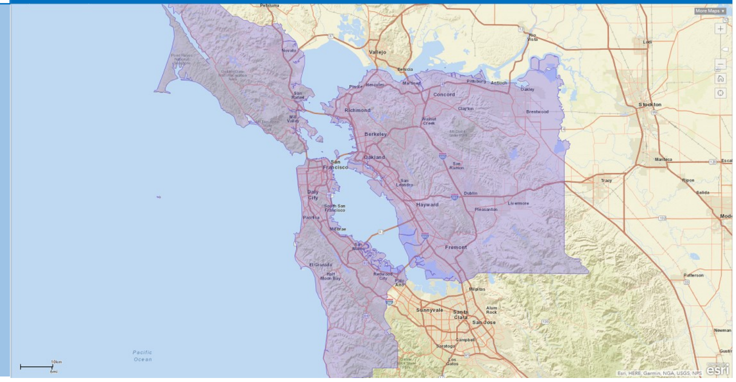
BARRIERS to APARTMENT CONSTRUCTION

SAN FRANCISCO

BARRIERS RANKING[1]	NEW MF DEMAND[2]	HIGH RENT BURDEN[3]	STAR SHARE[4]
55	59.0k	41%	54%

MEDIAN RENTAL HOUSEHOLD INCOME **$73,310**

INCOME REQUIRED FOR AVERAGE RENT[5] **$104,040**

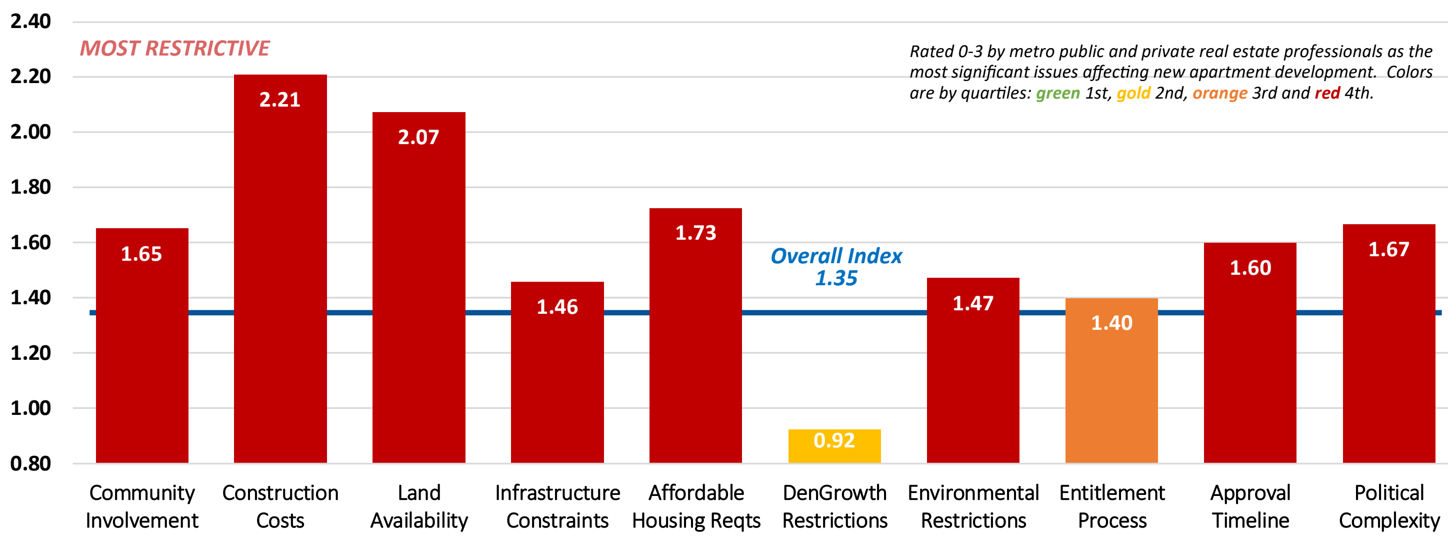


MOST RESTRICTIVE APARTMENT CATEGORIES:

- CONSTRUCTION COSTS
- LAND AVAILABILITY

Metro San Francisco, true to reputation, ranked near the bottom as most restrictive new apartment market surveyed with an overall index of 1.35. Local respondents provide scores in the top quartile for all but two subindices. Most restrictive is construction costs, including land and recent increases, followed by land availability and its feasibility for development. Community involvement is driven by strong local opposition and lengthy public meetings. Affordable housing requirements are considered heavy. Long approval timelines for rezoning are fueled by strong local and State influences, often requiring a third-party development advocate. Though the metro enjoys the highest median rental incomes of the major markets, these incomes remain a significant 30% below the requirement for average market rents of $2,850 while 41% of renters are paying over 35% of incomes on their lease.

Barriers to Apartment Construction Subindices



BARRIERS INDEX METHODOLOGY:

These NAA HAS Barriers to Apartment Construction indices were created from over 90 apartment development, process and timing questions in ten categories and sourced digitally from real estate professionals in both the public and private realms. An initial overall metro **Barriers to Apartment Construction** ***Index*** is also plotted above.

DEFINITIONS and NOTES:

[1]**BARRIERS RANKING** is the relative ranking among 58 major metro apartment markets based upon the average index of each metro from the least restricted to the most; ranges from 1 (Albuquerque) to 58 (San Jose). Rankings consider expert responses from throughout the extended metro that includes but not isolates the urban core.

[2]**NEW MF DEMAND** is the updated total demand for new multifamily units (in thousands) through 2030 based upon the forecasted total rental housing demand 2017-2030 from the NAA-NMHC demand study by HAS: *U.S. Apartment Demand—A Forward Look (2017)*; ranges from 3,890 (Sioux Falls) to 222,589 (New York).

[3]**HIGH RENT BURDEN** refers to that share of 2017 households spending over 35% of combined household income on rent; major metro ranges from 56% and rents of $1,370 (Miami) to 38% and rents of $865 (Sioux Falls) with a major metro average of 43%.

[4]**STAR SHARE** is that share of metro rental housing stock with five or more units HAS qualified as ***S**econd-**T**ier **A**ffordable **R**entals or those non-institutional sites of typically lower unit count, lower quality and greater age, often overlooked as crucial affordable housing already in place. Using CoStar® ratings of 1-5 for sites of five units or more, STAR is the lower ratings of 1-2. This share ranges from 61% (Los Angeles) to 17% (Austin) with a major metro average of 36%.

[5]**INCOME REQUIRED FOR AVERAGE RENT** assumes a more conservative 30% of rental household income needed for the average metro contract rent.