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community**strategiesinstitute**

## **Longmont Colorado**

### **Rental Market Analysis Update**

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The Community Strategies Institute was formed in 2003 to provide fiscal and economic analysis, education and training to individuals and groups wishing to better understand and improve the economic and social factors influencing affordable housing development, housing conditions and community infrastructure as those elements influence the economic mobility of low-income populations. The Institute Directors and Members have diverse backgrounds in housing development, finance, management, policy and research. The Institute can be your partner in designing research, programs, and investments for expanding opportunities for individuals to become economically stable members of caring communities.

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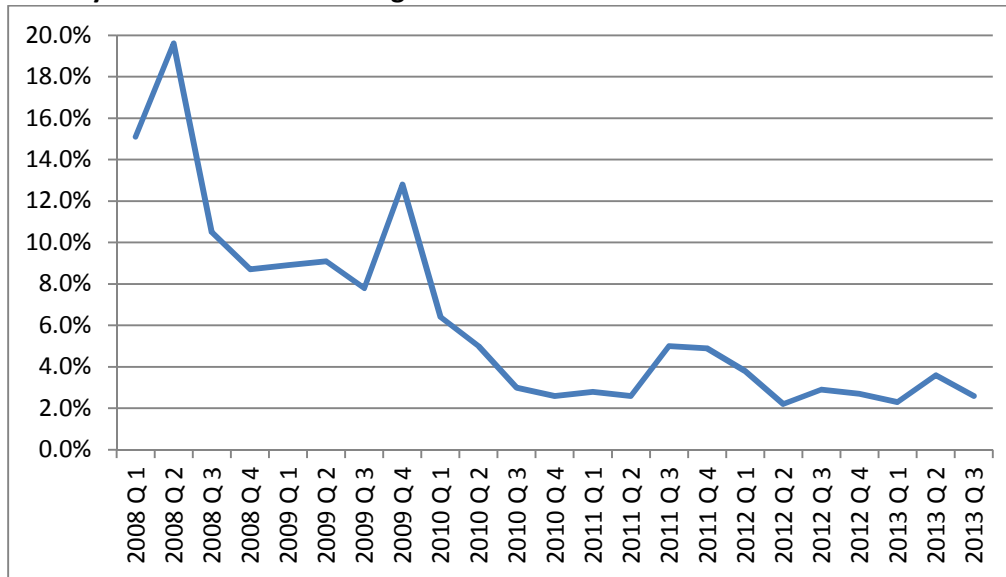
## I. RENTAL MARKET ANALYSIS

CSI prepared this update to the Longmont Housing Market Analysis that was conducted in July of 2012. This report includes updated information about the rental market in Longmont, and provides an analysis of the effects the flooding in September of 2013 is having on the rental housing market.

The rental market in Longmont has gotten tighter over the past 12 months, as it has throughout the metro Denver area. Vacancy rates have remained extremely low and rents have risen. The following data is taken both from the Metro Denver Rent and Vacancy Survey for the 3<sup>rd</sup> quarter of 2013, and from a survey of 15 properties or property management companies covering over 1,780 units conducted by CSI the first two weeks of November, 2013.

The vacancy rate in September, 2013, according to the Metro Denver Rent and Vacancy Survey, was 2.6%, a decline from the previous quarter. This is an extremely low vacancy rate, well below the 5% rate when a market is considered in equilibrium.

### Vacancy Rates Over Time in Longmont



Source: Metro Denver Rent and Vacancy Survey, 3<sup>rd</sup> Quarter 2013

The CSI rent survey conducted in November, after the floods, found only 17 vacant units in 1,782 surveyed units, indicating a vacancy rate of .95%. Fourteen of the vacant units were located in two properties. Most properties have no vacancies.

CSI also surveyed most of the affordable rental properties in Longmont, and found that of the 1,206 units contacted; only two were vacant, indicating a vacancy rate of .17%. The properties have waiting lists and units are leased as soon as they become available.

According to the Rent and Vacancy Survey, rents have increased for all units types of rental units over the last 12 months, continuing a trend of upward rents.

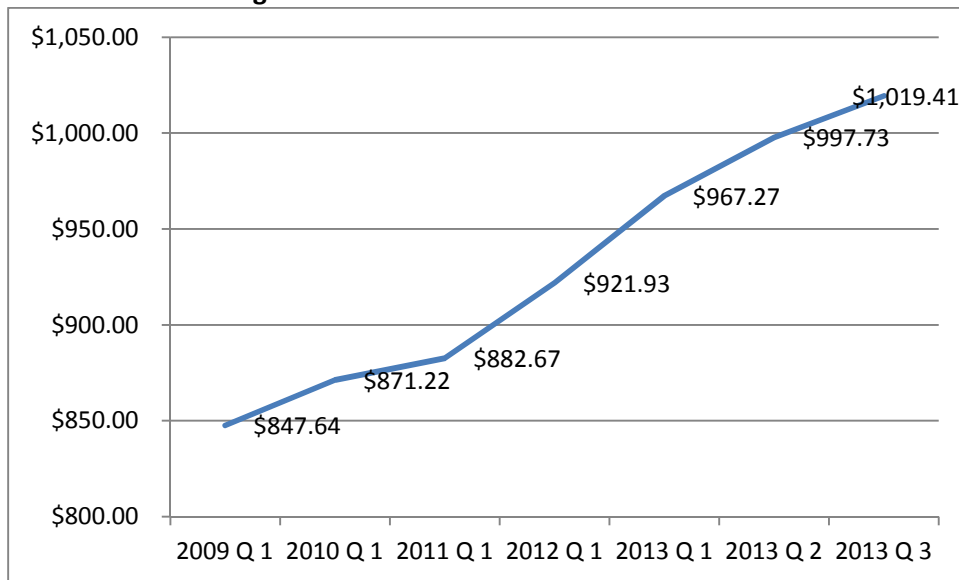
**Rent Increases by Bedroom Type, 3Q 2012 – 3Q 2013**

	Avg Rent 3 Q' 12	Avg Rent 3 Q '13	One Year Change	% Change
Efficiencies	\$810	\$862	\$52	6.4%
One Bedroom	\$875	\$967	\$92	10.5%
2Bdrm/1 Bath	\$948	\$1,181	\$233	24.6%
2 Bdrm/2 Bath	\$1,059	\$1,205	\$146	13.8%
3 Bedroom	\$1,218	\$1,354	\$136	11.2%

Source: Metro Denver Rent and Vacancy Survey, 3<sup>rd</sup> Quarter 2013

The median rent in Longmont has increased an average of 4.5% annually since the beginning of 2009.

**Median Rents in Longmont 2009 - 2013**



Source: Metro Denver Rent and Vacancy Survey, 3<sup>rd</sup> Quarter 2013

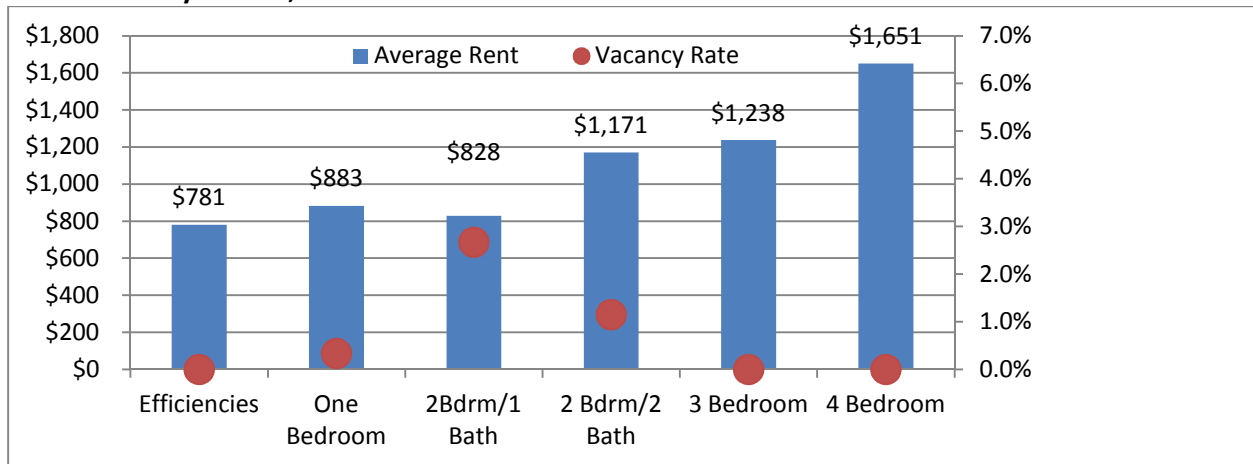
CSI found that only one of the properties surveyed in November 2013 has raised rents since our last survey in July of 2013. This is also the only property with any significant number of vacancies. Others have kept rents stable, even after the flood. Rents rose for all sizes of rental units since the CSI rent survey in July of 2012, and even more significantly, vacancies have dropped from 2.4% to .95%. According to property managers, units are leased as soon as a unit becomes available in most properties.

**CSI Rent Survey Results, November 2013**

	Average Rent	Vacancy Rate
Efficiencies	\$781	0.0%
One Bedroom	\$883	0.3%
2Bdrm/1 Bath	\$828	2.7%
2 Bdrm/2 Bath	\$1,171	1.2%
3 Bedroom	\$1,238	0.0%
4 Bedroom	\$1,651	0.0%
Source: Community Strategies Institute		
Overall Vac. Rate		0.95%

We found no vacancies in efficiencies, one bedroom, three bedroom or four bedroom units.

**CSI Rent Survey Results, November 2013**



## II. PROFILE OF AFFORDABLE PROPERTIES UPDATE

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Since the 2012 Housing Market Analysis was completed, there have been no new affordable rental properties added to the inventory and none removed. There are a total of 1,749 units in the affordable inventory in Longmont. CSI contacted owners of affordable properties within Longmont in November of 2013, and found that none had sustained any substantial damage due to flooding and no tenants had been displaced temporarily due to the floods.

CSI collected vacancy information for 1,206 affordable units in November, 2013. There were only two vacant units in the fifteen properties (representing 1,206 units) asked about vacancies. This is a vacancy rate of .17%. Affordable property owners are keeping waiting lists of potential tenants, and fill units immediately upon vacancy of current tenants.

### III. SUPPLY AND DEMAND DISCONNECTS ANALYSIS UPDATE

The following table shows that households at 0 – 30% AMI and 31 – 50% AMI will have trouble paying the average rent in Longmont of \$1,019, plus a \$75 utility allowance.

#### Renter Price Gaps, 2013

	Renter Households	Income Limit	Affordable Rent	Units Available	Average Rent + Utilities	Subsidy Needed
0 - 30% AMI	3,974	\$24,750	\$544	1,514	\$1,094	\$550
31 - 50% AMI	2,270	\$41,250	\$956	5,141	\$1,094	\$138
51 - 60% AMI	1,383	\$49,500	\$1,163	2,078	\$1,094	None
61 - 80% AMI	1,519	\$58,000	\$1,375	2,446	\$1,094	None
81 - 100% AMI	1,508	\$82,500	\$1,988	1,130	\$1,094	None
101% AMI or more	2,085	>\$82,500	> \$1,988	707	\$1,094	None
Total	12,738					

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CSI used the 2012 Supply Demand Analysis for 2012, updated with estimated units by income range, to complete a supply/demand analysis and look at gaps in the rental market in Longmont. A description of the methodology for this analysis is included in the 2012 report.

There are gaps in the supply of rental housing at all income levels in Longmont. The biggest gaps are for the very lowest income households, and in the market rent ranges.

#### Gap Analysis for Renters

AMI Level	Rent Afford.	Renter Households	Units Available	Surplus/ Deficit of Units	Units Occupied by Higher Income Renters	Adjustment for Rent Burdened Households	Affordable and Available Units	Surplus/ Deficit of Affordable/Available Units
0 - 30%	\$544	3,974	1,514	-2,460	88	0	1,426	-2,548
31 - 50%	\$956	2,270	5,141	2,871	1,197	2,222	1,722	-548
51 - 60%	\$1,163	1,383	2,078	696	656	406	1,016	-366
61 - 80%	\$1,375	1,519	2,446	927	1,048	506	892	-627
100%	\$1,988	1,508	1,130	-378	502	259	369	-1,139
101% +	>\$1,988	2,085	707	-1,378	0	99	608	-1,477

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#### IV. FLOOD EFFECTS ON THE MARKET ANALYSIS

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As CSI contacted property owners and managers during this analysis, each was asked if properties had sustained any damage from the recent floods, and if so, whether units would be permanently lost. No restricted affordable property owners indicated that their properties had sustained any damage. This included the Longmont Housing Authority, the Boulder County Housing Authority, and the owners and managers of other properties in Longmont.

While CSI was not able to contact all owners of rental properties in Longmont, we were able to contact most of the larger properties and property management companies in the City. Two properties indicated short term damage to a total of 26 units, but no units that would not be repaired and rehabilitated.

CSI interviewed Kathy Fedler, CDBG and Affordable Housing Programs Coordinator in the Housing and Community Investment Division, who indicated that the City knows of one 30 – 50 unit rental property located near the Saint Vrain River that sustained enough damage that the owners have cancelled all leases as they repair the property. Ms. Fedler also noted that two mobile home parks were affected by the flood, though most of the mobile homes located in the parks were occupied by owners of the units. Still, these households will have to find short term housing solutions as they work to replace their units.

The Longmont rental market was extremely tight when the flood occurred. The temporary loss of any rental units within the market only has the effect of making matters worse. Temporarily displaced tenants, mobile home and other homeowners displaced for any significant length of time, must try to find temporary housing in an already tight rental market. While this strain on the rental market will ease over the next 12 months as units are repaired, the overall lack of affordable and market rate rental units will not.

## V. CONCLUSIONS

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Since 2013, the rental market in Longmont has not gotten better for households trying to find any unit for rent. Rents have increased and vacancies have remained at historic lows. Flood damage to any housing unit in Longmont has a negative effect on the rental market overall. The extremely tight rental market indicates a need for more affordable and market rate rental product in Longmont.