

Builders optimistic as region's numbers hit a low

By RICH LADEN THE GAZETTE

January 03, 2007

What a difference a year makes.

In 2005, home construction in Colorado Springs and El Paso County soared to a second straight record-setting year.

In 2006, the pace of home building fell to its lowest level in more than a decade, a reduction triggered, in part, by shaky consumer confidence, a smaller pool of buyers and rising numbers of foreclosures.

This year, however, builders are spreading optimism the way bricklayers spread mortar.

They're not saying they'll build more homes this year, and activity might remain slow for the first six months. But by the second half of 2007, builders expect the pace to pick up as more troops come to Fort Carson. One local economist also says consumer confidence should improve as gasoline prices remain stable and mortgage rates stay relatively affordable.

"Everybody is fairly optimistic about this year," said George Hess, president of Springs-based Vantage Homes and board president of the Housing and Building Association of Colorado Springs. "The last six months have not been easy."

Hess said record numbers of homes constructed or started in 2004 and 2005 reflected rock-bottom mortgage rates, and the housing industry shouldn't have expected that pace to continue.

Rhonda McDonald, president of Springs-based Creek-Stone Homes and former HBA president, said a lot of what happens this year will be tied to the comings and goings of soldiers at Fort Carson.

"We really think the first half of the year is still going to be a bit of a struggle, but the last half of the year, we expect things to settle in a little bit," she said.

Builders say they're already seeing some positive signs.

The number of quality buyers — those who easily qualify for mortgages or who already own homes — coming to look at homes has picked up, Hess said. And the numbers of buyers canceling their purchases has dropped, he said.

Pulte Homes, a Michigan-based builder that serves entry-level buyers, also is seeing fewer numbers of cancellations, said Randy Carpenter, vice president of sales and marketing for Pulte Homes of Colorado Springs.

"It won't be as good as 2004 and 2005, but we're starting to see some good signs that the market is picking back up," Carpenter said.

In 2006, single-family building permits totaled a little less than 3,500 in El Paso County, plunging 35.2 percent from the previous year, according to figures released Tuesday by the Pikes Peak Regional Building Department.

It was the fewest number of permits since about 3,200 were issued in 1995, and far below the 5,000-plus permits issued in the back-to-back record years of 2004 and 2005.

Many buyers who might not have bought homes during those two years jumped into the market to take advantage of super-low mortgage rates — which left fewer buyers available in

2006, economists have said.

In addition, rising gasoline prices last year probably hurt consumer confidence and took money out of buyers' pockets, while some buyers opted for more inexpensive townhomes, said Fred Crowley, an economist at the University of Colorado at Colorado Springs.

More foreclosures in 2006 also resulted in cheaper homes being put back on the market, providing competition for the new home market, Crowley said.

The 2006 slowdown delivered a blow to the construction industry, which employs thousands of carpenters, framers, painters and other workers.

Several builders — from local firms Vantage and Classic Cos. to national companies such as Pulte — said they laid off workers when production sagged. The slowdown also was felt among plumbers, electricians and other subcontractors.

Heidi and Greg Smith, who own Affordable Plumbing and Heat Inc. in Colorado Springs, said they were hit by a one-two punch in 2006.

First, prices for copper and other materials skyrocketed. When the company hoped to offset those higher costs by doing more work, home builders cut back on construction. The result: Affordable Plumbing laid off 26 of 47 employees.

"Instead of the subs being able to recoup the losses, building is down by 25 percent," Heidi Smith said. "So now it's a fight to get the work, and you have to bid as low as you possibly can to undercut everybody else to get the work."

Governments also feel the pinch when construction slows. Sales taxes on lumber, drywall and other building materials pump millions of dollars into the coffers of Colorado Springs, El Paso County and the state, which use the money to build parks, fill potholes and provide other services.

Crowley said he expects single-family building permits will total about 3,500 in 2007, slightly lower than what he suggested in October.

Still, Crowley said, consumer confidence has rebounded, household incomes are climbing somewhat and mortgage rates — still around 6 percent for 30-year, fixed-rate loans — should remain stable this year.

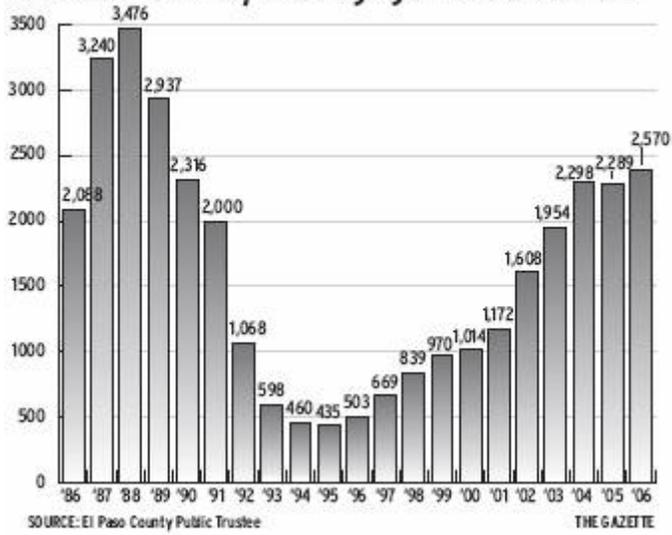
Meanwhile, El Paso County foreclosures totaled 2,570 last year, the most since 2,937 in 1989, according to the County Trustee's office. The record for foreclosures was 3,476 in 1988.

While the county saw a whopping foreclosure total last year, the number should be kept in context.

When foreclosures hit a record in the late 1980s, about 150,000 fewer people lived in the county and foreclosures were spread out over a smaller number of households. As a result, the area's foreclosure rate — or the number of foreclosures per household — was about five times worse in 1988 than today.

Crowley said he expects foreclosures to fall to about 2,200 this year. Variable rate mortgages that climbed last year and pushed some homeowners into foreclosure should stabilize, while lower gas prices "won't run rampant" and should leave more money in the pockets of consumers, he said.

El Paso County mortgage foreclosures



El Paso County annual single-family building permits

