

Housing Supply & Demand Trends

Housing Element of the General Plan Montgomery County, Maryland

Purpose

Housing Supply & Demand

Support Housing Element General Plan update

- Information
- Analysis

Focusing on *land use* aspects of housing policy

Give general policy directions—not setting housing targets

Scope of Report

Housing Supply & Demand

Analyze Montgomery County's housing crunch

- Gap analysis
 - Quantify existing & future housing needs
 - Identify who faces a housing crunch
- Supply & demand analysis
 - Examine forces shaping the housing environment

Consider next steps

- Discuss housing policy implications
- Identify topics for future research

Key Findings

Housing Supply & Demand

- **There is a sizeable shortage of affordable housing**
- **Gap will worsen if current trends continue**
- **Housing environment presents opportunities & constraints**

Housing Supply & Demand Trends

Montgomery County, Maryland

Affordable Housing Gap Analysis

Gap Analysis Overview

Affordable Housing Gap Analysis

Quantifies supply / demand mismatch

Captures affordability *and* choice

- Affordability to households in income levels
- Suitability for households of different sizes

Assesses changes in housing gap over time based on:

- Currently projected residential development patterns
- Existing mix of incomes, household sizes

Assumptions

Affordable Housing Gap Analysis

What is “affordable”?

Total cost of housing is 30% of gross income or less

Includes *all* housing costs, such as

- rent or mortgage
- utilities, insurance, taxes
- condominium or association fees

Maximum housing costs affordable in each income band

Assumptions

Affordable Housing Gap Analysis

- Demand is based off of what existing and projected households in the County *could* pay today at maximum affordability if they needed housing
- Incomes and housing costs in constant 2004 dollars
- No distinction made between demand for rental vs. owned housing

Key Findings

Affordable Housing Gap Analysis

If current trends continue:

- Current shortfall of 50,000 units will grow to 62,000 units by 2030
- Households and families with 4 or more people will be the most affected
- Affordability crisis will move up the income ladder from households earning less than \$90,000 to those earning less than \$120,000

Key Findings

Affordable Housing Gap Analysis

Current shortfall is being absorbed by households:

- Paying greater than 30% of household income on housing
- Living in overcrowded units (both accessory apartments and doubling up in small apartments)
- Owning homes that they could not afford today

Affordability + Choice (2005)

Affordable Housing Gap Analysis

Total Shortfall of *affordable + appropriately sized* units: 50,000

Annual Household Income	Affordable Monthly Housing Cost	Number of Persons in Household				Total
		1	2	3	4+	
Less than \$30,000	Less than \$749	(9,932)	(6,666)	(4,884)	(5,331)	(26,813)
\$30,000 to \$59,999	\$750 to \$1,499	3,273	(40)	(3,149)	(9,745)	(9,661)
\$60,000 to \$89,999	\$1,500 to \$2,249	3,765	(2,175)	(1,768)	(6,002)	(6,179)
\$90,000 to \$119,999	\$2,250 to \$2,999	7,414	448	(219)	1,902	9,545
\$120,000 to \$149,999	\$3,000 to \$3,749	6,275	1,821	233	3,556	11,884
\$150,000 and above	\$3,750 and above	14,356	5,471	2,505	4,344	26,676
Total		25,150	(1,141)	(7,283)	(11,275)	5,451

Median household income

- \$83,880 (2004)
- \$91,641 (2006)

Affordability (2005)

Affordable Housing Gap Analysis

Shortage/Surplus by income group (2004 dollars)

- Shortage is most acute for households earning less than \$90,000 per year
- Households earning \$150,000 or more have plenty of options

Affordable Housing Gap Analysis

Shortage/Surplus household size

- Singles have widest range of affordable housing options
- Families of 4+ have the most difficulty finding affordable housing
- Couples earning less than \$90,000 face a housing shortage

Affordability + Choice (2030)

Affordable Housing Gap Analysis

Total Shortfall of *affordable + appropriately sized* units: 62,000

Annual Household Income	Affordable Monthly Housing Cost	Number of Persons in Household				Total
		1	2	3	4+	
Less than \$30,000	Less than \$749	(9,991)	(7,412)	(5,895)	(6,529)	(29,828)
\$30,000 to \$59,999	\$750 to \$1,499	13,364	5,692	(1,790)	(10,578)	6,688
\$60,000 to \$89,999	\$1,500 to \$2,249	3,755	(4,171)	(3,076)	(9,307)	(12,799)
\$90,000 to \$119,999	\$2,250 to \$2,999	9,061	(1,186)	(1,484)	(677)	5,713
\$120,000 to \$149,999	\$3,000 to \$3,749	9,057	2,632	283	3,717	15,689
\$150,000 and above	\$3,750 and above	16,814	3,344	875	122	21,156
Total		42,060	(1,102)	(11,087)	(23,252)	6,620

Median household income

- \$83,880 (2004)
- \$91,641 (2006)

Key Changes (2005 to 2030)

Affordable Housing Gap Analysis

- **More multi-family rental units for moderate income singles, small families**
- **Absorption of large, expensive homes**

Affordability (2030)

Affordable Housing Gap Analysis

Shortage/Surplus by income group (2004 dollars)

- Shortage is increasing to include households earning up to \$120,000 per year
- Housing crisis deepens for very low income households earning less than \$30,000 per year
- Crunch eases for some moderate income households
- Households earning \$120,000 or more still have many options

Affordable Housing Gap Analysis

Shortage/Surplus household size

- Shortage grows for households, families of 4+
- Crunch eases for small households of moderate means (1-2 persons)
- Singles have widest range of options

Housing Supply & Demand Trends

Montgomery County, Maryland

Supply & Demand Analysis

Housing Supply & Demand

Housing Inventory

Single-family detached homes still predominate

- most common housing built before 1970
- getting larger, pricier

Since 1970s most new housing has been higher density

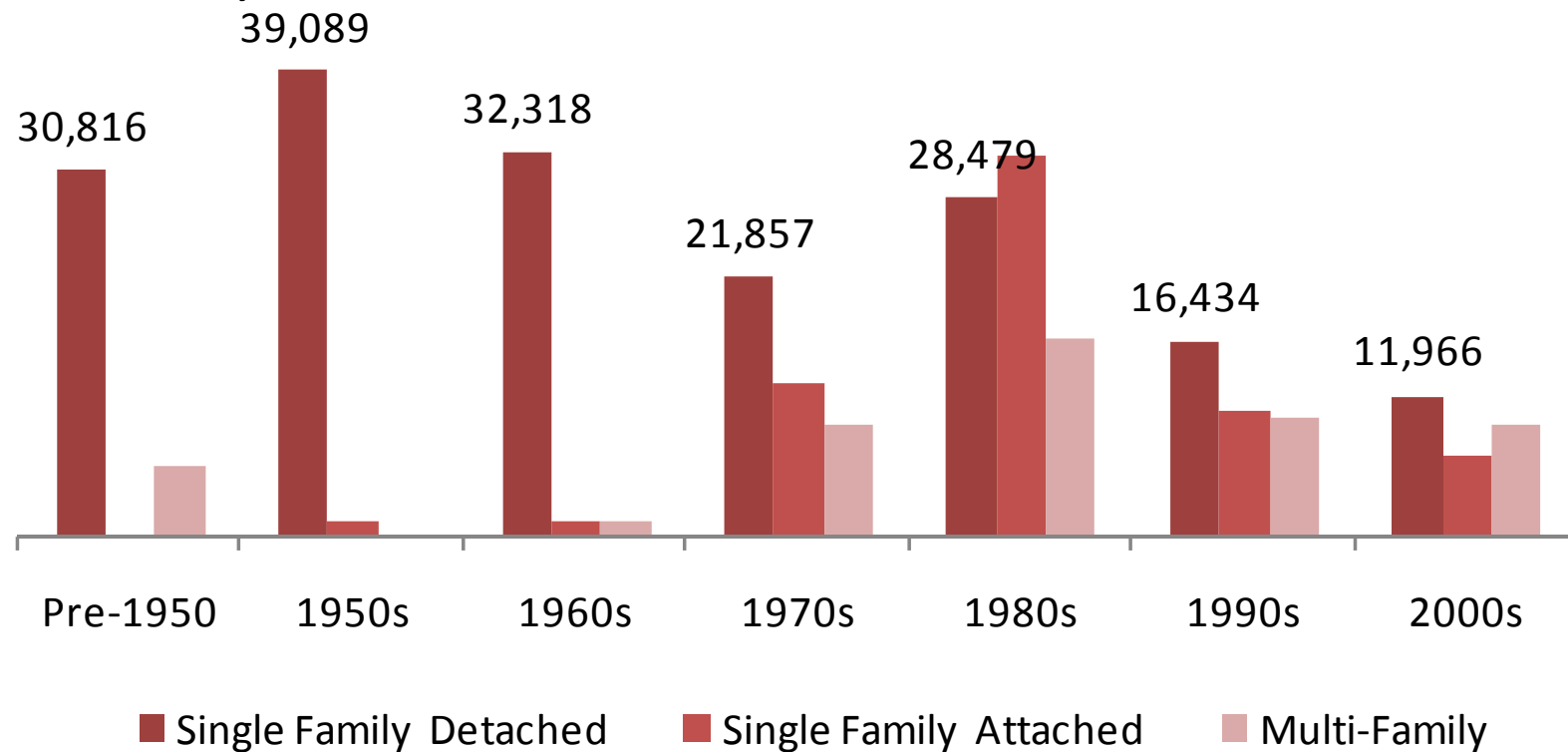
- single-family attached (townhomes)
- multi-family
- multi-family units—getting larger, but too few 3- 4- bedrooms

Housing Inventory

Distribution of Housing Stock

Construction by Decade

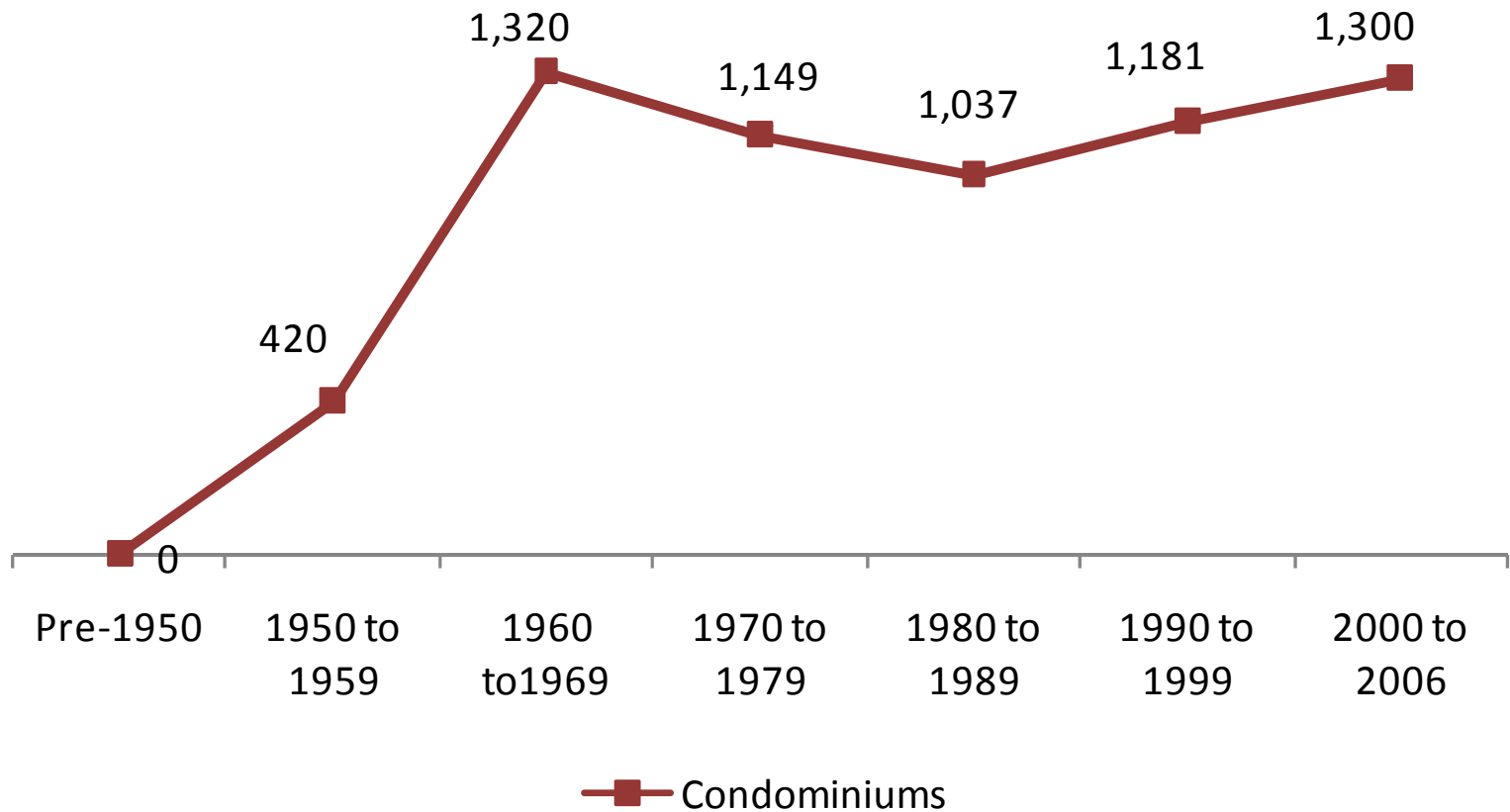
Source: Maryland SDAT



Housing Inventory

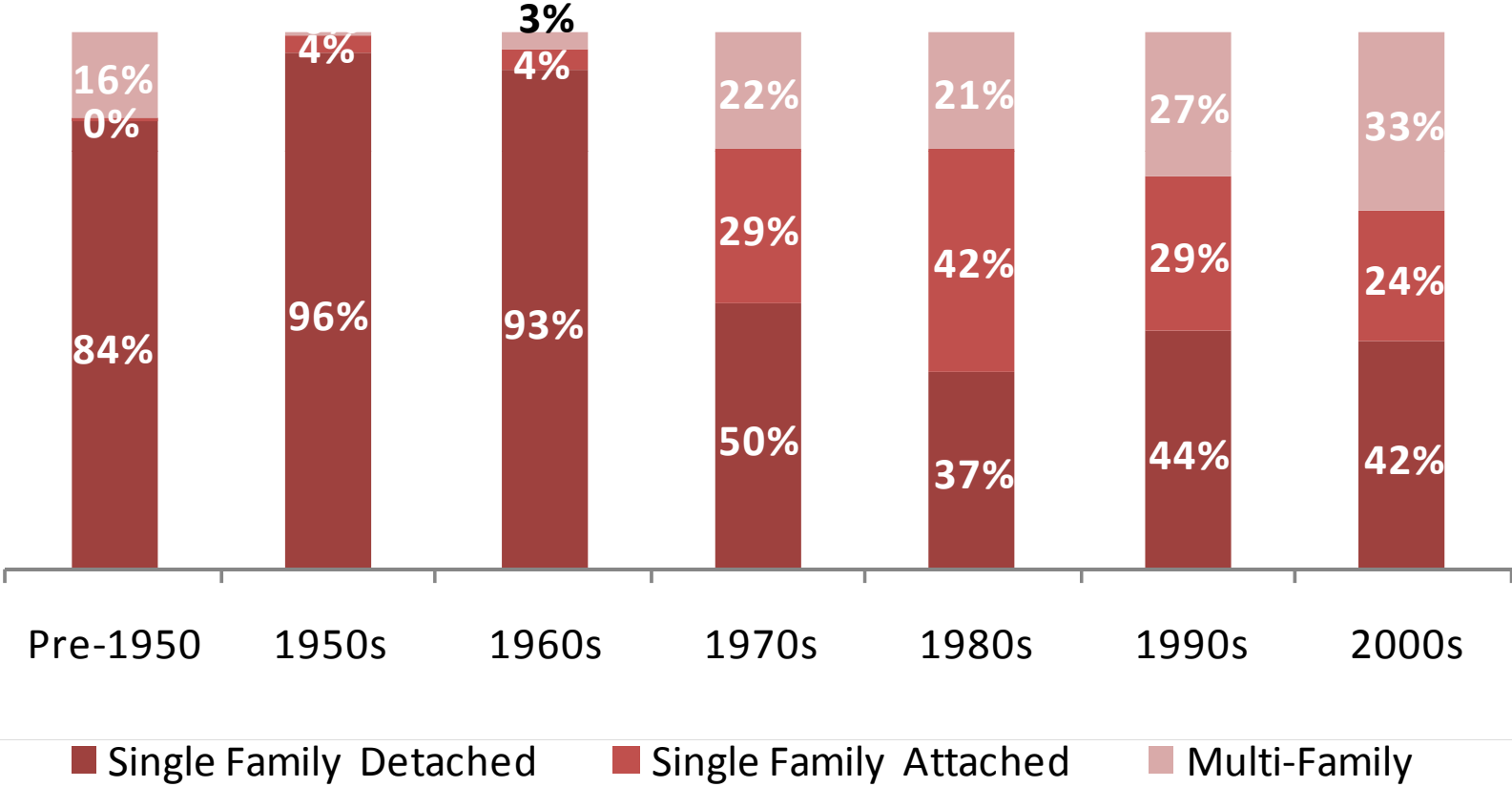
Median Square Footage of Condos Sold (2006)

Source: STAR, Maryland SDAT



Housing Inventory

Housing Type % of New Construction By Decade
Source: Maryland SDAT



Supply Constraints

Housing Supply & Demand

Limited land availability

- Approaching build-out
- In-fill provides most opportunities

Rising costs

- Labor, materials, energy costs
- Building and regulatory environment

Demand Drivers: Overview

Housing Supply & Demand

Population & Household *Growth & Change*

Economic *Growth & Change*

Changing environment

- rising energy, transportation prices
- lifestyle preferences

Demand Drivers

Housing Supply & Demand

Continuing population & household growth

Demographic change

- aging population
- immigration
- changing households

What has not changed

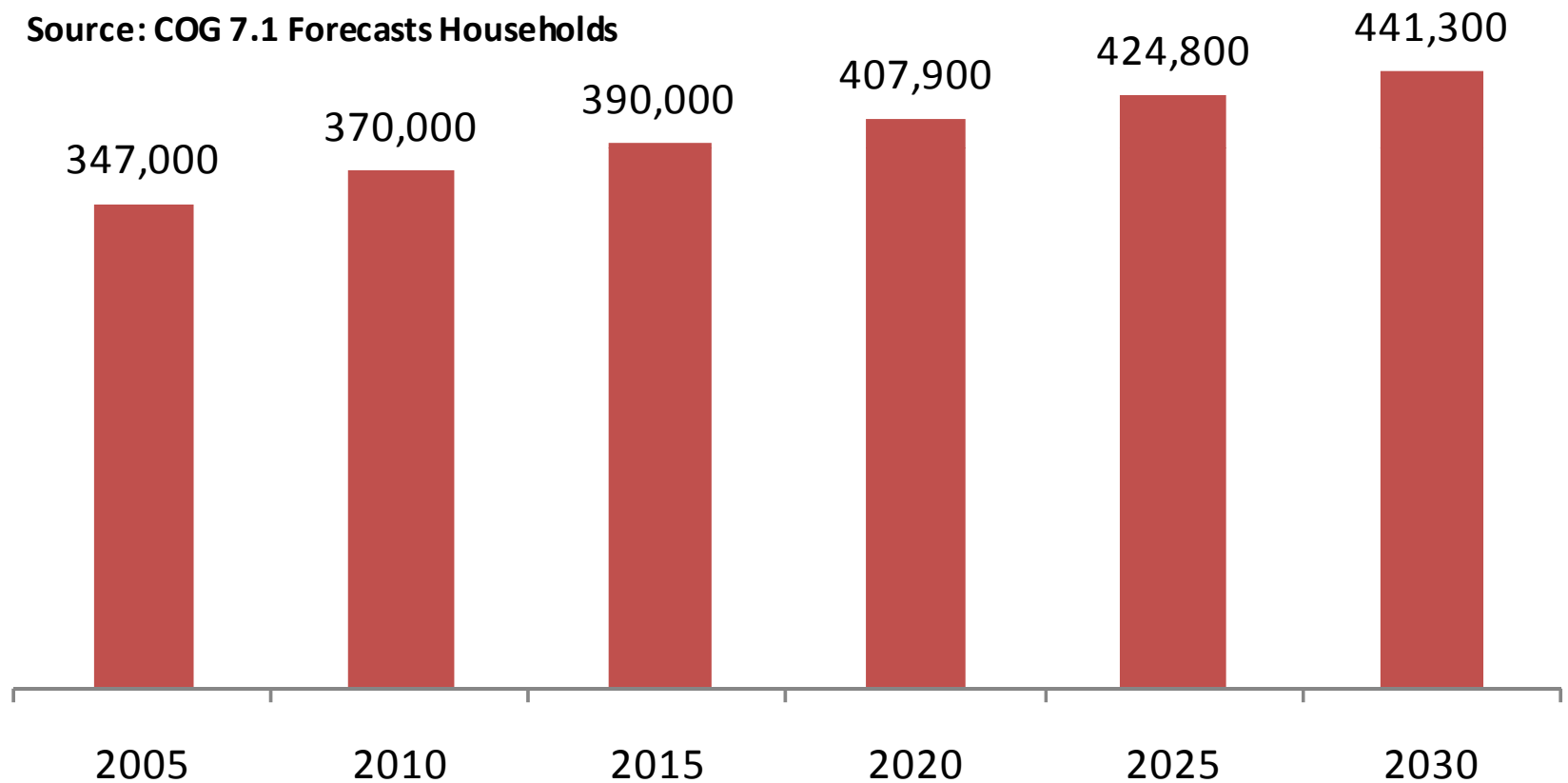
- most households own their homes
- relatively affluent and educated population

Household Growth

Household Projections

Total Units, 2005-2030

Source: COG 7.1 Forecasts Households

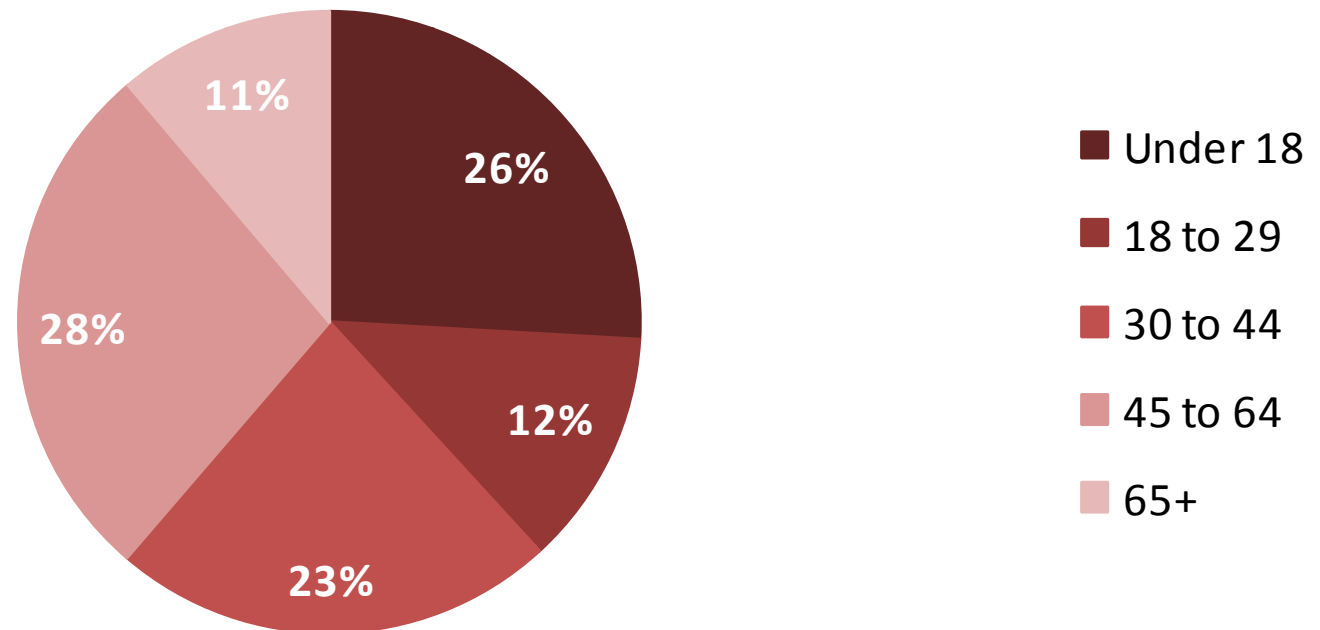


Population Aging

Age Groups

Household Population

Source: M-NCPPC 2005 Census Update Survey

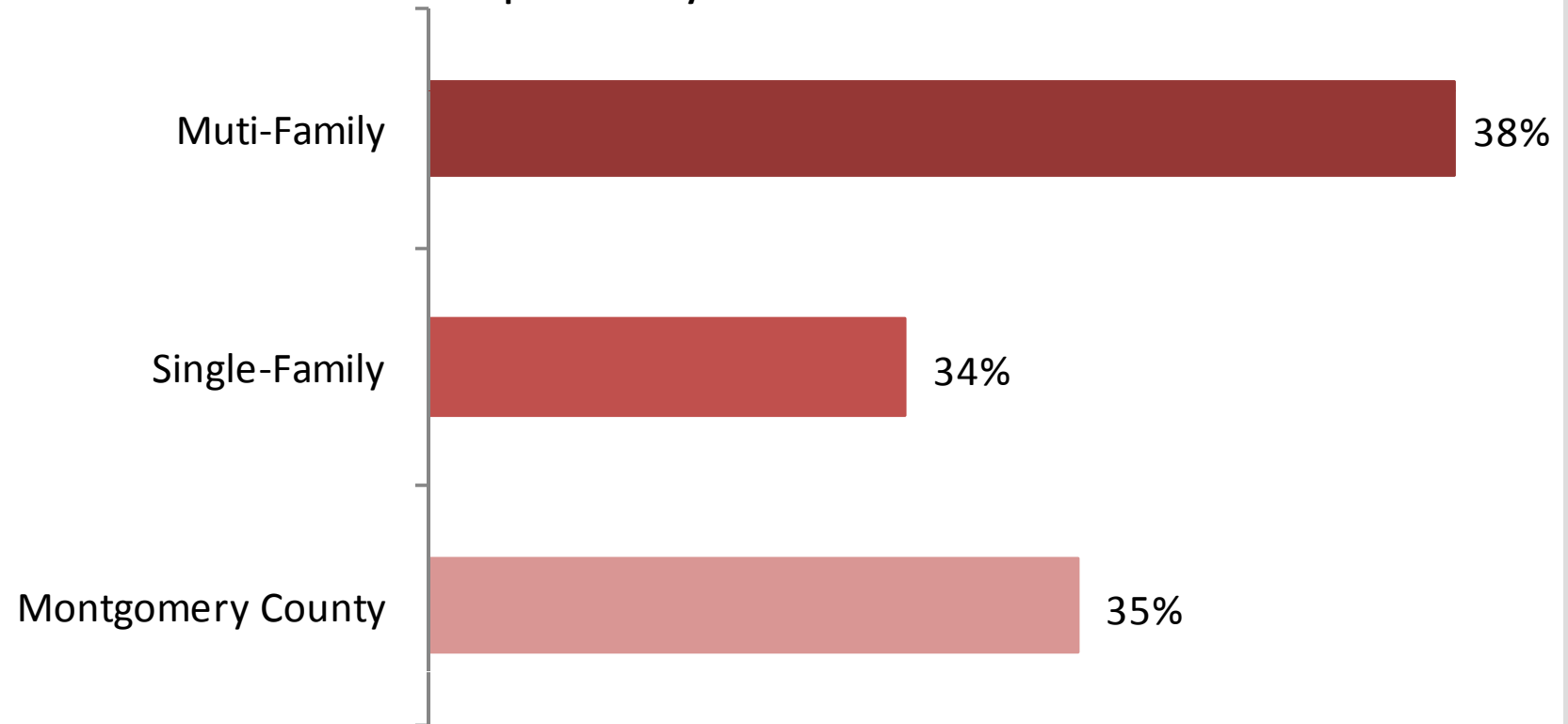


Foreign-Born Household

Foreign-Born Households

by housing type

Source: M-NCPPC 2005 Census Update Survey



Demand Drivers

Housing Supply & Demand

Economic change

- more jobs in Montgomery County
- technology business, other non-government growth
- growth in base sectors drives demand for support jobs
- diverse skills, backgrounds needed

What has not changed

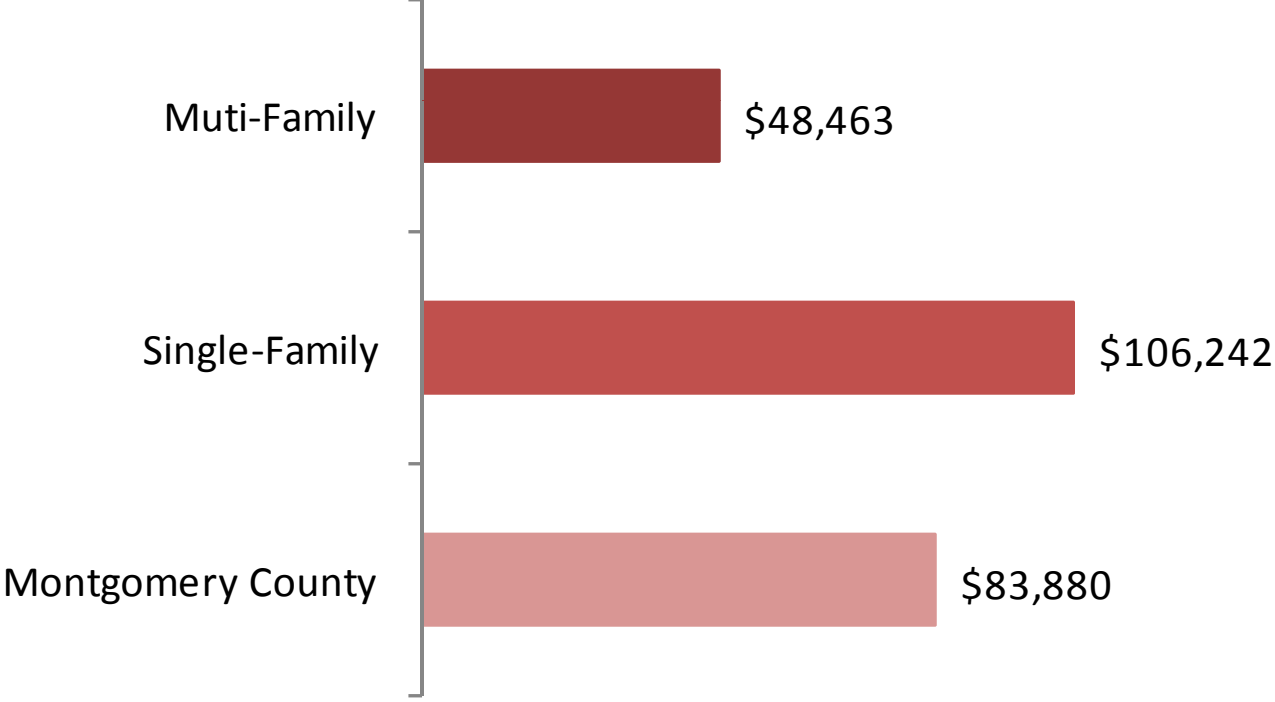
- Federal government
- large base of transient residents
- workforce generally highly educated, well-paid

Median Household Income

Median Household Income (2004)

by structure type

Source: M-NCPPC 2005 Census Update Survey

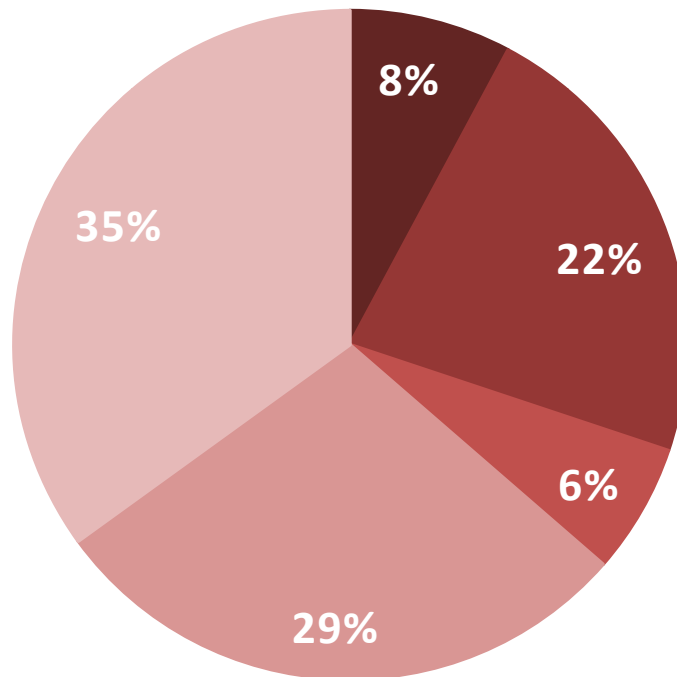


Educational Attainment

Educational Attainment

Population Age 25 and Over

Source: M-NCPPC 2005 Census Update Survey



- Less than High School
- High School
- Associate or Trade School
- Bachelor's Degree
- Graduate, Professional or Doctoral Degree

Housing Market Trends

Housing Supply & Demand

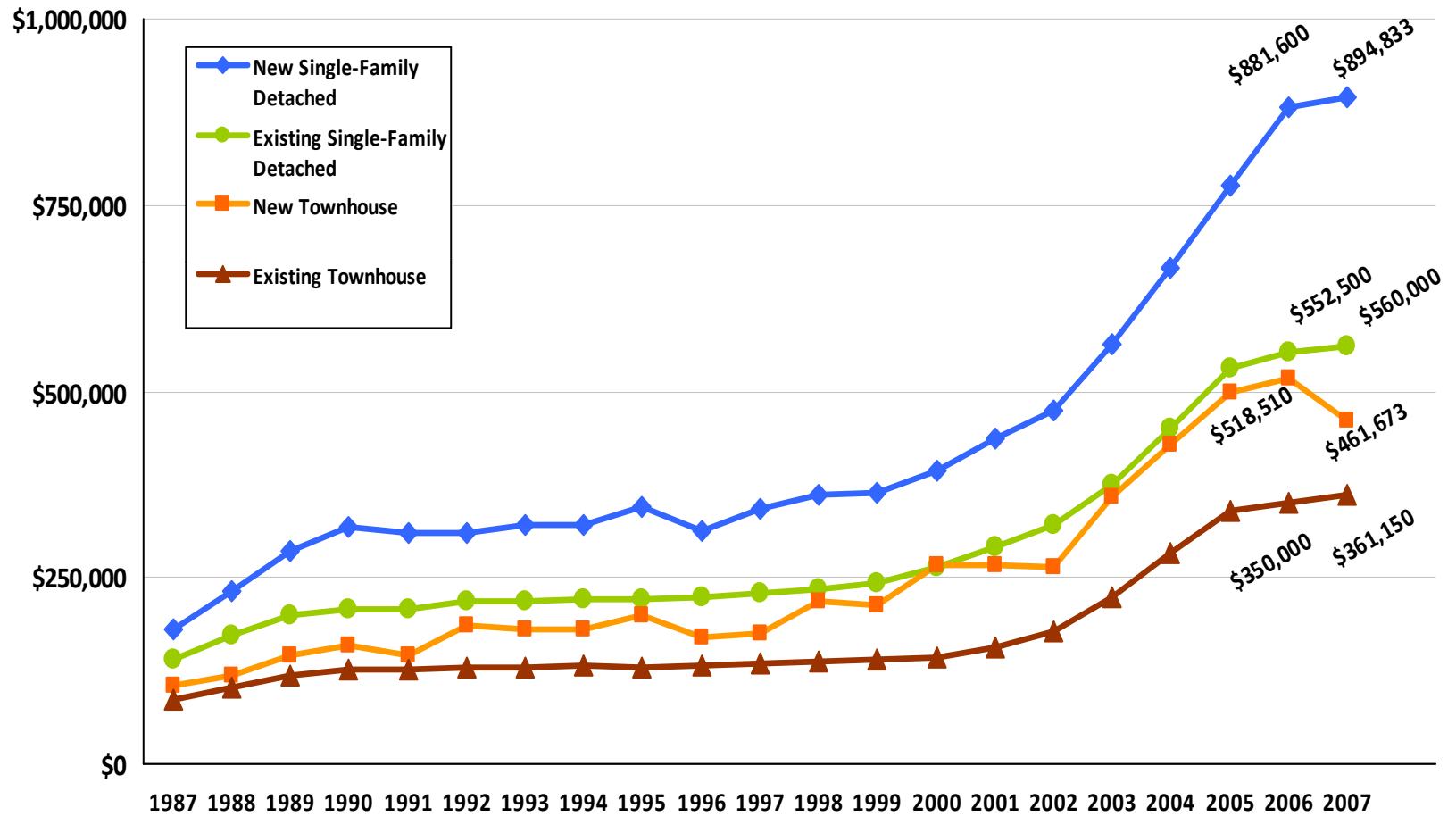
Strong demand + supply constraints create shortage

Housing bubble exacerbated situation

Price effects:

- Homeownership increasing out of reach for nearly all types of housing
- Rentals more accessible

Housing Prices



Housing Prices

Market Rate Turnover Rents

by market area

Source: DHCA 2007 Rental Apartment Vacancy Report



Housing Supply & Demand Trends

Montgomery County, Maryland

Implications + Next Steps

Implications

Housing Supply & Demand

Need to meet continued high demand

Respond to changing cost structure

Respond to changing consumer needs, preferences

- Housing for all incomes
- Housing for all life stages
- Housing for all types of households





What is working?

- Recent emphasis on higher-density development
- Trend to larger units in multi-family
- Smart growth-oriented policies

Potential Areas for Further Research

Consider further analysis:

- sub-county supply and demand
- workforce housing demand – especially in the future
- energy and transportation costs related to housing
- economic value of smart growth
- linkage fees to non-residential development

Potential Areas for Further Research

...consider further analysis (cont)

- **work with other agencies**
 - conduct joint affordable housing market analysis addressing supply constraints
 - housing needs and options for specific groups (families, workforce, seniors, etc.)
 - rental preference and needs