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Research & Strategic Analysis

Summary of Findings Housing Market Analysis Lancaster County, Pennsylvania

September, 2013

NOTE: This document is a brief summary of the most salient findings of the analysis of Lancaster County's housing market. It should not be considered a substitute for the full report which covers the county and all of its 60 municipalities singly and in clusters with rich and nuanced data that cannot be conveyed in bullet points. Study findings, summarized here at the county level, raise provocative questions concerning appropriate techniques for meeting the overall objective of providing greater housing affordability and diversity throughout the county, many of which can only be implemented at the municipal level.

Issue: There is a dire need for rental housing throughout the county, particularly affordable units, but also market-rate units. Newer, professionally-managed market-rate properties in the county cater mainly to above-median income renters.

- The median household income in Lancaster County in 2011 was \$53,387; the median renter household income was \$30,697; the median rent was \$834.
 - Almost half (47.8 percent) of the renter households in the county are cost-burdened—paying more than 30 percent of their income for rent.
 - Renter demand by income ranges and rental supply by affordability ranges are not well-matched. In particular, households with incomes at or below 30 percent of the HUD Area Median Family Income are either under-housed or cost-burdened.
 - The county rental affordability index is 77, meaning the median income for county renter households is 23 percent lower than the income required to qualify for the median-priced rental unit. Median rents are mismatched with median renter incomes across all transects.
 - Occupancy rates at nearly all county rental properties exceed 95 percent. These extremely high occupancy rates, combined with the cost-burden carried by a majority
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of renters at these properties, point to a severe shortage of rental housing, at all price points, throughout the county.

Issue: A sizeable percentage of new detached and attached housing is out of reach of resident households based on median homeowner incomes, and the production of new for-sale housing throughout the county remains out of step with the changing housing preferences of the 21st Century housing market.

- The median owner household income in 2011 was \$64,255; the median housing value was \$187,300.
- The county's housing stock currently contains more than 55 percent single-family detached houses, and the majority of permits issued are for single-family units. In contrast, over the next 15 years, single-family detached units will comprise only 40 percent of market preferences.
- The county ownership affordability index is 176, meaning that the median income for owner households is 76 percent higher than the income required to qualify for the median-priced owner-occupied dwelling unit. In many municipalities, this is less an indication of high median income, but rather reflective of the low median values of owner-occupied housing units.
- The 21st Century housing market is increasingly comprised of one- and two-person households, with preferences for smaller housing units. Areas with concentrations of housing units with four or more bedrooms, which comprises a growing percentage of the county housing stock, may therefore ultimately be at a competitive disadvantage.

Conclusion: A continuation of current trends in Lancaster County—with the emphasis on new for-sale housing construction concentrated in single-use, single-family subdivisions, new rental construction largely limited to market-rate rents, and a lack of diversity in both housing types and affordability—risks economic stagnation and declines in housing values.

- The county's population and household growth has occurred mostly outside the city and the boroughs. The general trend has been a continued geographic dispersion of housing units, households and population.

- The county's commutation and vehicle ownership patterns are reflective of its settlement patterns, with a high reliance on single-occupancy vehicles and limited transportation options.
- Nearly 72 percent of all Lancaster County households have a combined housing and transportation cost burden of 45 percent of income or higher.
- In 2009, for the first time, more households moved out of the county than moved in.
- Market preferences in the county, as in the nation, are moving steadily toward walkable, mixed-use neighborhoods, but many households, lacking housing choice, continue to settle for single-use subdivisions instead.
- Currently, in terms of lifestage, empty nesters and retirees (Baby Boomers) comprise the largest segment of county households, at 52 percent of all households. Traditional and non-traditional families (Generation X) represent 29 percent, and younger singles and couples (the Millennial generation) 19 percent.
- However, over the next five years, younger singles and couples will make up over 45 percent of the market for new and existing housing units in the county; traditional and non-traditional family households will represent 31 percent; and empty nesters and retirees 24 percent.
- In terms of tenure propensities, approximately 57 percent of the potential market would be likely to own their units, and 43 percent would be likely to rent. Of the households that would be likely to own their units, 11 percent would prefer condominiums (multi-family), 18 percent would prefer rowhouses, townhouses, or duplexes (single-family attached), and 71 percent would prefer single-family detached houses.
- The protracted ownership housing slump due to the housing crash and Great Recession has led to a measurable shift in market preferences from home ownership to rental dwelling units, particularly among younger households. At the same time, there has been a significant shift in preferences from exurban and rural subdivisions toward mixed-use neighborhoods.
- The Millennial generation's attitude toward home ownership and their financial capacity in light of their unprecedented student debt load will determine when, and

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if, first-time home buying returns to “normal” levels. Without first-time buyers, housing sales volume is diminished. Would-be move-up buyers cannot sell their existing dwellings to improve their housing situation. At the end of the housing resales sequence is the huge Baby Boom generation who are expected to begin a great housing sell-off during the forecast period; but, without a reasonable level of first-time buyers at the beginning of the sequence there may not be sufficient numbers of buyers for the Baby Boomer houses.

LANCASTER COUNTY HOUSING DATA

—2000 CENSUS; 2013 NIELSEN ESTIMATES—

Number of Housing Units 2000:	179,952	
Number of Housing Units 2013:	206,952	
Number Occupied:	197,403	95 percent
Number Owner-Occupied:	135,065	68 percent
Median Housing Value:	\$189,315	
Number Renter-Occupied:	62,338	32 percent
Median Monthly Rent:	\$834 *	
Median Year Built:	1973	27% prior to 1949; 4.6% since 2005
Number of Housing Units 2013:	206,952	
Single-Family Detached:	115,000	55.6 percent
Single-Family Attached:	41,062	19.8 percent
Duplex (Two Units):	8,855	4.3 percent
Multi-Family (Three+ Units):	33,731	16.3 percent
Mobile Home/Trailer:	8,277	4.0 percent
Number of Households 2000:	172,575	
Number of Households 2013:	197,403	
1- and 2-Person Households:	118,366	59.9 percent
Average Household Size:	2.61	

* Estimate from 2011 American Community Survey.

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—2008 – 2012 BUILDING PERMITS—

Five-Year Total:	<u>6,303</u>
Single-Family:	4,723
Two-Family:	234
3-4-Family:	198
5+-Family:	1,148
2008 Total:	<u>1,434</u>
Single-Family:	1,160
Two-Family:	8
3-4-Family:	30
5+-Family:	236
2009 Total:	<u>1,255</u>
Single-Family:	983
Two-Family:	64
3-4-Family:	74
5+-Family:	134
2010 Total:	<u>1,373</u>
Single-Family:	1,141
Two-Family:	32
3-4-Family:	20
5+-Family:	180
2011 Total:	<u>1,076</u>
Single-Family:	653
Two-Family:	46
3-4-Family:	47
5+-Family:	330
2012 Total:	<u>1,165</u>
Single-Family:	786
Two-Family:	84
3-4-Family:	27
5+-Family:	268

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—2008 – 2012 MLS SALES—

Five-Year Total:	<u>21,615</u>
Single-Family:	20,702
Condominium:	913
2008 Total:	<u>4,463</u>
Single-Family:	4,267
Condominium:	196
2009 Total:	<u>4,465</u>
Single-Family:	4,296
Condominium:	169
2010 Total:	<u>4,109</u>
Single-Family:	3,944
Condominium:	165
2011 Total:	<u>3,962</u>
Single-Family:	3,792
Condominium:	170
2012 Total:	<u>4,616</u>
Single-Family:	4,403
Condominium:	213

—2011 AMERICAN COMMUNITY SURVEY ESTIMATES—

Median Household Income:	\$53,387
Median Owner Income:	\$64,255
Ownership Affordability Index:	176
Cost-Burdened w/ Mortgage:	33.2%
Cost-Burdened No Mortgage:	15.7%
Median Renter Income:	\$30,697
Renter Affordability Index:	77
Cost-Burdened:	47.8%

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—MARKET POTENTIAL FOR LANCASTER COUNTY: 2013-2017—

Households by Lifestage 2013:	197,395 Households	
Empty Nesters & Retirees:	102,940	52.1 percent
Traditional & Non-Traditional Families:	57,925	29.3 percent
Younger Singles & Couples:	36,530	18.6 percent
Five-Year Market Potential 2013-2017:	115,175 Households	
Empty Nesters & Retirees:	27,425	23.8 percent
Traditional & Non-Traditional Families:	36,025	31.3 percent
Younger Singles & Couples:	51,725	44.9 percent
Tenure Preferences 2013-2017:	115,175 Households	
Renter Households:	49,550	43.0 percent
Owner Households:	65,625	57.0 percent
Empty Nesters & Retirees:	27,425 Households	
Rental Preferences:	7,300	26.6 percent
Owner Preferences:	20,125	73.4 percent
Traditional & Non-Traditional Families:	36,025 Households	
Rental Preferences:	11,790	32.7 percent
Owner Preferences:	24,235	67.3 percent
Younger Singles & Couples:	51,725 Households	
Rental Preferences:	30,460	58.9 percent
Owner Preferences:	21,265	41.1 percent
Target Market Incomes 2013-2017:	115,175 Households	
Incomes Below 30% AMI:	18,620	16.1 percent
Incomes Between 30-50% AMI:	15,115	13.1 percent
Incomes Between 50-80% AMI:	21,840	19.0 percent
Incomes Between 80-100% AMI:	12,545	10.9 percent
Incomes Above 100% AMI:	47,055	40.9 percent
Renter Households:	49,550 Households	
Incomes Below 30% AMI:	9,885	19.9 percent
Incomes Between 30-50% AMI:	7,385	14.9 percent
Incomes Between 50-80% AMI:	9,900	20.0 percent
Incomes Between 80-100% AMI:	5,330	10.8 percent
Incomes Above 100% AMI:	17,050	34.4 percent
Owner Households:	65,625 Households	
Incomes Below 30% AMI:	8,735	13.3 percent
Incomes Between 30-50% AMI:	7,730	11.8 percent
Incomes Between 50-80% AMI:	11,940	18.2 percent
Incomes Between 80-100% AMI:	7,215	11.0 percent
Incomes Above 100% AMI:	30,005	45.7 percent

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ASSUMPTIONS AND LIMITATIONS—

Every effort has been made to insure the accuracy of the data contained within this analysis. Demographic and economic estimates and projections have been obtained from government agencies at the national, state, and county levels. Market information has been obtained from sources presumed to be reliable, including developers, owners, and/or sales agents. However, this information cannot be warranted by Zimmerman/Volk Associates, Inc. While the methodology employed in this analysis allows for a margin of error in base data, it is assumed that the market data and government estimates and projections are substantially accurate.

Absorption scenarios are based upon the assumption that a normal economic environment will prevail in a relatively steady state during development of the subject property. Absorption paces are likely to be slower during recessionary periods and faster during periods of recovery and high growth. Absorption scenarios are also predicated on the assumption that the product recommendations will be implemented generally as outlined in this report and that the developer will apply high-caliber design, construction, marketing, and management techniques to the development of the property.

Recommendations are subject to compliance with all applicable regulations. Relevant accounting, tax, and legal matters should be substantiated by appropriate counsel.



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Zimmerman/Volk Associates, Inc. retains all rights, title and interest in the methodology and target market descriptions contained within this study. The specific findings of the analysis are the property of the client and can be distributed at the client's discretion.

