U3 ADVISORS

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University of North Carolina

Housing Demand Analysis

June 7th, 2023

Executive Summary

Overview

- As the Research Triangle has gained population, the housing market has become increasingly competitive in the last five years
- Developers and planners have responded by adding many housing units throughout the Triangle. However, in Orange County, and especially Chapel Hill, most of the new units are market rate housing and existing rental housing has been switching to owner occupied housing, resulting in marginal nets gains in housing supply
- This competition for housing has also impacted the for-sale market; the median home prices in Chapel Hill and Carrboro are $150,000 higher than the regional median home price of $488,000
- At these current prices, 80% of UNC faculty and staff would be unable to affordably purchase a home in Chapel Hill, Carrboro, and the immediate area surrounding Chapel Hill
- 90% of staff looking to move and buy a home would not pay over $450,000, which is $38,000 below the regional median and well below the median in Chapel Hill and Carrboro

Executive Summary

Methodology Overview

Data Collected

- UNC Employees
  - locations, income, demographic info, etc.
- UNC Graduate Students
- Minimum drive times
- Zillow home sale price
- Zillow regional trends
- CoStar
  - Buildings rents
  - Rental trends

Analyses

- Mapped employees and evaluated their housing patterns, drive patterns, and where they chose to cluster in significant numbers.
- Designed and administered a survey around housing choice/preference that was undertaken by 2,000 UNC employees and graduate students; supplemented this survey with targeted focus groups.
- Evaluated the market housing trends for rental and for-sale housing within key clusters where employees/graduate students live or wish to live to determine affordability.

Institutional Demand: Employee and Graduate Student Trends

02

Current Employees
Demographic Overview

12,395
Non-Temp Employees*

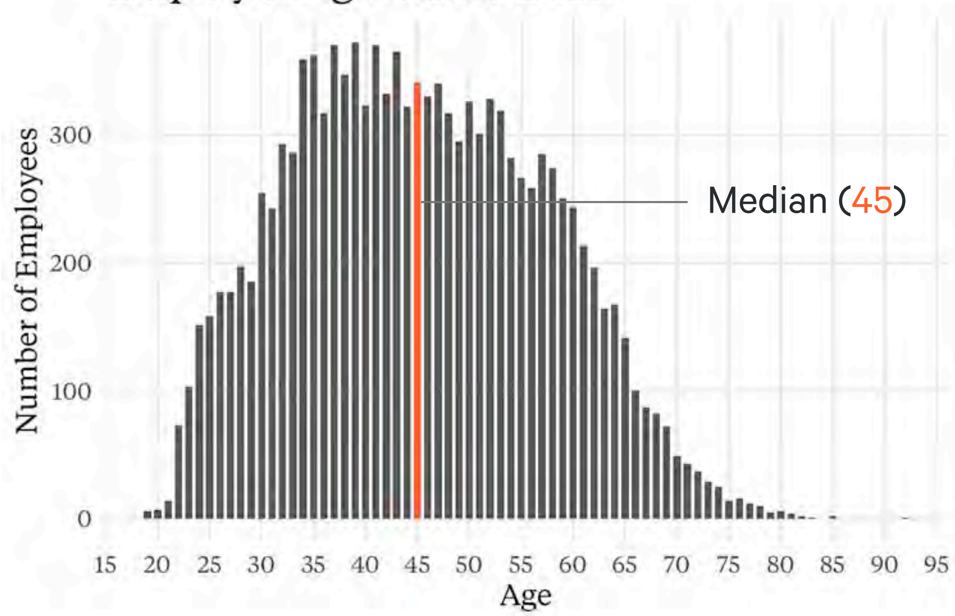
3,964
Faculty**

8,431
Staff

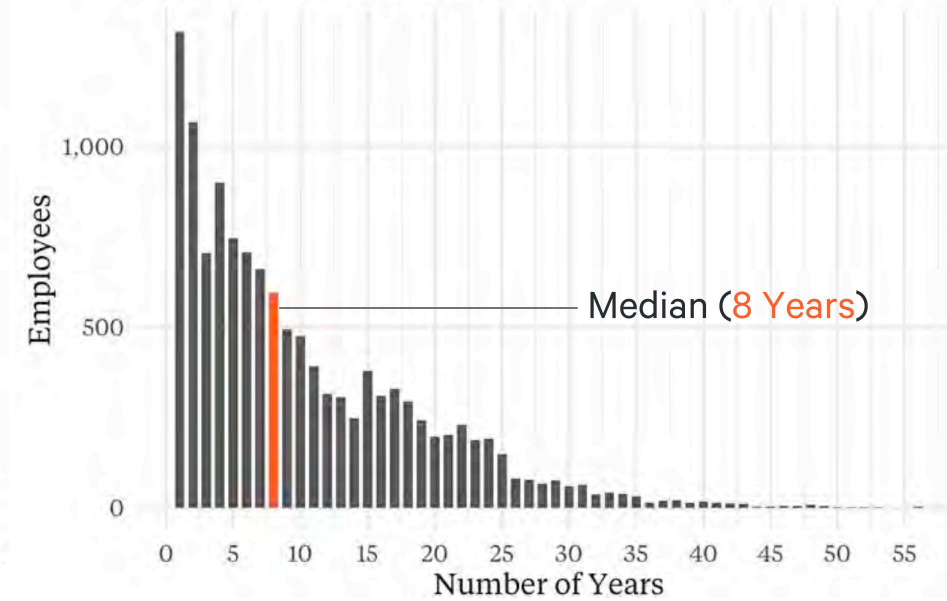
*Temps factored out of housing analysis. Overview of all employees will be provided upon request

**Faculty vs Staff designations not provided in data. This is U3's estimate based on logical position groupings

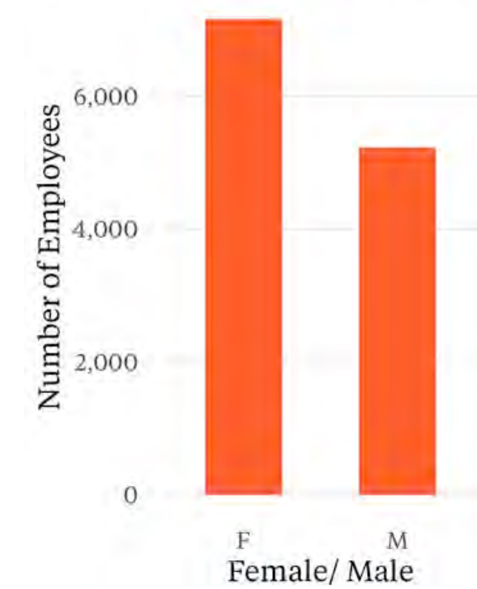
Employee Age Distribution



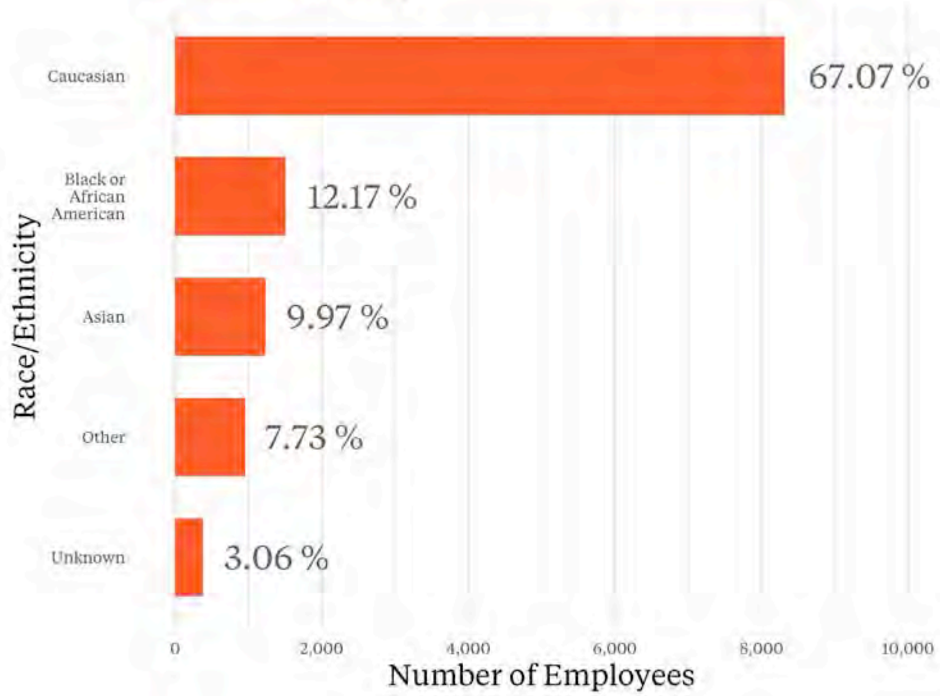
Years of Employment



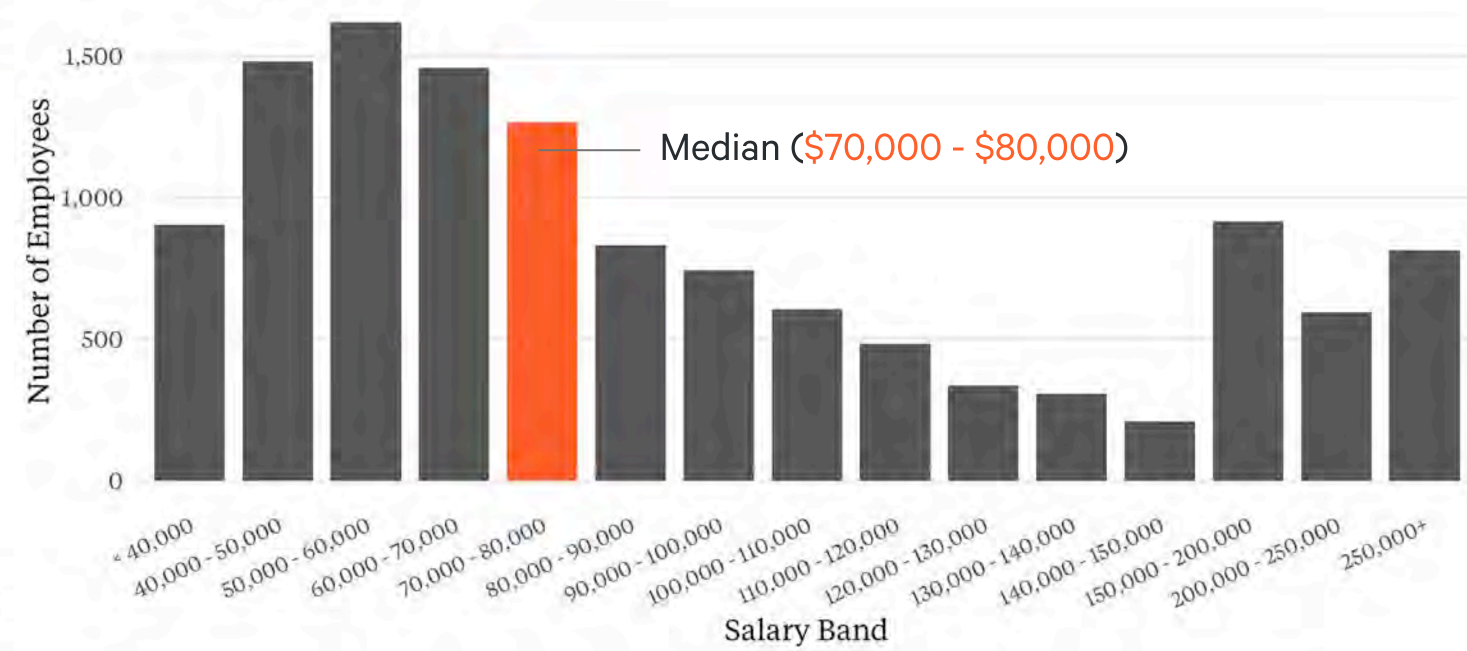
Employee Gender



Race/Ethnicity



Employee Salaries
No Temps



Current Graduate Students

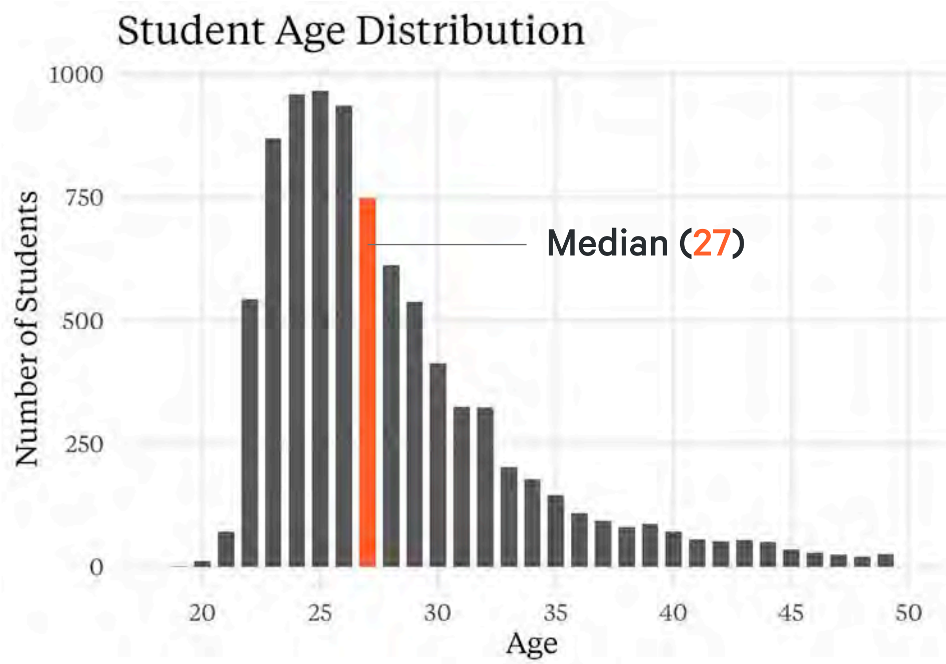
Overview

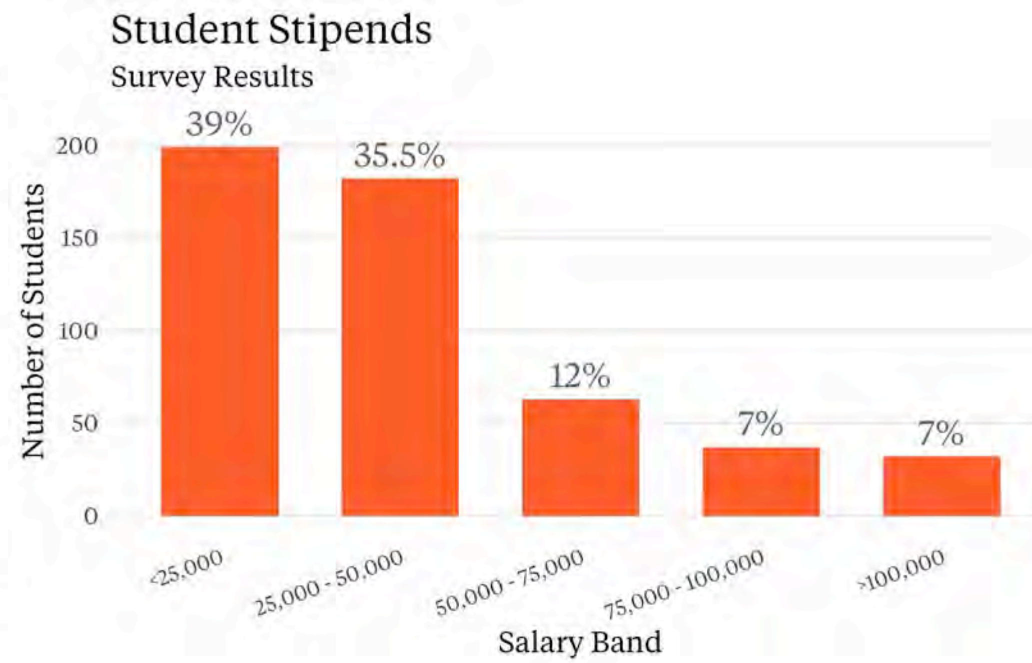
8,752

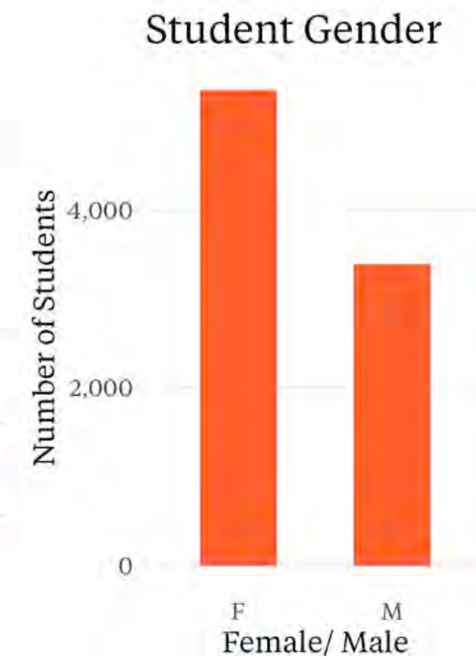
Students*

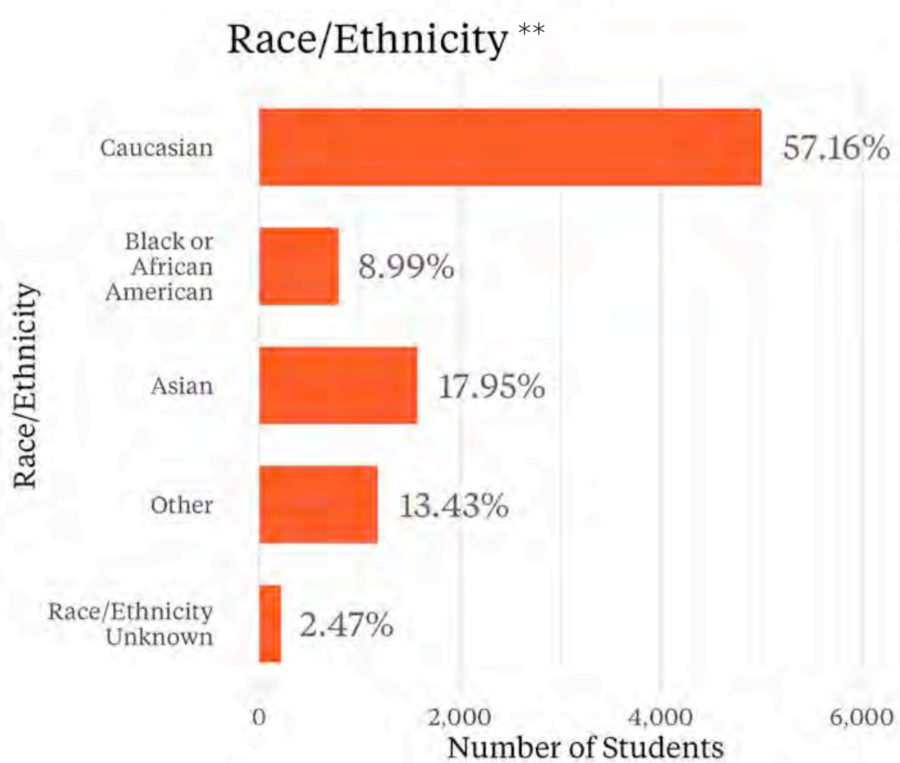
*Using same filtering method as done for employees

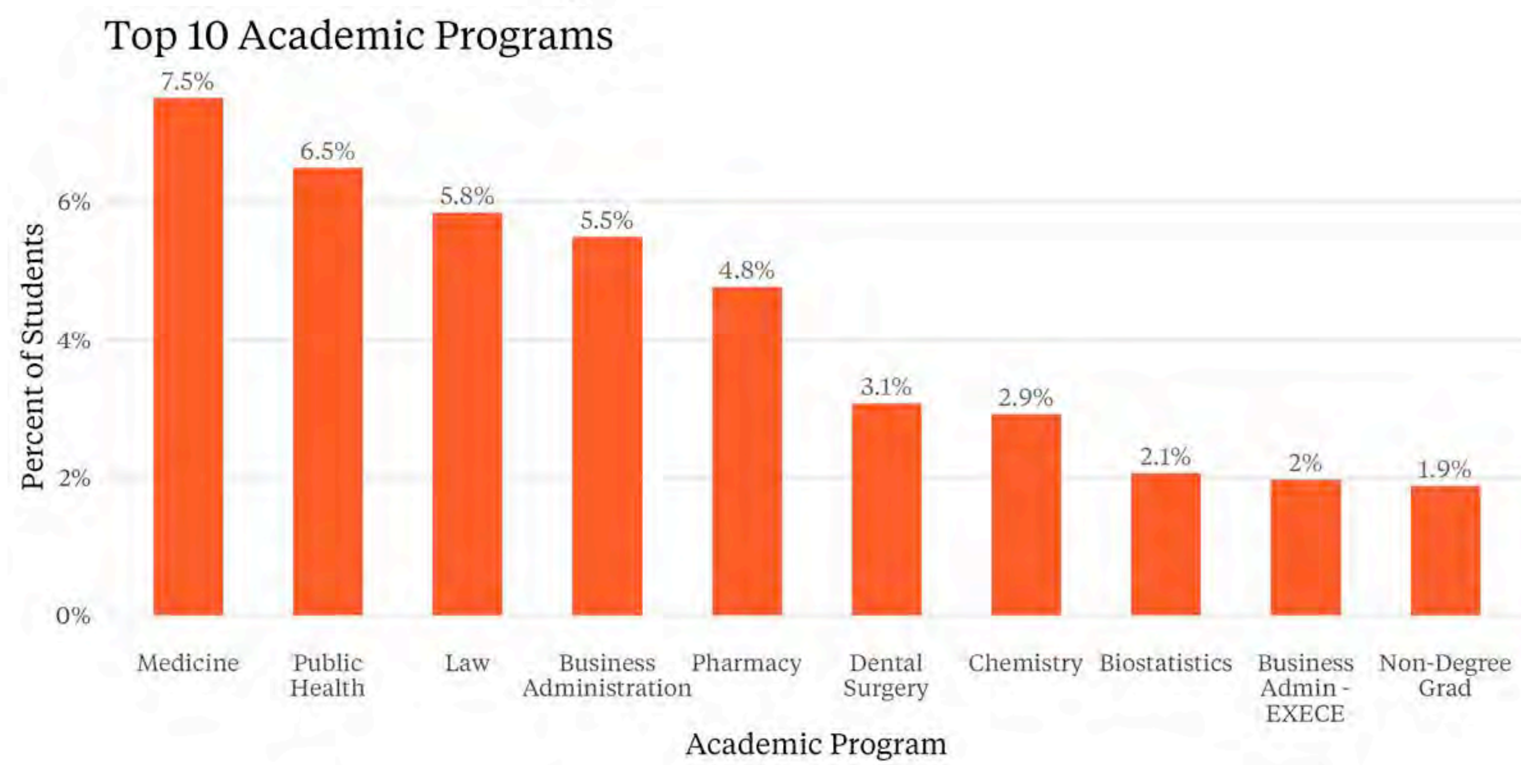
**~9% of students are international





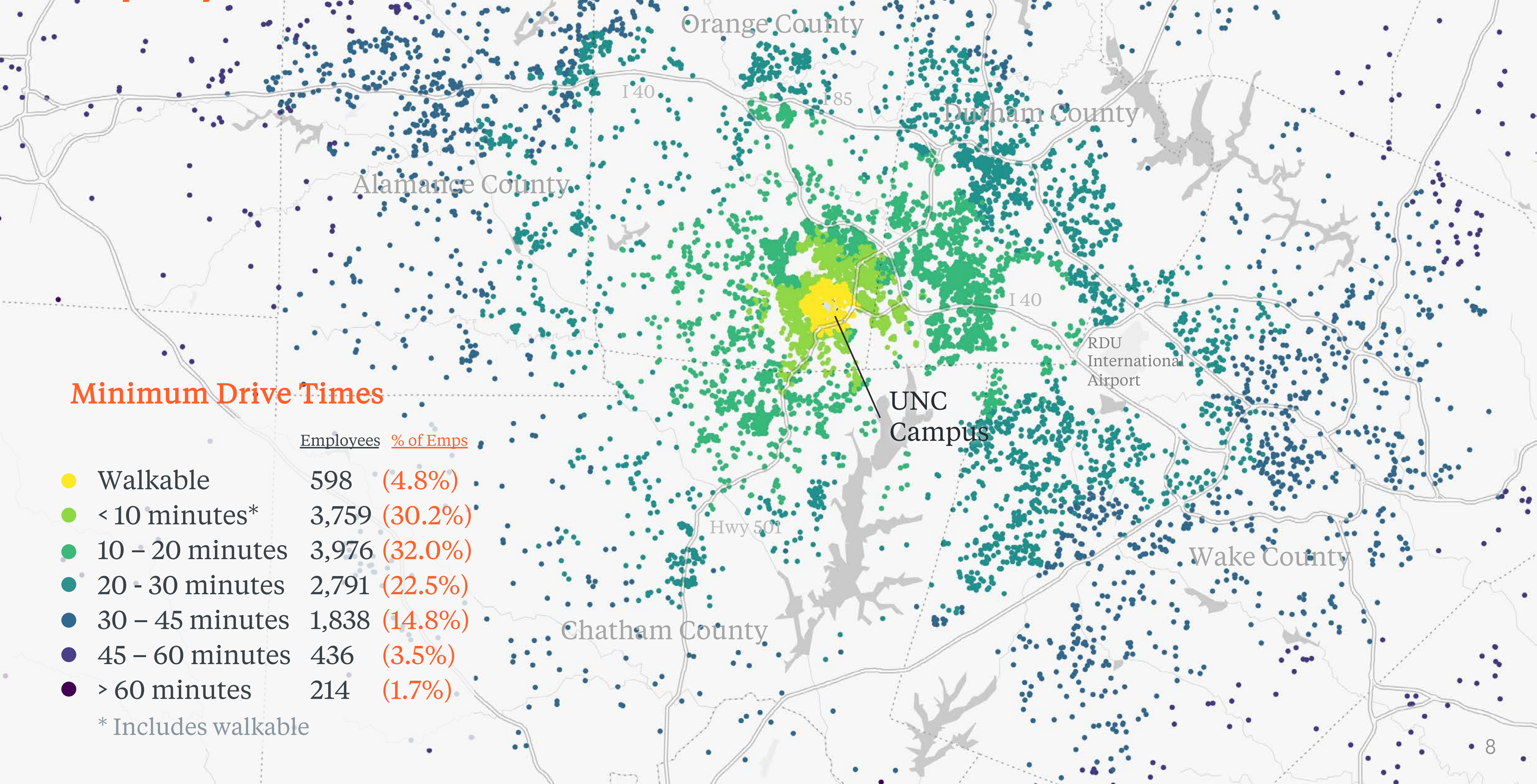






How Far is Your Drive to Campus?

Employees



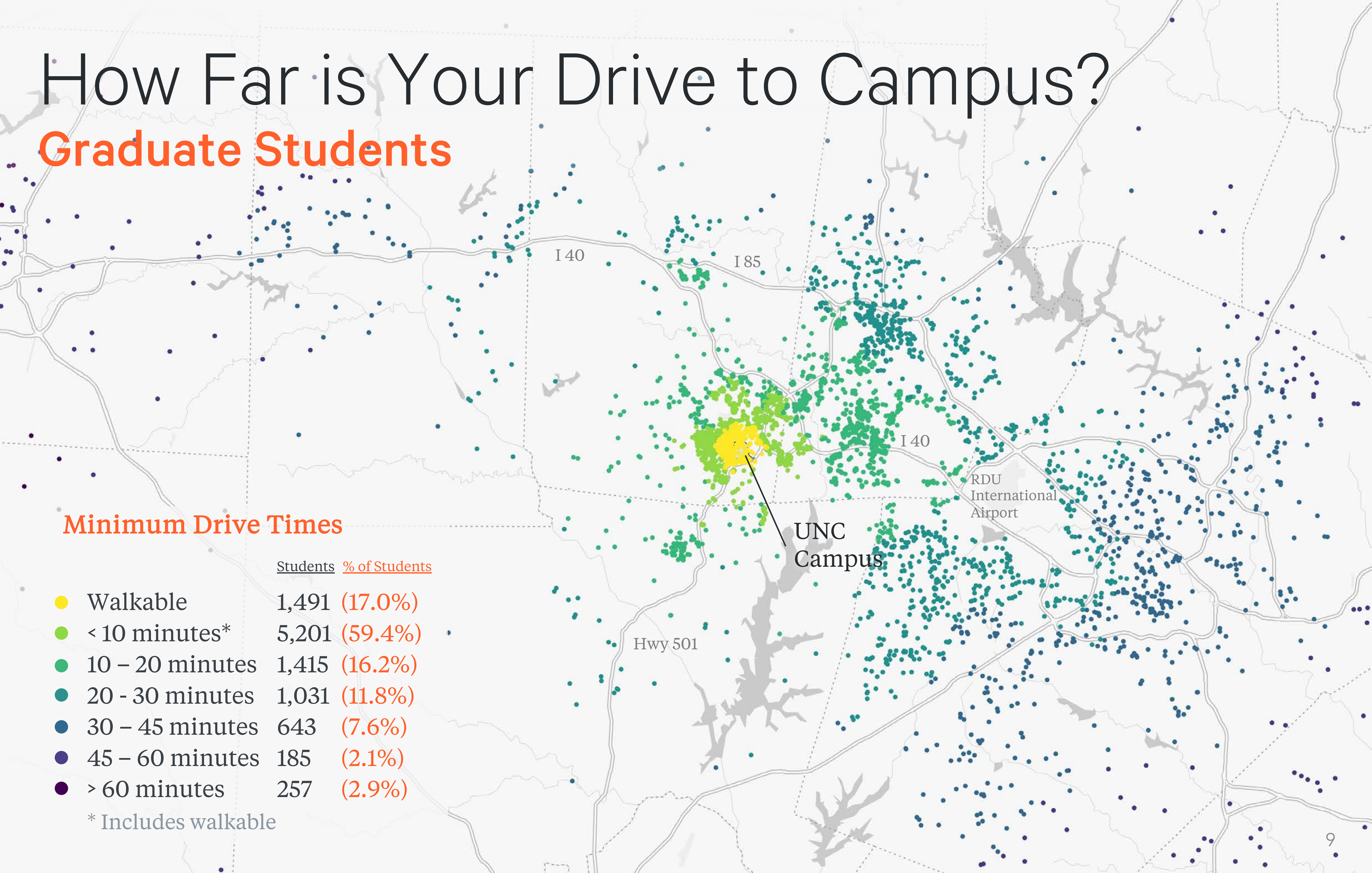
Minimum Drive Times

	Employees	% of Emps
Walkable	598	(4.8%)
< 10 minutes*	3,759	(30.2%)
10 – 20 minutes	3,976	(32.0%)
20 - 30 minutes	2,791	(22.5%)
30 – 45 minutes	1,838	(14.8%)
45 – 60 minutes	436	(3.5%)
> 60 minutes	214	(1.7%)

* Includes walkable

How Far is Your Drive to Campus?

Graduate Students



Minimum Drive Times

	Students	% of Students
Walkable	1,491	(17.0%)
< 10 minutes*	5,201	(59.4%)
10 – 20 minutes	1,415	(16.2%)
20 - 30 minutes	1,031	(11.8%)
30 – 45 minutes	643	(7.6%)
45 – 60 minutes	185	(2.1%)
> 60 minutes	257	(2.9%)

* Includes walkable

What Does this All Mean Anyway?

Position, Salary, and Commute Characteristics

There and Back Again

75% of staff and faculty drive to work; 15% of faculty bike/walk, but only 4% of staff bike/walk. 51% of graduate students rely on transit; 22% bike/walk. Graduate students live closer to campus overall but >50% report commute times exceeding 20 minutes, due to public transportation

People Who Should Live Close, Live the Farthest

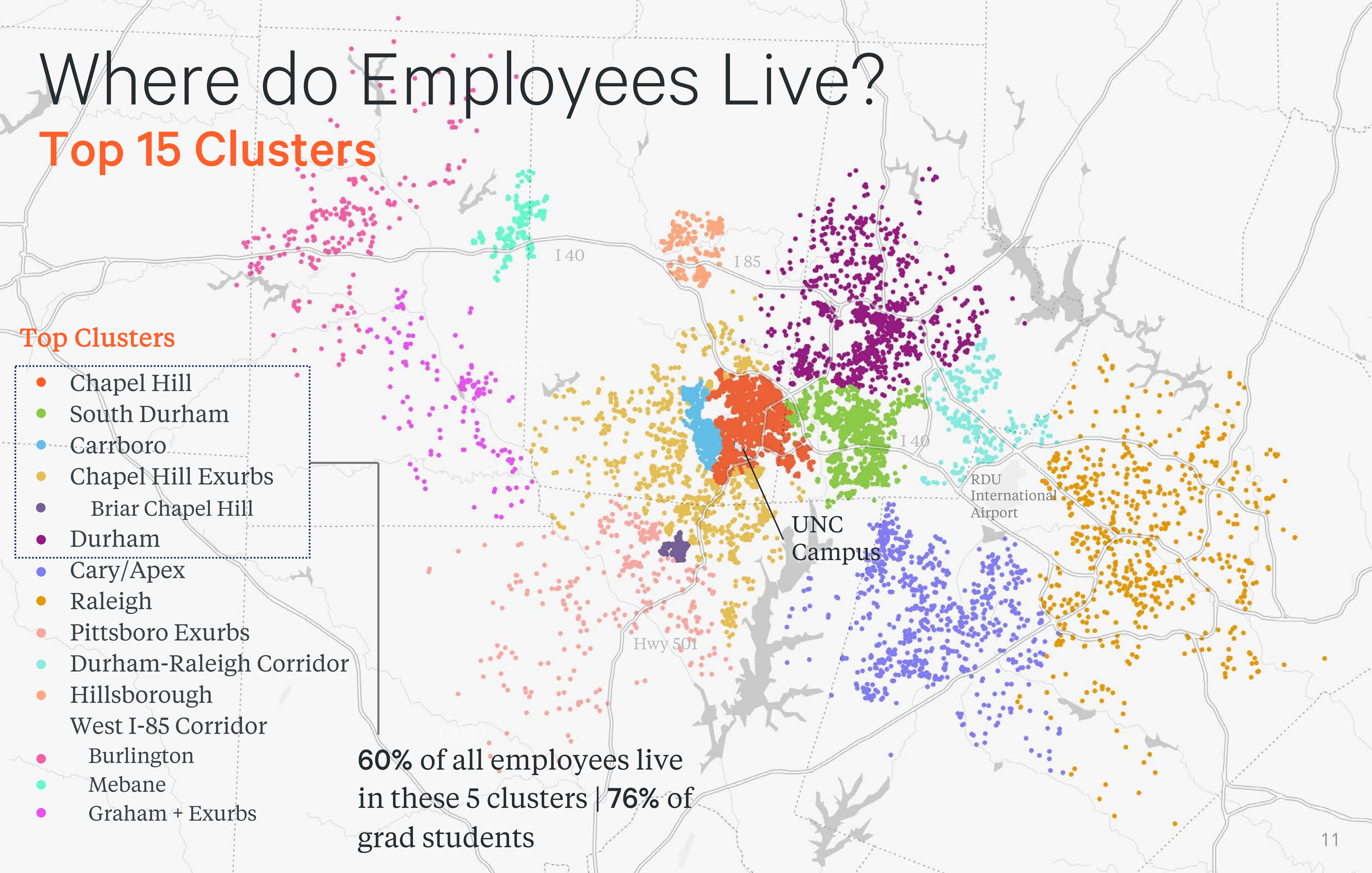
Maintenance and service workers, which must be on campus during odd shift hours, have a median drive time of 25 minutes, the highest among all position

More Money, Less Commute

The median drive time for employees earning less than $80K is 21 minutes; the median for employees earning more than $80K is 13 minutes

Where do Employees Live?

Top 15 Clusters



Top Clusters

- Chapel Hill
- South Durham
- Carrboro
- Chapel Hill Exurbs
  - Briar Chapel Hill
- Durham
- Cary/Apex
- Raleigh
- Pittsboro Exurbs
- Durham-Raleigh Corridor
- Hillsborough
- West I-85 Corridor
  - Burlington
  - Mebane
  - Graham + Exurbs

60% of all employees live in these 5 clusters | **76%** of grad students

Where do Employees Live?

Summary of Market in Key Clusters

← Closer — Proximity to Campus — Farther →

	Chapel Hill	Carrboro	Chapel Hill Exurbs	South Durham	Central / North Durham
% of Employees	21%	10%	9%	11%	9%
Median Age	47	44	50	40	42
% Making Over $80K	64%	58%	60%	47%	41%
% Academic, Research, and Clinical	66%	59%	57%	48%	45%
% Administrative	11%	14%	13%	18%	17%
% Maintenance and Service Workers	4%	5%	10%	1%	8%
% of Graduate Students	44%	18%	2%	6%	7%

In Their Own Words

Survey Responses About Housing Choices

Faculty vs Staff: Faculty are 1.5X more likely to own their home than staff

Salary Disparity: Only 18% of staff earning less than $75K own their home; 45% of staff earning one salary bracket above ($75K to $100K) own their home.

Age Disparity: Only 35% of staff under 40 own a home; 70% of staff over 40 own their home. This disparity is not apparent for faculty, where 60% of faculty under 40 own their home.

	Own Their Home	Own Their Home AND Earn < $75K	Own Their Home AND Are < 40 Years Old	Spend < $1,500 on housing
Faculty	83%	30%	72%	30%
Staff	55%	18%	35%	60%
Graduate Students	5%	N/A	N/A	66%

Housing Market Analysis: Housing Trends and Affordability

03

Triangle Housing Market

Broad Overview

Population

~2,102,453

(+19% since 2010)

- Growth in Triangle's population is largely driven by inbound migration
- Triangle's population continues to diversify, with an increase in residents that identify as Black and/or Hispanic

Housing Units

+176,704 since 2010

(+8.6% since 2010)

- Majority of new construction has occurred in the Raleigh area, exurbs and parts of Durham
- In the last decade 60% of rental units have been constructed in Durham County (in the case of Durham-Chapel Hill)

Rental Prices

⬆ ~3-4%

(annually since 2010)

- Rental supply has increased, though unequally, throughout the Triangle
- Increases in median rents have outpaced the increases in median income.

Sale Prices

⬆ ~3-12%

(annually since 2010)

- First half of last decade saw slow home appreciation due to the housing crisis
- Since 2015, there has been an annual increase of ~3-4% for existing homes and ~4-7% for new home sales; During COVID-19, there were ~20-25% YOY increases in some areas

Analysis is based on data from Durham-Chapel Hill MSA and Raleigh-Cary MSA

State of the Housing Market

Rental Growth and Spikes in For Sale Market

Market Rental Growth

50,000+ new units of market rate housing built in Orange, Durham, and Wake Counties in last ten years; construction of market rate units in Orange County is 4 times below Durham and 10 times below Wake

Home Sale Prices

The median home sale price from a recent sample of 400+ properties in the area is $488,000. Home sale prices have increased by 67% in the Raleigh/Durham markets since 2018

The Premium of Proximity

Buying a home in Chapel Hill or Carrboro is 1.3X more expensive than the regional median; rent per unit in Chapel Hill is 1.4X more expensive than the regional median

State of the Housing Market

Summary by Cluster

← Closer — Proximity to Campus — Farther →

	Chapel Hill	Carrboro	Chapel Hill Exurbs	South Durham	Central / North Durham
% of Employees	21%	10%	9%	11%	9%
% of Graduate Students	44%	18%	2%	6%	7%
Net Growth Owner-Occ Units (10 yr)	1.1%	19.4%	18.4%	15.0%	15.0%
Net Growth Growth Renter-Occ Units (10 yr)	0.3%	(9.4%)	(1.4%)	15.0%	24.0%
Median Home Sale Price	$605,000	$640,000	$625,000	$385,000	$309,000
New Market Rentals Build Since 2010	+3,700	+250	N/A	+1,900	+7,000
Median Rent per Unit	$1,665	$1,307	N/A	$1,413	$1,033

In Their Own Words

Survey Responses About Market Pressures

Who is Dissatisfied: Everyone experiences some difficulty, but staff and graduate students are 1.6X more likely to feel dissatisfied with their housing choice than faculty.

Who Wants to Move?: Staff and Graduate students are more likely than faculty to want to move in the next five years. 75% of this staff cohort wants to buy

What They Can Pay: 90% of staff looking to move and buy a home won't pay over $450,000, which is $38,000 below the regional median. 80% of grad students looking to move want to pay < $1,500 per month on rent – the median per unit rent in Chapel Hill is $1,665.

	Experienced Some Difficulty in Finding a Home	Dissatisfied with Current Home Choice	Plan to Change Housing and Want to Stay Local	Desire to Buy and pay < $450,000
Faculty	78%	25%	32%	48%
Staff	80%	39%	51%	90%
Graduate Students	90%	42%	66%	N/A

* Figures represent best case scenario of minimal debt obligations from car payments, loans, etc. Actual salaries required may be higher. Figures assume 20% down payment

Affordability

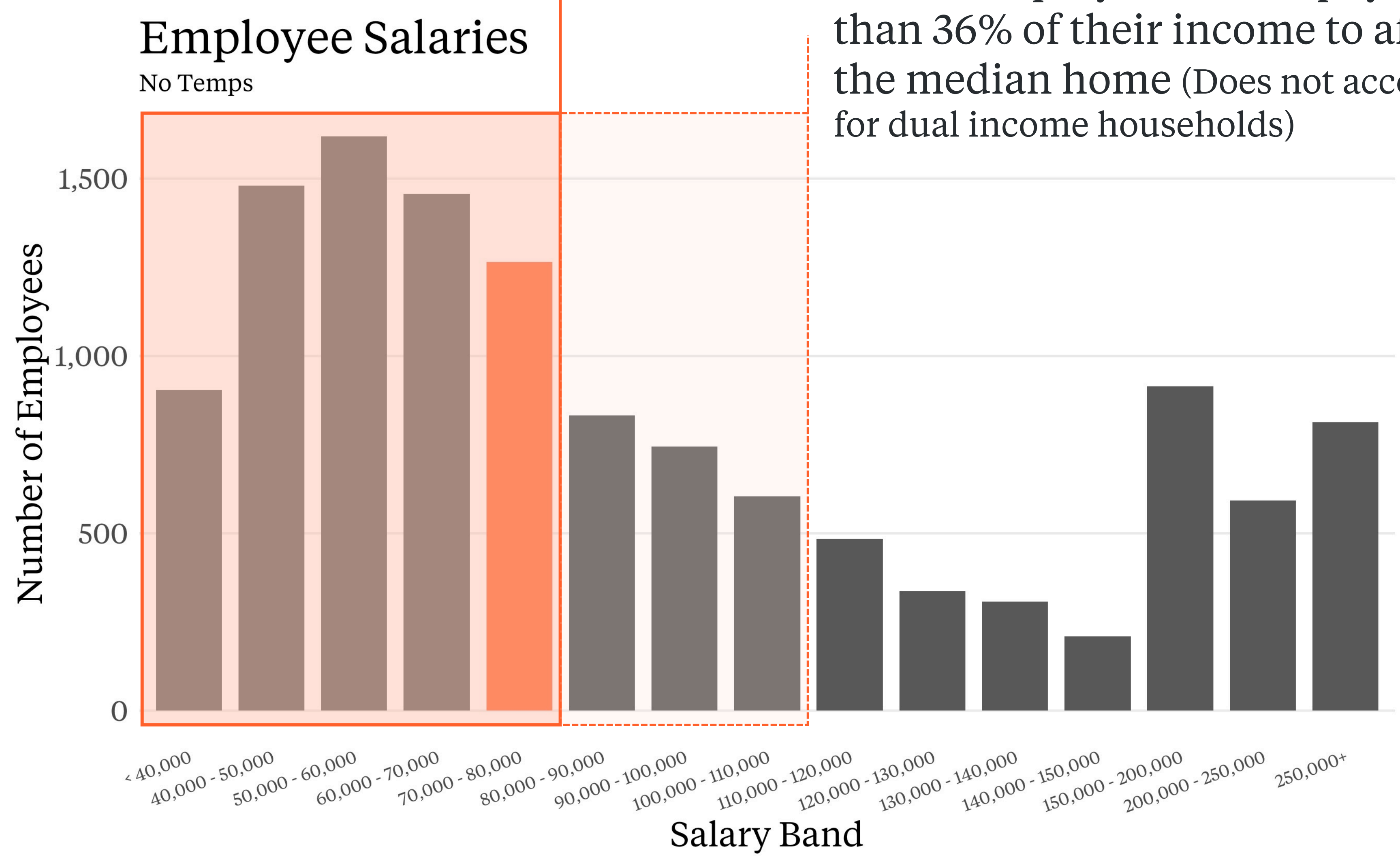
Introducing Cost Burden

To affordably purchase a home at the regional median price of **$488,000** with a debt-to-income ratio of 36% - An employee would need the following:

- $97,500 down payment
- $109,500 annual income*
- No more than $2,785 in monthly housing costs (mortgage, property taxes, insurance, etc...)

Unaffordable
53% of employees would pay more than 50% of their income to afford the median home
(Does not account for dual income households)

Cost Burdened
70% of employees would pay more than 36% of their income to afford the median home (Does not account for dual income households)



From a sample of 835 homes in the region, 112 were affordably priced for those making $80k (median salary of a UNC employee); only 13 of those are within Chapel Hill

Affordability

Summary of Affordability in Key Clusters

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Median Rent per Unit	$1,665	$1,307	N/A	$1,413	$1,033
% Employees Cost Burdened to Buy	80%	82%	81%	63%	53%
% of Employees Cost Burdened to Rent	25%	13%	N/A	17%	7%
% of Grad Students Cost Burdened to Rent	76%	60%	N/A	66%	52%