State of the Housing Market
Everything Old is New Again!!

GSU Economic Forecasting Center Conference
February 27th, 2019
John Hunt – ViaSearch/MarketNsight

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New and Existing Home Sales

Existing Home Sales (left axis)  New Home Sales (right axis)

67% of “Old Normal”
Age Ranges of New Home Buyers

18-34 is 25% Of Our Population. (Largest Segment)

35% Of All Home Buyers

But Only 8% of New Home Buyers

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Robert Dietz NAHB Chief Economist
November 7th, 2018 NAHB Executive Board

"Old" Normal

Moderation

"New" Normal

Permit Trend 1/2009-10/2018 Atlanta

© 2019 MarketNight
Top 10 Cities 12 Month Moving Avg 2006 - 10/2018

Lot Price Lot Ratio

<table>
<thead>
<tr>
<th>County</th>
<th>Last MW Average Lot Price</th>
<th>Trailing 6 Average Lot Price</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forsyth</td>
<td>$91,458</td>
<td>$111,079</td>
<td>21.5%</td>
</tr>
<tr>
<td>Cherokee</td>
<td>$66,248</td>
<td>$95,364</td>
<td>44.0%</td>
</tr>
<tr>
<td>Cobb</td>
<td>$92,307</td>
<td>$91,522</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Gwinnett</td>
<td>$85,122</td>
<td>$88,797</td>
<td>4.3%</td>
</tr>
<tr>
<td>Fulton</td>
<td>$84,538</td>
<td>$80,403</td>
<td>-4.9%</td>
</tr>
<tr>
<td>Paulding</td>
<td>$29,822</td>
<td>$34,633</td>
<td>16.1%</td>
</tr>
<tr>
<td>Clayton</td>
<td>$31,627</td>
<td>$35,386</td>
<td>11.9%</td>
</tr>
<tr>
<td>Henry</td>
<td>$31,418</td>
<td>$35,627</td>
<td>13.4%</td>
</tr>
<tr>
<td>Jackson</td>
<td>$32,249</td>
<td>$38,866</td>
<td>20.5%</td>
</tr>
<tr>
<td>Hall</td>
<td>$44,839</td>
<td>$39,432</td>
<td>-12.1%</td>
</tr>
<tr>
<td>DeKalb</td>
<td>$48,596</td>
<td>$57,192</td>
<td>17.7%</td>
</tr>
<tr>
<td>Coweta</td>
<td>$54,631</td>
<td>$63,236</td>
<td>15.8%</td>
</tr>
</tbody>
</table>
Robert Dietz – NAHB Chief Economist

February 2017

“The challenge is really adding inventory at the entry-level space,” said Robert Dietz, chief economist of the National Association of Home Builders. “Can builders do that at a cost that meets buyers’ expectations, given rising land development costs, rising wages and rising land costs?”

The same thing is going on in every city.

We've run out of cheap Lots. The cost to develop has exploded faster than people's incomes.

So what do we do?

Luckily demographics are playing in our favor!
Two Options:

Option 1 - Drive ‘til You Qualify…..
Two Options:

Option 2 – Build Smaller Closer In.....
• Disposable Income
• No Kids!!
• Entertainment Oriented

The Location is the Amenity!!

Age 55 Isn’t What It Used to Be

2018
Tom Cruise in MI: Fallout
Age 55

1985
Wilford Brimley in Cocoon
Age 50

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“There’s been a shift to building smaller homes and townhomes. I’m bullish on townhouses over the next few years. They are the perfect bridge from renting to homeownership for first-time buyers.”

2017 Realtors Conference & Expo in Chicago
Please Forget The Old Axiom that Towns Should be 15% to 20% Below Detached……

This is the 21st Century, and We Have Regression!!
This Market Needs Towns!!

Time to Think Outside the Box

Time to Innovate
The Apartment Industry Has Shown Us The Way

If We Are Paying Attention!!

Can Rental Rates Go Any Higher?

Houston
- The Residences at Kirby  
  990 sq ft $2,980- $3,340
- Market Square Tower  
  814 sq ft $2,342- $2,632
- Marq 31  
  569 sq ft $1,428

Dallas
- SkyHouse Dallas  
  620 sq ft $1,370 - $2,110
- Ascent Victory Park  
  648 sq ft $1,924 - $2,024
- M-Line Tower  
  561 sq ft $1,605
## Can Rental Rates Go Any Higher?

### Atlanta
- Reserve at the Ballpark  
  - 620 sq ft  
  - $1,305
- Skyhouse Buckhead  
  - 585 sq ft  
  - $1,265 - $1,730
- 464 Bishop  
  - 598 sq ft  
  - $1,485

### Phoenix
- Camden North End  
  - 587 sq ft  
  - $1,349 - $1,419
- CityScape Residences  
  - 764 sq ft  
  - $2,000 - $4,766
- Alta Central  
  - 691 sq ft  
  - $1,221 - $1,464

### Greenville, SC
- Trailside at Reedy Point  
  - 571 sq ft  
  - $1,300
- Ellison on Broad  
  - 592 sq ft  
  - $1,300
- District West  
  - 490 sq ft  
  - $1,500

### Savannah, GA
- Drayton Tower  
  - 406 sq ft  
  - $1,650
- The Bowery  
  - 637 sq ft  
  - $1,628
- Mariner Grove  
  - 676 sq ft  
  - $1,372
The average millennial will spend over $200,000 on rent before buying a house — but Gen Z will spend even more

Amount Spent on Rent Before Owning:
- Baby Boomers - $148,900
- Millennials - $202,000
- Gen Z - $226,000

Median Monthly Rent for Gen Z: $1,710/month for 11 years

That's the equivalent of a 30 year mortgage payment with 10% down, for a $320,000 House….or Townhome……or Condo….or Tiny Home!!

We Have to Rethink our 40 Year Old Ideas About New Construction

Time To Innovate

How Are We Doing??

I’d Give Us a C-
Audience Poll Question

Parking is a hot button for every new home development, especially inside the perimeter. With the rise of Uber and Bird, do you believe there could be demand for new construction with only a driveway or no parking as an option?

☐ Yes
☐ No

December Event - Result

Parking is a hot button for every new home development, especially inside the perimeter. With the rise of Uber and Bird, do you believe there could be demand for new construction with only a driveway or no parking as an option?

Yes 50%
No 50%
Can We Build What They Want, Where They Want It?

Regression Chart

11-Foot Wide Townhomes
1500 SF - $250k

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16 Ft Wide Townhomes
1700 SF in the $400’s

Courtyard Homes
240’ x 150’ Lot!
1750 SF
Starting at $419k
4 Homes Have No Garage
961 SF Mansion Apartments
In the Mid $300’s

© 2019 MarketNight

Stacked Flats

Ellis - 650 sq ft
Under $200K
Presold starting 2015

SOLD OUT

© 2019 MarketNight
Accessory Dwelling Unit Zoning

The U.S. has an affordable housing shortage. Could 'granny flats' be the answer?

By Haisten Willis
Source: The Washington Post

ADU Rendering

© 2019 MarketNugget
Audience Poll Question

The term "Missing Middle" refers to:

- The weight I plan to lose after the holidays
- Lack of housing supply in the lower and middle price points
- Lack of Multi Density Zoning for a single location

December Event - Result

The term "Missing Middle" refers to:

- The weight I plan to lose after the holidays: 2%
- Lack of housing supply in the lower and middle price points: 88%
- Lack of Multi Density Zoning for a single location: 10%
The Missing Middle

Multi-unit housing types such as duplexes, fourplexes, bungalow courts, and mansion apartments that are not bigger than a large house, that are integrated throughout most walkable pre-1940s neighborhoods, often integrated into blocks with primarily single-family homes, and that provide diverse housing choices and generate enough density to support transit and locally-serving commercial amenities.

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Missing Middle is.....

A Single Family Home

With a Duplex Next Door

Illegal In Most Cities Today!!!
Why Don’t We Zone This Way Anymore??

In the 1920s, the White House convened a task force to push cities to adopt zoning codes. Official documents did not mention race, but the members of the task force were outspoken segregationists, and zoning was seen as a method to keep certain neighborhoods white by keeping the price of homes high.

https://www.jdsupra.com/legalnews/how-the-missing-middle-may-help-create-86660/

Government Sanctioned Socioeconomic Bigotry!!!!

Missing Middle – West Coast - Oregon

“Oregon is in the midst of a housing crisis. The state Legislature is considering a bill that would remove the ban on duplexes, triplexes and quadplexes that many cities and counties banned decades ago.”

**Missing Middle – Heartland – Nebraska**

$100 million Papillion housing project will feel like a ‘stately’ old neighborhood, developer says

Papillion Times, Jan 8, 2018

Plans call for more than 500 units, which will be small and large duplexes, three-plexes, four-plexes, six-plexes, apartments, townhouses and retail space. Public streets and open spaces — including a swimming pool, greenhouse and community garden plots — will be linked by trails and shaded sidewalks. The whole site neighbors Prairie Queen Recreation Area.

**Missing Middle – Deep South – South Carolina**

Affordable housing incentives, possibilities for ‘missing-middle housing’ part of proposal for Unity Park area.

Greenville Journal, Jan 16, 2019
Real Estate

Downsizing the American Dream: The new trend toward ‘missing middle housing’

Cities turn to ‘missing middle’ housing to keep older millennials from leaving

Will U.S. Cities Design Their Way Out of the Affordable Housing Crisis?

“The missing middle” architecture could ease rents—and allow more Americans to build real estate wealth.

The Missing Middle
Is the Perfect Bridge
To The Missing Millennial
Atlanta Annual Permits 2004-2019

Forecast +3%

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