AMERICA'S RENTAL HOUSING

EXPANDING OPTIONS FOR DIVERSE AND GROWING DEMAND

Joint Center for Housing Studies of Harvard University

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INTRODUCTION AND SUMMARY

Rental housing is home to a growing share of the nation's increasingly diverse households. But even with the strong rebound in multifamily construction, tight rental markets make it difficult for low- and moderate-income renters to find housing they can afford. As a result, the number of cost-burdened renters set another record last year. Addressing the challenge of affordability in a time of rising overall demand will require greater efforts from both the public and private sectors to expand the range of rental housing options.

RECORD-SETTING GROWTH IN DEMAND

The decade-long surge in rental demand is unprecedented. In mid-2015, 43 million families and individuals lived in rental housing, up nearly 9 million from 2005—the largest gain in any 10-year period on record. In addition, the share of all US households that rent rose from 31 percent to 37 percent, its highest level since the mid-1960s.

A number of factors have fueled soaring demand. The bursting of the housing bubble played an important role, with nearly 8 million homes lost to foreclosure since the homeownership rate peaked in 2004. Household incomes have also fallen back to 1995 levels and access to mortgage credit has tightened, making the transition to homeownership more difficult for many who might otherwise buy homes.

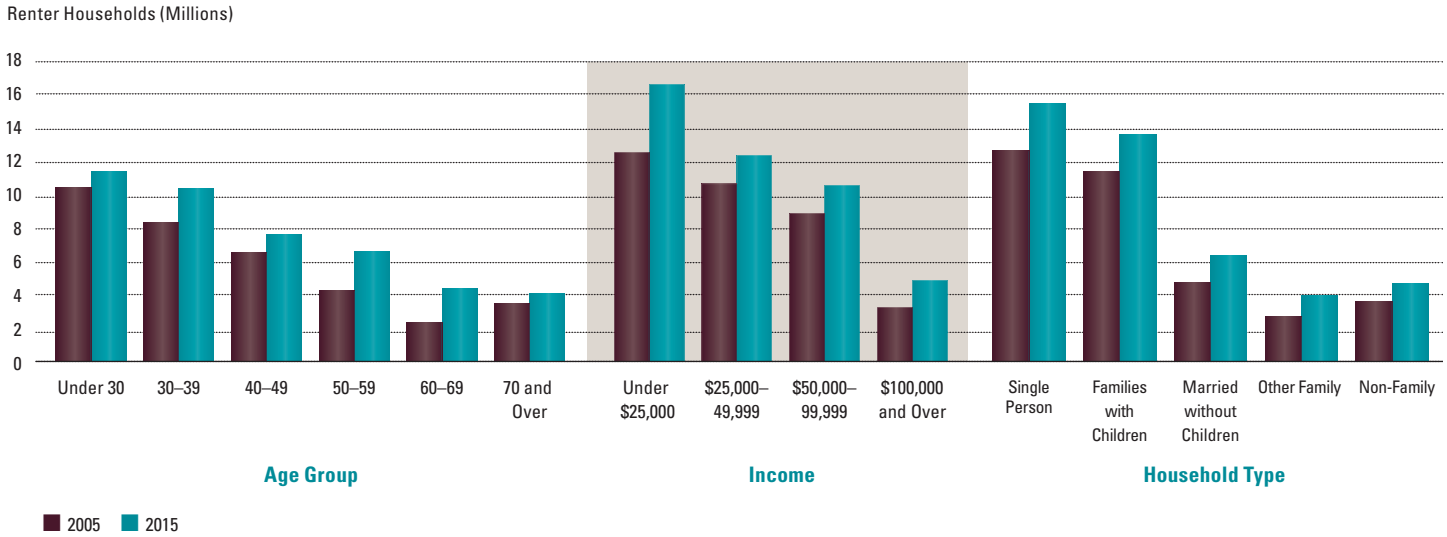
The sharp downturn in both the economy and housing market has renewed appreciation of the benefits that renting offers. In particular, renters incur much lower moving costs than owners, enabling them to respond more easily to recent changes in employment and housing market conditions. Renters also face far less financial risk by not having a significant share of their wealth tied up in a single investment whose value can swing dramatically. And finally, renters are relieved of responsibility for and the expense of property maintenance.

Demographic trends have made their own contribution to the growing popularity of renting. The aging of the millennial generation (born 1985–2004) has lifted the number of adults in their 20s, the stage of life when renting is most common. In addition, millennials are slower to marry and have children than previous generations, thus delaying the life events that typically precede first-time homeownership. Indeed, the number of renters would be even higher today if the Great Recession had not kept many young adults living in their parents' homes.

In combination, these trends have boosted the numbers of renters in all age, income, and household categories **(Figure 1).** The millennials pushed up the number of renters under age

FIGURE 1

The Decade-Long Increase in Renter Households Has Been Broad-Based



Note: Household counts are three-year trailing averages and define children as under age 18 only.
Source: JCHS tabulations of US Census Bureau, Current Population Surveys.

30 by nearly 1 million over the past decade, while members of generation X (born 1965–1984) added 3 million to the ranks of renters in their 30s and 40s, even though the population in this age range declined. The largest increase, however, was a 4.3 million jump in the number of renters in their 50s and 60s. This growth reflects the aging of baby-boomer renters (born 1946–1964) as well as declines in homeownership rates among this generation. While households in their 20s make up the single largest share, households aged 40 and over now account for a majority of all renters.

By income, the largest increase in renters—4.0 million—was among households earning less than $25,000 annually, both because low-income households are much more likely to rent and because their numbers had swelled following the recession. But growth in the number of renters earning $50,000 or more was nearly as large, at 3.3 million, including an increase of 1.6 million earning $100,000 or more. While such high-income households still represent a relatively small share of renters, the rate of growth in this segment has far outpaced that of other income groups and testifies to the growing appeal of renting among households with substantial financial means.

Meanwhile, single persons living alone, the most common renter household type, have accounted for 2.9 million new renters since 2005. Families with children, including those headed by both married couples and single parents, are the second-most common type of renter household, with their numbers increasing by 2.2 million over the decade. While the conventional image of renters is groups of young unrelated adults living together, these types of non-family households make up a relatively small share of all renters and their numbers have grown only modestly in the past 10 years.

THE DYNAMIC RENTAL HOUSING STOCK

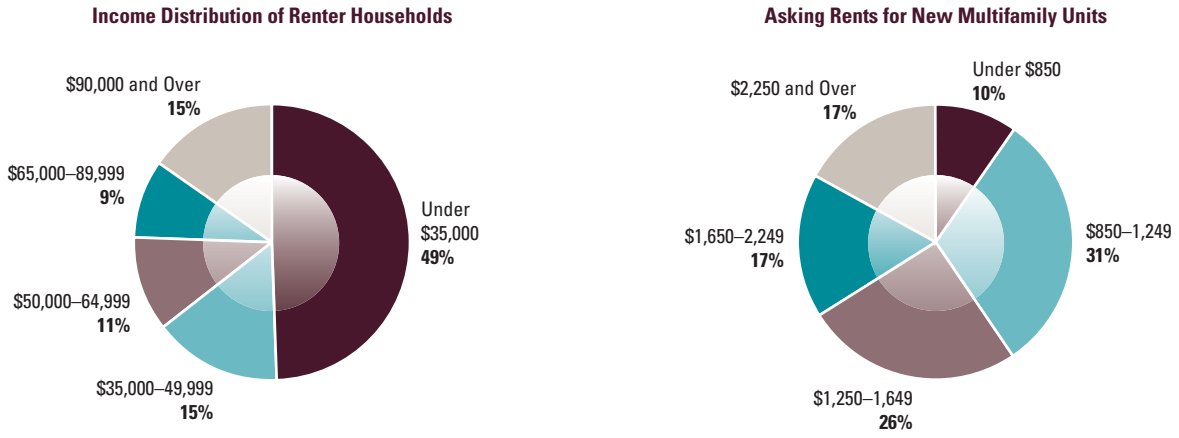
In response to record growth in demand, the rental housing stock expanded by approximately 8.2 million units in 2005–2015. While new multifamily construction was responsible for roughly a fifth of this increase, conversions of single-family homes from owner-occupancy and other uses accounted for the lion's share of growth.

While always a sizable portion of the rental stock, the single-family share (including mobile homes) has increased dramatically since 2005, from 34 percent to 40 percent. This growth is notable not only because it is so substantial, but also because institutional investors have taken a much more active role in this market than in the past. By creating large portfolios of homes across many markets, large-scale investors are testing the waters for a new model of owning and operating scattered-site properties that could expand the range of housing options available to renters.

To date, however, the total holdings of the seven largest single-family real estate investment trusts (REITs) are

FIGURE 2

Rents for New Multifamily Units Are Out of Reach for Most Renter Households



Note: Income category cutoffs align with rent category cutoffs at the 30% of income affordability standard.
Sources: US Census Bureau, 2015 Survey of Market Absorption and 2015 Current Population Survey.

estimated to be about 150,000 units, out of more than 12 million single-families rented nationally. Individual investors thus remain the principal owners of these properties. Moreover, growth in the number of single-family rentals appears to have slowed as house prices have rebounded, reducing the financial incentive that lured investors of all sizes into this market.

Meanwhile, new rental construction is ramping up. Through the third quarter of 2015, multifamily starts were on track to add roughly 400,000 housing units, with the vast majority intended for rent. Permitting for new multifamily units also continues to climb, up at a nearly 17 percent average annual rate through the third quarter of 2015. Much of this new housing is located in large properties in urban areas and intended for upper-income renters. In 2014, roughly half of all new rentals were in buildings with 50 or more units, double the share a decade ago. And nearly six out of ten new apartments are in the principal cities of metro areas, nearly twice the share of the population in these areas.

At the same time, the median asking rent for new market-rate apartments hit $1,372 last year, a 26 percent increase from 2012 and well above what the typical renter could afford under the 30-percent-of-income standard. Indeed, only 10 percent of newly constructed units had asking rents under $850, a level that about half of all renters could afford **(Figure 2).**

PRESSURES ON THE LOW-COST SUPPLY

For the roughly one in five renters earning less than $15,000 annually, rents would have to be under $400 to be affordable. Between 2003 and 2013, new construction added only 5 percent to the stock of housing renting at these levels, while conversions from owner-occupancy added just under 2 percent. Downward filtering of higher-cost units contributed 11 percent of the growth in the lowest-cost stock over the decade.

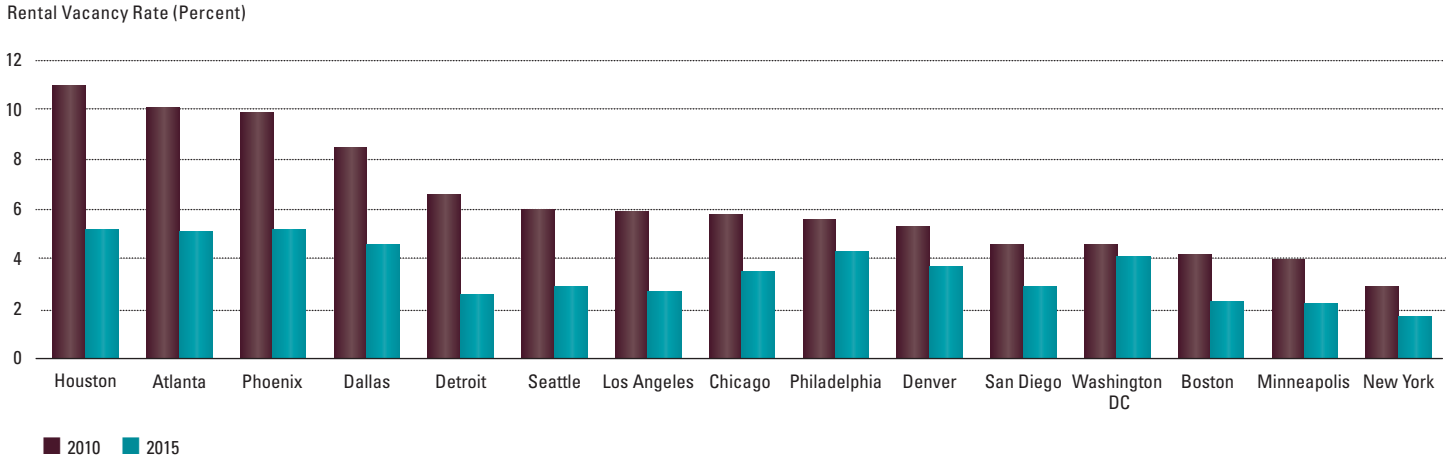
But because housing units with such low rents are vulnerable to deterioration and demolition, 11 percent of these rentals were permanently lost from the stock by 2013, offsetting the additions from filtering.

On net, the number of low-cost rental units increased just 10 percent in 2003–2013 while the number of low-income renter households competing for that housing rose by 40 percent. Similarly, the net gain in moderately priced units (with rents of $400–799) was 12 percent, while the increase in renter households that could afford only these units was 31 percent.

While filtering of housing to lower rent levels is an important mechanism for expanding the supply, it has not made up for the losses of low-cost rentals or matched the strong growth in low- and moderate-income renters. Moreover, strong rental demand among higher-income households is likely to slow the net filtering of units to lower rent levels.

FIGURE 3

Vacancy Rates Have Fallen Sharply in Markets Across the Country



Notes: Estimates are based on a sample of investment-grade properties. Data for 2010 are from the fourth quarter. Data for 2015 are as of the third quarter.
Source: JCHS tabulations of MPF Research data.

PERSISTENT MARKET TIGHTENING

After the Great Recession took hold in 2007, the national vacancy rate soared to record highs and, for the first time in decades, brought nominal rent increases to a near standstill in 2010. Since then, however, the rental market has steadily tightened as growth in demand has outpaced additions to supply. With vacancy rates now at their lowest point since 1985, rents are rising 3.5 percent annually in real terms—the fastest pace in nearly 30 years.

Rental market tightening is evident across the country **(Figure 3).** MPF Research reports that the rental vacancy rate for professionally managed apartments in the third quarter of 2015 was below 5 percent in nearly three-quarters of the nation's 50 largest markets and above 7 percent in only one. Rent increases are similarly widespread, with 21 of the 50 largest metros posting real gains of 5 percent or more, and 38 of these metros posting gains of at least 3 percent. At the high end, rents in San Francisco, Portland, and Denver were up 10 percent or more. At the low end, rent increases in Baltimore, Virginia Beach, Pittsburgh, and Washington, DC, were under 2 percent.

With vacancy rates down and rents up, net income from rental properties has increased sharply and helped to push up apartment property values. After undergoing a boom and bust similar in magnitude to single-family home prices, rental property values now top their previous high by 33 percent. This strong rebound has brought private lenders back into the multifamily finance market, with banks and thrifts leading the way. Lending by life insurance companies and other institutional investors, as well as through commercial mortgage backed securities (CMBS), has also picked up, helping to lift total multifamily originations in 2014 almost a third above the 2007 peak. With the increase in private lending, the government-backed share of originations shrank from nearly two-thirds in 2009 to 36 percent in 2014.

The multifamily construction boom raises the specter of overbuilding in at least some metro areas. So far, though, growth in supply in most markets seems generally in line with increases in occupied apartment units, although rent increases in Washington, DC—one of the first metros to see a strong rebound in construction—have slowed. And with the pipeline still expanding, the possibility of overbuilding in the next few years remains. Record-high rental property values also bear watching, since a sharp correction would be highly disruptive at a time when there is strong demand for multifamily financing.

AFFORDABILITY CHALLENGES AT RECORD LEVELS

Between 2001 and 2014, real rents rose 7 percent while household incomes fell by 9 percent. In combination, these trends pushed the number of cost-burdened renters (paying more than 30 percent of income for housing) up from 14.8 million to a new high of 21.3 million. Even worse, the number of these households with severe burdens (paying more than half of income for housing) jumped from 7.5 million to 11.4 million, also setting a record.

While the shares of cost-burdened renters have declined slightly from their 2011 peaks, this improvement resulted from an increase in the share of high-income households opting to rent rather than a reduction in the number of renters with cost burdens. Overall, 49 percent of renters were burdened in 2014, including 26 percent with severe burdens. Both of these shares have increased substantially since 2001, when they stood at 41 percent and 20 percent, respectively.

Although most common among lowest-income households, cost burdens are an increasing concern for moderate-income renters. Some 84 percent of renters earning under $15,000 a year were cost burdened in 2014, up slightly from 80 percent in 2001. Of these lowest-income households, 72 percent had severe burdens. Among those earning $15,000–29,999, however, the cost-burdened share rose from 69 percent in 2001 to 77 percent in 2014, with a 10 percentage-point increase in the incidence of severe burdens accounting for all of the change. The increase in cost-burdened shares among households earning $30,000–44,999 was even larger, from 37 percent to 48 percent, although only 10 percent of these households had severe burdens in 2014.

While very large shares of lowest-income households are cost-burdened in all markets, the situation of moderate-income households varies across metros. For example, about 85 percent of renters with incomes under $15,000 living in Detroit and 83 percent of those living in Washington, DC, have cost burdens. However, more than 80 percent of Washington renters earning $30,000–44,999 are also cost burdened, compared with 45 percent of Detroit renters with similar incomes **(Figure 4).**

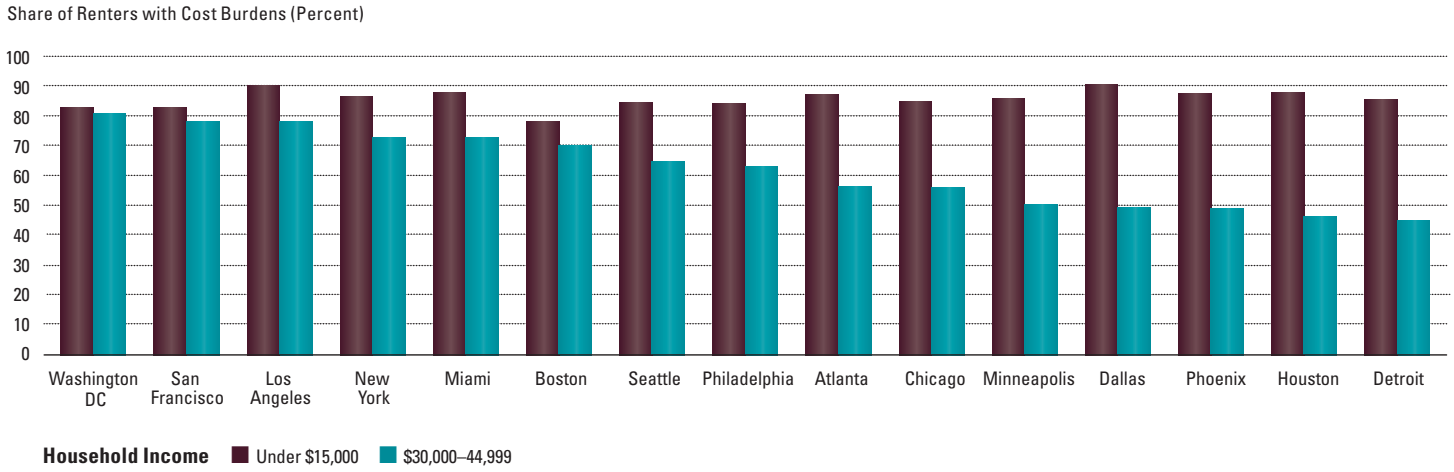
Meanwhile, the households most likely to be severely cost burdened have dependent children and/or rely on a single income, including 38 percent of single-parent families and 32 percent of persons living alone. By age group, renters aged 75 and over have the highest incidence of severe burdens, at 33 percent. Large shares of minorities are also severely burdened, including 33 percent of blacks and 30 percent of Hispanics, compared with 23 percent of whites.

The consequences of severe cost burdens are far-reaching. In 2014, households in the lowest expenditure quartile (a proxy for low income) who paid more than half their incomes for housing spent 38 percent less on food and 55 percent less on healthcare. Working-age renters in the lowest expenditure quartile also put 42 percent less toward retirement savings than otherwise similar renters living in affordable housing.

Moreover, one out of every eight housing units that rent for under $600 a month—within range for lowest-income rent-

FIGURE 4

While Most Lowest-Income Households Have Cost Burdens, the Cost-Burdened Share of Moderate-Income Renters Varies Widely Across Markets



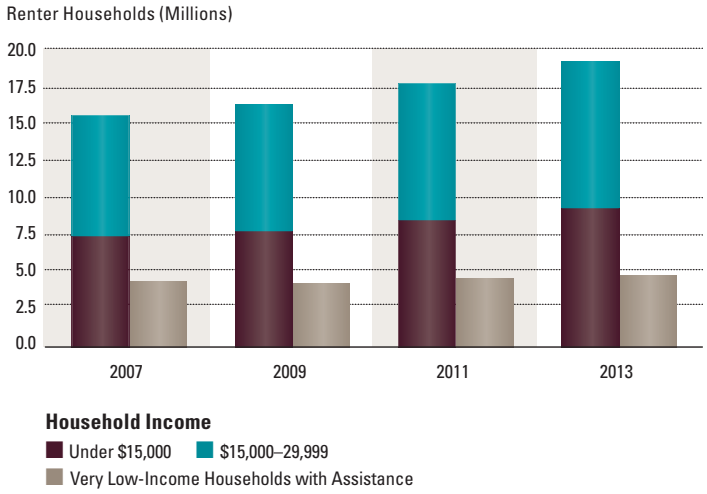
Notes: Cost-burdened households pay more than 30% of income for housing. Households with zero or negative income are assumed to have cost burdens, while households paying no cash rent are assumed to be without burdens.
Source: JCHS tabulations of US Census Bureau, 2014 American Community Survey.

ers—is physically inadequate, forcing a tradeoff between affordability and housing quality. There is also growing evidence that households lacking stable, decent-quality housing are more vulnerable to health problems and developmental delays among children, with obvious spillover effects for the healthcare and educational systems.

Given that the Great Recession contributed so profoundly to the spread of housing cost burdens, the question naturally arises whether the current economic recovery and rental housing expansion will ultimately improve affordability. Projections suggest that demographic forces alone are likely to increase the number of severely cost-burdened renters by 1.3 million over the next decade—due largely to rapid growth in the number of older households and Hispanic households. Even under the most optimistic economic conditions (assuming that incomes grow one percentage point faster than rents each year), the number of severely cost-burdened renters would decline by only 170,000 households by 2025. But if rent increases outpace income growth by that same amount, the number of cost-burdened renters would increase by some 3 million over today's record levels.

FIGURE 5

Growth in the Number of Lowest-Income Renters Far Outstrips Increases in Assisted Households



Notes: Household incomes are adjusted for inflation using the CPI-U for All Items. Household counts by income are based on three-year trailing averages. Very low-income renter households have incomes up to 50% of local area medians.

Sources: JCHS tabulations of US Census Bureau, Current Population Surveys; US Department of Housing and Urban Development, Worst Case Housing Needs Reports to Congress.

HOUSING POLICY CONSIDERATIONS

While program criteria differ, very low-income households (earning up to 50 percent of the median household income in the area where they live) are generally eligible for federal housing assistance. But because housing assistance is not an entitlement, just over one in four income-eligible households actually benefit from these programs.

Following the Great Recession, the number of renter households with incomes under $30,000 shot up from 15.5 million in 2007 to 19.1 million in 2013 **(Figure 5).** While the number of assisted families and individuals did rise over this period, the increase was a modest 393,000. The US Department of Housing and Urban Development (HUD) estimates that 56 percent of income-eligible but unassisted renters with very low incomes have worst case needs, i.e., pay more than half their incomes for housing and/or live in severely inadequate units. The number of renters living in these circumstances thus grew from 5.9 million to 7.7 million over this period.

The failure of housing assistance to keep up with need partly reflects the caps on nondefense discretionary spending imposed under the 2011 Budget Control Act, which have left real funding for HUD's three largest rental assistance programs unchanged since 2008. The Low Income Housing Tax Credit (LIHTC) program remains the principal means of both expanding and preserving the affordable rental supply. As a tax expenditure rather than a budget line item, LIHTC funding has not been subject to the same cutbacks as other federal programs and so has increased modestly over the last seven years. Still, the LIHTC program has supported only 76,000 additional affordable units annually on average in recent years, with about half of its funding going to acquisition and rehabilitation of existing subsidized developments and half to new construction.

The HOME program, which funds a range of state and local housing programs, has been subject to draconian cuts, with funding down by more than half from FY2010 to FY2015 in real terms. The latest Congressional budget proposals call for further substantial reductions. Since HOME funding is often used in conjunction with tax credits to help subsidize housing for very low-income households, these cutbacks also undermine the LIHTC program's ability to support development and preservation of affordable rentals.

Despite its success over the years, the LIHTC program has been criticized for its relatively shallow subsidies, which do not produce housing affordable to the neediest households

(earning up to 30 percent of area median incomes) without additional rental assistance. To meet this concern, HUD and others have proposed that the LIHTC program allow income averaging that would balance the portion of units reserved for extremely low-income tenants with a larger share for slightly higher-income tenants. This approach holds promise for addressing the need for affordable housing across a broader spectrum of incomes in high-cost markets.

The LIHTC program has also come under scrutiny for contributing to the concentration of assisted housing in racially segregated, high-poverty neighborhoods. However, larger subsidies are needed to develop affordable housing in areas with higher land costs. In addition, the LIHTC program must balance the goal of expanding housing in communities that are thriving against the goal of improving conditions in poor neighborhoods. Nevertheless, state allocating agencies must be more attuned to opportunities to expand access to affordable housing in low-poverty communities, particularly through the incentives and criteria outlined in their Qualified Allocation Plans.

The tax credits have also been an important vehicle for preserving subsidized rentals at risk of conversion to market-rate housing. The Urban Institute has estimated that one out of every six assisted housing units whose subsidy contracts expire in the next two years are in areas with poverty rates under 10 percent, while another quarter are in neighborhoods with poverty rates of 10–20 percent. Preserving the affordability of these developments would be a cost-effective means of maintaining housing options for low-income renters in higher-opportunity neighborhoods.

Along with tax credits, housing choice vouchers have been the principal vehicle for expanding housing assistance in recent decades. Vouchers allow recipients to search for housing among the broad range of choices offered by the private rental stock. As with the LIHTC program, however, voucher holders often end up living in high-poverty neighborhoods for a variety of reasons—the barriers to searching for housing across many neighborhoods, landlords' reluctance to accept vouchers, users' poor credit histories and limited savings for security deposits, and the tight supply and higher cost of housing in higher-income neighborhoods. A HUD pilot program that sets rent limits at the zip code level (rather than applying one limit throughout a metro area) has had success in fostering moves away from high-poverty areas. Counseling voucher users about rental opportunities would also be useful, as would offering landlords greater incentives to participate in the program.

While additional federal funding is vital, state and local governments have critical roles to play because they make key decisions about how funds are put to use. Nonfederal revenues can also be used for gap financing to extend the reach of federal programs. Perhaps most important, though, state and local governments establish the land use regulations that shape the opportunities for and costs of building different types of rental housing. As it is, many suburban areas restrict the construction of higher-density, and therefore lower-cost, housing. It is absolutely essential to remove unnecessary obstacles that prevent the private sector from providing a full range of rental housing options in all types of communities.

THE OUTLOOK

The increase in renting is evident across all types of American households, regardless of age and income. Despite the conversion of millions of single-family homes to rentals and an upsurge in multifamily construction, the supply has not responded fully to the rising tide of demand. As a result, rents have climbed at the same time that household incomes have yet to recover from substantial declines over the past decade. Together these trends have led to record numbers of renters paying excessive amounts of income for housing, with little prospect for meaningful improvement.

The challenge now facing the country is to ensure that a sufficient and appropriate supply of rental housing is available for a diversity of households and in a diversity of locations. While the private market has proven capable of expanding the higher-end rental stock, developers have only limited opportunities to meet the needs of lowest-income households without subsidies that close the large gap between construction costs and what these renters can afford to pay. In many high-cost markets, moderate-income households face affordability challenges as well.

Policymakers urgently need to consider the extent and form of housing assistance that can stem the rapid growth in cost-burdened households. Beyond affordability, they also need to promote development of a wider range of housing options so that more renter households can find homes that suit their needs and in communities offering good schools and access to jobs. It will take concerted efforts by all levels of government to capitalize on the capabilities of the private and not-for-profit sectors to reach this goal.

RENTAL HOUSING DEMAND

Demand for rental housing continues to surge, driven by a combination of demographic, economic, and lifecycle trends. As millennials and immigrants form millions of new households, they are increasing the diversity of demand. At the same time, rentership rates among gen-Xers and baby boomers are also rising, changing the traditional profile of the renter population. With homeownership rates already at historic lows, however, the pace of renter household growth is likely to slow.

GROWTH IN RENTER HOUSEHOLDS

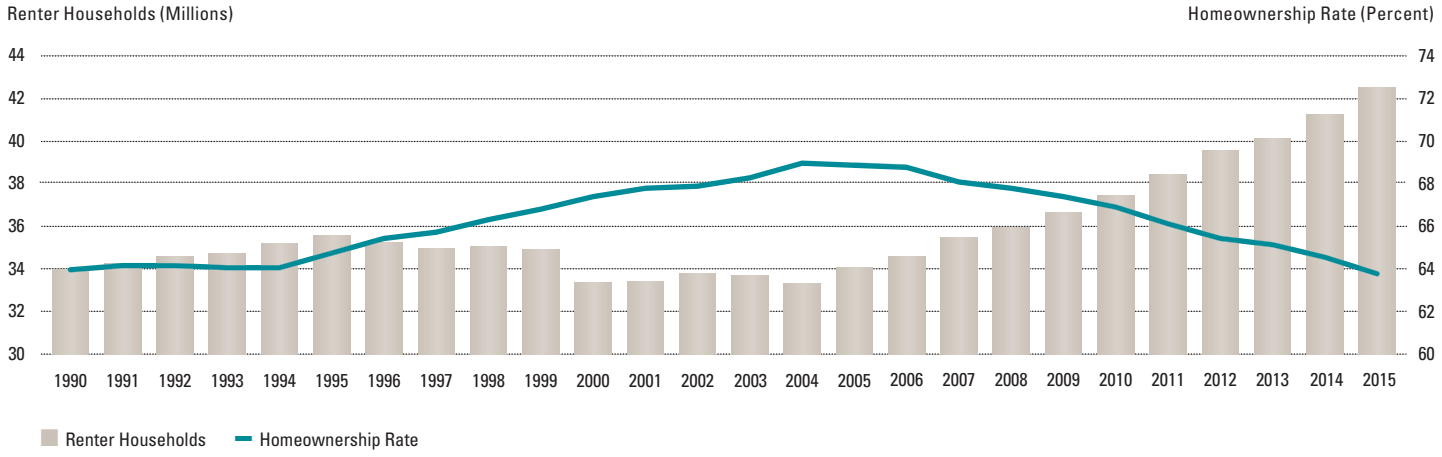
The number of renter households has climbed steadily for a decade **(Figure 6).** As measured by the Housing Vacancy Survey, renter growth soared by roughly 9 million households between 2005 and the third quarter of 2015—marking the largest increase over any 10-year period dating back to 1965 and bringing the total number of renters to 42.6 million. And with growth accelerating in recent years, the 2010s are on track to be the strongest decade of renter growth ever recorded, with the addition of 1.05 million net new households per year so far. This is nearly double the pace of growth in the 1970s when the baby boomers came of age.

Renting has increased among all age groups, household types, and income groups. Population growth on both ends of the age spectrum has driven up the numbers of both younger and older renters, while significant declines in homeownership rates have lifted the number of middle-aged renters. As a result, the number of renter households aged 50 and over jumped from 10 million to 15 million, accounting for more than half of renter growth over the decade. The number of middle-aged renters 30–49 years old climbed from 15 million to 18 million, contributing a third of the growth in renters. At the other end of the age distribution, the number of renter households under 30 years old rose from 10 million to 11 million, representing about 11 percent of renter growth in 2005–2015.

With the aging of the population, single persons and married couples without dependent children made up large shares of renter household growth over the decade (33 percent and 18 percent, respectively). The number of renter households with children, including married couples and single-parent families, also accounted for a combined 25 percent of renter growth. And unlike in the 1990s and early 2000s when foreign-born and minority households drove all of the increase in renter households, native-born whites were responsible for 34 percent of growth in 2005–2015. Even so, foreign-born and minority households still contributed nearly two-thirds of renter household growth—foreign-born households were responsible

FIGURE 6

Renter Household Growth Has Surged with the Drop in Homeownership

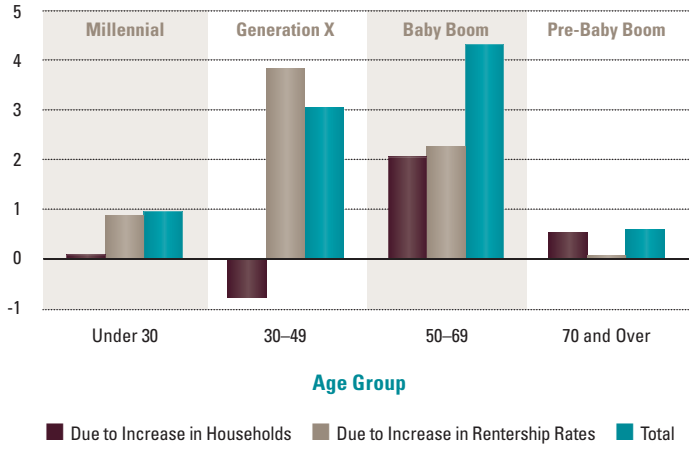


Note: Data for 2015 are as of the third quarter.
Source: US Census Bureau, Housing Vacancy Surveys.

FIGURE 7

Gen-Xers and Baby Boomers Have Driven Most of the Recent Growth in Renter Households

Renter Household Growth, 2005–15 (Millions)



Note: Growth estimates are based on annual data that are three-year trailing averages.
Source: JCHS tabulations of US Census Bureau, Current Population Surveys.

for 23 percent while native-born minorities accounted for 43 percent. Among all minorities, Hispanics had the highest share, accounting for 29 percent of renter growth over the decade.

In another departure from previous trends, growth in renter households in 2005–2015 occurred across all income groups rather than primarily among those with lower incomes. In fact, growth was distributed about evenly across income groups, thanks in part to rapid increases among higher-income households. Indeed, the number of renters in the top income decile rose fully 61 percent—far faster than the growth rates among renter households in the bottom five income deciles.

DYNAMICS OF GROWTH

Several of the trends behind the recent growth in renters are playing out differently along generational lines **(Figure 7).** Millennials (born 1985–2004) are coming of age in record numbers, boosting the ranks of adults in their 20s—the prime ages for renting. Meanwhile, members of generation X are remaining renters longer, pushing up the rates for 30–49 year olds. And finally, the baby boomers are driving up the population aged 50 and over, while also renting at higher rates than the previous generation.

Among millennials, population growth is the major factor. Today, 45 million members of this generation are in their 20s, fully 2 million more than when the baby boomers were similarly aged. This is the stage in life when young adults typically form independent households and the share living on their own rises from about one in seven to one in two.

But even though the millennials formed 11 million new renter households over the past decade, the number of renters in the under-30 age group increased by only 1 million. The impact of the millennials on rental markets would have been even larger, if not for the sharp drop in their household forma-

tion rates following the Great Recession. Indeed, many young adults who would otherwise have become renters continued to live in their parents' homes or with others. As a result, while the number of adults aged 20–29 jumped 11 percent over the past decade, the number of households headed by adults in this age group rose only 2 percent. If household formation rates had remained constant, population growth would have added another 1 million renter households in this age group.

In contrast, growth in the number of renters aged 30–49 resulted entirely from higher rentership rates. In fact, the number of households in this age range actually declined over the past 10 years as the larger baby-boom generation moved into their 50s. The fact that 30–49 year-olds accounted for such a large share of renter household growth reflects the nearly 10 percentage-point decline in their homeownership rates in 2005–2015. On net, less than 2 percent of gen-X households made the transition from renting to owning over the decade. By comparison, more than 11 percent of baby-boomer households became homeowners when they were at a similar stage of life in 1984–1994. As a result, there are more than 3.0 million more renters in their 30s and 40s today than a decade ago, even though there are fewer households in this age group.

Although declines in homeownership rates also helped to drive growth in the number of renters aged 50 and over, population growth accounted for more than half of the boost in renting among this age group. With the youngest baby boomers turning 50 over the last decade, this age group made up fully 5 million of the 9 million increase in the number of renters.

Given that the likelihood of an own-to-rent transition increases with age while the likelihood of a rent-to-own transition declines with age, today's relatively high rentership rates among households in their 40s and 50s may well persist. Research suggests, however, that former homeowners that rent frequently return to owning. As a result, some of today's older renters may buy homes in the future. For younger households, though, the question remains whether there is a true cultural shift away from homeowning or, if incomes and credit conditions improve, whether their homeownership rates will eventually catch up with those of previous generations.

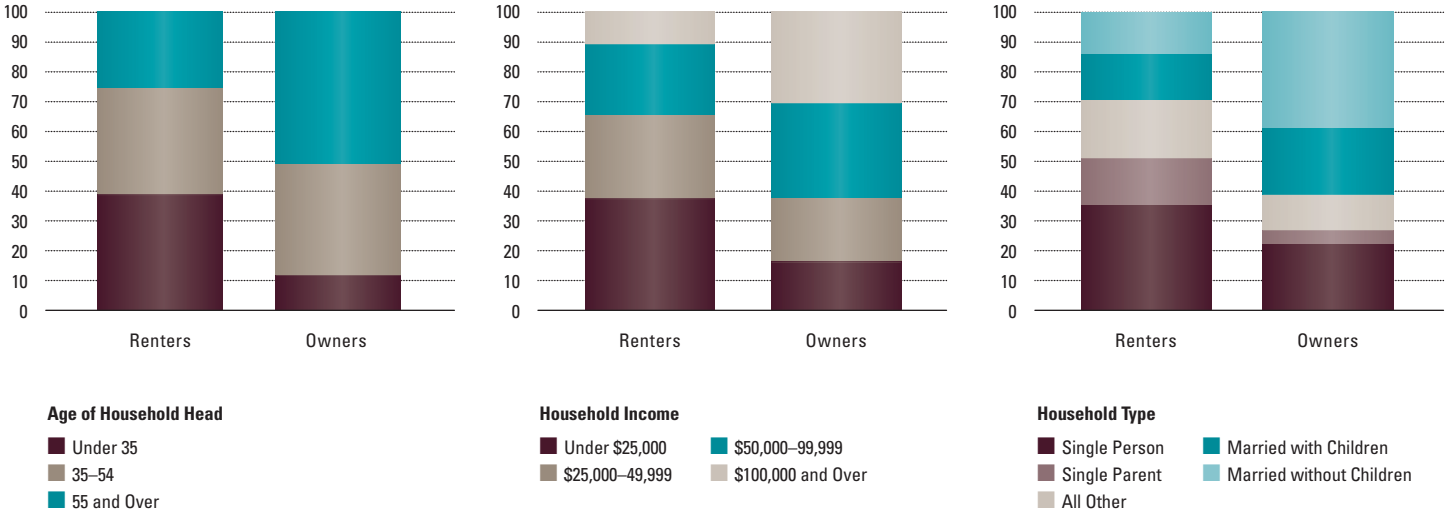
DEMOGRAPHIC PROFILE OF RENTERS

Representing well over a third of all US households, renters are a highly diverse group with constantly evolving demographic characteristics. But renters differ somewhat from homeowners in certain ways **(Figure 8).** For instance, given that renting is generally the first step toward independent living, renter households are generally younger than owners,

FIGURE 8

Renters Reflect the Diversity of US Households, But Are More Likely than Owners to be Young, Low-Income, and Single

Share of Households (Percent)



Note: Estimates are based on annual data that are three-year trailing averages and define children as under age 18 only.
Source: JCHS tabulations of US Census Bureau, 2013–15 Current Population Surveys.

with a median age of 40 compared with 55. In addition, just under half of renters are minorities, compared with less than a quarter of homeowners. Nationwide, black and Hispanic households each account for about 20 percent of renters, compared with just 8–9 percent of homeowners.

Households that rent are also more likely to have lower incomes than those that own their homes. According to the 2015 Current Population Survey, the median income for renters was $35,000—about half of the $67,900 median income for homeowners. Renters make up 56 percent of all households in the bottom income quartile and just 17 percent of those in the top income quartile. The fact that renters tend to be younger explains part of this disparity, although the gap remains even after controlling for age.

Finally, renter households are smaller on average than owner households. Renting is often a good option for these households, given their generally lower incomes and more modest space needs. Single persons living alone make up 35 percent of renter households, while single-parent families account for another 16 percent. Despite their higher homeownership rates, married couples with children represent one in seven renter households. Indeed, households that include children make up an even larger share of renters (31 percent) than owners (27 percent). All in all, about a third of renter households are single persons, a third are families with children, and a third are couples without children and individuals sharing living quarters.

RENTING OVER THE LIFE CYCLE

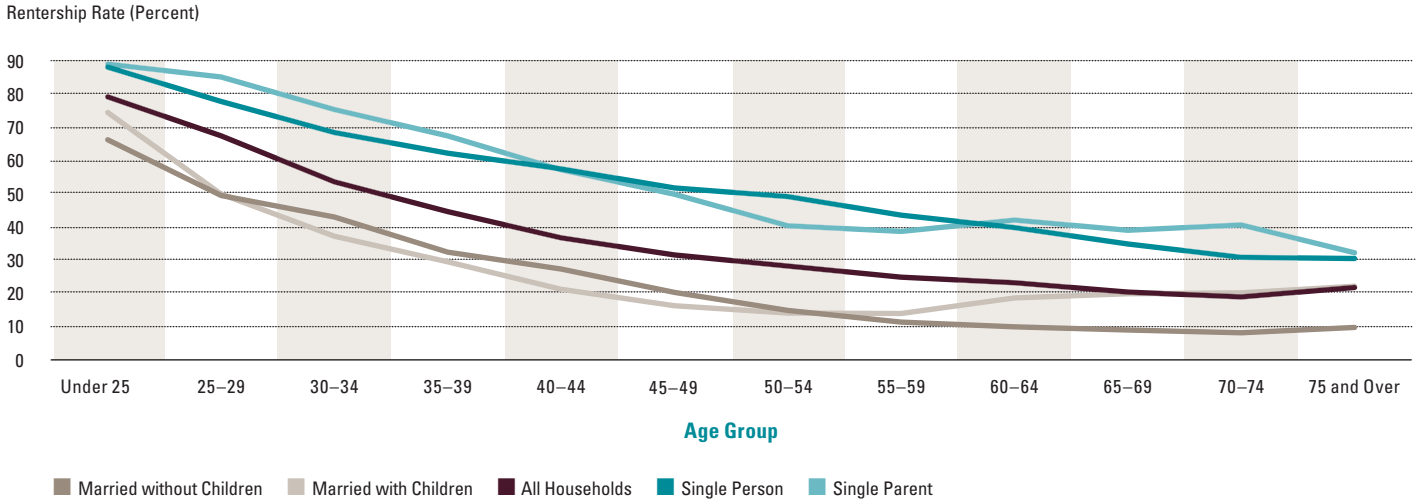
Differences in rentership rates by age, income, household type, and other characteristics generally correspond with changes in housing needs over time. For young adults, renting can be a short-term commitment that provides flexibility during a highly mobile stage of life. It may also be a relatively affordable housing option during their student years or early in their careers, especially if they live in high-cost areas and are single. As a result, young households typically rent smaller units and are somewhat more apt to live in large multifamily buildings in urban centers.

As they age into their 30s, 40s, and 50s, adults often become homeowners once they get married, have children, or become established in their careers. But many households at this stage of life continue to rent their housing **(Figure 9).** Given their need for more space or perhaps better schools, renter households with children tend to live in single-family homes in suburban neighborhoods.

Middle-aged households that continue to rent do so for different reasons depending on their incomes. According to the

FIGURE 9

Renting Remains an Important Housing Option Throughout the Life Cycle



Note: Estimates are based on annual data that are three-year trailing averages and define children as under age 18 only.
Source: JCHS tabulations of US Census Bureau, 2013–15 Current Population Surveys.

Fannie Mae National Housing Survey, households earning more than $100,000 often choose to rent because it provides flexibility and involves less stress for upkeep than owning. In contrast, those with incomes below $25,000 rent because it is affordable and/or because they are preparing to buy.

By the time they reach their 60s, homeowners may make the transition to renting when they are no longer able or willing to dedicate time and effort to home maintenance. And by age 75, when the chances of having a disability and of living alone increase, rentals can provide single-floor living and other accessibility features that make it possible to age safely in place. For these reasons, increasing shares of renters in the oldest age groups live in large multifamily buildings with elevators and other amenities, typically in urban areas.

RENTER MOBILITY AND STABILITY

One advantage of renting is the lower cost of moving. Without the challenge and expense of selling one home and buying another, renters are more able to take advantage of job opportunities in new locations or respond to changes in their finances or neighborhood conditions. Renting particularly benefits those needing time-limited living arrangements, such as those with short-term work assignments (a rapidly growing segment of the job market) and those getting to know a new area before investing in homes. Indeed, renters of all ages and incomes are much more apt to relocate than owners.

But as a society, the US population has become less mobile over the last few decades. While part of this decline reflects the overall aging of the population (given that people move less often as they grow older), the sharpest drop in mobility rates has been among younger adults **(Figure 10).** In fact, millennials are the least footloose group of young adults in recent history. A possible explanation for this trend is that job opportunities—particularly in service industries—vary less geographically than in the past, thus reducing the migration of workers across markets or regions. In addition, the increase in two-worker households makes relocating more difficult, while innovations in communications technology have made it easier to work remotely rather than move closer to a job.

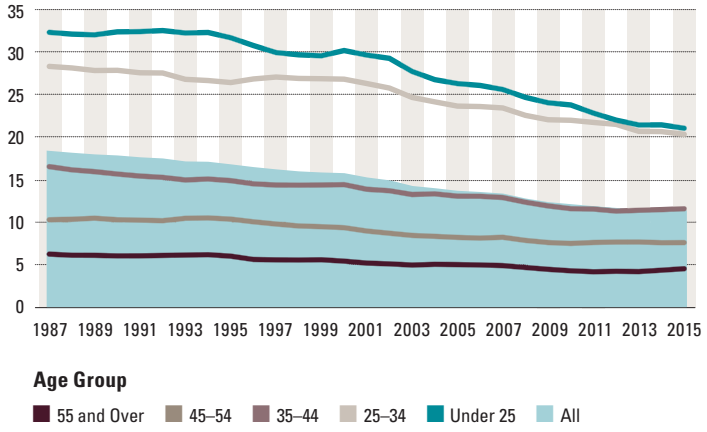
For some households, greater residential stability may be a positive trend. Recent research has shown that frequent moves—whether voluntary or forced—are associated with adverse health outcomes, particularly for low-income families. For example, an analysis of survey data collected by Children's HealthWatch found that children who had moved two or more times in the previous year were more likely than otherwise similar children to be in fair or poor health and also to be at risk of developmental delays.

Low-income renters are likely to face the highest rates of housing instability and evictions. As the Survey of Consumer Finances reports, these households had median cash savings of just $550 in 2013 to weather the spells of unemployment that low-wage workers frequently experience. And as other recent research has shown, forced evictions disproportionately affect single mothers, women overall, and minorities, resulting in recurring bouts of homelessness. To the extent that it reflects greater housing stability, the nationwide decline in residential mobility may benefit these households in particular.

FIGURE 10

Mobility Rates Have Been Falling, Especially Among Younger Adults

Share of Adults That Moved in the Previous 12 Months (Percent)



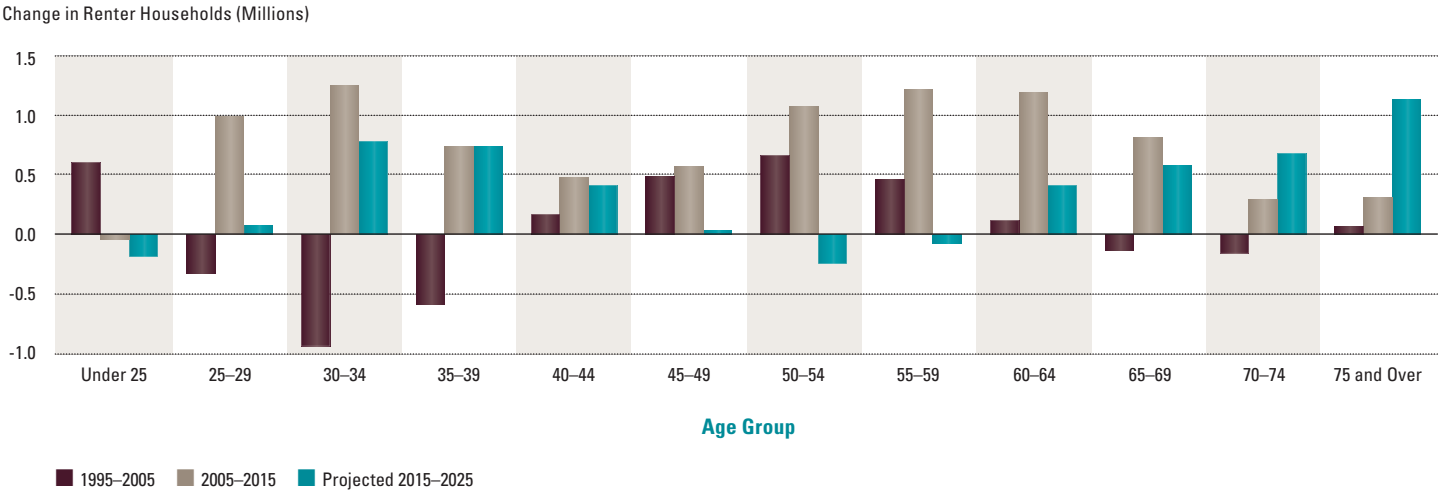
Note: Estimates are based on annual data that are three-year trailing averages and include adults aged 18 and over only.
Source: JCHS tabulations of US Census Bureau, Current Population Surveys.

THE OUTLOOK

Three major demographic trends will shape rental housing demand over the next 10 years. First, the aging of the millennial generation will continue to boost the number of new renter households **(Figure 11).** Millennials under age 30 currently make up 11.3 million renter households, and half of the members of this generation are still in their teens. Over the coming decade and barring any change in homeownership rates, the number of millennial renters will double to 22.6 million and the subsequent generation will add another 500,000 new households to the ranks of renters.

FIGURE 11

Even Without Further Homeownership Rate Declines, Demographics Will Drive Up the Number of Renter Households Over the Next 10 Years



Notes: Projected renter growth assumes homeownership rates by age, race, and household type remain at their averages in 2014–2015.
Historical growth rates are based on annual data that are three-year trailing averages.
Sources: JCHS tabulations of US Census Bureau, Current Population Surveys; 2013 JCHS household growth projections.

The second trend supporting strong rental demand is the growing minority share of households. Strong immigration both past and present means that minorities will contribute more than three-quarters of household growth in 2015–2025. Hispanics alone should account for 40 percent of the increase. Given the persistently large gap between white and minority homeownership rates, growth in the minority share of households may boost demand for rental housing.

The third demographic trend is the movement of the baby-boom generation into the 70-and-over age group, significantly increasing the number of senior renters. Over the coming decade, most of these older renters will simply be aging in place. But as the baby boomers begin to reach their 70s in 2015–2025, some of the growth in renter households will come from older homeowners making the transition to rental housing in order to accommodate their changing needs for accessibility.

Other social and economic forces will shape future rental demand as well. With across-the-board declines in homeownership rates and delays in major life events such as education, career advancement, marriage, and parenthood, more households of all types are renting their housing. High student debt, damaged credit, and limited availability of mortgage financing are also reducing the demand for homeownership. Furthermore, longer-term structural shifts in the economy may play a role in increasing rental demand, such as growth in lower-wage service jobs and declines in higher-wage production jobs. While some of these conditions are tied to the economic downturn and may be temporary, others may persist.

Given that homeownership rates for most age groups are now at historic lows, however, renter household growth will almost certainly slow from its current torrid pace. Even so, JCHS household projections suggest that growth in the adult population alone will be enough to drive the addition of more than 4.4 million renter households by 2025.

RENTAL HOUSING SUPPLY

Rental housing is diverse, located in a range of building types across metropolitan areas. Since the housing market crash, conversions of owner-occupied single-family homes to rentals have accounted for much of the growth in the stock. With new multifamily construction serving the high end of the market and stock losses concentrated at the low end, the supply of rentals affordable to lower- and moderate-income households remains tight. Meanwhile, demographic shifts are driving up the need for a greater variety of low-cost rental options.

COMPOSITION OF THE STOCK

As of 2013, fully 61 percent of the nation's 44 million rental units were in multifamily buildings. Nearly a fifth of all rentals were in small structures with 2–4 units and a quarter in mid-sized buildings with 5–19 units. Contrary to popular perceptions, large rental buildings (with 20 or more units) accounted for only 18 percent of the overall stock and just 25 percent of the rental supply in central cities **(Figure 12).**

The remainder are single-family homes. The single-family share of the stock has risen steadily since the housing market crash resulted in the conversion of millions of owner-occupied homes to rentals. Early in the crisis, owners often opted to rent their homes rather than sell in a depressed market; later in the downturn, many homes were converted to rentals after foreclosure.

While more than 40 percent of single-family rentals are located in the suburbs, a third are in central cities. Indeed, they account for a slightly larger share (27 percent) of the rental stock in central cities than units in large multifamily buildings with 20 or more units. Nearly a quarter of single-family rentals are located in rural areas. Mobile homes make up just 4 percent of the total rental stock, and are predominantly located in suburban and non-metropolitan areas. They are most commonly found in the South, where they account for 7 percent of the rental stock, compared with 2 percent in other regions of the country.

Units that are older and those in smaller buildings are typically less expensive than rentals in large multifamily buildings. More than a third (38 percent) of apartments in buildings with 2–4 units rent for less than $600 a month. In sharp contrast, 27 percent of units located in buildings with 50 or more units charge rents this low.

Meanwhile, single-family homes serve a wide range of the market, accounting for 37 percent of all unassisted units renting for less than $400 a month, but also having among the highest median rents of any structure type. This is particularly true in suburban areas, where 64 percent of single-family homes rent for $800 or more per month. In general, however, most lowest-cost single-family rentals are outside of central cities, with 42 percent of units renting for less than $400 a month located in non-metro areas, 27 percent in the suburbs, and 30 percent in central cities.

RENTAL PROPERTY OWNERSHIP

Ownership of rental properties is fragmented. National Multifamily Housing Council data indicate that the 10 largest investors owned about 6.3 percent of rentals in structures with five or more units in 2014 (1.3 million units), while the 50 largest investors owned about 13.8 percent (2.8 million units). Although ownership of this segment of the rental stock is more concentrated than other segments, it is still fairly decentralized and highly competitive, with no single company owning more than 1.3 percent of all apartments.

Owners of smaller multifamily properties are primarily individuals and trusts. Indeed, individuals and trusts own 87 percent of rental properties with 2–4 units and 62 percent of properties with 5–24 units. According to the 2001 Residential Finance Survey, individuals also owned 83 percent of all single-family rentals. More recent Survey of Consumer Finances data suggest that this pattern continued even after the foreclosure crisis brought more institutional investors into the market. Between 2001 and 2013, the number of US households holding residential real estate in addition to their primary homes and reporting other business income (a proxy for rental property ownership) increased by 2.6 million, to 5.6 million.

Meanwhile, a 2015 Moody's Analytics report notes that the seven largest single-family real estate investment trusts (REITs) own close to 150,000 single-family rentals. While these companies are the main players in this market, they collectively own only a small share of single-family rental properties.

AGE AND CONDITION OF THE STOCK

The smallest multifamily rental buildings (2–4 units) are typically the oldest, with a median age of 53 years. By comparison, buildings with at least five units have a median age of 38 years. Indeed, 29 percent of multifamily structures with 2–4 units were built before 1940, compared with just 15 percent of buildings with 20–49 units and 11 percent of buildings with 50 or more units. With new construction focused primarily on larger buildings, only 4 percent of apartments in buildings with 2–4 units were built in 2003 and later.

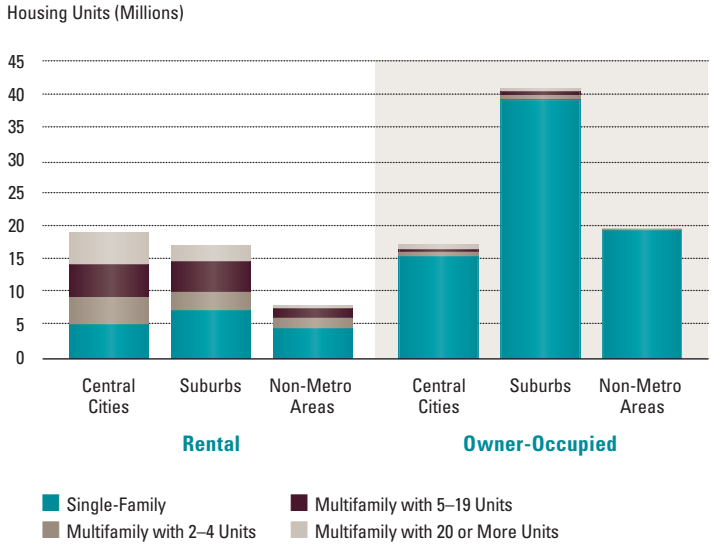
On the single-family side, the median age of detached rental homes is 53 years, while that of attached rental homes is 38 years. Owner-occupied units are much newer, with a median age of 43 years for single-family detached homes and 33 years for single-family attached units. Mobile homes are among the newest rentals, with a median age of 33 years.

The rental stock is generally in good condition, with only 3 percent considered severely inadequate and another 6 percent categorized as moderately inadequate. More than six out of 10 inadequate units were built either before 1940 or during the multifamily construction boom in 1960–1979. Apartments in buildings with under 10 units account for 35 percent of severely inadequate rentals, while detached single-family rentals account for 24 percent. More than half of the nation's severely inadequate rental housing is located in central cities.

Lower-cost rentals are more apt to be inadequate, with 12 percent of units renting for less than $400 a month having

FIGURE 12

The Rental Stock Provides Diverse Housing Options



Notes: Estimates include vacant units for rent, rented but unoccupied, for sale, and sold but unoccupied. Single-family homes include mobile homes.
Source: JCHS tabulations of US Department of Housing and Urban Development, 2013 American Housing Survey.

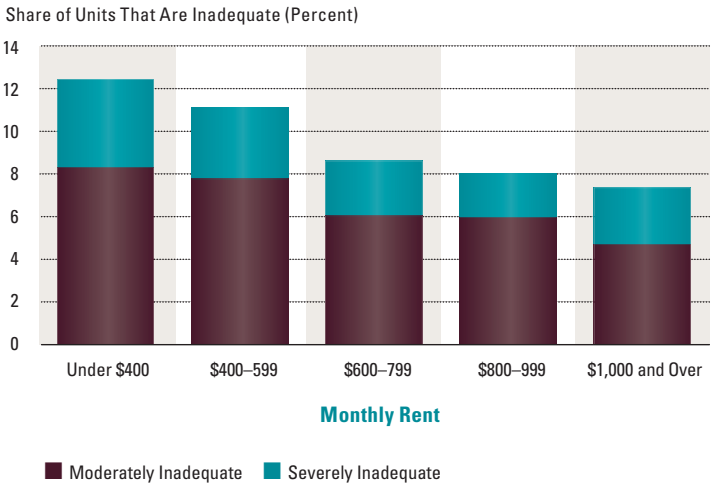
structural or maintenance problems compared with 7 percent of units renting for at least $1,000 a month **(Figure 13).** Inadequacy problems are also more common in low-cost unsubsidized units than in rentals with some form of federal assistance. The exception is public housing, where the units are in greater disrepair than all other types of occupied rentals. In 2013, over half of occupied public housing units experienced three or more heating equipment breakdowns lasting at least six hours, and 13 percent of units had water leaks due to equipment failures within the previous 12 months. Heating equipment failures were also relatively common in voucher-assisted units in 2013, affecting 38 percent of these rentals.

LONGER-TERM DYNAMICS

Over time, the rental housing stock can undergo profound changes as units are added through new construction and conversions of existing structures from other uses, while other units are lost to demolitions and conversions to other uses. In addition, the availability of housing at different rents also constantly evolves as some units filter down to lower levels as they age or because of declines in demand, while others move up the rent scale due to upgrades and increases in demand.

FIGURE 13

Lowest-Cost Rentals Are Most Likely to Have Major Quality Issues



Notes: Estimates exclude vacant units, no-cash rentals, and other rentals where rent is not paid monthly. Inadequate units lack complete bathrooms, running water, electricity, or have other indicators of major disrepair. For a complete definition, see HUD Codebook for the American Housing Survey, Public Use File.
Source: JCHS tabulations of US Department of Housing and Urban Development, 2013 American Housing Survey.

Over the past decade, much of the growth in the rental housing stock came from conversions of owner-occupied and for-sale units to rentals. According to the American Housing Survey, there was a net gain of 3.8 million rental units converted from the owner-occupied stock between 2003 and 2013, including 3.0 million single-family detached units and 700,000 units in other types of small structures (attached single-families, mobile homes, and buildings with 2–4 apartments). Consistent with this finding, a 2011 HUD report found that attached, smaller, and older units—as well as those located in central cities—are most likely to transition to the rental market.

Meanwhile, new construction intended for renter occupancy totaled 2.2 million over the same period, with most located in larger buildings. The American Housing Survey indicates that buildings with 20 or more units accounted for 49 percent of all multifamily rentals built between 2003 and 2013, while small buildings with 2–4 units represented just 16 percent.

The median monthly rent of housing built over the decade, at $950, is close to that of all rentals. The most affordable new rentals are in smaller structures, with typical rents in buildings with 2–4 apartments considerably lower at $765. At the other end of the spectrum, rentals in the largest multifamily buildings have the highest rents, with a median of $1,290. Overall, only about a third of newly constructed housing rented for under $800 in 2013.

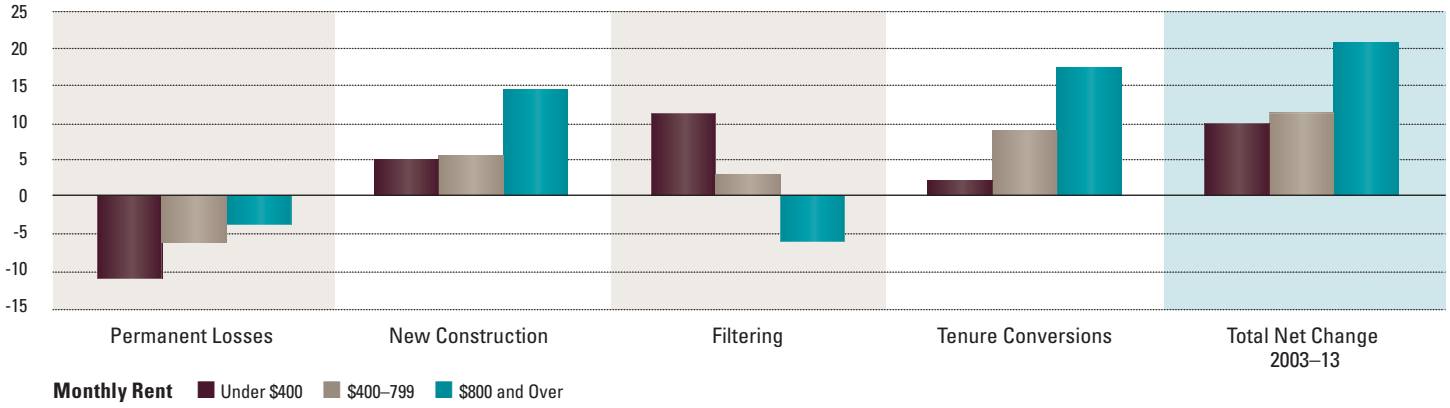
With new construction more likely to add housing at the middle and upper ends of the rent spectrum, filtering is responsible for most of the gains in the affordable supply. In 2013, downward filtering of higher-cost housing had increased the number of units renting for less than $400 by 11 percent from the level in 2003 **(Figure 14).** At the same time, though, these gains were offset by a similar share of lowest-cost rentals that were permanently removed from the stock. And while conversions of housing from the owner-occupied stock made important contributions to the overall rental supply, relatively few of these units were at the lowest rent level. Factoring in additions from other sources, the total number of units renting for under $400 in real terms grew by only 10 percent over the decade.

Meanwhile, with somewhat lower permanent loss rates and larger increases driven by tenure conversions, the moderate-cost stock (with rents of $400–799) expanded by 12 percent in 2003–2013. In both of these market segments, the growth in supply was outstripped by increases in the numbers of renter households for which this housing would be affordable.

FIGURE 14

While Filtering Helps to Replenish the Supply, Affordable Units Are Often Lost to Upgrading

Gains and Losses as Shares of the 2003 Stock (Percent)



Notes: Estimates include only units with cash rent reported. Included in total net change but not shown separately are conversions to and from other uses, such as seasonal and non-residential.
Source: JCHS tabulations of US Department of Housing and Urban Development, 2003-2013 American Housing Surveys.

THE HIGH COSTS OF DEVELOPMENT

Since filtering does not adequately address the growing gap between demand for lower-cost units and the existing supply, new construction is necessary to help meet part of the shortfall. Rental housing developers, however, face a variety of regulatory and financing obstacles that limit their ability to add significantly to the lower-cost stock.

Producing rental units at the price that the median renter can afford ($875) is difficult. Local land use regulations often restrict the area available for multifamily development, particularly in suburbs, which can increase the competition for available sites and raise land costs. Parcel assemblage and acquisition are also costly in locales where demand for market-rate rentals is strong. In addition, development economics rest heavily on allowable densities, but local zoning restrictions often limit the number of units in multifamily developments. This raises per-unit construction costs and ultimately the rents that developers must charge to be profitable.

Zoning review is an issue as well. While common for larger projects, discretionary reviews are sometimes required even for small multifamily developments. The conditions imposed during this process can increase per-unit costs; they also add uncertainty, further raising costs. Moreover, construction costs for structures with two or more units are already high, topping $100,000 per unit on average in eight of the last ten years. In high-cost markets, per-unit construction costs can be several times that national average. As a result, development increasingly focuses on the upper end of the market where the higher rents can cover the debt service associated with acquisition and construction.

Government subsidies to help address high rental housing development costs are limited. The Low Income Housing Tax Credit program, the main mechanism for subsidizing affordable development, is by itself insufficient, forcing developers to layer multiple subsidies to keep rents affordable. The complexity and requirements of these layered subsidies also add to costs. In addition, declining tax credit rates have reduced the amount of equity available for affordable housing development.

Meanwhile, the HOME program, another important source of affordable housing subsidies, has been cut by more than half since FY2010 and further reductions are on the table. According to a 2014 National Low Income Housing Coalition survey of over 200 affordable housing developers, HOME was the most commonly used subsidy program, with three-quarters of survey respondents noting that they had used HOME funds to subsidize affordable units.

NEED FOR MORE DIVERSE UNIT SIZES

With the number of one- and two-person households on the rise, demand for smaller, lower-cost rental units is increas-

ing. "Micro" units are one solution that is gaining traction. These units, often just a few hundred square feet in size, are generally targeted to younger professionals willing to trade off space for location, but they may have appeal for older single-person and two-person households as well. Since land use regulations often pose impediments to construction of these small units, several cities are experimenting with regulatory relief, including reduced parking requirements or waivers on minimum unit size.

As New York University's Furman Center points out, however, even though their overall rents are lower, micro units in many cities often have higher rents per square foot than larger units. Given that single-person households have among the lowest median incomes of any renter household type, it remains to be seen whether new micro units will be a lower-cost alternative for this market.

Accessory dwelling units (ADUs)—apartments added to single-family properties—are another lower-cost rental option intended for smaller households. While many communities still prohibit or restrict ADUs, some are taking steps to reform zoning to reduce barriers to their construction. Other municipalities are considering how to legalize existing units that violate building or zoning codes. As a 2011 study from the Berkeley Institute of Urban and Regional Development found, illegal ADUs may account for 2–10 percent of the housing stock in some densely occupied communities on the East and West Coasts.

Meanwhile, nearly a third of renters are parents with children and thus require more space. Not surprisingly, close to half of these households rent single-family homes, which typically have more bedrooms than multifamily units and are more likely to be located in suburban communities. But as noted earlier, single-family homes have among the highest median rents of any type of rental housing and are therefore beyond the means of many lower-income families.

The other half of parent-child households live in multifamily housing. Apartments in buildings with five or more units tend to be smaller than single-family rentals: only 14 percent have at least 1,200 square feet, compared with 66 percent of single-family rentals. Similarly, just 9 percent of apartments in buildings with five or more units have at least three bedrooms, compared with 65 percent of single-family rentals.

Multifamily buildings with 2–4 units tend to be more family-friendly than larger structures, offering more bedrooms and lower rents **(Figure 15).** But these units are older and at higher risk of loss from the housing stock. In addition, in some locations like Boston, these units are often occupied by groups of roommates who are able to pay higher rents than families. Several cities are considering financing and zoning mechanisms to encourage development of at least some larger rental units. The common concern for developers, however, is that these units are less economical to build. For residents of some suburban communities, the fear is that building larger apartments will attract more renter households with children and thus overburden local schools.

SHORTFALL IN ACCESSIBLE UNITS

According to the 2011 American Housing Survey, more than 7 million renter households have at least one member with a disability related to hearing, vision, cognition, mobility, self-care, or independent living. Some 4.3 million of these renter households have someone at home who has serious difficulty walking or climbing stairs. The incidence of disabilities increases sharply with age: among those aged 80 and over, fully 65 percent of renter households have at least one disability. With the aging of the baby-boom generation, the number of renters with disabilities is thus set to rise sharply in the years ahead.

Even so, less than 1.0 percent of US rentals—roughly 365,800 units—include five basic universal design features: no-step entry, single-floor living, lever-style door handles, accessible electrical controls, and extra-wide doors and hallways. With its older stock, the Northeast has the least accessible rental housing inventory in the country. And in the nation as a whole, the recent conversion of many single-family homes to rentals raises additional accessibility concerns, given that these units—particularly attached single-families—tend to have fewer universal design features, especially single-floor living.

Although rentals in newer and larger multifamily buildings are more apt to include some universal design features, few offer all five of the basic features listed above. Indeed, just 6 percent of units in buildings constructed in 2003 and later, and 11 percent of units in buildings with 20 or more units, do so. Although the Fair Housing Act requires that buildings with four or more units constructed after 1991 include some accessibility features, these regulations do not guarantee that rental units will be accessible to all persons with disabilities. In addition, existing legal protections related to accessibility better serve older renters living in multifamily buildings than those who rent single-family homes: unless the units receive federal subsidies, Fair Housing Act standards and other accessibility guidelines do not apply to single-family detached rentals or units in two- and three-family structures.

Given the projected addition of 26 million adults aged 65 and over in the next 15 years, retrofits of existing units to improve accessibility will be critical. Although some localities can set aside part of the funds they receive through the federal Community Development Block Grant and HOME programs for home modifications, this funding is typically targeted toward homeowners. For their part, rental property owners are usually obligated to pay for accessibility alterations only when their buildings are not in compliance with the law or when they are federally subsidized. In many cases, tenants must pay for home modifications themselves. Even then, however, property owners must approve the changes (unless required to do so if the retrofits are deemed reasonable under the Fair Housing Act). Both public and private investments in accessibility modifications to the rental stock are essential to ensure that growing numbers of older households with disabilities can live safely and independently in their homes.

THE OUTLOOK

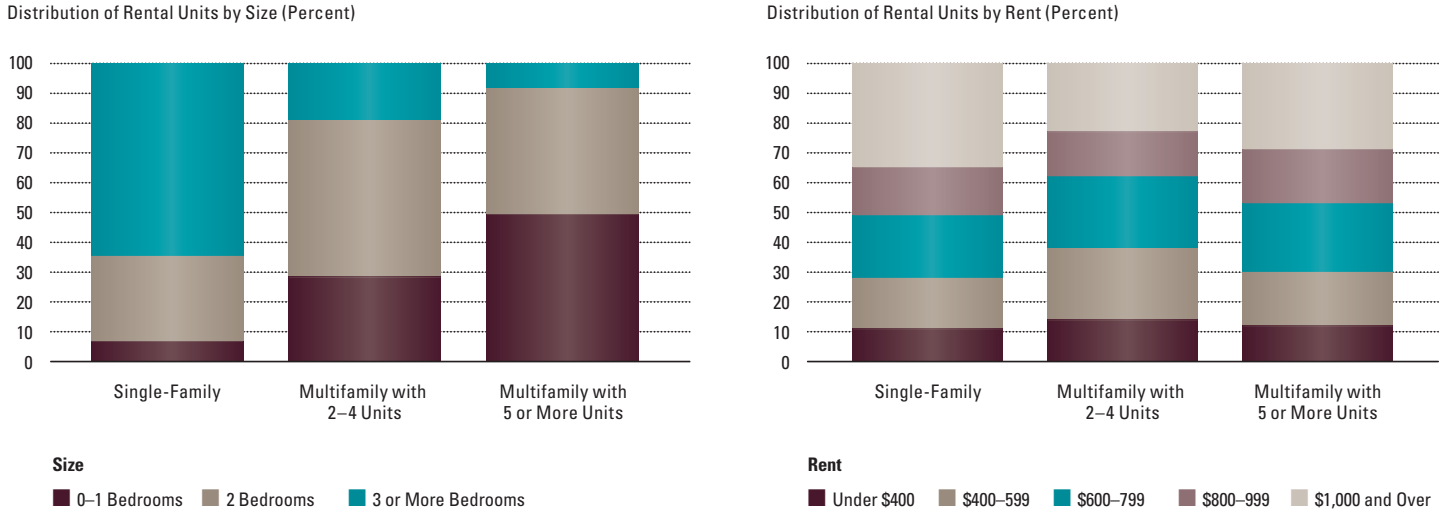
The rental housing supply is dynamic, with millions of units flowing into the stock from construction of new multifamily units and conversions of single-family homes. But most recent additions to the inventory serve the higher end of the market. Downward filtering of units to lower rents has met only a small portion of the growing need for affordable rentals, and lower-cost units are most likely to be lost from the stock. This bifurcation in the rental supply is a growing concern for millions of moderate- and lower-income renters seeking housing that not only fits their budgets, but also their specific needs for location and unit size.

The barriers to the development of lower-cost units are numerous. At the local level, it will take significant political will to overcome concerns about increased density—and about rental housing itself—to reduce the regulatory barriers to development of multifamily properties, micro units, and ADUs. Furthermore, the need for development subsidies for affordable housing far outstrips the funds available.

To support the nation's aging population, the passage of "visitability" ordinances mandating universal design features in new single-family construction would help meet some of the need for accessible rental housing, although it may take time for new single-family units to find their way into the rental stock. More immediately, increased funding for accessibility modifications to the existing stock would enable millions of older renters to age in place without risk to their health and safety.

FIGURE 15

Small Buildings Play a Key Role in Providing Low-Cost, Family-Sized Units



Notes: Estimates include vacant units. Monthly rent calculations exclude no-cash rentals and other rentals where rent is not paid monthly.
Source: JCHS tabulations of US Department of Housing and Urban Development, 2013 American Housing Survey.

RENTAL MARKET CONDITIONS

Rising rents, low and declining vacancy rates, and double-digit growth in multifamily construction all point to strong rental markets. Multifamily property prices are also soaring, attracting new capital from investors and private lenders. For renter households, however, increasingly tight market conditions have meant even more limited availability of housing that they can afford.

RENTS RISING ACROSS THE NATION

Perhaps the clearest sign of rental market strength is the widespread rise in rents. Indeed, the consumer price index (CPI) for contract rents (a broad and therefore conservative measure) indicates that rents are climbing at an accelerating rate. After increasing by an average of 2.7 percent annually since 2011, nominal rents were up 3.5 percent during the 12 months ending September 2015 **(Figure 16).** With overall inflation slowing to just 0.4 percent, the real increase in rents in the preceding 24 months was larger than in any other two-year period since 1987.

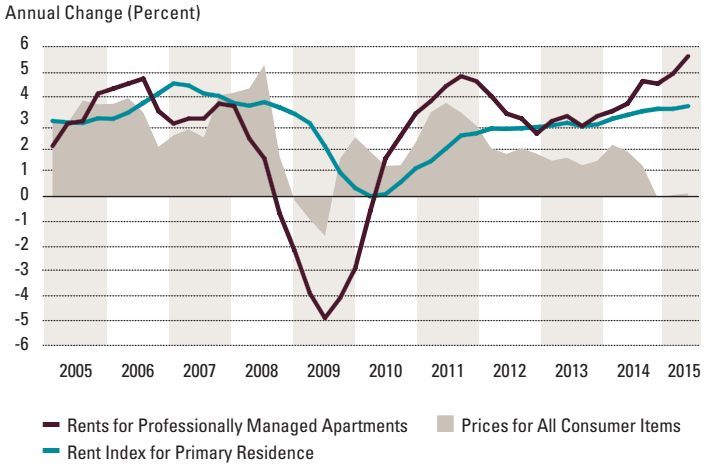
Other rent indexes confirm this trend. In fact, data from MPF Research, which cover professionally managed apartments and tend to be more responsive to changing market conditions than the CPI for rent, show an even larger jump. According to MPF's same-store measure, nominal apartment rents were up at a 5.6 percent annual rate in the third quarter of 2015, with some markets—including Portland, San Francisco, Fort Myers, and Denver—reporting increases of 10 percent or more.

Rents for newly constructed units are rising especially rapidly. The Survey of Market Absorption indicates that the median asking rent for a newly completed apartment hit $1,372 in 2014—nearly 50 percent above the US median rent of $934. This marked a 7 percent increase in new-unit median rents last year and a 26 percent increase over the previous two years.

Nationwide, rent gains in all of the 94 metro areas tracked by MPF Research exceeded overall inflation in the third quarter of 2015. Year-over-year increases in markets in the South and West were especially large, with real rents in 32 metros in those regions climbing 5.0 percent or more. Increases were more modest in metros of the Northeast (3.8 percent) and Midwest (3.5 percent). Meanwhile, rents in Des Moines, Pittsburgh, and Toledo edged up by less than 2.0 percent in the third quarter. Other metros with similarly small rent

FIGURE 16

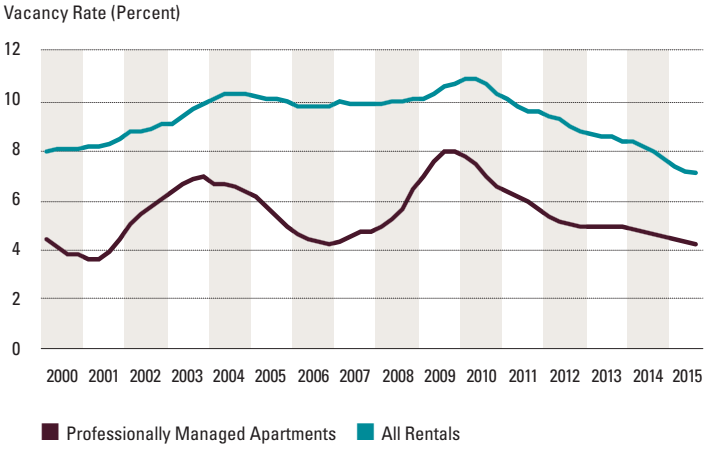
Rent Increases Continue to Outpace Inflation



Source: JCHS tabulations of US Bureau of Labor Statistics and MPF Research data.

FIGURE 17

Rental Markets Continue to Tighten



Note: Estimates are four-quarter rolling averages. Data for 2015 are as of the third quarter.
Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys via Moody's economy.com and MPF Research data.

increases were scattered throughout the South, including Washington, DC, Baltimore, Virginia Beach, and Little Rock.

The typical gross rent ranged from as high as $1,780 in San Jose to as low as $630 in Youngstown. In high-cost markets—including Honolulu, Washington, DC, San Francisco, and Oxnard—median rents exceeded $1,500 per month. Monthly rents in Bridgeport, San Diego, Los Angeles, New York, and Boston also stood at or above $1,250. Other metros where rents exceeded $1,100 include Seattle, Riverside, Miami, and Baltimore.

VACANCY RATES AT NEW LOWS

The national rental vacancy rate averaged 7.1 percent in the first three quarters of 2015, its lowest point in 30 years. After hitting a record 10.6 percent in 2009, the vacancy rate declined for nearly six consecutive years with the addition of roughly a million net new renters annually. Rates in the West fell 4.0 percentage points over this period, to just 5.1 percent, while rates in the Northeast declined 1.6 percentage points, to 5.6 percent. Although also down sharply since 2009, rental vacancy rates in the Midwest and South were still relatively high at 7.7 percent and 8.9 percent, respectively, in the first three quarters of this year.

Vacancy rates for all structure types have dropped. According to the Housing Vacancy Survey, apartments in buildings with 2–4 units (which tend to be the most affordable) had the lowest vacancy rate of 6.7 percent through the first three quarters of 2015, while the rate for single-family rentals was slightly higher at 7.0 percent. In both cases, vacancy rates now stand below their averages for the past two decades. But the largest decline in vacancies has been for units in buildings with five or more apartments, with rates falling from 12.3 percent in 2009 to 7.6 percent so far in 2015.

Although trending lower, vacancy rates for professionally managed apartments exhibit a similar pattern **(Figure 17).** MPF Research reports that vacancy rates for these units peaked at 8 percent in the fourth quarter of 2009 before dipping to just 4 percent in the third quarter of 2015.

With most newly constructed units charging rents well above what the typical renter can afford, budget-constrained households must compete for a shrinking supply of lower-cost units. Housing Vacancy Survey data indicate that vacancy rates among units renting for under $800 per month (in nominal terms) fell by just 2.5 percentage points in 2009–2014. However, given rent inflation, demolitions, and growth in rental demand, the number of vacant units in this rent range fell by more than 700,000, accounting for most of the 1.0 million-unit reduction in vacant rentals over this period. The rapid disappearance of vacant units with lower rents leaves even fewer units available for the ever-expanding ranks of lower- and middle-income renters.

THE SURGE IN MULTIFAMILY CONSTRUCTION

Completions of new multifamily apartments were running at a 313,000 unit annual rate in mid-2015, with 96 percent of those units intended for the rental market. These additions to the stock came on top of 264,000 completions in

2014, which already marked a 35 percent jump from 2013. Multifamily completions are now at the same annual rate averaged in 1998–2007 before the housing crisis hit **(Figure 18).**

Multifamily units built for rental tend to be smaller than those built for purchase. As a result, the typical unit completed in 2014 was 1,070 square feet, down from a high of 1,200 square feet in 2007 when rentals accounted for only 60 percent of multifamily completions. Along with lower square footage, these new units have fewer bedrooms. Just over half of all new apartments in 2014 were studios and one-bedrooms, up from 42 percent five years earlier and 38 percent ten years earlier.

In addition, recently completed multifamily units are much more likely to be in large buildings, with 83 percent of apartments built in 2014 located in properties with 20 or more units. By comparison, the average share of new units added in large buildings in 1972–2014 was just 46 percent. Meanwhile, apartments in structures with 2–4 units plummeted from 20 percent of completions in the early 1980s to just 3 percent in 2014.

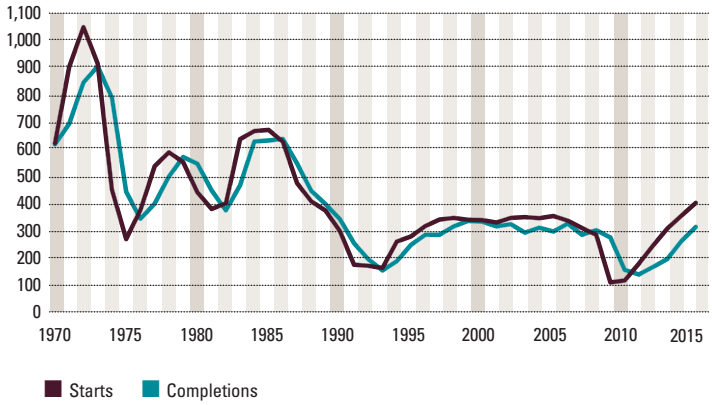
The ongoing growth in multifamily construction starts suggests that the building boom will continue. Starts were at a 401,000 unit annual rate in the first nine months of 2015, more than 3.5 times the all-time low of 108,900 units in 2009 and higher than at any point since the 1980s. Meanwhile, the number of multifamily permits was up 17 percent in the first nine months of 2015 from year-earlier levels, signaling an expanding pipeline of new rentals.

The pace of multifamily permitting exceeds pre-crisis levels in more than a third of the nation's 100 largest metros. This list is led by San Jose, Austin, Houston, and Dallas, where permits in 2012–2014 were 35 percent or more above average annual levels in 1998–2007. Permitting has also rebounded

FIGURE 18

Multifamily Starts Are at Their Highest Level Since the 1980s, and Completions Are Set to Increase

Multifamily Units (Thousands)



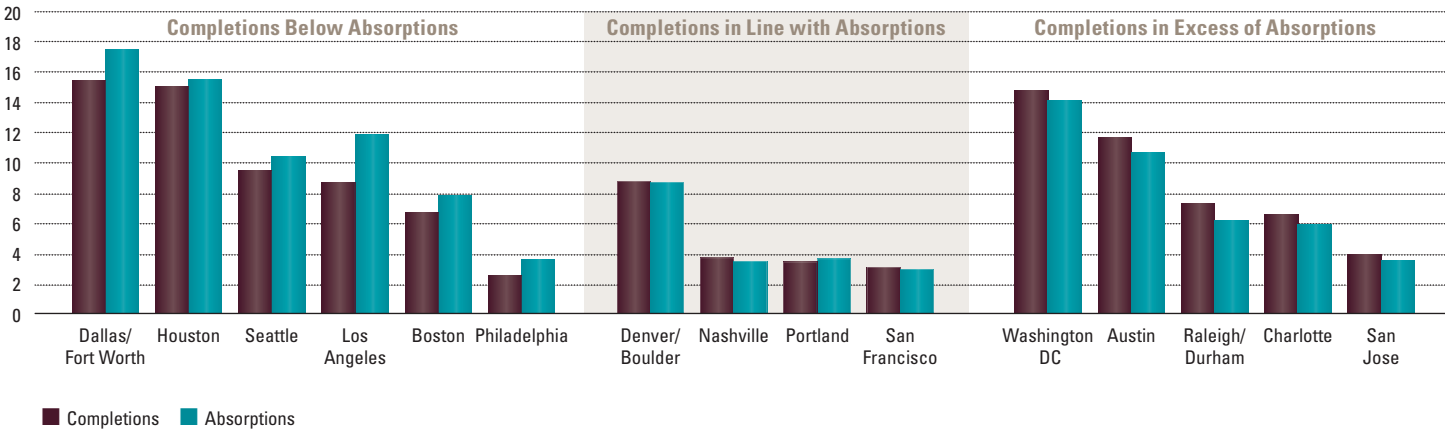
Note: Estimates for 2015 are year-to-date through September and based on average monthly seasonally adjusted annual rates.

Source: JCHS tabulations of US Census Bureau, New Residential Construction data.

FIGURE 19

Absorptions of New Rentals Still Outpace Completions in Several Hot Construction Markets

Apartments Completed or Absorbed as of 2015:3 (Thousands of Units)



Notes: Completions are defined as the annual supply of new units averaged over the previous four quarters. Absorptions are defined as the year-over-year change in occupied units averaged over the previous four quarters.

Source: JCHS tabulations of MPF Research data.

strongly in high-growth Denver, Nashville, and Raleigh, in coastal metros of the West (such as Seattle and Portland), and in certain high-cost metros on the East Coast (including Boston, Philadelphia, and Washington, DC). Many of these areas have had some of the lowest vacancy rates and sharpest rent increases posted in recent years.

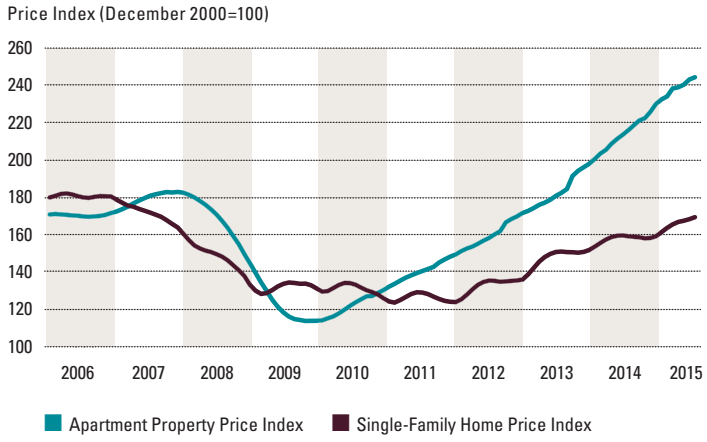
Noticeably absent from this group are some of California's once-hot markets (including Riverside and San Diego), along with formerly high-growth metros in the South and Southwest (such as Atlanta, Miami, Tampa, Las Vegas, and Phoenix). These markets were especially hard hit by the foreclosure crisis and, in most cases, locations where conversions of single-family homes played a large role in absorbing rental demand.

Many of the metros where multifamily permitting has been weakest (including St. Louis, Cleveland, Cincinnati, and Milwaukee) are located in the Midwest, where employment growth has lagged. Chicago and Detroit have also experienced below-average growth in rental construction. Other smaller metros of the Northeast (such as Providence and Hartford) have also had below-average job growth and limited multifamily construction activity.

In the majority of metros where multifamily construction has boomed, absorptions of rental units still exceed supply coming online **(Figure 19).** In Los Angeles, for example, even with completions running at an average annual rate of 8,800, absorptions were still 3,200 higher. Similarly, demand outstripped new supply in Dallas/Fort Worth by 2,100 units. Other high-growth construction markets, such as Denver/Boulder, Nashville, and Portland, appear to be close to balance. In several other metros where absorption rates have trailed completions (including Austin and Raleigh/Durham), vacancy rates have changed little over the past year.

FIGURE 20

Prices for Apartment Properties Have Rebounded Well Beyond Their Previous Peak



Note: Estimates for 2015 are through September.

Sources: CoreLogic, US National Home Price Index; Moody's Investors Service and Real Capital Analytics, Commercial Property Price Index for Apartments.

STRONG RETURNS ON RENTAL INVESTMENTS

With higher rents and lower vacancy rates, rental property investments continue to perform well. According to the National Council of Real Estate Investment Fiduciaries (NCREIF), annual returns on multifamily properties increased to 12.0 percent in the third quarter of 2015. After topping out at more than 20 percent in early 2011, returns remain well above the 9.5 percent rate averaged since 1984.

Income growth has helped to boost returns. Net operating income (NOI) for institutionally owned apartments increased by 7 percent annually on average over the past six years and climbed just over 10 percent as of mid-2015. Much of the growth in overall returns reflects the significant rise in multifamily property prices, which soared 15.2 percent in the past year. As of September 2015, prices exceeded their previous peak by fully a third, far outpacing the rebound in single-family home prices **(Figure 20).**

Price appreciation has been substantial in many areas, particularly in Northeastern and West Coast metros as well as Denver, Dallas, Houston, and Austin. According to Real Capital Analytics data, apartment property prices as of mid-2015 in New York City, Orlando, and San Francisco were up at least 145 percent from the fourth quarter of 2009. With these gains, rental property prices in New York City were double their previous peak while those in San Francisco were up 86 percent from their previous peak.

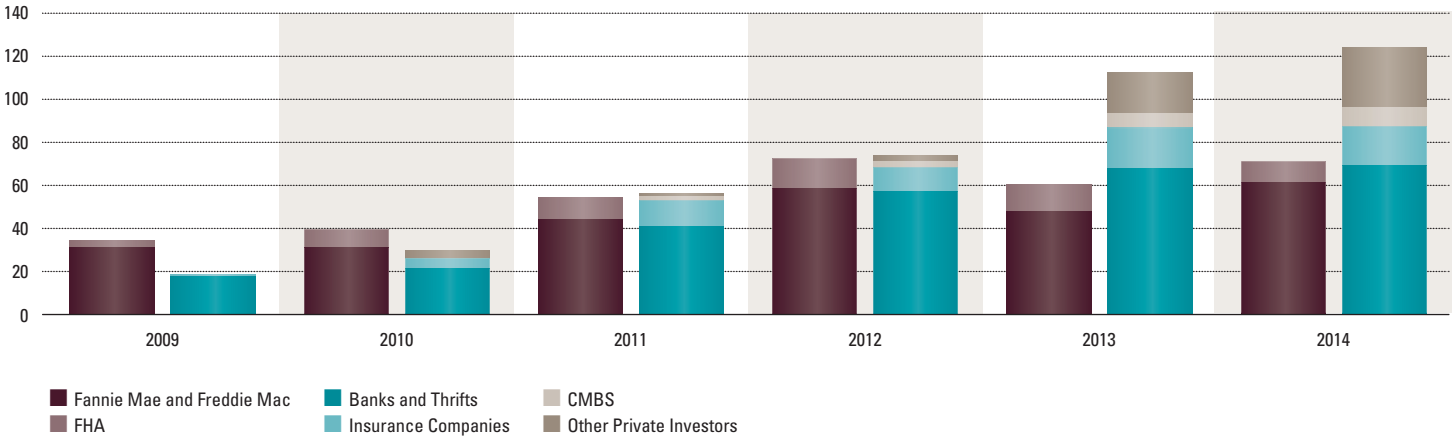
Prices of mid- and high-rise apartment properties have rebounded the most and are now 66 percent above 2007 levels. In contrast, prices for low-rise garden apartment properties exceed the previous peak by a more modest 23 percent. Prices for properties in urban, walkable areas are also up 85 percent from past peaks, far more than prices for properties in highly walkable suburbs (32 percent) and in car-dependent suburbs (up 21 percent).

Strong growth in multifamily property prices has driven down purchase capitalization or "cap" rates (expected net

FIGURE 21

Private Lenders Have Ramped Up Multifamily Lending, Reducing the Government's Footprint in the Market

Multifamily Loan Originations (Billions of dollars)



Source: Mortgage Bankers Association of America.

operating income as a share of the purchase price). NCREIF reports that cap rates for investment-grade apartment properties declined to just under 5 percent in mid-2015, a level not seen since the peak of the housing bubble. Indeed, the extremely low cap rates in some of the tightest, highest-cost markets—such as Manhattan and San Francisco—leave little spread with Treasury yields. Such low cap rates suggest that investors are sticking to major markets that they consider less risky.

The rise in rental property values also reflects increased investments to maintain and upgrade the stock. Indeed, total spending on improvements, maintenance, and repairs to the rental stock has picked up with the rise in prices, increasing from just under $50 billion in 2010 to nearly $60 billion in 2014. According to a recent National Apartment Association survey, nominal per-unit expenditures on apartments in large, professionally managed properties rose from an average of $1,070 to $1,520 over this period.

FALLING DELINQUENCY RATES

Rising rental property prices and incomes have helped drive down delinquency rates for most types of multifamily loans. The share of multifamily loans held by FDIC-insured institutions that were at least 90 days past due or in non-accrual status stood at just 0.34 percent in the second quarter of 2015, compared with 4.65 percent at the peak in 2010. The 60-day delinquency rates for commercial/multifamily loans held by life insurance companies (0.06 percent), Freddie Mac (0.01 percent), and Fannie Mae (0.05 percent) remained low throughout this period.

In contrast, delinquency rates for multifamily loans held in commercial mortgage backed securities (CMBS) rose more sharply during the recession and have been slower to recover. Moody's Delinquency Tracker shows that the share of CMBS loans that were 60 or more days past due, in foreclosure, or in the lender's possession peaked at nearly 16 percent in early 2011 before steadily retreating to just under 8 percent in September 2015. While this more inclusive measure of delinquencies is naturally higher than that for other types of multifamily loans, the delinquent share of CMBS loans is still well above its pre-crisis level of less than 1.0 percent.

TRENDS IN MULTIFAMILY FINANCE

Given the strong financial performance of multifamily rental properties, lending activity has increased sharply. The Mortgage Bankers Association reports that the volume of multifamily loans outstanding (including both originations and repayment/write-offs of existing loans) expanded by another $65 billion in 2014 and hit $1 trillion in 2015. In nominal terms, balances grew by 17 percent between 2011 and 2014. In sharp contrast, the balance of single-family mortgage debt outstanding was essentially flat in 2014 and stood 3 percent below its 2011 level. Indeed, while multifamily mortgage debt outstanding is at a new high that far exceeds mid-2000s levels, single-family balances remain 13 percent below their 2008 peak.

The private sector has jumped back into the multifamily lending market, significantly reducing the agency and government sponsored enterprise (GSE) share of these loans **(Figure 21).** From 2012 to 2014, multifamily lending by banks and thrifts, insurance companies, CMBS, and all other investors was up a combined 68 percent. At the same time, lending backed by Fannie Mae and Freddie Mac increased by just 5 percent, and lending by FHA fell 29 percent. As a result, the combined government share of multifamily originations dropped from 65 percent at the height of the credit crisis in 2009 to about half in 2012, and then to 36 percent in 2014. Even so, the total volume of government-backed originations more than doubled over this period.

The market for multifamily loans—particularly small loans—includes thousands of lenders. Some 2,876 lenders made 14 multifamily loans on average in 2014, with 1,884 lenders reporting an average loan size under $1 million. Overall, 24 percent of multifamily loans last year were for $1 million or less, and 65 percent were for $3 million or less. By volume, however, small loans make up only a small share (3 percent) of a market where the average multifamily loan in 2014 was $4.8 million.

Despite recent increases in multifamily lending, concerns remain about the availability of capital in traditionally underserved and hard-to-serve markets, including small metros, economically disadvantaged communities, low-income neighborhoods, and rental properties with 5–50 units. A variety of factors make it difficult to serve these segments. For example, underwriting for multifamily loans is done at the property level, entailing certain fixed costs that can be expensive on a per-unit basis for small property owners. Lenders also recognize that maintenance and repairs keep profit margins tight for these owners, and fewer units mean that a single vacancy can have a significant impact on rental income. In addition, the unique characteristics of smaller properties and the diversity of underwriting standards that lenders use make small multifamily loans difficult to bundle into securities that can be sold on the secondary market.

Some changes are being made to address these concerns. In particular, the Federal Housing Finance Agency (FHFA) and HUD recently proposed several new products and initiatives to encourage more lending to small multifamily property owners. In 2014, FHFA excluded small multifamily loans from the caps on multifamily purchases and proposed a new purchase goal for the GSEs in 2015–2017. In addition, Freddie Mac launched a Small Balance Loan initiative last year to buy and securitize multifamily loans in the $1–5 million range. And in July 2015, FHA introduced a new lending platform called the Section 542 Small Building Risk Sharing Initiative, partnering with high-capacity lenders such as community development financial institutions to provide long-term, fixed-rate loans of up to $5 million to property owners in high-cost areas.

THE OUTLOOK

Rising rents and low vacancy rates have yielded solid income gains for property owners, double-digit growth in property prices, and a surge in construction of and investment in multifamily rental buildings. Indeed, with 412,000 permits issued and 355,000 units started in 2014, annual completions of multifamily units in 2015 are on track to top the 313,000 level averaged in the decade before the downturn. Although these additions to the rental stock should help to slow market tightening, demand continues to outpace supply in most metros, keeping pressure on rents and vacancy rates.

Today's relatively easy access to capital may be masking unsolved problems related to traditionally underserved markets. Federal regulations remain up in the air, along with the fate of Freddie Mac and Fannie Mae—two major players in multifamily finance. With low interest rates fueling the current growth in multifamily construction, it is also unclear whether rates will rise before the rental supply expands enough to alleviate market tightness. At the same time, though, the strong expansion of multifamily lending could lead to future overbuilding in some markets, given the long construction pipeline and the sharp growth in permitting in most metropolitan areas.

RENTAL HOUSING AFFORDABILITY

With income growth lagging behind the persistent rise in rents, the number of renter households spending disproportionate shares of their incomes for housing hit a new high in 2014. Cost burdens are a longstanding condition of low-income renters, but are now an increasing concern for moderate-income households—particularly renters living in the nation's high-cost metros. Meanwhile, the stock of units affordable to very low-income households falls far short of growing need.

DIVERGING INCOMES AND HOUSING COSTS

Over the past decade and a half, median rental housing costs climbed from $869 per month in 2001 to $934 in 2014, an increase of 7 percent in real terms. After holding relatively stable over the past six years, an uptick in 2014 brought costs to a new high. Meanwhile, renter incomes have still not recovered from the recessions that began in 2001 and in 2007. Even after three years of gains, the real median income of renter households only edged up from a low of $31,600 in 2011 to $34,000 in 2014—slightly below the 2008 level and fully 9 percent below the 2001 level. This small rebound, however, was largely driven by strong growth in the number of higher-income renters. Indeed, households with incomes of at least $75,000 accounted for nearly 60 percent of renter household growth in 2011–2014, and provided much of the lift in median income.

The divergence between rental housing costs and renter household incomes since the early 2000s is evident at all income levels. While lower-income renters saw the sharpest drop in real incomes, higher-income renters faced the largest increases in housing costs. For example, the median household income for renters in the bottom quintile fell 9.9 percent between 2001 and 2014, while their median monthly housing costs rose 6.2 percent. In contrast, the median income for households in the top quintile was up 3.1 percent, but their median monthly housing costs jumped 19.8 percent over this period.

These patterns mean that increasing numbers of renter households across the income spectrum are housing cost burdened (paying more than 30 percent of income for housing). In fact, the number of cost-burdened renter households rose from 14.8 million in 2001 to a new record of 21.3 million in 2014. Of these households, 11.4 million had severe burdens (paying more than 50 percent of income for housing), well above the 7.5 million recorded in 2001.

Meanwhile, the share of cost-burdened renters remains near its all-time high of 51 percent **(Figure 22).** Estimates

from the American Community Survey indicate that the cost-burdened share of renters inched upward from 49.0 percent in 2013 to 49.3 percent in 2014—the first increase since 2011—with more than 26 percent of those households having severe burdens. By comparison, the share of renters with cost burdens in 2001 was 41 percent and the share with severe burdens was 20 percent.

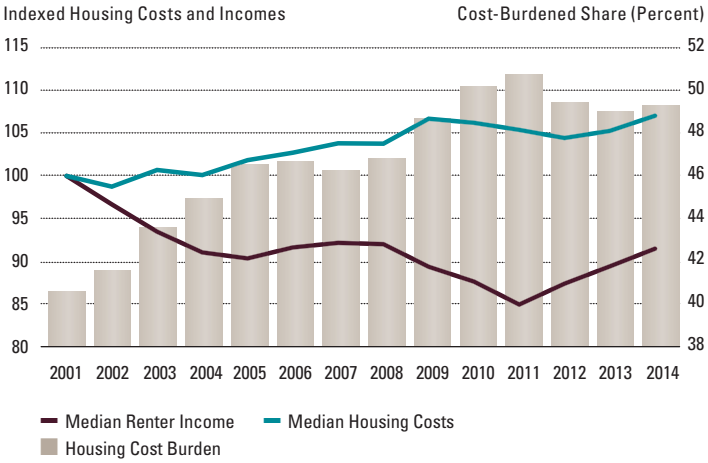
THE PERSISTENT SPREAD OF COST BURDENS

Renters at the lower end of the income ladder are disproportionately likely to struggle with high housing costs. In 2014, just under 84 percent of households with incomes below $15,000 were cost burdened, including 72 percent of renters that paid more than half their incomes for housing. The shares of households facing cost burdens declined steadily with income, dropping from 77 percent of households earning $15,000–29,999 to just 5 percent of households with incomes of $75,000 and over.

Even so, the sharpest growth in cost-burdened shares has been among middle-income households **(Figure 23).** The share of burdened households with incomes in the $30,000–44,999 range increased from 37 percent in 2001 to 48 percent in 2014, while that of households with incomes of $45,000–74,999 nearly doubled from 12 percent to 21 percent. Regardless of income level, though, the shares of cost-burdened households reached new peaks in 2014 among all but the highest-income renters.

FIGURE 22

The Share of Renter Households Facing Cost Burdens Remains High as Income Growth Lags



Notes: Median housing costs and household incomes are adjusted to 2014 dollars using the CPI-U for All Items. Housing costs include cash rent and utilities. Cost-burdened households pay more than 30% of income for housing. Households with zero or negative income are assumed to have severe burdens, while households paying no cash rent are assumed to be without burdens.
Source: JCHS tabulations of US Census Bureau, American Community Surveys.

Given their lower median incomes, Hispanic and black renters, younger and older households, and single-earner households are especially likely to be housing cost burdened. While burden rates have risen across all racial and ethnic groups since 2001, they remain persistently high for Hispanic and black renter households at 56–57 percent. By comparison, 48 percent of Asian and other minority renters were cost burdened in 2014, along with 44 percent of white renters.

Similarly, the incidence of cost burdens has risen across all age groups, but burdens are most prevalent among the youngest (under age 25) and oldest (aged 65 and over) renter households. In 2001, about half of all renters in both of these age groups were cost burdened, compared with 36 percent of renters aged 25–44 and 38 percent of those aged 45–64. By 2014, the share among renters aged 65 and over stood at 55 percent, while the share among renters under age 25 was at 62 percent. Although the share of cost-burdened renters in their prime working years (25–64) is markedly lower than for other age groups, the increase in share from 27 percent in 2001 to 36 percent in 2014 is troubling.

Single-parent families and married couples with children together account for nearly one third of cost-burdened renter households **(Figure 24).** Single-parent families are particularly likely to have cost burdens, with nearly two-thirds paying more than 30 percent of their incomes for housing in 2014.

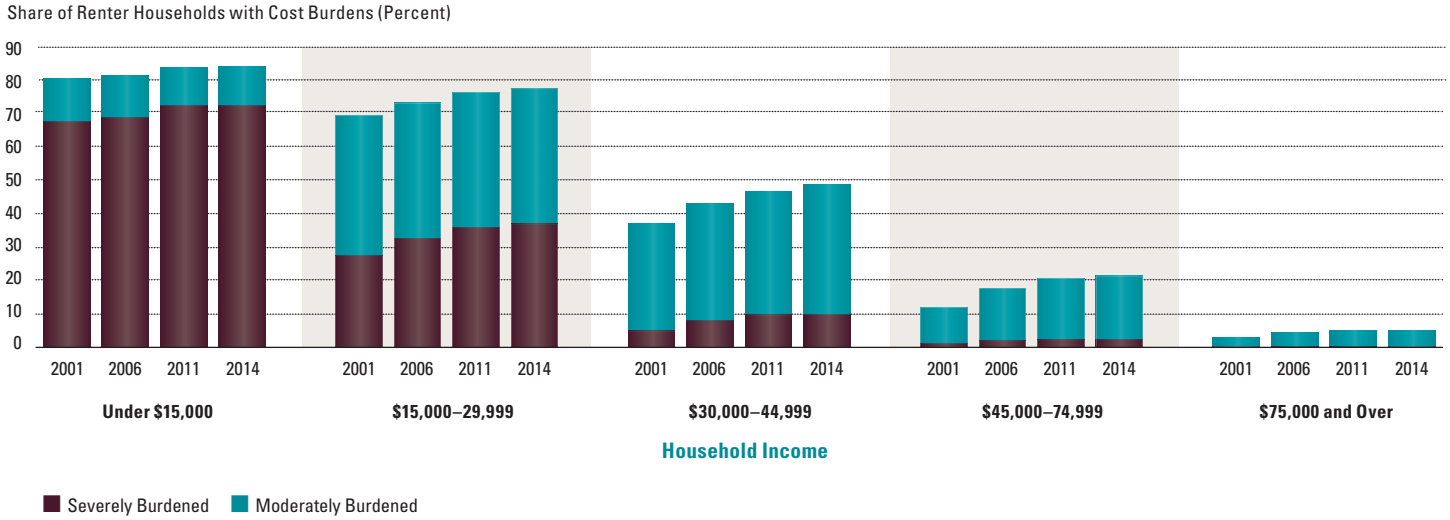
GEOGRAPHIC DISTRIBUTION OF COST BURDENS

Affordability pressures affect renters in every state in the country, with shares of cost-burdened households ranging from over a third to well over half. The fact that at least 37 percent of renter households in every state spend more than 30 percent of their incomes on housing underscores the severity of the challenge nationwide. By 2014, only seven states had cost-burdened shares that were below the 2001 national average of 41 percent.

Predictably, states with the worst burden rates contain high-cost housing markets. The three states with the largest cost-burdened shares (54 percent or more) are Florida, California, and Hawaii, each of which includes metros where median rental housing costs are 1.2–2.0 times the national average. Renters in these states are also more likely to be severely burdened, with about three in ten spending more than half of their incomes on housing.

FIGURE 23

Cost Burdens Are a Fact of Life for Lowest-Income Renters, But Are Becoming More Common Among Middle-Income Households as Well



Notes: Household incomes are adjusted to 2014 dollars using the CPI-U for All Items. Moderately (severely) cost-burdened households pay more than 30% and up to 50% (more than 50%) of income for housing. Households with zero or negative income are assumed to have severe burdens, while households paying no cash rent are assumed to be without burdens.
Source: JCHS tabulations of US Census Bureau, American Community Surveys.

States where housing costs are moderate but median incomes are low also have large shares of severely burdened renters. In eight states—Alabama, Louisiana, Michigan, Mississippi, Maine, New Mexico, Ohio, and Tennessee—median housing costs fall into the bottom half of all states while median incomes rank in the bottom ten. As a result, more than a quarter of renter households in these states pay more than 50 percent of their incomes for housing.

In contrast, states with low housing costs and small renter populations tend to have smaller shares of cost-burdened renters. In the 14 states with the lowest shares, between 37 percent and 45 percent of renter households had cost burdens in 2014. In all 14, housing costs were well below the national median and the number of renter households was about 300,000 on average. With the exception of Vermont, these states are all located in the Plains or the South.

At the metropolitan area level, eight of the 10 largest metros with the highest shares of cost-burdened renters are in Florida and California. Miami has the largest share of cost-burdened renters of any major metro in the country, at nearly 62 percent, as well as the largest share of severely burdened renters, at just over 35 percent. Beyond the high-cost metro areas in Florida and in California, large shares of renters are severely cost burdened in several lower-income metros of the South (such as McAllen, Memphis, and New Orleans), as well as in Northern and Rust Belt metros (such as Detroit, Grand Rapids, New Haven, and Philadelphia).

Metro areas with the lowest shares of cost-burdened renters are generally located in Midwestern and Plains states. Included on this list are Des Moines, Kansas City, Tulsa, and Wichita, where about two in five renters spend more than 30 percent of income on housing. Renter incomes in these areas are close to or above the national median, while housing costs are below. In eight of the 10 largest metros with the lowest burden rates, real renter income growth in 2014 was also stronger than average, with six of these metros reporting income gains of more than 7 percent.

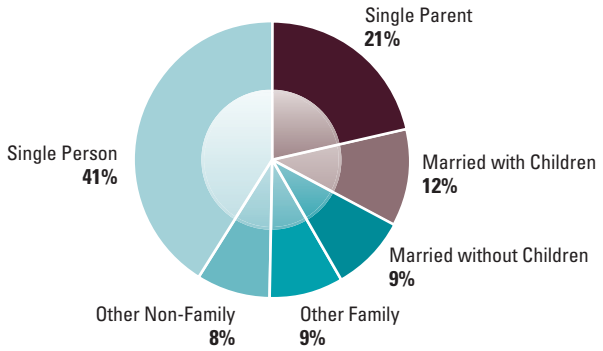
SUPPLY SHORTFALLS

As demand for rental housing continues to escalate, growth of the affordable supply—especially for lowest-income renters—has failed to keep pace. As of 2013, 18.5 million renter households had very low incomes (up to 50 percent of area median). According to HUD's most recent Worst Case Housing Needs Report, there were 18 million units that these renters could afford at the 30-percent-of-income standard, or about 97 units for every 100 households. However, many of these units were occupied by higher-income renters and/or had severe physical

FIGURE 24

About a Third of Cost-Burdened Renters Are Families with Children

Share of Renter Households with Cost Burdens

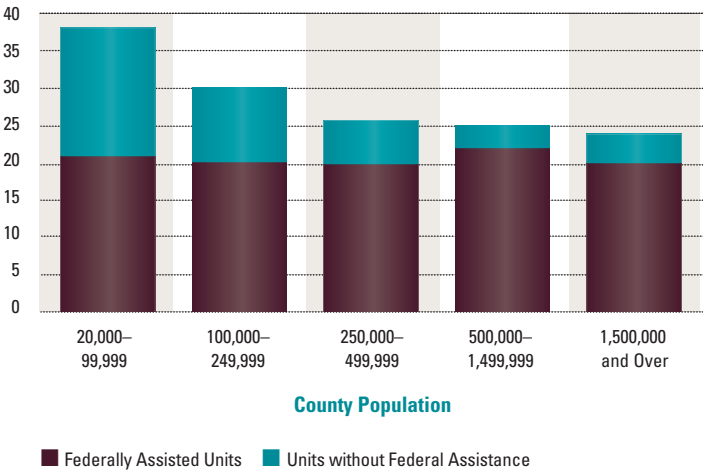


Notes: Cost-burdened households pay more than 30% of income for housing. Households with zero or negative income are assumed to have severe burdens, while households paying no cash rent are assumed to be without burdens.
Source: JCHS tabulations of US Census Bureau, 2014 American Community Survey.

FIGURE 25

Lowest-Income Renters Far Outnumber the Affordable, Adequate, and Available Rental Supply

Average Number of Units per 100 Extremely Low-Income Renter Households



Notes: Affordable is defined as costing no more than 30% of income for households with extremely low incomes (up to 30% of area median). Adequate units have complete bathrooms, running water, and electricity, and no indicators of major disrepair. Available units are not occupied by higher income renter households.
Source: JCHS tabulations of Urban Institute, Mapping America's Rental Housing Crisis 2011–13.

deficiencies. When these unavailable and inadequate units are excluded, the affordable supply stood at just 58 units for every 100 very low-income renter households.

For the 11.1 million renters with extremely low incomes (up to 30 percent of area median), the affordable housing options are even more limited. In 2013, there were just 7.2 million units affordable to these renters, or 65 for every 100 households. Excluding inadequate and unavailable units, however, leaves only 34 affordable rentals for every 100 of these renters.

A recent analysis by the Urban Institute confirms the nationwide shortage of affordable housing for extremely low-income households. No county with a population of at least 20,000 provided more than 76 affordable, adequate, and available units for every 100 of these households. Instead, the average county with 500,000 or more people provided 25 affordable, adequate, and available units for every 100 extremely low-income renters. Even among smaller counties with populations between 20,000 and 100,000, the average county provided only 38 affordable, adequate, and available rental units for every 100 extremely low-income renter households in 2013 **(Figure 25).**

Federal assistance programs play a vital role in housing extremely low-income renters, and the supply of units for these households would be even more limited without the assisted stock. Indeed, on average in the nation's largest counties, only four unassisted units are affordable, adequate, and available for every 100 extremely low-income households.

IMPACTS OF ENERGY AND TRANSPORTATION COSTS

Utility costs can add significantly to housing costs. According to the 2014 American Community Survey, the median renter paying utilities separately from rent spent $130 per month, with utilities accounting for 4 percent of income and 14 percent of housing costs. Given that the need for heating, cooling, lights, appliances, and other energy uses varies little across households, renters with incomes under $15,000 spent $120 per month on utility costs last year while those earning $15,000–29,999 spent $130. By comparison, higher-income households earning $75,000 and over spent about $150.

As a share of income, utility payments are much more onerous for lower-income renters. At the median, utility costs eat up 17 percent of the incomes of renter households earning under $15,000 and 7 percent of the incomes of those earning $15,000–29,999. For renters earning $75,000 and over, however, utility costs represent just 2 percent of income.

Although not usually included in measures of housing cost burdens, transportation costs are another major draw on household budgets. The Location Affordability Index—a tool developed by HUD, the Department of Transportation, and

the Environmental Protection Agency—offers insights into the combined burden of housing and transportation costs for different types of households living in different-sized metros. On average, a renter family of four with two commuters earning the median income for the region and living in a large metro area (population of 5 million or more) spends about 26 percent of income on housing costs and 17 percent on transportation costs. Similar families living in a mid-sized metro (population between 250,000 and 1 million) spend 24 percent of income on housing costs and 23 percent on transportation. And in the country's smallest metro and micro areas (with populations under 100,000), these families spend 23 percent of income on housing and more than 28 percent on transportation. These results highlight how much transportation costs can add significantly to the affordability pressures facing renter households throughout the country.

TRADEOFFS FOR COST-BURDENED RENTERS

The difficult tradeoffs that many lower-income renter households have to make between housing affordability and location are evident in their spending choices. The 2014 Consumer Expenditure Survey indicates that severely cost-burdened renters in the bottom expenditure quartile (a proxy for low income) spent 60 percent less on transportation than otherwise similar households living in affordable rentals **(Figure 26).** This tradeoff between spending on housing and transportation may reflect in part the choice that some low-income renters make to live in units that are expensive but well located, rather than in units that are affordable but distant from work and other resources.

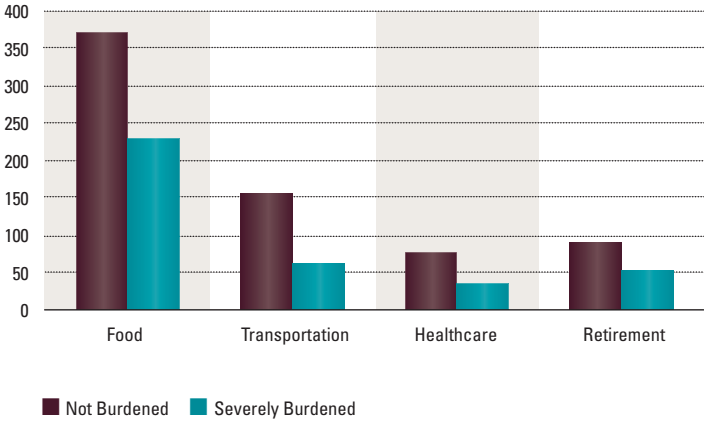
Other spending cutbacks by severely cost-burdened renters are a measure of the constrained budgets they work within. After paying more than half their incomes for housing, severely burdened renters in the bottom expenditure quartile had on average just over $500 left per month to cover all other expenses. To stay within their means, these households spent on average 55 percent less on healthcare and 38 percent less on food than comparable households living in affordable housing. Working-age renters in the bottom expenditure quartile also put 42 percent less into retirement and pension savings than those in affordable housing.

Such modest expenditures on basic needs and reduced savings for retirement have far-reaching implications for household members. Cutting back on food expenditures, in particular, may jeopardize the immediate health and well-being of cost-burdened renters. And over time, the inability to save sufficiently for retirement puts households' financial stability in older age at risk.

FIGURE 26

Paying an Outsized Share of Income for Housing Crowds Out Spending on Other Vital Needs

Monthly Spending by Renters in the Bottom Expenditure Quartile (Dollars)



Notes: Severely cost-burdened households pay more than 50% of income for housing. Households with zero or negative income are assumed to be severely burdened, while households paying no cash rent are assumed to be without burdens. Quartiles are equal fourths of all households ranked by total spending. Retirement expenditures are for renters under age 65 only.

Source: JCHS tabulations of US Bureau of Labor Statistics, 2014 Consumer Expenditure Survey.

THE OUTLOOK

While the future trajectories of incomes and rents are difficult to project, demographic trends alone make further increases in the ranks of severely cost-burdened renters probable. In the decade ahead, the fastest-growing groups will be senior households and minority households—both of which have relatively low incomes and relatively high cost-burden shares.

Results of a 2015 analysis by the Joint Center and Enterprise Community Partners indicate that the number of severely cost-burdened renters is likely to increase in most scenarios. Even under the most optimistic conditions (assuming household income gains exceed housing cost increases by one percentage point annually), the reduction in the number of severely cost-burdened renters would be less than 200,000 over the next decade. In the more likely case that renter incomes and housing costs both rise in line with inflation, the number of cost-burdened renter households would climb by 1.3 million to 13.1 million in 2025.

POLICY CHALLENGES

With growing numbers of renter households facing cost burdens, funding for housing assistance is falling even further behind need. As a result, production of new affordable units and preservation of the aging assisted stock are becoming increasingly urgent. To make the most of limited government dollars, it is also essential to develop new strategies to link housing assistance with supportive services for the nation's most vulnerable populations.

GAPS BETWEEN ASSISTANCE AND NEED

While substandard housing conditions were the initial rationale for public intervention in housing markets, affordability issues have largely replaced quality problems as the primary focus of rental housing policy. And in a decade where housing costs have risen faster than incomes, questions of housing displacement and economic inclusion in America's communities are becoming even more pressing.

While rising housing costs have affected households of all incomes, the consequences are most severe for those at the low end of the economic ladder. These households face the difficult choice of paying larger shares of their limited incomes for housing, crowding into smaller or lower-quality units, or moving to less expensive areas. For very low-income households (earning up to 50 percent of the area median income or AMI), federal rental assistance programs are the primary source of relief from high housing costs.

But housing assistance is currently not an entitlement. Indeed, just over one in four (26 percent) eligible households received assistance in 2013. To receive assistance, households must apply to individual programs and wait for a unit or housing choice voucher to become available. In 2013, the average wait time for a public housing unit was 13 months and the average wait time for a voucher was 23 months. Since public housing authorities often close waiting lists when demand greatly exceeds availability, wait times in high-cost locations can be significantly longer.

Despite an 18 percent jump in the number of very low-income households from 15.9 million in 2007 to 18.5 million in 2013, real funding for the largest HUD programs remains below 2008 levels. Although the number of vouchers increased from under 2.1 million in 2004 to about 2.2 million in 2014, this increase was more than offset by the loss of 105,700 public housing units and 145,600 units with project-based rental assistance.

As of 2014, 1.1 million households lived in public housing units owned and operated by local housing authorities **(Figure 27).** Another 1.2 million lived in units with project-based rental assistance, and 2.2 million households received vouchers that pay a portion of private market rents. The US Department of Agriculture subsidized another 405,000 rental units.

The US Treasury Department's Low Income Housing Tax Credit program remains the primary source for additions to the affordable rental stock. The LIHTC program provides 9 percent tax credits, which are allocated annually based on population to state housing finance agencies, and 4 percent credits, which are used to support developments with tax-exempt bond financing. Housing developers sell the tax credits to private investors to subsidize the construction or preservation of units affordable to low-income households.

Because LIHTC credits are a tax expenditure, the program does not require annual appropriations from Congress. Real tax expenditures for the program have thus risen modestly since 2008, reaching close to an estimated $8 billion in 2015. With these credits, an average of 76,200 new affordable rental units were placed in service each year from 2009 to 2013. Assuming that the trend continued in 2014, the LIHTC program will have helped add or preserve a total of more than 2.2 million subsidized units since its inception in 1986.

Given that maximum rents for most LIHTC units must be affordable to households with incomes at 60 percent of AMI, renters with lower incomes must either pay more than 30 percent of their incomes for housing or receive an additional form of subsidy. Indeed, based on data in 10 states, a study by New York University's Furman Center and the University of Massachusetts Boston found that about half of LIHTC-eligible units received additional rental assistance. In 2009–2010, 78 percent of LIHTC renters that received additional subsidies had incomes at or below 30 percent of AMI.

President Obama's proposed FY2016 budget includes revised requirements that would provide more flexibility for developers, raising the maximum income of LIHTC tenants to 80 percent of AMI and requiring that the average income of households in affordable units not exceed 60 percent of AMI. This income-averaging strategy would not only provide deeper subsidies for households with extremely low incomes, but also encourage development of properties serving renters with a broader mix of incomes.

Some states and localities have programs for rental assistance and affordable housing production and preservation that supplement federal support. Inclusionary zoning, housing trust funds, and other local approaches provide promising models for cities facing rental affordability issues. But like federal programs, these efforts have not reached a scale sufficient to close the gap between assistance and need.

PREVENTING LOSSES FROM THE ASSISTED STOCK

With the cost of private-market rentals out of reach for so many households, preserving the existing stock of affordable housing is critical. At risk are nearly 2.2 million privately owned and federally assisted units whose affordable-use periods will end between 2015 and 2025. At that point, property owners can convert their units to market rents.

Nearly 60 percent of the rentals with expiring subsidies are LIHTC units. In many cases, these units can be successfully retained in the affordable inventory if the property receives other subsidies with affordability restrictions, the owner obtains a new allocation of tax credits to fund capital improvements, or the property continues to operate as affordable housing without substantial new public subsidies. However, a 2010 Ernst & Young report estimates that about 5 percent of LIHTC units converted to market rate at the end of their initial 15-year affordable-use periods.

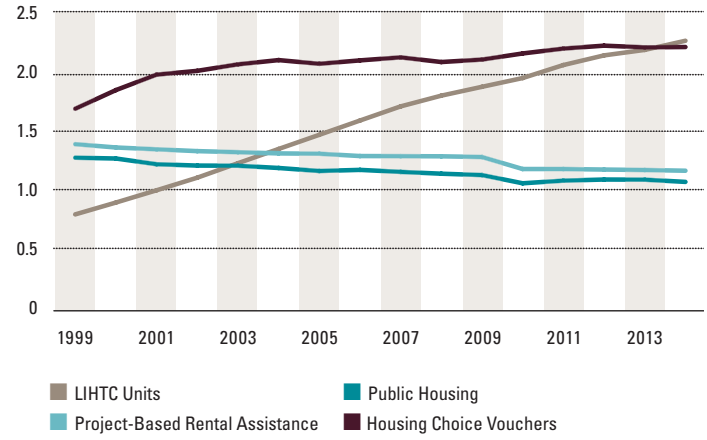
Meanwhile, units subsidized through HUD's project-based rental assistance program account for over a quarter of the subsidized housing stock that is approaching the end of its affordable-use period. According to a 2015 HUD report, about 6 percent of subsidized units of this type in 2005 were no longer in the affordable housing stock in 2014. The highest opt-out rates are among properties that include units occupied by families, have for-profit ownership, or charge below-market rents. Given that more than half (53 percent) of the subsidized units of this type cost less than the fair market rent, a significant share of this stock is at risk of loss **(Figure 28).**

The aging of the nation's public housing stock is also a concern, with more than half of the units built before 1970. In 2010, HUD estimated that the total repair and replacement needs for these aging units was about $26 billion, or $23,400 per unit. Annual upkeep would require another $3.4 billion, or an average of $3,200 per unit. Meanwhile, appropriations for capital repairs to public housing fell in real terms from about $2.8 billion in FY2010 to just under $1.9 billion in FY2015, no doubt exacerbating the maintenance backlog.

FIGURE 27

Over Time, Tax Credits Have Joined Vouchers as the Largest Forms of Rental Assistance

Assisted Rental Units (Millions)



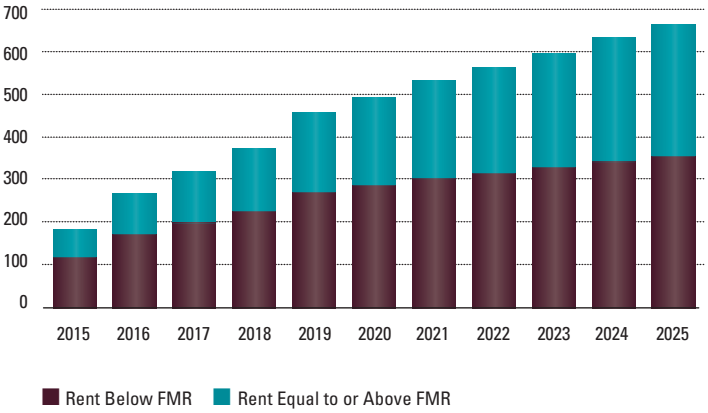
Notes: Units can be assisted through more than one program. The count of LIHTC units is cumulative and the 2014 estimate is the annual average number of units placed in service in 2009–13. Project-based rental assistance refers to units subsidized through project-based Section 8, Rent Supplement Program, Rental Assistance Payments, and Project Rental Assistance Contracts for Section 202 and Section 811 programs.

Sources: US Department of Housing and Urban Development, FY1999–2014 Annual Performance Reports and LIHTC Database.

FIGURE 28

More than Half of Affordable Units with Expiring Subsidies Charge Below-Market Rents

Cumulative Project-Based Assistance Units with Expiring Affordability (Thousands)



Notes: FMR (fair market rent) includes rent plus tenant-paid utility costs. Project-based rental assistance refers to units subsidized through project-based Section 8, Rent Supplement Program, Rental Assistance Payments, and Project Rental Assistance Contracts for Section 202 and Section 811 programs.

Source: JCHS tabulations of National Housing Preservation Database.

To help preserve and improve these properties, Congress authorized the Rental Assistance Demonstration (RAD) in FY2012. Under the first phase of the program, public housing agencies and private owners of subsidized properties could convert to long-term contracts and leverage public and private sources to fund capital needs, including tax equity through the LIHTC program. As of January 2015, public housing agencies and their partners had raised over $485 million in private capital to make improvements, equivalent to $37,000 per unit in participating properties. HUD received approval in FY2015 to expand the first component of RAD, limited to the public housing and moderate rehabilitation programs, from 60,000 units to 185,000 units. The second component of the program will help preserve the long-term affordability of about 38,000 rental units subsidized through other legacy HUD programs.

GEOGRAPHIC CONCENTRATION OF ASSISTED HOUSING

With income inequality on the increase in the United States, creating access to opportunity must be a housing policy priority. As a 2015 analysis of HUD's Moving to Opportunity demonstration shows, the impacts of neighborhood quality on children's future economic prospects are profound. Indeed, each year spent in a lower-poverty community improves the chances that a child would attend college and have higher earnings as an adult.

But starting with the large public housing developments built in the 1940s and 1950s, assisted rental units were often clustered in disadvantaged neighborhoods. Because many of the assisted units built decades ago are still in service, the segregation of very low-income households persists today, particularly among tenants of public housing. In 2013, some 27 percent of public housing units were located in census tracts with poverty rates of at least 40 percent, compared with just 6 percent of all rental units. Only 12 percent of these units were in neighborhoods with poverty rates under 10 percent, compared with 42 percent of all rentals. Furthermore, four out of ten public housing units were in tracts where at least three-quarters of residents were black or Hispanic, compared with just one out of six rentals overall.

While also disproportionately located in high-poverty, high-minority neighborhoods, rentals subsidized under the housing choice voucher and LIHTC programs are found in a broader range of communities **(Figure 29).** Indeed, just 10–12 percent of these affordable units are located in census tracts with poverty rates of at least 40 percent, and a quarter are located in tracts with poverty rates under 10 percent. In addi-

tion, only 27–30 percent of voucher and LIHTC units are in neighborhoods where at least three-quarters of residents are black or Hispanic.

In an effort to clarify and strengthen the regulatory landscape for fair housing, HUD recently ruled that all local and state governments that receive HUD funds—as well as all public housing agencies—must conduct an Assessment of Fair Housing that identifies patterns of segregation and then, based on local input, set priorities for addressing disparities in housing needs and access to opportunity. While this process will spur greater local attention to fair housing issues, the impacts of the rule will depend on the goals established by the grantees, the criteria for HUD review and acceptance, and the extent to which the findings are used in planning processes.

The Supreme Court's recent ruling in *Texas Department of Housing and Community Affairs* vs. *Inclusive Communities Project* may similarly alter the future location of LIHTC properties. In June 2015, the court affirmed that discrimination claims under the Fair Housing Act can be supported by evidence of disparate impact, allowing challenges to practices that adversely affect minorities without direct racial discrimination. With this decision, the Inclusive Communities Project's challenge to the allocation of LIHTC tax credits in the Dallas metropolitan area can proceed, clearing the way for similar challenges in other cities. Again, however, the full implications of this ruling will be known only as these cases are decided in the coming years.

GROWING NEED FOR INTEGRATED SERVICES

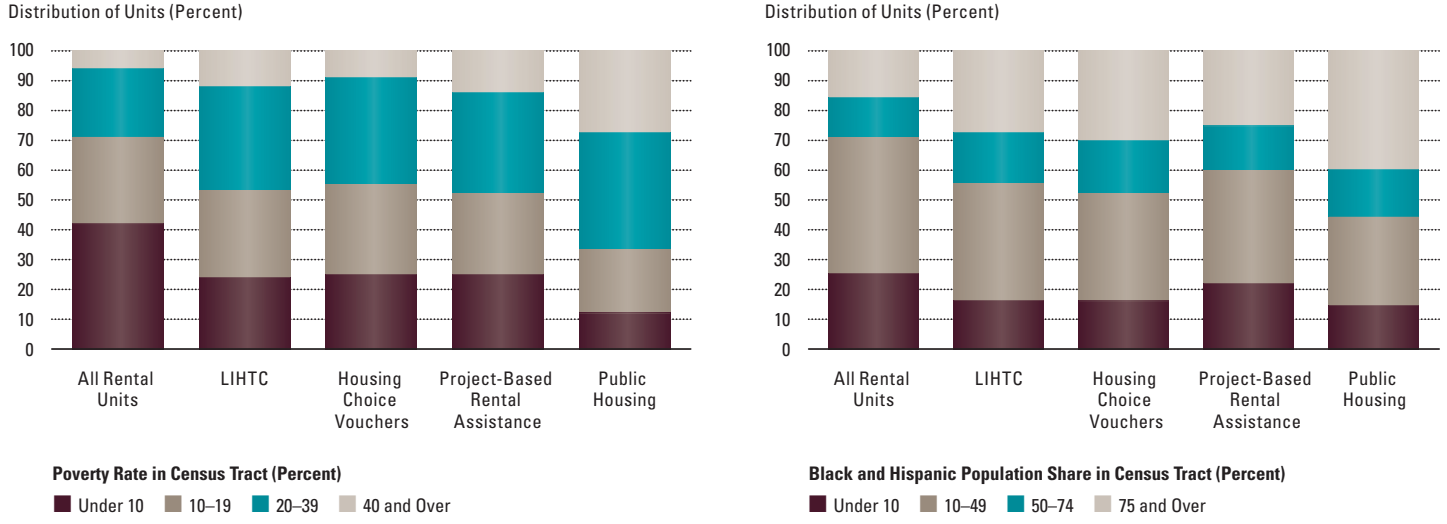
Rental subsidies alone may not address the underlying causes of housing instability among very low-income households, particularly older adults with chronic health conditions or disabilities; working-age adults that lack living-wage jobs, skills training, and/or access to affordable childcare; and formerly homeless individuals with a history of domestic violence, substance abuse, or mental illness. For these households, rental assistance programs offer an effective platform for delivering supportive services.

Households headed by elderly adults (aged 62 and over) and adults with disabilities make up a sizable share of those receiving rental assistance **(Figure 30).** Limited mobility is a common age-related disability. Indeed, the 2011 American Housing Survey indicates that 46 percent of assisted renters in this age group have serious difficulty walking or climbing stairs.

HUD's Section 202 program is currently the only federal program focused on providing affordable housing with sup-

FIGURE 29

Compared with Public Housing, LIHTC and Voucher Units Are Less Concentrated in High-Poverty, High-Minority Areas



Note: Poverty rate refers to share of families in census tract with incomes below the federal poverty level in 2013.

Source: JCHS tabulations of US Census Bureau, 2009–13 Five-Year American Community Surveys and US Department of Housing and Urban Development, 2013 Picture of Subsidized Households and LIHTC database.

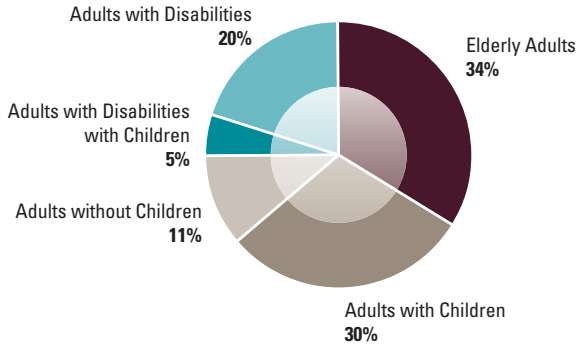
portive services to older renters with very low incomes. But after producing nearly 400,000 units since its inception in 1959, the program has not included funding for new construction since FY2011. The focus of the Section 202 program has shifted toward health-centered, cost-saving initiatives designed to help older very low-income renters avoid institutional care. HUD is currently working with the Department of Health and Human Services on several other efforts to integrate healthcare services for seniors in assisted housing and to increase access to affordable housing for older adults with disabilities who want to leave institutional care.

Rental assistance programs also provide opportunities to integrate services that help working-age households improve their earnings potential. For example, HUD's Family Self Sufficiency (FSS) program, administered by public housing agencies in collaboration with local partners, provides employment and other social services to households living in public housing or holding vouchers. When assisted households increase their incomes, the difference in rent above the share they would normally pay (usually 30 percent) is placed in escrow and rebated upon successful completion of the program. As of FY2014, more than 72,000 households had participated in FSS, and over half (56 percent) of those participating for at least one year increased their incomes. Building on the FSS program, HUD plans to roll out the Bridge to Family Self-Sufficiency, a demonstration program that replaces the rent-based escrow accounts with mentoring to build participants' goal-setting and decision-making skills.

FIGURE 30

Rental Assistance Predominantly Serves Adults Who Are Elderly, Have Disabilities, or Care for Children

Share of Assisted Households



Notes: Elderly adults are aged 62 and over, the cutoff for age-restricted units. Adults with disabilities are under age 62. Household counts include those assisted by Housing Choice Vouchers, Public Housing, Project-Based Section 8, Section 202, Section 811, Rent Supplement, Rental Assistance Program, McKinney-Vento Permanent Supportive Housing, Housing for Persons with AIDS, and USDA Section 521.

Source: Center on Budget and Policy Priorities, Federal Rental Assistance Factsheet.

Permanent supportive housing, which has been a critical element in efforts to eliminate homelessness, is another example of how rental assistance can be used as a platform for providing coordinated services. A 2014 study by the University of Pennsylvania and the US Department of Veterans Affairs found that the addition of one unit of permanent supportive housing for every 10,000 individuals leads to a 1.0 percent reduction in chronic homelessness.

Combining supportive services with affordable housing has also reduced public expenditures on homeless adults, who are frequent, high-cost users of the healthcare and criminal justice systems. Indeed, a 2010 report by the Virginia Coalition to End Homelessness indicates that the daily cost of a permanent supportive bed in Virginia was just $49, compared with $70 for a bed in a local jail and $598 for a bed in an adult psychiatric state hospital.

At the same time, though, operating expenses for permanent supportive housing developments are higher than for affordable housing developments. To address this cost issue, the innovative pay-for-success (or pay-for-performance) model is gaining ground as an alternative funding strategy. Under this approach, private investors provide upfront capital for social services, while government or philanthropic funders agree to repay the capital with profit if specified outcomes are achieved. In this way, service providers can tap new funding sources, shifting risk from the government to private investors.

IMPROVING THE ENERGY EFFICIENCY OF THE RENTAL STOCK

The residential housing sector has a large carbon footprint, accounting for about 22 percent of national energy consumption and a similar share of domestic CO_2 emissions. According to the most recent Residential Energy Consumption Survey (RECS), renters were responsible for nearly a quarter of all residential energy use in 2009. On a per-household basis, renters living in single-family homes consumed 19 percent less energy than owner-occupants, while renters living in multifamily units consumed 29 percent less energy than owner-occupants. Lower energy use among renters reflects in part the smaller average size of rentals relative to owned units. While the 2015 RECS is not yet available, survey results will no doubt show higher energy use in the rental sector because of increases in both the rentership rate and the share of single-family rentals.

Cumulative improvements to the energy efficiency of the rental stock occur through construction of new units, loss or replacement of older units, and retrofits of existing units. For example, rentals built in the 2000s consumed 28 percent less energy on average in 2009 than those built before 1980 **(Figure 31).** Nonetheless, the typical unit built before 1970 used nearly 25 percent less energy in 2009 than same-age rentals in 1980, highlighting the critical importance of retrofits.

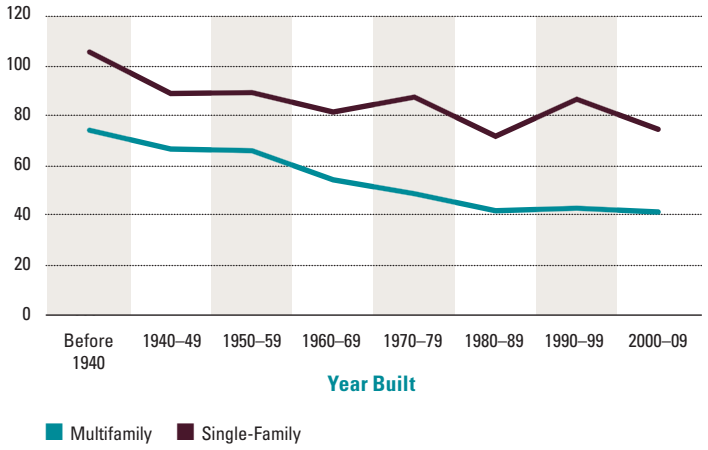
While a variety of government and private initiatives have attempted to reduce energy use in the rental housing sector, significant gains require better alignment of the incentives facing renters and property owners. Property owners generally pay the up-front costs of efficiency improvements, but tenants receive the benefit of lower energy costs because they typically pay for utilities. As a result, property owners do not capture the full return on their investments unless they charge equivalently higher rents. While several proposals related to lease structures and energy-use disclosures have attempted to alter this disincentive to invest, none have been widely adopted.

Moreover, improving the efficiency of rental housing involves complex tradeoffs related to household location decisions.

FIGURE 31

Despite Overall Improvement, Older Rentals Remain Less Energy Efficient than Newer Ones

Site Energy Consumption per Renter Household in 2009 (Thousands of BTUs)



Note: Single-family category excludes mobile homes.
Source: JCHS tabulations of 2009 Residential Energy Consumption Survey.

Transportation-related energy use is a major component of a rental unit's energy footprint, given that location determines tenants' travel options. Improving the efficiency of the overall rental stock therefore involves not just reducing the energy use of individual units, but also renters' transportation-related energy use. A further complication is that efforts to improve the energy efficiency of the rental supply may conflict with other critical policy objectives, including affordability if property owners pass the costs of retrofits on to tenants.

THE OUTLOOK

The need for rental housing that low- and moderate-income households can afford is already great and growing. Although multifamily construction is booming, most new rentals are targeted to the high end of the market. And with the huge millennial population poised to enter the housing market, the pressure on rents will only increase.

The strained political climate and caps on nondefense discretionary spending have held down appropriations for federal rental assistance programs. Recognizing these limitations, the federal government has made new efforts to integrate affordable housing, healthcare, and supportive services for the most vulnerable households, including the working poor and older adults with chronic health conditions and disabilities.

There is broad recognition that neighborhood quality directly shapes the economic opportunities available to low-income renters. Indeed, increasing the access to communities with good-quality schools, low crime rates, and proximity to employment and transit can result in better economic outcomes for both parents and children. Improvements to existing rental assistance programs would help more low-income households find homes in a broader range of neighborhoods. At the same time, however, developing new rental housing in disadvantaged communities can be an important means for fostering neighborhood revitalization.

Each of these policy issues deserves attention and debate. While specific solutions vary across markets, the ultimate goal must be to ensure that the nation's rental housing stock meets the needs of the diverse renter population and that America's communities are inclusive of all households.

APPENDIX TABLES

Table A-1 Renter Households and Household Growth: 1995, 2005, and 2015

Table A-2 Characteristics of the Rental Housing Stock: 2013

Table A-3 Housing Cost-Burdened Renters by Demographic Characteristics: 2001, 2013, and 2014

Table A-4 Multifamily Housing Market Indicators: 1980–2014

Table A-5 Shares of Housing Cost-Burdened Renters by State: 2014

Table A-6 Counts of Housing Cost-Burdened Renters by State: 2014

Table A-7 Assisted Rental Units with Expiring Affordable-Use Periods: 2015–2025

Additional tables can be downloaded in Microsoft Excel format at www.jchs.harvard.edu.

TABLE A-1

Renter Households and Household Growth: 1995, 2005, and 2015

	Renter Households (Thousands)			Growth 1995–2005		Growth 2005–2015	
	1995	2005	2015	Level (Thousands)	Rate (Percent)	Level (Thousands)	Rate (Percent)
Age of Householder							
Under 25	4,477	5,084	5,041	606	13.5	-43	-0.8
25–29	5,580	5,255	6,258	-325	-5.8	1,003	19.1
30–34	5,414	4,463	5,729	-951	-17.6	1,266	28.4
35–39	4,407	3,804	4,558	-603	-13.7	755	19.8
40–44	3,333	3,503	3,984	171	5.1	480	13.7
45–49	2,480	2,968	3,548	488	19.7	579	19.5
50–54	1,734	2,402	3,488	667	38.5	1,086	45.2
55–59	1,318	1,792	3,023	474	36.0	1,231	68.7
60–64	1,166	1,287	2,494	121	10.3	1,208	93.8
65–69	1,195	1,054	1,871	-141	-11.8	817	77.5
70–74	1,126	963	1,263	-163	-14.5	300	31.2
75 and Over	2,385	2,453	2,759	67	2.8	306	12.5
Race/Ethnicity of Householder							
White	22,542	19,767	22,995	-2,775	-12.3	3,228	16.3
Black	6,446	6,722	8,680	276	4.3	1,958	29.1
Hispanic	4,250	6,094	8,710	1,844	43.4	2,616	42.9
Asian/Other	1,379	2,444	3,631	1,065	77.3	1,187	48.6
Household Type							
Married without Children	5,137	4,718	6,301	-418	-8.1	1,582	33.5
Married with Children	6,745	5,626	6,762	-1,120	-16.6	1,137	20.2
Single Parent	5,717	5,812	6,891	95	1.7	1,079	18.6
Other Family	2,240	2,653	3,906	412	18.4	1,254	47.3
Single Person	11,645	12,648	15,502	1,004	8.6	2,854	22.6
Other Non-Family	3,132	3,570	4,654	437	14.0	1,084	30.4
Household Income							
Lowest Quintile	11,265	11,594	14,182	329	2.9	2,588	22.3
Lower-Middle Quintile	8,732	9,264	11,101	532	6.1	1,837	19.8
Middle Quintile	7,062	7,174	8,718	112	1.6	1,544	21.5
Upper-Middle Quintile	4,873	4,532	6,181	-341	-7.0	1,649	36.4
Highest Quintile	2,684	2,462	3,834	-222	-8.3	1,372	55.7
Nativity of Householder							
Native Born	29,819	28,146	35,042	-1,674	-5.6	6,897	24.5
Foreign Born	4,797	6,881	8,974	2,084	43.5	2,092	30.4
Education of Householder							
No High School Degree	8,277	7,551	7,091	-726	-8.8	-460	-6.1
High School Degree	11,146	10,927	12,810	-218	-2.0	1,882	17.2
Some College	8,788	9,451	13,299	663	7.5	3,848	40.7
Bachelor Degree or Higher	6,406	7,098	10,817	692	10.8	3,719	52.4

Notes: Based on 3-year trailing averages to reduce volatility in the annual data. Nativity not available for 1993 so 1995 nativity counts are based on applying nativity shares from 1994 and 1995 to total count of all renter households in 1993–95. Children are the householder's own, adopted, or step children under the age of 18. White, black, and Asian/other householders are non-Hispanic. Hispanic householders may be of any race.

Source: JCHS tabulations of the US Census Bureau, Current Population Surveys.

TABLE A-2

Characteristics of the Rental Housing Stock: 2013

Rental Units (Thousands)

	Single-Family		Multifamily					Mobile Home	Total
	Detached	Attached	2–4 Units	5–9 Units	10–19 Units	20–49 Units	50 Units or More		
Census Region									
Northeast	1,175	652	2,284	940	834	904	1,304	129	8,220
Midwest	2,577	477	1,912	1,111	1,051	690	743	224	8,785
South	5,305	1,022	2,280	2,032	2,125	1,130	959	1,071	15,925
West	3,430	635	1,896	1,477	1,283	1,047	960	317	11,045
Metro Area Status									
Central City	3,839	1,250	4,043	2,662	2,383	2,116	2,681	74	19,048
Suburbs	5,268	1,264	2,809	2,211	2,449	1,331	1,108	726	17,168
Non-Metro	3,380	273	1,520	686	460	324	176	940	7,759
Year Built									
Pre-1940	2,620	403	2,465	767	417	538	427	16	7,653
1940–1959	3,332	356	1,234	546	425	322	411	27	6,653
1960–1979	3,406	810	2,741	2,175	2,054	1,394	1,543	635	14,757
1980–2002	2,184	855	1,602	1,762	1,968	1,066	988	933	11,357
2003 or Later	946	362	331	311	429	451	596	129	3,555
Rent Level									
Under $400	1,225	265	1,172	622	465	374	619	423	5,165
$400–599	1,907	347	1,939	1,216	1,007	575	424	555	7,970
$600–799	2,295	541	1,949	1,390	1,432	821	508	317	9,254
$800–999	1,751	485	1,173	969	963	739	565	122	6,768
$1,000 or More	3,793	987	1,855	1,165	1,257	1,111	1,733	50	11,950
No Cash Rent	1,173	92	113	67	35	51	49	198	1,776
Other Rental/Rent Not Paid Monthly	343	70	171	130	132	99	67	77	1,091
Number of Bedrooms									
0	53	18	69	109	103	149	266	3	771
1	570	382	2,303	2,009	2,290	1,916	2,308	97	11,876
2	3,129	1,240	4,392	2,781	2,423	1,457	1,161	797	17,380
3	6,179	971	1,376	597	415	216	195	727	10,674
4	2,073	144	200	54	53	32	35	85	2,676
5 or More	483	32	32	10	8	2	0.71	31	599
Unit Size									
Under 800 Sq. Ft.	852	379	2,451	1,958	1,998	1,696	1,858	384	11,577
800–1,199 Sq. Ft.	2,635	761	3,096	2,209	2,152	1,214	1,155	689	13,911
1,200 Sq. Ft. and Over	7,871	1,154	1,580	747	671	467	372	511	13,372
Rental Assistance									
Without Rental Assistance	10,826	2,262	6,631	4,351	4,252	2,976	2,698	1,485	35,480
With Rental Assistance	826	331	1,069	696	507	428	857	61	4,775
Adequacy of Unit									
Adequate	10,869	2,474	6,779	4,549	4,322	3,026	3,177	1,410	36,606
Moderately Inadequate	518	51	651	365	309	259	248	108	2,508
Severely Inadequate	272	69	272	133	129	119	131	29	1,155

Notes: Includes vacant units that are for rent and rented but not yet occupied. Assisted rental units are occupied units and include public housing units and other federally subsidized units, as well as rentals where tenants use vouchers, and may not capture units that receive only local or state assistance or those with low income housing tax credits without additional subsidies. Information on adequacy is only collected for occupied units. Severely inadequate is defined as units with one or more serious physical problems related to heating, plumbing, and electrical systems or maintenance. Moderately inadequate is defined as units that have not been identified as being severely inadequate and meet at least one of the following four conditions: two or more toilet breakdowns lasting longer than six hours; unvented gas, oil, or kerosene heaters as main source of heat; upkeep problems; or lack of complete kitchen facilities.

Source: JCHS tabulations of US Department of Housing and Urban Development, 2013 American Housing Survey.

TABLE A-3

Housing Cost-Burdened Renters by Demographic Characteristics: 2001, 2013, and 2014

Households (Thousands)

Renter Characteristics	2001			2013			2014		
	Moderately Burdened	Severely Burdened	Total	Moderately Burdened	Severely Burdened	Total	Moderately Burdened	Severely Burdened	Total
All Renter Households	7,335	7,457	14,792	9,549	11,216	20,764	9,854	11,418	21,271
Age of Householder									
Under 25	1,086	1,475	2,561	895	1,559	2,454	906	1,513	2,419
25–44	3,512	3,078	6,590	4,451	4,669	9,120	4,562	4,721	9,282
45–64	1,620	1,603	3,223	2,753	3,230	5,983	2,860	3,342	6,202
65 and Over	1,117	1,300	2,417	1,449	1,758	3,207	1,526	1,842	3,368
Race/Ethnicity of Householder									
White	4,118	3,924	8,043	4,921	5,383	10,304	4,999	5,343	10,342
Black	1,436	1,705	3,141	1,902	2,655	4,557	1,996	2,717	4,713
Hispanic	1,291	1,226	2,517	2,042	2,270	4,311	2,122	2,391	4,513
Asian/Other	491	602	1,092	684	908	1,592	737	966	1,703
Household Type									
Married without Children	680	451	1,131	1,030	741	1,772	1,074	767	1,841
Married with Children	1,037	606	1,643	1,425	1,067	2,492	1,388	1,072	2,460
Single Parent	1,553	1,851	3,403	1,816	2,701	4,518	1,850	2,698	4,548
Other Family	546	455	1,001	884	904	1,787	955	927	1,882
Single Person	2,927	3,511	6,438	3,537	4,896	8,432	3,716	5,051	8,766
Non-Family	592	583	1,176	857	906	1,764	870	904	1,774
Household Income									
Under $15,000	933	4,921	5,854	1,096	6,973	8,069	1,109	6,943	8,052
$15,000–29,999	3,218	2,101	5,320	3,921	3,352	7,272	3,851	3,517	7,368
$30,000–44,999	2,098	321	2,419	2,680	683	3,363	2,859	732	3,590
$45,000–74,999	900	102	1,002	1,504	197	1,701	1,652	211	1,863
$75,000 and Over	186	12	198	349	10	359	383	16	398
Education of Householder									
No High School Degree	1,906	2,307	4,213	1,696	2,408	4,104	1,708	2,458	4,166
High School Degree	2,118	2,048	4,166	2,687	3,218	5,905	2,757	3,326	6,083
Some College	2,143	2,074	4,217	3,271	3,769	7,040	3,393	3,779	7,172
Bachelor Degree or Higher	1,168	1,028	2,196	1,896	1,820	3,716	1,995	1,856	3,850
Weeks Worked in Last 12 Months by Householder									
Fully Employed	3,887	1,790	5,677	5,340	3,199	8,539	5,640	3,385	9,025
Short-Term Unemployed	928	874	1,802	873	1,152	2,025	871	1,132	2,003
Long-Term Unemployed	582	1,444	2,026	572	1,478	2,050	532	1,423	1,955
Fully Unemployed	71	223	293	183	675	858	145	578	723
Not in Labor Force	1,867	3,126	4,993	2,581	4,711	7,292	2,666	4,900	7,566

Notes: Moderately (severely) cost-burdened pay more than 30% and up to 50% (more than 50%) of household income for housing. Households with zero or negative income are assumed to be severely burdened, while households paying no cash rent are assumed to be unburdened. Income cutoffs are in 2014 dollars adjusted for inflation using the CPI-U for All Items. White, black, and Asian/other householders are non-Hispanic. Hispanic householders may be of any race. Children are the householder's own, adopted, or step-children under the age of 18. Fully employed householders worked for at least 48 weeks during the previous 12 months, short-term unemployed for 27–47 weeks, and long-term unemployed for 1–26 weeks. Fully unemployed householders did not work in the previous 12 months but were in the labor force. Householders not in the labor force include those under the age of 16.

Source: JCHS tabulations of US Census Bureau, American Community Surveys.

TABLE A-4

Multifamily Housing Market Indicators: 1980–2014

Year	Permits [1] (Thousands)	Starts [2] (Thousands)	Completions [3]		Size of New Units [3] (Median sq. ft.)	Rental Vacancy Rates [4] (Percent)	Value Put in Place: New Units [5] (Millions of 2014 dollars)
			For Sale (Thousands)	For Rent (Thousands)			
1980	480	440	174	371	915	6.4	48,000
1981	421	379	164	283	930	6.0	45,500
1982	454	400	148	226	925	6.2	38,100
1983	704	635	152	314	893	6.7	53,400
1984	759	665	197	430	871	7.0	64,300
1985	777	669	184	447	882	7.9	62,800
1986	692	626	133	503	876	9.2	67,000
1987	510	474	134	412	920	9.7	53,000
1988	462	407	117	329	940	9.8	44,600
1989	407	373	90	307	940	9.2	42,600
1990	317	298	76	266	955	9.0	34,900
1991	195	174	56	197	980	9.4	26,300
1992	184	170	44	150	985	9.4	22,100
1993	213	162	44	109	1,005	9.4	17,700
1994	303	259	49	138	1,015	9.0	22,500
1995	335	278	51	196	1,040	9.0	27,800
1996	356	316	50	234	1,030	9.3	30,700
1997	379	340	54	230	1,050	9.0	33,700
1998	425	346	55	260	1,020	9.0	35,700
1999	417	339	55	279	1,041	8.7	39,000
2000	394	338	60	272	1,039	8.7	38,800
2001	401	329	75	240	1,104	8.9	40,500
2002	415	346	63	260	1,070	9.7	43,400
2003	428	349	56	236	1,092	10.7	45,200
2004	457	345	72	238	1,105	10.9	50,100
2005	473	353	97	199	1,143	10.0	57,300
2006	461	336	127	198	1,172	9.8	62,000
2007	419	309	116	169	1,197	10.0	55,900
2008	330	284	101	200	1,122	10.4	48,800
2009	142	109	66	208	1,113	11.3	31,500
2010	157	116	30	125	1,110	11.1	15,900
2011	206	178	16	123	1,124	10.0	15,800
2012	311	245	11	155	1,098	9.3	23,200
2013	370	307	11	184	1,059	8.8	32,000
2014	412	355	13	252	1,073	7.9	41,800

Notes: Value put in place is adjusted for inflation using the US Bureau of Labor Statistics Consumer Price Index for All Urban Consumers (CPI-U) for All Items. Web links confirmed as of November 2015.

Sources:

1. US Census Bureau, New Privately Owned Housing Units Authorized by Building Permits, http://www.census.gov/construction/nrc/xls/permits_cust.xls
2. US Census Bureau, New Privately Owned Housing Units Started, www.census.gov/construction/nrc/xls/starts_cust.xls
3. US Census Bureau, New Privately Owned Housing Units Completed in the United States, by Purpose and Design, http://www.census.gov/construction/nrc/xls/quar_co_purpose_cust.xls
4. US Census Bureau, Housing Vacancy Survey, http://www.census.gov/housing/hvs/data/histtabs.html. Data are for units in structures with 2 or more units.
5. US Census Bureau, Annual Value of Private Construction Put in Place, http://www.census.gov/construction/c30/historical_data.html

TABLE A-5

Shares of Housing Cost-Burdened Renters by State: 2014

Share of Households (Percent)

	Moderately Burdened	Severely Burdened
Alabama	21.0	25.6
Alaska	27.2	23.2
Arizona	22.1	25.0
Arkansas	21.8	20.9
California	25.2	30.0
Colorado	24.4	24.8
Connecticut	23.2	28.5
Delaware	22.6	24.8
Florida	25.2	30.4
Georgia	23.3	26.7
Hawaii	24.7	29.2
Idaho	23.0	22.6
Illinois	21.4	26.9
Indiana	21.7	24.8
Iowa	18.1	21.3
Kansas	19.3	22.4
Kentucky	20.8	24.2
Louisiana	20.5	27.5
Maine	21.2	25.8
Maryland	24.7	25.0
Massachusetts	22.5	25.5
Michigan	22.0	28.7
Minnesota	21.7	24.0
Mississippi	20.3	25.5
Missouri	20.8	24.2
Montana	21.2	23.5
Nebraska	19.9	18.4
Nevada	24.0	23.6
New Hampshire	23.2	22.4
New Jersey	23.3	28.2
New Mexico	21.2	26.4
New York	22.7	29.8
North Carolina	22.9	24.8
North Dakota	17.9	19.7
Ohio	20.8	25.1
Oklahoma	20.1	20.6
Oregon	25.5	27.3
Pennsylvania	21.6	26.9
Rhode Island	23.4	28.1
South Carolina	22.4	24.3
South Dakota	19.1	17.7
Tennessee	21.9	25.6
Texas	22.8	24.0
Utah	24.4	19.9
Vermont	24.4	20.1
Virginia	22.4	24.7
Washington	24.1	24.0
Washington, DC	19.9	26.1
West Virginia	17.5	21.6
Wisconsin	22.0	23.9
Wyoming	20.1	19.6
US Total	22.8	26.4

Notes: Moderately (severely) cost-burdened households pay more than 30% and up to 50% (more than 50%) of household income for housing. Households with zero or negative income are assumed to be severely burdened, while households paying no cash rent are assumed to be unburdened.

Source: JCHS tabulations of US Census Bureau, 2014 American Community Survey.

TABLE A-6

Counts of Housing Cost-Burdened Renters by State: 2014

Number of Households (Thousands)

	Moderately Burdened	Severely Burdened
Alabama	125	153
Alaska	25	21
Arizona	209	237
Arkansas	84	81
California	1,484	1,769
Colorado	179	182
Connecticut	105	130
Delaware	23	26
Florida	662	800
Georgia	315	360
Hawaii	48	57
Idaho	43	42
Illinois	350	440
Indiana	171	195
Iowa	64	75
Kansas	71	83
Kentucky	122	142
Louisiana	125	168
Maine	33	40
Maryland	182	184
Massachusetts	219	249
Michigan	251	328
Minnesota	129	144
Mississippi	72	91
Missouri	162	188
Montana	28	31
Nebraska	50	46
Nevada	113	111
New Hampshire	36	35
New Jersey	272	330
New Mexico	53	66
New York	775	1,019
North Carolina	310	336
North Dakota	21	23
Ohio	331	398
Oklahoma	102	105
Oregon	153	164
Pennsylvania	334	416
Rhode Island	40	47
South Carolina	131	142
South Dakota	21	19
Tennessee	185	216
Texas	820	864
Utah	68	56
Vermont	18	15
Virginia	240	263
Washington	246	245
Washington, DC	33	43
West Virginia	36	44
Wisconsin	168	182
Wyoming	15	15
US Total	9,854	11,418

Notes: Moderately (severely) cost-burdened households pay more than 30% and up to 50% (more than 50%) of household income for housing. Households with zero or negative income are assumed to be severely burdened, while households paying no cash rent are assumed to be unburdened.

Source: JCHS tabulations of US Census Bureau, 2014 American Community Survey.

TABLE A-7

Assisted Rental Units with Expiring Affordable-Use Periods: 2015–2025

Counts and Shares of Units by Ratio of Rent to Local FMR

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Number of Units												
Ratio of Rent to Local FMR (Percent)												
Under 80	61,300	27,600	13,200	12,100	15,600	5,700	5,700	3,400	4,000	3,300	5,200	157,000
80–99	57,300	26,200	14,400	14,800	29,100	9,900	10,500	8,900	9,900	10,200	7,200	198,200
100–119	42,400	16,300	14,300	19,200	24,100	10,700	13,900	8,700	12,600	10,900	10,300	183,500
120–139	15,100	8,300	6,000	6,700	9,000	4,700	7,700	5,300	3,900	5,900	4,500	77,100
140–159	5,500	3,200	1,900	1,700	4,500	1,600	2,400	2,000	1,900	2,700	2,400	29,900
160 and Over	3,100	1,800	1,500	700	2,700	1,000	900	1,100	1,500	2,900	1,500	18,600
Below Fair Market Rent	118,500	53,800	27,600	26,900	44,700	15,600	16,100	12,300	13,900	13,500	12,400	355,200
At or Above Fair Market Rent	66,100	29,600	23,700	28,300	40,300	18,000	24,900	17,100	20,000	22,400	18,700	309,000
Total	184,600	83,400	51,300	55,200	84,900	33,700	41,100	29,400	33,800	35,900	31,000	664,300
Share of Units (Percent)												
Ratio of Rent to Local FMR (Percent)												
Under 80	33	33	26	22	18	17	14	12	12	9	17	24
80–99	31	31	28	27	34	30	25	30	29	28	23	30
100–119	23	20	28	35	28	32	34	30	37	30	33	28
120–139	8	10	12	12	11	14	19	18	12	16	14	12
140–159	3	4	4	3	5	5	6	7	6	7	8	5
160 and Over	2	2	3	1	3	3	2	4	4	8	5	3
Below Fair Market Rent	64	64	54	49	53	46	39	42	41	38	40	53
At or Above Fair Market Rent	36	36	46	51	47	54	61	58	59	62	60	47

Notes: Fair Market Rent (FMR) includes rent plus tenant-paid utility costs. Assisted rental units include those subsidized through project-based Section 8, Rent Supplement Program, Rental Assistance Payments, and Project Rental Assistance Contracts for Section 202 and Section 811 programs.

Source: JCHS tabulations of National Housing Preservation Database.

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Joint Center for Housing Studies of Harvard University
1 Bow Street, Suite 400
Cambridge, MA 02138

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Designer
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Joint Center for Housing Studies of Harvard University

1 Bow Street, Suite 400
Cambridge, MA 02138

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