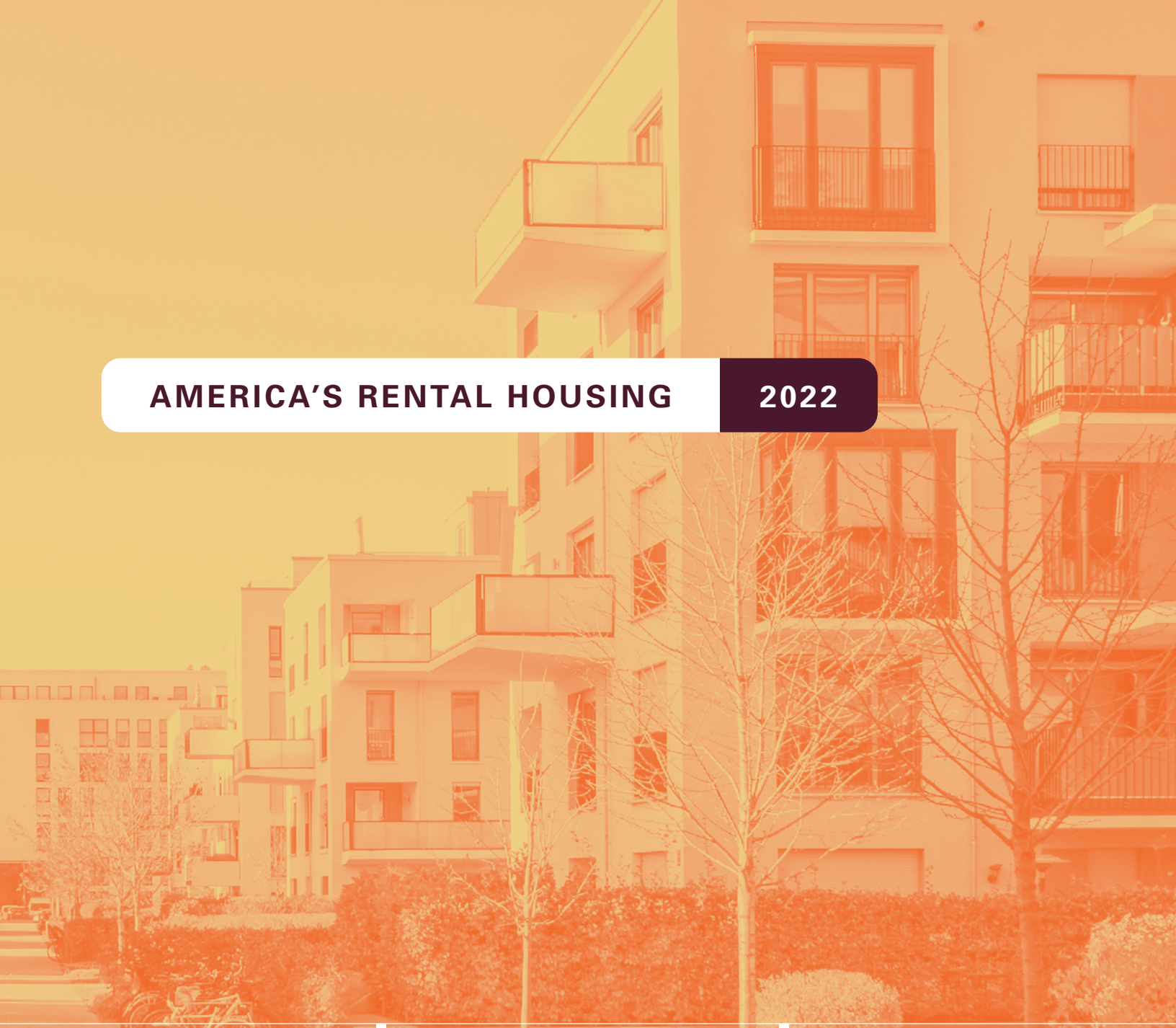




AMERICA'S RENTAL HOUSING

2022



Joint Center for Housing Studies of Harvard University

JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

HARVARD GRADUATE SCHOOL OF DESIGN
HARVARD KENNEDY SCHOOL

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Interactive Data & Resources: www.jchs.harvard.edu/americas-rental-housing

Principal funding for this report was provided by Wells Fargo.

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1 | EXECUTIVE SUMMARY

Rental housing demand came roaring back in the second year of the pandemic, reducing vacancy rates and driving up rents. Some of this rebound reflects the lack of inventory in the for-sale market, which has kept many higher-income renters from buying homes. At the same time, lower-income households that took the brunt of job losses during the lockdown still struggle to cover their rents. While unprecedented levels of federal assistance helped keep evictions down, the need for a permanent, fully funded housing safety net is more urgent than ever. A key element of that support must be to protect the existing stock against the threats from climate change.

REBOUND IN RENTAL MARKETS

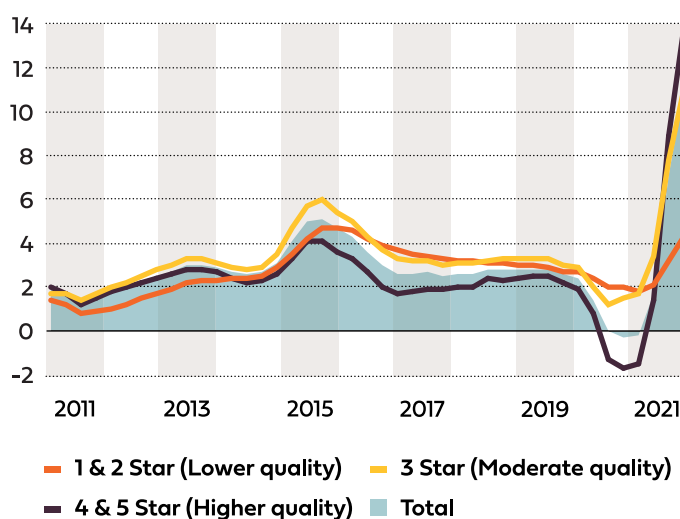
After a cooldown early in the pandemic, rental housing markets heated up again in 2021. The Housing Vacancy Survey put the number of renter households at 44.0 million in the third quarter of the year, an increase of about 870,000 households from the first quarter of 2020. With this resurgence in demand, the overall rental vacancy rate dropped to just 5.8 percent—its lowest reading since the mid-1980s.

In the professionally managed apartment market, the number of renter households shot up by a record 4.8 percent in the third quarter of 2021 from a year earlier. Conditions in the higher-quality segment tightened the most, with vacancy rates falling 4.2 percentage points from the last quarter of 2020, to 6.2 percent. Vacancy rates also declined by more than a percentage point year over year in both the moderate- and lower-quality segments, to the 3.7–4.0 percent range. As a result, asking rents for all professionally managed apartments spiked in the third quarter, led by a 13.8 percent jump for units in higher-quality buildings (**Figure 1**).

Strong rental demand has kept the prices of apartment properties on the rise. Indeed, price appreciation was

FIGURE 1

After a Brief Dip, Rents for Higher-Quality Apartments Soared in 2021
Annual Change in Rents (Percent)



Note: Quality is based on the CoStar Building Rating System for professionally managed market-rate apartments in buildings with five or more units.

Source: JCHS tabulations of CoStar data.

at a record high of 16.8 percent in October 2021, pushing capitalization rates down to just 4.1 percent in the third quarter. Despite soaring prices, favorable interest rates and ready access to capital helped to lift rental property acquisitions from early-pandemic lows. Indeed, multifamily mortgage originations surged in the third quarter, increasing by a record 105 percent.

The ownership of rental properties continues to shift from individuals to business entities. According to the latest Rental Housing Finance Survey, the share of rental properties owned by non-individual investors rose 8 percentage points from 2001 to 2018, to 26 percent. This trend may well have continued through the third quarter of 2021, when investor purchases of homes—many of which are ultimately converted to rentals—hit their highest level in two decades. Fully 74 percent of those purchases were single-family homes, a record-high share that

indicates growing investor interest in single-family rental properties.

COVID'S LINGERING FINANCIAL IMPACTS

While most tenants managed to keep up to date on rent throughout the pandemic, some 15 percent of renter households were in arrears in the third quarter of 2021. At the same time, nearly a quarter of renter households reported that they had lost employment income in the previous four weeks.

Lower-income renters were especially hard hit by income losses and likely to fall behind on rent. Fully 23 percent of households with incomes below \$25,000, along with 15 percent of those with incomes between \$25,000 and \$50,000, were behind on their payments in the third quarter of 2021. By comparison, just 5 percent of households making more than \$75,000 owed back rent.

FIGURE 2

Federal Support Throughout the Pandemic Has Helped to Keep Renters in Their Homes

	2020					2021				
	Mar–Apr	May–Jun	Jul–Aug	Sept–Oct	Nov–Dec	Jan–Feb	Mar–Apr	May–Jun	Jul–Aug	Sept–Oct
Eviction Moratoriums	CARES Act			CDC Orders						
Emergency Rental Assistance						Consolidated Appropriations Act (\$25 billion)				
							American Rescue Plan Act (\$21.55 billion)			
Stimulus Checks	\$1,200				\$600		Up to \$1,400			
Expanded Unemployment		\$600 per Week				\$300 per Week				

Notes: The Consolidated Appropriations Act, passed in late December 2020, began disbursing funds in January 2021. Distribution of ERA continued into 2022.

Sources: Government Accountability Office, Internal Revenue Service, US Department of Labor, US Department of the Treasury.

Disproportionately large shares of Black and Hispanic renter households have also had difficulty keeping up with their housing payments. Nearly a quarter of Black renters were behind on rent in the third quarter, as well as 19 percent of Hispanic renters. The share of Asian renter households in arrears was slightly lower at 18 percent, while the share of white renter households was half that, at 9 percent. This disparity reflects long-term discrimination in labor markets that has consigned many households of color to low-wage jobs in the service industry—the sector that suffered the most drastic job cuts over the past two years.

The pandemic's financial impacts may extend well beyond missed rent payments. A recent Joint Center for Housing Studies analysis found that more than two-thirds of renters that had lost employment income had used multiple resources to cover their living expenses, including drawing down savings, increasing their credit card debt, and borrowing from friends and family. Many also spent their economic impact payments and increased unemployment insurance benefits on rent and other basic needs. Even households that ultimately fell behind on rent reported that they had borrowed from friends and family, potentially widening the pandemic's spillover effects not only to landlords but also to the broader community.

EFFORTS TO STABILIZE RENTERS

Keeping renters in their homes has been a priority since early in the pandemic. The CARES Act moratorium on evictions, targeted to renters living in properties with federally backed mortgages, was put in place in March 2020 (**Figure 2**). After that moratorium expired in July, the Centers for Disease Control and Prevention (CDC) issued back-to-back holds on evictions in September 2020 and August 2021. The first CDC order extended to renters that met certain income requirements and attested to hardship, while the second was restricted to areas with high COVID transmission but still covered about 90 percent of renters.

At the same time, the federal government quickly expanded unemployment insurance benefits and

issued economic impact payments, providing much-needed cash directly to households. Student loan deferrals, monthly child tax credit payments, and increased Supplemental Nutrition Assistance Program (SNAP) benefits also helped renter households weather the massive job layoffs.

But even with these income supports, millions of renters were unable to pay for their housing. Two subsequent bills passed in late 2020 and early 2021 provided Emergency Rental Assistance (ERA) to help households pay back-rent and cover their current housing and utility bills, ensuring their housing security while also stabilizing property owners' incomes.

However, getting these funds into the hands of eligible renters posed significant challenges for state and local governments, many of which had to create assistance programs from scratch. In addition, the initial requirements for documenting hardship and income losses were burdensome to renters, and many households were either unaware of the assistance available or unsure of their eligibility. As a result, just 1 percent of funds from the first ERA allocation were spent in the first three months of the program. By the end of October 2021, however, the share of ERA1 funds disbursed was up to 49 percent, with support reaching just over 2.5 million households.

All of these measures have provided a backstop for many renter households that could well have lost their housing. Indeed, the Eviction Lab reports that eviction filings declined sharply at the beginning of the pandemic and remained 40 percent below historical averages in November 2021. While filings rose after the second CDC moratorium ended, the increase through the fall was smaller than expected. This suggests that some combination of emergency rental assistance, income supports, and landlord flexibility has forestalled evictions.

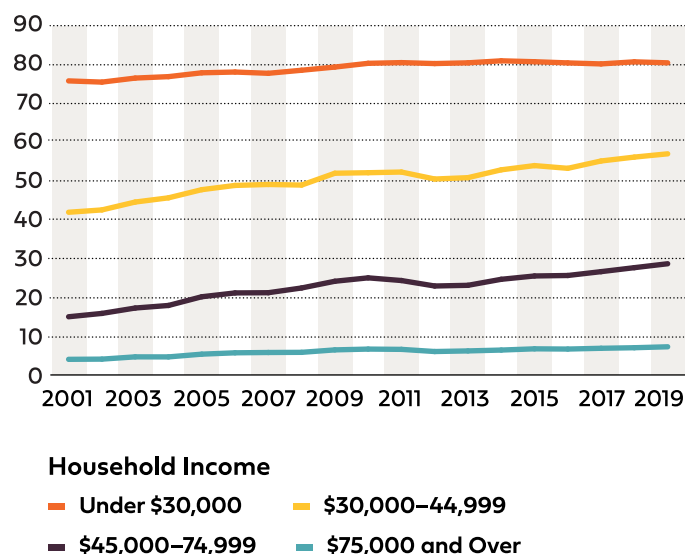
ONGOING AFFORDABILITY CHALLENGES

Despite a strong economy, the share of renter households with cost burdens fell only marginally in the years leading up to the pandemic. In 2019, some 46 percent of

FIGURE 3

The Share of Lower-Income Renters with Cost Burdens Remains Stubbornly High

Share of Households with Cost Burdens (Percent)



Notes: Incomes are adjusted for inflation using the CPI-U for All Items. Cost-burdened households pay more than 30% of income for housing.

Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

renters were at least moderately cost burdened (spending more than 30 percent of income for rent and utilities), including 24 percent with severe burdens (spending more than half of income for housing). Although down from the peak of 51 percent in 2011, the overall share of cost-burdened renters was still nearly 6 percentage points higher in 2019 than in 2001.

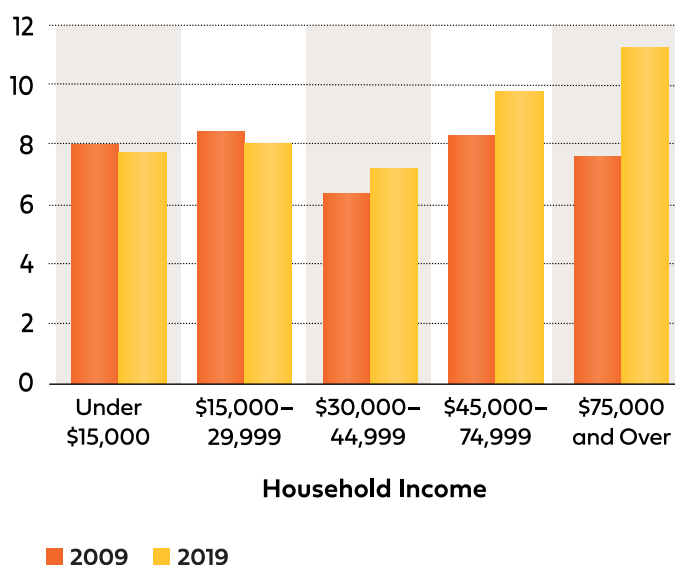
The number of cost-burdened renter households also remained elevated in 2019, at 20.4 million—an increase of 38 percent from 2001. Still, there were 883,000 fewer households with cost burdens in 2019 than at the peak in 2014. All of this recent improvement reflects a decline in the number of cost-burdened households with incomes under \$30,000.

Even so, lower-income renters still accounted for 62 percent of at least moderately cost-burdened households and 86 percent of severely burdened households.

FIGURE 4

Higher-Income Households Have Driven Most of the Recent Growth in Renters

Renter Households (Millions)



Note: Incomes are adjusted for inflation using the CPI-U for All Items.

Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates via IPUMS USA, University of Minnesota.

Indeed, the cost-burdened share of renters earning under \$30,000 has consistently held above 75 percent since 2001 (**Figure 3**). Half of these lower-income renters with cost burdens are households with older adults or with children.

Dedicating a large share of income to rent and utilities leaves little left for other necessities, including food and healthcare. In 2019, the median renter household had \$2,400 each month to cover expenses other than housing. But cost-burdened households with incomes below \$30,000 had just \$360 to spend each month, an amount that would not cover basic needs in even the most affordable areas of the country.

COMPETITION FROM HIGHER-INCOME RENTERS

Higher-income households have increasingly turned to the rental market in recent years, driving nearly 70

percent of total renter household growth between 2009 and 2019. The number of renters making at least \$75,000 jumped by 48 percent over the decade, to 11.3 million (**Figure 4**). With this increase, the share of renter households in this income group rose from 20 percent to 26 percent.

At least part of the growing popularity of renting among higher-income households is due to tight conditions in the for-sale market. Skyrocketing home prices and low inventories have put homeownership out of reach for many would-be buyers. According to Zillow, typical home values were climbing at an 18.9 percent annual rate in September 2021, up from 5.7 percent the year before. Rising rents have also made it difficult for potential buyers to save for a downpayment on a home.

And given the growing number of amenity-rich rental units in desirable locations, some higher-income households simply prefer to rent. With new

rental construction heavily concentrated in the core counties of major metropolitan areas in 2010–2019, the number of urban renter households was up by 1.4 million over the decade. At the same time, the increasing availability of rental options outside of central cities—in particular, single-family homes that provide more space for families—also spurred a 3.6 million increase in renter households in suburban and small metro locations.

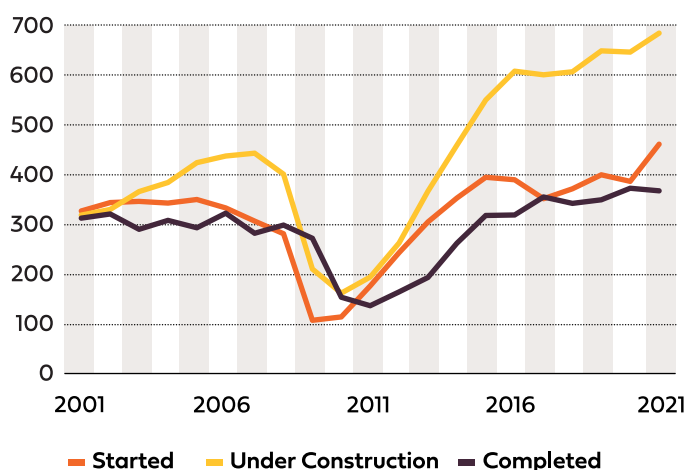
But many households rent their housing out of necessity rather than choice. Fully 36 percent of all renter households make less than \$30,000 a year. After centuries of discrimination in education and labor markets, nearly half of Black renters have such low incomes. The shares of Hispanic (34 percent), white (33 percent), and Asian (28 percent) renter households earning less than \$30,000 are smaller but still substantial.

While the growing presence of higher-income households in the rental market has propped up demand in recent years, it has also fueled competition with moderate- and lower-income households for housing, especially in supply-constrained areas. In turn, this competition has driven up rents and ultimately contributed to the shortage of 1.5 million rental units that are both affordable and available to households making up to 80 percent of the area median income (HUD's definition of low income). For households at the bottom end of the income scale, the shortage of affordable and available homes is fully 6.8 million units.

FIGURE 5

The Heated Pace of Multifamily Construction Is Adding Hundreds of Thousands of Units to the Rental Stock

Multifamily Units (Thousands)



Note: Data for 2021 show the average seasonally adjusted annual rate from January to November.

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

SHIFT TO LARGER MULTIFAMILY BUILDINGS

Strong demand from higher-income households has given a lift to rental construction. Through November 2021, multifamily housing starts reached a three-decade high of 466,000 units at a seasonally adjusted annual rate, far exceeding the 350,000 unit annual pace averaged from 2014 to 2020 (**Figure 5**). In addition, more than 375,000 multifamily units were completed in 2020, the highest number since the 1980s. And with nearly 650,000 units under construction, the pipeline of new apartments coming on the market should remain robust for some time.

Production of multifamily units is increasingly concentrated in larger buildings. Three-quarters of rentals completed in 2020 were in buildings with at least 20 apartments, including about half in buildings with at least 50 apartments. Meanwhile, single-family homes make up a small but growing share of newly completed rentals, up from 10 percent in 2014 to 13 percent in 2020.

Between the jump in multifamily construction and losses of smaller rental properties, the composition of the rental stock continued to shift toward units in larger buildings in 2014–2019. The number of rental apartments in structures with at least 20 units increased by 1.7 million over this period, lifting their share of all rentals from 20 percent to 23 percent. Although the number of apartments in buildings with 5–19 units increased by just 110,000, units in these mid-sized properties also accounted for 23 percent of the stock. At the same time, the number of apartments in buildings with 2–4 units was down by 270,000 units, reducing the share to only 17 percent. Although single-family rentals also fell by some 770,000 units, they still made up about a third of the rental stock in 2019.

CONSTRAINTS ON NEW SUPPLY

Rental housing is highly concentrated in just a few neighborhoods and is essentially absent in others, limiting the places where renters can live. Indeed, rental units make up less than 20 percent of the housing stock in nearly a third of the nation's census tracts.

Single-family only zoning and other density restrictions block the development of multifamily housing in many communities, thereby excluding renter households from those neighborhoods. Given that people of color are more likely to have lower incomes and to rent rather than own their homes, the geographic concentration of rental housing helps to perpetuate patterns of racial and socioeconomic segregation.

The supply of low-cost units is constrained by these same regulatory barriers, as well as by the rising costs of construction that push developers to build for the

upper end of the market. Materials and labor costs more than doubled from 2001 to 2019, and were up 9 percent year over year in July 2021 alone. Land prices also climbed 16 percent year over year in the second quarter of 2021, while the employment cost index for private industry construction workers rose 3 percent.

In consequence, the median asking rent for newly completed apartments jumped from \$1,604 in the first quarter of 2020 to \$1,715 a year later. Such high rents put newly built units out of reach for many moderate- and lower-income households. At the same time, the stock of low-cost rentals is shrinking amid rising rents, tenure conversions, and losses to disrepair. Indeed, the number of units renting for less than \$600 fell by 3.9 million between 2011 and 2019, reducing their share of the rental stock from 32 percent to just 22 percent.

REINVESTMENT NEEDS OF THE AGING STOCK

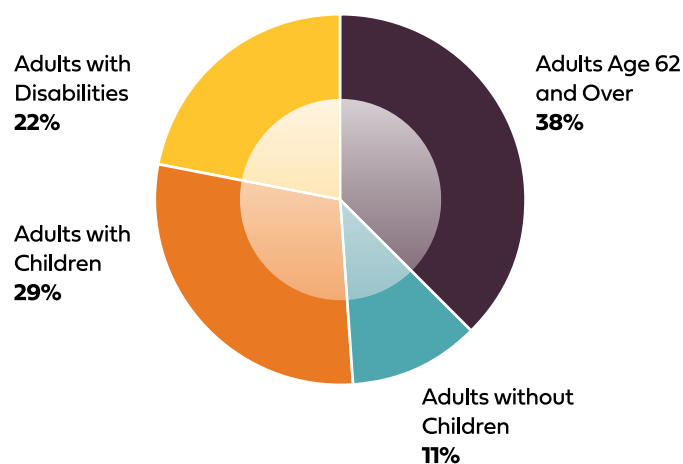
With rental demand soaring, property owners boosted total nominal spending on improvements and maintenance from \$43 billion in 2009 to \$79 billion in 2019. Much of the increase was for major upgrades such as remodels, additions, and structural alterations, more than doubling improvement outlays to \$57 billion. In contrast, spending on basic maintenance and repair projects rose by just \$1 billion over the decade, to \$22 billion in 2019. Landlord surveys in 2020 and 2021 suggest that some owners have deferred maintenance spending since the pandemic began.

But much more investment is essential to preserve the aging rental stock, particularly units at risk of loss to either weather-related events or disrepair. As it is, some 17.6 million occupied rentals—40 percent of the nation's supply—are located in areas with at least moderate risk of annual losses from natural hazards. More than a fifth (4 million) of the units under threat have rents under \$600. Much of the subsidized stock is also located in high-risk areas, including 1.2 million units supported by the Low-Income Housing Tax Credit program, 700,000 project-based HUD units, and 200,000 USDA multifamily units.

FIGURE 6

Housing Assistance Provides Crucial Support for the Nation's Most Vulnerable Households

Share of Assisted Households



Notes: Households with disabilities are headed by a person who has a disability or has a spouse with a disability. Assistance includes housing choice vouchers, public housing, project-based Section 8, Section 202, and Section 811.

Source: JCHS tabulations of US Department of Housing and Urban Development (HUD), 2020 Public Use Microdata Sample.

A related priority is the need to reduce rental housing's carbon footprint. The residential sector accounts for approximately a fifth of the nation's greenhouse gas emissions. Although consuming less energy than owner-occupied homes, rental properties contribute significantly to this footprint. Along with providing environmental benefits, investing in energy efficiency retrofits would enhance rental housing quality while reducing utility costs for tenants.

Another urgent need is to modify rental housing to accommodate the aging population. The number of renter households headed by a person age 65 and over has already climbed to 7.2 million and will continue to rise over the next two decades. Households in this age group often have mobility problems and other disabilities that limit their ability to navigate or fully use

their homes. Indeed, 12 percent of renters aged 65–79 and 23 percent of renters age 80 and over reported having such housing challenges in 2019, underscoring the widespread need for basic accessibility features such as walk-in showers and lever-style handles.

REINFORCING THE HOUSING SAFETY NET

The pandemic has highlighted the importance of stable and affordable housing as the foundation for health and well-being. And for the 4.6 million renters fortunate enough to receive assistance, HUD subsidies provide access to such a lifeline. Assisted households have an average income of just \$15,000 and primarily consist of older adults, families with children, and people with disabilities (Figure 6). HUD assistance brings the average rent down to \$355 a month and substantially reduces the incidence of cost burdens among recipients.

Among HUD's programs, Housing Choice Vouchers are a key demand-side support. Vouchers make private-market rentals affordable to 2.3 million very low-income renters and provide recipients some choice in where they live. These portable, tenant-based subsidies provide households the flexibility to move to meet changing circumstances and are typically more cost effective than new construction. The program can also ramp up quickly. However, the effectiveness of this system depends on both the willingness of landlords to accept vouchers and on the availability of suitable housing for the voucher holder.

Supply-side measures include public housing and project-based Section 8 units, as well as the Low-Income Housing Tax Credit (LIHTC) program. Although woefully underfunded since its inception and facing a huge backlog of maintenance needs, public housing still provides 958,000 units that primarily serve renters with incomes below 50 percent of the area median. Since 2012, the Rental Assistance Demonstration (RAD) program has addressed some of public housing's financing needs by allowing owners to convert to longer-term, more stable Section 8 contracts. These conversions have boosted the project-based Section 8 stock to 1.3 million units.

The LIHTC program promotes the production and preservation of good-quality, affordable rental housing. This program provides tax credits for investors that finance affordable housing developments and has supported more than 2.5 million low-income units since its inception in 1986. However, many LIHTC units are now approaching the end of their affordability periods and could be lost from the subsidized stock. The dwindling supply of USDA-subsidized multifamily housing in rural areas is also nearing the end of its affordability period.

Although on a smaller scale, state and local governments have found ways to fund affordable housing development. The National Council of State Housing Agencies estimates that state multifamily housing bonds supported about 46,000 affordable rental units in 2019, and housing trust funds raise more than \$2.5 billion each year to meet affordable housing needs. For their part, some local governments with strong and tourism-based economies are now looking to finance affordable housing through sales tax increases, while others are using funds from the American Rescue Plan Act to jumpstart housing projects.

But the challenge is enormous. Some 13.3 million households currently eligible for housing assistance are on their own to find housing they can afford on the private market. Making rental assistance an entitlement program, expanding both demand- and supply-side subsidy programs, and encouraging innovation in affordable housing construction and finance are all essential to meeting this challenge.

THE OUTLOOK

Conditions in the rental market are increasingly polarized, reinforcing the stark divide between higher- and lower-income households. While renters with financial resources can choose from a variety of rental options in desirable locations, millions of cash-strapped households struggle simply to find housing anywhere they can afford. In addition, many of the renters that were cost burdened before the pandemic have fallen behind on rent and now face the possibility of eviction.

The financial disruptions from the COVID-19 pandemic may continue to fuel the rental affordability crisis. Although record-high increases in rents and occupancy rates are likely to ease as rental markets adjust to these shocks, the constrained supply of homes for sale and the increasing attractiveness of renting may keep many higher-income households from making the move to homeownership. These market conditions would further limit the rental options for lower-income households, while rising rents would put homeownership further out of reach for those saving for downpayments.

This is a pivotal moment for national housing policy. The pandemic has brought the long-simmering rental affordability crisis to the fore, and the current administration supports large-scale investments in both new and existing rental housing, as well as in subsidy programs. By creating a comprehensive, well-funded housing safety net, the nation has the opportunity to pull millions of households out of poverty, address longstanding inequities in housing delivery, and ensure that every household has access to a decent and affordable home.



2 | RENTER HOUSEHOLDS

Renter household growth picked up pace in 2021 as the economy continued to reopen. This acceleration was driven in part by the growing number of younger adults forming new households and entering the rental market for the first time. Meanwhile, higher-income and older households have increasingly turned to rental housing, whether from choice or necessity given the high prices and limited availability of homes for sale. Although the nation's renters reflect the diversity of the country as a whole, renting remains the predominant—and sometimes only—housing option for people with low incomes and households of color.

SURGE IN RENTER HOUSEHOLD GROWTH

Despite the ongoing pandemic, renter household growth was on the upswing between the first quarter of 2020 and the third quarter of 2021. According to the latest Housing Vacancy Survey, the number of renter households climbed by more than 870,000 over this period, to a total of 44 million.

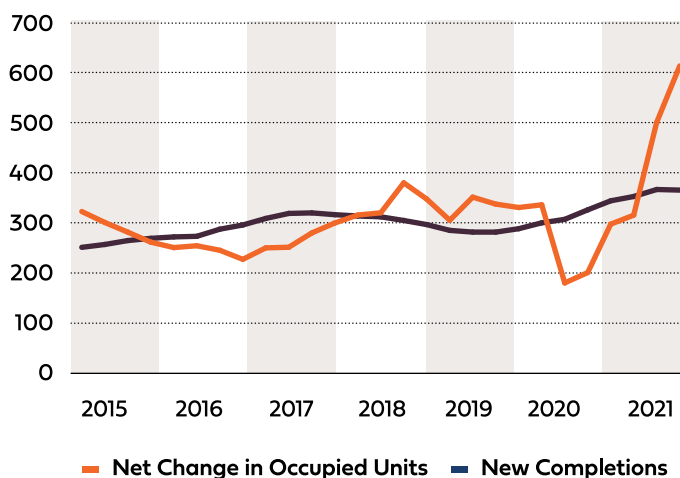
Echoing this surge, RealPage data show a record-high jump in demand for professionally managed apartments. On net, the number of occupied units was up by 611,000 year over year in the third quarter of 2021—the largest increase in data going back to the 1990s. The growth in occupied apartments outran new rental completions by nearly 250,000 units, pushing occupancy rates to record highs as well (Figure 7).

The pickup in growth since 2020 is especially remarkable given that the number of renter households had remained at roughly 43 million for the previous four years despite a downward drift in rentership rates. Indeed, the share of households that rented their housing peaked at 37.1 percent in the second quarter of 2016, then dipped in the first quarter of 2020 to 34.7 percent.

FIGURE 7

Rental Demand Far Outpaced Growth in New Supply in 2021

Units in Professionally Managed Properties (Thousands)

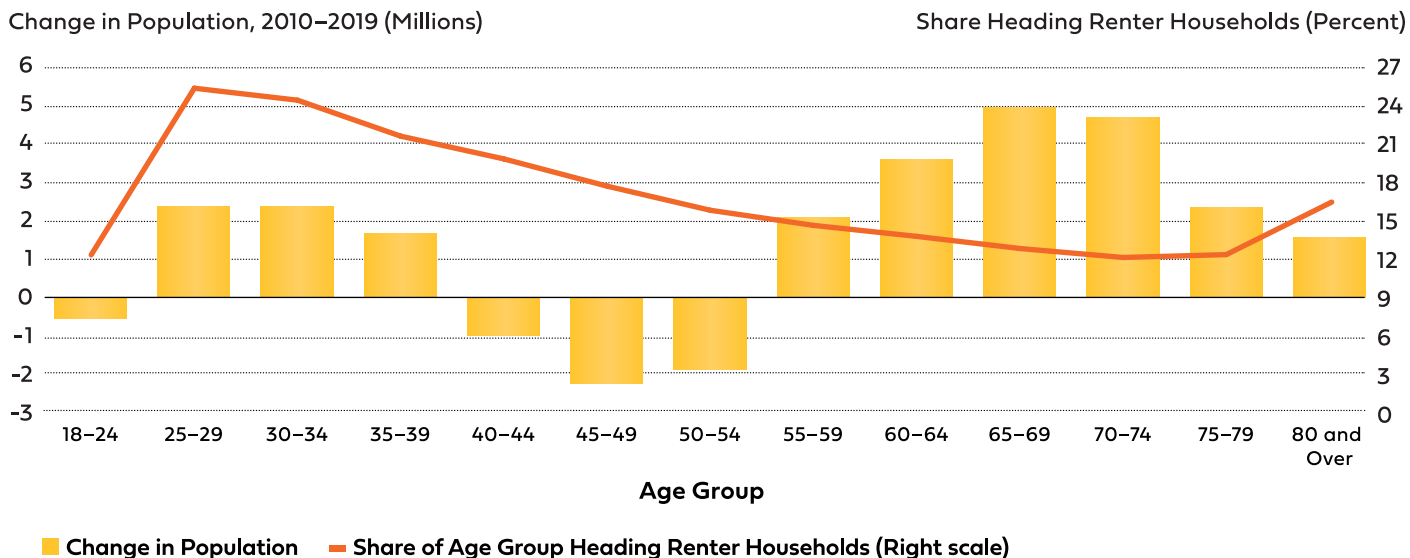


Note: Data are rolling annual sums over the previous four quarters for professionally managed apartments in buildings with five or more units.

Source: JCHS tabulations of RealPage data.

FIGURE 8

Robust Growth in the Younger Population Has Helped to Boost Rental Demand



Source: JCHS tabulations of US Census Bureau, 2019 Population Estimates and 2019 American Community Survey 1-Year Estimates.

Rentership rates have been stable since then, holding at 34.6 percent in the third quarter of 2021.

Several factors help to explain the resurgence in renter household growth. First and foremost, the number of younger adults forming new households increased in late 2020 and early 2021. Although household headship rates among adults under age 35 were already on the rise, the pandemic prevented many would-be renters from living on their own. This pent-up demand added to the already sizable increase in household formations that would normally be expected from the large number of younger adults entering the rental market in 2021. According to Current Population Survey data, household headship rates for adults under age 35 who were not currently enrolled in school in mid-2021 were roughly back to levels in mid-2019, reversing all the declines at the height of the lockdowns.

Meanwhile, a series of federal interventions helped to keep financially strapped renters in their homes, including households that fell behind on rent. By Eviction Lab's estimates, these measures spared roughly 1.6 mil-

lion renter households from eviction in 2020. In addition, record-high home price appreciation and record-low inventories of homes for sale prevented many renters from buying homes. Indeed, Fannie Mae's National Housing Survey indicates that the share of respondents who thought it was a good time to buy dropped from 61 percent in June 2020 to just 28 percent in July 2021, while the share thinking it a bad time to buy increased from 27 percent to 66 percent. Consequently, the share of renter households renewing their leases hit record highs in April 2020 and again in September 2021.

DEMOGRAPHIC TRENDS DRIVING UP DEMAND

Several long-term trends have contributed to the runup in rental housing demand. First, members of the huge millennial generation are moving through their 20s and 30s, the ages when renting is most common. The impact of the millennials on demand built through the 2010s to a high in 2020 when peak numbers of this generation reached 29 years old—the age when household headship rates also peak (**Figure 8**). In addition, household formation rates among younger adults had already

been increasing, thanks to the strong economy and rising incomes prior to the pandemic.

Second, the number of older renters is growing rapidly as the baby-boom generation ages into their 60s and 70s. Over the decade from 2009 to 2019, the total number of renter households was up 14 percent, but the number headed by a person age 65 and over jumped by 43 percent. Most of this growth reflects the 37 percent increase in households in that age group, although their rentership rate edged up slightly as well. Over the next two decades, the baby boomers will move more fully into the 75-and-over age group, the time of life when rentership rates typically rise, accelerating the growth in older renters.

Third, rentership rates for younger and middle-aged households rose sharply in 2009–2019, likely signaling delayed transitions to homeownership. The share of households aged 25–34 that rent their housing climbed by 4.1 percentage points over the decade, and the increase for households aged 35–44 was even larger at 5.2 percentage points. Rentership rates for households aged 45–54 and 55–64 also rose by 4.1 and 3.7 percentage points, respectively, in 2009–2019. These elevated rentership rates added millions of households to the ranks of renters over the decade.

Fourth, the growing popularity of renting among older households has contributed to increases in both the number and share of higher-income renters. The number of renter households earning at least \$75,000 grew by 3.7 million between 2009 and 2019, accounting for almost 70 percent of renter household growth over the decade. As a result, the share of higher-income renters increased from 20 percent to 26 percent, shifting the income distribution of renter households upward.

And finally, the increasing diversity of US households is another trend that has lifted demand for rental housing. According to American Community Survey data, people of color drove 91 percent of total household growth between 2009 and 2019, and fully 85 percent of renter household growth in that period. Up until recently, immigrants also added to the diver-

sity of renter households, forming about 215,000 new renter households on average each year in 2009–2016 and accounting for nearly a third of the net increase in renters over this period. However, the sharp slowdown in immigration after 2016 was a significant drag on renter household growth in the last three years of the decade.

PROFILE OF RENTER HOUSEHOLDS

The nation's 44 million renters—more than a third of all US households—are a diverse group that includes people of all ages, races/ethnicities, incomes, and family types. Still, the characteristics of renter households differ from those of homeowner households in several ways that generally reflect the changing role that renting plays over the lifecycle.

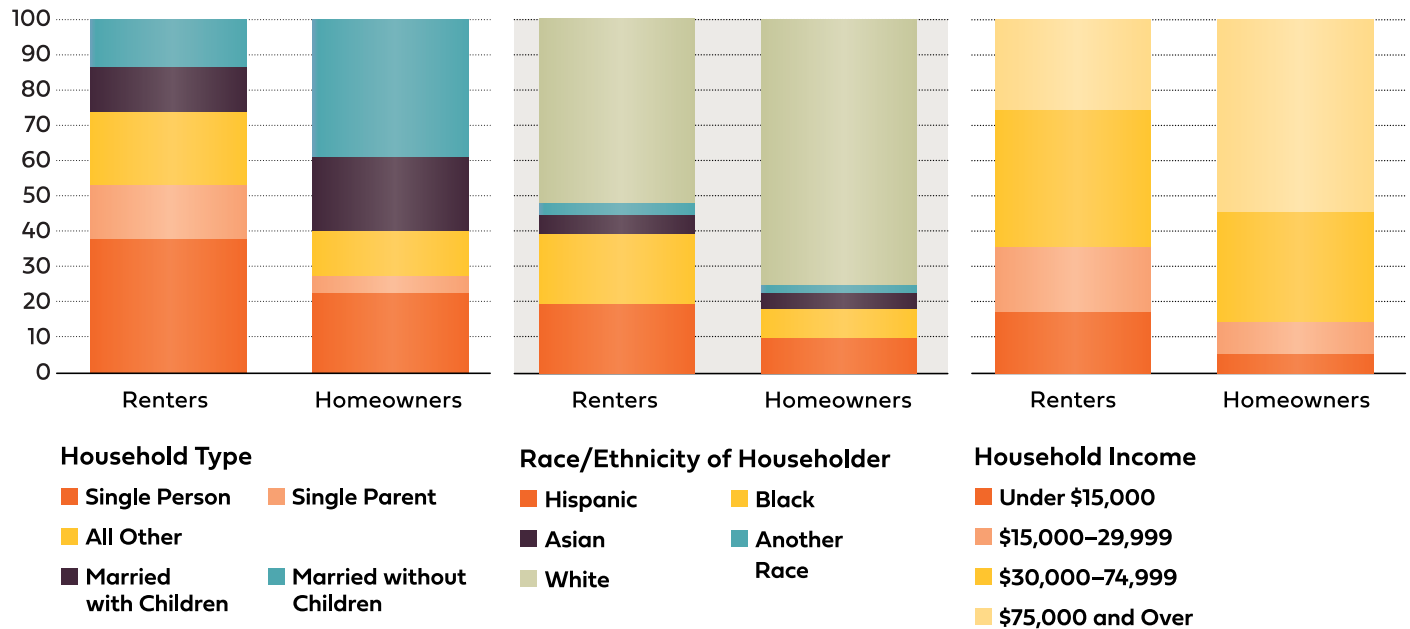
For most younger households starting out in their careers, renting offers a variety of benefits—flexibility, relatively low costs of entry, and limited responsibility for maintenance—that homeownership does not. As a result, renters are considerably younger on average than homeowners, with a median age of 42 compared with 57. An adult under age 35 thus heads one out of every three renter households, but only one out of ten homeowner households. Conversely, households headed by someone age 65 and over account for only one in six renters, but one in three homeowners.

Rentership rates decrease with age as housing needs change, with the steepest declines among the younger age groups. In 2019, renters made up roughly 85 percent of households with heads under age 25, about 61 percent of households with heads aged 25–34, and 42 percent of households with heads aged 35–44. Rates then drop more gradually, falling from 31 percent of households in their late 40s and early 50s to about 25 percent of households in their late 50s and early 60s, and bottom out at roughly 21 percent of households in their late 60s and 70s. In their later years, households often need the conveniences and supportive services rental housing may provide, increasing rentership rates among households age 75 and over to just over 23 percent.

FIGURE 9

Renters Are Much More Likely than Homeowners to Be Single, to Be Households of Color, and to Have Lower Incomes

Share of Households (Percent)



Notes: Black, Asian, white, and another race(s) householders are non-Hispanic. Hispanic householders may be of any race(s). All Other household type includes both unrelated roommates and other types of families.

Source: JCHS tabulations of US Census Bureau, 2019 American Community Survey 1-Year Estimates.

Meanwhile, renter households are typically smaller and more likely to include unrelated individuals than homeowner households. Single persons, single-parent families, and nonfamily households make up about two-thirds of households that rent, but less than a third of households that are homeowners (**Figure 9**). This is because large shares of single-person (48 percent), single-parent (63 percent), and nonfamily households (60 percent) live in rental properties, while fully 80 percent of married-couple households own their homes.

In addition, the share of renter households headed by a person of color (48 percent) is almost twice that of homeowner households (25 percent). High rentership rates among households of color reflect longstanding disparities in access to homeownership, including discriminatory lending, legal, and real estate practices.

As a result, some 58 percent of Black households rented their housing in 2019, along with 52 percent of Hispanic households, 43 percent of American Indian or Alaskan Native households, and 39 percent of Asian households. The rentership rate for white households is far lower at just 28 percent. Although households of color are younger on average than white households, large disparities in rentership rates also exist within age groups.

Finally, renter households are much more likely than homeowners to live in the central cities of metro areas, where rental housing is generally more plentiful. A Joint Center for Housing Studies analysis of tract-level data from the 2019 American Community Survey found that renters made up 52 percent of households in urban neighborhoods, 30 percent in suburban neighborhoods, and 29 percent in non-metro neighborhoods. In the

nation's 50 largest metros, rentership rates were generally higher in areas with especially high home prices, reaching 52 percent in Los Angeles.

FRAGILE FINANCES OF LOWER-INCOME RENTERS

Despite the recent influx of higher-income households into the rental market, the median income for all renter households was just \$42,000 in 2019—little more than half the \$81,000 median for homeowners. This disparity reflects the fact that fully 61 percent of all renter households meet HUD's definition of low income (earning no more than 80 percent of the adjusted area median). In dollar terms, more than a third (36 percent) of renters earned less than \$30,000 in 2019, including 18 percent with incomes under \$15,000. In contrast, just 15 percent of homeowner households made under \$30,000, while just 6 percent made under \$15,000.

In addition to having lower incomes than homeowners, renters have far less wealth to tap in times of unemployment. In 2019, the median net wealth for all renter households was \$6,300. This includes cash savings of \$1,400, or barely more than the median monthly gross rent of \$1,100. Homeowners, in contrast, had median cash savings of \$10,100 and non-housing wealth of \$98,500. Meanwhile, renters earning less than \$30,000 a year were already in precarious circumstances even before the pandemic hit, with just \$1,700 in net wealth and \$320 in cash savings—less than half the median gross rent of \$810 paid by this income group.

Although lower-income renters are equally diverse, they do differ in certain respects from other renter households. In particular, renter households with incomes below \$30,000 are much more likely to be headed by an older adult. Some 26 percent of these lower-income renters have household heads age 65 and over, compared with 11 percent of renters with incomes above \$30,000. This share is nearly equal to the share of all households that are age 65 and over (27 percent).

In addition, lower-income renter households are often headed by a single person or single parent, reflecting

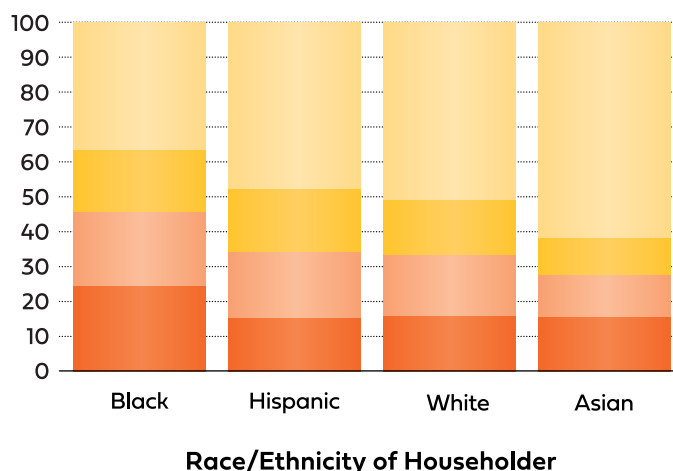
the financial impacts of having only one earner in the household. Single-person households make up more than half (56 percent) of renters with incomes below \$30,000 per year, twice the 28 percent share among higher-income renter households. Single-parent families also make up 18 percent of lower-income renters, compared with 13 percent of renters with higher incomes. At the same time, married couples account for just 12 percent of lower-income renters, but 34 percent of renters with incomes over \$30,000.

Finally, households of color are overrepresented in the lowest income groups (**Figure 10**). Black households make up only 12 percent of all households, but 27 percent of renters earning less than \$15,000 and 25

FIGURE 10

Disproportionately Large Shares of Black Renter Households Are in the Lowest Income Groups

Share of Renter Households (Percent)



Household Income

- Under \$15,000
- \$15,000–\$29,999
- \$30,000–\$44,999
- \$45,000 and Over

Notes: Black, white, and Asian householders are non-Hispanic. Hispanic householders may be of any race(s). Multiracial or householders of another race are not shown.

Source: JCHS tabulations of US Census Bureau, 2019 American Community Survey 1-Year Estimates.

percent of those earning less than \$30,000. Hispanic households also account for 19 percent of renter households making less than \$30,000, but only 14 percent of households overall. Although white households make up almost half of lower-income renters, this share is actually low relative to their 67 percent share of all households. In contrast, the share of Asian households with lower incomes is comparable to their share of all households.

With few affordable housing options to choose from, lower-income renters typically live in high-poverty neighborhoods (poverty rate of 20 percent or higher). Indeed, nearly half (47 percent) of renters with incomes under \$25,000 live in high-poverty tracts, along with a third (34 percent) of renter households earning \$25,000–49,999.

As such, high-poverty neighborhoods are often predominantly high-rental areas. In 2019, more than half of all households in the typical high-poverty tract were renters (55 percent). In low-poverty tracts (poverty rates under 20 percent), however, the median renter-ship rate was only 35 percent.

The legacy of structural racism is clear from the disproportionate shares of households of color that live in high-poverty neighborhoods. Regardless of income, some 51 percent of Black renter households, 45 percent of Native American renter households, and 44 percent of Hispanic renter households lived in neighborhoods with at least 20 percent poverty in 2019. The shares of Asian and white renter households were far lower at just 22 and 25 percent, respectively.

SLOWDOWN IN RENTER HOUSEHOLD MOBILITY

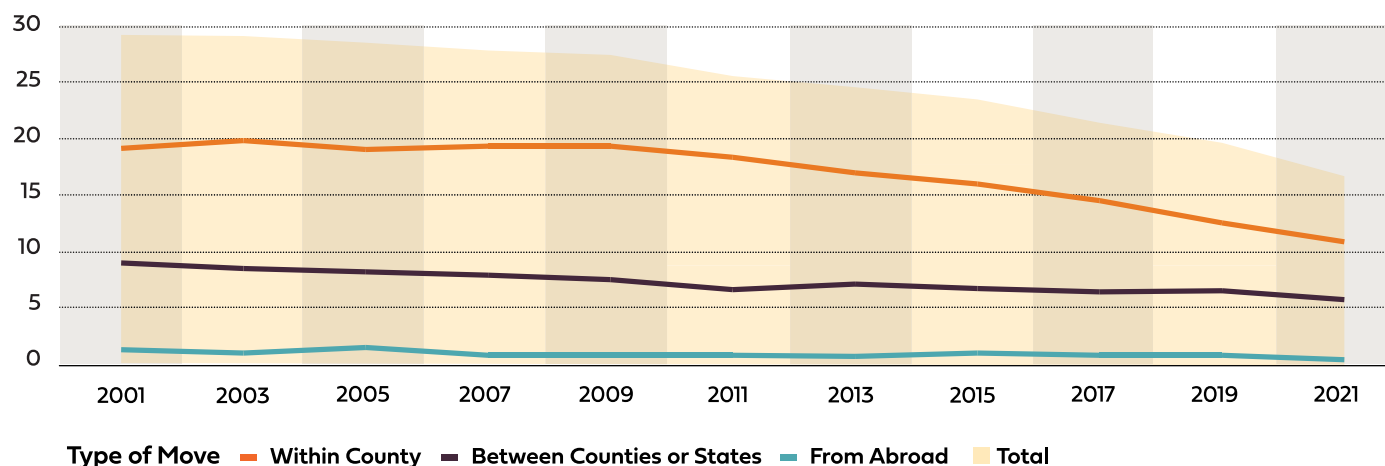
Renter household growth was largely concentrated in the suburbs of major metro areas in the 2000s and early 2010s, but then shifted to central city neighborhoods in 2016–2019. But with the onset of the pandemic in 2020, growth swung back toward the suburbs as some urban households sought more living space to accommodate the need to work and educate children at home.

Still, most renters stayed put and the net impact of the pandemic on renter household mobility appears to be negative. According to the Current Population Survey, the share of renter households that changed residences

FIGURE 11

Renter Mobility Rates Have Fallen to Record Lows Since the Pandemic Began

Share of Renter Households That Moved Within the Preceding Year (Percent)



Note: Data exclude group quarters and all imputed mobility values.

Source: JCHS tabulations of US Census Bureau, Current Population Surveys via IPUMS-CPS, University of Minnesota.

within the previous year declined from 19.8 percent in 2019 to 18.0 percent in 2020 and set a new low of 16.8 percent in 2021. By comparison, the mobility rate for renter households two decades earlier was 29.5 percent (Figure 11).

RealPage data show two distinct slowdowns in renter mobility during the pandemic. The first was in early 2020, when the lockdowns and uncertainty pushed lease renewal rates to a new high. Then in mid-2021, just as demand began to return, record-high home price appreciation and record-low for-sale inventories prevented some would-be buyers from leaving their rental housing. In addition, soaring rents and tight conditions gave current tenants a strong financial incentive to stay where they were. Indeed, RealPage found that rents for units leased to new tenants rose significantly more than the rents for tenants that renewed their leases. As a result, lease renewal rates set new records again in September 2021.

The continued ability to work remotely may further dampen renter mobility rates. Companies increasingly allow their employees to work from home, enabling more new hires to take jobs in different cities without having to relocate. Confirming this trend, the recent Survey of Consumer Expectations indicates that the share of renters expecting to move within the next year notched down in both 2020 and 2021.

THE OUTLOOK

In the near term, market indicators suggest that demand for rental housing continues to grow rapidly despite historically high rent growth and occupancy rates. Demographic trends also appear favorable to

sustained renter household growth. Even though the millennials are aging out of their peak rental years, they continue to rent at higher rates than previous generations. In addition, they are being followed by a generation that is nearly as large and even more diverse, suggesting that their rentership rates will also be high. Meanwhile, the number of older renter households remains on the rise. Indeed, with the oldest baby boomers now at the age when rentership rates again increase, the growth in older renters is set to maintain its rapid pace.

In the longer term, however, the current slowdowns in both native population growth and immigration could limit renter household growth. At last count in 2020, the annual rate of US population growth was lower than at any time in the last 100 years and slowing far more quickly than projected. Immigration also plummeted after 2016. Indeed, immigration would have to pick up considerably to approach even the 500,000–600,000 annual levels projected in the Census Bureau's lowest-immigration scenario. Without a significant rebound in immigration, a major source of renter household growth will be largely lost.

Affordability of both for-rent and for-sale housing will also be a significant factor. The current combination of high home prices and low inventories is making homeownership less accessible, pushing up rentership rates among older and higher-income households. At the same time, the influx of higher-income households into the rental market is driving up rents, potentially reducing the ability of younger and lower-income adults to form renter households. The question now is whether there will be a sufficient supply of affordable and available housing to prevent this outcome.



3 | RENTAL HOUSING STOCK

The nation's rental stock continues to shift toward larger multifamily buildings. The recent spate of conversions of single-family rentals to owner occupancy has also helped to fuel this trend. At the same time, longstanding restrictions on multifamily construction in communities across the country have left renters with few housing options in many neighborhoods. Despite the rapid pace of new construction, the rental stock is aging and in need of investment to ensure it is structurally sound, accessible to the growing number of older adults, and fortified against climate-related risks.

ONGOING SHIFT TO LARGER BUILDINGS

In the years leading up to the COVID-19 pandemic, most of the growth in the rental housing stock came from the construction of larger multifamily buildings. Between 2014 and 2019, the total rental supply increased by 650,000 units, to 47.4 million. This growth was driven almost entirely by the net addition of 1.7 million units in buildings with at least 20 apartments, to a total of 11.0 million (**Figure 12**). The number of units in mid-sized multifamily buildings with 5–19 apartments rose by only 110,000, but to a similar total of 10.9 million.

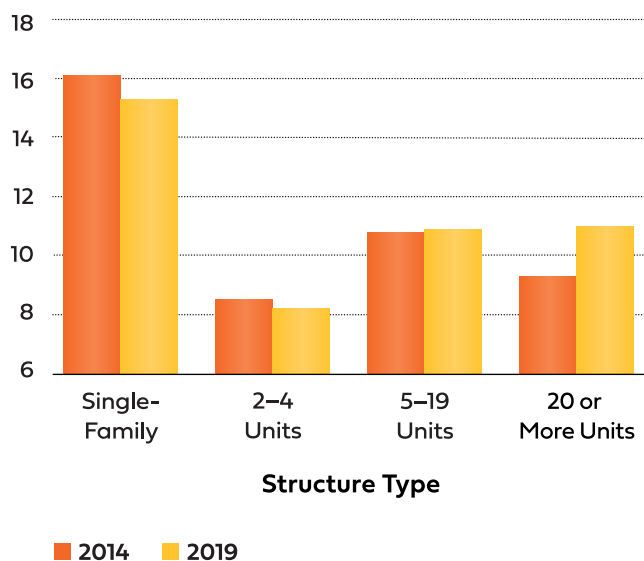
Meanwhile, the supply of units in smaller rental buildings declined. The number of single-family rentals dropped the most, down by some 770,000 units in 2014–2019, to 15.3 million. Rentals in multifamily buildings with 2–4 units also fell by 270,000 units, to 8.2 million, while the number of manufactured rental housing units decreased by 90,000 units, to just 2.1 million.

The shift in the US rental stock away from smaller properties primarily reflects the robust new construction of larger buildings. According to the Census Bureau's New Residential Construction data, multifamily units accounted for about 89 percent of all completions intended for the rental market between 2014 and 2019.

FIGURE 12

Larger Multifamily Buildings Account for Most of the Recent Growth in the Rental Stock

Number of Rental Units (Millions)



Note: Rental units may be occupied, vacant for rent, or rented but unoccupied.

Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

The annual number of newly completed multifamily units for rent jumped from 252,000 to 321,000 over this period, totaling more than 1.8 million. Over 1.5 million of these completed apartments were in buildings with 20 or more units.

Completions of single-family rentals also increased, although not enough to offset conversions to owner occupancy. Between 2014 and 2019, annual completions of single-family homes built for the rental market almost doubled from 28,000 to 52,000 units, adding a total of 227,000 units over this period. As a result, the single-family share of for-rent housing completions moved up from 10 percent to 12 percent. At the same time, however, soaring demand for homeownership and the scarcity of homes for sale led to a jump in conversions of existing single-family rentals to owner occupancy. Indeed, American Housing Survey data indicate that 16 percent of single-family homes (2.0 million units) that had been rented in 2017 were owner occupied in 2019.

The pandemic may have accelerated the shift in the stock toward larger rental properties. In late 2020, the supply of existing homes for sale fell below two months for the first time on record. Given the limited inventory of homes on the market, additional conversions of single-family rentals to owner occupancy are likely. Meanwhile, starts of larger multifamily buildings continued at a strong pace in mid-2021.

GEOGRAPHIC VARIATION IN SUPPLY

The distribution of the rental stock varies widely, with larger multifamily buildings concentrated in the Northeast and single-family rentals more common in the other three regions. Single-family homes made up just 19 percent of the rental stock in the Northeast in 2019, but more than a third of the supply in the Midwest, South, and West.

The Northeast also has by far the largest share of rental units in buildings with at least 20 apartments (32 percent). The shares are considerably smaller in

the West (25 percent), the Midwest (21 percent), and the South (19 percent). Multifamily buildings with 2–4 units are also more prevalent in the Northeast, where some 28 percent of rentals are in these smaller properties—well above the 19 percent share in the Midwest, 15 percent share in the West, and 13 percent share in the South. In contrast, manufactured housing rentals are concentrated in the South, accounting for 7 percent of the stock compared with 3 percent in the Midwest and West and just 1 percent in the Northeast.

Rent levels also vary by region, reflecting differences in household incomes, land values, and age of the housing stock. The Midwest had the largest share of low-rent housing in 2019, with 35 percent of units renting for less than \$600. By comparison, just 14 percent of the rentals in the West had such low rents, with shares in the South (29 percent) and Northeast (21 percent) falling in between. At the same time, the shares of units renting for \$1,500 or more were significantly higher in the West (38 percent) and the Northeast (30 percent) than in the South (15 percent) and the Midwest (8 percent).

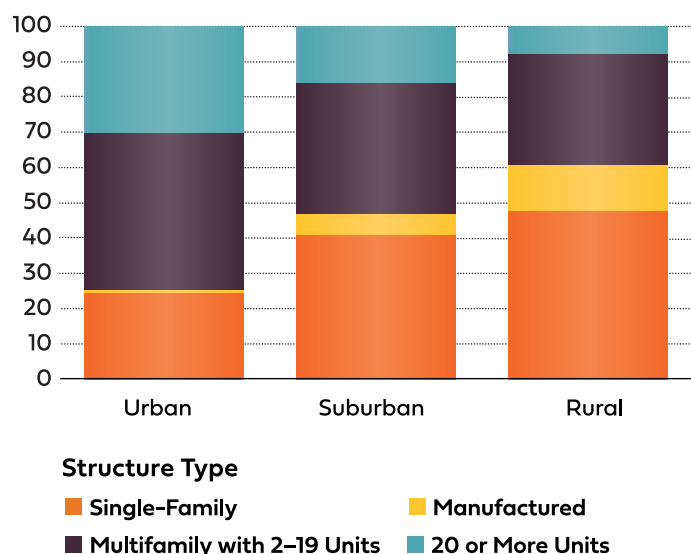
In addition, the rental stock differs across urban, suburban, and rural housing markets. Fully 49 percent of the rental stock was located in urban areas in 2019, a far larger share than the 36 percent in suburban areas and 15 percent in rural areas. Apartments in buildings with 20 or more units made up 30 percent of the urban rental stock, compared with 16 percent of the suburban stock and just 8 percent of the rural stock. But in rural areas, almost half the stock (48 percent) consisted of single-family homes, well above the shares in suburban (41 percent) and urban (25 percent) areas. Another 13 percent of rural rentals were manufactured housing units, compared with just 6 percent in suburban areas and less than 1 percent in urban areas.

Not surprisingly, rents also range widely across these markets. A quarter of the units in urban areas had contract rents of \$1,500 and over in 2019, well above the 15 percent share in suburban areas and more than six times the 4 percent share in rural areas. Conversely, the rural rental stock includes a much larger share of low-

FIGURE 13

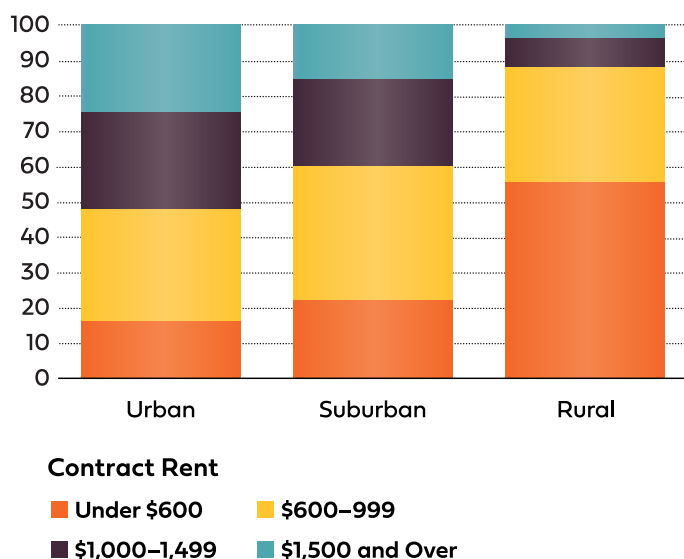
The Types of Housing Available for Rent Vary Widely Across Markets...

Share of Rental Stock (Percent)



...With Low-Rent Units Much More Prevalent in Rural Areas

Share of Rental Stock (Percent)



Notes: Data include occupied rental units only. Manufactured housing includes other structures such as boats and RVs. Contract rents exclude utility costs.

Sources: JCHS tabulations of US Census Bureau, 2019 American Community Survey 5-Year Estimates; Housing Assistance Council, Rural & Small Town Typology Database.

rent units. Some 56 percent of occupied units in rural areas rented for less than \$600—more than twice the share in suburban areas and more than three times the share in urban areas (**Figure 13**).

CONCENTRATION OF RENTAL OPTIONS

The rental stock is highly concentrated in relatively few neighborhoods, limiting where renter households can choose to live. Rental units make up more than 80 percent of the housing stock in just 5 percent of census tracts. Conversely, owner-occupied homes account for more than 80 percent of the units in 31 percent of tracts, making those communities essentially rental deserts.

The composition of the housing stock in high- and low-rental neighborhoods differs sharply. Some 40 percent of the units in high-rental tracts are in buildings with

20 or more apartments, while only 17 percent of the stock are single-family homes. In low-rental tracts, however, units in larger multifamily buildings account for just 2 percent of the stock and single-family homes make up fully 85 percent.

The geographic concentration of the rental stock reinforces stark inequalities in the distribution of households by income and race/ethnicity. Given that renter households typically earn less than homeowner households, the median income in high-rental neighborhoods was just under \$42,000 in 2019—less than half the \$86,000 in low-rental areas. And given their longstanding exclusion from homeownership opportunities, people of color are disproportionately likely to be renters. Indeed, people of color headed 67 percent of the households living in high-rental neighborhoods, but less than 21 percent of households in low-rental

neighborhoods. The disparity is especially large for Black renters, whose share of households in high-rental neighborhoods (23 percent) is nearly four times that in low-rental areas (6 percent).

The absence of rental housing in many neighborhoods reflects a long history of residential segregation that current land use regulations help to perpetuate. Single-family only zoning and other density limitations prevent development of multifamily housing, which is overwhelmingly renter occupied. Jurisdictions that require discretionary reviews for also impede rental housing development. Moreover, opponents of denser housing are often overrepresented in public discussions of proposed zoning changes, making it difficult to ease density restrictions.

But even if regulatory barriers were reduced, the high costs of multifamily construction present a significant financial hurdle for developers. Land, labor, and construction costs have been on the rise for two decades. According to the RLB construction cost index, con-

struction costs more than doubled between 2001 and 2019, and jumped another 9 percent between July 2020 and July 2021 alone. Meanwhile, CoStar reports that land prices were up 16 percent year over year in the second quarter of 2021, while the employment cost index for private industry construction workers rose 3 percent.

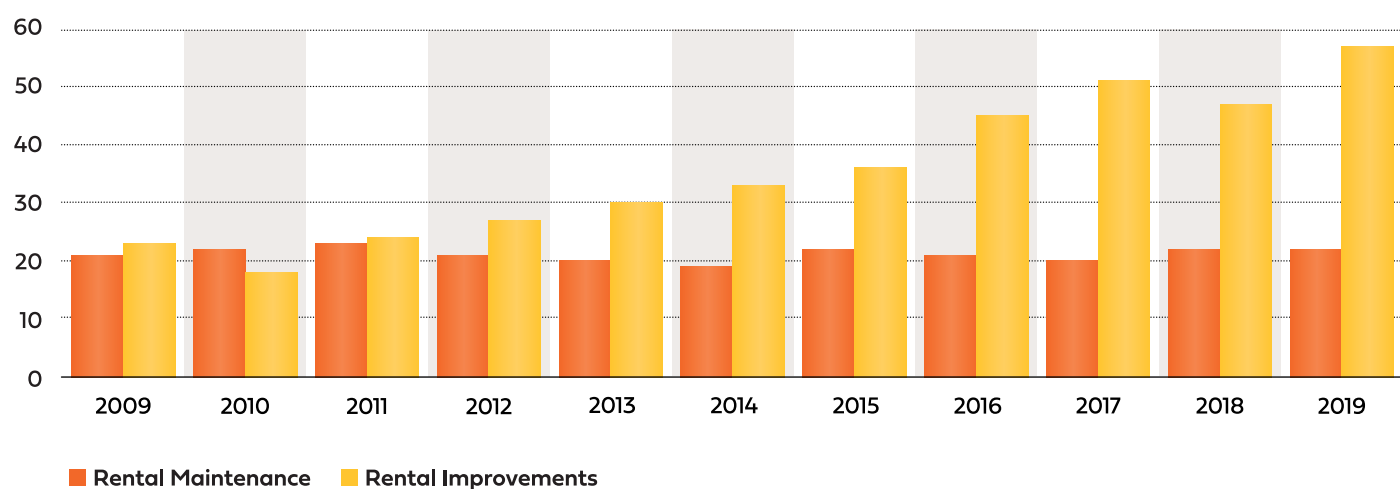
INVESTMENTS IN UPKEEP

The rental housing stock requires continuous reinvestment in routine maintenance and repairs, as well as in improvements to quality and features. In the years following the Great Recession, nominal spending on the rental stock rose from \$43 billion in 2009 to \$79 billion in 2019. This growth was driven almost entirely by spending on capital improvements such as replacement projects and major renovations, with outlays more than doubling from \$23 billion to \$57 billion over the decade (**Figure 14**). Meanwhile, spending on routine maintenance was nearly flat, up only \$1 billion over this period, to \$22 billion.

FIGURE 14

Rental Property Owners Continue to Invest Heavily in Capital Improvements

Market Spending (Billions of dollars)



Notes: Market spending is in nominal dollars. Improvements include remodels, structural alterations, and other activities that increase the value of homes. Maintenance projects preserve the current quality of homes.

Source: JCHS analysis of US Census Bureau, Surveys of Residential Alterations and Repairs (C-50), and National Apartment Association, Surveys of Operating Income & Expenses.

Spending on capital improvements varies by rental property ownership. According to the latest Rental Housing Finance Survey, individual investors owned 72 percent of all rentals in 2017, with the rest owned by non-individual investors such as LLCs, LLPs, real estate investment trusts, and other entities. Some 30 percent of individually owned units had improvements costing at least \$3,000 in 2017, nearly double the 17 percent share of units owned by non-individual investors.

Individual owners spend more on their properties in part because they are likely to own single-family rentals, which cost more to maintain than multifamily units. But even within the single-family segment, 40 percent of individually owned rentals had at least \$3,000 in capital improvements in 2017, compared with 33 percent of those owned by non-individual investors. At the same time, the share of units in large multifamily buildings with significant improvements was much lower for individual than for non-individual investors.

More recently, the financial shocks from the pandemic have reduced rent collections, potentially limiting owners' ability to maintain their properties. Owners of single-family rentals and small multifamily buildings have been particularly hard hit by a drop in rent payments and may find it difficult to keep up with the investment needs of their properties. Indeed, some owners have reduced their operating expenses in anticipation of or in response to a decline in rent payments. In one survey of rental property owners in ten large cities, 31 percent of landlords reported that they had deferred maintenance spending in 2020, up from just 5 percent in 2019.

PERSISTENCE OF HOUSING INADEQUACY

Despite progress made over the previous two decades, 3.3 million occupied rental units—or 7 percent of the rental stock—were considered at least moderately inadequate in 2019. Of these, 820,000 units (just under 2 percent) were severely inadequate. HUD classifies units as moderately or severely inadequate depending on the type and number of structural deficiencies, such as large holes and leaks or the absence of basic features such as plumbing, electricity, water, or heat.

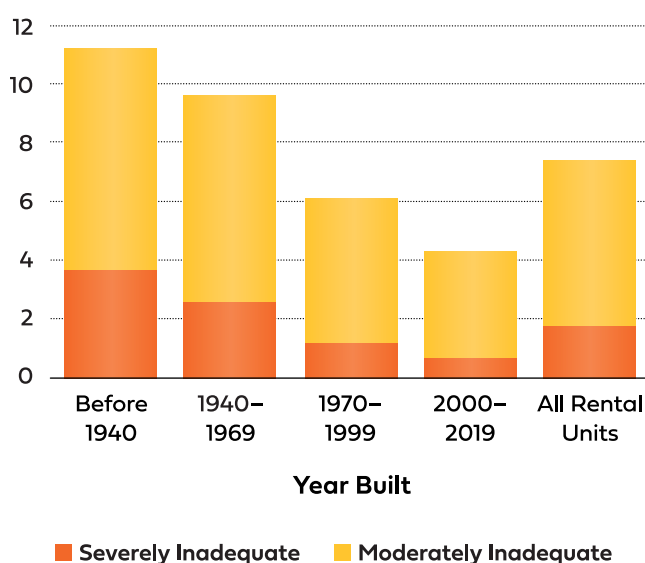
Older rental units are more likely to have structural deficiencies, due in part to the deterioration and disrepair of structures over time as well as to changes in building standards. In 2019, 11 percent of the rental stock built before 1940 was rated inadequate, and 4 percent severely so (**Figure 15**). In contrast, only 4 percent of units built after 2000 were considered inadequate, including 1 percent found to be severely inadequate. The region with the highest share of inadequate units is the Northeast, where older rental housing is most prevalent.

Given that substandard units generally have low rents, households with limited income typically occupy these rentals. Indeed, 10 percent of renter households earning under \$15,000 a year lived in inadequate housing in 2019, twice the share of households making \$75,000 or more. Shares of Black and Hispanic households living in these conditions were slightly higher (8 percent) than those of Asian and white households (7 percent).

FIGURE 15

Inadequacy Is More Common in Older Rental Housing

Share of Rental Units (Percent)

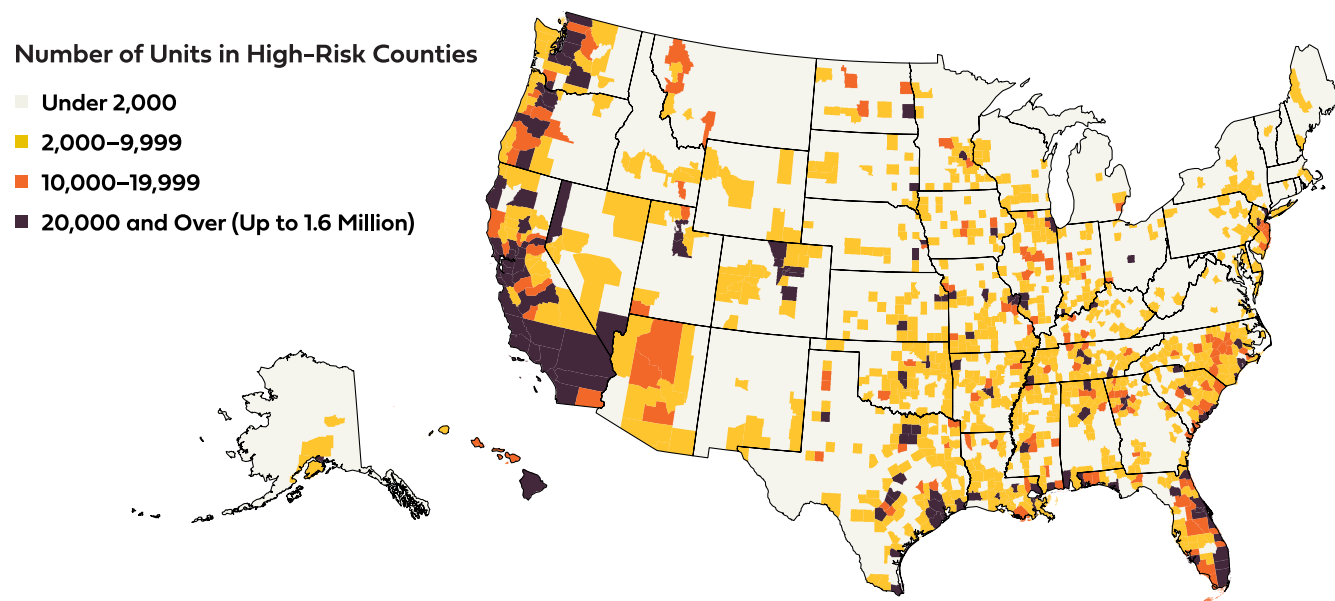


Note: Data include occupied rental units only.

Source: JCHS tabulations of HUD, 2019 American Housing Survey.

FIGURE 16

More Than 17 Million Rental Units Are Under Threat from Natural Disasters



Notes: High-risk areas have a relatively moderate, relatively high, or very high expected annual loss (EAL) score. Scores represent the average annual dollar loss resulting from natural hazards. The number of units in high-risk counties are aggregated from the tract level.

Source: JCHS tabulations of Federal Emergency Management Agency, November 2021 National Risk Index EAL data, and US Census Bureau, 2019 American Community Survey 5-Year Estimates.

Inadequate housing puts occupants at increased risk of disease, injury, and other hazards, jeopardizing the health and well-being of households. These conditions are especially damaging to children's physical and emotional development. Moreover, the households most likely to live in substandard units may lack health insurance and face other barriers to medical treatment, leaving them even more vulnerable to the health threats posed by poor-quality housing.

DISASTER RISKS TO THE RENTAL STOCK

Natural hazards—including coastal flooding, drought, earthquakes, and hurricanes—pose a serious threat to rental housing in communities across the country. As the latest FEMA data show, 40 percent of the occupied rental stock—totaling 17.6 million units—is located in areas with at least moderate expected annual losses

from such events (**Figure 16**). Some 6.0 million of those units are in census tracts with relatively or very high expected losses. Another 33.9 million owner-occupied units are also located in areas with at least moderate expected losses, or 44 percent of the owner stock.

Many units under threat are older, low-rent, or subsidized. About 1.5 million rentals built before 1940 (25 percent) are located in high-risk areas. Older units are typically less resilient to disasters than newer units and thus especially vulnerable to loss. Some 4.0 million units with contract rents under \$600 and 5.1 million with rents between \$600 and \$999 are also exposed to natural hazards. In addition, nearly 1.2 million of the 3.1 million rentals supported by the LIHTC program are in high-risk locations, along with 700,000 of the nation's 2.3 million project-based HUD units and half of the 400,000 USDA-subsidized rentals.

The immediate impacts of climate change will increase the costs of maintaining and repairing the rental stock in these disaster-prone areas. But the increasing incidence of weather-related damage in the coming years could leave many more rental units uninhabitable, threatening the health and safety of residents and causing widespread displacement. And with the supply of low-rent units already shrinking, massive losses of this stock from natural hazards would leave low-income households with even fewer affordable rental housing options.

ACCESSIBILITY FOR THE AGING POPULATION

Improving the accessibility of the rental housing stock is an urgent priority as the older population continues to grow. In 2019, 7.2 million renter households were headed by a person age 65 and over, and that number is expected to soar by more than 4 million over the next two decades. As they advance in age and their mobility challenges increase, many of these older adults will likely move to rental housing that is equipped with universal design features.

As it is, 36 percent of households headed by a person age 65 and over and 20 percent of households headed by a person aged 50–64 include a member with a mobility disability. Certain housing features such as stairs can make it difficult for these older adults to navigate and use their homes. In 2019, 12 percent of renters aged 65–79 and 23 percent of renters age 80 and over reported difficulties entering the home, moving from room to room, or using the kitchen, bedroom, or bathroom. Across all age groups, 2.5 million renter households include at least one person with these challenges.

Apartments in buildings with at least 50 units are more likely than other types of rentals to have accessibility features such as a no-step entrance and a bedroom and bath on the entry floor. But because renters in these larger buildings are often older or have disabilities, one in ten residents reported having challenges navigating or using their homes—a higher share than in any other type of rental. Residents with mobility disabilities living in these settings would

therefore likely benefit from addition of other universal design features to their units, such as walk-in showers and lever-style handles on doors.

Addressing the significant accessibility barriers in single-family rentals and units in smaller multifamily buildings is also essential. Less than half of these types of units have a no-step entrance and a bedroom and bathroom on the entry floor. And even though most households living in single-family and small multifamily rentals are headed by a person under age 50, they may find their homes increasingly difficult to navigate as they age.

THE OUTLOOK

In the short term, the pandemic may accelerate the shift of the rental stock toward larger multifamily buildings. Growing demand from high-income households and hot rental markets may encourage even more construction of larger structures, while the tight supply of for-sale homes promotes more conversions of single-family rentals to owner occupancy.

In the longer term, though, much more rental housing is needed—but at rents affordable to a wider array of households. Yet several obstacles stand in the way of building housing for low- and moderate-income renters, including rising construction, labor, and materials costs as well as regulatory restrictions preventing the construction of new multifamily housing. Changing zoning regulations to allow for multifamily and “missing middle” housing developments would help address the supply shortage and expand the options for where renters can live.

In addition, property owners must continue to invest in basic maintenance and improvements, not only to ensure the health and safety of their tenants but also preserve the stock of existing units. Substantial investments in modifications are also needed to accommodate the massive influx of older renters and address the needs of renters with disabilities. And with millions of rental units under threat from the impacts of climate change, improving the resiliency of at-risk properties is an urgent priority.



4 | RENTAL MARKETS

The onset of the COVID-19 pandemic disrupted rental markets across the country, but particularly in high-cost urban areas along the coasts. Demand bounced back rapidly in 2021, pushing vacancy rates to record lows. High home prices have also helped to fuel the rebound in demand, preventing many would-be buyers from making the shift to homeownership. However, the strong pace of new multifamily construction could bring some relief to tight rental markets and slow the rise in rents. With rent collections generally stable throughout the pandemic, investors have jumped back into the market for multifamily properties despite sharply rising prices.

SHARP TIGHTENING IN RENTAL MARKETS

The pandemic significantly depressed rental demand for much of 2020, pushing vacancy rates up sharply. But as the broader economy improved, vacancy rates plummeted to historic lows. According to Housing Vacancy Survey data, the rate for all rental units was at only 5.8 percent in the third quarter of 2021, down from 6.6 percent in the first quarter of 2020. Aside from unreliable mid-pandemic readings, this is the lowest rental vacancy rate since the mid-1980s.

The professionally managed apartment market rebounded quickly from a substantial hit in the last quarter of 2020. The vacancy rate jumped to 6.9 percent—a full 0.5 percentage point above the fourth-quarter 2019 reading and a high for the decade. All of the increase occurred in the higher-quality (4- & 5-star) segment, where the vacancy rate was up 1.1 percentage points at the end of 2020 from a year earlier. In contrast, vacancy rates for lower-quality (1- & 2- star) apartments were essentially unchanged at 5.0 percent, and edged down for moderate-quality (3-star) units, to 5.5 percent.

Between the 2020 peak and the third quarter of 2021, however, vacancy rates for professionally managed

units dropped dramatically. The national rate fell by 2.3 percentage points, to 4.6 percent—far below pre-pandemic levels and the lowest rate since the early 2000s. Like the increases, the declines in vacancy rates were larger by far in the higher-quality segment, down an astounding 4.2 percentage points to 6.2 percent. By comparison, vacancy rates receded 1.6 percentage points for moderate-quality apartments and 1.2 percentage points for lower-quality units.

The recent rental market tightening reflects a surge in demand as the broader economy continues to recover. Indeed, renter household growth in professionally managed properties was up 4.8 percent year over year in the third quarter of 2021, the sharpest uptick on record. The increases were especially large in prime urban neighborhoods, jumping from just 0.2 percent in the third quarter of 2020 to 7.6 percent in the third quarter of 2021. Meanwhile, renter household growth in suburban markets was also strong at 4.7 percent.

The rebound in rental demand and tightening of markets was widespread. By the third quarter of 2021, rental vacancy rates were down year over year in 146 of the 150 metro markets tracked by RealPage, with more than

a full percentage point drop in 92 of those markets. At the regional level, vacancies fell in every metro market in the Northeast and Midwest, and in all but two markets in the South and West.

Rental vacancies also declined within metropolitan areas, with rates falling 2.4 percentage points in urban markets and 2.1 percentage points in suburban markets. The drop was especially sharp in prime urban markets, where a large share of higher-quality units is located (**Figure 17**). After spiking to 9.7 percent, vacancy rates in these markets dropped some 3.8 percentage points by the third quarter of 2021, to 6.0 percent.

RAPID ESCALATION IN RENTS

The Consumer Price Index for rent, the broadest measure of rent growth, hit a decade-low annual rate of 1.8 percent in the spring of 2021 and then edged up to 3.0 percent in November. However, this measure is slow to register changing conditions because it tracks both new and continuing leases. By that point, however, asking rents for professionally managed

apartments had already begun to skyrocket. After declining in the last three quarters of 2020, year-over-year rent growth in this segment shot up from 1.7 percent in the first quarter of 2021 to an astounding 10.9 percent in the third quarter.

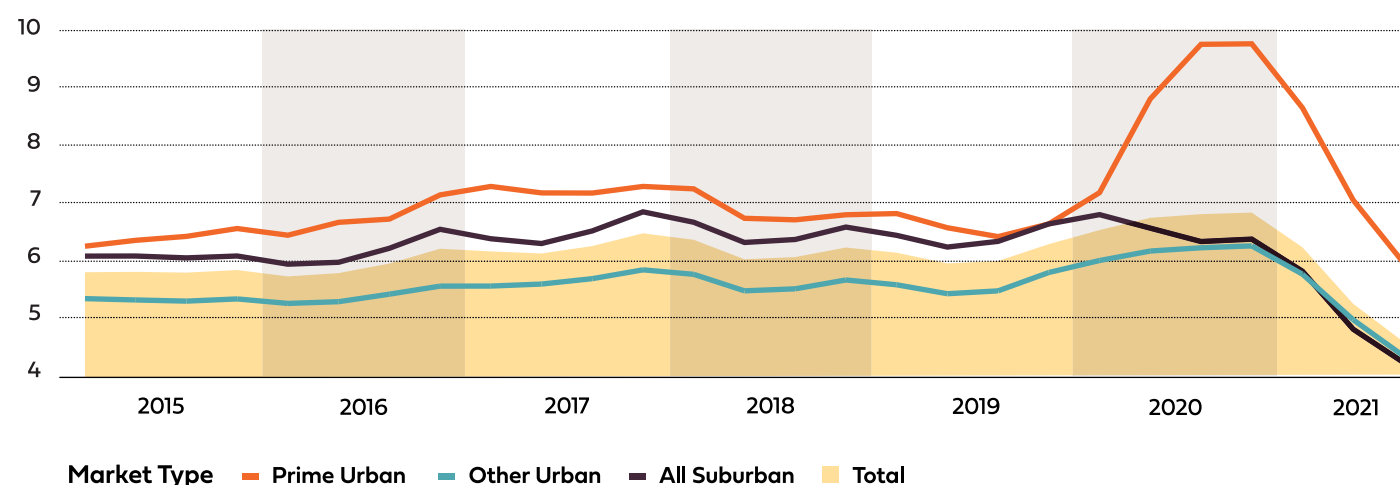
Rents for units in higher-quality buildings climbed the most. After declining by 1.7 percent in the third quarter of 2020, rents for higher-quality apartments were up by 13.8 percent a year later. Although increases for lower- and moderate-quality apartments also slowed during the pandemic, rent growth did not turn negative at the end of 2020 before regaining steam. Year-over-year rent growth for lower-quality units accelerated from 2.0 percent to 4.3 percent in the third quarter of 2021, while that for moderate-quality apartments surged from 1.5 percent to 11.0 percent.

The third-quarter spike in rents for professionally managed units occurred in 148 of the 150 markets tracked by RealPage, with more than half of these metros (77) posting double-digit increases (**Figure 18**). Indeed, rents in eight markets were up by more than

FIGURE 17

After a Sharp Rise, Vacancy Rates in Prime Urban Markets Plunged to Historic Lows

Vacancy Rate (Percent)



Notes: Urban/suburban areas are based on density in the 54 largest markets that CoStar tracks. Prime submarkets have the highest rents.

Source: JCHS tabulations of CoStar data.

20 percent. In the South and West, the largest gains were in Boise, Naples, and Phoenix, where rent growth soared 24 percent. In the Midwest, rents rose the most in Flint, Grand Rapids, and Kalamazoo, with increases exceeding 11 percent. Rent gains in the Northeast also topped 10 percent in Allentown, Manchester, and Portland. The only metros where rent growth turned negative year over year in the third quarter of 2021 were San Francisco (down 0.8 percent) and Midland (down 1.5 percent).

CoreLogic reports that rent increases for single-family homes also reached the double digits in late 2021, rising from a 2.6 percent annual rate in September 2020 to 10.2 percent in September 2021. The jump in rents for single-family detached units (12.2 percent) far outpaced rent growth for attached rentals (7.8 percent). In part, the unprecedented climb in the rents for single-family homes reflects the surge in demand for additional living space that occurred early in the COVID-19 pandemic, when much of the workforce was ordered to stay at home and children had to attend school remotely.

ADDED PRESSURE OF HIGH HOME PRICES

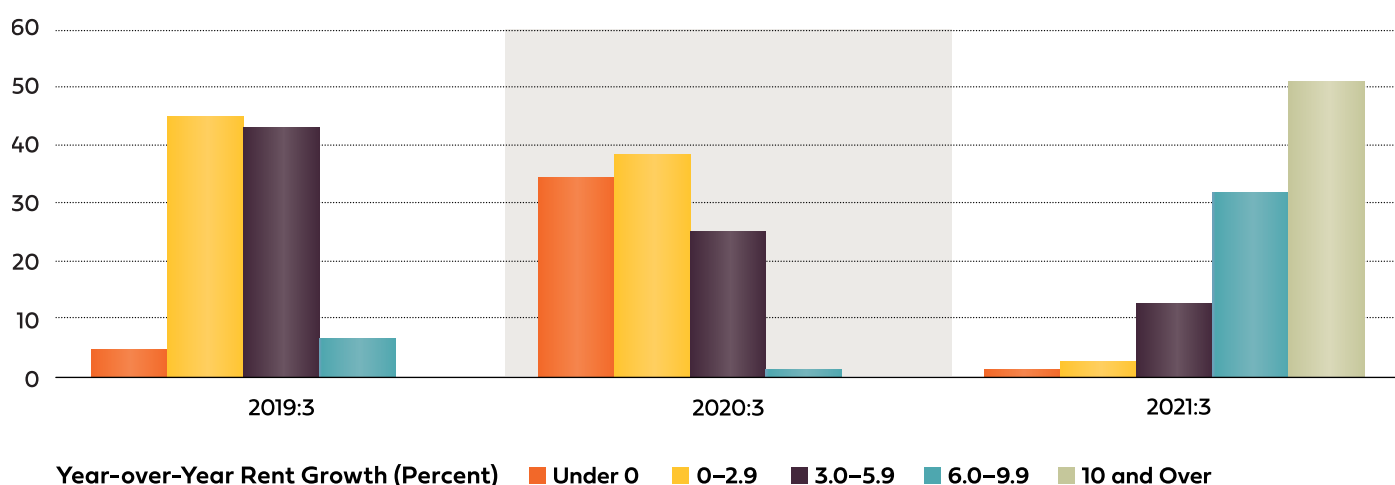
Although rents were up sharply last year, their increase pales next to the climb in home prices. According to Zillow data, typical rents were rising at a 11.0 percent annual rate in September 2021, up from 1.2 percent a year earlier. At the same time, typical home values escalated from a relatively strong 5.7 percent annual rate to an astounding 18.9 percent. This brought the national price-to-rent ratio (median home value divided by median annual rent) to 14.0 in September 2021, up from 13.0 in September 2020 and 11.6 in September 2015.

Rent increases in September lagged home price appreciation in 99 of the 100 large markets that Zillow tracks. Even in metros with the fastest year-over-year rent growth—including Sarasota (24.6 percent), Tampa (23.0 percent), Phoenix (23.0 percent), and Las Vegas (22.5 percent)—home prices were rising even more rapidly. In Phoenix, for example, home price appreciation was running at a 32.5 percent annual rate that month. Boise stands out as the hottest housing market, with home prices (up 45.6 percent) climbing more than twice as

FIGURE 18

Rents in Over Half of the Nation's Largest Markets Were Up by Double Digits in 2021

Share of 150 Markets (Percent)



Note: Rent growth rates are for professionally managed apartments in buildings with at least five units in the 150 markets that RealPage tracks.

Source: JCHS tabulations of RealPage data.

fast as rents (up 21.4 percent). And in four high-cost markets where rent growth was more modest—San Jose (2.7 percent), San Francisco (3.2 percent), New York (5.8 percent), and Washington, DC (6.1 percent)—typical home values were still rising by between 13.4 percent and 17.7 percent. Only in the Miami metro area did rent growth (19.7 percent) slightly outpace home price growth (18.2 percent).

The magnitude and breadth of home price growth relative to rents may be unprecedented (**Figure 19**). The lack of inventory for sale has combined with robust demand and record-low interest rates to push home prices to new heights. Would-be buyers priced out (or outcompeted) for the limited supply of homes on the market either turn to rental housing temporarily or remain in their rentals longer than planned. The growth in renter households with higher incomes that began well before the pandemic is therefore likely to continue, keeping the pressure on rents.

THE BOOM IN MULTIFAMILY CONSTRUCTION

With demand growing and rents rising, the multifamily construction pipeline remains robust. At a seasonally adjusted annual rate, the number of multifamily starts averaged 466,000 units through November 2021. The current pace of starts far exceeds annual averages of just 268,000 units in the 1990s and 309,700 units in the 2000s, but still lags the 506,800 units averaged in the 1980s.

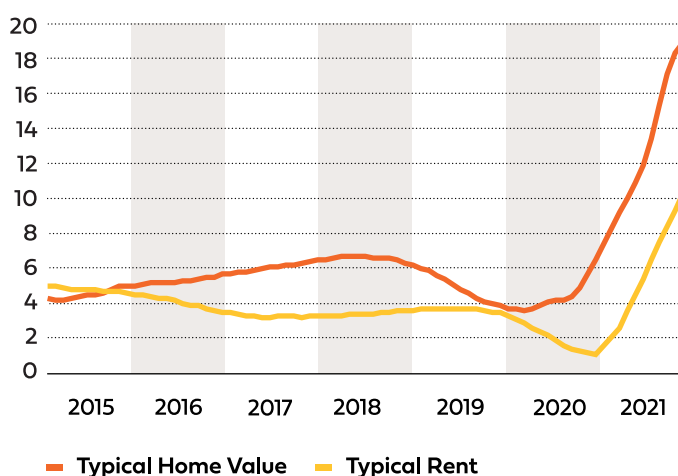
The latest uptick follows a seven-year stretch of strong multifamily production, with starts topping 350,000 units each year from 2014 to 2020. Indeed, starts still hit 389,100 units in 2020 despite the sharp slowdown in activity after the onset of the pandemic. Fully 649,800 multifamily units were still under construction at the end of the year, including many of the 491,800 units permitted in 2020. In addition, some 375,200 units were completed in 2020, the highest number since the late 1980s.

Most newer multifamily units were built for rent rather than for sale. Between 92 percent and 96

FIGURE 19

Soaring Home Prices Have Added to the Pressure on Rents

Annual Change (Percent)



Source: JCHS tabulations of Zillow data.

percent of multifamily apartments constructed in 2014–2020 were intended as rental housing, a far larger share than the 70–79 percent averaged in the 1980s, 1990s, and 2000s. At the same time, a much smaller but growing share of single-family homes was also built as rentals. On average, about 5 percent of single-family starts in 2016–2020 were intended for the rental market, compared with 2–3 percent in prior decades. Indeed, starts of single-family rentals hit an all-time high of 50,000 units in 2020, bringing the total number of rental housing starts to 423,000 for the year (**Figure 20**).

Even with such high levels of construction, new rentals are being absorbed at an historically fast pace. By the second quarter of 2021, 72 percent of units were leased within three months of completion, up from 43 percent in the first quarter of 2020 and exceeding the 57 percent averaged from 2014 through 2021. The rapid pace of absorptions may encourage developers to continue building rental properties at today's robust rate, potentially easing some of the pressure on supply.

SHIFTING LOCATION OF NEW CONSTRUCTION

The pandemic put at least a temporary damper on multifamily construction in dense urban areas. The number of multifamily units permitted in the core counties of metro areas with at least a million people dropped 9.9 percent in 2020—far more than the 6.1 percent dip in total multifamily permitting. The number of multifamily permits also declined by 2.4 percent in the suburban counties of large metros, and by 1.8 percent in smaller metro areas overall. Permitting was flat at low levels in non-metro areas.

Whether a shift in the location of new construction will continue is unclear. However, the NAHB Home Building Geography Index suggests that the momentum outside of denser urban counties continued in the third quarter 2021. While up by a solid 7.2 percent in the core counties of large metros, the pace of permitting was about twice as fast in the suburban counties of those metros and at least three times as fast in smaller metros and non-metro areas.

Even so, multifamily construction remains heavily concentrated in urban areas. For the ninth straight year

in 2020, just over half of all multifamily permits—for a total of 249,600 units—were issued in the core counties of large metros. This marks a significant increase from the 40.5 percent share averaged between 1980 and 2005. Another 20 percent of permits were for units in the suburban counties of large metros, 25 percent in other metros, and just 4 percent in non-metro areas.

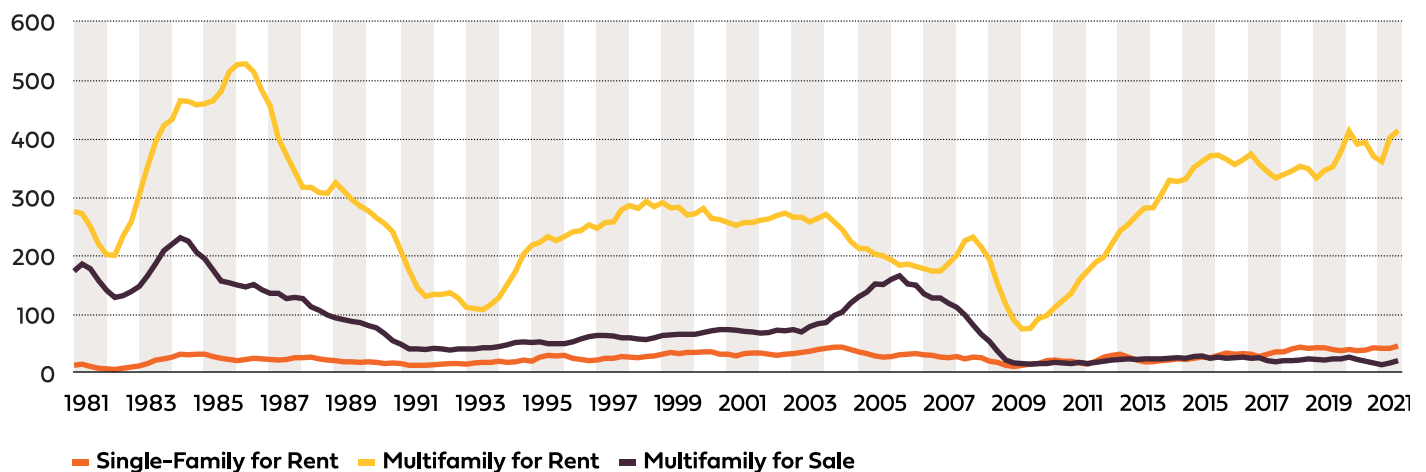
Meanwhile, the share of multifamily units in larger buildings held near record highs. Some 85 percent of multifamily apartments completed in 2020 were in buildings with at least 20 units, including 55 percent in structures with at least 50 apartments. But while newly constructed buildings have grown in scale, individual apartments are becoming smaller. In fact, 2020 was the second year that more than half (51 percent) of newly completed multifamily units were efficiency or one-bedroom apartments, up from about a third historically.

The central location of new rental units, rising costs of construction inputs, and the addition of amenities like in-unit laundries have kept rents for newly completed apartments on the rise. The Survey of Market

FIGURE 20

Both Single-Family and Multifamily Rental Construction Remained Elevated in 2021

Housing Starts (Thousands)



Note: Housing starts are the four-quarter trailing sum.

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

Absorption shows that the median asking rent for units completed in the second quarter of 2021 was \$1,669, a 17 percent increase from the same period in 2016.

STABLE PERFORMANCE OF RENTAL PROPERTIES

The surge in rental vacancy rates during the height of the pandemic put a substantial dent in property owners' incomes. NCREIF data indicate that net operating income in the apartment sector fell by double digits for three consecutive quarters starting in mid-2020. However, net operating income rebounded sharply by the third quarter of 2021, rising 10.9 percent from the prior year.

Meanwhile, rent collections for occupied units held steady through much of the pandemic. The NMHC Rent Payment Tracker shows that, on average, 94 percent of renters living in professionally managed buildings made their payments by month-end from April 2020 through November 2021. That share is just 1.8 percentage points lower than in the same period in 2019.

Rent collections have also been stable at some individually owned rental properties, typically one- to four-unit buildings. According to the Avail Rental Payment Tracker, 87 percent of tenants in these rentals made full or partial payments by the end of September 2021, on par with the share in January–February 2020.

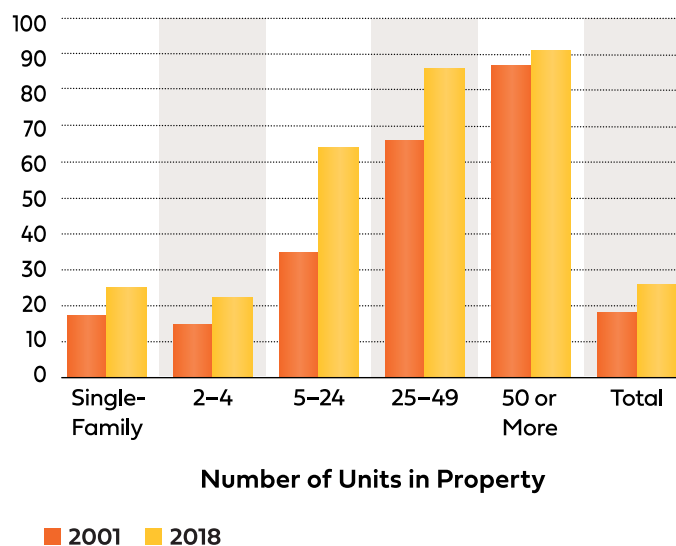
Regardless of any shortfalls in rents, investors have continued to snap up multifamily properties. CoStar reports that transaction volumes in the third quarter of 2021 were at \$36 billion, about on par with levels from the same period in 2019 and almost double those a year earlier when transaction volumes were near their pandemic low.

With demand rebounding, rental property prices resumed their steep climb. According to Real Capital Analytics, price appreciation hovered in the low double-digits right before the pandemic, then bottomed out in the fall of 2020 at around 7 percent. By October 2021, rental property prices were rising by 16.8 percent year over year—the fastest rate since at least the early 2000s

FIGURE 21

Non-Individual Investors Own a Growing Share of the Rental Stock

Share of Properties Owned by Non-Individuals (Percent)



Note: Non-individual investors include partnerships, trustees for estate, real estate corporations, real estate investment trusts, and other entities.

Source: JCHS tabulations of US Census Bureau, Rental Housing Finance Surveys.

and outpacing increases for both retail (14.2 percent) and office (13.7 percent) buildings. Reflecting strong investor optimism, the capitalization rate for rental buildings fell to 4.1 in the third quarter of 2021, the lowest reading on record.

Low mortgage interest rates and ready access to capital have helped to bolster investor demand for rental properties. Following a full 31 percent drop in the third quarter of 2020, the MBA Commercial/Multifamily Mortgage Bankers Originations Index showed a record-high jump in multifamily loan originations of 105 percent in the third quarter of 2021. As a result, multifamily mortgage debt outstanding continued its steady climb, reaching a total of \$1.77 trillion in the third quarter. Just over half of this debt was held in agency and GSE portfolios and in mortgage-backed securities, with smaller shares held by banks and thrifts (28 percent), life insur-

ance companies (10 percent), and state and local governments (6 percent).

After a brief uptick in 2020, multifamily mortgage delinquencies retreated again in the third quarter of 2021. MBA reports that delinquency rates on loans held by Fannie Mae (which counts loans in forbearance as delinquent even if borrowers are compliant) receded from a high of 1.12 percent in the third quarter of 2020 to 0.42 percent in the third quarter of 2021—low, but still well above the 0.05 percent rate immediately preceding the pandemic. Delinquencies on loans held by Freddie Mac (which does not count loans in forbearance if borrowers are compliant) also edged down to a 0.12 percent rate in the third quarter, but still exceeded the pre-pandemic rate of 0.08 percent.

CHANGING OWNERSHIP OF RENTAL UNITS

The strong financial performance of rental properties has lured a variety of investors into the market, changing the balance of ownership between individuals and non-individual investors such as limited liability partnerships, real estate corporations, and real estate investment trusts. (However, some of these entities may also be individuals.) Between 2001 and 2018, the share of the rental stock owned by investors other than individuals climbed 8 percentage points, to 26 percent.

Increases in non-individual ownership occurred across property types, but are especially notable in the mid-sized segment—up some 29 percentage points for buildings with 5–24 units and 20 percentage points for those with 25–49 units (**Figure 21**). The non-individual share of single-family rentals also rose 8 percentage points (to 25 percent), while that for buildings with 50 or more units increased 4 percentage points (to 91 percent).

A recent Redfin report shows that investors continued to buy up housing in 2021, converting many of their units to rentals. Investor entities purchased a record-high 18.2 percent share of homes sold in the third quarter of 2021, up from 11.2 percent a year earlier

and 16.6 percent in the first quarter of 2020. Growth in the non-individual investor share of the rental stock largely reflects purchases of single-family properties. Indeed, single-family homes accounted for 74 percent of investors' third-quarter purchases, up slightly from the 71 percent share a year earlier and a new high since at least 2000.

The growing number and share of investor-owned rentals have raised concerns that the new owners will raise rents aggressively and displace current tenants, especially occupants of single-family properties that were previously owned by individuals. Renters of single-family homes may be especially vulnerable to displacement, given strong demand for these units from the growing number of young, moderate-income families with children. At the same time, though, the improvements in technology and efficiency that corporate ownership might bring to the management of the single-family stock could yield cost savings that prevent a large jump in rents.

THE OUTLOOK

Demand for rental housing surged throughout 2021 with the widespread availability of COVID-19 vaccines and stabilization of the broader economy, pushing vacancy rates down and rents up at unprecedented rates. However, demand growth is likely to slow from its breakneck pace, and the historically high number of apartments under construction could relieve some of the pressure on the supply side of rental markets.

In the near term, a steady wave of young adults forming new households will prop up rental demand, while skyrocketing home prices continue to price potential buyers out of the homeowner market. With these strong fundamentals, rental properties should remain an attractive investment option and draw more investors into the market. However, the changing ownership of the rental stock, especially on the single-family side and at the low end of the multifamily market, will be an important trend to watch.



5 | RENTAL AFFORDABILITY

The COVID-19 pandemic has exacerbated the affordability crisis, especially for households that were already cost burdened. Even before 2020, the number of households paying more than 30 percent of income for rent remained stubbornly high, and the job losses over the past two years are likely to have left even more renters struggling to pay for rent. Without housing they can afford, households must make spending tradeoffs that jeopardize basic health and well-being. While the federal government has stepped in with emergency assistance, much of the country lacks a sufficient supply of affordable rentals, particularly for extremely low-income households.

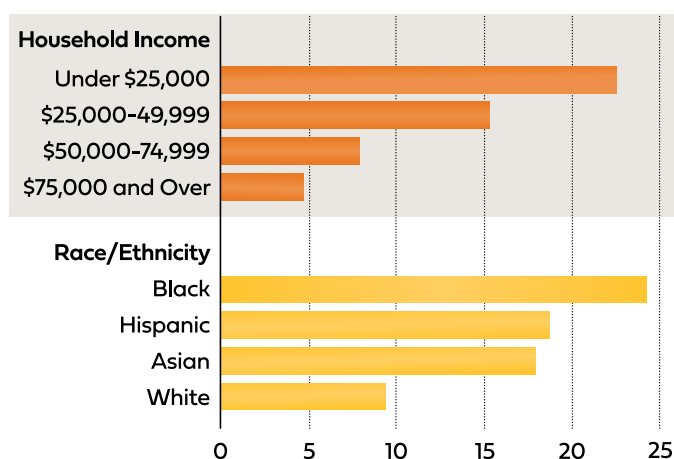
THE PANDEMIC'S IMPACTS ON ABILITY TO PAY

Massive job losses early in the pandemic compounded the housing challenges for millions of renter households. In the third quarter of 2021, 23 percent of renters reported they had lost employment income in the previous four weeks—losses that in many cases resulted in missed rent payments. Indeed, the Household Pulse Survey indicates that 15 percent of renter households were behind on rent in that quarter, down from the peak of nearly 17 percent in the fourth quarter of 2020.

Lower-income renters were especially hard hit by the job cuts, and many of these households were already struggling to cover their rents. Lower-income renters typically work in the service sector, where job and wage cuts early in the pandemic left them with even less income to pay for housing. As a result, 23 percent of renter households with incomes under \$25,000 were behind on their housing payments in the third quarter of 2021, along with 15 percent of renter households with incomes between \$25,000 and \$49,999 (**Figure 22**). These lower-income renters were more than twice as likely to be in arrears on rent as renters earning between \$50,000 and \$74,999 and four times more likely than renters earning at least \$75,000.

FIGURE 22

The Financial Fallout from the Pandemic Left Many Households Struggling to Pay Rent
Share of Households in Arrears (Percent)

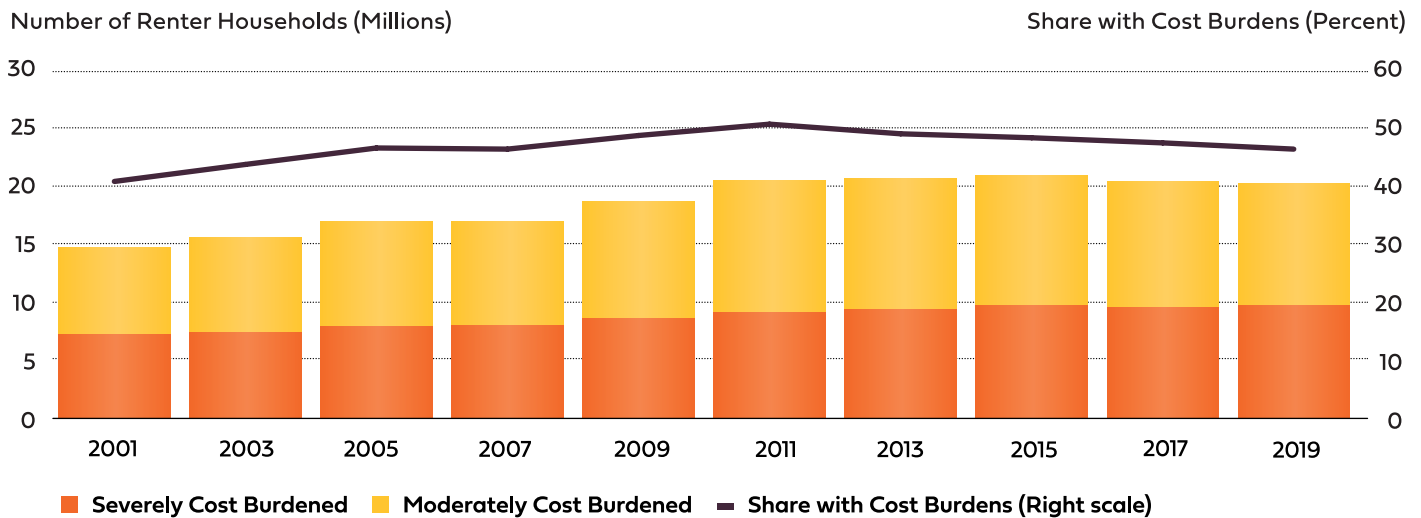


Notes: Households behind on rent were not caught up at the time of survey. Black, white, and Asian households are non-Hispanic. Hispanic households may be of any race.

Source: JCHS tabulations of US Census Bureau, Household Pulse Surveys, July–September 2021.

FIGURE 23

Both the Number and Share of Cost-Burdened Renter Households Remain Well Above the 2001 Low



Note: Moderately (severely) cost-burdened households pay more than 30% (more than 50%) of income for housing.

Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

Households of color were especially likely to fall behind on rent, in part due to widespread income losses. In the third quarter of 2021, nearly a quarter of Black renter households and 19 percent of Hispanic households were behind on their housing payments. The share of Asian households in arrears was nearly as high at 18 percent, although these renters were less likely to have lost employment income. Meanwhile, only 9 percent of white renter households owed back rent, thanks to an even lower rate of income losses.

Eight of the ten states with the highest shares of households in arrears were in the South. Although states in this region generally have lower housing costs, they also have large numbers of both lower-income renter households and pandemic-related job losses. In the third quarter of 2021, Mississippi and Louisiana had the largest shares of renter households in arrears, at 22 percent. However, New York had the third-largest share (21 percent) and Maryland the tenth-largest share (18 percent) of households in arrears, largely because of high housing costs and high numbers of lower-income renters.

The onset of the pandemic took a particularly heavy financial toll on lower-income renters, compounding the challenges for households already struggling to pay for housing. To meet expenses, many of these households have had to tap several financial resources, including drawing down savings, increasing their credit card debt, and borrowing from friends and family. Even so, many lower-income renters have been unable to meet basic needs. In the third quarter of 2021, 40 percent of households that were in arrears on rent reported that they sometimes or often did not have enough food.

COST-BURDENED RATES STILL HISTORICALLY HIGH

In the years before the pandemic, the share of cost-burdened renter households was on the decline, falling from a peak of 51 percent in 2011 to 46 percent in 2019 (**Figure 23**). The share of severely burdened renters also receded from 28 percent to 24 percent. These improvements were due to the strong economy, along with a large influx of higher-income renters that lifted the median income for renter households overall. Even so, the share of cost-burdened renter house-

holds in 2019 was still 6 percentage points higher than in 2001.

The number of cost-burdened renters also remained elevated at 20.4 million in 2019—a 38 percent increase from 2001. However, the 2019 total was 883,000 lower than the 2014 peak, driven entirely by a drop in the number of severely burdened renters to 10.5 million.

Cost burdens are a fact of life for the vast majority of lower-income renters. In 2019, 83 percent of households making less than \$15,000 paid a disproportionate share of income for housing. Of these households, 72 percent faced severe burdens. The cost-burdened share of renter households making less than \$30,000 also topped 80 percent, where it has held for 10 years.

Although much lower, the cost-burdened share of middle-income households increased the most in 2014–2019. The share of renters making between \$30,000 and \$74,999 with at least moderate housing cost burdens rose 4 percentage points to 41 percent, while the share with severe burdens rose from 7 percent to 9 percent. The cost-burdened rate for households with at least \$75,000 in income also edged up by 1 percentage point to 7 percent.

Longstanding inequities in education and labor markets continue to limit the earnings of households of color, perpetuating racial and ethnic disparities in cost-burdened rates. The share of Black renter households with cost burdens was highest at 54 percent, followed by Hispanic households at 52 percent, while the rates for white and Asian renter households were far lower at 42 percent. The Black-white disparity largely reflects differences in incomes. Indeed, the median income for white renter households in 2019 was \$45,000—some 40 percent higher than the \$32,140 median for Black renter households. However, the median income for Hispanic renter households of \$42,000 was just 7 percent below that for white renter households. Asian households had the highest median income at \$62,200.

Single-person households are the most likely to face housing cost burdens. More than half of the renters

living alone (55 percent) were cost burdened in 2019, compared with 29 percent of married or partnered couples without children. But households with children are also likely to be burdened, in part because of their need for larger homes and in some cases more limited availability to work due to childcare demands. Households headed by a single parent had a far higher cost-burdened rate (58 percent) than married or partnered couples with children (37 percent).

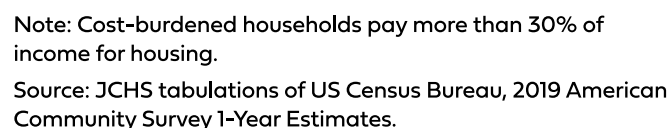
Large shares of renter households in the youngest and oldest age groups are also cost burdened. In 2019, some 58 percent of renters under age 25, as well as 55 percent of those age 65 and over, paid more than 30 percent of income for housing. These shares reflect the low median incomes of both age groups—\$32,000 for the youngest households and \$25,000 for the oldest households. In contrast, renters aged 35–44 had the highest median income of any age group (\$50,000) and the lowest cost-burdened rate (43 percent). Renters in the 45–64 age group also had a median income of \$43,000 and cost-burdened shares of 45 percent.

GEOGRAPHIC REACH OF COST BURDENS

Strong demand, rising rents, and limited availability of affordable housing have led to high shares of cost-burdened renters across the country. In 2019, the shares stood at 49 percent in the West and 47 percent in the Northeast, where median rents were also highest. Although rents were lower in the South, the large share of lower-income renters kept the cost-burdened rate nearly as high at 46 percent. The Midwest had the lowest median incomes and the lowest median rents, with cost-burdened shares at 42 percent.

States with the highest housing costs generally have the largest shares of cost-burdened renters. Indeed, six out of the top ten high-cost states are also on the top ten list for shares of cost-burdened renter households. California, Florida, and Hawaii stand out for their high housing costs and high burden rates. But in even the most affordable states, at least 38 percent of renter households pay more than 30 percent of income for housing (**Figure 24**).

Even in the Most Affordable States, More than a Third of Renters Face Cost Burdens



Metro areas with the smallest shares of cost-burdened renters are generally in the Midwest. Among the 100 most populous metros, Des Moines had the lowest

Even in rural areas, where housing costs are generally lower, 38 percent of renter households were cost burdened in 2019 and 19 percent were severely burdened. The Northeast had the largest share of rural renters with cost burdens, at 44 percent. Rates in rural communities in the West were similarly high at 39 percent, and only slightly lower in the South (38 percent) and Midwest (37 percent). New Mexico is at the top of the list by state, with some 48 percent of rural households facing at least moderate cost burdens.

The rental affordability gap measures the difference between the amount that renter households pay for housing and 30 percent of their monthly incomes. On average in 2019, housing cost-burdened renters spent 60 percent of their incomes on rent and utilities. In dollar terms, this means that moderately burdened renter households paid \$240 more per month than they could afford. And for severely cost-burdened renter households, this translates to a whopping \$850 per month in excess housing costs.

In total, cost-burdened renter households paid \$11.4 billion more for housing in 2019 than they could afford. Lower-income renters accounted for the overwhelming majority of this amount. Indeed, cost-burdened renter households with incomes under \$15,000 paid \$4.6 billion (41 percent) and those earning between \$15,000 and \$29,999 paid \$3.3 billion (29 percent).

while middle-income renters paid the majority of the remaining costs. Reducing the cost burdens for lower-income households would thus require a significant and ongoing annual investment estimated at \$7.9 billion, although the benefit to these renters would be invaluable—the promise of housing stability and an adequate standard of living even in a financial crisis.

PRESSURES ON HOUSEHOLD BUDGETS

The amount renters have left over after paying for housing drops sharply with income. In 2019, households earning \$75,000 or more had \$7,400 to spend each month after paying for rent and utilities. Renters earning between \$45,000 and \$75,000 kept \$3,550, while those earning between \$30,000 and \$45,000 kept \$2,000. But renter households with less than \$30,000 in income had just \$490 a month to cover the costs of food, healthcare, and all other necessities. If those lower-income renters were also cost burdened, they had only \$360 each month to live on after paying their housing costs.

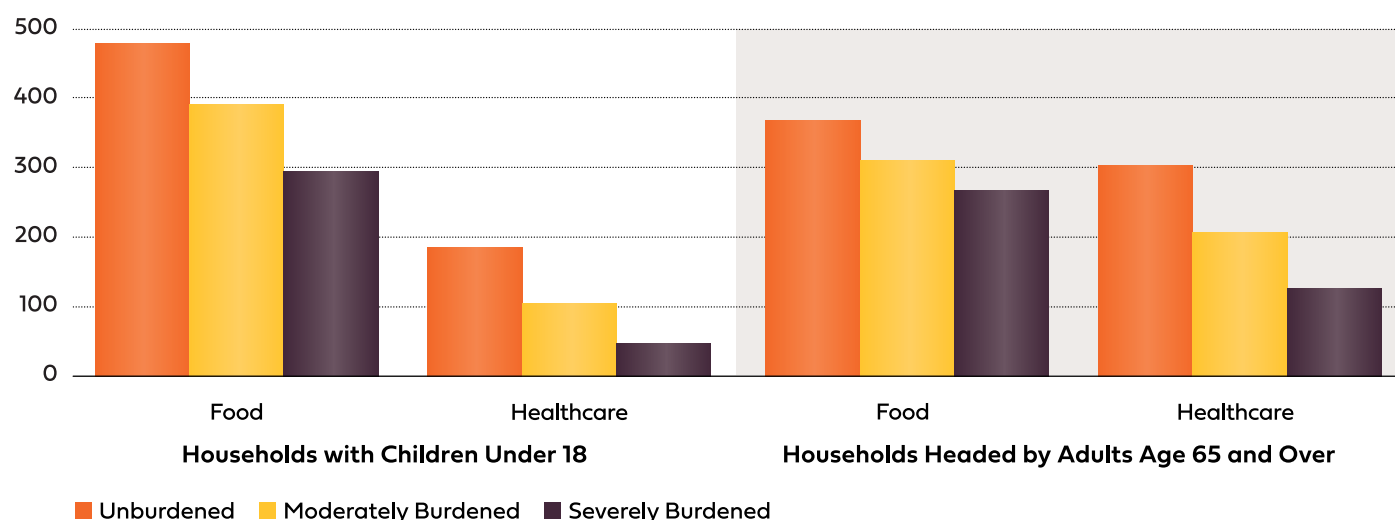
Severely cost-burdened renters must make difficult tradeoffs about how to spend their limited funds. According to the 2020 Consumer Expenditure Survey, severely burdened renters in the bottom expenditure quartile (a proxy for lowest income) spent 38 percent less on food and 70 percent less on healthcare than otherwise similar renters living in housing they could afford (**Figure 25**). For families with children under age 18, cutting back on food expenditures is especially damaging to health and well-being. Even marginal food deprivation can profoundly undermine children's ability to thrive physically and succeed in school, leaving them at a lifelong disadvantage relative to those receiving adequate nutrition.

Older adults with severe cost burdens often sacrifice not only on food but also healthcare expenses. Some 30 percent of extremely low-income renter households are headed by adults age 65 and over, and 18 percent include a householder with a disability—two groups that typically need costly medical

FIGURE 25

High Housing Costs Leave Vulnerable Households Unable to Meet Basic Health Needs

Monthly Expenditures of Lowest-Income Households (Dollars)

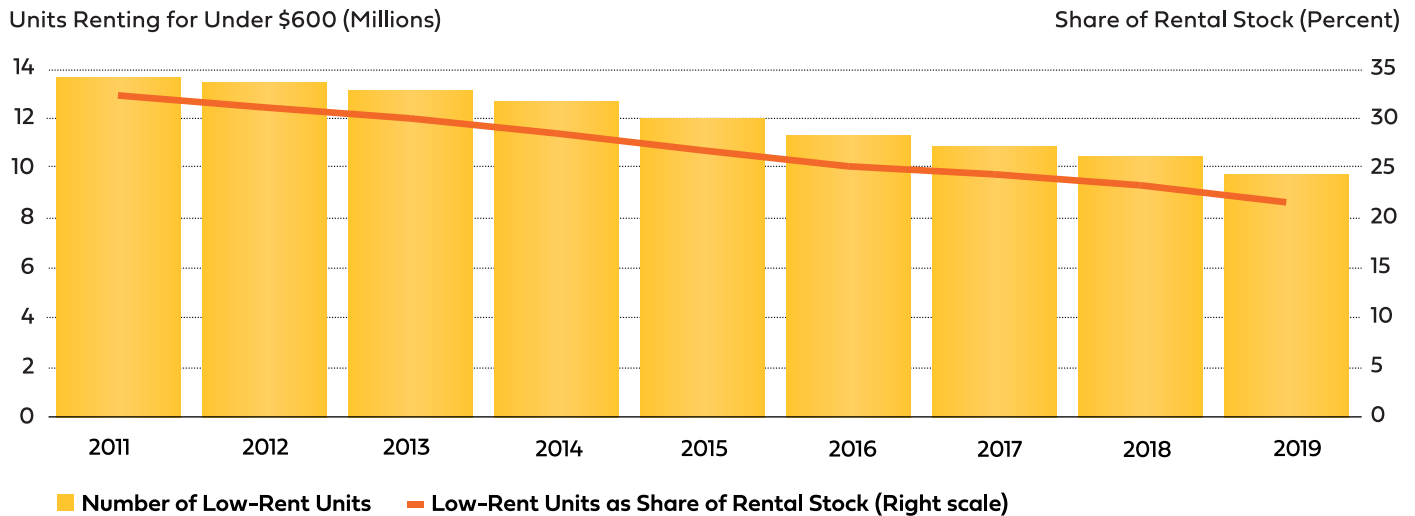


Notes: Lowest-income households are in the bottom expenditure quartile. Moderately (severely) burdened households devote more than 30% (more than 50%) of their expenditures to housing. Healthcare spending includes out-of-pocket costs and premiums.

Source: JCHS tabulations of Bureau of Labor Statistics, 2020 Consumer Expenditure Survey.

FIGURE 26

The Stock of Low-Rent Units Continues to Shrink



Notes: Low-rent units have contract rents under \$600. Rents are inflated to 2019 dollars using the CPI-U Less Shelter.

Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates. IPUMS-USA, University of Minnesota.

care. Cutting back on medications or foregoing doctor appointments to avoid fees and copayments put these households at even greater risk of serious illness or medical complications.

LIMITED AVAILABILITY OF LOW-COST HOUSING

The high incidence of cost burdens among lower-income renters is due in large measure to the shortage of low-cost housing (**Figure 26**). Although rental construction has been on the increase in recent years, rising costs for materials, labor, and land have pushed new development toward luxury housing. According to American Community Survey data, the number of units affordable to renters with incomes up to \$30,000 fell by 1 million from 2018 to 2019. These losses exacerbated already tight conditions at the lower end of the market, driving up the number of lower-income households with burdens.

As a result, worst case housing needs among very low-income households remain near historic highs. Renter households are defined as having worst case

needs if they have incomes at or below 50 percent of the area median, do not receive housing assistance, and either pay more than half of their incomes for rent or live in severely inadequate conditions, or both. According to HUD's 2021 Worst Case Housing Needs report, 7.8 million renter households met these criteria, an increase of 50,000 from 2017 to 2019.

Conditions for extremely low-income renters are especially dire. In 2020, a family of four with under 30 percent of area median income could afford no more than \$655 per month. But as the National Low Income Housing Coalition reports, the average fair market rent on a modest two-bedroom home was \$1,246—almost twice that amount. Moreover, extremely low-income renters compete with higher-income households for the limited supply of rentals they can afford. According to NLIHC, only 4 million units were both affordable and available for extremely low-income households, a shortfall of 6.8 million units. Some 85 percent of these households were therefore at least moderately cost burdened in 2019, and 70 percent were severely so.

The scarcity of subsidized housing in metros across the country adds to the challenges. Indeed, the smaller the share of HUD-assisted units in the rental stock, the larger the share of extremely low-income renters with severe cost burdens in that market. For example, just 4 percent of rental housing in Las Vegas is HUD-assisted, leaving 86 percent of extremely low-income renters severely burdened. In Boston, however, the assisted share of the rental stock is much higher at 18 percent, reducing the severely burdened share of extremely low-income households to 60 percent.

The ongoing decline in low-rent units has also contributed to the overall shortage of affordable rentals. The number of units with rents under \$600 a month fell sharply between 2011 and 2019, bringing the net decline to 3.9 million. Nationwide, the share of low-rent units dropped from 32 percent of the stock to just 22 percent over this period.

In 2018–2019 alone, the supply of low-rent rentals fell in 45 states, with net losses totaling 731,000 units. According to American Community Survey data, the largest decline was in Texas, where the number of low-rent units was down by 72,300. Ohio followed close behind with a loss of 67,500 low-cost rentals. Some 43 percent of low-rent units lost in 2018–2019 were in the South and 32 percent in the Midwest, two regions that had a relatively large number of units renting for less than \$600 a month. Another 14 percent of the losses were in the West and 10 percent in the Northeast.

Ultimately, such large declines in the low-rent stock make rental housing less affordable in communities across the country.

THE OUTLOOK

The pandemic has likely worsened the rental affordability crisis, heightening the risk of housing instability for millions of households. However, at this pivotal moment in national housing policy, the federal government has already provided unprecedented levels of emergency rental assistance, and large-scale investments in housing subsidies have been on the negotiating table.

But income support is also needed for households that simply do not have enough money for necessities after paying for rent. Although economic impact payments and expanded unemployment assistance put cash in the hands of many cost-burdened renters, these households need sustained support to make ends meet. As it is, millions of cost-burdened renters make difficult spending tradeoffs that put their families at risk of malnutrition and serious medical conditions.

At the same time, a growing number of lower- and middle-income renters compete for the limited supply of low-rent units available on the private market. To meet the enormous demand for affordable rental housing, federal policies must not only support expansion of the subsidized stock, but also make it possible for private developers to build affordable units.



6 | RENTAL HOUSING CHALLENGES

The COVID-19 pandemic has underscored the urgent need for a fully funded, permanent housing safety net. In the short term, federal income supports, eviction moratoriums, and emergency rental assistance have helped to keep many renters stably housed. State and local governments also continue their efforts to add to the rental supply. But the shortage of affordable housing only grows more acute as rents rise amid soaring demand, leaving low-income households and communities of color with increasingly few housing options. Meanwhile, the impacts of climate change pose a serious threat to nearly half of the existing rental stock, potentially displacing millions of households.

MAINTAINING HOUSING STABILITY

The economic disruptions from the COVID-19 pandemic, on top of the ongoing housing affordability crisis, put many renter households at heightened risk of eviction. Even before the pandemic, lower-income households and households of color had faced disproportionately high eviction rates and were among the most likely to have lost their jobs when the economy shut down. But a series of federal, state, and local interventions helped to keep many of these vulnerable renters in their homes.

The CARES Act imposed the first federal eviction moratorium in March 2020 and covered renters living in publicly assisted housing or in properties with federally backed mortgages. The Federal Reserve Bank of Atlanta estimated that just 28–46 percent of renters were protected under this moratorium, which expired in July 2020. The limited coverage of this moratorium suggests that court closures, landlord flexibility, and income supports during this period may have also helped keep eviction filings down.

Noting the public health connection between housing instability and COVID transmission, the CDC then issued an order in September to halt evictions of renters with incomes below a certain threshold who attested to pandemic-related financial hardship. After

that ban ended in July 2021, the CDC followed up in early August with a more targeted moratorium in counties with heightened COVID transmission, which encompassed about 80 percent of counties nationwide and about 90 percent of renters. The Supreme Court quickly struck down that order at the end of August, leaving no federal eviction protections in place.

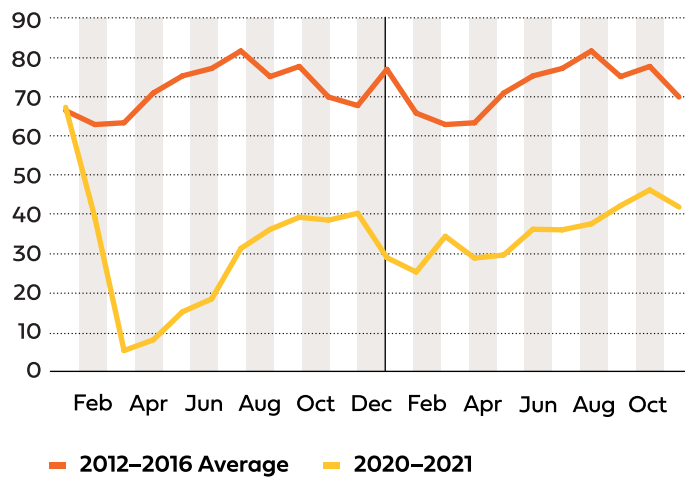
State and local governments also enacted their own eviction moratoriums and eviction diversion programs. The Government Accountability Office reports that 43 states banned eviction filings or hearings at some point during the pandemic. Most of those protections had either ended or were being phased out when the CDC order was overturned in August. Near the end of 2021, just three states had broad eviction moratoriums still in effect. Even so, several state and local governments developed ongoing diversion programs to further prevent evictions, and HUD granted \$20 million in November 2021 to support 10 of these programs.

According to a study by the Federal Reserve Bank of Cleveland, local eviction bans varied considerably in duration and coverage but generally helped to reduce formal filings. Even in cities that only stopped hear-

FIGURE 27

Government Interventions During the Pandemic Helped to Reduce Evictions

Eviction Filings (Thousands)



Note: Data include eviction filings in six states and 31 cities.
Source: JCHS tabulations of Eviction Lab, Eviction Tracking System through November 31, 2021.

ings, filings dropped by 66 percent while the ban was in effect. The Eviction Lab also found that filings in the six states and 31 cities it tracks declined sharply. While evictions did rise after the CDC moratorium ended, filings at the end of November 2021 remained about 40 percent below the average in the same month in 2012 through 2016 (**Figure 27**). The economic recovery, increasing flow of emergency rental assistance, landlord flexibility, and other supports also likely kept evictions lower than these pre-pandemic averages.

SHORT-TERM INCOME AND RENTAL SUPPORTS

Eviction moratoriums temporarily help to keep renters housed but do nothing to make up for the shortfall in rents that could leave many landlords in a financial bind. The Consolidated Appropriations Act addressed this issue with a \$25 billion infusion of emergency rental assistance that was passed at the end of December 2020 (ERA1), followed by another \$21.55 billion allocated under the American Rescue Plan Act in March 2021 (ERA2).

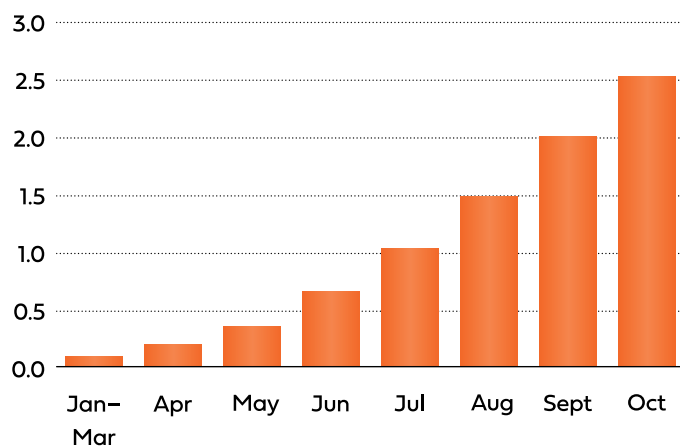
Before allocating this assistance, however, the federal government provided cash directly to households to help them cover their living expenses. Three waves of economic impact payments went to people who fell below a certain income threshold. Out-of-work individuals also received an additional \$600 per week in unemployment benefits from April to July 2020. After these benefits lapsed, they were reintroduced at the reduced amount of \$300 per week from the end of 2020 until they expired in early September 2021, with several states imposing even earlier cutoffs. Student loan deferrals, monthly child tax credit payments, and increased SNAP benefits also provided income supplements to eligible households.

But getting rent relief into the hands of households has been a major challenge, underscoring the need for permanent systems that can respond quickly during a crisis. Indeed, a survey by the Housing Initiative at Penn found that nearly three-quarters of state and local rental assistance programs were newly created. Lengthy procurement processes for contracts, the need to update existing systems, and burdensome documen-

FIGURE 28

Emergency Rental Assistance Was Initially Slow to Reach Renters in Need

Cumulative Households Assisted in 2021 (Millions)



Notes: Some households may have received multiple payments and be double-counted. Households served by ERA2 from April to June are included in the June count.

Source: JCHS tabulations of US Department of the Treasury data.

tation also caused delays in the distribution of aid. As a result, only 1 percent of ERA1 funds were spent between January and March 2021, although that share increased to 49 percent by the end of October. Nevertheless, just over 2.5 million households received emergency rental assistance over this period (**Figure 28**).

RESPONSES TO RISING HOMELESSNESS

Even before the pandemic, the number of people experiencing homelessness had continued to edge up for four years. At last count in January 2020, the number of unhoused people had increased by nearly 13,000 from a year earlier, to about 580,500. This uptick was entirely due to a 15,000-person increase in the number of people living outside of traditional shelters, which eclipsed the 2,000-person decline in the number of people that were living in emergency shelters or transitional housing (**Figure 29**).

The states with the largest absolute increases in people experiencing homelessness were California, Texas, and

Washington, while those with the largest percentage increases were Delaware, Iowa, and New Hampshire. Homelessness rates are especially high in states with the largest shares of cost-burdened renter households, including California, Hawaii, Nevada, and New York.

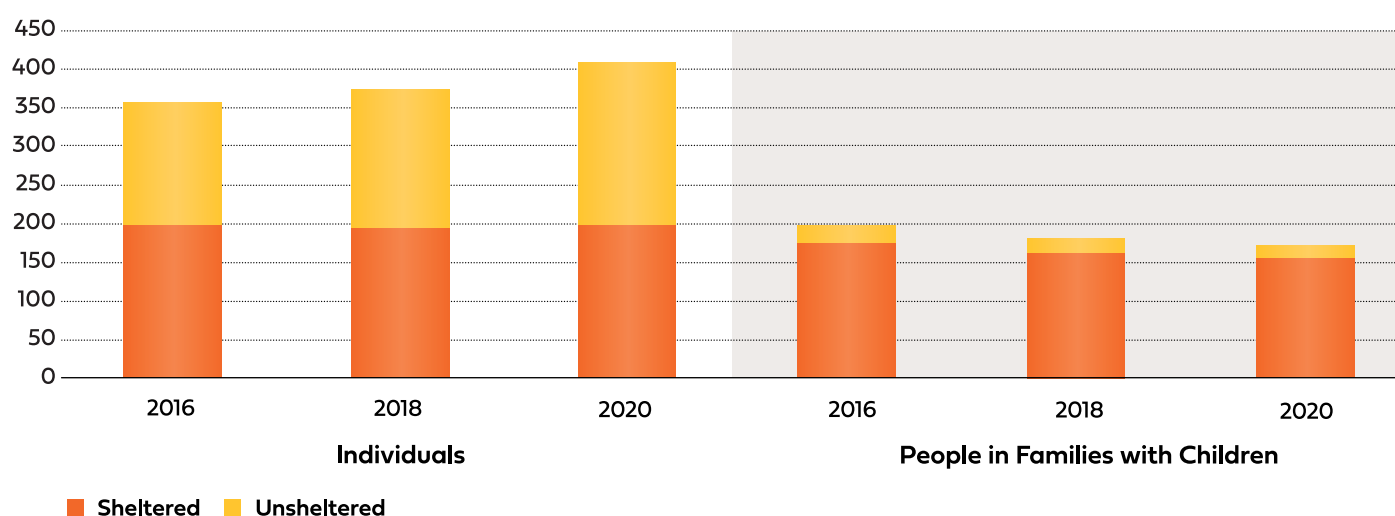
The nation's chronically homeless population (people with disabilities who have been unhoused for at least a year) grew by nearly 15,000 in 2019–2020, to about 120,000 people. Of this group, about 10,000 were experiencing homelessness in a family with children. These figures do not include people who were homeless during this period but doubled up with other households.

People of color continue to make up disproportionate shares of those experiencing homelessness. In 2020, Black people accounted for only 13 percent of the overall population, but nearly 40 percent of the unhoused population. Another 6 percent of unhoused people were multiracial (compared with a national share of 3.5 percent) and 3 percent were American Indian or Alaska Native (compared with a

FIGURE 29

Individuals Living Outside of Shelters Account for Most of the Recent Increase in the Unhoused Population

Number of People Experiencing Homelessness (Thousands)



Note: People in families with children include at least one adult age 18 and over and at least one child under age 18.

Source: JCHS tabulations of HUD, Annual Homeless Assessment Report Point-in-Time Estimates, January 2016–January 2020.

national share of 1 percent). In addition, 23 percent of people experiencing homelessness identified as Hispanic, also considerably higher than their 18 percent share of the total population.

The pandemic heightened concerns about the homeless population, given that people living in congregate settings or lacking adequate shelter are especially vulnerable to infection. As 2020 progressed, many jurisdictions sought to prevent the spread of COVID among their homeless populations by moving them into hotels left empty during the public health crisis. Some of this hotel space was then permanently converted either to shelters or affordable housing. Taking the lead on this approach, California's Project Homekey created approximately 6,000 housing units for people experiencing homelessness, primarily using federal COVID-19 funds and allowing projects to skip ordinary zoning and environmental review processes.

The full effects of the pandemic on homelessness remain unclear. Although HUD was unable to complete a full point-in-time count in January 2021, surveys and projections from other organizations suggest that substantial increases in homelessness are likely. Indeed, a July 2020 survey conducted by the National Alliance to End Homelessness found that nearly two-thirds of homeless service providers had seen increases in their unsheltered populations. According to a report from the New Hampshire Coalition to End Homelessness, the reasons for this growth include decreased shelter capacity, fears of COVID-19 exposure in congregate settings, and increased unwillingness of family and friends to provide housing.

Looking ahead, the Economic Roundtable predicts a 49 percent jump in chronic homelessness by 2023, with especially large increases in California (68 percent) and Los Angeles County (86 percent). To offset these potential increases, the House America initiative—launched by HUD and the US Interagency Council on Homelessness in September 2021—encourages municipalities to direct COVID-19 relief funding to re-house homeless residents and expand the supply of affordable housing.

UNMET NEEDS FOR FEDERAL SUBSIDIES

If nothing else, the pandemic has starkly revealed the limits of the existing housing safety net. In 2019, about 13.3 million households with incomes below 50 percent of area median were eligible for rent subsidies but unable to secure that support because housing assistance is not an entitlement (**Figure 30**). As a result, some 7.8 million very low-income households lived in severely inadequate housing, spent more than half of their incomes on housing costs, or both.

For the 4.6 million renter households that do receive HUD assistance, rent subsidies provide crucial access to affordable housing. Assisted households typically include an adult age 62 and over (38 percent), children (29 percent), or a person with disabilities (22 percent). On average, these households have incomes of about \$15,000 and rent payments of just \$355 per month. Despite the vital importance of this support, federal rental assistance programs are chronically underfunded and pose complex implementation challenges.

HUD's Housing Choice Voucher program provides subsidies to 2.3 million households, most of which have incomes below 30 percent of the area median. Throughout the pandemic, vouchers have helped to stabilize the living situations of many recipients while also providing consistent payments to landlords. Indeed, the Urban Institute and Avail have found that voucher holders were less likely to be in arrears on rent than unassisted households.

Even so, not all landlords are willing to accept vouchers and many voucher holders are unable find a unit that meets program guidelines within the time allowed. Although source-of-income discrimination laws can help to increase success rates, the Center on Budget and Policy Priorities (CBPP) estimated that just one in three voucher holders in 2018 lived in an area with this type of protection. Meanwhile, landlords who accepted vouchers reported complications with the program that made them hesitant to participate, such as problems over inspections and repairs, paperwork and bureaucracy, and lack of support during tenant conflicts.

On the supply side, the Low-Income Housing Tax Credit program provides affordable housing primarily targeted to households making 50–60 percent of area median income, although recent income averaging rules allow for a broader range of affordability levels. LIHTC remains the largest source of new subsidized housing, supporting the construction, acquisition, and rehabilitation of about 75,000 units annually and a cumulative total of more than 2.5 million units since its inception in 1986. However, lower-income renters living in LIHTC units often require additional subsidies to make this housing affordable.

With many LIHTC units now approaching the end of their affordability periods, preservation of these affordable rentals is urgent. Rental properties built with tax credits generally have a 30-year affordability requirement, although some states impose longer periods. But owners can essentially void that requirement after 15 years through qualified contracts. Indeed, the

National Council of State Housing Agencies found that use of qualified contracts resulted in the loss of more than 10,000 LIHTC units annually.

HUD's project-based Section 8 program subsidizes 1.3 million units. Like LIHTC units, Section 8 housing has a set affordability period. While most contracts are renewed, the Public and Affordable Housing and Research Corporation and NLIHC estimate that nearly 3,000 Section 8 units left the affordable stock in 2020. The affordability restrictions on more than 100,000 additional units are set to expire before 2025.

Meanwhile, the number of units supported under the public housing program has declined to about 958,000. Poor construction quality and a massive backlog of maintenance needs threaten this aging stock. Indeed, NAHRO estimated that this deferred investment would cost \$81 billion in 2020. However, the Rental Assistance Demonstration program (RAD), launched in 2012, has provided a stable funding source for the renovation or replacement of public housing units by converting them to longer-term project-based Section 8 contracts. But because tax credits are frequently used in RAD conversions to finance redevelopment, this effectively limits the ability of the LIHTC program to expand the affordable supply.

The imminent loss of thousands of USDA-subsidized properties illustrates the preservation challenges that come without further investment. At its peak in the 1970s, the program subsidized more than 30,000 units per year in rural communities. But by 2011 when the last construction loans were issued, that number was down to less than 1,000 units. The affordability requirements on these units end when the mortgages mature or when eligible property owners prepay the loans. According to the Housing Assistance Council, an average of 2,000 units per year will leave the program from 2022 to 2027, with all 400,000 units exiting by 2050. Mortgage prepayments would only accelerate these losses.

Despite their limitations, both supply-side and tenant-based programs are essential to creating a comprehensive housing safety net. Historic investments

FIGURE 30

More than 13 Million Income-Eligible Households Do Not Receive Rental Assistance

Households (Millions)



Notes: Extremely (very) low-income households make up to 30% (30–50%) of area median income. Assisted households receive a rental subsidy.

Source: JCHS tabulations of HUD, 2021 Worst Case Housing Needs Report to Congress.

in affordable housing included in the Build Back Better bill would make major advances toward this goal, including funding to raise the number of housing vouchers, preserve public housing, and increase the capacity of the Housing Trust Fund. This type of large-scale, multifaceted strategy is crucial for increasing affordable housing options for lowest-income renters.

STATE AND LOCAL ADDITIONS TO SUPPLY

While only the federal government has the resources and reach to meet the scale of need, state and local governments have deployed a variety of financing and regulatory strategies to expand the affordable housing supply. In particular, the Center for Community Change reports that 815 state and local housing trust funds across the country raise more than \$2.5 billion per year to meet local needs. States also generated funds for affordable housing with the sale of multifamily bonds that supported construction of about 46,000 affordable rental units in 2019.

Although state and local regulatory changes do not necessarily spur production, they do remove some of the barriers to rental housing development. One reform that has gained traction in recent years is to allow construction of more housing types in locations that had previously been zoned only for single-family detached homes. Minneapolis paved the way for this change in 2018, followed by the State of Oregon the next year. In 2021, California passed a law allowing construction of duplexes on lots zoned for single-family homes, and several states and cities are considering similar measures.

Allowing accessory dwelling units (ADUs) can also increase the rental supply in neighborhoods dominated by single-family housing. After California required cities to allow ADUs in 2016, permits ramped up from less than 1,000 each year to 12,000 in 2019. A survey conducted by Berkeley researchers found that most homeowners building ADUs intended the units for rental. But despite the regulatory change, the Center for Community Innovation noted that financing, lack of awareness, and lack of interest remained barriers to ADU construction.

Inclusionary zoning is another regulatory approach that states and localities are taking to expand the affordable supply. A Grounded Solutions Network (GSN) survey identified 672 inclusionary zoning programs with a rental housing component in 34 states. These programs are heavily concentrated in California, Massachusetts, and New Jersey, where there are statewide requirements or incentives. GSN data indicate that these regulations have resulted in construction of at least 61,000 new affordable rental units, with each program adding an average of 192 units. However, a limitation of inclusionary zoning as a means of expanding the affordable supply is that it depends on new construction projects, which can be a challenge in areas with low demand or significant barriers to multifamily development.

OUTSIZED RISKS FROM CLIMATE CHANGE

In just the first nine months of 2021, the National Oceanic and Atmospheric Administration (NOAA) identified 18 weather- and climate-related events that each caused at least \$1 billion in damage and had a combined cost of \$104.8 billion, far exceeding the average for the past four decades. Renter households are under both physical and financial threat from the growing number and severity of these storms, floods, wildfires, and other hazards. And with sea-level rise, occupants of basement apartments in coastal areas are particularly vulnerable.

Even so, renters receive much less assistance after disasters than homeowners. A 2019 HUD analysis of Community Development Block Grant–Disaster Recovery spending found that only \$3.05 billion of the grants issued from 2006 to 2015 went to affordable rental housing construction or rental assistance—about an eighth of the funding allocated to housing activities. In contrast, homeowner compensation totaled \$13.6 billion, or more than half of that funding.

The timing of relief was problematic as well. Funding for rental assistance took an average of three years to be expended, while funding for new affordable rental housing construction took an average of 4.6 years.

These delays likely led to displacement of residents and losses of damaged rental housing.

Making matters worse, many renter households lack the financial resources to evacuate, information about disaster risks, and adequate insurance coverage. American Housing Survey data for 2017 show that nearly 40 percent of all renters did not have the funds to leave their homes in an emergency—more than three times the share of homeowners. Disclosure laws also overlook renters. For example, of the 29 states with flood disclosure laws for homeowners, only Georgia requires disclosures to renters. This combination of resource constraints and imperfect information likely contributes to the low takeup of renter insurance policies, which only about 40 percent of households buy. Even for those with insurance, traditional policies do not generally cover flood damage.

OBSTACLES TO AN ENERGY-EFFICIENT STOCK

The residential sector accounts for approximately a fifth of the nation's greenhouse gas emissions.

Although rental units consume less energy on average than owner-occupied housing, their carbon footprint is still significant. And even before the pandemic, the inefficiency of the rental stock left many households struggling to pay high energy bills.

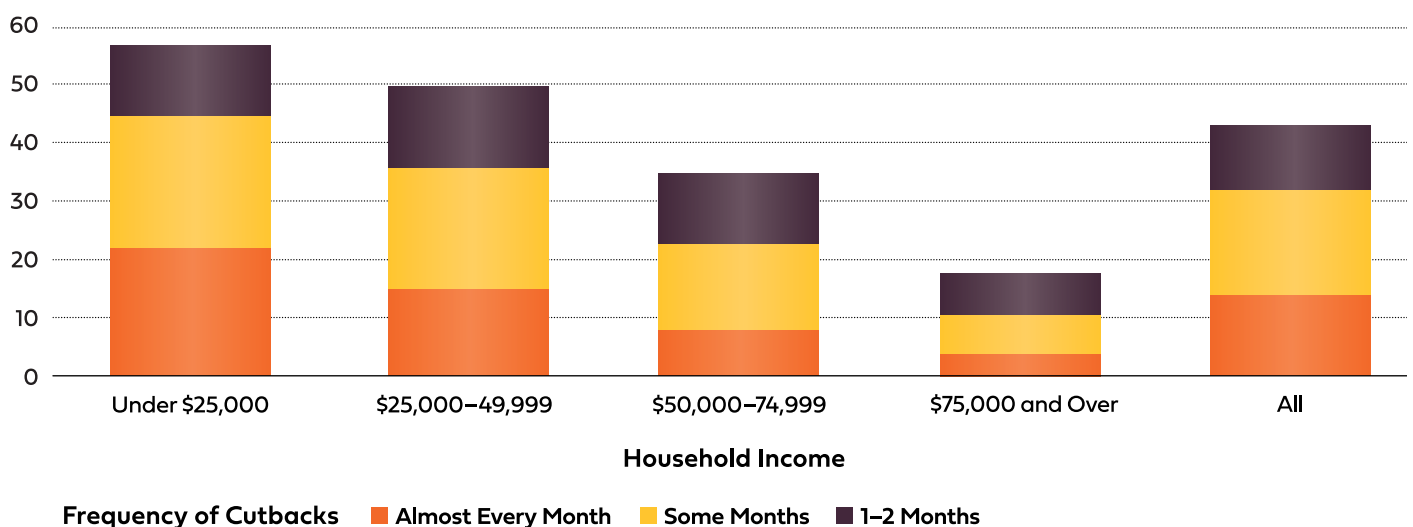
The severe winter storms and unprecedented heat waves over the past year have added to the financial pressures on renter households. The Household Pulse Survey for the third quarter of 2021 found that over 40 percent of renters had cut back spending on basic necessities such as food or medicine to pay a monthly energy bill at least once in the previous year (**Figure 31**). The share of renters earning under \$25,000 making this tradeoff was fully 56 percent, including a fifth that sacrificed on other essentials almost every month.

Several obstacles stand in the way of improving the energy efficiency of the rental stock and reducing utility costs for renter households. Like disaster relief and other government policies, programs that promote upgrades to energy efficiency focus largely

FIGURE 31

Most Low-Income Renters Had to Cut Back on Essential Expenses to Pay Energy Bills in 2021

Share of Renter Households (Percent)



Note: The survey asks how many months in the past year a household reduced or forewent expenses for basic household necessities such as food or medicine to pay an energy bill.

Source: JCHS tabulations of US Census Bureau, Household Pulse Surveys, July–September 2021.

on homeowners. A 2017 report from the American Council for an Energy-Efficient Economy found that out of 51 metro areas, 38 had programs serving multifamily properties, with 15 of those programs targeting low-income households. On average, however, spending on upgrades to multifamily units accounted for only 6 percent of total energy efficiency spending in all 51 metros.

The lack of programs for rental housing is especially problematic given that property owners have little incentive to improve the efficiency of their units because they often do not pay for utilities. Indeed, nearly 90 percent of renters pay for their own electricity use, and two-thirds of those with gas heat pay for those costs. As a result, property owners do not directly benefit from investing in efficiency retrofits, while tenants would benefit but lack the authority—and typically the resources—to make improvements themselves.

Because of these split incentives, federal subsidies are essential. To this end, the Infrastructure Investment and Jobs Act provides \$3.5 billion in additional funding for the Weatherization Assistance Program, which supports efficiency retrofits to units occupied by low-income households, including renters (with landlord approval). The Build Back Better Act could also include \$6 billion in rebates for energy retrofits and \$2.2 billion in rebates for electrification projects, with an additional \$3.8 billion for projects undertaken for low- and moderate-income households or in tribal communities.

THE OUTLOOK

The events of the past two years have intensified the longstanding challenges that many renter households face, ranging from cost burdens and a lack of housing options to outsized risk of harm and displacement

from climate-related events. The financial fallout from the ongoing public health crisis now threatens the housing security of millions of struggling households. Although a series of federal interventions has succeeded so far in mitigating the risks, the government must now take bold, far-reaching measures to shore up the housing safety net and expand the affordable rental housing supply.

As it is, historic investments in emergency assistance and eviction prevention programs have shown the power of timely government action to keep most vulnerable renters safely housed. This experience has also demonstrated that greatly expanding rental assistance is possible as well as necessary, inspiring a variety of proposals to achieve that end. At the same time, it is clear that state and local governments need additional capacity to administer assistance programs. Indeed, regardless of the level of funding that Congress ultimately approves, more efficient systems to deliver that aid are essential.

Longer term, however, building more affordable rental housing is crucial—not only to alleviate some of the pressures on lower-income households but also to ensure equal opportunity to those long underserved by and discriminated against in the housing market. Significant spending is also needed to improve the resiliency, sustainability, and accessibility of the existing stock. While the private sector has an important role to play in all these efforts, it is up to the public sector to craft well-designed regulatory and fiscal incentives that will spur substantial investment in affordable housing. Adding to the rental stock, together with expanded assistance, would go a long way to ensuring that every person has an affordable home and to eliminating longstanding inequities in the housing market.

America's Rental Housing 2022 was prepared by the Harvard Joint Center for Housing Studies. The Center advances understanding of housing issues and informs policy. Through its research, education, and public outreach programs, the Center helps leaders in government, business, and the civic sectors make decisions that effectively address the needs of cities and communities. Through graduate and executive courses, as well as fellowships and internship opportunities, the Center also trains and inspires the next generation of housing leaders.

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