



## Home Affordability Crisis Worsens

Lessons From The Housing Bubble

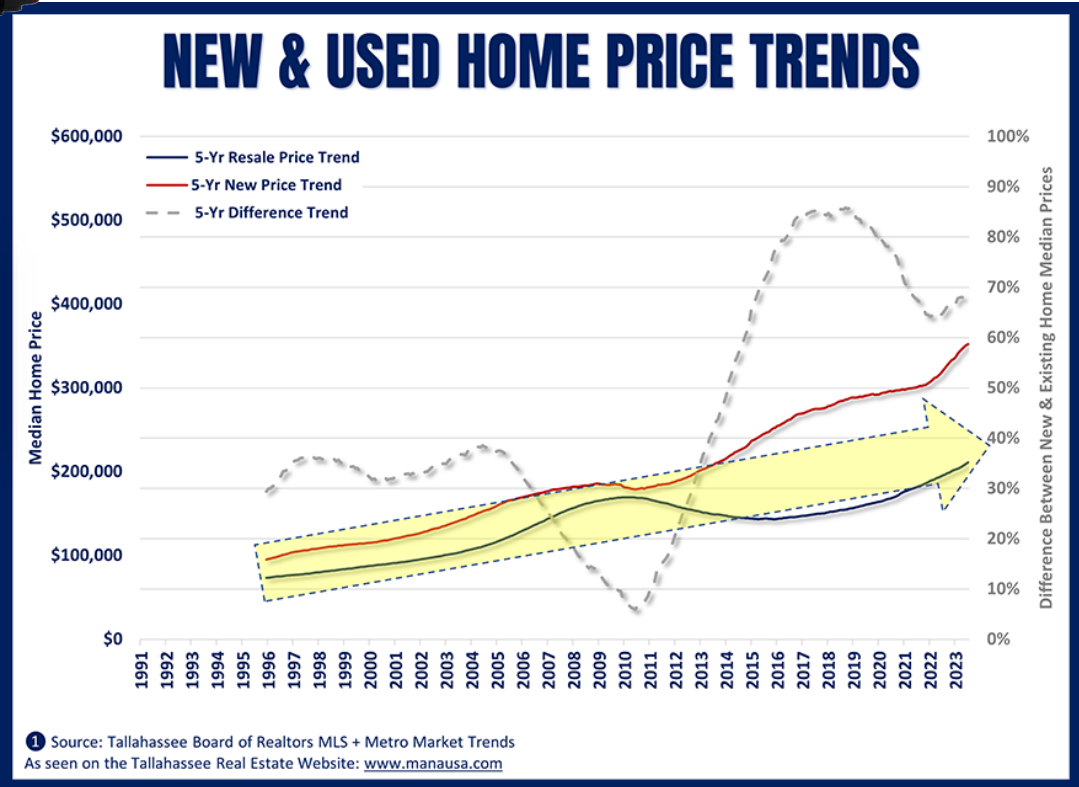


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Source: Tallahassee Board of Realtors MLS + Metro Market Trends  
 As seen on the Tallahassee Real Estate Website: [www.manausa.com](http://www.manausa.com)

The long-term housing market is poised for unprecedented unaffordability.

This graph illustrates a five-year median home price trend with new homes in red, existing homes in blue, and their percentage difference in gray.

The yellow field reflects long-term price expectations based on past appreciation rates. For fifty years, the gap between new and used home prices remained steady, but a 2006 government intervention altered this.

In 2006, as an over-adjustment to a minor fraction of substandard loan schemes, lending norms were revised. The minimum credit score requirement rose by 100 points, precipitating a housing market collapse. However, an

unforeseen event was simultaneously unfolding behind the scenes.

As the number of prospective buyers dwindled, homebuilders slowed construction of new homes.

Inflation continued to escalate the cost of new construction. Meanwhile, the new loan programs led to a drop in demand, which subsequently drove down the value of existing homes.

The growing chasm between the costs of new and used homes means that builders can no longer produce homes affordable for most buyers.

This has engendered a supply-demand imbalance that persistently pushes both new and used home prices to levels of unaffordability and there is no end in sight at the present time.

