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Housing Affordability & Supply Report

A two-fold issue: looking at how many listings are missing by price range to address housing affordability and supply

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Introduction

For the past several years, there have been a growing number of voices recommending that in order to address the housing affordability problem, we need to build more housing. Indeed, according to basic economics, when the demand for housing exceeds the supply, housing costs rise. Thus, housing affordability could increase if there were enough homes available for sale.

It's very promising to see housing inventory recovering from last year's record lows, even though the rise is slow. The number of homes available for sale has increased by more than five percentage points compared to a year ago, surpassing one million units, according to the National Association of REALTORS®.

Nevertheless, housing supply continues to remain low, outpacing housing demand even though activity is slower due to low affordability. Even though home sales are trying to recover and are highly sensitive to changes in mortgage rates, multiple offers are still common, implying that more housing supply is needed to accommodate demand.

While there are various ways of estimating how many homes need to be added to the market, it's important to take into consideration that not everybody can afford to buy the same homes. Depending on their income, buyers can afford to purchase homes at different price levels. For instance, households earning $75,000 – the median household income in the U.S.– can afford to buy a home up to $256,000. Thus, when estimating the number of homes that are missing, we need to specify how many homes are missing by price range.

The current analysis indicates that, even with the existing level of homes available for sale, the housing affordability and shortage issues wouldn't be so severe if there were enough homes for all income levels. Put simply, there are currently more than one million homes available for sale. If these homes were dispersed in a more adequate match for the distribution of households by income level, the market would better serve all households. In contrast, while household formation is rising faster than homes are being built, these missing homes in the middle- and lower-income price range add to the mismatch between housing demand and supply. For example, nearly 51% of households earn $75,000 or less. In a balanced market, these households would be able to afford to buy 51% of the homes available for sale. However, only 23% of the listings currently have a price lower than $256,000, which is the maximum price of a home that these households can afford to purchase. However, in the higher income levels, there are fewer listings missing. For instance, buyers earning $250,000 can currently afford to buy 85% of the listings compared to 93% in a balanced market.

Thus, a two-fold approach is needed. To address both low affordability and the housing supply shortage, building homes for all income levels could help.

Introduction

NAR Research and Realtor.com® partnered to estimate how many homes are missing by income level. After defining the maximum value of a home that households can afford to buy for each income level, the current study compares the number of homes that are available and affordable for them now versus what they should be able to afford in a balanced market. The market is closer to equilibrium when homes on the market are affordable to households in proportion to their income distribution. Put simply, half of the homes on the market need to be in the price range that middle-income buyers can afford to purchase.

Since all real estate is local, the report also provides the number of homes that are missing by income level for the 100 largest metro areas. As expected, due to low affordability, inequalities in housing availability among income levels are even larger in expensive big city centers.

Thus, identifying the number of homes that are missing for each income level is what makes this analysis unique and can help the federal and local governments to tackle the two-fold issue of low affordability and low supply of homes.

Number of homes missing by income level
Nationwide

The report shows that our country has the **largest shortage of homes in the price range that middle-income buyers can afford to buy. There are about 320,000 listings missing from the market with a value of up to $256,000.**

As of April 2023, there were about 1.1 million homes available for sale. While 51% of the households earn $75,000 and less, only 23% of the listings – 262,580 listings - were affordable to these households. However, half of the listings —roughly 571,010 listings — should be on the market with a maximum value of $256,110 when the market is in equilibrium. Even buyers earning $100,000 are not yet able to afford to buy half of the listings currently on the market.

However, at higher income levels above $200,000, the equilibrium gap is significantly smaller. For households earning $200,000, the gap from equilibrium is less than 12 percentage points compared to 28 percentage points, which is the gap for income lower than $75,000.

From a different point of view, data shows that 23% of listings were in the price range above $680,000, while 11% of listings should be within this price range in a balanced market. Further, 77% of listings have a price higher than $256,000, while less than 50% of the listings need to be on the market in order for the market to be in equilibrium. Thus, **our country needs to add at least two homes that are affordable for middle-income buyers (up to $256,000) for every home that is listed above $680,000.**

Meanwhile, due to underbuilding, **housing availability inequalities have widened among income groups in the last five years.** There are even fewer homes available for sale that middle-income buyers can afford to buy now than in 2018. In April 2018, there were about 810,000 listings that middle-income buyers earning $75,000 were able to afford to buy. Compared to a balanced market, there were 150,000 listings missing that would be affordable to these households. But as of April 2023, there are more than three times fewer listings that these middle-income buyers can afford to buy compared to 2018, and about two times as many listings are needed in this price range to restore balance.

April 2023

Income	Share of listings that households can afford to buy	Share of listings that households can afford to buy	Number of Listings Missing	Maximum Price
	April 2023	Balanced Market		
Less than $15,000	1.2%	8.6%	85,000	$51,220
$25,000	3.1%	16.0%	147,750	$85,370
$35,000	5.2%	23.6%	209,910	$119,520
$50,000	10.8%	34.8%	273,970	$170,740
$75,000	23.0%	51.0%	319,460	$256,110
$100,000	38.6%	63.6%	285,250	$341,480
$125,000	53.4%	73.4%	229,150	$426,850
$150,000	64.0%	80.7%	191,210	$512,230
$200,000	77.2%	88.7%	131,360	$682,970
$250,000	84.8%	93.0%	93,000	$853,710
$500,000	94.6%	97.3%	31,570	$1,707,420
$500,000+	99.9%	100%	990	

April 2018

Income	Share of listings that households can afford to buy	Share of listings that households can afford to buy	Number of Listings Missing	Maximum Price
	April 2018	**Balanced Market**		
Less than $15,000	4.0%	10.9%	**111,910**	$56,300
$25,000	10.0%	20.4%	**169,750**	$93,820
$35,000	16.9%	29.6%	**206,560**	$131,350
$50,000	29.3%	42.5%	**213,980**	$187,650
$75,000	49.9%	59.5%	**157,730**	$281,480
$100,000	65.2%	71.8%	**108,180**	$375,310
$125,000	74.8%	80.7%	**95,980**	$469,130
$150,000	81.0%	86.6%	**91,550**	$562,960
$200,000	88.4%	92.6%	**69,440**	$750,620
$250,000	91.8%	95.5%	**60,120**	$938,270
$500,000	97.1%	98.5%	**22,570**	$1,876,540
$500,000+	100.0%	100.0%	**400**	

Number of Homes Missing by Income Level
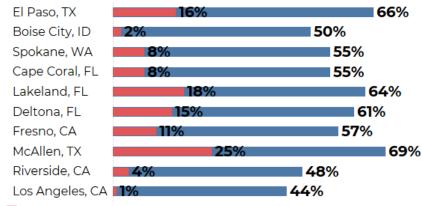
100 largest metro areas

Housing affordability and supply differ by area. Since all real estate is local, there are substantial variations of what homes are in need in each area. Depending on their residents' demographics, some areas may need more homes that are affordable for middle- and low-income buyers. Generally, expensive areas are expected to lack more homes in the mid- and low-price range compared to other relatively more affordable areas.

NAR Research and Realtor.com® computed the number of listings missing by income level for the 100 largest metro areas. Ninety-six percent of these metro areas had a supply shortage of homes that buyers earning $75,000 could afford to buy.

Where housing is further away from the balance for middle-income buyers

El Paso, TX, Boise City, ID, Spokane, WA, Cape Coral, and Lakeland in Florida were some of the areas with the largest supply shortage of homes with a price lower than $260,000. For instance, in Boise City, buyers earning $75,000 can afford to buy just 2% of home listings. However, these buyers would be able to afford to buy more than 50% of the listings in a balanced market. Comparing these two figures, there are about 2,120 fewer listings that these buyers can afford to buy in Boise City.

Areas with most listings missing for households earning less than $75,000

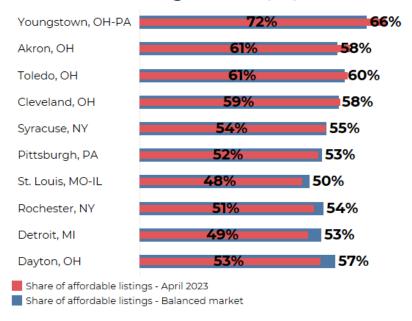| Metro Area	Share of affordable listings - April 2023	Share of affordable listings - Balanced market
El Paso, TX	16%	66%
Boise City, ID	2%	50%
Spokane, WA	8%	55%
Cape Coral, FL	8%	55%
Lakeland, FL	18%	64%
Deltona, FL	15%	61%
Fresno, CA	11%	57%
McAllen, TX	25%	69%
Riverside, CA	4%	48%
Los Angeles, CA	1%	44%

Number of Homes Missing by Income Level

100 largest metro areas

Where the housing market is closer to balance for middle-income buyers

In contrast, three areas from Ohio: Youngstown, Toledo, and Akron, had an oversupply of homes in that same price range. Specifically, in a balanced market, buyers earning $75,000 can afford to purchase 66% of the listings in the Youngstown metro area. However, these buyers can currently afford to buy 72% of the listings. Thus, there are about 70 additional listings with a price lower than $250,000 than what a balanced market needs.

Surprisingly, data reveals that in the very expensive areas with home prices above $850,000, such as San Francisco, San Jose, and San Diego, most of the listings that these areas are missing can be afforded by buyers in the upper-income levels. However, it has to be taken into consideration that the median income in most of these areas is above $150,000. Due to the high living cost in these areas, residents need to earn a higher income compared to other, more affordable areas. For example, while the median income in San Jose is higher than $150,000, there are about 1,340 listings missing with a price lower than $850,000. These buyers earning $200,000 should be able to afford to buy more than 60% of the listings in San Jose, but they currently can afford to buy less than 20% of the homes available for sale.

Areas with the least listings missing for households earning less than $75,000

Metro Area	Share of affordable listings - April 2023	Share of affordable listings - Balanced market
Youngstown, OH-PA	72%	66%
Akron, OH	61%	58%
Toledo, OH	61%	60%
Cleveland, OH	59%	58%
Syracuse, NY	54%	55%
Pittsburgh, PA	52%	53%
St. Louis, MO-IL	48%	50%
Rochester, NY	51%	54%
Detroit, MI	49%	53%
Dayton, OH	53%	57%

■ Share of affordable listings - April 2023
■ Share of affordable listings - Balanced market

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Number of Homes Missing by Income Level

By race

Parsing out by racial/ethnic groups, the lack of listings affordable to middle-income buyers is even larger for minority groups. While more Black and Hispanic Americans earn an income lower than $75,000 than their white counterparts, there are also significant housing affordability and availability inequalities among racial/ethnic groups. **Black Americans are the group that is further away from equilibrium than any other group.**

NAR Research and Realtor.com® computed how many fewer homes buyers by income level can afford to buy for each racial/ethnic group. While nearly 66% of Black Americans earn $75,000 and less, these buyers can only afford 22% of homes for sale. In contrast, 48% of white Americans earn that same income, and they can also afford to buy 22% of the listings. Thus, Black Americans would need 20% more listings with a value of up to $256,000 than their white counterparts in order to be at equilibrium. Hispanic Americans follow with about 11% more homes available for sale needed than what white Americans need in order to have enough homes listed on the market that they can afford to buy.

By location, **Youngstown, OH; Baltimore, MD; Jackson, MS; and Toledo and Akron in Ohio are the most affordable areas for both Black and Hispanic Americans earning less than $75,000.** Specifically, in these areas, there are about 18% fewer homes available for sale that Black Americans earning less than $75,000 can afford to buy compared to a balanced market. Respectively, there are about 7% fewer listings at that price level that Hispanic Americans can afford to buy.

In contrast, **Boise City, ID; Salt Lake City, UT; Spokane, WA, Portland, ME; and Charleston, SC are some of the least affordable areas for Black Americans earning less than $75,000.** These areas had the largest gap from equilibrium for Black Americans in that specific income bracket. Specifically, there are more than 60% fewer homes available for sale that Black Americans earning less than $75,000 can currently afford to buy. For instance, in both Boise City and Salt Lake City, Black Americans in this income bracket can afford to buy only 2% of the listings. However, these households should be able to afford to buy 65% of the listings in a balanced market.

Finally, comparing the number of affordable listings among racial/ethnic groups, **McAllen and El Paso in Texas; Oxnard and Riverside in California; and Tucson, AZ are the areas with the smallest housing affordability and availability inequalities among white and Black households earning less than $75,000.** This can be explained by the fact that these areas are expensive for all groups. Due to low affordability and supply, buyers earning less than $75,000 can afford to buy, on average, 12% of the listings in these areas. For instance, in Riverside, CA, 54% of Black Americans and 46% of White Americans earn income less than $75,000. However, these households can afford to buy less than 5% of the listings with that income.

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