

# AMERICA'S (AVOIDABLE) HOUSING CRISIS

KITE & KEY  
MEDIA

## [SCRIPT]

Let's say you come into **big money**. What do you buy first?

For a lot of people, priority one ... might be a nice piece of **real estate**.

And, depending on your budget, you've got options.

For just \$427,000 we could get you into this gem in Seattle.<sup>i</sup> Although, fair warning: The air is toxic. And there's five feet of standing water. And the roof's about to collapse.

In the market for something a little pricier? You could land this beauty outside of Boston for \$2.3 million.<sup>ii</sup> Although it was built before the Civil War. And needs to be demolished.

And for the real high rollers – are you ready for this? – \$15 million ... will get you **this acre of dirt in Silicon Valley**.<sup>iii</sup>



A HOUSE IN ATHERTON, CA

Thanks to restrictive development laws, the concentration of tech wealth, and its proximity to high-wage jobs, the San Francisco Bay Area has long been notorious as America's least affordable housing market. Nowhere is this more apparent than in the tony Silicon Valley town of Atherton, which only allows single-family homes and requires them to be on lots of at least one acre. In 2021, the city's median home price was \$7.9 million, the highest in the nation. While Atherton's example may be extreme, it's not unique. When PropertyShark tallied up the nation's 128 most expensive ZIP codes, over 35% of them were in the Bay Area.

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Those are all **real** listings from recent years. And while it's easy to laugh at how difficult it's become to afford a house in those places ... your neighborhood might be next.

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Time was, there was a pretty simple formula for chasing the American dream: Get yourself a good job, maybe start a family – or at least, y'know, get a dog – and buy yourself a home.

These days? Well ... two out of three ain't bad, right?

Government data shows that in recent years, homeownership amongst people between the ages of 25-34 – the age range in which people normally buy their first house – has fallen to its lowest level in decades.<sup>iv</sup> And while there are a lot of factors at play there, research shows that the single **biggest** one is the *decline in the construction of new homes.*<sup>v</sup>



Here's the deal: Factors like restrictive zoning, costly and time-consuming permit approvals, and even activists opposed to their neighborhoods changing has made it **incredibly difficult** for some cities to build enough homes for the people who want to live there.

And if you look at a map of **the parts of America with the biggest housing shortages**<sup>vi</sup> and then a map of the ones that have the highest housing costs,<sup>vii</sup> you'll see that **fewer** homes means **much higher** prices. And as a result of those shortages, renters see price increases too.

The cities with the worst shortages tend to get most of the attention, but there are also plenty of places in America that understand the need to build. One interesting caveat though: A [2022 Redfin analysis](#) showed that the cities that lead in the construction of single-family homes rarely lead in multi-family units (and vice versa). Only 4 major metropolitan areas made the top 10 in both categories: Charlotte, Orlando, Jacksonville, and – the national leader for both single-family and multi-family construction – Austin.



Now, there's a few lessons you could take from this.

First, if you're on a budget, stay away from the coasts, try to avoid New York City, and whatever you do, for the love of God, do not go near California.

Second, if you're already in one of those places but trying to get into your starter home ... consider a move. You wouldn't be alone.

New York City is the leading supplier of people moving to Miami. Los Angeles is the leading supplier of people moving to Phoenix. And San Francisco is the leading supplier of people moving to Sacramento<sup>viii</sup> — which is a place that only seems affordable if you've been living in San Francisco.



The San Francisco-to-Sacramento pipeline is representative of an underappreciated dynamic in California. While the state has generated lots of media attention for its (genuine) issues with outmigration, high housing prices in the Golden State's coastal areas have actually led to significant population increases in the state's interior regions. Besides Sacramento, there have also been population booms in the Inland Empire east of Los Angeles and in the state's primarily agricultural Central Valley, where the often-overlooked city of Fresno became one of the nation's hottest housing markets in 2021.

But here's the bad news — and you may see this one coming — when you look at the housing markets that have seen the most dramatic increases in price over the last decade, you'll find places like ... Phoenix, and Miami, and Sacramento.<sup>ix</sup>

Because here's the most important lesson: If you don't build enough houses for the people who want to live somewhere, the nice, affordable city you want to live in today ... may just be another smothering, expensive one tomorrow.

In Phoenix, for instance, the metro area had nearly two percent more housing than it needed as recently as 2012. By 2019, however, with the influx of new residents, it had nearly six percent less than it needed.\* And that number may sound small ... but it's a shortage of about 100,000 homes. !

So, how do we break this cycle? After all, most of us don't want to spend the rest of our lives moving from city to city just to have a lower mortgage. We have jobs and families. Many of us like the places we live. How can we make our own cities more affordable?



Well, one huge step would be easing restrictive zoning regulations. Because, while any given city only has so much space, zoning often limits how much you can do with that space.

When it comes to zoning, America's most unusual big city may be Houston ... which doesn't have any. Contrary to popular belief, however, that doesn't mean that the city is a free-for-all for builders and property owners. Houston still has significant rules and regulations about permissible development. In practice, the biggest difference from other cities is that property in the city is not restricted by use (residential, commercial, etc.) In many cases, there are also no restrictions on density or building height.



In Los Angeles, for instance, it's been estimated that 93 percent of the city's capacity to house people has already been taken up.<sup>xi</sup> Part of the reason? Because 74 percent of L.A.'s residential land is zoned only for single-family homes.<sup>xii</sup> You can't build condos or an apartment building, let alone a high-rise. Which is part of the reason the Manhattan skyline looks like this while the Los Angeles skyline looks like this.



Not that your city has to look like Manhattan to thrive, by the way. Adding more housing can mean relaxing zoning to allow things like duplexes or "granny flats" (small, apartment-style structures that can be built next to an existing home). A few years ago, when California loosened its laws to allow more granny flats, their construction increased tenfold.<sup>xiii</sup>

Beyond zoning, there's also lots of housing that doesn't get built because the permitting process makes it too expensive and time-consuming. One report, for instance, found that getting

approval to build apartments or other multi-family housing in San Francisco takes an average of **over two and a half years**<sup>xiv</sup> – which is such a burden that many people won't even bother ... because, even after all that time, the city may still just tell you "nope."

And one other problem, of course, is that, in many communities, **neighbors can block new development simply because they don't want their neighborhoods to change** – which, in practice, often means they have the power to keep younger generations from buying a house at all ... even if that's not their intention.

This practice, commonly referred to as **NIMBY** (Not in My Backyard), owes in large measure to the fact that development decisions often happen at the local level, allowing residents opposed to new development to play an outsized role in whether a project gets approved. To combat that trend, places such as California, Oregon, Virginia, and Washington have recently considered **preemption laws** in which the state would drastically reduce local governments' ability to prevent housing construction.



So, yes, America has a housing problem. But the good news is we know how to fix it.

And if we're successful, who knows how much we can bring down prices. There may even come a day when you can get a dirt lot in Silicon Valley for \$10 million ... tops.

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- vi ["The Housing Shortage Isn't Just a Coastal Crisis Anymore"](#) (Emily Badger, Eve Washington) – New York Times
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