Houston Home Attainability and Trends in Low-Density Rental Development

CHRISTOPHER PTOMEY

EXECUTIVE DIRECTOR, TERWILLIGER CENTER FOR HOUSING

SEPTEMBER 17, 2021 **H-GAC HOUSING SUMMIT**

Christopher and Houston (and Texas)

We go WAY back!

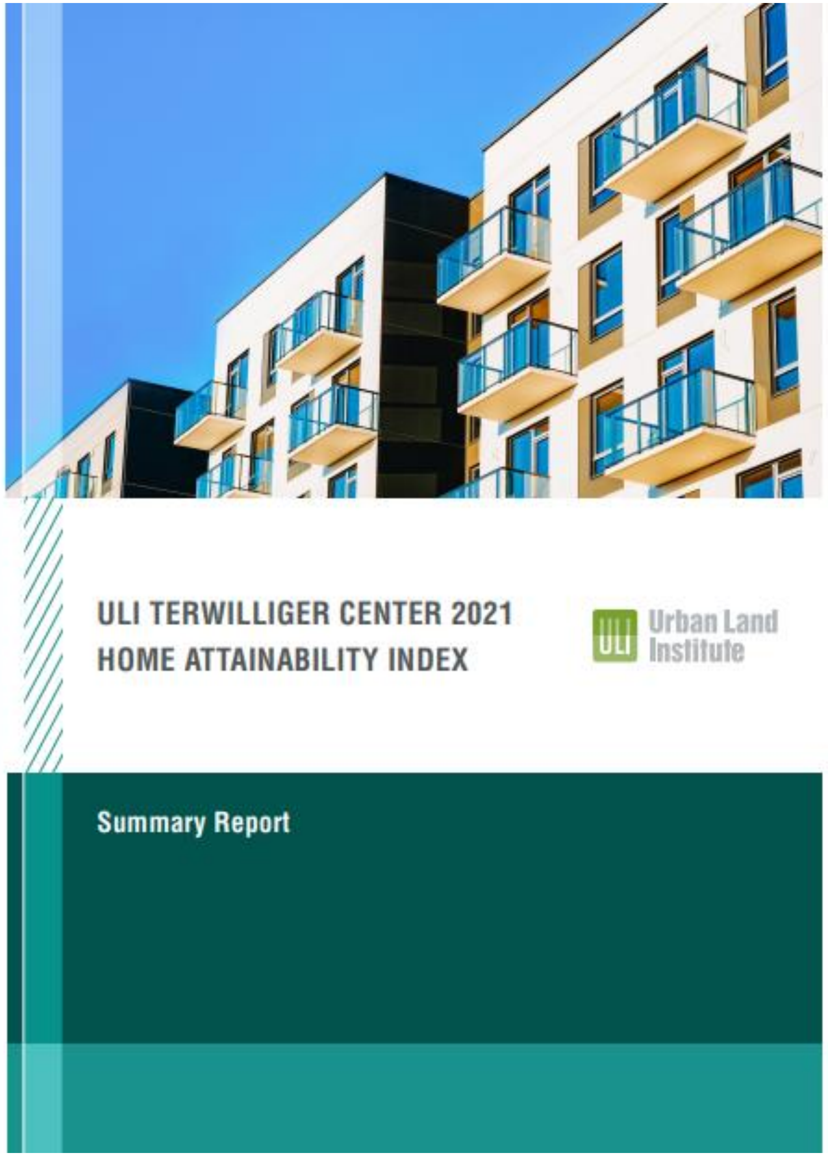
ULI Terwilliger Center for Housing

- **Catalyze** housing production and affordability
  - Direct engagement with communities
  - Driving best practices and policies
    - ULI Housing Opportunity Conference
    - Webinar series and newsletter
- **Provide thought leadership**
  - Research and publications
  - Industry engagement
- **Inspire broader commitment to housing**
  - ULI Kemp and Larson Awards

Agenda

1. Attainability Index: National Overview
2. Regional Data and Comparisons
3. Health, Housing and COVID-19
4. Low-Density Trends

Home Attainability Index



"Purpose: to provide a high-level snapshot of the extent to which a housing market provides a range of choices attainable to the regional workforce."

https://americas.uli.org/research/centers-initiatives/terwilliger-center-for-housing/

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WHAT DO WE MEAN BY “ATTAINABILITY”?

The effectiveness of the broader housing market in providing the full spectrum of housing opportunities to the region’s workforce and population.

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Home Attainability Index Goals

- Provide context by connecting housing costs to the wages earned by specific occupations in a region through an Occupational Analysis
- Explicitly identify and highlight racial, socioeconomic, and intra-regional disparities and inequities
- Address attainability gaps and housing vulnerability of those whose occupations have been particularly impacted by COVID-19 and the resulting economic disruption

2021 Index: Cities and Metrics

- Data on 100 largest regions (metropolitan statistical areas) plus 12 additional markets served by ULI District Councils
- 30 housing and equity metrics
- Categories
  - Overall Affordability
  - Homeownership Attainability
  - Rental Attainability
  - Neighborhood Opportunity and Access
  - Housing Production

National Overview

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The Big Picture

- Most severe cost burdens among middle-income households are predominantly found in the largest regions
- Nationwide lack of attainable homes for critical members of the workforce
- Severe undersupply of low-cost rental units
- Segregation – both by income and race – cuts across market types and geographies, and high housing costs threaten to worsen racial and socioeconomic disparities

Best across-the-board performance across Index metrics

Region	Number of Index Metrics – Better than Median	Percentage of Total*
Ogden-Clearfield, UT	20	86.96%
Albany-Schenectady-Troy, NY	17	73.91%
Tucson, AZ	17	73.91%
Oxnard-Thousand Oaks-Ventura, CA	16	69.57%
San Antonio-New Braunfels, TX	16	69.57%
Spokane-Spokane Valley, WA	16	69.57%
Syracuse, NY	16	69.57%
Pittsburgh, PA	16	69.57%
Wichita, KS	16	69.57%
Akron, OH	16	69.57%
Cedar Rapids, IA	16	69.57%

Worst across-the-board performance across Index metrics

Region	Number of Index Metrics – Better than Median	Percentage of Total
Cape Coral-Fort Myers, FL	4	17.39%
Charleston-North Charleston, SC	4	17.39%
North Port-Sarasota-Bradenton, FL	4	17.39%
Boston-Cambridge-Newton, MA-NH	6	26.09%
Fresno, CA	6	26.09%
Naples-Immokalee-Marco Island, FL	6	26.09%
New Orleans-Metairie, LA	6	26.09%
Allentown-Bethlehem-Easton, PA-NJ	7	30.43%
Atlanta-Sandy Springs-Roswell, GA	7	30.43%
Bakersfield, CA	7	30.43%
Miami-Fort Lauderdale-West Palm Beach, FL	7	30.43%

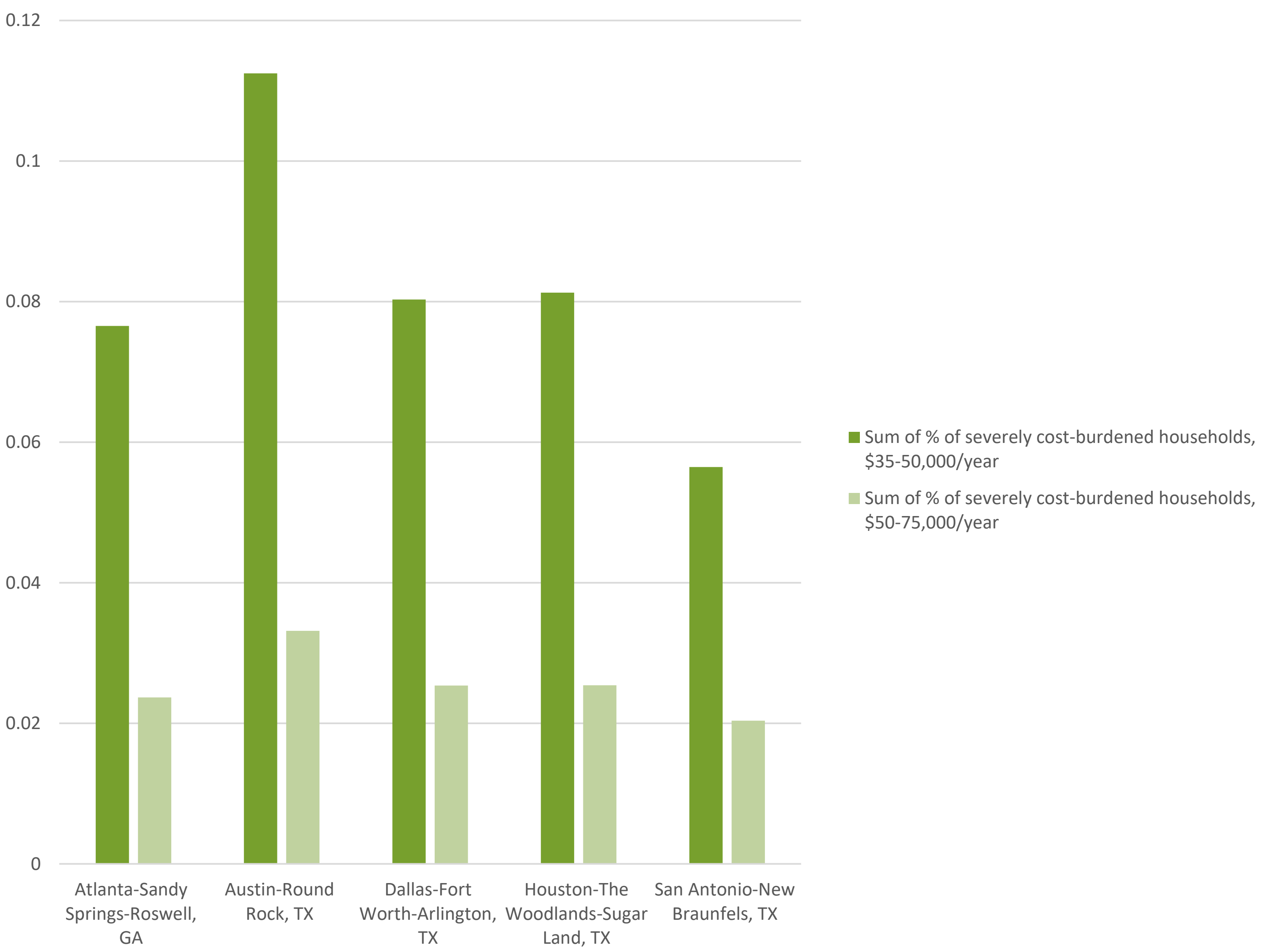
Regional Perspectives

Houston-The Woodlands-Sugar Land MSA

Attainability Index Takeaways

- Among the worst performing for affordable/available rental units at 30% AMI
- Slightly over median number of affordable/available units at 100% AMI.
- In context of regional wages, better overall attainability than Dallas and Austin but not as attainable as San Antonio. On par with Atlanta

Overall Affordability



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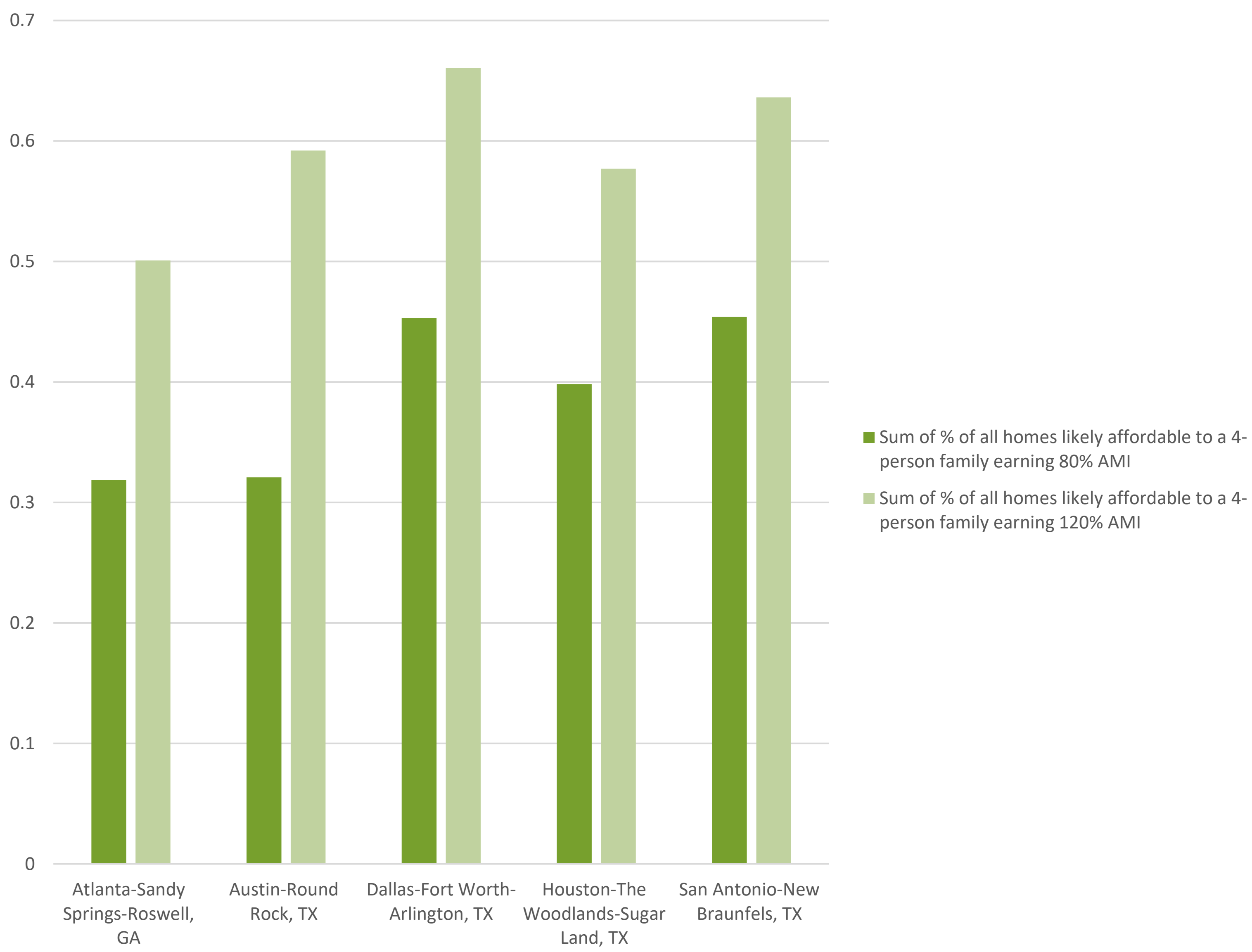
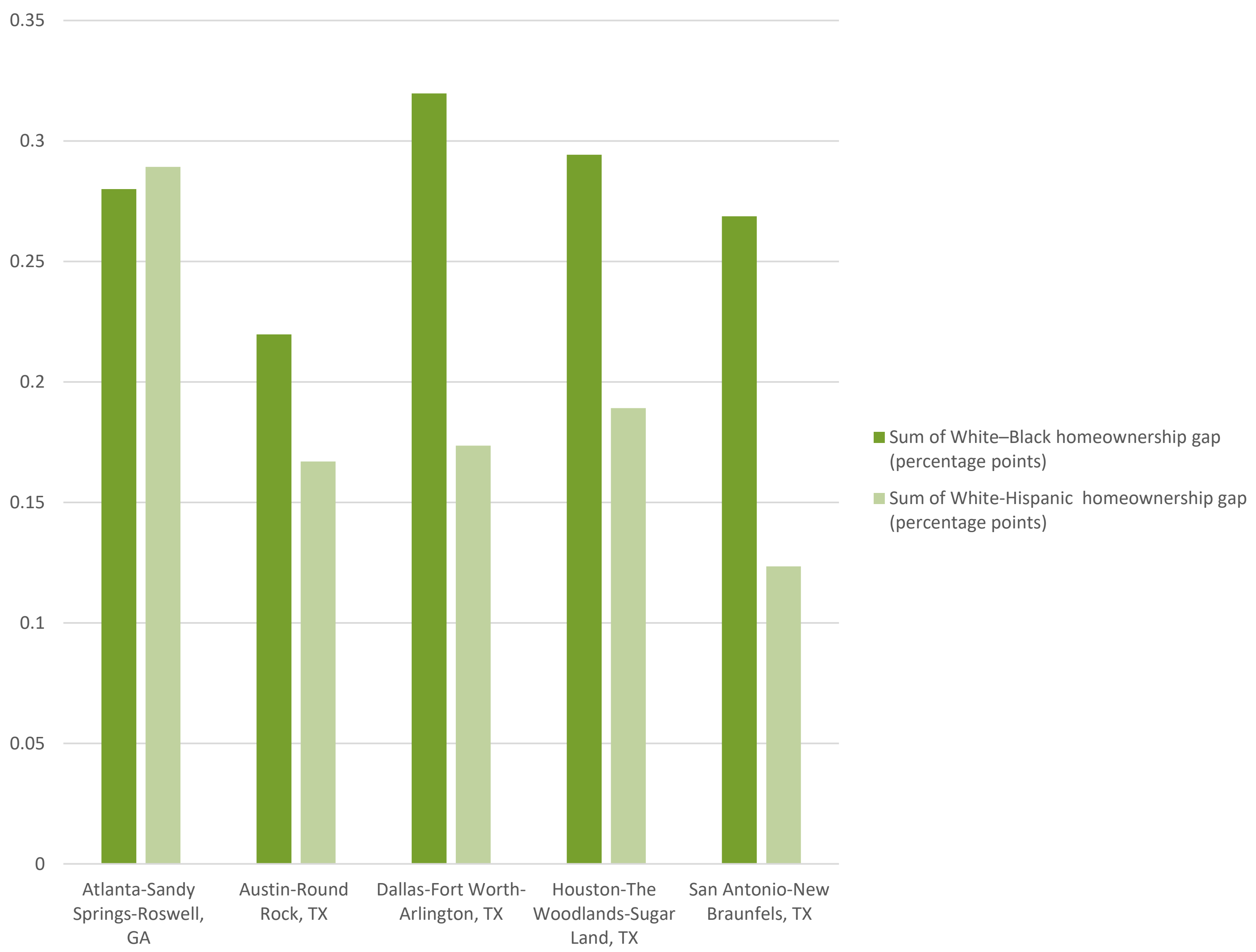
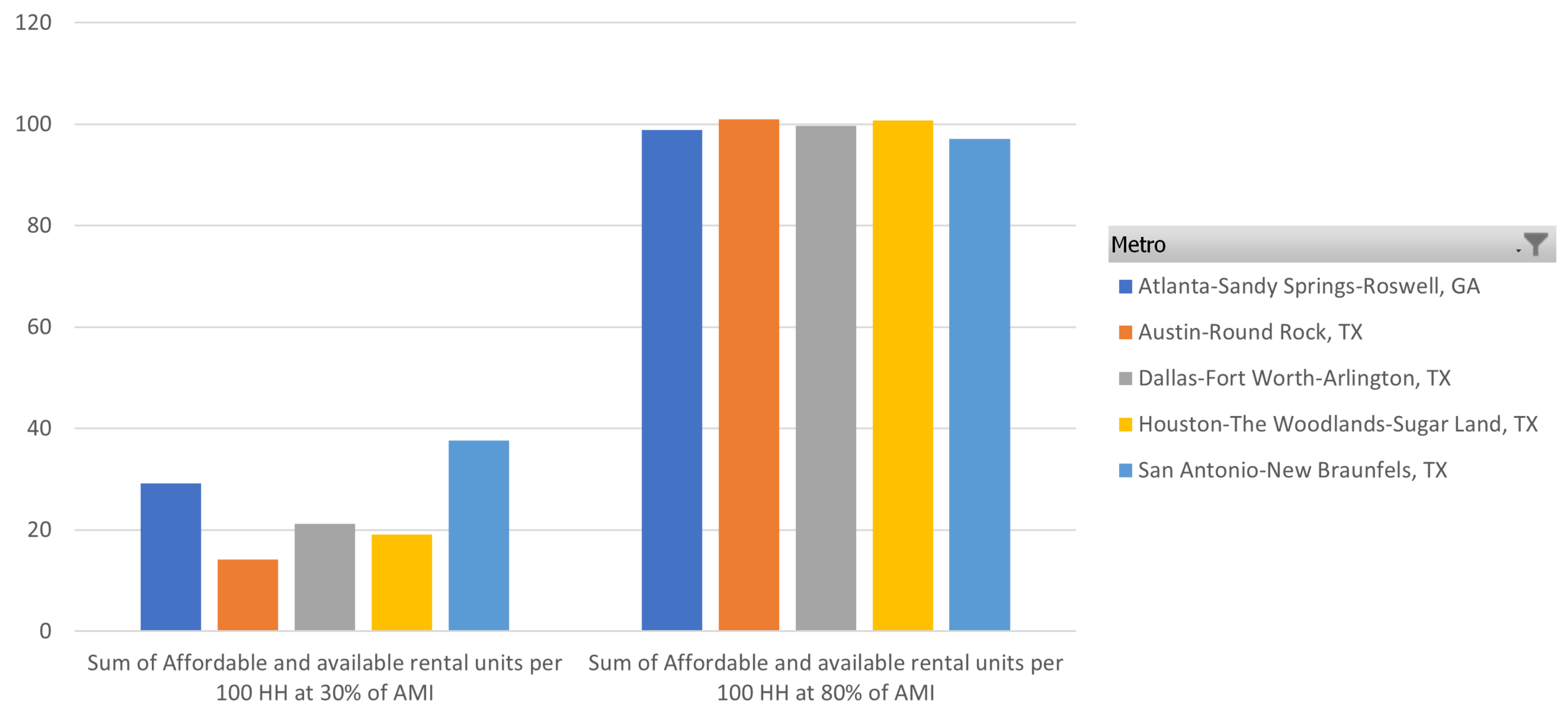
Homeownership Attainabiility



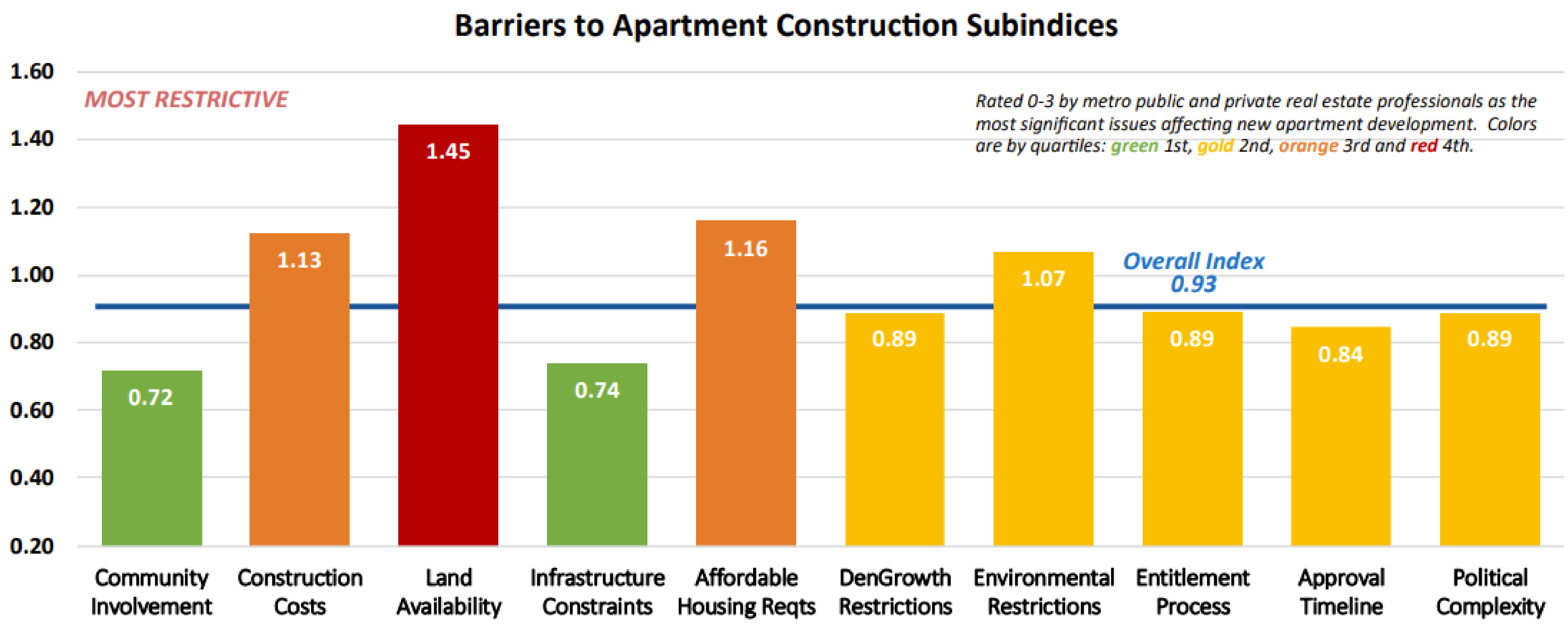
Racial Ownership Gap



Rental Attainability



NAA Barriers to Apartment Construction Index 2020



Housing, Health, and the COVID-19 Crisis

Housing, Health, and the COVID-19 Crisis

Research brief accompanying the 2021 Home Attainability Index highlights:

- A high-level overview of existing research on the impacts of COVID-19 on households and housing markets
- A closer look at the health-related components of the Index and the nexus with the core issue of housing attainability and racial and socioeconomic disparities
- An examination of the relatively attainability of various housing types for workers most significantly impacted by the acute crisis brought on by COVID-19, using the Index's Occupational Analysis
- A discussion of the implications for housing policy and practice.

Housing, Health, and the COVID-19 Crisis

Based on a review of literature on the pandemic and its impacts:

- What we don't know:
  - Data on the impact of the pandemic on short- and medium-term housing choices is variable in quality and does not point in one direction.
  - It is still too early to make long-term projections about housing choices.
    - "Choice" is often tied to income, and many vulnerable households likely acting out of necessity rather than choice.
- What we (most likely) know:
  - Pre-existing conditions matter, and not just in terms of vulnerability to the virus
  - Low-income renters and lower-wage occupations have been hit harder; higher-income occupations often spared
  - Lack of savings can contribute to vulnerability
  - Racial and ethnic minorities disproportionately impacted

Low-Density Rental Development

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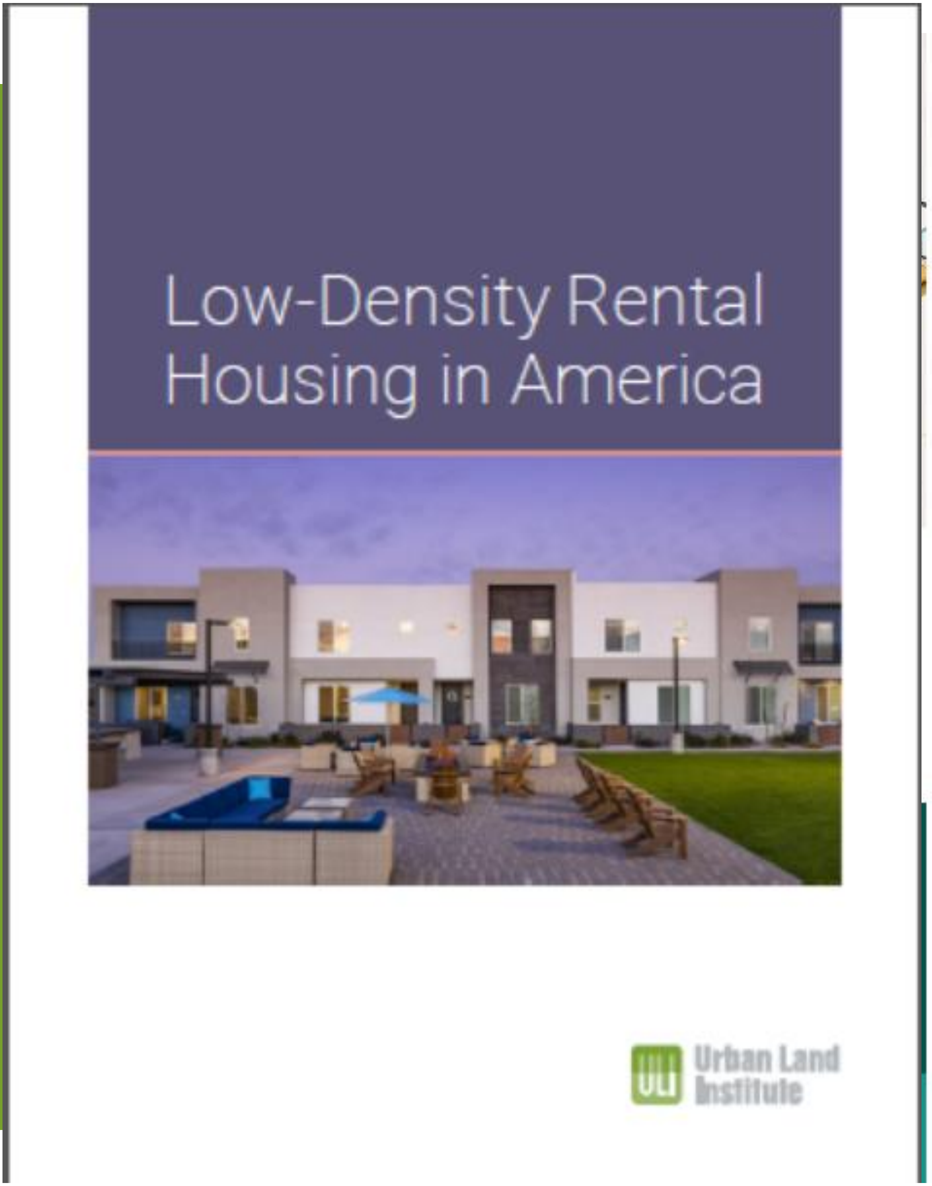

"[G]iven the organic growth of the product type over the past 10 years, a wide variety of products, communities, and strategies exist, which increases confusion across the industry and the media regarding nomenclature. RCLCO and ULI have set out to codify the SFR market's language, product types, and differentiating characteristics."

Institutionalization of Purpose-Built Single-Family Rentals

Institutional SFR Aggregators/ Scattered Site

Combination of SFD/SFA

Institutional SFR aggregators/scattered site consist of uniformly branded properties that are professionally managed and use a master leasing and operating platform; given housing supply constraints, aggregators are moving to bulk home takedown structures in partnerships with homebuilders

Small-Scale Investors/Owners

Combination of SFD/SFA

Small-scale investors/owners represent the largest share of units in the single-family rental market; homes are owned and operated by small-scale investors who typically own fewer than three rental properties

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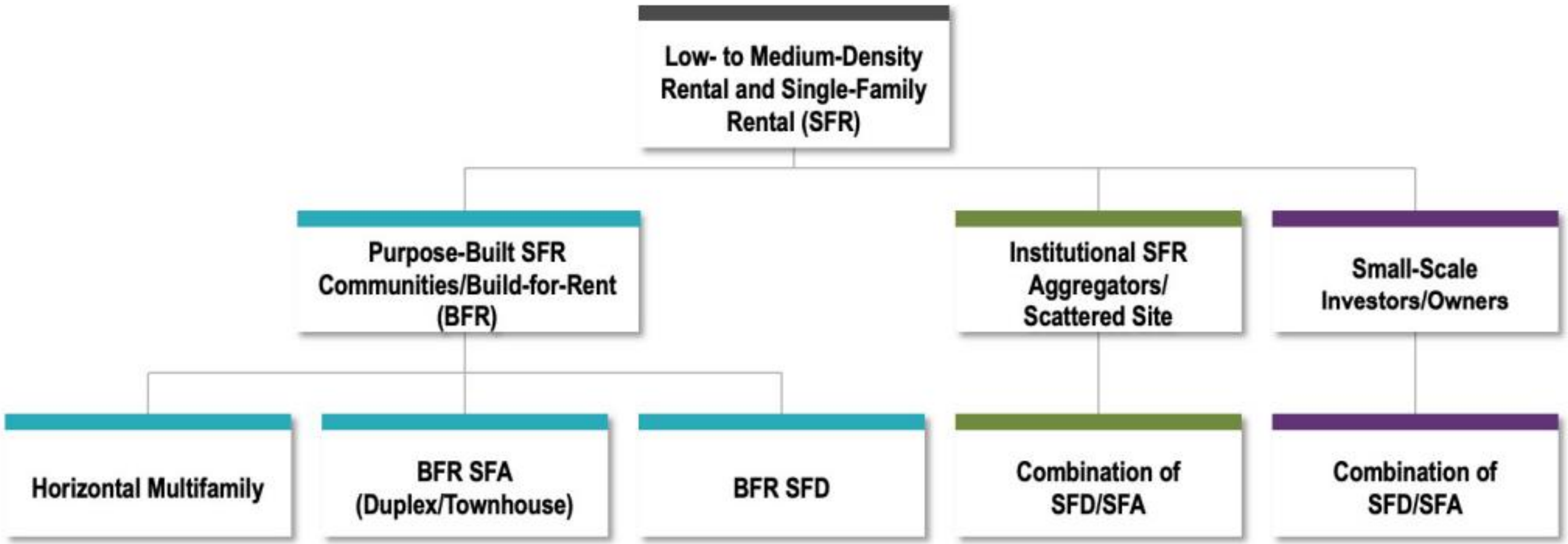

BFR communities provide cohesive offerings of single-family rental homes, with on-site management and maintenance *within the three subcategories below:*

Horizontal multifamily communities *share many similarities with multifamily properties in terms of unit sizes, unit types, and amenities but do not have stacked units*

BFR single-family attached *vary in scale, density, and orientation, but typically provide attached garages and larger unit sizes than horizontal multifamily communities*

BFR single-family detached *typically offer the largest homes of the three subcategories, often containing three or more bedrooms*

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Single-Family definition: *Single-family structures include fully detached, semi-detached (semi-attached, side-by-side), rowhouses, duplexes, quadruplexes, and townhouses. For attached units to be classified as single-family structures, each unit must be separated by a ground-to-roof wall and have a separate heating system and individual meters for public utilities, with no units located above or below.*

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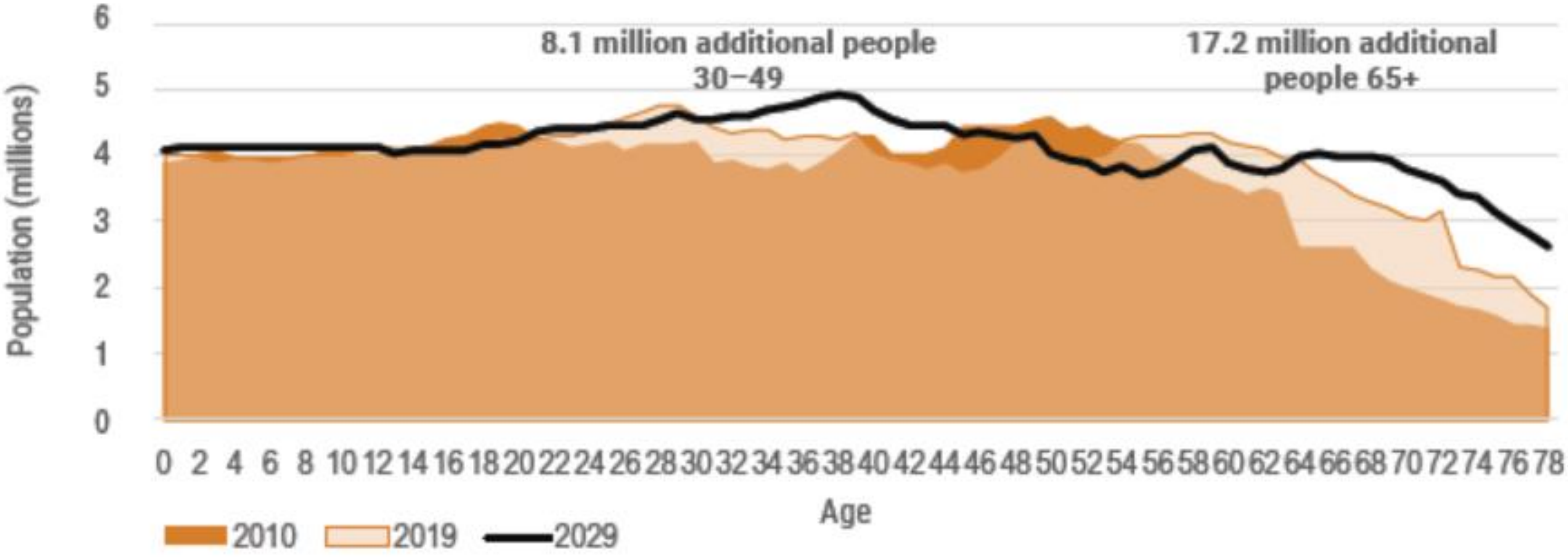
Institutionalization of Purpose-Built Single-Family Rentals

Drivers: Demographics and Development Patterns

HISTORICAL, CURRENT, AND PROJECTED POPULATION BY AGE
United States—2010, 2019, 2029 (projected)



Sources: U.S. Census Bureau; Esri.

Single-Family Rental Asset Class

Typologies: Horizontal multifamily

- Dense, 1-story SF detached
- Townhouses
- Duplexes

- Typical amenities
  - Fenced patios/lawns
  - Resort-style pool
  - Small fitness center
  - Clubroom
  - Business center

- Market audience
  - Older millennials
  - Older households moving or downsizing

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Single-Family Rental Asset Class

Typologies: Build-for-Rent Single-Family Attached

- Broad spectrum of community configurations, unit types, and sizes
- Units share at least 1 vertical wall
- Units not stacked
- Typical amenities
  - Limited
  - Fenced patios
  - Attached garages
- Market audience
  - Transitional while building or renting
  - Older households moving or downsizing

Single-Family Rental Asset Class

Typologies: Build-for-Rent Single-Family Detached

- 3-7 units per acre
- 3+ bedrooms
- Larger than MF units

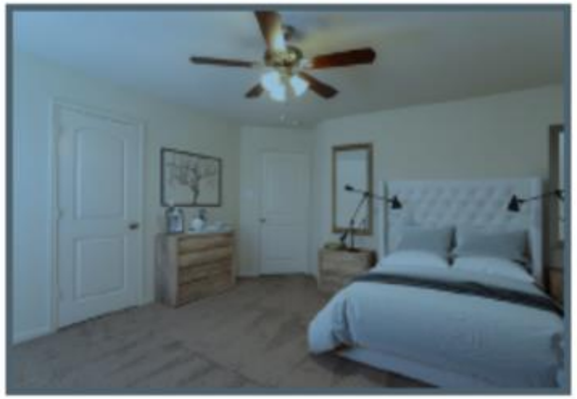
- Typical amenities
  - Large, fenced backyards
  - Community center
  - Pool
  - Business center
  - Outdoor: walking trails, dog park, playground

- Market audience
  - Families
  - Mature professionals
  - Empty nesters

Palomino Ranch
Houston, Texas

Product type:	BFR SFD
Developer:	Tricon
Year built:	2019
Units:	134
Occupancy:	Stabilized

Palomino Ranch is a new phase within the LGI Homes Painted Meadows community in Houston. Palomino Ranch is an example of a purpose-built single-family rental community leveraging the amenity program of a larger builder subdivision. Community features include expansive walking trails, parks with picnic tables, and a children's playground.



Amenities	
Smart thermostats	Marble countertops
Professionally maintained landscapes	Select homes feature swimming pools
Fenced-in lots	Concrete patios

			Unit size (sf)		Asking rent		
Type	**Units**	**Mix**	**Min – Max**	**Avg**	**Min – Max**	**Avg**	**Avg $/sf**
3 BR 2 BA	72	53.7%	1,414 – 1,658	1,482	$1,625 – $1,699	$1,646	$1.11
4 BR 2 BA	62	46.3%	1,844 – 2,134	1,891	$1,725 – $1,975	$1,765	$0.93
Total/avg	**134**	**100%**	**1,414 – 2,134**	**1,548**	**$1,625 – $1,975**	**$1,701**	**$1.10**

Source: Tricon Residential.

Future implications

Affordability and equity

- Construction technologies and systems
- Better land use and zoning policies
- Production

Future implications

Environmental and infrastructure sustainability

- Production in established communities
- Concentrated development strategies
- By right mixed-use development w/ neighborhood retail

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