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Activity in housing production is slowly spreading beyond the city of Boston - by David O'Sullivan

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Say goodbye to summer!

We are well into the time of short daylight and everyone is back at school and vacation season is over. Somehow this summer flew by, but I think we feel that way most years. It has been a tumultuous summer with talk of recession, pressure on interest rate reductions and trade wars. Combine this with everything happening in politics and one can be overwhelmed.

The good news is interest rates, the lifeblood of the housing industry are lower and that helps keep all of us busy. The National Association of Home Builders' Index of Traffic of Prospective Buyers turned positive in August and September, after declining in each of the previous 12 months. And August housing starts hit 1.36 million on an annualized basis, the most since 2007. Although the bulk of the gains in starts lately have been in multifamily properties, it's encouraging that single-family housing starts, which are viewed more favorably as a fundamental driver of economic growth, did reach a seven-month high. Here in the Boston area, where single family new construction is mostly in the outlying suburbs, the rise in multifamily permits speaks well for us. But what do we have to look forward to on housing front in the near future?

Activity in the housing production is slowly spreading beyond the city of Boston with neighboring towns approving many transit oriented projects and allowing more dense, mixed use projects in their downtowns. We see it in the suburbs bordering the highways north of Boston with Wakefield, Woburn and Reading all having new developments but there are many more towns allowing it. Some larger communities such as Framingham and Salem are transforming the downtowns allowing new apartments near commuter rail stops. This new trend of urbanization of suburban downtowns creates opportunities for developers who have learned the ins and outs of these project in Boston, to apply their knowledge beyond Boston and have a leg up on locals in some of these towns.

Many of these towns are looking for ways to increase their tax base and keep the existing residents

from moving out as they give up their large single-family homes. Previously someone had to move to city for an alternative but many want to stay close to familiar businesses, doctors, etc., and like a downtown alternative right in the community where they live now. These new development options with a mix of condominium ownership and especially rental housing give people downsizing the option to give it a try without long-term commitment.

Another change in thinking among many communities has to do with parking. The zoning changes allowing dense development had many times kept the suburban parking ratios of two cars per housing unit but even that is slowly changing. Research released recently by MAPC found that nearly 30% of off-street parking spaces at multifamily developments in cities and towns around Boston are sitting empty at peak demand time, MAPC staff counted nearly 20,000 parking spots at almost 200 multifamily buildings in Arlington, Boston, Cambridge, Chelsea, Everett, Malden, Medford, Melrose, Newton, Quincy, Revere, Somerville, Waltham, and Watertown. They conducted counts in the dead of night on weeknights, when the number of parked cars is expected to peak because most people are home and asleep. This type of research and changing views of automobile use are helping developers to fight for variances from parking regulations which drive up the cost of housing due to overbuilding facilities.

On the state front the governor's Housing Choice Initiative looks like it may finally reach the legislature for a vote which will ease thresholds for zoning changes and promises to make things easier to get through local boards. Simple-majority approval has the potential to make it easier to build housing in communities that — unlike Cambridge, Somerville, and Boston — have been doing very little to keep up with regional housing demand. And while there is some logic and a long history of requiring supermajority approval for governmental decisions that impact private rights or are otherwise not easily undone — it should also be noted that most states only require simple majorities to change zoning. Reports are that this could come up for a house vote in the next couple weeks which would bode well for our industry.

So as signs of an overall economic slowdown loom on the world front and things in Washington get crazier every day, here in Massachusetts the housing industry seems like it will continue to be good for the immediate future.

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