

Benefits to Multifamily Owners and Developers

A homebuyer tax credit will increase overall housing demand, particularly among prospective buyers who are waiting on the sidelines because of a belief of future falling housing prices. Just as there was overshooting on housing prices on the upside of the market during the boom period, there likely is an overcorrection of housing prices occurring on the downside. A homebuyer tax credit will help stabilize housing prices by increasing demand, particularly among first-time buyers who do not bring supply to the market.

Reducing excess inventory of both for-sale and rental units is key to restoring health to the housing sector and the overall economy. Clearly, excess inventory reduces housing prices. Furthermore, excess for-sale housing (both single-family and condos) that is held vacant creates competition for rental property. This competition reduces real rents and hurts multifamily housing owners.

It's falling housing prices that are exacerbating the effects of the credit crunch and further destabilizing the financial sector. Falling prices impede the ability of banks and other institutions to accurately price secondary market assets, such as mortgage-backed securities and commercial mortgage-backed securities. This creates risk and reduces the ability of these institutions to lend to multifamily builders and developers in the housing sector. More fundamentally, stabilizing housing prices is critical for the overall economy, including job creation. The U.S. economy has lost jobs for five straight months, shedding 324,000 jobs this year.