



## Understanding the Housing Supply Shortage Data

### Housing Shortage Tracker

The National Association of REALTORS® identifies the metro areas with the highest deficit of homes. The Monthly Housing Shortage Tracker is an index, which compares how many permits are issued relative to the number of new jobs. The higher the index the higher the housing shortage in the area since it shows that more jobs have been created than homes. For instance, an index of 5 means that a single-family permit is issued for every 5 new jobs while an index of 10 means that a single-family permit is issued for every 10 new jobs. Based on the historical average, a single-family permit is issued for every 2 new jobs.

### REALTORS® Affordability Distribution Curve and Score (RADCS)

This affordability measure allows you to look at affordability:

1. For all income levels, not just the median, and
2. Of active inventory instead of homes that have already have sold.

There are two components of this measure:

#### 1. Score

A score of one or higher suggests a market which is affordable. A lower score shows that the area is relatively less affordable. Thus, the higher the score, the more affordable the area is. For instance, in California, where the Score is 0.55, households that earn \$75,000 - \$100,000 can afford to buy 33% of homes currently listed for sale. However, in Washington, where the score is 0.63, the same households can afford to buy 44% of homes for sale.

#### 2. Distribution

See what share of active housing inventory households of any income level can afford to buy. For instance, a household earning about \$100,000 can afford to buy 10% of homes currently listed for sale in the San Francisco-Oakland, CA metro area, while the same household can to buy 42% of homes for sale in Denver-Aurora-Lakewood, CO metro area.

### Is your area building enough housing?

NAR compares the recent level of single-family construction with the 20-year average construction level and the employment growth.

1. **If fewer single-family permits are issued compared to the historical average, then it seems that the area needs more permits to be issued.**  
For instance, in the last three years, 33,467 single-family permits were issued in Denver-Aurora-Lakewood, CO. However, historically, about 37,477 single-family permits are issued on average in a three-year timeframe.
2. **If a single-family permit is issued for more than every two new jobs (historical average), then it seems that the area needs more permits to be issued.**  
For instance, in the last three years, 33,467 single-family permits were issued in Denver-Aurora-Lakewood, CO. However, about 109,000 new jobs were created during the same timeframe. Thus, a single-family permit is issued for every 3 new jobs in this area. This is a higher ratio than the historical average.