

2025 Blueprint

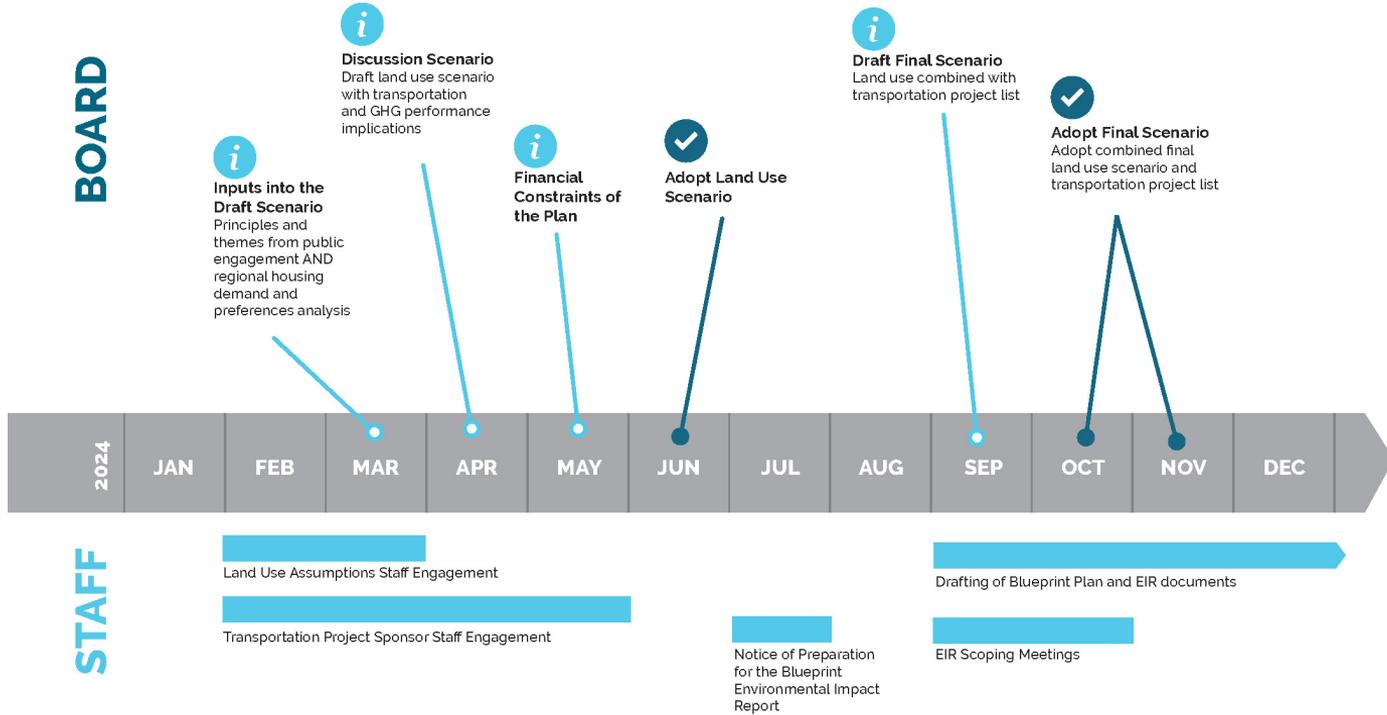
Where we've been, where we are at,
where we are going...





BLUEPRINT

Key decisions and milestones schedule

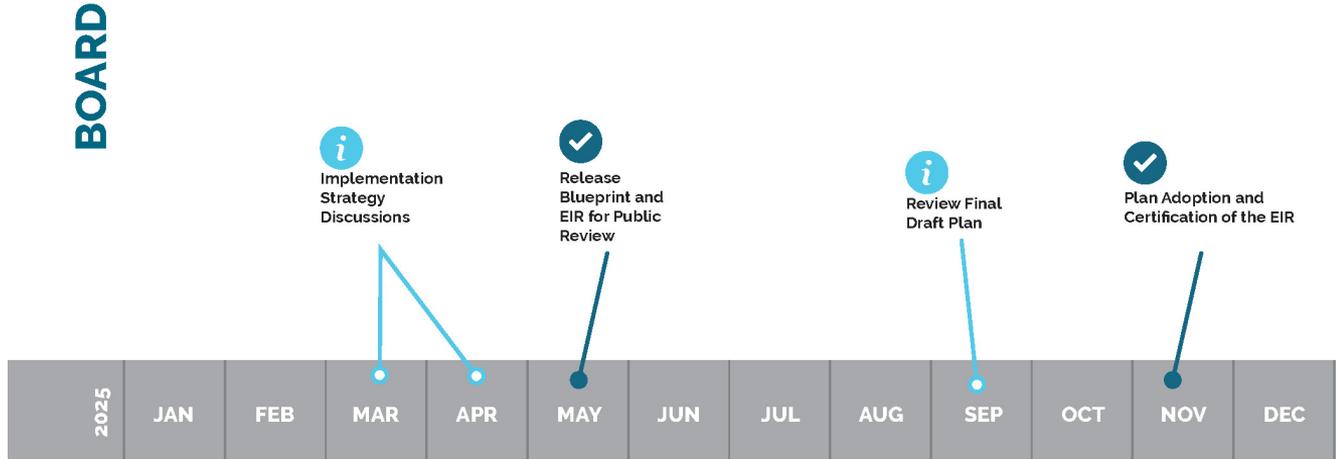


2024

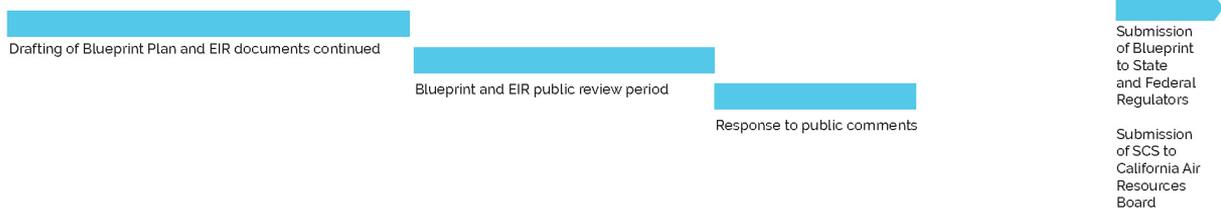


BLUEPRINT

Key decisions and milestones schedule



STAFF



2025

SACOG Housing Preferences

LUNR Presentation -Spring 2024



What Goes Into the Land Use Assumptions?





Attached

(Townhomes, Duplexes, Fourplexes, Larger apartments)



Small Lot Single Family

(Single Family Homes on less than 5,500 sqft lots)



Large Lot Single Family

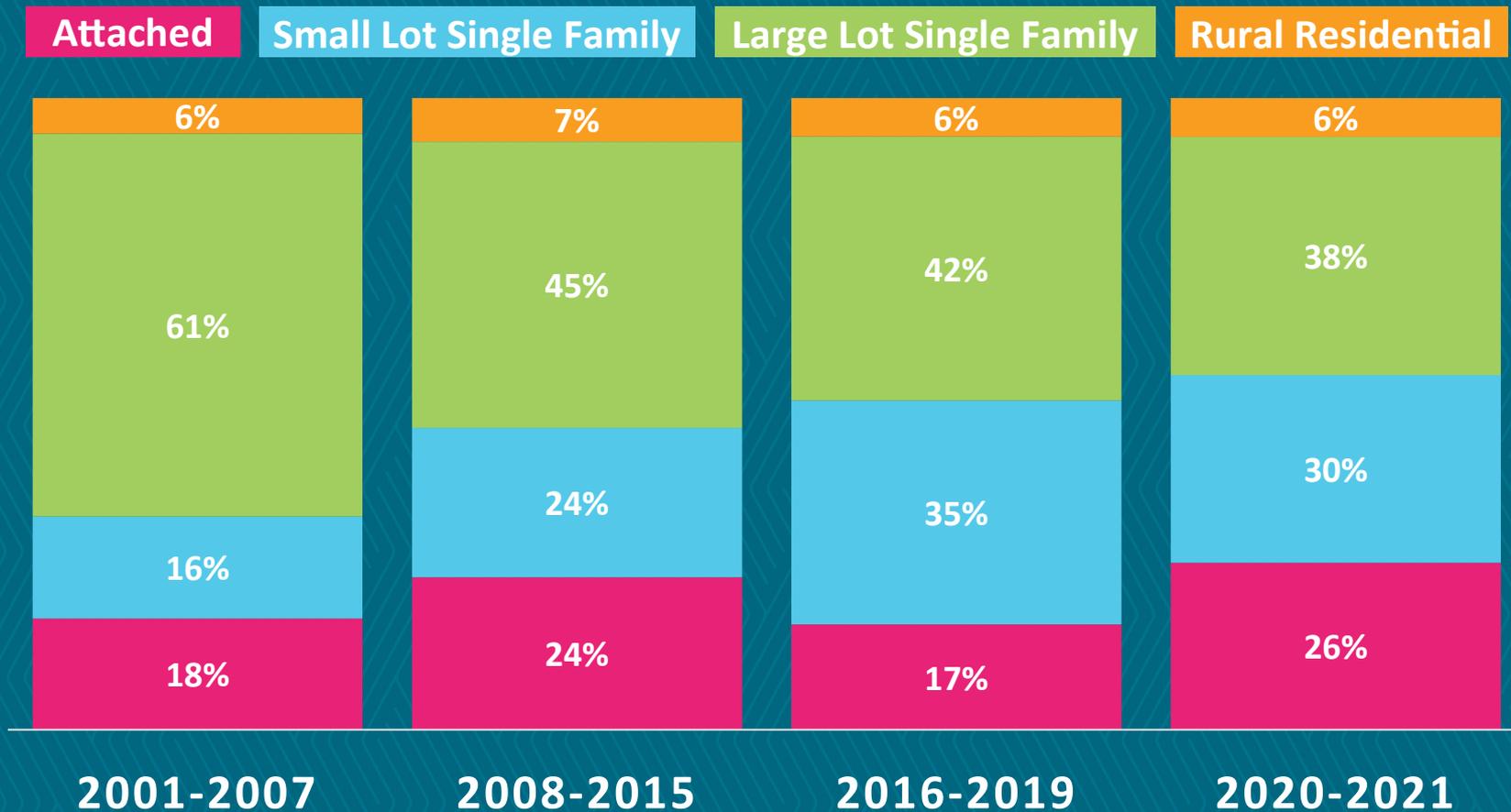
(Single Family Homes on more than 5,500 sqft lots)



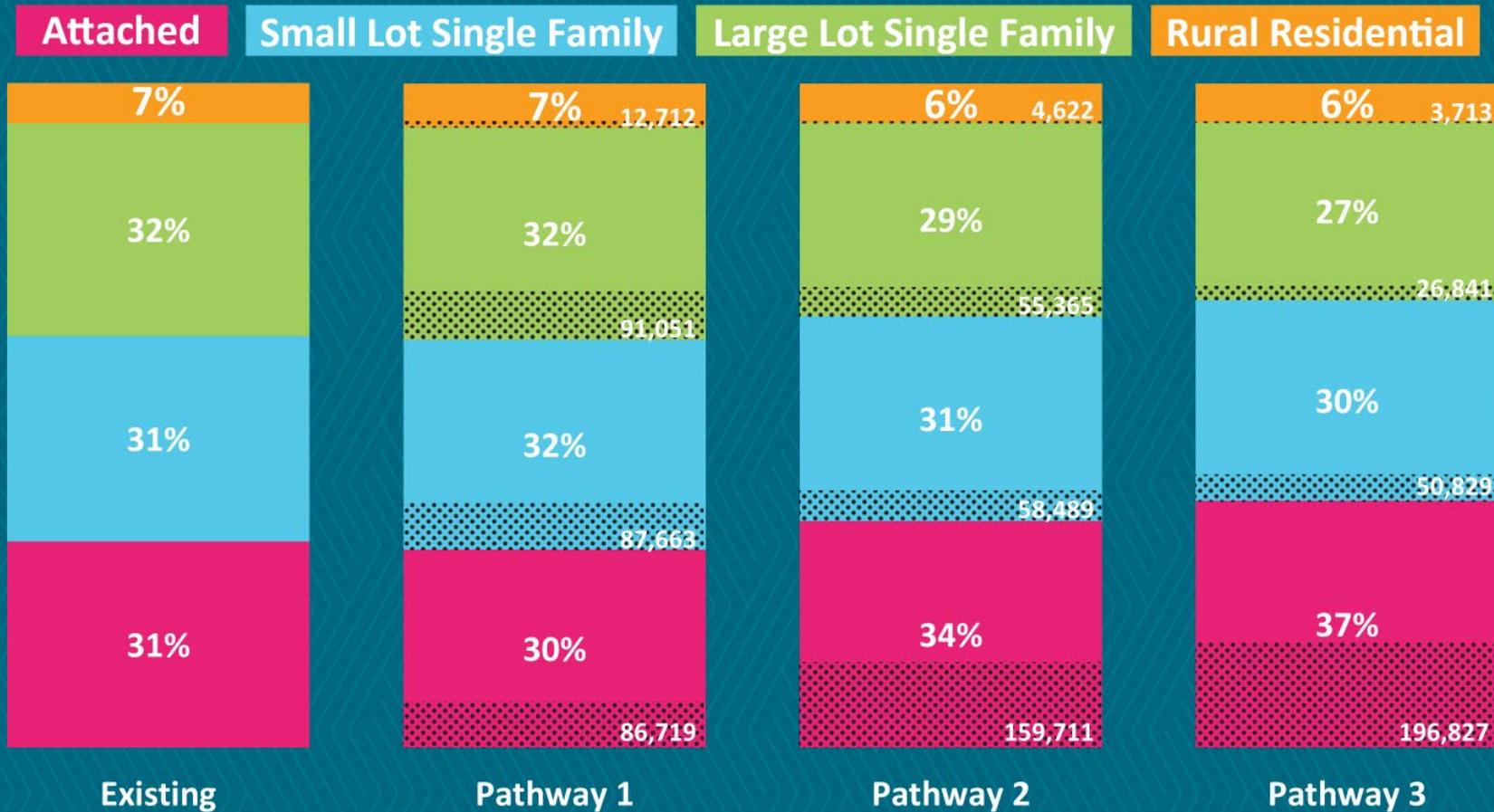
Rural Residential

(Single Family Homes on more than 1 acre lots)

Recent History of Housing Product Types



End State 2050 Housing Product Type Splits



What is this project?

Cascadia Partners was retained by SACOG to analyze housing product type preference in the 6-county SACOG region. The purpose of this analysis is to help SACOG better understand the market trends that may influence implementation of the 2024 MTP/SCS.



Project Components:

- ✓ Peer Cities Analysis
- ✓ Emerging Trends Research
- Regional Housing Policy Research

Key Terms

- **SACOG Region:** 6-county region including Yuba, Sutter, Yolo, Sacramento, Placer, and El Dorado counties.
- **Sacramento Metropolitan Statistical Area (MSA):** 4-county metropolitan area encompassing Yolo, Sacramento, Placer, and El Dorado counties
- **Multifamily Housing:** 5 or more attached units
- **Attached Housing:** 4 or fewer attached units
- **Cost Burdened Households:** Households spending at least 30% of their income on housing (*Severe Cost Burden = 50% or more*)

Four Geographic Scales

National Survey

survey data that uses a demographically representative national sample.

SACOG Region

data from the US Census or SACOG surveys that covers the six-county region.

Sacramento MSA

data from reports or surveys that report information from larger metropolitan areas.

City of Sacramento

insights from Sacramento-specific data.

We will clearly label each data source so it is clear which geographic scale it covers.

Peer Regions



San Diego , CA



Riverside, CA



Denver, CO



Kansas City, MO



Salt Lake City, UT



San Antonio, TX

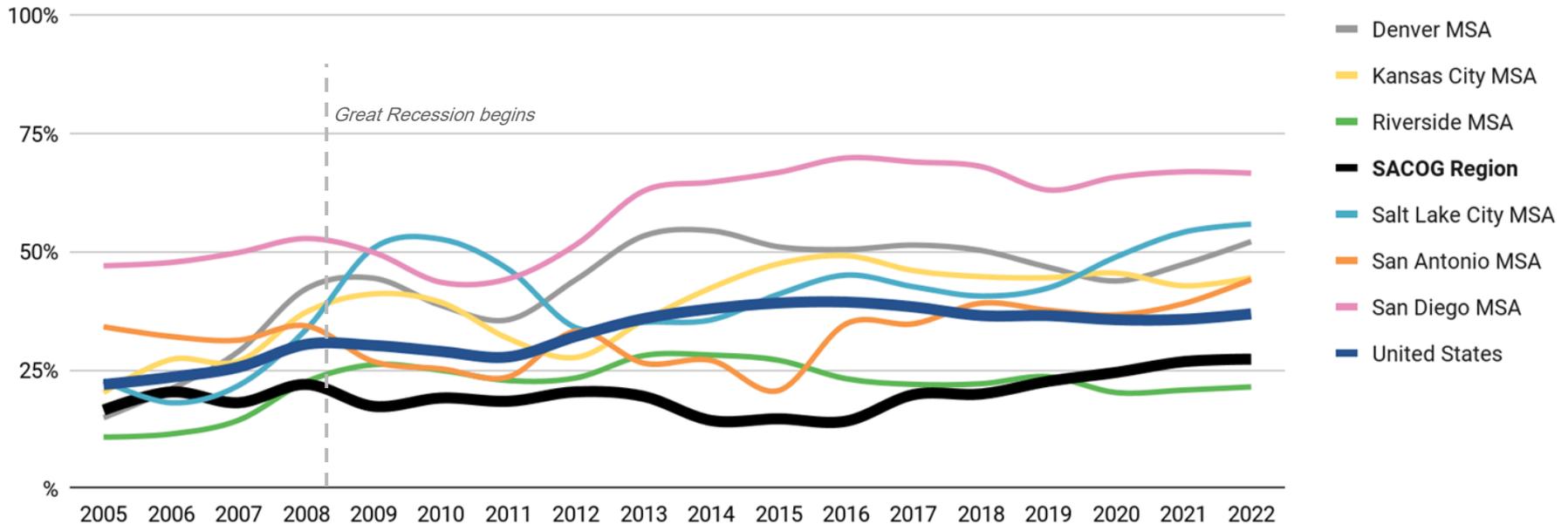
What We Know:

The SACOG region is lagging behind its peers in producing attached & multifamily housing.

- The Sacramento Region has consistently permitted among the lowest shares of multifamily housing since the Great Recession.



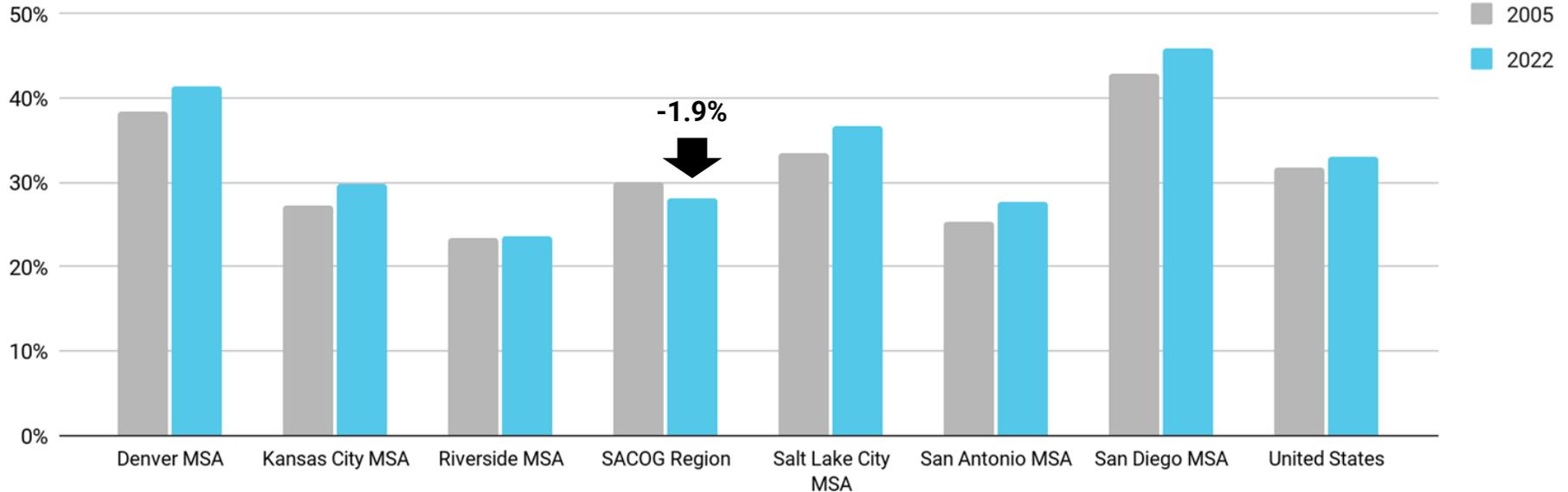
Multifamily housing permits as a percent of all permits - 3-year rolling average



- Between 2005 and 2022, the Sacramento Region was alone among its peers in having a decreased share of attached and multifamily units.



Share of all housing stock classified as attached and multifamily, 2005 vs 2022



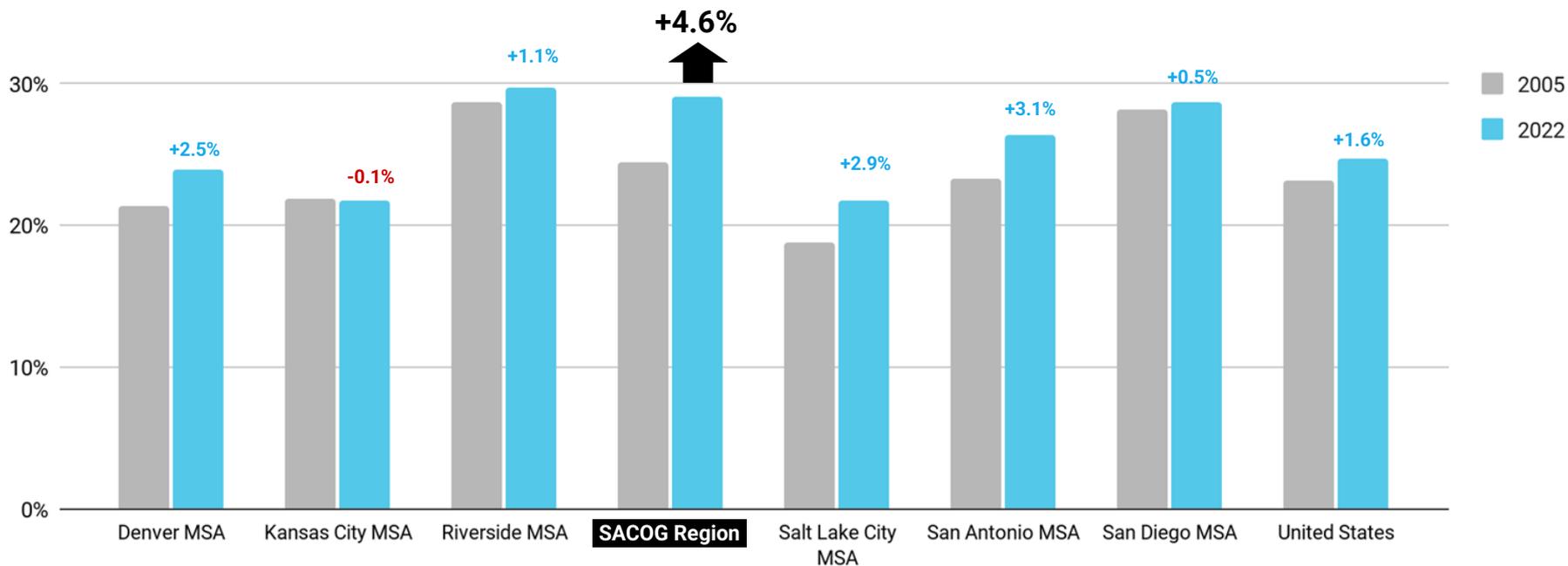
Why Does It Matter?

Prolonged under-production of multifamily has taken a toll on the region's housing market.

- Compared to its peers, the SACOG region had the highest increase in severe renter cost burden (*3 times more than the national average increase*).

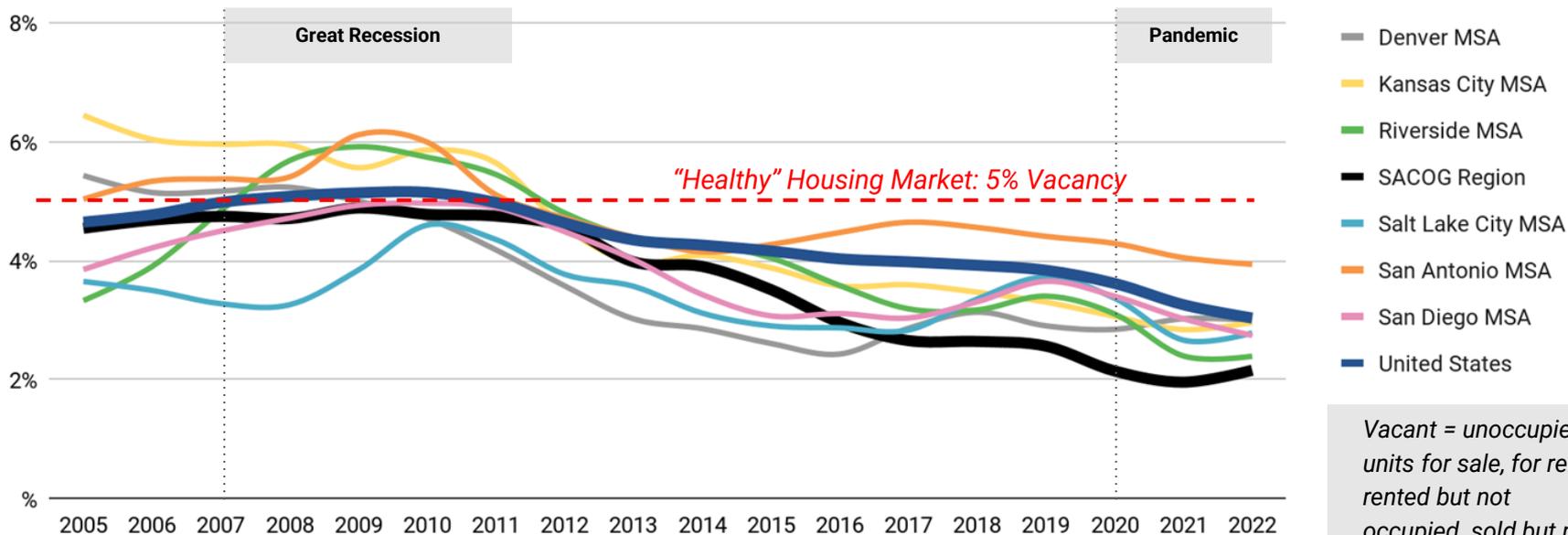
SACOG
Region

Percent of Renters Severely Cost Burdened (50%+ Income Spent on Housing)



- Housing vacancy rates in the SACOG Region have been “unhealthy” (*below 5%*) since 2011 and are now the lowest among its peers.

Housing vacancy rates - 2-year rolling average

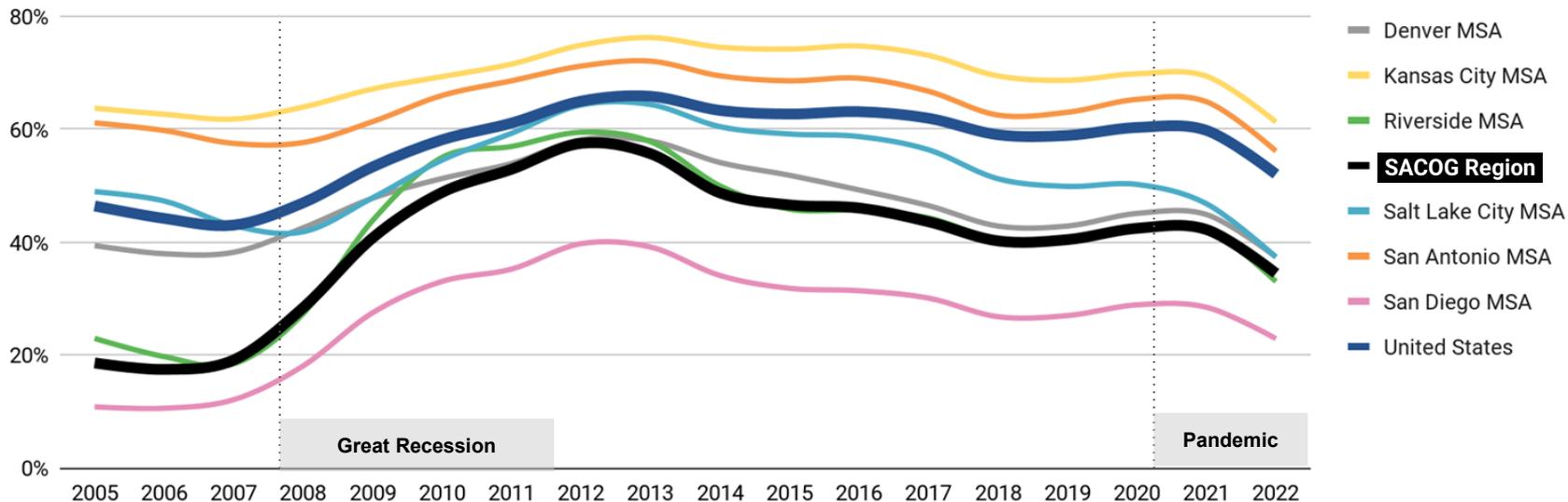


Vacant = unoccupied units for sale, for rent, rented but not occupied, sold but not occupied, excluding vacation homes.

● Only around ⅓ of households could afford the mortgage for the median-priced home in the Sacramento Region in 2022.

SACOG
Region

Percent of households that can afford to pay a newly issued mortgage on median home - 2-year rolling average



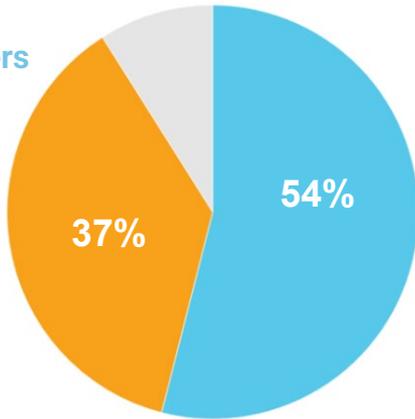
What Kind of Housing Do People Want?

If you ask renters and younger generations, the answer is multifamily and attached housing.

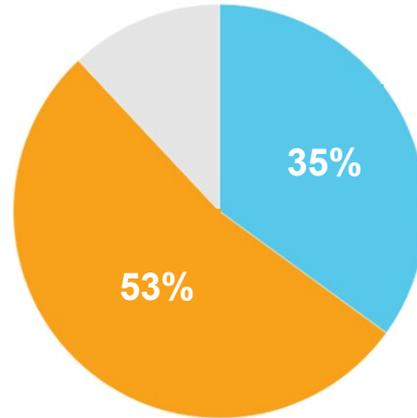
● Many homeowners and renters disagree about what the region's housing priorities should be.

We should prioritize building more *single-family homes*

Homeowners
Renters



We should prioritize building more **dense housing** (condos, townhomes, apartments)



Over half of respondents who favor denser multifamily development are renters. The reverse is true for single family development.

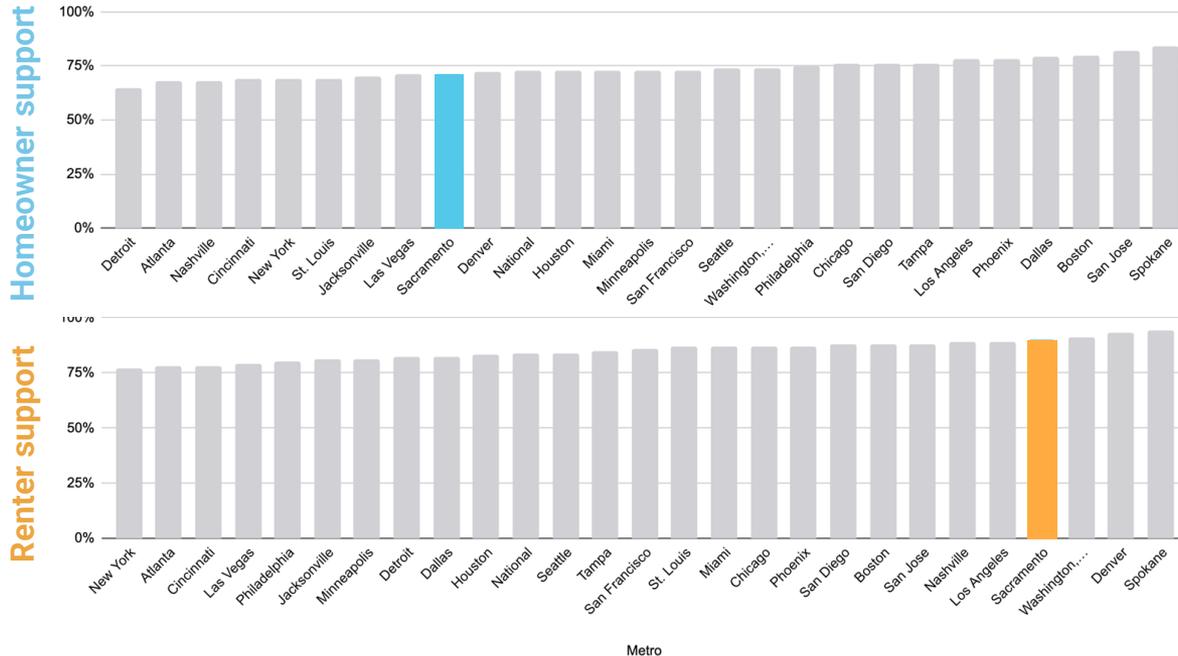
Why Denser Housing?

Denser housing tends to be less expensive and exist in areas in walking distance to daily destinations.

● The desire for more attached “middle housing” is also strong locally



Percent of Respondents Supporting Duplex/Triplex Housing in Residential Neighborhoods

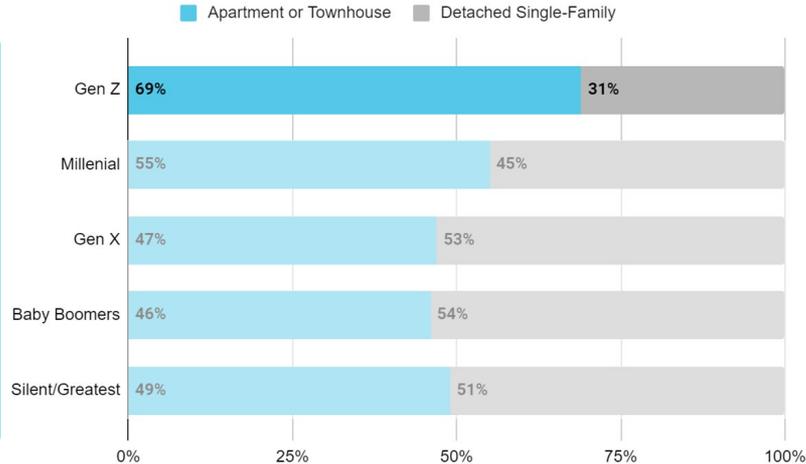


A recent Zillow survey of owners and renters found strong support in the Sacramento region for duplex, triplexes, and other forms of compact attached housing.

● **Younger generations are more willing to accept smaller homes in exchange for walkability.**

Select the community where you would prefer to live:

Own or rent an **apartment or townhouse** and you have an **easy walk** to shops and restaurants and have a **shorter commute** to work.



Own or rent a **detached, single-family house** and you **have to drive** to shops and restaurants and have a **longer commute** to work.

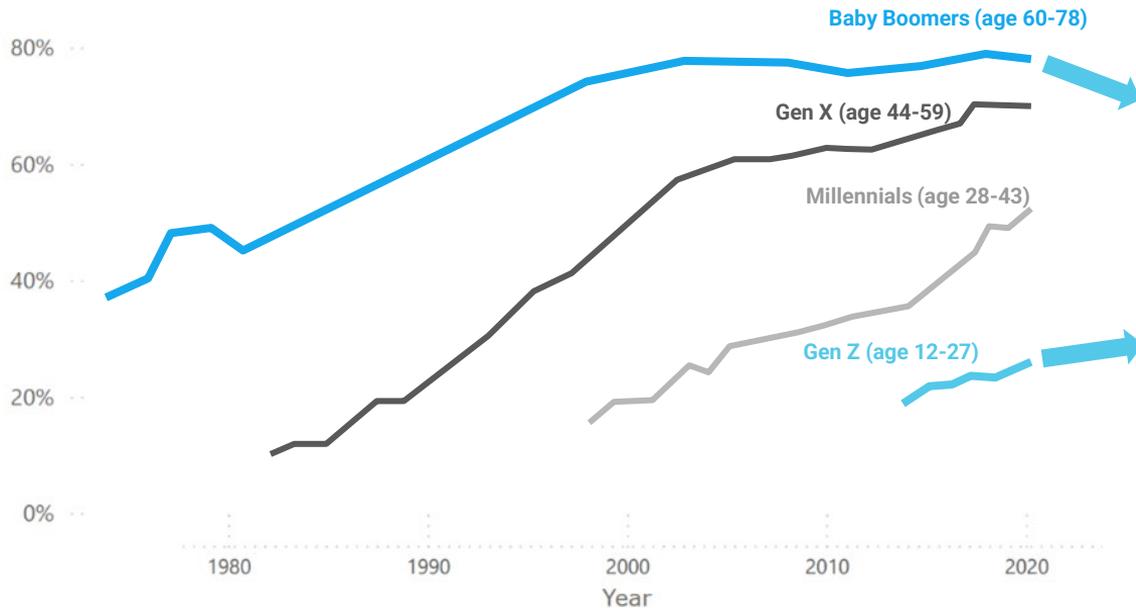
Of all generations surveyed, Gen Z prefers apartments or townhomes to detached single family homes if they are in walkable places. These product types are typically more affordable than detached housing.

What Do We Know About Future Housing Preferences?

Several emerging trends will increase demand for multifamily and attached housing in the future.

Baby Boomers are downsizing into smaller homes and rental housing while Gen Z is just starting to enter the housing market.

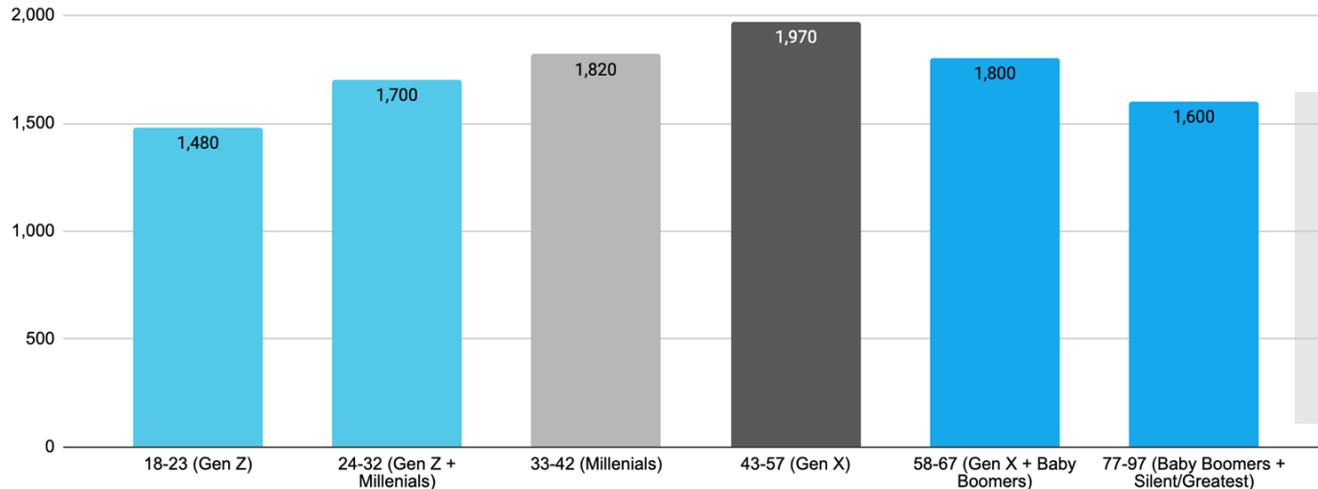
Homeownership Rates by Generation, 1976-2022



Baby Boomers are primed to make a change. Gen Z is coming into its prime “household formation” years. These generations will make the biggest changes to their living situations over the coming decades.

● **Baby Boomers and Gen Z will compete for the same limited housing stock.**

Median Size (Square Feet) of Home Purchased by Age Bracket (2023)



Baby Boomers will demand smaller homes and will likely outcompete younger generations for these homes.

Gen Z Entering Housing Market

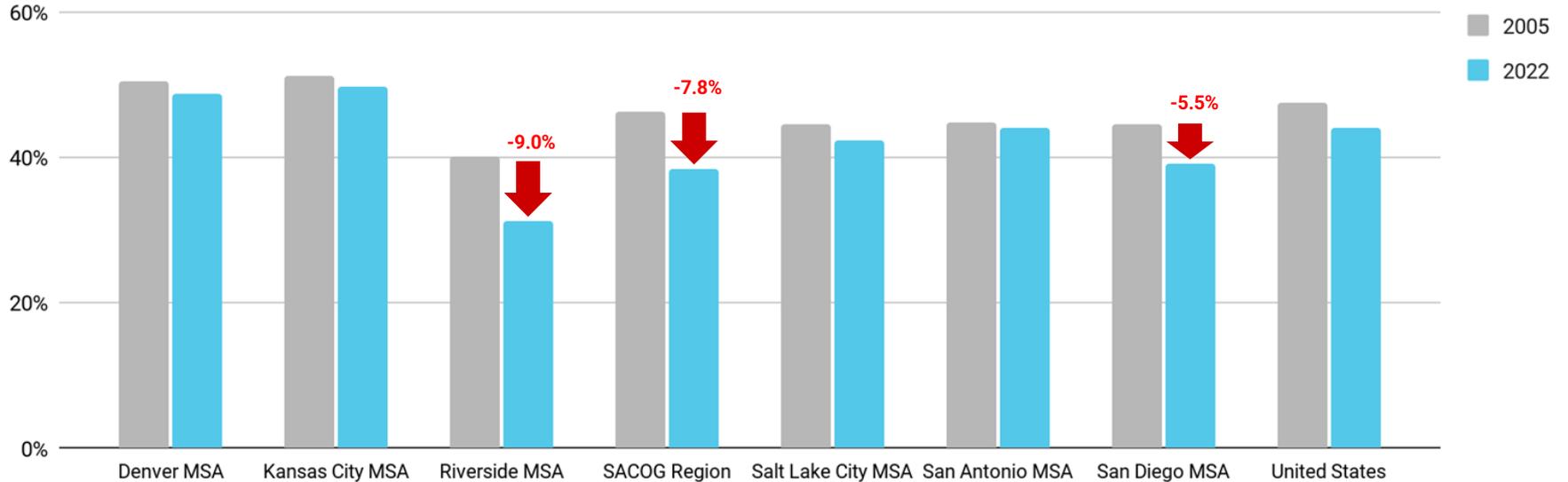
Compact Single Family and Attached Product

Baby Boomers Downsizing

- Younger generations are already finding it difficult to form households. This is a national trend that is more severe among California regions.

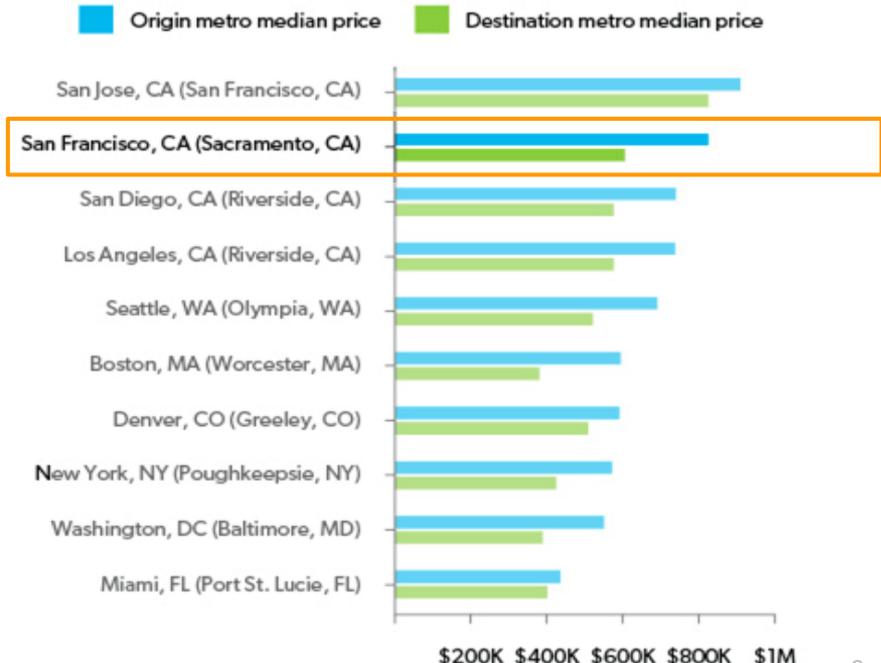


Head of household rate (ages 25-34)



- The rise of remote work and the decrease in housing affordability is causing out-migration from the largest metropolitan areas.

Median Home Prices in Origin vs. Top Destination Metros, 2022



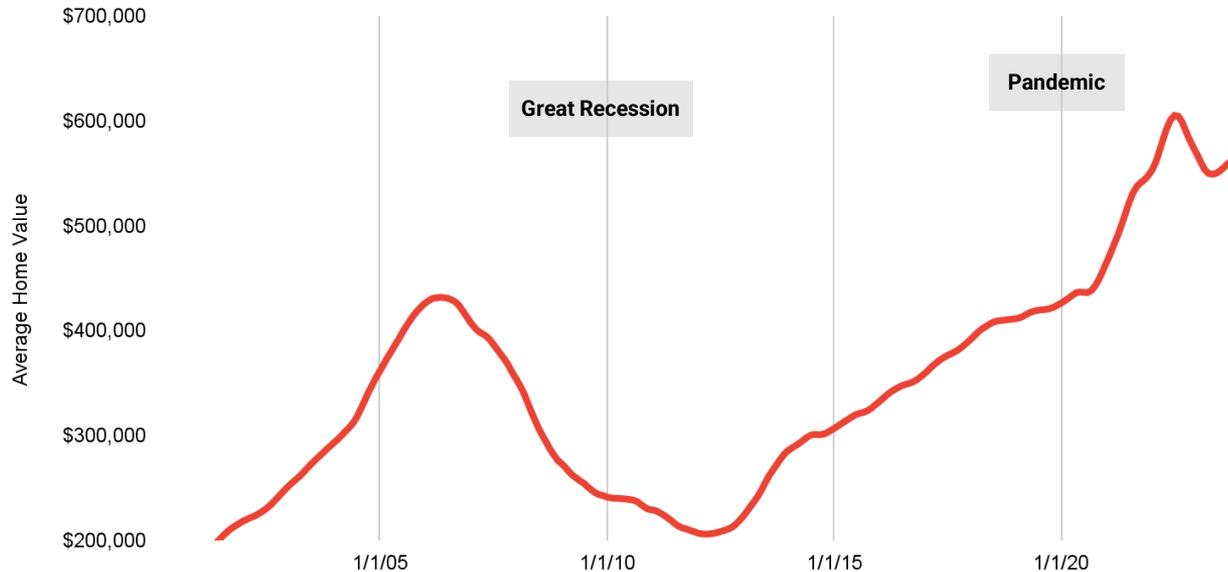
Sacramento was the top post-pandemic place for Bay Area homebuyers to move to. This is largely due to their ability to move further from their place of work combined with a lower cost of housing.

Source: 2022, FreddieMac, "In Pursuit of Affordable Housing: The Migration of Homebuyers from High-Cost to Lower-Cost Metropolitan Areas"

- **These trends have contributed to a dramatic increase in home values in the Sacramento MSA.**



Zillow Home Value Index, 2000-2023

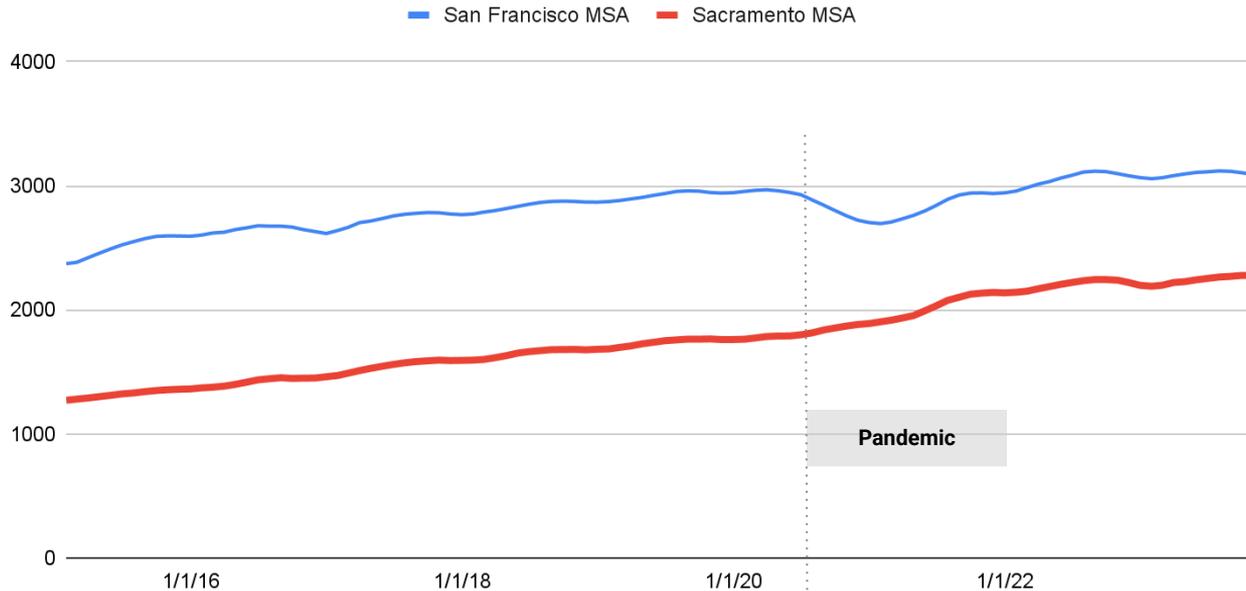


The median value of homes in the Sacramento MSA has increased by 30% since the pandemic.

● **Sacramento's rental housing affordability relative to the Bay Area is rapidly diminishing.**



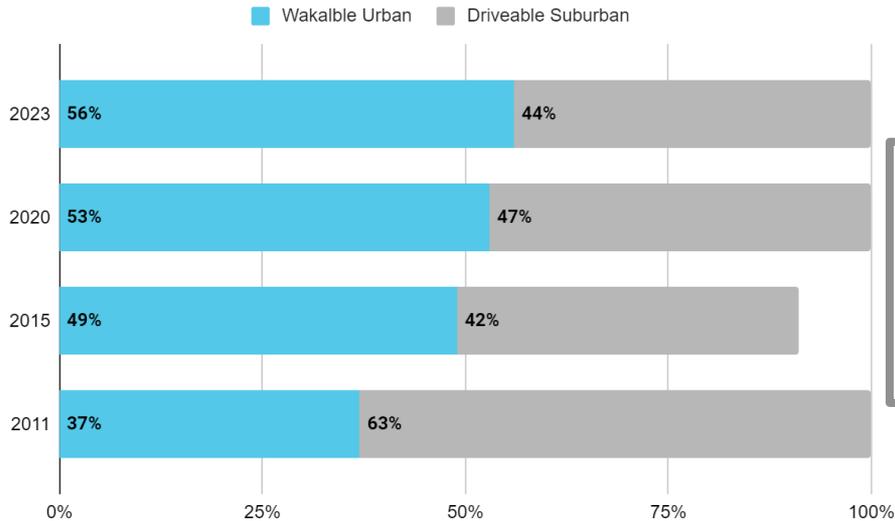
Zillow Observed Rent Index, 2015-2023



Sacramento's rents have been increasing more rapidly than the Bay Area's. The Bay Area's rental market has cooled post Pandemic, while SACOG rents continue to climb.

● Preferences continue to shift from driveable suburban to walkable urban.

Select the community where you would prefer to live:



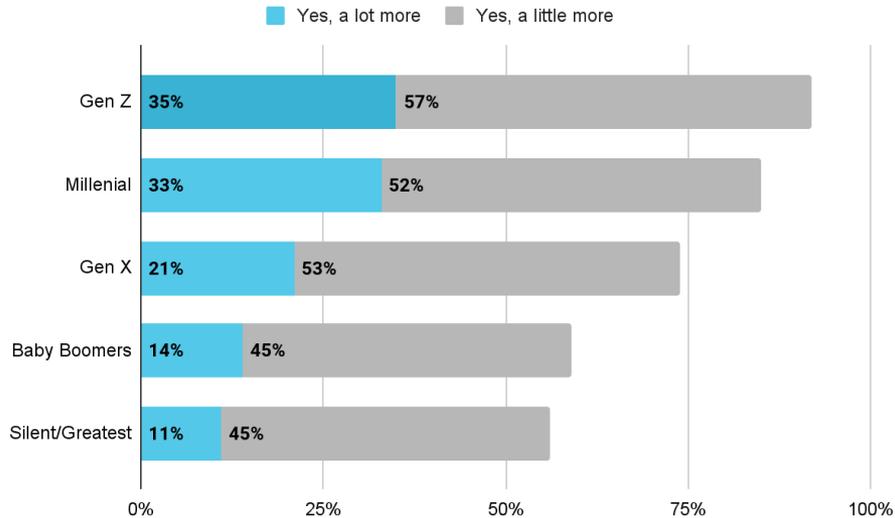
Smaller lots and it is easy to walk to schools, stores, and restaurants

Larger lots and you have to drive to get to schools, stores, and restaurants

Tracking with decreasing affordability, preferences for larger homes in driveable areas has diminished, while interest in smaller lot homes in walkable areas has increased,

● Millennials and Gen Z willing to pay more for walkable amenities.

Willingness to Spend More to Live Within Walking Distance of Amenities by Generation



The next generation of homeowners and renters will opt for walkable neighborhoods and is willing to pay more for it.

How Will the Real Estate Market Respond?

Homebuilders see a clear relationship between affordability and housing type.

- **Nationally, the market is responding to an increasingly unaffordable market for home buyers and renters.**

Goodbye Bathtub and Living Room. America's Homes Are Shrinking.

Faced with high mortgage rates, cost-constrained Americans are embracing smaller homes

Higher Costs Pushed Builders Toward Smaller, Attached Homes

Housing market affordability is so strained that builders are turning to shrinkflation

The Big Squeeze: The housing market is so unaffordable that builders have no choice but to build smaller homes

Momentum is building for smaller homes, and builders are responding to this need.

● Builders responding to affordability concerns with smaller single-family homes

National Survey



In 2023, D.R. Horton reduced the average square footage of its homes by 3%. Going forward, the home builder told investors that it expects “continued gradual moves down from a mix shift perspective in terms of average square footage.”

Source: Fast Company
(<https://www.fastcompany.com/91025971/housing-market-home-builders-shrinkflation-home-size>)

Parcl Labs: New single-family homes continue to get smaller

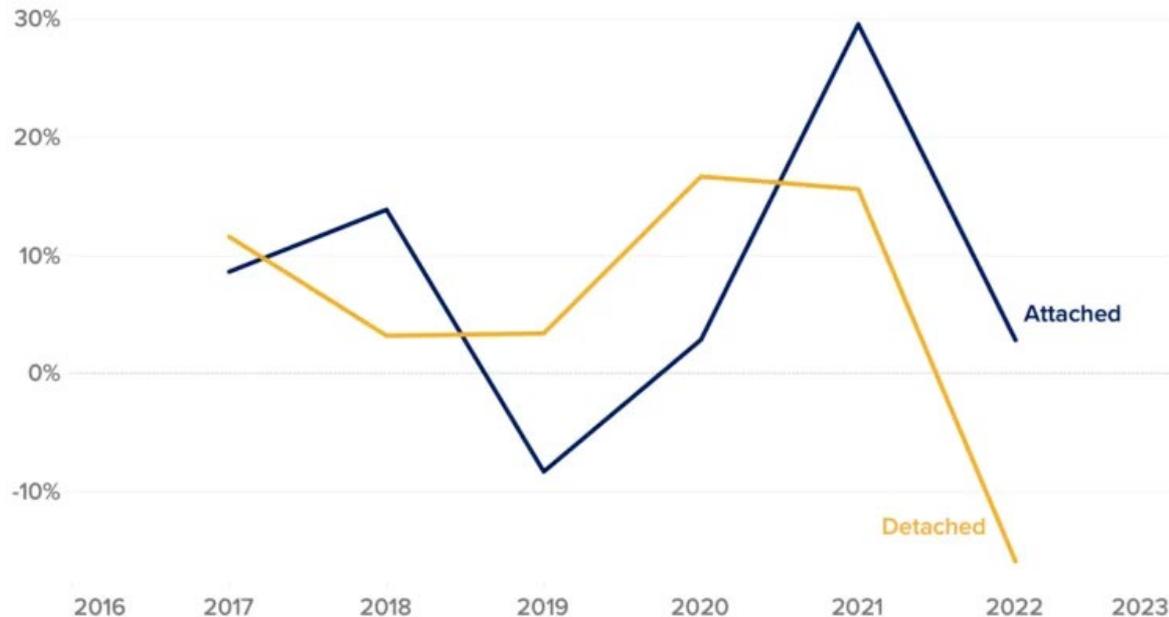
In 2023, the median square footage of existing single-family home sales was 1,607 square feet. For new construction, that number was 2,036 square feet



Chart: Lance Lambert • Source: Parcl Labs • Created with Datawrapper

- **We are already seeing signs that this trend also extends to attached and multifamily housing.**

In 2022, detached single-family homes starts fell while attached homes edged higher
% Difference in Starts

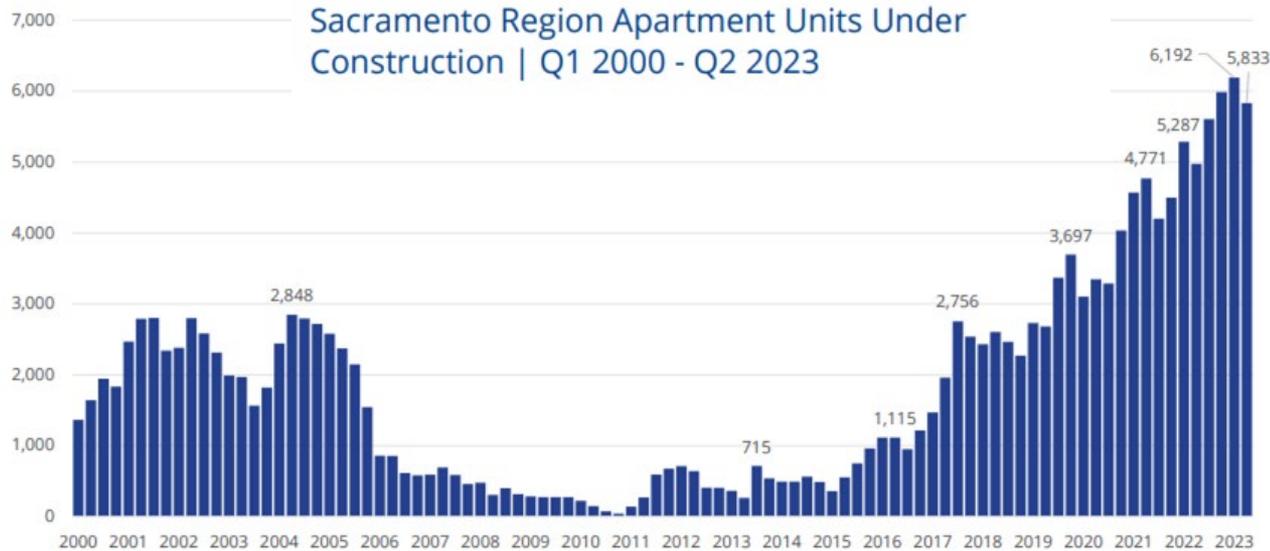


Nationally, the rate of growth of attached housing starts surpassed the rate of growth of detached housing starts in 2022.

- The SACOG Region is not immune to these trends - multifamily construction is booming.



Construction Activity



Multifamily construction activity is continuing at a near record pace. The SACOG Region's 17.2% year-over-year increase in units under construction is more than double the national average rate of growth.

Source: RealPage, Inc.
Includes all 5+ unit market-rate apartment properties

- **The City of Sacramento offers a glimpse of what it looks like when reforms make it possible for the market to respond.**

How the city of Sacramento found a solution to California's affordable housing crisis

By Ben Raderstorf
Feb 15, 2024



Rents in the City of Sacramento are falling faster than any other large city in California even as it remains the most popular relocation destination in the country.

“To make this happen, the city also took a ‘more of everything’ approach to reform, including upzoning in key corridors, more flexible standards, relatively low development fees, eliminating parking requirements and dozens of other incremental improvements that add up to big changes in how much it costs to build housing.”

- Ben Raderstorf, SF Chronicle

● What Did We Learn?

- Among its peers, the SACOG region has produced very little multifamily housing and has one of the least affordable housing markets.
- Due to declining affordability and lack of supply, regional interest in attached and multifamily housing is high.
- Emerging national trends (*remote work, demographic shifts, etc.*) will only increase demand for multifamily and attached housing in the future.
- Nationally builders are responding to these trends with smaller housing product and this trend is just starting to emerge in the SACOG region.
- A recent expansion of the region's multifamily construction pipeline has already started to relieve pressure on the housing market.

● What's Up Next?

We will :

- Investigate potential reasons for past multifamily underproduction
- Interview local developers to better understand their perception of regional barriers to multifamily and attached housing production
- Look for peer regions and local success stories that will shed light on what can be done to continue to boost multifamily and attached housing production

● Questions?

SACOG Housing Preferences

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