

Housing Affordability Can Be Solved in This Generation



America's Rental Housing Supply

Total Housing Inventory: By Tenure

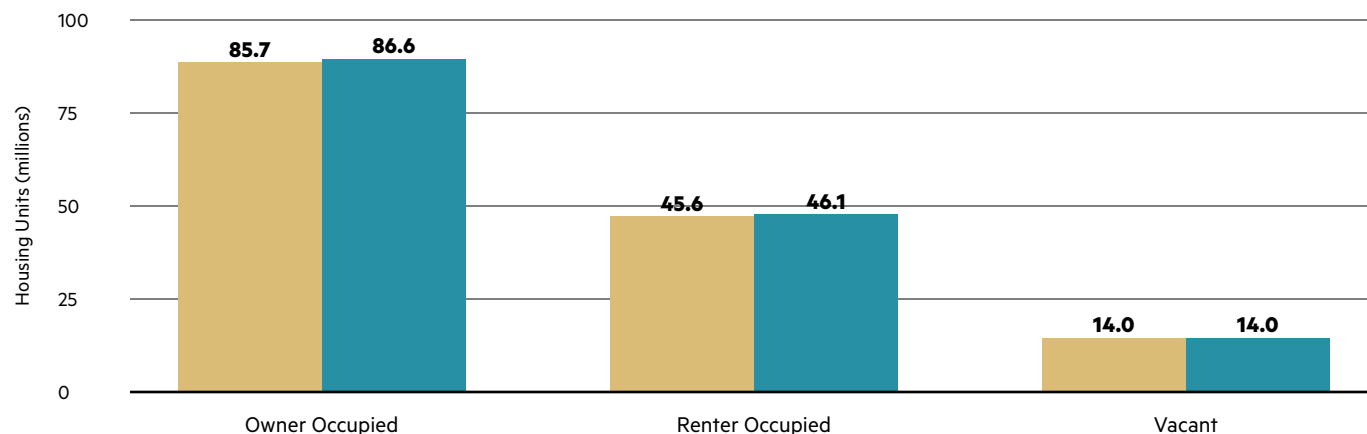
Rental housing is part of the broader U.S. housing system. Units are classified by tenure—whether they are owner-occupied or renter-occupied. In 2024, the U.S. had 147 million housing units: 87 million owner-occupied, 46 million renter-occupied and 14 million vacant.²⁷ Of the renter households, approximately half were rent-burdened, most at the lower end of the income spectrum.²⁸ Prices in the ownership and rental markets are linked: households that can choose between buying and renting weigh relative costs, shifting demand accordingly.²⁹ This can have an outsized effect for low income households. Since 2021 about 55 percent of newly completed housing has been built for sale, 27 percent for rent and 18 percent reported with no stated purpose ([Appendix Chart 1: Completions by Purpose](#)).

Housing Units in the United States by Occupancy Status

ACS 1-year comparison: 2023 vs 2024

FIGURE 2

■ 2023 ■ 2024



Source: U.S. Census Bureau, ACS 1-year (Tables B25002, B25003)

²⁷ Utilizing the U.S. Census ACS figures from 2024, the precise numbers are 86.6 million owner-occupied, 46.1 million for-rent and 14.0 million vacant. Different US sources, such as the Population Survey/Housing Vacancy (quarterly household survey of ~60k households) yield slightly different numbers, with HVS yielding a “tighter market” view due to exclusion of seasonal/second homes and actively marketed units.

²⁸ These figures are from 2024 ACS—see note 2. Our latest rent burden numbers from ACS are from 2022, which estimate 22.4 million rent-burdened households. Joint Center for Housing Studies of Harvard University, 2024.

²⁹ When purchase prices for homes are cheap enough that those with capital can make profits by purchasing homes and then entering them into the rental market, there is a dual effect on both for-sale and for-rent pricing and demand.

Total Rental Inventory: By Structure Type

Rental housing can also be classified by structure type: single-family homes, 2-4 unit buildings and buildings of 5+ units. Historically, single-family homes were predominantly owner-occupied, while many 2-4 family structures housed an owner in one unit and renters in the others. Large-scale rental housing providers have traditionally focused on (preserving or producing) multifamily buildings of 5+ units, but in recent years more housing providers have begun developing communities of single-family homes specifically as rentals. Today, the largest share of renter households live in 5+ unit buildings, followed by single-family homes and then 2-4 unit buildings. Because household sizes differ, the number of residents in single-family rentals is roughly equal to those in 5+ unit buildings. In this report: “all rental housing” refers to single family, 2-4 units and 5+ unit structures; “multifamily” refers to 2+ unit structures; and “apartments” refers to 5+ unit buildings. While this analysis is primarily framed around apartments, the same policies examined in this report also affect single-family rentals and can shift a portion of the single-family inventory toward rental use.

What Type of Structure Do Renters Live in?

CHART 2

STRUCTURE TYPE	HOUSEHOLDS	PERCENT	RESIDENTS	PERCENT
Single-Family	14,392,315	31	40,793,042	39
2 to 4 Units	7,937,709	17	17,753,545	17
5 or More Units	22,008,628	48	41,242,173	40
Mobile Homes	1,700,948	4	4,392,093	4
Other	62,030	0	119,813	0
Total	46,101,640	100	104,300,666	100

Source: 2024 American Community Survey 1-Year Estimates, U.S. Census Bureau, Tables B25032 and B25033. As of 02/2026

Total Housing Production

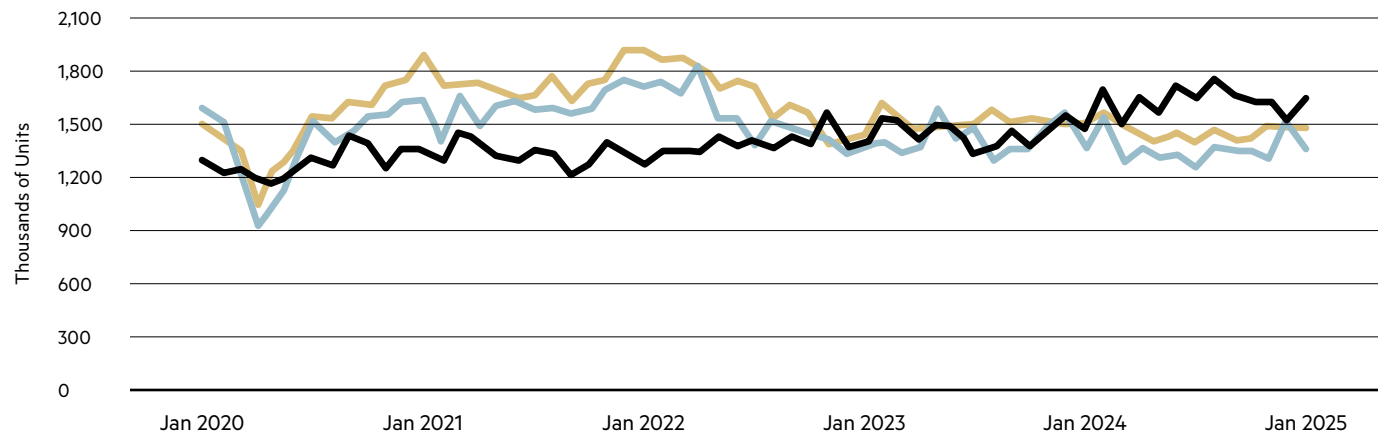
The U.S. housing market has historically relied on private development to meet demand across all income levels and tenures. On average, private developers have produced 1.2-1.5 million housing units per year—almost entirely market-rate. By contrast, only about 89,000 subsidized affordable rental units are added annually (see next section).³⁰ The peak year for housing production was 1973, when 2.1 million units were built. At the low point, output fell to about 600,000 (total housing) units ([Figure 1: U.S. Housing Production vs Rent Burden](#)). These figures include both rental and for-sale housing, across multifamily (2+) and single-family structures. Over the last 20 years, multifamily housing (2+ unit) construction has fluctuated from under 100,000 units per year to a recent peak of about 600,000 per year. The amount of multifamily housing units produced is directly related to the economics of production ([Housing 101: Cost Impacts to Feasibility](#)). In some markets, this production yields new units that offer contract rents that are affordable without subsidy, what we call in this report [Naturally Occurring Affordable Housing](#).

³⁰ The average from number of LIHTC units placed in service in any given year for the entire U.S. from 1990-2022 was 89,000. National Housing Preservation Database as quoted in Jaffe, 2025.

New Residential Construction (Seasonally Adjusted Annual Rate)

FIGURE 3

■ Permits ■ Starts ■ Completions

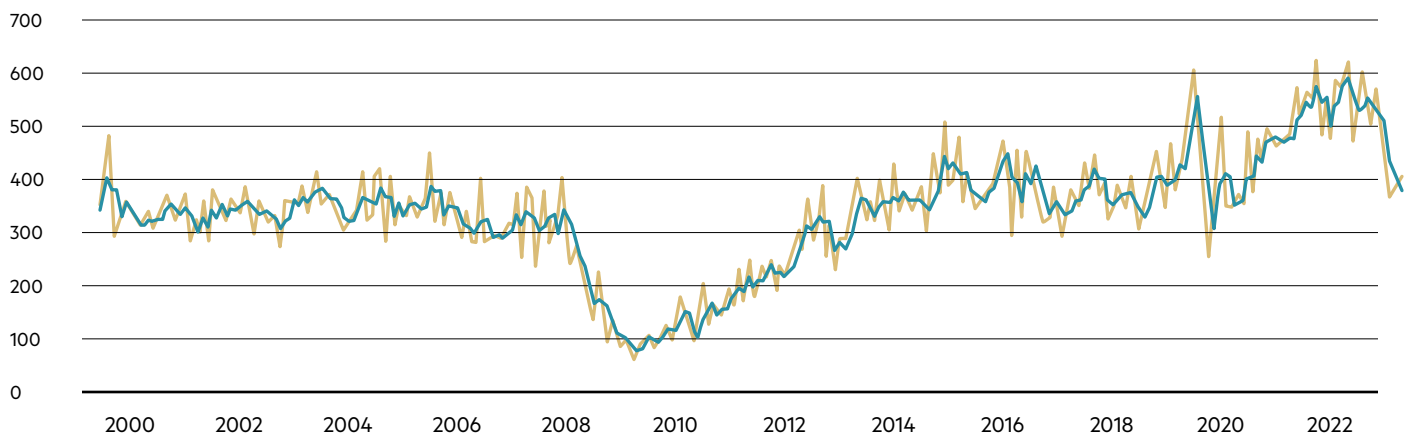


Source: U.S. Census Bureau, HUD, February 19, 2025

Annualized Multifamily Units (Thousands, Seasonally Adjusted)

FIGURE 4

■ Monthly Starts ■ Average Starts (3-Month Trailing)



Note: Data are for buildings with at least two units and are through October 2023
Source: JCHS Tabulations of US Census Bureau, New Residential Construction data

Affordable Housing Production

Government expands Capital A Affordable rental housing supply by lowering rents through capital and/or operating support ([Housing 101: Definitions](#)). The main Capital A Affordable supply tools are:

- Low-Income Housing Tax Credits (LIHTC),
- Project-Based Section 8 (PBV and PBRA),
- Section 236, and
- Public housing

The [Affordable Housing Glossary](#) explains each of these more fully.

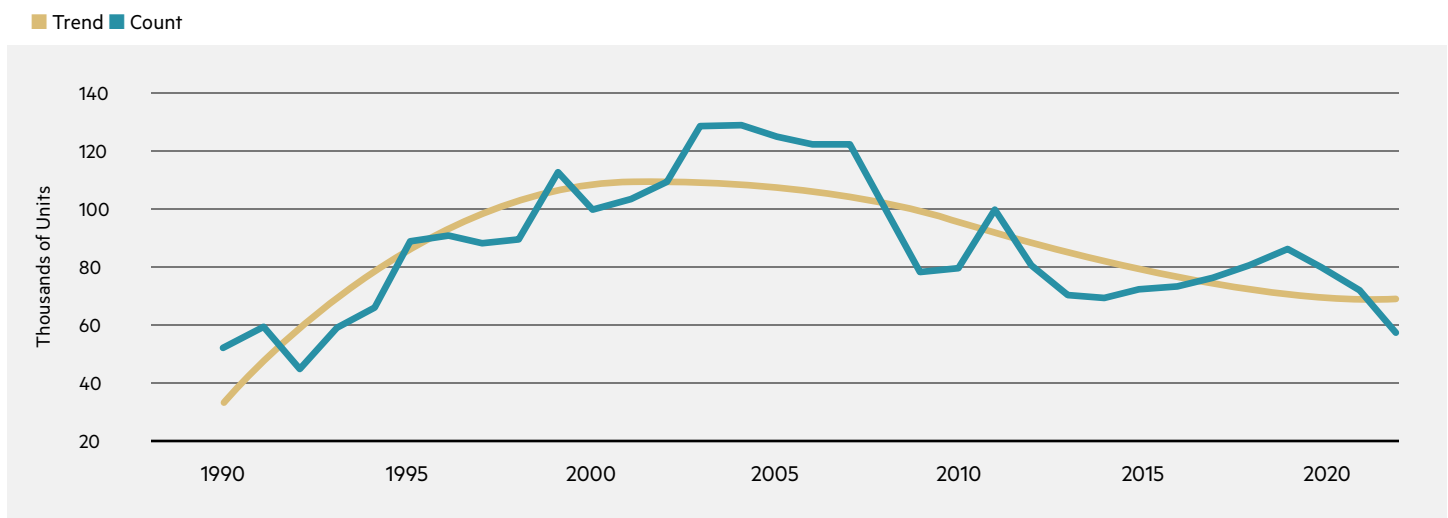
LIHTC is now the largest source of new construction funds for Capital A Affordable rental housing in the country.³¹ As the dominant production program for Affordable rental housing, LIHTC has financed about 3.7 million affordable rental units since 1986 according to most recent HUD data³² and added on average 89,000 apartments annually.³³

Project-Based Section 8 is a Capital A Affordable program that prioritizes production subsidy (supply side). Project Based Rental Assistance (PBRA), authorized in 1974, supported new construction of 850,000 units, peaking at 150,000 new units per year before the program was ended. Today there are 1.2 million legacy PBRA units that receive annual funding of roughly \$15 billion. PBV was first used in 2000, and grew slowly to 200,000 units by 2024, mostly through public housing conversions rather than new private builds. PBV is supported by \$2-3 billion of annual funding.

Section 236 (1968) subsidizes private multifamily rental housing for low-to-moderate income families through interest rate reduction payments that lowered mortgages to 1.0 percent. Private developers borrowed through FHA-insured or state HFA loans at market-rates, with HUD paying the difference to make the effective rate 1 percent in exchange for rental reductions to rates that would be no more than 30 percent of resident income. This program produced 544,000 units across a 10 year period. Many of these units now have loan maturities forthcoming, raising the need for further subsidy to enable preservation.³⁴

New Rent-restricted LIHTC Units (U.S., 1990-2022)

FIGURE 5



³¹ Gyourko, 2023.

³² LIHTC totals vary depending on methodology. HUD's property-level database reports 3.7 million housing units placed in service between 1987 and 2023, while the ACTION Campaign reports 4.13 million homes developed or preserved since 1986; the difference reflects whether a source counts only placed-in-service units or also includes preservation and rehabilitation (U.S. Department of Housing and Urban Development, Office of Policy Development and Research, 2025; The ACTION Campaign, n.d.).

³³ Jaffe, M., & Ingram, D. (2025) calculated the chart based on data from the Public and Affordable Housing Research Corporation and National Low Income Housing Coalition, National Housing Preservation Database. The gray shading indicates official periods of recession as identified by the National Bureau of Economic Research. The trend is calculated using a third-order polynomial regression, which accounts for the nonlinearity of the trend.

³⁴ Von Hoffman, 2016.

Public housing in the United States began with the 1937 Housing Act. The Housing Act initially funded local public housing agencies (PHAs) with \$500 million in federal capital to build units for low-income families, which led to the construction of about 150,000 units by the early 1940s (completions were typically under 25,000 per year). The program’s inventory peaked in the mid-1990s at ~1.4 million units with annual federal funding of \$6–7 billion (inflation-adjusted) that was primarily operating funding—the building boom ended before 1990 and a moratorium on new public housing construction was instituted in 1996. By 2025 the inventory had declined to 810,000–850,000 units supported by ~\$8 billion in operating subsidies, due to chronic underfunding, aging infrastructure and HOPE VI demolitions (over 260,000 units razed/replaced 1992–2010).³⁵ Programs like RAD (2012) and PACT (2023) have accelerated the conversion of distressed public housing to Project Based Section 8 (PBRA or PBV), transferring over 200,000 units from public housing to PBRA/PBV—this reduces public housing counts in the data while total subsidized Capital A Affordable unit supply remains relatively stable (relative to this delta only).³⁶

Housing Production Has Declined

Since 2005, the U.S. has only once delivered more than 1.6 million new housing completions in a year ([Appendix Chart 1: Completions by Purpose](#)), even as the population has continued to grow. The result has been a steady rise in rent-burdened households—now above 50 percent—closely tracking the decline in private housing production relative to population ([Figure 1: U.S. Housing Production vs Rent Burden](#)). Multifamily housing has borne the steepest drop: since 1973, completions of 2+ unit buildings have fallen 33 percent, from 903,000 to 608,000 annually, compared to a 15 percent decline in single-family completions (Chart 3: Completions by Structure Type right). Over the same period, new development costs in many markets have risen three- to twenty-fold, further straining affordability.

Completions by Structure Type

CHART 3

BUILDING TYPE	NUMBER OF UNITS COMPLETED	
	1973	2024
Single-Family	1,197,200	1,019,000
2-4 Family	123,500	17,000
5+ Family	779,800	591,000
Total	2,100,500	1,627,000

Subsidized Production Is a Fraction of the Supply

Subsidized production (Capital A Affordable housing supply) represents an estimated 14.3 percent of the overall rental occupied supply. Even with a well-established infrastructure and industry surrounding the creation of subsidized housing production, LIHTC-financed units make up about 8 percent of today’s rental inventory, and affordability restrictions eventually expire unless renewed with additional subsidy.³⁷ Project-Based Rental Assistance (PBRA) preserves affordability for about 1.3 million households but since 1990 rarely adds new units. Public housing adds roughly another one million units, some of which are being converted to Project Based income assistance. Taken together, subsidized housing supply is significant, but the highest production years of Capital A Affordable production hover below 200,000 new rental units per year (a fraction of market production). The proposed scenario in this report relies on subsidized production on the demand and supply side—we propose more than doubling this amount through increased LIHTC rental units (80,000/year), new public housing rental units (75,000/year) and expanded income assistance (tenant-based and project-based) of 235,000/year ([Executive Summary](#)). These are achievable numbers based on the history of the Capital A Affordable programs described above. Yet they are also extremely aggressive numbers when evaluating the expected increase of public sector fiscal impact of income assistance. However, if these numbers were achieved, significantly more supply would be needed to hit our goal.

Capital A Affordable as a Percentage of Total Rental Supply

CHART 4

	TOTAL RENTAL UNITS	% OF RENTALS
Public Housing (Including PBV conversions)	1,100,000	2.5%
Section 8 Public Based Rental Assistance (PBRA)	1,300,000	2.9%
Section 236 (Interest Rate Subsidy)	544,000	1.2%
LIHTC	3,410,756	7.7%
Rental	38,097,244	85.7%
Total Renter Occupied	44,452,000	100%

³⁵ HOPE VI (Housing Opportunities for People Everywhere) was authorized in 1992 as a HUD program launched in 1992 to demolish and replace distressed public housing with mixed-income developments, deconcentrating poverty and improving site design. It demolished 260,000 public housing units across multiple sites but only replaced them with 100,000 mixed-income units, displacing many residents. HOPE VI explains a 15 to 20 percent share of overall public housing decline in inventory since the 1990s peak. JCHS, 2025 and Von Hoffman, 2024.

³⁶ Von Hoffman, 2024.

³⁷ Differences between LIHTC supply and LIHTC production noted earlier in the report is due to the expiration of regulations governing LIHTC units. Jaffe (2025) highlights unprecedented numbers of LIHTC units reaching scheduled expiration dates, with roughly one-third of all currently active LIHTC units set to expire by 2035.

“Lowercase a” Affordable Housing: The Market’s Critical Role

In 2012, there were over 9.3 million market-rate apartments with contract rents below \$600, which represent apartments affordable to the 26 percent of renters with incomes under \$24,000. The entirety of the Affordable housing rental stock consisting of LIHTC rental units and public housing consisted of less than half of that amount by 2022—and during that same period 2.1 million of these market-rate apartments had been lost. In fact, market-rate development has produced the majority of the nation’s “lowercase a” affordable rental supply, compared to only about 14 percent created through Capital A Affordable subsidized programs such as LIHTC, Project-Based Section 8 (PBRA and PBV), Section 236 and public housing. Some market-rate supply offering higher contract rents is made affordable through public–private partnerships in which government provides income assistance to help households rent market-rate units. The remaining affordable supply emerged without subsidy, in local markets where regulatory conditions and construction costs allowed Naturally Occurring Affordable Housing (NOAH) to form. This distinction is critical: Capital A Affordable production programs remain essential for subsidy-dependent households, but they account for only a fraction of total supply. The private market—when conditions permit ([Local Policy Effects Housing](#))—creates far more affordable units (“lowercase a”) than government programs alone (Capital A). Preserving and expanding this unsubsidized stock of NOAH is therefore just as important as growing the subsidized inventory.

How Supply Shortfalls Drive Costs, Reduce NOAH and Weaken the Economy

- **A reduced supply of new housing pushes both rents and home prices higher.**³⁸
- **Rents are rising faster than incomes**—in 2022, median rents were 21 percent higher than in 2001, while renters’ incomes rose just 2 percent during the same period.³⁹ This national statistic both showcases and disproportionately impacts the lowest income renters. For some, this gap between wage and rents is insurmountable without income assistance.
- **The U.S. is short millions of housing units.** Research for NMHC and the National Apartment Association (NAA) projects a need for 4.3 million more apartments—roughly 266,000 per year—to meet demand from 2022 to 2035.⁴⁰ Exact figures vary by region, but the message is clear: large-scale construction is essential to restore balance in the rental market.⁴¹ The number 4.3 million should not be seen as a fixed target, but as a rough benchmark to frame the magnitude of the supply need.⁴²
- **Rising development costs push providers to upgrade or repurpose older properties rather than build new affordable units** ([Cost Drivers](#)). This accelerates the loss of “lowercase a” affordable housing (NOAH) as modestly priced units are repositioned at higher rents through “reverse filtering”. Each lost NOAH unit increases pressure on Capital A Affordable programs like LIHTC and PBRA, which are limited in scale.⁴³
- **The impacts extend beyond housing.** In 2024, housing accounted for 16 percent of U.S. GDP, including both residential investment and housing-related consumption. Apartment construction contributed \$191 billion and supported 960,000 jobs. When housing supply falters, the effects ripple outward—slowing job creation, curbing consumer spending and weakening local fiscal health.⁴⁴

In sum, supply shortfalls threaten both housing affordability and the broader economy. Expanding supply is not only housing policy—it is economic policy.

³⁸ In 2023, real rents—adjusted for inflation—rose 3.8%, the largest increase since at least 2011. Pew Research Center, 2024. The Federal Housing Finance Agency’s state-level house price indices have increased for every U.S. state and the District of Columbia, by anywhere from 22.6% (D.C.) to 82.3% (Maine) between the second quarters of 2019 and 2024. Among the nation’s 100 largest metro areas, Miami-Miami Beach-Kendall in Florida had the biggest five-year increase in its house price index between the second quarters of 2019 and 2024: 95.0%. For comparison, the [Consumer Price Index](#)—which measures price changes for a broad range of consumer goods and services—rose 22.8% overall between September 2019 and September 2024.

³⁹ Joint Center for Housing Studies, 2025.

⁴⁰ <https://weareapartments.org/data>

⁴¹ Ibid.

⁴² See note 11 and corresponding discussion in Executive Summary for further detail.

⁴³ Office/retail conversions are an emerging but potentially countervailing force in some markets. When NOAH is possible, or by-right incentives are available, conversions can hit thresholds of affordability for middle- and low-income renters.

⁴⁴ <https://weareapartments.org/data>.

Demand: How Many Housing Units Are Needed to Solve the Rental Affordability Crisis

How Many Rental Units Do We Need?

The U.S. faces two distinct rental affordability crises. For many households, market-rate housing is priced beyond reach, and the solution lies in expanding supply to bring costs down. For others, incomes are so low that no amount of market production will make housing affordable without subsidy. To size the total need, we must first be clear on the nature of the problem.

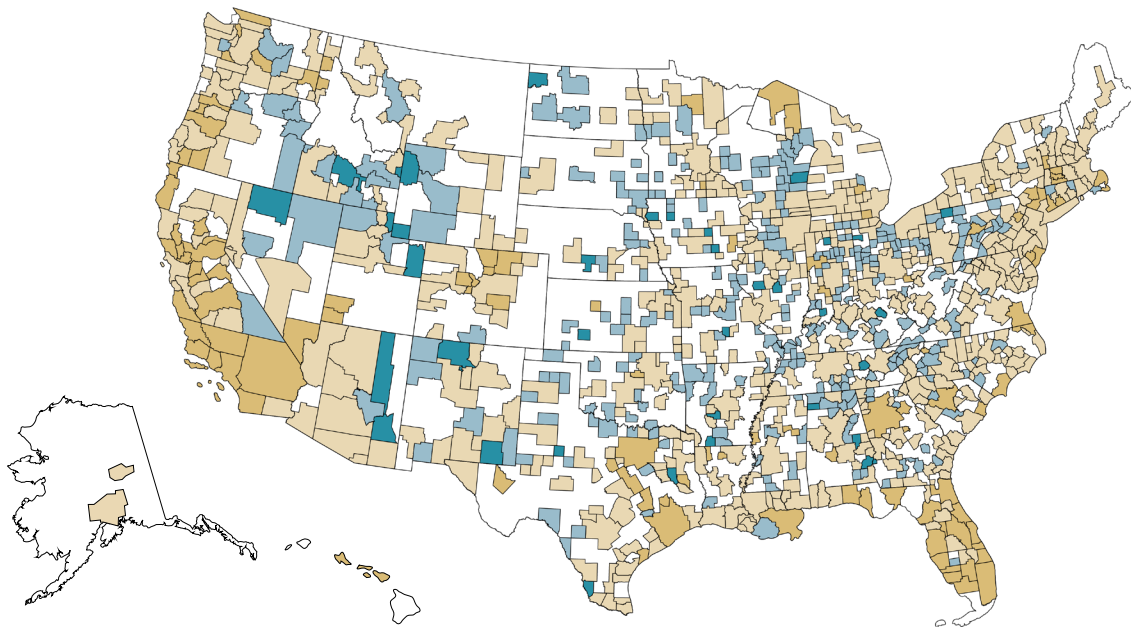
Overall Need: 22.4 million Units

From a demand perspective, the starting point is household income, measured against the 30 percent “Rule of Thumb” for affordability ([Affordable Housing 101: Income Limits](#)). U.S. Census Rent Burden data allows us to divide renter households (as opposed to the supply of rental units) by how their income compares to the rent they pay (See figure below).⁴⁵ This framing underscores that affordability must be measured against what households can pay, not just how much housing is produced.

Rent Burden by Area (≥30%)

FIGURE 6

■ 20-29 ■ 30-39 ■ 30-49 ■ 50 and Over



Source: U.S. Census Bureau, American Community Survey (ACS) 5-year estimates, Table B25070 (2024). CBSA boundaries (Metro+Micro) and State boundaries: TIGER/Line 2024.

Market-Rate Supply-Side Can Provide 4.3 million New Units

In the previous section, we estimated market demand for new supply at about 4.3 million units. The potential inability to meet this market demand is driven primarily by [local regulatory cost drivers](#), addressed later in the report. If those costs are reduced, more housing can be built, pushing prices toward the marginal cost of production ([Housing 101: NOI](#)). Greater supply would place downward pressure on rents and reduce the number of rent-burdened households, particularly those spending 30-50 percent of their income on housing. In effect, deregulation unlocks “dormant development” capacity—reviving the production levels that once kept pace with demand.

⁴⁵ Looking at rent burden alone can skew the picture. To a low-income household, rent burden can cause significant distress and inability to achieve a basic quality of life. A high income household may choose rent burden for lifestyle reasons. The effect of rent burden on higher income households and lower income households is not the same. See below and note 51 for further discussion.

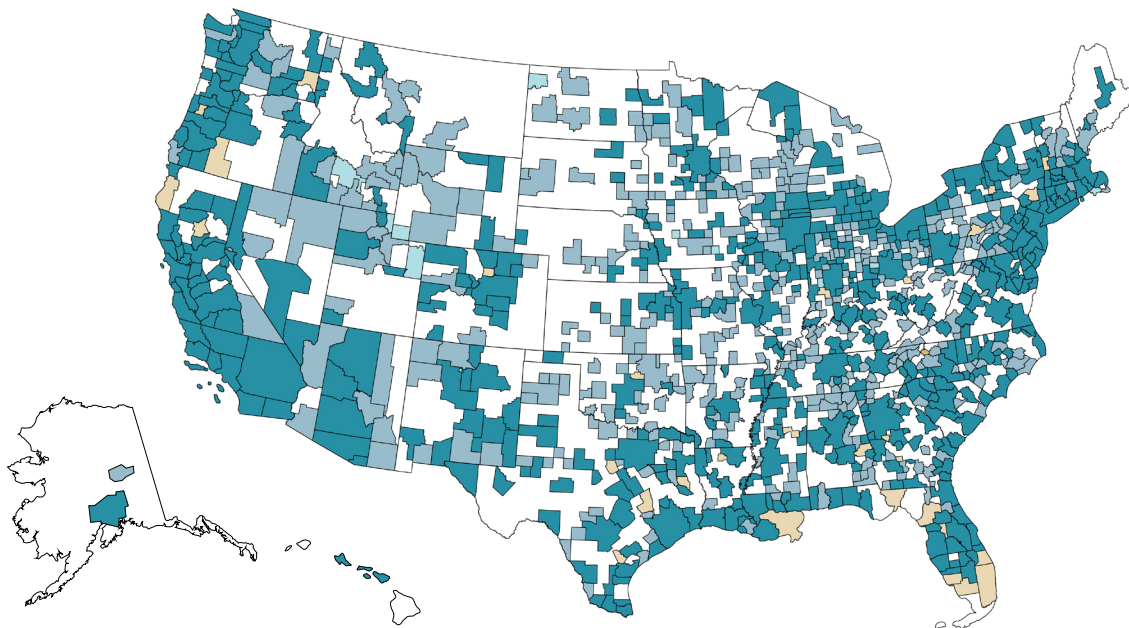
Deep Need: Subsidy-Dependent Households: 10.1 million

Expanding overall supply alone will not solve affordability for the lowest-income renters. Incomes in the United States have not kept pace with the rising costs of providing housing.⁴⁶ In 2022, median rents were 21 percent higher than in 2001, while renters' incomes rose just 2 percent during the same period.⁴⁷ Consequently, even if increased development successfully puts downward pressure on rental prices, we still need demand side interventions. Many household incomes are so low that they are severely rent burdened—paying over 50 percent of their income on rent (see figure below). We estimate that approximately 10.1 million households earn too little to afford any type of housing without assistance, and are currently unassisted.⁴⁸ Their incomes fall short of covering basic operating and utility costs. Because their incomes are not sufficient to pay the rent necessary to meet the cost of producing housing ([Housing 101: Cost Impacts to Feasibility](#)) no private market solution can adequately serve them without public subsidy. We classify these households in this report as **subsidy-dependent**. Housing created for this group requires targeted public investment—referred to in this report as Capital A Affordable housing. Three programs form the core of this response: LIHTC-supported supply, income assistance and public housing.

Severe Rent Burden by Area (≥50%)

FIGURE 7

■ Less than 10 ■ 10–19 ■ 20–29 ■ 30–39 ■ 40–49



Source: U.S. Census Bureau, American Community Survey (ACS) 5-year estimates, Table B25070 (2024). CBSA boundaries (Metro+Micro) and State boundaries: TIGER/Line 2024.

The first response, LIHTC-supported supply, cannot keep pace with the growing need. According to the Joint Center for Housing Studies of Harvard University, in 2012 there were 9.3 million units that had contract rents affordable to the bottom 26 percent of all rental households—but by 2022 that number had reduced to 7.1 million units, with more than half a million of those affordable units lost in the three year period from 2019–2022. This means that over 150,000 of the most affordable rental units were lost per year. For context, in that year, Capital A Affordable rental housing delivered on average only 80,000 new LIHTC rental units those years. In other words, it took two years of Capital A Affordable production to replace each year's loss of existing naturally occurring affordable units. This dynamic, and its implications for NOAH, are explored further in the [NOAH](#) chapter and the [Revive & Retain](#) policy case study.

⁴⁶ Ellen, 2022 and Joint Center, 2025.

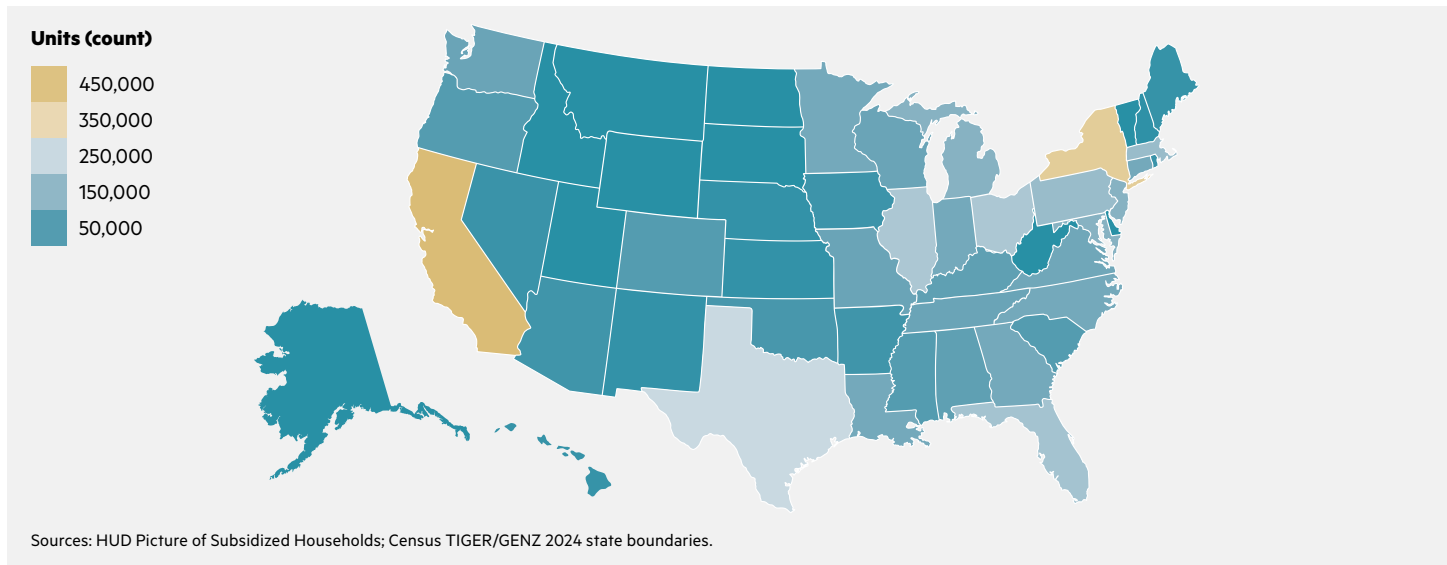
⁴⁷ Joint Center for Housing Studies, 2025.

⁴⁸ This number was estimated at 8M by HUD in 2022. Using the HUD "worst case" methodology, we identified renter households using the 2024 ACS Public Use Microdata Sample (PUMS). We identified severe housing cost burden as 50% or greater. We then applied FY2024 Very Low-Income limits from HUD (Section 8) and constructed PUMA specific income thresholds. We estimated households as likely assisted using ACS based approximations of subsidy status. We then combined the three criteria within the rental population. The final national estimate was obtained by using the ACS household weight to generate nationally representative estimates, which produced 14.73 million rental households with severe cost burden regardless of income, 11.34 million very low-income renters with severe burden and 10.1 million very low-income unassisted renters with severe burden.

Income assistance includes both supply side tools (Project Based rental assistance PBRA and PBV) and demand side tools such as Tenant-Based Rental Assistance (TBRA) (see both earlier discussion in [Supply](#) of PBRA as a preservation tool and [Affordable Housing Glossary](#) for more details on the programs).

Existing Section 8 Units (HCV + PBRA) by State—Early 2026

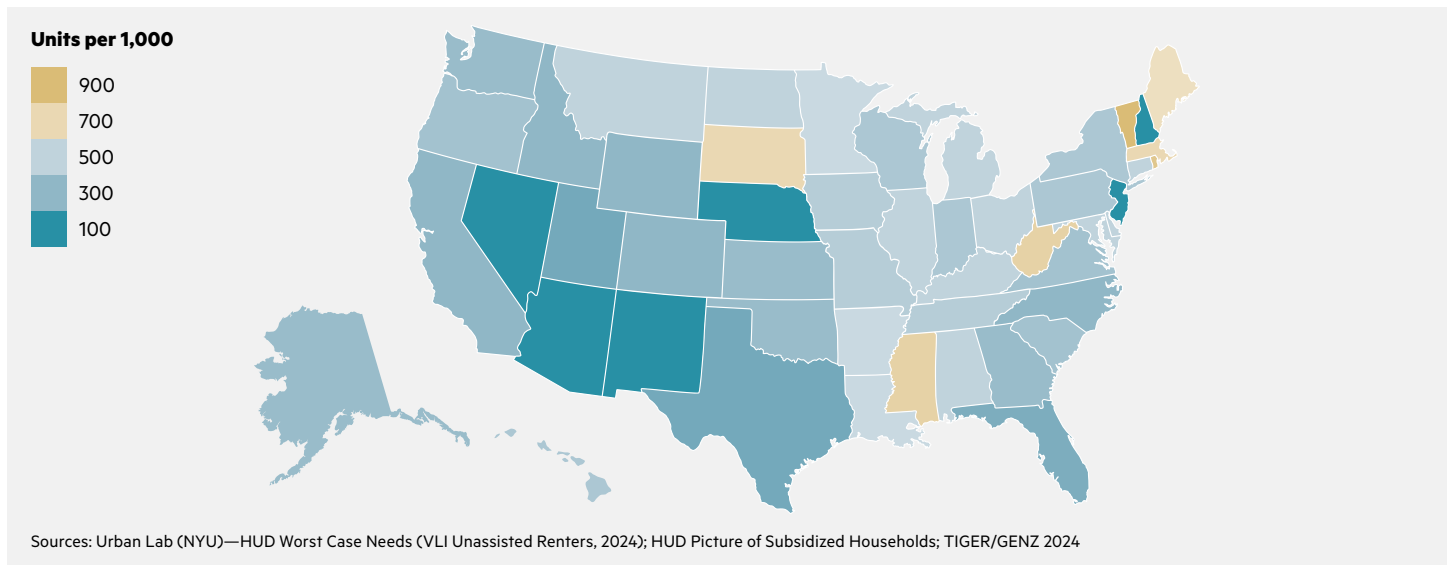
FIGURE 8



The largest federal TBRA program is the Housing Choice Voucher (HCV) which traces back to 1965. The program provides households with vouchers that enable them to rent market-based housing at a maximum of 30 percent of their household income, with the voucher covering the remainder of the amount and making payment directly to the housing provider. The program started at 100,000 certificates in the mid-70s and has grown to 2.3 million households served today. Funding for this program has risen sharply due to rent inflation despite the household count growing only modestly.⁴⁹

HUD Section 8 Rental Assistance Units Per 1,000 Worst Case Needs Households

FIGURE 9



⁴⁹ This is a critical economic linkage of supply-side and demand-side interventions—as long as supply is limited, the cost of demand-side solutions will be pushed higher (i.e., upward pressure on rents noted earlier in this report).

The existing supply of income assisted units is significant (See [Figure 8](#)). However, when comparing the number of income assisted units per 1,000 subsidy-dependent households, the analysis finds that the need far exceeds the supply (See [Figure 9](#)). For example, in California which has over 400,000 income assisted units, there are only about 300 existing income assisted units per additional 1,000 worst case needs households that, by definition, do not have any assistance. Doubling the number of income assisted units would reach an additional five million households—approximately half of the NYU Urban Lab’s current estimate of subsidy-dependent households. These new income assisted units would be split, including three million *existing* (preserved) rental units (including three million units of the 14 million units of vacant stock brought into the program) and two million *newly constructed* rental units. The scale of this proposal reflects three constraints: the number of vacant units that can realistically be absorbed, the NYU Urban Lab’s estimate of maximum feasible annual production ([Time-to-Address: A New Metric to Assess Housing Policy](#)), and the practical limits of expanding federal programs at this pace.

Income Assisted Households in the U.S.

CHART 5

INCOME ASSISTANCE	ALL	PROJECT BASED	TENANT BASED
TBRA—Housing Choice Vouchers	2,286,800		2,286,800
Public Housing	816,900		816,900
Section 8 (PBRA)	1,198,400	1,198,400	
Section 8 (PBV)—Estimated	200,000	200,000	
Supportive, Elderly & Disabled	149,600		149,600
USDA, Rural Rental	283,800		283,800
Other/Gap	295,500		295,500
	5,231,000	1,398,400	3,832,600

Source: Center on Budget & Policy Priorities (Jan 2025), HUD, JCHS and author calculations

The Residual Need is Eight Million Units of Attainable Housing

From the demand side, the total number of rental households that need additional affordability in their housing is about 22.4 million. It is estimated that targeted deregulation could cause 4.2 million additional units to be built, in which increased supply (as well as deregulation) causes downward pressure on contract rents. As noted above, those 10.1 million households will need some form of income assistance. After subtracting these two from the rent-burdened population, approximately eight million households remain. Those in this group are not subsidy-dependent, but it is assumed (by our definition of market-rate) that they likely cannot afford a purely market-delivered unit, even after deregulation, without rent burden.⁵⁰

This group is referred to as the “residual need” or the demand for “attainable housing”—units affordable to moderate-income renters who do not qualify for deep subsidy but still face significant rent burdens. In our framework, this residual group falls between Capital A Affordable housing (for subsidy-dependent households) and unsubsidized “lowercase a” affordable housing (NOAH). Addressing their needs requires a mix of tools: lowering regulatory costs to expand supply, targeted tax abatements to preserve affordability and policies that ensure moderate-income households are not priced out of the market.

Demand-Side Calculation for Housing Affordability

CHART 6

Total Rent-Burdened Households	22,400,000	Estimated based on 2022 Census
(-) Less New Market-Rate Supply from Deregulation	4,300,000	Estimated based on WeAreApartments
(-) Less New Market-Rate Supply from Income Assistance	10,110,000	Subsidy-Dependent Households (2024)
Total Residual Need of Renter Occupied Households	7,990,000	
Percentage of Rent-Burdened Households	36%	
Percentage of Total Renter Households	17%	

⁵⁰ Further research is needed to evaluate the characteristics of this population. These may be households composed of low wage workers—and in that case if these workers receive a wage increase, the household may no longer need the subsidy provided by rental assistance. However, in other cases the population may be permanently part of this class—whether the household includes low income seniors on fixed incomes, or includes members on permanent disability and in need of permanent support.

Interpreting the Numbers: Benchmarks, Not Absolutes

The numbers in this report—22.4 million rent-burdened households, 4.3 million units of supply shortfall, 10.1 million subsidy-dependent households and eight million with residual need—are not fixed targets. They are benchmarks designed to size a policy response that balances supply, demand and production constraints.

The key point is that affordability solutions must address the full spectrum of renter households, not just those at the extremes. Our pipeline is designed to be achievable within a generational [time frame](#) while flexible enough to adjust as economic conditions evolve.

Housing Affordability Solution Pipeline

CHART 1

Active Dormant Development Capacity

	UNITS/YEAR	YEARS	TOTAL
Deregulation	250,000	17	4,250,000
By-right tax abatement (new construction)	250,000	17	4,250,000
Low-Income Housing Tax Credit	35,000	17	595,000
Public Housing Expansion	23,000	17	425,000
Income assistance (new construction)	110,000	17	1,870,000
Sub-Total, Dormant Development	670,000		11,390,000
Average Annual Production 2020-2024	1,419,000		
Total Average Annual Production of New Units (2026-2043)	2,089,000		

Preservation of Existing Units (including vacant)

	UNITS/YEAR	YEARS	TOTAL
By-right tax abatement (Revive & Retain)	437,500	17	7,437,500
Low-Income Housing Tax Credit (Preservation)	45,000	17	765,000
Public Housing Expansion (Acquisition)	50,000	17	850,000
Income Assistance	125,000	17	2,125,000
Sub-Total, Preservation	657,500		11,177,500
Total, Dormant Development & Preservation	1,327,500	17 Years	22,567,500

Several factors will influence the precise numbers, including:

- the pace of household income growth relative to housing production cost;
- geographic variation in rent burden;
- equilibrium effects of supply and demand;
- the opportunity cost of capital;
- interest rate policy; and
- changes in household size as housing prices fluctuate.

From Numbers to Policy Pipeline

These benchmarks translate into a pipeline of solutions that combines new development with preservation.

- **Dormant Development strategies**—deregulation, by-right tax abatements, LIHTC expansion, public housing growth and new income-assisted units—could add **11.4 million homes** over 17 years, lifting annual production from today’s 1.4 million to more than two million units. The two assumptions underlying the sizing of this pipeline are:
 - Annual completions can be brought consistently up to the past peak (2.1 million units) every year, which is 800,000 units higher than average production of the last 10 years (1.3-1.4 million units); and
 - Policy levers can be tuned to have a significant amount of this production (670,000/year) turned into rental housing.
- **Preservation strategies**—tax abatements, LIHTC preservation, public housing acquisition and income assistance—could secure another **11.2 million units** by keeping existing homes, including vacant stock, affordable. While economics suggests a healthy housing market will include some vacancy, an aggressive public policy can draw down on the 14 million existing vacant housing units across 17 years. This is likely to cause the market to respond with increased supply.

Together, these approaches would produce and preserve **22.6 million units over 17 years**, aligned with the scale of need. Development primarily expands “lowercase a” affordable housing, while preservation protects both unsubsidized “lowercase a” affordable units (NOAH) and Capital A Affordable subsidized stock.

Overall Recommendations

Meeting the affordability challenge requires tailored solutions for three groups:

- **Market-supply shortages**, reduced through deregulation and expanded production.
- **Subsidy-dependent households**, supported with Capital A Affordable programs like LIHTC, income assistance (PBRA and TBRA) and public housing.
- **Residual need for attainable housing**, addressed through regulatory reform, tax abatements and preservation tools that keep moderate-income rents within reach.

By scaling development and preservation in tandem, these strategies can deliver generational progress. Taken together they represent a realistic moonshot: solving the affordability crisis within a generation.

Impact of the Shortfall on Renters

- **When rents outpace incomes, the number of rent-burdened households rises.** A low-income rent-burdened household has little left after housing costs for food, childcare, healthcare or savings⁵¹—which can lead to reduced quality of life for the household and higher fiscal burdens on government.
- **Renters face these pressures more acutely than homeowners.** In 2023, 24 percent of homeowners were cost-burdened, compared to nearly 50 percent of renters.⁵² Federal policy has long favored homeownership through tax benefits and subsidies, yet in every state today, more renters than owners are cost-burdened. This imbalance discourages new rental housing production and weakens the housing system’s ability to meet demand. The success of homeownership policy, however, demonstrates that federal policy can reduce costs—and similar approaches could be applied to rental housing.⁵³
- **Rising development costs have pushed the price of new housing far ahead of household incomes, widening the affordability gap in market-rate housing** (see [Housing 101: Cost Impacts to Feasibility](#)).⁵⁴
- **Scarcity also harms the broader economy.** In high-cost areas, employers struggle to attract and retain workers, forcing higher wages to offset housing costs. This reduces business profitability, slows growth and diminishes tax revenues—limiting resources for public investment.

Taken together, these factors are driving millions of renters into precarious living conditions, while constraining both economic mobility and national competitiveness.

⁵¹ A “basket of goods” is a representative set of items to be purchased by a consumer or household. The typical household basket of goods includes shelter/housing costs as well as the costs for food, clothing, healthcare, daycare, retirement savings, taxes and other necessary items. When housing costs rise, and household incomes remain constant at the lower income levels, this leaves less money available to spend on the remainder of the basket. For higher income households, rent burden may not have a significant effect on the ability to purchase goods in the basket that maintain a sufficient quality of life.

⁵² Joint Center for Housing Studies of Harvard University, 2024.

⁵³ Again, note that rent burden for higher income rental households is not an indicator of the same type of pressure that applies to lower income rental households. See note 50.

⁵⁴ Ellen, 2022. For national single-family cost data see Lynch, 2025.

Time-to-Address: A New Metric to Assess Policy Solutions

To evaluate how realistic different policy solutions may be in addressing rental housing affordability, we introduce a metric called **Time-to-Address (TTA)**. TTA answers the key question: *How long would it take for a given policy to reduce rent burden at scale?* The metric draws on multiple data sources, including the U.S. Census American Community Survey, HUD, Yardi, CoStar and state reporting.

TTA is an illustrative tool, not a precise forecast. Its purpose is to contextualize policy impact and test whether proposals align with our moonshot goal: solving the rental affordability crisis within a generation. By applying the TTA lens, we can see that no single policy tool—whether subsidy, deregulation, preservation or income assistance—can close the gap alone. Each has limits of scale, speed or cost.

The examples that follow illustrate these limits:

- Capital A Affordable supply tools like LIHTC are too slow to scale the whole problem.
- Capital A Affordable demand tools like income assistance (HCV and PBRA) can move quickly but are costly, politically challenging and risk overextension of public budgets.
- “Lowercase a” affordable tools like deregulation and new construction tax abatements accelerate supply but hit a ceiling on how much new development can realistically be delivered.
- Preservation of existing and vacant units provides the single largest contribution but cannot solve the challenge by itself.

Together, these examples show why only a balanced pipeline—combining new development and preservation, Capital A Affordable and “lowercase a” affordable strategies—can reach the single generation (17-year) target outlined in this report.

TTA has two components:

1. **Target Households:** The number of renter households a policy aims to serve. For consistency, we use four demand categories identified earlier (See [Demand: How Many Units Are Needed](#)):

a. Total rent-burdened households	22.4 million units
b. Subsidy-dependent households (<50 percent AMI)	10.1 million units
c. Market-rate supply shortfall	4.3 million units
d. Residual need (attainable housing)	8 million units

Targets can also be scoped geographically (city, state or national) depending on the jurisdiction of the policy tool.

2. **Average Policy Pipeline:** the number of units that can realistically be delivered per year through that policy. For example:
 - a. LIHTC: ~89,000 units/year; expanded best case = 178,000 units/year
 - b. Deregulation: additional 650,000 units/year if restored to peak 1973 levels
 - c. Preservation (Revive and Retain tax abatements): 437,500 units/year
 - d. Income assistance (HCV + PBRA): 235,000 units/year (new + preserved units), though fiscally constrained.

TTA formula (conceptual):

$$\text{TTA} = \text{Target Households} \div \text{Average Annual Policy Pipeline (in years)}$$

Importantly, TTA reveals ceilings as well as timelines. Even under optimal conditions, there is a cap on how many new units the U.S. can produce annually. Preservation strategies, by contrast, can stabilize millions of existing and vacant units, helping to shorten the timeframe to generational solutions.

Example Policy 1: Using LIHTC to Address Rent Burden

Public housing has remained flat or declined for decades, leaving the Low-Income Housing Tax Credit (LIHTC) as the dominant federal production tool for Capital A Affordable housing ([Supply: America's Rental Housing](#)). The question is: could expanded LIHTC production realistically solve affordability for the 22.4 million rent-burdened households in the U.S.?

- **Target households:** 22.4 million
- **Average pipeline:** LIHTC produces on average 89,000 units annually. A best-case expansion scenario (as noted in the [Executive Summary](#)) raises this to 178,000 units per year.
- **TTA:** $22.4M \div 178,000 = 125$ years
- **Policy analysis:** Even if production nearly tripled, it would still take more than a century to eliminate rent burden through LIHTC alone. LIHTC remains an indispensable Capital A Affordable program for subsidy-dependent households, but its scale and speed are mismatched to the size of the larger problem of housing affordability beyond subsidy-dependent households. Affordability restrictions also expire without reinvestment, so LIHTC's contribution is not permanently additive. LIHTC is therefore necessary but insufficient and must be complemented by faster-moving tools such as tax abatements, deregulation and preservation strategies if we are to meet the **moonshot goal of solving affordability within a generation.**

Example Policy 2: Deregulation and New Construction Tax Abatements (Dormant Development)

If LIHTC alone cannot meet the generational goal, we must look at activating the private sector's capacity to build more. Private sector production peaked at 2.1 million units annually ([America's Rental Housing Supply](#)), and exhibits cyclical annual variation due to the economics of supply and demand. If the theoretical maximum is 2.1 million units per year, and on average we have produced 1.3 million units annually from 2016 to 2024,⁵⁵ we can name "dormant" development capacity of up to 800,000 units per year ($2.1 - 1.3 = 0.8$) even in recent peak years. In trough years, when market production is below 900,000 units, the industry has the capacity to create over one million additional units. Not all of this capacity will necessarily be completed with the purpose of creating rental product—private industry will favor the most persuasive economics. Policies can be designed to exactly target this—improve the economics of rental production and activate this "dormant" development. In our solution pipeline ([Executive Summary](#)) we have sized total dormant development (deregulation, tax abatement, LIHTC, public housing and income assistance) at 670,000 new rental unit completions annually.

As shown in [Cost Drivers](#) and [Policy Report Card](#), today's regulatory environment discourages rental housing production. Revising these policies—"deregulation"—could spur the private market back to historic highs of development, activating what is now dormant capacity to build (See [Policy Study: Deregulation](#)).

The public sector can also partner with developers through offering tax abatements that change the economics of production, enabling units to be built that are attainable to residual-need households. Programs such as Minneapolis 4d, New York's 421a and Texas Public Facility Corporations demonstrate how abatements can move units more quickly than LIHTC or income assistance (See [Policy Case Study—Tax Incentives](#)). The industry's capacity to produce under changed economics still may be gated by the total amount of development activity the industry can sustain without ramping up infrastructure significantly.

Both approaches—deregulation and construction tax abatements—expand supply by altering development economics. Could such policies—through deregulation and new construction tax abatements—restore private market production to a level that solves affordability for the 22.4M rent-burdened households?

- **Target households:** 22.4M
- **Average pipeline:** In 2023 the U.S. produced 1.45M units. Returning to the 1973 peak of 2.1M would add ~650,000 units annually.
- **TTA:** $22.4M \div 650,000 = 34$ years
- **Policy analysis:** Dormant development could make a major contribution, but even at historic peak levels it would take more than three decades to eliminate rent burden—about twice the generational timeframe. More importantly, not all rent-burdened households can be served by market production. Roughly 10.1M subsidy-dependent households earn too little to afford market rents under any scenario, meaning the true impact is smaller than the math suggests. Dormant development is therefore insufficient on its own but indispensable as part of a broader pipeline. It expands "lowercase a" affordable housing, reduces upward rent pressure and shortens TTA for moderate-income households. But since new construction faces a theoretical upper limit on annual output, it must be paired with preservation strategies that stabilize existing units and prevent NOAH loss.

⁵⁵ Going back further captures truly low production periods—from 2009 to 2015 average annual production was only 756 million units (total for-sale and for-rent). At that rate dormant development capacity could be as high as 1.3 million units during that 7 year period, yielding 9.1 million additional attainable units if put to work.

Example Policy 3: Preservation (Revive & Retain and Vacant Units)

If new construction faces an upper ceiling, preservation provides the single largest and fastest lever to close the affordability gap. Preservation operates on two fronts:

- **Stabilizing existing occupied affordable units**—LIHTC properties nearing expiration and NOAH buildings at risk of condo conversion or Class A repositioning; and
- **Activating underused stock**, including the nation's ~14M vacant housing units (See [Rental Supply](#)). Both strategies can shorten Time-to-Address (TTA) because protecting affordability is typically faster and cheaper than delivering entirely new units.

The Revive & Retain model is a by-right tax abatement designed to keep existing rentals affordable and prevent reverse filtering. In our proposed pipeline, Revive & Retain contributes 437,500 units per year (7.4M over 17 years)—the single largest line item. Additional proposed contributions include:

- Increased LIHTC preservation: 45,000/year,
- New public housing acquisition: 50,000/year, and
- Income-assistance preservation: 125,000/year.

Combined, these preservation tools yield 657,500 units per year (≈11.2M over 17 years).

- **Target households:** 22.4M rent-burdened households (with primary impact on the 8.1M residual-need group and on subsidy-dependent households via PBRA preservation).
- **Average pipeline (proposed):** 657,500 units/year.
- **TTA (illustrative):** $22.4M \div 657,500 \approx 34$ years; prioritizing vacant-unit activation alongside occupied-unit preservation can shorten this.
- **Policy analysis.** Preservation is often the most cost-effective approach (avoids full new-build costs) and the most scalable (leverages existing inventory). For scale: 14M vacant units are roughly 62 percent of the 22.4M rent-burdened households—not a one-to-one match (locations/conditions vary), but large enough that capturing even a modest share meaningfully accelerates progress. Preservation cannot meet the entire need alone, but in our proposed pipeline it supplies the largest single block of units, buying time for new construction to ramp and preventing further NOAH loss.

Example Policy 4: Income Assistance (TBRA/Housing Choice Vouchers and PBRA)

Income assistance—primarily through tenant-based **Housing Choice Vouchers (HCV)** and **Project-Based Rental Assistance (PBRA)**—is the most direct way to close the gap for subsidy-dependent households because it allows them to access existing units, including vacancies, without waiting for new construction (For discussion of these tools in detail, see [Affordable Housing Glossary](#)).

- **Target households:** 10.1M subsidy-dependent renter households (≤50 percent AMI)
- **Average pipeline (proposed expansion):** 235,000 households/year. This figure is benchmarked to two factors: (1) the estimated share of vacant units that can feasibly be absorbed each year, and (2) the administrative pace HUD and state agencies have managed during past large-scale voucher expansions.
- **TTA:** $10.1M \div 235,000 \approx 43$ years
- **Policy analysis:** Income assistance can reduce rent burden immediately, making it the fastest-moving tool in the pipeline.⁵⁶ Large-scale expansion carries risks. Both programs have been going in the opposite direction, with PBRA and HCV being winnowed down for several reasons. The first is fiscal strain. Funding for both programs has risen sharply against a minimal (or no) increased household coverage due to the increased cost of housing. The second is inflationary pressure: without supply-side reforms, vouchers can lead to higher rents in already tight markets. Evidence suggests these effects are modest in markets with vacancy, but real in constrained metros. Mitigation requires pairing income assistance with supply measures like tax abatements, deregulation and preservation to ensure subsidies expand access rather than chase too few units. The third risk is targeting: without guardrails, subsidies may reach households who are not subsidy-dependent, diluting impact.

For these reasons, income assistance should be viewed as a critical but bounded tool. It is indispensable for the 10.1M households who cannot afford market rents at any level, but it cannot serve as the backbone of a generational strategy. In the proposed pipeline, income assistance complements preservation and production, ensuring the lowest-income renters are not left behind while other tools expand overall supply.

⁵⁶ HCV and PBRA function differently with respect to supply. HCV (tenant-based) enables households to rent any qualifying unit, tapping vacant stock quickly but relying on housing provider participation. PBRA (project-based) ties assistance to units, stabilizing affordability in existing stock or new developments, but expanding more slowly.

Synthesis: Why No Single Tool is Enough

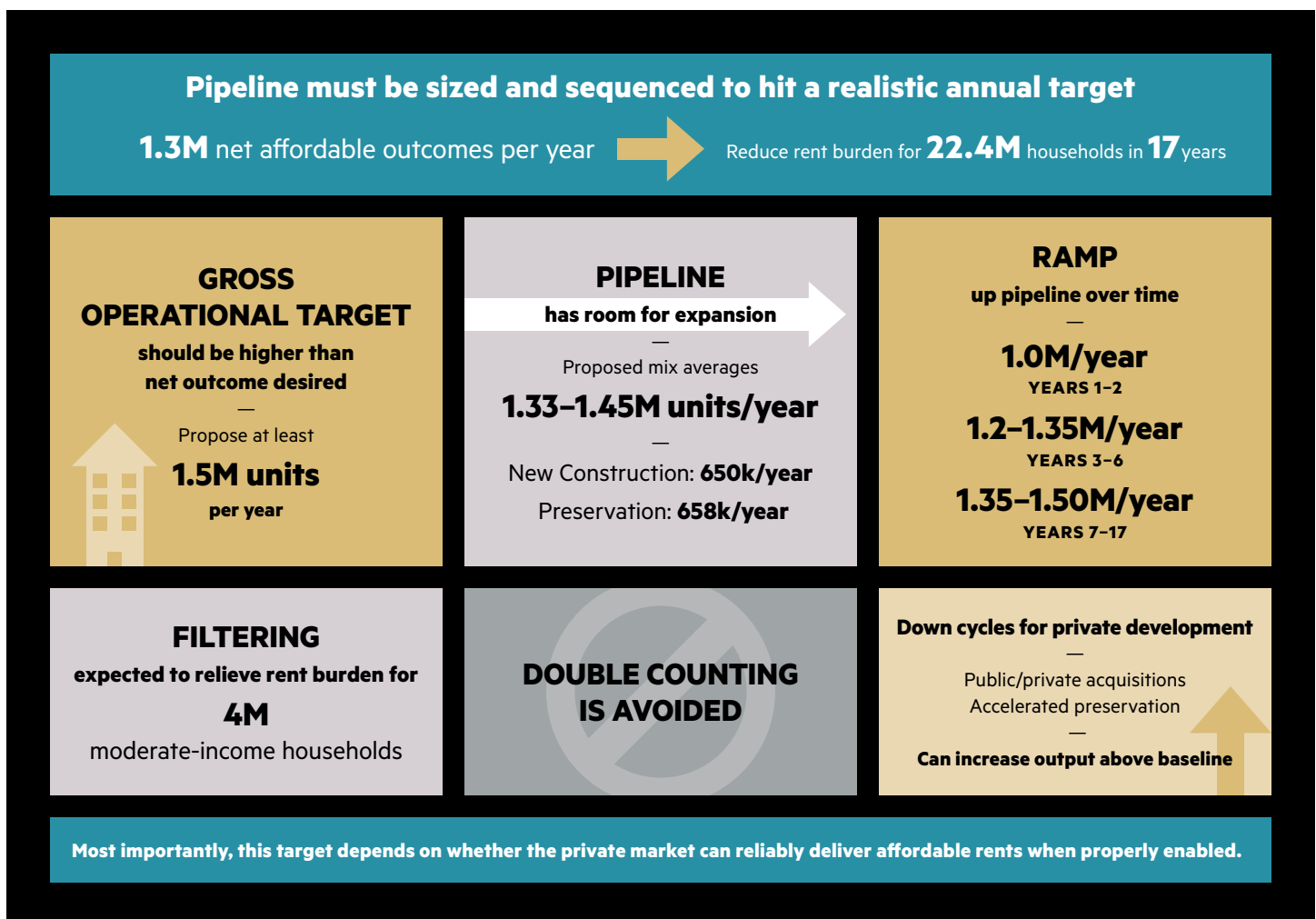
The TTA examples demonstrate that no single policy can close the affordability gap within a generation:

- **LIHTC (Capital A Affordable production):** Essential for subsidy-dependent households, but even at an expanded 178,000 units/year it would take 125 years to eliminate rent burden.
- **Dormant Development (deregulation and new construction abatements):** Can add 650,000 units annually between any combination of levers,⁵⁷ and meaningfully expand “lowercase a” affordability, but still require 34 years and cannot serve the 10.1M subsidy-dependent households who cannot afford market rents.
- **Preservation (Revive & Retain, vacant units, NOAH):** The single largest lever, contributing 437,500 units/year through proposed abatements, plus additional preservation through LIHTC, income assistance and public housing acquisition. Together, preservation strategies deliver 657,500 units/year (11.2M over 17 years), protecting both existing and vacant stock.
- **Income assistance (HCV + PBRA):** The fastest tool for subsidy-dependent households, but constrained by political will, fiscal capacity, risk of inflation in tight markets and the need for careful targeting. At an expanded 235,000 households/year, it would still take more than four decades to reach all eligible households.

Taken together, these examples make two points clear:

1. **Limits of scale.** Each tool alone falls short—whether too slow, too costly or too narrow.
2. **Strength in balance.** When combined in a coordinated pipeline, the tools complement each other: production expands overall stock, preservation prevents backsliding and captures vacancies and income assistance ensures the lowest-income renters are served.

Setting the Target and Sequencing the Pipeline



⁵⁷ In this report we have highlighted a reasonable dormant development pipeline as the difference between recent average annual production (1.3 million units) and peak production (2.1 million units), or 800,000 per year. We then have chosen 650,000 units per year as an upper bound, giving an allocation to units chosen to be produced for-sale and for units not built. In this TTA example, we use dormant development as a standalone pipeline. In our solution pipeline, we allocate dormant development between pure market strategies (deregulation), by-right public/private strategies (tax abatement) and Capital A Affordable strategies (LIHTC, income assistance and public housing).

The pipeline must be sized and sequenced to hit a realistic annual target. Our proposed pathway delivers about **1.3M net affordable outcomes per year**, enough to reduce rent burden for 22.4M households in 17 years. As mentioned earlier, this is a theoretical number to give a sense of scale of a reasonable solution to actually solve affordability issues in our lifetime. Were this program to be operationalized, some considerations must be taken into account to operationalize the pipeline in a realistic 17 years:

- **Gross vs. net:** We lose rental units each year. There are [NOAH](#) losses, as well as losses from obsolescence (end of building life), and regulatory periods ending,⁵⁸ so the gross operational target should be higher than the net outcome desired. Given estimates of 100,000-150,000 NOAH units lost per year and 30,000-50,000 units lost to other factors, we would propose a gross operational target of at least 1.5M units per year.
- **Pipeline composition:** There is room in our pipeline for expansion. Dormant development could be as high as 800,000 new units per year (and higher in trough years), while there are over 14 million existing vacant units that could be preserved as affordable. Our proposed mix averages 1.33-1.45M units/year, split between:
 - Dormant development (new construction): 650k/year
 - Preservation (existing units): 658k/year
- **Ramp profile:** Any solution pipeline would need to be ramped up over time. Shown here, the pipeline begins at 1.0M/year in Years 1-2, rises to 1.2-1.35M/year in Years 3-6 and stabilizes at 1.35-1.50M/year in steady state (Years 7-17). Preservation provides the earliest impact, while filtering from new supply builds later.
- **Filtering effect:** As stated earlier in the report ([Executive Summary](#)) a population with 22.4 million rent-burdened households does not necessitate 22.4 million new rental units to alleviate it. As new development reaches scale, and the development pipeline further expands to replace vacant units pulled into the rental inventory and preserved as “lowercase a”, filtering is expected to relieve rent burden for as many as 4M moderate-income households—roughly one-quarter of the total need—compounding the impact of preservation and income assistance.
- **Double counting avoided:** Each unit is assigned to a single pathway (development, preservation or income assistance).
- **Counter-cyclical design:** In down cycles for private development, public/private acquisitions and accelerated preservation can increase output above the baseline.

Most importantly, this target depends on whether the private market can reliably deliver affordable rents when properly enabled. Research already shows that some metros naturally produce NOAH, while others do not. The next chapter turns to this critical question: how and where the private market produces enough naturally affordable units, and how policy can replicate those conditions to make the TTA solution achievable.⁵⁹

⁵⁸ I Jaffe, M., & Ingram, D, 2025.

⁵⁹ The dormant development pipeline represents overall capacity to produce—this includes for-sale and for-rent housing. But the dormant development pipeline is accretive—it starts building precisely the moment when market-based building would otherwise stop. It is activated through targeted policy incentives and tools. The policy tools (deregulation, tax abatement, income assistance, LIHTC) would be tuned to become available to produce rental product in conditions when the private market would otherwise be dormant.

The Importance of Local Policy

Local policy choices shape whether housing markets move closer to or farther from affordability. TTA shortens or lengthens depending on how policies affect three interrelated dynamics: tenure (rental vs. ownership), structure type (single-family vs. multifamily) and production costs.

- Rental vs. Ownership.** Rental and ownership markets are deeply linked. When ownership is attainable, pressure on rental markets eases, reducing rent burden. Conversely, when ownership costs rise beyond reach—as in many high-cost metros—households remain renters longer, increasing rental demand. Local policies that make ownership more attainable (such as zoning reforms that allow starter homes, or mortgage support for first-time buyers) indirectly improve rental affordability by shifting some demand into the ownership market.
- Single-Family vs. Multifamily.** Structure type also matters. Historically, single-family homes have been more affordable for ownership, while multifamily buildings provide the bulk of affordable rental stock. But in recent years, purpose-built rental communities—often referred to as build-to-rent (BTR)—have expanded, adding a new form of single-family housing designed specifically for renters and functioning in many ways similar to multifamily housing. As of 2023, while there are more rental households in 5+ unit multifamily buildings than single-family structures, there are almost the same number of residents renting in single-family homes (see chart below). Giving residents housing choices that expand to include single-family options is not inherently a negative. It can allow residents to form larger households, which can reduce individual rent burden without over-crowding. It also can cause competition on rental pricing between rental options in single-family and 5+ unit buildings as more inventory enters the market from both sources. But this shift means policies that expand or restrict single-family development affect both ownership and rental affordability. For example, allowing smaller-lot single-family development or accessory dwelling units (ADUs) can expand ownership opportunities while simultaneously adding to rental supply. Multifamily zoning reforms—such as lifting bans on duplexes or easing density restrictions—are equally critical, since larger buildings deliver the highest share of affordable rentals (See [Policy Case Study—Deregulation](#)).
- Production Costs and Naturally Affordable Rents.** Perhaps the most direct way local policies shape TTA is through their effect on production costs. Policies that streamline permitting, reduce fees or increase allowable density lower development costs, enabling developers to deliver units at rents that are naturally affordable (“lowercase a”). In contrast, restrictive zoning, protracted entitlement timelines and high local fees raise costs, stretching TTA to a time further into the future ([Policy Report Card](#)).
- Subsidized Supply and the Denominator Effect.** Local governments also influence the share of Capital A Affordable housing in the overall supply. By using local bonding authority, land-use tools or public-private partnerships, jurisdictions can add subsidized units that directly reduce rent burden. Even modest increases in subsidized supply have a “denominator effect,” reducing the proportion of rent-burdened households and shortening TTA.

No single lever is decisive. For example, lowering production costs without preservation can accelerate displacement through gentrification. Subsidizing new Affordable units without ownership opportunities can limit household flexibility, leaving renters with fewer pathways to move or change their housing situation over time. The most effective local policy bundles all of the effective approaches—including ownership access, multifamily production, cost reduction and subsidized supply—to create the conditions for sustained affordability improvements.

What Type of Structure Do Renters Live in?

CHART 7

STRUCTURE TYPE	HOUSEHOLDS	PERCENT	RESIDENTS	PERCENT
Single-Family	14,392,315	31	4,250,000	39
2 to 4 Units	7,937,709	17	17,753,545	17
5 or More Units	22,008,628	48	41,242,173	40
Mobile Homes	1,700,948	4	4,392,093	4
Other	62,030	0	119,813	0
Total	46,101,640	100	104,300,666	100

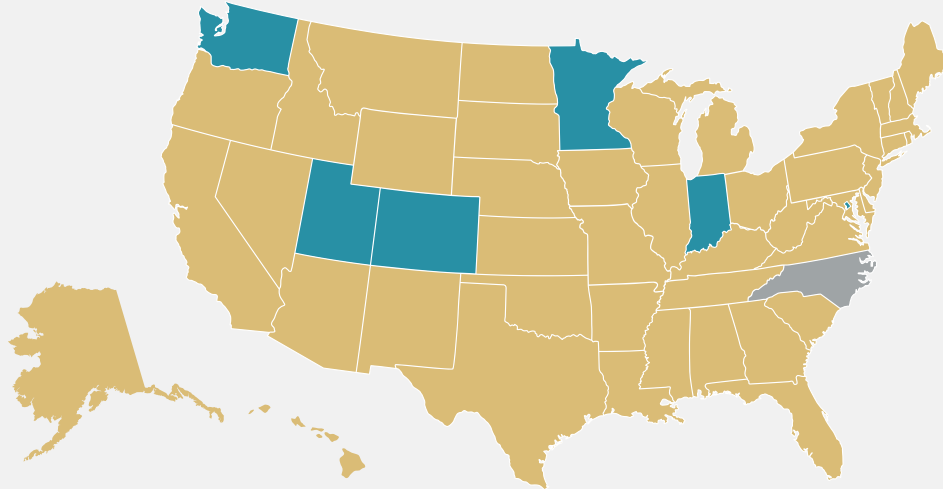
Source: 2024 American Community Survey 1-Year Estimates, U.S. Census Bureau, Tables B25032 and B25033. As of 02/2026

State-Level TTA Analysis

Time-to-Address Rent Burden 50 States by Level of Affordable Housing Production

FIGURE 11

■ Less than a generation ■ Three generations ■ More than a century



Source: Created by M. Kwatinetz at NYU Urban Lab for NMHC using data from ACS, CoStar, Yardi and direct calls to State HFAs.

Figure 11 places the national TTA framework into state-level context.⁶⁰ It shows that most states would take more than three generations⁶¹ to address rent burden relying only on current levels of Capital A Affordable housing production.⁶² But a small set of states stand out as outliers. These results suggest that state-level policy choices and market conditions can significantly shorten TTA (See [Appendix Chart 2: State TTA Analysis](#)).

North Carolina is the only state that achieves a TTA of about a generation—the only state where current production levels of Capital A Affordable housing could realistically close the rent-burdened gap within 17 years.⁶³ North Carolina has benefited from both moderate construction costs and a strong record of layering local subsidies on top of federal programs to expand multifamily supply.⁶⁴ Moderate construction costs enable developers to charge lower rents and still produce feasible projects ([Housing 101: Cost Impacts to Feasibility](#)) while layering local subsidy on top of federal programs deepens Affordability ([Affordable Housing 101: Capital Budget & NOI](#)). North Carolina is operating to increase supply of both “lowercase a” affordable housing and Capital A Affordable housing.

Utah comes in after North Carolina with the next best TTA. Utah’s position is primarily driven by a high number of Capital A Affordable deliveries in 2019, equal to 8.9 percent of the rent-burdened households. But in 2020, Capital A Affordable production goes down to less than 1.0 percent of rent-burdened households, where it remains for the rest of the analysis period, even as the percentage of rent-burdened households increases by over 22 percent in 2021. Overall, Utah has met combined rapid population growth with a streamlined entitlement process and statewide zoning reforms that encourage multifamily construction, but Capital A Affordable production has not kept pace.⁶⁵

⁶⁰ Time-to-Address (TTA) the Subsidized Affordable Supply Deficit measures the amount of time in generations Subsidized Affordable housing would address the rent-burdened housing deficit, calculated for each metropolitan statistical area (MSA) and State. The TTA measure is defined as the number of rent-burdened households (1-year ACS, excluding 2020 due to pandemic data inconsistencies), adjusted by a factor (28% reduction, ANHD estimate) to exclude wealthier households >80% Area Median Income (AMI) electing rent-burdened housing and for whom Subsidized Affordable housing supply does not address. The <80% AMI burdened household deficit is then divided by the annual rate of Subsidized Affordable housing production, determined by either State data from housing agencies’ direct reporting, or the largest of HUD’s production data (PBRA + LIHTC + Public), Yardi’s Affordable Housing Production, or CoStar’s Affordable Housing Production. This ratio provides an estimate of the number of years and subsequent generations (per 35 years) required for levels of subsidized production to offset the existing burdened household deficit, both annualized and averaged across the study period (2019-2023).

⁶¹ We utilize a generous estimate of a generation at 40 years.

⁶² As stated earlier, rent burden is a coarse measure, as some higher income households choose to be rent burdened. See note 51 for the limits of using rent burden as the metric when considering all households, and not just low-income households.

⁶³ Both North Carolina and Utah were highlights of the building boom since 2020. North Carolina delivered 270,500 units over the period, one of five states in the West and South that captured half of the period’s increase. Utah⁶ experienced the highest percentage increase in its inventory (9%) of any state during this period. See Henderson, T. (2024, May 16).

⁶⁴ North Carolina Housing Finance Agency. “Programs.” NCHFA.gov.

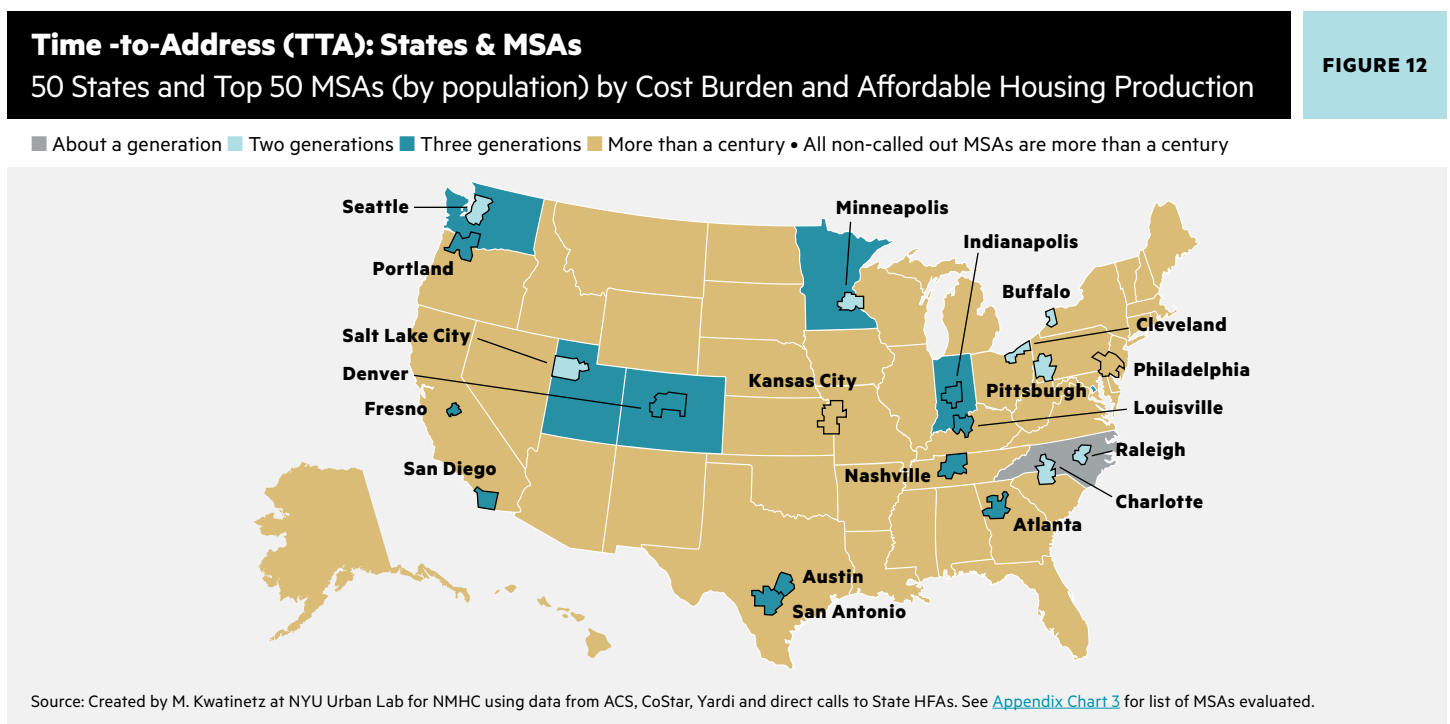
⁶⁵ Utah State Legislature. “Housing Affordability Amendments (HB 462).” 2022 and direct calls to Utah State Housing Agency by NYU Urban Lab researchers.

A third group of states—Washington, Colorado, Minnesota and Indiana—show TTAs of about three generations. While still too slow to meet the moonshot target, these states outperform the national median and point to conditions worth studying:

- Washington has consistently expanded state housing trust fund investments alongside local mandatory inclusionary policies.⁶⁶
- Colorado recently passed statewide land-use reforms enabling higher-density housing near transit.⁶⁷
- Minnesota has maintained robust state housing finance agency programs, including preservation initiatives that stabilize NOAH.⁶⁸
- Indiana benefits from relatively low construction costs and a pro-development regulatory environment.⁶⁹

The pattern is instructive. Despite differences in size, politics and geography, these six states share a willingness to pair Capital A Affordable subsidy with “lowercase a” affordable supply reforms. Conversely, the majority of states fall into the “more than a century” category, where restrictive zoning, higher costs and slower entitlement processes lengthen TTA far beyond the moonshot horizon. In short, Figure 11 illustrates that state-level policy and regulatory environments play a decisive role in TTA outcomes. This variation not only confirms that local policy matters, but also points to specific levers—zoning reform, cost reduction, subsidy layering—that can accelerate progress when deployed consistently.

MSA-level TTA Analysis versus State-Level TTA Analysis



Both policy and housing market conditions vary not just between states, but also at the metro/local level. Research and a review of the literature show that local policies correlate highly with cost drivers, profitability and a housing producer’s willingness to enter a market ([Local Policy Affects Housing Market Affordability](#)). Historically, urban areas have produced housing at scale, creating more affordable options within a reasonable commuting distance through public regional transit systems. For that reason, we chose to overlay data for the 50 highest population U.S. cities and their surrounding economic employment areas (“MSAs”) to see how the MSAs might deal more or less successfully with the housing affordability problem, as measured by TTA.

Figure 12 overlays TTA estimates onto the 50 largest metropolitan statistical areas (MSAs). The comparison highlights a critical finding: MSA-level outcomes often diverge from their surrounding state. Some metros perform better than their state average, while others perform worse, underscoring that local policy and market conditions are decisive in shaping affordability trajectories (See [Appendix Chart 3: MSA TTA Analysis & NOAH Market Identification](#)).

⁶⁶ Washington State Department of Commerce. “Housing Trust Fund.” 2023.
⁶⁷ Colorado General Assembly. “HB 23-1313: Land Use Reform.” 2023.
⁶⁸ Minnesota Housing Finance Agency, 2023.
⁶⁹ Indiana Housing & Community Development Authority; National Association of Home Builders. “Cost of Constructing a Home.” 2022.

- **Best Performers (<80 years).** Eight metros have TTAs of two generations or less, relying on Capital A Affordable production—Raleigh-Cary, Charlotte-Concord-Gastonia, Cleveland, Salt Lake City-Murray, Buffalo-Cheektowaga, Minneapolis-St. Paul-Bloomington, Seattle-Tacoma-Bellevue and Pittsburgh, PA. Five of the eight lie in states that are outperforming the pack. Notably, Salt Lake City outperforms Utah’s strong statewide average by pairing transit-oriented development with streamlined zoning that accelerates multifamily approvals.⁷⁰ Buffalo is a low demand market with low construction costs, which conditions are described further below ([Naturally Occurring Affordable Housing](#)). Pittsburgh had bumper deliveries of Capital A Affordable units in 2021 and 2023,⁷¹ and Cleveland ramped up its Capital A Affordable unit completions as a percentage of population from 2019 to 2023.⁷² Both Raleigh and Charlotte lie in North Carolina, both benefiting from moderate cost of construction combined with local subsidy programs complementing federal affordable development programs.
- **Middle Performers (88-119 years for TTA using Capital A Affordable).** Ten metros fall into the “three generations” range. Notable are Louisville, Denver, Indianapolis and Fresno. Each of these is clearly making progress toward lowering the TTA over the observation period. Fresno is discussed further below ([Naturally Occurring Affordable Housing](#)).
- **Laggards (>120 years).** The remainder of the largest 50 American MSAs fall into the “three generations or more” category. Philadelphia underperforms Pennsylvania’s state average, with slower entitlement processes and high rehab costs for its aging housing stock.⁷³ By contrast, Kansas City has established one of the Midwest’s most structured regional housing coordination efforts through the Greater Kansas City Regional Housing Partnership—a MARC and LISC-convened initiative targeting 23,000 additional units—but the metro continues to face a shortage of at least 25,000 units, a projected loss of 10,000 LIHTC units over the next decade and permitting declines that underscore the gap between planning infrastructure and production outcomes.⁷⁴

Implication. The state-level analysis in Figure 11 showed that only a handful of states could reach affordability within a generation or two. Figure 12 deepens this insight by showing that metro-level policy can tip the scales within those states.⁷⁵ The variation confirms that affordability is not just a national or state challenge but also a distinctly local one—determined by the willingness of individual MSAs to implement reforms that enable both Capital A Affordable and “lowercase a” affordable production.

Conclusion

At current rates of Capital A Affordable housing production, even the strongest-performing MSAs would take nearly a generation to close the affordability gap if policy relied on subsidies alone. Figure 12 shows why: while some metros outperform their surrounding states and others underperform, no MSA can reach the moonshot goal on subsidized supply alone.

Our research explains these results by identifying two recurring drivers that work together:

- **Market-rate production effects.** Higher levels of market-rate housing production, relative to total inventory, correlate with lower cost burdens and shorter TTAs. These gains typically come from naturally lower costs of development, cost reductions achieved through deregulation or faster entitlement processes.
- **Subsidized production effects.** A higher level of subsidized affordable housing also shortens TTA when combined with cost-reduction measures. This occurs where jurisdictions adopt deregulation programs that specifically facilitate subsidized or mixed-income housing, or “by-right” cost-reduction tools (such as abatements or density bonuses) tied to affordable outcomes.⁷⁶

Together, Figures 11 and 12 confirm that local policy choices—at both the state and metro level—are decisive in shaping affordability trajectories. The same national Capital A Affordable programs (LIHTC, income assistance, public housing) operate everywhere, yet outcomes diverge sharply across states and metros because of the local policy effect on market-rate production—local cost environments, regulatory structures and subsidy layering.

This insight leads directly to the core of this toolkit’s thesis, described more fully in the next chapter: expanding the TTA framework to incorporate not only Capital A Affordable subsidized production but also “lowercase a” affordable housing (NOAH). By combining both, we can evaluate how local policy can accelerate the generational moonshot from theory into practice.

⁷⁰ Utah Transit Authority. “Transit-Oriented Development and Zoning Initiatives.” 2022.

⁷¹ As reported to NYU Urban Lab in direct calls to the state of Pennsylvania in the summer of 2024.

⁷² Affordable deliveries were 1.08% of total inventory in 2019, 2.21% in 2020, 1.24% in 2021, 2.48% in 2022 and 1.52% in 2023 as reported to NYU Urban Lab in direct calls to the state of Ohio in the summer of 2024.

⁷³ City of Philadelphia, 2022.

⁷⁴ MARC/LISC, 2024; REB, 2026

⁷⁵ Similar to earlier, this estimate assumes no new immigration, no loss of units and no income degradation.

⁷⁶ Examples include Minneapolis’s 4d Program, New York’s 421a Program (expired 2022; succeeded by 485-x in 2024) and Texas Public Facility Corporations (PFCs). See [Policy Case Studies](#) in this report for more detail on each.

The Hidden Factor: Naturally Occurring Affordable Housing

Definition and Importance of NOAH

Not all affordable housing requires subsidy (See [Housing 101: Definitions](#)). A large share of rental units across the United States achieve affordability on their own, without government intervention. We refer to this stock as “lowercase a” affordability, or **Naturally Occurring Affordable Housing (NOAH)**: housing without government subsidy that is still able to achieve affordable rent levels, as measured by rents compared to area median income (AMI).

While many observers associate NOAH exclusively with older properties, our definition focuses on affordability outcomes rather than age or vintage. This broader approach includes not only aging stock but also includes:

- New construction that enters the market at affordable rent levels; as well as
- Single-family homes, 2–4 unit buildings and 5+ unit multifamily communities that today offer rents at affordable levels.

For some readers, this may be a departure from narrower definitions, but it reflects the reality that unsubsidized affordability can exist across a wide range of building types and ages.⁷⁷

The size of the NOAH market is substantial, though estimates vary depending on definitions and data sources. CoStar estimated in 2020 that there were 5.5 million unsubsidized units affordable to households earning less than 60 percent of AMI.⁷⁸ McKinsey, using a broader threshold, identified seven million such units in 2019.⁷⁹ Harvard’s Joint Center for Housing Studies in 2020 estimated that 75 percent of rental units in major cities that were affordable to households earning less than 80 percent AMI nationwide received no government subsidy.⁸⁰

Building on these national estimates, we developed a conservative baseline for this report. Drawing on Harvard JCHS estimates of 12 million affordable rental units in major cities, of which 75 percent (~9 million) are unsubsidized, we allocate those units 60 percent to 5+ unit multifamily buildings and 40 percent to 1–4 family structures.⁸¹ As shown below, when we account for LIHTC, PBRA and public housing separately, the balance of affordable rental housing is unsubsidized NOAH—roughly 9 million units, or 62 percent of the total affordable stock.

Preservation is substantially more cost-effective than new affordable construction—in Chicago, rehabilitation costs an estimated 80 percent less than new construction, and comparable cost differentials have been documented in Los Angeles, Minneapolis and New York City.⁸² But the number of NOAH units continues to decrease as the development of new supply becomes prohibitively expensive and no large-scale policy exists to preserve NOAH. In 2022, just 7.2 million units had contract rents under \$600—a loss of 2.1 million units since 2012—with more than half a million low-rent units lost between 2019 and 2022 alone.⁸³ The Joint Center for Housing Studies estimated the loss of more than 500,000 low-rent units between 2019 and 2022—roughly 150,000 per year—an amount greater than the total new supply of subsidized affordable units produced annually through LIHTC.⁸⁴ This is further discussed in the [Policy Case Study on Preservation](#) Strategies.

Supply Side—Rental Housing Affordability

CHART 8

NOAH	9,000,000	61.6%
PBV	1,198,400	8.2%
Public Housing	1,000,000	6.8%
LIHTC	3,410,756	23.3%
Total	14,609,156	

⁷⁷ The definition of NOAH is not standardized, but generally it refers to one or more of the following: (i) older building stock (CoStar defines 1- and 2-star properties as NOAH), (ii) providing rents affordable to households earning 80% of AMI without subsidy (McKinsey), (iii) providing rents affordable to households earning 100% of AMI without subsidy (this report). It is normally owned by non-institutional housing providers (see also CoStar Group, 2020 and Woetzel, J. et al, 2021).

⁷⁸ CoStar, 2020.

⁷⁹ Woetzel, J., et al., 2021.

⁸⁰ Joint Center for Housing Studies of Harvard University, 2020.

⁸¹ Author’s calculation based on Harvard JCHS (2020) 75% unsubsidized ratio applied to AHS-derived national affordable unit count at ≤80% AMI. The 14.7 million unit baseline reflects 2019 American Housing Survey data on units with gross rents affordable at ≤80% AMI in the 50 largest metros. The 62% figure refers specifically to this threshold; the 70%+ figure cited elsewhere in this report reflects a broader definition inclusive of units affordable at market-rates above 80% AMI.

⁸² Axios/PreserveNOAH, 2025; McKinsey Global Institute, 2025.

⁸³ Joint Center for Housing Studies of Harvard University, 2025.

⁸⁴ Harvard JCHS, 2025.

Where Can NOAH Still Work?

To identify metros where new construction of unsubsidized affordability is still viable, NYU Urban Lab constructed a new NOAH dataset, following our discussion above (See [Appendix Chart 3: MSA TTA Analysis & NOAH Market Identification](#)). For the dataset, we compare affordable rent thresholds for a target family size at a target income level to average market rents:

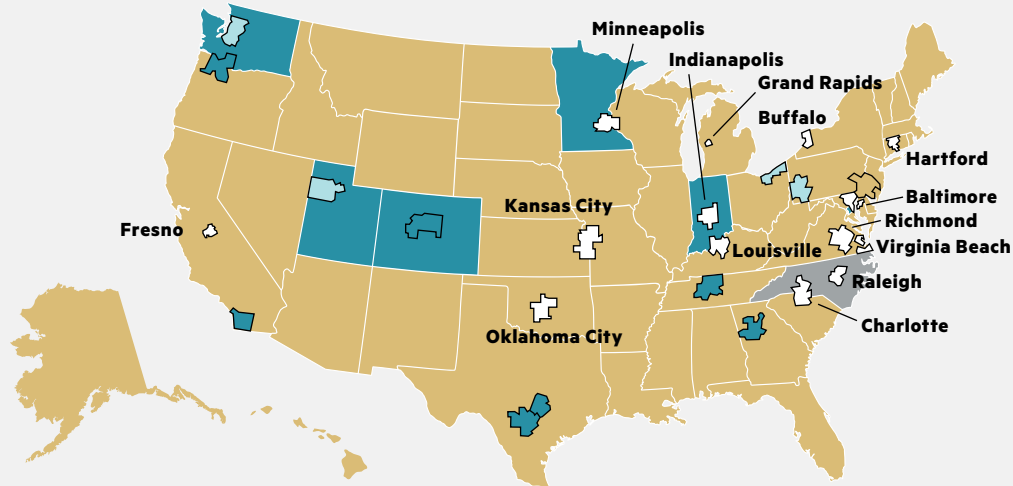
- Affordable rent thresholds: U.S. HUD data for a family of four at 80 percent AMI, renting a 2-bedroom unit (affordability defined as 30 percent of income). The 80 percent AMI threshold is chosen based upon the targeting of most Capital A Affordable programs at households earning 80 percent AMI or below.⁸⁵
- Average market rents: CoStar average 2-bedroom asking rents across the entire MSA.
- Rule for defining NOAH: For each of the 50 largest MSAs, if the CoStar average two-bedroom rent is less than or equal to the HUD affordable two-bedroom rent (for a household of 4) at 80 percent AMI, we classify that metro as having current NOAH feasibility (i.e., new construction unsubsidized units can meet affordability levels under our definition). If the average rent exceeds the threshold, unsubsidized affordability is not broadly feasible without preservation or cost-reduction policy. This outcome-based test goes beyond the common “older buildings only” assumption. By anchoring to rent/AMI relationships for a standard household (family of four, two-bedroom), it captures any unsubsidized stock—whether new or old, single-family, 2–4 unit or 5+ apartments—that clears the affordability bar. This metric is a high-level proxy—it does not measure affordability at a neighborhood level, nor does it guarantee that housing is available of equitably distributed. It simply asks: Is the average asking rent across the MSA affordable to a median-income household?⁸⁶

Time-to-Address (TTA): States vs 50 MSAs and NOAH

50 States and Top 50 MSAs (by population) by Cost Burden vs NOAH

FIGURE 13

□ NOAH (+5% margin) ■ About a generation ■ Two generations ■ Three generations ■ More than a century • All non-called out MSAs are more than a century



Note: All those not pictured are More than a Century TTA without NOAH and include:

Chicago-Naperville-Elgin, IL-IN MSA; Memphis, TN-MS-AR MSA; Washington-Arlington-Alexandria, DC-VA-MD-WV MSA; San Francisco-Oakland-Fremont, CA MSA; Milwaukee-Waukesha, WI MSA; New York-Newark-Jersey City, NY-NJ MSA; San Jose-Sunnyvale-Santa Clara, CA MSA; Los Angeles-Long Beach-Anaheim, CA MSA; Sacramento-Roseville-Folsom, CA MSA; Phoenix-Mesa-Chandler, AZ MSA; Miami-Fort Lauderdale-West Palm Beach, FL MSA; Jacksonville, FL MSA; Orlando-Kissimmee-Sanford, FL MSA; Riverside-San Bernardino-Ontario, CA MSA; Las Vegas-Henderson-North Las Vegas, NV MSA; Tampa-St. Petersburg-Clearwater, FL MSA; Providence-Warwick, RI-MA MSA; Cincinnati, OH-KY-IN MSA; Boston-Cambridge-Newton, MA-NH MSA; Columbus, OH MSA; Dallas-Fort Worth-Arlington, TX MSA; Houston-Pasadena-The Woodlands, TX MSA; Detroit-Warren-Dearborn, MI MSA; Birmingham, AL MSA; St. Louis, MO-IL MSA

Source: Created by M. Kwatinetz at NYU Urban Lab for NMHC using data from ACS, CoStar, Yardi and direct calls to State HFAs.

⁸⁵ This is a large assumption but correlates with our belief that increased supply through deregulation will put downward pressure on the rental inventory. Our scenario for by-right tax abatement production (and preservation) most effectively targets 80%+ AMI households in high cost cities.

⁸⁶ This dataset is included in the Appendix for review.

What the Map Reveals

The results of this test are stark (See [Appendix Chart 3: MSA TTA Analysis & NOAH Market Identification](#)). Of the 50 largest MSAs by size, five have average rents for two-bedroom units at or below HUD's affordable rent threshold, with an additional seven (7) approaching those levels ("near" NOAH) in 2022 and/or 2023. In these twelve metros, unsubsidized affordability remains possible at scale. In the other 38 MSAs, average rents exceed affordable thresholds, signaling that no new NOAH is being produced (at the level studied) and existing NOAH may be at risk of disappearing unless preserved or supported through policy. These findings align with the three categories of housing markets described in the Executive Summary and analyzed further in the [Cost Drivers](#) section.

- Heavily regulated metros—such as Los Angeles, San Jose and Boston—where regulatory costs push housing prices far above the marginal cost of production.
- Low-demand metros—such as Buffalo and Fresno—where new development is limited but existing supply exceeds demand, keeping rents naturally affordable.
- Low-regulation, higher-demand metros—such as Raleigh—where flexible zoning and permitting enable new supply, keeping rents closer to marginal cost.

Research by the National Multifamily Housing Council and the National Association of Home Builders shows that regulation accounts for an average of 40.6 percent of the development cost for a new apartment building with five or more units.⁸⁷ While many regulations serve important public purposes, shifting their full cost onto the private sector ultimately raises housing prices—undermining affordability, itself a critical public good (See [Cost Drivers: The Economics of Housing Production](#)).

The Risk of Losing NOAH

While NOAH currently accounts for the majority of affordable rental housing, it is also the most fragile part of the housing system. Unlike subsidized properties, NOAH units carry no regulatory protections to ensure continued affordability. They can be lost through three main channels:

- Demolition: particularly in high-demand, heavily regulated metros where redevelopment incentives are strong.
- Redevelopment and conversion: often in low-regulation, high-demand metros in which supply lags household growth.
- Rent escalation: across all markets, where NOAH units can be subject to the market pressure of rent escalation, pushing rents out of reach for low- and moderate-income households.

These risks are magnified by the structural imbalance between “lowercase a” affordable and Capital A Affordable supply. From 2012 to 2022 on average 100,000 NOAH units exited the affordable stock,⁸⁸ while only about 89,000 Capital A Affordable units were added.⁸⁹ In effect, the unsubsidized market (“lowercase a”) is shrinking more quickly than the subsidized pipeline (Capital A Affordable) can expand—guaranteeing that affordability pressures will intensify unless preservation strategies are scaled.

Research from the Institute for Housing Studies at DePaul University found that Chicago lost nearly 10 percent of its affordable rental stock between 2012 and 2019—with losses driven by rent escalation in higher-cost neighborhoods and demolition of 2-to-4-unit buildings in lower-cost ones. By 2023, the share of affordable rentals in Cook County had declined 8.6 percentage points from its 2012 level, from 45.3 percent to 36.7 percent.⁹⁰ McKinsey found similar dynamics nationally, with unsubsidized affordable units declining even in markets where demand growth was modest.⁹¹

⁸⁷ Emrath, P., et al., National Multifamily Housing Council, 2022.

⁸⁸ Joint Center for Housing Studies of Harvard University, 2025.

⁸⁹ Jaffe, M., & Ingram, D, 2025.

⁹⁰ IHS, 2021; IHS, 2025.

⁹¹ Woetzel, J., et al., 2021.

Why Preserving NOAH Matters

NOAH is not just legacy stock of older buildings—it is also being produced today in markets where rents remain near affordable thresholds. Both preserving existing NOAH and enabling the creation of new NOAH are central to the nation’s affordability strategy. Without preservation, millions of existing units are lost each year to demolition, conversion or rent escalation. Without new production, affordability cannot keep pace with demand as household growth continues.

Preservation is often the most cost-effective strategy, locking in affordability at lower cost than building new units from scratch. But preservation alone is not sufficient. Rising construction costs, driven by regulation, land constraints and lengthy entitlement processes, threaten to eliminate the feasibility of producing new NOAH. Here, activating dormant development capacity becomes critical. Policies such as construction tax abatements can offset these regulatory costs and allow the private sector to deliver new unsubsidized (“lowercase a”) units at affordable levels. In certain markets, these tools can keep affordability tethered to market production without relying exclusively on Capital A Affordable federal programs like LIHTC, income assistance or public housing (See [Policy Study—Revive and Retain NOAH](#)). The combination of preservation and cost-offsetting strategies creates a dual pathway:

- Revive and Retain (Preservation): preserving existing NOAH through tax abatements, rehabilitation incentives and acquisition funds.
- Dormant Development (New “lowercase a” affordable supply): using dormant development tools like abatements to make new unsubsidized housing viable in markets where rising costs otherwise price out affordability.

Together, these approaches expand the pipeline while keeping costs manageable. They also reveal a key insight: solving affordability does not require choosing between market-based “lowercase a” affordable and subsidized Capital A Affordable. Instead, it requires aligning the two so that subsidies stretch further and market feasibility is preserved.

Policy Levers Across Affordability Types

	PRESERVATION	NEW CONSTRUCTION
“Lowercase a” affordable (NOAH / Unsubsidized)	Revive & Retain: Preserve existing NOAH through deregulation as well as through tax abatements, rehabilitation incentives and acquisition funds.	Dormant Development for market-rate: Lower regulatory barriers to encourage unassisted NOAH; use tools like tax abatements to offset regulatory costs and enable by-right affordability in new builds.
Capital A Affordable (Subsidized Affordable)	Preserve expiring-use LIHTC units and income assistance contracts; maintain public housing stock through reinvestment; transform existing vacant units into Capital A Affordable where possible through LIHTC and income assistance.	Dormant Development for Capital A Affordable: Expand LIHTC, income assistance and public housing programs to add new regulated Affordable supply.

This leads directly into the next chapter on [Cost Drivers](#). To scale both preservation and dormant development (new construction) strategies, we must first understand why development has become so expensive—and how policy can target those costs without undermining affordability itself.

Cost Drivers: The Economics of Housing Production

Introduction: Why Cost Drivers Matter

Affordability challenges stem not only from supply and demand but from the costs embedded in producing housing. The [Time-to-Address \(TTA\) analysis](#) showed some metro areas can close their affordability gap in a generation, while others require two or more. These differences reflect how local [cost drivers](#)—regulation, entitlement timelines, rent rules, labor, materials and financing—shape feasibility. Some cost drivers are controllable by rental housing providers. But some are not. Examples of non-controllable cost drivers include taxes (state and local) and insurance. When increases in non-controllable expenses are paired with regulated limits on rent levels (such as through rent regulation), affordability issues can be exacerbated. Without understanding these drivers, we cannot explain why [dormant development capacity remains idle](#) or why some metro areas produce [NOAH](#) while others lose it.

The Economics of Development Feasibility

Every market-based housing project is governed by a simple equation: land, construction costs and financing costs must be covered by rents households can pay.⁹² If projected rents fall short, the project stalls—we discuss this in depth in [Housing 101: Cost Impacts to Feasibility](#). In high-cost markets, only the highest rent developments “pencil out” unless external support steps in.

That support comes either from **Capital A Affordable subsidy programs** (LIHTC, income assistance, public housing) or from **by-right incentives** (tax abatements, density bonuses, automatic entitlements) that reduce costs without lengthy negotiations. LIHTC yields only about 89,000 units annually in part because each deal requires complex approvals, while by-right programs deliver units more quickly.

This equation explains why unsubsidized affordability is scarce in some metro areas and available in others. Where costs track marginal construction prices, developers can still produce [NOAH](#). Where costs exceed feasible rents, assisted preservation becomes the only option. Hybrid programs, such as New York’s 421a (now 485x) and Texas’s Public Facilities Corporations (PFCs), show how well-targeted abatements can produce moderate-income housing with less friction than subsidies (see [Policy Case Study—Tax Incentives](#)).

Costs Outpacing Feasible Rents and The Role of Preservation

In many high-cost metro areas, development costs now exceed rents affordable to most households. High rent projects may still be feasible, but middle- and moderate-income housing is not. [NOAH](#) preservation is therefore essential: older or unsubsidized units drift upward in rent unless protected. Without intervention, housing providers often demolish or convert them to Class A.

In rent-regulated markets, rising operating costs—taxes, insurance, maintenance, labor—often exceed allowable rent increases. Instead of maintaining affordable rentals, housing providers avoid regulated projects or build only at levels targeting high-income households. This is evident in New York City, where thousands of rent-stabilized units remain vacant because costs outstrip permissible rent growth.⁹³ Similar pressures appear in California, where rising expenses under rent control force housing providers to withdraw units.⁹⁴

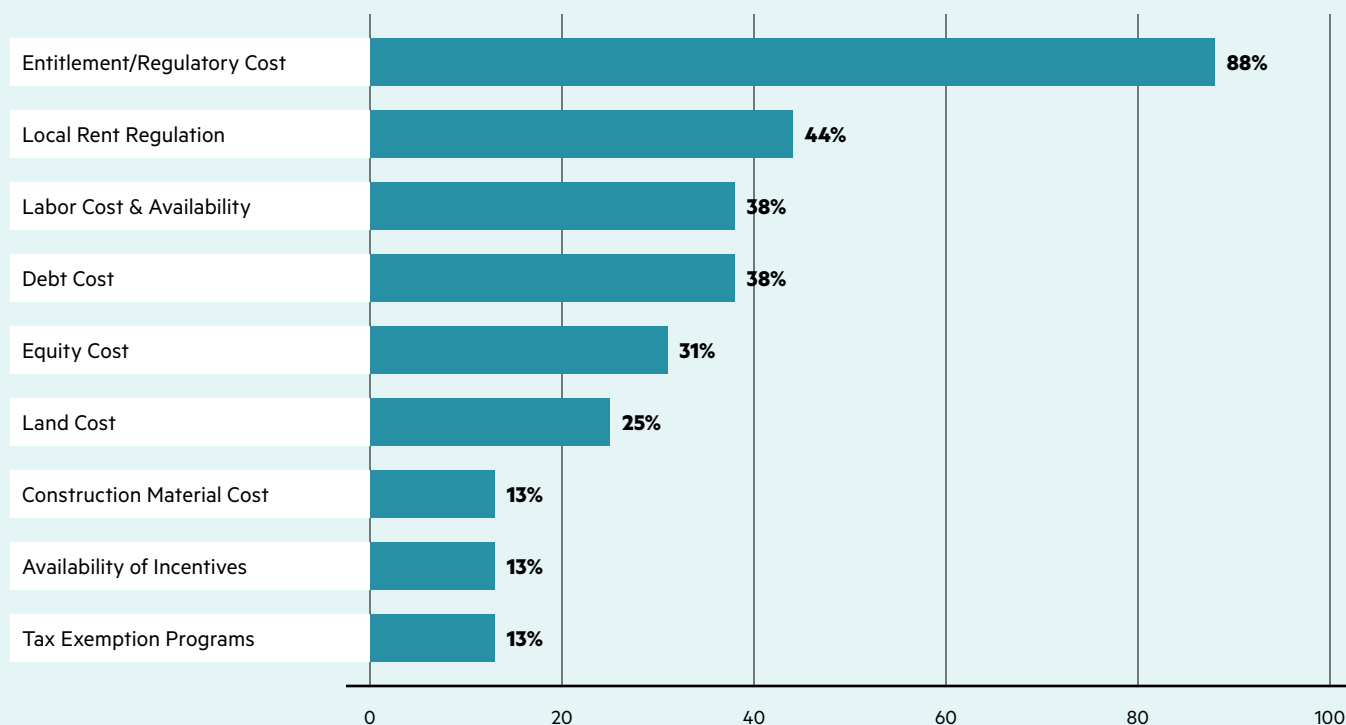
⁹² Debt and equity costs are typically competitive with assets nationally or internationally. Construction costs are likewise more similar nationally—other than increased labor costs due to local regulation.

⁹³ NMHC, 2024.

⁹⁴ LAO, 2022.

Cost Drivers of Multifamily Development or Acquisition

FIGURE 14



Note: November 2024 Survey of NMHC Workforce Housing Committee (n=16)

What Developers Really Say: Regulatory Costs, Not Just Construction Costs

Developer survey data confirms that “non-construction” costs are now the main barrier. A 2022 NYU Urban Lab survey showed:⁹⁵

- **88 percent** cite entitlement delays as critical.
- **44 percent** cite rent regulation as depressing revenue.
- Other concerns: land costs, financing, interest rate volatility.

Construction cost inflation has largely tracked broader inflation,⁹⁶ but project costs—regulatory fees, holding costs from delay and capped revenues from regulation—have risen far faster.⁹⁷ Local rules simultaneously raise costs and reduce revenues, leaving many projects unbuilt.

Regulation, Efficiency and Rent Regulation

Regulation of zoning, impact fees and permitting contributes substantially to cost. A joint NMHC/NAHB study found regulation makes up an average of **40.6 percent** of the development cost of a new 5+ unit multifamily building.⁹⁸ When regulations are misaligned or layered, they inflate costs without delivering equivalent public benefits.

⁹⁵ The NMHC Workforce Housing Committee includes representatives from the entire spectrum of the multifamily (rental) development industry targeting all structure types (single-family, multi-plex, multi-family), all geographic locations in the U.S., all parts of the capital stack (debt, mezzanine, equity), all rental target levels (Capital A Affordable, NOAH, workforce, market-rate, Class A), production modes (core, core plus, value add, opportunistic) including preservation and development, construction companies, brokerage groups, research groups, service providers and companies from small start-ups to publicly traded organizations and non-profit and government sponsored entities.

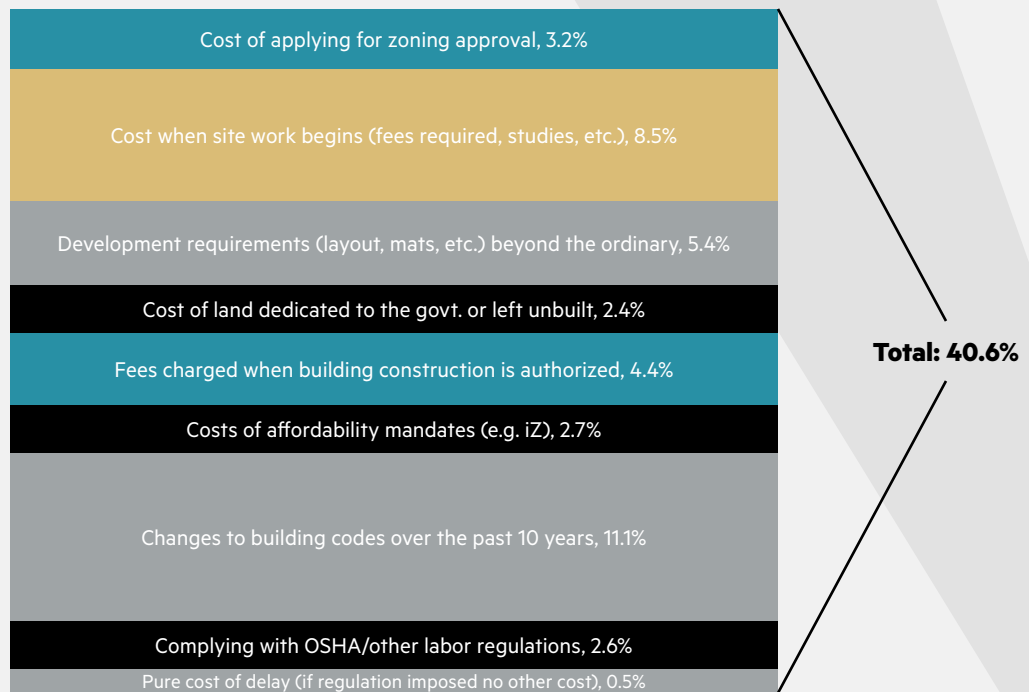
⁹⁶ Glaeser, E. & Gyourko, J. 2017.

⁹⁷ Ibid.

⁹⁸ Emrath, P., & Walter, C.S. (2022).

Average Cost of Regulation as Percent of Total Multifamily Development Cost

FIGURE 15



Source: NAHB and NMHC

Rent regulation, while meant to protect renters, deters supply, encourages vacancy or conversion and reduces investment in maintenance.⁹⁹ The result is fewer units and declining quality. This report suggests that one-size-fits-all rent regulation approaches, such as broad rent control or rent stabilization policies, can reduce housing opportunities over time by constraining supply and limiting market mobility, while failing to effectively target the lowest-income renters who face the fewest housing options. Greater efficiency comes from [activating dormant development capacity](#) and preserving NOAH so that competitive markets can work in tandem with Capital A Affordable programs to assist in delivering affordability, thereby creating the ability to hit the [moonshot goal](#): address housing affordability [in this lifetime](#).

Conclusion: Recalibrating Cost Drivers with Policy Leverage

Cost drivers can be recalibrated, so regulation fulfills its purpose without neutralizing affordability. Where regulation is vital—for safety, health or environment—governments should offset its costs rather than pass them entirely onto developers, who are otherwise forced to raise rents.

Preservation of NOAH must remain foundational. Equally important is enabling new NOAH through cost-offset tools, particularly in high-demand, high-regulation markets. With recalibration, dormant development capacity can be activated and private markets can again deliver unsubsidized affordability at scale to complement the subsidized delivery of Capital A Affordable supply.

Cost drivers are the hidden infrastructure of housing policy. They explain why [NOAH](#) thrives in some markets and vanishes in others, why [some MSAs achieve affordability within a generation](#) while others cannot and why [any pipeline that hits our moonshot goal requires preservation and dormant development strategies to work together across “lowercase a” affordable and Capital A Affordable delivery](#).

⁹⁹ See National Multifamily Housing Council. *Rent Regulation Policy in the United States: 2024 Report*, and LAO 2022.