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Welcome to the summer of readjustment! Where will people live? - by David O'Sullivan

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We are at past the midyear point of 2021 and all have expectations and concerns as the world continues to grapple with this pandemic. Here in Boston we are fortunate that many are vaccinated and we can do many of the things we missed over the last 16 months.

However, this pandemic has left most of us wondering what the future will be with the trends for future developments and how people will live, work, shop and socialize in the future. Where will people live? Many saw and commented on the exodus from the major cities during the height of the pandemic, first seen by renters relocating to suburbs and then with strong sales in vacation and rural communities as people fled the congestion and high costs of major cities. We saw huge increase in vacancies for apartments and falling rents here in Boston. Much of this was concentrated in student-dominated areas but also in sections that appealed to recent graduates working in city. These people were the most mobile part of the tenant pool and had options to relocate. Many went back home to sit out the pandemic working remotely. As things have begun to open and people feel the need to socialize more, this trend has slowed or seems to be reversing. The colleges having in-person classes this fall has again seen a tight rental market with rents returning to the same or higher than 18 months ago.

The for sale market is always slower to react. The inner suburbs saw a huge shortage of available housing as young families searched for homes to buy and let them have more space inside and out in response to the pandemic. The empty nesters, who had been selling their homes and moving to smaller homes or more urban areas stopped thinking about moving at all. Some suddenly had children move home, others learned to appreciate the yard and neighborhood more and many were just unsure that this was a good time for a lifestyle change. Urban resales dropped, prices in the urban core were flat or dropped and the value of suburban homes skyrocketed. Existing home prices were up 23.6% year over year from May 2020 to 2021 according to the National Association of Realtors. It did seem the news was full of stories about people leaving urban areas for places like the Berkshires, Vermont, and the Cape. Data shows most only moved within one hour of the urban work centers. As the world has reopened, some past trends have begun to return. Empty nesters

are seeing opportunities as the value of their home as skyrocketed; the cost of that urban alternative has remained flat making the move financially more attractive. They also were often the ones who bought homes in vacation areas and now see remote work will allow them to stay in these resort areas and are willing to sell their primary home given the hot market and high sales prices.

Developers have been unsure of where the market was going and slowed down on moving forward with more urban projects. With flat sales prices and rising construction costs, many needed to reevaluate whether projects were viable. Many also were scrambling to develop in the suburbs, which had high demand, and ever rising sales prices. Our office saw a definite shift over the last year as urban projects slowed and downtowns in the suburbs saw growth as did upgrades to the existing housing stock through renovations while teardowns increased. Smaller cities like Salem, or Portsmouth became new opportunities for us, as developers looked to places that had the activity of strong downtowns but more open space and affordable prices. Smaller developments in downtown areas have been popular alternatives for empty nester buyers who want to stay close to friends, doctors, children etc but don't want to maintain the big house and yard.

So where are we going from here? I think we are seeing a return to strong demand for urban housing especially with younger people. They miss the opportunities and amenities that the big city offers. Empty nesters who are under no pressure to move will take some time to see if the trend of them moving to the city will return or will they find living in resort areas fulltime is the lifestyle they want. The important thing to recognize is there is a deficiency of 5.5 million homes a year that is fueling the housing crisis and it spans almost all segments of the market. We need to continue to develop and look for opportunities to increase housing supply to see a vibrant local economy.

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