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Is the dream of homeownership out of reach? - by Shauna Hatch

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It's no secret that the demand for single-family homes in the United States is greater than the supply. Not only are fewer people selling their homes, but fewer homes are also being built. The building rate of the previous decade struggled to keep up with the pace of the 2000s when homes were being built at nearly twice the rate. From 1993 to 2007, over one million homes were completed per year, ranging from just 1,039,400 to over 1,654,500. The number of constructed homes dropped below the million mark in 2008 for the first time since 1992. And the number continued to slide to a low of 446,600 in 2011. Home production slowly rose to 911,700 in 2020, still significantly lower than the high of the 2000s.

According to Freddie Mac, at the beginning of 2020, the housing supply was short by 2.5 million units. Jump forward to June 2021, and according to the National Association of Realtors, the shortage increased to 5.5 million.

Instead of increasing to meet the demands of a growing population and shifts in demographics, the rate of construction has decreased over the last couple of decades. From 1968 to 2000, the supply of housing increased at an average annual rate of 1.7%. In the past 20 years, the housing stock grew by a low average yearly rate of 1%, and in the last decade, it's increased by only 0.7%.

As housing prices rise beyond sustainable levels for the average American, many of us wonder what the solutions to more affordable homes are. Younger generations are losing hope for the American dream of homeownership. According to a survey by Fannie Mae in 2019, only 30% of Millennials and Gen Z believed they would be able to find a home in their price range. As prices have skyrocketed over the last year and a half, their fears haven't diminished. Available homes for sale in 2020 dropped to lows not seen since 2003, and the rate is steadily rising, but not fast enough. Myriad factors contribute to the housing supply crunch. Some of these contributors include the heavy demand for homes from Millennials, the largest group of homebuyers, the 2020 pandemic, tariffs on building supplies, restrictive zoning and permit laws, and the growing population of the United States. There is a glimmer of hope as building rates are finally picking up in mid-2021. The cost of building supplies is dropping, encouraging contractors to pick up the pace. Is this enough to address the shortage? Can contractors build enough homes to keep up with the demand, let alone catch up?

Manufactured homes reportedly cost an average of \$57 per s/f, whereas site-built homes cost \$119 per s/f (although that has likely increased since that article was written). The difference in cost is a promising draw for those looking for cheaper yet appealing alternatives. However, because of the stigma against manufactured homes, a push to increase sales of manufactured homes must be paired with an educational campaign.

During the Great Recession, approximately 1.5 million construction workers (tradesmen, electricians, carpenters, etc.) either quit or lost their jobs. Over the last decade, about 900,000 workers have returned, but that's nowhere near enough. Why aren't there enough workers to fill the

openings at construction companies? Several reasons explain the gap. Few women work in the field. Only 9% of construction workers are female, and many are in administrative and office positions. Fieldwork is often grueling and open to the elements. Breaking into a male-dominated industry is hard, and the pay and the work aren't appealing enough to make it worth the difficulty of making those inroads. Starting in construction and working your way up is often complicated. Many entry-level jobs are unskilled, and it takes years to work through the ranks and the pay scale. For many, the income simply isn't worth the grueling work.

The United States is due for sweeping housing legislation. Easing permit requirements and striking down restrictive zoning laws are steps that can be taken. It's not a matter of if we should implement changes; but when! Change is necessary if the American dream of homeownership is going to remain within reach for many Americans. It will be interesting to see what emerges from the real estate industry over the next years as we emerge from the pandemic and move forward.

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