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Regulations Add More than 30% to Apartment Development Costs

The nation’s affordable housing shortage has been well documented in recent months, including the fact that this crisis is no longer confined to big coastal cities and is increasingly becoming a top priority for smaller cities that have never struggled before.

There are many reasons for this growing problem, including growing demand for rental housing, limited new construction, stagnant incomes, rising construction and land prices and Not In My Backyard (NIMBY) opposition.

An often overlooked cause is the cost of the array of regulatory costs imposed on developers. According to a new research report by NMHC and the National Association of Home Builders finds that regulations imposed by all levels of government account for an average of 32.1 percent of multifamily development costs. In fact, in a quarter of cases, that number can reach as high as 42.6 percent.

“At a time when states and localities are struggling to address housing affordability challenges, public and private stakeholders should work together to streamline regulations and take the steps necessary to expand housing in communities across the country,” said NMHC President Doug Bibby.
CONSTRUCTION
Piece by Piece, a Factory-Made Answer for a Housing Squeeze
The $10 trillion global construction industry is also one of the world’s least efficient businesses. Construction productivity rates have been flat since 1945. Today’s rising construction costs and decreased labor supply, however, are pushing developers to adopt more modular construction. Up to a third of developers surveyed indicate they are looking at it.

TECHNOLOGY
Proptech Delivers Meaningful Energy Savings
New technology such as machine learning algorithms coupled with improved heating and cooling units that can be controlled by software helped cut electricity consumption at Rudin Management by 41 percent since 2005. The advent of smart building technology is one of the ways scores of property-focused start-ups known as ‘proptech’ firms are trying to tap growing reams of data in commercial real estate to increase productivity.

RENT CONTROL
The Political and Policy Conundrum of Rent Control
Rent control is an issue where political sentiment and good policy run counter to each other. A recent study on rent control in San Francisco found that it reduced rental housing supply by 15 percent and caused a 5.1 percent increase in rents citywide. Yet it remains a popular policy among owners and renters and liberals and conservatives.

DEVELOPMENT
Four Construction Conditions That Are Cementing Multifamily Industry Trends
With rents at a more sustainable rate than they have been in recent years, why is there still such a shortage of affordable housing? Construction and multifamily industry experts discuss how this shortage of affordable units is related to the
HOUSING AFFORDABILITY
The Unique Roots of America's Affordable-Housing Crisis
It may feel as though the country has always failed to offer an affordable home to everyone who needs one. But in 1960, only about a quarter of renters spent more than 30 percent of their income on housing. Now nearly half of renters do. In 1970, a 300,000-unit surplus of affordable rental homes meant that nearly every American could find a place to live. Here's how we got here.

ANNOUNCEMENT
2018 NMHC OPTECH Conference & Exposition Registration Now Open
Join us for the 2018 NMHC OPTECH Conference & Exposition. OPTECH is the premier destination for what's next in multifamily. Don't miss the opportunity to listen in on forward thinking sessions, engage exclusive networking opportunities, and explore a trade show floor featuring the industry's top solution providers.

In Case You Missed It
A hand-selected collection of noteworthy articles on a wide variety of issues of interest to apartment executives.

Rent Control is No Solution to Our Housing Crisis
Firms Turn Lowly Mailrooms into Attractive Gathering Spots. (paywall)
New Concept Combines Co-Living and Coworking, Creates Model for Corporate Living
Philadelphia's Affordable-Housing Plan: A Tax on New Buildings
The Multifamily Melting Pot
The First 3D Printed Houses for Rent Will Be Built in The Netherlands This Year
National Rents Slow Despite Rapid Rent Growth in Smaller Cities
Surprising Finding: Fewer Workers in the "Gig" Economy Today than 2005

Predictions that companies like Uber and Lyft would turn America into a nation of freelancers seem to have been overstated. While the gig-economy has drawn billions of dollars in venture capital, it hasn’t quite disrupted the labor markets as originally feared.

A new report from the Bureau of Labor Statistics finds that the share of U.S. workers in these kinds of jobs has actually shrunk from 7.4 percent in 2005 to 6.9 percent in 2017.

The U.S. Job Market Hasn’t Gone Alternative

Percentage of U.S. workers in alternative work arrangements

Source: U.S. Bureau of Labor Statistics

This doesn’t mean jobs are what they used to be, or that bigger changes aren’t in the offing. It’s just that during a strong economy with low unemployment rates and a surplus of regular jobs, people seem to be less enthusiastic about doing irregular ones. Read the full article.

Upcoming Meetings

2018 NMHC Student Housing Conference & Exposition, October 3-5 in Huntington Beach, CA

2018 NMHC OPTECH Conference & Exposition, November 14-16 in Orlando, FL

About Apartment Wire

A must-read for top apartment industry professionals, Apartment Wire is a timely review of emerging trends in apartment finance, development, management and technology and more,
featuring both exclusive content from NMHC's staff of experts and provocative articles from across the web.