



# 2024 Pueblo Housing Assessment Update

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Final Report - November 2024



GRUEN GRUEN + ASSOCIATES

# 2024 Pueblo Housing Assessment Update

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# Introduction and Executive Summary

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## Introduction and Purpose

This document provides an update to the **Pueblo Housing Assessment and Strategy** report prepared in 2021 (the “2021 Report”) by Gruen Gruen + Associates. The update includes current data and estimates about recent growth, household incomes, housing inventory, housing market conditions and costs, housing affordability, and housing development economics in Pueblo.

The purpose of the update is to identify how changes in market conditions and other factors have affected affordability gaps or unmet “needs” for existing housing units and production gaps for new housing units – and what these changes may suggest for appropriate municipal policies or strategies.

This first section of the document includes an abbreviated review of key findings, conclusions, and housing strategy implications. Additional details and the updated data and estimates are provided after the Executive Summary, under the following sections:

- Section A - Components of Population Change and Household Trends;
- Section B - Housing Market Conditions and Current Rental and Ownership Housing Costs;
- Section C - Housing Affordability Gap Analysis; and
- Section D - Real Estate Economic Analysis of Housing Development Alternatives.

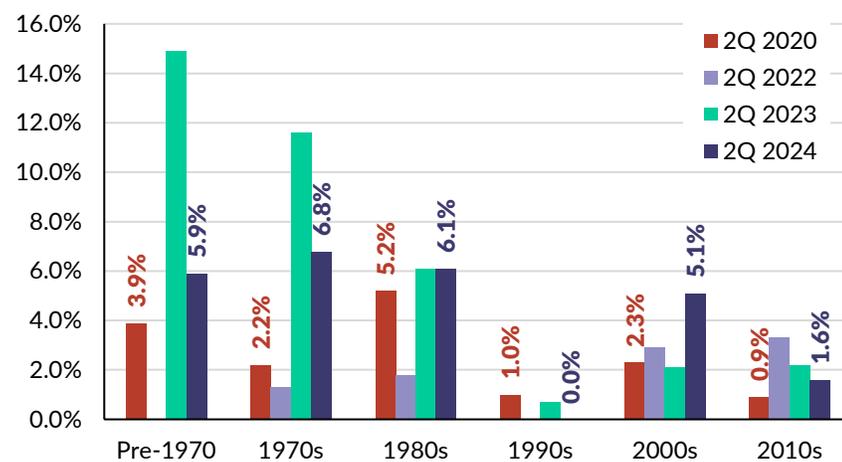
## Recent Growth Patterns

- Population and household growth have continued at a slow rate within the city, with higher growth rates in areas outside the city such as Pueblo West. The population continues to age, with nearly 22 percent of the county’s residents now 65 years or older. The city and Pueblo West have also experienced increases in prime working-age adults (ages 25–54), population growth that has been offset by declines in school-aged children.
- After adjusting for inflation, the real median household income in the city of Pueblo has risen by approximately 13 percent over the past five years, while the rest of the county saw an increase of about 9 percent during the same period. This growth likely reflects higher workforce participation, as the number and proportion of dual-income households have notably increased in recent years.
- New residential building permits surged in 2020 and 2021 compared to prior years but dropped significantly after 2021. The water moratorium and the annual limit on new water taps in Pueblo West have reduced capacity and influenced development patterns, with about 50 percent of all new housing permits issued countywide since 2021 located within the city of Pueblo.

## Rental Housing Market Conditions

- Rental apartment units in the Pueblo market have experienced a 30 percent increase in average monthly rent since mid-2020. While average apartment rents remained relatively stable between 2018 and 2020, market rents began to escalate considerably in 2021 and 2022. Reported average rents grew from about \$900 per month in mid-2021 to \$1,150 per month by the end of 2022.
- Apartment vacancy declined to extremely low rates of 1-2 percent in 2021 and early 2022, which coincided with the significant jump in rents. Beginning in late 2022, the overall vacancy rate sharply increased and reached a high of nearly 10 percent by early 2023, though the vacancy rate has since dropped to a currently estimated rate of 5.6 percent (as of mid-2024).
- New market-rate apartment supply was not added during this period. The pattern of increased vacancy has been primarily attributed to apartment properties built prior to 1980, suggesting that landlords of older units have likely traded off significantly higher rents for slightly higher vacancy.
- Newer units remain very well occupied. Among units built since 2010, for example, current vacancy is still estimated below two percent (2%).

**FIGURE 1: Apartment Vacancy by Year Property Built**



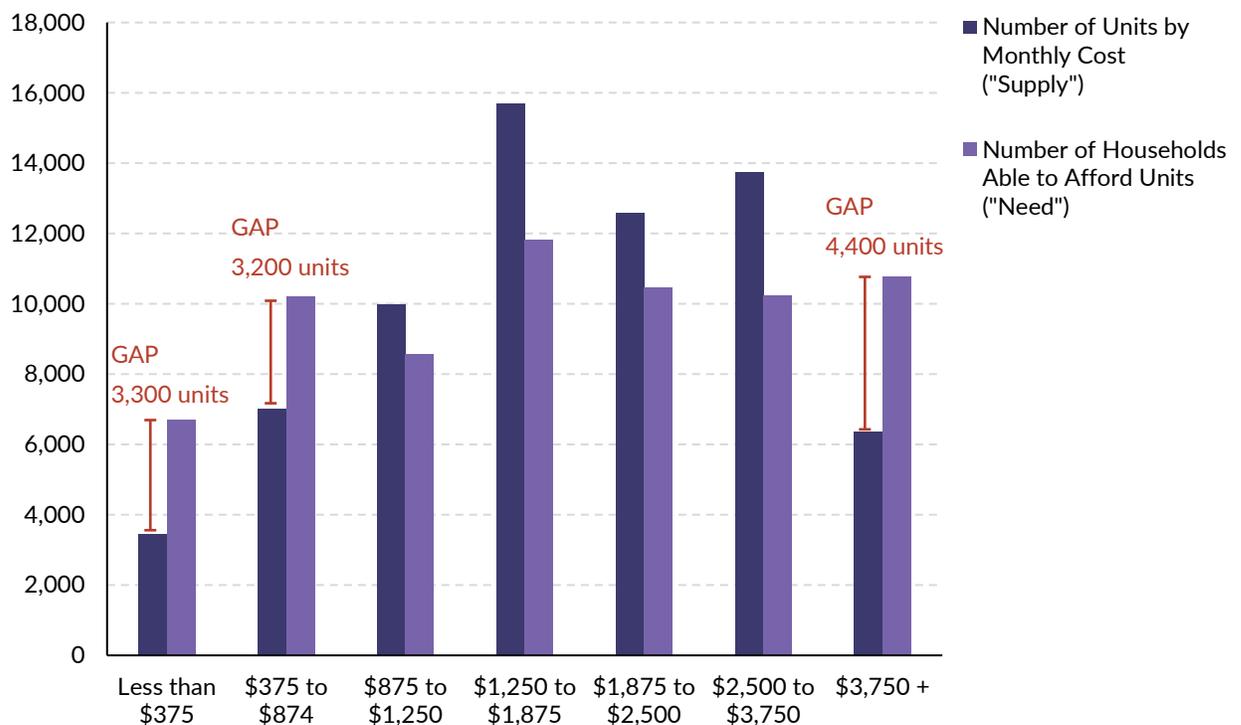
## For-Sale Housing Market Conditions

- The average single-family sales price was approximately \$325,000 through the first eight months of 2024. The average sales price has increased by nearly 150 percent in the past 10 years. Townhome and condominium units have experienced a similar long-term pattern of price increases.
- The for-sale housing market has softened since the 2021 Report. The number of listings and sales transactions have declined, price increases have moderated, and the typical number of “days on market” has increased.
- Average sales prices for three- and four-bedroom homes (which comprise most of the resale market) increased by approximately 10 percent or \$30,000 per unit between 2021 and the first eight months of 2024.
- Pueblo continues to have a larger, older stock of relatively affordable ownership housing compared to Pueblo West and the rest of the county. This suggests that by encouraging new construction, more affluent households may be drawn to purchase new homes, easing competition for existing housing stock and making it more accessible for less affluent households.
- About one-half of all single-family housing units were built prior to 1980. Recent sales transactions suggest that these older units typically sell for prices 30 to 40 percent below new construction homes.

## Housing Affordability Gaps

- Due to interest rate increases and housing price increases, affordability conditions have worsened for lower- and middle-income households in the city, Pueblo West, and elsewhere in the County since the last 2021 Report.
- The city continues to experience a deficit of low-priced rental and for-sale housing affordable to the lowest income households. The shortage of existing units at rents or sales prices affordable to households with incomes below \$35,000 has grown and is estimated to be about 5,000 units within the city of Pueblo. These households can afford no more than \$875 in monthly gross rents or a home purchase of \$125,000, assuming minimal down payment.
- At the opposite end of the income spectrum, the city currently contains about 4,300 renters whose income suggests they could afford monthly rents exceeding \$1,875. There are estimated to be fewer than 900 units commanding this rent level, indicating another “gap” of almost 3,400 units affordable to the highest income renters in the city (up from 2,500 units in the 2021 Report). This continues to signify an affordable rental inventory on the upper end of the pricing ladder that permits higher-income renters to allocate far less than 30 percent of their incomes to housing.
- The housing unit gaps in Pueblo West or other areas of the County also continue to exist at both the low and high end of the price range. Fewer rental units are priced at or below \$875 exist than households that can afford units in this price range. Similarly, fewer rental units at rents of \$3,750 or more exist than households that can afford units in this higher price range. Approximately 7,000 existing homeowners in Pueblo West or other areas of the County could afford no more than a \$265,000 purchase, while only about 4,300 units are estimated to exist at those home values, suggesting a shortage or “gap” of about 2,700 ownership housing units at this price level in Pueblo West or other areas of the County.

FIGURE 2: Existing Housing Inventory Relative to Existing Households by Monthly Cost (Pueblo County)



## Housing Development Feasibility

- The updated real estate economic analysis identifies the order-of-magnitude costs to produce new housing units, the financial feasibility of developing this housing at current sales prices or rents, and housing “production gaps” that may persist in the absence of local development incentives or other subsidies.
- Given the dramatic increase in development costs and borrowing costs since the 2021 Report, all three of the single-family housing prototypes are estimated to be marginally infeasible for the private market to develop under current conditions. This partially explains the considerable slow-down in new single-family housing construction in the past three years.
- Supportable land values are estimated to be negative, meaning single-family development projects would require land at no cost (“free” land) plus other incentives such as tap fee waivers. The estimated supportable land values range from negative \$5,050 to negative \$17,935 per unit.

**TABLE 1: Prototypical Single-Family Housing Development Feasibility Estimates**

	Large Lot Home	City Lot Home	Townhome/Duplex
Housing Density	0.8 du/ac	5 du/ac	12 du/ac
Off-Street Parking	2.0/unit	2.0/unit	1.5/unit
Development Cost Per-Unit <sup>1</sup>	\$415,100	\$363,900	\$311,800
Average Sales Price Per-Unit	\$512,500	\$432,500	\$372,500
Sales Price Percent of AMI <sup>2</sup>	136% AMI	125% AMI	115% AMI
Developer and Builder Net Margin	20.0%	20.0%	20.0%
<b>Residual Land Value Per-Unit</b>	<b>(\$5,050)</b>	<b>(\$17,935)</b>	<b>(\$13,800)</b>
<sup>1</sup> Excluding land costs.			
<sup>2</sup> Based on 2024 income limits for Pueblo County and adjusted for household size (1.5 persons per bedroom assumed).			
Source: Gruen Gruen + Associates			

- The private unassisted development of new multi-family rental housing is estimated to be more challenging with larger feasibility gaps. Increases in effective rents since mid-2021 have been more than offset by construction cost increases and higher financing rates. Unless construction costs decline, borrowing conditions improve, and/or obtainable market rents increase significantly, the implication is that new apartment developments in Pueblo will likely require incentives or financial subsidies to be feasibly developed. This situation is not unique to Pueblo as similar economics apply to new apartment developments in other Colorado communities.
- Even an economical “walk-up” apartment building with estimated average monthly rents of about \$2,000 per unit, for example, is estimated to have a supportable land value of negative \$34,000 per unit. This indicates that a 100-unit development would require land at no cost plus financial assistance of about \$3.4 million. The feasibility gaps for other types of higher-cost apartment projects are estimated to be considerably larger (see Table 2 summary).
- Walk-up rental apartment units developed and leased at monthly rents affordable to 60 percent of AMI are estimated to have a current supportable land value of negative \$158,000 per unit. In other words, an affordable rental development would require a land contribution plus Low Income Housing Tax Credit (LIHTC) equity and/or other subsidies of nearly \$160,000 per unit.

**TABLE 2: Prototypical Multi-Family Housing Development Feasibility Estimates**

	Walk-Up Apartments	Low-Rise Apartments	Adaptive Re-Use <sup>1</sup>
Housing Density	25 du/ac	35 du/ac	150 du/ac
Off-Street Parking	2.0/unit	1.5/unit	1.0/unit
Development Cost Per-Unit <sup>2</sup>	\$262,600	\$284,700	\$337,600
Average Monthly Rent Per-Unit	\$2,035	\$1,905	\$1,755
Monthly Rent Percent of AMI <sup>3</sup>	104% AMI	105% AMI	104% AMI
Annual Yield on Cost	7.6%	7.6%	7.6%
Equity Return (Annual IRR)	20.0%	20.0%	20.0%
<b>Residual Land Value Per-Unit</b>	<b>(\$34,000)</b>	<b>(\$68,800)</b>	<b>(\$136,600)</b>

<sup>1</sup> The Adaptive Re-Use prototype was modeled as the conversion of a downtown office building into small housing units with parking provided in an off-site garage.

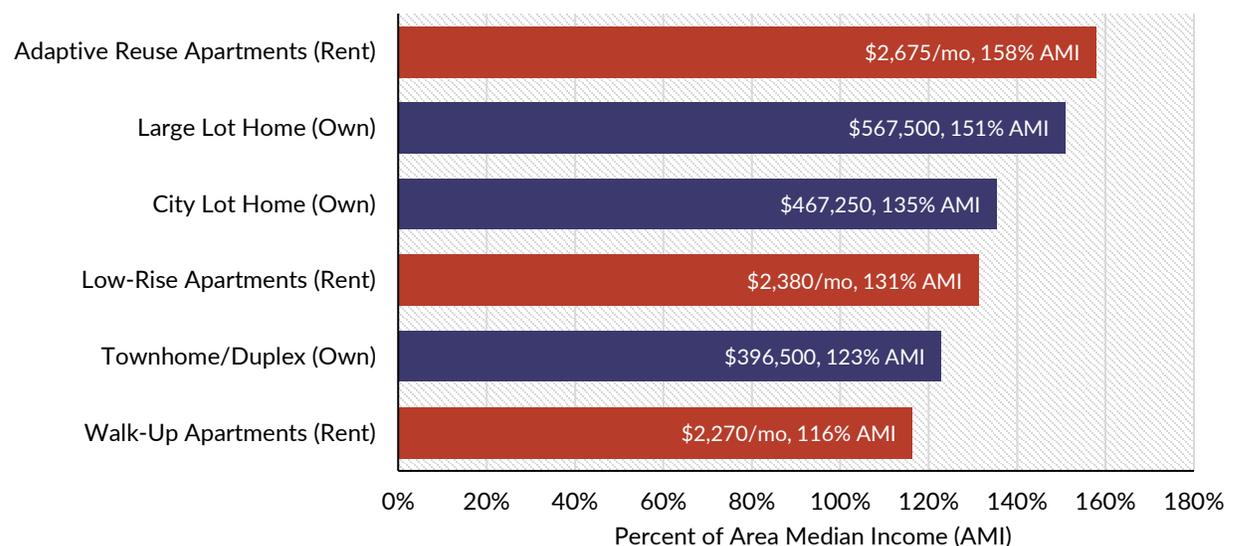
<sup>2</sup> Excluding land costs.

<sup>3</sup> Based on 2024 income limits for Pueblo County and adjusted for household size (1.5 persons per bedroom assumed).

Source: Gruen Gruen + Associates

## Housing Production Gaps

- New detached single-family housing is not likely to be feasibly produced at prices affordable to households earning below 135 percent of Area Median Income (AMI). The City Lot Home prototype would need to sell for an average price of about \$470,000 to support a positive land value.
- New attached single-family and multi-family housing units are not likely to be feasibly produced at prices below 115 percent of AMI. Walk-up rental apartments would need to rent for approximately \$2,300 per month (116 percent of AMI) and an attached Townhome/Duplex would need to sell for approximately \$395,000 (123 percent of AMI) to support positive land values.

**FIGURE 3: Minimum Annual Income and Housing Prices Needed for Feasible Developments**

## Recommendations

With changing development patterns, a slowdown in construction, and ongoing constraints on new housing production, it will be especially important for the city and regional partners to actively encourage and support the development of all types of housing. A combination of financial and non-financial incentives and policy actions may be effective, such as:

- Implementing an expedited review or “fast-track” process to simplify and accelerate entitlement and permitting procedures. This is already a requirement for some state affordable housing programs (e.g., Prop 123), but similar benefits could be extended to other market-rate or “missing middle” projects. Ensuring adequate staffing and resources for streamlined reviews is essential.
- Adjusting design standards or energy codes for new housing—particularly single-family homes—to enable more attainable pricing. Many households are willing to accept simpler architectural details in exchange for lower costs, and contractors often cite uniformity and repetition as cost-saving factors.
- Creating a formal incentive policy and application process for fee waivers and other financial incentives for new housing developments. Given current development economics are challenging (particularly for multi-family rentals), most projects will require some form of assistance, such as tax increment financing, property tax abatements, permit fee waivers, or reduced utility tap fees.

In addition, given the increase in development costs since the 2021 Report and the reduced effectiveness of Metro Districts to finance public infrastructure under current interest rates, it may be worthwhile to assess whether, in specific locations, the city can achieve economies of scale or other efficiencies in providing essential public infrastructure. This approach could help bridge housing development feasibility gaps that would be repaid over time through taxes and fees. Proactive planning to complete off-site infrastructure improvements through the city’s capital budget and/or bonding capacity may be especially beneficial in areas where civic goals include supporting infill housing developments.

## SECTION A

# Components of Population Change and Household Trends

## Recent Population and Household Change

Table A-1 presents historical population, households, median age, household size, and housing units for the city of Pueblo and Pueblo County.

**TABLE A-1: Estimated Population, Households, and Housing Units in Pueblo County, 2020-2024**

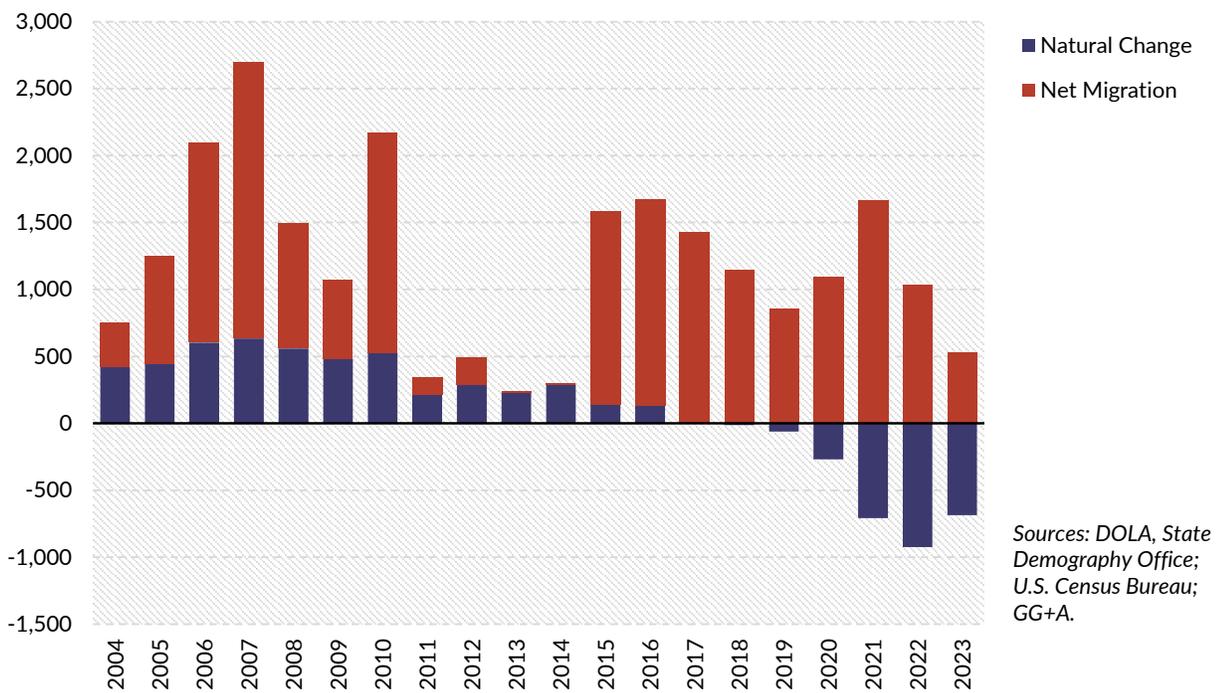
		2020 Census	2024 Estimate	Change	Change
		#	#	#	%
City of Pueblo	Population	111,892	112,507	615	0.5
	Median Age (Years)	39.3	39.9	0.6	1.5
	Households	45,653	46,394	741	1.6
	Average Household Size	2.38	2.36	(0.02)	(0.8)
	Housing Units	48,810	49,409	599	1.2
Pueblo County	Population	168,162	171,453	3,291	2.0
	Median Age (Years)	40.8	41.3	0.5	1.2
	Households	67,095	69,097	2,002	3.0
	Average Household Size	2.45	2.43	(0.02)	(0.8)
	Housing Units	71,981	73,802	1,821	2.5
Sources: U.S. Census Bureau; ESRI; Gruen Gruen + Associates.					

The city of Pueblo has experienced low population growth of about one-half of one percent over the past four years. The population grew by 615 persons over the four-year period from nearly 111,900 in 2020 to 112,500 in 2024. This growth rate is consistent with the longer-term slow growth trend. Households grew at a faster rate of 1.6 percent, increasing from approximately 45,700 in 2020 to 46,400 households in 2024. Housing unit growth has been slightly less than household growth at 599 units versus 741 households.

Pueblo West and other County areas have grown more rapidly with population growth of two percent over the past four years. The population grew by approximately 3,300 persons over the past four years from over 168,000 in 2020 to about 171,500 in 2024. The number of households grew by about 2,000 while the number of housing units increased by 1,800.

Figure A-1 shows the long term components of population change for Pueblo County between 2004 and 2023 (the most recently available estimates).

**FIGURE A-1: Components of Population Change, 2004-2023**



Net migration has generally slowed since 2015 throughout the county, with the exception of 2021 when net migration was estimated at about 1,700 people. Natural population change has been negative (more deaths than births) since 2019, contributing to a small amount and rate of growth in population over the past several years.

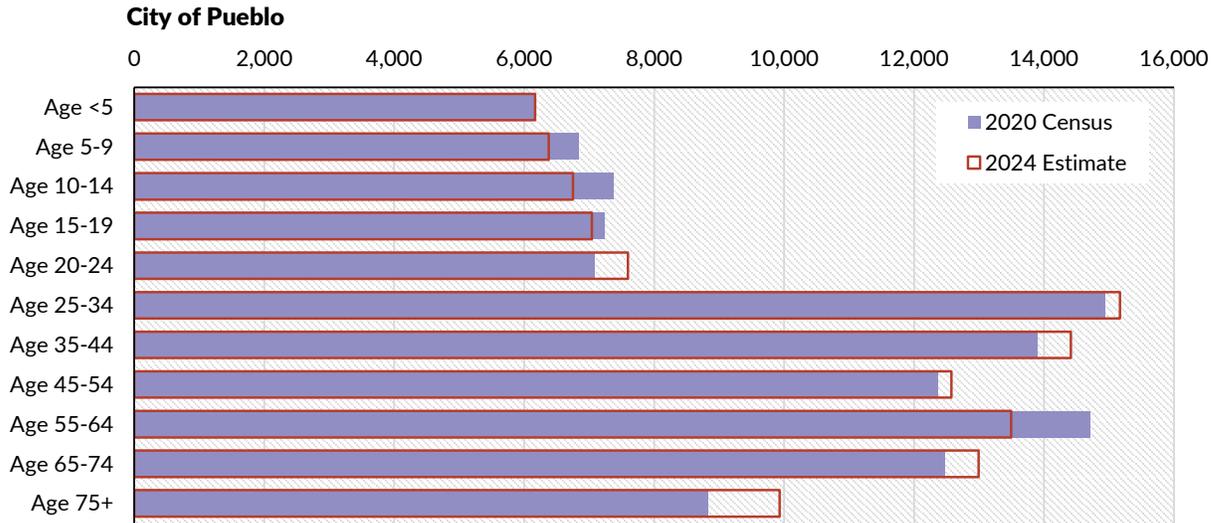
**2021 Report**

*“The dynamics of natural population change in Pueblo have inverted recently as the number of deaths exceeded births for the first time in 2019. This is associated with an aging population.”*

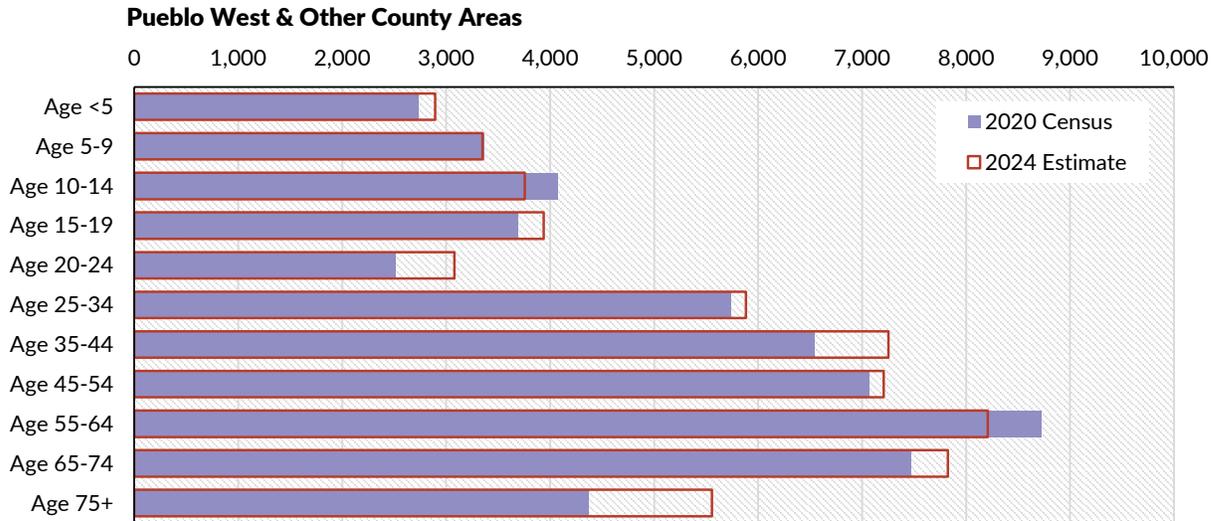
*As predicted, the population base has continued to age and the rate of natural population decline has accelerated since 2020.*

Figure A-2 summarizes the change in population by age cohort from 2020 to 2024 for the city of Pueblo and Pueblo West and other areas in the County. The population has continued to age, explaining part of the natural population decline. Both the city and county areas/Pueblo West, however, are experiencing growth among younger working-age adults, particularly in the age 20-44 cohorts. This trend is a continuation of the prime working age and older age changes that occurred between 2000 and 2019.

**FIGURE A-2: Population Changes by Age Cohort, 2020-2024**



Sources: ESRI; Gruen Gruen + Associates.



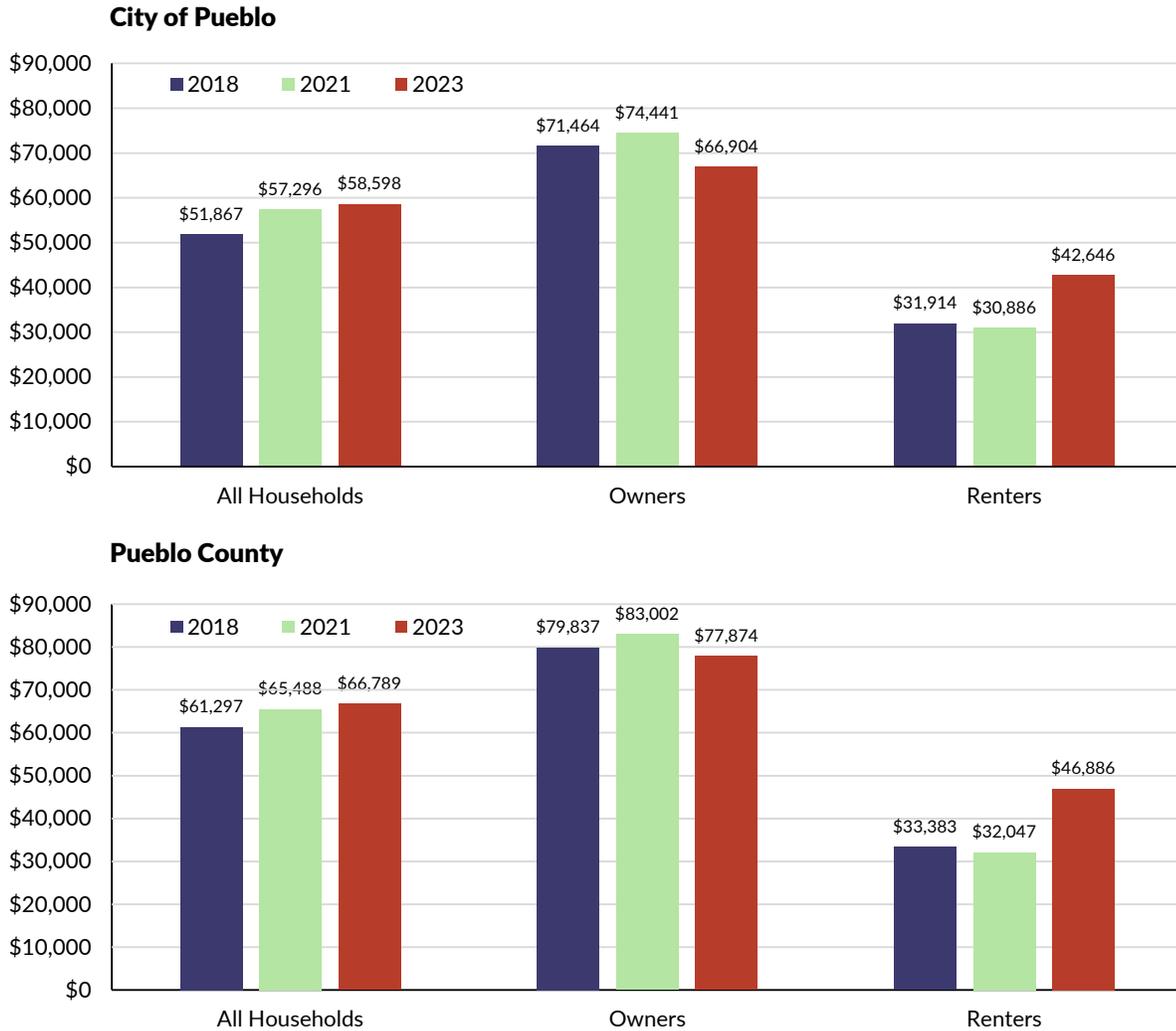
Sources: ESRI; Gruen Gruen + Associates.

In the city of Pueblo, prime working age adults – ages 25-54 – grew from 41,188 persons in 2020 to 42,156 persons in 2024, an increase of two percent. The population age 55+ years increased from 35,999 persons in 2020 to 36,417 persons in 2024, an increase of one percent. In the Pueblo West and other County areas, prime working age adults – ages 25-54 – grew from 19,342 persons in 2020 to 20,343 persons in 2024, an increase of five percent. The population age 55+ years also increased from 20,568 persons in 2020 to 21,588 persons in 2024, an increase of five percent.

# Real Median Household Incomes

Figure A-3 summarizes median household income (in “real” inflation-adjusted dollars) by housing tenure for 2018, 2021, and 2023 for the city of Pueblo and Pueblo County. The median incomes are from 1-year American Community Survey estimates and adjusted for inflation to 2024 dollars based on CPI for smaller urban areas in the Western United States.

**FIGURE A-3: Median Household Incomes by Housing Tenure (in \$2024)**



Sources: U.S. Census Bureau; Gruen Gruen + Associates.

On an inflation-adjusted basis, median household income in both the city of Pueblo and Pueblo County have increased between 2018 and 2023. For all households, the median household income in the city of Pueblo has increased by about 13 percent from \$51,867 in 2018 to \$58,598 in 2023. Owner households experienced an increase in median household income from 2018 to 2021 before declining in 2023. A similar trend occurred in owner households in Pueblo County.

For renter households, for both the city and county, median household income declined slightly between 2018 and 2021 before increasing substantially in 2023. This increase in real median income, especially among renters which tend to be younger-age households, is likely to be attributable to an increase in

workforce participation. Non-working households are declining while dual-income households have increased rapidly. This trend is shown on Table A-2 below.

**TABLE A-2: Pueblo Households by Number of Workers, 2018-2023 Estimates**

		2018 ACS	2023 ACS	Change	Change
		#	#	#	%
City of Pueblo	No workers	17,337	14,395	(2,942)	(17.0)
	1 worker	16,641	16,562	(79)	(0.5)
	2 workers	9,852	13,762	3,910	39.7
	3 or more workers	1,544	2,202	658	42.6
	Total	45,374	46,921	1,547	3.4
Pueblo County	No workers	23,730	20,515	(3,215)	(13.5)
	1 worker	21,781	23,514	1,733	8.0
	2 workers	16,244	20,509	4,265	26.3
	3 or more workers	3,199	4,194	995	31.1
	Total	64,954	68,732	3,778	5.8
Sources: U.S. Census Bureau, 1-Year ACS Estimates; Gruen Gruen + Associates.					

Just five years ago, almost 40 percent of all households in the city of Pueblo had “no workers.” The share of non-working households declined to about 30 percent as of 2023 estimates. A similar trend has occurred countywide.

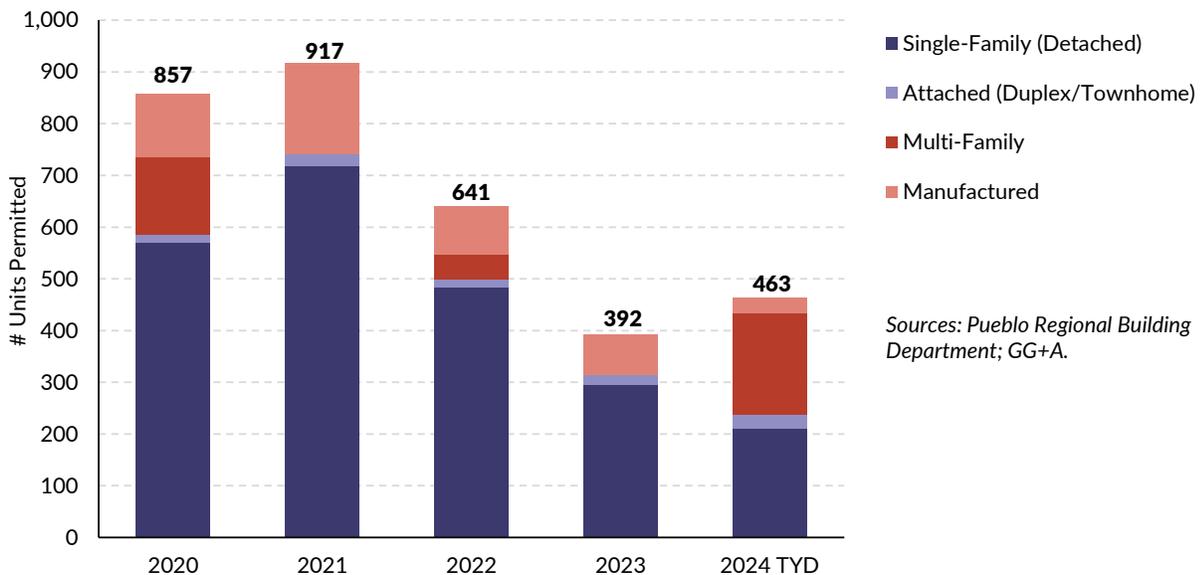
SECTION B

# Housing Market Conditions and Current Rental and Ownership Housing Costs

## Recent Housing Permit Activity

Figure B-1 summarizes new housing permits issued by unit type in Pueblo County from 2020 through September 2024. The prior 2021 Report reported that residential permit activity was very high prior to the Great Recession. Total countywide residential permits averaged about 1,200 new units annually from 2000 through 2006. Most permits were for single-family detached units. New permits reached a low in 2011 of less than 120 units. Total new residential construction activity has grown steadily since 2014 but remains far below pre-recession levels of the early 2000's.

FIGURE B-1: New Housing Permits Issued in Pueblo County, 2020-2024



Residential building permits picked up substantially in 2020 and 2021 with approximately 900 permits in each year. This pick up in building permits exceeds by approximately 400 permits the approximately 500 annual permits issued in both 2018 and 2019. Since 2021, housing permits have dropped substantially. The decline reflects a shift in development patterns, as predicted in the prior 2021 Report. Residential permits in 2023 and year-to-date 2024 have fallen back to 2015 to 2017 permit levels. The Pueblo West water moratorium and now annual limitation on new water taps has shifted development patterns. Approximately 50 percent of all new housing permits issued county wide since 2021 have been within city limits.

Table B-1 summarizes new single-family home permits by location and period in both the city of Pueblo and Pueblo West and other County areas.

**TABLE B-1: New Single-Family Home Permits by Location and Period**

Period	City of Pueblo		Pueblo West and Other County Areas	
	# Permits	Share of County	# Permits	Share of County
2013 – 2015	264	50%	259	50%
2016 – 2018	342	32%	742	68%
2019 – 2021	472	27%	1,289	73%
2022 - Sept 2024	381	38%	609	62%

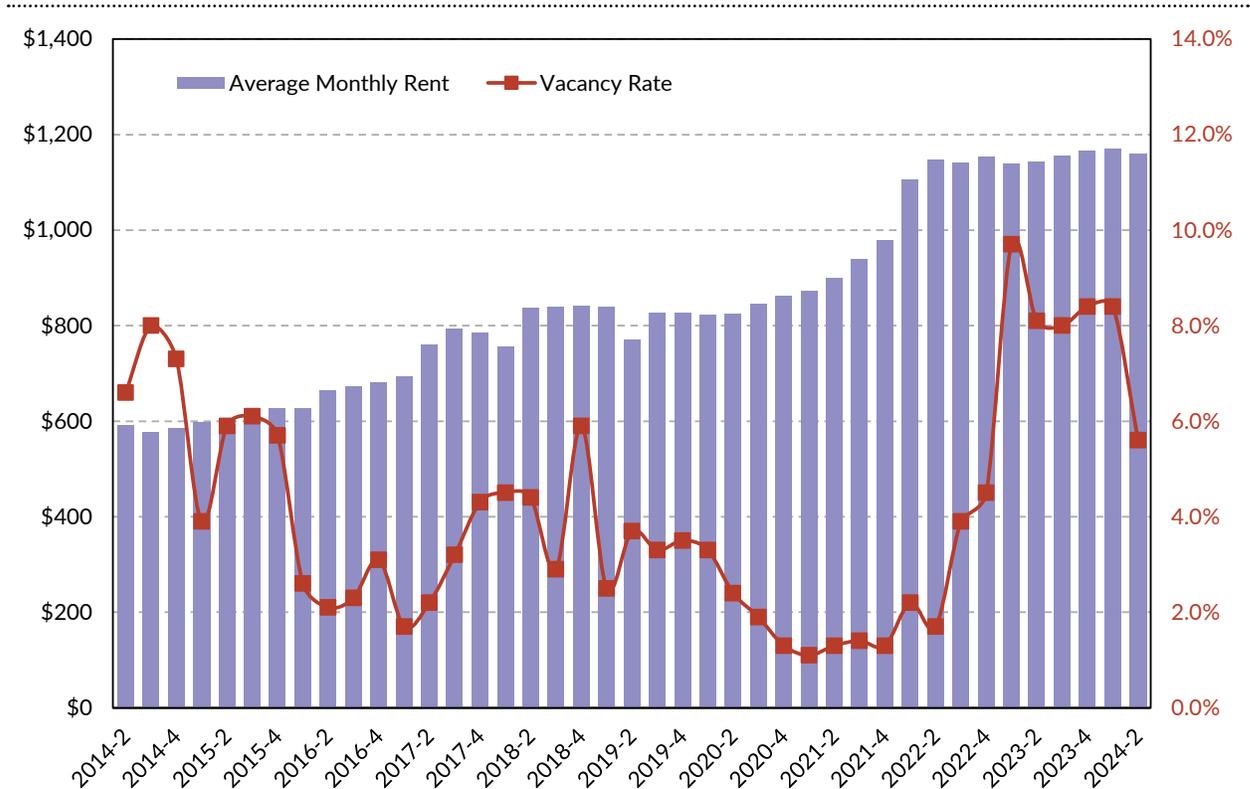
Sources: Pueblo Regional Building Department; Gruen Gruen + Associates.

New detached single-family home construction activity is still primarily concentrated in Pueblo West although developments within the city of Pueblo have accounted for a larger share of the market since 2021.

## Apartment Market Conditions and Rental Housing Costs

Figure B-2 summarizes historical average monthly rents and vacancy rates in Pueblo County from 2014 to 2024 according to Colorado Multi-Family Vacancy and Rental Survey data. The average monthly rent has increased from about \$593 in 2014 to nearly \$1,161 in 2024, an increase of approximately 96 percent over the 10-year period. Note the 2021 Report noted a 56 percent increase in rents over the 2010-2020 period.

**FIGURE B-2: Average Monthly Rents and Vacancy Rates in Pueblo Apartment Market, 2014-2024**

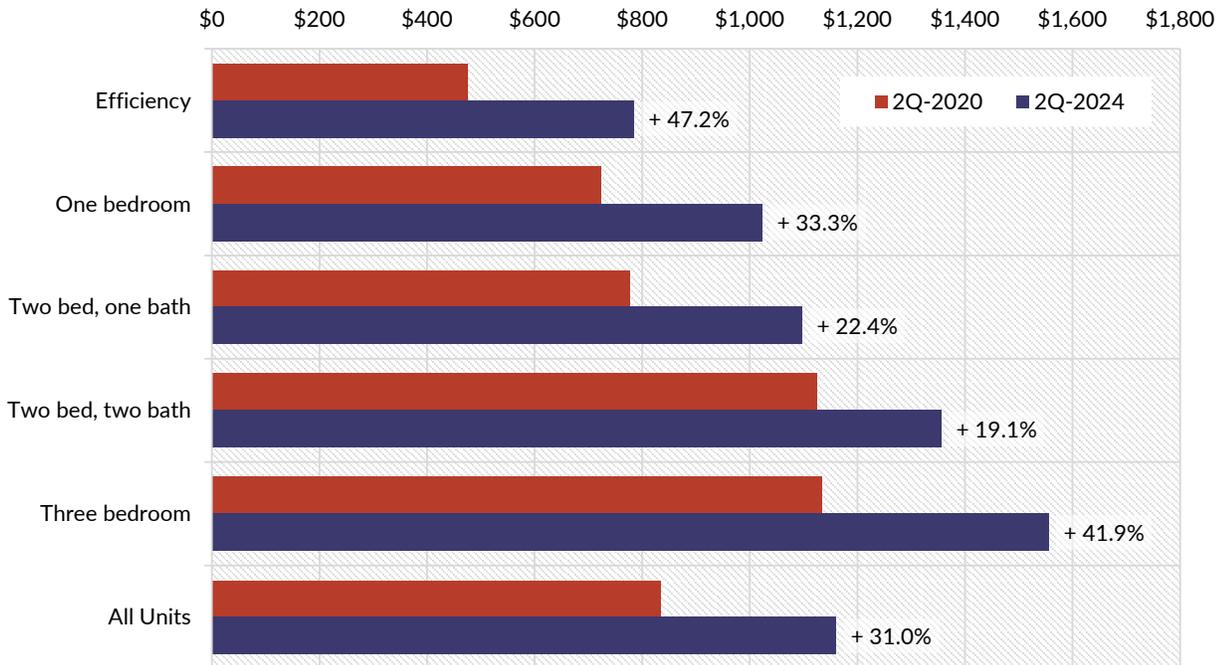


Sources: Colorado Division of Housing; Colorado Housing and Finance Authority (CHFA); GG+A.

While rents remained relatively stable between 2018 and early 2021, a large jump in rents occurred in mid-2021 as average monthly rents approached \$1,000. Rental vacancy rates declined to a low of just over one percent between late 2020 and mid-2022. Since 2022, coinciding with an increase in rents, the vacancy rate has sharply increased to a high of 9.7 percent in early 2023, but has since dropped to its current rate of 5.6 percent (but still significantly higher than prior years).

Figure B-3 shows the average monthly rent by unit type in 2020 and 2024.

**FIGURE B-3: Average Monthly Rent by Unit Type in Pueblo Apartment Market**



Sources: Colorado Division of Housing; Colorado Housing and Finance Authority (CHFA); GG+A.

All apartment units have experienced a 31 percent increase in average monthly rent over the four-year period. Efficiency and three-bedroom units have experienced the largest increase of over 40 percent. Efficiency units have increased from monthly rent of \$475 in 2020 to \$785 in 2024. Three-bedroom units have increased from monthly rent of \$1,134 in 2020 to \$1,557 in 2024.

## ASKING RENT SURVEY

Table B-2 summarizes advertised “asking rents”, as of September 2024 for a sample of larger multi-family apartment projects in Pueblo.

**TABLE B-2: Multi-Family Apartment Asking Rent Survey (September 2024)**

<b>Property Name</b>	<b>Year(s) Built</b>	<b># Units</b>	<b>Unit Sizes # Sq. Ft.</b>	<b>Asking Monthly Rents Per Unit</b>	<b>Asking Monthly Rents Per Sq. Ft.</b>
Mechanics Building	2020	37	425 – 782	\$1,194 - \$1,849	\$2.36 - \$2.81
Outlook Ridge	2012-17	184	594 – 1,045	\$1,505 - \$2,200	\$1.79 - \$2.71
Villas at Park West	2005-09	260	613 – 1,040	\$1,309 - \$1,801	\$1.68 - \$2.22
West Hill Apartments	2004	36	750 – 1,068	\$1,325 - \$1,525	\$1.43 - \$1.77
Landings at Eagleridge	2003-21	332	746 – 1,160	\$1,388 - \$1,845	\$1.45 - \$2.07
Preserve at Belmont	1999	96	748 – 1,176	\$1,225 - \$1,595	\$1.36 - \$1.64
North Ridge Heights	1995	78	960 – 1,700	\$1,200 - \$1,750	\$1.03 - \$1.25
Oasis at Belmont Square	1977	138	610 – 810	\$950 - \$1,050	\$1.30 - \$1.56
Belmont Manor	1973	167	661 – 806	\$950 - \$1,201	\$1.44 - \$1.49

Sources: Apartments.com/CoStar; Property websites; Gruen Gruen + Associates.

Asking rent increases since June 2021 (data gathered for prior 2021 Report) have ranged from seven to over 40 percent. The newest project, the Mechanics Building, has increased asking rents by about 11 percent since 2021. On a per square foot basis, current asking rents at the project range from \$2.36 to \$2.81, up from \$2.12 to \$2.53 in 2021. Asking rents at the Villas at Park West, one of Pueblo’s largest market-rate apartment properties, have increased by approximately 20 percent since 2021. Older projects such as the Oasis at Belmont Square have increased per square foot rents by 40 to 50 percent. Current asking rents per square foot at this project range from \$1.30 to \$1.56 up from \$0.92 to \$1.03 in 2021.

## ESTIMATE OF EXISTING RENTAL HOUSING INVENTORY BY PRICE

Table B-3 summarizes an estimate of the occupied rental housing stock by number of bedrooms and monthly gross rent.

**TABLE B-3: Existing Rental Housing Supply (Occupied Units) by Monthly Gross Rent and Number of Bedrooms**

		Efficiency/ 1-Bedroom	2-Bedroom	3+ Bedroom	Total
		#	#	#	#
City of Pueblo	Less than \$750 <sup>1</sup>	2,090	1,320	990	<b>4,400</b>
	\$750 to \$999	990	1,910	650	<b>3,550</b>
	\$1,000 to \$1,499	890	2,030	1,860	<b>4,780</b>
	\$1,500 or more	520	1,340	1,880	<b>3,740</b>
	<i>Total</i>	<i>4,500</i>	<i>6,600</i>	<i>5,380</i>	<b><i>16,480</i></b>
Pueblo West & Other County Areas	Less than \$750 <sup>1</sup>	160	350	380	<b>890</b>
	\$750 to \$999	40	290	210	<b>540</b>
	\$1,000 to \$1,499	50	360	320	<b>730</b>
	\$1,500 or more	10	360	740	<b>1,110</b>
	<i>Total</i>	<i>260</i>	<i>1,360</i>	<i>1,640</i>	<b><i>3,260</i></b>
<sup>1</sup> Includes units with "no cash rent."					
Sources: GG+A Analysis of 2023 ACS 1-Year estimates					

Consistent with prior estimates presented in the 2021 Report, the city of Pueblo is estimated to contain a higher share of lower-rent units than Pueblo West and other County areas in 2023. The increase in rents noted previously has resulted in a higher share of units with monthly rents exceeding \$1,500 than in 2019. In 2019, only six percent of units in the city were estimated to be occupied at monthly rents exceeding \$1,500. By 2023, this share had risen to 23 percent. Similarly for Pueblo West and other County areas, in 2019 just over six percent of units were estimated to be occupied at monthly rents exceeding \$1,500. By 2023, this share had risen to 34 percent.

### Occupied Rental Housing Inventory

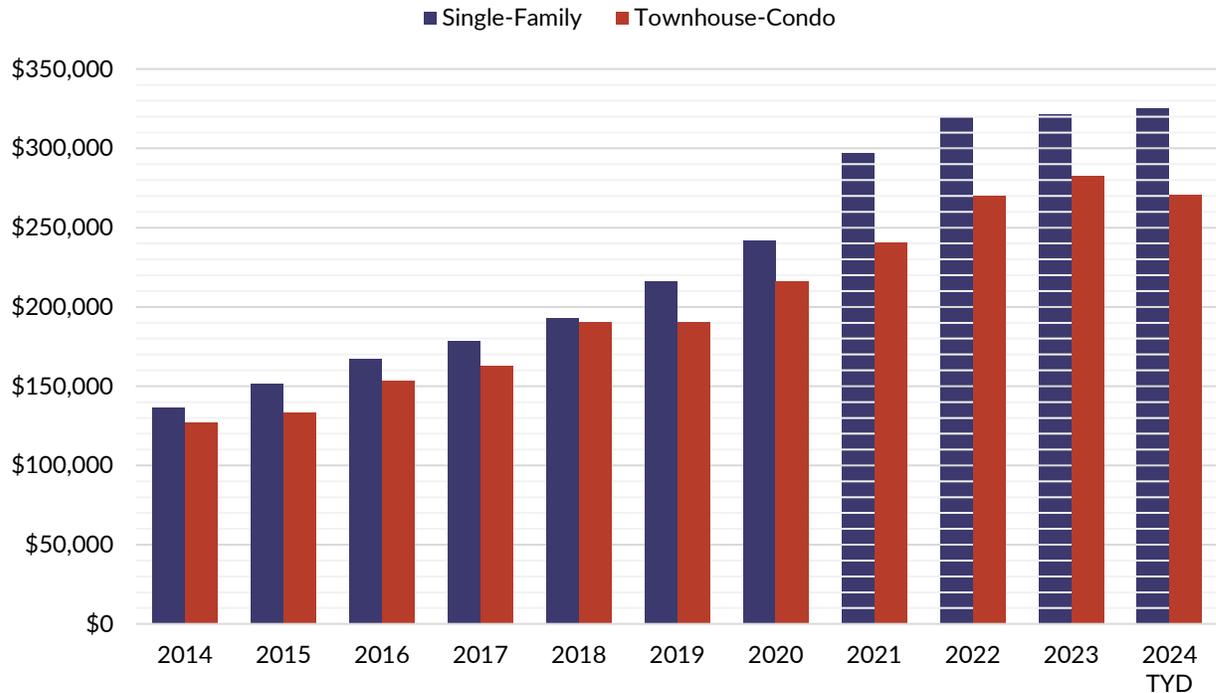
*Prior estimates of the rental housing stock based on 2019 American Community Survey data identified about 21,800 occupied rental units throughout the city and county. Much of the rental housing supply and especially in areas such as Pueblo West was noted to be "comprised of single-family units and mobile homes."*

*Multi-family apartment vacancy rates have increased since 2021 and this would explain some decline in "occupied" rental housing inventory. Perhaps more importantly, the single-family housing resale market has also experienced strong price escalation since the prior 2019 American Community Survey data was analyzed. It is likely that many single-family homes throughout the city and county have changed housing tenure over the period, converting from rental to ownership housing.*

## For-Sale Housing Market Conditions and Ownership Housing Costs

Figure B-4 summarizes average sales prices for single-family homes and townhouse-condominium units based on data from the Pueblo Association of REALTORS®.

**FIGURE B-4: Pueblo County Average Home Sale Prices, 2014-2024**



Sources: Pueblo Association of REALTORS®; GG+A.

The average single-family sales price was approximately \$325,000 through the first eight months of 2024, representing an increase of nearly 140 percent since 2014 when a typical single-family home in Pueblo County sold for approximately \$136,000. Since 2022, however, typical single-family home prices have essentially remained stable.

Townhome and condominium units have experienced a similar price increase pattern. Prices for townhome and condominium units have more than doubled from approximately \$127,000 in 2014 to approximately \$271,000 in 2024. Average sales prices for townhouse and condominium units have increased at an average annual rate of nearly eight percent since 2014. Price increases, however, have moderated with a decline from nearly \$283,000 in 2023 to nearly \$271,000 per unit.

Annual sales transactions peaked in 2021 with 3,203 units sold including a small number (127) of townhomes/condos. Through the first eight months of 2024, the countywide market is on pace for approximately 2,100 sales transactions this year which would represent a 35 percent decline in volume from the 2021 peak activity. The average number of days on the market for single-family homes has increased from 66 days in 2021 to 91 days today. The sales to listing price ratio has declined from over 100 percent of list price in 2021 to 98.5 percent of list price for single-family housing units through the first eight months of 2024. The average number of days on the market for townhouse and condominium units has increased from 68 days in 2021 to 84 days today. The sales to listing price ratio has declined from about 100 percent of list price in 2021 to 97.1 percent of list price for townhouse and condominium units.

## SALES CHARACTERISTICS BY HOME SIZE

Table B-4 summarizes the average size in square feet and price of housing units sold in 2021 and 2024 year-to-date.

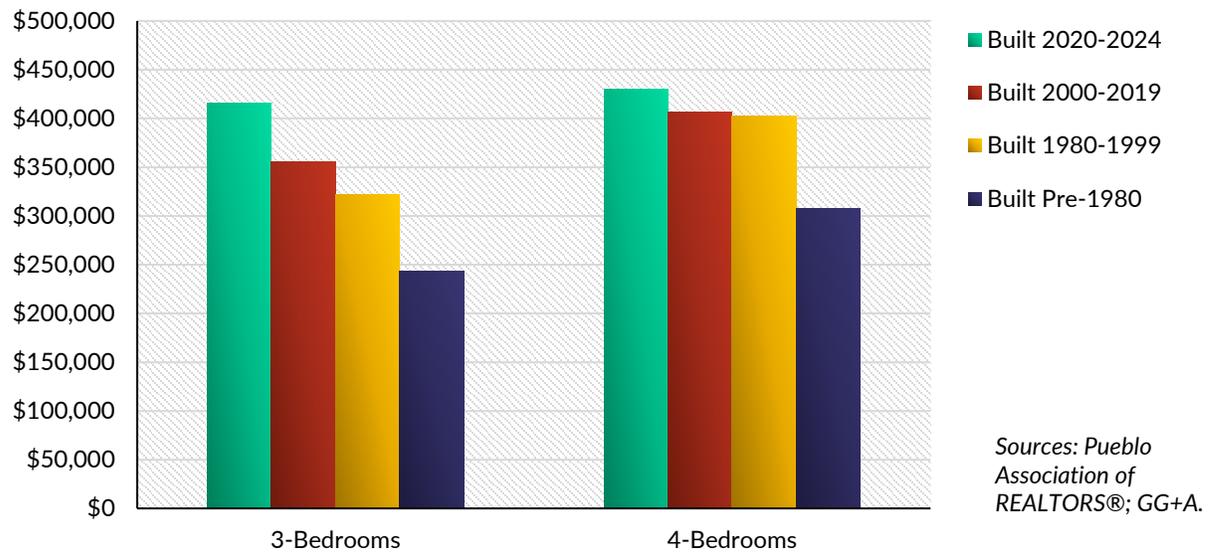
**TABLE B-4: Average Sales Price by Home Size, 2021-2024**

	2021	2024 YTD <sup>1</sup>	Change 2021-24 \$	Change 2021-24 %
<b>2-Bedrooms</b>				
Average Price	\$186,850	\$197,583	\$10,734	5.7
Average Unit Size <sup>2</sup>	992	992		
Average Price Per Square Foot	\$188	\$199	\$11	5.7
<b>3-Bedrooms</b>				
Average Price	\$286,623	\$315,935	\$29,312	10.2
Average Unit Size <sup>2</sup>	1,408	1,395		
Average Price Per Square Foot	\$204	\$226	\$23	11.2
<b>4-Bedrooms</b>				
Average Price	\$328,500	\$358,373	\$29,874	9.1
Average Unit Size <sup>2</sup>	1,540	1,489		
Average Price Per Square Foot	\$213	\$241	\$27	12.8
<b>5+ Bedrooms</b>				
Average Price	\$415,797	\$462,906	\$47,109	11.3
Average Unit Size <sup>2</sup>	1,793	1,783		
Average Price Per Square Foot	\$232	\$260	\$28	12.0
<sup>1</sup> January through August.				
<sup>2</sup> Above grade living area in square feet.				
Sources: Pueblo Association of REALTORS®; Gruen Gruen + Associates.				

On average, prices for two-bedroom units consisting of 992 square feet of space have increased from 2021 to 2024 by about \$10,700 or 5.7 percent. This equates to a per square foot price increase of \$11 dollars to \$199. The smaller units have the lowest average sales prices per square foot while the largest units have the highest values per square foot. The average price of five plus bedroom housing units consisting of 1,793 square feet of space has increased by over 11 percent or over \$47,000 to nearly \$463,000. This equates to a per square average price in 2024 of \$260 compared to \$232 in 2021 (representing a 12 percent increase). The average price of three-bedroom units which are about 1,400 square feet in size has increased about 10 percent or over \$29,300 to nearly \$316,000. The price increase equates to a per square foot increase of \$23 to \$226, an 11 percent increase. The average sales price of four-bedroom units consisting of 1,540 square feet in 2021 and nearly 1,400 square feet in 2024 increased by nearly \$30,000 to nearly \$358,400. This equates to a nine percent increase. Because of the reduction in average unit size, the price increase on a per square foot basis is nearly 13 percent or \$27 to \$241 per square foot. Price increases have moderated compared to the 2015 to 2020 period when prices increased ranged from 51 percent for five-bedroom units to 75 percent for two-bedroom units.

Figure B-5 shows the average price of three-bedroom and four-bedroom housing units in the city and county by when the home was built.

**FIGURE B-5: Average 2024 Sales Prices by Year Home Built**



Three-bedroom units built before 1980 on average sell for about 59 percent of the prices of new homes built since 2020. Four-bedroom units built prior to 1980 on average sell for 71 percent of newer homes built since 2020. The comparison suggests Pueblo maintains a large, older stock of comparatively affordable housing units and that encouraging new construction will tend to cause more affluent households to purchase new homes, making it less competitive for less affluent households to purchase existing housing stock.

### Older Single-Family Housing Inventory

*According to American Community Survey data, the city and county are estimated to contain approximately 24,000 owner-occupied, single-family homes that were built prior to 1980. These homes comprise almost 55% of the ownership housing inventory and are typically much more attainable (in price) to lower- and middle-income households.*

## ESTIMATE OF OWNERSHIP HOUSING INVENTORY BY PRICE POINT

Table B-5 summarizes an estimate of the supply of owner-occupied housing by current price.

**TABLE B-5: Estimate of Owner-Occupied Housing Inventory by Current Value**

		Number of Occupied Units	Share of Units
		#	%
City of Pueblo	Less than \$125,000	3,830	12.6
	\$125,000 to \$199,999	3,780	12.4
	\$200,000 to \$299,999	9,480	31.1
	\$300,000 to \$399,999	7,950	26.1
	\$400,000 to \$499,999	2,830	9.3
	\$500,000 to \$749,999	2,100	6.9
	\$750,000 and above	470	1.5
Pueblo West & Other County Areas	Less than \$125,000	1,590	8.6
	\$125,000 to \$199,999	1,520	8.2
	\$200,000 to \$299,999	2,590	14.0
	\$300,000 to \$399,999	4,520	24.4
	\$400,000 to \$499,999	4,040	21.8
	\$500,000 to \$749,999	3,150	17.0
	\$750,000 and above	1,140	6.1
Sources: GG+A Analysis of 2023 ACS 1-Year estimates			

The estimates reflect our analysis of: (a) the most recent 2023 American Community Survey estimates for the city of Pueblo and Pueblo County; and (b) the for-sale housing market price trends reviewed in the prior sections. We estimate that about 12.6 percent of the city's owner-occupied units are valued at less than \$125,000. Another 12.4 percent of the city's units are valued from \$125,000 to \$199,999. About 31 percent of the city's units are valued between \$200,000 and \$299,999. About 26 percent of the units are valued from \$300,000 to \$399,999. About 17 percent of housing units are priced at \$400,000 or higher.

A higher proportion of the inventory of owner-occupied units in Pueblo West and other County areas are higher priced. About 17 percent of units in Pueblo West or elsewhere in the County are priced at less than \$200,000 (compared to 25 percent of the housing inventory in the city). Nearly 45 percent of the housing units in Pueblo West or elsewhere in the County are priced at \$400,000 or higher compared to nearly 18 percent of the inventory in the city. The inventory priced at \$200,000 to \$299,999 comprises 14 percent of the total compared to over 31 percent of the inventory in the city. Over 24 percent of the Pueblo West or County inventory is priced at \$300,000 to \$399,999 (relatively close to 26.1 percent of the inventory in the city).

**SECTION C**

# Housing Affordability Gap Analysis

This section compares the existing housing inventory, by price and tenure, to the existing income characteristics of the household base. The comparison is commonly referred to as an “affordability gap” analysis, in which the gaps are the differences between the number of existing households (bracketed by maximum affordable housing cost) and the number of units that exist at those affordable price points. The gap estimates are based on our analysis of 2023 American Community Survey estimates.

## Affordable Housing Prices

Table C-1 summarizes estimates of the price of housing currently afforded at various household income levels.

**TABLE C-1: Affordable Housing Prices and Monthly Rents by Household Income Bracket**

Annual Income	Maximum For-Sale Price <sup>1</sup>	Maximum Monthly Gross Rent <sup>2</sup>
Less than \$15,000	Less than \$55,000	Below \$375
\$20,000 to \$34,999	\$55,000 to \$124,999	\$375 to \$874
\$35,000 to \$49,999	\$125,000 to \$174,999	\$875 to \$1,249
\$50,000 to \$74,999	\$175,000 to \$264,999	\$1,250 to \$1,874
\$75,000 to \$99,999	\$265,000 to \$354,999	\$1,875 to \$2,499
\$100,000 to \$149,999	\$355,000 to \$529,999	\$2,500 to \$3,749
\$150,000 and Above	\$530,000 and Above	\$3,750 and Above
<sup>1</sup> Assumes a 5.0 percent down payment with a 30-year fixed rate mortgage at an annual interest rate of 6.25 percent. Permanent mortgage insurance is included at 0.5 percent of the loan (current FHA rates). Annual property tax and home insurance costs are assumed to approximate 1.0 percent of the purchase price.		
<sup>2</sup> Assumes monthly gross rents equal 30 percent of income.		
Source: Gruen Gruen + Associates		

The lowest income households with less than \$15,000 of annual gross income can afford no more than \$375 in monthly gross rent. Households with \$35,000 of annual income could afford up to \$875 in monthly gross rent. Assuming a household with an annual income of \$35,000 or less could secure a 30-year mortgage, such a household could likely afford no more than a \$125,000 unit. A household with \$75,000 of annual income can afford \$1,875 in monthly rent. A household with income of \$75,000 could afford a purchase price of approximately \$265,000. Households with more than \$100,000 of annual income can afford monthly rents of \$2,500 and higher and can afford to purchase homes priced at \$355,000 or higher.

## Affordability Gap Estimates for City of Pueblo

Table C-2 summarizes the existing City of Pueblo housing inventory by tenure and affordability level in comparison to the income characteristics of the household base. The estimates reflect the price of housing that households can potentially afford, not what they will necessarily elect to purchase or rent. Interest rates have dramatically risen since the last report and therefore the same amount of income does not pay for as much financing and therefore housing costs as before.

**TABLE C-2: Estimated Housing Affordability Gaps in the City of Pueblo**

	Existing Supply of Units <sup>1</sup> #	Number of Households Able to Afford Units #	Existing Surplus or (Deficit) in Units #
Monthly Gross Rent:			
Less than \$375 <sup>2</sup>	1,394	2,648	(1,254)
\$375 to \$874	3,335	3,870	(535)
\$875 to \$1,249	5,896	2,781	3,115
\$1,250 to \$1,874	4,933	2,900	2,032
\$1,875 to \$2,499	779	2,859	(2,079)
\$2,500 to \$3,749	120	799	(679)
\$3,750 and Above	20	621	(601)
Home Value:			
Less than \$55,000	1,102	2,722	(1,620)
\$55,000 to \$124,999	2,730	4,314	(1,584)
\$125,000 to \$174,999	2,652	3,276	(624)
\$175,000 to \$264,999	7,501	6,074	1,427
\$265,000 to \$354,999	7,481	4,048	3,433
\$355,000 to \$529,999	6,655	5,098	1,556
\$530,000 and Above	2,324	4,912	(2,588)
<sup>1</sup> Estimate of occupied units by price.			
<sup>2</sup> Estimated supply includes about 340 rental units with "no cash rent."			
Source: U.S. Census Bureau; 2023 American Community Survey; Gruen Gruen + Associates			

The city of Pueblo, like many communities, continues to experience a deficit of rental units available at very low prices. Using the 30-percent-of-income standard, the city of Pueblo is estimated to contain approximately 2,600 renter households who can afford to pay no more than \$375 in monthly gross rent. The existing supply of rental units priced below this affordability threshold is estimated at 1,400 units; indicating a "gap" or deficit of over 1,200 rental units affordable to the lowest income bracket. The 1,200-unit deficit of very low priced units has declined from a gap of about 2,600 units identified in the prior 2021 Report. A smaller deficit of about 500 units is estimated for rental units in the \$875 to \$1,250 rent range.

At the opposite end of the income spectrum, the city currently contains about 4,300 renter households who could afford monthly rents exceeding \$1,875. There are estimated to be fewer existing rental units in the city commanding this level of rent (about 900 units), indicating another gap of almost 3,400 units affordable to the highest income renters in the city. This nearly 3,400-unit gap at the higher rent levels

has increased from the 2,500-unit gap identified in the 2021 Report. This situation is not unique to Pueblo and does not necessarily indicate a “deficiency” in the rental housing stock. Rather, it signals an affordable rental inventory on the upper end of the pricing ladder that offers the features and quality acceptable to higher-income households at prices that permit allocating far less than 30 percent of their incomes to housing. The current affordability conditions at higher price points and income levels also highlight the potential demand for new high-quality rental products from existing households, which could serve to create more slack in the existing rental inventory at lower price points.

The gap analysis for owner-occupied housing in the city follows a similar pattern. A deficit of deeply affordable ownership units exists at the three lowest income and price levels; though much of the existing owner-occupied housing inventory (despite the pattern of rapidly increasing costs) remains affordable relative to household incomes. A deficit or gap of approximately 3,800 units exists for owner-occupied housing priced below \$175,000. This deficit has increased substantially from the deficit estimated in the 2021 Report where an 800-unit deficit was estimated for homes priced only below \$65,000. Approximately 5,100 current homeowners in the city could afford housing priced between \$355,000 and \$530,000 relative to existing supply of over 6,600 units. For the highest priced homes of \$530,000 and above, however, a deficit the supply of units compared to households is estimated at nearly 2,600 units.

## Affordability Gap Estimates for Pueblo West and Other County Areas

Table C-3 summarizes the same comparison of existing housing inventory to households (and their ability to pay/afford housing) collectively for Pueblo West and other areas of Pueblo County.

**TABLE C-3: Estimated Housing Affordability Gaps in Pueblo West and Other County Areas**

	Existing Supply of Units <sup>1</sup> #	Number of Households Able to Afford Units #	Existing Surplus or (Deficit) in Units #
Monthly Gross Rent:			
Less than \$375 <sup>2</sup>	158	378	(220)
\$375 to \$874	121	449	(328)
\$875 to \$1,249	754	269	485
\$1,250 to \$1,874	1,154	592	561
\$1,875 to \$2,499	490	524	(35)
\$2,500 to \$3,749	499	461	38
\$3,750 and Above	92	593	(501)
Home Value:			
Less than \$55,000	773	956	(183)
\$55,000 to \$124,999	816	1,559	(743)
\$125,000 to \$174,999	668	2,247	(1,579)
\$175,000 to \$264,999	2,097	2,262	(165)
\$265,000 to \$354,999	3,824	3,011	813
\$355,000 to \$529,999	6,458	3,857	2,601
\$530,000 and Above	3,908	4,652	(744)
<sup>1</sup> Estimate of occupied units by price.			
<sup>2</sup> Estimated supply includes about 500 rental units with "no cash rent."			
Source: U.S. Census Bureau; 2023 American Community Survey; Gruen Gruen + Associates			

The existing rental housing inventory is estimated to be relatively in balance with the income characteristics of renters in Pueblo West and other County areas. Similar to the estimates for the City of Pueblo, on the higher end of the income spectrum there are more renters than rental housing at those price points - signaling that higher income renters do not need to expend 30 percent of their income on housing. The lowest price and income levels, a deficit of approximately 548 rental units exists. More rental units are available at prices from \$875 to \$1,875 than renters with sufficient incomes to afford rental at those price levels.

A deficit exists of about 2,505 owner-occupied units priced below \$175,000 in Pueblo West and other County areas. Approximately 3,400 existing homeowners can afford no more than a \$175,000 unit and only 2,250 units are estimated to exist at those home values. More homes in the \$265,000 to \$355,000 and \$355,000 to \$530,000 brackets exist than households with incomes sufficient to afford these price levels.

The “deficit” of higher priced units (\$530,000 and above) relative to the incomes of existing homeowners again suggests the possibility that built-in demand may exist for new market-rate housing in Pueblo West and other County areas - if housing preferences and needs among existing owners evolved over time to encourage trade-ups (in price) to different types or qualities of housing product.

**SECTION D**

# Real Estate Economic Analysis of Housing Development Alternatives

This section updates the real estate economic analysis to quantify how changes in market-rate housing prices, capital markets conditions, and development costs have likely changed since summer 2021 to affect the feasibility of new housing production in Pueblo. The housing development “prototypes” and unit mix assumptions are unchanged from the 2021 Report.

## Real Estate Economics of Multi-Family Development

Table D-1 summarizes an estimate of current development costs, excluding land and financing, for each multi-family prototype.

**TABLE D-1: Estimated Development Costs for Multi-Family Prototypes**

	Walk-Up Apartments		Low-Rise Building		Adaptive Re-Use	
	\$ Per Sq. Ft.	\$ Per Unit	\$ Per Sq. Ft.	\$ Per Unit	\$ Per Sq. Ft.	\$ Per Unit
Sitework Costs	26	26,100	19	18,600	0	0
Hard Costs	185	185,000	215	210,700	269	269,375
Permits/Fees and Use Tax	6	6,333	7	6,879	8	8,081
Water/Sewer Tap Fees	6	6,280	6	6,280	6	6,280
Developer Fee <sup>1</sup>	11	10,555	12	11,465	13	13,469
Additional Soft Costs <sup>2</sup>	18	17,944	20	19,491	26	26,938
<b>TOTAL COST <sup>3</sup></b>	<b>252</b>	<b>252,212</b>	<b>279</b>	<b>273,415</b>	<b>324</b>	<b>324,143</b>
<sup>1</sup> Five percent (5%) of hard construction cost.						
<sup>2</sup> Architectural, engineering, professional and legal fees, pre-development costs, and so forth.						
<sup>3</sup> Before land acquisition and financing.						
Source: Gruen Gruen + Associates						

The hard construction cost estimates reflect a site work cost assumption equal to \$5 per square foot of land area, residential building area costs of \$185 to \$269 per gross square foot, and commercial building area and tenant improvement costs of \$225 per gross square foot (for the Adaptive Re-Use prototype). Costs for the Adaptive Re-Use prototype also include parking structure costs at \$35,000 per stall. The total estimated hard construction costs range from a low of about \$185,000 per unit for the Walk-Up Apartments (which assumes an efficient and economical product with minimal common areas or hallways, etc.), to a high of \$269,375 per unit for the Adaptive Re-Use scenario.

Building permit and other fees, local construction use tax, and water and sewer tap/impact fees are

estimated to range from approximately \$12,600 to \$14,400 per housing unit. A development fee equal to five percent of hard construction cost is uniformly applied to each prototype, ranging from \$10,555 to about \$13,500 per unit. Additional “soft costs” attributable to architecture and engineering, professional and legal fees, pre-development expenses, etc., are estimated at approximately \$18,000 per unit for the Walk-up Apartment Units new construction prototypes, or 8.5 percent of hard construction costs. Additional soft costs for the Low-Rise Building prototype are estimated at nearly \$18,500 or 20 per square foot (or 8.5 percent of hard construction costs). Additional soft costs for the Adaptive Re-Use prototype are assumed to be higher (about \$27,000 per unit) given the planning, design and pre-development phase of historic re-use is typically more tedious and complicated according to our interviews.

Total development costs (before land and financing costs) for the Walk-Up Apartment and Low-Rise Apartment Building prototypes are estimated at \$252,000 and \$273,500 per unit, respectively. Total costs for the Adaptive Re-Use scenario at almost \$324,100 per unit which largely reflects additional costs associated with structure parking and ground-floor commercial space.

## MARKET AND OPERATING PARAMETERS

A variety of secondary sources and estimates were considered in preparing the market rent and operating expense assumptions, including HUD Fair Market Rents for 2024 in Pueblo County; current asking rents for newer apartment units in Pueblo; and development proformas for planned multi-family developments in Pueblo and Colorado Springs. Table D-2 summarizes estimates of obtainable market rents for each multi-family prototype.

**TABLE D-2: Estimated Market Rents for Multi-Family Rental Units**

	Walk-Up Apartments	Low-Rise Building	Adaptive Re-Use
Average Unit Size	900 SF	800 SF	700 SF
Average Monthly Rent Per Unit	\$2,035	\$1,905	\$1,755
Average Monthly Rent Per Square Foot	\$2.26	\$2.38	\$2.51
<b>Percent of Area Median Income (AMI) Needed to Afford Market Rent<sup>1</sup></b>	<b>104%</b>	<b>105%</b>	<b>104%</b>
<sup>1</sup> Based on 2024 income limits for Pueblo County. Adjusted for unit mix and household sizes (at 1.5 persons per bedroom).			
Sources: CHFA; CoStar; Gruen Gruen + Associates.			

The average rents by prototype are based on the following market-rate monthly rent assumptions, where applicable:

- Studio or “efficiency” units at \$1,400 monthly (\$2.80 per square foot);
- One-bedroom units at \$1,800 monthly (\$2.57 per square foot);
- Two-bedroom units at \$2,050 monthly (\$2.28 per square foot); and
- Three-bedroom units at \$2,250 monthly (\$2.05 per square foot).

Monthly rents are estimated to range (on average) from about \$2.26 per square foot for the Walk-Up Apartments (\$2,035 per month) to \$2.51 per square foot for the Adaptive Re-Use scenario (\$1,755 per month) which includes smaller unit sizes. Rents for the Low-Rise Building are estimated at \$2.38 per square foot to \$1,905 per month.

## ***Apartment Unit Absorption and Occupancy***

The existing multi-family rental inventory, especially newer higher-quality properties, remains well occupied and limited new market-rate inventory has been delivered in recent years. For purposes of the real estate analysis, we assume that 25 percent of units in each prototype are pre-leased and that absorption averages 10 units per month after construction. Upon stabilization, a five percent vacancy rate and credit loss factor are included.

## ***Operating Expenses***

The real estate economic analysis is based on the following annual operating expense estimates for the multi-family rental housing prototypes:

- Annual property tax and insurance expenses of \$1.80 per square foot;
- Management fee equal to three percent (3%) of gross revenue; and
- Annual variable expenses (such as payroll, utilities, general maintenance/repairs, etc.) equal to 20 percent of annual gross revenues.

These expense assumptions represent approximately 29 percent of gross revenues or approximately \$6,200 to \$7,300 per unit upon stabilization of each prototype.

## **FINANCING AND INVESTMENT PARAMETERS**

Each multi-family prototype is assumed to have a two-year planning and construction period followed by one year of lease-up, which is typical for moderately sized projects. Equity investment is assumed to be held for a period of five operating years following completion of construction. Financial parameters include equity and debt terms, construction and permanent loan arrangements, Internal Rate of Return (IRR) requirements, and capitalization rates. Construction and permanent lending conditions, in addition to development costs, have changed considerably (become more expensive) since the 2021 Report.

The capital stack or “sources” of funding is assumed to include at least 35 percent equity investment and 65 percent debt. This provides for a reasonable debt service coverage ratio that exceeds 1.5x following the stabilized occupancy of each prototype. For the multi-family prototypes which are modeled as rental apartment units, a “hurdle rate” or return on equity investment equal to a 20 percent annual Internal Rate of Return (IRR) is applied.

A construction loan with an interest rate of 7.0 percent and loan fees/points of 1.5 percent is assumed. We assume a permanent mortgage loan is obtained in the fourth year of the project to take out or retire the construction loan, with an annual interest rate of 6.0 percent for the permanent mortgage and a loan amortization schedule of 25 years. We estimate the capitalization rate or required yield on the purchase of an income-producing property of 6.0 percent. Expenses associated with the sale of the property (in Year 7) are estimated at two percent of the transaction value.

## RESIDUAL LAND VALUE ESTIMATES FOR MULTI-FAMILY (RENTAL) PROTOTYPES

Table D-3 presents the results of the real estate economic analysis of prototypical multi-family developments on a per-unit basis.

**TABLE D-3: Results of Discounted Residual Land Value Cash Flow Analysis**

	Walk-Up Apartments \$ Per Unit	Low-Rise Building \$ Per Unit	Adaptive Re-Use \$ Per Unit
Hard Construction Costs	211,100	229,300	269,400
Soft Costs	41,100	44,100	54,800
Financing Costs	10,400	11,300	13,400
<b>Residual Land Value</b>	<b>(34,000)</b>	<b>(68,800)</b>	<b>(136,600)</b>
Total Project Value <sup>1</sup>	228,600	215,900	201,000
Equity Investment	80,000	75,600	70,300
<b>Internal Rate of Return on Equity</b>	<b>20.0%</b>	<b>20.0%</b>	<b>20.0%</b>
Source: Gruen Gruen + Associates			

The results of the analysis indicate that the least dense multi-family prototype (Walk-Up Apartments) would now be financially infeasible because of the increase in development costs and interest rates that have occurred since the last report. The Walk-Up Apartment project generates a negative land value of nearly \$3,400,000 for a 100-unit project. That is, the investor-developer of the project would need an upfront subsidy payment of about \$34,000 per unit to obtain a 20 percent annual return on the equity invested.

The results of the analysis indicate that residual land values for the other multi-family housing prototypes are significantly negative, indicating the development of such projects would be infeasible without public investment or other forms of incentive/assistance. The Low-Rise Building generates a land value of minus \$68,800 per unit, meaning an investor/developer would need land provided at no cost plus an upfront incentive of about \$6,900,000 to develop 100 units of this housing prototype and still achieve a 20 percent annual return on equity investment.

The feasibility gap for the Adaptive Re-Use prototype is even larger with a negative land value of nearly \$136,600 per apartment unit. The existing building would need to be acquired and provided at no cost to the investor/developer, plus an additional \$13,660,000 in public investment or subsidy to complete the project and earn the targeted 20 percent annual return on investment. Some of this public assistance could be provided in the form of off-site parking, which would reduce the feasibility gap by almost one-half.

## Real Estate Economics of Single-Family Development

Table D-4 summarizes order-of-magnitude estimates of horizontal and vertical development costs, before profit and land costs, for the prototypical single-family housing alternatives.

**TABLE D-4: Development Cost Estimates for Single-Family Units**

	Large Lot Home \$ Per Unit	City Lot Home \$ Per Unit	Townhome/Duplex \$ Per Unit
Hard Costs	40,000	51,000	29,500
Soft Costs @ 10%	4,000	5,100	2,950
<b>Land Development Cost</b>	<b>44,000</b>	<b>56,100</b>	<b>32,450</b>
Hard Costs	270,000	229,500	210,000
Permit and Tap Fees	29,300	17,785	17,200
Selling and Marketing Costs	25,625	21,625	18,625
Other Soft Costs <sup>1</sup>	46,125	38,925	33,525
<b>Vertical Development Cost</b>	<b>371,050</b>	<b>307,835</b>	<b>279,350</b>
<b>Total Development Cost<sup>2</sup></b>	<b>415,050</b>	<b>363,935</b>	<b>311,800</b>
<sup>1</sup> Architectural/design fees, insurance and warranty reserves, costs of funds (financing), and builder overhead/G&A equal to 9% of sales revenue.			
<sup>2</sup> Total cost before land and profit.			
Source: Gruen Gruen + Associates			

The Large Lot Home prototype is estimated to have a horizontal land development cost of approximately \$44,000 per lot. This assumes an existing lot in that is already platted and graded, such as in Pueblo West, with minimal public street and utility requirements. An on-site septic system is assumed to be required at a cost of approximately \$35,000 per home. Vertical hard construction costs are estimated at approximately \$135 per square foot or \$270,000 for the Large Lot Home. Additional soft costs related to building permits and tap fees, design fees, selling and marketing costs, insurance and warranty reserves, and builder overhead are estimated at approximately \$101,000. The total vertical development cost is estimated at \$371,050 for the Large Lot Home prototype, before land costs and builder profit.

Land development costs for the City Lot Home and Townhome/Duplex prototypes are estimated at approximately \$56,000 and \$32,000, respectively. The estimates reflect costs for streets, curb and gutter, sidewalks, storm drainage, and wet and dry utilities based on review of recent Metro District filings and estimates. Vertical hard construction costs are estimated at approximately \$135 to \$140 per square foot for the City Lot Home and Townhome/Duplex prototypes, equating to hard costs of approximately \$210,000 to \$230,000 per unit. Permit and tap fees are estimated at approximately \$18,000 for the City Lot Home and \$17,000 for the Townhome/Duplex reflecting current city of Pueblo and Pueblo Water fee schedules. Additional soft costs are estimated to range from approximately \$52,000 to \$60,000 per unit. The total vertical development costs for the City Lot Home and Townhome/Duplex prototypes are estimated at about \$308,000 and \$279,000 per unit, respectively.

## SALES PRICE ESTIMATES

Table D-5 summarizes estimates of currently obtainable sales prices for the prototypical single-family housing prototypes.

**TABLE D-5: Average Sales Price Estimates for Single-Family Units**

	Large Lot Home	City Lot Home	Townhome/Duplex
Average Lot Size	± 50,000 SF	± 6,500 SF	± 3,000 SF
Average Unit Size	2,000 SF	1,700 SF	1,500 SF
<b>Average Sales Price Per Unit</b>	<b>\$512,500</b>	<b>\$432,500</b>	<b>\$372,500</b>
Average Sales Price Per Square Foot	\$256	\$254	\$248
<b>Percent of Area Median Income (AMI) Needed to Afford Sales Price<sup>1</sup></b>	<b>136%</b>	<b>125%</b>	<b>115%</b>
<sup>1</sup> Based on 2024 income limits for Pueblo County. Adjusted for unit mix and household sizes (at 1.5 persons per bedroom).			
Sources: CHFA; Pueblo Association of REALTORS; Gruen Gruen + Associates.			

The gross sale revenue estimates reflect average pricing of approximately \$250 to \$260 per square foot of above-grade living area based on our review of pricing trends for recently built homes in the Pueblo market. The estimates are order-of-magnitude in nature given they do not capture potential differences related to home location or other features (e.g., basements).

The average sales price for the Large Lot Home is estimated at \$512,500 per unit or \$256 per square foot. The average unit with 2,000 square feet of above-grade living area would require approximately 136 percent of AMI to afford monthly housing payments. The average sales price for the City Lot Home is estimated at \$432,500 or \$254 per square foot. The average unit with 1,700 square feet of above-grade living area would require approximately 125 percent of AMI to afford current monthly payments. The average sales price for the attached Townhome/Duplex unit is estimated at \$372,500 (or \$248 per square foot) and would require about 115 percent of AMI to afford current monthly payments.

## RESIDUAL LAND VALUE ESTIMATES FOR SINGLE-FAMILY (OWNERSHIP) PROTOTYPES

Table D-6 summarizes the residual land value estimates for the single-family housing prototypes. The estimates indicate the supportable value of unimproved land after accounting for a **20 percent profit margin** to provide a return on capital investment in land development and homebuilding.

**TABLE D-6: Residual Land Value Estimates for Single-Family Prototypes**

	Large Lot Home \$ Per Unit	City Lot Home \$ Per Unit	Townhome/Duplex \$ Per Unit
Gross Unit Sale Revenues	512,500	432,500	372,500
Less: Land Development Cost	(44,000)	(56,100)	(32,450)
Less: Vertical Cost	(371,050)	(307,835)	(279,350)
Less: 20% Profit Margin	(102,500)	(86,500)	(74,500)
<b>Residual Land Values</b>	<b>(5,050)</b>	<b>(17,935)</b>	<b>(13,800)</b>
Source: Gruen Gruen + Associates			

The results of the updated real estate economic analysis indicate that most for-sale, single-family housing developments are likely to be marginally infeasible, absent lower development costs or higher sales prices than assumed for purposes of the analysis.

With average gross sales revenues of \$512,500 per unit, the Large Lot Home prototype is estimated to generate a negative land value of about \$5,100 per lot or roughly \$510,000 for a 100-lot development. The magnitude of the feasibility gap could likely be bridged through a partial waiver of permitting and tap fees (for example: water tap fees in Pueblo West alone are currently about \$21,000 for a single-family home).

The smaller City Lot Home prototype is estimated to generate a negative land value of about \$17,900 per lot or roughly \$1.8 million for a 100-lot development. In other words, for a land developer and homebuilder to earn a 20 percent margin on finished home sales (equating to \$86,500 profit per unit), the project would require land at no cost plus fee waivers or financial incentives totaling \$17,935 per unit.

The attached Townhome/Duplex prototype is estimated to have a slightly smaller feasibility gap with supportable land values estimated at negative \$13,800 per unit or about \$1,380,000 for a 100-unit development. A land dedication and fee waiver would likely be sufficient to bridge the feasibility gap for the attached Townhome/Duplex prototype (permitting and tap fees for a location in the city of Pueblo are estimated at about \$17,000 per unit).