High housing costs are mostly regional, not national, problem.

• U.S. does not have a single, unified housing market.
  – Since 2012, U.S. housing prices have risen by 5.3% per year.
  – This outpaces household income growth of 4% annually (Bhutta et al 2017).
  – But large regional variation in housing price growth (Table 1).

• Factors that drive housing supply and demand also vary across cities and regions.
  – Demand: local population, employment and income growth
  – Supply: geographic land constraints, historical density and development patterns

• Zoning and related land use regulations are mostly adopted by local and state governments.
Housing price growth, 2012-2017

<table>
<thead>
<tr>
<th>Metro area</th>
<th>Avg annual change</th>
<th>Metro area</th>
<th>Avg annual change</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Francisco</td>
<td>0.105</td>
<td>Tampa</td>
<td>0.073</td>
</tr>
<tr>
<td>Las Vegas</td>
<td>0.097</td>
<td>Minneapolis</td>
<td>0.059</td>
</tr>
<tr>
<td>Phoenix</td>
<td>0.094</td>
<td>Atlanta</td>
<td>0.053</td>
</tr>
<tr>
<td><strong>Seattle</strong></td>
<td><strong>0.091</strong></td>
<td><strong>National avg</strong></td>
<td><strong>0.053</strong></td>
</tr>
<tr>
<td>Portland</td>
<td>0.087</td>
<td>Charlotte</td>
<td>0.048</td>
</tr>
<tr>
<td>Detroit</td>
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<td>Washington DC</td>
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<td>Denver</td>
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<tr>
<td>San Diego</td>
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<td>Cleveland</td>
<td><strong>0.024</strong></td>
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<tr>
<td>Los Angeles</td>
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<td>New York</td>
<td>0.021</td>
</tr>
<tr>
<td>Dallas</td>
<td>0.073</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: S&P Case Shiller Housing Price Index.
Zoning can limit ability of supply to match demand.

• Restrictive zoning can limit new housing development and drive up prices within metro areas.
  – Glaeser et al 2006; Gyourko & Malloy 2014; Schuetz 2009

• Different types of zoning have different impacts.
  – Minimum lot sizes; height limits; restrictions on apartments and commercial uses; historic preservation; environmental review
  – Complex rules and uncertain processes deter development.
  – Both written regulations and local resident preferences matter.

• If zoning deters workers from moving to most productive metros, it can reduce economic growth for states and U.S.
  – Hsieh & Moretti 2015; Quigley & Raphael 2005
Federal government has limited – but important – policy levers to help.

- Carrots and sticks could incentivize local governments to produce more, and more affordable, housing.
  - Receipt of federal housing/community development funds on improved local outcomes (similar to HUD’s Affirmatively Furthering Fair Housing rule)
  - Receipt of funds for federal transportation or infrastructure projects
  - Policies should focus on whether new housing is built, not just whether land use plans are updated on paper.

- Support collection and publication of housing performance metrics.
  - Census Bureau datasets, such as New Residential Construction series, American Community Survey, and American Housing Survey, are essential to monitoring performance of national and regional housing markets.

- Provide assistance to low-income families through Housing Choice Vouchers and income supports, such as Earned Income Tax Credits.
References


