Agenda Item: Housing Trends Report White Paper

DATE:    July 12, 2021
FROM:  Nadine Bennett, Senior Planner

Background/Issue:

The Board of Commissioners requested that Planning staff put together a snapshot of the current Matthews housing market, including national and local trends.

The provided document addresses this request by highlighting ongoing demographic changes that will continue to influence housing in the coming decades. The document also provides more specific information on rental trends, the single-family housing market, and general development trends. Also included are related Census figures about Matthews and how the Town fits in with larger trends. Finally, the Planning staff has provided recommendations on best practices.

Recommended Motion:

This report is for informational purposes only.
DEMOGRAPHIC TRENDS

Over recent decades, demographics in the US have been changing and influencing where and how people live. What we once thought of as the traditional American family—two parents and children—is no longer the primary type of household in the United States. Marriage rates have been declining since 1980, and fertility rates are currently at an all-time low. The structure of American households is shifting. Fewer than half of children today are growing up in a household with two married parents. Single-parent households are on the rise, and multi-generational and mixed family households are becoming more common. While the average family size is decreasing, the average household size has actually increased in the past ten years, due in part to housing costs and student debt leading to more need for unrelated roommates. The population is also aging. The youngest of the Baby Boomers are turning 57 this year, and the percentage of Americans over 65 continues to increase. The Census predicts that people over the age of 65 will outnumber those under 18 by 2034. Older Americans are increasingly choosing to age in place—and if they’re not staying where they are, they’re downsizing.

According to the Brookings Institute, while demographics are shifting, and needs and preferences are changing, the housing industry is still catering to the traditional nuclear family with large single-family homes. However, for the up and coming generation of home-buyers (Millennials, Generation Z and younger), buying a large, new single-family home is increasingly out of reach, as income inequality is a growing issue. This means that in coming years, young people will be battling over the few available homes that suit their needs, preferences, and price points, while older adults will be unable to sell their larger homes.

A note about COVID-19: The trends discussed in this document pre-date COVID-19; however, while the effects of the Pandemic are still being analyzed, it is generally believed that our year-long lock-down has only accelerated and exacerbated existing trends. The pull of the suburbs became stronger, as people recognized the importance of outdoor spaces; the ability to work from home has led many to reconsider where to live; and with few places to spend money, those who were already financially comfortable and able to keep their jobs were also able to save for a larger downpayment. Surging demand and a limited housing stock has led to even higher prices, and more people are being left behind.
RENTAL TRENDS

In 2019, approximately 36% of housing units were renter-occupied—the highest share of renters since 1960. While overall growth in the rental population seems to have plateaued in recent years, the share of non-traditional renters continues to grow. While the Great Recession forced many to rent out of necessity, in the past decade, there has been an increase in the number of households who rent by choice.

Baby Boomers

Traditionally, older Americans have been less likely to rent. However, the number of renters in their early 60s has increased dramatically in the past decade—the biggest increase of any age group. Many Baby Boomers are downsizing and leaving behind their big yards and houses and the burden of maintenance that comes with them. They need less space, and they want someone else to take care of it. In addition, apartments are often located in areas that are either walkable or a short drive to services, and many contain on-site amenities.

Millennials

Millennials, who make up the largest generation in history, are far less likely to be homeowners than previous generations. Millennials are delaying marriage, family, and homeownership. They often live in higher-priced urban areas where they are priced out of the housing market, particularly with their high burden of student debt. Renters also find it easier to move neighborhoods, cities, and jobs when not tied down by a mortgage—an important option for this generation. As the oldest Millennials enter their 40s, their homeownership rates will increase but are still expected to lag behind previous generations.

Gen Z

Born after the mid-90s, these young adults should continue to drive rental demand. (However, with the rising cost of rental housing, many in this generation may choose to live with parents to save money.)

High Income Renters

High-income households represent the fastest-growing segment of the housing market and are most prevalent in mid-size, up-and-coming metropolitan areas. This growing share of high-income renters looks like what would traditionally have been homeowners: college educated, young married couples, and families with children. Because of the increase in housing costs and mortgage credit requirements, even households making six figures are being priced out of the market.

Rental Stock Issues

After the Great Recession, investors took advantage of single-family housing vacancies for purchase as rental units. Since that time, to meet the increasing demand from high-income rentals households, construction of new units has shifted to large apartment buildings. These two trends have led to a reduction in units in small and mid-sized buildings, which tend to be older and generally more affordable. In addition, in some cases, high-income renters are choosing rental units that would otherwise be affordable to those with lower incomes, further reducing the stock for middle- and lower-income households. This dynamic also drives up rents. As a result, while the overall share of cost-burdened renters has decreased in the past decade, it is again on the rise, particularly among middle- and lower-income households.
**SINGLE-FAMILY HOUSING TRENDS**

Though it has been recently ramping up, new home construction has been depressed since the Great Recession, and housing inventory is at a historic low just as interest in new homes is increasing. (Mortgage rates are low, and Millennials are settling down, among other trends.)

A healthy real estate market is generally thought of as one with a good balance between buyers and homes for sale. A balanced market should have approximately six months of inventory. As of March, 2021, the Charlotte region had its lowest levels of inventory in at least 17 years—about 18 days worth. Buyers are moving to the Charlotte region from pricier areas for the relative affordability and quality of life. As demand continues to outpace supply, bidding wars have become common, and prices are soaring.* Prices for the lowest cost homes have seen the greatest increase, and there is a danger that first-time and workforce housing buyers will be unable to afford a home—and those who are able to purchase may still be left cost-burdened.

Even before the pandemic, suburbs and smaller towns like Matthews had been on an upswing as people continued to move out of expensive cities. The National Association of Homebuilders (NAHB) notes that construction of single-family and multifamily housing has been growing significantly in the suburbs in recent years, but demand continues to outpace supply.

Realtor.com, Zillow, and Redfin all report that Matthews is currently a very competitive seller’s market, with homes generally selling above the list price. There are more people looking to buy in Matthews than homes available. Realtor.com has the current median selling price as $365,000 (up from $300,00 in May of 2018). According to Zillow, home values in Matthews have increased almost 14% in the past year. Inventory is low, and homes are selling quickly.


**RESIDENTIAL DENSITY 2020**

Build to Rent (BTR) Communities

In a time when even households making six figures are unable to afford a home, single-family rentals are one of the fastest growing sectors of the U.S. housing market. BTR communities appeal to those who want the yard and additional space associated with a single-family home, but don’t have the savings for a downpayment. They also work for renters-by-choice, who want freedom from the maintenance, upkeep, and costs that come with being a homeowner or are unwilling to commit to one place long-term.

Since the Great Recession, investors have been buying individual single-family homes as rental properties. The new twist with BTR is that entire communities are being built specifically for the rental market. These communities have the look and feel of “real” subdivisions, with backyards, sidewalks, and locations in the suburbs. Among the advantages (apart from not needing a downpayment on the mortgage) are shared amenities, on-site property management and maintenance, larger living spaces than traditional apartments, and predictable costs. Among the disadvantages are that residents aren’t building equity and do not typically stay as long as homeowners (though they stay longer than apartment dwellers).
WALKABLE MIXED-USE COMMUNITIES

There is a growing demand for walkable communities in the US. The National Association of Realtors (NAR) conducts a semi-yearly Community and Transportation Survey to identify emerging trends in community preferences. One of the key takeaways from recent surveys is that people like to walk. Older Americans in particular are increasingly interested in walkable communities, and people who live in areas where there are places to walk express more satisfaction with their quality of life. According to the survey, 20% of people who live in single-family detached homes would prefer to live in an attached home if it meant living in a walkable community, especially if it involved a shorter commute.

What is a Walkable Community?

Walking is good for your health, can be a social activity, and lends to a sense of community as neighbors meet out on the sidewalk. There is strong evidence to show that the way neighborhoods and communities are designed has a significant impact on how much people choose to walk.

A walkable community is one where there are options for different modes of transportation and a balance between pedestrians, bicyclists, cars, and transit. The car doesn’t have to always be the first and only choice. Walking should be comfortable and safe—and there needs to be a place to walk to. Successful walkable communities generally have a mix of uses so that people have an opportunity to live, shop, dine, play, and even work without having to rely solely on their car. These are the types of neighborhoods that were common before World War II but fell out of fashion as single-family, auto-oriented neighborhoods began to dominate the landscape.

The 20-Minute Neighborhood

Another way to think about walkable communities is to consider the “20-Minute Neighborhood.” These neighborhoods are places where residents have walkable access to a variety of services and places that they would normally need on a daily basis—including grocery stores, schools, parks, restaurants, and other retail—without relying as heavily on a car. A five-minute walk (about a quarter of a mile) could lead to a coffee shop or neighborhood park. A ten-minute walk (about half a mile) might lead to a school, transit stop, or grocery store. The full 20 minutes could encompass a major park, a community gathering space, and jobs.

Twenty-minute neighborhood businesses should be designed to meet the needs of the neighborhood residents, and there should be a diversity of housing options and enough density to support the businesses and amenities.

MISSING MIDDLE HOUSING

As noted previously, prior to World War II, neighborhoods generally developed organically with a mix of housing types and uses. Corner stores were common, as were a variety of single-family and small multi-family units (some rentals and some owner-occupied).

Communities today often have a separation of uses—single-family neighborhoods, commercial areas, and mid-rise apartment buildings (three to four stories) each in their own place. We are missing the type of housing stock that was an essential element of older (and now very desirable) neighborhoods. Missing middle housing types include house-scale buildings with multiple units, such as duplexes, multiplexes, cottages, townhomes, and live-work spaces. One of the key features of this type of housing is that it does not exceed the scale of a house and therefore integrates well with existing neighborhoods.

Missing middle housing is a way to provide the type of gentle density that creates walkable neighborhoods that can support neighborhood-serving local businesses. It is also a way to increase the housing stock in an increasingly tight market while addressing the shifting preferences of our changing population.

“Most people consider single-family homes as small-scale housing and apartment buildings as large scale. I’m saying that what’s in between those two extremes is ‘missing.’ It’s missing because we haven’t built a lot of them in the last 60 to 70 years, partly because of zoning barriers. We often say that what the young want, the baby boomer generation needs — less reliance on their cars and a desire to be part of a strong community. Walkability is key!”

Daniel Parolek, Opticos Designs, Coined the phrase “Missing Middle Housing”
Trends in Matthews are consistent with those on the national level for the past decade. Nationally:
- Households with children are decreasing
- The Population 65+ is increasing
- The share of single-family housing is decreasing
- The share of multi-family units is increasing

22% Population Increase Since 2010

34.3% 2010
29.0% 2019
% of Households with Children under 18 is Decreasing

12.3% 2010
17.0% 2019
% of Population 65+ is increasing

74.1% 2010
71.5% 2019
% of Housing Units That Are Single Family Detached

9.1% 2010
12.6% 2019
% of Housing Units That Are in Structures with 20 or More Units

Rezoning Approvals 2010-2020*
5 Multifamily Communities
1,444 Total Units

4 Townhome Communities
380 Total Units**

9 Single-Family Subdivisions
295 Total Lots

Cost-Burdened Households (Paying More Than 30% of Income for Housing)
22% of Homeowners
44% of Renters

The percentage of cost-burdened households has decreased for both homeowners and renters since 2010. This is consistent with national trends and may reflect an improving economy after the Great Recession. Nationally, the share of cost-burdened households is again increasing, particularly for low- and middle-income households.

10,783 2010
12,512 2019
Occupied Housing Units

$365,000
Current Median Selling Price per Realtor.com

$1,279
Median Rent 2019
49% increase from 2010

*Town of Matthews data, excludes senior living facilities
**121 of these units are a part of the Boyd Funderburk Drive rezoning and may not be completed.

Unless otherwise noted, information comes from the 2010 and 2019 American Community Survey (ACS) 5-year estimates. The ACS includes data collected over a 5-year period in order to achieve a large enough sample size for smaller places like Matthews.
1. CONSIDER THE 20-MINUTE-NEIGHBORHOOD CONCEPT WHEN EVALUATING DEVELOPMENT PROPOSALS

Successful walkable communities generally have a mix of uses so that people have an opportunity to live, shop, dine, play, and even work without having to rely solely on their car. These areas are designed to meet the needs of the surrounding neighborhood.

1.a. The Town should encourage (and, in some instances, mandate) a mix of uses in all new development.

1.b. 20-minute neighborhoods should include housing options for a variety of incomes, stages of life, and needs. The Town should focus on including “Missing Middle” housing as a way to serve an increasingly diverse population.

2. DEVELOP A FORMALIZED AFFORDABLE HOUSING POLICY/STRATEGY

While Matthews has traditionally been considered an affordable community within Mecklenburg County, housing costs are rapidly increasing, and current trends are leaving more people behind. The Town should develop a systematic approach to maintaining affordability and ensuring that housing is available to all.

3. FOCUS ON A MIX OF OPPORTUNITIES FOR BOTH RENTERS AND BUYERS WHEN EVALUATING DEVELOPMENT PROPOSALS

As noted previously, renting has become more popular as a lifestyle choice for some—but others are forced into the rental market by a lack of affordable home-ownership opportunities. The Town should focus on increasing the supply of a variety of units for sale while also recognizing that not everyone wants to own.

4. UPDATE THE COMPREHENSIVE PLAN

While this document provides a snapshot of current trends and offers limited recommendations, these issues require more study. The Town population has increased more than 20% since the 2010 Census, and it will continue to grow. The Town’s current plan was adopted in 2012—almost a decade ago. With the continued growth in population and plans for the Silver Line moving forward, now is the time to take a holistic look at the community to be sure that we are prepared for the future.