

From Shorthand to Market Diagnostics

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Introduction

Real estate debates rarely collapse because people do not care. They collapse because the words are doing too much work.

In ordinary conversation, a single phrase often carries three messages at once: what happened, why it happened, and who deserves blame. That compression feels efficient, but it is not clear. People end up arguing past each other, mistaking disagreements about meaning for disagreements about facts, or confusing both with disagreements about values. In a field where decisions involve large sums of money, long time horizons, and competing interests, imprecise language produces imprecise analysis, and imprecise analysis leads to solutions that sound satisfying in a headline but fail to match the actual problem on the ground.

The fix is a small change in habit. Keep observation and explanation in separate sentences. The first sentence states what happened, measured as precisely as the available data allow. The second offers a hypothesis about why, framed so it can be tested and revised. This two-sentence method (see Figure 1) does not strip emotion from analysis. It separates what we know from what we think we know, which is the only way to make disagreements productive rather than recursive.

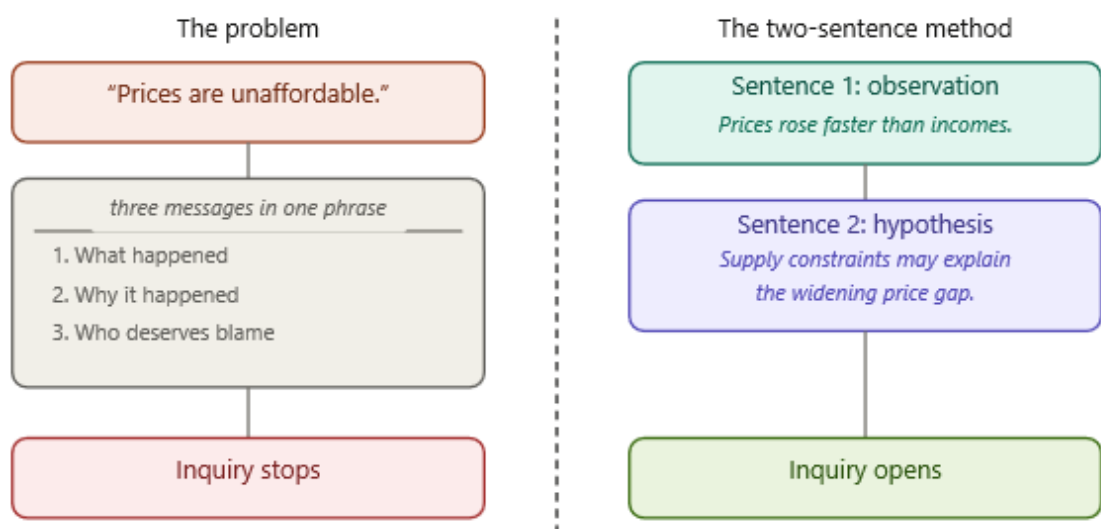


Figure 1: The Two-Sentence Method

For brokers, analysts, and advisors, the stakes are especially high. Our professional credibility rests on the precision of our language. When a valuation report, a market study, or a policy recommendation relies on phrases that conflate observation with interpretation, the work product inherits the same confusion. Readers may not notice the ambiguity, but the conclusions they draw from it will reflect the imprecision all the same.

What follows are five phrases that commonly mislead real estate conversations, along with cleaner alternatives that make room for evidence. These are not obscure terms of art. They appear in city council meetings, investor calls, news coverage, and kitchen table arguments about affordability. Each one sounds like an explanation but functions more like a verdict. The goal is not to ban these phrases from everyday speech but to recognize what they hide and to offer language that reveals more than it conceals.

1. "The Market Is Irrational"

This phrase is usually shorthand for surprise. Prices moved faster than expected. Buyers accepted terms that feel risky. The outcome does not fit the story we were using to make sense of things. Rather than updating the story, we label the market itself as defective.

"Irrational" sounds like an explanation, but it is almost always a reaction. It tells us that the speaker's model broke down, not that the market broke down. Markets are aggregates of individual choices made under constraints that are often invisible to outside observers. When outcomes surprise us, something measurable has usually changed, even if we have not identified it yet.

Consider what the label obscures in practice. In the Phoenix metropolitan area in early 2021, existing-home inventory fell to less than one month of supply, the lowest level the Arizona Regional MLS had ever recorded, while median sale prices rose roughly 18 percent in a single

calendar year.^[1] The price surge looked irrational to observers using national averages as their baseline, but it was fully consistent with the local supply constraint once that constraint was measured. Financing conditions tell the same story. When mortgage rates climbed above 7 percent in late 2022, homebuilders responded by subsidizing buyer rates through permanent and temporary buydowns, lowering effective borrowing costs by 1 to 2 percentage points. By late 2022, roughly 75 percent of nationally surveyed builders were offering some form of rate buydown.^[2] Buyers in new-construction markets were transacting at effective rates well below the posted Freddie Mac average, yet their purchases were recorded at contract prices that reflected the higher headline rate. To an outside observer comparing posted rates to closing prices, those transactions could look irrational. They were not. Insurance costs illustrate the same dynamic at a more granular scale. Between 2019 and 2023, average homeowners insurance premiums in Florida nearly doubled, with some regions experiencing increases of 40 percent or more in a single year.^[3] A buyer whose annual insurance bill jumped from \$2,500 to \$5,000 faced the equivalent of a significant increase in effective monthly housing cost, a change invisible to anyone looking only at the mortgage rate and sale price. In counties where carriers withdrew entirely, some homeowners were pushed into Citizens Property Insurance Corporation, which at its peak held 1.4 million policies, or were left underinsured.^[4] These cost shifts altered the effective price of homeownership in specific geographies without appearing in any conventional price index.

The practical implication is that calling the market irrational closes the door on inquiry. If the market is simply not making sense, there is nothing to investigate. The label becomes a stopping point rather than a starting point. As behavioral economists have long observed, the tendency to reach for a simple verdict when confronted with unexpected outcomes is itself a cognitive shortcut, one that substitutes emotional comfort for analytical rigor. In real estate, that shortcut forecloses the very investigation that might reveal the mechanism behind the surprise. For professional practice, this matters directly: a valuation report that describes a market as irrational has communicated frustration, not analysis. A report that identifies a specific constraint, such as tightening supply in a defined segment, offers something that can be tested, challenged, and acted on.

Better alternative:

“Prices moved faster than the fundamentals I expected, so I want to identify what changed and which of my assumptions were wrong.”

If the concern is volatility rather than surprise, the language should reflect that distinction.

Better alternative:

“Prices are more volatile than usual in this segment, so small changes in demand or financing are producing large swings in transaction prices.”

2. “Prices Are Unaffordable”

Affordability pressures are real, and they deserve serious analysis. The phrase itself, however, is vague in ways that hinder that analysis.

“Unaffordable” rarely answers the first question that matters: unaffordable for whom? A median-priced home that is out of reach for a first-time buyer at median income may be entirely accessible to a move-up buyer with equity from a prior sale. The word collapses a range of different experiences into a single judgment.

The phrase also blurs two fundamentally different barriers. One is the monthly payment burden: the ratio of housing cost to income that determines whether a household can sustain ownership or tenancy over time. The other is the upfront cash hurdle of down payment and closing costs, which determines whether a household can enter the market at all. These are different problems. They affect different populations. They respond to different policy interventions. A household that earns enough to service a mortgage but cannot assemble a down payment faces an access problem, not an affordability problem in the traditional sense. Treating both barriers as “unaffordable” makes it harder to design solutions that actually reach the households in need.

St. Paul, Minnesota, illustrates what happens when policy is built on the word “unaffordable” without making these distinctions. In 2021, voters approved the strictest rent control ordinance in the nation: a 3 percent cap on annual rent increases with no exemptions for new construction and no vacancy decontrol.^[5] The campaign was framed around the verdict that rents were unaffordable. The ordinance did not distinguish between the payment burden and access barriers. It did not identify which segments were under the most pressure or which supply-side mechanisms were driving costs. Within a year, apartment construction permits fell 48 percent.^[6] By 2025, housing production had dropped 81 percent from the city’s prior three-year average. Meanwhile, rents in St. Paul grew slightly faster than in neighboring Minneapolis, which had not implemented rent control.^[7] The city council has since amended the law multiple times^[8], and a member of the city’s planning commission described the result as the worst of both worlds: the policy had become too diluted to protect renters yet remained strict enough to discourage new investment.^[9]

The episode illustrates the policy cost of imprecise language. When the framing is “unaffordable,” any restriction on rents satisfies the slogan. When the framing names a specific barrier for a specific population, the range of interventions that could actually help becomes far narrower and more testable. A policy designed to reduce the payment-to-income ratio for working families is a different instrument from one designed to reduce the down payment hurdle for first-time buyers, and neither is equivalent to a blanket cap on rent increases. The distinction is not academic. It determines whether the solution reaches the people who need it.

Better alternative:

“At today’s prices and financing terms, a median-income household cannot buy the median home without exceeding a reasonable payment-to-income threshold.”

If the issue is displacement over time, the language should name the change directly.

Better alternative:

“Households who previously could rent or buy here can no longer do so because rents and payments rose faster than local incomes.”

3. **“Developers Are Greedy”**

This phrase delivers moral clarity and little else.

Greedy is a verdict. It is not a mechanism. In most markets, developers do not set prices freely. They sell into what buyers and tenants can pay, constrained by competition and by the elasticity of demand in each segment. The real choice a developer faces is not what to charge but whether to build at all, and if so, what product to deliver. That choice is shaped by a stack of costs that the phrase “greedy” does nothing to illuminate.

Land cost, construction cost, financing cost, regulatory fees, and the time required to navigate the approval process all factor into a feasibility calculation. According to the National Association of Home Builders, regulations imposed by all levels of government account for approximately \$93,870, or 23.8 percent, of the final price of the average new single-family home, with the single largest line item being changes to building codes over the prior decade.^[10] When those inputs rise, the product mix that can cover costs and risk shifts upward in price. A developer who builds only luxury units is not necessarily choosing luxury; that may be the only product type that can absorb the fixed costs and risk inherent in the local entitlement process.

The scale of this effect depends heavily on jurisdiction. A study by researchers at the University of California, Berkeley examined entitlement timelines across California cities and found that the median time to approve a multifamily housing project of five or more units was 26.6 months in San Francisco but only 5.4 months in Oakland.^[11] The same type of building, serving a similar regional housing market, faced a fivefold difference in approval time depending on where the developer chose to apply. Every additional month of delay compounds carrying costs on land and construction financing and extends the period during which a project is exposed to market risk. A project that might have been feasible as workforce housing at a six-month timeline can only pencil as luxury product at a twenty-seven-month timeline, not because the developer’s appetite for profit changed, but because the cost floor rose.

For analysis and policy, the implication is direct: when we replace the moral verdict with a description of the cost stack, we gain a set of levers we can actually pull (see Figure 2). If the problem is that only high-end product is feasible, the question becomes which input to the feasibility equation is most changeable. Approval timelines, infrastructure fees, and density restrictions all appear in that equation. Greedy does not. A community that wants workforce housing needs to ask which constraint, if reduced, would make workforce housing pencil, and then pursue that constraint specifically.

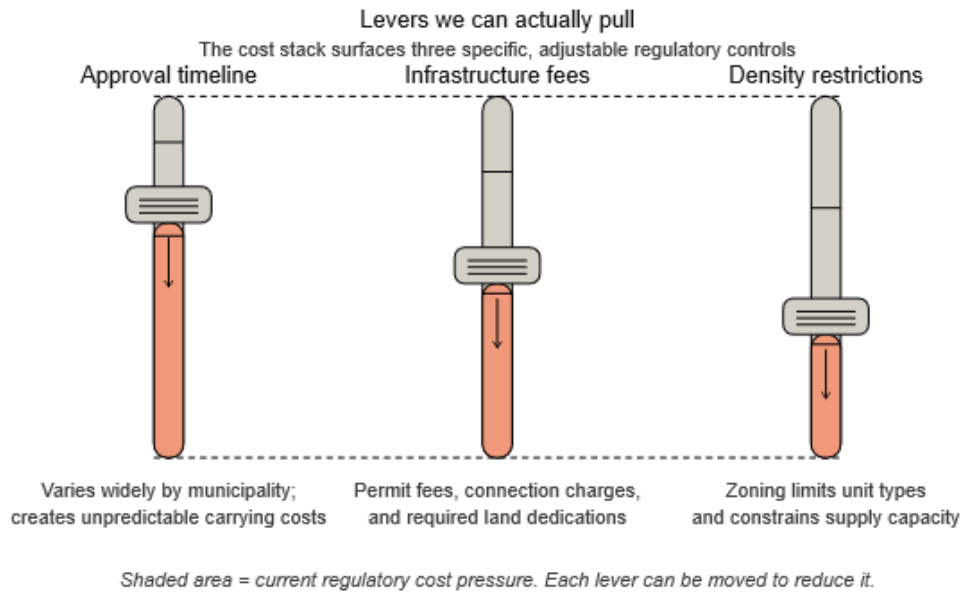


Figure 2: Policy Levers

Better alternative:

“Given land, construction, financing, and regulatory costs, the projects that can cover their costs and risk are concentrated at higher price points.”

If the complaint is a mismatch between what gets built and what the community needs, the language should make that mismatch concrete.

Better alternative:

“New supply is concentrated in higher-end product types because they are the only ones that can absorb fixed costs and approval risk in this jurisdiction.”

4. “Investors Are Driving Everything”

Investor activity can feel like unfair competition, especially to owner-occupant buyers watching cash offers outbid their financed ones. That feeling deserves analysis, not a catchall label.

“Investor” is one of the most overloaded words in real estate. It can mean a local landlord who owns three rental houses, a small partnership buying a fourplex, a builder assembling lots for a subdivision, a real estate investment trust acquiring apartment communities, or a private equity fund purchasing single-family homes at scale. These actors behave differently. They respond to different incentives. They affect markets in different ways. Grouping them under one label makes it almost impossible to evaluate impact or design effective regulation.

The scale of the distortion is measurable. CoreLogic data show that in the twenty largest U.S. metro areas, mega-investors owning 1,000 or more properties account for roughly 1 percent of all purchases, while small investors owning fewer than ten properties account for approximately 18 percent.¹²¹ The phrase “investors are driving everything” treats these groups as a single force. The distinction matters most at the lower end of the market: investors account for 29 percent of purchases in the lowest-priced tier but only 21 percent in the highest. The competitive pressure on first-time buyers is concentrated precisely where the catchall label is least informative about who is actually buying and why.

Impact also depends on what investors do after acquisition. Some renovate and improve housing quality, extending the useful life of the stock. Some expand rental options in markets where rental supply is tight. Some primarily acquire existing stock without adding value, effectively competing with owner-occupants for the same inventory. Some reduce turnover by holding properties longer, which can stabilize neighborhoods. Others flip quickly, which can increase transaction volume and price pressure. The net effect of investor activity on any given market depends on which of these behaviors predominates, and that varies by segment, geography, and market cycle.

For policy, sweeping claims about investors erase the distinctions that matter most for solutions. A regulation targeting mega-investors acquiring entry-level homes at scale is a different instrument from one addressing small landlords who hold aging rental stock. Designing the first requires data on acquisition volume, property type, and price band. Designing the second requires data on renovation rates, rent levels, and tenant stability. Neither is well served by a phrase that groups them as one.

Better alternative:

“Investor purchases are elevated in specific segments. We should separate investors who add or preserve rental supply from those who primarily compete for existing entry-level homes.”

If the concern is competition for a fixed stock, the language should name that dynamic directly.

Better alternative:

“In this segment, non-occupant buyers are increasing demand for a relatively fixed stock, which can raise prices and reduce inventory for owner-occupants.”

5. “We Just Need More Supply”

This phrase is directionally right and operationally incomplete.

Supply is not one thing. It has type, location, price point, and timeline. A city can add thousands of units and still fail to add what is actually scarce. New units far from employment centers do not solve scarcity near jobs if commuting time and cost are binding constraints for the households who need housing most. A surge of luxury apartments does not address a shortage of family-sized rentals. Even “more supply” can disappoint if the only product that pencils under current conditions is aimed at the top of the market.

Austin, Texas, tested this proposition at scale. Between 2021 and 2023, apartment builders in the Austin metro permitted an average of 957 units per 100,000 residents, far outpacing every other major metropolitan region in the country. The supply surge worked as theory predicts at the aggregate level: average rents declined for nineteen consecutive months, falling roughly six percent from their pandemic peak. But the composition of what got built revealed the limits of the phrase “more supply.” In 2023, only 63 units were built for households earning approximately 30 percent of the area median income, even though that income group comprises 17 percent of the city’s population. Austin added more housing than any comparable city and still failed to address the segment where scarcity was most acute, because the units that penciled under prevailing land, construction, and financing costs were not the units that the most cost-burdened households needed.^[13]

The phrase also tends to imply that the primary constraint is a shortage of land or willingness to build. In many markets, the real bottleneck is the process itself: zoning that limits density, permitting timelines that stretch across years, infrastructure requirements that impose front-loaded costs, and regulatory uncertainty that makes financing harder to secure. Each of these constraints adds cost, and cost translates directly into the price of the finished product. Addressing supply without addressing the process that shapes it is like prescribing medicine without diagnosing the disease. There is also a temporal dimension the phrase overlooks. Housing supply responds to market signals with significant lag. The gap between a shift in demand and the delivery of new units can span three to seven years depending on jurisdiction, product type, and entitlement complexity. Saying “we just need more supply” in the middle of a price spike is true in a long-run sense, but it offers no guidance for the near term and no insight into why the pipeline did not anticipate the demand shift.

The analytical implication is that “more supply” is a direction, not a prescription. A useful diagnosis names the type of supply that is scarce, the locations where demand is concentrated, the price points that match local incomes, and the specific process constraints that are preventing delivery. Each of those variables can be measured. Each points toward a different intervention. Together they convert a slogan into a workable problem statement.

Better alternative:

“We need more supply of the housing type that is scarce, in the locations where demand is strongest, at price points that match local incomes.”

When the bottleneck is process and uncertainty rather than raw land or labor, the language should reflect that.

Better alternative:

“We need a faster, more predictable path to producing housing, because delay and risk are costs that raise the price of what gets built.”

The Pattern Behind the Problem

These five phrases fail in the same way. Each tries to do three jobs at once: describe an outcome, assign a cause, and imply blame. The compression is understandable. In

conversation, we want to communicate efficiently. But efficiency in language is not the same as clarity in thought, and in professional settings where decisions carry real consequences, the tradeoff is not worth making.

The two-sentence method, introduced in the opening of this article, is the practical antidote. The first sentence states the observation: what happened, measured as precisely as the available data allow. The second sentence offers a hypothesis: why it might have happened, framed in a way that invites testing. Once you adopt this discipline, disagreement becomes productive. People can debate causes without disputing what happened. They can propose solutions that actually match the mechanism rather than the slogan. They can change their minds when the evidence points in a different direction, because the hypothesis was always offered as tentative rather than as a moral conclusion.

This is not a call for clinical detachment or for draining emotion from conversations about housing. Housing is personal. It touches questions of security, identity, community, and fairness. But the emotional stakes are precisely why the language needs to be clean. When we argue with slogans, we make it harder to solve the problems that generated the emotion in the first place.

Consider the practical difference. When a community member tells a planning commission that “developers are greedy,” the commission has nothing actionable to work with. But when that same community member says, “The only product that pencils here is luxury because approval timelines add eighteen months of carrying cost per unit,” the commission can evaluate a specific claim. They can request data. They can compare their jurisdiction’s timeline to neighboring ones. They can model what a shorter timeline would mean for the feasible product mix. The emotion behind both statements may be identical, but the second statement opens a door that the first one closes.

The same principle applies in professional practice. A broker who writes that “the market is irrational” in an adjustment narrative has communicated frustration, not analysis. An advisor who writes that “prices in this segment exceeded the trend predicted by income growth and interest rate changes, suggesting an additional factor such as constrained supply or shifting buyer composition” has offered a hypothesis that can be tested, refined, or challenged on its merits.

Closing

When we replace moral shorthand with operational sentences, we do not become less human. We become more accurate. We also become better at choosing solutions that fit the problem we actually have, not the slogan we started with. In a field where decisions affect neighborhoods, households, and livelihoods, that kind of accuracy is not just an intellectual virtue. It is a professional obligation.

The five phrases examined here will not disappear from real estate conversations, nor should they necessarily vanish from casual speech. But in professional practice, in policy analysis, in valuation work, and in any setting where words lead to decisions, we owe our clients, our communities, and our profession the discipline of saying what we actually mean. The two-

sentence method is a small change in habit. Its effects on the quality of our thinking are not small at all.

Clarity is not a tone. It is a method.

Figure 3: Translation Table

The following table summarizes each misleading phrase alongside a more precise alternative. Use these translations as starting points for clearer analysis.

Common Phrase	Clearer Alternative
<i>"The market is irrational."</i>	<i>"Prices moved faster than the fundamentals I expected, so I want to identify what changed and which assumptions were wrong."</i>
<i>"Prices are unaffordable."</i>	<i>"At today's prices and financing terms, a median-income household cannot buy the median home without exceeding a reasonable payment-to-income threshold."</i>
<i>"Developers are greedy."</i>	<i>"Given land, construction, financing, and regulatory costs, the projects that can cover their costs and risk are concentrated at higher price points."</i>
<i>"Investors are driving everything."</i>	<i>"Investor purchases are elevated in specific segments. We should separate investors who add or preserve rental supply from those who primarily compete for existing entry-level homes."</i>
<i>"We just need more supply."</i>	<i>"We need more supply of the housing type that is scarce, in the locations where demand is strongest, at price points that match local incomes."</i>

Sidebar: Questions Worth Asking

When someone offers one of the five phrases, these follow-up questions can redirect the conversation toward evidence.

If someone says, “The market is irrational,” ask:

- Compared to what baseline is it irrational: last year, pre-pandemic, a five-year average?
- Which variable changed most: prices, payments, rents, vacancy, or inventory?
- Did financing shift through underwriting, fees, insurance, or contingencies, even if rates did not?
- Is the surprise market-wide or concentrated in one segment or neighborhood?

If someone says, “Prices are unaffordable,” ask:

- Unaffordable for whom: first-time buyers, renters, workforce households, retirees?
- What is the binding constraint: monthly payment, upfront cash, credit standards, or insurance and taxes?
- Did prices rise, did rates rise, did incomes lag, or did all three move?
- Is the issue region-wide or limited to specific submarkets?

If someone says, “Developers are greedy,” ask:

- What is the cost stack: land, hard costs, soft costs, financing, fees, and time?
- How long is the approval process, and what does a year of delay add per unit?
- Which requirements are fixed per unit and therefore push projects toward higher price points?
- What product would be feasible if one constraint changed, and which constraint is most changeable?

If someone says, “Investors are driving everything,” ask:

- Which investor type: small landlords, builders, REITs, funds?
- In which segment is activity elevated: price band, property type, neighborhood?
- Are investors net buyers or net sellers over time in that segment?
- Are they adding value through renovation, adding supply through building, or mainly acquiring existing stock?

If someone says, “We just need more supply,” ask:

- More of what: units, bedrooms, starter homes, family-sized rentals, accessible senior housing?
- More where: near jobs, near schools, near transit, or region-wide?

- At what price points, relative to local incomes?
 - What is the real bottleneck: zoning, infrastructure, labor, financing, permitting time, or uncertainty?
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