

Farmington CDBG



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AZ NM



Rental Housing 2011 Update

Updated Data From:

- US Census American Community Survey 2007-2009
- Daily Times Rental Data Through 2011

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Rental Housing 2011 Update

Purpose

The CDBG Division has received some requests for information on rentals in the community. This document is a limited update on Rental Data rather than a full Affordability report. A new Housing Affordability report will be developed in 2013 in preparation for the next Community Development Block Grant Consolidated Plan.

This report will serve as a resource document for local policy makers and developers on the issues of rental housing. This report will also provide a basis to determine fair market rent for rental assistance projects operating in San Juan County (SJC). The findings of this report will be forwarded to the State of New Mexico Mortgage Finance Authority and to the Washington DC HUD office for review of the rental data results.

Area of Report and Data Sources

Some of the statistics in this report come from the American Community Survey (ACS), which is undertaken by the U.S. Census Bureau. The area covered by this data is described as the Farmington Metropolitan Statistical Area or the MSA. The Farmington MSA is identical to and interchangeable with the San Juan County borders. A new source of data from the ACS is the 3-year average. Survey data is collected annually by the U.S. Census and compiled each year for 3-year averages. This data is available for both the Farmington MSA and for the City of Farmington, which is also described by the ACS as the Principal City within the MSA. Because of this, comparisons of San Juan County and the City of Farmington data are now available. The ACS does not yet have specific data for Aztec or Bloomfield.

Findings of the Farmington Daily Time Rental Data

- From 2000, rents in Farmington and San Juan County steadily climbed until peaking in 2008 and 2009.
- Since the peak the rental data shows a market correction in rental rates of -20 percent or more in some categories.
- Even with the recent correction, rents are still about 80 percent higher than in 2000.
- Median rent in the City of Farmington is 5.3 percent higher than in the San Juan County.
- Among the four New Mexico Metropolitan Statistical Areas, the City of Farmington and San Juan County have the second highest rents, only second to Santa Fe and Santa Fe County.

1. Farmington Daily Times Survey Data

The City of Farmington has been tracking the Farmington Daily Times rental advertisements as an ongoing survey of rental activity. The month of April was selected somewhat arbitrarily at the beginning but it has been used consistently, year to year, to track changes in the market. On each April 1st, all rental ads appearing in the classifieds are selected. On each of the remaining days of April, only the ads appearing in the First Look section of the classifieds are selected. This method ensures that ads are not counted multiple times. The distribution of the Farmington Daily Times does potentially go beyond the boundaries of San Juan County, but virtually all of the rentals advertised in the paper are for Farmington, Aztec, Bloomfield, and the developed surrounding areas. This survey method does not guarantee that some rental price data from outside of the county gets into the paper, nor does it cover rentals that are not advertised in the paper, however, the methodology is consistently applied

year to year. Most important though, this data represents the current advertised price of rentals, which is more current than a survey of what renters are paying. By looking at advertised prices as opposed to a survey of rent paid by all renters, the most current rates are reported and this better reflects what a person looking for a new rental can expect in the market.

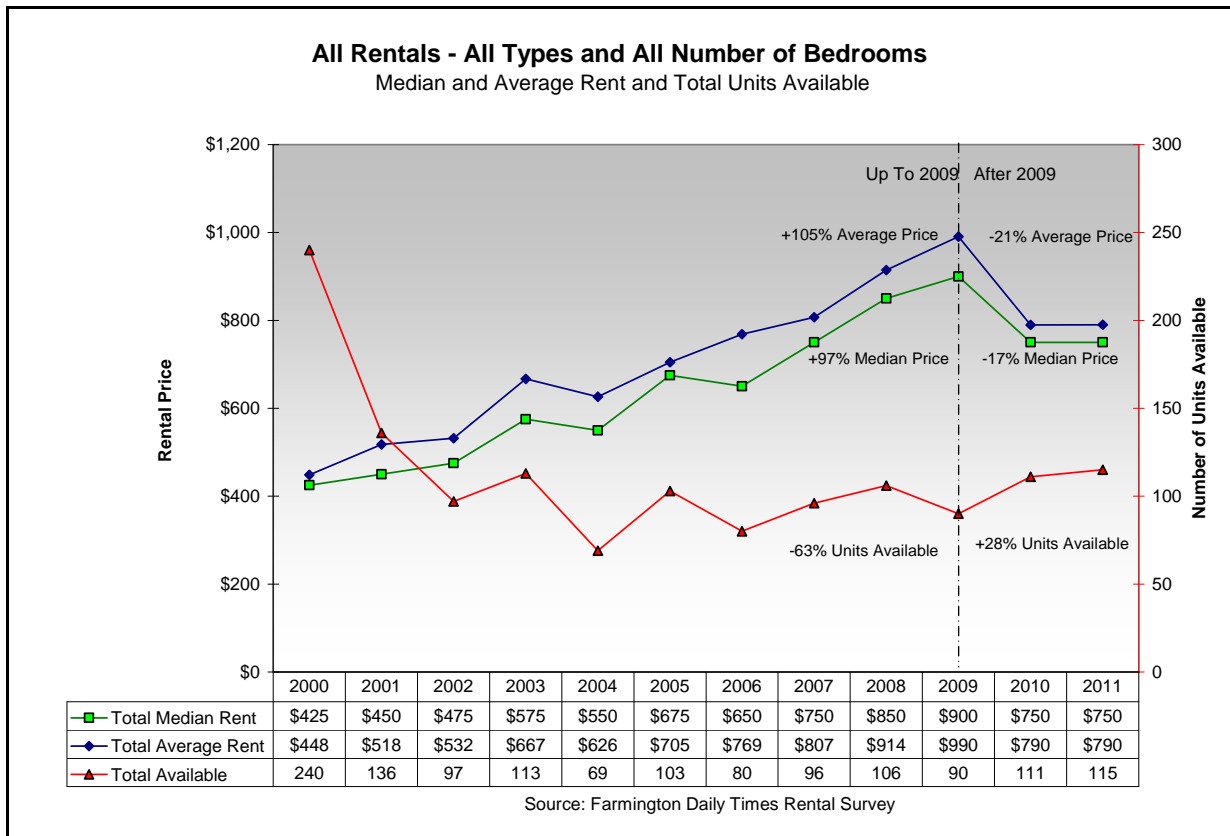
a. All Rentals Median and Average Rent and Total Units Available

Chart 1 shows the median and average advertised rent for all rentals and the number of advertised units available. The data runs from 2000 to 2011. This chart has two data axes to graphically compare the median rental prices with the number of units advertised over time. The median and average rental prices are on the left side of the chart and shown with the blue and green lines. The number of units available is indicated on the right side of the chart and is shown with the red line.

This data clearly shows a long steady increase in rental prices from 2000 to a peak in 2009. The median and average total rental prices increased 97 percent and 105 percent up to 2009. In 2010 there was a significant -17 percent market correction and in 2011 the rates were flat.

The number of units advertised for rent dropped significantly after 2000 and remained low throughout the following decade with a total decline of -63 percent from 2000 to 2009 when the rental prices dropped. Since 2009, the number of advertised rental units has increased by 28 percent.

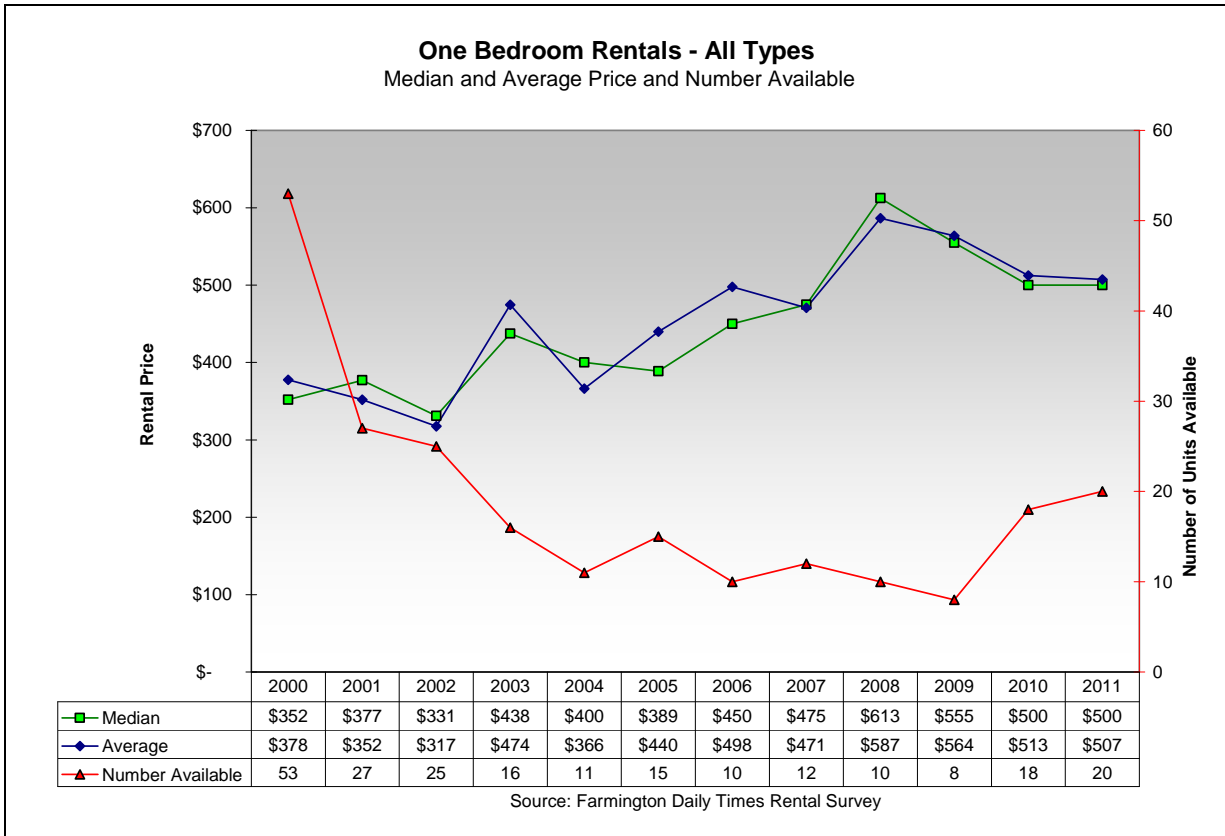
Chart 1



b. One-Bedroom Rentals Median and Average Rent and Units Available

Chart 2 displays the average price, median price, and the number of advertised units available for one-bedroom rentals. The supply of one-bedroom rentals fell from 53 units to only 8 units in 2009. Since then advertised units climbed 200 percent to 20 units. Unlike the all rentals data in Chart 1 above, the median and average prices of one-bedroom rentals peaked in 2008, the median price falling from \$613 to \$500.

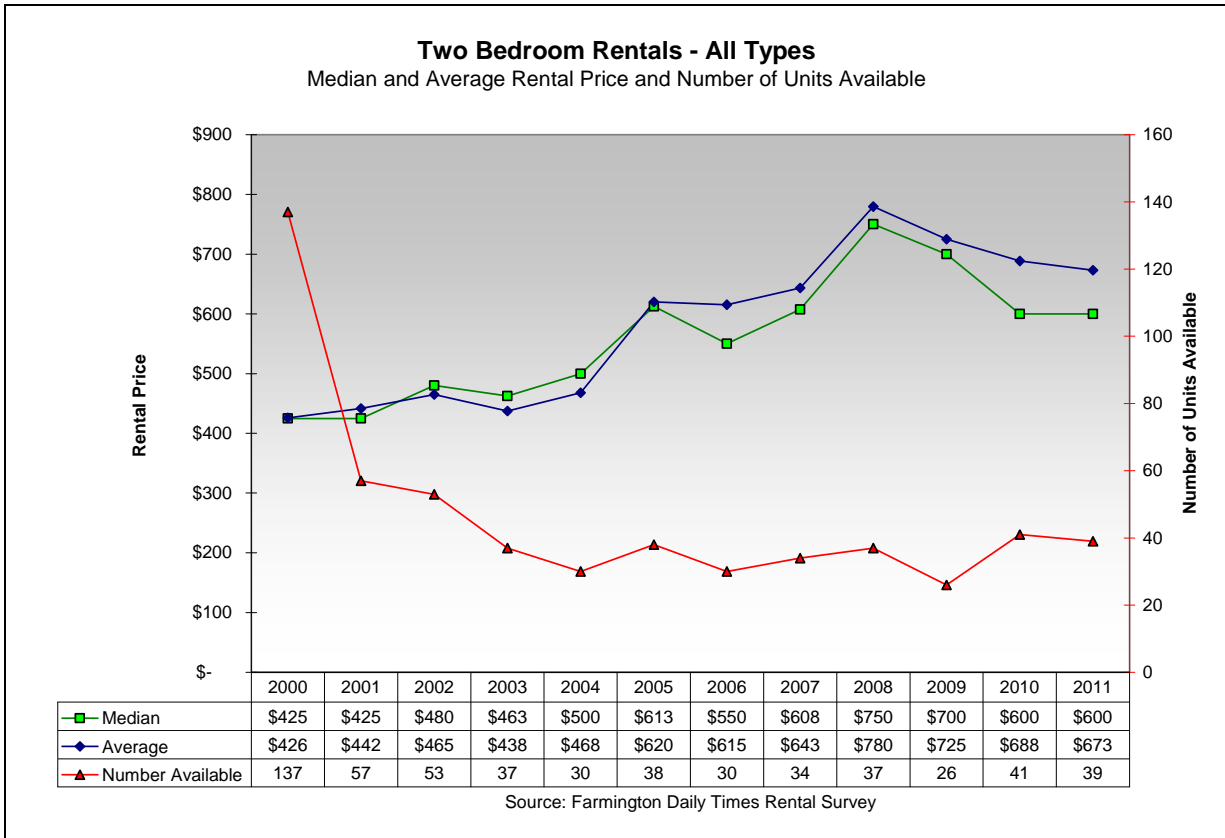
Chart 2



c. Two-Bedroom Rentals Median and Average Rent and Units Available

Chart 3 displays the average price, median price, and the number of advertised units available for two-bedroom rentals. The supply of two-bedroom rentals fell from 137 units to only 26 units in 2009. Since then advertised units climbed 50 percent to 39 units. The median and average prices of two-bedroom rentals peaked in 2008, the median price falling from \$750 to \$600.

Chart 3

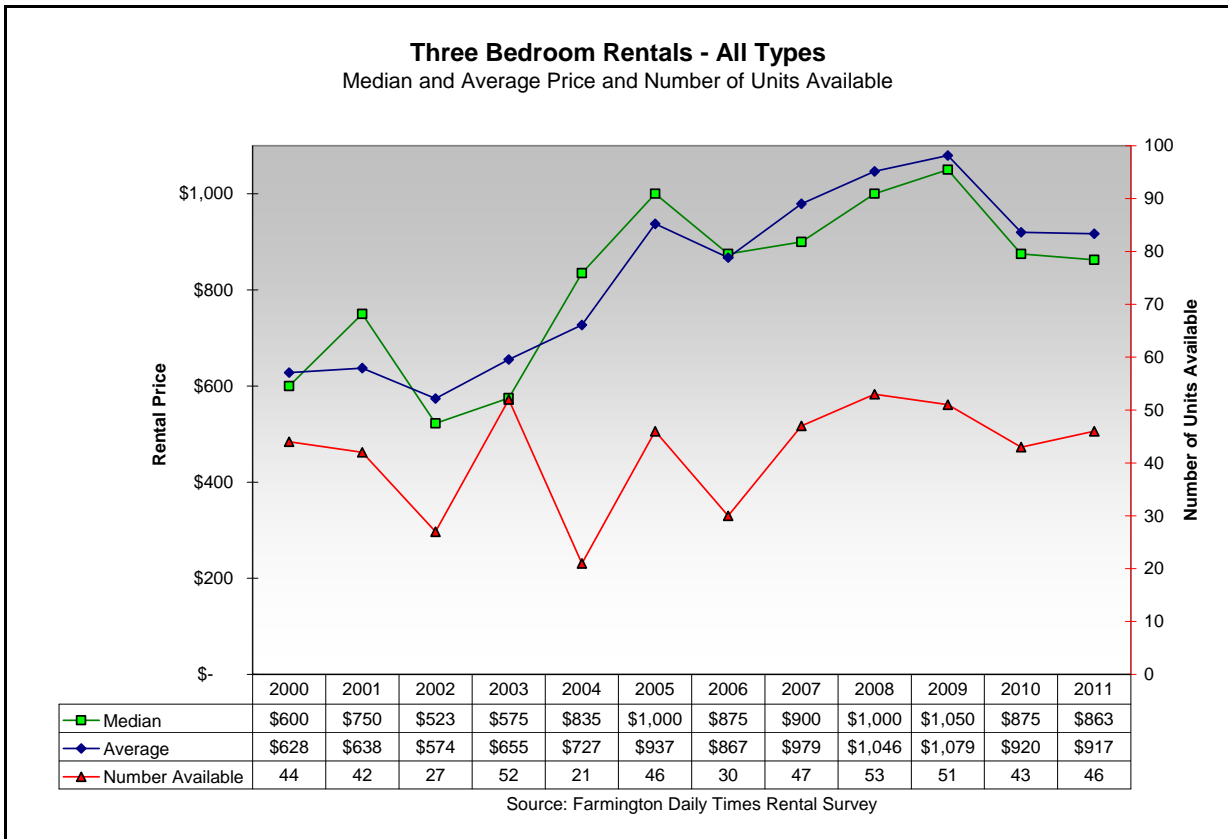


d. Three-Bedroom Rentals Median and Average Rent and Units Available

Chart 4 displays the average price, median price, and the number of advertised units available for three-bedroom rentals. This chart shows more volatile swings in both the price and number of units, which may be due to the limited number of available units.

In general, the number of units remained flat, 44 in 2000 and 46 in 2011. However, the median price did increase significantly from \$600 to the peak of \$1,050 in 2009. Since 2009 there has been an 18 percent decline in the median price.

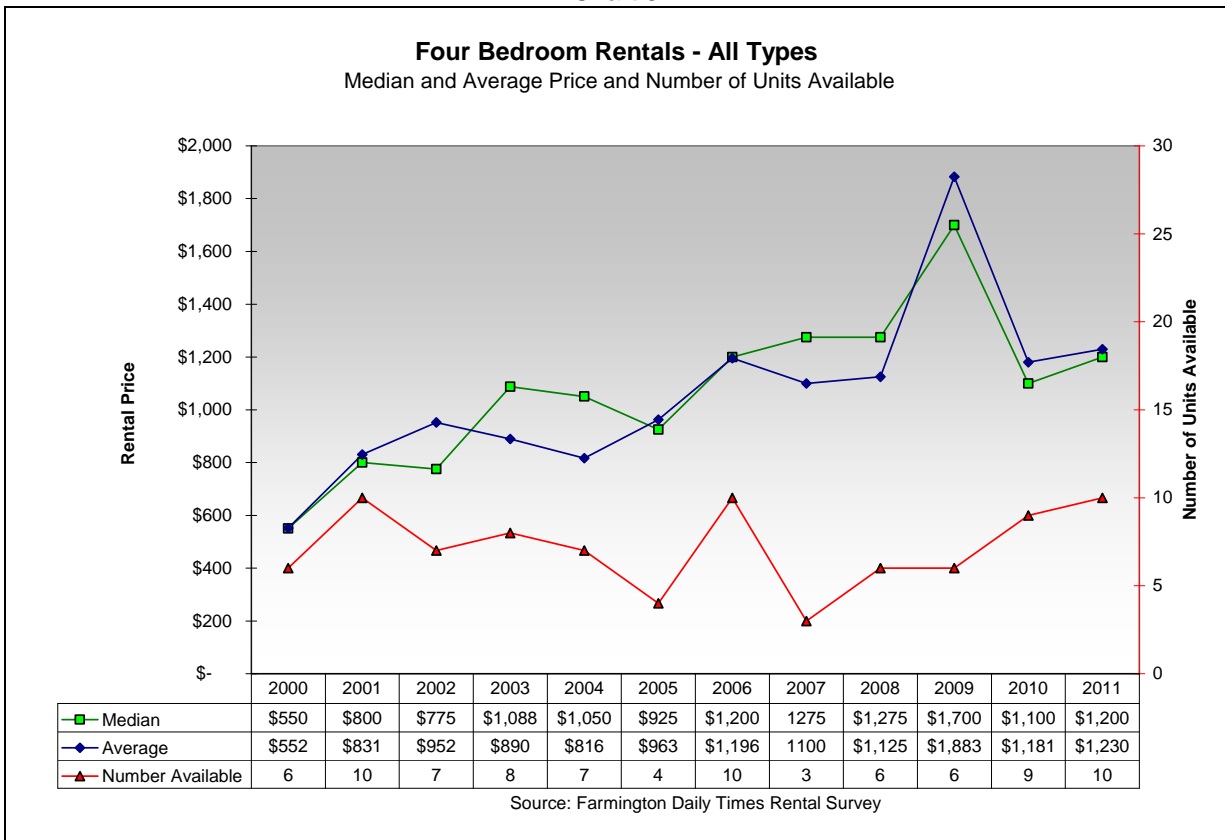
Chart 4



e. Four-Bedroom Rentals Median and Average Rent and Units Available

Chart 5 displays the average price, median price, and the number of advertised units available for four-bedroom rentals. The supply of four-bedroom rentals has been consistently limited with only a range of 3 to 10 units available. The limited supply of four-bedroom rentals may affect overcrowding in the community as reported in the 2009-2014 Consolidated Plan. The average and median prices also show some volatility especially with the spike in the chart at 2009, which was completely reversed in 2010. As a note on methodology, for the first time ever, in 2011 there were some five-bedroom rentals advertised. Rather than excluding the data they were absorbed into the four-bedroom category.

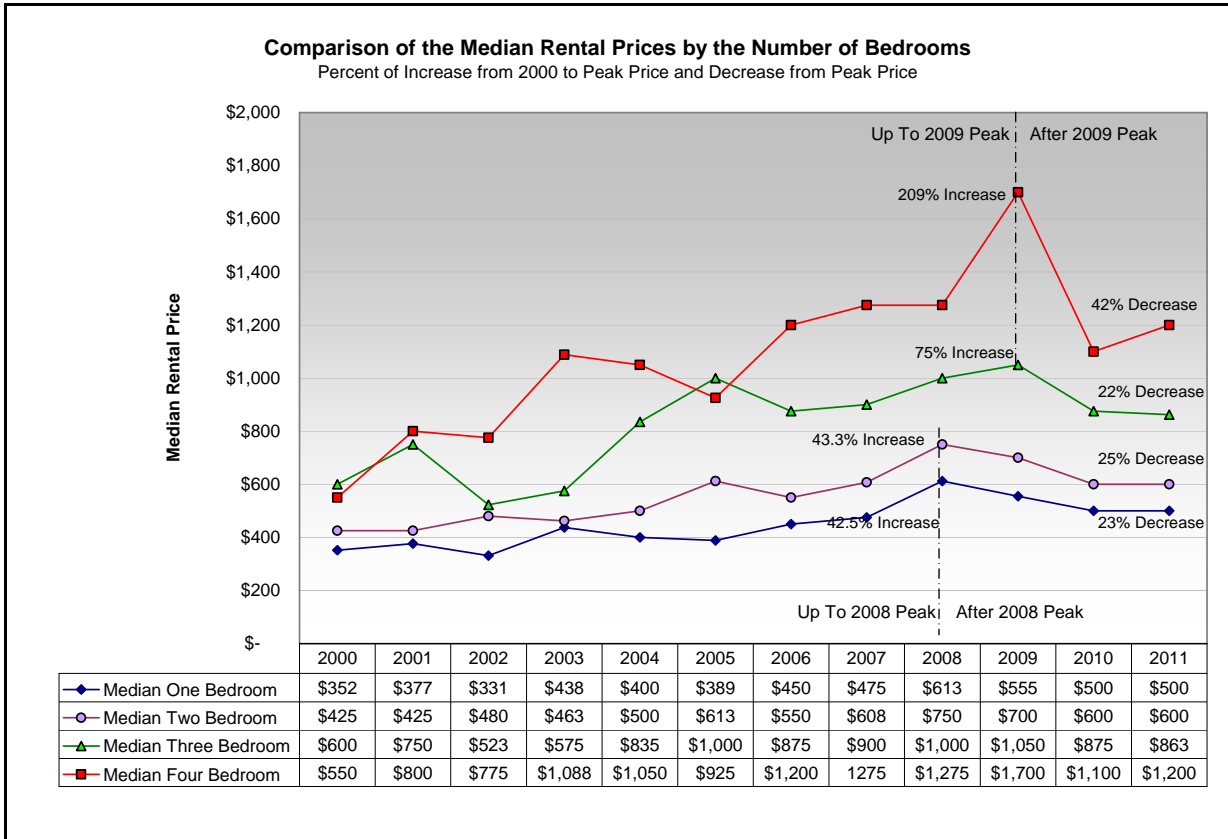
Chart 5



f. Median Rental Prices by the Number of Bedrooms

Chart 6 shows the median rental prices broken down by the number of bedrooms. The vertical dashed lines show the peak years, 2008 and 2009. The percent increase from 2000 to the peak year and the decrease from the peak year to 2011 are shown on the chart. The limited increase in rental prices for one and two-bedroom units stands out in the chart in comparison to three and four-bedroom unit.

Chart 6

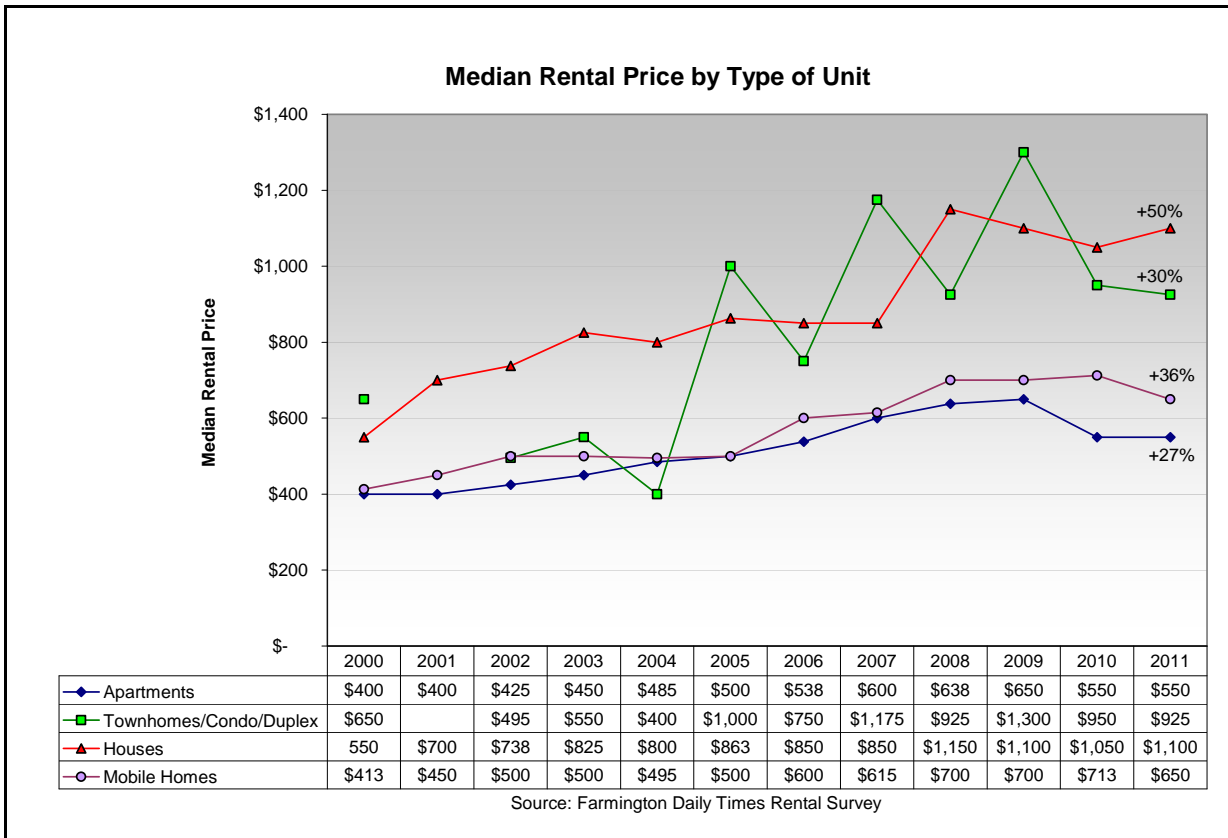


g. Median Rental Prices by the Type of Unit

Chart 7 displays the changes in median advertised rent by type of rental from 2000 to 2011, and their total percent change. The four types of housing are the same categories used in the Farmington Daily Times except that due to the limited data, furnished and unfurnished types of units are added together. The Townhomes/Condo/Duplex category has had the greatest increase and the largest volatility of all the types of housing. In 2005 and 2007, a significant number of new townhomes were completed in Farmington, and their larger size, quality, and new condition significantly increased the median price in this category. As a note, there were no townhomes available in April of 2001 - hence the missing data point.

This chart does not show clear declines in the 2008 and 2009 years that the number of bedroom charts show. Houses had an 8.7 percent drop from 2008 to 2010 but then in 2011 there is a slight uptick. Mobile homes were flat from 2008 to 2010 with a decline in 2011. Apartments and townhomes show the greatest declines from 2009 but apartments were flat from 2010 to 2011.

Chart 7



2. U.S. Census Rental Data

Rental data from the American Community Survey (ACS) represents a sample survey of current renters in all types of rental units. Some of the renters may have been in their units for many years. While the information and tracking its changes is informative, the median rental contract does not necessarily reflect the going rate of rentals that a new resident would find looking for a new home.

a. Median Gross Rents – A Comparison of New Mexico MSAs and their Principal Cities

Table 1 shows a comparison between Principal City and County rental rates as reported by the ACS. The ACS has data for the four MSAs in New Mexico. The 2007-2009 three-year average is used because it is the only data source that provides city level data. The City of Farmington and San Juan County have the second highest median rents in the state, only Santa Fe is higher. The percent difference in the last column of the table shows some interesting points. Of the four MSAs, only Albuquerque has higher rents in the county than in the city. This could reflect differences between the older urban core and newer suburban development. On the other hand, Farmington and Las Cruces have rents that are 5.3 percent and 6.3 percent higher in the principal cities. This reflects a primary urban core with sparse county or rural development. Farmington's 5.3 percent higher rent in the city than the county provides an adjustment factor when looking at other county-wide rental data.

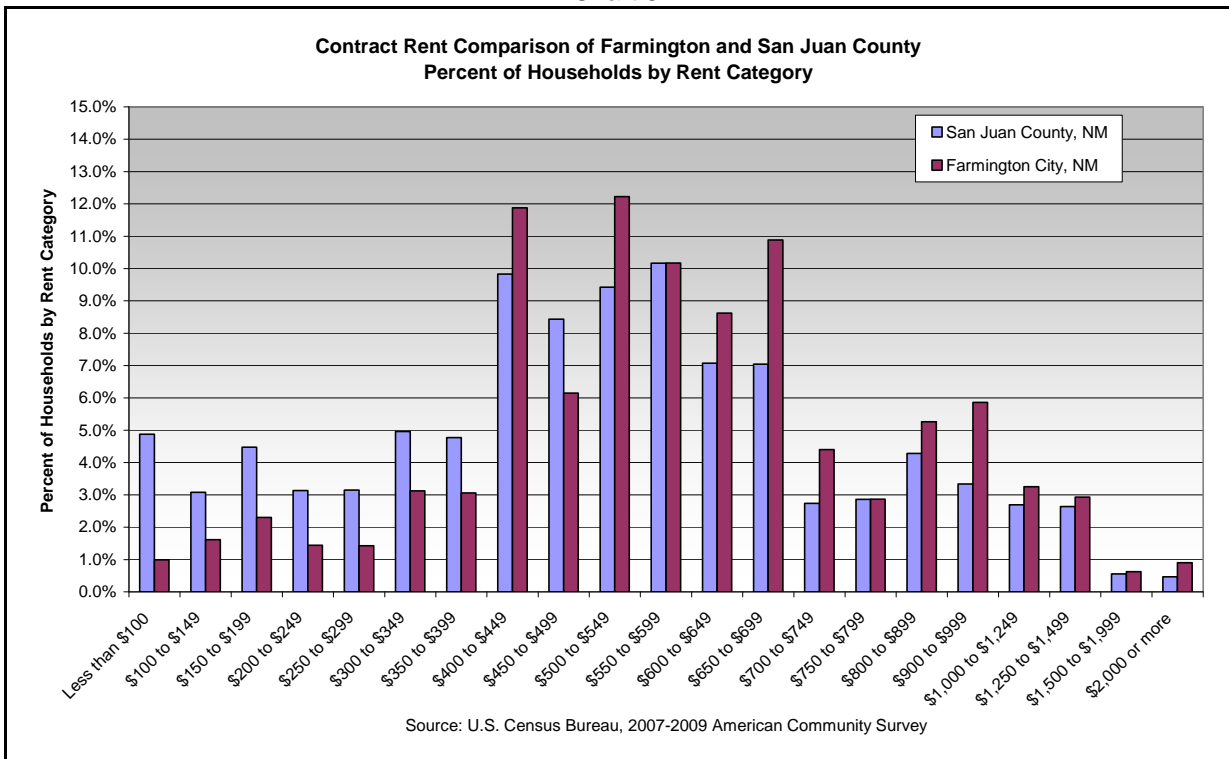
Table 1

A Comparison Between County and Principal City of Median Gross Rents for New Mexico MSAs			
	County	Principal City	Percent Difference
Farmington and San Juan County	646	682	5.3%
Albuquerque and Bernalillo County	625	619	-1.0%
Santa Fe and Santa Fe County	765	785	2.5%
Las Cruces and Dona Ana County	506	540	6.3%
Source: U.S. Census Bureau, 2007-2009 American Community Survey			

b. Contract Rent Comparison of Farmington and San Juan County

Chart 8 depicts a comparison of the City of Farmington and San Juan County. The vertical bars show the percent of households paying different amounts for rent, blue for the San Juan County and purple for the City of Farmington. There are very noticeable differences between the two areas. The County has a greater percentage of households paying less than \$399 while City has higher bars in every category over \$600. This indicates that a higher percentage of families are paying higher contract rents in Farmington than in the County.

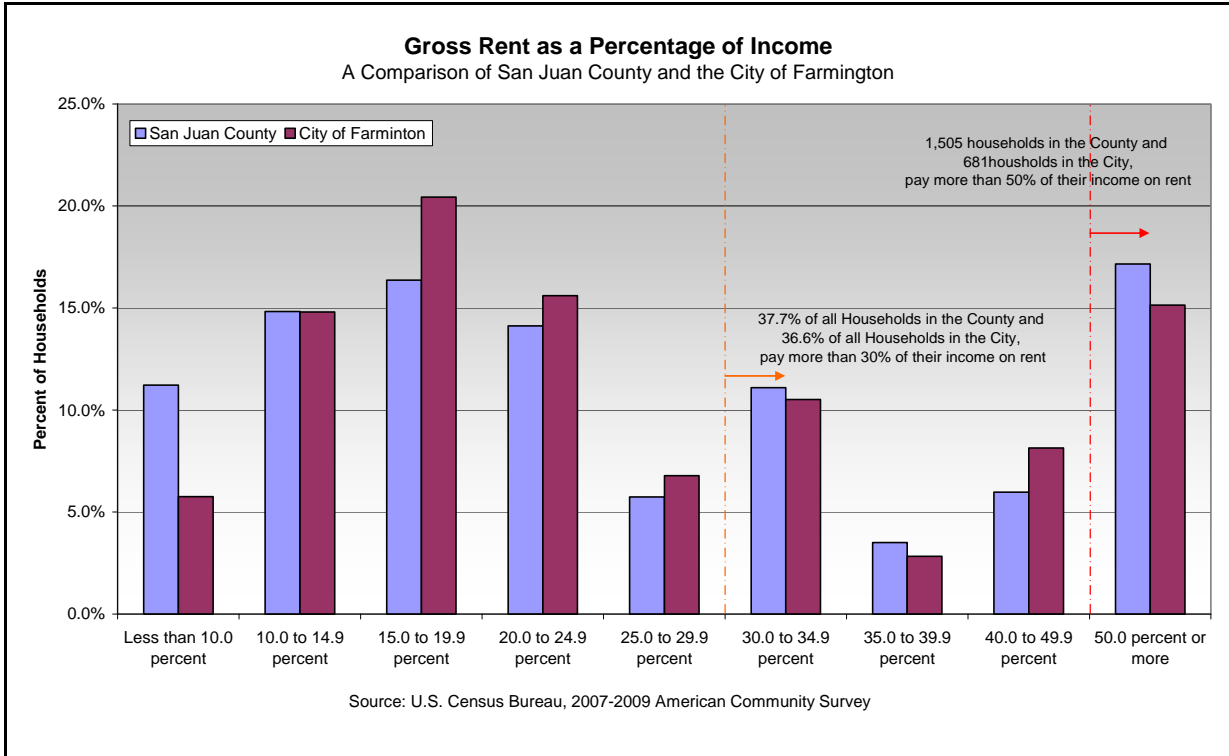
Chart 8



c. Gross Rent as a Percentage of Income

Chart 9 depicts a comparison of rent as a percentage of income between San Juan County and the City of Farmington. A portion of this table has a bell curve to it, but there is a large spike in the 50% or more category. In the City of Farmington, 681 families are paying more than 50% of their income on rent and this puts them in the greatest needs category.

Chart 9



3. Comparison of HUD Fair Market Rents and the Farmington Rental Study

HUD publishes Fair Market Rent (FMR) values each year for all counties including San Juan County. The FMR values are based upon the number of bedrooms in a rental unit. The FMR is used by a variety of agencies that provide rental assistance through Federal or State grants to determine the allowable amount of assistance that can be provided to needy families. However, the FMR values have not accurately reflected the Farmington or San Juan County rental market. CDBG staff has submitted its past rental studies to MFA and HUD for review and typically the community has received a +10 percent adjustment in the FMR values, as a result.

Table 2 below compares the HUD FMR with the Farmington Rental Study from 2006 to 2011. The proposed 2012 FMR have been recently published by HUD and are also indicated on the table. The green cells indicate cases where the FMR was higher. The yellow cells indicate the cases where the Farmington Rental Study was higher. The orange cells indicate where the Farmington Rental Study was more than 10 percent higher than the FMR. In fact, for the three- and four-bedroom apartments, the difference is more than 30 percent in some years. HUD has continued to adjust their rates up, but has stayed consistently lower than median rental rates. Only recently, with the downturn in rental rates, have the rates shown some parity.

Another issue with FMR values is that they are published for San Juan County only. The Farmington Rental Study is also county-based, but neither reflect the specific rental rates in the City of Farmington. Table 1 above in the U.S. Census Rental Data section shows that the City of Farmington's median gross rents as reported by the ACS were 5.3 percent higher than the rents reported for San Juan County as a whole.

This update will be submitted to HUD and the New Mexico Mortgage Finance Authority to provide data needed to adjust the Fair Market Rent.

Table 2

Comparison of HUD Fair Market Rents and The Farmington Rental Study's Median Price by Bedrooms				
	One Bed	Two Bed	Three Bed	Four Bed
2012 HUD FMR	\$542	\$653	\$863	\$974
2011 HUD FMR	\$528	\$636	\$841	\$948
Farmington Rental Study	\$500	\$600	\$863	\$1,200
2010 HUD FMR	\$525	\$632	\$836	\$942
Farmington Rental Study	\$500	\$600	\$875	\$1,100
2009 HUD FMR	\$504	\$607	\$802	\$905
Farmington Rental Study	\$555	\$700	\$1,050	\$1,700
2008 HUD FMR	\$481	\$579	\$765	\$863
Farmington Rental Study	\$613	\$750	\$1,000	\$1,275
2007 HUD FMR	\$474	\$571	\$755	\$851
Farmington Rental Study	\$475	\$608	\$900	\$1,275
2006 HUD FMR	\$458	\$552	\$730	\$823
Farmington Rental Study	\$450	\$550	\$875	\$1,200
Source: HUD User Data Sets, Farmington Daily Times Rental Data				
HUD FMR is Higher in Value				
Rental Study is Higher in Value				
Rental Study is More Than 10% Higher				