

RESEARCH SUMMARY

Not Enough Space for Growth: How Restrictions on Development Limit Housing Affordability

The density and affordability of housing vary greatly across the United States. Residential development patterns are dictated by three main factors: (1) the existing built environment, (2) growing demand for housing, and (3) regulation. Salim Furth considers these factors in “[Housing Supply in the 2010s.](#)”

Using new data, the author pioneers a novel approach to measure and compare the significance of factors that inhibit the addition of much-needed housing. Examining Census tract data about individual neighborhoods, Furth draws the following conclusions about housing growth over the past decade:

- The demand for homes grew most in the densest neighborhoods and least in the least-dense areas during the 2012–2018 US housing boom.
- Owing to higher property costs in high-density areas, half of all new homes were built in low-density neighborhoods.
- High-density urban neighborhoods experienced rapid growth yet did not keep pace with demand.
- Moderately dense suburbs, which have the strictest land use regulations, demonstrated the lowest growth rate.

INSTITUTIONAL BARRIERS LIMIT HOUSING SUPPLY

In general, housing supply growth should rise proportionately with demand growth. Similarly, the rate of supply growth should decline with increases in density. However, regulatory barriers cause supply growth to lag in moderate-density areas as jurisdictions make the process of development costlier and more time consuming. This results in a significant difference between the amount of housing growth projected within a deregulated environment and the real growth occurring in areas with a high potential for development but restrictive policies. Yet, instead of prioritizing less or better regulation, these areas often continue to add more regulatory obstacles.

KEY TAKEAWAY

Many metropolitan areas fall substantially short of their potential levels of housing development. In these environments, regulatory policies impede growth, resulting in a smaller housing supply than necessary to keep up with rising demand. When policymakers fail to adequately identify and address this trend, rent prices rise to meet demand, and the prospect of housing affordability recedes further into the distance.