



Multifamily Housing Development Trends

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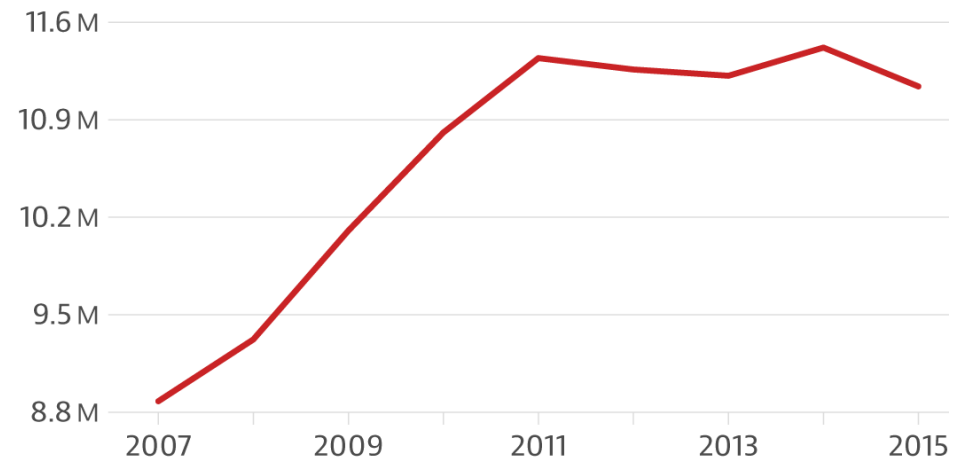
Are Renters Facing an Affordability Crisis?

Sheila Byrne

Affordability Crisis?

- Households that pay more than 30% of their income for housing are considered costs burdened
- Those that pay more than 50% are considered severely cost burdened
- Millions of Americans struggle to pay rent every month
 - - 1 in 4 that are eligible for housing assistance receive it

Households That Pay More Than Half Their Income in Rent



Source: Joint Center for Housing Studies of Harvard University

Affordability Crisis?

Snapshot: National Affordable Housing Shortages



11.4 million

Extremely low income renter households in the United States.



7.4 million

Shortage of affordable and available rental homes nationwide.



71 percent

Of extremely low income renter households are severely cost burdened, spending more than half their household income on housing costs.

Source: National Low Income Housing Coalition, A Shortage of Affordable Homes report
(based on data from the 2015 American Community Survey Data)



3 Areas of Concern

1. Seniors
2. Workforce
3. New Grads

Lets Talk.. Seniors

- Developments for age restricted housing or senior assisted and independent living has increased over the past 10 years
- Occupancy rates at senior high-end living facilities has been declining. The market can only support so many of these really high-end projects
- Occupancy rates for seniors with limited income have increased.



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Affordable Senior Housing

Issues

- The number of people on waiting lists
- Units aren't being constructed to meet the demand
- Public housing is an unlikely impractical solution for seniors

Needs

- Private, for profit development will help seniors who can afford it
- Significant need for subsidy developments with the most vulnerable socio-economic seniors

The Workforce

Workforce Housing is for those who are employed primarily in positions that are essential to the service of a municipality and or community. High real estate costs versus their income is a significant barrier for finding decent, safe and affordable housing in close proximity of their occupations.

Issues

- Property tax increases threaten affordability across rental market as landlords pass off added costs to renters
- Decline in two – and four – bedroom apartments to accommodate families
- After paying rent and utilities, households end up with less than half of their income left to pay for necessities such as food, medicine, transportation and childcare
- In Illinois, workers need to make \$20.82/hr. (\$43,400/annually) and rent would need to be around \$1,100/month or less to afford a one bedroom apartment



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New Grad Dilemma

Issues

- Rents are on the rise in “hot” Chicago neighborhoods. The average rent for a 1-bdrm ranges \$1,200 - \$2,000
- Look to offset costs with roommates. Finding just one roommate is enough to make the median priced rental unit affordable
- Moving options to certain Midwest and Southern states trend better for new grads saving the most on rent

Where Grads Need To Earn The Most To Afford Median Rents

#	U.S. Metro	Median Income for recent college grads	Income Needed to Afford Median Rent	Median Rent, May 2015
1	San Francisco, CA	\$41,244	\$137,272	\$3,500
2	New York, NY	\$32,995	\$121,584	\$3,100
3	Boston, MA	\$31,552	\$98,052	\$2,500
4	Miami, FL	\$25,778	\$86,285	\$2,200
5	Los Angeles, CA	\$25,778	\$85,697	\$2,185
6	Cambridge, MA	\$31,552	\$82,363	\$2,100
7	Washington, DC	\$37,120	\$77,461	\$1,975
8	Oakland, CA	\$27,841	\$76,971	\$1,963
9	Orange County, CA	\$25,778	\$74,794	\$1,907
10	Chicago, IL	\$25,778	\$69,421	\$1,770

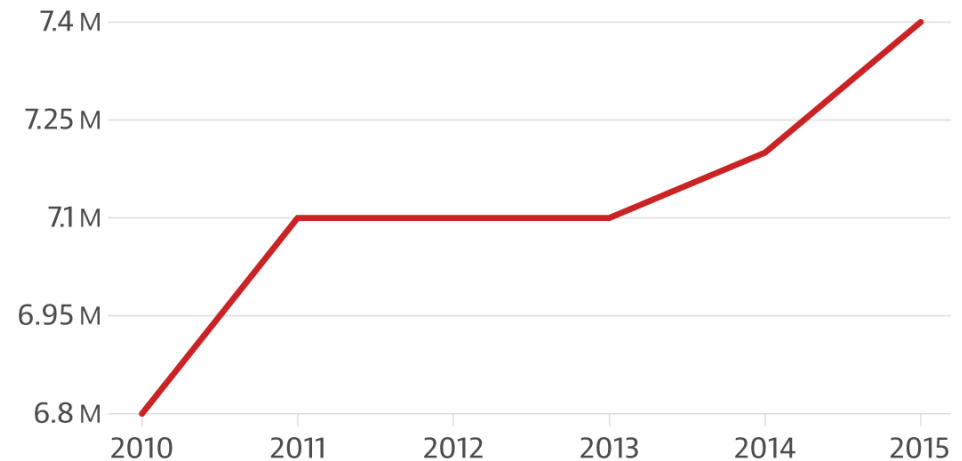
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Needs for Workforce & New Grad

- Remove the buy-out options for developers and mandate the 15% affordable units in each property
- Give landlords in stable communities a property tax break for renting to low-income renters
- Link affordable housing with “transit-orientated developments” (TOD)
- Continue developing high density/ limited parking housing

The Gap in Affordable Housing

Demand among extremely low-income households* vs. supply



*Households with an income that is 30 percent of their area's median income.

Source: National Low Income Housing Coalition



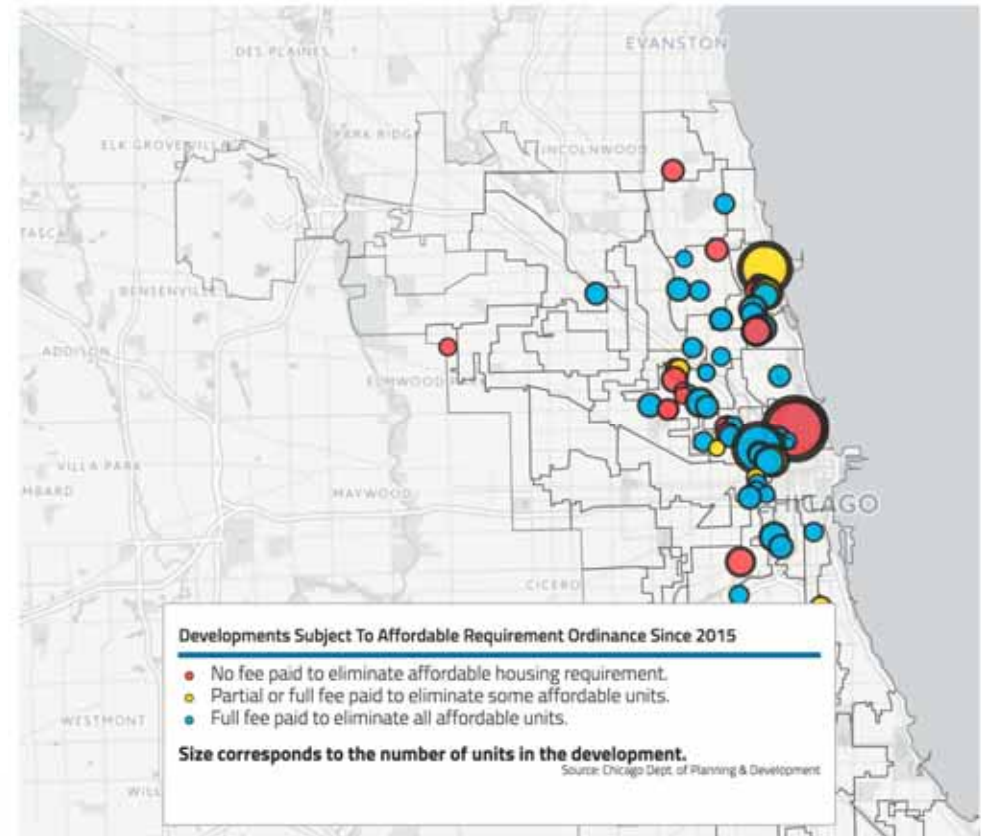
What Does the Future Hold?

Affordable Requirements Ordinance (ARO)

Requires residential developments that receive city financial assistance or involve city – owned land to provide a % of units at affordable prices.

The ordinance applies to:

- Residential developments of 10 or more units, requires developers to provide 10% of their units at “affordable” prices
- Most developers choose the option to buy out the 2.5% of units required to be “affordable”
- A zoning change is granted that increases project density or allows a residential use not previously allowed
- The development is a “planned development” within the downtown or central business district
- Some alderman are not allowing the buy out and requiring more than 15% be provided as “affordable” or build separate “affordable” housing within 2 miles of the new development
- A pilot program is pending to revise the ordinance and increase ARO requirements in “Near North” and “Milwaukee Corridor” Chicago neighborhoods



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Affordable Housing in a Rapidly Rising Cost Sun-Belt City (Atlanta)

Jim Grauley

Atlanta Housing Market – Since 2008-2011 Recession A Growing Affordability Gap

Context:

- Atlanta, a historically affordable housing market
- This R/E cycle: an ‘order of magnitude’ change in affordability and available affordable units relative to demand

Manifested by:

- Rapid densification and gentrification of urban neighborhoods
- Loss of older affordable housing stock in urban and suburban neighborhoods
- Low-mod income wages no where near keeping up with increase in housing cost
- Growing # of rent-burdened households

Atlanta Housing Market – Since 2008-2011 Recession A Growing Affordability Gap

Impacts most severe on

- Low-moderating income working families
- Seniors on fixed income
- Special needs and disabled residents
- Entry level workers and recent graduates



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Responses and Solutions

- Affordable Housing in the heart of Midtown building boom
- Tenth and Juniper High Rise
- Housing for low-income seniors and disabled



Responses and Solutions



Affordable Housing
included in Mixed-Use
TOD at MARTA Stations





Affordable Housing in new Mixed- Income Communities



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Atlanta Housing Market – Since 2008-2011 Recession A Growing Affordability Gap

Growing awareness and public will for new civic initiatives and solutions:

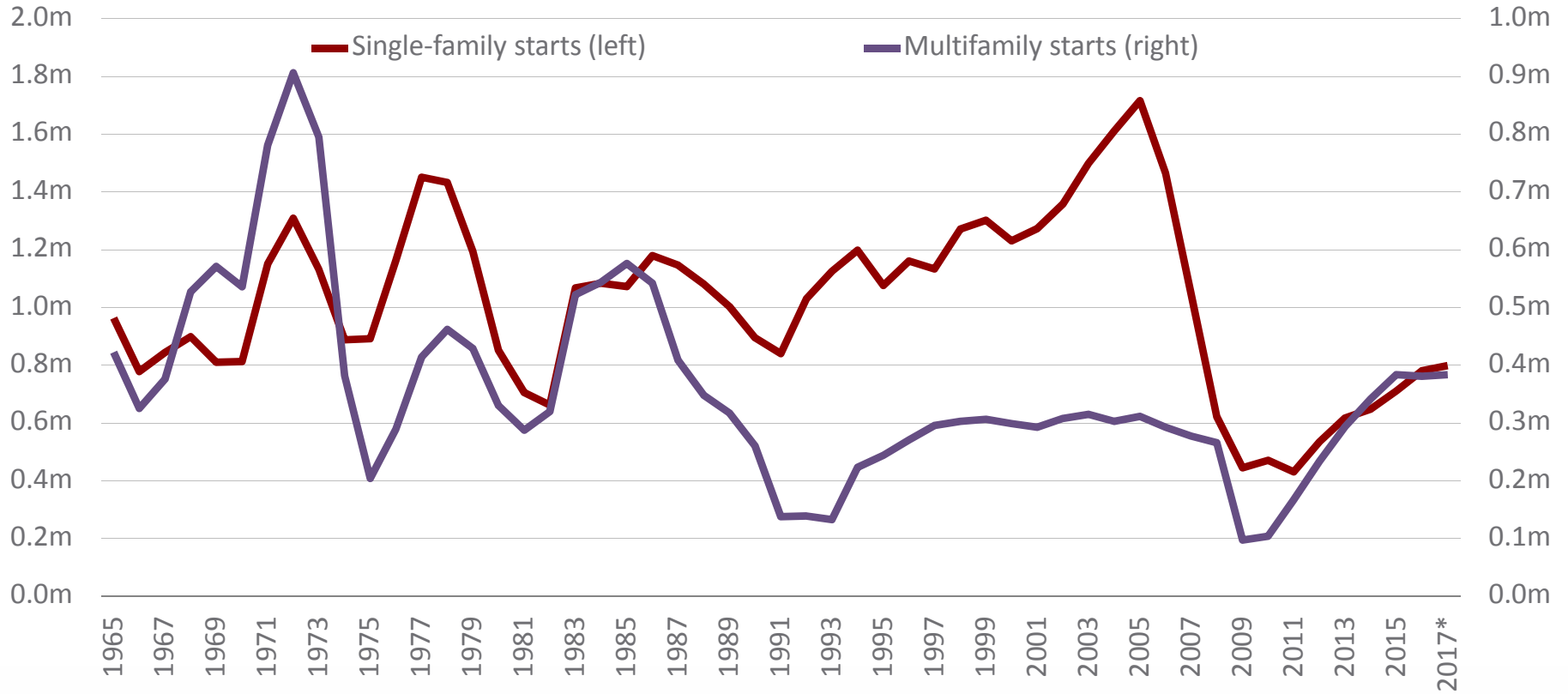
- Inclusionary zoning initiatives
- Raising gap funding capital
- Occupancy initiatives
- Initiatives aimed at homelessness



Multifamily Development Trends

Jay Parsons

Apartment Development Is Hot, But Manageable

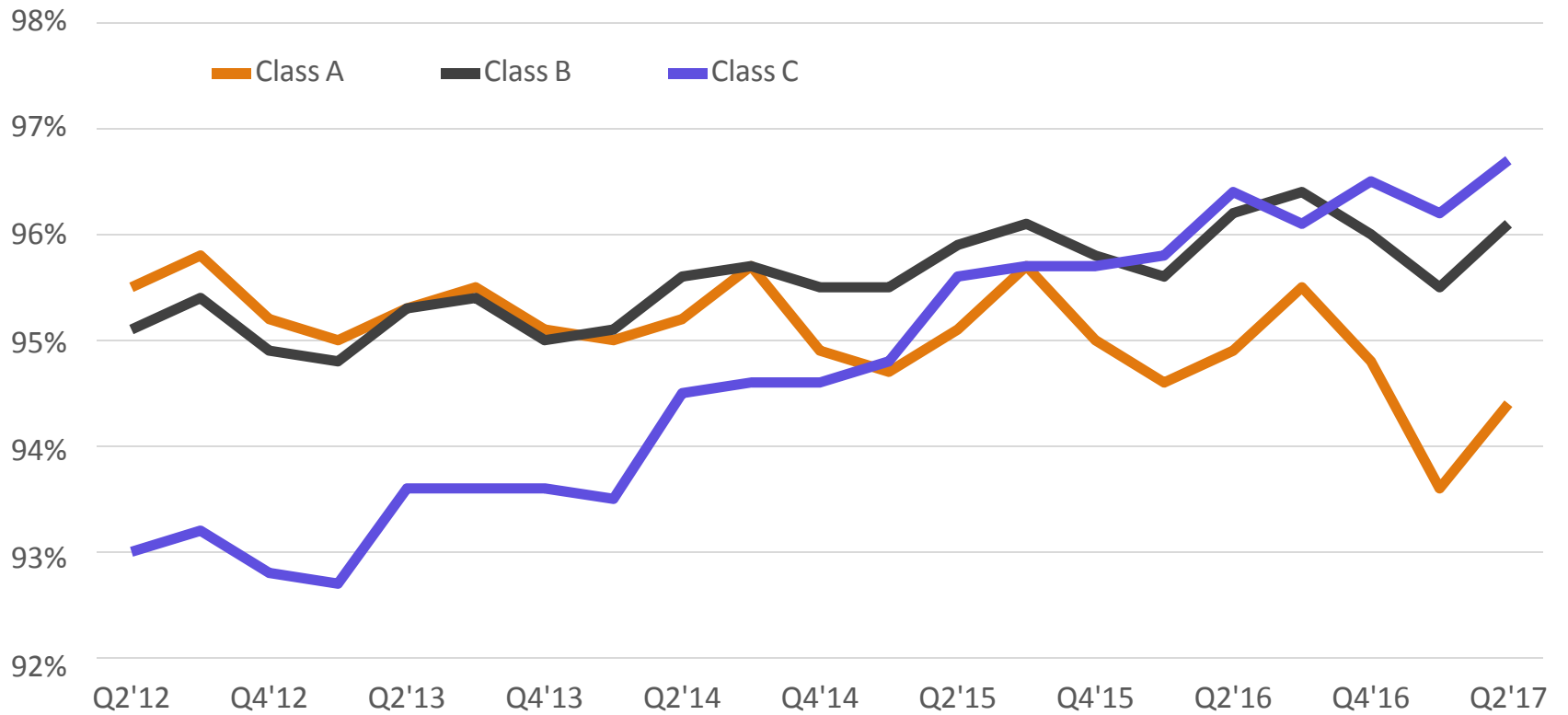


“What Markets Are Oversupplied?” Is Not The Question

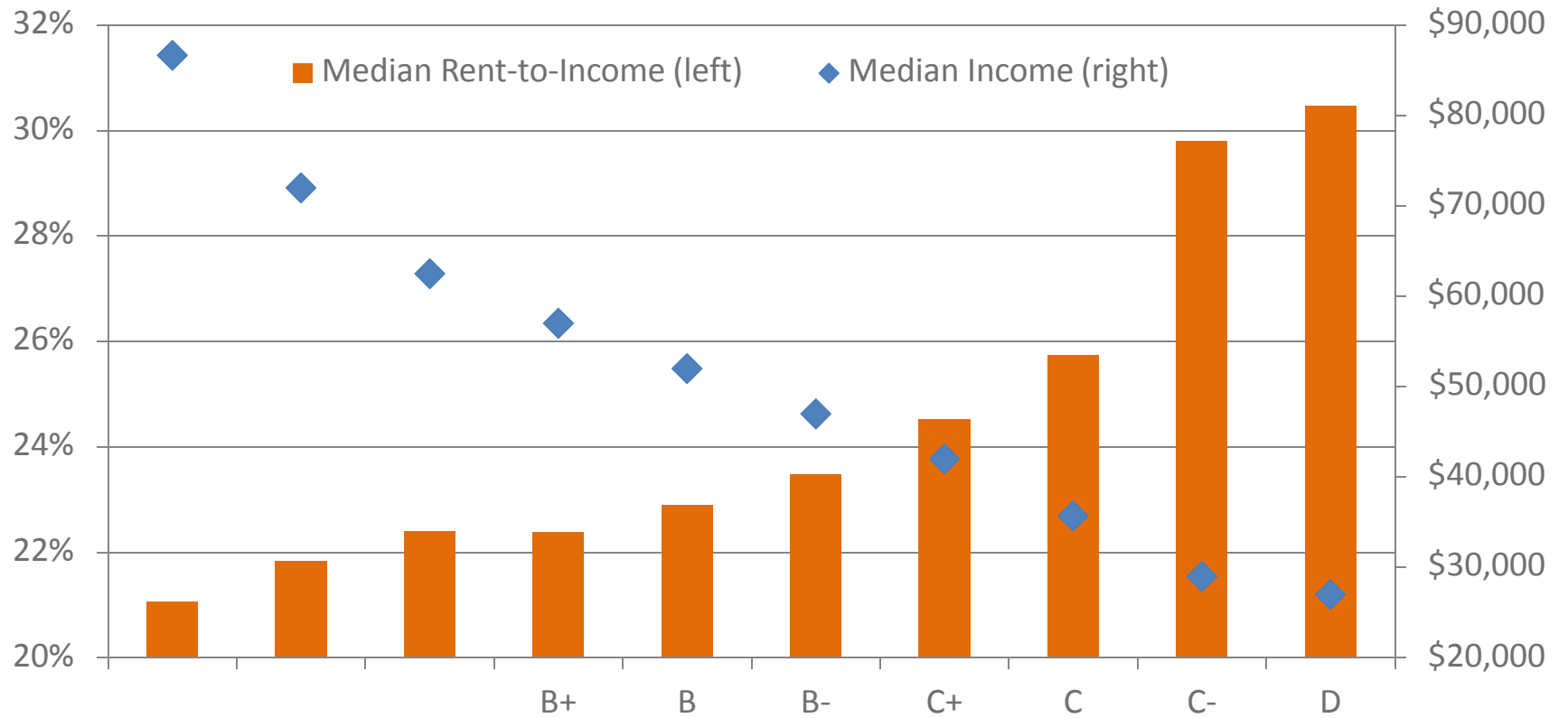
Construction Leaders
and Current Rent
Growth, Major
Metros, Q2 2017

Rank	Metro	YoY Rent Growth	Inventory Growth
1	Nashville, TN	3.4%	8.4%
2	Dallas, TX	4.6%	7.7%
3	Salt Lake City, UT	6.3%	7.6%
4	Charlotte, NC	5.0%	7.1%
5	Denver/Boulder, CO	4.5%	7.0%
6	Orlando, FL	5.5%	6.7%
7	Austin, TX	2.0%	6.6%
8	Atlanta, GA	5.8%	5.6%
9	Raleigh/Durham, NC	5.1%	5.4%
10	Seattle, WA	8.1%	5.3%
11	Jacksonville, FL	3.9%	5.0%
	U.S. Average	3.6%	3.6%

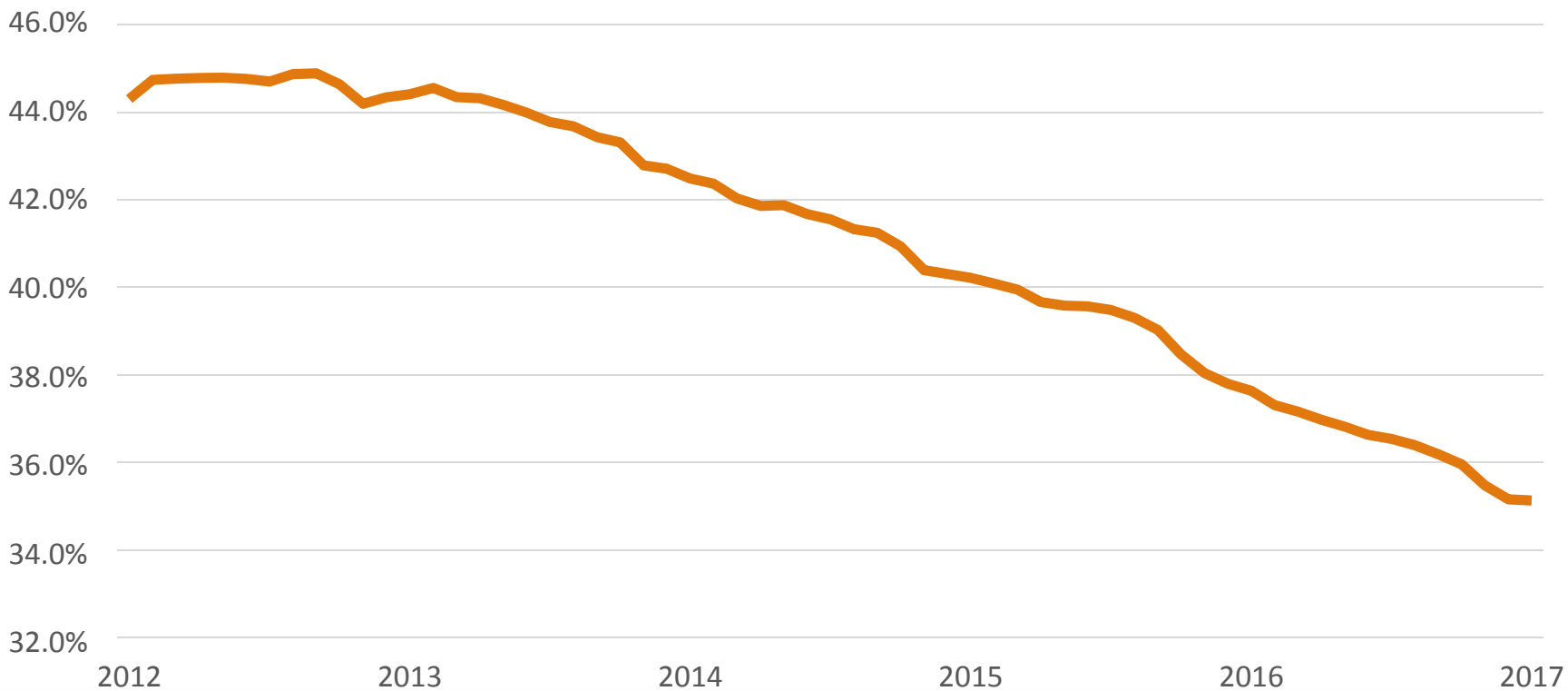
U.S. APARTMENT OCCUPANCY BY CLASS



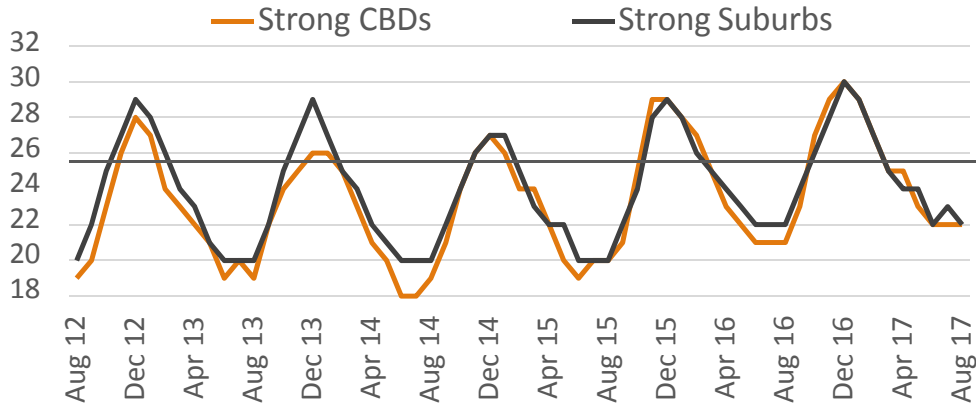
How Affordable Are U.S. Apartments, By Class?



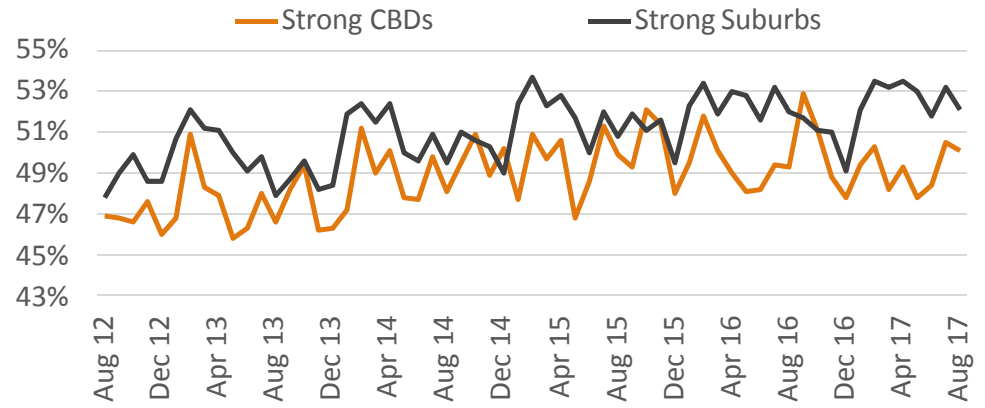
CBD'S VS. STRONG SUBURBS, RENT ROLL VALUE PREMIUM



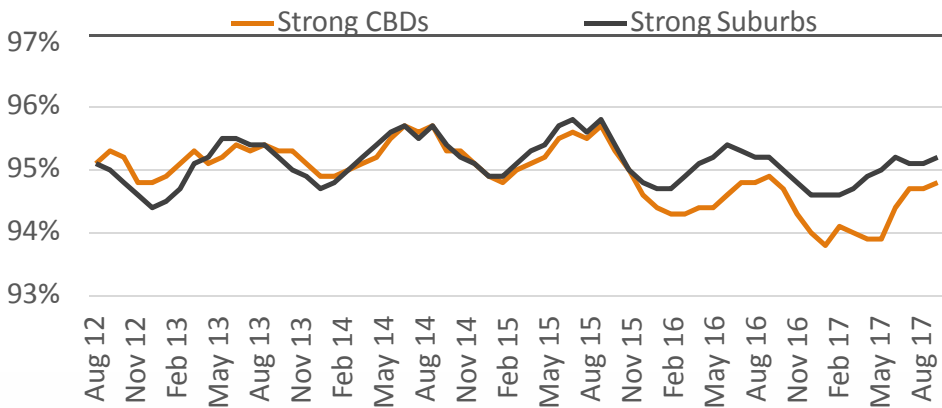
Average Vacant Days by Geography



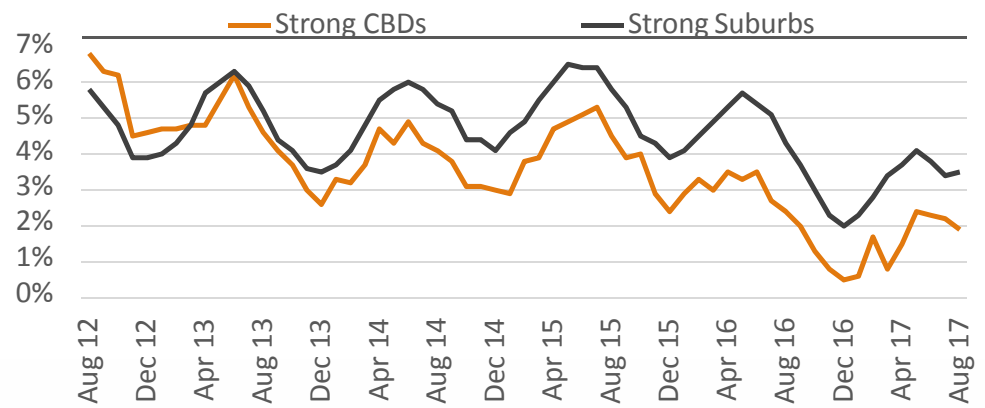
Renewal Conversion Rate by Geography



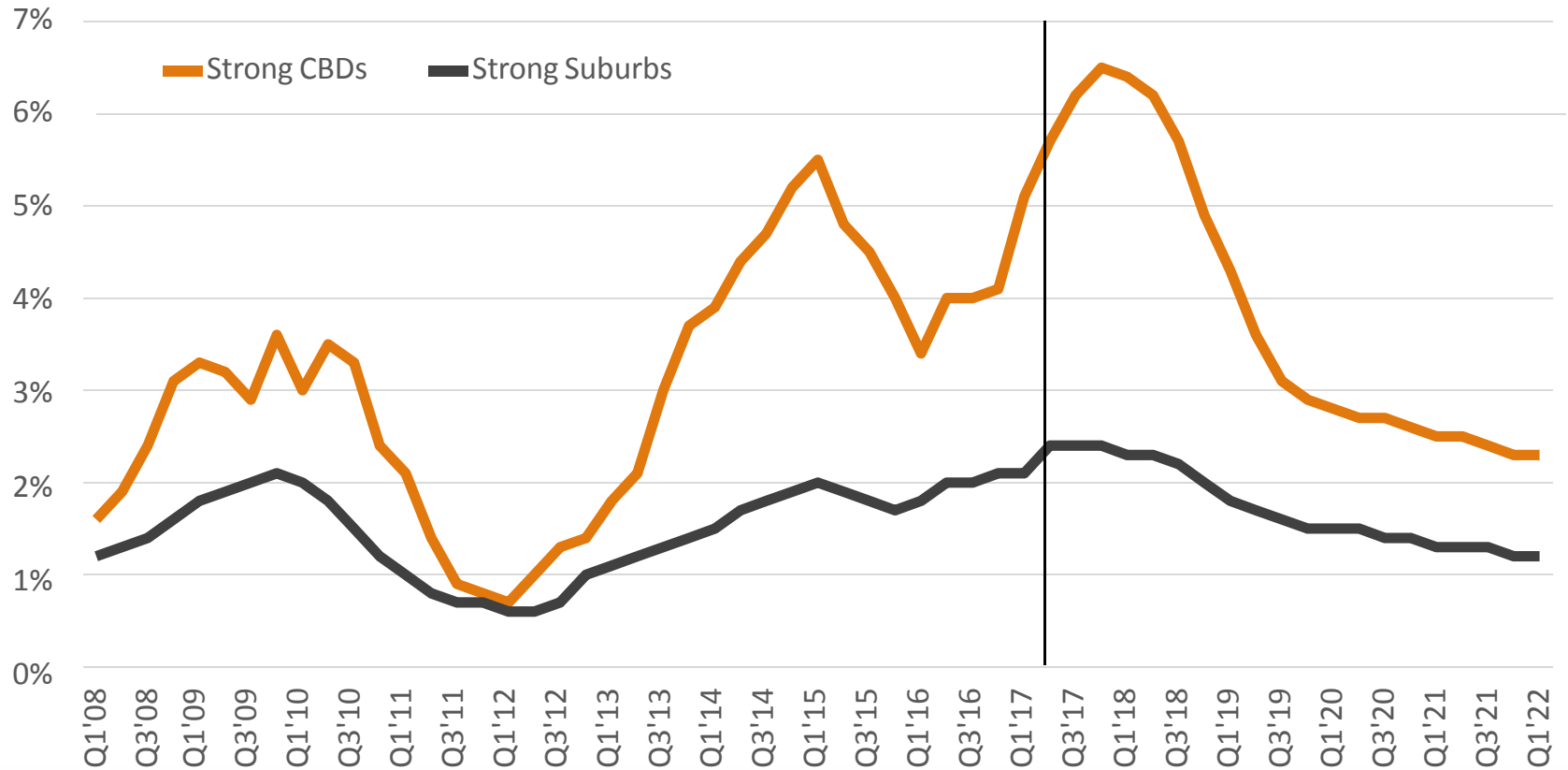
Occupancy Rate by Geography



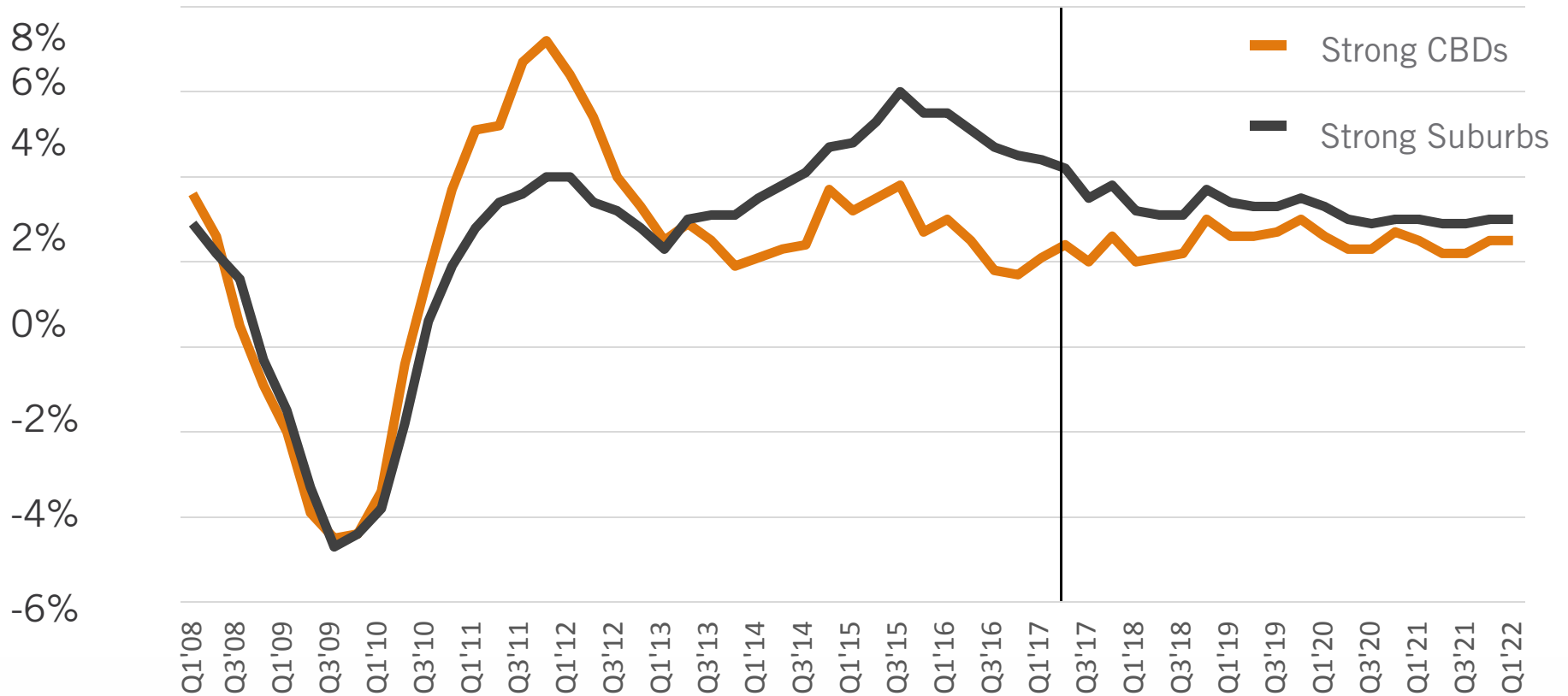
Rent Trade-Out by Geography



YOY INVENTORY GROWTH, STRONG CBD VS. SUBURBS

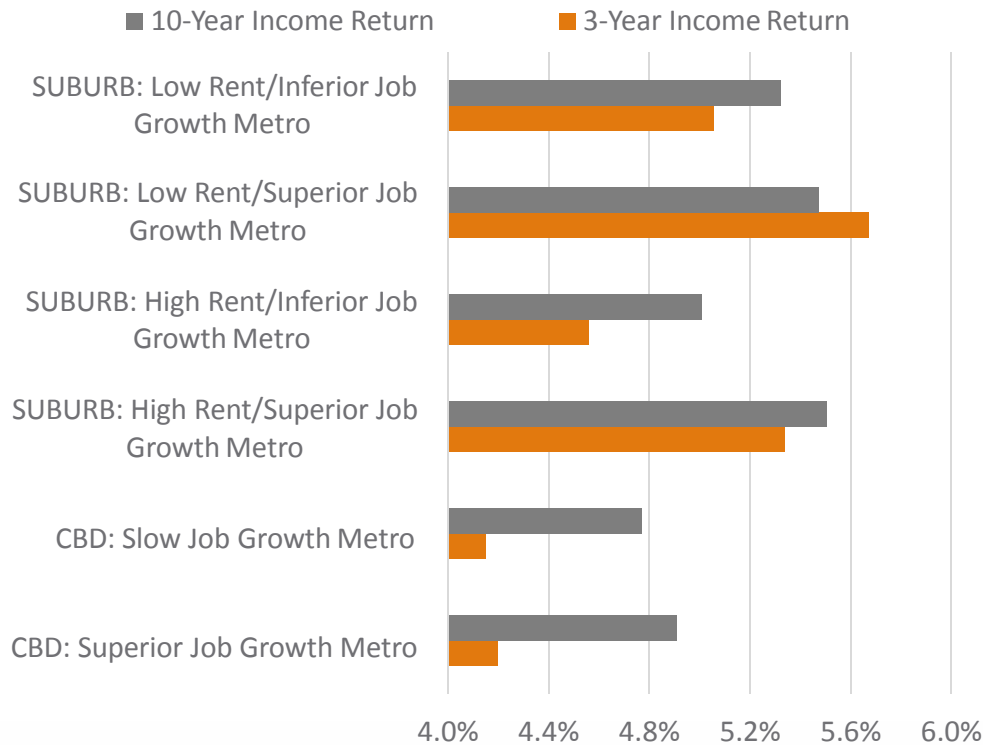


YOY RENT GROWTH, STRONG CBD VS. STRONG SUBURBS



Urban/Suburban Myths & Trends

NCREIF Income Return By Geography Type



NCREIF Capital Return By Geography Type

