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## **Housing crisis: Not entirely, and not without solution - by Daniel Calano**

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Headlines abound regarding rising mortgage rates and the housing crisis: “Fed pursues house demand destruction by increasing mortgage rates”; NPR headlines “massive housing shortage;” “Housing crisis and homelessness in California.” All stories are mostly true, but also mostly painted with a broad brush.

But, as usual, the “housing crisis” is more nuanced. Whether it is a debilitating crisis, or a potentially solvable problem, depends upon many factors. It depends upon your personal situation, about what you want versus what you need, where you are, whether you can wait for lower rates, or whether you can move to more affordable areas. Let’s review some options.

As I wrote in the NEREJ last month, we will and already have interest rates over 7% , which have dampened house buying ability. Many estimate a 25% drop in sales year-over-year, and in some areas, reduction in prices. By Fed goals, this is a good thing, not a problem. “Demand destruction” is what the Fed wanted as a curb to housing inflation. House prices will come down, some suggest, as much as 20%. The first question/solution is whether the price reduction will balance the increase in higher annual mortgage interest payments. It will vary, but certainly is possible.

It is also clearly true that affordability for housing varies greatly across the country. Utah is more affordable than California; Tennessee is more affordable than Texas. At a more granular level, Southeastern Mass is more affordable than the Boston area. Dorchester is (or was) more affordable than Downtown. Not everybody can or wants to move, but clearly there are always less expensive alternatives, often not too far away. Many have chosen this option, particularly when combined with remote or hybrid work participation.

There are also financial alternatives. Programs exist or are being set up to help soften the “crisis”. More affordable loans can be available for veterans, health workers, police/firemen , teachers, first-home buyers, as well as banks allowing lower down payments, shorter-term loans, interest only etc.

Typical are zoning changes allowing lower house setbacks, multi family conversions, lot subdivisions, higher height allowances. In general, municipalities are getting together with urban planners and architects to find ways to expand density.

Articles state that affordability is a supply problem, that we are short somewhere over ½ million housing units across the country. Again, partially true, but not in all places. Builders are willing to build more, but clearly only if it is financially feasible. Some feasibility will come with better supply logistics, some with cheaper land, other parts with more density. If demand exceeds supply, as commonly held, it is not because builders are reticent. With sufficient demand, and more favorable regulations, builders will happily provide supply.

This article is not meant to be construed as underestimating or minimizing the importance of the issue. There may be a crisis, but it is not everywhere. For some, it is not a crisis at all, as our strong

economy provides financial liquidity to the problem. For others less fortunate, there are options, particularly when considered together, that can turn “crisis” into a solvable problem. It is not useful or productive to overstate the problem, thus masking the potential solutions that exist.

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