

# New Broadband Deployments for New Housing? Yes – but Don't Believe Everything You Hear.

Despite high housing prices, the nation is building lots of new housing where it is needed. Young folks can't get mortgages, so rental prices spike. It's ugly. The upshot? There are still great opportunities for broadband deployers.

By Steven S. Ross / *Broadband Communities*

**I**n my last three columns, I concentrated on supply issues. Where will deployers get affordable funds to match abundant federal aid? Where will they get supplies such as fiber and electronics? Where will they get the labor to put things together on the ground?

Now it's time to talk about demand and what it looks like. Indeed, starting in mid-March, deployers and federal staffers who have been calling me added the market to their concerns, although as of mid-April, labor and materials supplies still topped their issues lists.

Deployers' view of demand shapes what they plan to build soon. It also shapes planning for the more distant future. Forget the rosy projections of the National Association of Realtors, which says 5 million new homes are needed right away, or of the venerable CBS news show "60 Minutes," which said in March the U.S. needs 2 million and fretted that not enough of the homes would be owner-occupied.

Forget the sweeping statements in countless studies by academic economists who say millions of millennials must live somewhere. Here's what's known:

- **Housing Starts:** So far this year, housing starts are running at a rate that could lead to about 1.8 million new homes in 2022. That's higher than in any year since the housing bubble burst and started the Great Recession in 2007.
- **MDU Permits, Construction:** Permits and construction of new multiple-dwelling-unit (MDU) buildings have

been more robust – at all-time highs for the country as a whole – for a decade. I collect and report detailed MDU data by metropolitan area in the **BROADBAND COMMUNITIES** October issue each year (last year's is at [www.bbcmag.com/pub/doc/BBC\\_Oct21\\_MDUBuildings.pdf](http://www.bbcmag.com/pub/doc/BBC_Oct21_MDUBuildings.pdf)), mainly because new MDUs are an attractive target for broadband deployers. Building fiber networks in them is relatively inexpensive per unit and, in good economic times, there's little worry that apartment units will remain unoccupied for long. MDUs have accounted for a third or more of all new dwelling units, although only a quarter of existing housing is in MDUs.

- **Rental Building Construction Rises:** Most MDU construction has been in rental buildings. That's terrible for young folks starting out (it cuts availability of housing for purchase and thus wealth-creation long-term) but great for deployers (MDU builders and owners are usually easier to work with than are homeowner associations).
- **Wall Street Financing:** A new phenomenon is the invasion of the single-family housing market by Wall Street (non-local-bank) financing. A third of new and recently built single-family homes are now rentals.
- **Housing Demand Cools:** Continued housing demand may cool because of demographics alone, independent of inflation, economic growth or retreat. In 2021, the country had almost zero population growth – 0.1 percent, which is the lowest in U.S. history. Some of this is due to a reduction in immigration. Some is due to an economic

“echo” that started in the early 1970s when annual births dropped from around 4 million a year in the U.S. to as low as 3.4 million. Starting in the early 1990s, that led to fewer people entering the workforce, forming households and having children of their own. That, in turn, led to fewer high school graduates lately. College admission offices have noticed, although college professors of economics, as noted, generally have not.

To be clear, low birth rates now mainly affect demand for housing 20 years from now. But low immigration rates affect labor shortages and household formation directly.

As noted in past columns, inflation and economic growth are worldwide phenomena. In political terms, President Biden can take little or no credit for the banner economic growth of 2021 and should take little blame for rising energy and food costs or shipping congestion that tied up U.S. ports starting last fall and is tying up Chinese ports now. Labor shortages have also raised wages for the “low” end of the workforce. Is this really bad?

Mortgage availability for young workers is not entirely an issue of tight money or lack of down payment, either. Student loan laws since the mid-1990s do not allow such loans to be discharged in bankruptcy. That means banks that loan money for mortgages can expect more borrowers to walk away from mortgages if housing prices decline or the economy shrinks. That’s what happened when the housing bubble burst in 2007.

Should student-loan bankruptcy be allowed again? When it was, sham defaults were shockingly standard. Progressives sidestep the issue by saying all loans should be forgiven – all \$1.5 trillion. I’ll stick to broadband, thank you.

#### DEPLOYERS’ TO-DO LIST

All that said, here’s what deployers need to do, at a minimum:

- **Focus on Local Knowledge:** Deployers and housing builders

have specialized local knowledge. Rather than listen to rosy or pessimistic regional or national predictions, use it. The low-birth echo and immigration restrictions, for instance, may lead to lower local supplies of workers. How’s the labor market in your functional areas?

- **The Wall Street Factor:** Deployers who have been ignoring Wall Street or small investors owning local, single-family rental housing need to pay more attention to whom their actual “customers” might be. That attention should also extend to new housing units in old buildings, a common (but almost untracked, nationally) phenomenon now in cities and near-city suburbs.
- **Local Statistics:** Assemble local statistics. The real estate folks and bankers do it anyway – and usually share. As broadband adds to property values, there are different

reasons for getting deployers involved. Most large communities have a regional business publication that focuses on real estate.

- **Reveal Broadband Plans:** Tell prospective financing sources what you know about geographic areas where you want to deploy broadband. It helps them think more highly of you, and they get to know you.

Have other ideas and things worked for you and your organization? Now is the time to let me know. ❖



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