



COMMON SENSE
INSTITUTE

The Rising Cost of Living: Inflation, Housing, Health Care, Affordability, and Crime

June 2022

Inflation, housing affordability, health care costs, crime, & new regulations, fees and taxes the last several years could jeopardize Colorado's economic vitality and individual opportunity.

Common Sense Institute has remained at the forefront to bring policymakers and Coloradans the facts on issues that impact our everyday lives.



**Scan to Read CSI's
Affordability Reports!**

Record High Inflation Continues



Medical inflation in Metro Denver over the last year was 7.62% — **almost 3 times higher than the allowable premium growth rate under the new Colorado Option plan.**

This could force health care providers to either **cut services** or pass on costs to other insured Coloradans in the form of higher prices, when the Colorado Option launches next year.

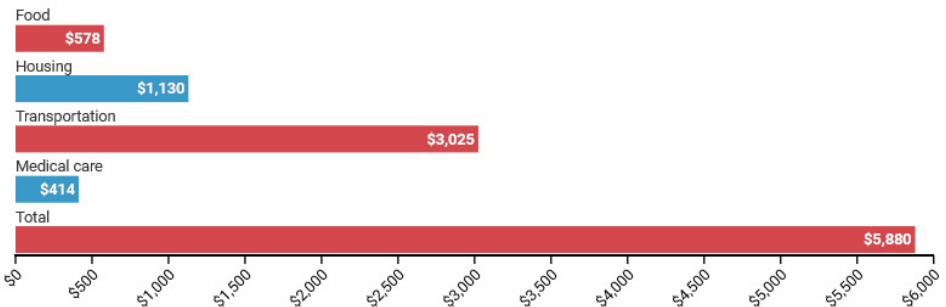
In 2021, inflation in the Denver Metro Area was the highest it's been since 1986 when the Bureau of Labor Statistics began tracking it.

Similar to national trends, wage growth has not kept up with inflation since prices began spiking early last year. When wages grow at a slower rate, high inflation erodes savings and increases the costs of daily commutes, groceries, and other consumer goods. This threatens the financial health of Colorado citizens and the strength and swiftness of the state's ongoing economic recovery.

- The average Colorado household spent **\$5,880 more since 2020** because of inflation.
- Since March 2021, when the period of high inflation began, average bi-monthly inflation in metro Denver has been **245% higher** than its historical average of .42%.
- Average annual inflation between 2010 and 2020 was 2.51%. Since March 2021, **all major categorized prices except for education have grown** by more than that.
- The **two price categories that grew the fastest** over the last 12 months were **energy and transportation**, which grew by 24.6% and 16.1%, respectively.

Inflation's Impact on What We Buy

How much more has the average household spent since 2020 because of inflation?



6295 Greenwood Plaza Blvd., Suite 100
Greenwood Village, CO 80111
www.commonseinstuteco.org

Impact of Rising Interest Rates and Prices to Homebuyers



A \$300,000 home in 2015 is now worth \$664,827.

Monthly payments are now an extra \$1,712/month, or 207%, more expensive.

Over the same period, average wages in the Denver Metro Area have increased only 27.8%.

Housing prices in Colorado are surging while affordability is decreasing. Rising interest rates will only make this worse. Though there has been a recent increase in building permits, the current housing supply shortage of more than 195,912 units and increased population mean that, in order to overcome the deficit, higher levels of construction must be sustained for years. Although high net migration and a strong job market have historically contributed to the state's high prices, construction deficits and a host of onerous regulations have exacerbated the problem. Today, many Coloradans cannot afford homes, and their household budgets are being squeezed by inflated prices of groceries and other everyday costs. **It is now more expensive to rent, own, and maintain a home in Colorado than it has ever been.**

- **Official housing inflation data understates the genuine cost to homebuyers.** Housing inflation reported by the BLS was 7.5% between April 2021 and April 2022, but data from the Colorado Association of REALTORS show that the median price of single-family homes and townhouses/condos increased by 19.6% and 17.3%, respectively, over that same period.
- **Since November 2015, the average home price in the Denver metro area has increased by 99% —** 22 percentage points more than the U.S. average. Prices of homes in the lowest cost tier have increased the most.
- **Housing in Colorado is half as affordable as it was 7 years ago.** Between 2015 and April 2022, the Colorado Association of REALTORS Affordability Index fell by 62% for single family homes and 63% for townhouses and condos. Housing is even less affordable in the Denver Metro Area is even worse.
- **Wages are not keeping up with rents.** Since 2015, the average rent in Colorado has increased by 46.4% while the average weekly wage has increased by only 27.8%.
- **National price data, shows the average sales price of a new single-wide manufactured home has increased by 89.7% since 2015;** however, manufactured homes have typically been more affordable for people who want to own their own homes.



Scan to Read CSI's
Affordability Reports!

Impact of Recent Legislation

Over the coming years, Coloradans will face some \$2.1 billion in new taxes and fees due to recent policy developments. This year, Colorado's General Assembly introduced over 650 bills to address long-standing issues, prepare for the upcoming election, and direct the future of Colorado policy. Some of these bills impose direct or indirect costs or savings that will have immediate and lasting impacts upon quality of life and the cost of doing business in Colorado.

- This year's 12 most impactful bills will reduce net taxes and fees by \$832 million against the baseline over FY23 and FY24.
- \$404 million of those tax and fee reductions are set to be paid for by projected TABOR refunds. Taxpayers' 2024 and 2025 refunds will be reduced by a total of \$118 on average.



Direct costs

Amid rising inflation and a significant surplus of federal and state funds, legislators temporarily reduced taxes and fees, though nearly all those reductions either lowered future TABOR refunds, were paid for by general-fund transfers, or prevented tax increases rather than lower existing tax rates.



Indirect costs

Much like in previous years, many bills were passed during the 2022 session which will, in the long run, increase the regulatory burden upon Coloradans and add to the costs of doing business within the state. These bills, like new emissions regulations, new requirements for health insurers, and strict new building codes will impact many different sectors of the economy and may further hurt Colorado's affordability.

Increasing Crime Rates are Costing Coloradans

In 2021, the cost of crime in Colorado totaled \$31 billion – more than \$5,320 per Coloradan.

The tangible costs of crime include medical and mental health costs, lost productivity, property loss, strain upon public services, adjudication and sanctioning costs, and loss of work. In 2021, tangible costs accounted for nearly \$10 billion of the total \$31 billion. The cost of crime in Colorado increased by \$3.5 billion (12.9%) between 2020 and 2021.



*Thanks to Colorado BOMA
for sponsoring the printing of this project*