

Romer: Supply and demand for housing out of whack

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Chris Romer

cromer@visitvailvalley.com



As Stephen Covey famously said, “The main thing is to keep the main thing the main thing.” We’re failing at this right now in Eagle County. Study after study shows that resident-occupied housing is our biggest community challenge. Yet project after project is slowed down due to opposition.

We have too much demand for attainable housing and (far) too little supply. It’s a simple economics problem.

The law of supply and demand is a theory that explains the interaction between the sellers of a resource and the buyers for that resource. The theory defines how the relationship between the availability of a particular product and the desire (or demand) for that product has on its price. Generally, low supply and high demand increase price and vice versa.

Housing inventory for year-round residents in Eagle County has low supply and high demand, yet housing development proposals throughout the valley are being opposed with no sense of basic economic principles and with a willful lack of understanding that we need a balance of supply and demand to meaningfully address our workforce and community housing challenges.

A basic understanding of economics can help us address these concerns. Supply and demand are perhaps the two most fundamental concepts of economics and it is the backbone of a market economy.

Supply represents how much the market can offer. The quantity supplied refers to the amount of a certain good that producers are willing to supply when receiving a certain price.

Demand refers to how much (quantity) of a product or service is desired by buyers. The quantity demanded is the amount of a product people are willing to buy at a certain price; the relationship between price and quantity demanded is known as the demand relationship.

The correlation between price and how much of a good or service is supplied to the market is known as the supply relationship. Price, therefore, is a reflection of supply and demand. In layman’s terms, housing in Eagle County is expensive because there is not enough supply relative to the demand.

“Less is more” some say. Others claim, “developers make too much money.” Another argument is that “wildlife and development are incompatible,” which is almost as good as the “nostalgia for a time that never was” crowd since most Eagle County neighborhoods were at one time (or are still) wildlife habitat.

When supply and demand are equal the economy is said to be at equilibrium. At this point, the allocation of goods is at its most efficient because the amount of goods being supplied is exactly the same as the amount of goods being demanded. Thus, everyone (individuals, firms, or countries) is satisfied with the current economic condition. At the given price, suppliers are selling all the goods that they have produced, and consumers are getting all the goods that they are demanding.

Our housing situation is not at equilibrium; we need thousands of units to accommodate our workforce and sustain our businesses and our community. Public partners need to work to increase supply through smart public planning.

The good news is that a variety of tools exist to balance our housing supply with demand. Incentives, public/private partnerships, public initiatives, development regulations (relaxed zoning), and funding and financing options are all ways to incentivize the development of housing that meets the needs of our locals.

We need more housing supply throughout the valley; rental properties, affordable housing, attainable ownership opportunities. Thankfully, our elected officials recognize the issue and they must continue to do more to meaningfully address the issue.

Chris Romer is president and CEO of the Vail Valley Partnership, the regional chamber of commerce. Learn more at <http://www.vailvalleypartnership.com>.