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## **The good news is that everybody, everywhere finally recognizes there is a housing crisis - by David O'Sullivan**

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We have now started the year 2019. What will the New Year mean for the real estate industry? The month of December was one of anxiety and concerns with the stock market ups and mostly downs, the controversy over interest rates and the tariffs making headlines. Are we in for a recession? Many said at the start of 2018 that 2019 would be the year the economy sputters and we see the next recession.

Looking at the economy around the world there are some signs of a slowdown. In China, the key private sector index that looks at manufacturing showed activity shrinking in November, the first time since 5/17, and the official government index showed the same, the first time since 2/16. Here in the U.S., all five Federal Reserve manufacturing indices (Dallas, Kansas City, New York, Philadelphia and Richmond) weakened in November; two shrank. Nothing ominous here, the service sector is fine, but manufacturing growth is slipping.

The news on the job front is encouraging as unemployment remains low and job growth is still present. Some experts such as Eliot Eisenberg in his recent blog is not worried about the recession, he said, "312,000 net new jobs in November, the biggest increase since 2/18, upward revisions totaling 58,000 for September and October, and Y-o-Y wage growth of 3.2%, the best in over a decade, make the November employment report outstanding. Moreover, the unemployment rose to 3.9% from 3.7% because of more folks working and looking for work! With data like this, household consumption will remain strong and there will be no recession."

So Boston with its continued job growth, strong ties to universities and diverse economy seems to be doing well. We are seeing a slight lag with rentals at high end buildings and some resistance to high home prices but things seem to be solid at present.

The good news is that everybody, everywhere finally recognizes there is a housing crisis. The bad news is there is no easy fix to the crisis. Blame interest rates, labor shortages, local officials, over

regulation, tariffs, banks and lenders, stricter building codes, low wages or just developer greed, they are all factors with no easy fix. Each one is a contributing factor in creating this crisis.

The mayor of Boston, is pushing for more housing in low income and middle class markets, recognizing that there is a serious need for housing that the people of Boston can afford. There is a coalition of city and towns surrounding Boston which are working on producing more housing as well, acknowledging that Boston can't solve our housing shortages alone and they need to do more. This change of attitude in the area surrounding Boston is a good sign for the future. Developing higher density housing just outside the city of Boston, especially along transit routes is key to continued growth and expansion of the workforce.

On a state level hopefully some of the zoning reform initiatives which stalled on Beacon Hill last year will be brought forth with more success in 2019. Massachusetts governor Charlie Baker, and his administration have been strong advocates for reform which would make it easier for developers to get approvals and provide denser housing to fill the needs of the people and hopefully keep rents and home prices at reasonable levels.

Unfortunately the pressure of rising construction costs, labor shortages and stricter code requirements are making housing more expensive and therefore forcing builders to raise prices. This is why it is all the more critical to build higher density housing (lowering land cost per unit), with less parking (parking spaces are expensive), allowing rents to remain reasonable.

It is up to us to solve the housing crisis, all working together to overcome the obstacles to solve it. We have a strong economy and are probably safe from a recession in the near term, but there are many things we need to do for the economy and housing to remain strong.

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