Comprehensive Housing Needs Analysis for the City of Austin, Minnesota



Prepared for: **Austin HRA and the City of Austin, Minnesota**

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Agenda

1. Purpose & Scope of Study
2. Market Area Definition
3. Key Demographic Trends
4. Employment Trends
5. Housing Characteristics
6. For-Sale Market Analysis
7. Rental Market Analysis
8. Senior Housing Market Analysis
9. Conclusions & Recommendations

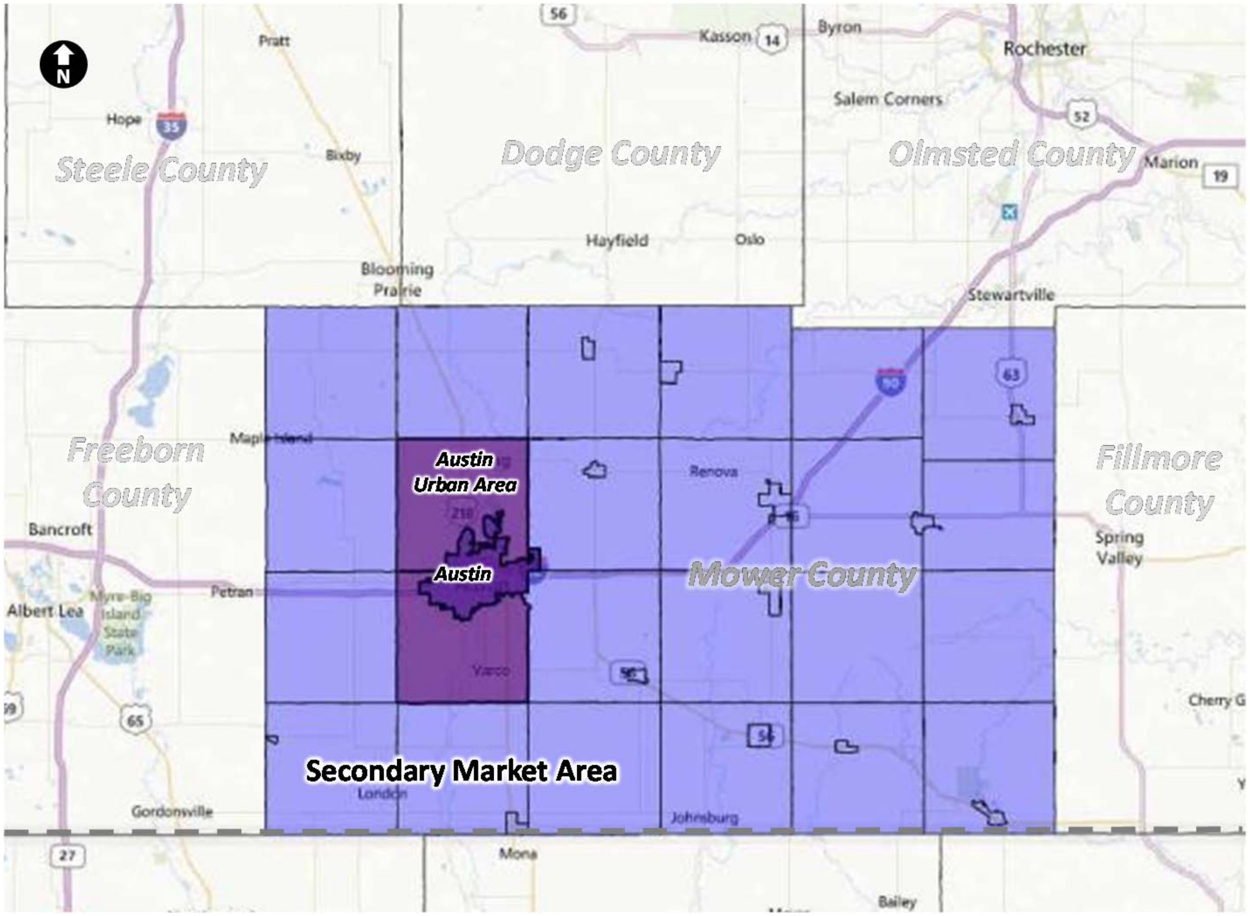
Purpose & Scope of Study

- Maxfield Research Inc. was engaged by the City of Austin to conduct an update to a Comprehensive Housing Needs Analysis for the City (last completed in 2005)

- The scope of this study includes:
  - Demographic and economic overview
  - Review of existing housing stock characteristics
  - For-sale housing market analysis
  - Evaluation of rental market conditions
  - Senior housing supply and demand analysis

- Recommendations are provided for the housing types identified as being needed in Austin by 2020

Market Area Definition



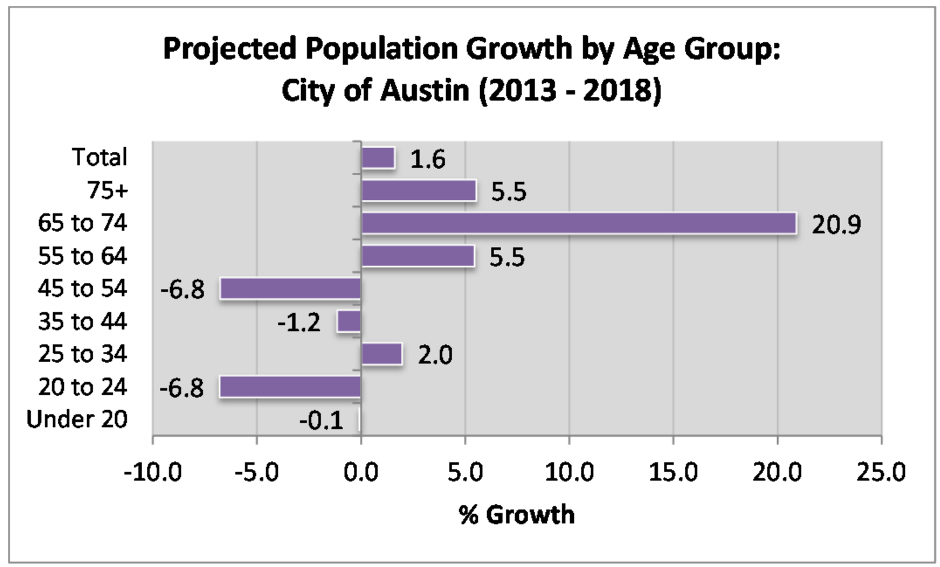
- Same as previous study
- Defined as:
  - City of Austin
  - Austin Urban Area (Mapleview, Townships of Austin and Lansing)
  - Remainder of Mower Co. plus eastern edge of Freeborn Co.
- 30% of housing demand in Austin will come from outside the City

Key Demographic Trends

- Modest population and household growth projected in Austin
- Household sizes are expected to decrease over the decade… due primarily to aging population
- Growth is expected among older adults in Austin... all age groups under age 55 expected to decline (except 25 to 34)
- Housing demand will be driven by
  - echo boomers (rental housing, 1st time home buyers)
  - baby boomers (staying in place, downsizing into multifamily, senior housing)

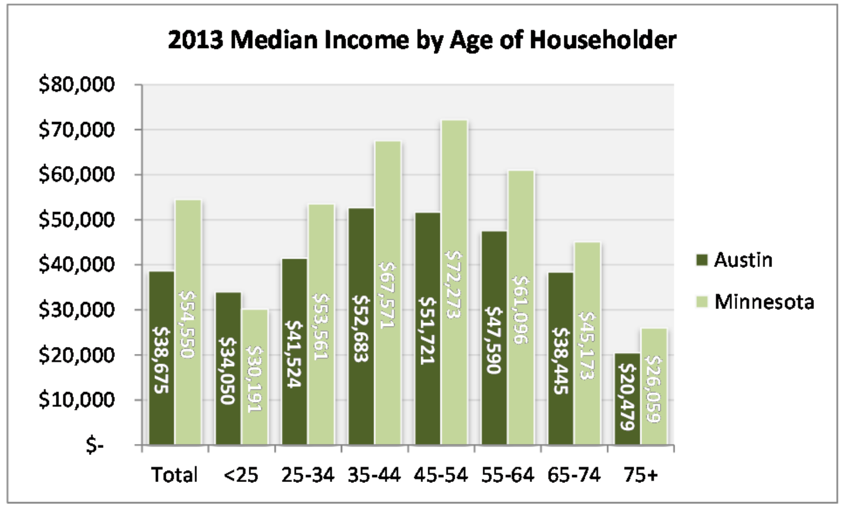
City of Austin

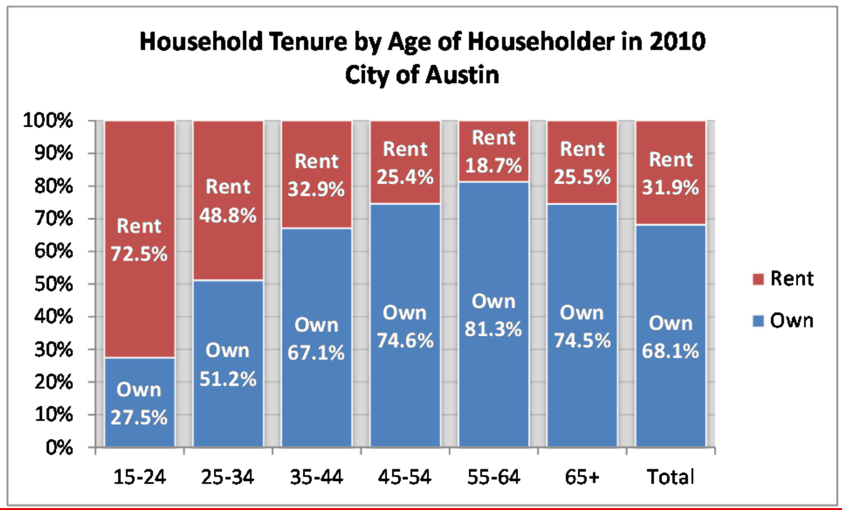
	Population	Households
1990	22,446	9,561
2000	23,314	9,897
2010	24,718	10,131
2020	25,715	10,552
Growth		
‘00 – ’10	6.0%	2.4%
‘10 – ’20	4.0%	4.2%



Key Demographic Trends

- Median household income in Austin is 29% lower than in MN
- Household incomes tend to peak in late 40s and 50s… generally the target market for upscale housing
- Roughly 70% of City households can afford existing one-bedroom rental units or entry-level single-family homes
- Austin has a relatively low home-ownership rate compared to MN
- Bursting housing bubble pushed many out of home ownership and into rentals between 2000 and 2010





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Key Demographic Trends

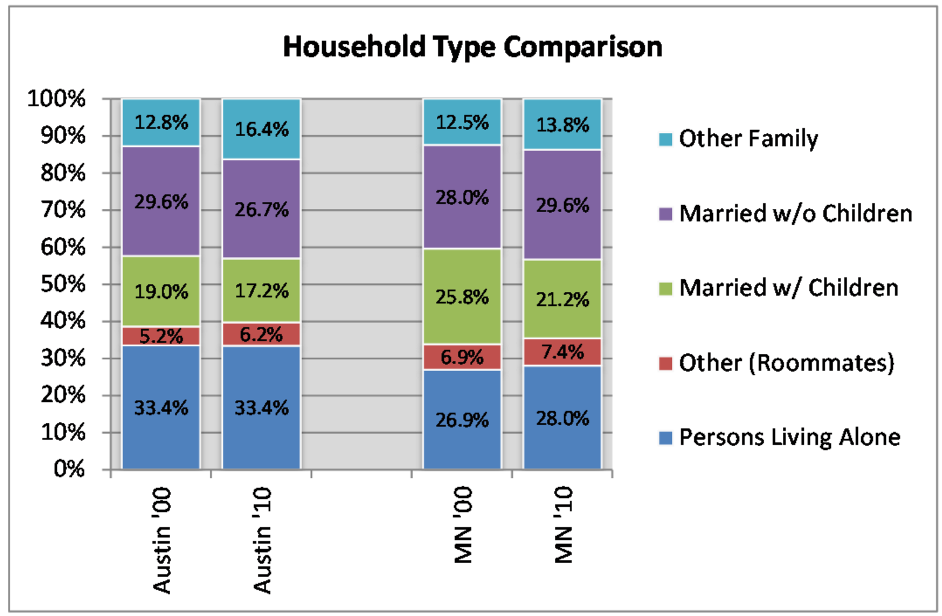
Shifting household types impacting housing demand…

- Married couples (with and without children) declined

- Other family households experienced a significant increase (+31%)

- Non-family households also increased
  - people living alone (+2.3%)
  - roommate households (+24.1%)

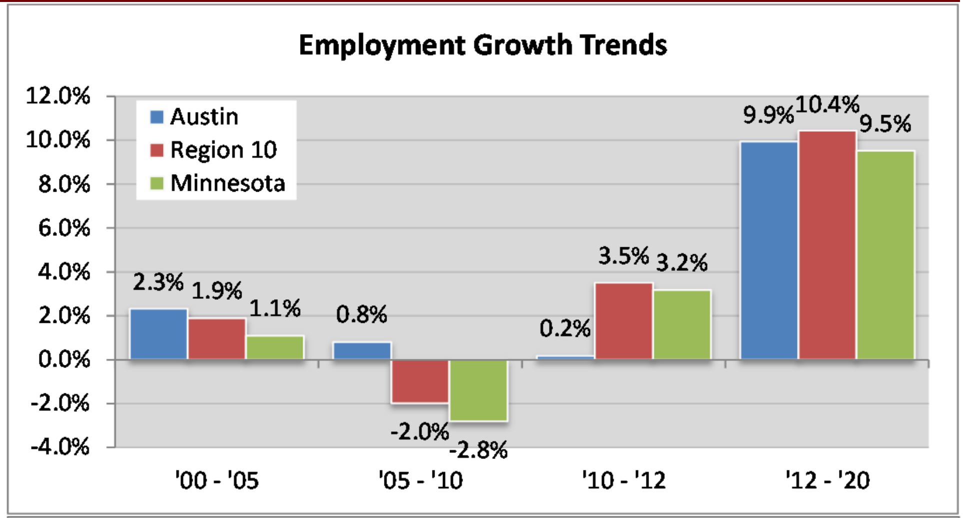
- Growing demand for affordable housing (other family households) and rental housing (non-family households)

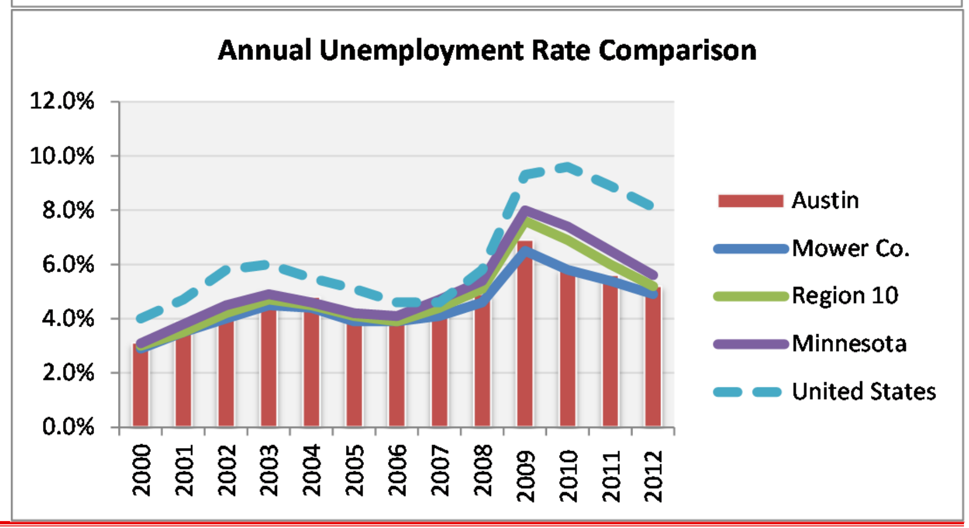


Employment Trends

Solid job growth expected…

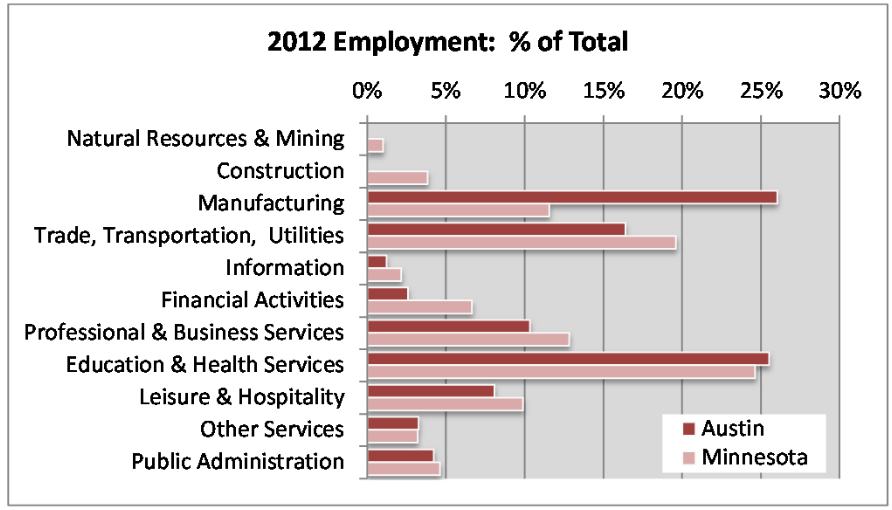
- Austin added over 400 jobs (+3.2%) between 2000 and 2010… 10.1% job growth projected this decade (+1,370 jobs)
- Relatively low unemployment rate in Austin (4.8% as of 4/13)
- Labor force contracted faster than resident employment from ‘10-’12… trend has reversed the past 12 months

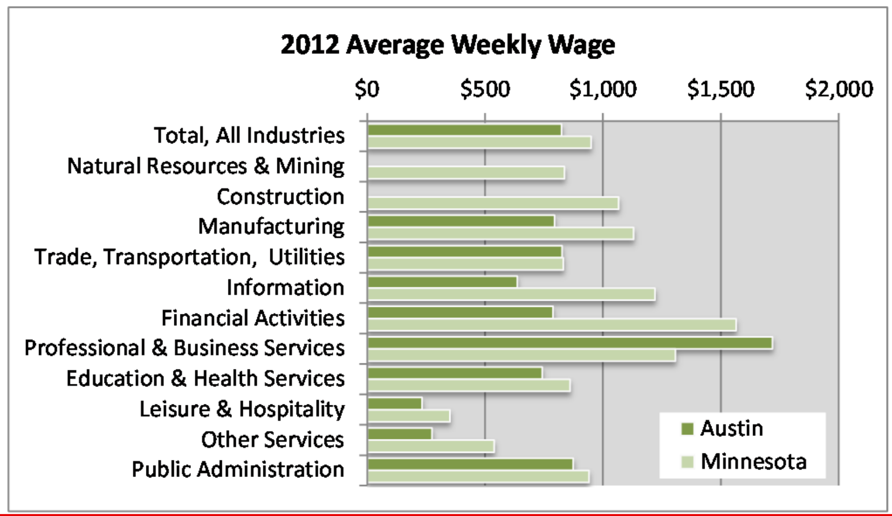




Employment Trends

- Flat job growth 2011 – 2012
- Manufacturing is the largest employment sector in Austin (26% of all jobs)… followed by Education and Health Services (25.5%)
- Relatively low wages in Austin
  - Average weekly wage ($824) is -13.2% lower than State average ($949)
  - average Manufacturing wage ($794) is -29.7% lower than the State ($1,130)
- Wages increased 2.7% ('11-'12) in Austin compared to 3.2% increase in MN





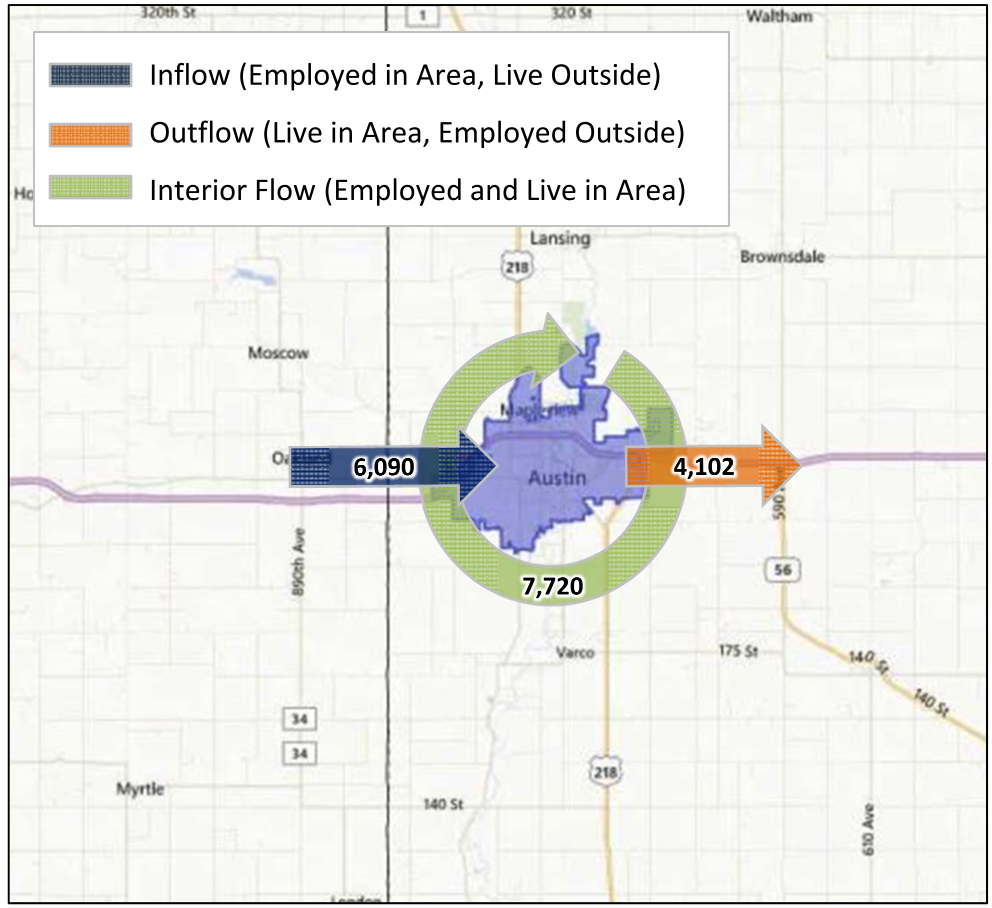
Employment Trends

Austin is an "importer" of workers…

- A significantly higher number of nonresidents commute into Austin for work than there are residents leaving Austin for work… Net gain of +1,988 workers

- Workers commuting in from Albert Lea, Rochester, Owatonna, Brownsdale, Le Roy, and Rose Creek

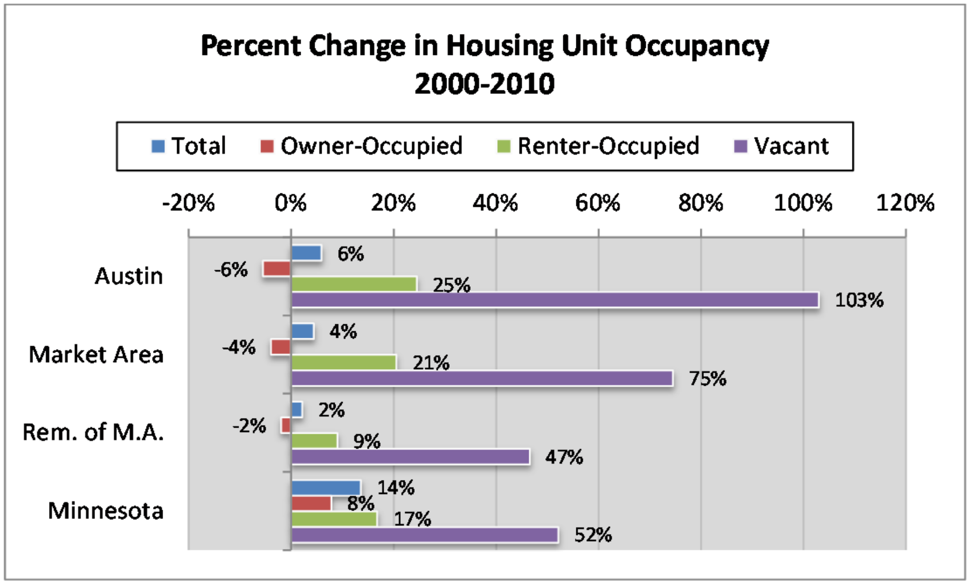
- Residents commuting out to Rochester, Albert Lea, Owatonna, Minneapolis, St. Paul, and Mankato



Housing Characteristics

Relatively high housing occupancy rate in Austin…

- 93% occupancy rate in Austin (89% in Minnesota)
- 64% owner-occupied in 2010, 30% were renter-occupied, and the remaining 7% were vacant (11% vacant in MN)
- Austin gained 609 housing units from 2000 – 2010 (+5.9%)
- 103% increase in vacant units (+375 units) between 2000 and 2010
- 25% increase in renter-occupied units
- Owner-occupied units declined -6%



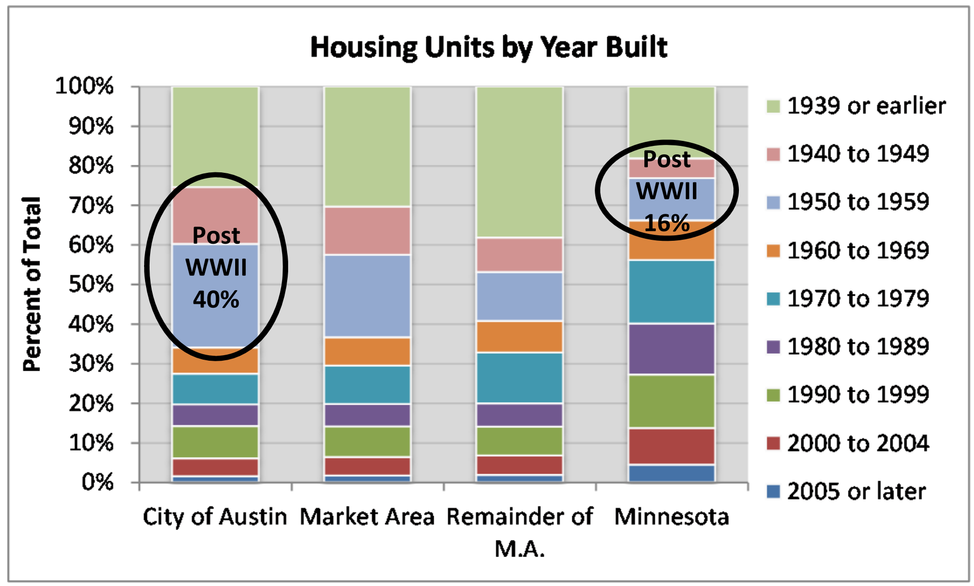
Housing Characteristics

Austin's housing stock dominated by older, single-family detached units…

- Single-family (one-unit) detached units comprise 73% of all housing units in Austin compared to 68% in Minnesota… Over 89% of the housing units in the Market Area (outside Austin) are single-family detached

- Roughly 25% of Austin's housing units were built prior to 1940 (18% in Minnesota)

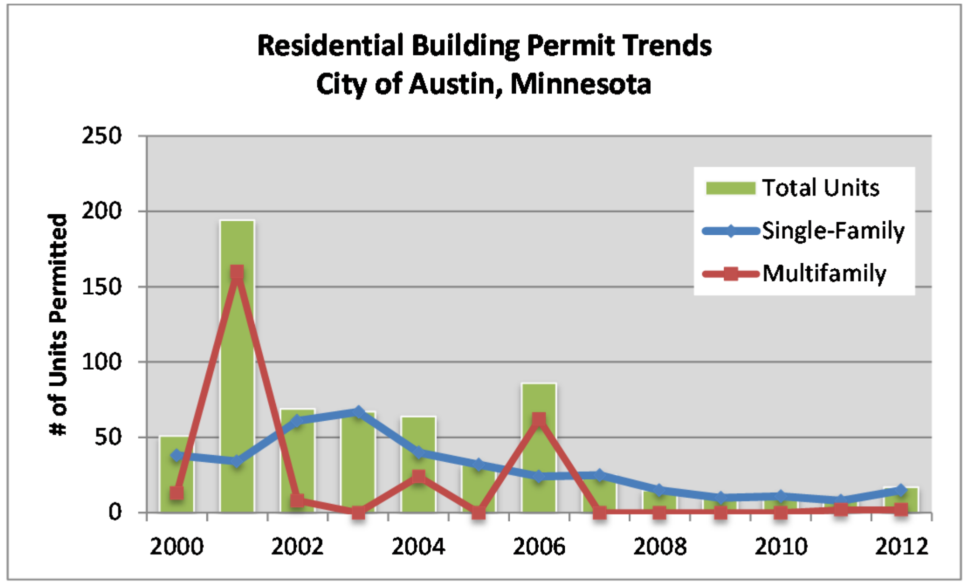
- Austin appears to have been greatly impacted by the post-WWII housing boom



Housing Characteristics

Residential building activity dropped off sharply in Austin after 2006…

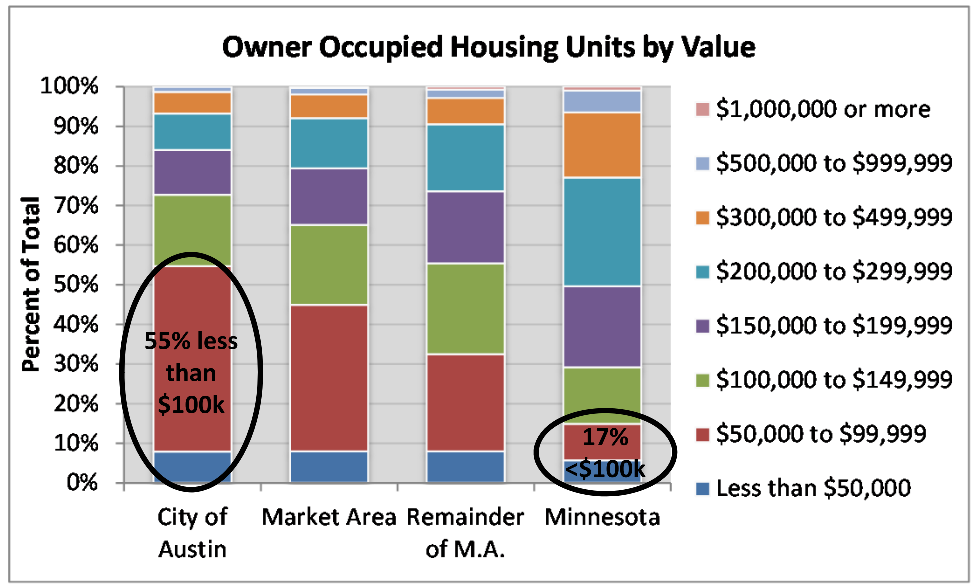
- 2000 to 2006 (80 units per year average)
- 2006 to 2012 (15 units per year average)
- Multifamily development activity has been essentially nonexistent since 2006



Housing Characteristics

Housing in Austin is relatively affordable…

- The median owner-occupied home value was $94,600 in Austin (-53% lower than the State median of $201,400)
- Over half of the housing units valued at less than $100,000
- The median contract rent of $548 per month in Austin is -22% lower than the State median rent of $704



For-Sale Market Analysis

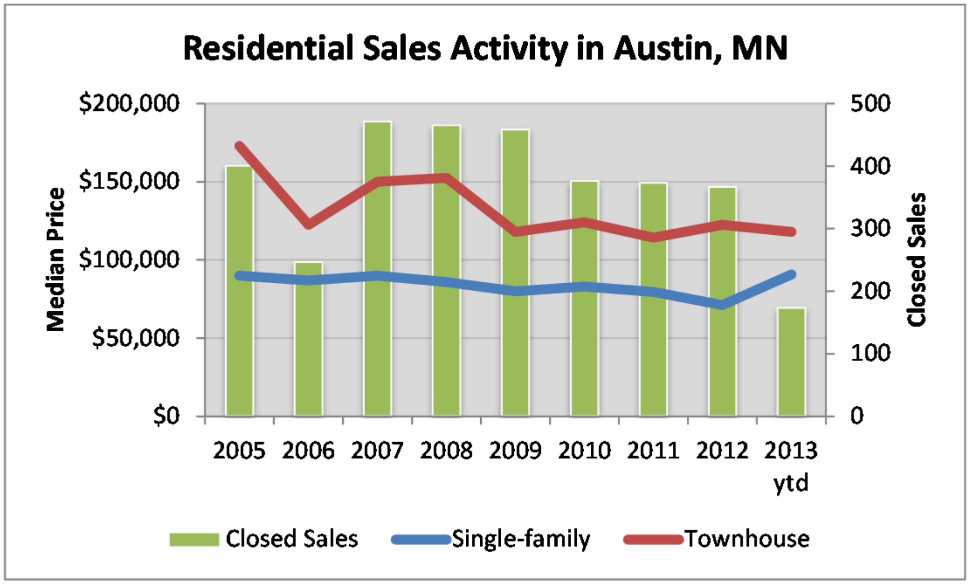
For-sale market appears to be stabilizing…

- 3,328 residential sales in Austin (2005 – June 2013)… 96% of were for detached single-family homes

- New construction comprised roughly 2% of all single-family sales and over 13% of multifamily sales since 2005

- Median price for single-family homes declined -20.7% to $71,250 ('07-'12)… median price for townhouse units dropped -18.3% to $122,500

- Pricing seems to be stabilizing… median price for single-family homes jumped 27.5% to $90,872 over the first six months of 2013



For-Sale Market Analysis

Housing supply and demand imbalance in Austin…

- Housing demand highest for lower-priced homes…
  - 31% of closed transactions (demand) were for homes priced below $63,000
  - only 16% of homes listed for sale (supply) are priced lower than $63,000
- Greatest proportion of homes listed for sale are priced at $156,900 or higher (28% of all listed homes)…
  - activity was lowest in this price range (20% of closed sales)

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For-Sale Market Analysis

Demand for 157 new for-sale housing units by 2020…

- Total demand from household growth and existing household turnover equates to 157 new for-sale housing units by 2020
  - 75% single-family (118 general occupancy single-family homes)
  - 25% multifamily units (39 multifamily units)
- 565 residential lots platted in Austin since the late 1990s
  - 38% remain undeveloped
  - average annual lot absorption of 34.2 lots per year
  - 214 undeveloped lots could potentially take more than six years to be developed

For-Sale Market Analysis

GENERAL OCCUPANCY FOR-SALE HOUSING DEMAND CITY OF AUSTIN, MINNESOTA 2013 to 2020			
DEMAND FROM PROJECTED HOUSEHOLD GROWTH			
Projected household growth in Austin 2013 to 2020[1]		461	
(times) Pct. of HH growth for general occupancy housing[2]	x	15%	
(equals) Projected demand for general occupancy units	=	69	
(times) Propensity to Own[3]	x	65%	
(equals) Number of potential owner households from HH growth	=	45	
(times) Ownership demand generated from outside Market Area	+	30%	
(equals) Total demand potential for ownership housing in Market Area	=	64	
DEMAND FROM EXISTING OWNER HOUSEHOLDS			
Number of owner households (age 64 and younger) in Market Area, 2013	=	4,627	
(times) Estimated % of owner turnover (age 64 and younger, 2013 to 2020)[4]	x	40%	
(equals) Total existing households projected to turnover between 2013 and 2020	=	1,851	
(times) Estimated % desiring new owner housing	x	5%	
(equals) Demand from existing households	=	93	
Total Demand From Household Growth and Existing Households, 2013 to 2020	**=**	**157**	
		SF	**MF**
(times) Percent desiring for-sale single family (SF) vs. multifamily (MF)[5]	x	75%	25%
(equals) Total demand potential for new for-sale housing	**=**	**118**	**39**

Rental Market Analysis

Below-equilibrium vacancy rate of 3.4%…

- 19 general occupancy rental properties with 847 units (499 market rate and 348 affordable/subsidized units)

- 21 vacant market rate units and 5 vacant affordable/ subsidized units
  - 5.1% for market rate vacancy
  - 1.4% affordable/subsidized vacancy rate

- The average monthly rent in Austin equates to $0.82 per square foot
  - $260 per month for efficiency units ($0.78 psf)
  - $576 for one-bedroom units ($0.84 psf)
  - $682 for two-bedroom units ($0.82 psf)
  - $955 for three-bedroom units ($0.73 psf)

Rental Market Analysis

Demand for 284 general occupancy rental units between 2013 and 2020…

DEMAND FOR GENERAL OCCUPANCY RENTAL HOUSING
CITY OF AUSTIN
2013 to 2020

		-------- Number of Households --------				
		Under 25	**Age 25 to 34**	**Age 35 to 44**	**Age 45 to 64**	**Age 65 & Over**
Demand From Household Growth						
Projected Growth in Household Base by 2020		0	62	4	29	391
(times) Proportion Estimated to Be Renting Their Housing[1]	x	73%	49%	33%	22%	26.0%
(equals) Projected Demand for Rental Housing Units	=	**0**	**30**	**1**	**6**	**102**
Demand From Existing Households						
Number of renter households in 2013		381	802	484	749	777
(times) Estimated % of renter turnover between 2013 & 2020[2]	x	93%	93%	80%	80%	64%
(equals) Total Existing Renter Households Projected to Turnover	=	354	746	387	599	497
(times) Estimated % Desiring New Rental Housing	x	5%	10%	10%	5%	5%
(equals) Demand From Existing Households	=	18	75	39	30	25
Total Demand From Household Growth and Existing Households		**18**	**105**	**40**	**36**	**127**

Total Demand from Household Growth and Existing Households		199		
(plus) Demand from outside Market Area (30%)		85		
(equals) Total Demand for Rental Housing in Austin		**284**		
		Subsidized	**Affordable**	**Market Rate**
(times) Percent of rental demand by product type[3]	x	15%	15%	70%
(equals) Total demand for new general occupancy rental housing units	=	**43**	**43**	**199**
(minus) Units under construction or approved*	-	0	0	0
(equals) Excess demand for new general occupancy rental housing in Austin	=	**43**	**43**	**199**

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Senior Housing Market Analysis

CONTINUUM OF HOUSING AND SERVICES FOR SENIORS

Single-Family Home	Townhome or Apartment	Congregate Apartments w/ Optional Services		Assisted Living	Nursing Facilities
	Age-Restricted Independent Single-Family, Townhomes, Apartments, Condominiums, Cooperatives	Congregate Apartments w/ Intensive Services		Memory Care (Alzheimer's and Dementia Units)	

Fully Independent Lifestyle

Fully or Highly Dependent on Care

Senior Housing Product Type

Source: Maxfield Research Inc.

Senior Housing Market Analysis

Greatest growth expected to occur among the older adult population…

- 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.

- 31 senior housing developments in the Austin Market Area with a total of 1,031 units

  - 11 subsidized senior projects (456 units)
  - 23 vacant subsidized units (5.0% vacancy rate)

  - 20 market rate projects with 575 units
  - 68 vacant (11.8% vacancy rate)
  - 20% of the units active adult
  - 23% are considered congregate units
  - 38% are assisted living units
  - 19% are memory care units

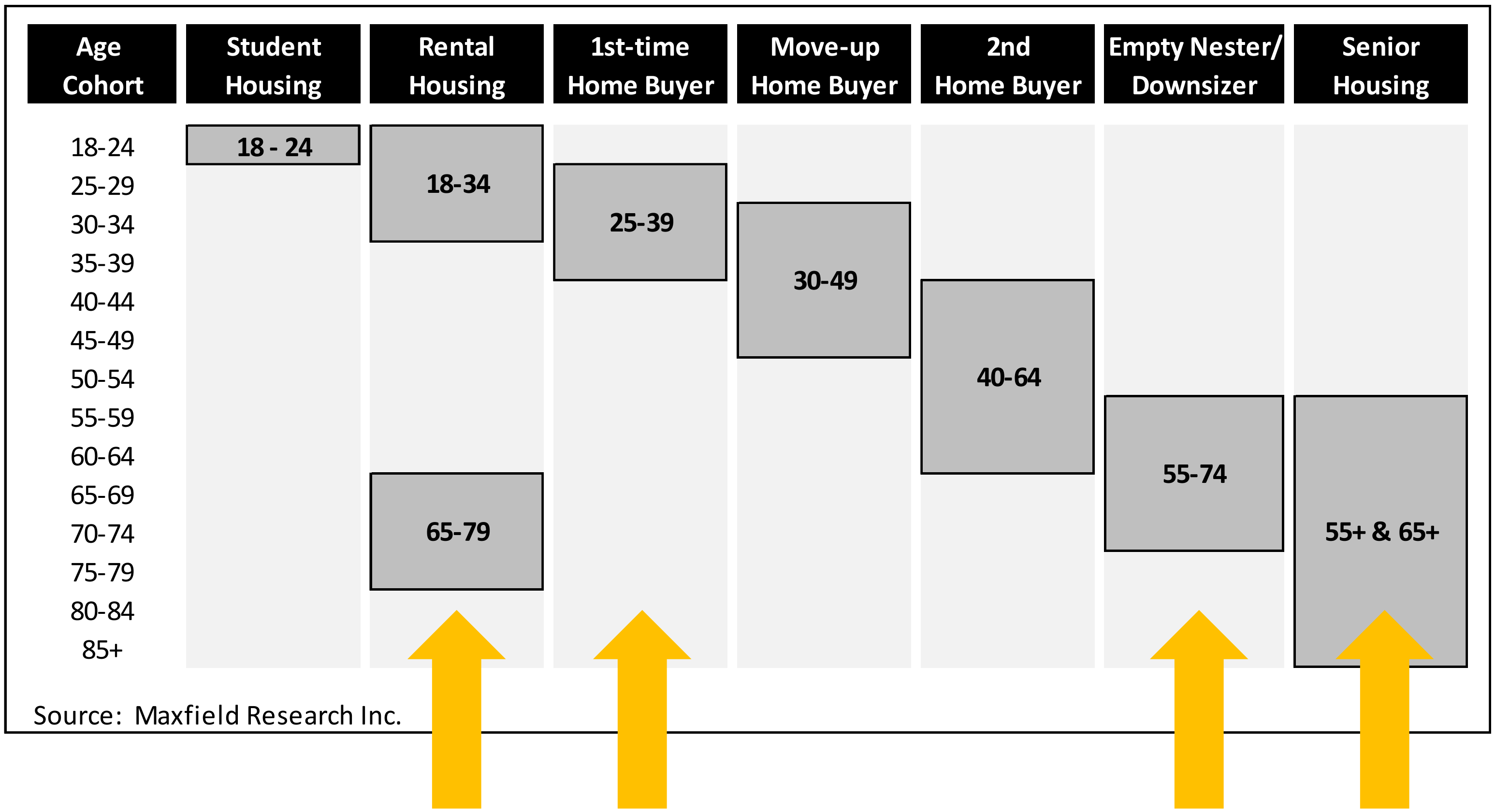
Senior Housing Market Analysis

Excess demand for 363 senior housing units in 2020…

SUMMARY OF SENIOR HOUSING DEMAND CITY OF AUSTIN July 2013		
	2013	**2020**
Market Rate Senior Housing		
Market Rate Active Adult	**143**	**137**
Renter-Occupied	*143*	*137*
Owner-Occupied	*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**

Conclusions & Recommendations

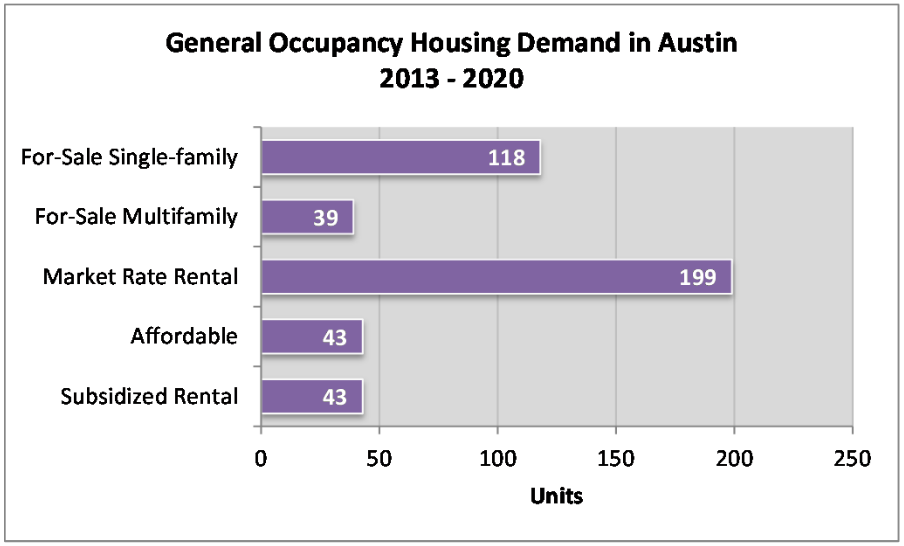
Demographics & Housing Demand

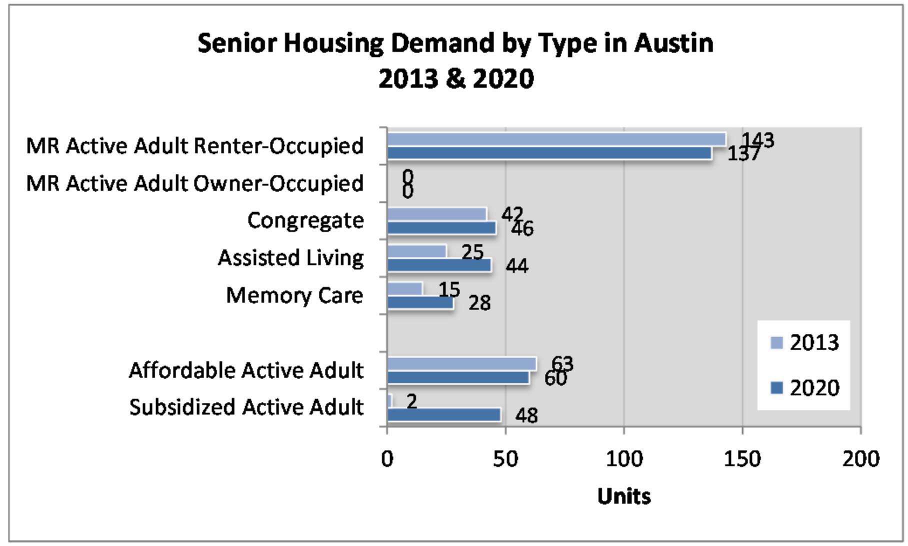


Source: Maxfield Research Inc.

Conclusions & Recommendations

Housing Demand Summary





- Demand for 442 G.O. units by 2020
- Highest demand for rental units
- 20% should be affordable/subsidized rentals

- Demand for 363 senior units in 2020
- Strongest demand for active adult rentals
- 30% should be affordable/subsidized

Conclusions & Recommendations

For-Sale Housing Recommendations

GENERAL OCCUPANCY FOR-SALE HOUSING RECOMMENDATIONS
CITY OF AUSTIN
July 2013

Product Type	% of Total	# of Units	Development Timing
Single-Family	**75%**	**118**	
Modest (less than $125,000)	15%	18	2014+
Move-up ($125,000 - $250,000)	60%	71	2014+
Executive (over $250,000)	25%	29	2014+
Multifamily	**25%**	**39**	
Modest (less than $125,000)	50%	19	2014+
Move-up ($125,000 - $250,000)	50%	20	2014+
Total For-Sale Housing	**100%**	**157**	
Modest (less than $125,000)	24%	37	2014+
Move-up ($125,000 - $250,000)	58%	90	2014+
Executive (over $250,000)	19%	29	2014+

Source: Maxfield Research, Inc.

Conclusions & Recommendations

Rental Housing Recommendations

RECOMMENDED RENTAL HOUSING DEVELOPMENT AUSTIN 2013 to 2020			
	Purchase Price/ Monthly Rent Range[1]	No. of Units	Development Timing
Market Rate Rental Housing			
Apartment-style (move-up)	$800/1BR - $1,300/3BR	100 - 150	2014+
Townhomes	$1,200/2BR - $1,500/3BR	30 - 40	2014+
Total		**130 - 190**	
Affordable Rental Housing			
Apartment-style	Moderate Income[2]	40 - 50	2014+
Subsidized	30% of Income[4]	40 - 50	2014+
Total		**80 - 100**	
Source: Maxfield Research Inc.			

- Mix of unit types, including dens in some 1-BR and 2-BR units
- Amenities to include open floor plans, higher ceilings, in-unit laundry, full kitchen appliance packages, central air, garage parking

Conclusions & Recommendations

Senior Housing Recommendations

RECOMMENDED SENIOR RENTAL HOUSING DEVELOPMENT AUSTIN 2013 to 2020			
	Purchase Price/ Monthly Rent Range[1]	**No. of Units**	**Development Timing**
Senior Housing (i.e. Age Restricted)			
Active Adult Market Rate Rental[2]	$1,000/1BR - $1,300/2BR	40 - 60	2016+
Active Adult Affordable Rental[3]	Moderate Income[3]	50 - 60	2015+
Subsidized Senior[4]	30% of Income[4]	40 - 50	2016+
Total		**130 - 170**	
Source: Maxfield Research Inc.			

- Due to high vacancy rates, service-enhanced senior housing development not recommended in the near term

Conclusions & Recommendations

Challenges and Opportunities… affordability

AUSTIN HOUSING AFFORDABILITY - BASED ON HOUSEHOLD INCOME

For-Sale (Assumes 10% down payment and good credit)

	Single-Family			Townhome/Condo	
	Entry-Level	**Move-Up**	**Executive**	**Entry-Level**	**Move-Up**
Price of House	$85,000	$150,000	$250,000	$125,000	$250,000
Pct. Down Payment	10.0%	10.0%	10.0%	10.0%	10.0%
Total Down Payment Amt.	$8,500	$15,000	$25,000	$12,500	$25,000
Estimated Closing Costs (rolled into mortgage)	$2,550	$4,500	$7,500	$3,750	$7,500
Cost of Loan	$79,050	$139,500	$232,500	$116,250	$232,500
Interest Rate	4.375%	4.375%	4.375%	4.375%	4.375%
Number of Pmts.	360	360	360	360	360
Monthly Payment (P & I)	-$395	-$697	-$1,161	-$580	-$1,161
(plus) Prop. Tax	-$106	-$188	-$313	-$156	-$313
(plus) HO Insurance/Assoc. Fee for TH	-$28	-$50	-$83	-$150	-$150
(plus) PMI/MIP (less than 20%)	-$34	-$60	-$101	-$50	-$101
Subtotal monthly costs	-$564	-$994	-$1,657	-$937	-$1,724
Housing Costs as % of Income	30%	30%	30%	30%	30%
Minimum Income Required	$22,541	$39,778	$66,297	$37,482	$68,964
Pct. of Austin Housholds	**72.5%**	**49.9%**	**28.8%**	**52.0%**	**28.8%**

Rental (Market Rate)

	Existing Rental			New Rental		
	1BR	**2BR**	**3BR**	**1BR**	**2BR**	**3BR**
Monthly Rent	$575	$680	$955	$800	$1,000	$1,300
Annual Rent	$6,900	$8,160	$11,460	$9,600	$12,000	$15,600
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	$23,000	$27,200	$38,200	$32,000	$40,000	$52,000
Pct. of Austin Housholds	**71.7%**	**65.5%**	**51.4%**	**58.7%**	**49.6%**	**38.7%**

Source: Maxfield Research Inc.

- Most households in Austin can afford entry-level housing… relatively few can afford executive housing
- Older housing indirectly meeting some affordable housing needs in Austin

Conclusions & Recommendations

Challenges and Opportunities…

- Job growth/employment
  - Significant job creation could generate a level of household growth that exceeds projections
  - Shrinking labor force could stifle potential job growth, reducing demand for housing

- Land supply
  - Existing supply of undeveloped platted lots in Austin appears adequate to meet housing demand

- Multifamily development costs
  - Most new rental developments in outstate Minnesota need a minimum rent of $1.05 psf to be financially feasible... Average rent in Austin is $0.82 psf

Questions & Contact Information

Questions…

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