



CELEBRATING
55 YEARS

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As much as “blue collar” housing is needed, current zoning and building regulations make this difficult - by Bill Norton

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Bill Norton

Clearly, 2021 was a better year than 2020 for our industry. We had a great year. I'm making up for 2020, which was a dud. God bless low interest rates because that is what is keeping this economy going. Rising rates portend dark consequences. But as I read and listen (to podcasts), the general consensus of the pundits is for continued low rates money looking to be invested. I hope they are right.

Having worked in the "built environment" for 50+ years, I have seen many cycles, some that were expected and some that were not. Regardless, the super-hot markets: single-family homes, multi-family and high-bay/industrial/warehouse are charging along despite record-high price escalations and supply chain disruptions which equal uncertainty - which global markets do not like.....

The incredible amount of government spending financed with debt is scary. It has increased about 50% (from \$20 trillion to \$30 trillion) here in the US. But these staggering numbers cover a period of up to 10 years, so actual annual numbers are more "reasonable"! I cannot fault the strategy or tactics to keep the economy afloat in the face of a worldwide pandemic(s). However, I do wonder about when the debt burden becomes unsustainable. In fact, we may have already passed that point.

I am currently working on a handful of projects that focus on "workforce housing". This term was originally used to describe "blue collar" housing for our teachers, firefighters, police and other essential people we wanted to be able to afford to live in our communities. Thus, it is distinct from subsidized housing or affordable housing. Nonetheless, while the demand is high, the ability to build it is very challenging. The main incentive is federal tax credits, which developers sell to investors and then use the proceeds as equity to "buy down" the final cost of the project. As much as this housing is desperately needed, current zoning and building regulations make this a difficult, and sometimes impossible, process.

As for single-family housing, my neighborhood (mostly built in the 1950s and 1960s) has small ranch homes selling for \$320,000! This equates to over \$300 per s/f. Due to cheap money, there are buyers truly stretching their means. And now with 5.9% inflation (thank you Social Security!) cost of rising especially energy costs - my November natural gas bill was \$180 (about double). I cannot wait to get my electric bill for December. Last month (from Unitil) it was 29.5 cents per kilowatt-hour - the highest in the country! If utility costs do not settle down, I foresee some of my new young neighbors may be overextended, and perhaps facing foreclosure. Oh, I haven't mentioned property taxes. The rising house prices have towns and cities riding the crest through the annual equalization rate process. My property taxes went up another \$800 due to the increase in value of my home (Concord, N.H. re-assesses residential properties annually). As I sat down to do my 2022 personal budget a few weeks ago, I have \$9,000 for real estate taxes, \$4,000 for utilities, \$2,000 for insurance, and \$3,000-\$4,000 for maintenance, which equates to a total of \$1,500-\$1,600 per month. All of which I can afford, albeit with no mortgage. Most of my neighbors have a mortgage and some of those are big! I was recently offered \$525,000 for my house. But where would I go?

You cannot buy low and sell high in the same market. If the economy stays somewhat stable, we could ride this out. But if employment tumbles and/or inflation jumps, we are in for a serious correction. I am glad to be on the sidelines this time.

A recent article described the commercial real estate markets as “frothy”. I agree. Then turning the page, another article opined that the hospitality sector is hot with workout and distressed properties! During COVID, 4,000 restaurants closed in Massachusetts. In Vermont, the labor shortage is acute, with no solution in sight. Three Peruvian restaurant workers are commuting from Rutland to Stowe, a serious hike in the summer, but in winter just a brute!

I have given up forecasting in the short-term. I would like to think the glass is still half empty, but I could be wrong. Best wishes for a healthy, happy and prosperous 2022.

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