Appendix B. Regional Housing Trends

Housing need and availability across the Denver region is not evenly distributed among its diverse and growing population, particularly for groups that face historic and ongoing disadvantages due to systemic inequities. As housing prices across the Denver region have soared out of reach for many households, an affordability crisis threatens long-time residents with displacement, puts homeownership out of reach for many households, stretches seniors on fixed incomes too thin, puts more people at risk of becoming homeless, and threatens the ability for the region to attract workers that support economic growth.

A comprehensive regional housing needs assessment is critical for understanding the nature and extent of the challenge and to start developing effective solutions and more equitable outcomes. This section is intended to provide context for the results of the Regional Housing Needs Assessment. It provides an overview of demographic and housing market trends contributing to growing unaffordability, while also highlighting nuanced factors that are key to developing an effective regional housing strategy.

Key Findings

- **The Denver region has experienced consistent and strong population growth (20 percent), job growth (33 percent), and increases in median family income (55 percent) over the past 12 years. Employment growth in the technology, sciences, and healthcare sectors have contributed to an influx of higher-income households.**

- **The demographic composition of the region is shifting. The region is becoming more racially and ethnically diverse, with growth in the Hispanic and Black populations, among other communities of color. Adults 65+ will comprise a larger share of the population by 2050. Household sizes are shrinking. All of these trends will have implications for the types of housing needed throughout the region.**

- **Housing production has largely kept pace with population growth in the last several years. But the region is still working from a place of historic underproduction and the existing housing stock does not support the diversity of housing needs across all income levels and household types. Cost-burdening in the region has increased substantially since 2000, most acutely for Black renters.**

- **Median family income grew 57 percent between 2015–2023, which has likely resulted in widening income inequality across the region. While home sale prices have risen 180 percent over the last decade, housing affordability and stability continues to be a challenge for a growing share of low and middle-income households.**

Population and employment growth

The Denver region has experienced substantial growth over the past decade. Between 2010 and 2022, the population increased by about 20 percent to reach just over 3.6 million residents. During this same time period, the number of jobs in the region increased by 33 percent, adding nearly 550,000 jobs to surpass 2.2 million total jobs in the region by 2022. This period of economic growth also fostered a tremendous increase in the median family income (MFI), increasing by about 55 percent since 2010, as shown in Exhibit 1.

» **Data presented in this section comes from a variety of sources. Therefore, the geographies the sources cover do not always align perfectly with DRCOG's official jurisdiction boundary. At times, the "Denver region" refers to DRCOG's 10-county region, the Denver Metropolitan Statistical Area, or the PUMA-based region.**

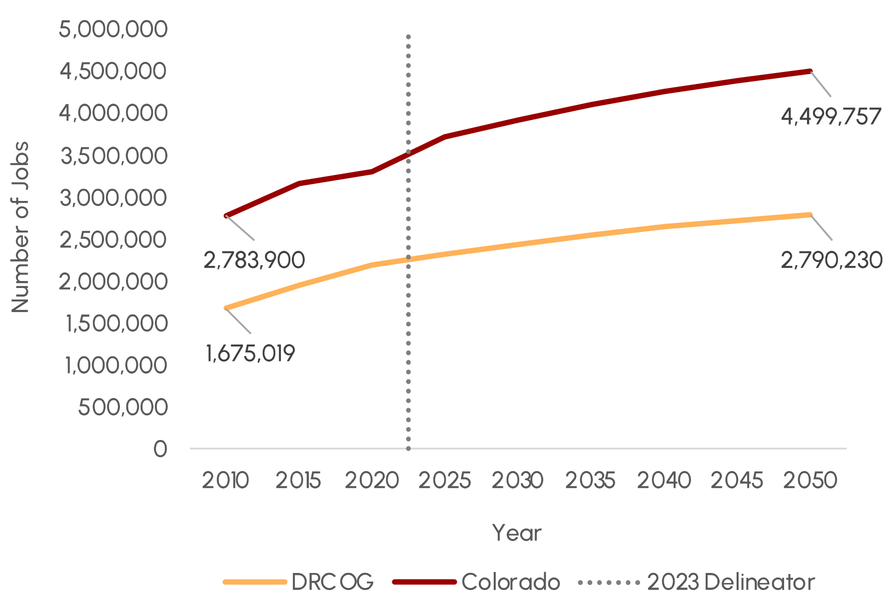
Exhibit 1: Population, Job, and Income Growth, 2000-2022, Denver Region

	2010	2022	% CHANGE 2010–2022
Population	3,003,317	3,617,790	20%
Jobs	1,675,019	2,223,734	33%
MFI	$75,900	$117,800	55%

Source: DRCOG synthesis of State Demography Office Household Forecasts.

The number of jobs in the Denver region is expected to continue growing through 2050. Exhibit 2 shows recent and forecasted job growth for the region and the state through 2050. By 2050, the state is expected to add over 950,000 jobs, representing an almost 27 percent increase. Of that growth, the Denver region is expected to grow by over 560,000 new jobs, representing a 25 percent increase to reach 2.7 million jobs by 2050.

Exhibit 2: Job growth, 2050, Denver region

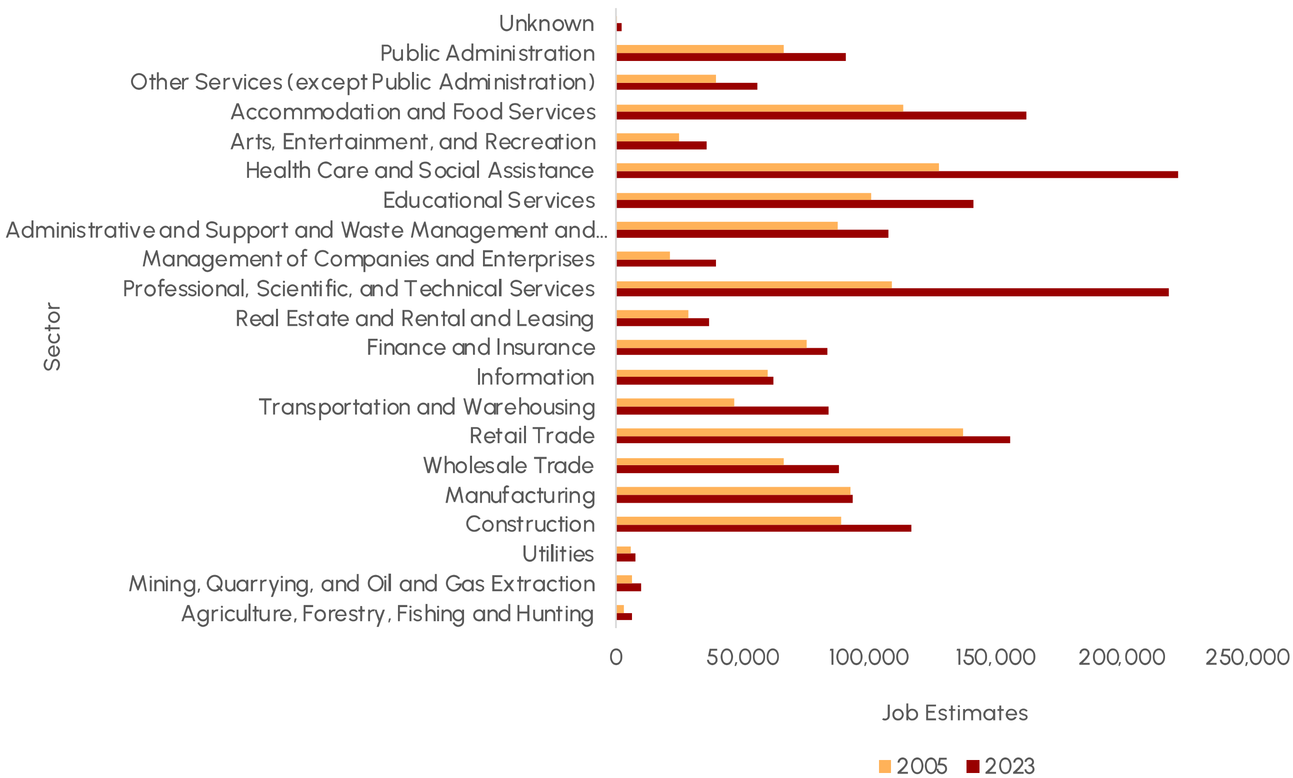


Source: DRCOG Small-Area Forecast (2020) and DRCOG synthesis of State Demography Office 2022 Household Forecast.

The region's job growth has been fueled by expansion across several key industry sectors, as shown in Exhibit 3. There has been substantial growth in professional, scientific, and technical services, healthcare and social assistance, construction, and accommodation and food services.

The influx of high-paying jobs in in professional, scientific, and technical services helps explain the increase in incomes observed across the region. As the region has grown, so too has employment in the service sector, as reflected by new jobs in accommodation and food services.

Exhibit 3: Change in jobs by sector, 2005–2023, Denver region



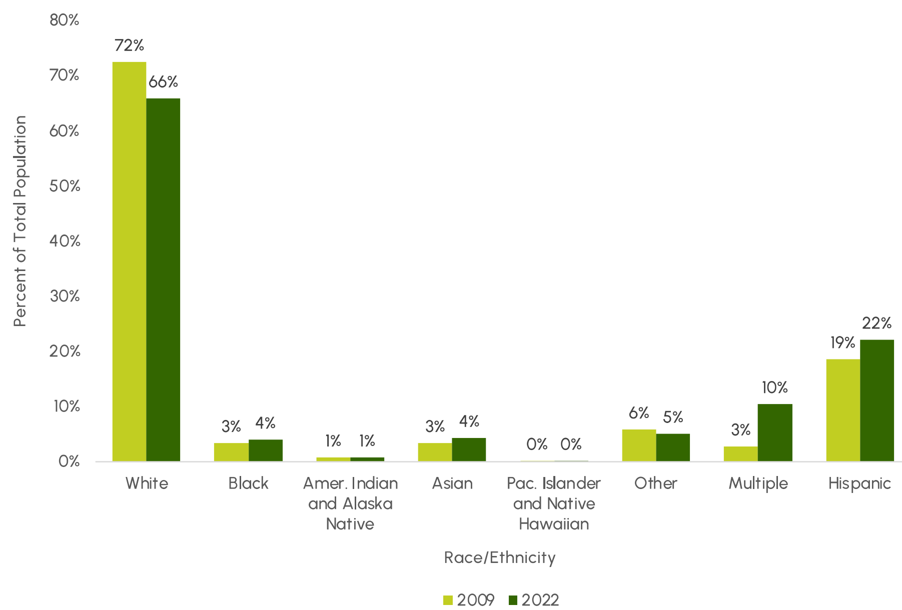
Source: DRCOG Small-Area Forecast (2020) and DRCOG synthesis of State Demography Office 2022 Household Forecast.

Demographic and household characteristics

Race and ethnicity

As of 2022, approximately 66 percent of residents in the Denver region identify as white. The second largest share of the population, at 22 percent, identifies as Hispanic. Black residents make up the next largest share at about 4 percent of the total regional population. The Denver region's demographic profile has shifted over the past decade with increasing diversity, with increases in Black, Hispanic, and Asian populations, along with those who identify as multiple races, shown in Exhibit 4.

Exhibit 4: Race and ethnicity, 2009–2022, Denver region

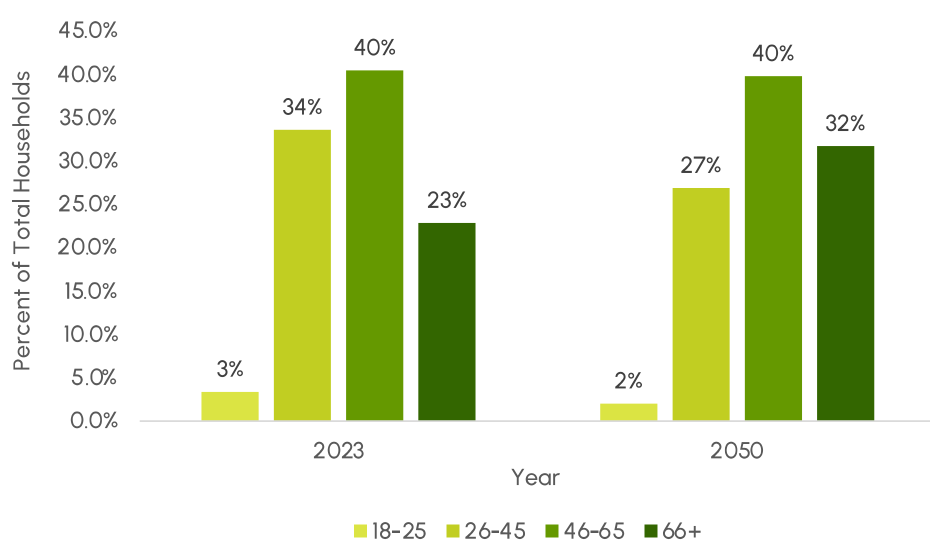


Source: State Demography Office

Age trends

Exhibit 5 shows that the Denver region's population is expected to shift toward a higher share of older households by 2050. Currently, households headed by those over age 65 are 23 percent of the total population. As the millennial generation ages, the share of households over 65 is projected to reach 32 percent of the total population. Meanwhile, the share of households headed by 26 to 45 year-olds will decrease from 34 percent to 27 percent of the total.

Exhibit 5: Change in Age, 2023 & 2050, Denver Region



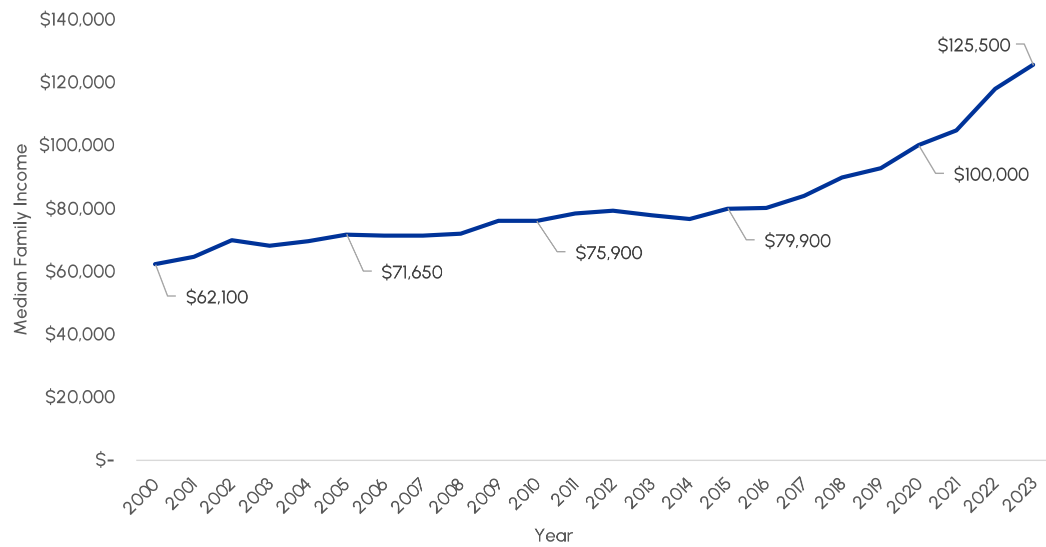
Source: State Demography Office 2022 Household Forecast

This gradual shift towards an older population has implications for the types of housing, transportation, healthcare, and community services needed to provide age-friendly, livable neighborhoods for older adults across the Denver region.

Income growth

Median family income (MFI) in the Denver region grew steadily from 2000 to 2015 but began to grow substantially after 2015, as shown in Exhibit 6. Between 2015 and 2023, MFI rose by 57 percent, corresponding with accelerating population growth and an influx of high-income earning jobs in fields like technology and healthcare.

Exhibit 6: Median family income, 2000–2023, Denver region

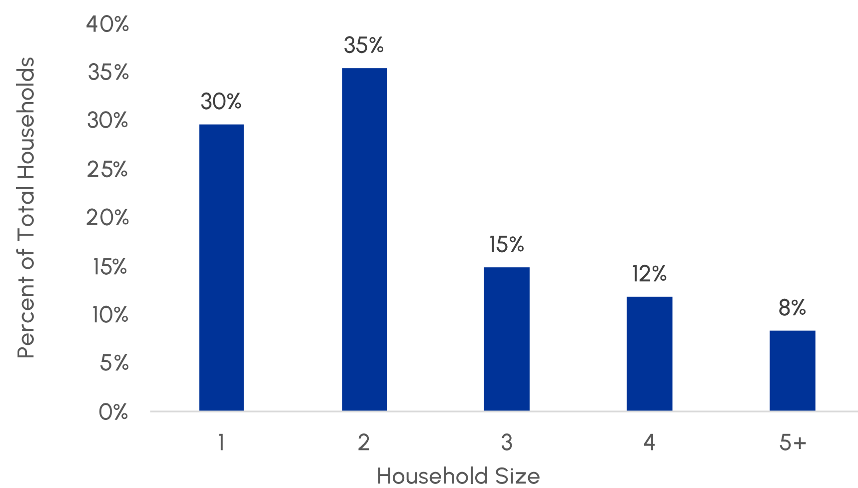


Source: U.S. HUD

Household composition

Households sizes have gotten smaller in the Denver region over the past two decades. In 2000, the average household size was about 2.5 persons per household, decreasing to about 2.4 individuals per household by 2022. Exhibit 7 shows the current spread of household sizes in the region. Currently, 65 percent of the region's households consist of 1 to 2 residents, while approximately 27 percent contain 3 to 4 people. A decline in household size reflects national trends of delayed marriage and childbearing, increased single-person living, and aging baby boomers residing alone or with a partner. With smaller households

Exhibit 7: Household composition, 2022, Denver region



Source: Census 2000, Census 2010, 2022 ACS 1-year, 2022 ACS 5-year

predominant across two-thirds of the regional population, demand has likely risen for smaller housing units. However, it's important to consider the range of household types that exist and how their housing needs will differ over time.
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HOUSEHOLD COMPOSITION

People of Color households tend to have larger than average household size than the white household averages. Nationally, Asian, Black, and Latine people are more likely to live in multigenerational households compared to white people.

» **Larger households and multigenerational households may need larger homes or specific housing types that accommodate the greater number of household members. These households may experience difficulty finding units of an appropriate size and design for their household needs.**

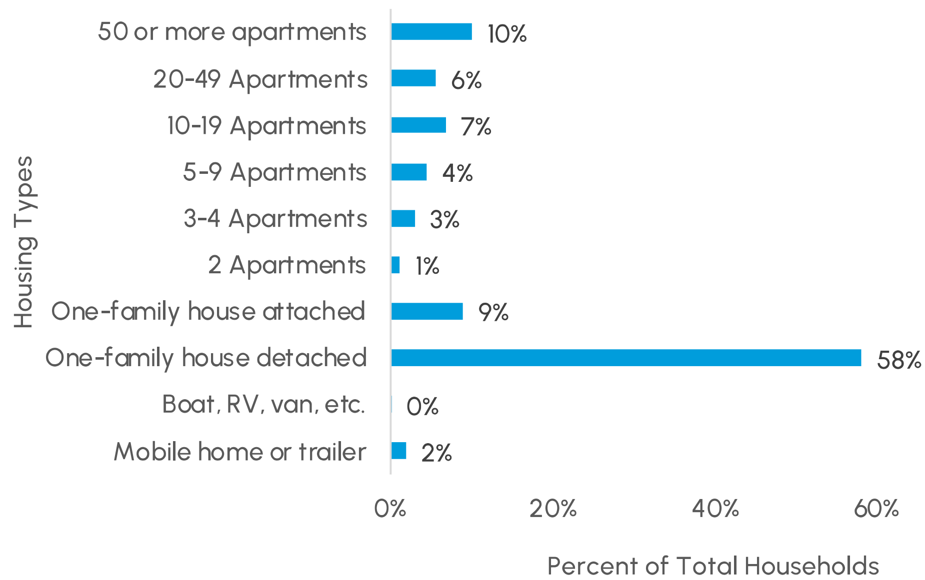
As the Denver region's demographic and household composition continue to evolve in the coming decades, the region will need to collectively consider how these changes shape housing demand across the socioeconomic spectrum. With an aging population, smaller households, rising incomes yet risk of displacement, and growing racial and ethnic diversity it is critical that housing policy interventions are made proactively to addresses the specific needs of a changing population.

Housing characteristics and market trends

Housing trends

Exhibit 8 shows that the region’s existing housing profile is predominantly single-family detached units, which account for 58 percent of the region’s housing stock. The next largest share (16 percent) is larger apartment buildings (20+ units). However, a key component of the inventory is smaller apartment buildings in the range of 2–19 units per building, which represents about 21 percent of the total housing stock and tends to offer more affordable rents than larger new construction.

Exhibit 8: Housing types, 2022, Denver region



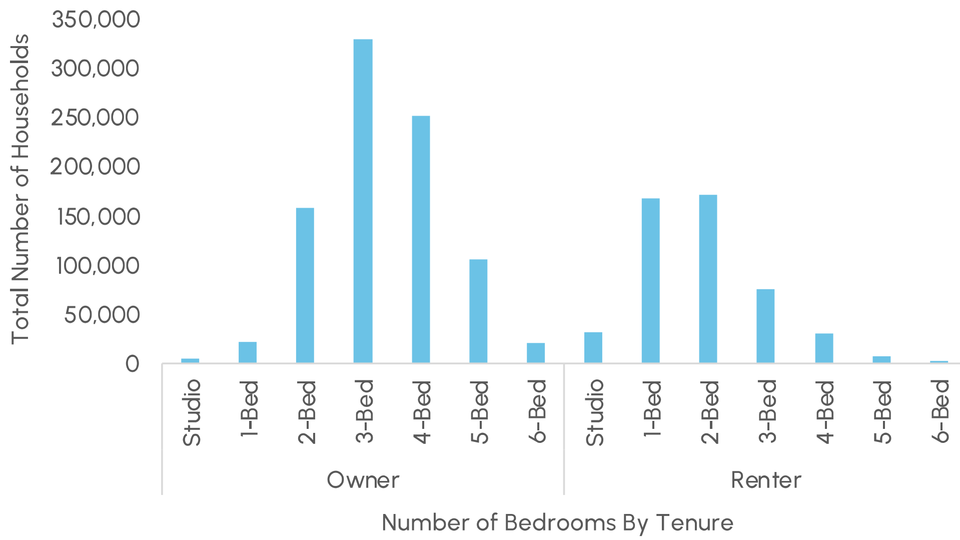
Source: 2022 PUMS 1-year

Preserving the stock of these smaller apartment buildings will be an important component in developing a regional housing strategy. With many households unable to afford current home sale prices and the inventory of affordable rentals limited and at risk of redevelopment pressures, maintaining existing apartment supply can help create more stability and inclusivity across the region’s neighborhoods.

Tenure

Housing needs and preferences often differ between homeowners and renters. Exhibit 9 shows the number of bedrooms by housing tenure for the Denver region. Among ownership households, most units contain 3 or 4 bedrooms. Renter households typically live in smaller units with just 1 or 2 bedrooms. However, this distribution by tenure can also reflect missing unit types and sizes by tenure across the market.

Exhibit 9: Bedrooms by housing tenure, 2022, Denver region



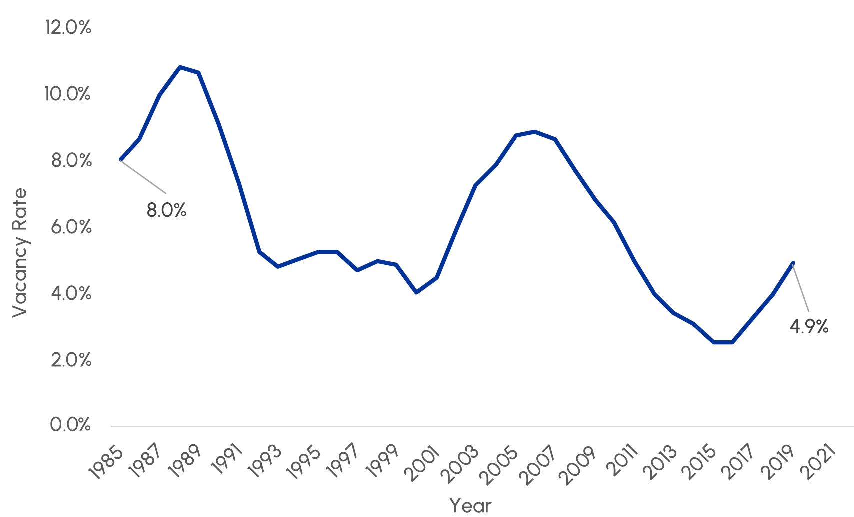
Source: 2022 PUMS 1-year

With many households priced out of the ownership market in the region, ensuring the rental stock can provide more options for larger households should be considered. Additionally, providing smaller and less expensive ownership options for increasing smaller household sizes is also important to serving an unmet need in the region.

Vacancy

Exhibit 10 shows vacancy trends for the Denver region from 1985–2020. Low vacancy rates indicate a limited supply of available housing units that often corresponds with more sharply increasing housing prices. Vacancy rates reached their highest point, since the late 1980s and early 1990s, around the time of the 2008 recession. Once the market began to recover, vacancy rates began to fall significantly. However, as housing production picked up while the market recovered, a substantial number of new units were added to the overall supply around 2015.

Exhibit 10: Vacancy rates, 1985–2020, Denver region,



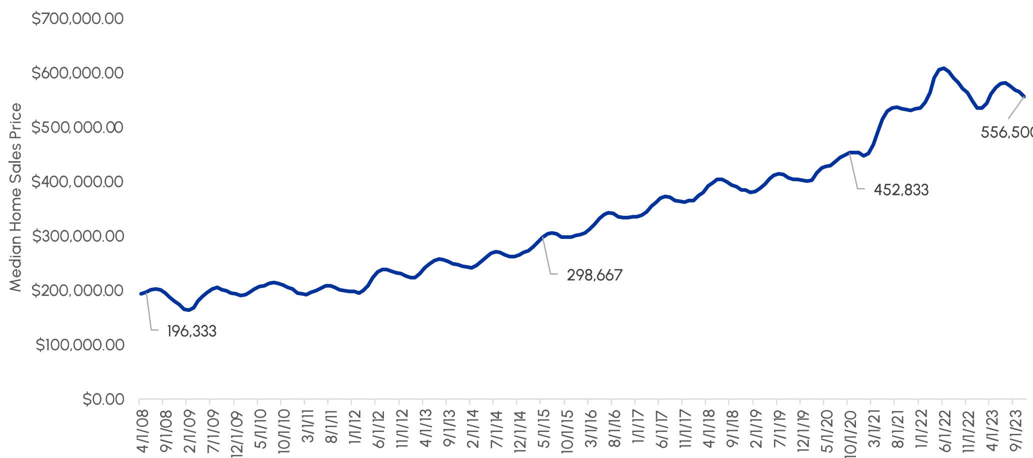
Source: State Demography Office

After 2015, vacancy rates started to rise again, but remained relatively low. As of 2020, the vacancy rate was about 4.9 percent.

Home sale prices

The regional housing market experienced stable home prices between 2008 and 2012, as shown in Exhibit 11. However, as the economy recovered from the 2008 recession and housing demand returned, home values began escalating at historic levels starting around 2012. Fueled by population and job growth and lagging construction, sale prices soared by over 180 percent between 2012 and 2022. Within the past five years alone, home sale prices increased by 52 percent.

Exhibit 11: Home sale prices, 2008–2022, Denver region



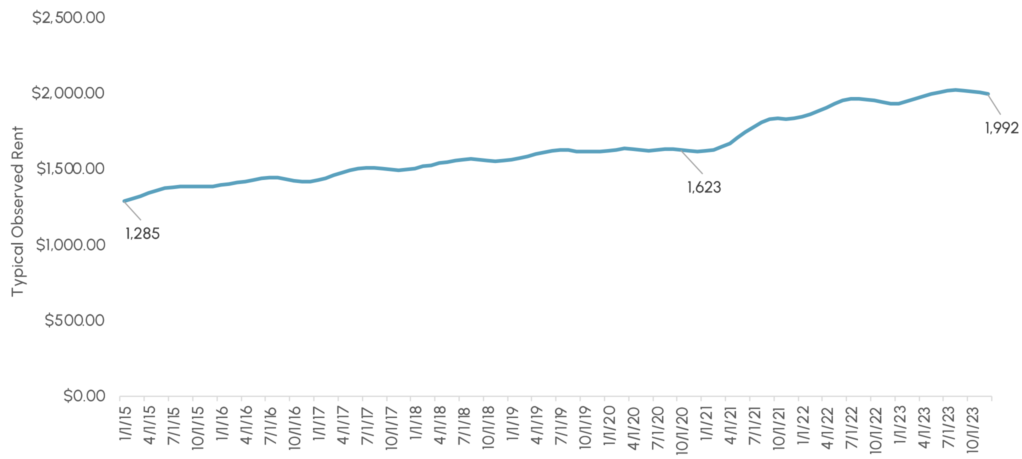
Source: Zillow

Household incomes however have not kept pace with rising homeownership prices despite experiencing substantial growth over the same time period. The region now faces an extreme mismatch between incomes and for-sale housing stock that locks many households out of homeownership.

Rent prices

Exhibit 12 shows that rents in the Denver region have increased slower than home sale prices, but still rose by about 32 percent over the last five years. Even though rents have not increased at the same rates as home sale prices, rising housing costs have still put substantial financial pressure on many renters in the region.

Exhibit 12: Median rent, 2015–2023, Denver region



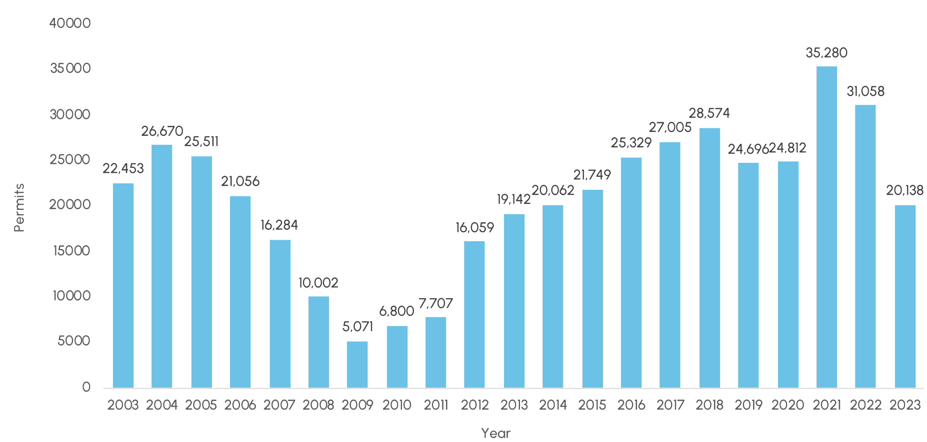
Source: Zillow

With vacancy rates decreasing amid a growing and changing population, the demand for housing continues to place upward pressure on rents.

Housing production

Exhibit 13 shows housing production trends across the Denver Region from the last 20 years. The region was producing a substantial amount of housing prior to the 2008 recession, (also suggested by rising vacancy rates in Exhibit 10). However, the housing market was slow to recover after 2008 and did not recover to pre-recession rates until around 2015. In 2021 and 2022, the region saw record levels of housing production, and while 2023 saw a slow-down, production levels are still strong.

Exhibit 13: Housing production, 2003–2023, Denver region,

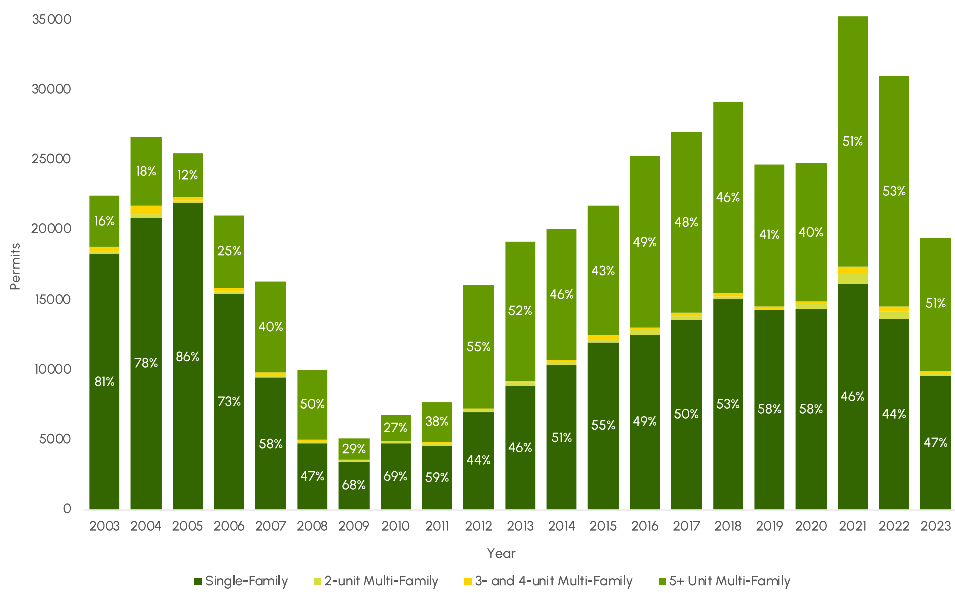


Source: U.S. HUD State of the Cities Data Systems

While collective housing production in the Denver region over the last few years has been adequately responsive to overall population growth, the supply is still struggling to recover from the several years where production slowed dramatically, but the population was still growing. Moving forward, it will also be important to focus on how production may or may not be meeting the needs of the diverse households across different income categories in the region.

Exhibit 14 breaks down housing production by building scale to provide an understanding of housing different development types have been delivered over time. Through 2006, the majority of housing produced across the region was single-family detached housing. However, beginning in 2007, multi-family development has become a larger share of annual housing development, reaching its highest levels between 2021–2023 when over 50 percent of all housing built in the region was in developments with 5 or more units.

Exhibit 14: Housing production by scale, 2003–2023, Denver region,



Source: U.S. HUD State of the Cities Data Systems

With housing costs outpacing income growth throughout the region, preservation of existing affordable housing, both naturally occurring and subsidized, as well supporting range of housing types that are both market-rate and income-restricted affordable housing development will be key in helping the region meet housing needs.

Cost-burdened households

Current high and rising rates of cost-burdened households across the region indicates that the current housing supply, both in type and volume, is not sufficient to meet the region's needs. A household is considered to be cost-burdened if it spends more than 30 percent of its income on

RENTERS AND COST-BURDENING

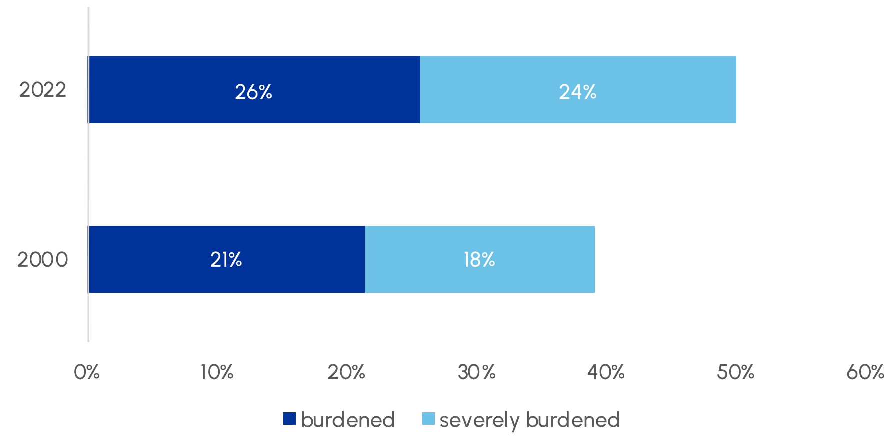
Renters are more likely to be cost-burned than homeowners for a few reasons:

- **Renters typically have lower incomes than homeowners.**
- **Rents adjust more frequently compared to mortgages, which are usually fixed-rate and stable over several decades. Renter households are more vulnerable to price increases.**
- **Stricter income and asset qualifying rules associated with mortgages compared to rental applications generally make it less likely for homeowners to overspend on housing costs.**

housing costs, and a household is considered to be severely cost-burdened if it spends more 50 percent on housing costs.

Exhibit 15 shows the number and share of renter households across the region that are cost-burdened and severely cost-burdened. As of 2022, approximately 51 percent of renters in the Denver region were cost-burdened, with 25 percent of them being severely cost-burdened. This represents an increase of about 12 percent in the total share of cost-burdened renters since 2000, when the percent of cost-burdened renters in the region was about 39 percent.

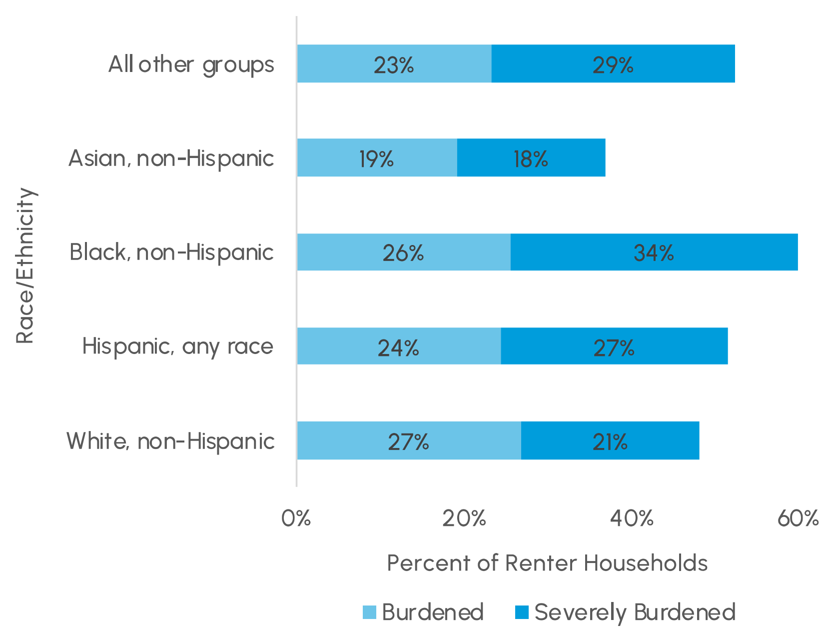
Exhibit 15: Cost-burdened renter households, 2000 and 2022



Source: 2000 Decennial Census, 2022 ACS 5-year Estimate

Exhibit 16 shows the share of cost-burdened renters disaggregated by race and ethnicity for the Denver region. Black renter households experience the highest rate of cost-burdening at about 60 percent, including 34 percent who are severely cost-burdened – the highest share of renter households that are classified as severely cost-burdened across all demographics. Hispanic and "All other groups" also disproportionately cost-burdened, when compared to White and Asian renters that experience the lowest rate of cost-burdening across the region.

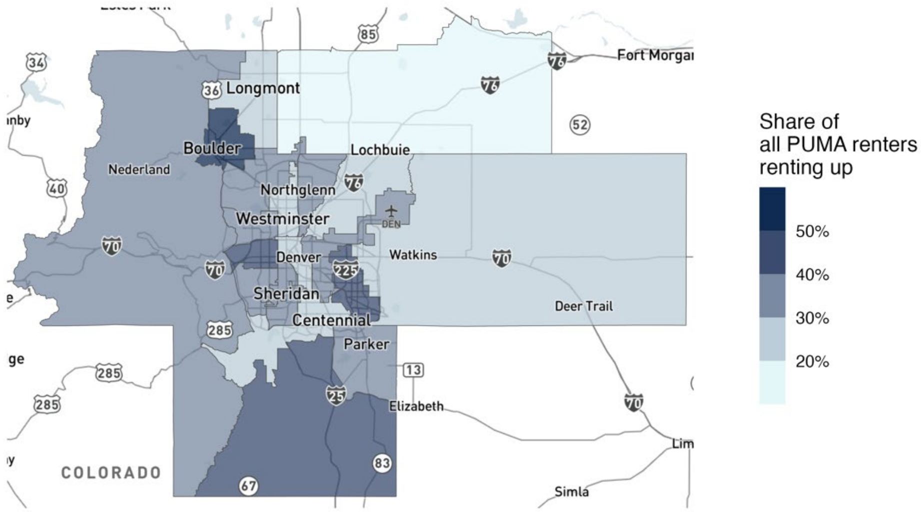
Exhibit 16: Cost-burdened households by race and ethnicity



Source: 2000 Decennial Census, 2022 ACS 5-year Estimate

Exhibit 17 shows the spatial distribution of renter households "renting up" across the region—meaning the household is renting a unit that is costs more than what their income can reasonably afford. While an imperfect measure of cost-burdening, it can help illustrate where renters in the region are spend more for rental housing.

Exhibit 17: Share of renters renting "pp"

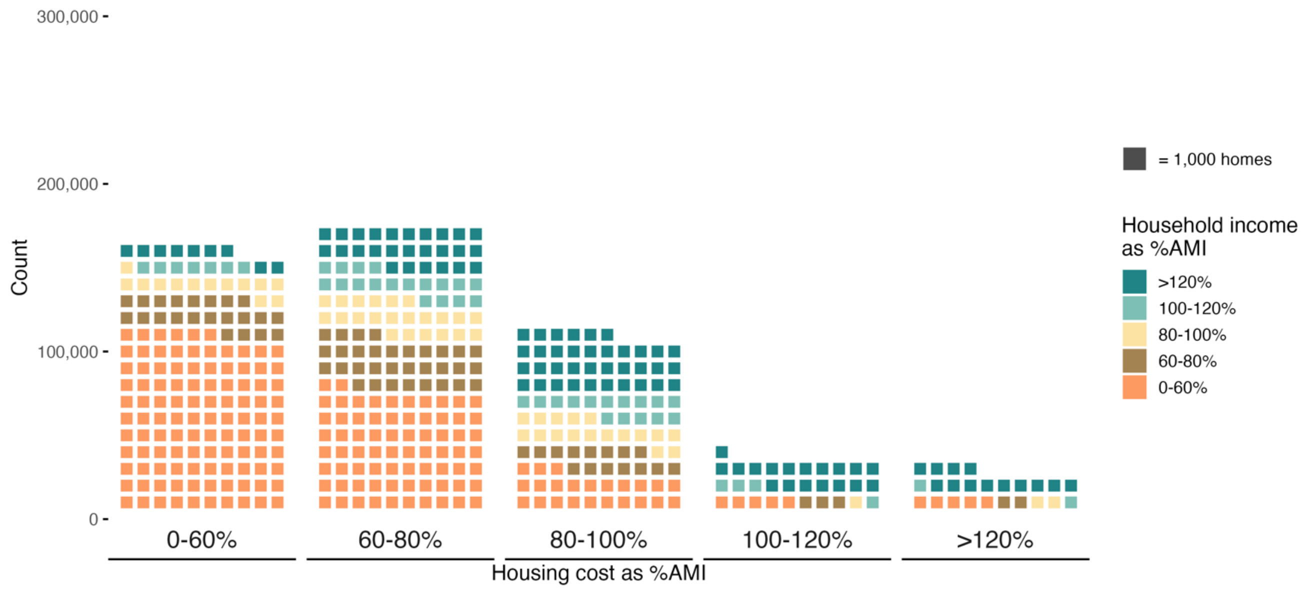


Source: 2022, PUMS 1-year

The Boulder area shows the highest rates of renters renting up, partly due to its large student population but more broadly due to its constrained and unaffordable housing market. Areas just north and southeast of Denver also show high shares of renters renting up. These areas are more suburban in nature and likely lack a more diverse housing supply where there are more renters in higher cost single-family rentals. Conversely, in areas where the housing stock offers greater diversity of prices and unit types, cost-burdening among renters appears lower.

Exhibit 18 shows the range of housing costs measured by percent of Annual Median Income (AMI), meaning housing that is affordable to those income brackets. In every housing price category, there are households with different incomes occupying those units, some units are "matched" to a households incomes, and some are not. The analysis shows the greatest mismatch occurring in units suitable for incomes between 60–100 percent AMI. This mismatch indicates there is not enough housing supply available in other affordable price ranges. As a result, some households are forced to overspend to secure housing, while others opt for lower-priced units that don't match their income level. These mismatches highlight gaps in the housing stock at certain price points for specific income groups.

Exhibit 18: Mismatch between income and housing costs



Source: ACS PUMS 1-year 2022

The level of cost-burdening across the region points to an undersupply of affordable housing options, especially for lower-income residents. While there has been a sharp uptick in new development in the last few years which has brought much needed market rate housing to the market, low- and moderate-income households are increasingly finding it difficult to find attainable housing. In addition to increasing the diverse housing options across the region, more inclusive and equitable housing growth focused on affordability would help alleviate cost pressures facing many of the region's households. Tackling the mismatch between housing supply and demand across submarkets and income levels is key to meeting a broader spectrum of housing needs.

HOUSING MISMATCH

How to read the chart

- **Each square represents 1,000 homes.**
- **For example: 22,000 of the rental homes in the region that are affordable to 0–60 percent AMI are rented by 60–80 percent AMI income households, so they are "renting down," meaning their income suggests they could afford a unit at a higher cost than they are currently occupying.**

Homelessness

Metro Denver Homelessness Initiative is the designated Continuum of Care for the Denver Metro Area and is responsible for managing the Homeless Management Information System (HMIS) that complies with HUD's data collection, management, and reporting standards. The HMIS system collects client-level data and data on the provision of housing and services to homeless individuals and families and persons at risk of homelessness.

Exhibit 19 shows annual PIT count for the Denver Metro between 2008–2022. In 2022, the Denver Metro reached its highest count of unsheltered people included in the PIT count since 2008. In 2023, the region reached its highest number people located in emergency shelters and reached it's the lowest year of people located in transitional housing in the last 14 years.

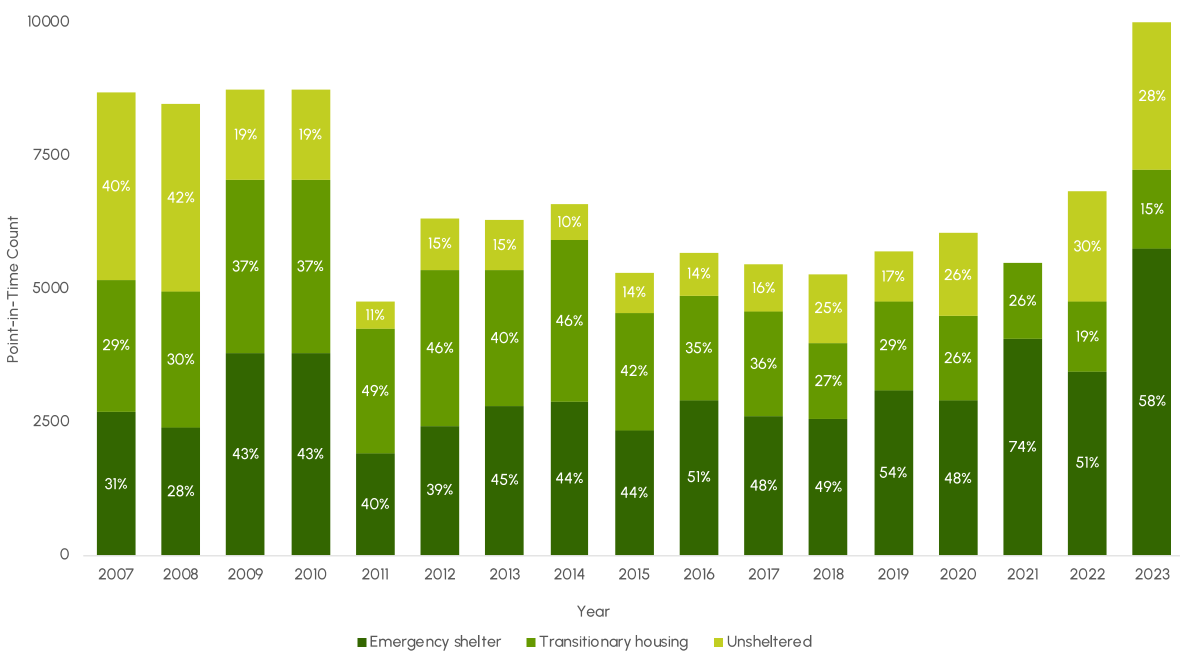
ANNUAL POINT-IN-TIME COUNT

Metro Denver Homelessness Initiative

According to MDHI's 2023 State of Homelessness report, between July 1, 2021 and June 30, 2022, approximately 27,860 people accessed MDHI services or housing related to homelessness across the region's HMIS Partner Agencies. A total of 6,884 people were included in the annual Point-In-Time Count (PIT) conducted in January 2023. Of those included in the PIT count on that evening:

- **51% of those were in an emergency shelter**
- **19% were in transitional housing**
- **30% were unsheltered**

Exhibit 19: Annual Point-in-Time Count, Denver Metro, 2008–2023



Source: Metro Denver Homeless Initiative

Comprehensive data on those experiencing homelessness is notoriously challenging to obtain due to the transient nature of the population and lack of coordination between the variety of agencies, non-profit, and service providers that work in the homelessness space. PIT counts severely undercount those experiencing homeless and can only offer a snapshot of what homelessness might look like on an individual night. However, using the HMIS data likely overcounts, as it includes all people that sought housing-related services through MDHI or one of its partner agencies, though not all of those people necessarily need housing.