

728.1
:308
F22
Fargo,
N. D.
Moorhead,
Minn.
1969

Analysis of the

**FARGO, NORTH DAKOTA-
MOORHEAD, MINNESOTA,
HOUSING MARKET**

as of March 1, 1969

(A supplement to the May 1, 1965 analysis)

RECEIVED
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D.C.

001 2 5 1969

EX-111-111

**A Report by the
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C. 20411**

July 1969

ANALYSIS OF THE
FARGO, NORTH DAKOTA-MOORHEAD, MINNESOTA, HOUSING MARKET

AS OF MARCH 1, 1969
(A supplement to the May 1, 1965 analysis)

Field Market Analysis Service
Federal Housing Administration
Department of Housing and Urban Development

Foreword

As a public service to assist local housing activities through clearer understanding of local housing market conditions, FHA initiated publication of its comprehensive housing market analyses early in 1965. While each report is designed specifically for FHA use in administering its mortgage insurance operations, it is expected that the factual information and the findings and conclusions of these reports will be generally useful also to builders, mortgagees, and others concerned with local housing problems and to others having an interest in local economic conditions and trends.

Since market analysis is not an exact science, the judgmental factor is important in the development of findings and conclusions. There will be differences of opinion, of course, in the interpretation of available factual information in determining the current and future absorptive capacity of the market and the requirements for maintenance of a reasonable balance in demand-supply relationships.

The factual framework for each analysis is developed as thoroughly as possible on the basis of information available at the time (the "as of" date) from both local and national sources. Unless specifically identified by source reference, all estimates and judgments in the analysis are those of the authoring analyst and the FHA Market Analysis and Research Section. Of course, estimates and judgments made on the basis of information available on the "as of" date may be modified considerably by subsequent market developments.

Table of Contents

	<u>Page</u>
Summary and Conclusions	i
Housing Market Area	1
Map of the Area	2
Economy of the Area	
Character and history	3
Employment	3
Unemployment	4
Future Employment Prospects	4
Income	4
Demographic Factors	
Population	5
Households	6
Housing Market Factors	
Housing Supply	7
Vacancy	8
Postal Vacancy Survey	9
Sales Market	10
Rental Market	10
Urban Renewal	11
Subsidized Housing	11
Demand for Housing	
Quantitative Demand	12
Qualitative Demand	12
Occupancy Potential for Subsidized Housing	13

ANALYSIS OF THE
FARGO, NORTH DAKOTA-MOORHEAD, MINNESOTA, HOUSING MARKET
AS OF MARCH 1, 1969

(A supplement to the May 1, 1965 analysis)

Summary and Conclusions

1. Nonagricultural wage and salary employment in the Fargo-Moorhead HMA totaled 38,870 workers in September 1968, a total increase of 4,790 workers between September 1965 and September 1968. By 1971, non-agricultural wage and salary employment is expected to increase by about 1,300 jobs annually.
2. The median annual income of all nonfarm families was \$7,750 after the deduction of federal income tax as of March 1, 1969, and the median after-tax income of nonfarm renter households of two or more persons was \$6,075. By March 1, 1971, median after-tax incomes are expected to increase to \$8,125 for all nonfarm families and \$6,375 for nonfarm renter households of two or more persons.
3. As of March 1, 1969, there were 110,100 nonfarm residents in the Fargo-Moorhead area, an increase of 10,500 persons since May 1, 1965. There were 54,200 persons in Fargo and 30,800 in Moorhead. By March 1971, the nonfarm population is expected to increase by about 2,700 annually to a total of 115,500 persons.
4. There were approximately 32,100 households (occupied housing units) in the Fargo-Moorhead area as of March 1, 1969, an increase of 3,050 (10.5 percent) since May 1, 1965. The city of Fargo had 16,700 households and Moorhead had 8,175. By 1971, the number of households will increase to 33,800, an over-all increase of 1,700 households.
5. There were about 33,200 nonfarm housing units in the HMA as of March 1, 1969, an increase of 2,750 units since May 1, 1965. The net addition of 2,750 units is the result of the construction of 2,875 new residential units, the loss of about 200 units through demolitions and other causes, and the movement of about 75 trailers into the area. Currently, there are about 100 single-family homes and 360 multifamily units under construction in the HMA.
6. As of March 1, 1969, there were about 500 vacant units available for sale or rent in the Fargo-Moorhead area. Included were 175 units which were available for sale, a homeowner vacancy rate of 0.9 percent and 325 units which were available for rent, representing a renter vacancy rate of 2.4 percent. Both homeowner and renter vacancy rates were below those recorded in May 1965.

7. During the March 1969-March 1971 forecast period, there will be an annual housing demand for 875 privately financed units, including 350 single-family homes and 525 multifamily units. Demand for sales housing by price range is expected to approximate the price distribution presented on page 12. Total annual demand for rental units by monthly gross rent is presented on page 13.

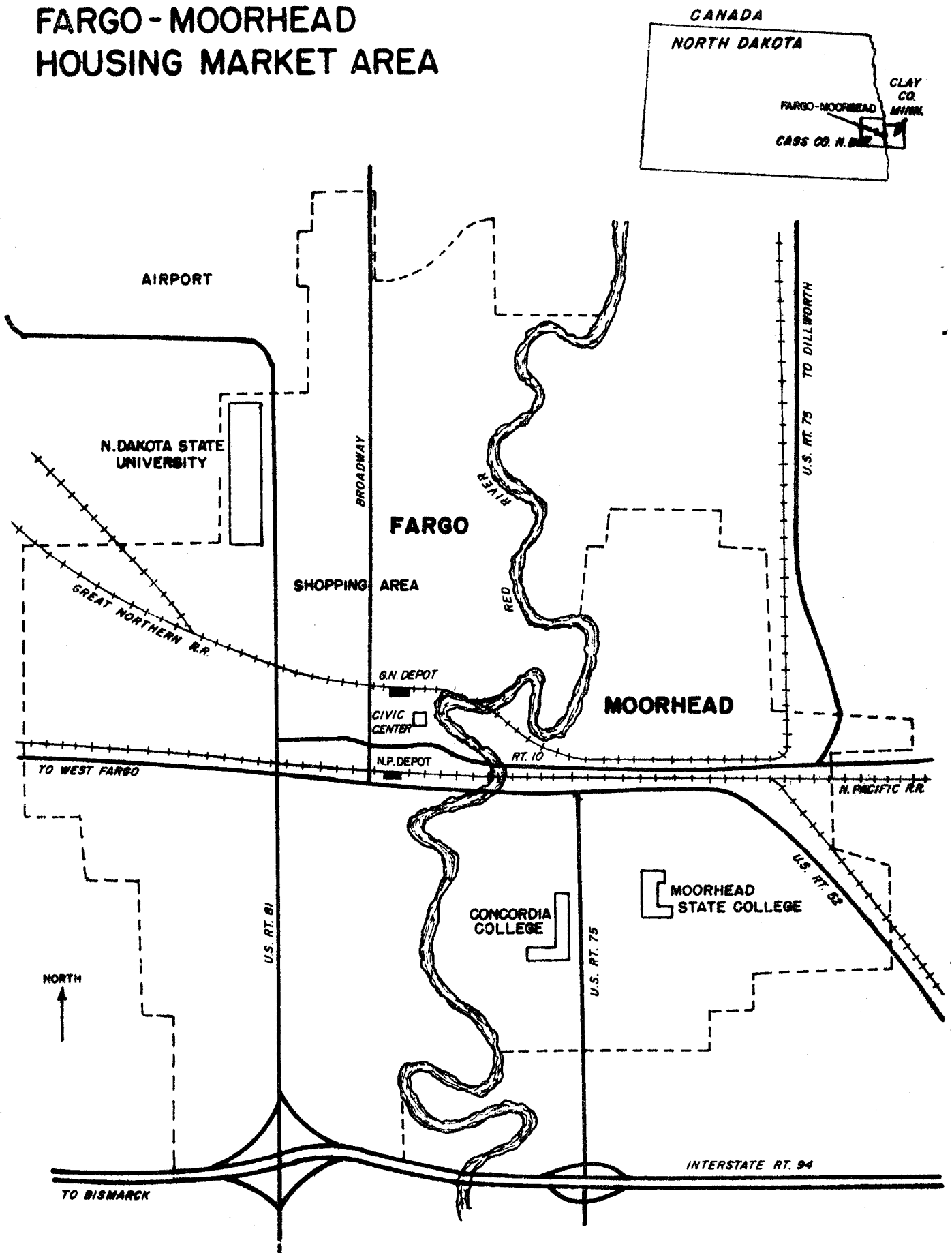
ANALYSIS OF THE
FARGO, NORTH DAKOTA-MOORHEAD, MINNESOTA, HOUSING MARKET
AS OF MARCH 1, 1969

(A supplement to the May 1, 1965 analysis)

Housing Market Area

The Fargo-Moorhead Housing Market Area (HMA) is defined as the Fargo-Moorhead Standard Metropolitan Statistical Area, which includes Cass County, North Dakota and Clay County, Minnesota. Population density and commercial and residential development are concentrated in the twin cities of Fargo, North Dakota and Moorhead, Minnesota, which are separated by the Red River of the North. The two cities are interdependent economically. Most of the area outside the two cities consists of farmland. The metropolitan area is 250 miles northwest of Minneapolis, the nearest urban market. In recent years, Fargo has become the major retail and wholesale distribution center for North Dakota and western Minnesota. The HMA had a 1960 nonfarm population of 90,700.

FARGO - MOORHEAD HOUSING MARKET AREA



Economy of the Area

Character and History

Founded as a result of the location of the Great Northern Railroad, the Fargo-Moorhead HMA has become one of the leading wholesale and retail trade and distribution centers in the mid-west. The economy of the Fargo-Moorhead area has become highly dependent upon these industries. Educational institutions in Fargo and Moorhead also exert a significant influence on the local economy.

Employment

Current Estimates and Recent Trends. Nonagricultural wage and salary employment in the Fargo-Moorhead HMA totaled 38,870 workers in September 1968, according to the North Dakota State Employment Service. As shown in the following table, wage and salary employment grew by 4,790 workers between September 1965 and September 1968, or a three-year gain of 14.1 percent. During this time, gains occurred in all employment categories.

Average Nonagricultural Wage and Salary Employment Fargo-Moorhead Housing Market Area September 1965-September 1968

<u>Month of</u> <u>September</u>	<u>Wage and Salary Employment</u>			<u>Change in total</u> <u>from preceding September</u>
	<u>Manufacturing</u>	<u>Nonmanufacturing</u>	<u>Total</u>	
1965	2,280	31,800	34,080	-
1966	2,830	33,260	36,090	2,010
1967	2,820	34,390	37,210	1,120
1968	3,120	35,750	38,870	1,660

Source: North Dakota State Employment Service.

A distribution of nonagricultural wage and salary employment by industry is shown in table I. Manufacturing employment, with 3,120 workers, accounted for only 8.0 percent of wage and salary employment in September 1968. This percentage represents a slight increase over the 6.7 percent recorded in 1965. Almost half of the manufacturing employment was in food processing, primarily of agricultural products of the area.

Employment increases in the nonmanufacturing industries were responsible for most of the successive gains in total nonagricultural wage and salary employment between 1965 and 1968. Principal increases occurred in whole-sale and retail trade as many firms opened or expanded their distribution facilities. Trade and services employment accounted for about 50 percent of nonagricultural wage and salary employment in 1968, with 12,070 persons employed in trade and 7,490 in services. Government employment is high in the area (7,520 in September 1968), although State and local government showed a slight decline between 1967 and 1968. The North Dakota State University in Fargo and Moorhead State College have kept government employment high.

Unemployment

The North Dakota State Employment Service estimated 1,060 unemployed persons in the Fargo-Moorhead HMA in September 1968, equal to about 2.2 percent of the total labor force. Unemployment increased by only 80 persons during the 1965-1968 period, and the percent of unemployment was the same in September 1965 and September 1968. The unemployment rates reported in September 1968 are low as this is the peak season of agricultural harvesting, and employment levels are high in both agriculture and food processing. Unemployment varies to around five percent during the early spring.

Future Employment Prospects

An employment gain of 1,300 jobs annually over the next two years is forecast for the Fargo-Moorhead area. This projection is based on the assumption that there will be only slight increases in manufacturing employment. The largest employment gain can be expected in the trade and service industries.

Income

As of March 1, 1969, the median annual income of all nonfarm families in the Fargo-Moorhead Housing Market Area was \$7,750 after the deduction of federal income tax, and the median after-tax income of nonfarm renter households of two or more persons was \$6,075. By March 1, 1971, median after-tax incomes are expected to increase to \$8,125 for all nonfarm families, and \$6,375 for nonfarm renter households of two or more persons.

About 13 percent of all nonfarm families and 25 percent of the nonfarm renter families had incomes under \$4,000. In contrast, 28 percent of all nonfarm families and 14 percent of renter households had after-tax incomes over \$10,000. Table II presents the distributions of nonfarm families and renter households by income classes for 1969 and 1971.

Demographic Factors

Population

Current Estimate and Recent Trends. There were 110,100 nonfarm residents in the Fargo-Moorhead HMA as of March 1, 1969, an increase of 10,500 persons (10.5 percent) since May 1, 1965. The annual increase of 2,740 between 1965 and 1968 is above the increase during the 1960-1965 period when the nonfarm population increased by an average of 1,750 annually. The population increase is reflective of increased job opportunities as well as an increase in the number of nonhousehold residents (primarily students in college and university facilities). In March, 1969, Fargo had a population of 54,200, an increase of 4,200 over the 1965 population of 50,000 and Moorhead had 30,800 residents, an increase of 3,950 since 1965.^{1/}

Nonfarm Population Trends Fargo-Moorhead, Housing Market Area 1960-1969

<u>Area</u>	<u>Population</u>			<u>Average annual change</u>	
	<u>April 1960</u>	<u>May 1965</u>	<u>March 1969</u>	<u>1960-1965</u>	<u>1965-1969</u>
HMA Total	90,719	99,600	110,100	1,750	2,740
Fargo	46,662	50,000	54,200	660	1,095
Moorhead	22,934	26,850	30,800	770	1,030
Remainder	21,123	22,750	25,100	320	615

Sources: 1960 Census of Population.
1965 and 1969 estimated by Housing Market Analyst.

Estimated Future Population. Nonfarm population in the Fargo-Moorhead HMA is expected to total around 115,500 by March 1, 1971. This is an increase of 2,700 persons annually over the current estimate. About 300 persons annually are expected to be added to the number of nonhousehold residents. The population of Fargo should increase to about 56,200 while the population of Moorhead will increase to 33,500.

^{1/} 1965 data used in the population and household sections are from the previous analysis, adjusted to reflect information not available at the time of the analysis.

Households

Current Estimate and Recent Trend. As of March 1, 1969, nonfarm households (occupied housing units) in the Fargo-Moorhead HMA totaled 32,100, an increase of 3,050 (10.5 percent) since May 1, 1965. The city of Fargo had 16,700 households, an increase of 1,375 since 1965, and Moorhead had 8,175 households, an increase of 950. The following table presents the trends in the number of households.

Nonfarm Household Growth Trends
Fargo-Moorhead, Housing Market Area
1960-1969

<u>Area</u>	<u>Number of households</u>			<u>Average annual change</u>	
	<u>April 1, 1960</u>	<u>May 1, 1965</u>	<u>March 1, 1969</u>	<u>1960-1965</u>	<u>1965-1969</u>
HMA Total	26,117	29,050	32,100	575	800
Fargo	14,053	15,325	16,700	250	360
Moorhead	6,125	7,225	8,175	215	240
Remainder	5,939	6,500	7,225	110	200

Sources: 1960 Census of Housing.

1965 and 1969 estimated by Housing Market Analyst.

Estimated Future Households. Household growth over the next two years is expected to average about 850 annually in the Fargo-Moorhead HMA, to a total of 33,800 households by March 1, 1971. The number of households in Fargo should total 17,400, while the number of households in Moorhead should increase by about 725 to a total of 8,900.

Housing Market Factors

Housing Supply

The nonfarm housing supply in the Fargo-Moorhead HMA totaled 33,200 units as of March 1, 1969, an increase of 2,750 units since May 1, 1965. The net addition of 2,750 units is the result of the construction of about 2,875 new residential units, the loss of about 200 units through demolitions and other causes and the movement of about 75 trailers into the area. The average gain of about 720 units annually since 1965 is well above the average annual gain of about 485 units between 1960 and 1965, primarily because of increased multifamily construction (both public and private), although the amount of single-family construction has also been increasing.

Residential Building Activity. Building authorizations averaged around 700 units annually during the 1960-1968 period, although authorizations for the individual years varied widely, from a low of 449 units in 1964 to 1,032 units in 1968. As seen in the following table, increased multifamily authorizations in recent years were largely responsible for the increases.

New Dwelling Units Authorized by Building Permits Fargo-Moorhead, Housing Market Area 1960-1968

<u>Year</u>	<u>Total</u>	<u>Single-family</u>	<u>Multifamily</u>	
			<u>Private</u>	<u>Public</u>
1960	649	467	182	-
1961	577	323	254	-
1962	638	272	366	-
1963	683	253	430	-
1964	449	248	201	-
1965	709	242	375	92
1966	566	218	328	20
1967	1,020	309	501	210
1968	1,032	328	704	-

Source: U. S. Bureau of the Census, C-40 Construction Reports; local building inspectors.

Authorizations for single-family homes declined each year from 467 in 1960 to a low of 218 in 1966. They recovered somewhat in 1967 and 1968, **exceeding 300 in each of these years.**

Multifamily authorizations have increased substantially since 1965, with the largest number of units authorized in 1967 (711) and 1968 (704). However, 210 of the multifamily units authorized in 1967 were for public housing, while all the multifamily units authorized in 1968 were in private structures. During 1968, 344 of the multifamily authorizations were in Moorhead and 269 were in Fargo. The successful marketing experience of units built in previous years has served as an impetus to local builders, as a saturation point for new multifamily units has not been reached.

Units Under Construction. Based on the results of the postal vacancy survey and on building permit data, it is estimated that there were about 460 units under construction in the Fargo-Moorhead areas as of March 1, 1969. The total includes 100 single-family structures, and 360 multifamily units.

Demolitions. About 200 units have been lost from the housing inventory of the Fargo-Moorhead Housing Market Area since May 1, 1965, because of demolitions and other causes. During the two-year forecast period ending March 1, 1971 another 300 units will be lost. The increase in demolitions will largely result from demolition activity associated with the extensive urban renewal program in Moorhead. Many of the units to be demolished are already vacant and the families and individuals involved have already been relocated.

Tenure of Occupancy. Due to a continued increase in multifamily construction since 1965, the rise in renter occupancy has continued. As of March 1, 1969, an estimated 19,100 units, or 59.5 percent of the total occupied inventory, were owner-occupied, and 13,000 units (40.5 percent) were renter-occupied. In 1965, 60.9 percent of the occupied units were owner-occupied and 39.1 percent were renter-occupied. Table V presents a distribution, by tenure, of the housing supply since 1960.

Vacancy

Previous Estimate. About 570 vacant units were estimated to be for sale or rent in the Fargo-Moorhead HMA in May 1965, equal to about 1.9 percent of the total housing supply. Of this total, about 185 were available for sale, a homeowner vacancy rate of 1.0 percent, and 385 units were available for rent, a renter vacancy rate of 3.4 percent. Included were about 35 sales units and 130 rental units which lacked one or more plumbing facilities.

Postal Vacancy Survey

A postal vacancy survey was conducted November 27, 1968 by the post offices in Fargo and West Fargo, North Dakota, and on January 27, 1969 in Moorhead, Minnesota. The surveys covered 25,155 possible deliveries to residences and apartments, equal to about 76 percent of the housing supply. Of the 25,155 possible deliveries, 370 were vacant, for an over-all vacancy rate of 1.5 percent. Included were 169 vacant residences (0.9 percent of all residences covered) and 201 vacant apartments (3.4 percent of all apartments surveyed). The surveys also reported 107 residences and 292 apartments under construction. Detailed results of the surveys are shown in table VI.

A previous postal vacancy survey was conducted in April 1965 and covered 21,845 possible deliveries. The survey revealed 421 vacant units, an over-all vacancy rate of 1.9 percent. Of the 16,276 possible deliveries to residences, 1.3 percent (218 units) were vacant. Of the 5,569 deliveries to apartments, 203 units (3.6 percent) were vacant.

Vacancies as Indicated by Postal Vacancy Surveys Fargo-Moorhead, Housing Market Area April 1965 and November 1968

<u>Date</u>	<u>Vacant residences</u>		<u>Vacant residences</u>		<u>Vacant apartments</u>	
	<u>and apartments</u>					
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
April 1965	421	1.9	218	1.3	203	3.6
November 1968	370	1.5	169	0.9	201	3.4

Source: FHA Postal Vacancy Surveys conducted by cooperating Post Offices.

The postal vacancy data are not entirely comparable with the data published by the Bureau of the Census (see Appendix A, paragraph 7).

March 1969 Estimate. Based on the results of the postal vacancy survey, FHA vacancy data, local informed sources, and a personal observation of the market, it is estimated that there were 500 vacant units available for sale or rent in the Fargo-Moorhead area as of March 1, 1969. Of this total, about 175 were available for sale and 325 were available for rent. The data indicate homeowner and renter vacancy rates of 0.9 percent and 2.4 percent, respectively. Both homeowner and renter vacancy rates are down from those reported in May 1965.

Sales Market

As indicated by the March 1, 1969 homeowner vacancy rate of 0.9 percent, the market for sales housing in the Fargo-Moorhead area is strong. The volume of building has increased in recent years, with about 25 percent of the units being built on a speculative basis. With few exceptions, the speculatively built homes remain unsold for only short periods of time.

Sales volumes have been good in existing homes as well as in new units, although many local sources indicated a shortage of sales units in November 1968. Due to this shortage, as well as increasing cost levels, prices for new and existing sales units have increased. In 1965, the average price of an existing unit was about \$14,000. By 1968, the average price for an existing home had increased to around \$18,000. Similarly, minimum prices for new units averaged around \$14,000 in 1965, while the 1968 minimum was \$17,500. The relatively few units which have been built for less than \$17,500 have been small units on scattered lots. The price of the largest proportion of homes built in recent years, however, has been between \$25,000 and \$30,000.

There have also been 48 condominium units built in the area in recent years. The sale of these units was quite rapid, and during 1968, construction was started on an additional 40 units, 16 in Moorhead and 24 in West Fargo.

Rental Market

The increased demand for rental units reflects the increasing number of persons employed in wholesale trade who, because of industry practices, remain in the area for only short periods. These people are sometimes not willing to maintain a home but prefer new rental units offering many modern conveniences. Multifamily units constructed in recent years have met with excellent market acceptance as indicated by the current rental vacancy rate of 2.4 percent.

Vacancies are low in units in both older and newer structures. Many of the older units lack certain amenities, and rentals range from \$80 to \$100 a month for a one-bedroom unit and \$110 to \$120 for a two-bedroom unit. These units have been especially attractive to students, since the management of many of the newer units will not rent to student households. Many of the units constructed in recent years have been in twelve- to twenty-four-unit structures. Most of these units are located in "apartment parks" which are areas zoned for multifamily construction and developed by several different contractors. This type of apartment complex has been developed in both Fargo and Moorhead.

In most of the newer units, rentals average from \$120 to \$140 for a one-bedroom unit, and \$140 to \$180 for two-bedroom units. The rentals usually include all utilities except electricity. Most of the units placed on the market in recent years have contained one and two bedrooms, although a few efficiencies and three-bedroom units have been built.

Currently, there are about 360 multifamily units under construction throughout the HMA, including 145 in Fargo and 165 in Moorhead. Authorizations in 1967 and 1968 have been much greater than in other years. However, the current low vacancy rate and the rapid absorption of new units on the market do not indicate that overbuilding will occur, as many contractors build one project at a time, and watch the absorption before beginning another.

Urban Renewal

There are currently two active urban renewal projects in the HMA, one in Fargo and one in Moorhead.

The Main Avenue Urban Renewal Project (ND R-2) was begun in Fargo in 1964 and is still in execution. Redevelopment in this area is for a better retail area, a new convention center, more park areas, and a new hotel. Before the start of this project, 32 families and 205 individuals had to be relocated.

The Original Townsite project (Minn R-27) in Moorhead was also begun in 1964 although the actual execution of the project did not begin until 1967. The objective of this project is to rehabilitate totally the downtown area, with special emphasis on the clearance of substandard and unsightly units. Demolition of the more than 300 dwelling units included in the area should begin in 1969. Completion of the project will take several years. Relocation of most of the families and individuals involved has been completed.

Subsidized Housing

The only type of subsidized housing in operation in the Fargo-Moorhead HMA is public housing. There are currently 346 units throughout the HMA, 262 of which are specifically for elderly occupants. Included in the 346 unit total are 144 units in West Fargo, 12 units in Kindred, 40 units in Casselton, and 150 units in Moorhead. With the exception of 24 units in West Fargo, all of the public housing has been built since 1965. There are extensive waiting lists for the units in Cass County, but some vacancies do exist in Moorhead because of the need to reserve units for families or individuals being displaced by urban renewal demolitions.

Demand for Housing

Quantitative Demand

The demand for additional privately financed housing during the March 1969-March 1971 forecast period is based on the anticipated increase in the number of households (850 annually) and the need to replace units lost from the inventory because of demolitions and other causes, taking into account the number of units currently under construction. Consideration is also given to the existing tenure and vacancy situation. Based on these considerations, an additional 875 units annually will need to be added to the privately financed housing stock, including 350 single-family homes and 525 multifamily units. The above estimates do not reflect an estimation of construction volume during the next two years; rather they reflect the absorptive capacity for new residential construction under conditions now effective or anticipated.

Qualitative Demand

Sales Housing. The distribution of the annual sales demand by price class, shown in the following table, is based on the current distribution of families by after-tax incomes and on the proportion of income that families in the area are willing to pay for sales housing. Few new sales units can be built for under \$14,000.

Estimated Annual Demand for New Sales Housing by Price Class
Fargo-Moorhead Housing Market Area
March 1969-1971

<u>Sales price</u>	<u>Number of units</u>	<u>Percent</u>
Under \$16,000	25	7
\$16,000 - 17,999	40	12
18,000 - 19,999	75	21
20,000 - 24,999	95	27
25,000 - 29,999	75	21
30,000 - 34,999	20	6
35,000 and over	20	6
Total	350	100

Multifamily Units. The monthly rents at which 525 net additions to the privately owned multifamily housing inventory might best be absorbed annually are indicated for various unit sizes in the following table.

Estimated Annual Demand for New Private Multifamily Units
At Rents Achievable with Market-Interest-Rate Financing
Fargo-Moorhead Housing Market Area
March 1969-March 1971

Monthly gross rent ^{a/}	Units by number of bedrooms			
	Efficiency	One bedroom	Two bedrooms	Three bedrooms or more
\$100 - \$119	15	-	-	-
120 - 139	15	85	-	-
140 - 159	10	70	45	-
160 - 179	-	40	45	10
180 - 199	-	20	45	20
200 - 219	-	20	20	5
220 - 239	-	10	20	5
240 and over	-	-	10	15
Total	40	245	185	55

^{a/} Gross rent is shelter rent plus the cost of utilities.

Occupancy Potential for Subsidized Housing

Federally assisted housing could be built under several programs which have been designed to provide adequate and modern housing at the lower price and rent levels which can be afforded by the low- and moderate-income households residing in the area. This housing can be provided by four types of subsidy which include (1) federal financing assistance to local housing authorities (public housing); (2) rent-supplement payments; (3) federal financing assistance through low-interest mortgage loans to private sponsors; and (4) interest subsidy payments.

The two-year occupancy potential presented below for subsidy programs administered by FHA is based upon current incomes prevalent in the area, on data pertaining to the occupancy of substandard housing, on estimates of elderly population in the area, and on current income limits. It should be noted that households may be eligible for more than one type of subsidized housing because of similar requirements. Thus, the occupancy potentials presented below are not additive.

Section 221(d)(3) BMIR. Under this program, low cost rental housing for low-to-moderate income families is provided through the use of a federally subsidized low-interest mortgage loan.^{1/} In the Fargo-Moorhead area, a total of about 240 units of Section 221(d)(3) BMIR housing could be absorbed during the next two years. Best absorption probably would be achieved if the potential is distributed as shown in the following table.

Estimated Two-Year Occupancy Potential, 1969 and 1970
Section 221(d)(3) BMIR Rental Housing by Unit Size

<u>Unit size</u>	<u>Number of units</u>	<u>Unit size</u>	<u>Number of units</u>
Efficiency	5	3 bedrooms	60
1 bedroom	60	4 bedrooms	<u>20</u>
2 bedrooms	95	Total	240

It should be noted that about 50 percent of all families eligible for Section 221(d)(3) BMIR housing are also eligible for housing provided under Sections 235 and 236 (to be discussed later).

Rent Supplement. Under the rent-supplement program, there is a two-year occupancy potential for 365 units. The best probable absorption of these units would be as follows:

Estimated Two-Year Occupancy Potential, 1969 and 1970
Rent-Supplement Housing by Unit Size

<u>Unit size</u>	<u>Number of units</u>	<u>Unit size</u>	<u>Number of units</u>
Efficiency	190	3 bedrooms	25
1 bedroom	95	4 or more bedrooms	<u>10</u>
2 bedrooms	45	Total	365

All families eligible for rent supplements are also eligible for public housing.

Section 235 Sales Housing. Payments by the federal government to reduce interest costs could provide for low-cost sales housing for low-to moderate-income families under the provisions of Section 235. Based on the best available information, it is judged that there is an occupancy potential for about 180 homes under this program in the Fargo-Moorhead area during the next two years, using regular income limits. Exception limits could raise the occupancy potential. All of the families eligible for Section 235 housing are also eligible under the 236 program and about 48 percent are eligible for Section 221(d)(3) BMIR housing.

^{1/} At the present time, funds for allocations are available only from recaptures resulting from reductions, withdrawals, and cancellations of outstanding allocations.

Section 236 Rental Housing. Under this program, the housing needs of low- and moderate-income renter families and individuals could be met through the use of interest subsidy payments by the federal government that are designed to reduce the housing expense of such households. In the Fargo-Moorhead area, the two-year occupancy potential is estimated at 235 units, using regular income limits. The occupancy potential would be somewhat higher using exception limits.

Estimated Two-Year Occupancy Potential, 1969 and 1970
Section 236 Rental Housing by Unit Size

<u>Unit size</u>	<u>Number of units</u>	<u>Unit size</u>	<u>Number of units</u>
Efficiency	65	3 bedrooms	45
1 bedroom	35	4 bedrooms	<u>25</u>
2 bedrooms	65	Total	235

All families and individuals eligible under this program are also eligible for Section 235, perhaps half are eligible under Section 221(d)(3) BMIR, and a smaller number are eligible for rent-supplement assistance.

Attainment of the occupancy potentials above--aggregating about 325 units annually--in conjunction with production for the estimated demand for 875 units with regular private financing can be expected to result in increases in vacancies, especially among units of marginal quality. Removal of marginal units from the inventory should be encouraged; however, constant attention should be directed to the current absorption of both sales and rental units produced to avoid accumulation of excessive vacancies.

APPENDIX A
OBSERVATIONS AND QUALIFICATIONS
APPLICABLE TO ALL FHA HOUSING MARKET ANALYSES

1. When the rural farm population constitutes less than five percent of the total population of the HMA, all demographic and housing data used in the analysis refer to the total of farm and non-farm data; if five percent or more, all demographic and housing data are restricted to non-farm data.
2. All average annual percentage changes used in the demographic section of the analysis are derived through the use of a formula designed to calculate the rate of change on a compound basis.
3. Because of the change in definition of "farm" between 1950 and 1960 censuses, many persons living in rural areas who were classified as living on farms in 1950 would have been considered to be rural nonfarm residents in 1960. Consequently, the decline in the farm population and the increase in nonfarm population between the two census dates is, to some extent, the result of this change in definition.
4. The increase in nonfarm households between 1950 and 1960 was the result, in part, of a change in the definition of "farm" in the two censuses.
5. The increase in the number of households between 1950 and 1960 reflects, in part, the change in census enumeration from "dwelling unit" in the 1950 census to "housing unit" in the 1960 census. Certain furnished-room accommodations which were not classed as dwelling units in 1950 were classed as housing units in 1960. This change affected the total count of housing units and the calculation of average household size as well, especially in larger central cities.
6. The basic data in the 1960 Census of Housing from which current housing inventory estimates are developed reflect an unknown degree of error in "year built" occasioned by the accuracy of response to enumerators' questions as well as errors caused by sampling.
7. Postal vacancy survey data are not entirely comparable with the data published by the Bureau of Census because of differences in definition, area delineations, and methods of enumeration. The census reports units and vacancies by tenure, whereas the postal vacancy survey reports units and vacancies by type of structure. The Post Office Department defines a "residence" as a unit representing one stop for one delivery of mail (one mailbox). These are principally single-family homes, but include row houses and some duplexes and structures with additional units created by conversion. An "apartment" is a unit on a stop where more than one delivery of mail is possible. Postal surveys omit vacancies in limited areas served by post office boxes and tend to omit units in subdivisions under construction. Although the postal vacancy survey has obvious limitations, when used in conjunction with other vacancy indicators, the survey serves a valuable function in the derivation of estimates of local market conditions.
8. Because the 1950 Census of Housing did not identify "deteriorating" units, it is possible that some units classified as "dilapidated" in 1950 would have been classified as "deteriorating" on the basis of the 1960 enumeration procedures.
9. The distribution of the qualitative demand for sales housing differs from any selected experience such as that reported in FHA unsold inventory surveys. The latter data do not include new construction in subdivisions with less than five completions during the year reported upon, nor do they reflect individual or contract construction on scattered lots. It is likely that the more expensive housing construction and some of the lower-value homes are concentrated in the smaller building operations, which are quite numerous. The demand estimates reflect all home building and indicate a greater concentration in some price ranges than a subdivision survey would reveal.
10. Monthly rentals at which privately owned net additions to the aggregate rental housing inventory might best be absorbed by the rental market are indicated for various size units in the demand section of each analysis. These net additions may be accomplished by either new construction or rehabilitation at the specified rentals with or without public benefits or assistance through subsidy, tax abatement, or aid in financing or land acquisition. The production of new units in higher rental ranges than indicated may be justified if a competitive filtering of existing accommodations to lower ranges of rent can be anticipated as a result of the availability of an ample rental housing supply.
11. Distributions of average annual demand for new apartments are based on projected tenant-family incomes, the size distribution of tenant households, and rent-paying propensities found to be typical in the area; consideration also is given to the recent absorptive experience of new rental housing. Thus, they represent a pattern for guidance in the production of rental housing predicated on foreseeable quantitative and qualitative considerations. However, individual projects may differ from the general pattern in response to specific neighborhood or sub-market requirements. Specific market demand opportunities or replacement needs may permit the effective marketing of a single project differing from these demand distributions. Even though a deviation from these distributions may experience market success, it should not be regarded as establishing a change in the projected pattern of demand for continuing guidance unless a thorough analysis of all factors involved clearly confirms the change. In any case, particular projects must be evaluated in the light of actual market performance in specific rent ranges and neighborhoods or sub-markets.
12. The location factor is of especial importance in the provision of new units at the lower-rent levels. Families in this user group are not as mobile as those in other economic segments; they are less able or willing to break with established social, church, and neighborhood relationships. Proximity to or quick and economical transportation to place of work frequently is a governing consideration in the place of residence preferred by families in this group.

Table I

Nonagricultural Wage and Salary Employment Trends
Fargo-Moorhead Housing Market Area
September 1965 - September 1968

	<u>September 1965</u>	<u>September 1966</u>	<u>September 1967</u>	<u>September^{a/} 1968</u>
<u>Nonagricultural Wage and Salary Employment</u>	<u>34,080</u>	<u>36,090</u>	<u>37,210</u>	<u>38,870</u>
Construction	2,800	2,640	3,010	3,230
Manufacturing	<u>2,280</u>	<u>2,830</u>	<u>2,820</u>	<u>3,120</u>
Durable goods	830	1,060	1,040	1,220
Nondurable goods	1,450	1,770	1,780	1,900
Food and kindred products	(950)	(1,320)	(1,280)	(1,380)
Transportation, comm., & pub. util.	2,990	3,230	3,180	3,220
Trade	10,860	11,440	11,570	12,070
Finance, ins., & real estate	2,070	2,180	2,230	2,220
Service	6,350	6,530	6,840	7,490
Government	<u>6,730</u>	<u>7,240</u>	<u>7,560</u>	<u>7,520</u>
Federal	1,630	1,570	1,610	1,650
Local	5,100	5,670	5,950	5,870

^{a/} Preliminary.

Source: North Dakota State Employment Service.

Table II

Percentage Distribution of Nonfarm Families and Renter Households^{a/}
by Annual Income After Deduction of Federal Income Tax
Fargo, North Dakota-Moorhead, Minnesota, Housing Market Area
1969 and 1971

<u>Annual Income</u>	<u>March 1, 1969</u>		<u>March 1, 1971</u>	
	<u>All families</u>	<u>Renter households</u>	<u>All families</u>	<u>Renter households</u>
Under \$3,000	8	14	7	13
\$3,000 - 3,999	5	11	5	10
4,000 - 4,999	9	12	8	10
5,000 - 5,999	8	12	8	13
6,000 - 6,999	11	11	9	10
7,000 - 7,999	12	12	11	12
8,000 - 8,999	10	9	11	10
9,000 - 9,999	9	5	10	6
10,000 - 14,999	21	11	22	12
15,000 and over	<u>7</u>	<u>3</u>	<u>9</u>	<u>4</u>
Total	100	100	100	100
Median	\$7,750	\$6,075	\$8,125	\$6,375

^{a/} Excludes one-person renter households.

Source: Estimated by Housing Market Analyst.

Table III

Nonfarm Population and Household Trends
Fargo-Moorhead Housing Market Area
April 1960 - March 1971

<u>Population</u>	<u>April 1, 1960</u>	<u>May 1, 1965</u>	<u>March 1, 1969</u>	<u>March 1, 1971</u>	<u>Average annual change^a</u>		
					<u>1960-1965</u>	<u>1965-1969</u>	<u>1969-1971</u>
HMA Total	<u>90,719</u>	<u>99,600</u>	<u>110,100</u>	<u>115,500</u>	<u>1,750</u>	<u>2,740</u>	<u>2,700</u>
Fargo	<u>46,662</u>	<u>50,000</u>	<u>54,200</u>	<u>56,200</u>	<u>660</u>	<u>1,095</u>	<u>1,000</u>
Moorhead	<u>22,934</u>	<u>26,850</u>	<u>30,800</u>	<u>33,500</u>	<u>770</u>	<u>1,030</u>	<u>1,350</u>
Remainder	<u>21,123</u>	<u>22,750</u>	<u>25,100</u>	<u>25,800</u>	<u>320</u>	<u>615</u>	<u>350</u>
<u>Households</u>							
HMA Total	<u>26,117</u>	<u>29,050</u>	<u>32,100</u>	<u>39,800</u>	<u>575</u>	<u>800</u>	<u>850</u>
Fargo	<u>14,053</u>	<u>15,325</u>	<u>16,700</u>	<u>17,400</u>	<u>250</u>	<u>360</u>	<u>350</u>
Moorhead	<u>6,125</u>	<u>7,225</u>	<u>8,175</u>	<u>8,900</u>	<u>215</u>	<u>240</u>	<u>360</u>
Remainder	<u>5,939</u>	<u>6,500</u>	<u>7,225</u>	<u>7,500</u>	<u>110</u>	<u>200</u>	<u>140</u>

a/ Rounded

Sources: 1960 Censuses of Population and Housing
 1965, 1969, and 1971 estimated by Housing Market Analyst.

Table IV

Housing Units Authorized by Building Permits, by Location
Fargo-Moorhead Housing Market Area
1960 - 1968

<u>Year</u>	<u>Fargo</u>	<u>Moorhead</u>	<u>Remainder of HMA</u>	<u>HMA Total</u>
1960	279	259	111	649
1961	250	206	121	577
1962	284	272	82	638
1963	312	303	68	683
1964	191	175	83	449
1965	314	259	136	709
1966	287	208	71	566
1967	391	509	120	1,020
1968	455	419	158	1,032

Source: U.S. Bureau of Census, C-40 Construction Reports; local building inspectors.

Table V

Components of the Nonfarm Housing Inventory
Fargo-Moorhead Housing Market Area
April 1960-March 1969

<u>Tenure and Vacancy</u>	<u>April 1, 1960</u>	<u>May 1, 1965</u>	<u>March 1, 1969</u>
Total housing supply	<u>27,992</u>	<u>30,450</u>	<u>33,200</u>
Occupied housing units	<u>26,117</u>	<u>29,050</u>	<u>32,100</u>
Owner occupied	<u>16,284</u>	<u>17,690</u>	<u>19,100</u>
Percent of total occupied	62.4%	60.9%	59.5%
Renter occupied	<u>9,833</u>	<u>11,360</u>	<u>13,000</u>
Percent of total occupied	37.6%	39.1%	40.5%
Vacant housing units	<u>1,875</u>	<u>1,400</u>	<u>1,100</u>
Available	<u>848</u>	<u>570</u>	<u>500</u>
For sale	<u>270</u>	<u>183</u>	<u>175</u>
Homeowner vacancy rate	1.6%	1.0%	0.9%
For rent	<u>578</u>	<u>387</u>	<u>325</u>
Renter vacancy rate	5.6%	3.4%	2.4%
Other vacant ^{a/}	<u>1,027</u>	<u>805</u>	<u>600</u>

^{a/} Includes vacant seasonal units, dilapidated units, units rented or sold awaiting occupancy, and units held off the market for other reasons.

Sources: 1960 Census of Housing.
1965 and 1969 estimated by Housing Market Analyst.

Table VI

Fargo-Moorhead, North Dakota-Minnesota, Area Postal Vacancy Survey

November 27, 1968

Postal area	Total residences and apartments						Residences						Apartments						House trailers		
	Total possible deliveries	Vacant units				Under const.	Total possible deliveries	Vacant units				Under const.	Total possible deliveries	Vacant units				Under const.	Total possible deliveries	Vacant	
		All	%	Used	New			All	%	Used	New			All	%	Used	New			N	%
The Survey Area Total	25,155	370	1.5	215	155	399	19,291	169	0.9	128	41	107	5,864	201	3.4	87	114	292	835	7	0.8
Fargo	15,929	96	0.6	88	8	172	11,799	29	0.2	23	6	60	4,130	67	1.6	65	2	112	362	7	1.9
Moorhead (1-27-69)	8,122	257	3.2	112	145	207	6,661	123	1.8	90	33	39	1,461	134	9.2	22	112	168	275	-	0.0
West Fargo	1,104	17	1.5	15	2	20	831	17	2.0	15	2	8	273	-	0.0	-	-	12	198	-	0.0

The survey covers dwelling units in residences, apartments, and house trailers, including military, institutional, public housing units, and units used only seasonally. The survey does not cover stores, offices, commercial hotels and motels, or dormitories; nor does it cover boarded-up residences or apartments that are not intended for occupancy.

The definitions of "residence" and "apartment" are those of the Post Office Department, i.e.: a residence represents one possible stop with one possible delivery on a carrier's route; and apartment represents one possible stop with more than one possible delivery.

The estimates of total possible deliveries to residences, apartments, and house trailers were made by the postal carriers. The data in this table, therefore, are not strictly comparable to the corresponding data for surveys conducted prior to 1966. The combined totals, however, are as recorded in official route records.

Source: FHA postal vacancy survey conducted by collaborating postmasters.

728.1 :308 F22 Fargo, N.D. - Moor-
head, Minn. 1969

U.S. Federal Housing Administra-
tion

Analysis of the Fargo, North
Dakota-Moorhead, Minn. housing ...