

Affordable Housing Crises Is A Challenge

Here in Citrus County we enjoy the benefit of purchasing homes at relatively affordable prices. The truth is...very affordable prices. However, in parts of the nation where a many of area residents once lived the prospects of finding affordable housing continues to grow as a major challenge. Both the price of newly constructed homes as well as rental housing has dramatically increased in the wake of a steepening housing supply shortage that reportedly represents a cumulative level as high as 7.3 million units.

Although construction activity has moved forward since recovery of the Great Recession, the supply required to accommodate new household formation, our increasing population and replacement of lost housing still lags the need by over 300,000 units a year based on current construction levels.

This shortage and the corresponding rise in housing prices continues to see increasing numbers of Americans struggling with finding affordable housing. The National Association of Home Builders (NAHB)/Wells Fargo Housing Opportunity Index indicated that in 2012 housing affordability had reached a peak of 78, which means 78% of new and existing homes were considered affordable for a typical family. By the third quarter of 2019 that score had slid to 56 while in 2019 the index is expected to fall below the level of 50.

Contributing to the affordability crises is a variety of factors that include construction cost increases promoted by a shortage of labor and escalating land prices for choice development parcels. Also adding to the supply and demand imbalance is the trend among 55+ households aging in place by remaining in their current residences. This lifestyle trend compounded by increasing life expectancy has resulted in a reduction of existing homes available to younger families who have been the group most impacted by increasing housing prices.

With no apparent short-term cure to the construction labor shortage the solution to increased production of housing will lie in a more cost-efficient building process and in a growing trend toward smaller dwellings. Fabricating homes in a "factory like" environment will replace a portion of traditional on-site building. The result will be more modular homes that are delivered to a home site either fully completed or in prebuilt parts ready for on-site assembly. Even multi-story apartment/condominium structures will be comprised of prebuilt individual units stacked in place.

In addition to fostering faster building procedures the trend toward smaller homes on smaller lots will help speed production levels as well as offer more affordable prices. The movement toward smaller space homes reverses the general trend for progressively larger home sizes starting back in the 1960s. Although there is increasing talk and popularity of "tiny" homes below 600 square feet, the greatest focus centers on homes from 900 to 1200 square feet of living area. Aside from the obvious lower construction cost associated with smaller spaces, affordability is further assisted with correspondingly lower utility expenses, insurances fees and maintenance costs.

Getting the American Dream of homeownership back on track will require creative approaches to housing, a strengthening economy and a dose of government assistance. But as with all urgent needs a solution will evolve in keeping with the legacy of the American Way.