

Housing Innovation

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**NATIONAL
HOUSING CRISIS
TASK FORCE**

We don't have enough housing; the shortage is between 4 and 8 million homes

The U.S. housing market was short **4.9 million** housing units in 2023 relative to mid-2000s

Brookings, 2024

3.85 Million Missing Homes in the U.S.

Up for Growth, 2024

Data, Economic Coverage, Housing Supply

Housing Supply Gap Reaches Nearly 4 Million in 2024

Realtor.com, 2025

Between 2012 and 2023, the US housing shortage nearly doubled—to **8.2 million units**—with the most rapid increase occurring early in the COVID-19 pandemic.

McKinsey & Company, 2025

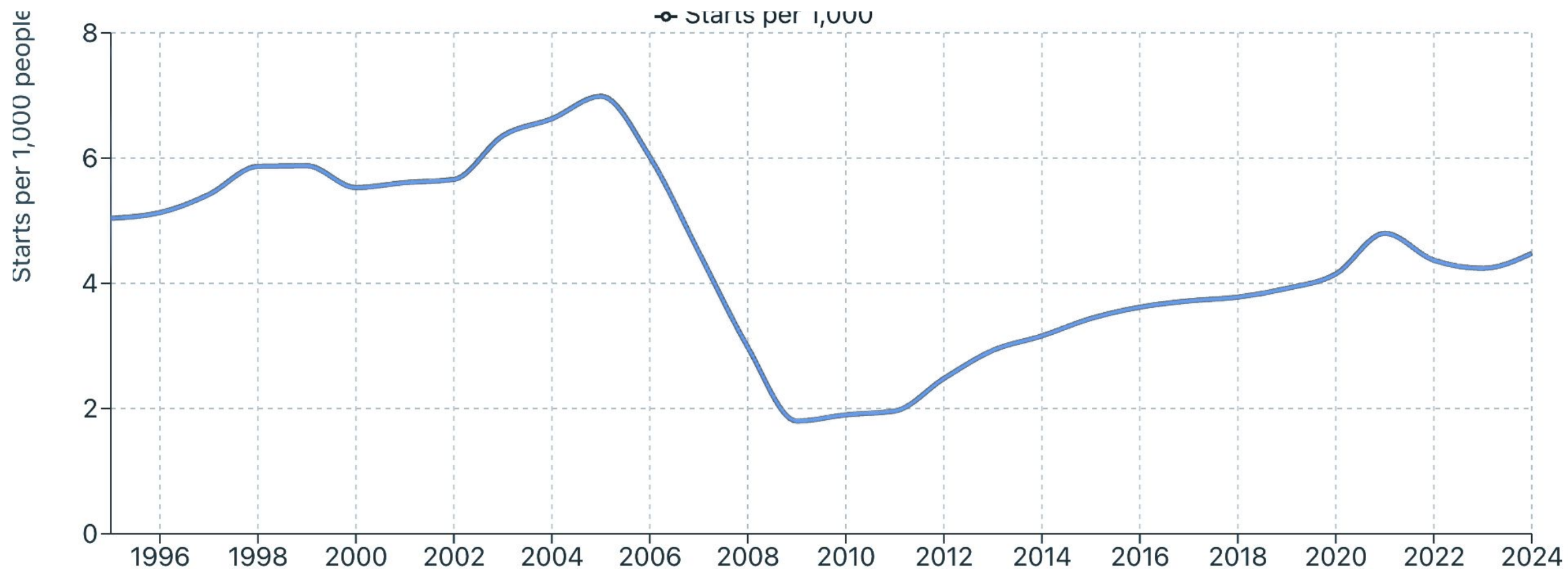
US housing deficit grew to 4.7 million despite construction surge

Zillow, 2025

We have not been building enough – for a sustained period of time

Housing Starts per 1,000 People (1995–2024)

Normalized view showing annual housing starts adjusted for population size. Units represent **new housing starts per 1,000 residents**.

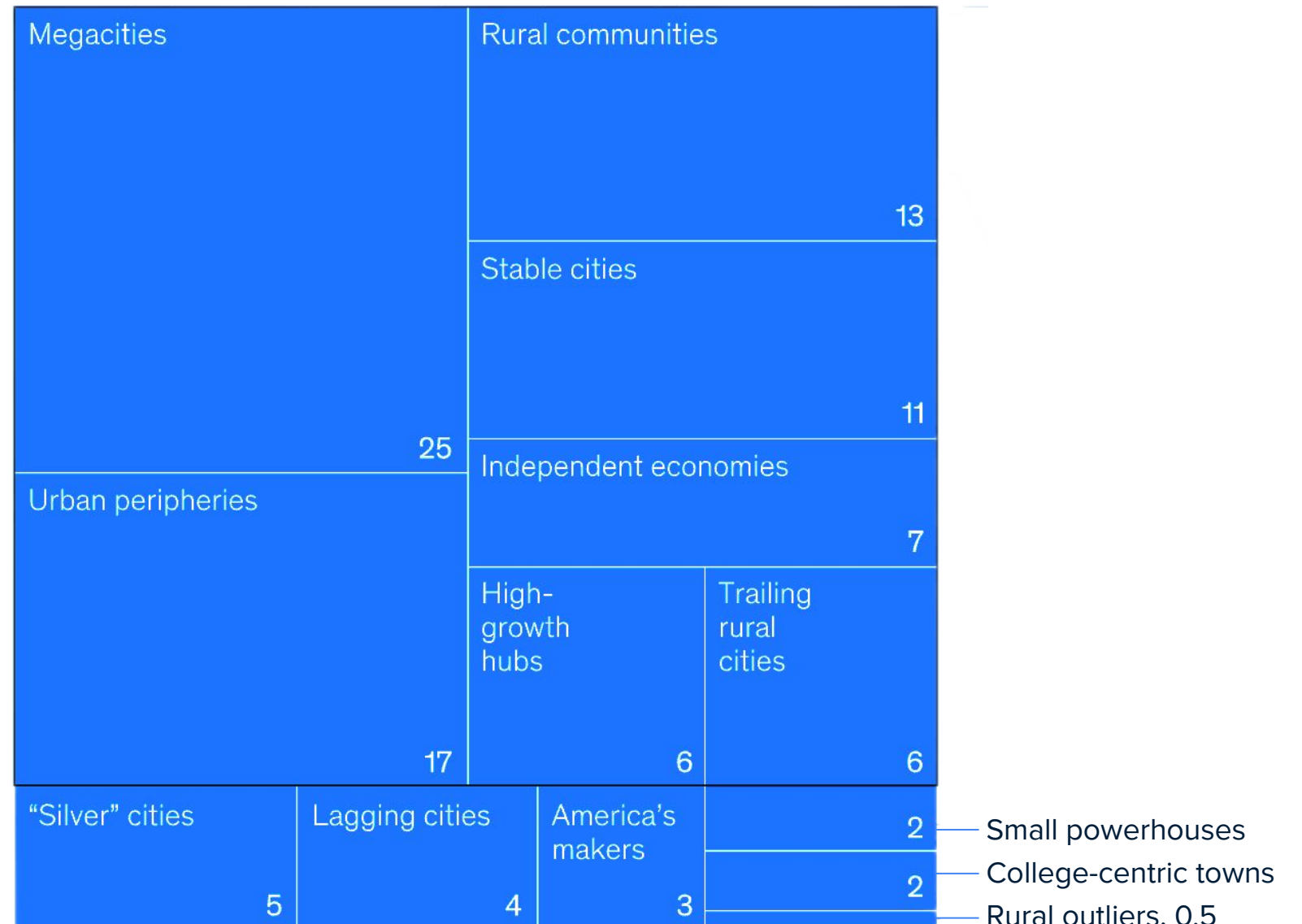


The shortage is affecting all areas of the country

US HOUSING GAP IN 2023,
BY COMMUNITY PROFILE

Percentage of total housing units needed

Total of **8.2 million**
housing units needed



Note: Figures do not sum to 100%, because of rounding. For additional detail on each community profile, please see *The state of housing in Black America: How affordable housing shapes economic mobility* appendix, section 1.

Source: American Community Survey, US Census Bureau, accessed Jan 2025; US Census Bureau; US Department of Housing and Urban Development; McKinsey Global Institute analysis

The proportion of rent-burdened U.S. renter households has climbed from 30%+ in 2000 to over 50% in 2023

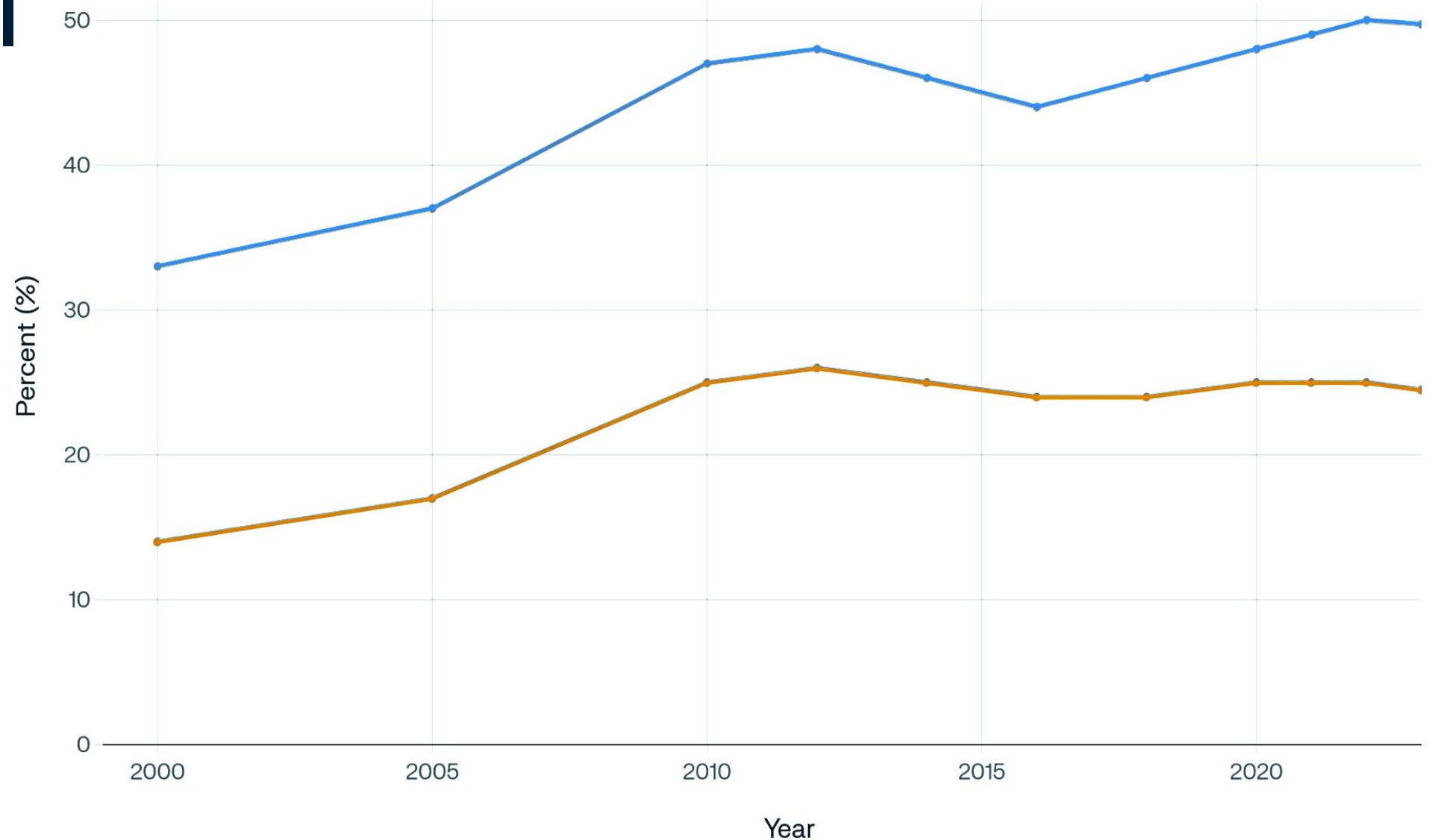
2000 – 2023

Percentage of total US rent-burdened households

— Rent Burdened — Severely Burd.

Rent burdened = over 30% of gross income on housing

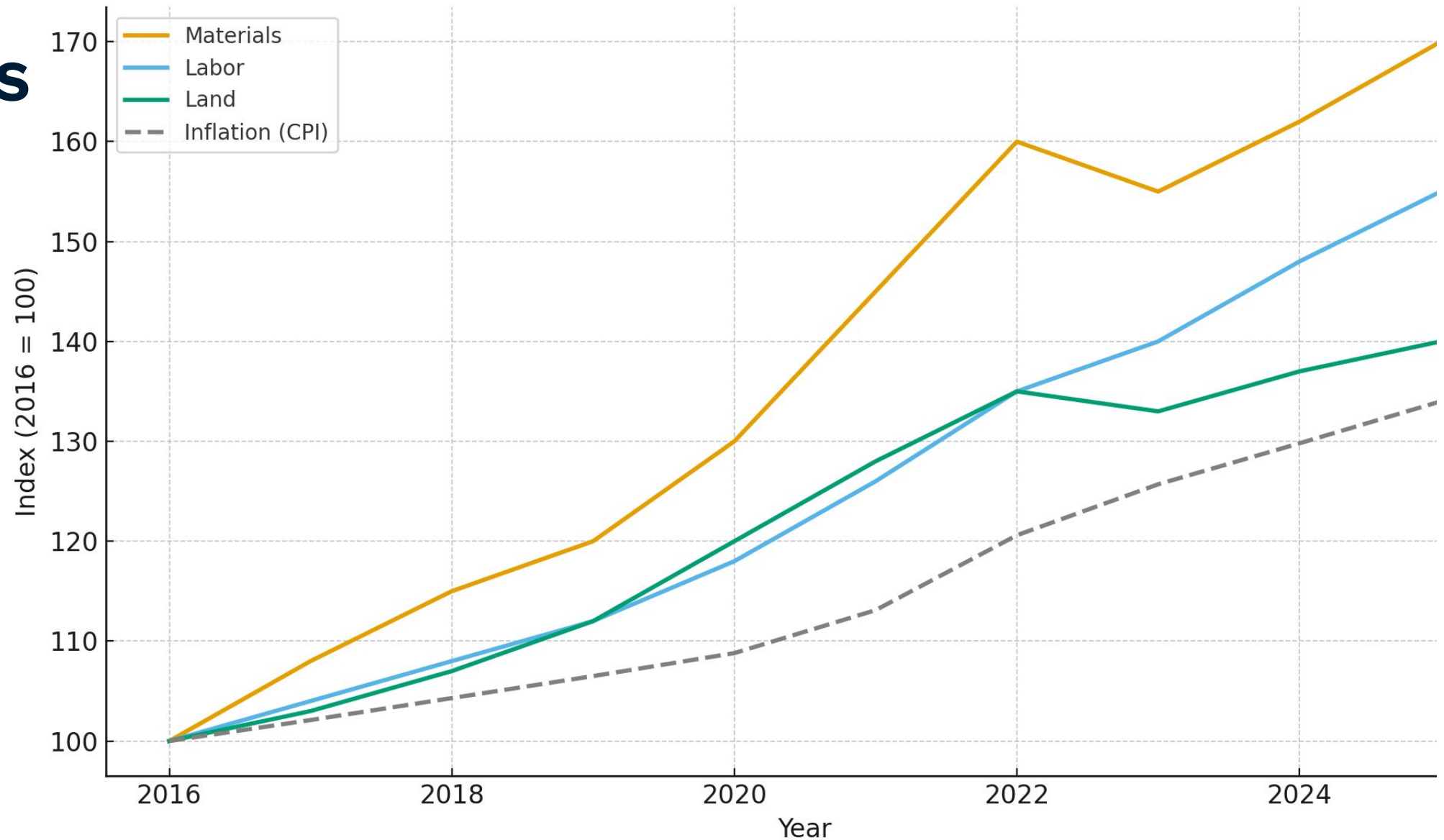
Severely rent burdened = over 50% of gross income on housing



There are several compounding factors that make solving the crisis **HARD**: **Rising costs**

RESIDENTIAL CONSTRUCTION

Cost components vs. Inflation



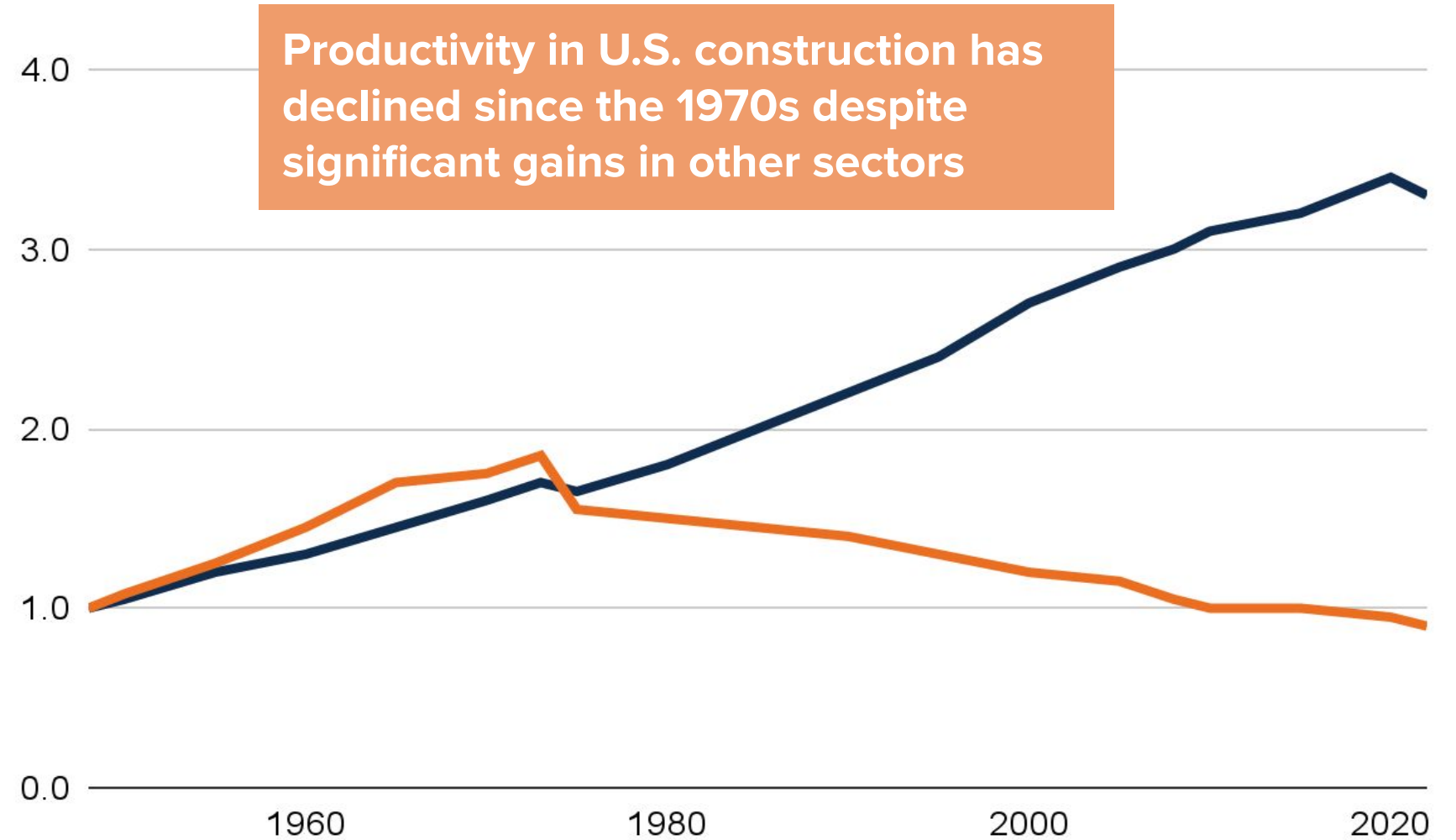
There are several compounding factors that make solving the crisis HARD: **Low productivity**

PRODUCTIVITY IN U.S. CONSTRUCTION

Value Added per U.S. Worker

Normalized to their respective values in 1948

- = U.S. Overall
- = Construction



Source: Federal Reserve Bank of Richmond, 2025

There are several compounding factors that make solving the crisis **HARD: Onerous processes**

ZONING LAWS

Builders must navigate thousands of pages of zoning laws that can add frictions and delays to the process

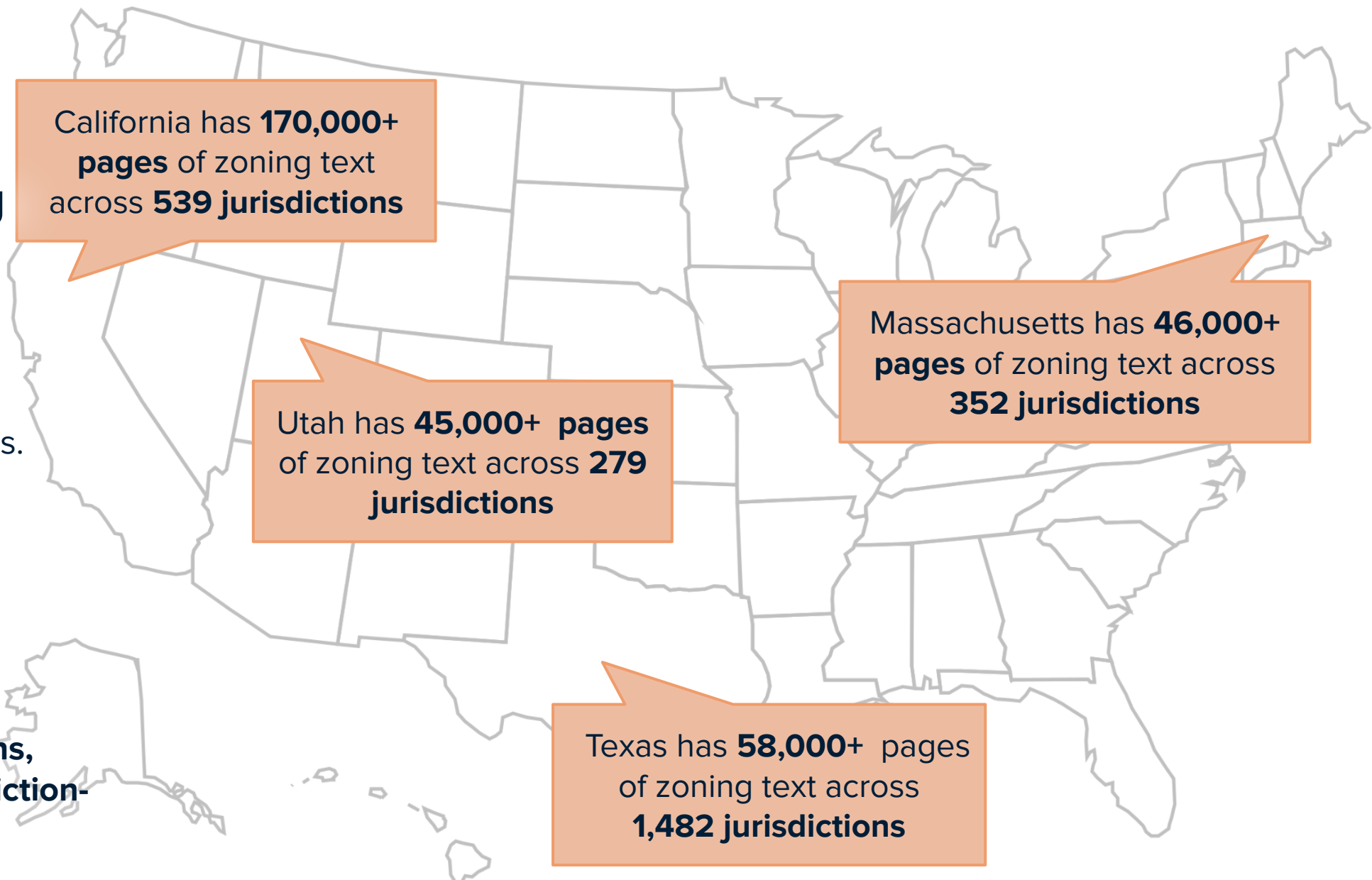
Zoning laws can add frictions to the construction process that elongate build times.

Specific examples include...

- Permitting approvals
- Rezoning processes
- Environmental reviews
- Community approvals

These zoning laws, and the resulting frictions, are detailed in thousands of pages of jurisdiction-specific text that builders must navigate

Source: National Zoning Atlas, 2025



Existing federal subsidy programs for new construction address only about one-quarter of the minimum unmet annual housing gap

PROGRAMMING

Housing Units Supported by Existing Subsidy Programs

To address the current shortage of 4-8 million units within 10 years, at least **400,000+ new units are needed annually (above normal growth demand)**.

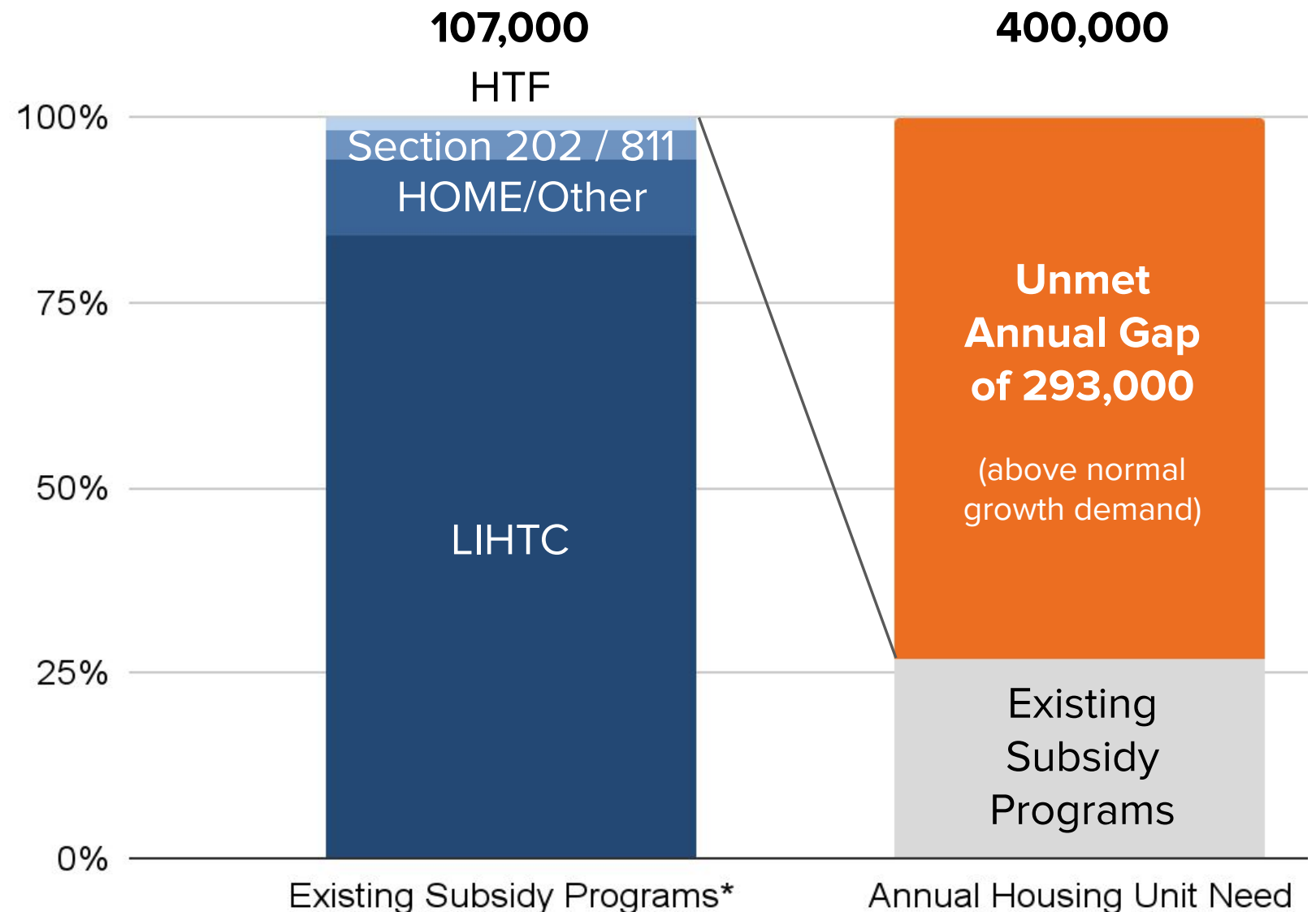
Existing federal subsidy programs account for only a fraction of this gap, highlighting the urgent need for significantly bolder solutions.

LIHTC = Low-Income Housing Tax Credit, a federal program that provides a dollar-for-dollar tax credit to corporate taxpayers in exchange for investments in affordable rental housing, working in partnership with developers.

HOME = Home Investment Partnership Program, a federal block grant to state and local governments for building, buying, or rehabilitating affordable housing, and for direct rental assistance to low-income households. Other HUD subsidy programs include Community Development Block Grants and concessionary mortgage loans.

Section 202 / 811 = Federal capital funding paired with rental subsidies for seniors (Section 202) and disabled persons (Section 811).

HTF = Housing Trust Fund, federal block grants to state governments to increase and preserve affordable rental housing for extremely low-income households.



Sources: National Council of State Housing Agencies, 2023; National Association of Counties, 2025; Department of Housing and Urban Development, 2024; National Low Income Housing Coalition, 2022; Housing Assistance Council, 2023

Closing the US housing gap would require an investment of \$2.7T, unlocking massive economic impact and jobs

CUMULATIVE INVESTMENT REQUIRED
2025-2035

Closing the US housing gap requires \$2.7 trillion



ECONOMIC IMPACT²
\$1.9 trillion
cumulative GDP growth

1.7 million
jobs created

Note: Figures do not sum to 100%, because of rounding.

¹GDP (value added) and jobs created estimated through effect of economic multipliers that leverage geographic-specific input-output tables to assess value linkages from origin industry and impact (eg, housing construction) on other industries.

²Construction-supply-chain impact captures changes in output, GDP, and jobs of residential-construction industry and their effect on all levels of construction industry suppliers, excl induced impact, which is generated by earning and spending changes tied to change in output of initial industry (both direct and indirect affects).

Source: McKinsey Global Institute analysis

National multifamily residential operating cost trends have grown across nearly every category, 2020-2025

MULTIFAMILY OPERATIONS

2015-2025 marked structural shift in US multifamily operations

Expense growth now routinely exceeds rent growth. Insurance showed sustained double-digit growth in many regions.

OP COST CATEGORY	TREND 2020-2025
Insurance	+18.8% YOY; major cost volatility driver
Repairs & Maintenance	+14.2%, reflecting material costs and contractor shortages
Admin & Payroll	+10-12% combined
Utilities	+7.8%, reflecting energy inflation
Property Taxes	+5.9%, varying by state

The current building process has inherent complications

RISKY

Unknown approvals, costs and delays, significant financial exposure

Layered

Multiple key parties in approvals, design, construction, and financing

Bespoke

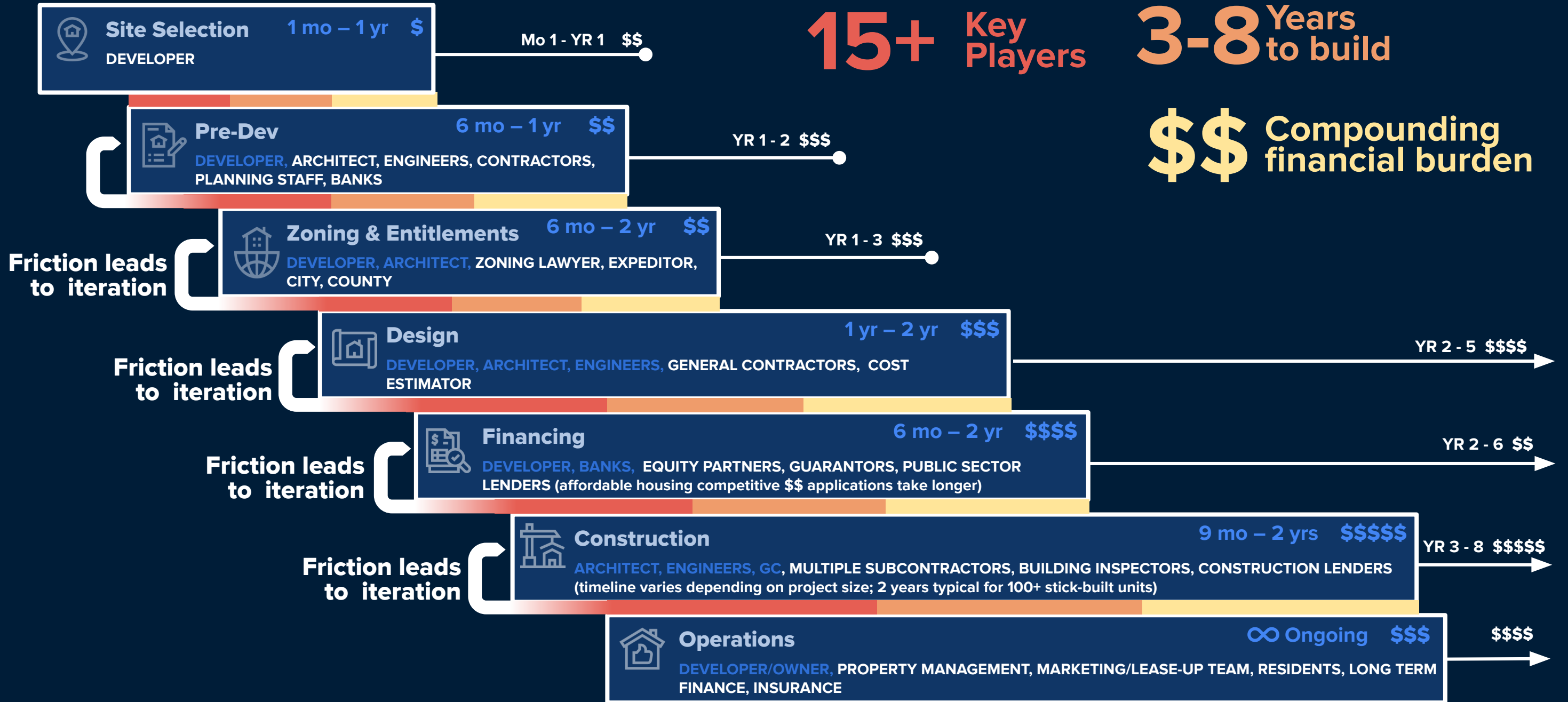
Regulatory, historical and methodological environment drives over-customization

The process of building housing is overly **RISKY**, **LAYERED**, and **BESPOKE**

Every step in the process *compounds* complications that increase costs and slow down processes








Over time these layers of risks, middlemen, and customization have bogged down the system and limited the number of players who can actually navigate it

A linear process with many players creates inefficiency and rework

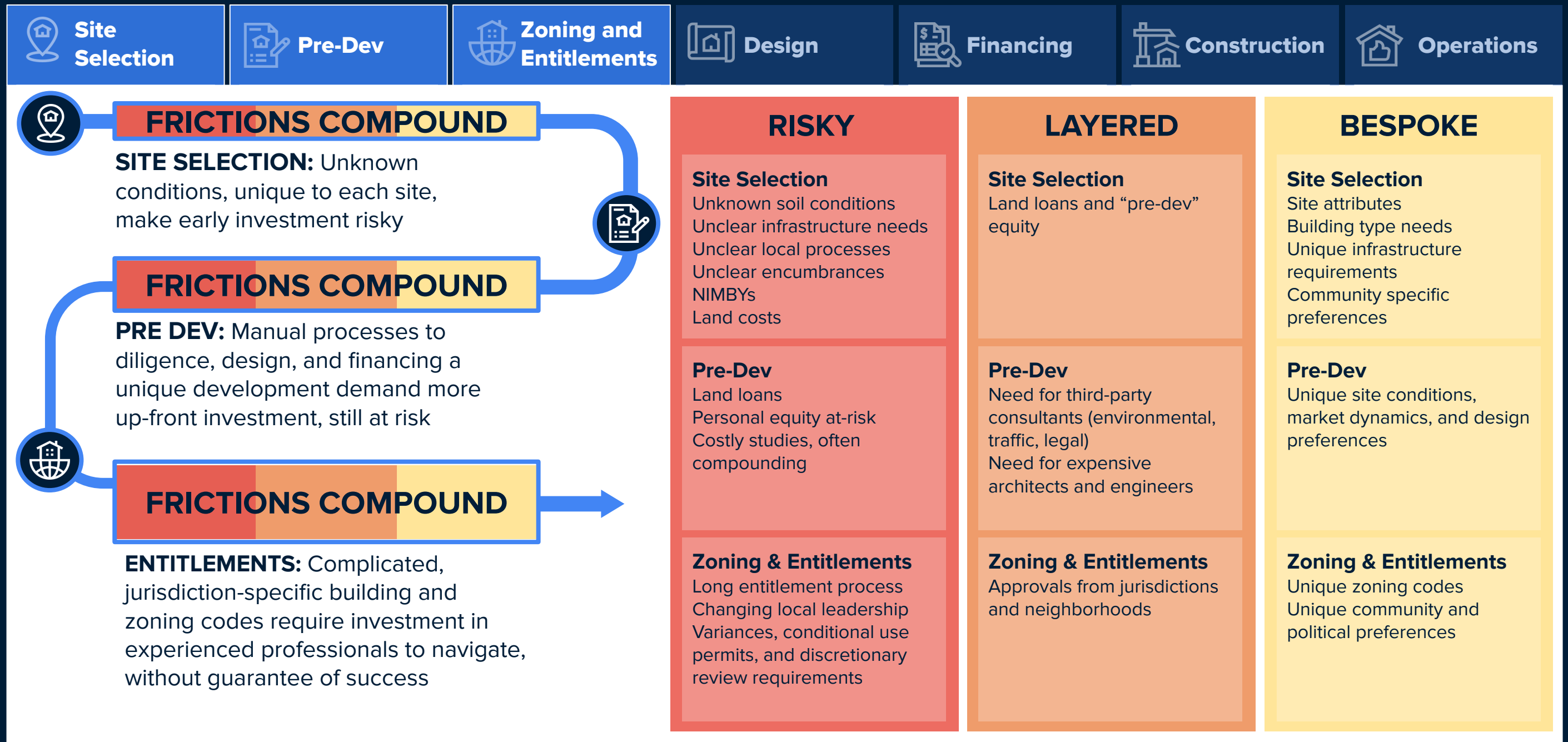


* Assumes approximately 100 unit multifamily building

A small sample of the frictions involved in each stage...

	 Site Selection	 Pre-Dev	 Zoning and Entitlements	 Design	 Financing	 Construction	 Operations
ACTIVITY	Identify sites that fit demand profile, zoning requirements and physical characteristics	Design project, develop budgets, and seek approvals	Submit planning applications, negotiate with jurisdictions, engage with community, and receive permits to begin	Construction design documents produced and contractor identified	Secure conditional commitments for construction financing and underwrite permanent financing	Financing closes; construction commences	Certificate of Completion issued; lease-up/sales commence; asset management and operations
RISKY	Unknown soil conditions Unclear infrastructure needs Unclear local processes NIMBYs Land costs	Land loans Personal equity at-risk Costly studies	Long entitlement process Changing local leadership Variances, conditional use permits, and discretionary review requirements	Iterative A&E process costly Planning departments' design changes Materials and labor cost fluctuation	Interest rate fluctuations Personal guaranties / recourse	Subgrade surprises Changing labor and materials costs Weather delays Change orders	Rent and valuation fluctuations Absorption pace Construction problems Insurance premiums and utility cost increases Labor costs
LAYERED	Land loans and "pre-dev" equity	Need for third-party consultants Need for expensive architects and engineers	Approvals from jurisdictions and neighborhoods	Architect, developer and GC cost coordination "Value engineering" timing	Lender, GP equity investors, LP equity investors, possibly layers of public subsidy	Multiple types of permits Developer, GC, sub-contractors coordination Approvals from lenders & equity Jurisdiction inspections and approvals	Operating projections timing Asset management, property management staff different than development staff
BESPOKE	Site attributes Building type needs	Varied budgets as diligence proceeds	Unique zoning codes Unique community and political preferences	Lack of standardized building parts / designs Style, setback, density requirement variance	Inconsistency in what equity providers seek Reliance on agency takeouts	Unique designs and materials challenge GCs and subs	Market conditions vary across jurisdictions

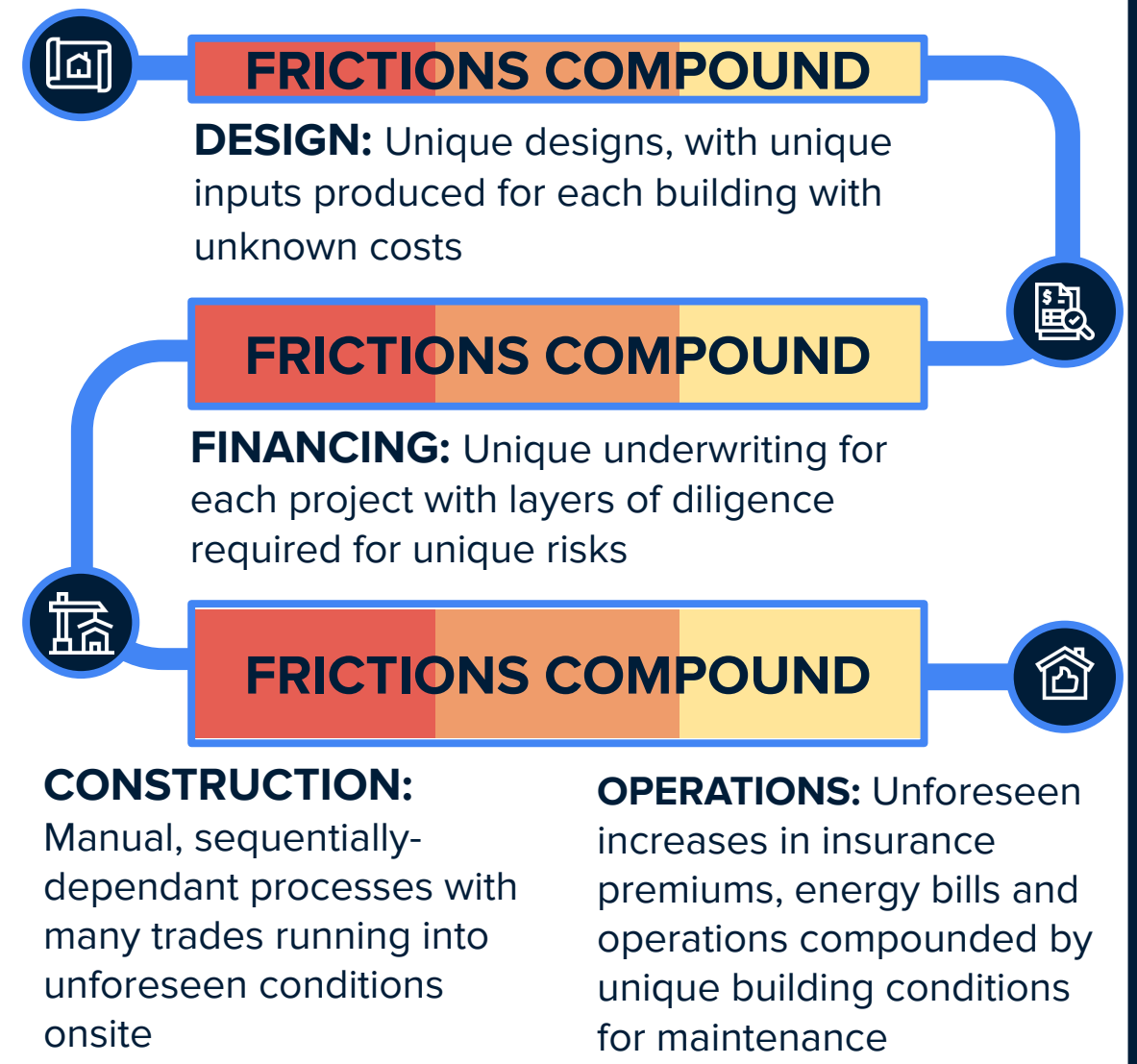
A small sample of the frictions involved in each stage...



A small sample of the frictions involved in each stage...



RISKY	LAYERED	BESPOKE
<p>Design Iterative A&E process costly Planning departments' design changes Materials & labor cost fluctuation</p>	<p>Design Architect, developer and GC cost coordination "Value engineering" timing</p>	<p>Design Lack of standardized building parts / designs Style, setback, density requirement variance</p>
<p>Financing Interest rate fluctuations Personal guaranties / recourse</p>	<p>Financing Lender, GP equity investors, LP equity investors, possibly layers of public subsidy</p>	<p>Financing Inconsistency in what equity providers seek Reliance on agency takeouts</p>
<p>Construction Subgrade surprises Changing labor and materials costs Weather delays Change orders</p>	<p>Construction Multiple types of permits Developer, GC, sub-contractors coordination Approvals from lenders & equity Jurisdiction inspections and approvals</p>	<p>Construction Unique designs and materials challenge GCs and subs</p>
<p>Operations Rent and valuation fluctuations Absorption pace Construction problems Insurance premiums & utility cost increases Labor costs</p>	<p>Operations Operating projections timing Asset management, property management staff different than development staff</p>	<p>Operations Market conditions vary across jurisdictions</p>



If you were to design the housing system today what would it look like?

Could you solve the 4-8m unit housing shortage?