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## **Can economy continue to grow, when businesses can't find workers & workers can't find housing? - by David O'Sullivan**

October 26, 2018 - Spotlights

David O'Sullivan,  
O'Sullivan Architects

The air is cooler and leaves are starting to turn and everyone is talking about what will happen with the upcoming election. So what can we expect for this fall in our industry? The stock market is on a roller coaster ride and the world economy is slowing down. What does this all mean for the real estate industry?

Nationwide housing starts rose 13.7% in October after a slight upward revision to the September reading, according to newly released data from the U.S. Department of Housing and Urban Development and the Commerce Department. This is the highest housing production reading since October 2016, when total starts hit a post-recession high of 1.33 million. Single-family production rose 5.3% in October and year-to-date, single-family starts are 8.4% above their level over the same period last year. Multifamily starts jumped 36.8% to 413,000 units after a weak September report.

"This uptick in housing production is aligned with our reports of strong builder confidence," said Granger MacDonald, chairman of the National Association of Home Builders (NAHB) and a home builder and developer from Kerrville, Tex. "Our members are optimistic about the future of the housing market, even as uncertainties remain and they continue to face supply-side issues." This is a good sign and in Boston we have a more diverse economy than many places in the U.S., further making our outlook seem bright.

Regionally in October, combined single- and multifamily housing production rose 42.2% in the NAHB Remodeling Market Index (RMI) posted a reading of 58 in the third quarter of 2018, remaining stable from the previous quarter. The RMI has been consistently above 50—indicating that more remodelers are reporting that market activity is higher compared to the prior quarter than reporting it is lower—since the second quarter of 2013. The overall RMI averages current remodeling activity and future indicators. "Remodelers across the country are seeing home owner demand remain strong through the midpoint of the year," said NAHB Remodelers chair Joanne Theunissen, CGP, CGR, a remodeler from Mt. Pleasant, Mich. "Both positive home price growth—albeit at a slightly

slower rate—and good consumer confidence are supporting the steady remodeling market.” This is another good sign for Boston as we tend to have an older housing stock than many areas of the country.

The future market indicators remained the same as the previous quarter while calls for bids rose the second quarter and the amount of work committed for the next three months increased. However the backlog of remodeling jobs fell and appointments for proposals decreased two points to 59.

“The stability of the RMI reflects offsetting trends in the remodeling market,” said NAHB chief economist Robert Dietz. “A sound economy with low unemployment and easing lumber prices are being counterbalanced by rising interest rates and the ongoing labor shortage.”

So what of rising interest rates, rising prices and tighter labor market? Can we continue to grow the economy when businesses can’t find workers and workers can’t find housing due to higher interest rates or rising rents? This could cause a slowdown in the U.S. economy regardless of what happens with the Trade War.

Many developers are fearful of a slowdown, but few experts are predicting any recession for at least the immediate future. The rush to get projects approved, built and completed will continue and we probably will remain very busy into next year.

As we move to the end of the year some may welcome a slight slowdown to catchup on their backlog of work, or the opportunity to catch their breath, but this may have to wait until later next year.

David O’Sullivan, AIA, is the president of O’Sullivan Architects, Inc., Reading, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540