

Article published in the Star Democrat
on June 30, 2023.



Megan Rosendale, President of Mid-Shore Board of REALTORS

The missing middle: Home shortage for middle-income buyers

The U.S. needs to not just build more new homes but create more homes that are affordable to most people, according to a new report from the National Association of Realtors and Realtor.com. The report found that the U.S. market is missing available homes that the average middle-income of up to \$75,000 can afford. The same can be said for Maryland and our local area. Maryland REALTORS estimates that the state is short 120,000 low to middle income units and this number is growing.

Middle-income buyers face the largest shortage of homes among all income groups, making it even harder for them to build wealth through homeownership, said Rosendale. A multiple approach attitude is needed to help with both low affordability and limited housing supply. It is not just about increasing the supply of homes; we must boost the number of homes at the price range that most people can afford to buy.

Housing affordability and supply differ by area. Since all real estate is local, there are substantial variations based on location. On the Eastern Shore a household income of \$75,000 with a good credit score and the right mortgage could qualify for a home up to \$350,000, noted Megan Rosendale, President of Mid-Shore Board of Realtors.

As of June 27, 2023, there were:

- 15 homes on the market for \$350,000 and under in Talbot County
- 92 homes on the market for \$350,000 and under in Dorchester County
- 28 homes on the market for \$350,000 and under in Caroline County

There is not a simple answer to the housing crisis.

Building new homes will help, and new homes are needed; however, the costs to build have increased over the years. In 2012 Maryland passed the requirement that all new construction and all renovations over 51% of a home's value must install a sprinkler system, this added on average \$7-9,000, to the building cost. This cost gets passed along, and when you consider the cost of lumber, and supply issue shortages the cost to build is steep. It's no wonder that most builders choose to build homes for the higher income households. Some local towns and counties are taking the housing crisis into consideration and changing regulations to allow for higher density and multi-family housing.

Another way to increase the supply of low to middle income housing is with ADU's or Accessory Dwelling Units. An accessory dwelling unit (ADU) is a smaller, independent residential dwelling unit located on the same lot as a stand-alone (i.e., detached) single-family home. Examples include a garage apartment or a standalone structure for elderly parents or adult children, or other low to middle income households. ADU's usually rent at a lower amount than traditional apartments, which are also in noticeably short supply on the Eastern Shore, noted Rosendale. Some traditional apartments are as expensive as a monthly mortgage or even higher. Some jurisdictions are making it easier to adapt Accessory Dwelling Units. Anne Arundel County has recently allowed ADU's and the Town of Easton has designated areas also allowing this type of housing. These otherwise unoccupied spaces are a win-win for the property owner and the lower income household. Relaxing town and county regulations, so that this type of housing is possible would help, but it will not solve the entire housing crisis.

The prohibitive cost of building and the scarcity of available homes on the market continue to present budget challenges for some prospective buyers, but there is positive news for homebuyers. Recently interest rates have remained stable, but additional mortgage rate increases have not been ruled out. And while there is not an abundance of homes on the market there are choices and working with a local Realtor helps, says Megan Rosendale. Local Realtors know the area and can guide their clients in finding a home in a price range that is affordable. There are also state and local grants available, including the Mid-Shore Board of Realtors grant that helps with settlement expenses. Many mortgage lenders have special rates for first time homebuyers and the Maryland Mortgage Program is certainly worth reviewing.

The Mid-Shore Board of Realtors has over 600 Realtors and Affiliates. The mission of the Mid-Shore Board of Realtors is to advocate for its members and the public to preserve the right to own, transfer and utilize real property. See www.midshoreboardofrealtors.com for more resources and information.

