

Barriers to Apartment Construction Index

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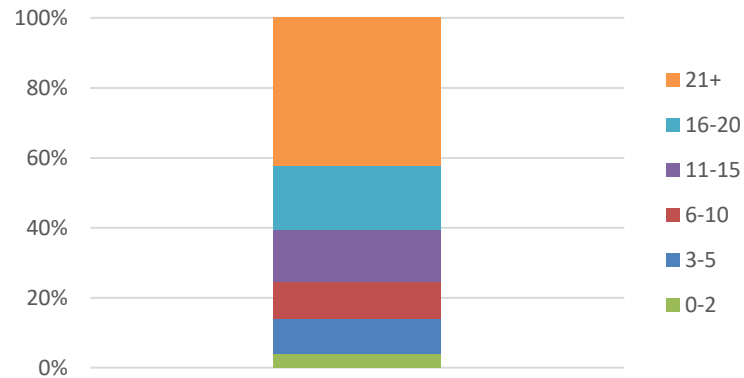
- Survey of Factors that Impact Multifamily Housing Supply
- National survey to provide data to better understand factors that impact the new supply of apartments
- Fact Based Discussions-Best Practices and Advocacy
- Research – how does land regulation impact risk, costs, supply, and affordability

Commissioned by NAA; conducted by Hoyt Advisory Services; input from NAA Affiliate Network and the American Planning Association

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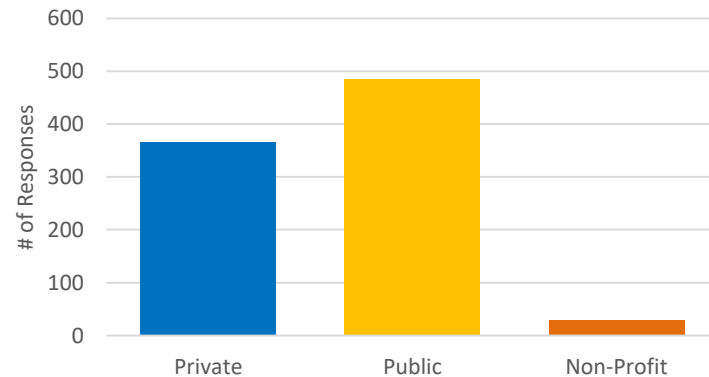
Respondent Profile

Years of Experience

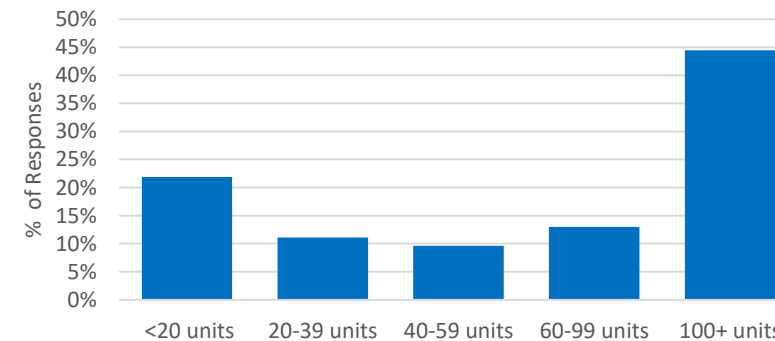


- Survey open October-December 2018
- 91 questions
- 5 external data sources
- 753 valid responses
- 241 metro/micro statistical areas
- 29 Qualifying Markets
- 58 ranked markets

Public vs. Private Sector



Typical Project Size



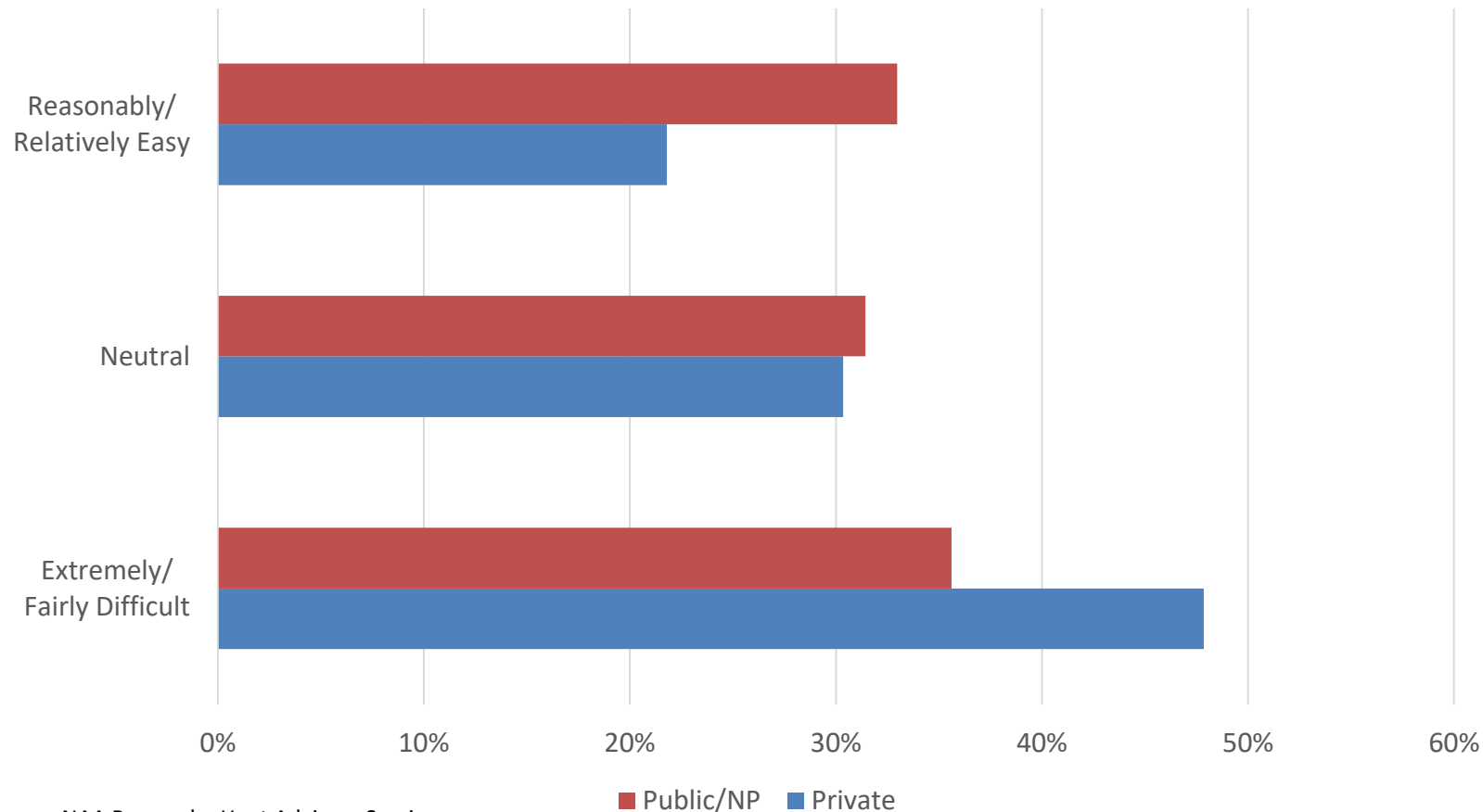
Source: NAA Research, Hoyt Advisory Services

Pilot market responses not included in this presentation, but results were similar to national survey.

Barriers to Apartment Construction Index

National Results

Overall how do you rate your metro market in terms of relative ease to get new multifamily residential approved?



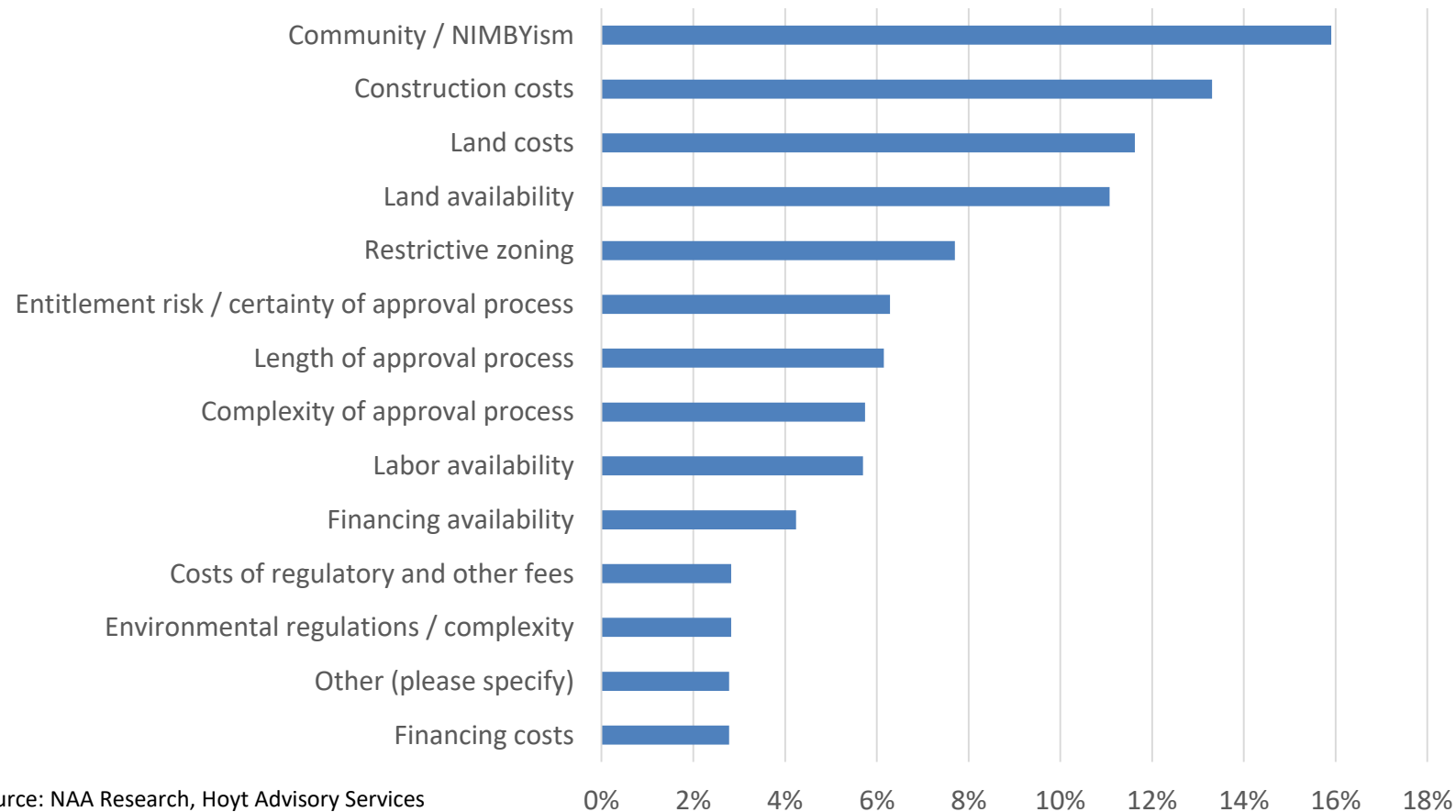
- Nearly half of private sector responses rate apartment development approval fairly to extremely difficult.
- Public and non-profit sectors fairly evenly split with a slight edge towards difficult.

Source: NAA Research , Hoyt Advisory Services

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National Results

Three Most Significant Issues Impacting Multifamily Development



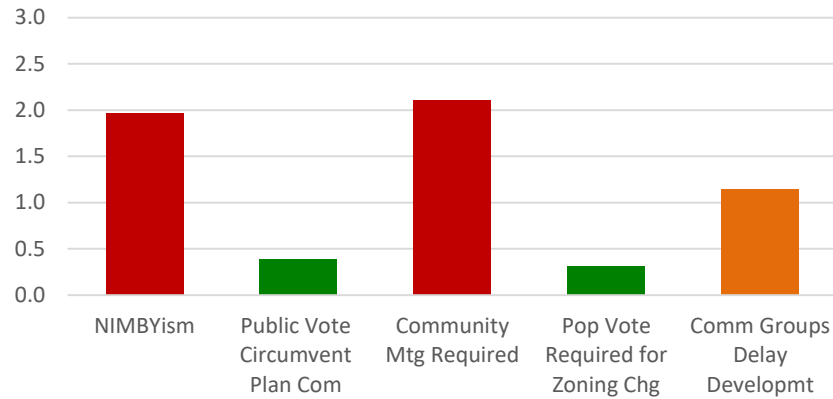
Source: NAA Research, Hoyt Advisory Services

- Widespread agreement on significance of local councils and community involvement.
- One-third of respondents indicated construction costs (labor, hard, soft) have increased by more than 20% over the past five years
- Land and permit costs comprise 35% of total building costs.

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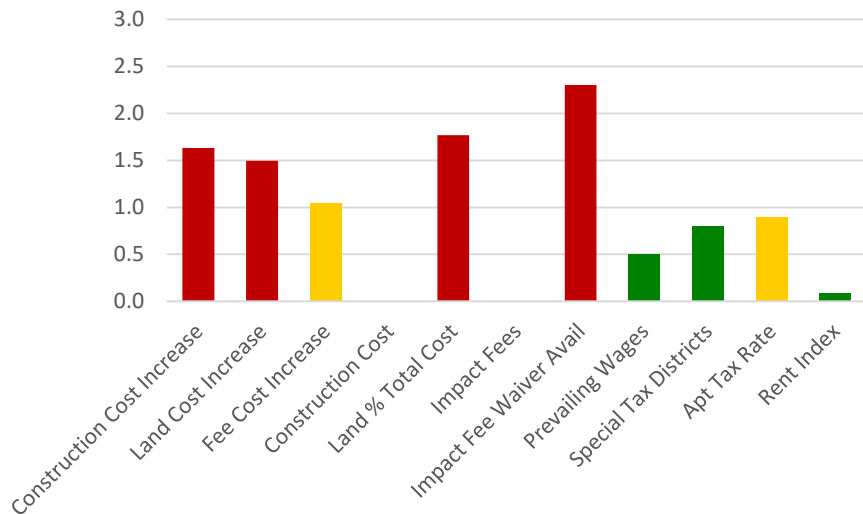
Significant Issues

Community Involvement

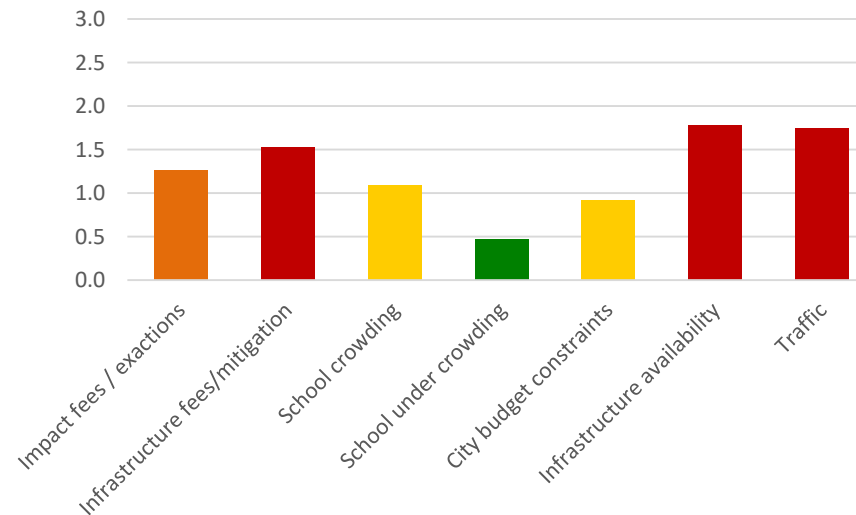


The higher the score, the more pervasive/ important/influential that factor is in regulating the amount of new supply.

Costs

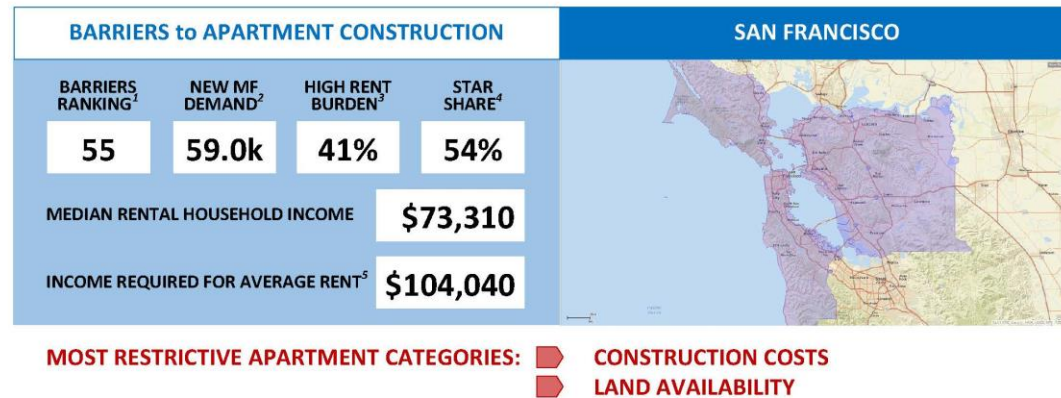


Infrastructure - Impact on Apt Development

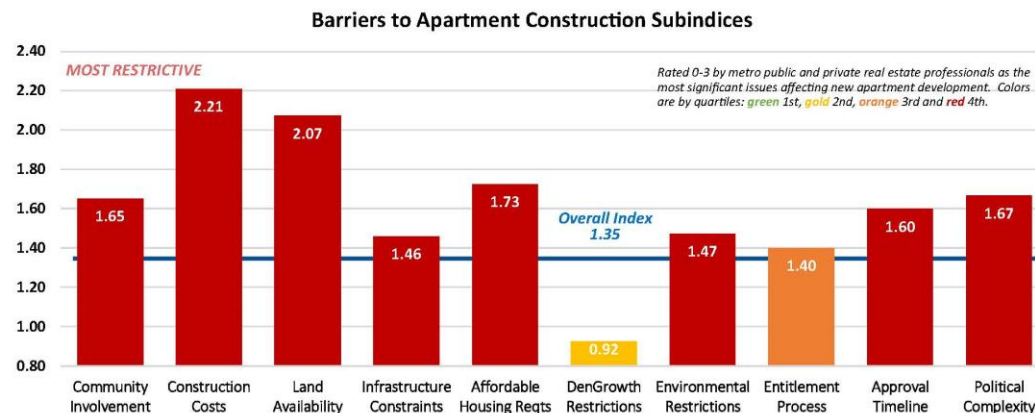


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Qualified Markets One-Page Overviews



Metro San Francisco, true to reputation, ranked near the bottom as most restrictive new apartment market surveyed with an overall index of 1.35. Local respondents provide scores in the top quartile for all but two subindices. Most restrictive is construction costs, including land and recent increases, followed by land availability and its feasibility for development. Community involvement is driven by strong local opposition and lengthy public meetings. Affordable housing requirements are considered heavy. Long approval timelines for rezoning are fueled by strong local and State influences, often requiring a third-party development advocate. Though the metro enjoys the highest median rental incomes of the major markets, these incomes remain a significant 30% below the requirement for average market rents of \$2,850 while 41% of renters are paying over 35% of incomes on their lease.



- One-page overviews for 29 Qualified Markets
- Designed for legislators and policy-makers
- Continue the housing affordability discussion between public and private sectors
- Best practices from easier-to-build markets

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Easiest to Build

Index scores 0.80-0.97

Albuquerque

Cleveland

Chicago

Dallas

Portland

Indianapolis

Houston

Seattle

St. Louis

Austin

Hardest to Build

Index scores 1.36-1.13

Philadelphia

San Francisco

San Diego

Washington, DC

Baltimore

New York

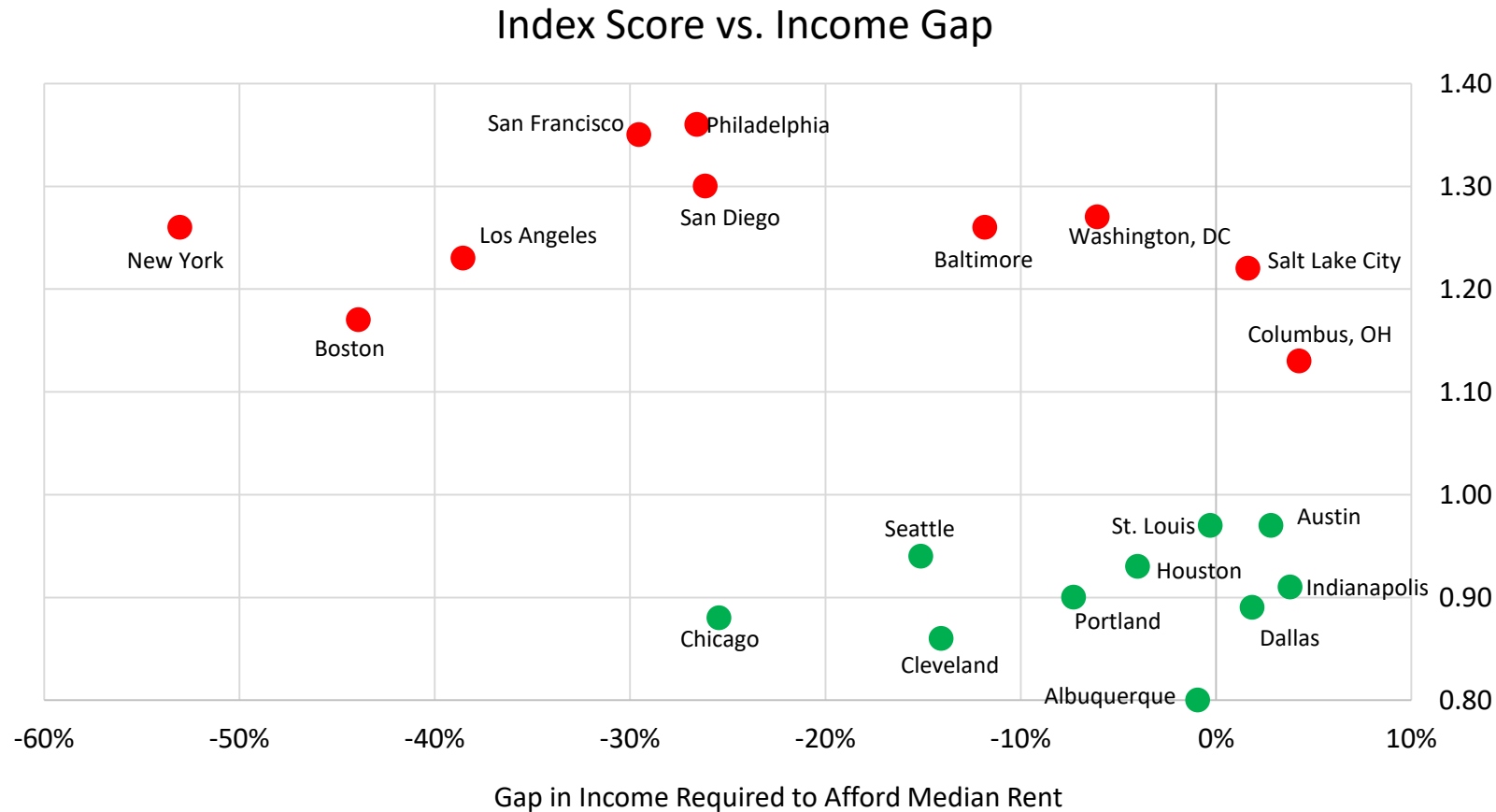
Los Angeles

Salt Lake City

Boston

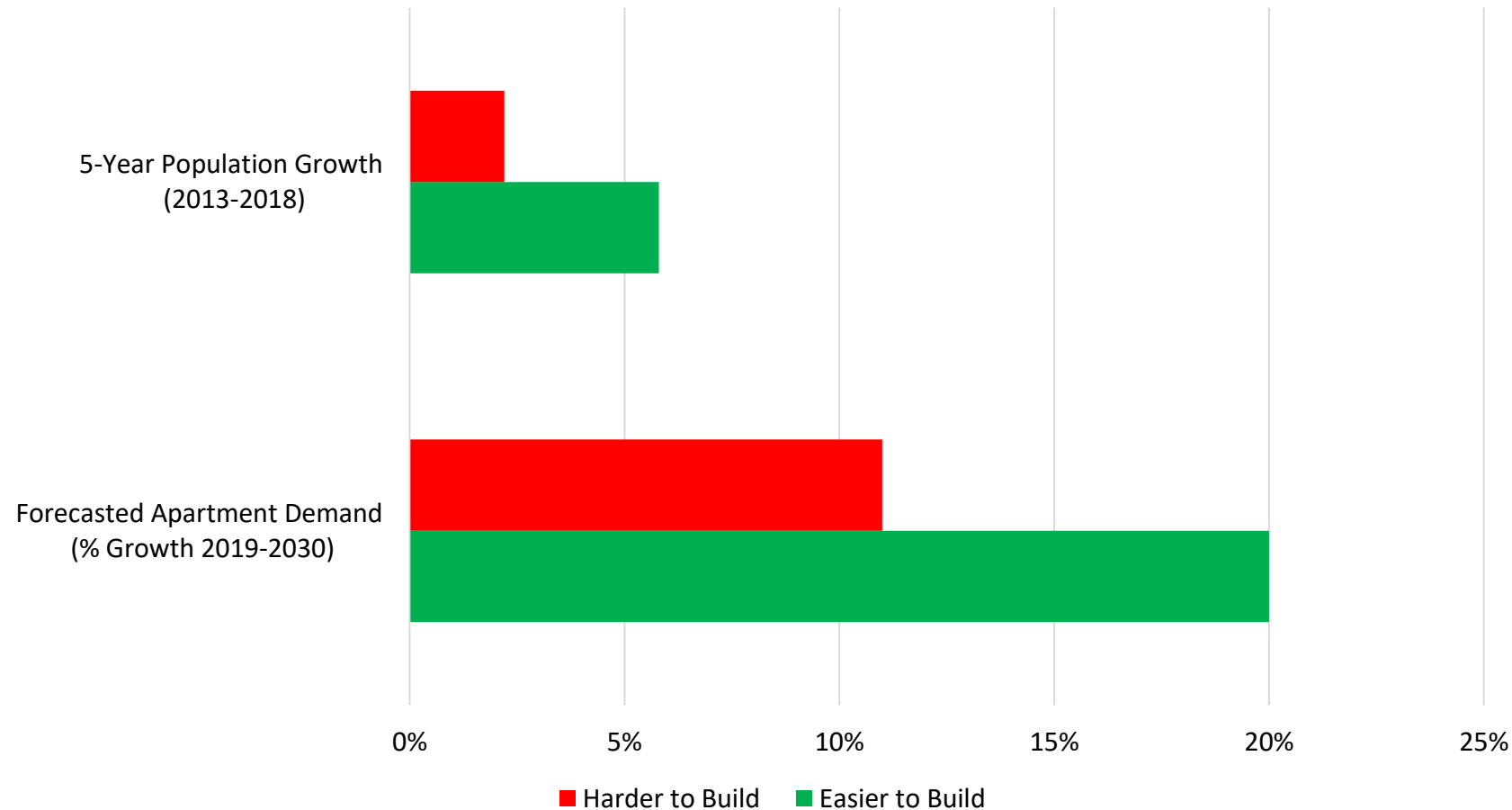
Columbus, OH

Barriers Correlated to Affordability



- Renters in high-barrier markets generally have larger gaps in income required to afford median rents.

Slower Growth in High Barrier Markets



- Higher barriers to entry impede growth.
- Future demand for apartments is more concentrated in low-barrier markets.