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# The Housing Market 'Reset' and the Future of American Housing Policy

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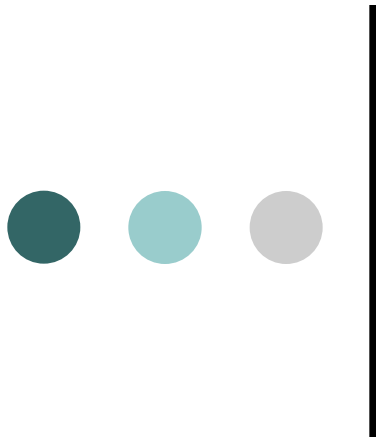
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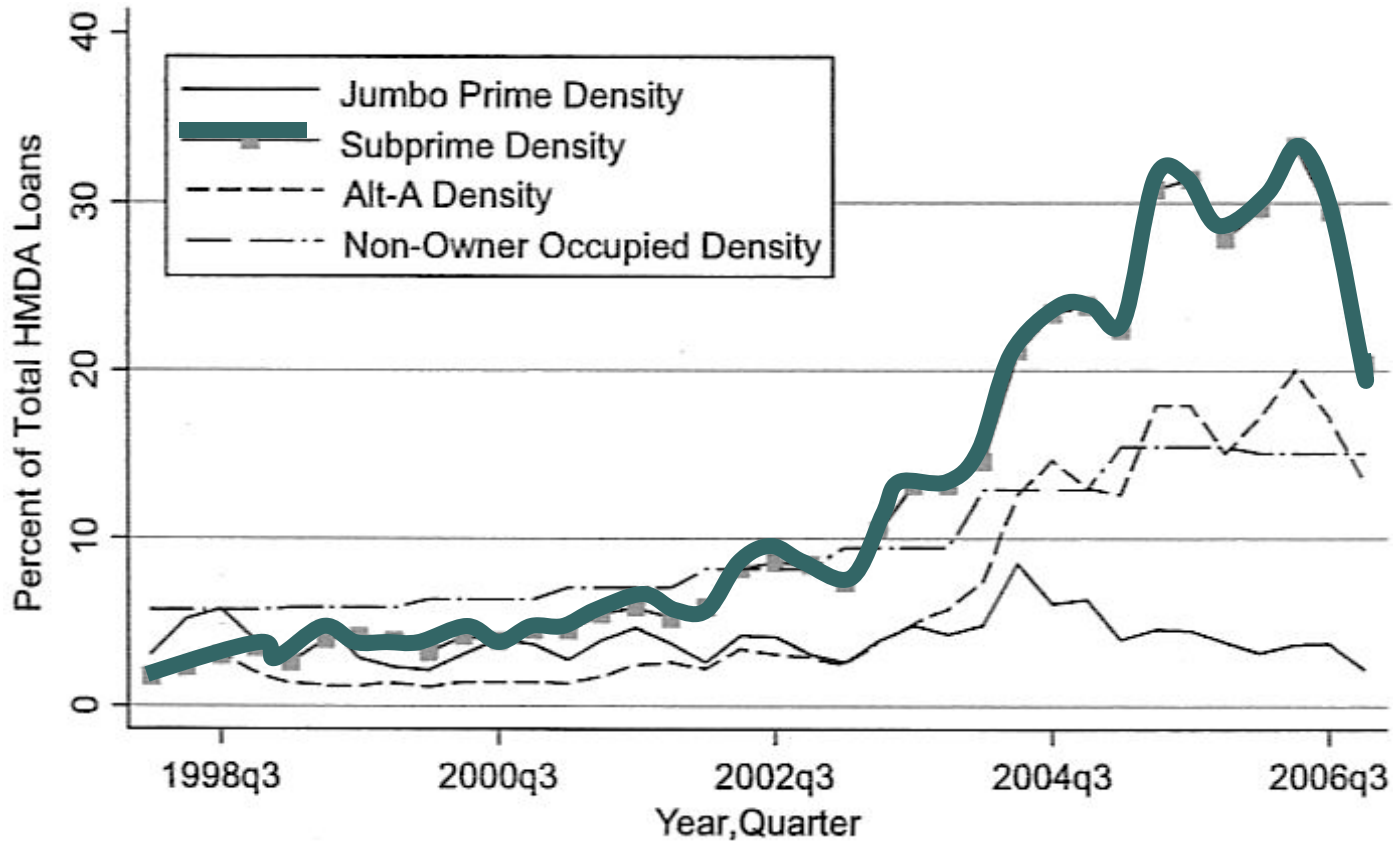
# The Housing Market 'Reset' and its Implications for Housing Policy

Alan Mallach

Non-resident Senior Fellow

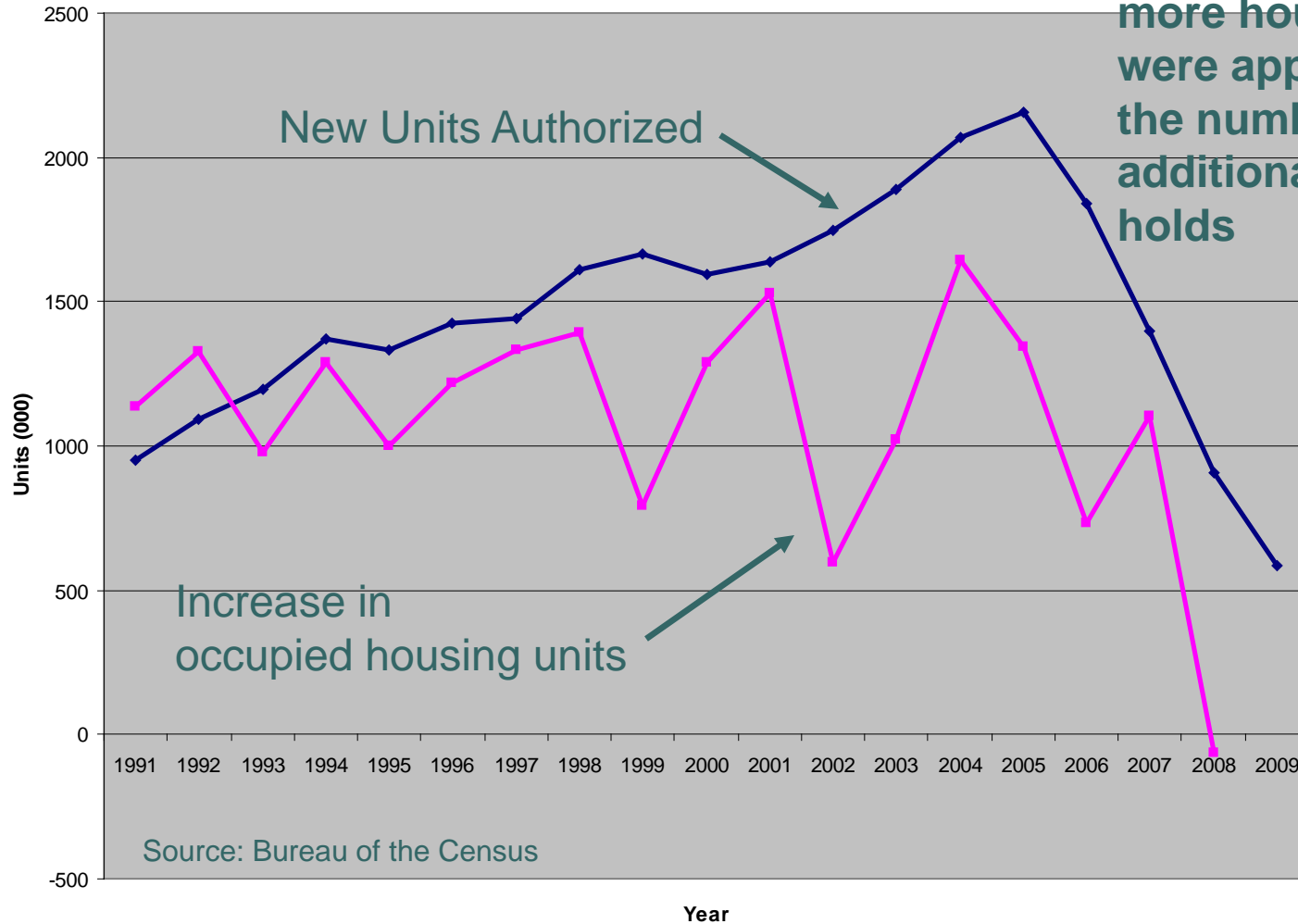
The Brookings Institution

# Subprime lending exploded

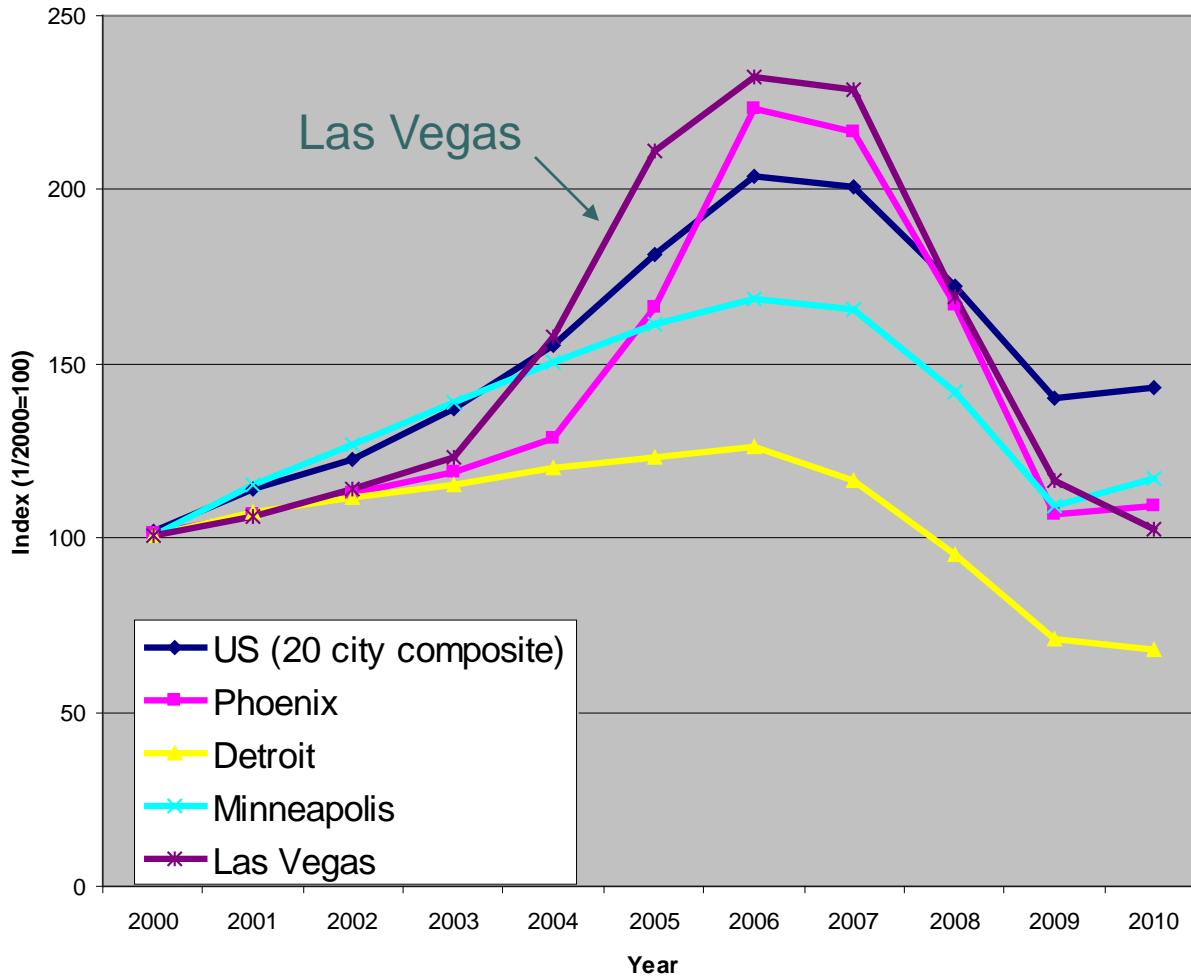


# Housing production outstripped household formation

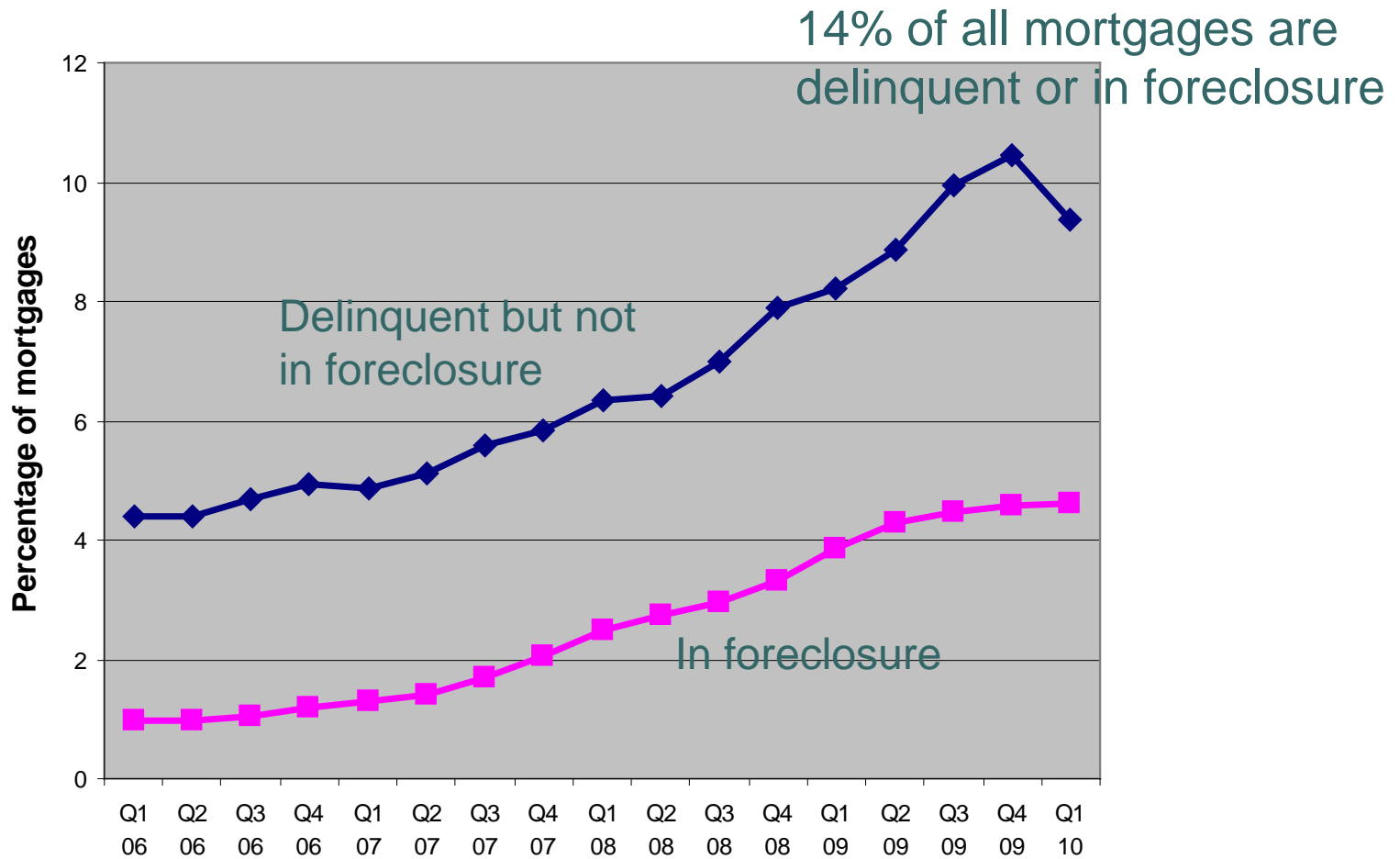
Between 1999 and 2009 6.9 million more housing units were approved than the number of additional households



# Prices took off, and then fell

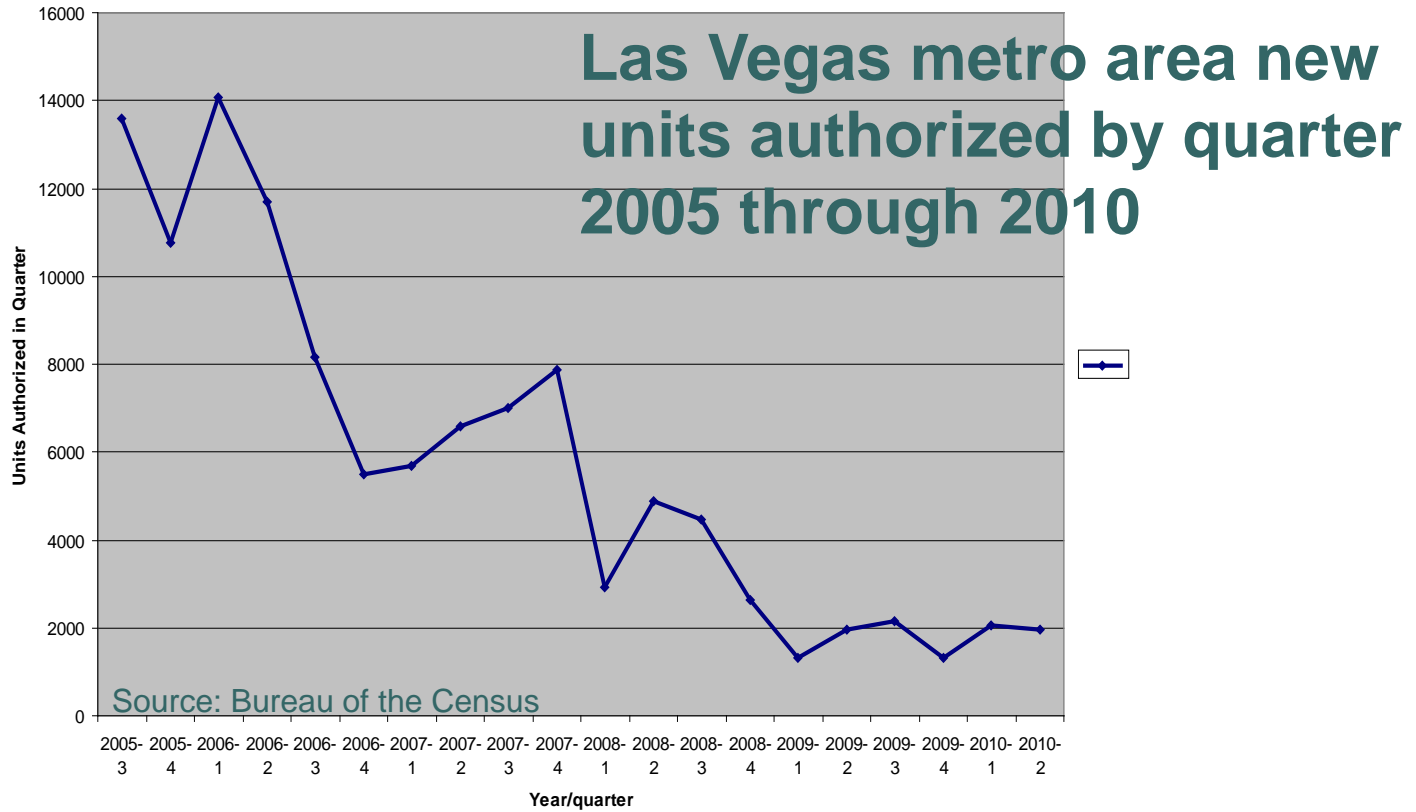


# Foreclosures skyrocketed



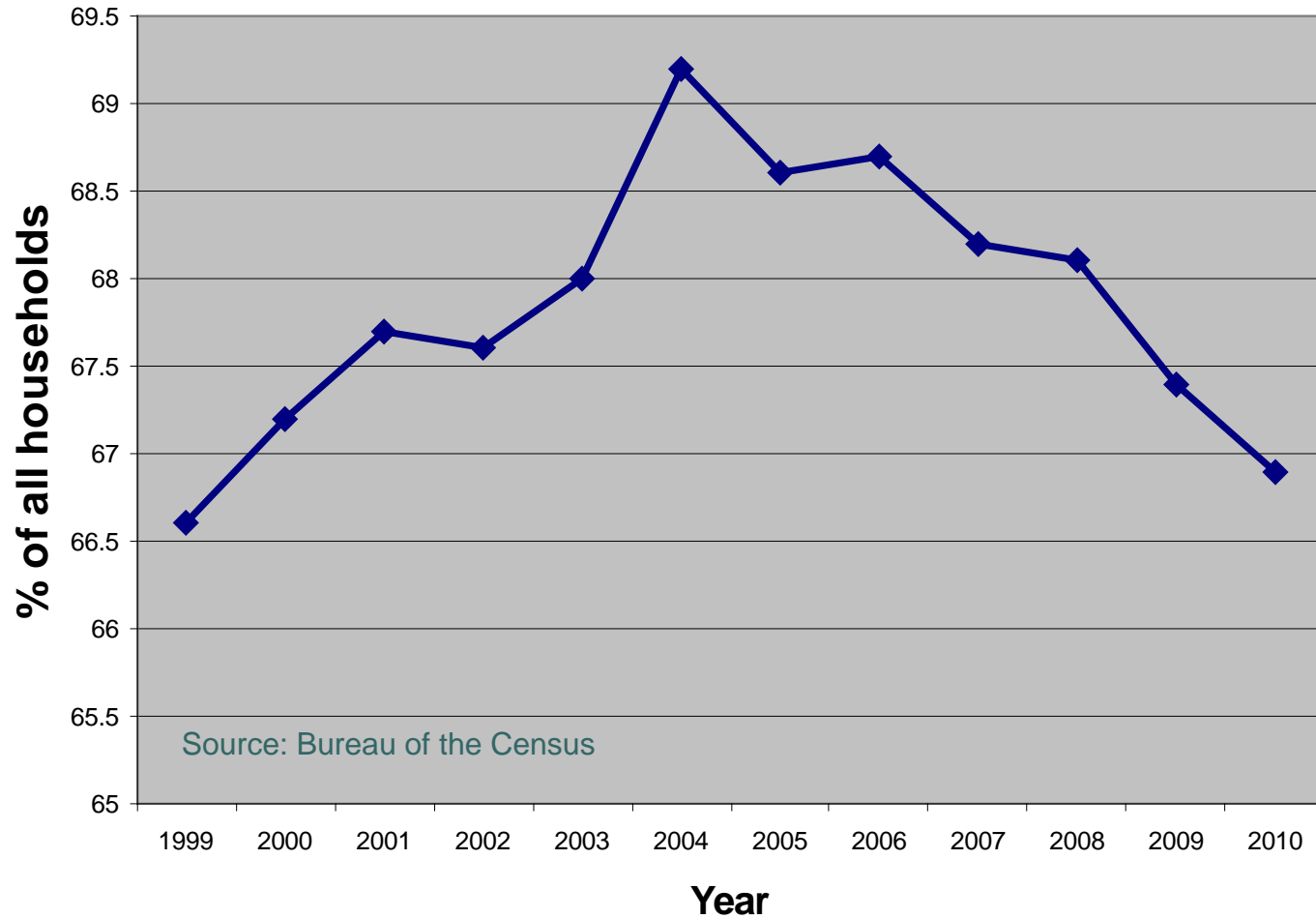
Source: Mortgage Bankers Association Year/Quarter

# New housing production fell

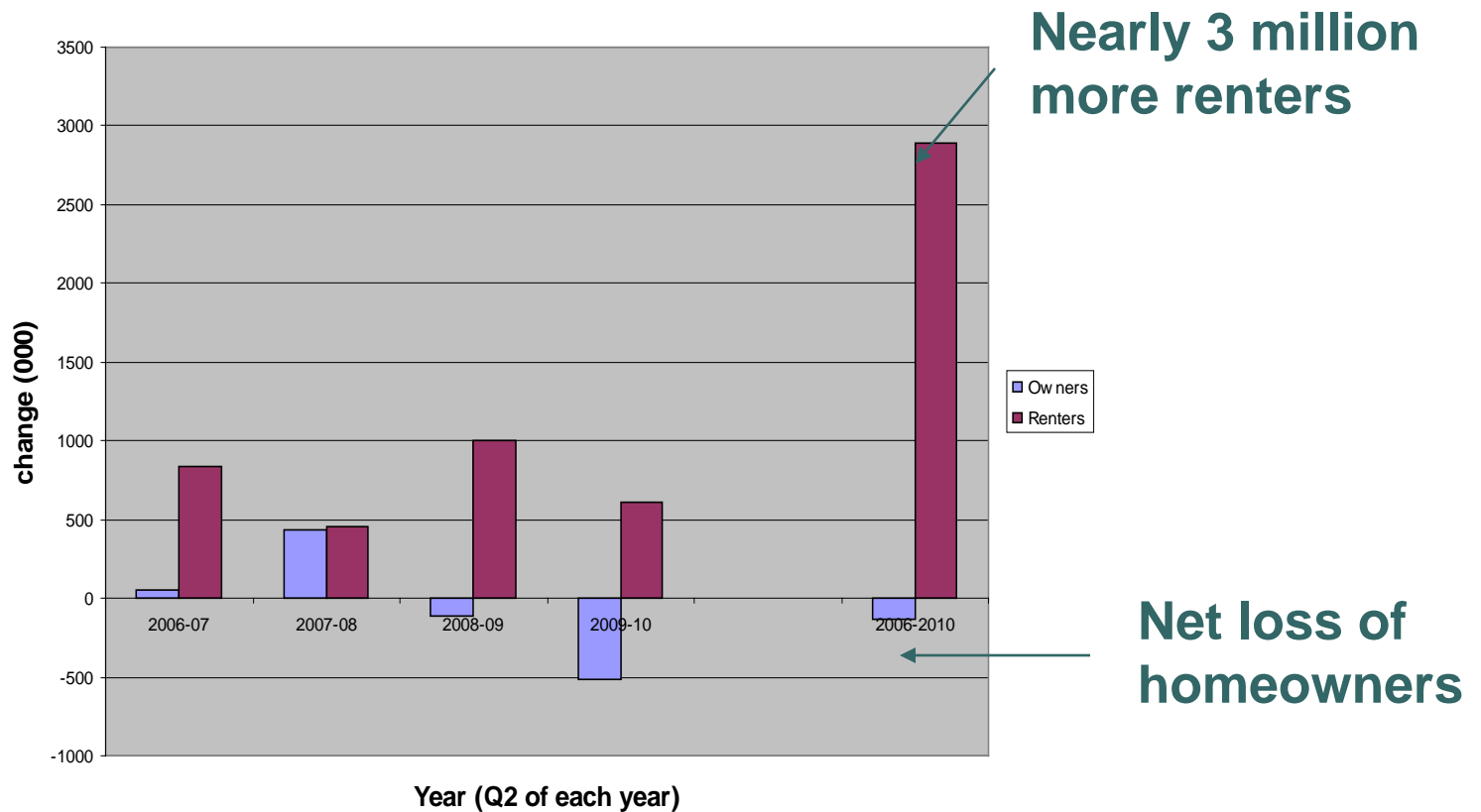




# Homeownership rates have declined

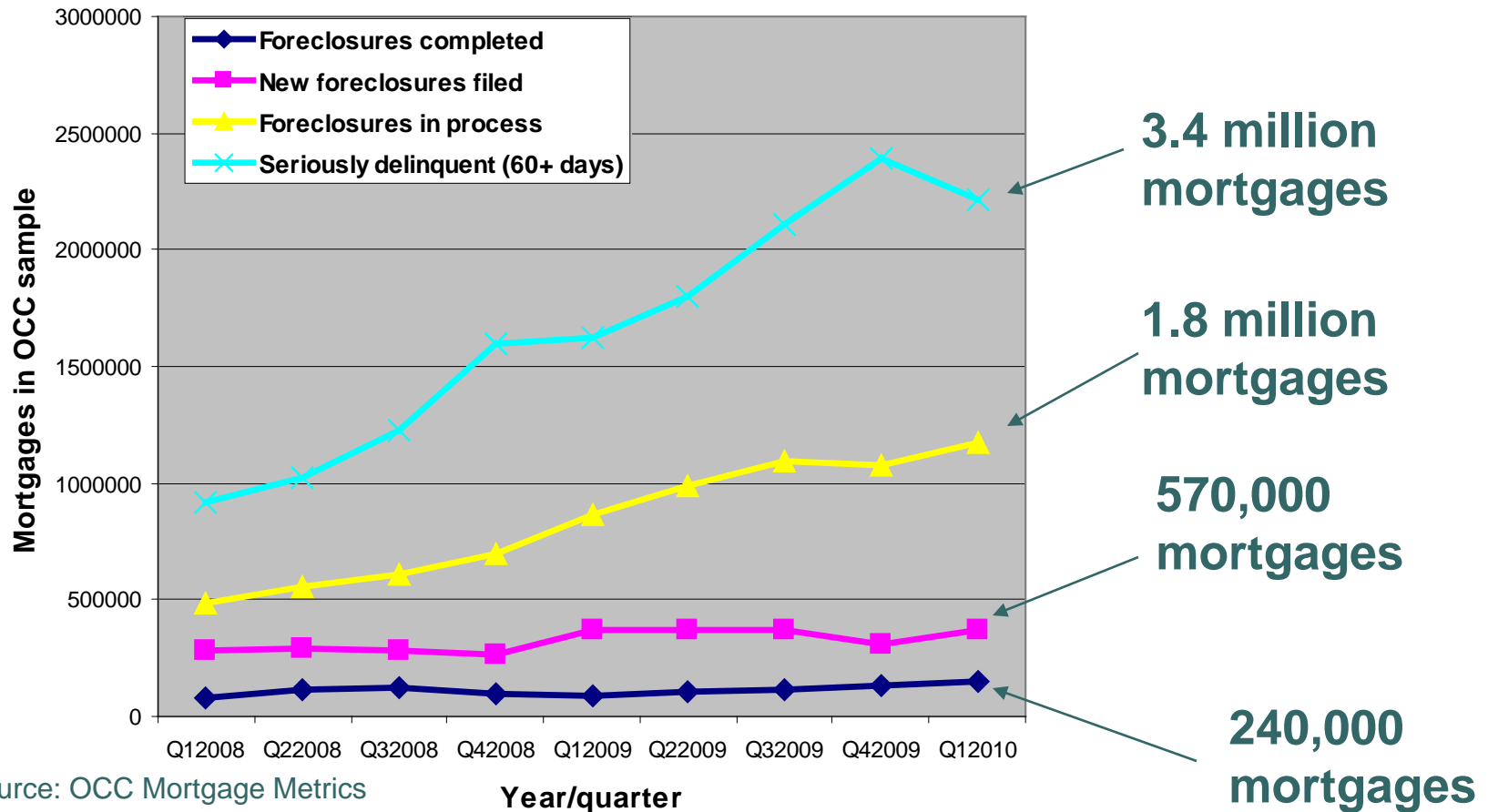


# Tenure patterns have shifted significantly



Source: Bureau of the Census

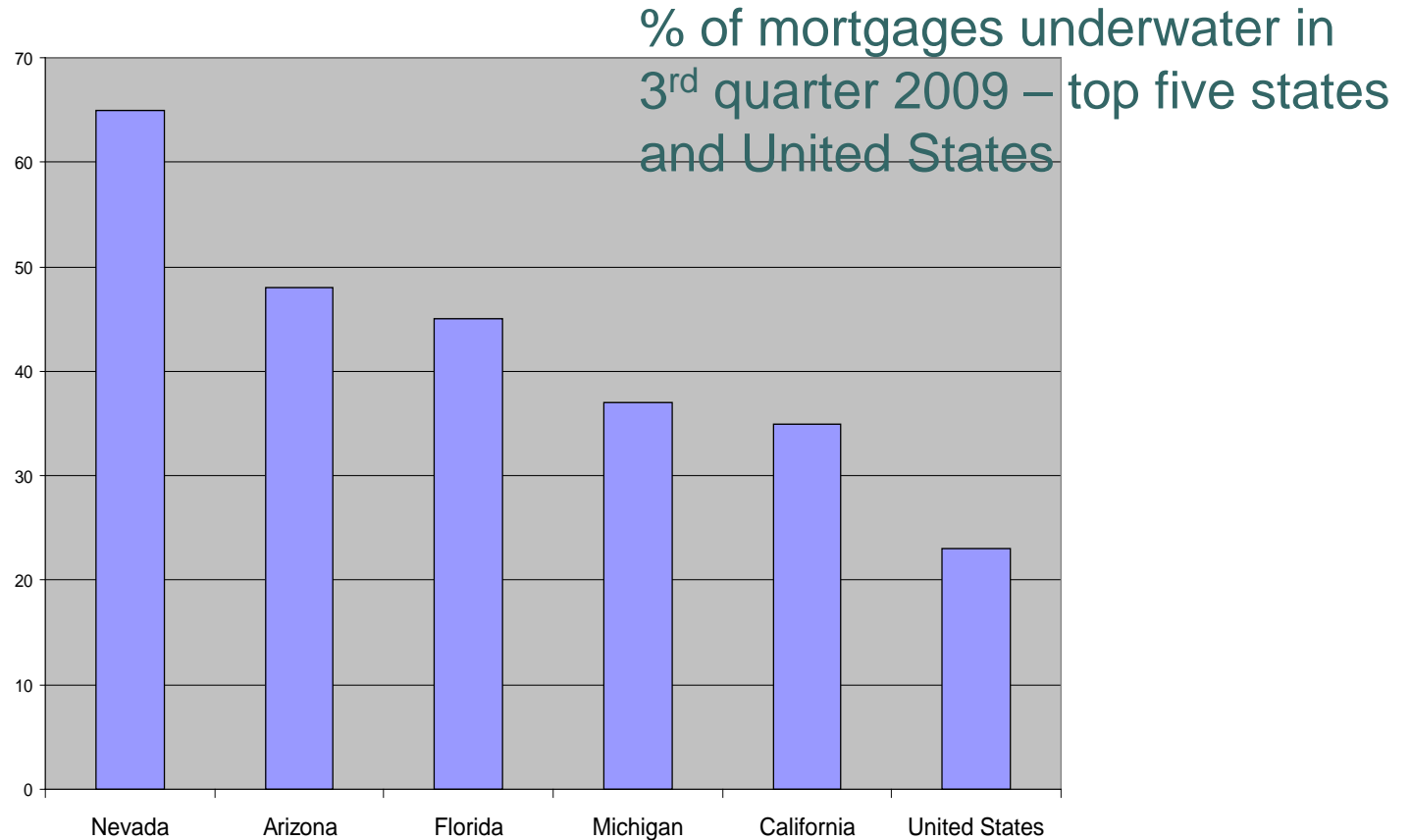
# the “shadow inventory” is growing



Source: OCC Mortgage Metrics

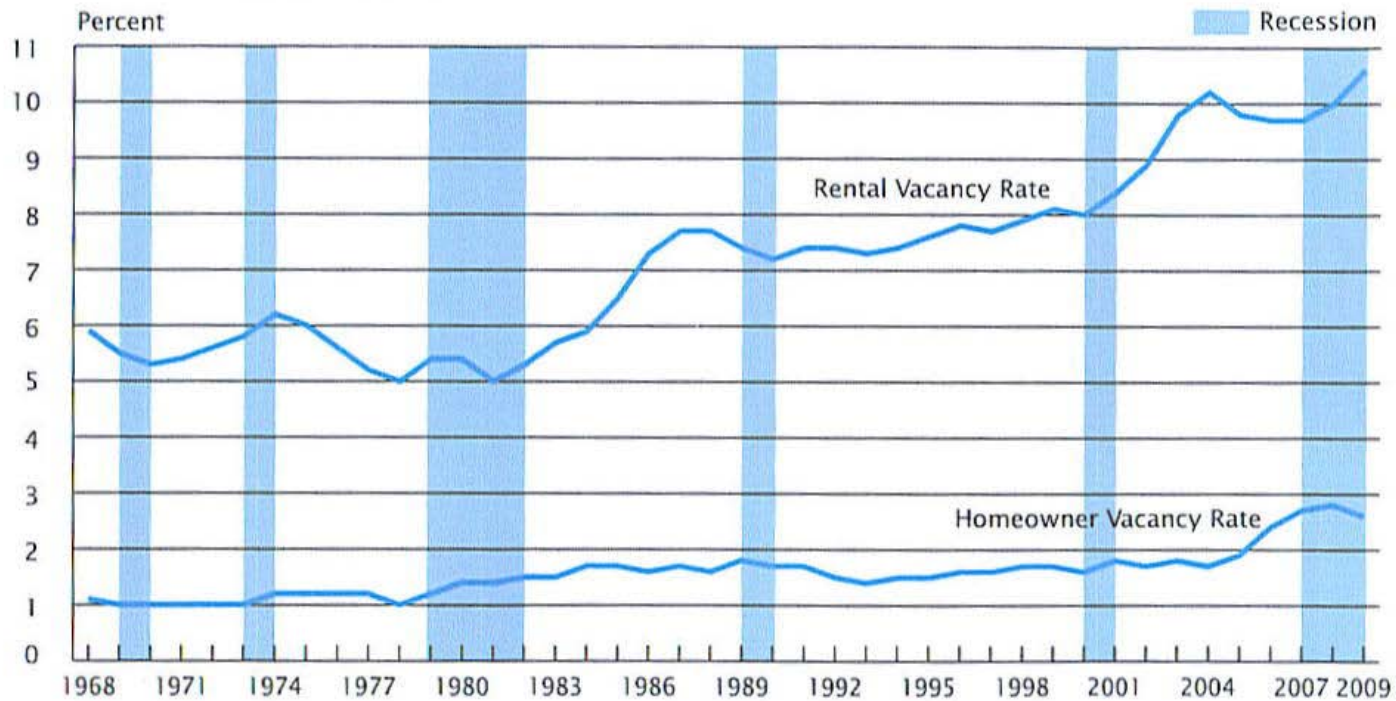


# Nearly 25% of all mortgages are underwater



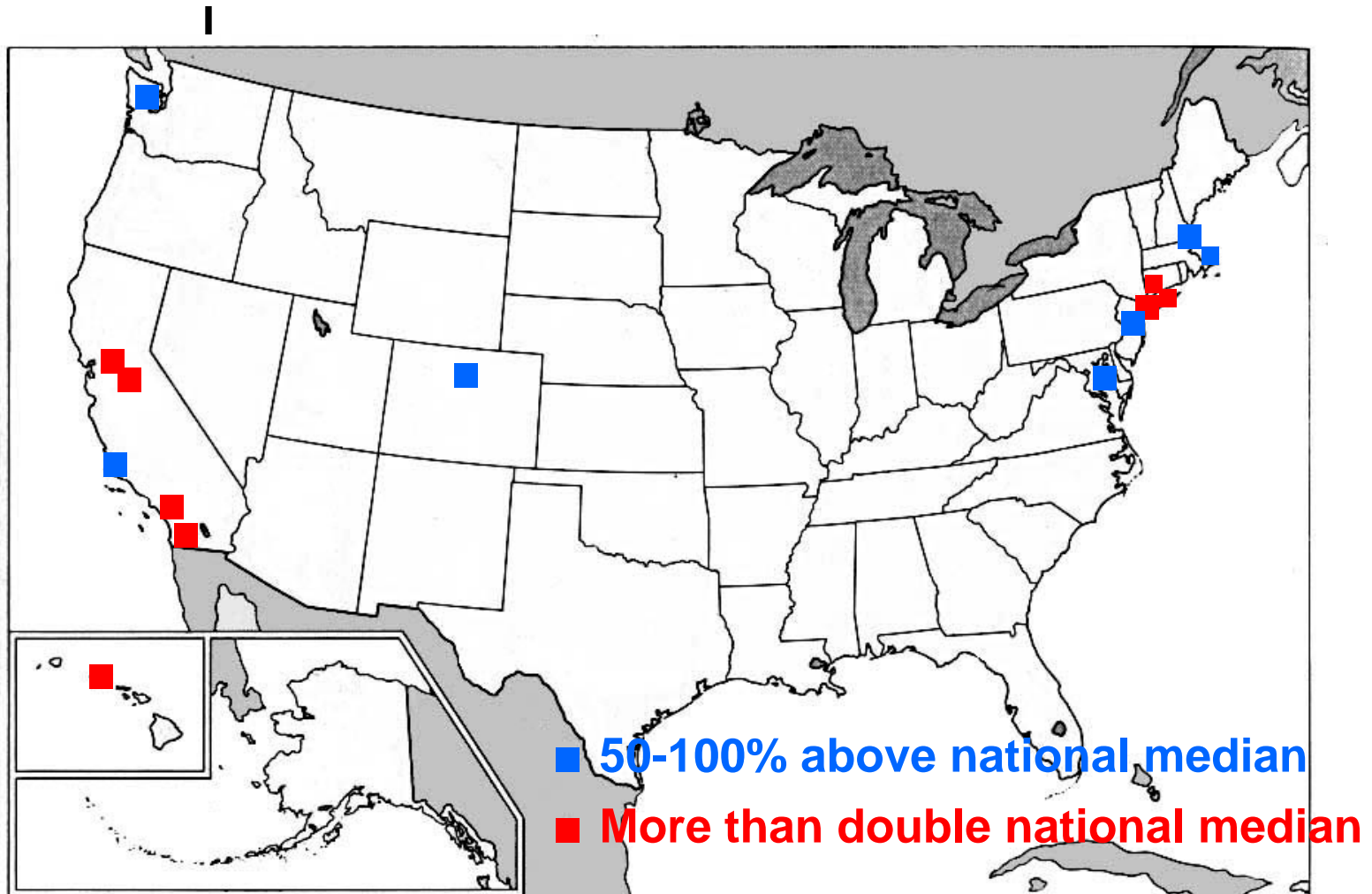
# Vacancy rates have risen and remain elevated

Figure 1.  
**Annual Rental and Homeowner Vacancy Rates for the United States: 1968-2009**



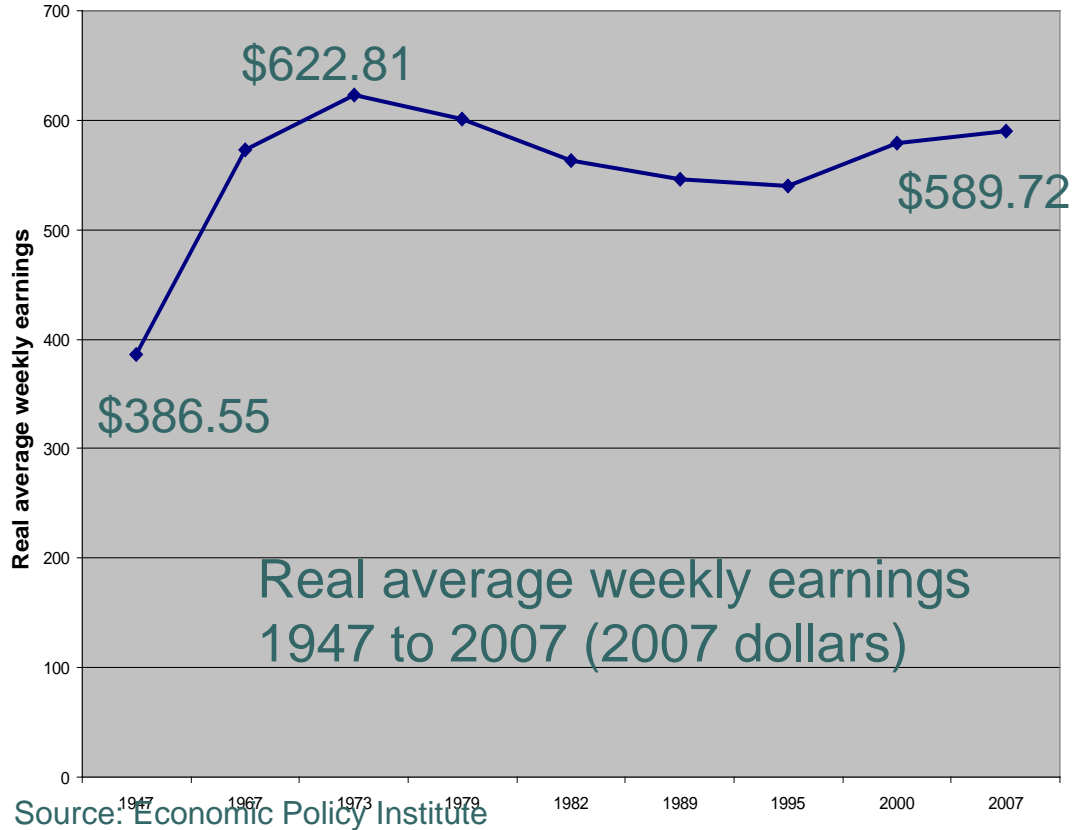
Source for Recession Data: National Bureau of Economic Research, Inc., 1050 Massachusetts Ave., Cambridge, MA.

# Housing is affordable almost everywhere

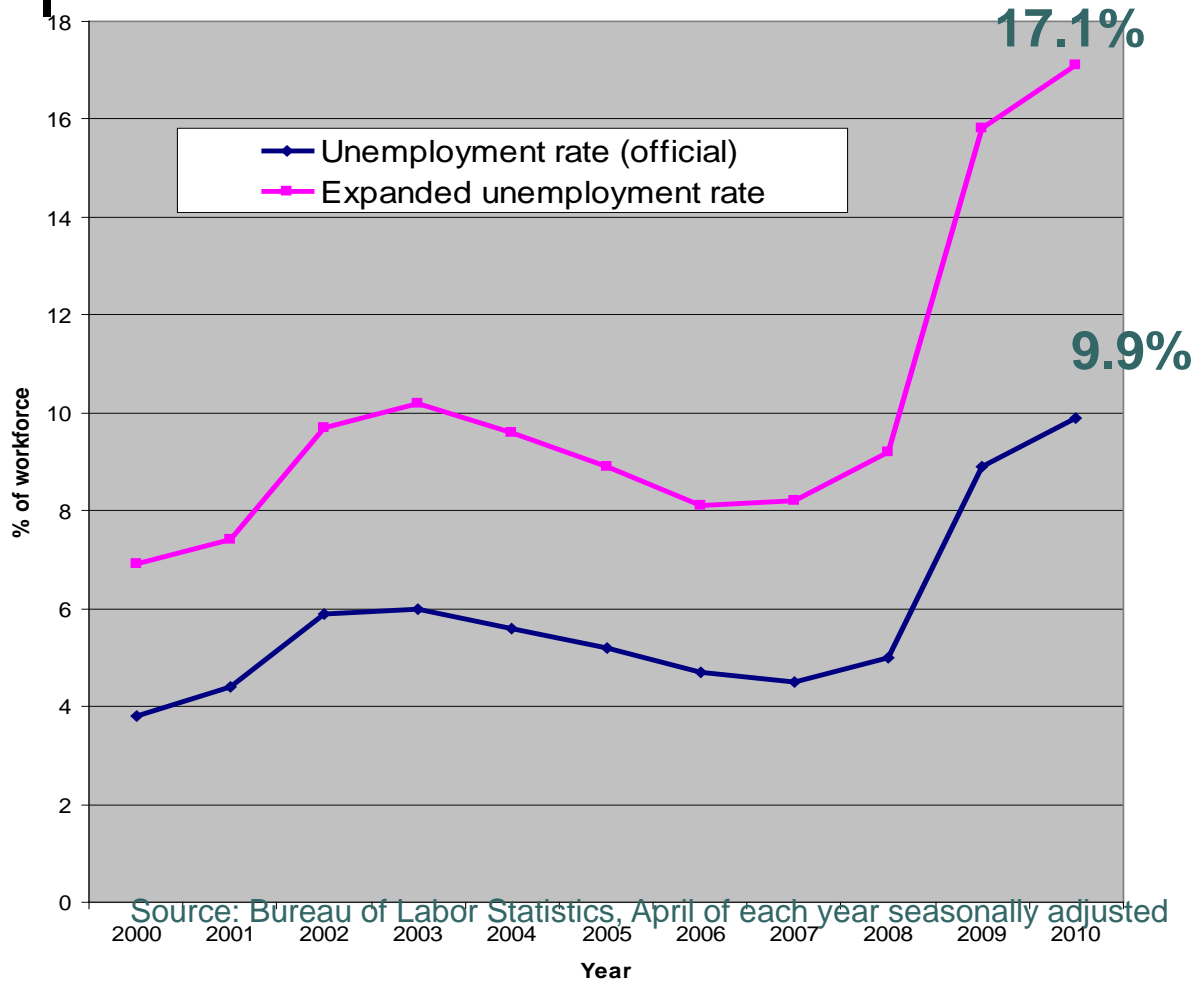


Source: National Association of Realtors, median sales price of existing single-family homes 2009

# Earnings have stagnated



# Unemployment rates are elevated

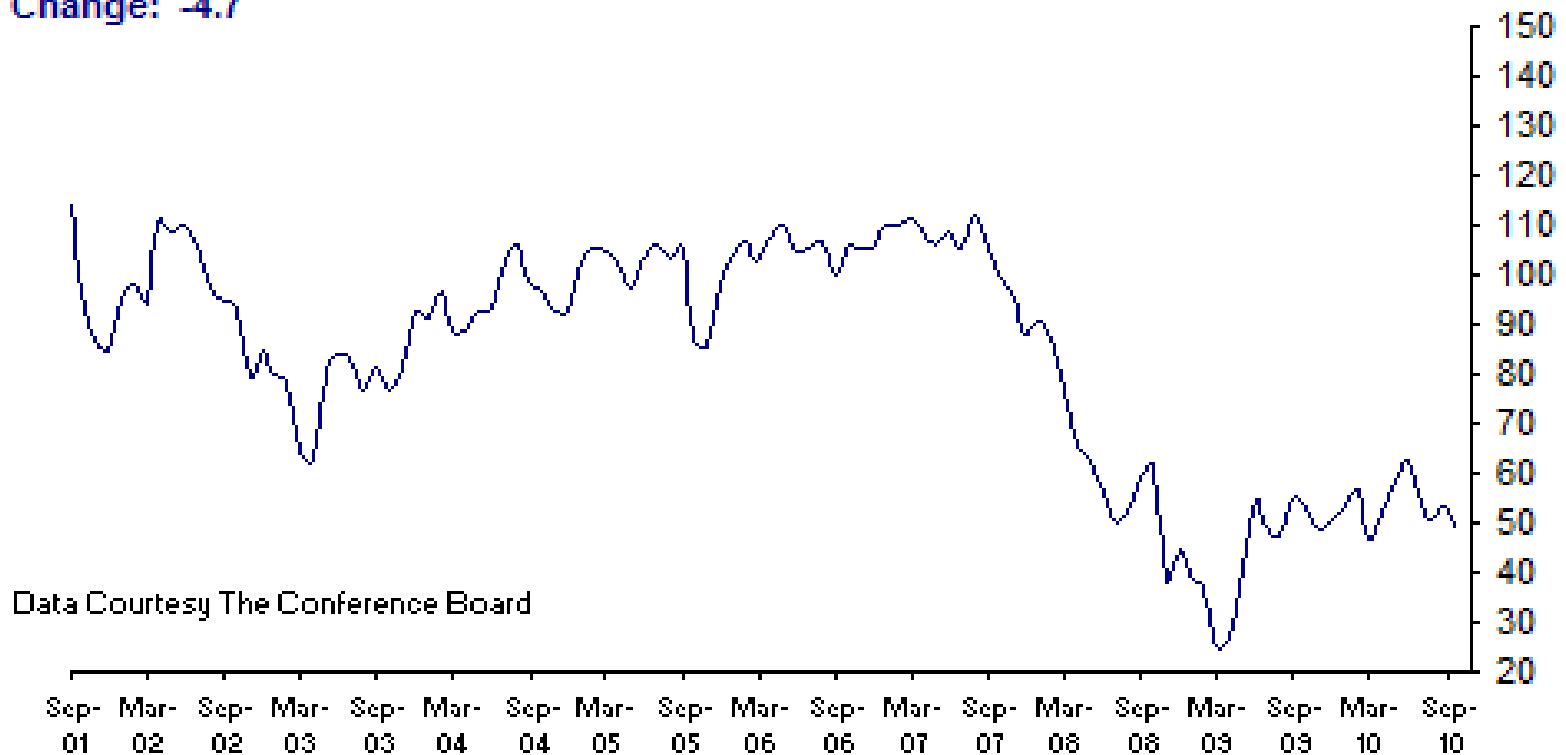




# Consumer confidence is at historically low levels

**Current Reading: 48.5**  
**Change: -4.7**

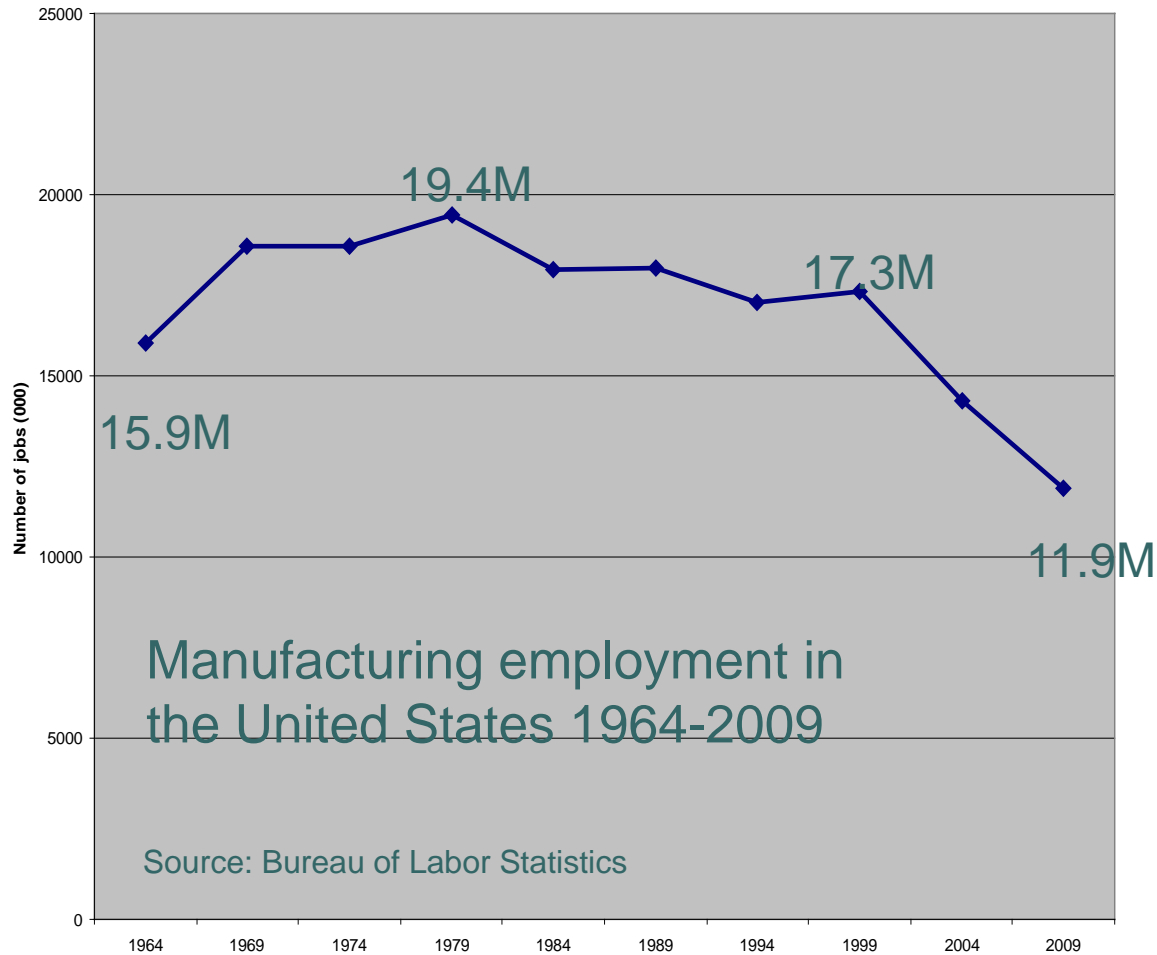
## Consumer Confidence Index



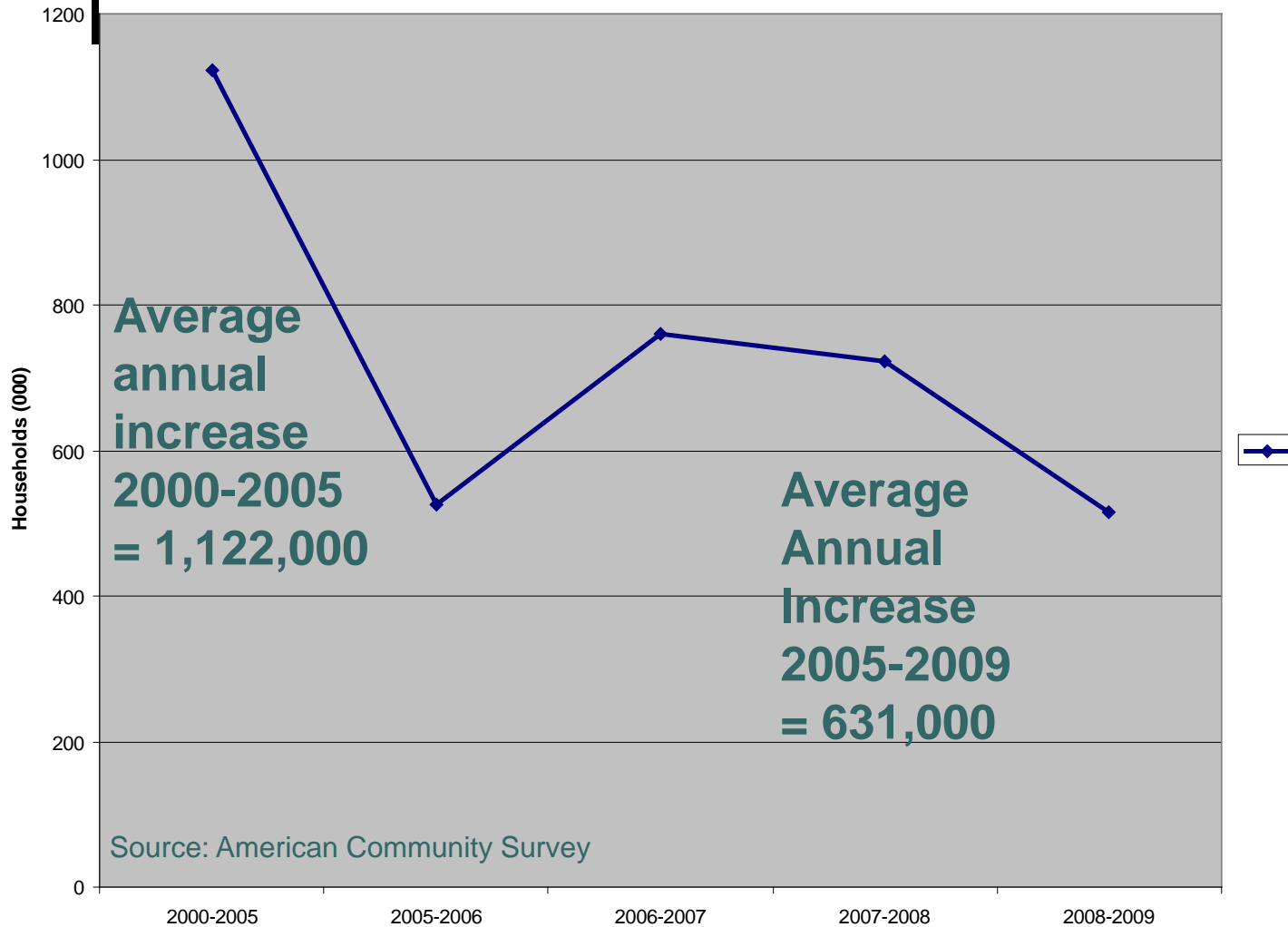
Data Courtesy The Conference Board

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# Manufacturing jobs are disappearing

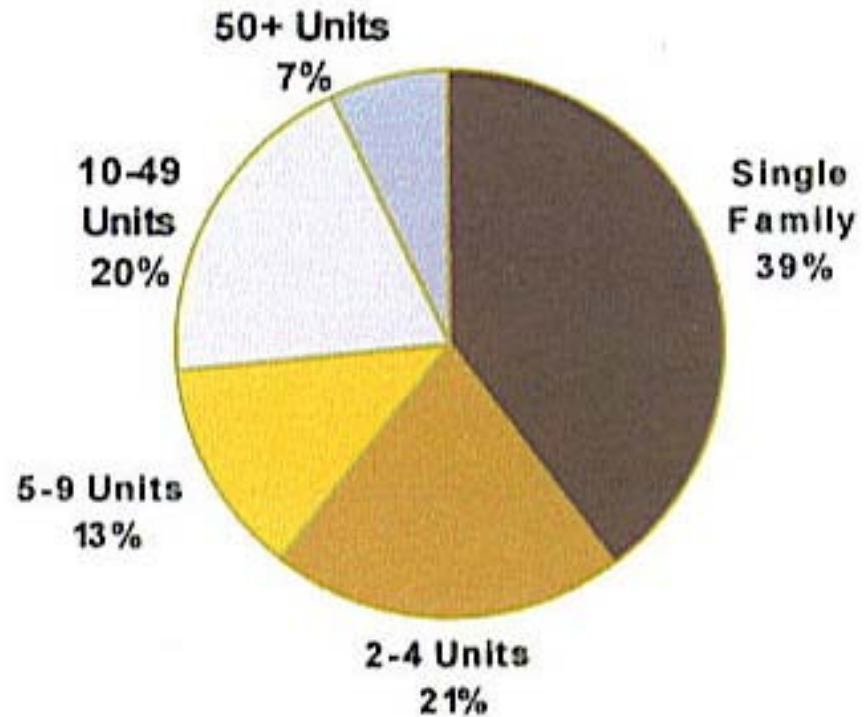


# Household formations have declined



# Where is the rental housing?

**Shares of Renters Living  
in Unsubsidized Units**



3/4 of all private market rentals are in 1 to 9 unit properties



# Who is the target population for affordable housing?

Category (Federal definition)	Income range	Income range in Las-Vegas MSA (family of four)	Affordable rental range	Household share
Low income	50 to 80% of median	\$32,501-\$52,000	\$800-\$1300 per month	16% of households
Very low income	30 to 50% of median	\$19,501-\$32,500	\$500-\$800 per month	11% of households
Extremely low income	0 to 30% of median	\$0-\$19,500	Under \$500 per month	13% of households

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