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A Housing Demand Analysis
for the City of Hackensack, Minnesota

Presented to: Minnesota Housing Partnership
City of Hackensack
Hackensack Housing Program Task Force

Presented by: Joe Hollman
Maxfield Research & Consulting, LLC

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We are a full-service real estate advisory company providing strategic value to our private and public sector clients' real estate activities.







OVERVIEW

- 35+ Years Experience
- Diverse Client Base
- Multi-Sector Capable
  - *Residential*
  - *Commercial/Industrial*
  - *Public & Private Entities*
- Market-Driven Strategies
- Recommending Highest & Best Uses
- Provide Actionable Plans

Project Scope

OBJECTIVE	Provide custom research and analysis to determine need for workforce housing as well as maintenance-free housing for older adults and seniors in Hackensack
APPROACH	Analyze demographic and economic forces driving housing demand to predict current & future housing needs in Hackensack and the surrounding area
PROJECT DELIVERABLES	• Assessment of housing needs in Hackensack, including for-sale housing, workforce rental housing, “active adult” housing • Development concept recommendations • Summary of tools/policies to support development
KEY DATES	• Data collection: 2nd Quarter of 2023 • Draft Report Delivered: May 2023 • Final Report: June 2023 • Presentation: June 2023

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Project Scope

Workforce Housing

- Also referred to as moderate-income housing
- Targets households earning 50% - 120% of Area Median Income
- $29,200 - $132,000 in Cass County for 1- to 8-person households ($29,200-$80,040 for 1- to 2-person households)

Active Adult Housing

- Age-restricted (age 55 and older) housing without services
- Apartments, townhomes, condominiums, cooperatives

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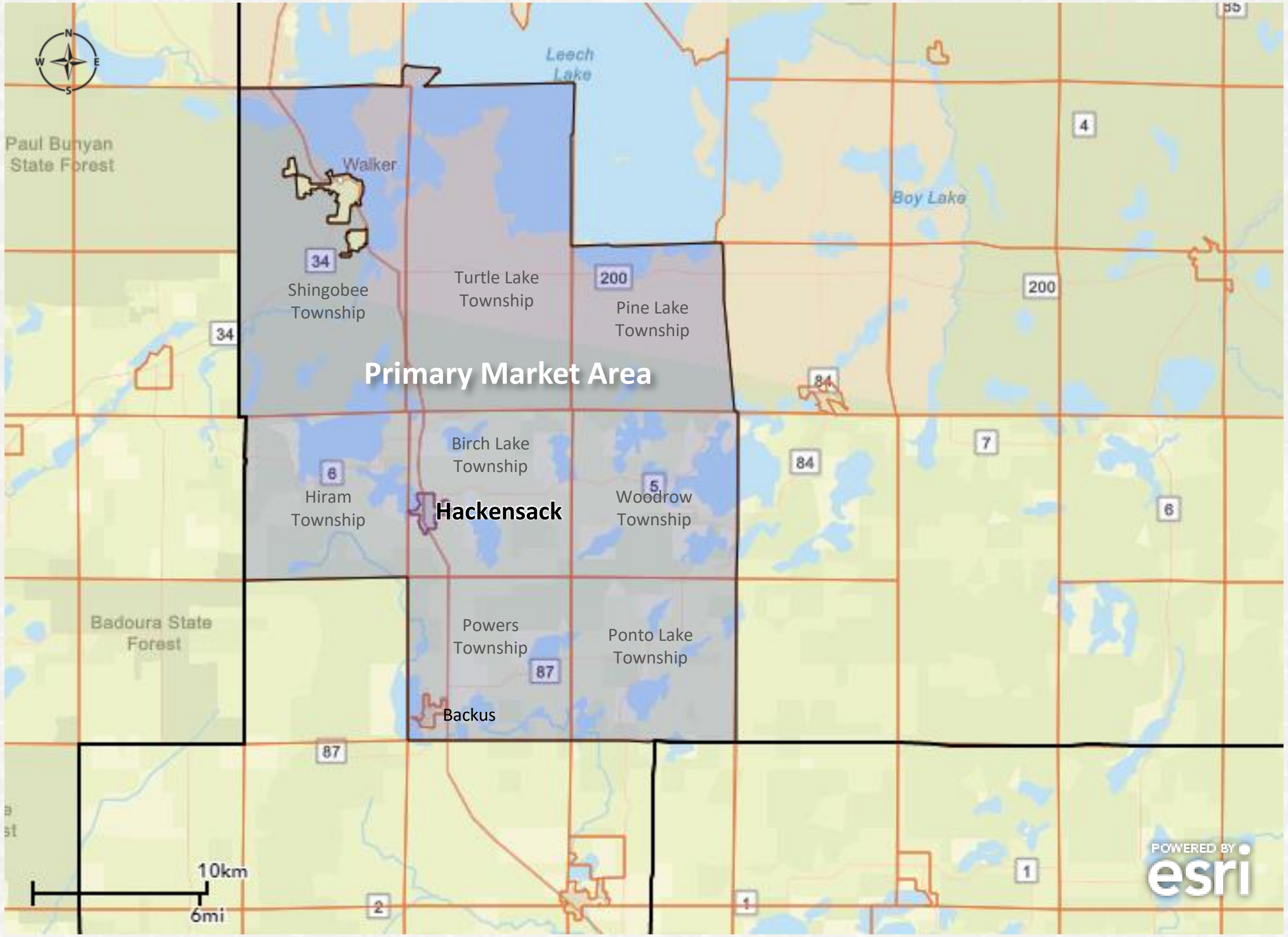
Market Area



- PMA based on several factors:
  - Geographic boundaries
  - Commuting patterns
  - Community orientation
  - School district boundaries
  - Task force input
- Defined as:
  - City of Hackensack, surrounding townships, City of Backus
- PMA accounts for roughly 70% - 75% of demand

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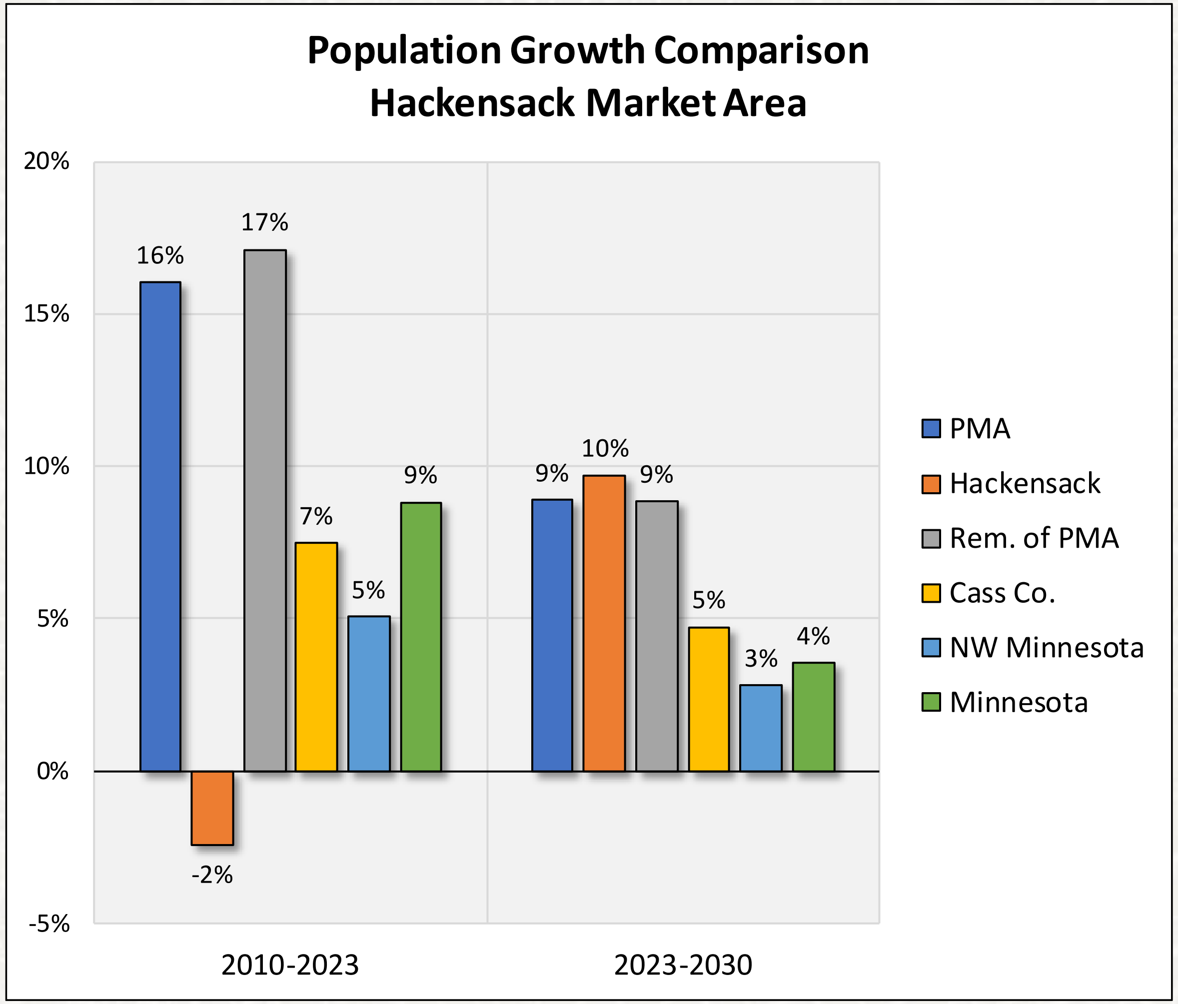
Key Demographic & Employment Trends

Population and household growth projected for the PMA

Growth in PMA will outpace County, Region, and State

Growth will be determined, in part, by area employers

New housing will be needed to support projected growth



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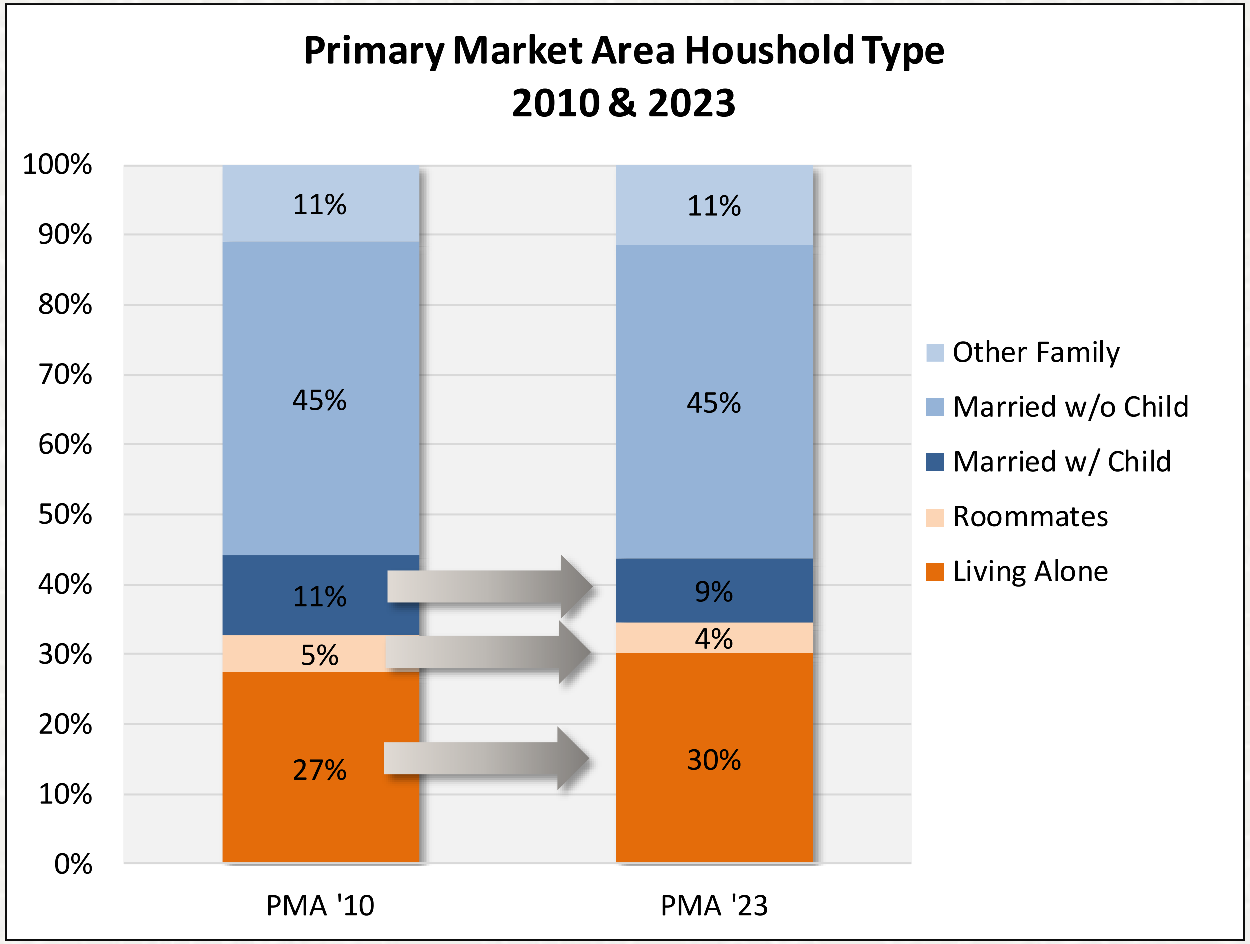
Key Demographic & Employment Trends

Shifting Household Types Drive Housing Demand

- Strongest growth among single-person households & married couples without children
  - Demand for rental housing and maintenance-free housing
- Owner HH growth outpacing Renter HHs
  - Renter HH growth among multiple age groups (older & younger)… Owner HH growth concentrated among seniors
- 63% of all HHs in PMA within the target income band for workforce housing



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Key Demographic & Employment Trends

Resident employment outpacing labor force growth in Cass County

- Unemployment dropped from 10.6% in 2010 to 4.2% in 2022
- Declining labor force participation impacting labor availability

Job growth is occurring in the Market Area

- Recovery post COVID (9% growth in PMA 2020 – 2022)
- Solid job growth projected… hiring will depend on labor availability = demand for new housing

Worker inflow can stimulate demand for housing

- 76% of jobs in PMA filled by workers commuting into the area

Average wages in PMA jumped 25%, from $606 in 2019 to $759 in 2022

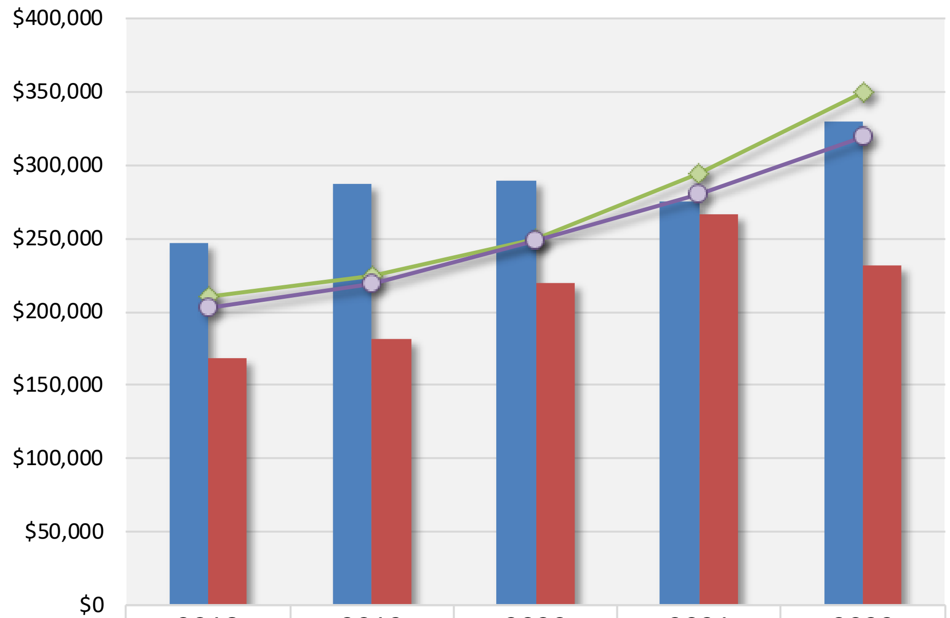
- Workers earning average wage ($39,463/year) could afford rent of $987/month (market average is $913)
- Purchase a home priced at $126,500 ($330,000 median sale price in 2022 in Hackensack area)

Housing Market Analysis – For-Sale

Strong Detached Single-family Ownership Demand in PMA

- Resale pricing on the rise… 2022 median resale price of $330,000 in Hackensack area; $232,291 in Remainder of PMA
  - 8.0% average annual growth in Hackensack area
  - 9.2% average annual growth Remainder of PMA
- Below-equilibrium supply of homes for sale
  - Average 9.7 resales/month ‘21-’23 in PMA
  - 2.1-month supply of homes on market
  - Equilibrium = 6-month supply
- 27 actively-marketing lots in PMA, 2 in Hackensack
  - 0.6-year supply of lots, based on projected demand

Detached Single-Family Median Resale Price Trends
Hackensack Market Area



	2018	2019	2020	2021	2022
Hackensack Area	$247,500	$287,500	$290,000	$275,000	$330,000
Rem. of PMA	$168,869	$181,649	$219,923	$266,566	$232,291
Cass. Co.	$210,000	$225,000	$250,000	$295,000	$350,000
Brainerd MSA	$203,000	$219,200	$249,000	$280,000	$320,000

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Housing Market Analysis – Rental

Tight market conditions… below-equilibrium vacancy rates

- PMA averaged 0.5% vacancy over the past five years
- Market rate vacancy at 3.7% (one vacant unit)
- Affordable/subsidized projects 100% occupied (combined wait list of 84 people)
- Pent-up demand for new units

Strong rent growth

- Estimated 4.6% average annual growth in PMA (‘17-’21)
- Exceeds average annual rate of inflation (2.5%) and annual growth in MN (4.5%)
- Existing market rate units average $913 per month ($1.08 psf)

No new projects in the development pipeline

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Housing Market Analysis – Active Adult

- Key market for market rate active adult housing = Age 65+ households with incomes of $35,000 or higher
  - 13% growth projected (1,037 households) between 2023 and 2028
- Homeownership rates typically decline by mid- late-70s as seniors seek housing alternatives… In the PMA, homeownership rates increase between the age 65 to 74 (93%) and age 75+ (96%)
  - Likely due to a limited supply of housing alternatives for seniors
- No active adult products in the PMA

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Key Findings

- Pent-up demand exists for new rental housing as well as for-sale housing products
- Anecdotal feedback provided by key stakeholders in the area indicates that there is an <u>acute housing shortage</u> in Hackensack and the surrounding area
  - Units priced to target the area's workforce
  - Maintenance-free housing products for older adults and seniors
- Area businesses are being negatively impacted
  - Employers are losing workers or shifting jobs to other markets because they can't find labor… due, in part, to the housing shortage
- New housing is needed to support economic development and job growth in the area

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Housing Demand Calculations

Demand capturable in Hackensack 2023 - 208

Housing Product Type	Units
For-Sale Units	**64**
General Occupancy For-Sale Units	**24**
Detached Single-Family	16
Attached Single-Family*	8
Active Adult For-Sale Units*	**40**
Market Rate & Workforce Rental	**90**
General Occupancy Rental Units	**57**
Workforce Rental Housing Units	32
Active Adult Market Rate Rental Units	**33**

*Townhomes, twin homes, condominiums

- Estimates assume that residential land and lots will be available for development in Hackensack

- We do not recommend a separate age-restricted active adult development… active adult demand can be satisfied with development of general occupancy products

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Recommended Development Concepts

	Purchase Price/ Monthly Rent Range	No. of Units	Target Market
For-Sale Housing			
Detached Single-Family	$275,000 - $350,000+	10 - 14	Workforce, move-up buyers
Attached Single-family	$225,000 - $300,000+	12 - 16	Workforce, empty-nesters, seniors
	Total:	**22 - 30**	
Rental Housing			
Market Rate Apartments	1BR/ $950 - 3BR/ $1,300	16 - 20	Workforce, empty-nesters, seniors
Market Rate Townhomes	2BR/ $1,200 - 3BR/ $1,350	8 - 10	Workforce, empty-nesters, seniors
Workforce Rental	EFF/ $850 - 2BR/ $1,150	24 - 28	Workforce HHs (50%-120% AMI)
	Total:	**48 - 58**	

Note - Recommended development concepts do not equate to total demand. The City of Hackensack will likley not be able to accommodate all of the estimated housing demand due to development constraints such as lot supply, and land availability)

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Questions & Comments

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