



## **Demand increases for transit-oriented workforce housing: Opportunities for investors and renters - by Ron Kutas**

October 01, 2019 - Owners Developers & Managers

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In June, NYS passed the Housing Stability and Tenant Protection Act of 2019, a far-reaching effort to expand the scope of rent regulations. The impact has been swift and dramatic. In addition to the long-term effects on the NYC rental housing market, the act has prompted a broad shift among investors who previously had been considering allocating capital in New York. These investors have shifted their focus to other locations, many seeking opportunities in the greater New York metropolitan region and throughout the northeast, including Pennsylvania, New Jersey, and Connecticut.

This is a sound strategy, and one that is likely to continue, as the demand for rental housing has increased significantly during the past decade. To begin with, many more middle-class workers and families are renting after being priced out of purchasing a home. Student loans, other debt, and wages that don't match increased living costs are among the long-term impediments to homeownership. Culturally, younger generations prefer the flexibility and convenience of renting, and an increasing number of young people are delaying marriage and living alone for longer periods of time. At the other end of the age spectrum, baby boomers and new retirees are downsizing from large suburban homes and moving to more dynamic areas seeking a sense of community and activity. Transit-oriented rental housing is low maintenance and increases access to cultural destinations like museums, nightlife, performances, and restaurants.

In the New York region, demand for affordable workforce housing remains very strong. This area is significantly more expensive than other parts of the country, and nearly 30% of renter households in this area are severely rent-burdened, spending more than half of their income on rent. According to the Harvard study, the median renter income in this metro area is \$45,100, and the median monthly housing cost is \$1,350. High-cost housing markets like NYC and Philadelphia have forced middle-class workers to expand their housing search to transit-friendly areas in New Jersey and other neighborhoods and towns. While New Jersey too struggles to meet demand, the state has significantly more affordable workforce housing options than NYC.

The cost of land and construction makes it nearly impossible to provide significant affordable

housing. However, buying older buildings and launching significant renovations allows investors to offer rents that are accessible to the middle class without using subsidies or Section 8 housing. One Wall Partners has a track record of purchasing and repositioning older buildings in New Jersey, Pennsylvania and the broader Mid-Atlantic/Northeast Region. These types of properties are attractive short- and long-term investments as they offer convenient commuter options and are located in communities with access to shopping, dining, and entertainment. This creates attractive affordable workforce housing in communities that are close to employment centers and that offer vibrant local community experiences.

Ideal One Wall targets are market-rate properties that are naturally affordable to occupants earning 60-120% of area median income and are located in diverse communities that will remain in high demand as workforce housing. Properties that combine a central location, easy access to transit, value and fresh design choices are powerfully positioned to attract renters. Properties with a well-maintained environment that offer shared green spaces, as well as pedestrian and bike paths, are preferred. This is the type of housing that attracts younger renters, and in many larger urban areas, there are many residential properties located in the center of existing retail and entertainment options. Combined with technology-based conveniences such as easy shopping, food delivery, and ridesharing options, these amenities turn the traditional image of the suburbs on its head, increasing the appeal of neighborhoods on the outskirts of major cities.

The market dynamics in support of workforce housing in markets with access to employment and entertainment clearly favor existing workforce housing. An investment in these properties creates enormous opportunities for renters and investors alike.

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