



# nareb

## **Housing pressures “helped” by COVID: Not certain, but certainly changed - by Daniel Calano**

July 10, 2020 - Appraisal & Consulting



Daniel Calano  
Prospectus, LLC

There are definitely shifts afoot in housing demand because of the coronavirus pandemic. The problem is, no one really knows how dramatically, or even in what direction, the shift will take us. Just like the economy, it all depends on how long pandemic lasts, and whether there is a vaccine in sight.

Opinions vary, depending upon the statistics that are cited, and/or conjectures of pundits. As an example, one can see concurrent headlines ranging from "COVID depresses rents" to "Housing prices rebound." Before anybody can reach conclusions, there will be a lot more time required to view the trends and unpack the facts. Full disclosure, this article is loaded with anecdotal evidence and possible outcomes. More solid conclusions will ensue, based on future data, as the summer and fall unfold. Here are some facts. You can reach your own conclusions:

Fact: Before COVID, between the cities of Boston, Cambridge, Somerville, Watertown, tens of thousands of new higher density apartments and condominiums have recently been built, or are on the books. This is one of the greatest housing booms in history of Boston metropolitan area. With over 50,000, units some are suggesting that there could be excess supply relative to demand, thus reducing pricing soon.

Fact: The development boom did not anticipate an epidemic which would change the world. The epidemic would cause economic disruption, social disruption, real estate disruption. Work life has changed, and residential choices have followed. As one unexpected example, Facebook's Mark Zuckerberg said recently that 75% of his employees have "expressed interest" in moving out of the Bay Area, presumably to less dense areas.

Fact: Much of the housing was developed as "smart development" focused around public transportation, office, retail, entertainment, of which many facilities have been closed. Public transportation use is down by 90%, year over year. Retail, restaurants, entertainment may not open until next year and/or be reduced in use, thus impacting nearby housing demand.

Fact: In order to compete, apartments and condominiums were designed with ever increasing amenity packages, such as gyms, lounges, conference facilities, theaters, all levels of common areas. These areas were first viewed as critical to marketing, but are now viewed as COVID-dangerous, and have been closed down or used sparingly. Even elevators are perceived as coronavirus traps.

Fact: A main source of Boston area residential demand, college students may not show up in the fall due to COVID. Apartments near our great colleges have already shown vacancies that did not exist a year ago. There is still uncertainty as to whether colleges will put students in seats, or online. This could evolve into very large vacancies.

Fact: Depending upon location, condominium sales are off as much as 50%, year over year from

last May. Apartment rentals, last year showing 3-4% vacancies are now at 5% or more, even with rent reductions. Some of this is clearly caused by temporary “showing” restrictions, not necessarily systemic.

Now for the conjecture. The first thought, and most potentially ironic, is that empty nester baby boomers, who desperately wanted to leave the suburbs and move to the city, now are faced with the high density problems discussed above. On the flip side, the millennials, disdainful of the suburbs in years past, may now want to move there due to virus fears. This coincides nicely, as millennial’s age, with the need for school systems choices.

Supporting this change, working from home as required by shutdowns, has made distant working/learning much easier, at least partially, further facilitating leaving cities. Also, companies themselves may also choose to move out of the city.

As stated in the beginning, we just don’t know how this will play out. Some are actually arguing that COVID may ultimately increase desire for density living. They posit that the loneliness of the shutdown causes more need for community and camaraderie. Design change, better cleaning solutions, clear distancing rules, all may occur, further facilitating high density residential. Everything could change with a vaccine... or could become permanent as COVID type viruses mutate and come back the future.

This is a time of great uncertainty, making so many of our decisions difficult to make. Stay safe, vigilant, and above all, flexible.

Daniel Calano, CRE, is the managing partner and principal of Prospectus, LLC, Cambridge, Mass.

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