



# Economics of Portland's Residential Infill Market

February 13, 2018

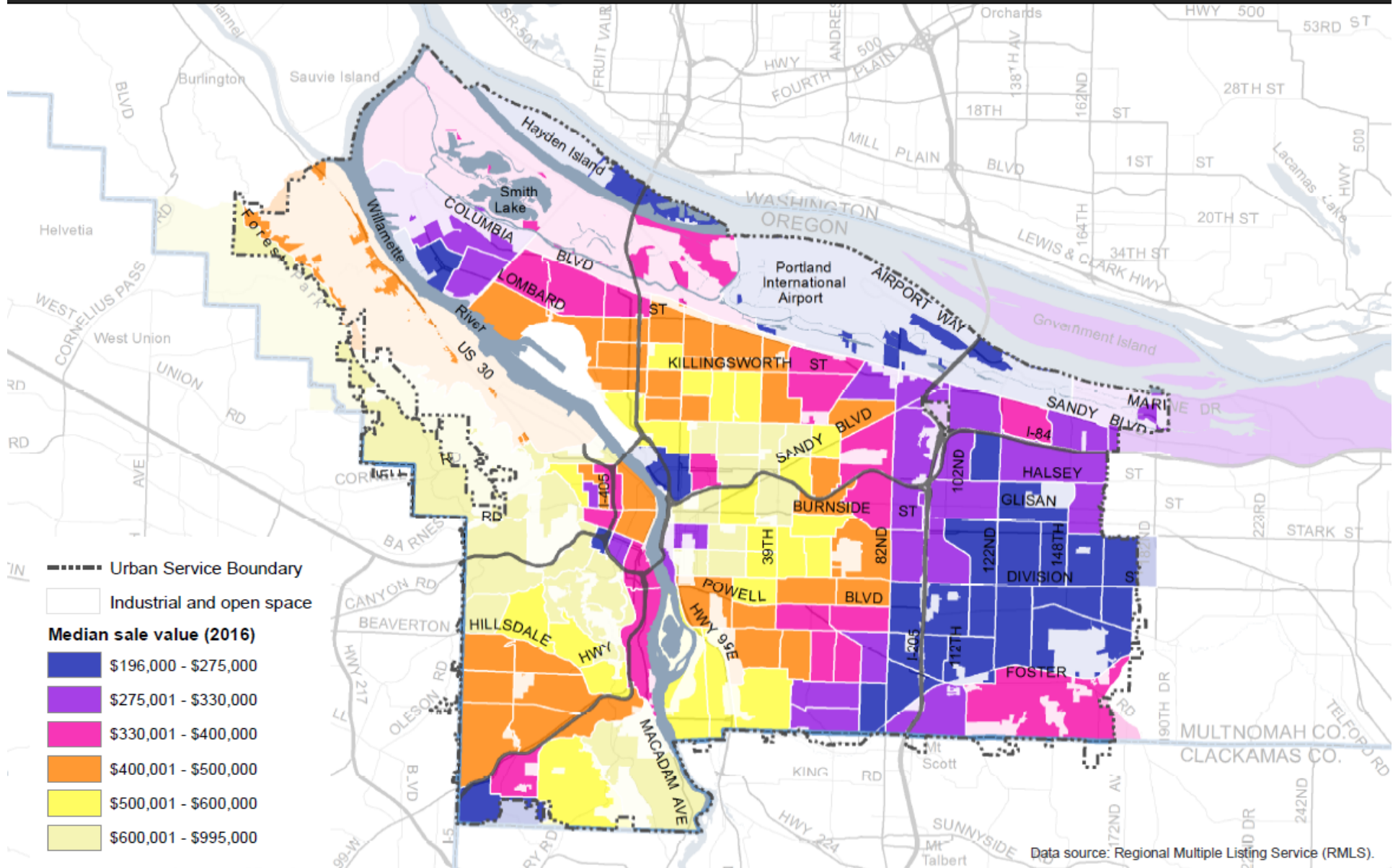


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# Median sale price

Detached homes or condo sales where appropriate, 2016



September 22, 2017

City of Portland, Oregon ||  
Bureau of Planning and Sustainability ||  
Housing and Economic Planning

The information on this map was derived from City of Portland GIS databases. Care was taken in the creation of this map but it is provided "as is". The City of Portland cannot accept any responsibility for error, omissions or positional accuracy.

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City of Portland, Oregon  
Ted Whasker, Mayor • Susan Anderson, Director



# Single Family New Construction



Average Size	1,896 Square Feet	2,539 Square Feet
Average Sale Price	\$521,400	\$609,360
Average Price per SF	\$275/SF	\$240/SF



# New Construction Sale Price Levels by Neighborhood

Small Lot < \$300 ,000	Large Lot < \$400,000	Large Lot > \$500,000
Lents	St. Johns	Buckman
Centennial	Portsmouth	Richmond
Powellhurst-Gilbert	Montavilla	Sellwood
Brentwood-Darlington	Lents	Eastmoreland
	Madison South	Concordia
	Brentwood-Darlington	South Burlingame



# Economic Feasibility



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# Examples of Development Costs

## Soft Costs

- Permit and Impact Fees
  - SDCs
  - Permit and building review fees
  - Inspection fees
- Land Costs
  - Site acquisition
  - Legal costs
  - Appraisal
- Financing Costs
  - Loan fees
  - Interest
  - Accounting costs
  - Taxes
- Design and Engineering

## Hard Costs

- Construction Costs
  - Materials
  - Labor
- Site Costs
  - Excavation
  - Grading
  - Paving
  - Infrastructure
- Landscaping
- Contingencies



# Pro Forma Example 2015 4Q

Cost Type	Cost
Site Acquisition	\$120,000
SDC and Permit Cost	\$40,000
Development Cost @ \$115/SF	\$287,500
Total Development Cost	\$452,500
Yield @ 15%	\$68,000
Sale Price Needed to Support Construction	\$520,000



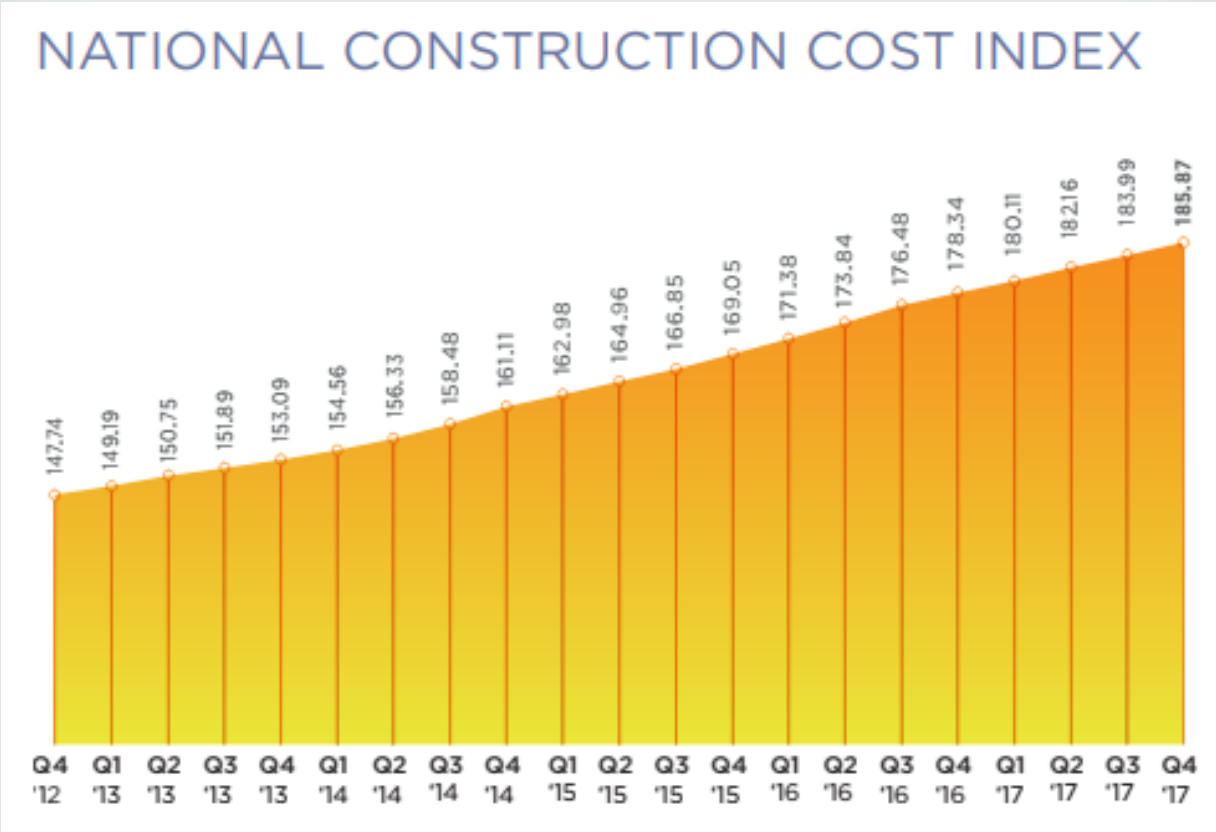
# Pro Forma Example 2017 4Q

Cost Type	Cost
Site Acquisition	\$180,000
SDC and Permit Cost	\$40,000
Development Cost @ \$200/SF	\$500,000
Total Development Cost	\$720,000
Yield @ 10%	\$72,000
Sale Price Needed to Support Construction	\$792,000





# Construction Costs are Big Deal



# SFR, Duplex, and Triplex

	Ownership		Rental	
	Single Family	Duplex	Single Family	Duplex
<b>Physical Characteristics</b>				
<i>Site Size/SF</i>	5,000	5,000	5,000	5,000
<i>Saleable Area (SF)</i>	2,500	2,500	2,500	2,500
<i>FAR</i>	0.50	0.50	0.50	0.50
<i>Market Pricing / SF</i>	\$300.0	\$345.0	\$2.00	\$2.30
<b>Pricing</b>				
<i>Number of Units</i>	1	2	1	2
<i>Avg. Unit Size (SF)</i>	2,500	1,250	2,500	1,250
<i>Efficiency Ratio</i>	100%	100%	100%	100%
<i>Stabilized Occupancy Rate</i>			95%	95%
<i>Threshold Yield Rate</i>	15.00%	15.00%	6.60%	6.60%
<b>Per Unit Pricing</b>				
<i>Sales Price</i>	\$750,000	\$431,250		
<i>Monthly Base Rent</i>			\$5,000	\$2,875
<i>Operating Costs as % of Gross</i>			32.0%	32.0%
<b>Estimated Project Cost</b>				
<i>Construction Cost/SF</i>	\$204	\$227	\$184	\$204
<i>Total Construction Cost</i>	\$510,750	\$567,500	\$459,675	\$510,750
<b>Project Impact on Value</b>				
<i>Indicated Residual Land Value</i>	\$126,750	\$165,625	\$127,598	\$164,614
<i>Residual Land Value/Unit</i>	\$126,750	\$82,813	\$127,598	\$82,307

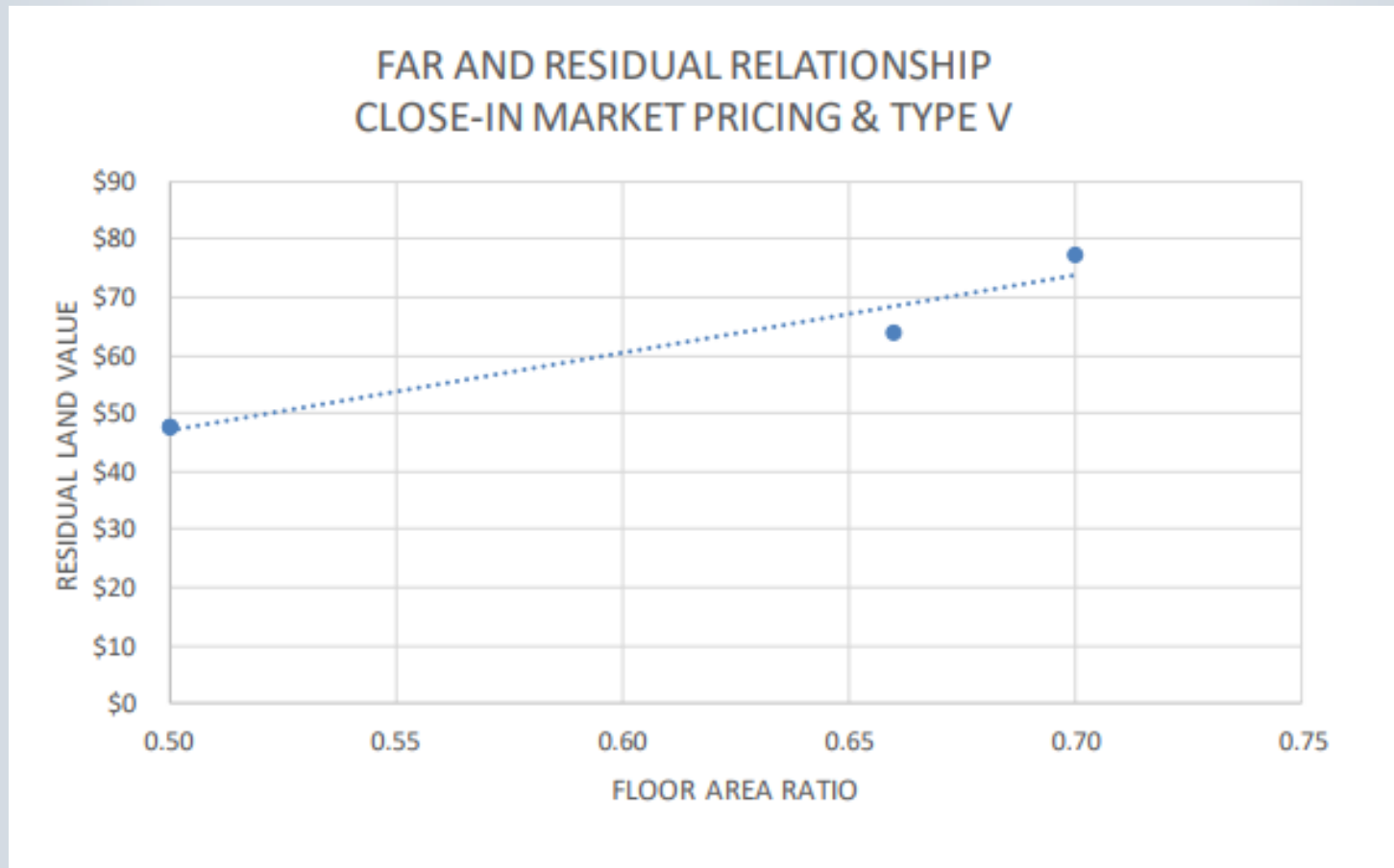


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# FAR and Feasibility



# How Does the Market Determine Price?

Home buyers are the ones who set prices for new development.

Overall real estate value of a location and neighborhood

Amenity value

- SCHOOLS
- Parks
- Business district
- Walkability
- Transportation access
- Access to job



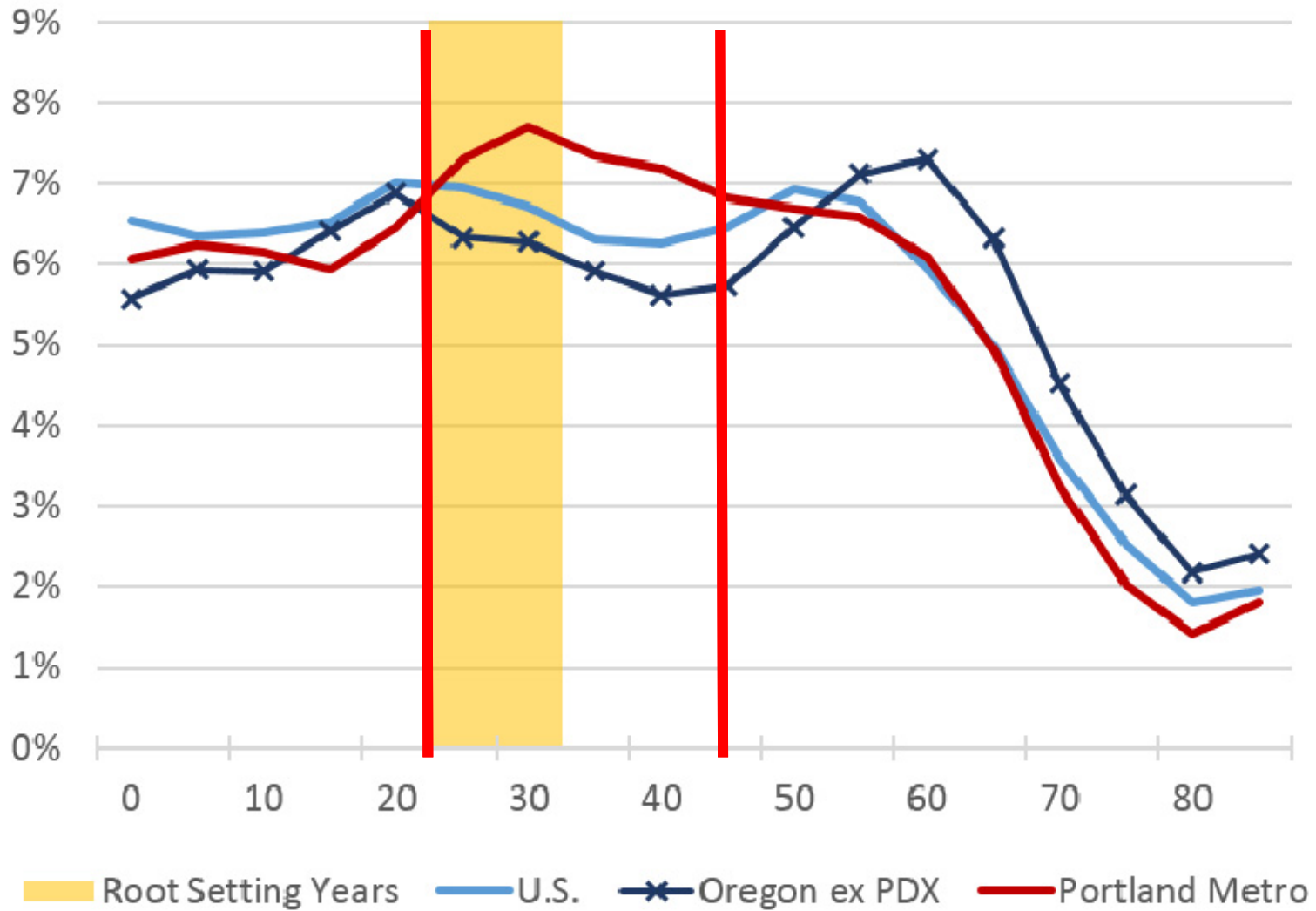
# Who is buying new construction single family homes?

- Young professional couples
- Dual income households
- Small / medium families with young kids
- Families who do not want maintenance of an older home
- Retirees
- Many new households are relocating from within the Portland Metro Area or elsewhere in the Pacific Northwest



# Population by Age, 2015

Source: Census, Oregon Office of Economic Analysis



# Accessory Dwelling Units

Averages	Cost	Sq footage	Cost per Sq Ft
Detached new construction	\$173,684	616	294
Basement ADU	\$165,250	715.75	231.5
Attached ADU	\$136,500	580	232.5
Garage conversion	\$140,000	549	261
Detached new construction above a garage	\$216,333	1032.3	190.3

Source: [accessorydwellings.org](http://accessorydwellings.org)



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# Accessory Dwelling Units

## ACCESSORY DWELLING UNIT (ADU) FINANCE GUIDE



### OPTIONS

1

#### ***Finance with an existing or new main house***

One mortgage for the entire property. Loans based on "as completed" value of the main home + future ADU, which provides the funds needed to construct the ADU.

2

#### ***Finance based on existing home equity***

Home equity loans and home equity lines of credit provide funding to build an ADU if you have sufficient "equity" built up in your main home. These are considered "second mortgages".

3

#### ***Finance independently of main home***

Besides personal loans, credit cards, and family loans there aren't any currently established "second mortgage" options for people who don't have sufficient equity (option 2) or don't want to refinance (option 1).

**FEATURED IN THIS GUIDE!** *Turn over for more information »*

#### **FINANCING GAP!**

Contact [AccessoryDwellings.org](http://AccessoryDwellings.org) if you offer this financing.



# Internal Conversions



- Commercial building code
- Fire and sound rating
- Seismic upgrade
- Energy efficiency requirements
- Upgrading utility and mechanical systems
- SDC unit costs
- Relationship to other multifamily asset types
- Parking



# Next Steps



- Refinement on affordable bonus proposal
- Updated Johnson Economics Analysis
  - Triplex
  - Redevelopment / new units

