The Biden-Harris Administration’s Housing Policy Agenda: A Conversation with Lael Brainard, National Economic Advisor

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March 12, 2024

Housing Market Challenges and Racial Differences in Housing Market Outcomes

Michael Neal
Housing Finance Policy Center
Urban Institute
Supply and Demand

- Rental market
- Homeownership conditions
- Construction challenges
- Racially inequitable outcomes
Renter Households are More Likely to be Cost-burdened

Source: 2021 American Housing Survey.

- All Occupied Households: 36% Cost-burdened, 64% Total households
- Renter Households: 54% Cost-burdened, 46% Total households
- Homeowner Households: 27% Cost-burdened, 73% Total households
Renter Households Are More Likely to Live in Inadequate Housing

Note: Households living in inadequate housing include those living in “severely inadequate” or “moderately inadequate” housing.
Source: Urban Institute calculations of data from 2021 American Housing Survey.
Pace of For-rent Completions Have Largely Recovered from Housing Burst, but Fewer Rentals Have Lower Rents

Source: US Department of Housing and Urban Development and Census Bureau; Tabulations from the Joint Center on Housing Studies (second figure only)
Homeownership Can Provide Great Stability and Wealth Building

Inventory Remains Low And New Construction Continues to Lag

Active Listings by Price Tier Over Time

Higher Mortgage Rates Amplified Affordability Challenges

30-year fixed rate mortgage

Year-over-year change in homebuying affordability with fixed rate mortgage

Sources: Freddie Mac and National Association of REALTORS.
Change in the Composition of Single-family House Price

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Construction Cost</th>
<th>Financing Cost</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>50.8%</td>
<td>2.1%</td>
<td>47.1%</td>
</tr>
<tr>
<td>2022</td>
<td>60.8%</td>
<td>1.9%</td>
<td>37.3%</td>
</tr>
</tbody>
</table>

Sources: National Association of Home Builders report “Cost of Constructing a Home – 2022”. Other includes: finished lot cost, overhead and general expenses, marketing costs, sales commissions and profit.
Top Challenges Builders Face

- Local/state environmental regulations and policies
- Concern about employment/economic situation
- Difficulty obtaining zoning/permit approval
- Impact/hook-up/inspection/other fees
- Negative media reports making buyers cautious
- Cost/availability of Labor
- Building materials prices
- Cost/availability of lots
- Buyers expect prices or rates will decline if they wait
- Rising Inflation in the US Economy
- Higher Interest Rates
- Building materials prices
- Cost/availability of lots
- Negative media reports making buyers cautious
- Impact/hook-up/inspection/other fees
- Difficulty obtaining zoning/permit approval
- Concern about employment/economic situation
- Local/state environmental regulations and policies

Sources: National Association of Home Builders.
Communities of Color Are More Likely to Experience Homelessness and to Rent

![Bar chart showing renter-ship rates by race and ethnicity.]

And Less Likely to be Homeowners

Sources: Urban Institute calculations of data from the American Community Survey and data collected under Home Mortgage Disclosure Act data.
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