



The New Normal: Attainable Homeownership And How To Revive The American Dream



**Urban Land
Institute**

Terwilliger Center for Housing

RCLCO

REAL ESTATE ADVISORS

AUDIENCE QUESTION #1 AND #2

Is home ownership still the American dream?

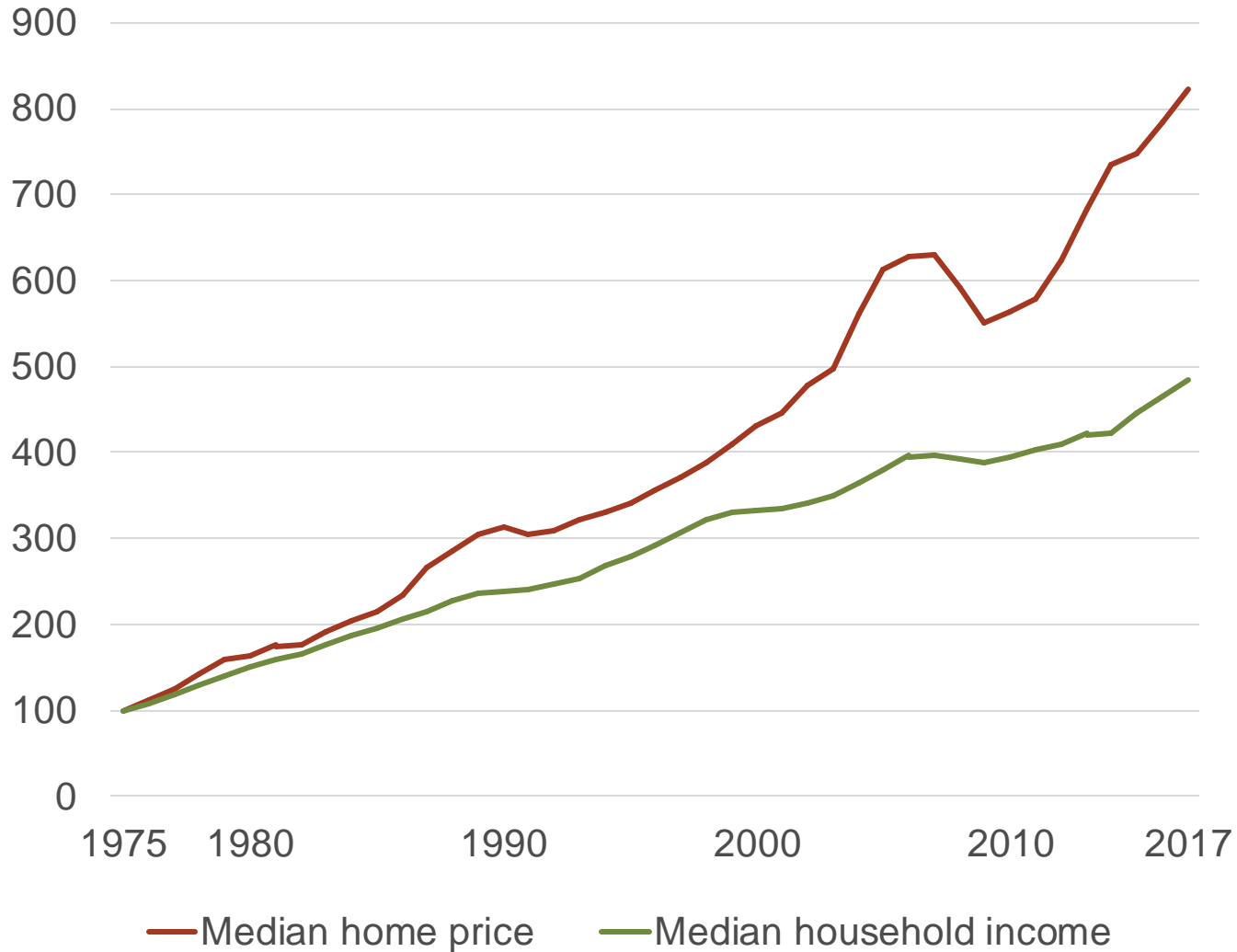
1. Yes, as much as ever
2. To some extent, but many people don't think it's an economic reality any more
3. To some extent, but younger people don't care as much about buying a home
4. It's really not as central to American life as it used to be

Does the Middle Class in America have the same access to home ownership as they did a generation ago?

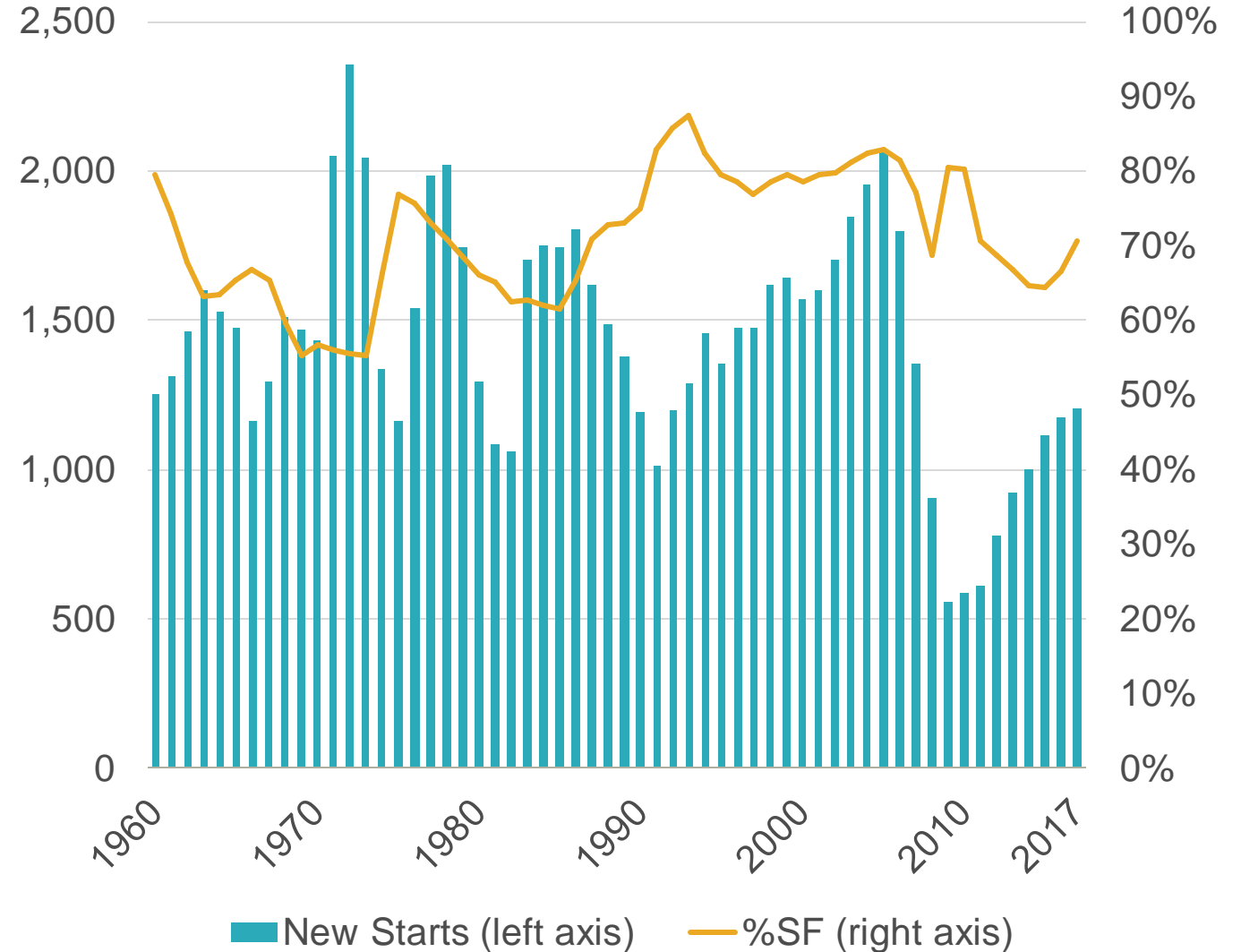
1. Yes, affordable housing is a problem, but middle class people can buy a home
2. Sort of, in some markets they do, but in many markets they are priced out
3. Sort of, middle income families can usually find a home to buy, but not a new home
4. No it's really different -- there really used to be more and better home building for middle class families

WHAT'S ACTUALLY HAPPENED TO HOUSING?

Median Home Price and Median Household Income (1975 = 100)

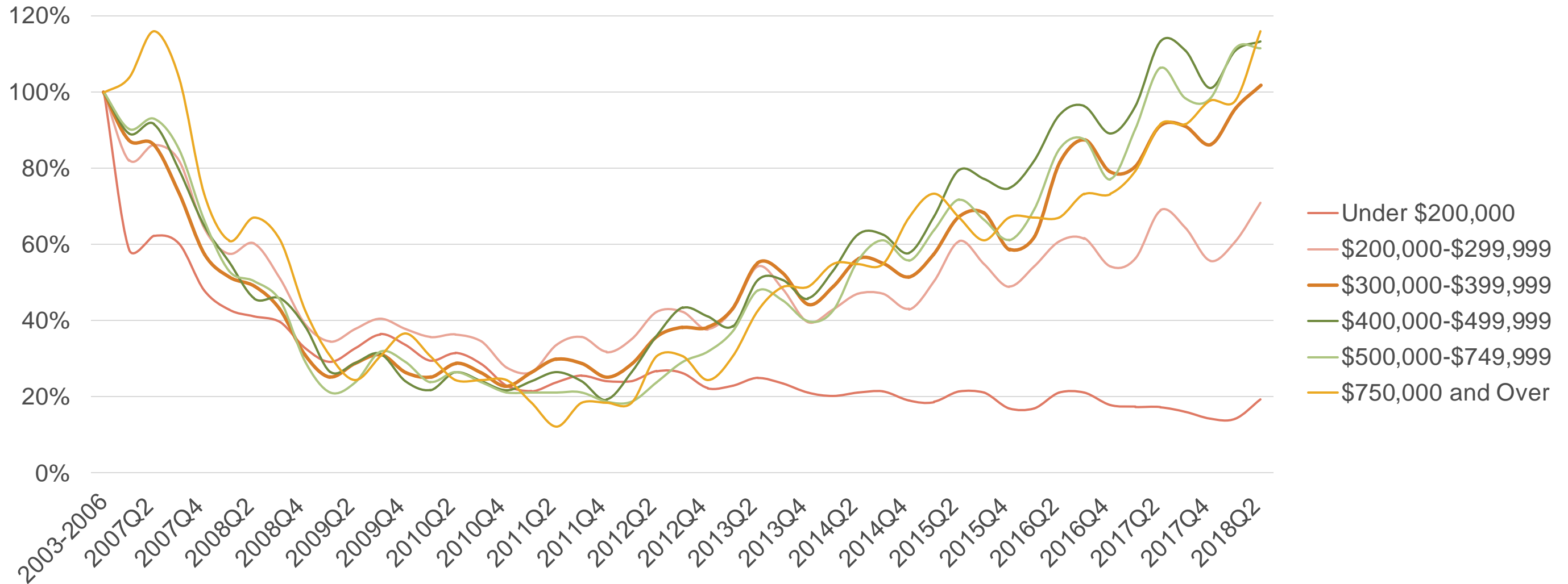


Homebuilding – Starts in the United States (,000s)



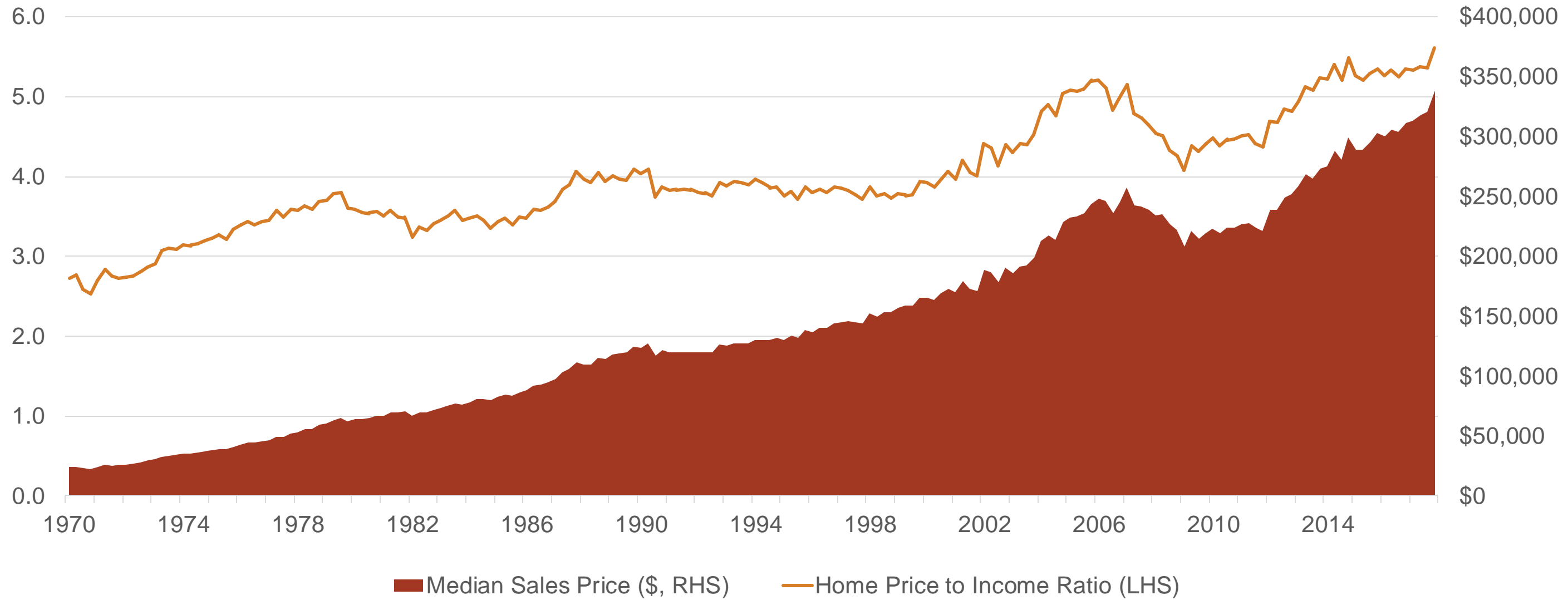
THE PROBLEM IN ONE SLIDE...

New Home Sales by Price Band Relative to Pre-Recession Levels (2003-2006 Average = 100%, United States)



THE FACTS: AFFORDABILITY WORSE THAN PRE-GREAT FINANCIAL CRISIS

U.S. Home Price to Income Ratio and Median Sales Price



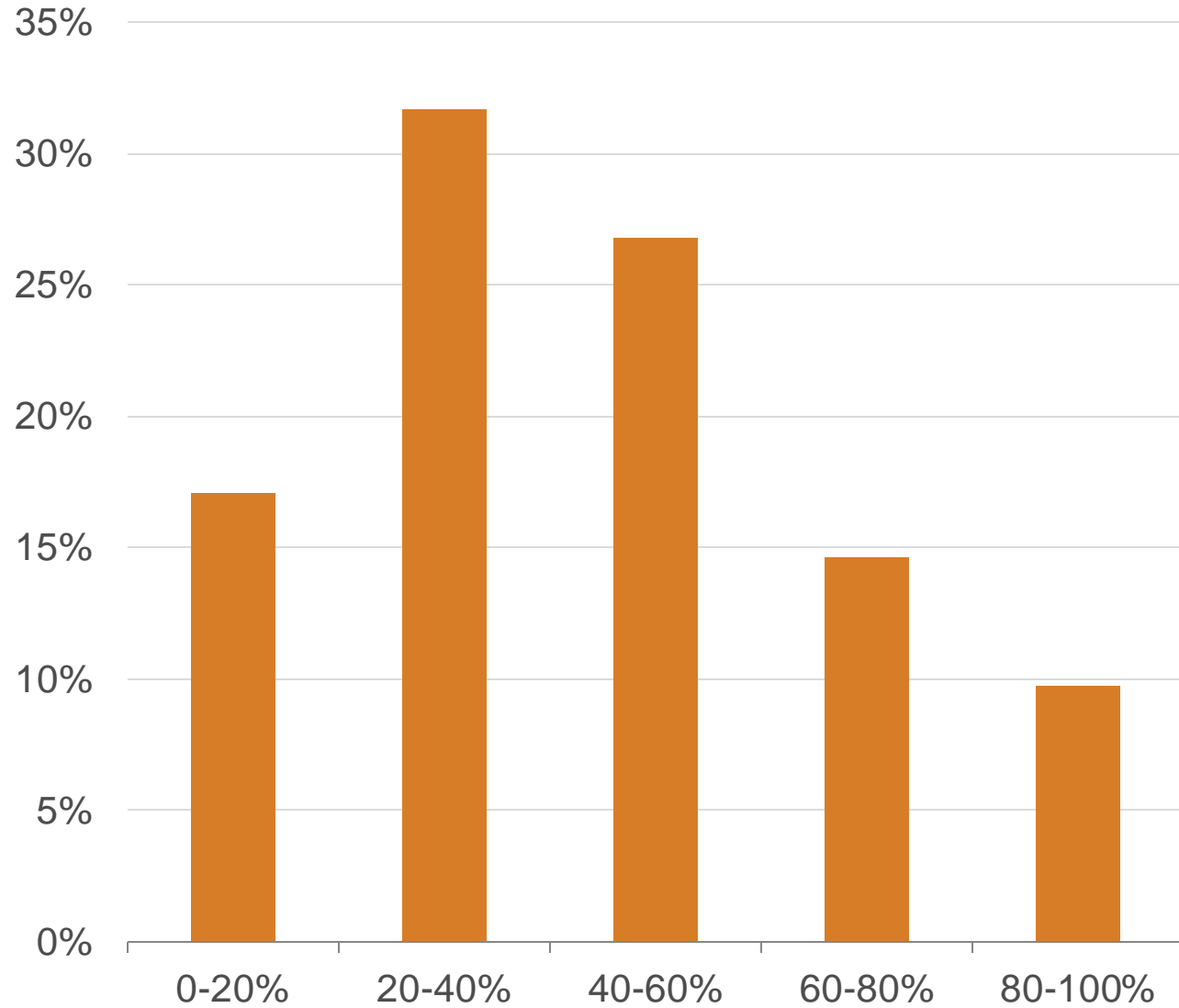
AUDIENCE QUESTION #3

What are the biggest barriers to building to the Attainable price points?

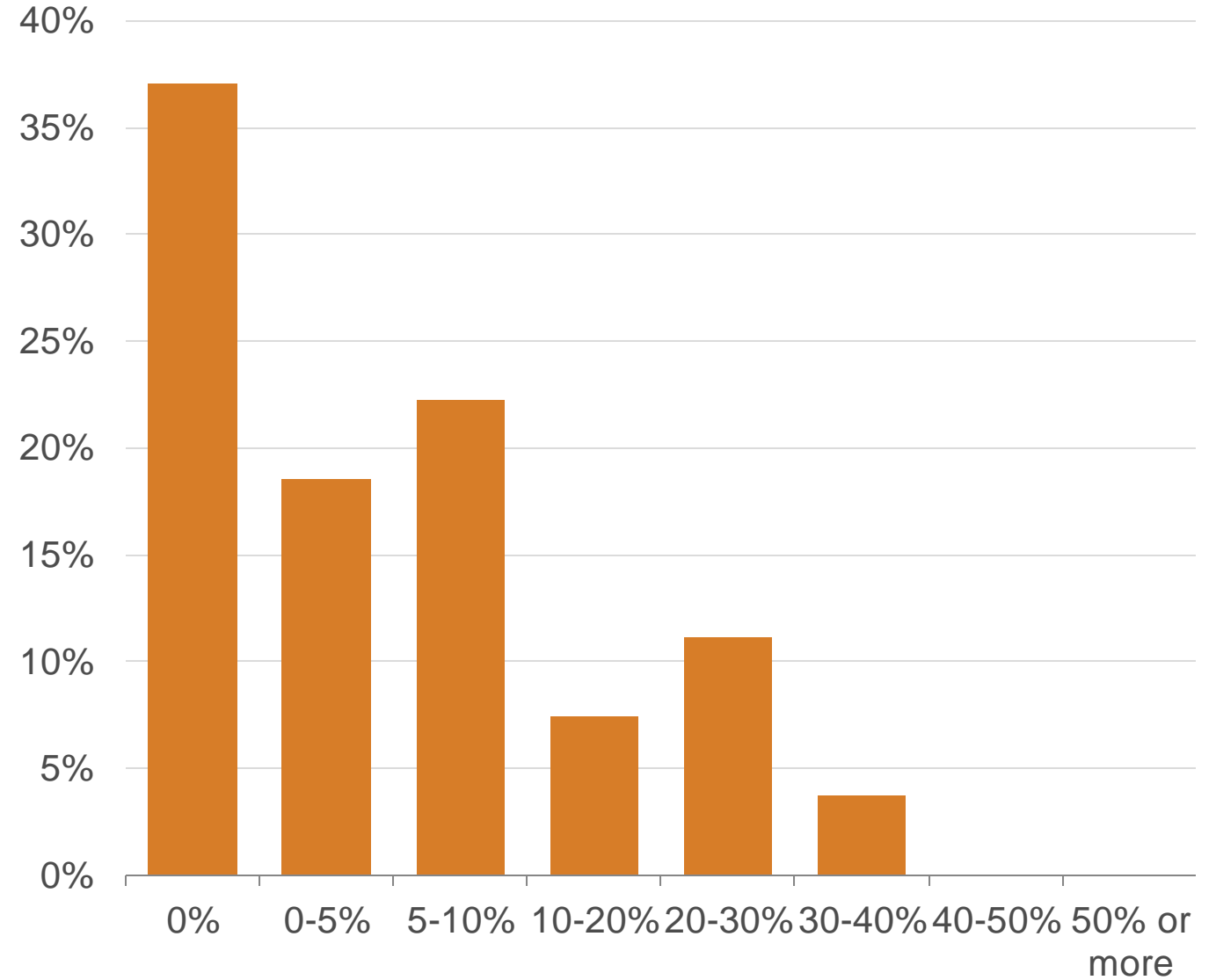
1. Land availability/land costs
2. Can't build simply, finishing costs push up the prices
3. Government regulation/impact fees
4. Don't know if the consumer will accept density or smaller homes

ULI MEMBERS OUTLOOK ON ATTAINABLE HOUSING AS A BUSINESS OPPORTUNITY

What Share of the Total Demand for Housing is in the “Attainable Band” (80% to 120%)

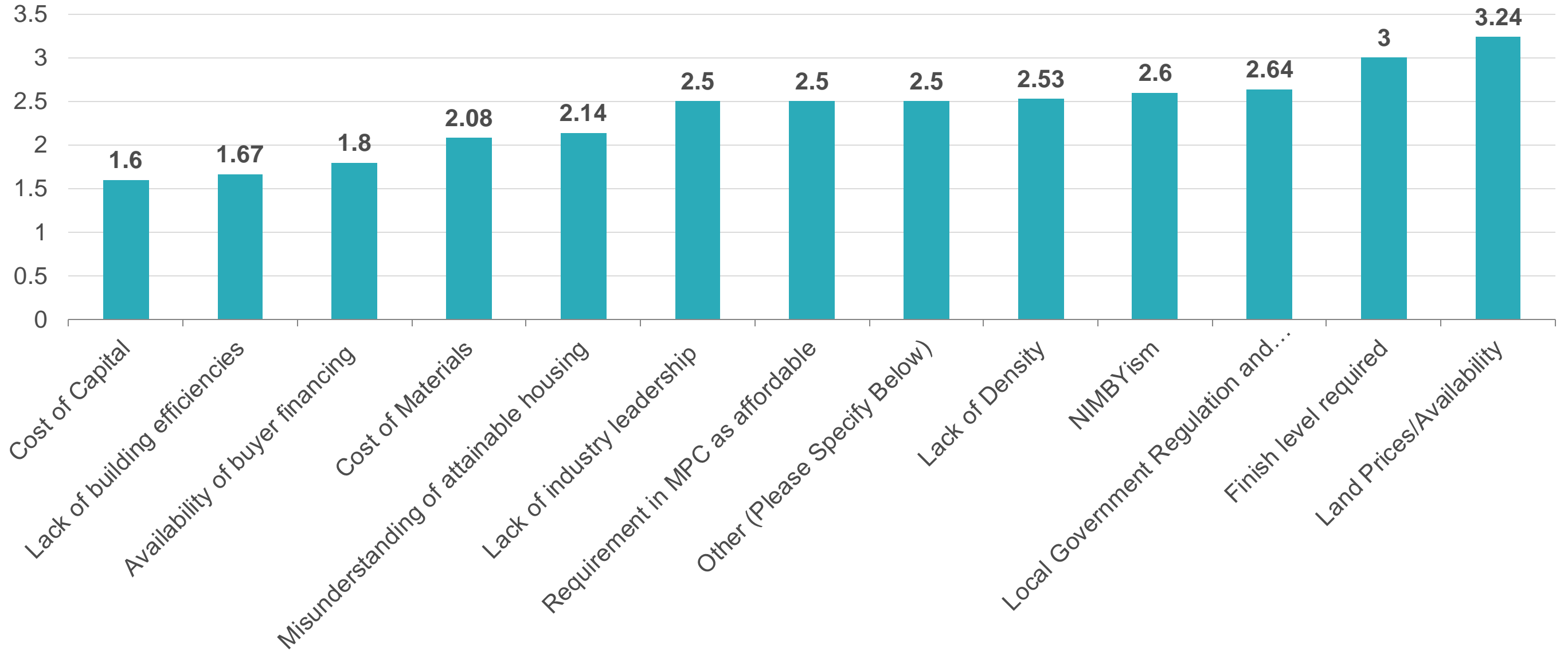


Share Of Attainable Housing are You Delivering in the “Attainable Band”



ULI MEMBERS HIGHLIGHT CHALLENGES TO DELIVERING ATTAINABLE HOUSING

Challenges To Delivering Attainable Housing



AUDIENCE QUESTION #4

Strategy #1 -- Smaller Footprint

Family buyers in the “Attainable Segment” in my market will. . .

1. Not accept smaller homes, even if priced right
2. Accept a well located and nice three bedroom home that is 1,400 to 1,800 sf
3. Accept a well located and nice three bedroom home that is 1,200 to 1,400 sf
4. Accept a well located and nice three bedroom home that is less than 1,200 sf

BUILDER STRATEGIES -- SMALLER HOMES

Characteristics	
Definition	Less than 1,400 SF (Tier 1) Less than 1,800 SF (Tier 2)
Unit Type	1-3 BD, 1-2BA
Unit Size	700 – 1,400 SF
Density	8-20 du/ac
Land Plan	All Most effective with Density



Boulder Creek Neighborhoods
Wee-Cottages; Stapleton, CO



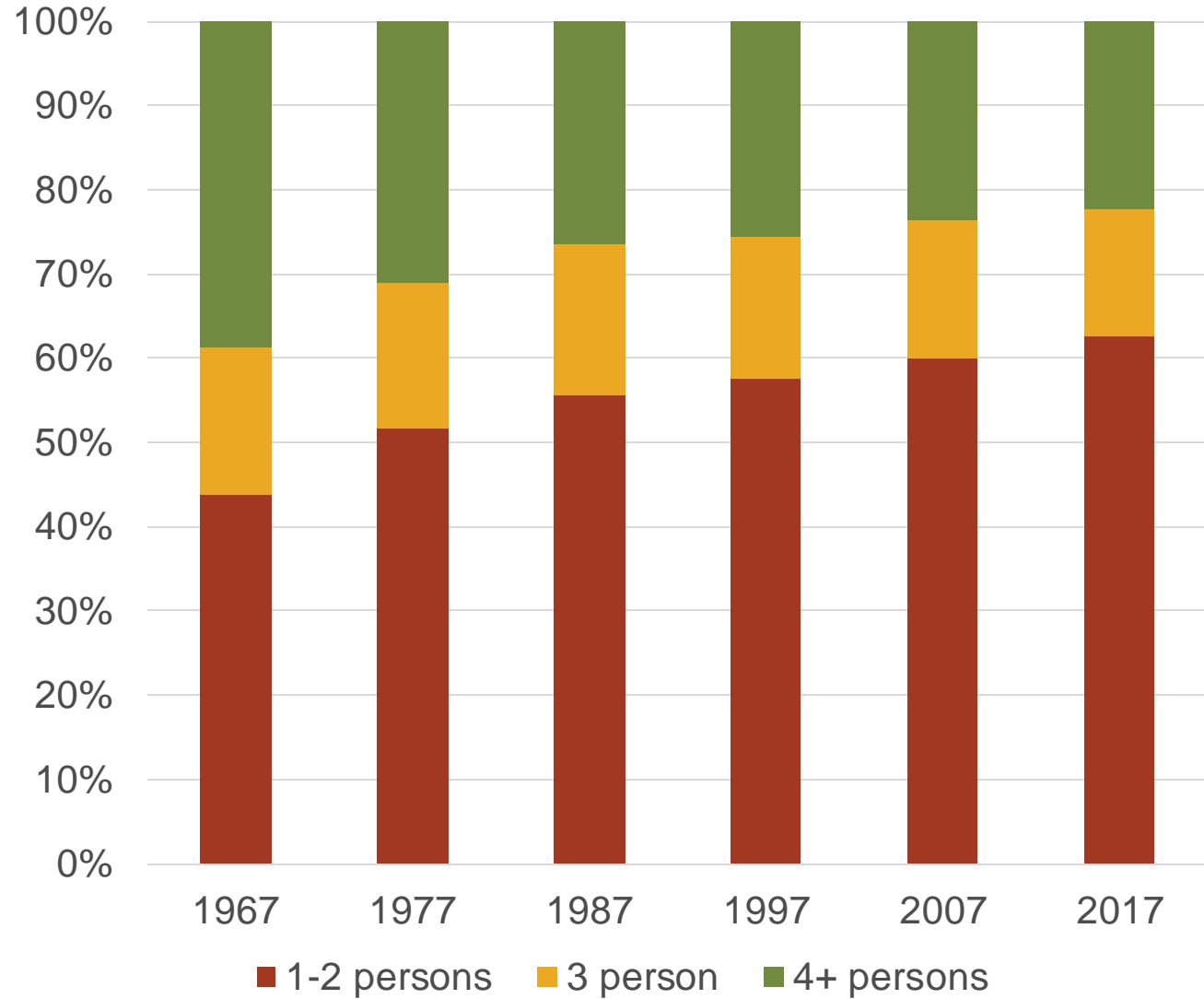
The Cottage Company
Danielson Grove; Kirkland, WA



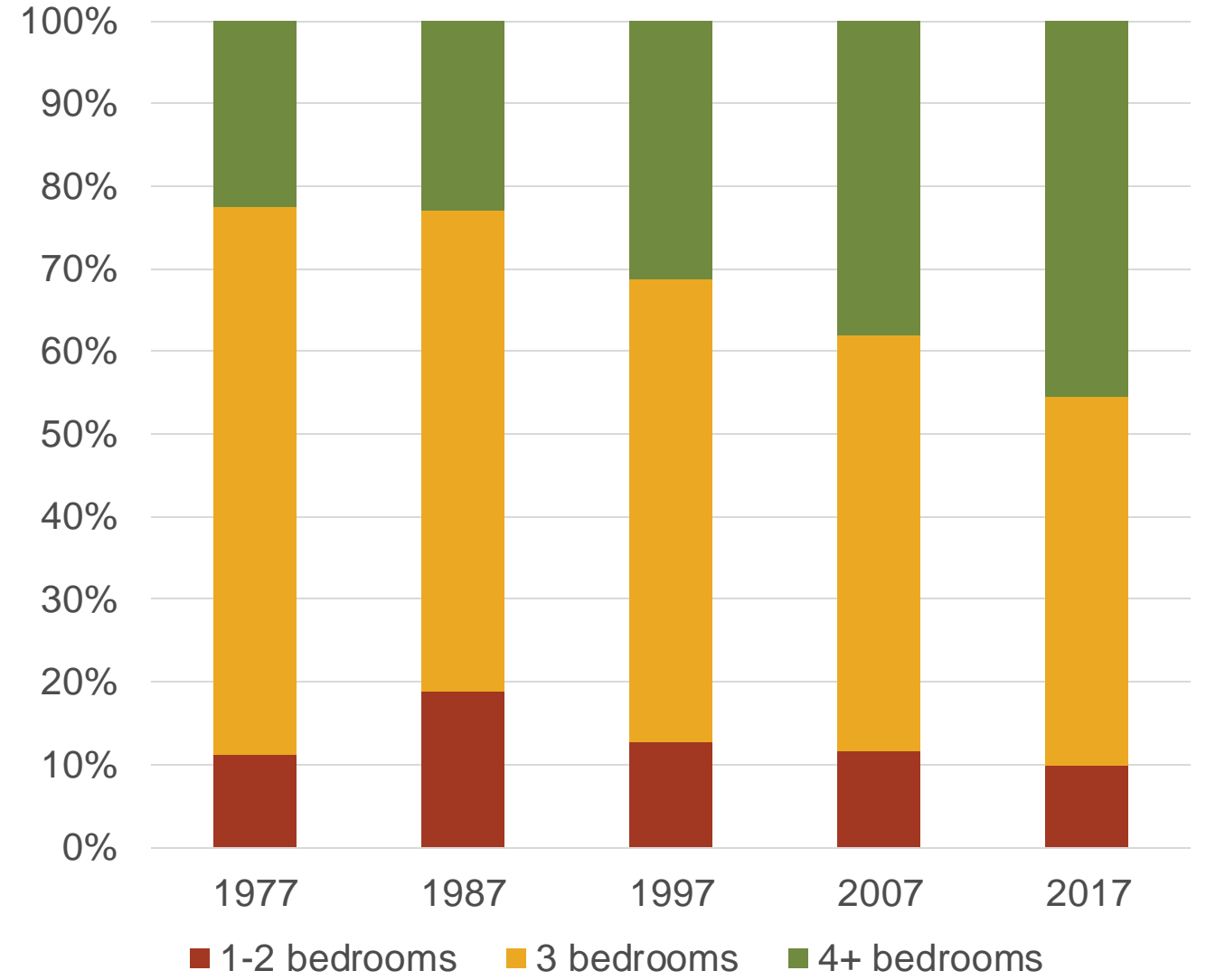
New Home Company
Azure at Escencia; Mission Viejo, CA

THE FACTS: HOUSEHOLD SIZE IN AMERICA DECLINES... BEDROOM COUNT GROWS

Household Types

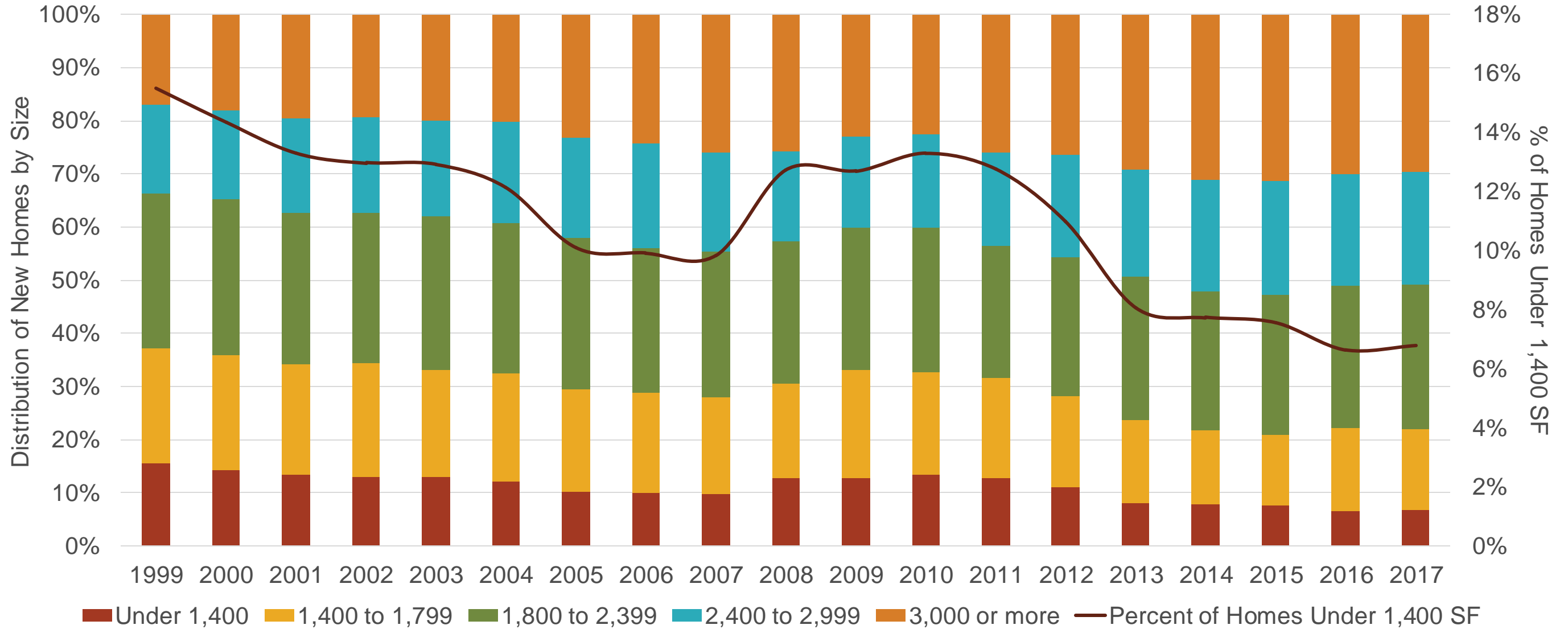


New Construction By Bedroom Count



THE FACTS: THE MUCH ANTICIPATED SHRINKING FOOTPRINT... WENT THE OTHER WAY

Average Size of New For-Sale Homes Delivered 1999-2017, United States



AUDIENCE QUESTION #5

Strategy # 2 -- “Missing Middle”

Homebuilders haven’t moved to higher-density because. . .

1. This customer won’t accept it
2. The product is lousy – architects haven’t figured out how to make it work
3. Community developer or municipalities make it difficult
4. The wave is coming, just wait

BUILDER STRATEGIES – “MISSING MIDDLE”

CHARACTERISTICS	
Definition	Defined by Opticos Architects as typologies between detached hand mid-rise buildings
Density	12-20 du/ac
Unit Type	1-3 BD, 1-2BA One-Two-three story
Unit Size	700 – 1,900 SF
Landplan Options	Duplex to Multi-Plex (Stacked, Side/Side), Row Townhome,, Bungalow Cluster, Combos



Holmes Homes
Mews Collection; South Jordan, UT



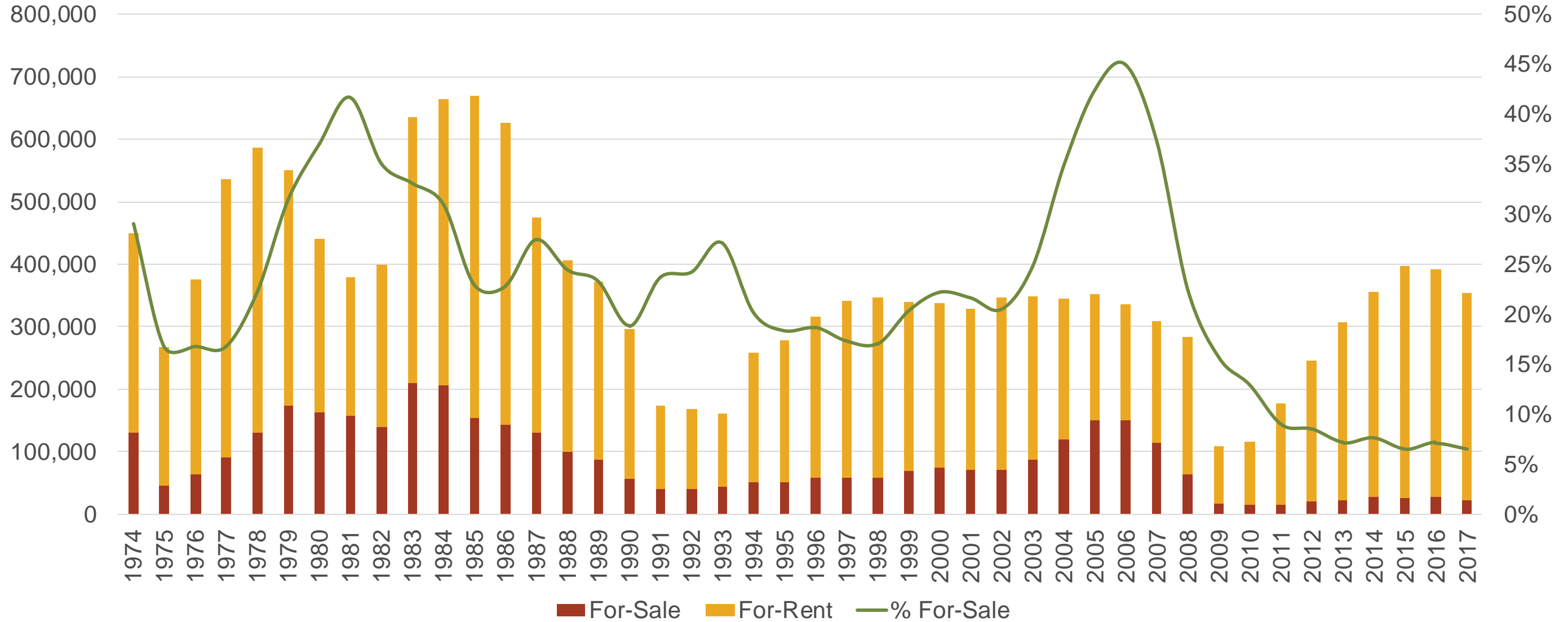
Onyx East
Switchyard at Onyx; Indianapolis, IN



Michael Harris Homes
The Copley at Crown; Gaithersburg, MD

THE FACTS: DECLINING SHARE OF MEDIUM DENSITY FOR-SALE

MF Permits by Intention: For-Rent vs. For-Sale



AUDIENCE QUESTION #6

Strategy #3 -- Value Housing

Will buyers in your market accept a meaningfully lower finish level for a home at the right price and in a desirable location?

1. No, they would rather move further out or not buy at all
2. The might, but we can't make the price cheap enough to encourage the buy
3. We just don't know, we don't have the information to underwrite this
4. I think they will, but its too hard to finance, I can't find the opportunity

BUILDER STRATEGIES – VALUE HOMES

Characteristics	
Definition	Streamlined structural and interior finish options
Unit Type	All
Unit Size	All
Density	All
Landplan	All



Fresh Paint by Garman Homes
Briar Chapel; Chapel Hill, NC



DR Horton Express
Windermere Townhomes; Shakopee, MN



LGI
Mirror Lake; Lehigh Acres, FL

AUDIENCE QUESTION #7

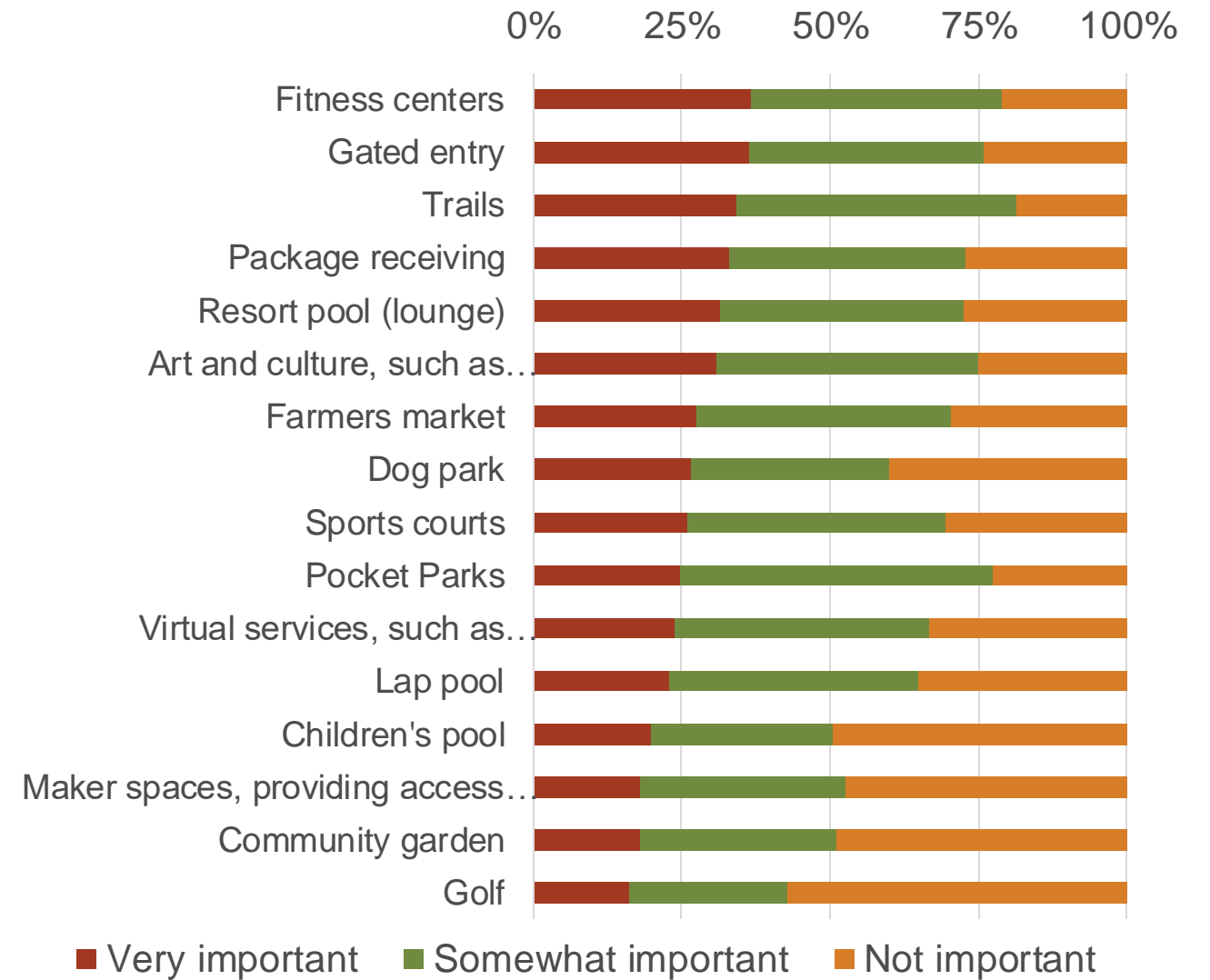
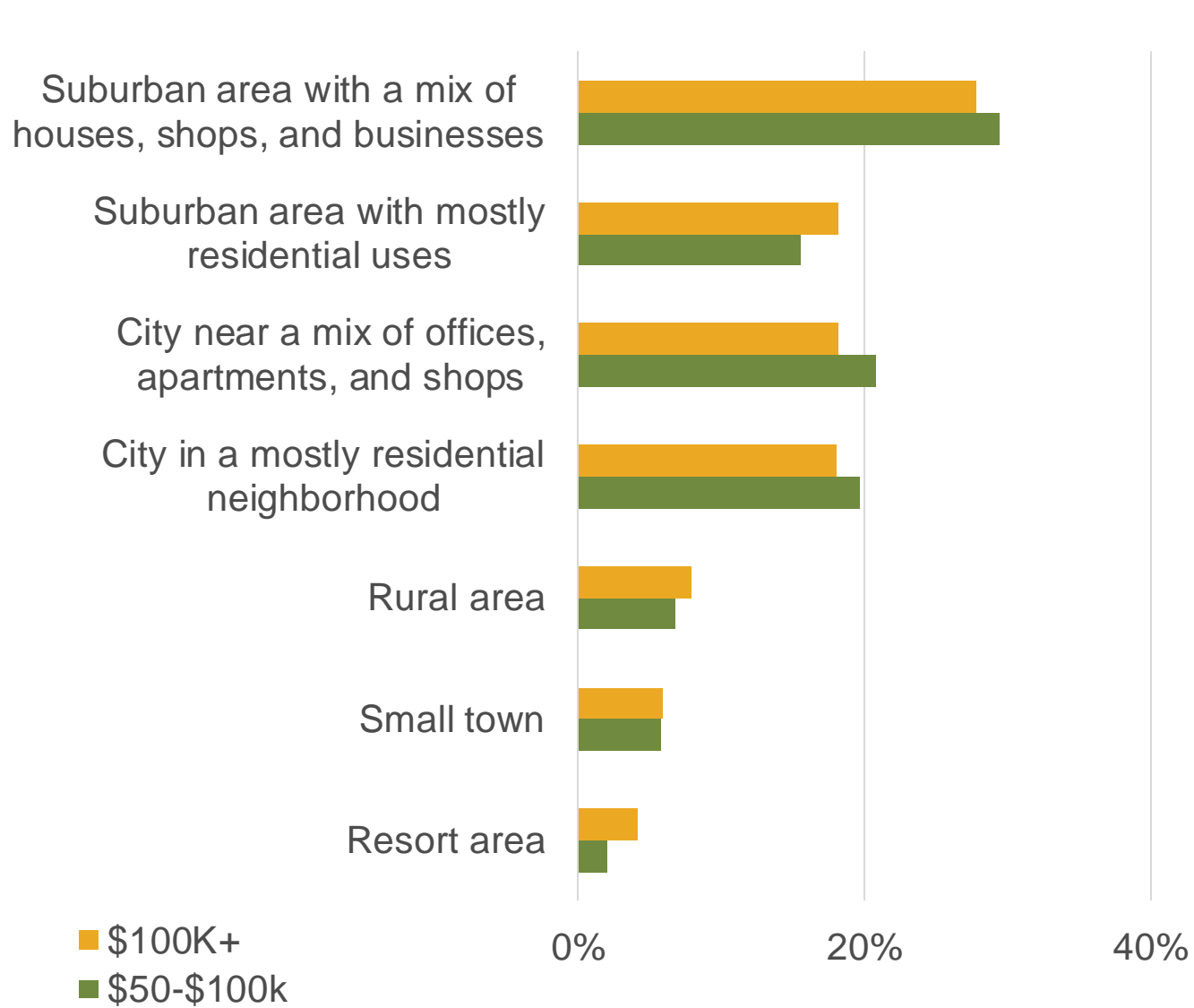
Master-Planned Communities/Amenities

Does being in a master-planned community, or access to amenities change the buyer's openness to the above strategies?

1. No, it just makes the cost of ownership higher
2. Marginally, the right amenities with the right HOA will help
3. It's a meaningful change, if the economics work
4. It's a game changer, this customer cares as much about community as the home itself

RCLCO CONSUMER RESEARCH DATA: PREFERENCE FOR LOCATION & AMENITIES

RCLCO's National Consumer Preference Survey





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