

The Decline of Colorado's Condominium Construction

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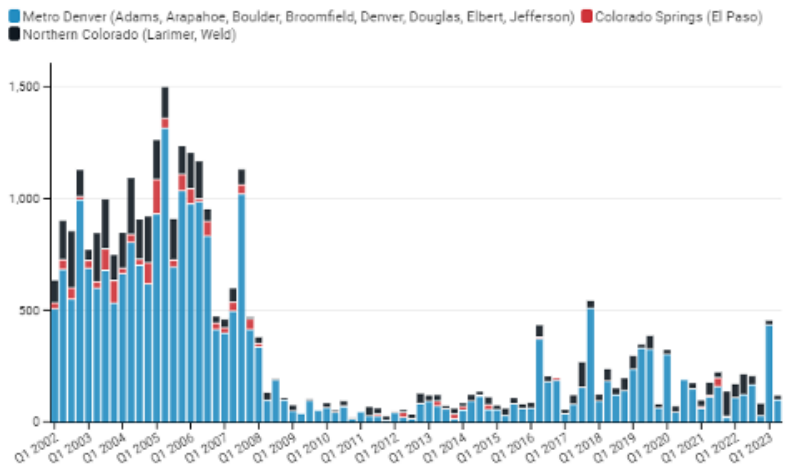
Introduction

The disappearance of condominiums in Colorado embodies the state’s housing affordability challenges. Over the past fifteen years, Colorado condominium construction has experienced a severe decline, even while demand for condos and starter homes is strong as ever amid a housing affordability crisis. Fewer housing options has priced out many potential buyers, exacerbating the challenges faced by those looking to enter the housing market in the state. View the full CSI report on the issue [here](#).

- Condo development has grinded to a near halt in Colorado. Condos are the most affordable owner-occupied housing type.** Condominium development between 2018 and 2022, across 11 front range counties which collectively house over 80% of Colorado’s population, was 76% lower than between 2002 and 2008. This amounted to 14 new apartments for ever 1 new condo in recent years, while there was 1 new condo for every 1.25 apartments in the 6 years prior to 2009.
- Consumer demand for condos remains strong in Colorado despite the downturn in construction.** There were 2.4 resold condos for every new condo sale in 2005. In 2022, there were 30 condo resales for every new sale. This is especially true for affordably priced condos.
- In 2022, Colorado’s housing affordability dropped at the 2nd fastest rate since 2009 according to CSI’s Homebuyer Misery Index.** The Colorado Association of Realtors Housing Affordability index shows the affordability of townhomes and condos declining at a faster rate than single family homes during this time, however they remain 32% more affordable.
- Spiking insurance costs make condos less attractive to developers.** The high frequency and high cost of construction liability litigation has driven insurance companies to raise insurance rates for developers. Notably, insurance costs for condominiums surged to 5.5% of a project’s hard costs. That was more than 233% higher than multifamily rental home projects, which had insurance costs as low as 1.1% to 1.165% of project hard costs.

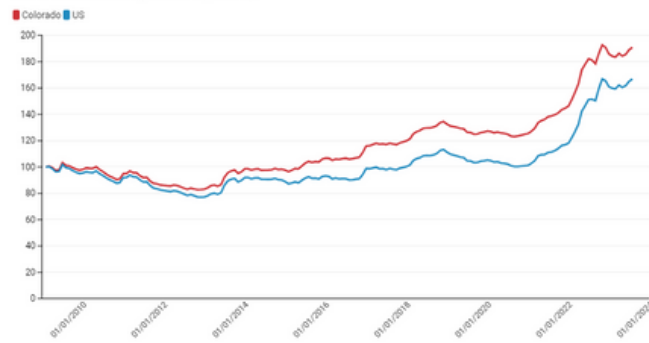
Condominium Starts across the Front Range

Quarterly numbers of condo starts across 11 Front Range counties



Source Data: Zonda

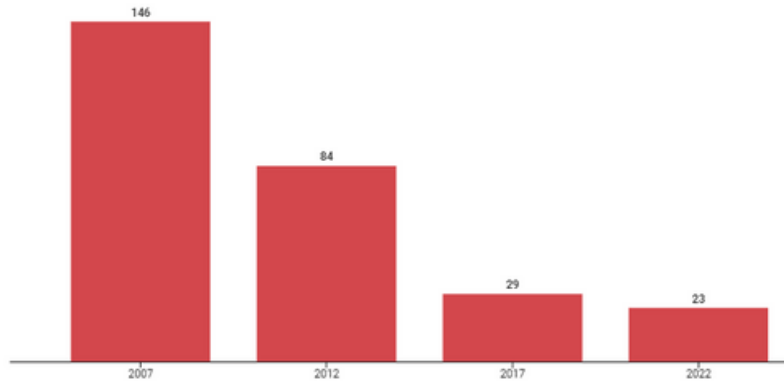
Colorado Homebuyer Misery Index



Source: Zillow, St. Louis Federal Reserve Bank (FRED), and CSI Calculations

- **The number of active condo developers in Colorado has fallen due to high costs.** Over the 15-year span from 2007 to 2022, the number of unique condominium developers engaged in condominium development plummeted by 84%, dropping from 146 to 23. This stark decline underscores the significant impact of construction liability litigation laws on the willingness of developers to engage in condominium projects.

Unique Condo Builders in Metro Denver (2007–2022)
 In 2007 there were 146 different Condominium developers in Metro Denver. In 2023 there were just 23.



Source Data: Zonda

- **To fill the market demand for affordable condominiums Colorado needs policy reform that balances homeowner and developer risk.** Adequate reform does not require the repeal of existing law but can instead involve a strategic series of incremental reforms. Those reforms should include delegable duties, a right to remedy, a safe harbor

provision and support from the state’s new Middle-Income Housing Authority.

Policy Solutions for Colorado

Policymakers in Colorado would be right to evaluate other states for solutions, but very few localities have established the regulatory conditions necessary for an adequate supply of condominiums. As such, it is in Coloradans’ best interests that we forge our own path forward.

Next Steps on Condo Litigation Reform

Delegate Duties & Right to Remedy

- Property Allocation Responsibility
- An Alternative to Costly Litigation
- Building Homeowner Confidence
- Lowering Insurance Premiums

A Safe Harbor Provision

- The Creation of a Statewide Warranty Standard
- Win-Win for Developers and Homebuyers
- Enhance Overall Quality of Condos

Empowering the Colorado Middle Income Housing Authority (MIHA)

- Facilitate the Development of For-Sale Middle Income Condominiums
- Strategic Partnerships for Impactful Development