MEETING THE DEMAND

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Rail-volution

October 16, 2012
How Will Preferences of Millennials and Boomers Influence What Gets Built Near Transit?

Urban living

Shared amenities

Social interaction

Hip restaurants

Transit- and bike friendly

Dog parks

Arts & entertainment

Transit- and bike friendly

Decent coffee

Stay near family... or perhaps live in Spain?
### Change in the Supply of Housing Occurs at the Margins

- **Current housing in the US**: 61% single family
- **The average US home was built in the late 70’s or early 80’s**

#### US Housing Stock by Year Built

<table>
<thead>
<tr>
<th>Year Built</th>
<th>Millions</th>
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<tbody>
<tr>
<td>Built 1939 or earlier</td>
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<tr>
<td>Built 1940 to 1949</td>
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<td>Built 1950 to 1959</td>
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<td>Built 1960 to 1969</td>
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<td>Built 1970 to 1979</td>
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<td>Built 1980 to 1989</td>
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<td>Built 1990 to 1999</td>
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<td>Built 2000 to 2004</td>
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<td>Built 2005 or later</td>
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Higher Density Housing is More Expensive to Build

Typical Development Cost Per Unit (SF Bay Area)

- Single family
- 5 stories over podium
- 6 stories over podium
- 20 stories

Costs range from $200,000 to $600,000.
That’s Why New Development Tends to Cater to the Higher End of the Market

**Household Income Required**

- **Single family**: $40,000
- **5 stories over podium**: $80,000
- **6 stories over podium**: $100,000
- **20 stories**: $100,000

Note: The chart indicates increasing household income required for higher density developments.
How Has the Market Been Delivering Near Transit?

Estimated Square Feet of New Development

- **Minneapolis Hiawatha Line (2003 - 2009)**
- **Denver SE Corridor (2004 - 2009)**
- **Charlotte Blue Line (2005 - 2009)**

- **Commercial**
- **Residential**

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New Transit Corridors Attracted More than their “Fair Share” of Development Based on Land Area

**Land in the Region**
- Outside Station Areas: 99.6%
- Southeast Corridor: 0.2%
- Other Station Areas: 0.2%

**Housing Development in the Region**
- Outside Station Areas: 94.4%
- Southeast Corridor: 2.2%
- Other Station Areas: 3.4%
BLUE LINE, CHARLOTTE REGION
Charlotte Development

- **Downtown/Urban Center**: 68%
- **Suburban Center**: 0%
- **Legacy Industrial Area**: 3%
- **Mixed-Use Neighborhood**: 5%
- **Commercial Corridor**: 9%
- **Industrial/Distribution Area**: 7%
- **Low Density Residential**: 8%
- **Major Greenfield/Infill**: 0%
- **Other**: 0%
Charlotte Development Opportunity Sites

Share of Development Opportunity Sites

- Downtown/Urban Center: 13%
- Suburban Center: 0%
- Legacy Industrial Area: 4%
- Mixed-Use Neighborhood: 1%
- Commercial Corridor: 35%
- Industrial/Distribution Area: 30%
- Low Density Residential: 18%
- Major Greenfield/Infill: 0%
- Other: 0%
Residential Development Near Transit in the Last Market Cycle

WHAT:
- Mostly condos built for the higher end of the market; some apartments

WHERE:
- In and adjacent to downtowns
  - +/- ¾ of all development so far along the Blue and Hiawatha Lines
- In suburban employment centers
  - 61% of Denver SE Corridor development – despite availability of “greenfield” TOD sites
- In neighborhoods that have been the focus of strategic efforts to promote infill development
Meeting the Demand for TOD

- Finding ways to take advantage of opportunity sites in infill locations will be critical
  - Infrastructure investments
  - Connectivity improvements
  - Neighborhood amenities, e.g. parks

- We need to be realistic about what the market can provide
  - Only certain places can achieve high enough price points or rents to justify higher density, mixed-use development
  - Zoning and other land use policies help to set market expectations, but don’t dictate development
  - Over shooting the market can have negative consequences
Related CTOD Research

• **Rails to Real Estate, 2011**
  A retrospective look at development along three recently constructed light rail lines in the Denver, Charlotte, and Twin Cities regions [http://www.ctod.org/portal/node/2302](http://www.ctod.org/portal/node/2302)

• **October 2012: Development Context and TOD**
  A follow-up to *Rails to Real Estate* that looks more closely at the context for development near transit