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

Median home price  Median household income

New Starts (left axis)  %SF (right axis)
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

Source: Moody's, Federal Reserve Bank of St. Louis

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

Source: Moody's, Federal Reserve Bank of St. Louis
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

- Cost of Capital: 1.6
- Availability of buyer financing: 1.67
- Misunderstanding of attainable housing: 1.8
- Cost of Materials: 2.08
- Lack of industry leadership: 2.14
- Requirement in MPC as affordable: 2.5
- Other (Please Specify Below): 2.5
- Lack of Density: 2.5
- NIMBYism: 2.53
- Local Government Regulation and...: 2.6
- Finish level required: 2.64
- Land Prices/Availability: 3
- Community opposition to development: 3.24
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

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

**Examples:**
- **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**

<table>
<thead>
<tr>
<th>Year</th>
<th>1-2 persons</th>
<th>3 person</th>
<th>4+ persons</th>
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<tbody>
<tr>
<td>1967</td>
<td></td>
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<td>1977</td>
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<td>1987</td>
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<td>1997</td>
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<td></td>
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<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

**New Construction By Bedroom Count**

<table>
<thead>
<tr>
<th>Year</th>
<th>1-2 bedrooms</th>
<th>3 bedrooms</th>
<th>4+ bedrooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1987</td>
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<td>2007</td>
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<tr>
<td>2017</td>
<td></td>
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</table>
THE FACTS: THE MUCH ANTICIPATED SHRINKING FOOTPRINT... WENT THE OTHER WAY

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

Distribution of New Homes by Size

- Under 1,400
- 1,400 to 1,799
- 1,800 to 2,399
- 2,400 to 2,999
- 3,000 or more

-% of Homes Under 1,400 SF

RCLCO
REAL ESTATE ADVISORS

ULI
Urban Land Institute

Terwilliger Center for Housing
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
**CHARACTERISTICS**

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

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

For-Sale  For-Rent  % 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 it’s too hard to finance, I can’t find the opportunity
## Builder Strategies – Value Homes

**Definition**
Streamlined structural and interior finish options

**Unit Type**
All

**Unit Size**
All

**Density**
All

**Landplan**
All

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**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

- Suburban area with a mix of houses, shops, and businesses
- Suburban area with mostly residential uses
- City near a mix of offices, apartments, and shops
- City in a mostly residential neighborhood
- Rural area
- Small town
- Resort area

Location Preference:
- Resort area
- Small town
- Rural area
- City in a mostly residential neighborhood
- Suburban area with mostly residential uses
- Suburban area with a mix of houses, shops, and businesses

Amenity Preference:
- Fitness centers
- Gated entry
- Trails
- Package receiving
- Resort pool (lounge)
- Art and culture, such as...
- Farmers market
- Dog park
- Sports courts
- Pocket Parks
- Virtual services, such as...
- Lap pool
- Children’s pool
- Maker spaces, providing access...
- Community garden
- Golf

Preference Levels:
- Very important
- Somewhat important
- Not important

Income Levels:
- $100K+
- $50-$100k