

Purpose and Scope of Study

- Maxfield Research Inc. was engaged by the City of Austin to conduct an update to a Comprehensive Housing Needs Analysis for the City. The scope of this study includes: an analysis of the demographic and economic characteristics of the City and surrounding area; a review of existing housing stock characteristics; an analysis of the for-sale housing market; an evaluation of rental market conditions in the City; and, a senior housing supply and demand analysis. Detailed recommendations are provided for the housing types identified as being needed in Austin. An assessment of other challenges associated with housing development in the City is provided.

Demographic Analysis

- Population growth in the Market Area is expected to be concentrated in Austin, and the population throughout the Remainder of the Market Area will likely decline. We project that Austin's population will grow 4.0% and the number of households will increase 4.2% between 2010 and 2020. The greatest growth is predicted to occur among older adults in the Market Area. Over the next five years, it is expected that the number of households between the ages of 25 and 34 and those over the age of 55 (the baby boomers) will increase while the number of households between the ages of 35 and 54 declines. This observation suggests that there will be increased demand for multifamily housing in the near future as the first-time homeowners category expands and the large baby boomer cohort ages into the years when they consider downsizing.
- Based on the median gross rent of \$649 for renter-occupied housing units in the City of Austin, a household would need to have an annual income of roughly \$26,000 or greater to not exceed 30% of its monthly income on rental housing costs. In 2013, approximately 67% of all City households are estimated to have incomes of at least \$26,000. It appears that many City residents could afford higher rents as the average weekly wage of \$824 paid by City employers equates to annual income of approximately \$43,000. A household with this income could afford a \$1,075 monthly rent.
- In Austin, 68.1% of all households owned their housing in 2010, giving it a lower home ownership rate in comparison to Minnesota (73.0% owned in 2010). The number of owner households in Austin declined by -5.5% between 2000 and 2010 with the largest decreases occurring in the 35 to 44 and 65 and older age groups while the 55 to 64 age group experienced a 37.4% increase. The number of renters increased for nearly all age cohorts between 2000 and 2010 as the total number of renters residing in Austin grew by 24.5%. The rapid increase in renter households was due, in large part, to the bursting of the housing bubble which pushed many occupants out of home ownership and into rental units.

- Shifting household types can drive demand for housing in a community. The number of married couples without children, which often generate demand for multifamily housing, declined by -217 households in Austin between 2000 and 2010. The number of married couples with children (typically demand single-family detached housing) dropped by -140 households during the decade. Other family households experienced a significant increase from 2000 to 2010, growing by 30.8% (+391 households) in Austin. Other family households often require affordable housing. Non-family households also increased in Austin, as the number of people living alone grew 2.3% and the number of roommate households increased by 24.1% during the decade. An increase in the percentage of non-family households indicates a shift in housing needs that favors rental development.

Employment Trends

- Roughly 1,370 jobs are projected to be added in Austin between 2010 and 2020, for a 10.1% gain compared to 14.3% in Region 10 and 13.0% in Minnesota.
- In Austin, total employment slipped -0.2% (-32 jobs) between 2011 and 2012. Professional and Business Services experienced a jump in employment, gaining 78 jobs (+5.9%). Notable jobs losses occurred in Trade, Transportation, and Utilities (-35 jobs for a -1.5% loss), Leisure and Hospitality which lost -33 jobs over the year (-2.9%), and the Manufacturing sector which experienced a -0.8% reduction in employment (-27 jobs). Manufacturing is the largest employment sector in Austin, providing 3,532 jobs in 2012 (26% of the total).
- At \$824, the average weekly wage across all industries in Austin is 5.2% higher than in Mower County (\$783), but -13.2% lower than the State average (\$949). Average wages are lower in Austin than in the State in all industry sectors, except Professional and Business Services (\$1,719 in Austin compared to \$1,308 across the State). The average Manufacturing wage of \$794 in Austin is -29.7% lower than the State average of \$1,130.
- Austin can be considered an importer of workers as a significantly higher number of nonresidents commute into the City for work. Roughly 6,090 workers come into Austin for work (inflow) while 4,102 leave (outflow) and 7,720 both live and work in Austin. In 2011, Austin experienced net job inflow of 1,988.
- A common opinion among the top employers is that there appears to be a short supply of modern rental units in the area as many new hires, particularly entry-level workers, have trouble finding housing with suitable amenities.

Housing Characteristics and Conditions

- The City of Austin maintained a housing occupancy rate of 93.2% while occupancy throughout the Remainder of the Market Area was at 92.2% in 2010. Occupancy rates have decreased over the past decade. The City of Austin had a 2000 occupancy rate of 96.5% while housing units in the Remainder of the Market Area were 94.5% occupied. Over 63.5% of Austin's housing units were owner-occupied in 2010, 29.7% were renter-occupied, and the remaining 6.8% were vacant.
- The rapid rise in residential foreclosures experienced throughout the United States during the latter part of the 2000s impacted housing unit occupancy in the Market Area as indicated in the significant increase in vacant housing units from 2000 to 2010. The City of Austin experienced a 103% increase in vacant units (+375 units).
- Single-family (one-unit) detached units are the most common housing type in the Market Area, comprising 73% of the housing units in Austin. There is a limited supply of single-unit, attached housing in the Market Area with a total of 333 units in Austin (3.0% of all housing units) and only 38 units throughout the rest of the Market Area (0.6% of all units). Single-unit, attached housing represents over 7% of the total housing supply across Minnesota. Over 6% of Austin's housing units are located in structures containing 50 or more units and approximately 5% of Austin's supply of housing is comprised of two-unit (duplex) structures.
- Over 30% of the Market Area's housing units (5,410 units) were built prior to 1940. While many homes built before 1940 are in good condition, a high number of housing units this age increases the potential for the housing stock to become substandard and maintenance costs are generally higher. Roughly one-quarter of the homes in Austin were built prior to 1940. By comparison, approximately 18% of all homes in Minnesota were built prior to 1940. Austin appears to have been greatly impacted by the post-World War II housing boom, as 14% of Austin's housing units (1,564 units) were built in the 1940s and 26% (2,862 units) were built in the 1950s.
- Residential building activity dropped off sharply in Austin after 2006 when permits were issued for 86 units in the City. A total of 563 housing units were permitted between 2000 and 2006 (80 per year average) while only 88 units were permitted between 2006 and 2012 (15 per year average). Multifamily development activity has been essentially nonexistent since 2006 as nearly all the permitted units have been for single-family dwellings.
- The median owner-occupied home value was \$94,600 in Austin, roughly -53% lower than the statewide median of \$201,400. The Remainder of the Market Area, outside of Austin, had a median home value of \$143,991 which was -29% lower than Minnesota.

For-Sale Market Analysis

- From 2005 through June 2013, there were 3,328 residential sales in Austin, roughly 96% of which were for detached single-family homes. New construction comprised roughly 2% of all single-family sales and over 13% of multifamily sales since 2005. The 2012 median sale price for single-family homes in Austin was \$71,250. Between 2007 and 2012, the median price declined -20.7% in Austin. The median price for townhouse units dropped -18.3% to \$122,500. It appears that pricing for homes is stabilizing, as the median sale price for single-family homes jumped 27.5% to \$90,872 in Austin over the first six months of 2013. The median price for townhouse units slipped -3.6% to \$118,057 after climbing 7.3% in 2012.
- There appears to be a housing supply and demand imbalance in the City. Housing demand (as indicated by closed sale transactions since 2005) appears to be highest for lower-priced homes as 31% of the closed transactions were for homes priced below \$63,000, while only 16% of the homes listed for sale (supply) are priced lower than \$63,000. The greatest proportion of homes listed for sale are priced at \$156,900 or higher (28% of all listed homes), but sales activity was lowest in this price range as only 20% of the closed sales were for homes priced higher than \$156,899.
- Based on a foreclosure rate comparison, Mower County has maintained a lower level of foreclosures than Minnesota. Many foreclosed properties are neglected and in poor condition with extensive repairs needed. As such, they can be very difficult to sell and can have a negative impact home prices. Foreclosed homes are typically priced at a discount and they increase the supply of houses on the market, likely resulting in lower prices for other homes on the market. The presence of a foreclosed home in poor condition can lessen the desirability of a neighborhood for potential buyers and exert downward pressure on home prices. On average, the median sale price for a foreclosed property was roughly 40% lower than the price of a home sold in a traditional transaction in Austin.
- There have been a total of 565 lots platted in the City of Austin since the late 1990s. Nearly 38% of these platted lots remain undeveloped in the City. Based on the total average annual lot absorption of 34.2 lots per year, the 214 undeveloped lots could potentially take more than six years to be developed.
- Total demand from household growth and existing household turnover between 2013 and 2020 equates to 157 new for-sale housing units. We estimate that 75% of the householders seeking new housing will desire single-family housing, while the remaining 25% will be seeking multifamily units. We anticipate that there will be demand for approximately 118 general occupancy single-family home and 39 multifamily units in the City between 2013 and 2020.

Rental Market Analysis

- Our research of Austin's general occupancy rental market included a survey of 12 market rate apartment properties and seven affordable/subsidized communities in June 2013. These projects represent a combined total of 847 units, including 499 market rate units and 348 affordable/subsidized units.
- At the time of our survey, 21 market rate units and five affordable/subsidized units were vacant, resulting in an overall vacancy rates of 5.1% for market rate units and 1.4% for affordable/subsidized. The overall market rate vacancy rate of 3.4% is lower than the industry standard of 5% vacancy for a stabilized rental market, which promotes competitive rates, ensures adequate choice, and allows for unit turnover.
- Nearly 45% of the market rate units in Austin are one-bedroom units while 42% are two-bedroom units. Average monthly rents in Austin range from \$260 for efficiency units to \$955 for three-bedroom units. One-bedroom units have an average monthly rent of \$576 while two-bedroom units rent for an average of \$682 per month.
- We find demand for 284 renter households based on household growth and existing households between 2013 and 2020. Based on a review of household incomes and sizes and monthly rents at existing projects, we estimate that approximately 15% of the total demand will be for subsidized housing, 15% will be for affordable housing, and 70% will be for market rate housing.

Senior Housing Market Analysis

- The greatest population growth is predicted to occur among older adults in the Market Area. Aging of baby boomers led to an increase of 771 people (+39.1%) in the 55 to 64 population between 2000 and 2010 in Austin. As this group ages, the 55 to 64 and 65 to 74 cohorts are expected to continue increasing.
- As of June 2013, Maxfield Research identified 31 senior housing developments in the Austin Market Area. Combined, these projects contain a total of 1,031 units. There are a total of 456 units in 11 subsidized senior projects. As of June 2013, 23 units were vacant resulting in a vacancy rate of 5.0%. We also identified 575 market rate senior housing units, 68 of which are vacant representing an 11.8% vacancy rate. Of the market rate units, roughly 20% are in active adult projects and 23% are considered congregate units. Nearly 38% of the market rate units are in assisted living facilities while the remaining 19% are memory care units.
- We found excess demand for a total of 363 senior housing units in 2020. Of these senior units, roughly 70% would be market rate housing and the remaining 30% would be

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affordable or subsidized units. This level of senior housing demand (particularly active adult) may not be realized in the short-term as many seniors, especially in rural areas, prefer to age in place and delay moving to senior housing until they need services.

Conclusions

- In total, we find demand to support 442 general occupancy housing units between 2013 and 2020. Highest demand will likely be for rental housing, representing roughly 64% of the total general occupancy housing demand, while for-sale housing represents 36% of general occupancy housing demand. We also found excess demand for a total of 363 senior housing units in 2020. Of these senior units, roughly 70% would be market rate housing and the remaining 30% would be affordable or subsidized units.

SUMMARY OF HOUSING DEMAND CITY OF AUSTIN July 2013		
General-Occupancy Housing		
	2013-2020	
For-Sale Units	157	
Single-Family	118	
Multifamily	39	
Rental Units	285	
Market Rate	199	
Affordable	43	
Subsidized	43	
Total General Occupancy Housing Units	442	
Senior Housing		
	2013	2020
Market Rate Senior Housing		
Market Rate Active Adult	143	137
<i>Renter-Occupied</i>	143	137
<i>Owner-Occupied</i>	0	0
Market Rate Congregate	42	46
Assisted Living	25	44
Memory Care	15	28
Total Market Rate Senior Housing Units	225	255
Affordable/Subsidized Senior Housing		
Affordable Active Adult	63	60
Subsidized Active Adult	2	48
Total Affordable Senior Housing Units	65	108
Source: Maxfield Research, Inc.		