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High Housing Costs Challenging Corporations In Search Of New Homes

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Sky-high housing costs have hampered many would-be homeowners from finding the home of their dreams. Increasingly, companies looking for new sites for warehouses, manufacturing space and even offices are facing the same fate, as jarring double-digit jumps in home prices and rents have caused many to re-evaluate their site selection decisions.

“Affordable housing and lack of inventory are at the forefront of industry discussions today,” said John Boyd, principal of The Boyd Co., a national site selection firm.

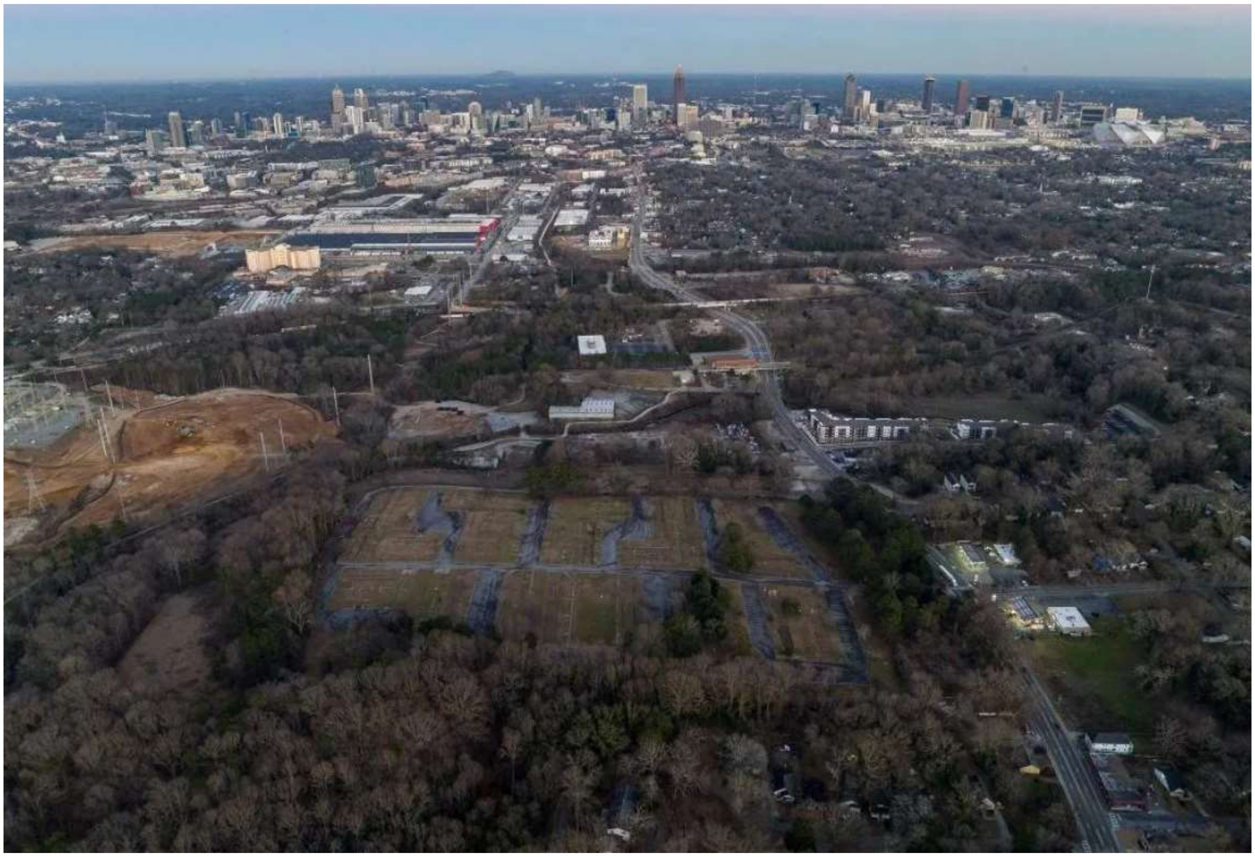
The issue has become so dire, Boyd said, that it can hold up planned relocations for 18 to 24 months until adequate housing has been completed, leading to lease renewals at existing offices while companies wait for new markets to be ready for their expansion.

The housing crisis has become a labor crisis for companies already caught in one of the most challenging labor markets in recent history.

"When housing costs go up, workers go to their employers and say, 'I need more money or I’m going to look elsewhere,'” CBRE Senior Client Strategy Consulting Manager Kevin Major said. “It’s like a perfect storm of wages versus housing costs."

The nation’s dire housing shortage and corresponding rise in prices have in part been influenced by corporate moves and relocations, Boyd said, in what he says has been a great migration from high-tax to low-tax states. The repeal of the state and local tax deduction cap, a measure that removed a favored vehicle for reducing tax burdens for high-earning homeowners in coastal states, as part of the Tax Cuts and Jobs Act of 2017, only accelerated this move.

Now, when firms seek new offices or warehouse sites, they must navigate a landscape where higher home prices put pressure on wages, and can limit where new facilities and labor forces pencil out for firms.



Microsoft is planning a campus on 90 acres in Atlanta, which would include affordable housing alongside new offices.   Microsoft

“Part of a site tour is meeting with residential real estate brokers, and coordinating a tour with an HR department, to make sure employees can’t just find homes but assimilate into the community,” Boyd said.

Markets like Atlanta, Austin, Texas, and the Research Triangle in North Carolina, which have new Google, Microsoft and Apple offices opening and tech workers arriving, attracted those firms in part with great quality of life and a lower cost of living than Silicon Valley. But the corporate migrants are taking their housing market impacts with them.

“That affordability pressure is now moving up the income spectrum,” said Mike Kingsella, CEO of Up for Growth, a national advocacy group focused on housing equity and access.

His group’s research found that there has been a 37% increase in the share of housing cost-burdened households earning between 80% and 120% of their area's median income.

“We’re now seeing this at scale," Kingsella said.

Much of this pressure comes from the tech industry, which has expanded aggressively during the pandemic. Big Tech firms have embarked on 13M SF of expansionary office leasing, according to

JLL Senior Director of Research Scott Homa, 75% of which is outside non-headquartered markets such as Seattle and the Bay Area.

Homa said housing affordability has been a key factor in this push to new cities, as "the gap in living costs between high-growth markets like Atlanta, Austin and Nashville versus the large gateway markets is very considerable."

In metro Atlanta, where home prices are up 20% from last year, Microsoft's announced plans for the 90-acre future campus site it purchased last year include slowly negotiating with neighborhood groups and promising to include affordable housing within the site. The rollout shows the care with which companies are calibrating their impact on the region and the surrounding housing market.

Boyd argues that firms have been even more proactive about relocations and real estate costs because of their perceived culpability in the rising cost of living in their new markets. An anti-growth sentiment is starting to take hold in Austin due to the perception of a California-to-Texas migration making the city unaffordable — more than two dozen companies moved their headquarters from the Golden State to the Lone Star State last year.

"Everything is a branding exercise," Boyd said. "Goodwill is very important to companies."

Courtesy of Meta/Netta Conyers-Haynes. A Meta office in Seattle; the tech firm is one of many whose expansion has animated a conversation around housing affordability.

The housing crisis is having an impact on site decisions for firms seeking new office and manufacturing and distribution firms seeking sites near metros areas and new labor forces to tap. There is a dearth of appealing sites for industrial development, and it is challenging to find an area where housing costs haven't outpaced what is affordable on warehouse or factory worker wages.

For white-collar work, especially tech firms, it's not uncommon for recruiters to pay for sought-after talent to move to high-cost metros. That doesn't work for $15-an-hour workers.

Roughly 70% of the U.S. workforce doesn't require a college degree, and hourly wages have been under increasing pressure from rising housing costs. Some firms are even paying for transportation costs to help their workforce reach their jobs.

"It's changed the conversation from where can I pay certain wages, versus how far do my wages go in terms of cost of living," said Major, who works on CBRE's labor analytics group.

Tertiary markets outside of major metros, like Yuma, Arizona, or Pueblo, Colorado, are now getting more looks from industrial site selection. Occupiers are coming to CBRE seeking housing data, and developers are talking housing stats to court potential tenants.

Cities, municipalities, and regional and state business organizations have lobbied for and promoted policies to help bolster local affordable housing construction to attract corporate relocations.

California has been the "canary in the coal mine" about the dangers of a mismatch between housing and labor, said Kingsella, but even rural states such as Maine have run into severe housing and labor challenges.

This issue has led to much more collaboration between the business community and lawmakers looking to create the environment companies are seeking out, and help supercharge their economies. Up for Growth research found that the underproduction of housing in the nation from 2000 to 2015 cost the U.S. economy $2.1T in lost GDP.

In fast-growing Phoenix, the Home Arizona coalition of business and municipal leaders is actively pushing for more housing production, so as not to threaten future economic growth.

A new Amtrak transit hub proposed for the redevelopment of the Gulch property in Downtown Atlanta is being pitched for its ability to unlock more affordable, transit-oriented development that can expand the city's workforce options.

Some corporate giants have started to explore building their own housing, an avenue few companies have the capital to explore. Facebook, Microsoft and Apple are all developing housing or funding affordable housing initiatives. Disney set aside 80 acres in Orlando to develop more than 1,300 units of affordable workforce housing available to theme park staff and others.

Amazon has created the Amazon's Housing Equity Fund, a program active in Seattle, Nashville and around Washington, D.C., that is providing more than $2B in below-market loans and grants to preserve and create more than 20,000 affordable homes for individuals and families earning moderate to low incomes.

The scope and scale of the issue has created extensive development opportunities. Housing availability concerns allow developers to piggyback on the potential of new arrivals — in northwest Austin, just miles from the new Apple campus, the massive Pearson Ranch multi-use project includes high-end housing and retail to cater to the needs of new tech workers.

Residential developers can also team up with companies seeking worker housing. In rural areas, large manufacturing firms in more sparsely populated rural areas have also invested significant money in housing construction, including meatpacking firms and the Cook Group.

These efforts are likely trendsetters, not outliers, Boyd said: He expects the issue to worsen as rising interest rates and inflation conspire to make housing affordability more challenging over time.

"The engagement of these firms in real estate is an admission of the scope of the problem, from coast to coast," Boyd said.