HOUSING DEMAND PROJECTIONS

Pinellas County

Briefing Book | April 3, 2024

SBFRIEDMAN

VISION
ECONOMICS
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OVERVIEW
Countywide Housing Demand Projections

- The Advantage Pinellas Housing Compact developed the Housing Action Plan to support the creation of more housing choices attainable by people at all income levels. It is our understanding that, as outlined in Goal 8, the County seeks to establish and monitor annual numerical targets for the production and preservation of market and affordable housing units to meet community needs.
- SB Friedman conducted a housing demand assessment to project future countywide housing demand. These projections can then be used as benchmarks for monitoring the creation and preservation of affordable housing. Through this assessment, SB Friedman:
  - Created housing affordability models which quantify the extent to which there is a mismatch between the cost of the existing housing stock and current residents' household incomes for both rental and for-sale housing.
  - Used population projections to conduct analyses of demographic characteristics in Pinellas County through 2035.
  - Developed a housing demand forecast model at various age and income levels using detailed U.S. Census and ACS data for the county.
  - Identified the current deficit of housing affordable to low- and moderate-income households and projected future housing needs by income level, leveraging the housing demand forecast prepared in prior work steps.

EXISTING CONDITIONS

AREA MEDIAN INCOME

Income Limits Definition

- In 2021, the area median income (AMI) for a three-person household in the Tampa-St. Petersburg-Clearwater, FL MSA was $65,450.

TAMPA-ST. PETERSBURG-CLEARWATER, FL MSA 2021 MAXIMUM INCOME LIMITS BY HOUSEHOLD SIZE

	30% AMI	60% AMI	80% AMI	100% AMI	120% AMI	> 120% AMI
HH Size	Extremely Low Income	Very Low Income	Low Income	Median Income	Moderate Income	High Income
1	$15,550	$31,000	$41,350	$50,900	$62,040	> $62,040
2	$17,750	$35,450	$47,250	$58,150	$70,920	> $70,920
2.30 = Pinellas County Average Household Size						
3	$21,960	$39,850	$53,150	$65,450	$79,800	> $79,800
4	$26,500	$44,300	$59,050	$72,700	$88,560	> $88,560
5	$31,040	$47,850	$63,800	$78,500	$95,760	> $95,760
6	$35,580	$51,400	$68,500	$84,350	$102,840	> $102,840

[1] 2021 Income Limits used to align with 2021 ACS data used in analysis
Source: Florida Housing Finance Corporation, SB Friedman

AREA MEDIAN INCOME

Average Income for Sample Jobs

	30% AMI	60% AMI	80% AMI	100% AMI	120% AMI	> 120% AMI
	Extremely Low Income	Very Low Income	Low Income	Median Income	Moderate Income	High Income
3-PERSON HOUSEHOLD	$21,960	$39,850	$53,150	$65,450	$79,800	> $79,800

$25,800
Fast Food Workers

$34,700
Laborers & Movers

$47,840
Plumbers

$53,790
Firefighters

$60,640
Paralegals

$68,070
Secondary School Teachers

$79,920
Registered Nurses

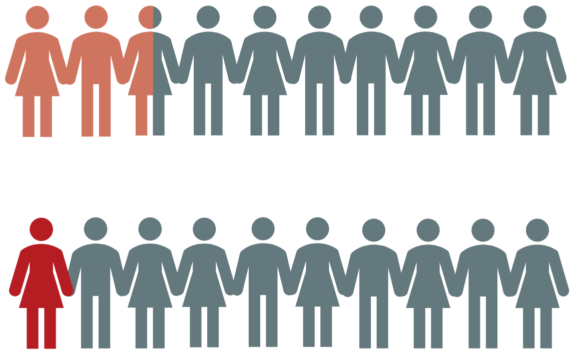
[1] Wages are shown as the average annual salary across the Tampa MSA by occupation. Some jobs may exist with lower wages, or workers may work part-time.
Source: BLS OEWS (May 2022), Florida Housing Data Clearinghouse, SB Friedman

HOUSING COST BURDEN

35% of all households in Pinellas County are cost burdened

- An increasingly constrained housing market and a limited number of protected affordable units in Pinellas County result in a high share of cost burdened households.
  - Cost burdened households are defined as those spending over 30% of household income on housing costs.
  - Severely cost burdened households are defined as those spending over 50% of household income on housing costs.
- Over half of renter households in Pinellas County are cost burdened; over a quarter are severely cost burdened.
- With recent economic factors like inflation and rising rents, the cost burdened percentage is likely higher.

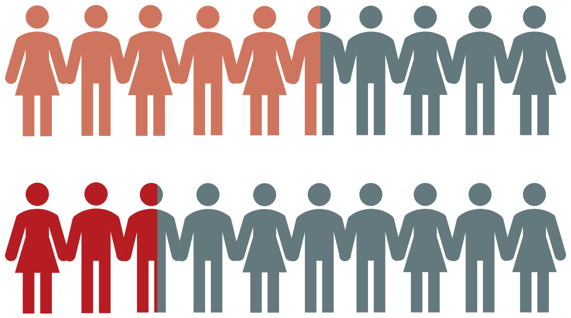
PINELLAS COUNTY OWNER HOUSEHOLDS



26%
Owner Households Cost Burdened

11%
Owner Households Severely Cost Burdened

PINELLAS COUNTY RENTER HOUSEHOLDS



55%
Renter Households Cost Burdened

27%
Renter Households Severely Cost Burdened

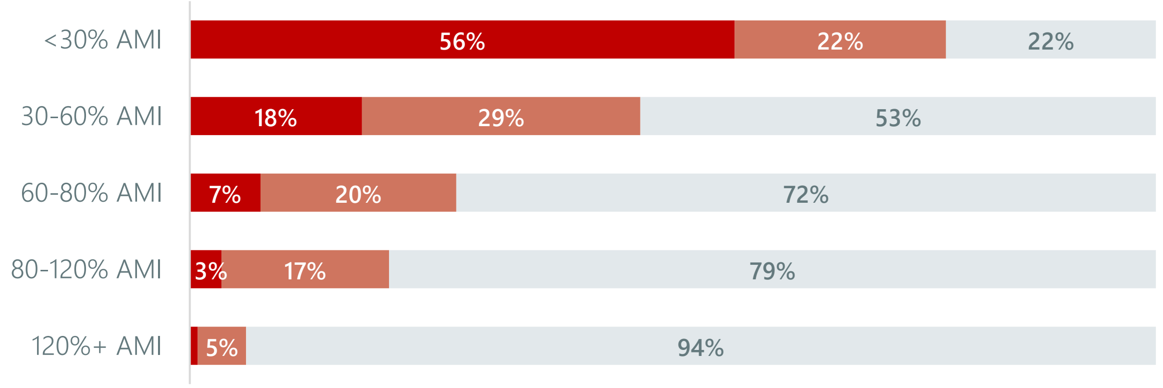
Source: American Community Survey (ACS) - Public Use Microdata Sample (PUMS) 2017-2021

HOUSING COST BURDEN

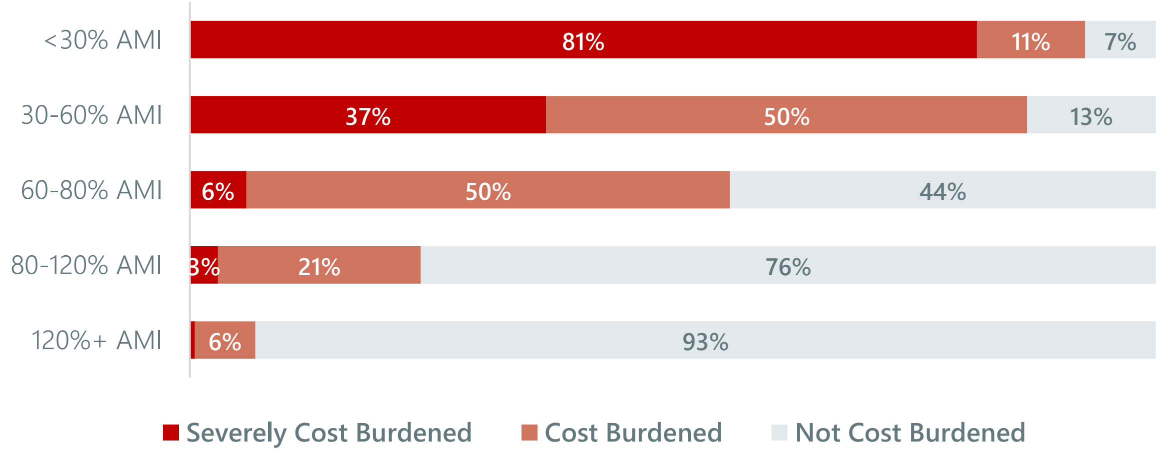
Low-income households have a higher likelihood of being cost burdened

- At all income levels, renter households are more likely than owner households to be cost burdened or severely cost burdened.
- 89% of renter households earning below 60% AMI are cost burdened; 33% are severely cost burdened.
- 59% of owner households earning below 60% AMI are cost burdened; 26% are severely cost burdened.
- With recent economic factors like inflation, escalating insurance costs, and rising rents, the cost burdened percentage is likely higher.

PINELLAS COUNTY COST BURDENED OWNERS BY INCOME



PINELLAS COUNTY COST BURDENED RENTERS BY INCOME



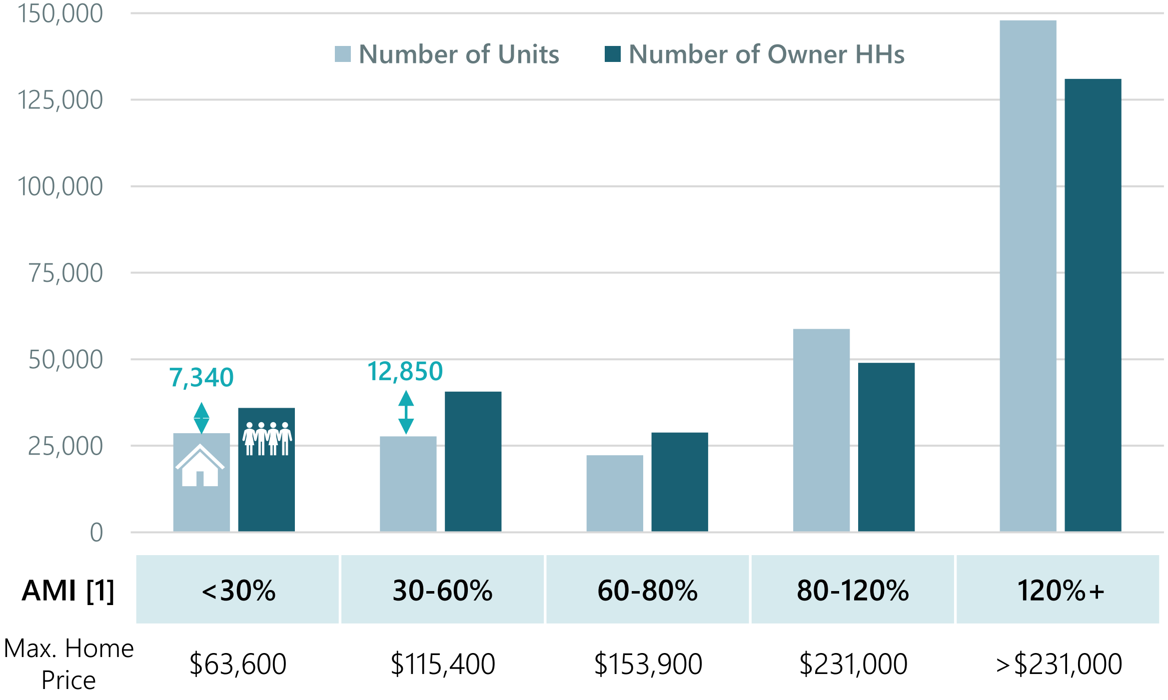
Source: ACS PUMS 2017-2021

CURRENT AFFORDABLE HOUSING DEFICIT

There is a deficit of 20,190 units affordable for owner households earning less than 60% AMI

- The majority of owner-occupied housing units are higher cost units only affordable to households earning more than 120% AMI.
- There is a deficit of 20,190 housing units affordable for owner households earning less than 60% AMI
  - This is the estimated existing affordable housing deficit in the county. It does not address potential affordability issues based on projected future housing demand.
- The true housing need for lower-income households is likely even higher, as many people who work lower wage jobs in Pinellas County cannot currently afford to live in the community. The above number therefore represents a conservative estimate of unmet need.

PINELLAS COUNTY OWNER HOUSEHOLDS AND UNITS BY AMI LEVEL



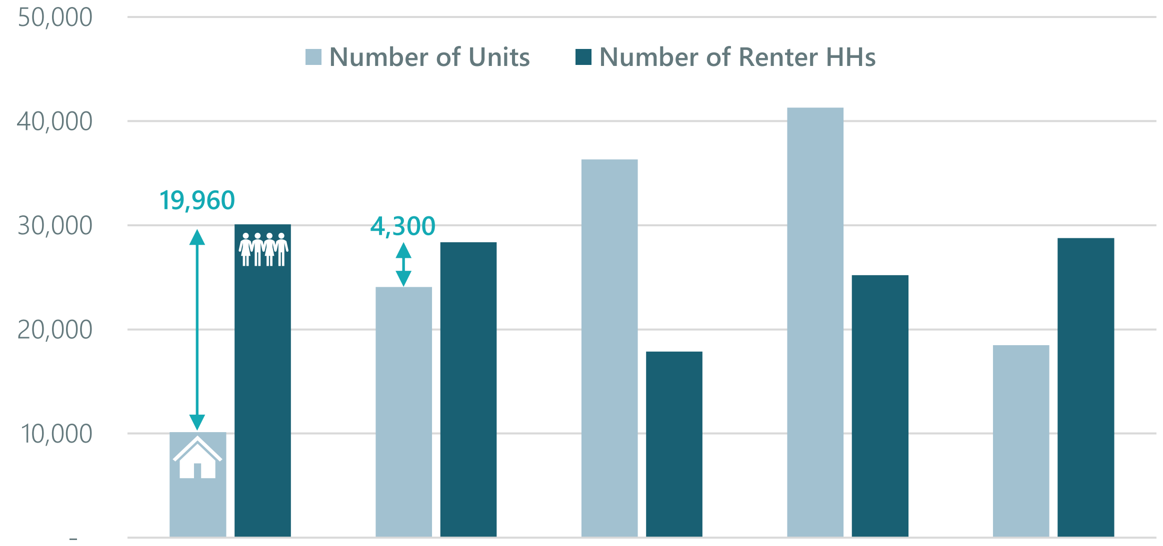
[1] Income bands correspond roughly to 2021 AMI levels. Analysis assumes a 3-person household.
[2] Affordable costs limit assumes that mortgage, insurance, and all other housing costs are ≤30% of income for a household at the top of a respective income range, given the household size assumption.
Source: ACS 5-Year Estimates 2017-2021

CURRENT AFFORDABLE HOUSING DEFICIT

There is a deficit of 24,260 units affordable for renter households earning less than 60% AMI

- Low-income households have limited options and are forced into housing that exceeds their price range.
- More affluent households occupy housing that is affordable to lower income levels, further constraining the housing market.
- There is a deficit of 24,260 housing units affordable for renter households earning less than 60% AMI
  - This is the estimated existing affordable housing deficit in the county. It does not address potential affordability issues based on projected future housing demand.

PINELLAS COUNTY RENTER HOUSEHOLDS AND UNITS BY AMI LEVEL



Rent Limits	<30%	30-60%	60-80%	80-120%	120%+
0/1-BR	$444	$886	$1,181	$1,773	>$1,773
2-BR	$549	$996	$1,329	$1,995	>$1,995
3-BR	$663	$1,108	$1,476	$2,214	>$2,214

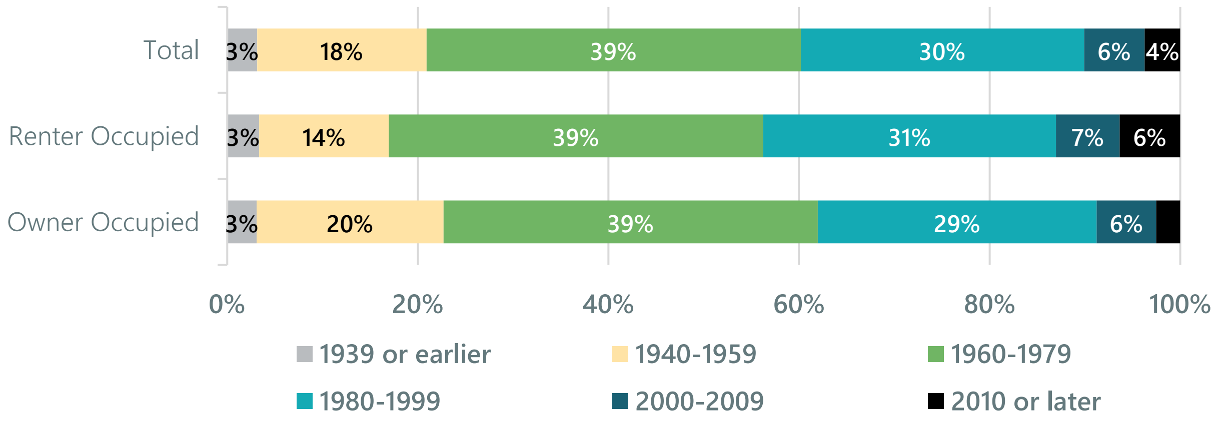
[1] Income bands correspond roughly to 2021 AMI levels. Analysis assumes a household size of 1, 2, 3, and 4 for studios, 1-BR, 2-BR, and 3+ BR units, respectively.
[2] Affordable rent amount assumes that rent is ≤30% of household income for a household at the top of the respective income range, given the above household size assumption.
Source: ACS 5-Year Estimates 2017-2021

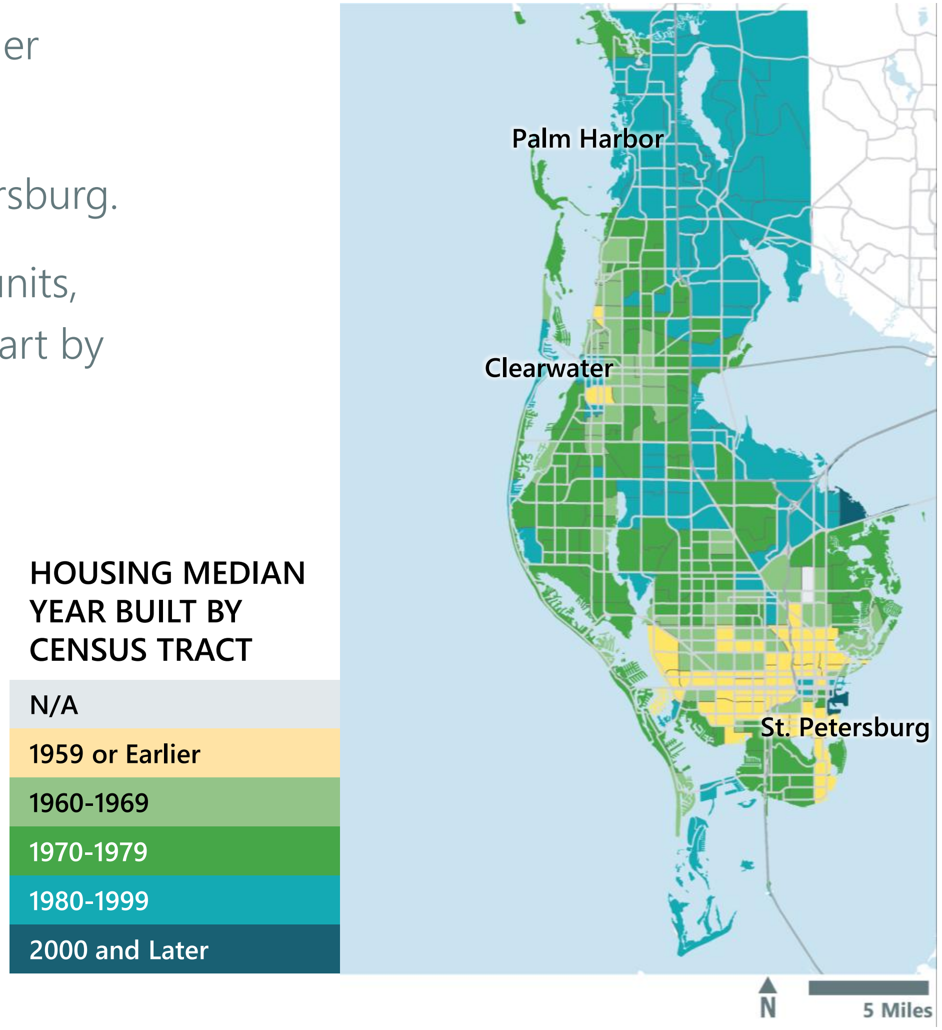
EXISTING HOUSING STOCK

The median year built for housing in the county is 1976

- Approximately 60% of the county's housing stock was built before 1980. Older housing units accounts for most unsubsidized affordable housing.
- Older housing is concentrated in the southern part of the county in St. Petersburg.
- While there are twice as many owner-occupied units than renter occupied units, most of the housing built since 2010 has been rental. This shift is driven in part by increasing multifamily development.

PINELLAS COUNTY HOUSING AGE BY TENURE





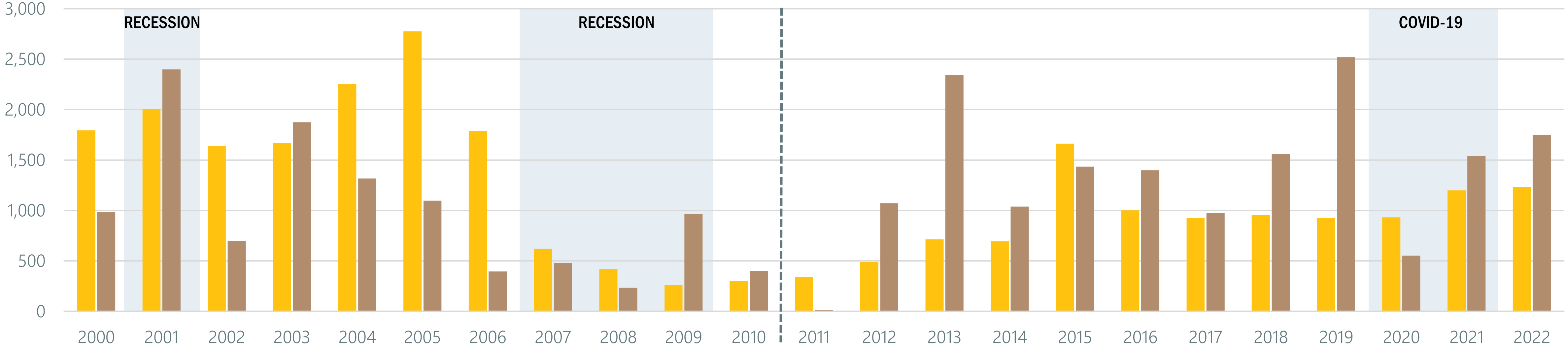
Source: ACS 5-Year Estimates 2017-2021

HOUSING PERMITS

Over the last decade, most units produced have been in multifamily buildings

- Housing production in Pinellas County since 2011 has been primarily multifamily, permitting on average 1,349 units per year according to the US Census. The recent multifamily production represents a shift from the early 2000s, when there was a much higher level of single-family housing production. A lack of greenfield sites and other easily developable land in the county is a major reason for the growing share of multifamily housing production.

PINELLAS COUNTY HOUSING PERMITS, 2000-2022



2000-2010

Single Family: 1,411 units/year

Multifamily: 985 units/year

2011-2022

Single Family: 922 units/year

Multifamily: 1,349 units/year

Source: US Census Bureau

HOUSING DEMAND PROJECTIONS

NATIONAL HOUSING MARKET CONTEXT

Recent housing production across U.S. metropolitan areas has not kept up with demand

Nationally, housing supply has not kept pace with demand due to both market and regulatory factors.

Restrictive zoning is limiting supply, along with market factors like land costs in job-rich metros and rising construction costs

Due in part to chronic undersupply, housing cost burdens have grown to record levels.

In Pinellas County, renter cost burdens have remained relatively constant, though owner cost burdens have decreased in the past decade.

Households are moving to smaller cities and regions like the Sunbelt where housing is more affordable.

On net, 21 new residents move to Pinellas County each day, with many of them coming from higher-cost states like New York and Pennsylvania.

MARKET DEMAND CONSIDERATIONS

SB Friedman considered several factors in estimating demand by housing type

- SB Friedman prepared housing demand projections for Pinellas County. The following key inputs were considered while quantifying future housing demand.

Population Growth

How fast is the County growing?
-
Who is moving in?

Household Formation

How are living patterns changing?

Housing Tenure

Do people want to rent or own?
-
Is homeownership attainable for those that want it?

Vacancy Rate

How constrained is the current market?
-
How many units need to be replaced?

Housing Preferences

What sort of housing typologies are desired?
-
How are those preferences evolving?

POPULATION GROWTH

Pinellas County is projected to add 35,000 net new residents by 2035

- Pinellas County attracted, on average, 21 net new residents per day between 2017 and 2021.
- New residents are largely arriving from high-cost areas in the Northeast and the Midwest. Residents leaving Pinellas County are largely moving to Pasco County and Polk County.
- Population growth is a major driver of future housing demand. As a region grows, new housing must be built to accommodate more people.
- Between 2020 and 2035, Pinellas County is projected to grow by an additional 35,000 residents (a 4% increase over 2020 levels).

PINELLAS COUNTY POPULATION GROWTH

+52,730
POPULATION GROWTH 2010-2020

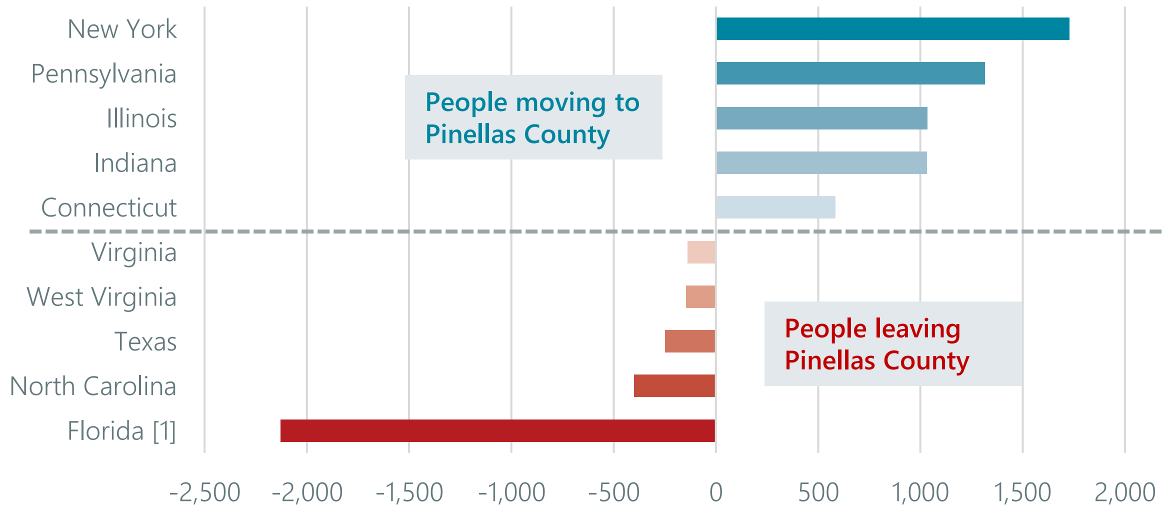
0.56% Compound Annual Growth Rate

959,107
POPULATION 2020 CENSUS

+35,000
PROJECTED GROWTH 2020-2035

0.24% Compound Annual Growth Rate

NET ANNUAL MIGRATION TO PINELLAS COUNTY – TOP STATES



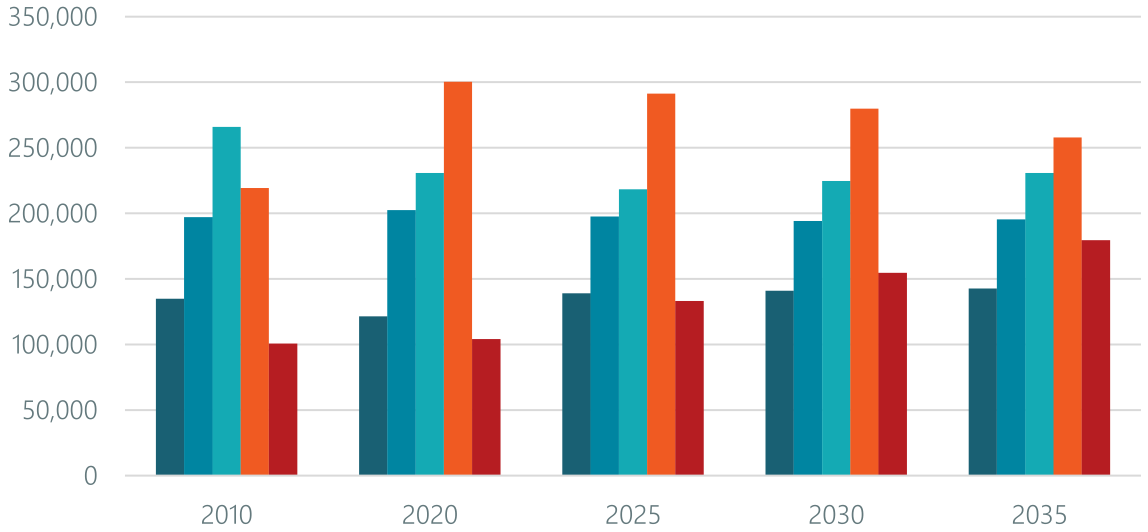
[1] Net moves between Pinellas County and the rest of the state.
Source: ACS 5-Year Estimates 2017-2021, US Census Bureau, University of Florida Bureau of Economic and Business Research – "Medium" Projections (BEBR)

POPULATION GROWTH

Future growth will be concentrated among people aged 75+

- Over the last decade, Baby Boomers (ages 55-74) were the fastest growing generation in the market area.
- Through 2035, the fastest growth in population will be among people aged 75+ as Baby Boomers age.
- A larger share of the population will be age 75+ by 2035. This cohort was less than 11% of the population in 2020 but is projected to grow to nearly 18% of the population by 2035.

PINELLAS COUNTY POPULATION BY AGE



COHORT SHARE OF TOTAL POPULATION (DECLINING/INCREASING)

		2010	2020	2035
<15	Children & Young Adults	14.7%	12.7%	14.2%
15-34	Young Professionals	21.5%	21.1%	19.4%
35-54	Middle-Aged	29.0%	24.1%	22.9%
55-74	Empty Nesters & Young Seniors	23.9%	31.3%	25.6%
75+	Older Seniors	11.0%	10.9%	17.8%

[1] BEBR population projections do not split out population growth into migration and aging among existing households. The growth in older households will be driven by both factors.
Source: ACS 5-Year Estimates, BEBR

HOUSEHOLD FORMATION

The U.S. population is projected to continue aging

Nationwide, household growth surged during the pandemic, especially among millennials, who had a lower household formation rate than prior generations.

Pinellas County millennials followed national trends; many formed new households in 2020 and 2021.

Many newly formed households became homeowners, increasing the homeownership rate; however, this trend is expected to plateau.

Between 2019 and 2021, the homeownership rate for younger households (<35) in Pinellas County increased by nearly five percentage points.

The US population has been steadily growing older. Over the next couple decades, the fastest growth in population will be among people aged 75+ as Baby Boomers age.

Pinellas County population growth through 2035 will be almost entirely driven by increases in residents aged 75+.

HOUSEHOLD FORMATION

The nuclear family is no longer the dominant household structure

The nuclear family is no longer the dominant household structure in the United States, due to declining marriage rates and growth in single-parent households.

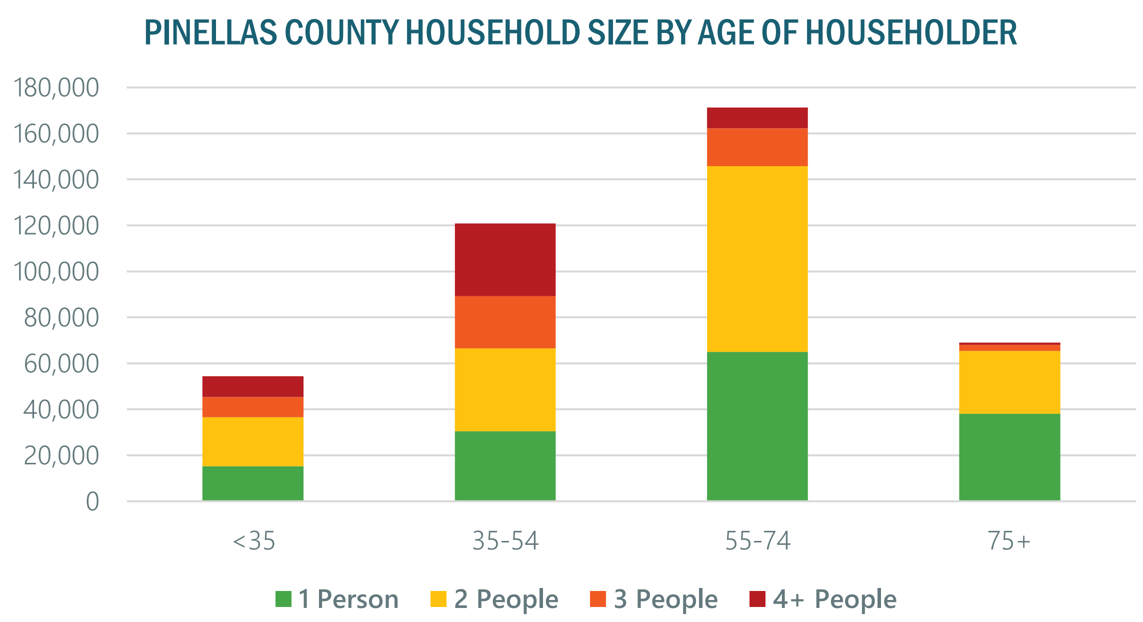
Multi-generational households are becoming more prevalent across the country as more young adults are living with their parents longer.

Nationwide, unmarried people are now also less likely to live alone and are more likely to live with roommates than in the past.

HOUSEHOLD FORMATION

Most Pinellas County households consist of one or two people

- Over three-quarters (76%) of households in Pinellas County consist of one or two people.
- More than half of households (58%) in the county are headed by someone aged 55 or more. These households are more likely to be single-person than younger households.
- As the county's population ages, it is likely that one and two-person households will account for a higher share of total households.



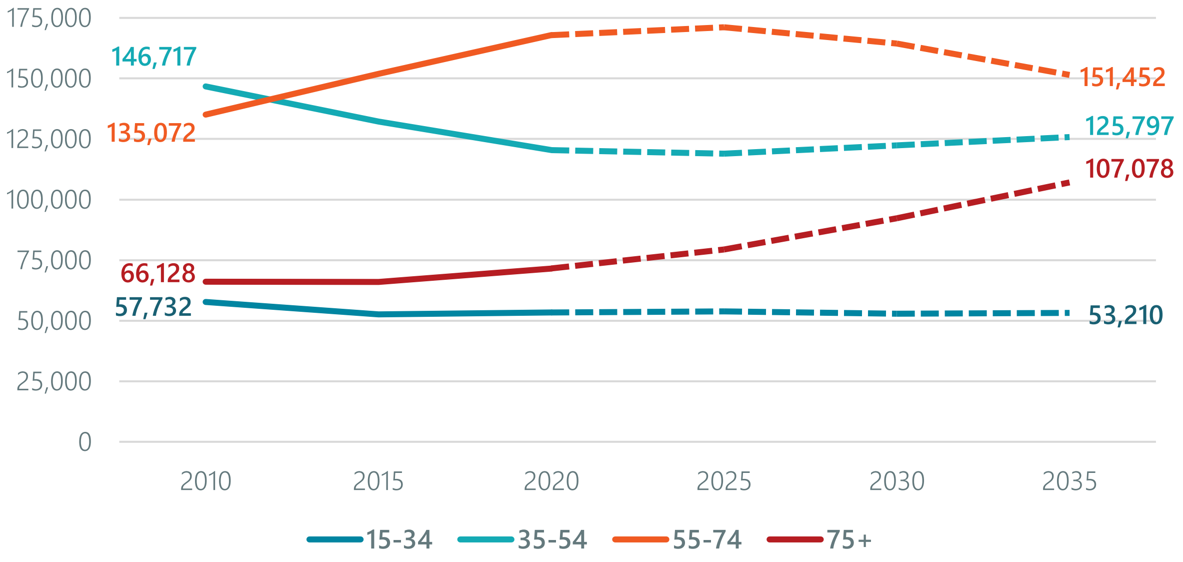
Source: ACS PUMS 2017-2021

HOUSEHOLD FORMATION

Household growth in Pinellas County will be concentrated among those aged 75+

- Between 2010 and 2020, the largest increase in net new households in Pinellas County came from households aged 55-74.
- Over the next 15 years household growth will be concentrated among those aged 75+. Household growth for other age cohorts will be relatively limited.

PINELLAS COUNTY HOUSEHOLD GROWTH



+7,590 HOUSEHOLDS 2010-2020	413,239 HOUSEHOLDS 2020 CENSUS	+24,300 PROJECTED GROWTH 2020-2035
		6% GROWTH

Source: ACS 5-Year Estimates, BEBR, SB Friedman

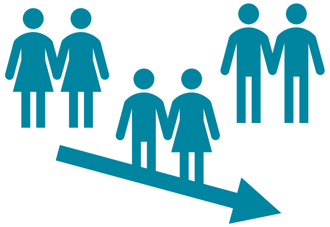
HOUSING TENURE

While homeownership rates have increased recently, other factors are now driving growth in renters

- Homeownership has historically been unattainable for some portions of the population. Now, it is becoming unattainable for a greater share of the population.

Homeownership is becoming less accessible as debt levels, high prices, and rising interest rates create barriers to buying.

Millennials are aging out of the peak rental years but continue to rent at high rates.



Marriage rates are declining nationally and the average age of marriage is increasing, resulting in more renters.

More older and higher-income households in the US are choosing amenitized rental units in desirable locations.

- We project that the overall homeownership rate will drop for all age groups through 2035. In aggregate, the region will experience a 2-percentage point decrease in homeownership by 2035.

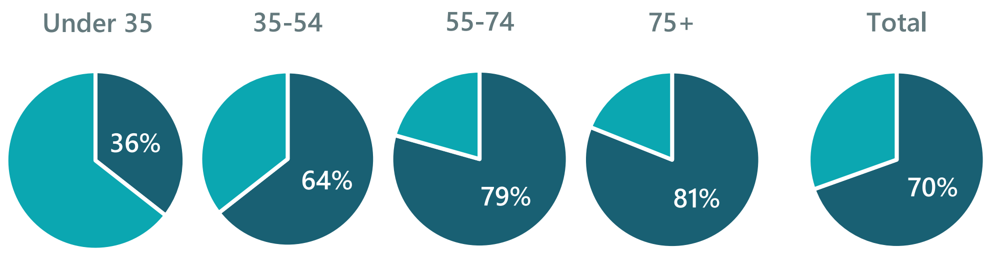
Source: SB Friedman, Urban Institute

HOUSING TENURE

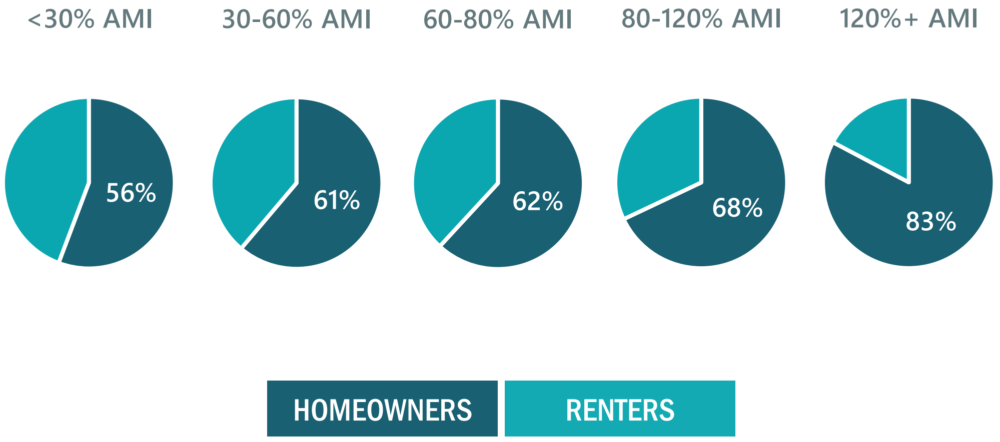
Approximately seven out of ten households in Pinellas County are homeowners

- Our demand projections account for the likelihood of households to choose rental, or for-sale homes based on their age and income.
- Nationally, single people, single-parent families, and nonfamily households make up about two-thirds of households that rent.
- Currently, 70% of households in Pinellas County live in owner-occupied housing. Propensity to rent is greatest among young households (under 35).
- Homeownership rates in Pinellas County increase with both age and income, which is in line with homeownership patterns nationally.

PINELLAS COUNTY HOUSING TENURE BY AGE



PINELLAS COUNTY HOUSING TENURE BY AMI LEVEL

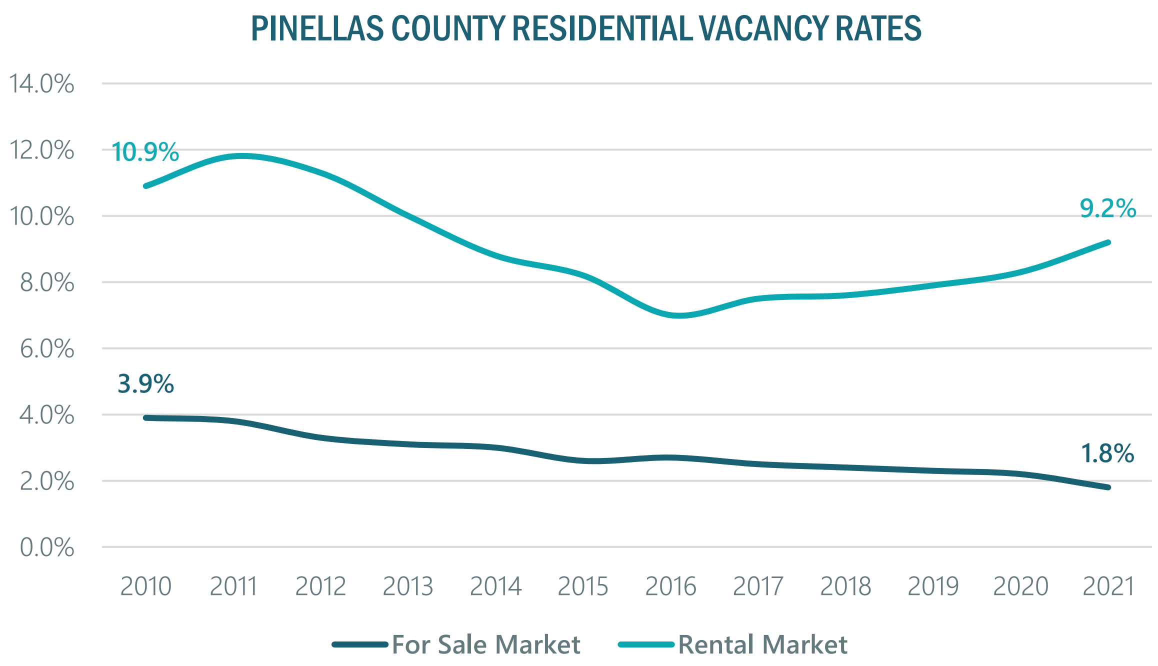


Source: ACS PUMS 2017-2021

VACANCY RATE

Countywide vacancy rates indicate a constrained market for homeowners

- A well-functioning housing market requires a controlled level of vacancy; neither too high nor too low of a vacancy rate is desirable for a competitive housing market with enough supply to facilitate desired moves.
- Over the last decade the vacancy rate decreased in the for-sale market and fluctuated in the rental market.
- Paired with rising housing prices, historically low vacancy rates may indicate that housing supply has not matched recent growth in demand.



Source: ACS 5-Year Estimates

HOUSING PREFERENCES

Households have different housing preferences that vary with age and income

Since the Great Recession, housing production nationally has been primarily larger single-family homes and rental apartments. Younger households have a greater preference for new housing, regardless of tenure.

In Pinellas County, multifamily housing has become a much larger share of total housing production post-Recession.

Single-family detached homes are the most popular housing type for all owner households; however, younger households are purchasing townhomes and condos at higher rates than previous generations.

Due in part to the prevalence of age-restricted buildings, Seniors (75+) in Pinellas County have a high propensity to live in multifamily housing.

There is a growing single-family rental market. Middle-aged renter households (35-74) are more likely to rent new single-family homes than the youngest and oldest renter households.

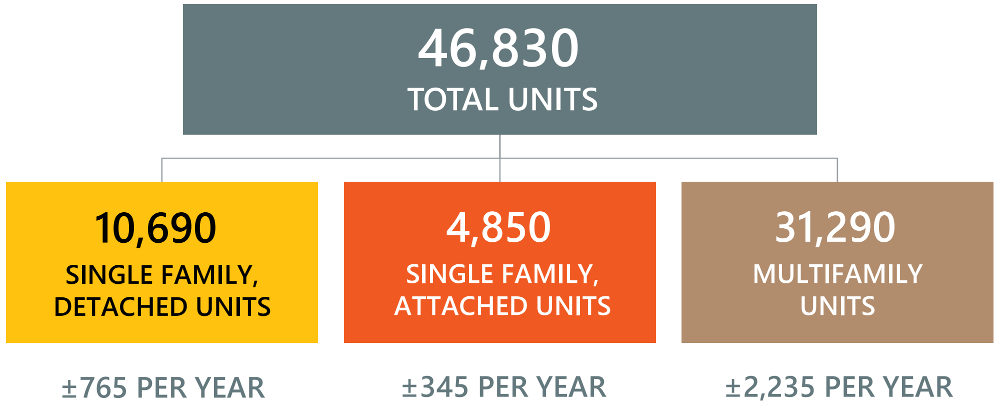
In Pinellas County, 13% of households live in single-family detached housing rent.

PINELLAS COUNTY HOUSING DEMAND

Significant housing production is needed to accommodate projected population growth

- To accommodate projected household growth and changing demographic trends, Pinellas County needs to add ±46,830 new housing units between 2022 and 2035, an average of ±3,345 units per year.
  - ±1,110 single family units per year
  - ±2,230 multifamily units per year
- Between 2013 and 2022, Pinellas County permitted an average of ±2,530 units per year.
  - ±1,020 single family units per year
  - ±1,510 multifamily units per year
- Therefore, to meet anticipated demand, Pinellas County needs to raise its rate of housing production for all types, particularly multifamily housing.

PINELLAS COUNTY PROJECTED HOUSING DEMAND BY TYPE, 2022-2035

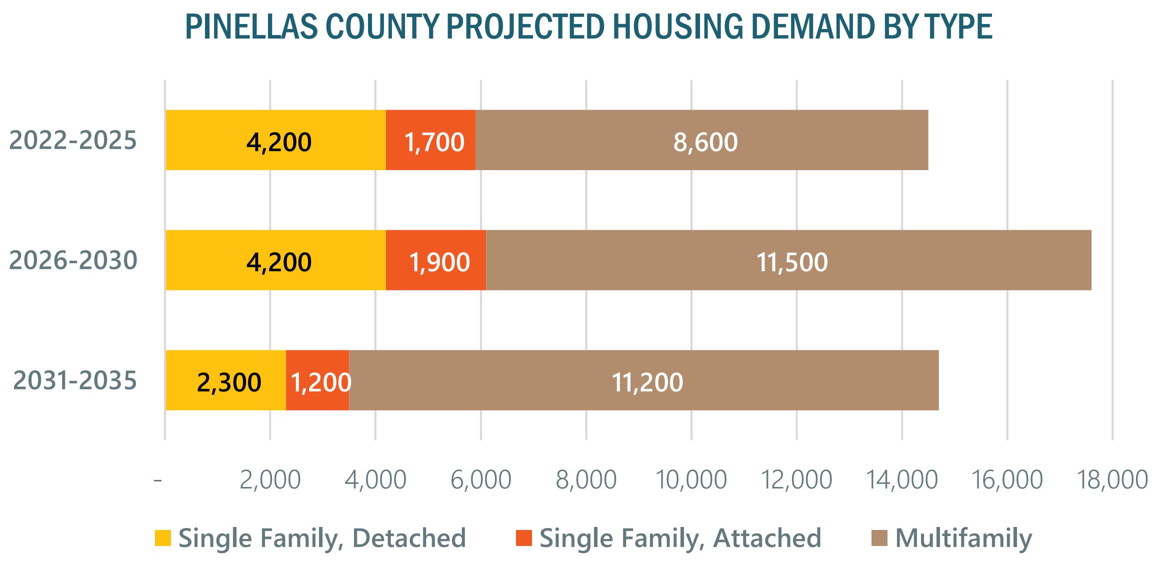


[1] Our housing demand model relies on ACS and PUMS data as a baseline. As the most recent data is from 2021, our demand projections start in 2022.
Source: ACS PUMS 2017-2021, SB Friedman

PINELLAS COUNTY HOUSING DEMAND

Significant housing production is needed to accommodate projected population growth

- While single family homes will continue to make up a large part of new housing supply, this housing typology will gradually take a smaller share of total new units.
- New homes should reflect evolving household composition and preferences:
  - More attached housing accessible to new homebuyers
  - Alternative housing for baby boomers and seniors seeking to downsize and age in place
  - Housing to accommodate growth in multigenerational households and desire for rental single-family homes
- Accessory dwelling units (ADUs) are one housing typology that can especially help meet changes in housing composition.



[1] Housing demand is driven in large part by population projections. BEBR projects a slower (though still positive) population growth rate after 2030, which results in a decrease in projected housing demand relative to the previous five-year period.
Source: ACS PUMS 2017-2021, BEBR, SB Friedman

NEW HOUSING DEMAND BY INCOME LEVEL

New homes should be accessible to all income cohorts

- If the county is to accommodate projected growth, 26% of net new units would be needed for households earning below 60% AMI, 26% for households earning 60-120% AMI, and 49% for households earning above 120% AMI.
  - These shares apply to future housing demand; they do not address the current backlog of affordable units in the county.
- The county's recent market housing production has been heavily weighted to higher price points. Housing supply increases for higher income households relieves pressure on more modest price housing.
- However, deliberate efforts need to continue to be made by Pinellas County, municipalities, and partners to increase supply of new housing production for low-and moderate-income households.
- A diversity of homes at different price points will help increase housing affordability.

PINELLAS COUNTY NEW HOUSING DEMAND DISTRIBUTION, 2022-2035

	<60% AMI	60-120% AMI	120%+ AMI
Owner-Occupied	1,970	3,770	10,580
Renter-Occupied	10,000	8,260	12,250
Total	**11,970**	**12,030**	**22,830**
Owner-Occupied	12%	23%	65%
Renter-Occupied	33%	27%	40%
Total	**26%**	**26%**	**49%**

UNMET AFFORDABLE HOUSING NEED AND FUTURE DEMAND

Unless the supply of affordable units increases, the county's affordable housing shortfall will grow

- Pinellas County has estimated current affordable housing shortfall of 20,190 units and 24,260 units for owner and renter households earning less than 60% AMI, respectively.
- If the county is to accommodate its projected growth in population, an additional 11,970 units will be needed for households earning less than 60% AMI by 2035.
- Housing markets are regional in nature, and many people who work lower wage jobs in Pinellas County cannot currently afford to live in the community. The above numbers represent a conservative estimate of unmet need. The true housing need for lower-income households could exceed the figures noted above.

20,190
Current Deficit
Owner HHs Earning <60% AMI

24,260
Current Deficit
Renter HHs Earning <60% AMI

1,970
Projected Future Need
Owner HHs Earning <60% AMI

10,000
Projected Future Need
Renter HHs Earning <60% AMI

Source: ACS 5-Year Estimates 2017-2021, SB Friedman

CONCLUSIONS

Countywide Housing Demand Projections

- By 2035, Pinellas County is projected to add an additional 35,000 residents. The fastest growth will be among people aged 75+ as Baby Boomers age.
- Homeownership rates have declined nationally and locally. More households now rent by choice, while others have been priced out of homeownership.
- To accommodate projected household growth and changing demographic trends, Pinellas County and its municipalities need to collectively add ±3,345 units per year.
- A diversity of housing types at different price points will help increase affordability.
- The greatest housing need in Pinellas County is for units affordable to households earning <30% AMI.
- While single-family detached homes are still the most popular housing type for owner households, younger generations are purchasing townhomes and condos at higher rates than older cohorts.
- New homes built in the region should meet changing household composition and evolving preferences. New housing should accommodate first-time buyers, older generations looking to "age in place", and multigenerational households.

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STRATEGY

DEVELOPMENT STRATEGY AND PLANNING

FINANCE | IMPLEMENTATION

PUBLIC-PRIVATE PARTNERSHIPS AND IMPLEMENTATION

LIMITATIONS OF OUR ENGAGEMENT

Our report is based on estimates, assumptions and other information developed from research of the market, knowledge of the industry and meetings during which we obtained certain information. The sources of information and bases of the estimates and assumptions are stated in the report. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our report and the variations may be material.

The terms of this engagement are such that we have no obligation to revise the report or to reflect events or conditions which occur subsequent to the date of the report. These events or conditions include without limitation economic growth trends, governmental actions, additional competitive developments, interest rates and other market factors. However, we are available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Our study did not ascertain the legal and regulatory requirements applicable to this project, including zoning, other state and local government regulations, permits and licenses. No effort was made to determine the possible effect on this project of present or future federal, state or local legislation, including any environmental or ecological matters.

Our report is intended solely for your information and for submission to and should not be relied upon by any other person, firm or corporation or for any other purposes. Neither the report nor its contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan or other agreement or any document intended for use in obtaining funds from individual investors.

We acknowledge that our report may become a public document within the meaning of the freedom of information acts of the various governmental entities. Nothing in these terms and conditions is intended to block the appropriate dissemination of the document for public information purposes.