

How You Can Help Fix America's Affordable Housing Crisis (And Earn Returns In The Process)



Forbes Real Estate Council

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Every day across America, individuals and families are looking for clean, safe houses and apartments that are affordable, a term the U.S. Department of Housing and Urban Development [defines](#) as “housing for which the occupant(s) is/are paying no more than 30 percent of his or her income for gross housing costs, including utilities.” Homes that are affordable are a necessary and tangible asset for any adult or family to survive and thrive, but there simply aren’t enough of them to go around.



Federal Reserve [findings](#) indicate a growing percentage of renters are either cost-burdened or extremely cost-burdened by rising rents and stagnating incomes. The Joint Center for Housing Studies (JCHS) of Harvard University published a [2017 study](#) that found more than one-third of U.S. households were rental units. The research further suggests that overall household growth will be strong over the next decade as larger numbers of the extremely large millennial generation move out on their own — therefore pushing the number of households in our country, higher.

To put this into context, a [joint study](#) by Hoyt Advisory Services, the National Multifamily Housing Council and the National Apartment Association estimates we'll need an additional 4.6 million new apartment households by 2030 or 325,000 apartments annually just to keep up with demand. The affordable supply is already low and government incentives are minimal. Thus, the gap of affordable housing we need to fill widens.

If left alone, experts say the issue will cause other social problems such as homelessness, job loss, poverty, hunger, social isolation, inequality, drug abuse, the list goes on. Princeton University sociology professor, McArthur Genius grant recipient and author Matthew Desmond said it well in an [interview](#) with Habitat for Humanity: “I think that whatever we care about — whatever is our issue that keeps us up at night — a lack of affordable housing is going to be somewhere at the center of it.”

However, these conditions do present significant opportunities for investment and the opportunity to make impact investments (defined as doing well financially by doing good socially and environmentally) for a [triple bottom-line](#) return.

As a 30-year veteran impact investor and leader in value-add multifamily housing, I propose that we collectively and individually tackle this crisis head-on through a combination of investment and awareness. How?

1. Invest in new supply (i.e., development). We need to build and invest in as much new housing as possible, including affordable and even shiny new luxury product in order to help offset the nationwide gap. As incomes rise and people are able to afford higher rents, they step up out of the older, more affordable housing stock, leaving room for the middle-income folks to step in. Individual investors can hunt for plenty of new housing development opportunities on online marketplaces like CrowdStreet or RealCrowd. (*Full disclosure: We partner with CrowdStreet.*) We simply need more supply any way we can get it.

2. Invest in older assets (i.e., value-add). We must also invest in the improvement of older, neglected multifamily assets and deem a portion of them affordable for people at the low and moderate end of the economic spectrum. It has been my observation and experience that this strategy, if done correctly, tends to pay out stronger, more reliable cash flow than new supply. Our new impact multifamily real estate fund is doing just this across America, as are others, including legendary baseball player Alex Rodriguez's [firm](#).

3. Invest in home ownership. Simultaneously, we need to invest in keeping individuals and families in their existing owned homes, thus preventing foreclosures. Individual investors can invest directly in this effort through expert sponsors such as American Home Preservation Fund, which essentially purchases pools of nonperforming mortgages sold at significant discounts from mortgage holders. These funds use investor money to purchase these pools, then work with homeowners to find sustainable solutions that keep them in their homes, and investors receive returns from the profits.

4. Take advantage of tax reform. We need to also look at and take advantage of the new tax incentives tied to investing in certain asset classes and categories such as the [Opportunity Zones program](#). Developed and defined by the Economic Innovation Group (EIG), this is a new, national community investment program that connects private capital with low-income communities across America and offers three types of tax incentives to investors for investing in Treasury Department-approved opportunity funds. Also, now, investors who receive income paid out by pass-through businesses such as REITs are eligible for a 20% tax exemption on that income.

5. Spread the word. We must educate fellow Americans on the housing crisis in our country and inform those wanting to fix it of how to do so through social media, word of mouth, fundraising, investment, housing events and volunteering. We must also encourage socially responsible investors, purpose-oriented foundations and socially conscious institutions to participate in impact investment opportunities. According to [Global Impact Investing Network \(GIIN\) 2017 Annual Survey](#), 209 of the world's leading impact investing organizations collectively manage nearly \$114 billion (USD) in impact assets worldwide. Surely, they can afford to put some more money to work in solving our housing crisis.

And to all my fellow sponsors out there, we must create more opportunities for investments in housing that are open to all investors, regardless of accreditation. Under the JOBS Act, Title IV ([Regulation A](#)), the Securities and Exchange Commission has made that possible. There is a lot of capital that can be put towards this effort if we make investments available to anyone.

Everyone needs a place to live. Having a safe, decent, affordable home should be a right for all, not a privilege for select few. We all need housing to be better and more affordable in this country, if it not for ourselves and our neighbors, then for our economy and for generations to come. And there's no better time than now.

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