5-2023

An Analysis of the Housing Affordability Crisis: Private Equity or Legislation Issue

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March 10, 2023

The American dream, a bedrock of 21st century inspiration, is actively under attack. The philosophy popularized in the early 1900s United States has always centered on the possibility for upward mobility regardless of background. One key marker for a family that has climbed the social ladder is their housing. While there are several respectable options for housing in modern culture, a family home holds a special place in the hearts of Americans. Actor Wendell Pierce who was raised in a middle-class family in New Orleans said, “That is the heart and soul of the American dream, homeownership, the idea of being able to buy a house and start to build your family.”[1] Unfortunately this soul is currently constrained. Housing prices have risen more than 30% from 2020 to 2022, representing a rise of $100,000 in the median housing price in the United States during that time period.[2] This astounding climb of pricing has had a tremendous impact on the US economy and the livelihood of American citizens. During this timeline in the Covid 19 pandemic, a time of severe economic turmoil and uncertainty, the housing crisis has been pointed to as a hallmark of inefficiency in the US economy. Several factors are known to impact housing prices in the US including geographic limitations, immigration, unemployment rates, consumer confidence, technological advances, and marriage patterns.[3] However, this inefficiency has caused lawmakers and mass-media to point fingers aggressively in other directions. One of the most villainized institutions has consistently been the private equity investing industry. Heather Vogell at *ProPublica* argues that “the companies’ size allows them to influence market rates and lobby against reforms that could dilute their power. And their goals

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[1] "Wendell Pierce," *AZ Quotes,* Accessed March 30 2023, https://www.azquotes.com/quote/1286019.

[2] Monique Beals, "Rising Home Prices: A Timeline," *The Hill*, May 5 2022, https://thehill.com/policy/finance/3478213-rising-home-prices-a-timeline/.

[3] Vanessa Brown Calder, "Zoning, Land- Use Planning, and Housing Affordability," *CATO*, October 18 2017, https://www.cato.org/policy-analysis/zoning-land-use-planning- housing-affordability.

— quickly hiking a building's profits so they can sell it at a premium — are often at odds with those of the tenants who need to live in them."[4] This anger from Vogell is widely held and warrants proper investigation. This analysis actively explores the degree to which private equity has damaged housing pricing over the last five years and whether this impact is negligible. The rising housing prices in the United States has been caused primarily by faulty government policy that has constrained supply and artificially increased demand, rather than the institutional investing industry.

Housing Pricing Problem

To best understand the causes of the housing crisis in America, it is crucial to first track the development of the problem over the past few years. Since 2000, median prices have increased roughly 160%.[5] This rise has been meteoric. While the pricing increases saw a slight hiccup in 2008 due to the financial crisis, the years following the recession experienced rapid rebounding. Today, around 70% of Americans feel that young adults have a far more challenging time buying a home than their parents experienced.[6] The American Dream and homeownership is becoming less attainable each day. Furthermore, in the same time that the average housing price has increased by 160%, average wages have only increased 38%.[7] The discrepancy between wage increase and cost of living is dangerous for the growth of generational wealth for

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[4] Heather Voggell, "When Private Equity Becomes Your Landlord, *ProPublica*, Feb 7, 2022, https://www.propublica.org/article/when-private-equity-becomes-your-landlord.
[5] Monique Beals, "Rising Home Prices: A Timeline," *The Hill*, May 5, 2022, https://thehill.com/policy/finance/3478213-rising-home-prices-a-timeline/.
[6] Katherine Schaeffer, "Key facts about housing affordability in the U.S," *Pew Research*, March 23, 2022, https://www.pewresearch.org/fact-tank/2022/03/23/key-facts-about-housing -affordability-in-the-u-s/.
[7] Edward J. Pinto, "Government Policies Are Responsible for the American Housing Crisis that is Crowding Lower Income Households Out of the Housing Market," *American Enterprise Institute*, July 13 2022, https://www.aei.org/wp-content/uploads/2022/07/Pinto-House -Ways-and-Means-testimony-written-7.13.2022-v3.pdf?x91208.

lower earners in America. This is a serious problem when considering the sustainable growth of the economy and its dependency on young professionals building wealth and discretionary spending.

This unaffordability was contributed to greatly during the Covid 19 pandemic which began in 2020. During 2021, the US Home Price Index rose 18.6%.[8] Economists have pointed to various different reasons for this increase but the most notable and consistently cited have been an increase in necessity to work from home, a desire to leave higher density areas such as apartment complexes and record low interest rates. These issues have resulted in a massive spike in demand with constrained supply. The federal reserve bank of Dallas put it this way: "the recent supply response has been muted relative to the rise in prices, and the price response has been magnified by pandemic-related supply constraints."[9] This supply and demand inefficiency has had a disproportionate impact on the consumer price index, which is an extremely important statistic to understanding the overall health of the US economy. According to the official white house website, shelter makes up about a third of the CPI and 40% of core CPI which excludes energy and volatile food components.[10] The large share the HPI takes of the CPI displays how significantly this crisis has damaged affordability for the average American during Covid-19. In comparison to international economic conditions, our extreme mobility and affordability is not appearing has stark as in previous years.

While affordability is an important factor when considering the damages of rising housing prices, there are several other impacts the problem has had on citizens. These impacts

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[8] Jared Bernstein, "Housing Prices and Inflation," *The White House*, September 9, 2021, https://www.whitehouse.gov/cea/written-materials/2021/09/09/housing-prices-and-inflation/.
[9] John V. Duca, "Why House Prices Surged as the COVID-19 Pandemic Took Hold," *Federal Reserve Bank of Dallas*, December 28, 2021, https://www.dallasfed.org/research/economics/2021/1228.
[10] Ibid.

begin with consumer spending, which accounts for roughly two-thirds of the economic activity in the United States.[11] Housing expenses make up a large portion of that discretionary spending that drives the economy. Therefore, the higher the costs Americans are losing annually to housing, the fewer dollars are being spent in consumer spending. Additionally, higher housing costs damages traffic for a city. When housing prices increase, people are forced to purchase homes further away from their work and the center of a city. This results in more individual drivers which increases traffic and hurts the efficiency of American businesses. It has become a phenomenon where the workers who need public transportation the most have lost access to it due to the rising cost of living in the city. Housing affordability as well as implications on the general economic health of the United States are critical in understanding the damages to upward mobility from the crisis.

The strain on home buyers has been experienced by renters as well. Katherine Schaeffer at *Pew Research* cited that 46% of renters spent more than 30% of their income on housing and 23% spent more than 50% of their income.[12] Rental increases have been a chief contributor to unaffordability in the 21st century. A study conducted by the rental giant *Zillow* found that once households spend more than 32% of their income on rent, one can expect a sharp increase in homelessness in the area.[13] Once this threshold is passed, rapid increases in the homeless population and the subsequent socioeconomic damages can be expected. This threshold adds additional weight to the classic 30% rent-to-income rule of thumb. Furthermore, the bottom third

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11 Ally Schweitzer, "Why The Housing Crisis Is A Problem For Everyone — Even Wealthy Homeowners," *NPR*, January 13 2020, https://www.npr.org/local/305/2020/01/13/795427706/why -the-housing-crisis-is- a-problem-for-everyone-even-wealthy-homeowners.
12 Katherine Schaeffer, "Key facts about housing affordability in the U.S," *Pew Research*, March 23 2022, https://www.pewresearch.org/fact-tank/2022/03/23/key-facts-about-housing -affordability-in-the-u-s/.
13 "Homelessness Rises Faster Where Rent Exceeds a Third of Income," *Zillow*, December 11 2018, https://www.zillow.com/research/homelessness-rent-afford ability-22247/.

of income-earning families who rent spend roughly 40% of their income on housing.[14] Of this bottom third of Americans, more than half are forced to move each year putting significant hurdles for their children's advancement: "children experiencing residential instability demonstrate worse academic and social outcomes than their residentially- stable peers, such as lower vocabulary skills, problem behaviors, grade retention, increased high school drop- out rates, and lower adult educational attainment.… Residential instability is related to poor social development across age groups."[15] This disproportionate burden as well as the homelessness threshold is a terrifying combination that displays the real-world destruction housing inflation produces. This destruction displays not only a limitation to many American's goals of homeownership, but also to the basic pursuit of happiness. The unaffordability of rental living in the United States makes quantitative easing and alleviating rental pressure seem like the logical solution, however, it will become evident that these policies tend to have a reverse effect. In light of the extensive hurt the housing crisis has caused, claims against private equity investing must be investigated.

Private Equity History

Private Equity is a four-letter word in the eyes of policy makers when it comes to the single-family housing crisis in the United States. Unfortunately, few truly understand the industry of institutional investing and its impact. Private equity real estate companies pool investor capital from large institutions such as pension funds, endowments, and high net worth individuals in order to purchase several real estate assets for the investors to invest in different asset classes. These funds profit by receiving acquisition fees to maintain overhead for the fund

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[14] Michael D. Tanner, "Housing and Homelessness," *Cato Institute,* October 21 2021, https://www.cato.org/study/housing-homelessness#introduction.
[15] Ibid.

as well as additional incentive returns based on fund performance.[16] In 2020, NYU researchers found that $7.5 Billion has been paid to private equity funds in fees annually on average since 2000.[17] This allows private equity funds to align their incentives with investors and avoid ethical issues in their fiduciary responsibilities. These funds are structured in hundreds of different ways depending on their capital structure, investment thesis, and leadership within the company. Many, however, are focused entirely on new developments and construction management. This becomes very important when considering the supply problem that has plagued the affordability of housing over the past decade.

To best understand the impact of private equity investment on real estate, it is imperative to first understand the history of the industry. Private equity investment began with leveraged buyout (LBO) funds that initially ignored real estate and focused on company acquisition. During the late 1980s, overwhelming leverage from banks on high loan-to-cost loans on real estate exposed an opportunity in real estate for these funds.[18] This paved the way for the $400 Million “Zell-Merrill I Real Estate Opportunity Fund” which purchased low value properties from the overleveraged real estate banks desperately needed to drop from their balance sheets.[19] After the success of this first fund, many massive companies such as Goldman Sachs, Angelo Gordon, Apollo, Blackstone, Cerberus and many more entered the market and created this new industry of investing. In contrast to Real Estate Investment Trusts, REPE generally seeks higher returns through riskier investments and shorter hold periods with higher leverage. Over the past

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[16] "How Private Equity Real Estate Companies Make Money," *Break Into CRE*, Accessed March 1 2023, https://breakintocre.com/how-private-equity-real-estate-companies-make-money/.
[17] Sarah Duvisac, "Private Equity is Coming: The Future of Housing Security in the Age of Covid-19," *NYU UrbanDemos,* December 2020, https://urbandemos.nyu.edu/wp-content/uploads /2020/12/ Private-equity-whitepaper-December-14-2020.pdf.
[18] Peter Linneman, "Real Estate Private Equity Funds," *Wharton Real Estate*, Accessed February 20 2023, https://realestate.wharton.upenn.edu/wp-content/uploads/2017/03/413.pdf.
[19] Ibid.

few decades, pension funds have steadily increased their investment amounts into REPE. The PE industry has historically displayed quite a lag behind the market and deployed capital. Additionally, from the beginning of the industry, these investors have shown a tendency to capitalize on housing crises like economists are predicting in the near future. If the footprint is large enough, the capital poses a true threat to affordability.

The financial crisis of 2008 is crucial in understanding the impact of the unprecedented times of the Covid pandemic on the housing market. In the years leading up to 2008, private equity IRR had been rising consistently. Unfortunately, during the financial crisis private equity returns fell dramatically. However, it is important to note that while PE IRR fell by 28% between Q4 of 2008 and Q1 of 2009, the S&P 500 fell 55% during the same period. [20] This phenomenon has remained consistent into the pandemic period of the 2020s. When S&P returns experienced extreme volatility dropping 36%, Private Equity investment fell a respectable 9%.[21] Gianfranco Giafrante of the *Euromoney Institutional Investor PLC* explains this resiliency quite well: "Overall, not only has PE proven to obtain higher returns than the public market and to be persistent, differently from mutual funds, but it has also constituted a safe harbor during the financial crisis owing to its low correlation with market swings and its focus on companies' operating growth."[22] In evaluating the degree to which private equity capital is to blame for the rising housing pricing in the United States, it is important to also point to the industry's stability

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[20] "The Historical Impact of Economic Downturns on Private Equity," *Neuberger Berman*, December 2022, file:///C:/Users/jtpol/Downloads/V0109_Impact_of_Downturns_on_PE.pdf.
[21] Ibid.
[22] Gianfranco Gianfrate, "Private Equity Throughout the Financial Crisis," *Euromoney Institutional Investor*, Winter 2015, https://www.jstor.org/stable/43967366?saml_data=eyJzYW1sVG9rZW4iOiIzOWU wOWNkZi02MzlhLTQ4ZWUtYmI1MC0zN2JlYzU0ZTFmZmIiLCJpbnN0aXR1dGlvbklkcyI6WyJlNDFmOTA3Mi02MTY5LTRiNjctOGVkZS00MGVmNzJkNTM5MjUiXX0.

in the economy during otherwise tumultuous times and the benefits as well as the potential damages.

Private Equity and the Housing Crisis

Institutional investment into the single-family rental market is a rather recent phenomenon. The asset has caught the eye of these firms due to the extremely low down-payments, low maintenance cost, and low property taxes associated with SFR rather than the larger payments required in managing larger multifamily properties. This attractiveness has led to quite an explosion in the space over the past ten years; however, institutional investors made up less than 0.5% of the SFR space according to the American Housing Survey.[23] More recently, in the second quarter of 2021, the National Rental Home Council stated that 99.26% of single family homes were purchased by groups or individuals other than large investors.[24] It is clear that a massive price pressure from an influx from private equity capital is an impossibility due to the miniscule share institutional investing has in the single family rental space. However, it is important to carefully consider the impact private equity investing has had on the multifamily space and rent expansions and the linkage between the two markets.

While the footprint of institutional investment in single family rental purchases is insignificant, the same cannot be said in the apartment space. In 2021, Private Equity companies were behind 85% of the largest acquisitions of multifamily property through Freddie Mac

[23] Coby Lefkowitz, "Are Private Equity Firms to Blame For Rising Home Prices," Medium, June 29 2021, https://marker.medium.com/private-equity-is-buying-your-block-with -your-neighbors-money-8d37e98ebcd.
[24] "NRHC Analysis of Data Shows Just 0.74% of Home Purchases in Second Quarter of 2021 Made by Large Investors," *Rental Home Council*, Accessed March 18, 2021, https://www.rentalhomecouncil.org/wp-content/uploads/2021/10/Investor-purchases-Blog-Oct-2021.pdf.

deals.[25] Average asking rental rates in the United States for these multifamily units rose to around $1700, representing around a near 14% year over year increase.[26] These rental hikes above inflation rates eventually bleed into single family rentals which damages lower income families, increases homelessness, and decreases the supply of housing. Although private equity has placed rental pressure on housing, new developments and construction of housing projects by investors have alleviated American supply. In the fourth quarter of 2022, the National Association of Home Builders reported that there were over 940,000 new apartment units under construction; up 25% since 2021, the highest number of new construction since the 1970s.[27] While new construction has increased considerably during the past two years, new developments are expected to slow due to overall economic activity. The United States housing affordability situation would benefit considerably by incentivizing private equity investment rather than adding regulation on the industry. This added incentive would allow for more options in available properties and eventually decrease prices.

Private Equity acquisition of multifamily property has been notorious for resulting in a decrease in quality management of an asset. One reporter noted how "historically, private equity firms have cared little for preserving or cultivating community, employing thoughtful design, or using placemaking to increase quality of life."[28] Daniel Cooper, who previously lived in an apartment building in San Francisco, noted that when Private Equity-backed real estate company

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[25] Heather Voggell, "When Private Equity Becomes Your Landlord, *ProPublica,* Feb 7, 2022, https://www.propublica.org/article/when-private-equity-becomes-your-landlord.
[26] "2022 Rent Growth," *Multi-Housing News*, January 30, 2023, https://www.multihousingnews .com/2022-rent-growth/.
[27] Stephanie Pagan, "Multifamily Housing Market," *National Association of Home Builders*, January 31, 2023, https://www.nahb.org/news-and-economics/press-releases/2023 /01/multifamily-housing-market -to-weaken-in-2023.
[28] Coby Lefkowitz, "Are Private Equity Firms to Blame for Rising Home Prices," *Medium*, June 29 2021, https://marker.medium.com/private-equity-is-buying-your-block-with-your -neighbors-money-8d37e98ebcd.

Greystar acquired the building, security quality dropped, rents soared, and waste management frequency fell.[29] While the maintenance of acquired assets is not entirely relevant to the housing affordability problem, it is important to note the intentions and motivations of these firms when evaluating the quality of the limited housing. This incentive to slash management and increase rents is not necessarily alleviated by cheaper construction unfortunately. Due to the promote and carry structure of private equity firms, they remain incentivized to slash all costs available.

Furthermore, the Federal Reserve of Atlanta found that private equity was more than twice as likely to evict renters than local owners.[30] This becomes more concerning in times of economic hardship such as the Covid pandemic. As exemplified in 2008, many private equity companies utilize dry powder (at the ready) capital to prepare for the acquisition of distressed properties. For example, when Covid began Brookfield Properties created a $15B fund specifically designed for properties that could not afford their mortgages and would eventually foreclose.[31] This type of investment strategy has been dubbed "predatory equity." These types of funds combined with the rental pressures that private equity creates on housing do not bode well for Americans. While we noted previously that the footprint of institutional investors is not nearly large enough to create significant pressure on housing prices in the United States, the motivations of these firms and their impacts on living quality for tenants cannot be ignored. Private investment has the capability to make a significant impact on the housing market in the future and should be carefully observed.

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[29] Heather Voggell, "When Private Equity Becomes Your Landlord, *ProPublica*, Feb 7, 2022, https://www.propublica.org/article/when-private-equity-becomes-your-landlord.
[30] Sarah Duvisac, "Private Equity is Coming: The Future of Housing Security in the Age of Covid-19," *NYU UrbanDemos,* December 2020, https://urbandemos.nyu.edu/wp-content/uploads /2020/12/ Private-equity-whitepaper-December-14-2020.pdf.
[31] Ibid.

Legislative Role in Housing Affordability

While the impact private equity has had on the housing crisis in the past few years is rather ambiguous, the damage the federal government has done on the housing market is clear. As stated previously, the supply and demand of housing is the chief indicator in the future of pricing. Therefore, any tangible impact on these two factors will result in a sizable effect on housing prices. Not only has the United States government artificially increased demand, it has also constrained supply. To best understand the breadth of this impact and the lack of private equity effect, one must first look at specific regulatory policies/practices and then track the subsequent rise in pricing.

Aggressive lending packages, looser underwriting practices, and quantitative easing have all resulted in an artificially boosted demand over the past five years. One famous example of quantitative easing is the Build Back Better Act of 2021. This act provided $184 Billion in new housing related expenditures.[32] While these policies have great intentions behind them, they inevitably only raise household income spending on housing, which serves to only damage low income and minority areas disproportionately. An important academic study conducted by the International Monetary Fund working papers explored the impact of quantitative easing through a stylized general equilibrium model. Through this work, they discovered that the benefits of quantitative easing do not outweigh the damages. Francesco Beraldi who conducted the study found that "on the one hand, monetary easing directly reduces mortgage payments and enhances housing affordability; on the other hand, it raises the housing price, prices out potential homebuyers, and lowers housing affordability. This pricing-out effect is stronger for first-time

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[32] Edward J. Pinto, "Government Policies Are Responsible for the American Housing Crisis that is Crowding Lower Income Households Out of the Housing Market," *American Enterprise Institute*, July 13, 2022, https://www.aei.org/wp-content/uploads/2022/07/Pinto-House -Ways-and-Means-testimony -written-7.13.2022-v3.pdf? x91208.

homebuyers than existing homeowners, thus increasing housing wealth inequality."[33] This disproportionate impact on first time home buyers is significant if one's goal is to address income inequality, with housing being one of the central ways for Americans to build wealth.

Housing supply and new construction has been limited greatly by restrictive zoning practices, inflationary pressures from quantitative easing, and rising interest rates. Exclusionary zoning practices have constrained supply considerably. For a new development, there is typically some form of density restriction set on the land that restricts the construction project. While this can be said to be beneficial for quality of living in these developments, it greatly harms the overall amount of housing options available to consumers. Furthermore, investment into housing construction will increase greatly due to fewer density restrictions. The higher the density allowed, the more likely a preferred return will be achieved. Currently, there is an estimated 3-5% increase in cost of new construction due to density limitations and restrictive zoning.[34] While that percentage seems insignificant, it rapidly increases when considering the massive capital required in larger housing projects as well as the restrictive return metrics many equity companies fall under. The Vice President of the NAHB argued that “Apartment and condo developments can be subject to a significant array of government regulations including zoning requirements, building codes, impact fees, permitting requirements, design standards and public land requirements, among others… These regulations are exacerbating the nation’s housing affordability crisis.”[35] An academic study conducted by Vanessa Brown Calder at *The CATO*

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[33] Francesco Beraldi, "The Pricing Out Phenomenon in the US Housing Market," *The International Monetary Fund*, January 2023, file:///Users/jackpolk/Downloads/wpiea20230 01-print-pdf.pdf.
[34] Michael D. Tanner, "Housing and Homelessness," *Cato Institute*, October 21 2021, https://www.cato.org/study/housing-homelessness#introduction.
[35] Stephanie Pagan, "Multifamily Housing Market," *National Association of Home Builders*, January 31 2023, https://www.nahb.org/news-and-economics/press-releases/2023 /01/multifamily-housing -market-to-weaken-in-2023.

Institute used a regression analysis to examine the relationship between zoning policy and housing prices. Calder found that 36 of the 50 states displayed a relationship between increasing zoning regulation and rising housing prices.[36] Legislative regulation with its suppression on housing supply is a primary contributor to the current damages to housing experienced in the US.

Solutions

The dangerous inflationary situation with housing is a complex economic issue, however, there have been various proposed solutions to find a soft landing for the market. One such solution focuses on building generational wealth as quickly as possible in low-income areas. This is a lending shift that primarily emphasizes new 15-year loan packages that allow these marginalized groups quicker ability to build equity into their homes. The current underwriting situation, as stated previously, and the artificial incentives for banks to lend at low rates has been damaging to generational wealth for families. These policies have only served to lead to a higher rate of foreclosures and credit defaults rather than equity building for these individuals.

While artificial demand is a contributing problem, the solution to housing inflation will center mainly on the constrained supply. An important policy direction for boosting supply lies in zoning restrictions. This could come in the form of streamlining approval processes. This would increase the frequency of variant requests and incentivize further development. Another potential policy modification would be found in the State Zoning Enabling Act. This act currently allows local city governments borderline unilateral power to restrictively zone various land plots. Additionally, cities could increase compensation to landowners for restrictive

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[36] Vanessa Brown Calder, "Zoning, Land- Use Planning, and Housing Affordability," *CATO*, October 18 2017, https://www.cato.org/policy-analysis/zoning-land-use-planning -housing-affordability.

regulatory takings. This would diminish government incentive for these practices as well as increase motivation for developers by lowering overall risk in land acquisitions.

Another solution is the increase of affordable housing rental properties. This could be produced via Housing and Urban Development Programs, community development block grants, or through the low-income housing tax credit (LIHTC). Another important problem that should be tackled by lawmakers is the loss of existing affordable housing that would continue to hurt the affordability for all Americans. By 2025, it is estimated that 6% of federally assisted housing will lose the restrictions for affordable pricing, resulting in the loss of 176,000 units.[37] This deficiency can be alleviated through the redevelopment of existing housing through HUD programs such as the Rental Assistance Demonstration Program. Another potential aid to the loss of affordable housing is to incentivize current LIHTC owners to continue to keep their projects affordable past the initial contract term. Finally, the other major policy recommendation in increasing the supply of housing in the US is through incentivizing low-income construction. This can be accomplished through various programs including Public Housing Capital Fund, the National Housing Trust Fund, and Tribal Housing Programs. Furthermore, building fees have diminished incentives for new construction in the United States over the past few decades. These are always popular legislative policies because they do not add any additional strain on existing businesses; however, they increase new construction costs and force developers to decrease the scope of new housing. Another legislative issue at the local government level is the power of zoning governance.

Conclusion

[37] "Priced Out: The State of Housing in America," *Center on Budget and Policy Priorities,* July 21, 2022, https://www.cbpp.org/research/housing/priced-out-the-state-of-housing-in-america.

Private Equity is not a considerable factor when understanding the causation of the housing affordability crisis through the 21st century. While rental increases could partially be traced to multifamily pressures through institutional investing, the direct correlation to the housing market is insignificant. Primarily due to the low market share of new purchases, private equity does not leave a large enough footprint on the single-family rental space to create pressure on pricing. Additionally, the investment hedge against recessions that Private Equity capital creates pose considerable benefits to the industry during a potential future economic downturn resulting from poor legislation. This does not parallel the narratives that mass media companies and lawmakers push, yet the footprint that local and federal governments have had on pricing pressures has been far more significant. From restrictive zoning practices to quantitative easing, these governmental policies have suppressed supply while artificially increasing demand. These two effects have had a traceable impact on housing prices and should be the first step in the solution rather than simply increasing access to mortgages. A researcher at the *Cato Institute* explained the tendency for housing affordability advocates to misplace their policy recommendations: “Housing affordability advocates often attribute affordability problems to inadequate federal funding. But it is difficult to argue that inadequate federal funding is the source of affordability problems given the relationship between local regulation and housing costs.”[38] This solution can come from numerous new federal policies, repealing certain lending practices, or new zoning practices; however, the overall direction of the alleviation of housing pricing will stem primarily from the encouragement of new development of real estate. Many of the demand issues in housing economics were caused through poor policy solutions to the Covid-

[38] Vanessa Brown Calder, "Zoning, Land- Use Planning, and Housing Affordability," *CATO*, October 18, 2017, https://www.cato.org/policy-analysis/zoning-land-use- planning-housing-affordability.

19 pandemic, therefore the general supply constraints in the United States must be resolved. The American dream is built on the ability for anyone from any background to achieve their dreams through hard work. For many people this dream is founded on the opportunity to purchase a home for their family. This desire is actively being threatened in today's economy. To protect housing prices and the ideological root of the United States, the economy must return to a foundation on development and financial incentive rather than artificial governmental support and regulation.

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CJpbnN0aXR1dGlvbklkcyI6WyJlNDFmOTA3Mi02MTY5LTRiNjctOGVkZS00MGVmNzJkNTM5MjUiXX0.

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