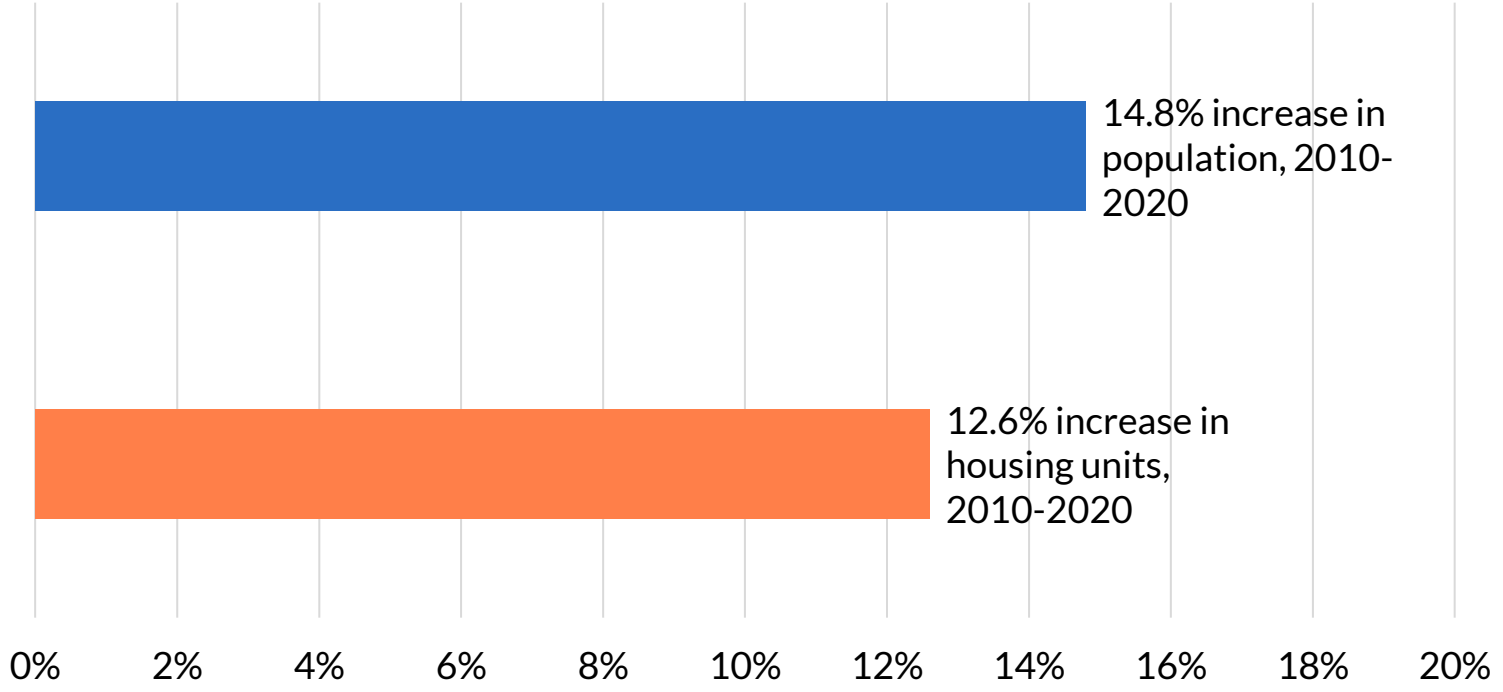


Impacts of Colorado's Housing Shortage: Causes, Consequences, Consensus, and Lessons Learned

April 2023

Pew

Colorado Home Construction Lags Population Growth



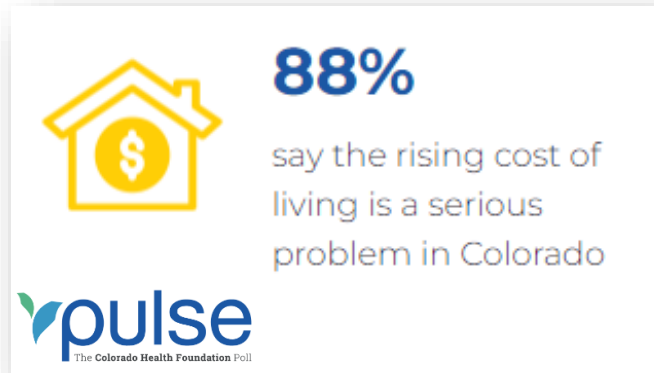
Although Colorado’s population is growing, the state’s average household size reached an all-time low of 2.46 in 2021.


More people living in smaller households leads to a greater demand for new homes.

64% of U.S. households have 1 or 2 people; just 9% have 5 or more.

Source: U.S. Census Bureau

Coloradans Feel Consequences of Housing Shortage




EDUCATION  Erica Breunlin 3:25 AM MST on Dec 20, 2022

This Dillon teacher lives in a van — not for the “van life,” but because it’s her only affordable option

The Colorado Sun

Home prices may be falling in Denver, but costs are still shutting out many buyers

 Sarah Mulholland

Feb. 04, 2023, 5:00 a.m.

Denverite

An ‘insane’ housing market is hitting military families hard when they have to move

American Homefront Project | By Eric Schmid
Published November 19, 2022 at 2:00 PM EST

wusf
Public Media

In Vail, housing shortage threatens America’s ski wonderland

By EDDIE PELLIS November 14, 2022

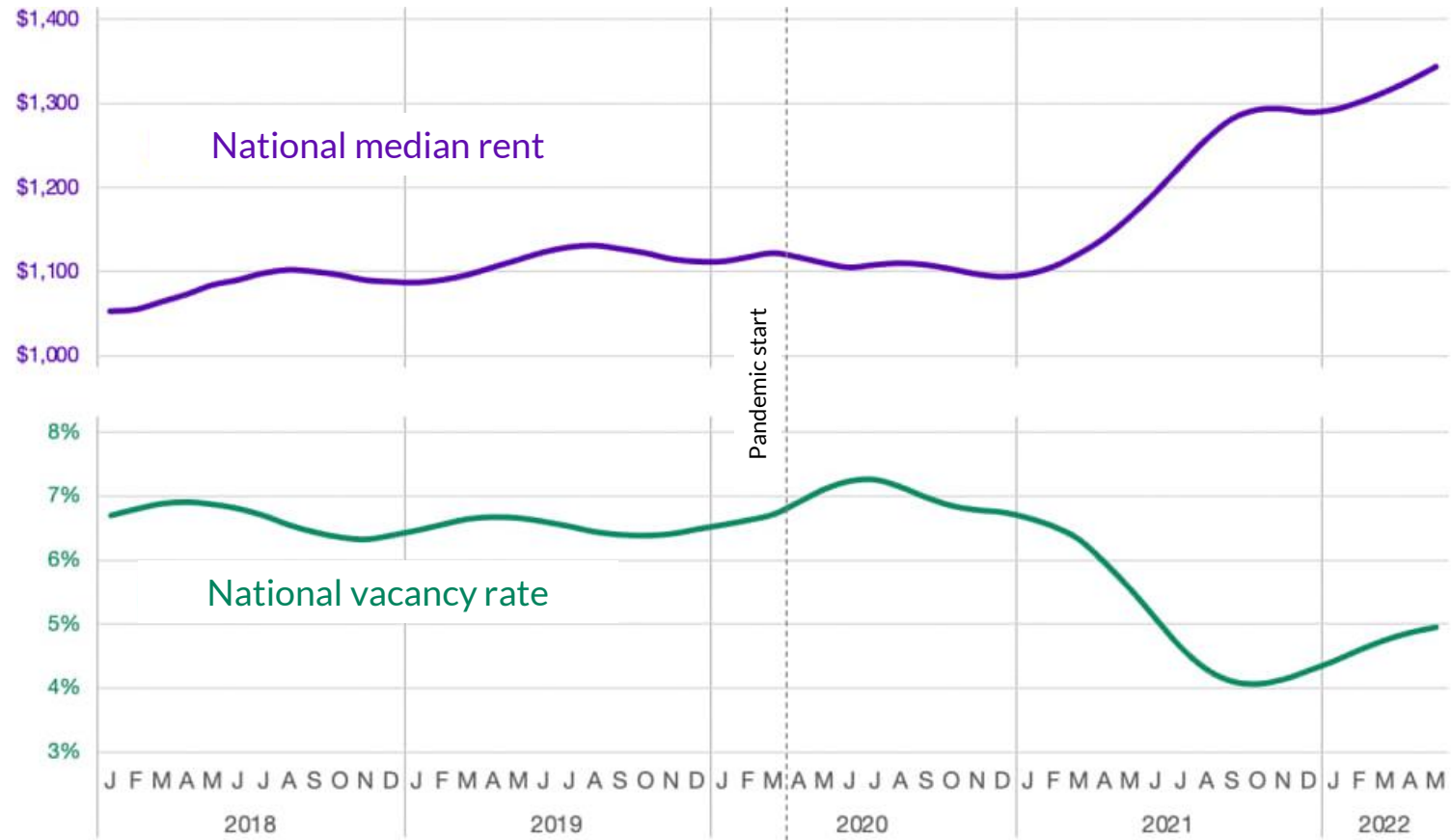
AP

Home Prices Spike With Fewer Homes on Market



Source: White House Council of Economic Advisors' analysis of Federal Reserve economic data and National Association of Realtors monthly supply data

Rents Rise When Housing Availability Tightens



Source: Apartment List rent estimate and vacancy index data

Real Estate Investment Prospectus

“We have selected markets that we believe will experience strong population, household formation, and employment growth, and exhibit constrained levels of new home construction. As a result, we believe our markets have and will continue to outperform the broader U.S. housing and rental market in rent growth and home price appreciation. ... We could also be adversely affected by overbuilding or high vacancy rates of homes in our markets, which could result in an excess supply of homes and reduce occupancy and rental rates. Continuing development of apartment buildings and condominium units in many of our markets will increase the supply of housing and exacerbate competition for residents.”

Source: Invitation Homes Inc. Prospectus, filed with U.S. Securities and Exchange Commission in 2017

Low Vacancies Fuel Bidding Wars, Rental Scams

Bidding wars and price hikes: Are New York renting realities coming to Denver?

by **Amanda Horvath, Alexis Kikoen** • Published on August 29, 2022



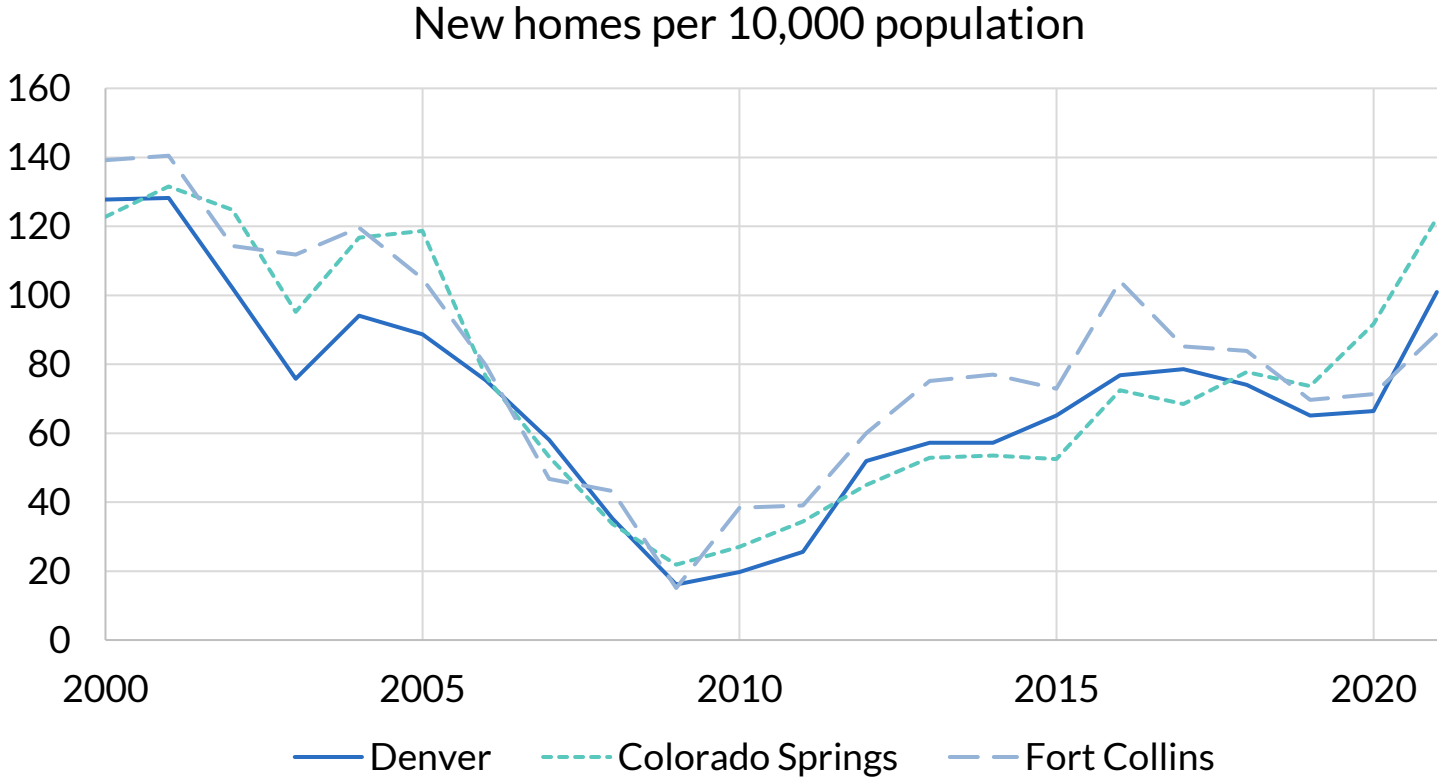
Rental scams are trickier than ever in Colorado's housing crunch



By Loretta Wimbley · Aug. 15, 2022, 4:00 am

 **CPR News**

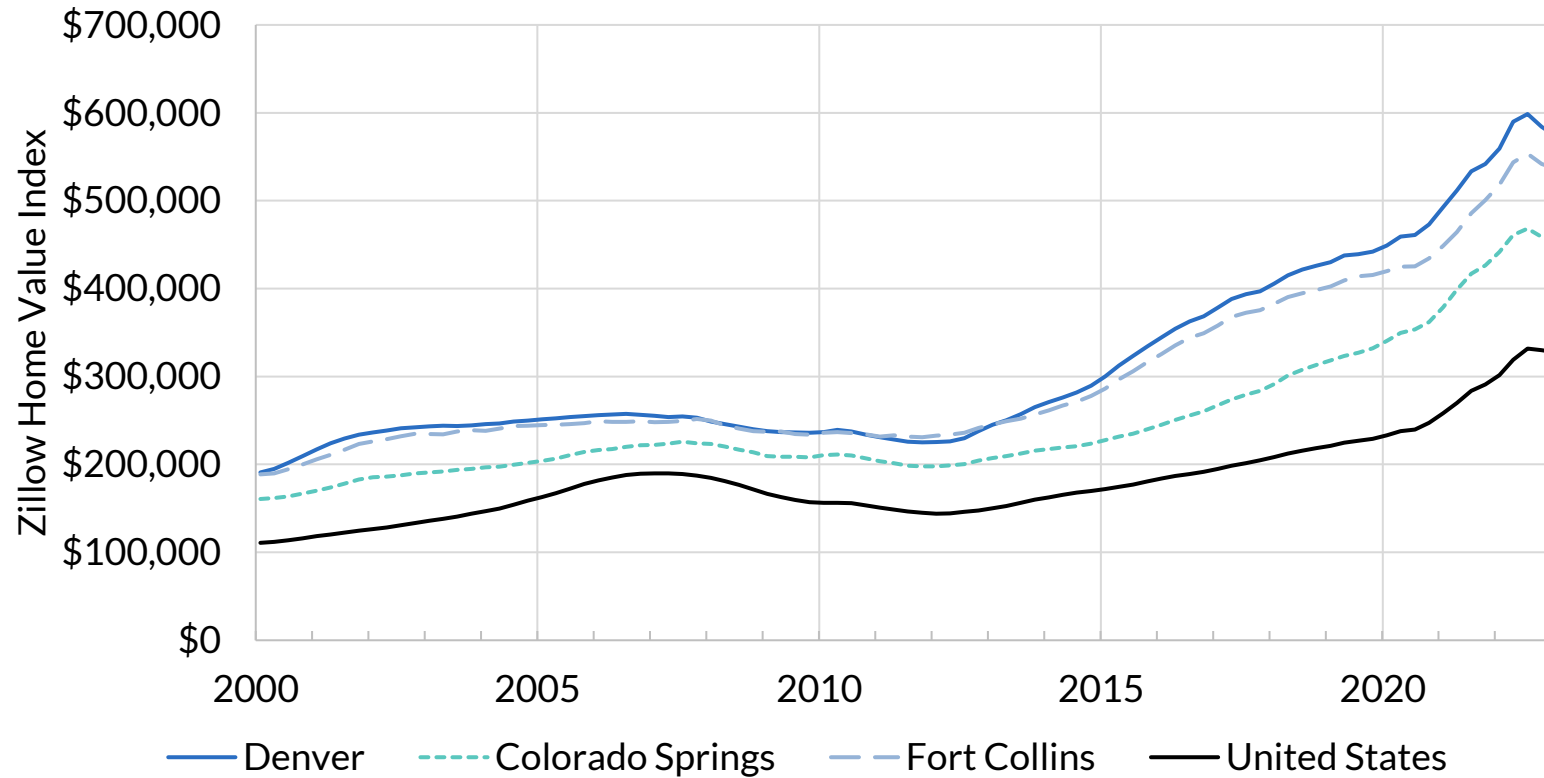
Colorado Home Construction Digging Out of Shortfall



Sources: Pew's analysis of U.S. Department of Housing and Urban Development building permits data and Federal Reserve resident population data

Colorado Home Price Growth Stems From Long Construction Shortfall

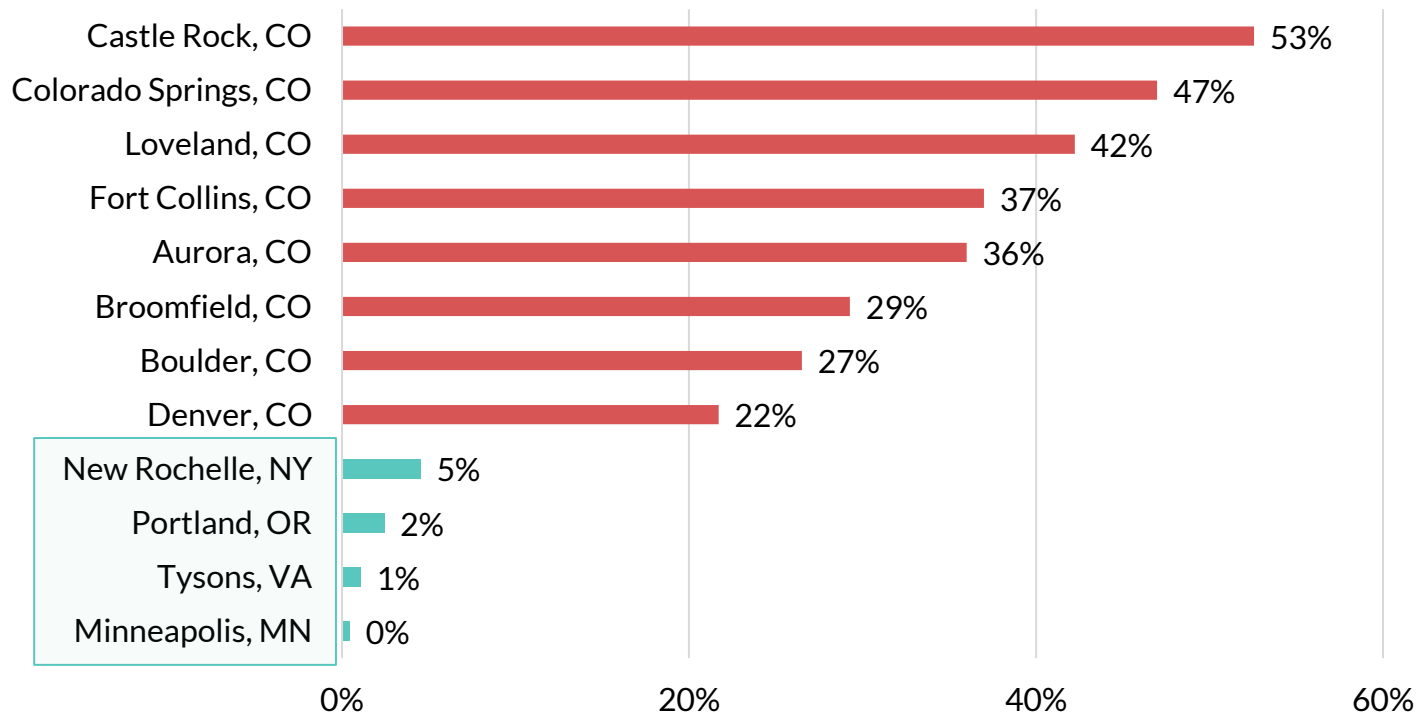
Typical home value by region, smoothed and seasonally adjusted



Source: Zillow

Places With Updated Zoning Have Seen Slow Rent Growth

Percentage difference in median rent estimate, Jan. 2017-Jan. 2023



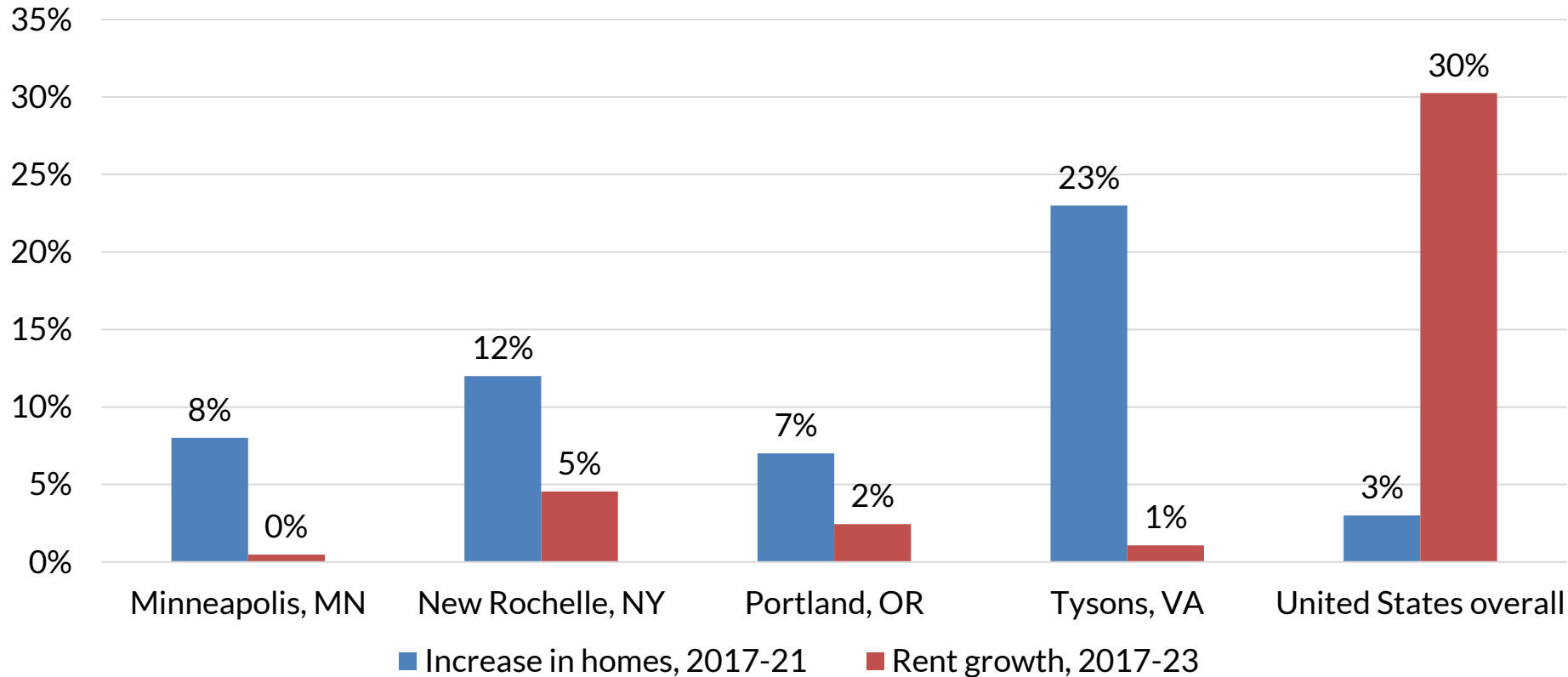
Minneapolis, New Rochelle, Portland, and Tysons updated their zoning to legalize a variety of housing types, ranging from apartments to accessory dwelling units to “missing middle” housing (duplexes, triplexes, and fourplexes).

In addition, they took steps that helped lower building costs, such as making it easier to get construction permits and reducing parking requirements.

Home construction in those four cities has increased and rent growth is low.

Source: Pew’s analysis of Apartment List rent estimate data

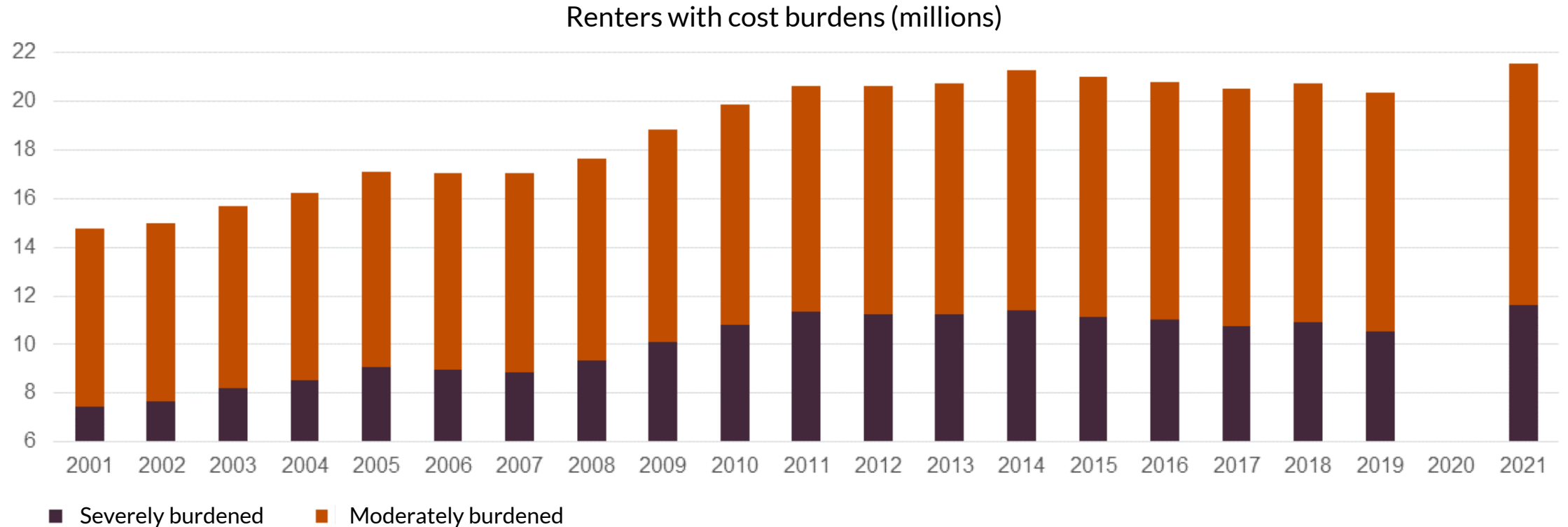
Rent Growth Is Low Where Housing Has Been Added



The four local jurisdictions shown also experienced high housing demand—they added proportionally more households than the U.S. overall from 2017-21—and still had low rent growth.

Source: Pew's analysis of Apartment List rent estimate data (Jan. 2017-Jan. 2023) and U.S. Census data on housing units (2017-2021)

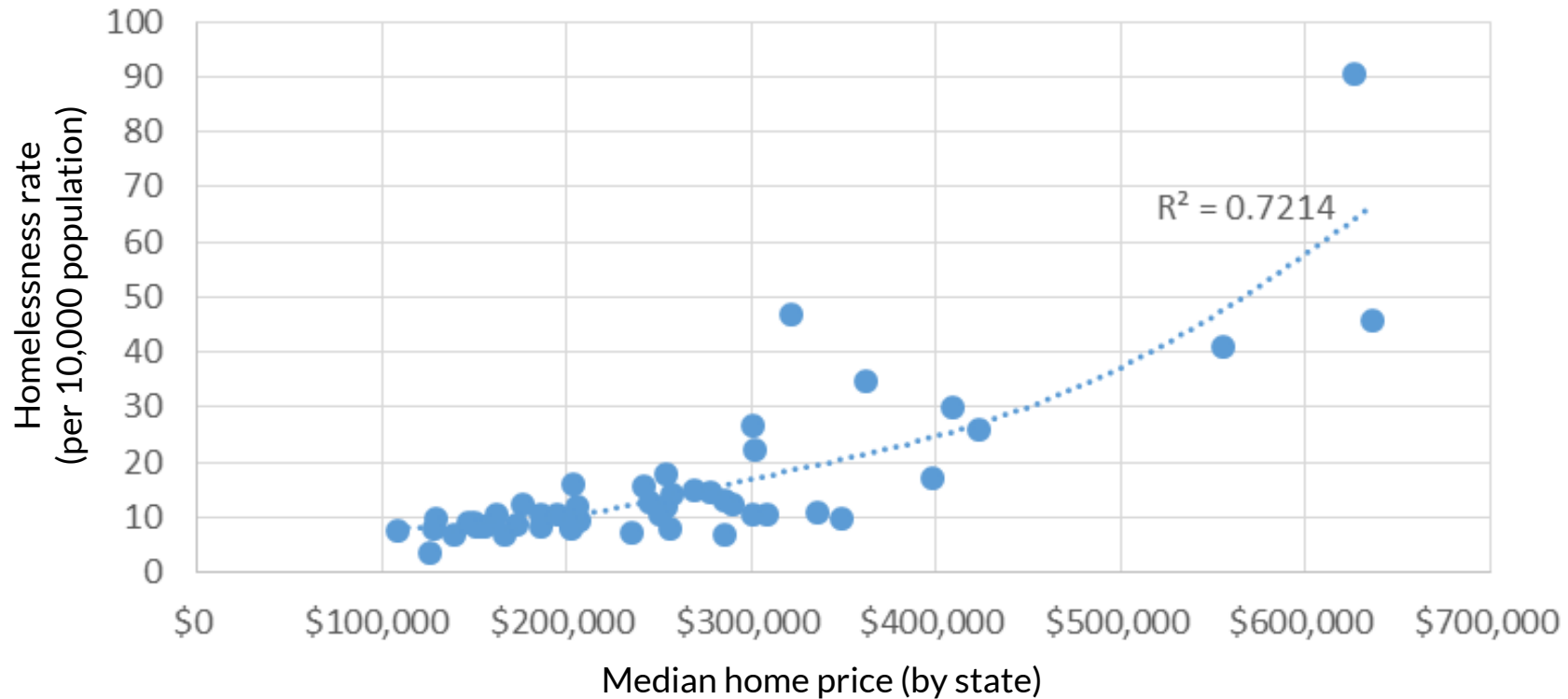
National Rent Burden at All-Time High



Notes: Cost-burdened (severely cost-burdened) households pay more than 30% (more than 50%) of their income on housing. Households with zero or negative income are assumed to have burdens, while households paying no cash rent are assumed to be without burdens. Data from 2020 is omitted due to data collection issues experienced during the COVID-19 pandemic, precluding comparisons with other years of data.

Source: Joint Center for Housing Studies of Harvard University's analysis of U.S. Census Bureau data

Housing Costs Are Primary Driver of Homelessness Rate



Source: K. Moclair, "Being Poor Alone Does Not Make People Homeless. Being Poor Where Housing Is Unaffordable Makes People Homeless.," *Brown Political Review* (2021)

Large Cities That Allow Ample Housing Construction Have Kept Rents Affordable



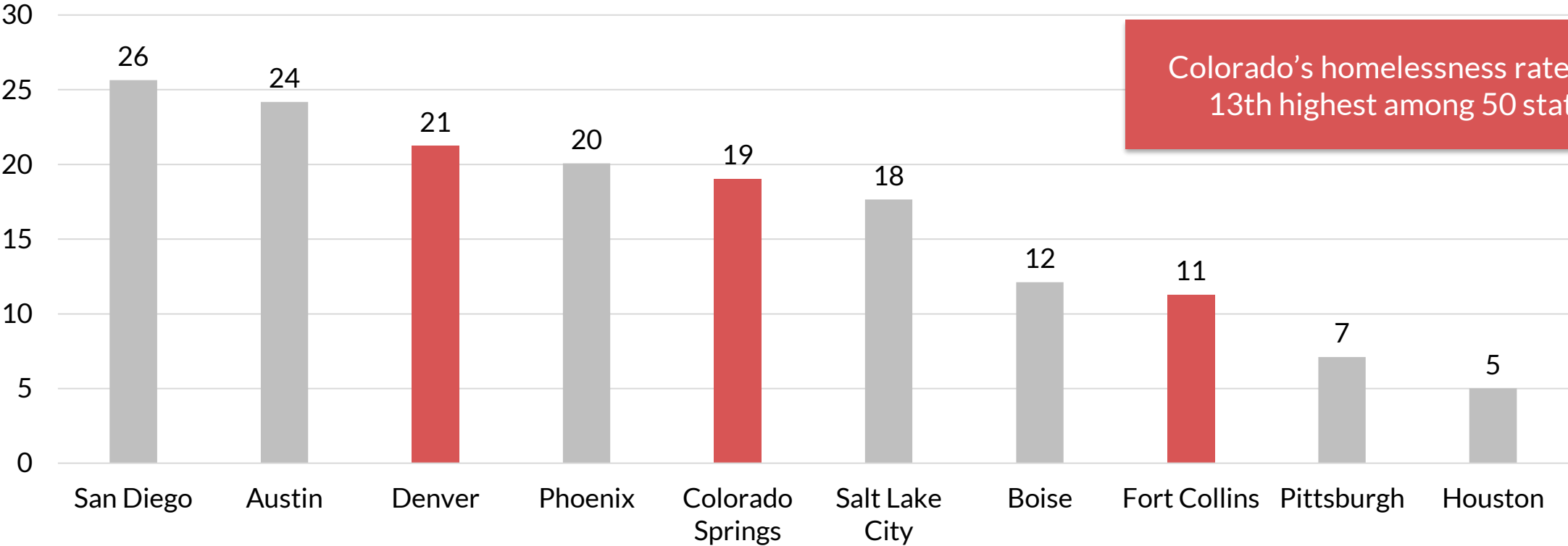
Houston, TX



Tokyo

Allowing Enough Housing Reduces Homelessness

Homelessness rate per 10,000 population



Colorado's homelessness rate ranks 13th highest among 50 states.

Sources: Pew's analysis of U.S. Department of Housing and Urban Development Point-in-Time Count data from 2022 and U.S. Census Bureau population data from 2021

Research Consensus: Exclusionary Land-Use Regulations Decrease Housing Affordability, Reduce Growth

In jurisdictions that heavily restrict their housing supply, there are ...

- Apartment bans.
- Single-unit-per-lot limits.
- Strict parking and floor-area requirements.
- Large minimum-lot sizes.
- Long, conditional permitting processes.



Fewer homes are built.



Housing costs are higher.



Economic growth is slower.

Sources: J. Gyourko, J. Hartley, and J. Krimmel, "The Local Residential Land Use Regulatory Environment across U.S. Housing Markets: Evidence from a New Wharton Index," *National Bureau of Economic Research Working Paper Series No. 26573* (2019); E. Glaeser and J. Gyourko, "The Economic Implications of Housing Supply," *The Journal of Economic Perspectives* 32, no. 1 (2018): 3-30; C.-T. Hsieh and E. Moretti, "Housing Constraints and Spatial Misallocation," *American Economic Journal: Macroeconomics* 11, no. 2 (2019): 1-39; J. Zabel and M. Dalton, "The Impact of Minimum Lot Size Regulations on House Prices in Eastern Massachusetts," *Regional Science and Urban Economics* 41, no. 6 (2011): 571-83; C.J. Gabbe and G. Pierce, "Hidden Costs and Deadweight Losses: Bundled Parking and Residential Rents in the Metropolitan United States," *Housing Policy Debate* 27, no. 2 (2017): 217-29

Lessons Learned

Apartments Produce the Most Housing Quickly: Allowing apartment buildings near transit stops and commercial corridors increases housing production and slows nearby rent growth.

Gentle Density/Missing Middle Solutions Take Time: Uptake on lot splits and construction of duplexes, triplexes, and fourplexes is slow but incrementally adds to the housing stock over time.

Success Depends on Streamlining and Strong Compliance Mechanisms: Laws without streamlining of approvals or strong mechanisms to ensure compliance have usually not achieved their goals. Laws creating by-right (not discretionary) approvals and those with a strong compliance mechanism have been more successful.

Natural Affordability Is Essential: Most low and moderate-income households live in market-rate (unsubsidized) housing. The foremost determinant of housing affordability is whether there is enough housing for all or if there is too much competition for each home, which empowers landlords and raises rents. Places that have allowed enough housing to meet demand have contained housing costs; those that haven't have seen costs rise rapidly. In all markets, the poorest households still need assistance.

Planning Efforts in Several States Combined Sufficient Targets With Strong Compliance Mechanisms

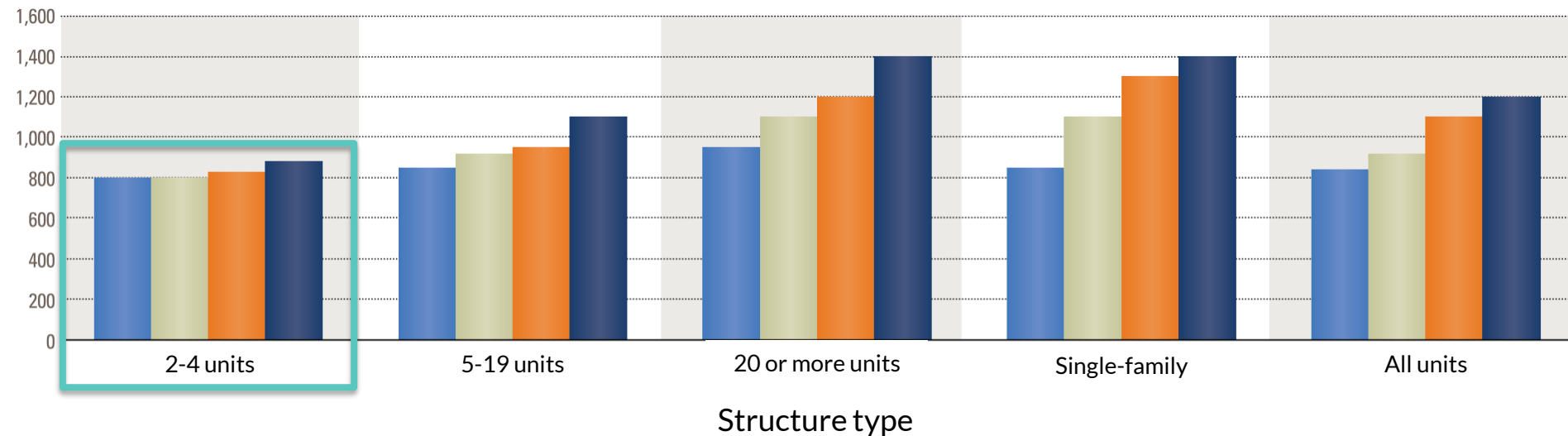


Missing Middle Housing Is Naturally More Affordable, but Home Production Is Slow and Requires Other Changes to Work

Minneapolis legalized duplexes and triplexes in 2018, but these homes only made up about 1% of new homes permitted from 2020-22.

California legalized duplexes and, via lot splits, fourplexes beginning in 2022, but very few of these homes were approved in 2022 under the new law.

Median contract rent (dollars)



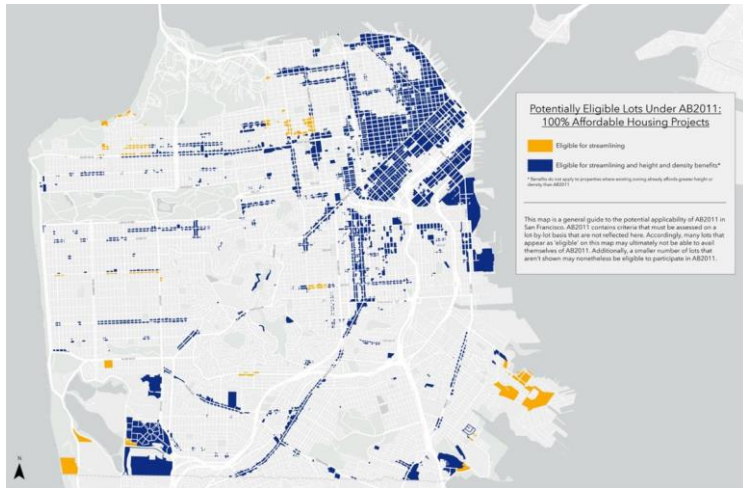
Year built: Before 1990 (blue), 1990–1999 (green), 2000–2009 (orange), 2010–2018 (dark blue)

Notes: Rental units may be occupied, vacant for rent, or rented but unoccupied. Contract rent excludes utilities paid separately.

Source: Joint Center for Housing Studies of Harvard University’s analysis of U.S. Census Bureau data.

Sources: J. Fox, “What Happened When Minneapolis Ended Single-Family Zoning” *Bloomberg Opinion* (August 20, 2022); Turner Center for Housing Innovation, 2023

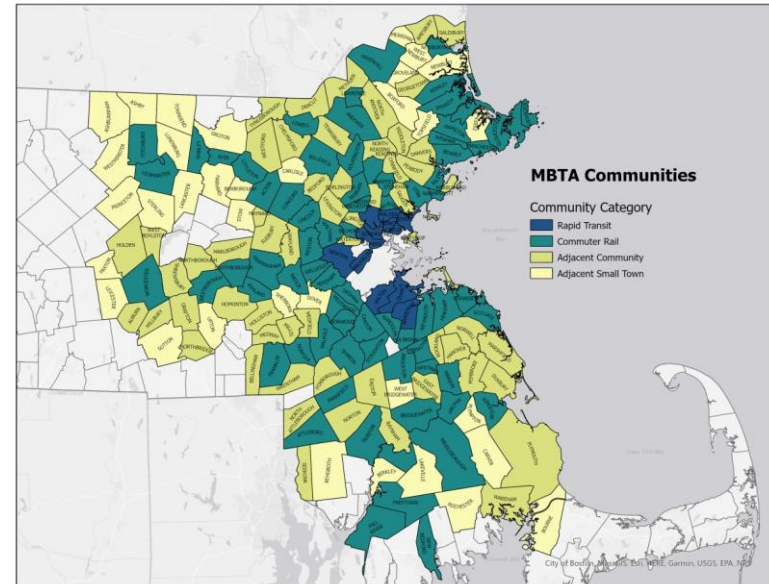
Allowing More Housing Near Transit and Commerce Can Yield More Homes Quickly



Source: San Francisco Planning Department

California legalized affordable and mixed-income housing, including mid-rise apartments, on commercial lots. Researchers found that up to 14% of new housing was in commercial zones before the 2022 law, but zoning barriers limited more building. Early estimates indicate that this law could produce far more housing than missing middle bills.

Source: Turner Center for Housing Innovation, 2021



Source: Massachusetts Executive Office of Housing and Economic Development

Massachusetts has set minimum zoning capacities for multifamily housing since 2022, based on a community's proximity to rapid transit and commuter rail stations.

ADUs Are Naturally Affordable and Have Required Comprehensive, Permissive Laws to Reach Scale

Location on already developed lots, smaller sizes, and fewer amenities mean affordable dwelling units (ADUs) often rent for less than other newly built homes.



With preapproved designs and vendors, ADU permitting takes ...

- 1 day in Los Angeles.
- 1 hour in San Jose.

Without subsidies, about 1 in 3 ADUs ...

- Are affordable to those making $\leq 80\%$ area median income (AMI) in 5 high-cost California counties.
- House residents making $\leq 70\%$ AMI in Vancouver, British Columbia.

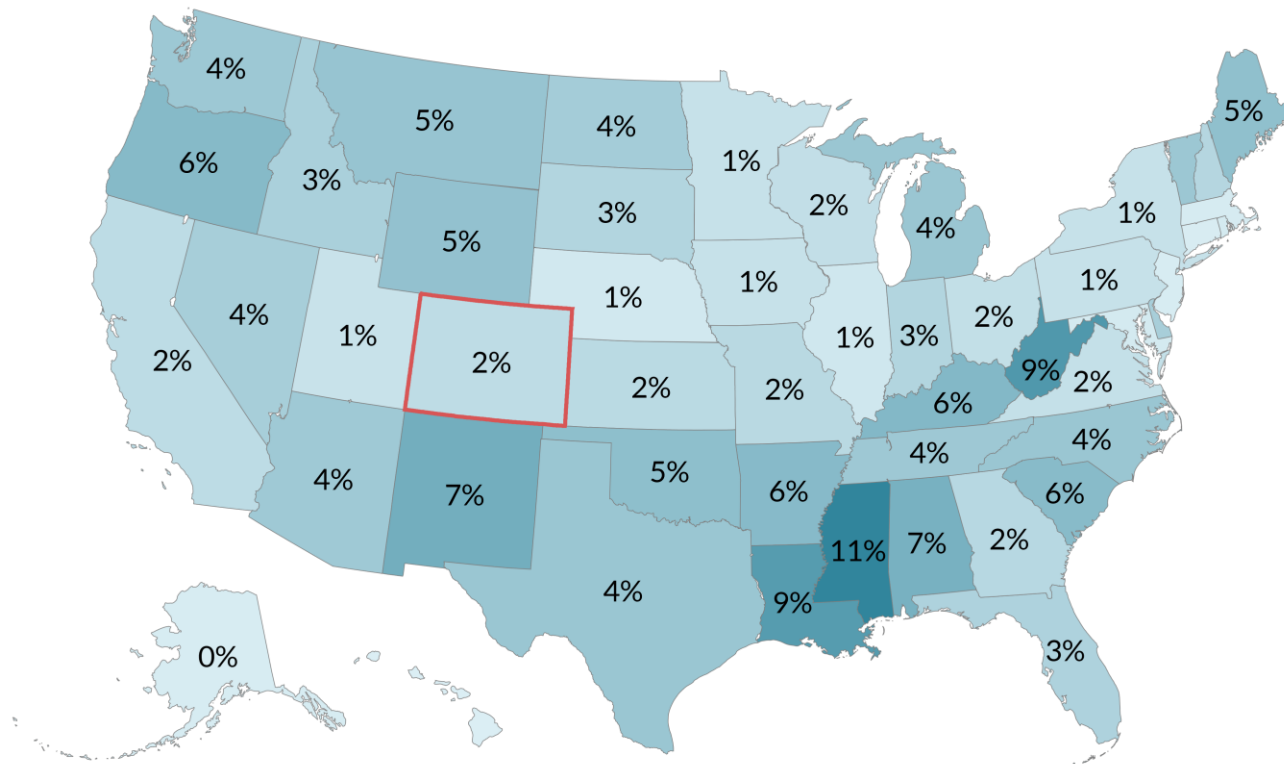
Sources: UC Berkeley Center for Community Innovation, 2021; AARP, 2021

Manufactured Homes Can Be an Affordable Housing Option

- Cost half as much per square foot as site-built homes, on average, to buy, excluding land.
- Built off-site in a factory setting, compared with housing built on-site.
- Adhere to a national building code set by the U.S. Department of Housing and Urban Development and updated periodically since 1976.
- Economically viable for builders and buyers as starter homes.

Manufactured Home Purchases Make Up Small Share in Colorado

Percentage of home purchase loans financing a manufactured home, 2019



Nationally, in 2019, 2% of home purchase loans were for manufactured homes.

Powered by Bing
© GeoNames, Microsoft, TomTom

Source: Consumer Financial Protection Bureau

Unique Ownership and Financing Considerations

Real property

- Home and land are titled together.
- **Mortgage loan:** Home and land both serve as the collateral.
- 68% of Colorado's manufactured home loans were mortgages in 2019.

Personal property

- Home is titled separately from land.
- Land may be rented or owned independently of the home.
- **Personal property loan:** Only the home serves as the collateral.
- 32% of Colorado's manufactured home loans were personal property loans in 2019.

Source: Consumer Financial Protection Bureau

Majorities Support Housing Options

Washington residents, 2022

- 78% want more housing options for people in their community.
- 58% support missing middle housing in single-family zones if all zone standards are met.

United States residents, 2019

- 59% favor building more houses, condos, and apartments in their community.

New York state likely voters, 2023

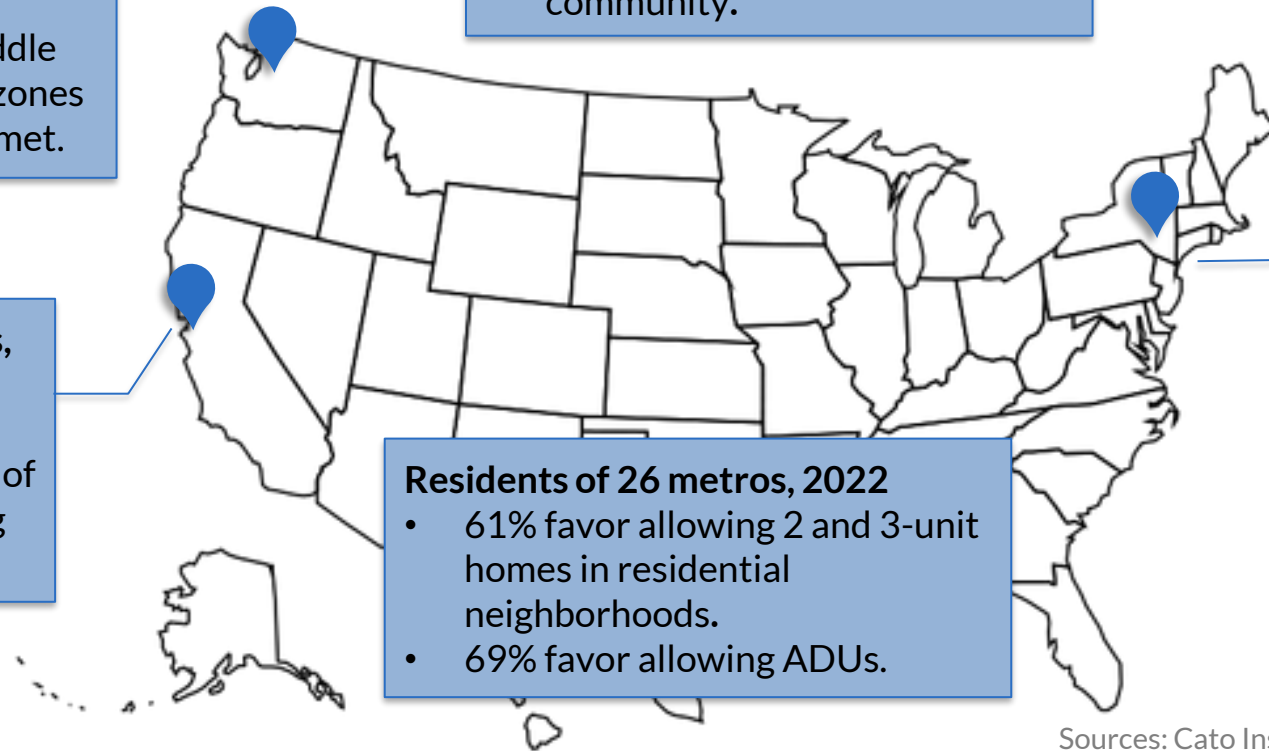
- 67% support transit-oriented development of housing near commuter rail stops.

Bay Area registered voters, 2022

- 52% favor building new housing to address lack of homes and high housing costs.

Residents of 26 metros, 2022

- 61% favor allowing 2 and 3-unit homes in residential neighborhoods.
- 69% favor allowing ADUs.



Sources: Cato Institute; Washington State Department of Commerce; Bay Area News Group; Data for Progress; Zillow