

By Kate Carsella, Associate Editor

RENTAL HOUSING

Rental Housing at a 'Turning Point'

The Harvard University Joint Center for Housing Studies recently released its 2017 America's Rental Housing Report, which found that rental construction was a primary driver in housing recovery post-recession, rebounding to the highest annual level since the late 1980s -- 400,000 units in 2015.

Larger buildings account for most of new rental construction. The number of completed rentals in buildings with 20 units or more rose in 2016 to 83 percent, up 29 percent from 2001. These apartments were just over one-fifth of the rental stock in 2016, at 9.9 million units. This was an increase of 37 percent, more than 2.6 million units, from 2001.

Survey data show that the number of single-family rentals (detached, attached, and mobile homes) increased by only 74,000 units between 2015 and 2016, well below the 400,000 annual increase averaged between 2005 and 2015. The slowdown in single-family conversions is a contributor to the growing share of new multifamily units in all of new rentals being built.

Higher-income households, primarily located in high-rise buildings in downtown neighborhoods with high construction and land costs, are being targeted for new rental housing. The current surge in high-end construction is linked to increasing costs; between 2012 and 2017, the price of vacant commercial land was up 62 percent. Concurrently, the combined expenses of construction labor; materials like gypsum, concrete, and lumber; and contractor fees rose 25 percent,

outpacing the general inflation rate of 7 percent. According to estimates included in the Joint Center for Housing Studies' report, the costs of building a basic, three-story apartment building increased by 8 percent from 2016 to 2017. Strict land use regulations also increase costs by limiting the land zoned and available for higher-density housing and requiring lengthy approval processes.

The report concludes the number of renter households will likely experience sustained and robust growth, driving the need for more supply in a variety of rental housing options.

RANKINGS

Best Cities for Families

A new study from German real estate company Homeday ranks the top 100 cities worldwide for raising a family. The Best Cities for Families Index 2017 asked hundreds of parents and 30,000 parenting experts and journalists globally to rate their cities in 13 categories, including affordability, housing, unemployment, education, safety, transportation, and green spaces. Nine U.S. cities made the cut, with five in the top 50: Seattle (31), Houston (35), Boston (36), San Francisco (46), and New York (47). Washington, D.C. (60), Chicago (68), Los Angeles (69), and Miami (73) round out the U.S. cities ranked.

Best-overall Seattle ranked 31st out of the top 100 global cities to raise a family, with a cumulative score of 7.21. Seattle had the best educational system (11 percent over Copenhagen, ranked No. 1) and had the most confidence from parents polled. Seattle also ranked better than Copenhagen in affordability (56 percent), despite the



metro's single-family home prices increasing by 13.2 percent in August year over year. Currently, Seattle's home prices are higher than the composite real estate value of 20 major metropolitan areas including New York, Los Angeles, and San Francisco and are twice the U.S. average.

All nine U.S. cities scored 88 percent lower than Copenhagen in strength of maternity and paternity laws, 43 percent lower in quality of health care, and 20 percent lower for happiness.

Some U.S. cities ranked better than Copenhagen in a variety of categories. Eight of the nine U.S. cities on the list (excluding Miami) scored 13 (San Francisco, New York) to 73 percent (Houston) better in affordability. Boston most frequently outscored Copenhagen, including in the following categories: unemployment, pollution, transportation, and activities for kids.

HOME BUYER TRENDS

What Women Want Factors Big in Homebuyer Preferences

Women think the financial aspects of homebuying, such as home price, resale value, and taxes and insurance costs, are more important when considering

[MARKET UPDATE]

purchasing a home than do men by at least 3.6 percent, according to a recent homebuyer preference survey. Further, women placed more emphasis on local safety and school quality than men. Men place greater importance on inclusion of exterior maintenance.

On average, men spend more time daily on the lawn, garden, and houseplants than women, accounting for their valuation of exterior maintenance in the survey. However, women spend more time daily on household activities overall, which could speak to their greater selectivity on all interior features itemized in the survey, including interior layout and a home's move-in ready status, inclusion of appliances, square footage, and most exterior home characteristics.

The results of the National Association of Realtors' 2017 Profile of Homebuyers and Sellers found that 18 percent of all recent buyers were single females, while only 7 percent were single males. Sixty-five percent were married couples, and 8 percent were unmarried couples.

As the second-largest segment of U.S. homebuyers in 2017, single females are a group to watch. Their potential homebuyer preferences may forecast current and future homebuyer trends.

Survey respondents with children put more importance on each home feature than those without children. Potential homebuyers who are parents valued proximity to a good school as 33 percent more important than those without children and neighborhood

safety and appearance up to 5.3 percent more than the non-parent cohort. The numbers of bedrooms and bathrooms were 8.3 percent and 6.9 percent more important to parents, respectively. Financial costs of owning a home were 1.5 to 1.6 percent less important to respondents without children.

HOUSING MARKETS

Las Vegas' Vibrant Growth

Currently, experts are watching the economy, demographics, and migration patterns to and from Las Vegas, as new



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data suggest its economy is likely to grow about 8.7 percent in 2018, 2.3 percent higher than the expected growth in the remaining top 100 U.S. markets.

One of the biggest draws for potential buyers and renters is Las Vegas' affordability. The median listing price for a single-family home is \$279,988,

whereas in top markets like Seattle and San Francisco, median listing prices range from \$688,000 to \$1,249,000, respectively. Further, the latest forecast from Realtor.com suggests that Las Vegas single-family homes may have one of the sharpest price increases nationwide in 2018.

However, in 2017 Nevada was deemed the most overheated housing market year-over-year by credit rating agency Fitch Ratings. Fitch's assessment was that home prices in the state were overvalued by 15 to 19 percent, raising questions as to how the metro might

2018 PROJECTED HOME VALUE GROWTH

LAS VEGAS	5.8%
SEATTLE	5.3%
SAN FRANCISCO	2.3%

sustain its rate of growth and stabilize. Nationally, home prices are consistently growing 3.5 percent annually.

Stephen Miller, director of the Center for Business and Economic Research at the University of Nevada, Las Vegas, says, "Las Vegas construction activity is heating up, with many projects ongoing, starting, or in the works for the near future – Raiders' stadium (\$1.9 billion), Las Vegas Convention and Visitors Authority expansion (\$1.4 billion), highway construction (Interstate 11 and Project Neon), new public schools, new home construction, and so on."

Miller goes on to describe obstacles for Las Vegas to overcome as it grows, saying, "We are experiencing a shortage of construction workers as are other states in the West. Where will we get the workers is the big question. We are surrounded by land owned by the U.S. Bureau of Land Management. Thus, we also have a land shortage." He concludes, "The labor shortage will get worked out by the markets. Wages will rise for construction jobs." **PB**

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