



Who Will Do Needed Research in the Housing Industry?*

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The housing industry faces some long-term issues that should be addressed either collectively or on an individual company basis or it faces the prospect of being unprepared for changes imposed upon it either by the government or by the marketplace and the country's changing demographics.

It can be argued that the three most successful public relations programs in the history of American business are those for cigarettes, automobiles and single family residences. Two continue, but with increasing pressure. One has finally failed.

Cigarettes banked on a physical addiction and used campaigns that romanticized those who smoked, provided free cigarettes to military personnel and persuaded the government to include them in military rations, utilized media for propaganda emphasizing the comforting benefit of smoking, and other emotional devices. That campaign ultimately failed because those opposed produced reams of medical research that ultimately successfully challenged the less robust research of the tobacco companies.

Cars represent a mechanism to escape into a "road trip" that epitomizes the forever American belief in the endless possibilities quest that we carry as a nation. Car companies persuaded the government to pay for the road system, the lifeblood of the industry, and in so doing reduced the importance of their major competitor railroads who did not get that subsidy. No amount of tallies of road deaths has had any effect, although recent research by the government into safety has had some impact.

Single family homes received the most significant boost from an intentional campaign by the housing industry post WWII and later by the GSEs to promote single family residences as the American Dream. The acceptance of that motto and government support for single family housing as a "right" of Americans has fortified the subsidization of the program. The stickiness of the GSEs in conservatorship reflects that attitude of our elected officials.

The changing world for the housing industry

More and more Americans are living in more tightly populated Metropolitan areas. While it appears that trend will continue, there remain some questions about that, and further research is needed. Similarly,

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the debt level of many of the younger college or professional graduates living in those areas is substantial, much more substantial than in previous decades, and the prognosis is unclear on whether that is a situation that will continue during the next decade. While the population continues to increase, that increase is most profoundly seen in the immigrant groups, not in the longer established groups in the country, and it is unclear that the number of children per capita will continue to support increased housing needs. “Family” appears to be losing its traditional definition of a man and a woman and children in one abode, and divorce and separation rates remain high. Single family parenting is becoming more common. The concept of very small living quarters is obtaining some adherents. Persons who lost money on single family housing in the last downturn are now more cautious on committing large sums of the assets to a single family residence. No good research has been completed that shows definitively where those trends will head in the next decade, but it is difficult to see any major changes on the near-term horizon.

Suburbs are being divided into in-close and ex-burbs, but one phenomenon developing is the proliferation of high-rise or low rise complexes in both areas. The pressures seem to be great to drive more and more Americans into urban life, and in so doing, into multi-family buildings and complexes.

In addition, even in rural areas, various kinds of multi-family complexes are being developed to house the declining and aging population.

On the subsidy side, the Federal Government is the government that provides most of the support for the single family housing industry, and it continues to be under pressure to reduce its spending and to do something about the perpetual deficit in its budget, while still spending money on new programs that seem necessary. Soon, serious questions will have to be addressed on costs associated with major entitlement programs, and hard choices among good programs will have to be made. The risk, of course, is that subsidies for single family residences will have fewer supporters than in the past.

On the regulatory side, the government has begun to speak more clearly and its actions have made it harder for single family housing to receive the kind of funding it has received in the past from the private sector. Regulations have become expensive, reputations are at risk for violations, and because of continually bad mouthing by regulators over events over a decade ago, litigation has become serious enough that avoiding it has become a topic in board rooms. The returns on investment in the industry have been reduced to modest levels at which mistakes cannot be accepted.

Research will be done on industry issues — who will do it?

As the government faces the need to make hard choices on some of the major issues ahead, someone will provide the research to those making the decisions and part of that research will be on these issues that make the most difference to the housing industry. Realistically, there are only two choices for who will do the research: the government or the private sector.

The private sector consists of academic and think tank consultants who have particular interests and objectives in their research. Many are very good and their research is given great weight. In addition, a few trade associations have limited research capability and have developed solid reputations. Activists groups have been well funded by non-profit foundations during the past number of years and are producing papers that seem well-sourced and considered, based on their perspectives. Some institutions themselves have one or more professionals who are engaged in trying to determine future developments through consideration of variables even though they operate in departments of the institutions seldom called research departments.

At the government level, there is a bit more focus because there are not competing entities doing competing research, or if so, only a few. The legislative branch with the CRS and CBO, and the independent

administrative agencies such as GAO, seem to have the ability and resources to focus on an issue and make a single report. While sometimes there is a divergence between them on one or more topics, that divergence is usually around one or more identifiable issues and choices can be made by the readers. Some agencies of the executive branch have research capabilities or find themselves with funds to support outside research on topics of their choosing. CFPB seems to want to be a data driven agency and as such, one in which serious research could occur. As with any research, however, the question asked of the government researchers will drive the results.

The housing industry should consider collective efforts to conduct meaningful research on key issues

On the private sector side, industry leaders might want to consider viewing research on basic issues effecting single family housing as a matter that warrants collective action. Whether that is in the form of prioritizing key issues and farming them out to existing research entities; creating a select group of researchers in a joint venture of some kind; funding one or more of the existing trade associations; or through some other means is not critical. What is critical is recognizing the need for focusing on these issues as an industry and not leaving the research on them to others. At the end of the day, what the research will conclude will be influential with those making ultimate determinations governing the industry.

While something as grand as a National Institute for Housing modeled after one of the NIH institutes is probably a bridge too far, gathering key thinkers together in a structured way and for some duration does not seem impossible. Currently, those kinds of efforts occur, but only for a long weekend in a nice vacation spot or in similar ways. That probably won't get the job done. As in any forward looking effort, there have to be leaders who see the wisdom of action, the danger of inaction, and the ability to organize such an effort.

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