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The Effect of Supply and Demand Factors on the Affordability of Housing

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Poster Presentation P13

**THE EFFECT OF SUPPLY AND DEMAND FACTORS
ON THE AFFORDABILITY OF HOUSING**

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The difficulty of acquiring affordable rental units remains the most significant concern for low-income households. Despite the strong economic growth of the 1990s, one-third of all households spend more than the recommended thirty percent of their incomes on rental costs. These cost-burdened households face diminishing affordable rental units due to gentrification, rental rates increasing faster than real incomes, and the expiration of government subsidized rental units. The rental market is the focus of this paper since low-income households face the greatest barriers to acquiring affordable housing.

This paper uses an empirical analysis of the supply and demand factors affecting affordability as measured by the percentage of cost-burdened households in a metropolitan statistical area (MSA). The cross-sectional OLS regression uses data from 131 MSAs nationwide to examine the effects of household median income, fair market rents, population change, rental vacancy rates, percentage change in rental units, percentage of low-income households, and percentage of low-rent or subsidized units. The results indicate the significance of income levels and demonstrate the need for increased effectiveness of housing policy to make housing more affordable to low-income households.