

Colorado Springs Metro
Residential Real Estate
Annual Review of 2020
And 2021 Forecast



Looking Back at 2020

Despite all of the uncertainties in 2020, the residential real estate market in the Colorado Springs metro area continued to set records. Record high numbers were seen for the number of sales and sales prices, while record lows were seen for active listings and rates.

As the pandemic hit late in the first quarter, most residential real estate activities were put on hold for a few weeks, creating much uncertainty. As we came out of the lockdown, reality for our local housing market quickly set-in, as homeowners chose not to sell and buyers flooded the market.

Homeowners were pleased to know the value of their home had increased dramatically which led many to consider selling. However, with inventory so tight, many homeowners opted to stay put and renovate their homes rather than risk not finding their next home. The homeowners who did start looking at homes to purchase in the area saw very limited options as well as “uber” competition where it was not unusual to see 5+ offers and most selling for more than their listing price.



We also saw loads of local renters and out-of-town buyers, both in search of more personal space thanks to the pandemic. These buyers also found buying a house in the Colorado Springs metro area to be very challenging. The buyers who persisted found success often times after having lost out on several offers prior. In most price ranges, buyers often had to include escalation clauses, limited inspections and even offer appraisal gap coverage to get their offer accepted.

Local homebuilders built the 2nd highest number of homes in 2020 since the turn of the century. This increase in construction did little to balance the market as demand still outpaced construction. Most local builders have waiting lists and it is extremely rare to find standing inventory anywhere in the metro area.

The rental market for single-family homes, townhomes, condos and apartments continues to be strong. We have seen several new large apartment complexes come online recently, but despite this new capacity demand continues to grow and rents continue to rise as more people are forced to rent. There is always a certain percentage of the population who choose to rent no matter what the market is like, but now there is also a large influx of new renters—those being forced to rent simply because they are unable to buy due to the scarcity of properties to purchase.

When you look at activity by price range, we saw a few dramatic shifts from 2019. The price range from \$200,000-\$299,999 saw the number of sales drop almost 50%. In the \$1+ million market, the number of sales has nearly tripled in just 5 years! The activity in the highest price ranges has much to do with those buyers moving here from big cities .

The lone savior for buyers in our market during 2020 was the record low mortgage rates. Just before Christmas the mortgage rate for a 30-year fixed rate mortgage hit 2.66% after peaking at 3.65% in March. That 1-point savings on a mortgage rate equates to about a \$170 reduction in the monthly payment.

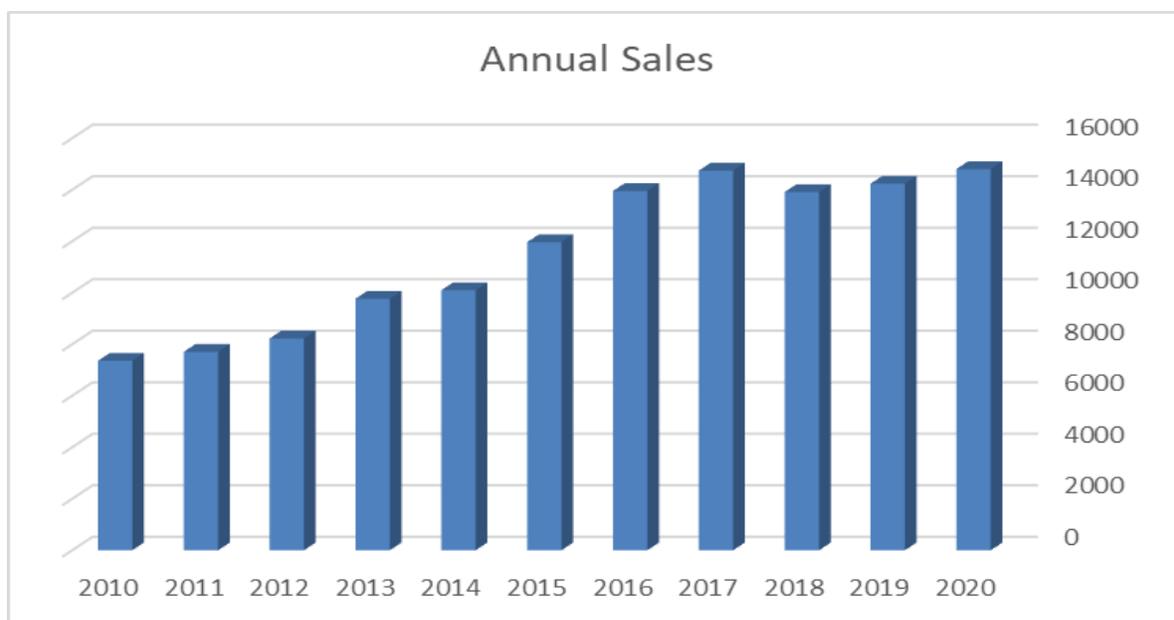
Annual Review



Annual Price Comparisons for Single Family & Patio Homes

This chart shows the performance of the market in different price ranges for 2020. In this chart Active Listings includes listings that were marked as active, under contract and pending in our MLS.

List Price	Active Listings	Solds	Days on Market	SP/LP	Inventory
Under \$100,000	1	20	13	83.7%	0.6
\$100,000 to \$199,999	20	131	23	93.9%	1.8
\$200,000 to \$299,999	170	2565	11	101.3%	0.8
\$300,000 to \$399,999	484	6334	14	102.1%	0.9
\$400,000 to \$499,999	354	2900	29	100.4%	1.5
\$500,000 to \$599,999	201	1369	43	99.9%	1.8
\$600,000 to \$699,999	107	681	50	99.4%	1.9
\$700,000 to \$799,999	53	376	55	98.5%	1.7
\$800,000 to \$899,999	29	179	59	98.7%	1.9
\$900,000 to \$999,999	29	102	52	98.8%	3.4
\$1 mil to \$1.50 mil	45	143	81	96.8%	3.8
\$1.5 mil to \$2.0 mil	18	14	84	96.4%	15.4
\$2.0 mil & above	21	14	187	98.2%	18.0

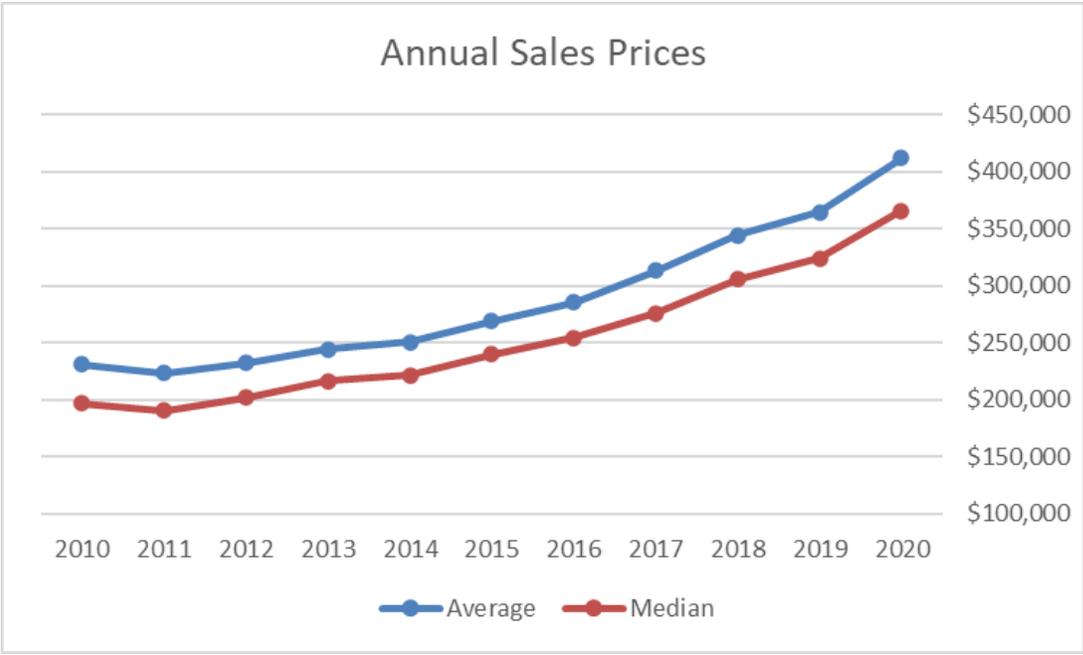


The number of sold units is a great barometer to gauge the health of a market. In 2020 the total number of sales increased 568 units (4%) to 14,803, a new record.

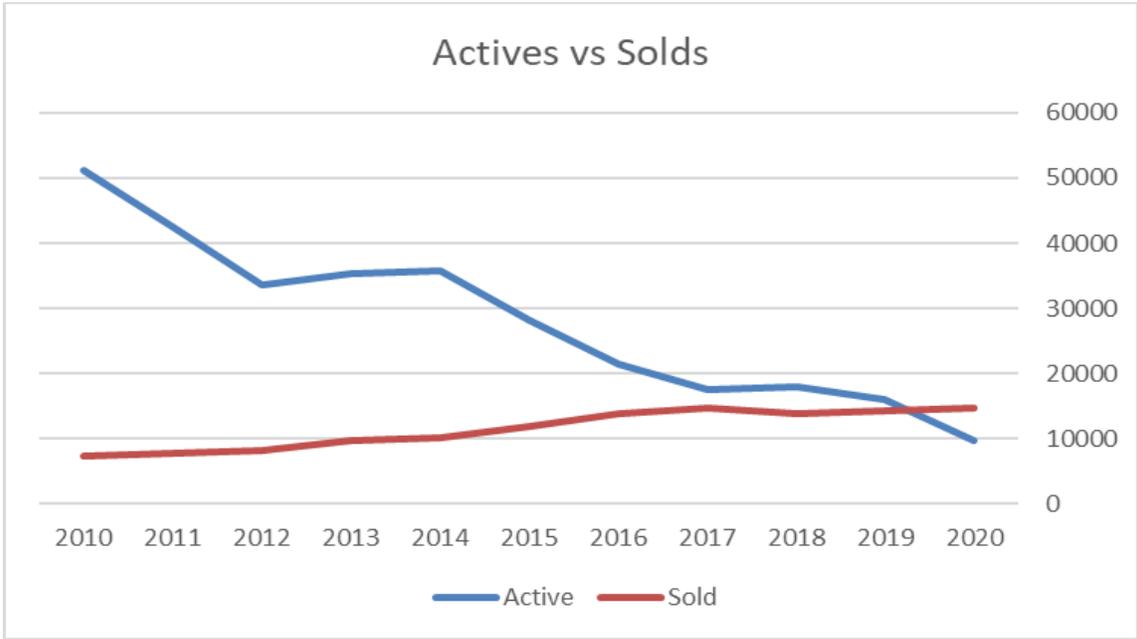
Annual Review



The chart below shows the annual average & median sales prices for each calendar year over the past decade. Sales prices are the true "score" of the market. The average sales price for last year was \$412,055, while the highest average monthly price of the year was in August peaking at \$438,111.



This graph shows the interaction between supply and demand. The last 2 years we have seen more demand than there is inventory.



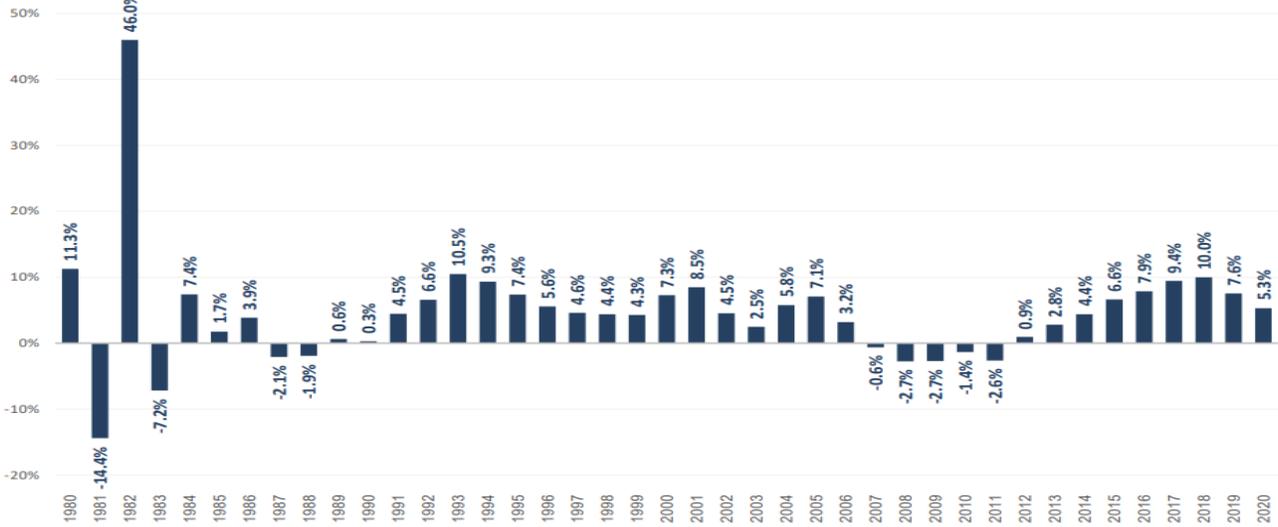
Annual Review

This graph shows the annual appreciation/depreciation for existing homes in the Colorado Springs market since 1980. It is based on data collected by the Federal Housing Finance Agency.

ANNUAL APPRECIATION: COLORADO SPRINGS, CO

1980 - 2020 HOME PRICE INDEX
 (*NOTE: 2020 APPRECIATION RATES BASED ON JAN-SEP DATA)
 AVERAGE ANNUAL APPRECIATION: 4.6%

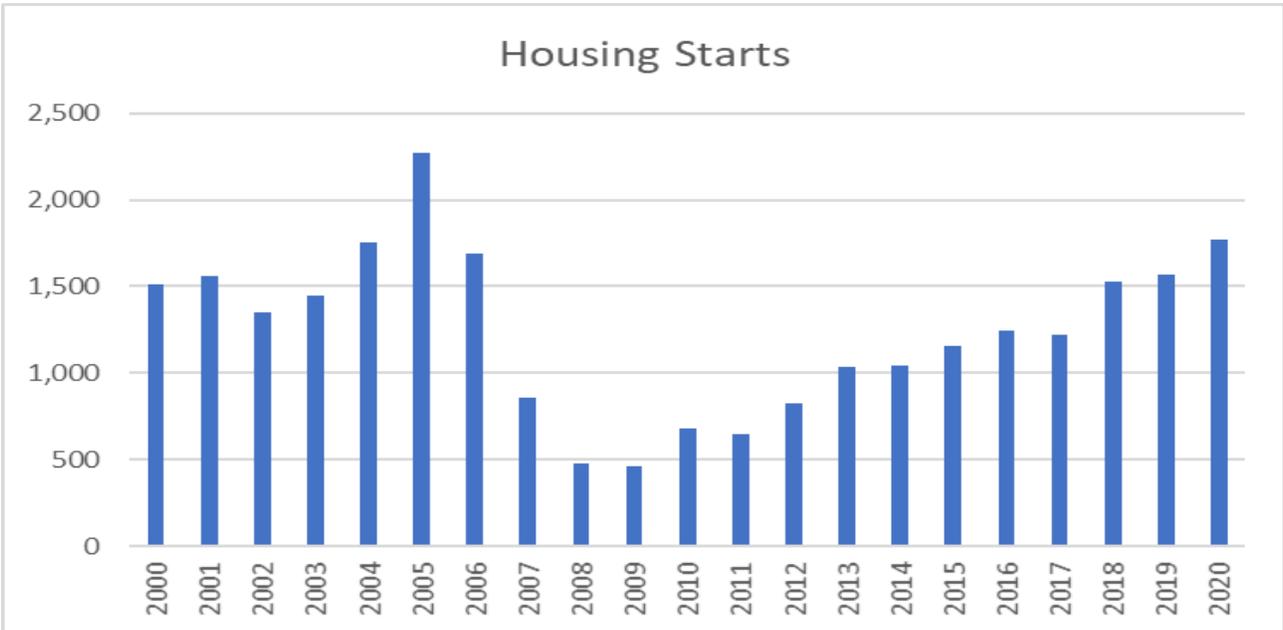
RECENT QUARTER APPRECIATION			
4Q'19	1Q'20	2Q'20	3Q'20
1.50	1.63	1.74	1.82



DATA REPORTED: 11/26/2020, SOURCE: WWW.FHFA.GOV



The building of new homes is another good indicator of where the market is headed. The number of new homes built in the area was healthy. However the current demand is very strong and, with the scarcity of listings, it would make sense that 2021 will see a significant increase in home starts again.



Fun Facts From 2020

- ◇ Most expensive sale in El Paso County—a 55-acre ranch near Black Forest sold for \$6.7 million
- ◇ Most expensive sale in Teller County was a home near Woodland Park which sold for \$1.3 million
- ◇ Largest home sold in the area was on “millionaire’s row” on Wood Avenue at 13,815 square feet
- ◇ Smallest home sold in the area was a cottage in Manitou Springs at just 324 square feet

Quick Hits From 2020

- ◇ Number of units sold was an all-time record at 14,803 (up 4%)
- ◇ Average sales prices for the year hit \$412,055 (up 13.1%)
- ◇ Median sales prices hit \$365,533 (up 12.9%)
- ◇ Inventory levels for the year averaged just 3 weeks
- ◇ New home permits hit 1,766 for El Paso County, the 2nd most in last 20 years
- ◇ 183 homes sold for \$1,000,000 or more (just 38 in 2015)
- ◇ 157 homes sold for under \$200,000 (3,736 in 2015)
- ◇ At the end of 2020 there were only 350 single family homes on the market. At the end of 2015 there were 1,600 and at the end of 2010 there were 3,660.

Why Olympic City USA Is Such A Great Place To Live

- ◇ Home to the United States Air Force Academy, US Olympic Committee, Northern Command, NORAD, US Space Force, Space Foundation, and 23 Olympic NGB’s and the newly opened US Olympic and Paralympic Museum
- ◇ In 2021 we are excited for the opening of the Switchbacks Soccer Stadium in downtown along with the debut of the new Colorado College Ice Arena later in the year
- ◇ Outstanding higher education institutions; US Air Force Academy, University of Colorado at Colorado Springs, Colorado College, and Pikes Peak Community College
- ◇ Diverse industries including, Aerospace, Healthcare, Cybersecurity, Defense Technology, Military, Manufacturing and Sports, to name a few
- ◇ World class trails for hiking and biking
- ◇ Excellent business climate—highly educated workforce, high-tech infrastructure and local airport
- ◇ Excellent climate with over 300 days of sunshine
- ◇ Centrally located to all Colorado has to offer; skiing, river rafting, “Jeep-ing”, ghost towns, hiking & biking

We also find it valuable to look at the most recent quarter to better understand exactly where the market is today and what trends we are beginning to see.

Since 2016, the number of listings on the market has been very low. However the drop we saw last year and in particular over the last quarter was even more dramatic. In 2019 there was an average of 1148 active listings on the market in El Paso County during the 4th Quarter. This past quarter that number plummeted by 57% to just 484 single-family homes on the market. And if you take out “To Be Built” homes, that number drops at least another 100 homes! Last year, we said that the lack of listings was best described as a “scarcity”, I guess this year we categorize the lack of homes on the market as “extremely deficient”.

Demand in the Pikes Peak region has been strong for years but with so many people moving to our area thanks to the U.S. Space Force, the pandemic and several new economic and entertainment factors, it only grew during the 4th quarter. The number of sales during the quarter (4,854) easily set a new record.

When you combine the lack of inventory with strong demand you get rising prices. Our “extremely deficient” inventory combined with record demand has seen our prices escalate at a record pace. The average sales price jumped more than 17% during the 4th quarter.

The number of sold units is a great barometer to gauge the health of a market. In 2020 the total number of sales in the 4th Quarter increased 387 units to 3707.



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\$300,000 to \$399,999	484	1643	10	102.2%	0.9
\$400,000 to \$499,999	354	775	21	101.1%	1.4
\$500,000 to \$599,999	201	392	36	100.4%	1.5
\$600,000 to \$699,999	107	201	47	99.8%	1.6
\$700,000 to \$799,999	53	110	44	99.8%	1.4
\$800,000 to \$899,999	29	53	41	98.5%	1.6
\$900,000 to \$999,999	29	38	48	99.0%	2.3
\$1 mil to \$1.50 mil	45	44	101	96.6%	3.1
\$1.5 mil to \$2.0 mil	18	6	118	98.3%	9.0
\$2.0 mil & above	21	8	106	98.6%	7.9



Primary Mortgage Market Survey[®]

U.S. weekly average mortgage rates as of 01/07/2021

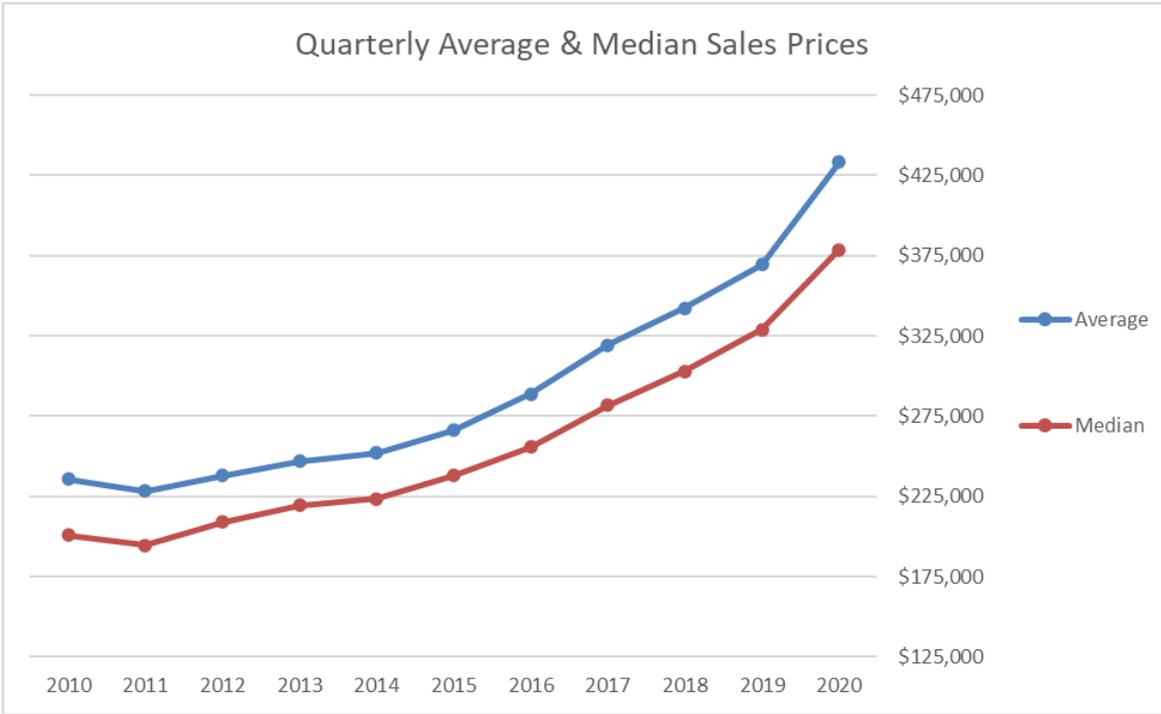


Record low mortgage rates in 2021 gave buyers more buying power during the 4th quarter.

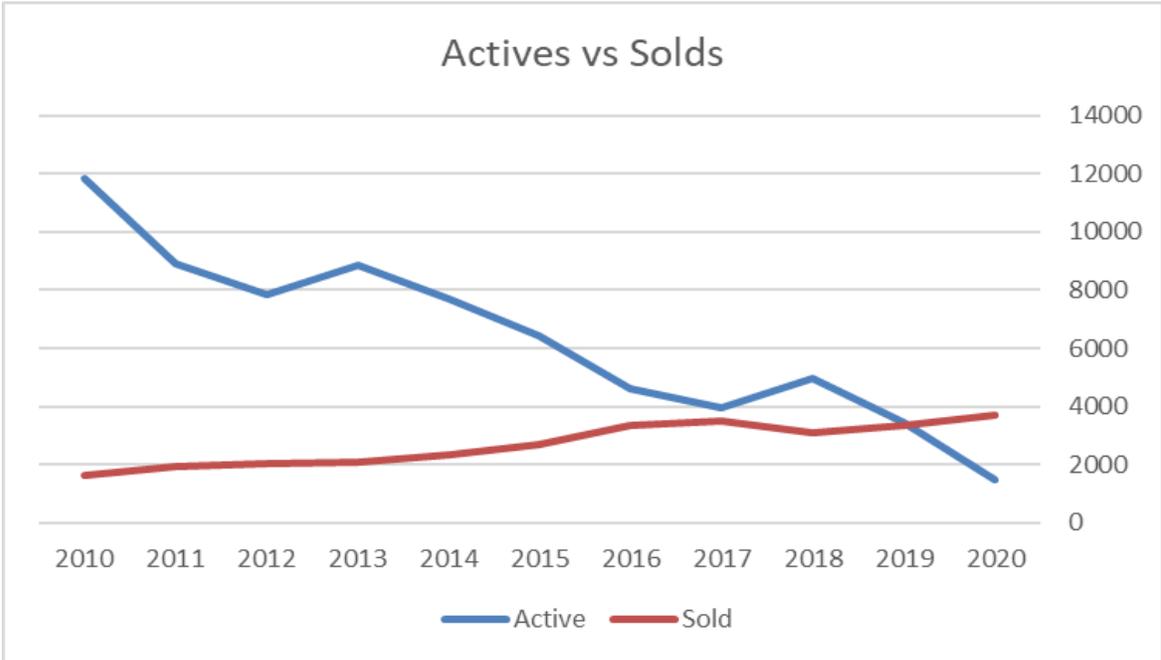
4th Quarter



The chart below shows the annual average & median sales prices for the 4th Quarter over the past 10 years. Sales prices are the true "score" of the market.



This graph shows the interaction between supply and demand. The last 2 years we have seen more demand than there is inventory.



Looking Forward To 2021



“Looking into our crystal ball”

The Colorado Springs metro area will continue to be a place where locals want to stay and outsiders want to move. The trend of working from home will only increase the demand for homes in our area as people decided to live in places where they can enjoy more personal space and the outdoors. This year, as our town continues to grow and add new amenities, entertainment and job opportunities, the demand for housing will continue.

For those of you who already own a home or only need to sell a home, 2021 will be an ideal market. Sellers in most price ranges will find they will get top dollar in 2021 if they stick to these few things:



- 1) Price the home at its current market value—Pricing a home is always the most important duty for all sellers and their listing agents. The current seller’s market makes determining a home’s current market value very complicated and having a strategy for pricing is a step that should also be discussed.
- 2) Make sure your home “shines” - If you want to net the most dollars, your home must show very well. There are certain inexpensive things sellers can do to accomplish this which your agent can advise you about. Also, consider the difference between repairing and renovating. When selling, it is rare that renovation costs will net you more at the closing table.
- 3) Have a strategy to maximize exposure and gives the opportunity for all qualified buyers interested in your home to see it. When the market leans so far in one direction it is critical you work with a professional REALTOR® whom you trust to help you with these items. Additionally, you will lean on this agent to help you through inspections, appraisal and the emotions. Last year nearly 25% of all contracts fell out of contract compared to just around 5% when the market is more balanced.

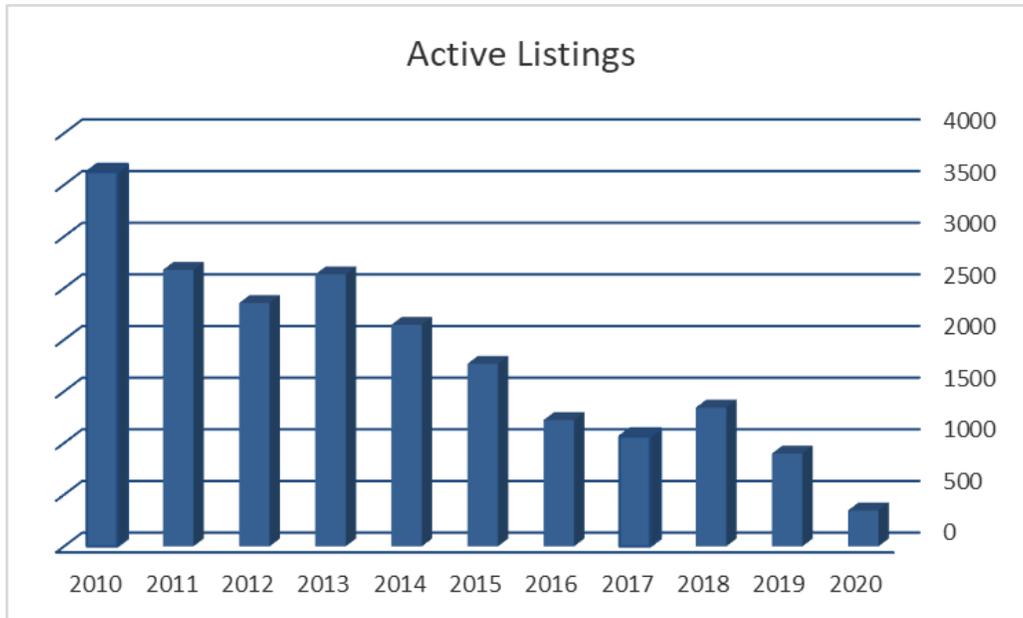


For those needing to buy in 2021, you will likely get frustrated at times but if you stay committed to the process, understand the current market, are relentless, creative, realistic...and have a REALTOR® with these same qualities you will find success. If you stay “laser” focused on the items you need in a home it will greatly assist you in your search. For example if you must have at least 4 bedrooms, 3 bathrooms, 2 car garage and only want to be in a specific school district, you will not get distracted when a home comes along that matches most of your criteria.

In the past, high-end sales were those above \$700k, now that market really is \$1 million and up. In El Paso County we have saw the number of sales over \$1 million more than double last year and since 2015 it has quadrupled. We expect these high-end sales to continue to grow in 2021 as this market locally is just a fraction of what it is in the Denver metro area.

Looking Forward

The graph below shows the number of current active listings on the market for the same period over the past 10 years. As you can see we have hit an all-time low again.



Here is what is currently under contract in the Pikes Peak MLS. Most under contract homes close within 45 days so it is a good way to forecast the short term. The drop in under contracts is due to the lack of homes on the market.

