

REALTOR[®]

THE BUSINESS TOOL FOR
REAL ESTATE PROFESSIONALS

WWW.MAGAZINE.REALTOR

Not Enough Housing

The market falls short for too many would-be buyers. REALTORS[®] are working to change that.



#BXKMD C *****ECRLOT 0185D**C-008
618500198/0# RM2307
TODD CLARKE
NM APARTMENT ADVISORS, INC.
524 CENTRAL AVE SW UNIT 801
ALBUQUERQUE NM 87102-3160
S
13499
P1055
263
540



Economy

Good Time for Investors to Unload

As rental rates slow, owners may consider returning inventory to the market.

BY LAWRENCE YUN

Real estate investors have done well. Rents have risen and home price appreciation has been quite exceptional. In the past three years, the typical rental rate and typical home price have soared by 16.4% and 35.5%, respectively. Over the past five years, those figures are 24.9% and 50.8%. These returns were occurring at a time of low-cost financing.

Now it's time for investors to sell. Home prices have already retreated in some markets—especially in the west, where the median price is 8% lower than a year ago.

There are 44 million renter households: Half live in mid-sized to large apartment buildings, while the other half rent single-family, duplex, triplex or quadplex units. Although apartments are not necessarily as competitive as single-family rental units, a 40-year high in multifamily construction means many units will be hitting the market in the upcoming months and into next year. Rent growth has already turned the corner from acceleration to deceleration, still rising in most markets but at a

slower pace. Looking at single-family construction, builders are still underproducing compared to the historical average, but new-home sales are back to pre-COVID levels. Home builders are making profits, stock prices for publicly listed construction companies have risen by around 50% in the past year, and inventory of new homes is plentiful.

That's not the case for existing homes. The latest inventory of 1 million is a historic low, and that's hindering existing-home sales. Multiple offers are still happening on mid-priced homes. We need 50% growth in listings to reach prepandemic 2019 levels. We need 100% growth to reach an adequate supply. This is where investors come in—or rather, come out. The National Association of REALTORS® is calling for a federal incentive to help bring needed inventory to the market: temporary capital gains relief for investors who sell to a first-time buyer or first-generation buyer.

Yun is chief economist of the National Association of REALTORS®.



Days on Market Trend Down

Properties remained on the market for a median of 18 days in May, down from 22 days in April but up from 16 days in May 2022. Seventy-four percent of homes sold in May were on the market for less than a month.

Supply & Demand

All trend lines are national from May 2022 to May 2023.



- **EXISTING-HOME SALES** Seasonally adjusted annual rate, which is the actual rate of sales for the month, multiplied by 12 and adjusted for seasonal sales differences
- **INVENTORY** Number of existing homes on the market at the end of the month
- **SALES PRICE** National median

Affordability and Supply

A new NAR and realtor.com® study estimates how many homes are "missing" from the market by income level. The largest shortage of homes is in the price range that middle-income buyers can afford. (See "Bold Action Needed," page 12.)

Income	Share of listings that households can afford to buy		Number of Listings Missing
	April 2023	Balanced Market	
< \$15,000	1.2%	8.6%	85,000
\$25,000	3.1%	16.0%	147,750
\$35,000	5.2%	23.6%	209,910
\$50,000	10.8%	34.8%	273,970
\$75,000	23.0%	51.0%	319,460
\$100,000	38.6%	63.6%	285,250
\$125,000	53.4%	73.4%	229,150
\$150,000	64.0%	80.7%	191,210
\$200,000	77.2%	88.7%	131,360
\$250,000	84.8%	93.0%	93,000
\$500,000	94.6%	97.3%	31,570
\$500,000+	99.9%	100%	990

SOURCE: NAR

You can always find the latest home sales data from NAR at nar.realtor/research.

8 Ways to Power Through to the Next Hot Market

To succeed in the current market, you and your agents must always be preparing for what's next. **BY DINA CHENEY**

Market shifts are inevitable, and dwelling on the past—when mortgage rates were next to

nothing—won't change current circumstances. "The market is the market, whether it's up, down, shifting or stable," says Andrew Bell, PSA, SRS, broker-owner of NextHome Assurance Realty in Jacksonville, Fla. "We don't dictate or control it."

"It's imperative that agents and brokers understand this ebb and flow, and plan accordingly," agrees Mauricio Umansky, founder and CEO of the global boutique brokerage The Agency. "As we've experienced with the pandemic and 2008 recession, adaptability is critical to ensure agents weather any storm and come out on the other side with a thriving business."

Bell, who oversees 17 agents, says

that means being ready for a variety of scenarios—downturns, interest rate fluctuations, local market disruptions, and so on. When you keep your agents informed, you create a strong foundation for them.

"Knowledge is power," agrees Umansky. "It's essential for agents to stay informed on market trends. Subscribe to publications, follow economic factors, know your neighborhoods like the back of your hand, take courses, and attend conferences as frequently as possible so you're building your knowledge and your Rolodex."

Bell worked for a title company from 2005 to 2010 that advised him to deny the market downturn. "We were trying to blow smoke, which wasn't right," he says. He urges brokers to be upfront with agents when the numbers are down. On the other hand, don't catastrophize the market. Look at the numbers from a macro perspective, says Bell. Normalize that the market tends to go from peaks to valleys, he advises.

Here are Bell's and Umansky's tips for powering through any market.

Set Realistic Expectations.

New agents, in particular, need to be ready for dry spells. Bell suggests they estimate first-year income based on three or four transactions—but be prepared to make no money.

Budget Like You're Broke.

Be cautious about spending broker-age money, too. "A lot of brokers spend money before they get money," Bell says. For instance, they'll invest in more office space if they're growing their agent count. He advises hitting target numbers before making these kinds of investments.

Never Stop Marketing.

Even in the most challenging times, don't stop marketing yourself



behind this new approach is that my time is more valuable at my desk, researching and completing my analyses of market data, than in the field inspecting properties. I started calling hybrids “jammie appraisals,” since I could work in my pajamas and still feed my family. This might be my path to becoming a snowbird, with half my time spent in upstate New York and the other half in sunny Arizona!

Disappointment Quickly Set In

However, as I began a process of discovery, which included accepting hybrid assignments while they were being tested, I had more and more concerns. The first hybrid assignment I accepted was in 2019. It was for the purchase of a two-family property; I received a report with photos and data points. However, I did not have the name of the data collector, so I had no way to gauge the person's credibility. If I am taking responsibility in this appraisal process, I need to know the source is reliable and credible and not biased.

I communicated with the appraisal management company's client, asking for the name of the data collector. That simple request turned into a mountain of problems, explanations and arguments—with me needing to educate my client on the Uniform Standards of Professional Appraisal Practice. The result: I discovered the listing agent for the subject property was the data collector. Wait, what?! The listing agent is an advocate for the seller. How can I rely on data collected by a party who isn't acting independently? If I were to do so, I would not be producing a USPAP-compliant appraisal report. I thought my client would understand. I stood my ground and mandated a third-party data collector. I



“I’m working to educate licensees in my market, because I recognize modernization in the appraisal process will continue, and I’m concerned for the safety of the public and our economic risk as a country.”

Becky Jones

even offered to have someone in my office complete the data collection. The AMC declined.

This appraisal took six weeks to complete. It would have taken one week if a traditional appraisal had been ordered and I had been able to inspect the property myself. The harm to the consumers on either end of that transaction was alarming.

Worse, I’ve since gleaned that my story is not unique, and this practice is still the norm. Stories I’ve heard from my fellow appraisers involve data collectors who:

- Were hired online, despite past criminal records.
- Report they are the appraiser and are given one-day MLS codes to occupied dwellings.
- Request repairs for maintenance items, despite the fact that they are not appraisers or home inspectors.

There is a valid public concern for these type of valuation products. Some states, including my state of New York, have taken action. Our AMC license law requires AMCs to hire only licensed or certified appraisers, licensed real estate brokers, and licensed home inspectors. (Even meeting that requirement wouldn't have satisfied my concern about biased data collection.)

Ensuring Safety and Soundness

I’m working to educate licensees in my market, because I recognize modernization in the appraisal process will continue, and I’m concerned for the safety of the public and our economic risk as a country.

In 2019, at the recommendation of the Real Property Valuation Committee, NAR's Board of Directors approved a policy stating:

- Selection of a third-party property data collector should be based

on criteria and due diligence that will assure proper training, liability coverage, and access to necessary data. The individual must be able to provide unbiased information, and there should be enforcement to ensure proper performance.

- There must be transparent disclosure to consumers regarding the bifurcated/hybrid valuation process.
- Accurate data obtained through uniform collection methods must be provided to the appraiser to perform a credible appraisal. The appraiser should be able to communicate with the property data collector as necessary. The appraiser must have geographic competency to complete the assignment.
- USPAP requires the appraiser to determine the scope of work necessary for each appraisal. The appraiser must be allowed to provide supplemental information in the report to address aspects of the assignment necessary to comply with USPAP. All data provided to the appraiser, including the report, must be available for retention in the appraiser's work file.

Takeaways for my fellow members who are selling homes:

- Please ask what type of appraisal or valuation is being completed on your transaction.
- Don't accept a data collection assignment on your own listing.
- Rather than providing one-time MLS codes, please meet the appraiser or data collector at the property. ■

Rebecca “Becky” Jones, AWHI, GREEN, is a certified USPAP instructor. Her company, Upstate Appraisal, is based in Binghamton, N.Y.



BOLD ACTION NEEDED

REALTORS® are tackling supply and affordability challenges to bring down barriers for would-be home buyers.

BY ALEXIA SMOKLER, COLETTE MASSENGALE AND BRENNON THOMPSON



You live with the challenges every day: Low inventory, high prices, and, more recently, rising interest rates have dramatically cut into buyers' spending power. Soaring rents and other factors make it difficult for many people to save or qualify for their first home. Meanwhile, local regulations, combined with material and labor shortages, are suppressing the production of new homes.

Estimates of the housing supply shortage are from 4 million to 6 million units nationwide.

As a result of all these factors, housing

affordability has reached historic lows. As of April 2023, only 23% of listings were affordable to households earning the median income of \$75,000 or lower. Compounding the challenge, America's decades-old housing finance system doesn't meet the needs of many creditworthy borrowers. (See *"The Erosion of Affordability"* on page 13 to learn how affordability has worsened since 1980, and read Barbara Ballinger's *"Housing a Workforce"* on page 16 to learn how communities are addressing the need.)

"We have made it much too difficult to build homes in the places where people want to live."

Jenny Schuetz, senior fellow at Brookings Metro

On the Front Lines

The political and practical complexity of housing production has made it a low political priority for years, but skyrocketing housing prices have finally captured the attention of lawmakers at the state and local levels.

"There's a lot of energy around state-level housing policy at the moment, which is very exciting to see," says Jenny Schuetz, senior fellow at Brookings Metro. She points to Oregon's legalization of "missing middle" housing statewide a few years ago, Massachusetts' new law to create more apartments near transit stations, and efforts by Montana and Utah to make it easier to build "abundant, diverse housing to accommodate the increased demand created by work-from-home."

Mike Kingsella, CEO of Up for Growth, a national network committed to solving the housing shortage through evidence-based research and policy, agrees. "A body of policy is emerging in cities and states nationwide, and we believe that the best approaches combine sticks, carrots and new resources," he says. "All of these offer slightly different models, both in policy design and political framing." (See *"Steps in the Right Direction,"* page 14.)

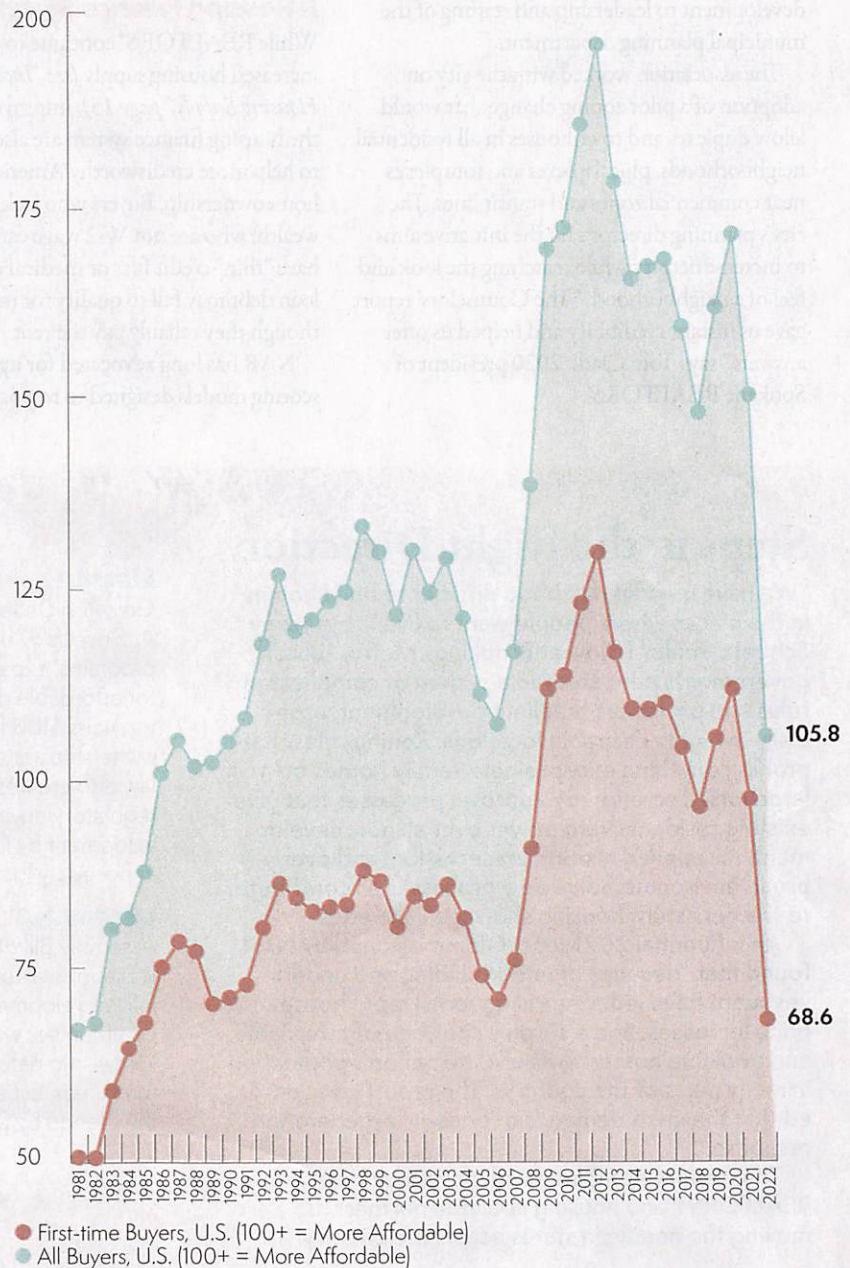
REALTORS®, members of the National Association of REALTORS®, are crucial players in the policy arena. That's because no one is more attuned to the challenges facing buyers and sellers locally. To identify and confront barriers in their market, many state and local REALTOR® associations have found success with the help of community outreach and issues mobilization funding from the National Association of REALTORS®.

In Blount County, Tenn., a zoning proposal before the County Council would have placed severe new restrictions on housing development, increasing minimum lot sizes and eliminating planned unit and cluster development. The Knoxville Area Association of REALTORS® organized to defeat the proposal, mobilizing members to fill the hearing room on the day of the vote with dozens of people wearing REALTOR® blue.

"Overly restrictive zoning regulations are perhaps the single largest barrier to affordable housing both in East Tennessee and throughout the United States," says Hancen Sale, government affairs and policy director with the Knoxville association. "Since most zoning decisions occur at the

The Erosion of Affordability

NAR's Housing Affordability Index measures whether a typical family earns enough to qualify for a mortgage loan on a typical home. An index score of 100 means that a buyer with the median income (using data from the Census Bureau American Community Survey) can qualify for the median home. Data going back to 1980 shows how affordability, particularly for first-time buyers, has eroded, diving in 2022 to a level not seen since the mid-1980s.



SOURCE: NAR

county and municipal level, local REALTOR® associations are on the front lines of this debate, and we have the opportunity to vocally champion the cause of housing affordability.”

With a housing shortage larger than the national average, the Spokane Association of REALTORS® leveraged an NAR grant to fund a study by the Counselors of Real Estate, an NAR affiliate. The result: an 89-page report with a road map of proven solutions for the city of Spokane, addressing everything from in-fill development to leadership and staffing of the municipal planning department.

The association worked with the city on adoption of a pilot zoning change that would allow duplexes and townhouses in all residential neighborhoods, plus triplexes and fourplexes near commercial zones and transit lines. The city’s planning director said the initiative aims to increase density while matching the look and feel of a neighborhood. “The Counselors’ report gave us instant credibility and helped us offer answers,” says Tom Clark, 2020 president of Spokane REALTORS®.

The U.S. Department of Housing & Urban Development released in April a set of best practices for communities grappling with housing shortages (huduser.gov/portal/Policy-and-Practice.html). HUD is now accepting requests for technical assistance to help local governments ensure housing needs are considered as part of their larger infrastructure investment plans (hudexchange.info/programs/tcta).

A Housing Finance System for All


While REALTORS® continue to advocate for increased housing supply (see “*Incentivizing Housing Supply*,” page 15), improvements in the housing finance system are also needed to help more creditworthy Americans attain homeownership. Buyers who lack generational wealth, who are not W-2 wage earners, or who have “thin” credit files or medical or student loan debt may fail to qualify for mortgages even though they reliably pay the rent.

NAR has long advocated for updated credit scoring models designed to responsibly expand



Video: Advancing Homeownership

In NAR’s “Level Up” video series, Jessica Lautz talks with Danielle Blake, chief of commercial for the Miami REALTORS®, and Randy Day, past president of the Utah Association of REALTORS®, about how their associations are taking on affordability challenges, including a shortage of buildable land and restrictive zoning and planning ordinances that inhibit development.

 nar.realtor/level-up/advancing-homeownership

Steps in the Right Direction

“We have made it much too difficult to build homes in the places where people want to live,” says Jenny Schuetz, senior fellow at Brookings Metro. “Local governments have created a system of complicated rules and processes that limit development, especially in highly desirable locations. Zoning rules that prohibit anything except single-family homes on large lots, discretionary approval processes that give existing residents veto power over all new development, misapplied historic preservation, and overly broad environmental review processes all contribute to the persistent housing shortage,” she adds.

An influential 2021 report commissioned by NAR found that “decades of underbuilding and underinvestment have led to spiraling rents, rapid house-price increases, and a chronic shortage of affordable and available homes to house the nation’s population in many parts of the country.” The report concluded that the crisis demands a “once-in-a-generation response.”

That report, combined with advocacy by REALTORS® and housing coalition partners, is moving the needle in states across the country.

Florida

Gov. Ron DeSantis’ Live Local Act invests \$711 million in housing programs, expands incentives for affordable development, and provides \$100 million in homeownership assistance funds. The law also creates a more favorable regulatory environment for development by limiting restrictions imposed by local ordinances.

California

Assembly Bill 68 seeks to streamline approval for multifamily and infill development in existing communities while limiting sprawl into natural and agricultural areas, especially landscapes threatened by fire and flood.

Montana

The state legislature passed a bipartisan bill that, among other effects, would encourage more housing construction.

New York

Gov. Kathy Hochul’s ambitious housing plan was scuttled by suburban opposition to prescribed housing stock increases that would have created 800,000 new homes in 10 years.

Washington

Gov. Jay Inslee recently signed into law several bills aimed at increasing the state’s housing supply, including legislation that will add \$100 to the document recording fee assessed on real estate transactions to fund a reparative homeownership program.

“Buyers have faced a trifecta: historically low housing inventory, home prices that have risen for over a decade, and higher interest rates today than a year ago. The share of first-time buyers has dropped to a 41-year low, the divide between Black and White homeowners has grown to the widest point in a decade, and the share of single women entering has declined.”

Jessica Lautz, NAR's deputy chief economist and vice president of research

mortgage credit for millions of Americans. And late in 2022, Fannie Mae and Freddie Mac announced they would implement newer credit scoring models that account for data such as positive rental payment history and utility payments. Research by the Urban Institute has found that a significant share of Black and Hispanic households whose mortgage applications were denied in 2020 could have been approved if 12 months of positive rental payments were included in the underwriting.

“FHFA’s adoption of FICO 10T and Vantage 4.0 is a major step in toward a more inclusive mortgage market,” says Vanessa Gail Perry, professor of marketing, strategic management and public policy at the George Washington University School of Business. “This will benefit the almost 30% of households with sparse or missing credit histories, thereby removing a major barrier to access to the mortgage market, particularly for Black and Brown consumers.”

Redressing Discrimination and Income Hurdles

With REALTOR® support, some states are taking their own actions encourage homeownership among groups that have been excluded in the past.

Recently, the Washington REALTORS® Association successfully lobbied for a state law that will provide down payment and closing cost assistance to “those who were prohibited from owning a home in Washington because of racially restrictive covenants, or their descendants.”

The program will be funded by adding \$100 to the document recording fee assessed on real estate transactions. In an op-ed in the *Washington News Tribune*, 2023 President Alisha Harrison wrote, “Those who were barred from homeownership didn’t just suffer personally; their children and grandchildren continue to pay the price.” Noting that the biggest predictor of homeownership is whether one’s parents were homeowners, Harrison continued, “As a mechanism, creating a new homeownership account for descendants of those who were denied housing opportunities is simple; as a solution, its effects will be profound.”

Whatever their background, far too many households find the barriers to entry to high. The 2023 president of the Mid-Shore Board of REALTORS® in Maryland, Megan Rosendale, wanted to help local tradespeople and service providers afford to live close to where they work. “All too often, we see electricians, servers and nurses commute long distances, even from Delaware, to work in our local counties” due to affordability challenges, notes Rosendale.

MSBR created the Love Down Payment Grant program for people working in five neighboring counties who want to buy near where they work. Says Rosendale, “What better way to be vested in the local community than if they are living and working in the same place?” ■

Alexia Smokler, Colette Massengale and Brennon Thompson are on the National Association of REALTORS®’ advocacy team, overseeing fair housing policy and programs.



©GETTY/PIXELIFT

Incentivizing Housing Supply

While most of the action on housing creation is at the local and state level, federal policy also has a role to play. NAR has advocated for federal innovations focused on the tax code. These include:

1 Increasing the amount of capital gains a homeowner can exclude on the sale of a principal residence and annually adjusting it for inflation, which would incentivize more owners to sell;

2 Offering tax credits to attract private investment for rehabilitating owner-occupied homes in areas where it is often more expensive to rehabilitate than appraisal values will support; and

3 Creating tax incentives for conversion of unused commercial buildings to residential and mixed-use properties.



©ILLUSTRATION ADAPTED FROM RENDERING BY POOLE & POOLE ARCHITECTURE, GLEN ALLEN, VA

HOUSING A WORKFORCE

Whether you use “workforce,” “attainable” or another term for it, housing that’s affordable to essential workers remains in short supply in many communities

BY BARBARA BALLINGER



For years, the term “workforce housing” has defined a subset of affordable housing for those who earn between 60% and 120% of an area’s median income. Now, the term is losing favor.

Some feel it suggests that those who earn less than 60% of their AMI aren’t part of their area’s workforce. “The phrase has an unfair, exclusive characterization,” says Michael Liu, senior partner and design principal for The Architectural Team (TAT).

Miriam Axel-Lute, CEO and editor-in-chief of Shelterforce, a publication focused on affordable housing, agrees. “It adds a negative stigma to those with lower incomes,” she says. She prefers to call it “essential housing” since many jobs held by those needing the housing are essential to a community such as nurses, firefighters, police officers, sanitation workers and teachers.

G. Kimball Hart, general partner at for-profit Good Works, which builds, owns and operates affordable workforce apartments, puts it this way: “If you get up in the morning and are on your way to work, take one child to daycare, another to school, stop at a Starbucks or other coffee house, and then pick up a prescription at a drugstore, you’ve already come into contact with four

of our residents who keep your community running.” He favors the phrase “attainable housing.”

Those needing the housing earn just a little too much to be eligible for investor-financed tax-credit properties and too little for market-rate housing, and fall into the “missing middle.”

To provide housing for all is more difficult in some states than others. In California, it’s particularly tough due to the high cost of land and construction, along with high interest rates, factors that aren’t anticipated to change substantially in the near future, says Matt Benwitt, an associate with Lee & Associates—LA North/Ventura.


As a result, communities have to muster the resources to provide alternatives, whether through new builds or retrofits. The good news is that more are doing so in spite of resistance from NIMBY proponents. “Many say they want housing for all, just not near them,” Axel-Lute says.

Restrictive zoning ordinances impede the goal of creating affordable shelter for a community’s workforce, says Cheryl Cort, policy director for the Coalition for Smarter Growth, whose goal is to make the case for walkable, bikeable and transit-oriented



Working Guide

For REALTORS® and associations that want to get involved in solving the housing challenges for workers in their community, the National Association of REALTORS® has created “Expanding Housing Opportunity,” a toolkit that brings together guides, resources, and success stories.

 [realtorparty.realtor/
community-outreach/
housing-opportunity/toolkit](http://realtorparty.realtor/community-outreach/housing-opportunity/toolkit)

LEFT: Good Works' Ashburn Chase development in Ashburn, Va., features 96 units divided between two four-story buildings. **BELOW:** Gateway North Apartments in Lynn, Mass., features 71 units for mixed incomes. **RIGHT:** Some workers need special services, which owners can outsource to third parties.

communities in the Washington, D.C., metro area. The group advocates for solutions that bring multifamily housing residents closer to jobs and services.

Financing tools, the municipality and the developer all influence whether affordable units are kept separate or mixed in with market-rate units, says Benwitt. Good Works' Ashburn Chase development in Ashburn, Va., features 96 units divided between two four-story buildings. There are 10 units for people with developmental disabilities, plus a community room, computer room, fitness center and tot lot. Ashburn Chase is part of a larger mixed-income development that represents a collaboration with home builder Toll Brothers and Rockville, Md.-based TM Associates, a developer and property manager. During the recent pandemic, the building's resident service manager worked with tenants to raise over \$200,000 in federal rent subsidies so that unemployed residents weren't evicted, Hart says. The company likes to use Low-Income Housing Tax Credits because LIHTCs count under the Community Reinvestment Act. "This gives banks with a local footprint a big incentive to support attainable housing," Hart says.

John B. Cruz III, whose three-generation Cruz Companies has provided affordable housing and management since 1948, likes to develop housing that sits near but separate from market-rate housing. At its 15-acre Harvard Commons in Dorchester, Mass., 45 affordable townhome rental apartments are adjacent to 54 single-family, market-rate homes, many valued at \$1 million. "Ameni-

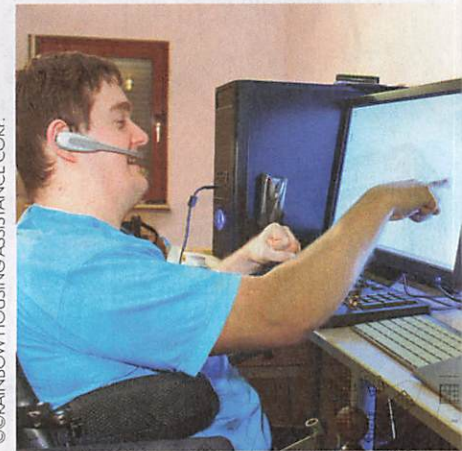
ties here that many [lower-income people] typically can't find in their areas consist of a community center, gym, and child care facility," Cruz says. More important, he says, is that those living in affordable housing are near role models who achieved financial success through homeownership.

Architect Liu has worked on housing initiatives that follow the strategy of mixing incomes in the same building. Gateway North Apartments in suburban Lynn, Mass., features 71 units—53 designated as "affordable," 10 as "workforce" and eight as market-rate units. The building was funded by the state's Workforce Housing Initiative. The one-, two-, and three-bedroom apartments share a gym, community room open to the neighborhood, and patio. The vacant parking lot on which Gateway North was built was chosen in part for proximity to a business and retail hub, community college, commuter rail station and highways. "Being near transportation helps reduce household costs," Liu says.

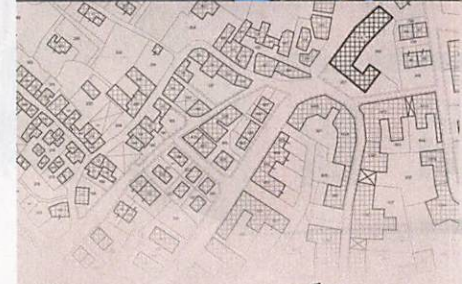
Real estate professionals can educate those who fear that denser multifamily housing may cause house values to plummet, Axel-Lute says. Her organization published a study showing otherwise. Cruz agrees and says that prices continue to appreciate.

In addition, the affordable and workforce category continues to offer good investment potential due to still low inventory and high for-sale prices, Benwitt says. ■

Barbara Ballinger is the author of several real estate books, a former REALTOR® Magazine senior editor and a frequent contributor.



©RAINBOW HOUSING ASSISTANCE CORP.



Programs and Services for Residents

Finding affordable housing is just one of the challenges facing lower-income workers.

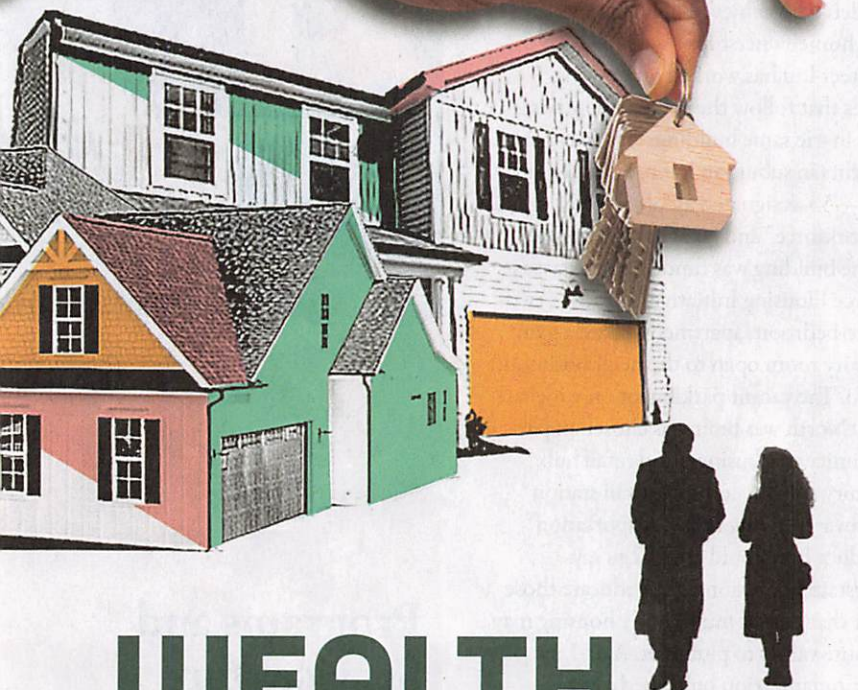
That's why developers often contract with third-party organizations that deliver services and programs to residents. Rainbow Housing Assistance Corp. serves 171 affordable-housing client properties in 20 states, says Executive Director Flynn Janisse. "Owners elect how to help residents. The historical system was to do so in community spaces, but more prefer private access and connectivity," she says. The mixed-income Ashburn Chase development, in Ashburn, Va., uses another third-party service provider, Communities Together Inc., which runs an after-school program, coordinates community volunteers for different programs, and pays special attention to residents with developmental disabilities.



©JOEL HOWE, TAT



HOUSING
FOR ALL



WEALTH BUILDERS

Some developers of color are working to whittle away at the racial homeownership gap. But change is needed in the way projects are awarded and incentivized. **BY FARRAH WILDER**



Since securing its first property in 2019, Shelley Halstead's real estate development initiative, Black Women Build-Baltimore, has helped eight Black women become homeowners through rehabbing vacant and deteriorated homes in West Baltimore. Ten homes have been completed, nine are under construction, and 17 are in the pipeline. Offering the opportunity for Black women to build wealth through homeownership is significant because reports cited on BWBB's website shows that Black women "fall behind in every category of wealth accumulation."

Halstead is among a small, underrepresented group of housing developers—people of color—who are creating homeownership opportunities as they bring more inventory to their communities.

Many of these developers focus on broader community development goals, also offering business and job opportunities for people of color on their development projects and focusing on placemaking and developing commercial spaces that add amenities and business opportunities in neighborhoods of color.

In her book, *Reclaiming Your Community: You Don't Have to Move Out of Your Neighborhood to Live in a Better One*, South Bronx developer Majora Carter talks about the importance of providing homeownership opportunities in historically underserved neighborhoods for people who currently live in those communities. Her concern is that often, the new housing built for lower-income people of color in their communities is government-subsidized rental housing that results in "poverty-level maintenance." This kind of development generates profits for multifamily real estate developers while entrenching inequality and making it even more difficult, over time, for people from these communities to achieve homeownership.

Tanya Stephens, founder of Detroit Vacant Land and Community Development Corp., sees the same thing happening in her market.

"We're not really focused at this moment on the capacity to build new [ownership] homes because we are so focused on ensuring people have basic [rental] housing. We can't get subsidized funding to develop single-family homes for homeowners," Stephens says. Home prices in Detroit are rising as new residents move in, and there is an increasing need to provide housing for low- to middle-income residents. Stephens notes that the city is offering tens of millions of dollars in taxpayer-funded subsidies to build The District Detroit, which includes 695 mixed-income residential units across 10 properties. All of the housing in The District Detroit's properties will be rental units.

Cruz Companies is a 75-year-old construction, development and management firm based in Boston. It was started by John "Bertie" Cruz Jr., the son of emigrants from the Cape Verde Islands. Cruz operates with a goal of building sustainable communities through economic development. Bertie's son, John B. Cruz III, is president and CEO. Fifty years ago, he says, Cruz Companies started building amenity-rich, affordable rental housing in Black and Brown communities but recently completed Nubian Square, a mixed affordable and market-rate housing project with

3 Ways You Can Help

The National Association of REALTORS® has identified, as part of its strategic plan, an objective to “expand D.E.I. priorities to include financial investment into homeownership and intergenerational wealth initiatives in multicultural communities.” Translation: The organization wants to do its part to make the benefits of owning a home more inclusive. Here are ways you can help.

1 Educate decision makers.


Share stories about how racial wealth gaps are related to past housing discrimination and how making it easier to build homes for owner occupants in communities of color can help close these gaps. Discourage local governments from imposing restrictions on incentives for affordable development that severely limit what these homes can be sold for or how much equity owners can keep. John Cruz says such restrictions should go away after, say, 15 years, at which point owners should be able to reap the wealth building benefits of homeownership without restrictions.

2 Promote ownership. Review the funding mechanisms for housing development in your community, and advocate for tax credits and funding that promote not just rental opportunities but also homeownership. When funds require that the housing be built for individuals making no more than 60% of the area median income, Cruz says, building anything but affordable rentals becomes challenging.

Shelley Halstead leverages tax advantages to help keep the homes she works on affordable. “When we buy and rehab, the homeowner gets a \$10,000 grant from the city.” These incentives, in concert, are working to make these houses deeply affordable.

3 Run for office, or support real estate champions of color who are running for office.

Neily Soto, currently a board member for the Massachusetts Housing Coalition, is doing just that: She’s a candidate for city council of Methuen, Mass. Real estate professionals understand markets and the value of homeownership and use that expertise in elected positions to help direct resources and problem solve to create more affordable housing supply for homeowners. The National Association of REALTORS® Candidate Training Academy offers potential political candidates valuable information on how to run successful campaigns.

 realtorparty.realtor/training/candidate-training-academy

homes for sale. Some of these homes, located in a predominantly Black area of Boston, have sold for as much as \$1 million. “I’m extremely proud that we have created a market in the inner city that is attractive to Black and Brown people who were fleeing to the suburbs.”

Halstead attributes much of Black Women Build-Baltimore’s success to her background in carpentry and the organization’s small size—a program manager completes the two-person team. Initially, Halstead had to fund her own projects: “There are other nonprofit developers who look different than me and who seem to have better connections who get more money.” She credits the architects and structural engineers who donated or performed low-cost work for helping her get permits. She now has requests to replicate what she’s doing both around the city and all over the country, she says.

Neily Soto, AWHF, SFR, a broker in Salem, N.H., became a developer after she couldn’t find inventory for her predominantly Latino buyers. Soto, not initially intending to become a developer, attended meetings of development groups, looking for solutions. When she wasn’t hearing of homes in the pipeline that would alleviate the supply-and-demand challenge, she decided to raise capital and go into real estate development.

When Soto found that government funding for real estate development tends to go to large developers, she pivoted and was able to find private investors. To overcome some of the issues that new developers and developers of color face because they are less networked, she proactively attended city council and zoning meetings. “Even if you don’t have a project yet, make sure they are getting to know you,” she says.

She used the National Association of Hispanic Real Estate Professionals’ State of Hispanic Homeownership Report to help secure approval for her projects located in communities in Massachusetts and New Hampshire. “I sent [the report] to the mayors of Lawrence and Methuen, Mass., and requested meetings.

“I do this in certain towns where I know there’s a high need for housing, especially for Hispanic families,” Soto adds. “I pitch the project, and I get a feel, based on their strategic plan, if the mayor and his team are interested.” In the last four years, Soto has completed 12 homes for owner-occupants and has 100 going through the entitlement process in Hooksett, N.H.

Jaebadiah Gardner, a Seattle-based developer of Mexican and African American descent, has also been working to add affordable-home purchase options to his development portfolio. In Seattle’s pricey real estate market, he says, land trusts are the dominant vehicle for developing lower-priced-ownership housing. But land-trust developments, like many shared equity models, can have big drawbacks: Buyers purchase the home but not the land, so their equity is very restricted. “The land trust takes most of the equity, [but my development company] is about building wealth and creating homeownership opportunities in Black and Brown communities.” ■

Farrah Wilder is a diversity and fair housing writer, speaker and strategist and is the former vice president and chief diversity, equity and inclusion officer for the California Association of REALTORS®.



Goal: Sustainable Communities

“I’m extremely proud that we have created a market [for homebuyers] in the inner city that is attractive to Black and Brown people who were fleeing to the suburbs.”

John B. Cruz III,
Cruz Companies, Boston



HOUSING
FOR ALL



©ILLUSTRATION ADAPTED FROM PHOTO BY ABODU

SMALL HOMES HELP FILL A BIG VOID

While typically small in square footage, accessory dwelling units deliver affordable housing at a time of great need.

BY BARBARA BALLINGER



When Kol Peterson added an 800-square-foot accessory dwelling unit on his Portland, Ore., property in 2010, his goal was to rent out his house, live in the ADU and cover his mortgage. He did, and within four years, the \$36,000 yearly rental income had covered the ADU's \$140,000 construction cost.

Oregon became the second state in 2017 to liberalize exclusive single-family zoning laws by requiring ADUs to be allowed. California came first in 2016. Before then, accessory dwelling units were unregulated and often in coach houses, over garages or in a main home's basement or attic.

Peterson, who worked for the U.S. Environmental Protection Agency and Forest Service, became so enamored of the concept that he founded Accessory Dwelling Strategies, a company that helps others learn through classes, his website and a book. Developer and general contractor Eli Spevak followed a similar path and built ADUs through his Orange Splot LLC company. Spevak co-founded

a nonprofit website, Accessory Dwellings; helped change policies to legalize ADUs in Portland and statewide; and co-wrote the guide "The ABCs of ADUs" with AARP.

These days ADUs are popping up nationwide as detached, attached, or in-house dwellings with a kitchen, bathroom and living and sleeping quarters. A total number of units may be hard to peg, in part due to the many names used to refer to them, such as backyard bungalow, guest house, in-law suite, basement apartment, carriage house and bonus unit, says Rodney Harrell, Ph.D., vice president of AARP's family, home and community group. One study from Freddie Mac put the number at 1.4 million ADUs in 2020.

The Need Is Real

Reasons for interest vary but the most prevalent may be that ADUs are making a dent in the country's housing supply shortage. "They're not the only solution but one tool in the toolkit," says developer Denise Pinkston, a



State by State

ADUs are popping up nationwide as a small but powerful way to make a dent in the country's housing supply shortage.

LEFT: The Abodu One ADU features large windows, white horizontal lap siding in an Arctic white color and granite composite shingles.

partner of San Francisco-based TMG Partners and president of Casita Coalition, a Los Angeles-based group whose goal is to increase the number of small homes throughout California. “We’re in favor of finding ways to help people gain a home since the down payment needed has eclipsed the ability of most working families,” she says. Spevak agrees: “They’re a way to build less-expensive housing without public subsidies since they’re often less costly to rent or buy than other neighborhood options.”

For older adults on fixed incomes, ADUs allow aging in place, which otherwise may be difficult, says Harrell. “Our neighborhoods are 80% single-family housing,” he says. ADUs also serve as guest houses, home offices, quarters for grown children and dwellings for natural disaster victims. (ADUs differ from tiny houses, which are under generally less than 400 square feet, often atop wheels, and not permitted on residential properties for the long term.)

Additionally, ADUs can be a way to earn rental income or make a property more flexible as family needs change, says Portland, Ore., broker Aryne Blumklotz of Aryne + Dulcinea with Living Room Realty. Her business partner, broker Dulcinea Myers-Newcomb, added a 458-square-foot prefab ADU on her property to house her father in 2018. It may become a rental to help pay for her children’s college tuition.

Where ADUs Are Taking Off

Since 2000, when AARP issued the first edition of a model state act and local ordinance, more states have adopted legislation that effectively allows ADUs and preempts local prohibitions. AARP’s Livability Index tracks statewide ADU legislation. The index credits California, Florida, Hawaii, Maine, Montana, New Hampshire, Oregon, Rhode Island, Vermont, Washington and the District of Columbia for having legislation that encourages or supports ADU development.

California started by allowing conversions of existing structures with a building permit, regardless of local zoning laws. Over time, it removed such barriers as owner-occupancy requirements, homeowners association prohibitions and limited parking requirements. It reduced fees and finally permitted state-allowed freestanding ADUs in a yard of a single- or multifamily site, regardless of

For clients who are thinking about constructing an ADU or buying a home with an ADU, there are many considerations—from what’s allowed locally to what effect the unit will have on their property taxes and value. You can help by building your ADU knowledge.

local standards, says Pinkston. It also allowed ADUs in unused areas of multifamily buildings like attics or bike rooms.

“In just a few years and through a pandemic that slowed other housing types, the California results have been impressive,” Pinkston says. “More than 65,000 ADUs have been added across its cities, suburbs and rural areas, all starved for workable housing options.”

TOP: This Abodu Dwell ADU features Bosch appliances, white oak floors, Marvin windows and built-in storage. **BOTTOM:** The Adobo One kitchen has full-sized appliances, a hanging pendant light and large windows.



© ABODU



© ABODU



©DULCINEA MYERS-NEWCOMB



©JACK DONAHUE, PORTLAND PICTURE



©BUILDINGANADU.COM

**California is leading the way,
with 20,000 permits in
2021, up from 2,000
five years prior.**

CLOCKWISE FROM TOP LEFT: Broker Dulcinea Myers-Newcomb's 458-square-foot prefab ADU has a front deck that connects to the main house; a one-bedroom detached ADU in northeastern Portland, Ore., has lots of glass to make it look larger; one of three 700-square-foot ADUs, completed in 2015, along with three primary homes on adjoining lots in a southeastern Portland, Ore., development. Page 23: Myers-Newcomb's small ADU was planned as a home for her father, in 2018.

Challenges

Despite progress, many locations still wrestle with challenges and look to areas that have found solutions. Among the top challenges: streamlining the permit and approval processes, NIMBY resistance and officials worried whether their areas have sufficient sewer, water, power lines and parking if density increases.

California streamlined the process by requiring permit approval within 60 days. Los Angeles went further: The city offers preapproved plans so permits can be OK'd the same day, says Jennifer Svec Williams, legislative advocate manager at the California Association of REALTORS®. And more changes keep coming. This past January, California approved two-story ADUs in some cases and greater flexibility regarding where ADUs can be sited.

And even while some municipalities wait to see what their state does, others push forward to alter their own ordinances. Chicago's City Council gave the green light on May 1, 2021, to a pilot program in five zones after decades of not permitting them, says Hunter Andre, broker and director of agent development at Baird & Warner's Lincoln Park office in that city.

"Chicago has become a more expensive place to live with fewer spaces to build. Existing properties can be maximized and monetized by building an ADU," he says.

Other Considerations

Those seeking to build ADUs also need to consider:

1. Funding.

ADUs are less expensive than primary homes but not cheap. To date, there are few conventional financial products available to build ADUs. Homeowners who want to build on their property can talk to a lender about qualifying for a home equity line of credit, cash-out refi, or renovation-style construction loan, says Pinkston.

Most lenders won't count future rental income as part of a homeowner's income stream to build it and may require two years of residency for a construction loan. "It's not easy for many if they don't have personal savings or a home equity loan," says Harrell.

To help, some companies such as Abodu, a California developer that partners with



Doubling Up

Abodu Head of Brand Tom Roche calls ADUs a way to add "gentle density."

modular builders, work with businesses that offer low-interest loans. It also handles permit approval, financing, design and installation. Some states offer the option of converting ADUs to condominiums, which makes them eligible for conventional mortgage and insurance products, Pinkston says.

2. Size and placement.

The typical size of an ADU is between 800 and 1,200 square feet. However, California gives local governments flexibility to establish ADU square footage requirements, provided the maximum is not less than 1,000 square feet for an ADU with more than one bedroom, says Svec Williams. ADUs must be set back from lot lines, often matching setbacks that apply to the main house, says Spevak. In California, it's four feet. Height is also restricted. In California, it's 16 feet, unless a home is located within a half-mile of a major transit stop or high-quality transit corridor or on a multifamily, multistory parcel; then it can reach an 18-foot-high maximum, says Svec Williams. In some areas, ADUs can be two stories tall, Spevak says.

As regulations are revised, some states and areas are permitting more than one ADU on a site. California now allows two. It uses the new acronym JADU for the junior one, which must be under 500 square feet and attached to the main home. Portland, Ore., and Seattle allow two by right.

3. Stick-built or prefab?

ADUs are more commonly stick-built in California, while prefabs represent 15% to 20% of the market there, Peterson says. Myers-Newcomb's prefab ADU took between seven and eight months to build, versus the typical two to three years for stick-built. Costs vary. The least expensive ADU Peterson is aware of is Wolf Industries' \$110,000 turnkey prefab. The average cost to erect a stick-built ADU in Portland, Peterson says, is about \$250,000; in California it's about \$350,000. Abodu offers several models, starting at \$228,000 for a 340-square-foot ADU and \$400,000 for a two-bedroom, 610-square-foot design, including installation, says Tom Roche, head of brand. At showrooms in Redwood City, Calif., and Los Angeles, customers can tour models.

©DULCINEA MYERS-NEWCOMB



And entrepreneurs continue to enter the market. PrefabPads LLC started manufacturing the MyCabin brand modular homes at its Waukegan, Ill., factory last August; its 450-square-foot model costs \$150,000, says co-founder and CEO Hemang Mehta. Boxabl's "house in a box" that unpacks in an hour is generating buzz, especially since Elon Musk reportedly bought one. New ADUs reveal more stylistic variations. Many built from scratch mimic the main house, while many modular companies favor a Scandinavia-meets-Dwell magazine modern vibe or regional vernacular such as Southwest casita or Portland Craftsman, Spevak says. Harrell cautions buyers to check that their area will approve a prefab design, since not all do.

4. Value.

An ADU will generally increase real estate taxes and appraisal values, though the latter is hard to calculate in advance due to insufficient comp data. Myers-Newcomb advises clients not to expect an ADU to increase a home's value since not all buyers may want one. She also warns homeowners not to expect immediate ROI. However, in the short term, an ADU can be monetized through rental income to owners, Andre says. More good news, Harrell says, is that there's no evidence they hurt property values.

Putting one in every single-family homeowner's yard, Roche says, would be a great way to add "gentle density." ■

Barbara Ballinger is the author of several real estate books, a former REALTOR® Magazine senior editor and a frequent contributor.

3 Steps You Can Take

1 Research. Read Kol Peterson's book *Backdoor Revolution: The Definitive Guide to ADU Development*, or buildinganadu.com. Peterson also offers classes that provide his ADU Academy's certification. "Certification has been a powerful marketing tool for our team," Portland broker Aryne Blumklotz says. From AARP, you can download "ABCs of ADUs" and "Accessory Dwelling Units: A Step by Step Guide to Design and Development."

2 Use your MLS. Chicago broker Hunter Andre has found more buyers search for homes with an ADU. "Make them aware of the availability of a potential house purchase that has an ADU by including that information in listings," he says. If it doesn't yet have one but your city allows them, apprise buyers of the potential by adding "ADU potential," Blumklotz suggests.

3 Engage. Help increase ADU numbers by getting involved in planning groups that seek infill development such as ADUs. "Encourage others to join you," says San Francisco developer Denise Pinkston.



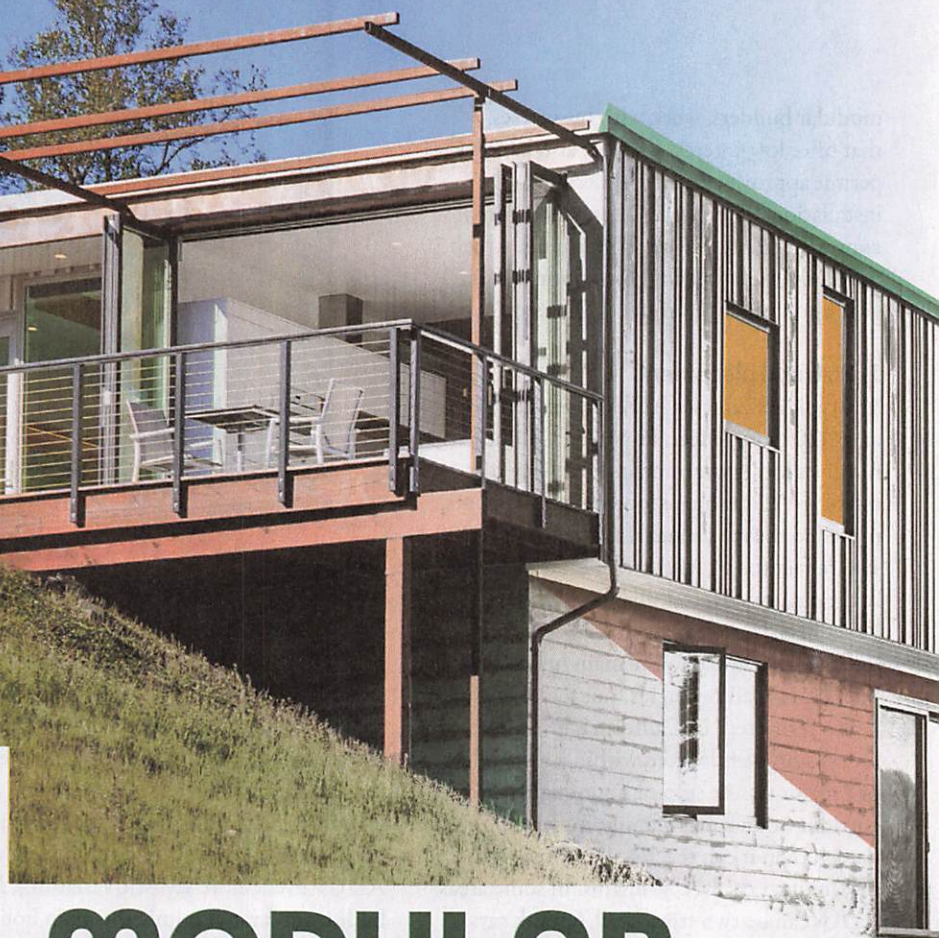
HOUSING
FOR ALL

ILLUSTRATION ADAPTED FROM
PHOTO BY ED CALDWELL



© ED CALDWELL

Using modular construction, Alchemy created a resilient rebuild for a family that lost a home in a California wildfire. The same techniques can help communities deliver higher-density housing to areas where affordable inventory is in short supply.



MODULAR STACKS UP TO STICK-BUILT

As a way to deliver quality housing faster, communities are embracing modular options.

BY BRENNON THOMPSON



There have never been more options available in home building than there are today, and yet site-built construction remains the predominant method of building single-family homes. According to analysis from the Urban Institute, site-built (also known as stick-built) construction accounts for 97% of new single-family homes. In fact, over the last two decades, factory-built homes fell from 5% to 3% of single-family home production, peaking just before 2008.

Despite this trend, factory-built homes—also referred to as prefabricated, or “prefab,” homes—offer unique opportunities to address the nation’s housing supply challenges. “Factory-built has the potential to not only increase supply but also solve the implied



The Santa Rosa, Calif., home is essentially two boxes. A public box includes a living room, dining room, and kitchen. A private box, not shown, includes two bedrooms and two baths.

©ED CALDWELL



©ED CALDWELL

mismatch,” says Michael Neal, principal research associate and equity scholar at the Urban Institute. The mismatch Neal refers to is the difference between what’s being built and what area households can afford.

“Prefabricated houses are the best-kept secret in America,” says Sheri Koonen, a prolific writer on the variety and value of prefab homes. Koonen regularly encounters a general lack of knowledge and prevalent misconceptions among consumers. Prefabricated homes encompass several different types of factory-built housing, including modular, panelized and pre-cut. A distinguishing factor among prefab methods is the degree of assembly before the pieces arrive on site. Panelized and pre-cut packages require more assembly, whereas modular units are nearly complete.

One common confusion is the difference between modular and manufactured homes. While both modular and manufactured homes are assembled in factories, they are built to two different codes. Manufactured homes, previously called “mobile homes,” are built on permanent metal chassis in compli-

ance with the federal Manufactured Housing Construction and Safety Standards, also called the HUD code, which preempts state and local codes. Modular homes are built to the same International Residential Code, or IRC, as site-built homes and must conform to state and local regulations.

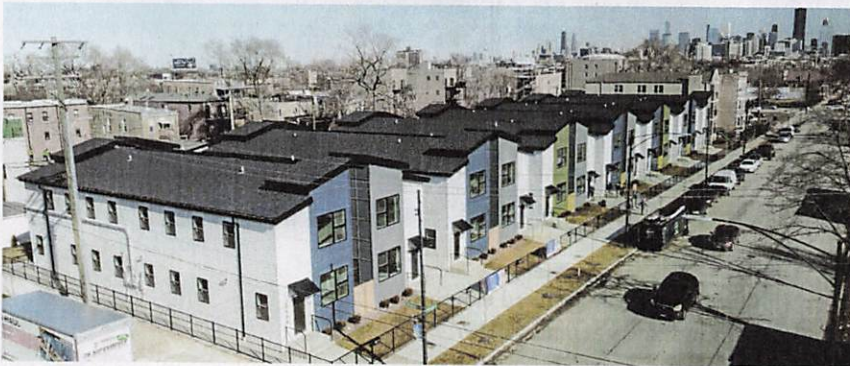
Modular homes are being built and delivered across America. “We’re designing houses for literally all around the country,” says Geoffrey Warner, principal architect and owner of Alchemy, based in St. Paul, Minn. In Chicago, Joshua Braun, founder and CEO of Kinexx Modular Construction, observes that “modular has been very popular on the West Coast. Primarily what has been driving modular is really the cost of land and the cost of construction. I think that people are starting to realize that modular makes sense because we’re experiencing labor shortages across the country.” Koonen shares similar data: “It’s very popular in Washington, Oregon, California. A lot in New England ... not so much in the South, where there is cheap labor.”

There is a surprising diversity in modular’s



Myth: Lower Standards

Modular homes are built to the same International Residential Code as site-built homes and must conform to state and local regulations.



Developed in partnership by Fain's Development and Structured Development, The Harrison Row Townhomes in Chicago employed Kinexx modular construction to complete work that had been mired in delays.

suitability for different sites. The suburban environment is an obvious application, but builders have had success with narrow urban in-fill and large commercial developments. Modular construction offers advantages for rural and remote sites, too, including islands, and has found a niche in off-grid designer dwellings.

'An Engineered House'

Modular housing's defining characteristic begins with design, Warner says. "It's box space as opposed to, say, barn space. Modular is basically saying, I'm going to build all these rooms, finish everything outside and inside as much as possible and stick that on a truck—a small house made either from one box or multiple boxes."

Consumer demand for prefabricated homes is hampered by stigma about quality

and customization. "People assume that because it shows up in pieces, the quality is less than" a site-built home, Braun says, "and that's actually completely the opposite."

"Most of my colleagues would agree that modular homes are actually a superior product because you're getting an engineered house," Braun adds. "Imagine your home. Now attach a crane to it, pick it up, shake it around, and then put the whole thing back down. That's essentially what a modular home has to endure. Every modular builder makes some semblance of a box, and the box has to move around the shop, be put onto a truck, driven down the road, and then be put onto the foundation by a crane. In order to maintain the rigidity of the box, it has to be engineered to withstand the rigors of transport. We build a two-story home, and our same material could be used to build a 15-story building."

Working in a factory has its advantages. Builders can control variables that could compromise and delay site-built construction. "Because we're building in a controlled environment, our material, our homes, don't see a drop of rain on the inside," Braun said.

Greater Sustainability

A tight building envelope is critical for energy efficiency. "When a house is being built

on-site, it's built from the outside in because it needs to be closed up," says Koones. "You have a chance that the wood could get wet, and at some point, it's going to turn and twist. That makes a place where air can infiltrate. Modular houses are built from the inside out and all of the components are kept dry."

Modular construction, by process and design, lends itself to greater sustainability than site-built construction, Koones says. In addition to a tight building envelope, the factory-floor environment allows for more insulation to be packed into walls, roofs, and everywhere in between. "When you build from the inside out, you have an opportunity to put in more insulation, around all the outlets and everything," Koones said. A highly insulated home is a passive strategy to save on energy costs over a lifetime.

Proponents say precision building on an assembly line also reduces waste during construction.

Speed and Savings

The primary benefit of factory-built construction is efficiency. "Your workforce is all going to this one place every day," Warner says. "Your kit is right there, and you can take advantage of industrial machinery."

"Our goal is 90 days or less," says Braun. "We build a home in about 7 days; our homes are 10 modules each; we deliver each in typically about 6 hours. Then it typically takes us 45 to 60 days to finish it on-site."

While a custom modular home isn't necessarily cheaper than a stick-built one, the opportunities for savings multiply with volume-based building. "In our first full year of operation, we delivered 43 affordable homes in the city of Chicago," says Braun. "These are neighborhoods that desperately need housing on the South and West sides."

Kinexx was tapped by Structure Development and Fain's Development to complete the Harrison Row Townhomes project on Chicago's West Side after the first seven stick-built townhomes were mired by delays and cost increases. In quick time, Kinexx delivered 28 duplexes with three to four bedrooms each at a sale price of about \$245,000, compared to Chicago's median \$315,000 home price.

In Koones' latest book, *Prefabulous for Everyone*, she addresses America's housing shortage head-on and profiles a wide variety of homes to illustrate the possibilities of prefab solutions.

One home she describes, the Ashford



©STRUCTURED DEVELOPMENT



©STRUCTURED DEVELOPMENT

The three-bedroom Harrison Row townhomes showcase Kinexx's mission to help developers deliver affordable housing with good design.

Weehouse, designed by Geoffrey Warner, is a resilient rebuild of a family home burned in a California wildfire. The artistic three-modular-unit house was designed with future fires in mind and features fire-resistant exterior elements.

Braun knows that "Stick-built buildings are never going away." But for modular to succeed, consumer education must be a top priority, and land use regulations and construction financing will have to adapt.

"After working on this for 25 years, it's not a panacea, but it does have utility," Warner agrees. "I think we can eventually make a difference in terms of how housing and buildings, in general, are produced." ■

Brennon Thompson is a fair housing policy and programs analyst for the National Association of REALTORS®.



Myth: Lower Cost

The speed and efficiency of factory-built housing offers opportunities for cost savings, especially at scale. However, individual buyers shouldn't expect that a comparable prefab house will be cheaper than a site-built house.