 percent.' But 6 percent is very reasonable and realistic."

It would take mortgage rates rising to 7.5 percent and beyond, and perhaps a sharp, upward spike, to slow buying and selling, Salzman and Palermo said.

"If things went up quickly, you'd see people stop in their tracks," Palermo said.

"But as long as it goes up incrementally, they likely wouldn't feel it."

## **LITTLE SPECULATION HERE**

For months, some national economists have talked about the possibility the national housing market would falter — prices would plummet and homeowners would find their properties worth less than what they paid for them.

Some red-hot markets across the country have seen prices soar by sizeable, doubledigit margins.

Phoenix, for example, saw housing prices leap 30.5 percent in the second quarter compared with the same period a year earlier, according to the Office of Federal Housing Enterprise Oversight. During the same time, prices went up nearly 27 percent in Las Vegas, 25.1 percent in Los Angeles and almost 20 percent in San Francisco.

Over the same period, Colorado Springs' housing prices increased by a comparatively low 7.8 percent, according to the federal housing office.

Home prices tracked by the Realtors Association showed a similar increase. The median price for homes sold in September was \$208,425, up 7.4 percent from the same month in 2004.

So although the Springs isn't immune to a bubble bursting, prices here haven't increased by unrealistic levels. Prices haven't increased as much, in part, because speculative buying — in which investors purchase homes with the idea of selling them in a few months' time — isn't as common in the Springs as in other markets.

The National Association of Realtors estimates speculative purchases make up 25 percent of home sales in some cities. In the Springs, Salzman estimates speculative buying represents 12 percent to 14 percent of sales.

Colorado Springs also is in a better position to weather a national housing downturn because new construction has been driven largely by demand, said Joe Loidolt, head of the home-building operation of Springs real estate giant Classic Cos.

Citywide, Loidolt said, there's a two-month supply of speculative homes — those built with the expectation that buyers will come along at a later date.

With fewer homes sitting empty, there's less chance a local economic slowdown would leave hundreds of homes languishing on the market and driving down prices. That's what happened locally in the late 1980s.

"That's not a market that's out of control or even being close to it," Loidolt said of the two-month supply of spec homes. "We don't need to worry as much as some other markets need to."

## **TALE OF TWO SCENARIOS**

In his latest housing-industry report, Bamberger paints two possible scenarios for the local housing industry.

As long as the national economy remains strong and mortgage rates rise only slightly, new construction could reach another 5,200 units next year in El Paso County, and 5,500 in 2007, he said.

That scenario takes into account the Defense Department's announcement that 12,000 additional troops will come to Fort Carson in 2006 and 2007, Bamberger said.

Other local pluses for the economy would be increased defense industry spending and the addition of 18,000 new jobs during the next two years, he said.

Then again, under a less rosy scenario, a sizeable jump in mortgage rates and consumer interest rates would rob many homeowners of discretionary income and lead to a significant jump in housing foreclosures heading into 2007, Bamberger said.

Other problems for the housing market could include the deployment of huge numbers of Fort Carson troops to Iraq and Afghanistan over the next two years, which would offset troop additions.

The housing industry also would suffer if defense spending doesn't increase as expected.

Because Springs' housing values aren't overinflated to start with, local prices might soften instead of plummeting as they would in other cities, Bamberger said in his second scenario. Housing values might grow by just 1 percent in 2006 and not increase at all in 2007.

Under that less-than-rosy scenario, Bamberger estimates single-family home construction could drop to 4,600 units next year and 4,200 in 2007.

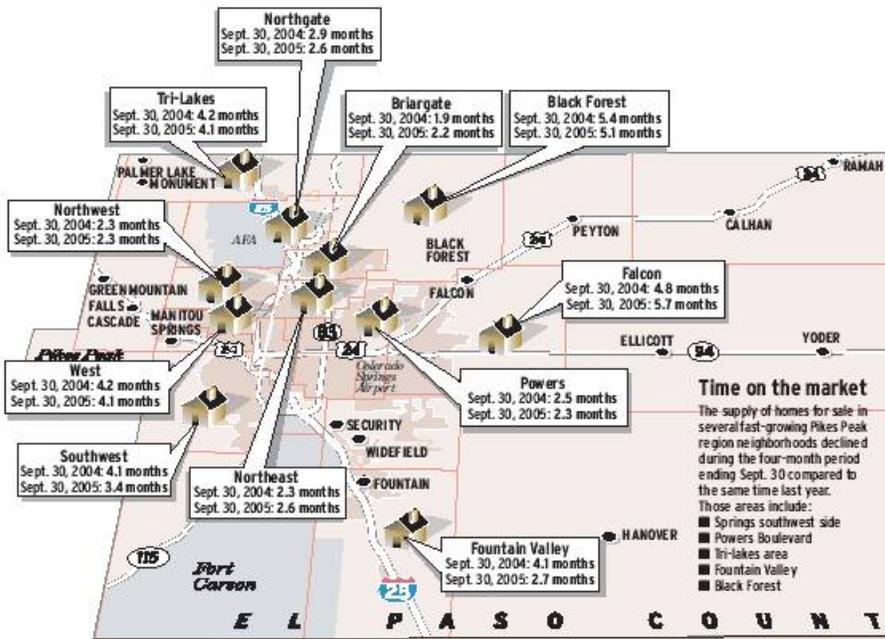
CONTACT THE WRITER: 636-0228 or  
rladen@gazette.com



**BRYAN OLLER, THE GAZETTE** - Construction crews continued work in the Flying Horse Ranch development last week. Housing construction remains strong on the north side of Colorado Springs.

# Inventory of homes for sale

The figures below show how long it would take to exhaust the supply of homes listed for sale in various neighborhoods as of Sept. 30, if no new homes come on the market, and how those figures compare to a year ago.\*



### Other areas

Locale	Months supply of homes as of Sept. 30, 2004	Months supply of homes as of Sept. 30, 2005
Calhan/Ramah	9.1	15.4
Central	4.1	3.1
Drennan/Truckton	24.4	11.5
East	3.0	2.7
Ellicott/Yoder/Rush	12.9	9.4
Manitou Springs	4.5	5.2
Midway	2.0	2.1
Old Colorado City	4.8	3.1
Peyton	6.4	6.5
Rock Creek	5.4	9.8
Southeast	3.8	2.5
Ute Pass	11.0	5.1

### Supply by price

Price	Months supply of homes as of Sept. 30, 2004	Months supply of homes as of Sept. 30, 2005
\$100,000 to \$119,999	3.3	5.2
\$120,000 to \$139,999	3.6	4.0
\$140,000 to \$159,999	3.5	3.7
\$160,000 to \$179,999	3.2	2.9
\$180,000 to \$199,999	3.3	3.0
\$200,000 to \$249,999	3.4	3.4
\$250,000 to \$299,999	3.9	3.6
\$300,000 to \$399,999	4.0	4.1
\$400,000 to \$499,999	4.5	5.0
\$500,000 to \$749,999	8.2	7.0
\$750,000 to \$999,999	11.0	12.4
\$1,000,000 or more	41.9	28.7

#### Time on the market

The supply of homes for sale in several fast-growing Pikes Peak region neighborhoods declined during the four-month period ending Sept. 30 compared to the same time last year. Those areas include:

- Springs southwest side
- Powers Boulevard
- Tri-Lakes area
- Fountain Valley
- Black Forest

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 Sept. 30, and the pace at which those homes sold in the four months leading up to that date.