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The land crunch - housing affordability in Boston: Opportunities are there for those well prepared - by Brett Pelletier

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Reports throughout the U.S. indicate macroeconomic trends are positive with the multifamily cycles within major metropolitan markets in the expansion and maturation stages. Nothing to worry too much about at a high level. Demand throughout the U.S. is strong with major metropolitan areas experiencing solid net absorption and many markets are seeing demand outpace supply. That is ever the case in Boston. The same metrics that make Boston a strong and desirable housing market make it a very expensive and challenging market from a perspective of construction and affordability. Increases in construction costs continue to put upward pressure on rents and pricing, while lagging wage growth further bends affordability metrics out of shape. This is especially of concern in markets that need more affordable housing and already don't have enough, markets that don't support the economics of new construction of modest housing alternatives, and markets where alternatives are not available along a broad spectrum of price points.

The New England chapter of the Counselors of Real Estate gathered in Boston (May 8) to discuss the U.S. and Boston Multifamily Market Performance and Investment Trends for 2019, along with Jeannette Rice's take on recent Workforce Housing trends. The New England economy is starting to move from 'cautiously optimistic' to just plain optimistic. Rents are up and up and up, single family pricing is up, condo pricing is up, office pricing is up, occupancy is up, the pipeline is full, and unemployment is hovering at 3%. On the agenda was a brief overview of Workforce Housing, which has been an elusive policy goal for decades.

MassHousing has a \$100 million Workforce Housing fund that was created to support the creation of rental housing that is affordable for households whose incomes are too high to qualify for traditional subsidized housing programs but are priced out of market rents. The program hopes to assist in the development of 1,000 new units of housing for families within 60%-120% of the Area Median Income. The Missing Middle is a term used to describe mid-density housing options that fill the gap between detached single-family homes and dense mid-rise multifamily, but the term is quickly being

used to describe a general lack of rental housing alternatives for middle-income households, especially in cities like Boston, where housing costs are soaring.

A recent report U.S. Barriers to Apartment Construction published by the National Apartment Association (NAA), took a hard look at 241 metropolitan markets within the U.S. to understand the drivers of and barriers to apartment construction. We know that in Boston especially, demand far exceeds supply, and furthermore, new additions to supply are woefully short of growth and demand expectations. The metrics for the Boston market, according to NAA, score well above the national average in all categories from community involvement to political complexity, with an overall index of 1.17, and land availability, highest, at 1.9 compared to the nation. The NAA reported that the three top barriers to apartment construction in the Boston metro were land availability, environmental restrictions, and community involvement. These are common themes for local communities dealing with development pressure and rising land costs.

With CBRE's report The Case for Workforce Housing indicating that workforce housing and naturally occurring affordable housing (NOAH) creation has been slower and less robust in this cycle than previous cycles, and observed additions to supply focused in luxury towers downtown, there is added pressure placed on housing working families. Additionally, the move to upgrade and enhance older value-added Class B and C garden product to Class A status has put further pressure on market rents and increased the affordability gap in many markets.

Harvard's Joint Center for Housing Studies (JCHS) recently published a working paper titled Strategies for Sustainable Growth in Community Land Trusts that focused on community-based land trusts at the local level and their ability to provide a resource to assist communities in production and preservation of affordable housing. Community land trusts provide an opportunity to address rising land costs and leverage public-private-partnerships through a role as facilitator and community advocate for home-grown housing solutions.

Community Land Trusts are just one of the many tools in the housing tool bag. Local zoning and entitlement procedures, regulatory barriers, and availability of land for housing throughout Massachusetts and New England continue to be pain points on the road to developing high quality affordable housing for individuals, families, and seniors. Housing affordability is a complex problem often requiring complex, or at least comprehensive, solutions. Opportunities are there for those well prepared and ready to take advantage.

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