Housing Affordability & Need for Residential Zoning Reforms
Current Status & Potential Solutions
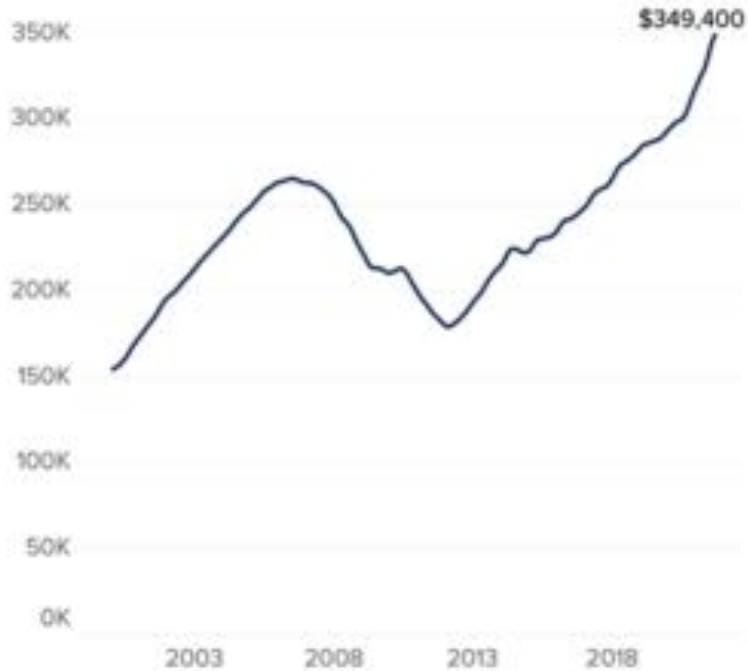
Luke Bell
Senior Manager, Zillow Government Relations & Public Affairs
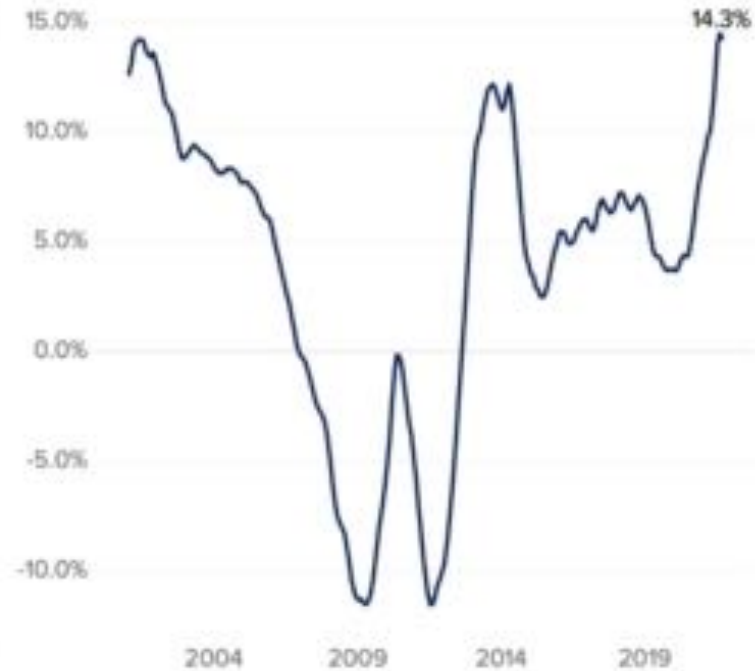October 2021

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Home values are currently at record highs and considerably higher on a year-over-year basis
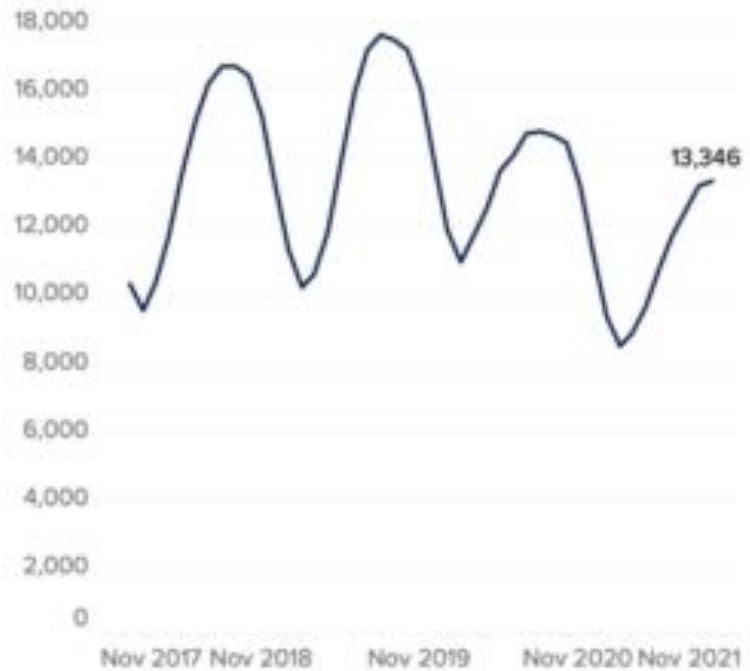

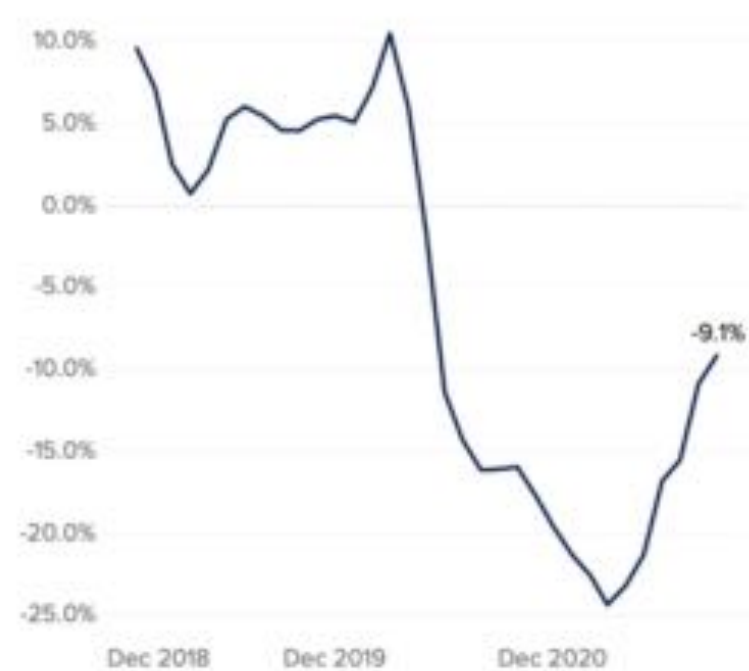Zillow Home Value Index — $349,400

Zillow Home Value Index, Year-over-year — 14.3%
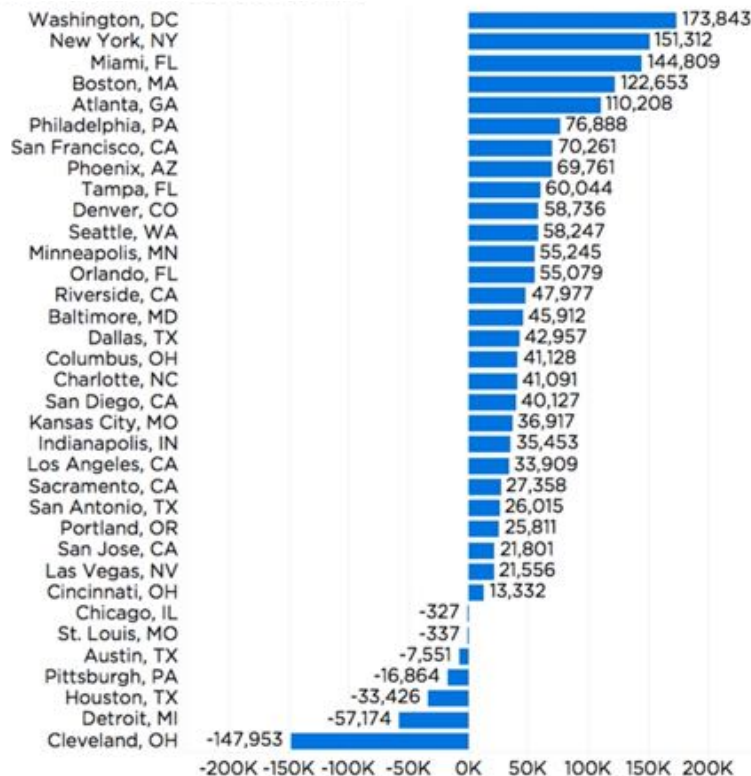
Inventory increasing, but still down on a year-over-year basis
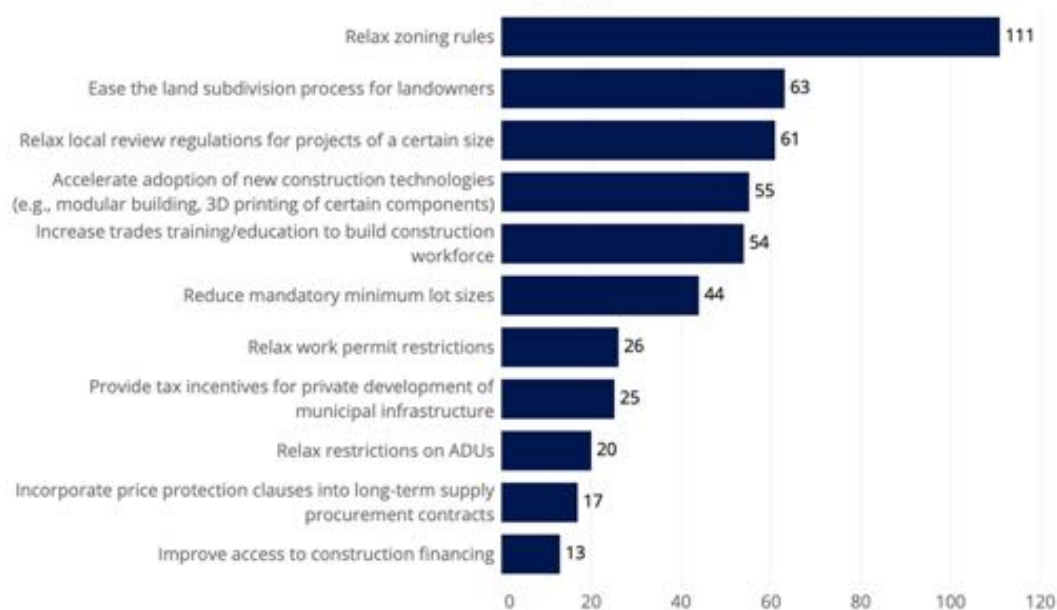

For-Sale Inventory

13,346

Year-over-year

-9.1%

Building permits are down considerably over the last decade compared to historic norms

City	Value
Washington, DC	173,843
New York, NY	151,312
Miami, FL	144,809
Boston, MA	122,653
Atlanta, GA	110,208
Philadelphia, PA	76,888
San Francisco, CA	70,261
Phoenix, AZ	69,761
Tampa, FL	60,044
Denver, CO	58,736
Seattle, WA	58,247
Minneapolis, MN	55,245
Orlando, FL	55,079
Riverside, CA	47,977
Baltimore, MD	45,912
Dallas, TX	42,957
Columbus, OH	41,128
Charlotte, NC	41,091
San Diego, CA	40,127
Kansas City, MO	36,917
Indianapolis, IN	35,453
Los Angeles, CA	33,909
Sacramento, CA	27,358
San Antonio, TX	26,015
Portland, OR	25,811
San Jose, CA	21,801
Las Vegas, NV	21,556
Cincinnati, OH	13,332
Chicago, IL	-327
St. Louis, MO	-337
Austin, TX	-7,551
Pittsburgh, PA	-16,864
Houston, TX	-33,426
Detroit, MI	-57,174
Cleveland, OH	-147,953

-200K -150K -100K -50K 0K 50K 100K 150K 200K

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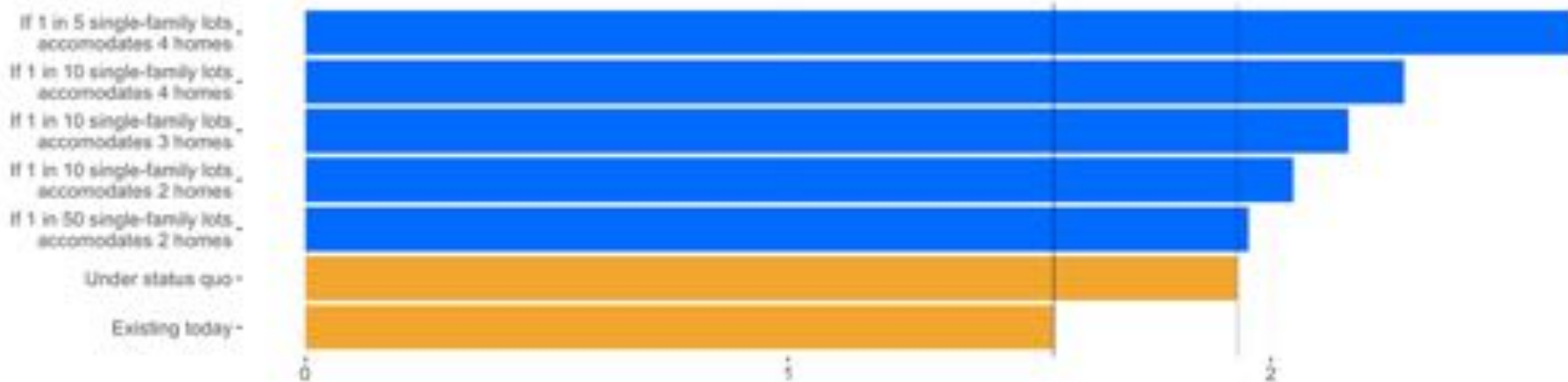# Housing experts agree that zoning reform is the most practical and effective action to increase housing supply

In your opinion, what would be the most practical and effective actions
to increase housing supply in the U.S.?

Action	Score
Relax zoning rules	111
Ease the land subdivision process for landowners	63
Relax local review regulations for projects of a certain size	61
Accelerate adoption of new construction technologies (e.g., modular building, 3D printing of certain components)	55
Increase trades training/education to build construction workforce	54
Reduce mandatory minimum lot sizes	44
Relax work permit restrictions	26
Provide tax incentives for private development of municipal infrastructure	25
Relax restrictions on ADUs	20
Incorporate price protection clauses into long-term supply procurement contracts	17
Improve access to construction financing	13

*86 panelists were asked to select up to three options, and rank in order of expected effectiveness.
Scores were computed by weighting the factors selected by their effectiveness ranking.

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Even just "modest densification" zoning reforms would lead to substantial growth in new housing units by 2040


Minneapolis-St. Paul, MN-WI CSA
Homes in 2040 (millions)

If 1 in 5 single-family lots accomodates 4 homes	
If 1 in 10 single-family lots accomodates 4 homes	
If 1 in 10 single-family lots accomodates 3 homes	
If 1 in 10 single-family lots accomodates 2 homes	
If 1 in 50 single-family lots accomodates 2 homes	
Under status quo	
Existing today	

Source: U.S. Census; analysis and estimation by Zillow.

Notes: See Data and Methodology section for details.

"Modest densification" would also restore the "missing middle" to the region's housing stock, opening up affordability
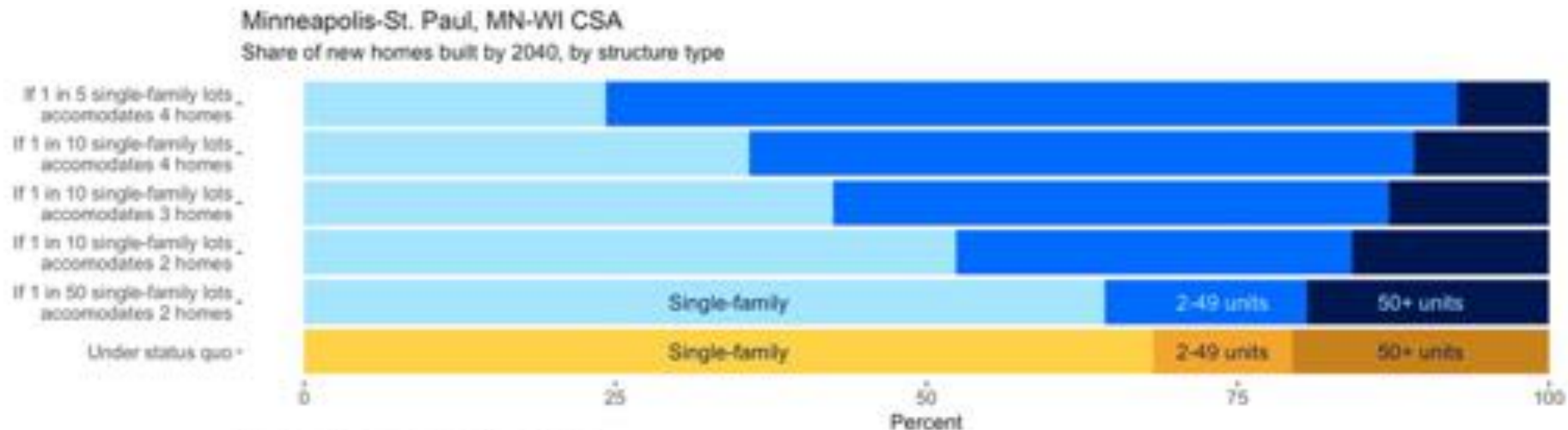
Minneapolis-St. Paul, MN-WI CSA
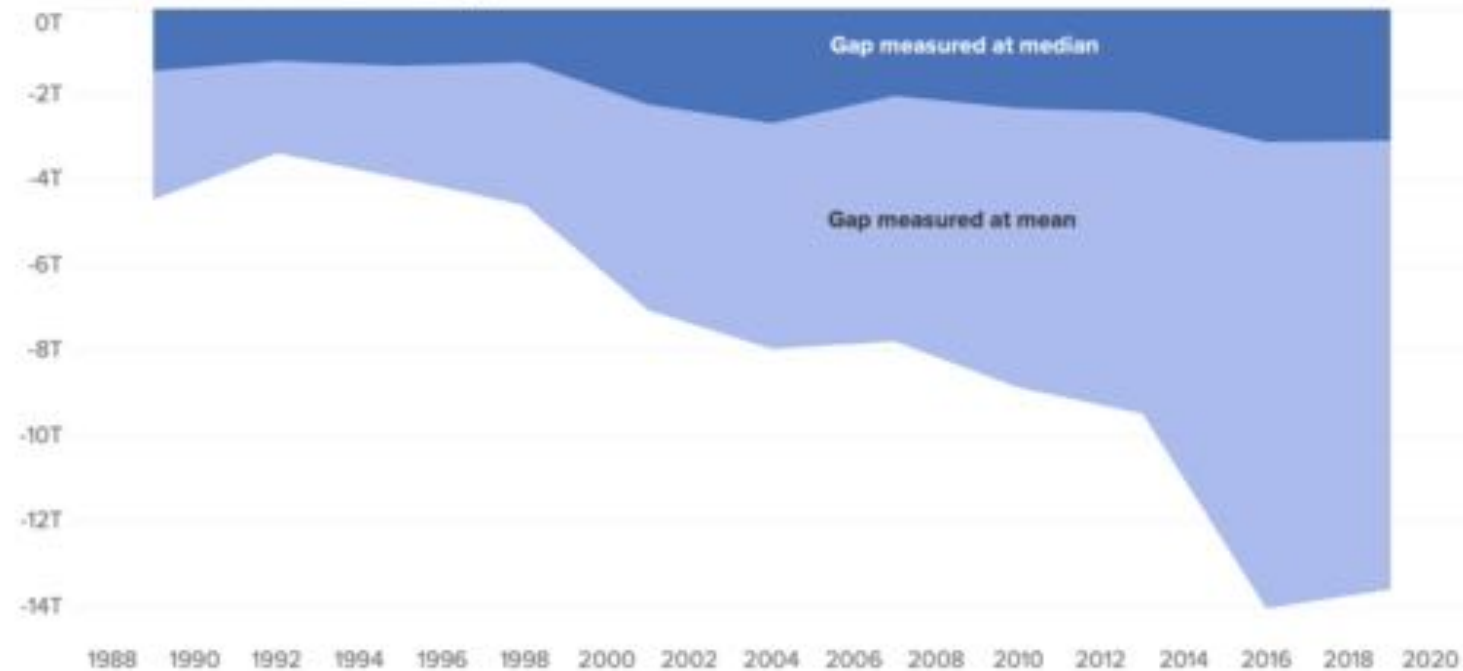Share of new homes built by 2040, by structure type

Source: U.S. Census, analysis and estimation by Zillow.

Notes: See Data and Methodology section for details.

Enormous - and widening - gap in household wealth between Black and white households

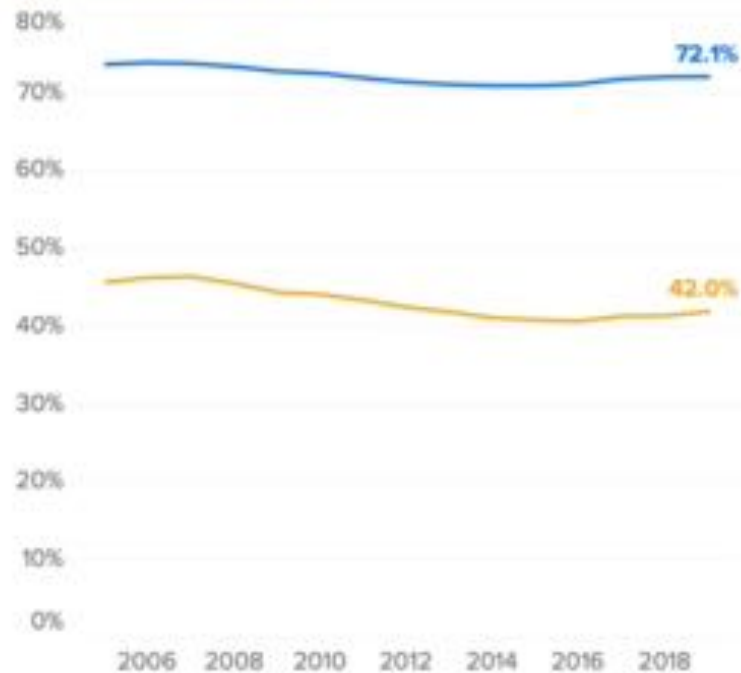Median and mean Black-white wealth gap

Black homeownership rate and value of Black-owned homes considerably lower compared to white households
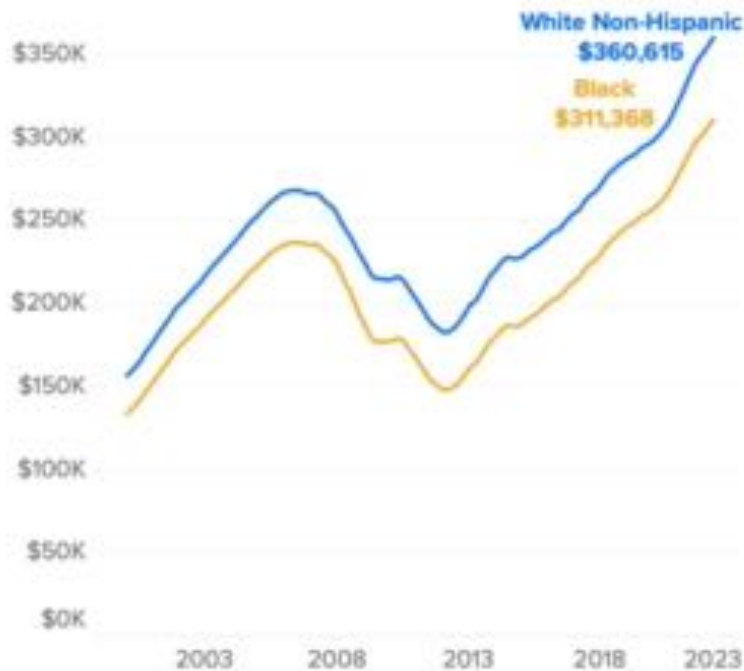

Home Values by Race

White Non-Hispanic $323,813

Black $263,753

Homeownership by Race

72.1%

42.0%

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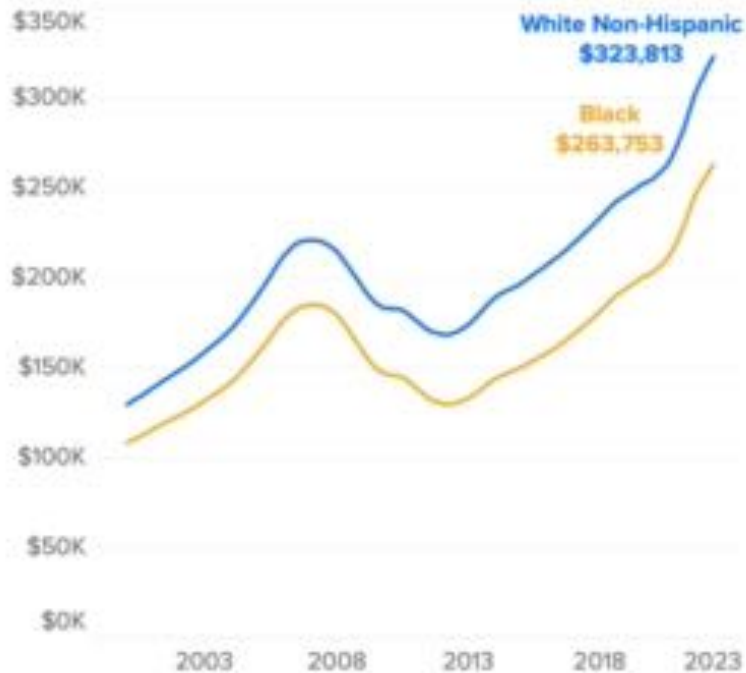
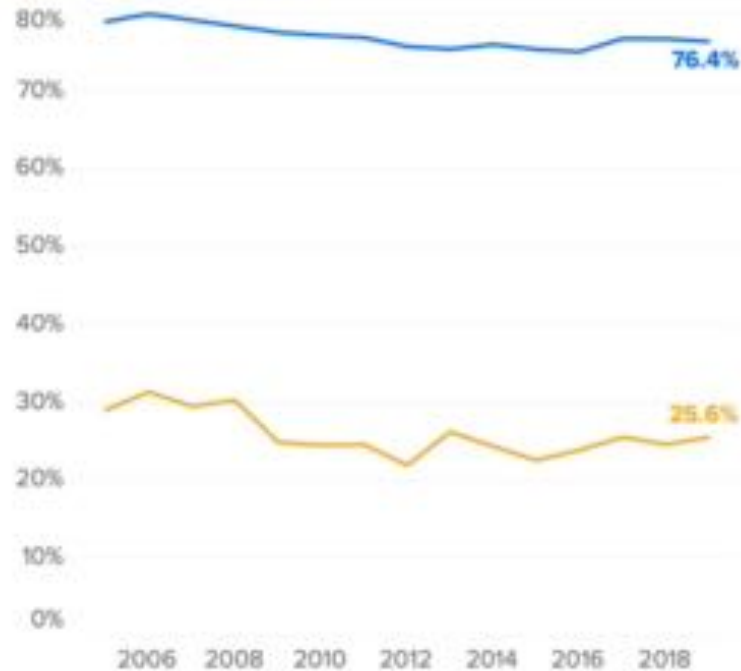# Largest gap in the nation between Black and white household homeownership rate in the Minneapolis-St. Paul region


Home Values by Race

White Non-Hispanic $360,615
Black $311,368

$350K
$300K
$250K
$200K
$150K
$100K
$50K
$0K

2003   2008   2013   2018   2023

Homeownership by Race

80%   76.4%
70%
60%
50%
40%
30%   25.6%
20%
10%
0%

2006 2008 2010 2012 2014 2016 2018

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The next decade - five scenarios for Black homeownership

|	Home Values	Homeownership
Improvement	**Black home values grow 15% faster** than ZHVI (1.5 percentage points faster for every 10% year-over-year growth in ZHVI), **while white home values grow 1.5% slower** than ZHVI, correspondingly.	**Black homeownership grows at 1.5 percentage points per year**, while white homeownership stays largely static (+0.1 percentage points per year).
Status Quo	**Black home values grow 10% faster** than ZHVI (1 percentage point faster for every 10% year-over-year growth in ZHVI), while **white home values grow 1% slower** than ZHVI, correspondingly.	**Black homeownership grows at 1 percentage point per year**, while white homeownership stays largely static (+0.1 percentage points per year).
Mild Slowdown	**Black home values grow 5% faster** than ZHVI (0.5 percentage points faster for every 10% year-over-year growth in ZHVI), while **white home values grow 0.5% slower** than ZHVI, correspondingly.	**Black homeownership grows at 0.5 percentage points per year,** while white homeownership stays largely static (+0.1 percentage points per year).
Stall	**Black home values grow at the same rate** as ZHVI, **as do white home values.**	**Black homeownership stays static,** while white homeownership stays largely static (+0.1 percentage points per year).
Reversal	**Black home values grow 5% slower** than ZHVI (0.5 percentage point slower for every 10% year-over-year growth in ZHVI), while **White home values grow 0.5% faster** than ZHVI, correspondingly.	**Black homeownership falls 0.5 percentage points per year,** while white homeownership stays largely static (+0.1 percentage points per year).

The next decade - How will the Black-white household wealth gap change under our scenarios?

Black-white wealth gap ratio under different scenarios

| Historical trend | Improvement | Status Quo | Mild Slowdown | Stall | Reversal |
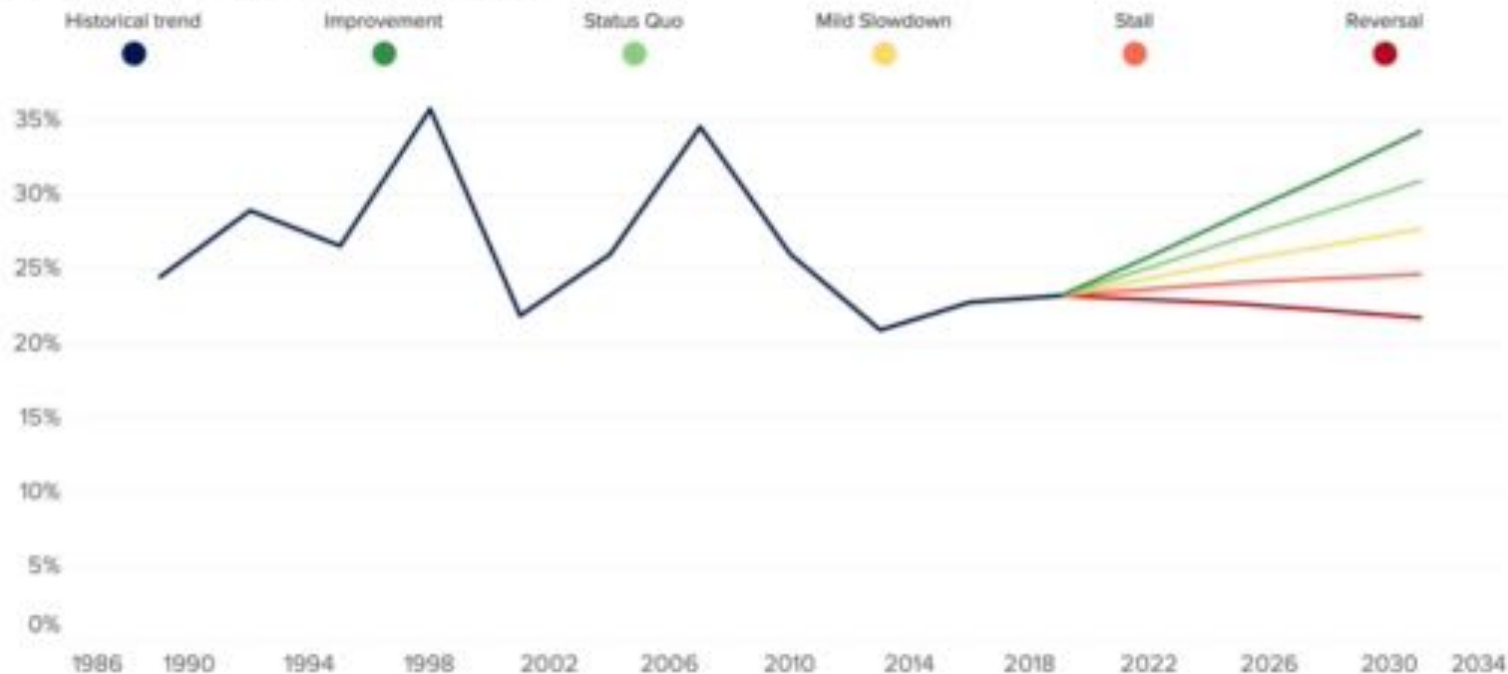
Single-family zoned neighborhoods are more white and more racially segregated than the metro area as a whole

Average share of metro households that are white, **Average share of single-family neighborhoods that are white**
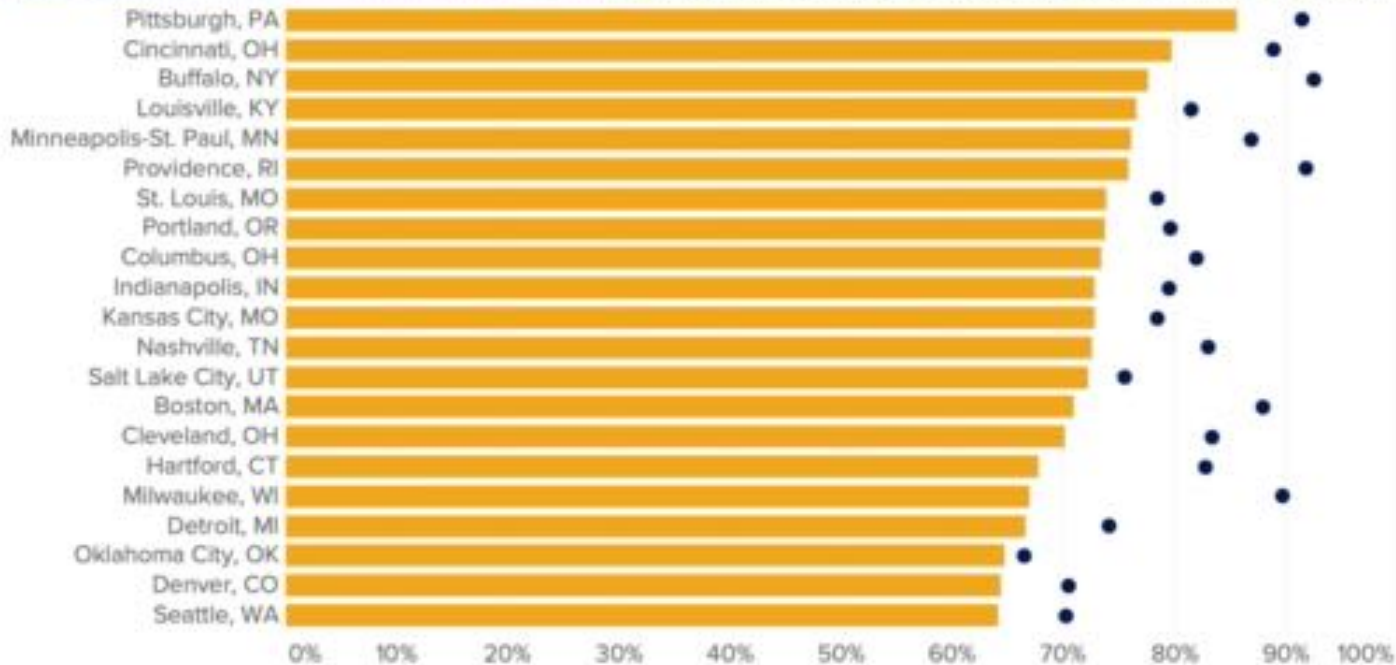
Minneapolis, MN

Average share of metro households that are white: **76%**

Average share of single-family neighborhoods that are white: **87%**

Zillow Economic Research | Source: Zillow analysis of American Community Survey 2014-2018.

Questions?
Thank you!

zillow.com/research   for research briefs and market reports
zillow.com/data   for downloadable data

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