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Housing Supply: Current Trends and Policy Considerations

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SUMMARY

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Housing Supply: Current Trends and Policy Considerations

Housing affordability concerns have led to a focus on insufficient housing supply as a possible cause. There are many metrics by which economists analyze housing supply. Currently, national-level statistics paint a mixed picture of housing supply conditions. For example:

- The total number of homes per person and the total number of homes per household have been fairly steady since 1980, indicating similar supply conditions over this period.
- Vacancy rates are currently lower than the 1980-2024 average, indicating that supply is currently more constrained than previously.
- The housing stock is getting relatively older, as evidenced by lowered population-adjusted construction rates over the 1980-2024 period, suggesting a slowdown in building that could be contributing to relatively tighter supply.
- The current months' supply of homes for sale suggests differing supply conditions for new and existing single-family homes, although the net effect (given existing homes far outnumber new homes) may nonetheless suggest an undersupply of homes for sale.
- Prices and rents outpaced incomes and inflation between 1988 and 2024, potentially suggesting constrained supply relative to demand, but those increases slowed or reversed in 2025, which could suggest easing supply (or lowered demand), although it is too soon to tell if these trends will be sustained.

Supply conditions also vary significantly from location to location, across types and sizes of homes, and for households of differing income levels. Many estimates suggest some level of "housing shortage" at the national level, but these shortages may be more (or less) acute for some areas. In particular, by most measures, low-income renters face worse supply conditions than national data would suggest for other income levels.

There are many potential explanations for variations in housing supply conditions. Identifying the main causes of lagging housing supply can be important not only in understanding the issue but also in considering potential policy options to increase supply without increasing price. In recent decades, increasing regulatory costs, restrictive zoning and land use, and changing demographics have contributed to supply issues. More recent changes to tariffs and immigration may also be contributing to higher labor and material costs and shortages of these inputs. On a longer-term horizon, climate change may be a risk to local housing supply (but potentially national housing supply as well, depending on the level of distortion introduced to the market) should natural disasters increase in frequency or intensity.

Given the specific challenges facing housing supply, policy considerations may differ notably at the local level and national level. Policymakers may be equally interested in local and national supply issues and policies. Further, many of the supply constraints discussed in this report are affected by regulations at the local level. Although the federal government has limited authority or policy tools to directly affect supply in local housing markets, Congress can attempt to increase housing supply by implementing policies that may help lower new and refurbished building input costs or by providing incentives to local jurisdictions to pursue pro-supply policies.

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Introduction and Economic Context

Although housing trends are often presented as if a single national housing market exists, the national housing market is made up of multiple local housing markets that are each influenced by local supply and demand factors. Supply conditions can vary greatly from place to place depending on local policy, historical factors, construction trends, and preexisting stock. Job markets, infrastructure, public transportation, and density all differ among locations and can contribute to changing demographics and household characteristics. These local differences can influence the demand to own or rent and whether to do so in a detached dwelling or multifamily structure. The result can be large variations in price and availability across localities.

Supply of housing is fairly fixed in the short term. New homes cannot be built—nor can existing homes be refurbished—overnight. Constructing or renovating housing is a lengthy process, and delays and disruptions may occur at any step. First, land must be available. The available land must be properly zoned for the type of housing being built. Owners/builders must secure financing, obtain necessary permits, and potentially wait for environmental studies to be conducted. Plans must be submitted to local governments to ensure compliance with all building codes and local ordinances. (In certain scenarios, homeowners' associations or other organizations must be consulted and give approval.) Once the construction process begins, the necessary raw materials, machinery, and labor could prove scarce. Even with adequate inputs, the construction process, depending on the type of housing being built, can take months to years. Once housing is built, final inspections are generally required before occupancy. All in all, depending on the type and location of housing, this process can take up to several years and could include unforeseen delays and disruptions. Many projects never come to fruition. All of this is to say that meaningfully changing the amount of housing available across price points takes time.[1]

Likewise, aggregate demand for housing may also be fixed in the short term (although not necessarily at the local level given that people can move between locations). At the national level, the population ultimately determines the demand for housing. At any given time and location, there is generally a fixed number of people, and all those people presumably need shelter. Trends over time in demographics and household formation can change the level of demand, but in the short term and absent a shock to the housing market (such as during the COVID-19 pandemic), aggregate demand is fairly static.[2]

As referenced above, preferences can also play into demand and result in very different demand structures in different locations. When people are deciding where to live and what type of housing to live in, and assuming they have sufficient income to act on additional preferences, their housing choices will likely include more than price and availability. Considerations may include the quality of local schools, the size and dynamism of the local job market, existing or planned transportation infrastructure, commute time, household size, and many others. These factors increase the challenge of supplying the "ideal" quantity of housing. Achieving an ideal equilibrium is not just about building enough homes for the population; it is also about where those homes are and what type of housing they are. And estimating this demand correctly can be challenging given that local demand can change more quickly than supply.

[1] See CRS In Focus IF12048, *High Home Prices: Contributing Factors and Policy Considerations*, by Mark P. Keightley and Lida R. Weinstock.

[2] For example, see David Albouy et al., *Housing Demand, Cost-of-Living Inequality, and the Affordability Crisis*, National Bureau of Economic Research, November 2016, p. 2, https://www.nber.org/system/files/working_papers/w22816/w22816.pdf.

This report focuses on the important policy question of what constitutes the right amount of housing supply given a set of demand conditions. Related to this is another policy question: What can policymakers do to affect the supply of housing? Lastly, there is the question of whether there is adequate housing locally that meets individual preferences. While this report focuses mainly on national-level trends and policy considerations, it also discusses some of the differences in local-level housing conditions and needs, which can provide important context when looking at aggregate trends. In considering these questions, this report first discusses various metrics and customary interpretations of housing supply (in relation to housing demand) and how those trends affect other aspects of the housing market. The report then discusses ways policymakers could think about current supply conditions and what optimal supply conditions might be and finally considers potential policy options available to Congress.

For more information on housing supply and overall housing conditions, see CRS In Focus IF12988, *Housing Supply*, by Katie Jones and Lida R. Weinstock and CRS Report R48743, *Housing Issues in the 119th Congress*, coordinated by Katie Jones.

Aggregate Trends in Housing Supply (and Demand)

No single metric paints a complete picture of the housing supply in the United States. Instead, economists rely on several measures to summarize the housing supply. These measures are not always comparable, and they do not always segment clearly. This section discusses a few such measures, including stock and vacancy rates (other metrics are discussed later in the report), and puts them in the context of demand-related factors, specifically household formation and size trends. Where possible, owner-occupied versus rental market data are parsed, although this is not entirely possible with all of the data.[3] Additionally, owner-occupied and rental housing markets interact with one another. Homes can transition between being owner-occupied and rented, and people can shift between rental and owner markets, which directly affects how much of each type of housing exists and what demand is for each type. For the purposes of this section, the focus is on overall supply (inclusive of all housing types).

Housing Stock

Determining the sufficiency of housing supply often begins with a look at how many housing units exist in the country.[4] As shown in **Figure 1**, the number of housing units in the United States increased at a fairly steady rate between 1980 and 2024. The population of the United States also grew over this time. When accounting for population ages 16 and over, the number of housing units per person was essentially stagnant over this period, with the number of housing units fluctuating between 0.5 and 0.6 per person.[5] In 2024, the population-adjusted stock was roughly 4.5% higher than in 1980 but roughly 4.6% lower than the peak during this period in 1999. Depending on the comparison point used, therefore, housing stock data may or may not point to a housing supply issue. Housing stock numbers may also be unable to provide a full picture of supply conditions given that they do not provide information about changes in the type, size,

[3] For example, single-unit, detached homes are sometimes used as a proxy for owner-occupied homes, but, in actuality, that market additionally consists of rentals.

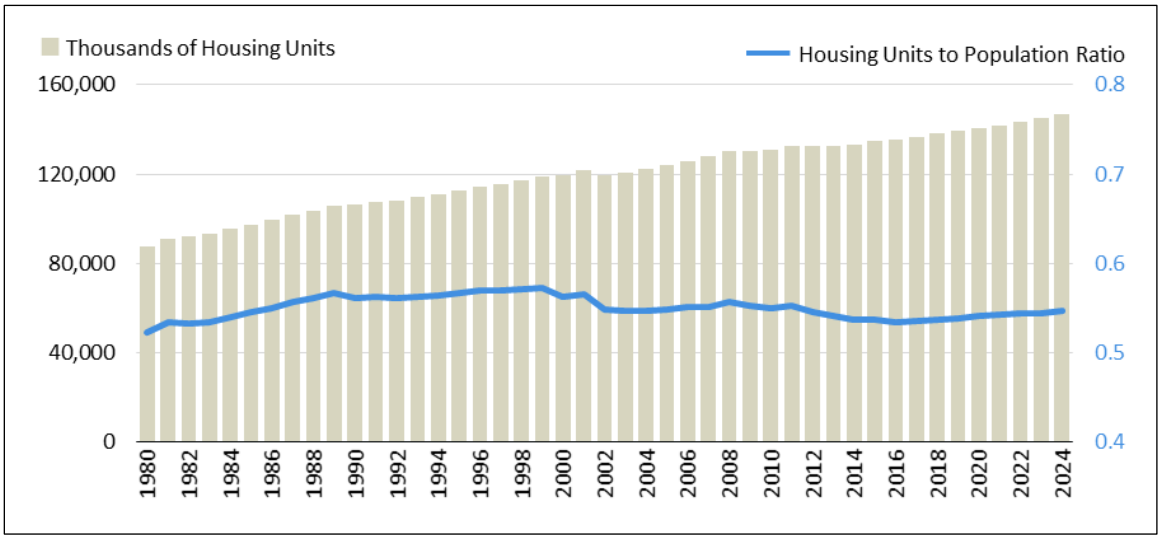
[4] The Census Bureau defines *housing unit* as "a house, an apartment, a group of rooms, or a single room occupied or intended for occupancy as separate living quarters." See Census Bureau, "Definitions and Explanations," https://www.census.gov/housing/hvs/definitions.pdf.

[5] This type of statistic could be calculated in various ways and using various types of population data. This is only one methodology and may not be illustrative of all other methodologies. Data used here do not account for the rate at which a single household may own or rent multiple housing units or the rate of household formation.

quality, or location of housing.[6] Housing stock, even when population-adjusted, also does not account for changes in household size or household formation rates (discussed in a subsequent section).

Figure 1. Total Housing Units

1980-2024



Source: CRS calculations based on Census Bureau, "Housing Vacancies and Homeownership (CPS/HVS): Historical Tables," Table 7, https://www.census.gov/housing/hvs/data/histtabs.html; and Bureau of Labor Statistics (BLS), "Current Population Survey," https://www.bls.gov/cps/data.htm.

Notes: Figure uses population based on the BLS definition of *civilian noninstitutional population* for those ages 16 and older. This includes all adult people residing in the United States who are not on active duty in the military or in institutions, such as prison. Foreigners residing in the United States are included in this number. BLS does not provide the civilian noninstitutional population for all other age groups back to 1980. For more information, see BLS, "Current Population Survey: Concepts," https://www.bls.gov/opub/hom/cps/concepts.htm. Housing data are affected by revisions in 1981, 1989, 1993, and 2002.

Vacancy Rates

Vacancy rates measure how much housing inventory is vacant and available to be purchased or rented at a given time. Housing units could be vacant for a variety of reasons, such as being on the market for sale or rent or in the middle of renovations. While economists offer varying estimates of an ideal vacancy rate, some positive number of vacancies is necessary to the functioning of a healthy housing market, as vacancies allow for turnover. From 1980 to 2007, the amount of vacant owner-occupied and rental housing units as a percentage of all units was

[6] As an example, the housing stock has gotten relatively older in recent years, which could have implications for the size and quality of housing. According to data from the American Community Survey, which goes back to 2010, the median year that a housing structure was built increased from 1975 to 1981 (a six-year change) over the period from 2010 to 2024 (a 14-year period). This relative (but not absolute) aging of the housing stock is indicative of lowered construction over this period (discussed later in this section), which, all else equal, would result in relatively lower supply as compared to previous periods. For further discussion, see, for example, Mark Worley and Sheharyar Bokhari, "The Homes Americans Are Buying Are Older Than Ever," Redfin, May 12, 2025, https://www.redfin.com/news/aging-housing-inventory/; and Na Zhao, "Almost Half of the Owner-Occupied Homes Built Before 1980," National Association of Home Builders (NAHB), April 28, 2025, https://eyeonhousing.org/2025/04/almost-half-of-the-owner-occupied-homes-built-before-1980/.

somewhat volatile but did not have a discernible trend.[7] **Figure 2** shows the vacancy rate since 1980 for rental homes, while **Figure 3** shows the vacancy rate for owned homes over the same period.[8] In general, for the structures with comparable units, the vacancy rate for rental units has been higher than that for owned units. However, across types of properties and markets, vacancy rates have decreased since the housing market crash and financial crisis of 2007-2009. Vacancy rates dipped further during the COVID-19 pandemic and hit several-decade lows in 2022. However, rental vacancy rates have been rising since that point, indicating some easing of supply conditions in 2023 and 2024, and homeowner vacancy rates rose in 2024. Altogether, the current vacancy rates—despite having shown some increases recently (likely as a result of increased construction in recent years)—still indicate relatively low housing availability compared to historical averages over the 1980-2024 period.[9] Relatively low vacancy rates in the national housing market would generally signal to homebuilders that with demand for more units, they may be able to receive higher prices in the future, prompting them to increase construction.

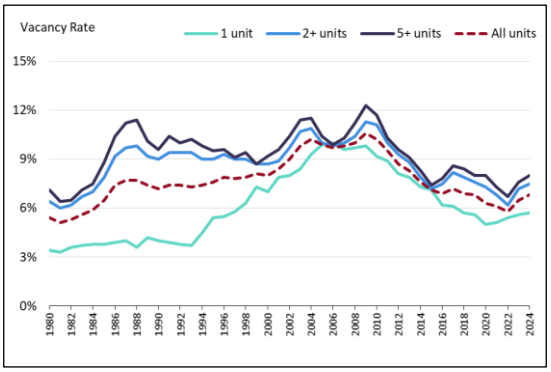
[7] From the first quarter of 1980 to the first quarter of 2023 the owner vacancy rate fell from 1.3% to 0.8%, and the rental vacancy rate rose from 5.2% to 6.4%. See Census Bureau, "Housing Vacancies and Homeownership (CPS/HVS): Historical Tables," Tables 1 and 2, https://www.census.gov/housing/hvs/data/histtabs.html.

[8] Census calculates the rental vacancy rate, expressed as a percentage, by dividing the number of vacant year-round units for rent by the sum of renter-occupied units, vacant year-round units rented but awaiting occupancy, and vacant year-round units for rent. Census calculates the homeowner vacancy rate, expressed as a percentage, by dividing the number of vacant year-round units for sale by the sum of owner-occupied units, vacant year-round units sold but awaiting occupancy, and vacant year-round units for sale. *Year-round units* is defined as those intended for occupancy at any time, even if they are not always in use. See Census Bureau, *Current Population Survey Design and Methodology*, October 2006, pp. 11-2, 11-4, https://www.census.gov/housing/hvs/files/tp-66.pdf.

[9] For other analysis of vacancy rates, see Natalia Siniavskaia, "The Size of the Housing Shortage: 2024 Data," NAHB, February 6, 2026, https://eyeonhousing.org/2026/02/the-size-of-the-housing-shortage-2024-data/.

Figure 2. Rental Vacancy Rates

1980-2024

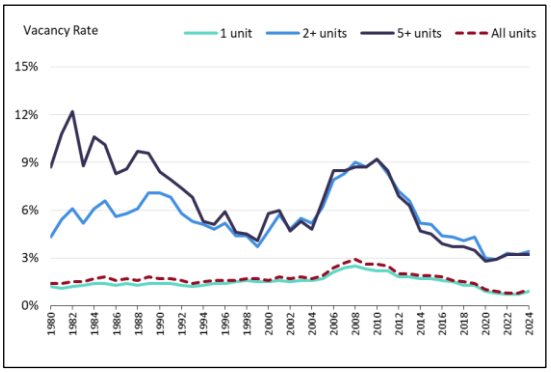


Source: Census Bureau, "Housing Vacancies and Homeownership (CPS/HVS): Historical Tables," Tables 1 and 5, https://www.census.gov/housing/hvs/data/histtabs.html.

Notes: Figure uses data that incorporate most recent American Housing Survey data for number of units in a structure. Data are affected by revisions in 1993 and 2002. Vacancy rates for all units are annual averages.

Figure 3. Homeowner Vacancy Rates

1980-2024



Source: Census Bureau, "Housing Vacancies and Homeownership (CPS/HVS): Historical Tables," Tables 2 and 6, https://www.census.gov/housing/hvs/data/histtabs.html.

Notes: Figure uses data that incorporate most recent American Housing Survey data for number of units in a structure. Data are affected by revisions in 1993 and 2002. Vacancy rates for all units are annual averages.

Housing Construction

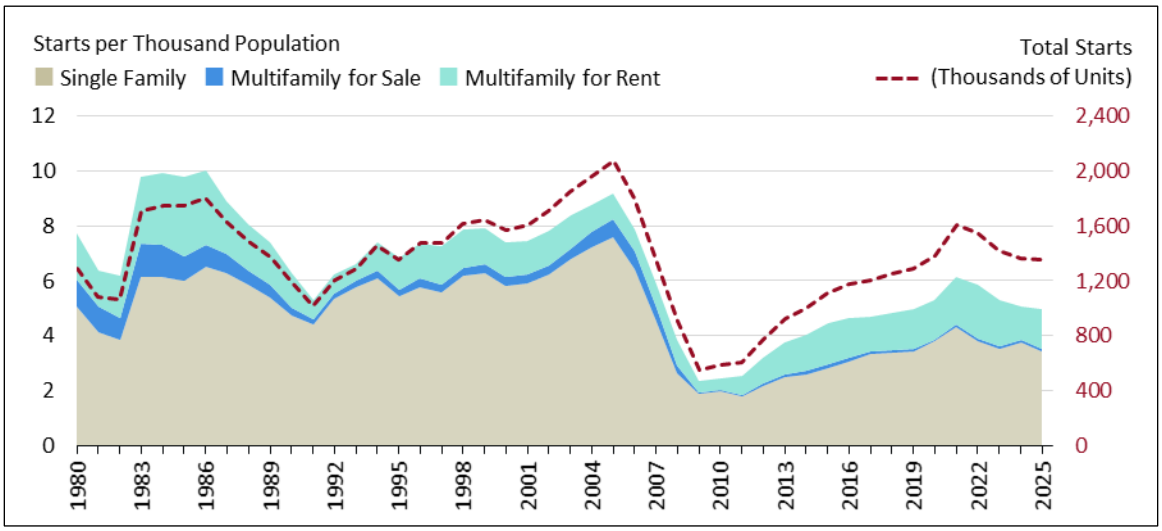
There are several metrics to measure construction in the United States, including new permits, starts, completions, units currently under construction, and private spending on construction. This section focuses on starts to measure residential construction activity, as starts may be more indicative of real-time demand conditions than other measures are.[10]

Figure 4 below shows both total housing starts and population-adjusted housing starts (starts divided by total adult population) since 1980. Starts peaked prior to the housing crisis and fell rapidly in its aftermath, trended upward until 2021, and have fallen since (although this trend moderated somewhat in 2024 and 2025). By 2025, starts were down from relative peaks over this period—down 25% from 1986 and 34% from 2005—but in line with average starts for the period from 1980 to 2025. However, when accounting for population changes over this period, the pattern of construction is changed. Peaks in construction were seen in the 1980s and generally (when smoothing for cyclicality) trended downward during the period. When adjusting for population growth, starts in 2025 were down by roughly 27% for single-family units, 76% for multifamily for sale units (i.e., condominiums), and 7% for multifamily for rent units when compared to averages for each category from 1980 to 2025. While total population-adjusted units started fell in 2024 and 2025, single-family and multifamily for sale units started rose in 2024 and multifamily units for sale and rent started rose in 2025.

[10] Census defines the start of construction as occurring "when excavation begins for the footings or foundation of a building" and considers all units in a multifamily building "as being started when this excavation begins." See Census Bureau, "Survey of Construction Definitions," https://www.census.gov/construction/soc/definitions.html.

Figure 4. New Privately Owned Housing Unit Starts

1980-2025



Sources: Census Bureau, "New Residential Construction Historical Data, Housing Units Started by Purpose and Design," https://www.census.gov/construction/nrc/data/series.html; and Bureau of Labor Statistics (BLS), "Current Population Survey," https://www.bls.gov/cps/data.htm.

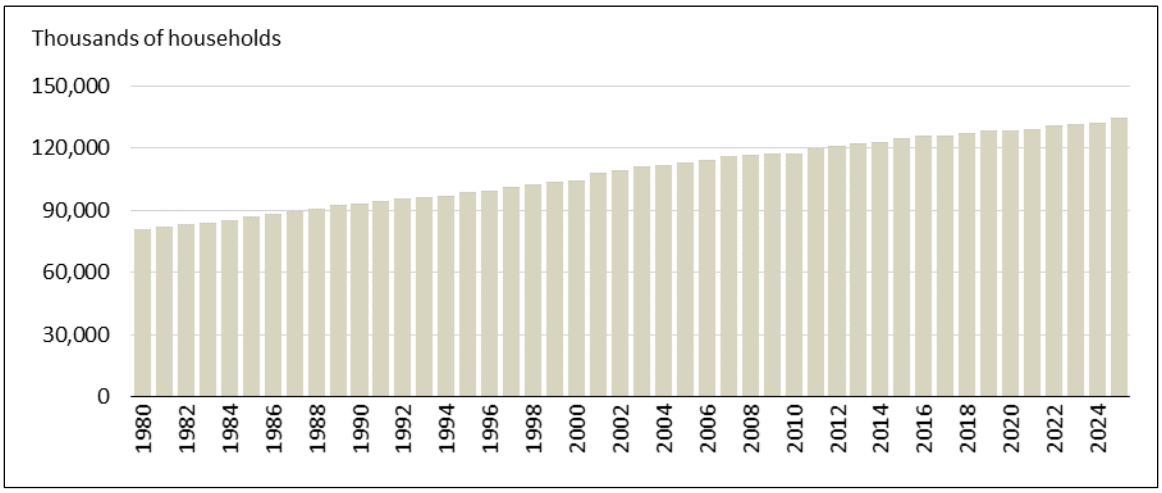
Notes: Single-family data are not disaggregated by for sale versus rent. Figure uses population based on BLS definition of *civilian noninstitutional population* for those ages 16 and older.

Demand Context

It is challenging to say whether housing supply is adequate without knowing what demand conditions are. One straightforward way to gauge demand is to look at population adjustments (as has been done in prior sections) or related measures, such as household formation (see **Figure 5**). Comparing these two measures shows that over the period from 1980 to 2024, the number of households increased by roughly 64% as compared to a roughly 60% increase in the population. Using households to adjust the housing stock instead of population would result in an increase in stock over this time period of about 2.2% (compared to 4.5%). While this suggests a lower increase in housing stock, it is still indicative of steady stock over this period.

Figure 5. Household Formation

1980-2024



Source: Census Bureau, "Historical Household Tables, Average Population Per Household and Family: 1940 to Present," https://www.census.gov/data/tables/time-series/demo/families/households.html.

Notes: Underlying data come from the Current Population Survey (March) and Annual Social and Economic Supplements. Owing to methodological differences, estimates of the number of households do not match estimates from the Housing Vacancy Survey. Data are affected by revisions and methodological updates in 1993, 2011, 2014, and 2021.

As with total population, aggregate household formation data does not necessarily provide a full picture of demand conditions. Many housing economists have put forward estimates of "pent-up" demand, which captures the idea of how many households *would have* formed under different housing market conditions. For example, the number of people living with roommates or relatives who would prefer to have their own households may be higher currently than if house prices, rents, or mortgage rates were lower. Estimates vary but generally suggest that supply conditions are more constrained than would be suggested by using household formation data alone.[11]

Another measure that arguably provides insight about market demand is *months' supply of housing*, which measures the balance of supply and demand in the for-sale housing market and can be used as a signal by builders of when to add supply. This metric is calculated as the ratio of active listings at the end of a month to the number of sales during that month, and it indicates how long current for-sale inventory would last if no new homes went on the market.[12] While there is some disagreement about the exact amount of supply that would constitute a balanced housing market—defined as the number of months in which price appreciation is relatively stable—many housing economists typically put that number somewhere between four and six months.[13] What constitutes a balanced housing market may additionally differ from place to place. A lower number generally indicates that there are relatively few sellers compared to buyers. Assuming four to six months' supply indicates a housing market in equilibrium, anything above six months indicates a surplus of housing, and anything below four months indicates a shortage. As shown in

[11] Elena Patel et al., "Make It Count: Measuring Our Housing Supply Shortage," Brookings Institution, November 26, 2024, https://www.brookings.edu/articles/make-it-count-measuring-our-housing-supply-shortage/.

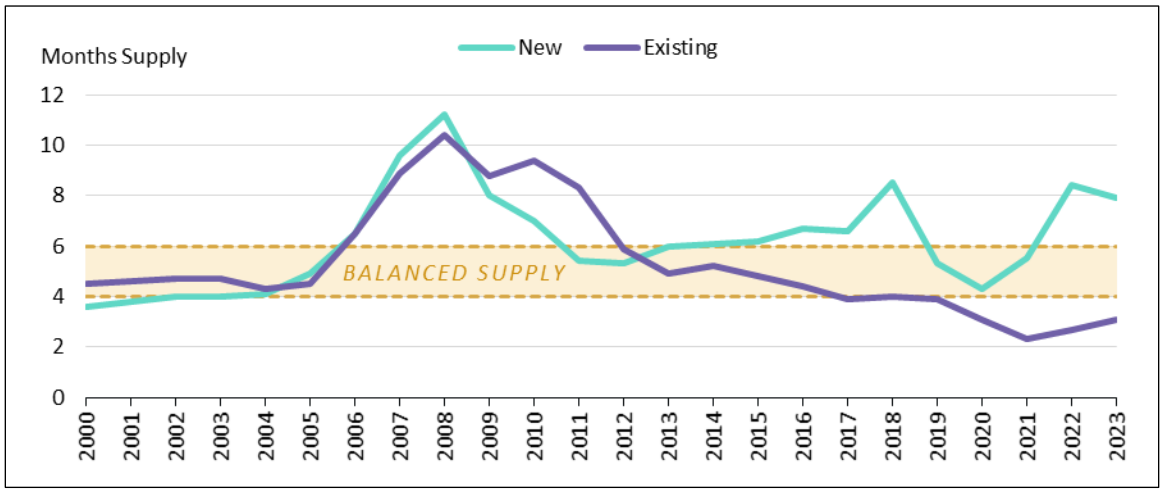
[12] ShowingTime by Zillow, "Everything You Need to Know About Months Supply of Inventory," https://showingtime.com/resources/blog/everything-you-need-know-about-months-supply-inventory.

[13] For example, see National Association of Realtors, "Inventory and Months' Supply," January 22, 2021, https://www.nar.realtor/blogs/economists-outlook/inventory-and-months-supply; and Redfin, "Real Estate Glossary: Definition of Months of Supply," https://www.redfin.com/definition/monthsof-supply.

Figure 6, the national months' supply of homes trended downward following the housing crisis for existing homes but has rebounded somewhat for new homes (which tracks with the recent increases in construction for single-family units). Even though new homes showed potential surplus conditions in 2022 and 2023, existing homes continued to exhibit potential shortage conditions. Given that existing homes represent most homes for sale, altogether this may still indicate a largely tight home supply overall. Nonetheless, the increase in construction and surplus of new homes could help ease supply conditions and may even indicate that construction levels are outpacing demand for new homes.

Figure 6. Months' Supply of Single-Family Homes

2000-2023



Source: Department of Housing and Urban Development, "Supply Data—New Single-Family Homes for Sale," https://www.huduser.gov/portal/ushmc/hs_newsf.html.

Notes: Existing homes data are not available prior to 1999. Dashed tan lines represent the range of balanced months' supply. Values above this range represent a surplus of homes, and values below this range represent a shortage of homes.

Interaction of Supply and Demand: Housing Costs

Prices are ultimately determined by the interaction of supply and demand in a particular market, with levels and growth in rents and purchase prices varying significantly across local markets. One of the main reasons there is general concern about housing supply is increased housing purchase prices and rents, which could indicate constrained supply in the sense that more supply would be expected to lower prices and rents. Indeed, over the period from 1988 (earliest available year for rental data) to 2024, median new home prices increased by roughly 273%, median existing home prices increased by roughly 356%, and median asking rents increased by roughly 333%. Meanwhile, median household income rose by roughly 207%, and inflation (as measured by the consumer price index) increased roughly 181%.[14] In short, in the past 40 or so years, house prices and rents have increased more than incomes or the average price level have.[15]

[14] CRS calculations based on HUD U.S. Housing Market Conditions reports, Census Income and Poverty and Housing Vacancy surveys, and BLS consumer price index.

[15] Changes in norms and preferences over time can also impact prices. For example, changes to preference in household size, square footage, or home features can result in higher-priced homes. Nonetheless, measures of housing prices that (continued...)

However, pricing conditions have begun to ease recently. Median asking rent was $1,464 in the fourth quarter of 2025, down from $1,475 in the fourth quarter of 2024.[16] The Federal Housing Finance Agency's House Price Index (based on more than 6 million repeat sales transaction on the same single-family properties) was up 1.9% from a year previously in November 2025, up slightly from September and October but otherwise the lowest increase since March 2012 and lower than the inflation rate over that period.[17] (Of note, some price increase is expected in a growing economy. For example, policymakers at the Federal Reserve target an economy-wide inflation level of 2% per year, in line with the November year-over-year increase.) Whether these recent decelerations and decreases mark the beginning of a new trend in prices and rents or are an anomaly remains uncertain.

Is There a Housing Shortage?

The data presented in the previous section paint a somewhat contradictory picture of the housing market. For example:

- The total number of homes, adjusted by population or households, has been fairly steady since 1980, indicating similar supply conditions over this period.
- Vacancy rates are currently lower than the 1980-2024 average, indicating that supply is currently more constrained than previously.
- The housing stock is getting relatively older, as evidenced by lower population-adjusted construction rates over the 1980-2024 period, suggesting a slowdown in building that could be contributing to relatively tighter supply.
- The current months' supply of homes for sale suggests differing supply conditions for new and existing single-family homes, although the net effect (given existing homes far outnumber new homes) may nonetheless suggest an undersupply of homes for sale.
- Prices and rents outpaced incomes and inflation between 1988 and 2024, potentially suggesting constrained supply relative to demand, but those increases have slowed or reversed in 2025, which could suggest easing supply (or lowered demand), although it is too soon to tell if these trends will be sustained.

Despite some of these mixed signals, many economists suggest that there is some degree of housing shortage in the United States (typically found to be somewhere on the order of 4-5 million units, although there is considerable disagreement). Many estimates are based on ideas of target vacancy rates that are not being met and pent-up demand that is not being accounted for in the aggregate data.[18] In reality, what is happening with supply nationwide may have very little

account, in some way, for quality, such as the House Price Index (HPI)—which looks at transactions on the same property over time—have increased faster than incomes and inflation as well. The HPI increased roughly 340% from January 1991 to December 2025 compared with a roughly 142% increase in inflation over the same time period. The HPI increased roughly 320% from 1991 to 2024 compared with a roughly 178% increase in median household income over the same period. See Federal Housing Finance Agency (FHFA), "FHFA House Price Index," https://www.fhfa.gov/data/hpi.

[16] Census Bureau, "Housing Vacancies and Homeownership (CPS/HVS)," Table 11A, https://www.census.gov/housing/hvs/data/histtabs.html. Owing to the October-November 2025 government shutdown, October 2025 data was not collected. The data used for the fourth quarter of 2025 includes only November and December and therefore may not be comparable to estimates from other quarters.

[17] FHFA, "FHFA House Price Index."

[18] For more information, see CRS Insight IN12628, *Estimates of a "Housing Shortage"*, by Katie Jones and Lida R. Weinstock.

bearing on the conditions experienced by households from place to place, at different income levels, and for different types (and sizes) of housing. So when asking whether there is a housing shortage, it can be helpful to consider: For whom?[19]

Local Supply Conditions

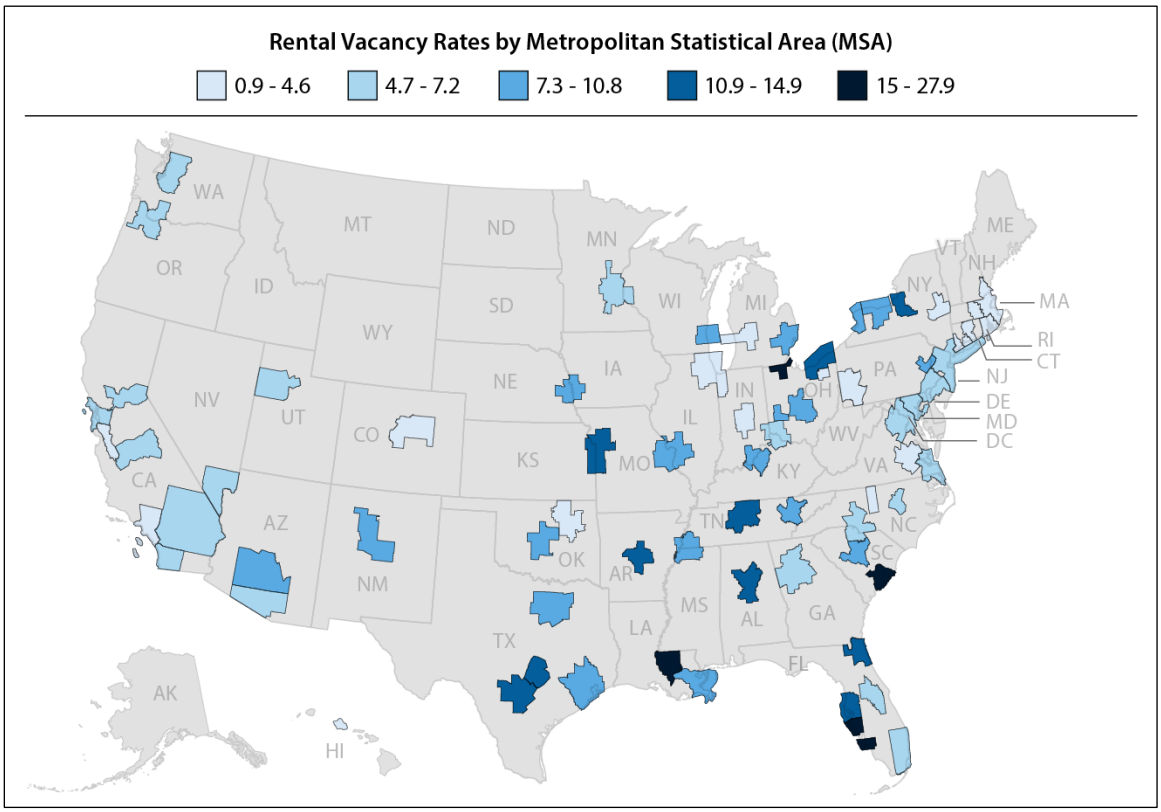
As shown in **Figure 7** and **Figure 8**, vacancy rates vary significantly across the 75 largest metropolitan statistical areas (MSAs). Generally, vacancy rates for owned homes are lower than those for rentals. Comparing vacancy rates in a local area to a historical national average, despite MSAs having different characteristics than non-MSAs, can provide some insight into how constrained supply may be in a given area. The average national quarterly rental vacancy rate from the first quarter of 1980 to the fourth quarter of 2025 was 7.7%. The majority of MSAs (41) had rental vacancy rates below this historical average in the fourth quarter of 2025. The average national quarterly homeowner vacancy rate from the first quarter of 1980 to the fourth quarter of 2025 was 1.7%. The majority of MSAs (56) had homeowner vacancy rates below this historical average in the fourth quarter of 2025.

For rental vacancy rates, the range goes from 0.9% (Hartford-West Hartford-East Hartford, CT) to 27.9% (North Port-Bradenton-Sarasota, FL). For homeowner vacancy rates, the range goes from less than 0.05%, which is characterized as 0 (Bridgeport-Stamford-Norwalk, CT; Charleston-North Charleston-Summerville, SC; Columbus, OH; Dayton, OH; Greensboro-High Point, NC; Raleigh, NC; Toledo, OH; and Tulsa, OK), to 4.1% (Cape Coral-Fort Myers, FL).

[19] While some may argue that national supply conditions are more relevant than local supply conditions, given that people can move from an area of lower supply to an area of higher supply, in reality households may face many frictions to moving, including costs associated with moving, the sometimes local nature of particular professions, and personal preferences.

Figure 7. Rental Vacancy Rates for the 75 Largest MSAs

Q4 2025

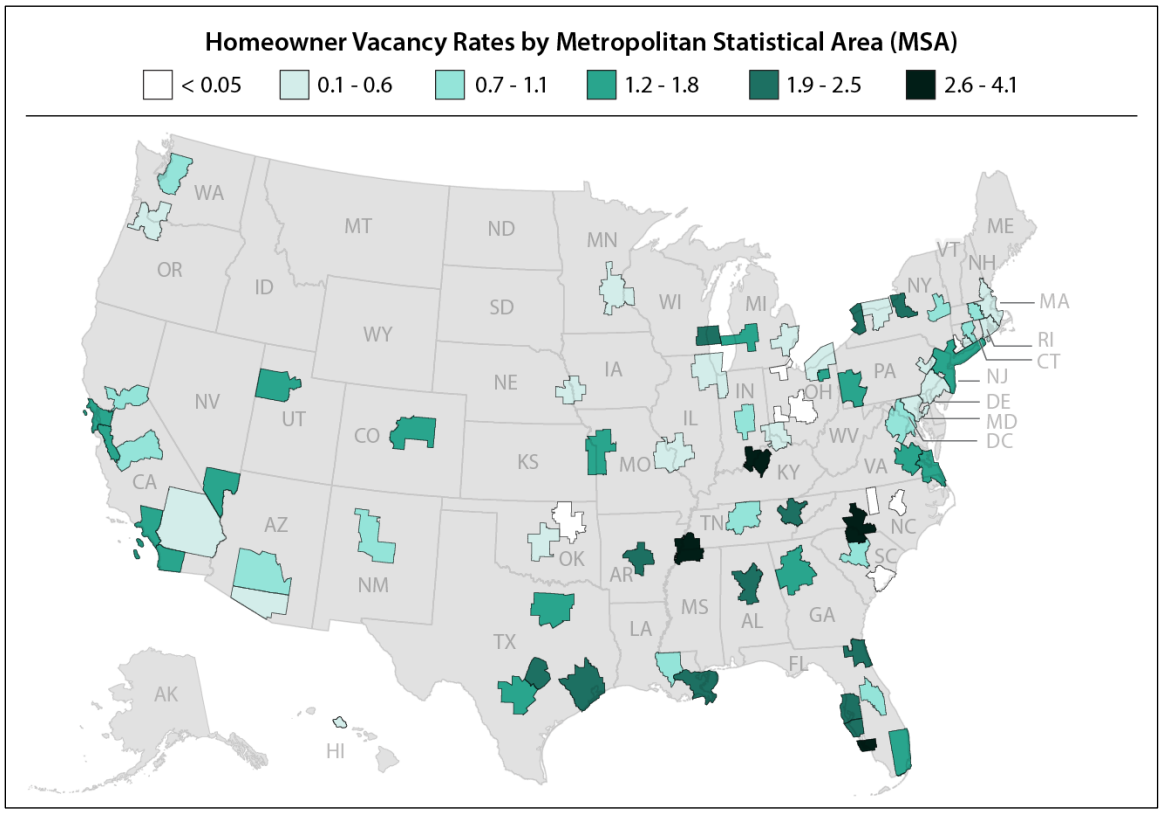


Source: Census Bureau, "Housing Vacancies and Homeownership (CPS/HVS): Quarterly Vacancy and Homeownership Rates by State and MSA," Table 4, https://www.census.gov/housing/hvs/data/rates.html.

Notes: Due to the October-November 2025 government shutdown, October 2025 data was not collected. The data used for the fourth quarter of 2025 includes only November and December and therefore may not be comparable to estimates from other quarters.

Figure 8. Homeowner Vacancy Rates for the 75 Largest MSAs

Q4 2025



Source: Census Bureau, "Housing Vacancies and Homeownership (CPS/HVS): Quarterly Vacancy and Homeownership Rates by State and MSA," Table 5, https://www.census.gov/housing/hvs/data/rates.html.

Notes: Due to the October-November 2025 government shutdown, October 2025 data was not collected. The data used for the fourth quarter of 2025 includes only November and December and therefore may not be comparable to estimates from other quarters.

This comparison of MSAs illustrates that supply conditions are very different across locations. A household wishing to purchase a home in an area with effectively zero vacancies would be facing a shortage. A household wishing to rent a home in an area with a rental vacancy rate of 15% would not be facing a shortage.[20] Generally, renters may experience less constrained supply than homeowners would.

Supply Conditions Across the Income Spectrum and for Different Housing Characteristics

Even if supply conditions are not obviously "too low" for all households in all locations, there is much agreement that there are significant supply shortfalls of affordable housing when it comes to the lowest-income renters. According to the National Low Income Housing Coalition, the United States has a shortage of 7.2 million rental homes that are affordable and available to extremely low-income renters (those with the greater of incomes at or below either the federal poverty guideline or 30% of their area median income), which is larger than most estimates of an

[20] Vacancy rates and available inventory tend to be correlated, although the correlation may be weaker in some areas that have high vacancy rates owing to large quantities of seasonal homes, for example.

aggregate shortage.[21] In a 2025 report, the Department of Housing and Urban Development (HUD) concluded that, while overall supply is not necessarily driving "the housing crisis," as of 2023, there were near-record levels of renter households meeting the criteria of having *worst case housing needs*, with 59 rental units available per 100 very low-income renter households and 38 units available per 100 extremely low-income renter households.[22]

There may also be undersupply of homes with specific characteristics. For example, according to the Census Survey of Construction, the percentage of single-family homes under 1,400 square feet (sometimes referred to as "starter homes") that were completed has fallen in recent decades—from 15% of all new single-family homes in 1999 to 10% in 2024. (This is up from 7% from 2016 to 2022.) This trend is starker for single-family homes completed for sale specifically (as opposed to for rent), with a decrease from 14% in 1999 to 4% in 2024.[23] While this and other housing characteristics may at least partly reflect what households would prefer, as opposed to solely what they need, this downward trend could nonetheless indicate a supply shortage for those households that may be able to afford only smaller homes.

Affordability and the Economics of Supply and Demand

One of the reasons for interest in housing supply conditions is tied to increases in housing costs in recent years. As discussed previously, over the past several decades, home prices and rents have increased faster than incomes, making housing relatively more expensive over time. More recently, increased mortgage rates and insurance costs have also contributed to these cost concerns for homeowners.[24] (To the extent that higher costs for owned homes could increase demand in rental markets, these may also be concerns for renters.) This does not necessarily answer whether there is an affordability issue in an absolute sense, and analysis done will depend, in part, on the definition of *affordable* that is used. As discussed previously, there is evidence that there is a lack of rental housing that is affordable to low-income renters. But what about a household that cannot afford to purchase a single-family home within an hour commute to a job location but can afford to rent a home within 90 minutes of that job location? Depending on who is asked, this may or may not be characterized as an affordability issue. Policymakers may wish to prioritize some or all such household preferences, but this is ultimately a different type of question than whether there are enough housing units for the population.

Putting definitions of *affordability* aside, housing costs have increased, and policymakers may wish to address that cost increase. Prices and rents are determined by the interaction of supply *and* demand in the housing market(s). Current housing prices and rents represent a market equilibrium, where the price/rent level is set at the point at which the "market clears," meaning that the number of units produced is equal to the number of units desired. So, in a strictly economic sense, supply can be too low or too high only if there is some market failure or intervention that prevents a market clearing price from being offered and accepted. Whether the current price/rent level represents an efficient market outcome—or is desirable regardless of efficiency—is debated. As the next section

[21] National Low Income Housing Coalition, "The Gap: A Shortage of Affordable Homes," https://nlihc.org/gap. This analysis defines *affordable and available* as rental units with combined rent and utilities that do not exceed 30% of income that are "either vacant or not occupied by a higher income household."

[22] HUD defines renter households to have worst case needs if "household incomes [are] at or below 50 percent of the Area Median Income (AMI) … do not receive government housing assistance, and either pay more than one-half of their income for rent, or live in severely inadequate conditions, or both." Very low-income households include those with incomes less than 50% of AMI. Extremely low-income households include those with incomes less than 30% of AMI. HUD Office of Policy Development and Research, *Worst Case Housing Needs: 2025 Report to Congress*, July 2025, pp. vi-vii, https://www.huduser.gov/portal//portal/sites/default/files/pdf/Worst-Case-Housing-Needs-2025-Report-to-Congress.pdf.

[23] Census Bureau, "Survey of Construction, Characteristics of New Housing," https://www.census.gov/construction/chars/current.html.

[24] See Michael Copley et al., "It's Harder to Get Home Insurance. That's Changing Communities Across the U.S." *NPR*, November 12, 2025, https://www.npr.org/2025/11/12/nx-s1-5546754/climate-home-insurance-cop30-prices-expensive-disasters; and Daniel McCue, "Lower Interest Rates Fail to Offset Effects of High Home Prices," Harvard Joint Center for Housing Studies, October 28, 2025, https://www.jchs.harvard.edu/blog/lower-interest-rates-fail-offset-effects-high-home-prices.

will discuss, multiple policies (including building codes and zoning) currently restrict supply, pushing up the market equilibrium price.

If policymakers deem the current housing market to be inefficient, there are two ways to lower the price/rent level. The first is to increase supply, which is the focus of this report. But the second is to lower demand. (Many demand-side federal housing policies, such as subsidizing mortgages or providing rental assistance, increase demand, all else equal.) Further, a supply increase is not enough to lower the price/rent level if demand is increasing at the same rate. Supply would need to be increased *relative* to demand. This means that a stock of homes that has stayed the same relative to population or household formation is not increasing relative to demand but is only in line with it.

Achieving the "correct" amount of supply for a given level of demand is challenging, not least because both supply and demand curves are difficult to estimate, and forecasting how demand may change is an imprecise science. For example, events such as the COVID-19 pandemic can greatly change demand structures in local housing markets in a very short period, which can result in existing construction rates suddenly being too low or too high. Therefore, efforts to increase housing supply given current demand and expected demand conditions may result in too little, too much, or "correct" supply years from now.

Barriers to Increasing Supply

This section briefly highlights a few of the most commonly cited explanations of why housing supply may be constrained and failing to adequately respond to demand and pricing conditions. Some are explanations for the longer-term trends in the housing market, while others describe more recent or acute phenomena. This list of explanations is not meant to be all-inclusive. Of note, some conditions or policy stances that may contribute to relatively low housing supply may be desirable in others ways. This section is meant only to highlight conditions that could be contributing to low supply and does not attempt to evaluate the full costs and benefits of any policy. In addition, many policy proposals act on the demand side of the housing market, which is beyond the scope of this report.

Regulatory Costs

The cost of acquiring and preparing land for construction has increased relative to the price of the housing units being built in recent decades.[25] Some areas have little undeveloped land for building, which partially explains rising land prices. But even in those areas, price signals would be expected to eventually lead to greater housing density absent regulatory obstacles to increasing supply. According to a Freddie Mac analysis, tightening land use restrictions (discussed below) are partly responsible for this increasing cost, which can cause significant delays in permit approvals, slowing the rate of new construction.[26]

Certain zoning restrictions—such as single-family zoning requirements, minimum lot sizes, and parking requirements, among others—affect how much land can be built on and how many housing units can be built on that land.[27] Existing residents' opposition to new developments near or in their own neighborhoods can exacerbate zoning restriction issues. Requirements for community hearings or input, therefore, may slow or halt construction projects. Additionally,

[25] Freddie Mac, "What Is Causing the Lean Inventory of Houses?," July 27, 2017, https://www.freddiemac.com/research/forecast/20170726-lean-inventory-of-houses.

[26] Freddie Mac, "What Is Causing the Lean Inventory of Houses?"

[27] Alexander Von Hoffman, "Single-Family Zoning: Can History Be Reversed?," Harvard Joint Center for Housing Studies, https://www.jchs.harvard.edu/blog/single-family-zoning-can-history-be-reversed; and Catie Gould, "Shifting Gears: Why Communities Are Eliminating Off-Street Parking Requirements—and What Comes Next," Lincoln Institute of Land Policy, October 12, 2022, https://www.lincolninst.edu/publications/articles/2022-10-shifting-gears-eliminating-off-street-parking-requirements.

community opposition to regulatory changes that would reduce costs, such as zoning reform, could perpetuate existing challenges.[28]

Official government data on the costs of broader regulation (which can include other factors than land use and zoning restrictions, such as building codes) on the construction or renovation of housing do not exist. Estimating such costs faces challenges, but some private groups have done such analyses. According to a 2021 study by the National Association of Home Builders (NAHB), state, local, and federal government regulations accounted for 23.8% of the average sales price of a new single-family home in 2021 (down from 24.3% in 2016 and 25% in 2011).[29] On a dollar basis, the average cost of regulation accounted for $93,870 in 2021, up from $84,671 in 2016 and $65,224 in 2011.[30] A 2022 study from NAHB in conjunction with the National Multifamily Housing Council also found a high regulatory burden for apartments, with roughly 41% of development costs attributable to regulations.[31]

Researchers at the Wharton School created the Wharton Residential Land Use Regulatory Index in 2006 and updated it in 2018. In comparing the index across these years, researchers found:

> In terms of the regulatory process, the number of entities needed to approve projects requiring a zoning variance is increasing in the typical place. This makes the process more cumbersome and increases the potential for projects to be vetoed. Density controls are also used more widely and are more severe on average. The use of minimum lot sizes to control density is now almost omnipresent. And, it is no longer uncommon to see one-acre (or greater) minimums in suburban areas; this was much rarer in the 2006 data. Other regulations investigated (e.g., open space requirements and affordable housing programs) do not show such big increases in the aggregate, but there also is no evidence they are declining—either in usage or strictness of enforcement. The one exception involves impact fees on developers. The aggregate propensity for communities to impose them fell by one-third, from about 75% in the 2006 survey to 50% in 2018.[32]

The Cost of Financing

The trend in interest rates in the U.S. economy directly affects the housing market by affecting borrowing costs for building, renovating, and purchasing homes.

Following a prolonged period of high inflation and interest rates, the Federal Reserve began lowering the federal funds rate in the mid-1980s. In response to the 2007-2009 housing and financial crisis, the Federal Reserve reduced the federal funds rate to a range of 0%-0.25%, where it remained unchanged for several years. From early 2022 through mid-2023, the Federal Reserve aggressively raised the federal funds rate to combat high inflation. As a result, borrowing costs increased, which has potential implications for the housing supply. Despite some decreases in the

[28] Freddie Mac, "What Is Causing the Lean Inventory of Houses?"

[29] Paul Emrath, "Government Regulation in the Price of New Home: 2021," NAHB, May 5, 2021, https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics-plus/special-studies/2021/special-study-government-regulation-in-the-price-of-a-new-home-may-2021.pdf. Estimates for 2016 and 2011 can be found at https://www.nahb.org/-/media/F927CA599F4343F19541BD9F929E50ED.ashx and https://eyeonhousing.wordpress.com/2011/07/08/government-regulations-25-cost-of-a-new-home/, respectively.

[30] Emrath, *Government Regulation in the Price of New Home: 2021*.

[31] Testimony of Buddy Hughes in U.S. Congress, House Committee on Small Business, "The Golden Age: Unleashing Main Street Through Deregulation," hearing, April 1, 2025, p. 2, https://www.congress.gov/119/meeting/house/118074/witnesses/HHRG-119-SM00-Wstate-HughesB-20250401.pdf.

[32] Joseph Gyourko et al., *The Local Residential Land Use Regulatory Environment Across U.S. Housing Markets: Evidence from a New Wharton Index*, National Bureau of Economic Research, December 2019, https://www.nber.org/system/files/working_papers/w26573/w26573.pdf.

federal funds rate in 2024 and 2025, it still remains higher than pre-pandemic.[33] This has led, generally, to higher average interest rates throughout the economy.

Homebuilders are heavily reliant on borrowing to finance new construction. Higher interest rates increase the costs of financing residential construction and renovation. As the costs of building and refurbishing homes increases, the rate of construction can slow and the supply of new homes can tighten, although the relationship between interest rates and construction is not always strong or linear. For example, construction was relatively low in the years following the housing market crash despite low interest rates during this time. Nonetheless, rising rates do represent an additional cost to builders.

According to the NAHB, rising interest rates in 2022 (along with other factors) raised construction costs and slowed the rate of homebuilding, perpetuating the "long-term housing deficit."[34] In addition, rising rates can disincentivize existing homeowners from moving so that they do not lose the low mortgage rates on their current homes, lowering the inventory of existing homes for sale.[35] Academic estimates suggests that, given projected mortgage rates (and holding other variables constant),[36] moving could decline by around 25% between 2018 and 2033, which could significantly diminish available housing inventory.[37]

The easing monetary conditions in 2024 and 2025 would be expected to improve financing conditions for builders and homeowners somewhat, but this time period is not long enough to be predictive of future trends. Rates are still generally higher than pre-pandemic, which indicates that borrowing costs remain relatively high. Nonetheless, recent analysis does show some improvement in housing inventory across 2024 and 2025.[38]

Construction Input Costs

Labor

Employment in the residential building construction industry fell by roughly 465,000 jobs from a peak in April 2006 to a trough in January 2011, coinciding with the housing market crash and financial crisis of 2007-2009. Despite job growth in this industry since 2011, employment in residential building construction has still not recovered to 2006 levels. Total employees have remained relatively constant from 2022 through 2025.[39] For the construction industry as a whole, the monthly job openings rate hit relative highs in 2022 and 2023 but has fallen since.[40] This

[33] For more detailed information on the path of the federal funds rate, see CRS Report R48390, *Federal Reserve: Policy Issues in the 119th Congress*, by Marc Labonte.

[34] NAHB, "Rising Interest Rates, Higher Construction Costs Slow Housing Production," press release, June 16, 2022, https://www.nahb.org/news-and-economics/press-releases/2022/06/rising-interest-rates-costs-slow-housing-production.

[35] Nicole Friedman, "The Home Buyer's Quandary: Nobody's Selling," *Wall Street Journal*, May 10, 2023, https://www.wsj.com/articles/low-mortgage-rates-home-sales-low-supply-899aab29.

[36] The authors control for zip code fixed effects, county and year fixed effects, mortgage and borrower controls, and a zip code house price index.

[37] Julia Fonseca and Lu Liu, "Mortgage Lock-In, Mobility, and Labor Reallocation," *Social Science Research Network*, March 24, 2023, p. 3, https://dx.doi.org/10.2139/ssrn.4399613.

[38] U.S. Bank, "The Impact of Today's Changing Interest Rates on the Housing Market," January 27, 2026, https://www.usbank.com/investing/financial-perspectives/investing-insights/interest-rates-impact-on-housing-market.html.

[39] For employment data, see BLS, "Current Employment Statistics," https://www.bls.gov/ces/data/.

[40] For job openings data, see BLS, "Job Openings and Labor Turnover Survey," https://www.bls.gov/jlt/data.htm.

decrease in job openings could be part of a broader labor market pattern but could also be indicative of a potentially slower rate of construction in the coming months (and years).

Also affecting the availability of construction workers is immigration trends. Foreign-born workers were more likely than native-born workers to be employed in construction occupations in 2024 (13.9% vs. 7.7%).[41] Net international immigration into the United States dropped significantly in the first half of 2025 and is projected to continue to decline throughout 2026.[42] Owing to the disproportionate representation of foreign-born workers in construction occupations, this downward trend could result in labor shortages for the construction industry, including residential construction. (Immigration also affects the demand for housing, which is discussed in another section.)

In nominal terms, over the past few years, the employment cost to employers in the construction industry (as measured by the index for the total compensation for private industry workers in construction) has generally increased on a quarterly basis as measured by the percentage change from the previous year. In real terms, these increases have been lower—although generally positive—from 2023 to 2025.[43] In combination with the lowered openings, these increased real costs of labor may indicate a barrier to increasing construction that could constrain supply and raise prices.

Labor Productivity

Related to workers is the productivity of those workers. Labor productivity (real output per labor hour worked) in the construction industry has been falling since the 1970s.[44] Positive labor productivity growth in construction would allow for the more efficient building of homes, which could result in lowered costs and higher construction rates. This growth has instead been negative, which could be contributing to the opposite: lowered supply and increased costs. While there are many hypotheses as to the cause of this productivity slowdown, two of the most prominent explanations[45] are increased regulatory constraints and stagnant innovation.[46] Some research has connected the two ideas. For example, a 2024 working paper linked increasingly restrictive land use regulations to declining productivity through a mechanism of lower innovation. In short, the authors found that more restrictive regulations led to an increase in

[41] BLS, "Foreign-Born Workers: Labor Force Characteristics—2024," May 20, 2025, https://www.bls.gov/news.release/pdf/forbrn.pdf. According to BLS, included in the foreign-born category are "legally-admitted immigrants, refugees, temporary residents such as students and temporary workers, and undocumented immigrants."

[42] Census Bureau, Population Estimates Program Staff, "New Population Estimates Show Historic Decline in Net International Migration," January 27, 2026, https://www.census.gov/newsroom/blogs/random-samplings/2026/01/historic-decline-in-net-international-migration.html.

[43] For employment cost index data, see BLS, "Employment Cost Index," https://www.bls.gov/eci/data.htm.

[44] Chen Yeh, "Five Decades of Decline: U.S. Construction Sector Productivity," Federal Reserve Bank of Richmond, August 2025, https://www.richmondfed.org/publications/research/economic_brief/2025/eb_25-31. This trend is not necessarily as apparent for particular construction sectors over more recent periods. For example, BLS shows that between 1987 and 2024, residential construction sectors showed flat or increasing productivity. See BLS, "Construction Labor Productivity," September 24, 2025, https://www.bls.gov/productivity/highlights/construction-labor-productivity.htm.

[45] Of note, many economists suggest that a mismeasurement problem could be contributing. However, research also tends to suggest that this trend persists even when corrections for possible measurement errors are made. For example, see Yeh, "Five Decades of Decline."

[46] For example, see Elsie Peng, "Productivity Stagnation in the Construction Industry: An International Perspective," Goldman Sachs, February 2, 2026.

smaller projects and smaller firms, which invested less in technology.[47] Some estimates suggest that productivity declines may be highest in locations with tighter housing supply constraints, particularly those associated with long permitting times.[48]

Materials

The rising cost of material inputs to residential construction was a significant constraint for the homebuilding industry in recent years. Prices—as measured by the percentage change in the producer price index (PPI)[49] from a year ago—for input goods to residential construction rose rapidly beginning in April 2020 and stayed elevated until 2023, when the rate of increase in these costs fell (and at times became negative—i.e., prices fell). Inflation for input goods to construction was higher than producer inflation for final demand or headline consumer inflation during this period. Much of this inflation in inputs was likely due to lumber supply shortages that began in 2020 as a result of supply-chain disruptions due to the COVID-19 pandemic.[50]

Trade restrictions on construction materials, including new or increased tariffs in 2025, have potentially been driving up construction costs as well. (Tariffs on certain materials, such as lumber and steel, predate but in some cases have been increased by the current Administration.) The PPI for input goods to residential construction increased from 1.9% in January 2025 to 3.0% (preliminary estimate) in December 2025. These costs increases are still lower than the pace seen in 2021 and 2022 but nonetheless elevated as compared to 2024, prior to the tariff changes. A Brookings study estimated that existing and announced tariffs as of October 2025 would increase the costs of investment in residential structures by about $30 billion.[51] Whether tariffs could result in continued price increases is uncertain. A one-time tariff increase would typically be expected to result in a one-time price increase.

Altogether, the rising cost of building materials has likely hindered the homebuilding industry's ability to respond to demand. While PPI for input goods to construction is down from peaks in 2021 and 2022, it did rise in 2025, potentially hindering the ability of the construction industry to adequately respond to demand conditions. Whether this trend will continue is uncertain.

Supply Shocks

A supply shock—such as a sudden, unexpected event that results in the destruction of property or construction inputs—can significantly constrain local and national supply conditions and raise prices. As discussed in the above section, COVID-19 proved a supply shock for many commodities, such as lumber, which likely contributed to a significant increase in construction costs at that time.

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[47] Leonardo D'Amico et al., "Why Has Construction Productivity Stagnated? The Role of Land-Use Regulation," National Bureau of Economic Research, November 2024, https://www.nber.org/papers/w33188.

[48] Daniel Garcia and Raven Molloy, "Reexaming Lackluster Productivity Growth in Construction," Federal Reserve Board of Governors, April 2025, https://www.federalreserve.gov/econres/feds/files/2023052r1pap.pdf.

[49] The PPI is a measure of the "average change over time in the selling prices received by domestic producers for their output." For more information, see BLS, "Producer Prices," in *Handbook of Methods*, https://www.bls.gov/opub/hom/pdf/ppi-20111028.pdf. The data cited uses the series for "inputs to new residential construction, goods."

[50] For more information on lumber shortages, see CRS Report R46636, *COVID-19 and the U.S. Timber Industry*, by Anne A. Riddle; and John V. Duca and Anthony Murphy, "Why House Prices Surged as the COVID-19 Pandemic Took Hold," Federal Reserve Bank of Dallas, December 28, 2021, https://www.dallasfed.org/research/economics/2021/1228.

[51] Elena Patel et al., "Recent Tariffs Threaten Residential Construction," Brookings Institution, October 3, 2025, https://www.brookings.edu/articles/recent-tariffs-threaten-residential-construction/.

Another common supply shock faced by residential markets in the United States is one caused by a natural disaster. Any one specific natural disaster may cause significant damage or destruction to residential property, contributing to supply challenges in the affected market. Disasters can be localized, and while they may not yet result in significant impacts at the national level, the threats associated with natural disasters have been rising recently.[52] Property destruction in one location can result in distortions in other markets owing to resulting shifts in migration and demand.[53] Therefore, the more widespread these risks become, the more likely they are to result in supply disruptions at the national level.[54] Currently, a significant portion of the housing stock is vulnerable to threats such as flooding, hurricane and winds, and wildfires, to name a few.[55]

Other Potential Factors

Certain demographic trends may be affecting housing supply, particularly in owner-occupied markets. Trends such as "aging in place" may be limiting the supply of homes for sale as the relatively large baby boomer generation maintains homeownership.[56] While homeownership rates typically decrease as individuals progress through old age, homeownership retention rates for those 65 years and older has been increasing since the 1980s.[57] Additionally, baby boomers are not "downsizing" at an expected rate and own a larger share of homes with at least three bedrooms than younger generations do.[58] Nonetheless, a large number of homes may become available for sale in the coming years as the baby boomer generation continues to age. This has led to concerns of an oversupply of homes in coming years, although some estimates suggest that demand from millennials and Gen Z could offset the decline in demand from baby boomers.[59]

Other trends in household characteristics, such as declining marriage rates and birth rates—which can both lead to smaller household sizes—have implications for household formation and housing demand, which can exacerbate supply challenges.[60]

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[52] Howard Kunreuther, "Reducing Losses from Catastrophes: Role of Insurance and Other Policy Tools," *Environment: Science and Policy for Sustainable Development*, vol. 58, no. 1 (January/February 2016), pp. 30-37.

[53] Tamara L. Sheldon and Crystal Zhan, "The Impact of Natural Disasters on U.S. Home Ownership," *Journal of the Association of Environmental and Resource Economists*, vol. 6, no. 6 (September 19, 2019), pp. 1169-1203, https://www.journals.uchicago.edu/doi/full/10.1086/705398#_i18.

[54] Many studies link a rise in the frequency, intensity, or magnitude of natural disasters to climate change. Other results of climate change, such as rising sea levels, may also prove a challenge to housing supply in the long term not only because of hazards posed to the housing stock but also because of any policies or migration that arise as a result. See Basel Committee on Banking Supervision, "Climate-Related Risk Drivers and Their Transmission Channels," April 14, 2021, pp. 6-7, https://www.bis.org/bcbs/publ/d517.htm; and Steven Rothstein and Joe Weisbord, "Housing Finance and Climate Risk: Taking Action in an Uncertain Future," Ceres, February 9, 2023, https://www.ceres.org/resources/reports/housing-finance-and-climate-risk-taking-action-uncertain-future.

[55] Cotality, "Forward-Looking Catastrophic Risk Modeling," https://www.cotality.com/products/climate-risk-analytics; and Cotality, "CoreLogic 2024 Wildfire Risk Report Finds More Than 2.6 Million Homes at Moderate to High-Risk of Wildfire Damage," press release, August 13, 2024, https://www.cotality.com/press-releases/corelogic-2024-wildfire-risk-report-finds-more-than-2-6-million-homes-at-moderate-to-high-risk-of-wildfire-damage.

[56] As of 2022, baby boomers accounted for 21% of the U.S. population but 38% of total homeowner households. See Freddie Mac, "Aging Boomers and the Impact on the Housing Market Over the Next Decade," February 26, 2024, https://www.freddiemac.com/research/insight/baby-boomers-impact.

[57] Dowell Myers and Patrick Simmons, "The Coming Exodus of Older Homeowners," Fannie Mae, p. 4, https://www.fanniemae.com/media/20281/display.

[58] Dana Anderson and Sheharyar Bokhari, "Empty Nesters Own Twice as Many Large Homes as Millennials with Kids," Redfin, January 16, 2024, https://www.redfin.com/news/empty-nesters-own-large-homes/.

[59] Freddie Mac, "Aging Boomers and the Impact on the Housing Market over the Next Decade," February 26, 2024, https://www.freddiemac.com/research/insight/baby-boomers-impact.

[60] For example, see HUD, *Worst Case Housing Needs*, pp. 30-31.

Some point to second homes or short-term rentals as supply constraints in certain localities. Some research suggests that the existence of such markets can increase prices for local households.[61]

Policy Considerations

To the extent that certain conditions in the housing market—notably issues surrounding affordability and choice—are being caused by low supply, those problems are unlikely to be fixed without supply-side policy solutions. However, any improvement in supply will happen with a lag and therefore will not be realized in the short term. While this report has focused mainly on national supply conditions, that is not to downplay the importance of local solutions given differences in price and availability across localities. Additionally, many housing policies are created, implemented, and regulated at the state or local level, and the role of federal policymakers is generally limited in state and local housing markets. Nonetheless, there are certain policy options available to Congress. This section focuses specifically on federal policy considerations for increasing supply across price points and does not consider non-housing aspects of policies.

Federal Policies and Grants

The federal government does not have direct authority over local regulation or private market decisions that affect local housing development.[62] For example, zoning, permitting, and land use are generally controlled by states, many of which have delegated authority to localities.[63] However, the federal government can disseminate research on housing market dynamics and policies and share information on best practices, create new and change existing federal policies, and provide funding for certain housing activities, among other actions to support housing development and state and local actions that impact housing development. Several federal agencies play roles in housing policy. This section focuses on selected examples of supply-focused policies and practices of HUD and is not all inclusive.

HUD has performed research and shared information on the advantages of certain types of policy changes related to increasing housing supply or lowering prices. For example, HUD's Regulatory Barriers Clearinghouse collects and publishes research on state and local regulations and other actions that impact affordable housing.[64] Past HUD research has highlighted land use and zoning reforms local jurisdictions could undertake to increase supply and affordability, such as: "Increase multifamily zoning; allow missing middle and larger multifamily development by-right; enable adaptive reuse and conversions; eliminate parking requirements; reduce minimum lot sizes;

[61] See CRS In Focus IF12920, *Short-Term Rental Markets: A Primer*, by Karl E. Schneider and Lida R. Weinstock; and Nora Carrier, "Addressing the Housing Crunch in Seasonal Destinations," Housing Solutions Lab, August 13, 2024, https://www.localhousingsolutions.org/addressing-the-housing-crunch-in-seasonal-destinations/.

[62] The federal government does provide some amount of public housing, although such units take up a very small share of the total housing market. See HUD, "HUD's Public Housing Program," https://www.hud.gov/helping-americans/public-housing.

[63] Anika Singh Lemar, "The Role of States in Liberalizing Land Use," *North Carolina Law Review*, vol. 97, no. 2 (January 1, 2019), p. 297; and Harvard Law Review, "Addressing Challenges to Affordable Housing in Land Use Law: Recognizing Affordable Housing as a Right," *Housing Law and Policy Note*, February 10, 2022, p. 1107.

[64] HUD, "Regulatory Barriers Clearinghouse," https://www.huduser.gov/portal/rbc/home.html. This program is currently required by statute (42 U.S.C. §12705d).

support equitable transit-oriented development; and streamline permitting processes and timeline."[65]

HUD oversees the Manufactured Home Construction and Safety Standards, often referred to as the HUD Code, which regulates construction standards for manufactured housing. Some have argued that non-traditional building techniques, such as factory-built housing (of which manufactured housing is a type), are more efficient and cost-effective than traditional building techniques, but they face regulatory barriers and financing obstacles that have restricted their use.[66] HUD periodically updates the HUD Code (which preempts local codes), and these updated standards can help reduce some barriers to manufactured housing.[67] The HUD Code does not cover other types of factory-built housing, such as modular, panelized, and precut housing. However, HUD has published information on ways that local governments could potentially increase the supply of factory-built housing, including, for example, expanding areas zoned to accept factory-built housing by state and local governments.[68]

Some would argue that the problem is not that local governments are unaware of barriers to increasing supply but that their interests are misaligned with increasing supply. For example, their constituents may be largely made up of existing homeowners who prefer policies that keep their property values high. If so, the types of policies discussed above may have little prospect for widespread adoption.

HUD additionally provides funding to state and local governments for certain types of housing activities that could increase housing or maintain supply and affordability.[69] For example, the HOME Investment Partnerships Program provides grants for activities including building, buying, and rehabilitating affordable housing.[70] The Community Development Block Grant (CDBG) Program provides grants for a wider range of community development projects but includes certain affordable housing activities, such as rehabilitation and conversion of affordable units.[71] HUD also provides grants to state, local, and regional entities to remove regulatory barriers to affordable housing as part of the Pathways to Removing Obstacles to Housing Program (authority derived from CDBG statute).[72]

[65] HUD Office of Policy Development and Research, "Pro-Housing Land Use and Zoning Reforms," April 2023, https://docs.huduser.gov/archives/portal/sites/default/files/pdf/policy-and-practice-publication-2023-april.pdf.

[66] For example, see Laurie Goodman and Matthew Pruitt, "Encouraging Modular Construction Could Help Address the Housing Shortage," Urban Institute, September 19, 2024, https://www.urban.org/urban-wire/encouraging-modular-construction-could-help-address-housing-shortage.

[67] For example, HUD published a final rule that made various changes to the HUD Code in 2024. See HUD, "Manufactured Home Construction and Safety Standards," 89 *Federal Register* 75704, September 16, 2024, https://www.federalregister.gov/documents/2024/09/16/2024-20545/manufactured-home-construction-and-safety-standards. HUD standards address construction and installation of manufactured homes, but other factors that affect manufactured housing, such as state and local zoning, are outside the purview of the HUD Code.

[68] HUD Office of Policy Development and Research, "Factory-Built Housing for Affordability, Efficiency, and Resilience," Winter/Spring 2020, https://www.huduser.gov/archives/portal/periodicals/em/WinterSpring20/highlight1.html.

[69] For more information about these programs and recent congressional actions and debate, see CRS Report R48743, *Housing Issues in the 119th Congress*, coordinated by Katie Jones.

[70] HUD Exchange, "HOME Overview," https://www.hudexchange.info/programs/home/home-overview/.

[71] HUD Exchange, "Community Development Block Grant," https://www.hudexchange.info/programs/cdbg/.

[72] This program was first funded in the Consolidated Appropriations Act, 2023 (P.L. 117-328, Division L, Title II), and was subsequently funded by Congress in FY2024, FY2025, and FY2026.

Incentives for the Construction Industry

Various types of incentives for the construction industry could also potentially affect the amount of production by incentivizing hiring, training, or construction directly. For example, policies such as the low-income housing tax credit (LIHTC), which provides tax credits to offset the cost of producing affordable rental housing units, may increase affordable supply in particular housing markets.[73] The proposed Neighborhood Homes Investment Act (S. 657) would create similar tax credits in owner-occupied housing in certain markets.[74] Other proposals include providing a tax credit for the construction of starter homes (H.R. 3475, for example) and providing various grants, including for training for careers in residential construction and supporting small developers (S. 189 and H.R. 6737, for example). There is debate about whether and to what extent such policies improve (or would improve) supply. Many observers argue that tax credits are an important tool in increasing supply, while others question the programs' efficacy in generating new supply.[75] For example, while LIHTC has supported the construction or rehabilitation of over 3 million units nationwide, estimates vary greatly on how much LIHTC construction has crowded out unsubsidized private construction and, therefore, how much overall supply has been affected.[76] Additionally, some studies have found that LIHTC projects cost more than comparable private market projects or projects using other types of subsidies, such as vouchers.[77]

Changes were made to LIHTC in the FY2025 Budget Reconciliation Law (P.L. 119-21). These changes included increasing states' LIHTC allocation authority starting in calendar year 2026.[78]

Immigration Policy

As discussed previously, foreign-born workers are relatively more likely to be employed in construction occupations than native-born workers are. Thus, immigration policy is an oft-cited area that can affect housing supply. In theory, increased immigration rates—at least for those who would work in construction—would increase the supply of construction labor, allowing for lower costs to builders and increased rates of construction. For example, the Urban Institute estimated that deportations of undocumented construction workers could result in a decrease of 1.7-1.8

[73] See CRS In Focus IF11335, *The Low-Income Housing Tax Credit: Policy Issues*, by Mark P. Keightley.

[74] See CRS In Focus IF11884, *Neighborhood Homes Investment Act: Overview and Policy Considerations*, by Mark P. Keightley.

[75] For example, see Owen Minott and Julia Selby, "The LIHTC and NHTC: Two Important Tools to Increase Housing Supply," Bipartisan Policy Center, October 27, 2022, https://bipartisanpolicy.org/blog/two-tools-increase-housing-supply/.

[76] For more details, see CRS In Focus IF11335, *The Low-Income Housing Tax Credit: Policy Issues*, by Mark P. Keightley.

[77] Chris Edwards, "Problems with Low-Income Housing Tax Credits," Cato Institute, May 7, 2025, https://www.cato.org/testimony/problems-low-income-housing-tax-credits.

[78] For more details, see CRS Report RS22389, *An Introduction to the Low-Income Housing Tax Credit*, by Mark P. Keightley; CRS Report R48743, *Housing Issues in the 119th Congress*, coordinated by Katie Jones; Tax Policy Center, "What Is the Low-Income Housing Tax Credit and How Does It Work?," updated January 2024, https://taxpolicycenter.org/briefing-book/what-low-income-housing-tax-credit-and-how-does-it-work; and Michael D. Eriksen and Stuart S. Rosenthal, "Crowd Out Effects of Place-Based Subsidized Rental Housing: New Evidence from the LIHTC Program," *Journal of Public Economics*, vol. 94, nos. 11-12, pp. 953-966, https://www.sciencedirect.com/science/article/abs/pii/S0047272710000885.

million construction workers on the whole, leading to labor shortages and exacerbating existing housing supply constraints.[79]

A complicating factor when it comes to immigration, as opposed to other policies that could increase supply, is that immigration also increases housing demand as immigrants require housing themselves. Whether the demand effects or the supply effects dominate will determine what effect immigration has on housing prices. While there is significant debate on this topic, with some research finding increased price effects,[80] generally immigration is not posited as one of the main drivers of increased housing costs given that the supply effects, at least partially, balance out the demand effects.[81]

Trade Policy

The cost and availability of materials used in the construction or renovation process have been a constraint to housing supply at various points. While certain types of supply (and supply chain) shocks are beyond the government's control, trade policies can affect the cost of construction materials. Removing or reducing trade barriers, such as tariffs, on construction inputs and materials would theoretically lower the cost of materials currently subject to such barriers.[82] For example, the Center for American Progress estimated that tariff-induced cost increases to construction could lead to 450,000 fewer homes built by 2030.[83]

Selected Policy Proposals in the 119th Congress

Congress has introduced many housing related bills in the 119th and other Congresses. The Senate and the House have each passed versions of bills that combine a number of standalone housing measures, many of which are aimed at increasing housing supply. Two such bills with notable housing supply components include the ROAD to Housing Act of 2025 (passed the Senate as an amendment in the nature of a substitute to H.R. 6644; S.Amdt. 4308) and the Housing for the 21st Century Act (H.R. 6644, passed the House). For more information on the ROAD to Housing Act, see CRS Report R48732, *ROAD to Housing Act of 2025*, coordinated by Henry G. Watson. For more information on the Housing in the 21st Century Act, see CRS Report R48849, *Housing for the 21st Century Act*, coordinated by Henry G. Watson.

[79] Jorge González-Hermoso et al., "Mass Deportation Would Worsen Our Housing Crisis," Urban Institute, February 25, 2025, https://www.urban.org/urban-wire/mass-deportations-would-worsen-our-housing-crisis.

[80] For example, see Alex Nowrasteh, "JD Vance Is Correct: Immigration Increases Housing Prices, and That's Okay," Cato Institute, October 2, 2024, https://www.cato.org/blog/jd-vance-correct-immigration-increases-housing-prices-thats-ok.

[81] For example, see Riordan Frost, "The Role of Recent Immigration Surge in Housing Costs," Harvard Joint Center for Housing Studies, October 29, 2024, https://www.jchs.harvard.edu/blog/role-recent-immigrant-surge-housing-costs.

[82] There have been proposals during the 119th Congress to limit tariffs on certain materials used in residential construction. For example, the Housing Tariff Exclusion Act would exclude most tariffs on commonly used homebuilding products implemented since January 19, 2025. See Office of Sen. Christopher Coons, "Housing Tariff Exclusion Act," https://www.coons.senate.gov/wp-content/uploads/2026/02/Housing-Tariff-Exclusion-Act-One-Pager.pdf.

[83] Corey Husak et al., "Trump Administration Tariffs Could Result in 450,000 Fewer New Homes Through 2030," Center for American Progress, December 16, 2025, https://www.americanprogress.org/article/trump-administration-tariffs-could-result-in-450000-fewer-new-homes-through-2030/.

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