

Colorado Springs Metro Area Apartment Vacancy and Rent Study

Second Quarter 2007

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Apartment Association of Colorado Springs
State of Colorado Division of Housing
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Colorado Springs Housing Authority
El Paso County Housing Authority
Apartment Realty Advisors
CB&T Mortgage, LLC
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OVERVIEW

The overall apartment vacancy rate for the Colorado Springs Metropolitan Area decreased to 9.6 percent for the second quarter of 2007, down from 11.4 percent for the first quarter of 2007. This compares to 10.3 percent for the second quarter of 2006. It was 13.4 percent for the second quarter of 2005, and for the second quarter of 2004, it was 9.1 percent. It was 12.8 percent for the second quarter of 2003, and 8.2 percent for the second quarter of 2002. For this quarter, five market areas decreased their vacancy rate while two increased.

VACANCIES

Buildings/complexes with 100 to 199 units have the highest vacancy (14.0 percent), and those with 2 to 8 to 349 units have the lowest (6.0 percent). Buildings/complexes constructed from 1950 -1959 have the highest vacancies (27.4 percent), and buildings/complexes constructed from 2000 -2004 have the lowest (5.2 percent). Efficiencies have 9.5 percent vacant; one bedroom: 9.1 percent; two bedroom, one bath: 12.5 percent; two bedroom, two bath: 6.6 percent; and three bedroom: 12.5 percent.

RENTAL RATES

The average rental rate for all apartment units decreased to \$683.06 for the second quarter of 2007, down from \$706.23 for the first quarter of 2007. For the second quarter of 2006, the average rate was \$687.44. Averages are based on units being unfurnished with residents paying gas and electricity. Highest rents are in buildings/complexes with 200 to 349 units (\$737.74), and lowest in buildings/complexes with 9 to 50 units (\$510.81). Units constructed from 2000 to 2004 averaged \$892.29; 1990 to 1999, \$940.19; 1980 to 1989, \$695.94; 1970 to 1979, \$541.73; 1960 to 1969, \$546.46; and before 1960, \$522.29. Rent per square foot decreased to 85 cents. It was 87 for the first quarter of 2007. For the second quarter of 2006, it was 86 cents per square foot. Median rent was \$663.00 for the second quarter of 2007, down from \$677.57 for the first quarter of 2007. Rental losses due to discounts/concessions, models, delinquents, and bad debts was 11.7 percent, down from 14.2 percent for the first quarter of 2007. Economic vacancy (defined as physical vacancy plus rental losses) was 21.3 percent, down from 25.6 percent for the first quarter of 2007. Average rent for building/community characteristics varies significantly across the twenty-two characteristics.

NEW ADDITIONS AND RESIDENT TURNOVER

There were no units added to the multi-family rental market in the second quarter of 2007. There are about 43,698 apartment units in the Colorado Springs Metropolitan Area. For the second quarter of 2007, there was a net positive absorption of 787 units. Absorption is the net change in the number of units rented in the current time period (quarter/year) compared to the number of units rented in the previous time period (quarter/year). The monthly resident turnover for the second quarter of 2007 was 5.9 percent. For the second quarter of 2006, the monthly resident turnover was 6.0 percent.

SUMMARY

The overall vacancy rate for this quarter has decreased; the lowest since the second quarter of 2004. Generally, there is some decrease in the vacancy with the second quarter because of seasonal factors. This decrease is more than what would be expected from seasonal changes. Troop movements continue to be a key factor for the variability in the vacancy rate. Average rents continue to fluctuate because of the dynamic rental character of the Colorado Springs

Metropolitan Area economy. With five percent being a standard industry equilibrium vacancy rate, the current vacancy rate suggests that the Colorado Springs Metropolitan Area market is still significantly above the supply and demand equilibrium. The Colorado Springs Metropolitan Area Vacancy and Rent Survey reports averages, and, as a result, there are often differences in rental and vacancy rates by size, location, age of building, and apartment type. All information is based on data received for the month of June, except for resident turnover, which is for the month of May. Information received for the Survey is totally confidential, and only survey totals are reported. The Survey is conducted by mail and includes only those units with a certificate of occupancy. The consistent support of the sponsors and the excellent cooperation of professionals in the apartment industry are appreciated. Comments on the Survey are welcome, gordon@vonstroh.com or 303-871-3435.

REPORT METHODOLOGY

The purpose of the Colorado Springs Metropolitan Area Apartment Vacancy and Rental Survey is to show vacancy and rental rates by type of apartment (efficiency; one bedroom; two bedroom, one bath; two bedroom, two bath; three bedroom; other; and totals) and by location, age, size of unit, and size of building. The Survey includes all multi-family rental, two units and up.

The survey covers seven market areas: northwest; northeast; far northeast; southeast; Security/Widefield/Fountain; southwest; and central.

The boundaries for the Colorado Springs Metropolitan Area are:

Northwest: on the east, I-25 and on the south, Cimarron Street, Eighth Street and Lower Gold Camp Road; Northeast: on the west and southwest, I-25, Nevada Avenue, Austin Bluffs Parkway, Union Blvd., and Circle Drive and on the south, Platte Avenue; on the north, northeast, and east, Academy Boulevard; Far Northeast: on the west and northwest, Academy Boulevard and I-25; on the south, Platte Avenue; Southeast: on the north, Platte Avenue, on the west, Circle Drive and I-25 and on the south, Drennan Road; Security/Widefield/Fountain: on the north, Drennan Road and on the west, I-25; Southwest: on the east, I-25 and on the north and west, Cimarron Street, Eighth Street, and Lower Gold Camp Road; and Central: on the north and east, Austin Bluffs Parkway, Union Blvd, Circle Drive and on the south and west, Circle Drive and I-25.

Market area reports are labeled by one of the above seven market areas. With the reports for each market area, the following format is used for each type of apartment by rent level:

9 = number of units vacant (first figure)
194 = total number of units reporting (second figure)
4.6%= vacancy rate (third figure)

When no figures are shown, no apartments of that specific size and rent level were reported. With the summary tables, there may be no data or there may be only a limited number of complexes and disclosing the information would reduce confidentiality. All vacancy and rental rates are as of the 10th of February for the first quarter, 10th of June for the second quarter, 10th of September of the third quarter and the 10th of December for the fourth quarter. The data for resident turnover is from the respective months of February, May, August and November. The market samples are based on the assumption that the rates were for unfurnished rental units with tenants paying electricity and gas. Apartment complex/building lists were developed from official lists. Returned survey forms were checked for completeness, then coded and entered into the computer for processing. Tabulations are performed by the use of a computerized program. The cumulative totals have a confidence interval of +/-1 percent at the 95 percent confidence level.

The information for this survey was obtained from participating apartment managers, owners, and property managers. All information collected on each building/complex is **TOTALLY CONFIDENTIAL**. Only survey totals are published. Information furnished by participants is considered reliable. The sponsors and author make no warranty, express or implied, and assume no legal liability or responsibility for the inclusion of data from the participants in the survey or for the use of the data from the Survey. Any quotations and/or reproductions of the survey must indicate the **sponsors and the author**. This report is copyrighted by Dr. Gordon E. Von Stroh.

Since 1995 the Division of Housing of the State of Colorado has funded the Colorado Multi-Family Housing Vacancy and Rental Survey for various Colorado communities. These surveys cover the first and third quarters. A public/private partnership has committed to sponsor the Colorado Springs

Metropolitan Area Apartment Vacancy and Rental survey for the Second and Fourth Quarters. In the spirit of cooperation, all sponsors share in the credit for this combined effort to provide information on the apartment industry. The intent is to provide information that will be used by all individuals associated with the industry.

The excellent industry cooperation by various apartment associations, county and local officials, apartment owners and managers is appreciated. Survey management and analysis was done by Dr. Gordon E. Von Stroh of Colorado Economic and Management Associates and The University of Denver.

The sponsors and author of this report view it as a work in progress. The intent is to make this Survey consistent in methodology and scope with the other multi-family housing surveys that are conducted for the remainder of the state. The goal is to have multi-family rental market data that is comparable statewide. As the sample size increases and the research procedures become fixed, new market areas will be added to the report. The market areas selected for the report were determined on the basis of market size. Changes in format, tables and graphs are possible if user recommendation indicate a change is warranted.

The accuracy and reliability of this Survey can be improved by increasing the size of the sample returns for each market area. If you are an owner or manager of multi-family rental housing in the listed market areas, and would like to participate in the Survey, please contact Gordon Von Stroh at 303-871-3435, gvonstro@du.edu, or write to him at the Daniels College of Business, University of Denver, 2101 South University Boulevard, Denver, Colorado, 80208.

Sub-Market Boundaries for Colorado Springs

