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Global Housing Fault Lines: U.S. Shortage Meets China's Surplus



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Executive Summary

The U.S. and China—the world’s two largest economies—face **diametrically opposite housing market challenges**. The U.S. is constrained by a chronic shortage of homes, with a deficit exceeding 4.7 million units that is suppressing GDP, eroding personal income, and limiting labor mobility. In contrast, China is weighed down by excess supply, unfinished projects, and a liquidity-strapped developer sector that threatens financial stability.

The U.S. housing shortage is no longer just a social issue—it is a macroeconomic liability. A decade of post-GFC under-building collided with the millennial homeownership wave, leaving a shortfall of 4.7 million units. According to U.S. Chamber/REMI+ estimates, this translates into \$1.2 trillion in lost annual GDP, \$700 billion in foregone personal income, and 1.2 million unfilled jobs. Structural barriers compound the problem: **regulatory bottlenecks** (restrictive zoning, long permitting timelines, ADU bans), **rising construction costs** (lumber/metal indices peaked in 2022 and remain elevated, and **mortgage “lock-in”** (80% of current owners hold rates under 5%). The result is a “frozen” resale market, where inventory is not scarce in absolute terms but misaligned in type, location, and price.

Both markets share common threads: affordability stress, generational divides, and policy interventions that seek to balance demand with structurally constrained supply. For investors, these dynamics create a **bifurcated opportunity set**—U.S. housing offers secular upside in construction innovation and policy reform, while China presents selective openings in distressed assets, urban renewal, and top-tier residential demand.



U.S. Housing Under-supply, Sharpest Squeeze in 30 years

4.7M

~30%

Real Estate and Related Industries as a % of GDP

30-year Fixed Mortgage Rates Remain Elevated

~6.5%

0.5%

Real-estate Fixed-Asset Investment Growth YTD

America's Housing Deficit: A \$1.2 Trillion Drag

1

The United States housing market is today defined less by excess speculation, as it was in 2007–08, than by a chronic and widening shortage of homes. More than a decade of under-building after the financial crisis has collided with the largest wave of new household formation in half a century, creating what the U.S. Chamber of Commerce has estimated to be a deficit of roughly 4.7 million homes. This gap represents not just a supply imbalance but a macroeconomic constraint: each missing unit translates into foregone construction activity, household spending, and ancillary job creation. The Chamber's research quantifies the shortfall as a \$1.2 trillion drag on annual GDP, a burden that suppresses income growth, limits labor mobility, and ultimately weighs on U.S. competitiveness.

The macroeconomic costs of the shortage are multidimensional. Estimates point to \$700 billion in lost personal income annually and 1.2 million unfilled jobs, reflecting how housing scarcity hampers both labor supply and demand. For firms, hiring is more difficult when prospective employees cannot afford to relocate to job-rich regions. For households, mobility is impaired by the inability to trade up or move closer to opportunities. This creates a negative feedback loop in which companies reduce investment in expansion, local economies fail to capture potential growth, and productivity gains are left unrealized. Unlike cyclical downturns in housing, where demand collapses, today's shortfall reflects a structural under-supply that may take a decade or more to resolve.

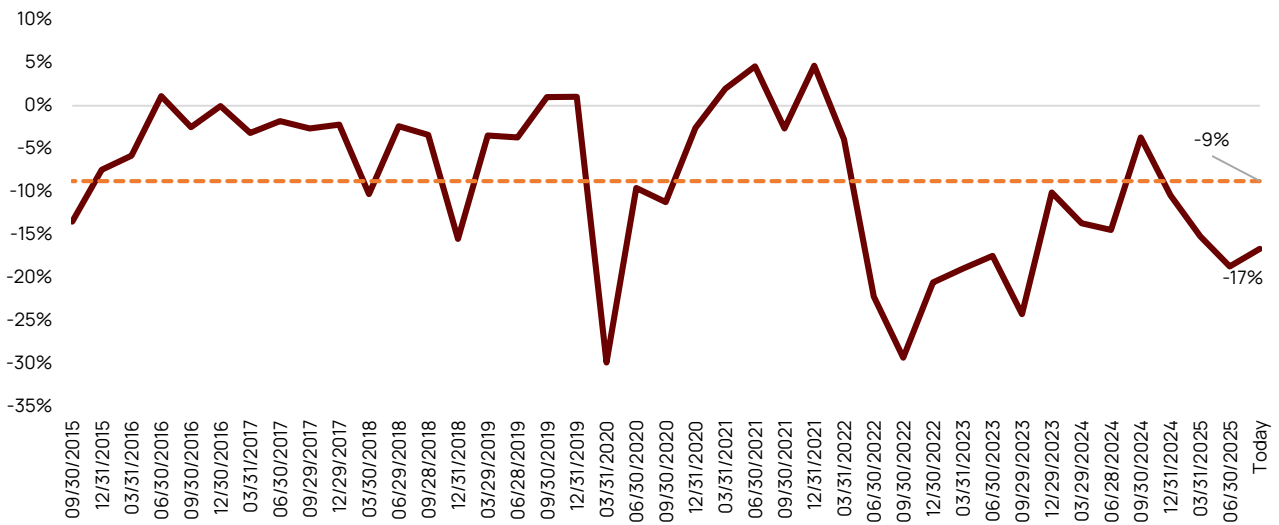
The geographic distribution of the deficit underscores its systemic nature. California alone accounts for an estimated \$63 billion in lost output and nearly 386,000 jobs, the largest single-state impact. Other major states—Texas, New York, Florida, and Pennsylvania—each register billions in GDP losses tied to unmet housing demand. The concentration in these states is significant: they represent not only large population centers but also key hubs for industries such as technology, energy, and financial services. Housing scarcity in these markets therefore has ripple effects across national productivity and tax revenues. When the inability to provide affordable housing impedes the clustering of talent and capital, the consequences extend beyond real estate into the broader trajectory of U.S. innovation and growth.

The drivers of this structural shortfall are deeply embedded. A restrictive regulatory environment—zoning limitations, lengthy permitting processes, and restrictions on accessory dwelling units—has constrained new supply in many urban areas. Rising construction costs, tied to both materials and labor, have further impeded developers' ability to meet demand. Lumber and steel prices, while moderating from their 2021

peaks, remain structurally higher due to tariffs and global supply-chain restructuring. Skilled construction labor remains scarce, pushing wage growth in the sector above the national average. Meanwhile, the “mortgage lock-in effect,” whereby more than 80% of homeowners now hold mortgages with rates below 5%, reduces resale activity and keeps potential supply frozen. These barriers interact to ensure that even when demand signals are clear, the market is unable to respond elastically.

Taken together, the U.S. housing shortage represents one of the most pressing structural bottlenecks in the economy. Unlike inflation, which can be tempered through monetary tightening, or cyclical demand shocks, which fade with time, the housing deficit compounds annually as household formation outpaces completions. For investors, this dynamic implies that U.S. housing is not merely another asset class but a core determinant of macro performance. Until the deficit is narrowed meaningfully, housing will act as a brake on GDP, a wedge in income distribution, and a focal point for both fiscal and monetary policy debates.

Figure 1: P-to-NAV of U.S. REITs Down at -17% vs. own Historical Average of -9% Q/Q



Source: FactSet. Data as of 09/29/25.

Affordability Crisis: Generational and Regional Splits

2

The U.S. housing market is caught in the throes of an affordability crisis without precedent in modern economic history. While the shortage of supply, detailed in Chapter 1, sets the structural backdrop, affordability is where the economic and social consequences truly manifest. Housing affordability today is being squeezed from both sides: demand-side constraints tied to stagnant real wage growth and student debt burdens, and supply-side rigidities reflected in elevated home prices and mortgage rates. The result is a bifurcated market in which some cohorts and regions continue to transact, while others find themselves permanently locked out.

At the national level, affordability metrics paint a stark picture. The National Association of Realtors (NAR) Housing Affordability Index has fallen to its lowest levels since 1989. Median family incomes cover only about 60% of the qualifying income needed to purchase a median-priced home with a 30-year fixed mortgage. Historically, this ratio has hovered closer to 100%–120%, suggesting a significant erosion of purchasing power. Mortgage rates hovering in the 6.5%–7.5% range exacerbate the problem, more than doubling monthly mortgage payments compared with the 2020–21 refinancing wave. This shock is particularly acute for first-time buyers, who lack existing home equity as a buffer.

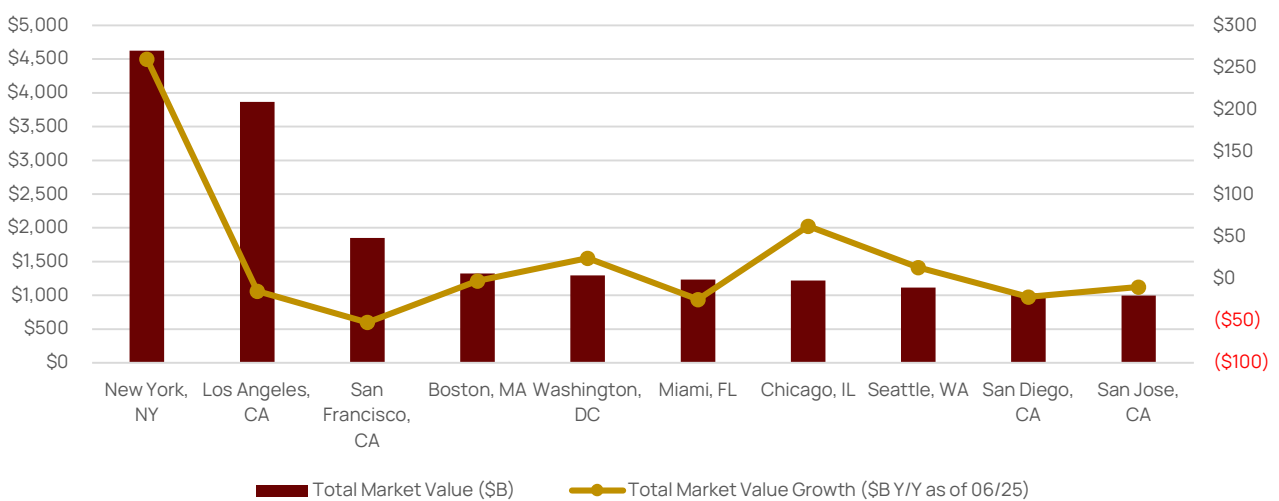
Generational divides are one of the most visible outcomes. Millennials, now the largest generational cohort in the workforce, are experiencing peak household formation years but face the steepest barriers to ownership. Despite higher educational attainment and labor force participation, their entry into housing is delayed by a decade relative to Baby Boomers at the same age. Homeownership rates for those under 35 remain below 40%, compared to nearly 60% for Boomers at that stage. The compounding effect of student loans, urban rental inflation, and delayed family formation means that many Millennials are locked into renting, contributing to wealth inequality between owners and renters. For Gen Z, the trajectory may be even more challenging: early exposure to 7% mortgage rates and down-payment hurdles of \$80,000 or more in major metros creates a psychological barrier to ownership, potentially shifting long-term demand preferences.

The affordability crisis also reveals itself in regional asymmetries. Sunbelt states—Texas, Florida, Arizona, North Carolina—have absorbed significant population inflows since the pandemic, partly because their housing remained more affordable than legacy coastal hubs. Yet even these markets are now pricing higher. Austin, Phoenix, and Tampa have recorded home price gains of 40–60% since 2019, outpacing

income growth by a wide margin. By contrast, high-cost coastal metros like San Francisco, New York, and Los Angeles have seen affordability deteriorate further despite slower price appreciation, due to already-elevated baseline prices and high property taxes. The Midwest offers relative affordability, but labor-market dynamism in those states has lagged, limiting the ability of households to arbitrage housing costs through relocation. The result is a fragmented housing landscape in which affordability is relative rather than absolute—most regions face challenges, only in different degrees.

This divergence has major macroeconomic implications. First, regional migration patterns are altering labor-market equilibria. Companies relocating headquarters or expanding in lower-cost regions are encountering tighter housing markets than anticipated, which may blunt the competitive advantage of such moves. Second, consumer spending is being reshaped. Households devoting 40% or more of income to shelter have less discretionary spending capacity, which drags on retail, travel, and services consumption. Third, financial stability risks are emerging in the rental sector. With ownership out of reach, demand for rental housing is surging, pushing rents higher and pressuring multifamily developers to meet demand at a time when credit conditions for construction are tightening.

Figure 2: Top Ten Most Valuable Metro Areas in the U.S.



Source: Zillow Group, Inc. Accessed on 09/29/25.

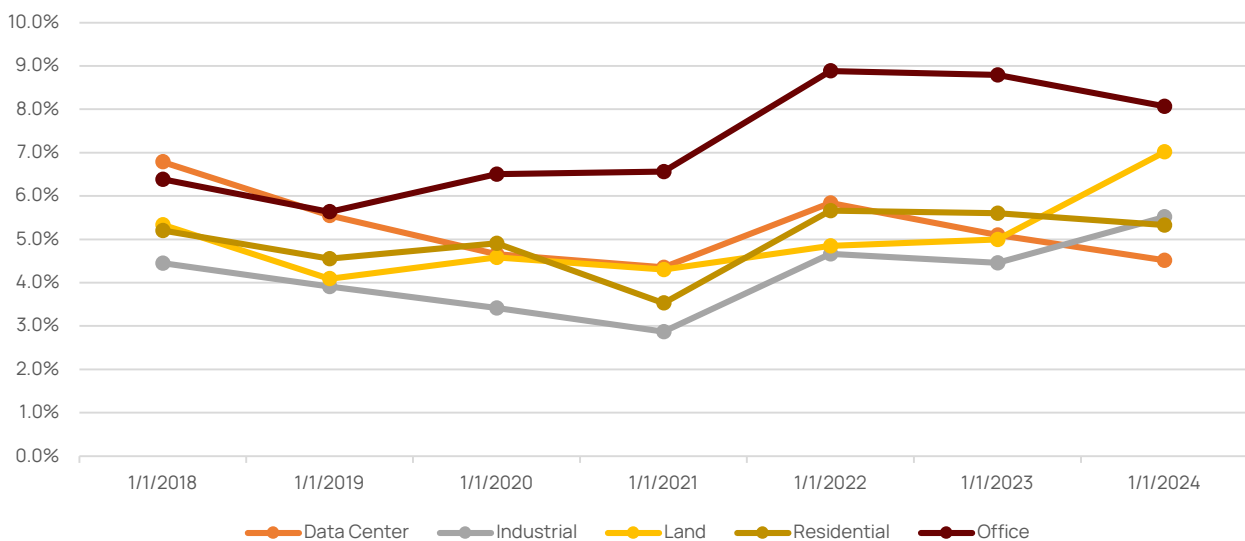
From an investment perspective, the affordability crisis creates both risks and opportunities. On the one hand, high ownership barriers depress transaction volumes, limiting brokerage activity and slowing ancillary markets such as home furnishings and renovation. On the other hand, structural demand for rental housing and affordable housing solutions is set to grow, creating tailwinds for multifamily REITs, single-family rental platforms, and modular home builders. Institutional investors are increasingly active in

single-family rental acquisitions, positioning portfolios to benefit from the persistent inability of younger generations to buy. This raises policy concerns, as critics argue that institutional participation may further exacerbate affordability constraints, yet the trend highlights how capital markets adapt to structural bottlenecks.

Looking ahead, affordability pressures are unlikely to ease meaningfully without either a policy intervention or a major shift in housing supply dynamics. Interest rate cuts by the Federal Reserve—should inflation pressures abate—may improve affordability at the margin, but they risk reigniting price growth by stimulating demand faster than supply can respond. Fiscal interventions such as tax credits for first-time buyers or subsidies for affordable housing development are politically debated but face budgetary constraints. Ultimately, the affordability crisis crystallizes the paradox of U.S. housing: a system designed to be the cornerstone of middle-class wealth creation is now acting as a gatekeeper, excluding large cohorts from asset ownership and locking them into wealth-draining rental cycles.

The long-term consequence of this crisis is a reconfiguration of intergenerational wealth transfer and political economy. As Millennials and Gen Z remain excluded from ownership, Baby Boomer wealth tied up in housing becomes increasingly salient as an inheritance channel, rather than an asset class accessible through individual purchase. This dynamic is likely to influence not only markets but also policy debates, as younger generations push for reforms in zoning, taxation, and credit access. Housing affordability is thus not just an economic statistic—it is a determinant of social mobility, generational equity, and the future trajectory of U.S. political alignments.

Figure 3: US REITs - Implied Nominal Cap Rates Time Series by Property Type



Source: FactSet. Data as of 09/29/25.

Mortgage Market Strains: Liquidity, Credit, and Lock-In Effects

3

The U.S. mortgage market, once the stabilizing backbone of household finance, is now a locus of distortion and constraint. While supply shortages and affordability crises dominate the housing headlines, it is the mortgage channel that amplifies and transmits these stresses into the broader financial system. The interplay of liquidity conditions, credit access, and the so-called “lock-in effect” has created a housing market that is illiquid at both ends: buyers cannot qualify for or afford new credit, and existing owners refuse to part with their ultra-low-rate mortgages. The result is a feedback loop in which transaction volumes collapse, household mobility slows, and financial market plumbing adapts in unpredictable ways.

At the core lies the interest rate shock of 2022–2023. The Federal Reserve’s fastest tightening cycle in four decades pushed the average 30-year fixed mortgage rate from ~3% in 2021 to above 7% by mid-2023. This effectively doubled the monthly payment burden on a median home purchase. For households, the rise represents not just an affordability hit but a credit constraint: lenders qualify borrowers based on debt-to-income ratios, and at current rate levels, many potential buyers fail to meet those thresholds. According to the Mortgage Bankers Association, purchase mortgage applications in 2024 fell to multi-decade lows, reflecting the evaporation of new credit demand.

Meanwhile, existing homeowners are “locked in.” Roughly two-thirds of outstanding mortgages carry rates below 4%, and nearly 40% are below 3.5%. For these households, moving—even to a smaller or less expensive home—would mean swapping into a dramatically higher mortgage rate, often doubling financing costs even if the loan size remained similar. This lock-in effect reduces the mobility of households, suppresses resale supply, and distorts labor market dynamics by discouraging relocation for job opportunities. The housing market thus becomes segmented: turnover dries up in existing homes, while new construction absorbs outsized demand, further stressing builders already contending with elevated input costs and regulatory constraints.

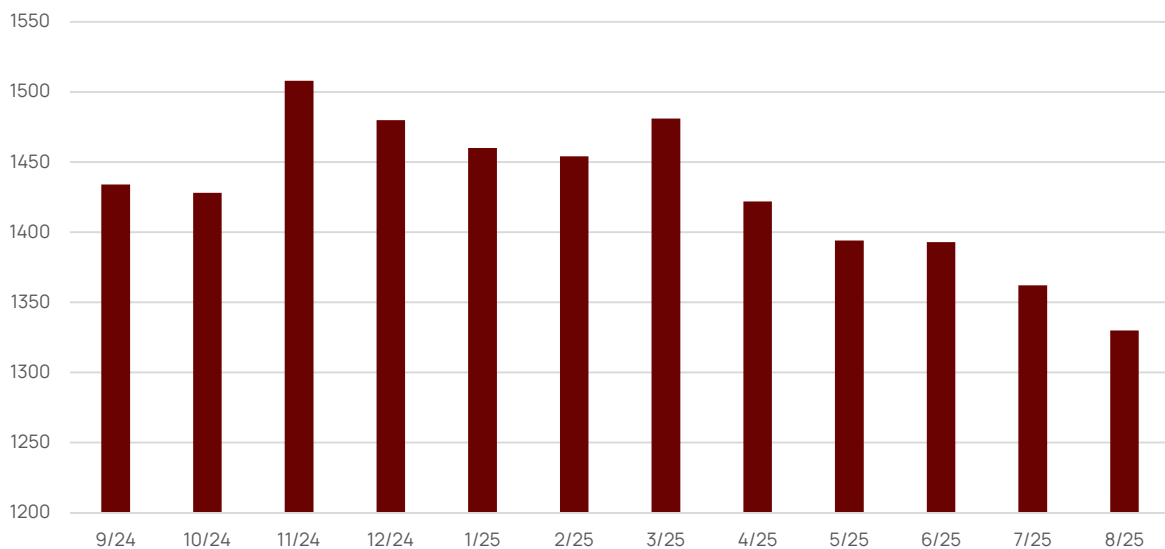
The lock-in effect also has macro-financial spillovers. First, it impedes the usual countercyclical stabilizer role of housing. In past slowdowns, refinancing waves have freed up household cash flow, boosting consumption. Today, refinancing activity has collapsed by over 80% from its 2020 peak, removing that lever from the macroeconomic toolkit. Second, mortgage-backed securities (MBS) markets are adjusting to altered prepayment dynamics. Prepayment speeds, once modeled with relative confidence, are now at

historic lows, creating duration extension risk for MBS investors. This repricing has widened MBS spreads relative to Treasuries, raising the cost of capital for mortgage lenders and tightening credit further.

Liquidity strains are also evident in mortgage origination and secondary markets. Smaller lenders, reliant on warehouse lines and securitization, face margin pressure as origination volumes collapse.

Consolidation in the lending industry is accelerating, with larger banks and fintech platforms gaining market share at the expense of regional lenders. In the secondary market, the Federal Reserve’s tapering and runoff of its massive MBS portfolio have removed a key buyer, forcing private investors to absorb greater supply. While foreign investors, particularly in Asia, have shown appetite for U.S. agency MBS given their implicit credit guarantee, the required risk premium has shifted upward, embedding structurally higher financing costs into the system.

Figure 4: New Housing Permits Granted in the U.S. (M/M)



Source: FactSet. Data as of 09/29/25.

Credit quality itself remains sound—for now. Mortgage delinquencies and foreclosures remain below historical averages, thanks in large part to the lock-in dynamic: households sitting on sub-4% mortgages are far less likely to default, given their low carrying costs. However, this masks vulnerability at the margins. Borrowers who entered the market in 2022–2023 at peak prices and peak rates face higher risks of delinquency, particularly if labor markets soften. The rise of non-QM (non-qualified mortgage) lending—products designed for self-employed borrowers or those with irregular income—adds another layer of potential fragility. These loans represent a small share of originations but are growing, raising questions about whether pressure points in mortgage credit could re-emerge if rates remain higher for longer.

The mortgage market strains also reverberate into capital markets and monetary policy transmission. The effectiveness of Fed rate cuts in stimulating housing is diminished under current conditions. Even if policy rates decline by 100–150 bps, many households will remain locked into mortgages far below prevailing market rates, limiting refinancing incentives. This asymmetry complicates the Fed's efforts to reignite housing as an engine of growth in the next cycle. At the same time, persistent MBS spread widening could constrain financial conditions even if Treasuries rally, blunting the easing impulse. In essence, the traditional channels of monetary transmission through housing have been partially broken, requiring policymakers to lean more heavily on labor markets and credit channels to achieve macroeconomic objectives.

From an investment strategy perspective, the lock-in environment reshapes opportunity sets. Mortgage REITs face profitability challenges as funding costs remain elevated and asset spreads volatile. Investors in agency MBS must recalibrate duration and convexity assumptions, with implications for hedging demand in interest rate derivatives markets. Conversely, private credit funds and non-bank lenders may find opportunities in niche mortgage products, bridge financing, or securitizations that traditional banks now deem uneconomical. Institutional players in the single-family rental sector also benefit indirectly: as would-be buyers are locked out, demand for rental housing intensifies, creating stable cash-flow assets in an otherwise yield-starved environment.

Ultimately, the mortgage market is emblematic of the broader U.S. financial system's transition from a low-rate to a higher-rate equilibrium. The lock-in effect, while stabilizing for existing homeowners, reduces dynamism and creates friction in the allocation of capital and labor. Liquidity strains and structural shifts in credit demand reshape market plumbing in ways that will persist long after rates normalize. For policymakers and investors alike, the central challenge lies in navigating a mortgage market that no longer responds symmetrically to monetary easing, raising the risk that housing's next recovery cycle is shallower, slower, and less broad-based than historical precedent.

The Investor Mosaic: Who Holds the Homes, Who Sets the Price

4

The U.S. housing market has long been defined by the primacy of the owner-occupier. As recently as 2010, more than 85% of single-family rental properties were owned by small landlords with ten or fewer units. But the last decade has seen a marked transformation in the composition of ownership, reshaping both pricing dynamics and affordability. Institutional investors, private equity funds, real estate investment trusts (REITs), and foreign buyers now play a far more prominent role in determining who can access housing and at what cost. This evolution has created a bifurcated market: on the one hand, households constrained by stagnant wages and rising mortgage costs, and on the other, capital-rich institutions whose scale and financing advantages allow them to acquire properties at speed.

The rise of institutional landlords has been one of the most striking shifts since the Global Financial Crisis. Armed with distressed-asset acquisition programs and access to securitized funding, firms such as Invitation Homes, Blackstone, and American Homes 4 Rent accumulated tens of thousands of single-family units in the wake of the foreclosure wave. Today, institutional investors own an estimated 500,000–600,000 single-family rental homes, equivalent to 3–4% of the rental housing stock, but their influence extends beyond raw numbers. Their systematic acquisition programs, often executed through bulk purchases and data-driven targeting, can alter neighborhood price dynamics in ways that mom-and-pop landlords never could. For households competing to buy entry-level homes, this institutional presence can translate into higher bidding pressure, faster absorption of supply, and ultimately higher rents when those homes are repositioned as rentals.

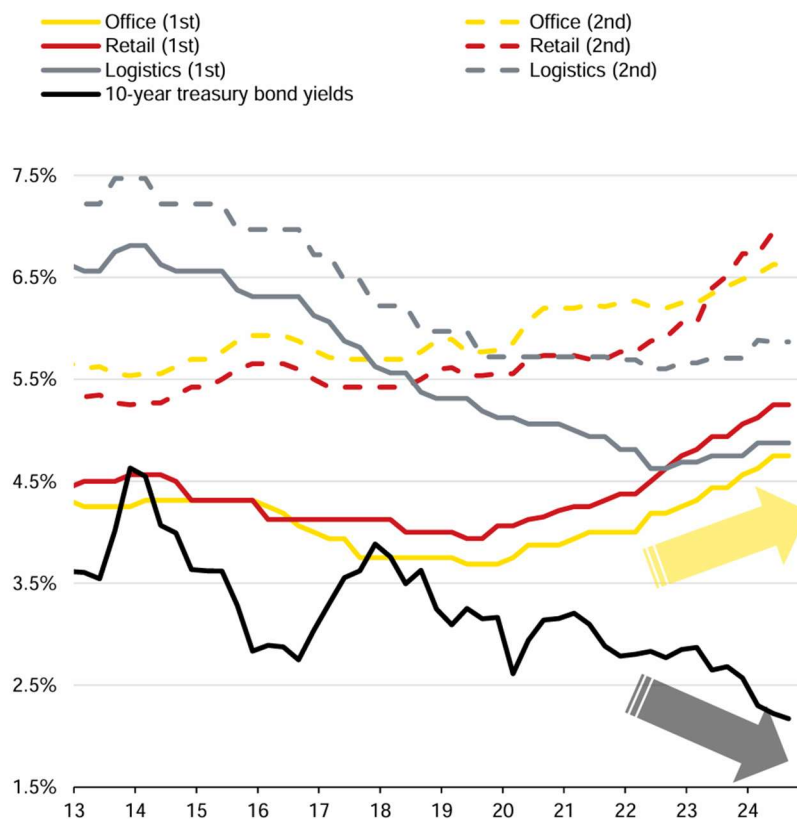
Foreign buyers have also exerted meaningful influence, particularly in coastal and high-growth metropolitan markets. While the total volume of foreign purchases has declined since its 2017 peak, investors from China, Canada, and Mexico remain significant players in U.S. residential real estate. In 2023, foreign buyers purchased nearly \$54 billion in U.S. residential property, according to NAR data, with Chinese buyers accounting for the largest share in terms of dollar volume. Their interest is often concentrated in higher-end markets—California, New York, and Florida—but the signaling effect of international demand raises valuations across adjacent price tiers. Moreover, these flows are not purely financial: they are linked to global capital controls, currency hedging strategies, and geopolitical uncertainty. This makes foreign demand both cyclical and politically sensitive, with policy shifts in Beijing or Ottawa capable of reshaping entire submarkets in the U.S.

Within the domestic institutional landscape, REITs occupy a unique position. Publicly listed REITs not only hold substantial portfolios of multifamily and commercial real estate, but they also act as market

benchmarks for pricing and capital costs. Equity REITs specializing in multifamily housing collectively control hundreds of thousands of units, with market leaders like Equity Residential and AvalonBay dictating rent trends in urban cores. The public nature of these entities means their valuations feed back into private-market pricing, establishing cap-rate benchmarks that smaller developers use for financing. In this way, REITs act as both owners and price setters, with their stock market performance influencing everything from apartment construction pipelines to private equity allocations.

At the same time, the traditional small landlord has not disappeared. In fact, despite the growing visibility of institutional landlords, individual investors still own over 70% of single-family rental units. These owners are more sensitive to local economic cycles, more likely to finance with traditional mortgages, and often more constrained in terms of scale. Their presence ensures heterogeneity in ownership, but also introduces fragility: forced sales due to unemployment or financial stress can quickly ripple through local markets. In contrast, institutions with diversified funding bases are often able to weather downturns, creating asymmetric cycles where small landlords sell into weakness and institutional players consolidate ownership at discounted valuations.

Figure 5: Chinese Real Estate - Property Cap Rates vs 10Y Treasury Yields



Source: Chinese Real Estate Market Outlook - Savills Asia. Accessed on 09/29/25.

Policy Levers and the Search for Solutions

5

If the U.S. housing shortage and China's property slowdown share one feature, it is that both markets have reached a point where policy intervention is not just desirable but indispensable. Left to their own devices, private actors—developers, landlords, institutional investors, and households—cannot correct the structural imbalances that have accumulated over decades. Yet the ability of governments to engineer durable solutions is constrained by fiscal space, political will, and the unintended consequences of intervention. Policy in housing, as in most areas of the economy, often lags the cycle; when it does arrive, its effects are uneven and riddled with trade-offs.

In the United States, the most direct lever is fiscal. The federal government has already experimented with supply-side incentives, such as tax credits for low-income housing, subsidies for energy-efficient construction, and grants for zoning reform pilots. But these measures have been modest relative to the scale of the deficit. A 4.7 million home shortfall cannot be meaningfully closed through incremental subsidies; it requires systemic changes to how and where homes are built. Zoning reform is arguably the most potent tool: by loosening restrictions on density, accessory dwelling units, and multi-family conversions, localities could unlock hundreds of thousands of units without new land acquisition. Yet zoning is politically charged, with entrenched homeowner interests resistant to density. The result is a patchwork of reforms—Oregon and California advancing “upzoning,” while suburban jurisdictions in the Midwest and Northeast resist—that slow the nationwide adjustment.

Monetary policy, while not aimed at housing specifically, shapes affordability through mortgage rates. The Federal Reserve's post-pandemic hiking cycle pushed 30-year mortgage rates above 7% at their peak, freezing resale supply and pricing out many first-time buyers. The gradual easing cycle expected into 2026, with Fed funds likely falling by 75–100 basis points, could revive affordability at the margin. But here too the risk of unintended effects looms large: lower rates may stimulate demand faster than supply can respond, reigniting price appreciation and worsening affordability for renters. Housing policy therefore requires coordination between fiscal zoning reforms and monetary conditions; absent supply elasticity, rate cuts may simply fuel asset inflation rather than unlock real availability.

China faces the opposite dilemma. Instead of a shortage, it has a surplus of incomplete, unsold, and distressed housing stock—a legacy of years of overbuilding and credit-fueled expansion. Policy has already shifted decisively toward stabilization. Measures such as easing mortgage restrictions in tier-1

and tier-2 cities, reducing minimum down payments, and providing liquidity support to developers through state banks have sought to restore confidence. Yet these interventions often fall short of

addressing the deeper problem: household demand itself is weakening amid demographic decline and falling consumer confidence. Fixed-asset investment growth has slowed to just 0.5% year-to-date, a stunning deceleration for an economy once powered by double-digit real estate expansion. The challenge for Beijing is not merely to revive construction but to prevent a protracted balance-sheet recession akin to Japan's 1990s experience.

Structural policy levers in China are therefore less about building more housing and more about repurposing existing stock, restructuring developer liabilities, and redirecting capital into more productive sectors. Pilot programs for rental conversions, government-backed takeovers of distressed projects, and the push toward social housing suggest a pivot toward housing as a social stabilizer rather than a growth engine. Yet the fiscal burden is immense: local governments, already constrained by land-sale revenue shortfalls, must balance the cost of bailouts with infrastructure spending and debt obligations. Beijing's centralized policy tools give it greater control than Washington enjoys, but the sheer scale of the property sector—estimated at nearly 25–30% of China's GDP when indirect effects are included—means even large interventions risk being absorbed without restoring momentum.

Internationally, both the U.S. and China face housing-related externalities. For the U.S., institutionalization of housing has drawn political scrutiny, with calls to restrict private equity ownership of single-family homes or to tax foreign purchases more aggressively. These proposals aim to tilt ownership back toward households but risk reducing capital flows into housing construction at a time when it is most needed. For China, the external dimension lies in global financial stability: prolonged weakness in Chinese property markets pressures commodity exporters, reduces global demand for construction equipment, and destabilizes financial institutions exposed to Chinese developers. The IMF has already warned that a disorderly adjustment in Chinese property could shave 1–2 percentage points off global GDP growth.

The search for solutions is thus highly context-specific. The U.S. requires mechanisms to expand supply through regulatory reform and to reduce barriers to entry for first-time buyers. China must contain the fallout of past overbuilding while redirecting capital toward consumption and innovation. Both cases highlight a core truth: housing markets are not self-correcting in the way financial markets often are. They are deeply embedded in policy frameworks, social contracts, and political priorities. In the coming decade, the trajectory of housing in both countries will be as much a function of governance as of demographics or macroeconomic cycles.

In a Nutshell: Housing at the Crossroads of Growth and Stability

6

Housing has always occupied a peculiar place in economic systems: simultaneously a consumption good, an investment vehicle, and a political flashpoint. Unlike equities or commodities, homes are not just traded assets—they are where households anchor their lives, where savings are stored, and where governments confront the most visible manifestation of prosperity or distress. In both the United States and China, the past decade has crystallized housing's dual role: as a driver of macroeconomic cycles and as a bellwether of social stability. Today, both nations stand at a pivotal juncture, though from very different starting points.

For the United States, the central challenge is scarcity. A decade of underbuilding following the Global Financial Crisis, combined with zoning restrictions, rising construction costs, and post-pandemic labor bottlenecks, has left the country with a shortfall of ~4.7 million units in housing. This deficit manifests most acutely in coastal cities and growth hubs, where affordability pressures have intensified and migration patterns are reshaping regional markets. The paradox is stark: despite slowing household formation due to affordability constraints, demand continues to outpace supply in the very segments—entry-level homes and affordable rentals—where social mobility is anchored. Without structural reform to land-use policy and greater incentives for private capital to build, the affordability crisis risks becoming a chronic drag on consumption, labor mobility, and even fertility trends.

China, by contrast, faces an excess of supply, but one that is not easily deployable. Years of debt-driven expansion, speculative demand, and reliance on pre-sales as a financing mechanism have created a glut of unfinished and underutilized housing stock. At its peak, real estate and related industries accounted for nearly one-third of GDP, embedding the sector deeply into fiscal, financial, and household balance sheets. Now, with demographics turning negative—urbanization slowing, the working-age population shrinking, and household formation declining—the demand side is eroding just as the supply side remains bloated. This dynamic resembles the deflationary overhang Japan endured after its 1990s bubble, though China's centralized policy control provides more room for coordinated intervention. Yet coordination does not guarantee growth; at best, it allows Beijing to manage the pace of adjustment.

What unites the U.S. and China is the recognition that housing is no longer a neutral background variable—it is a policy frontier. In the U.S., debates over zoning reform, institutional ownership, and mortgage subsidies are increasingly linked to broader themes of inequality, generational equity, and political

geography. In China, the restructuring of property developers, conversion of unused stock into social housing, and recalibration of household incentives are part of a larger pivot toward rebalancing growth away from construction. Both economies thus reveal the limits of laissez-faire approaches: without active state intervention, market outcomes risk amplifying instability rather than diffusing it.

From an investor perspective, these divergences create distinct opportunity sets. U.S. housing offers a structural long case for supply expansion—multi-family construction, modular housing technologies, and infrastructure tied to urban density. Capital is flowing into platforms that can unlock incremental supply even within regulatory constraints. China's property sector, in contrast, is unlikely to return to its pre-2020 role as a high-beta growth driver. Instead, opportunities lie in distressed restructuring, rental market formalization, and in sectors that benefit from the reallocation of capital away from property—consumer services, advanced manufacturing, and renewables.

The broader macroeconomic implication is that housing is becoming a key determinant of policy credibility. For the U.S., the question is whether political systems can overcome local resistance to densification; failure to do so would embed affordability risks deep into the social fabric. For China, the question is whether policymakers can contain the property unwind without triggering a systemic financial crisis or a prolonged stagnation. In both cases, housing markets are testing the adaptability of institutions, not just the resilience of households.

In this sense, housing sits at the crossroads of growth and stability. It can amplify recovery if aligned with demographic and fiscal tailwinds, or it can drag on economies if mismatched with demand and policy inertia. The U.S. risks constraining future growth by failing to build; China risks stagnation by having built too much. For investors and policymakers alike, the next decade of housing will not be about chasing past patterns but about managing asymmetry—scarcity in one market, surplus in another—while recognizing that neither can fully isolate its housing trajectory from its broader economic destiny.

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