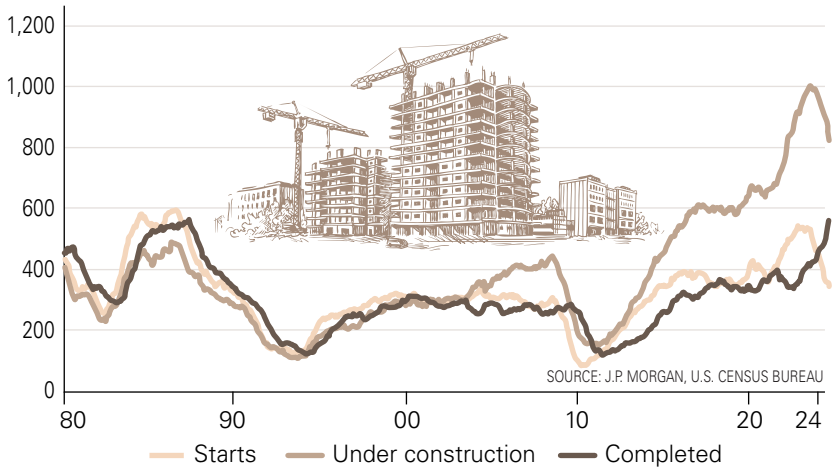


Multifamily construction, starts, completions



A housing shortage is often attributed to supply tightness.

Underbuilding has been evident over the past decade, but a longer-term housing shortage is less clear. Looking back over the past 30 years, new household formations and housing completions net out to nearly zero. Other factors could help account for a shortage.

It's estimated that there are 11.2 million undocumented immigrants in the U.S., and that number may be higher. This could be ramping up housing demand more than figures suggest, resulting in a shortage of stock.

Since rates have backed up and rental economics have declined, builders of multifamily units have put on the brakes.

On the whole, building is normalizing, but higher rates will slow down new building activity.

But another key issue is at play, which is restraining supply more than any potential underbuilding. People are staying put for longer due to high interest rates, so housing stock is not being freed up. "The lack of supply is primarily a lock-in issue," said John Sim, head of Securitized Products Research at J.P. Morgan. "More than 80 percent of borrowers are 100 basis points (bps) or more out-of-the-money. These are borrowers who have a significant disincentive to sell their home, and this is creating the dearth in supply."