

Economy:

Improving the availability and affordability of housing



December 2025

Top Line

- 1. Texas faces a large and growing housing challenge.**
 - Too many Texas households are "cost burdened", meaning they are spending over 30% of their income on housing, which makes it difficult for them to afford basics like food, healthcare, and transportation.
 - First time homebuyers also have difficulty entering the housing market – **the median age of a first-time home buyer is now 40.**
- 2. The housing challenge in Texas has multiple causes**, including lack of supply of affordable housing, rapid inflation in housing, high interest rates, and increases in other costs such as insurance and utilities. The Republicans' harsh immigration enforcement policies are also worsening a labor shortage in the construction trades needed to build more housing.
- 3. The Texas Legislature took important actions in 2025 to address the housing affordability crisis**, by reducing restrictions on new housing and making more types of housing available.
- 4. But more needs to be done. Texas can increase the availability and affordability of housing by:**
 - Continuing to streamline restrictions and zoning
 - Protecting renters' rights
 - Increasing government support for affordable housing
 - Addressing other drivers of housing costs

Texas has a huge housing availability and affordability challenge. The state legislature took positive steps in 2025, and we need to ensure we elect leaders who will continue that progress and finish the job.

Backup

1. Texas faces a large and growing housing affordability challenge.

- a. **More than 1/3 of Texas households are spending over 30% of their income on housing.** By spending this much on housing, they experience difficulty affording the other basics of life, including food, healthcare, transportation, etc. (1)
 - According to the U.S. Department of Housing and Urban Development (HUD), households are considered "**cost-burdened**" when they spend more than 30% of their income on rent, mortgage payments, and other housing costs. Households spending more than 50% of their income on housing costs are considered "**severely cost-burdened**" (2)
 - In 2023, over 21 million **renter households**, and 18.8 million **homeowners** were spending more than 30% of their income on housing costs. (2)
 - So, between renters and homeowners, over 40 million US households were "**Housing cost burdened**".
 - Given 131 million households in the US, this means about 30% of US households are housing cost burdened.
- b. This has a significant effect on families - Housing cost burdened families have little left over for all the other necessities of life. The National Low Income Housing Coalition explains the math:

*Extremely low-income renters who are severely housing cost-burdened tend to have little, if any, money remaining for other necessities after paying rent. A severely cost-burdened extremely low-income family of four with a monthly income of \$2,600 paying the average two-bedroom fair market rent of \$1,670 spends nearly 64% of their income on rent alone and has only \$930 left over each month to cover other necessities. The U.S. Department of Agriculture's (USDA) "thrifty food budget" for a family of four (two adults and two school-aged children) estimates a family needs to spend \$976 per month to cover food costs alone, which is \$46 more than their remaining income after paying rent. **After rent and food, there is nothing of their income left to cover the costs of transportation, childcare, clothing, and all other necessities.** (3)*

c. Looking more specifically at Texas:

- There are 887,000 extremely low-income households in Texas, and 81% of them are "Severely cost burdened" - they spend over 50% of their income on housing. That is over 700,000 households in Texas. (4)
- On average these households are paying 64% of their income on rent. (4)
- A monthly income of \$2,600 is considered "Extremely low income". That is roughly the equivalent of two adults working full-time minimum wage jobs. (\$7.25/hour, times 2000 hours, times 2 adults, divided by 12 months = \$2,417)
- From that \$2,600 monthly income, subtract \$1,670 for housing (64%) and \$976 for food, **leaving less than nothing for everything else.** (4)

d. The lack of available and affordable housing does not only affect low-income households. **It also affects first-time homebuyers**, who have difficulty getting a start on home ownership.

- The typical first-time homebuyer in the U.S. is now 40 years old, a record high, as affordability struggles price many younger families out of the market. The median age of first-time buyers rose to 40 in 2025 from 38 the year before and is up sharply from 33 just five years ago. (5)

Median Age of U.S. Homebuyers Since 1981

The median first-time buyer age increased to 40 this year, a record high. The typical repeat buyer is now 62, also a record high.

— All Buyers — First-time Buyers — Repeat Buyers

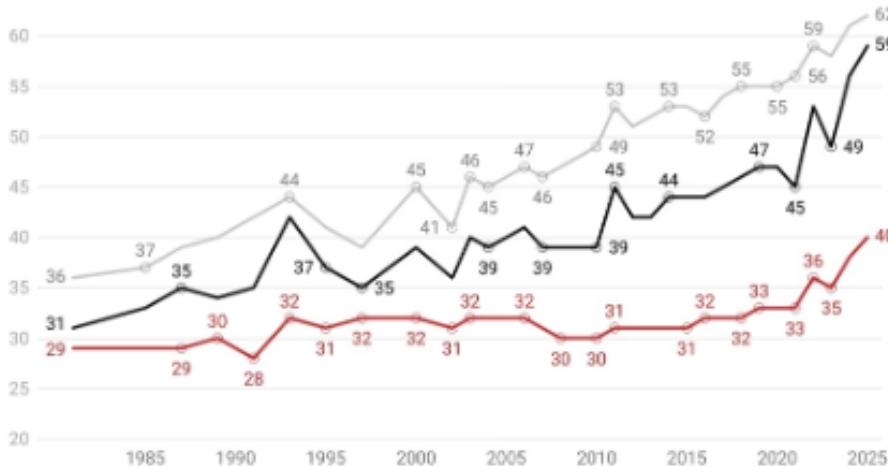


Chart: Realtor.com • Source: National Association of Realtors • Created with Datawrapper

- The share of all home purchases that were made by first-time buyers fell to 21% this year, the lowest on records dating to 1981. (5)
- e. In addition to the enormous hardship for lower income families, and the difficulties of first-time homebuyers, the housing crisis also hurts Texas in other ways: (6)
 - It increases **homelessness**, as more people are just a paycheck away from losing their home. The Texas Tribune reports "The state's high housing costs and a shortage of housing affordable to the poorest Texans fueled a 12% increase in homelessness last year, according to federal estimates. More than 27,000 Texans did not have a permanent roof over their heads in 2023, according to an annual estimate of people experiencing homelessness.
 - It constrains labor availability in higher-cost urban areas, because people can't afford to relocate there.
- f. For all these reasons, Texans are acutely aware of the problem:
 - A 2024 survey by the University of Houston and Texas Southern University found that **90% of us consider housing affordability to be a problem** in their part of Texas, with 44% considering it to be a big problem and 46% somewhat of a problem. (7)
 - The concern about housing affordability is widespread, with almost no difference between urban, suburban and rural Texans. 90% of urban Texans consider housing affordability a problem, as do 91% of suburban Texans, and 89% of rural/semi-rural Texans. We are all concerned about it! (7)

2. The housing crisis in Texas has multiple causes

- a. **Lack of supply of affordable housing.** The National Low Income Housing Coalition reports that Texas has only 222,000 affordable housing units for the 887,000 extremely low-income households, or only 1 affordable unit for every 4 extremely low-income families. (8)
- b. **Inflation - Housing costs are rising faster than wages.** Between 2021 and 2023, the U.S. experienced its fastest-ever deterioration in housing affordability, largely due to the surge in home prices and rapidly rising interest rates. (9)

Since 2000, median rents in the US have increased 30%, while median renter household incomes have increased only 3%. This has created an increasingly large gap between what housing costs and what many families can afford. (10)

The cost to buy a house has also been affected by rapid inflation. According to the Texas Comptrollers Office report on Housing Affordability, "**Median home prices in Texas rose by 40 percent between 2019 and 2023**, according to data from Texas A&M University's Texas Real Estate Research Center." (9)

- c. **High interest rates.** The Comptrollers' Office also states that "After a period of rapidly rising inflation rates, mortgage rates rose to a 23-year high of 7.79 percent in October 2023." As of December 2025, rates have fallen slightly to the 6% range, but this is still high compared to prior years.

The combination of rising house prices and increasing mortgage rates puts buying a home out of reach for many Texas families.

- d. **Harsh immigration policies** - The National Association of Home Builders reports that 38% of workers in the construction industry in Texas are immigrants. (11)

Even before the current Trump administration, the construction industry struggled with hiring enough workers, and the Republican immigration crackdown has made this even worse. Aggressive enforcement has compelled some workers to stay away from job sites, and construction industry observers say ICE actions are hurting construction employment. (12)

- e. **Other costs, such as insurance and utilities.** Other costs associated with owning a home have risen sharply. Average homeowners' insurance rates in Texas, for example, rose by 6.9 percent in 2021 and 11.8 percent in 2022, according to the Texas Comptrollers housing report. (9)

3. The Texas Legislature took important actions in 2025 to address the housing affordability crisis

Several important housing bills were passed in 2025: (13)

Reducing restrictions, zoning, red tape - several bills were passed with strong bipartisan support:

- a. **SB 15 - Homes allowed on small lots.** The “starter homes” legislation, which allows homes to be built on smaller lots of at least 3,000 square feet, should enable more middle-income households to become homeowners. It applies only to generally vacant parcels of at least 5 acres in Texas’ large and midsize cities. After Houston legalized smaller lot sizes in 1998, homebuilding flourished, and the new homes that were built cost less than those on large lots. Analysis of most U.S. metro areas also shows that homes on small lots consistently cost less than those on large lots.
- b. **SB 840 - Apartments allowed on commercially zoned land.** This law brings apartments closer to jobs by allowing the development of mixed-use and multifamily housing on properties zoned for commercial use. An analysis by The Pew Charitable Trusts found that making it easier to build such housing near workplaces and stores can sharply slow rent growth. A 2023 Pew survey also found that 75% of Americans support such a policy.
- c. **SB 2835 - Removing the two-stair mandate:** This law updates the state’s standard building code language to remove the mandate for a redundant second stairway in small apartment buildings. Research by Pew found that this reform can reduce construction costs by an estimated 6% to 13% for these buildings while enabling them to fit on small parcels, including above an individual store or restaurant. This research also found that the fire-safety track record of these single-stair buildings—up to six stories and 24 units, as outlined in the legislation—is as strong as that of other housing.
- d. **HB 24 - Simplifying rezoning.** This law reduces barriers to land-use changes by strengthening property owners’ right to use their land to create housing by ensuring that a small minority of nearby landowners can’t thwart new construction. This measure both strengthens property owners’ rights and should shorten pre-development timelines, thereby improving housing affordability by enabling more homes to be built.

Making more types of housing available

- a. **SB 785 - Allowing use of manufactured housing.** This measure expands the areas where manufactured housing can be located. Pew’s research has found that manufactured housing has lower construction costs than site-built housing,

especially for smaller homes, while maintaining similar quality. Expanding its availability boosts access to homeownership for households with lower-than-average incomes.

- b. **SB 1567 - Allowing home sharing:** A so-called “Golden Girls” law prevents jurisdictions from restricting people from sharing homes based on whether they are related. It applies only to jurisdictions under 250,000 people with large colleges or universities, which should allow more efficient use of existing housing stock. Rooms in shared houses already list for lower prices than nearby apartments, and this change will make more such low-cost rentals available. This approach also improves affordability by relieving pressure on the nearby housing stock in college towns.
- c. **SB 2477 - Removing barriers to office-to-residential conversions.** This law greatly simplifies office-to-residential conversions by removing the need for rezoning and other regulatory obstacles, such as the need to add more parking on an already-developed site. Houston, Dallas, and Austin all have office vacancy rates well above the national average, and these changes should make it easier to convert some of that space into apartments. Conversions can also reduce traffic and residents’ transportation costs by adding housing in downtowns, near jobs and commerce. Pew’s survey found that 81% of Americans support this policy.

In addition to strong bipartisan support for these bills, the coalition of organizations supporting the bills was also broad, ranging from business and homebuilders’ associations to groups representing ethnic and racial minorities, faith-based organizations, groups dedicated to property rights and free markets, and progressive groups focused on improving access to housing in job-rich cities. (14)

4. But more needs to be done

Housing affordability remains a huge problem in Texas, and won’t be solved quickly. Our elected leaders need to continue to focus on this issue, building on the solid progress from the 2025 legislative session.

Texas can increase the availability and affordability of housing by:

- a. **Continue to streamline restrictions and zoning.** Building on the 2025 laws, Texas should monitor and refine zoning reforms and building codes to address emerging barriers or unintended consequences.
- b. **Protect renters' rights.** Texas lacks strong renter protections such as rent control or eviction safeguards, increasing housing insecurity amidst rising costs. Expanding renter rights and providing emergency rental assistance would help reduce homelessness and housing instability. (19)
- c. **Expand rules allowing "Alternative Dwelling Units"** - ADU's, or second houses on existing home lots, increase housing stock and may create valuable investment opportunities for homeowners. A 2024 survey by Texas 2036 found strong support for this: 58% strongly support, and another 27% somewhat support, for a total of 84% support. Only 10% indicated they oppose ADU's. (20)
- d. **Fix Immigration** - The Republicans' immigration practices are not serving Americans' best interests. We need an immigration policy that protects our borders and respects our values, while also supporting our economy.

Work permits and visas to enable workers to work safely in the US, without fear of harassment, detention and deportation, would help to provide an adequate workforce to grow our housing supply. (15)

- e. **Increase government support for affordable housing.** 54% of Texans favor government policies intended to increase the amount of affordable housing for lower- and middle-income Texans, while only 26% oppose these policies. (16)

Government programs can increase availability, by providing access to funding for housing development, and can also increase affordability by helping low-income families afford acceptable housing.

One example of a federal program is HUD's Housing Choice Voucher (HCV) program, also known as Section 8, which assisted over 5 million people in more than 2.3 million families annually as of December 2024. The program is implemented by local and state public housing agencies. Voucher holders receive a subsidy that they can use at any privately owned rental unit that meets program guidelines and has an owner willing to participate in the program. (17)

The HOME Investment Partnerships Program provides funding for affordable housing activities to states and certain localities. (18)

Texas has a huge housing affordability issue. The state legislature took positive steps in 2025, and we need to ensure we elect leaders who will continue that progress and finish the job.

More Information

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