

## **Housing Needs and Demand Assessment Executive Summary**

### **Draft January 30, 2023**

The Housing Needs and Demand Assessment (HNA) is an interim deliverable to for the South Hadley Housing Production Plan, prepared by the Town’s consultant Outwith Studios. The HNA provides analysis and commentary on the population, housing stock, and housing affordability for the Town of South Hadley using demographic and market data. The data and findings therein provide a snapshot of the people, households and housing within the community and will be incorporated into the final Housing Production Plan. This Executive Summary highlights the major findings of the HNA.

Important issues related to housing in South Hadley include an aging population, the need for appropriate and accessible housing options, a potential mismatch of housing types and sizes with housing needs, a potential opportunity for alternative small housing options and a return to traditional smaller housing footprints, a high number of low-income and housing cost-burdened households, and a mismatch between the character of the current residents and their ability to afford the current market.

The full draft HNA can be viewed online here:

<https://www.southhadley.org/DocumentCenter/View/10737/Housing-Needs-and-Demand-Assessment--Draft-01-30-2023>

#### **CONTEXT**

- South Hadley is located within the Greater Springfield Metropolitan Area (Greater Springfield), which includes all of Hampshire and Hampden counties.
- Greater Springfield’s economy grew 5.3% from 2012 to 2021, putting it at the 26<sup>th</sup> percentile of US metropolitan areas for GDP growth. Although at the lower end of GDP growth rates for metropolitan areas nationally, the economy continues to grow, and demand for housing remains unmet, according to the UMASS Donahue Institute. While relatively low growth may discourage overall investment in the region, continued unmet demand for housing will likely continue upward pressure on housing costs.
- Housing investment is generally drawn to higher growth areas. For development capital looking for opportunities at the national or state levels, Greater Springfield and South Hadley will not be very attractive. For development capital looking within Greater Springfield, South Hadley could prove attractive relative to other towns. Without investment and housing production, South Hadley’s modest growth will continue to place upward pressure on housing costs.
- According to the University of Massachusetts Donahue Institute, Hampshire County will have a deficit of more than 3,500 housing units by 2025, meaning lower-income and/or housing-insecure households will face cost and displacement pressure.

## POPULATION

- South Hadley is a town of roughly 18,000 people.
- Between 2010 and 2020, the population grew 3.6%. This was greater than the Greater Springfield area, but less than the state, which grew 7.4% in that same period.
- *Age* - South Hadley has an older population than the region or state, as well as a large 18–24-year-old population.
- The town's large 18–24-year-old population is due to the Mount Holyoke College undergraduate population. For this reason, the students themselves—and therefore this 18–24-year-old cohort—are not significantly impacting the town's housing market.
- An estimated 21.6% of South Hadley's population is 65 years or older. An additional 14.5% of the population is between 55 and 64 years old.
- *Race and Ethnicity* - An estimated 81% of South Hadley residents are non-Latino White People. While the town may be less diverse than the Greater Springfield area, it has become more diverse since 2010. 90% of South Hadley residents speak English at home.
- *Household Size and Structure* - South Hadley has roughly 7,000 households. There are 7,439 homes in South Hadley, of which 7,077 were occupied as of the 2020 census.
- Households (and potential households) are the primary concern of a Housing Production Plan. However, South Hadley has a notable “group quarters” population, with 2,443 people (13% of residents) living in places other than independent housing units, the majority of which is student housing at Mount Holyoke College.
- Most of South Hadley's households (60%) live in families, meaning at least two people related by birth, marriage, or adoption. The rest (40%) are either single people living alone or unrelated people living together (as roommates, etc.). Of the non-family households, more than three-quarters (78%) are single people living alone. That means roughly 2,200 people are living alone in their home in South Hadley.
- *Disability* - An estimated 12% of South Hadley residents have a disability, including 15% of people 65- to 74-years-old and 40% of people 75 years and older. South Hadley has proportionally fewer people with disabilities than the Springfield region as a whole, where 15% of all residents have a disability, including half of people 75 and older.
- *Income* - The median household income in South Hadley is \$73,601—roughly \$12,000 more per year than the Greater Springfield area (\$61,360). Homeowner households tend to have higher household incomes, though the distribution of owner incomes is more even than renter households in South Hadley. More than three quarters of renter households earn less than \$75,000.

- *Environmental Justice* - The MA Executive Office of Energy and Environmental Affairs has designated two parts of South Hadley as Environmental Justice Neighborhoods: one part of South Hadley falls that qualifies based on income and an area encompassing the core Mount Holyoke College campus and some adjacent parcels that qualifies based on race/ethnicity.

## HOUSING STOCK

- *Units per Structure* - An estimated 63% of South Hadley's homes are detached single-family homes. Another 27% of homes are townhomes (attached single-family), duplexes, or in triplexes/fourplexes (8%, 9%, and 9% of South Hadley homes, respectively). Roughly 5% of homes are in buildings with five to nine units, 1% are in buildings with 10 to 19 units, and 6% in buildings with 20 or more units.
- *Age and Condition of Housing* - One-third of South Hadley's homes (33%) were built between 1940 and 1959 in the post-WWII wave of suburban home construction. Only 18% of South Hadley homes are pre-war, with the majority of those in the vicinity of South Hadley Falls and the Village Commons. Waves of suburban home-building continued to add housing to South Hadley: 20% of homes were built between 1960 and 1979, and 24% of homes were built between 1980 and 1999. By contrast only 8% of homes were built between 2000 and 2020.
- *Home Size* - More than half of South Hadley's homes (55%) are "family-sized," meaning they have three or more bedrooms. This figure is large when considering the only 18% of households that have children at home. Only 13% of homes are one-bedrooms or studios, despite 73% of households being either singles or couples living alone.
- *Square Footage and Land Area* - The median gross square footage (GFA) for a South Hadley home is roughly 3,100 square feet (sf) per unit, with roughly 1,300 sf of net square footage (NFA) per unit (i.e., finished residential space excluding unfinished basements, garages, etc.).<sup>21</sup> The typical square footage of homes has increased considerably over time. The GFA of homes built from 2010 to 2020 is 70% larger than that of Pre-World War II homes, and the NFA is 50% larger.<sup>22</sup> The era of greatest housing production in South Hadley (the years immediately after World War II) brought homes with a median GFA of 2,900 sf and a median NFA of 1,200 sf.<sup>23</sup> Homes of that era are 60% the size of recent homes.
- South Hadley's median land area per housing unit is roughly 17,300 sf (about 0.4 acres).<sup>24</sup> Median land area per unit has nearly doubled in the last century, with pre-World War II lot size per unit at 12,600 sf (0.3 acres), and housing from 2010 to 2020 with 24,900 sf (0.6 acres).
- *Renting vs. Owning* - More than three-quarters (77%) of homes in South Hadley are owner-occupied. Renters tend to live in the vicinity of South Hadley Falls and around Mount Holyoke College.

- *Vacancy* - Vacancy rates in South Hadley are very low. An estimated 0.4% of ownership units are vacant. For a housing market to function well, that figure should be between 2% and 4%.
- The situation for South Hadley's rental units is similar: the estimated vacancy rate is 4.2%, where a well-functioning market should have between 5% and 7% vacant units.

## **AFFORDABILITY**

- *Home Values* - Between January 2000 and July 2022, estimated home values in South Hadley increased from roughly \$152,000 to roughly \$341,000.
- South Hadley's change in home values from 2000 to 2022 represents nominal growth of 124% (28% adjusted for inflation) or an annual nominal compounding growth rate of 3.74% (1.12% adjusted for inflation).
- *Home Sales* - Median home sale prices and sale volumes both trended upwards between 2012 and 2022, with prices increasing at a faster pace than volumes.
- Competition for housing has been heating up. Inventories (the number of homes actively for sale) fell from 77 homes in October 2012 to 25 homes in October 2022. Likewise, days on market (the number of days between a home going on market and a contract for sale being signed) have trended down, from 155 days in October 2012 to 20 days in October 2022.
- *Mortgage Lending* - Between 2019 and 2021, there were 1,098 applications for home purchases in South Hadley. For applications where racial and ethnic data could be determined, White applicants made the most applications (81%), roughly in line with present breakdown of White residents and residents of color. That said, White applicants were approved at a higher rate (78%) than other racial/ethnic groups applying alone.
- *Rental Options and Rents* - Average asking rents for all bedroom-counts in South Hadley were greater than \$1,000 per month.
- *Income Status* - A single-person household in South Hadley earning up to \$52,750 is low-income, a family of four earning up to \$75,300 is low-income.
- An estimated 40% of South Hadley households are low-income. This figure does not include students living in dormitories or the elderly living in assisted living facilities.
- An estimated 30% of homeowners (1,535 households) are low-income, while 63% of renters (1,150 households) are low-income. Though the proportion of low-income households is much greater for renters than owners, more owners in aggregate are low-income than renters. Low-income households, therefore, should not be seen as purely renters. Income-based need is present across housing tenure.

- *Housing Cost-Burden* - According to the federal government, a household is "housing cost-burdened" when they pay more than 30% of their income on housing costs, and they are "severely housing cost-burdened" when they pay more than half their income to housing.
- In South Hadley, 2,025 households are housing cost-burdened. 45 An estimated 960 (47%) are severely housing cost-burdened, paying more than half their income for shelter. 1,785 of cost-burdened households (88%) are low-income.
- *Affordability Gap* - The affordability gap is the difference between a typical household income and typical housing costs. For South Hadley residents, the median household could not afford to rent nor purchase the typical home at recent prices/rents. The median homeowner household has an income of roughly \$94,000 per year, but to affordably purchase the median home on today's market, they would need to earn \$107,000 per year. Similarly, the median renter household earns roughly \$42,000 annually, but they would need an annual income of \$80,000 to affordably rent the average rental home on the market.
- *Affordable Housing* - South Hadley has 744 deed-restricted Affordable Housing units on its Subsidized Housing Inventory (SHI), spread across seven developments. All of South Hadley's affordable homes are rental units.

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