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HOUSING AND URBAN DEVELOPMENT  
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DENVER, COLORADO 80202-3607

## **CURRENT HOUSING MARKET CONDITIONS**

### **PUEBLO, COLORADO** **HOUSING MARKET AREA (HMA)** **As of March 1, 2004**

#### **INTRODUCTION**

This report has been prepared to assist the U.S. Department of Housing and Urban Development (HUD) in its underwriting operations. The report is an update of our Overview of the Pueblo, CO HMA Rental Market dated January 2000. The report has also been provided to officials of state and local government, developers, lenders and others interested in the outlook for the local sales and rental market. The estimates, opinions and forecasts in this report are solely those of the Economists in the Office of Policy Development and Research in the Rocky Mountain Office and do not represent HUD Departmental or Rocky Mountain Office policy. The report is provided for informational purposes only. It does not purport to make determinations with respect to any particular application for mortgage insurance, subsidy funds, grants or other financing, which may be under consideration in this market area.

The HMA is defined as the Pueblo, CO MSA, which is further defined as Pueblo County, Colorado. Unless otherwise noted, the estimates and discussion of market conditions are as of March 1, 2004. Questions or comments regarding the findings and conclusions of this report may be addressed to W. Victor Crain, Field Economist, Denver Regional Office, at (303) 672-5289 and at [W.\\_Victor\\_Crain@hud.gov](mailto:W._Victor_Crain@hud.gov).

#### **SUMMARY**

The economy of the HMA has stabilized and has shown signs of a slight recovery during the past two years. Employment grew moderately in 2003 and 2002 in comparison to the losses in 2001 and the slow growth in 2000. However, the year-end unemployment rate for 2003 was higher than in the three preceding years. The anticipated return to sustained employment growth in 2004 and 2005 will result in an increase in the HMA's population and households.

Home sales have remained stable through 2003 as a result of low mortgage interest rates and the numerous down payment assistance programs. The median price of homes sold increased slightly in the HMA. We expect that home sales in 2004 will keep pace with the sales trends established in 2003.

The soft rental market has shown signs of improvement over the past year but there still remains a surplus of vacant rental units. Our estimates indicate that the rental market should recover in mid-

2006 after the 32 market rate units, which are under construction, and the 148, which are just beginning construction, are absorbed. Therefore, we suggest that the start of new market rate units be postponed until mid-2005. The current market for three bedroom nonelderly Low Income Tax Credit (LIHTC) units at 50 and 60 percent of area median income (AMI) is soft and high capture rates would be required to absorb any new units. Additional nonelderly LIHTC units at any income level should be approached with caution. However, there may be some limited opportunity for one and two-bedroom LIHTC units at the 40 and 50 percent of the AMI in the Pueblo market. In addition, there is some potential for development of a modest-sized elderly project at the 40 and 50 percent of the AMI.

## **ECONOMY**

Pueblo County School District No. 60 is the largest employer with approximately 2,600 employees; Parkview Medical Center is second largest with about 1,700 employees. The government sector represents the largest classification of workers with over 10,700 employees, followed by the health care and social assistance sector with about 8,900 workers.

Labor force and total employment (based on place of residence) has grown moderately since 1999. The labor force gained about 770 people a year or an average annual gain of approximately 1.3 percent. Total employment increased by 350 people a year or an average yearly gain 0.6 percent. Total employment for year 2003 was up 1.4 percent, a moderately strong gain over the 1.1 percent growth made in 2002. Gains through the first two months of 2004 have continued at the 2003 pace and average employment for the 12-month period ending February 2004 was 58,883, up 1.7 percent from one year earlier. Despite the gains in total employment, the unemployment rate rose to 7.3 percent, up from the previous ten-year low of 4.3 percent in 2000. The unemployment rate fell slightly to 7.2 percent in February 2004 but is still above the 7.0 percent rate of one year ago and above the current state's unemployment rate of 5.4 percent. The recent gains in total employment are expected to continue over the next 24 months. Gains of 1.5 percent over the next 12 months and about 1.75 percent during the following 12 months are forecast. The continued growth can be attributed to increase employment in construction, retail and service related industries and in healthcare.

Covered employment (based on place of work) fell by 726 jobs from year-end 1999 through the end of 2002 and posted an average annual loss of 0.44 percent. Covered employment data for 2003 is available through September 2003 and it indicated the continued loss of jobs. The twelve-month period ending September 2003 covered employment was 53,584 jobs, down by roughly 0.6 percent compared to the previous twelve-month period ending September 2002.

Despite the slight decrease in covered employment over the past four years, total resident employment should continue to grow because of the affordability of housing and the low cost of living in the HMA. The construction sector should begin to rebound. Several major public and private construction projects are planned or underway, including the expansion of Saint Mary-Corwin Medical Center and the start of the 3<sup>rd</sup> phase of the Historic Arkansas Riverwalk project. Construction of the Pueblo Crossing development is also set to get underway. The first of eight potential phases of the development will consist of retail establishments. The planned retail establishments are Kohl's Departments Store, Bed, Bath and Beyond, Famous Footware, Petco and Gart Sports. Xcel Energy has started the planning process of a \$1.3 billion dollar expansion of their Comanche Station power plant. Pueblo Economic Development Corporation (PEDCO) announced in 2003 several expansions and relocations of companies to the Pueblo area. Relocations announced included Adam Aircraft Industries, Inc. an aircraft manufacturing plant and Pueblo Suburban Development a major tomato

greenhouse operations. Expansions included Haddonstone USA a stone manufacturing facility and Innotrac a telemarketing/customer service/distribution center.

## **POPULATION AND HOUSEHOLDS**

The population increased steadily by about 1.5 percent a year throughout the 1990s as a result of the sustained employment growth. As of the 2000 Census the population of the HMA was 141,472. Despite a weak economy, the population has continued to grow by approximately 1.7 percent a year since 2000. As of July 1, 2002, the U. S. Census Bureau estimated the population to be 146,880, up 1.9 percent from the previous year estimate but comparable to the gain of 1.6 percent gain achieved from July 2000 to July 2001. We have estimated the current population at 151,000, up 2.8 percent (an annual average rate of 1.7 percent) from the U.S. Census Bureau's July 1, 2002 estimate. With the anticipated job growth during 2004 and 2005, the population should grow by an estimated 1.5 percent during the next 12 months and by about 1.4 percent during the following 12-month period. The forecast population as of March 2006 is 155,500.

The current estimate of households residing in the HMA is 58,860. Based on an estimated household growth rate of 1.8 percent for the next 12 months and 1.7 percent during the following 12 months, the number of households should reach approximately 60,960 by March 2006.

## **HOUSING MARKET TRENDS AND CONDITONS**

### **Residential Building Trends**

Construction of single-family homes has been relatively stable since 2000, averaging approximately 1,070 homes annually. In the first two months of 2004 permits were issued for 166 homes, slightly lower than the 182 homes permitted in January and February 2003. Multifamily permit activity since 2000 has been primarily limited to duplexes, and three and four-unit buildings. Permits were issued for approximately 790 multifamily units from January 2000 through February 2004.

Single-family and multifamily units permitted in 2003 were down a slight 1.6 percent from 2002's level of activity. Single-family units permitted in 2003 equaled 1,078, compared to 1,075 units in 2002, a slight 0.3 percent increase. Multifamily units were permitted in 2003 totaled 204, compared to 228 units in 2002, a decrease of 10.5 percent. About one-half of the multifamily units permitted in 2003 were rental units; the remaining units were constructed for owner occupants. Currently, an estimated 320 owner units, both single-family and multifamily, and about 110 multifamily rental units are under construction.

Two market-rate apartment developments have been built in Pueblo since 1999, The Landings at Eagle Ridge and Preserve at Belmont. The Landings at Eagle Ridge offers 140 one, two and three bedroom units and was completed in the spring of 2003 and is in lease up. A Phase II of the Landings at Eagle Ridge is in the planning stages. The Preserve at Belmont was completed in December 1999 and sustaining occupancy was achieved in the fall of 2000. The Preserve at Belmont has 96 one, two and three bedroom units.

Seven LIHTC general occupancy projects and three special needs LIHTC projects have entered the market since 2000, increasing the number of affordable units to approximately 720. The LIHTC units provide affordable housing to households whose incomes are below 30, 40, 50 or 60 percent of the

AMI. The Fiscal-Year 2004 AMI for the HMA is \$45,000. The three special needs projects provide 116 affordable assisted living units to elderly or disabled tenants.

Currently under construction are three moderate size projects and one large market rate project is set to start construction. Santa Fe Apartments located in the 200 Block of North Santa Fe Drive is a LIHTC project, which will provide 30 one and two bedroom units. All units will be income restricted to households whose incomes are below 50 and 60 percent of AMI. Santa Fe Apartments should be completed by summer 2004. Village at Pueblo or West View Apartments is a 48-unit LIHTC project located at Pueblo Boulevard and West 22<sup>nd</sup> Avenue and will offer one, two and three-bedroom units to households whose incomes are below 40, 50 and 60 percent of AMI. Building permits were issued for Village at Pueblo in December 2003. A 32-unit conventional market rate project is near completion at the corner of 18<sup>th</sup> Street and West Street. The 32 units should enter the market by late spring or early summer 2004. Villa at Parkwest, a 148 unit FHA insured market rate multifamily project has been approved and the loan closing has been scheduled. Villa at Parkwest will offer 136 one, two and three-bedrooms units and 12 two-bedroom townhome units and will be located in the vicinity of Pueblo Boulevard and Spaulding Avenue. Construction is expected to start in late April or early May 2004.

A farm labor housing project known as Don Carlos Ranchon is set to begin construction. The project will consist of 30 single-family style four-bedroom units and all units will be eligible for Rental Assistance through the USDA Rural Development. The proposed location is a 30-acre site in eastern Pueblo County at the intersection of Highway 50 and 57<sup>th</sup> Lane. The project will provide housing for migrant and seasonal farm workers and to other low-income households.

### Home Sales Conditions

The Colorado Association of REALTORS® reported 2,262 sales of single-family homes during 2003, slightly more than 2002 sales of 2,160 and up from the 2001 sales of 1,832. The median sales price in 2003 was \$106,643, up from the 2002 median of \$98,874 and the 2001 median of \$101,554.

Historic low mortgage interest rates have kept the sales market stable even in the weak economy. Also, the numerous down payment assistance programs being offered to help potential homebuyers, in most cases first time homebuyers, purchase a home with little or no money down have helped maintain the sales market. According to the FHA Single-Family Data Warehouse, since 2000 an average of 520 first time homebuyer's loans were endorsed each year. An average of 300 households a year or 58 percent of the first time homebuyers received down payment assistance in the form of gift funds. Gift funds were provided by non-profit and religious organizations, relatives, employers or through different federal programs.

### Rental Market Conditions

The rental market has continued to soften since the 1<sup>st</sup> quarter 2003 and rent specials, including reduced rents, are being offered at most market rate projects. Vacancy rate, as reported by the Colorado Department of Housing (CDOH), rose to 10.2 percent, an all time high, in the 3<sup>rd</sup> quarter 2003, up from 8.3 percent in the 1<sup>st</sup> quarter. As of the Current date, we have estimated the overall rental vacancy rate, which includes all types of rental properties, at 10.0 percent, up from the 8.5 percent vacancy rate recorded in the 2000 Census. Average rents, as reported by CDOH, have increased from about \$430 in the 1<sup>st</sup> quarter 2000 to approximately \$490 in the 3<sup>rd</sup> quarter 2003.

## Colorado State University – Pueblo (Student Housing)

Spring 2004 semester census enrollment at Colorado State University - Pueblo is 3,898 down slightly from the Spring 2003 enrollment of 3,938 students. Approximately 500 students can be housed on campus and about 150 students live at University Village at Walking Stick, a student housing/apartment community. The local housing market absorbs the approximate remaining 3,250 students.

### **FORECAST HOUSING DEMAND**

Current market conditions and anticipated household growth should produce demand for about 2,100 new owner-occupied housing units, not including manufactured homes, during the next 24-months. Housing demand has been adjusted by approximately 320 owner units, which are currently under construction. As a result of the level of units now under construction, owner demand should support construction of about 1,050 units for each of the next 12-month periods. The forecast demand level of new construction of owner-occupied units is slightly less than in previous years.

Absorption of market rate rental units will pick up during 2004 and 2005 but the rental market will remain soft. The rental market will remain competitive until the 32 units at 18<sup>th</sup> Street and West Street and the 148 units at Villa at Parkwest are absorbed. There is a strong potential for a small surplus of market rate units to remain on the market by the end of the forecast period, March 2006. Our present forecast anticipates recovery of the local rental market sometime in mid-2006, indicating a need to postpone the start of new market rate units until mid-2005. If there are changes in the market outlook such as a significant increase or decrease in employment or a substantive increase in mortgage interest rates, we will reevaluate and revise our estimates accordingly.

Even with the doubling of LIHTC units since January 2000, the capture rates have remained at or below 10 percent for one and two-bedroom units at the 40, 50 and 60 percent level. There is limited opportunity for one and two-bedroom nonelderly LIHTC units in the market at all income levels. The current market for three-bedroom nonelderly LIHTC units at all income levels is soft, especially for three-bedroom units at 50 and 60 percent of AMI. The capture rates required to absorb new three-bedroom units at any income level, while maintaining acceptable occupancy in existing LIHTC units, will be difficult to achieve. Any additional nonelderly three-bedroom LIHTC units in the market should be postponed until units under construction have reached sustaining occupancy. However, additional nonelderly LIHTC units at any income level in the market should be approached with caution.

Because of the limited number of elderly LIHTC units the capture rates are relatively low. Current capture rates for one-bedroom elderly LIHTC units are below 10 percent for one-bedroom units at all income levels. However, one-bedroom units at the 60 percent level are close to 10 percent. There is some potential to develop another modest-sized elderly LIHTC project at the 40 and 50 percent of income levels. Even though the capture rates are relatively low at the 60 percent level, we urge caution when considering any additional elderly LIHTC units at this level.