

BY THE NUMBERS: REAL ESTATE

Information provided by the UCCS College of Business Southern Colorado Economic Forum

Springs sees 'hot' real estate market

The Pikes Peak region is certainly experiencing a hot real estate market right now — not unlike the rest of the country.

In recent months, real estate around the country has rebounded from the downturn during the Great Recession: Median single-family home prices increased in 87 percent of the 178 measured metropolitan statistical areas from the first quarter of 2015. Sixteen percent of the areas even saw double-digit increases. In fact, the first quarter of this year represents the best first quarter since 2007. Is this sustainable? How much longer can home sales and home prices increase and is there a bubble looming?

It is difficult to prognosticate what will happen in the broader economy, especially in an election year. And the broader economy includes two of the most important determining factors of the real estate market: job creation and interest rates. If we look at some fundamental real estate patterns in the Pikes Peak region, we can extrapolate what will happen by looking at what has happened in the past.

The graph to the right shows the overall trend of home sales in the Pikes Peak region from June 2012 to June 2016. Even considering the slower sale months in the winter, the overall trend is very positive — there has been a massive 95 percent increase in home sales in the past four years. Some of the increase in sales is from pent-up demand as part of the recessionary hangover, but much of it is also the rebound in jobs, long overdue upward pressure on wages and historically low interest rates. Equally important are the demographic trends in the state and in our region. The population is growing quickly, and we have strong household formation numbers because our median age is significantly younger than the rest of the United States. The confluence of all of these favorable factors makes it very likely that real estate will stay hot in this region into 2017.

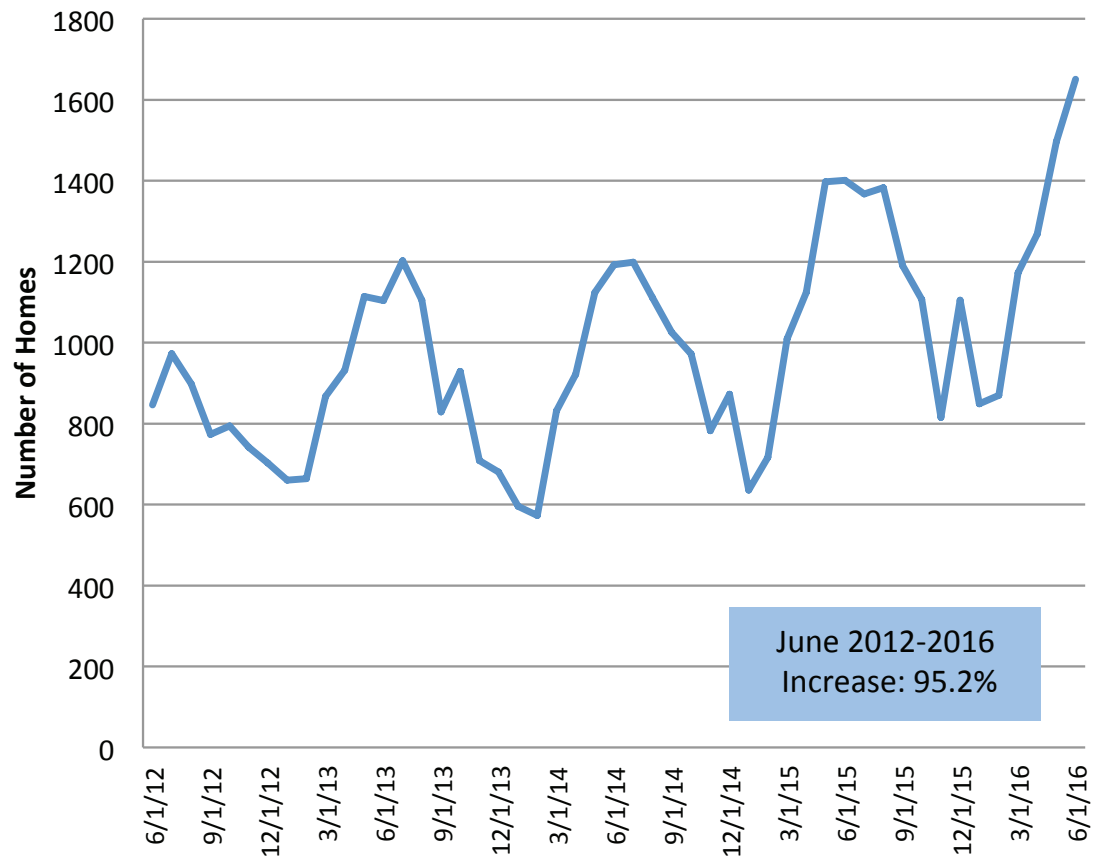
Another factor in home sales that cannot be overlooked: how we compare to other regions. The table to the right shows some comparative information on price, percentage of increases and price ranking. Colorado Springs ranked 33rd in the nation for median home price in the first quarter at \$239,800 versus the U.S. average of \$217,600. With a regional 9 percent increase in the past year versus a 6.3 percent increase across the country, we are outpacing the nation in home price appreciation. Comparable locations like Boise, Idaho, are less expensive and prices are increasing at a slower pace. However, if we look at the median prices in Denver (\$369,900) and Boulder (\$479,700) and even the most expensive city in the country, San Jose (\$970,000), we realize that everything is relative. Colorado Springs is in many ways a bargain.

With the pace of educated people moving to Colorado, and the crowding out of some buyers in the northern Colorado markets, it is likely we will continue to sell, build and appreciate at a healthy pace. One key factor will be whether we can meet supply at all price points, and there is no question that new construction will be key. Next month's article will look at some historical information for new home construction, as well as the optimal building levels.

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Pikes Peak Home Sales



Source: All data in chart and tables from Pikes Peak Area Realtors & National Assoc. of Realtors

Median Home Price 2016 Q1

Location	Colorado Springs	Denver	Boulder	Boise	United States
Price	\$239,800	\$369,000	\$479,700	\$190,000	\$217,600
1-year % Change	9.0% increase	9.1% increase	8.5% increase	6.3% increase	6.3% increase
MSA Price Rank	33rd	15th	6th	71st	n/a

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