

Outcomes of Housing Policy Changes

Alex Horowitz, The Pew Charitable Trusts

Presentation to Pennsylvania House of Representatives' Housing & Community Development Committee and Local Government Committee

May 1, 2024

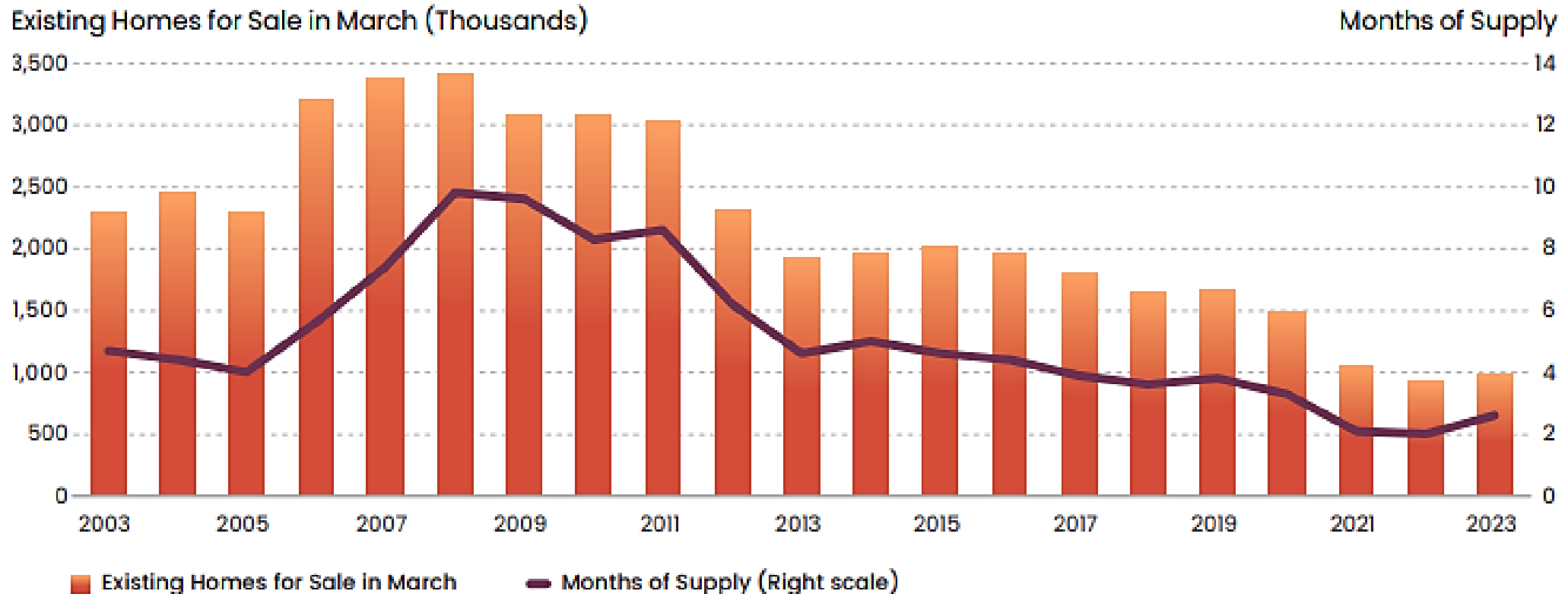
Pew

Rents Nationally Have Reached an All-Time High in the Past Year

- Half of renters are spending 30% or more of their income on rent
- One-quarter of renters are spending 50% or more of their income on rent
- Both figures have doubled since 1960
- Household size has reached an all-time low of 2.50 (Pennsylvania: 2.37)
- 62.9% of U.S. households have 1 or 2 people (Pennsylvania: 66.2%)

U.S. Supply of Homes Near an All-Time Low

Supply of Homes for Sale Remained Near Record Lows in Early 2023



Notes: Months of supply measures how long it would take homes on the market to sell at the current rate. Six months is typically considered a balanced market.

Source: JCHS tabulations of NAR, Existing Home Sales

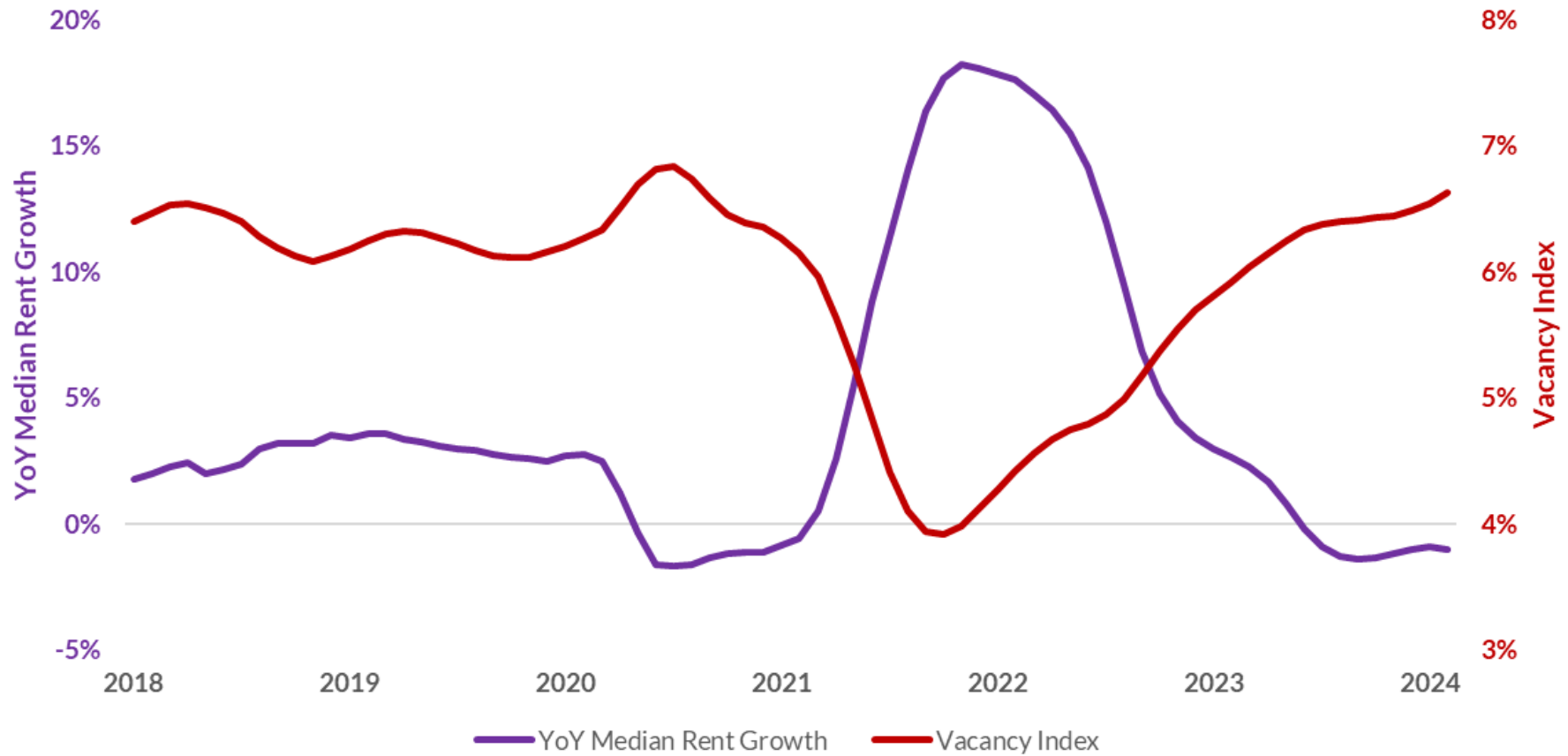
Low Housing Supply Hurts Affordability



Source: Federal Reserve Economic Data; National Association of Realtors Monthly Supply Data

Rents Rise Quickly When Shortages Occur

Rent Growth vs. Vacancy Rate in the United States



Pennsylvania's Housing Shortage Widespread

lehighvalleylive

Any rooms for one more? Lehigh Valley hits 'critical' need for affordable housing: report

FOX43

How the affordable housing crisis is hitting families in central Pennsylvania

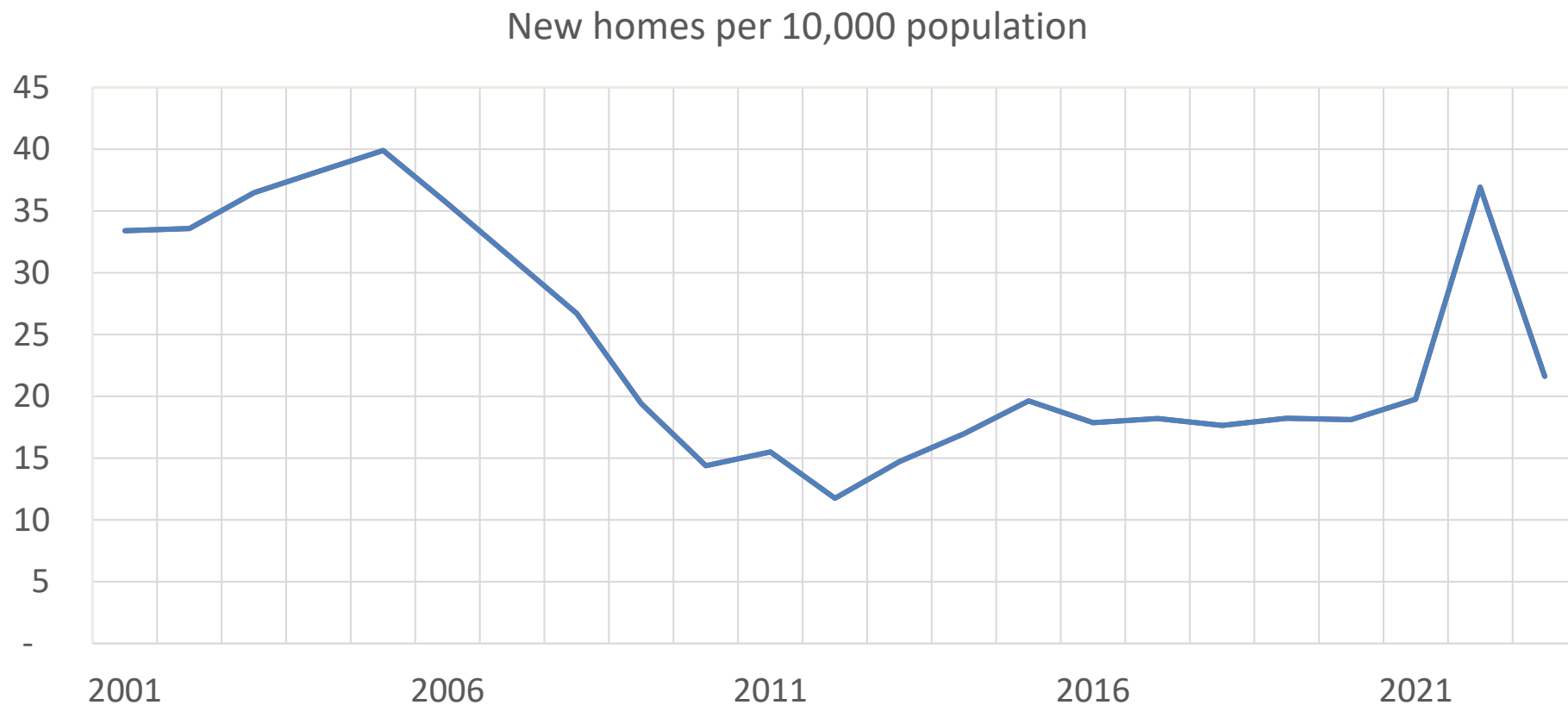
The Herald

OUTLOOK 2024: Pennsylvania's housing shortage 'the elephant in the room'

PENNSYLVANIA  **CAPITAL-STAR**

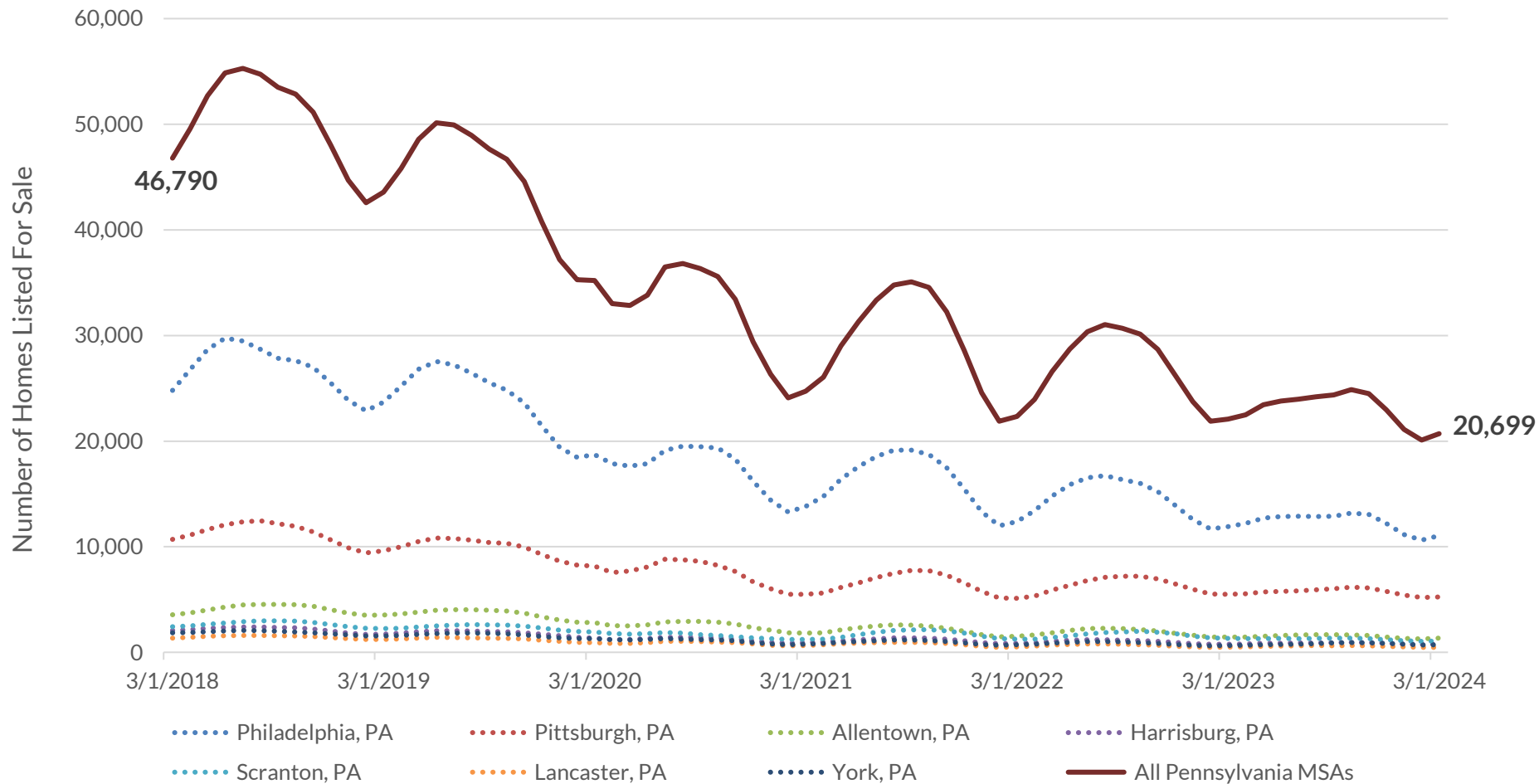
'Out of control': Advocates rally in D.C. calling for action on housing crisis

Pennsylvania Home Construction Digging out of Shortfall



Source: Pew's analysis of U.S. Department of Housing and Urban Development building permits data and Federal Reserve resident population data

Pennsylvania's Housing Inventory Less Than Half of 2018 Level



**Pennsylvania
median home cost:**
Mar. 2020: \$194k
Mar. 2024: \$261K

Source: Zillow Data

Pennsylvania Rents Rise Amidst Shortage

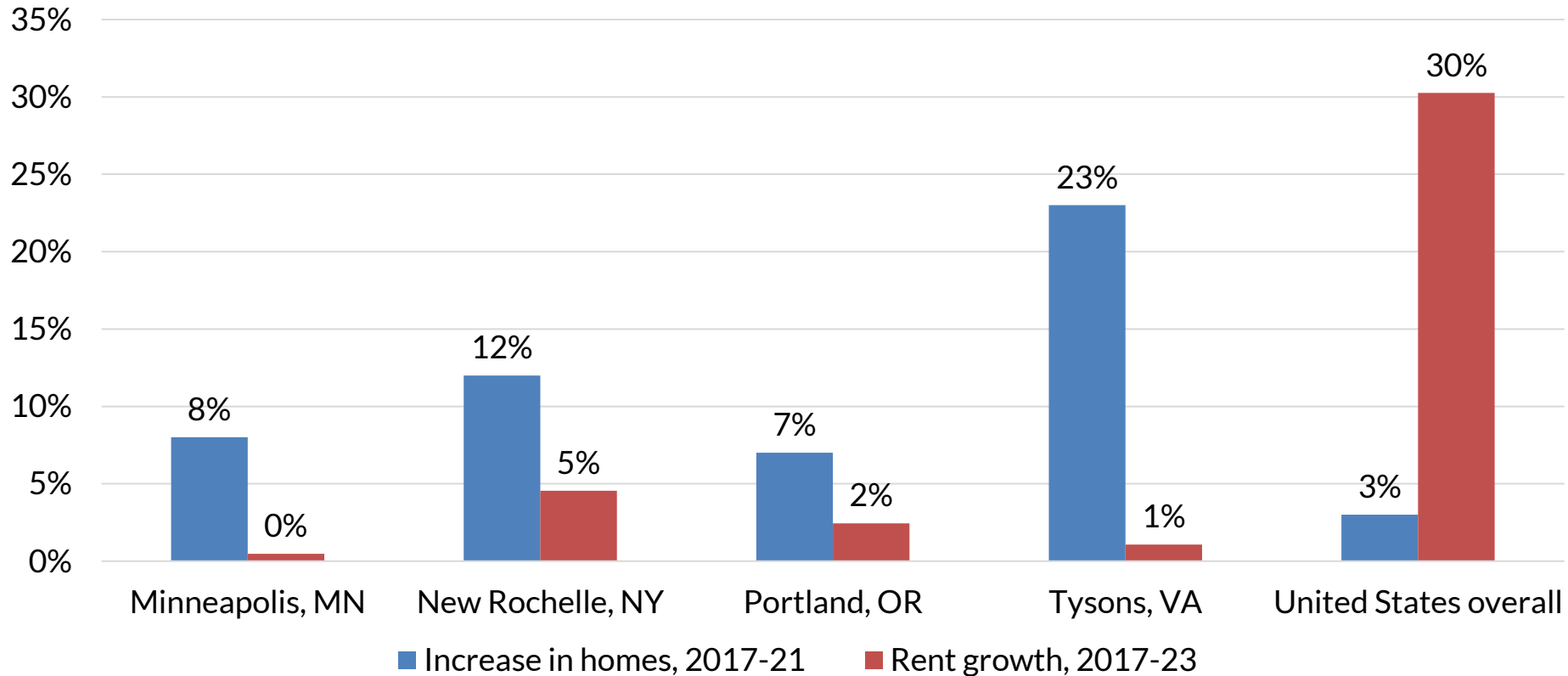
Median Monthly Rent in Pennsylvania
Increased 28% from Mar. 2017 to Mar. 2024



Source: Apartment List Rent Estimate data

New Data Confirms More Supply = Lower Housing Costs

Rent Growth Is Low Where Housing Has Been Added



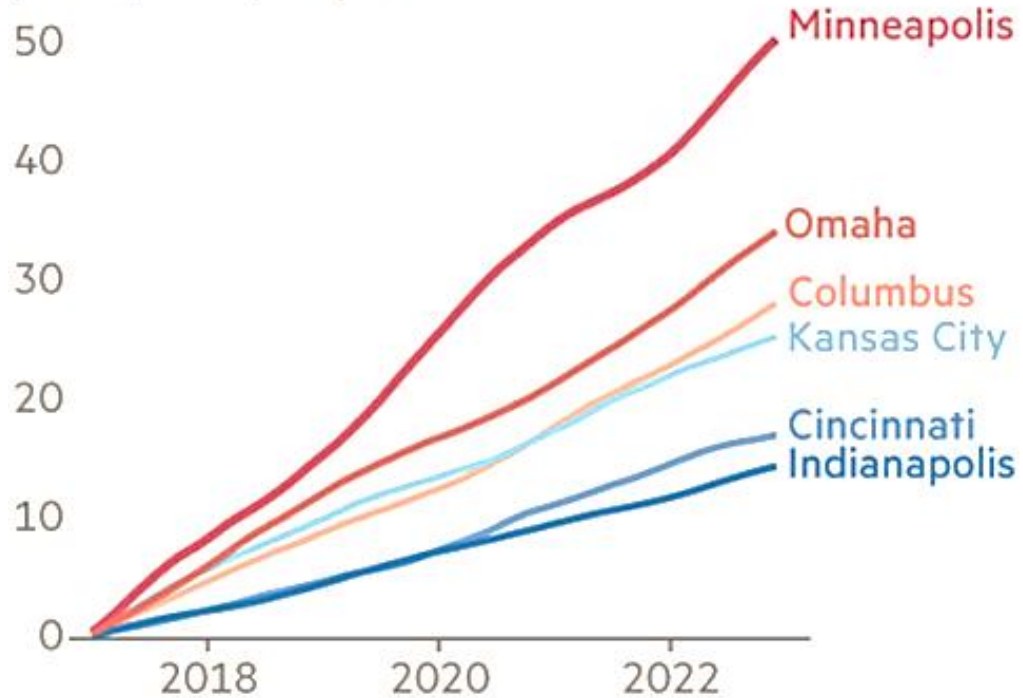
The four local jurisdictions shown added proportionally more households than the U.S. overall from 2017-21—indicating low demand was not the cause of their slow rent growth.

Source: Pew's analysis of Apartment List rent estimate data (Jan. 2017-Jan. 2023) and U.S. Census data on housing units (2017-2021)

Minneapolis Has Built More Housing Than Other Midwestern Cities...

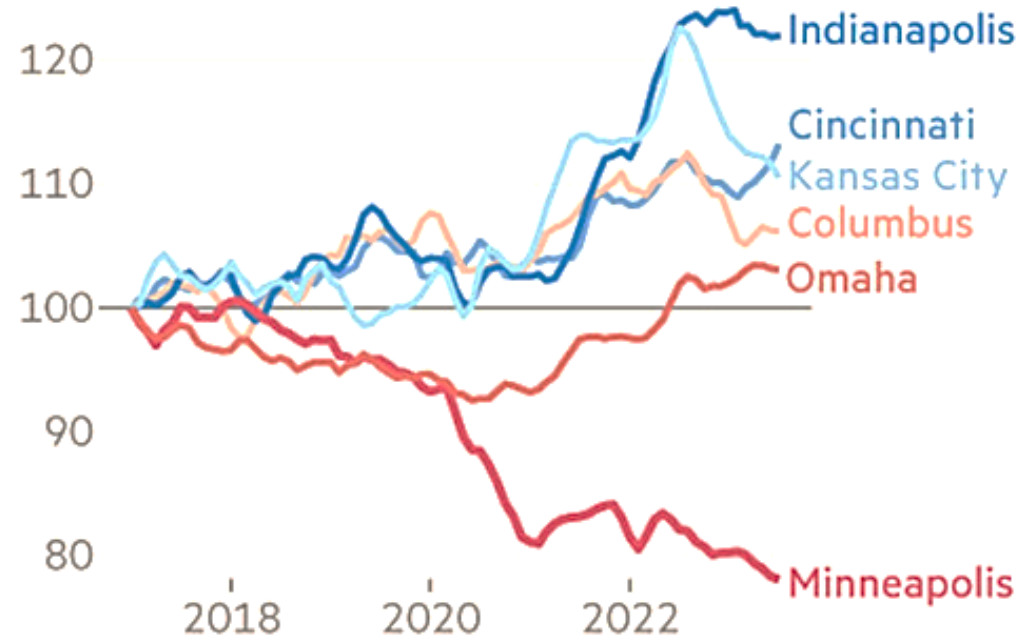
And the city is reaping the rewards as rents fall relative to incomes

Cumulative new dwelling approvals per 1,000 people



Sources: Financial Times analysis of data from State of the Cities Data Systems, Apartment List, BLS, Census Bureau

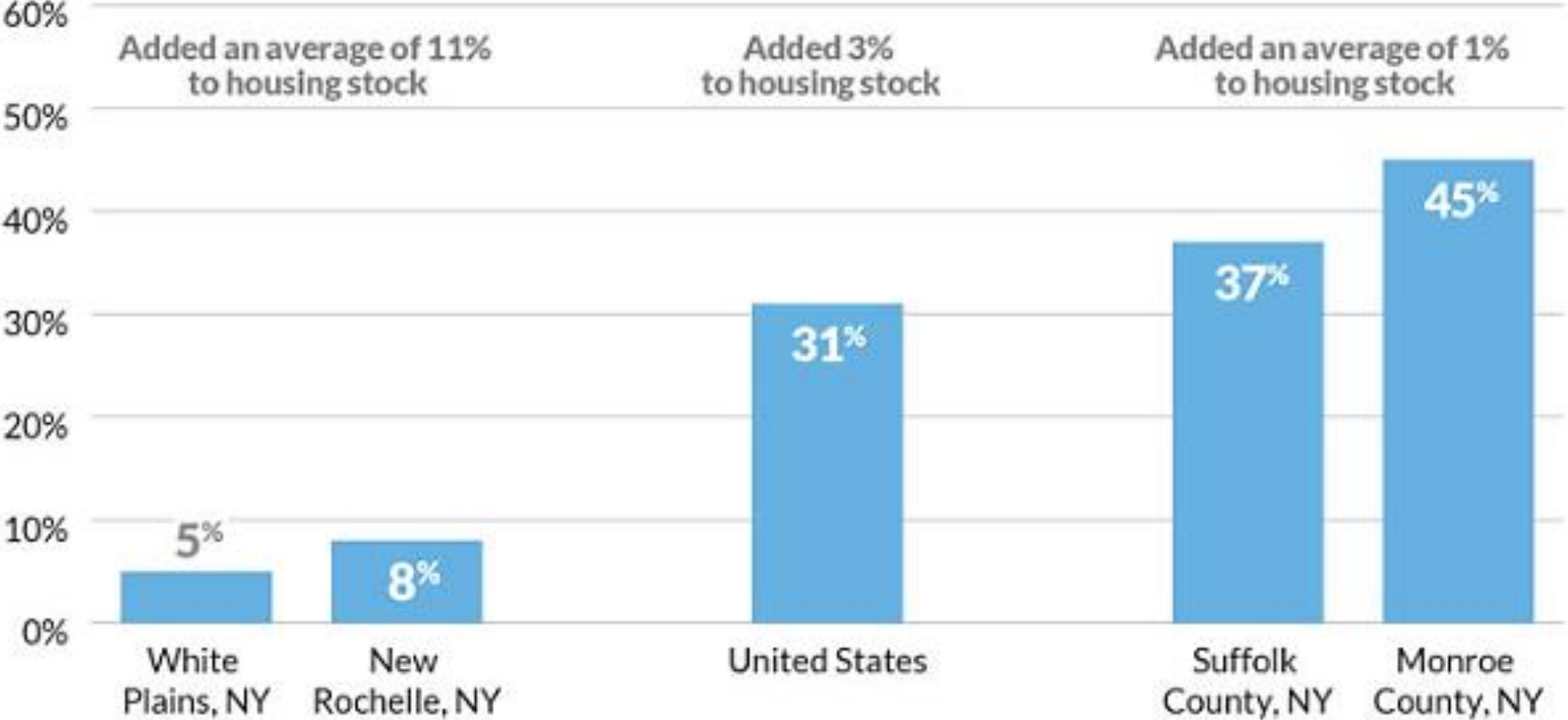
Real-terms change in median rent (Jan 2017 = 100)



*Rents deflated by average income

Some New York Jurisdictions Added Housing and Kept Rent Growth Low

Growth in median rent between February 2017-February 2023

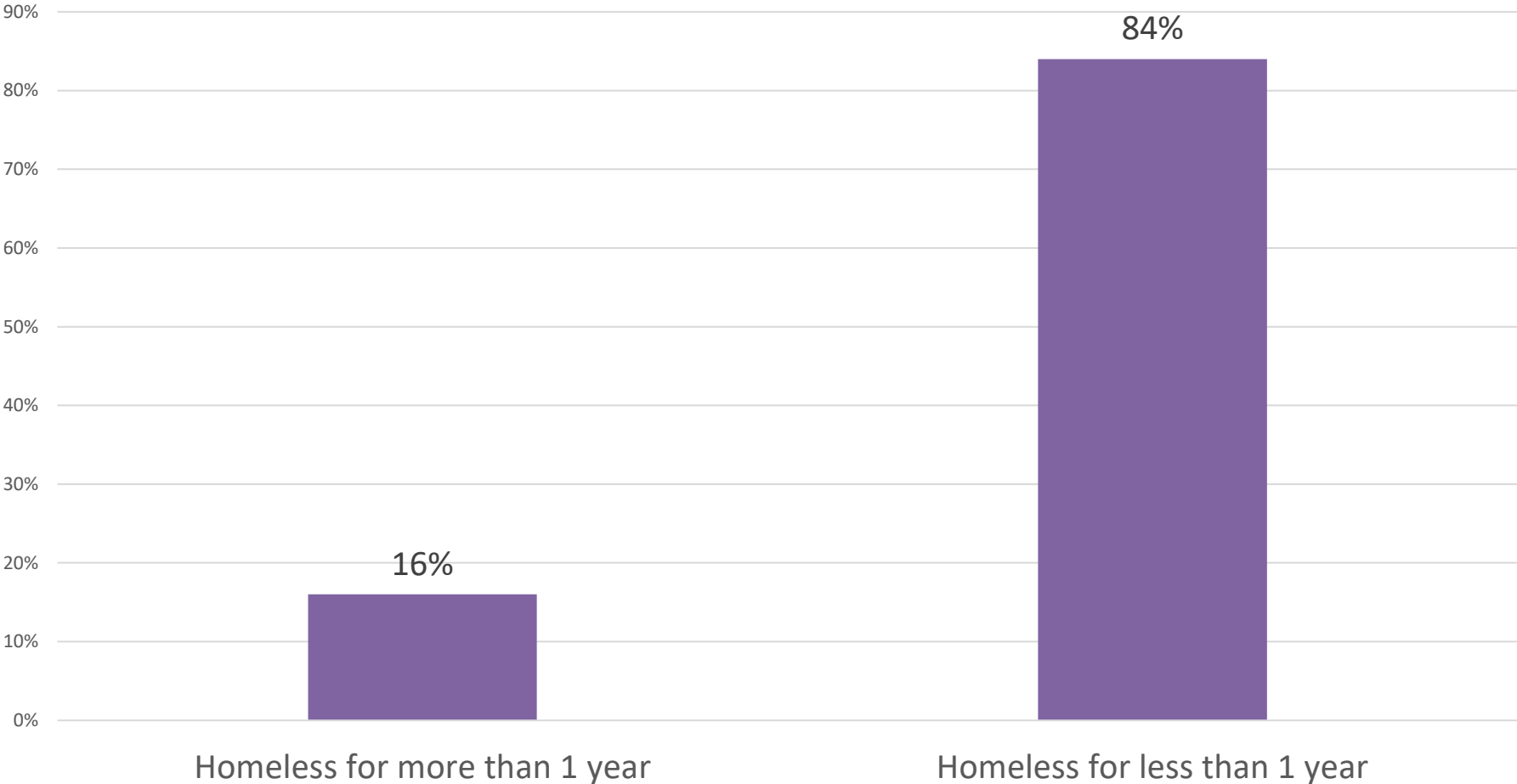


Sources: ACS Census Bureau and Apartment List Rent Estimate data

How Housing Costs Drive Homelessness Levels

Homelessness Driven by Inflows & Outflows, Not a Static Group

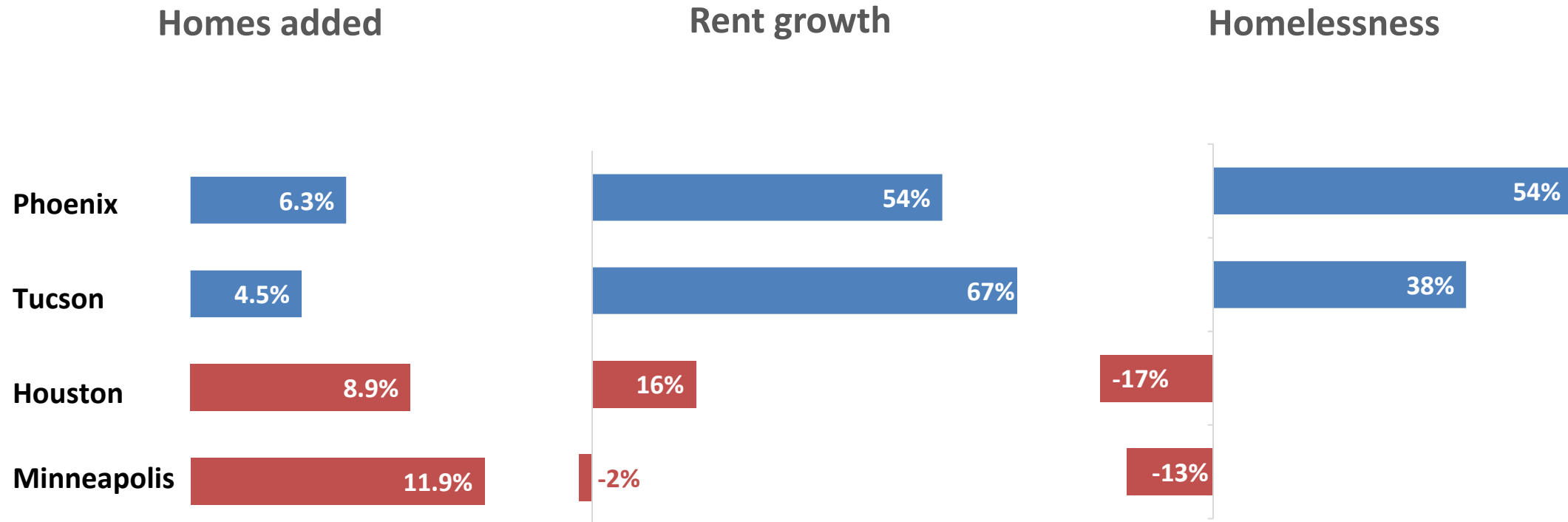
Data from 2023 point-in-time count for Pennsylvania



**12,556 people
identified in 2023
homelessness count
in Pennsylvania**

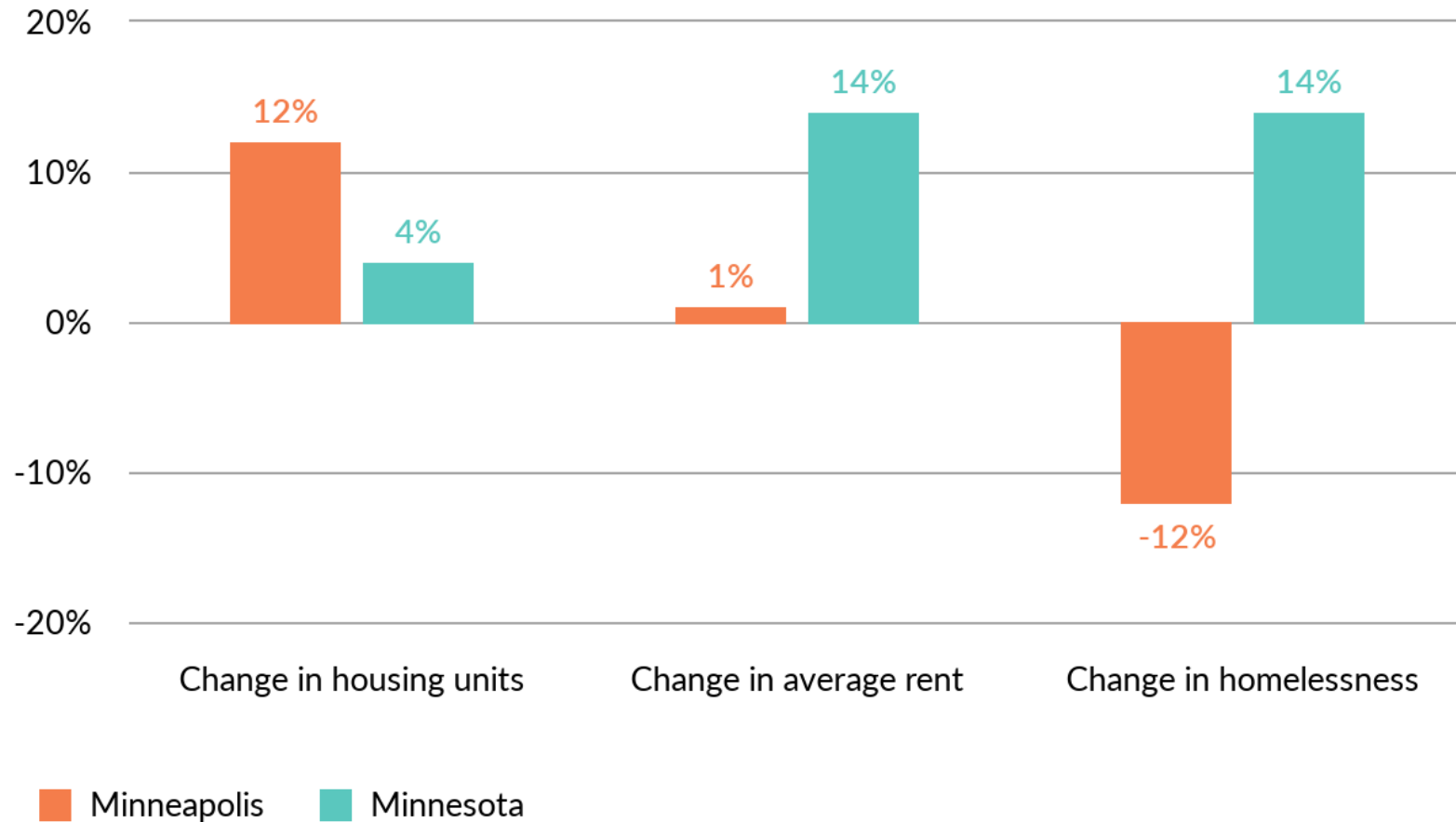
Housing Shortages Have Pushed Up Rents, Homelessness

Percent change, 2017-2022 (2017-2023 for rents)



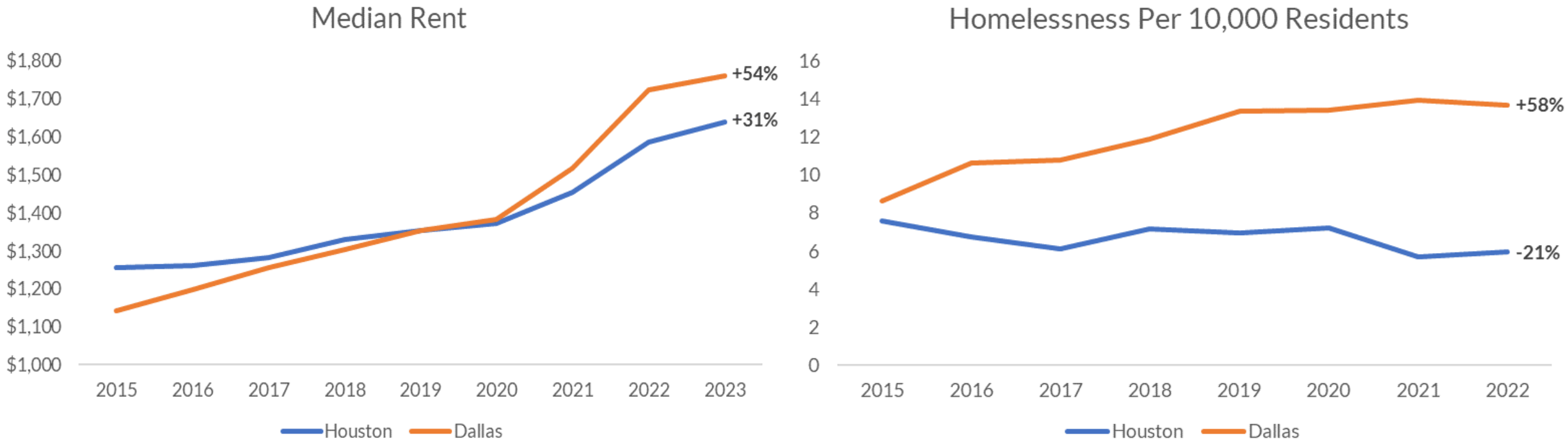
After Zoning Reform, Minneapolis Rent Growth Slowed, Homelessness Dropped

Percent change, 2017-2022



Why Homelessness Surged in Dallas While it Dropped in Houston

Percent change in median rent (2015-2023) and homelessness per 10,000 residents (2015-2022)

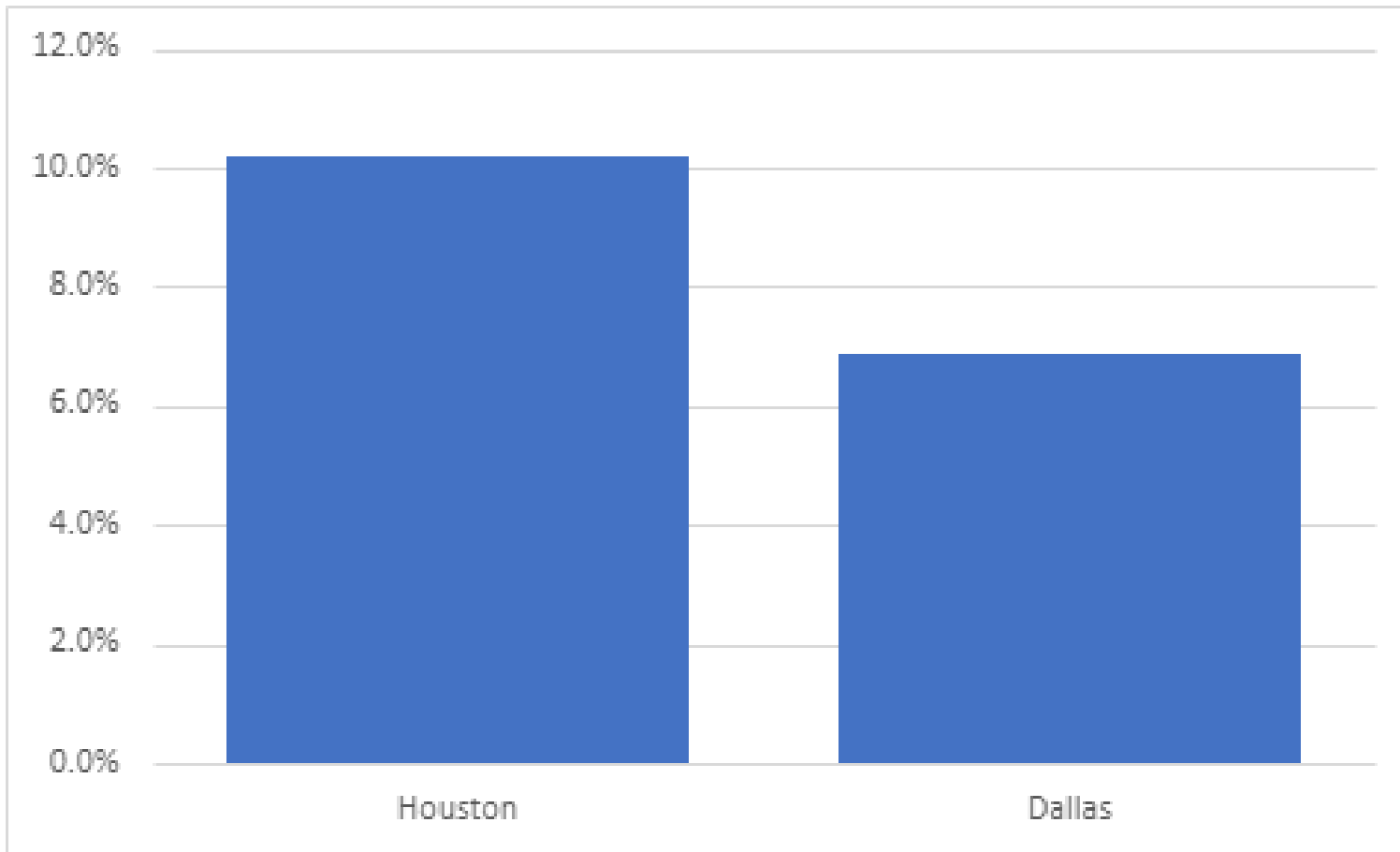


From Jan. 2015 to Jan. 2023, Dallas' rents increased by \$3,000/year more than Houston's

Sources: Zillow Rent Estimate data for rents; HUD Point-in-Time count data for the CoC covering the listed jurisdiction for homelessness

Houston's Land-Use Rules Led to More Homes, Less Homelessness

Percent change in housing supply, 2015-2022



Sources: U.S. Census Bureau's American Community Survey (2015-2022)

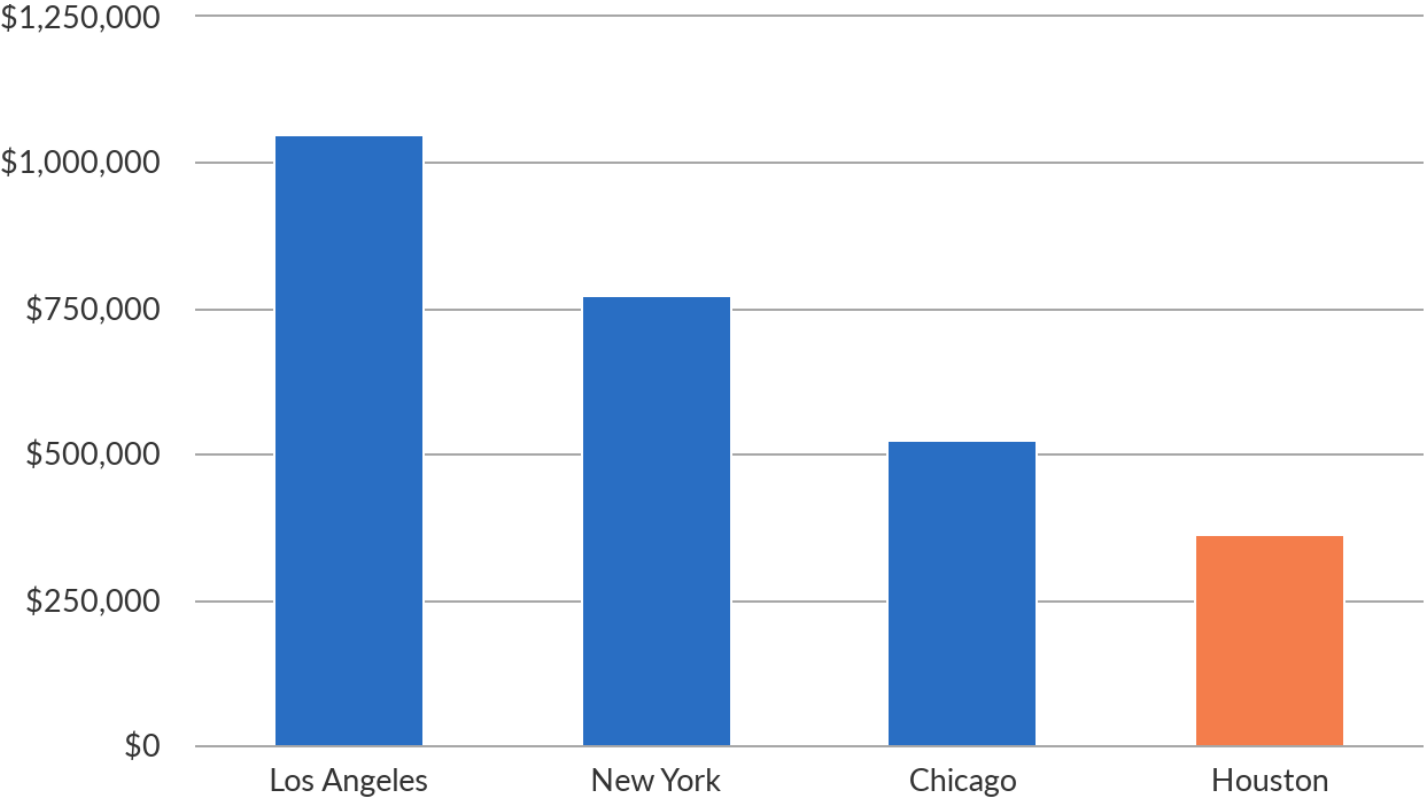
Houston has enacted a series of reforms to allow more homes, including reducing minimum lot size citywide from 5,000 sq. ft. to 1,400 sq. ft. in 2013

If Dallas had built at the same rate as Houston from 2015-2022, it would have nearly 19,000 more homes.

Houston Minimum Lot Size Reform

Of 4 Largest Cities, Houston Added Most Housing, Remained Affordable

Median property value of units built from 2000 to 2021, by city



During this time, Houston added 33% to its housing stock vs. average of 14% in other three cities

Source: American Community Survey 1-year population estimates for 2000-21

© 2023 The Pew Charitable Trusts

How State Policymakers Have Engaged On Housing

States Ensuring Localities Allow More Housing Types

- Enabling accessory dwelling units (ADUs)
- Legalizing small multifamily in many places
- Legalizing multifamily in commercial areas
- Streamlining permit approval processes
- Building code reforms, including manufactured housing
- Limiting parking mandates

ADUs Are Naturally Affordable and Have Required Comprehensive, Permissive Laws to Reach Scale

Location on already developed lots, smaller sizes, and fewer amenities mean accessory dwelling units (ADUs) often rent for less than other newly built homes.



Without subsidies, about 1 in 3 ADUs ...

- Are affordable to those making $\leq 80\%$ area median income (AMI) in 5 high-cost California counties.
- House residents making $\leq 70\%$ AMI in Vancouver, British Columbia.

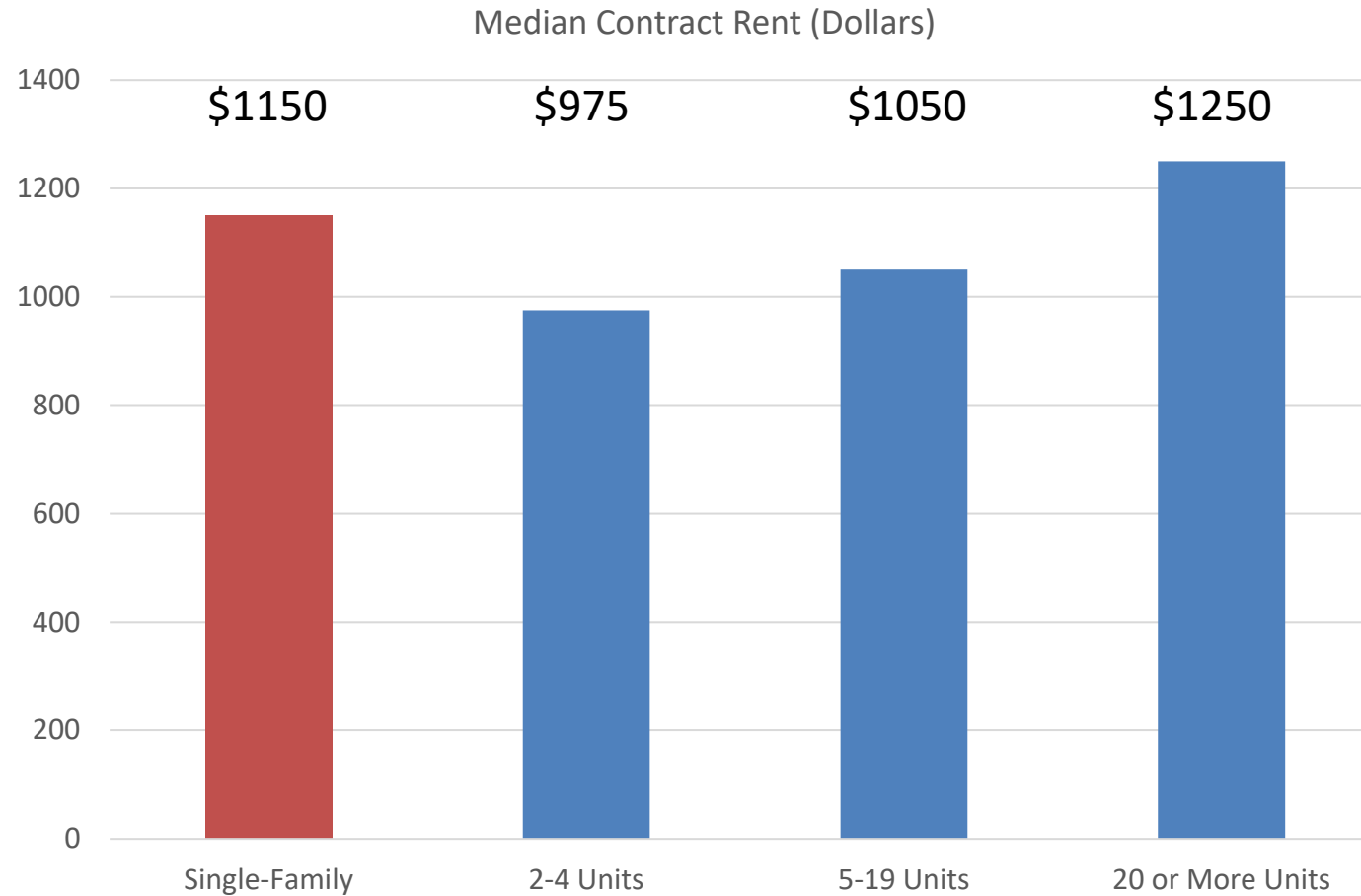
Sources: UC Berkeley Center for Community Innovation, 2021; AARP, 2021

With preapproved designs and vendors, ADU permitting takes ...

- 1 day in Los Angeles.
- 1 hour in San Jose.

9 states have legalized ADUs on all or nearly all single-family lots

— Small multi-family has lowest rents, but often prohibited by local zoning



Notes: Rental Units may be occupied, vacant for rent, or rented but unoccupied. Contract rent excludes utilities paid separately

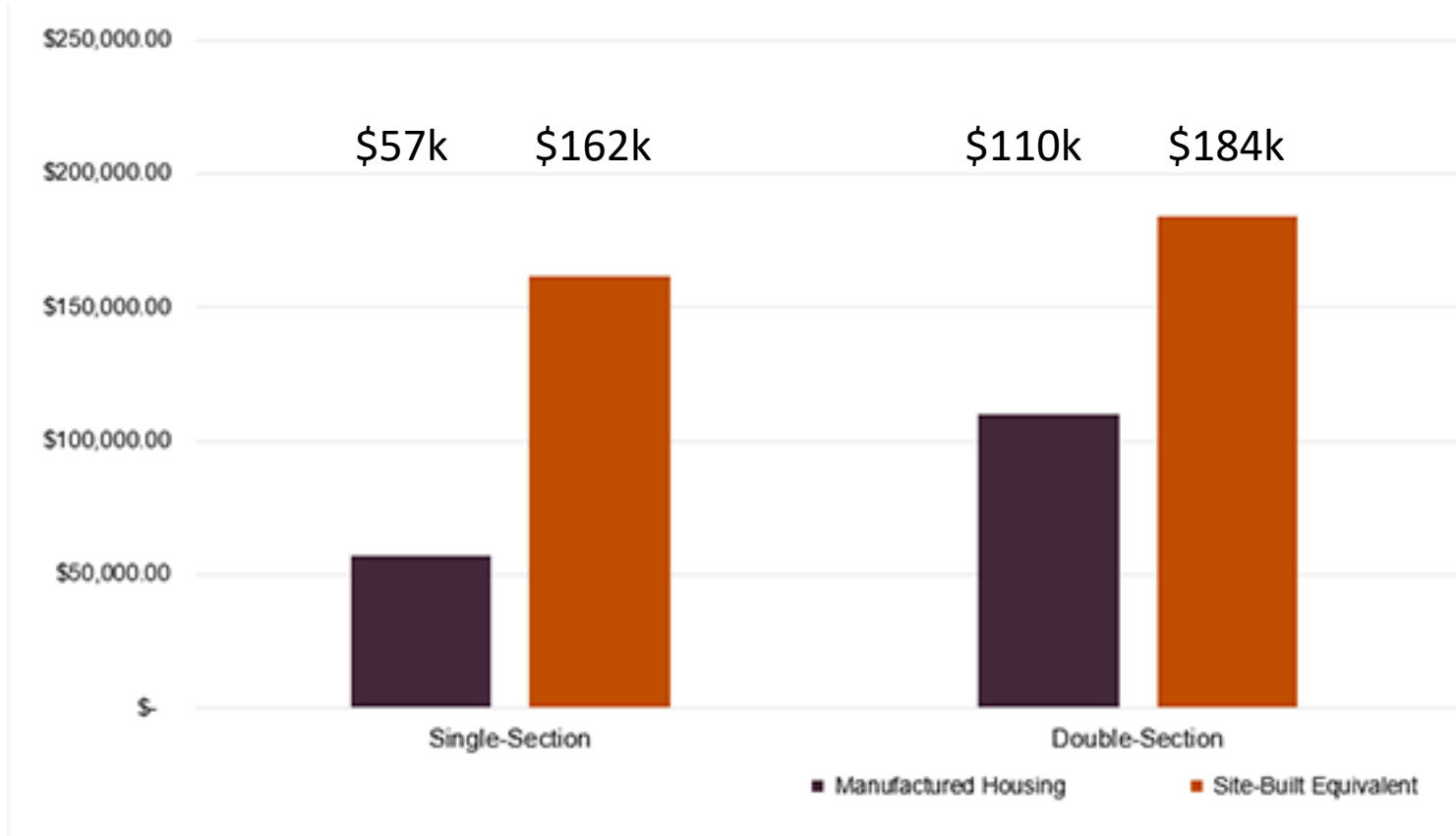
Source: 2022 American Community Survey 1-Year Estimates

Building Code Reforms Enacted by States in 2023 & 2024

- Moving 3-4 unit buildings or 3-6 unit buildings under less-costly residential code with 1 & 2-unit homes (NC's 2023 HB488 and a study version, 2024's HB2071 in WA).
- Studying feasibility of allowing one staircase for 4-6 story buildings instead of mandating two staircases to enable these buildings on small lots (VA, CA, OR, WA).
- Legalizing micro-units/co-housing wherever multi-family housing is allowed (OR, WA).

Manufactured Housing

Cost figures from 2020, for home excluding land



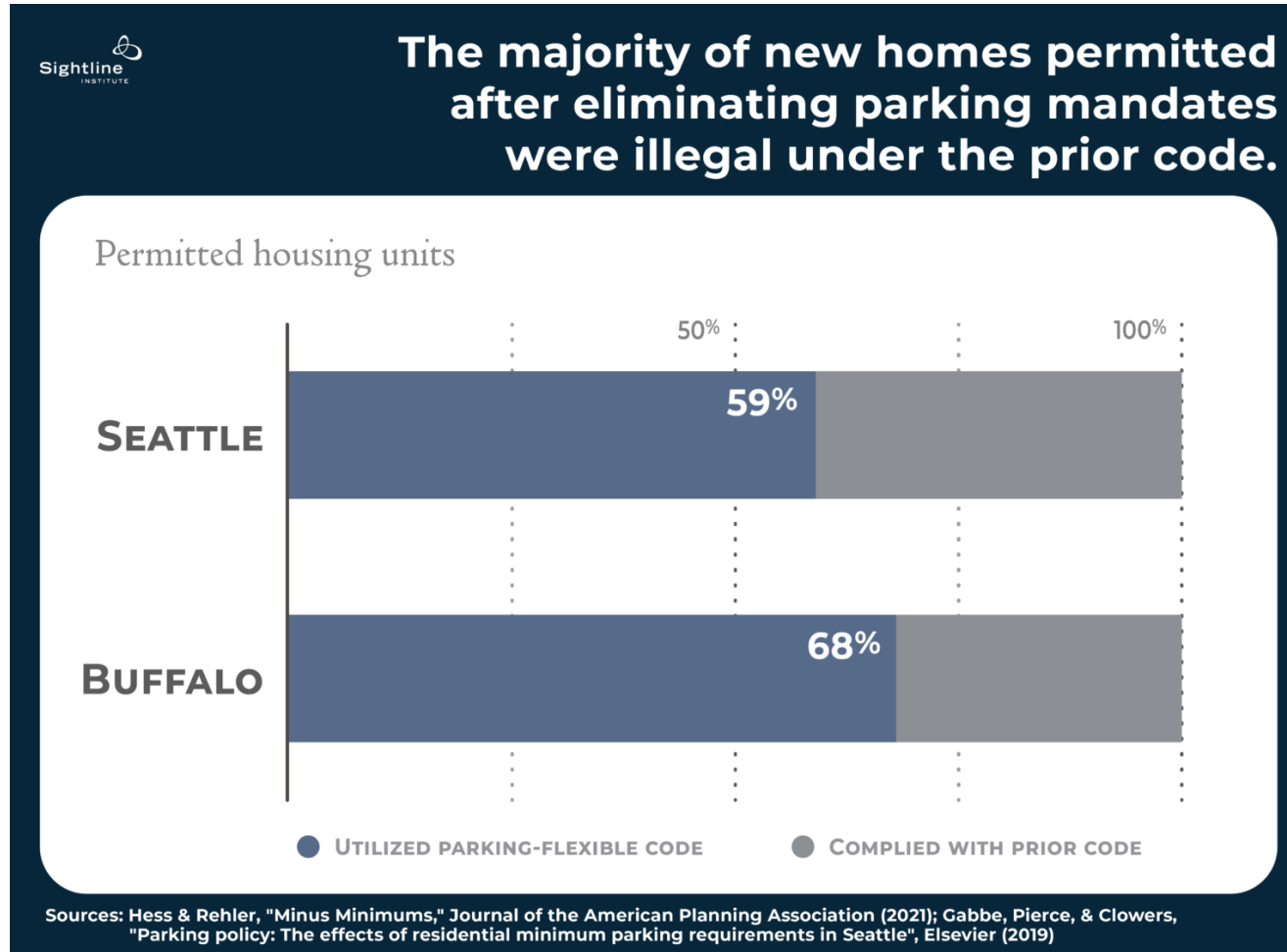
New manufactured housing is considered similar quality to site-built.

Many 2024 models are net zero ready (adding solar panels can cover all energy usage).

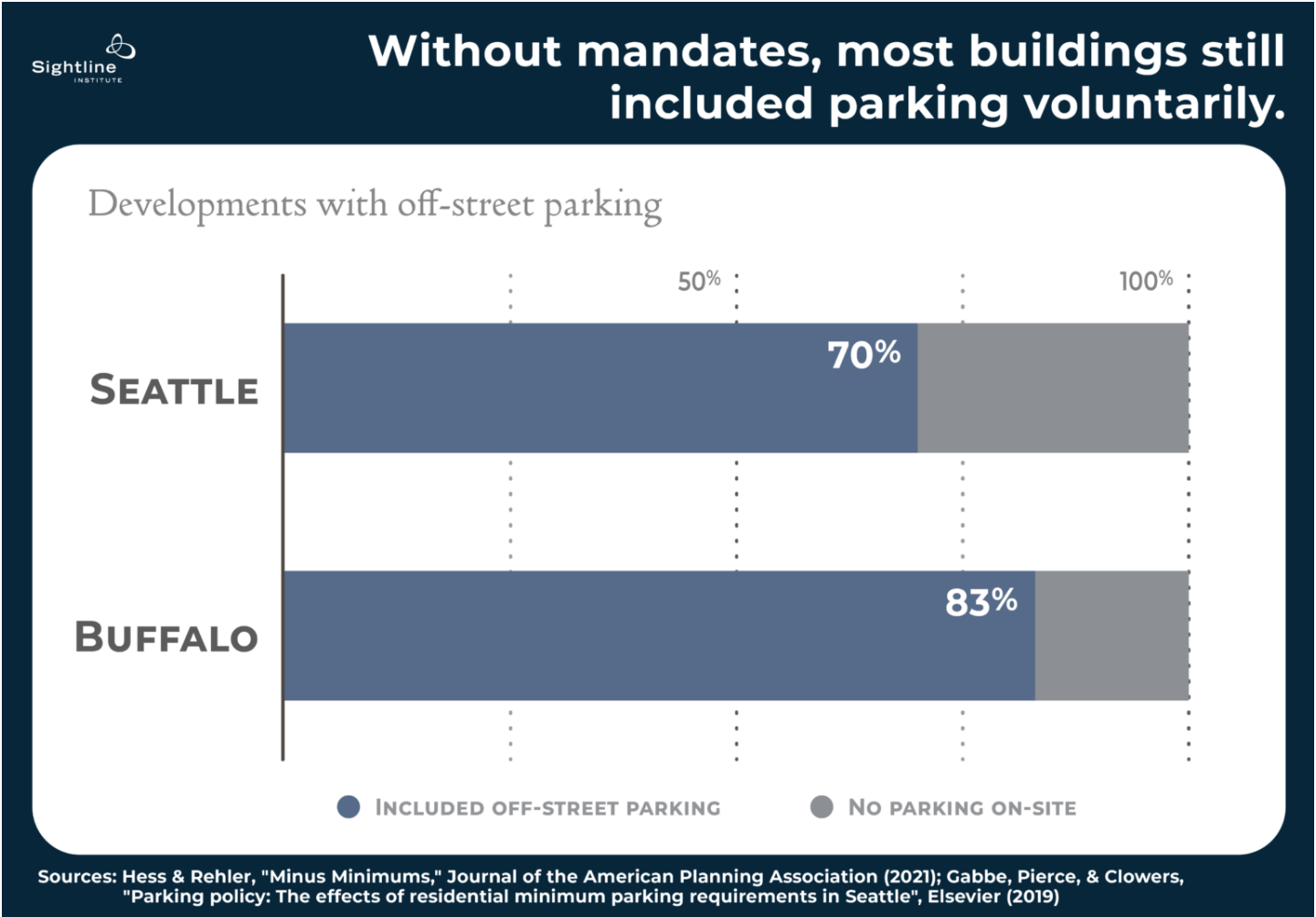
Trend toward states allowing manufactured housing anywhere site-built is allowed (including 2024 Maine law).

Source: Joint Center for Housing Studies at Harvard, Comparison of the Cost of Manufactured and Site-Built Housing, 2023

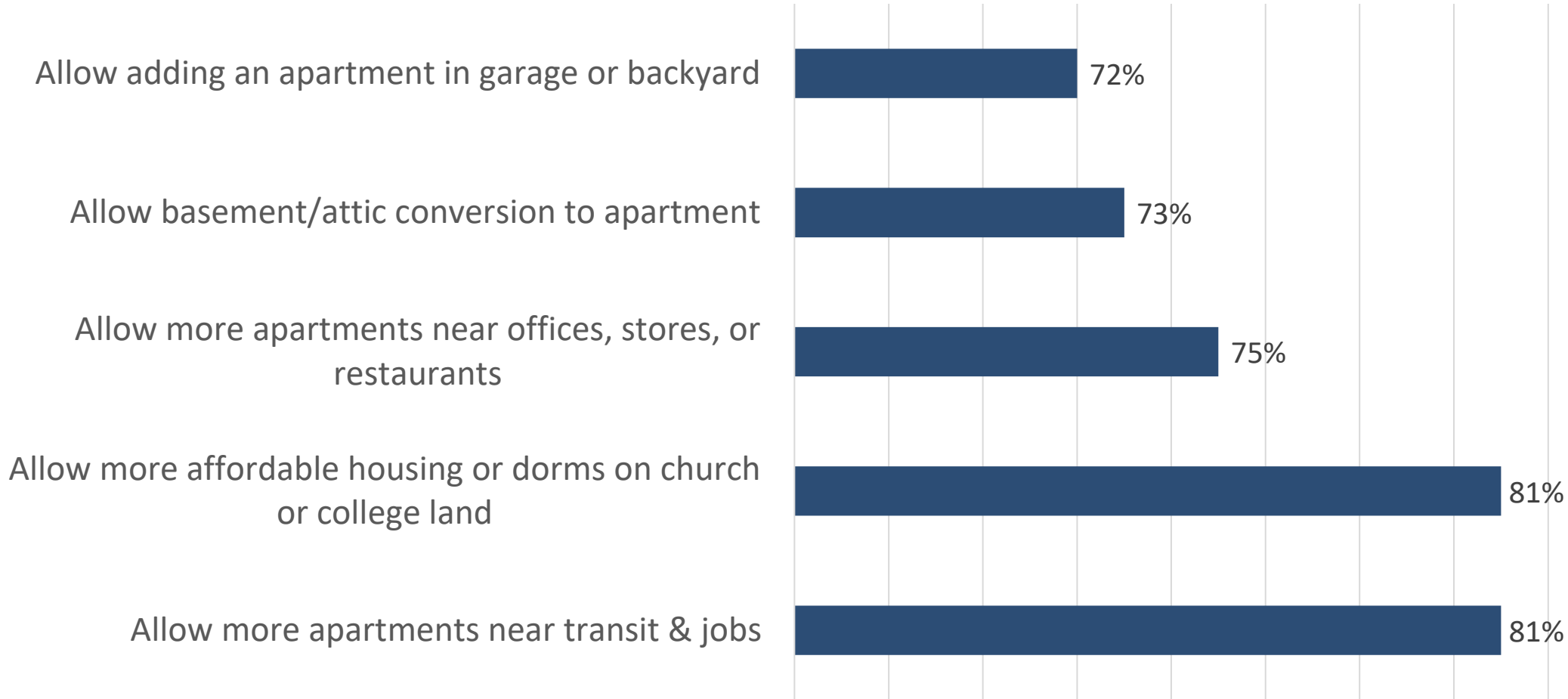
Increased Parking Flexibility Has Improved Housing Supply, Affordability



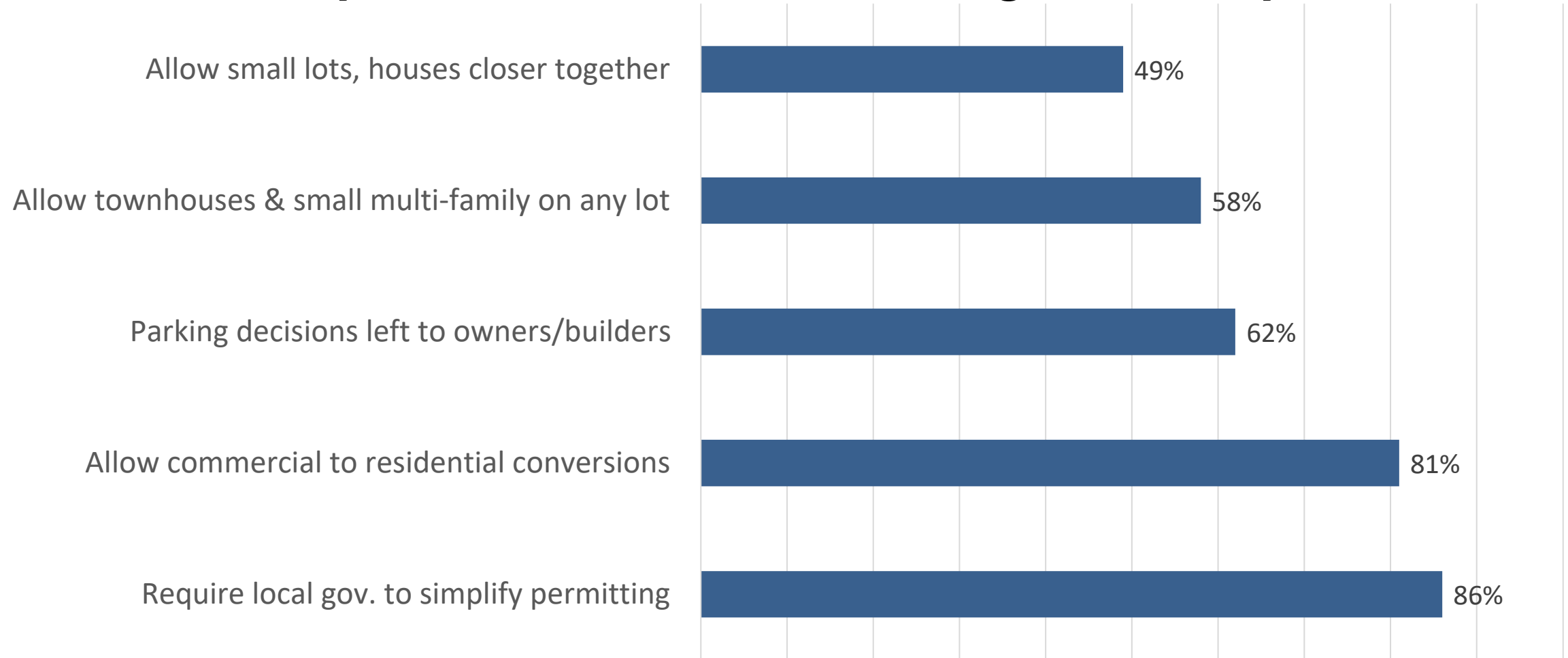
Most Housing Includes Some Off-Street Parking, Even When Optional



New Pew Survey: Share of Americans Favoring Each Policy



New Pew Survey: Share of Americans Favoring Each Policy



Contact

Alex Horowitz

Project Director, Housing Policy Initiative

Email: ahorowitz@pewtrusts.org