

# RESIDENTIAL MARKET STUDY

*for the*

# TOWN OF CHAPEL HILL

PREPARED BY DEVELOPMENT CONCEPTS, INC.

*JANUARY 2010*

# 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

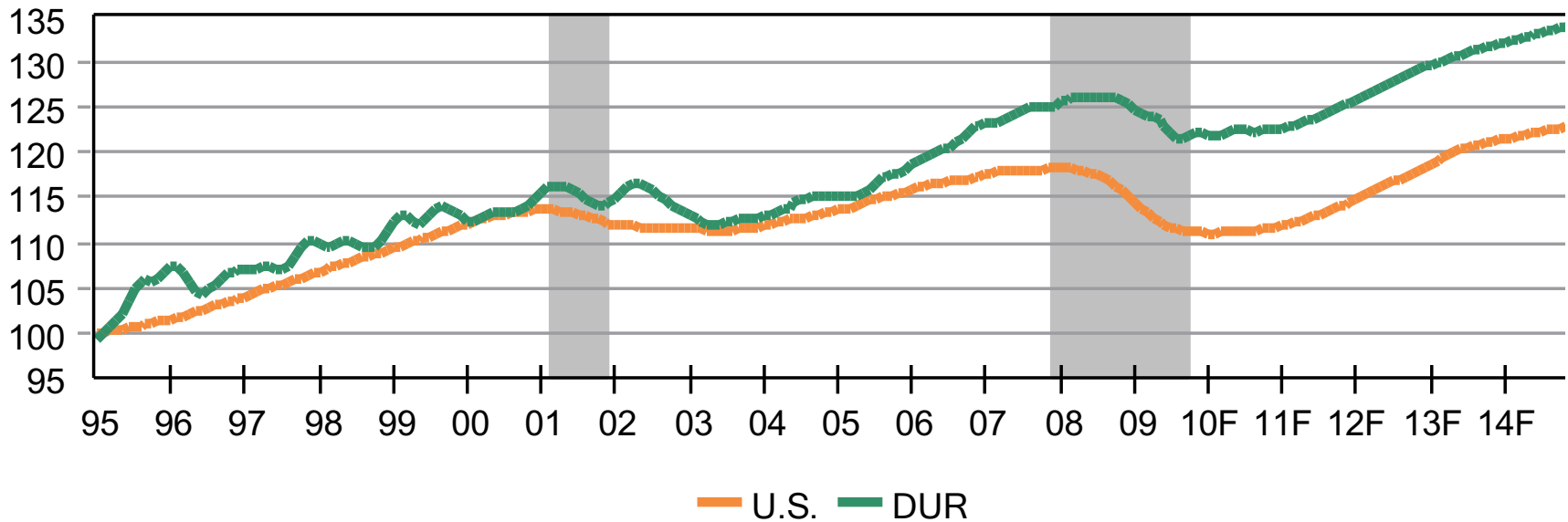
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*Section 1*

# 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



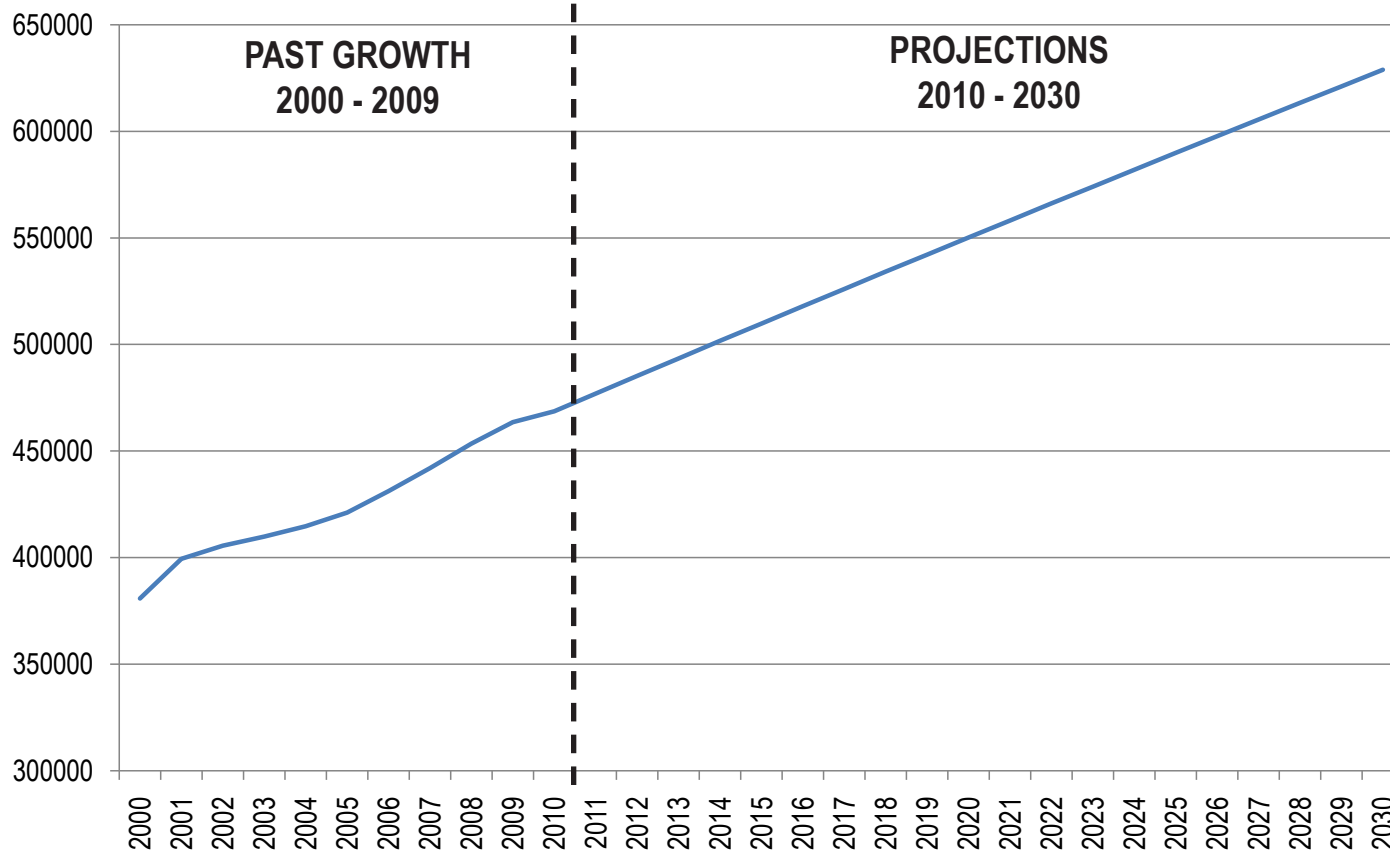
Source: *Moody's Analytics*

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

## 1 HOUSING TRENDS

# .... helping to drive future population growth

## **POPULATION PROJECTIONS** **Chapel Hill Housing Market Area (HMA)**



Source: North Carolina Office of Budget and Management

# ***Housing was overbuilt throughout the region, but not to the same extent in Chapel Hill***

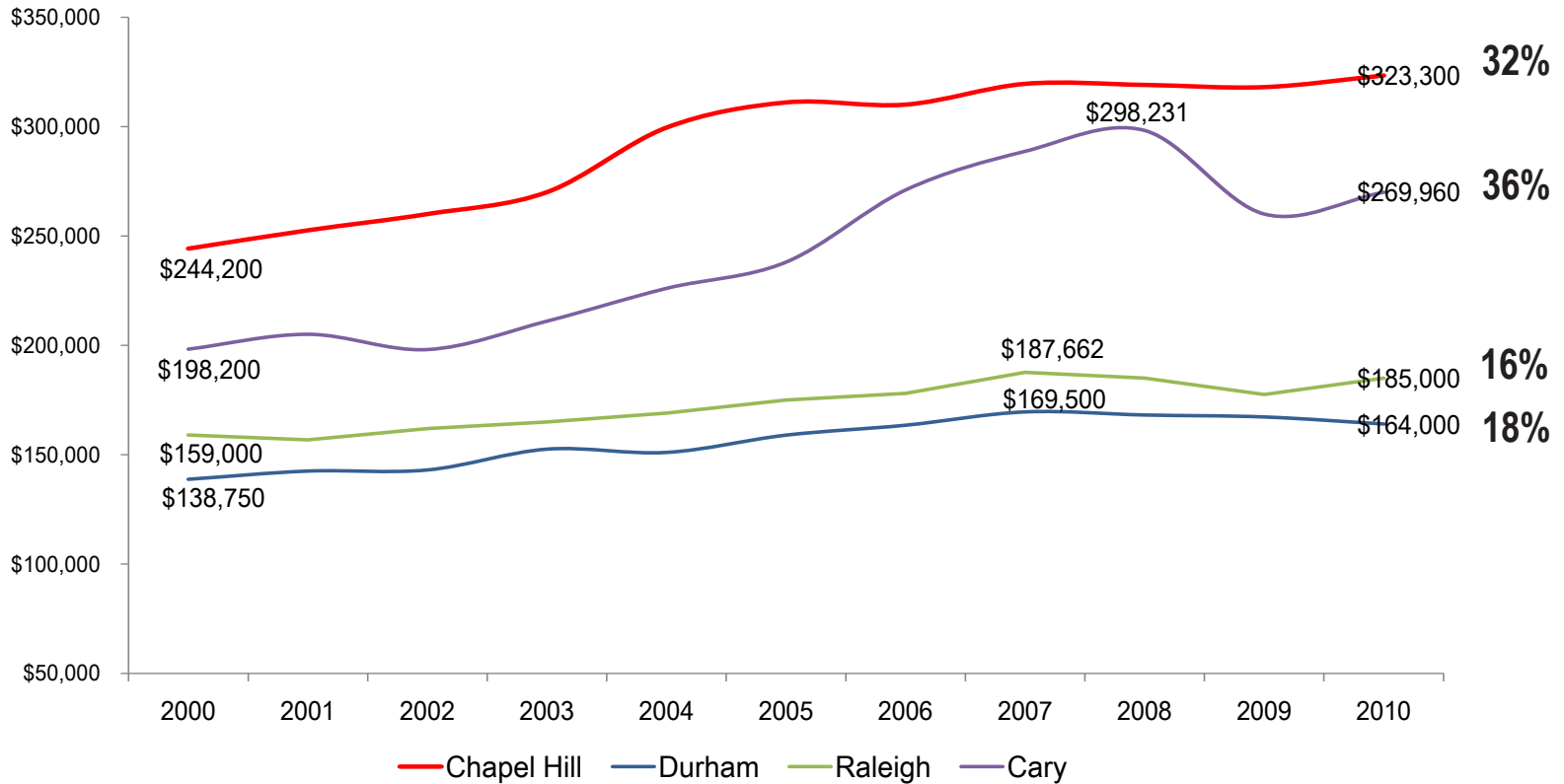
- 20,160 households were added to the Chapel Hill HMA (Durham, Orange, Chatham counties) between 2000 - 2008, broadly representing total new housing demand.
- 37,744 housing units were built or permitted during that same period.
- Housing demand in Orange County was 3,500 households compared to the construction of 8,460 housing units.
- Chapel Hill experienced housing demand for 2,800 - 4,500, and added 3,190 housing units.

<b>Geography</b>	<b>Demand</b>	<b>Supply</b>	<b>Change</b>
Chapel Hill HMA	20,160	33,766	13,606
Orange County	3,506	5,517	2,011
Chapel Hill	3,671	4,851	1,180

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

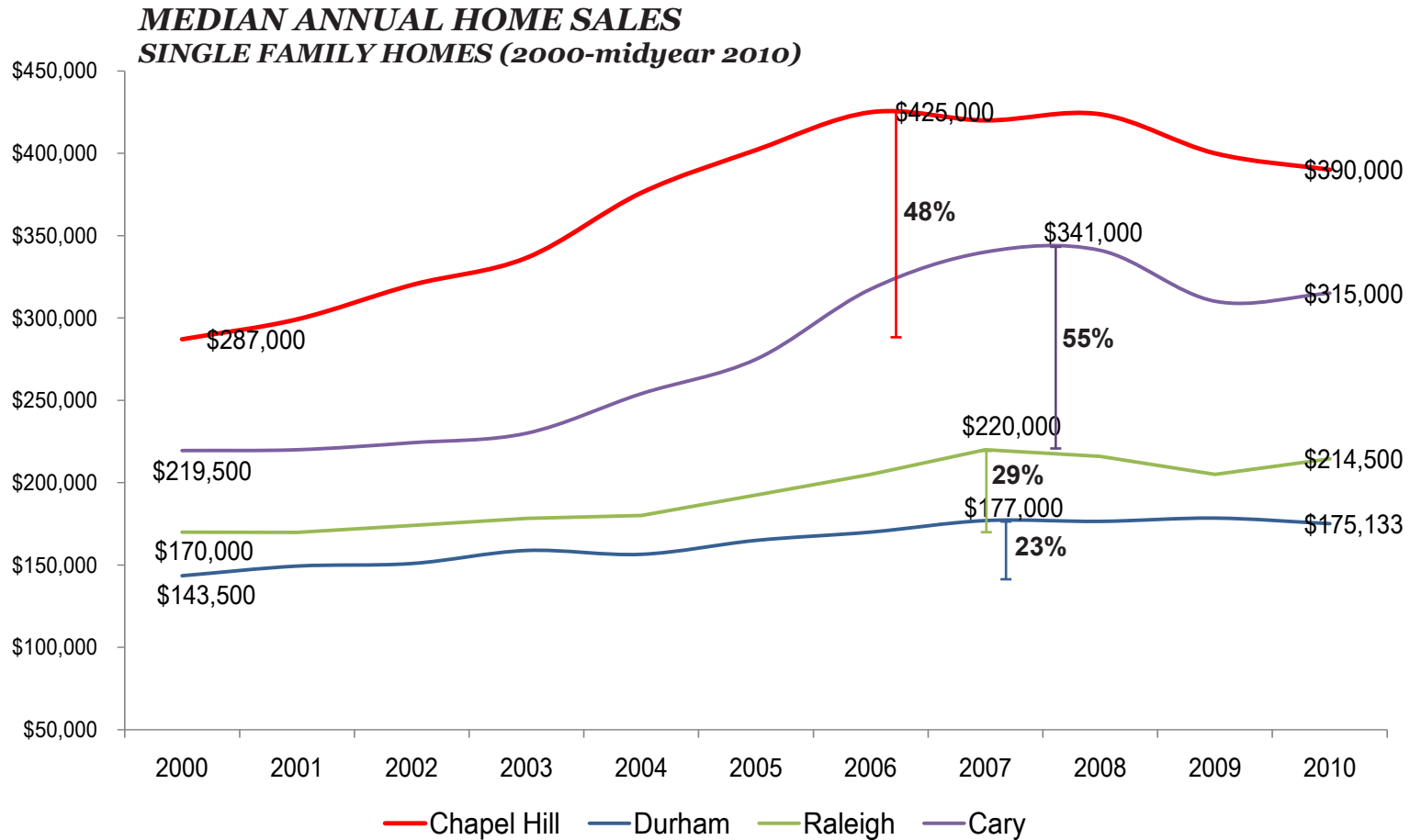
**MEDIAN ANNUAL HOME SALES  
ALL HOUSING TYPES (2000-midyear 2010)**

Source: Triangle Multiple List Serve



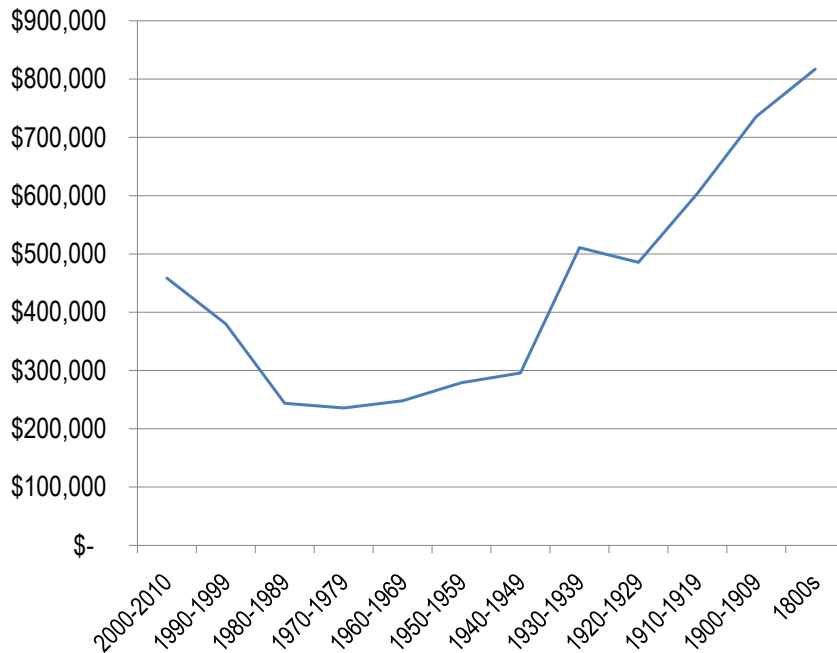


# Chapel Hill experienced a particularly notable rise in single family home prices



# 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

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*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	<b>Households 2000</b>	89,015	45,863	19,741	154,619	17,808		
2	<b>Households 2008</b>	102,616	49,369	22,794	174,779	20,626	21,479	22,332
3	<b>Total Housing Demand 2000-2008</b>	<b>13,604</b>	<b>3,506</b>	<b>3,053</b>	<b>20,160</b>	<b>2,818</b>	<b>3,671</b>	<b>4,524</b>
4	<b>Housing Units 2000</b>	95,452	49,289	21,358	166,099	18,976		
5	<b>New Housing Units 2000-2008</b>	<b>24,070</b>	<b>5,517</b>	<b>4,179</b>	<b>33,766</b>	<b>4,851</b>		
6	<b>Total Housing Units 2008</b>	115,687	54,806	25,537	199,865	23,827		
7	Removals (0.05%)	578	274	128	999	119		
8	<b>Adjusted Housing Units 2008</b>	115,109	54,532	25,409	198,866	23,708		
9	<b>Over / Undersupply</b>	<b>10,469</b>	<b>2,011</b>	<b>1,126</b>	<b>13,606</b>	<b>1,426</b>	<b>1,180</b>	<b>934</b>
10	<b>Vacant Units</b>	12,493	5,163	2,615	20,271	3,082	2,229	1,376
11	<b>% Vacancy</b>	10.9%	9.5%	10.3%	10.2%	13.0%	9.4%	5.8%
12	<b>Less Vacancy Buffer (5%)</b>	5.9%	4.5%	5.3%	5.2%	8.0%	4.4%	0.8%
13	<b>Adjusted Housing Oversupply</b>	<b>6,737</b>	<b>2,436</b>	<b>1,345</b>	<b>10,518</b>	<b>1,896</b>	<b>1,043</b>	<b>190</b>
14	<b>Avg. Annual Household Growth</b>	1,700	438	382	2,520	352	459	566
15	<b>Years to Absorb Oversupply</b>	<b>3.96</b>	<b>5.56</b>	<b>3.52</b>	<b>4.17</b>	<b>5.38</b>	<b>2.27</b>	<b>0.34</b>

## 2 HOUSING DEMAND

# Demand Projections

		Durham County	Orange County	Chatham County	Chapel Hill HMA	Town of Chapel Hill		
						Low	Middle	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	<b>336,970</b>	<b>148,559</b>	<b>75,263</b>	<b>561,092</b>	<b>60,437</b>		
4	Average Household Size 2008	2.36	2.34	2.66	2.59	2.22		
6	Estimated Households 2015	<b>138,167</b>	<b>60,496</b>	<b>26,103</b>	<b>224,765</b>	<b>25,889</b>		
7	Household Change 2008-2015	35,551	11,127	3,309	49,986	4,410		
8	% Household Change 2008-2015	35%	23%	15%	29%	21%		
9	Total Housing Demand 2008-2015 (Adjusted for Oversupply)	<b>28,813</b>	<b>8,690</b>	<b>1,964</b>	<b>39,468</b>	<b>2,513</b>	<b>3,366</b>	<b>4,219</b>
10	Average Permits Per Year	4,116	1,241	281	5,638	359	481	603
11	Estimated Households 2020	<b>142,784</b>	<b>63,615</b>	<b>28,294</b>	<b>234,693</b>	<b>27,224</b>		
13	Household Change 2008-2020	<b>40,168</b>	<b>14,246</b>	<b>5,500</b>	<b>59,914</b>	<b>5,745</b>		
14	% Household Change 2008-2020	39%	29%	24%	34%	27%		
15	Total Housing Demand 2008-2020 (Adjusted for Oversupply)	<b>33,431</b>	<b>11,810</b>	<b>4,156</b>	<b>49,396</b>	<b>3,848</b>	<b>4,701</b>	<b>5,554</b>
16	Average Permits Per Year	<b>2,786</b>	<b>984</b>	<b>346</b>	<b>4,116</b>	<b>321</b>	<b>392</b>	<b>463</b>

## 2 HOUSING DEMAND

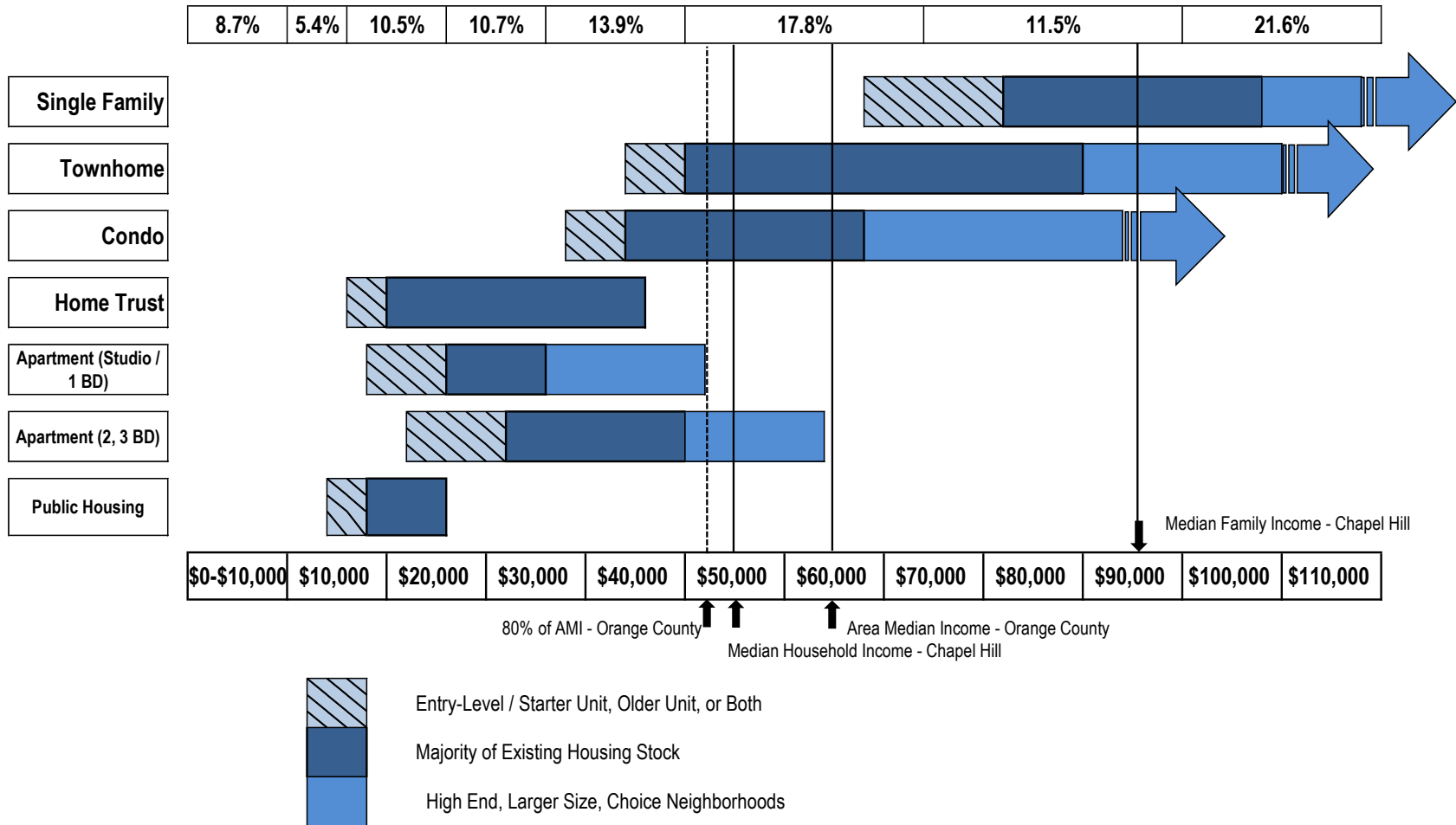
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*Section 3*

# HOUSING AFFORDABILITY

# Housing Affordability

Income Ranges for Chapel Hill HMA



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

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





# Taxes

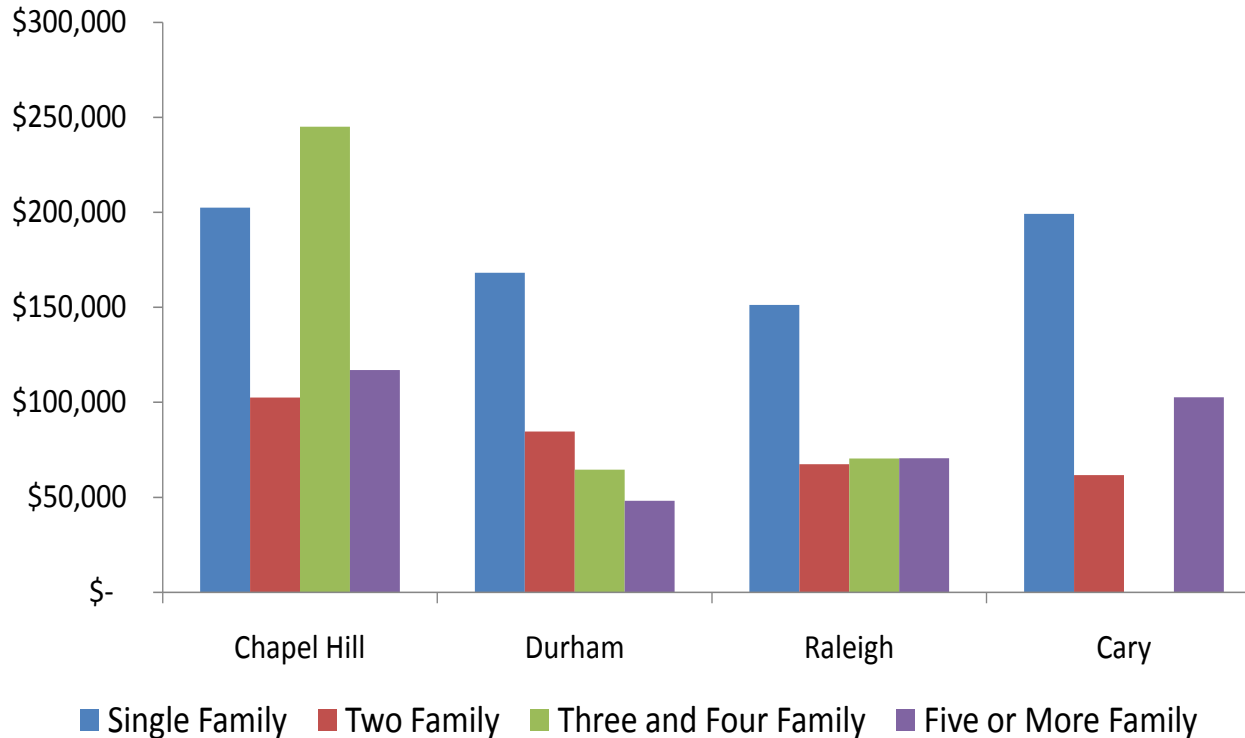
Tax	Chapel Hill	Durham	Raleigh	Cary
Local Tax	0.494	0.545	0.3735	0.33
County Tax	0.858	0.6911	0.534	0.534
Fire Tax		0.05	0.08	0.08
School District Tax	0.1884			
Capital Tax		0.0619		
<b>TOTAL</b>	<b>1.54*</b>	<b>1.35</b>	<b>0.99</b>	<b>0.94</b>

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

# 3 HOUSING AFFORDABILITY

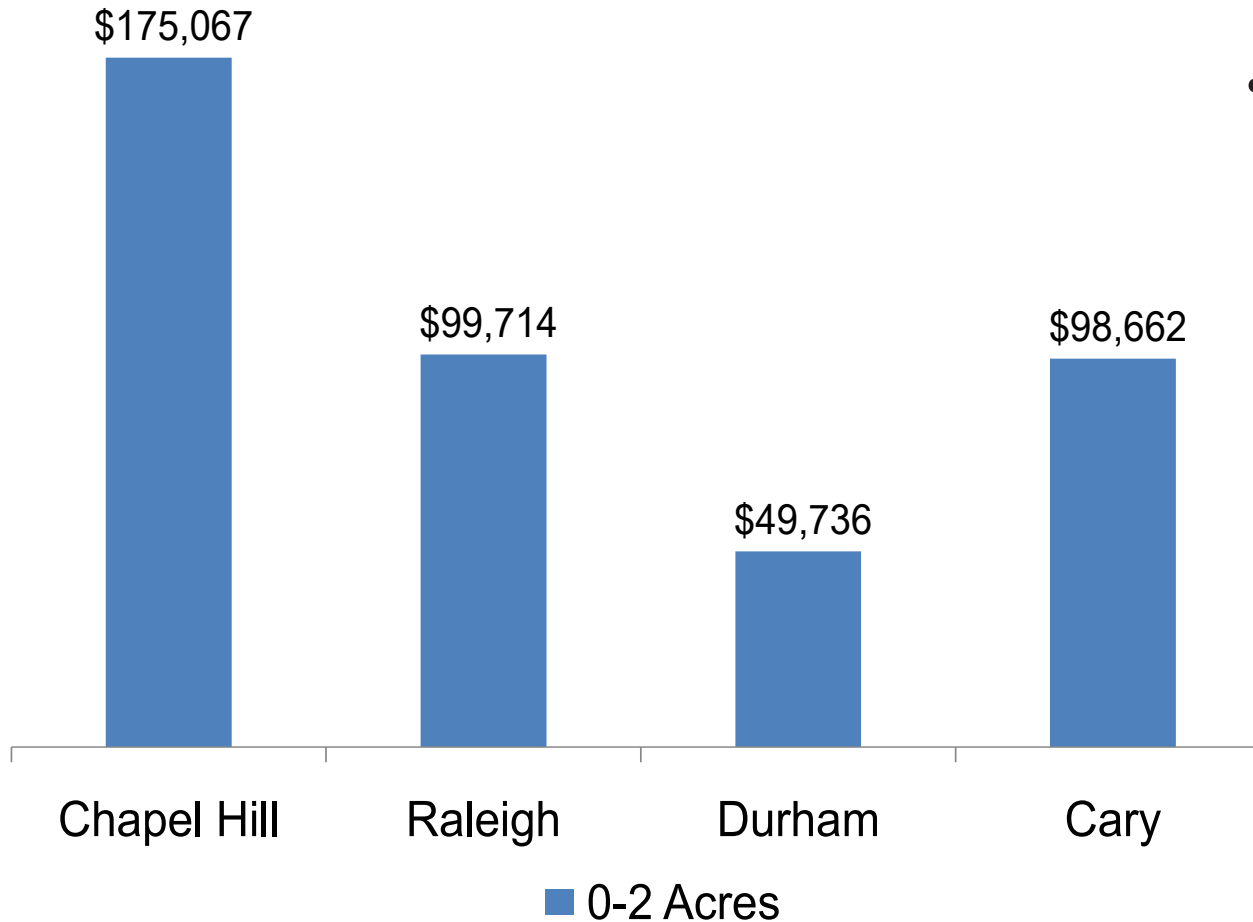
# Construction Cost / Home Size



- 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

Source: *New Residential Construction Index*

# 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	<b>\$334,933</b>	<b>\$209,531</b>	<b>\$224,866</b>	<b>\$274,465</b>
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)	<b>\$1,868.22</b>	<b>\$1,135.57</b>	<b>\$1,151.22</b>	<b>\$1,393.71</b>

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

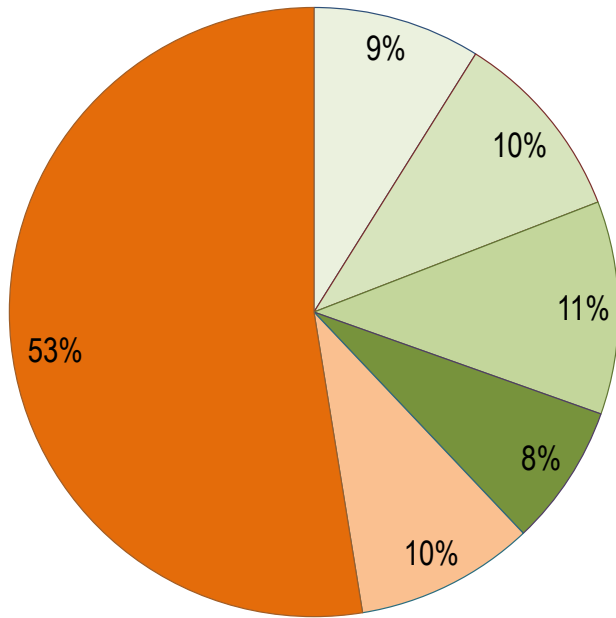
		80%	100%	125%	150%	175%
<b>2 Person Household</b>	1 Annual Income	\$45,650	\$57,063	\$71,329	\$85,595	\$99,860
	2 Monthly Housing Expense (30% of Income)	\$1,141	\$1,427	\$1,783	\$2,140	\$2,497
	3 Single Family Affordability Gap	(\$1,209)	(\$923)	(\$567)	(\$210)	\$147
	4 Condominium Affordability Gap	\$41	\$327	\$683	\$1,040	\$1,397
	5 Townhome Affordability Gap	(\$584)	(\$298)	\$58	\$415	\$772
<b>3 Person Household</b>	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
<b>4 Person Household</b>	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

## 3 HOUSING AFFORDABILITY

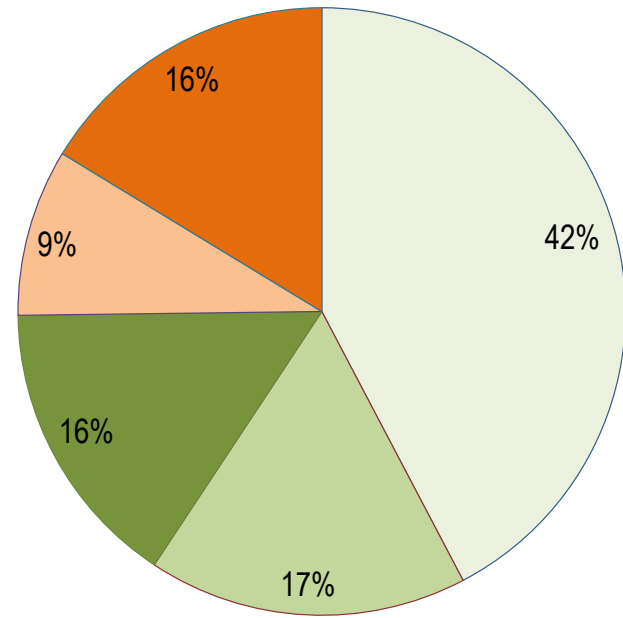
# Rental Affordability - Worse Than For-Sale Housing?

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



Less than 15%    
  15.0 to 19.9 percent    
  20.0 to 24.9 percent  
 25.0 to 29.9 percent    
  30.0 to 34.9 percent    
  35.0 percent or more

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



Less than 20.0 percent    
  20.0 to 24.9 percent    
  25.0 to 29.9 percent  
 30.0 to 34.9 percent    
  35.0 percent or more

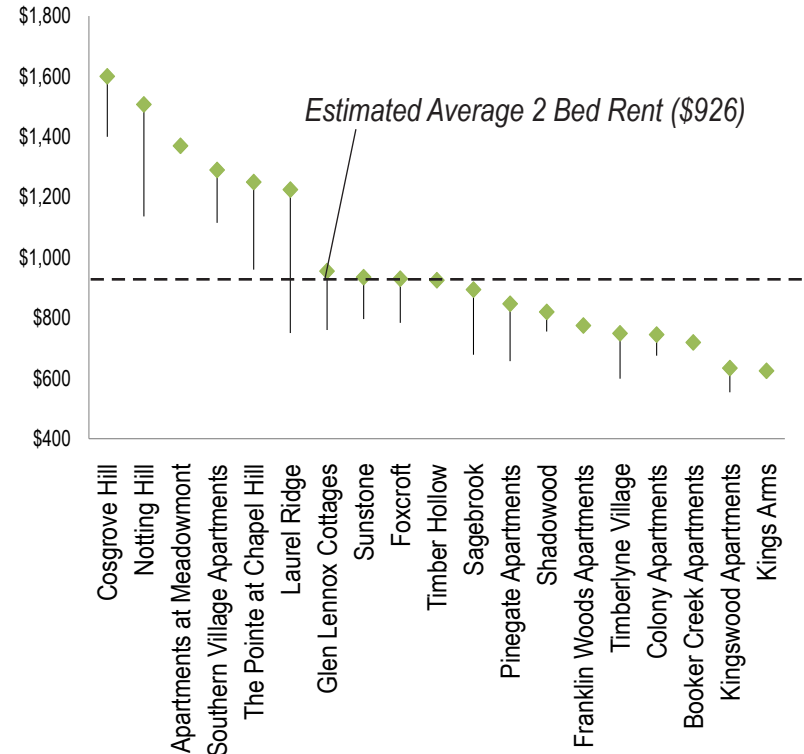
Source: American Community Survey (ACS)

# 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](http://apartments.com), [apartment guide](http://apartmentguide.com), [forrent.com](http://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