Kent W. Colton, PhD
Senior Research Fellow
Harvard Joint Center for Housing Studies
THE NATION HAS A SERIOUS SHORTAGE OF HOUSING

Housing starts have fallen below household formations for a number of years, and because the problem is cumulative it gets worse each year.

- Laurie Goodman and Rolf Pendall at the Urban Institute raised the alarm in June, 2016. They estimated that more than a million new households were created in 2015, but only 620,000 new housing units were completed, creating a shortage of just over 430,000 housing units.

- In December, 2018, Sam Khater, Freddie Mac’s Chief Economist, spoke of the major U.S. housing supply challenge: “Young adults will add about 20 million households over the next 10 years – and these households will need a place to live.”
  - According to Freddie Mac research, the current rate of construction is about 370,000 units per year below the level required for long-term housing demand.

- In June, 2019, the Joint Center for Housing Studies of Harvard University issued its annual report, the State of the Nation’s Housing, 2019. According to the Joint Center, annual construction should be about 260,000 units higher to keep pace with household growth.

- The housing supply shortage heightens the nation’s housing affordability crisis.
• **WHAT ARE THE MAJOR REASONS FOR THE HOUSING SUPPLY SHORTAGE?**

  • Labor costs are rising
  • Land costs are rising
  • Lumber and other building material costs are rising

  • **And regulatory barriers add significantly to the cost of new housing** (Government Regulation adds 24.3% to the cost of single family housing and 32.1% to the cost of multifamily housing - National Association of Home Builders).

  • Adding to the complexity:
    • People aren’t moving like they used to. 2019 had the lowest mobility rate in the U.S. since the metric was first tracked in 1947 according to Buildfax. **Only 9.8% of Americans moved last year in 2019.**
    • People are doubling up (e.g. living at home longer or moving back, living in shared space, and building **Accessory Dwelling Units (ADUs)**, etc.)

  • The result is that home builders are building below the historical norm by 250,000-300,000 per year.
Chart 3

• HOWEVER, THERE IS A LOT OF INNOVATION UNDERWAY AT THE “GRASSROOTS” LEVEL.

• Although the housing affordability challenges are great and there are no simple nationwide solutions, the Ivory Prize for Housing Affordability has demonstrated that there is a significant amount of innovation and creativity at the “grassroots” level around the country.

• The Ivory Prize for Housing Affordability
  • 2018-2019: 126 organizations nominated in 28 states and D.C.
  • 2019-2020: 168 nominations

• See [www.ivory-innovations.org](http://www.ivory-innovations.org)
Finding Excellence.

About The Ivory Prize

The Ivory Prize is an annual award recognizing ambitious, feasible, and scalable solutions to housing affordability. The Prize is designed to award innovators for their efforts and provide material support to advance their projects. The search committee looks for solutions that which combine elements of finance, policy, and design/construction. Innovators include small and large scale companies, non-profits, or government entities. Nominate organizations making an impact in housing affordability, self nominations are encouraged.

If you have any questions about the nomination process, send them to info@ivoryinnovations.org

2020 Ivory Prize

Top 25 Finalists Announced

LEARN MORE
A number of good things are happening. By looking at the participants in the Ivory Prize, it is possible to get a vision of the innovations which are underway and to identify directions that are essential if we are to improve housing affordability.

Five Paths or Directions are Underway:

1) Increase housing construction through innovation and technology to build faster, increase productivity, and lower costs. (e.g. modular, factory built, panelized; Factory OS)

2) Preserve and produce affordable housing in neighborhoods, building on the people and strengths in that community. (Century Partners)

3) Utilize creative finance approaches to allow more people to qualify for a mortgage and buy a home, and to build more affordable rental housing. (Home Partners of America (lease to own) and Landed (shared equity))

4) Innovative use of lots and existing housing to provide greater housing opportunities to meet the nation’s housing demand and to increase income for homeowners. (Alley Flat (ADU’s) and Nesterly)

5) Remove regulatory barriers at the local, state, and federal level – but especially in local communities and states – to allow more homes and apartments to be built and to reduce the time and cost of building. (Minneapolis, Minnesota; State of Oregon; new coalitions are emerging)