

Housing Technical Report

Fort Carson Regional Growth Plan

January 11, 2008



Pikes Peak Area
Council of Governments
Communities Working Together

TABLE OF CONTENTS

A. Introduction and Methodology	1
Introduction	1
Methodology.....	1
B. Current Housing Market Overview	3
Summary of Key Findings	3
Housing Supply (PHIA).....	5
Current and Near Term Supply	23
C. Forecast Demand	29
Expected Growth Scenario	30
Alternative Growth Scenario.....	32
D. Supply and Demand for Housing – Expected Growth Scenario	34
For-Sale Housing.....	34
Rental Housing	35
Location of Housing	38
E. Supply and Demand for Housing – Alternative Growth Scenario	40
For Sale Housing	40
Rental Housing	41
F. Conclusions	43
G. Strategic Actions for Consideration	44
Recommendation: Adequate and timely information.	44
Recommendation: Monitor housing trends within the region.....	44
Recommendation: The Military Community Information Forum.....	45
Appendix A. – Alternative Growth Scenario	47

LIST OF MAPS, TABLES AND FIGURES

Map 1. Primary Housing Impact Areas.....	2
Table 1. Estimated Barrack Spaces – Spring 2007	6
Table 2. Estimated Single Family Units.....	7
Table 3. Unit Availability Colorado Springs Metro Area	8
Table 4. Vacancy Rates	9
Figure 1. Vacancy Rates for Off-Post Housing	9
Table 5. Multifamily Building Permits in Colorado Springs by Unit.....	10
Table 6. Recent Regional Multifamily Building Permit Activity	10
Table 7. Average Rents for the Colorado Springs Metro Area – 2007	11
Table 8. Average Rents by Type Colorado Springs Metro Area – 2007	12
Figure 2. Average Rents by Rental Type	12
Table 9. Fair Market Rents 2BR - 2003 to 2007.....	13
Table 10. Rental Homes Currently Offered to Fort Carson Personnel	13
Table 11. Turnover Data	14
Table 12. Tenure Data.....	14
Table 13. Median Year of Construction for Residential Units	15
Table 14. Building Permit Data – Single Family Homes	15
Table 15. Building Permit Data – Townhomes	16
Table 16. Average Sales Price – Study Area.....	17
Table 17. Average Sales Price – Primary Housing Impact Area	17
Figure 3. Average Sales Price – Single Family Home - PHIA	18



Table 18. Detailed Sales Data – Pikes Peak Association of Realtors.....	18
Figure 4. Summary of Listings, Sales, and Unsold Homes - Pikes Peak Association of Realtors.....	19
Table 19. Monthly Sales Estimates	19
Table 20. Lending Data for Military Personnel within the Region	20
Table 21. Lending Data Related to Military Households.....	21
Table 22. Average PITI and Home Prices	21
Table 23. Debt to Income Ratios	22
Table 24. Home Affordability Matrix – 6.5% Interest Rate.....	23
Table 25. Home Affordability Matrix – 7.5% Interest Rate.....	23
Table 26. Estimated Supply of New Single Family Housing by Year and Project Status	25
Table 27. Estimated Supply of New Townhome/Condos by Year and Project Status	26
Table 28. Supply of Single Family and Townhome Units by Level of Confidence	27
Table 29. Summary of Units by Confidence Level and Area	28
Table 30. Forecast Household Growth for Fort Carson – Expected Growth Scenario.....	31
Table 31. Owners vs. Renters – Expected Growth Scenario	31
Table 32. Demand for For-Sale Housing by Households – Expected Growth Scenario	32
Table 33. Demand for Rental Housing by Households – Expected Growth Scenario	32
Table 34. Summary of Demand for Housing – Alternative Growth Scenario.....	33
Table 35. Summary of Demand for Rental Units – Alternative Growth Scenario	33
Table 36. Supply and Demand for For-Sale Units – Expected Growth Scenario.....	35
Figure 5. Supply and Demand for For-Sale Housing – Expected Growth Scenario	35
Table 37. Supply and Demand for On-Post Housing – Expected Growth Scenario	36
Table 38. Supply and Demand for Off-Post Rental Housing – Expected Growth Scenario.....	37
Table 39. Sample of Zip Code Data for Residence of Fort Carson Personnel.....	39
Table 40. Supply and Demand for For-Sale Units – Alternative Growth Scenario	41
Table 41. Supply and Demand for On-Post Housing – Alternative Growth Scenario	42
Table 42. Supply and Demand for Off-Post Rental Housing – Alternative Growth Scenario	43
Table A. 1.....	47
Table A. 2.....	48



A. INTRODUCTION AND METHODOLOGY

Introduction

Housing is a vital community resource that provides shelter and enhances a region's quality of life. The type and value of housing within a community is shaped to a significant degree by the interplay of demand and supply factors. The examination of demand for housing in this analysis is primarily related to projected increases in military personnel at Fort Carson, as well as other existing growth trends. The supply of housing, primarily driven by private and public actions, is also examined in terms of demand changes due to projected growth at Fort Carson.

Although the housing market within the Pikes Peak region has been expanding for the past few years, it is now exhibiting signs of a general slowdown. A recent decrease in building permits and an increase in sales inventory indicates the market is responding to a reduction in demand. Builders are taking action in anticipation of this slowdown by decreasing speculative construction and tightening future homebuilding initiatives.

The region, however, does not exhibit characteristics commonly associated with a housing bubble such as low affordability, low income growth, or a high cost of living. Therefore, the risk of an unanticipated contraction in the regional housing market is minimized.

The growth in personnel at Fort Carson will increase demand for housing over the next few years; however, the building community appears to have prepared for this expansion for some time. Housing construction during the next several years will most likely be significantly influenced by periodic increases in military and civilian personnel at Fort Carson.

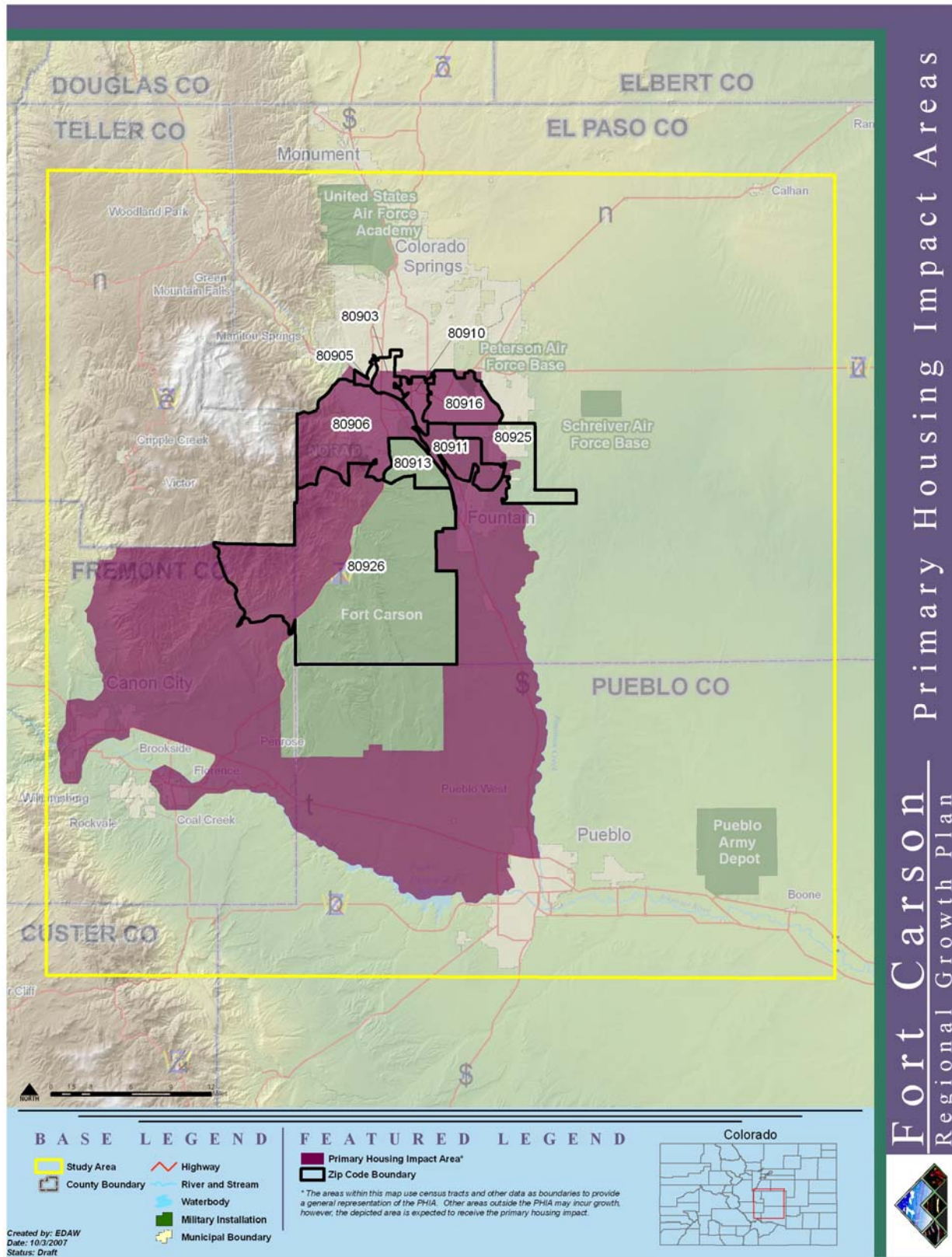
Methodology

This analysis compares current and near-future housing market supply to forecast housing demand derived from an assessment of an increase in troops reassigned to Fort Carson. This evaluation provides an end-state analysis and should not be considered as a formal housing market study.

Demand projections for housing in this analysis are based on extrapolations of demographic projections, supplied by Fort Carson, as summarized in the Demographics Technical Report and used as the foundation for all forecast housing demand. Estimates for the housing supply are based on existing data provided by local and regional planning personnel, as well as comments and data supplied by developers, builders, military housing personnel, and other stakeholders. All housing developments listed in this report were contacted and interviewed in preparing estimates of future supply, status of current development efforts, as well as comments on other related housing issues.

This analysis focuses on the current housing market within the Fort Carson Study Area, which includes El Paso, Fremont, and Pueblo Counties. A subset area, which consists of several key housing markets, has been identified within the Fort Carson Study Area and is referred to as the Primary Housing Impact Area (PHIA) (see Map 1). The PHIA includes Southern Colorado Springs, Security, Widefield, Fountain, Pueblo West, Pueblo, and Canon City (as well as smaller areas outside of Canon City within Fremont County).





Fort Carson Regional Growth Plan Primary Housing Impact Areas

Map 1. Primary Housing Impact Areas



The boundaries of the PHIA were determined from input provided by local officials, stakeholders and real estate professionals and represent the historic and expected areas where Fort Carson personnel typically find housing. The PHIA was based on two factors: the location of current Fort Carson personnel and future housing supply. Historically, the majority of military and civilian personnel have lived within southern Colorado Springs, Fountain, and unincorporated El Paso County (Security and Widefield). Future housing supply appears to be focusing on unincorporated El Paso County, Fountain, and limited portions of Colorado Springs, and was thus included in the PHIA. Other communities are also building new housing in anticipation of attracting growth from Fort Carson, and include portions of Pueblo, Pueblo West, and Fremont County and were also included in the PHIA boundary. Census tracts were identified that contain historic and projected housing growth related to Fort Carson, and were then used as the basis for drawing the PHIA. Some census tracts were modified slightly to include portions of large census tracts.

While areas such as northern Colorado Springs and Falcon may experience some growth from the increase of personnel at Fort Carson, historic data do not suggest significant levels of housing demand from households associated with Fort Carson exist in those areas. Many of the areas within the three counties that are outside the PHIA are characterized by different demographics, housing demand indicators, and growth history and are not geared towards accommodating future growth.

B. CURRENT HOUSING MARKET OVERVIEW

The entire nation has experienced a housing expansion over the past decade, with a somewhat erratic slowdown within the past year. Similar to national trends, the housing market for the Study Area has been expanding for the past few years and is similarly showing signs of a general slowdown. A reduction in the average number of building permits issued is evident for 2006 and 2007, and sales inventory has gone up as sales volumes have declined.

As the Study Area is currently experiencing a slowdown in new home construction, data collected from interviews suggests that most builders have taken action in anticipation of the slowdown. The Colorado Springs area does not appear to exhibit characteristics commonly associated with a housing bubble such as low affordability, low income growth, or a high cost of living. Thus, there is minimal risk of a significant contraction in the housing market over the next few years.

According to the Department of Housing and Urban Development (HUD), the regional economy experienced a recovery in 2004 and is expected to continue to expand over the next few years. The troop increase at Fort Carson will further assist the region in maintaining a healthy and expanding economy over the next few years.

Summary of Key Findings

Industry Perceptions and Strategies

Many builders in the area view the increase of military and civilian personnel at Fort Carson as a driver to an expanding housing market, but are realistic about the growth potential. Builders have taken a conservative tack of getting development plans approved, making some infrastructure improvements, but have held off from offering final housing product. Most developers have sold off speculative inventory and will not build spec homes until demand is present. Builders are waiting until actual troop movement has occurred at Fort Carson before they begin full-scale building efforts. This strategy allows builders and developers to reduce their



exposure to risk by minimizing cash flow strains, reducing leverage, and ensuring they are building homes to meet expected market needs.

Several contingents of local stakeholders have begun to market housing options at Fort Carson to troops expected to arrive from Fort Hood. Groups of real estate professionals have physically visited Fort Hood to provide marketing information and have worked to create supplemental information on-line.

Permits and Sales

On average, over 5,000 building permits for single family homes have been issued per year since 2000, with a drop to about 4,700 in 2006. Sales data from the Pikes Peak Multiple Listing Service (MLS) indicate sales of single family homes has averaged over 12,000 homes per year since 2004, with 11,900 in 2006. Average sales prices have increased from \$227,000 to \$260,000 between 2004 and 2006, which is an increase in sales price of 7.0% annually, slightly higher than the State's average of 6.5%. Sales have therefore slowed, however valuation has stayed within expected ranges.

One qualitative indicator of a regional slowdown includes the departure of several national homebuilders from the southern Colorado Springs area. Several national builders have reportedly sold off projects and are uncertain if they will work on future projects if demand increases.

Housing Growth Potential

As of spring of 2007, it is estimated that there are approximately 1,000 residential units built or under construction, approximately 4,200 lots with infrastructure to be completed by end of year, and over 17,000 lots undergoing the approval process. Thus, over 22,000 total for-sale units, including both single family units and townhome units, could potentially be in the pipeline.

Because of recent housing expansion within the region, the building industry has become very efficient at building a variety of housing products, including both single family and townhome-style projects. No major issues related to shortages in labor, specialized subcontractors, or building materials were reported by the building community. Although some builders were reporting a tightening in capital, most believed it was appropriate given the recent housing slowdown and were able to find necessary project funding.

Most builders believe they can begin construction of homes within a short period of time. Comments from the building community indicate that they can construct homes within 3 to 6 months if lots are finalized and the majority of infrastructure is in place. Unfinished lots (e.g., those lots that are approved and platted but not yet improved) are estimated to require an additional 3 to 6 months to install the required infrastructure. Thus, most builders with approved plans felt they could respond in less than a year to any significant increase in housing demand.

For Sale Unit Demand and Supply

For-sale unit demand is projected to be just over 12,500 homes by 2012. These units will be located primarily in the PHIA, and include growth in the baseline population, additional military and civilian personnel, and induced growth. Approximately 60% of new residents are forecast to purchase homes. However, as troops arrive, new residents may choose to rent for a short-term basis while they find accommodations in the region.



Comparing the demand of 12,500 units to the potential supply of 22,000 units indicates that it is likely that approximately 9,500 units currently going through the planning process may not be built over the next five years.

Rental Demand and Supply

Rents have stayed relatively constant over the past few years, and minimal new rental products have been added recently, which indicates a flat rental market. Forecast demand for rental units is approximately 8,700 units, which is slightly above the number of vacant units, future units, and on-post units. Thus, the current supply of on-post units and off-post rental units should meet the majority of demand for the next five years but will induce a very low vacancy rate unless additional units are added.

Affordability

Data from a local lending institution has been examined to provide a sample of average prices, debt load, and additional spousal income. The average price for a single family home for E3 to E6 personnel is approximately \$203,000, while the average home price for E7 to Officers is approximately \$337,000. Military personnel typically have about \$670 in other debt, including auto loans, credit card debt, etc. About 30% of purchasers have a co-signer on their loan, which is typically a spouse who earns approximately \$3,000 per month.

Location of Housing

A regional evaluation of the location of future housing supply suggests that most of the off-post housing serving Fort Carson personnel will be located in southern Colorado Springs and southern unincorporated El Paso County, Fountain, Security and Widefield. Pueblo and Fremont Counties will increase their housing supply. However, unless there is a dramatic change in housing affordability (e.g., Colorado Springs becomes significantly less affordable) or a change in base commuting patterns (e.g., a southern gate is opened and fully improved), the majority of housing will be located within 10 miles of Fort Carson.

Housing Supply (PHIA)

This section provides an overview of the current housing supply within the Primary Housing Impact Area (PHIA). This supply is based on data collected by various city and county planning agencies, other real estate related entities, and interviews with local stakeholders and professionals.

On-Post Housing Supply

Fort Carson supplies on-post housing products to a range of military personnel, including both officers and enlisted personnel. Fort Carson has approximately 5,700 barrack units and about 2,700 single family units.

Barracks

Barracks are on-post housing units that are typically one to two bedroom units and are preferred by personnel without families. While the majority of personnel occupying barrack units tend to be enlisted soldiers, primarily E-1 to E3, some mid-level enlisted soldiers, such as E-4s and E-5s, stay in barrack units for simplicity and convenience. By 2011, it is expected that an additional 3,167 new barrack spaces will be made available (Table 1). These units are currently under construction and will be available within the next few years, although exact timelines are not available.



Table 1. Estimated Barrack Spaces – Spring 2007

Approximate Barrack Spaces	5,705
New Barracks Currently Under Cons	3,167
Total Barrack Spaces	8,872
Occupancy Rate	75%
Occupied Units	6,654
Available Spaces	2,218
600 Reserved Units	600
Available Spaces less Reserves	1,618

Source: RKG Associates and Directorate of Public Works, Fort Carson.

Current spaces within the barracks are 5,705, with 3,167 new spaces to be built within the next few years, as presented in Table 1. Approximately 600 of these units are reserved for personnel preparing to deploy or have recently returned from deployment. Assuming the historic occupancy rate of 75%, approximately 1,618 barrack spaces will be available as Fort Carson increases its military personnel over the next few years.

Single Family Housing

Single family housing is provided on-post as well, and ranges from 2 to 4 bedroom units. Single family units can range from single detached housing units to attached housing units (e.g., duplex, triplex, etc.).

There is typically a constant demand for on-post housing, with a waiting list that usually exceeds the current number of units. As shown in Table 2, there are presently about 30 units that are not currently reserved through the waiting list system. This number will fluctuate on a monthly basis, but indicates that on-post housing is in high demand. Actual vacancy represents the number of vacant and available units that are not taken by individuals on the waiting list, and represent the number of units open to new residents.

On-post housing is expected to expand in 2008 and 2009, with an additional 212 single family units to be added in 2008, and 192 single family units in 2009. These units will be a mix of multiplex housing (i.e., duplex, triplex, etc.), and will be provided to military personnel with families. Actual vacancy represents the number of vacant and available units that are not taken by individuals on the waiting list, and represent the number of units open to new residents.



Table 2. Estimated Single Family Units

Category	Units	Occupied Units	Vacant Units	Units Vacant & Available (March 2007)	Persons on Waiting List (March 2007)	Actual Vacancy
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c = a - b</i>	<i>d</i>	<i>e</i>	<i>f = d - e (if d > e)</i>
2 Bedroom Junior	741	648	93	62	134	0
3 Bedroom Junior	894	774	120	91	75	16
4 Bedroom Junior	118	115	3	0	82	0
2 Bedroom SGT & SSG	92	78	14	8	127	0
3 Bedroom SGT & SSG	106	98	8	0	51	0
4 Bedroom SGT & SSG	64	62	2	0	33	0
2 Bedroom SFC	65	43	22	19	15	4
3 Bedroom SFC	191	188	3	0	17	0
4 Bedroom SFC	76	74	2	0	13	0
3 Bedroom CSM/SGM	44	41	3	2	7	0
4 Bedroom CSM/SGM	42	40	2	1	6	0
2 Bedroom Co. Grade	60	43	17	14	15	0
3 Bedroom Co. Grade	69	47	22	21	10	11
4 Bedroom Co. Grade	20	20	0	0	10	0
2 Bedroom Field Grade	0	0	0	0	0	0
3 Bedroom Field Grade	43	29	14	11	15	0
4 Bedroom Field Grade	28	28	0	0	22	0
2 Bedroom Senior Officer	0	0	0	0	0	0
3 Bedroom Senior Officer	0	0	0	0	0	0
4 Bedroom Senior Officer	8	8	0	0	2	0
4 Bedroom General Officer	3	3	0	0	0	0
2 Bedroom Units			146			4
3 Bedroom Units			170			27
4 Bedroom Units			9			0
Total	2,664	2,339	325	229	634	31

Source: Directorate of Public Works, Fort Carson.

On-post housing is expected to expand in 2008 and 2009, with an additional 212 single family units to be added in 2008, and 192 single family units in 2009 for a total of 404 new units of on post housing bringing the total to 3,068. These units will be a mix of multiplex housing (i.e., duplex, triplex, etc.), and will be provided to military personnel with families.

Off-Post Housing Supply

The off-post housing supply for the Fort Carson region includes all housing located outside of the base within the PHIA. This section considers two basic housing types: off-post rental units and off-post for-sale units.

The majority of future personnel at Fort Carson will probably utilize off-post housing as their primary housing option since there is limited availability on-post.



Off-Post Rentals

Off-post rentals are typically multifamily units, although some military personnel do rent single family units. The Apartment Association of Colorado Springs and several other local entities sponsor the publication of the Colorado Springs Metro Area Apartment Vacancy and Rent Study (Vacancy and Rent Study), which is used as the primary data source for much of the rental housing analysis. It should be noted the regions in the Vacancy and Rent Study used in this analysis were similar to the boundaries of the PHIA, but not exactly contiguous. Minor adjustments were made to apply the data provided by the Vacancy and Rent Study to the PHIA.

According to the Vacancy and Rent Study, there are approximately 43,700 rental units within the Colorado Springs Metro Area. Of these units, approximately 89% are rented, or 38,700 units. Thus, there are an estimated 4,982 units available as of the first quarter of 2007, as presented in Table 3. Single family homes (including condos, duplex units, and single family homes) are also offered to Fort Carson personnel, with an estimated 775 units for rent as of 2007. Thus, an estimated 5,757 rental units, including apartment units, condo units, duplexes, and single family homes, are currently available for rent.

Table 3. Unit Availability Colorado Springs Metro Area

Units	2007
Total Apartment Units Available	43,682
Apartment Units Added Since Last Survey	16
Adjusted Total Apartment Units Available	43,698
Quarterly Vacancy Rate	11.4%
Apartment Units Rented	38,716
Apartment Units Vacant	4,982
For-Sale Units Converted to Rentals	775
Total Rental Units (Apartments & Other)	5,757
Number Absorbed in Time Period	538

Source: Colorado Springs Metro Area Apartment Vacancy and Rent Study, 2007.

The first comment most Colorado Springs residents make in relation to rental housing market is the high vacancy rate. The local rental market has been relatively “soft” over the past few years, fueled primarily by an increase in home ownership, new rental product added before 2003, and troop deployments at Fort Carson.

Rental units within Fountain were included in the estimate of available units despite a significant number of units being in sub-standard condition. While these units are not directly marketed at Fort Carson personnel, they do have a historic trend of being occupied, which would indicate there is some level of demand for these units. Comments from the City of Fountain suggest that there is a need for additional higher quality units in the future.

Managers at most rental properties understand the role military personnel play in the rental market, and target military individuals and families as a key market. A number of promotions for military families is typically provided and includes rent discounts, low deposits, and other concessions. The local market also understands legal obligations related to a release from a rental agreement before deployment or other required military duty.

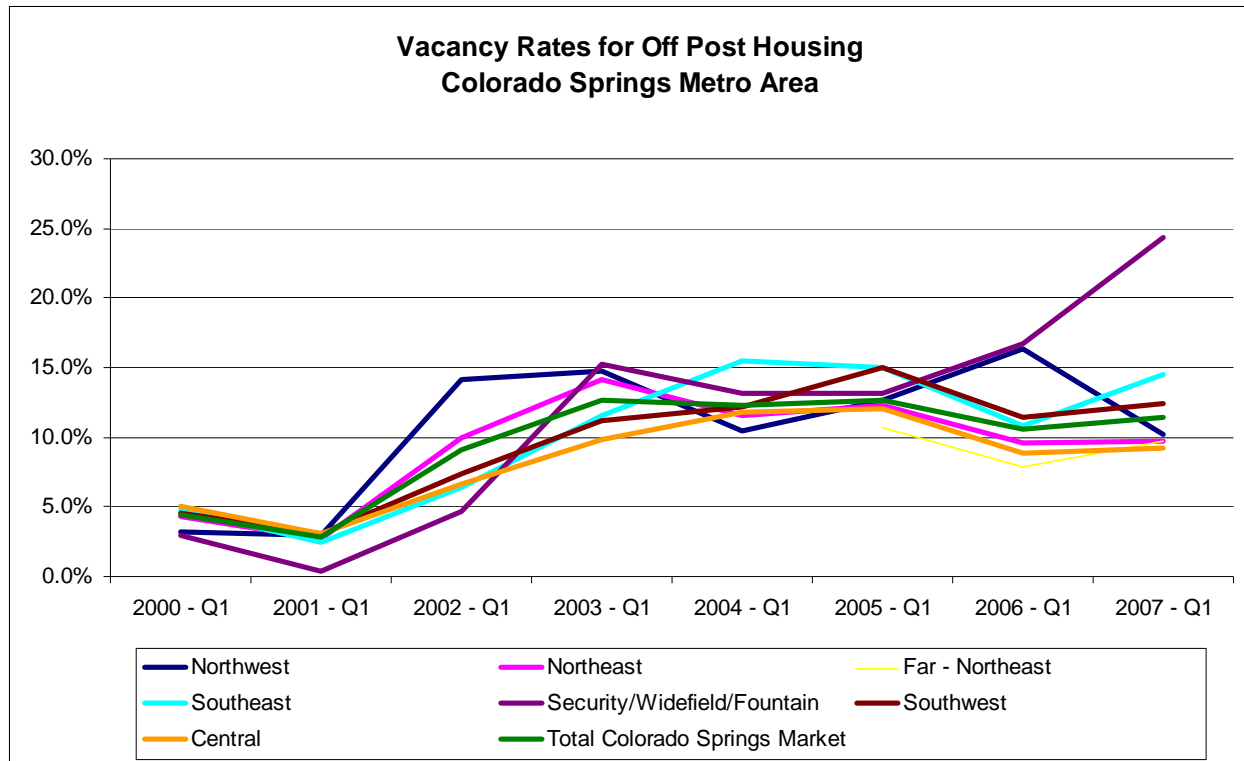


Vacancy rates have risen to over 11 percent over the past few years, with Security/Widefield/Fountain having the highest vacancies of over 24% in Q1 of 2007. Southeast and Southwest areas of Colorado Springs also have vacancy rates above 14% and 12%, respectively. It should be noted that these three areas are the closest markets to Fort Carson, and will likely receive the majority of demand from new troops. Table 4 indicates the vacancy data for the region, and Figure 1 provides a graphic depiction of historic vacancy rates.

Table 4. Vacancy Rates

Area	2000 - Q1	2001 - Q1	2002 - Q1	2003 - Q1	2004 - Q1	2005 - Q1	2006 - Q1	2007 - Q1
Northwest	3.2%	3.0%	14.1%	14.8%	10.4%	12.7%	16.3%	10.2%
Northeast	4.3%	2.7%	10.0%	14.1%	11.5%	12.3%	9.6%	9.7%
Far - Northeast						10.7%	7.9%	9.7%
Southeast	4.8%	2.4%	6.4%	11.5%	15.5%	15.0%	10.8%	14.5%
Security/Widefield/Fountain	3.0%	0.4%	4.7%	15.3%	13.2%	13.2%	16.7%	24.3%
Southwest	4.6%	3.1%	7.4%	11.2%	12.2%	15.0%	11.4%	12.4%
Central	5.0%	3.1%	6.6%	9.8%	11.8%	12.1%	8.9%	9.2%
Total Colorado Springs Market	4.4%	2.8%	9.1%	12.7%	12.3%	12.7%	10.6%	11.4%

Source: Colorado Springs Metro Area Apartment Vacancy and Rent Study, 2007.



Source: RKG Associates; Colorado Springs Metro Area Apartment Vacancy and Rent Study, 2007.

Figure 1. Vacancy Rates for Off-Post Housing

The number of new multifamily building permits (by unit) has dropped dramatically since 2000. Data for Colorado Springs indicates that a 35.9% average annual drop in multifamily building permits has occurred since 2000, as illustrated in Table 5.



Table 5. Multifamily Building Permits in Colorado Springs by Unit

City of Colorado Springs	Multifamily
2000	1,149
2001	1,708
2002	1,663
2003	219
2004	332
2005	131
2006	80
Average Annual Percent Change from 2000-2006	-35.9%

Source: Pikes Peak Regional Building Department.

Very few building permits have been pulled for multifamily product within the region, with just over 724 permits since 2004. No multifamily building permits have been pulled in Fremont County. There have been 181 permits for multifamily pulled within Pueblo County since 2004 (Table 6).

Table 6. Recent Regional Multifamily Building Permit Activity

Area	2004	2005	2006	Total
El Paso County				
Colorado Springs	332	131	80	543
Fountain	0	0	0	0
Falcon	0	0	0	0
Security	0	0	0	0
Other Areas	0	0	0	0
Total El Paso County	332	131	80	543
Pueblo County				
Pueblo City	88	8	43	139
Unincorporated Pueblo County	9	24	9	42
Total Pueblo County	97	32	52	181
Fremont County				
Total Fremont County	0	0	0	0
Regional Count	429	163	132	724

Source: Pikes Peak Regional, Pueblo Regional, Fremont County Building Department.

Rents

Average rents were examined for the Colorado Springs Metro Area, and are presented in Table 7. A 2 Bedroom, 2 Bathroom (2BR 2BA) unit typically rents for \$896, with slightly higher rents in Northern Colorado Springs. Southeast, Central, and Security/Widefield/Fountain have rents that are less than \$900 for 2BR 2BA units. There are relatively fewer units in the Southwest area, which may explain why its rents are generally higher and lie outside the average.



Table 7. Average Rents for the Colorado Springs Metro Area – 2007

Area	Efficiency	2 Bedroom, 1		2 Bedroom, 2		Three	All
		1 Bedroom	Bath	Bath	Bath	Bedroom	
Northwest	\$415	\$632	\$779	\$903	\$871	\$740	
Northeast	\$562	\$580	\$630	\$842	\$853	\$663	
Far - Northeast	\$445	\$654	\$640	\$934	\$1,146	\$761	
Southeast	\$392	\$457	\$568	\$761	\$815	\$575	
Security/Widefield/Fountain	n/a	\$563	\$577	\$529	\$670	\$586	
Southwest	\$490	\$796	\$787	\$971	\$1,023	\$831	
Central	\$410	\$507	\$577	\$897	\$772	\$579	
Avg. Colorado Springs Market	\$483	\$616	\$656	\$896	\$912	\$705	

Source: Colorado Springs Metro Area Apartment Vacancy and Rent Study, 2007.

Rents have stayed constant over time for most units, and have increased less than one percentage point on an annual average basis since Q1 of 2000. 2BR 2BA units have increased the most, with an average annual increase of 4.0%. Table 8 and Figure 2 present average rents by unit type for the Colorado Springs Metro Area.



Table 8. Average Rents by Type Colorado Springs Metro Area – 2007

Unit Type	2000 - Q1	2001 - Q1	2002 - Q1	2003 - Q1	2004 - Q1	2005 - Q1	2006 - Q1	2007 - Q1	Average Annual Increase
Efficiency	\$498	\$502	\$544	\$511	\$483	\$451	\$487	\$483	-0.4%
One Bedroom	\$534	\$570	\$584	\$582	\$571	\$583	\$599	\$616	2.1%
Two Bed, One Bath	\$558	\$650	\$660	\$658	\$599	\$642	\$661	\$656	2.3%
Two Bed, Two Bath	\$679	\$768	\$809	\$821	\$832	\$848	\$873	\$896	4.0%
Three Bedroom	\$914	\$848	\$836	\$869	\$847	\$887	\$966	\$922	0.1%
Average Colorado Springs Metro Area	\$670	\$642	\$658	\$658	\$652	\$678	\$703	\$705	0.7%

Source: RKG Associates; Colorado Springs Metro Area Apartment Vacancy and Rent Study, 2007.

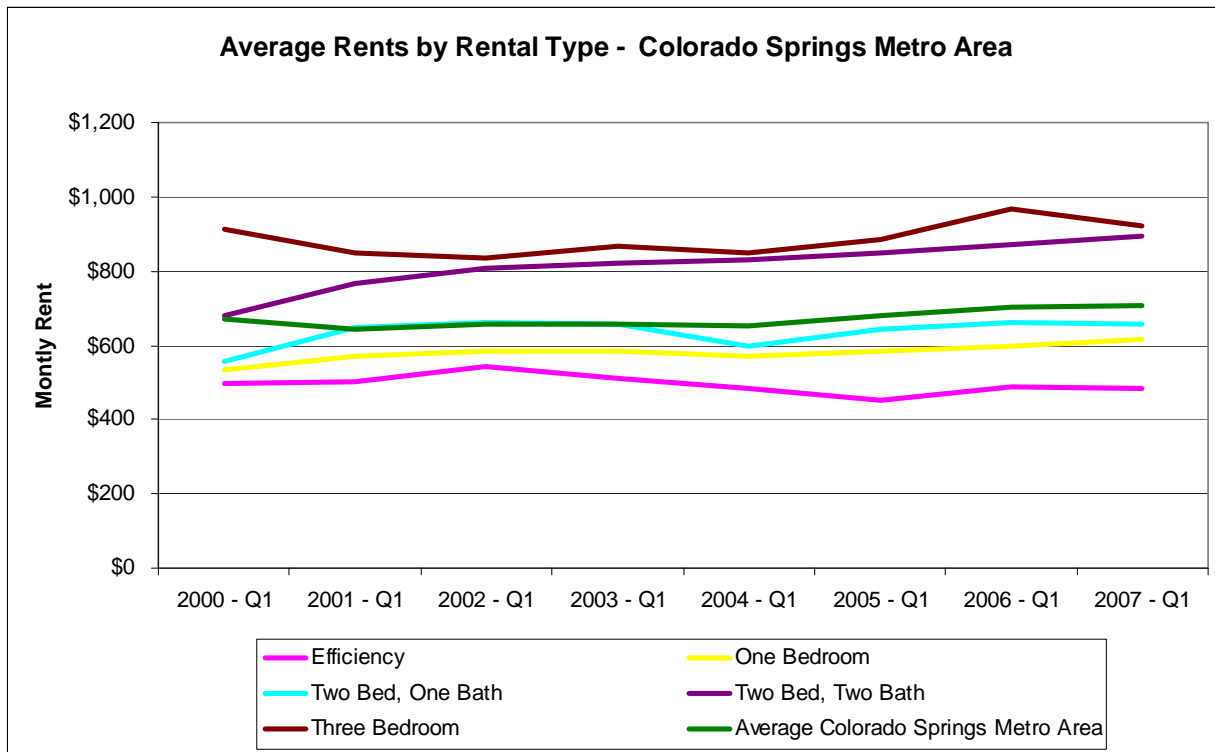


Figure 2. Average Rents by Rental Type

Typically, markets with high vacancy rates and minimal changes in rent indicate a non-expanding rental market, which is the case for the Study Area. As the base expands, it is likely that vacancy rates will decrease and rents may begin to increase.

Fair market rent (FMR) is the monthly cost of modest, non-luxury rental units in a specific market area including rent and utilities, as determined by the U.S. Dept. of Housing and Urban Development (HUD). FMR sets the limit for HUD Section 8 vouchers, which are generally used as affordability indicators. Fair market rents are presented in Table 9 for 2BR units, and show that rents have increased at a steady rate of 2.5% to 3.1% each year. FMR has generally tracked average annual rent increases for the Colorado Springs Area. The reader should note that FMR is calculated through a different methodology and includes slightly broader areas than the Colorado Springs Metro Area. The conclusion of comparing the two data sources is that increases in rent appear to be somewhat consistent throughout the region.



Table 9. Fair Market Rents 2BR - 2003 to 2007

Area	2000	2001	2002	2003	2004	2005	2006	2007	Average Annual Increase
El Paso County/Colorado Springs	\$634	\$647	\$668	\$690	\$701	\$731	\$759	\$785	3.1%
Fremont County	\$499	\$503	\$520	\$437	\$543	\$575	\$594	\$615	3.0%
Pueblo County	\$550	\$561	\$579	\$598	\$608	\$610	\$630	\$652	2.5%

Source: HUD, 2007.

Single Family Rentals

In addition to multifamily unit rentals, single family homes are rented to military personnel and families from Fort Carson. While limited data are available on actual single family rentals, Fort Carson does keep track of the number of units specifically marketed to Fort Carson personnel through the Automated Housing Referral Network (AHRN). Currently, 775 condominiums, duplexes, or homes are being offered to Fort Carson personnel (Table 10). Rents appear to be similar to apartment asking rents, but a square foot comparison is not available at this time. For example, a 2 BR apartment rents for \$785 for Colorado Springs, and a 2 BR condo, duplex, and house are offered at \$837, \$764, and \$820, respectively, which is a difference of less than \$52 per month.

Table 10. Rental Homes Currently Offered to Fort Carson Personnel

Type of Housing	Average Asking Rent	Number of Rentals
Condo		
1 Bedroom	\$803	7
2 Bedroom	\$837	37
3 Bedroom	\$1,118	16
Duplex		
1 Bedroom	\$611	4
2 Bedroom	\$764	118
3 Bedroom	\$1,041	72
4 Bedroom	\$1,245	10
House		
1 Bedroom	\$500	5
2 Bedroom	\$820	27
3 Bedroom	\$1,077	240
4 Bedroom	\$1,282	190
5 Bedroom	\$1,284	39
Mobile Home	\$640	10
Total Number		775

Source: AHRN Report, Fort Carson; RKG Associates.

For-Sale Housing Off-Post

General Market Indicators

General market data are included to provide a background of the housing market, and include indicators such as turnover and age of housing.

Table 11 provides data related to turnover of owner-occupied housing based on U.S. Census data. The PHIA and Study Area function similarly to the State of Colorado. Thus, even though the Fort Carson area is a "military town", home ownership trends appear to be in line with the



state-wide norm. Within the Study Area, approximately 45% of residents have moved in within five years of 2000, and approximately 14% have moved in within one year of 2000.

Table 11. Turnover Data

Time	El Paso County	Fremont County	Pueblo County	Study Area	Primary Housing Impact Area	State of Colorado
Year Moved In:						
Moved in 1969 or earlier	7,915	871	6,968	15,754	2,987	87,086
Moved in 1970 to 1979	12,679	1,193	5,331	19,203	3,966	116,073
Moved in 1980 to 1989	19,853	1,998	5,914	27,765	4,441	179,969
Moved in 1990 to 1994	25,268	2,169	5,968	33,405	5,527	220,143
Moved in 1995 to 1998	40,264	3,696	10,017	53,977	9,166	351,444
Moved in 1999 to March 2000	18,464	1,644	4,236	24,344	3,997	161,590
Total	124,443	11,571	38,434	174,448	30,084	1,116,305
Moved in w/in 5 Years	47%	46%	37%	45%	44%	46%
Moved in w/in 1 Year	15%	14%	11%	14%	13%	14%

Source: US Census 2000.

Census data also indicate that the majority of the Study Area's residents prefer to own homes as opposed to rent. Approximately two thirds of housing units are owner occupied as opposed to rental, with 174,448 owner occupied units within the Study Area (Table 12).

Table 12. Tenure Data

Housing Unit	El Paso County	Percent	Fremont County	Percent	Pueblo County	Percent	Study Area	Percent
Owner occupied	124,443	64.7%	11,571	76.0%	38,434	70.4%	174,448	66.5%
Renter occupied	67,966	35.3%	3,661	24.0%	16,145	29.6%	87,772	33.5%
Total	192,409		15,232		54,579		262,220	

Source: US Census 2000.

Timing of construction has been examined for properties within the Study Area. Census data supply the year a structure was built up to 2000. Assuming all building permits pulled from 2000 to 2006 have yielded structures, then a median year of construction can be estimated for recent growth within the Study Area.

Table 13 provides a median year of construction for residential units, including recent building activity. El Paso County has an estimated 38,000 new residential structures built since 2000, approximately 16% of its total building stock. The median year of construction for El Paso County is 1979, which indicates it has the newest units on average within the study area. Fremont County is estimated to have added about 3% of its building stock since 2000, and Pueblo County has added just fewer than 10% since 2000. The Study Area's median year of construction for residential units is calculated to be 1976. Because this calculation is a weighted average, the high level of building activity of El Paso County brings up that average considerably.



Table 13. Median Year of Construction for Residential Units

Year Built	El Paso County	% of Total	Fremont County	% of Total	Pueblo County	% of Total	Total	% of Total
New Permits from 2000 to 2006	35,298	14.8%	347	2.0%	8,792	13.0%	44,437	13.8%
Built 1999 to 2000	7,775	3.3%	495	2.8%	2,240	3.3%	10,510	3.3%
Built 1990 to 1999	36,795	15.5%	3,207	18.3%	7,844	11.6%	47,846	14.8%
Built 1980 to 1989	44,911	18.9%	2,446	14.0%	4,780	7.1%	52,137	16.1%
Built 1970 to 1979	47,762	20.1%	3,991	22.8%	11,335	16.7%	63,088	19.5%
Built 1960 to 1969	26,560	11.2%	1,711	9.8%	7,544	11.1%	35,815	11.1%
Built 1950 to 1959	18,720	7.9%	1,264	7.2%	9,313	13.8%	29,297	9.1%
Built 1940 to 1949	5,239	2.2%	835	4.8%	4,528	6.7%	10,602	3.3%
Built 1939 or earlier	14,666	6.2%	3,196	18.3%	11,342	16.7%	29,204	9.0%
Total	237,726	100.0%	17,492	100.0%	67,718	100.0%	322,936	100.0%
Median year structure built [1]	1979		1969		1969		1976	

[1] Total for Median Year Structure Built is a weighted average of all counties.

Source: RKG Associates, US Census, 2000.

Building Permits

Building permits are further examined for the Study Area in order to determine recent building trends within the region. While new building from 2000 to 2006 has almost matched the amount of building from 1990 to 1999, a recent slowdown can be seen in building permit data.

For all regions except for Fountain, Falcon, Unincorporated Pueblo County (predominantly Pueblo West), and cities within Fremont County, a slight decrease in building permits has occurred on an average annual basis. Building permit data for single family homes are presented in Table 14. The year 2006 saw a considerable decrease in building activity, largely because of the slowdown in building activity in northern Colorado Springs.

Table 14. Building Permit Data – Single Family Homes

Area	2000	2001	2002	2003	2004	2005	2006	Average Annual Increase
El Paso County								
Colorado Springs	3,143	3,227	3,121	3,003	3,598	3,408	2,025	-7.1%
Fountain	247	324	320	330	393	503	352	6.1%
Falcon	90	226	220	447	437	529	200	14.2%
Security	240	296	148	68	27	72	120	-10.9%
Other Areas	737	682	523	424	531	705	711	-0.6%
Total El Paso County	4,457	4,755	4,332	4,272	4,986	5,217	3,408	-4.4%
Pueblo County								
Pueblo City	472	571	580	436	333	331	397	-2.8%
Unincorporated Pueblo County	726	744	699	770	745	759	799	1.6%
Total Pueblo County	1,198	1,315	1,279	1,206	1,078	1,090	1,196	0.0%
Fremont County (Estimated)								
Penrose, Canon City, Florence	47	34	33	35	27	26	49	0.7%
Other Areas	20	14	14	15	6	7	20	-0.1%
Total Fremont County	67	48	47	50	33	33	69	0.5%
Regional Count	5,722	6,118	5,658	5,528	6,097	6,340	4,673	-3.3%

Source: Pikes Peak Regional, Pueblo Regional, Fremont County Building Department.

Conversely, building permit activity for townhomes has increased consistently (except for the City of Pueblo), over the last seven years (Table 15). Colorado Springs, Fountain, and other areas of El Paso County have all experienced an increased in the number of building permits



pulled for townhomes. Overall, the number of townhome building permits has increased by over 10% on an average annual basis.

Table 15. Building Permit Data – Townhomes

Area	2000	2001	2002	2003	2004	2005	2006	Average Annual Increase
El Paso County								
Colorado Springs	268	288	409	419	652	645	476	10.0%
Fountain	0	0	8	21	41	178	105	n/a
Falcon	0	0	0	0	0	24	0	n/a
Security	0	1	8	6	13	2	6	n/a
Other Areas	33	38	15	31	8	82	94	19.1%
Total El Paso County	301	327	440	477	714	931	681	14.6%
Pueblo County								
Pueblo City	80	84	57	87	71	37	14	-25.2%
Total Pueblo County	80	84	57	87	71	37	14	-25.2%
Regional Count	381	411	497	564	785	968	695	10.5%

Source: Pikes Peak Regional, Pueblo Regional, Fremont County Building Department.

Sales Data

Sales data have been examined for the Study Area, with a primary focus on Multiple Listing Data (MLS) data supplied by the Pikes Peak Association of Realtors (PPAR)¹. Sales data are typically used to assess the health of a real estate market or find trends or anomalies. For example, a market with spikes and drops in sales prices with variable sales rates may indicate market volatility, while a market with steady sales prices and consistent sales may indicate a stable market. The PHIA has shown a steady increase in sales prices and generally stable sales rates over the past few years, thus indicating it is a generally stable market.

Overall, sales prices have generally increased for single family homes, with the exception of Fremont County, which has experienced a minor drop in average sales prices. Pueblo County has seen the largest increase in sales prices, with an average annual change of 12%. Table 16 provides the average sales price for the Study Area.

¹ Data from the Pueblo Association of Realtors and the Royal Gorge Association of Realtors were not made available for the study. However, sales data from Pueblo and Fremont Counties are included in this analysis, as some realtors who belong to the Pikes Peak Association of Realtors made sales in Pueblo and Fremont Counties.



Table 16. Average Sales Price – Study Area

Area	2004	2005	2006	Average Annual Change
Single Family Home				
El Paso County	\$227,898	\$246,105	\$261,442	7.1%
Pueblo County	\$121,956	\$147,260	\$152,859	12.0%
Fremont County	\$187,450	\$174,784	\$177,010	-2.8%
Weighted Average	\$227,309	\$245,035	\$259,645	
Townhome				
El Paso County	\$166,566	\$152,901	\$148,947	-5.4%
Pueblo County	\$179,900	n/a	n/a	n/a
Fremont County	\$111,200	n/a	n/a	n/a

Source: RKG Associates, Pikes Peak MLS.

In order to further refine sales prices, sales data were adjusted to include only the PHIA, which keeps Fremont and Pueblo sales data, but adjusts El Paso County data to remove areas in northern Colorado Springs and El Paso County, such as Briargate, Falcon, Monument, etc. Once average sales prices from northern areas are removed, the average sales price drops by about 15%, and thus, the weighted average sales price, (weighted by number of sales), for a single family home in the PHIA is \$217,254 in 2006 (Table 17).

Table 17. Average Sales Price – Primary Housing Impact Area

Area	2004	2005	2006	Average Annual Change
Single Family Home				
El Paso County	\$196,810	\$211,129	\$219,262	5.6%
Pueblo County	\$121,956	\$147,260	\$152,859	12.0%
Fremont County	\$187,450	\$174,784	\$177,010	-2.8%
Weighted Average	\$196,161	\$209,957	\$217,254	
Townhome				
El Paso County	\$162,953	\$147,300	\$147,355	-4.9%
Pueblo County	\$179,900	n/a	n/a	n/a
Fremont County	\$111,200	n/a	n/a	n/a

Source: RKG Associates, Pikes Peak MLS.

Figure 3 illustrates average sales prices for El Paso County, Fremont County, Pueblo County, and Southern Colorado Springs.



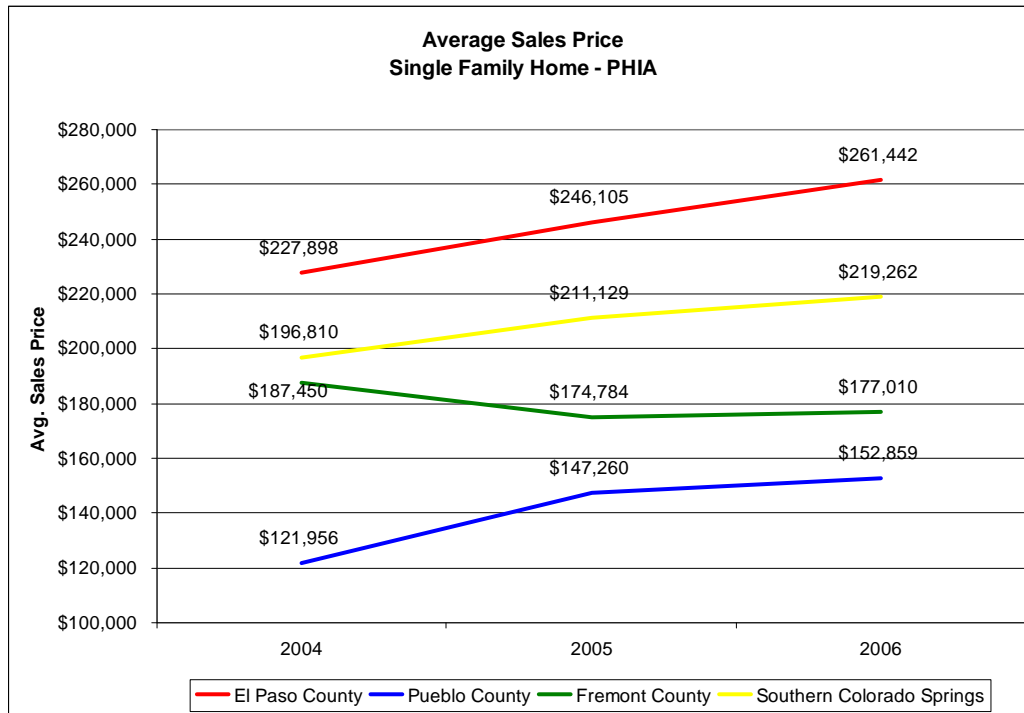


Figure 3. Average Sales Price – Single Family Home - PHIA

Table 18 provides detailed sales data from the Pikes Peak Association of Realtors, and presents all sales, existing home sales, and new home sales from 2004 to 2006 within the Colorado Springs Area². Overall, more than 90% of listings sold through the PPAR are existing homes, which sell for approximately 5% less than new homes on average.

Table 18. Detailed Sales Data – Pikes Peak Association of Realtors

	All Sales			Existing Homes			New Homes in MLS			Percent of Homes Sold Are Existing - 2006	Percent of Homes Sold are New - 2006
	2004	2005	2006	2004	2005	2006	2004	2005	2006		
Single Family/Patio Homes											
New Listings	21,010	20,223	20,841	18,538	17,826	18,509	2,472	2,397	2,332	89%	11%
Sales	11,746	13,124	11,911	10,312	11,464	10,293	1,434	1,660	1,618	86%	14%
Unsold Listings	9,264	7,099	8,930	8,226	6,362	8,216	1,038	737	714	92%	8%
Avg. Sales Price	\$227,309	\$245,035	\$259,645	\$219,415	\$231,819	\$243,372					
Condo/Townhomes											
New Listings	3,167	2,921	3,102	2,634	2,385	2,512	533	536	590	81%	19%
Sales	1,579	1,776	1,797	1,318	1,508	1,402	261	268	395	78%	22%
Unsold Listings	1,588	1,145	1,305	1,316	877	1,110	272	268	195	85%	15%
Avg. Sales Price	\$148,997	\$152,901	\$148,947	\$141,510	\$143,012	\$153,378					
Total Housing											
New Listings	24,177	23,144	23,943	21,172	20,211	21,021	3,005	2,933	2,922	88%	12%
Sales	13,325	14,900	13,708	11,630	12,972	11,695	1,695	1,928	2,013	85%	15%
Unsold Listings	10,852	8,244	10,235	9,542	7,239	9,326	1,310	1,005	909	91%	9%

Source: RKG Associates, Pikes Peak MLS.

Sales listings dropped slightly in 2005, but increased in 2006, as shown in Figure 4. The number of sales peaked in 2005, and the number of unsold listings (which is typically inverse to sales) dropped in 2005. Overall, sales patterns show that 2006 had more listings with slightly fewer sales, but a higher average sales price. New homes sold with MLS records remained relatively constant over the past three years.

² The sales data presented are based on sales made by realtors that are members of the PPAR and not necessarily sales within a defined geographic area. The majority of sales is within the PHIA, but may include some sales data from adjacent areas.



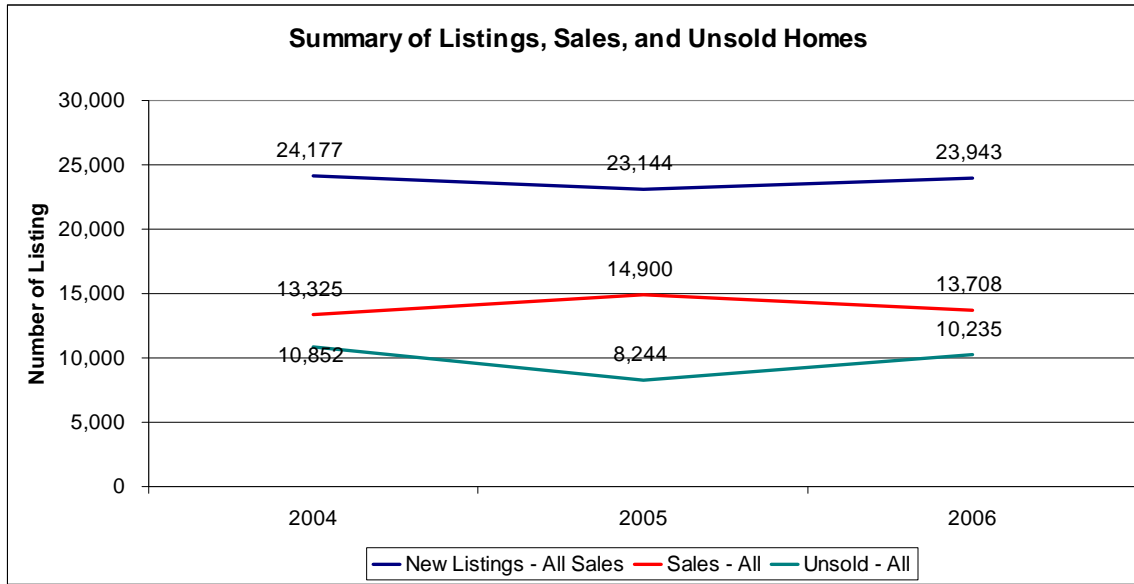


Figure 4. Summary of Listings, Sales, and Unsold Homes - Pikes Peak Association of Realtors

Monthly sales data were also examined and provide an estimate of the current supply of homes for sale (i.e., inventory) on the market as shown in Table 19. For the Study Area, approximately 5,349 homes are actively listed, and approximately 3,992 sales have been made this year. For the PHIA, however, approximately 2,730 homes are listed, which is approximately 46% of the Study Area.

Table 19. Monthly Sales Estimates

Month	Category	Study Area	PHIA
December-06	Total Active Listings [1]	4,077	2,139
January-07	New Listings	1,599	855
	Total Active Listings	4,451	2,335
	Estimated Sales	1,225	659
February-07	New Listings	1,393	769
	Total Active Listings	4,600	2,428
	Estimated Sales	1,244	676
March-07	New Listings	1,918	990
	Total Active Listings	4,995	2,625
	Estimated Sales	1,523	793
April-07	New Listings	1,857	926
	Total Active Listings	5,349	2,730
Estimated Three Month Sales		3,992	2,128

[1] Estimated.

Source: RKG Associates, Pikes Peak MLS.

Affordability

Affordability is a key component to future impacts to the housing market. In this analysis, affordability refers to the price of a home a Fort Carson buyer can purchase, assuming basic allowance for housing (BAH), average debt, and household income. It should be noted that this assessment of affordability will require updating as the market expands over the next few years.



This analysis uses a data sample that should be expanded and updated as the housing market grows. More research will be required as several key factors, including pricing, mortgage rates, lending patterns, and buying trends, continue to evolve.

Current market conditions have been favorable for homebuyers, with 30 year fixed lending rates ranging from 6.0% to 6.5%. According to local economists, favorable mortgage rates have contributed to the general increase in homeownership over the past few years. However, national and regional trends indicate that the housing market is experiencing a "cooling," driven partly by the expectation that inflation rates, which are correlated to interest rates, will rise.

Data from over 200 military personnel³ in the Fort Carson region were obtained from CB&T Mortgage Company and were used as the basis for debt loads and other sales information. Average income of military personnel purchasing homes was approximately \$48,000, and average household income (personnel income plus spousal/other co-signer income) was approximately \$59,000. Average "other" debt service, such as auto loans, student loans, etc., was about \$670 per month. The average sales price was just under \$298,000, which is expressed as a sales price to household income ratio of 5.06. These data, as shown in Table 20, are further detailed below, and used as the basis for several affordability calculations.

Table 20. Lending Data for Military Personnel within the Region

By Service	Average Income	Average Household Income	Average Other Debt Monthly Payment	Average Sales Price	Sales Price to Income Ratio
US Air Force	\$51,062	\$66,521	\$876	\$314,796	4.73
US Army	\$42,714	\$50,665	\$404	\$272,219	5.37
US Navy	\$62,044	\$62,644	\$1,261	\$371,340	5.93
US Coast Guard	\$69,070	\$69,070	\$787	\$345,209	5.00
Average All Services	\$47,966	\$58,933	\$670	\$297,909	5.06

Source: RKG Associates, data supplied by CB&T Mortgages.

Average household income used in this analysis is derived from data related to co-signers of home loans⁴. As presented in Table 21, approximately 30% of borrowers have a co-signer, which is typically a spouse or other family member. Of the co-signers, average monthly income is just over \$3,000 per month. If this amount is applied to on an average basis to *all* borrowers, the average monthly co-signer income is \$914 per month, or \$10,967 annually. Thus, the average household income is \$58,933, or \$10,967 higher than the average sole income of military personnel, which is \$47,966.

³ Data are composed primarily of Army and Air Force personnel, with some Navy and Coast Guard personnel as well. Minimal variance is observed between different services of the military.

⁴ Note that this is a different utilization of the term household income than used in other demographic sources, such as the U.S. Census. The term household income is used here for purposes of calculating lending patterns for military personnel.



Table 21. Lending Data Related to Military Households

Rank	Number of Borrowers	Number of Co-signers	Percent of Borrowers with a Co-signer	Average Monthly Co-Signer Income	Adjusted Average Monthly Co-Signer Income	Adjusted Average Co-Signer Income
	<i>a</i>	<i>b</i>	$c = b/a$	<i>d</i>	$e = c \times d$	$f = e \times 12$
E7 to Officer	134	37	28%	\$3,501	\$967	\$11,599
E6 to E4	79	27	34%	\$2,413	\$825	\$9,896
E1 to E3	6	2	33%	\$914	\$305	\$3,655
Total	219	66	30%	\$3,033	\$914	\$10,967

Source: RKG Associates, data supplied by CB&T Mortgages.

Average debt was also examined for military personnel. Of the military personnel, approximately 58% had some form of debt other than the mortgage. On average, then, military personnel had a monthly obligation of \$670 per month. E7 to Officers had an average monthly debt of \$732, which ranged from \$424 to \$1,257. E3 to E6 personnel had a lower monthly average of \$336, with a range of \$200 to \$504.

Average Principal, Interest, Taxes, and Insurance (PITI) and sales prices are presented in Table 22. Average sales prices were approximately \$337,000 for E7 to Officers, and \$203,000 for E3 to E6 personnel.

Table 22. Average PITI and Home Prices

By Rank	Average PITI	Average Sales Price
O6	\$2,654	\$476,302
O5	\$2,257	\$431,078
O4	\$2,282	\$365,676
O3	\$1,911	\$305,984
O2 - E8	\$1,880	\$294,716
E7	\$2,262	\$319,729
Average E7 - O6	\$2,077	\$337,235
E6	\$1,857	\$275,204
E5	\$1,530	\$219,134
E4	\$1,119	\$161,649
E3	\$1,132	\$156,067
Average E3 to E6	\$1,409	\$203,013

PITI is "principal, interest, taxes and insurance".

Source: RKG Associates, data supplied by CB&T Mortgages.

Debt ratios are useful in examining the affordability of housing, and are presented in Table 23. Average monthly household income plus BAH provides an estimate of monthly income for military personnel, which can be compared to the average PITI (principal, interest, taxes, insurance) for the Front End Debt to Income Ratio. For E7 to Officers, the average Front End Debt to Income Ratio is 29.4% and 34.7% for E3 to E6 personnel. Back End Debt to Income Ratios take into account other debt individuals have when calculating the debt to income ratio. Thus Back End Debt to Income Ratios are calculated to be 39.8% for E7 to Officers, and 43.0% for E3 to E6 personnel. In general, the Veterans Administration (VA) guidelines suggest Back End Debt to Income Ratios of 41% or lower, however, they are often extended beyond that limit if



compensating factors are shown to be above average (e.g., good credit history, long term employment, liquid assets, etc.).

Table 23 also illustrates the value the Basic Allowance for Housing (BAH) plays in the lending calculation. Without the BAH, Back End Debt to Income Ratios would exceed the 41% limit, suggesting that the BAH provides a significant role in home purchasing decisions.

Table 23. Debt to Income Ratios

By Rank	Average Monthly Household Income	Average BAH Payment	Monthly Income plus BAH	Average Other Debt	Average PITI	Front End Debt to Income Ratio	Back End Debt to Income Ratio
	<i>a</i>	<i>b</i>	<i>c = a + b</i>	<i>d</i>	<i>e</i>	<i>f = e / c</i>	<i>f = (e + d) / c</i>
With BAH							
E7 to O6	\$5,731	\$1,333	\$7,063	\$732	\$2,077	29.4%	39.8%
E3 to E6	\$3,056	\$1,007	\$4,063	\$336	\$1,409	34.7%	43.0%
Without BAH							
E7 to O6	\$5,731	\$0	\$5,731	\$732	\$2,077	36.2%	49.0%
E3 to E6	\$3,056	\$0	\$3,056	\$336	\$1,409	46.1%	57.1%

Source: RKG Associates, data supplied by CB&T Mortgages.

Average income, BAH, debt load, taxes, insurance, and interest rates have been used to provide a home affordability range matrix, as presented in Table 24. This table provides the percent of household income a potential homeowner would have to spend in order to afford a range of homes. BAH less other debt obligations is used to estimate a capitalized value of the BAH. This amount is equivalent to a value of a home purchased with solely BAH funds, which is typically not enough to purchase a home. Thus, a portion of the personnel's salary must be contributed to afford a typical home.

Table 24 provides a matrix of the percent of salary a homeowner would be required to spend in order to afford a range of homes. For example, an E-7 would have to spend 16.9% of his/her salary to afford a \$150,000 home. As most financial advisors suggest that no more than 30% of income should go towards a mortgage payment, any value that is above 30% is in dark gray and indicates that home would be unaffordable.

These estimates generally match average sales prices as provided by CB&T Mortgage, which indicates military homebuyers are not overbuying or stretching personal finances too far.



Table 24. Home Affordability Matrix – 6.5% Interest Rate

Rank	Basic Allowance for Housing	Average Other Debt	Capitalized Value of BAH Less Other Debt	Monthly Pay Plus Average Co-Signer Income [1]	Percent of Salary	Percent of Salary	Percent of Salary	Percent of Salary	Percent of Salary	Percent of Salary
					Required for \$150,000 Home [2]	Required for \$200,000 Home [2]	Required for \$250,000 Home [2]	Required for \$300,000 Home [2]	Required for \$350,000 Home [2]	Required for \$400,000 Home [2]
Home Price:					\$150,000	\$200,000	\$250,000	\$300,000	\$350,000	\$400,000
O-7	\$1,583	\$710	\$105,685	\$10,038	2.8%	5.9%	9.1%	12.2%	15.4%	18.5%
O-6	\$1,565	\$710	\$102,837	\$8,636	3.5%	7.1%	10.8%	14.4%	18.1%	21.7%
O-5	\$1,552	\$710	\$100,780	\$6,970	4.5%	9.0%	13.5%	18.1%	22.6%	27.1%
O-4	\$1,467	\$710	\$87,332	\$6,221	6.4%	11.4%	16.5%	21.6%	26.7%	31.8%
O-3	\$1,345	\$710	\$68,031	\$5,709	9.1%	14.6%	20.1%	25.7%	31.2%	36.8%
O-2	\$1,162	\$710	\$39,078	\$5,233	13.4%	19.4%	25.5%	31.5%	37.6%	43.6%
O-1	\$1,060	\$710	\$22,941	\$4,889	16.4%	22.9%	29.4%	35.8%	42.3%	48.7%
Warrant	\$1,322	\$710	\$64,455	\$4,366	12.4%	19.6%	26.9%	34.1%	41.3%	48.6%
E-9	\$1,381	\$710	\$73,726	\$5,377	9.0%	14.8%	20.7%	26.6%	32.5%	38.4%
E-8	\$1,303	\$710	\$61,386	\$4,406	12.7%	19.9%	27.1%	34.2%	41.4%	48.6%
E-7	\$1,231	\$710	\$49,995	\$3,740	16.9%	25.4%	33.8%	42.3%	50.7%	59.2%
E-6	\$1,165	\$340	\$98,091	\$3,266	10.0%	19.7%	29.4%	39.1%	48.8%	58.4%
E-5	\$1,046	\$340	\$79,264	\$3,039	14.7%	25.1%	35.5%	45.9%	56.3%	66.7%
E-4	\$908	\$340	\$57,431	\$2,758	21.2%	32.7%	44.1%	55.6%	67.0%	78.5%
E-3	\$908	\$340	\$57,431	\$1,992	29.4%	45.2%	61.1%	77.0%	92.8%	108.7%
E-2	\$908	\$340	\$57,431	\$1,764	33.2%	51.1%	69.0%	86.9%	104.9%	122.8%
E-1	\$908	\$340	\$57,431	\$1,606	36.4%	56.1%	75.8%	95.5%	115.1%	134.8%

[1] Average household data includes income from co-signers. Data for O7 was not available, and uses data from O6.

[2] Areas in gray denote a value of over 30%. Other assumptions include:

30 Year Term

6.5% Interest Rate

\$960 In Annual Property Taxes

\$1,500 In Annual Insurance Costs

0% Downpayment (Assumes VA Loan)

Source: RKG Associates, Inc.

As discussed, it is possible that interest rates may increase over the next few years. Assuming a 7.5% interest rate and all other inputs to the matrix are the same, affordability begins to lessen for all ranks, as presented in Table 25.

Table 25. Home Affordability Matrix – 7.5% Interest Rate

Rank	Basic Allowance for Housing	Average Other Debt	Capitalized Value of BAH Less Other Debt	Monthly Pay Plus Average Co-Signer Income [1]	Percent of Salary	Percent of Salary	Percent of Salary	Percent of Salary	Percent of Salary	Percent of Salary
					Required for \$150,000 Home [2]	Required for \$200,000 Home [2]	Required for \$250,000 Home [2]	Required for \$300,000 Home [2]	Required for \$350,000 Home [2]	Required for \$400,000 Home [2]
Home Price:					\$150,000	\$200,000	\$250,000	\$300,000	\$350,000	\$400,000
O-7	\$1,583	\$710	\$95,536	\$10,038	3.8%	7.3%	10.8%	14.2%	17.7%	21.2%
O-6	\$1,565	\$710	\$92,961	\$8,636	4.6%	8.7%	12.7%	16.8%	20.8%	24.9%
O-5	\$1,552	\$710	\$91,102	\$6,970	5.9%	10.9%	15.9%	21.0%	26.0%	31.0%
O-4	\$1,467	\$710	\$78,946	\$6,221	8.0%	13.6%	19.2%	24.8%	30.5%	36.1%
O-3	\$1,345	\$710	\$61,498	\$5,709	10.8%	17.0%	23.1%	29.2%	35.3%	41.5%
O-2	\$1,162	\$710	\$35,325	\$5,233	15.3%	22.0%	28.7%	35.4%	42.0%	48.7%
O-1	\$1,060	\$710	\$20,738	\$4,889	18.5%	25.6%	32.8%	39.9%	47.1%	54.2%
Warrant	\$1,322	\$710	\$58,265	\$4,366	14.7%	22.7%	30.7%	38.7%	46.7%	54.7%
E-9	\$1,381	\$710	\$66,646	\$5,377	10.8%	17.3%	23.8%	30.3%	36.8%	43.3%
E-8	\$1,303	\$710	\$55,491	\$4,406	15.0%	22.9%	30.9%	38.8%	46.7%	54.7%
E-7	\$1,231	\$710	\$45,194	\$3,740	19.6%	28.9%	38.3%	47.6%	57.0%	66.3%
E-6	\$1,165	\$340	\$88,671	\$3,266	13.1%	23.8%	34.5%	45.2%	55.9%	66.7%
E-5	\$1,046	\$340	\$71,652	\$3,039	18.0%	29.5%	41.0%	52.5%	64.0%	75.6%
E-4	\$908	\$340	\$51,915	\$2,758	24.9%	37.5%	50.2%	62.9%	75.6%	88.2%
E-3	\$908	\$340	\$51,915	\$1,992	34.4%	52.0%	69.5%	87.1%	104.6%	122.2%
E-2	\$908	\$340	\$51,915	\$1,764	38.9%	58.7%	78.5%	98.4%	118.2%	138.0%
E-1	\$908	\$340	\$51,915	\$1,606	42.7%	64.5%	86.2%	108.0%	129.8%	151.5%

[1] Average household data includes income from co-signers. Data for O7 was not available, and uses data from O6.

[2] Areas in gray denote a value of over 30%. Other assumptions include:

30 Year Term

7.5% Interest Rate

\$960 In Annual Property Taxes

\$1,500 In Annual Insurance Costs

0% Downpayment (Assumes VA Loan)

Source: RKG Associates, Inc.

Current and Near Term Supply

The projected housing supply for the PHIA has been examined, and is presented below. Data were provided by various local planning departments and interviews with developers and other



stakeholders. While housing supply data are constantly in fluctuation, this section provides an estimate of housing supply that can be compared to forecast demand projections.

This section examines both single family and multifamily housing; however, the primary source of new building will be single family product in the future. It should be noted that because different data sets were used to estimate supply for for-sale housing and multifamily housing, the area used to estimate multifamily housing supply is slightly larger than that of the PHIA. This was done to include an area where there were multifamily units that were historically rented to Fort Carson personnel, but no new for-sale housing developments.

Housing data are categorized by estimated date of completion and current project status. Estimated time of completion and status were obtained primarily through direct contact with builders or developers. Most developers were only able to provide general estimates of timing of completion, and suggested that *all timing is flexible*.

Most builders and developers have taken a conservative tack in response to current market conditions. Very few builders are currently finishing homes on a speculative basis. Instead, most builders that intend to build within the next few years have approved (or soon to be approved) maps, and a range of infrastructure improvements. The majority of projects have infrastructure in place for their developments, or will be able to do so within 3 months. A small number of builders have begun to build homes, will build homes within the next few months, or are sitting on current inventory.

While the majority of units are within El Paso County, all areas of the PHIA were included in this analysis of supply. Project status has been broken down into four categories for this project, and includes: "Under Construction/Inventory", "Infrastructure/Approved", "Planned", or "Discussion". A brief description of each category is listed below:

- Under Construction/Inventory – Builders either have inventory, are sure they build within the year.
- Infrastructure/Approved – These are approved lots, with infrastructure either installed or scheduled to be installed within the next year.
- Planned – These units are currently undergoing the planning process and will likely be approved within the next year.
- Discussion – These units are merely under consideration, with no formal plans or construction progress. These units are not counted in the inventory for the next few years, but are discussed for longer term consideration.

It should be noted that as of May 2007, an estimated 5,349 existing homes are actively being marketed through the MLS system, of which about 2,730 are within the PHIA. Historic data suggest that the number of existing homes on the market has been relatively consistent, with a turnover rate generally between 10% and 15% on an annual basis.

As new military personnel and other related homebuyers search for homes, many may choose to purchase existing homes. Thus, the number of existing homes on the market may decrease in the short term as sales increase, but would probably revert to the historic turnover rate over time as this rate is driven by net migration. A portion of these 2,730 units will go to meet the short term housing demand, but it is difficult to accurately estimate the actual amount. The reader should



assume that a portion of these units will act as inventory in addition to the units counted in Table 28.

Single Family Housing Supply

A summary of new single family housing projects within the PHIA is provided in Table 26. In 2007, approximately 883 units are currently built or are committed to be built by the end of the year. Approximately 3,083 lots are slated to have infrastructure improvements by the end of the year, and an additional 85 lots are expected to be approved through the planning process by the end of the year.

For 2008, approximately 2,996 single family units will receive completed infrastructure and approval, and an additional 1,151 will be approved through the planning process. By 2009, it is estimated that 1,720 units will be approved with final platted maps.

For 2010 and beyond, it is estimated a considerable number of units could be planned, and over 25,000 more units are under "discussion", which includes a few projects that could be over several thousand units apiece. These units are not likely to go forward within the next five years, but are included for reference to future projects on the horizon.

Table 26. Estimated Supply of New Single Family Housing by Year and Project Status

Year	Status	Units	Average Price	Percent
Single Family				
2007	Under Construction/ Inventory	883	\$220,750	22%
2007	Infrastructure/Approved	3,083	\$221,200	76%
2007	Planned	85	\$217,500	2%
2007	Discussion	0	\$0	0%
2007	Total	4,051		100%
2008	Infrastructure/Approved	2,996	\$188,385	72%
2008	Planned	1,151	\$205,375	28%
2008	Discussion	0	\$0	0%
2008	Total	4,147		100%
2009	Planned	1,720	\$217,250	100%
2009	Discussion	0	\$0	0%
2009	Total	1,720		100%
2010+	Infrastructure/Approved	150	n/a	0%
2010+	Planned	9,877	n/a	28%
2010+	Discussion	25,502	n/a	72%
2010+	Total	35,529		100%
Total Single Family Units		45,447		

Source: RKG Associates

Pricing for single family product is included and ranges between \$205,000 and \$225,000. As most builders have improved lots and are awaiting specific demand for housing, *final home pricing is still variable*. Builders can upgrade or even re-map properties as appropriate, which provides some flexibility in meeting housing demand.



One consistent comment made by builders is the recently increased water tap fees charged by the City of Fountain. While most developers understood the methodology for calculating the fee, the increase does challenge builders to stay within price ranges of \$200,000 to \$225,000, as profit margins are smaller than for higher priced units. According to the building community, this could force home prices up in the future.

Townhome Supply

In addition to single family units, a considerable number of townhomes are currently under development. Table 27 provides a summary of new units, timing, and status. Approximately 155 new units are currently under construction or listed as inventory, and 1,132 units are undergoing infrastructure improvements.

Table 27. Estimated Supply of New Townhome/Condos by Year and Project Status

Year	Status	Units	Average Price	Percent
Townhomes				
2007	Under Construction/ Inventory	155	\$196,000	12%
2007	Infrastructure/Approved	1,132	\$206,650	88%
2007	Planned	0	n/a	0%
2007	Discussion	0	n/a	0%
2007	Total	1,287		100%
2008	Infrastructure/Approved	117	\$166,250	45%
2008	Planned	141	\$156,250	55%
2008	Discussion	0	n/a	0%
2008	Total	258		100%
2009	Planned	0	n/a	0%
2009	Discussion	0	n/a	0%
2009	Total	0		0%
2010+	Infrastructure/Approved	150	n/a	11%
2010+	Planned	751	n/a	53%
2010+	Discussion	505	n/a	36%
2010+	Total	1,406		100%
Total Townhomes		2,951		

Source: RKG Associates

Pricing for townhomes and condominium units has generally stayed under \$210,000, and is expected to range between \$150,000 and \$225,000. Prices for townhomes are also variable and will evolve as demand increases.

As planning for the increase of personnel at Fort Carson continues, estimating the number of single family units by confidence of completion is a useful tool in estimating supply. Various levels of confidence of completion are estimated in order to provide insight into the probability of the future housing supply. This rating system is intended to allow planners to continually update the number of for-sale units available to new residents.

A high level of confidence includes units that are either currently built, or will definitely be built by the end of this year. A medium level of confidence includes units that are approved or have



infrastructure in place. Low levels of confidence include approved units “on paper”, and various levels of business preparedness (e.g., having subcontractor agreements, etc.) may or may not be in place.

Input from almost all builders suggests that each level of confidence could take as long as three to six months. Thus, it is very possible that a developer/builder with improved lots could build by end of year, even though the project’s units are considered medium level of confidence. It is also possible that an aggressive developer could convert paper lots into real homes within one year. However, the goal of the levels of confidence is to provide a picture of the likelihood of the forecast housing supply.

Total Single Family and Townhome Supply

Table 28 provides a summary of the supply of both single family housing and townhome units by level of confidence by completion date. For 2007, a high level of confidence is given to 1,038 units, which are committed to be built or currently built within the PHIA. An additional 4,215 units are also slated to have infrastructure improvements in 2007. As mentioned before, many builders feel confident these can be converted into for-sale units by end of year *if the demand for additional units is present*. Thus, 5,338 units are given a medium level of confidence for 2007.

For 2008, an additional 3,412 units are expected to have completed infrastructure, and 1,292 units are expected to go through some form of planning approval. Thus, by end of 2008, 8,665 units are given a medium level of confidence of completion, and 10,042 are given a low level of confidence of completion.

Units progress from low levels of confidence of completion to higher levels of confidence of completion as they move towards final construction. For example, a unit that is only approved on paper will “graduate” from a low level of confidence to a medium level of confidence once the site is graded and all necessary infrastructure is installed. Because the unit is closer to being built, it has a higher “probability” of being completed.

Table 28. Supply of Single Family and Townhome Units by Level of Confidence

Study Area	Confidence Level of Completion [1]	Completion Date:			
		2007	2008	2009	2010+
Under Construction/ Inventory - New Homes		1,038	0	0	0
Cumulative Under Construction or Inventory	High	1,038	1,038	1,038	1,038
Infrastructure/Approved		4,215	3,412	0	0
Cumulative Under Construction and/or Infrastructure/Approved	Medium	5,253	8,665	8,665	8,665
Planned		85	1,292	1,964	10,628
Cumulative Under Construction, Infrastructure/Approved, or Planned	Low	5,338	10,042	12,006	22,634

[1] Confidence level of completion is based on the current status of the project.

Source: RKG Associates

Table 29 provides a summary of the development by level of confidence of completion and by geographic area. The majority of high level of confidence of construction is forecast to occur in Fountain and Unincorporated El Paso County, including Security and Widefield. Approximately 1,038 single family and townhome units are expected to be available with a high level of



confidence. Pueblo County, primarily Pueblo West, has a number of newly built units in inventory that are currently available.

Colorado Springs has several projects that will be actively marketed to Fort Carson personnel. In 2001, Spring Creek, located in central Colorado Springs, provided an update to the master plan, with over 2,000 single family and townhome units expected over the next few years.

Pueblo County has had steady growth in Pueblo West and within the City of Pueblo. As few large builders are currently targeting Pueblo County for large developments (i.e., over 100 units), historic data are used to project future housing supply. Currently, Pueblo West has a number of units currently available and could add more inventory as necessary. The City of Pueblo is currently under discussion with several developers to create larger scale master planned communities on annexed land; however, these developments are several years out⁵.

Table 29. Summary of Units by Confidence Level and Area

Area	Single Family	Townhomes	Potential For Sale Units
High Level of Confidence			
Colorado Springs	151	104	255
Fountain	222	51	273
Fremont County	25	0	25
Pueblo County	135	0	135
Unincorporated El Paso County	350	0	350
Subtotal High Level of Confidence	883	155	1,038
Medium Level of Confidence			
Colorado Springs	325	761	1,085
Fountain	3,868	638	4,506
Fremont County	100	0	100
Pueblo County	900	0	900
Unincorporated El Paso County	1,036	0	1,036
Subtotal Medium Level of Confidence	6,229	1,399	7,627
Low Level of Confidence			
Colorado Springs	725	725	1,450
Fountain	3,643	167	3,810
Fremont County	2,000	0	2,000
Pueblo County	2,070	0	2,070
Unincorporated El Paso County	4,639	0	4,639
Subtotal Low Level of Confidence	13,077	892	13,969

Source: RKG Associates

Fremont County currently has one major new development that it is expected to supply at least 25 units with a high level of confidence, 100 units per year with a medium level of confidence, and an additional 2,000 in the planning stage.

⁵ The City of Pueblo is currently reviewing estimated projections.



Under the medium level of confidence, approximately 3,868 single family units could be built in Fountain and an additional 638 townhomes. Pueblo County could see several hundred new units as demand increases, which would likely occur in Pueblo West. Unincorporated El Paso County has 1,036 single family units with a medium level of confidence, and Colorado Springs could add 325 single family units and 761 townhomes with a medium level of confidence within the PHIA.

Under the low level of confidence, nearly 14,000 potential units could be given planning approval, with over 4,600 units in Unincorporated El Paso County, 3,800 in Fountain, 1,450 in Colorado Springs, and over 2,000 each in Fremont and Pueblo Counties.

Multifamily Supply

Multifamily supply is likely to remain constant over the next few years, as few projects have been proposed that are under serious consideration. One project in Fountain is under a medium level of confidence of completion for 2008, which will add 300 more rental units to the market. Another project in Fountain is given a medium level of confidence for 2009, with 238 units. Approximately 400 multifamily units are given a low level of confidence in Colorado Springs, with dates that are uncertain.

C. FORECAST DEMAND

This section provides an estimate of the increase in housing demand related to the increase of military and civilian personnel at Fort Carson. Three groups will provide an increase in demand for housing, and include baseline population growth, military personnel growth, and civilian personnel growth.

Baseline population growth is the population of growth that would occur without the increase of troops and their families. Estimates were provided by the Colorado Division of Local Affairs (DOLA) Demography Office and represent an average annual growth rate of about 2%.

The DOLA Demography Office originally included the new troops in its population projections, so that baseline growth projections included "natural" growth (i.e., growth that would have occurred without the population increase at Fort Carson), new military personnel and families, and induced population growth. Induced population growth is defined in this analysis as the population that moves to the region to pursue employment related to new regional opportunities. For example, individuals will move to the region to pursue jobs related to defense related activities as the demand for more defense contractors increases.

This analysis removes the military personnel and families from the baseline population growth, leaving behind natural growth and induced growth in the baseline population projections. Projections for the baseline population were also adjusted to include only population growth within the PHIA. Thus, the baseline population growth represents a population estimate for natural growth within the PHIA and induced population growth.

Baseline population within the PHIA is estimated to be 201,822 in 2007, with an increase in annual population of 4,158. This population figure is then divided by the average number of persons per household (2.77) to estimate the number of rental and/or for-sale units required from the



baseline population in the future. Thus, just over 1,500 rental and/or for-sale units will be required annually by the baseline population over the next few years.

It should be noted that demographic population forecasts were used as the basis for housing demand for the Expected Growth Scenario (11,400 troops) and the Alternative Growth Scenario (8,550 troops). As military and civilian personnel are assumed to be the head of each household, they represent one unit of demand for a rental unit or a for-sale house/townhome. For example, the Expected Growth Scenario will consist of 11,400 personnel, each the head of the household and thus equivalent to 11,400 households. These households will require 11,400 housing units, consisting of a mixture of barrack spaces, on-post housing, off-post rental units, and off-post for-sale units.

Expected Growth Scenario

Under the Expected Growth Scenario, military population is expected to increase by 4,700 in the 2007, 100 in 2008, 5,200 in 2009, and 700 in 2010 and 2011⁶. Military population is equivalent to the number of households and is used to estimate the number of housing units required over the next few years as the number of personnel at Fort Carson increases. Some personnel are the head of individual households, while others are the head of a family household. These assumptions are further examined below.

Civilian population increases are defined as growth from direct on-post civilian jobs, and is separate from induced population growth. These persons typically represent skilled workers, including technology workers, managers, and other professional positions funded through appropriated and non-appropriated funds by Fort Carson. It is estimated that approximately 430 civilians will be added to Fort Carson, and are assumed to be added to the population equally over the next five years.

Table 30 presents the forecast population and household growth under the Expected Growth Scenario. It should be noted that the number of new military and civilian personnel are assumed to be the head of the household and are thus equivalent to new households. The number of new households provides the basis for calculating housing demand.

⁶ Dates provided assume Federal Fiscal Year, which begins on October 1 of each calendar year and ends on September 30 of the following calendar year



Table 30. Forecast Household Growth for Fort Carson – Expected Growth Scenario

Group	2007	2008	2009	2010	2011	2012
Baseline Population						
Baseline Population within Primary Housing Impact Area	201,822	205,890	209,968	214,079	218,216	222,294
Annual Population Growth (change from previous year)	4,158	4,068	4,078	4,111	4,137	4,078
Baseline Households (1)	1,593	1,559	1,563	1,575	1,585	1,562
Households by Rank						
E7-E9 and Officers	1,097	23	1,213	163	163	0
E4-E6	2,791	59	3,088	416	416	0
E1-E3	812	17	899	121	121	0
Military Households	4,700	100	5,200	700	700	0
Households from Civilian Personnel	86	86	86	86	86	0
Total New Households from Expected Growth Scenario						
	6,379	1,745	6,849	2,361	2,371	1,562

Source: DOLA Demography Office, RKG Associates, Inc.

(1) Baseline households is calculated by dividing the population growth by the 2.6, which is the avg. number of persons per househ

Table 31 applies rental and home ownership assumptions to household population projections to estimate the demand for rental and for-sale units. Estimates of the percent of households that will rent versus the percent that will buy have been applied to each population group. For example, it is estimated that 35% of baseline households will rent, and 65% will buy. The increase in population is then multiplied by this percentage to provide the number of future renters and homebuyers (1,593 x 35% = 563; 1,593 x 65% = 1,030).

Table 31. Owners vs. Renters – Expected Growth Scenario

Group	Assumption (1) (2)	2007	2008	2009	2010	2011	2012
Baseline Households		1,593	1,559	1,563	1,575	1,585	1,562
Rental Population	35% of Baseline Households	563	551	552	556	560	552
SF Home Purchase Population	65% of Baseline Households	1,030	1,008	1,011	1,019	1,025	1,010
Military Personnel (Head of Household)							
E7-E9 and Officer Population		1,097	23	1,213	163	163	0
Rental Population	35% of E7-E9 and Officer Population	380	8	420	57	57	0
SF Home Purchase Population	65% of E7-E9 and Officer Population	717	15	793	107	107	0
E4-E6 Population		2,791	59	3,088	416	416	0
Rental Population	37% of E4-E6 Population	1,029	22	1,139	153	153	0
SF Home Purchase Population	63% of E4-E6 Population	1,761	37	1,949	262	262	0
E1-E3 Population		812	17	899	121	121	0
Rental Population	90% of E1-E3 Population	731	16	809	109	109	0
SF Home Purchase Population	10% of E1-E3 Population	82	2	90	12	12	0
Civilian Households		86	86	86	86	86	0
Rental Population	35% of Civilian Households	30	30	30	30	30	0
SF Home Purchase Population	65% of Civilian Households	56	56	56	56	56	0
Total Rental Population		2,733	626	2,950	906	909	552
Total SF Home Purchase Population		3,646	1,118	3,899	1,456	1,462	1,010
Total Households/Population		6,379	1,745	6,849	2,361	2,371	1,562

[1] Percent of Baseline and Non-Military population renting vs. owning is derived from Year 2000 US Census Data.

[2] Percent of E1-E3, E4-E6 and Officer population renting vs. owning is derived from assumptions made by RKG based on Fort Carson housing and affordability data.

Source: RKG Associates, Inc.

Research was conducted using BAH data to estimate the number of military personnel who rent versus own for three categories: E7 to Officers, E4 to E6, and E1 to E3. For E7 to Officers, approximately 35% of personnel are expected to rent, and 65% are expected to purchase



homes. For E4 to E6 personnel, 37% are expected to rent, and 62% are expected to buy. For E1 to E3, the majority of personnel, 90%, are expected to rent and only 10% are expected to buy.

For 2007, there will be a demand for 2,733 rental accommodations and 3,646 homes (including both single family homes and townhomes). Thus, roughly 60% of new residents will purchase homes and 40% will seek rental accommodations.

Demand for single family and townhomes under the Expected Growth Scenario is presented in Table 32. This demand is provided in annual demand and cumulative demand. By 2012, it is expected that the cumulative demand for for-sale housing will be 12,591, which includes demand from baseline growth and additional military and civilian personnel.

Table 32. Demand for For-Sale Housing by Households – Expected Growth Scenario

Group	2007	2008	2009	2010	2011	2012
Baseline Households (not due to base expansion)	1,030	1,008	1,011	1,019	1,025	1,010
Growth Due to Base Expansion						
Military Households						
E7-E9 and Officer Households Purchasing	717	15	793	107	107	0
E4-E6 Households Purchasing	1,761	37	1,949	262	262	0
E1-E3 Households Purchasing	82	2	90	12	12	0
Civilian Households Purchasing	56	56	56	56	56	0
Subtotal Growth Due to Base Expansion	2,616	110	2,888	437	437	0
Total Household Purchasing	3,646	1,118	3,899	1,456	1,462	1,010
Cumulative Household Purchasing	3,646	4,764	8,663	10,118	11,580	12,591

Source: RKG Associates, Inc.

Table 33 presents the forecast demand for rental housing under the Expected Growth Scenario. For purposes of this analysis, on-post housing is equivalent to satisfying the demand for a rental unit, and includes both barrack and single family housing. Cumulative demand is expected to be 8,676 rental units consisting of *both* on-post units and off-post rental units.

Table 33. Demand for Rental Housing by Households – Expected Growth Scenario

Group	2007	2008	2009	2010	2011	2012
Baseline Households (not due to base expansion)	563	551	552	556	560	552
Growth Due to Base Expansion						
Military Households						
E7-E9 and Officer Households Renting	380	8	420	57	57	0
E4-E6 Households Renting	1,029	22	1,139	153	153	0
E1-E3 Households Renting	731	16	809	109	109	0
Civilian Households Renting	30	30	30	30	30	0
Subtotal Growth Due to Base Expansion	2,170	76	2,398	349	349	0
Total Households Renting	2,733	626	2,950	906	909	552
Cumulative Households Renting	2,733	3,360	6,310	7,215	8,124	8,676

Source: RKG Associates, Inc.

Alternative Growth Scenario

Forecast military population is expected to increase by 1,920 in the 2007, 41 in 2008, 2,124 in 2009, and 286 in 2010 and 2011 under the Alternative Growth Scenario as summarized in Table



34. The Housing Appendix provides detailed tables related to the calculation of demand for both for-sale and rental housing. Demand for housing under the Alternative Growth Scenario assumes 3,006 homebuyers in 2007, and a total number of homebuyers of 11,038 by 2012.

Table 34. Summary of Demand for Housing – Alternative Growth Scenario

Group	2007	2008	2009	2010	2011	2012
Baseline Households (not due to base expansion)	1,030	1,008	1,011	1,019	1,025	1,010
Growth Due to Base Expansion						
Military Households						
E7-E9 and Officer Households Purchasing	538	11	595	80	80	0
E4-E6 Households Purchasing	1,321	28	1,461	197	197	0
E1-E3 Households Purchasing	61	1	68	9	9	0
Civilian Households Purchasing	56	56	56	56	56	0
Subtotal Growth Due to Base Expansion	1,976	96	2,180	342	342	0
Total Household Purchasing	3,006	1,104	3,191	1,360	1,367	1,010
Cumulative Household Purchasing	3,006	4,110	7,301	8,661	10,028	11,038

Source: RKG Associates, Inc.

Forecast rental population under the Alternative Growth Scenario, is presented in Table 35. Demand for approximately 2,198 rental units will be present in 2007 and 7,378 rental units by 2012. Calculations for the Alternative Growth Scenario are included in the Appendix.

Table 35. Summary of Demand for Rental Units – Alternative Growth Scenario

Group	2007	2008	2009	2010	2011	2012
Baseline Households (not due to base expansion)	563	551	552	556	560	552
Growth Due to Base Expansion						
Military Households						
E7-E9 and Officer Households Renting	285	6	315	42	42	0
E4-E6 Households Renting	772	16	854	115	115	0
E1-E3 Households Renting	548	12	606	82	82	0
Civilian Households Renting	30	30	30	30	30	0
Subtotal Growth Due to Base Expansion	1,635	65	1,806	269	269	0
Total Households Renting	2,198	615	2,358	826	829	552
Cumulative Households Renting	2,198	2,813	5,171	5,997	6,826	7,378

Source: RKG Associates, Inc.



D. SUPPLY AND DEMAND FOR HOUSING – EXPECTED GROWTH SCENARIO

Forecast supply (detailed in Section B) and calculated demand (detailed in Section C) is compared in this section. This comparison is provided in order to estimate any surplus or deficits in the housing market. Both for-sale and rental housing supply and demand are presented below.

The methodology for estimating supply and demand involved numerous interviews with local planning officials, developers, builders, military housing personnel, and other stakeholders. Demand projections for housing are based on extrapolations of current housing trends. For example, the assumptions for number of households renting versus the number of households purchasing homes are based on current market information provided by military housing personnel and BAH data. Demographic projections, which were supplied by Fort Carson, are used as the foundation for all forecast housing demand.

Estimates for the housing supply are based on data provided by local and regional planning personnel and input from local developers. All housing developments listed in this report were contacted and interviewed for estimates of future supply, status of current development, and their input on any other housing issues.

For-Sale Housing

This section provides a comparison of supply and demand relating to for-sale units. Under the Expected Growth Scenario, demand for housing units is projected to increase to 12,591 by 2012. Approximately 22,634 units have been planned, have infrastructure, or will be built by 2012. Thus, if all units that are currently “on paper” are built, there will be an oversupply of housing units by 10,043. However, this is not a likely scenario. Rather, it is more likely that those units that have at least a medium level of confidence of completion will be built (estimated to be 8,665 units), as well as an additional 2,548 units under the low level of confidence of completion. In other words, all units that are currently under construction or are undergoing infrastructure improvements will likely be in demand over the next five years. An additional 3,926 units currently undergoing the planning process will also be required to meet demand by 2012.

Table 36 provides a comparison of supply and demand for single family and townhome units under the Expected Growth Scenario. For 2007, demand for 3,646 housing units is expected. Currently, 1,038 units are given a high level of confidence of completion. An additional 5,253 are given a medium level of confidence of completion. Thus, if all units given the medium level of confidence of completion were built, there would be a surplus capacity of 1,692 units in 2007. Figure 5 provides a graph for the estimated supply and demand for housing from 2007 to 2012.



Table 36. Supply and Demand for For-Sale Units – Expected Growth Scenario

Supply/Demand	2007	2008	2009	2010	2011	2012
Estimated Demand for Housing						
Demand Under Expected Growth Scenario	3,646	4,764	8,663	10,118	11,580	12,591
Estimated Supply of Housing						
High Confidence of Completion [1]	1,038	1,038	1,038	1,038	1,038	1,038
Surplus/(Deficit) Capacity	(2,608)	(3,726)	(7,625)	(9,080)	(10,542)	(11,553)
Medium Confidence of Completion [2]	5,253	8,665	8,665	8,665	8,665	8,665
Surplus/(Deficit) Capacity	1,607	3,901	2	(1,453)	(2,915)	(3,926)
Low Confidence of Completion [3]	5,338	10,042	12,006	22,634	22,634	22,634
Surplus/(Deficit) Capacity	1,692	5,278	3,343	12,516	11,054	10,043

All values except for Surplus/(Deficit) are cumulative.

[1] Includes units that are built, under construction, or under construction w/in next year.

[2] Includes units that have infrastructure w/in next year, plus units with high confidence level.

[3] Includes units that are undergoing the planning process plus units with medium and high level of confidence.

Source: RKG Associates

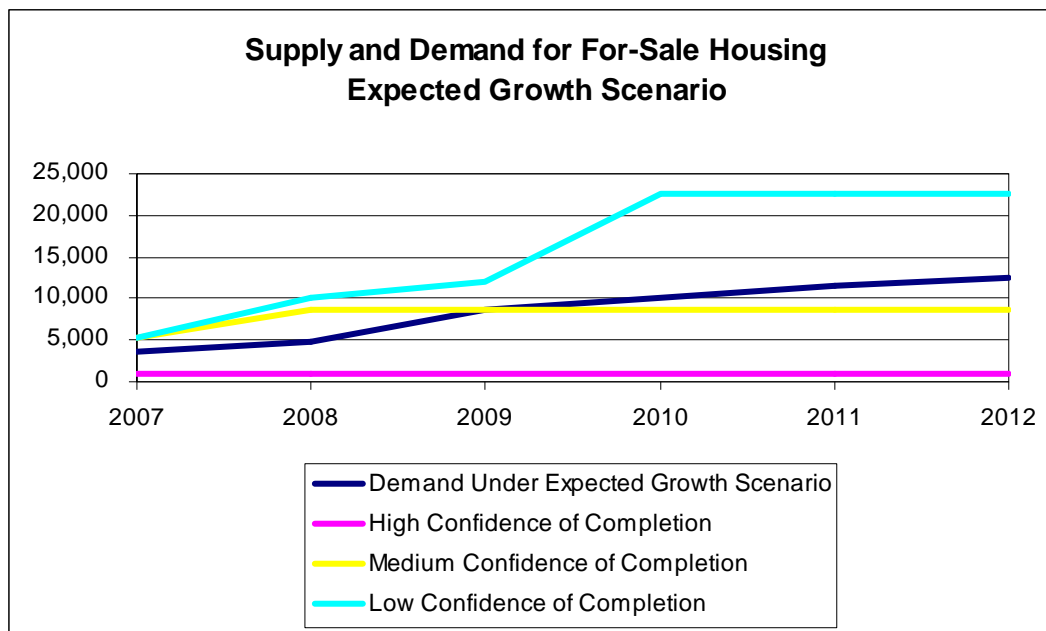


Figure 5. Supply and Demand for For-Sale Housing – Expected Growth Scenario

Rental Housing

Supply and demand for rental housing is analyzed under this section. A key assumption used in this analysis is that renters will first choose to live on-post before they seek rental accommodations off-post. Because on-post housing is not equivalent to a home purchase and satisfies a demand similar to off-post rental units, it is considered part of the rental supply. Rental demand for military personnel is examined in Table 37.



It should be noted that while a demand for single-oriented product is made separate from a demand for family-oriented product, it is assumed that single personnel or single heads of household will seek one-room units or efficiencies. It is likely that a number of single soldiers will be willing to share rental units which would then lower demand for all units.

It is also assumed that one barrack unit will be issued to each single soldier. Group quarters can often be "stretched" if necessary, and can increase capacity for short periods of time or in periods of excess demand. In this analysis it is assumed that after the barrack quarters reach capacity, soldiers will seek off-post rental accommodations, which may over-project off-post demand.

E1 to E3 personnel are expected to provide demand for at least 731 units in 2007. E1 to E3 personnel are also expected to be housed primarily in barrack spaces, of which it is estimated there are 1,618 units available. Thus, for 2007 to 2010, E1 to E3 personnel should be accommodated on-post.

E4 to E6 personnel will also provide a demand for on-post housing; however, non-barrack housing is currently almost at capacity. About 432 housing units are expected to be built on-post; however, they will be completed in two phases by 2009. As there are fewer than 20 units likely available on-post, demand for off-post rentals for E4 to E6 personnel will be 1,014 units. E7 to Officers are also expected to rent primarily off-post, with rental unit demand for approximately 364 units.

Thus, it is expected there will be demand for 491 off-post rental units in 2007, 3,138 for 2012, etc. as presented in Table 37.

Table 37. Supply and Demand for On-Post Housing – Expected Growth Scenario

Supply/Demand	2007	2008	2009	2010	2011	2012
E1-E3 Rental Demand	731	16	809	109	109	0
Cumulative Rental Demand	731	746	1,555	1,664	1,773	1,773
Less Barrack Space	1,618	1,618	1,618	1,618	1,618	1,618
Surplus or (Deficit) of On-Post Rentals (Deficit indicates a required Off-Post Demand)	887	872	63	(46)	(155)	(155)
E4-E6 Rental Demand	1,029	22	1,139	153	153	0
Cumulative Rental Demand	1,029	1,051	2,190	2,344	2,497	2,497
Less Available On Post Housing	16	122	218	218	218	218
Surplus or (Deficit) of On-Post Rentals (Deficit indicates a required Off-Post Demand)	(1,014)	(930)	(1,973)	(2,126)	(2,279)	(2,279)
E7-E9 and Officer Population Renting	380	8	420	57	57	0
Cumulative Rental Demand	380	388	808	864	921	921
Less Available On Post Housing	16	122	218	218	218	218
Surplus or (Deficit) of On-Post Rentals (Deficit indicates a required Off-Post Demand)	(364)	(266)	(590)	(647)	(703)	(703)
Total Off-Post Demand	(491)	(325)	(2,500)	(2,819)	(3,138)	(3,138)

Source: RKG Associates



Demand for off-post housing by military personnel and demand from baseline growth and civilian personnel is compared to supply in Table 38. The demand and supply is further refined for single-oriented housing (1BR, 1BA or efficiency) and family-oriented housing (e.g., 2+BR, 2 BA).

For the baseline population, an estimated 563 units will be in demand for rental units. Approximately 41% of the population will likely seek single-oriented rental product, or 232 units. E1 to E3 personnel are satisfied with on-post housing until 2010, at which point there will be additional demand for only 124 single-oriented rental units, and 31 family-oriented rental units. The demand for off post single-oriented rental units could be lower than exhibited below if the barracks under construction continue to be high-quality living environments (e.g., single bedroom, shared bathroom). E4 to E6 personnel will provide demand for 1,014 units in 2007, of which 64% are likely to be family-oriented. E7 to Officers will also be looking to rent mostly family-oriented rentals, and will likely rent 302 family-oriented units.

Thus, demand for single-oriented units is compared to the supply of single-oriented units off-post, with a surplus forecast until 2010. The supply of single-oriented units is primarily 1BR off-post apartment units and efficiency units, as well as some 1BR units that will be built over the next few years. By 2012, roughly 120 single-oriented units will need to be added to the market to meet demand, which does not signify a large future demand for additional efficiency/1BR units.

Table 38. Supply and Demand for Off-Post Rental Housing – Expected Growth Scenario

Supply/Demand	2007	2008	2009	2010	2011	2012
Off-Post Demand - Baseline Population	(563)	(1,113)	(1,665)	(2,222)	(2,782)	(3,333)
Percent Assumed Single 41%	(232)	(460)	(688)	(918)	(1,149)	(1,377)
Percent Assumed Married 59%	(330)	(653)	(977)	(1,304)	(1,633)	(1,957)
Total Off-Post Demand E1-E3	0	0	0	(46)	(155)	(155)
Percent Assumed Single 80%	0	0	0	(37)	(124)	(124)
Percent Assumed Married 20%	0	0	0	(9)	(31)	(31)
Total Off-Post Demand E4-E6	(1,014)	(930)	(1,973)	(2,126)	(2,279)	(2,279)
Percent Assumed Single 36%	(361)	(331)	(702)	(757)	(812)	(812)
Percent Assumed Married 64%	(653)	(599)	(1,270)	(1,369)	(1,468)	(1,468)
Total Off-Post Demand E7-E9 and Officer	(364)	(266)	(590)	(647)	(703)	(703)
Percent Assumed Single 17%	(62)	(45)	(100)	(110)	(120)	(120)
Percent Assumed Married 83%	(302)	(221)	(490)	(537)	(584)	(584)
Off-Post Demand - Civilian Personnel	(30)	(30)	(30)	(30)	(30)	(30)
Percent Assumed Single 41%	(13)	(13)	(13)	(13)	(13)	(13)
Percent Assumed Married 59%	(18)	(18)	(18)	(18)	(18)	(18)
Demand for Off-Post Single Product	(668)	(849)	(1,503)	(1,834)	(2,216)	(2,444)
Supply of Off-Post Single Oriented Product	2,191	2,341	2,321	2,321	2,321	2,321
Surplus or (Deficit) of Off-Post Rentals	1,523	1,492	818	487	105	(123)
Demand for Off-Post Family Product	(1,303)	(1,491)	(2,756)	(3,237)	(3,733)	(4,057)
Supply of Off-Post Family Oriented Product	3,566	3,716	3,697	3,697	3,697	3,697
Surplus or (Deficit) of Off-Post Rentals	2,263	2,225	941	459	(37)	(361)

Source: RKG Associates



The supply of family-oriented units includes existing 2+BR units, rental units that will be built over the next few years, and approximately 775 single-family homes for rent. The current supply of family-oriented housing product is expected to meet demand until 2011, when approximately 37 new units could be required. By 2012, an additional 361 family-oriented units could be required.

Location of Housing

An examination of a sample of zip code data supplied by Fort Carson housing personnel indicates that 64.5% of personnel reside in Colorado Springs, 32.7% reside within Fountain Area (including Fountain, Security, Widefield and other unincorporated areas of El Paso County), 2.4% reside in Pueblo County, and less than 0.5% live in Fremont County. These factors were taken into account when establishing the PHIA. Thus, over 97% reside in Colorado Springs or the Fountain Area. Of all residents, approximately 93% live within 20 miles of Fort Carson⁷. Table 39 presents a sample of zip code data for Fort Carson personnel.

⁷ This is a preliminary estimate based on the center of zip codes, and travel distance provided by online mapping services such as Google Maps, Mapquest, etc.



Table 39. Sample of Zip Code Data for Residence of Fort Carson Personnel

Area	Sub Area	Zip	Number	Percent
Fountain / Unincorporated El Paso County				
Fountain	Fountain	80817	1,149	17.5%
Unincorporated El Paso County	Peyton	80831	102	1.6%
Unincorporated El Paso County	Widefield	80911	653	9.9%
Unincorporated El Paso County	Security	80925	238	3.6%
Unincorporated El Paso County	Security	80928	6	0.1%
Unincorporated El Paso County	Security	80931	1	0.0%
Subtotal			2,149	32.7%
Colorado Springs	Colorado Springs	80901	11	0.2%
Colorado Springs	Colorado Springs	80903	88	1.3%
Colorado Springs	Colorado Springs	80904	110	1.7%
Colorado Springs	Colorado Springs	80905	7	0.1%
Colorado Springs	Colorado Springs	80906	1,308	19.9%
Colorado Springs	Colorado Springs	80907	56	0.9%
Colorado Springs	Colorado Springs	80908	9	0.1%
Colorado Springs	Colorado Springs	80909	131	2.0%
Colorado Springs	Colorado Springs	80910	467	7.1%
Colorado Springs	Colorado Springs	80914	4	0.1%
Colorado Springs	Cimarron Hills	80915	159	2.4%
Colorado Springs	Colorado Springs	80916	731	11.1%
Colorado Springs	Colorado Springs	80917	120	1.8%
Colorado Springs	Colorado Springs	80918	171	2.6%
Colorado Springs	Colorado Springs	80919	84	1.3%
Colorado Springs	Colorado Springs	80920	173	2.6%
Colorado Springs	Colorado Springs	80921	45	0.7%
Colorado Springs	Colorado Springs	80922	353	5.4%
Colorado Springs	Colorado Springs	80923	139	2.1%
Colorado Springs	Colorado Springs	80924	12	0.2%
Colorado Springs	Colorado Springs	80926	11	0.2%
Colorado Springs	Colorado Springs	80932	1	0.0%
Colorado Springs	Colorado Springs	80933	1	0.0%
Colorado Springs	Colorado Springs	80935	4	0.1%
Colorado Springs	Colorado Springs	80951	44	0.7%
Colorado Springs	Colorado Springs	80960	1	0.0%
Colorado Springs	Colorado Springs	80970	3	0.0%
Subtotal			4,243	64.5%
Pueblo County				
Pueblo County	Pueblo County	81001	12	0.2%
Pueblo County	Pueblo City	81003	5	0.1%
Pueblo County	Pueblo County	81004	4	0.1%
Pueblo County	Pueblo City	81005	11	0.2%
Pueblo County	Pueblo City	81006	5	0.1%
Pueblo County	Pueblo West	81007	85	1.3%
Pueblo County	Pueblo County	81008	37	0.6%
Subtotal			159	2.4%
Fremont County				
Fremont County	Canon City	81212	9	0.1%
Fremont County	Florence	81226	6	0.1%
Fremont County	Penrose	81240	13	0.2%
Subtotal			28	0.4%
Total			6,579	100.0%

Source: Fort Carson, RKG Associates.

Historic residence data (i.e., zip code data) provides a general guide for trends in location and suggests more than 90% of personnel will want to live within 20 miles of Fort Carson.



One local economic consultant conducted a regression model and found that the two most important factors in the housing location of Fort Carson personnel were commute time and affordability. As commute time increases, desirability of a location decreases. An intuitive interpretation of this conclusion is that personnel value their time as well as the cost of commuting (e.g., fuel, auto wear and tear, etc.) when determining their residential location.

If time to work and affordability are the key drivers in location, then developers will attempt to meet demand by keeping prices affordable and as close to Fort Carson as possible. Forecasts of future housing supply indicate that within Colorado Springs and the Fountain Area, there are currently over 800 units that are given a high level of confidence of completion, and over 6,000 units with a medium level of confidence of completion. Pricing for these units also appears to be in line with affordability, and appears to be somewhat scalable.

It is expected that because Pueblo and Fremont Counties do satisfy a current market demand, they will continue to receive some portion of the housing demand. Unless housing product in the Fountain Area and Colorado Springs becomes less affordable, Pueblo and Fremont Counties will likely experience similar historic levels of demand.

E. SUPPLY AND DEMAND FOR HOUSING – ALTERNATIVE GROWTH SCENARIO

For Sale Housing

Under the Alternative Growth Scenario, demand for housing units is projected to increase to 11,038 by 2012 within the PHIA⁸. Approximately 22,634 units have been planned, have infrastructure, or will be built by 2012, with a surplus of 11,596 units with a low level of confidence. Those units with a medium level of confidence of completion appear to have demand, plus an additional 2,373 units, as presented in Table 40. Those units with a medium and high level of confidence will be mostly consumed by 2010, assuming the given rate of relocation.

⁸ It should be noted that all discussions related to the forecast supply and demand for housing are limited to the PHIA unless otherwise noted.



Table 40. Supply and Demand for For-Sale Units – Alternative Growth Scenario

Supply/Demand	2007	2008	2009	2010	2011	2012
Estimated Demand for Housing						
Demand Under Expected Growth Scenario	3,006	4,110	7,301	8,661	10,028	11,038
Estimated Supply of Housing						
High Confidence of Completion [1]	1,038	1,038	1,038	1,038	1,038	1,038
Surplus/(Deficit) Capacity	(1,968)	(3,072)	(6,263)	(7,623)	(8,990)	(10,000)
Medium Confidence of Completion [2]	5,253	8,665	8,665	8,665	8,665	8,665
Surplus/(Deficit) Capacity	2,247	4,555	1,364	4	(1,363)	(2,373)
Low Confidence of Completion [3]	5,338	10,042	12,006	22,634	22,634	22,634
Surplus/(Deficit) Capacity	2,332	5,932	4,705	13,973	12,606	11,596

All values except for Surplus/(Deficit) are cumulative.

[1] Includes units that are built, under construction, or under construction w/in next year.

[2] Includes units that have infrastructure w/in next year, plus units with high confidence level.

[3] Includes units that are undergoing the planning process plus units with medium and high level of confidence.

Source: RKG Associates

Rental Housing

Supply and demand for rental housing is analyzed for the Alternative Growth Scenario. Table 41 presents rental demand by rank for military personnel through 2012. As E1 to E3 personnel are also expected to be housed primarily in barrack spaces and approximately 826 units are available barrack space begins to run out by 2009. Under the Alternative Growth Scenario, all E1 to E3 personnel should be accommodated on-post. Demand for off-post rentals for E4 to E6 personnel will be 1,655 units by 2012, with the majority of demand met off-post. E7 to Officers will also rent primarily off-post, with rental unit demand for approximately 473 units by 2012. Therefore, there will be demand for 1,840 units by 2012 under the Alternative Growth Scenario.



Table 41. Supply and Demand for On-Post Housing – Alternative Growth Scenario

Supply/Demand	2007	2008	2009	2010	2011	2012
E1-E3 Rental Demand	548	12	606	82	82	0
Cumulative Rental Demand	548	560	1,166	1,248	1,329	1,329
Less Barrack Space	1,618	1,618	1,618	1,618	1,618	1,618
Surplus or (Deficit) of On-Post Rentals (Deficit indicates a required Off-Post Demand)	1,070	1,058	452	370	289	289
E4-E6 Rental Demand	772	16	854	115	115	0
Cumulative Rental Demand	772	789	1,643	1,758	1,873	1,873
Less Available On Post Housing	16	122	218	218	218	218
Surplus or (Deficit) of On-Post Rentals (Deficit indicates a required Off-Post Demand)	(757)	(667)	(1,425)	(1,540)	(1,655)	(1,655)
E7-E9 and Officer Population Renting	285	6	315	42	42	0
Cumulative Rental Demand	285	291	606	648	691	691
Less Available On Post Housing	16	122	218	218	218	218
Surplus or (Deficit) of On-Post Rentals (Deficit indicates a required Off-Post Demand)	(269)	(169)	(388)	(431)	(473)	(473)
Total Off-Post Demand	44	222	(1,362)	(1,601)	(1,840)	(1,840)

Source: RKG Associates

Table 42 presents a comparison for supply and demand for off-post rental housing by military personnel. For the baseline population, an estimated 563 units will be in demand for rental units⁹. Both single-oriented units and family-oriented units will have a surplus of units through 2011, with a demand for slightly more than 100 single-oriented units by 2012.

⁹ Baseline population and civilian personnel demand is the same for the Expected Growth Scenario and the Alternative Growth Scenario.



Table 42. Supply and Demand for Off-Post Rental Housing – Alternative Growth Scenario

Supply/Demand	2007	2008	2009	2010	2011	2012
Off-Post Demand - Baseline Population	(563)	(1,113)	(1,665)	(2,222)	(2,782)	(3,333)
Percent Assumed Single 41%	(232)	(460)	(688)	(918)	(1,149)	(1,377)
Percent Assumed Married 59%	(330)	(653)	(977)	(1,304)	(1,633)	(1,957)
Total Off-Post Demand E1-E3	0	0	0	0	0	0
Percent Assumed Single 80%	0	0	0	0	0	0
Percent Assumed Married 20%	0	0	0	0	0	0
Total Off-Post Demand E4-E6	(757)	(667)	(1,425)	(1,540)	(1,655)	(1,655)
Percent Assumed Single 36%	(269)	(237)	(507)	(548)	(589)	(589)
Percent Assumed Married 64%	(487)	(430)	(918)	(992)	(1,066)	(1,066)
Total Off-Post Demand E7-E9 and Officer	(269)	(169)	(388)	(431)	(473)	(473)
Percent Assumed Single 17%	(46)	(29)	(66)	(73)	(81)	(81)
Percent Assumed Married 83%	(223)	(141)	(322)	(358)	(393)	(393)
Off-Post Demand - Civilian Personnel	(30)	(30)	(30)	(30)	(30)	(30)
Percent Assumed Single 41%	(13)	(13)	(13)	(13)	(13)	(13)
Percent Assumed Married 59%	(18)	(18)	(18)	(18)	(18)	(18)
Demand for Off-Post Single Product	(560)	(739)	(1,274)	(1,552)	(1,831)	(2,059)
Supply of Off-Post Single Oriented Product	2,191	2,341	2,321	2,321	2,321	2,321
Surplus or (Deficit) of Off-Post Rentals	1,630	1,602	1,047	769	490	262
Demand for Off-Post Family Product	(1,059)	(1,241)	(2,235)	(2,671)	(3,109)	(3,433)
Supply of Off-Post Family Oriented Product	3,566	3,716	3,697	3,697	3,697	3,697
Surplus or (Deficit) of Off-Post Rentals	2,507	2,475	1,461	1,025	587	263

Source: RKG Associates

F. CONCLUSIONS

Under the Expected Growth Scenario, the demand for housing should be met by 2012 with all units given a medium level of confidence of construction, and just under 4,000 additional units currently undergoing the planning process. Thus, many projects that are currently going through the planning process will not be needed until some time after 2012. Sufficient demand is forecast for those builders who have made commitments to building either housing or infrastructure.

The current off-post rental supply, plus approximately 700 new rental units currently in the pipeline, will likely meet the housing demand from Fort Carson personnel. While the forecast supply meets the forecast demand, this assumes a minimal vacancy rate. As most communities operate with a vacancy rate over 5%, additional demand for rental units may appear as the Fort Carson population increases.

Under the Alternative Growth Scenario, demand of for-sale housing product is expected to be 11,038, which will require all units with a medium level of confidence of construction to be built, plus an additional 2,300 units in the planning stage of development. Similar to the Expected Growth Scenario, a large number of "paper lots" may not be required.



The rental demand for the Alternative Growth Scenario will not require more future units than are currently in the pipeline. Thus, demand under the Alternative Growth Scenario will decrease the vacancy rate, but will not require more approved units.

G. STRATEGIC ACTIONS FOR CONSIDERATION

Recommendation: Adequate and timely information.

The housing economy within the region has the capacity to absorb the additional demand for housing over the next few years. As the housing market has taken a prudent approach of lot approval and improvement without final structures, the current housing inventory will not meet projected demand. Instead, there may be a 3 to 6 month lag between military personnel arrival and home construction. There is also a concern that land developers may create a surplus of lots in preparation for the personnel increases at Fort Carson.

The housing market could better respond to future demand if additional and more timely information is provided by the military. Many builders interviewed for this report expressed the view that Fort Carson makes a limited effort in communicating with the building community, and would appreciate any additional data, even if it is tentative. It is recommended that the local communities work together through a regional organization to improve communication between builders and developers in the local region and Fort Carson.

Recommendation: Monitor housing trends within the region.

Several other factors that often reflect the health of the housing market should be monitored. Many of these issues, such as foreclosures and subprime lending, are periodically visited by the general media. It is important that the building community have access to consistent and reliable information on these and other related topics.

All members of the planning community, including planners, builders, developers, etc. would benefit from regional mapping of all current and proposed housing developments within the three county area. Most municipalities and counties have the data required to build a regional housing development map, but a regional organization familiar with all areas related to Fort Carson would be required to build and maintain the map.

Several data sources cited in this analysis should be periodically updated, including housing stock, lending patterns, mortgage trends, labor trends, and other housing related data, should be updated on an annual basis. Data sources, such as the Colorado Springs Chamber of Commerce, PPACG, and the Apartment Association of Colorado Springs, currently provide housing related data, but are not currently centrally located at a "one stop shop". By providing continual updates to data covered in this report as well as other emerging trends, the building community could make the best informed decisions related to housing within the region.

One key component to the housing market that should be examined in further depth is affordability. Affordability factors such as the BAH, mortgage rates, Federal lending trends (e.g., VA loans), other sources of debt (e.g., credit card debt), and spousal employment and income should be monitored on a regular basis. By providing this information to the housing market, builders and developers can target price points for a variety of housing products.



Recommendation: The Military Community Information Forum.

Pikes Peak Area Council of Governments (PPACG) is a planning organization that functions as a “forum to discuss issues that cross their political boundaries, identify shared opportunities and challenges, and develop collaborative strategies for action”¹⁰. PPACG is the first likely candidate for creating the necessary link. PPACG could create a regional forum that will serve as a conduit for information between Fort Carson and regional communities, tentatively referred to in this report as the Military Community Information Forum (MCIF).

Specifically, the MCIF could provide the most recent estimate of troop relocation, deployment, and any other relevant information to the building community, so that housing construction decisions could be made on the best available information, thus reducing risk. In addition, information could provide realistic data to longer term developments (those undergoing planning or approval) and avoid an overbuilding scenario. Generally, the MCIF could also share information related to all community impacts, and would not be limited solely to housing topics.

The MCIF could also coordinate a regular update on housing conditions, including factors related to the health of the housing market. This update could be published online by the MCIF, and be presented on a consistent basis.

Currently, Pueblo County and Fremont County, which are included in the Study Area, are not members of PPACG. Communities within Pueblo County are members of the Pueblo Area Council of Governments (PACOG) and Fremont is part of the Upper Arkansas Area Council of Governments. While the direct impacts for Pueblo County and Fremont County are not expected to be at the same magnitude as El Paso County, they should be involved in the proposed MCIF.

The MCIF’s mission would be to foster communication and information sharing between military installations and local communities related to impacts from troop increases or decreases. The local economy would benefit from as much foresight as possible about timing and characteristics of military changes. In addition to assisting the local economy, military installations would also benefit from a well prepared and functioning community that supplies off-post housing, shopping, schools, and other community benefits.

The MCIF would have regular and formal information sharing updates (e.g., monthly or quarterly) where representatives from the military community, MCIF, and local stakeholders could discuss expected community impacts.

In addition to working as an information sharing forum, the MCIF could be a single point of contact for Federal and State grants and loans associated with significant changes to military installations. Within the Department of Defense’s *Base Redevelopment and Realignment Manual* (March 2006), it is emphasized that one formal organization is optimal for addressing funding and examination of base impacts. Simply, federal agencies prefer to work with one organized unit as opposed to several competing local governmental agencies.

In addition to addressing the impacts associated with Fort Carson, the MCIF could be used as the organizational basis for community relations related to potential expansion or contraction in

¹⁰ Pikes Peak Area Council of Governments, 2007



other military bases, including North American Aerospace Defense Command (NORAD), the Air Force Academy, Peterson Air Force Base (AFB) and Schriever AFB¹¹.

¹¹ This report does not imply or otherwise suggest any local military installations, other than Fort Carson, will be expanding or contracting in the near future. Instead, it is stating that the MCIF could respond to any future military impacts if they were to occur at a later date.



APPENDIX A. – ALTERNATIVE GROWTH SCENARIO

In order to keep the presentation of the Alternative Growth Scenario succinct, the following tables were not included in the general body of the text. The following tables are included to show the all population, household, and demand assumptions/calculations under the Alternative Growth Scenario.

Table A.1 presents population data under the Alternative Growth Scenario. Under the Alternative Growth Scenario, military population is expected to increase by 3,525 in the 2007, 75 in 2008, 3,900 in 2009, and 525 in 2010 and 2011. Civilian population increases are defined as growth from direct on-post civilian jobs, and is separate from induced population growth. These persons typically represent skilled workers, including technology workers, managers, and other professional positions funded through appropriated and non-appropriated funds by Fort Carson. It is estimated that, similar to the Expected Growth Scenario, approximately 430 civilians will be added to Fort Carson over the next five years.

Table A. 1

Group	2007	2008	2009	2010	2011	2012
Baseline Population						
Baseline Population within Primary Housing Impact Area	201,822	205,890	209,968	214,079	218,216	222,294
Annual Population Growth (change from previous year)	4,158	4,068	4,078	4,111	4,137	4,078
Baseline Households	1,593	1,559	1,563	1,575	1,585	1,562
E7-E9 and Officers	823	18	910	123	123	0
E4-E6	2,093	45	2,316	312	312	0
E1-E3	609	13	674	91	91	0
Military Population	3,525	75	3,900	525	525	0
Civilian Personnel	86	86	86	86	86	0
Baseline Plus Expected Growth Scenario						
Population Impact	5,204	1,720	5,549	2,186	2,196	1,562

Source: DOLA Demography Office, RKG Associates, Inc.

Table A.2 estimates of the percent of households that will rent versus buy by each population group. Research was conducted using BAH data to estimate the number of military personnel who rent versus own for three categories: E7 to Officers, E4 to E6, and E1 to E3. For E7 to Officers, approximately 35% of personnel are expected to rent, and 65% are expected to purchase homes. For E4 to E6 personnel, 37% are expected to rent, and 62% are expected to buy. For E1 to E3, the majority of personnel, 90%, are expected to rent and only 10% are expected to buy.

For 2007, there will be a demand for 2,198 rental accommodations and 3,006 homes (including both single family homes and townhomes) under the Alternative Growth Scenario.



Table A. 2

Group	Assumption (1) (2)	2007	2008	2009	2010	2011	2012
Baseline Households		1,593	1,559	1,563	1,575	1,585	1,562
Rental Population	35% of Baseline Households	563	551	552	556	560	552
SF Home Purchase Population	65% of Baseline Households	1,030	1,008	1,011	1,019	1,025	1,010
Military Personnel (Head of Household)							
E7-E9 and Officer Population		823	18	910	123	123	0
Rental Population	35% of E7-E9 and Officer Population	285	6	315	42	42	0
SF Home Purchase Population	65% of E7-E9 and Officer Population	538	11	595	80	80	0
E4-E6 Population		2,093	45	2,316	312	312	0
Rental Population	37% of E4-E6 Population	772	16	854	115	115	0
SF Home Purchase Population	63% of E4-E6 Population	1,321	28	1,461	197	197	0
E1-E3 Population		609	13	674	91	91	0
Rental Population	90% of E1-E3 Population	548	12	606	82	82	0
SF Home Purchase Population	10% of E1-E3 Population	61	1	68	9	9	0
Civilian Households		86	86	86	86	86	0
Rental Population	35% of Civilian Households	30	30	30	30	30	0
SF Home Purchase Population	65% of Civilian Households	56	56	56	56	56	0
Total Rental Population		2,198	615	2,358	826	829	552
Total SF Home Purchase Population		3,006	1,104	3,191	1,360	1,367	1,010
Total Households/Population		5,204	1,720	5,549	2,186	2,196	1,562

[1] Percent of Baseline and Non-Military population renting vs. owning is derived from Year 2000 US Census Data.

[2] Percent of E1-E3, E4-E6 and Officer population renting vs. owning is derived from assumptions made by RKG based on Fort Carson housing and affordability data.

Source: RKG Associates, Inc.

