

Affordability has worsened in rural Colorado

Redfin: State leads the nation for the income households need to buy a typical home



419 Willoughby Way in Aspen sold for \$108 million last year, making it the highest priced home ever sold in Colorado.
COURTESY OF DAVID O. MARLOW

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Colorado has the highest rural median home prices and the highest required income to purchase a rural home in the country, according to an analysis from the Seattle-based brokerage Redfin.

Already known for a lack of affordability, rural areas in Colorado have experienced the biggest run-up in home prices and the smallest gains in household incomes compared to urban and suburban areas.

Rural households in Colorado need to make 120.5% more income than they did before the pandemic to afford the median-priced rural home, according to Redfin.

For urban areas like Denver, the increase was 84.1%, and for suburban counties 70%.

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"Rural home prices are going up, especially in vacation areas with amenities like ski resorts, lakes and high-end restaurants," said Daryl Fairweather, Redfin's chief economist. Note

Households need to earn \$171,084 a year to afford the median-priced home in rural Colorado. That contrasts with the \$75,000 income rural households need nationally. The next closest states to Colorado in terms of the incomes required are Hawaii at \$167,106 and Utah at \$144,716. Note

"Homes in these areas are attractive to buyers of second homes and remote workers with big-city incomes. This dynamic can make housing affordability a real challenge for local residents," Fairweather said.

Colorado's rural home prices are up 72% this decade, 11th highest among states in the study and a little higher than the 61% gain measured nationally in rural areas. But affordability in Colorado's resort areas was a problem long before the post-pandemic spike in rural home prices.

In many states, urban home prices are the highest, followed by suburban and then rural. Note

But in Colorado, the ranking is flipped around because of the large number of high-end vacation homes.

Median home prices in rural Colorado, at \$645,000, are the highest in the nation. Illinois has the lowest rural home prices at \$154,000, followed by Kansas at \$169,000. Note

Removing Colorado's expensive resort communities from the calculations makes the picture a bit better for homebuyers. In Morgan County, in northeast Colorado, the median price of a home sold was \$340,000 in October, up 31% from \$259,900 in October 2019, according to the Colorado Association of Realtors.

In Alamosa County in south central Colorado, it was \$334,000, up 49% from \$224,700 six years ago.

In Moffat County, in Colorado's northwestern corner, the median price of a home sold was \$352,500, up 90% from \$185,000 six years earlier, but comparable to Morgan and Alamosa counties.

But the percentage change is above average, likely reflecting upward pressure from workers unable to afford Routt County and Steamboat Springs, where the median price of a single-family home sold was \$1.62 million and the median price of a condo was \$935,000. When it comes to the most expensive home sales in the state, Cherry Hills Village and even Boulder don't come anywhere close to the prices being recorded in Aspen, Telluride or Vail. Note

Last year, Aspen claimed three of the country's most expensive home sales, led by the \$108 million sale of 419 Willoughby Way. It represented the first home sale in the state to top \$100 million. It probably won't be the last. Although rural areas have experienced the biggest gain in home values, they have seen the smallest gain in household incomes, a pattern that has played out nationally and in the state.

Nationwide, the gain in median household income since the pandemic has averaged 33% in rural areas, 37% in suburban areas, and 39% in urban areas. The income gains are nowhere near enough to cover the higher home prices.

All that equates to deteriorating affordability for local residents. In rural Colorado, the median sale price is up 72% since the pandemic, while median household income has grown 35.1%.

Higher borrowing costs, higher insurance premiums and higher property taxes have further reduced affordability.

Much of the home construction market in rural Colorado is focused on wealthy residents from other areas and not tethered to local incomes. Statewide, second homes represent only 5% of the total, but in four Colorado resort counties, they are more than half. Note

The lack of affordable housing, despite efforts like inclusionary zoning, has only exacerbated chronic labor shortages and made it harder for workers to live near their jobs. If not eventually addressed, those shortages will make resort areas less attractive in terms of the amenities and services they can provide.

But that tipping point has been predicted for years, without arriving. Although some rural housing markets in Colorado have seen sales slow and prices decline recently, others behave like they are wearing Gore-Tex in a snowstorm. (2)

Median condo and single-family home prices in October were down about 7.5% over the year in Summit County, while in Eagle County, single-family home prices were down nearly 24%, but condo prices were up 15.9%, according to the Colorado Association of Realtors.

In Routt County, the median price of a single-family home sold is up 18.1% over the past year, while the median condo price is up 11.6%. At the same time, the inventory of listings at the end of October was up 60% compared to a year earlier.

“Overall, the months’ supply levels for Routt County are significantly more than last year and as a result, the playing field is more level and negotiations are back — not only on price but inspections,” said Steamboat Springs-area Realtor Marci Valicenti, in the CAR report.

