

# Analyzing the 4.1 Million Gap Between Household Completions and Household Formations since 2011

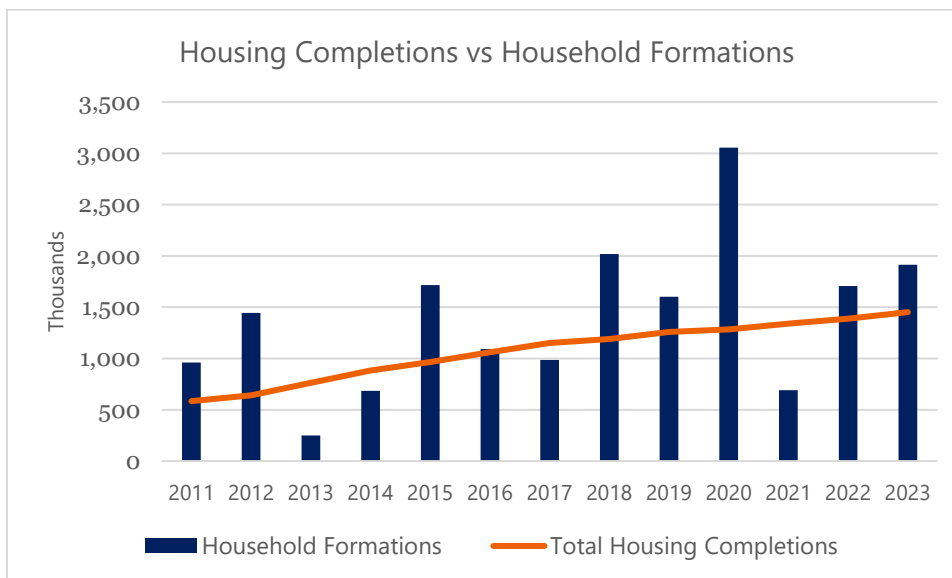
During Praedium’s recent Investor meeting, an astute investor questioned where the 4.1 million households in the gap between household formations and housing construction since 2011 have gone. We thought this was an interesting question and, with our research partner, SitusAMC Insights, we decided to dig into this issue.

Our subsequent research shows that manufactured housing has made a meaningful contribution to the housing supply. Over the same period, a sharp decline in housing vacancies has reduced the number of available homes, absorbing part of the demand that new construction failed to meet. These findings explain how existing housing stock has mitigated some of the gap, though persistent undersupply continues to constrain availability and drive affordability challenges.

## Housing Undersupply Analysis

The below chart was presented during our investor meeting. According to our analyses, housing completions have lagged household formations by over 4.1 million since 2011, showing that the US remains in a severe housing shortage:

FIGURE 1. Since 2011, Completions Have Lagged Household Formations by 4.1 Million



Sources: US Census Bureau, SitusAMC Insights

## An Examination of Homelessness

A question was raised whether growing homelessness, if incorporated into our analyses, could reduce the gap between household formations and housing completions.

According to Harvard's Joint Center for Housing Studies (JCHS), homelessness spiked 12 percent (71,000 people) in 2023, with more than 650,000 people unhoused, the highest number recorded since data collection began in 2007. The US Department of Housing and Urban Development's point-in-time estimates show an increase in nearly every state and also for both sheltered and unsheltered homelessness.

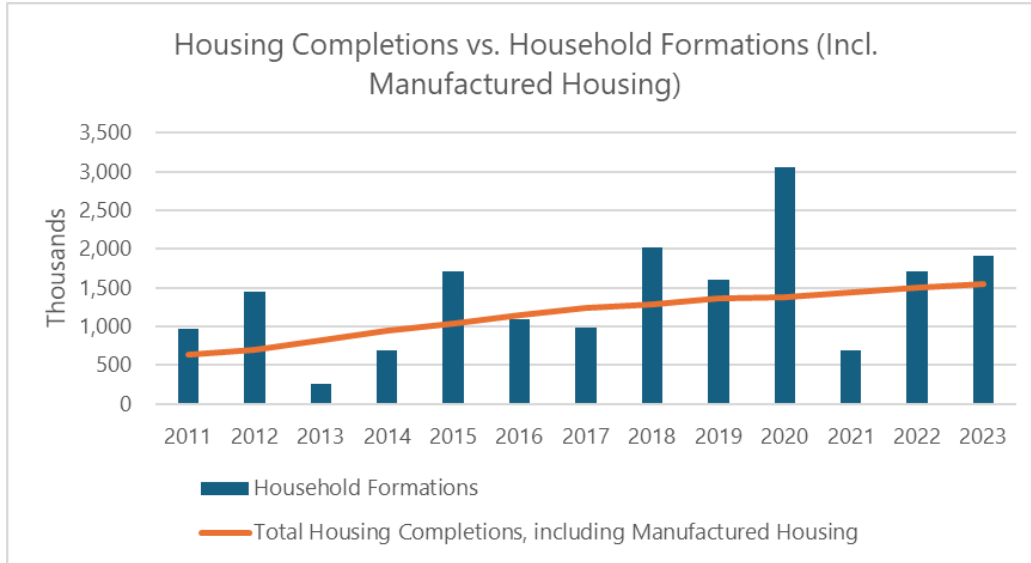
Homelessness increased almost 72% from the nadir in 2021 to 2023. However, the number of homeless in 2021 was historically low due to pandemic-era relief measures of eviction moratoriums, rental subsidies, and income assistance. As these measures expired, homelessness increased. The JCHS cites an influx of migrants as another factor of the increase in homelessness, though neither this, nor the loss of pandemic-era aid were the primary driver. The most fundamental driver of the nation's growing homelessness is the ongoing housing affordability crisis.

Despite the surge in homelessness in recent years, an increase in homelessness between 2011 and 2023 was minimal. For example, between 2011 and 2023, the number of homeless in the US increased by only about 71,000 nationally. Because homelessness did not provide any meaningful revisions in our analysis, we omitted it from further analyses.

## The Effect of Manufactured Housing

The Census Bureau housing completions data do not include manufactured housing. If manufactured housing shipments over the 2011-2023 time period are added to the housing completions total (single- and multifamily), it reduces the gap between new housing and household formations by about 1 million, reducing the shortage to 3.1 million.

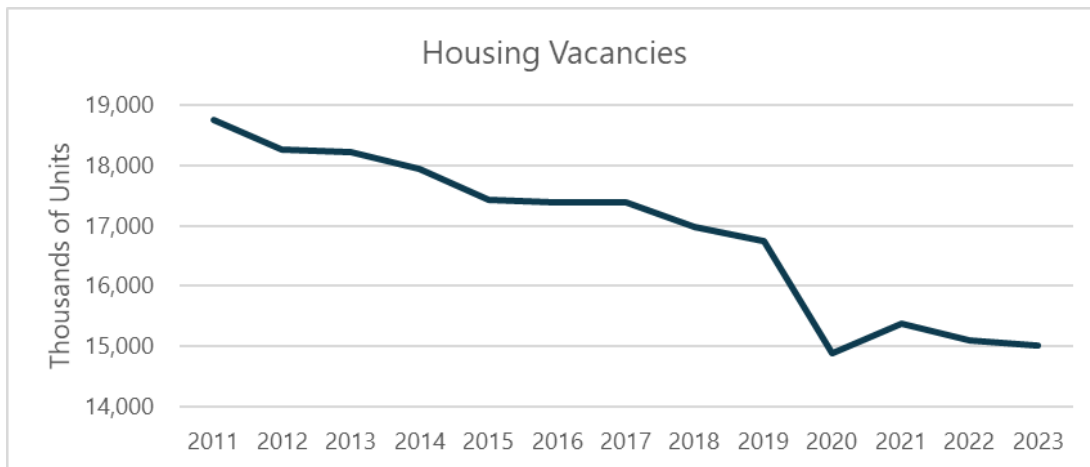
Figure 2. Factoring in Manufactured Housing, Completions Have Lagged Household Formations by 3.1 Million Since 2011



Sources: US Census Bureau, SitusAMC Insights

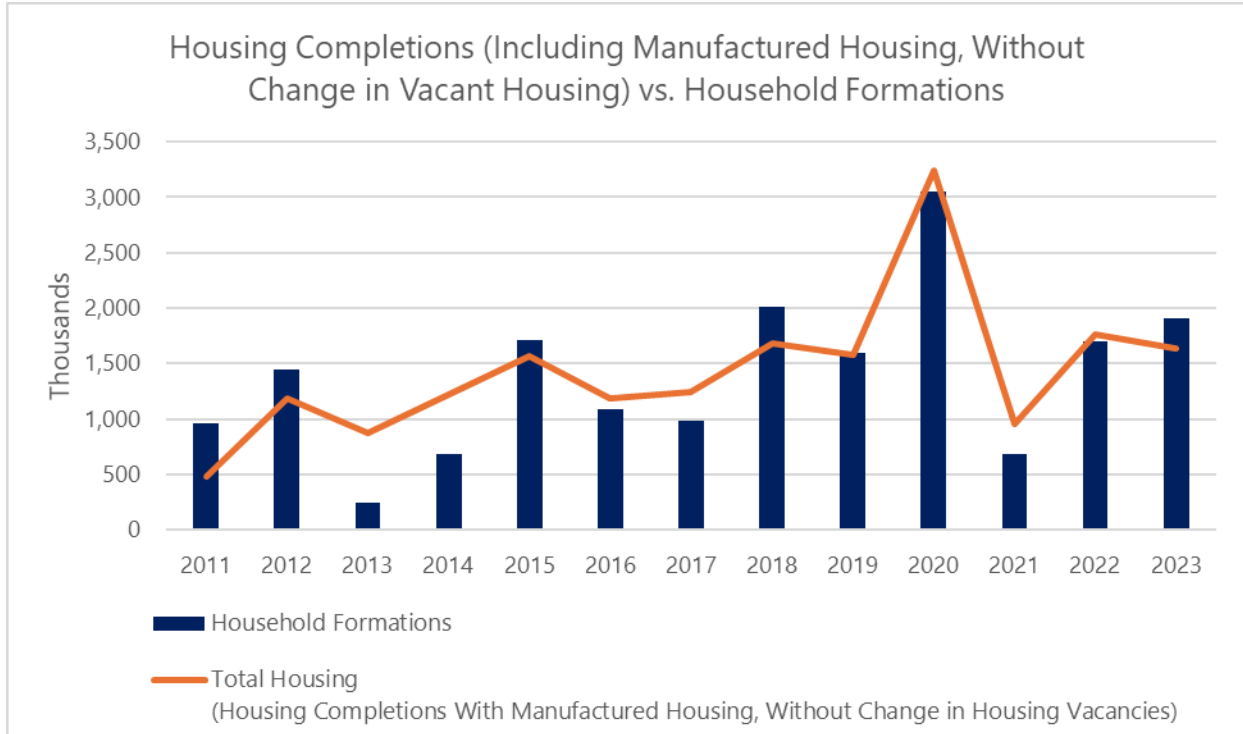
### Reduction In Vacant Housing Explains the Remaining Housing Undersupply, and Why Housing Prices Have Increased Rapidly and Produced the Affordability Crisis

Figure 3. Housing Vacancies Continue to Decline



Sources: US Census Bureau, SitusAMC Insights

Figure 4. If Housing Vacancies Had Remained Stable Instead of Declining, There Would Be a Surplus of About 500,000 Homes Relative to Household Formations



Sources: US Census Bureau, SitusAMC Insights

Housing vacancies have been on a sharp downward trend for more than a decade, with an average annual decline of about 276,500 units since 2011, as the gap between demand and new supply has persisted. The cumulative decline in housing vacancies since 2011 is nearly 3.6 million. Since a portion of housing vacancies reflects seasonally vacant units, the ongoing decline on housing vacancy depicts an increasingly tight housing market that is driving up rents and prices and impairing affordability.