



HOUSING MARKET ASSESSMENT EXISTING CONDITIONS

Chapel Hill TOD Planning + UDO Visioning

July 2022



VISION
ECONOMICS
STRATEGY
FINANCE
IMPLEMENTATION

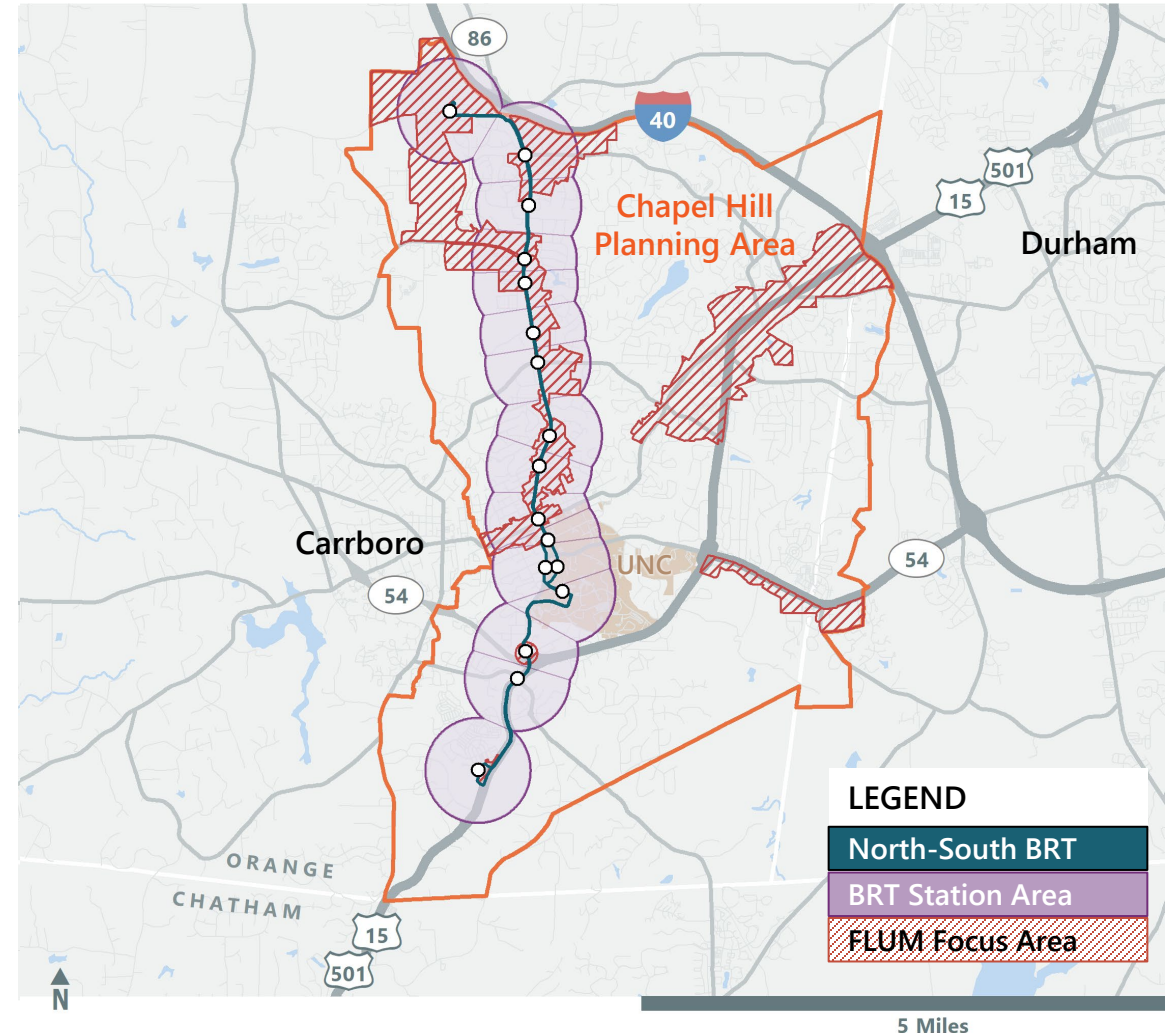
INTRODUCTION

This market assessment will inform Chapel Hill's TOD Planning & UDO Visioning efforts

- The Bus Rapid Transit (BRT) Station and Future Land Use Map (FLUM) Focus Areas, which are defined by the two planning processes, encompass $\pm 50\%$ of Chapel Hill's Planning Area ^[1] population and housing units.

	GEOGRAPHY	POPULATION	HOUSING UNITS
CHAPEL HILL PLANNING AREA ^[1]	27.5 SQ. MI.	66,146	23,712
STATION AREAS / FOCUS AREAS	9.6 SQ. MI.	32,999	11,482
% OF TOTAL	34.8%	49.9%	48.4%

- As part of an existing conditions assessment, SB Friedman analyzed demographic, socioeconomic, and workforce characteristics and trends, at both the regional and local level, as well as the existing housing supply.



[1] Chapel Hill's Planning Area includes areas outside of the current Town boundary.

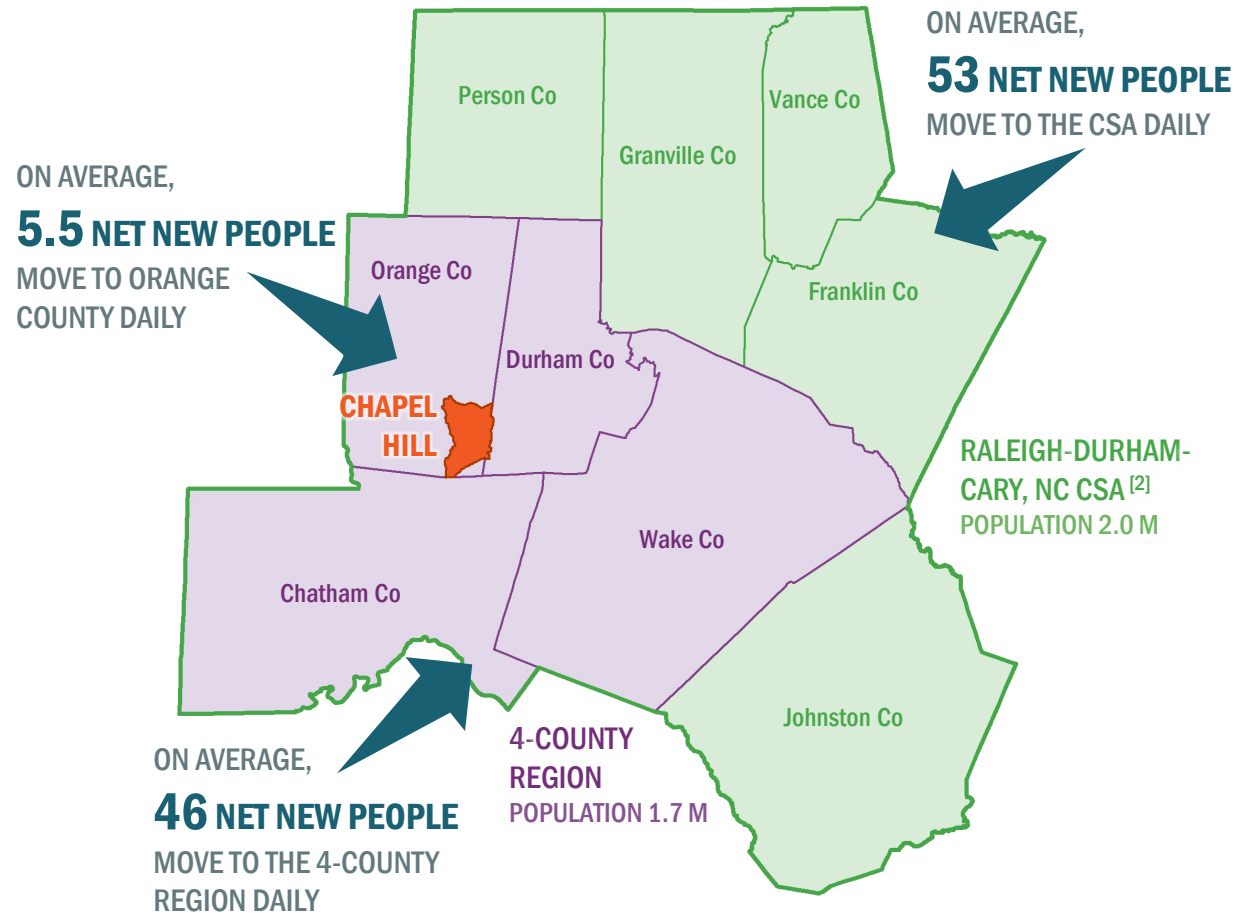
Source: Esri Business Analyst, SB Friedman

DEMOGRAPHIC, SOCIOECONOMIC & WORKFORCE CHARACTERISTICS

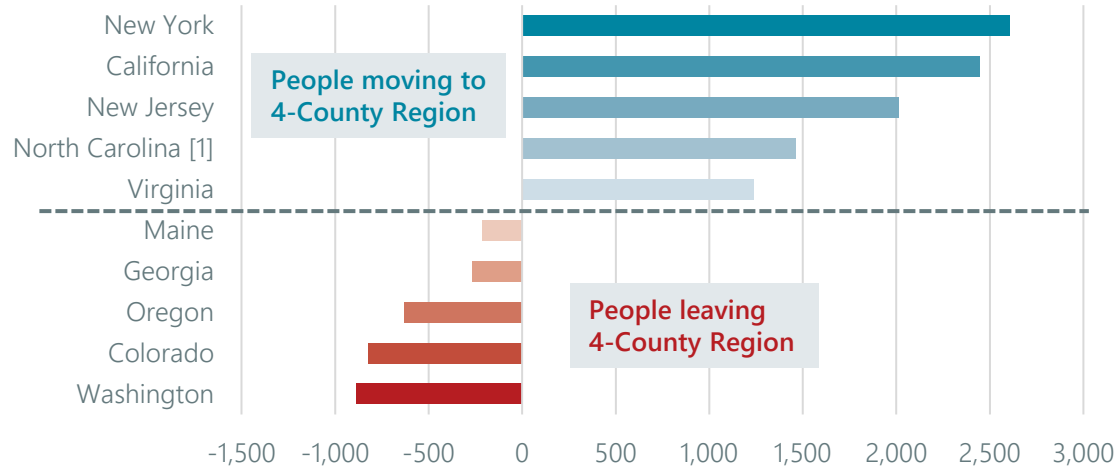
REGIONAL CONTEXT

Chapel Hill is located in a region experiencing significant population growth

- The Raleigh-Durham-Cary, NC Combined Statistical Area (CSA)[2] attracted, on average, 53 net new residents per day between 2015 and 2019.
- Between 2020 and 2021, the CSA had the 9th highest population increase among CSAs nationally.
- New residents are largely arriving from high-cost areas in the Northeast and western regions of the United States.



NET ANNUAL MIGRATION - TOP STATES



[1] Net moves between the 4-County region and the rest of the state.

[2] The Raleigh-Durham-Cary, NC Combined Statistical Area consists of the following counties: Chatham, Durham, Franklin, Granville, Johnston, Orange, Person, Vance, and Wake.

Source: ACS 2019 5-Year Estimates, Esri, SB Friedman

POPULATION GROWTH

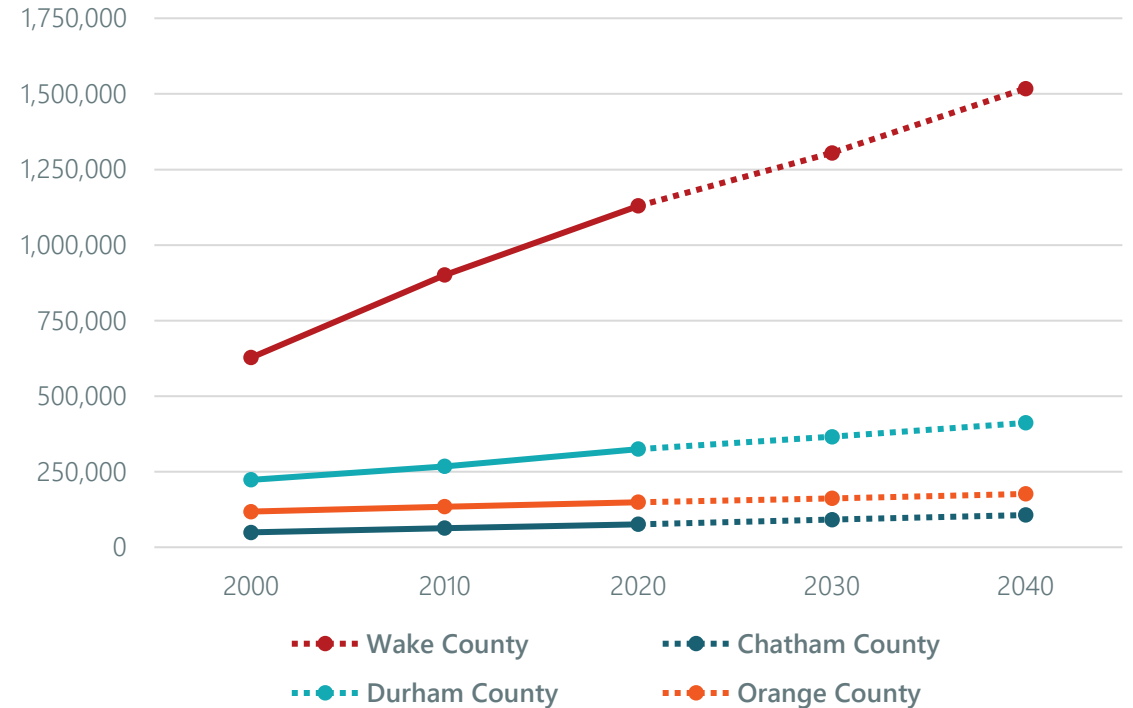
At the 2020 Census, Chapel Hill was home to nearly 62,000 people

- Between 2000 and 2020, the 4-County Region, consisting of Chatham, Durham, Orange, and Wake Counties, grew on average 2.5% annually; Chapel Hill's growth rate has been $\pm 50\%$ of that, or 1.2% per year.
- Over the last 20 years, Chapel Hill captured 2.0% of regional growth; however, state projections are assuming that the Town will capture a higher rate of regional growth over the next 20 years ($\pm 2.7\%$).

Chapel Hill Population (2000)	New Residents (2000-2020)	Chapel Hill Population (2020)	Compound Annual Growth Rate (CAGR)
48,710	+13,250	61,960	1.2%

	Historical 2000-2020 CAGR	Projected 2020-2040 CAGR
Chapel Hill	1.2%	1.0%
4-County Region	2.5%	1.4%
Raleigh-Durham-Cary, NC CSA	2.4%	1.4%

HISTORIC & PROJECTED POPULATION

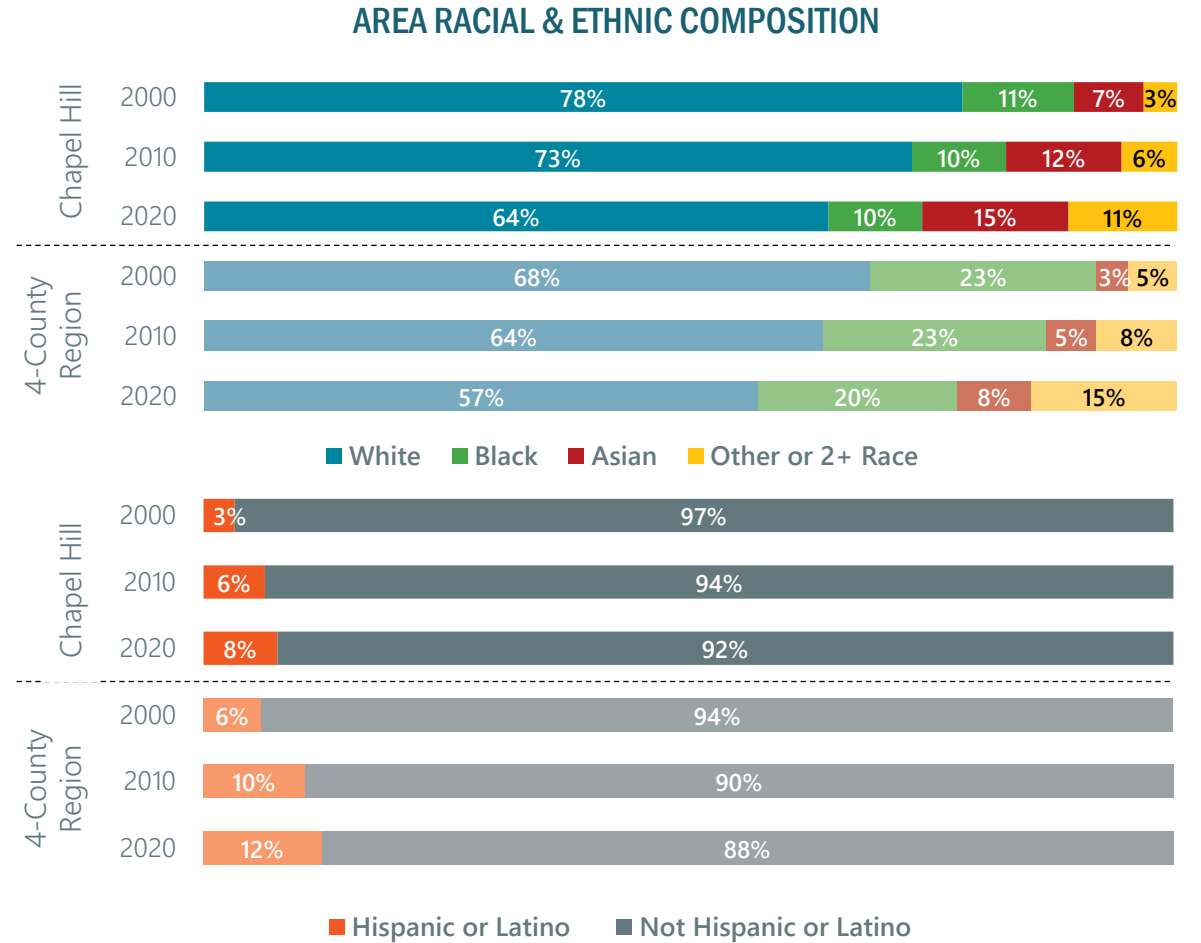


[1] The 4-County Region consists of the following counties: Chatham, Durham, Orange, and Wake. Source: Decennial Census, North Carolina Office of State Budget and Management (NC OSBM)

RACIAL & ETHNIC COMPOSITION

Chapel Hill is less diverse than the 4-County Region, but is becoming more diverse

- Between 2000 and 2020, Chapel Hill became more diverse. In 2000, Chapel Hill was 78% white alone; that number is now closer to 64%.
- Growth is largely in people who identify as Asian or of 2 or more races.
- The share of Chapel Hill residents who identified as Hispanic or Latino also grew from 3% in 2000 to 8% in 2020.
- Chapel Hill continues to be less diverse than the 4-County Region overall.



[1] Other or 2+ Race category includes respondents that marked more than one race or a race other than the ones above. This category also includes people identifying as American Indian or Alaska Natives.

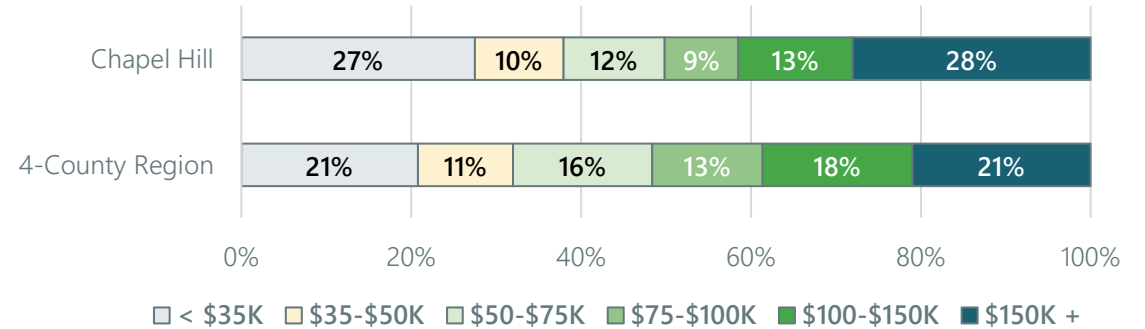
Source: Esri, Decennial Census

EDUCATIONAL ATTAINMENT & HOUSEHOLD INCOME

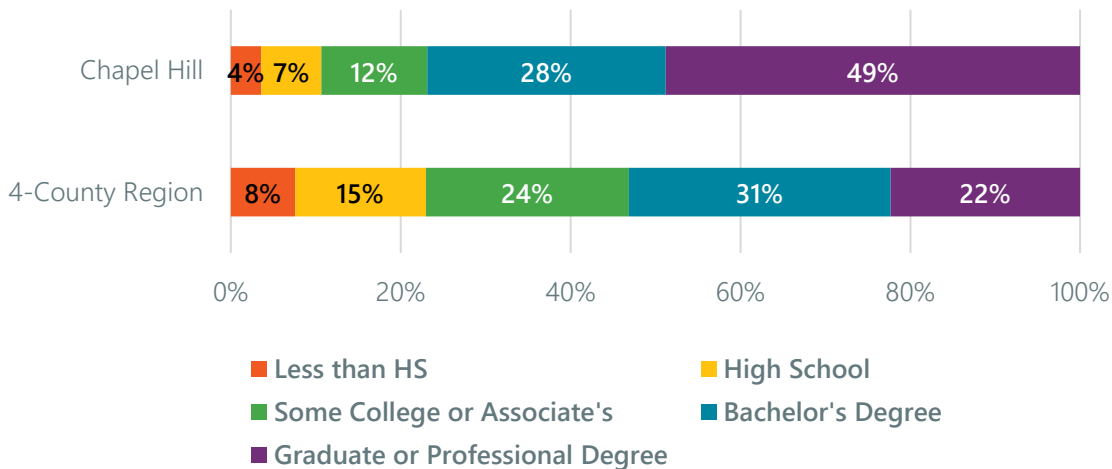
In aggregate, Chapel Hill residents are highly educated with a high median household income

- As of 2020, 77% of Chapel Hill's adult population (age 25+) held a bachelor's degree or higher and the median household income was \$75,249.
- There are a high number of lower-income households in Chapel Hill where the householder is under 25; this is driven in-part by the presence of UNC and its large student body.
- There are also a high number of households earning \$150,000+, particularly in the family years (age 35-54).

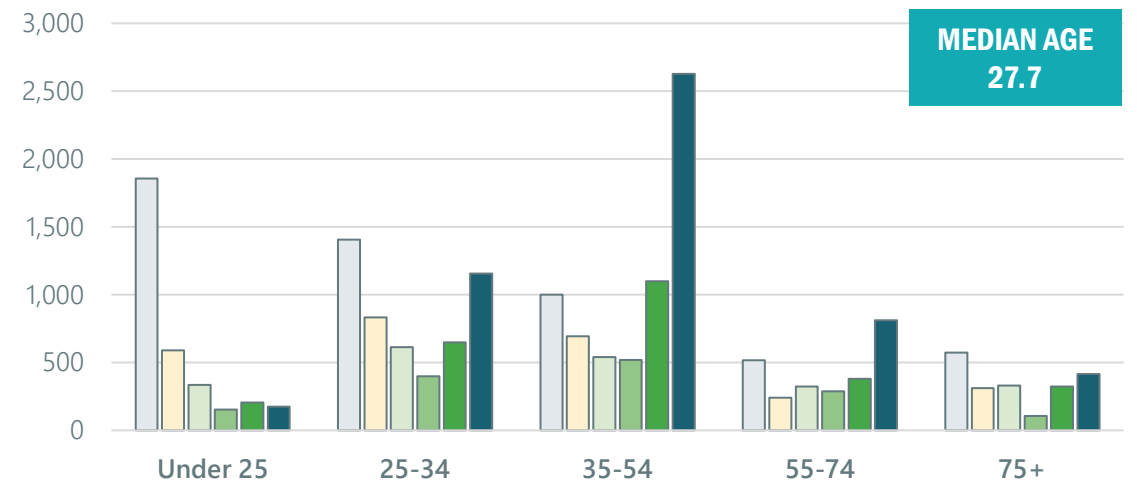
HOUSEHOLD INCOME DISTRIBUTION



ADULT EDUCATIONAL ATTAINMENT



CHAPEL HILL HOUSEHOLDS BY AGE & INCOME



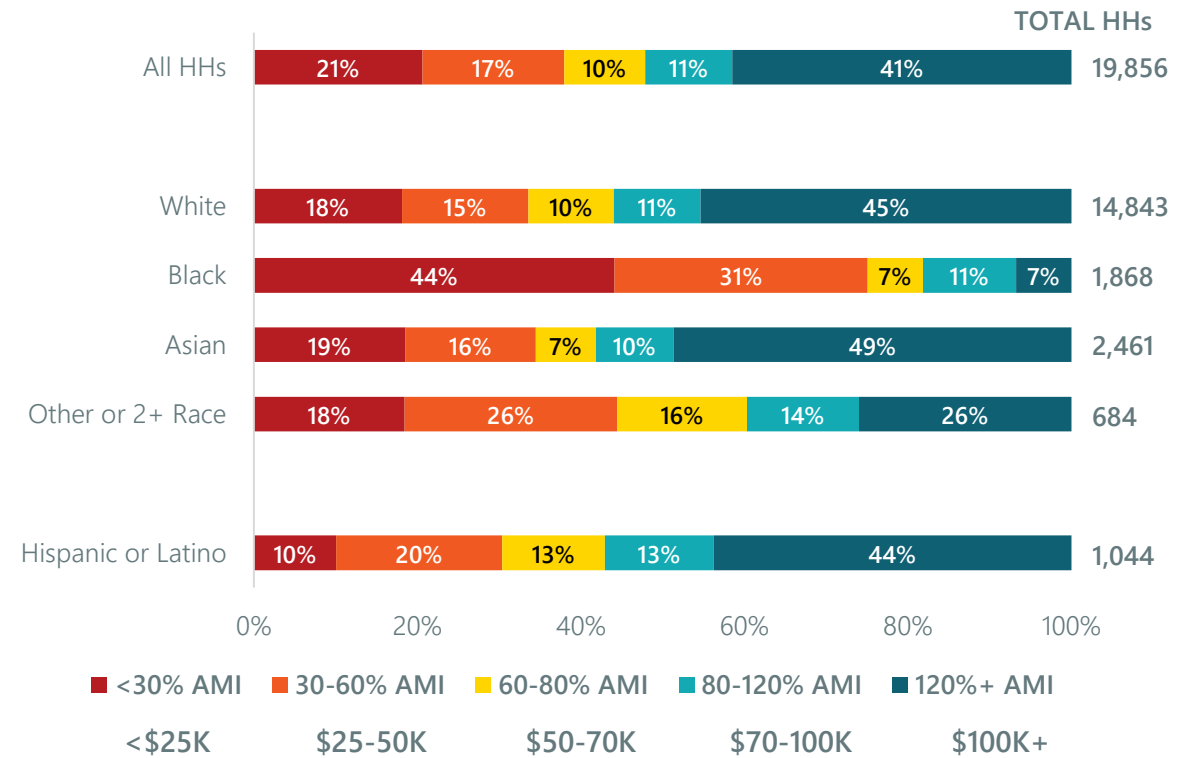
Source: ACS 2020 5-Year Estimates
SB Friedman Development Advisors

HOUSEHOLD INCOME

38% of Chapel Hill households earn 60% or less of the area median income (AMI)

- Income inequalities by race are evident in Chapel Hill.
- 75% of Black households earn 60% or less of the area median income (AMI).
- 44% of households identifying as of 2+ races, or American Indian or Alaska Native earn 60% or less of AMI.
- White, Asian, and Hispanic or Latino households show comparable income distributions.

CHAPEL HILL HOUSEHOLD INCOME BY RACE [1]



[1] AMI categories correspond roughly to 2019 AMI levels for a four-person household (\$84,800 = 100% AMI).

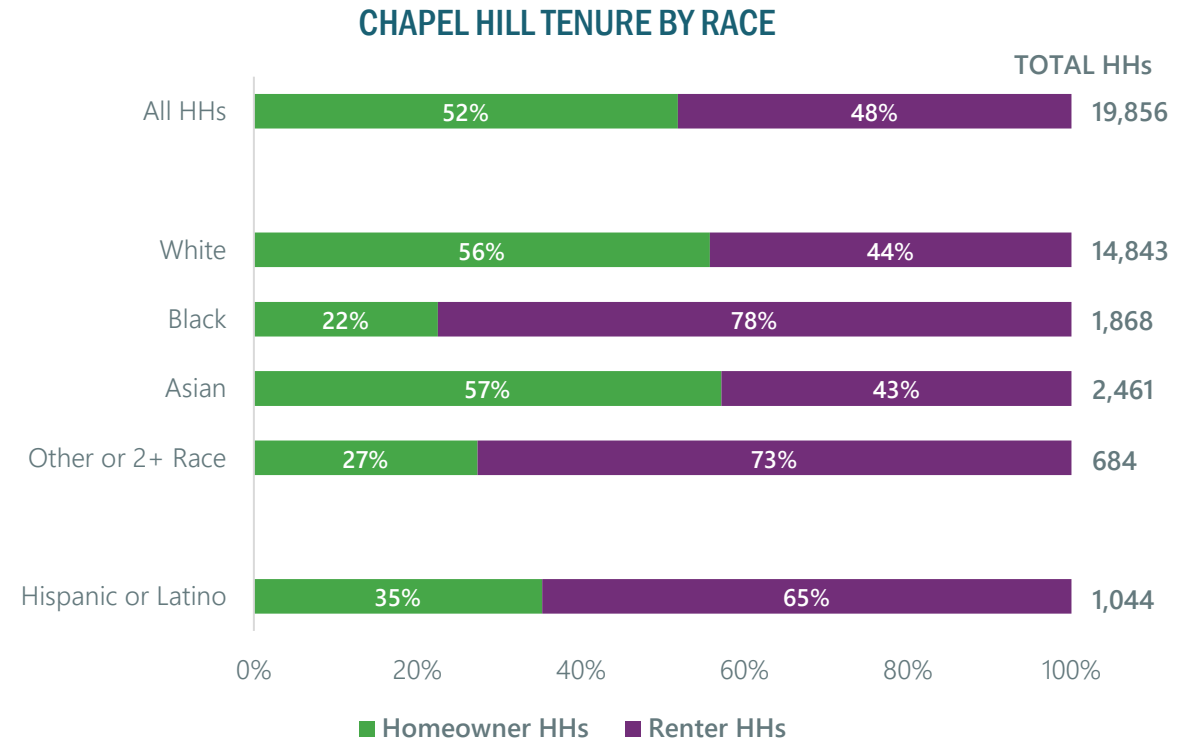
[2] Other or 2+ Race category includes respondents that marked more than one race or a race other than the ones above. This category also includes people identifying as American Indian or Alaska Native.

Source: ACS 2020 5-Year Estimates, SB Friedman

HOUSING TENURE

52% of Chapel Hill households live in homeowner units

- White and Asian households have a higher homeownership rate than Chapel Hill as a whole.
- Relative to White and Asian homeownership, Chapel Hill experiences:
 - A 34-35-point gap in Black homeownership
 - A 21-22-point gap in Hispanic or Latino homeownership



[1] Other or 2+ Race category includes respondents that marked more than one race or a race other than the ones above. This category also includes people identifying as American Indian or Alaska Native.

Source: ACS 2020 5-Year Estimates, SB Friedman

COMMUTING PATTERNS

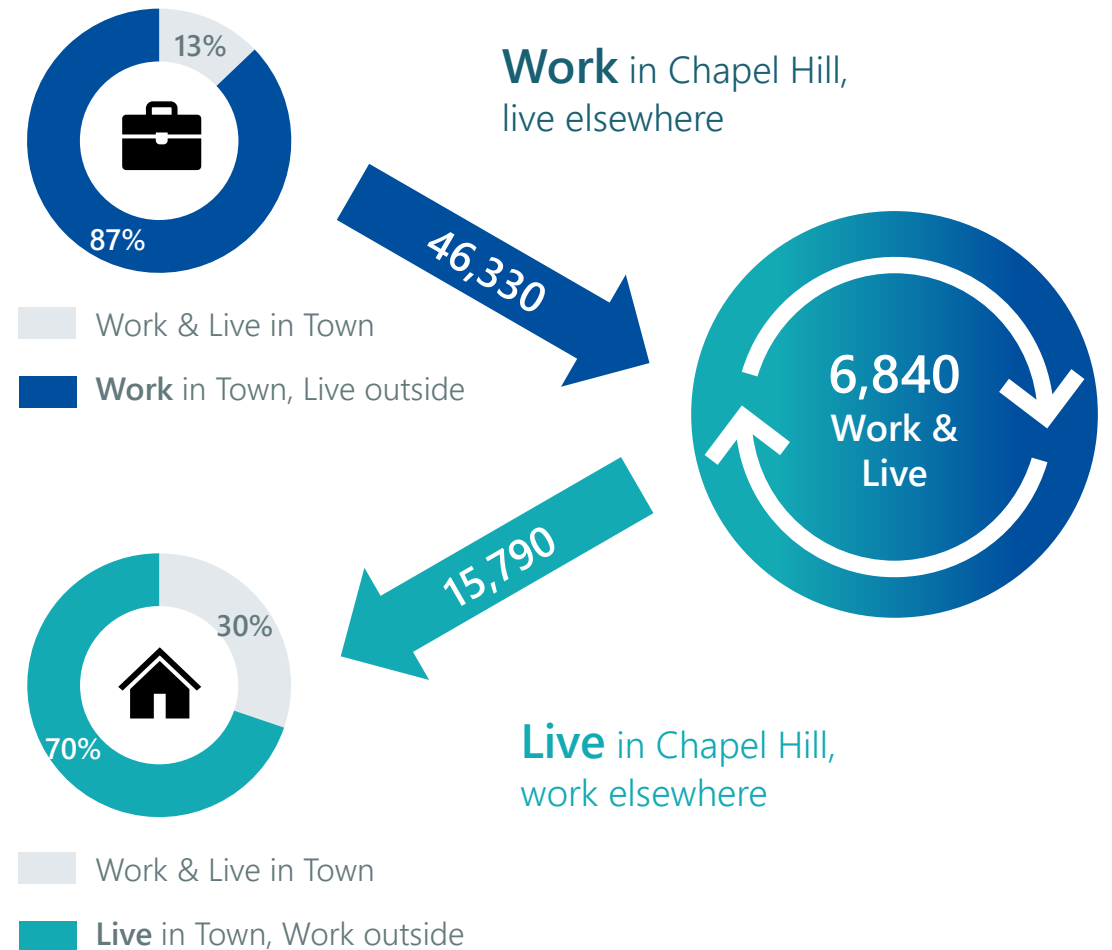
Relatively few people both live & work in Chapel Hill

- Only ±30% of residents live and work in Chapel Hill.
- Chapel Hill workers are commuting in from adjacent areas, while Chapel Hill residents are commuting to a variety of places, including Downtown Durham, the Duke University Medical Center and Research Triangle Park.
- The Town has a very high Jobs to Housing Ratio – 2.24 jobs per housing unit

JOBS-HOUSING RATIO IN REGIONAL CITIES WITH MAJOR UNIVERSITY PRESENCE

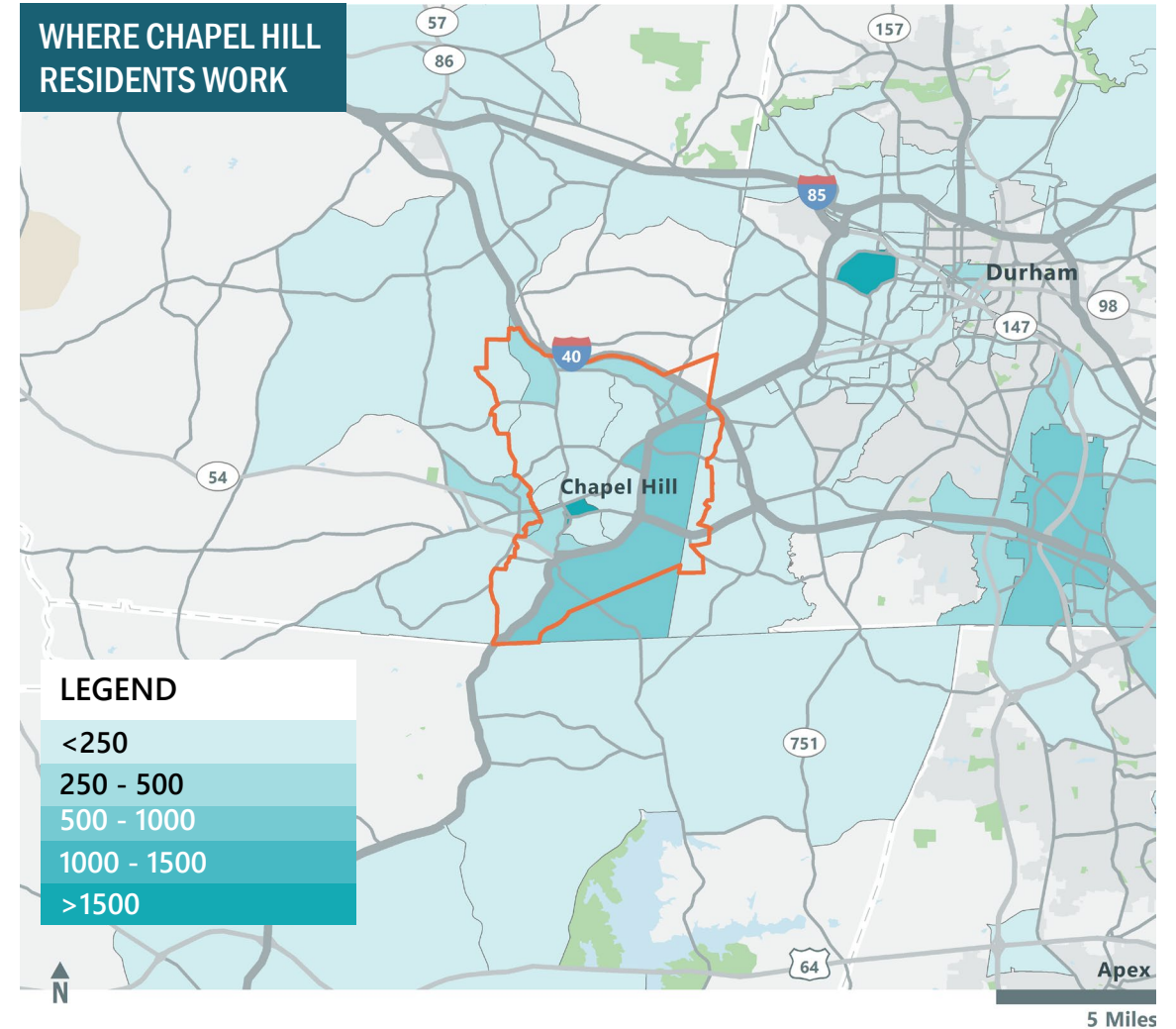
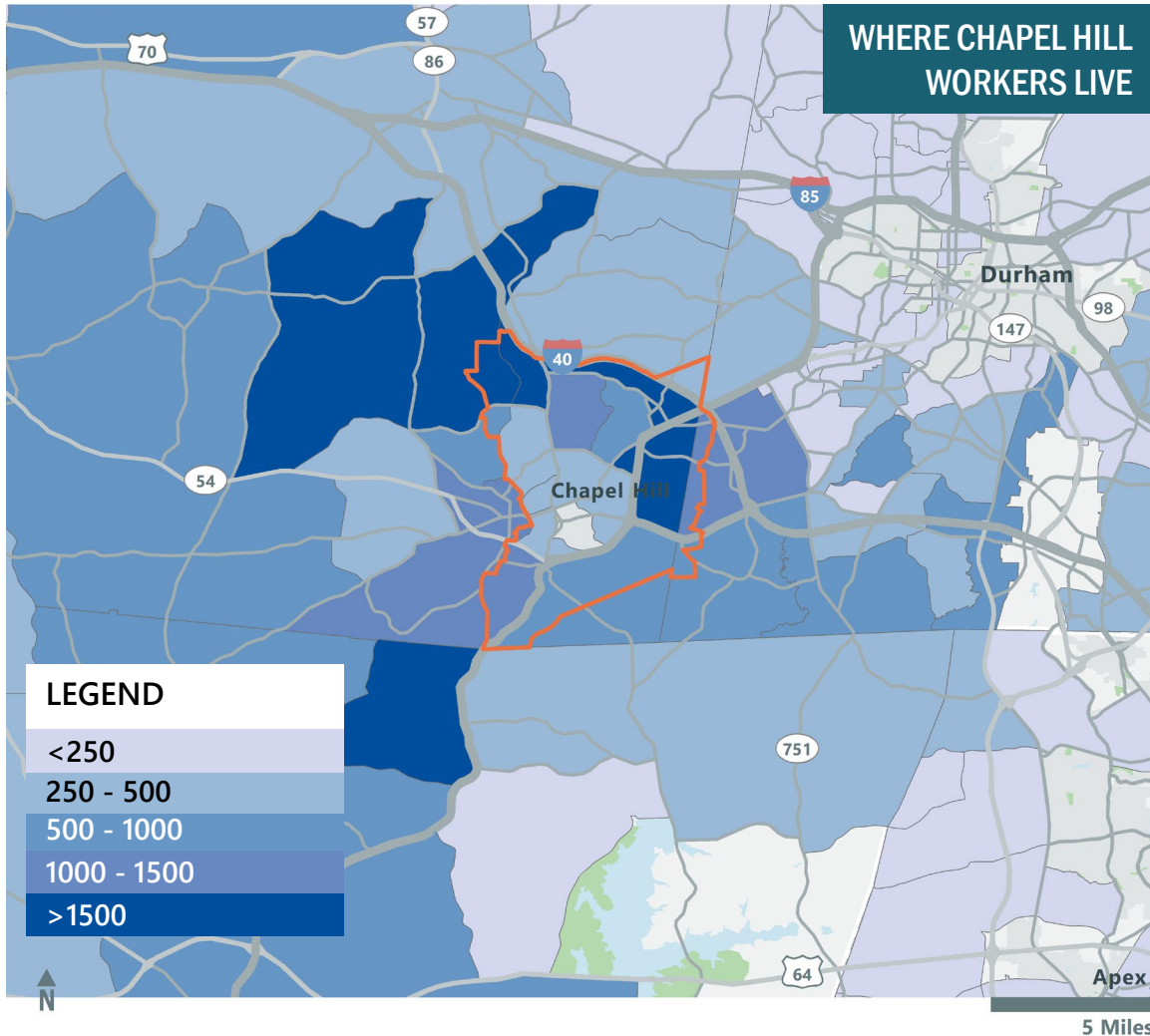
City	University	Jobs-Housing Ratio
Athens, GA	Georgia	1.23
Durham, NC	Duke	1.42
Winston-Salem, NC	Wake Forest	1.43
Raleigh, NC	NC State	1.81
Chapel Hill, NC	North Carolina	2.24
College Park, MD	Maryland	2.32
Greenville, SC	Clemson	3.38

Source: ACS 2019 5-Year Estimates, LEHD, SB Friedman
SB Friedman Development Advisors



COMMUTING PATTERNS

Workers commute from adjacent areas; residents commute to a variety of places



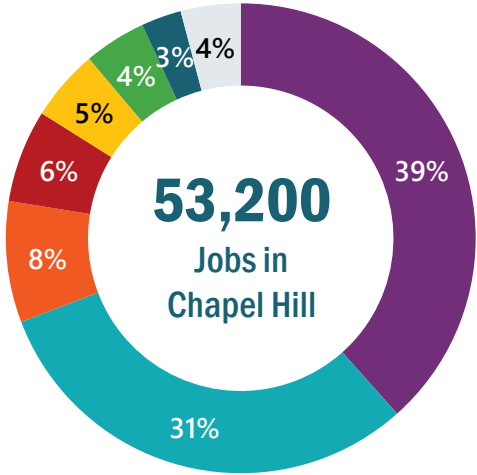
Source: LEHD, SB Friedman
SB Friedman Development Advisors

WORKFORCE COMPOSITION

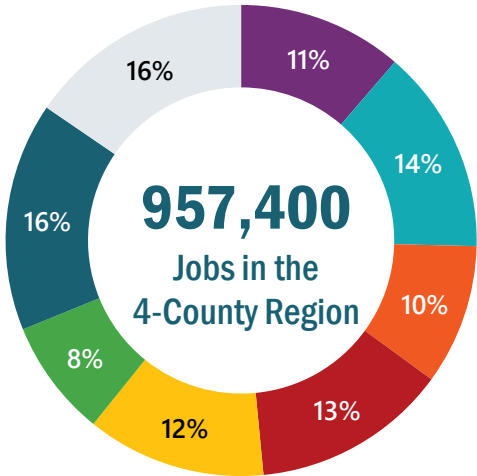
Chapel Hill accounts for 5.6% of the 4-County Region’s total jobs

- 70% of the Chapel Hill workforce is employed in education and health care, while the 4-County Region’s economy is more diversified.
- The ReVive Chapel Hill Recovery & Resiliency Plan (2021) identified Healthcare, Education, Software/IT, and Research as key economic sectors.

	Chapel Hill Jobs	4-County Region Jobs
Education	20,422	108,339
Health Care & Social Assistance	16,373	134,685
Entertainment & Accommodation	4,430	92,357
Wholesale & Retail Trade	3,394	128,796
Management & Professional Services	2,614	117,857
Finance, Insurance & Real Estate	2,275	77,108
Administration	1,467	150,262
Other Sectors	2,191	148,006



- Education
- Health Care and Social Assistance
- Entertainment and Accommodation
- Wholesale and Retail Trade
- Management and Professional Services
- Finance, Insurance and Real Estate
- Administration
- Other Sectors

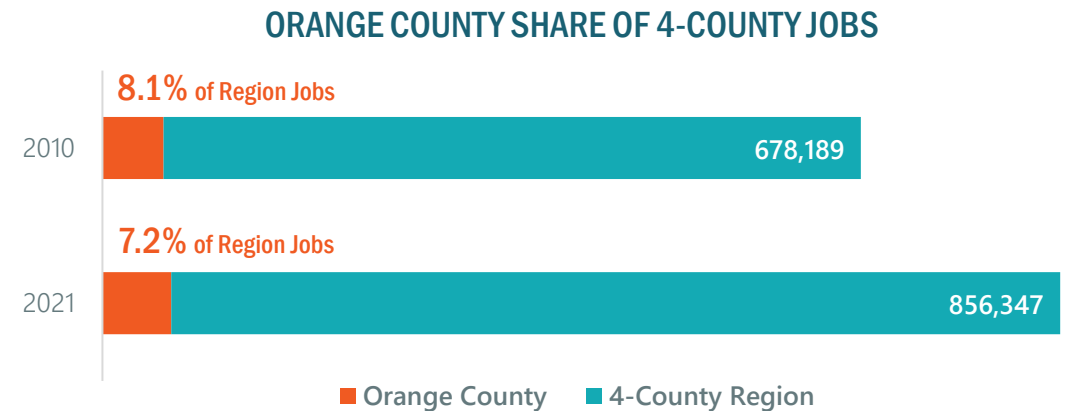
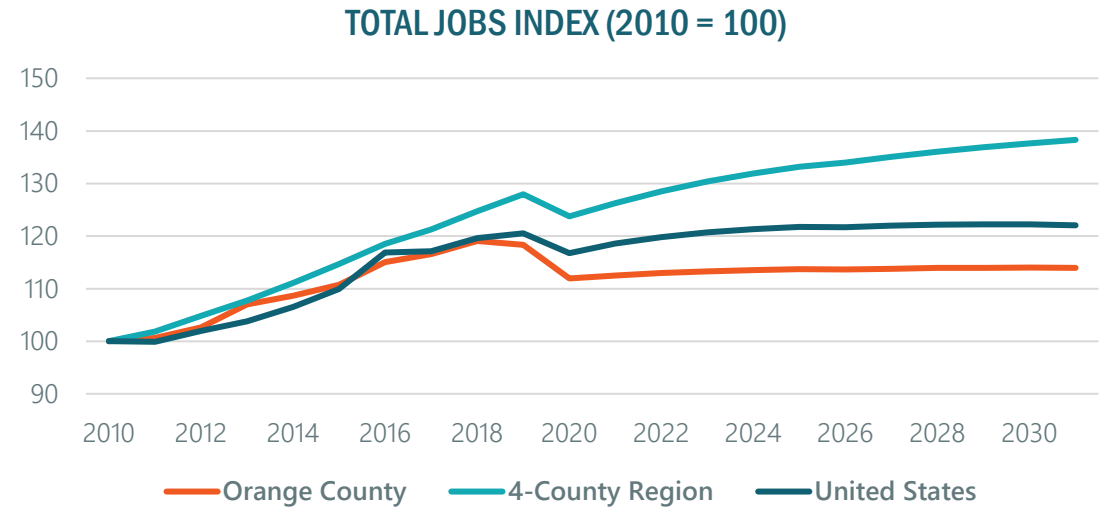


Source: LEHD, SB Friedman
SB Friedman Development Advisors

EMPLOYMENT GROWTH

Recent job growth in Orange County has lagged the region as a whole

- As the 4-County Region continues to grow quickly, Orange County's share of regional jobs is declining.
- However, the Town is undertaking a planning effort to establish downtown as an Innovation District and there is a goal of capturing a greater share of research and development and professional services companies locally.



KEY TAKEAWAYS

Demographic, socioeconomic & workforce characteristics

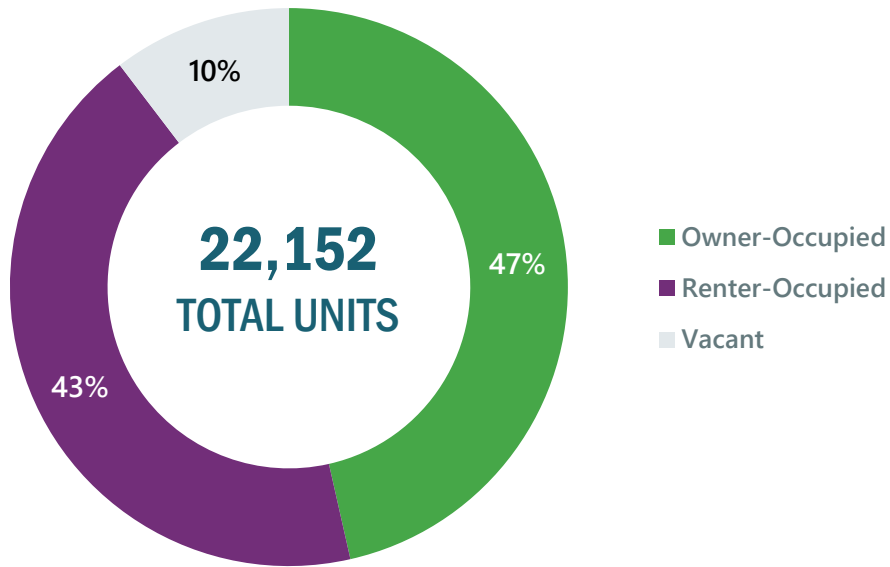
- The 4-County Region is experiencing high population and job growth; however, growth in Chapel Hill and Orange County has lagged.
- The Town's share of the region's population and jobs has decreased over the last two decades.
- Chapel Hill is less diverse than the 4-County Region but is becoming a more diverse community.
- Chapel Hill is highly educated – 77% of adults (age 25+) hold a bachelor's degree or higher.
- The Town's median HH income is high, but is impacted by a high number of low-income, young adult households.
- Income inequalities are evident; 75% of Black households earn 60% of AMI or less, there is also a 34-35-point gap between Black homeownership and white and Asian homeownership
- The Town has a high jobs to housing ratio and relatively few people both live and work in Chapel Hill.
- Chapel Hill's economy is specialized in education and health care, while the region's economy is more diversified.
- An innovation district planning effort is underway and is focused on capturing a greater share (relative to the region) of research and development, and professional services companies locally.

HOUSING CHARACTERISTICS

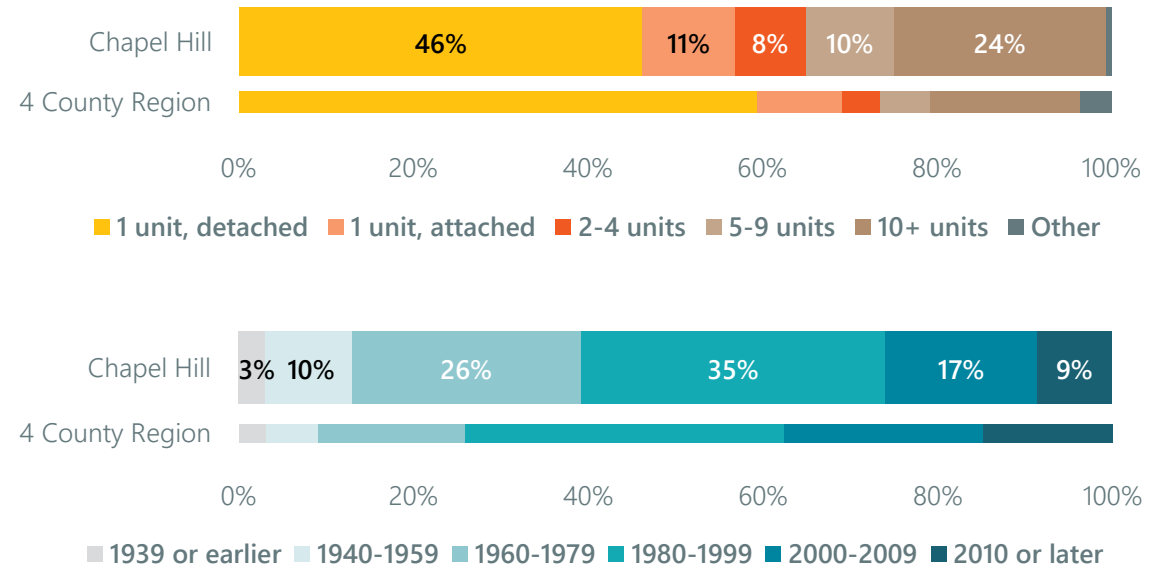
HOUSING TODAY

55% of housing units are single-family, while 46% are owner-occupied

- The presence of UNC has resulted in a relatively even split of both single family and multifamily (2+ unit) homes, and owner-occupied and renter-occupied homes.
- Nearly 40% of existing homes were built between 1980 and 1999, which was the peak period of suburbanization in the United States.
- Less than 25% of the existing housing stock has been built since 2000.



AREA HOUSING STOCK

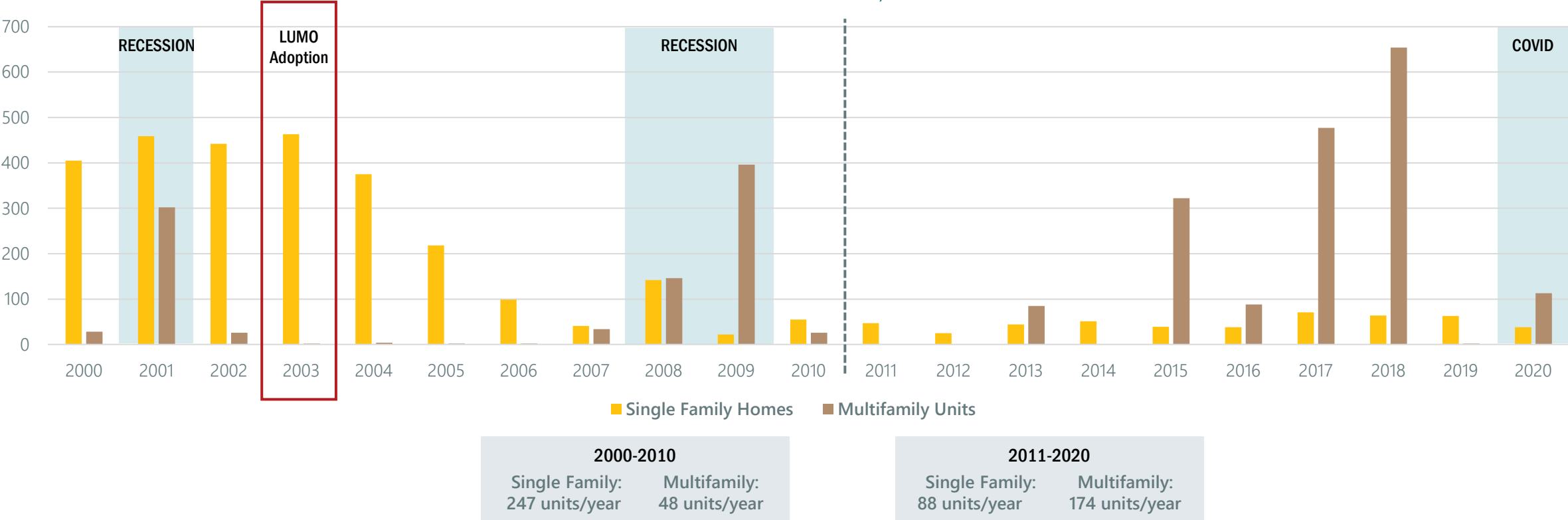


TRENDS IN NEW HOUSING PERMITS

Recent housing production is largely multifamily

- Housing production in Chapel Hill over the last 10 years has been primarily multifamily – permitting on average 174 units per year according to the US Census.
- That is a shift from the early 2000s when there was a much higher level of single-family housing production.

CHAPEL HILL HOUSING PERMITS, 2000-2020



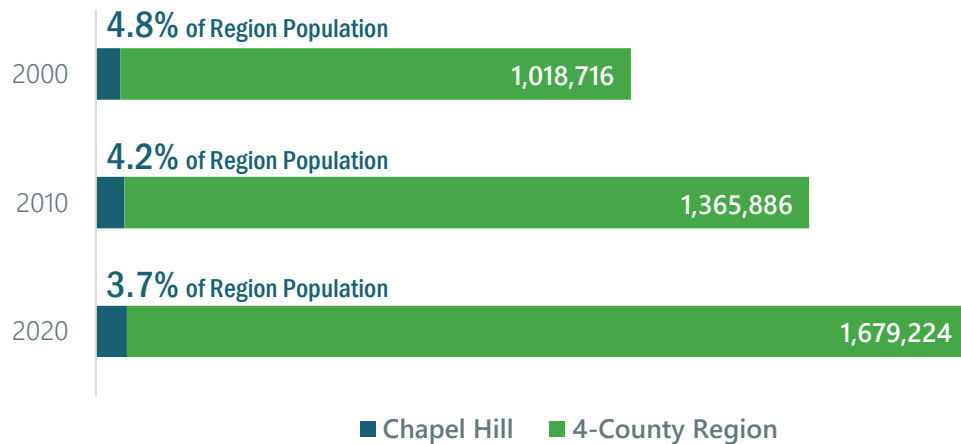
Source: SB Friedman, US Census Building Permits Survey
 SB Friedman Development Advisors

REGIONAL CAPTURE OF NEW HOUSING PERMITS

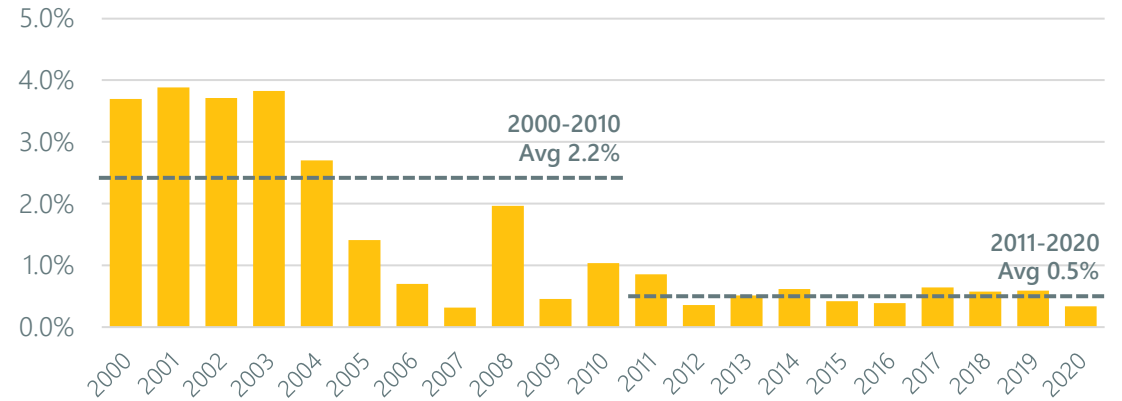
Chapel Hill has been capturing a decreasing share of new housing permits in the region

- The remainder of the 4-County Region is still producing a high number of single-family homes, resulting in a substantial decrease in Chapel Hill's capture of regional single-family housing permits.
- Chapel Hill's capture of multifamily housing permits in the 4-County Region has been somewhat consistent.
- The reduction in single-family housing starts in Chapel Hill is resulting in a decrease of the Town's share of the 4-County Region's population.

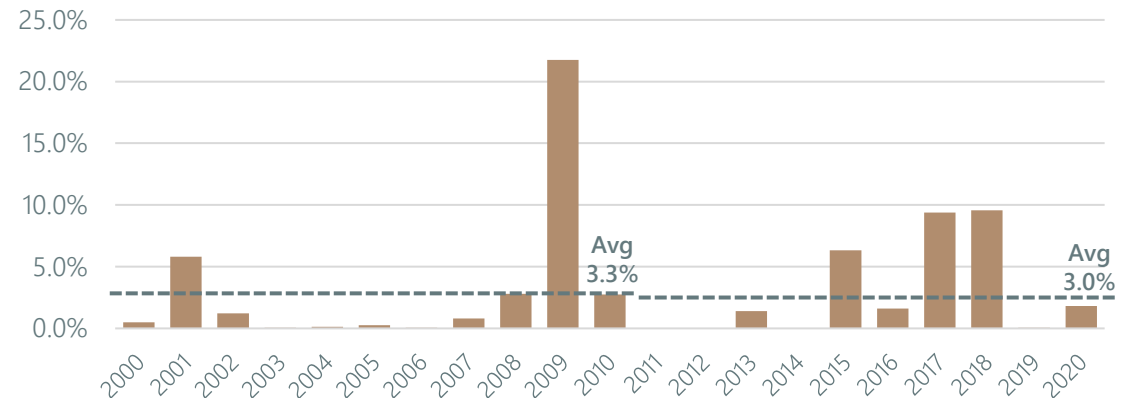
CHAPEL HILL SHARE OF 4-COUNTY POPULATION



ANNUAL CAPTURE OF 4-COUNTY HOUSING PERMITS
SINGLE-FAMILY



MULTIFAMILY

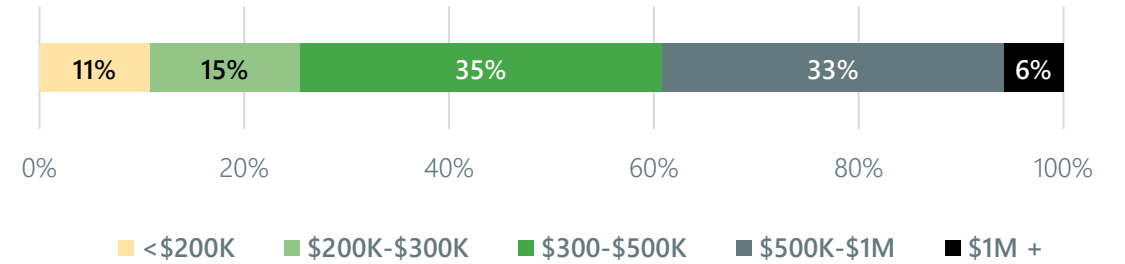


OWNER-OCCUPIED HOUSING

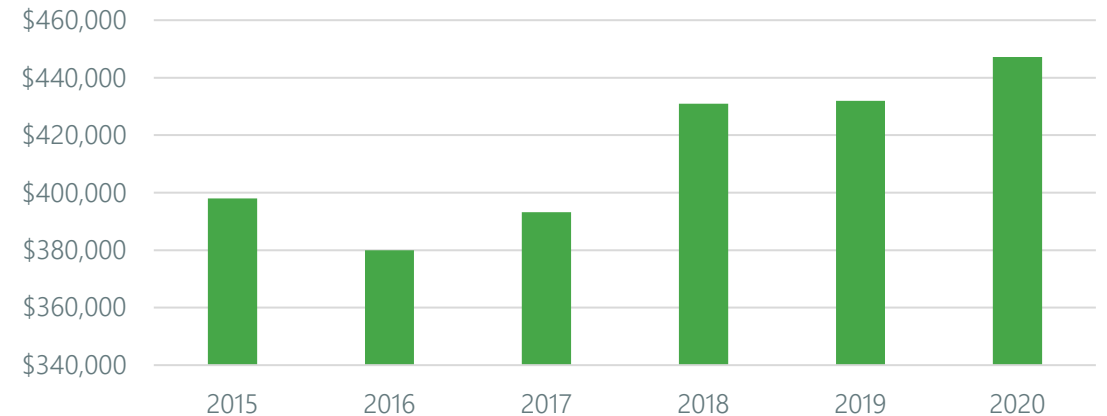
Chapel Hill has a high median home value

- A constrained housing supply is leading to upward pressure on owner-occupied housing costs.
- As of 2020, the median home value was \$435,500; nearly 40% of homes had a value above \$500,000.
- For the median home value to be considered affordable, a household would need to earn ±\$96,200 per year.

CHAPEL HILL OWNER-OCCUPIED HOUSING VALUES



CHAPEL HILL MEDIAN SINGLE-FAMILY HOME SALES PRICE [1]



[1] 2015-2020 data from County Assessors. Includes sales in zoning areas permitting ≤7 dwelling units/acre

[2] Required household income calculation assumes a 10% down payment and homeowner's insurance, mortgage insurance, and PMI payments equal to 10%, 10%, and 1% of monthly payments, respectively.

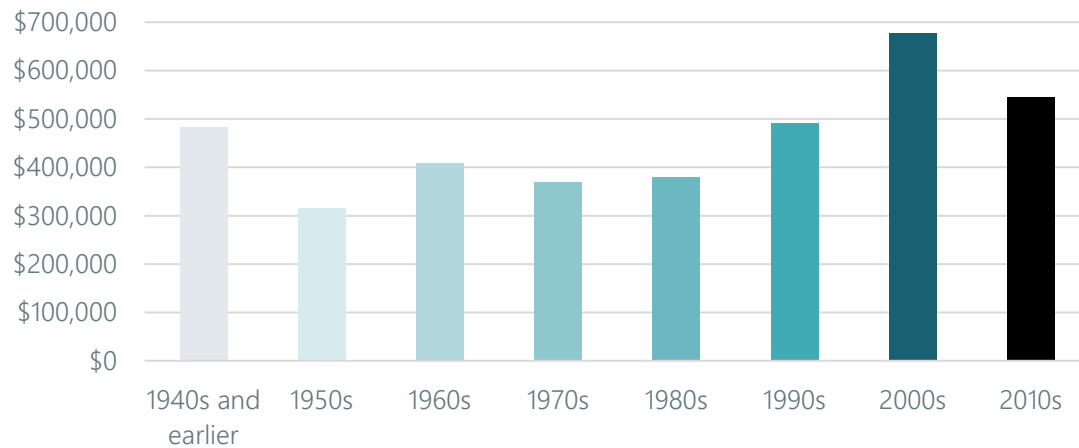
Source: ACS 2020 5-Year Estimates, Durham County, Orange County, SB Friedman

OWNER-OCCUPIED HOUSING

Newer product commands a price premium over older homes

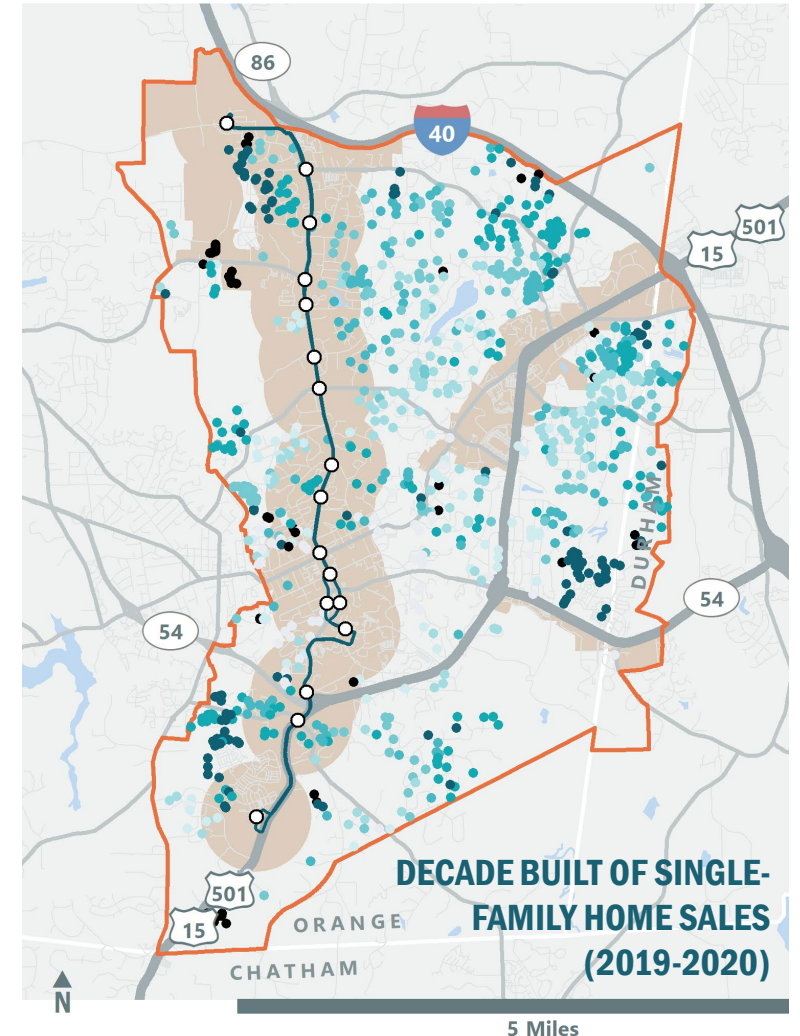
- Older single-family homes are generally more affordable than newer product.
- The most expensive large developments (e.g., Meadowmont) were built between 2000 and 2009.

MEDIAN SALE PRICE BY DECADE BUILT - HOMES SOLD 2019-20



DECADE BUILT

1940s & earlier	1980s
1950s	1990s
1960s	2000s
1970s	2010s

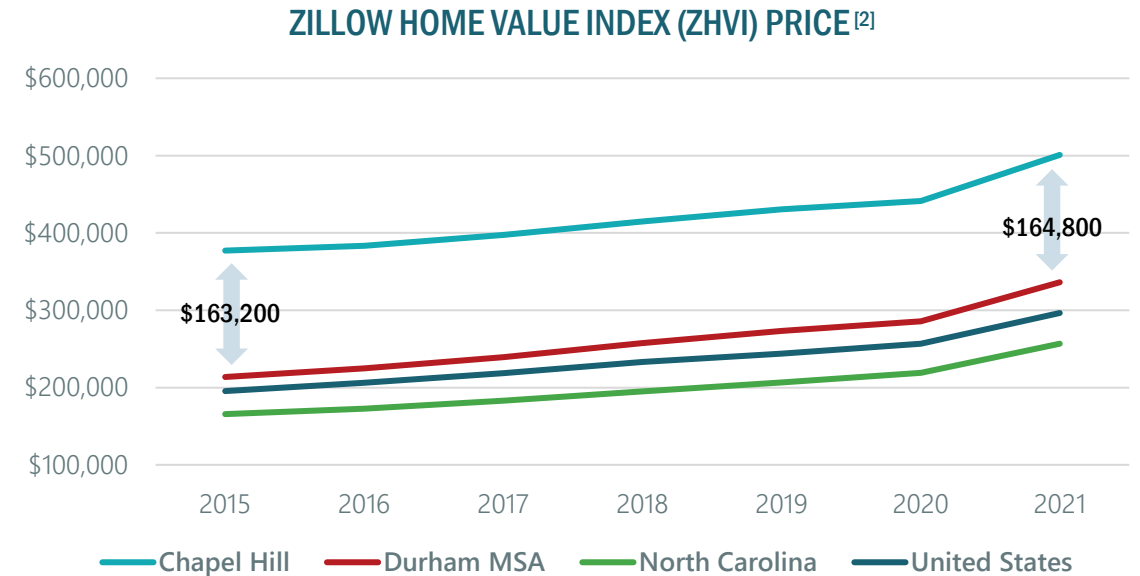


[1] Data from County Assessors. Includes sales in zoning areas permitting ≤7 dwelling units/acre
Source: Durham County, Orange County, SB Friedman, Zillow

OWNER-OCCUPIED HOUSING

Single-family home values in Chapel Hill increased by 33% between 2015 & 2021

- Single family home values in Chapel Hill increased by 14% between 2020 and 2021 alone, while North Carolina and the Durham-Chapel Hill Metropolitan Statistical Area (MSA)^[1] experienced increases of 17-18%.
- However, the typical home value in Chapel Hill is higher than in those comparative geographies.
- The premium in home values in Chapel Hill relative to the state and MSA was similar in both 2015 and 2021.
- As of 2021, the annual income required to afford the typical home value in Chapel Hill is now over \$110,000.
- These increases signal a constrained housing market



	2015 ZHVI Price	2021 ZHVI Price	2015-2021 % Change	Required Income to Afford 2021\$ ^[3]
Chapel Hill	\$377,000	\$501,000	33%	\$110,700
Durham MSA	\$213,800	\$336,200	57%	\$74,300
North Carolina	\$165,700	\$256,700	55%	\$56,700
United States	\$195,600	\$296,600	52%	\$65,500

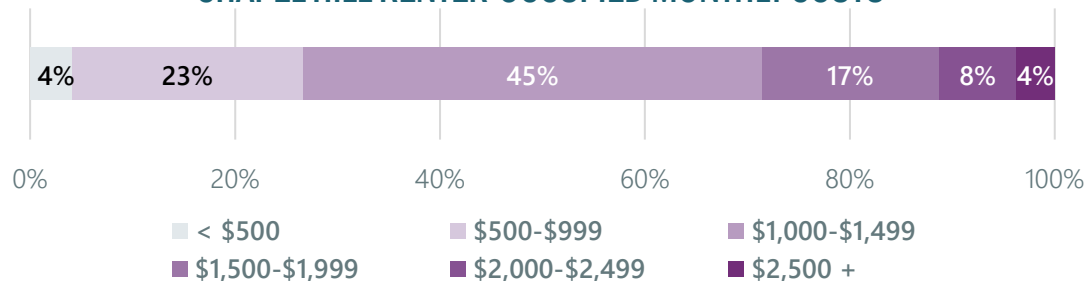
[1] The Durham-Chapel Hill MSA includes Orange, Durham, Chatham, Granville, and Person Counties.
 [2] The Zillow Home Value Index (ZHVI) is a smoothed, seasonally adjusted measure of the typical home value in a given region. It reflects the typical value for homes in the 35th to 65th percentile range.
 [3] Required household income calculation assumes a 10% down payment and homeowner's insurance, mortgage insurance, and PMI payments equal to 10%, 10%, and 1% of monthly payments, respectively.
 Source: SB Friedman, Zillow

RENTER-OCCUPIED HOUSING

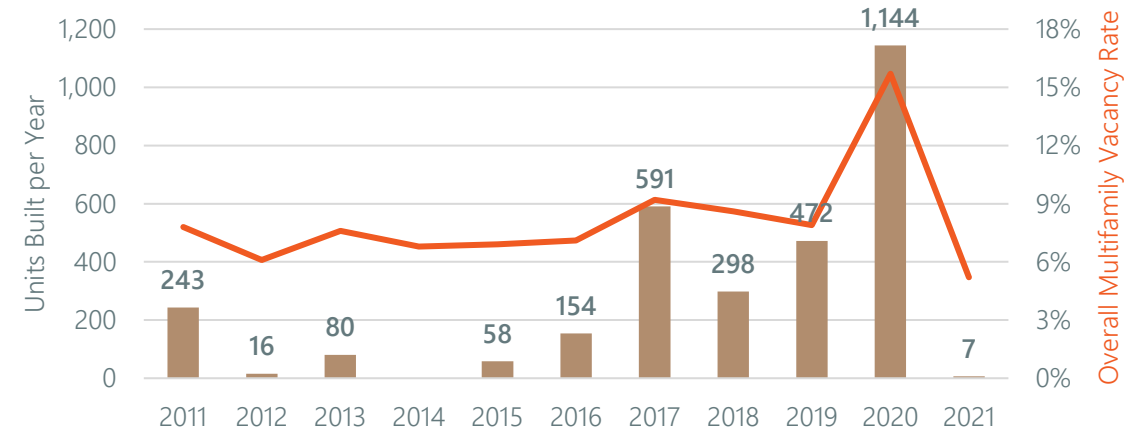
Rental housing statistics indicate a constrained market

- The median rent reported in 2020 by the US Census was \$1,220 in Chapel Hill, which would require an income of nearly \$50,000 to be considered affordable.
- Nearly 30% of renter households pay more \$1,500 per month.
- There has been a high number of multifamily deliveries in recent years; however, new product leases quickly.
- There is a ±\$0.45/SF premium for rental product built since 2000 compared to older stock; however, units of all ages have experienced rent increases over the last decade.
- On average, apartments built since 2011 require an annual income above \$69,000 to be considered affordable.

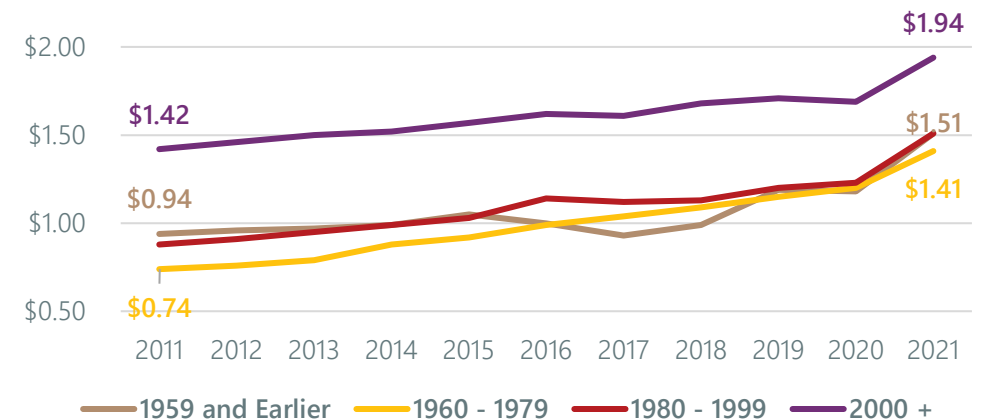
CHAPEL HILL RENTER-OCCUPIED MONTHLY COSTS



MULTIFAMILY UNITS BUILT PER YEAR



EFFECTIVE RENT PER SQUARE FOOT BY YEAR BUILT



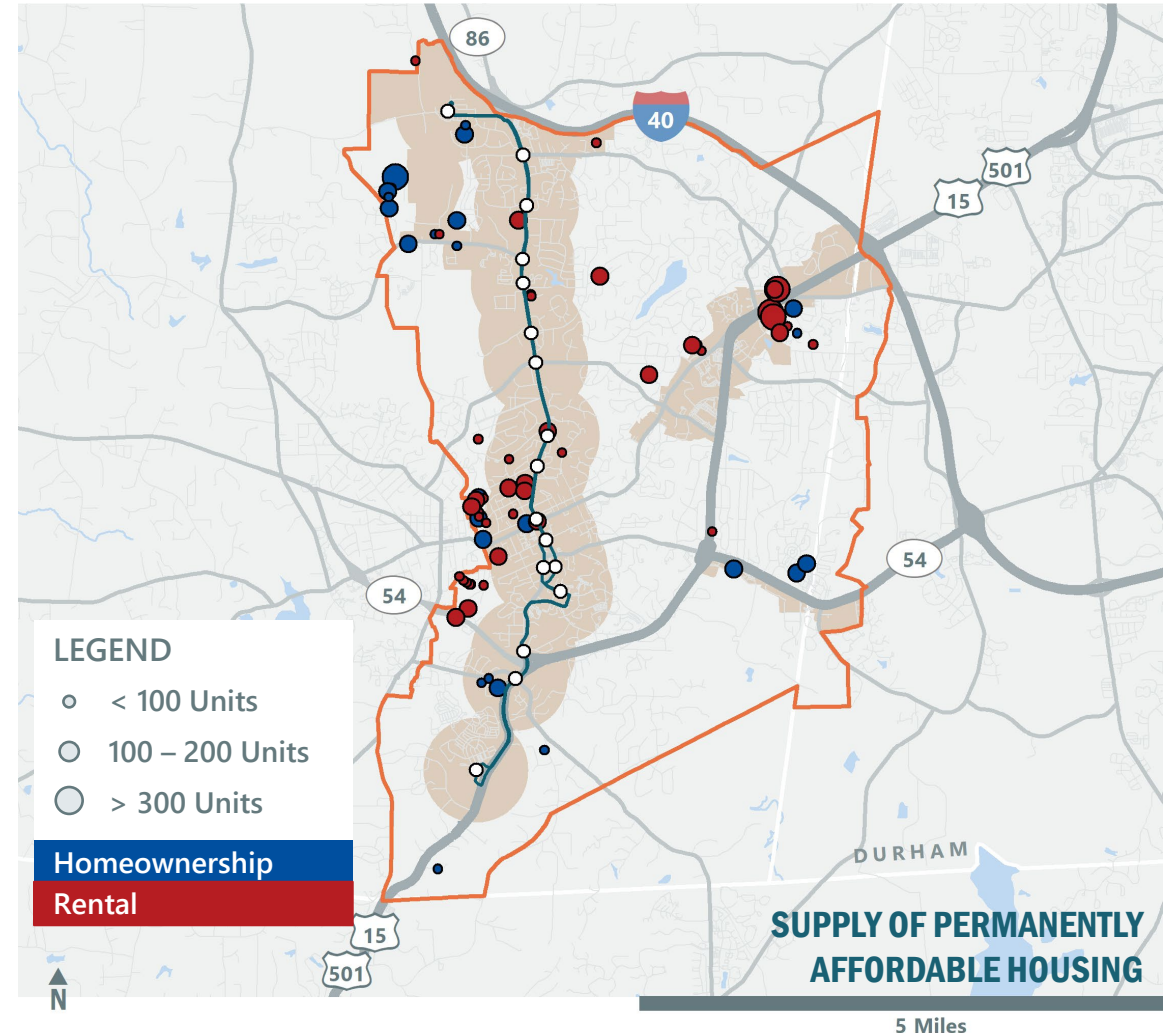
Source: 2020 ACS 5-Year Estimates, CoStar, SB Friedman
SB Friedman Development Advisors

PERMANENTLY AFFORDABLE HOUSING

1,117 permanently affordable units exist in Chapel Hill

- Approximately 51% of permanently affordable units are within the BRT Station and FLUM Focus Areas; many more are just outside the boundaries.
- The majority of units target households earning 60% of AMI or lower and $\pm 70\%$ of the product is rental.

	Homeownership	Rental	Total
<30% AMI	-	456	456
31-60% AMI	155	315	470
61-80% AMI	149	6	155
> 80% AMI	36	-	36
Total Permanently Affordable Units	340	777	1,117



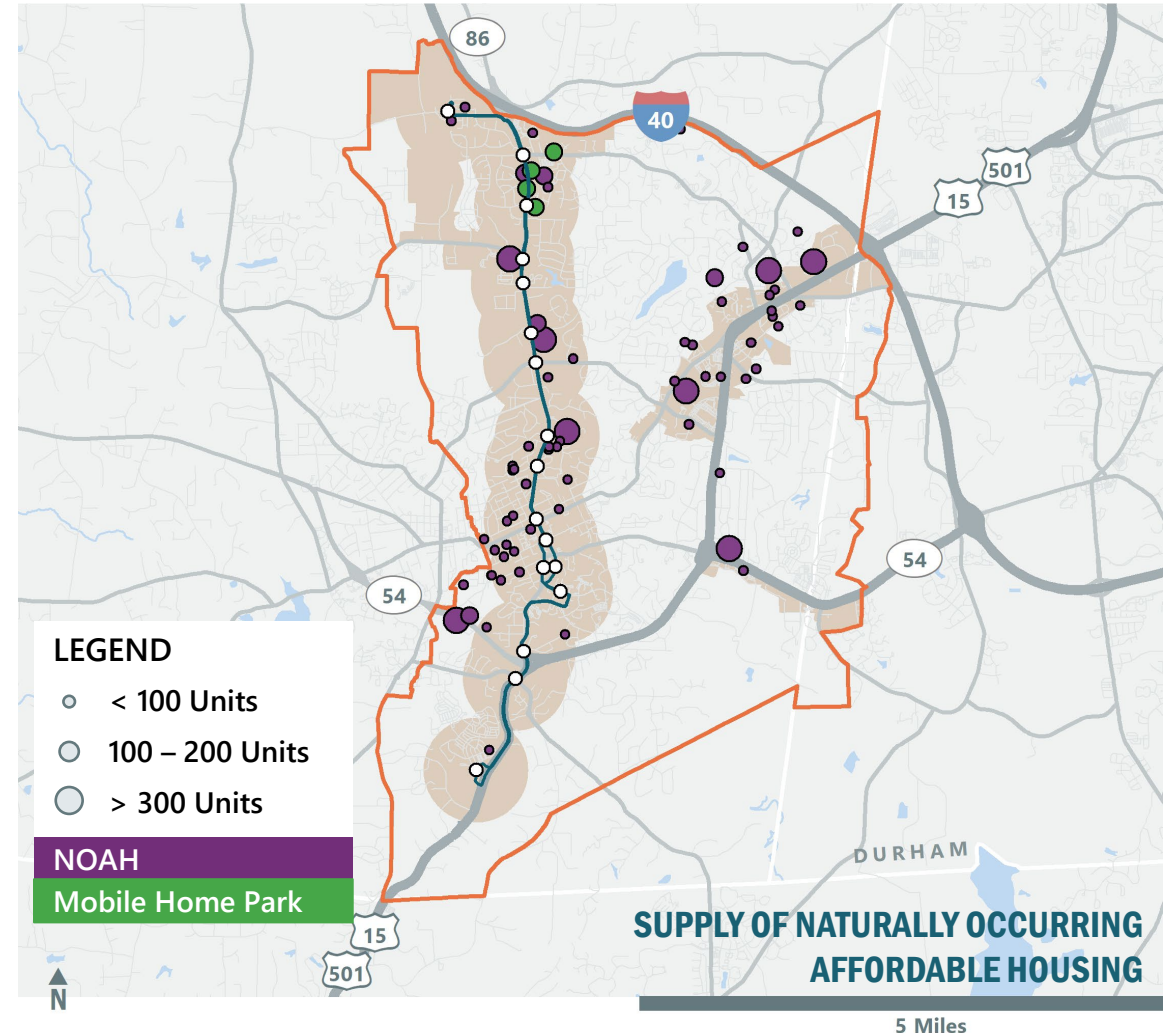
[1] Supply numbers do not account for Habitat for Humanity units located in unincorporated Orange County. Source: Esri, SB Friedman, Town of Chapel Hill

NATURALLY OCCURRING AFFORDABLE HOUSING

Most NOAH units are affordable to HHs earning >60% AMI

- There are ±3,700 naturally occurring affordable housing (NOAH) units in Chapel Hill, as well as 162 mobile home unit.
- Most NOAH units are affordable to households earning 60-80% AMI.
- Approximately 68% of the NOAH units and 100% of the mobile home units are within the BRT Station and FLUM Focus Areas.

	< 30% AMI	31-60% AMI	61-80% AMI	Total NOAH
Studio Units	-	-	109	109
1 BR Units	40	41	1,241	1,322
2 BR Units	29	411	1,528	1,968
3+ BR Units	-	28	290	318
Total Units	69	480	3,168	3,717



[1] Supply numbers do not account for Habitat for Humanity units located in unincorporated Orange County. Source: Esri, SB Friedman, Town of Chapel Hill

HOUSING COST BURDEN

Chapel Hill is experiencing housing affordability challenges

- A constrained housing market and a limited number of protected affordable units are driving affordability challenges and a high number of cost burdened households in Chapel Hill.
- The greatest concentration of cost burdened households is located near Downtown Chapel Hill and UNC.

OWNER HOUSEHOLDS



19%

Owner Households
Cost Burdened

RENTER HOUSEHOLDS



58%

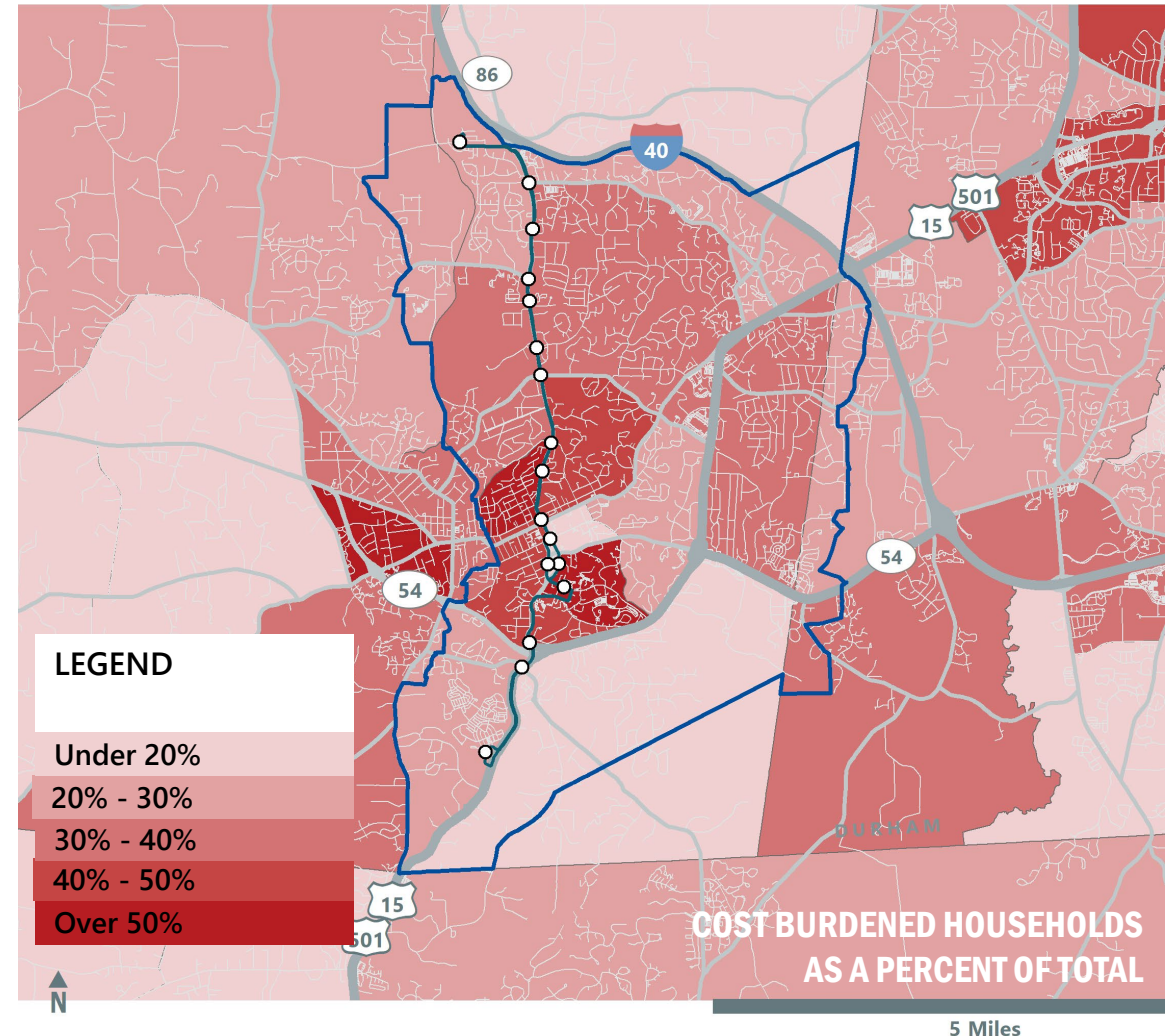
Renter Households
Cost Burdened

HOUSEHOLDS EARNING <\$35K



89%

Households
Cost Burdened

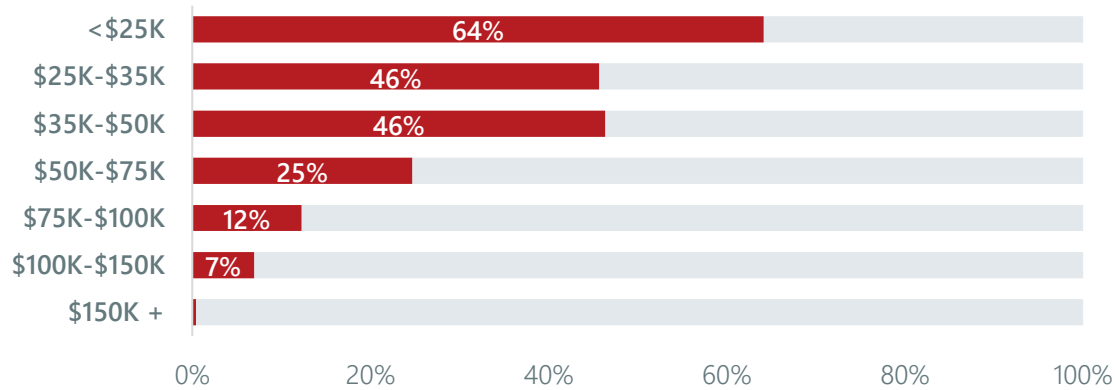


[1] This analysis includes student households.
Source: ACS 2020 5-Year Estimates, Esri, SB Friedman
SB Friedman Development Advisors

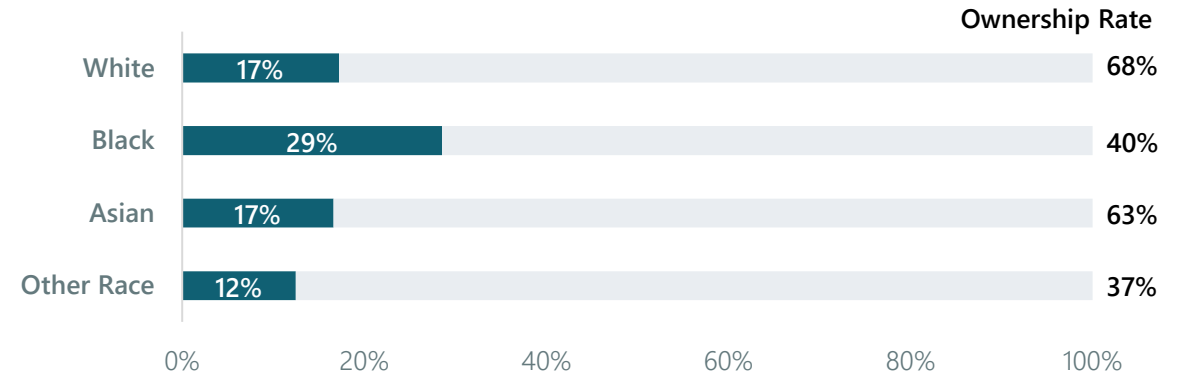
HOUSING COST BURDEN BY INCOME & RACE

Low-income and Black households have a higher likelihood of being cost burdened

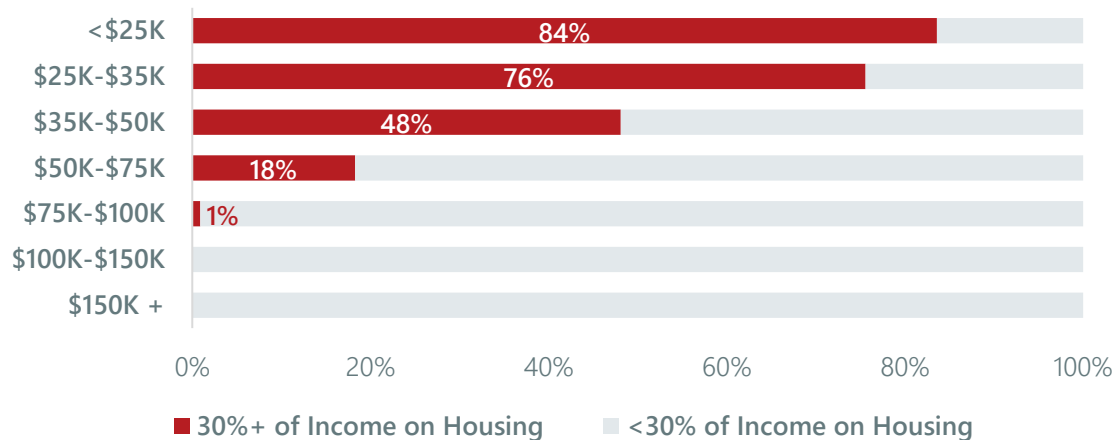
COST BURDENED HOMEOWNERS BY INCOME – ORANGE COUNTY



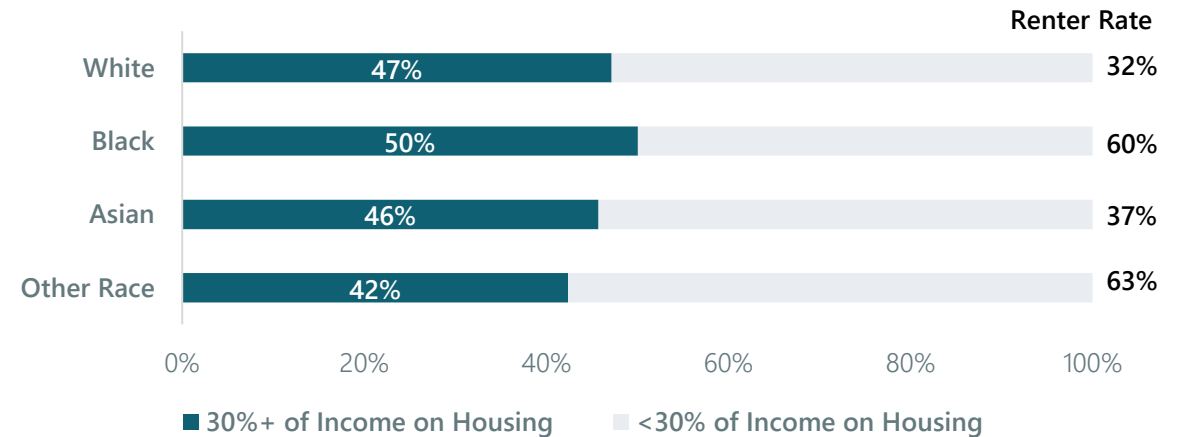
COST BURDENED HOMEOWNERS BY RACE – ORANGE COUNTY



COST BURDENED RENTERS BY INCOME – ORANGE COUNTY



COST BURDENED RENTERS BY RACE – ORANGE COUNTY



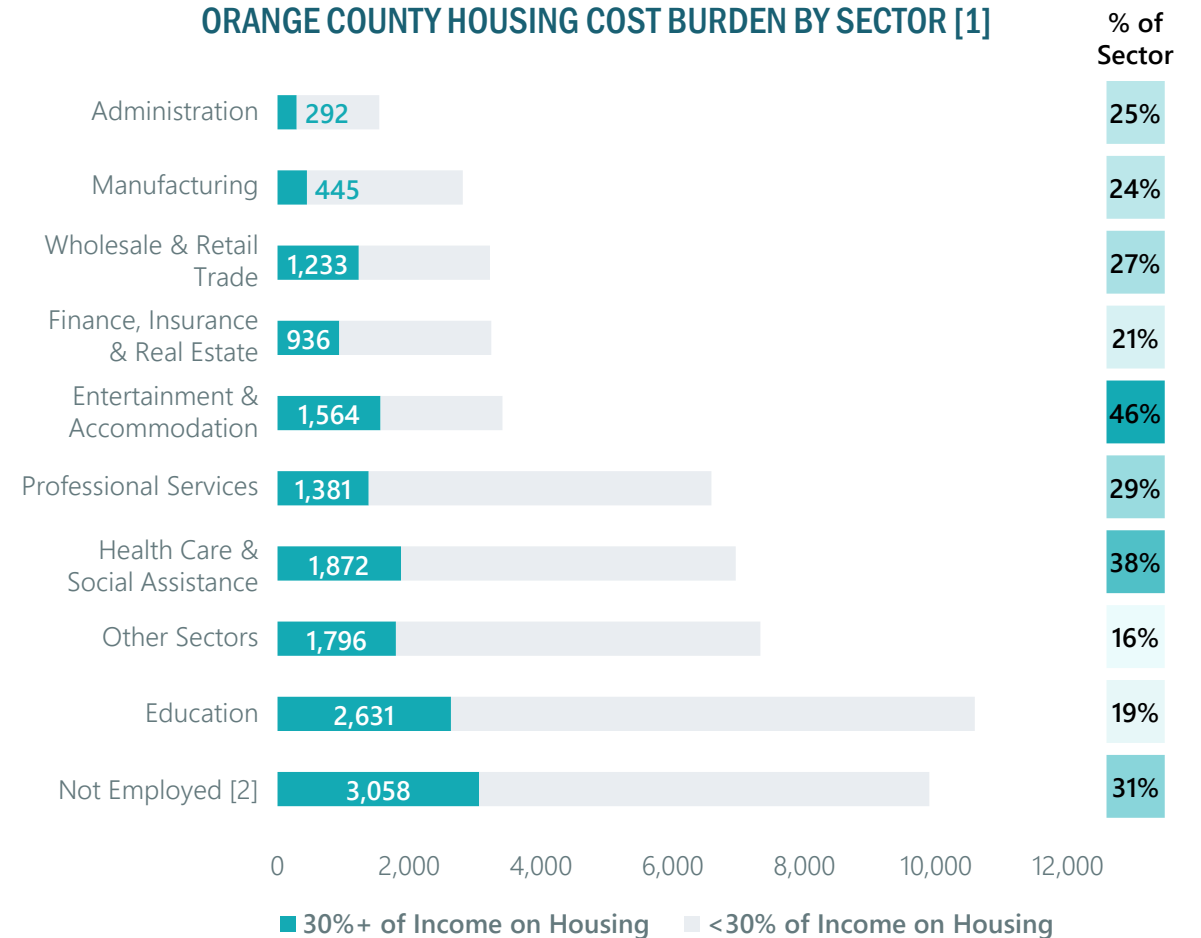
Source: ACS 2020 5-Year Estimates, SB Friedman

HOUSING COST BURDEN

Cost burdened households work in a variety of employment sectors

- More detailed data about the composition of cost burdened households is available at the County level.
- In Orange County, low-income and Black households have a higher likelihood of being cost burdened.
- Approximately 29% of Black homeowners at the County level are cost burdened, which is 12 points above White and Asian households.
- The County experiences similar cost burden rates by race for renters, but Black households are 3-4 points above White and Asian households.
- A significant percentage of households that work in the Entertainment and Accommodation and the Health Care and Social Assistance sectors are cost burdened.
- Over 2,600 households that work in the Education sectors are cost burdened.

ORANGE COUNTY HOUSING COST BURDEN BY SECTOR [1]



[1] Student households are distributed across sectors. Roughly half of renter households age 35 or less are in education or healthcare and social assistance. These two sectors account for a large portion of students that live off-campus, though students are likely distributed across all sectors based on other occupation.

[2] The majority of not employed households are retirees (86% of householders are 55+)

Source: ACS 2020 5-Year Estimates, SB Friedman

KEY TAKEAWAYS

Housing characteristics

- Chapel Hill's housing stock is split relatively evenly between single family and multifamily units. Nearly 40% of existing housing units were built between 1980 and 1999.
- Chapel Hill has captured a decreasing share of the 4-County Region's recent housing permits. As a result, the Town's share of the 4-County Region's population has decreased.
- Single family home prices have increased 33% since 2015, with the biggest jump occurring between 2020 and 2021.
- A household needed to earn above \$110,000 to afford the median value home sold in 2021.
- Average effective rents have increased 27% since 2015, with a significant increase in 2020.
- Rent growth is accompanied by strong multifamily deliveries and new product is absorbed quickly.
- There is a ±\$0.45/SF premium for rental product built since 2000 compared to older stock. However, units of all ages have seen rent increases over the last decade.
- The newest rental product has rents exceeding \$2.00/SF; households generally must earn above \$68,600 to afford this product.
- Housing pressures and a limited number of protected affordable units are driving affordability challenges; nearly 6 out of 10 renter households are cost burdened.
- Low-income and Black households have a higher likelihood of being cost burdened.
- Cost burdened households work in a variety of employment sectors, including education.



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