

Gunnison Valley Housing Market Update

May 2021



Prepared by:

Contents

- Introduction 1
 - Purpose 1
 - Study Area Defined 1
 - What is Affordable Housing in the Gunnison Valley 2
- Key Findings 3
 - Employers are struggling to find employees, and employees are struggling to find housing 3
 - COVID-19 Pandemic has added momentum to trends that were already in place 3
 - The gap between housing needs and market prices has worsened 3
 - The number of housing units needed remains high 5
 - Community needs increased momentum for local housing solutions 6
- 2020-2021 Impacts on Housing 7
 - Traffic and Commuting 7
 - Water Usage 8
- Economic Conditions 9
 - Labor Market 9
 - Employer Perceptions of the Housing Problem 12
 - Employer Assistance for Housing 12
 - Sales Tax Revenue 13
- For Sale Housing Market 16
 - Trends Since 2016 16
 - Homes Prices in 2020 17
 - Availability 18
 - Affordability 19
 - New Deed Restricted Inventory 19
 - Buyer Characteristics 20
 - Housing Preferences and Price Targets 21
 - Land 22
 - Predictions for the Future 22
- The Rental Market 23
 - Changes in the Supply of Rental Units 23
 - Availability 25
 - Rents 25
- Appendix A - Acknowledgements 28
- Appendix B - Median Family Income for Gunnison County (2021) 29

Introduction

Purpose

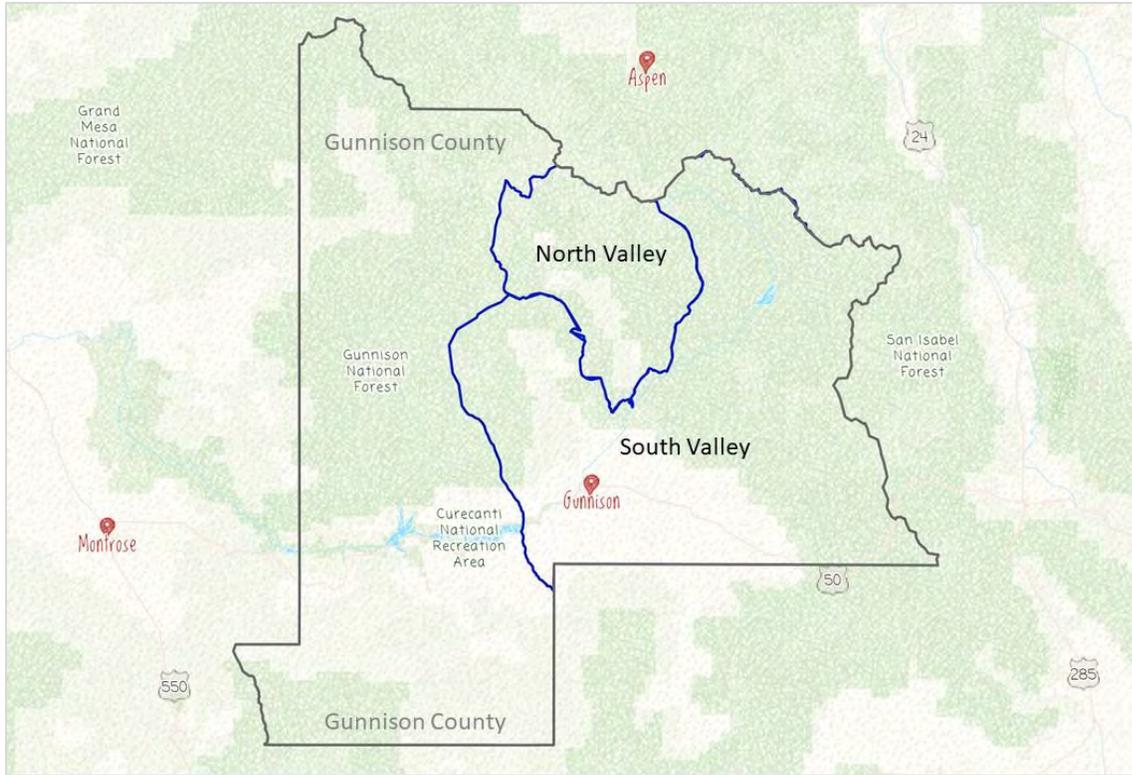
The purpose of this *2021 Gunnison Valley Housing Market Update* is to support local jurisdictions, non-profits, and private sector developers in evaluating the community housing potential on several opportunity sites in the valley. This report provides an update on the economy and housing market relative to the *2016 Gunnison Valley Housing Needs Assessment* (2016 assessment). It identifies where current gaps exist in the housing market in terms of the price of homes (own and rent) relative to what households can afford.

This is an interim update. When 2020 Census data is released, additional analysis of the valley's demographics and housing inventory will be completed relative to 2016.

Study Area Defined

The 2016 assessment identified three market areas. The consultant team received feedback that the three areas was overly complex, and that the market distinction is better defined as North and South valley. This update examines the housing market in two those two geographic areas.

	Gunnison Valley Housing Needs Assessment	2021 Gunnison Valley Housing Market Update
North valley	Included the towns of Crested Butte and Mount Crested Butte, and the unincorporated subdivisions as far south as, but not including, Crested Butte South	Includes the towns of Crested Butte and Mount Crested Butte, as well as Crested Butte South and unincorporated subdivisions south to, but not including, Almont.
Mid-valley	Included Crested Butte South, Almont and the area in between and the Taylor River area	N/a
South valley	Included the area in and around the City of Gunnison and Ohio Creek	Includes Almont, the Taylor River area, and the area in and around the City of Gunnison and Ohio Creek.



Source: ESRI, Consultant Team

What is Affordable Housing in the Gunnison Valley

Consistent with the 2016 assessment, this update requires an understanding of housing affordability, which is a function of housing costs and household income.

Housing is generally considered to be affordable (or attainable) when the monthly payment (rent or mortgage) is equal to no more than 30% of a household’s gross income. Although there is some variation, this standard is commonly applied by federal and state housing programs, local housing initiatives, mortgage lenders and rental leasing agents.

Incomes are typically expressed as a percentage of the median, which is abbreviated as AMI (Area Median Income). The following table provides the incomes for each AMI category with the corresponding affordable price for housing.

Maximum Affordable Rents and Purchase Prices by AMI (2-person household), Gunnison County, 2021

AMI %	50%	80%	100%	120%	200%
Max. Household Income	\$31,650	\$50,650	\$63,300	\$75,960	\$126,600
Max. Affordable Rent	\$791	\$1,266	\$1,582	\$1,899	\$3,165
Max Affordable Purchase Price*	\$107,217	\$199,015	\$260,948	\$303,346	\$551,270

*Assumes 30-year fixed rate mortgage at 5.39% interest and 10% down. Assumes a monthly payment covering taxes, insurance and HOA fees of \$250 if AMI is less than/equal to 100%, and \$350 if greater than 100% AMI.

Key Findings

Employers are struggling to find employees, and employees are struggling to find housing

Employers currently have heightened concern about attracting and retaining qualified employees compared to 2016, and a growing awareness of the strong correlation between housing problems and unfilled jobs.

- In 2016, 69% of employers felt housing attainably priced for their employees was “the most critical” or “one of the more serious” factors affecting the economy. In 2021, this rose to 90% of employers.
- Employers have increased many of the ways in which they are assisting employees with housing, including providing higher wages compared to other areas, master leasing units, and providing assistance with relocation.

All indicators point to a worsening labor shortage with valley employers facing the prospect of an increasingly difficult time finding employees. The lack of housing that local employees can afford will be an ongoing barrier in this regard.

“Continue to prioritize time/spending on finding solutions to the housing crisis.”

-April 2021 business survey response

COVID-19 Pandemic has added momentum to trends that were already in place

Housing was scarce before the pandemic, and has become more so now. A desire to live in an amenity rich location and the ability or requirement to work remotely has driven increased investment in real estate from households with assets and income from outside the Gunnison valley. The strong reputation of the local school district and commitment to in-person learning drew additional families with school age children to the valley for full time residency.

The economy was strong, and labor shortages were persistent leading up to the pandemic. For most sectors, the economy has rebounded quickly as the valley worked to manage the pandemic, but labor shortages have once again returned.

National trends related to home improvements, supply chain issues, and labor shortages are adding further fuel to the local escalation of construction costs that has been an ongoing trend for almost a decade. The gap between the cost of construction and price points attainable to locals is increasing. Private sector developers struggle to increase supply with rising construction costs for both materials and labor, necessitating outside subsidies and/or participation from local jurisdictions to make attainable housing feasible.

The gap between housing needs and market prices has worsened

In the North valley, there are only 10 listings available for households below 200% of AMI, representing 22% of for sale inventory. These listings are all for condos, half of which are

studios with incomplete kitchens. In 2016, there were more choices for households below 200% AMI with 62 listings (about 35% of total inventory).

In the South valley there are only four listings for households below 200% AMI, about 18% of all listings. These listings include two condos, a townhouse, and a single-family home built in 1960. In 2016, about half of South valley listings were affordable to households below 200% AMI.

Gap in For Sale Housing – April 2021

Ownership (2-person household)	Area Median Income	Max Affordable Price	North Valley		South Valley	
			Owner Household Distribution	# Units for Sale	Owner Household Distribution	# Units for Sale
	<50%	\$107,217	9%	0	13%	0
	50% to 80%	\$199,015	12%	0	12%	0
	80.1 to 120%	\$303,346	16%	3	23%	2
	120.1 to 200%	\$551,270	24%	7	36%	2
	Over 200%	>\$551,270	39%	35	16%	18
	Total		1,538	45	2,723	22

Source: CHFA, Ribbon Demographics, LLC, Consultant Team

The picture is equally grim for renters. Nearly half of households that rent in the North valley have incomes below 80% AMI, yet there were only three apartments listed with rental rates that would be affordable for them between January and March this year. In the South valley, 70% of renter households have incomes below 80% AMI and only six units were affordable to these households over the same three-month period.

Gap in Rental Housing – Listing January 2021 through March 2021

Rent (2-person household)	Area Median Income	Max Affordable Price	North Valley		South Valley	
			Household Distribution	# Units for Rent	Household Distribution	# Units for Rent
	<50%	\$791	13%	0	44%	1
	50% to 80%	\$1,266	35%	3	26%	5
	80.1 to 120%	\$1,899	19%	9	14%	7
	120.1 to 200%	\$3,165	26%	7	9%	2
	Over 200%	>\$3,165	7%	2	7%	0
	Total		916	21	2,070	15

Source: CHFA, Ribbon Demographics, LLC, Consultant Team

Other indicators also demonstrate the worsening market situation for local buyers and renters.

- For sale housing inventory is more constrained than experts can remember. In 2016, there were 256 listings at the time of the assessment. This year, there were 67.
- Median sale price and price per square foot are up dramatically since 2016.
- Rental vacancy was below 1% in 2016 and remains so in 2021. The number of rental listings continues to be extremely low. In 2016 there were 35 rental listings over a three-month period, compared to 36 for this update.
- Rental rates for all unit sizes have increased across the valley.

There is limited new supply of housing, and with construction prices continuing to climb, no stabilization of inventory or prices is anticipated in the near future.

The number of housing units needed remains high

The 2016 assessment identified a need of approximately 960 housing units by 2020 inclusive of homes that the free market will provide and units that require subsidies, incentives and/or are mandates to build. Since 2016, there has been a great deal of time, money, and dedication toward building deed restricted units, yet at the same time, increasing prices, construction costs, and amenity migration have put additional pressure on housing for the local workforce. These dynamics result in a total estimate of new homes needed by 2026 similar to the prior report - just under 1,000.

About 490 units are still needed to ensure a functional rental market, balanced supply of for sale homes, and to provide housing for employees filling unfilled jobs.

Projecting housing need as the economy rebounds from COVID is challenging, yet it is estimated that at least an additional 470 units are needed to keep up with job growth through 2026.

This table shows the projected need, based on the current percentage of owners and renters in the valley. Policy makers may decide to put more emphasis on ownership or rental units, depending on resources and goals. For example, additional rental units could help attract new working households to the area; investment in homeownership could help current employees decide to put down roots and form families in the valley.

Units Needed by 2026

	Catch Up	Keep Up	Total
Total	490	470	960
Own	300	290	590
Rent	190	180	370

Sources: Colorado Demography Office, 2015-2019 ACS, consultant team

Community needs increased momentum for local housing solutions

Since 2016, Gunnison County, Mt. CB, Town of Crested Butte, City of Gunnison and GVRHA have stepped up their efforts and grown their capacity related to addressing local housing needs. Each jurisdiction has participated in one or more public private partnership that has produced dedicated housing for local employees and residents.

In 2016, 443 homes in the Gunnison valley were restricted for occupancy by local residents through some type of income, employment and/or residency regulations. That equated to slightly less than 5% of all housing in the valley and just over 7% of all occupied housing units. Local efforts have produced 240 restricted units since that time, greatly surpassing historic rates of production. Progress in the South valley is particularly noteworthy, with deed restricted inventory doubling in five years. How deed restricted inventory compares to overall housing inventory and occupied units will be updated when Census data is released.

Summary of Restricted Affordable Housing

	Gunnison Valley	North Valley	South Valley
Restricted Units (as of 2016)	443	316	127
Restricted Units Added (2016 to 2021)	240	84	156
Total	683	400	283

Source: GVRHA, local planning staff, consultant team
Note: Restricted units – 2021 includes projects with anticipated certificate of occupancy in 2021 including Homestead, Paintbrush, Garden Walk and Lazy K.

The community should continue to grow and build upon this momentum. More staff expertise, capacity, and funding are needed to serve more households struggling with housing, to implement housing development opportunities, and to maintain program integrity for existing housing resources. There are numerous opportunity sites for additional deed restricted housing, and new resources available at the state and local level to support the work. Increased regional coordination of funding, development opportunities, and staff resources could also help to streamline efforts and increase measurable outcomes.

2020-2021 Impacts on Housing

This section focuses on housing-related impacts in the Gunnison valley fueled by the pandemic. Sharp increasing rents and home prices combined with housing availability at an all-time low are not the only housing-related changes in the valley. Commuting, the ability to hire employees to fill jobs, employer perceptions about the availability of housing for the workforce are examined in this section of the report. Later this year, this section will be supplemented with key findings from a six-county study, *Mountain Migration – Are COVID Impacts on Housing and Services Here to Stay?*

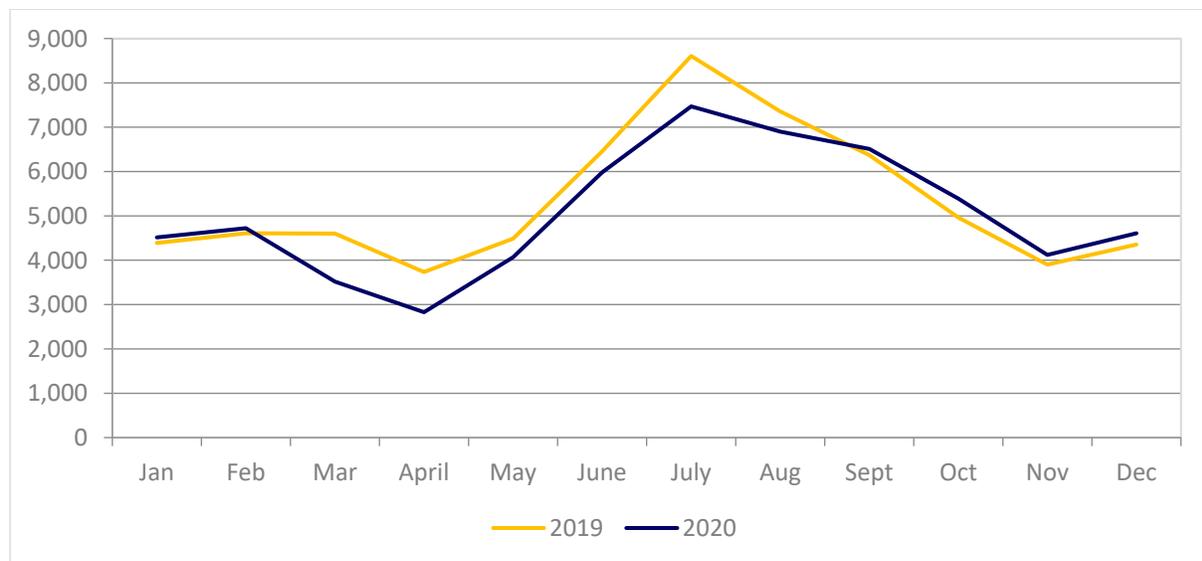
Traffic and Commuting

Traffic on Highway 135 between Gunnison and Crested Butte illustrates the timing and extent of changes in the Gunnison valley. The year 2020 started off as expected, with January and February showing the same pattern as a typical year, but with slightly higher traffic volume than in 2019. In March 2020, traffic dropped off sharply as the shutdown closed most businesses and residents largely stayed at home.

By May 2020, restrictions relaxed and traffic increased through July in about the same pattern as 2019. Although local officials remarked on the increase in cars in Crested Butte from visitor traffic, the actual number of cars on the highway was lower than the year before. This was likely because visitors who traveled by car stayed longer in the area but there were fewer trips up and down the highway from visitors coming and going.

By September 2020, Highway 135 traffic surpassed 2019 levels reflecting a larger number of cars in the valley.

Gunnison to Crested Butte Traffic Counts on Highway 135



Source: Colorado Department of Transportation

Commuting up and down valley for work dropped off sharply when businesses closed and/or employees worked from home, but as employees returned to work on site, commuting returned. Comparing 2016 to 2020 employer survey data suggests that the dominant commuting pattern has not changed – many down valley residents still commute north up valley for work.

Based on April 2021 responses to Gunnison County’s monthly business survey question asking where employees live and where they work, almost all (93%) employees that work down valley (Gunnison, Almont) also live down valley, a figure that is higher than in 2016 (82%). In contrast, only 66% of employees that work up valley (Crested Butte, Mount Crested Butte, or Crested Butte South) also live up valley, consistent with 2016 (66%).

Water Usage

Water data provides insight into the extent to which residential units were occupied more in 2020. Water usage for the months of October, November and December in 2019 and 2020 was compared, when tourism is generally low and outside irrigation is not taking place.

In Crested Butte and Mount Crested Butte, total water usage was up 16% to 17%.

Water Usage, Q4 2019 vs. 2020

	Oct - Dec 2019	Oct - Dec 2020	% Increase
Crested Butte	12,198,319	14,308,520	17%
Mount Crested Butte	12,415,019	14,356,020	16%

Source: consultant team interviews

Residential water use increased by the most. In Crested Butte, commercial water use was up only 3.3% whereas residential use was up over 26%. This suggests an increase in residential occupancy of 26%.

Water Usage (Gallons) in Crested Butte, 2019 vs. 2020

Crested Butte	2019	2020	Change
Commercial	4,740,200	4,898,600	3.34%
Residential	7,456,100	9,407,900	26.18%
Total	12,198,319	14,308,520	17.30%

Source: consultant team interviews

The details of the pattern are not well understood but the bottom line is clear – more people spent time in the Gunnison valley in 2020 than before. They generated less traffic on Hwy 135 about half the time, they used the bus less, but they used more water, the equivalent of the water required to fill more than three Olympic swimming pools.

Economic Conditions

Labor Market

When the 2016 assessment was released, the valley's economy was growing quickly. Unemployment was extremely low at 1.9% and jobs were projected to grow at a rate of 2% per year on average through 2020. County job growth ended up being even higher at 2.6% per year on average according to the Colorado Demography Office. Valley employers struggled with labor shortages in 2019 into early 2020.

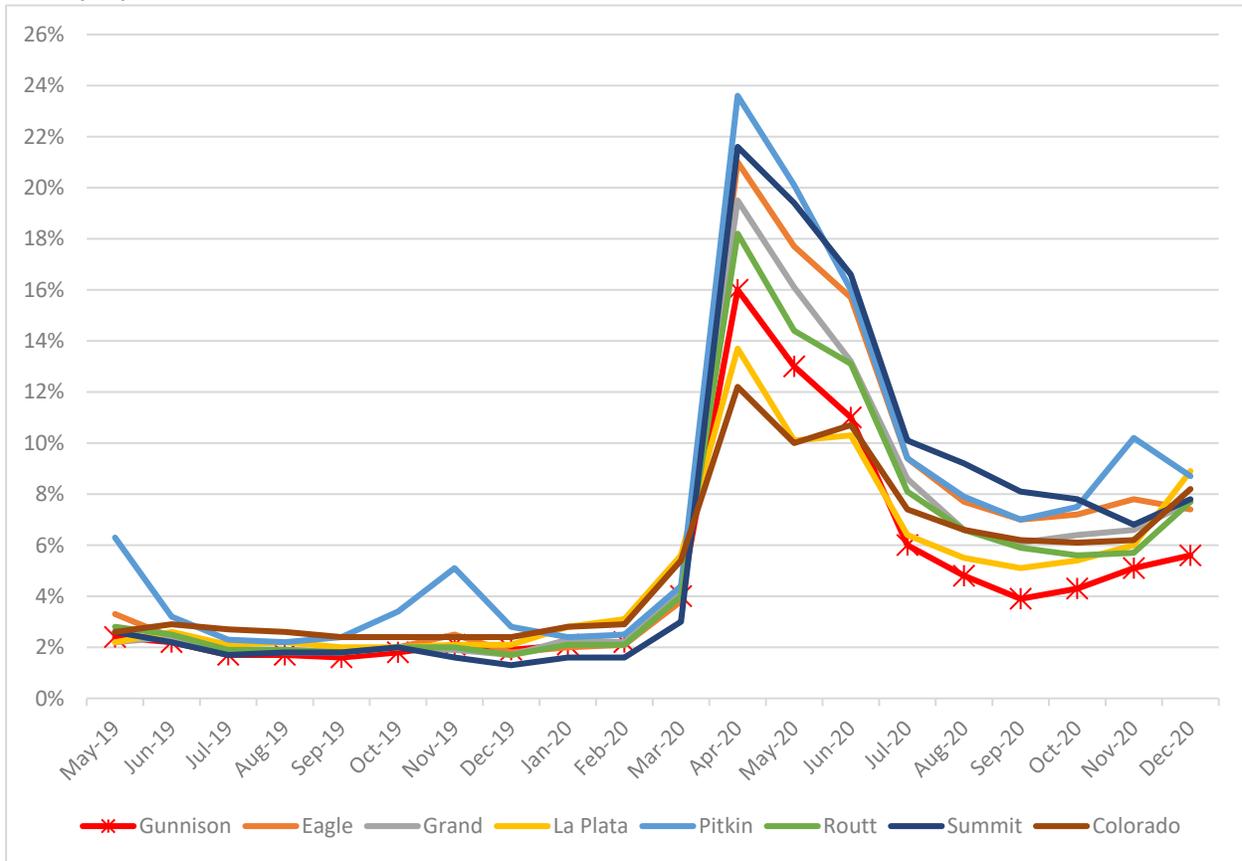
The economy remained strong in the first few months of 2020 and then the novel coronavirus (COVID-19) outbreak was declared a global pandemic on March 11, 2020. The public health crises resulted in stay-at-home orders and business shutdowns in the first quarter of 2021. This had a significant and negative initial impact on the local economy.

The initial and dramatic downturn was short lived, however, and Gunnison County experienced a fairly rapid "V" shaped recovery. Although some businesses remain mostly closed and the unemployment rate is higher than prior to the shutdowns, employers again face labor shortages exacerbated by the lack of housing that the valley's workforce can afford.

Unemployment

The COVID-driven shutdowns resulted in an extraordinary spike and subsequent drop in the county's unemployment rate as seen on the [Gunnison Valley Economic Recovery Dashboard](#) and in the figure below.

Unemployment Rate of Colorado Mountain Communities



Source: Gunnison Valley Economic Recovery Dashboard

The unemployment rate in Gunnison County was a low 2.2% in February 2020 prior to the arrival of COVID-19, a rate lower than that of the state, on par with Eagle and Grand counties, and slightly higher than in Summit County. Although Gunnison County’s unemployment rate jumped to 16% in April 2020 following an early closure of the ski area in March, the county fared well relative to other Colorado mountain counties through 2020. During the second half of 2020, Gunnison County’s unemployment rate was lower than the state and other mountain counties in Colorado. The unemployment rate in March 2021, the most recent data available, was 4.7%, which is one percentage point higher than in March 2020 and about 2.5 percentage points higher than in March 2019.

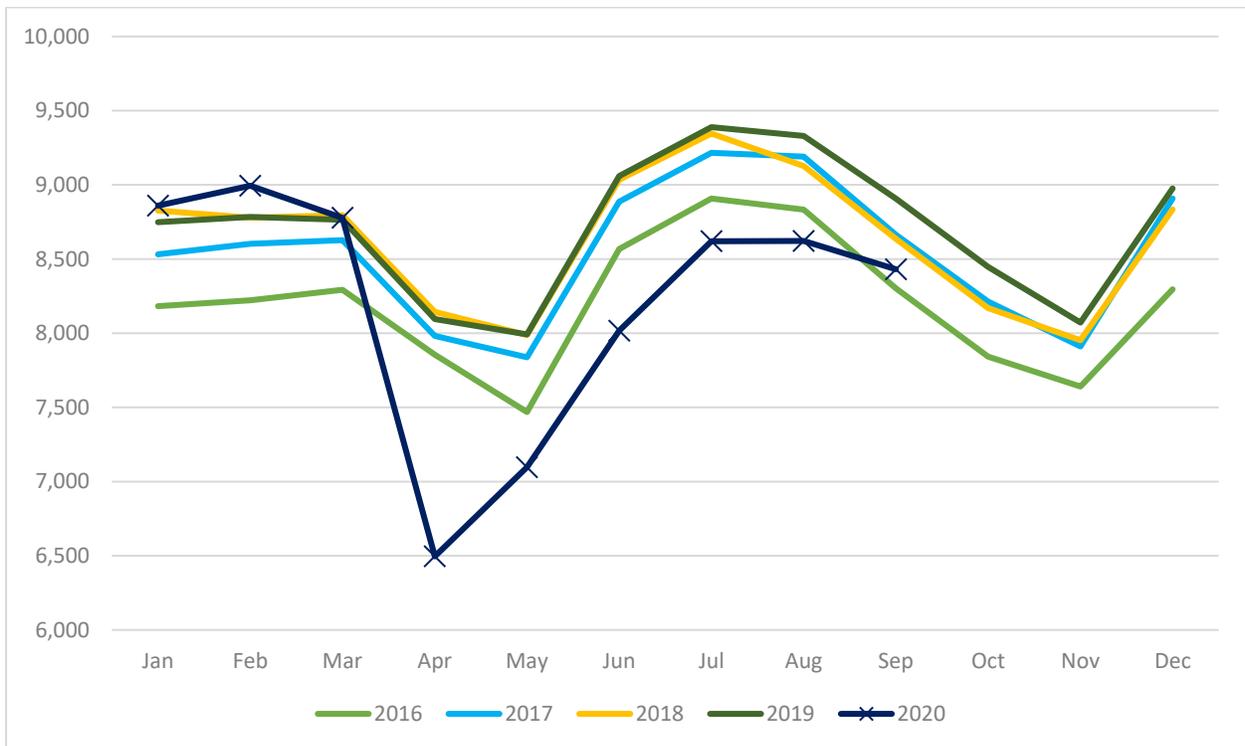
As vaccination rates continue to climb through the spring and into the summer of 2021, the remaining businesses that are mostly closed (see “Business Status” on the County’s Dashboard) will continue to reopen and the county’s unemployment rate is anticipated to continue to slowly fall. And although the current unemployment rate is higher than in 2019, the rate is somewhat misleading as employers are already facing challenges hiring.

Employment

Employment data tells the same story of a temporary decline and rapid rebound. In 2019 and early 2020, the valley’s economy was at full employment. As the shutdowns rippled through the economy, the number of jobs in the county by April 2020 was 20% lower than a year prior and 26% lower than the month prior. This decline was much more dramatic and a little earlier than the typical seasonal fluctuation as the ski season winds down.

Yet, a “V” shaped recovery got underway very quickly as people figured out how to work from home and businesses reopened with distancing and other public health restrictions in place. By September 2020, the number of jobs in the county had climbed back to just below 2018 figures, as seen below.

Gunnison County Salary/Wage Jobs, 2016 to 2020



Source: BLS QCEW

Jobs data lags real time, but feedback from Gunnison County’s business survey, which has been ongoing monthly since the summer of 2020, indicates that the labor market is nearing full recovery. Based on survey responses, the total number of actual full-time equivalent (FTE) staff in the previous month relative to typical ranged from 73% to 89% from July through November 2020 before falling to a low of 67% in December 2020. Survey respondents indicated that by February 2021 their staffing matched what was typical.

Ability to Hire Once Again a Challenge

Labor shortages are once again a challenge, one that is likely to get worse. In April 2021, half of business survey respondents indicated that they have unfilled jobs, and 46% indicated that their ability to recruit and retain qualified employees has declined or gotten harder.

“Housing is a critical impediment to recruitment and retention of qualified employees.”

-April 2021 business survey response

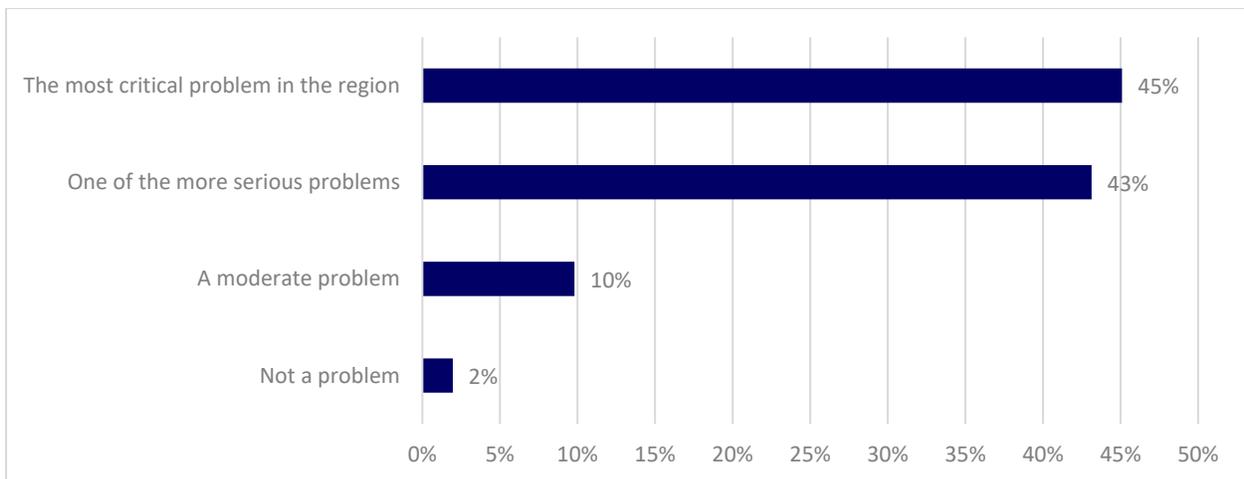
The local construction industry, for example, has a long project backlog but finding workers is difficult, despite some contractors offering bonuses. All indicators point to a worsening labor shortage with valley employers

facing the prospect of an increasingly difficult time finding employees. It appears that the labor shortage may only be overcome if and when new employees move to the valley, although the lack of housing that local wages can support will be an ongoing barrier for anyone moving to the valley without a location neutral job.

Employer Perceptions of the Housing Problem

Nearly 90% of employers who completed the Gunnison County Business Survey in April 2021 indicated that the availability of housing that is affordable to their workforce is either one of the more serious problems in the valley or the most critical problem in the region. Even though the sample size of the April 2021 survey was rather small, this does indicate a major change compared to 69% who rated housing a serious or the most critical problem in 2016. In 2016, only 9% of employers considered housing for the workforce to be the most critical problem in the county. Of employers surveyed in April 2021, 45% considered it the most critical problem.

Extent to Which Workforce Housing is a Problem



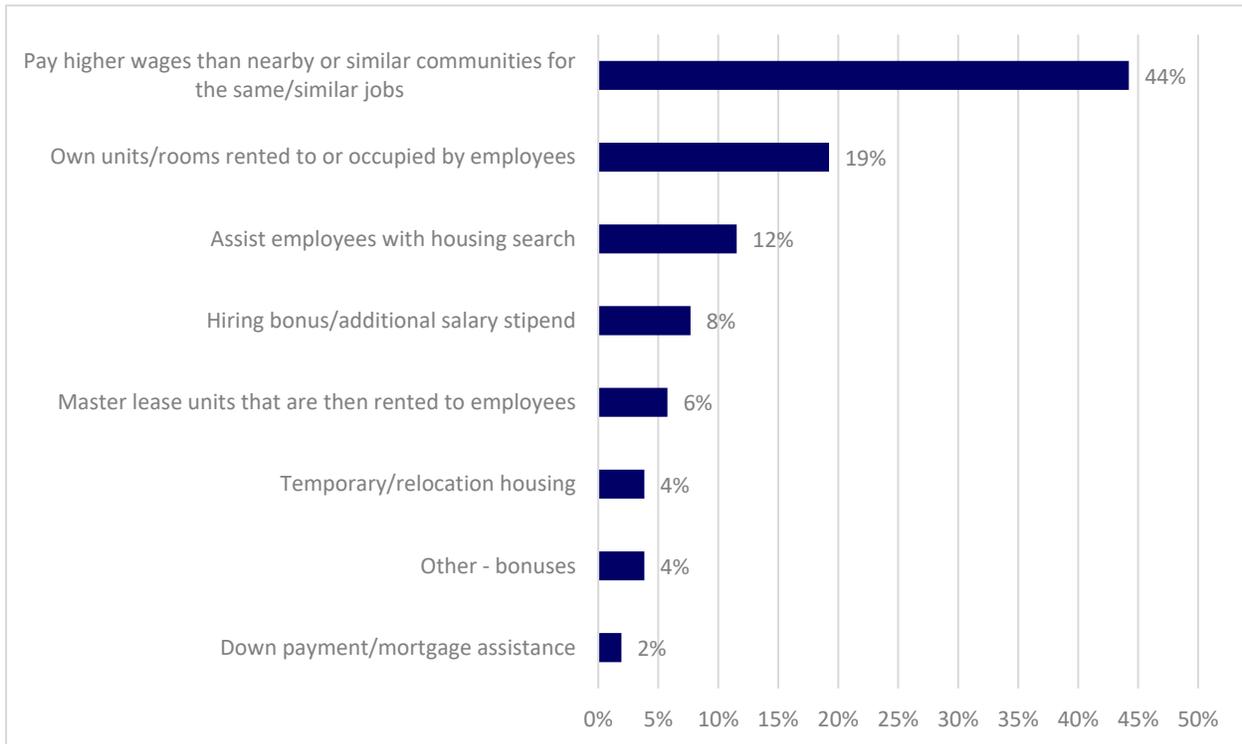
Source: Gunnison County Business Survey, April 2021

Employer Assistance for Housing

And when asked what kinds of assistance and resources would be most helpful to their business, 23% of respondents indicated that housing affordable for their employees would be

most helpful, with a few referencing the need for “upper valley housing.” Survey respondents also indicated that they provide a variety of housing-related assistance to their employees as seen in the figure below, which represents the percentage of total respondents providing each type of assistance, with some providing more than one type.

Housing-Related Assistance Provided by Employers



**the percentages shown for each type of assistance is relative to total respondents*
 Source: Gunnison County Business Survey, April 2021

For example, 44% of respondents indicated that they pay higher wages than nearby or similar communities, 19% own units or rooms for their employees, and 12% assist employees with their housing search. The percentage of respondents that master lease units, provide temporary or relocation assistance, or down payment or mortgage assistance was 6% or lower for each.

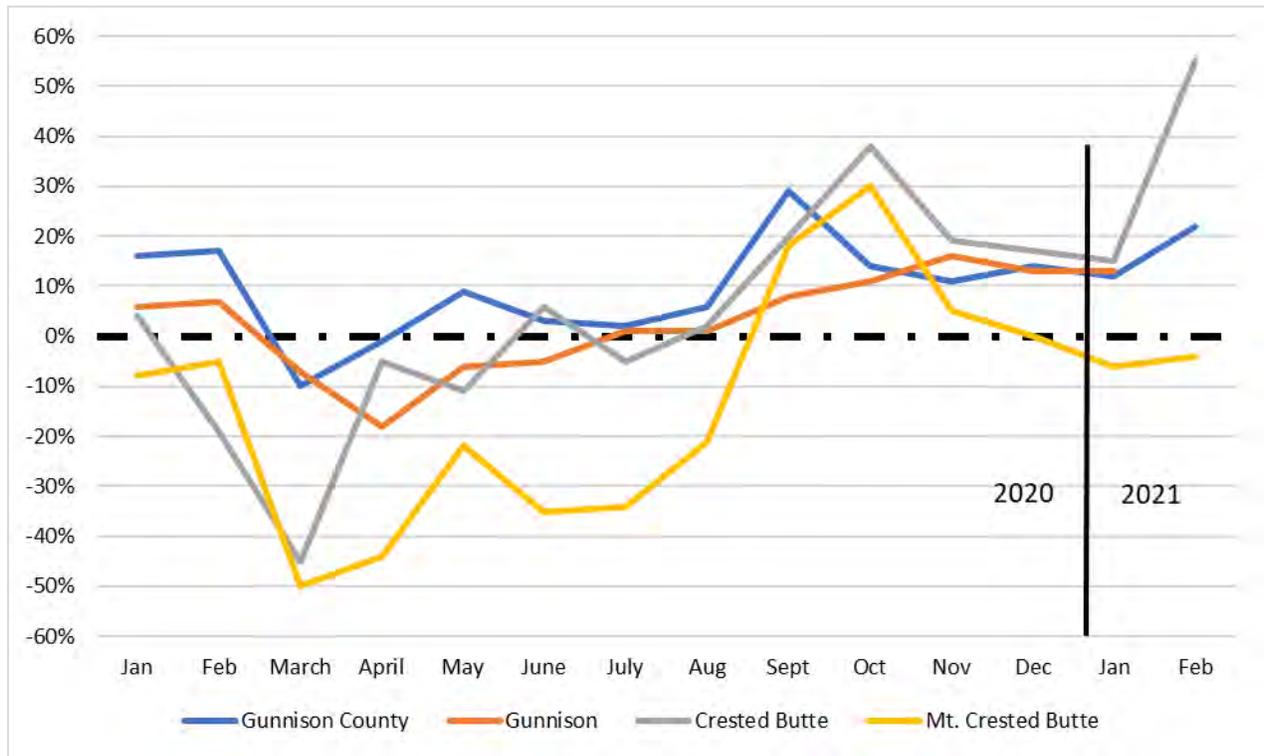
Sales Tax Revenue

The rapid and dramatic decline in sales tax revenue in every jurisdiction in the county with the arrival of COVID-19 and subsequent public health shutdowns in March 2020 was followed by a rapid increase and higher sales tax revenue county wide than in 2019. At year end, 2020 total annual sales tax revenue exceeded that of 2019, except in Mount Crested Butte. In Gunnison County, total sales tax receipts were up 9.4% in 2020 compared to the previous year.

Following the initial decline in the spring of 2020, sales tax revenue bounced back very quickly everywhere except Mount Crested Butte as part time residents stayed in the valley to ride out

the pandemic, COVID refugees and location-independent workers arrived, and Front Range visitation kept the local economy moving despite the pandemic. Gunnison County’s monthly tax revenues exceeded those of 2019 starting in May 2020, as seen in the figure below.

Sales Tax Revenue, Year-over-Year Change



Source: Gunnison Valley Economic Recovery Dashboard, downloaded April 15, 2021

Gunnison saw monthly tax revenues exceed those of the same month in 2019 by June 2020, followed by Crested Butte in August 2020. Mount Crested Butte saw 2020 monthly tax revenues exceed those of 2019 in September, but tax collections relative to the previous year began a downward trajectory as the winter season got underway. In all other jurisdictions, tax collections in the first two months of 2021 exceeded the same month in 2020, which was prior to the arrival of COVID.

Sales Tax Revenue, 2019 to 2020

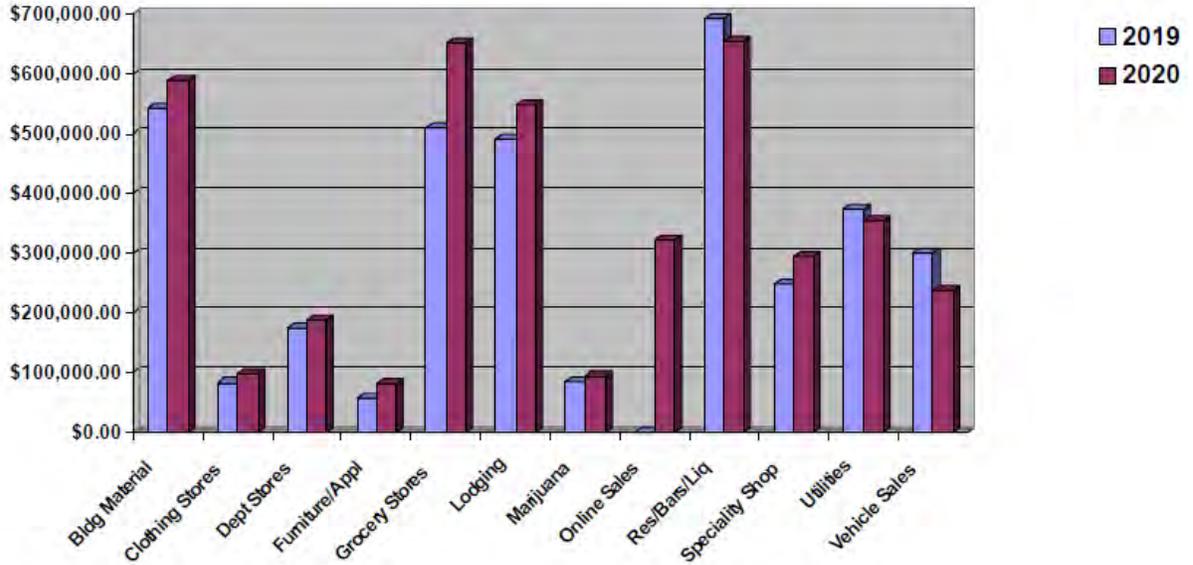
	Annual % Change (2019-2020)
Gunnison County	9.4%
Mount Crested Butte	(17.3%)
Crested Butte	0.7%
Gunnison	2.5%

Source: Gunnison Valley Economic Recovery Dashboard, consultant team

Most sectors of the economy had higher sales tax revenue in 2020 than in 2019. As seen in the figure below, only food and beverage (Res/Bars/Liq), utilities, and vehicle sales experienced a

decline. The decline in food and beverage benefited grocery stores that had a much better 2020 than 2019. Online sales in 2020 were, unsurprisingly, exponentially higher than in 2019.

2019/2020 Year-to-Date Industry Comparison as of December 2020



Source: Gunnison County

For Sale Housing Market

The section updates information since 2016 on the price of homes for sale units, current availability, and affordability for local income earners. This information was gleaned from realtor interviews and analysis of MLS data for homes sold in 2020 and listed in April 2021.

Trends Since 2016

Realtors in both ends of the valley describe the housing market as competitive, fast paced, short on inventory, escalating prices, cash sales – “a frenzy.” While COVID stalled listings and sales in spring 2020, the market quickly rebounded when summer arrived with strong demand fueled by the ability to work remotely, the desire to live the mountain lifestyle, and the motivation to get out of urban areas.

The 2016 assessment found that home prices had increased since the Great Recession yet not recovered fully to pre-recession levels. Single family home prices were within 16% of their former peak in both ends of the valley; however, condominiums and townhome prices were slower to rebound, equaling about 30% to 60% of their pre-recession prices. Land prices too remained lower, around 50% of their historic high.

Since 2016, home prices have continued to rise. The overall median price increased 70% in Gunnison between 2016 and 2020. Mount Crested Butte topped the list in gains with the median price of residential units sold more than doubling. In the past five years, price increases were slightly higher in the North valley than the South valley.

In 2020, homes sales continued to drive prices upward. The number of homes sold in Gunnison County increased by nearly 45% in 2020 over the previous year. Crested Butte had the highest jump – a 38% overall increase in the median price in a single year

Rates of Change in Home Prices

	Change 2016-20	Change 2019-20	2020 Median Price
Mount Crested Butte	115%	1%	\$500,000
Crested Butte	58%	38%	\$1,050,000
Crested Butte Rural	61%	24%	\$1,250,000
CB South	30%	10%	\$602,500
Almont*	-2%	-11%	\$516,800
Gunnison	57%	7%	\$345,000
Gunnison Rural	54%	10%	\$440,000

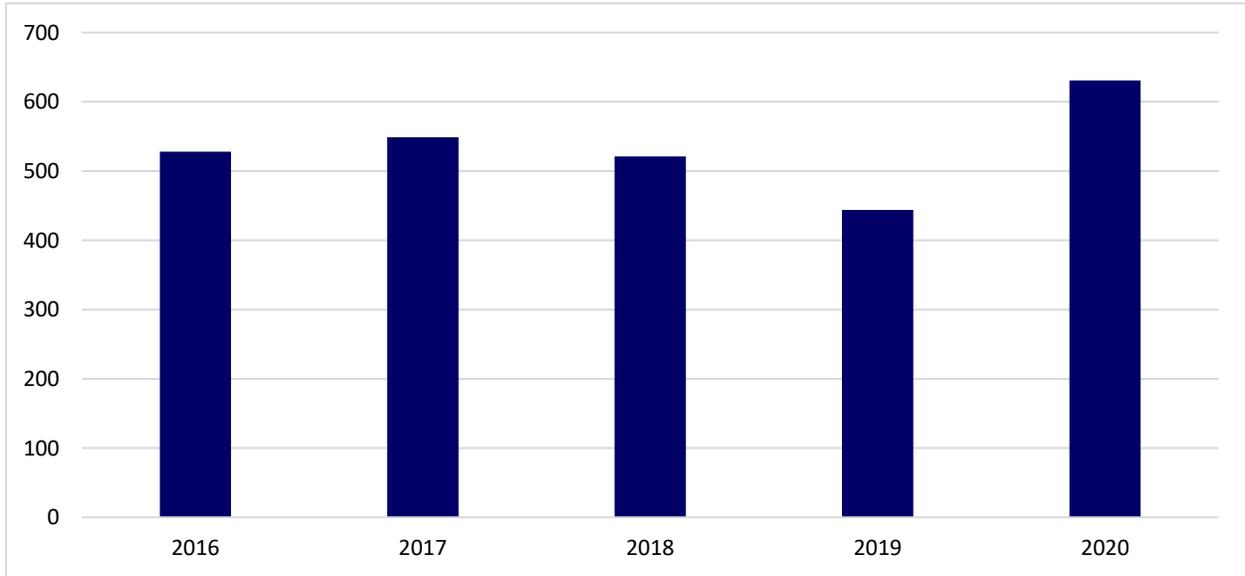
Source: Colorado Real Estate Network *Note: The decrease in price shown for Almont was due to the small number of sales and does not reflect market realities.

Prices continued to rise sharply in the first quarter 2021. Single family homes sold in March 2021 had an overall median price 60% higher than in March 2020 county wide.

The number of sales each year since 2016 remained somewhat steady until 2020 when it increased 42% over the previous year. The number of new listings, however, dropped in 2019

and stayed relatively low in 2020. Inventory was absorbed and prices increased creating a very tight housing market leading into 2021.

Gunnison County Home Sales, 2016 to 2020



Source: Colorado Real Estate Network Note: Figures are countywide and include sales outside of the Gunnison Valley.

Homes Prices in 2020

In 2020, residential sales totaled 326 units, or about 27 sales per month, excluding condotels and timeshares. More than half were condominiums. The overall median price reached nearly \$800,000 with a price per square foot of \$456.

- The highest prices overall and per square foot were within the Town of Crested Butte where the median price of single-family homes reached \$1.4 million, and the median price for condominiums exceeded \$680,000.
- Single family homes prices were highest in the CB Rural area with a median price of over \$1.7 million.
- In Mount Crested Butte, 22% of sales were condominiums, which commanded a median price of \$460,000, and the median price of single family homes topped \$1.2 million.
- Prices in CB South also reached an all-time high of over \$800,000 for single family homes and over \$500,000 for condominiums.

2020 Sales in the North Valley

	Crested Butte	CB Rural	CB South	Mount Crested Butte	Total
# of Sales	51	91	36	148	326
Condos/TH's	10	33	18	115	176
Single Family	41	58	18	33	150
Median Price	\$1,275,000	\$1,255,000	\$602,500	\$506,488	\$792,000
Condos/TH's	\$682,500	\$580,000	\$512,500	\$460,000	\$582,500
Single Family	\$1,400,000	\$1,704,825	\$803,500	\$1,235,000	\$1,290,000
Price/SF	\$665	\$443	\$327	\$456	\$455

Source: MLS, Consultant Team

In the South valley, prices have reached levels that surprise many with an overall median price approaching \$400,000 at a median price per square foot of \$243. Yet, these sales prices equate to less than half the cost of homes in the North valley. The total of 202 sales translates into an average of 16.8 sales per month.

2020 Sales in the South Valley

	Almont	Gunnison	Gunnison Rural	Total
# of Sales	21	107	74	202
Condos/TH's	0	50	7	57
Single Family	21	57	67	145
Median Price	\$516,800	\$357,000	\$487,500	\$386,250
Condos/TH's		\$319,000	\$275,000	\$319,000
Single Family	\$516,800	\$375,000	\$500,000	\$439,300
Price/SF	\$305	\$244	\$236	\$243

Source: MLS, Consultant Team

Availability

North Valley

The inventory of homes listed for sale in the North valley is low with a total of 45 listings, which equates to a 1.7-month inventory. An inventory of at least six months is needed for prices to stabilize. New listings are “trickling in” slowly, but without any major developments under construction increases in the inventory are not anticipated.

The market is not saturated at any price level although homes at the high end of the market (\geq \$3 million) spend more time on the market because the buyer pool is small and it takes longer to find someone interested and qualified. Condominiums in Mount Crested Butte that require owners to place them in the short-term rental pool are also slower to sell since buyers prefer full occupancy rights.

North Valley - Homes Listed for Sale (April 2021)

	Crested Butte	CB Rural/South	Mount Crested Butte	Total
# of Listings	6	17	22	45
SF	5	13	7	25
Condo/TH	1	4	15	20
Median Price	\$2,166,500	\$3,200,000	\$1,420,000	\$1,750,000
SF	\$2,233,000	\$3,490,000	\$2,500,000	\$2,462,500
Condo/TH	\$725,000	\$210,000	\$625,000	\$1,350,000

Source: MLS, April 18, 2021

South Valley

The inventory of units listed for sale is extremely low in the South valley – the equivalent of a 1.3-month inventory compared to 2020 sales. Properties are typically under contract in 48 hours after multiple showings and offers. Realtors observe the units left on the market are overpriced with patient sellers who are willing to wait to see if the market moves up to the level where they will sell.

South Valley - Homes Listed for Sale (April 2021)

	Almont	Gunnison	Rural Gunnison	Total
# of Listings	2	9	11	22
SF	2	6	10	18
Condo/TH	-	3	1	4
Median Price	\$712,000	\$678,000	\$949,000	\$750,000
SF	\$712,000	\$681,500	\$1,062,000	\$831,000
Condo/TH		\$409,000	\$249,000	\$352,000

Source: MLS, April 18, 2021

Affordability

Based on 2021 AMI's, a household earning 100% AMI could afford to purchase a three-bedroom home if priced at just over \$358,000. An income of nearly 500% of the median is needed to afford a unit at the median list price in the North valley. In the South valley, homes are more affordable relative to the county's median income yet still an income of more than double the median is needed for the median asking price.

	North Valley	South Valley
Median List Price	\$1,750,000	\$750,000
Affordable AMI	489%	209%

Source: MLS, Consultant Team

New Deed Restricted Inventory

Local jurisdictions have partnered with residents, developers, and contractors to create 100 new affordable homes for sale over the past 10 years.

Deed Restricted Units Added Over Past 10 Years

	Location	Number of Homes	Type	Household Incomes Served	Building Completion
Paradise Park	Crested Butte	34	SF, duplex, triplex	90% AMI to 200% AMI	2020
Homestead	Mount Crested Butte	22	Duplexes and townhouses	120% AMI to 160% AMI	Anticipated 2021
Lazy K	Gunnison	44	SF, duplex, townhouses	80% AMI to 120% AMI	Anticipated 2021
Total		100			

Buyer Characteristics

North Valley

A large portion of the market consists of buyers seeking a part-time residence, some of whom may make them their primary or only residence upon retirement. The distinction between part-time and full-time residents has become blurred, however, as homeowners who often spent several weeks to a few months in the valley moved in for much of 2020, and the full-time category came to include newcomers who are not necessarily planning to reside long term in the area.

At least one-third of buyers are newcomers moving into the area. They are coming from all over – more geographically diverse than in past years. Buyers are migrating from Colorado’s Front Range, especially Boulder County, and urban areas throughout the country. While many are still from Texas, they are coming from all over the state, not just primarily from the Dallas/Fort Worth and Houston areas.

The ability to work remotely has been the more influential factor fueling migration, far greater than concerns over COVID contagion or civil unrest. Remote working newcomers want to experience the lifestyle that Crested Butte offers but are not necessarily committed to staying and often hold onto the home they own elsewhere. They may have little knowledge about the area and, according to one realtor, are wearing “rose colored glasses” when it comes to understanding the challenges of living in the Gunnison valley. This realtor predicts the majority will move away in three to five years.

Year-round residents are, for the most part, staying put in the homes they own. Few are trying to move up into larger homes. Even though they may have accumulated significant equity as prices have increased, they cannot compete with newcomers moving in or part timers.

Older residents, both part time and full time, are selling to move to places where the climate is warmer and health care and other services are more readily available. This is not a new trend but has been fueled by price increases.

Inventors are purchasing units primarily for short term rental income and strong appreciation.

South Valley

Most of the homebuyers in the South valley are existing residents who

- Have been renting but are moving into ownership because of rising rents or units being sold out from under them, or
- Have owned in the North valley and cashed out when prices increased then moved down valley where they could afford to purchase. Roughly 70% of these homebuyers work locally while 30% work remotely.

The Gunnison area is the only location where people moving in to work local jobs can potentially find a home they can afford to buy.

Newcomers may try to rent for a year while keeping their homes elsewhere but those who want to buy are typically able to sell their homes without difficulty given the strength of housing markets elsewhere, particularly Colorado's Front Range.

Investors are motivated by rents that have increased to the point where rental units can now cash flow. For example, of presales on 16 units under construction in Gunnison, two are under contract to investors. Newcomers to the valley are adding to the investor pool through 1031 exchanges that allow them to have their income properties nearby. Investors purchasing units in the Gunnison area have increased the supply of long-term rentals; however, at the same time, long term rentals have been removed from the inventory when their owners decided to cash out and were purchased by owner occupants.

Retirees have been cashing out of homes they own and moving to warmer climates where homes are available that meets their needs as they age and often choose locations near family/grandchildren. Realtors report there are too few single story/ranch style homes in the Gunnison valley. Units in the few 55+ properties in the Gunnison area have low turnover.

Housing Preferences and Price Targets

Existing residents who are locally employed focus on homes in the \$300,000 to \$370,000 range, which pretty much limits their home search to the Gunnison area. They prefer in town, with convenient access to services. Proximity to RTA bus stops is a big selling point for locals. Amenities they most highly value include a yard/outside space for dogs, a garage, and updated kitchens with stainless appliances and stone countertops.

Newcomers to the North valley will consider anything under \$1.5 million. In town and on mountain locations are still preferred. People moving in from other areas of Colorado tend to

be more flexible in location and are likely to consider Crested Butte South and outlying neighborhoods like Meridian Lake.

The price range that newcomers to the South valley target depends upon the location from where they are moving. Buyers relocating from other areas in Colorado can usually afford \$700,000 or more, but if moving from southern states or other areas where housing prices are lower, they compete directly with existing employee households for homes in the \$300,000 to \$400,000 range.

Home buyers looking for a part-year residence seldom look for homes in Gunnison but instead look at rural properties with land and mountain views. Proximity to town is not an important consideration.

Land

Interest in lots has picked up recently, fueled by the inability of newcomers to find homes available for purchase and by locals who have sold their in-town or close-in homes and are buying property where they plan to build, often planning to do some of the work themselves. Lots that have been on the market for years with little movement are now selling. While the inventory of available lots has declined, there are still far more on the market than homes. As of mid-April, 140 lots were listed for sale in the North valley. In the Gunnison area, 29 parcels under 5 acres in size were listed for sale.

A construction backlog has been created by the increase in people purchasing lots and wanting to build. Many contractors are now booked two to three years into the future. Construction materials are also going up steeply in price. Builders are unable to finalize prices for homes under construction with completion scheduled in the summer of 2021 because prices are escalating so quickly. The post-COVID construction bubble predicted by some industry experts and economists appears to be happening in the Gunnison valley although it may be moderated by insufficient construction labor and contractor capacity.

Predictions for the Future

While there are no signs yet of the market softening, realtors in both ends of the valley expect that many of the newcomers to the Gunnison valley will move away within a few years. The lack of conveniences, restaurants and nightlife was not an issue in 2020 with COVID restrictions in place everywhere but, over time, the lure of urban opportunities will likely cause many to leave the Gunnison valley. Shifts in the way that businesses operate, however, will likely provide continued opportunities for employees to work remotely. Those who prefer the rural mountain lifestyle will be able to stay and enjoy it. After the ability to work remotely, the single biggest factor likely to impact the extent to which newcomers settle in the Gunnison valley will be the severity of winters. For now, there is still strong confidence in the market. Price softening in the for-sale market is not expected soon.

The Rental Market

This section of the report updates information since 2016 including changes in the supply of rental units, current availability, increases in rents and impacts on affordability. This information was gleaned from property manager interviews and online rental listings. While most property management companies now focus on short term rentals, managers of long-term rentals interviewed for this report include:

- North valley: Peak Property Management and Sales, Crested Butte Lodging and Property Management, and Toad Property Management, which together manage about 117 long-term rentals; and
- South valley: Gunnison Real Estate and Rentals, Apogee Real Estate and Property Management and Berkshire Hathaway Today Realty, which together manage about 390 long-term rentals.

Changes in the Supply of Rental Units

The number of long-term units in the Gunnison valley is fluid, with shifts in the supply due to the conversion of units into short term rentals and sale of units to owner occupants. Loss of long-term rentals is particularly challenging since so much of the supply consists of single-family homes, condominiums and townhomes which can easily be sold or converted. Relatively few units are apartments or accessory dwellings that can only be rented long term.

- In the North valley, about one-third of the estimated rental supply is apartments or ADU's.
- In the South valley, less than 15% of rental units are protected from sale or conversion.

North Valley

We estimate there are currently about 900 rental units in the North valley. Over time, the percentage of residential units in the Gunnison valley that house year-round residents has been decreasing while the number of part-time homes has been on the rise. This trend contributes to housing shortages not only by reducing availability but also by increasing demand for workforce housing from the jobs that part-time homes generate. At the time of the 2016 assessment 46% of residential units in the North valley were occupied by full time residents. Of those occupied units, 40% were occupied by renters, so 18% of total housing inventory was long term rented. This percentage has likely decreased through the conversion of long-term rentals into owner occupancy and short term rentals.

Since 2016, it appears the rental supply in the North valley has decreased by about 50 units based on:

- 36 rental units built in the North valley including Paradise Park employee units, Elk Valley, SOAR, new townhomes and ADU's in Crested Butte and unincorporated county; and

- 90 rental units lost, through sale and/or conversion into short term rentals, an estimate based on the Town of Crested Butte census and property management interviews which captured only a portion of the changes in the rental supply

Also, in the past year during COVID, some short-term rentals were converted into long-term rentals as newcomers able to work remotely and the rents they could afford made longer term leases more profitable. These conversions have created the benefit of more “lights on” in neighborhoods, but not necessarily made rentals any more available for the local workforce.

South Valley

With approximately 2,000 units, the supply of rental housing in the Gunnison area is twice the size of the North valley. It has increased in size by approximately 100 units since 2016 with the recent construction of two new apartment properties. As in the North valley, it has been a fluid period for the existing rental supply with some rental units lost to sale and owner occupancy. The two new apartment projects nearing completion offer a combined total of 112 units.

Paintbrush Apartments

Paintbrush Apartments includes a total of 76 units. Of these, 68 are income restricted at 80% through 200% AMI.

- 29 at 80%
- 30 at 120%
- 9 at 200% AMI
- 8 are free market units

Phased-in occupancy will begin in June 2021 with 61 units and is anticipated to be complete in Fall 2021. The property offers a diverse mix of units ranging from compact studios through large three-bedroom units, each with a storage unit (43 – 92 SF) or garage (260 – 290 SF). The three-bedroom units have 2 or 2.5 baths. As of March 15, 2021, over 100 applicants were on a waitlist. Rental rates were not yet published. The property is pet friendly.

Paintbrush Apartments, Phase 1

Unit Type	# of Units	Unit Mix	Size
Studio	12	20%	375
1 BR	24	39%	562
2 BR	17	28%	679 – 990, avg 770
3 BR	8	13%	1054 – 1198, avg 1101
Total/Avg	61	100%	654

Source: Leasing agent and Gunnison County

Garden Walk Apartments

Garden Walk Apartments offers a mix of 21 one- and 15 two-bedroom units. All 36 units are income restricted under the Low Income Housing Tax Credit program (LIHTC) to households with incomes ranging from 30% AMI through 60% AMI. Rents range from \$332 to \$850 per month. At 756 SF for one bedroom and 997 for two bedrooms, the units are substantially larger than at Paintbrush. On April 7, 2021 they had 11 more units to lease with 19 applications. Service animals are allowed.

Garden Walk Apartments

Unit Type	# of Units	Unit Mix	Size	Rent	AMI Targets
1 BR	21	58%	756	\$332 - \$715; avg \$589	30% - 60%
2 BR	15	42%	997	\$398 - \$850; avg \$703	30% - 60%
Total/Avg	36	100%	856	\$636	50%

Source: GVRHA

Availability

Vacancy rates are under 1% throughout the valley, far below a functional market vacancy level of around 5%. A three-month monitoring of rental listings on Craigslist, Zillow, Apartments.com, Crested Butte News, Gunnison Times, property manager websites, and multiple Facebook groups resulted in just 22 listings valley wide:

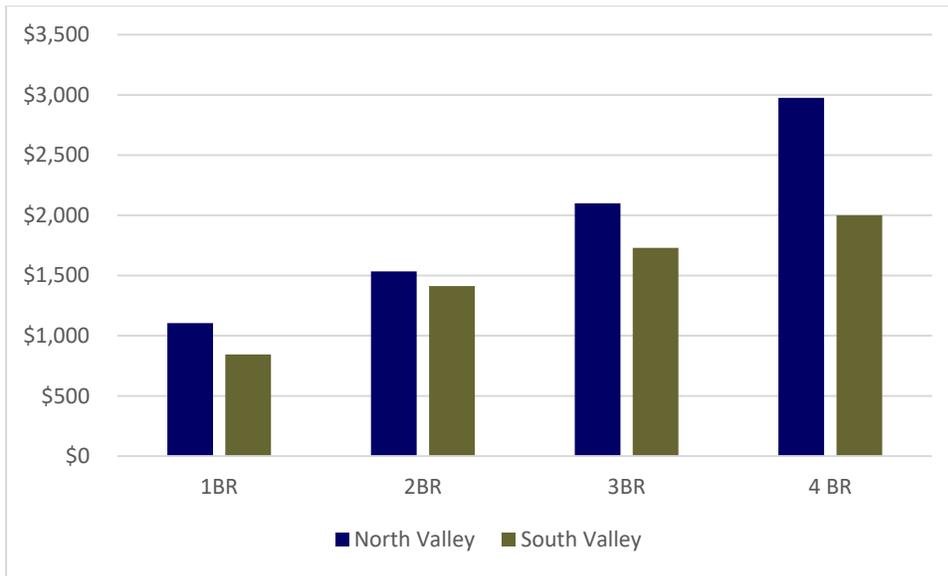
- 7 listings in the North valley consisted of four condominiums and three single family homes with asking rents ranging from \$790 to \$2,000 per month.
- 15 listing in the South valley – seven apartments, one condo and seven single family homes with rents ranging from \$1,080 to \$3,500.

While these samples are small, it appears that the market is equally tight throughout the valley (7 out of ±900 units = .7%; 15 out of ±2,000 units = .7%). Property managers typically fill units within a week. Most do not find it necessary to maintain waitlists with a constant stream of calls from people looking for a rental. Turnover has been low with renters renewing when their leases expire since they know if they give up their unit, they will have a very difficult time finding something else in the area.

Rents

Rents have been rising over the past five years, and it appears the trend will continue. In the North valley, market rents average over \$1,500 for two bedrooms, and in the South valley just over \$1,400.

Rent Comparison, North Valley vs. South Valley



Source: Consultant Team

While rents remain higher in the North valley among all unit types, the cost difference between the two ends of the valley is decreasing for smaller units. In the North valley, rates increased about 17% between 2016 and 2020/21 for rentals overall, but only 8% and 2% for one- and two-bedroom units respectively. In the South valley, rates grew as similar 15% overall, but at higher rates of 21% for 1BR units and 45% for 2BR units. These dynamics may be explained by the shortage of small units in the North valley affordable for singles and couples employed locally, putting pressure on smaller units in the South valley. At the same time, amenity migrant/COVID remote working families with children continue to escalate rental rates for larger units in the North valley.

Market Rents -- Change since 2016

	North Valley				
	1BR	2BR	3BR	4 BR	Overall
2016	\$1,025	\$1,500	\$1,850	\$2,500	\$1,700
2021	\$1,104	\$1,534	\$2,100	\$2,975	\$1,995
Increase	\$79	\$34	\$250	\$475	\$295
% Change	8%	2%	14%	19%	17%
	South Valley				
	1BR	2BR	3BR	4 BR	Overall
2016	\$700	\$975	\$1,500	\$1,950	\$1,200
2021	\$844	\$1,413	\$1,729	\$2,000	\$1,382
Increase	\$144	\$438	\$229	\$50	\$182
% Change	21%	45%	15%	3%	15%

In 2020, some property managers held rents at 2019 levels due to concerns about COVID impacting jobs, incomes and the ability of tenants to pay. Now that the economy has rebounded, significant increases in market rents should be expected.

To be considered affordable, current rents require incomes of 74% to 130% AMI in the North valley and 57% to 87% in the South valley.

Affordability of Rents

	1BR	2BR	3BR	4 BR
North Valley	\$1,104	\$1,534	\$2,100	\$2,975
AMI Equivalent	74%	86%	102%	130%
South Valley	\$844	\$1,413	\$1,729	\$2,000
AMI Equivalent	57%	79%	84%	87%

Appendix A - Acknowledgements

Thank you to the agencies and individuals who made this update possible:

- Gunnison Valley Regional Housing Authority who guided the work allocated resources for the update.
- Subject matter experts who contributed their time and expertise.
- Local media outlets for encouraging participation in the survey.
- Gunnison County Economic Development for dashboard data and adding to their monthly business survey.
- All the local employers who took time to complete the survey in April.
- Valley Housing Fund – who supported a study of rental housing in the North valley earlier this year; findings in this report build upon that work.

Appendix B - Median Family Income for Gunnison County (2021)

Colorado Housing and Finance Authority *(for LIHTC project use only)*

Household Size	1	2	3	4	5	6
AMI Classifications						
Extremely Low (30% AMI)	16,620	18,990	21,360	23,730	25,650	27,540
Very Low (50% AMI)	27,700	31,650	35,600	39,550	42,750	45,900
60% AMI (LIHTC max)	33,240	37,980	42,720	47,460	51,300	55,080
Low (80% AMI)	44,320	50,640	56,960	63,280	68,400	73,440
Median (100% AMI)	55,400	63,300	71,200	79,100	85,500	91,800
Moderate/Middle (120% AMI)	66,480	75,960	85,440	94,920	102,600	110,160
Upper (150% AMI)	83,100	94,950	106,800	118,650	128,250	137,700

Source: CHFA 2021

Gunnison Valley Regional Housing Authority *(for all projects except LIHTC or using CHFA subsidies)*

Household Size	1	2	3	4	5	6
AMI Classifications						
Extremely Low (30% AMI)	16,650	19,000	21,960	26,500	31,040	35,580
Very Low (50% AMI)	27,700	31,650	35,600	39,550	42,750	45,900
60% AMI (LIHTC max)	33,240	37,980	42,720	47,460	51,300	55,080
Low (80% AMI)	44,350	50,650	57,000	63,300	68,400	73,450
Median (100% AMI)	55,400	63,300	71,200	79,100	85,500	91,800
Moderate/Middle (120% AMI)	66,480	75,960	85,440	94,920	102,600	110,160
Upper (150% AMI)	83,100	94,950	106,800	118,650	128,250	137,700

Source: GVRHA 2021