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**2024, new year, new hopes, same issues - by David O'Sullivan**

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David O'Sullivan

We start the new year of 2024 with more optimism than the last year. Why is the reason? Most of the same issues our industry has been dealing with remain today much as they did last year but some of the pessimism of the economists is gone. Some interesting statistics are that in 10/22, 63% of economists thought there would be a recession within 12 months. It fell to 54% in 7/23, and in 10/23 it declined to 48%, sub-50%! It's now 39%. Of course they are not always right since in 12/07, a month before the housing bust began just 38% expected a recession during the next year.

But we are at a point where everyone believes the Feds have stopped raising interest rates and inflation seems to be manageable even if it is not down to the level the Fed's would be comfortable with yet. We may not see immediate cuts to rates at the beginning of the year but the mortgage market has responded with lower rates and that is something the housing market has been waiting to happen. Peter Linneman, the economist and former professor at the Wharton School of the University of Pennsylvania feels the economy will eventually steady, inflation will return to 1.5% to 2.25%, and the yield on the 10-year Treasury will drop to 3.5% as the country puts the effects of the pandemic in its rearview mirror. He predicted five interest rate cuts in 2024. He has seen many pandemic-led disruptions returning to normal, with new restaurant openings and the steadying of the supply chain among the positive signs that the economy will return to normal as well.

So on a national level, how do things look as we move through the first quarter of 2024? The National Association of Home Builders (NAHB) released its NAHB/Westlake Royal Remodeling Market Index (RMI) for the fourth quarter, posting a reading of 67, increasing two points compared to the previous quarter. This shows that at least builders feel the market is improving but may be with some caution. Overall housing starts fell 4.3% in December to a seasonally adjusted annual rate of 1.46 million units following an unusually strong reading the month before, according to a report from the U.S. Department of Housing and Urban Development and the U.S. Census Bureau.

On a regional year-to-year basis, combined single-family and multifamily starts are 20.1% lower in the Northeast compared to 2022, which is one of the worst performing areas of the country. Speaking to clients, lawyers and Realtors in the Boston area there seems to be a wait-and-see attitude. Acquisition prices for development parcels remain high, financing is tight and although sales prices and rents continue to climb, they are not enough to offset higher borrowing costs. The large increase in construction costs over the last three years has also contributed to projects being difficult to make. A drop in financing cost may help things out as well as mortgage rates moderating helping get some buyers back in the market.

There is a lot of activity to try and solve the Massachusetts housing crisis. The governor proposed a huge housing bond bill to stimulate new housing as well as rehabilitate existing affordable housing. The MBTA Communities Act is now producing new opportunities in the first 12 communities with new streamlined zoning for multifamily housing, these are all good for the future and take time to have an impact on the crisis.

I am looking forward to the year ahead as we look at new opportunities for development in

communities beyond the city of Boston and the continual transformation of areas next to transit for new developments.

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