Colorado Housing Primer

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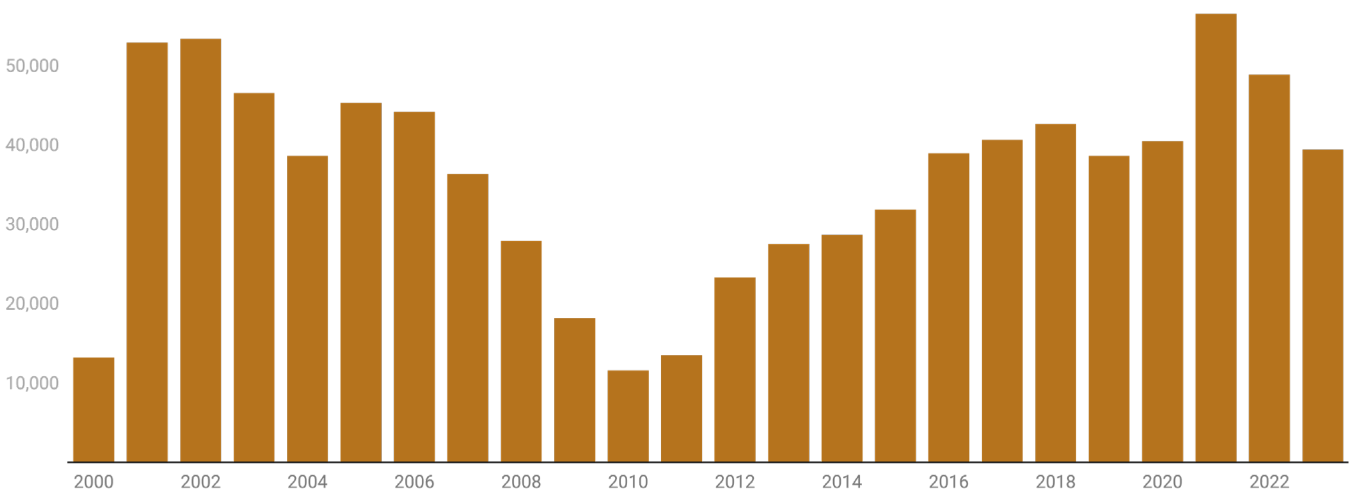
Introduction

As we move through the 2025 legislative session, the housing affordability crisis in Colorado continues to loom over many households across the state. In fact, since Bell's 2022 housing primer, Colorado has gone from the 9th to 8th least affordable state for housing. The factors affecting housing affordability are multifaceted and extend beyond a simple supply-and-demand relationship for renting and homeownership. This update will explore how housing production trends, cost drivers, and legislative efforts intersect to impact affordability. Despite increased construction, the gap between supply and affordability remains wide, particularly for low-to-middle-income households (Figure 1). Understanding these dynamics is crucial for developing policy solutions that promote long-term affordability.

Figure 1: Colorado Building Permits (2000-2023)

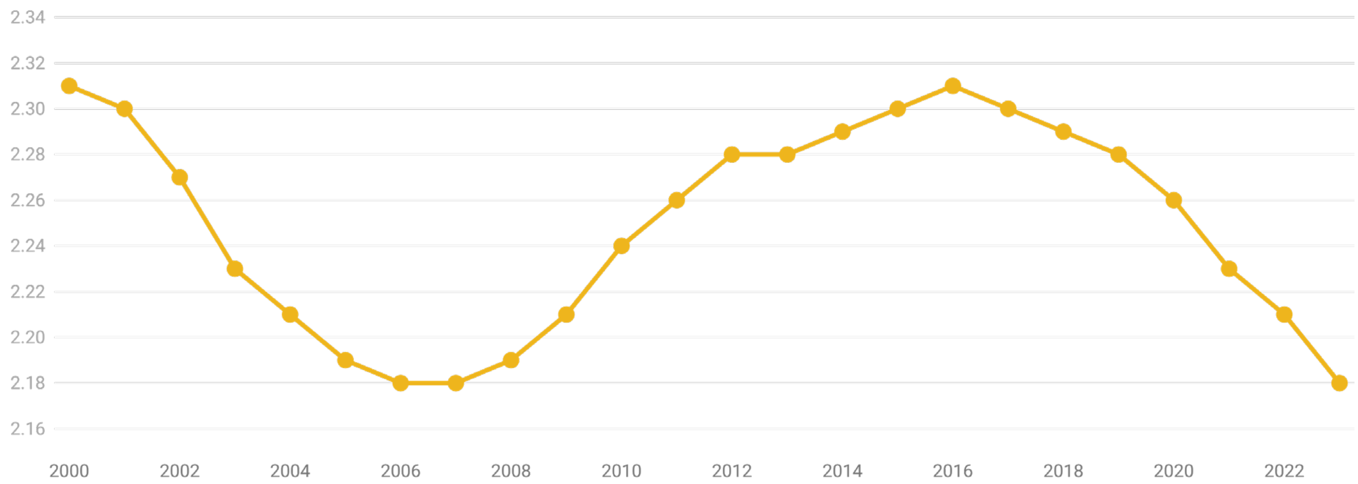


Source: Colorado State Demographer's Office

The Housing Supply-Demand Gap is Slowly Closing, But Housing Costs Remain High

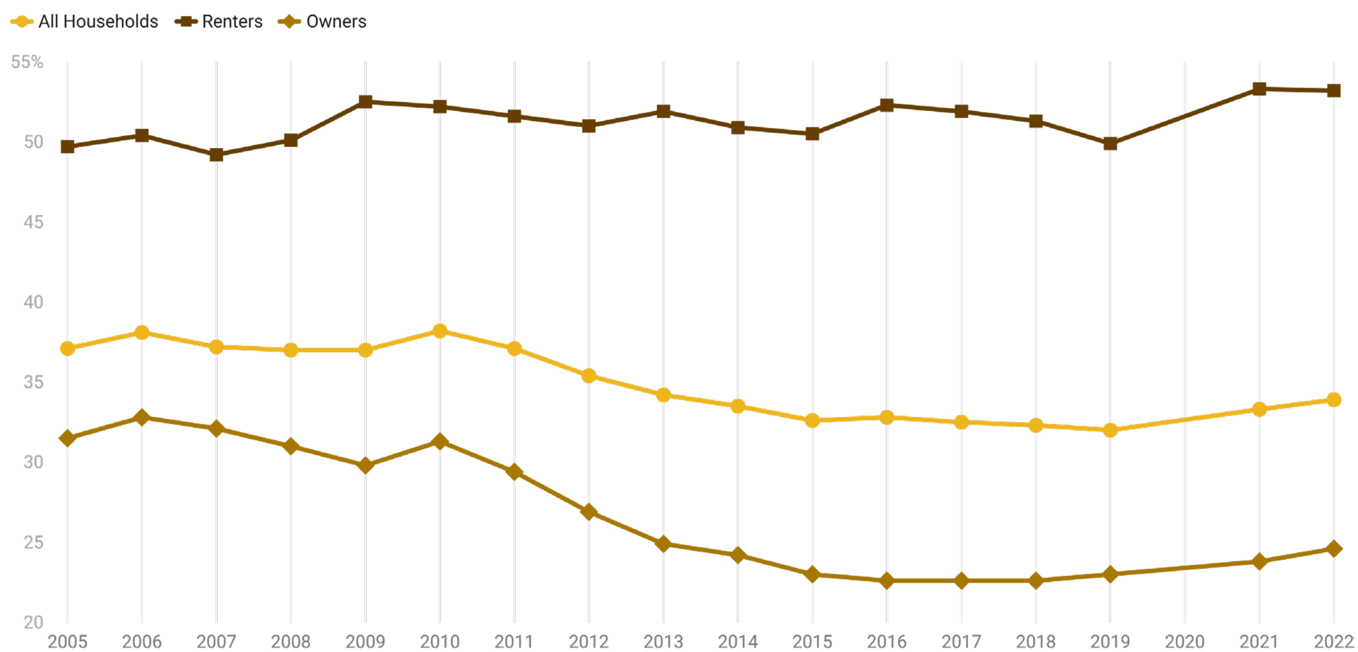
The Colorado State Demographer's Office indicates that housing production lagged behind population growth in the decade after the Great Recession. However, recent increases in housing production, coupled with a deceleration in population growth, have reduced the ratio of total households to housing units. Despite this lowered ratio, which has not been seen since 2007, renters and homeowners remain cost-burdened (Figures 2,3). According to data tabulated by the Joint Center for Housing Studies of Harvard University, over a third of all households in Colorado are cost-burdened (housing costs are over 30 percent of household income; severely cost-burdened is defined as over 50 percent). Over half of renter households and about a quarter of homeowner households are cost-burdened. Since the pandemic, cost-burdened rental households have reached an all-time high and more homeowners have become cost-burdened (Figure 3). Of those cost-burdened households, a quarter of renters and 10 percent of owners are severely burdened (Figure 4). Renter and owner households across the state are cost burdened, however, renters predominantly make up the largest share of cost-burdened households (Figure 5).

Figure 2: Household Population to Total Housing Units Ratio (2000-2023)



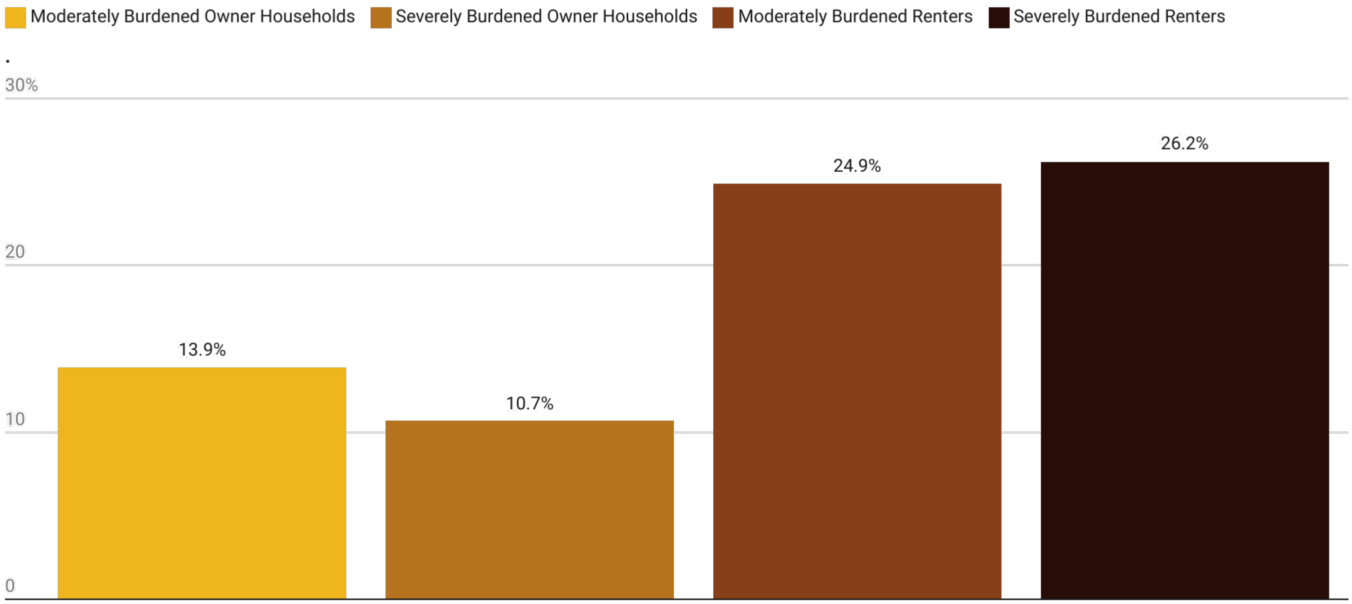
Source: [Colorado State Demographer's Office]

Figure 3: Percentage Share of Cost-Burdened Renter & Owner Households (2005-2022)



Source: USAFacts Analysis of American Community Survey Data

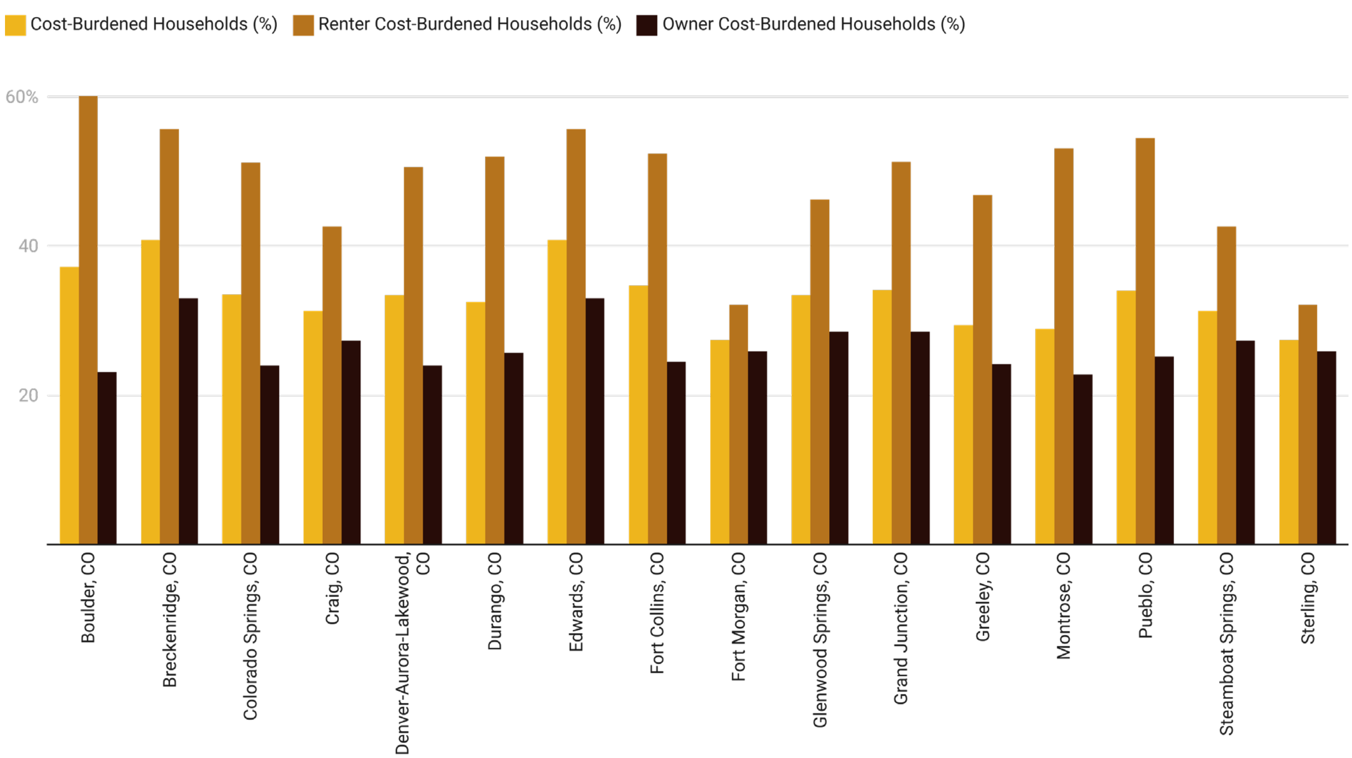
Figure 4: 2022 Colorado Share of Cost-Burdened Renter & Owner Households by Severity



Moderately (severely) cost-burdened households spend more than 30% (more than 50%) of income on housing and utilities. Households with zero or negative income are assumed to be severely burdened, while renters paying no cash rent are assumed to be unburdened. Numbers might not sum to total due to rounding.

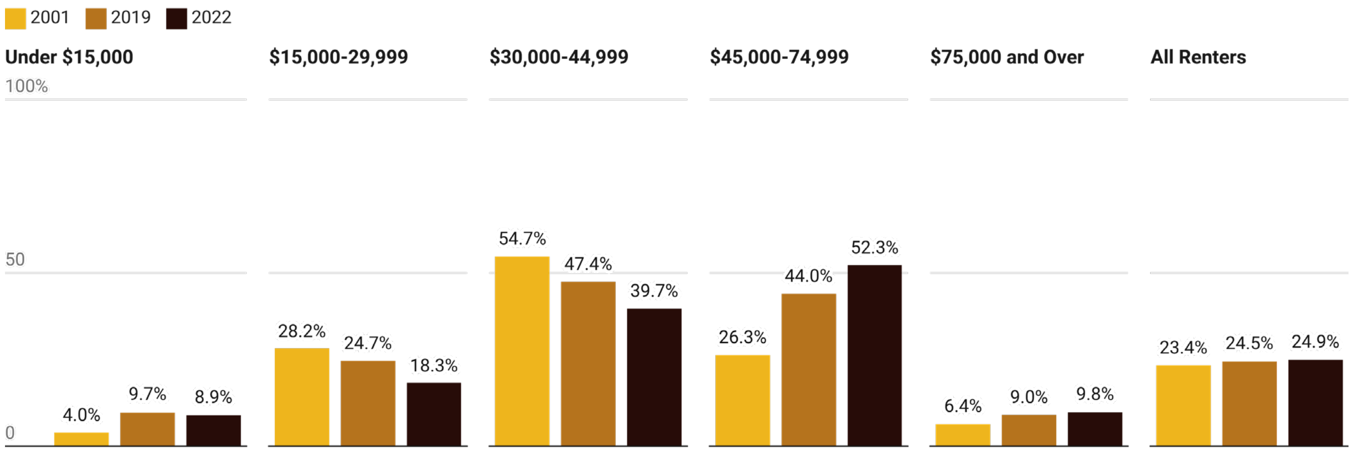
Source: Joint Center for Housing Studies of Harvard University

Figure 5: 2022 Colorado Share of Cost-Burdened Households by Metro & Severity



Source: Joint Center for Housing Studies of Harvard University

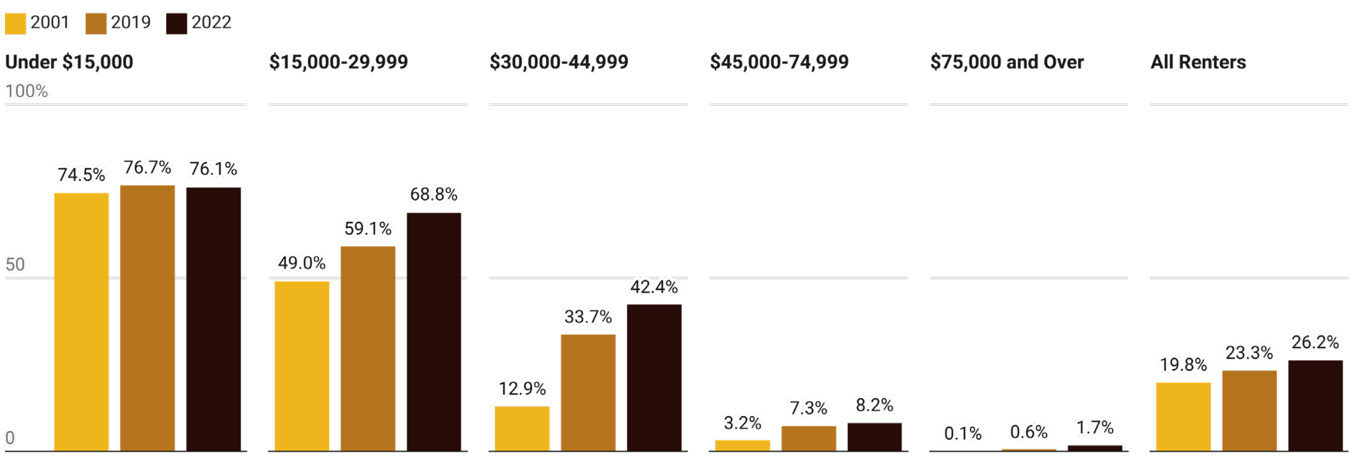
Figure 6: Colorado Moderately Cost-Burdened Renter Households By Income (2001, 2019, & 2022)



Source: Joint Center for Housing Studies of Harvard University

The prevalence of moderately and severely cost-burdened households is no longer limited to the lowest-income families (Figure 6). Over time, rising housing costs have also started to affect middle-income households. In 2022, individuals earning between $45,000 and $75,000 annually represented the largest share of moderately cost-burdened households. While the share of moderately cost-burdened households decreased for those earning less than $50,000, the proportion of severely cost-burdened households increased (Figure 7). Nonetheless, the majority of cost-burdened households in Colorado consist of families earning less than $75,000 annually.

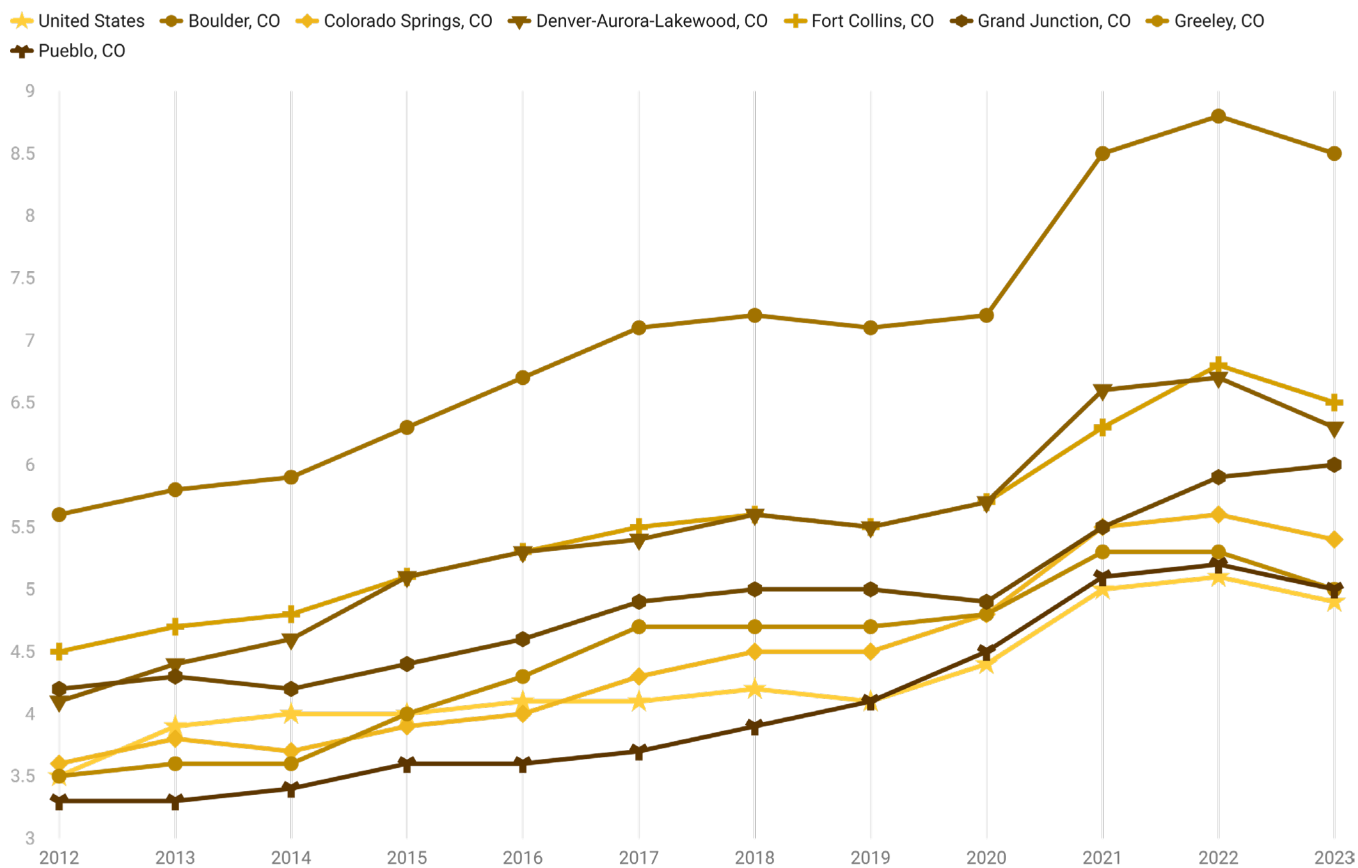
Figure 7: Colorado Severely Cost-Burdened Renter Households By Income (2001, 2019, & 2022)



Source: Joint Center for Housing Studies of Harvard University

Concurrently, homebuyers need higher incomes to purchase a home than ever before (Figure 8). The chart below displays the home price-to-area median income ratios for various Colorado metropolitan areas. Boulder, Fort Collins, and the Denver-Aurora-Lakewood metro exhibit the highest ratios. Notably, all these metros have surpassed the national ratio since 2021. Greeley, Pueblo, and Colorado Springs have experienced significant ratio increases over time.

Figure 8: Metro Area-Median Home Price-to-Median Income Ratios: 2012-2023

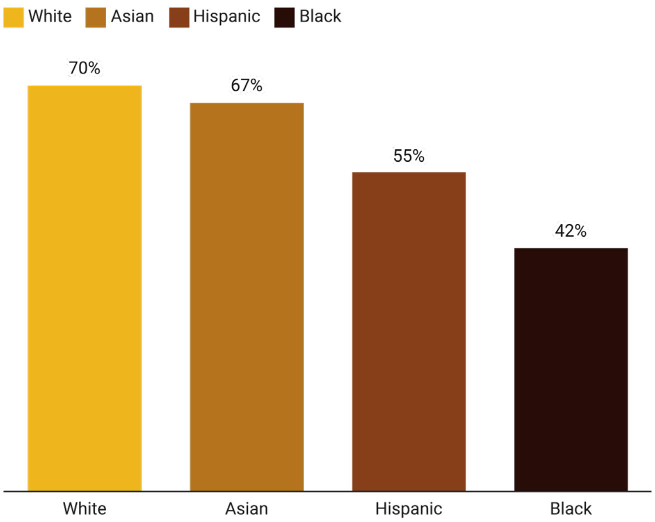


Source: Joint Center for Housing Studies of Harvard University

As discussed in the Bell's 2022 housing primer, income growth has not kept pace with median home price growth and income inequality exacerbates housing affordability for many low-to-middle-income households and households of color. According to a 2023 report by the National Association of Realtors, ownership rates among Black and Hispanic households are significantly lower than those of white and Asian households, with a higher likelihood of being financially burdened by housing costs (Figures 9,10). Black, Hispanic, and multiracial renter households consistently represent the highest proportion of severely cost-burdened families. Furthermore, only 11 percent of renter households can afford to purchase a typical home in Colorado, with just 5 percent of Hispanic renters able to manage the cost of homeownership (Figure 11).

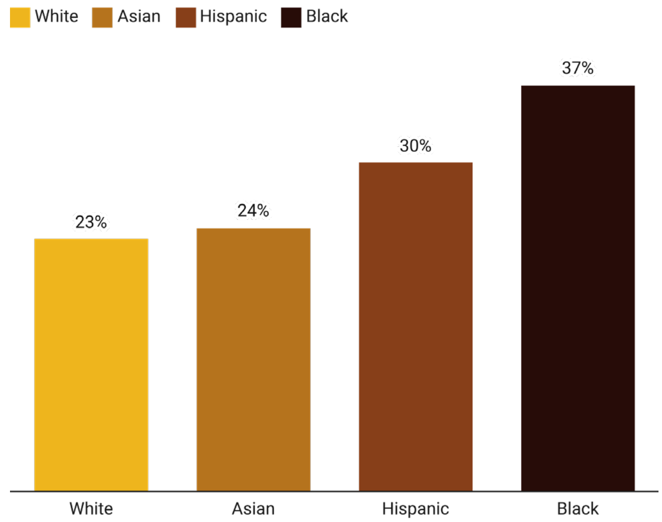
Despite an increase in supply and a decrease in homeownership demand, cost-burdened households continue to face financial strain. Home prices have risen dramatically since the pandemic. Low-to-middle-income families, particularly those of color, are finding it increasingly difficult to afford rent, much less achieve homeownership (Figures 12). Given that supply constraints remain a critical factor in affordability, it is essential to examine the factors that influence housing production alongside other cost drivers pushing housing costs beyond the reach of many Colorado households.

Figure 9: 2022 Colorado Homeownership Rates by Ethnicity



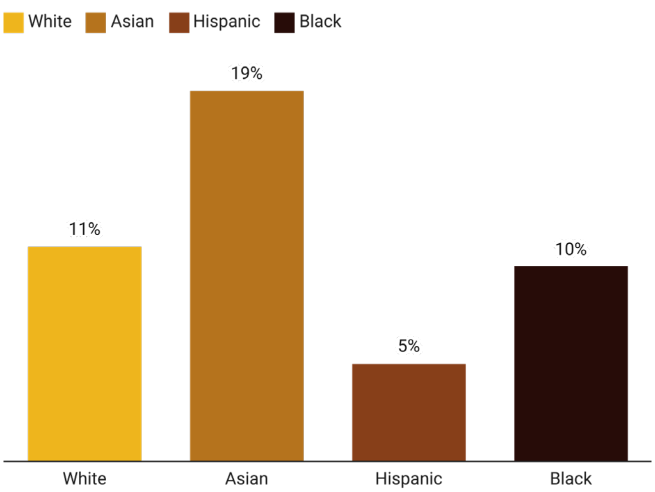
Source: National Association of Realtors

Figure 10: 2022 Colorado Cost-Burdened Homeowners by Ethnicity



Source: National Association of Realtors

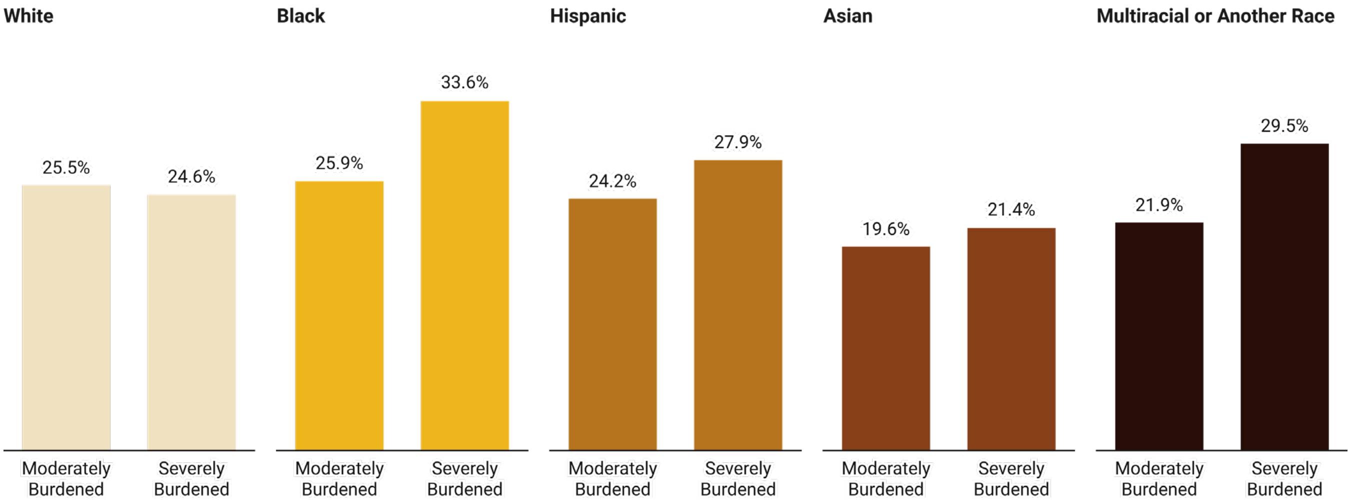
Figure 11: 2022 Colorado Renter Households That Can Afford to Buy a Typical Home by Ethnicity



Source: National Association of Realtors

> *Black, Hispanic, and multiracial renter households consistently represent the highest proportion of severely cost-burdened families.*

Figure 12: 2022 Colorado Cost-Burdened Renters by Ethnicity

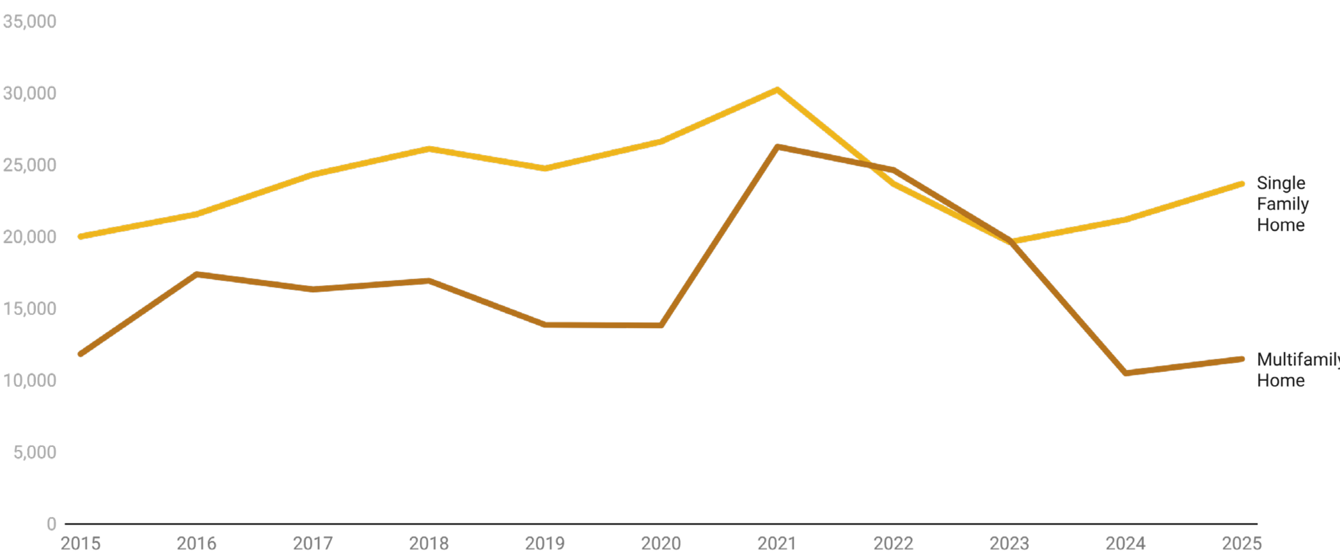


Source: Joint Center for Housing Studies of Harvard University

Housing Production Trends

Housing production is critical in addressing affordability, as shortages increase prices and limit options for renters and buyers. The 2025 Colorado Business Economic Outlook Report indicates that while new construction has slowed recently, it is expected to rebound (Figure 13).

Figure 13: Colorado Residential Building Permits By Type (2015-2025)



2024, 2025 are estimates.

Source: 2025 Colorado Business Economic Outlook Report

Single-Family Housing Construction

Single-family housing construction is rebounding after a slowdown. Permits were projected to increase nearly 8 percent from 2023 to 2024 and are expected to rise another 12 percent in 2025. This growth in single-family production is fueled by an increase in in-migration and slightly reduced interest rates for building. Interest rates for building averaged 6.3 percent in September 2024, down from 7.2 percent a year earlier.

While single-family housing production is projected to increase, the costs of single-family construction are also expected to grow by 27 percent in 2024 and 36 percent in 2025. This increase is influenced by rising construction costs, including land, labor, and materials expenses — accounting for three-quarters of the total cost of a single-family home. Building material prices remain elevated compared to pre-pandemic levels, and the construction industry continues to face workforce shortages, particularly in skilled trades. Consequently, higher labor costs increase per-unit construction values for single-family and multifamily housing.

The inventory available in the resale market has increased by 48 percent compared to last year, potentially indicating a future softening of single-family home production. Prospective homebuyers have been hesitant to buy as higher interest rates persist and home prices haven't slowed in growing. Another notable trend, perhaps in response, is the growth of "build-to-rent" (BTR) developments — single-family homes designed specifically for long-term rentals rather than sale. Denver saw a 91 percent increase in BTR single-family home completions over five years in 2023. These properties offer renters greater privacy and space, featuring amenities such as yards and garages, without the financial burden of a mortgage. BTR developments increase supply, require less capital investment, and are easier to maintain, which attracts investors and operators. Further research is needed on the effect of BTRs on housing affordability due to their rising popularity, concerns about institutional investors owning a larger share of single-family homes, and increasing urban sprawl.

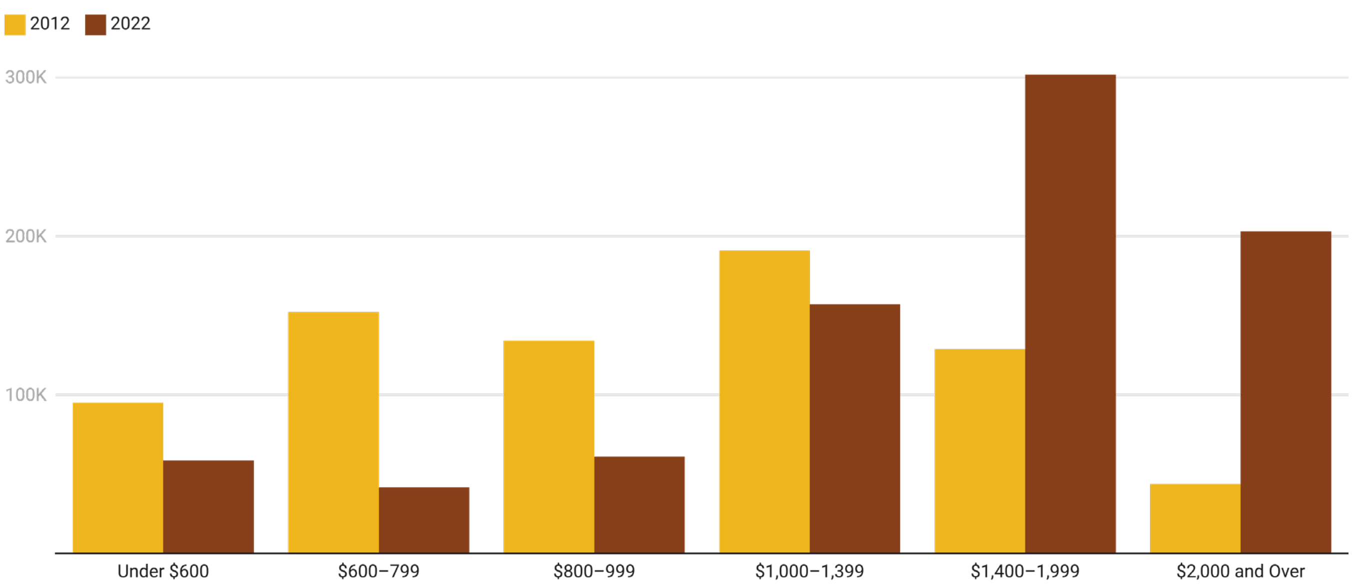
As the costs of building and owning single-family homes increase, without inclusionary policies or funding, these housing developments will cater exclusively to those who can afford a home rather than effectively addressing housing affordability.

Multifamily Housing Construction

Multifamily housing development projections showed a 47 percent drop in permits in 2024, the lowest level since the Great Recession. This decline has been attributed to high interest rates, regulatory challenges, and a softening rental market. Multifamily permits, which previously accounted for over 50 percent of residential construction, fell to about one-third of new units in 2024. Despite this, a modest rebound is expected in 2025, with a projected 10 percent rise in permits and a 15 percent increase in total construction costs. The average construction cost per unit rose 10 percent in 2024 and is expected to rise another 5 percent in 2025. However, higher vacancy rates at 9.7 percent, the highest since 2000, have led to stagnant rent growth and even declines in rent prices in some areas. The onset of increased market-rate rental units and vacancies puts pressure on landlords to lower rents but remain unaffordable for many.

Apartments remain the dominant form of multifamily housing, comprising 95 percent of new developments since 2010. Condominium construction remains limited, in part due

Figure 14: Colorado Number of Rental Units by Monthly Rent (2012 & 2022)



Source: Joint Center for Housing Studies of Harvard University

to financing challenges and risk assessments by developers and insurers. While concerns about construction defect litigation and liability insurance costs, which have been the subject of some legislative efforts, are often cited by developers as barriers to condo development, other factors such as land-use restrictions, higher land and material costs, workforce shortages, and shifting market preferences also play a role. These many factors continue to make apartment development the more viable option for many builders. Regardless of the reasons for lower condo development, homeownership opportunities at lower price points remain scarce, further limiting pathways to homeownership for middle-income households.

Other homebuilding regulations, such as permitting processes and land-use policy restrictions, impact the rate of denser housing development and overall costs. Denver, for example, saw a 75 percent increase in the average wait times for residential project permits between 2020 and 2023 due to delays, which increased costs for some projects by upward of $24,000. Exclusionary zoning policies, such as single-family zoning, limit the growth of the housing supply. In Denver, 77 percent of the land is designated for single-family zoning, and a significant portion of land in Colorado falls under these restrictions.

Trends Show More Housing Production, but is it Affordable?

High vacancy rates indicate more available housing units, which, given the prevalence of cost-burdened households, have not increased affordability. Despite slight decreases in rent, there has been an upward trend in high-end rental units rather than affordable units over time (Figure 14).

Affordable housing typically refers to housing that costs no more than 30 percent of a household's annual income, which can vary by location. The Colorado Housing and Finance Authority (CHFA) and the U.S. Department of Housing and Urban Development (HUD) use this standard. The definition is relevant to renters and homeowners and encompasses total housing costs, including rent or mortgage payments, utilities, taxes, insurance, and other associated expenses. Affordability varies by income; homes affordable for high earners may not be for low-income households. Housing affordability is measured against Area Median Income (AMI). Programs and policies primarily target those earning below 80 percent of AMI, distinguishing between low (50-80 percent AMI), very low (30-50 percent AMI), and extremely low (below 30 percent AMI) households. Middle-income earners (80-120 percent AMI) often find homeownership unaffordable due to high prices and interest rates. Known as the

"missing middle," they struggle with market-rate housing but don't qualify for affordable programs. In 2022, the median monthly rent in Colorado ($1,650) represented 32.7 percent of the median income, indicating that a typical household in Colorado is cost-burdened.

While estimates show that at least 325,000 housing units need to be built, Colorado is also short 175,240 affordable and available units for families earning at or below 50 percent AMI. Rising costs associated with housing production complicate the development of below-market-rate housing unless income-restricted units are incentivized and mandated. The subsequent sections explore additional housing-related cost drivers and recent legislation to address the affordable housing shortage and escalating expenses.

Housing-Related Cost Drivers

Additional housing-related cost drivers exacerbate housing unaffordability for both homeowners and renters. Higher property taxes, homeowners' insurance rates, homeowner association fees (HOAs or common-interest groups), and home-improvement repairs have increased homeowners' costs. Despite legislative actions to lower assessment rates, and in some cases, local mill levies, residential property taxes will still rise by approximately $300 in 2025. Homeowners' insurance has increased by 17-22 percent in 2024, depending on the area, and now costs $818 more than in 2020. Colorado has the fourth-highest insurance premiums nationally due to increased wildfire risks and extreme weather conditions. Master insurance policy premiums, group policies held by homeowners or condo associations, saw premium increases passed on to homeowners through higher HOA dues, which reached $700 monthly for some.

For renters, anti-consumer practices maximize company profits through rent-pricing algorithms and junk fees. Rent pricing algorithms were estimated to increase rent in the Denver metro by $136 a month. Junk fees are additional charges on top of the base rent or a service or good, and are often not disclosed upfront before someone signs a lease or purchases a service or good. These extra costs, such as pest control, standard area maintenance, and processing fees, can increase costs by 17 percent, adding approximately $200 a month.

Corporate ownership of residences and the rise of short-term rentals (STRs) are raising concerns about their impact on housing supply and affordability. A 2023 point-in-time study found that corporate entities own approximately 5.5 percent of all owner-occupied properties in Colorado. The short-term rental market comprises 49,000 units across Colorado as of 2021. Some counties have started imposing taxes on STRs to support affordable housing initiatives. Corporate ownership and short-term rentals decrease long-term housing availability, exacerbating the supply shortage relative to demand and contributing to price inflation. Although STR-related taxes have been introduced to bolster affordable housing efforts, their effectiveness remains uncertain. More research is required to understand how STR policies affect housing costs at the local level.

Climate change is a commonly underestimated factor contributing to the escalating cost of housing in some areas. It's interconnected with higher construction costs, homeowners' insurance, and home losses, such as the 1,105 homes lost in the Marshall fire in 2021. Colorado ranks second for homes at risk from wildfires, and homes in wildfire-prone areas face some of the highest home insurance increases in the country. Additionally, affordable housing, such as modular and mobile homes, could be more at risk. In 2013, Lyons saw significant flooding that destroyed nearly all the town's affordable homes. These factors make it more expensive for homeowners and renters in high-risk areas.

Recent Housing Legislation

Significant housing legislation has been passed in the last six years, including funding for affordable housing development, land use/zoning reform, and renter protections. However, despite these efforts, a persistent shortage of affordable and middle-income housing remains a critical challenge.

Colorado has historically underinvested in affordable housing and related programs, relying on federal funding that has decreased substantially over the last few decades. Before the COVID-19 pandemic, Colorado created some funding sources for affordable housing through allocations of the Marijuana Tax Cash Fund in 2017 and sales tax vendor fees in 2019. Additionally, HB19-1322 created a new state fund to support projects that improve, preserve, and expand the supply of affordable housing under certain fiscal conditions, which has yet to happen.

Temporary federal relief arrived during the COVID-19 pandemic through the CARES Act (2020) for housing and utility bill payment assistance. This was followed by a sizable one-time funding stream for housing programs through the American Rescue Plan Act funds in 2021. Since then, Colorado lawmakers have worked to establish other funding sources, such as the affordable housing revolving loan fund and innovative housing incentives programs. At the same time, the Affordable Housing Tax Credit was expanded and renewed throughout the years. Lawmakers also established the Middle-Income Housing Authority and the first Middle-Income Housing Tax Credit. Furthermore, voters passed Proposition 123 in 2022, creating the state's most significant permanent funding stream for affordable housing. Additionally, several local ballot measures were proposed to increase affordable housing funding at the regional level just this past 2024 election cycle, demonstrating growing momentum at the municipal level.

Land use-zoning policies have made remarkable progress in loosening restrictions. In 2021, HB21-1117 authorized local governments to set inclusionary zoning policies or income-restricted rents on new or redeveloped housing. Some land-use reform bills, such as single-stairway structures and a major land-use bill, failed in 2023 and 2024. HB23-1255, however, passed and prohibited local governments from implementing local housing growth restrictions.

During the 2024 session, several parts of the 2023 land use bill were enacted as distinct pieces of legislation. These changes included removing minimum parking requirements and occupancy limits, promoting accessory dwelling unit development, and increasing the allowable density for transit-oriented communities. Additional legislation mandated housing needs assessments and granted local governments the right of first refusal on affordable housing properties.

Some bills have also been passed to address short-term rentals and corporate ownership. In 2022, HB22-1117 expanded the allowed use of county lodging taxes to tackle affordable housing, worker shortages, and affordable childcare. Two related bills also passed in 2023, HB23-1287 gives county commissioners the ability to partner with sites that host units, such as Airbnb, to remove a listing if the owners' license is suspended or revoked, and HB23-1253, the creation of the Task Force to Study Corporate Ownership, which will provide a report in October 2025.

Several renter protection bills have been passed, such as prohibiting eviction without cause, increasing habitability standards, and additional eviction protections. Rent control was debated but ultimately rejected in 2023. Additionally, there has been increased funding for rental assistance by creating the Emergency Rent Assistance Grant Program after eviction filings reached record highs.

Ongoing 2025 Legislation

The 2025 legislative session will continue addressing housing affordability, zoning reform, and tenant protections. While specific proposals are still being debated, lawmakers are considering:

- Expanding homeownership opportunities through state investment in for-sale housing.
- Expanding zoning reform to allow increased housing density on land owned by faith-based and educational institutions.
- Streamlining housing construction by removing regulatory barriers for modular and factory-built homes.
- Revisiting construction defect laws, which some believe will promote starter home construction but others fear will hurt homeowners who may have no recourse for shoddy construction.
- Addressing rental market concerns, including increased oversight on algorithm-based rent pricing and greater transparency on rental junk fees.
- Addressing the rising costs of homeowners' insurance.

While the effectiveness of these efforts will depend on legislative negotiations and local implementation, they reflect a continued focus on expanding housing access across income levels.

Conclusion

Despite increased housing production and ongoing legislative efforts, Colorado's housing affordability crisis persists, particularly for low- and middle-income households. While housing supply has grown, home prices and rents remain high, making stable housing unattainable for many Coloradans. Rising construction costs, restrictive zoning policies, and increasing housing-related expenses such as homeowners insurance and property taxes make it harder for homeowners to thrive. Simultaneously, exploitative rental practices and the rise of corporate ownership/short-term rentals impact the path to homeownership for families. These factors shape the housing market in ways that disproportionately burden lower-income and historically marginalized communities. Climate change further complicates affordability by increasing home repairs, insurance, and disaster resilience costs.

Addressing these issues requires a continued comprehensive, multifaceted approach that expands the housing supply and ensures affordability through targeted initiatives. Key strategies include reforming restrictive zoning laws, strengthening inclusionary housing policies, and increasing protections for renters against exploitative practices. Additionally, creating accessible pathways to homeownership is critical as home prices continue to rise.

Colorado has taken significant action, as noted in recent legislation. The expansion of funding through the passage of Proposition 123, housing tax credits, and initiatives from local governments have begun to incentivize the construction and preservation of affordable housing. Zoning reform has also allowed local governments to take more substantial steps towards creating the groundwork for such affordable housing. However, observing its impact in the currently available data is still too early. Monitoring and adjusting the ongoing implementation of the various funding sources and policies will be crucial.

The 2025 legislative session presents another opportunity to tackle these systemic challenges. Proposed policies aim to expand homeownership opportunities, advance zoning reforms, protect renters, and increase transparency in the housing market. However, to make meaningful progress, policymakers must go beyond short-term fixes and address the structural drivers of unaffordability. These include financing barriers that limit the development of denser, affordable housing for both rent and sale and broader cost burdens that extend beyond rent and mortgages.

Simply increasing supply will not be enough if housing remains out of reach for those who need it most. Policymakers must prioritize equitable, long-term solutions that balance housing production with affordability measures. A sustained commitment to comprehensive policy reform will be essential in addressing Colorado's housing crisis and ensuring all residents' economic stability and housing security.