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The Structure and Policy Landscape of the U.S. Housing Crisis

A Quiet Threat to Domestic Growth

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- The housing affordability crisis is rooted in decades of federal policy that successfully expanded homeownership but also empowered incumbent homeowners to resist new development, creating structural supply constraints. This supply-demand mismatch has been exacerbated by regulatory barriers and the post-2008 collapse of the homebuilding industry.
- The crisis has broad economic consequences, especially for younger Americans, who are delaying major life decisions due to high housing costs. This trend weakens domestic demand and threatens long-term economic growth, making housing a first-order issue for both policymakers and businesses.
- For the first time in decades, housing has become a rare point of bipartisan consensus in Washington. The ROAD to Housing Act of 2025 and the emergence of pro-housing caucuses suggest federal momentum is building—but meaningful reform will require overcoming entrenched local opposition and regulatory inertia.

The United States is grappling with a severe housing-affordability crisis driven by a long-running shortage of new supply. Home prices and rents have outpaced wages for more than a decade, pushing homeownership ever further out of reach, especially for Millennials and Gen Z, and drawing rare bipartisan attention on Capitol Hill. The Senate Banking Committee's unanimous passage of the ROAD to Housing Act of 2025 marks the first concerted federal effort on housing since 2009 and the first attempt in nearly a century to nudge local zoning policy from Washington.

Today's shortfall reflects three intertwined forces. First, New Deal and post-war policies dramatically expanded the ranks of homeowners, creating a large, wealth-conscious constituency whose balance sheets were tied to rising property values, but they did not themselves supply the procedural veto that defines modern NIMBY-ism. That tool came later. Second, the environmental movement of the 1970s produced federal and state laws such as NEPA and California's CEQA, which required environmental reviews for almost every development and, in the process, empowered local planning commissions and neighborhood groups to block new construction. Third, the 2008 financial crisis crippled the homebuilding industry, while recent macro shocks, including high interest rates, pandemic supply constraints, labor shortages, and surging insurance and materials costs, tightened the vise on affordability.

The fallout is macro-economic as well as social. Delayed household formation suppresses demand for autos, furnishings, and local services, while chronic undersupply feeds visible strains such as homelessness and inter-state out-migration. For firms that rely on U.S. consumer spending, housing has become a first-order risk factor. More recent factors have compounded this structural problem. The collapse of the homebuilding industry after 2008, high interest rates, inflation, and rising construction costs - driven partly by policy choices around immigration, labor, and trade - have further strained affordability.

The shortage especially affects younger Americans, the largest group of potential first-time buyers, who increasingly delay homeownership, marriage, and family formation. This trend depresses domestic demand for cars, home furnishings, and retail goods, raising concern among policymakers that housing costs are constraining household formation and broader economic growth.

This paper outlines the structural origins of the U.S. housing affordability crisis, its impact on younger

Americans (a critical point of interest for companies depending on sustained long-term growth of domestic demand in the U.S). It also assesses the current bipartisan legislative response to determine whether meaningful federal action on housing is likely in the near term.

Tracing the Origin of "Homeownership" in America

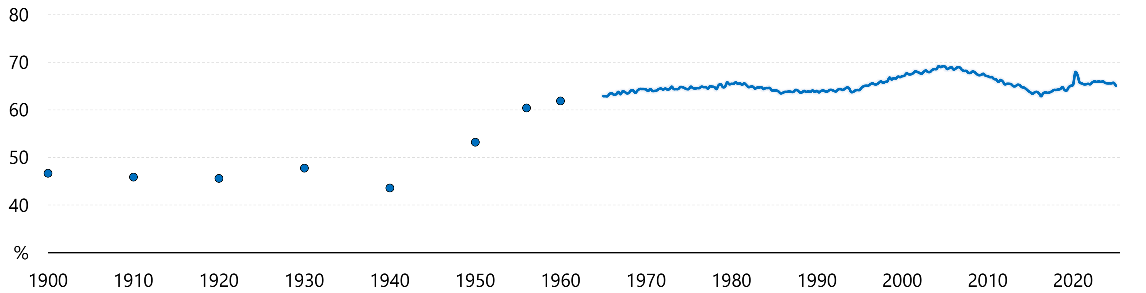
From the 1950s through the early 2000s, the American path to homeownership followed a remarkably stable and profitable formula: save for a 20% down payment, secure a 30-year fixed-rate mortgage, deduct the interest from federal income taxes, and count on steady appreciation, even for older homes. This wasn't just housing; it was a wealth-building escalator. Selling that first home often yielded capital gains that funded the down payment on a larger property, creating an upward ladder of mobility.

The benefits extended beyond individual wealth. Because local public services are largely funded by property taxes, moving into higher-value areas meant access to better schools, hospitals, police and fire departments, and infrastructure. Once the mortgage was paid off, homeowners enjoyed a financially secure retirement with a valuable asset.

These incentives reinforced each other powerfully. Homeownership became the primary vehicle for middle-class wealth building, helping drive the national homeownership rate[1]from around 44% in 1940 to 69% by 2004 where it peaked before the financial crisis.

Homeownership dramatically increased after WWII into the 1970s.

Homeownership rate is the proportion of households that is owner-occupied. (percent, seasonally adjusted)



Source: U.S. Census Bureau, DQYDJ.com, Joint Center for Housing Studies of Harvard University

Why has the United States placed such unusual emphasis on homeownership compared to other developed nations? The answer lies in intersecting constitutional, cultural, and political factors. Constitutionally, the home occupies a uniquely protected position as a private sphere insulated from state power, enshrined in the Third Amendment's prohibition on quartering soldiers and the Fourth Amendment's protection against unreasonable searches. But constitutional protections alone don't explain the preference for ownership over renting.

More fundamentally, American political culture has long linked property ownership to democratic citizenship, tracing back to Jeffersonian ideals of an independent and self-sufficient citizens. By the 20th century, policymakers explicitly saw widespread homeownership as creating stakeholders in the capitalist system (or citizens with 'skin in the game' who would resist radical political movements). As Herbert Hoover argued, homeownership was both an economic goal and a bulwark against socialism.

[1] The Homeownership Rate is the proportion of households that are owner-occupied. It is calculated by dividing the number of owner-occupied households by the total number of occupied housing units. Data are from the Housing Vacancy Survey, which is a supplement to the Current Population Survey conducted by the U.S. Census Bureau. Data before 1951 was manually retrieved from scanned censuses by DQYDJ.com.

Even before the New Deal's large-scale intervention, Washington had gradually embraced homeownership promotion as a national policy goal. The 1862 Homestead Act, while primarily focused on westward expansion, established the precedent of federal action to help citizens acquire property and build homes. More directly relevant was Herbert Hoover's pioneering work as Secretary of Commerce in the 1920s. Facing a post-WWI housing shortage, Hoover launched the "Better Homes for America" campaign in 1922, promoting homeownership as both an economic driver and civic virtue. He also fostered public-private partnerships to standardize building codes, improve construction efficiency, and expand access to mortgage credit. Under Hoover's leadership, the federal government began treating rising homeownership rates as an explicit national objective, laying the intellectual groundwork for the far more ambitious interventions that would follow during the Depression.

The foundation of modern U.S. housing policy, however, is generally traced to the New Deal, a response to the Great Depression under the Franklin D. Roosevelt administration. The roots of the crisis lay in a housing bubble that formed during the early 1920s, driven by a boom in durable goods consumption (such as automobiles and electric appliances), the expansion of suburbs, low interest rates, financial innovation in mortgage lending, and a wave of new home construction. When the bubble burst in 1926, followed by the 1929 stock market crash, housing starts plummeted from 900,000 in 1925 to 500,000 in 1929, and then to fewer than 100,000 by 1933[2]. Banks, heavily exposed, were hit with a surge of loan delinquencies and foreclosures. As property values collapsed, loan recovery became impossible. It was under these dire circumstances that the federal government began to intervene in the housing market in earnest.

The federal housing policies of the 1930s can be broadly divided into two categories:(1) emergency measures designed to halt the collapse of the housing market, and (2) industrial policies aimed at revitalizing the construction sector and expanding homeownership.

To deal with the immediate crisis, the federal government established the Home Owners' Loan Corporation (HOLC) in 1933 to stem the rising tide of foreclosures. Funded through the issuance of government-backed bonds, HOLC acquired roughly 15% of all outstanding home mortgages, many of them delinquent, and refinanced them on more favorable terms[3]. At a time when interest-only, short-term balloon loans were standard, HOLC's introduction of fully amortizing, long-term fixed-rate mortgages marked a significant financial innovation.

Meanwhile, the federal government moved to directly reshape the housing finance system. In 1932, it established the Federal Home Loan Bank System (FHLB)[4] to provide liquidity to institutions specializing in home lending. Two years later, the Federal Housing Administration (FHA) was created to insure mortgages that met specific underwriting standards[5].

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[2] Leamer, Edward E., 2007, "Housing is a Business Cycle", NBER Working Paper No. 13428 (link)

[3] HOLC's favorable loans were capped at a property price of $14,000, with terms including an 80% LTV, 5% fixed interest rate, and 15-year fully amortizing repayment.

[4] Established under the 1932 Federal Home Loan Bank Act, the Federal Home Loan Bank System consists of 12 regional banks, modeled after the Federal Reserve System. Initially funded by federal appropriations and member contributions, it provided low-cost loans to member institutions, including building and loan associations (B&Ls), cooperative banks, savings banks, and insurance companies, primarily focused on mortgage lending. A 1989 reform allowed commercial banks and credit unions to join, leading to a sharp increase in membership.

[5] At its inception, the loan guarantee covered up to 80% of the home price (up to a maximum of $16,000), with fully

At the time, most mortgages were short-term, interest-only loans covering no more than 50% of a home's value. Borrowers were typically required to make a balloon payment or refinance after five years. In contrast, the new loan model introduced by HOLC and adopted by the FHA featured 80% loan-to-value ratios, fixed 5% interest rates, and fully amortizing terms of 15 to 20 years, a structure that revolutionized housing finance and laid the foundation for the modern mortgage market.

As federal policy evolved from short-term relief to long-term industrial planning, efforts turned toward building a secondary market to further expand homeownership and stimulate construction. The National Housing Act of 1934, best known for establishing the FHA and the Federal Savings and Loan Insurance Corporation (FSLIC)[6], also authorized the creation of mortgage associations to purchase insured loans. The aim was to help lenders offload mortgage assets, reduce balance-sheet risk, and broaden access to credit, ultimately boosting housing demand and economic growth.

However, the private sector showed little interest in forming such associations. In response, the government launched the RFC[7] Mortgage Company in 1935, using federal capital to buy and sell FHA-insured loans. This effort culminated in the creation of the Federal National Mortgage Association (Fannie Mae[8]) in 1938, which institutionalized a liquid secondary market for federally backed mortgages.

Industrial Policy Bears Fruit

Federal intervention in the housing finance system continued after World War II, this time as part of a broader strategy to drive postwar economic growth. Washington focused on raising the homeownership rate and, with it, stimulating demand across multiple sectors, including housing, construction, labor, furniture, and appliances.

A key priority was the reintegration of returning veterans. In addition to college tuition assistance and vocational training, the federal government offered VA loans, backed by the Department of Veterans Affairs, which enabled millions of veterans to purchase homes with favorable terms and little to no down payment[9].

The average veteran was just 26 years old (prime age for household formation) and their return coincided with a surge in birth rates and housing demand. At the same time, expanding suburban infrastructure made newly built neighborhoods more accessible and attractive. Federal tax incentives[10], including the mortgage interest deduction and capital gains exclusions on home sales,

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amortizing terms and a 5% interest rate cap. Given that the median home price at the time was $5,304, these were exceptionally generous loan terms.

[6] A federal agency established to administer the deposit insurance system for Savings and Loan Associations (S&Ls), which had been key mortgage lenders in the United States since the early 19th century.

[7] In 1932, the Reconstruction Finance Corporation (RFC) established the RFC Mortgage Company under its umbrella to purchase FHA-insured home mortgage loans.

[8] With the dissolution of the RFC, the assets of RFC Mortgage Company were transferred to Fannie Mae. Privatized in 1968, Fannie Mae has since supported the U.S. housing finance market alongside the Federal Home Loan Mortgage Corporation (Freddie Mac).

[9] A series of policies enacted under the 1944 Servicemen's Readjustment Act (commonly known as the GI Bill) to support the reintegration of returning veterans into civilian life.

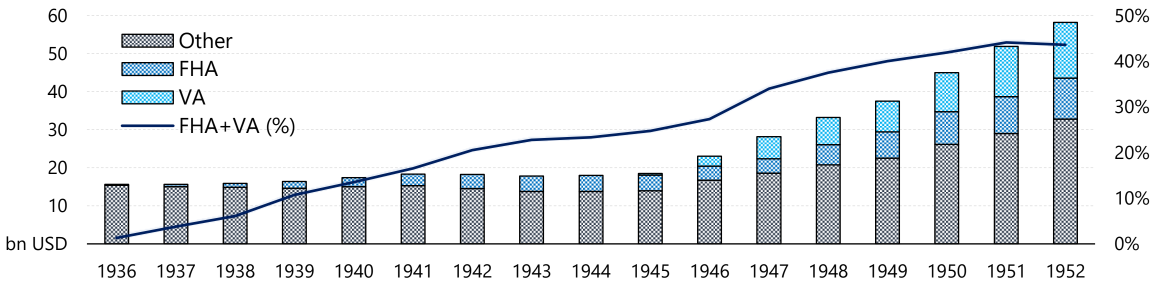
[10] The tax deduction for mortgage interest dates back to the introduction of the income tax in 1913, but it became a particularly strong incentive for homeownership in the postwar era, when income tax rates were exceptionally high.

further reinforced demand and promoted homeownership as a wealth-building vehicle.

With the construction sector successfully transitioning to a peacetime economy, housing became a major engine of growth. The combined effect of these policies helped lift the national homeownership rate from 43.6% in 1940 to 62% by 1960, a transformation that reshaped the American middle class.

Post-WWII financial innovation lifts homeownership rate

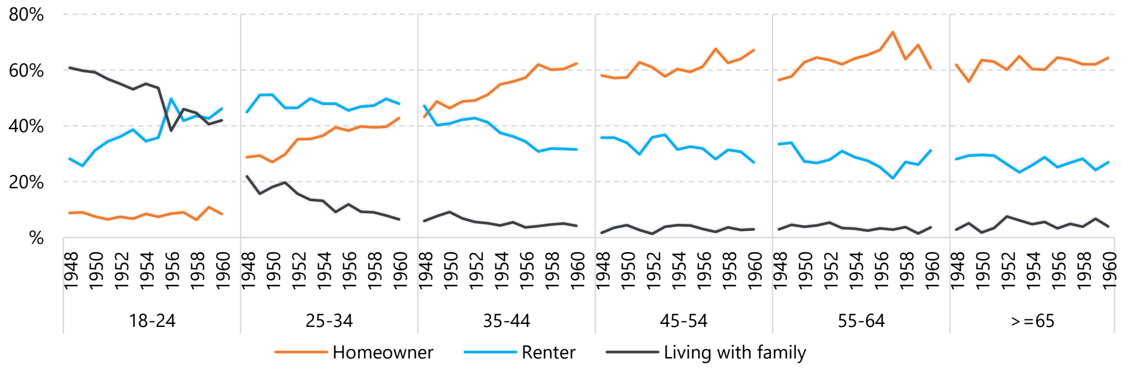
Left axis: Mortgage loan balance (billion USD) | Right axis: Share of FHA, VA loans (%)



Source: Grebler, Blank, and Winnick, Capital Formation in Residential Real Estate: Trends and Prospects (1956)

GI Bill, rising birthrate, encourages homeownership among young adults

Housing arrangements by age group (%)



Source: White, Snowden, and Price Fishback, Housing and Mortgage Markets in Historical Perspective (2014)

Federal efforts to expand homeownership did more than meet postwar housing needs. They fundamentally reshaped American attitudes toward wealth building. Veterans of the Silent Generation, many of whom became homeowners at young ages through VA loans and FHA financing, experienced firsthand how real estate could generate substantial returns. They passed this lesson to their children (the Baby Boomers) creating a multigenerational expectation that homeownership was the primary path to middle-class prosperity.

Washington's sustained policy commitment reinforced these cultural shifts. What began as Depression-era crisis response and postwar economic stimulus gradually evolved into something more ambitious: a national ideology positioning homeownership as both a right and responsibility of American citizenship. By the 1960s, owning a home had transcended its practical function to become a defining symbol of the American Dream itself.

Rise of NIMBYism

New Deal industrial policies created an unintended consequence: a large class of homeowner-asset holders whose wealth depended not only on their individual properties, but on preserving the character and exclusivity of their neighborhoods. This constituency would soon acquire powerful new tools to protect their investments.

During the 1970s, rising pollution from industrialization and urbanization sparked widespread voter concern. Congress responded by passing the National Environmental Policy Act (NEPA) in 1970, requiring federal agencies to take a "hard look" at environmental impacts before major projects. President Nixon's signing of NEPA launched what became known as the "environmental decade," producing the EPA, Clean Air Act, Clean Water Act, and Endangered Species Act.

NEPA empowered local communities to intervene in federal permitting processes through environmental impact assessments. But this power quickly expanded beyond its original environmental purpose. States rushed to create their own versions of NEPA, with California leading the way through the California Environmental Quality Act (CEQA) in 1970, signed by then-Governor Ronald Reagan.

The transformation was swift and dramatic. In 1972, the California Supreme Court interpreted any development requiring government approval as a "public" project subject to CEQA review. Overnight, every planning commission, zoning board, and city council had to conduct environmental assessments for virtually any development project. What began as environmental protection became a procedural weapon that homeowners could deploy against unwanted change in their neighborhoods. While California's framework was the most expansive, similar systems spread nationwide, giving birth to the modern NIMBY movement.

By the late 1970s and into the 1980s, the legal and organizational tools originally designed for environmental protection were increasingly used to block affordable housing, homeless shelters, group homes, and, eventually, nearly all forms of new development. Zoning ordinances and environmental review processes became instruments for homeowners to resist physical changes to their neighborhoods, especially anything perceived to threaten property values. By the late 1980s, the term “NIMBY” (short for not in my backyard) had entered the popular lexicon, referring to organized neighborhood opposition to new construction, particularly low-cost or multifamily housing.

This shift in land-use regulation did not immediately cause a supply shortage. During the 1980s, as Baby Boomers entered their prime homebuying years, housing affordability challenges were largely driven by macroeconomic conditions, specifically stagflation and high interest rates. The early-1980s recession led to nearly 4 million job losses, while mortgage rates spiked above 18%[11], causing the average monthly mortgage payment to jump by 34%[12] in a single year. During the years when Baby Boomers turned 30, the share of median household income needed to make the typical mortgage payment averaged 33.2%[13], the highest of any living generation.

But this was a cyclical affordability crisis, not yet a structural one. Once the Federal Reserve succeeded in bringing inflation under control and interest rates fell, many Boomers were finally able to access homeownership. The supply of homes, while shaped by rising NIMBY sentiment, remained fundamentally adequate, for the time being.

Destruction of the Homebuilding Industry

The homebuilding industry was devastated in the wake of the 2007–2008 financial crisis. The collapse

[11] The average interest rate for 30-year fixed-rate mortgages peaked at 18.6% in October 1981. (link)

[12] According to a survey by the Chicago Title Insurance Company, the average monthly mortgage payment rose from $449 in 1979 to $599 in 1980. (link)

[13] By the time the Baby Boomer generation reached age 30, the average mortgage payment accounted for 33.2% of median household income—the highest share among any living generation. (link)

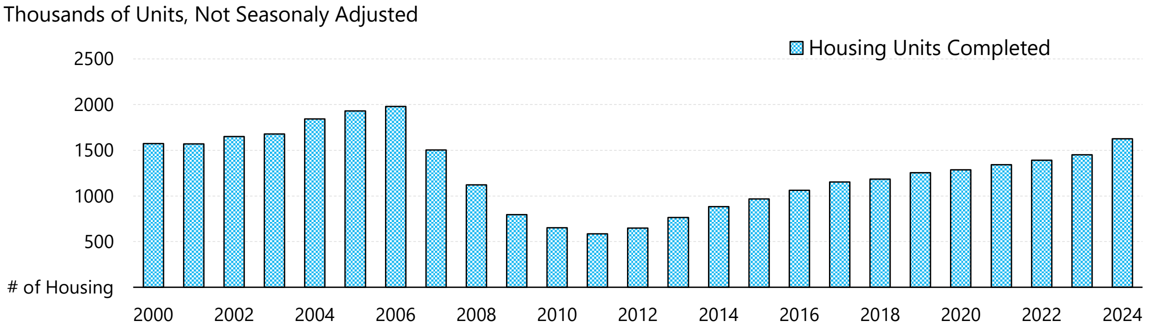
in housing demand, combined with a severe tightening in mortgage credit, triggered an industry-wide contraction. Home sales plummeted, lenders imposed stricter underwriting standards, and household formation slowed sharply as millions of potential buyers delayed major life decisions or exited the market altogether.

Although demand eventually recovered, the more lasting damage occurred on the supply side. Thousands of smaller homebuilders went out of business, while larger firms laid off workers and drastically reduced output. Housing completions fell from a peak of nearly 2 million units in 2006 to just 585,000 in 2011, the lowest level since World War II.

Scarred by the downturn, surviving builders prioritized financial stability over volume, shifting their focus to higher-margin, upscale homes rather than entry-level construction. This left a widening affordability gap that the industry has struggled to close.

The recovery was further constrained by a long-term erosion of the construction labor force. Many skilled workers who left the industry during the crisis never returned. An aging workforce, declining interest in the trades, especially among younger Americans, and slower immigration flows compounded the shortage. By 2022, homebuilder job openings hit record highs, but worker availability remained weak.

New Privately-Owned Housing Units Completed



Source：U.S. Census Bureau, U.S. Department of Housing and Urban Development

Construction costs surged in the decade following the Global Financial Crisis. Average wages for construction workers rose by 40–50% between 2011 and the early 2020s, as contractors faced persistent labor shortages. Many firms were forced to pay wage premiums or delay projects due to lack of skilled workers.

Material costs also soared. Prices for lumber, concrete, gypsum, and steel rose sharply, driven by supply chain disruptions, shifts in trade policy, and volatile demand. For example, lumber prices peaked at over $1,600 per 1,000 board feet in 2021[14], compared to around $300–400 prior to 2020. These supply chains remain vulnerable to shocks, including Canadian tariffs and COVID-era bottlenecks.

Land costs have climbed as well, fueled by restrictive zoning, permitting delays, and increased competition from institutional buyers. In some metropolitan areas, land now accounts for 30–50% of

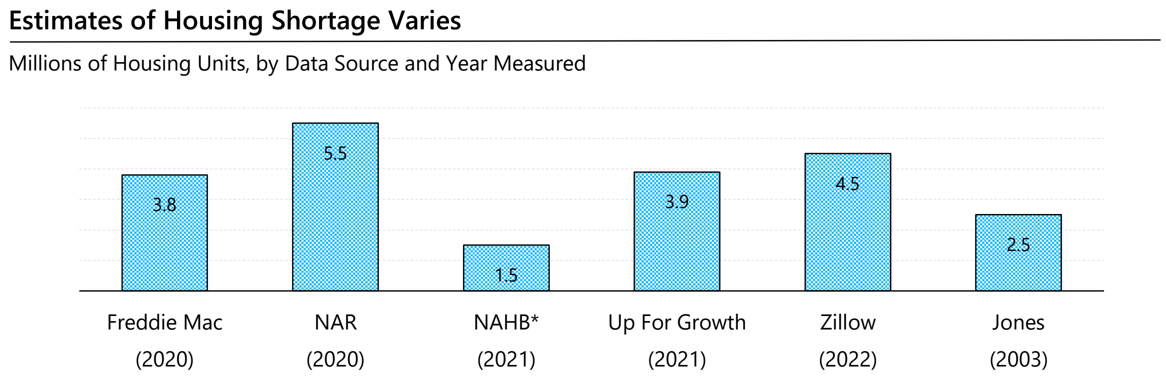
[14] In 2021, a surge in demand combined with supply chain disruptions drove spot prices for lumber up to $1,600 per 1,000 board feet. (link) While the spot price had fallen to $438 as of August 1 (link), futures for September delivery climbed to $695 per 1,000 board feet—among the highest levels in the past three years. This spike is attributed to increased import tariffs on Canadian lumber. (link)

a home's total cost, compared to just 15–20% historically[15]. Regulatory compliance adds further burden. Roughly 24%[16] of the price of a new single-family home is attributable to fees, codes, and approval processes.

These rising costs disproportionately hurt small builders, who lack the capital to absorb price volatility or navigate complex regulatory environments. As a result, many exit the market or consolidate into larger firms. Those that remain tend to focus on higher-margin, upscale housing, leaving a gap in the production of entry-level homes most needed by first-time buyers.

Meanwhile, on the demand side, millennials began entering their prime homebuying years around 2016, just as they became the largest cohort in the U.S. labor force. Initially bidding up rental units as they left their parents' homes, many eventually turned to entry-level homes, driving up prices in that segment. But housing supply did not keep pace.

Faced with affordability constraints, many millennials began postponing key life milestones such as marriage, childrearing, and homeownership. More women pursued advanced education, while rising housing costs and student debt delayed household formation. At the same time, immigration rebounded, adding further pressure to housing demand. But the industry lacked both the capacity and risk appetite to respond at scale.



Source：Complied by Brookings Institution, NAHB estimate is for metro areas only

A Perfect Storm: Structural Weakness Meets Cyclical Shocks

The U.S. housing market today faces a convergence of long-standing structural barriers and recent cyclical shocks. Postwar industrial policies that once fueled mass homeownership also created a generation of asset holders who now resist new development through restrictive zoning and local veto points. The 2008 financial crisis further hollowed out the homebuilding industry, leaving a lasting supply deficit. Now, a new generation of would-be homeowners, especially Millennials, is entering the market, intensifying demand in a system unable to respond.

Pandemic-era monetary easing and the shift to remote work sparked a surge in housing demand, particularly in suburban areas. While prices dipped briefly after the Federal Reserve began raising rates in 2022, they rebounded by spring 2023, despite softening demand, due largely to a sharp drop

[15] As a general rule of thumb, land typically accounts for 25–33% of a property's total value. However, in high-demand areas or in the case of existing homes where rising land values heavily influence pricing, land can make up 30–50%—or even more—of the overall property value. (link)

[16] According to a 2021 survey by the National Association of Home Builders (NAHB), regulatory costs at the federal, state, and local levels accounted for 24% of the final sales price of newly built single-family homes constructed for sale. (link)

in listings. Many existing homeowners are locked into historically low mortgage rates secured during the pandemic, making them reluctant to sell and further reducing inventory.

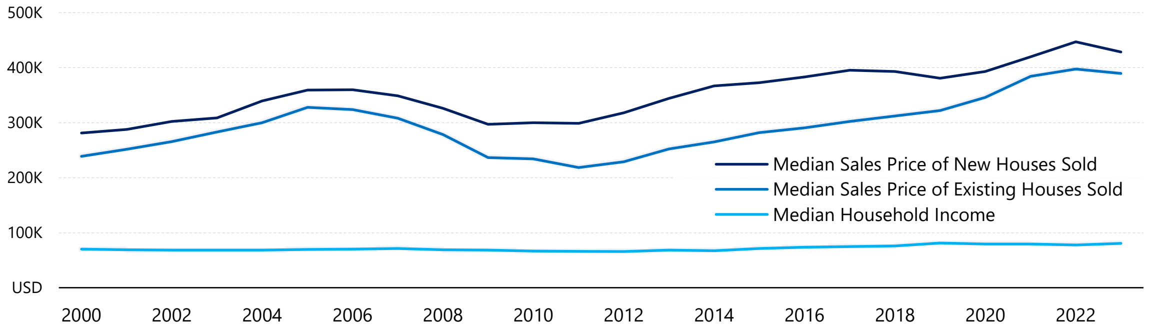
Even if interest rates fall, deeper structural imbalances will remain. Much of the nation's housing stock is aging, and maintenance costs are rising. At the same time, funding for low-income housing has stagnated or declined. In theory, new construction in high-demand areas could ease these pressures but local land-use rules often stand in the way. Minimum lot sizes, height restrictions, and environmental review processes continue to inhibit high-density multifamily development.

Efforts to relax these rules often encounter fierce local resistance, fueled by concerns over congestion, crime, school crowding, or declining property values. While some jurisdictions have begun to eliminate single-family-only zoning, broader reform will likely require stronger federal involvement, as well as active participation from the private sector.

The result is a nationwide affordability crisis. Homeownership is increasingly out of reach, especially for younger families, as housing prices continue to outpace wage growth and shelter costs consume a growing share of household budgets.

Widening gap between home price and income

Comparison of median home price and median household income (in 2023) dollars)



Source: US Census Bureau, US Department of Housing and Urban Development, Federal Reserve Bank of St. Louis

The U.S. Department of Housing and Urban Development (HUD) defines a household as "cost-burdened" if it spends more than 30% of its take-home income on housing. By this standard, nearly 43 million households (about one-third of all U.S. households) were cost-burdened in 2023.

Among renter-occupied households, the burden is particularly acute. In 2023, for the third consecutive year, the number of cost-burdened renters hit a record high, reaching 22.6 million, or roughly half of all renter households[17]. Within that group, over 12.1 million renters (27%) were classified as severely cost-burdened, spending more than 50% of their income on housing and utilities.

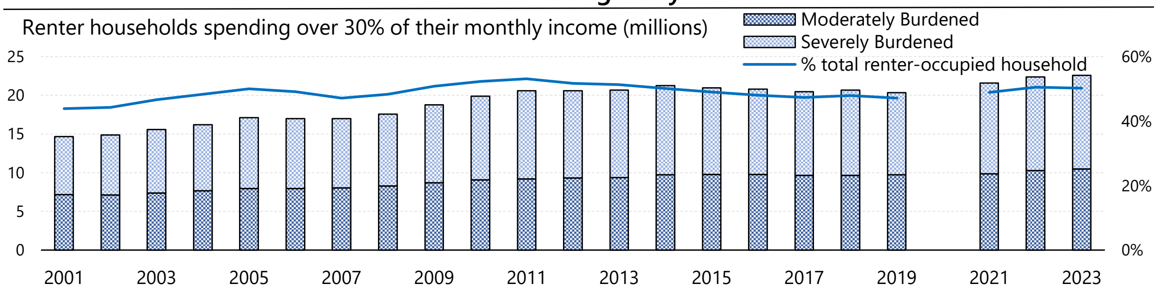
Cost burdens have also risen among homeowners. After steadily declining between 2010 and 2019, the number of cost-burdened owner-occupied households has increased since 2021. In 2023, 20.3

[17] According to U.S. Census, in 2023, the number of renter households spending more than 30% of their income on rent and utilities reached a record high of 22.6 million. This included a record 12.1 million households classified as "severely cost-burdened," meaning they spent more than half of their income on housing costs. (link)

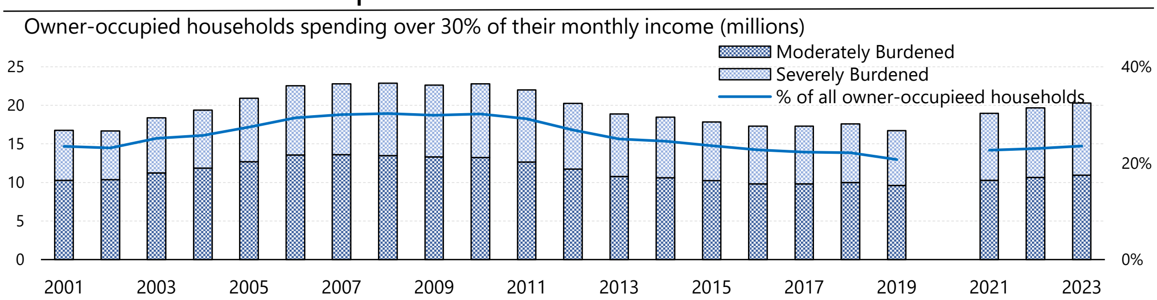
million owner households (24% of all owners)[18] were cost-burdened, marking the highest share since 2012.

Many homeowners did benefit from historically low interest rates during the pandemic, with millions refinancing their mortgages. As a result, median monthly housing costs for owners declined by 2% in real terms between 2013 and 2023. However, rising insurance premiums and property taxes have increasingly offset those gains, eroding affordability even for households that refinanced.

Cost-burdened renter households hit records highs 3 years in a row



Cost-burdened owner-occupied households also on the rise



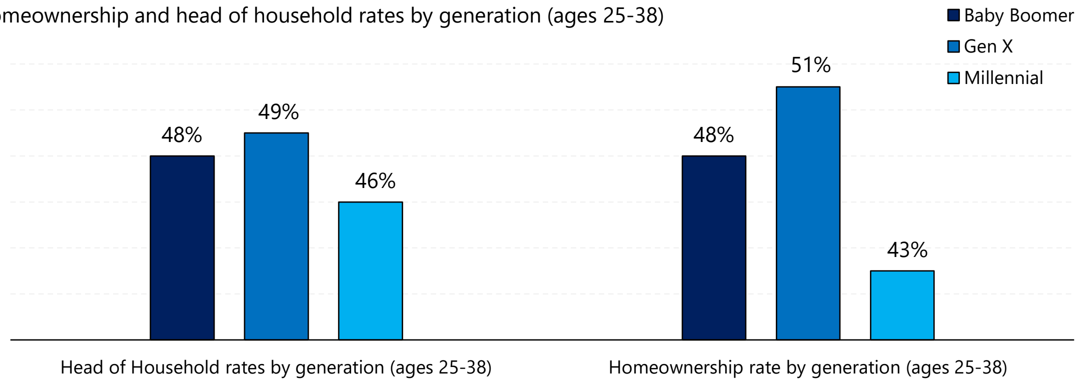
Note: "Moderately burdened" refers to households speding over 30% of inocme on housing; "severely burdened" refers to those spending over 50%. Data for 2020 omitted due to pandemi-related collection challenges.
Source: US Census Bureau, American Community Survey; Joint Center for Housing Studies, Harvard University

The affordable housing crisis underscores a widening generational divide. About half of Baby Boomers who came of age during the post–World War II economic boom, were able to purchase a starter home between the ages of 25 and 34. Early homeownership supported the formation of families and stable communities, while rising property values helped them steadily build wealth.

[18] Among homeowner households, 20.3 million—representing 23.6% of the total—were facing housing cost burdens. (link)

Growing intergenerational wealth gap

Homeownership and head of household rates by generation (ages 25-38)

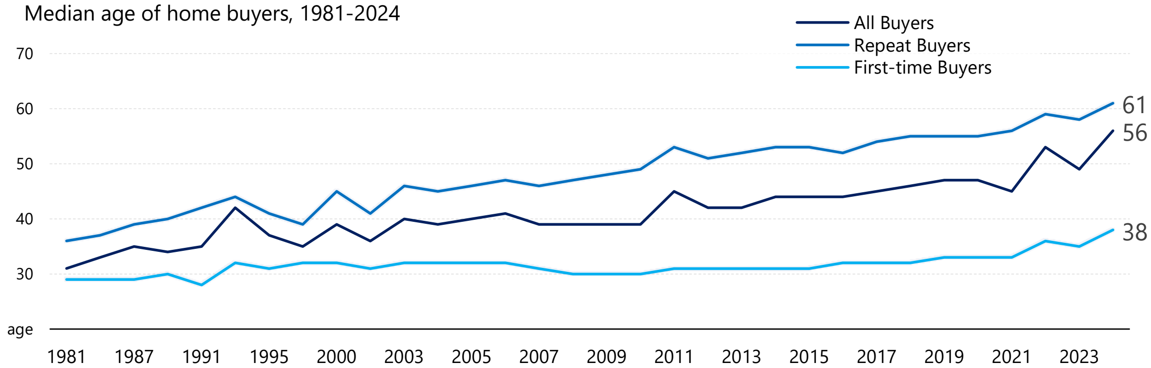


Source: Based on 2019 U.S. Census Current Population Survey, compiled by Freddie Mac

In contrast, only 43% of Millennials who entered adulthood during the global financial crisis and the COVID-19 pandemic owned a home by the same age. A shortage of affordable starter homes and rising rents have forced many to delay independence, often living with parents or sharing housing. Dubbed the “roommate generation,” Millennials now represent the largest age cohort and the largest share of the U.S. labor force. Yet the very generation that should be powering economic growth is increasingly held back by the housing affordability crisis. In 2024, the median age of first-time homebuyers reached 38, a record high, illustrating just how delayed the path to homeownership has become.

Median first-time home buyer age - record high of 38 years old

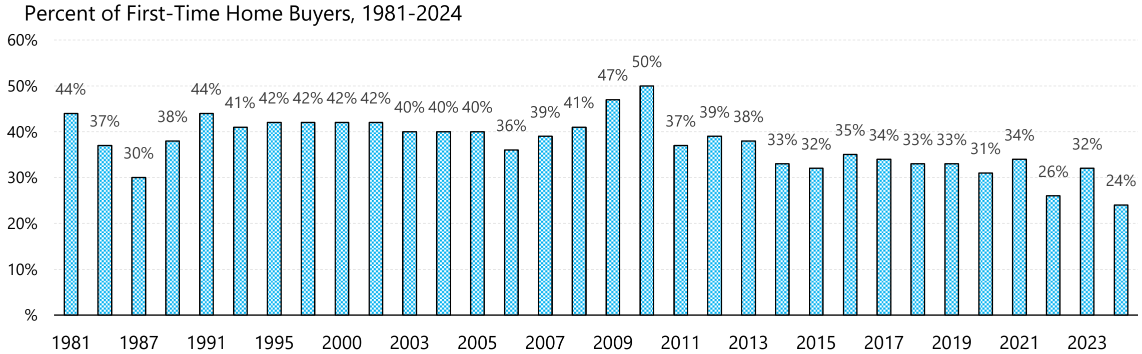
Median age of home buyers, 1981-2024



Source: National Association of REALTORS, 2024 Profile of Home Buyers and Sellers

First-time home buyers decreased to a record low of 24% of buyers

Percent of First-Time Home Buyers, 1981-2024



Source: National Association of REALTORS, 2024 Profile of Home Buyers and Sellers

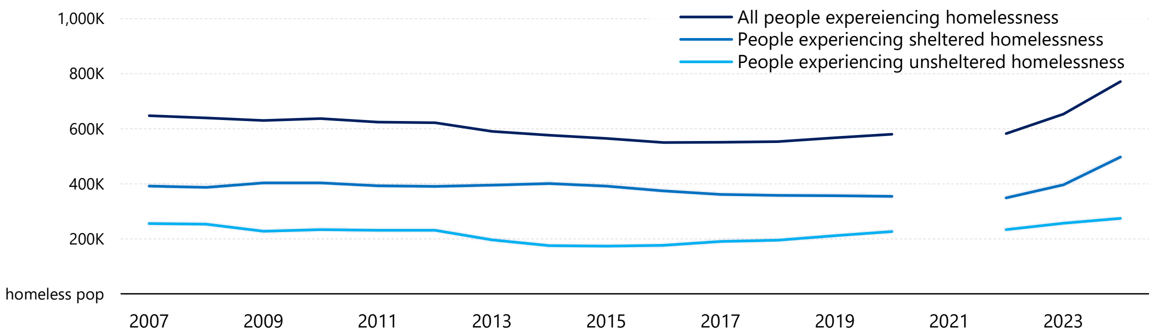
Rising housing costs are forcing many families to relocate from urban centers and well-connected suburbs, where jobs, schools, and transit are concentrated, to more affordable outer areas. But these moves often come with trade-offs: longer, more expensive commutes, reduced access to public services, and weakened ties to economic opportunity.

In recent years, however, even these peripheral regions have become unaffordable in many parts of the country. As cost pressures spread outward, housing affordability is increasingly entangled with broader social issues, including homelessness, mental health crises, substance abuse, and public safety concerns. These challenges can, in turn, deter household formation and undermine community development.

While not everyone priced out of housing ends up unhoused, the numbers are growing. According to the latest HUD Point-in-Time (PIT) count, 771,480 people experienced homelessness in the U.S. in 2023, the highest number since national data collection began in 2007, and a 19% increase from the prior year. Although this represents less than one-quarter of one percent of the total U.S. population, homelessness is heavily concentrated in high-cost metropolitan areas such as Los Angeles, New York, San Francisco, and Washington, D.C.

Homelessness reaches a record high in 2024

Number of people experiencing homelessness during a single point-in-time (PIT)



Source, U.S. Department of Housing and Urban Development PIT estimate

Climate risk has become an increasingly important factor in U.S. housing dynamics. Many of the regions experiencing the fastest growth in housing supply, including Florida, Texas, and the Carolinas, are also among those most exposed to climate-related hazards such as hurricanes, floods, and wildfires.

These states have attracted new residents by offering relatively affordable housing and more permissive building environments compared to high-cost coastal cities like San Francisco, New York, or Boston. But the trade-off for affordability is increased exposure to climate risk.

That risk is no longer theoretical. Rising homeowners' insurance premiums in high-risk areas are beginning to erode the affordability advantage, as insurers reprice risk or withdraw coverage altogether. For many households, the financial appeal of moving to Sun Belt regions is being offset by the growing costs of insuring property and the uncertainty of rebuilding in disaster-prone areas.

If Washington's strategic orientation is indeed shifting from globalization toward a broader agenda of "American renewal," then strengthening community cohesion, including through stable and affordable housing, logically becomes a central policy priority. In this context, some state and local governments have begun to ease zoning restrictions and revise building codes to enable more multifamily housing construction. At the federal level, new tax credit proposals to support low-cost housing development and expand rental assistance for low-income households have been introduced and debated annually, though few have been enacted to date.

Meanwhile, within the construction industry, there is growing interest in cost-saving innovations such as modular housing and off-site fabrication. These approaches promise faster delivery and lower labor costs, though adoption remains limited. While both the public and private sectors have begun to respond, the pace and scale of intervention remain insufficient. Without more decisive action, the affordability crisis continues to deepen.

A Quiet Consensus Forming in Washington

Presidential campaigns have rarely made housing policy a central issue. Landmark initiatives like the creation of the Federal Housing Administration (1934) or Section 8 rental assistance (1974) were the result of congressional action or executive policy, not as a result of campaign promises executed into actual policies. Even during the 2008 subprime mortgage crisis, housing remained a secondary concern, eclipsed by broader financial system instability. National candidates tended to speak in broad strokes about “middle-class prosperity” or “urban revitalization,” not specific policies like zoning reform or housing permits, which are largely controlled by local and state governments.

The 2024 U.S. presidential campaign broke from this pattern. Surging home prices and rents made homeownership increasingly out of reach, especially for younger, college-educated voters, a traditionally left-leaning demographic. At the same time, housing shortages and price spikes were especially acute in Republican-led states like Texas, Arizona, and Florida. As a result, both parties began coalescing around supply-side solutions, such as zoning reform and streamlined permitting; proposals championed by think tanks across the ideological spectrum.

Democratic nominee Kamala Harris proposed a combination of rent relief, down payment assistance, and incentives for inclusionary zoning, pledging to build three million new housing units over four years. Republican nominee Donald Trump focused on deregulation, tax cuts, and reducing mortgage rates. Notably, proposals to sell federal land for housing development appeared in both the Republican National Committee’s 2024 platform and President Joe Biden’s housing plan during his reelection campaign.

There are now signs of renewed federal engagement on housing. On July 29, 2025, the Senate Committee on Banking, Housing, and Urban Affairs voted unanimously to advance the ROAD to Housing Act of 2025, a sweeping bipartisan package aimed at boosting supply and improving affordability.

The legislation, introduced by Chairman Tim Scott (R) and Ranking Member Elizabeth Warren (D), consolidates 27 previously introduced bills, 23 of which had bipartisan sponsorship. While the timeline for a full Senate floor vote remains uncertain, the committee’s unanimous approval suggests the bill has a strong chance of passage.

The ROAD Act includes a range of provisions designed to address structural bottlenecks in the housing market. These include:

- Incentivizing local land-use reform by tying federal grant eligibility to demonstrated increases in housing supply
- Streamlining federal regulatory approvals to accelerate housing construction
- Expanding manufactured and modular housing production
- Reauthorizing and improving federal programs that support low-income and rural housing

- Investing in homelessness reduction strategies, including supportive services and transitional housing

While support for the ROAD to Housing Act in the House remains uncertain, there are encouraging signs of bipartisan engagement on housing policy. The Congressional YIMBY (Yes In My Back Yard) Caucus, founded in late 2024, now includes 33 members and promotes deregulation and pro-housing land use reforms across party lines. Similarly, the Build America Caucus, another bipartisan initiative, is focused on reducing permitting delays and modernizing construction standards to accelerate housing development.

In early 2024, the House passed the Tax Relief for American Families and Workers Act by a wide bipartisan margin (357–70). The bill authorized over $6 billion in affordable housing investments, including funding for Low-Income Housing Tax Credits (LIHTC) expansion and housing trust funds.

More recently, Rep. Marjorie Taylor Greene introduced the No Tax on Home Sales Act, which would eliminate capital gains taxes on the sale of primary residences. Under current law, homeowners may exclude up to $250,000 in gains ($500,000 for married couples) when selling their primary home, but those thresholds have not been adjusted since 1997, despite significant home price appreciation. The proposed bill is intended to alleviate the "lock-in effect"[19] created by high mortgage rates and capital gains liabilities, which discourage homeowners from selling and limit housing turnover. In a recent press briefing, President Trump signaled support for the idea, stating he is "thinking about eliminating the tax on capital gains from houses." While debate continues over the distributional effects of such a policy, the bill is currently structured to apply only to primary residences, aiming to target working families rather than investors.

An Inflexion Point?

If industrial policy is understood as a set of tools used to prioritize and grow key sectors of the economy, then the New Deal–era housing initiatives stand among the most successful in modern American history. Federally backed financial innovations, such as the 30-year fixed-rate mortgage and the creation of government-sponsored entities like FHA and Fannie Mae, established powerful incentives for low-cost lending. This, in turn, fueled a homebuilding boom that dramatically expanded access to affordable housing and enabled millions of Americans to build intergenerational wealth. The resulting rise in homeownership underpinned broad-based prosperity and sustained postwar economic growth.

Ironically, the same policy framework that once democratized homeownership also entrenched a political constituency of incumbent homeowners who now wield outsized influence over land-use regulations. Zoning restrictions, discretionary approvals, and other regulatory barriers, often justified in the name of preserving neighborhood character or protecting property values, have made it increasingly difficult to build. While cyclical forces such as interest rates and labor shortages play a role, the core of today's affordability crisis is structural: a persistent mismatch between constrained supply and rising demand. As Fed Chair Jerome Powell put it bluntly, "We haven't built enough housing. This is not something the Fed can help with. That will be the case even after things [rates]

[19] Homeowners with low-interest mortgages are often reluctant to sell—even when home prices are favorable—because doing so would require taking on a new mortgage at a higher rate. This behavior contributes to the ongoing shortage of homes available for sale.

normalize." His remark underscores a growing consensus among policymakers that monetary tools alone cannot solve a problem rooted in decades of underbuilding and regulatory inertia.

Yet despite its scale and economic significance, housing policy has long remained a second-tier issue in national politics, overshadowed by more visible topics like trade, tariffs, or high-profile investigations. That may be starting to change. On the right, figures like Tucker Carlson have called the housing situation a "total disaster," while at the 2024 Republican National Convention, Vice President J.D. Vance blamed "so many failures" for the cost of housing. President Trump has floated eliminating capital gains taxes on home sales as one potential solution.

On the left, a growing movement for "supply-side progressivism" (also known as the "Abundance Agenda") has begun to challenge traditional priorities like union protections and environmental reviews. This school of thought argues that overregulation, especially in land use, has suppressed the supply of essential goods, chief among them, housing. In Congress, the bipartisan YIMBY Caucus, composed primarily of Democrats, now champions zoning reform, transit-oriented development, and regulatory streamlining to expand supply.

Amid historic levels of political disillusionment, reflected in chronically low approval ratings for both parties, housing affordability has emerged as a quiet but foundational crisis, one that cuts across age, class, and geography. Whether this long-neglected issue can generate sustained bipartisan political will remains to be seen. But in an era of deep polarization, the housing crisis stands out as one of the few areas where the incentives to act (and the costs of inaction) are growing too large to ignore.

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