

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

MEDIAN HOUSEHOLD
INCOME

\$36,000

MEDIAN RENTER
HOUSEHOLD INCOME

231,100

TOTAL RENTER
HOUSEHOLDS

122,300

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.

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

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.

Cities Facing Similar Challenges

Cities facing similar housing affordability challenges include:

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

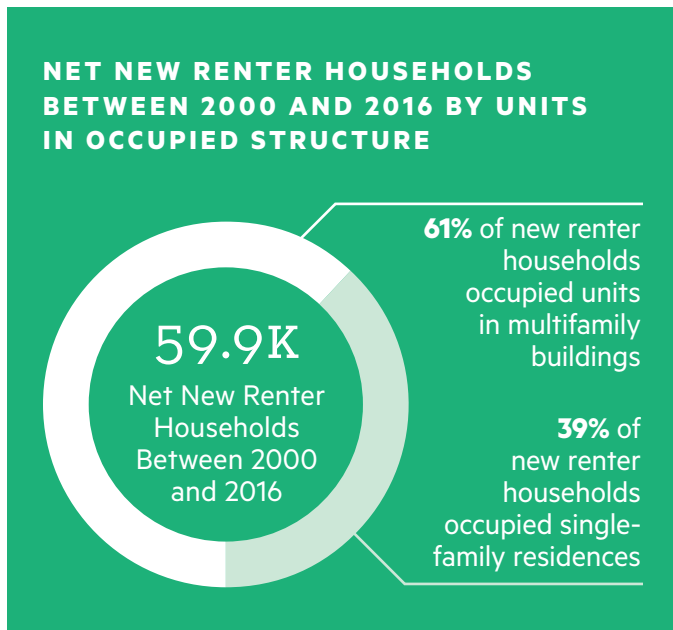
DRIVER

Strong Demand for Rental Housing from Low-Income Households:

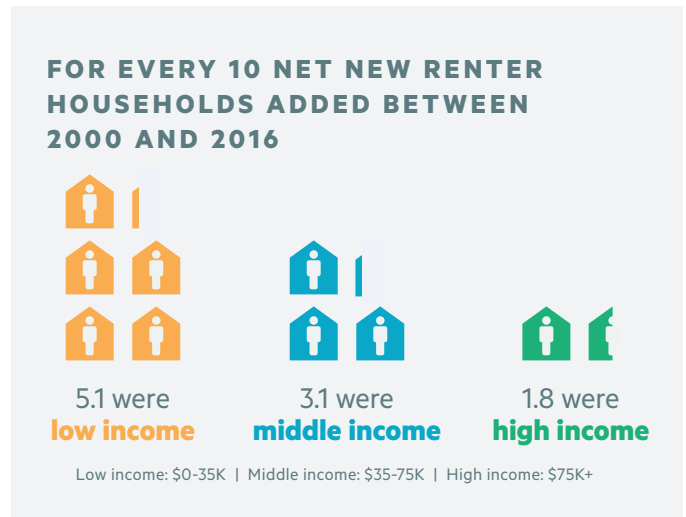
San Antonio’s rapid growth in renters has been driven by households earning less than \$35,000.

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%.



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.

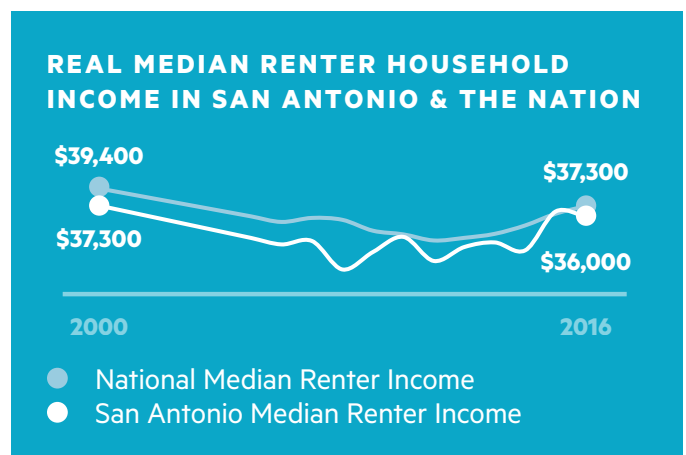


High-income renters have opted to live in surrounding metro areas. Between 2000 and 2016, the number of high-income renters grew by 42% in the city, compared to 79% elsewhere in the metro area. San Antonio defies the trend seen in many other cities, as wealthier renters do not show a preference for living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

GROWTH IN THE NUMBER OF HIGH-INCOME RENTERS



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.

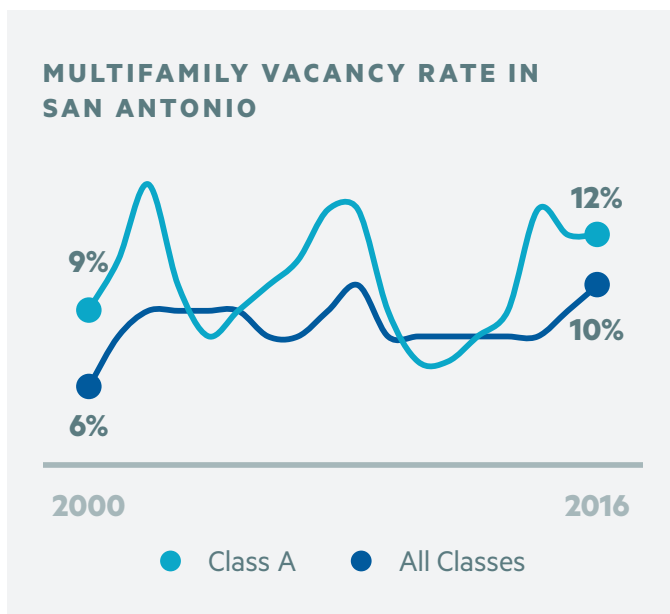


DRIVER**Rapid Development of Rental**

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.

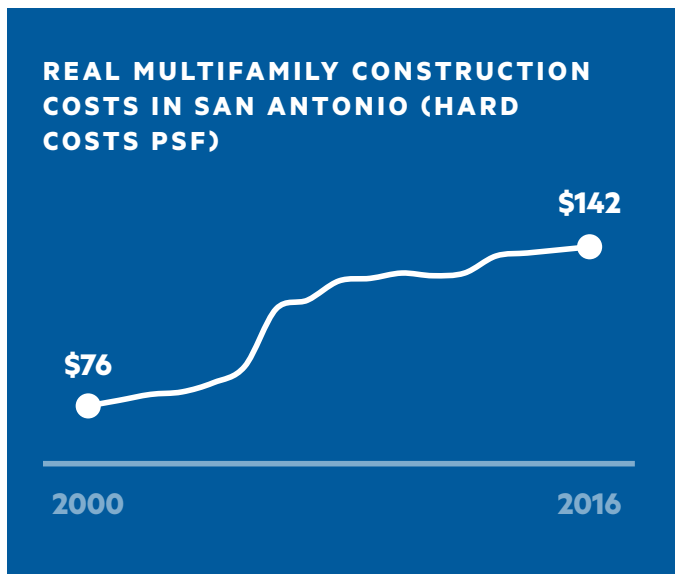
**DRIVER****Low but Rising Development Costs:**

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

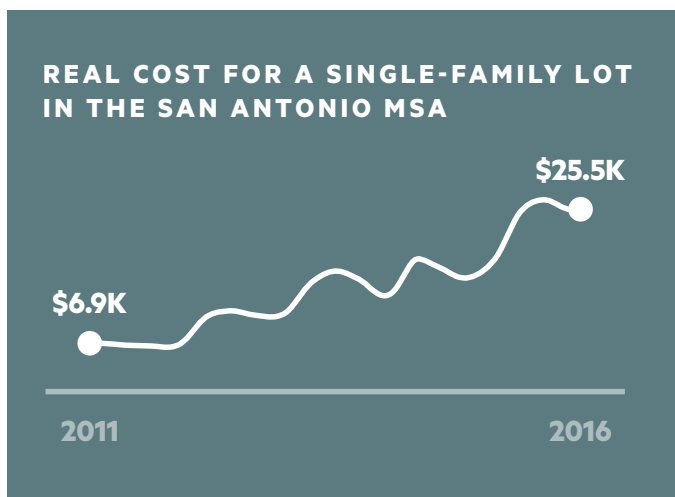
When development costs increase, rents must increase to cover the higher costs. This results in decreasing affordability for renters. Development costs are driven by three main components: land costs, hard costs (labor and materials), and regulatory soft costs.

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.



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

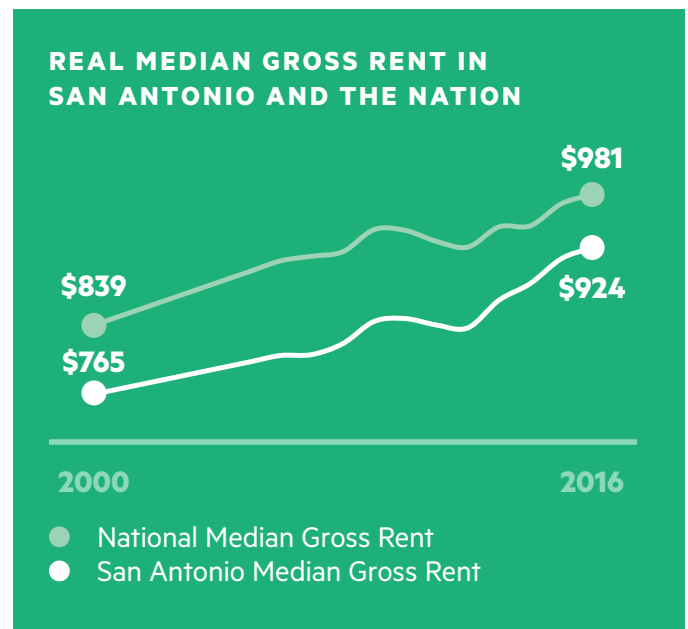


The steady growth in real hard costs has been the main cost driver behind rising rents. Developers must price rents for new units at a higher level.

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.

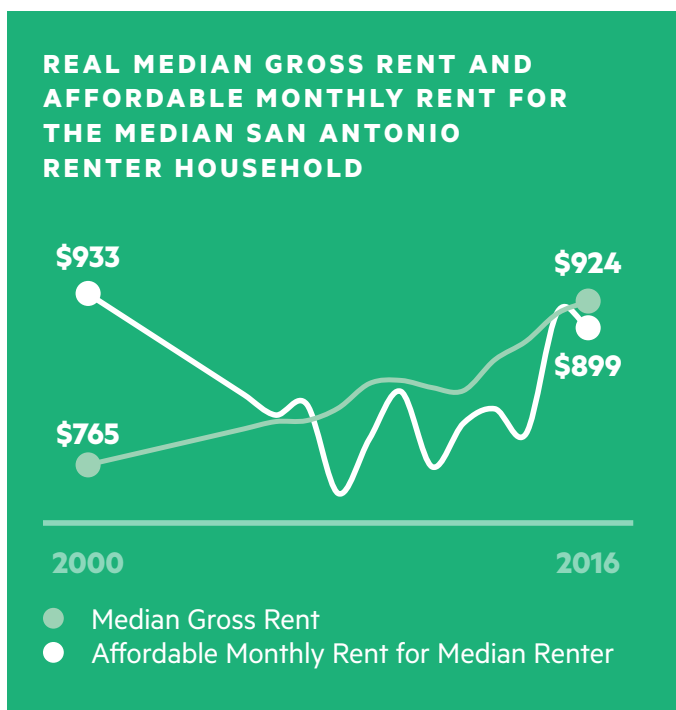


Real rents for existing units increased by 15%, a rate comparable to the nation. Between 2000 and 2016, the real gross median rent for units built before 2000 increased from \$765 to \$882, equating to about 1% growth per year. This is a modest rate of growth relative to the city’s rapid population growth.

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.

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.



IMPACT

Falling Number of Low-Rent Units:

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

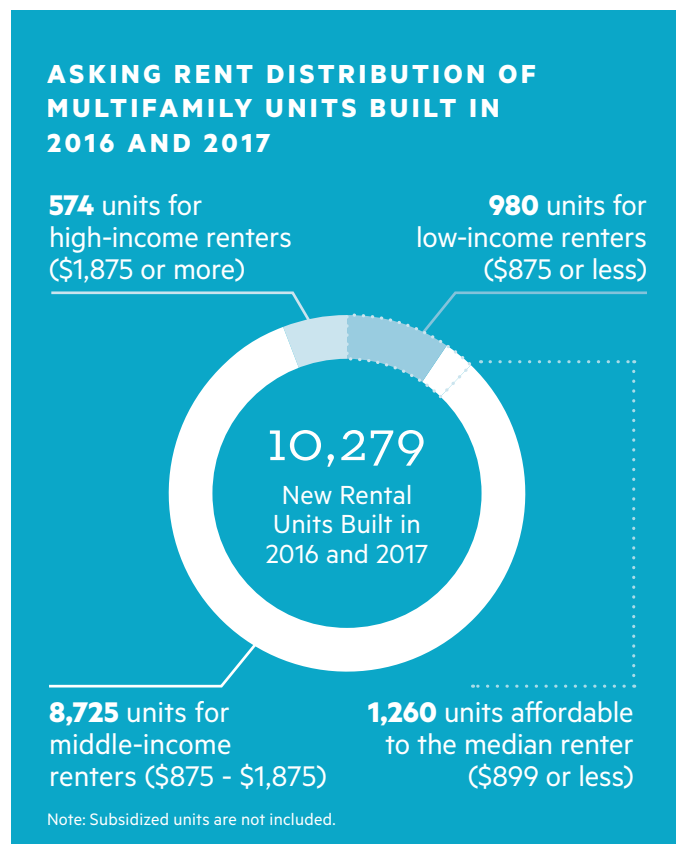
37%

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.

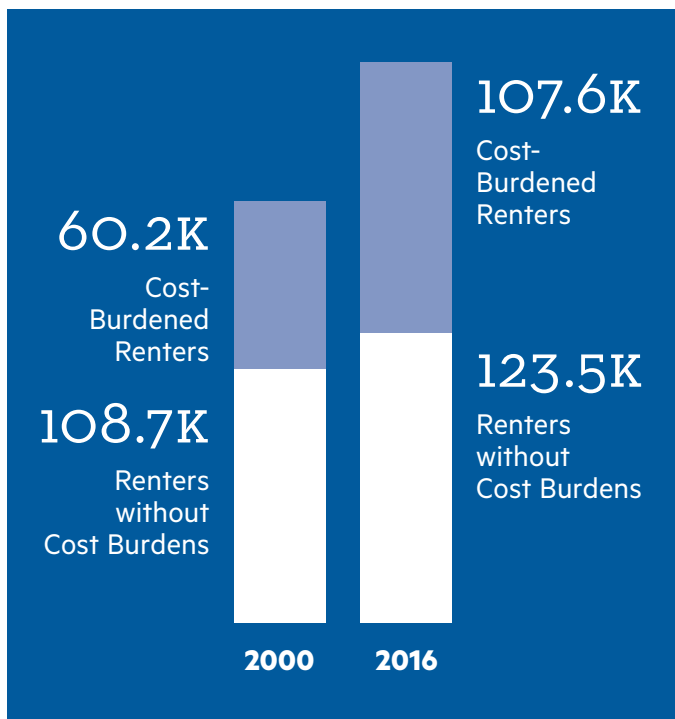


IMPACT

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.

