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Observations on Housing Market Challenges

Opening Remarks at the Federal Reserve Bank of Boston's 70th Economic Conference

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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

Key Takeaways

1. The Boston Fed's 70th economic conference focuses on the U.S. housing market. The conference brings together scholars, policymakers, and practitioners to consider this important part of the U.S. economy. The Fed does not set housing policy, but its research helps people understand how housing markets work.

"Building a shared understanding of these [housing market] issues [are] essential – and a fundamental reason for conferences like this," Collins says. "Rigorous research can help inform better decisions and identify potential solutions."

2. Housing matters for the Federal Reserve's mission, vision, and mandate from Congress. Housing is an important channel through which monetary policy affects the economy, can contribute disproportionately to business cycles, and can present a barrier to economic vibrancy.

"Housing is a central component of a vibrant economy that works for all," Collins says. "There is no 'silver bullet' that will solve the many challenges in the housing market," she says. "It will take constructive collaboration among many parties."

3. Higher interest rates can slow housing construction and make homes more expensive to buy. But tighter monetary policy is sometimes necessary to achieve stable prices, which benefit housing, and the economy, as a whole, in the long run.

"Over the longer run, stable prices create predictable economic conditions that are good for housing," Collins says.

4. High housing costs are hurting households and employers. Adequate and affordable housing has become a central challenge for many families and firms in New England and across the nation. High costs can limit homeownership and families' associated wealth-building potential.

"A lack of available and affordable housing [for workers] can prevent local businesses from expanding," Collins says.

5. Understanding both housing supply and demand is key. Once largely a local concern, housing supply is now a national issue, and supply conditions have become increasingly important in policy discussions. Both construction productivity and zoning can contribute to housing supply shortages, and adding to the housing stock can take many years.

"I'll note that monetary policy also plays a role here," Collins says. "[While essential at times to ensure price stability,] tighter policy in the near term can limit the expansion of the housing stock needed to ease housing market pressures. It can also affect consumers' willingness and ability to obtain a mortgage and, hence, housing demand."

6. Measuring both quantities and costs in the housing sector is challenging. Estimates of the housing shortage vary widely, due largely to differing assumptions about household formation trends and normal vacancy rates. Economists also debate the best way to measure the true costs of housing for both owners and renters.

"The shortage is not just about one number. It looks quite different across places, both here in New England and around the country," Collins says. "The shortage also varies along demographic dimensions, including by income and age."

Good morning. It is a pleasure to welcome all of you to the Federal Reserve Bank of Boston and to welcome those viewing the conference livestream.

As we begin, I want to thank Egon Zakrajšek, our director of research, and his colleagues for organizing a timely and substantive conference – especially the three economists serving as conference sponsors: Daniel Cooper, Chris Foote, and Paul Willen. My thanks as well to our organizing team in the Research department and to the many others at the Bank who support this gathering.

For the 70th time, the Boston Fed is proud to host an economic conference bringing together scholars, practitioners, and policymakers to study an important topic. Rigorous empirical research is a hallmark of our conferences, and we'll be discussing a great deal of data. However, I would like to begin with something more anecdotal. I frequently travel around our district and make a point of meeting with a wide range of people in each New England state every year. *Housing* is almost always mentioned in these discussions – its cost and availability; its impact on household budgets; and, crucially for businesses, how a lack of affordable housing affects their ability to attract and retain workers.

Over the next day and a half, this conference will explore key challenges facing the U.S. housing market through multiple lenses. Along with scholarly analysis, practitioners will share their on-the-ground insights about housing-related issues in New England and across the nation.

Why have a Boston Fed conference focused on housing?

To set the stage for the conference, I'd like to provide a few observations. But first, my standard disclaimer: these are my own views, and may not be those of my colleagues at the Board of Governors or the other Reserve Banks. In particular, I'll briefly and broadly address *the Federal Reserve's connections to housing* and reflect on why the Boston Fed is holding a conference focused on housing – its challenges and potential solutions.

In this spirit, I'll make four points.

First, housing is a central component of a vibrant economy that works for all – that is the vision we pursue at the Boston Fed. As I noted at last year's *State of the Nation's Housing* event, rapid price and rent increases over the past five years have created enormous pressure on household

budgets.[1] The surge in house prices since the pandemic, combined with the notable increase in mortgage rates since early 2022, has pushed homeownership beyond the reach of many Americans. For some families, recent developments in the owner-occupied market could delay, reduce, or eliminate the wealth-building associated with owning homes.

Moreover, a lack of available and affordable housing can prevent local businesses from expanding. I frequently hear concerns – especially, but by no means exclusively, in northern New England – about businesses' challenges finding the workers they need. Housing availability is often cited as a key reason. I've been told about physicians, skilled mechanics, research scientists, and hospitality workers who have backed out of job offers because of the limited availability and high cost of housing. Increasingly, I also hear about housing projects slowing or stalling due to a lack of skilled construction workers.

Of course, monetary policy decisions also matter for housing. In the near term, the higher interest rates sometimes needed to cool the economy and keep inflation in check can make homes more expensive to buy and to build. But over the longer run, stable prices create predictable economic conditions that are good for housing.

A *second* observation: housing can contribute disproportionately to business cycles and is an important transmission channel for monetary policy. Although housing accounts for a relatively small share of GDP, it drove about 17 percent of GDP growth during the mid-2000s housing boom — and about 41 percent of the output contraction during the subsequent bust.[2] And since the construction of new homes and buyers' willingness and ability to purchase them are particularly sensitive to interest rates, monetary policy can have an outsized influence on the housing sector. When the Fed began tightening monetary policy in 2022, mortgage rates rose sharply – and higher rates have slowed new residential investment, a point I will return to shortly.

Third, although housing policy is not under the purview of the Federal Reserve, the 12 regional Reserve Banks are in a good position to conduct research and bring housing experts and stakeholders together to explore solutions to longstanding regional and national housing

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[1] Collins, Susan M. 2025. "Observations on Housing and the Economy." Remarks at The State of the Nation's Housing 2025, Federal Reserve Bank of Boston, June 24, 2025. https://www.bostonfed.org/news-and-events/speeches/2025/harvard-joint-housing-center.aspx

[2] The housing boom period is defined as 2001:Q4 through 2005:Q3, while the bust (or recession) is defined as 2007:Q4 through 2009:Q2.

challenges.[3] As an example, last year the Boston Fed hosted the Harvard Joint Center for Housing Studies' release of its annual report on *The State of the Nation's Housing 2025*, together with seven other Federal Reserve Banks.[4] [5]

Decisions on housing policies, zoning, and fiscal expenditures related to housing are definitively outside the Fed's purview. But Federal Reserve Banks can contribute empirical insights to the discourse on housing issues that play a large role in the economy. These insights can have a positive local impact, as demonstrated by the Philadelphia Fed's analysis identifying land-lease manufactured housing communities, which helped Pennsylvania's housing finance agency support residents in buying the land beneath their homes.[6] And the Boston Fed's Working Places initiative helps local leaders in smaller cities and rural areas across New England collaborate on economic challenges, including housing. In Vermont's White River Valley, local teams have helped homeowners take advantage of a new state law that makes accessory dwelling units, or ADUs, easier to build.[7]

And a fourth observation: there is a long history of housing research at the Boston Fed – research rooted in data and aimed at providing insights for others to use in policymaking that benefits the public**.** The much-discussed 1992 Boston Fed study of Home Mortgage Disclosure Act data, published in the *American Economic Review* in 1996, illustrated racial disparities in access to mortgage credit in the Boston area at the time.[8] More recently, Boston Fed researchers have shed

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[3] For an overview, see Gabriella Chiarenza, Eileen Divringi, Elizabeth Kneebone, and Libby Starling "How the Fed Studies and Understands Housing's Key Role in the Economy," FedCommunities, March 24, 2026. https://fedcommunities.org/research/how-fed-studies-understands-housings-key-role-economy/

[4] Joint Center for Housing Studies of Harvard University, 2025. *The State of the Nation's Housing 2025*. https://www.jchs.harvard.edu/state-nations-housing-2025.

[5] See also Joint Center for Housing Studies of Harvard University, 2026. *The State of the Nation's Housing 2026*. https://www.jchs.harvard.edu/state-nations-housing-2026.

[6] Divringi, Eileen. 2023. "Manufactured Housing Communities in Pennsylvania: The Basics," Federal Reserve Bank of Philadelphia, Community Development and Regional Outreach. https://www.philadelphiafed.org/community-development/housing-and-neighborhoods/manufactured-housing-communities-in-pennsylvania-the-basics

[7] Federal Reserve Bank of Boston, Working Communities Challenge, Vermont (White River Valley): https://www.bostonfed.org/workingplaces/communities-challenge/vermont.aspx;
Collins, Susan M. 2025. "Observations on Housing and the Economy." Remarks at the State of the Nation's Housing 2025, Federal Reserve Bank of Boston, June 24, 2025. https://www.bostonfed.org/news-and-events/speeches/2025/harvard-joint-housing-center.aspx

[8] Munnell, Alicia H., Geoffrey M. B. Tootell, Lynn E. Browne, and James McEneaney. 1996. "Mortgage Lending in Boston: Interpreting HMDA Data," *American Economic Review* 86, no. 1 (March 1996): 25–53; Tootell, Geoffrey M. B. 1996. "Redlining in Boston: Do Mortgage Lenders Discriminate Against Neighborhoods?" *Quarterly Journal of Economics* 111(4): 1049–79.

light on the origins of the early-2000s housing boom and why it went bust. This research both informed our understanding of the crisis[9] and suggested policies to address it.[10]

And just this year, we released the Massachusetts Economic Conditions and Household Opportunity Survey (Mass ECHOS), led by our Regional & Community Outreach team in collaboration with The Boston Foundation and other partners. Among its findings, the survey documented the correlation between wealth and homeownership in Massachusetts, finding median net wealth of $790,500 among homeowners, compared with $1,500 among renters.[11]

Themes to Explore at this Conference

Turning to the conference itself, I would like to highlight two of its overarching themes. The first is the complexities of housing *supply*. Researchers – including several in this room – have studied housing supply for decades, and communities have long debated it at the local level. But recently, housing supply has become a central focus of the national housing policy conversation, alongside housing demand. The second theme I'll cover is the difficulty of *measuring* important housing variables.

Theme 1 — Supply

A continuing challenge in understanding the economy is disentangling the influences of supply and demand. While trends in supply can be difficult to discern at times, especially those related to productivity, supply conditions play an important role in understanding the dynamics of the overall economy. Notably, over the past several years, supply factors have been important drivers of aggregate economic dynamics. Pandemic-related supply chain constraints, energy shocks tied to

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[9] Foote, Christopher L., Kristopher S. Gerardi, and Paul S. Willen. 2012. "Why Did So Many People Make So Many Ex Post Bad Decisions? The Causes of the Foreclosure Crisis." In *Rethinking the Financial Crisis*, ed. Alan S. Blinder, Andrew W. Lo, and Robert M. Solow, chapter 6, 136-186. New York: Russell Sage Foundation.

[10] Foote, Christopher L., Jeffrey C. Fuhrer, Eileen Mauskopf, and Paul S. Willen. 2009, "A Proposal to Help Distressed Homeowners: A Government Payment-Sharing Plan," Federal Reserve Bank of Boston Public Policy Brief 09-1. https://www.bostonfed.org/publications/public-policy-brief/2009/a-proposal-to-help-distressed-homeowners-a-government-payment-sharing-plan.aspx

[11] Mattingly, Marybeth J., Sara Chaganti, Michael Evangelist, Marija Bingulac, and Gracie L. Griffin. 2026. "Family Wealth in Massachusetts: Findings from the 2025 Massachusetts Economic Conditions and Household Opportunity Survey (Mass ECHOS) – Revised September 2026." Federal Reserve Bank of Boston Regional & Community Outreach Report 2026-1. https://www.bostonfed.org/publications/one-time-pubs/mass-echos.aspx

conflicts abroad, and tariffs have all raised inflation.[12] More recently, faster productivity growth has helped limit some of the inflationary pressures.[13] Boston Fed researchers have done important work parsing out some of these sources of inflation.[14]

Supply also plays an important role in housing market dynamics, though its effects are often spread over much longer time frames, because adding to the housing stock can take many years. As I noted earlier, housing availability is an important regional and national issue, and a key question is the extent to which housing shortages are due to underestimating housing demand versus challenges related to supply.

In terms of housing supply, one fact stands out. While productivity has picked up across much of the economy in recent years, that is not true in the construction sector, where productivity has actually declined. By one careful measure, the construction sector produced about 40 percent less output from a given set of inputs in 2020 than it did in 1970 – and construction productivity has fallen further since the pandemic.[15] I look forward to Chad Syverson's session which will examine why productivity in construction has lagged, keeping the cost of building homes high – and whether new technologies might help.

Of course, productivity is only part of the supply picture in the housing sector. Zoning, permitting, and other local constraints can also shape what gets built and where. We will hear more about these issues from Albert Saiz and Ed Glaeser, who have done as much as anyone over the past

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[12] See, for example, Omar Barbiero and Hillary Stein. 2025. "The Impact of Tariffs on Inflation," Federal Reserve Bank of Boston Current Policy Perspectives 25-2. https://www.bostonfed.org/publications/current-policy-perspectives/2025/the-impact-of-tariffs-on-inflation.aspx

[13] See, for example, Philippe Andrade, Omar Barbiero, and Alvaro Silva. 2026. "How Much Did Labor Productivity Gains Offset the Inflationary Impact of the 2025 Tariffs?" Federal Reserve Bank of Boston Current Policy Perspectives 26-7. https://www.bostonfed.org/publications/current-policy-perspectives/2026/how-much-did-labor-productivity-gains-offset-inflation-impacts-2025-tariffs.aspx

[14] Danilo Leiva-León, Viacheslav Sheremirov, Jenny Tang, and Egon Zakrajšek. 2025. "Parsing Out the Sources of Inflation," Federal Reserve Bank of Boston Current Policy Perspectives 25-5. https://www.bostonfed.org/publications/current-policy-perspectives/2025/parsing-out-the-sources-of-inflation.aspx

[15] Syverson, Chad. 2026. "Productivity Growth in Construction: Still Strange and Awful." Working paper prepared for this conference. https://www.bostonfed.org/news-and-events/events/economic-research-conference-series/understanding-challenges-solutions-in-us-housing-market.aspx; Goolsbee, Austin and Chad Syverson. 2025. "The Strange and Awful Path of Productivity in the US Construction Sector." In *Technology, Productivity, and Economic Growth*, ed. Susanto Basu, Lucy Eldridge, John Haltiwanger, and Erich Strassner, 119–38. Chicago: University of Chicago Press.

quarter century to build our understanding of housing supply. And we will also hear from a panel of practitioners, who grapple with these issues every day.

At the same time, understanding housing *demand* is also important. Konstantin Milbradt's paper session tomorrow will show as much, exploring why the 2022 monetary policy tightening weighed less on households than many expected.

Finally, I'll note that monetary policy also plays a role here. Tighter policy in the near term can limit the expansion of the housing stock needed to ease housing market pressures. It can also affect consumers' willingness and ability to obtain a mortgage and, hence, housing demand. However, as I noted earlier, tighter policy is needed at times to ensure price stability, with benefits for the housing market and economy as a whole over the longer run.

Theme 2 — Measurement

Measurement is another important issue related to housing – and a topic I care deeply about.

I spoke about measurement last year at the National Association for Business Economists' (NABE) economic measurement seminar.[16] In the housing sector, measuring both prices and quantities is difficult. However, accurate measurement is important for understanding housing market dynamics – both nationally and regionally – as well as the sectoral challenges we face.

Starting with prices, shelter is the largest component of the Consumer Price Index,[17] and shelter inflation was a key reason inflation stayed elevated following the pandemic. In 2024, an important question was whether elevated housing inflation reflected new price pressures or simply existing leases catching up to market rents – something our standard housing market metrics made hard to discern in real time.[18]

There is also a deeper, conceptual question when it comes to measuring shelter costs. While most Americans own their homes, our housing-related inflation measures capture housing costs largely

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[16] Collins, Susan M. 2025. "Using Data in Monetary Policymaking: A View from the Fed." Remarks at the NABE Foundation's 22nd Annual Economic Measurement Seminar, Washington, D.C., July 15, 2025. https://www.bostonfed.org/news-and-events/speeches/2025/using-data-in-monetary-policymaking.aspx

[17] U.S. Bureau of Labor Statistics, "Relative Importance of Components in the Consumer Price Indexes" (annual December weights): shelter, mostly rent of primary residence and owners' equivalent rent, is about one-third of the CPI-U. https://www.bls.gov/cpi/tables/relative-importance/home.htm

[18] The BLS now publishes the New Tenant Rent Index quarterly as a research series (R-CPI-NTR), back to 2005. For a further discussion, see Brian Adams, Lara Loewenstein, Hugh Montag, and Randal Verbrugge. 2024. "Disentangling Rent Index Differences: Data, Methods, and Scope," *American Economic Review: Insights* 6 (2):230-45. doi: 10.1257/aeri.20220685.

through prices on rental properties. Should we change the way we measure housing inflation? I look forward to Gabriel Chodorow-Reich's paper tomorrow, which takes up this very question.

With respect to quantities, I'll highlight that estimates of the national housing shortage range from several million units to none at all.[19] However, the shortage is not just about one number. It looks quite different across places, both here in New England and around the country. Shortages also vary along demographic dimensions, including by income and age. And not every housing unit is the same. New England has some of the oldest housing in the country, and an aging, deteriorating housing stock can provide less housing than a simple count of units would suggest.[20] Elena Patel's session on measuring the housing shortage, which follows my remarks, is an excellent place to start.

Closing Observations

In conclusion, I'll note that there is no "silver bullet" that will solve the many challenges facing housing today. It will take constructive collaboration among many parties. Building a shared understanding of the complexities of the housing market is essential – and a fundamental reason for conferences like this. Rigorous research can help inform better decisions and identify potential solutions.

As I said in my Joint Center remarks, "housing is deeply tied to the overarching role of the 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."[21] I am grateful for the opportunity for all of us to learn more about this important topic over the coming day and a half. We have a great lineup of conference speakers, panelists, and discussants, and I look forward to the presentations and discussions.

It is now my pleasure to welcome the participants of our first session to the stage – Elena Patel, the paper author; Paul Willen, the discussant; and Daniel Cooper, our moderator.

Thank you.

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[19] McClure, Kirk, and Alex Schwartz. 2025. "Where Is the Housing Shortage?" *Housing Policy Debate* 35(1): 49–63. doi:10.1080/10511482.2024.2334011

[20] All six New England states have an older housing stock than the nation as a whole. In particular, the median housing unit was built in 1964 in Rhode Island, 1965 in Massachusetts, and 1968 in Connecticut, compared with 1982 for the nation. See U.S. Census Bureau, American Community Survey 1-year Estimates, Data Set for 2025, Table B25035.

[21] See footnote 1.