

Business

Fast-growing tech sector is fueling a U.S. housing boom



By Troy J. McMullen © 2017 The Washington Post
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Construction cranes dot much of downtown Nashville these days as the Tennessee capital remains in the grip of a sustained building boom.

More than 8,900 apartments are under construction in the Music City, double the number in 2012, as developers rush to catch up with rising demand in a city where home prices have increased 49 percent over the past four years, according to the Greater Nashville Association of Realtors.

Yet unlike years past when the music and medical industries drove the real estate market here, this time an expanding technology sector is pushing home prices higher.

“We’ve had mini-real estate booms over the years, but this one is different,” says Michelle Maldonado, a broker with the Lipman Group Sotheby’s International Realty in Nashville. “The tech sector is growing fast, and it’s bringing high-paying jobs to this city, and that’s lifting this market.”

Silicon Valley isn’t the only place a tech boom is fueling rising home prices. From Nashville to Raleigh, North Carolina; Austin, Texas to Cambridge, Massachusetts, thousands of high-paying technology jobs are lifting home prices and fueling a boom in construction.

The expanding tech economy is reshaping some real estate markets as an influx of expensive new condominiums invade smaller and midsize markets. It’s also revitalizing many gritty, urban areas left neglected for years as developers increasingly look for new places to build to meet soaring demand.

In Nashville, the number of high-tech jobs grew by 30 percent between 2010 and 2015, according to Moody’s Analytics. The city is now the fourth-fastest-growing market for tech jobs in the United States, outpacing tech mecca San Jose, California.

Similar stories are playing out in places such as Raleigh and Austin, which respectively saw 38.5 percent and 37.2 percent tech job growth between 2010 and 2015, Moody’s says.

While San Francisco remains the nation’s leading tech market, highly skilled technology workers – especially millennials – are flocking to cities where the cost of living is lower and tech jobs are plentiful, says economist Steve Cochrane, a managing director at Moody’s.

“Some of this is due to a growing start-up scene in many places,” he says. “But larger tech firms are increasingly setting up regional offices in cities where there is a large university or research environment.”

In Cambridge, home to Harvard and MIT, and the more than 40,000 students between them, several tech giants have opened offices in the hope of luring graduates to stay. Amazon.com occupies a new 100,000-square-foot office in the city, and Google is expanding its already large footprint by adding 40,000 square feet to its offices there. Microsoft and IBM already have large office spaces in the city. (Amazon’s chief executive, Jeffrey P. Bezos, owns The Washington Post.)

The result is an influx of tech money and sharply rising home prices. The median price of a single-family home year-to-date reached \$1.6 million in September, up 15.5 percent from the same period in 2015, according to the Massachusetts Association of Realtors. Single-family home prices in Cambridge are up 103 percent since 2011, the realty group says.

“The tech and biotech industries are attracting highly educated and highly skilled workers in droves,” says John Petrowsky, a broker in Cambridge with real estate firm Compass. “And those high-paying jobs are driving this market higher.”

The financial services sector has long fueled Charlotte, North Carolina’s real estate market. But the city is now home to one of the fastest growing tech sectors in the

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market. But the city is not home to one of the fastest growing tech sectors in the United States, with a blossoming start-up scene and major research universities augmenting an already buoyant economy.

The number of high-tech jobs in the city grew 33.2 percent from 2013 to 2015, up from 18.6 percent from 2012 to 2014, according to a survey by real estate company CBRE. Charlotte's growth was the second-highest improvement among the 30 markets surveyed by CBRE.

"The tech talent pool in Charlotte has grown by nearly 75 percent since 2010," says Mike Fahey, Charlotte-based CBRE senior vice president.

An expanding tech sector, aided by a period of historically low interest rates, is sending property prices in Charlotte higher and fueling a record building boom.

More than 12,300 apartments are in the pipeline in Charlotte, with another 13,500 in the planning stages, according to research firm Real Data. Those numbers far exceed the pace of construction during that last real estate boom of 2006, Real Data says.

The average price of a Charlotte home reached \$302,178 in September, a rise of 7.2 percent from the same 2015 period, according to the Charlotte Regional Realtor Association. Prices are up 53 percent since September 2011.

"We're fighting hard to keep up with demand," says Ryan Hollins, a broker with Century 21 at the university in Charlotte. "Especially with younger buyers who want to live in the city rather than suburbs."

Dwindling housing supply and an affordable housing crunch are perhaps the biggest challenges in many markets seeing rising tech growth.

Though home prices have risen sharply in Cambridge, home sales fell 19 percent in the first quarter of 2016 amid a shrinking number of homes on the market, according to the Warren Group.

Homes on the market in Cambridge had offers, on average, in 12.64 days. That's compared with 50 days in surrounding towns such as Waltham and Melrose, where the median price of a home is a third of Cambridge's.

In Charlotte, the number of homes for sale dropped 22.1 percent in September compared with September 2015. That leaves the city with just a three-month supply of homes for sale, well below the six-month housing supply that is typically considered a balanced market between buyers and sellers.

"The good news is that home prices are rising in all of the places seeing technology jobs pour in," says J Kuper, general manager of Kuper Sotheby's International Realty in Austin. The Texas capital has seen a torrent of tech sector jobs flood the city in recent years and ranks first in Savills Tech Cities rankings, beating San Francisco and New York. The survey measures key metrics such as business environment, quality of life and property prices. "While rising prices are great for sellers, tighter supply is slowing sales in many of these markets."



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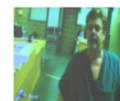
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