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The Housing Shortage Isn't Just a Coastal Crisis Anymore

An increasingly national problem has consequences for the quality of American family life, the economy and the future of housing politics.

By Emily Badger and Eve Washington

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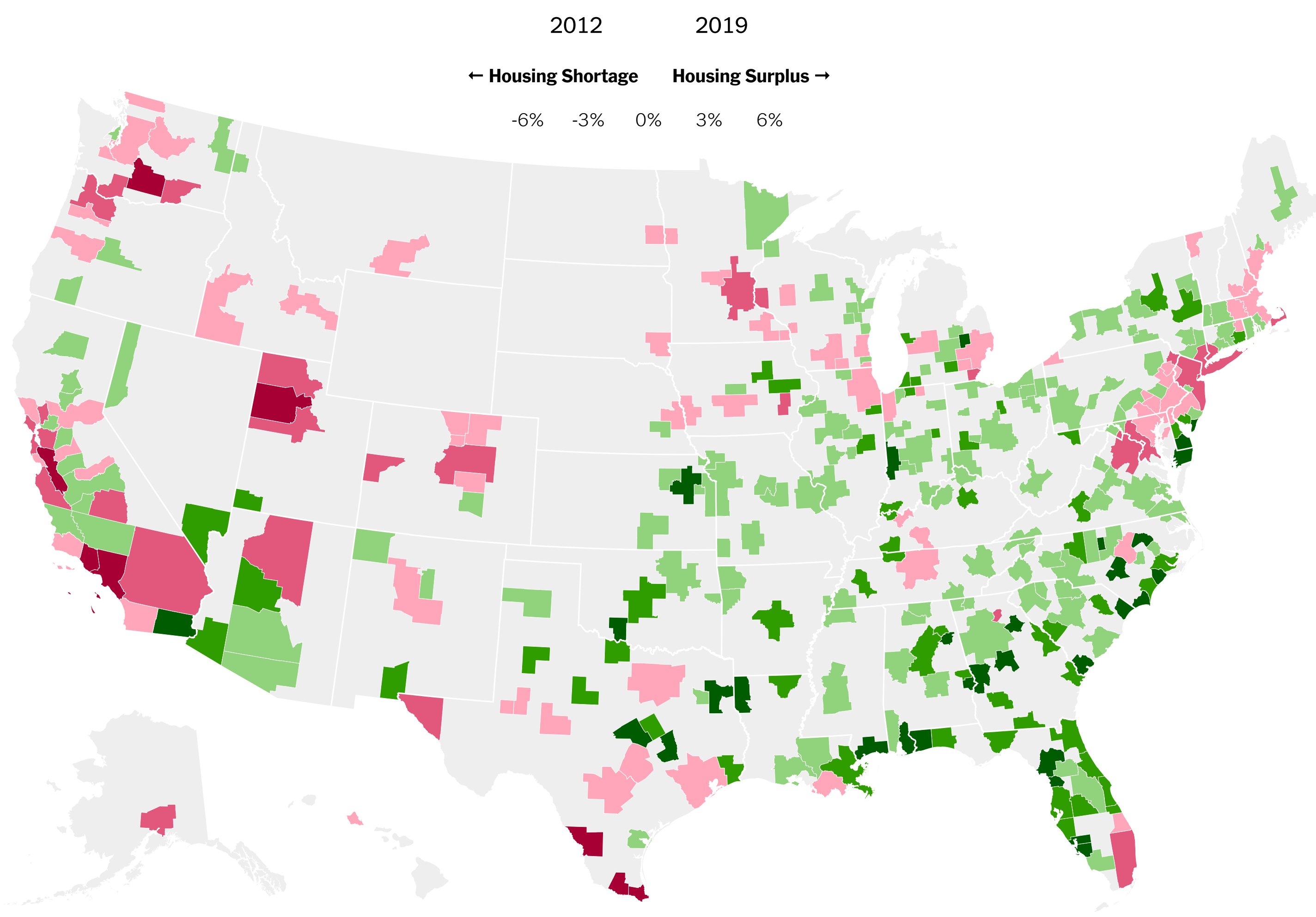
San Francisco, Los Angeles, New York and Washington have long failed to build enough housing to keep up with everyone trying to live there. And for nearly as long, other parts of the country have mostly been able to shrug off the housing shortage as a condition particular to big coastal cities.

But in the years leading up to the pandemic, that condition advanced around the country: Now Springfield, Mo., didn't have enough housing. And then Appleton, Wis. And Naples, Fla.

The housing shortage has spread to more parts of the country



Source: Up for Growth analysis of U.S. Census Bureau and U.S. Department of Housing and Urban Development data. • Shortage percentages reflect estimated housing units needed to meet demand, as a share of existing housing units. Metros with a surplus have enough housing for existing residents.

What once seemed a blue-state coastal problem has increasingly become a national one, with consequences for the quality of life of American families, the health of the national economy and the politics of housing construction.

Today more families in the middle of America who could once count on becoming homeowners can't be so confident anymore. And communities that long relied on their relatively affordable housing to draw new residents can no longer be so sure of that advantage.

"It's like the cancer was limited to certain parts of our economic body," said Sam Khater, the chief economist at Freddie Mac. "And now it's spreading."

Freddie Mac has estimated that the nation is short 3.8 million housing units to keep up with household formation. Up For Growth, a Washington-based policy and research group focused on the housing shortage, says that deficit doubled from 2012 to 2019. In that time, supply worsened in 47 states and the District of Columbia, according to an Up For Growth report published Thursday. Among 310 metropolitan areas nationwide, supply was dwindling or shortages were growing worse in three-quarters of them heading into the pandemic.

One consequence has been clear during the pandemic: Home prices and rents have soared nationwide, including in places where housing affordability had long been taken for granted.

That's in large part because demand surged, as households were looking for more space, and as remote work enabled some people to change cities. Historically low interest rates fed the home-buying fever, at a time when millennials were at their peak home-buying years, and when investors were expanding their reach in the market.

But that crush of demand mostly landed in communities that were already short on housing. And a housing market with no slack can't absorb shocks like a pandemic-driven frenzy.

In booming Boise, Idaho, Up for Growth estimated that the region already had a shortage of more than 13,000 housing units in 2019, using government data on housing and household formation. That's equivalent to about 5 percent of the region's housing stock. Athens, Ga., and Pensacola, Fla., had more than enough housing a decade ago, according to the analysis. By, 2019 those cushions had vanished.

Metros Without Enough Housing That Lost Big Surpluses

Estimated surplus or shortage of housing units, as a share of existing units.

Metro area	2012	2019
Athens-Clarke County, Ga.		−2.4%
Punta Gorda, Fla.		−1.3%
Hilton Head Island-Bluffton, S.C.		
Pensacola-Ferry Pass-Brent, Fla.		−0.4%
Cape Coral-Fort Myers, Fla.		−2.8%
Muskegon, Mich.		−1.7%
Auburn-Opelika, Ala.		−0.9%
New Orleans-Metairie, La.		−1.6%
Las Vegas-Henderson-Paradise, Nev.		−2.7%
Palm Bay-Melbourne-Titusville, Fla.		−2.3%
Yuma, Ariz.		
St. George, Utah		−3.0%
Prescott Valley-Prescott, Ariz.		−2.8%
Tampa-St. Petersburg-Clearwater, Fla.		−0.9%
Kankakee, Ill.		−2.1%

Note: Positive percentages represent enough housing for existing residents. Negative percentages reflect estimated housing units needed to meet demand, as a share of existing housing units. • Source: Up for Growth analysis of U.S. Census Bureau and U.S. Department of Housing and Urban Development data.

In both real and percentage terms, the shortfalls are more dramatic in some big metros: Los Angeles entered the pandemic needing nearly 400,000 additional homes; Miami, almost 200,000; and Washington about 150,000. Even Phoenix, known as a far easier place to build than coastal metros, had developed a deficit by 2019 of about 100,000 units.

Metros With Big Shortages That Once Had Enough Housing

Estimated surplus or shortage of housing units, as a share of existing units.

Metro area	2012	2019
Merced, Calif.	+1.9%	
Bend, Ore.	+2.1%	
Lakeland-Winter Haven, Fla.		
Stockton, Calif.	+0.0%	
Phoenix-Mesa-Chandler, Ariz.	+1.9%	
Vallejo, Calif.	+0.8%	
Coeur d'Alene, Idaho	+0.3%	
Fresno, Calif.	+0.1%	
Appleton, Wis.	+0.5%	
Racine, Wis.	+2.1%	
Green Bay, Wis.	+0.6%	
Naples-Marco Island, Fla.	+1.2%	
Sheboygan, Wis.	+0.2%	
Bakersfield, Calif.	+0.9%	
Yuba City, Calif.	+2.1%	

Note: Positive percentages represent enough housing for existing residents. Negative percentages reflect estimated housing units needed to meet demand, as a share of existing housing units. • Source: Up for Growth analysis of U.S. Census Bureau and U.S. Department of Housing and Urban Development data.

Such numbers are imperfect estimates, responses to a question that can't be definitively answered: How much housing would you need to build in a given community to maintain a healthy market, one in which renters don't line up to view available units, and homes for sale don't spark bidding wars?

Any answer depends on some specific assumptions about the right vacancy rate to ensure there's always some housing available. Or about the number of "missing households" in need of new housing — young adults who'd like to move out of their parents' homes but can't afford to, or roommates who'd rather live on their own if they could.

There are not, for instance, 400,000 households' worth of homeless people on the streets of metro Los Angeles. Rather, many people in need of housing there are doubled up with family or living in makeshift garages. A healthier housing market looks like a place where those people would be able to find and afford a home of their own.

"It looks like the ability to live where you want to work," said Mike Kingsella, the C.E.O. of Up For Growth. "It looks like not having to worry about housing instability. It looks like a reasonable chance of eventually buying your own home."

These estimates of what it would take to create that world also don't reflect a larger concern economists often cite: The cost of housing in the highest-paying, most productive parts of the country deters people from moving there (or forces existing residents to move away). If Los Angeles *had* built an extra 400,000 homes over the past decade, it would be more affordable today. And that might lure more people there, driving demand for even more housing.

Other forces like widening income inequality also worsen housing affordability, said Chris Herbert, managing director of the Harvard Joint Center for Housing Studies. That's because more higher-income households compete for limited housing (prompting builders to build high-end homes).

"That's not to say that the supply story isn't important," Mr. Herbert said. "But it's intersecting with other factors that are driving housing prices up."

What's causing the shortage itself is complex. The home-building industry lost about 1.5 million workers during the Great Recession and has been in a labor shortage since. Land has grown more expensive. Lending tightened for builders, just as it did for home buyers after the bubble. The cost of lumber and other materials has risen.

And the sheer difficulty of building a home in many communities makes it all worse. Local residents often oppose new housing. Local governments require development fees, studies and public meetings that drag out construction and drive up its cost. Through zoning rules, governments also force developers to build on larger lots than some buyers might want, and create more parking than buyers might use. And these rules frequently make it impossible to build townhouses, duplexes and apartment buildings.

Robert Dietz, who travels the country as the chief economist for the National Association of Home Builders, warned of that confluence of problems before the pandemic.

"Over the last four or five years, every place I go, they cite underbuilding," he said. The exception is communities that have been losing population (although they may need new or rehabbed housing, too, to replace homes that become uninhabitable). "Everywhere else," Mr. Dietz said, "it was just a matter of degree and scale."

There is more housing under construction nationwide today than at any time since the 1970s, when many baby boomers were forming households (today's big construction numbers reflect in part that it takes longer to build a house amid pandemic supply-chain delays). But rising interest rates and fears of a looming recession mean that home builders are already starting to pull back, Mr. Dietz said. And even at the current rate of construction, it would take years to dig out of the country's deficit.

What would it mean, then, to reconceive of the housing shortage as a national crisis — with perhaps national answers, and shifting politics? Housing researchers at the libertarian-leaning Mercatus Center have often pressed the issue with conservative politicians.

"Before Covid-19, you would talk to people in Utah, in Tennessee, and they'd be like, 'Oh yeah, this is a blue-state problem, Democrats don't know how to run their state, we don't have that problem here,'" said Nolan Gray, a former city planner and Mercatus affiliate who's now a graduate student at U.C.L.A. "And then of course starting in 2020, I'm getting frantic calls from people in states like Utah or Montana, or Florida increasingly."

In a new book critiquing zoning, Mr. Gray describes how the federal government encouraged local communities to adopt zoning policies starting in the 1920s. It's only fair today, he argues, that the federal government help undo zoning rules that have made housing more expensive.

Members of Congress of both parties have increasingly called for such an idea, in which the federal government would give priority for grants to local communities that ease zoning restrictions or build denser housing.

The Biden administration also released a long list of ideas this spring for boosting housing supply. It controls few levers to do that, especially without Congress funding more affordable housing programs. But White House officials say encouraging local zoning changes would be one of their best tools. That's already happening to a modest degree with the bipartisan infrastructure bill.

At minimum, the housing shortage has become much harder to ignore in more places.

"In prior years, households had many more opportunities to move to locations where housing is abundant and affordable for a wide variety of income levels," said Emily Hamilton, another Mercatus Center researcher. "But that's becoming less and less of an option."

Rising housing costs are a major driver of inflation that continued to worsen in June. But the problem also matters because people who can't obtain the housing they need face a narrowing set of life options.