What does managed appreciation model do to the price of a home over the years?

Let‘s follow a 3 bedroom home in the 60% AMI income bracket over 28 years and 3 owners.

Initial affordable sales price: $289,100
Initial market value appraisal: $750,000

Follow the affordable sales prices in GREEN
Follow the estimated market value in RED

Homeowner #1

		Assuming annual market appreciation about 2%	Assuming more volatile market appreciation, starting at 8% annually and then evening out a bit
Buyer #1	**Initial Affordable Sales Price**	**289,100**	**289,100**
	Initial Appraisal (Market Value)	**750,000**	**750,000**
8 years later	**Current Sale Appraisal**	**880,000**	**1,230,000**
minus	Original Appraisal	750,000	750,000
=	Market Value Appreciation/Depreciation	130,000	480,000
X	Subsidy Ratio	25%	25%
=	Managed Appreciation	32,500	120,000
+	Initial Affordable Purchase Price	289,100	289,100
=	**New Sales Price**	**321,600**	**409,100**

Homeowner #2

Buyer #2	Initial Affordable Sales Price	321,600	409,100
	Initial Appraisal (Market Value)	880,000	1,230,000
10 years later	Current Sale Appraisal	1,056,000	1,700,000**
minus	Original Appraisal	880,000	1,230,000
=	Market Value Appreciation/Depreciation	176,000	470,000
X	Subsidy Ratio	25%	25%
=	Managed Appreciation	44,000	117,500
+	Initial Affordable Purchase Price	321,600	409,100
=	New Sales Price	365,600	526,600

Homeowner #3

Buyer #3	**Initial Affordable Sales Price**	**365,600**	**526,600**
	Initial Appraisal (Market Value)	**1,056,000**	**1,700,000**
10 years later	**Current Sale Appraisal**	**1,200,000**	**2,000,000****
minus	Original Appraisal	1,056,000	1,700,000
=	Market Value Appreciation/Depreciation	144,000	300,000
X	Subsidy Ratio	25%	25%
=	Managed Appreciation	36,000	75,000
+	Initial Affordable Purchase Price	365,600	526,600
=	**New Sales Price**	**401,600**	**601,600 to buyer #4**

Let‘s follow a 3 bedroom home in the 140% AMI income bracket over 28 years and 3 owners.

Initial affordable sales price: $420,000
Initial market value appraisal: $750,000

Follow the affordable sales prices in GREEN
Follow the estimated market value in RED

Homeowner #1

		Assuming annual market appreciation about 2%	Assuming more volatile market appreciation, starting at 8% annually and then evening out a bit
Buyer #1	**Initial Affordable Sales Price**	**$420,000**	**$420,000**
	Initial Appraisal (Market Value)	**750,000**	**750,000**
8 years later	**Current Sale Appraisal**	**880,000**	**1,230,000**
minus	Original Appraisal	750,000	750,000
=	Market Value Appreciation/Depreciation	130,000	480,000
X	Subsidy Ratio	25%	25%
=	Managed Appreciation	32,500	120,000
+	Initial Affordable Purchase Price	420,000	420,000
=	**New Sales Price**	**452,500**	**530,000**

Homeowner #2

Buyer #2	Initial Affordable Sales Price	452,500	530,000
	Initial Appraisal (Market Value)	880,000	1,230,000
10 years later	Current Sale Appraisal	1,056,000	1,700,000**
minus	Original Appraisal	880,000	1,230,000
=	Market Value Appreciation/Depreciation	176,000	470,000
X	Subsidy Ratio	25%	25%
=	Managed Appreciation	44,000	117,500
+	Initial Affordable Purchase Price	452,500	530,000
=	New Sales Price	496,500	647,500

Homeowner #2

Buyer #2	**Initial Affordable Sales Price**	**452,500**	**530,000**
	Initial Appraisal (Market Value)	**880,000**	**1,230,000**
10 years later	**Current Sale Appraisal**	**1,056,000**	**1,700,000****
minus	Original Appraisal	880,000	1,230,000
=	Market Value Appreciation/Depreciation	176,000	470,000
X	Subsidy Ratio	25%	25%
=	Managed Appreciation	44,000	117,500
+	Initial Affordable Purchase Price	452,500	530,000
=	**New Sales Price**	**496,500**	**647,500**

Homeowner #3

Buyer #3	Initial Affordable Sales Price	496,500	647,500
	Initial Appraisal (Market Value)	1,056,000	1,700,000
10 years later	Current Sale Appraisal	1,200,000	2,000,000**
minus	Original Appraisal	1,056,000	1,700,000
=	Market Value Appreciation/Depreciation	144,000	300,000
X	Subsidy Ratio	25%	25%
=	Managed Appreciation	36,000	75,000
+	Initial Affordable Purchase Price	496,500	647,500
=	New Sales Price	532,500	722,500 to buyer #4

Using even a conservative estimate of 2% annual appreciation of a home, the market rate appreciation of each of the units puts it out of "affordability" in a short amount of time. The 25% managed appreciation formula allows the property to remain affordable for the 26 years that this model covers, plus much longer.

This model also shows that in times of a more sharp market rate value increase (**8% the first 8 years and between 2-8% the years after), the Shared Appreciation model "insulates" the appreciation of the home in such a way that the owner benefits from the increase in value, while maintaining affordability for the next buyer.

When markets are only slightly appreciating, the owner's share of appreciation is modest. When markets are sharply appreciating, the owner's profit upon sale is higher, but still insulated.

AH Committee

From: Gabe Johnson
Sent: Thursday, November 3, 2022 10:43 AM
To: AH Committee
Subject: Slides for 11/3/22 AH meeting
Attachments: Managed Appreciation.pdf

Mahalo,

Gabe