



The housing crisis will continue if Congress fails to address its root cause

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October 27th, 2021

The nation faces a dramatic housing shortage, sending home prices and rents through the roof all over the country. The spike in housing costs is making it harder for some to buy their first home and for others to afford their rent, increasing demand for subsidized housing and widening the wealth gap between renters and homeowners. It is also forcing more families to live farther from jobs, increasing commute times, undermining labor force participation and slowing economic growth.

Fortunately, Congress has an opportunity to address the problem in the Build Back Better legislation currently on the table. Unfortunately, it appears the housing solutions that dominate the package are more focused on addressing the symptoms of this growing crisis rather than its root cause.

Since the days following the financial crisis more than a decade ago, the nation has built far too few homes to meet demand. The shortfall is currently close to 1.8 million homes -- or roughly the number of homes built in an entire year -- leading to a record low vacancy rate for homes for sale and close to one for homes for rent. But even these daunting numbers don't capture the gravity of the problem, as the entire shortfall comes at the bottom end of the market. As in the rest of the economy, it is those of more modest means who are bearing the burden.

While the imbalance between supply and demand is unfortunately not new, the opportunity to do something about it is. For the first time in decades, Congress is discussing a dramatic increase in domestic spending to address the wide range of social and economic needs facing the nation. If there were ever a moment to balance the increasingly burdensome shortfall in housing supply, this is it.

The legislation needs to improve the economics of building and renovating affordable housing, which any number of programs are already well-positioned to do. For instance, the Housing Trust Fund and Capital Magnet Fund provide grants to non-profits to invest in affordable housing and other critical community infrastructure in lower-income communities, and the Low-Income Housing Tax Credit and Neighborhood Homes Investment Act use tax

incentives to do much the same thing. There is no shortage of well-developed, even bipartisan options.

However, Congress appears more focused on the havoc that the supply shortfall is wreaking than the underlying problem. The initial proposal passed out of the House of Representatives would allocate more than half of the spending set aside for housing to cover subsidized housing, through rental vouchers and upgrades to the public housing stock. And a coalition of members of Congress has since pushed to increase that share to more than 80%. There is no doubt that the nation could readily spend all that and more and still not close the shortfalls in public housing and voucher funding. But if policymakers don't address the supply shortfall, they won't deal with the underlying problem: that so many need subsidized housing in the first place.

If Congress were instead to focus the lion's share of funding on increasing the supply of affordable housing, we would gradually see the growth in rents and home prices slow enough for wages to catch up. That way, fewer families need a subsidy to pay their rent, and more are able to buy their first home.

It will take years to climb out of a ditch that has long been in the making. And, in the meantime, we will no doubt need additional funding for housing assistance, like vouchers and public housing, to mitigate the ongoing harm. But, if we focus only on the symptoms of the supply shortfall, we will be forever burdened with them no matter how much we spend.