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## Headline: How the U.S. Might Outgrow Pandemic-Era Housing (Un)Affordability Problems

**Article Link:** https://www.dallasfed.org/research/economics/2024/0813



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**Tweet:** A @DallasFed analysis suggests housing affordability in the US will likely improve gradually through strong income growth and moderate house-price appreciation, but notes the risk of a severe price correction with negative wealth effects.


**Summary:** Chart 4 suggests that under the relatively benign scenario in April 2024, the price-to-income ratio should decline by about 13 percentage points by February 2029 relative to February 2022 levels. Such a drop would retrace approximately two-thirds of the pandemic-era increase. Putting it all together, the affordability correction in the U.S. is not expected to arise from a house-price bust but rather from strong income growth in a scenario with moderate house-price appreciation that slightly trails inflation. While slowly improving housing affordability can be less disruptive than a disorderly house-price bust, there remain associated risks. First, the more gradual correction tempers labor mobility as households face financial constraints that, in turn, limit relocation options in the event of future economic shocks. Second, household formation can be delayed as a result, which can have demographic implications. Third, sellers may encounter increased time and cost risks because fewer people are buying homes. Finally, prolonged unaffordability can increase the odds of a severe correction in a future house-price run-up, inducing a negative wealth effect on economic activity and a restraining of household consumption.


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**Primary Topic:** Housing

**Topics:** GDP, Housing, Op-Ed/Blog Post

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