

Want Affordable Housing? Build Homes, Cut Government

Listen to enough politicians and it won't take long to hear about the lack of "affordable" healthcare, drugs, daycare, and housing. This was going on long before inflation returned after COVID. Everyone wants affordable things.

But the concept of affordability is made up of two components – the price of something and the income of the person who wants to possess it.

There are complicating factors in every market, so let's focus on one – housing. Almost everyone thinks home prices and rents are just too damn high.

Many blame this on greedy landlords and investment firms buying up apartments and homes. President Biden (prior to his withdrawal from the presidential race) said he wants to impose a form of national rent control on "corporate" landlords.

There should be no doubt that a typical home today costs much more relative to income than it used to. The median price of an existing single-family home that sold in 2022 was about \$390,000, which was 5.2 times higher than median household income of \$74,580 that year (the most recent year for which median income is available).

By contrast, back in 1968, the median price of an existing single-family home was only 2.6 times median household income. As recently as 2011, the bottom of the housing bust, the ratio was only 3.3 and even at the peak of the housing boom in 2005, the ratio was 4.7. No wonder so many people are finding housing hard to afford.

This is not due to greedy landlords and homebuilders. Government entities of all kinds restrict building and add

massive costs through regulation, which all limit housing supply. And don't forget the inflation caused by excess money printing. Many workers in the US have not seen their wages keep up.

On top of this the US has allowed massive immigration, which increases the demand for housing, while homebuilders have not built enough new homes for basically the last 15 years – since the housing bust of 2007-2009.

But the least talked about issue with affordable housing is the income side. Today, federal, state and local government expenditures, plus the cost of complying with government regulations take at least 50% out of the entire Gross Domestic Product of the United States.

In other words, working Americans, on average, are left with only 50% of what they earned. If government used that money to do things that were more productive than the private sector, we would all be better off. But government programs are less efficient. Elon Musk's SpaceX is massively more efficient than NASA ever was.

The more the government spends based on political priorities the less taxpayers can spend. And taxing Peter to give money to Paul makes it harder for Peter to buy a house, while Paul probably can't afford one either. Redistribution limits opportunity. The more the government grows, the less affordable housing becomes. And, yet, no one talks about it.

Ultimately, if populists want to address the problem of housing affordability, they need to give power to the people by letting them keep their earnings, while government stops giving money to people, while grabbing power for itself.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
7-31 / 8:45 am	Chicago PMI – Jul	45.0	43.1		47.4
8-1 / 7:30 am	Initial Claims – Jul 27	236K	236K		235K
7:30 am	Q2 Non-Farm Productivity	+1.8%	+1.7%		+0.2%
7:30 am	Q2 Unit Labor Costs	+1.8%	+2.7%		+4.0%
9:00 am	ISM Index – Jul	48.8	48.5		48.5
9:00 am	Construction Spending – Jun	+0.2%	+0.2%		-0.1%
afternoon	Total Car/Truck Sales – Jul	16.2 Mil	16.2 Mil		15.3 Mil
afternoon	Domestic Car/Truck Sales – Jul	12.6 Mil	12.6 Mil		11.9 Mil
8-2 / 7:30 am	Non-Farm Payrolls – Jul	175K	200K		206K
7:30 am	Private Payrolls – Jul	143K	163K		136K
7:30 am	Manufacturing Payrolls – Jul	-7K	-2K		-8K
7:30 am	Unemployment Rate – Jul	4.1%	4.1%		4.1%
7:30 am	Average Hourly Earnings – Jul	+0.3%	+0.3%		+0.3%
7:30 am	Average Weekly Hours – Jul	34.3	34.3		34.3
9:00 am	Factory Orders – Jun	-3.1%	-3.3%		-0.5%

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