

An Emerging Housing Crisis?

By Bill Ethier, CEO, HBRA of CT (9-29-14)

(adapted, with permission, from Patrick Sullivan, CEO, HBA of St. Louis)

Nationally acclaimed academics and authors Wendell Cox and Joel Kotkin have recently made the case for an emerging housing crisis in America.¹ They cite “a growing gap between the amount of new housing being built and the growth of demand.”

They write that “our still-youthful demographics are catching up with us. After a recession generated drought, household formation is again on the rise,” citing data from the Harvard Joint Center for Housing Studies. And from another study, they report, “**the country is building barely one-third the number (of new homes) needed to meet the growth in households.**”

The growth in households is being driven both by immigrants and the huge millennial population cohort, people in their 20’s and 30’s who are beginning to have families and moving into their first-time home buying years. **This generation now outnumbers baby boomers.** And, contrary to the notion that they all want apartments in our cities, popularized by smart growth and transit advocates, new research shows that home ownership remains an important long-term goal. Additionally, 48% want their next housing to be in the suburbs, compared to 38% desiring an urban setting.²

Certainly the warning from Cox and Kotkin presents a good-news opportunity for those of us in the home building industry. Easy to state, harder to do in practice, we need to carefully assess the demographics, in and out migration patterns and job creation data for Connecticut and its many submarkets. We then need to build the right product at the right price for the prospective buyers – **but any success depends on governments and utilities setting the table and allowing us to build.**

From a national perspective, the two authors state, “the groups most likely to be hurt by the shortfall in housing include young families, the poor and renters. These groups include a disproportionate share of minorities, who are more likely to have lower incomes than the population in general.”

Cox and Kotkin then point to the correlation between government regulation and the increased cost of housing—a relationship that drives new home prices beyond the point that many would-be buyers can afford. NAHB economic experts calculate that for every \$1,000 increase in the price of the typical new home, some 206,000 households nationally are priced out of the market for that home. Edward Glaeser, Professor of Economics at Harvard University, brings it closer to home: “**Housing regulations, more than those that bind standard businesses, explain the Sun Belt’s population growth. If [northeast states] want to stop losing Congressional seats, then they must revisit the rules that make it so difficult to build.**” For more, see: www.hbact.org/RegulatoryHurdlesInCT.

While the growing demographic disconnect presents an opportunity for those of us in the shelter industry, it also calls attention to the continued need for all of us to work to influence government regulation in such a manner that we keep housing safe while also eliminating the “nice but not necessary” regulatory costs associated with land development and new construction. That’s what the HBRA of CT does. Our vision and mission says it all: “Building Connecticut’s Economy, Communities and Better Lives with Advocacy and Knowledge that Solves our Member’s Problems.”

¹ [Special Report: America’s Emerging Housing Crisis](#) (Newgeography.com 5-5-14). Joel Kotkin is executive editor of *NewGeography.com* and Distinguished Presidential Fellow in Urban Futures at Chapman University. Wendell Cox is principal of *Demographia*, an international public policy and demographics firm.

² [Millennials and Their Homes: Still Seeking the American Dream](#) (2014 The Demand Institute).

Yet, in fighting taxes, fees and regulations that specifically and adversely impact housing production, it's been difficult to say the least to garner allies. Each industry association focuses on its own set of issues. General business organizations focus on broader business-friendly goals. Even affordable housing advocates who admirably promote the interests of those "groups most likely to be hurt by the shortfall in housing" opt to ask for more taxpayer money to buy housing subsidies for people rather than work to reduce housing taxes, fees and regulations that could produce the same benefit for many. So, often working alone on numerous issues of direct impact to the shelter industry, it remains vital that the HBRA remain strong and capable.

As Cox and Kotkin so well note, "**Nothing speaks to the nature of the American future more than housing.** If we fail to adequately house the current and future generations, we will be shortchanging our people, and creating the basis for growing impoverishment and poor social outcomes across the country."

That grim prediction is not a foregone conclusion for our nation's or state's future. **We have the opportunity to create a bright and exciting future in safe, desirable neighborhoods with affordably priced homes.** But doing so will require much diligence on our part—to study the demand, and control the price points. If we miss that mark, the risk of project failure rises exponentially. **It also requires those in government who make regulatory and tax policy – and utilities who control needed infrastructure – to understand the extremely adverse impact their actions can have** on our collective ability to improve the life and opportunity for many more citizens by building new homes. Over regulation, over taxation, and excessive fees from or unresponsive utilities can kill a new home community as quickly as poor market feasibility research.

Message to policy makers, regulators and utilities: Help us create increased opportunities for Connecticut's people by both promoting a beneficial business climate to grow jobs and letting us build the economy, communities and better lives by addressing adverse tax, fee and regulatory policies that constrain building homes.

Message to HBRA Members: Thank you for your membership! Working together, being an active member, attending meetings, or picking up the phone to call your legislator, we can be even stronger. Urge your state legislators and town officials to help us. Keep their feet to the fire, pre and post elections, throughout the year. And, be sure you and all of your trade partners remain strongly committed to the HBRA, so we can do the advocacy and knowledge work that individual members often could not do on their own. It is for your own good, but also, for the good of our state and our nation to preemptively solve the next housing crisis.