

Lack of housing stock, tough regs, tight workforce impedes Metro East homebuilding market

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EDWARDSVILLE - The surge in commercial development across Edwardsville and Glen Carbon is offset by a prolonged lack of new housing stock, and regulatory barriers to development are likely keeping home builders and buyers from owning rather than renting.

National Association of Realtors Chief Economist Lawrence Yun, Ph.D. told a roomful of real estate professionals on Dec. 12 that factors such as workforce scarcities, impact fees and local zoning restrictions are barriers that translate into disincentives for residential developers and builders nationwide and in the St. Louis region.

“We are in a rare situation nationwide where there are actually more job openings than people looking for jobs,” said Yun, “and this is evident in the homebuilding industry where there are severe shortages in carpenters, welders, electricians and plumbers. In

addition to workforce shortages relevant to new home construction, excessive municipal fees and regulations imposed on developers are driving builders from markets where adequate housing inventory is in great demand.”

According to Madison County Planning & Development, building permit fees – namely utility tap-on fees and permits – for 10 municipalities in the county add anywhere from \$2,165 to \$12,165 onto the price of a new home, with Edwardsville’s and Glen Carbon’s total fees per home ranking as the highest. The Village of Glen Carbon recently enacted a one-year moratorium on the school district impact fee, effective Jan. 1, but as a whole impact fees remain a deterrent.

New home starts in Madison County year-to-date, according to MarketGraphics Research Group data, total 183, 5.2 percent lower than all of 2017 and 32 percent down from 2016. In St. Clair County year-to-date, new home starts total 256 as compared to 261 in 2017 and 327 in 2016. Monroe County stats reveal a total of 57 new home starts year-to-date, down from 85 in all of 2017 and 108 in 2016.

Kyle Anderson, CEO of Greater Gateway Association of Realtors, said the lack of entry-level and middle-market housing stock across the Metro East – particularly in Edwardsville and Glen Carbon – is keeping potential first-time homebuyers from achieving their ownership dream here.

“There’s tremendous disparity in available housing stock in particular pockets of the Metro East market,” Anderson said. “Our members are feeling the strain trying to find housing that exists at every economic level. We know first-hand of couples in their twenties and thirties who want to buy in our market but have to choose from low-end, below-standard stock or homes valued at \$500,000 and up. They just can’t find it in our area, so they choose to live elsewhere. We’re asking our local governments not to initiate any additional policies that exacerbate this. There’s already a buyers’ exodus,” he added, “and it’s attributable to disincentives for residential developers as well as a lack of existing housing inventory.”

Zoning regulations and impact fees – fees imposed by local governments on proposed or new projects to cover all or a portion of the cost of providing public services to the new development – are examples of barriers to rectifying the housing stock deficit. Although Glen Carbon recently enacted a one-year moratorium on the school district impact fee, effective Jan. 1, this fee is still a barrier to builders seeking communities in which to build affordable housing stock.

Edwardsville/Glen Carbon Chamber of Commerce President said that while Edwardsville and Glen Carbon are enjoying record levels of new commercial development, such is ultimately tied to healthy residential development.

“Our market has seen a surge in commercial development that will hopefully continue in coming years,” said Desiree Bennyhoff, president and CEO of the Edwardsville/Glen Carbon Chamber of Commerce. “That said, an increasing population is critical to sustain new shopping and dining establishments that come with that growth, for the health of our businesses, our residents and the community as a whole.”