

Analysis: U.S. Needs More than 4M Homes

By Adam Barnes

Buyer demand remains high, in part, because so many young adults lived with parents during the pandemic. And due to rising prices, low-income families suffer most.

WASHINGTON – Americans seeking to move out on their own outnumbered available housing by almost two to one in 2021, according to a new report. There were roughly 8 million individuals or families who lived in another person's home in 2021 and just 3.7 million homes for rent or sale, Zillow revealed Friday, leaving a deficit of 4.3 million homes.

"The U.S. housing market is like a high-stakes version of the game musical chairs," Orphe Divounguy, senior economist at Zillow, said in a news release. "There are simply not enough homes for millions of people. Unless we address the shortage of smaller, more-affordable, starter-type homes, we risk leaving families without a seat – and it will only get worse over time," he added.

Zillow's analysis notes that the crisis is hitting low-income families the hardest with 68% in this category sharing spaces. And the housing gap was greatest in some of the most expensive coastal cities.

Housing affordability took a major hit during the pandemic as short supply met increasing demand. During the pandemic, both rents and sale prices soared. In the last year, the typical rent rate rose by close to 5% – up to \$2,048 per month – while the value of a typical home jumped to nearly \$347,000, Zillow data showed.

On the purchase side, high mortgage rates driven by the Federal Reserve's ongoing effort to cool inflation have only worsened affordability for would-be buyers.

Currently, the 30-year fixed rate mortgage is 6.67%, according to Freddie Mac data.

"Potential homebuyers have been watching rates closely and are waiting to come off the sidelines. However, inventory challenges persist as the number of existing homes for sale remains very low," Freddie Mac Chief Economist Sam Khater said in a statement.

"Though, a recent rebound in single-family housing starts is an encouraging development that will hopefully extend through the summer," he added.

Construction rebound could help repair market

New construction surged by 21.7% on an unadjusted basis in May, beating economists' expectations of a small decline.

Housing starts jumped to an annual rate of 1.63 million units last month, up from 1.34 million in April, according to Census Bureau data released Tuesday. Single-family and multifamily construction experienced monthly increases.

Single-family starts jumped by 18.5% over revised April figures to a rate of 997,000 units while starts for buildings with five or more units was 624,000.

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