

“Observations on Housing and the Economy”

Remarks at the State of the Nation’s Housing 2025

Susan M. Collins

President & Chief Executive Officer
Federal Reserve Bank of Boston

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*The views expressed today are my own, not necessarily those of my colleagues on the
Federal Reserve Board of Governors or the Federal Open Market Committee.*

Good afternoon. Thank you, Chris, for the kind introduction. I appreciate your leadership, and the Center's commitment to understanding and addressing America's housing challenges.

It is a pleasure to welcome you to the Federal Reserve Bank of Boston, and the roughly 1,000 who are joining online. I want to thank the Joint Center for Housing Studies¹ and the seven other Federal Reserve Banks² who have joined us in co-hosting this event. My thanks as well to all the speakers today – including my colleague Eric Belsky, Director of the Federal Reserve Board's Division of Consumer and Community Affairs, and a former head of the Joint Center.

Today the Joint Center will present its 2025 report on the state of the nation's housing, followed by an expert panel discussing the report. We'll then hear from Eric Belsky, as well as a panel of Federal Reserve Bank leaders involved in community development from across the country.

My comments will touch on issues related to housing data, housing affordability, the importance of housing in the economy, and the Federal Reserve's engagement in housing issues – especially with the regional-economy perspective.

But first, as always, I will note that my remarks are my own and may not reflect the views of colleagues at the Board of Governors, on the Federal Open Market Committee, or at other Reserve Banks.

Housing and the Economy

I am so pleased to have such multidisciplinary speakers – and audience members – for today's conversations about the truly complex, multidimensional housing challenges affecting so much of our country (including rural, urban, and suburban areas), and people across the income spectrum. Here in the room, and online, are housing practitioners, researchers, and policymakers. I'll also note that, from the Federal Reserve System, we have experts from economic research, community development, and other functions participating.

I realize some may be wondering about the Federal Reserve's interest and involvement in housing issues. Certainly, the Fed's focus and purview is monetary policy, not fiscal policy, and not the intricacies of state and local policies affecting housing. But housing is deeply tied to the overarching role of the

¹ Learn about the center at <https://www.jchs.harvard.edu/>

² The Federal Reserve Banks of Atlanta, Cleveland, Dallas, Minneapolis, New York, Philadelphia, and San Francisco.

Federal Reserve – supporting a strong, stable, and healthy economy and financial system, for the benefit of the public we at the Fed are here to serve.³

While the flow of new housing – that is, residential investment – represents only about 4 percent of annual U.S. GDP on average, it can have outsized effects on business cycles. During the mid-2000s boom, housing drove over 17 percent of GDP growth; in the subsequent collapse and recession, residential investment accounted for 40 percent of the contraction in output. Housing also affects household consumption through wealth effects, affects financial markets through mortgage securities, and affects local government finances through property taxes and fees.

Most importantly for monetary policy, the housing market is very sensitive to interest rate changes, making it an important policy transmission channel.⁴ When the Federal Reserve adjusts interest rates, housing typically responds first – and tends to spread the effects of monetary policy throughout the economy.

Some of these effects have been evident in the current monetary policy cycle. In the housing market, higher interest rates have slowed new residential investment. Less housing activity in turn has contributed to the more moderate overall demand we are currently experiencing. The modestly restrictive stance of monetary policy, while necessary, limits in the near term the expansion of housing supply needed to alleviate some of the pressures in the housing market. But ultimately, the goal of monetary policy is to restore price stability while maintaining healthy labor market conditions. Price stability is essential to foster sustained growth, a strong labor market and an economy that works for all – including the stable, predictable economic conditions that benefit the housing market over the medium to longer run.

Beyond cyclical considerations, there are many longstanding issues and “pain points” in the sector that we will hear about today. In particular, as the *State of the Nation's Housing 2025* report demonstrates, rapid price and rent increases over the past five years have created enormous pressure on household budgets, and placed homeownership beyond reach for many Americans. But this affordability crisis extends far beyond individual hardship. It constrains labor mobility, limits the ability of businesses to hire, affects where businesses choose to expand operations, and reduces the wealth-building potential

³ We also have important responsibilities in ensuring fair lending and community reinvestment by the institutions we supervise as one of the federal bank regulatory agencies.

⁴ For more perspective on housing and transmission of monetary policy, see the speech by Patrick Harker, president of the Federal Reserve Bank of Philadelphia: [Understanding Monetary Policy Through the Housing Channel](#); and “Housing Markets and Monetary Policy” by Andaloussi, Biljanovska, and DeStefani, in the IMF’s Finance & Development Magazine (December 2024): <https://www.imf.org/en/Publications/fandd/issues/2024/12/housing-markets-and-monetary-policy-mehdi-andaloussi>.

that homeownership has historically provided to many American families. These are just some of the reasons why it's so important to have the regular in-depth look at housing this report provides.

The National Housing Landscape, and the Importance of Data

As a lifelong proponent of empirical analysis and a self-described “data-geek,” I would like to spend a moment on the importance of *data* for understanding the challenges around housing.

The *State of the Nation's Housing 2025* report distills extensive data sources into a comprehensive picture of the U.S. housing market, providing insights into current trends and emerging challenges. Producing a report of this depth and clarity requires not just analytic expertise, but a robust foundation of data. That foundation comes, in large part, from the national-level statistical data infrastructure.

In particular, the Bureau of the Census provides essential surveys – the American Housing Survey, the American Community Survey, and the Housing Vacancy Survey – that give us a representative view of the landscape. Additional federal data add to this picture: the U.S. Department of Housing and Urban Development assessments of homelessness, and the Bureau of Labor Statistics' construction costs data, among others.

This public data infrastructure is also crucial for understanding the rental housing market, where private data is often fragmented or incomplete. Unlike the for-sale market – where centralized databases from real estate professionals and mortgage servicers provide comprehensive information – rental housing spans millions of landlords and property managers, many of whom are not asked to report data to any single system. That's why federal government supported surveys remain the only comprehensive lens into rental conditions, especially for low- and moderate-income households.

The data illuminated by the report have sharpened the picture of a housing landscape marked by growing affordability challenges. Some of the data included in this year's report are particularly striking:

- Home prices have surged 60 percent nationwide since 2019, pushing the median price for a single-family home to a record \$412,500 in 2024. This means a price-to-income ratio well above 3.0, the level traditionally seen as “affordable.”
- Monthly mortgage payments on a median-priced home have reached \$2,750, requiring an annual income of over \$126,000 to qualify as a borrower under standard lending ratios.
- And on the rental side, half of all renter households (over 22 million) were cost-burdened in 2023, meaning they spent more than 30 percent of their income on housing and utilities – this compares to just over 20 million in 2019. And in 2023, 12.1 million households spent more than *half* of their income on rent.

As much as I, like many of you, love data, we know that these figures are not just data points. They reflect economic realities – often painful – for many families, and real strain on people, communities, and places.

Spotlighting Local and Regional Housing Dynamics

While housing markets are tight across the country, the aggregate data mask significant unevenness. Housing challenges vary dramatically across the U.S. For example, we may see affordability challenges and supply constraints in cities, infrastructure shortages in rural areas, and zoning disputes in suburbs⁵ -- or a mix of these challenges, in a given area. So clearly the national housing crisis requires local as well as national understanding and solutions.⁶

The Reserve Banks gather and contribute regional insight and analysis on – among other topics – home prices, rent dynamics, and construction activity, helping to deepen insights into how national economic forces play out locally. A number of our Fed economists do analytical work on housing, and its role in the economy and financial system.

In my role as the president of a regional Reserve Bank, I routinely connect with business and community leaders and a wide range of stakeholders in the economy, across the six New England states. This gives me important insight into the barriers, tradeoffs, and economic realities households and firms face each day, including local housing conditions. All this is important for responsible policymaking in the public interest.

I've learned firsthand how supply constraints, construction costs, zoning, access to credit, infrastructure, and affordability all play out in distinct ways to affect local housing markets and the people in them. For example, community leaders in Vermont recently noted that more than 20 sources of capital were needed to fund a housing development project that responded to community needs. That large number may sound surprising, but it was the only way to make that particular project feasible. Meanwhile, I recently learned about a community hospital in New Hampshire struggling to retain a new doctor they had hired because he was unable to find housing for his family. Such housing-related anecdotes are pervasive as I ask people about the challenges and opportunities in their local economy.

⁵ For examples, see [Rental Affordability and COVID-19 in Rural New England - Federal Reserve Bank of Boston](#) and [Local Zoning Laws and the Supply of Multifamily Housing in Greater Boston - Federal Reserve Bank of Boston](#)

⁶ For examples, see [New England's Housing Markets: Supply and Demand Factors Affecting Housing Prices across the Region - Federal Reserve Bank of Boston](#) and [House Prices and Rents in the 21st Century - Federal Reserve Bank of Boston](#).

Indeed, across New England, the housing affordability crisis has expanded beyond high-growth urban centers like Boston and now affects suburban and rural communities in very challenging ways.

Supporting Progress in Our Communities

The Federal Reserve aims to support economic vibrancy across the wide range of communities in our regions – again, our vision is a vibrant economy for all – particularly by advancing data-driven insights and analysis. One way we do this is by helping participants in the economy access and apply data effectively.⁷ Like the Joint Center, we see this as an important contribution to help inform decision-making. Fed experts continue to develop housing-relevant data and analytic techniques, often in collaboration with academic and policy researchers.

Fed researchers have also tackled data gaps in overlooked housing markets. Take, for example, land-lease manufactured housing communities – what many people call mobile home parks. These communities provide affordable homeownership for modest-income households. But, while residents own their homes, someone else owns the land underneath them, creating vulnerabilities. Work by the Philadelphia Fed to identify such communities enabled the Pennsylvania Housing Finance Agency to support conversions to resident ownership of the land beneath their homes, increasing residential security.

Indeed, data and analytics are important ways the Federal Reserve can contribute to the conversation about housing markets. The Reserve Banks can also assist as non-partisan, constructive sources of convening, helping leaders connect, collaborate, and innovate. We know that local, cross-sector engagement and collaboration is key to progress.⁸

Take, for example, a recent undertaking in Vermont's White River Valley.⁹ As part of a Boston Fed community development initiative called Working Communities,¹⁰ local leaders are now helping residents benefit from new state legislation that makes it easier to build accessory dwelling units, or ADUs, which

⁷ For example, economists in the Federal Reserve System were among the first to use credit-bureau data to better understand the housing market.

⁸ See [Community Development - Federal Reserve Bank of Boston](#)

⁹ See <https://www.bostonfed.org/workingplaces/communities-challenge/vermont.aspx>

¹⁰ Grounded in research, the Boston Fed's Working Communities and Working Cities initiatives boost local collaborative leadership to enhance economic vibrancy in smaller industrial and rural areas. This Vermont team chose to focus on housing related strategies to expand economic opportunity. See [Supporting Growth in Smaller Industrial Cities and Rural Communities - Federal Reserve Bank of Boston](#)

are additional dwellings that share a lot with a primary home.¹¹ Many residents were unsure how to take advantage of the new policy. The local Working Communities participants stepped in to help guide homeowners through the process – expanding housing supply, and ultimately helping families build wealth.¹²

These are just a few examples of the work that Reserve Banks can assist with and encourage at the local and regional level, in light of housing challenges – which persist nationally, and deeply affect local economies. Later in the program you'll hear about a Federal Reserve System-wide effort to elevate the housing work happening across many Reserve Banks.

Concluding Observations

I'll conclude by highlighting that individuals, families, and communities are profoundly affected by challenges with access to housing they can afford. It is clear that no *single* institution or sector can solve the many challenges we'll hear about today. And recognizing that the current crisis developed over many decades, this will take time and persistence.

These issues are both urgent and important. Addressing them will require continued creative thinking and collaboration across the public and private sectors, as well as among practitioners, researchers, and community leaders. It will take all of us.

Thank you all for bringing your expertise and commitment to this critical, difficult constellation of issues. Now, I look forward to hearing from Daniel McCue of the Harvard Joint Center on Housing Studies – and to an informative, engaging set of discussions, as we continue this essential work.

¹¹ On ADUs, see [New England has a housing shortage. Could 'ADUs' help? - Federal Reserve Bank of Boston](https://www.bostonfed.org/workingplaces/news/2024/new-england-housing-shortage-accessory-dwelling-units-could-help-boston-fed.aspx) -- <https://www.bostonfed.org/workingplaces/news/2024/new-england-housing-shortage-accessory-dwelling-units-could-help-boston-fed.aspx>. For a broader look at housing challenges see [“'Nowhere to hide:' Housing costs keep climbing in all corners of New England” - Federal Reserve Bank of Boston](https://www.bostonfed.org/news-and-events/news/2024/12/nowhere-to-hide-housing-costs-keep-climbing-in-all-corners-of-new-england-boston-fed-housing-crisis.aspx) – <https://www.bostonfed.org/news-and-events/news/2024/12/nowhere-to-hide-housing-costs-keep-climbing-in-all-corners-of-new-england-boston-fed-housing-crisis.aspx>.

¹² And today, the Vermont team is also working with developers and local officials on infill development to revitalize underutilized land – demonstrating how locally driven efforts can yield important progress.