

The Housing Crisis: Can We Crack the Code?

Chris Herbert

Maine Real Estate and Development Fall Conference

Portland, ME

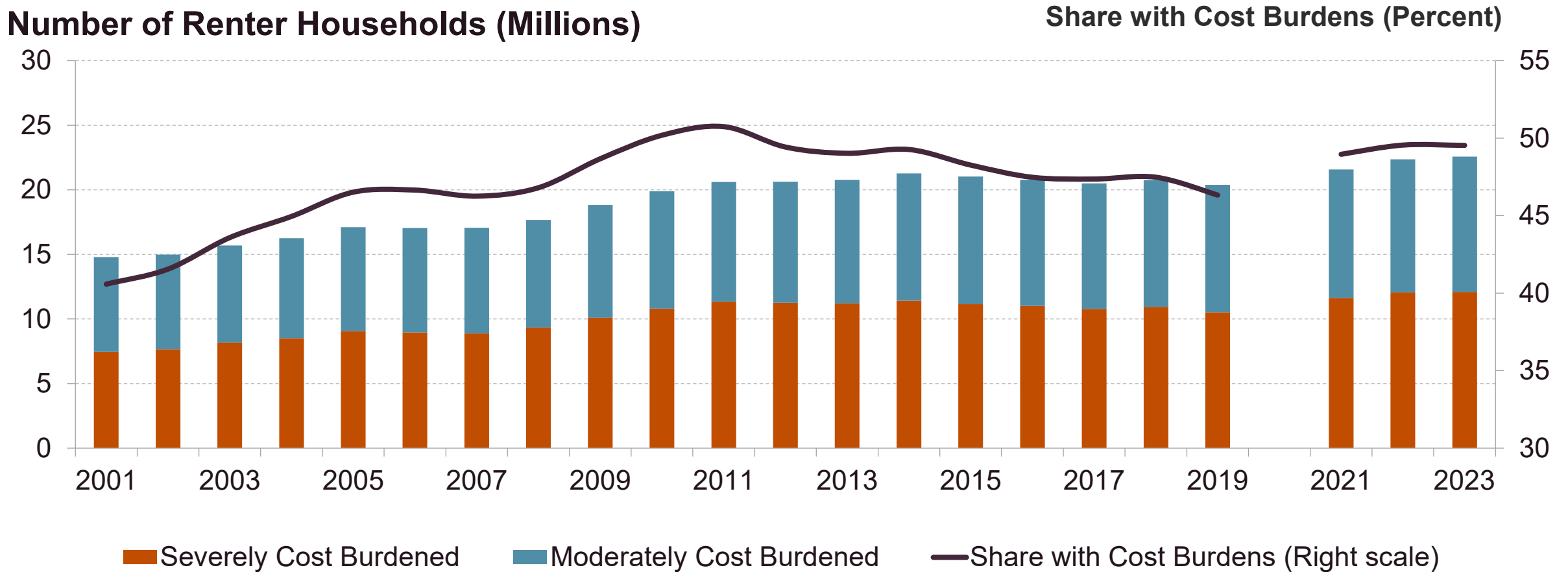
October 23, 2025

Topics to Be Covered

- Rental and homebuyer unaffordability near records levels across the country
- Existing low-income homeowners increasingly facing financial stress
- Examining today's housing supply shortage
- Long-term drivers of housing affordability and implications for responses needed
- Long-term demographic outlook and implications for housing

Trends in Rental Affordability

After Improving Slightly Over Last Decade, the Number of Cost-Burdened Renter Households Has Reached a Record High



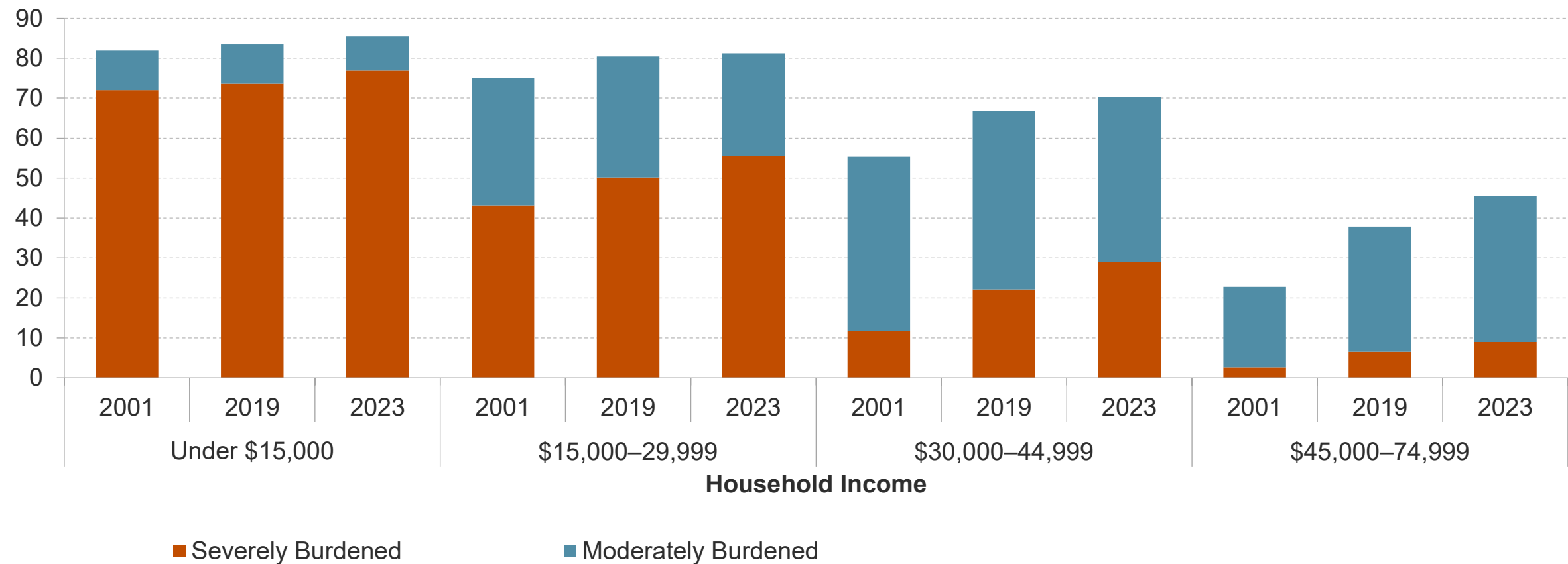
Notes: Moderately (severely) cost-burdened households spend 30–50% (more than 50%) of income on housing. Households with zero or negative income are assumed to have burdens, and households paying no cash rent are assumed to be unburdened. Estimates for 2020 are omitted due to data collection issues experienced during the pandemic.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

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The Recent Increase in Cost Burdens Has Been Most Significant Among Renters in the Middle of the Income Scale

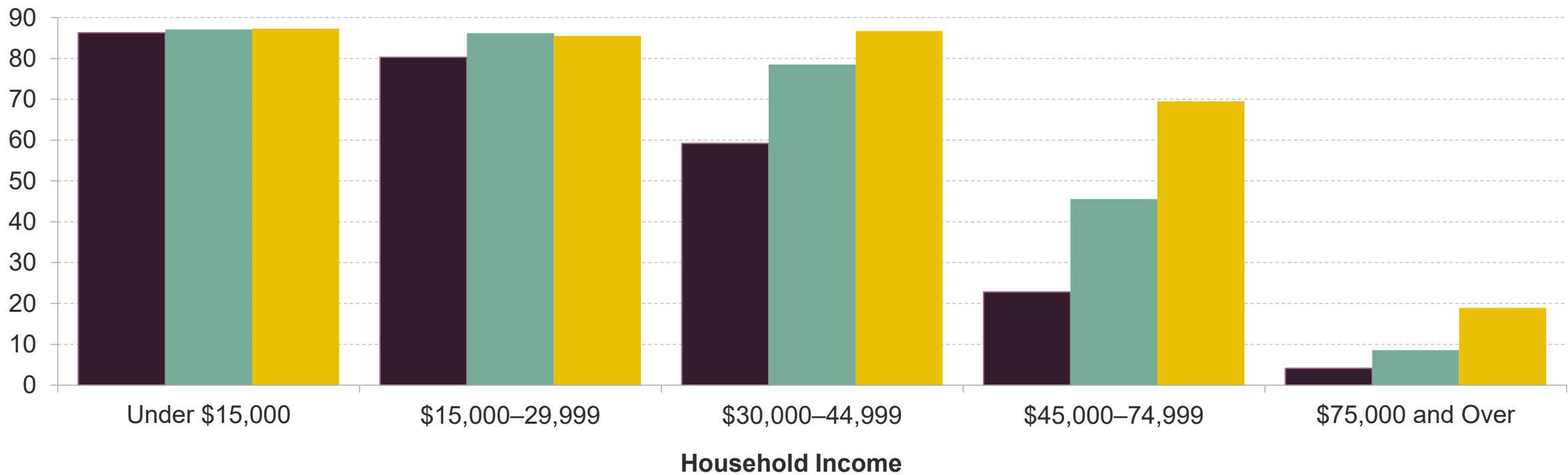
Share of Renter Households with Cost Burdens (Percent)



Notes: Incomes are adjusted for inflation using the CPI-U for All Items. Moderately (severely) cost-burdened households pay 31–49% (50% or more) of income for housing. Households with zero or negative income are assumed to have severe burdens, while households paying no cash rent are assumed to be without burdens.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

The Gain in Moderate Income Cost Burdens is Most Evident in High-Cost Markets But also a Factor in Middle-Cost Areas

Share of Cost-Burdened Renters (Percent)



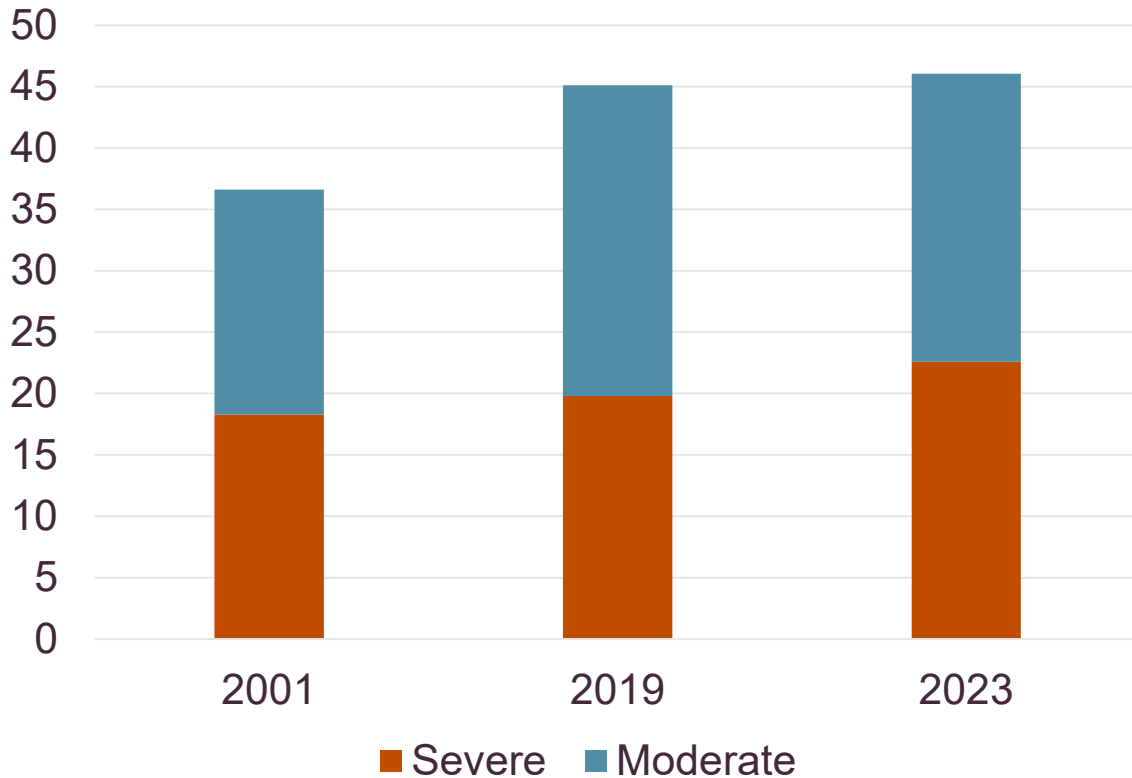
■ 25 Lowest-Cost Metros ■ Middle 50 Metros ■ 25 Highest-Cost Metros

Notes: Cost-burdened households pay more than 30% of their income on housing. Households with zero or negative income are assumed to have burdens, while households paying no cash rent are assumed to be without burdens. Only the 100 largest metro areas by the number of households are shown, categorized by the median gross rent.

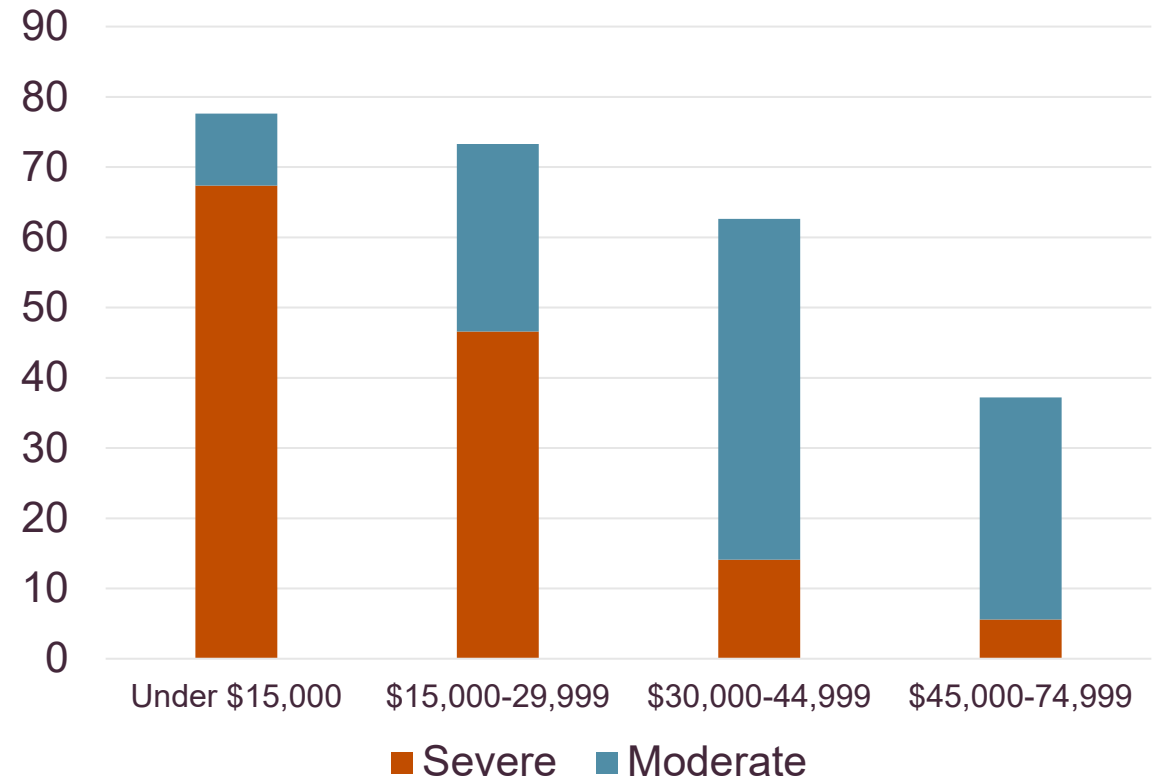
Source: JCHS tabulations of US Census Bureau, 2023 American Community Survey 1-Year Estimates and Missouri Census Data Center.

In Maine, Renter Cost Burdens are Slightly Lower Than National Rates But Have Increased Substantially Since 2001

Share of Renters with Cost-Burdens



Share of Renters with Cost-Burdens in 2023



Notes: Incomes are adjusted for inflation using the CPI-U for All Items. Moderately (severely) cost-burdened households pay 31–49% (50% or more) of income for housing. Households with zero or negative income are assumed to have severe burdens, while households paying no cash rent are assumed to be without burdens. Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.



Trends in Homebuyer Affordability

The Income and Savings Needed to Qualify for a Home Have Increased Sharply Since the Pandemic Surge in Buying

Dollars

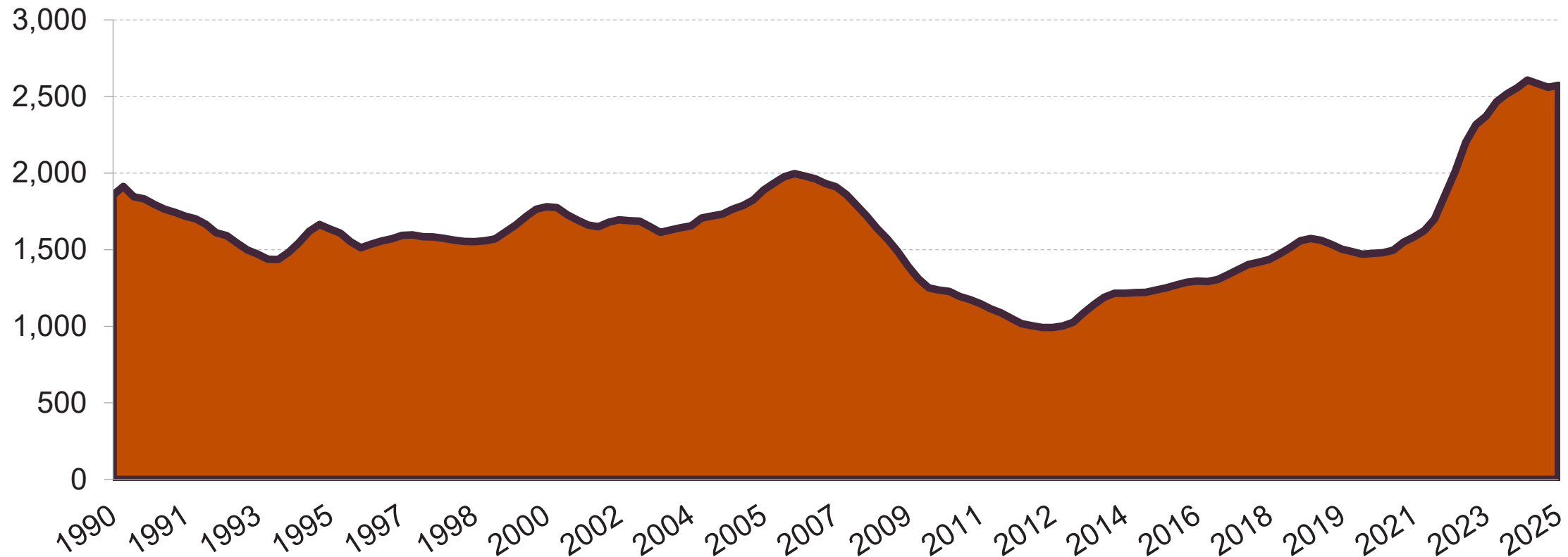
	2021	2023	2024	July 2025
US Median Home Price	350,700	389,300	407,600	428,500
Interest Rate (Percent)	2.96	6.81	6.72	6.72
Total Cash Needed	22,796	25,305	26,494	25,896
Total Monthly Costs	2,013	3,110	3,233	3,399
Qualifying Income Level	77,907	120,372	125,164	131,569

Notes: Total cash needed includes a 3.5 percent downpayment and 3 percent closing costs. Mortgage payments are based on 30-year fixed rate loan with no points. Other monthly costs include 1.15 percent property taxes, 0.35 percent property insurance, and 0.55 mortgage insurance fees. Qualifying income level assumes a 31 percent debt to income ratio threshold, based on a 43 percent maximum payment to income ratio for all monthly debt payments where housing payments are 31 percent and all other debts are 12 percent.

Sources: JCHS tabulations of National Association of Realtors, Existing home sales prices, Freddie Mac, PMMS.

The Monthly Cost of Median Priced Home is Near Record Highs After Price and Interest Rate Surge

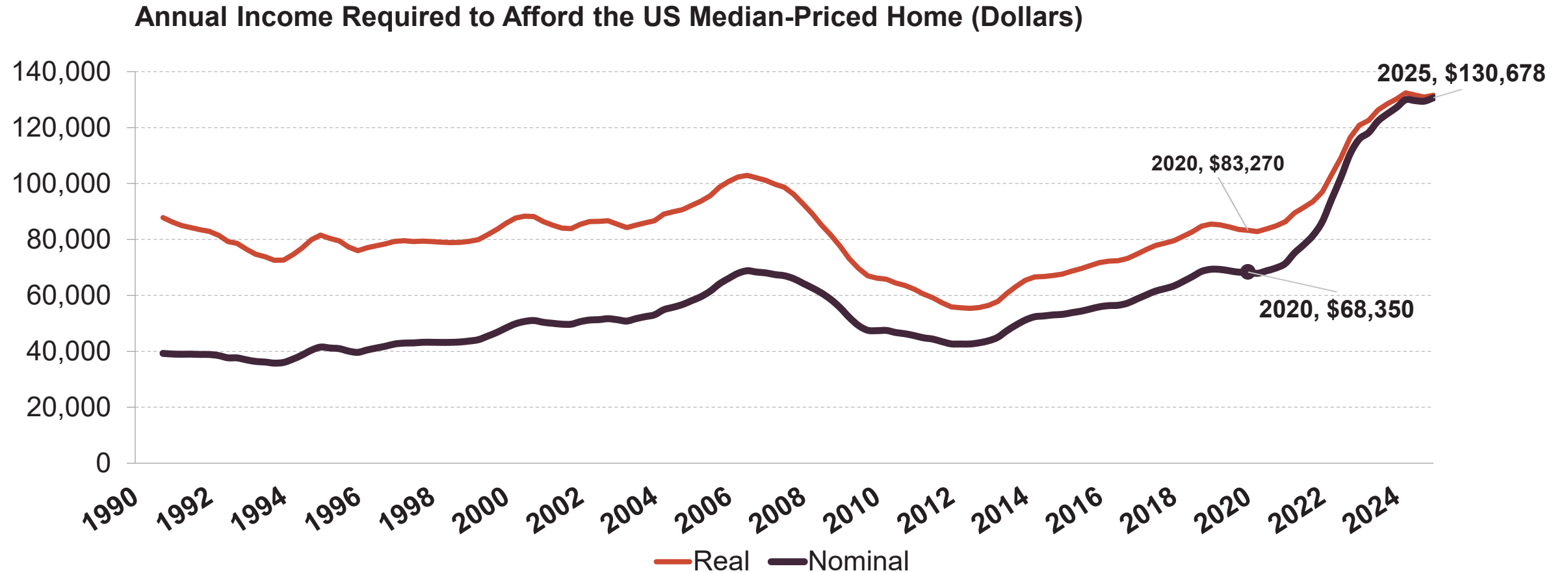
**Monthly Mortgage Payment on
Median-Priced US Home (2024 dollars)**



Notes: Payments are 4-quarter averages inflation adjusted using the CPI-U for All Items Less Shelter. Monthly payments assume a mortgage with a 3.5% downpayment on a 30-year fixed rate loan with zero points and 0.55% mortgage insurance, 0.35% property insurance, and metro area average property tax rates.

Source: JCHS tabulations of Freddie Mac, Primary Mortgage Market Surveys; National Association of Realtors, Existing Single-Family Home Sales.

The Income Needed to Qualify for the Median Home at Record Highs

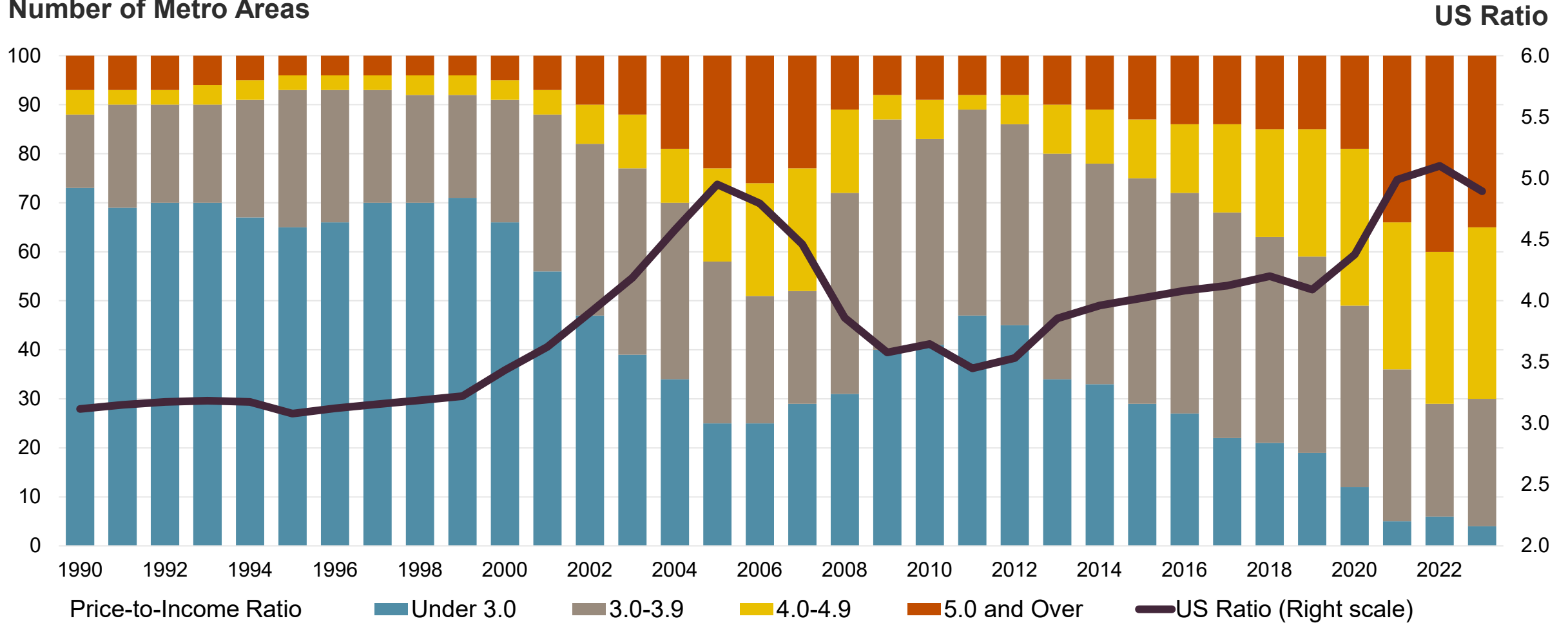


Notes: Payments are 4-quarter averages inflation adjusted using the CPI-U for All Items Less Shelter. Monthly payments assume a mortgage with a 3.5% downpayment on a 30-year fixed rate loan with zero points and 0.55% mortgage insurance, 0.35% property insurance, and metro area average property tax rates.

Source: JCHS tabulations of Freddie Mac, Primary Mortgage Market Surveys; National Association of Realtors, Existing Single-Family Home Sales.

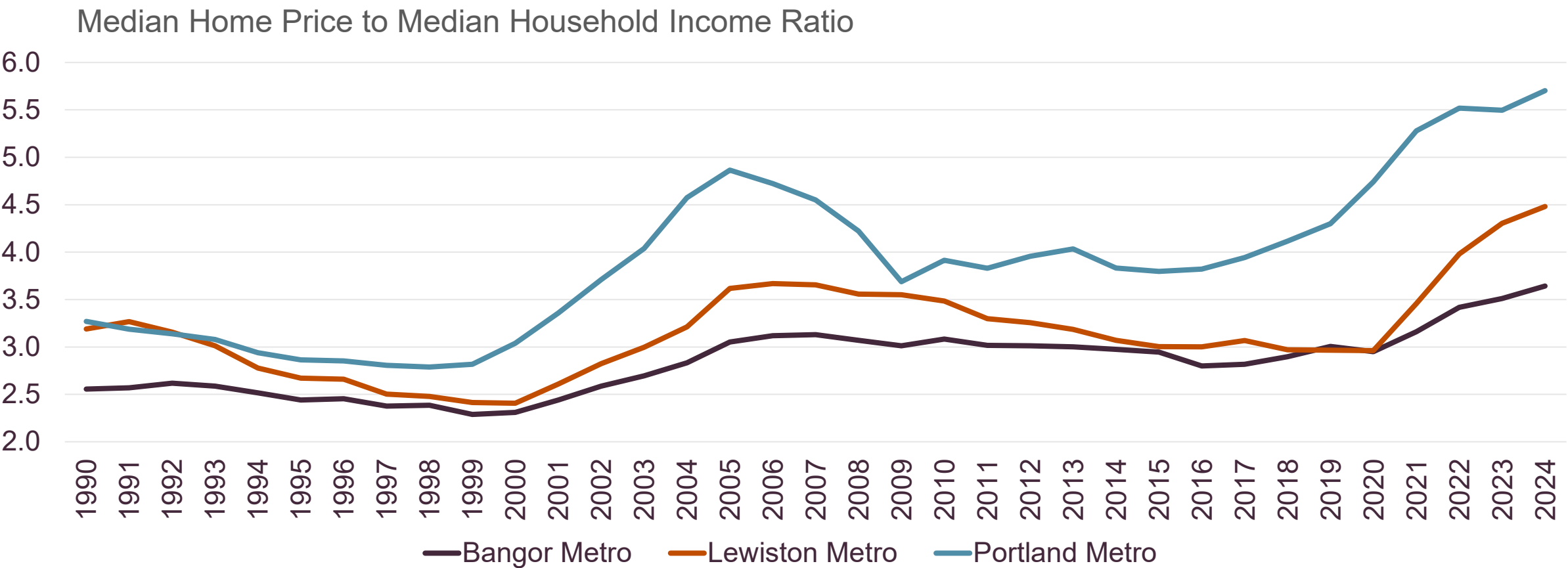
Another Key Metric of Homebuyer Affordability is the Price-to-Income Ratio—Which is at Near Record in All Markets

Number of Metro Areas



Notes: Price-to-income ratios are for the 100 largest metro areas by population. Income data for 2023 are based on Moody's Analytics forecasts.
Source: JCHS tabulations of NAR, Metropolitan Median Area Prices; Moody's Analytics estimates.

Price-to-Income Ratios in Maine Metropolitan Areas Are Also at Record Highs

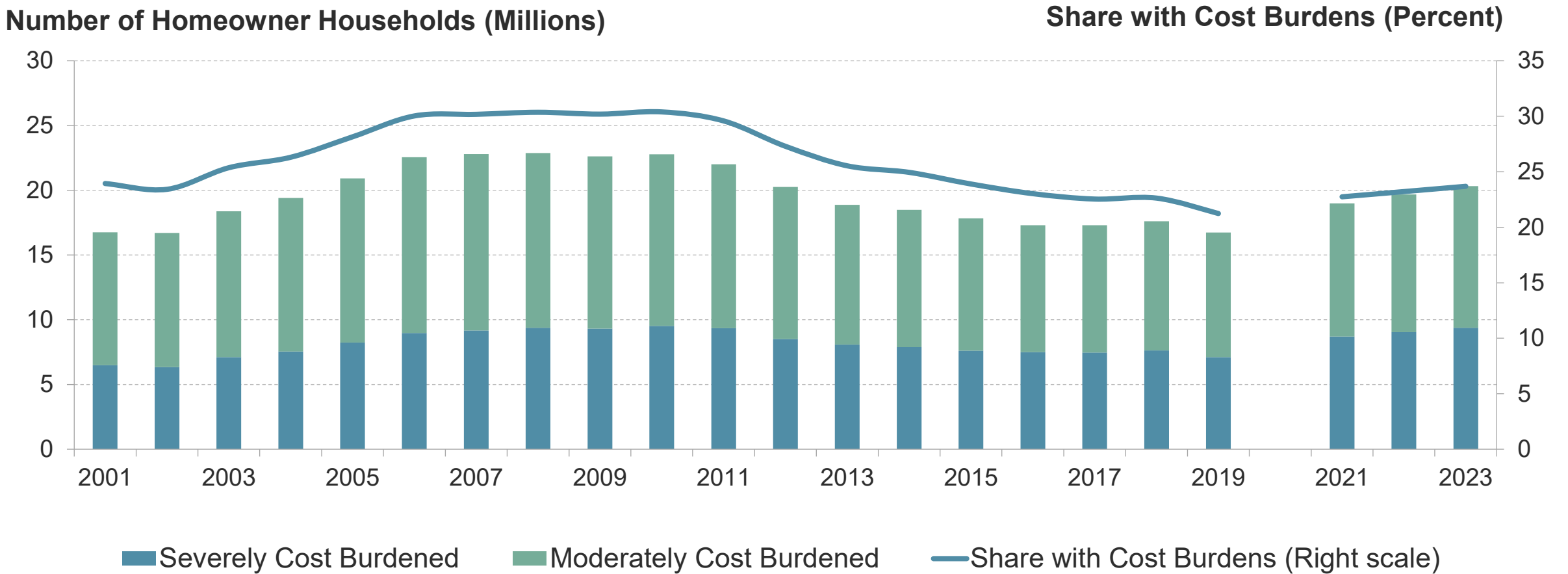


Source: JCHS tabulations of NAR, Metropolitan Median Area Prices; Moody's Analytics estimates.



Existing Homeowners Also Facing Increased Financial Stress

Cost Burdens Among Homeowners Have Risen Sharply Since 2019 after Having Improved for Much of Previous Decade

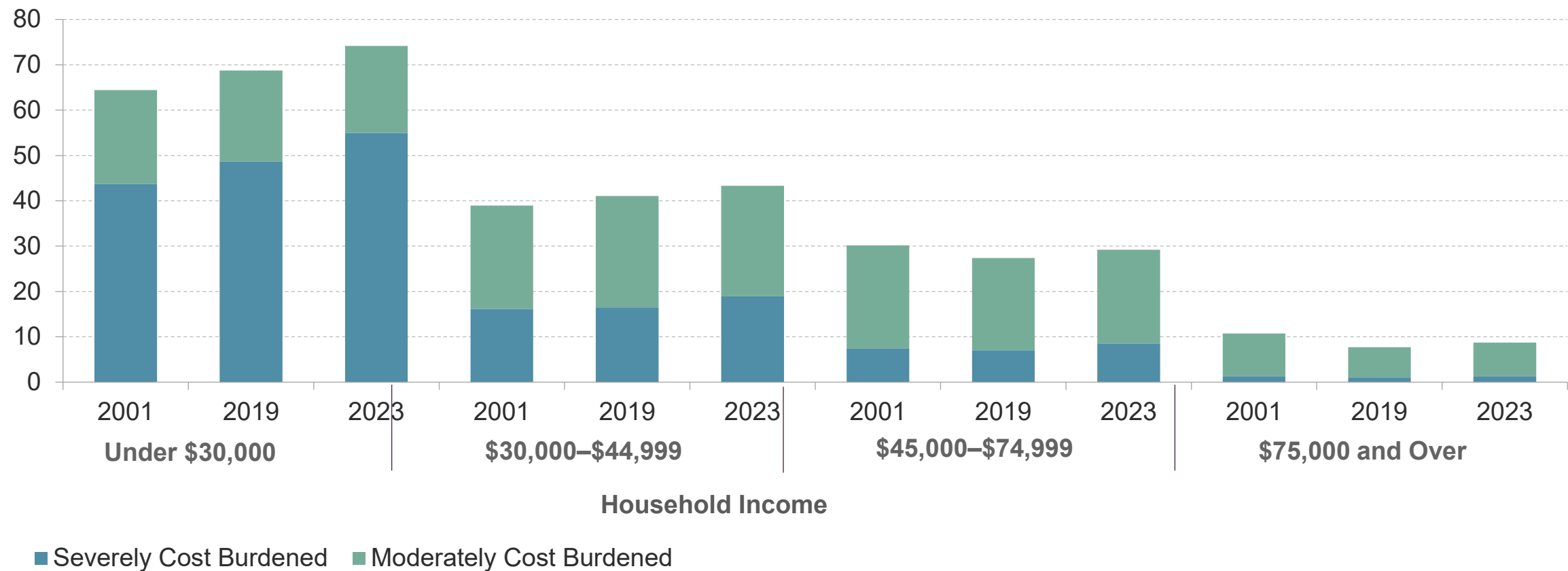


Notes: Moderately (severely) cost-burdened households spend 30–50% (more than 50%) of income on housing costs. Households with zero or negative income are assumed to have burdens. Estimates for 2020 are omitted because of data collection issues experienced during the pandemic.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

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Among Homeowners Cost Burdens Are Worsening Mostly for Lower-Income Homeowners Reflecting Rising Taxes and Insurance

Share of Homeowner Households (Percent)

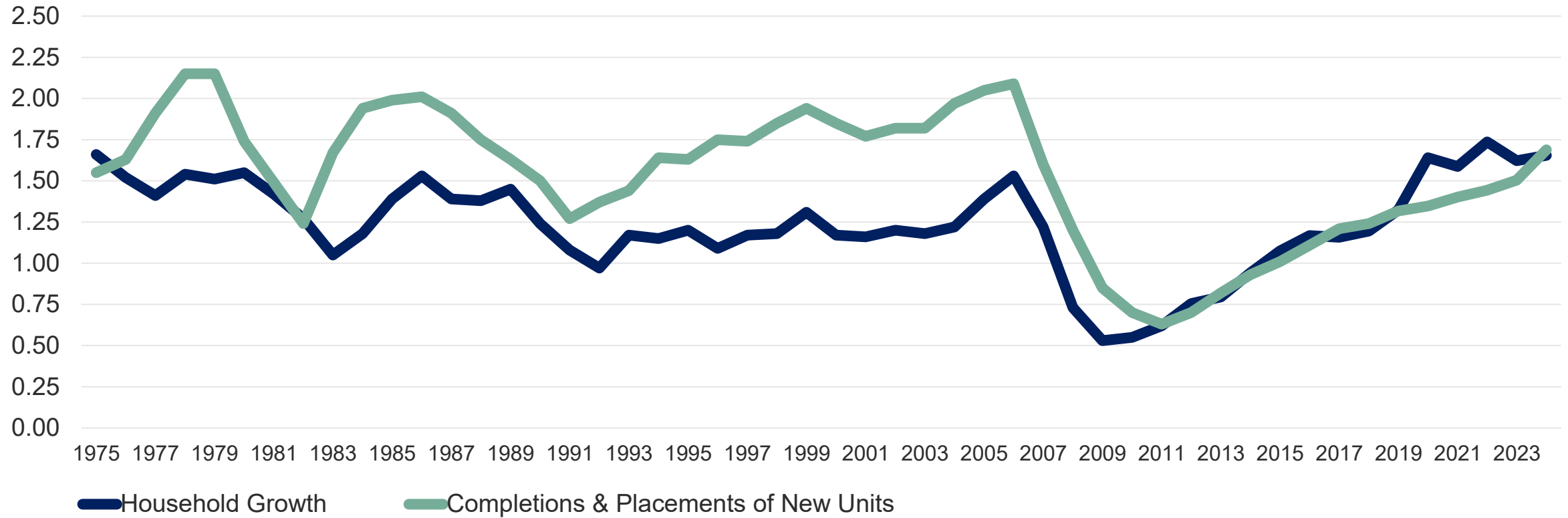


Notes: Household incomes are adjusted for inflation using the CPI-U for All Items. Moderately (severely) cost-burdened households spend 30–50% (more than 50%) of income on housing costs. Households with zero or negative income are assumed to have severe burdens.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

Today's Housing Supply Story

Housing Construction Has Struggled to Keep Pace with Robust Household Growth Over Last Few Years

Units (Millions)

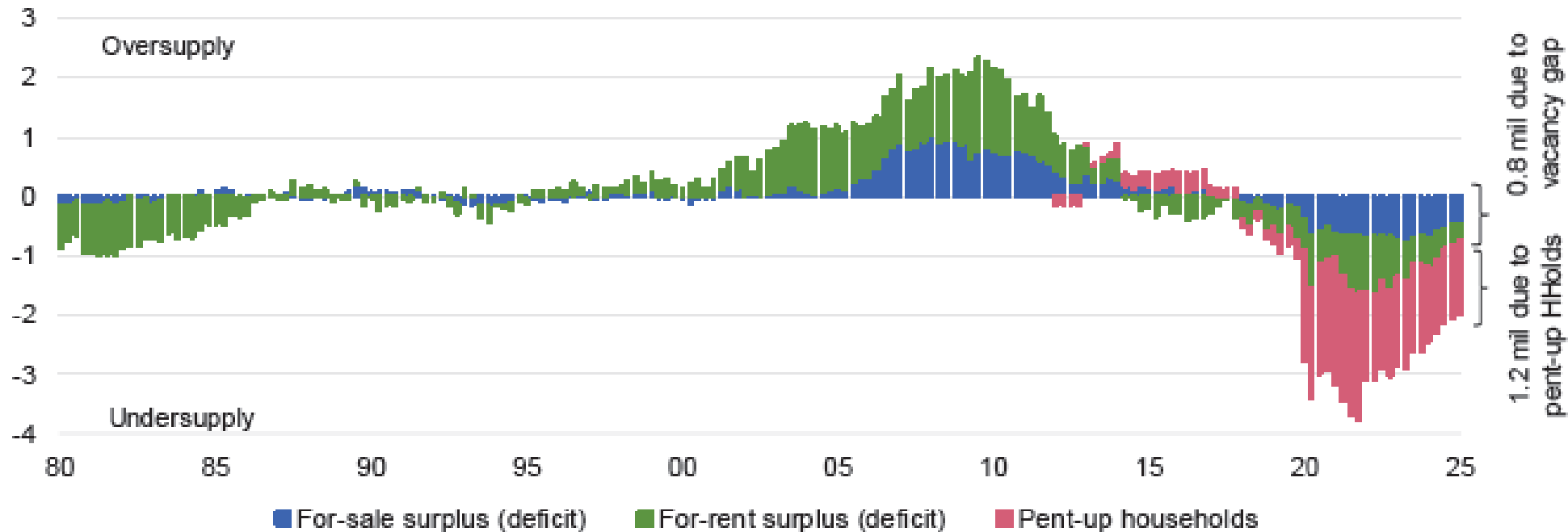


Notes: Household growth data are three-year trailing averages. Placements refers to newly built mobile homes placed for residential use.
Source: JCHS tabulations of US Census Bureau Housing Vacancy Survey, New Residential Construction data.

Moody Analytics Finds The Housing Shortage is Improving and Now Mostly Due to a Shortfall in Household Formation

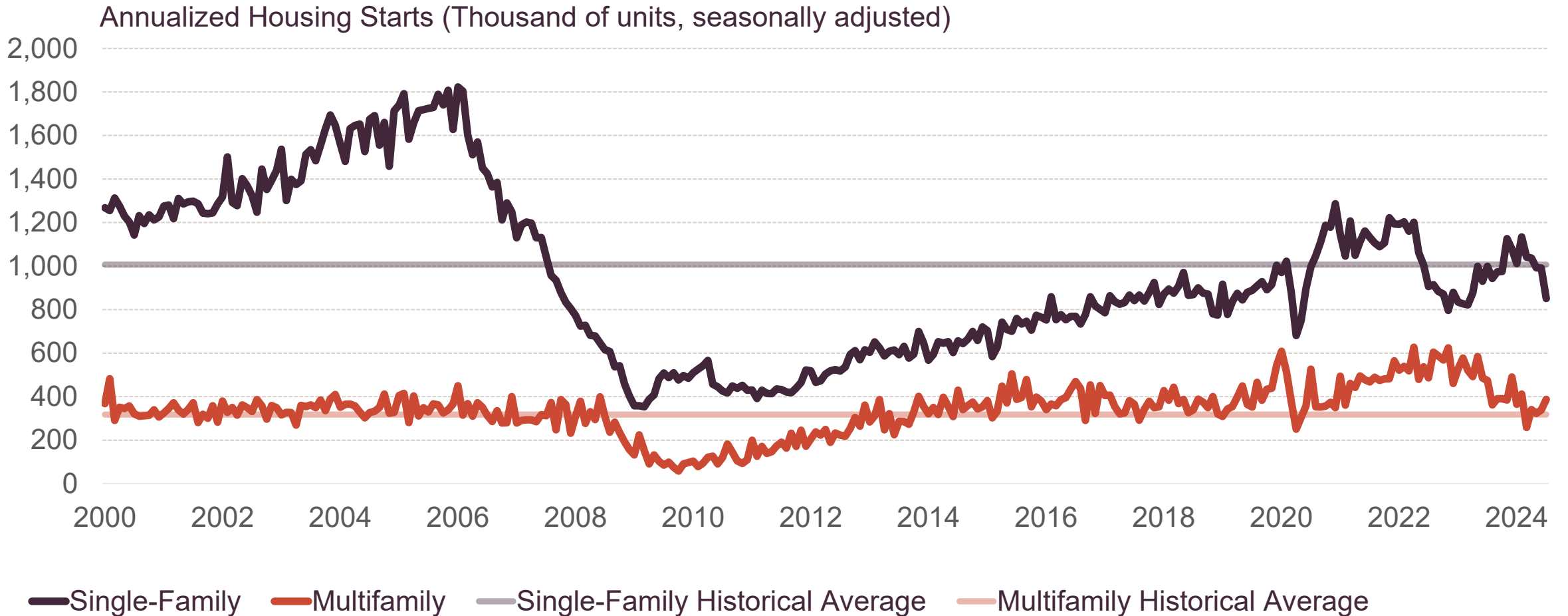
Chart 1: A Housing Deficit of 2 Million Homes

Over/undersupply of housing units, mil



Sources: Census Bureau, Moody's Analytics

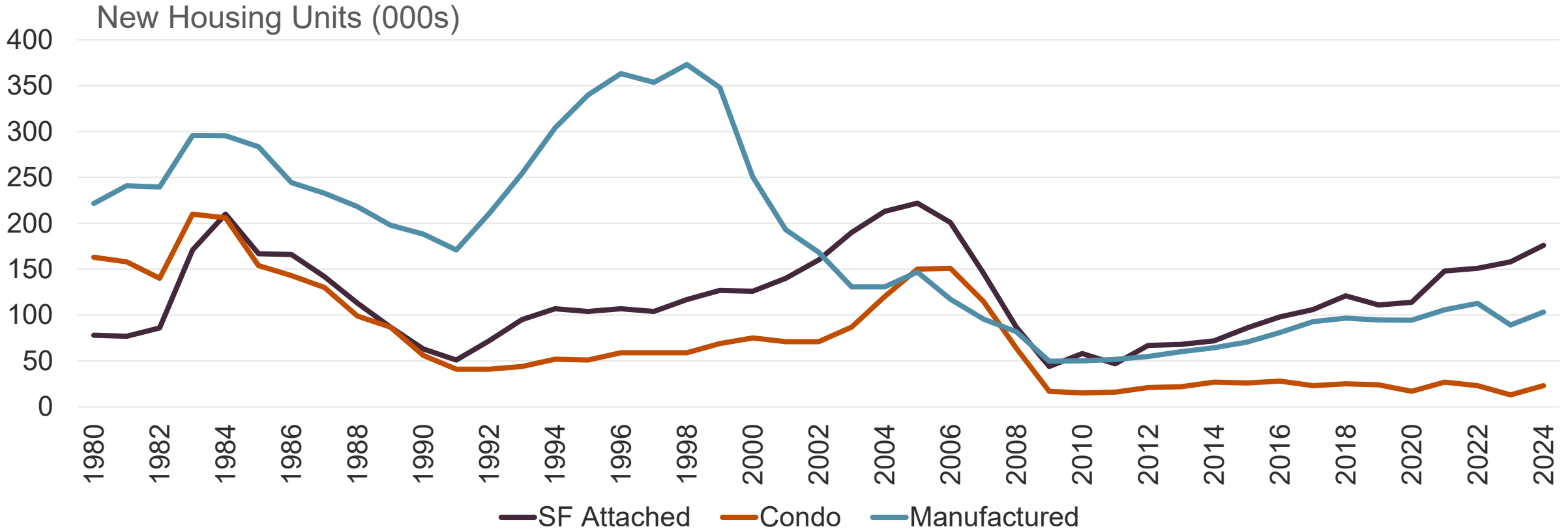
Much of the Shortfall in Construction Has Been in Single-Family Homes, Although Production Has Increased Since 2019



Note: Single-family and multifamily historical averages are of seasonally adjusted monthly data from January 1990 to March 2024.

Source: JCHS tabulations of US Census Bureau, New Residential Construction.

Historically Smaller Forms of Single-Family Homes Have Surged in Response to Affordability Pressures—Less So Today

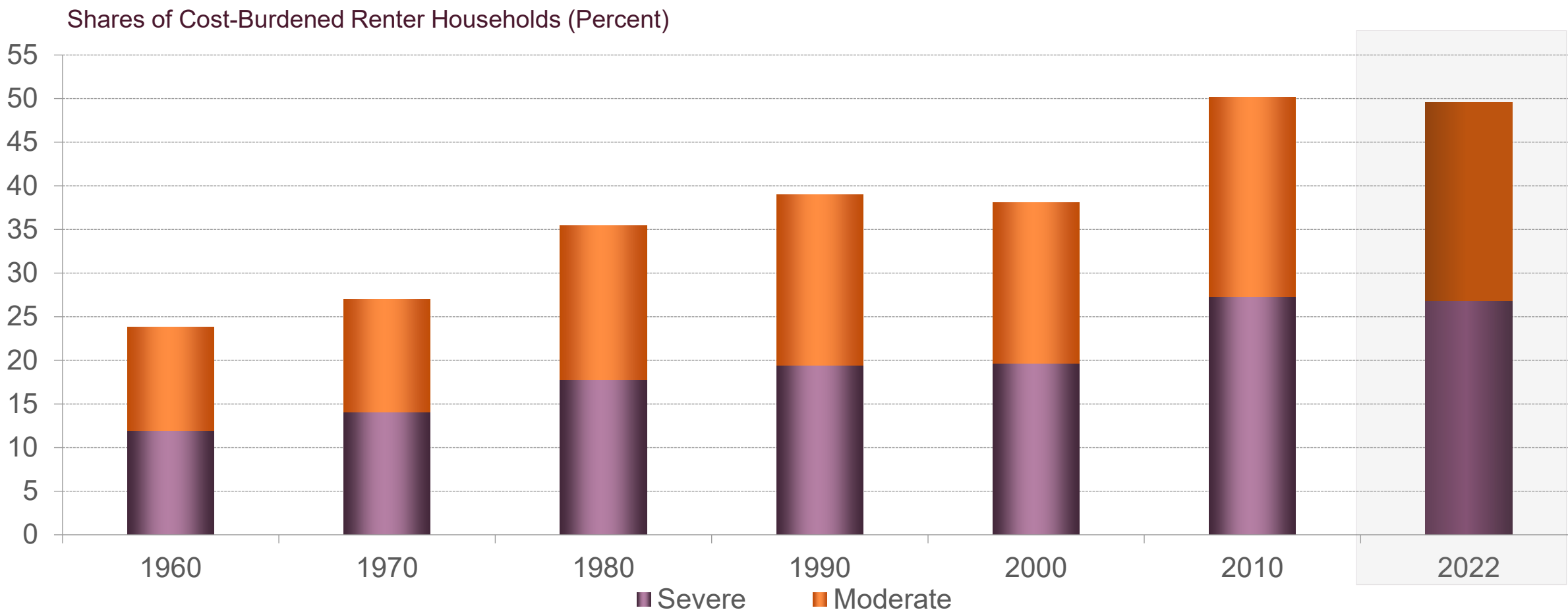


Notes: Manufactured home volume measured by shipments. Condo are homes in multifamily structures build for sale.
Source: JCHS tabulations of Census Bureau Residential Construction and Manufactured Home Survey data.

A row of modern, two-story houses with light-colored siding and dark roofs, set against a blue-tinted background. The houses have multiple windows and a mix of siding materials, including horizontal siding and stone accents. A street lamp is visible on the right side of the image.

Understanding Long-term Drivers of Housing Affordability

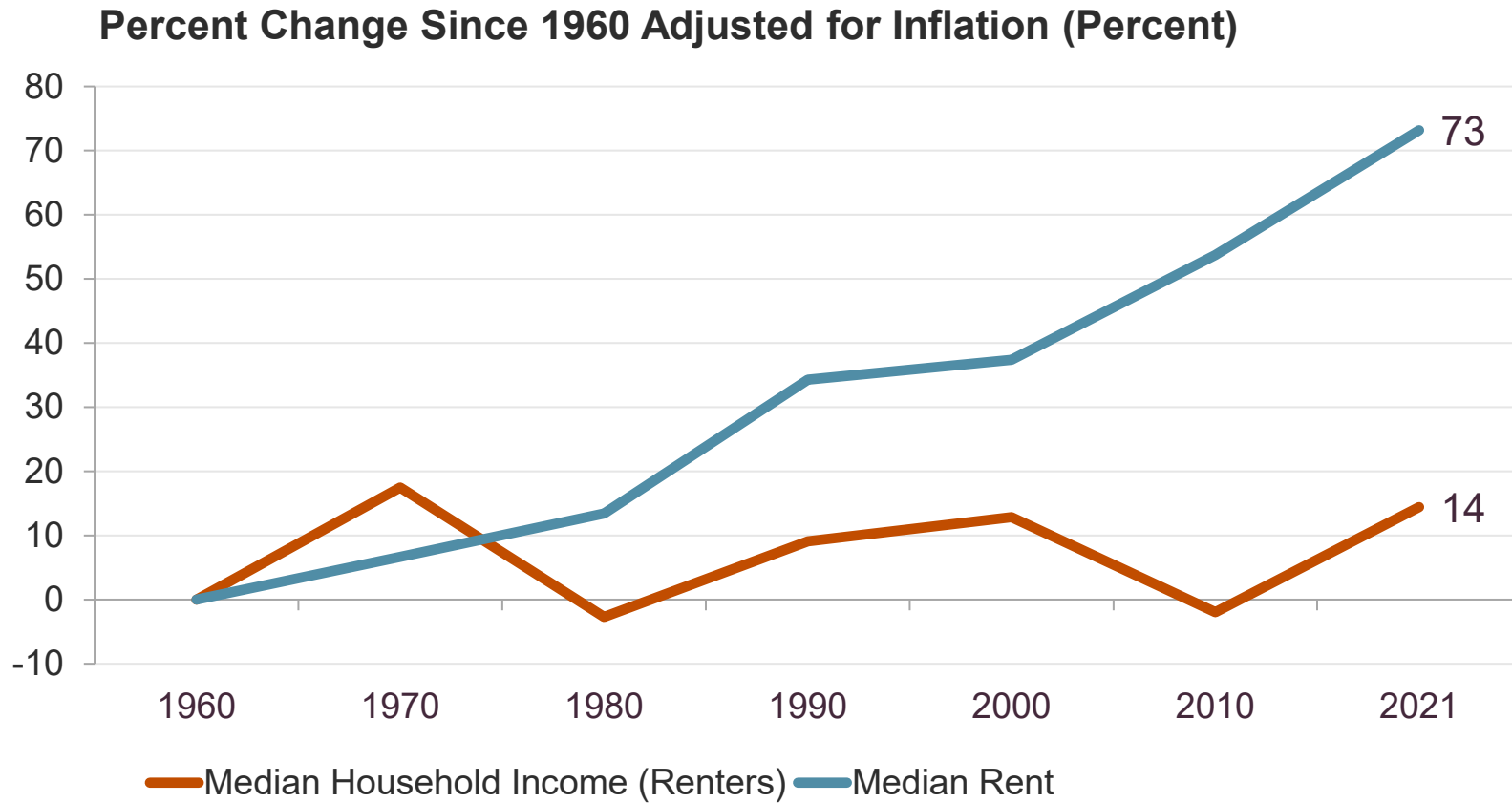
Rental Housing Affordability Has Actually Been Deteriorating for Decades, But Got Much Worse 2000-2010 With Little Improvement Since



Notes: Moderate (severe) burdens are defined as housing costs of 30-50% (more than 50%) of household income. Households with zero or negative income are assumed to be severely burdened, while renters not paying cash rent are assumed to be unburdened.

Sources: JCHS tabulations of US Census Bureau, Decennial Census and American Community Surveys.

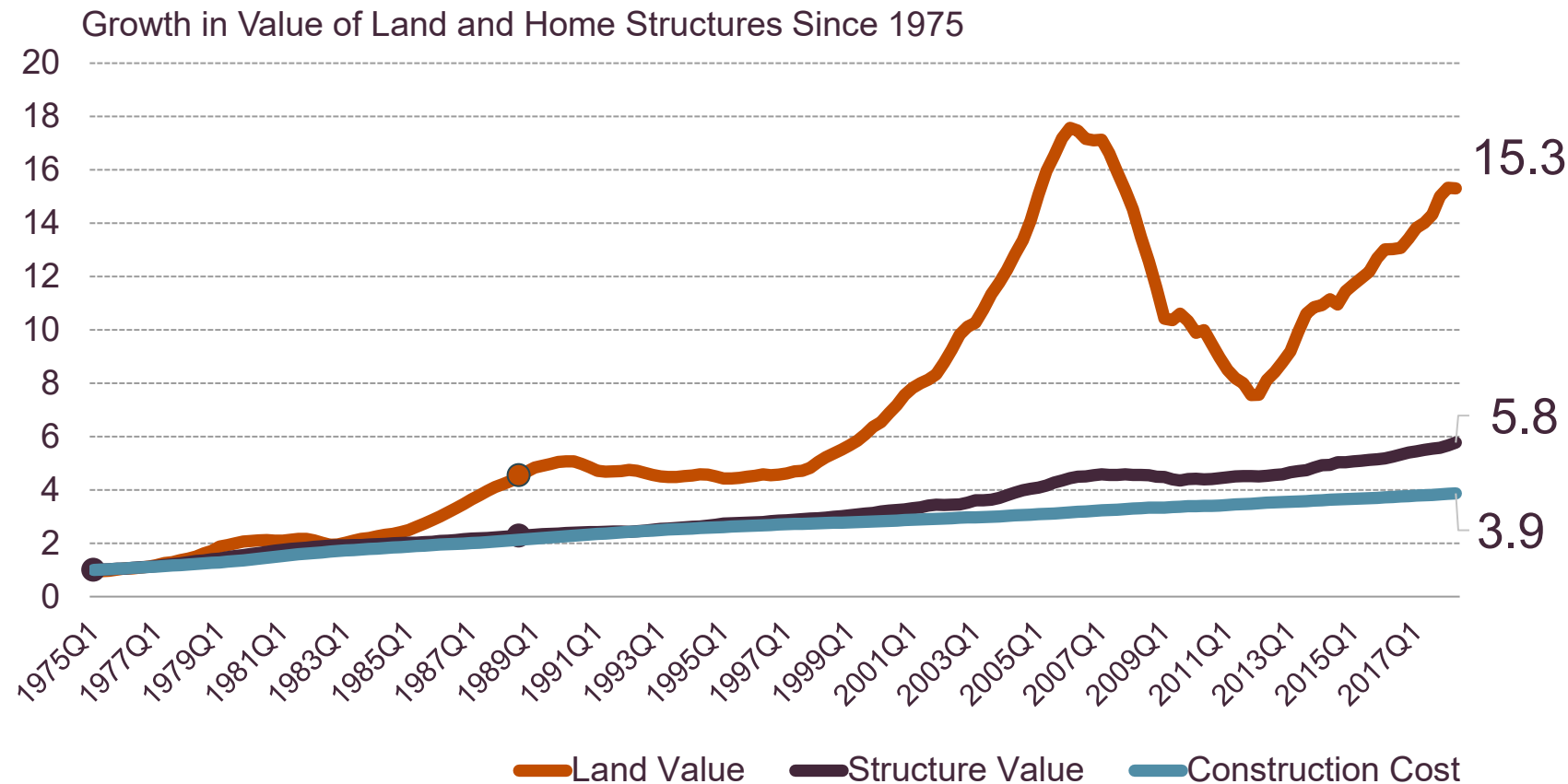
Worsening Affordability at a Basic Level is Driven by Rents Outpacing Incomes Over the Long Term



Since 1960 median real rents have increased 73% while median real renter incomes are only up 14%

Notes: Household incomes and rents are adjusted for inflation using the CPI-U for All Items. Median rents exclude no cash renters.
Source: JCHS tabulations of US Census Bureau via IPUMS-USA.

Most of the Increase in the Price of Housing Over Time Reflects Increases Land Costs with Larger and Higher Quality Structures Adding to the Increase



Since 1975 land values have increased 15x, while construction costs have increased 4x, and structure values have increased 6x as they have gotten larger and higher quality.

Source: Davis, Morris A. and Michael G. Palumbo, 2008, "The price of residential land in large US cities," Journal of Urban Economics, vol. 63(1), pages 352-384. Data downloaded from <https://www.aei.org/historical-land-price-indicators/>

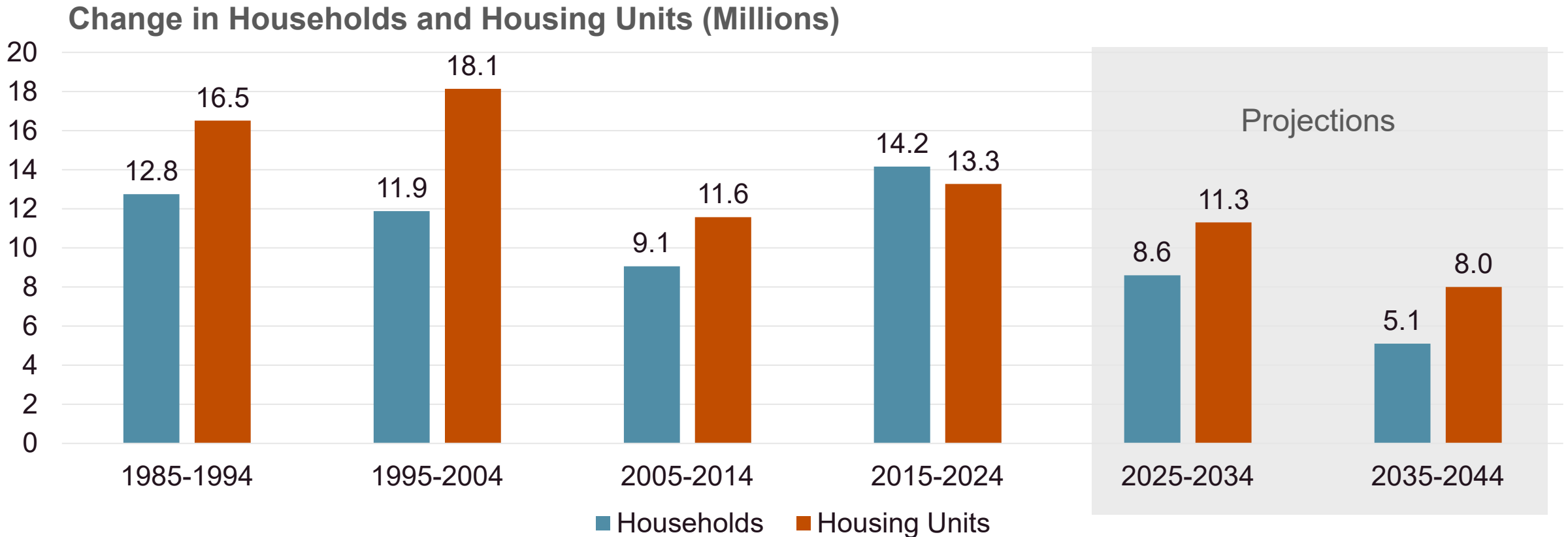
Key Take Aways from Looking at Long Term Trends

- Deteriorating housing affordability is not a new problem—it's been developing for decades
- House price gains have outpaced incomes for three reasons:
 - New homes are larger and higher quality than in the past
 - Housing prices reflect gains in land prices that have outpaced incomes
 - Housing construction has not realized meaningful improve in productivity
- Implications for where action is needed:
 - Encourage the production of smaller, simpler homes
 - Make more efficient use of land through higher density housing—but also lock in land ownership in support of permanent affordability
 - Need to support adoption of methods to improve construction efficiency



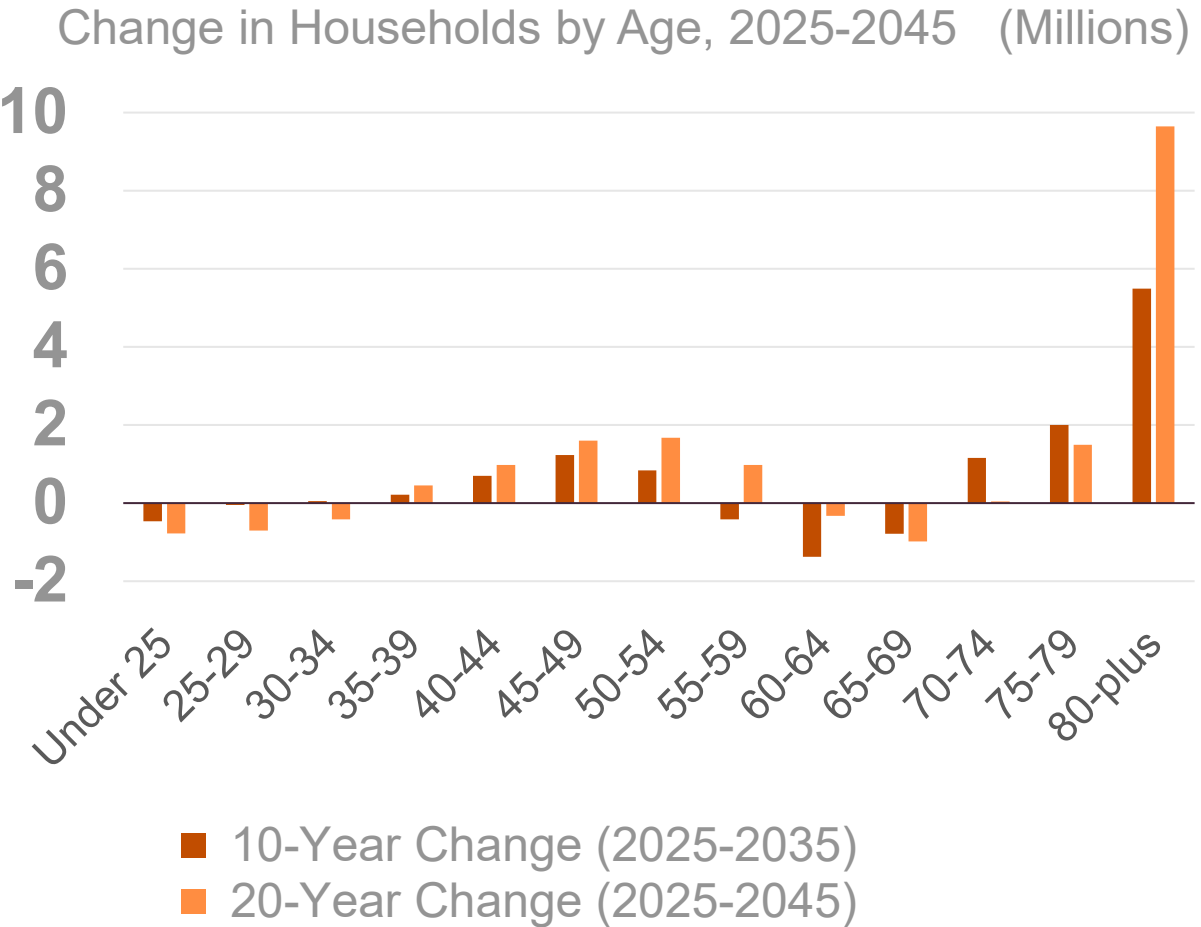
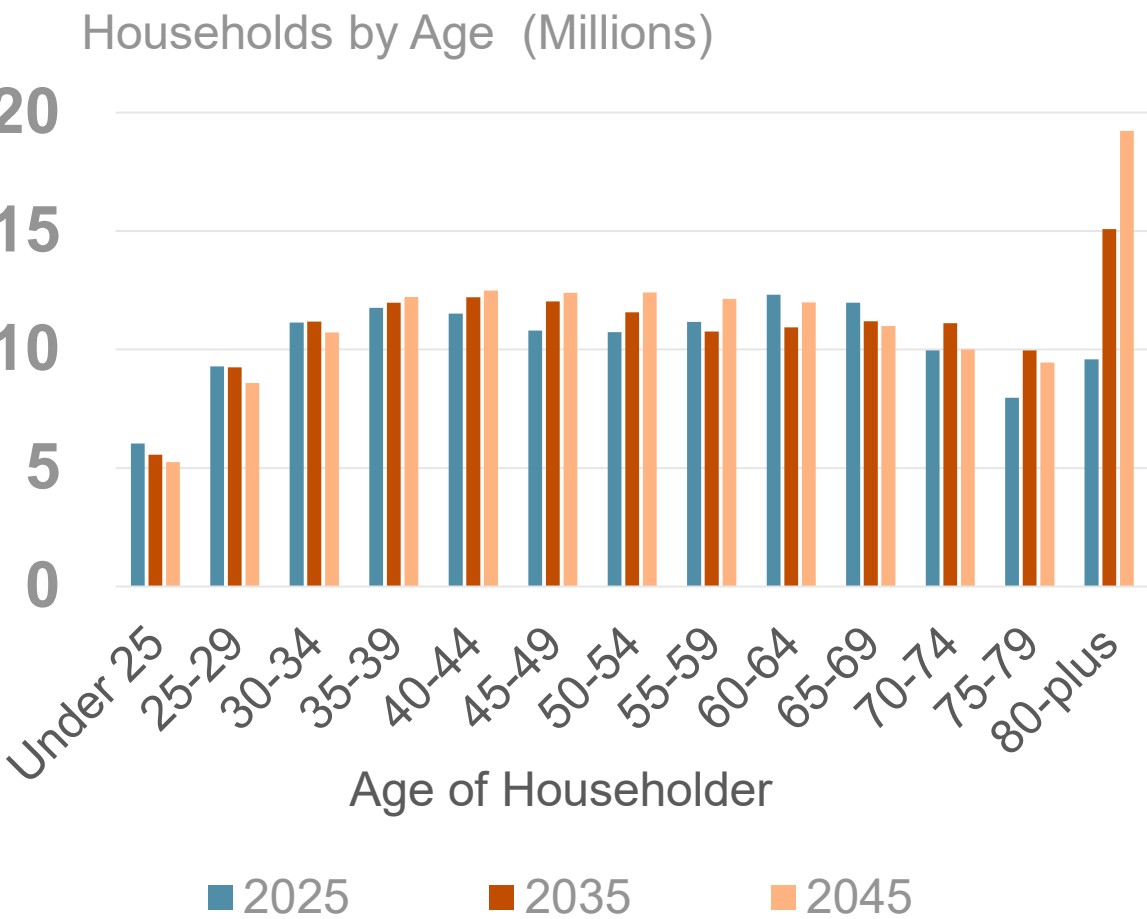
Demographic Outlook

Slower Household Growth Will Support Much Lower Levels of Housing Construction



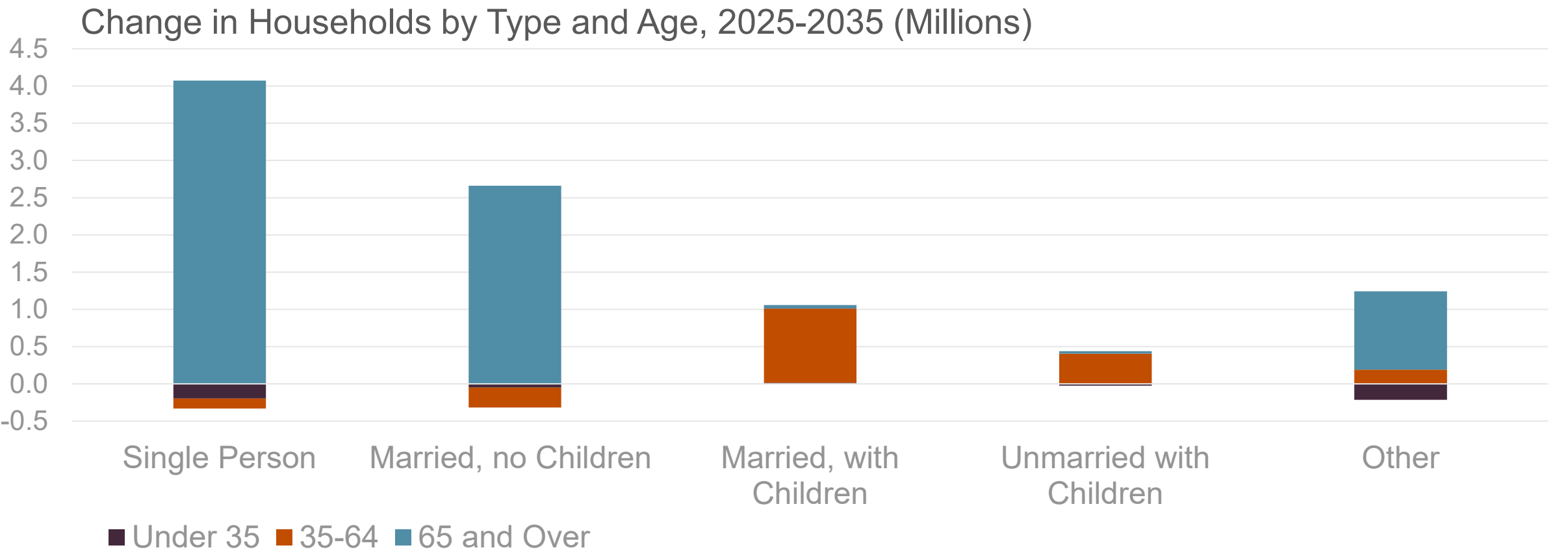
Source: Historical from JCHS tabulations of Housing Vacancy Survey and Census Construction Surveys; Projections from JCHS Household Projections 2025.

The Most Rapid Growth in Households Will Be Among Those Aged 80 and Over and in Middle Age Groups



Source: JCHS 2024 Household Projections – Main Series

Household Growth Will Be Highest Among Small Households, Reflecting the Contribution of Oldest Adults



Source: JCHS Household Projection – Main Series.

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