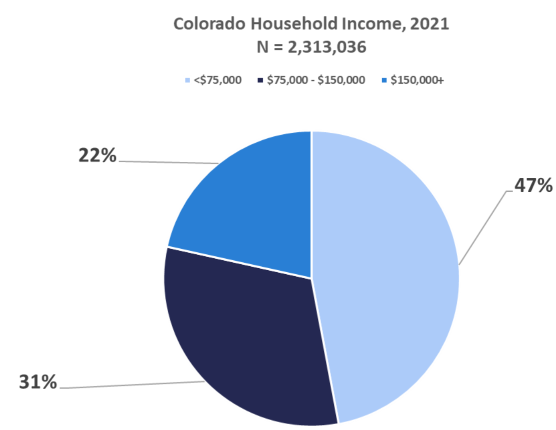
Almost half of Colorado households have incomes of less than $75,000. Housing policy must not forget them.

Today the Colorado Futures Center released *Housing Affordability Update: Focusing on Where the Need is Greatest.* This update, funded by the Colorado Health Foundation, refreshes the center's pre-pandemic work exploring factors affecting affordability in Colorado. With an expanded focus on the housing economy, this research finds that even as the housing markets statewide are normalizing after COVID, the almost half of Colorado households earning $75,000 or less remain significantly, and increasingly, housing cost burdened.

Most housing analysts consider a housing market healthy when vacancy rates hover around 5 percent, allowing for the necessary inventory and churn to accommodate movers and entrants into the market. Our analysis shows the Colorado and Denver metro markets recovering from the Great Recession supply constraints and approaching 5 percent vacancy just as COVID hit, seizing the market and resulting in soaring prices. The largest increases in the history of the Case-Shiller Housing Price Index for Denver occurred during and in the immediate aftermath of the pandemic.

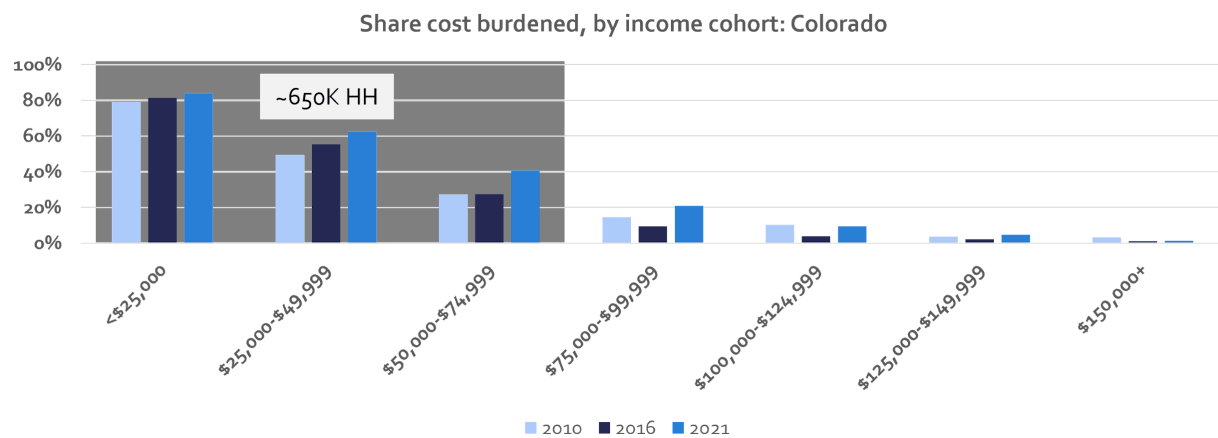
Of late, however, with the reopening of the post-pandemic economy and the continuing increase in supply of housing units, the market is showing signs of normalizing. Housing price increases moderated in many submarkets, slowing the extraordinary rates of growth experienced during the pandemic. And, in our models, estimated vacancy rates continue and are projected to remain over 5 percent. This should modestly ease the challenge for many households, particularly those earning twice the median income. Our analysis shows that in most markets a household income of twice the median (just under $165,000 statewide) supports between 80 and 90 percent of the housing inventory by assessor value.

For households at the median or below, however, the affordability challenge remains acute. In 2021, 47 percent of Colorado households had incomes of $75,000 or less and housing options for those households are far more limited. Small and medium multi-family units, often a significant source of housing for lower income households, have seen negligent production in a Denver metro market that in the second half of the 2010s largely produced large multi-family developments. The significant lack of options for households earning $75,000 or less has left approximately 650,000 households statewide facing significant levels of housing cost burden, costing the Colorado economy approximately $5.6 billion in foregone spending (just over $8,600 per household).



Source: IPUMS USA, University of Minnesota, www.ipums.org, 2021.

According to Phyllis Resnick, the center's executive director and a co-author of the report, "for lower income households, the cost-burdened profile has deteriorated since 2010. These households must be front and center in all housing policy conversations."



Source: CFC analysis of IPUMS USA, University of Minnesota, www.ipums.org, 2010-2021.