



REAL ESTATE RESEARCH CASE STUDIES

October, 2001

AFFORDABLE HOUSING CRITICAL TO ECONOMIC DEVELOPMENT

Maxfield Research's Insight

Maxfield Research has over 18 years of experience in market research. The expertise we have gained throughout the years enables us to offer solutions to the many issues cities & developers face. The relationship we develop with our clients is a critical component to the success of our approach to housing research and allows us to serve as a source of direction and information during development and planning.

Our involvement in the housing industry allows us to support our clients with valuable information regarding regulations and industry news that affect planning and development.

We also have the insight to determine viable solutions to the issues inherent to planning for growth. We provide research for smart development.

If you do not wish to receive future newsletters, or if they should be sent to others in your organization, please contact Vicki Perilla at 612.904.7967.

The lack of affordable housing has emerged as one of the most critical issues facing the Twin Cities. While individual cases of persons unable to find housing are well documented, very little is known about the impact that the lack of affordable housing has on the Twin Cities' economy. Last year, Maxfield Research began a joint-study with GVA Marquette Advisors examining the relationship between housing that is affordable to the typical worker in the Twin Cities (termed "workforce housing") and the ongoing vitality of the region. The study, titled Workforce Housing: The Key to Ongoing Regional Prosperity, has been completed and can be found on the Internet at www.fhfund.org

The study found that most of the current job openings and the majority of existing jobs in the Twin Cities pay workforce wages or below. The Twin Cities' economy depends to a great extent on workforce housing construction. The current situation in the workforce housing market - a low vacancy rate, low housing production levels and rapidly-rising housing costs - leaves the Twin Cities in a poor position to

accommodate new economic growth which will require housing construction for workers moving here from outside the region.

While the development of workforce housing has been limited during the last decade, we found that the private market would have strong interest in addressing this shortage if it were financially feasible. If there was a greater financial commitment from both the public and private sectors to develop this housing, it could lead to a tremendous gain for the regional economy.

Devoting money to housing is an investment that lasts for decades. Housing construction brings new households into a market, helps employers more easily attract workers and creates a larger base of consumers for retailers. Once the task of construction itself is done, these benefits last as long as the units are maintained and desirable to the market.

Since 1983, Maxfield has been helping cities and municipalities throughout the upper midwest plan to meet their housing needs. If you would like information on how Maxfield can help you make your planning decisions, or if you would like to be excluded from future editions of Maxfax, contact Jay Thompson at 612.904.7973.