THE MESOCRATIC PARTY | POLICY WHITE PAPER

Build More Homes

Zoning Reform, Institutional Investor Restrictions, and the Supply-Side Fix to the Housing Crisis

The American Dream starts with a roof.

Published by the Mesocratic National Committee February 2026

Table of Contents

Executive Summary

The United States has a housing shortage of between 3 and 7 million homes, depending on how the deficit is measured. The estimates vary, but the direction is unanimous: America does not have enough homes, and it has not built enough for decades.

The consequences are everywhere. The median home price has roughly doubled since 2012. The average monthly mortgage payment as a share of buyer income has risen from under 20% before the pandemic to over 30%. More than half of all renters are cost-burdened, spending more than 30% of their income on housing. Rents have surged by more than 30% since 2017. As of 2024, there are 7.1 million fewer affordable rental homes than are needed for the nation's lowest-income renters. Homelessness has reached record levels.

The cause is not mysterious. It is supply. America stopped building enough homes after the 2008 financial crisis and never recovered. Between 2001 and 2020, the annual rate of new home construction fell roughly 275,000 units per year below the historical average. That cumulative underbuilding, compounded by population growth and household formation, produced the deficit we have today.

Three structural problems prevent the market from correcting itself:

- **Zoning restrictions** limit what can be built and where. Height restrictions hold construction to two or three stories on approximately 60% of residential land in the 240 largest U.S. metropolitan areas. Buildings are allowed to rise to five stories or more on just 7% of residential land. These regulations add tens of thousands of dollars to the cost of every home in restricted markets.
- **Institutional investors** have purchased hundreds of thousands of single-family homes since 2010, converting owner-occupied housing into rental properties and competing directly with first-time homebuyers. In some markets, institutional buyers account for 20-30% of home purchases.
- **Permitting and regulatory barriers** add months or years to construction timelines, raising costs and reducing the number of homes built.

The Mesocratic Party proposes a supply-side solution: ban institutional investors from purchasing single-family homes, reform zoning through federal incentives, streamline permitting, invest in construction technology, create a matched down-payment program for first-time buyers, and expand Housing First programs for homelessness.

The housing crisis is not a demand problem. It is a supply problem. Build more homes and prices come down. It is that simple — and that hard.

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1. The Problem: America Stopped Building

1.1 The Supply Deficit

The U.S. housing shortage is the result of a decade and a half of underbuilding. After the 2008 financial crisis, homebuilding collapsed and never fully recovered. Annual housing starts fell from over 2 million in 2005 to fewer than 600,000 in 2009 and did not return to pre-crisis levels for more than a decade.

The estimates of the current deficit:

Source	Estimated Shortage
NAHB (2024)	1.2 million
Moody's	2+ million
Freddie Mac (Q3 2024)	3.7 million
Goldman Sachs	3-4 million
Zillow	4+ million
U.S. Chamber of Commerce	4.7 million
Brookings	5 million
NAR (cumulative underbuilding)	5.5 million
NLIHC (affordable rentals)	7.1 million
McKinsey	8 million

Sources: NAHB Eye on Housing; Freddie Mac; Goldman Sachs Research; U.S. Chamber of Commerce; Joint Center for Housing Studies, Harvard; NLIHC; NAR; CRS.

The range reflects different methodologies — some measure vacancy rate gaps, others measure cumulative underbuilding, and others focus specifically on affordable housing. But no credible analysis concludes that the U.S. has enough housing. The consensus is a shortage of at least 3-5 million units.

1.2 The Price Crisis

Home prices have surged as a direct result of constrained supply meeting sustained demand.

The average U.S. home value reached approximately $369,000 as of mid-2025 — up roughly 25% since the start of the pandemic in 2020. In many metropolitan areas, prices have increased far more. Mortgage rates, which surged to 20-year highs in 2022, have remained elevated, pushing monthly payments even higher.

The home price-to-income ratio has surpassed the peak reached during the 2000s housing boom. The average monthly mortgage payment as a share of potential buyers' income exceeds 30% — a historically high level. For first-time buyers without substantial savings, homeownership has become effectively unattainable in many markets.

The construction of smaller, more affordable starter homes has collapsed. In 1976, over 400,000 newly built single-family homes were under 1,400 square feet — more than 35% of all new single-family construction. By 2020, that number had fallen to approximately 65,000, or about 7%. The market is building larger, more expensive homes because that is where the profit margins are — not because that is what buyers need.

1.3 The Affordability Crisis

The affordability crisis extends far beyond homeownership.

More than half of all renters in the United States are cost-burdened, meaning they spend more than 30% of their income on housing. Among renters with extremely low incomes (those earning at or below 30% of area median income), three-quarters are severely cost-burdened, spending more than half of their income on rent.

The NLIHC's 2025 Gap report found only 35 affordable and available rental homes for every 100 extremely low-income renter households — a shortage of 7.1 million units nationwide.

Rents have risen dramatically. Nationwide increases climbed from an average of approximately 3% annually to 6.5% starting in 2021. In some cities, rents have surged more than 50% above pre-pandemic levels. Median rents nationwide are projected to rise an additional 4.8% in 2025.

1.4 The Homelessness Crisis

Housing affordability and homelessness are directly linked. As housing costs rise and affordable units disappear, more Americans lose their housing.

The most recent HUD Point-in-Time count found homelessness at record levels. The crisis is worst in high-cost metropolitan areas — precisely the markets with the most restrictive zoning and the least new construction.

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2. The Data: What's Blocking Supply

2.1 Zoning: The Invisible Tax

Zoning restrictions are the single largest barrier to new housing construction in the United States.

According to Goldman Sachs Research, height restrictions limit construction to approximately two or three stories on roughly 60% of residential land in the 240 largest U.S. metropolitan areas. Only 7% of residential land allows buildings of five stories or more. Additional regulations restrict minimum lot sizes, limit the number of units per building, impose parking requirements, and mandate setbacks and open space.

The economic impact is enormous. Research consistently shows that restrictive land use regulations add tens of thousands of dollars — in some markets, hundreds of thousands — to the cost of housing. A simulated reduction of regulations to the level of the least-restrictive quartile of cities would add approximately 2.5 million housing units within a decade, closing roughly two-thirds of the estimated national shortage.

The fragmentation of U.S. land use policy makes reform extraordinarily difficult. Zoning is controlled by thousands of individual municipalities, each with its own rules, each subject to the political influence of existing homeowners who benefit from restricted supply and rising prices. The people who already own homes have a financial incentive to block new construction — and they vote in local elections at high rates.

2.2 Institutional Investors: The New Landlords

Since the 2008 financial crisis, institutional investors — including private equity firms, REITs, and corporate landlords — have purchased hundreds of thousands of single-family homes. These purchases convert owner-occupied housing into rental properties, reducing the supply available to individual buyers and increasing competition in markets where inventory is already scarce.

In some metropolitan areas, institutional buyers have accounted for 20-30% of home purchases in recent years. They tend to target mid-priced homes in growing Sun Belt markets — precisely the homes that first-time buyers would otherwise purchase.

The impact is not just on prices. Institutional owners operate differently from individual landlords: they optimize for rental yield, often increasing rents to market maximums, reducing maintenance to profit-maximizing levels, and holding properties long-term rather than returning them to the for-sale market.

2.3 Permitting: The Construction Tax

Average completion times for new housing have reached all-time highs for both single-family homes and multifamily projects. Permitting and regulatory approval processes add months or years to construction timelines, increasing costs and reducing the number of homes that get built.

Environmental reviews, design reviews, community input processes, and multiple layers of government approval create a gauntlet that even experienced developers struggle to navigate. In many jurisdictions, the process is designed — intentionally or not — to slow or stop new construction.

2.4 International Comparison

Japan provides the most instructive counterexample. Japan's national government controls zoning at the federal level, with permissive building standards that allow relatively dense construction in most areas. The result: Tokyo — one of the largest cities in the world — has seen remarkably stable housing prices over the past two decades while other major global cities have seen prices double or triple.

In contrast, countries with restrictive local zoning — including Canada, Australia, and the United Kingdom — face housing crises similar to or worse than the United States.

The pattern is clear: where governments restrict supply, prices rise. Where they allow supply, prices stabilize.

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3. The Proposal

3.1 Ban Institutional Single-Family Home Purchases

The proposal: Prohibit institutional investors (defined as entities that own or control more than 50 single-family residential properties) from purchasing additional single-family homes. Existing holdings are grandfathered but subject to a 5% annual divestiture requirement, creating a gradual return of institutional-held homes to the individual market.

Exemptions: Custom-built rental communities (purpose-built rentals). Nonprofit housing organizations. Government housing programs.

Why this works: Institutional buyers compete directly with families for the same homes. They have cash, speed, and scale advantages that individual buyers cannot match. Removing institutional demand from the single-family market reduces competition, lowers prices, and increases the supply available to individual buyers.

3.2 Zoning Reform Through Federal Incentives

The proposal: Tie federal infrastructure and transportation funding to zoning reform milestones. Municipalities that update their zoning to allow increased density — duplexes, triplexes, accessory dwelling units, and multifamily construction in areas currently zoned exclusively for single-family homes — receive priority access to federal highway, transit, water, and sewer funding. Those that refuse reform receive reduced allocations.

Why not a federal mandate: Zoning is historically a local function. A federal mandate would face legal challenges and political resistance. Tying reform to existing federal funding creates a powerful incentive without overriding local authority — the same model used successfully for the national drinking age (tied to highway funding) and other policy goals.

Target: Reduce exclusionary single-family-only zoning in the 100 largest metropolitan areas by at least 50% within 10 years.

3.3 Streamline Permitting

The proposal: Establish a federal model permitting framework for residential construction. States and municipalities that adopt the framework — which includes shot-clock deadlines for permit decisions, consolidated review processes, and by-right approval for projects that meet code — receive expedited access to federal housing and infrastructure funds.

Shot-clock deadlines: 90 days for single-family permits. 180 days for multifamily permits. Failure to act within the deadline constitutes automatic approval.

3.4 Invest in Construction Innovation

The proposal: Federal investment in modular and prefabricated construction technology, advanced materials, and construction workforce training.

Modular construction can reduce build times by 30-50% and costs by 10-25%. The U.S. lags behind other countries in adoption. Federal incentives — including accelerated permitting for modular projects and R&D grants for construction technology companies — can accelerate adoption.

3.5 Matched Down-Payment Program

The proposal: A federal matched savings program for first-time homebuyers. For every dollar saved by eligible buyers (income below 120% of area median income), the federal government matches $2, up to a maximum federal match of $20,000 per household.

This directly addresses the down-payment barrier — the single largest obstacle for first-time buyers who can afford monthly payments but cannot accumulate the upfront cash.

3.6 Housing First for Homelessness

The proposal: Expand Housing First programs nationally. Housing First — which provides permanent housing without preconditions like sobriety or employment — has been demonstrated to reduce chronic homelessness by 70-90% in cities that have adopted it at scale.

Federal funding for Housing First expansion through HUD and VA (for veterans) can address chronic homelessness far more cost-effectively than emergency shelter systems, which cost more per person and produce worse outcomes.

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4. The Math: What It Costs

Reform	Annual Cost/Savings
Institutional investor ban	$0 (regulatory)
Zoning reform incentives	$0 (reallocation of existing funds)
Permitting streamlining	Minimal (model framework development)
Construction innovation investment	-$2-5 billion
Matched down-payment program	-$5-10 billion
Housing First expansion	-$3-5 billion
Increased property tax revenue (new construction)	+$5-15 billion (state/local)
Increased economic activity from construction	+$10-30 billion (estimated GDP impact)
NET FEDERAL COST	-$10 to -$20 billion

The net federal cost of $10-20 billion per year is modest relative to the scale of the crisis — and generates substantial returns through increased construction employment, property tax revenue, economic activity, and reduced costs associated with homelessness, housing instability, and the downstream effects of housing unaffordability.

For comparison: the federal government currently spends over $70 billion per year on housing assistance programs (Section 8 vouchers, public housing, LIHTC, HOME, etc.) that manage the consequences of the shortage without fixing the cause. Investing $10-20 billion to increase supply addresses the root problem.

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5. Who Benefits

5.1 Impact by Group

First-time homebuyers: Reduced competition from institutional investors. Increased supply from zoning reform. Down-payment assistance from the matched savings program. More affordable prices as supply increases.

Renters: Increased rental supply reduces rent pressure. Institutional investor restrictions limit rent-maximizing corporate landlords. More affordable units become available as overall supply expands.

Builders and developers: Reduced regulatory barriers. Faster permitting. Expanded market demand as affordability improves. Investment in construction technology creates new market opportunities.

Existing homeowners: This is the honest part. Increasing housing supply puts downward pressure on home price appreciation. Existing homeowners who view their homes primarily as investments may see slower price growth. The Mesocratic Party believes housing should be affordable to buy and live in — not an asset class optimized for return.

Communities: More housing means more residents, more economic activity, more property tax revenue, and more vibrant neighborhoods. Housing scarcity drives social isolation, homelessness, and economic stagnation.

Homeless individuals: Housing First is the most effective intervention for chronic homelessness. Expanding it nationally directly reduces homelessness at lower cost than the current shelter-based system.

5.2 Honest Trade-Offs

Home price appreciation slows. This is the intended effect — but it is also a trade-off for the roughly 66% of Americans who are homeowners. The Mesocratic Party is transparent about this: homes should be affordable to live in, and slower price growth is the cost of making that possible.

Institutional investors lose a market. Private equity firms and corporate landlords that have profited from the housing shortage will lose the ability to expand their single-family portfolios. This is a feature.

Local control over zoning is constrained. Tying federal funding to zoning reform creates pressure on municipalities that prefer to restrict development. Residents who benefit from exclusionary zoning — typically wealthier homeowners in suburban areas — will resist.

Transition takes time. Even with all reforms enacted, building 3-5 million additional homes takes years. The crisis will not resolve overnight.

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6. Implementation

Phase 1 (Year 1): Pass the institutional investor ban and establish the matched down-payment program. These are the fastest-acting reforms and have broad public support.

Phase 2 (Years 1-3): Launch the zoning reform incentive program tied to federal infrastructure funding. Begin federal investment in construction innovation and modular building technology.

Phase 3 (Years 2-5): Expand Housing First programs through HUD and VA. Implement the federal model permitting framework. States and municipalities begin adopting reforms to access federal funding.

Phase 4 (Years 5-10): Sustained construction at elevated levels to close the 3-5 million unit deficit. Monitor price and affordability trends. Adjust incentives and programs as the market rebalances.

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7. How the Parties Compare on Housing

	Republican	Mesocratic	Democrat

	Republican	Mesocratic	Democrat
Primary approach	Deregulate, private market	Supply-side reform + investor ban	Affordable housing funding
Institutional investors	No restrictions	Ban on single-family purchases	Some concern (no ban)
Zoning reform	Support in principle	Federal incentives tied to funding	Support in principle
Permitting	Streamline	Shot-clock deadlines	Environmental review protections
Down-payment assistance	Oppose (market-based)	Matched savings program	Expand existing programs
Homelessness	Enforcement/shelter	Housing First expansion	Housing First + services
Rent control	Oppose	Oppose (supply is the fix)	Support in some states
Federal role	Minimal	Incentive-based reform	Direct spending and regulation

The Mesocratic position combines deregulatory elements favored by Republicans (permitting reform, zoning liberalization) with targeted interventions favored by Democrats (down-payment assistance, Housing First). The institutional investor ban is uniquely Mesocratic — neither party has proposed it as a centerpiece policy. And the Mesocratic Party explicitly rejects rent control, which restricts supply and worsens the problem it purports to solve.

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8. Conclusion

The housing crisis has one root cause: America does not build enough homes.

Every other aspect of the crisis — unaffordable prices, unaffordable rents, record homelessness, wealth inequality between homeowners and renters, delayed family formation, reduced economic mobility — flows from that single fact.

The solutions are not mysterious. They are structural. Reform the zoning laws that prevent construction. Remove institutional investors who compete with families for homes. Cut the permitting timelines that make building slow and expensive. Invest in the construction technology that can build homes faster and cheaper. Help first-time buyers get in the door. House the homeless directly, because it works.

Every country that has addressed its housing crisis did it the same way: by building more homes. Every country that has restricted supply has seen prices rise. The evidence is not ambiguous.

The United States built 2 million homes a year in 2005. It can do it again. It has the land, the labor, the capital, and the technology. What it lacks is the political will to override the interests of institutional investors, incumbent homeowners, and local governments that benefit from scarcity.

Build more homes. That's the policy. Everything else is a consequence.

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