



The Daily Dish

Housing Woes

DOUGLAS HOLTZ-EAKIN | OCTOBER 17, 2022

Sometimes the universe tries to send you a message. Yesterday *The New York Times* featured [The Rent Revolution Is Coming](#), which leads with: “For the 44 million households who rent a home or apartment in the U.S., inflation keeps pushing costs higher and higher. Anger is rising too. It could be a breaking point.” *The Washington Post* featured Eakinomics’ hometown of Arlington, Virginia in [As housing prices soar, a wealthy county rethinks the idea of suburbia](#). Its focus: “Many renters in Arlington can no longer afford to buy a home. Lawmakers hope that eliminating single-family zoning could be a fix.” Finally, the editorial page of the *Financial Times* opined in its lead piece [Housing shortage risks breaking the American dream](#).

Affordable housing is a hot issue in the United States and it is going to get worse before it gets better.

Eakinomics [saw this coming](#). As the Fed entered its current tightening cycle, owner-occupied housing had record low inventories and there were record low vacancies in the apartment market. Meanwhile, rising interest rates and a U-turn on pushing capital into mortgage finance are destined to diminish mortgages, demand for new housing, and the incentive to produce additional single-family and multi-family homes. The housing markets are destined for extremely rough sailing over the next 18 to 24 months.

What’s to be done? First, learn from history. Most federal housing policy - housing vouchers, mortgage interest deductibility, the government sponsored entities’ (GSE’s) guarantees, and so forth - are subsidies to purchase or rent. Demand subsidies, unfortunately, simply exacerbate the problem of high prices. The United States has spent hundreds of billions of dollars and ended up with an affordability crisis.

The temptation will be to do more. There will be vocal complaints by voters and their advocacy groups. The administration has already supported [Equitable Housing Finance](#)

[Plans](#), which are simply lowered lending standards by a fancy name. None of this will make any appreciable dent in the problem and will harm things in the longer run.

The ray of hope is that *The Washington Post* reports that Arlington has recognized the role of local zoning in creating the problem. Housing experts have long argued that any real solution to the affordability crisis will start with local policies. A country-wide revolution in land use laws would be just what the housing doctor ordered.