AN EXPLAINER:

CHARLOTTE AND AUSTIN HAVE THE TOP HOUSING-GROWTH POLICIES

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April 2025

Charlotte, North Carolina; Austin, Texas; Provo, Utah; Greenville, South Carolina; and Houston, Texas, have the most pro-growth housing policies among America's 100 largest metropolitan areas in a new George W. Bush Institute-SMU Economic Growth Initiative report.

The report ranks the country's 100 largest metros on their performance in building homes between 2010 and 2023 against forecasts for housing growth from a quantitative prediction model. Home prices and rents in growth friendly metros were about 7% to 11% lower for every 10 percentage points of outperformance.

The report's novel approach is to look at housing growth *relative to expectations* to correct for the shortcomings of methods that just consider home prices or rates of new housing development in a vacuum. That's because below-average home prices in a metro area *may* simply reflect weak demand to live there, not supportive policies that help housing supply keep up with strong demand growth. Better-than-average housing growth may just result from growing demand rather than growth friendly policies.

America's Most Pro-Growth Metro Areas

1	Charlotte, North Carolina
2	Austin, Texas
3	Provo, Utah
4	Greenville, South Carolina
5	Houston, Texas
6	Raleigh, North Carolina
7	Des Moines, Iowa
8	Winston-Salem, North Carolina
9	Charleston, South Carolina
10	McAllen-Edinburg, Texas
11	Nashville, Tennessee
12	Deltona-Daytona Beach-Ormond Beach, Florida
13	Fayetteville-Springdale-Rogers, Arkansas
14	Dallas-Fort Worth, Texas
15	Jacksonville, Florida

Housing stock in America's 15 top-performing metros grew between 27% (**Dallas-Fort Worth** and **Jacksonville**) and 57% (**Austin**) from 2010 to 2023, based on a broad measure of housing growth developed for the report. That contrasts with the average metro area growth rate of 15% in the prediction model and the model's prediction that each of these metros would have grown in line with or moderately faster than the average.

AMERICA NEEDS MORE PRO-GROWTH HOUSING POLICIES EVERYWHERE

America has been building far too few homes since the start of the 21st century. As a result, home prices have risen dramatically relative to people's incomes.

Since 2000, the nation's metros have collectively produced about 6 million to 7 million fewer homes than they would have needed to keep prices and rents from growing more than people's incomes, the Bush Institute-SMU¬ report estimates. Organizations including Freddie Mac, the Brookings Institution, the National Association of Realtors, and the advocacy organization Up For Growth, have put the shortfall at 3.8 million to 7.3 million.

The Bush Institute-SMU figure is higher than most other estimates because it takes into account that housing demand is growing much faster in some metros than in others, and the failure to build enough homes to keep up with people moving to high-demand locations adds to the national gap.

Inadequate housing production has caused home prices and rents to grow about 20% faster than people's incomes since 2000, the report shows.

In addition, vast policy differences across cities and metro areas have led to price gaps between the most expensive metros and more affordable metros. These gaps are at least 25% larger than we would expect to see in a well-functioning housing market. Excessive home prices and rents have diminished the economic opportunities available to millions of Americans, reduced the quality of life they enjoy through hard work, and undermined their ability to build wealth and financial security.

Weak housing growth has inflicted especially severe hardship on low- to moderate-income Americans by short-circuiting the "filtering-down" process by which the new homes of the past grow older and become the main source of affordable housing of today.

In a handful of metros – notably **Austin** – a surge in apartment production over the last couple years has brought rents and home prices down by more than 10% from their peak, demonstrating that **housing growth works for delivering greater affordability**. But prices have continued to rise over recent months in most metros despite the negative effect on demand of recent high mortgage interest rates because new development continues to lag demand.

LEARNING FROM AMERICA'S MOST PRO-GROWTH METROS

The Sun Belt and Mountain states, from the **Carolinas** to **Arizona**, **Nevada**, and **Idaho**, contain 21 of the country's 25 top-performing metros for pro-growth housing policies. Fast-growing metros in these states account for more than 42% of all single family homes and 36% of all apartments built in America's metro areas since 2010 – despite being home to only about 22% of the total U.S. metropolitan population. They also have an outsized share of all midrange and subsidized apartments built since 2010, the report shows.

Meanwhile, 17 of the worst-performing metros for housing policy are in Northeast, Upper Midwest, and especially Pacific Coast states.

The ranking delivers some surprises: **New York City** is a better-than-average performer, despite very high rents and home prices, because of substantial housing reforms in the 2000s and 2010s. New York has astronomical rents because it's an exceptionally rich, productive place with strong housing demand.

But several Mountain State metros – **Denver**, **Las Vegas**, and **Phoenix** – rank among the 25 worst-performing even though they've seen better-than-average housing growth. They've grown as they have because of rising demand to live in scenic mountain and desert settings, *despite* relatively restrictive policies. They would have grown even faster with more growth friendly policies, the report suggests.

TAKEAWAYS

- **Metros should commit to smart outward expansion:**
  The best-performing metros are mostly growing outward, not upward. Most development is in exceptionally growth-minded exurban localities.

- **Cities should allow medium-density development throughout the metro area:**
  Outperforming Sun Belt and Mountain metros have been leaders in allowing starter homes and townhomes on small lots in expanding areas (**Austin**, **Houston**, and **Salt Lake City**), allowing new residential development in commercially zoned areas (**Charlotte** and several **Florida** metros), and streamlining development processes (several **Texas** cities).

- **Innovate:**
  The **Austin** metro is among the first to experiment with 3D-printed homes. **Utah** metros are poised to become leaders in promoting high-quality modular construction.

- **Localities should create demand for housing as well as supply by building places where people want to live and work:**
  While their policies are far from perfect, the most pro-growth metros have outperformed for focusing on public order and safety, adding infrastructure, revitalizing previously moribund downtowns, creating attractive new live-work-play centers in expanding suburban areas, and developing innovation districts. Quality placemaking and getting the urban basics right are essential features of pro-growth policy, along with avoiding overly restrictive housing and land-use rules.

America's Most Pro-Growth and Most Restrictive Metro Areas

(100 largest metros)

	Policy Scores	Score	Actual Growth	Predicted Growth		Policy Scores	Score	Actual Growth	Predicted Growth
1	Charlotte-Concord-Gastonia, NC-SC	0.27	0.49	0.22	51	Wichita, KS	-0.02	0.05	0.08
2	Austin-Round Rock-Georgetown, TX	0.26	0.57	0.30	52	New Haven-Milford, CT	-0.03	0.01	0.03
3	Provo-Orem, UT	0.21	0.56	0.35	53	Kansas City, MO-KS	-0.03	0.09	0.11
4	Greenville-Anderson, SC	0.21	0.40	0.19	54	Salt Lake City, UT	-0.04	0.21	0.24
5	Houston-The Woodlands-Sugar Land, TX	0.18	0.31	0.13	55	Washington-Arlington-Alexandria, DC-VA-MD-WV	-0.04	0.14	0.18
6	Raleigh-Cary, NC	0.18	0.40	0.23	56	Harrisburg-Carlisle, PA	-0.04	0.06	0.11
7	Des Moines-West Des Moines, IA	0.16	0.31	0.14	57	Greensboro-High Point, NC	-0.04	0.08	0.12
8	Winston-Salem, NC	0.16	0.31	0.15	58	Palm Bay-Melbourne-Titusville, FL	-0.04	0.13	0.17
9	Charleston-North Charleston, SC	0.15	0.38	0.22	59	Cincinnati, OH-KY-IN	-0.05	0.05	0.09
10	McAllen-Edinburg-Mission, TX	0.14	0.30	0.16	60	Toledo, OH	-0.05	0.00	0.04
11	Nashville-Davidson--Murfreesboro--Franklin, TN	0.13	0.38	0.25	61	Bridgeport-Stamford-Norwalk, CT	-0.05	0.06	0.11
12	Deltona-Daytona Beach-Ormond Beach, FL	0.10	0.30	0.19	62	Spokane-Spokane Valley, WA	-0.05	0.22	0.26
13	Fayetteville-Springdale-Rogers, AR	0.10	0.32	0.22	63	Buffalo-Cheektowaga, NY	-0.05	0.02	0.07
14	Dallas-Fort Worth-Arlington, TX	0.09	0.27	0.18	64	New Orleans-Metairie, LA	-0.05	0.11	0.16
15	Jacksonville, FL	0.09	0.27	0.18	65	Rochester, NY	-0.05	0.05	0.10
16	Lakeland-Winter Haven, FL	0.09	0.32	0.23	66	Albany-Schenectady-Troy, NY	-0.05	0.07	0.12
17	Durham-Chapel Hill, NC	0.08	0.30	0.22	67	St. Louis, MO-IL	-0.05	0.03	0.08
18	Indianapolis-Carmel-Anderson, IN	0.08	0.18	0.10	68	Dayton-Kettering, OH	-0.05	-0.03	0.02
19	Cape Coral-Fort Myers, FL	0.07	0.28	0.21	69	Louisville/Jefferson County, KY-IN	-0.06	0.04	0.10
20	Boise City, ID	0.06	0.40	0.34	70	Syracuse, NY	-0.06	0.01	0.07
21	Grand Rapids-Kentwood, MI	0.06	0.21	0.14	71	Boston-Cambridge-Newton, MA-NH	-0.06	0.08	0.14
22	San Antonio-New Braunfels, TX	0.06	0.25	0.19	72	Los Angeles-Long Beach-Anaheim, CA	-0.07	0.03	0.09
23	Ogden-Clearfield, UT	0.06	0.32	0.26	73	Pittsburgh, PA	-0.07	0.01	0.07
24	El Paso, TX	0.06	0.17	0.11	74	Memphis, TN-MS-AR	-0.07	0.04	0.10
25	Poughkeepsie-Newburgh-Middletown, NY	0.05	0.09	0.03	75	Colorado Springs, CO	-0.07	0.21	0.28
26	North Port-Sarasota-Bradenton, FL	0.05	0.28	0.23	76	Hartford-East Hartford-Middletown, CT	-0.07	0.01	0.08
27	Augusta-Richmond County, GA-SC	0.05	0.19	0.14	77	Milwaukee-Waukesha, WI	-0.07	0.03	0.10
28	Knoxville, TN	0.04	0.21	0.17	78	Richmond, VA	-0.08	0.11	0.19
29	Madison, WI	0.03	0.21	0.18	79	Phoenix-Mesa-Chandler, AZ	-0.08	0.20	0.27
30	Oklahoma City, OK	0.03	0.15	0.12	80	Allentown-Bethlehem-Easton, PA-NJ	-0.08	0.04	0.12
31	Columbus, OH	0.03	0.14	0.11	81	Birmingham-Hoover, AL	-0.09	0.03	0.12
32	Orlando-Kissimmee-Sanford, FL	0.03	0.27	0.25	82	Seattle-Tacoma-Bellevue, WA	-0.09	0.16	0.24
33	Omaha-Council Bluffs, NE-IA	0.02	0.13	0.12	83	Miami-Fort Lauderdale-Pompano Beach, FL	-0.09	0.08	0.17
34	Cleveland-Elyria, OH	0.01	0.01	0.00	84	Portland-Vancouver-Hillsboro, OR-WA	-0.09	0.15	0.24
35	New York-Newark-Jersey City, NY-NJ-PA	0.00	0.05	0.04	85	Denver-Aurora-Lakewood, CO	-0.10	0.19	0.29
36	Columbia, SC	0.00	0.16	0.16	86	Stockton, CA	-0.11	0.10	0.21
37	Tampa-St. Petersburg-Clearwater, FL	-0.01	0.14	0.15	87	Las Vegas-Henderson-Paradise, NV	-0.11	0.17	0.28
38	Chicago-Naperville-Elgin, IL-IN-WI	-0.01	0.02	0.03	88	Albuquerque, NM	-0.11	0.06	0.18
39	Baton Rouge, LA	-0.01	0.17	0.18	89	Providence-Warwick, RI-MA	-0.11	0.03	0.14
40	Baltimore-Columbia-Towson, MD	-0.01	0.04	0.05	90	Bakersfield, CA	-0.12	0.08	0.20
41	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	-0.01	0.05	0.06	91	Fresno, CA	-0.12	0.08	0.20
42	Atlanta-Sandy Springs-Alpharetta, GA	-0.01	0.15	0.16	92	Tucson, AZ	-0.13	0.08	0.21
43	Detroit-Warren-Dearborn, MI	-0.01	-0.01	0.01	93	Sacramento-Roseville-Folsom, CA	-0.14	0.08	0.22
44	Virginia Beach-Norfolk-Newport News, VA-NC	-0.02	0.11	0.12	94	San Francisco-Oakland-Berkeley, CA	-0.14	0.04	0.18
45	Jackson, MS	-0.02	0.11	0.13	95	Springfield, MA	-0.15	0.00	0.15
46	Little Rock-North Little Rock-Conway, AR	-0.02	0.12	0.13	96	Riverside-San Bernardino-Ontario, CA	-0.19	0.07	0.25
47	Tulsa, OK	-0.02	0.10	0.12	97	San Diego-Chula Vista-Carlsbad, CA	-0.19	0.05	0.24
48	Akron, OH	-0.02	0.00	0.02	98	San Jose-Sunnyvale-Santa Clara, CA	-0.21	0.09	0.30
49	Minneapolis-St. Paul-Bloomington, MN-WI	-0.02	0.12	0.14	99	Oxnard-Thousand Oaks-Ventura, CA	-0.21	0.03	0.24
50	Worcester, MA-CT	-0.02	0.14	0.16	100	Honolulu	-0.23	0.06	0.29
	Average, 250 largest metros	**-0.01**	**0.15**	**0.16**					

HOW THE RANKINGS WORK:

We calculate a housing growth score for each metro area as a composite score based on 17 measures of growth in the housing stock (Sources: U.S. Census Bureau and CoStar). We use multiple measures so that our composite housing growth scores reflect broad-based growth across property types and sizes, not just (say) relatively large detached single family houses.

Our quantitative prediction model arrives at expected housing growth scores by two methods, taking the average of the two predictions for each metro area as our predicted score. First, we find the best-fitting model we can based on a series of regressions with our composite housing growth scores as the dependent variable. Right-side predictive variables in our best-fitting model include 2010 population density, mean January temperature, whether a metro is constrained by a coastline, whether it's known for recreational beaches, whether it's near mountains, and whether it's known as an exceptionally good place for young professionals and hipsters. We generate predicted values using each metro's values for these measures and the coefficients from our best-fitting regression.

Second, we arrive at a predicted housing growth score for each metro as the point of intersection of a housing demand curve we estimate for that metro and an "as-if" housing supply curve for that metro, which we estimate based on the assumption that each metro's supply curve has the same slope as that of all other metros but differs only based on nonpolicy constraints like coastal or mountain barriers to expansion and population density. We infer the position of each metro's housing demand curve from its actual housing growth and price-to-income scores, calculating the latter as a composite score based on 68 distinct home price-to-income and rent-to-income ratios (Sources: U.S. Census Bureau, CoStar, Zillow). We assume that the demand curves for all metros have the same slope, drawing our slope assumptions from estimates in the economics literature. Estimated housing growth scores at the point of intersection represent the growth that would have occurred if our demand curve for each metro was correct but all metros had the same housing polices, so that supply curves varied only based on nonpolicy factors.

See Appendix 2 of the report for a full explanation of sources and methods.

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