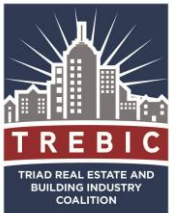


HOUSING PRESENTATION
Asheboro/Randolph
Chamber of Commerce
Retreat
October, 2022

JON LOWDER, PRESIDENT

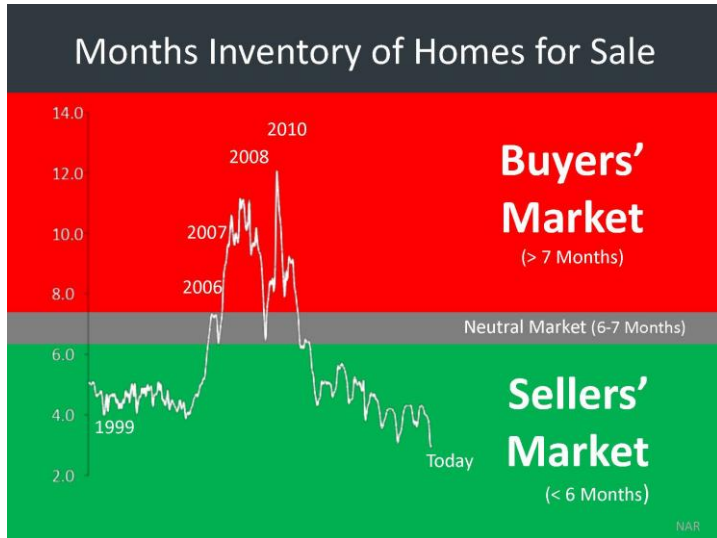


What We're Talking About

- An overview of the overall housing market
- Why there's a supply shortage
- Challenges to developing new housing
- Discussion

TRIAD FOR-SALE HOUSING SHORTAGE

- Very low inventory of homes for sale (numbers as of July, 2022. Source Tony Jarret, Allen Tate)

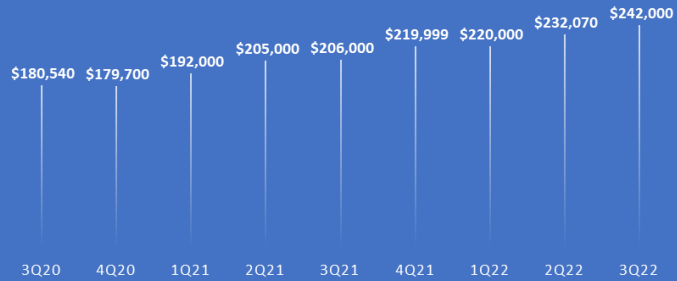


Monthly Inventory Supply

County	2022 vs 2021
Alamance	0.9 months vs 0.5 months
Davidson	1.0 months vs 0.8 months
Davie	1.4 months vs 1.1 months
Guilford	0.7 months vs 0.6 months
Forsyth	0.8 months vs 0.6 months
Randolph	0.9 months vs 0.9 months
Rockingham	1.2 months vs 0.9 months
Yadkin	0.7 months vs 1.3 months
Triad	0.9 months vs 0.8 months

RANDOLPH COUNTY FOR-SALE HOUSING

MEDIAN PRICE (AT END OF QUARTER)



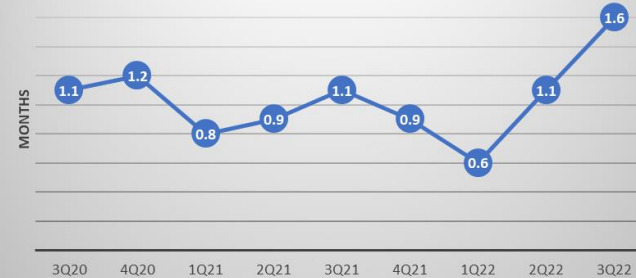
For Sale Inventory (at end of quarter)



Days on market (end of quarter)



Monthly supply of inventory (end of quarter)



Source: Tony Jarrett, Allen Tate

TRIAD RENTAL HOUSING SHORTAGE

- Market rate apartment vacancy was 3.3% as of April, 2022
- Demand growth for last two years (2.6%) was greater than supply growth (1.5%)

Source: *AptIndex.com/Real Data*

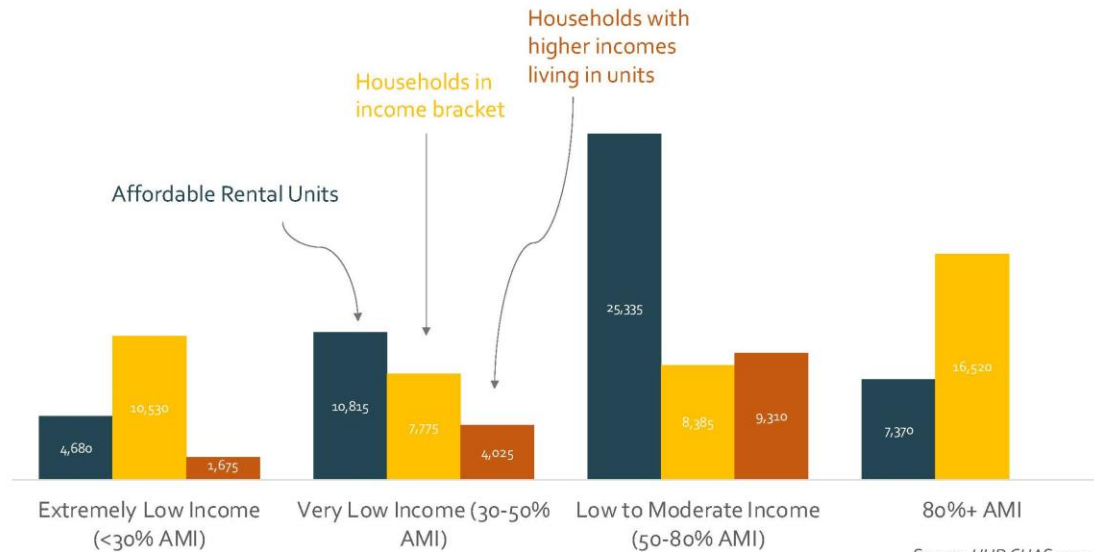
Greensboro - Winston Salem			
	Mar-21	Sep-21	Mar-22
# Units	72,980	74,249	74,431
# Vacant	3,185	2,511	2,477
Vac. %	4.4%	3.4%	3.3%
Average SF	951	952	953
Average Rent	\$980	\$1,062	\$1,146
Average Rent/SF	\$1.031	\$1.115	\$1.203
Absorption	829	1,298	135
# Under-Const.	2,469	3,202	3,154
# Proposed	4,881	3,909	4,343
Change in Supply	839	678	108
Starts	1,184	1,419	60
Same-store Rent Change \$	\$26.85	\$56.50	\$53.40
Same-store Rent Change %	2.8%	5.6%	4.9%

Greensboro - Winston Salem Summary							
	Units	Vacant	Vac. %	Avg. SF	Rent	Rent/SF	
One Bedroom	25,405	873	3.4%	731	\$1,025	\$1.403	
Two Bedroom	40,066	1,381	3.4%	1,014	\$1,150	\$1.134	
Three Bedroom	8,128	201	2.5%	1,281	\$1,371	\$1.071	
Totals*	74,431	2,477	3.3%	953	\$1,146	\$1.203	
<i>*Includes four bedroom units</i>							
Market Indicators	2-Yr. Annualized Avg.		Current	1 Year Forecast			
Employment Growth	2.3%		3.4%	▲			
Mortgage Rates	3.3%		4.2%	◀▶			
Supply Growth	1.5%		1.1%	◀▶			
Demand Growth	2.6%		2.0%	◀▶			
Occupancy Rate	96.1%		96.7%	◀▶			
Rent Growth	7.9%		10.5%	◀▶			

HOW OVERALL SUPPLY CRUNCH AFFECTS AFFORDABLE HOUSING

- Although you may have an adequate supply of housing normally affordable to those in a lower income bracket, members of a higher income bracket absorb some of it due to lack of opportunities in a higher cost segment of the market

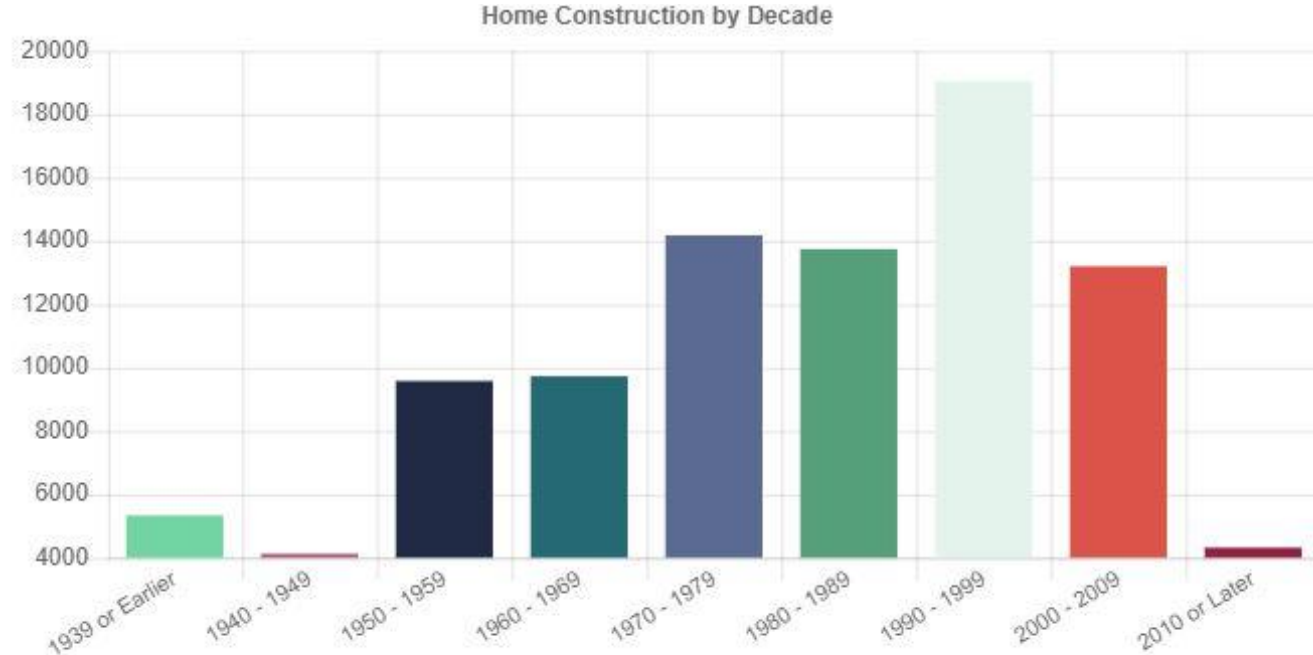
Housing mismatch in Winston Salem



Source: HUD CHAS 2014-2018

WHY SUPPLY IS SO TIGHT

Home construction plummeted after the housing crash/great recession (source Point2Homes)

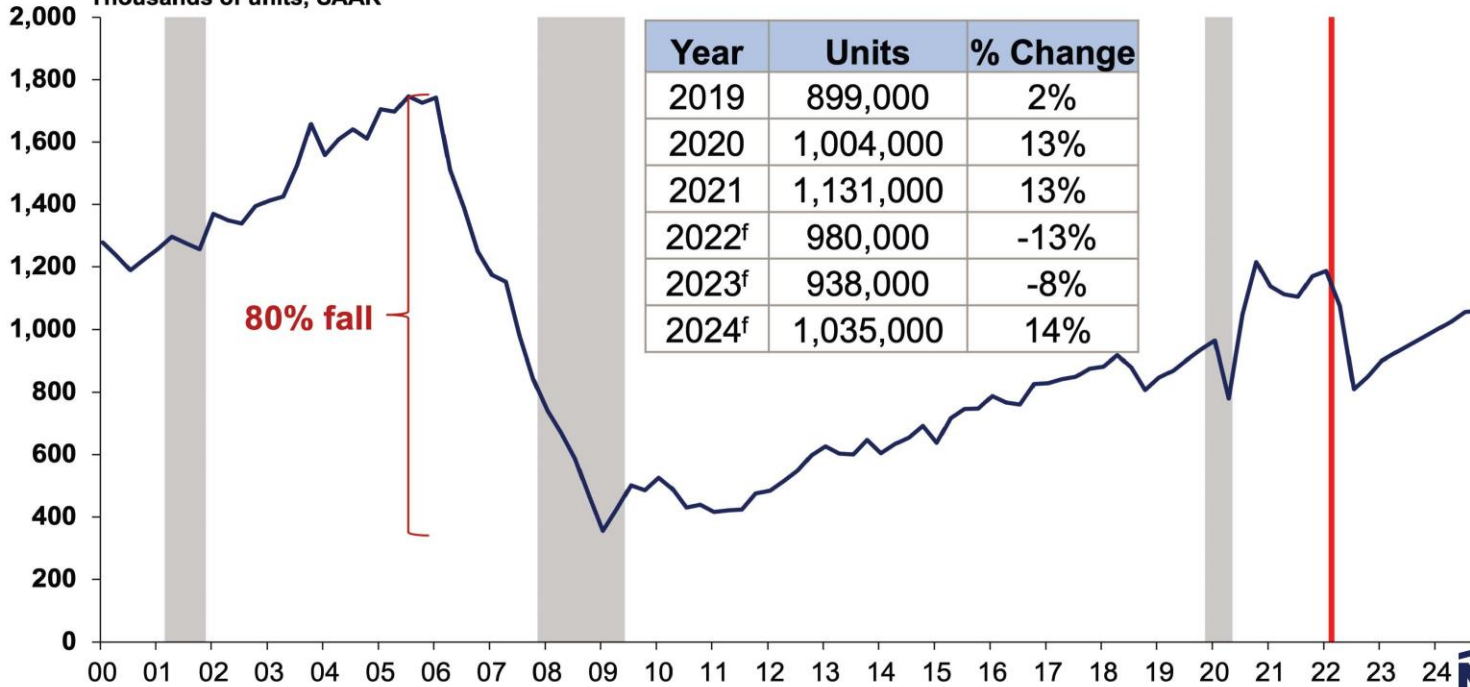


OUTLOOK FOR DEVELOPMENT

Single-Family Starts

Home building declines as interest rates increase

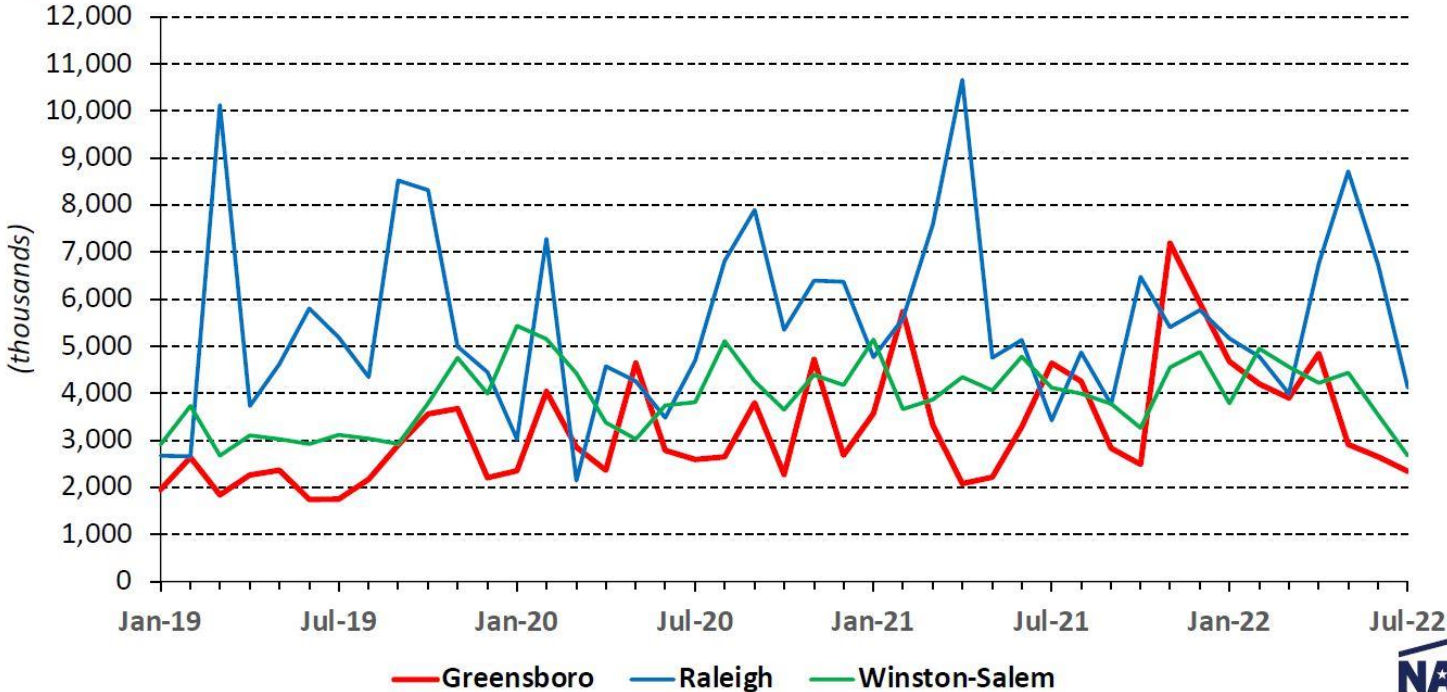
Thousands of units, SAAR



Source: U.S. Census Bureau (BOC) and NAHB forecast

OUTLOOK FOR DEVELOPMENT

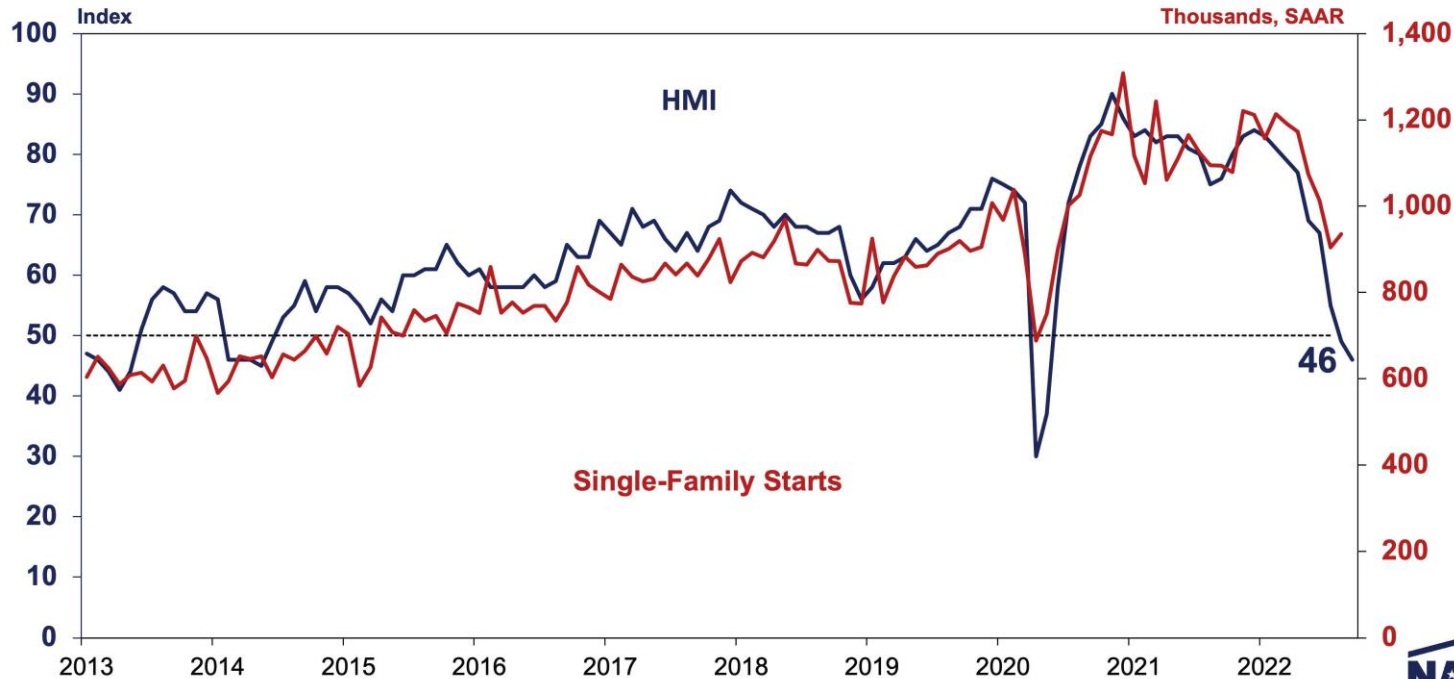
Residential Construction - Permits



OUTLOOK FOR DEVELOPMENT

NAHB/Wells Fargo Housing Market Index (HMI)

Builder confidence has plunged; starts tick up...



Source: Census Bureau and NAHB/Wells Fargo HMI survey



CHALLENGES TO HOUSING DEVELOPMENT

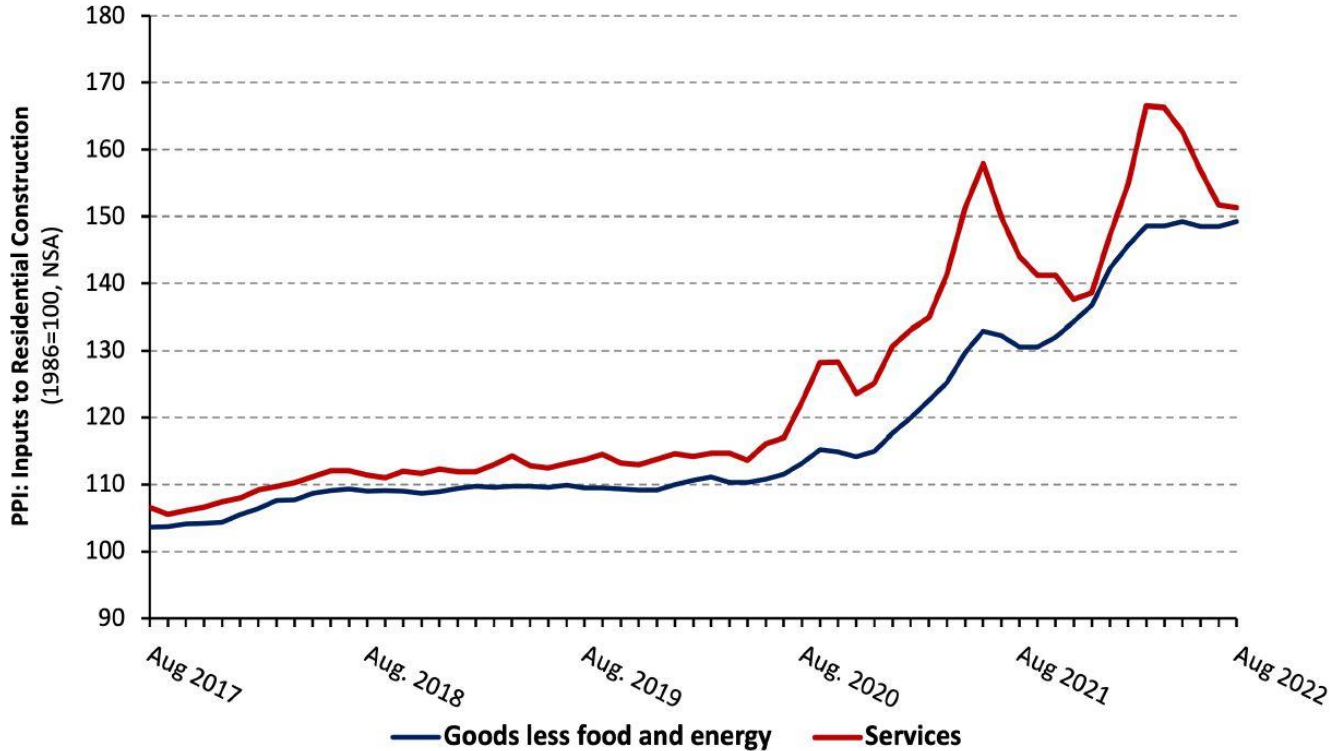
Major challenges faced by housing developers

- Supply chain/building material costs – COVID Effect
- Labor shortages (private AND public)
- Regulatory environment & NIMBY-ism

RESIDENTIAL CONSTRUCTION COSTS

/ Building Materials - Residential Construction Cost

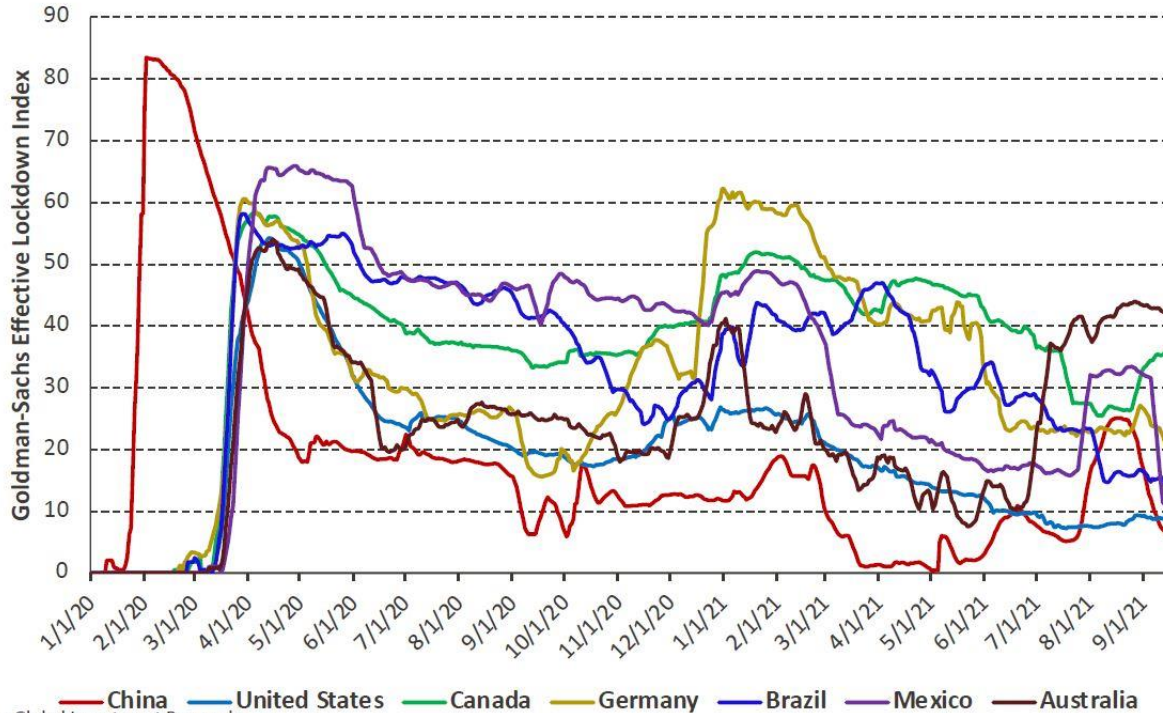
Price growth >10% each of last 17 months, year-over-year



COVID EFFECT ON SUPPLY CHAIN

Building Materials Imports/Exports – Pandemic Effects

“Lockdown” conditions differ over time

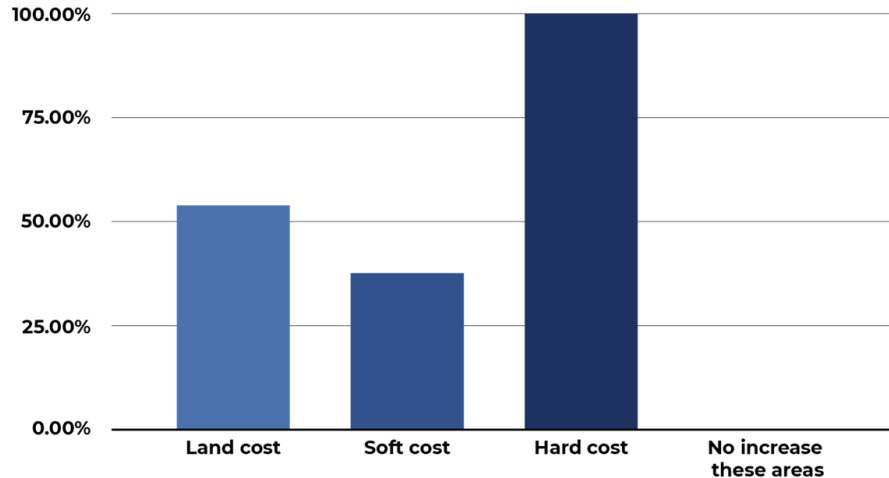


Source: Goldman-Sachs Global Investment Research.



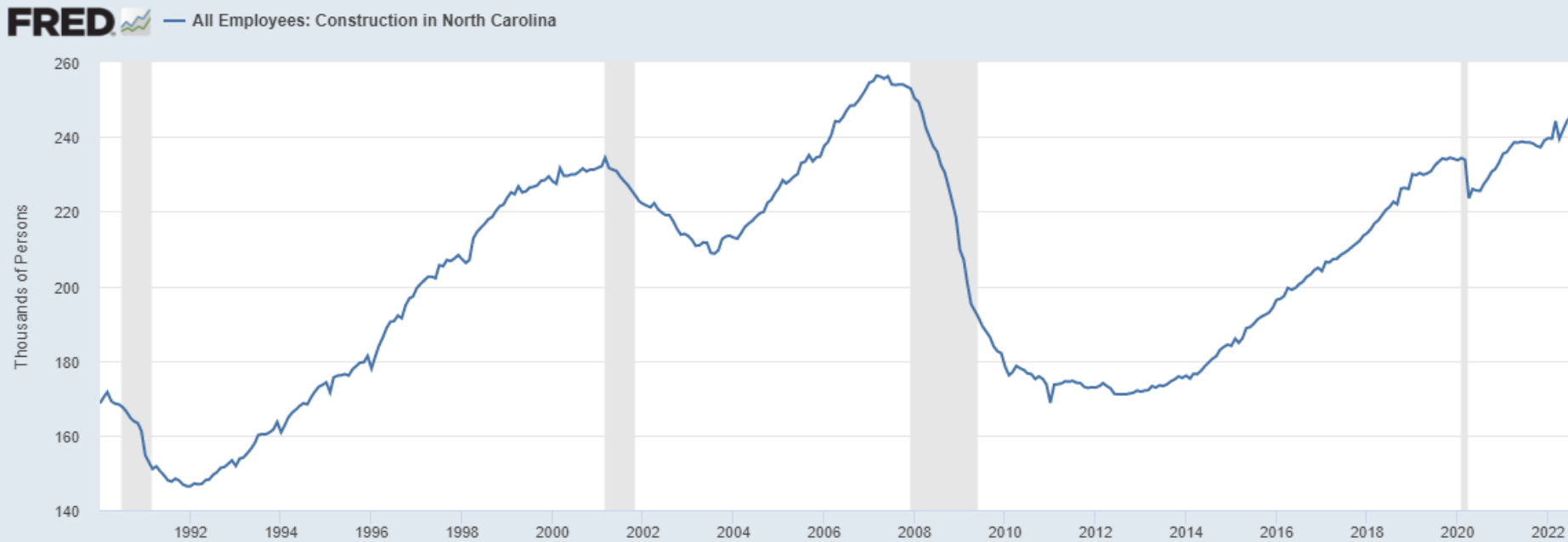
IMPACT ON ALL TYPES OF DEVELOPMENT

Increase in Costs Since COVID-19



- COVID-19 brought many challenges for multifamily developers and renters
- 68% of respondents said their business was negatively impacted by COVID-19
- Overall, 52% of respondents indicated they had to pause existing or upcoming projects due to the pandemic
- 100% of respondents agreed that hard costs, such as labor and building materials, saw a surge during the pandemic

LABOR CHALLENGES - INDUSTRY



Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

fred.stlouisfed.org

LABOR CHALLENGES – PUBLIC SECTOR

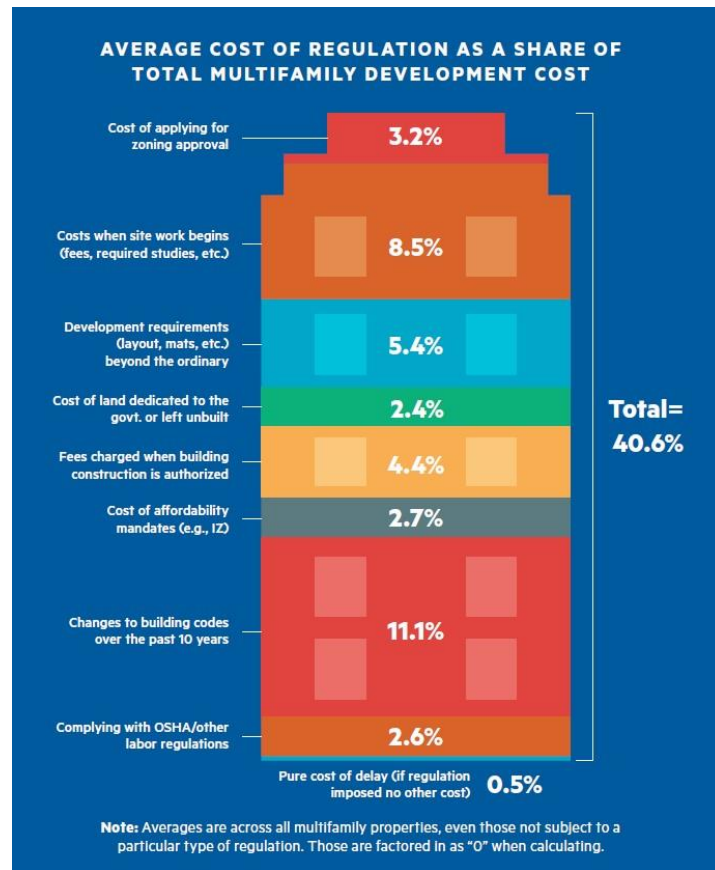
- Most municipalities are facing labor shortages similar to those in the private sector
- One Triad municipality recently reported they have 15-20% of their positions vacant
- Vacancies in planning, permitting, inspections, etc. lead to delays in project completion which leads to increased costs and delays in adding to the housing stock

HOW REGULATION AFFECTS HOUSING COSTS

A study released by the National Association of Home Builders and the National Multifamily Housing Council shows that regulations make up 40% of the cost of multifamily development. Here's some of the impact:

- Building codes – 11%
- Zoning - 3.2%
- Dedicating land to public/open space – 2.4%
- Design changes – 5.4%
- Delays - 0.5%
- Local fees – 8.5%

Confronting NIMBYISM adds an average of 5.6% to development cost and delays completion of the housing by an average of 7.4 months!



ADDRESSING CHALLENGES

- 421 area plan for water/sewer
- Include trades in workforce development initiatives
- Explore using tax incentives/abatements to spur development, reduce housing costs
- Streamlining regulations and approval processes
- New codes and processes that are friendly to new housing product types, density, mixed product/mixed income projects
- Approval of higher densities and compact development to offset the higher costs of zoning conditions. Example: Allowing townhome, duplex/triplex/quadplex, in areas currently zoned for single family
- Aggressively address NIMBY-ism related to all types of development, including higher density developments, particularly multifamily, whether condos or apartments

THANK YOU!

JON LOWDER
PRESIDENT

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