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CHARLOTTE REGION HOUSING OUTLOOK DISCUSSION HIGHLIGHTS CHALLENGES, PROMOTES SOLUTIONS

Rising home prices might be good news for homeowners, but the surging cost of homes and rent threatens the Charlotte region's reputation for a good quality of life.

"I use every opportunity I can to make the obvious statement that this is not a poor people problem, it is a quality of our community problem," says Tim Sittema, managing partner of Crosland Southeast, a commercial and residential developer, including affordable housing. "When 50% of our residents can't afford 90% of our houses, you can see this is a very far-reaching challenge. When people have to drive an hour to get into town because they can't afford to live closer, it diminishes the efficacy of our workforce."

emerged as a destination during Covid migrations.

During 2020 and 2021, the region introduced a 10,000-unit deficit to the local housing supply, which was already running at a deficit.

* "Since 2008, this region is probably in shortage of at least 30,000 to 40,000 housing units," Chu says. "If we do not solve this, housing affordability will be a significant concern over time."

That's because the only way to stem the rapidly increasing cost of homes and rent is to provide more units for the market to absorb. Without additional units, potential buyers will bid up prices of what's available.

policemen will not be able afford a decent house in this region. That should be a big concern for us."

Charlotte is not alone among desirable metro areas seeing increasing unaffordability, but Chu says Charlotte continues to have one of the highest home price growth rates.

"People still are moving to this area and businesses are still moving here. Demand will remain strong," Chu says. "The only way to slow price increases is to build more houses. There is no way to decrease prices, the best we can do is slow it down."

ON BARRIERS TO AFFORDABILITY

Increasing the supply of homes

repairs," DeCatsye says. "The effort contributes to keeping people in their homes."

The foundation provides community grants – nearly \$500,000 since 2009 – to nonprofits addressing homelessness and housing affordability.

* DeCatsye shared that the Real Estate and Building Industry Coalition – or REBIC – has developed six strategies to address affordable housing. These proposals include expanding the Homestead Exemption in urban areas, retrofitting existing older commercial buildings to housing, implementing a state tax credit for affordable housing and on a local level, amending local housing

Sittema made his comments as part of the 2023 Housing Outlook and Affordability discussion presented by Canopy Realtor® Association in partnership with the Charlotte Business Journal. Tiffany Johannes, 2023 president of Canopy Realtor® Association, Canopy MLS, and Canopy Housing Foundation moderated the discussion.

Joining Sittema on the panel were Dr. Yongqiang Chu, director of the Childress Klein Center for Real Estate and distinguished professor at the UNC Charlotte Belk College of Business, and Anne Marie DeCatsye, Esq., CEO of Canopy Realtor® Association, Canopy MLS, and Canopy Housing Foundation.

ON THE STATE OF THE MARKET

Chu, the author of the 2022 State of Housing in Charlotte report, started the discussion with an overview of the current housing market.

Since the 2008 financial crisis, which wiped out many homebuilders, most years the Charlotte MSA has added more new households than it added new home units, either apartments or new single-family homes. Only in 2018 and 2019 did home building outpace new arrivals, but the imbalance returned as Charlotte

Of late, prices have surged.

From January of 2020 to September of 2022, the median house price increased 54% in the Charlotte MSA, Chu says. While housing prices decreased 6.6% in the second half of 2022, he says those declines are likely more seasonal slowdowns than an actual downturn in the market.

Homes continue to sell quickly, though houses as of February 2023 spend an average of 48 days on market compared to record-low days on market of 13 days in 2021. Supply remains very tight.

* Chu's data showed a dramatic increase in the income needed to afford a home. For a buyer wanting to buy a house in the lowest 10th percentile – meaning the 10% of homes that are the lowest price in the market – a buyer in 2018 needed to earn \$45,000 a year. Today, that same household needs to earn \$83,000 to afford the same home. A household wanting to buy a median-priced home in the Charlotte region must earn \$136,750.

* “Fifty percent of households in the Charlotte region cannot afford the 10th percentile price, and 80% cannot afford the median price,” Chu says. “If 80% cannot afford a median priced house, that means teachers, fire fighters and even

seems like an easy fix, but developers and builders face a number of challenges when trying to address the lack of supply.

* “We deal with additional regulatory burdens, nimbyism, limitations on the transportation network and even a mindset to roll up the sidewalks and stop growth and urban sprawl and let people move elsewhere,” Sittema says. “It’s an unspoken mindset but a real one and those mindsets contribute to the challenge of increasing supply.”

DeCatsye says, “Even elected leaders who want economic development often fail to see that adding jobs requires adding housing. You can’t have one without the other.”

ON INITIATIVES TO HELP

Canopy’s Housing Foundation works with entities across Charlotte that are addressing housing affordability and homelessness.

Every year, local Realtors® participate in Realtors® Care Day and volunteer to make critical home repairs as a way to preserve the affordable housing that already exists.

“It is a way of sustaining homeownership for those who own their house outright but can’t afford

authority rules and expanding accessory dwellings.

Additionally, Senate Bill 317 was introduced at the General Assembly and would essentially create a different building code for affordable housing. *

“That legislation could impact the building of affordable housing in ways no other approach could,” DeCatsye says. “I’m looking forward to seeing how it makes its way through the General Assembly this year.”

ON CROSLAND SOUTHEAST’S EFFORTS

Crosland Southeast develops a variety of different types of real estate, including mixed-use projects and grocery store-anchored retail developments. On the residential side, Crosland Southeast develops market rate multifamily and some single-family lot development. Increasingly, Crosland is developing affordable housing throughout the southeast, utilizing tax credits to build apartments.

Through a partnership with True Homes and Freedom Communities, Crosland Southeast is building its first, for-sale affordable townhome development. Crosland is also building rent-to-own housing. *

DeCatsye says Crosland Southeast

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* and other affordable housing developers, such as Laurel Street, and DreamKey Partners are trying to solve the problem but run up against the same regulations as market-rate builders.

“There’s no carve out or exception if you are trying to build affordable housing,” DeCatsye says. “There is a greater need to be addressed.”

Removing some of the barriers to developing affordable housing means finding a compromise with all of the wants and needs of the community, Sittema says.

“It’s a balancing act,” Sittema says, pointing out that Charlotte’s new Unified Development Ordinance includes things like wider bike paths and enhanced regulations to save trees. Those are good things, Sittema says, but not at the expense of people not having a place to live.”

“There are folks at the city that care as deeply about these issues as we do, and they are looking at whether they can relax some of the regulatory burdens on affordable

dwelling units, which are smaller, independent units located on the same lot as other homes.

The UDO also reduces land yield with more expansive tree-save regulations.

“Frankly, we are going to have to see what the precise impacts are of that gargantuan legislation,” Sittema says.

Chu says, “There’s no single solution that would resolve the region’s housing shortage. Easing restrictions on developers and builders who could build workforce housing would be a good start. It would also help for people to gain an understanding of the issue and perhaps practice less NIMBYism – not in my backyard. Nimbyism in the long run can hurt you.”

DeCatsye agreed that many people resist multifamily development near their homes despite apartments being part of the region’s housing solution.

* “The best way to control rent is to

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PANELIST MODERATOR



TIFFANY JOHANNES

2023 President Canopy Realtor® Association/Canopy MLS

PANELISTS



on people who are already barely affording their home. Increasing the * Homestead Act exemption for urban areas could help.

In general, panelists say Charlotte is ahead of other peer cities in finding strategies to help add to the region’s housing supply, especially affordable housing.

Voters have approved \$50 million bonds for the Housing Trust Fund in Mecklenburg County in the last two election cycles.

* “For the most part, Charlotte is leading most other cities, certainly with the Housing Trust Fund,” says Sittema, whose company works in states across the southeast. “Georgia has a state tax credit and once that was passed, they dramatically scaled affordable housing production. South Carolina has also done it. At the state level, some of those other states are beginning to focus on bigger solutions.”

ON WHAT REALTORS® CAN DO

REALTORS® do more than sales. "They are advocates for homeownership and housing," DeCatsye says. And she adds there's an opportunity for REALTORS® at Canopy to learn more about the issue and to be an advocate for more affordable housing.

Canopy Real Estate Institute offers a Workforce Housing Certificate Program, which provides REALTORS® with the tools and resources they need to work with first-time buyers and clients purchasing in the affordable price range (80% of AMI).

"Being knowledgeable allows you to be an advocate," DeCatsye says. "We have had hundreds of members educate themselves about what's out there, in terms of financing and education for first-time, low-income homebuyers."

ON WHAT MIGHT HELP LOCALLY

* In 2022, the City of Charlotte passed its contentious Unified Development Ordinance, which becomes effective in June. The ordinance allows for duplexes and triplexes in single-family zoned areas, which could help developers create more housing units in more locations. The UDO also permits more accessory

housing, Sittema says. And more, DeCatsye says. There's a lot of multifamily building happening right now, and there is a lot of nimbyism. It takes educating our spouses, our neighbors and friends that this is what we need. We are talking about teachers, firemen, and police officers that don't want to commute from an hour away. We must embrace development because we need it."

Sittema shared the current tax codes limit how far cities can go to incentivize developers to build the kinds of housing units that will solve the problem.

* "You can't easily waive property taxes for developers to build affordable housing; there's no easy way for municipalities to make that happen," Sittema says. "We need legislative changes at the state level."

* Sittema added that developers are not able to create affordable housing with private sector loans. So far, public-private partnerships are what works best.

* "The low income tax credit program is a terrible program, but it's the best program we have," he says.

As construction costs and interest rates have escalated so dramatically, the program is even less effective.

DeCatsye says she's concerned that Mecklenburg County's recent property tax revaluation, in which home values soared, will put stress

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ON RECENT BANKING INSTABILITY

Given the devastating effects of the 2008 banking crisis on home building, Chu stated people are concerned that the recent bank failures could signal trouble for the housing market. But Chu says the collapse of Silicon Valley Bank and others are quite different than in the Great Recession.

"In 2008, those were mortgages defaulting. In this case, this is an interest rate risk problem. Silicon Valley Bank had huge amounts of uninsured deposits, more than a typical bank," Chu says.

Smaller banks will likely tighten lending standards, but Chu does not expect a systemic problem. Instead, the bigger problem is when a lack of housing supply starts to shrink demand.

* "When supply is not there, people cannot move to the area," Chu says. "The kind of growth we have been seeing and the things we enjoy will slow down or stop when people and businesses do not want to move to the city because employees cannot find a decent home. That growth will at some point stop."