

## Why US Housing Costs So Much

Recently Secretary of HUD Dr. Ben Carson caused a dust up when he suggested that “legitimate American citizens” should be given priority over illegal immigrants when it comes to public housing. For many of us that’s a no-brainer. But this raises some bigger questions. “Why do we have to set a priority in the first place?” And why is affordable housing in the US such a seemingly intractable problem?

A thoughtful look at the housing data from both government and private sources gives us a quick answer to these issues. Imagine if you will the map of the United States, including Alaska, Hawaii and Puerto Rico. Within that widely dispersed footprint there are 331 million people living in about 250 million housing units according to Statista, a private research firm. 85% of them are single family homes with 15% being multi-residential dwellings, ranging from ground level flats and duplexes to towering high-rise apartments.

Most Americans live on the coasts of the Atlantic and Pacific Oceans and the Gulf of Mexico with a large number residing inland clustered around major rivers and waterways. Of equal note are those residences scattered in small rural communities across the islands, plains, mountains and hollows of this vast nation. For ease of discussion this ever-moving mix of people and their dwellings will be called America’s “residential pool” or just “Pool” for short.

The Pool is very dynamic with recent births off set by deaths, young adults and settled immigrants setting up households, newly-arrived legal and illegal migrants doubling up with family already here, those wanting bigger homes or smaller ones, all of which contributes to residential movement and growth plus the need for ever more housing units. Finding adequate measures of this activity is beyond the scope of this study, so the “annual housing deficit” has been selected as a proxy for the net effect of the Pool’s dynamism.

Based on data from the US Census Bureau, Homeland Security, and the Center for Disease Control plus Google, four key demographics were analyzed over a five year period ending in 2019: housing starts, the number of legal permanent residents, births and deaths. After analyzing the data, **here are the significant findings:**

**...In an average year 1.1 million legal permanent residents (sometimes referred to as LPRs or Green Cards) were admitted to the Pool by the U.S. Citizenship and Immigration Services (USCIS).** (This figure does not include those illegally entering the US.)

**...Each year on average there were 3,859,697 births and 2,792,922 deaths for a “natural increase” (births-deaths) of 1,066,775 persons.** The trend in the last five years shows that births are decreasing as younger adults are choosing to have fewer children or none at all. Conversely deaths are on the rise primarily due to the natural aging of America. (Note this data is pre Covid-19 pandemic.)

**...The net average number of new housing units constructed per year was 874,000.** (That figure is a combination of single family and multi-residential dwellings less expert

estimates of 250,000 or so units taken offline each year due to age and a host of other adverse factors like condemnations, fire and natural disasters).

**When combining the two metrics of LPRs and natural increase, one can see that nearly 2.2 million people were added to the Pool each year, but a little less than 900,000 new dwellings were built, creating an annual average housing deficit of nearly 1.3 million units.**

Although the annual housing deficit as described may not be a precise measurement, it's a pretty good approximation of upcoming demand. As previously mentioned the average annual housing shortage of 1.3 million units **creates a five-year deficit of approximately 6.5 million housing units, a critical shortage not addressed by either political party in the last Presidential campaign.**

Utilizing the concepts of basic economics, when demand continues to ratchet up and supply fails to keep pace, the unit housing cost is bound to increase as the cumulative deficit mounts over the years. This is well demonstrated in today's highly priced rental and real estate markets.

From the findings presented one can see why Dr. Carson had to establish a controversial priority, for the shortage of public housing requires those in power to make tough choices. Further this data provides insight as to why so many city councils are frustrated in their endless struggle to provide enough affordable housing for an ever-increasing number of low-income Americans of all colors and creeds.

This five-year housing study shows that immigration, which could be controlled by Congress, is a main driver of US population growth. Based on immigration policies proposed by President Biden during the election campaign, it appears that significantly more legal immigrants will be admitted than in prior years, having a profound impact on future US housing demand and the availability of housing units for those of modest means, especially for the poor among us.

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