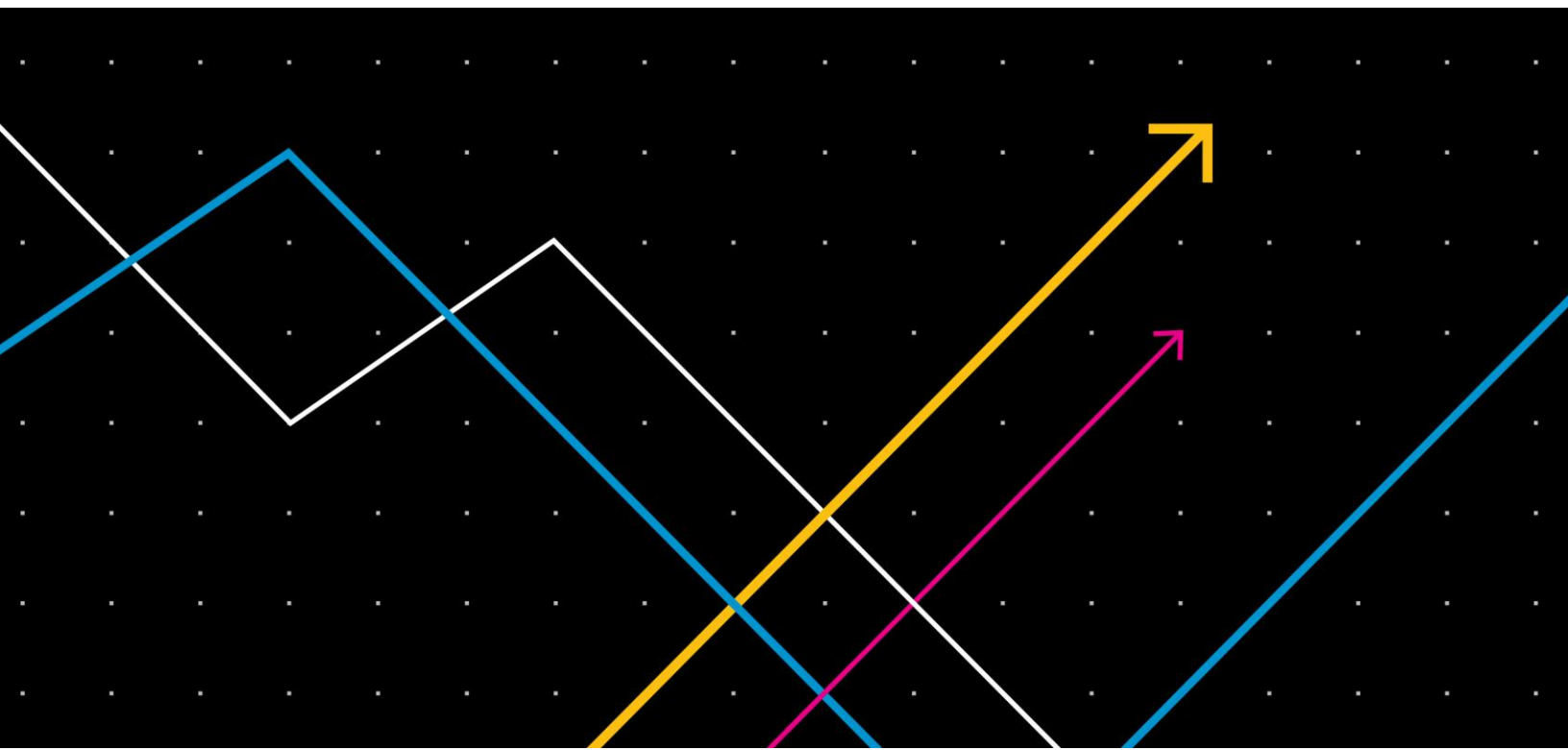




RESEARCH REPORT

Can Increasing Housing Supply Advance Racial Equity in Homeownership?

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ABOUT THE URBAN INSTITUTE

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Executive Summary

Black and Hispanic households are more likely to rent and less likely to own their primary residence compared with white households. In order to advance racial equity in homeownership, changemakers have stressed the importance of both boosting homeownership rates for Black and Hispanic households and closing the racial homeownership gap. But the lack of for-sale supply is a critical challenge facing potential homebuyers.

In this report, we use a novel approach to test the claim that increases in housing supply alone will shrink racialized homeownership gaps. We find that periods of more for-sale housing supply correlate with higher homeownership rates for Black, Hispanic, and white households. However, increases in housing supply alone have not historically correlated with significant reductions in the racial homeownership gap. This suggests that Black and Hispanic households face additional structural barriers limiting their ability to become homeowners. To advance racial equity in homeownership, steps to expand affordable housing supply likely need to be paired with demand-side and market-wide changes that address the additional barriers faced by renters of color.

Owning a home typically confers greater wealth and financial stability, but the lack of housing supply presents a key barrier to homeownership. Recent reports indicate that this housing shortfall stretches into the millions (Young, Neal, and Ratcliffe 2022). In turn, the dearth of housing limits the number of homes available for purchase and boosts the value of existing homes, reducing affordability.

The decision to buy a home is often assessed within the framework of affordability, which takes into account income, house prices, and mortgage rates. All else equal, increasing the supply of for-sale housing should help attenuate house prices and improve affordability. And in a seller's market, characterized by low for-sale supply, adding more housing can better meet housing demand and bring more market balance. In other words, increasing supply could boost homeownership. This strategy could prove especially promising for boosting Black and Hispanic households' historically low homeownership rates.

Noting these trends, we seek to explore the role of housing supply in boosting homeownership outcomes, particularly for Black and Hispanic households. To answer this question, this report applies a framework relatively novel to the housing policy literature that allows for a direct linkage between supply and homeownership rates. Taking from the Beveridge curve—a model developed in the labor economics literature that compares the job opening rate to the unemployment rate—we introduce a

similar concept for housing that compares the share of renter households to the inventory of for-sale housing. In addition to estimating this curve across all households in aggregate in the US, we constructed individual curves for white, Black, and Hispanic households.

Consistent with the labor economics literature, we found that periods of time with relatively more for-sale housing inventory correspond with a lower share of renter households and, equivalently, a higher homeownership rate. These results held for white, Black, and Hispanic households separately. However, while greater supply of for-sale inventory corresponded with higher homeownership rates for each of these racial and ethnic groups, it did not correlate with the elimination of the Black-white or Hispanic-white homeownership rate gaps. These findings imply that Black and Hispanic households face additional structural barriers constraining their ability to become homeowners in response to a higher level of for-sale inventory. In other words, although increasing housing supply can boost homeownership rates for Black and Hispanic households, other factors also contribute to racial homeownership rate disparities. Addressing these structural limitations requires a broad suite of policies to address both demand-side factors and the lack of supply at the federal, state, and local levels.

Can Increasing Housing Supply Advance Racial Equity in Homeownership?

Historical Context and Background

Homeownership is a critical tool for building wealth and supporting financial stability. However, to achieve homeownership, a buyer must find a property to purchase. As a result, the supply of available homes is an important contributor to homeownership outcomes.

Background on the Lack of Housing Supply

The aftermath of the Great Recession has been characterized by a lack of for-sale supply. Researchers at Freddie Mac estimate that the US experienced a housing supply deficit of 3.8 million units as of the fourth quarter of 2020.¹ Their estimate reflects the total housing units needed to maintain a target vacancy rate of 13 percent, in addition to meeting the demand from an increasing number of US households. Meanwhile, a recent report by Realtor.com estimates that from 2012 to 2023, the increase in US households has outnumbered construction of single-family homes by 7.2 million.² The National Association of Realtors also found an “underbuilding gap” of 5.5 million housing units between 2001 and 2021 (Rosen et al. 2021).

The reasons behind the lack of housing vary. An analysis by the National Association of Home Builders indicates that builders face hurdles related to the broader economic cycle and longer-term structural barriers. For example, in 2024, the association’s builder members indicated that higher interest rates, increasing inflation, and buyers’ expectations for future declines in interest rates were key cyclical headwinds.³ At the same time, persistent challenges such as the cost and availability of labor, lots, and building materials have also weighed on construction.⁴ Research suggests that zoning rules restricting the type of housing that can be built have also limited supply.⁵

Low supply is also a prominent feature of existing homes (Goodman et al. 2024a). This partly reflects the trend of homeowners remaining in their homes for longer periods of time, which has been amplified by higher mortgage rates.⁶ In addition, single-family rentals have proliferated in the years

after the Great Recession, which has undermined homeownership (Lambie-Hanson, Li, and Slonkosky 2019).

The Path from Renting to Homeownership

Renter households seeking to become first-time homebuyers are encountering unaffordable market conditions characterized by higher interest rates and a lack of supply. Applications to purchase a home have plummeted, even as mortgage denial rates have risen (Goodman et al. 2023). Amid these challenges, the number of first-time homebuyers is in decline.⁷

Despite higher interest rates, research suggests that the key challenge facing the for-sale market is the lack of supply (Alexandrov and Goodman 2024). For renters of color, these market conditions are amplified by historical and systemic structural racism, which can manifest as affordable housing shortages, heat islands, and a variety of other issues (Young, Neal, and Ratcliffe 2022).

The combined effect of broader market conditions and inequitable structures disproportionately limits Black and Hispanic households' ability to build housing security and wealth through homeownership. These groups are more likely to be rent burdened and have lower or missing credit scores, lower incomes, and higher mortgage denial rates. Most recent data suggest that the racial homeownership gap between Black and white households is nearly 30 percentage points, while the difference between Hispanic and white households is approximately 25 percentage points (Goodman et al. 2024b).

Analyzing the Mismatch Between Supply and Demand

Against this backdrop of a market mismatch, we adapt Beveridge curve modeling from labor economics to examine the effect of changes in for-sale housing inventory on homeownership rates nationwide and by racial group. As homeownership remains the most stable and viable route to intergenerational wealth building in the US (Neal, Zhu, and Zinn 2024), such analyses can reveal powerful pathways to reducing racial inequities in quality-of-life outcomes and advancing housing justice.

The Beveridge curve is a prominent concept within the field of labor market economics. Named after William Beveridge, it depicts an inverse relationship between the job opening rate and the unemployment rate. Generally, lower unemployment corresponds with a higher job openings rate (more vacant positions), while higher unemployment correlates with a lower job openings rate (fewer available jobs).⁸ Together, the Beveridge ratio tracks the number of unemployed people per job

opening. A given point on the curve can indicate the health of the labor market; for example, a low unemployment rate and a high vacancy rate indicate a “tight” labor market.⁹

The Beveridge curve aligns with the long and robust literature on search and matching theory,¹⁰ which examines the frictions that can keep a match from occurring—even when broader economic conditions warrant it. This theory assumes that during the job search, job seekers and employers are looking for a mutually beneficial “match” (Pissarides 2011). Beveridge curves can depict instances of labor market inefficiencies, as in some scenarios of high unemployment and high job vacancies, where job seekers are not sufficiently matching with available positions (Sheldon 2023). These inefficiencies, or frictions, can include a variety of factors, such as misalignment between job requirements and applicants’ skillsets and lack of readily available information about vacancies (Pissarides 2011).

By comparing Beveridge curves across economies, industries, and demographic groups, we can determine where frictions might disproportionately affect certain job seekers. In contrast, changes in the efficiency of the job matching process correspond to shifts in the entire curve. For example, the Beveridge curves for Black men and Black women are estimated to be to the right of the curve for all workers.¹¹ This means that Black workers have a higher unemployment rate for a given level of job openings, implying that they face additional structural barriers that limit their ability to get a job.¹² Examining Beveridge curves for the period following the COVID-19 pandemic also suggests that women experience disproportionately more mismatch in the labor market than men (Sheldon 2023). In addition to differences in relative placements of the Beveridge curve, differences in slope can also inform labor market policies, as they suggest that a decrease in job openings could correspond to a disproportionate increase in unemployment for certain groups.

Applying the Beveridge Curve to the Housing Market

In emerging literature, scholars including Ioannides and Zabel and Gabrovski and Ortego-Marti have begun to apply the Beveridge curve framework to the housing market. Their approaches are foundational to this area of work, but we discuss key ways in which the direction of our research differs from theirs.

Ioannides and Zabel model housing and labor market decisions jointly, while sticking closely to the original conceptualization of the Beveridge curve in the labor market (2018, 6–7). Their development of the endogenous variable of *unfulfilled homeownership rate* could be roughly described as the unemployment rate analogue for the housing market (2017; 2018, 3, 20–21). They also include other variables that drive housing supply and home vacancies, such as the measure of owner-occupied

housing stock per capita (2018, 20–22). The authors use this model to depict the interdependence of labor and housing supply and assess how certain shocks to one market affect the other (2017). Through their Beveridge curves, they also highlight movements employed workers and job seekers might make between rental properties and/or homes (2018).

Gabrovski and Ortego-Marti’s application of the Beveridge curve specifically examines the housing market, with special focus on aspects of housing finance such as housing prices and liquidity (2021; 2023). They use their model to characterize and investigate frictions in matching between an applicant and a financier in the housing credit market (2020).

Unlike these existing models, which attend to issues such as labor market shocks and the roles of different players in the housing market, our research focuses on structural barriers to homeownership for renters that perpetuate racial inequities in homeownership. Although our approach is informed by pioneers in the field, we take a narrower and fully empirical focus. We compare the number of homes for sale relative to the total housing stock with the number of renter households relative to the total number of households.

In their work, Gabrovski and Ortego-Marti (2023) and Ioannides and Zabel (2018) create theoretical (rather than empirical) measures of buyers in the housing market. This more expansive measure in their models includes both first-time homebuyers and repeat buyers. Although this measure captures the two categories of homebuyers, it is inconsistent with the focus of our research on people who do not own a home and is less relevant to the Beveridge curve’s focus on the number of people who are unemployed relative to job openings.

To ground our results in empirical data, we choose to use a measure of renter households and assume that renters want to become homeowners. This assumption is borne out by survey results, but those results do not imply that a renter is currently looking for a home.¹³ We use this assumption to advocate for the federal government to collect new empirical data, such as a high-frequency data series capturing renter households currently looking to purchase a home.¹⁴

Our results contribute to two strands of policy debates. First, this report contributes to the policy discussion on housing supply. Our results ground the relationship between homeownership and supply more firmly in empirical evidence and suggest that more supply is needed to boost the homeownership rate. In addition, this report contributes to discussions on racial equity, specifically the large and persistent gap in homeownership rates between Black and white households and between Hispanic and white households. The results from our study suggest that boosting supply can also increase the homeownership rate for many households of color. However, it confirms that households of color likely

face additional barriers to homeownership relative to white households. Empirically, supply by itself will not help meaningfully close racial and ethnic gaps in homeownership rates.

Methods and Motivation for Work

The motivation for our work is rooted in growing calls to increase the housing supply while also ensuring that these efforts help advance housing justice.¹⁵ As such, we seek to answer how the relationship between supply and homeownership may vary across racial and ethnic groups.

This approach differs from existing work in the literature applying the Beveridge curve to the housing market by focusing on (1) renters, as opposed to estimating overall housing demand; (2) racial implications of variations in housing supply and the potential impact of supply on lessening barriers to homeownership; and (3) observed data rather than model-estimated key variables.

Methodology and Data Sources

We draw from the traditional Beveridge curve from the labor market, which graphically depicts the movement of the unemployment rate and the job openings rate. We begin with a measure of the rentership rate, which is the analogue of the unemployment rate in the traditional Beveridge curve. We define the rentership rate as the counterpart of the homeownership rate, measuring the share of the population of renters who do not own a home. We calculate the rentership rate as follows,

$$rr_i = 1 - hr_i$$

where rr_i is the rentership rate for subgroup i and hr_i is the homeownership rate for subgroup i . It measures the share of the household population that does not own a home; we assume that households are renters and that they aspire to be homeowners.¹⁶ Our subgroups of interest are Black households, Latinx households, and white households. We use quarterly data for homeownership rates by race and ethnicity from 1994 to early 2024 from the US Census Bureau.

Our next key variable is a measure of homes that are for sale as a share of the total housing stock. As is common in the literature, we focus on the stock of homes available for sale, which captures the type of housing relevant for our population of interest.

To obtain a long time series of homes for sale, we combine a measure of existing single-family homes for sale with new single-family homes for sale to get a total number of for-sale single-family

inventory.¹⁷ Echoing the ratio of job openings to the total number of jobs used in the labor literature, we divide this measure of for-sale single-family homes by the total housing stock. We write this out as follows:

$$s = \frac{S}{H}$$

Our measure of for-sale inventory only includes single-family homes. Focusing on single-family homes gives us a longer time series (one that goes back to 1994 rather than 2000). At the same time, multifamily for-sale homes, colloquially called condominiums or cooperatives, are not included in the data on newly constructed homes for sale. Although multifamily for-sale homes do tend to be an affordable option, they make up a small share of inventory, particularly in recent years. According to the National Association of Realtors, condo and co-op inventory represents approximately 10 percent of all existing homes for sale.¹⁸ In addition, fewer than 5 percent of all for-sale housing starts (residential units that have begun construction) are multifamily for-sale homes (Goodman and Neal 2023).

Here, s is the for-sale share of the total housing stock, H is the total housing stock (inventory of all housing units), and S is the stock of single-family homes available for sale. We obtain data on existing single-family homes for sale from the National Association of Realtors and data on new single-family homes for sale and the total housing stock from the US Census Bureau. Total housing stock data are quarterly, and data on for-sale single family homes are monthly data averaged at quarterly frequency.

We attain our renters' Beveridge curves by plotting rentership rates for specific subgroups, rr_i , against the for-sale share of the total housing stock, s . Our final statistic of interest is a measure of the number of renter households relative to the inventory of single-family homes available for sale. We obtain this ratio as follows:

$$h = \frac{R}{S}$$

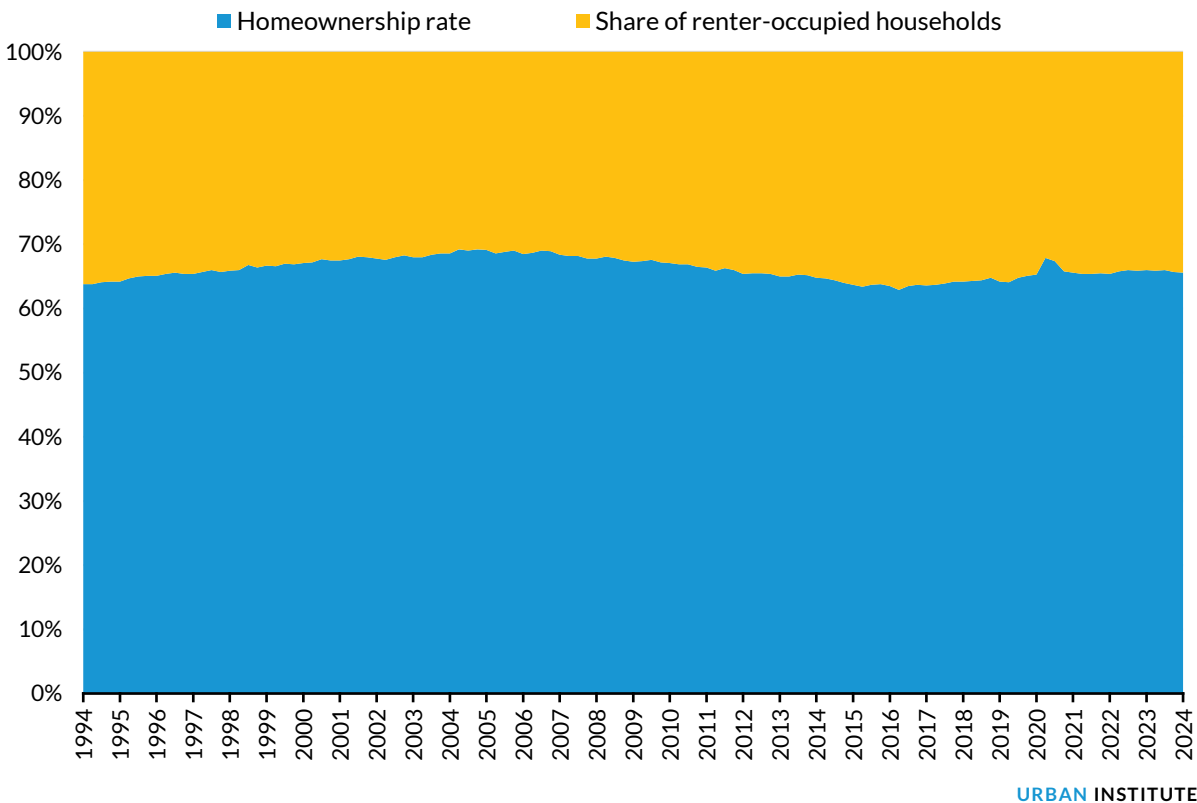
Here, R is the stock of renter-occupied housing units; S , as noted above, is the stock of single-family homes available for sale; and h is the ratio of the two measures. Data for renter-occupied housing inventory are from quarterly Census data.

Results

Distribution of Occupied Households

Occupied households can be either renter households or homeowner households. The distribution between these two groups of occupied households has fluctuated over the past 30 years. Between 1994 and 2005, the share of renter households fell from 36.2 percent to 31.8 percent, and conversely, the homeownership rate rose from 63.8 percent to 69.2 percent (figure 1). Between 2005 and 2016, the share of renter households expanded from 31.8 percent to 37.1 percent, corresponding with a decline in the homeownership rate from 69.2 percent to 62.9 percent. Since 2016, the share of renter households has largely declined (settling at 34.4 percent), while the homeownership rate overall has broadly increased to 65.6 percent as of the first quarter of 2024.

FIGURE 1
Distribution of Occupied Households



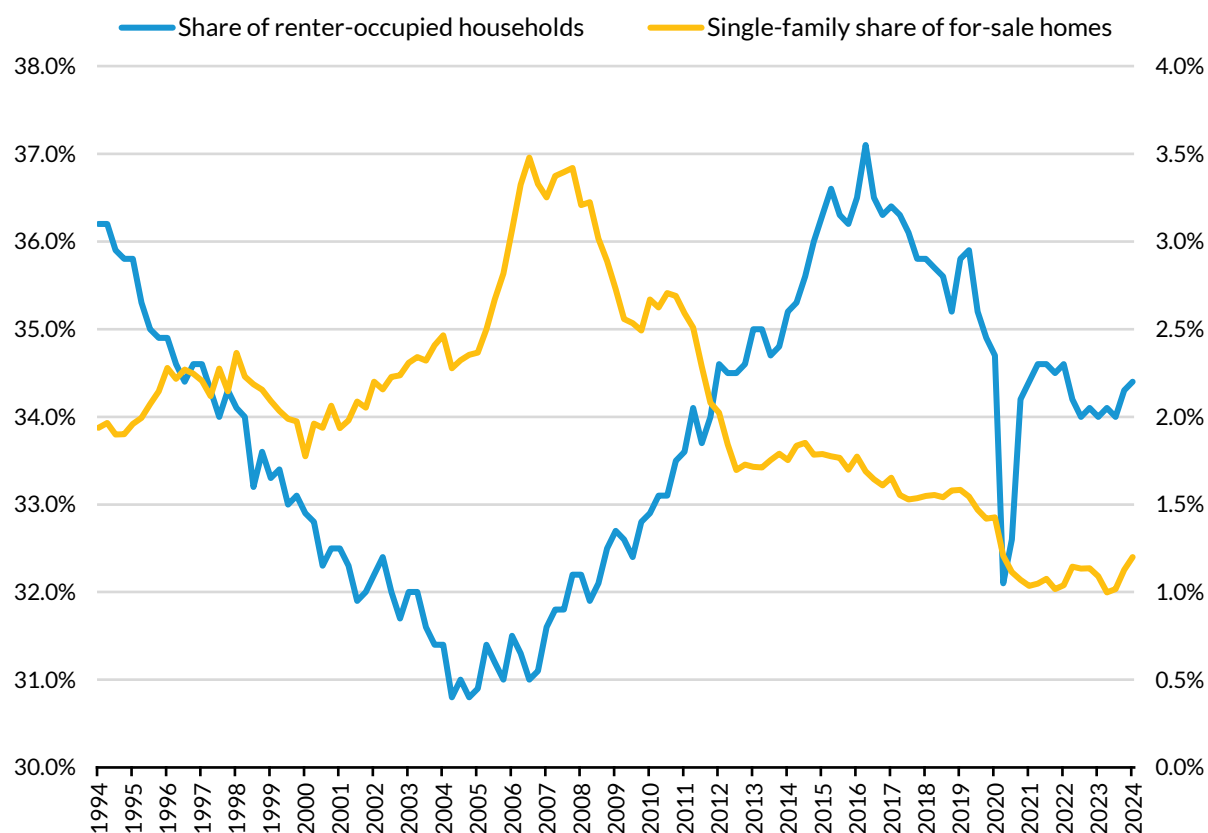
Source: Current Population Survey/Housing Vacancy Survey and authors' calculations.

The decline in the share of renter households from 1994 to 2005 corresponds with a broad expansion in the share of single-family inventory (figure 2). Subsequently, the broad increase in the share of renter households from 2005 to 2016 corresponds with a decrease in the single-family inventory share. However, between 2016 and 2020, the share of renter-occupied households fell in parallel with a continued decline in the single-family inventory share. In recent quarters, both the share of renter households and the single-family inventory share have been largely flat.¹⁹

FIGURE 2

The Shares of Renter Households and For-Sale Inventory Tend to Move Inversely

Share of renter households and for-sale inventory share



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Source: Current Population Survey/Housing Vacancy Survey, US Census Bureau, US Department of Housing and Urban Development, and National Association of Realtors.

Note: Inventory data are monthly; we use quarterly averages to align with the frequency of Current Population Survey/Housing Vacancy Survey data.

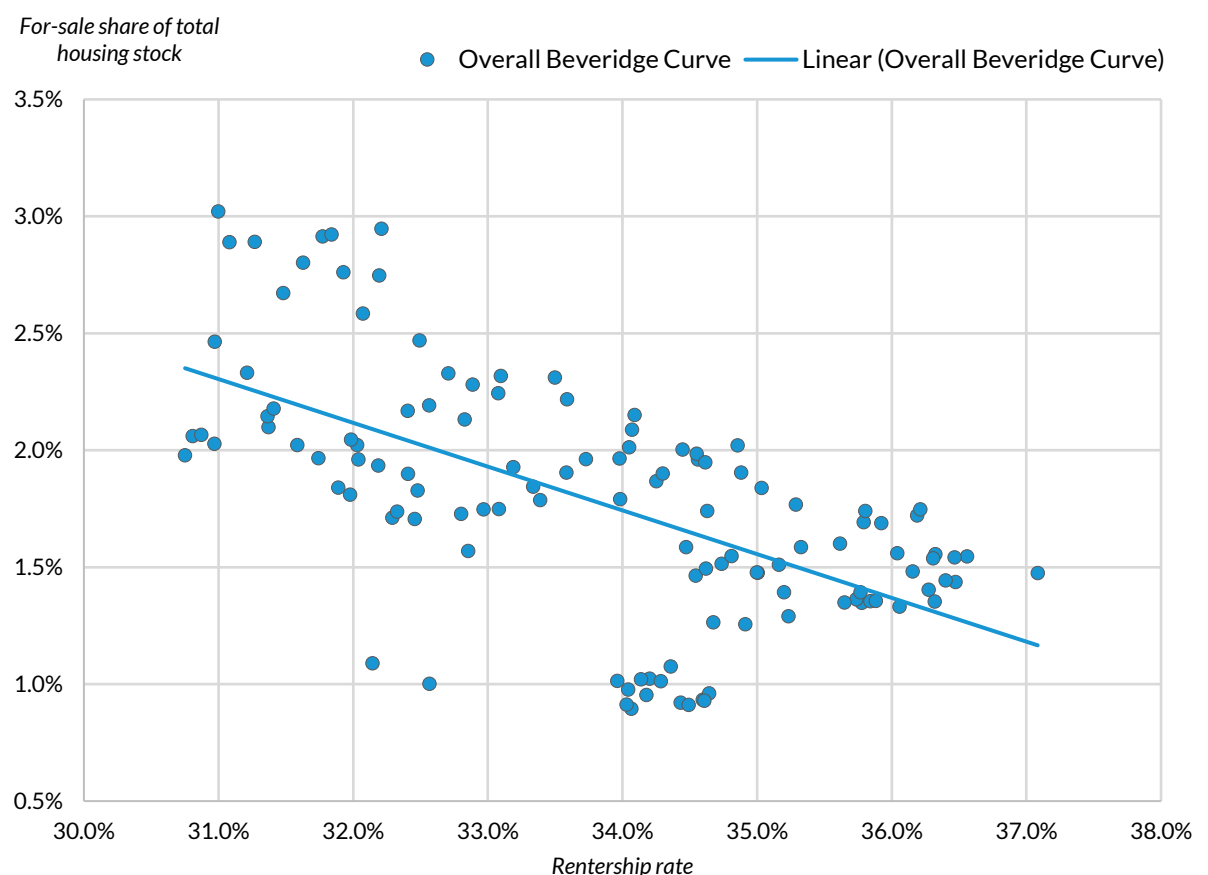
Although there appears to have been a break in the relationship during the 2016–2020 period, over the past 30 years, the shares of renter households and for-sale inventory have been inversely related

(figure 2). As figure 3 clarifies, quarters when the for-sale inventory is high typically correspond with quarters when the share of renter households is low and the homeownership rate is high. In contrast, periods when the for-sale inventory is low typically correspond with periods when the share of renter households is high and, by extension, the homeownership rate is low.

FIGURE 3

A Higher Share of For-Sale Inventory Corresponds with a Lower Rentership Rate and Higher Homeownership Rate

Renter Beveridge curve for all households



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Source: Urban Institute calculations of National Association of Realtors and US Census Bureau data.

Note: Each point represents quarterly data from 1994 Q1 through 2024 Q1.

The inverse relationship between the share of single-family inventory and for-sale occupied homes is transformed into a ratio, echoing the Beveridge ratio. In the most recent quarter, we estimate approximately 29 renter households for every single-family home for sale (figure 4). This ratio has

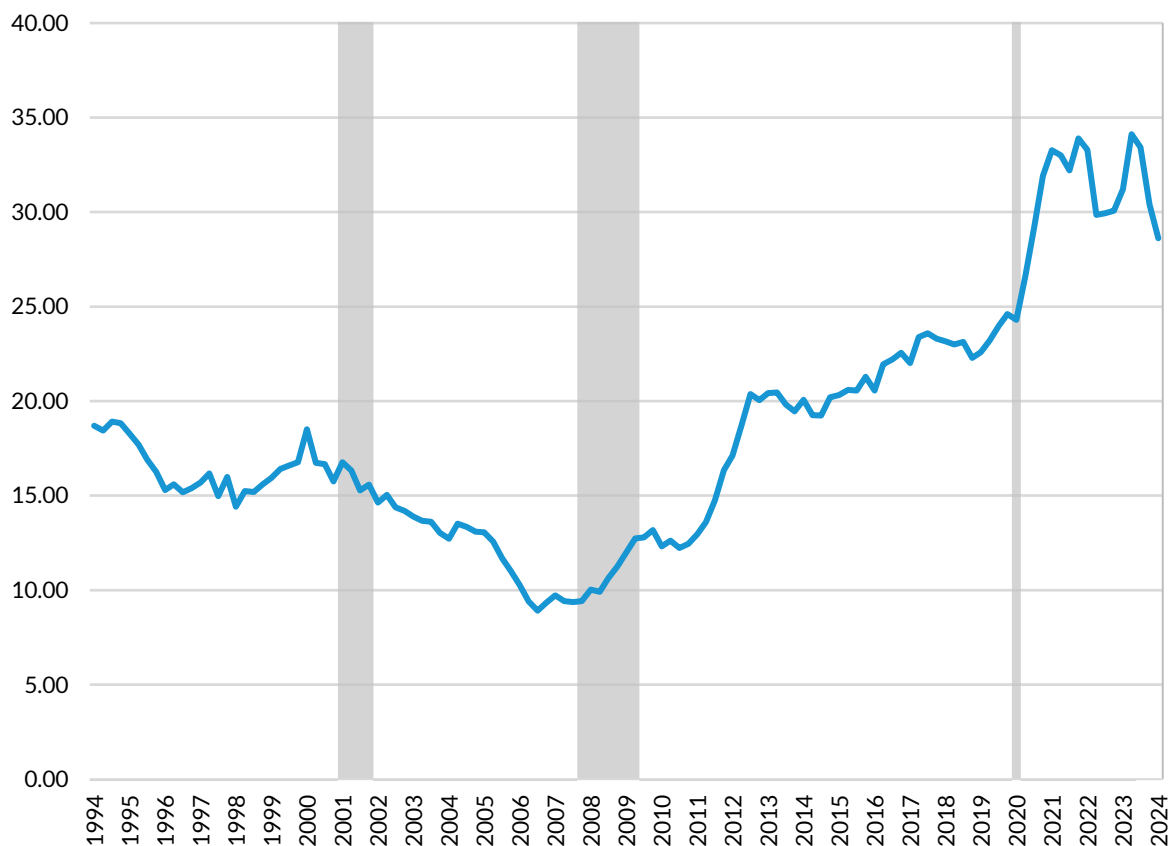
dropped from the high reached in the third quarter of 2023—approximately 34 renter households per single-family for-sale home—but remains elevated relative to past readings.

FIGURE 4

The Number of Renter Households Has Increased Sharply Relative to the Number of Available Single-Family Homes in Recent Years

Ratio of number of renter households to for-sale inventory of single-family homes

Number of renters per single-family homes for sale



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Source: Urban Institute calculations of National Association of Realtors and US Census Bureau data.

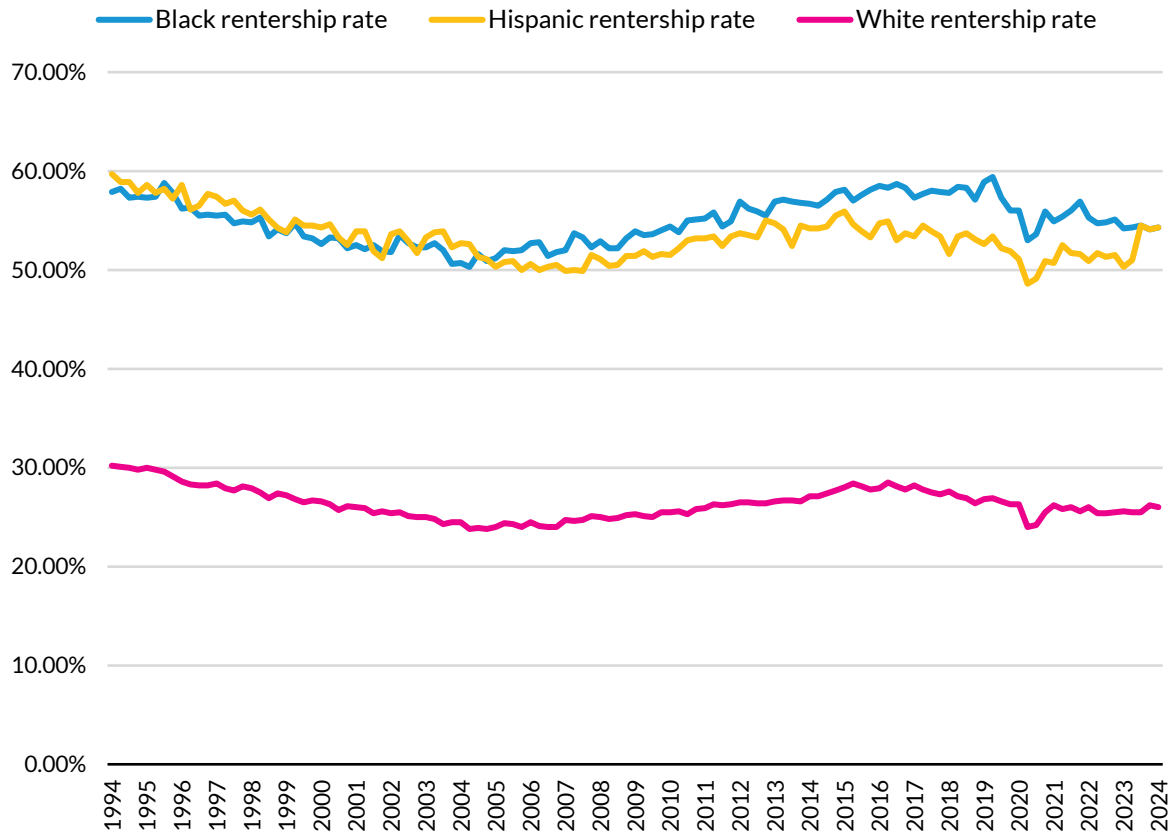
Note: Data is quarterly from 1994 Q1 through 2024 Q1. Gray bars refer to periods of recession, based on Federal Reserve Economic Data (FRED), “National Bureau of Economic Research-based Recession Indicators for the United States from the Peak through the Period preceding the Trough.”

Black and Hispanic households are more likely to be renters relative to white households (figure 5). In the three decades of data plotted, this gap has been persistent, ranging from 26 to 33 percentage points for the Black-white rentership gap and 24 to 30 percentage points for the Hispanic-white rentership gap.

FIGURE 5

The Large Racial Gaps in Rentership Rates Have Mostly Remained Unchanged

Rentership rates by race/ethnicity



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Source: Current Population Survey/Housing Vacancy Survey and authors' calculations.

Note: Data is quarterly from 1994 Q1 through 2024 Q1. The share of renter households is equal to 1 minus the homeownership rate.

Disaggregating Renter Beveridge Curves by Race and Ethnicity

In figure 6, the horizontal axis measures the rentership rate, denoting the share of the population that does not own a home. The vertical axis measures single-family homes that are available for sale as a share of the total housing stock. The lines here are linear approximations from plotting our combination of data points for these two measures across the years 1994 to 2024. The blue line plots the resulting Beveridge curve across all households. The three other lines utilize rentership rate data disaggregated by race and ethnicity, plotting curves for Black households, Hispanic households, and white households.

In looking across the plots, we see that the plot for all households looks most similar to (and is positionally closest to) the Beveridge curve for white households. This is in line with the results from

figure 5, where white households have considerably lower rentership rates compared with Black and Hispanic households and are more likely to be homeowners. In addition, white households make up the majority of the US population (Neal et al. 2021). These curves imply that what is happening for white households in the housing market dominates the economywide plot.

The plots for Black and Hispanic households are also downward sloping. The negative slopes indicate that, as for white households, more supply corresponds with lower renter shares and higher homeownership rates and less supply corresponds with higher renter shares and a lower homeownership rate.

In addition, the Black and Hispanic plots are notably to the right of those for white households. This tells us that for every level of availability of for-sale homes, as measured by our vertical axis, Black and Hispanic households are predicted to have higher rates of rentership and lower rates of homeownership. Further, this implies that Black and Hispanic households face additional structural barriers limiting their ability to become homeowners in response to a higher level of for-sale inventory.²⁰

There is also a notable difference in the slopes of the curve for Black households relative to Hispanic households, and this subtle difference conveys information about the change in rentership rate from a change in the availability of for-sale homes. In particular, the flatter slope of the Hispanic curve implies that Hispanic households have historically been more responsive to a 1 percentage point change in for-sale inventory relative to Black households. This means additional for-sale supply could have a modestly bigger impact on the Hispanic homeownership rate than the Black homeownership rate—a finding that underscores the racialization of barriers to homeownership, even across populations of color. Given the great heterogeneity within the Hispanic ethnicity category, further research would help provide additional insights.

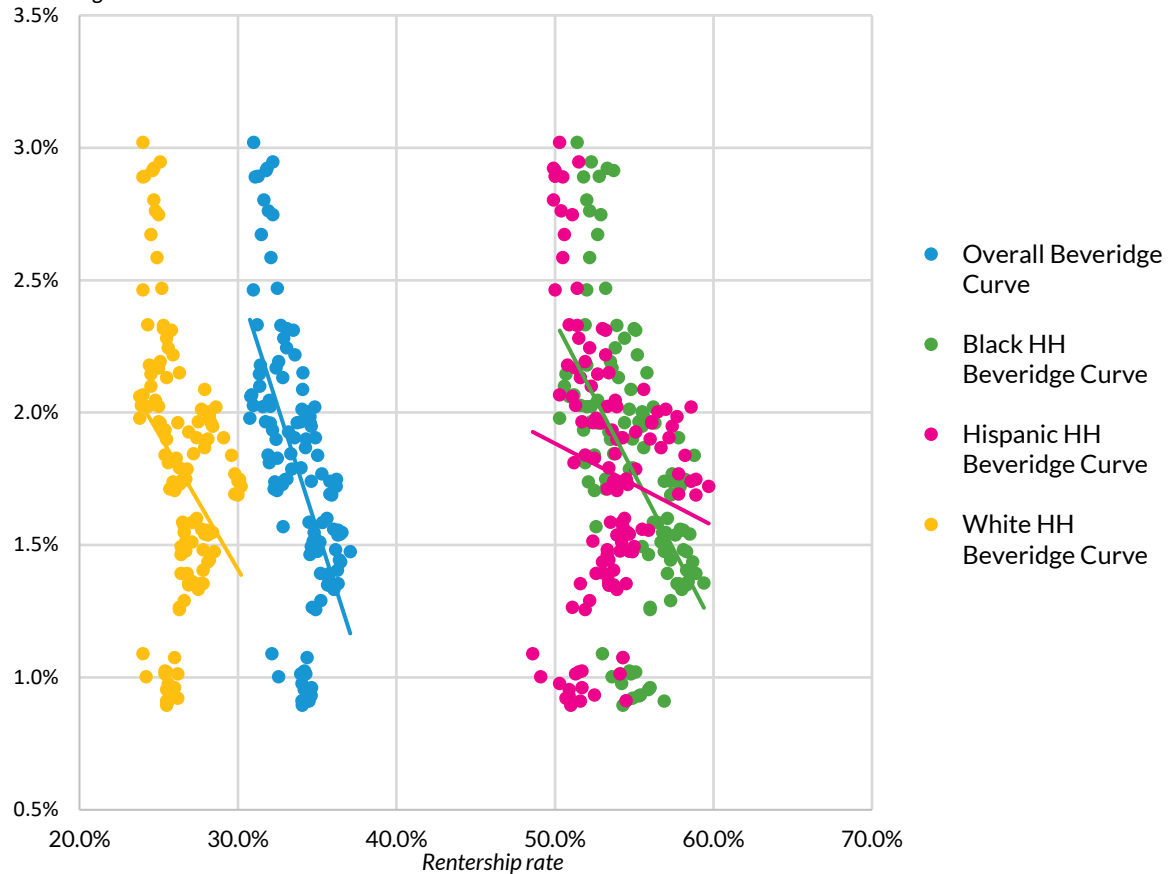
However, while more housing supply corresponds with a lower rentership rate and a higher homeownership rate, Black-white and Hispanic-white gaps in rentership and homeownership are not eliminated during periods of higher supply. Overall, as seen in figure 5, these gaps have stubbornly persisted for decades with little change.

FIGURE 6

Black and Hispanic Households Face Higher Rentership Rates Regardless of Single-Family Housing Supply

Renter Beveridge curves by race/ethnicity

For-sale share of total
housing stock



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Source: Authors' calculations of National Association of Realtors and US Census Bureau data.

Note: Each point represents quarterly data from 1994 Q1 through 2024 Q1. HH = households.

Policy Considerations

Our findings highlight the importance of strategies that are specifically tailored to support Black and Hispanic renters interested in becoming homeowners, as well as the need for more robust data collection to capture implementation of and responses to those strategies.

Strategies that Target Racialized Barriers to Homeownership

Our analysis suggests that there are racialized structural barriers to homeownership. These include a lack of new housing supply in communities of color, few affordable home-buying options among new and existing supply, income and credit challenges concentrated among people of color because of racialized financial and housing policies, and the resulting lack of trust in financial institutions among potential homebuyers. The policy suggestions below are intended to address some of these barriers.

EXPAND APPRENTICESHIP PROGRAMS

As noted earlier in this report, builders report that a lack of available workers has undermined their ability to build homes. In particular, younger workers are less likely to enter the construction industry relative to other industries.²¹ To address this, local policymakers could support expanding apprenticeship programs that train workers, especially younger workers, in the skills needed to work in the housing trades.²² Direct outreach to high schools and community colleges communicating the benefits of working in these occupations could help boost labor supply.

REAUTHORIZE THE NEW MARKETS TAX CREDIT PROGRAM

If federal policymakers want to build more affordable housing in communities of color, they could explore permanently reauthorizing the New Markets Tax Credit program (NMTC), which is currently set to expire by the end of 2025. The NMTC can support more housing, including for-sale housing, with a focus on building in communities of color. Mechanisms of the program include bringing private capital into low-income communities by permitting individual and corporate investors to receive a federal income tax credit in exchange for making investments in the construction project.²³

PRIORITIZE AND FUND PROGRAMS TO SUPPORT WORKFORCE HOUSING

Additionally, if policymakers want to address an aspect of the labor shortage, prioritizing and funding programs to support workforce housing could boost supply of more single-family attached housing, colloquially known as “townhomes.”²⁴ Townhomes are typically a more affordable homebuying option relative to single-family detached homes in most areas, which may also benefit homebuyers of color. And prioritizing the permitting of workforce townhomes could signal the importance of building workforce housing.²⁵

REPAIR VACANT AND DILAPIDATED BUILDINGS

State and local governments also possess key levers to expand housing supply. One way to do this is by repairing vacant and dilapidated buildings. Some jurisdictions use land banks to acquire “blighted”

properties and then renovate them for purchase and occupancy by households. Land banks not only can boost the supply of homes but also can encourage entrepreneurship among historically excluded communities by assigning the rehabilitation work to minority- or women-owned business enterprises (Neal and Pang 2024).

As another example, the City of New York acquired many residential buildings that were abandoned by their landlords and were in financial distress. The housing preservation and development arm of the city government rehabilitated some of these buildings and gave tenants the opportunity to own their apartments and become shareholders in limited-equity cooperatives organized as Housing Development Fund Corporation cooperatives.²⁶

PURSUE DEMAND-SIDE POLICIES TO BETTER SUPPORT UNDERSERVED RENTERS

Pursuing additional policies that increase income, expand access to capital, and help potential homebuyers build credit could help renters and other groups currently underserved in the housing market better prepare for homeownership. Policies that allow for alternative forms of measuring creditworthiness, increase assistance for down payments and closing costs, and boost trust in the financial system are also critical for improving homeownership outcomes for communities of color in ways that will help close the racial homeownership gap (Rennert et al. 2023).

These policies can improve the ability of Black and Hispanic households to qualify for a mortgage and improve their competitiveness in the homebuying process. Households with more financial resources or those that can be preapproved for a mortgage have a greater chance of being chosen by a potential seller. These additional steps are critical because mortgage credit availability has also played a key role in homebuying outcomes (Goodman, Zhu, and George 2014). Research has also illustrated how a matching process can describe mortgage credit availability (Gao, Yi, and Zhang 2024).

Finally, it is worth noting that not only did for-sale inventory decline in the years following the Great Recession, but mortgage credit tightened as well. This lack of credit access disproportionately affects Black and Hispanic prospective homebuyers relative to white applicants (Ky and Lim 2022). Today, a lack of credit availability, particularly for borrowers of color, remains a significant barrier to homeownership and its associated quality-of-life benefits. Amid higher mortgage denial rates for mortgage applicants of color, addressing racial disparities in the mortgage approval process is also critical to closing homeownership inequities (Goodman et al. 2023).

Data Improvements

Policymakers can consider several improvements to data collection methods to better understand barriers to homeownership, improve future studies of housing supply, and estimate the impact of other interventions to advance racial equity in homeownership. The US Census Bureau or the US Department of Housing and Urban Development could begin collecting systematic data on a more frequent basis on the number of renter households explicitly seeking to purchase a home. This would yield critical information on what challenges renters face when “matching” to a home and better illustrate how broader affordability conditions may affect how rental households pursue homeownership. These data should also be collected with sufficient sample size to disaggregate by key demographic characteristics, such as race and ethnicity or household income.

Additional data on multifamily property ownership, including data disaggregated by race and ethnicity, could help analysts conduct more robust studies on housing supply for single- and multifamily residences, especially given that communities of color disproportionately inhabit the latter.

Finally, with more disaggregated localized data on housing inventory and rentership than we had for this study, including data at a more granular geospatial unit, analysts could conduct more research at the neighborhood level that could help determine whether housing supply solutions have different impacts based on communities’ demographic characteristics.

Notes

- ¹ “Housing Supply: A Growing Deficit,” Freddie Mac, May 7, 2021, <https://www.freddiemac.com/research/insight/20210507-housing-supply>.
- ² Hannah Jones, “US Housing Supply Gap Grows in 2023; Growth Outpaces Permits in Fast-Growing Sunbelt Metros,” Realtor.com, February 27, 2024, <https://www.realtor.com/research/us-housing-supply-gap-feb-2024/>.
- ³ “Top Challenges for Builders in 2024,” National Association of Home Builders, January 29, 2024, <https://www.nahb.org/blog/2024/01/builder-top-challenges-2024>.
- ⁴ “Top Challenges for Builders in 2024,” National Association of Home Builders.
- ⁵ Jenny Schuetz, “Restrictive Zoning Is Impeding DC’s Goal to Build More Housing,” Brookings Institution, October 8, 2019, <https://www.brookings.edu/articles/restrictive-zoning-is-impeding-dcs-goal-to-build-more-housing/>; “The 2024 Economic Report of the President,” The White House, March 21, 2024, <https://www.whitehouse.gov/cea/written-materials/2024/03/21/the-2024-economic-report-of-the-president/>.
- ⁶ Fonseca and Liu (2024); “Changes in Homeowner Tenure?” *REALTOR Magazine*, National Association of Realtors, March 3, 2022, <https://www.nar.realtor/magazine/real-estate-news/changes-in-homeowner-tenure>.
- ⁷ Although the number of first-time homebuyers has declined, it remains higher than the number of repeat buyers, meaning the *share* of first-time homebuyers has increased. See Pinto, Peter, and Li (2024).
- ⁸ “The Beveridge Curve (Job Openings Rate vs. Employment Rate), Seasonally Adjusted,” US Bureau of Labor Statistics, accessed October 20, 2023, <https://www.bls.gov/charts/job-openings-and-labor-turnover/job-openings-unemployment-beveridge-curve.htm>.
- ⁹ William M. Rodgers III and Alice L. Kassens, “What Does the Beveridge Curve Tell Us about the Labor Market Recovery?” *On the Economy* (blog), Federal Reserve Bank of St. Louis, July 14, 2022, <https://www.stlouisfed.org/on-the-economy/2022/jul/beveridge-curve-labor-market-recovery>.
- ¹⁰ The ideas embedded in this theory won the Nobel Prize in Economics for Dale Mortensen, Christopher Pissarides, and Peter Diamond in 2010.
- ¹¹ For an illustration, see the second graph in Rodgers and Kassens, “The Beveridge Curve and Structural Barriers in the Labor Market.”
- ¹² Rodgers and Kassens, “The Beveridge Curve and Structural Barriers in the Labor Market”; Sheldon (2023).
- ¹³ “Most Renters Want to Own a Home; Lifestyle Changes Are Top Motivation to Buy,” National Association of Realtors, February 7, 2018, <https://www.nar.realtor/newsroom/most-renters-want-to-own-a-home-lifestyle-changes-are-top-motivation-to-buy>.
- ¹⁴ Note that in response to Pissarides’s and others’ work on matching theory in the labor economics literature, the federal government began to collect relevant data through the Job Openings and Labor Turnover Survey (JOLTS).
- ¹⁵ “FACT SHEET: Biden-Harris Administration Takes New Actions to Lower Housing Costs by Cutting Red Tape to Build More Housing,” The White House, August 13, 2024, <https://www.whitehouse.gov/briefing-room/statements-releases/2024/08/13/fact-sheet-biden-harris-administration-takes-new-actions-to-lower-housing-costs-by-cutting-red-tape-to-build-more-housing/>; Pitkin, Elder, and DeRuiter-Williams (2022).
- ¹⁶ “Most Renters Want to Own a Home,” National Association of Realtors.

- ¹⁷ We use combined single-family data from the National Association of Realtors and the US Department of Housing and Urban Development because it gives us a longer time series. Since the evidence indicates that multifamily for-sale homes typically account for a smaller share of inventory, using single-family inventory provides a strong approximation of trends in total inventory. At the same time, we recognize the potential limitations of excluding condos in our analysis, as condos are typically considered multifamily homes and people of color (particularly Black people) are disproportionately concentrated in denser urban environments where single-family homes make up a smaller share of total housing stock than elsewhere.
- ¹⁸ “Existing Home Sales: Breakouts of Single-family, Condo and Co-op,” National Association of Realtors, accessed August 14, 2024, <https://www.nar.realtor/research-and-statistics/housing-statistics/existing-home-sales>.
- ¹⁹ See Goodman et al. (2024b). It is worth noting that the trend in housing inventory parallels that of credit availability.
- ²⁰ Rodgers and Kassens, “The Beveridge Curve and Structural Barriers in the Labor Market.”
- ²¹ Rose Quint, “Young Adults and the Construction Trades,” *Eye on Housing* (blog), National Association of Home Builders, March 1, 2017, <https://eyeonhousing.org/2017/04/young-adults-the-construction-trades/>.
- ²² Isaac Brown and Deborah Kobes, “Apprenticeships Can Help Train Appraisers to Reduce Racial Bias in Home Valuations,” *Urban Wire* (blog), Urban Institute, May 14, 2024, <https://www.urban.org/urban-wire/apprenticeships-can-help-train-appraisers-reduce-racial-bias-home-valuations>; Kuehn et al. (2024).
- ²³ “New Markets Tax Credit Program Overview,” US Department of the Treasury, accessed July 25, 2024, <https://www.cdfifund.gov/programs-training/programs/new-markets-tax-credit>.
- ²⁴ Cameron Rifkin, “Middle Housing: Filling a Gap in Available Housing Options,” National Conference of State Legislatures, May 4, 2023, <https://www.ncsl.org/human-services/middle-housing-filling-a-gap-in-available-housing-options>; Dakota County Community Development Agency, “Workforce Family Townhome Housing Developments,” accessed September 16, 2024, <https://www.dakotacda.org/housing-resources/workforce-housing/workforce-housing-developments/>; Barbara Ballinger, “Housing a Workforce,” *REALTOR Magazine*, National Association of Realtors, July, 19, 2023, <https://www.nar.realtor/magazine/real-estate-news/commercial/housing-a-workforce>.
- ²⁵ “Workforce Housing Program,” DeKalb County, Georgia, accessed September 16, 2024, <https://engagedekalb.dekalbcountyga.gov/workforce-housing-program/widgets/70759/faqs>.
- ²⁶ “HDFC Cooperatives,” NYC Department of Housing Prevention and Development, accessed September 5, 2024, <https://www.nyc.gov/site/hpd/services-and-information/hdfc.page>.

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