



Housing Underproduction Report for Mecklenburg County, NC

Today's housing crisis is driven by two major factors: housing availability and housing affordability. Exclusionary zoning, unnecessary barriers to development, and local opposition to new projects have resulted in a severe shortage of both market-rate and affordable homes nationally. This severe "housing underproduction" has left nearly four million households nationwide unable to find a home they can afford in a community they choose.

Simultaneously, the cost of housing has drastically outpaced income growth. As more middle-income households struggle to find housing that's affordable, vulnerable groups are being pushed deeper and deeper into the margins. As a result, we see decreasing homeownership rates, growing housing instability, increasing homelessness, widening inequity, and mounting negative outcomes for people and the communities where they live.

In order to effectively begin to address the housing shortage, it is first necessary to understand the scale and nature of the shortage, both regionally and at the county level. This report and its findings are designed to support an informed discussion of the housing supply shortage in Mecklenburg County and its implications for housing affordability across the region.

This analysis quantifies the scale of the housing shortage in your area and outlines housing production trends in terms of amount, type, and tenure. It offers comparisons to neighboring counties, including Cabarrus, Gaston, Iredell, Lincoln, and Union, self-identified peer regions, including Dallas County, TX (Dallas), Harris County, TX (Houston), Davidson County, TN (Nashville), and Hillsborough County, FL (Tampa Bay), and the average of other U.S. urban counties (when applicable).

This analysis also shows what building trends might look like under a status quo scenario and, alternatively, if future housing development used A Better Foundation, a tool that can help jurisdictions visualize and discuss trade-offs as they relate to which types of new housing to incentivize, how much new housing is needed to keep up with growth, and how placement of that new housing could ensure high opportunity for residents.

This analysis is not meant to be a prescriptive recommendation for growth, rather a tool to ground discussions and debates about where and how Mecklenburg County might better balance housing need with housing availability.

Key Findings

HOUSING UNDERPRODUCTION

- Over the last ten years, the gap between the housing you have and the housing you need (housing underproduction) has increased from 0 to 11,500 units, or 2.4% of the current housing stock.
- The severity of underproduction in Mecklenburg County is higher than in all peer regions except Dallas, TX.
- Based on past development trends, to eliminate the housing shortage and to account for future growth, Mecklenburg County needs to build about 35% more homes annually, or ~10,600 homes per year for 10 years.

AFFORDABILITY AND MARKET DYNAMICS

- Since 2017, home prices in Mecklenburg County have increased 74%, compared to an average 42% increase in all urban counties in the U.S.
- In 2017, the median-priced home was 3.5 times greater than the median income. By 2022, it had increased to 5 times greater.
- From 2017 to 2022, rent increased by 34%. In 2017, average rent was \$50 a month below the U.S. urban county average. By 2022, it was \$25 a month more than the U.S. urban county average.
- Roughly one-third of units that are affordable to those earning 0-60% AMI are being rented by households that can afford to pay more.

SOCIAL AND ECONOMIC DISPARITY

- The racial gap in homeownership, homelessness, and cost burdening in Mecklenburg County is wider than all peer regions and wider than the U.S. urban county average.
- The greatest need for new rental units is for those earning between 0-30% AMI. As of 2022, there were 16,400 units to serve 36,000 households.

HOUSING TYPES AND DEVELOPMENT PATTERNS

- The past 10 years of development have produced mostly single-detached homes and high-rise towers.
- Between 2012 and 2020, the County averaged about 10,000 new units per year. But since 2021, that average has jumped to nearly 14,000 units. Still, less than 1% of permitted units are duplexes, triplexes, or quads.

DEMOGRAPHIC AND WORK TRENDS

- Mecklenburg County has the third highest percentage of Work-From-Home in the country, following only Travis County, TX (Austin) and King County, WA (Seattle).

Important Considerations

In any housing market, shortages are likely the result of a unique combination of drivers, location, and market forces. Variables like land and material costs, labor availability, and the lending environment can limit or expand policy options that are available to a given jurisdiction. These factors affect how far each dollar of investment can reach.

Moreover, the consequences of housing shortages on residents are neither universal nor equally distributed. Individuals and households who are most vulnerable to small changes in income or expenses often experience the greatest instability when a housing market tightens.

Effective housing policy must perform the dual task of ameliorating negative outcomes and enabling desired ones. But, in the policymaking process, trade-offs are inherent and unavoidable. Offsetting one negative outcome may require a decrease in the benefit of another.

Any successful policy suite should achieve a balance that not only supports a robust housing market, but also cultivates a healthy, happy community. Therefore, meaningful housing reform requires jurisdictions to align on desired outcomes, understand the benefits and costs of each policy option, and then advance a comprehensive package of both supply and demand side interventions.

Furthermore, in supply-constrained markets, different forms of housing serve different purposes, and each has a critical role in restoring balance. No effective solution can be developed without an understanding of and appreciation for the entirety of the housing ecosystem, and to consider any single option in isolation will only limit public benefit and perpetuate adverse outcomes.



Housing Underproduction

Home prices are strongly related to housing supply, and too few homes in a market can lead to slower housing turnover, lower vacancy rates, and rising rent and purchase prices.¹ In housing markets with too little supply relative to strong demand, competition for housing increases, making it hard for people to find the types of homes that fit their lifestyle and budget. This leads to people living in housing that is too big or too small for their family size, living in units that are too expensive for their income, or living in areas far from work and the amenities they desire. Housing underproduction leads to fewer people moving to the area and people leaving in search of housing that better meets their needs or budgets, ultimately affecting the resiliency, diversity, and quality of life in greater Mecklenburg County.

National Housing Underproduction at a Glance

Housing Underproduction 



Households
+
Missing Households

× 1.05

(1+ Target Vacancy Rate)



Total Housing Units
-
2nd and Vacation Homes
-
Uninhabitable Units

TARGET NUMBER OF HOUSING UNITS

UNITS THAT ARE RENTER OR OWNER OCCUPIED

National Housing Underproduction

2012

1.65 Million

2019

3.79 Million

2021

3.89 Million

Metro Areas Experiencing Underproduction

2012

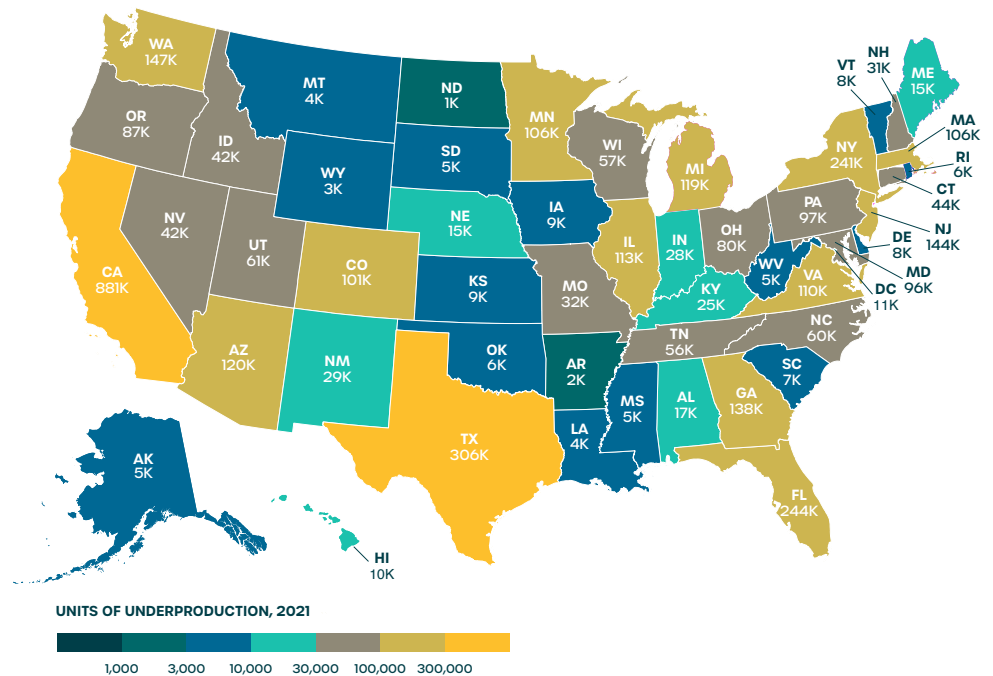
2019

2021

100

169

193



Housing Underproduction Worsened from 2019–2021

83% (256) of all markets are worsening.

*The technical memorandum detailing the methodology of the National Housing Underproduction estimates can be found at https://upforgrowth.org/wp-content/uploads/2022/10/2022_HousingUnderproduction_UpForGrowth_Technical_Supplement_UnderproductionAnalysis-1-1.pdf

¹Rosenthal, S. S. (2014). Are private markets and filtering a viable source of low-income housing? Estimates from a “repeat income” model. *American Economic Review*, 104(2), 687–706. <https://www.aeaweb.org/articles?id=10.1257/aer.104.2.687>

Housing Underproduction in Mecklenburg County

Housing Shortage: -11,500 Homes

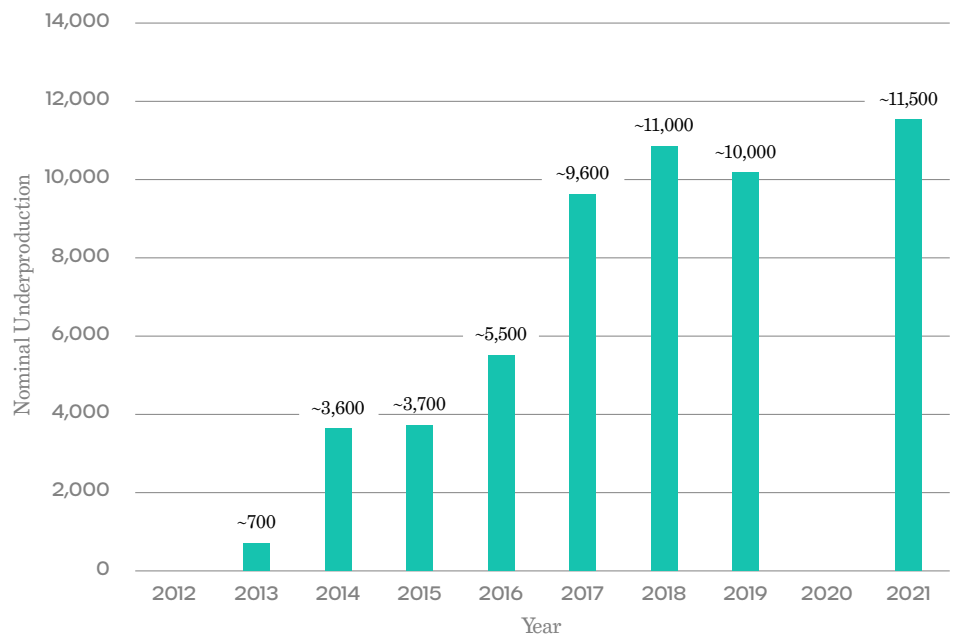
In just ten years, the gap between the housing you need and the housing that is available has increased 16-fold, growing from zero to more than 11,000 units.

As of 2021, the severity of your housing shortage was 2.4%. (Severity is housing underproduction as a share of the current housing stock.)

Mecklenburg County's rate of underproduction is less severe than the median urban U.S. county (38th percentile) but is more severe than all peer regions, except Dallas.

In the table below you can find indicators for how your housing shortage compares to neighboring counties and your self-identified peer counties.

Housing Underproduction 2012 – 2021



Area	Total Underproduction	Severity (% of total housing stock)	Rank out of 565 Urban Counties	Percentile rank of 565 Urban Counties
Mecklenburg County, NC	~11,500	2.4%	351	38th
Dallas, TX	~38,000	3.6%	215	62nd
Davidson, TN	~6,500	1.9%	401	29th
Harris, TX	~42,000	2.2%	366	35th
Hillsborough, FL	~10,500	1.7%	419	26th

Peer counties were selected by Mecklenburg County leadership based on similarities in terms of growth rates, race and ethnicity, average incomes, and community economic profiles.

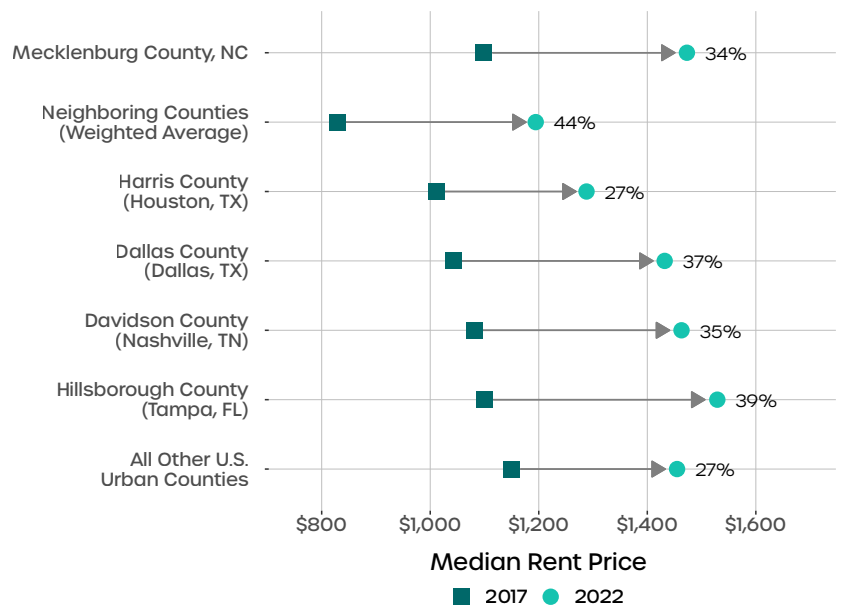
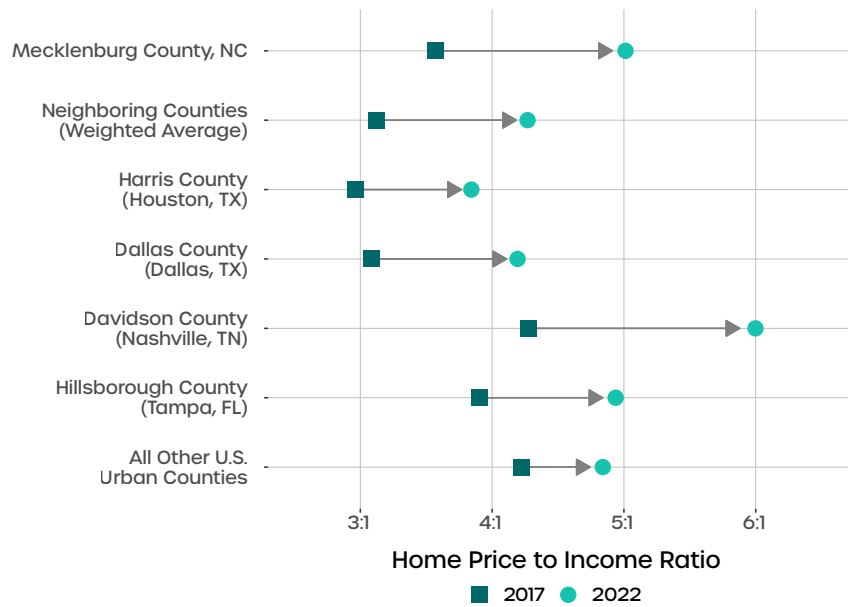
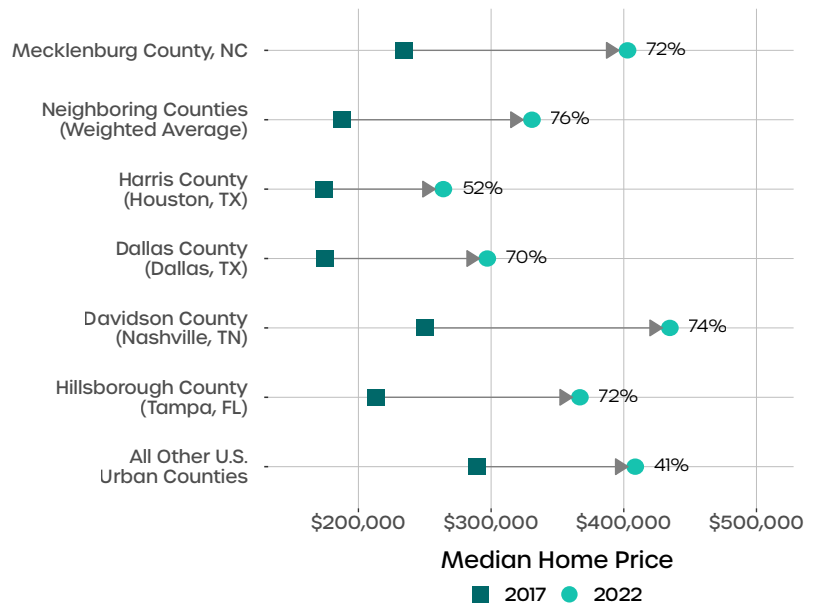
Housing Affordability

In a 5-year period from 2017–2022, the median home price in Mecklenburg County increased 72%, far outpacing the 41% rate of change in all other U.S. urban counties. Among your peers, only prices in Nashville increased faster. Over the same period, rents rose 34%, roughly in line with peers and all other U.S. urban counties.

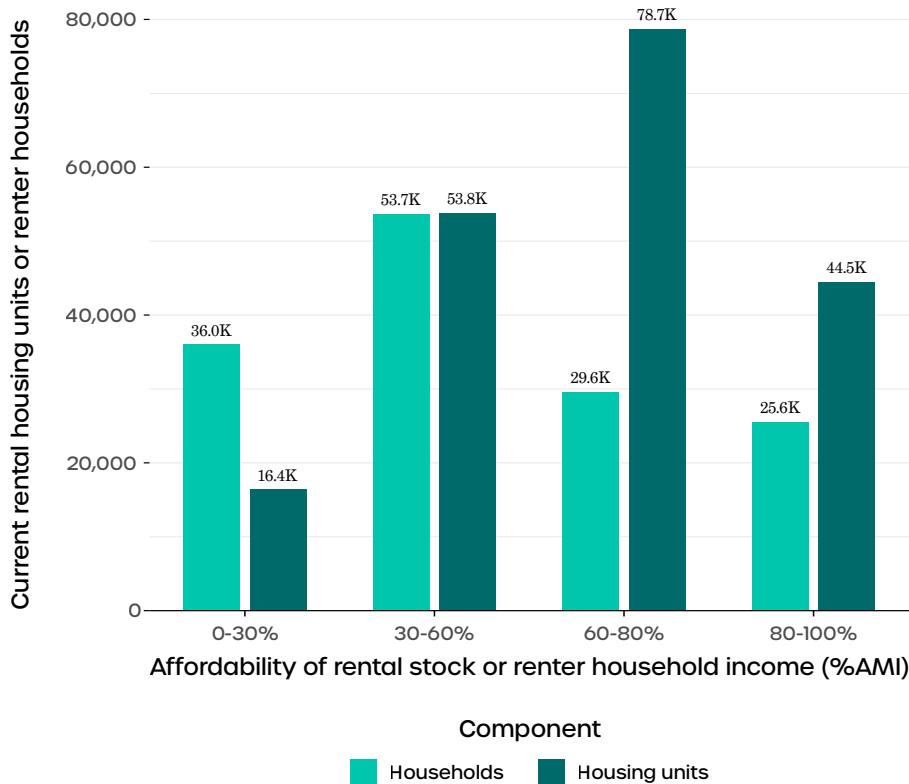
The median home price to median household income ratio is a broad measure of housing affordability. From 2017 to 2022, this ratio grew from about 3.5 times household income to 5 times household income, far outpacing all other U.S. urban counties and all but one (Davidson, TN) of your peer counties.

Only five years ago, Mecklenburg County’s affordability was average among your neighbors and peers. Today, the county is less affordable than four of five peer and neighboring counties and is less affordable than the average of all other U.S. urban counties.

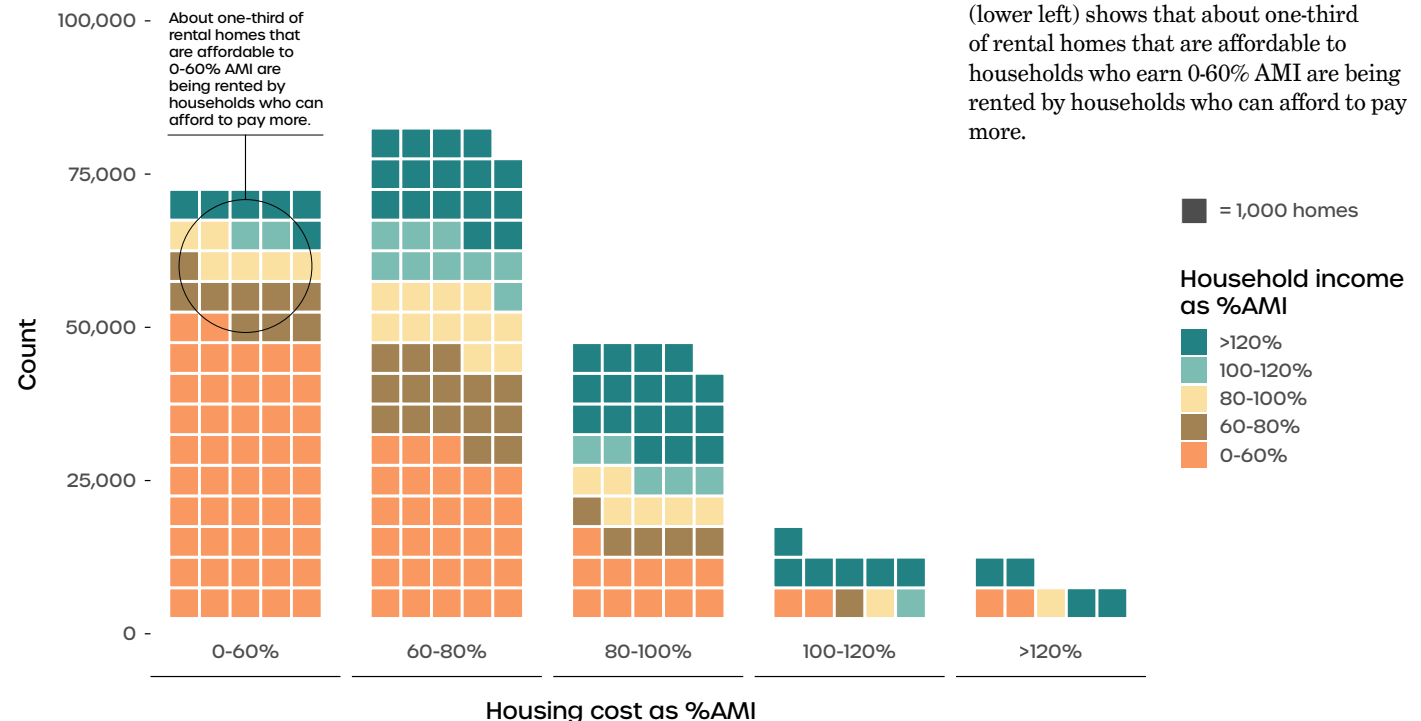
Because housing markets are regional, and county borders do not often prevent people from moving toward affordability, it is worth noting that Mecklenburg County’s median home and rent prices and home price to income ratio are, on average, higher than neighboring counties.



2022 Rental Stock vs. Renter Household Income Mecklenburg County



Source: Census PUMS, 2022 1 year sample



Source: Census PUMS, 2022 1 year sample

Structural Mismatch and "Sorting"

In Mecklenburg County, as in many other cities and counties nationwide, the need for rental housing is greatest for those who earn the least. As of 2022, there were roughly 16,000 available units for an estimated 36,000 households earning between 0-30% of area median income (AMI).

Taken alone, the chart (top left) may seem to indicate that there are enough housing units in Mecklenburg County to house everyone except those at the extremely low income level. However, structural mismatch alone does not present a complete picture of housing availability.

Individuals and households select housing based on a variety of factors, including their ability to pay, housing type preferences, and the characteristics of the neighborhood.

Some renters might choose less expensive housing even if they can afford more. Some might opt for cheaper housing as a buffer against financial uncertainty. They may have significant non-housing commitments, or prioritize location over housing quality or size. Likewise, renters may have longterm financial goals, such as saving for a down payment on a home, starting a business, or investing. By renting below their means, they can allocate more money toward these goals.

Mecklenburg County is no exception. Data (lower left) shows that about one-third of rental homes that are affordable to households who earn 0-60% AMI are being rented by households who can afford to pay more.

Housing Equity

Racially and economically diverse communities experience better employment, education, and health outcomes. Research demonstrates that the places where children grow up have significant causal effects on their future earnings, ability to attend college, and marriage and family characteristics.²

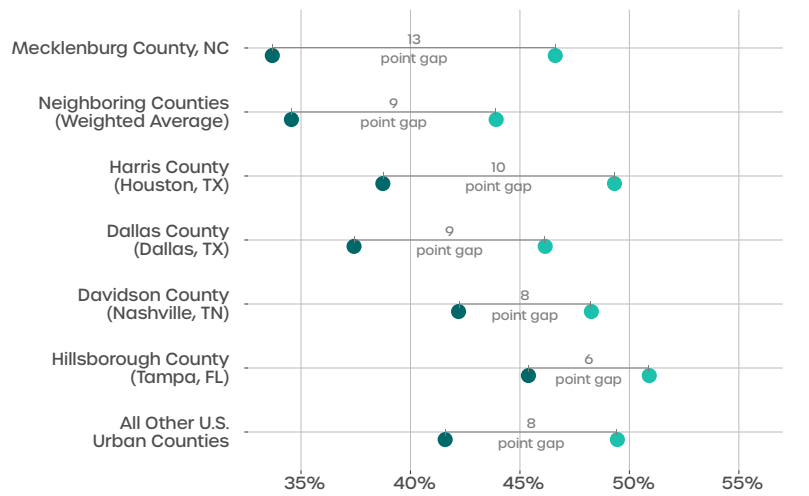
When children move to high opportunity neighborhoods — identified by Opportunity Insights researchers Raj Chetty and Nathaniel Hendren as having “less segregation by income and race, lower levels of income inequality, better schools, lower rates of violent crime, and a larger share of two-parent households” — it can increase their economic mobility and pro-social outcomes.³

In Mecklenburg County, the disparity in cost-burdening rates among BIPOC households compared to white households is high. Cost burdening leads to housing instability, a likely contributor to the higher rates of homelessness among Black and BIPOC individuals compared to white individuals.

Failure to address the disparity in homeownership opportunities in the Mecklenburg County area could lead to increased homelessness overall, but especially among BIPOC households.

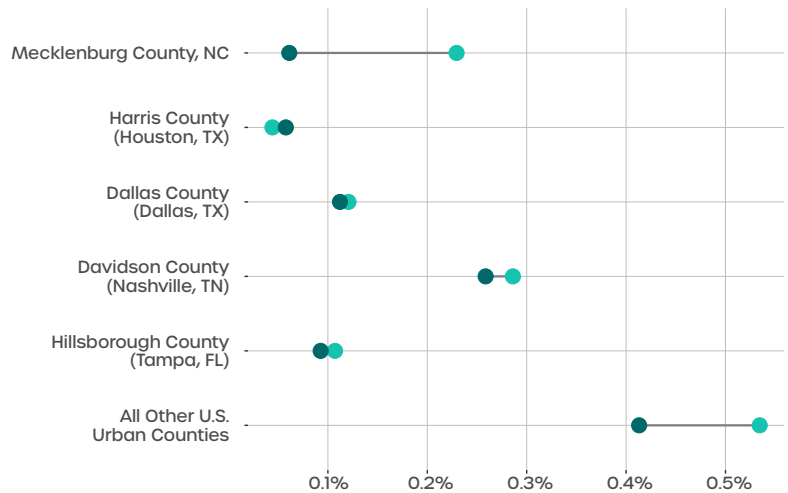
HIGH RENTS, LOW HOMEOWNERSHIP, AND PERSISTENT INEQUITY

In Mecklenburg County, more than 1 in 5 Black households are severely cost burdened, spending 50% or more of their income on housing. Black community members are facing significant barriers to upward mobility and are experiencing homelessness at much higher rates than white community members. People of color are significantly overrepresented among the unhoused population, with 75% of the overall unhoused population identifying as Black.⁴



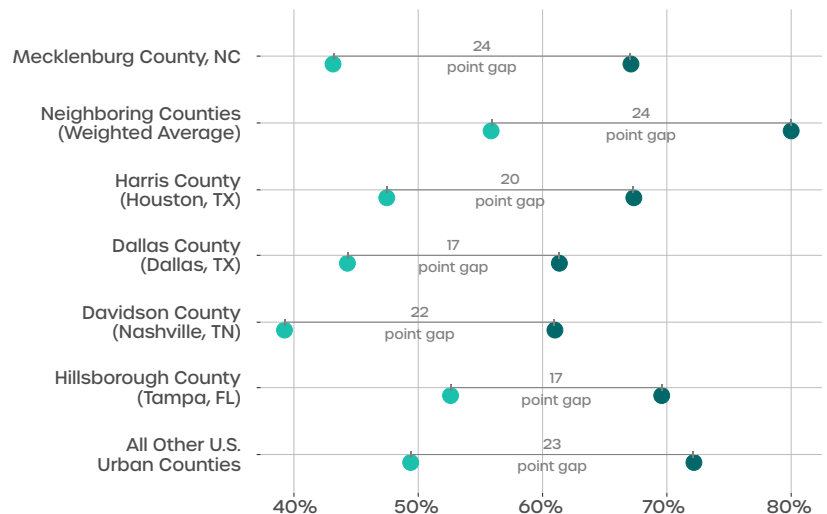
Share of Cost-Burdened Renters by Race-Ethnicity

● BIPOC ● White



2022 Homelessness Rate by Race-Ethnicity

● BIPOC ● White



Homeownership Rate by Race-Ethnicity

● BIPOC ● White

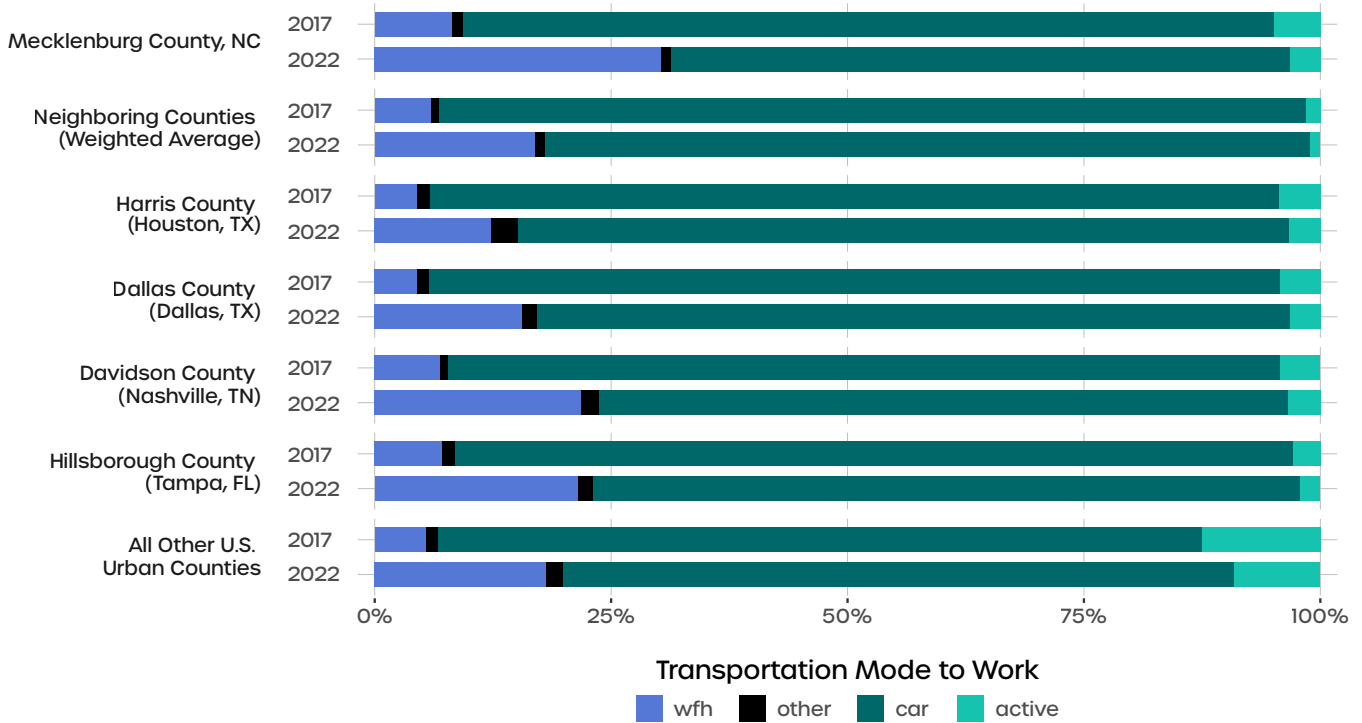
² Oyler, M. (2023, April 11). Gus’ Sir Beef restaurant will close permanently after 54 years in Charlotte. *CharlotteFive*. <https://www.charlotteobserver.com/charlottefive/c5-food-drink/article274187590.html>

³ Chetty, R. & Hendren, N. (2015). *The impacts of neighborhoods on intergenerational mobility*. Opportunity Insights. https://opportunityinsights.org/wp-content/uploads/2018/03/nbhds_exec_summary.pdf

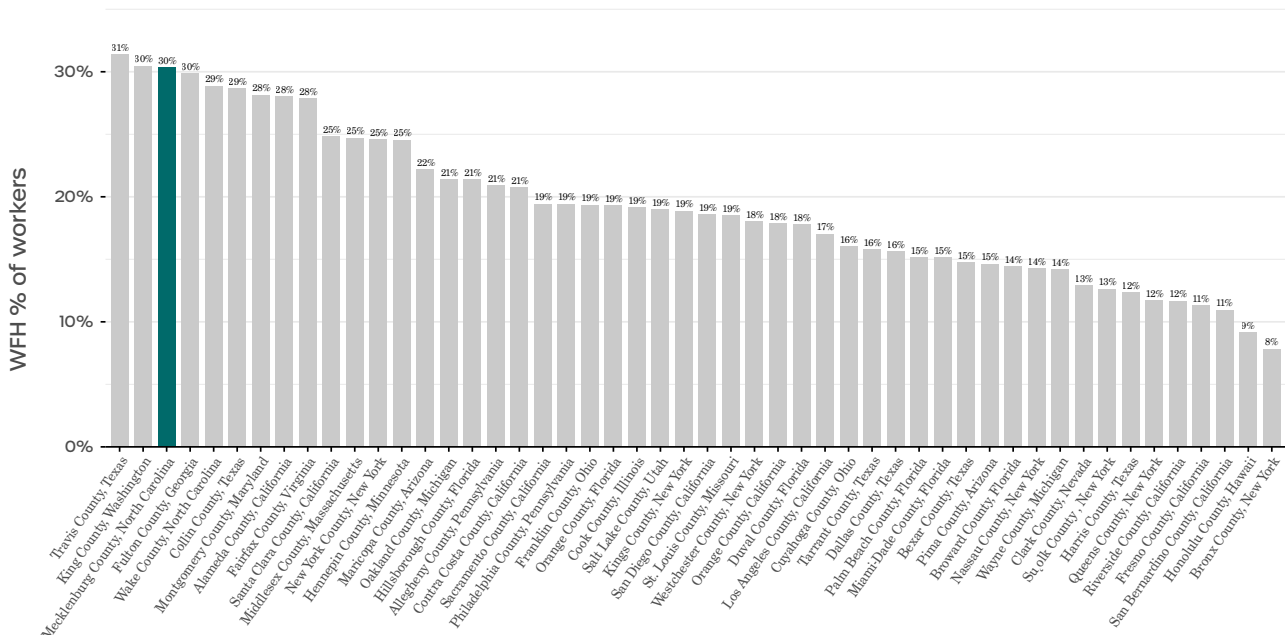
⁴ Mecklenburg County. (2023, May 31). *Housing Data Snapshot: Charlotte-Mecklenburg*. Retrieved January 23, 2024 from <https://mecklenburghousingdata.org/welcome/housing-data-snapshot/>

Transportation, Land Use, and Work from Home

From 2017 to 2022, the number of people who reported working from home grew by 22%. Today, more than a quarter of workers – more than any of your peers and 12% more than the average of other U.S. urban counties – report working from home in Mecklenburg County. Over the same period, the number of people using active transportation to commute to work decreased, primarily due to reduced public transportation use. The spread of hybrid work can exacerbate housing affordability issues in desirable locations, as higher-income professionals freed from daily commutes compete for housing in these areas. Conversely, it may relieve some pressure on housing markets in traditional urban centers due to location flexibility.



Largest 50 Counties Work from home percent in 2022



Source: 2022 ACS 1-year

A Better Foundation™

A Better Foundation uses local context to enable policymakers and citizens to visualize and discuss trade-offs about what types of new housing to incentivize, how much new housing is needed to keep up with growth, and how placement of that new housing could ensure high opportunity for residents.

It is not a prescriptive recommendation for growth, rather a tool to ground discussions and debates about where and how jurisdictions might better balance housing need with housing availability.

The following scenario offers an example of future development that optimizes for economic mobility and efficient land-use.

STEP 1

Envision a Future State

When any jurisdiction sets out to develop a housing plan, there are discreet choices they must make: Where should we focus new development? How much housing do we need? What types of homes should we incentivize? But before those questions can be answered fully, there must be a shared agreement about what the community should look like in five, ten, or twenty years.

For example, should a housing plan optimize for preserving open spaces and recreation, or for climate resiliency? Should it enable all households to have the best chance at economic mobility, or is it more important to preserve the character and heritage of a given area? The decision points inherent in policy making vary from place to place and can be difficult to reconcile. Often, it can seem impossible to satisfy everyone – that having one piece of a pie means you must sacrifice the other.

While trade-offs do exist and any successful plan will require compromise, by inviting stakeholders into a process that articulates and weighs these trade-offs, jurisdictions can help ensure everyone feels heard and understands their own role in bringing the future community to life.



STEP 2

Choose Where to Build

Locations selected for this sample scenario meet one or more of the following conditions:

High Economic Mobility

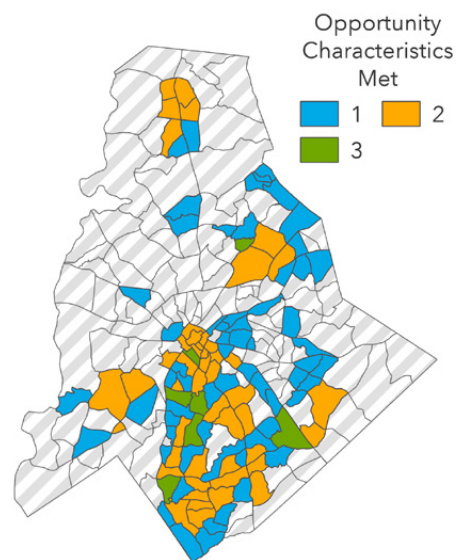
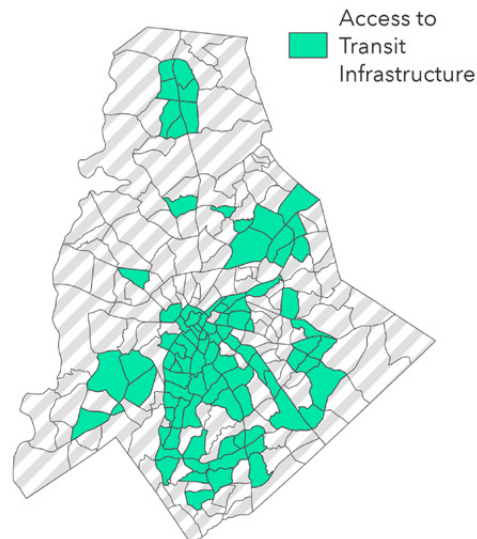
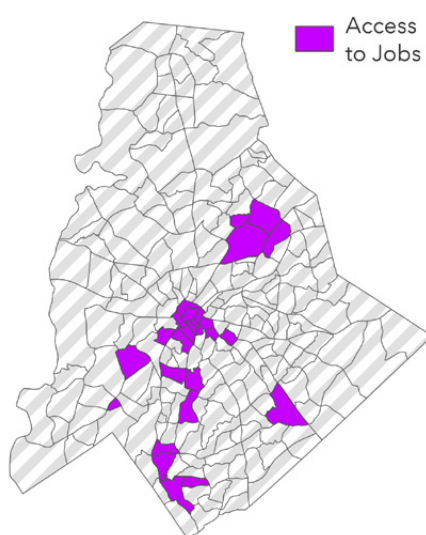
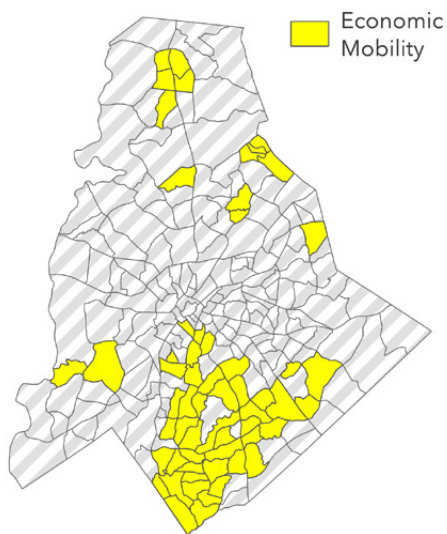
In the top 20% of economic mobility based on data from the Opportunity Atlas

Job-Rich, Housing-Poor

Have a minimum of two jobs per housing unit using data from the U.S. Census and the Bureau of Labor Statistics

Infrastructure-Rich

Located within one-half mile of high-frequency transit station areas or within the top 20% of walkable places based on data from the U.S. Environmental Protection Agency's National Walkability Index



STEP 3

Choose How Much to Build

Rather than setting specific density targets, this scenario recommends building incrementally to increase density in places deemed high opportunity. Tier 1 tracts have sufficient infrastructure, access to jobs, and economic mobility, and to maximize those conditions, they receive the most significant increase in units. We begin with high opportunity places with the lowest density and then move in ascending order. For example, if we increase housing in Tier 1 census tracts by 40% and the region still has a deficit of homes, we allocate housing to Tier 2, then Tier 3, beginning with the lowest-density places.

3/3 Characteristics 40% increase in homes	2/3 Characteristics 35% increase in homes	1/3 Characteristics 30% increase in homes
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STEP 4

Choose What Kind to Build

Under this scenario, selecting the type of new homes best suited to a given area is based, in part, on the character of the existing community. For example, we know that building a high-rise in an area with primarily single-detached homes is impractical and often financially infeasible. Instead, we aim to feather in density gradually based on the existing infrastructure and the neighborhood's character.

The following table shows the density recommendations for Mecklenburg County:

Existing Density Range (Units Per Acre)	Percentile Range	Single Detached	Missing Middle	Medium Density	High Density
> 5.35 UPA	> 95th	–	–	–	100%
3.21 – 5.35 UPA	80th – 95th	–	–	100%	–
2.16 – 3.21 UPA	50th – 80th	–	50%	50%	–
1.39 – 2.16 UPA	10th – 50th	–	75%	25%	–
< 1.39 UPA (Tier 1)	< 10th	–	100%	–	–
< 1.39 UPA (Not Tier 1)	< 10th	100%	–	–	–

The City of Charlotte's Unified Development Ordinance (UDO) encourages and enables a range of housing choices that could meet the needs of people with different incomes, ages, physical abilities, and lifestyles. The availability of a variety of housing types can increase general affordability and attract a broader range of incomes.

When considering policies that enable new development, it is essential to understand that various housing types and housing at varying levels of affordability serve different purposes. Each plays a critical role in restoring balance. No effective solution can be developed without an understanding of and appreciation for the entirety of the housing ecosystem.



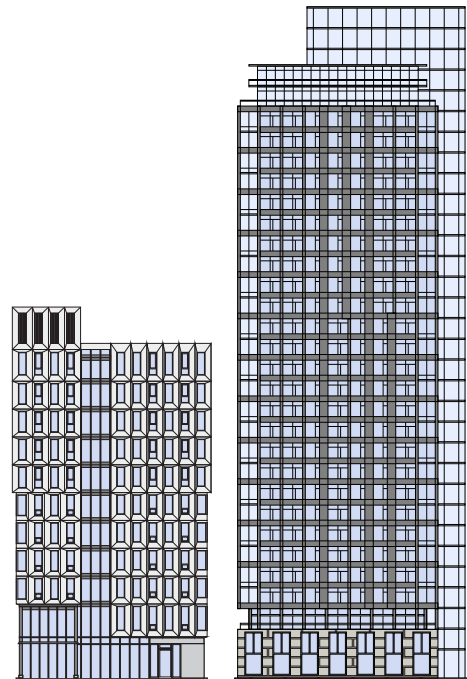
Single-Detached



Missing Middle



Medium Density

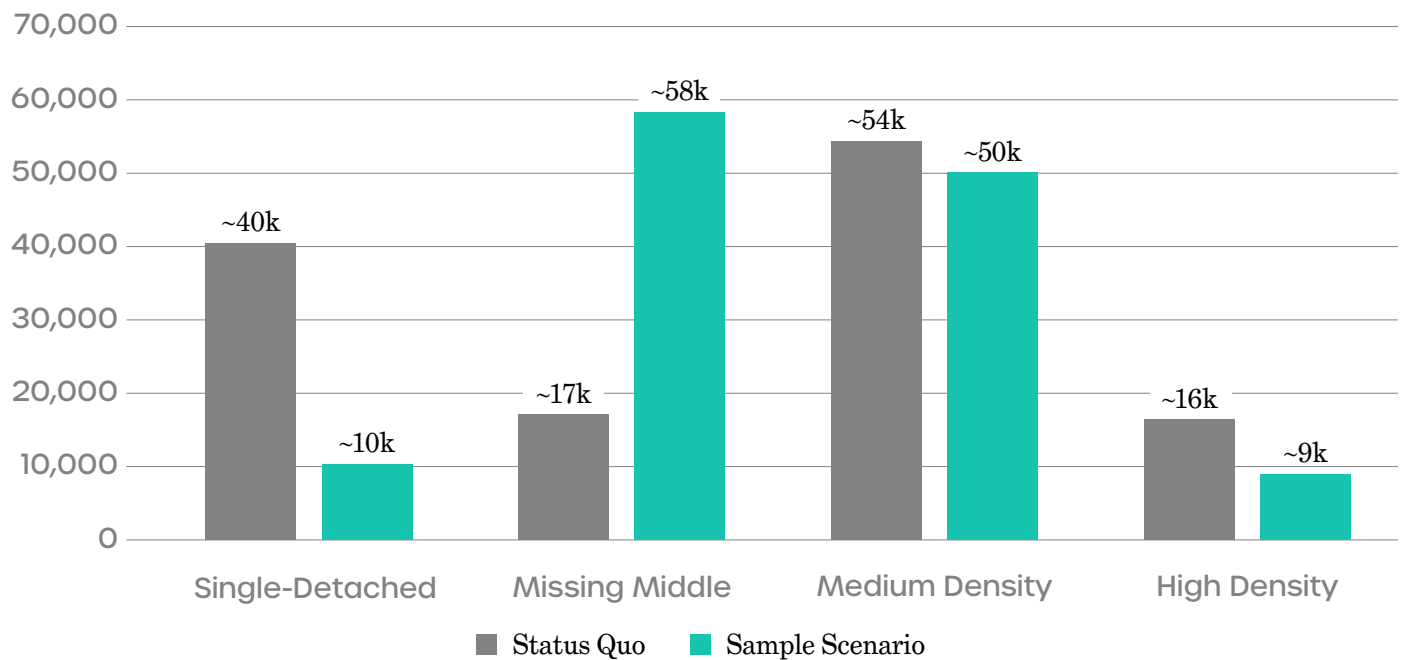


High Density

Status Quo vs. Sample Scenario

This analysis compares how much of each type of housing might be built over the next twelve years under status quo (i.e. development continues as it has for the past ten years) and under a scenario that optimizes for economic mobility and efficient land use.

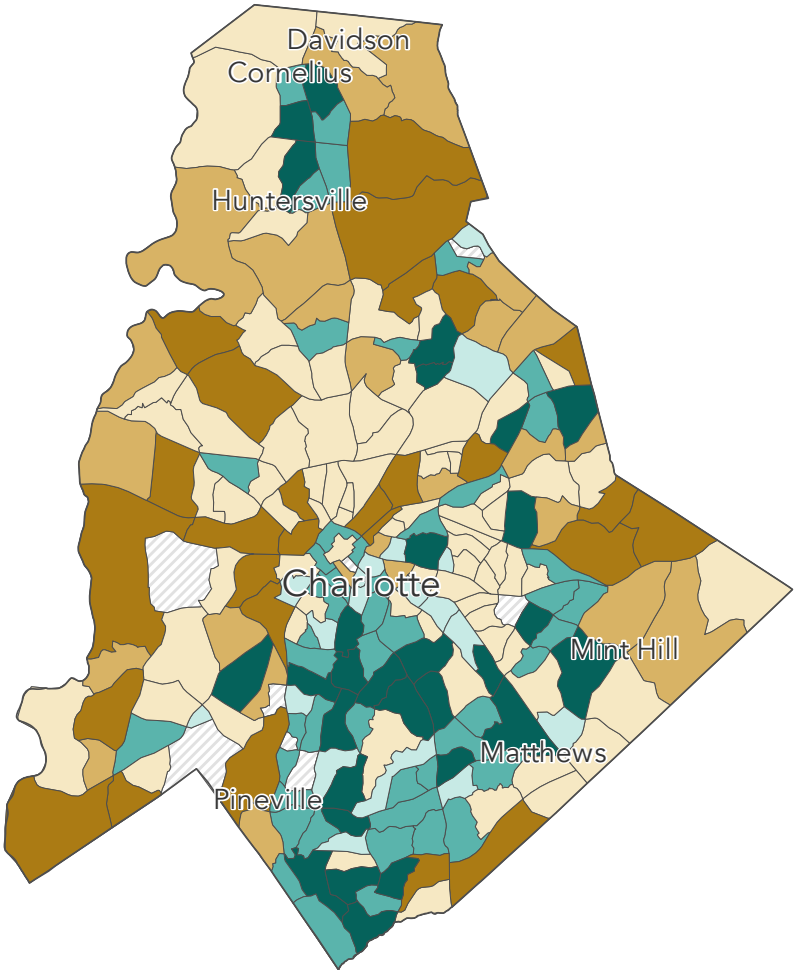
Housing Prototype Distribution by Growth Scenario, Mecklenburg County (2023 - 2035)





A status quo approach to development could use up to 24% more land for residential development than the sample scenario.

Over the last decade, the market in Mecklenburg County mainly produced single-detached units, occupying approximately 13,000 sq ft (0.3 acres) of land per unit, while other typologies, like missing middle, occupied on average 5,500 sq ft (0.12 acres) of land per unit. This land-intensive development pattern requires greenfields at scale and leads people to move further away from jobs, creating sprawl and necessitating road and infrastructure investments that put a strain on the fiscal health of municipalities and threaten natural resources.

New development if policies were optimized for economic mobility and more efficient land use



-  Ripe for denser, high opportunity housing
-  Focus more on infill development

Highlighted areas are census tracts.

The pattern for development modeled in this section does not consider external factors or market forces that could limit or enable this scenario's feasibility. Nor does it consider the mobility implications for those currently located outside of the highlighted areas.



Next Steps

Mecklenburg County is one of the fastest growing metro areas in the country.⁵ It is no surprise, then, that over the last ten years, the county has joined multitudes of communities across the United States struggling with housing underproduction and its social, economic, and environmental consequences. Higher than most all peer regions, the housing deficit has grown to more than 11,500 units, driving home prices up almost 75% (5 times greater than median incomes) and rental costs up almost 35%.

Racial disparities in homeownership and lack of economic mobility also threaten Mecklenburg County's long-term economic success. Most workers in Mecklenburg County must live elsewhere due to high costs; fewer than 20% of workers in North Mecklenburg live there.⁶ This can lead to limited opportunities for new business and existing local businesses closing their doors due to a lack of available workers.

But despite growing rents and widening inequities, Mecklenburg County's rapid growth and a solid economic base make it one of the most dynamic regions in the American South. With strong leadership and initiatives like the Housing Impact Fund,⁷ Mecklenburg County has already begun to remedy some of its housing challenges. But more work is needed.

As the ForEveryoneHome Initiative begins to seek new pathways to grow quickly and equitably, Mecklenburg County should explore policies that:

- **enable new, affordable housing;**
- **strengthen existing or replicate already successful programs with housing as the goal;**
- **eliminate artificial barriers to development and accelerate the production of new housing of all types.**

Mecklenburg County's robust economy, top-tier universities and technical schools, skilled workforce, and vibrant cultural scene will continue to attract a talented and diverse population. With ongoing investments in housing and infrastructure, and a forward-looking approach to governance, Mecklenburg County is well-positioned to adapt and thrive, maintaining its status as a dynamic and prosperous region for generations to come.

Data Sources

The analysis in this report uses data sources that are publicly and privately available, like the U.S. Census Bureau, Up for Growth's 2023 Underproduction Report, the Federal Reserve Bank of St. Louis's Economic Research Database, the Bureau of Economic Analysis's Regional Input-Output Modeling System (RIMS) II database, the North Carolina Office of State Budget and Management's population forecasts, the Mecklenburg County Code Enforcement Division's Permit Database, and RSMMeans Construction Cost Data.

⁵ U.S. Census Bureau. (2024, March 14). More counties saw population gains in 2023. <https://www.census.gov/newsroom/press-releases/2024/population-estimates-more-counties-population-gains-2023.html>

⁶ Zager, K., Gordon, J., Rachel et al. 2023 North Mecklenburg Demographic and Housing Assessment. UNC-Charlotte Urban Institute. "Majority of people who work in North Mecklenburg live elsewhere." p. 25.

⁷ Berg, N. (2023, September 26). Charlotte's brilliant plan to save affordable homes is a blueprint for other expensive cities. Fast Company. www.fastcompany.com/90955102/charlottesbrilliant-plan-to-save-affordable-homes-is-a-blueprint-for-other-expensive-cities

Up for Growth is a Washington DC based 501(c)3 organization whose mission is to achieve housing equity, eliminate barriers, and create more homes.

For more information on this report and the annual Housing Underproduction in the U.S. Report, please visit

www.upforgrowth.org