



For information contact:
john covert @ 720.493.2020, ext. 1 or 303.229.9160
e-mail jcovert@metrostudy.com
tania oshman @ 713.523.6630 or 713.824.2282
tania oshman public relations
e-mail oshman@totalpr.com

For immediate release

Metrostudy: Home Building Slows as Home Supply Exceeds Demand

(Colorado Springs, CO - Feb. 6, 2008) "While the new home industry wrapped up 2007 on a weak note, there are indications that the bottom of this housing cycle may occur in the next few months," said Mike Inselmann, president of Metrostudy, a national housing tracking and consulting company. "Builders are steadily whittling down excess inventories, interest rates have recently declined again to near-historic lows, and there is sentiment that housing prices will stabilize by mid-year. Home prices in many markets are as low today as they are likely to be for the next decade. And with the low interest rates and low prices, housing affordability is improving in many areas of the country."

According to the Colorado Department of Labor & Employment, the Colorado Springs MSA added an estimated 1,100 jobs during 2007, an annual growth rate of less than 0.4 percent. This was the lowest level of job creation in four years, said John Covert, director of Metrostudy's Colorado Springs division.

The unemployment rate jumped to 5 percent by the end of 2007 compared to 4.2 percent at the end of 2006. Colorado Springs' unemployment rate matched the national rate in December, but was higher than the state unemployment rate of 4.3 percent and Denver's 3.9 percent rate. Economists generally consider 5 to 5.5 percent full employment.

Colorado Springs' existing home market remains the most significant obstacle to the local housing market's recovery, Covert said. Multiple Listing Service (MLS) listings declined in the second half of 2007 to 5,326 listings, which was still 15 percent higher than the previous year.

"Coupled with an annual sale space that dropped 15 percent to 9,954 sales, Colorado reported a 6.4-month supply of existing homes. This, in addition to the high foreclosure activity, will continue to force prices down. Single-family home prices fell 9 percent during 2007 to \$189,950; attached home prices declined 2 percent to \$123,650." Covert said.

"The new home market continued to contract through the fourth quarter, a necessary correction after the overbuilding of previous years. After peaking at more than 6,000 housing starts in the fourth quarter of 2005, the market began to slow. The contraction is expected to

continue through early 2009, when housing starts should begin to outpace new home closings," Covert said.

Colorado Springs builders started 497 single-family homes during the fourth quarter of 2007, the lowest quarterly total in seven years. Annual starts fell to 2,839 at the end of the fourth quarter, a 37 percent decline from the previous year.

All submarkets experienced sharp declines in annual housing starts during the past two years. Most submarkets had annual declines of at least 35 percent. Black Forest-Peyton declined the most (45 percent). Powers led the metro area, capturing 22 percent of the market; yet its starts were down 43 percent. Fountain was down 35 percent.

Builders closed 731 homes in the fourth quarter and annual closings fell 37 percent during 2007 to a record low of 3,273 closings.

"With closings surpassing starts, builders shed nearly 434 housing units from inventory over the 12-month period ending in December 2007," Covert said. "Yet the current market correction will continue through 2008, as builders grapple with inventories and slow housing demand."

Total single-family housing inventory, which is composed of units under construction, finished vacant units and model homes, has dropped nearly every quarter since mid-2006. There were only 1,500 homes in inventory at the end of 2007. Under-construction inventory dropped to 611 units at the end of 2007, a 33 percent decline compared to the fourth quarter of 2006. Covert said this was the lowest level in the seven years Metrostudy has been surveying the Colorado Springs market.

However, finished vacant inventory, perhaps the most fundamental indicator of market strength, remains problematic, Covert said. At 650 units, Colorado Springs has a 3.3-month supply of finished vacant homes. Supply has increased for the past two years. A market that is balanced between supply and demand would have about 2 months of supply in Colorado Springs.

Colorado Springs is not as affordable as it once was, Covert said, with only 8 percent of detached annual starts priced below \$200,000 at the end of the year, compared to 22 percent in 2005. About 39 percent of the market was priced in the \$200,000s, 24 percent in the \$300,000s and nearly 19 percent was priced above \$400,000. The percentage of attached home starts priced under \$200,000 also declined, but still accounted for 56 percent of the market. Of the total number of attached starts, 37 percent were homes priced in the \$200,000s.

While starts activity declined in 2007, the Colorado Springs market continued to deliver a large number of lots. At 4,522, lot deliveries declined only 28 percent from a peak of 6,300 in the 2006.

Single-family vacant developed lot supplies in the area rose 30 percent in 2007, to nearly 7,400 lots. Based on the annual starts pace, this level of inventory represents a 44.3-month supply,

more than double the 19.8-month supply reported at the end of 2006. Metrostudy considers a 14- to 16-month supply of lots a balanced market for Colorado Springs.

Covert said, "Colorado Springs appears to be near the bottom of the housing cycle, but it may be some time before it begins to climb upward. The local economy is dealing with rising foreclosures, an oversupply of existing homes on the market, stagnant wages, restrictive consumer financing and troop deployments from Fort Carson."

"The positives for this market are comparatively affordable housing, positive job growth and signs that listings of existing homes for sale may have peaked. Few metro areas are expecting growth like Colorado Springs, which will enjoy the assignment of an additional 10,000 soldiers to Fort Carson by 2010."

About Metrostudy

Metrostudy is the leading provider of primary and secondary market information to the housing industry and related industries nationwide. In addition to providing information, the company is recognized for its consulting expertise on development, marketing and economic issues, and is a key source of research studies evaluating the marketability of residential and commercial real estate projects. Services are offered through an extensive network of offices strategically located in major metropolitan areas throughout the U.S.