

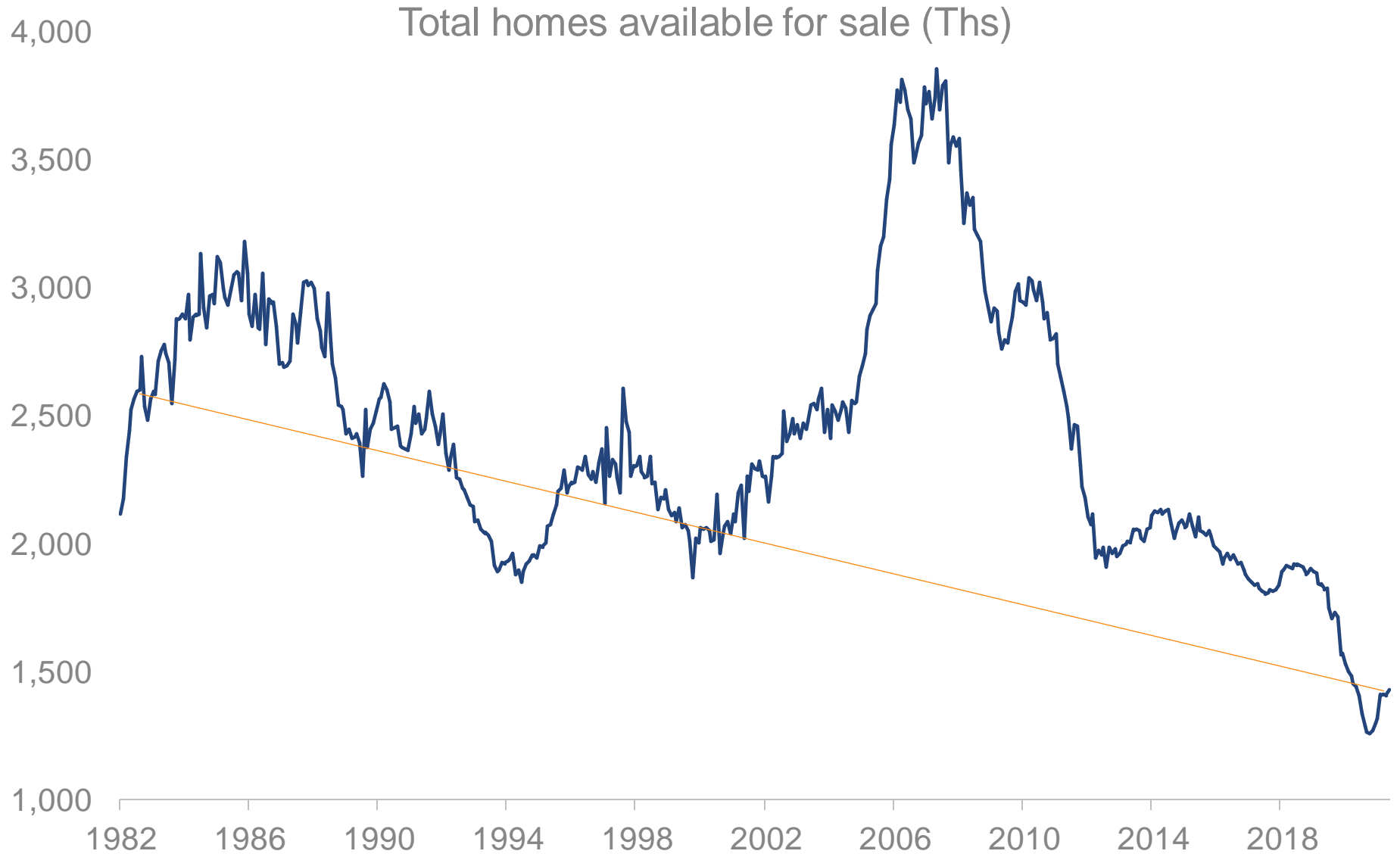
The Housing Supply Shortage

Bipartisan Policy Center

Sam Khater

December 2021

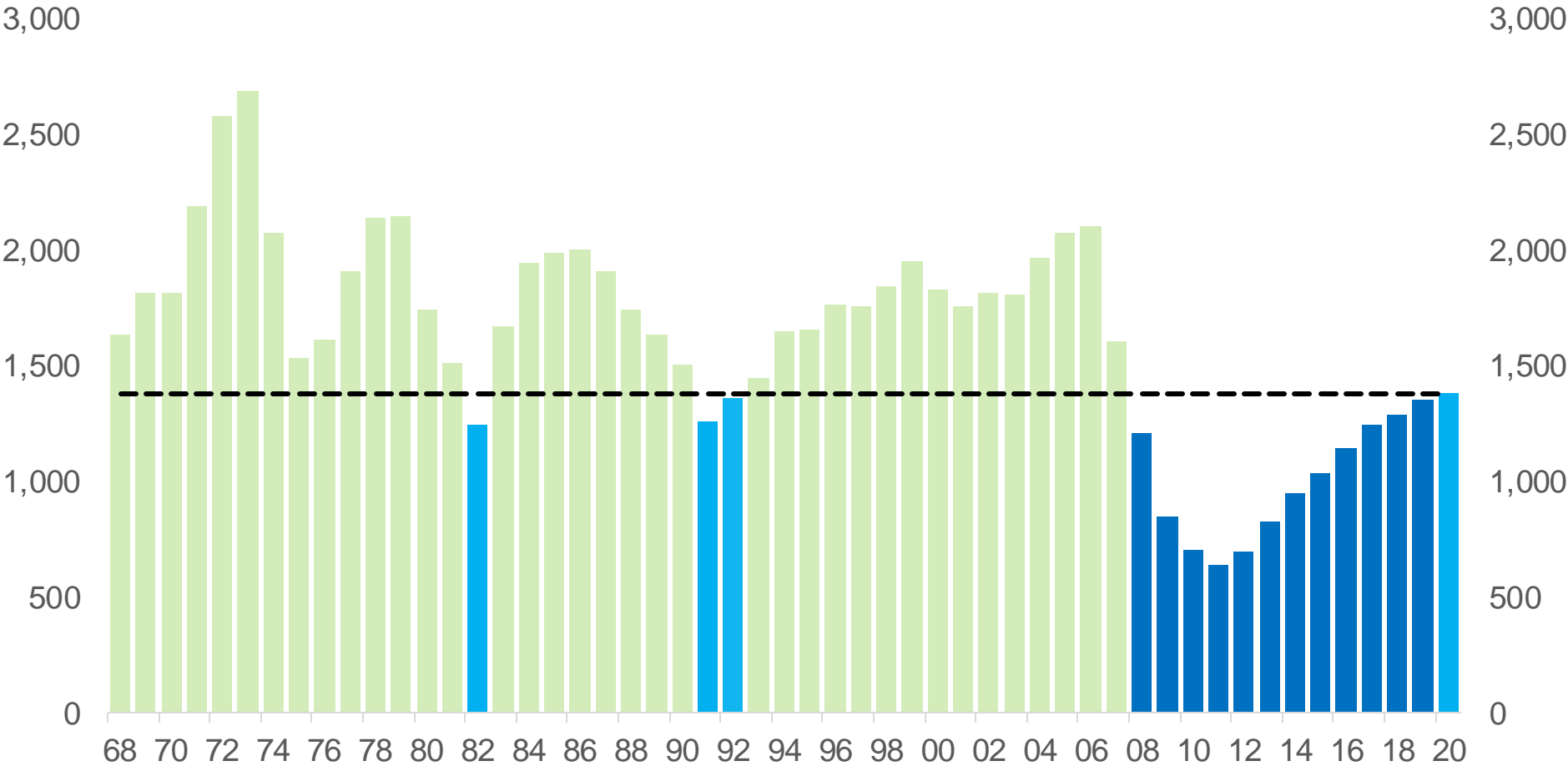
Inventory of Homes is Near Historic Lows



Source: US Census Bureau, NAR; HVS

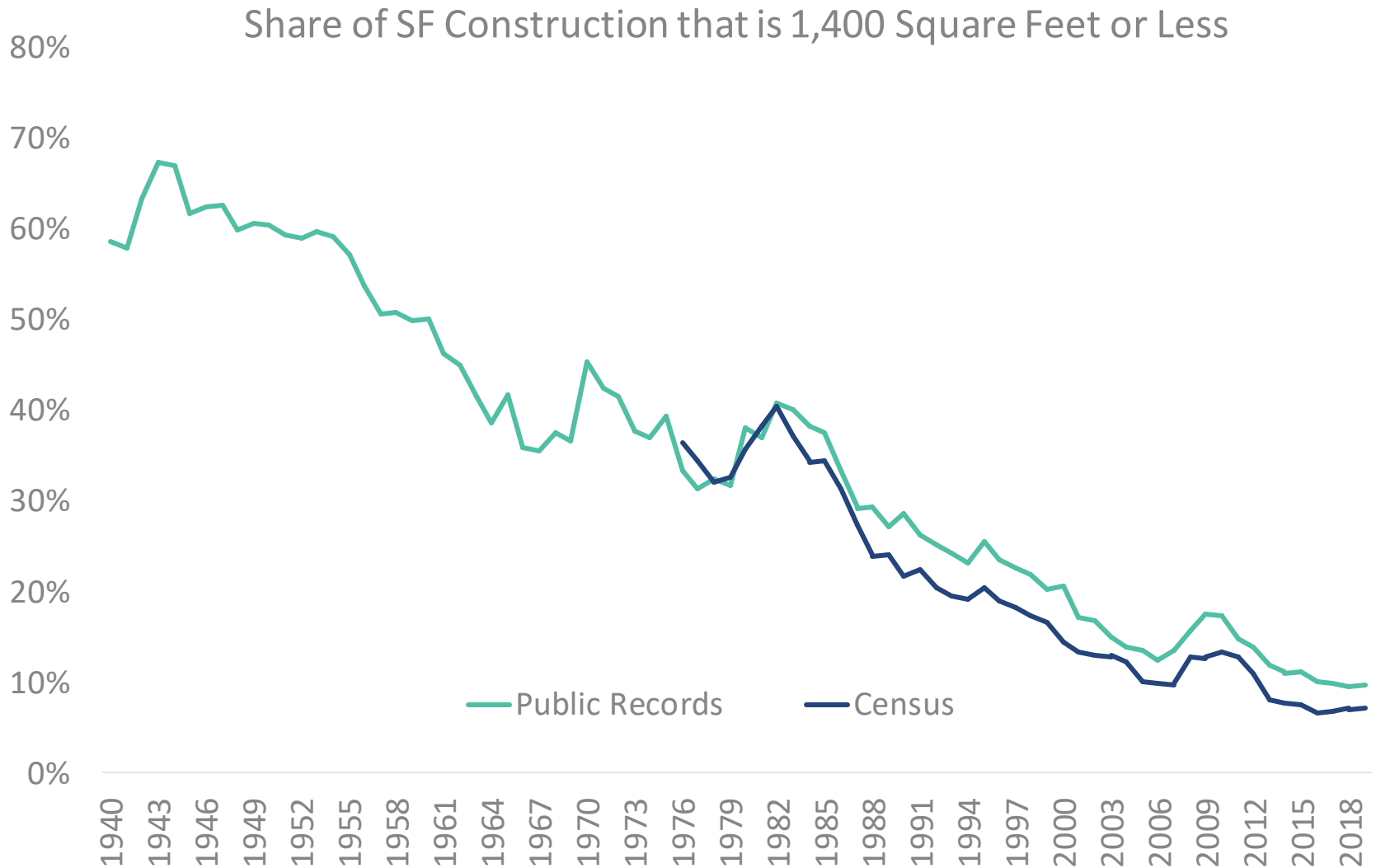
New Housing Supply Remains at Recession Levels Nearly 15 Years Since Prior Recession

U.S. Annual Housing Completions and Manufactured Housing Shipments (1,000s)



Source: U.S. Census Bureau and Department of Housing and Urban Development, Institute for Building Technology & Safety

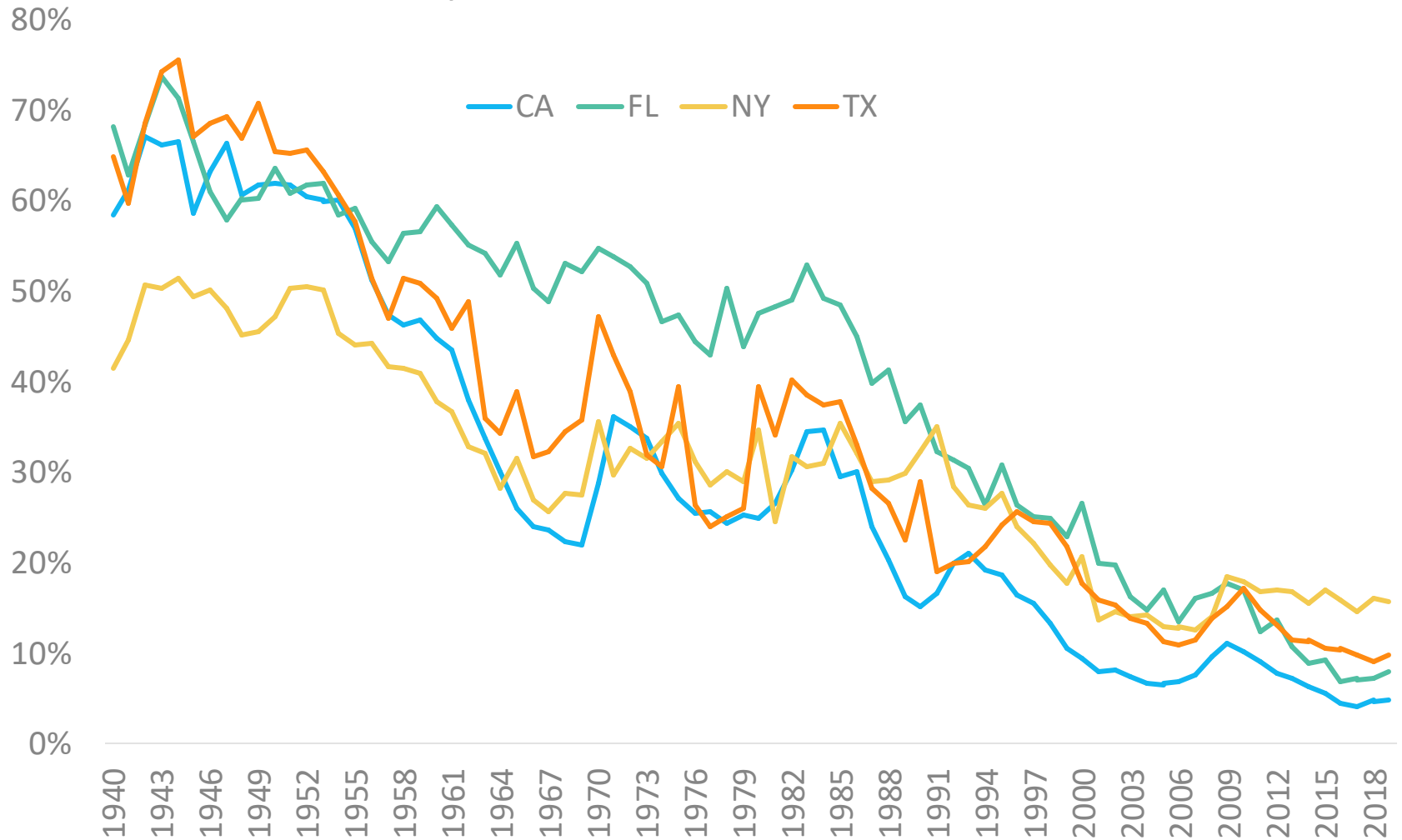
The Decline in Entry-Level Supply Began in the 1950s...



Source: Census and CoreLogic

...and the Drop is Occurring Across All Large States

Entry-Level Share of New Home Sales



Source: CoreLogic

Housing Shortage Worsened During the Pandemic – 3.8 million Housing Units Needed to Match Rising Demand

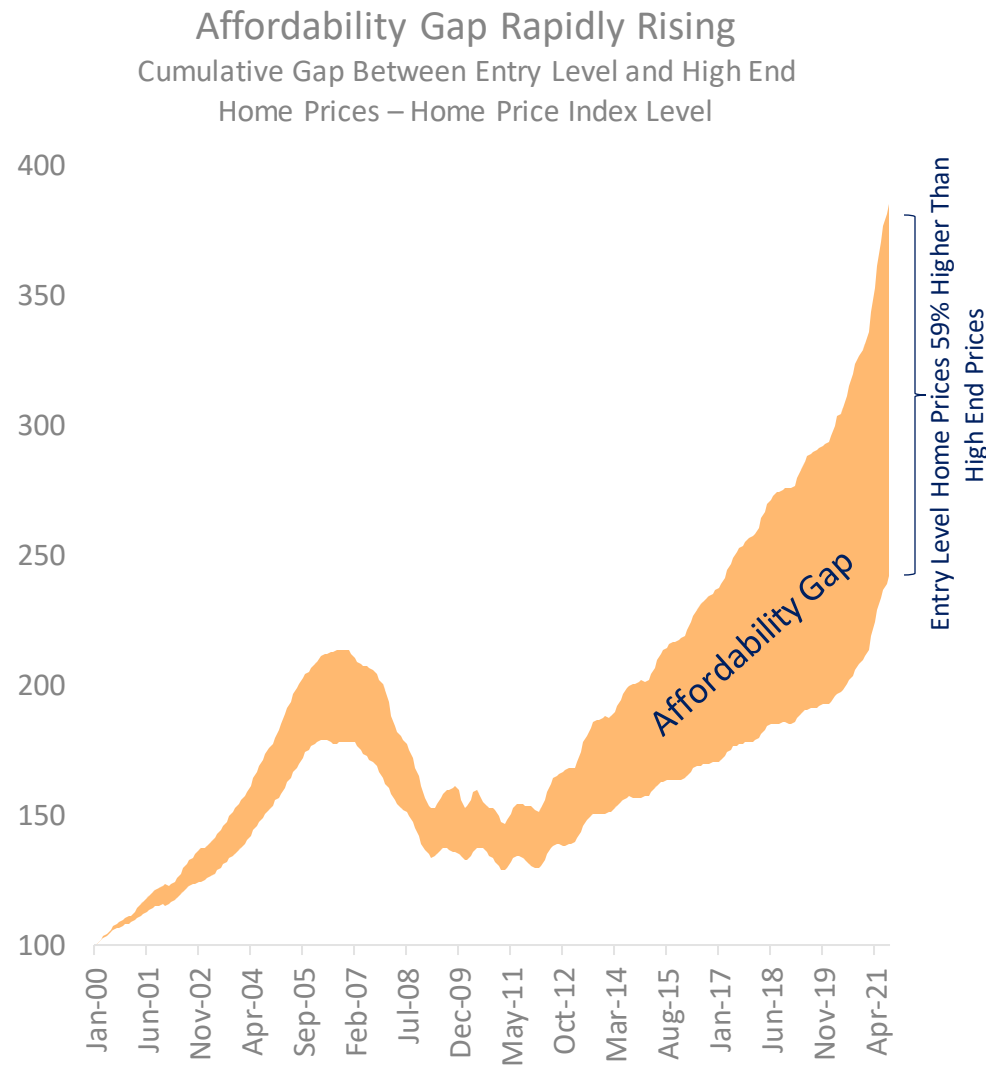
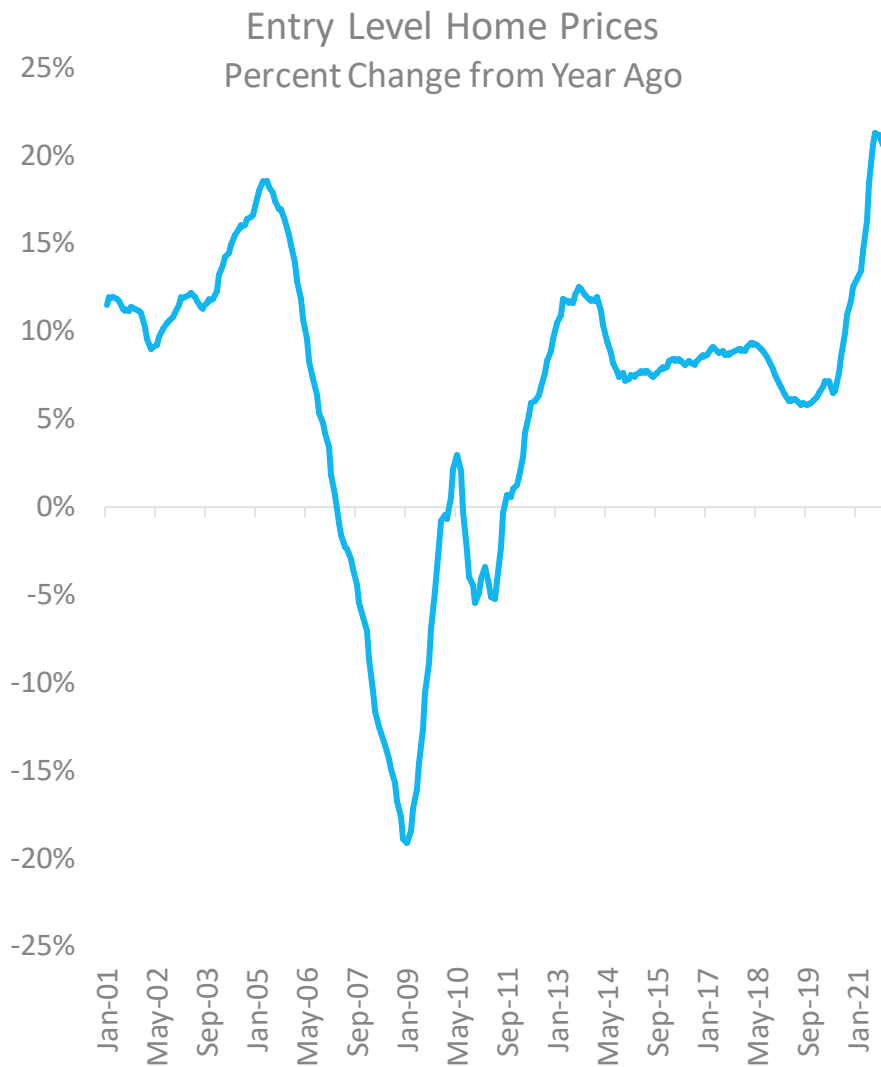
	Housing Stock Estimate	2018			2020		
		Actual	Target	Gap	Actual	Target	Gap
(1)	Households (HVS, Millions)	121.2	122.5	1.3	125.8	126.2	0.4
(2)	Vacant Units (HVS, Millions)	17.0	18.3	1.3	15.4	18.9	3.5
=(1)+(2)	Housing Stock (HVS, Millions)	138.3	140.8	<u>2.5</u>	141.2	145	<u>3.8</u>

Other Housing Supply Estimates:

	Housing Shortage (Millions)
NAR	5.5
NLIHC (Affordable Homes)	6.8
Zelman	“20% overbuilt”

Source: Freddie Mac Economic and Housing Research analysis based on U.S. Census Bureau's Current Population Survey/Housing Vacancy Survey data.
 Note: Totals may not add up due to rounding

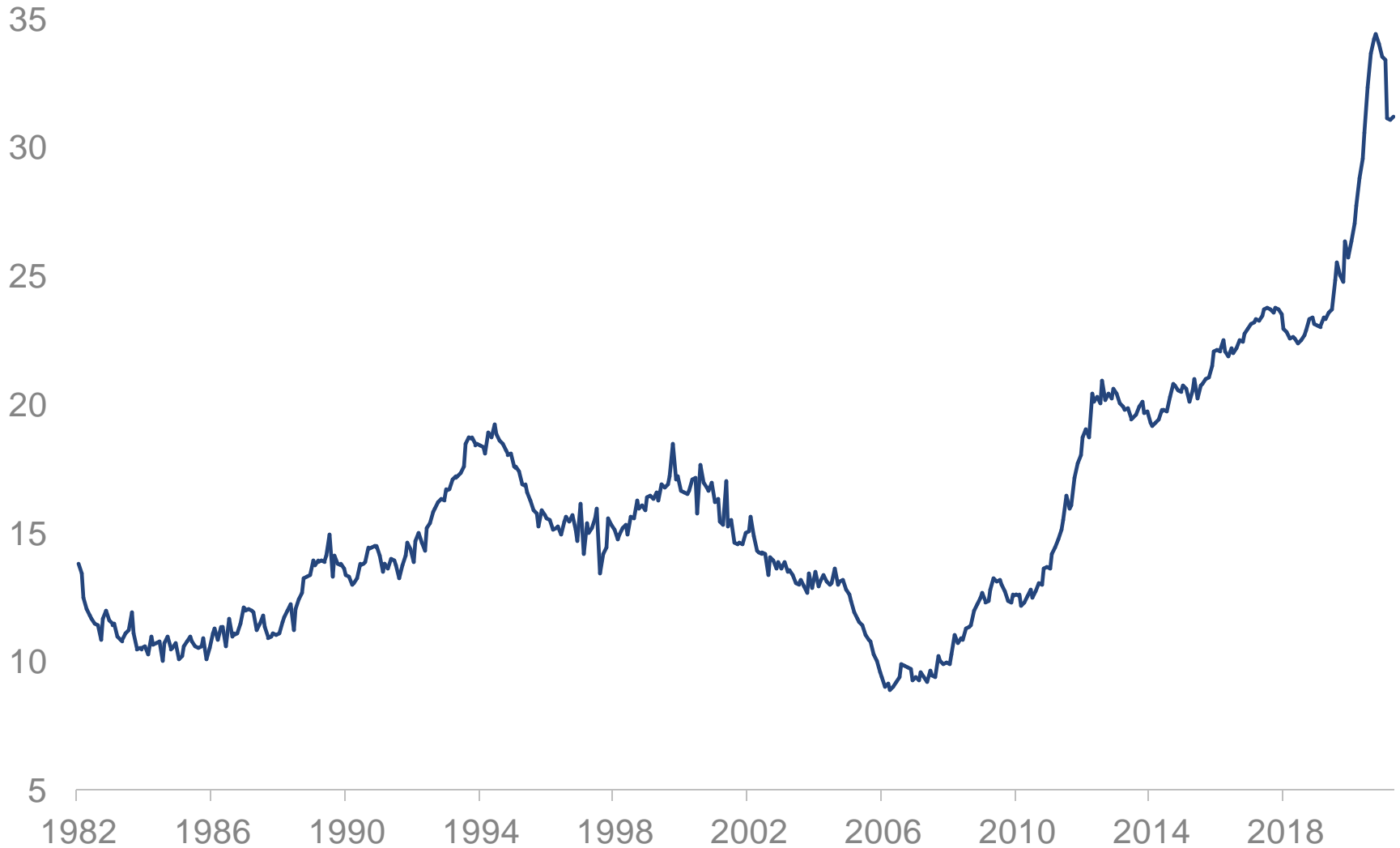
Impact of Supply Shortage #1: Entry-Level Home Prices Skyrocket



Source: CoreLogic. Entry level home prices are homes that sell at 75% of the median or below. High end home prices sell at 125% of the median or higher.

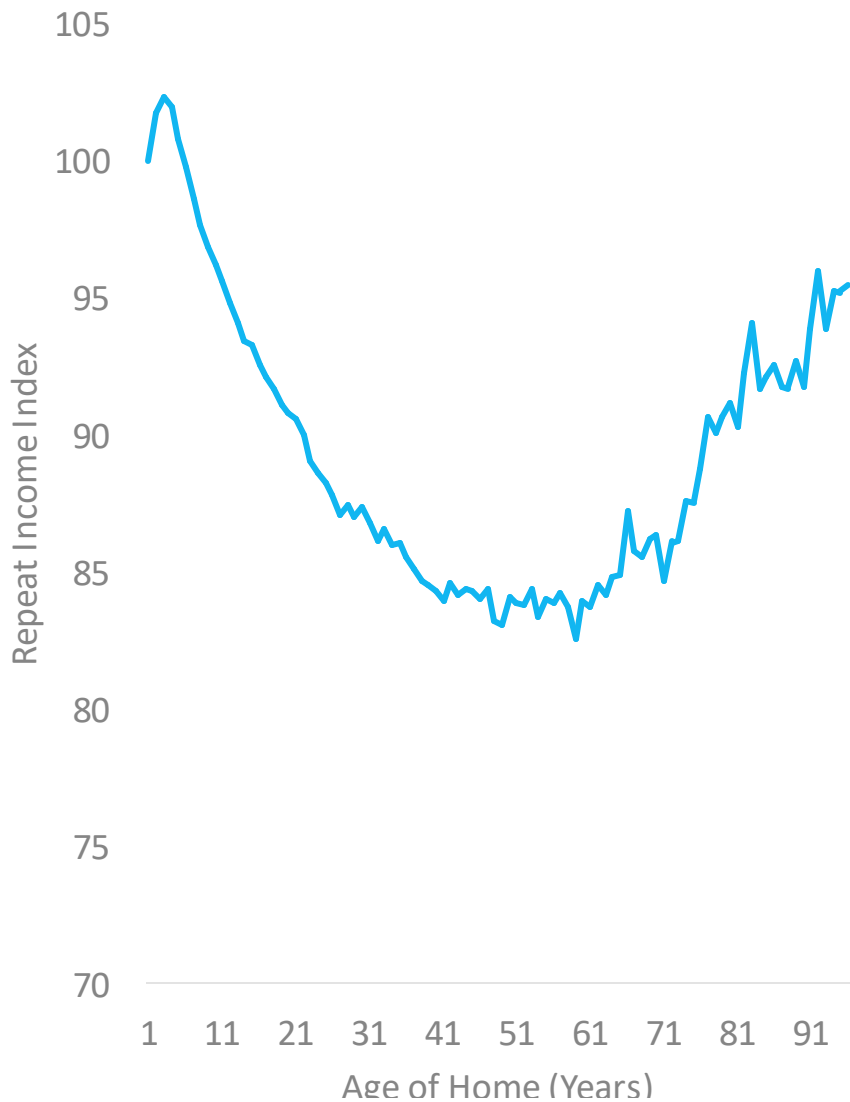
Impact of Supply Shortage #2: Renters Scramble for Shrinking Inventory

Number of renter household per homes available for sale

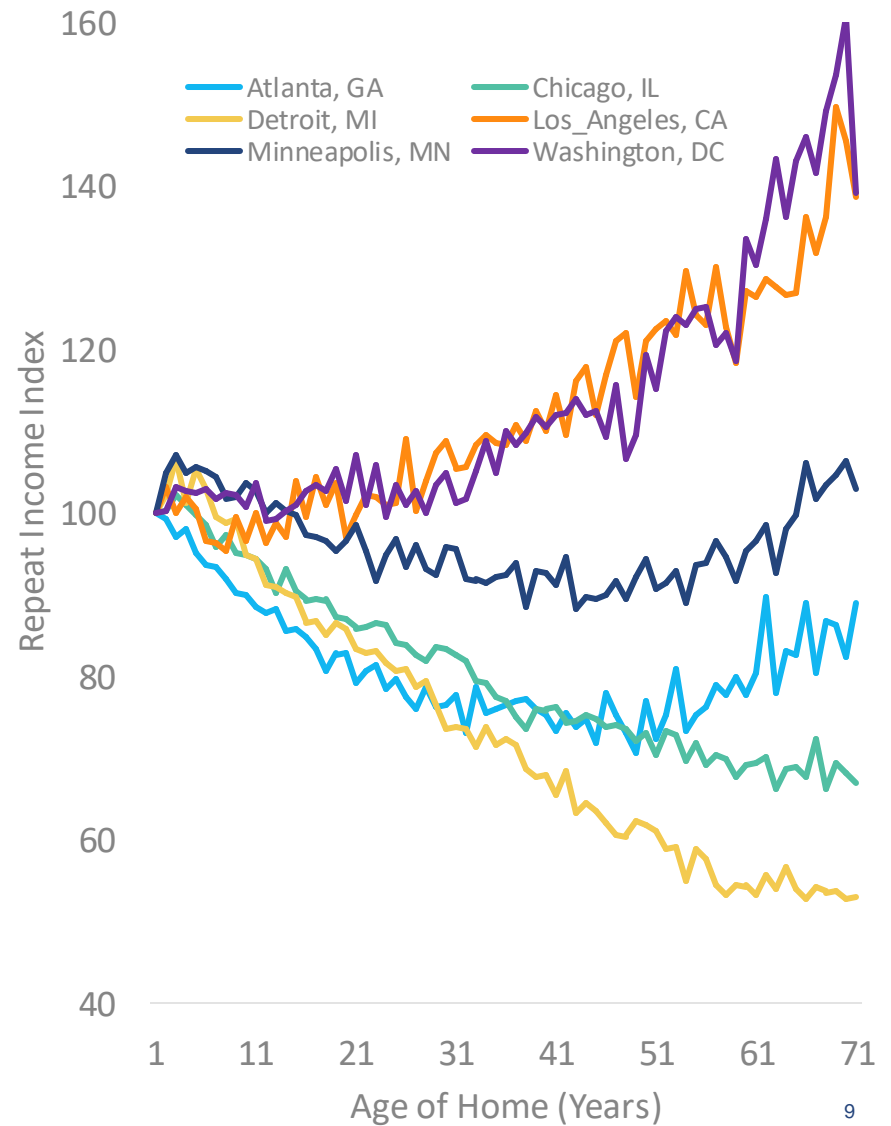


Source: National Association of Realtors, U.S. Census Bureau

Impact of Supply Shortage #3: Older More Affordable Homes are Filtering Up Due to Being Raided by Higher Income Households

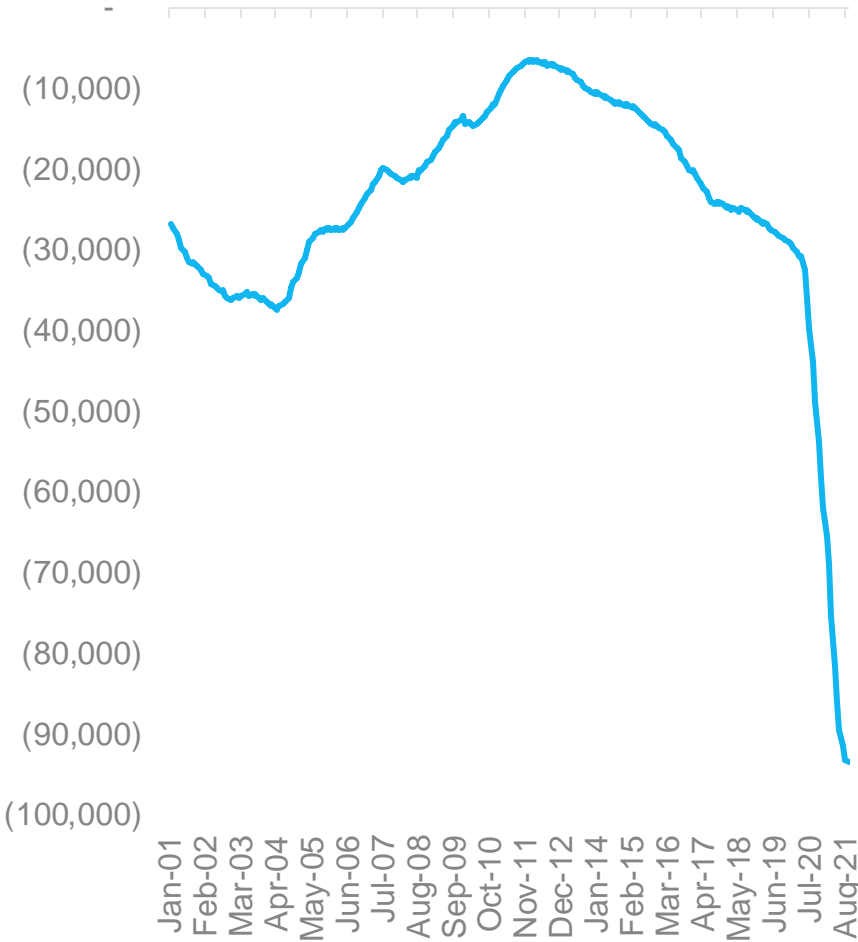


Source: Freddie Mac

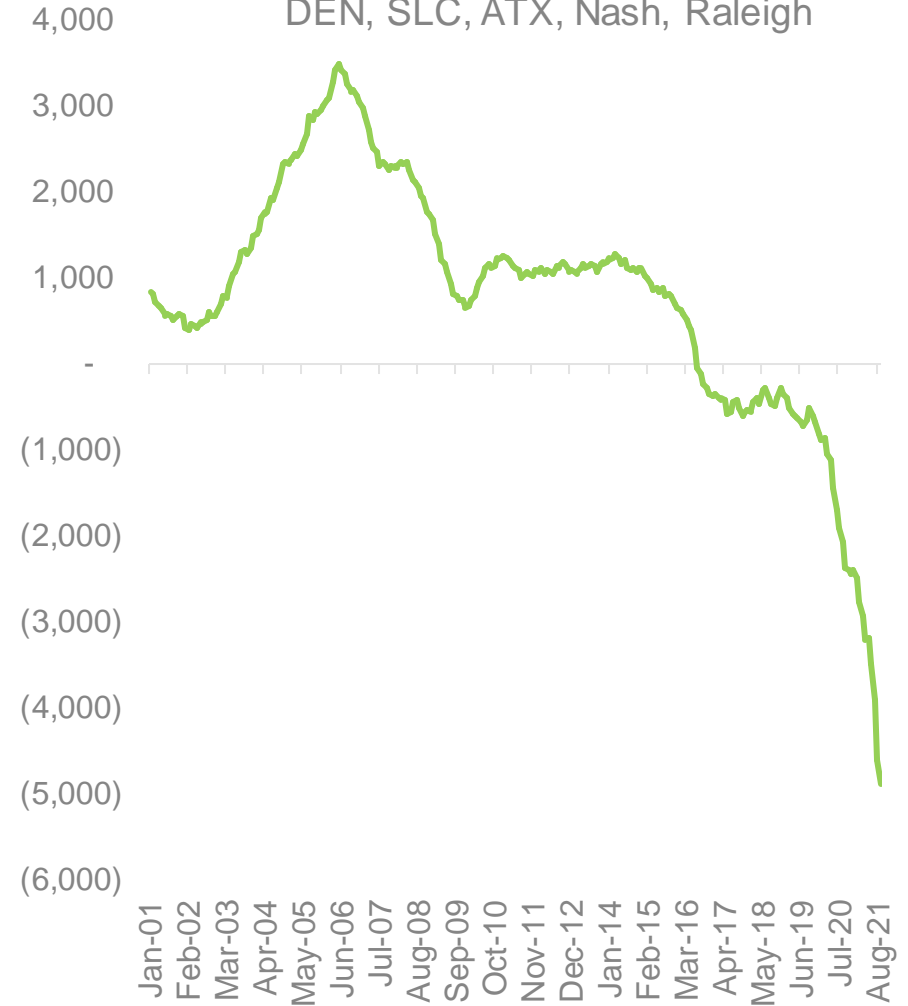


Impact of Supply Shortage #4: Migration Out of Large Expensive Gateway and Popular Interior Markets Markets Surged

Net Migration in Gateway Metros
NY, LA, SF, DC Mia



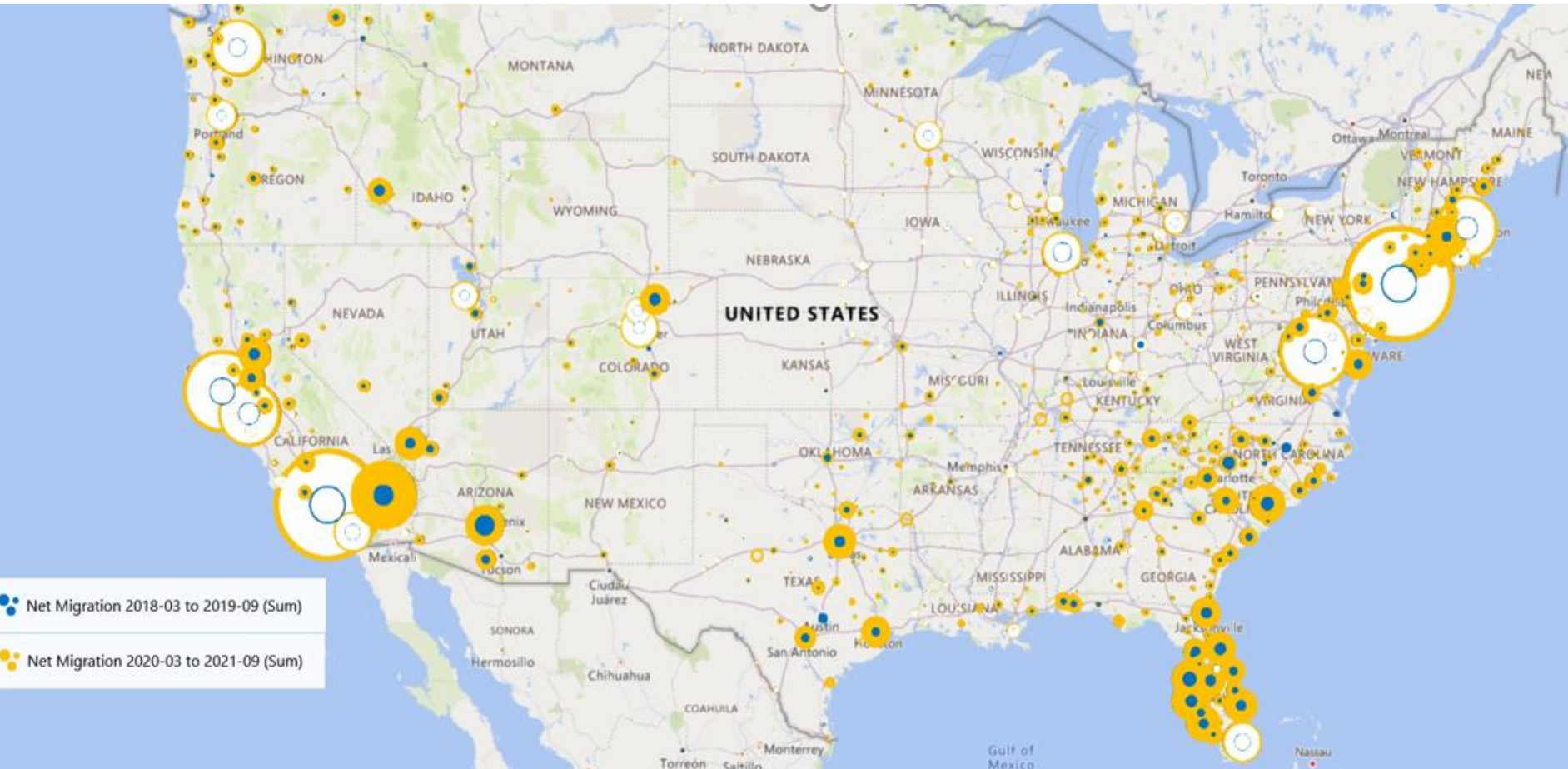
Net Migration in 'Hip' Markets
DEN, SLC, ATX, Nash, Raleigh



Source: Freddie Mac

Impact of Supply Shortage #4 (Con't): Migration Surging into Interior Markets All Over the US, Driving Up Prices

Cumulative Net Migration 2018 to 2021

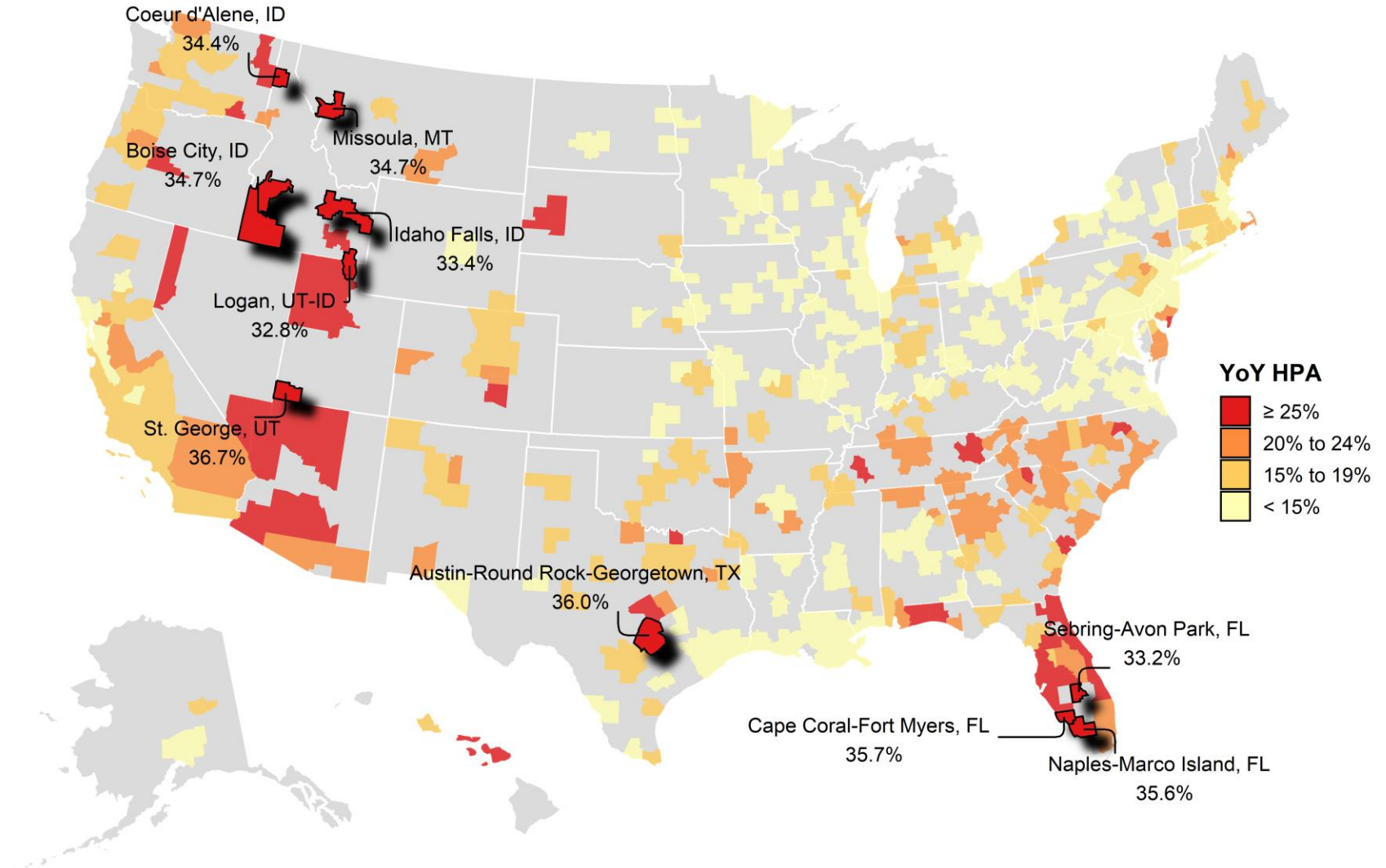


Source: Freddie Mac

Migration to Interior Cities Has Led to Massive Boom in Home Prices in West/South

MSA YoY House Price Growth for October 2021

Top 10 Fastest Growing MSAs Labeled



Thoughts on The Housing Shortage

- Strong demographic / pandemic demand & structural decline in entry-level supply led to historic home price boom
- Large number of renters scramble for shrinking inventory
- Leads to higher inflation, especially for lower and middle-income consumers
- Lower household formations due to more young people living at home
- Lower homeownership rates for young adults
- Lower lifetime wealth accumulation and higher wealth inequality
- Older affordable homes 'filtering up' due to being raided by higher income households
- First time buyers moving further out or to other cities out due to affordability pressures
- Migration to affordable cities has implications for economic growth and productivity