

# **Summary of Housing Market Demand Assessment for Needles, California**

Needles City Council Meeting  
January 28, 2025



# Background and Objectives

- Responding to a Request for Proposals from the City of Needles, The Concord Group (“TCG”) completed a housing market demand assessment for the City in November 2024
- TCG’s scope of work included an assessment of key housing trends and demand drivers (including employment and demographic trends) for the City as well as for the broader River District region
- Based on the findings of our analyses, we provided an assessment of the current housing market, projected demand for rental and for-sale housing in the City over the next 10 years, and provided a menu of potential product types that would meet the forecasted demand across a range of income levels and housing preferences
- This presentation summarizes our key findings.

# The Concord Group

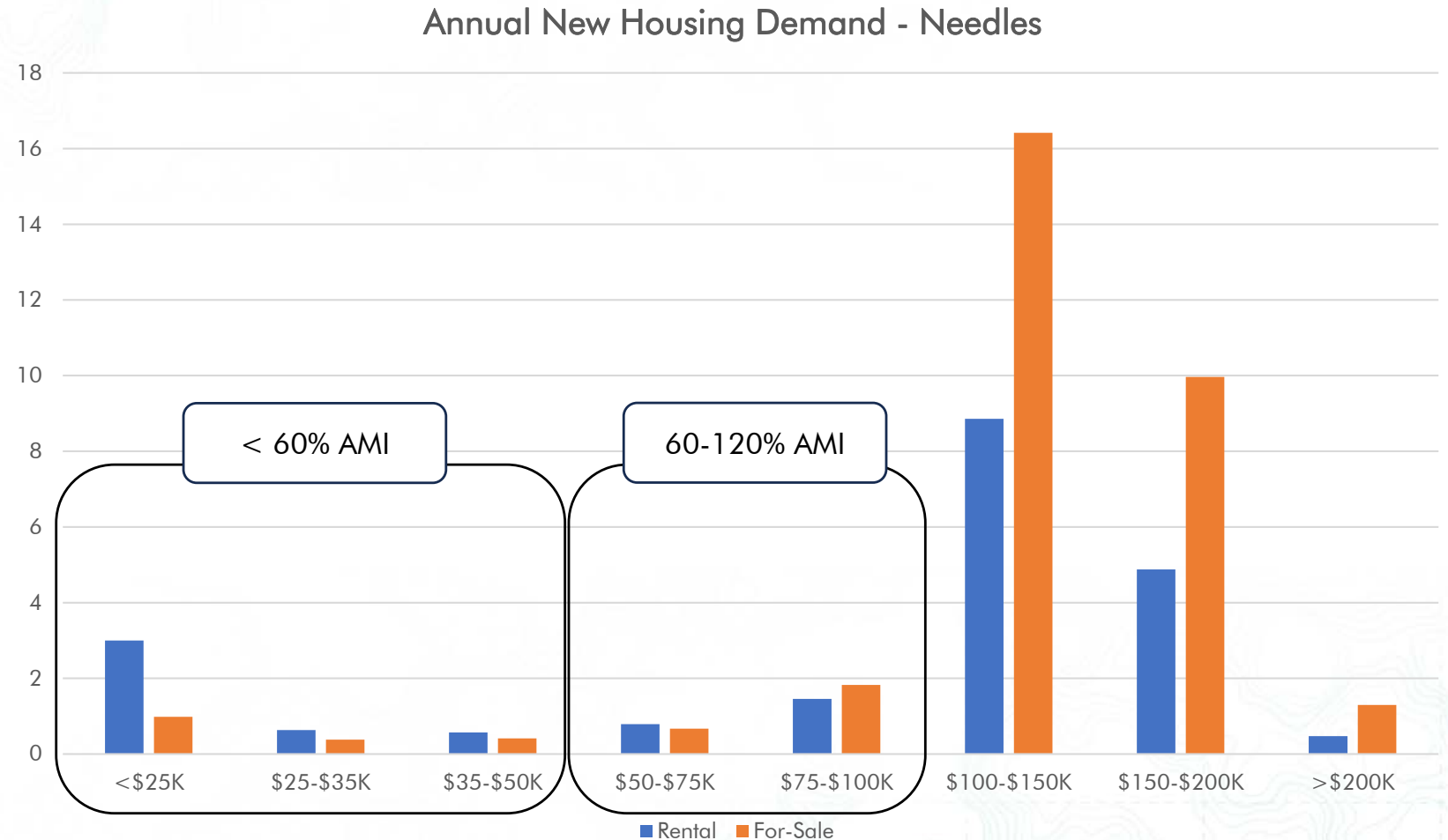
- Real estate advisory firm founded in 1995 focusing on market, financial and valuation analyses across residential and commercial sectors.
  - Offices in Newport Beach, San Francisco, Portland, Atlanta, Austin, New York
  - Deep experience across U.S. Metro Markets
  - 800+ projects per year
  - Senior team comprised of recognized industry thought leaders
  - 40+ full time staff (Professional + Operations) and access to contract teams nationwide
- Diverse client/relationship base across real estate sectors
  - Developers (Multi-family REITs/Land)
  - Homebuilders (Public/Private)
  - Public Sector
  - Private Equity
  - Financial Institutions

# Key Findings



# Demand

- The Concord Group projects demand for +/- **55 new housing units per year** in Needles over the next 10 years
  - Based on expected renter/owner splits, this comes out to demand for approximately 15-20 new rental units and 35-40 new for-sale/ownership units per year
- Demand projected across various household income and AMI ranges as seen in graph to the right



# Demand Drivers

- Demand for new housing driven primarily by the following factors:
  - **New households.** Mix of new in-migrants to the region as well as new household formation (i.e. kids leaving home). Households new to the market are being driven by a combination of job growth, cost of living/quality of life considerations, and work-from-anywhere trends. Includes those seeking vacation/second homes.
  - **Demand for newer housing product from current households.** Nearly 60% of the City's housing stock was built before 1980, offering few modern/updated floorplans.
  - **Job and wage growth.** The cannabis industry has developed into the City's dominant industry, and wages have seen strong growth the past three years – leading to a mismatch in the housing stock offered and what some residents can afford.
  - **Continued growth of the River District.** As the tri-state area continues to see job growth, Needles has an opportunity to capture its 'fair share' of regional housing demand.

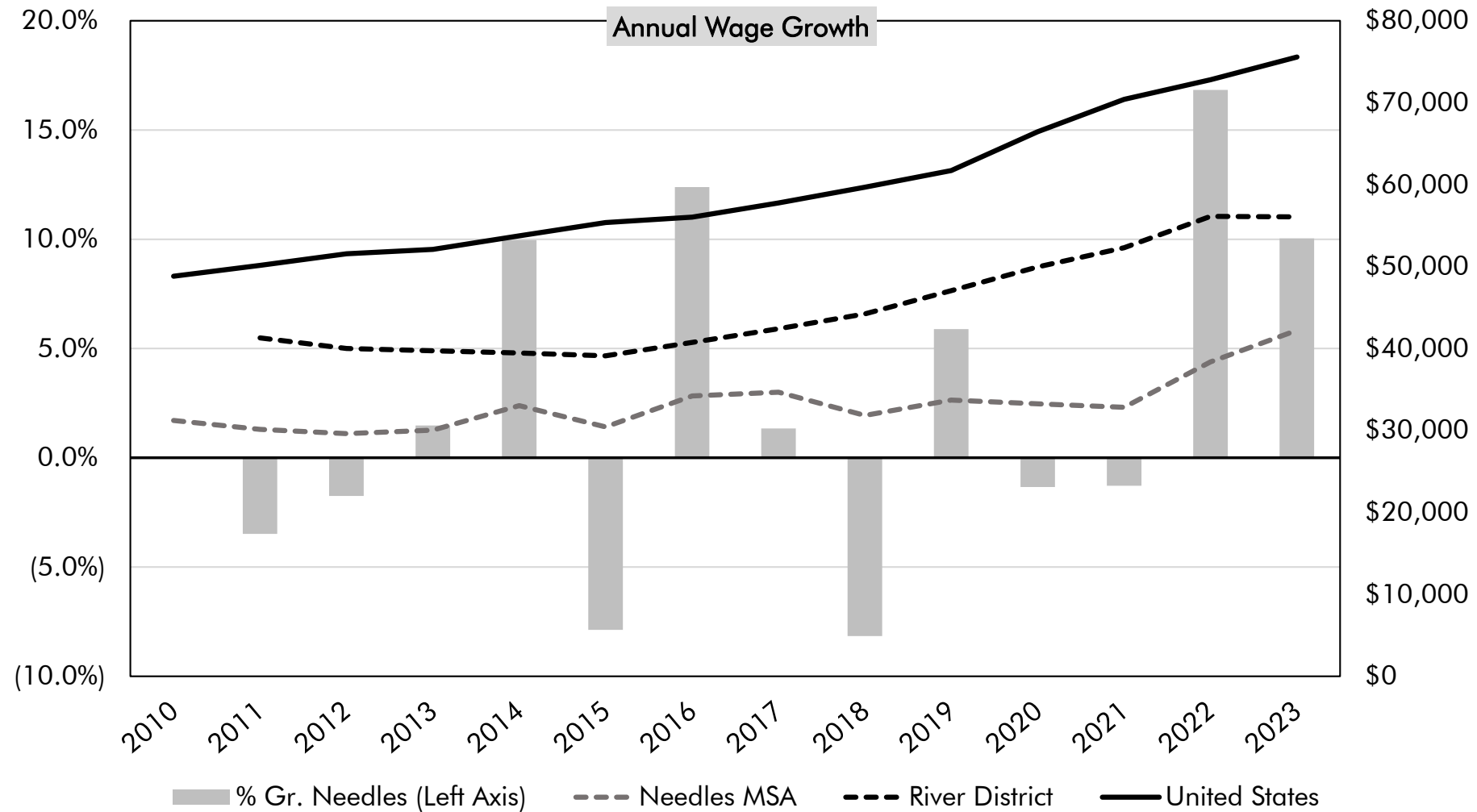
# Projected Household Growth

- ESRI projects no household growth for Needles through 2028, and growth of over 2,000 households in the River District in this timeframe.
- Projected growth is notably varied by income range, with losses in lower income ranges and gains in households earning over \$75,000 in annual income:

Household Income Range	Needles				River District			
	Total Households		Projected Change '23-'28		Total Households		Projected Change '23-'28	
	2023	2028			2023	2028		
\$0 - \$25,000	701	629	(72)	-10%	17,191	14,590	(2,601)	-15%
\$25,000 - \$35,000	207	165	(42)	-20%	6,748	6,099	(649)	-10%
\$35,000 - \$50,000	201	179	(22)	-11%	8,579	7,990	(589)	-7%
\$50,000 - \$75,000	342	250	(92)	-27%	11,791	11,616	(175)	-1%
\$75,000 - \$100,000	147	160	13	9%	8,365	9,499	1,134	14%
\$100,000 - \$150,000	200	322	122	61%	8,356	10,833	2,477	30%
\$150,000 - \$200,000	157	228	71	45%	3,295	4,930	1,635	50%
\$200,000 +	43	51	8	19%	2,520	3,368	848	34%
	1,998	1,984	(14)	-1%	66,845	68,925	2,080	3%

# Wages

- Nearly 6% annual growth in wages in Needles last 5 years

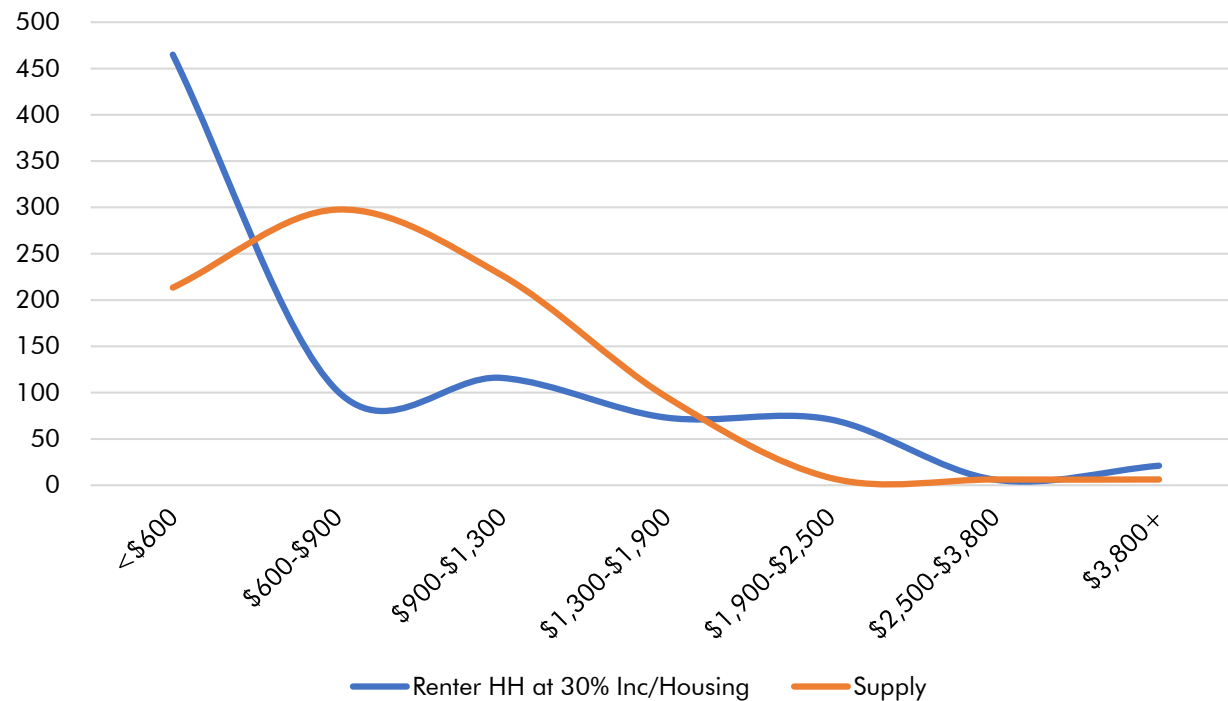




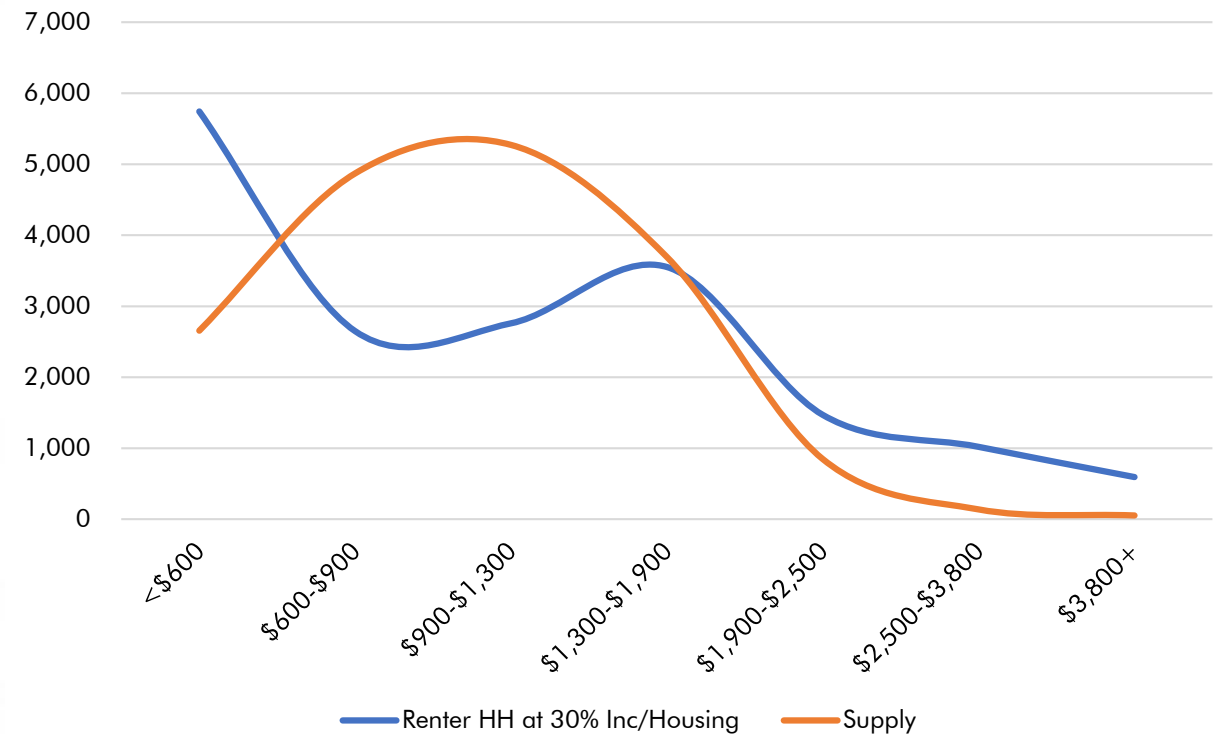
# Housing Costs versus Spending Potential: Rental

- Per Census estimates, there is a mismatch between housing supply and potential demand given household incomes. Broadly speaking, there is a lack of supply at higher rent and sales price points versus what households in the region can theoretically afford.

Current Rental Supply vs HH Affordability - Needles



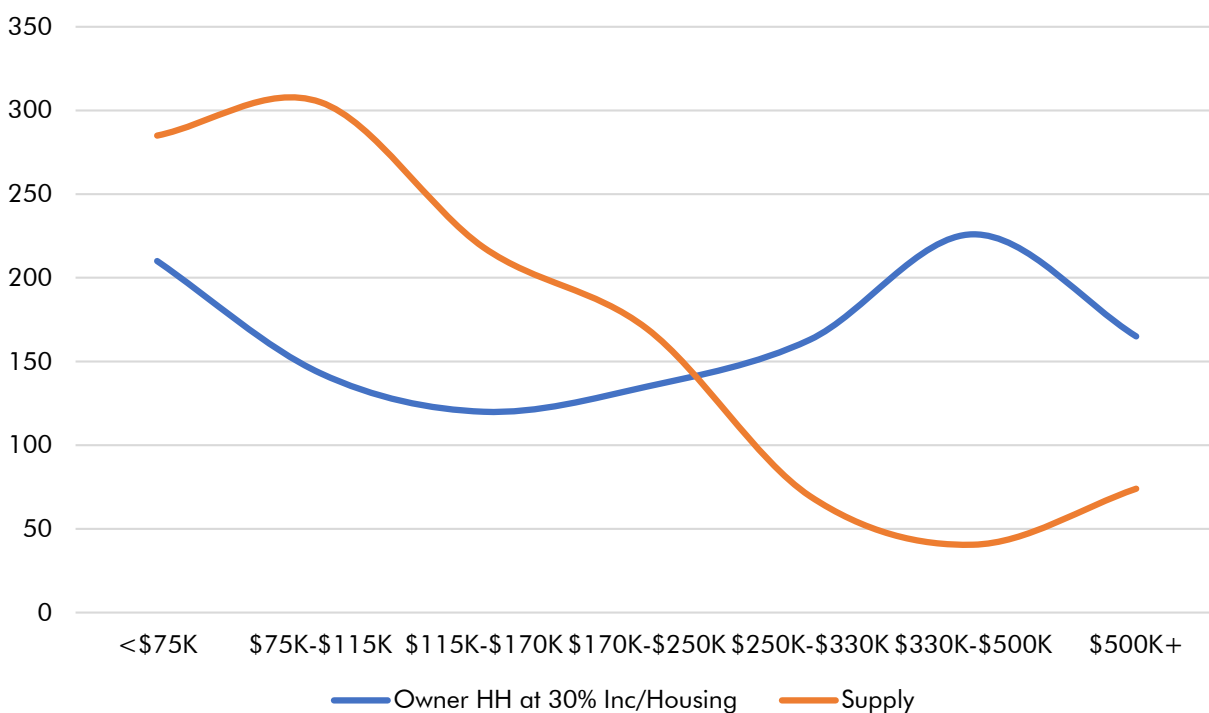
Current Rental Supply vs HH Affordability – River District



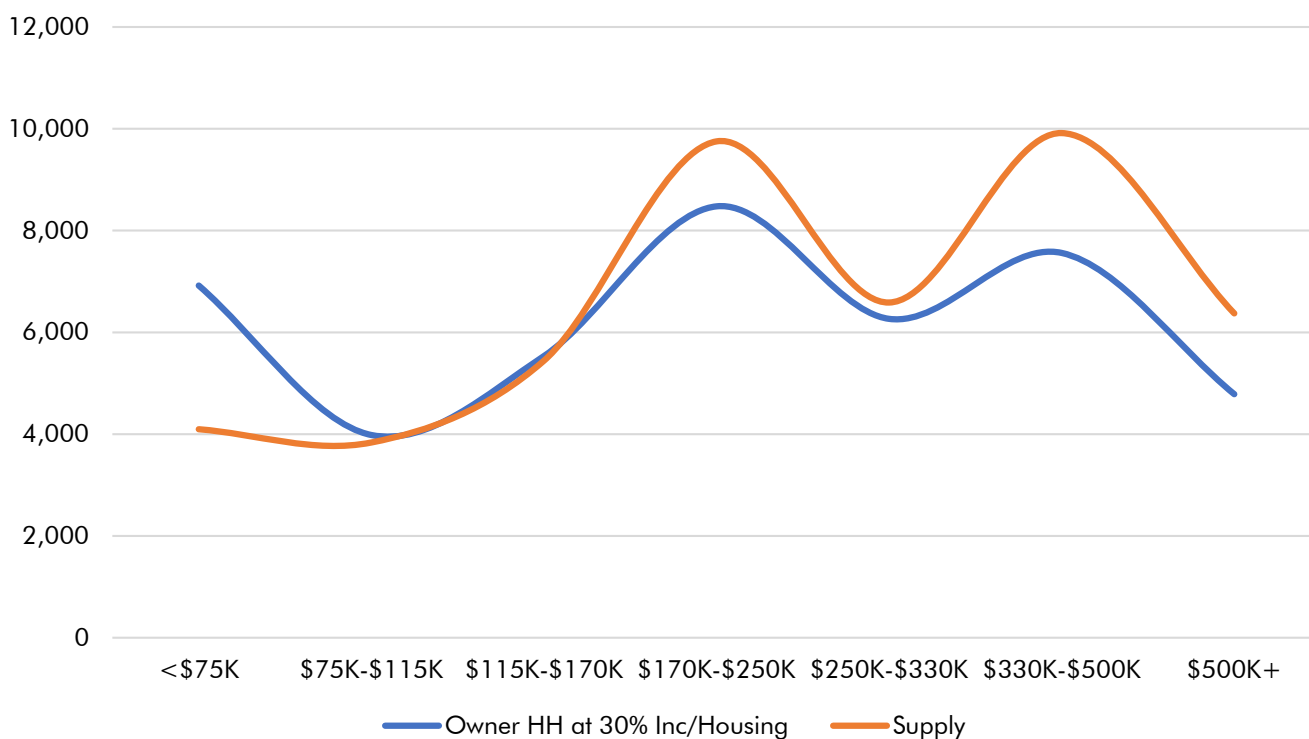
# Housing Costs versus Spending Potential: For-Sale

- Per Census estimates, there is a mismatch between housing supply and potential demand given household incomes. Notably in Needles the mismatch is most acute at the upper end of the region's home prices, where there is very limited supply.

Current Ownership Supply vs HH Affordability - Needles



Current Ownership Supply vs HH Affordability – River District



# Key Findings

- Newer housing stock should help to free up housing units for households earning under +/- \$50,000 per year.
- Much of the rental and for-sale housing market in the City is priced in a relatively narrow range, and there is a mismatch between prices and household incomes. Many households that could afford to pay more don't have product that meets their needs and "settle" for lower-priced housing.
- Newer housing stock can also help to force rehabilitation and upgrades to the existing housing stock and offerings in order to stay competitive.

# Key Findings

- We anticipate demand for future housing to generally follow historic preferences seen in the market, but also see opportunities for product types not commonly seen in the City or region, such as townhomes, micro units, ADUs, and purpose-built single-family rentals.
- However, development cost realities will likely limit certain types of housing development in the near-term. Given construction material and labor costs, we would expect certain building types, especially higher-density typologies (i.e. podium) to be difficult to develop given current rent and price levels.



# Key Findings

Pricing Range	Likely Resident Types	Avg. Unit Size Range	Potential Housing Types	10-Year Demand Pool (New)
<b>Rental Residential</b>		<b>SF</b>		
Under \$1,000	<ul style="list-style-type: none"> <li>• Singles and couples</li> <li>• &lt;\$35K</li> </ul>	300 - 1,200	<ul style="list-style-type: none"> <li>• Affordable housing (LIHTC)</li> <li>• Micro units (studios, small one-beds, converted hotel rooms)</li> </ul>	35
\$1,000 - \$1,500	<ul style="list-style-type: none"> <li>• Singles and couples, empty nesters, young families</li> <li>• \$35K-\$75K</li> </ul>	600 - 1,500	<ul style="list-style-type: none"> <li>• Garden style/walk-up</li> <li>• Mobile home/prefab</li> </ul>	60
\$1,500 - \$2,000	<ul style="list-style-type: none"> <li>• Couples, families</li> <li>• \$50K-\$100K</li> <li>• New in-migrants</li> </ul>	750 - 1,750	<ul style="list-style-type: none"> <li>• Garden style/walk-up</li> <li>• Single-family/townhome rentals</li> </ul>	40
Over \$2,000	<ul style="list-style-type: none"> <li>• Families, empty nesters</li> <li>• \$75K-\$150K+</li> <li>• New in-migrants</li> </ul>	1,000 - 2,000	<ul style="list-style-type: none"> <li>• Large single family</li> <li>• River-adjacent housing</li> </ul>	25
<b>Subtotal Rental Products:</b>				<b>160</b>
<b>For-Sale Residential</b>				
Under \$200K	<ul style="list-style-type: none"> <li>• Singles and couples, empty nesters, young families</li> <li>• &lt;\$50K</li> </ul>	700 - 1,500	<ul style="list-style-type: none"> <li>• Mobile homes</li> <li>• Low-income ownership programs (if available)</li> <li>• ADU/Micro-units</li> </ul>	20
\$200K-\$250K	<ul style="list-style-type: none"> <li>• Couples and families</li> <li>• \$50K-\$75K</li> </ul>	1,200 - 2,000	<ul style="list-style-type: none"> <li>• Townhomes/duplexes</li> <li>• Small-lot single family</li> </ul>	50
\$250K-\$300K	<ul style="list-style-type: none"> <li>• Couples and families</li> <li>• \$50K-\$100K</li> <li>• New in-migrants</li> </ul>	1,500 - 2,250	<ul style="list-style-type: none"> <li>• Single family</li> </ul>	100
Over \$300K	<ul style="list-style-type: none"> <li>• Couples and families, empty nesters</li> <li>• \$75K-\$150K+</li> <li>• New in-migrants</li> <li>• Vacation/second home</li> </ul>	2,000 - 3,500	<ul style="list-style-type: none"> <li>• Large-lot single family</li> <li>• River-adjacent housing</li> <li>• SFD with ADU/casitas (that could be rented out)</li> </ul>	200
<b>Subtotal Ownership Products:</b>				<b>370</b>
<b>Total All Products:</b>				<b>530</b>

# Q&A