

**FY 2009-14 CONSOLIDATED PLAN
HOUSING MARKET ANALYSIS**

Chapter 3

HOUSING MARKET ANALYSIS

Housing costs in Austin have risen substantially during the past 10 years. The median value of a single family home in Austin in 1998 was \$129,900. By 2008, the median had increased almost 90 percent to \$240,000. Such price increases are good news for sellers who benefit from the increase—however, homeowners with rapidly rising property tax bills and low- to moderate-income households wanting to buy in the City face much greater challenges than they did 10 years ago. As such, the supply of moderately priced housing stock has increased in cities and towns outside of Austin, which have grown within the last few years.

This section presents an overview of the housing supply in Austin, in terms of number of units, type of units, condition and cost. The analysis in the section revealed several notable characteristics of the City's housing market:

- Fifty-four percent of Austin households rent and 46 percent of households own the home in which they reside. The City's homeownership rate is likely to stabilize and possibly decrease modestly with the current slowdown in mortgage lending. Even if the rate increases, Austin is unlikely to reach a 50 percent homeownership rate in the near future: 85 percent of new households would need to be homeowners for the City to reach a 50/50 tenure in the next 10 years. Thus, rental property will continue to play a large part in housing Austin's residents.
- The regional housing market has changed drastically during the past decade. Housing stock available for households earning 150 percent or more of the median family income has become increasingly more abundant, particularly in west Austin. Overall, despite rapidly increasing home prices within the last ten years, the median family income has either decreased or remained relatively stagnant. In other words, increases in household income have not provided the necessary buying power for increased home prices.
- The condo market has expanded and evolved in the last 10 years to include a newer and more expensive product. Throughout the U.S., urban condo markets often serve as an affordable ownership alternative; however, in Austin, condo products are located in high cost portions of the city and rival the cost of single-family detached products. Condominiums sold in 2008 and constructed in 2006 or later had a median listing price of \$299,000 and a median square footage of 1,540 square feet.

HOUSING SUPPLY

Housing unit estimates for the City of Austin vary. The U.S. Census American Community Survey, 2007 estimates that there were 333,487 housing units within the City of Austin in 2007. The City of Austin Planning Department estimates a much lower number of housing units at 296,649 as of 2008.

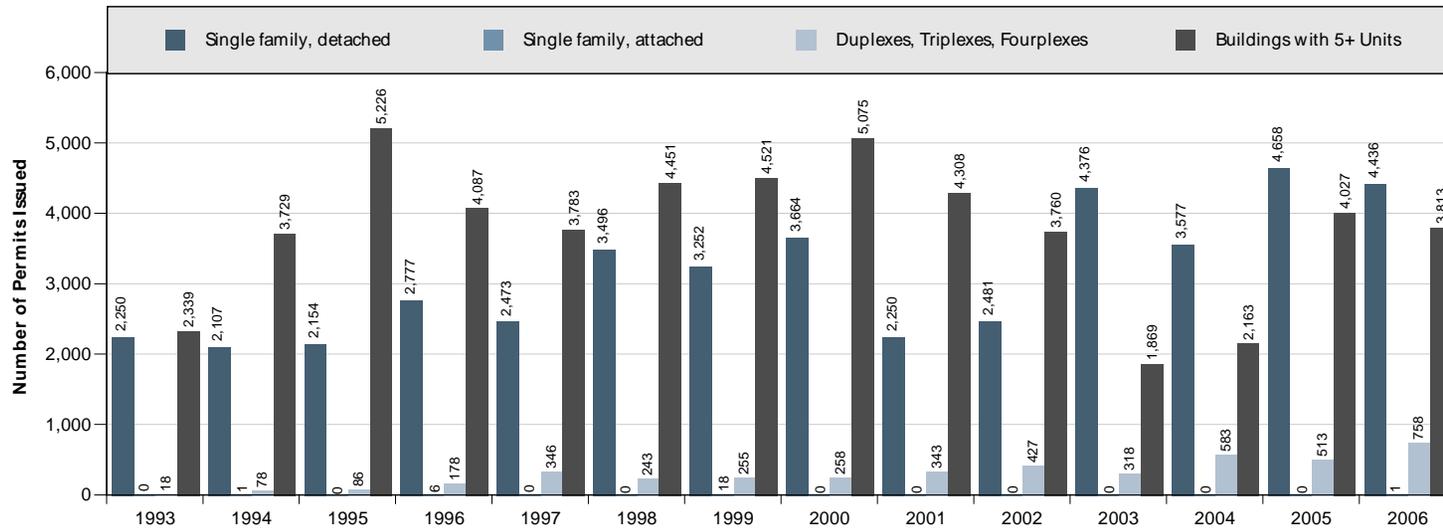
Between 2000 and 2006, the City issued 45,000 residential building permits, or an average of 7,500 permits per year. If all of the units permitted up to 2006 were constructed and demolitions were considered, an upper bound estimate of the City's residential housing stock is 321,700 units. This assumes that none of the units permitted in 2007 were constructed.

For the purposes of analyzing the housing market in Austin, the assumption is there are 307,000 occupied housing units in the City as of 2008. This was derived from the City Demographer's estimate of occupied housing units in 2005 and 2010. It is lower than the upper bound estimate using building permit data, and it assumes that about half of the units permitted ended up as completed units.

Historical production

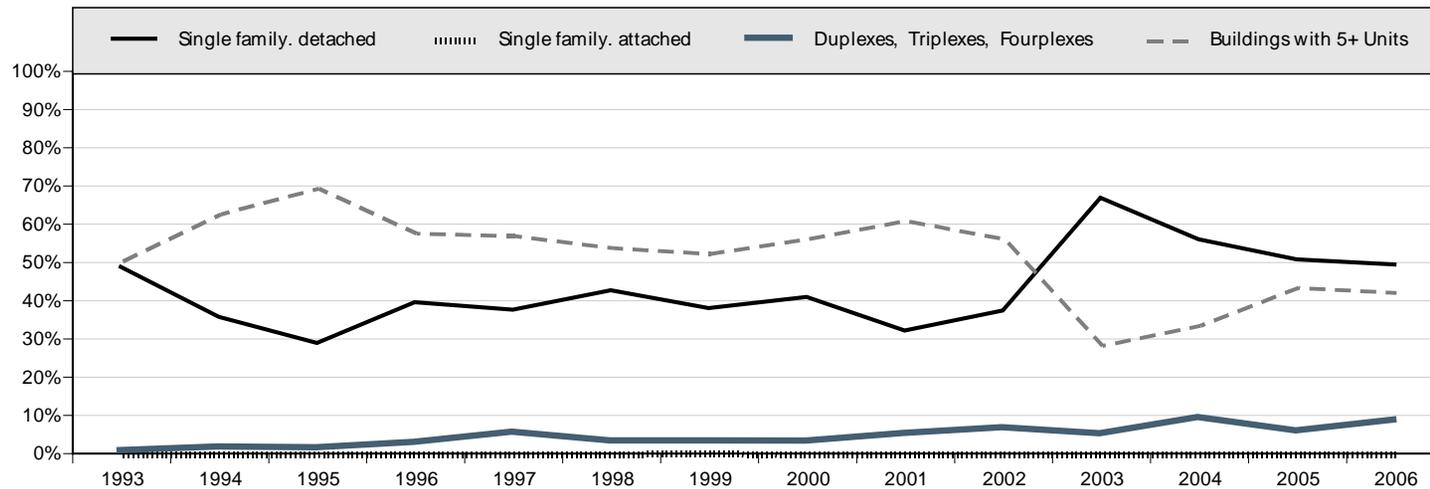
Exhibits 3-1 and 3-2 on the following page show the number and proportion of residential housing units that have been permitted in Austin between 1993 and 2006, by type of unit. As demonstrated by the exhibit, the dominant types of structures permitted are single-family detached homes and multifamily (apartment and condo) units. Very few townhomes and duplexes/triplexes/fourplexes have been permitted in Austin.

Exhibit 3-1
Building Permits Issued, Number of Units, City of Austin, 1993 to 2006



Source: City of Austin Planning Department.

Exhibit 3-2
Building Permits Issued, Percentage of Units, City of Austin, 1993 to 2006



The permit data show a shift in multifamily permits consistent with vacancies in the rental market. The number of permits for multifamily units dropped in 2002 and 2003, as vacancies reached decade-high levels. This corresponded with a peak in single-family permits. Multifamily permits have increased in recent years, along with a relatively high volume of single family detached units.

Condo conversions

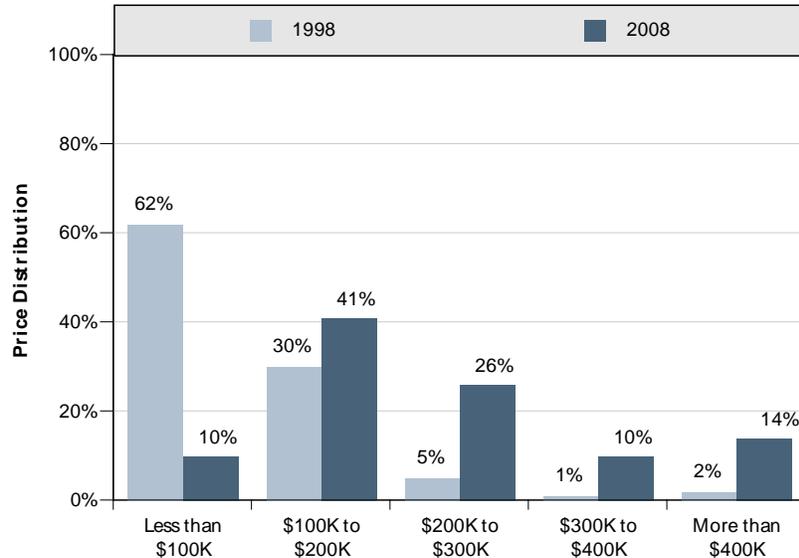
A growing trend in Austin is the conversion of multifamily apartments into condominiums. More than 2,000 rental units were converted to condominiums in 2007 and 2008.

The condo market has expanded and evolved in the last 10 years to include a newer and more expensive product. In 2008, over 2,700 condos were on the for sale market, as compared to 1,300 listings in 1998. The expansion in the market is evident in the age of the condo supply. In 1998, over 80 percent of the condos that were on the for sale market were 20 years or older. In 2008, nearly half of the condos on the for sale market were 10 years old or less, and, more specifically, one quarter of all for sale condos were constructed within the last 2 years.

Exhibit 3–3 displays the price distribution of for sale condos in 1998 and 2008. In 1998, condos were an affordable housing option, as 92 percent of for sale condos were less than \$200,000. In 2008, 50 percent of for sale condos were less than \$200,000; an additional 26 percent of condos were priced between \$200,000 and \$300,000.

Exhibit 3–3
Price Distribution of
For Sale Condos,
Austin, 1998 and 2008

Source:
 Multiple Listing Service (MLS).



Tenure

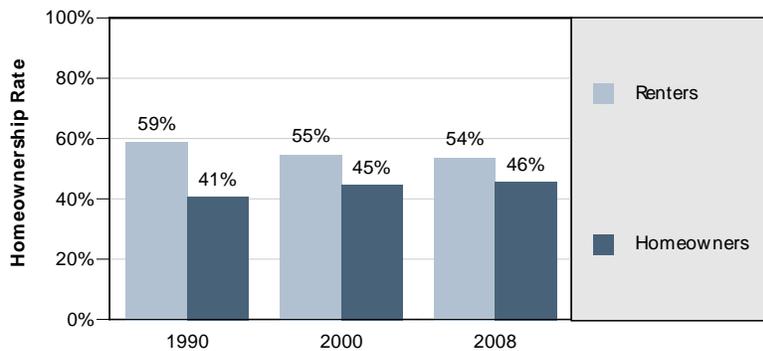
Exhibit 3–4 shows the proportional change in tenure (renter/owner breakdown) in Austin since 1990. In 1990, Austin’s homeownership rate was 40.6 percent. By 2000, it had increased by about four percentage points to 44.8 percent. In 2008, the homeownership rate is estimated at 46 percent.

Between 1990 and 2008, Austin added 52,750 new homeowners, an increase of 68 percent. This compares with 39,289 new renters, or an increase of 34 percent. Of the 92,000 new housing units added to the City between 1990 and 2008, 57 percent were occupied by homeowners.

The City’s homeownership rate is likely to stabilize and possibly decrease modestly with the current slowdown in mortgage lending. Even if the rate picks up, Austin is unlikely to reach a 50 percent homeownership rate in the near future: 85 percent of new households would need to be homeowners for the City to reach a 50/50 tenure in the next 10 years.

Exhibit 3–4
Homeownership Rate,
City of Austin, 1990, 2000
and 2007

Source:
Census, 2000 and 2007, and City of
Austin

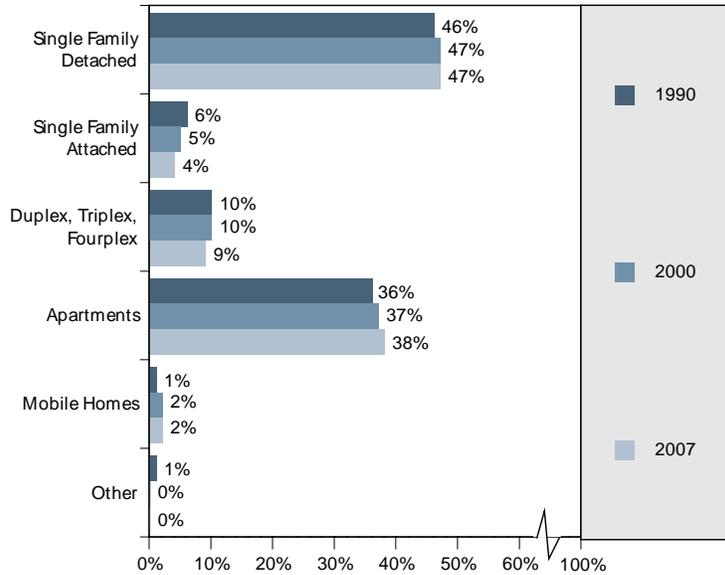


Type and size of units

Austin’s housing stock primarily consists of single family detached units and apartments, defined as structures with 5 to 50 units. The distribution of housing units has changed very little since 1990, as seen in Exhibit 3–5. In other words, the housing units added to Austin since 1990 have resembled the existing housing stock. Although multifamily permits have been a larger proportion of the overall permits in the past 15 years—sometimes as high as 60 to 70 percent of all permits—the overall number of multifamily units is still smaller than the overall number of single family detached homes.

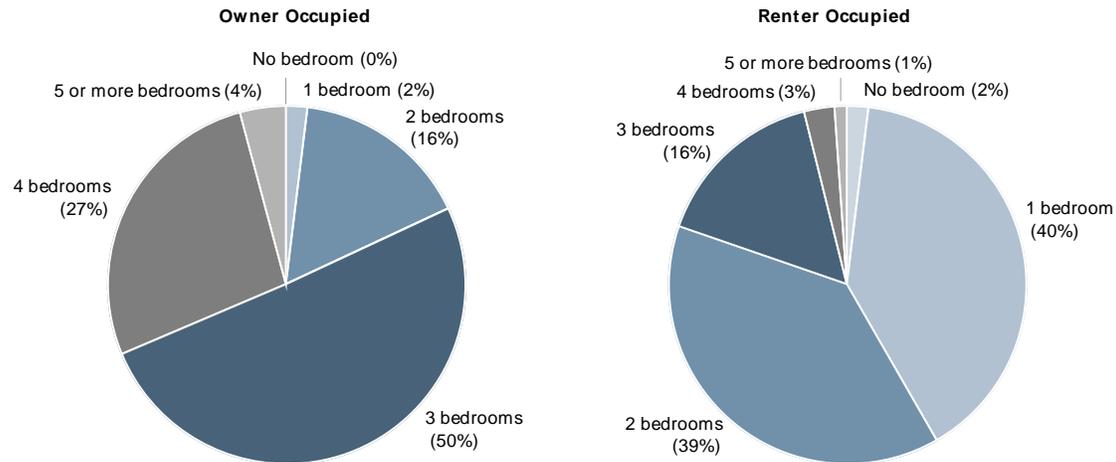
**Exhibit 3–5
Housing Units by Type,
Austin, 1990-2007**

Source:
U.S. Census Bureau 2007.



Austin’s rental units are most likely to be one-bedroom units (40 percent of rental units have one bedroom) or two-bedroom units (39 percent). Austin’s owner-occupied units most commonly have three bedrooms (50 percent), followed by four bedrooms (27 percent), as shown in Exhibit 3–6.

**Exhibit 3–6
Housing Units by Size, Austin, 2007**



Source: U.S. Census Bureau, 2007.

Age and condition

The age distribution of renter- and owner-occupied units in Austin closely resemble one another. Nearly 50 percent of renter-occupied units were built in the 1970s and 1980s. An additional one-third of the units were built between 1990 and today. A study of housing preservation in Austin early in 2008 found that more than 55 percent of duplexes and 79 percent of small and medium-sized apartment buildings were built before 1980. Of these, 22

percent are more than 20 years old and have high occupancy rates. Austin’s owner-occupied housing stock contains a larger proportion of units built before 1970 (21 percent). Fewer owner-occupied homes than renter occupied units were built in the 1970s and 1980s; however, a slightly higher proportion of owner-occupied units were built in 2005 or later, and are more likely to meet the residential demand.

In general, Austin’s housing stock is in good condition: Few housing units in Austin lack complete plumbing (1,570 units); a little over one percent of units lack complete kitchens (3,833 units). Overcrowded units are defined as units with an occupant to room ratio of one or more.¹ Two percent of owner-occupied units in Austin were considered overcrowded in 2007. Rental units are more likely to be overcrowded; 6 percent of units in Austin have a ratio of occupants per room of one or more.

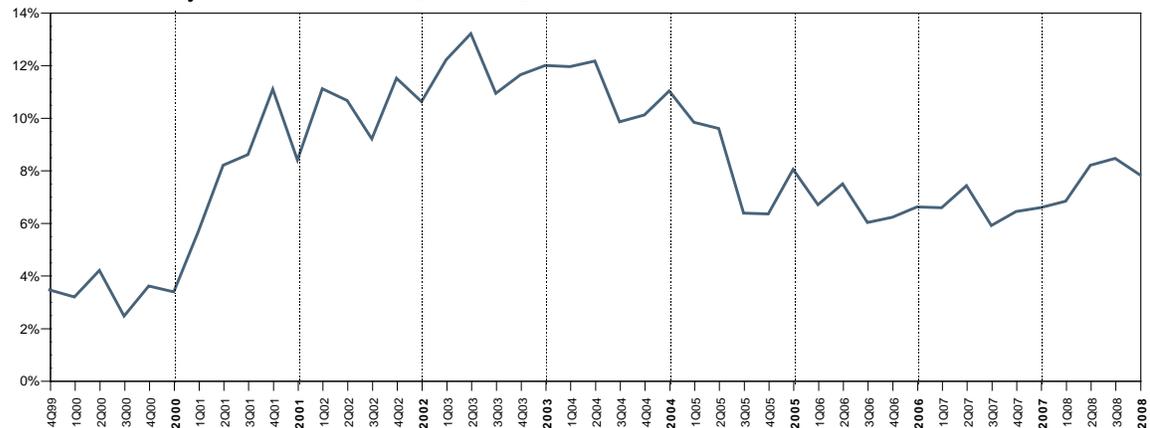
Overall vacancy rates

The Census estimated a 2007 vacancy rate of 7.7 percent for rental properties and 3.4 percent for ownership units in Austin. Of the nearly 27,000 unoccupied units, most were for rent (11,078) or for sale (4,171). An additional 6,540 of the units were considered “other vacant”, which includes seasonal homes or homes held off the market because of rehabilitation work, lack of market demand, etc. Vacancy rates have risen since 2000, when the Census estimated very low rates of 3.6 percent for rentals and 1.5 percent for ownership units.

Rental market vacancies

Austin’s rental market has strengthened recently after a downturn in 2002 and 2003. As of the third quarter 2008 (3Q2008), the vacancy rate for rentals was 8.45 percent. This compares to 13.19 percent in the second quarter 2003, when the market was at one of its weakest points of the decade. Exhibit 3–7 shows vacancy rates since fourth quarter 1999 by quarter.²

**Exhibit 3–7
Rental Vacancy Rates, Austin, 4Q99 to 3Q08**



¹ A person per room ratio is the most common measure for defining overcrowding. “Measuring Overcrowding in Housing”, 2007, http://www.huduser.org/Publications/pdf/Measuring_Overcrowding_in_Hsg.pdf

² These data represent buildings with 50 units or more.

Vacancy rates vary by apartment class. Class B and C apartments—generally moderate to lower cost rentals except in Central Austin—had the lowest vacancy rates at 6.5 and 7.4 percent, respectively³. This compares to 12.8 percent for higher priced Class A apartments.

Rental vacancy rates also vary within Austin depending on location and apartment class. During 3Q08:

- For Class A apartments, vacancies were very high (between 17 and 18 percent) in central and downtown Austin. Vacancies were also very high for apartments located in the northeast and south. Vacancies were lowest in the southwest and far northeast—however, these “low” vacancy rates for Class A apartments appear high relative to the vacancies for Class B and C apartments.
- Vacancies for Class B apartments are very low (4 percent) for apartments in Central, South and Southwest Austin—areas within relatively close proximity to UT.
- Class C apartment vacancies in the central part of Austin are extremely low at less than 3 percent. There appears to be high demand for rentals in this area that rent for less than \$1.50 per square foot. Vacancies for Class C units are highest in the southern and southwestern portion of the City.

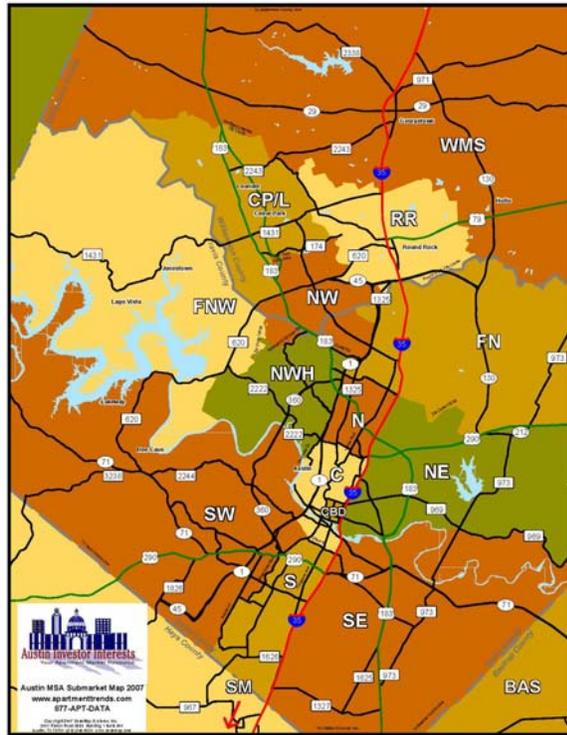
Exhibit 3–8 summarizes these data, along with a map that shows the submarkets.

³ Austin Investors Interest defines apartment class based on age of building. Class A are built after 1997; B built between 1984 and 1997; and C built before 1984.

Exhibit 3-8
Vacancy Rates by Apartment Class and Location, City of Austin, 3Q2008

Location	Class A	Class B	Class C
Central	17.4%	4.3%	2.7%
Central Business District	18.6%	N/A	
Far North	15.4%	5.5%	8.4%
Far Northwest	7.9%	5.2%	N/A
North	N/A	6.6%	8.2%
Northeast	18.8%	10.6%	9.1%
Northwest	10.3%	5.6%	4.9%
Northwest Hills	8.3%	8.3%	6.6%
South	18.1%	4.6%	5.3%
Southeast	10.8%	8.5%	11.0%
Southwest	7.3%	3.9%	14.1%

Note: Areas with the lowest vacancies are shaded.



Source: Austin Investor Interests.

Housing Cost

In the housing industry, housing affordability is commonly defined in terms of the proportion of household income that is used to pay housing costs. Housing is “affordable” if no more than 30 percent of a household’s monthly income is needed for rent, mortgage payments and utilities. When the proportion of household income needed to pay housing costs exceeds 30 percent, a household is considered “cost burdened.”

Housing costs are also examined in the context of the Median Family Income or MFI. HUD divides low- and moderate-income households into categories, based on their relationship to the median family income (MFI): extremely low-income (earning 30 percent or less of the MFI), very low-income (earning between 31 and 50 percent of the MFI), low-income (earning between 51 and 80 percent of the MFI) and moderate-income (earning between 81 and 95 percent of the MFI). The current MFI for the Austin area is \$73,300.⁴

Rental market

The average rent for apartments in Austin was \$843 as of the third quarter of 2008, according to Austin Investor Interests. M/PF Yieldstar, a real estate firm that tracks multifamily market conditions, reports a second quarter 2008 average rent for the Austin metro area of \$839. Rental units in Austin averaged \$.99 per square foot. This means that a 500 square foot apartment would rent for \$495/month; a 1,000 square foot apartment would rent for \$990/month. Price per square foot varies by apartment class, with A-class apartments averaging \$1.08 per square foot; B-class at \$.99 per square foot and C-class at \$.92 per square foot. More than half of apartments offered concessions as of 3Q08. Exhibit 3–9 shows average rents by type and averages by apartment size and the number and proportion of renter households in Austin who could afford such rents without being cost burdened.⁵ It also shows what renters can afford based on the MFI. The exhibit shows the following:

- An estimated 69 percent of Austin’s renters could afford the average-priced efficiency (studio) unit without being cost burdened in the third quarter of 2008, leaving 31 percent of renters unable to afford the average-priced efficiency.
- A little more than half of renters could afford the average-priced one-bedroom unit, 45 percent could afford two-bedroom units and 35 percent could afford the average-priced three-bedroom unit.
- Overall, 49 percent of Austin’s renters could afford the average-priced rental unit in the third quarter of 2008.

⁴ NHCD uses a different definition for low- and moderate-income households, based on Community Development Block Grant regulations, in 24 CFR 570. CDBG definitions are the following: very low-income (earning 30% or less of MFI), low-income (earning between 31% and 50% of MFI), and moderate-income (earning between 51% and 80% of MFI).

⁵ Based on the Census’ 2007 American Community Survey (ACS) income by tenure.

**Exhibit 3-9
Income Needed to
Afford Average
Rent, by Unit Size,
3Q08**

Source:
Austin Investor Interests and
BBC Research & Consulting.

	Average Rent	Income Needed to Afford	Percent of MFI	Percent of renter households who can afford
Efficiency	\$ 546	\$ 21,840	32%	69%
1 bedroom	\$ 728	\$ 29,120	42%	57%
2 bedroom	\$ 935	\$ 37,400	54%	45%
3 bedroom	\$ 1,160	\$ 46,400	67%	35%
4 bedroom	\$ 1,700	\$ 68,000	98%	18%
5 bedroom	\$ 2,727	\$ 109,080	158%	6%
All	\$ 843	\$ 33,720	35%	49%

Subsidized Rental Housing

Low-income residents in the City of Austin and persons with special needs have difficulty finding affordable housing in the private market. Austin's lowest income renters have extreme difficulty finding affordable rental units and must find assisted or subsidized housing that meets their need for an affordable rental unit. Income restrictions for subsidized rental housing vary by program, depending on federal regulations. All, however, serve low and very-low income households. One key issue the City must address in its preservation strategy is the number of subsidized units that are at risk in the near future. Austin has almost 1,350 units of Project-Based Section 8 complexes with mortgages that will expire by 2011, with about 73 percent (779 units) expiring in 2010. In addition, developments financed with federal housing tax credits and grants for elderly/disabled housing will begin to expire in a decade. The City must continue to pursue funding opportunities to leverage critical funding gaps. The Neighborhood Housing and Community Development Office (NHCD) should continue to look for opportunities where new funding sources are identified for preservation efforts. Exhibit 3-10 illustrates subsidized units in the City of Austin, from the City of Austin's April 2008 report, *Preserving Affordable Housing in Austin, A Platform for Action*.

**Exhibit 3-10
Subsidized Units in
the City of Austin**

Source: Preserving Affordable
Housing in Austin, A
Platform for Action, April
2008

Type of Subsidized Housing	Number of Affordable Units	Expiration Date
Housing Authority of the City of Austin (HACA)	1,928	Ongoing, subject to federal authorization
Housing Authority of Travis County (HATC)	105	Ongoing, subject to federal authorization
HACA, Housing Choice Vouchers	5,127	Ongoing, subject to federal authorization
HATC, Housing Choice Vouchers	564	Ongoing, subject to federal authorization
Project-Based Section 8	1,347	73% (799 units) set to expire in 2010
Low-Income Housing Tax Credits	8,122	15-20 year affordability; earliest will expire in 2020
Section 202	405	40 year affordability
Section 811	103	40 year affordability
Total Affordable Housing Inventory	17,701	

Homeownership in Austin

The median prices reported will differ from those reported by the Texas A&M Real Estate Center because of two methodological differences: area of geographic analysis and the type

of listing analyzed. With data provided directly from the Austin Board of Realtors (ABOR), BBC Research & Consulting analyzed listings only within the City of Austin, as opposed to the Austin-Round Rock MSA. Additionally, BBC methodology includes all listings, which includes not only sold listings, but also expired and withdrawn listings.

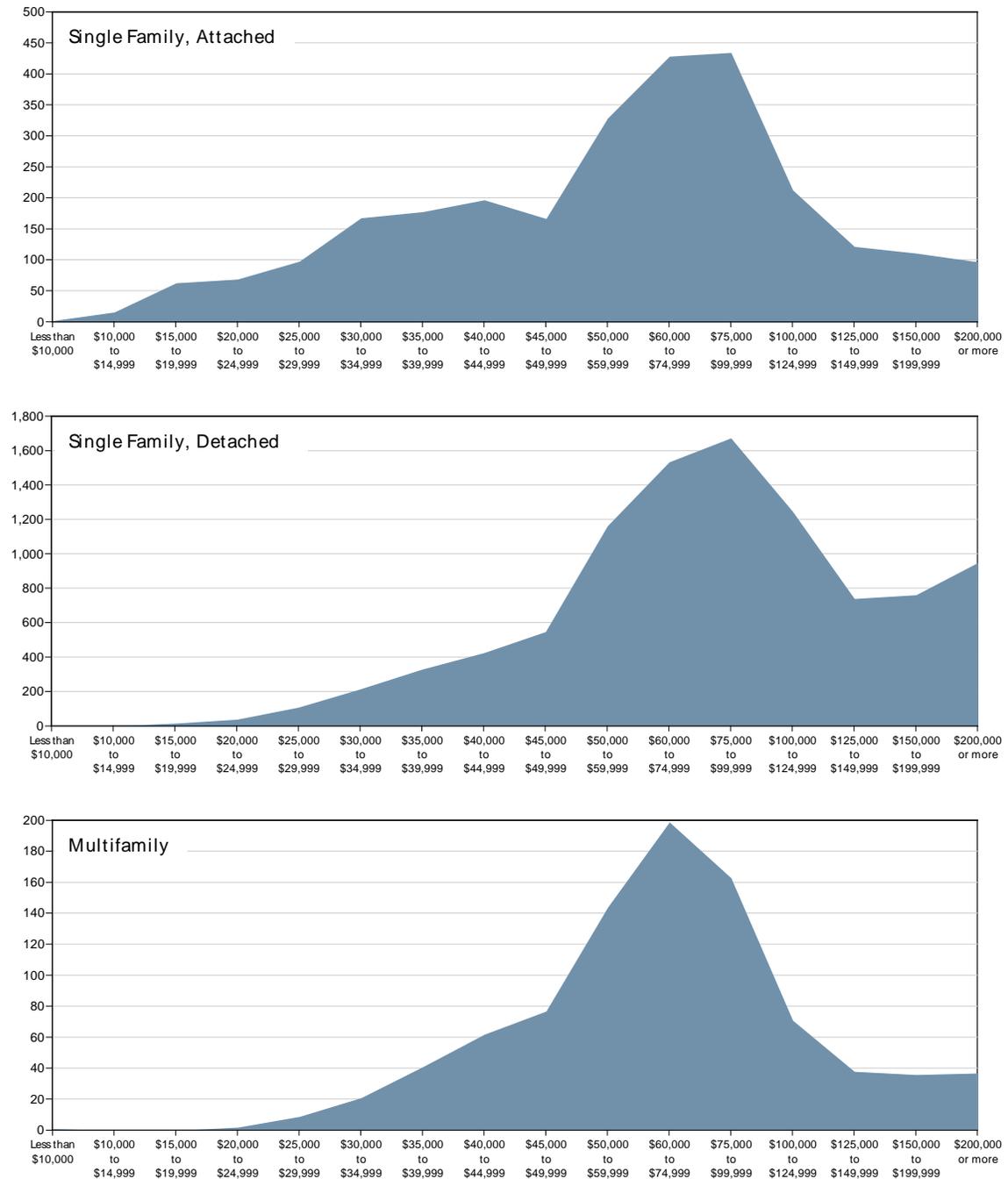
Statistics presented for 1998 includes listings for the entire year. Statistics presented for 2008 includes listings from January 1, 2008 through October 31, 2008.

As of October 2008, the median price of all homes in Austin on the for sale housing market was \$240,000. More specifically, the median price for detached single family homes, which includes houses and detached condominiums, was \$260,000. The median price for a single family attached home, which includes condominiums and garden homes, was \$199,000. Multifamily homes, which include duplexes, triplexes and fourplexes, had a median sales price of \$214,900 in 2008⁶.

Exhibits 3–11 shows the number of detached single-family, attached single-family and multifamily units for sale in Austin in 2008 by the incomes at which they are affordable. It is important to note that households can afford homes in their affordability price range in addition to homes priced below that range.

⁶ The detached, attached and multifamily classifications in this section are based on the classification of the data in the Multiple Listing Service (MLS).

Exhibit 3-11
Distribution of Housing Units Available to Buy by Income Range and Housing Type, 2008



Note: Income levels chosen for dividing lines are arbitrary and intended to point out obvious break points

Source: MLS and BBC Research & Consulting

The graphs demonstrate where the peak and valleys exist in housing supply. For example, households in Austin earning between \$75,000 and \$100,000 had the most options in 2008 for purchasing homes; households earning less than \$25,000 had the fewest choices.

An estimated 13 percent of renters and 53 percent of owners in Austin could afford the median priced for sale unit in 2008⁷. Affordability increases for the less expensive single family attached and multifamily products and decreases for the more expensive single family detached units. Exhibit 3–12 displays the percentage of renter and owner households that could afford median priced units in Austin.

**Exhibit 3–12
Affordability of Median
Priced Units to Renter
and Owner Households,
Austin, 2008**

Source: MLS and BBC Research & Consulting.

	All Units	Single Family Detached	Single Family Attached	Multifamily
Median Price	\$240,000	\$260,000	\$199,000	\$214,900
Renters	21,463	18,631	36,620	30,742
<i>Percent</i>	13%	11%	22%	19%
Owners	74,405	69,029	87,772	82,588
<i>Percent</i>	53%	49%	62%	58%

Location of housing by affordability for single family units

Exhibits 3–13 through 3–16 show where housing is located that is affordable to two distinct income categories:

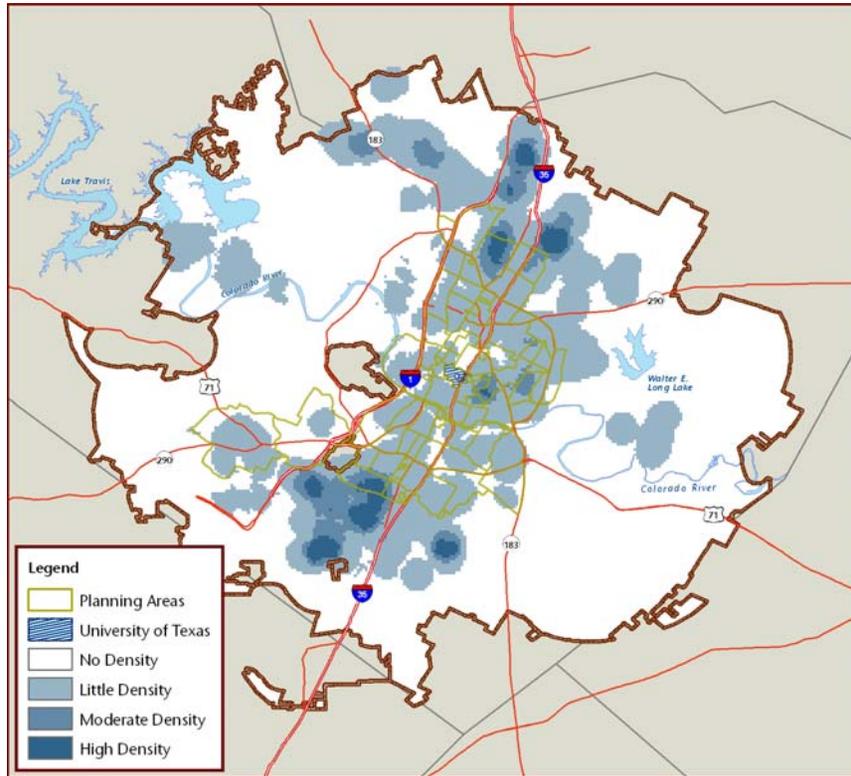
1. Low-income households, earning between 51 and 80 percent of MFI, or between \$34,551 and \$55,280; and
2. Moderate-income households, earning between 81 and 95 percent of MFI, or between \$55,281 and \$65,645.

Detached units that were for sale in 2008 and affordable to the lowest income households in Austin were mostly located on the far north and south sides of the City. Attached units affordable to this income segment were mostly located in the central, southeast and northwest portion of the City. The darker the shading, the higher the number of affordable units.

For moderate income households, affordable detached units were located in the far north-central, northwest, and far south parts of the City. Affordable attached units were distributed throughout the City, with some clustering in the central, northwest and southeast parts of the City.

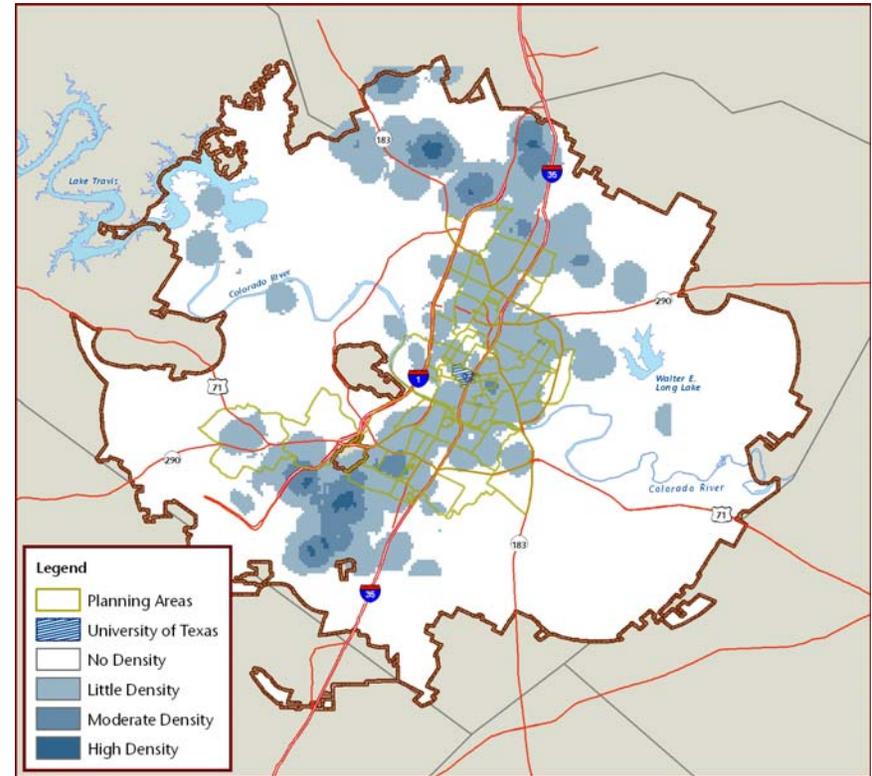
⁷ Based on the Census' 2007 American Community Survey (ACS) income by tenure and 2008 MLS data.

Exhibit 3-13
Location of *Detached* Single Family Units
Affordable to 51% to 80% MFI (\$34,554 to \$55,280)



Note: Assumption is made that households seek housing units near the top of their affordability threshold. Thus, units shown in this map are priced between \$111,874 and \$178,165
 Source: MLS and BBC Research & Consulting.

Exhibit 3-14
Location of *Detached* Single Family Units
Affordable to 81% to 95% MFI (\$55,281 to \$65,645)

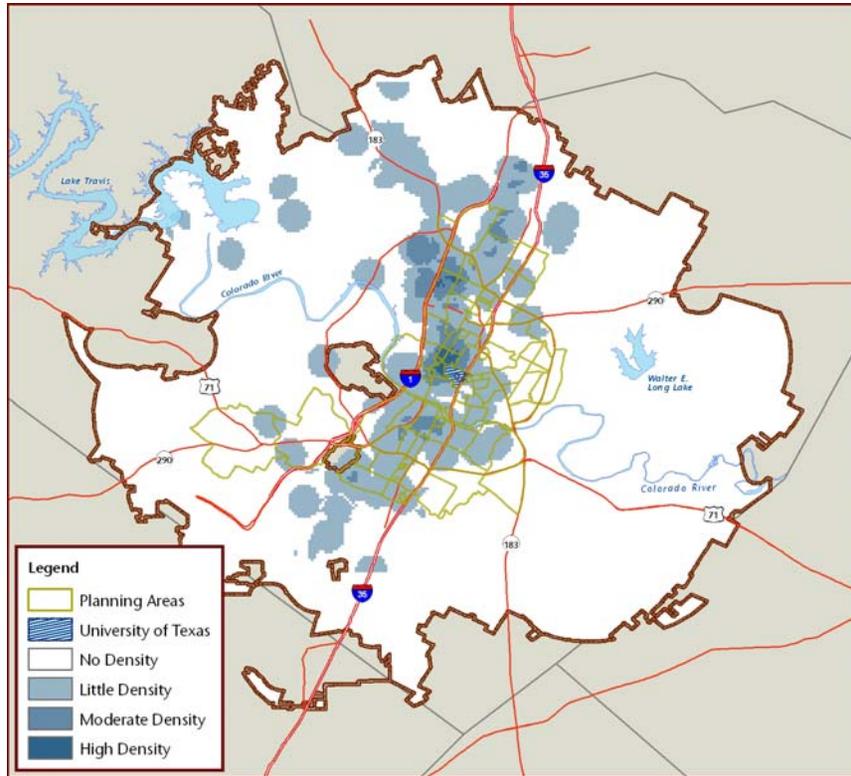


Note: Assumption is made that households seek housing units near the top of their affordability threshold. Thus, units shown in this map are priced between \$178,166 and \$211,281.
 Source: MLS and BBC Research & Consulting.

Exhibit 3-15

Location of *Attached* Single Family Units

Affordable to 51% to 80% MFI (\$34,554 to \$55,280)



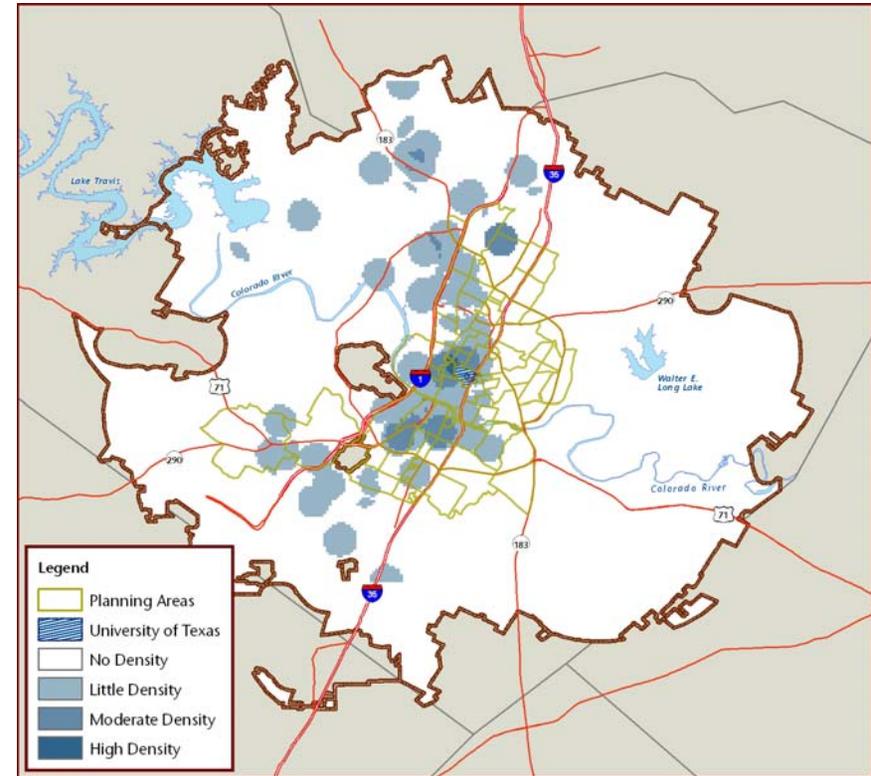
Note: Assumption is made that households seek housing units near the top of their affordability threshold. Thus, units shown in this map are priced between \$111,874 and \$178,165

Source: MLS and BBC Research & Consulting.

Exhibit 3-16

Location of *Attached* Single Family Units

Affordable to 81% to 95% MFI (\$55,281 to \$65,645)



Note: Assumption is made that households seek housing units near the top of their affordability threshold. Thus, units shown in this map are priced between \$178,166 and \$211,281.

Source: MLS and BBC Research & Consulting.

HOUSING NEEDS

As part of the comprehensive housing market study completed by BBC Research and consulting, an exercise was completed to examine housing need across all income levels. This exercise identified mismatches in supply and demand for all households in Austin. The exercise reported the results of a modeling effort called a gaps analysis, which compares housing affordability for households at different income levels to the supply of housing units affordable at these income levels.

Three different scenarios were examined:

- ▶ Renters looking for rental properties
- ▶ Renters interested in purchasing a single family home
- ▶ Homeowners looking to sell their current home and purchase another home

Housing is “affordable” if no more than 30 percent of a household’s monthly income is needed for rent, mortgage payments and utilities. When the proportion of household income needed to pay housing costs exceeds 30 percent, a household is considered “cost burdened.”

Specific information on data sources and modeling assumptions will not be presented in this chapter. Please refer to the Austin Comprehensive Housing Market Study for a more detailed explanation of this modeling exercise. Visit www.cityofaustin.org/housing for more information.

Rental mismatch summary

Exhibit 3-17 compares the supply of rental units to the number of renter households in each category. The Rental Gap column identifies the shortages and excesses in the market—this is the rental unit mismatch. The rental gaps analysis shows the following:

- In 2008, 21,700 renter households—13 percent of all renter households in Austin—earned less than \$10,000. These households could only afford to pay a maximum \$175 per month in rent without being cost burdened. Austin has approximately 2,400 units and rental assistance vouchers for these households—leaving a gap of 19,300 underserved households.
- Another 24,500 renter households—14 percent of all renters—need apartments with rents of between \$175 and \$425 to avoid being cost burdened. These households earn between \$10,000 and \$20,000 per year. In 2008, these renters had approximately 4,750 affordable units and vouchers available to them, leaving a gap of 19,800 underserved households.
- For renters to have a range of affordable choices in Austin, they must earn at least \$25,000 per year. For renters with incomes of \$25,000 and more, affordable rental units abound: Austin’s rental market is narrowly priced, with most rents between \$550 and \$1,150 per month. Seventy-nine percent of rental units fall within this price band.
- Sixty-four percent of Austin’s renters earn more than \$25,000 and, as such, are adequately served by the rental market. For the other 36 percent, it can be difficult to

find an affordable rental, and many find themselves paying more than 30 percent of their incomes for housing. This can constrain their ability to save for the downpayment needed to purchase a home.

**Exhibit 3-17
Rental Gaps Analysis, 2008**

2005 Income Ranges	Maximum Affordable Rent	Renters		Rental Units 3Q08		Rental Gap
		Number	Percent	Number	Percent	
Less than \$10,000	\$175	21,719	13%	2,397	1%	(19,322)
\$10,000 to \$14,999	\$300	12,390	7%	1,932	1%	(10,458)
\$15,000 to \$19,999	\$425	12,160	7%	2,822	2%	(9,339)
\$20,000 to \$24,999	\$550	13,819	8%	15,446	9%	1,627
\$25,000 to \$34,999	\$775	26,530	16%	79,034	44%	52,504
\$35,000 to \$49,999	\$1,150	28,103	17%	63,186	35%	35,083
\$50,000 to \$74,999	\$1,725	29,583	18%	13,366	7%	(16,217)
\$75,000 to \$99,999	\$2,300	10,898	7%	1,476	1%	(9,422)
\$100,000 to \$149,999	\$3,550	6,335	4%	292	0%	(6,043)
\$150,000 or more	\$3,550 +	4,113	2%	55	0%	(4,057)
Total		165,650	100%	180,006	100%	

Source: BBC Research & Consulting.

Single Family Affordability

This gap analysis for the affordability of homes for sale was conducted to examine two facets of the for-sale market:

- How easily renters at different income levels can afford to buy a home; and
- How easily current owners could afford to sell their current home and buy another home in Austin.

The distribution of for-sale units by price for Austin was based on 2008 listings and sales of homes on the market in Austin.

Renter/For-Sale mismatch

Exhibit 3-18 on the following page shows the estimated number of renter households in each income category in 2008, along with the number and proportion of homes affordable to them as of 2008. This shows how well the for-sale market is able to serve Austin’s renter households looking to buy.

Exhibit 3-18
Affordability of For-Sale Housing to Austin's Renters, 2008

2008 Income Ranges	Maximum Affordable Home Price	Renters		Affordable Attached Homes		Cumulative Percent	Affordable Detached Homes		Cumulative Percent
		Number	Percent	Number	Percent		Number	Percent	
Less than \$10,000	\$33,396	21,719	13%	2	0%	0%	2	0%	0%
\$10,000 to \$14,999	\$49,371	12,390	7%	16	1%	1%	2	0%	0%
\$15,000 to \$19,999	\$65,351	12,160	7%	63	2%	3%	17	0%	0%
\$20,000 to \$24,999	\$81,360	13,819	8%	69	3%	6%	40	0%	0%
\$25,000 to \$34,999	\$113,063	26,530	16%	98	4%	9%	326	3%	3%
\$35,000 to \$49,999	\$160,459	28,103	17%	710	26%	36%	1,306	13%	16%
\$50,000 to \$74,999	\$240,386	29,583	18%	756	28%	64%	2,698	28%	44%
\$75,000 to \$99,999	\$319,770	10,898	7%	435	16%	80%	1,675	17%	61%
\$100,000 to \$149,999	\$479,625	6,335	4%	335	12%	92%	1,990	20%	81%
\$150,000 or more	\$639,449 +	4,113	2%	208	8%	100%	1,714	18%	99%
Total		165,650	100%	2,692	100%	100%	9,770	100%	100%

Source: BBC Research & Consulting.

Renters who want to buy in Austin must earn \$50,000 before one-third of attached units on the market become affordable. The city's 115,000 renters earning less than \$50,000 would have had 950 attached units to choose from if they were house shopping during 2008.

Renters looking for affordable detached homes would have found just 16 percent of the market affordable to them unless they earn more than \$50,000. Renters earning \$75,000 fare better in the market, with 44 percent of detached units affordable in 2008.

In general, renters earning less than \$50,000 per year have limited choices in Austin's market for purchasing a detached single family home. Attached homes are more affordable but still in limited supply until potential buyers reach the \$75,000 income mark.

Homeownership mismatch

Exhibit 3-19 shows how Austin's owner population matches up with the units in Austin's owner-occupied housing market. This analysis examines how easily current owners could move within Austin. In markets with rapid appreciation, some owners find themselves in a situation where they "could not afford to buy the house they are living in." Although this usually means owners have built equity, it can also mean that it is cost-prohibitive for current owners to move within a market.

The homeownership mismatch shows that current owners need to earn at least \$50,000 before they could move in Austin's market easily, unless they have a fair amount of equity in their existing home.

Exhibit 3-19
Homeownership Gaps Analysis, 2008

2005 Income Ranges	Maximum Affordable Home Price	Owners		Homeownership Units		Home-ownership Gap
		Number	Percent	Number	Percent	
Less than \$10,000	\$33,396	3,862	3%	47	0%	(3,815)
\$10,000 to \$14,999	\$49,371	3,374	2%	211	0%	(3,163)
\$15,000 to \$19,999	\$65,351	2,774	2%	939	1%	(1,836)
\$20,000 to \$24,999	\$81,360	5,089	4%	1,279	1%	(3,810)
\$25,000 to \$34,999	\$113,063	9,937	7%	4,974	3%	(4,962)
\$35,000 to \$49,999	\$160,459	15,915	11%	23,652	16%	7,737
\$50,000 to \$74,999	\$240,386	26,090	18%	40,523	28%	14,433
\$75,000 to \$99,999	\$319,770	21,271	15%	24,755	17%	3,481
\$100,000 to \$149,999	\$479,625	27,840	20%	27,277	19%	(563)
\$150,000 or more	\$639,449 +	25,253	18%	22,549	15%	(2,704)
Total		141,405	100%	146,206	100%	

Source: BBC Research & Consulting.

Mismatch by MFI. Exhibit 3-20 on the following page presents the gaps/mismatch analysis using the median family income (MFI) categories for income ranges. It shows data for both rental and homeownership housing. A rental gap of nearly 39,000 rental units exists for “extremely low” income renters, which is the largest gap in Austin.

Exhibit 3-20
Gaps Analysis by MFI Level, 2008

Income Range	Renters		Rental Units		Gap	Owners		Ownership Units		Gap
	Number	Percent	Number	Percent		Number	Percent	Number	Percent	
0% to 30% MFI (\$0 to \$20,730)	48,287	29%	9,375	5%	(38,912)	10,753	8%	1,484	1%	(9,269)
31% to 50% MFI (\$20,731 to \$34,550)	37,140	22%	88,392	49%	51,252	13,837	10%	8,084	6%	(5,752)
51% to 80% MFI (\$34,551 to \$55,280)	35,543	21%	68,956	38%	33,413	21,872	15%	30,877	21%	9,005
81% to 95% MFI (\$55,281 to \$65,645)	12,266	7%	6,021	3%	(6,245)	10,817	8%	18,050	12%	7,232
96% to 120% MFI (\$65,646 to \$82,920)	14,522	9%	5,819	3%	(8,703)	16,502	12%	22,162	15%	5,660
121% to 150% MFI (\$82,921 to \$103,650)	7,908	5%	1,117	1%	(6,791)	16,567	12%	19,533	13%	2,966
More Than 150% MFI (\$103,651+)	9,985	6%	326	0%	(9,659)	51,061	36%	46,018	31%	(5,043)

Source: BBC Research & Consulting.

Summary

The primary findings of the gaps analysis for both current and future needs are summarized in this section.

Rental needs

Austin has a very strong need for affordable rentals. The city's rental market is narrowly priced, with 79 percent of units priced between \$550 and \$1,150 per month (specifically, 44 percent rent between \$550 and \$775 and 35 percent between \$775 and \$1,150). These units are affordable to households earning between \$25,000 and \$50,000.

The city's renters earning less than \$20,000 per year—44,700 renters—had just 7,150 affordable units in the market from which to choose. This means that there are 37,600 more renters earning less than \$20,000 per year than units in the market affordable to them, even after accounting for subsidized units and vouchers. In other words, just 1 in 6 renters earning less than \$20,000 can find affordable housing.

The mismatch between renter income and availability of units is most severe for renters earning less than \$10,000 per year: These 21,700 renters have just 2,400 units affordable to them, leaving a shortage of 19,300 units.

By 2020, the city will need to develop 12,500 rental units priced at \$425 and less to meet the growing needs of low-income renters. To only modestly lower the current low-income rental gap and meet the growing needs, as many as 16,500 units should be constructed.

Homeownership needs

To buy in Austin, potential homeowners must earn at least \$50,000 before one-third of attached units and 16 percent of detached units become affordable. About one-third of the city's renters earn enough to have these choices in Austin's home purchase market. Renters earning \$75,000 have many more choices—however, just 13 percent of Austin's renters earn this much.

Austin has a need for homes priced between \$113,000 and \$240,000 to enable its renter population earning between \$35,000 and \$75,000 per year to become homeowners. In many cities, this demand for affordable homes is partially fulfilled through attached housing; however, in Austin, this ownership product is currently limited.

Future growth of homeowners will demand a slightly different distribution of price points than the city has now. To accommodate future homeowners:

- 8 percent of the units must be priced at \$113,000 and less (likely small condos);
- 13 percent at \$113,000 to \$160,500 (a mix of condos and townhomes);
- 21 percent at \$160,500 to \$240,400 (condos, townhomes, cottages and small single family detached units); and
- 58 percent more than \$240,400 (range of housing options).