NATIONAL MULTIFAMILY HOUSING COUNCIL

Case Studies: Atlanta

THE HOUSING AFFORDABILITY TOOLKIT

Developed in Partnership with
HR&A Advisors

Atlanta, GA

Atlanta is experiencing strong population growth and worsening affordability challenges, affecting the ability of low- and middle-income renters to afford to live in the city.

Growth has been accommodated through the construction of new multifamily housing and the densification of neighborhoods where housing had not been developed in decades. However, much of this housing is targeted at higher-income households.

$53,800	$37,500	113,800	78,100
MEDIAN HOUSEHOLD INCOME	MEDIAN RENTER HOUSEHOLD INCOME	TOTAL RENTER HOUSEHOLDS	TOTAL MULTIFAMILY RENTAL UNITS

DRIVERS

Greater Demand for Rental Housing

Between 2000 and 2016, the number of renter households in Atlanta has grown on net by nearly 19,000, or 20%. On average, these new renters have higher incomes than the city's existing renters, leading to more households with greater resources competing for rental housing in Atlanta.

Rising Development Costs

Increases in construction costs (76% since 2000) and land prices (720% since 2012) have raised the cost to develop – and the rents necessary to support – new rental housing.

IMPACTS

Reduced Supply of Lower-Rent Housing

Greater demand for rental housing has raised rents for existing housing. As a result, the share of occupied rental units priced under $800 a month fell by 15.7 percentage points from 2000 to 2016.

High Rents for New Rental Housing

Rents for newly built units rose 24% between 2000 and 2016. The market built almost no new market-rate rental housing affordable to the median renter in 2016 or 2017 due to high development costs and competition from higher-income renters.

Emerging Affordability Challenges for Middle-Income Renters

Atlanta is struggling to attract and retain both new and existing low- and middle-income renters, who are disproportionately locating in lower-cost communities in the surrounding metro region.

Relevant Tools

For more information on relevant housing tools, programs, and policies, see the following pages:

- Public Land
- By-Right
- Tax Abatement
- Inclusionary Zoning

Cities Facing Similar Challenges

Cities facing similar housing affordability challenges include:

- Houston, TX
- Columbus, OH
- Irving, TX
- Columbia, SC

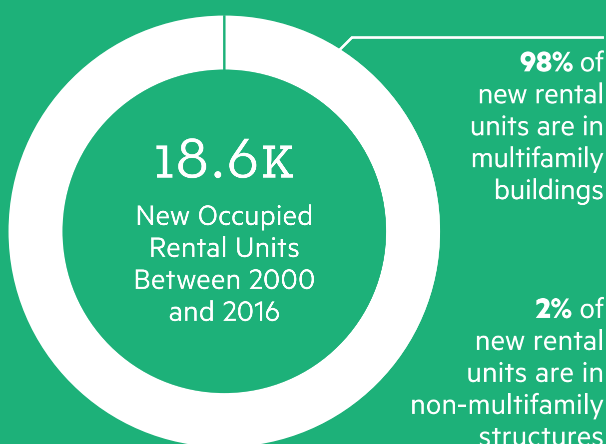
DRIVER

Greater Demand for Multifamily Rental Housing: The number of renter households in Atlanta has grown rapidly across all income segments.

Atlanta added nearly 19,000 net new renter households between 2000 and 2016. This marked a 20% increase in the number of renters.

Nearly 100% of net new renter households occupied multifamily units. This raised Atlanta's share of multifamily renter households (out of total renter households) from 63% in 2000 to 69% in 2016.

NET NEW OCCUPIED RENTAL UNITS BETWEEN 2000 AND 2016 BY UNITS IN STRUCTURE



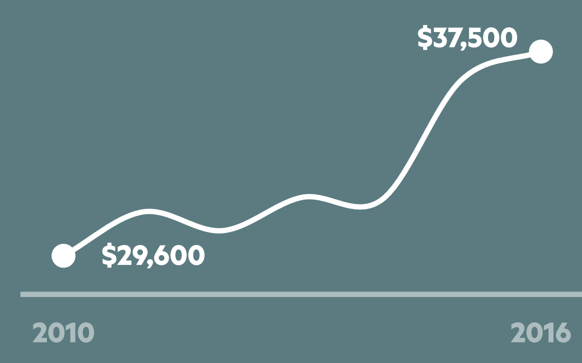
Atlanta attracted a mix of low-, middle-, and high-income renters. This indicates that housing was available and attractive to all income levels, reflecting Atlanta's broad, existing base of low-rent units, particularly on the southern and western sides of the city. However, affordability challenges have grown for low- and middle-income residents, suggesting that the supply of low-rent housing has not been meeting demand.

FOR EVERY 10 NET NEW RENTER HOUSEHOLDS ADDED BETWEEN 2000 AND 2016

Low income: $0-35K | Middle income: $35-75K | High income: $75K+

Atlanta is increasingly able to compete with the broader metro area for high-income renters. Between 2000 and 2016, the number of high-income renter households grew by 40% in the city compared to 34% in the metro area. Recent investments aimed at revitalizing and redeveloping residential neighborhoods have made Atlanta a desirable place to live for high-income renters, who were previously more likely to locate in the area's wealthy northern suburbs. New developments like Ponce City Market and Krog Street Market show the potential for investments to rapidly revitalize residential areas, while simultaneously attracting an influx of high-income renters.

REAL MEDIAN RENTER HOUSEHOLD INCOME IN ATLANTA



Increasing demand for rental housing from high-income renters is changing the economic profile of Atlanta's renter population. Between 2010 and 2016, the median income for renter households grew by 27%.

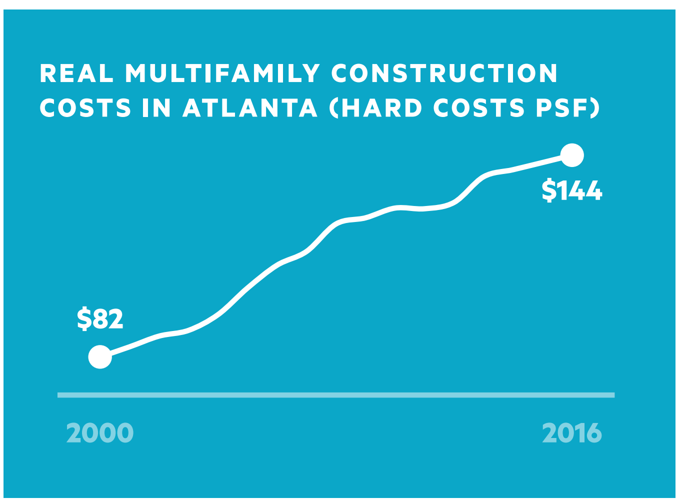
Source: CoStar, ACS, U.S. Census, HR&A analysis

DRIVER

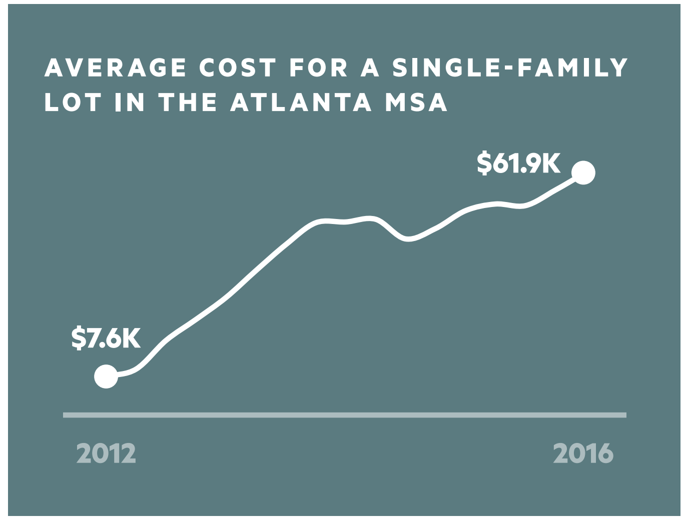
Rising Development Costs: Regulatory, construction, and land costs have all risen, leading to higher development costs.

Local regulatory conditions further intensify the rising cost of development. Policies that reduce the amount of land available for multifamily residential development, extend the development timeline through lengthy permit approval processes, limit development potential through stringent parking requirements, and other local requirements can each result in higher development costs.

In the Atlanta area, hard costs, or the cost of labor and materials, increased by 75%. Hard costs increased from $82 PSF to $144 PSF for multifamily buildings in real terms. This is higher than the national increase of 57%.



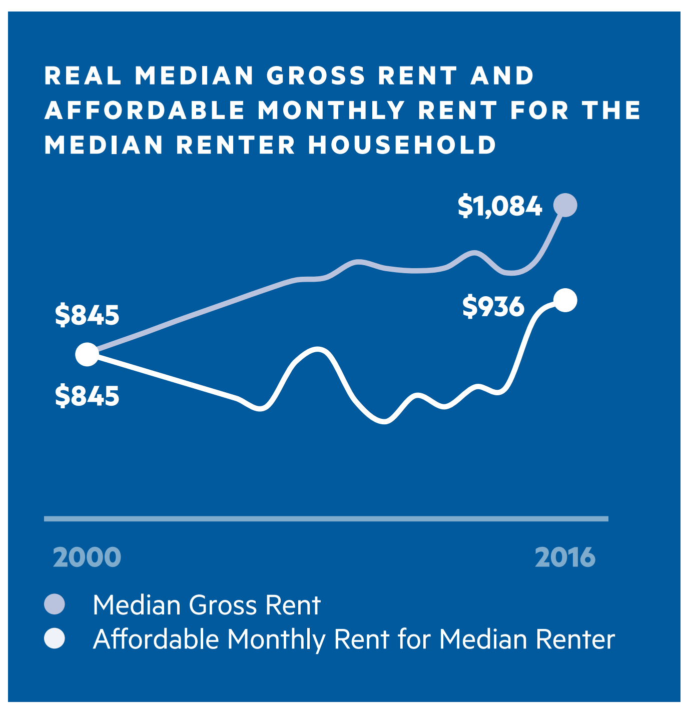
Real land costs have also grown rapidly in recent years. The average cost of a single-family lot was $7,551 in 2012. By 2016, the average cost had grown to $61,900, a 720% increase.[1] As Atlanta grows, readily developable multifamily land will become increasingly scarce, driving up land costs even further.



IMPACT

Reduced Supply of Lower-Rent Housing: Greater competition for rental housing is leading to higher rents and a decreased supply of low-rent housing.

Competition for rental housing and higher development costs are pushing up rents in Atlanta. Real median rent grew 28%, significantly faster than the national median or inflation. Rent growth also outpaced real median renter income growth in Atlanta, exacerbating affordability challenges.



1 Real land costs fell substantially during and immediately after the Great Recession, contributing to the high percentage growth seen in the market between the bottom of the market in 2012 and 2016.

Source: Lincoln Institute of Land Policy, Craftsman Book Company, HR&A analysis

The growth in rents for existing buildings is largely due to increased competition. The real median rent for units built before 2000 grew by 21% from 2000 to 2016. Since the quality and location of existing rental housing did not change, increased competition for rental housing appears to be the primary cause of rent increases.

Rent growth is heavily impacting historically affordable neighborhoods of Atlanta, leading to a dramatic decline in the availability of units renting for less than $800. The share of occupied units renting for under $800 has fallen by 15.7 percentage points since 2000. There is an increased willingness from middle- and high-income households to pay for Atlanta's existing rental stock, contributing to an increase in rents in such units.

29%

of occupied rental units were priced under $800 in 2016, **down from 44% in 2000.**

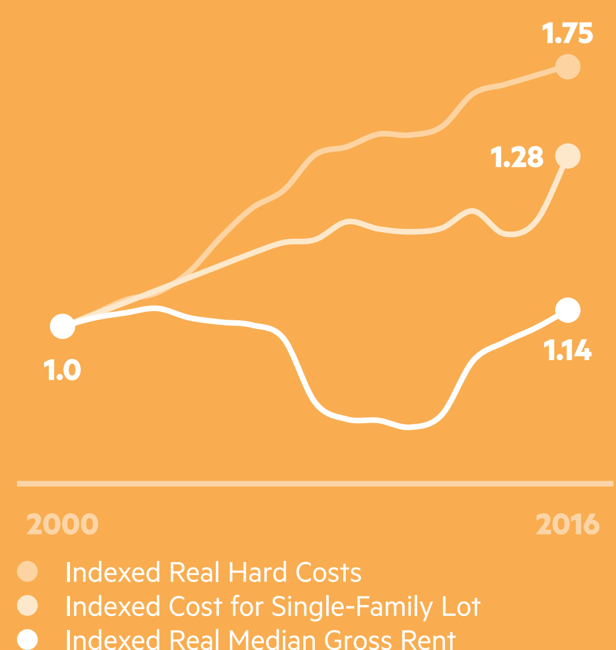
IMPACT

Rising Rents for New Rental Housing: Higher development costs and greater competition are contributing to higher rents and a lack of new rental housing affordable to the median renter.

The average asking rent for a new unit increased substantially within Atlanta. A new unit developed in 2016 or 2017 rents for 24% more than a new unit would have rented for in 2000 in real terms. This equates to an increase from $1,393 in 2000 to $1,731 in 2016.

Higher development costs have increased the rent required to support new development. As the cost of development increases, more financing is needed to fund development. Higher rents are necessary to repay the additional financing used to cover higher development costs.

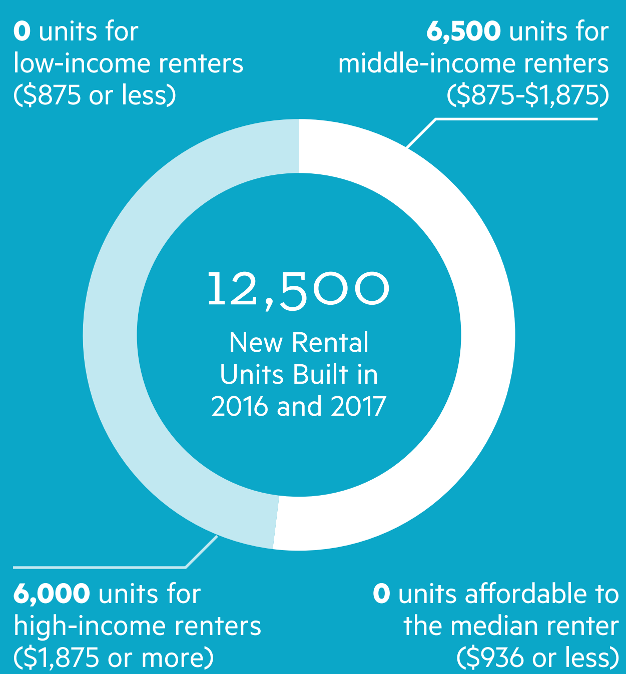
INDEXED CONSTRUCTION AND LAND COSTS AND MEDIAN RENT



Source: CoStar, ACS, U.S. Census, HR&A analysis

All market-rate units built in 2016 and 2017 were not affordable to the median renter. About half of the new market-rate units were priced above $1,875, and therefore were affordable only to high-income renters. When new units are not affordable to most middle-income renters, competition for existing units is further exacerbated.

ASKING RENT DISTRIBUTION OF MULTIFAMILY UNITS BUILT IN 2016 AND 2017

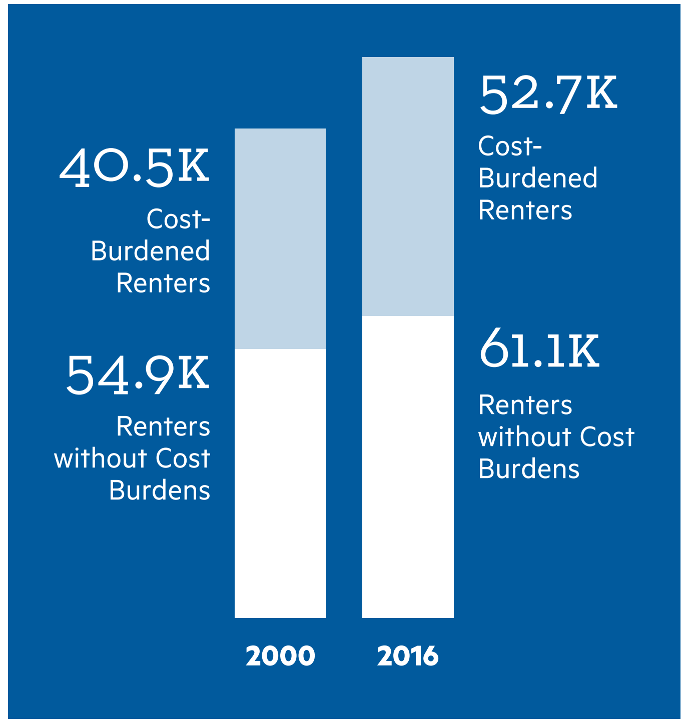


Note: Subsidized units are not included.

IMPACT

Emerging Affordability Challenges for Middle-Income Renters: A declining supply of low-rent housing, a lack of new housing affordable to the median renter, and a growing number of low- and middle-income renters is resulting in worsening housing affordability.

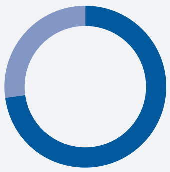
Renters in Atlanta are experiencing increasing affordability challenges. The total share of rent-burdened households increased from 42% to 46% between 2000 and 2016. The number of rent-burdened households grew by 12,200, equal to nearly two-thirds of the total net new renter households.



Middle-income households saw large increases in affordability challenges. The rate of rent-burdened, middle-income households grew from 23% in 2000 to 36% in 2016. Low-income renters continue to struggle to afford housing. Almost three quarters of low-income renters were burdened in 2016.

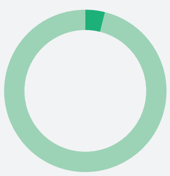
Source: CoStar, ACS, U.S. Census, HR&A analysis

SHARE OF RENT-BURDENED HOUSEHOLDS BY INCOME IN 2016



73% of low-income renters were rent burdened, up from 70% in 2000.

36% of middle-income renters were rent burdened, up from 23% in 2000.



4% of high-income renters were rent-burdened, up from 1% in 2000.

Low income: $0-35K | Middle income: $35-75K | High income: $75K+

Income growth is not evenly distributed among low-, medium, and high-income renters. An influx of high-income renters pulled up the area median rent, creating the perception that all renters have gotten richer. In reality, low- and middle-income renters have seen only moderate income growth, though they must increasingly compete with high-income renters in historically low-rent areas of Atlanta. This increased competition contributes to the growing number of rent-burdened households.

Affordability challenges are reaching a point where low- and middle-income renters are choosing not to live in Atlanta. The City of Atlanta is struggling to attract low- and middle-income renters, relative to the rest of the metro area. Between 2000 and 2016, the number of low- and middle-income renters in the city grew by 13% and 16%, respectively. In the surrounding metro areas, the number of middle-income renters grew by 46%, and low-income renters notably grew by 89%. These stark differences indicate that low- and middle-income renters are being priced out of Atlanta and locating in the outlying metro region due to higher housing costs.

GROWTH IN THE NUMBER OF LOW-INCOME RENTERS

13%
Atlanta

89%
Surrounding Metro

GROWTH IN THE NUMBER OF MIDDLE-INCOME RENTERS

16%
Atlanta

46%
Surrounding Metro

Source: CoStar, ACS, U.S. Census, HR&A analysis

Case Studies: Denver

THE HOUSING AFFORDABILITY TOOLKIT

Developed in Partnership with
HR&A Advisors

Denver, CO

The rental market in Denver has grown rapidly in recent years. Much of the new housing stock is targeted at a growing segment of high-income renters.

Competition has intensified for the city's stock of existing units, which has driven up rents and decreased the number of lower-rent units. As a result, almost half of middle-income renters are now rent-burdened.

$61,100	$45,300	146,000	93,500
MEDIAN HOUSEHOLD INCOME	MEDIAN RENTER HOUSEHOLD INCOME	TOTAL RENTER HOUSEHOLDS	TOTAL MULTIFAMILY RENTAL UNITS

DRIVERS

Growing Renter Demand, Especially from High-Income Households

Denver added 32,000 renter households between 2000 and 2016, a nearly 30% increase. Real median renter incomes have risen by 12%, as new entrants to the market skew toward higher income brackets. By 2016, more than a quarter of households were high-income.

Rising Development Costs

Development costs have risen across the board. Growth in construction costs since 2000 outpaced the national rate. Land costs also rose significantly, growing by 143% since 2011.

IMPACTS

Steep Decline in Lower-Rent Units

Demand for rental housing has driven rents higher for all housing, including existing stock. As a result, the share of occupied rental units priced under $800 a month fell by 20.9 percentage points from 2000 to 2016. Only 20% of rental units now fall in this price range, compared to the national average of 37%.

Continued High Rents for New Rental Housing

Rents in Denver were already high in 2000 and have remained high despite a large number of new deliveries.

Growing Housing Affordability Challenges for Middle-Income Households

Affordability has dramatically worsened for the city's middle-income renter households, almost half of which are now cost-burdened.

Relevant Tools

For more information on relevant housing tools, programs, and policies, see the following pages:

- Public Land
- By-Right
- Tax Abatement
- Inclusionary Zoning

Cities Facing Similar Challenges

Cities facing similar housing affordability challenges include:

- San Diego, CA
- Portland, OR
- Honolulu, HI
- Austin, TX

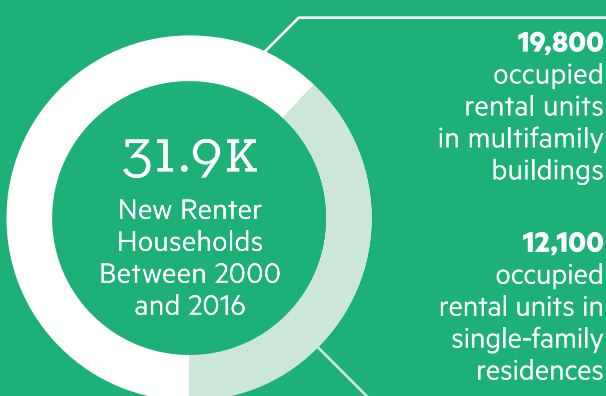
DRIVER

Growing Renter Demand, Especially from High-Income Households:

Historic levels of growth have skewed toward high-earning renters choosing to live in Denver.

The number of renter households grew by 32,000, at an unprecedented rate. This growth marks a 29% increase in renter households. Of these households, 62% chose to live in an apartment.

NET NEW RENTER HOUSEHOLDS BETWEEN 2000 AND 2016 BY UNITS IN OCCUPIED STRUCTURE



About half of new renter households were high-income. Middle-income households comprised the smallest share of new renters.

FOR EVERY 10 NET NEW RENTER HOUSEHOLDS ADDED BETWEEN 2000 AND 2016

Low income: $0-35K | Middle income: $35-75K | High income: $75K+

The number of high-income renters grew rapidly in both the city and surrounding metro area. The number of high-income renters in Denver grew 55% between 2000 and 2016. During the same period, the number of high-income renters grew by 54% in the metro region (excluding the city). If the supply of rental housing targeted to high-income renters does not keep pace with demand, high-income renters are likely to displace low- and middle-income renters in desirable neighborhoods.

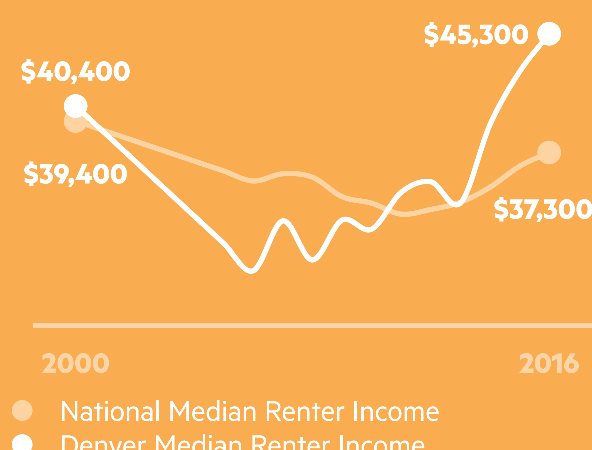
GROWTH IN THE NUMBER OF HIGH-INCOME RENTERS

55%
Denver

54%
Surrounding Metro

Between 2000 and 2016, real median renter income grew by 12%. Denver's median renter income has rapidly increased in recent years, such that by 2016 it was 21% higher than the national median. For some, these higher incomes help to mitigate the burden of rising rents, but the increase in incomes has intensified pricing competition overall.

MEDIAN RENTER HOUSEHOLD INCOME IN DENVER AND THE NATION



Source: CoStar, ACS, U.S. Census, HR&A analysis

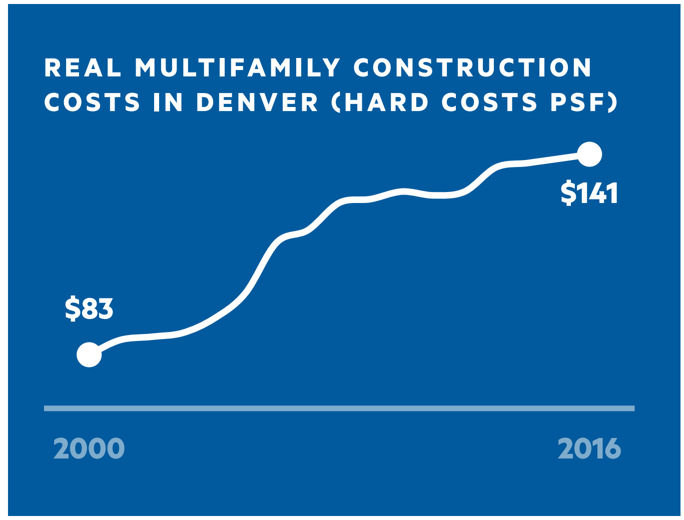
DRIVER

Rapidly Rising Development Costs: Regulatory, construction, and land costs have all risen.

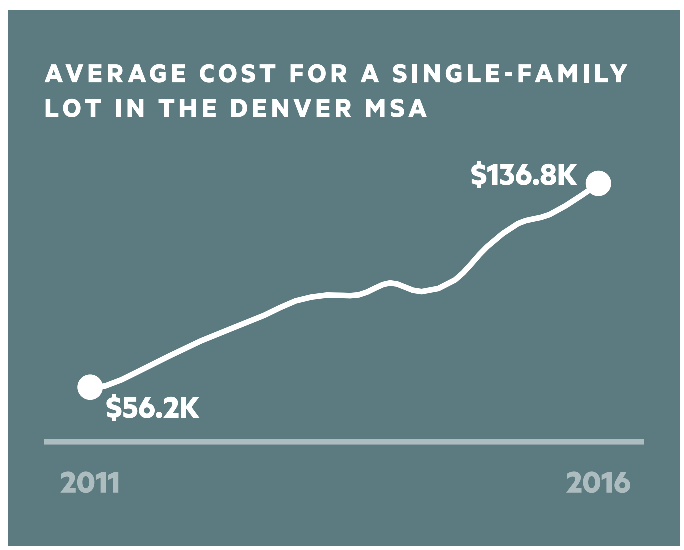
When development costs increase, rents must increase to cover the higher costs. The price of new development in Denver in 2000 was already significant due to the high costs of land and construction. Since then, development costs have continued to rise and have contributed to consistently high rents for new development. Development costs are derived from three main components – land costs, hard costs (labor and materials), and regulatory soft costs.

Local regulatory conditions intensify the rising cost of development. Higher costs are driven by local policies, such as those that reduce the amount of land available for multifamily residential development, extend the development timeline through lengthy permitting approvals, or limit development potential through parking requirements and other construction requirements.

In the Denver area, real hard costs have increased significantly. Real hard costs increased from $83 PSF to $141 PSF for multifamily buildings in real terms, amounting to an increase of 70%. This is higher than the nationwide increase of 57%.



Denver's real land costs increased by 143% between 2011 and 2016.[1] Rapidly rising land costs indicate a dwindling supply of well-located developable land in Denver, allowing owners of sought-after properties to command higher prices. Denver's quantity of developable land is physically constrained by the mountainous landscape and is limited by regulatory barriers to building. Increases in land costs have kept asking rents for new development high.



1 Real land costs fell substantially during and immediately after the Great Recession, contributing to the high percentage growth seen in the market between the bottom of the market in 2011 and 2016.

Source: Lincoln Institute of Land Policy, Craftsman Book Company, HR&A analysis

IMPACT

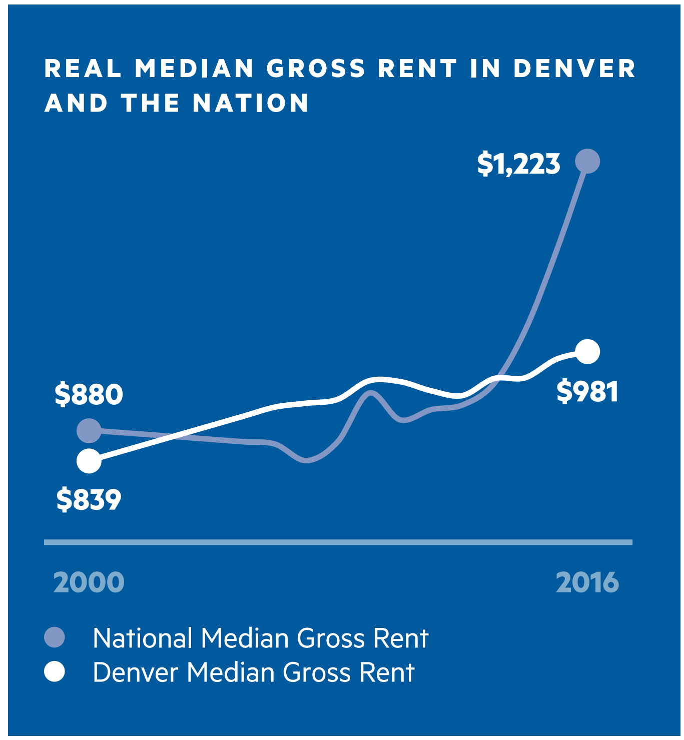
Rapidly Rising Rents for Existing Housing: Denver's existing housing stock has grown much more expensive as a result of increased competition.

Rents for existing units are increasing much faster than the national average. Between 2000 and 2016, the real gross median rent for units built before 2000 increased by 32%, far above the nationwide growth rate of 13%. This indicates significant demand for existing units, due to insufficient supply of new rental units and/or inordinate demand for existing units.

The availability of rental units priced at under $800 in rent per month fell. While 41% of rental units in 2000 were priced below $800, this share fell to 20% by 2016 – a figure well below the national average. An influx of new renters increasingly relies on existing units for housing due to inadequate new supply, driving up rents and resulting in the loss of less expensive units.

> 20%
> of occupied rental units were priced under $800 in 2016, **down from 41% in 2000.**

Real gross median rent in Denver increased 39% between 2000 and 2016. Real gross median rent grew from $880 in 2000 to $1,223 in 2016. This is more than double the nationwide increase of 17%. The gross median rent in Denver is now almost $250 more than the nationwide gross median rent. The most dramatic increases in rent have occurred recently, between 2013 and 2016.

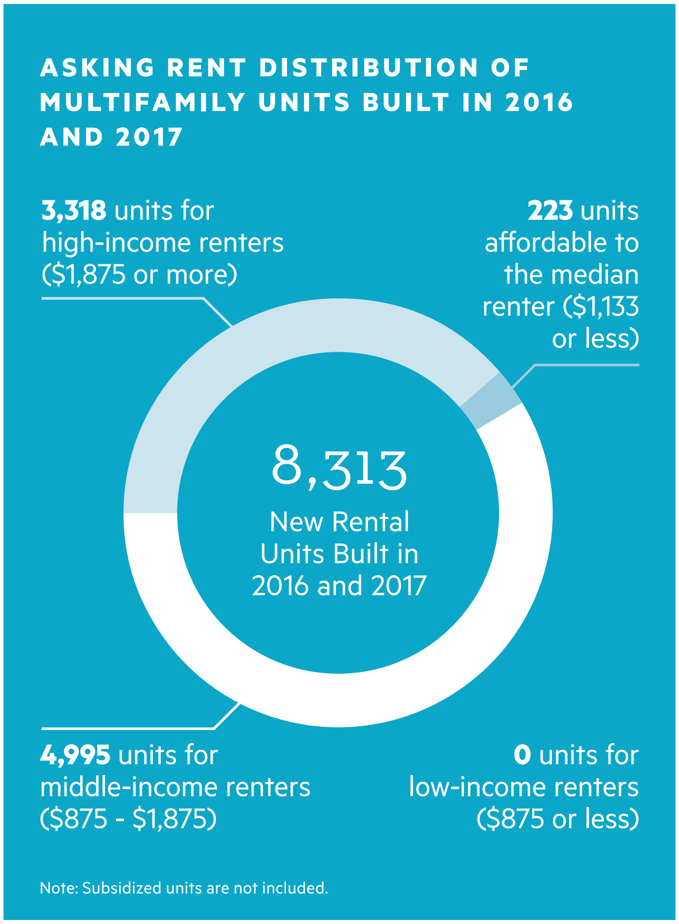


IMPACT

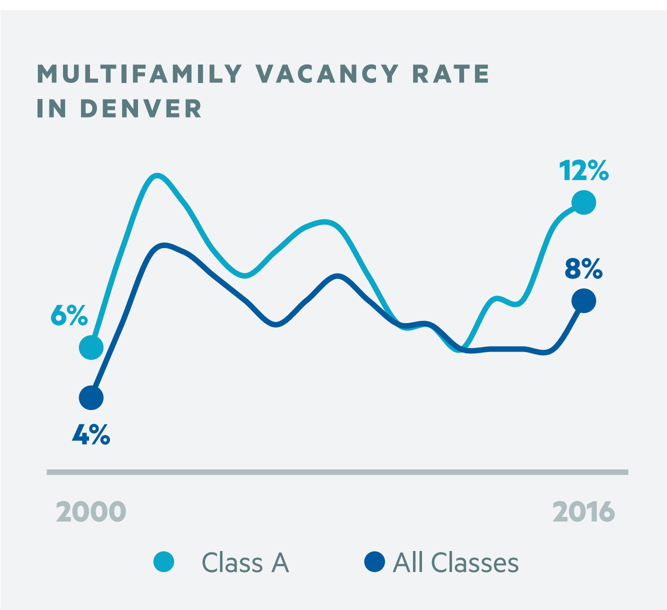
High Rents for New Housing: Steep development costs have kept rents for new supply high and out of reach of most renters.

Virtually all the new units produced in 2016 and 2017 were not affordable to the median renter. Only 223 out of 8,313 units were produced with average asking rents less than $1,133, the affordable monthly rent for the median renter. In contrast, 60% of all units delivered in Denver in 2016 were delivered to both middle- and high-income renters, while the remaining 40% of units were only affordable to high-income renters. No units were delivered that would be affordable to low-income renters.

Source: CoStar, ACS, U.S. Census, HR&A analysis



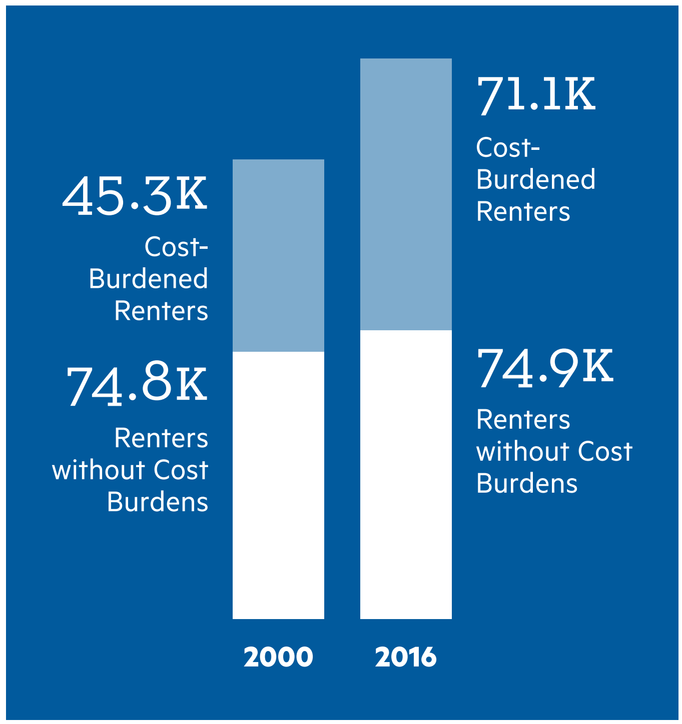
Multifamily vacancy rates rose slightly in the last few years. This generally indicates a better balance between supply and demand.



IMPACT

Growing Housing Affordability Challenges for Middle-Income Households: Cost burdens are now higher than average for both low- and middle-income renters, in a previously affordable city.

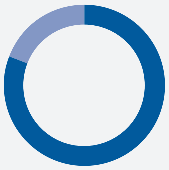
Rent burdens in Denver grew more than they did nationwide. The total share of rent-burdened households increased by 11 percentage points between 2000 and 2016.



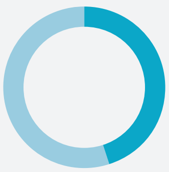
Low- and middle-income renters were significantly impacted by growing affordability challenges. Almost half (45%) of all middle-income renters were rent burdened in 2016, up from only 18% in 2000. More than four out of five low-income renters were rent burdened in 2016, up from nearly three out of four (73%) in 2000. Growth in affordability challenges is likely due to increased competition for rental housing, which is driving up rents faster than renter incomes.

Source: CoStar, ACS, U.S. Census, HR&A analysis

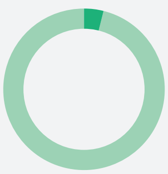
SHARE OF RENT-BURDENED HOUSEHOLDS BY INCOME IN 2016



81% of low-income renters were rent burdened, up from 73% in 2000.



45% of middle-income renters were rent burdened, up from 18% in 2000.

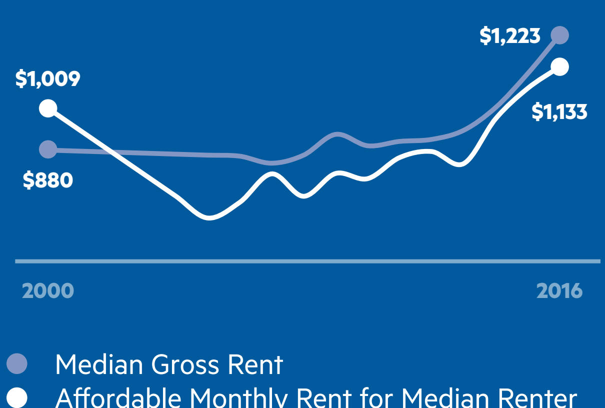


4% of high-income renters were rent burdened, up from 2% in 2000.

Low income: $0-35K | Middle income: $35-75K | High income: $75K+

Even with recent growth in renter incomes, the median rent was still out of reach for the median renter in 2016. While both renter incomes and rents in Denver have experienced increases in recent years, rent growth has outpaced renter income growth. In 2016, the median renter could not afford the median gross rent by about $90.

MEDIAN GROSS RENT AND AFFORDABLE MONTHLY RENT FOR THE MEDIAN DENVER RENTER HOUSEHOLD



Denver is struggling to attract and retain low- and middle-income renters. Between 2000 and 2016, the number of low- and middle-income renters grew much more rapidly in the surrounding metro areas (excluding the city) than in the City of Denver itself. This disparity in growth rate, which has led to a falling share of low- and middle-income renters in the city, is at least partially – and likely substantially – due to an inability to afford quality housing in the city, rather than simply a preference for living elsewhere.

GROWTH IN THE NUMBER OF LOW-INCOME RENTERS

14%
Denver

61%
Surrounding Metro

GROWTH IN THE NUMBER OF MIDDLE-INCOME RENTERS

12%
Denver

44%
Surrounding Metro

Source: CoStar, ACS, U.S. Census, HR&A analysis

NATIONAL MULTIFAMILY HOUSING COUNCIL

Case Studies: Minneapolis

THE HOUSING AFFORDABILITY TOOLKIT

Developed in Partnership with
HR&A Advisors

Minneapolis, MN

Minneapolis is experiencing modest growth, limited new development, and moderately increasing rents, which have posed affordability challenges for low-income renters.

In recent years, the city's new rental stock has predominantly served its small influx of higher-income renters. With few options to locate in the city, low-income renters have disproportionately located in surrounding metro areas.

$56,300	$36,700	91,700	62,900
MEDIAN HOUSEHOLD INCOME	MEDIAN RENTER HOUSEHOLD INCOME	TOTAL RENTER HOUSEHOLDS	TOTAL MULTIFAMILY RENTAL UNITS

DRIVERS

Widening Gap in Renter Incomes

The number of renter households grew by 16% (12,700 households) between 2000 and 2016. Nearly half of these renters were low-income, while 40% were high-income. As a result, the renter composition in Minneapolis has shifted away from middle-income renters.

Low but Rising Hard Development Costs

Hard costs have grown 29% since 2000, well below the national rate of 57%. Real land costs have grown 415% from their lowest point in 2011, though land prices are still relatively low and below the national median.

IMPACTS

Moderately Rising Rents Overall but Very High Rents for Newly Built Units

Rents have risen 14% since 2000 for both new and existing housing, at a rate on par with the national average. However, while rent levels for pre-2000 buildings have remained low, rents for units in new buildings are, on average, twice as expensive as rents for existing units, as much of the city's new stock has targeted a new base of high-income renters.

Limited New Development Attainable for Low- and Middle-Income Residents

Minneapolis added zero units affordable for low-income renters in 2016 and 2017, and approximately half of new units were only affordable to high-income renters.

Continued Challenges for Low-Income, Emerging Challenges for Middle-Income

Once an extremely affordable city, Minneapolis's housing stock is increasingly out of reach for low-income, and even middle-income, renters. Both income segments have disproportionately located in metro areas outside of the city.

Relevant Tools

For more information on relevant housing tools, programs, and policies, see the following pages:

- Public Land
- By-Right
- Tax Abatement
- Inclusionary Zoning

Cities Facing Similar Challenges

Cities facing similar housing affordability challenges include:

- Charlotte, NC
- Raleigh, NC
- Louisville, KY
- Colorado Springs, CO

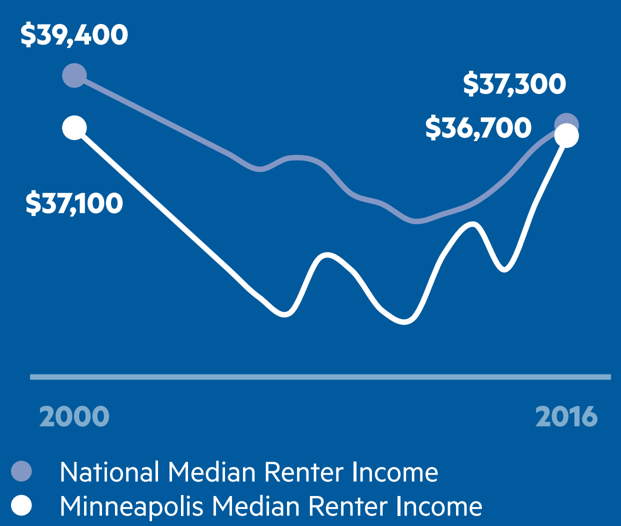
DRIVER

Widening Gap in Renter Incomes:

The median real renter income is 1% lower than in 2000, despite a recent growth in high-income households.

Between 2000 and 2016, the real median renter income fell by 1% on net. This percentage decline incorporates the steep decline in renter incomes prior to and after the Great Recession. Since 2010, renter income has risen largely due to an influx of high-income renters – which belies the number of renters whose wages remain stagnant.

REAL MEDIAN RENTER HOUSEHOLD INCOME IN MINNEAPOLIS AND THE NATION



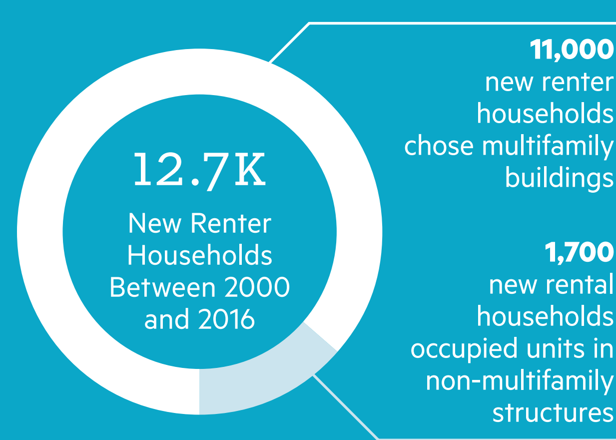
Half of all net new renters in Minneapolis were low-income. This contributed to little change in the median renter income, despite there being a significant share of high-income renters. There was little increase in middle-income renter households between 2000 and 2016. Given the current makeup of the city, where half of renter households are low-income, the large share of new high-income renters is noteworthy.

FOR EVERY 10 NET NEW RENTER HOUSEHOLDS ADDED BETWEEN 2000 AND 2016

Low income: $0-35K | Middle income: $35-75K | High income: $75K+

The city added 12,700 net new renter households. This amounts to a 16% growth in renter households, below the national growth rate of 23%. A relatively high percentage of the net new renters occupied units in multifamily buildings.

NET NEW RENTER HOUSEHOLDS IN MINNEAPOLIS FROM 2000 TO 2016



Multifamily construction rates have been on par with the nation. 16,600 multifamily rental units were delivered between 2000 and 2016. This amounts to 30% of the multifamily housing stock that existed in 2000, the same rate of building seen on average nationwide.

Source: CoStar, ACS, U.S. Census, HR&A analysis

DRIVER

Low but Rising Hard Costs to Development: Hard costs have risen faster than the national average.

When development costs increase, rents must increase to cover the higher costs. This results in decreasing affordability for renters. The 14% increase in real asking rents for new units in Minneapolis is linked to rising development costs. Development costs are driven by three main components: land, labor and materials, and regulatory soft costs.

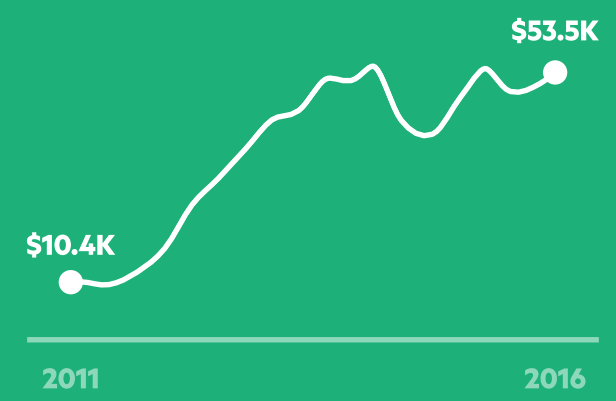
Local regulatory conditions further intensify the rising cost of development. Policies that reduce the amount of land available for multifamily residential development, extend the development timeline through lengthy permit approval processes, limit development potential through stringent parking requirements, and other local requirements can each result in higher development costs.

In the Minneapolis area, hard costs, or the cost associated with labor and materials, increased significantly between 2000 and 2016. Hard costs increased from $94 PSF to $147 PSF for multifamily buildings in real terms, amounting to an increase of 60%.

REAL MULTIFAMILY CONSTRUCTION COSTS IN MINNEAPOLIS (HARD COSTS PSF)

Minneapolis land costs grew rapidly between 2011 and 2016 but remain fairly low. Real land costs have rebounded since hitting the bottom of the market in 2011. However, land prices in 2016 remain lower than the national median of $66,000. This indicates that there may be an abundance of developable land in Minneapolis. When cities increase the amount of developable land, rent pressure generally decreases.

AVERAGE COST FOR A SINGLE-FAMILY LOT IN THE MINNEAPOLIS MSA



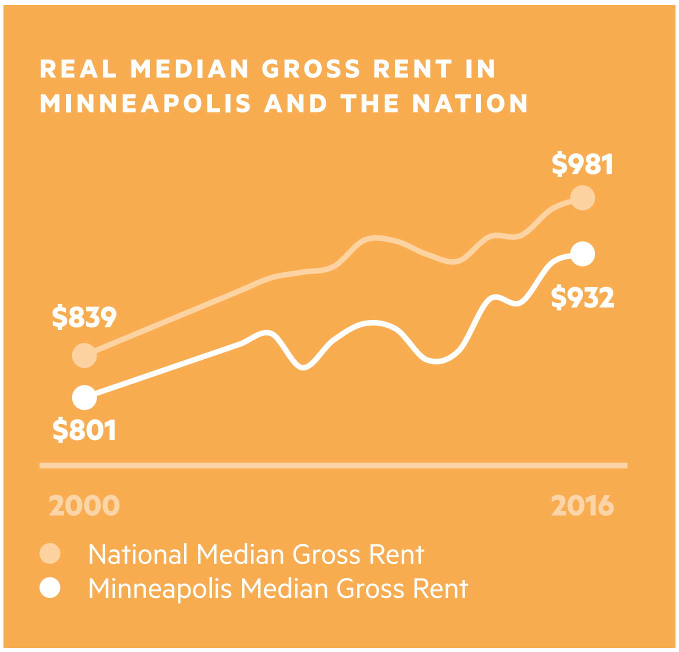
In Minneapolis, increasing real hard costs are the greatest contributor to growth in rents. Land costs have a lesser impact but may be a factor in highly desirable neighborhoods, from well-established ones such as North Oaks to rapidly growing ones such as Richfield.

Source: Lincoln Institute of Land Policy, Craftsman Book Company, HR&A analysis

IMPACT

Moderately Rising Rents: Rents have risen moderately, at a pace on par with the nation.

The real gross median rent in Minneapolis increased by 16% from 2000 to 2016, slightly below the national average. The increase in the median gross rent is moderate, but affordability challenges continue to increase due to stagnating renter incomes.



Rents for existing units are increasing at a similar rate as those for new units, an indicator of a potential supply shortage. Between 2000 and 2016, the real gross median rent for units built before 2000 increased by 13%. This overall rate of growth is low compared to many cities but still indicates excess demand for existing rental units. Rent increases for existing buildings likely varied across neighborhoods and occurred at a much higher rate in communities such as the Warehouse District and Loring Park.

The average asking rent for new multifamily apartment units increased by 14% from $1,604 in 2000 to $1,828 in 2016. Minneapolis has seen only a moderate increase in the asking rent for new units, at a pace similar to growth in rents for existing units. Still, the asking rent for new units remained high relative to renter incomes.

The share of occupied rental units priced under $800 a month fell by 15.1 percentage points in Minneapolis, compared to a decrease of 12.2 percentage points nationally. However, this decline is especially significant given the high number of low-income renters in this market who rely upon rents at this level.

> 36%
> of occupied rental units were priced under $800 in 2016, **down from 51% in 2000.**

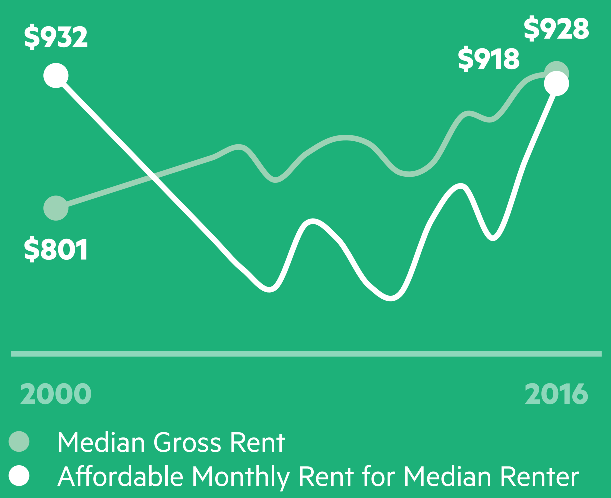
IMPACT

Lack of Units for Renters At and Below Median Income: The city's new rental supply is out of reach for many of its renters.

Real median renter income growth has not kept pace with real median gross rent growth. In 2000, the median renter could afford the median gross rent with a $130 surplus. In 2016, the median renter could no longer afford the median gross rent.

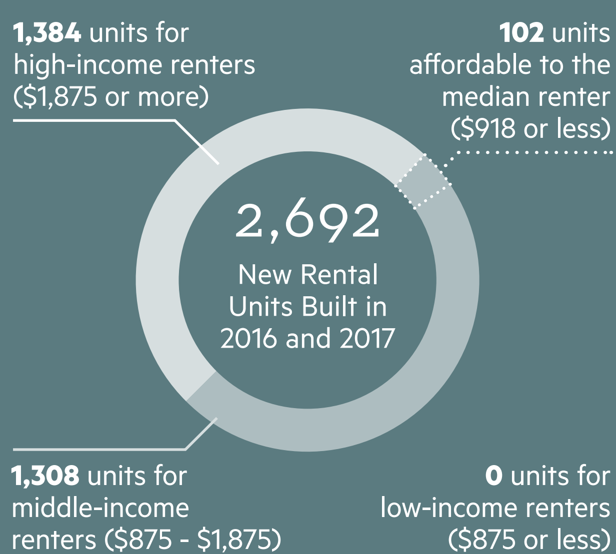
Source: CoStar, ACS, U.S. Census, HR&A analysis

MEDIAN GROSS RENT AND AFFORDABLE MONTHLY RENT FOR THE MEDIAN MINNEAPOLIS RENTER



The vast majority of units produced in 2016 and 2017 were out of reach for the median renter. Only 102 units were produced with average asking rents below $918, equal to the monthly rent affordable for a median-income renter in Minneapolis. About 2,600 units with asking rents over $918 were delivered in 2016 and 2017.

ASKING RENT DISTRIBUTION OF MULTIFAMILY UNITS BUILT IN 2016 AND 2017



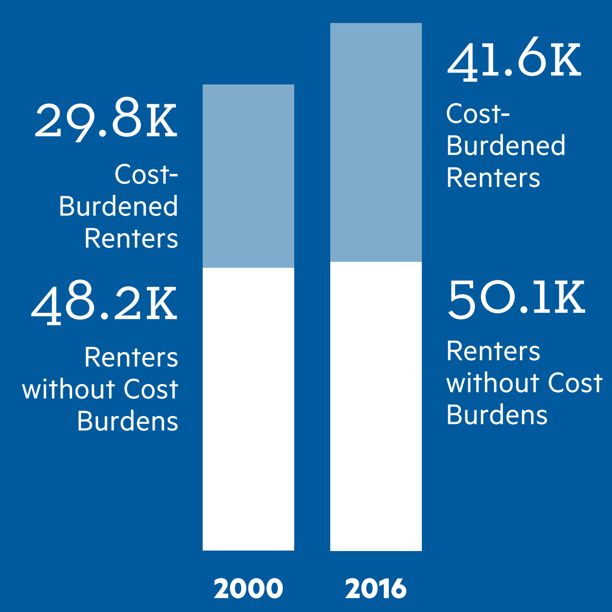
Note: Subsidized units are not included.

Source: CoStar, ACS, U.S. Census, HR&A analysis

IMPACT

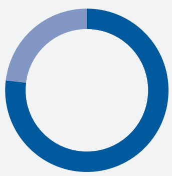
Continued Challenges for Low-Income Renters, Emerging Challenges for Middle-Income Renters: Affordability challenges are a new phenomenon for middle-income households, and many households have been led to locate outside of the city.

Like renters nationwide, renters in Minneapolis are increasingly struggling to pay rent. The total share of rent-burdened households increased from 38% to 45% between 2000 and 2016. The number of rent-burdened households grew by nearly 12,000, equal to 86% of the total renter households added.

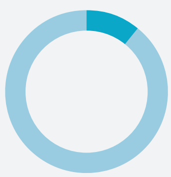


Low- and middle-income renters saw large increases in affordability challenges. The rate of rent-burdened middle-income households grew from 11% in 2000 to 26% in 2016. Three quarters (77%) of low-income renters were burdened in 2016, up from 70% in 2000. This is on par with the national trends of rapidly increasing rent burdens for low- and middle-income households.

SHARE OF RENT-BURDENED HOUSEHOLDS BY INCOME IN 2016



77% of low-income renters were rent burdened, up from 70% in 2000.



11% of middle-income renters were rent burdened, up from 15% in 2000.

2% of high-income renters were rent burdened, up from 0% in 2000.

Low income: $0-35K | Middle income: $35-75K | High income: $75K+

Minneapolis is struggling to attract and retain low- and middle-income renters. Between 2000 and 2016, the number of low-income renters grew by 14% in the city and 61% in the surrounding metro area. During the same period, middle-income renters demonstrated a similar difference in growth rate. This trend likely indicates that both low- and middle-income renters are increasingly being priced out of the city, due to the increasing difficulty of paying for quality rental housing in the city.

GROWTH IN THE NUMBER OF LOW-INCOME RENTERS

14%
Minneapolis

61%
Surrounding Metro

GROWTH IN THE NUMBER OF MIDDLE-INCOME RENTERS

8%
Minneapolis

38%
Surrounding Metro

Source: CoStar, ACS, U.S. Census, HR&A analysis

NATIONAL MULTIFAMILY HOUSING COUNCIL

Case Studies: Pittsburgh

THE HOUSING AFFORDABILITY TOOLKIT

Developed in Partnership with
HR&A Advisors

Pittsburgh, PA

Pittsburgh is home to a large number of low-income renters who are vulnerable to even modest increases in rent. However, the city's cost of rental housing is still relatively low.

Much of the city's existing lower-rent housing is becoming obsolete. The housing developed in recent years has primarily been for newer, high-income renters. This housing is out of reach for low-income residents and cannot replace the loss of existing lower-rent housing.

$44,700	$32,000	72,000	28,800
MEDIAN HOUSEHOLD INCOME	MEDIAN RENTER HOUSEHOLD INCOME	TOTAL RENTER HOUSEHOLDS	TOTAL MULTIFAMILY RENTAL UNITS

DRIVERS

Widening Gap in Renter Incomes

A majority of Pittsburgh's renter households are low-income (53% in 2016, down from 61% in 2000). At the same time, the city has experienced a small but meaningful influx of high-income renters, who have heightened competition for rental housing.

Aging Housing Stock

Much of Pittsburgh's stock of single-family and multifamily rental housing was built before World War II and is increasingly obsolete and uninhabitable.

Moderately Rising Development Costs

Hard costs have risen by 62% since 2000, slightly above the national average of 57%. Land costs have been volatile and largely fell throughout this period, reflecting the higher rates of vacant and underutilized land throughout the city.

IMPACTS

Rising Rents for Existing Rental Housing

Between 2000 and 2016, the real gross median rent for units built before 2000 increased by 26%, double the nationwide growth rate of 13%. This increase has had a significant impact on the many low-income renters who rely on the city's low cost of living. The share of occupied rental units priced under $800 a month has fallen by 21.1 percentage points from 2000 to 2016.

New Rental Housing Unaffordable for Low-Income Renters

Due to higher development costs and greater renter competition, only 4% of the units built in 2016 and 2017 were priced to be affordable to low-income renters.

Growing Housing Affordability Challenges for Low-income Renters

Though still relatively affordable to middle-income renters, the number of low-income households in the city has actively decreased, as they are unable to access quality housing at their price point.

Relevant Tools

For more information on relevant housing tools, programs, and policies, see the following pages:

- Public Land
- Tax Abatement

Cities Facing Similar Challenges

Cities facing similar housing affordability challenges include:

- St. Louis, MO
- Kansas City, MO
- Norfolk, VA
- Indianapolis, IN

DRIVER

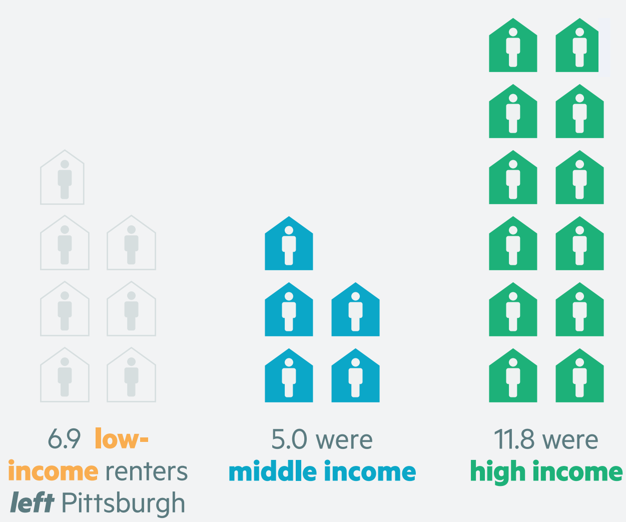
Widening Gap in Renter Incomes: The profile of renter households is shifting as low-income renters leave the city and high-income renters are added.

On net, the number of renter households increased by 3,200 from 2000 to 2016. This is a small level of growth, accounting for only a 5% increase in renter households. The loss of low-income renters masks the growth of middle- and high-income renter households.

Pittsburgh's net increase in renters between 2000 and 2016 was driven by high-income renters. Pittsburgh gained 5,400 high-income renters, equating to 64% growth in the total number of high-income renters in the city.

In contrast, Pittsburgh lost about 3,100 low-income renters, indicating that the city is increasingly unaffordable to low-income renters.

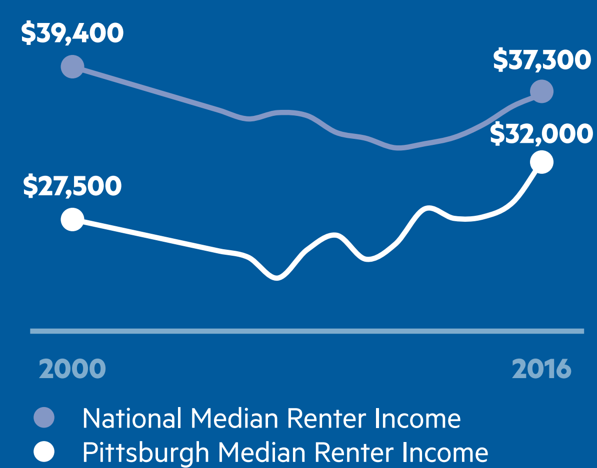
FOR EVERY 10 NET NEW RENTER HOUSEHOLDS ADDED BETWEEN 2000 AND 2016



Low income: $0-35K | Middle income: $35-75K | High income: $75K+

The real median renter income in Pittsburgh rose 16% from 2000 to 2016. The dramatic decrease in the number of low-income renters and increase in high-income renters appears to be the primary driver of the rise in renter incomes.

MEDIAN RENTER HOUSEHOLD INCOME IN PITTSBURGH AND THE NATION



DRIVER

Aging Housing Stock: Pittsburgh's existing rental units are increasingly unable to serve the needs of the renters who would occupy them.

Pittsburgh delivered just under 9,000 units of multifamily rental housing between 2000 and 2016. This is well below the national multifamily development rate of 19%.

SHARE OF RENTAL STOCK BUILT AFTER 2000

6%
Pittsburgh

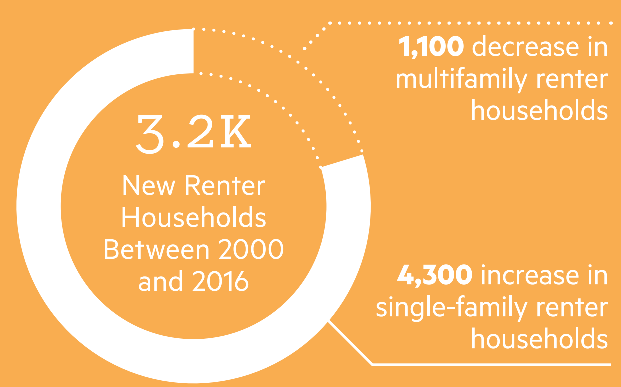
19%
Nation

Source: CoStar, ACS, U.S. Census, HR&A analysis

The supply of multifamily rental housing appears to have dropped. The number of households living in multifamily rental housing fell by 1,100. This appears to indicate that the pace of new development has not been sufficient to keep up with the loss of multifamily housing to obsolescence, much less the growth in the number of middle- and high-income renters.

Pittsburgh's slow pace of rental development means that new renters are more likely to turn to existing buildings for housing. As the stock of multifamily housing has declined, single-family rental housing has meet the growing demand from renters.

NET NEW OCCUPIED RENTAL UNITS BETWEEN 2000 AND 2016 BY UNITS IN STRUCTURE



DRIVER

Rising Development Costs: Rising hard costs have contributed to increases in development costs and higher rents.

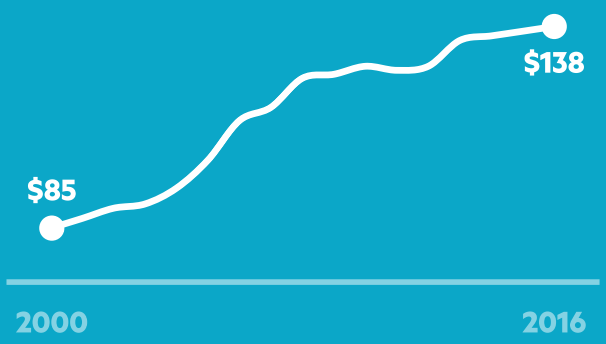
When development costs increase, rents must increase to cover the higher costs. In Pittsburgh, rising development costs contributed to the 106% increase in asking rents for new units. Development costs are driven by three main components: land, labor and materials, and regulatory costs.

Local regulatory conditions further intensify the rising cost of development. Policies that reduce the amount of land available for multifamily residential development, extend the development timeline through lengthy permit approval processes, limit development potential through stringent parking requirements, and other local requirements can each result in higher development costs.

In the Pittsburgh area, real hard costs, or the cost of labor and materials, increased significantly between 2000 and 2016. Real hard costs for multifamily buildings increased 63% from $85 PSF to $138 PSF in real terms, slightly higher than the nationwide increase of 57%. When hard costs increase at such a rate, developers must charge higher rents to make up for higher costs.

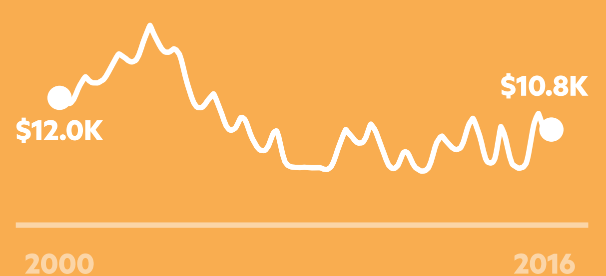
Source: Lincoln Institute of Land Policy, Craftsman Book Company, HR&A analysis

REAL MULTIFAMILY CONSTRUCTION COSTS IN PITTSBURGH (HARD COSTS PSF)



Real land costs were highly variable between 2000 and 2016. While land costs doubled nationwide between 2000 and 2016, land costs in Pittsburgh are low and generally falling. This indicates there is a sufficient amount of developable land in the city.

REAL COST FOR A SINGLE-FAMILY LOT IN THE PITTSBURGH MSA



Rising real hard costs are the main cost driver behind rising rents in Pittsburgh. Land costs, which are highly variable and generally low, likely play a minimal role.

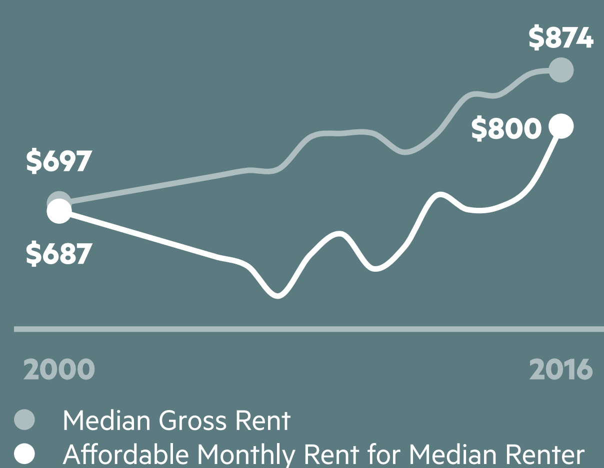
IMPACT

Rising Rents for Existing Rental Housing: Due to a diminishing supply, rents for existing units have grown rapidly.

Rents for existing units are increasing at a rate above the national rate. Between 2000 and 2016, the real gross median rent for units built before 2000 increased by 26%, double the nationwide growth rate of 13%. This indicates significant demand for existing units due to insufficient supply of rental housing. This growth rate likely varies widely based on geography and may be more pronounced in popular neighborhoods such as Squirrel Hill.

Real median gross rent growth has surpassed median renter income growth. While the median renter income has grown in recent years, median rent growth has outpaced renter income growth. In 2000, the median gross rent was $10 more per month than what the median renter could afford. By 2016, the number had increased to $74.

MEDIAN GROSS RENT AND AFFORDABLE MONTHLY RENT FOR THE MEDIAN PITTSBURGH RENTER HOUSEHOLD

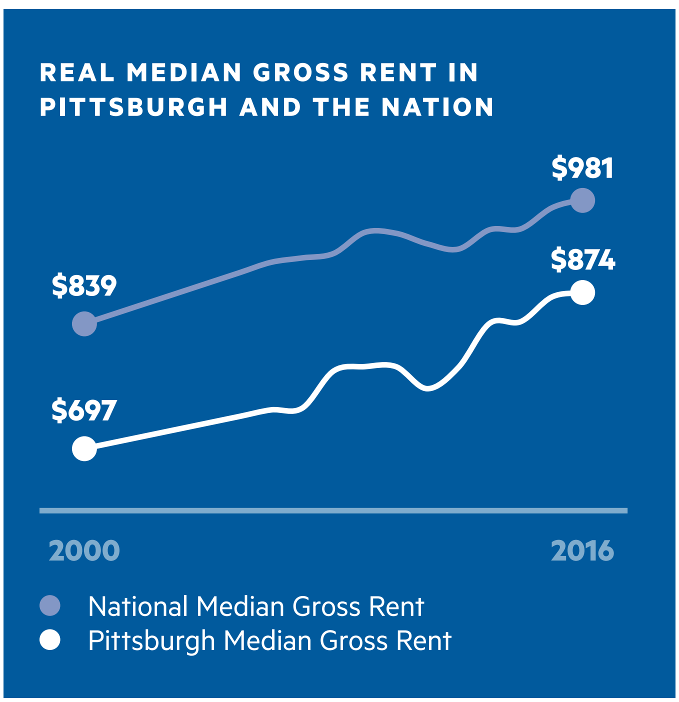


Source: CoStar, ACS, U.S. Census, HR&A analysis

Between 2000 and 2016, the share of occupied units renting below $800 fell by 21.1 percentage points in Pittsburgh, compared to 12.2 percentage points nationally. The slow pace of development in Pittsburgh has resulted in increasing competition for existing units, driving up rents for units that once rented for under $800.

> 44%
> of occupied rental units were priced under $800 in 2016, **down from 65% in 2000.**

The real gross median rent in Pittsburgh increased 25% from $697 in 2000 to $874 in 2016. This is greater than the nationwide increase of 17%. Despite the steep rent growth, the median gross rent in Pittsburgh was $100 less than the U.S. overall in 2016.

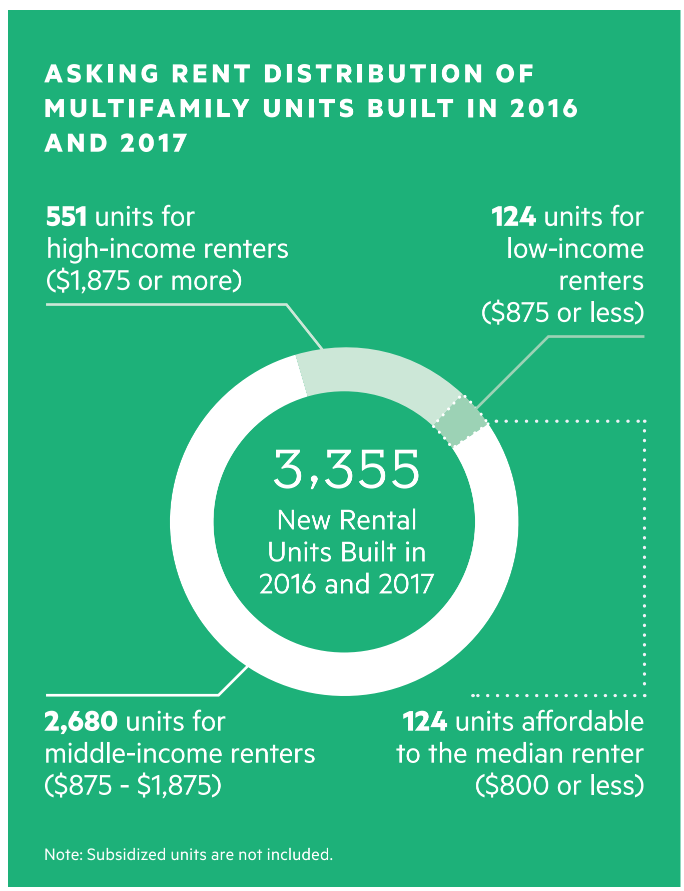


IMPACT

New Rental Housing Unaffordable for Low-Income Renters: New units are largely only affordable for middle- or higher-income households.

The average asking rent for new multifamily units doubled between 2000 and 2016. In 2000, the asking rent for a unit in a new building was $715 in real dollars. By 2016, the rent for a unit in a new building was $1,471, reflecting a 106% rise in real terms. This growth is due to a new influx of higher-end development.

Most units produced in 2016 and 2017 were not affordable to the median renter. Only 124 units were produced with average asking rents less than $800, the affordable monthly rent for the median renter, while 3,231 units affordable to middle- and high-income renters were produced.



Source: CoStar, ACS, U.S. Census, HR&A analysis

IMPACT

Growing Housing Affordability Challenges for Low-Income Renters:

Without housing they can afford, low-income renters are leaving the city.

Pittsburgh lost 8% of its low-income renters, likely due to rising rent pressures. The number of low-income renters grew by 6% in the surrounding metro region. In contrast, the number of high-income renters grew 64% in the city and increased by 3% in outlying metro areas. The growth in high-income renters and the loss of low-income renters indicates a shift in the affordability of housing in Pittsburgh.

GROWTH IN THE NUMBER OF LOW-INCOME RENTERS

-8%
Pittsburgh

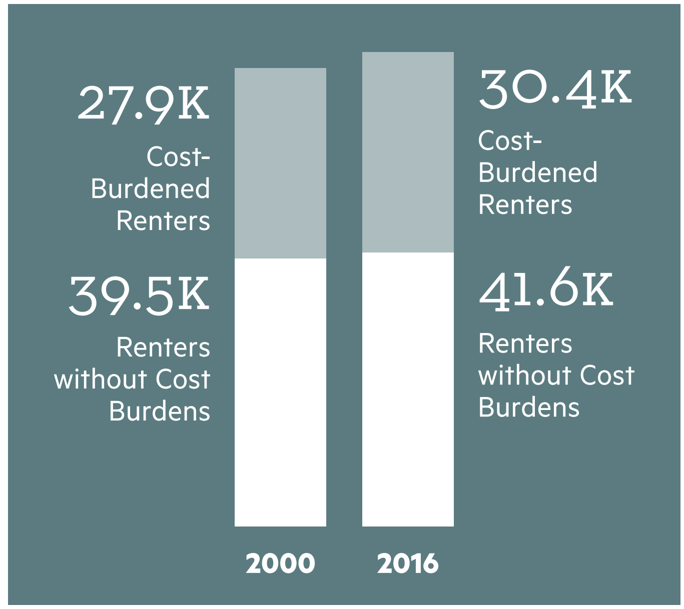
6%
Surrounding Metro

GROWTH IN THE NUMBER OF HIGH-INCOME RENTERS

57%
Pittsburgh

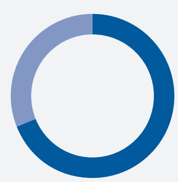
-3%
Surrounding Metro

These trends mask the depth of cost burden for the city's numerous low-income renters. The total share of rent-burdened households increased from 41% to 42% between 2000 and 2016. This relatively mild increase does not account for the many cost-burdened renters who have left the city. Affordability challenges are growing in Pittsburgh, but the city remains relatively affordable compared to other cities.

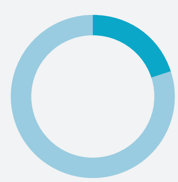


Middle-income renters in Pittsburgh experienced increases in affordability challenges. In 2000, 9% of middle-income renters were burdened compared to 20% in 2016. In contrast, 32% of middle-income renters nationwide were rent burdened in 2016. This increase is likely due to Pittsburgh's low rents and rising renter incomes.

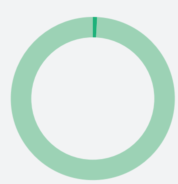
SHARE OF RENT-BURDENED HOUSEHOLDS BY INCOME IN 2016



69% of low-income renters were rent burdened, up from 64% in 2000.



20% of middle-income renters were rent burdened, up from 9% in 2000.



1% of high-income renters were rent burdened, up from 0% in 2000.

Low income: $0-35K | Middle income: $35-75K | High income: $75K+

Source: CoStar, ACS, U.S. Census, HR&A analysis

NATIONAL
MULTIFAMILY
HOUSING
COUNCIL

Case Studies: Sacramento

THE HOUSING AFFORDABILITY TOOLKIT

Developed in Partnership with
HR&A Advisors

Sacramento, CA

A lack of new multifamily supply and rising renter incomes have rapidly increased rents. In what was once a relatively affordable market, low- and middle-income renters are increasingly at risk of displacement.

Sacramento demonstrates the risk of restricting development within a market with growing renter demand and rising incomes. Over half of renters are now cost-burdened.

$55,200
MEDIAN HOUSEHOLD INCOME

$40,900
MEDIAN RENTER HOUSEHOLD INCOME

96,100
TOTAL RENTER HOUSEHOLDS

42,800
TOTAL MULTIFAMILY RENTAL UNITS

DRIVERS

Insufficient New Development
Sacramento grew its stock of apartments by only 19% between 2000 and 2016 despite a 24% increase in the number of renter households. While some of this demand was absorbed by single-family units, the apartment vacancy rate remains extremely low. This discrepancy between demand and supply strains

Demand from High-Income Renters
The median renter household income rose 8% from 2000 to 2016, as most new entrants to the market were in higher income brackets.

High Regulatory and Land Costs
Sacramento's already-high land costs rose 16% between 2000 and 2016.

IMPACTS

Rising Rents for Existing Rental Housing
Competition for rental housing has driven rents higher for both new and existing multifamily units. Real rents for units built before 2000 rose by 24% from 2000 to 2016. As a result, the share of occupied rental units priced under $800 a month has fallen by 19.5 percentage points from 2000 to 2016.

High Rents for New Rental Housing
Sacramento saw a significant increase in rent for new market-rate multifamily development. In 2000, average real rents for new buildings were low, at only $767 (2016 dollars); by 2016, they had grown by 117% to $1,662.

Declining Housing Affordability for Low- and Middle-Income Renters
Once an affordable market, Sacramento is now facing intensifying affordability challenges. For middle-income households in particular, the share of cost-burdened households increased from 16% to 43% since 2000. Low- and middle-income renters have been priced out of the city and increasingly locate in areas of the metro surrounding the city.

Relevant Tools
For more information on relevant housing tools, programs, and policies, see the following pages:

- Public Land
- By-Right
- Tax Abatement
- Inclusionary Zoning

Cities/Regions Facing Similar Challenges
Cities/Regions facing similar housing affordability challenges include:

- Long Beach, CA
- Orange County, CA
- Providence, RI
- Long Island, NY

DRIVER

Insufficient Development of New Rental Housing: The pace of multifamily development has not increased despite growing demand.

The number of renter households increased by 19,000 between 2000 and 2016. This growth is on par with the national average.

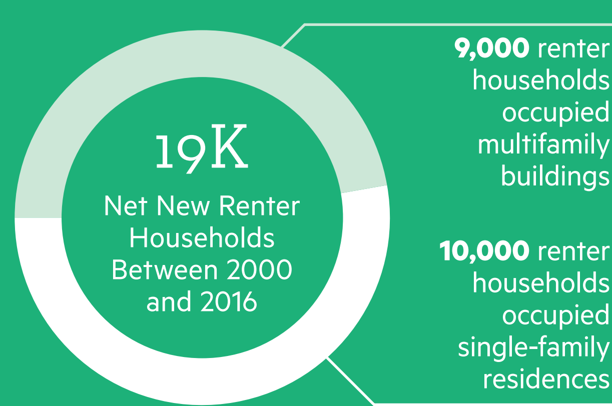
At the same time, Sacramento built very little multifamily housing. New deliveries of multifamily rental housing during this period amounted to only a 19% increase in the stock, compared to an average growth rate of 30% across the nation over the same period.

A striking indicator of the shortage of rental supply is the city's low multifamily vacancy rate. While the Class A vacancy rate increased slightly from 2000 to 2016, the overall vacancy rate in 2016 was unchanged from 2000.

MULTIFAMILY VACANCY RATE IN SACRAMENTO

Single-family rental units absorbed much of Sacramento's renter household growth. Of the 19,000 net new renter households, 10,000 occupied units in single-family buildings. The conversion of large numbers of single-family housing from ownership to rental is likely a strong indicator that there is significant unmet demand for multifamily rental housing.

NET NEW RENTER HOUSEHOLDS BETWEEN 2000 AND 2016 BY UNITS IN OCCUPIED STRUCTURE

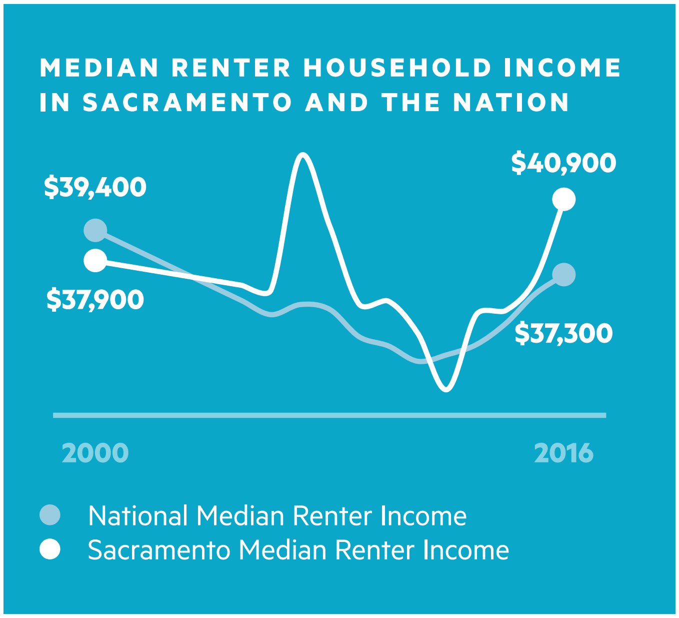


DRIVER

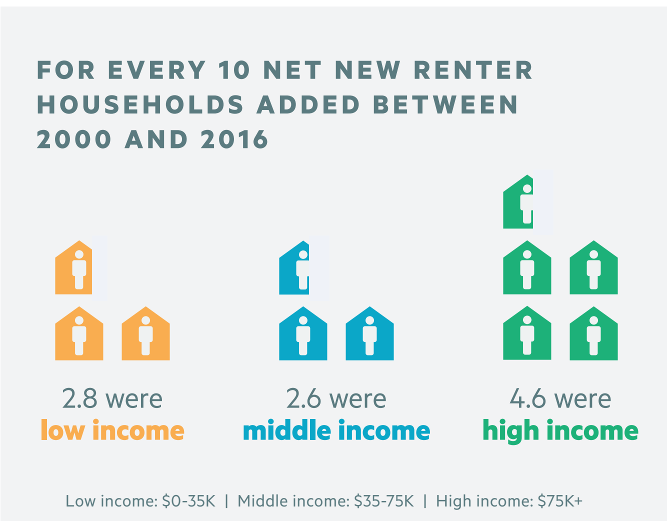
Rising Demand from High-Income Renters: The growth in renters has skewed toward higher-income households, placing upward pressure on rents.

The real median renter income in Sacramento rose by 8% between 2000 and 2016. While Sacramento's median renter income was lower than the national average in 2000, by 2016 Sacramento's real median renter income had risen to $40,900, notably higher than the national average of $37,000. Median renter income grew rapidly after 2012, driven by an influx of high-income renters.

Source: CoStar, ACS, U.S. Census, HR&A analysis



Sacramento's growth in renter households was relatively evenly distributed across the income spectrum, with a slight skew toward high-income households. This indicates the availability of rental housing for a wide range of incomes in the city. However, as rents continue to rise, new low- and middle-income renters may be increasingly priced out of the city.

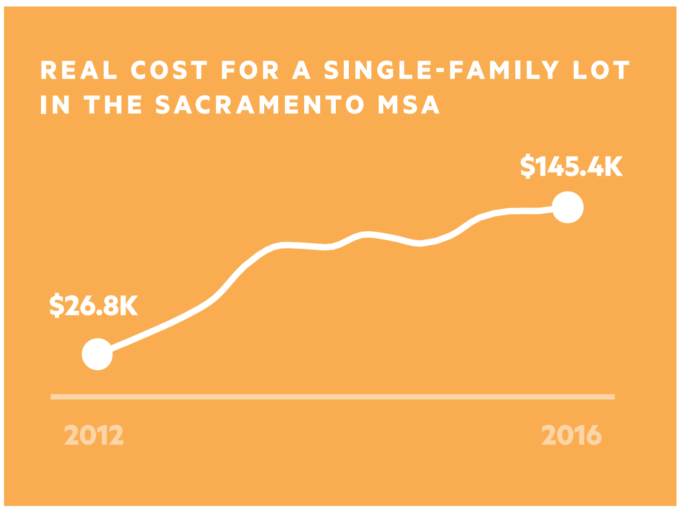


DRIVER

Rising Development Costs: Land use regulations and increases in land costs appear to be significant drivers of rising development costs in the Sacramento area.

When development costs increase, rents must increase to cover the higher costs. Development costs are driven by three main components – land, labor and materials, and regulatory soft costs – all of which are rising in Sacramento.

Real land costs increased by 440% between 2012 and 2016.[1] Rapidly increasing land costs indicate a constrained ability to develop. Easily developable land is commanding a premium, resulting in less development overall. Units that do get built must be priced higher to account for high land costs.



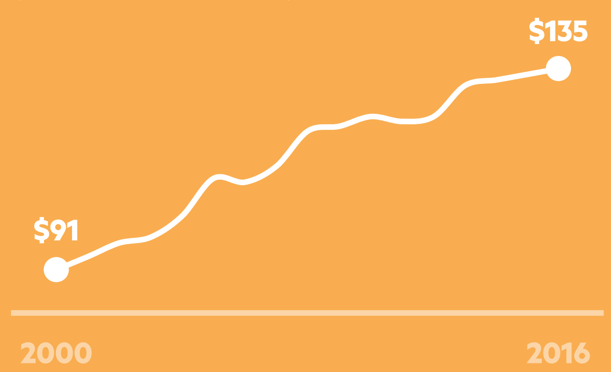
1 Real land costs fell substantially during and immediately after the Great Recession, contributing to the high percentage growth seen in the market between the bottom of the market in 2012 and 2016.

Source: Lincoln Institute of Land Policy, Craftsman Book Company, HR&A analysis

Local regulatory conditions appear to be a major factor contributing to Sacramento's affordability challenges. Policies that reduce the amount of land available for multifamily residential development, extend the development timeline through lengthy permit approval processes, and limit development potential can each result in higher development costs.

In the Sacramento area, real hard costs, or the cost of labor and materials, increased between 2000 and 2016. Real hard costs increased from $91 PSF to $135 PSF for multifamily buildings in real terms, amounting to an increase of 48%. Though this is below the average national growth of 57%, the increase is still likely to materially contribute to higher rents.

REAL MULTIFAMILY CONSTRUCTION COSTS IN SACRAMENTO (HARD COSTS PSF)



Rising real land and hard costs are driving Sacramento's rising rents. Land costs, in particular, are leading to rising development costs.

IMPACT

Rising Rents for Existing Rental Housing: Insufficient supply of multifamily housing has increased competition and rents for existing units.

Rents for existing units are increasing at a rate higher than the national rate. Between 2000 and 2016, the real gross median rent for units built before 2000 increased by 24% in Sacramento, compared to 13% in the U.S. overall. This indicates high demand for existing units throughout the market, likely due to insufficient supply of rental housing.

Between 2000 and 2016, the share of occupied rental units priced under $800 fell substantially – by 19.5 percentage points – far greater than that seen nationally. This trend is a product of rising rents due to demand for existing units and a lack of new supply.

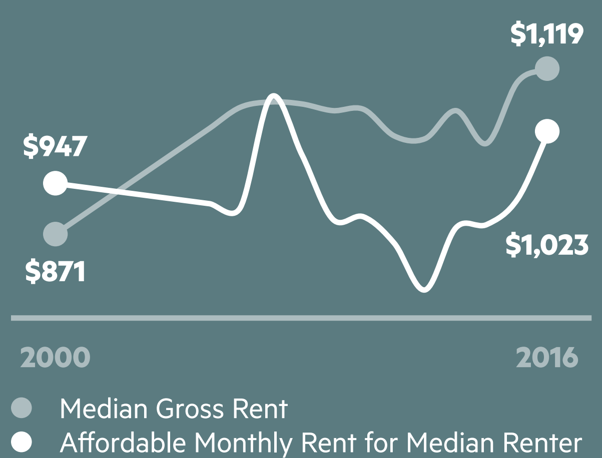
> 23%
>
> of occupied rental units were priced under $800 in 2016, **down from 42% in 2000.**

The real gross median rent in Sacramento increased by 28%, from $871 in 2000 to $1,119 in 2016. This is greater than the nationwide increase of 17%. Increases in rent are driven by a combination of increasing development costs – particularly land costs – and increasing competition for both new and existing rental units.

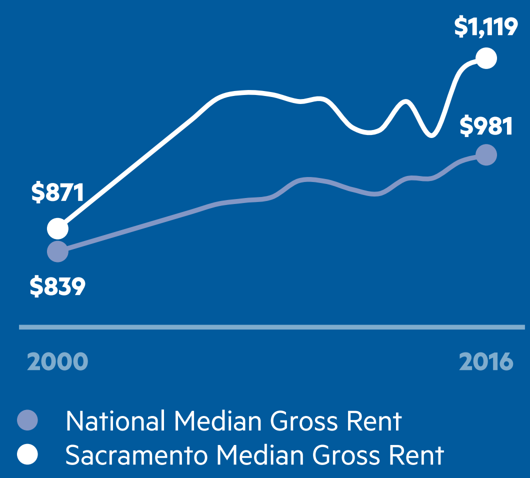
Source: CoStar, ACS, U.S. Census, HR&A analysis

Real median gross rent growth has surpassed median renter income growth. Median rent growth has outpaced increases in the median renter income. In 2000, the median renter was able to afford the median rent. By 2016, the median renter had to pay $100 more than they could afford without becoming cost-burdened.

MEDIAN GROSS RENT AND AFFORDABLE MONTHLY RENT FOR THE MEDIAN SACRAMENTO RENTER



REAL MEDIAN GROSS RENT IN SACRAMENTO AND THE NATION



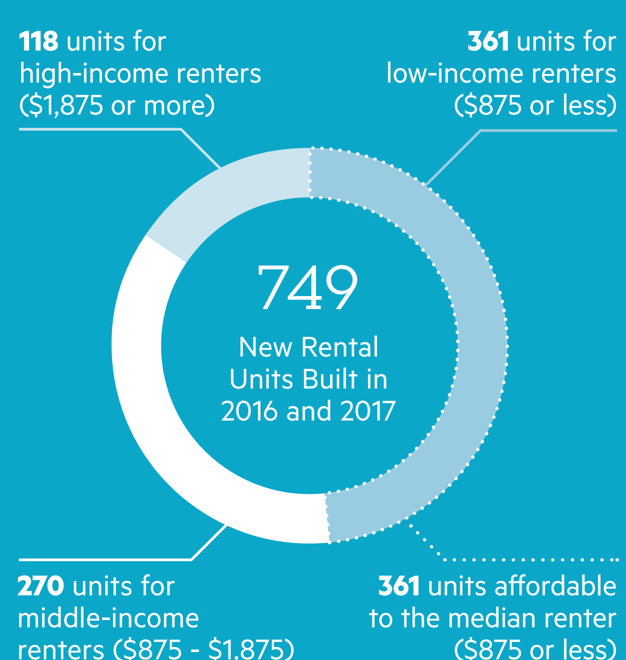
With few new deliveries to ease the shortage of supply, rents will likely remain elevated. Sacramento produced only 749 apartments in 2016 and 2017. Just half of the units were affordable to the median renter. The overall lack of development indicates a constrained environment for development.

IMPACT

Rapidly Rising Rents for New Rental Units: In addition to rapid rent growth for existing units, the low volume of newly delivered units has resulted in increasingly expensive rents.

The average asking rent for new multifamily units more than doubled between 2000 and 2016. In 2000, the asking rent for a unit in a new building was $767 in real dollars. In 2016, the rent for a new unit was $1,662, a 117% rise in real terms. This high rate of growth indicates a dramatic undersupply of new rental housing to meet existing demand.

ASKING RENT DISTRIBUTION OF MULTIFAMILY UNITS BUILT IN 2016 AND 2017



Note: Subsidized units are not included.

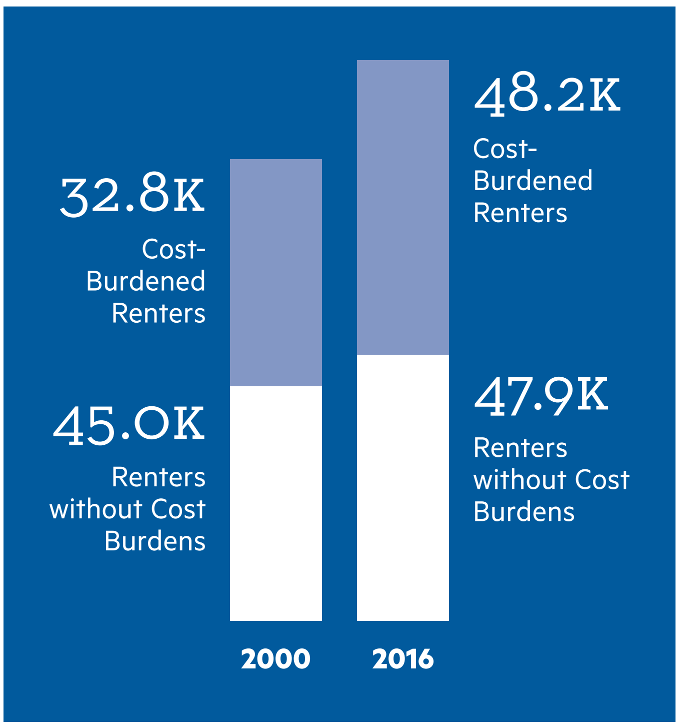
Source: CoStar, ACS, U.S. Census, HR&A analysis

IMPACT

Worsening Housing Affordability for Low- and Middle-Income Renters:

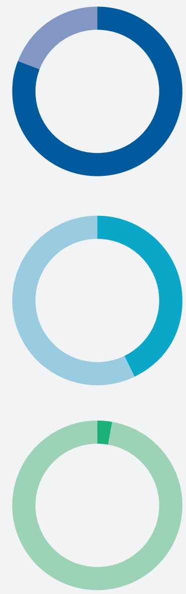
Rent burdens have grown particularly for middle-income households, leading many renter households to move outside of the city.

Almost half of Sacramento's renters were cost-burdened in 2016. The total share of rent-burdened households increased from 42% to 50% from 2000 to 2016.



The number of middle-income renters facing significant affordability challenges has more than doubled. Only 16% of middle-income renters were rent-burdened in 2000, compared to 43% by 2016. At the same time, the rent burden for low-income households has remained very high.

SHARE OF RENT-BURDENED HOUSEHOLDS BY INCOME IN 2016



81% of low-income renters were rent burdened, up from 77% in 2000.

43% of middle-income renters were rent burdened, up from 16% in 2000.

3% of high-income renters were rent burdened, up from 1% in 2000.

Low income: $0-35K | Middle income: $35-75K | High income: $75K+

Low-income renters are largely priced out of the city. Between 2000 and 2016, the number of low-income renters grew 14% in Sacramento and 46% in the surrounding metro area. Low-income renters tended to locate outside the city limits. This has been caused by insufficient housing supply in Sacramento, which drives competition for limited rental housing.

GROWTH IN THE NUMBER OF LOW-INCOME RENTERS

14%
Sacramento

46%
Metro

Source: CoStar, ACS, U.S. Census, HR&A analysis

Case Studies: San Antonio

THE HOUSING AFFORDABILITY TOOLKIT

Developed in Partnership with
HR&A Advisors

San Antonio, TX

San Antonio has added a large quantity of multifamily rental housing and remains a relatively low-cost market where the median renter earns $36,000 a year.

However, as development costs rise, new rental housing has become increasingly out of reach for the city's large number of low-income renters.

$49,300	$36,000	231,100	122,300
MEDIAN HOUSEHOLD INCOME	MEDIAN RENTER HOUSEHOLD INCOME	TOTAL RENTER HOUSEHOLDS	TOTAL MULTIFAMILY RENTAL UNITS

DRIVERS

Strong Demand for Rental Housing from Low-Income Households
Over half of San Antonio's 60,000 new renter households from 2000 to 2016 were low-income. This trend signals both the city's relative affordability and its vulnerability to rent growth.

Rapid Development of Rental Housing
San Antonio's multifamily housing stock grew by 65% between 2000 and 2016, twice the national rate.

Low but Rising Development Costs
Real hard costs grew rapidly by 84%, from 8% below the national average to 8% above. Real land costs remain relatively low, though they have risen 275% from their lowest point after the Great Recession.

IMPACTS

Moderately Rising Rents
Competition has driven rents higher for all rental housing, including both new and existing stock. Between 2000 and 2016, real rents grew by 17% for newly built units and by 15% for units built before 2000. This indicates that even with rapid development, there is a lack of supply.

Falling Number of Lower-Rent Units
In San Antonio, the share of occupied rental units priced under $800 a month has fallen by 19.3 percentage points from 2000 to 2016.

Large-Scale Affordability Challenges Among Low-Income Renters
Housing costs remain relatively low in San Antonio, and rent growth has been modest. Nonetheless, while over one-third of renters were cost-burdened in 2000, nearly half were burdened in 2016. This increase was driven by the city's large number of low-income renters facing unprecedented affordability challenges.

Relevant Tools
For more information on relevant housing tools, programs, and policies, see the following pages:

- Public Land
- Tax Abatement

Cities Facing Similar Challenges
Cities facing similar housing affordability challenges include:

- El Paso, TX
- Nashville, TN
- Oklahoma City, OK
- Phoenix, AZ

DRIVER

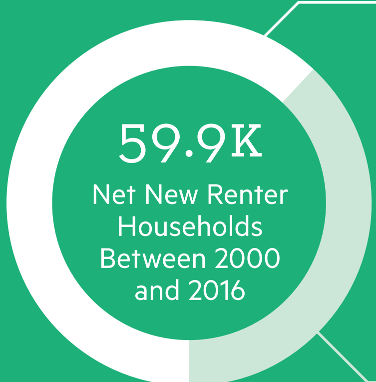
Strong Demand for Rental Housing from Low-Income Households:

San Antonio's rapid growth in renters has been driven by households earning less than $35,000.

Between 2000 and 2016, the number of renter households grew by about 60,000. This marks a 36% growth in the number of renter households, over ten percentage points higher than the national rate of 23%.

Of these renters, a majority chose to occupy multifamily units. The number of renter households occupying multifamily units rose by around 23,000, raising the rate of renter tenure in the city to 54% from 51%.

NET NEW RENTER HOUSEHOLDS BETWEEN 2000 AND 2016 BY UNITS IN OCCUPIED STRUCTURE



61% of new renter households occupied units in multifamily buildings

39% of new renter households occupied single-family residences

The number of low-income renters grew substantially between 2000 and 2016. More than half of all net new renters were low income. San Antonio attracted very few high-income renters and a moderate number of middle-income renters between 2000 and 2016. Low-income renters typically face higher affordability challenges, even with San Antonio's relatively low rent level.

FOR EVERY 10 NET NEW RENTER HOUSEHOLDS ADDED BETWEEN 2000 AND 2016

5.1 were **low income** | 3.1 were **middle income** | 1.8 were **high income**

Low income: $0-35K | Middle income: $35-75K | High income: $75K+

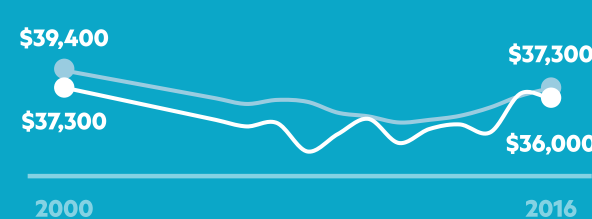
High-income renters have opted to live in surrounding metro areas. Between 2000 and 2016, the number of high-income renters grew by 42% in the city, compared to 79% elsewhere in the metro area. San Antonio defies the trend seen in many other cities, as wealthier renters do not show a preference for living within the city limits.

GROWTH IN THE NUMBER OF HIGH-INCOME RENTERS

42% San Antonio | 79% Surrounding Metro

Median income for renter households was 3% lower in 2016 than in 2000. This decline was most severe in the 2000s. Median renter income has since risen, though unsteadily.

REAL MEDIAN RENTER HOUSEHOLD INCOME IN SAN ANTONIO & THE NATION



National Median Renter Income
San Antonio Median Renter Income

Source: CoStar, ACS, U.S. Census, HR&A analysis

DRIVER

Rapid Development of Rental Housing: With low building costs and strong demand, San Antonio expanded its supply of multifamily units at a rapid pace.

The number of multifamily units in San Antonio grew by 65% between 2000 and 2016. During this period, the city delivered nearly 75,000 new units, though the net addition in units was lower due to obsolescence of existing housing stock. This growth has not entirely curbed a rise in affordability challenges, indicating that there is either unmet demand for rental housing or that rising development costs are driving up rents.

Vacancy rates for multifamily units increased slightly from 2000 levels. Moderate increases in the overall vacancy rate imply a slowdown of demand for rental units in San Antonio and dampen rising rents. This is likely due to the large number of rental units built between 2000 and 2016.

MULTIFAMILY VACANCY RATE IN SAN ANTONIO

DRIVER

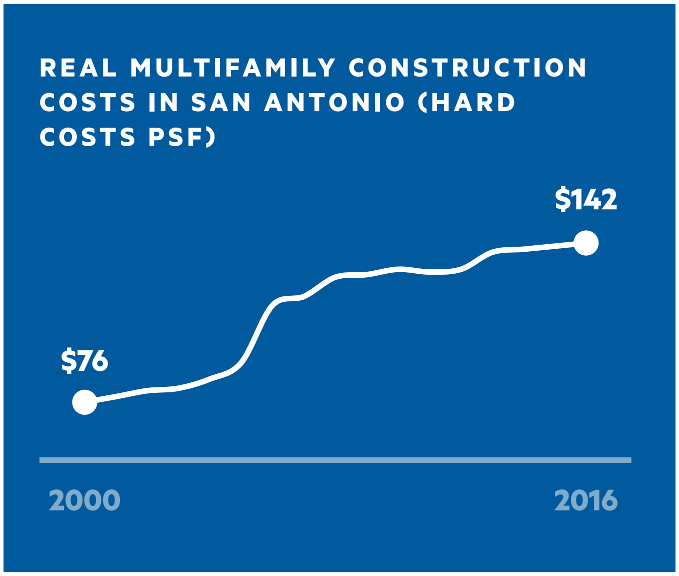
Low but Rising Development Costs: Low development costs have allowed for rapid and inexpensive building – but this trend is not indefinite.

When development costs increase, rents must increase to cover the higher costs. This results in decreasing affordability for renters. Development costs are driven by three main components: land costs, hard costs (labor and materials), and regulatory soft costs.

Local regulatory conditions further intensify the rising cost of development. Policies that reduce the amount of land available for multifamily residential development, extend the development timeline through lengthy permit approval processes, limit development potential through stringent parking requirements, and other local requirements can each result in higher development costs.

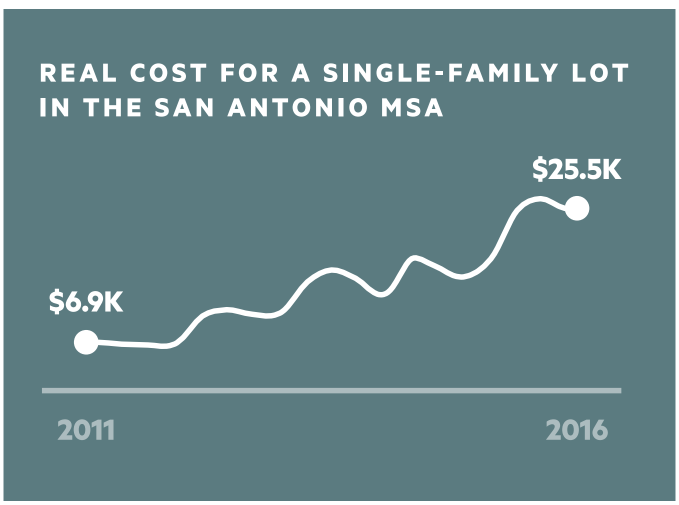
In the San Antonio area, hard costs, or the cost of labor and materials, have risen from a low level at a rate far higher than the national average. Hard costs increased from $76 PSF to $140 PSF for multifamily buildings in real terms, amounting to an increase of 84%. This increase is far higher than the national increase of 57% (from $83 to $130 PSF). A steep rise in development costs is likely driving an increase in rents citywide, exacerbating affordability challenges.

Source: Lincoln Institute of Land Policy, Craftsman Book Company, HR&A analysis



REAL MULTIFAMILY CONSTRUCTION COSTS IN SAN ANTONIO (HARD COSTS PSF)

Real land costs in San Antonio have been volatile but recently on the rise. San Antonio's land costs are generally inexpensive. A large supply of developable land in San Antonio keeps land costs low by reducing competition for land. However, in recent years, they have grown 275% from their lowest point after the Great Recession, though only to a level that is still less than half of the national median of $67,000.[1]



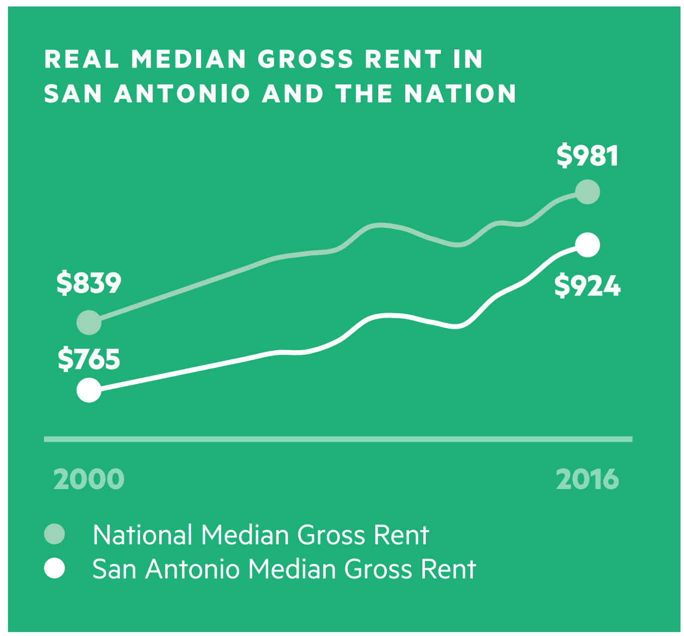
REAL COST FOR A SINGLE-FAMILY LOT IN THE SAN ANTONIO MSA

The steady growth in real hard costs has been the main cost driver behind rising rents. Developers must price rents for new units at a higher level.

IMPACT

Moderately Rising Rents for New and Existing Rental Units: Rents have grown at a steady pace, though remain lower than the national median.

The real gross median rent for all rental units in San Antonio grew by 21% between 2000 and 2016. The median rent increased from $765 in 2000 to $924 in 2016. This rate is slightly above the nationwide increase of 17%. The increase in the median gross rent is moderate, but trends indicate that affordability challenges will continue to increase as development costs rise and many renters remain low-income.



REAL MEDIAN GROSS RENT IN SAN ANTONIO AND THE NATION

Real rents for existing units increased by 15%, a rate comparable to the nation. Between 2000 and 2016, the real gross median rent for units built before 2000 increased from $765 to $882, equating to about 1% growth per year. This is a modest rate of growth relative to the city's rapid population growth.

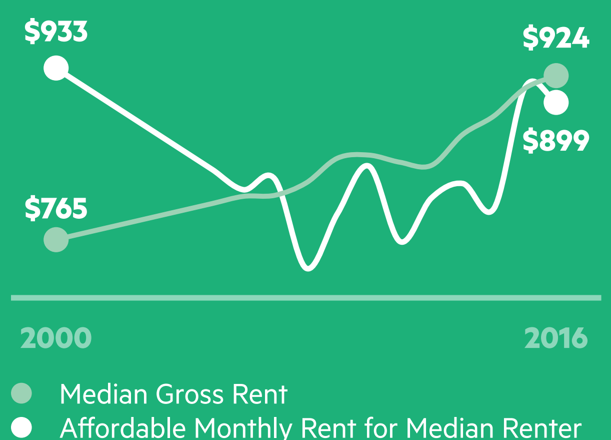
1 Real land costs fell substantially during and immediately after the Great Recession, contributing to the high percentage growth seen in the market between the bottom of the market in 2012 and 2016.

Source: CoStar, ACS, U.S. Census, HR&A analysis

The average asking rent for new apartments increased moderately. Rents increased by 17% from $1,040 for a new unit in 2000 to $1,221 in 2016. This rate of growth is significantly lower than the nationwide growth rate of 58%. Substantial development of new rental units has likely moderated rent growth for new units by providing adequate supply.

However, real median renter income growth has not kept pace with real median gross rent growth. In 2000, the median renter could afford the median gross rent with about a $170 surplus. In 2016, the median renter could no longer afford the median gross rent.

REAL MEDIAN GROSS RENT AND AFFORDABLE MONTHLY RENT FOR THE MEDIAN SAN ANTONIO RENTER HOUSEHOLD



IMPACT

Falling Number of Low-Rent Units:

Fewer existing and new units are affordable to the city's large number of low-income renters.

37%

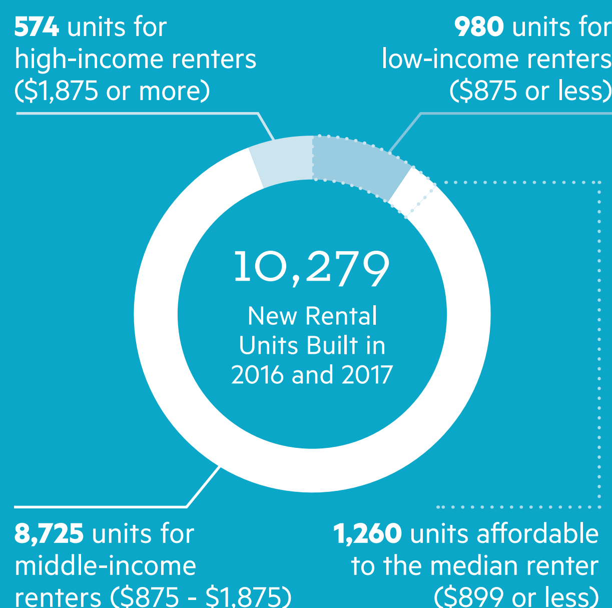
of occupied rental units were priced under $800 in 2016, **down from 56% in 2000.**

Source: CoStar, ACS, U.S. Census, HR&A analysis

The availability of rental units priced at under $800 in rent per month fell. While 56% of rental units in 2000 were priced below $800, this share fell to 37% by 2016 – a figure on par with the national average. San Antonio was able to retain many low-rent units due to already low rents in the city and substantial development of new rental units. These two factors help keep rents relatively low by reducing competition for existing units. Still, in a city of San Antonio's size, this amounted to 44,000 households being priced out of lower-rent units.

New units produced in 2016 and 2017 were largely affordable to middle-income renters but not low-income renters. Of these new units, 85% of units were affordable to middle-income renters. Despite this, only about 12% of new units were affordable to the median renter and rented for under $899. On the whole, new development has remained fairly affordable relative to many other parts of the country.

ASKING RENT DISTRIBUTION OF MULTIFAMILY UNITS BUILT IN 2016 AND 2017

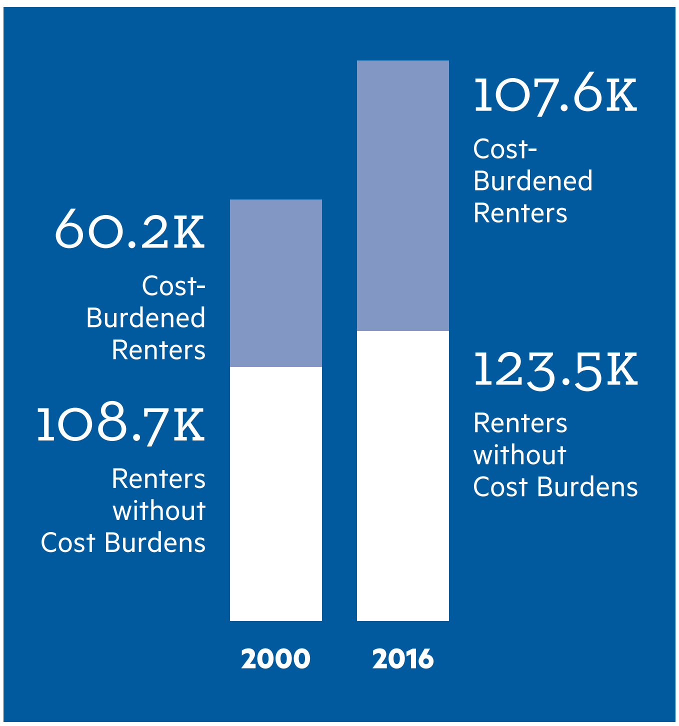


Note: Subsidized units are not included.

IMPACT

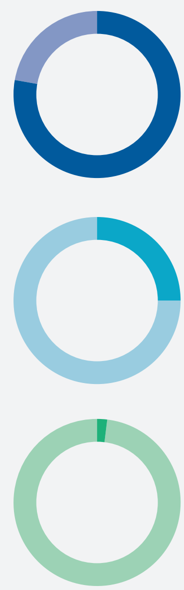
Large-Scale Affordability Challenges Among Low-Income Renters: Housing costs remain relatively low, even for middle-income renters. But cost burdens have risen for the city's large volume of low-income renters.

Like renters nationwide, renters in San Antonio are increasingly struggling to afford rent. The total share of rent-burdened households increased from 36% to 47% between 2000 and 2016. This equates to 47,400 new burdened renter households. Growing affordability challenges are driven by the growth in the number of low-income renters, as well as rising development costs.



Low- and middle-income households saw significant increases in affordability challenges between 2000 and 2016. The share of rent-burdened, low-income households grew from 68% in 2000 to 78% in 2016. The share of rent-burdened, middle-income households grew from 9% to 25%. This is particularly impactful due to the growing number of low- and middle-income renters in San Antonio.

SHARE OF RENT-BURDENED HOUSEHOLDS BY INCOME IN 2016



78% of low-income renters were rent burdened, up from 68% in 2000.

25% of middle-income renters were rent burdened, up from 9% in 2000.

2% of high-income renters were rent burdened, up from 1% in 2000.

Low income: $0-35K | Middle income: $35-75K | High income: $75K+

Source: CoStar, ACS, U.S. Census, HR&A analysis

NATIONAL MULTIFAMILY HOUSING COUNCIL

Case Studies: Seattle

THE HOUSING AFFORDABILITY TOOLKIT

Developed in Partnership with
HR&A Advisors

Seattle, WA

Despite significant levels of new development, historic growth in high-income renters has pushed up rents for new and existing units to persistently high levels.

Seattle's housing affordability has been uniquely strained by the demographic makeup of its new renter households. Low- and middle-income renters represent a decreasing share of the population, and those who remain face a high risk of displacement and rent burden.

$83,500	$57,000	172,000	123,100
MEDIAN HOUSEHOLD INCOME	MEDIAN RENTER HOUSEHOLD INCOME	TOTAL RENTER HOUSEHOLDS	TOTAL MULTIFAMILY RENTAL UNITS

DRIVERS

Unprecedented Demand, Especially from High-Income Households
The city's record growth in high-income renters has provided ample demand for new and existing units. This demand has kept pace with a rapid growth in supply, as vacancy rates have stayed low despite 50,000 new units produced between 2000 and 2016.

High and Rising Development Costs
Seattle's land costs rose by about 80% from their trough in 2011, to reach a level over four times the national median by 2016. During this period, construction costs continued to rise from an already high level.

IMPACTS

Rapidly Rising Rents for Existing Rental Housing
As developers and property managers raise rents in response to strong and ongoing demand from high-income renters, Seattle's existing stock of low-rent units is rapidly diminishing. The share of occupied rental units priced under $800 in rent fell by 14.5 percentage points since 2000.

Persistently High Rents for New Rental Housing
New rental housing is necessitating high rents due to rapidly rising land costs and a large pool of high-income renter demand. Real rent growth from 2000 to 2016 appears modest (11%) but only because rents were already quite high in 2000.

Increasingly Unaffordable for Middle-Income Renters
Seattle's rental housing has long been unaffordable for low- and even middle-income households, but the situation has significantly worsened for existing and potential middle-income households, over half of whom are now cost-burdened.

Relevant tools

For more information on relevant housing tools, programs, and policies, see the following pages:

- Public Land
- By-Right
- Tax Abatement
- Inclusionary Zoning

Cities Facing Similar Challenges

Cities facing similar housing affordability challenges include:

- Washington, DC
- Boston, MA
- San Francisco, CA
- San Jose, CA

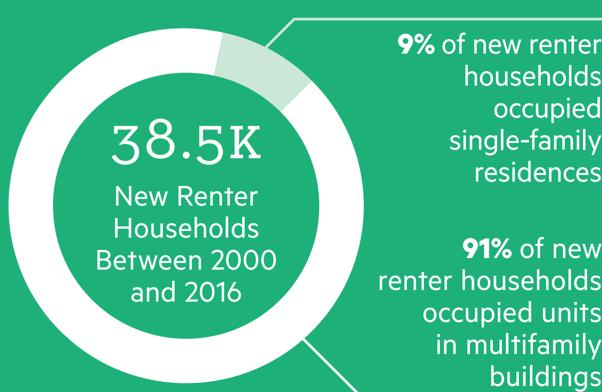
DRIVER

Unprecedented Demand for Rental Housing, Especially from High-Income Renters: Seattle's economic growth has led to an unprecedented level of demand from high-income renter households.

Seattle added 38,500 renter households between 2000 and 2016. The growth in renter households has been driven by both an influx of new renter households and an increase in renting among existing and newly formed households in the city.

The majority of new renters occupied apartments. This amounted to an increase of 35,000 in the number of occupied multifamily units. This trend indicates both a preference for and growing supply of higher density housing.

NET NEW RENTER HOUSEHOLDS BETWEEN 2000 AND 2016 BY UNITS IN OCCUPIED STRUCTURE



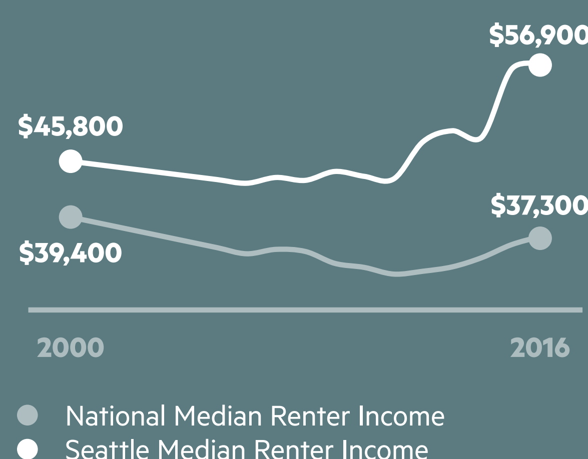
The number of high-income renters grew substantially between 2000 and 2016. More than eight out of ten renters added in Seattle during this period were high-income renters; this amounts to an increase of 33,000 in high-income renter households. Fewer than two in ten new renters were low or middle income. This degree of income growth places considerable upward pressure on rents.

FOR EVERY 10 NET NEW RENTER HOUSEHOLDS ADDED BETWEEN 2000 AND 2016

Low income: $0-35K | Middle income: $35-75K | High income: $75K+

Between 2000 and 2016, the real median income for renter households increased by 24%. In contrast, the real national median declined over the same period. Seattle's rapid increase is attributable to its historic influx of high-income renters.

REAL MEDIAN RENTER HOUSEHOLD INCOME IN SEATTLE AND THE NATION



Source: CoStar, ACS, U.S. Census, HR&A analysis

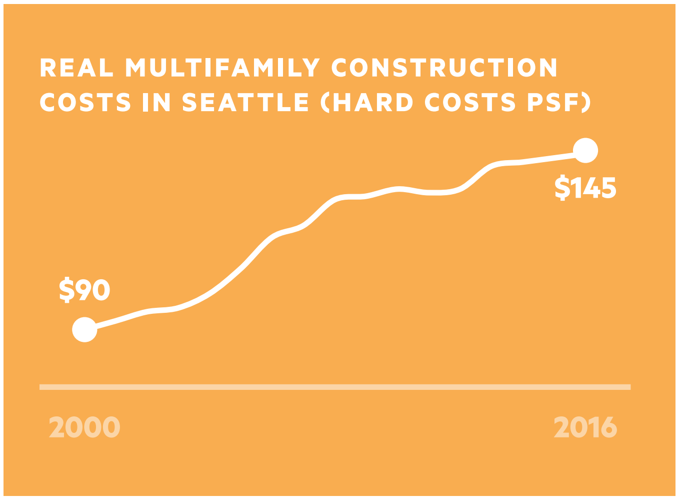
DRIVER

High and Rising Development Costs: Seattle has experienced particularly high growth in land costs, contributing to rent growth across the city.

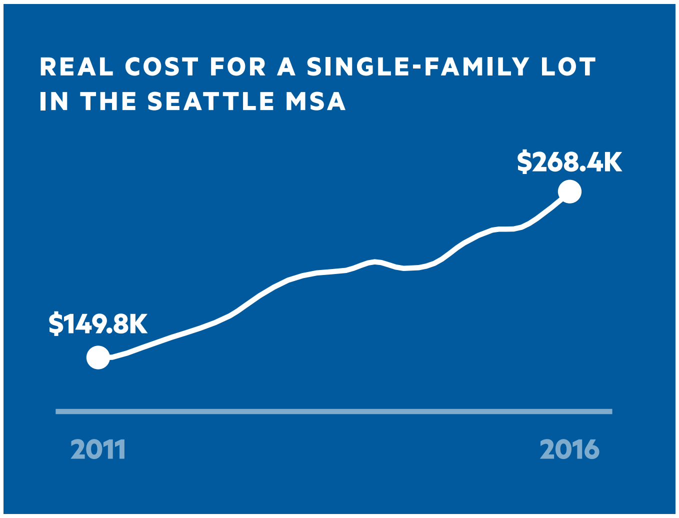
When development costs increase, rents must increase to cover the higher costs. As a result, rental units tend to become less affordable. Development costs are driven by three main components: land, labor and materials, and regulatory soft costs.

Local regulatory conditions further intensify the rising cost of development. Policies that reduce the amount of land available for multifamily residential development, extend the development timeline through lengthy permit approval processes, limit development potential through stringent parking requirements, and other local requirements can each result in higher development cost.

In the Seattle area, hard costs, or the cost of labor and materials, have remained consistently higher than the nation since 2000. Hard costs increased from $90 PSF to $144 PSF for multifamily buildings in real terms, amounting to an increase of 60%.



Already high land costs in Seattle keep rising. Real land costs increased by 79% between 2011 and 2016. This growth is especially significant given Seattle's already high land costs. In 2016, the price for a single-family lot in Seattle was about four times the national median. High land costs contribute to the overall increase in development costs, which in turn increase the need for higher rents to ensure project feasibility.



Source: Lincoln Institute of Land Policy, Craftsman Book Company, HR&A analysis

IMPACT

Rising Rents for Existing Rental Housing: Intense demand from increasingly high-income households has contributed to rising rents for even older and less ideally located housing.

Rents for existing units are increasing at a similar rate as the overall median rent, an indicator of a supply shortage. Between 2000 and 2016, the real gross median rent for units built before 2000 increased by 38%. This is nearly three times the national growth rate of 13%. This growth implies there is high demand for almost all rental housing regardless of location, vintage, or quality.

Between 2000 and 2016, the share of occupied units renting below $800 fell by 14.5 percentage points. This trend is especially stark given that Seattle's stock of lower-rent units was already very low – at 28% in 2000. Now, only 14% of all occupied rental units in Seattle are renting below $800 a month, compared to the nationwide average of 37%. This trend indicates intense demand pressure on rental units, driving up rents and decreasing overall affordability.

14%

of occupied rental units were priced under $800 in 2016, **down from 28% in 2000.**

This is despite the city's rapid increase in its rental housing supply. Seattle's multifamily housing stock expanded by 58% between 2000 and 2016, compared to the nationwide rate of 30%. Still, market trends indicate that Seattle is not delivering enough housing to meet skyrocketing demand in the city.

IMPACT

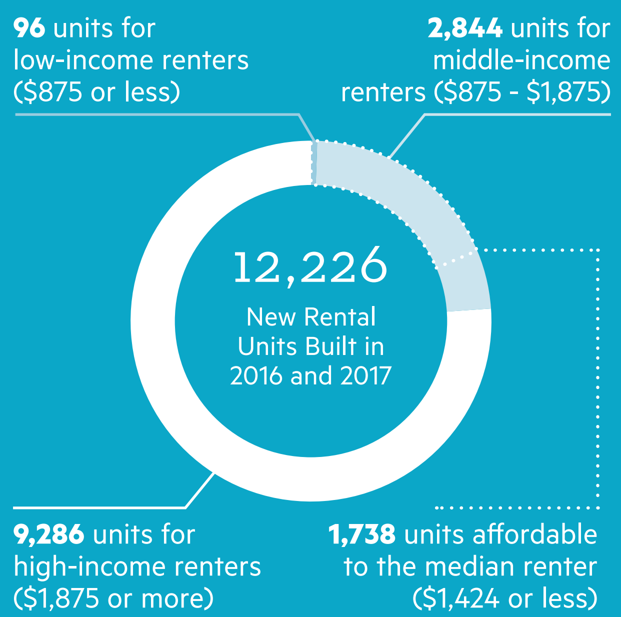
Persistently High Rents for New Rental Housing: Intense demand and high development costs have contributed to Seattle's rising rents.

The real average asking rent for new multifamily apartment units increased by 11%. Rent increased from $1,608 in 2000 to $1,791 in 2016 for new apartments. Seattle has not seen as drastically sharp an increase in rent for new units compared to existing units because the average asking rent for new units was already high in 2000. High and rising development costs, as well as record demand, contribute to high rents for new development.

76% of units delivered in 2016 and 2017 were only affordable to high-income renters. This equates to about 9,300 new units renting for more than $1,875 per month. Only 14% of new units rented for under $1,424 per month and were affordable to the median renter, and 0.7% of units were affordable to low-income renters.

Source: CoStar, ACS, U.S. Census, HR&A analysis

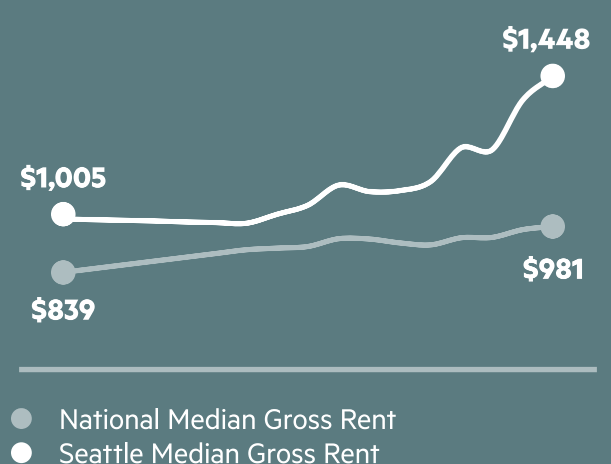
ASKING RENT DISTRIBUTION OF MULTIFAMILY UNITS BUILT IN 2016 AND 2017



Note: Subsidized units are not included.

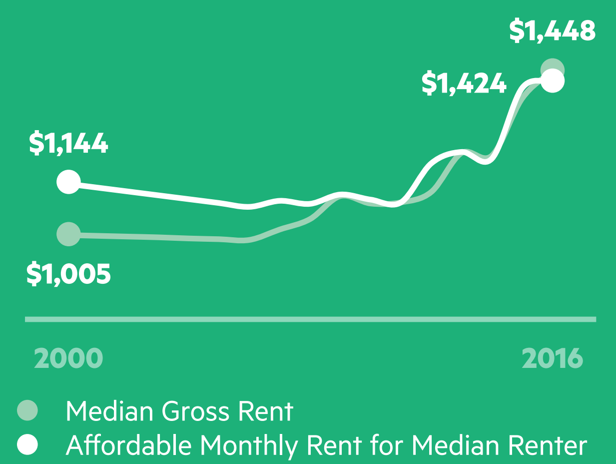
The real gross median rent for all renter housing in Seattle increased by 44%. The median rent increased from $1,005 to $1,448 between 2000 and 2016. This is more than double the nationwide growth rate of 17%. The substantial increase in the median gross rent is due to unmet demand for rental housing, which increases competition and drives up rents.

REAL MEDIAN GROSS RENT IN SEATTLE AND THE NATION



Rent growth has been so high that even a rapid increase in median renter income has not kept pace with median rents. In 2000, the median renter could afford the median gross rent with a $140 surplus. In 2016, the median renter could no longer afford the median gross rent.

REAL MEDIAN GROSS RENT AND AFFORDABLE MONTHLY RENT FOR THE MEDIAN SEATTLE RENTER HOUSEHOLD

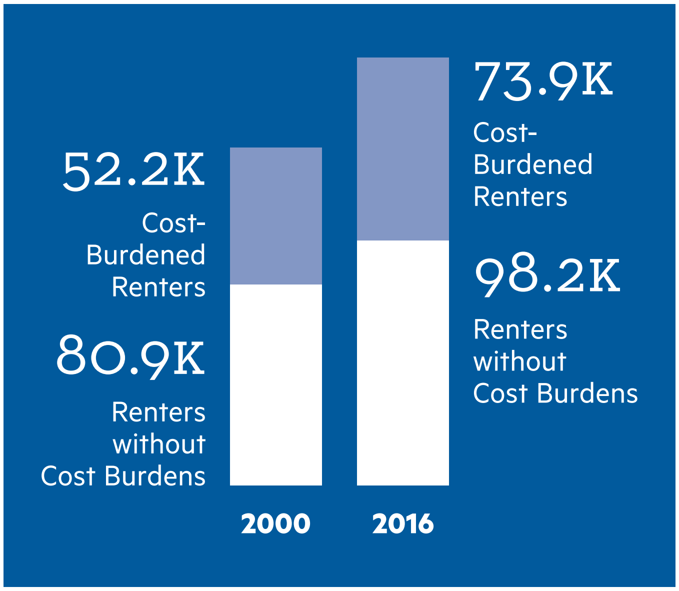


IMPACT

Increasingly Unaffordable for Middle-Income Renters: Middle-income and low-income renters are increasingly unable to afford housing in Seattle.

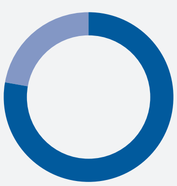
Though the overall share of rent-burdened households is relatively low due to the large number of renters with high incomes, rent burdens have steadily grown. Between 2000 and 2016, the number of rent-burdened households increased by 42%.

Source: CoStar, ACS, U.S. Census, HR&A analysis

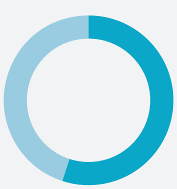


Middle-income households are experiencing growing affordability challenges. The rate of rent-burdened middle-income households grew from 26% in 2000 to 55% in 2016. In addition, more than three quarters of low-income renters were burdened in 2016. Seattle exhibits high rates of cost burden across all of its income groups relative to the nation.

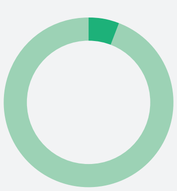
SHARE OF RENT-BURDENED HOUSEHOLDS BY INCOME IN 2016



78% of low-income renters were rent burdened, up from 76% in 2000.



55% of middle-income renters were rent burdened, up from 26% in 2000.



6% of high-income renters were rent burdened, up from 3% in 2000.

Low income: $0-35K | Middle income: $35-75K | High income: $75K+

Seattle is adding very few middle-income renters in the city. Between 2000 and 2016, the number of middle-income renters grew by only 3% in Seattle and by 20% within the metro. These rates of growth are considerably low when compared to the rates of growth in high-income renters. Middle-income renters are likely choosing to locate outside of Seattle and even outside of the broader metro region, due to rising housing costs.

GROWTH IN THE NUMBER OF MIDDLE-INCOME RENTER HOUSEHOLDS

3%
Seattle

20%
Metro

GROWTH IN THE NUMBER OF HIGH-INCOME RENTER HOUSEHOLDS

106%
Seattle

55%
Metro

Source: CoStar, ACS, U.S. Census, HR&A analysis

NATIONAL MULTIFAMILY HOUSING COUNCIL

Case Studies: Tampa

THE HOUSING AFFORDABILITY TOOLKIT

Developed in Partnership with
HR&A Advisors

Tampa, FL

Tampa's low cost of living has long been attractive to lower-income renters, but rising rents have begun to erode this affordability.

Rents for both new and existing rental housing have grown burdensome for the city's large base of low- and middle-income renters. However, the city has continued to attract a broad base of renters, at a rate similar to metro areas surrounding the city.

$50,400 MEDIAN HOUSEHOLD INCOME	$35,000 MEDIAN RENTER HOUSEHOLD INCOME	79,900 TOTAL RENTER HOUSEHOLDS	41,800 TOTAL MULTIFAMILY RENTAL UNITS

DRIVERS

Rapid Increase in Low- and High-Income Renters
Between 2000 and 2016, the number of renter households grew by 43%, nearly double the national rate of 23%. Over half were low-income. Meanwhile, though high-income renters do not comprise a large share of Tampa's renters, they have increased by 73%, more than ten times the national rate.

Rising Development Costs
Tampa's construction costs grew rapidly from 2000 to 2016. Land costs remain low but have rebounded 600% from a low point in 2011.

IMPACTS

Significant Decrease in Supply of Lower-Rent Units
Demand has driven rents higher for all rental housing, including existing stock. In Tampa, the share of occupied rental units priced at under $800 per month fell by 26.8 percentage points from 2000 to 2016, compared to 12.2 percentage points nationally.

Rising Rents for New Rental Housing
As development costs rise, and as developers deliver higher-end apartments, real rents for apartments have risen by 57%, albeit to a relatively affordable rent level of $1,430.

Worsening Housing Affordability for Middle-Income Renters
The number of cost-burdened renters grew by 86%, well above the national average of 55%. This is largely driven by the increase in the number of cost-burdened middle-income renters, which has more than tripled.

Relevant Tools
For more information on relevant housing tools, programs, and policies, see the following pages:

- Public Land
- By-Right
- Tax Abatement

Cities Facing Similar Challenges
Cities facing similar housing affordability challenges include:

- Las Vegas, NV
- Riverside, CA
- Spokane, WA
- Charleston, SC

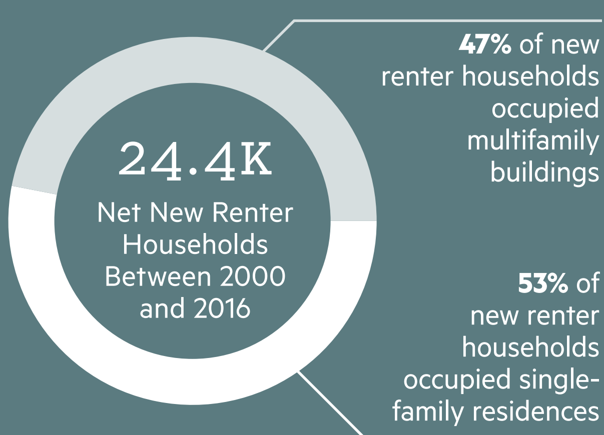
DRIVER

Rapid Increase in Low- and High-Income Renters: Strong household growth from low-income renters reflects the city's relative affordability, though rapid growth in high-income renters may challenge that.

The number of renter households grew by 24,400 between 2000 and 2016. This amounts to a 43% increase, almost double the national average of 23%.

The majority of new renter households occupied non-multifamily buildings. This trend is unlike most cities, where new renters occupy densifying areas of the city. The large share of single-family renters indicates a substantial conversion of single-family housing from ownership to rental. This may indicate an undersupply of multifamily housing, at least at specific price points.

NET NEW RENTER HOUSEHOLDS BETWEEN 2000 AND 2016 BY UNITS IN OCCUPIED STRUCTURE



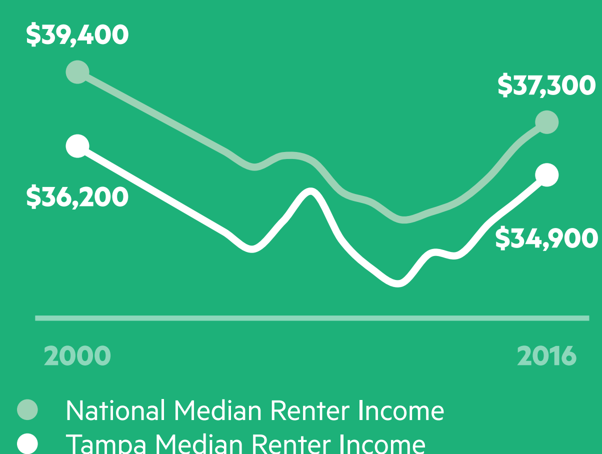
Low-income renters in Tampa made up more than half of all new renters added between 2000 and 2016. Middle- and high-income renters were added in equal amounts with each group representing one quarter of net new renters. Notably, high-income renters had the highest rate of growth due to the relatively small number of high-income renters in 2000.

FOR EVERY 10 NET NEW RENTER HOUSEHOLDS ADDED BETWEEN 2000 AND 2016

Low income: $0-35K | Middle income: $35-75K | High income: $75K+

Between 2000 and 2016, the real median renter income in Tampa decreased by 3.5%, though it has been rising in recent years. As with many cities nationwide, the median renter income has risen in Tampa over the last few years, but these gains have still not surpassed the overall decline which began in the early 2000s and continued during the Great Recession.

MEDIAN RENTER HOUSEHOLD INCOME IN TAMPA AND THE NATION



Source: CoStar, ACS, U.S. Census, HR&A analysis

High-income renters are the fastest-growing income segment in Tampa, growing by 73% between 2000 and 2016. This growth, though small in absolute terms, marks a deviation from affordability. The increase in high-income renters has driven an emerging stock of high-end development.

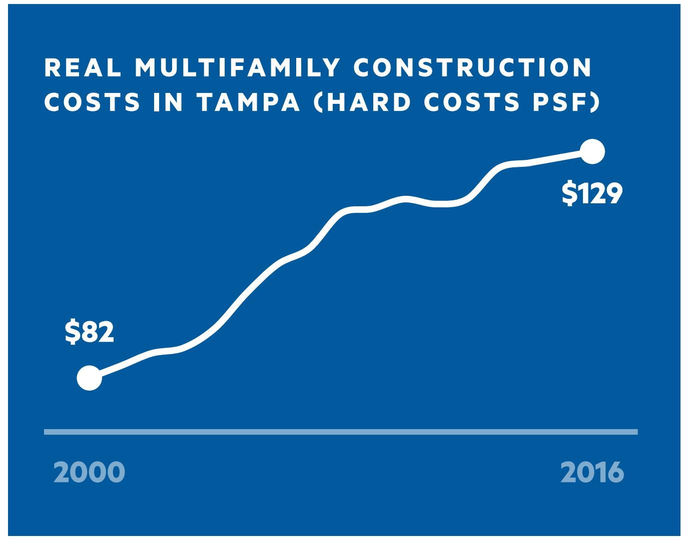
DRIVER

Rising Development Costs: Tampa's previously low construction costs have risen rapidly, contributing to rent increases.

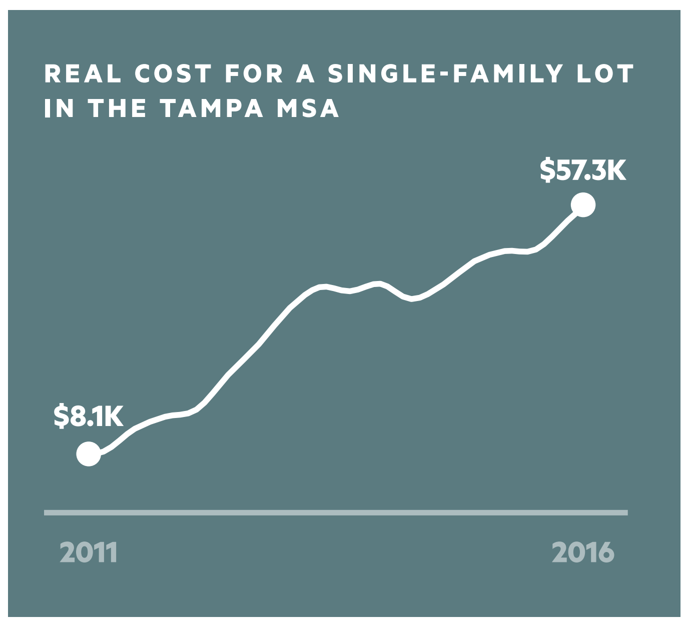
When development costs increase, developers must increase rents in order to cover the higher costs. Development costs are driven by three main components: land, labor and materials, and regulatory soft costs.

Local regulatory conditions further intensify the rising cost of development. Policies that reduce the amount of land available for multifamily residential development, extend the development timeline through lengthy permit approval processes, limit development potential through stringent parking requirements, and other local requirements can each result in higher development costs.

In the Tampa area, real hard costs, or the cost of labor and materials, increased significantly between 2000 and 2016. Real hard costs increased from $82 PSF to $129 PSF for multifamily buildings in real terms, amounting to a 57% increase. Nationwide increases in the cost of building materials and a tight labor market have led to increases well above the rate of inflation.



Real land costs in Tampa increased 28% between 2000 and 2016 but were still below the peak reached in 2006. Having rebounded somewhat since the Great Recession, real land costs are still well below peak levels. Growth in land costs since 2011 indicates that land is becoming increasingly difficult to acquire in the Tampa market.



Rising real hard costs are the main driver behind rising rents. Land costs, which are far below the 2006 peak, likely play a smaller role.

Source: Lincoln Institute of Land Policy, Craftsman Book Company, HR&A analysis

IMPACT

Significant Decrease in Supply of Lower-Rent Units: Rising rents for existing units have halved the number of lower-rent units in what was once an affordable market.

Rents for existing units are increasing at a rate above the national rate. Between 2000 and 2016, the real gross median rent for units built before 2000 increased by 23%. This is significantly higher than the nationwide growth rate of 13%. Rent growth for existing units indicates strong demand for rental housing and an insufficient supply, as competition for scarce units drives up rents.

The availability of rental units priced at under $800 in rent per month fell dramatically. While 53% of occupied rental units in 2000 were priced below $800, this share fell to 27% by 2016 – a figure well below the national average.

> 27%
>
> of occupied rental units were priced under $800 in 2016, **down from 53% in 2000.**

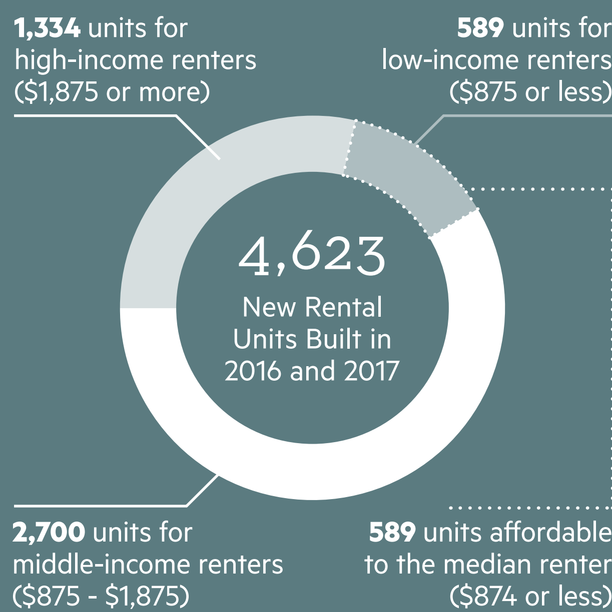
IMPACT

Rising Rents for New Rental Housing: Rents for new housing have risen rapidly, albeit from very affordable levels.

The average asking rent for new multifamily apartments increased rapidly between 2000 and 2016. In 2000, asking rent for a unit in a new building was $912 in real dollars. In 2016, the rent for a unit in a new building was $1,429, reflecting a 57% rise in real terms. This spike in rent for new units indicates a large influx of high-end development.

Of the units built in 2016 and 2017, 87% were not affordable to the median renter. In those two years, 589 units were delivered with average asking rents less than $874, the monthly rent affordable to the median renter in 2016. In contrast, 4,034 units were delivered with asking rents greater than $874, while 29% of all units (or 1,334 units) were priced to be affordable only for high-income renters, with rents above $1,875.

ASKING RENT DISTRIBUTION OF MULTIFAMILY UNITS BUILT IN 2016 AND 2017



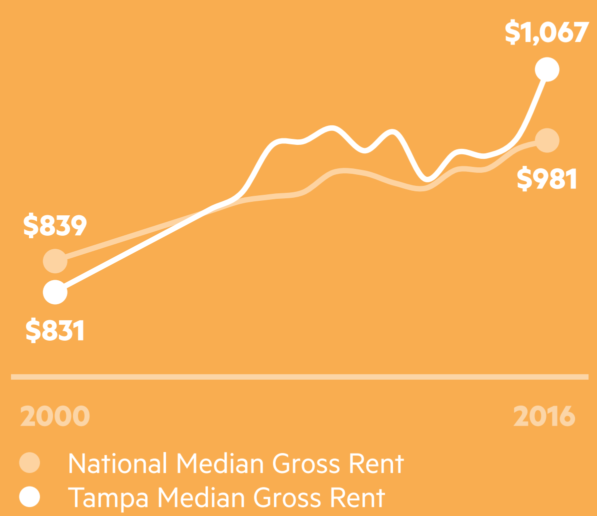
Note: Subsidized units are not included.

Source: CoStar, ACS, U.S. Census, HR&A analysis

A large influx of new rental housing has contributed to a rise in the median rent in Tampa. Between 2000 and 2016, Tampa's rental market experienced growth at a rate far above the national rate. The city delivered nearly 30,000 new multifamily rental units, which marks a 40% increase in the multifamily rental housing stock. Newer rental housing typically has higher rents, contributing to Tampa's median rent increase.

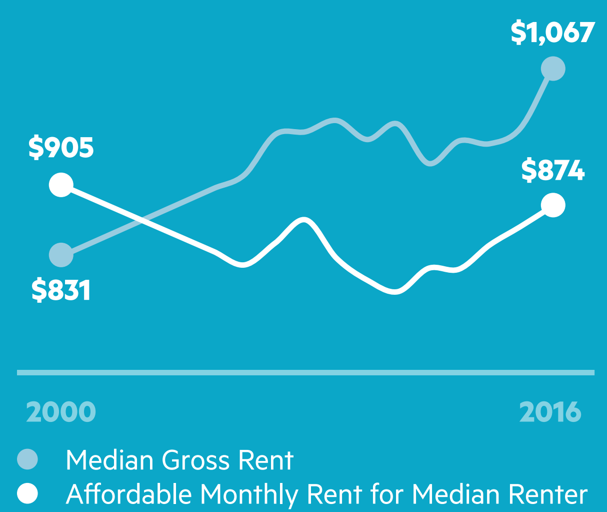
Real gross median rent in Tampa increased by 28% from $831 in 2000 to $1,067 in 2016, much higher than the nationwide increase of 17%. High and rising development costs and substantial unmet demand for rental housing in the market contributed to rising rents.

REAL MEDIAN GROSS RENT IN TAMPA AND THE NATION



The growth in real median gross rent has far surpassed median renter income growth. In recent years, the median renter income has seen sustained growth, though it is still lower than it was in 2000 due to the large net increase in low-income renter households. This contributes to affordability challenges throughout Tampa.

MEDIAN GROSS RENT AND AFFORDABLE MONTHLY RENT FOR THE MEDIAN TAMPA RENTER HOUSEHOLD

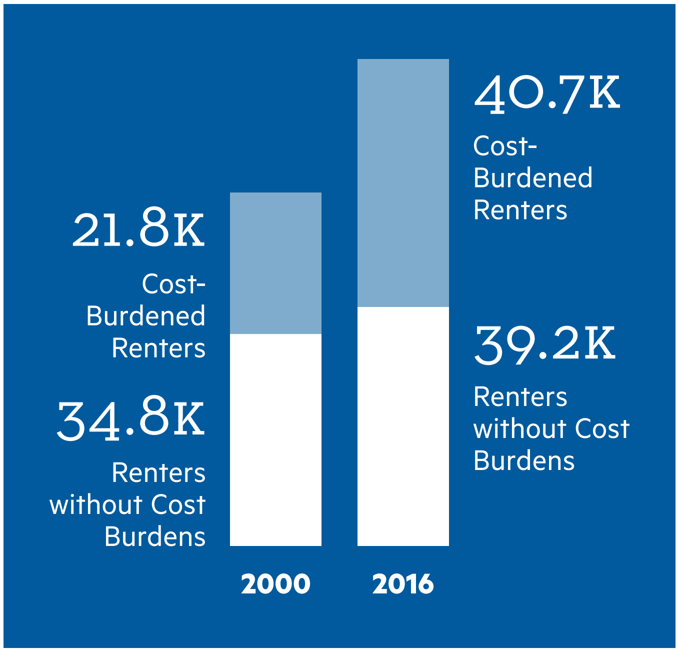


IMPACT

Worsening Housing Affordability for Middle-Income Renters: Rising rents and low renter incomes have led to an increasing cost burden for both low- and middle-income renters.

Tampa saw significant increases in the share of rent-burdened households. The number of cost-burdened renter households grew by 86%, far higher than the national rate of 55%. More than half of all renters are now cost-burdened, up from 39% of renters in 2000. Between 2000 and 2016, Tampa added 18,900 net new rent-burdened households, representing 81% of all net new renters.

Source: CoStar, ACS, U.S. Census, HR&A analysis



Low and middle-income renters in Tampa experienced large increases in affordability challenges. Of Tampa's middle-income renters, 38% were cost-burdened in 2016 versus 13% in 2000. More than three out of every four (78%) low-income renters were rent burdened in 2016. Tampa's affordability challenges reflect nationwide trends but to a higher degree.

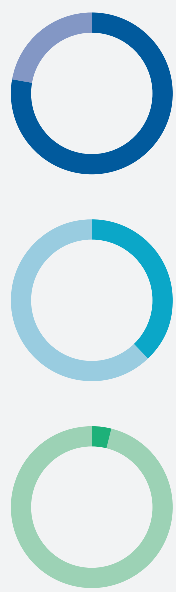
Tampa continues to add households at all income levels, though middle-income renters are growing more quickly in surrounding metro areas. All renter income groups saw substantial growth in Tampa – low-income renters grew by 40%, middle-income by 28%, and high-income by 73%.

GROWTH IN THE NUMBER OF MIDDLE-INCOME RENTERS

28%
Tampa

45%
Surrounding Metro

SHARE OF RENT-BURDENED HOUSEHOLDS BY INCOME IN 2016



78% of low-income renters were rent burdened, up from 68% in 2000.

38% of middle-income renters were rent burdened, up from 13% in 2000.

4% of high-income renters were rent burdened, up from 1% in 2000.

Low income: $0-35K | Middle income: $35-75K | High income: $75K+

Source: CoStar, ACS, U.S. Census, HR&A analysis