Town of Boone, NC

FINAL PRESENTATION

HOUSING ANALYSIS

June 11, 2013

Presented By:
Taylor Yewell, Senior Project Manager
RKG Associates, Inc.

RKG

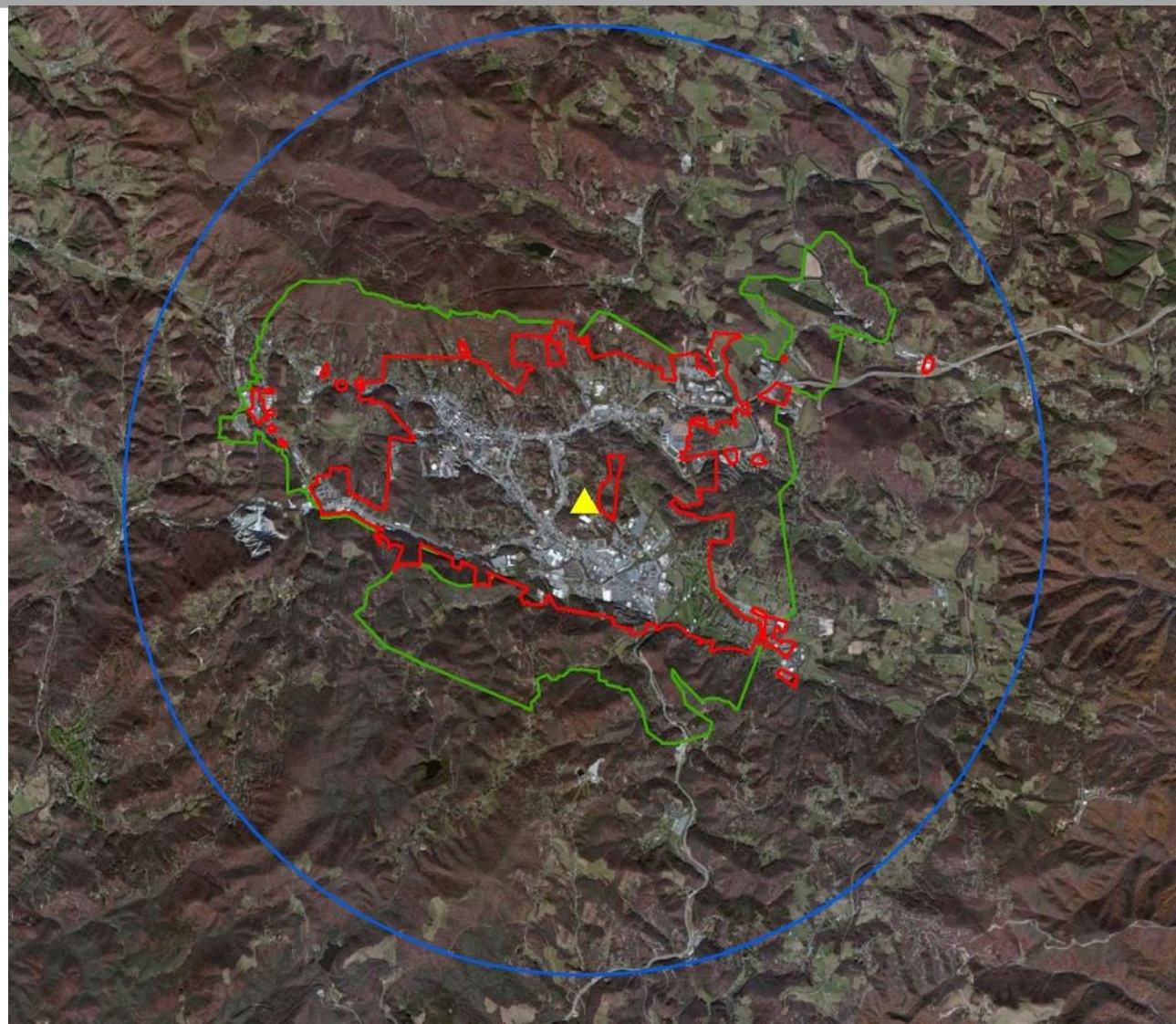
Introduction

Presentation Agenda

- **Demographic Analysis**
- **Housing Market Analysis**
  - Student Housing
  - Non-Student Housing
- **Affordability Analysis**
- **Q & A**

Study Area

- *Yellow*: approximate geographic center of town
- *Red*: town boundaries
- *Green*: ETJ boundaries
- *Blue*: four-mile radius from center



Demographics

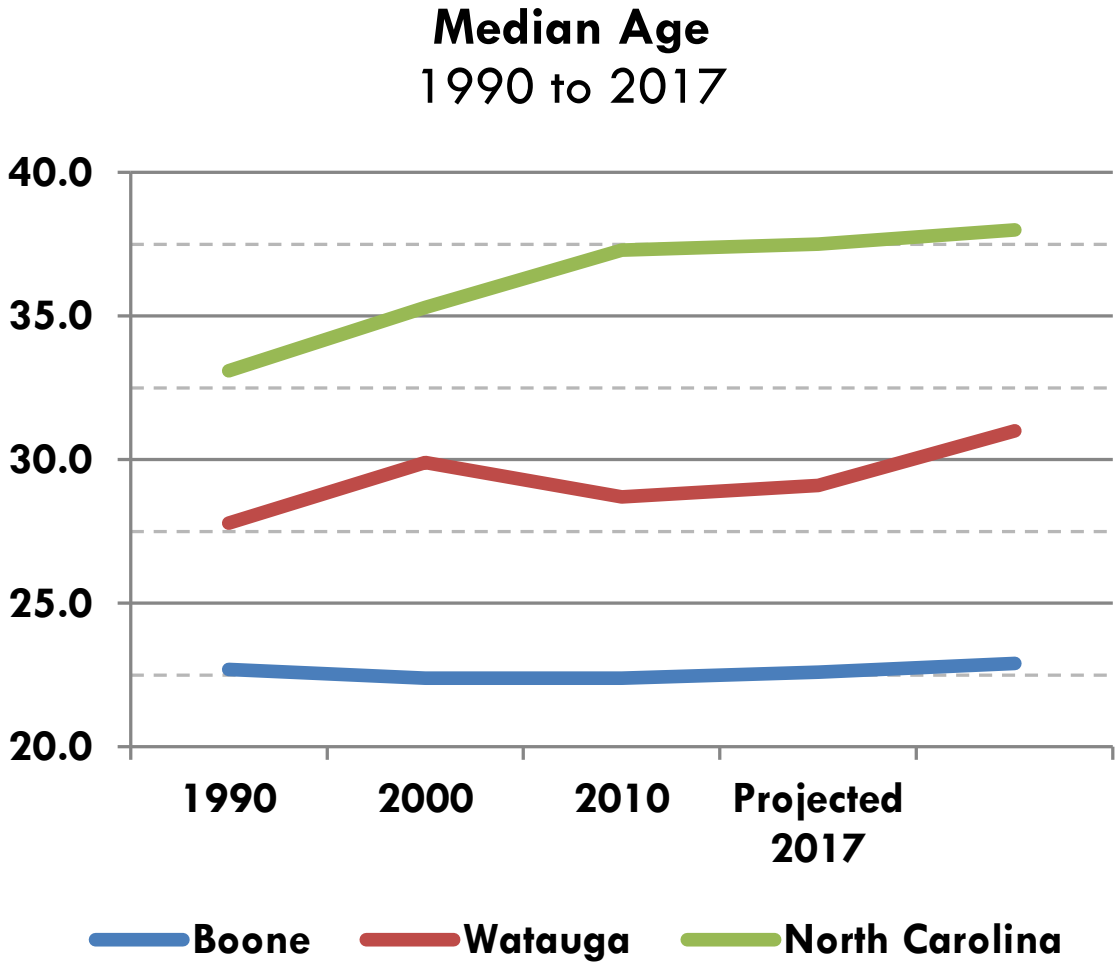
Population Trends

- **Boone**
  - 2020: 20,595 20.3%
  - 2010: 17,122 27.3%
  - 2000: 13,447

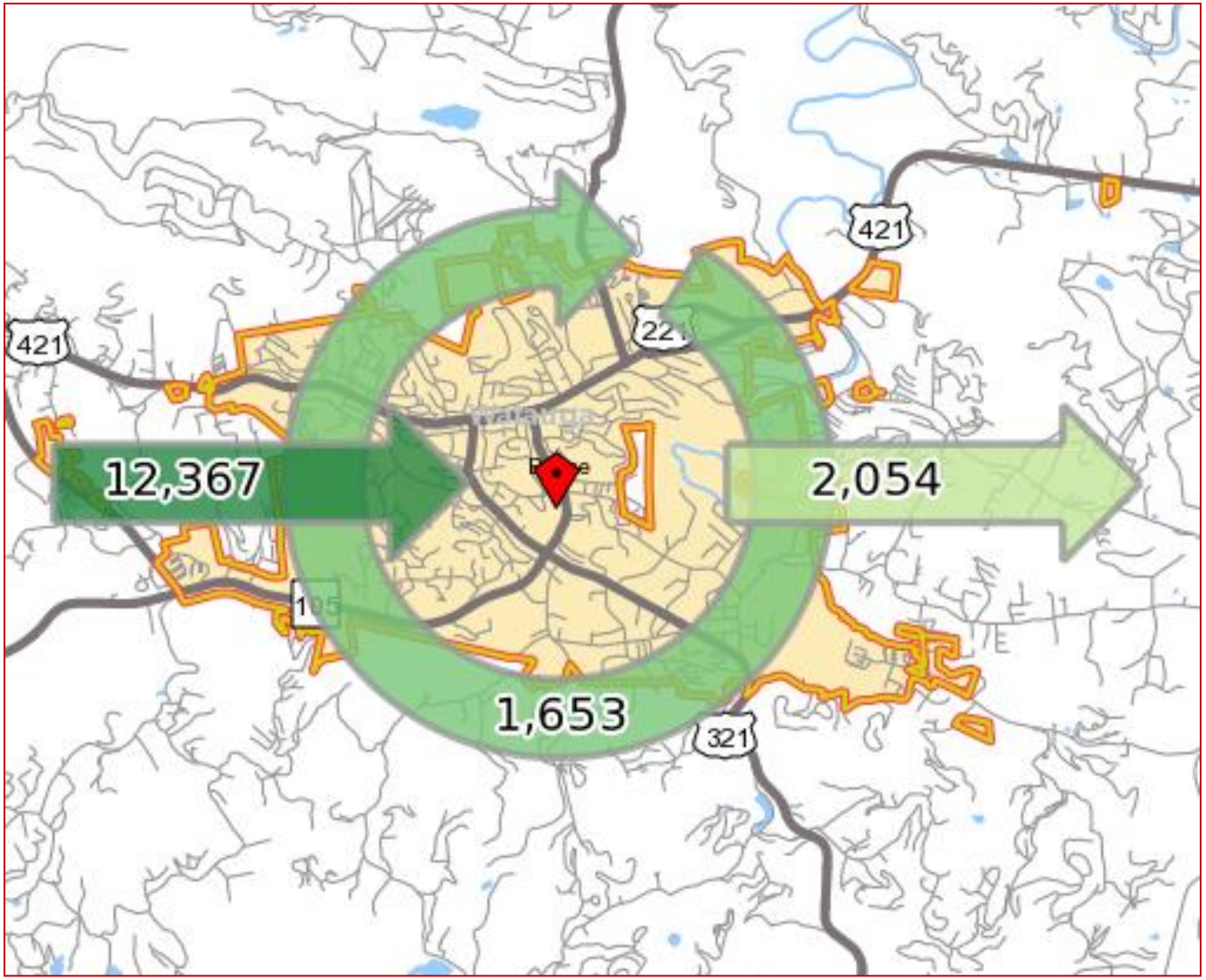
- **Watauga County**
  - 2020: 58,729 14.4%
  - 2010: 50,179 20.2%
  - 2000: 42,695

- **ASU's enrollment increased by approximately 3,000 between 2002 and 2012**
- **The projected Boone population growth of 3,473 far exceeds the increase in ASU enrollment of 443**

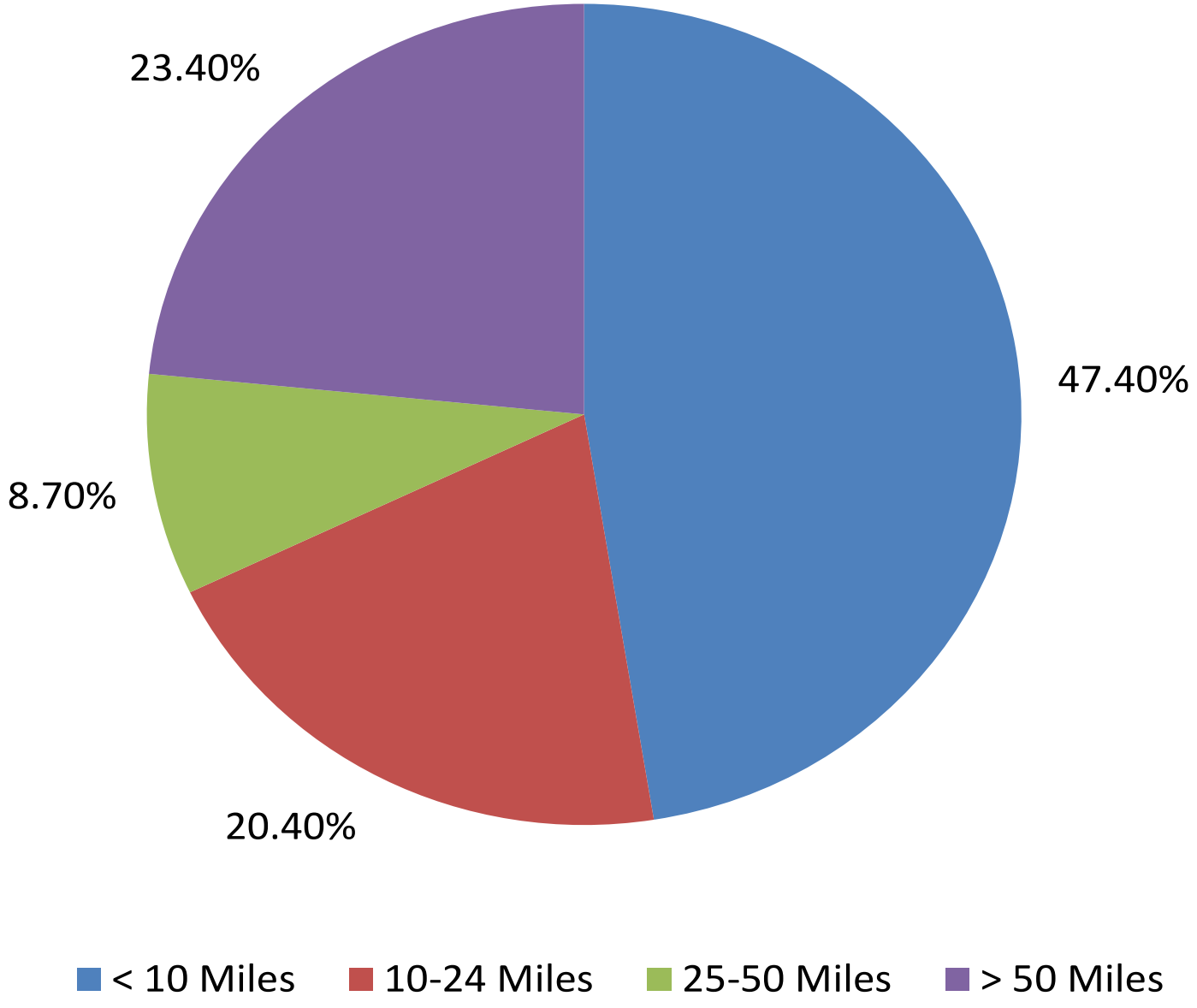
Age


Median Age
1990 to 2017
40.0
35.0
30.0
25.0
20.0
1990
2000
2010
Projected 2017
Boone
Watauga
North Carolina

Inflow/Outflow Job Counts - 2010

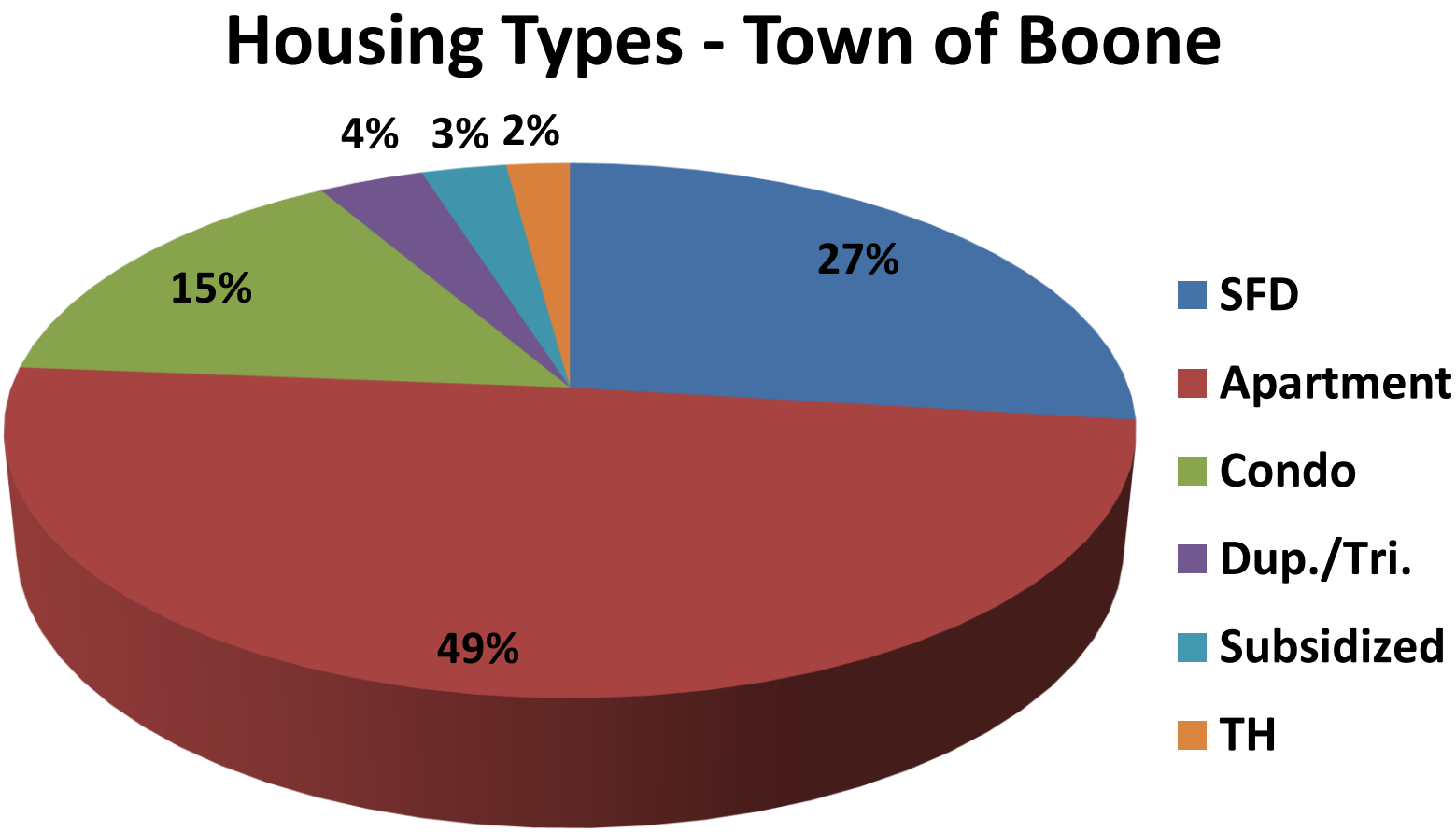


Commuting Distances to Boone



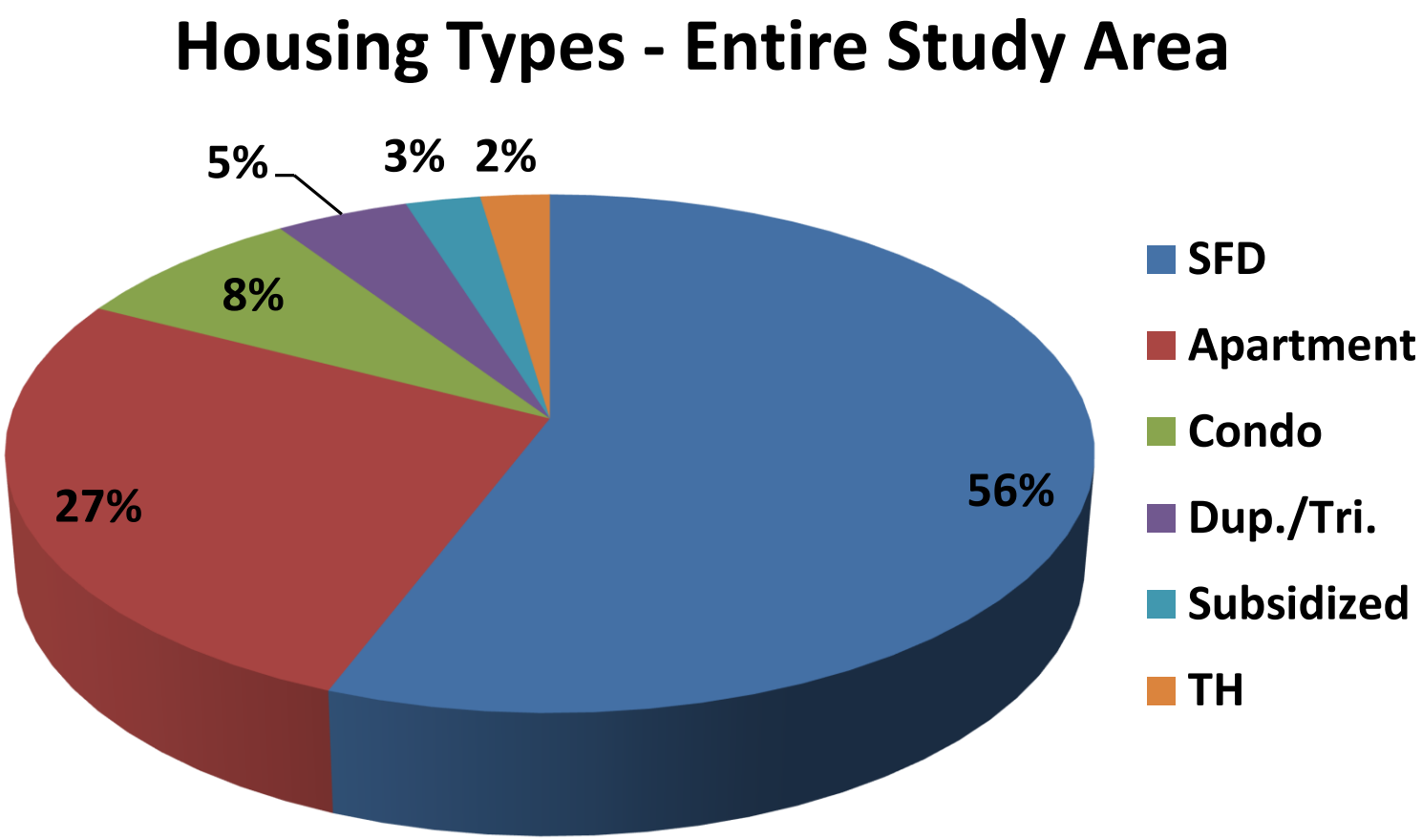
Housing Market Analysis

Housing Inventory



Based on approximately 5,550 residential units

Housing Inventory



Based on approximately 11,500 residential units

Housing Supply Methodology

- **Identify owner occupied housing**
- **Identify rental housing**
  - Purpose built and marketed to students
  - Apartment rentals
  - Condo rentals
  - Townhouse and house rentals
    - Student rentals
    - Non-student rentals
    - Vacation homes

Housing Demand Methodology

- **Quantify student demand**
- **Quantify conventional resident/worker demand (non-student)**
- **Quantify second home/vacation demand**

Student Housing Characteristics

- **Demand in 2012 was 15,925 beds**
  - 98.5% of Main Campus enrollment
- **Study area supply in 2012 is estimated based on the following:**
  - 5,684 on-campus beds
  - 7,556 documented off-campus beds actively marketed to students
  - 206 duplex, triplex, mixed-use absentee owner beds
  - 879 condo absentee owner beds
  - 792 apartment beds not actively marketed (based on 396 units in property tax database built before 1983)
  - 3,000-plus SFD/TH absentee owner beds (calculated based on a total of 3,070 absentee owner SFD/THs assessed below $350K x 40% x 2.5 beds/dwelling)
- **Total estimated potential 2012 student housing supply: over 18,000 beds**

Student Housing Characteristics

- **SFD absentee owner beds estimation methodology:**
  - There are 3,676 absentee owner SFD/TH units in the study area
  - There are 3,070 absentee owner SFD/TH units assessed at less than $350K
  - We conservatively estimate that 40% of the 3,070 units could be available for rent by students
  - The largest samples of SFD/TH units for rent fall into the 2-3 bedroom range, therefore 2.5 bedrooms per unit is used as a multiplier

	Average Rents		Sample
HOUSES FOR RENT	Per Unit	Per Bed	Size
Efficiency	$0	$0	0
1 Bedroom	$685	$685	3
2 Bedroom	$777	$389	15
3 Bedroom	$1,000	$333	19
4 Bedroom	$1,550	$388	7
5 Bedroom	$1,500	$300	1

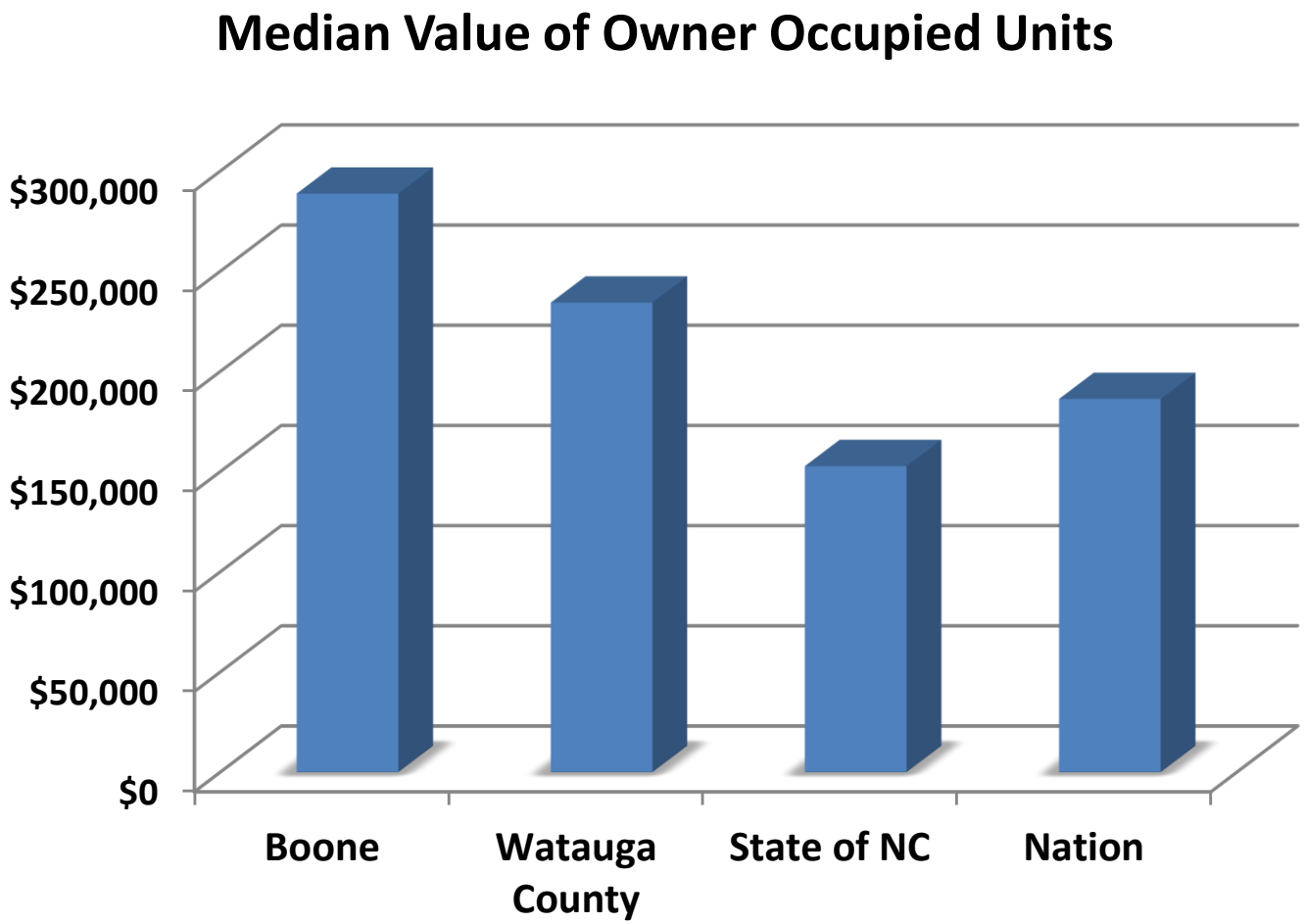
Student Housing Characteristics

- **ASU projects enrollment increasing by 443 Main Campus students between 2012 and 2020**
- **There are 1,634 multi-family bedrooms in the development pipeline:**
  - Under construction:
    - 72 apartment units (210 beds)
    - Cottages (894 beds)
  - Vested:
    - 77 apartment units (164 beds)
    - 42 condo units (126 beds)
    - 50 townhouses (150 beds)
  - Pending application:
    - 48 apartment units (72 beds)

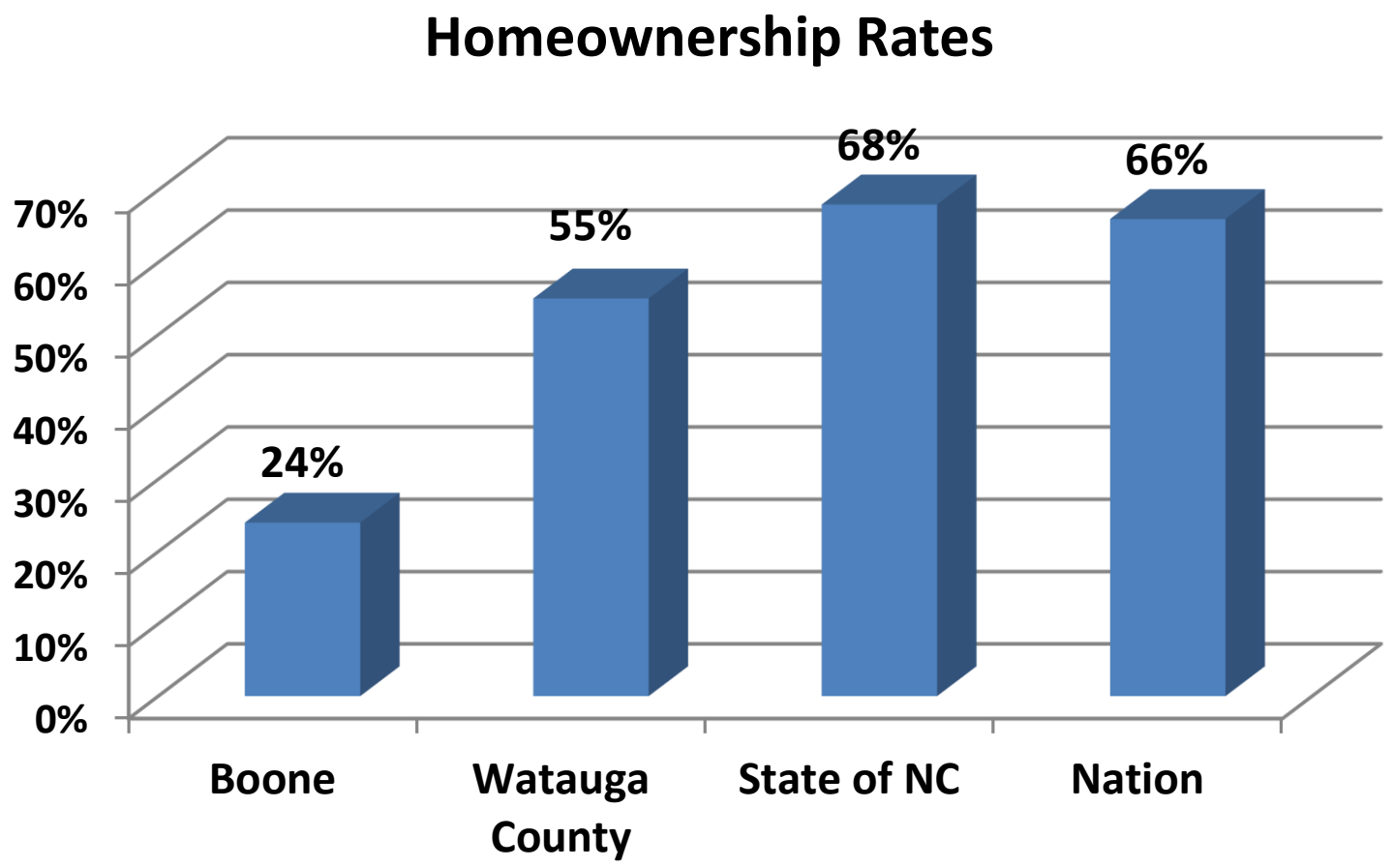
Student Housing Implications

- **Supply exceeds demand by over 2,000 beds**
- **Supply is increasing**
- **New product offers amenities and is positioned to compete with older product, not necessarily other new projects**

Owner Occupied Housing Profile



Owner Occupied Housing Profile



Housing Sales Trends

2010 – 2013 MLS Activity for Boone, Brushy Fork, New River

	Single Family	Condo/ Townhouse	Duplex	Triplex/ Quadplex
Sold	375	118	10	2
Avg. Sales	$254,675	$172,971	$181,450	$427,500
Avg. Days	203	221	200	116
% of List	90.9%	93.6%	86.9%	95.1%

Housing Sales Trends

March 2013 Boone area SFD listings

Price Range	Units
$0-$100K	10
$100K - $200K	87
$200K - $300K	***145***
$300K - $400K	83
$400K - $500K	46
$500K - $600K	31
$600K - $700K	23
$700K - $800K	9
Over $800K	47

Housing Financial Parameters

- **Although some multi-family projects are positioned to attract non-students, student market dynamics drive rents**

MARKET-RATE APARTMENTS			
	Average Rents		Required
Unit Type	Per Unit	Per Bed	HH Income
Efficiency	$598	$598	$25,629
1 Bedroom	$602	$602	$25,800
2 Bedroom	$888	$444	$38,057
3 Bedroom	$1,641	$547	$70,329
4 Bedroom	$1,999	$500	$85,671
5 Bedroom	$2,813	$563	$120,557

Housing Financial Parameters

- **Condominium market is newer than SFD, and commands higher rents**
  - Condominiums were purpose built to target students
- **Median Household Incomes:**
  - Boone: $18,668*
  - Watauga County: $34,497
  - State: $46,927
- **85% of MHHI**
  - Boone: $15,868
  - Watauga County: $29,322
  - State: $39,887

	Average Rents Per Unit	Required HH Income
CONDOMINIUMS FOR RENT		
Efficiency	N/A	
1 Bedroom	622	$26,657
2 Bedroom	916	$39,257
3 Bedroom	1,355	$58,071
4 Bedroom	1,660	$71,143
5 Bedroom	N/A	
HOUSES FOR RENT		
Efficiency	N/A	
1 Bedroom	685	$29,357
2 Bedroom	777	$33,300
3 Bedroom	1,000	$42,857
4 Bedroom	1,550	$66,429
5 Bedroom	1,500	$64,286

**Heavily skewed by low student incomes*

Housing Financial Parameters

- **Median value of owner occupied units:**
  - Boone: $288,700
  - Watauga Co: $234,300
- **An approximate minimum household income of $60,000 is necessary to carry a $288,700 mortgage (4%, 30 years)**
- **An approximate minimum household income of $48,000 is necessary to carry a $234,300 mortgage (4%, 30 years)**

Affordability Analysis

Affordability Thresholds

Income	FHA Ownership Thresholds		Cost Threshold
	Fee Simple	Condominium	
$35,600	$150,000	$129,500	$890
$59,400	$250,000	$229,700	$1,490
$83,100	$350,000	$329,800	$2,080

Resident Household Demand

	DEMAND	
Income	Households	Percent
Under $35,600	2,704	38.3%
$35,600 to $59,400	1,592	22.6%
$59,400 to $83,100	929	13.2%
Over $83,100	1,828	25.9%
TOTAL	***7,053***	***100.0%***

Resident Households Supply Surplus/(Shortage)

	DEMAND	SUPPLY				Surplus/
Income	Households [1]	FHA Fee Simple	FHA Condo	Rentals	TOTAL	(Shortage)
Under $35,600	2,704	1,921	544	1,868	4,333	1,629
$35,600 to $59,400	1,592	2,705	299	818	3,822	2,230
$59,400 to $83,100	929	1,291	66	783	2,140	1,211
Over $83,100	1,828	1,041	11	466	1,518	(310)
TOTALS	***7,053***	***6,958***	***920***	***3,935***	***11,813***	***4,760***

Total Households Supply Surplus/(Shortage)

- **Key shortage is in the under $35,600 income level**
  - 1,889 households are cost burdened
- **Surpluses in $35,600 to $83,100 range most likely reflect supply of student housing**
- **310 households in the over $83,100 income level are cost burdened**

Income	DEMAND Households	SUPPLY FHA Fee Simple	FHA Condo	Rentals	TOTAL	Surplus/ (Shortage)
Under $35,600	6,222	1,921	544	1,868	4,333	***-1,889***
$35,600 to $59,400	1,778	2,705	299	818	3,822	2,044
$59,400 to $83,100	929	1,291	66	783	2,140	1,211
Over $83,100	1,828	1,041	11	466	1,518	***-310***
TOTALS	10,757	6,958	920	3,935	11,813	1,056

Summary
Conclusion

Conclusions

- **Supply of beds available for student rentals currently exceeds demand by an estimated 2,000**
- **Based on an estimated average of 2.5 beds per unit, 800 dwelling units could be vacant or underutilized**
- **There are 1,634 multi-family bedrooms in the development pipeline**
- **By 2020, the oversupply of bedrooms is estimated to range from 3,200 on up**

Conclusions

- **Approximately 1,900 households in the under $35,600 income level are cost burdened**
- **There is latent workforce housing demand from the 3,000-plus workers who commute to Boone over 50 miles**
- **Existing multi-family units that are easily converted to family housing are limited and ownership is fractured**

Conclusions

- **There are currently no natural incentives for developers to build anything other than student housing or second homes in the Boone marketplace**
- **Housing choice will remain elusive without some financial/regulatory intervention by the Town and/or County**
- **Town of Boone must develop an implementation plan**

Next Steps

- **Town of Boone must develop an implementation plan**