

ED Now Feature | Pump Up Housing and Domestic Energy Production To Meet Demand

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Rising gas prices and housing costs have dominated recent headlines. Both can be addressed by increasing production.

Gas prices and policy responses

Oil prices have risen to about \$120 a barrel and the national average price for a gallon of regular gasoline was recently \$5 as reported by AAA. According to a [recent LinkedIn post by Yardeni Research](#), **the typical American consumer is paying \$2,000 more per year for gas.**

The Biden administration decided to release 1 million barrels of oil daily from the Strategic Petroleum Reserve and has also been in talks with Venezuela, Iran, and Saudi Arabia to increase oil supply.

Housing costs increase four times that of gas prices

As shown in the table below, monthly mortgage payments have increased by approximately \$675, or about 56 percent (assuming a 20 percent down payment). This equates to an **annual increase in the cost of housing of \$8,100—four times the amount of the increase in the cost of gas.**

Increase in Mortgage Payments of Homes Sold in the United States			
	Median Sales Price ¹ \$	30-Year Mortgage Rate ² %	Monthly Mortgage Payment ³ \$
Q1 2021	369,800	2.79	1,214.02
Q1 2022	428,700	5.23	1,889.02
Total Change 2021–2022			\$675.57
Percent Change 2021–2022			55.6%

¹ Median sales price of houses sold in the United States (MSPUS) | FRED | St. Louis Fed (stlouisfed.org)
² 30-year fixed-rate mortgage average in the United States (MORTGAGE30US) | FRED | St. Louis Fed (stlouisfed.org) (mortgage rates for week of January 14, 2021 and week of June 9, 2022)
³ Assumes a down payment of 20%

Encourage domestic production of oil and gas and continuing transition to alternative energy sources

It would be more prudent from an economic as well as political perspective to increase oil and gas production in the United States than to import oil from nations such as Iran, Saudi Arabia, and Russia. It would make more policy sense to provide tax rebates to lessen the burden of high gas prices on lower-income Americans than to pay foreign countries for oil that may only provide minor temporary adjustments to the cost of gas.

Sound policy would take advantage of high gas prices to encourage the continuing transition to non-oil-based energy sources and not permit the kind of local and regional NIMBY attitudes that have limited the development of an adequate housing supply and prevented the development of necessary infrastructure for alternative energy sources.

Encourage infrastructure development to serve vacant sites and redevelopment of underutilized sites for higher-density housing

Providing assistance to low-income households would be wiser policy than increasing costs for renters and buyers, which doesn't increase housing supply. Investing in infrastructure to support the development of new housing on both in-fill and greenfield vacant land parcels and encouraging redevelopment of underutilized sites for higher-density housing would be more beneficial than extinguishing demand with higher housing prices and higher interest rates.

Rather than lamenting high costs, encourage producers of energy and housing—two key pillars of prosperity and quality living—to create more supply to meet demand and slow the rise of prices.

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