

## Why are so many voters frustrated by the US economy? It's home prices

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*Washington* — Lori Shelton can't fathom ever having the money to buy a home — and that's a major reason why so many voters feel down on the economy ahead of this year's presidential election.

Shelton, 67, drives an Uber to help pay rent in Aurora, Colorado. An advance on her pay covered her apartment's security deposit. But it also cut into her next paycheck, leaving her bank account dangerously low when the rent was due — a cycle that never seems to end.

“I'm always one step behind,” said Shelton, her voice choking up. “It’s a nightmare, it’s a freaking nightmare right now.”

The United States is slogging through a housing affordability crisis that was decades in the making. At the root of this problem: America failed to build enough homes for its growing population. The shortage strikes at the heart of the American dream of homeownership — dampening President Joe Biden's assurances that the U.S. economy is strong and underscoring the degree to which Republican Donald Trump, the former president and presumptive GOP nominee for 2024, has largely overlooked the shortage.

The lack of housing has caused a record number of renters to devote an excessive amount of income to housing, according to a Harvard University analysis. Not enough homes are for sale or being built, keeping prices elevated. Average mortgage rates have more than doubled and further worsened affordability.

In fact, the Census Bureau reported that homeownership fell slightly at the end of last year in an otherwise solid economy. If it wasn't for shelter costs, inflation — Biden's most pronounced economic problem — would be running at a healthy and stable 1.8%. Instead, it's hovering around 3.2%.

Administration officials are confident that shelter inflation will soon cool, but the damage across several years is apparent to advocates and economists.

“I've been doing housing work for 30 years — the housing affordability challenge is the worst I've ever seen in my career,” said Shaun Donovan, a former secretary of Housing and Urban Development in the Obama years who now leads the nonprofit Enterprise Community Partners.

Donovan noted that this is an increasingly bipartisan challenge that could bring the political parties together. Expensive housing was once the domain of Democratic areas such as New York City and San Francisco. It's now moved into Republican states as places such as Boise, Idaho, grapple with higher prices.

“It is a first-tier issue almost everywhere,” he said. “And that is changing the national politics around it in a way that I think is quite different than I’ve ever seen.”

Mark Zandi, chief economist at Moody’s Analytics, said that the outcome of the November election could ultimately depend on the path of 30-year mortgage rates.

Rates currently average about 6.74%. If they dropped closer to 6%, the odds of a Biden victory would increase. But rates moving near 8% might enable Trump to prevail, Zandi said.

“Given the current housing affordability crisis, higher rates will make owning a home completely out of reach for nearly all potential first-time homebuyers,” he said. “Since homeownership is a key part of the American dream, if it appears unattainable, this will deeply impact voters’ sense of the economy.”

Biden, a Democrat, acknowledged the pain many are feeling in his State of the Union address earlier this month and in his budget proposal released on Monday.

The president wants to fund the building and preservation of 2 million housing units — a meaningful sum, but not enough to solve the shortage. He also proposed a tax credit worth up to \$10,000 to homebuyers. Over the past three years, he has increased rental assistance to 100,000 households.

“The bottom line is we have to build, build, build,” Biden said Monday in a speech to the National League of Cities. “That’s how we bring down housing costs for good.”

Rapidly climbing home prices were also a festering problem under Trump, who first achieved celebrity status as a real estate developer. While president, Trump called for limiting construction in the suburbs. He claimed during the 2020 election that Biden's policies to spur building and affordability would “destroy your neighborhood.”

During the 2018 to 2020 years of Trump's presidency, the country’s housing shortage surged 52% to 3.8 million units, according to the mortgage company Freddie Mac.

The Associated Press contacted Trump's campaign for his policy plans but did not get a response. The America First Policy Institute, a think tank promoting Trump's vision, said the key is to cut government borrowing to reduce mortgage rates. The former president has pledged to reduce deficits, but an analysis by the Committee for a Responsible Federal Budget shows that his policies in office will have likely added more than \$8 trillion to the national debt.

“The best way for us to improve access to homeownership for young people is to get interest rates back down, not to provide subsidies that cause housing unaffordability to worsen,” said Mike Faulkender, chief economist at the institute.

Lower rates might play well with voters, but most economists say they would at best offer temporary financial relief. Purchase prices would likely adjust upward in response to greater demand from falling rates.

Construction, the more enduring solution, would take years to achieve and require new rules by states and cities. The administration is trying to incentivize zoning changes, but the major choices are outside the White House's control.

“Even as incomes are going up and the economy is doing well and inflation is coming down, people can’t buy homes,” said Daryl Fairweather, chief economist at the brokerage Redfin. “That’s like the biggest problem for Biden because it’s not one that he can solve.”

The general rule of thumb is that people should pay no more than 30% of their income on rent or a mortgage. A typical household looking to buy a home would have to devote 41% of its income to mortgage payments, according to Redfin.

There are far-reaching economic risks because of this. High housing costs can lead people to cut back spending elsewhere. Advocates said it enables landlords to neglect their properties since there is always a ready tenant.

Evictions can worsen health and educational outcomes for children and exact an even wider cost on society, said Zach Neumann, a Denver-based lawyer who provides more than \$30 million annually in rental assistance through the nonprofit Community Economic Defense Project.

The cumulative costs of evicting poorer renters are “\$20,000 to \$30,000 a year when you include shelter nights and emergency room visits,” Neumann said. “It’s really overwhelming when you think about the total numbers and these folks are fighting to have a roof over their heads.”

While there is bipartisan agreement on the need for more housing, there has yet to be a significant plan that has passed the House and Senate. Biden has proposed housing aid throughout his administration that never materialized.

“Had Congress passed some of the investments that the president has called for since the beginning of the administration, had they done that three years ago, as he was advocating, we’d have affordable units coming online right now,” said Daniel Hornung, deputy director of the White House National Economic Council.

But Mark Calabria, who was director of the Federal Housing Finance Agency during the Trump administration, said that many of the federal tools to increase housing such as the Low-Income Housing Tax Credit could further push up demand without adding enough construction.

“My worry would be we’ve done a number of things that increased demand when the problem is supply,” said Calabria, now an adviser with the libertarian Cato Institute.

But for renters such as Lori Shelton in Colorado, the debate about how to add housing supply is cold comfort when she owes rent now. She's previously dealt with the threat of eviction and late fees. She gets some rent money from her son, but she has also relied at times on her church to cover the \$2,399 a month.

“I don’t think the majority of us have that savings account," she said. “If you spend that much on your rent and your groceries and your car and your bills, you don’t have much for a fallback.”