RESIDENTIAL MARKET STUDY

for the

TOWN OF CHAPEL HILL

PREPARED BY DEVELOPMENT CONCEPTS, INC.

JANUARY 2010

AGENDA

1 

Chapel Hill Housing Trends

2 

Housing Demand

3 

Housing Affordability

“just the facts, ma’am”

Sources of Data

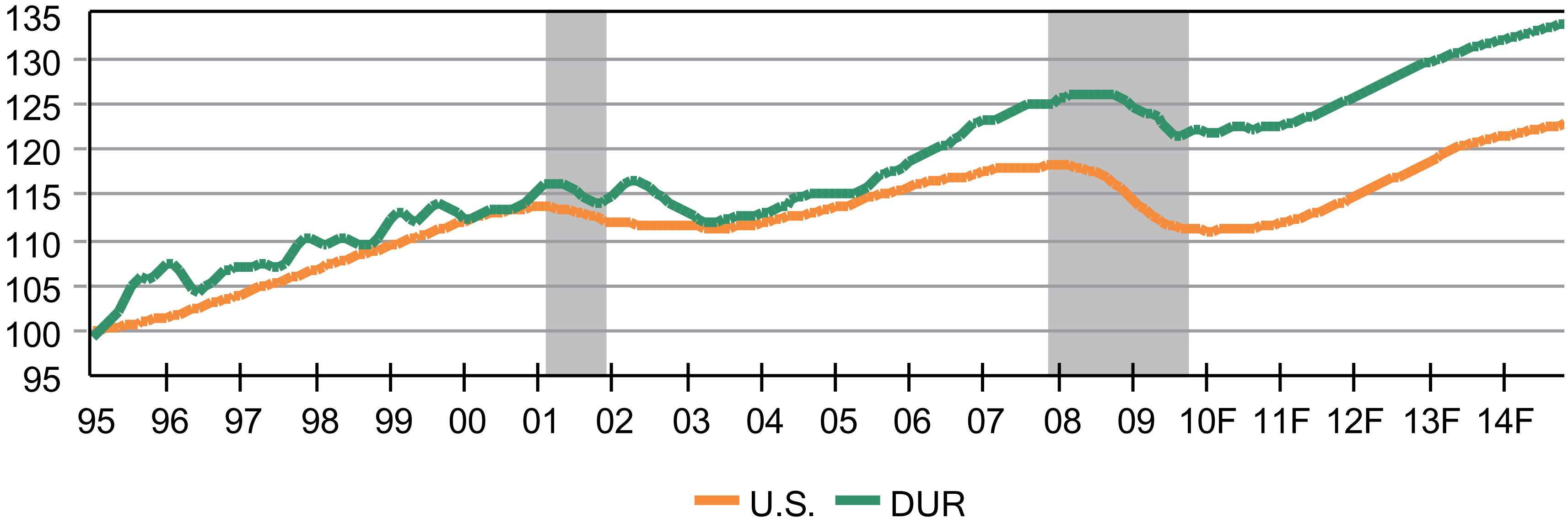
- U.S. Census
- American Community Survey (U.S. Census)
- ESRI Business Analyst
- Town of Chapel Hill
- Orange County
- Department of Housing & Urban Development (HUD)
- University of North Carolina - Chapel Hill
- Bureau of Labor Statistics
- Moody’s Analytics
- Ribbon Demographics / Nielson Claritas
- Triangle Multiple List Serve
- New Residential Construction Index (U.S. Census)
- Chapel Hill - Carrboro Community Home Trust
- State of North Carolina

Section 1

HOUSING TRENDS

The local economy is predicted to continue to be strong.....

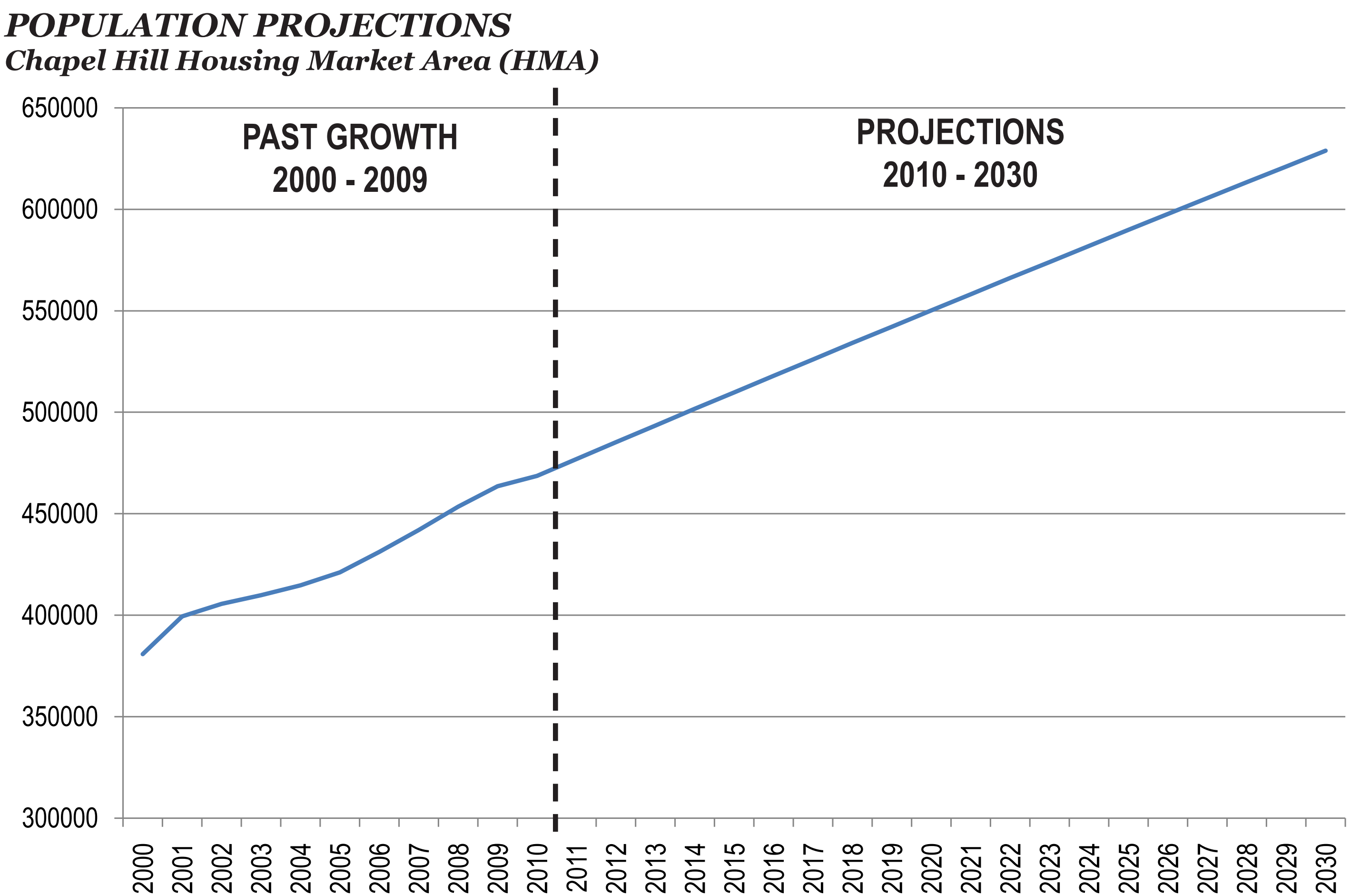
RELATIVE EMPLOYMENT PERFORMANCE (1995=100)
Durham-Chapel Hill MSA vs. U.S. 1995-2014



Source: *Moody's Analytics*

2003	2004	2005	2006	2007	2008	2009	INDICATORS	2010	2011	2012	2013	2014
19.6	19.5	21.2	25.1	27.7	27.3	26.6	**Gross Metro Product**	27.7	28.8	30.0	30.9	31.8
259.5	263.8	268.8	278.8	286.9	290.9	283.9	**Total Employment**	282.3	286.3	294.7	302.3	307.5
5.4	4.4	4.3	3.9	3.9	4.8	7.8	**Unemployment Rate**	8.0	7.2	5.3	4.9	4.6

.... helping to drive future population growth



Source: North Carolina Office of Budget and Management

Housing was overbuilt throughout the region, but not in Chapel Hill

- 20,160 households were added to the Chapel Hill HMA (Durham, Orange, Chatham counties) between 2000 - 2008, broadly representing total new housing demand.

- 37,744 housing units were built or permitted during that same period.

- Housing demand in Orange County was 3,500 households compared to the construction of 8,460 housing units.

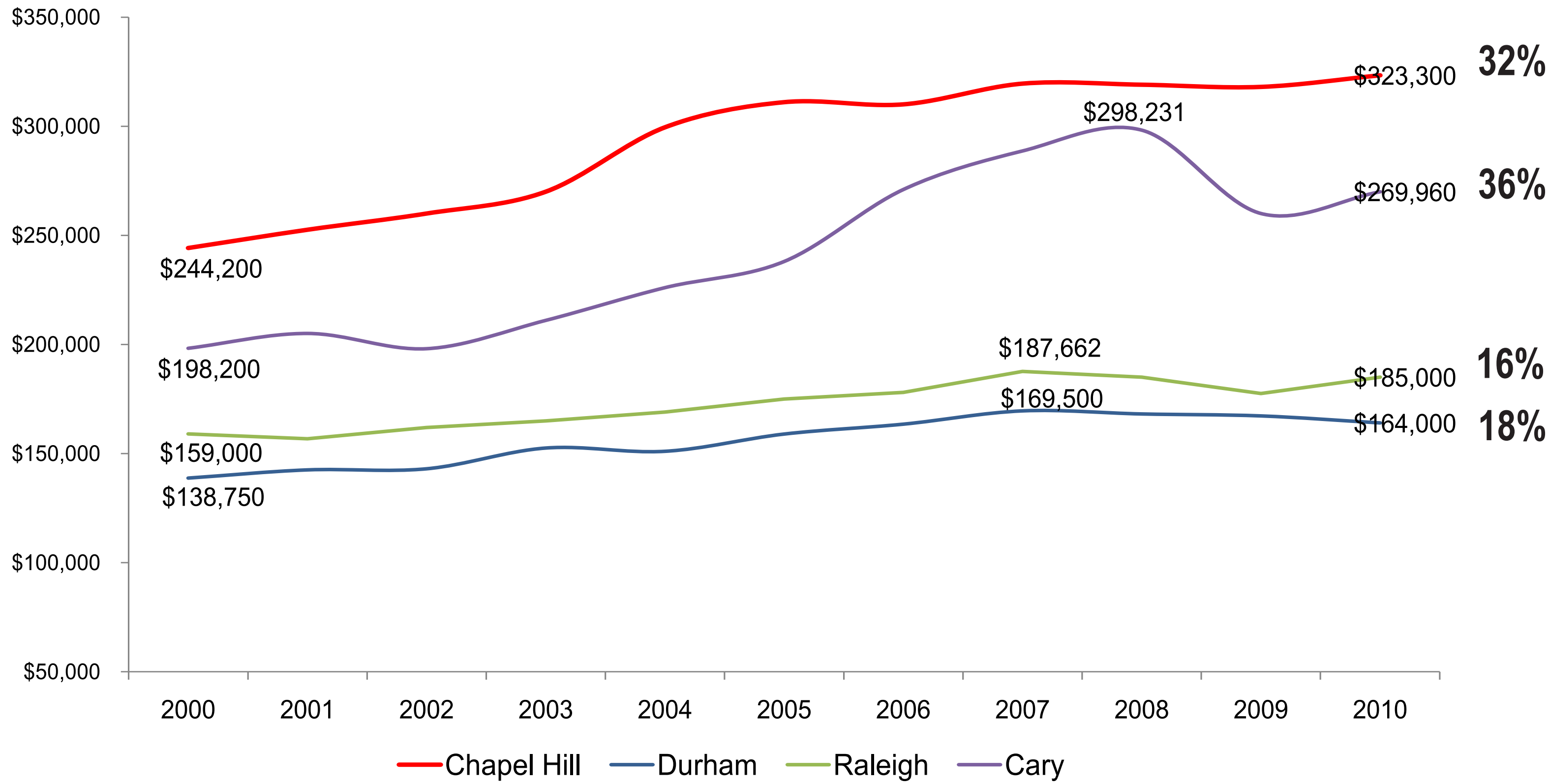
Geography	Demand	Supply	Change
Chapel HIll HMA	20,160	37,744	17,584
Orange County	3,506	8,459	4,953
Chapel Hill	3,671	3,190	(481)

- Chapel Hill experienced housing demand for 2,800 - 4,500, and added 3,190 housing units.

For-sale housing saw drastic rises in price during the past decade, particularly in Chapel Hill

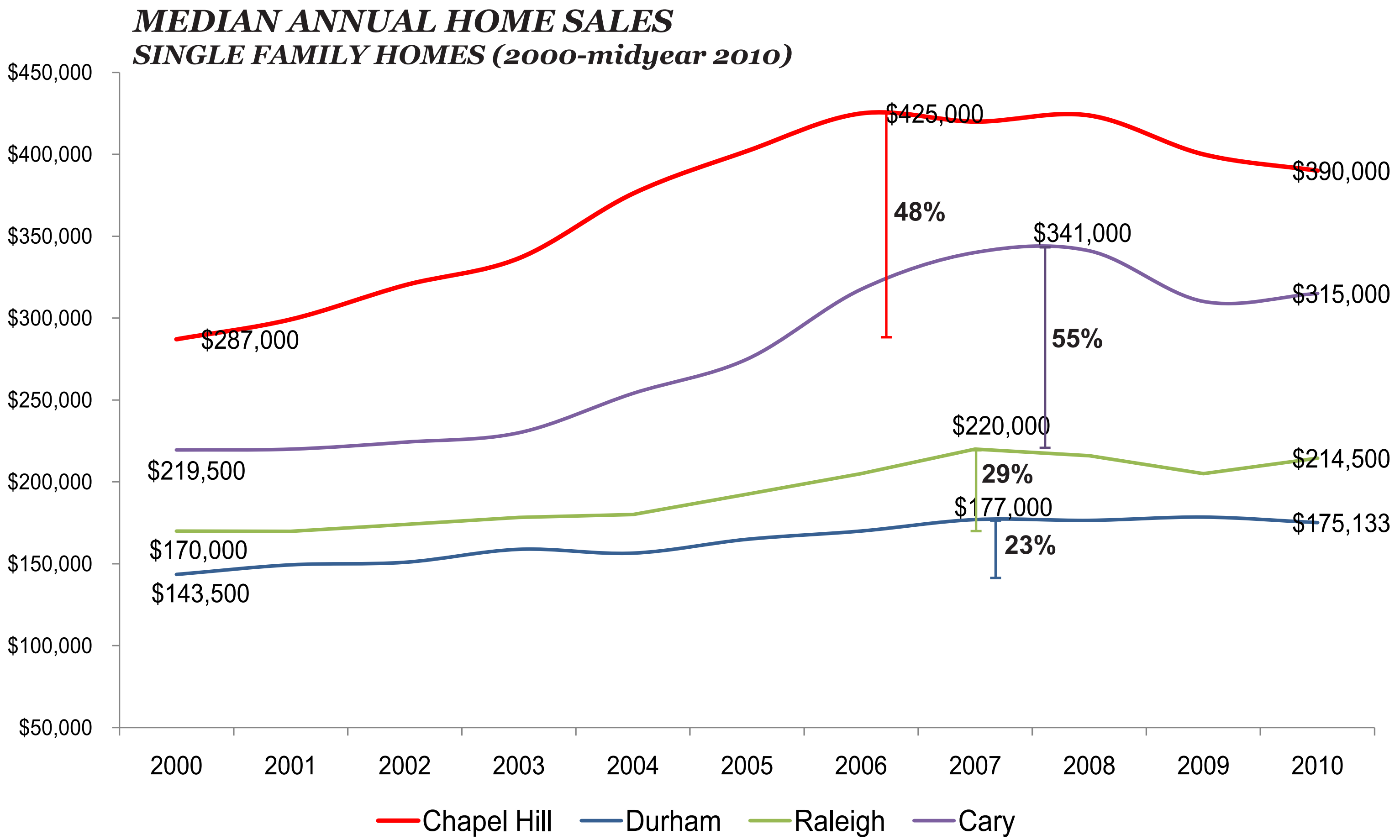
MEDIAN ANNUAL HOME SALES
ALL HOUSING TYPES (2000-midyear 2010)

Source: ***Triangle Multiple List Serve***



1 **HOUSING TRENDS**

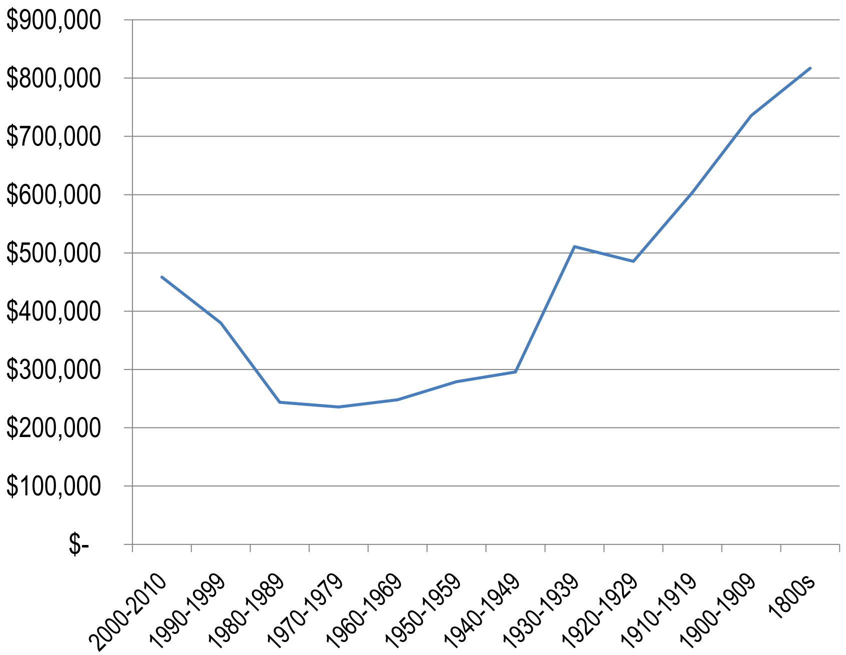
Chapel Hill experienced a particularly notable rise in single family home prices



1 HOUSING TRENDS

Not all Chapel Hill Homes are equal in value

AVERAGE SALE PRICE OF HOMES BY DECADE
Chapel Hill, NC



Time Period	Homes Sold	Average Sales Price
2000 - 2010	3,206	$458,445
1990 - 1999	2,336	$379,900
1980 - 1989	2,185	$243,745
1970 - 1979	1,224	$235,673
1960 - 1969	950	$247,922
1950 - 1959	376	$278,983
1940 - 1949	128	$295,852
1930 - 1939	74	$510,822
1920 - 1929	111	$485,573
1910 - 1919	13	$603,723
1900 - 1909	9	$735,667
1800's	16	$817,094

Source: ***Triangle Multiple List Serve***

Section 2

HOUSING DEMAND

Housing Demand vs. Supply 2000-2008

		Durham County	Orange County	Chatham County	Chapel Hill HMA	Town of Chapel Hill		
						Low	Middle	High
1	**Households 2000**	89,015	45,863	19,741	154,619	17,808		
2	**Households 2008**	102,616	49,369	22,794	174,779	20,626	21,479	22,332
3	**Total Housing Demand 2000-2008**	**13,604**	**3,506**	**3,053**	**20,160**	**2,818**	**3,671**	**4,524**
4	**Housing Units 2000**	95,452	49,289	21,358	166,099	18,976		
5	**New Housing Units 2000-2008**	**24,070**	**8,459**	**5,215**	**37,744**	**3,190**		
6	**Total Housing Units 2008**	119,522	57,748	26,573	203,843	22,166		
7	Removals (0.05%)	598	289	133	1,019	111		
8	Adjusted Housing Units 2008	118,924	57,459	26,440	202,824	22,055		
9	**Over / Undersupply**	**10,469**	**4,953**	**2,162**	**17,584**	**372**	**(481)**	**(1,334)**
10	**Vacant Units**	16,308	8,090	3,646	28,045	1,429	576	(276)
11	**% Vacancy**	13.7%	14.1%	13.8%	13.8%	6.5%	2.6%	(1.3%)
12	**Less Vacancy Buffer (5%)**	8.7%	9.1%	8.8%	8.8%	1.5%	(2.4%)	(6.3%)
13	**Adjusted Housing Oversupply**	**10,362**	**5,217**	**2,324**	**17,904**	**326**	**(527)**	**(1,380)**
14	**Avg. Annual Household Growth**	1,511	390	339	2,240	313	408	503
15	**Years to Absorb Oversupply**	**6.86**	**13.39**	**6.85**	**7.99**	**1.04**	**(1.29)**	**(2.74)**

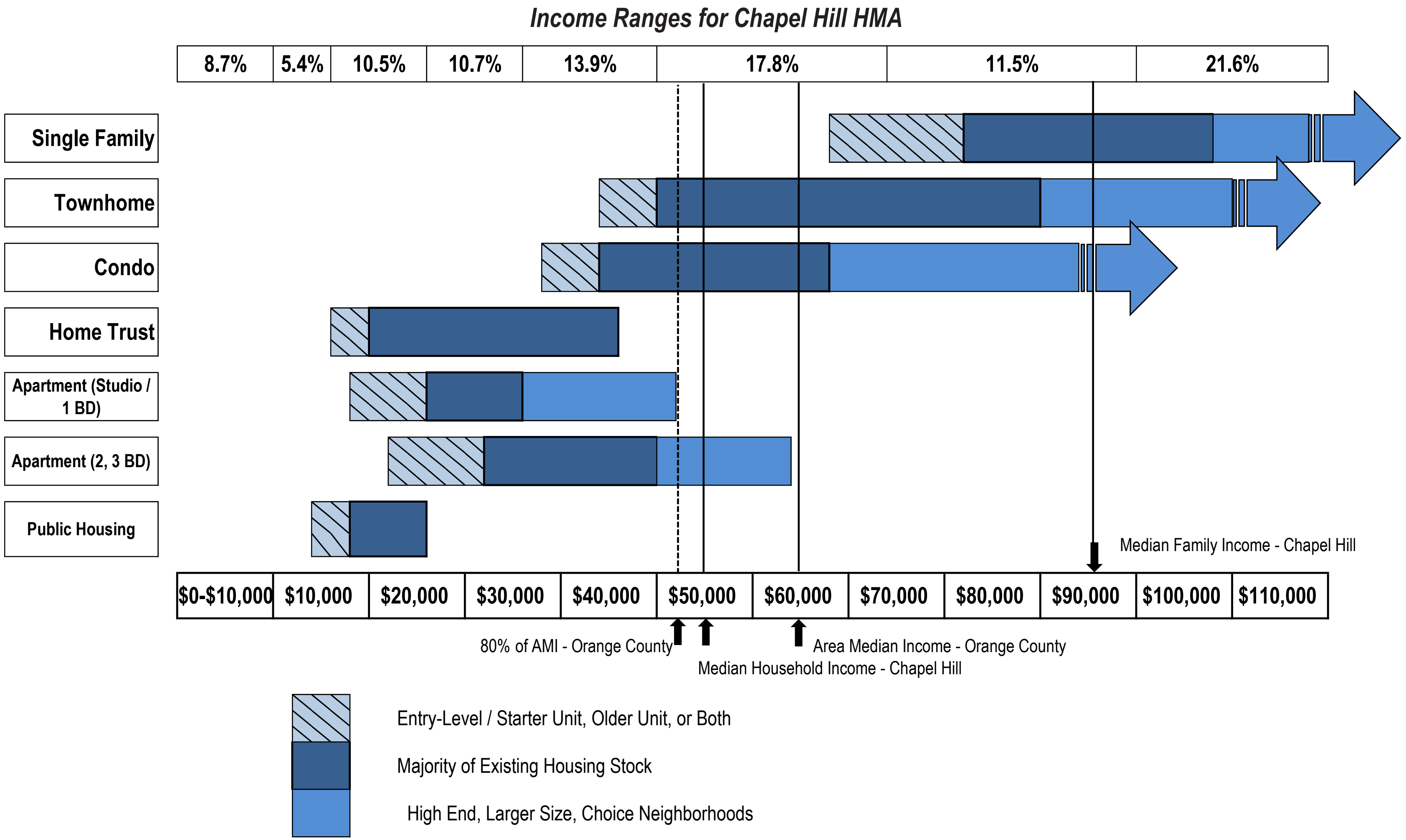
Demand Projections

		Durham County	Orange County	Chatham County	Chapel Hill HMA	Town of Chapel Hill Low	Town of Chapel Hill Middle	Town of Chapel Hill High
1	**Population 2008**	263,048	126,985	63,373	453,406		54,972	
2	**Population Projection 2015**	326,073	141,560	69,434	537,067		57,473	
3	**Population Projection 2020**	**336,970**	**148,559**	**75,263**	**561,092**		**60,437**	
4	**Average Household Size 2008**	2.56	2.57	2.78	2.59		2.56	
6	**Estimated Households 2015**	**127,202**	**55,035**	**24,974**	**207,212**		**22,456**	
7	**Household Change 2008-2015**	24,586	5,666	2,180	32,433		977	
8	**% Household Change 2008-2015**	24%	11%	10%	19%		5%	
9	**Total Housing Demand 2008-2015 (Adjusted for Oversupply)**	**14,224**	**449**	**(144)**	**14,529**	**651**	**1,504**	**2,357**
10	**Average Permits Per Year**	2,032	64	(21)	2,076	93	215	337
11	**Estimated Households 2020**	**131,453**	**57,873**	**27,071**	**216,397**		**23,614**	
13	**Household Change 2008-2020**	**28,837**	**8,504**	**4,277**	**41,618**		**2,135**	
14	**% Household Change 2008-2020**	28%	17%	19%	24%		10%	
15	**Total Housing Demand 2008-2020 (Adjusted for Oversupply)**	**18,475**	**3,287**	**1,952**	**23,714**	**1,809**	**2,662**	**3,515**
16	**Average Permits Per Year**	**1,540**	**274**	**163**	**1,976**	**151**	**222**	**293**

Section 3

HOUSING AFFORDABILITY

Housing Affordability



Four factors that appear to contribute to the high prices in Chapel Hill

- Taxes
- Land Costs
- Home Size / Construction Costs
- Housing Demand

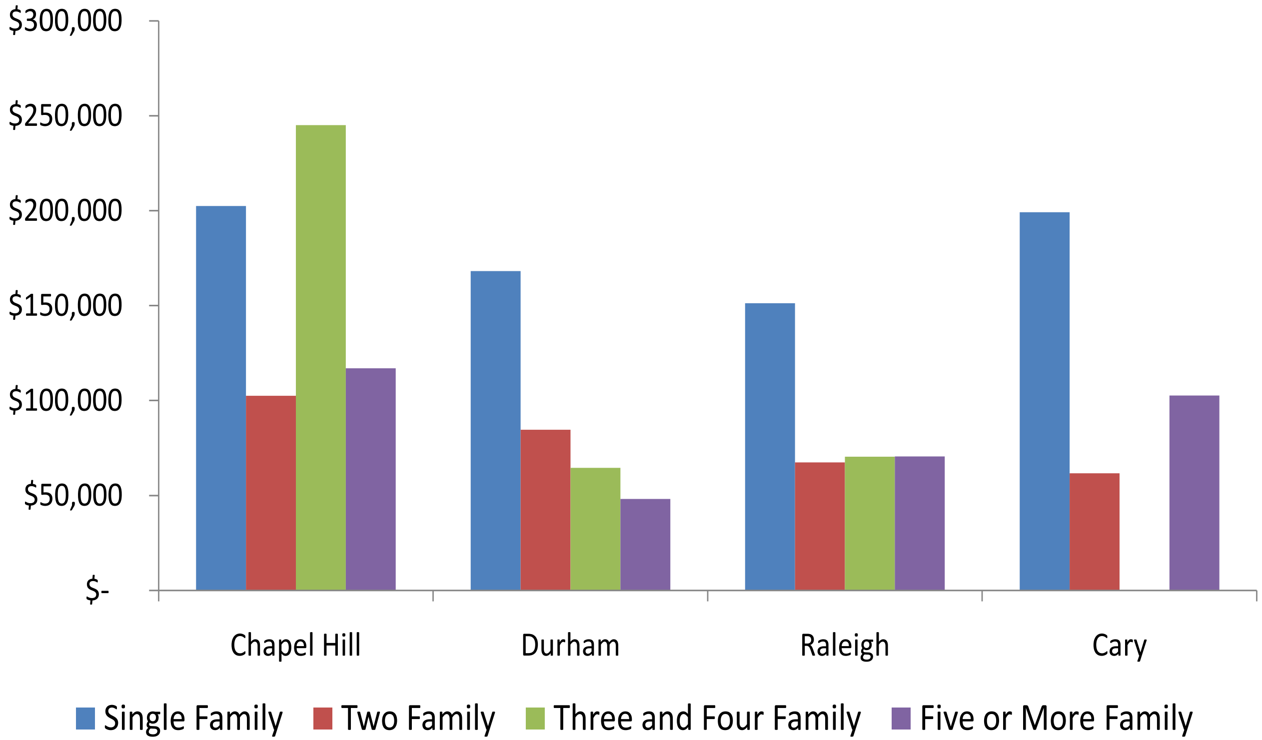
Taxes

Tax	Chapel Hill	Durham	Raleigh	Cary
Local Tax	0.494	0.545	0.3735	0.33
County Tax	0.858	0.6911	0.534	0.534
Fire Tax		0.05	0.08	0.08
School District Tax	0.1884			
Capital Tax		0.0619		
TOTAL	**1.54***	**1.35**	**0.99**	**0.94**

Source: ***Orange, Durham and Wake Counties***

		Chapel Hill	Durham	Raleigh	Cary
1	**Price of Home (= to Assessment)**	$225,000			
2	**Interest**	5%			
3	**Months**	360			
4	**Monthly Payments**	$966.28			
5	**Tax Rate**	1.54%	1.35%	0.99%	0.94%
6	**Annual Taxes**	$3,465	$3,038	$2,228	$2,115
7	**Monthly Taxes**	$289	$253	$186	$176
8	**Monthly Payment (Before Insurance)**	**$1,255.03**	**$1,219.40**	**$1,151.90**	**$1,142.53**

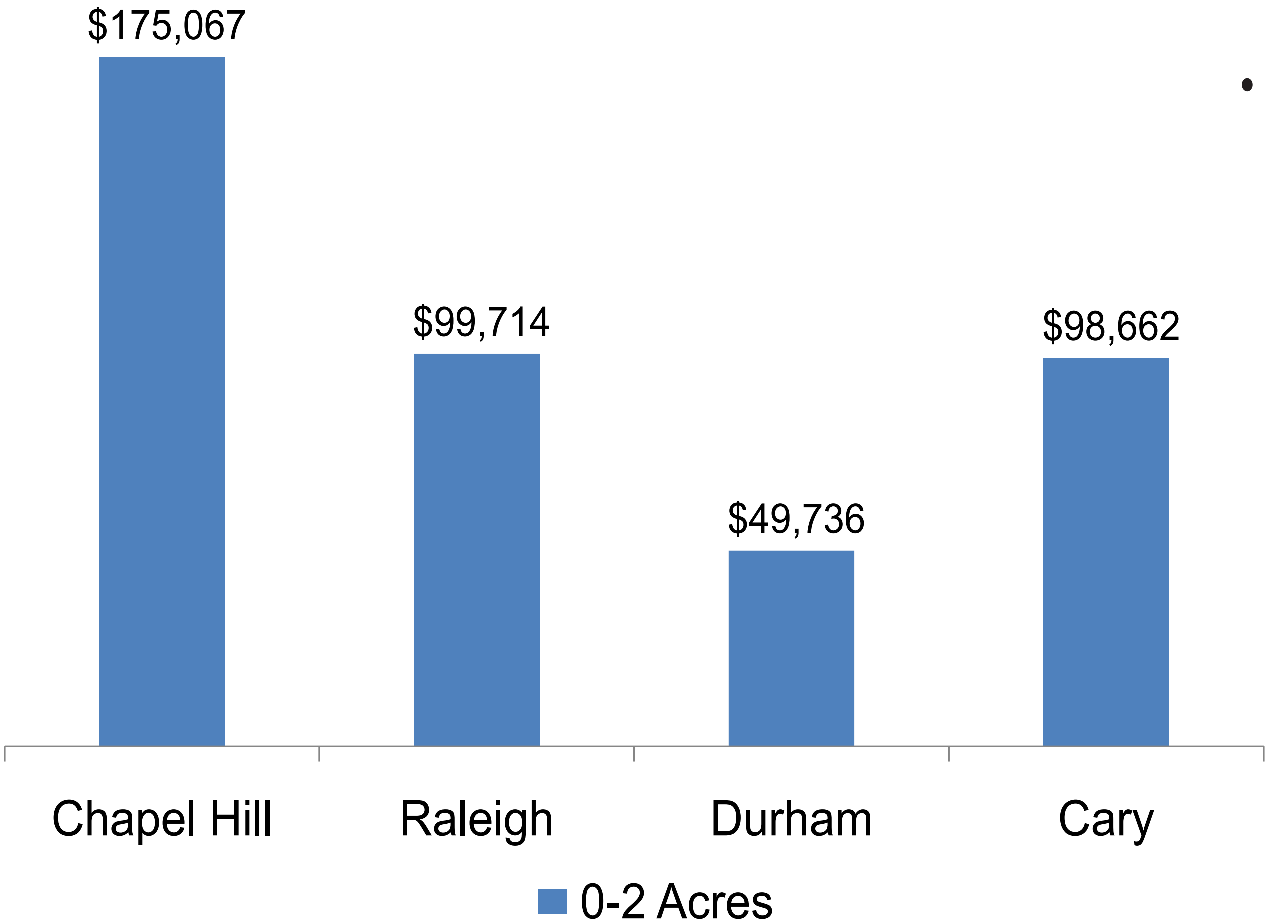
Construction Cost / Home Size



Source: ***New Residential Construction Index***

- Differences primarily due to average home size
- For example, avg. home sold in Chapel Hill 2000-10 was 2,678 sq. ft. vs. 2,154 in Raleigh

Land Cost



- Analysis of "improved" land sale in Chapel Hill 2000-2010

Source: ***Triangle Multiple List Serve (MLS)***

		Chapel Hill	Durham	Raleigh	Cary
1	Size of Parcel	0.63 acres			
2	Cost of Land & Infrastructure (per acre)	$175,067	$49,736	$99,714	$98,662
3	Land / Infrastructure Cost	$110,292	$31,334	$62,820	$62,157
4	Size of Unit (Avg. for Community)	2,680	1,866	2,150	2,600
5	Construction Cost Per Unit	$77.87	$90.15	$70.39	$76.63
6	Total Construction Cost	$208,692	$168,220	$151,339	$199,238
7	Cost of Marketing & Other Soft Costs (5%)	$15,949	$9,978	$10,708	$13,070
8	Price of Home	**$334,933**	**$209,531**	**$224,866**	**$274,465**
9	Loan Payment (20% Down payment)	$267,946	$167,625	$179,893	$219,571
10	Interest	5%			
11	Months	360			
12	Monthly Payments	$1,438.40	$899.85	$965.70	$1,178.71
13	Tax Rate	1.54%	1.35%	0.99%	0.94%
14	Annual Taxes	$5,158	$2,829	$2,226	$2,580
15	Monthly Taxes	$430	$236	$186	$215
16	Monthly Payment (Before Insurance)	**$1,868.22**	**$1,135.57**	**$1,151.22**	**$1,393.71**

17	% Higher Monthly Payment than	**Durham**	**64.52%**
18		**Raleigh**	**62.28%**
19		**Cary**	**34.05%**

3 HOUSING AFFORDABILITY

Other Factors

- Housing Demand / General Appeal of Community
- Limited Supply
- School District
- High sales of new construction vs. old
- Limited turn-over of older, more modestly priced real estate

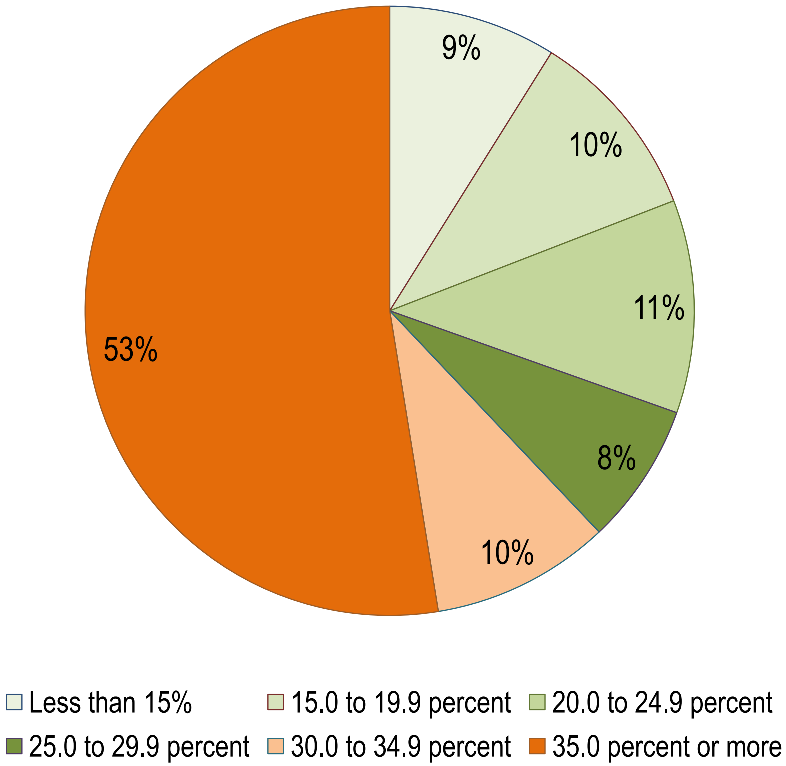
Affordability of For-Sale Homes

	#		80%	100%	125%	150%	175%
2 Person Household	1	Annual Income	$45,650	$57,063	$71,329	$85,595	$99,860
	2	Monthly Housing Expense (30% of Income)	$1,141	$1,427	$1,783	$2,140	$2,497
	3	Single Family Affordability Gap	($1,209)	($923)	($567)	($210)	$147
	4	Condominium Affordability Gap	$41	$327	$683	$1,040	$1,397
	5	Townhome Affordability Gap	($584)	($298)	$58	$415	$772
3 Person Household	6	Annual Income	$51,350	$64,188	$80,234	$96,281	$112,328
	7	Monthly Housing Expense (30% of Income)	$1,284	$1,605	$2,006	$2,407	$2,808
	8	Single Family Affordability Gap	($1,066)	($754)	($344)	$57	$458
	9	Condominium Affordability Gap	$184	$505	$906	$1,307	$1,708
	10	Townhome Affordability Gap	($441)	($120)	$281	$682	$1,083
4 Person Household	11	Annual Income	$57,050	$71,313	$89,141	$106,969	$124,797
	12	Monthly Housing Expense (30% of Income)	$1,426	$1,783	$2,229	$2,674	$3,120
	13	Single Family Affordability Gap	($924)	($567)	($121)	$324	$770
	14	Condominium Affordability Gap	$326	$683	$1,129	$1,574	$2,020
	15	Townhome Affordability Gap	($299)	$58	$504	$949	$1,395

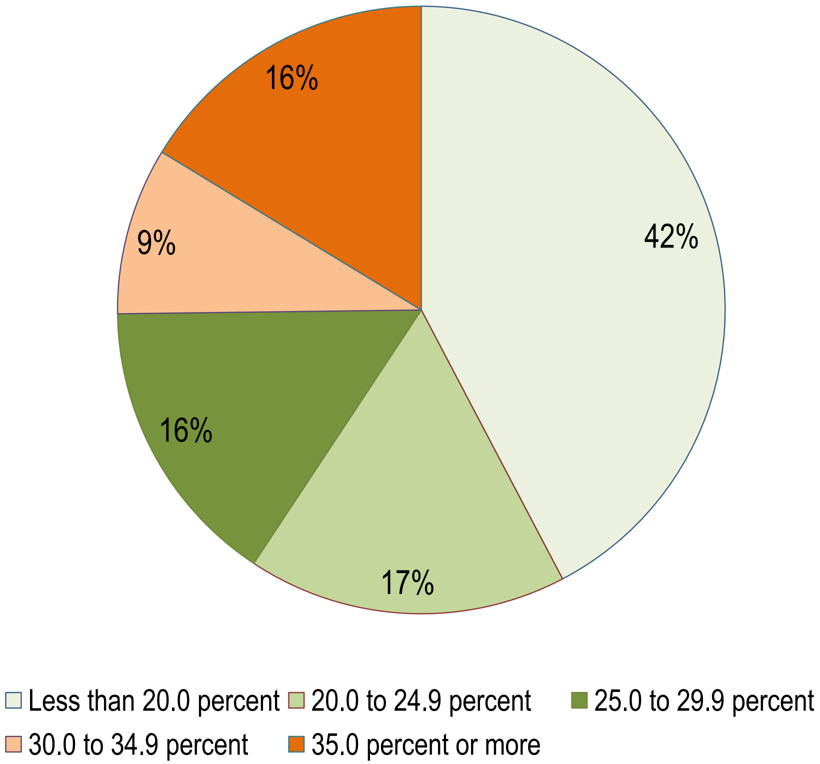
Source: HUD, Triangle MLS, DCI Analysis

Rental Affordability - Worse Than For-Sale Housing?

RENTER OCCUPIED COSTS AS PERCENTAGE OF HOUSEHOLD INCOME
Chapel Hill, NC



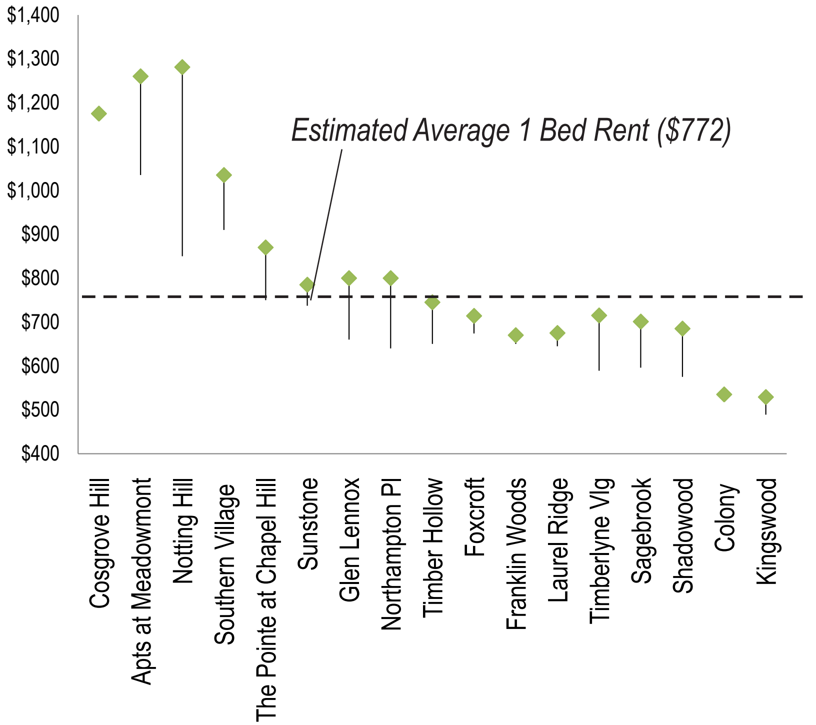
OWNER OCCUPIED COSTS AS PERCENTAGE OF HOUSEHOLD INCOME
Chapel Hill, NC



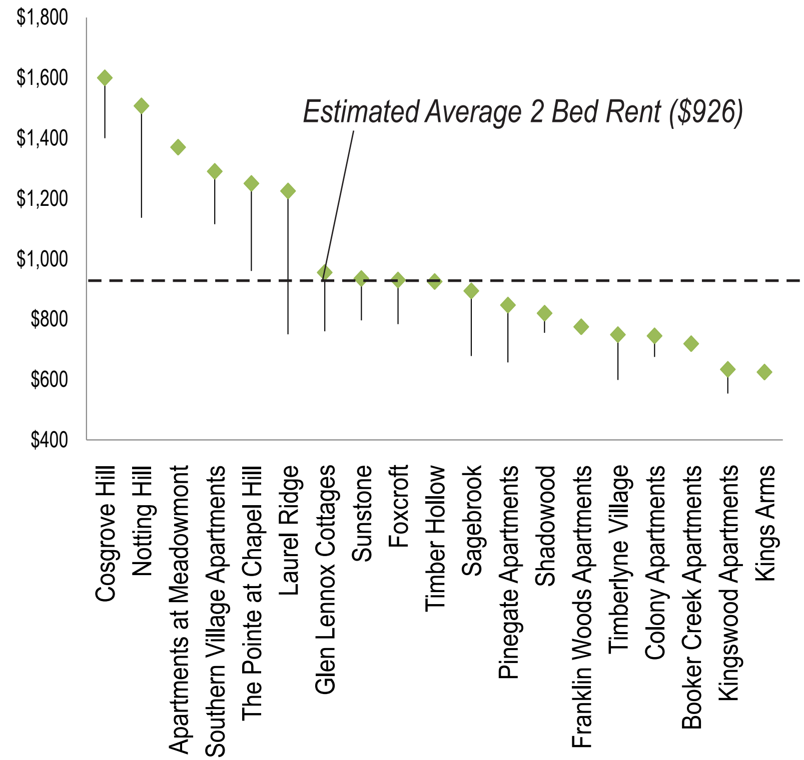
Source: *American Community Survey (ACS)*

Distribution of Rents

DISTRIBUTION OF 1 BEDROOM RENTS
Selected Chapel Hill Apartment Complexes



DISTRIBUTION OF 2 BEDROOM RENTS
Selected Chapel Hill Apartment Complexes



Source: ***Composite Websites (apartments.com, apartment guide, forrent.com)***

Issues with Rental Affordability

Data collection for rental units leaves more questions than in for-sale analysis

- What is the true occupancy / impact of students?
- What are available rents of non-complex units?
- What is the true supply of households with affordable housing needs?

Some findings

- Newer apartment buildings have the highest rents.
- Older apartment buildings carry lowest rents (impact on quality).
- Despite having a higher percentage of rental units vs. owner occupied, the Town built many more for-sale units (~90% vs. 10%) over the past decade.
- Retaining affordable units while redeveloping older areas (Colony Apts, Glen Lennox) will be an important issue.

RESIDENTIAL MARKET STUDY

for the

TOWN OF CHAPEL HILL

QUESTIONS