

Housing update

Asheville edges out of housing crisis; rents still up

Market remains tight, but some see apartment glut on horizon

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ASHEVILLE - Local renters weary from hunting for an apartment they can afford may now get some relief.

Asheville and Buncombe County have eased out of a housing crisis, according to a newly released report commissioned by the city.

A countywide vacancy rate famously

pegged at less than 1 percent in 2014 has loosened its grip, thanks largely to new apartments. That should make finding a home easier for renters.

But while the new 2016 vacancy rate of 2.7 percent means the situation may no longer be a "crisis," the market is still too tight to be healthy. That's according to Patrick Bowen, whose Ohio-based company Bowen National Research recently updated its 2014 apartment report

for the city.

"I wouldn't classify it as a housing crisis now. But I would say the market still has a shortage of rental housing," Bowen said Tuesday.

Despite more options for apartment dwellers they'll continue to find landlords increasing rents faster than in other places in the country, the report

See HOUSING, Page 4A



JOEL BURGESS/STAFF PHOTO

The Garage Apartments, at 56 S. Lexington Ave. downtown, was one of 41 apartment projects proposed or under construction in Buncombe County as of November.

Housing

Continued from Page 1A

said.

On the horizon, though, might be something Asheville may be surprised to see: an apartment glut.

Cool town, cheap rents

For years, especially in the 1980s and 1990s, Asheville drew those attracted by its architecture, quirky vibe and relatively cheap real estate.

Biltmore Park resident Misti McCloud visited the city for a decade before she moved here in 2014 and said locals talked about low rents.

"I can remember sitting over on the patio of the Mellow Mushroom downtown and talking to waitresses, who were saying things like, 'I'm a waitress and I can afford a two-bedroom house in West Asheville.'

"Now those days are gone," said McCloud, a West Asheville ice cream shop owner, freelance writer and author.

The year she made the move from high-priced Fairfax, Virginia, she found a Citizen-Times article about the housing crisis as related by the first Bowen report.

That report two years ago said Buncombe County's overall vacancy rate was 0.8 percent. The study looked into apartment complexes, not rental houses or small single apartments, though those types of housing should follow a similar pattern.

The vacancy rate includes apartments with government subsidies or at least rent controls reserved for people making no more than 60 percent of the median income — \$56,000 for a family of four in 2014.

Subsidized and rent-controlled apartments were full in 2014, with occupancy rates at or near 100 percent.

They remain just as full in 2016. The 3,315 apartments in this category have 1,187 households on waiting lists.

"There remains pent-up demand for such housing," the report said.

One renter lucky enough to find a rent-controlled apartment is James Harold Bullman.

Once homeless, he now pays \$700 a month to live in a one-bedroom unit in the Asheville Terrace Apartments on Tunnel Road. Bullman said he qualifies for the federally subsidized housing because he is disabled, has a low income and is a veteran. Without it, he would be homeless again, he said.

Easing for other renters

The main change has come in market-rate apartments. Those units had a 98.8 percent occupancy rate in 2014, the Bowen report said.

This November, after the construc-

tion of more than 1,000 new apartments, that rate has eased to 96.4 percent.

Both the overall vacancy rate of 2.7 percent and the 3.6 percent market-rate apartment vacancy rate remain lower than what is deemed "healthy," Bowen said.

"Five percent: that is good for the developers and good for the consumers in the community as well."

In that situation, people would have options to move once their financial or family circumstances change. It also means landlords can usually charge enough to make a good profit, he said.

The national average is a 4.9 percent vacancy rate.

Still, rents rise

Even with the growing supply of units, rents are continuing to climb at a rate outpacing the rest of the country.

The new report shows an average annual rent increase in Asheville and the rest of the county of 4.4 percent. The national rate is 3 percent.

That means the median-priced studio apartment of \$667 in 2014 would have a 2016 rent of around \$726.

A median-priced one-bedroom would have risen from \$830 to \$903, while a two-bedroom apartment would see an increase from \$916 to \$997.

"That is a rapid increase," Bowen said. "That is an indicator demand is still strong."

Asheville resident Aliza Asido said those rents are starting to resemble what people pay in some of the highest-cost metro areas in the country.

Asido, a concierge at a bed and breakfast, said she believes Asheville is "gentrifying" and is planning to move to New York City with her sister. She said the cheapest places she found in and around that city rented for \$900 a month.

Wages keeping pace?

"We are slowly becoming a hub of transplants," she said, adding there's nothing wrong with new residents in general. "It is just our city is one of tourism and hospitality jobs" and that means to pay for housing, many have to hold down two jobs.

McCloud agreed, saying housing costs are starting to mirror expensive places such as San Francisco. But that city also has a lot of high-paying jobs. The Asheville area doesn't.

Through clever shopping, a good rental history and negotiations with a landlord, she now pays less than \$1,000 a month for a two-bedroom apartment in Biltmore Park.

Her 22-year-old son, Dakota, got training for the culinary profession and moved to Asheville where he rents a room from her and walks to work.

But she worries about what he will do once he moves out and about other area residents trying to get by on service industry pay.

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MISTI MCCLLOUD

"As soon as they move in to an apartment, they have 12 months before their rent goes up. And guess what? Their paycheck isn't going up," she said.

The recent Bowen report deals with the rent side of the equation and doesn't dive into wages.

According to the Bureau of Labor Statistics, between 2013-2014, per capita personal income in the county rose from \$36,834 to \$38,128, a rate of 3.5 percent. The time period is different than in the apartment study but shows per person income lagging behind the rate of rising rents throughout Buncombe.

City leaders react

Vice Mayor Gwen Wisler, who sits on the three-member City Council Housing and Community Development Committee said the report showed occupancy numbers going "in the right direction."

"But the trend certainly does not indicate that we have an oversupply of rental properties," Wisler said.

She said the city should continue policies and incentives to build affordable housing. Those include the Housing Trust Fund that uses mostly tax dollars to give low-interest loans to affordable homebuilders.

Wisler said the city should also work on the boosting wages, in part by modeling the type of thing they want to see in

other employers and continuing to pay living wages to municipal workers.

"The city and some of our businesses are role models in that arena. We need to work on both sides of the equation - lower prices for housing and higher wages," she said.

In terms of the city's clampdown against homeowners renting to tourists, Wisler said improvements noted in the report aren't enough for her to change her mind. She said the ban against short-term rentals in areas with residential zoning areas should remain. A recent rule change that allows people to rent individual rooms in homes to tourists was a good compromise, she said.

"I feel that our revised home stay rules allow homeowners to benefit financially from investment in real estate."

Councilman Cecil Bothwell, though, said city policies have done little to affect the rental situation.

"It is a normal market reaction to a market shortage," Bothwell said, noting the increased apartment building.

He said affordable housing was found in cities after people with wealth fled urban cores after World War II. Now that's reversing and affordable housing is found outside cities. Instead of helping build houses, the city should help with transportation to those outer areas.

"We seem to get remarkably little bang for our bucks. I would much prefer to see city tax dollars go to improved and expanded transit options because that makes a major contribution to affordable housing and to traffic and parking reduction," he said.

A proponent of lifting the short-term rental ban, Bothwell said he didn't think the number of people who were renting to tourists had much effect on reducing long-term housing for locals.

A glut on the horizon?

One of the stranger parts of the report notes that Asheville may see a big reverse in terms of apartment availability.

While the area had a severe shortage on its hands in 2014, there are now 4,722 units proposed or under construction in the county.

That could actually tip the scales to the point the vacancy rate exceeds 5 percent, Bowen said.

If that happens, rents will go down, but apartment complexes may start failing.

"Wouldn't a renter like to see rents go down? Yeah, they would," Bowen said, but failing apartment buildings could cause a spiral of bad things, including loss of home values.

"That is the thing I think the city has to keep an eye on. The market can support more units. But this needs to be monitored quarterly."