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AMERICA'S RENTAL HOUSING

JOINT CENTER FOR HOUSING
STUDIES OF HARVARD UNIVERSITY

AMERICA'S RENTAL HOUSING 2024

Joint Center for Housing Studies of Harvard University

Harvard Graduate School of Design | Harvard Kennedy School

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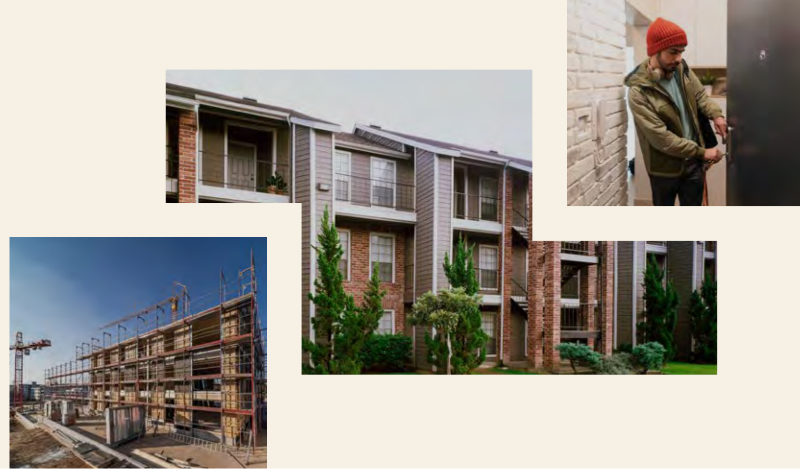
01 EXECUTIVE SUMMARY



Rental markets are finally cooling as a decades-high volume of new supply has come online, outpacing demand. Nevertheless, more renter households are cost burdened than ever before, and a record number of people are experiencing homelessness. Pandemic resources temporarily shored up the housing safety net, but the need for rental assistance remains greater than ever. Additionally, the aging rental stock requires significant investment to address structural inadequacies, inaccessibility, and climate risks. Making these investments is challenging, given the current market environment of increasing operating expenses and high interest rates. Despite today's difficult conditions, strong demand from the Gen Z, millennial, and baby boom generations should ensure that the rental market slowdown is short lived.

Rental Markets Are Softening

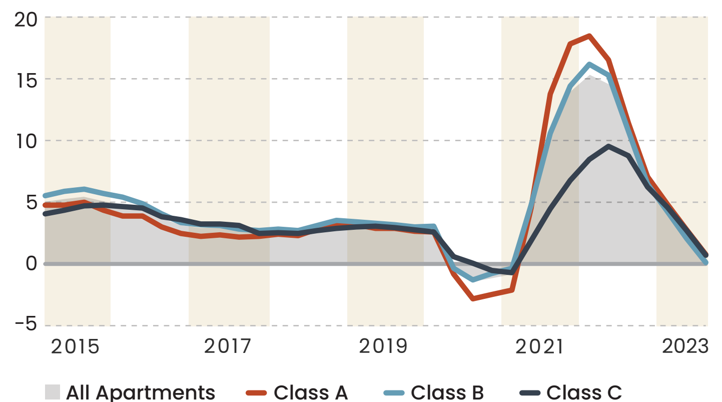
Rental markets are rapidly cooling after a period of significant overheating. Rent growth has almost completely stopped, following historically high rent increases in both 2021 and 2022. In the third quarter of 2023, rent growth plummeted for professionally managed apartments to just 0.4 percent, down from 15.3 percent in early 2022, according to RealPage **(Figure 1)**. While rents slowly rose across property classes, the pace of growth was under 1 percent in the third quarter of 2023 for lower- and higher-quality apartments alike.

This abrupt deceleration was geographically widespread, with rents even falling in some markets. In the third quarter of 2023, rents for professionally managed apartments dropped year over year in 32 percent of the 150 markets tracked by RealPage, including many in the West. Just 1 percent of markets posted rent growth of at least 10 percent in the third quarter of 2023, a sharp turnaround from the previous year when rents in half of the markets increased at that rate. While the slowdown is a welcome change for renters, asking rents still remain well above pre-pandemic levels.

Figure 1

Apartment Rent Growth Has Stalled

Annual Change in Asking Rents (Percent)



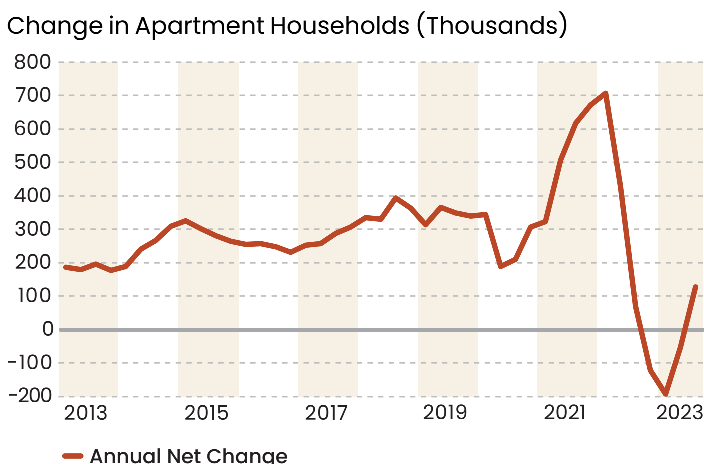
Notes: Asking rents are for professionally managed apartments in buildings with five or more units. Class A (Class C) apartments are relatively higher (lower) quality.
Source: RealPage.

Some of the deceleration may be explained by the large number of new units that have come online and pushed up vacancy rates. After hitting a pandemic low of 5.6 percent in late 2021, the rental vacancy rate was 6.6 percent in the third quarter of 2023, according to the Housing Vacancy Survey. The rise in vacancies has been even more pronounced in the professionally managed apartment sector. In the third quarter of 2023, 5.5 percent of these units were vacant, above pre-pandemic averages and more than double the all-time low of 2.5 percent set in early 2022. Vacancy rates in this sector rose fastest in the South, reaching 6.3 percent in the first quarter of 2022.

Slowing demand has also helped rental markets stabilize after a tumultuous 18 months. Renter household growth surged in the second year of the pandemic, then tumbled before returning closer to pre-pandemic levels **(Figure 2)**. In the professionally managed apartment market, growth in demand peaked in the first quarter of 2022 with the net addition of more than 700,000 households year over year before plunging to a net loss in the fourth quarter. Following modest quarterly increases in demand through the first half of 2023, an additional 91,000 new renter households formed in the third quarter, nearing pre-pandemic increases.

Figure 2

Apartment Demand Has Started to Rebound



Note: Annual net change is the four-quarter rolling total for professionally managed apartment buildings with five or more units.
Source: RealPage.

Unaffordability Has Hit an All-Time High

Though rent growth has recently slowed substantially, the extended period of rising rents during the pandemic propelled cost burdens to new heights. At last measure in 2022, a record-high 22.4 million renter households spent more than 30 percent of their income on rent and utilities. This is an increase of 2 million households over three years and entirely offsets the modest improvements in cost-burden rates recorded between 2014 and 2019 **(Figure 3)**. Among cost-burdened households, 12.1 million had housing costs that consumed more than half of their income, an all-time high for severe burdens.

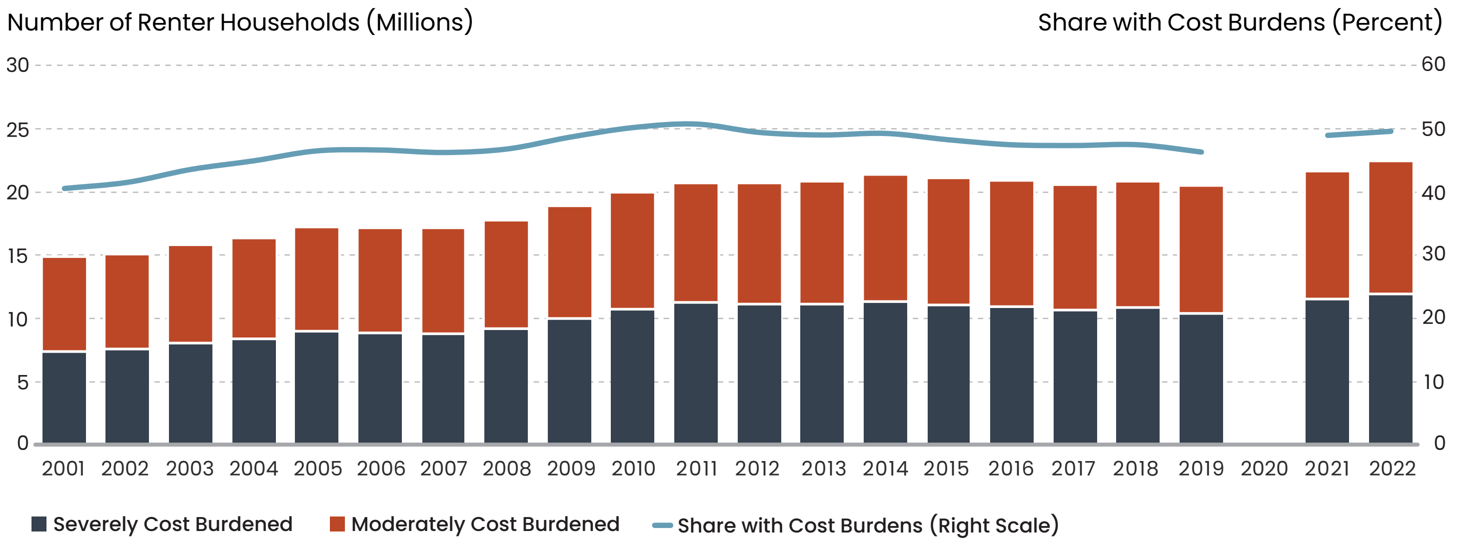
As a result, the share of cost-burdened renters rose to 50 percent, up 3.2 percentage points from 2019. The financial strain has been felt across the income spectrum. Since 2019, cost-burden shares have risen the most for middle-income renter households earning $30,000 to $44,999 annually (up 2.6 percentage points) or $45,000 to $74,999 annually (up 5.4 percentage points). Higher-income households also saw their burden rate increase by 2.2 percentage points. Households earning less than $30,000 annually, a population already grappling with persistently high burdens, recorded a 1.5 percentage point increase.

The dwindling supply of low-rent units is only worsening cost burdens. In 2022, just 7.2 million units had contract rents under $600—the maximum amount affordable to the 26 percent of renters with annual incomes under $24,000. This marks a loss of 2.1 million units since 2012 when adjusting for inflation. The spike in asking rents during the pandemic accelerated the trend, with more than half a million low-rent units lost just between 2019 and 2022.

These losses have contributed to a decades-long challenge for renters: rent increases are outpacing income gains. Median rents have risen nearly continuously since 2001 in inflation-adjusted terms and are 21 percent higher as of 2022. Meanwhile, renters' incomes have risen just 2 percent during the same period.

Figure 3

The Number of Cost-Burdened Renters Hit an All-Time High



Notes: Moderately (severely) cost-burdened households spend 30–50% (more than 50%) of income on rent and utilities. Households with zero or negative income are assumed to have burdens, and households that are not required to pay rent are assumed to be unburdened. Estimates for 2020 are omitted because of data collection issues experienced during the pandemic.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

Consequently, residual incomes—the amount of money available after paying for rent and utilities to cover other needs—have dropped significantly. Those with lower incomes are especially squeezed. Renter households earning less than $30,000 annually had an all-time low median residual income of just $310 per month in 2022, down 47 percent from 2001 after adjusting for inflation. Further, the vast majority of these renters are cost burdened. For this substantial subset, the median monthly residual income was just $170. According to the Economic Policy Institute, a single-person household in the most affordable counties needs about $2,000 each month to cover nonhousing needs.

Such tight budgets force financially vulnerable renters to make dreadful choices. Center tabulations of the 2022 Consumer Expenditure Survey indicate that severely cost-burdened renter households in the lowest expenditure quartile spent 39 percent less on food and 42 percent less on healthcare than their unburdened counterparts. Others may end up living in overcrowded or structurally inadequate conditions, threatening their health and well-being.

A Record Number of People Are Experiencing Homelessness

Though pandemic-era protections and financial supports temporarily reduced eviction filings, these resources are largely expired or winding down, and housing instability is once again on the rise. The Eviction Lab estimated that eviction filings dropped 58 percent from the start of the pandemic through the end of 2021, aided in part by federal, state, and local eviction moratoriums and the $46.55 billion Emergency Rental Assistance (ERA) program. However, by mid-2023, many states had nearly depleted their ERA funds, and eviction filings had returned to pre-pandemic levels.

Still, the pandemic raised awareness of the importance of stable housing, and many state and local governments are building on that momentum. About half of the ERA administrators surveyed by the National Low Income Housing Coalition indicated that they plan to continue operating their programs after exhausting their federal allocations. And since 2021, three states and 12 local governments have enacted right-to-counsel programs to connect eligible renters at risk

of eviction with legal representation. While these efforts are helpful, they do not function at the same scale as federal policies and funding sources.

Like evictions, homelessness has grown as housing costs have increased, hitting an all-time high of 653,100 people in January 2023 **(Figure 4)**. In the first years of the pandemic, renter protections, income supports, and housing assistance helped stave off a considerable rise in homelessness. However, many of these protections ended in 2022, at a time when rents were rising rapidly and increasing numbers of migrants were prohibited from working. As a result, the number of people experiencing homelessness jumped by nearly 71,000 in just one year. Included in this increase were an additional 22,780 people staying in places not intended for human habitation, including on the streets, in cars, or in abandoned buildings. In 2023, the total number of people experiencing homelessness in unsheltered locations reached 256,610, the highest on record.

Rising unsheltered homelessness is a longer-term and geographically widespread trend. The number of unhoused people staying outside shelters increased by more than 83,000 people (48 percent) between 2015 and 2023. This population grew quickly in expensive states like California, Washington, and Oregon, where shelter resources were already strained, but more affordable states also recorded increases. Arizona, Ohio, Tennessee, and Texas were among the states with the largest growth in the number of people unsheltered as housing costs have risen.

The current administration has made additional federal resources available to reduce homelessness and expand support systems. This includes an unprecedented $3.1 billion through the US Department of Housing and Urban Development's (HUD's) existing Continuum of Care program. Significant monies have likewise been allocated via the 2021 American Rescue Plan (ARP) Act, including the $5 billion HOME-ARP program for services, shelters, and housing, plus 70,000 Emergency Housing Vouchers. State and local governments have also invested more than $3.8 billion of their fiscal recovery funds in homelessness services and housing. Even so, considerably more affordable housing and rent subsidies will be needed to prevent further increases in homelessness, to help rehouse people at scale, and to reduce the costs of the homelessness response system.

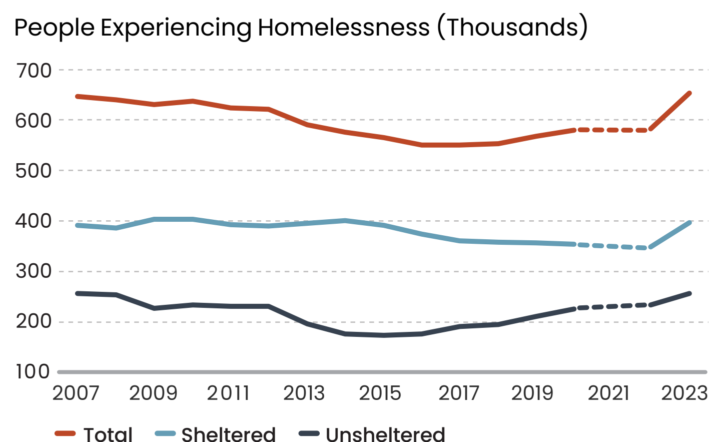
Holes Are Widening in the Housing Safety Net

Rapidly rising rents, combined with wage losses in the early stages of the pandemic, have underscored the inadequacy of the existing housing safety net, especially in times of crisis. Because rental assistance programs are not an entitlement, they only serve one in four income-eligible households. Their reach has been further constrained by insufficient budget outlays in the face of growing need. Though the number of very low-income renter households grew by 4.4 million between 2001 and 2021, the number of assisted households in this income range increased by just 910,000.

Figure 4

After a Swift Uptick in 2023, a Record Number of People Are Unhoused

People Experiencing Homelessness (Thousands)



Notes: Because of the pandemic, complete unsheltered counts were unavailable in January 2021 and sheltered counts were artificially low, likely because of reduced shelter capacity. Data for 2021 are based on 2020 and 2022 values.
Source: US Department of Housing and Urban Development, Annual Homeless Assessment Report Point-in-Time Estimates.

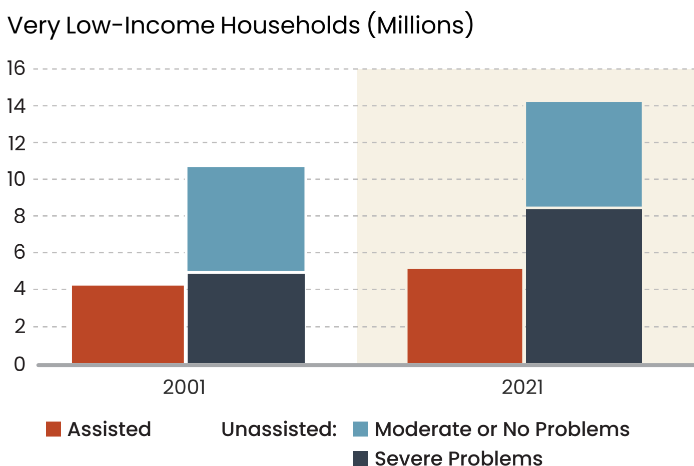
Consequently, 60 percent of very low-income households (8.5 million) who were eligible for but did not receive rental assistance spent more than half of their income on housing or lived in severely inadequate housing conditions—sometimes both. This was a substantial increase from the 47 percent of unassisted households (5.0 million) with worst case housing needs in 2001 **(Figure 5)**.

The subsidized stock and rental assistance programs that do exist have vulnerabilities, too. The dwindling public housing supply, home to 835,000 households in 2022, has a maintenance backlog estimated at $90 billion. To address the huge need for repairs in an environment of insufficient capital funding, the Rental Assistance Demonstration program lets public housing authorities convert their units to longer-term, stable Section 8 contracts. More than 225,000 public housing units have been converted to date, enabling housing providers to leverage other funding sources for improvements and redevelopment. Still, many more resources are required to sufficiently address the scope of the needed repairs and improvements and preserve this critical stock.

Figure 5

The Rental Assistance Shortage Continues to Worsen

Very Low-Income Households (Millions)



Notes: Severe problems include spending more than 50% of income on rent and utilities or living in severely inadequate housing. Moderate problems include spending 30–50% of income on rent and utilities or living in moderately inadequate housing.
Source: JCHS tabulations of US Department of Housing and Urban Development, Worst Case Housing Needs Reports to Congress.

The subsidized supply also faces expiring affordability periods and maturation. The Low-Income Housing Tax Credit (LIHTC) has supported more than 3.6 million units since its creation in 1986. These units have a minimum 30-year affordability requirement (with longer timelines in some states), after which they can flip to market-rate rents. Recent estimates suggest that affordability periods for more than 325,000 units are set to expire between 2024 and 2029. Another 7,000 units are lost prematurely each year when owners use the tax code's qualified contract option to opt out after an initial 15-year period. Likewise, the entire stock of Section 515 units managed by the US Department of Agriculture (USDA), home to 378,000 renter households in rural areas, is facing mortgage maturities that threaten continued affordability.

Housing Choice Vouchers are another crucial housing subsidy facing challenges. Vouchers assisted 2.3 million households in 2022, covering the difference between 30 percent of a household's income and their area's fair market rent. The subsidy relies on participation by private-market landlords, who are not required to accept the vouchers in most places. Further, the unit inspection and approval processes add time and complexity that may deter some landlords from participating, especially in hot markets where the incentive to participate can be lower.

Voucher holders also struggle with the program. They may not be able to find a landlord who accepts vouchers or a suitable apartment that meets the program's guidelines. About 40 percent of people who receive a voucher are unable to use the subsidy in the short amount of time allotted by the program to sign a lease.

While there have been proposals to expand the national housing safety net and preserve affordable units, shortfalls in federal rental assistance programs and worsening cost burdens have prompted state and local governments to act to the extent that they can. States and localities are leveraging other federal resources, such as state and local fiscal recovery funds, to support affordable housing.

A number of states, counties, and cities issued a record $17.2 billion of multifamily bonds in 2020 to supplement LIHTC allocations. Nationwide, states and cities also generate about $3 billion annually through housing trust funds to meet local housing needs. All of these efforts are crucial but fall short of the growing need.

Aging Rental Stock Will Require Reinvestment

The rental stock is older than it has ever been. The median age was 44 years in 2021, up from 34 years two decades ago. Although building construction standards and repairs to existing units have helped to minimize the problem of structural inadequacy, a large number of rental units still fall short of baseline habitability and safety. Nearly 4 million renter households live in physically inadequate units with problems such as structural deficiencies, a lack of upkeep, or inconsistent provision of basic features like electricity, hot and cold running water, or heat. Even among units that meet the criteria for physical adequacy, many still have significant unmet repair needs. The Federal Reserve Bank of Philadelphia estimated in 2023 that it would cost $51.5 billion to address the physical deficiencies of the occupied rental stock.

Much of the rental stock does not meet householders' accessibility needs. The rapidly growing population of older adults will increase demand for accessibility features, given that the occurrence of disabilities rises with age. According to a 2023 survey conducted by Freddie Mac, nearly half of renters with disabilities say their homes are minimally or not at all accessible. Respondents most often reported needing bathroom mobility aids, home security systems, no-step entries, and accessible electrical outlets.

The rental stock also needs significant energy efficiency and electrification modifications to reduce greenhouse gas emissions and the high energy costs squeezing lower-income renters. Rental homes—especially those in small multifamily buildings—use more energy per square foot than owner-occupied homes, according to the Residential Energy Consumption Survey. Older homes also use more energy than newer homes and have significant efficiency and electrification needs.

A one-time infusion of $3.5 billion for the Weatherization Assistance Program through the 2021 Infrastructure Investment and Jobs Act is helping some renters and rental property owners with home retrofits. Similarly, the 2022 Inflation Reduction Act provided $8.8 billion in efficiency and electrification improvement rebates for market-rate housing, including rental units, and $1 billion for efficiency upgrades to HUD-subsidized properties. However, more incentives are needed to meet the challenges of retrofitting the existing rental stock and ensure that new rental units are constructed with high energy performance in mind.

Another growing threat to the quality of the nation's stock of rental housing comes from the increasing frequency and severity of weather- and climate-related hazards like wildfires, flooding, earthquakes, and hurricanes. More than 18 million occupied rental units (41 percent) are located in areas with substantial expected losses from such events. Simultaneously, a growing number of insurers are declining coverage in high-risk housing markets, making it increasingly difficult and expensive for property owners and renters to obtain and afford the insurance needed to cover potential losses. To protect households and communities, states and localities will need to push for hazard mitigation and climate adaptation measures for individual properties and across regions.

High Interest Rates Have Depressed Market Activity

With interest rates rising into 2023, the cost of debt to acquire and build multifamily properties has risen. At the same time, high treasury yields have increased the cost of equity, as apartments must provide greater returns to investors to compete with Treasury notes.

Against this backdrop, borrowing and transaction activity has declined. More than half the banks surveyed by the Federal Reserve reported that demand for multifamily loans has decreased. Further, nearly two-thirds of multifamily lenders tightened their underwriting criteria in response to uncertain property performance and interest rate hikes. Multifamily mortgage borrowing was down 48 percent year over year in the second quarter of 2023.

As the cost of capital has risen, property prices have dropped. The beginning of 2023 marked the first time that apartment prices fell year over year in more than a decade. By the third quarter, prices were down 13 percent, a remarkable turnaround from the peak 23 percent growth rate posted at the beginning of 2022.

Falling property prices reflect rising capitalization rates—an indicator of returns used to compare investments. According to Moody's Analytics, cap rates fell through 2022 before rising by 0.9 percentage points over the first three quarters of 2023 to 5.8 percent. In the current environment, higher-risk multifamily investment can be less attractive than lower-risk Treasuries.

For those who already own rental properties, net operating incomes are rising at a slower pace as rent growth moderates and expenses increase. According to Yardi Matrix, the cost of operating multifamily properties grew 9 percent year over year in June 2023. In response, net operating income growth slowed to 3 percent in the third quarter of 2023, from the recent high of 25 percent posted in 2021.

While slowing returns could spark delinquencies, most property owners should be protected by the significant equity accrued before the pandemic. Moreover, most loans were underwritten with enough cushion to cover debt service. Plus, longer-term loans constitute the largest share of all multifamily debt and have fewer near-term maturities that will not require refinancing in the current high interest rate environment. To date, delinquencies have only inched up from their ultra-low levels.

New Multifamily Construction Has Slowed

After a major boom, multifamily construction has started to cool. As late as the spring, starts remained elevated even as interest rates rose, with a seasonally adjusted annual rate of 571,000 units posted in May 2023 **(Figure 6)**. But with markets slackening and

Figure 6

New Multifamily Construction Has Quickly Declined

Annualized Multifamily Units (Thousands, Seasonally Adjusted)

Note: Data are for buildings with at least two units and are through October 2023.
Source: JCHS tabulations of US Census Bureau, New Residential Construction data.

high financing costs making it increasingly difficult to underwrite new deals, starts have fallen sharply in recent months. In October 2023, starts receded to 402,000 units, a 30 percent decrease year over year.

Nevertheless, units that were already under way continue to come online in large numbers. A total of 436,000 multifamily units were completed in the third quarter of 2023 on a seasonally adjusted annualized basis, the highest reading since 1988 and up about a third from pre-pandemic levels. Likewise, the number of multifamily units currently under construction reached the highest level on record in July 2023, maintaining that fast pace at a seasonally adjusted annual rate of 1.0 million units in October.

While the pipeline of units under construction should help provide new supply in the near term, declining starts could worsen the existing supply shortage. Additionally, local regulations and zoning laws constrain multifamily construction in many neighborhoods. Nationally, an estimated 75 percent of the land in major cities is zoned exclusively for single-family homes. Several states have preempted local zoning laws to allow a range of housing options. In 2023, Montana, Vermont, and Washington passed legislation that allows modest-sized multifamily buildings on lots previously zoned only for single-family homes, following the lead of California, Maine, and Oregon. Zoning reforms do not guarantee the construction of new multifamily housing, but they remove a significant barrier.

The Outlook

Over the coming year, the softening of the rental market will likely continue as the pipeline of units under construction boosts supply beyond already high levels and continues to slow rent growth. This will be good news for renters, providing relief for households with higher and middle incomes. But respite will likely be short-lived in the face of strong demand from the large Gen Z, millennial, and baby boom generations.

Affordability remains a critical concern. Lower-income renters face the worst affordability conditions on record. Rental subsidies have not kept pace with the growing need, leaving those without assistance to fend for themselves in one of the costliest housing markets in history. And homelessness is at an all-time high. Increasing the supply of market-rate units will help to address the affordability crisis but cannot wholly resolve it. Rather, significantly expanding assistance—especially the programs that help the lowest-income renters—will also be a crucial part of the solution.

In the short term, rising operating costs and high interest rates will present a formidable challenge for property owners. The slowing growth in operating incomes will make it more difficult for property owners to invest in repair and maintenance, accessibility features, and climate change mitigants and adaptations. Yet, the massive pre-pandemic accumulation of equity, coupled with the pandemic's unprecedented rent increases, should prevent widespread distress among property owners.

During the pandemic, the increased resources for renters, housing providers, and state and local governments demonstrated that financial assistance and supports keep tenants stably housed and landlords solvent. But as these resources have expired or been spent down, the housing safety net is once again overwhelmed and underfunded, as has been the case for many decades. While states and localities have acted to fill some of the gaps, a larger commitment from the federal government is required to expand housing supports and preserve and improve the existing affordable stock. Only then will the nation finally make a meaningful dent in the housing affordability crisis making life so difficult for millions of people.

02 RENTER HOUSEHOLDS

Demand for rental housing is stabilizing after the erratic highs and lows of the pandemic. The number of smaller renter households with lower incomes has grown in recent years and remains an important source of rental demand. Nevertheless, longer-term demand has come from the growing number of renter households with higher incomes, and has reshaped rental markets over the last decade. The large Gen Z, millennial, and baby boom generations have also supported rising numbers of renter households. While overall renter mobility rates are falling, migration is helping to sustain demand in some states.

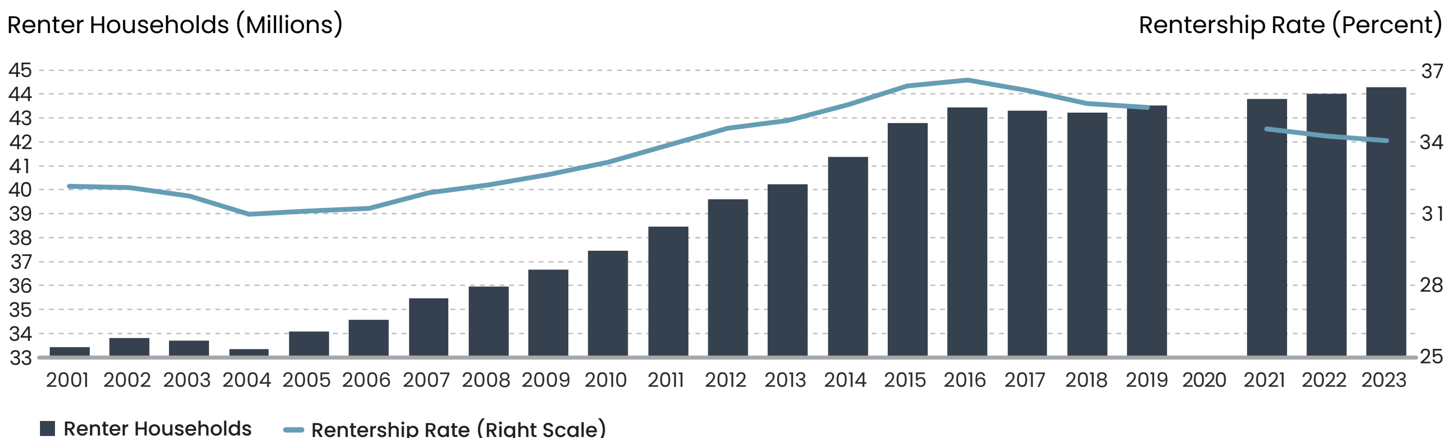
Rental Demand Is Returning

Following the pandemic rollercoaster, demand for rental housing is finally stabilizing. After an initial slowdown during the first year of the pandemic, rental demand surged in 2021. A flood of new households fueled a quick rise in rents and historically low vacancy rates. In recent quarters, renter household growth has returned to the more typical pace witnessed in the years preceding the pandemic, buoyed in part by the high cost of homeownership, an influx of new supply helping to moderate rents, and a strong job market **(Figure 7)**.

The professionally managed apartment market—a sector that typically houses renters with higher incomes and constitutes more than a quarter of US rental units—has been particularly prone to these dramatic fluctuations in household growth. After hitting a record-breaking 706,000 year-over-year net

Figure 7

The Number of Renter Households Is Trending Upward Despite Declining Rentership Rates



Notes: Values for 2023 are year-to-date averages for the first three quarters. Values for 2020 are omitted because data collection was disrupted during the pandemic.
Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

increase at the beginning of 2022, growth in renter households plummeted quickly to an annual net loss of 192,000 by the first quarter of 2023, according to data from RealPage. However, following three quarters of decline, the quarter-over-quarter change in the number of occupied apartments turned slightly positive at the start of 2023, followed by a modest second-quarter reading. Rental demand accelerated in the third quarter with 91,000 new renter households, putting household growth nearly on par with readings before the pandemic.

The overall rental market also saw swift increases in household formations in 2021 followed by a return to pre-pandemic levels of growth in 2023. According to Center tabulations of the Housing Vacancy Survey, the number of renter households reached 44.3 million in the third quarter of 2023—34.1 percent of US households. Of the 927,000 renter households that entered the market since the start of the pandemic, about 317,000 did so within the last year. This growth signals a return to the pace posted before the pandemic. In 2019, 299,000 renter households entered the market.

Renter Household Growth Is Shifting

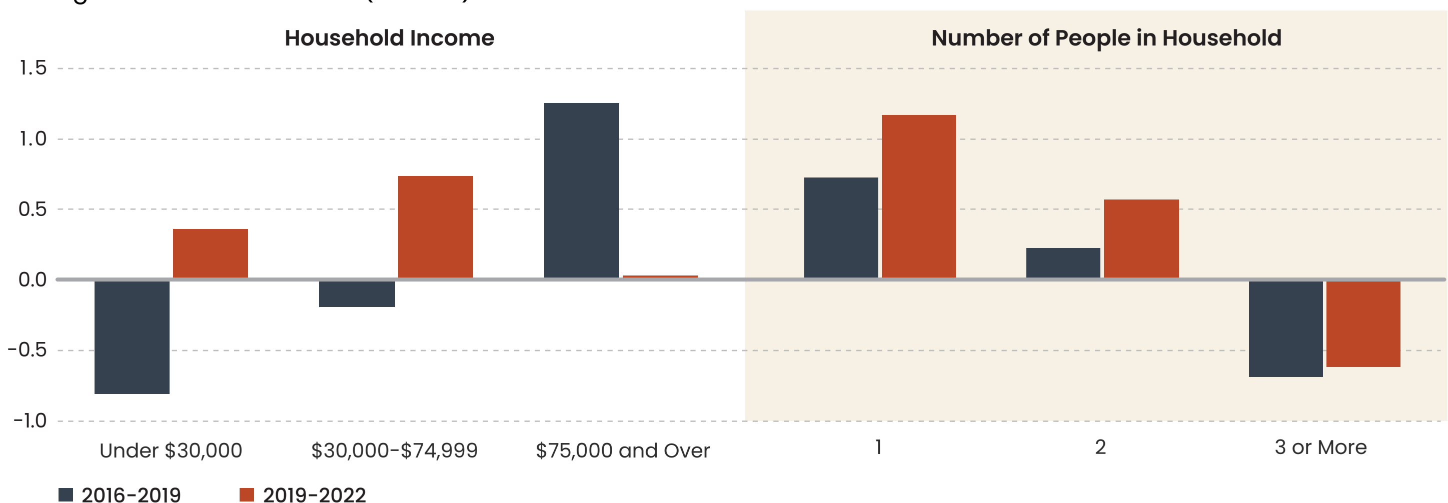
Much of the short-term growth in renters has come from smaller households and those with lower and more moderate incomes. In the years leading up to the pandemic, rental demand increased among households earning at least $75,000 annually. Between 2016 and 2019, the rental market added 1.3 million higher-income households while losing 1.0 million households with annual incomes under $75,000, according to data from the American Community Survey **(Figure 8)**. This trend reversed during the pandemic. Between 2019 and 2022, most renter growth came from the 1.1 million additional households with incomes under $75,000. Over this same period, the number of renter households with higher incomes rose by just 16,000.

This recent slowdown in renter household growth among those with incomes of $75,000 or more was at least partially attributable to increasing rates of homebuying by renters with even higher incomes who took advantage of the low interest rates available in the early part of the pandemic. The modest loss of

Figure 8

Less Affluent, Smaller Households Boosted Pandemic-Era Renter Growth

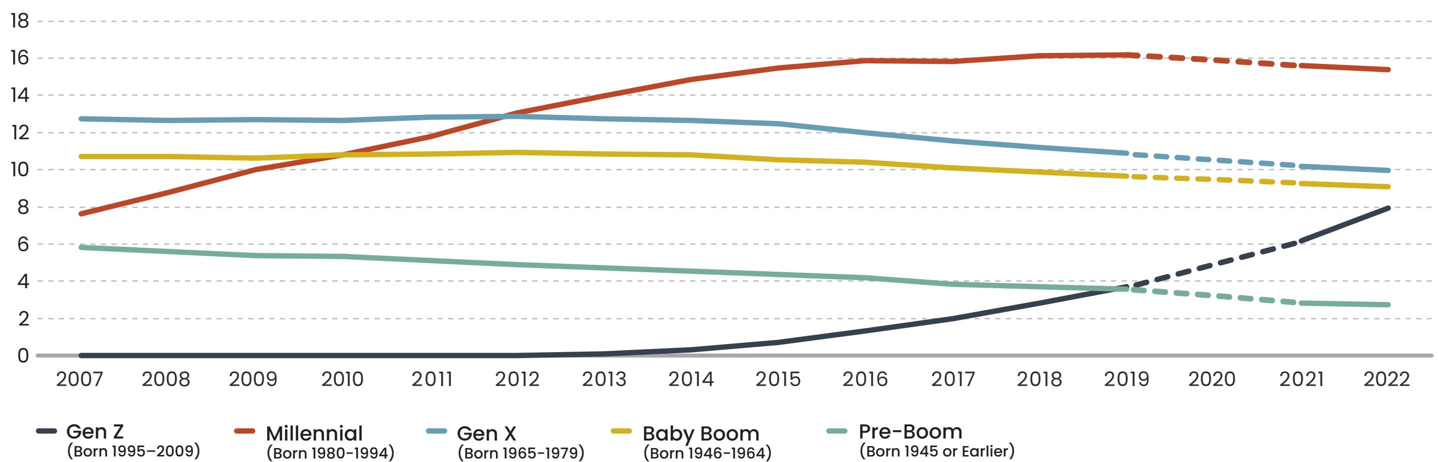
Change in Renter Households (Millions)



Note: Household 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.

Figure 9

New Rental Demand Has Shifted from Millennials to Gen Z



Note: Data for 2020 are based on 2019 and 2021 values because of pandemic data disruptions.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

renter households earning at least $150,000 was more than offset by the uptick in homeowners in this income bracket. Additionally, some of the decrease was likely among renter households with higher incomes that capitalized on rent deals in the early months of the pandemic to split into smaller households with lower incomes. The largest increases in renter households between 2019 and 2022 came from single- and two-person households with incomes below $75,000.

In fact, single-person renter households grew most across all income brackets during the pandemic, increasing by 1.2 million between 2019 and 2022, eclipsing the 722,000 households of that type added between 2016 and 2019. Rental demand also benefited from roommate (416,000) and extended family (223,000) arrangements, with most of this growth coming from two-person households. Further contributing to the growth in smaller renter households was a decrease in the number of married couples with children and single parents, possibly explained by transitions to homeownership or by the splitting of these households into new ones.

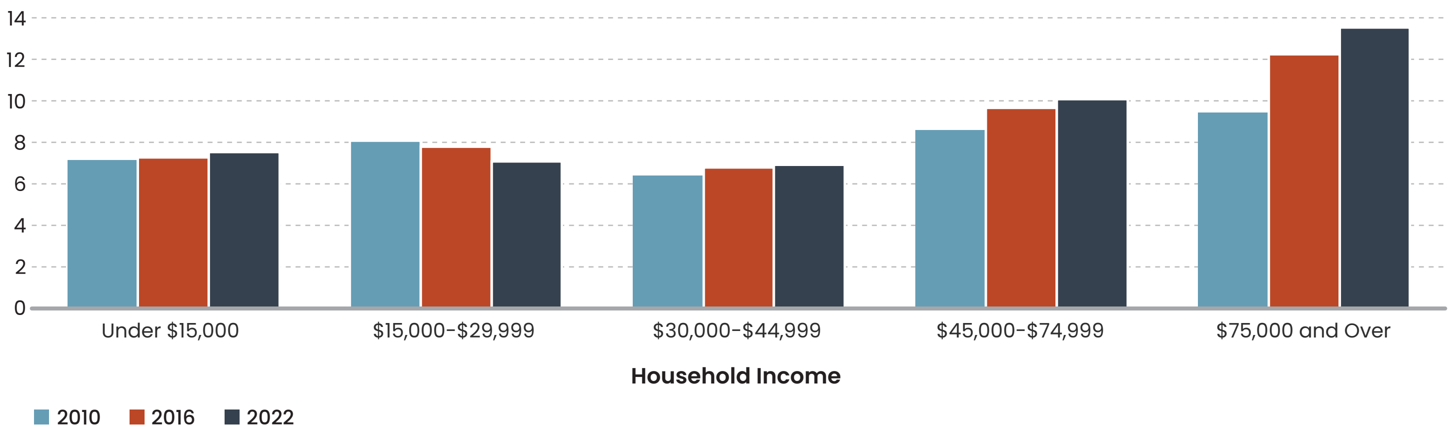
A New Generation Is Driving Demand

Renting plays an important role in housing people throughout the life course. For younger people, renting provides an opportunity to live independently while entering adulthood. Delayed marriage and parenthood have also increased the attractiveness and the necessity of renting further into adulthood. For people at older ages, rental homes can support independent living through better accessibility and reduced maintenance. At all ages, renting is a flexible option that makes it easier for people to adjust their housing according to their personal circumstances.

Over the past decade, the bulk of the growth in renter households has come from younger generations. The millennial generation, those born between 1980 and 1994, drove much of the renter growth until 2016. This generation is not only the largest, but also more likely to rent than prior ones at the same ages. Having come of age during the Great Recession with fewer job prospects, lower wages, high student loan debt, and tightened mortgage lending, many have delayed homeownership. As a result, the number of millennial-headed renter households grew by an enormous 6.2 million between 2009 and 2019 to a peak of 16.2 million **(Figure 9)**.

Figure 10

Households with Higher Incomes Have Fueled Long-Term Demand



Note: Household 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.

While millennials will remain a large source of rental demand in coming years, they are no longer fueling the growth in renter households. Rather, they are aging into prime homeownership years, a transition that markets are already witnessing. The number of renter households headed by a millennial fell by 797,000 between 2019 and 2022 as their homeownership rate increased by 9 percentage points during the same period.

Instead, members of the slightly smaller but still large Gen Z, individuals born between 1995 and 2009, are driving rental demand. Already, these individuals headed 7.9 million renter households in 2022. Going forward, overall growth in renter households will depend upon whether the rise in the number of Gen Z renters will be sufficient to overcome the eventual decline in older renters. This was true for millennials during the 2000s and 2010s. However, Gen Z may follow a different trajectory, given that this generation already has higher homeownership rates than millennials did at the same age.

Baby boomers also continue to help sustain longer-term rental demand. Even though the number of renter households headed by a baby boomer is decreasing, the generation is so much bigger than any before it that the number of older renters is still growing. In the last five years alone, renter households headed by someone age 65 and over increased by more than 1 million. With the oldest baby boomers turning 80 in 2026—an age when more people turn to renting—a wider range of affordable rental options for older adults will be required to accommodate their changing needs. Renting will be an especially attractive option for older adults who want to age in their community, reduce their maintenance responsibilities, and access the shared spaces for social interaction and accessibility features more common in multifamily buildings.

Higher-Income Households Are Exerting More Influence

While households with lower incomes led growth during the pandemic, higher-income households have increasingly driven rental demand over the longer term. The number of renter households with incomes of $75,000 or more has risen 43 percent since 2010, to 13.5 million as of 2022 **(Figure 10)**. Likewise, the share of renters earning at least $75,000 annually has risen by more than 6 percentage points to 30 percent during this same period. Much of the growth has come from

renters who are married and have college educations, a demographic that fits previous generations' profile of first-time homebuyers.

Higher-income renters have characteristics that set them apart from the typical renter household. For starters, they are younger. Fully 42 percent of them are aged 35–54, as compared to 34 percent of all renters. They are also more likely to be married, with 40 percent wedded versus 24 percent of all renter households. Given these demographic trends, it is perhaps unsurprising that higher-income renters are slightly more likely to have children and larger households than the general population of renters. And because income correlates with education, these renters have higher levels of education, with more than half possessing at least a bachelor's degree, including 20 percent with a graduate or professional degree.

Finally, renters with higher incomes are disproportionately white (53 percent) or Asian (9 percent) as compared to all renters (50 percent and 5 percent, respectively). Meanwhile, Black householders are underrepresented in this market segment, constituting just 13 percent of these renters (compared to 19 percent of all renters). Households headed by Hispanic (20 percent), multiracial (4 percent), and Native American (0.4 percent) renters are evenly represented.

Renter households with incomes of at least $75,000 are most common in metros with high rentership rates, median household incomes, and housing costs. In these areas, renting is more the norm, and homeownership options may be prohibitively expensive, even for households with higher incomes. For example, in both San Jose and San Francisco, households with higher incomes make up more than half of all renters. In these two metros, the rentership rate among higher-income households is more than 35 percent, as compared to 22 percent nationally.

Conversely, households with higher incomes make up smaller shares of renters in markets where housing costs are more affordable and incomes tend to be lower. Most of these metros are located in the South or Midwest, including Cleveland, Columbia, El Paso, and Jackson, where rentership rates among households with annual incomes at or above $75,000 are under 18 percent.

The elevated rentership rate among higher-income households in expensive markets suggests that obstacles to homeownership are formidable, even for households with above-average earnings. Industry surveys have found that many renters hope to own a home someday but consider their goal out of reach. A quarter of millennial households surveyed by Apartment List, for example, reported that they will always rent, citing affordability as the biggest barrier to homeownership. Rising rents have challenged renters' ability to save for a downpayment. At the same time, the low volume of for-sale inventory and escalating home prices make it difficult for even higher-income renters to become homeowners.

Still, attractive rental options—such as single-family homes and apartments with amenities—in desirable locations have encouraged some households with higher incomes to continue to rent. In 2022, about 8.5 million renter households made at least $100,000 per year, incomes that put the nation's median-priced home within reach. Of these households, 39 percent lived in single-family rental homes. An additional 19 percent lived in apartments in large multifamily buildings with at least 50 units, properties that tend to be in urban areas and rich with amenities. A third of households with incomes of $100,000 or more lived in new rental units built after 2000.

The existing range of rental options may enable these more affluent households to live in the type of housing they want, in a location that suits them, and in a high-quality home while still enjoying the flexibility and convenience of renting. These advantages may make renting a more attractive option than homebuying, even for households that could afford to become homeowners.

Many Renters Are Economically Vulnerable

Whereas renting may be a choice for some households with higher incomes, it may be the only option for those who earn less. The median renter household income in 2022 was about $47,000, and a significant share of renters have much lower incomes. Thirty-two percent of renters (14.6 million) had household incomes below $30,000 in 2022. According to the most recent Survey of Consumer Finances in 2022, these renters had a median cash savings of just $300 and total net wealth—including retirement accounts and other investment funds—of just $3,200. These financially precarious households face a greater risk of housing instability and cost burdens but remain an important source of rental demand.

The characteristics of lower-income renter households can add to their economic vulnerability. As compared to both the full renter population and the higher-income households that have driven demand over the last decade, households with lower incomes are more likely to be headed by an older adult and consist of a single person **(Figure 11)**. Over a quarter (28 percent) of renter households with lower incomes are headed by someone at least 65 years old, a full 11 percentage points more than that of all renter households. An additional 16 percent are headed by someone between the ages of 55 and 64. The older age distribution contributes to the high share of lower-income households that consist of a single person (59 percent) and the low share that have children (21 percent).

Further, lower-income households may be especially financially fragile because of their lower levels of educational attainment and higher prevalence of disability, both of which can limit job prospects. More than half of lower-income renter households (53 percent) are headed by someone without a college degree, compared to 38 percent of all renters, and just 16 percent have at least a bachelor's degree. Disabilities can make it difficult for households to secure and retain employment, depressing household earnings. A full 34 percent of all lower-income renter households are headed by a person with a disability, the majority of whom are under age 65.

Figure 11

Lower-Income Renters Are More Likely to Be Older and Live Alone

Share of Households (Percent)

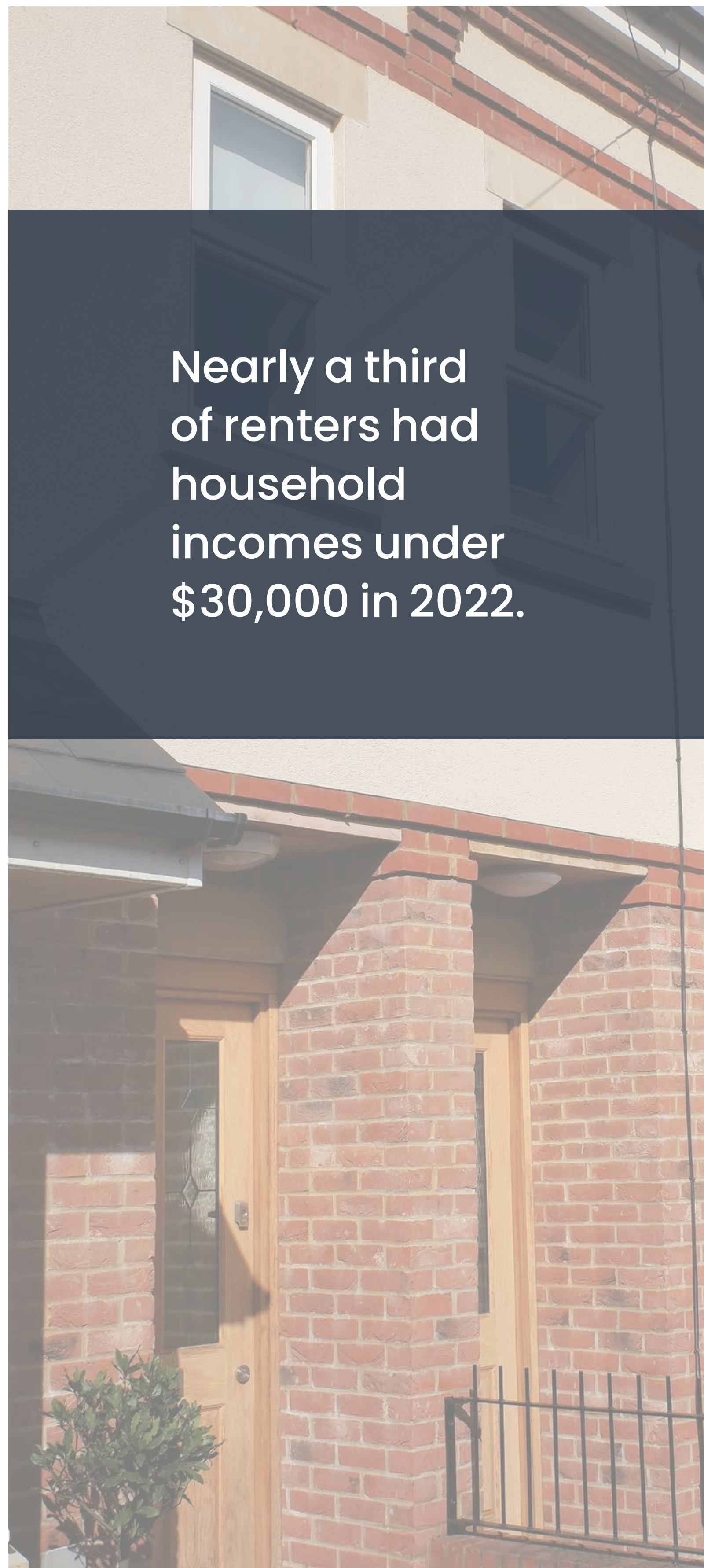
Notes: Lower-income households earn less than $30,000. Higher-income households earn at least $75,000. Age is for the household head. Other family households include single parents.
Source: JCHS tabulations of US Census Bureau, 2022 American Community Survey 1-Year Estimates.

And because racial discrimination in education and labor markets restricts opportunities and wages, households headed by a Black person are more likely to have lower incomes than households of other races and ethnicities. Consequently, they constitute an outsized share of lower-income renter households. A full 42 percent of households headed by a Black person earn less than $30,000 annually, compared to 30 percent of those headed by a white person with similarly low incomes. As a result, households headed by a Black person make up a quarter of lower-income households despite being just under a fifth of all renter households. Likewise, households headed by a Native American person face economic challenges and discrimination that make them more likely to face financial precarity. Indeed, 42 percent of households headed by a Native American person are lower income.

Households with lower incomes constitute a larger share of renters in less expensive markets where homeownership is more attainable and rents are more affordable. Among the 100 most populous metros, lower-income households make up more than 40 percent of renters in more affordable Southern cities as well as in deindustrialized Rust Belt cities like Buffalo, Toledo, and Cleveland. Additionally, renters with lower incomes disproportionately live in counties in smaller metropolitan areas and rural communities, and are slightly more likely to live in counties with persistent poverty.

Renting Benefits Mobile Populations

One benefit of renting compared to owning a home is the relative ease of moving. The lower transaction costs involved in relocating into or out of a rental unit make renting preferable for younger households as well as those who are relatively mobile or looking for shorter-term living arrangements. Reflecting these benefits, the renter mobility rate—the yearly share of renters who change residences—is much higher than that of homeowners. About 16 percent of renters report having moved in the past year, compared to just 4 percent of homeowners.



Even so, mobility rates among renters have continued trending downward over the last decade. According to the Current Population Survey, 25 percent of renters moved during the previous year in 2013, but the rate gradually dropped to 20 percent by 2019. It then fell even further to 16 percent in 2021 as the pandemic prompted record-high lease renewals. The mobility rate has held steady at 16 percent through 2023, reflecting tightening housing markets and continued high apartment retention rates.

In the event renters did choose to relocate, they often opted to remain local. In 2023, 61 percent of renter moves were within the same county, and an additional 17 percent stayed in state. The remaining moves were either from another state (15 percent) or from abroad (7 percent). While overall mobility rates have declined, interstate movers have nonetheless continued to be an important source of rental demand. In 2022 alone, Texas, Florida, North Carolina, and Arizona each gained more than 18,000 households from domestic migration, while New York, California, and New Jersey each lost more than 20,000 households.

Typically, renters move in pursuit of better housing, to form a new household, or to be closer to a new job or their family. Among those who moved in 2023, the two most common reasons were for a new job or to relocate to a new or better home (14 percent each). The share who moved for a new or better home in 2023 was notably lower than in 2019, perhaps because people made these moves earlier in the pandemic in response to the increased need for more space. Another 11 percent of moves were for more affordable housing, and 10 percent were due to new household formation.

The Outlook

After the pandemic-era highs and lows, rental demand appears to be stabilizing. The resumption of renter household growth in 2023 after a dip earlier in the pandemic is a positive sign for rental property owners. Whether this level of growth will continue remains to be seen. Nevertheless, given the long-term increase in renter households, there is likely to be a relatively high number of renters for years to come.

Likewise, the underlying age distribution of the US population also points to sustained rental demand going forward. A meaningful portion of the large millennial population is renting later in life than members of previous generations. Further, even as millennials turn to homeownership in greater numbers, Gen Z has already taken over as the primary driver of rental demand growth. At the same time, the aging of the baby boomers into their 70s and 80s means that those who wish to remain in their communities without the responsibilities of homeownership may transition to renting. Providing affordable, accessible rental options for these older adults will help them to age with dignity and security.

Renting is a preferable housing option for many individuals. Units with amenities in desirable locations and single-family rentals are increasingly attractive to households with higher incomes. For some, these options may provide a stepping stone to homeownership. However, for others, renting is the only option. Households that lack the financial resources to become homeowners continue to rely on the rental market as their sole source of housing. These households are an equally important component of demand. Ensuring that they have adequate, affordable housing is an ongoing policy challenge.

03

RENTAL HOUSING STOCK

Strong multifamily housing production continues to shift rental stock composition toward larger buildings. At the same time, the volume of low-rent units is falling, leaving financially vulnerable renters with fewer affordable options. Restrictions on development further limit the availability of rentals in many suburban communities and exclude renters from some neighborhoods. Nationwide, the aging rental stock needs significant investment to improve housing quality, accessibility, and resilience to climate-related hazards.

Large Buildings Are a Growing Share of the Rental Stock

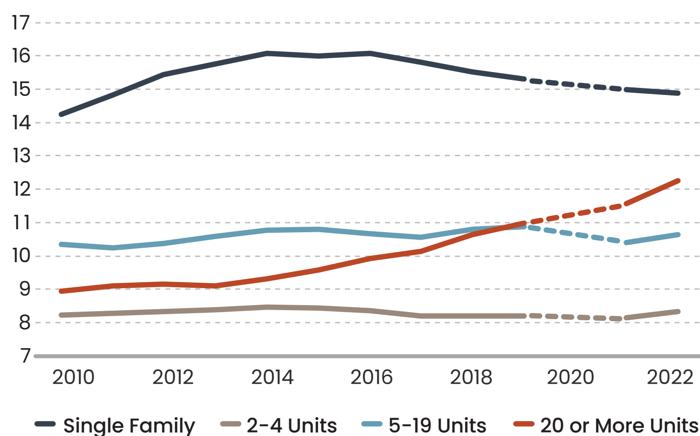
Between 2010 and 2022, the total rental supply increased by 4.3 million units to 48.1 million units. This growth was driven primarily by the construction of large multifamily buildings **(Figure 12)**. During this period, the number of apartments in multifamily buildings with 20 or more units grew by 3.3 million, to 12.3 million units. The supply in midsize buildings with 5–19 units also increased, though by a modest 292,000 apartments, to 10.6 million units. Rentals in small multifamily buildings with 2–4 units, a property type that tends to be more affordable, increased by just 103,000, to 8.3 million units.

Compared to 2010, the supply of single-family homes for rent has grown by 649,000 homes, to 14.9 million in 2022, although this is down from the peak of 16.1 million recorded in 2016. Many of these homes converted from owner-occupancy to rental during the first half of this period, especially in the aftermath of the foreclosure crisis. However, in the second half of this period, the trend reversed. Beginning in 2016, the supply of single-family rentals declined every year as homes converted to owner-occupancy or were otherwise lost to building demolitions and condemnations. Nevertheless, single-family homes represented nearly a third of the total stock in 2022.

Figure 12

Larger Buildings Account for Most of the Rental Stock Growth

Number of Rental Units (Millions)



Notes: Rental units may be occupied, vacant for rent, or rented but unoccupied. Single-family homes include attached and detached units. Data for 2020 are based on 2019 and 2021 values because of pandemic data disruptions.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

The disproportionate increase in units in larger multifamily buildings relative to other rental types has changed the composition of the rental stock. Since 2010, the share of rentals in large multifamily buildings has increased by 5 percentage points and are 25 percent of the rental stock as of 2022. Meanwhile, the single-family rental share dropped by 2 percentage points. Likewise, the shares of rental units in midsize and small multifamily buildings each dropped by 1 percentage point. Midsize buildings with 5–19 units accounted for 22 percent of the rental stock and smaller buildings with 2–4 units constituted 17 percent. The share of manufactured housing, which totaled just 2.0 million units in 2022, also declined by 1 percentage point over the previous 12 years, to just 4 percent of rental units.

The shift in rental housing away from smaller properties and toward apartments in larger buildings is due mainly to the composition of new construction. Between 2010 and 2022, annual completions of multifamily rentals grew from 125,000 to 342,000 units, with 3.5 million units added in this period, according to the Census Bureau Survey of Construction. A full 2.9 million were apartments in buildings with at least 20 units, pushing up their share of multifamily rental completions from 79 percent to 90 percent between 2010 and 2022.

While annual completions of single-family rentals have accelerated rapidly in response to growing demand, single-family homes built as rentals remained a small share of new construction. Completions of single-family rentals rose from 26,000 to 67,000 units annually between 2010 and 2022. In total, 518,000 new single-family homes built as rentals were completed in this period, representing 13 percent of new rental units.

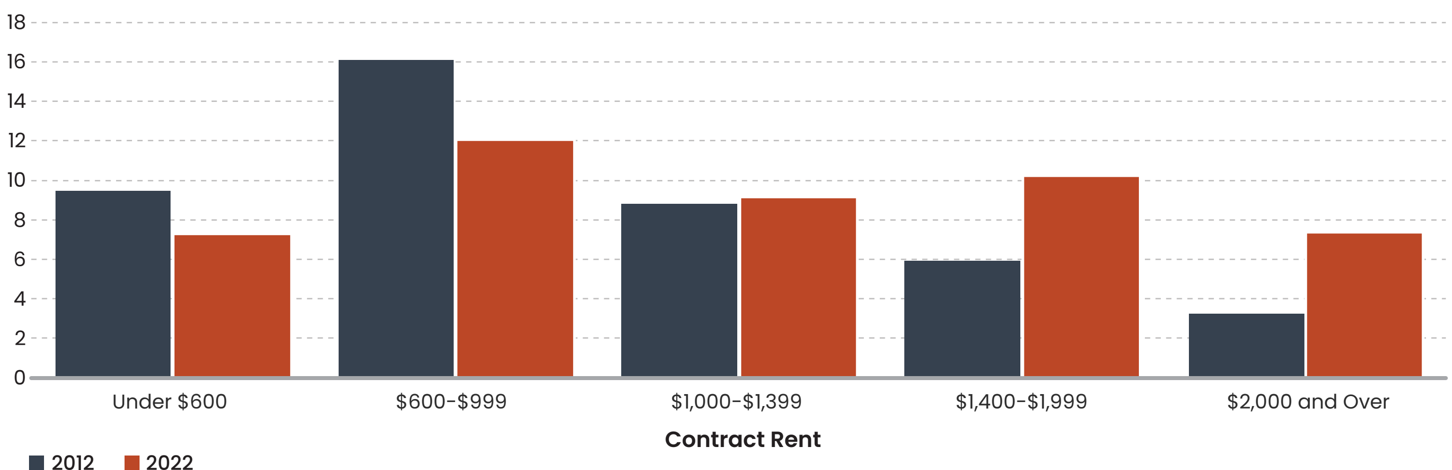
Supply of Low-Rent Units Is Dwindling

The supply of low-rent units continues to shrink. These units rent for less than $600 a month—the maximum amount affordable to a household earning $24,000 annually when applying the 30 percent of income standard. In the last decade, the number of low-rent units dropped by 2.1 million, including a loss of 230,000 from 2021 to 2022 alone. This left just 7.2 million units with rents below $600 as of 2022 **(Figure 13)**. Since 2012, the market also lost an astounding 4.0 million units with rents between $600 and $999. In total, the market

Figure 13

The Stock of Low-Rent Units Is Shrinking

Number of Rental Units (Millions)



Notes: Rents are adjusted for inflation using the CPI-U Less Shelter. Units that are occupied but do not receive payment are excluded. Contract rents exclude utility costs.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

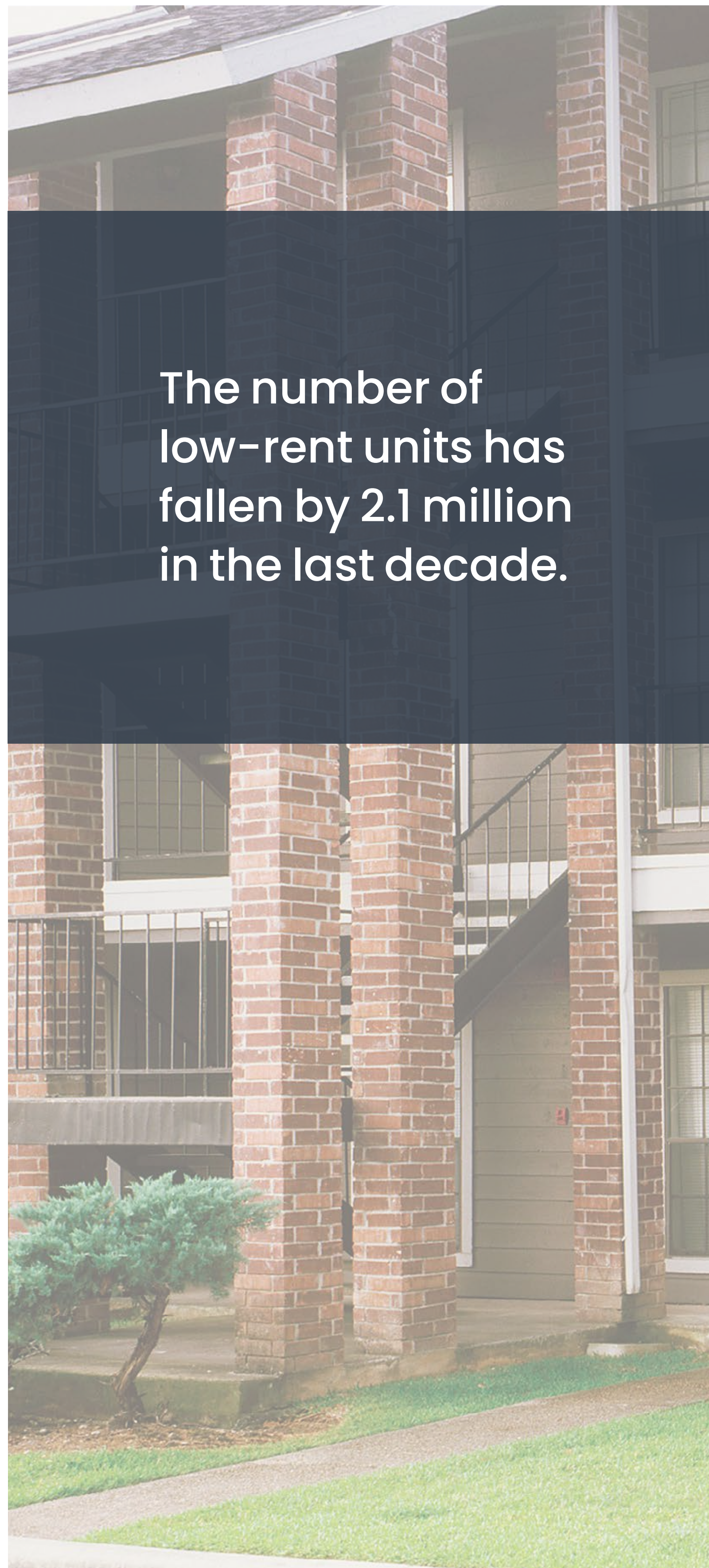
lost 6.1 million units renting for less than $1,000, the maximum amount affordable to a household earning $40,000 per year. Various market forces have contributed to these losses, including rent increases among existing units, building condemnations and demolitions, and tenure conversions.

During the same period, the supply of units renting for between $1,000 and $1,399 increased by 400,000. The market also gained 4.3 million units with rents between $1,400 and $1,999, and 4.1 million units renting for $2,000 or more.

The declining supply of low-rent units, combined with a steady stream of new construction targeting the high end of the market, has shifted the distribution of rents upward. In 2022, just 16 percent of units had contract rents below $600, down from 22 percent of the rental stock in 2012. Meanwhile, the share of units renting for $1,400 or more nearly doubled, from 21 percent to 38 percent of units.

The loss of low-rent units has been geographically widespread, with decreases recorded in 47 states and the District of Columbia. Fully 42 states lost more than 10 percent of their low-rent stock between 2012 and 2022, including 24 that lost more than 20 percent. Among the hardest hit states were those previously considered more affordable that have seen swiftly growing rental demand, including Texas, North Carolina, and Georgia. Several Midwestern states also experienced significant losses despite recording relatively slow rental demand, including Ohio, Michigan, and Indiana. In more expensive states already short on low-rent units, the net decline extended much farther up the rent spectrum, with 16 states losing units at all rent levels up to $1,400.

Low-rent units are an essential source of affordable housing for households with lower and moderate incomes. In 2022, 60 percent of renter households living in low-rent units earned less than $30,000 per year, including 36 percent with annual incomes below $15,000. For many renters at these income levels, $600 a month is a stretch. Using the standard

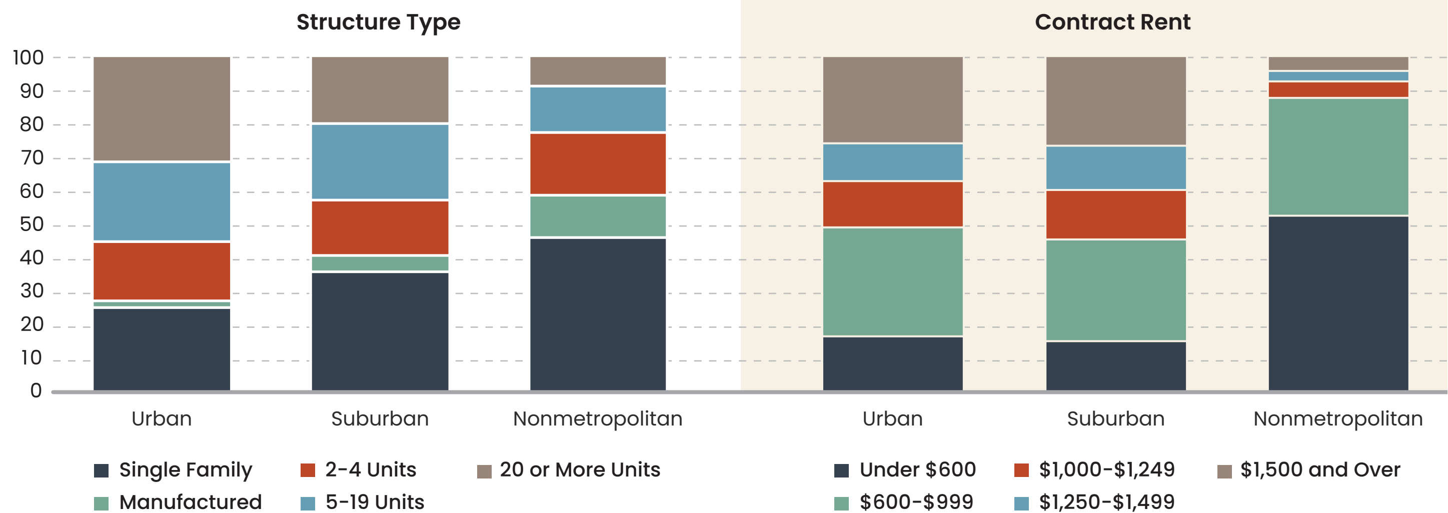


The number of low-rent units has fallen by 2.1 million in the last decade.

Figure 14

The Rental Stock Varies Widely Across Markets, with Low-Rent Units More Common in Nonmetropolitan Areas

Share of Rental Stock (Percent)



Notes: Only occupied rental units are depicted. Manufactured housing includes other structures such as boats and RVs. Contract rents exclude utility costs. Urban and suburban tracts fall within metropolitan statistical areas. Nonmetropolitan tracts fall outside of metropolitan areas.
Source: JCHS tabulations of US Census Bureau, 2021 American Community Survey 5-Year Estimates.

30 percent of income calculation, these households can afford a monthly rent of no more than $750 and $375, respectively.

Additionally, low-rent units help house middle-income households that may also struggle to secure affordable housing. In 2022, 28 percent of units renting for less than $600 were occupied by middle-income households earning between $30,000 and $75,000 annually. Increasing the availability of units with lower rents and preserving the existing supply of these units is critical to ensuring that financially vulnerable households are able to secure housing they can afford.

Supply Varies Across Geographies

The composition of the rental stock varies widely by region. In 2021, a third of rentals in the Northeast were in large multifamily buildings, well above the West (26 percent), Midwest (22 percent), or South (21 percent). The Northeast also had the largest proportion of rental units in small multifamily buildings, at 27 percent, compared to just 19 percent in the Midwest, 15 percent in the West, and 14 percent in the South. Conversely, the Northeast had the smallest proportion of single-family rentals, at 19 percent, while single-family homes were about a third of the rental stock in all other regions.

Rent levels likewise vary across regions, reflecting differences in the composition and age of the stock, household incomes, and housing demand. High-cost rentals are most common in the West and Northeast. In 2021, 45 percent of units in the West had rents of at least $1,500, as did 34 percent of rentals in the Northeast, well above the share in the South (19 percent) or the Midwest (10 percent).

There are also notable differences in the rental stock among urban, suburban, and nonmetropolitan areas **(Figure 14)**. In 2021, 40 percent of occupied rentals were in urban areas, 48 percent were in suburban areas,

and 11 percent were in communities outside metropolitan areas. In urban areas, over half (51 percent) of the housing stock was rented, significantly more than in suburban (30 percent) and nonmetropolitan areas (28 percent). Nearly three-quarters of rentals in urban neighborhoods were multifamily units, compared to 59 percent in suburban neighborhoods and 41 percent in neighborhoods outside metropolitan areas. Apartments in large multifamily buildings with 20 or more units were also far more common in urban communities, accounting for 31 percent of the rental stock there, well above the shares in suburban (19 percent) and nonmetro (8 percent) areas.

In contrast, nonmetropolitan and suburban communities have a much higher proportion of single-family and manufactured homes for rent. In 2021, about half of rental units outside metropolitan areas were single-family homes, compared to 36 percent in suburban areas and 26 percent in urban areas. Manufactured housing accounted for 13 percent of all rentals in nonmetropolitan communities but was much less common in suburban areas (5 percent) and virtually absent from urban areas (1 percent). In fact, while nonmetropolitan areas accounted for just 11 percent of all rental units, they contained a third of the nation's manufactured housing supply.

Rent levels also vary greatly across urban, suburban, and nonmetropolitan geographies. Urban and suburban areas have significantly higher shares of units renting for at least $1,500 (25 percent and 26 percent, respectively), compared to just 4 percent of rentals in communities outside metropolitan areas. Nonmetropolitan areas tended to be priced lower, with 53 percent of units renting for less than $600, compared to just 15 percent of rentals in suburban areas and 17 percent in urban areas. In total, communities outside metropolitan areas contain just over a quarter of the nation's stock of units that rent for less than $600.

Location of Rental Stock Contributes to Inequalities

The nation's rental stock is unevenly distributed across neighborhoods, limiting where renters can live. In 34 percent of neighborhoods, less than 20 percent of the housing stock is available to rent, resulting in communities that are essentially rental deserts. Conversely, owner-occupied homes account for less than 20 percent of the stock in just 6 percent of neighborhoods.

Rental deserts tend to be located in suburban areas where restrictive land use policies make it difficult to build multifamily housing, which is predominantly renter-occupied. In 2021, suburban neighborhoods constituted 55 percent of census tracts nationally, but 68 percent of neighborhoods where less than 20 percent of the stock is available to rent.

Single-family homes, which tend to be owner-occupied, are much more common in these communities. In neighborhoods where less than 20 percent of housing is rental, single-family homes accounted for 85 percent of all housing in 2021, compared to just 17 percent of the housing stock in neighborhoods that are more than 80 percent rentals. Large multifamily buildings with 20 or more units accounted for just 2 percent of the housing stock in rental deserts, compared to 42 percent of the units in neighborhoods with abundant rental housing.

The lack of rental options in many neighborhoods reinforces inequities and contributes to socioeconomic segregation. Communities with little rental housing have higher median incomes, reflecting renters' typically lower annual incomes. In 2021, the median household income in rental desert neighborhoods was $92,000, almost twice that of the $49,000 median in areas with robust rental options.

Further, the limited availability of rental housing in some neighborhoods constrains housing options for many people of color. A long history of racially discriminatory government policies and real estate practices has

The rental stock is older than it's ever been at a median age of 44 years.

restricted neighborhood choice and prevented many households of color from becoming homeowners. These actions, along with discrimination in education and labor markets, have contributed to higher rentership rates among Black and Hispanic households.

The legacy of these inequities is evident in the low share of households of color in rental deserts. In 2021, people of color headed just 24 percent of households in rental deserts, as compared to 66 percent of households in neighborhoods where more than 80 percent of homes are rented. The share of households headed by a Hispanic person was three times higher in neighborhoods with abundant rental options than in rental deserts (30 percent versus 10 percent), and the share headed by a Black person was nearly four times higher (22 percent versus just 6 percent).

These patterns of residential segregation are difficult to undo in part because they are reinforced by various land use regulations. Single-family zoning and other density limitations restrict the development of multifamily buildings, effectively making it more challenging to add rental housing. Several states and communities have recently enacted zoning changes to allow for more types of housing in areas previously zoned exclusively for single-family homes. These zoning changes could increase rental options in neighborhoods where few exist, help expand the geographic options available to renters, and better integrate communities.

Housing Inadequacy Persists

The rental stock is older than at any other recorded time. In 2021, the median age of renter-occupied homes reached 44 years, up from 39 years a decade earlier and 34 years in 2001. Investment in the aging housing stock is vital, given the persistence of substandard housing. Despite improvements in building codes and construction standards, as well as upgrades and repairs to existing units, 3.9 million renter households lived in homes that did not meet basic standards for suitability and safety in 2021. This represents an overall increase of 350,000 households over the past two decades.

According to data from the most recent American Housing Survey, in 2021, 8.4 percent of renter households lived in substandard housing with multiple problems such as structural deficiencies, a lack of upkeep, or the inconsistent provision of basic features such as hot and cold running water, heat, and electricity. Physical inadequacy from disrepair and structural deterioration is much more common in older homes. Overall, 13 percent of units built before 1940 were classified as physically inadequate in 2021, more than twice the 6 percent share of newer units built between 2000 and 2021.

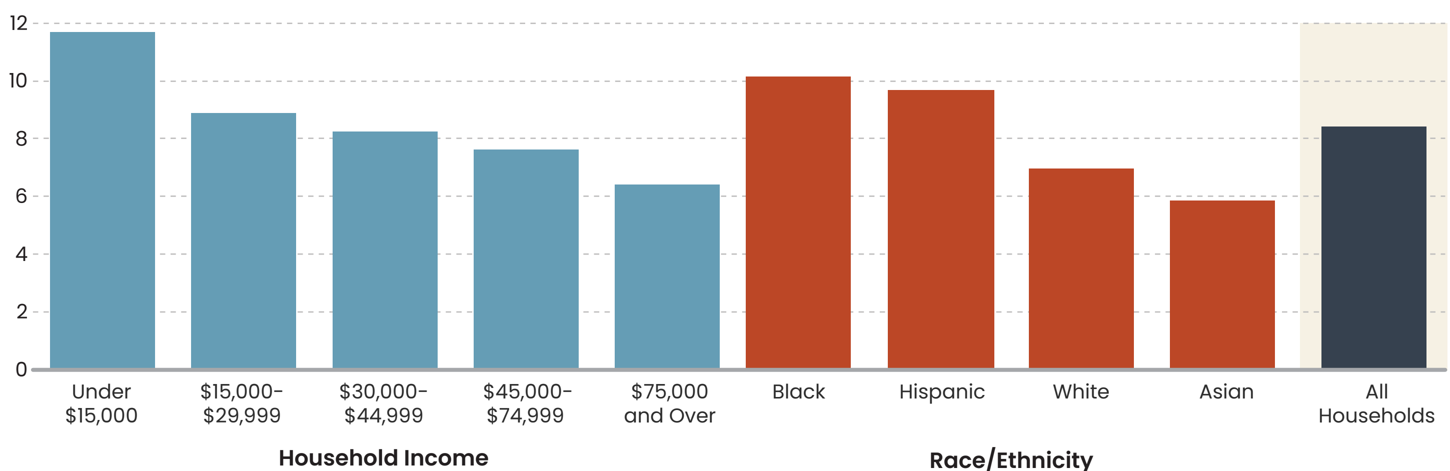
Given that substandard units tend to have low rents, households with lower incomes are more likely to occupy these homes **(Figure 15)**. In 2021, 12 percent of renter households earning less than $15,000 lived in inadequate housing, double the 6 percent of renters with incomes of $75,000 or more. While most subsidized housing properties meet basic safety and suitability standards, severe underfunding of project-based assistance programs has left 1 in 10 renters living in public housing or HUD-assisted private multifamily housing with inadequate conditions. Despite inspection standards, 11 percent of renters with Housing Choice Vouchers lived in inadequate conditions in 2021.

Black and Hispanic households are more likely to live in inadequate housing, a product of long-standing discriminatory policies and practices that have often steered households of color to neighborhoods with older and less-adequate housing. In 2021, 10 percent of Black and Hispanic renter households lived in inadequate housing, well above the shares for white (7 percent) and Asian households (6 percent). These disparities persist even after accounting for differences in income. A HUD report also found that American Indian and Alaska Native households disproportionately experience poor housing quality, including units with structural problems, system deficiencies, and overcrowding.

Figure 15

Renters with Lower Incomes and Those of Color Disproportionately Live in Inadequate Housing

Share of Renters in Inadequate Housing (Percent)



Notes: Housing inadequacy refers to a variety of structural deficiencies, such as large holes and leaks or the absence of basic features including plumbing, electricity, water, or heat. HUD classifies units as moderately or severely inadequate depending on the type and number of these physical problems. Black, Asian, and white householders are non-Hispanic. Hispanic householders may be of any race.
Source: JCHS tabulations of US Department of Housing and Urban Development, 2021 American Housing Survey.

Even among units that meet the criteria for physical adequacy, many have significant problems that impact occupant health and safety. A 2023 study by the Federal Reserve Bank of Philadelphia found that in 2022, 37 percent of renter-occupied units had at least one critical home repair need, such as fixing a cracked foundation, replacing broken equipment, or remediating mold, and estimated the total cost of addressing these deficiencies at $51.5 billion.

Even the structurally adequate stock does not typically meet the needs of people with disabilities. In 2019, 4 percent of renter households reported difficulties entering or navigating their homes, including 18 percent of renters age 80 and over, as reported in the American Housing Survey. And nearly half of renters with disabilities said their homes were minimally or not at all accessible, according to a 2023 Freddie Mac survey. Given the aging of both the rental stock and the nation's population, there is an urgent and growing need to repair or modify existing units to ensure habitability, safety, and accessibility.

Exposure to Disasters Threatens the Rental Stock

Environmental hazards such as wildfires, flooding, earthquakes, and hurricanes increasingly jeopardize the health and safety of renters and threaten to damage or destroy housing. About 41 percent of the nation's occupied rental stock (18.2 million units) is located in areas exposed to substantial weather- and climate-related threats as measured by expected annual economic losses for multiple hazards, according to the Federal Emergency Management Agency's National Risk Index.

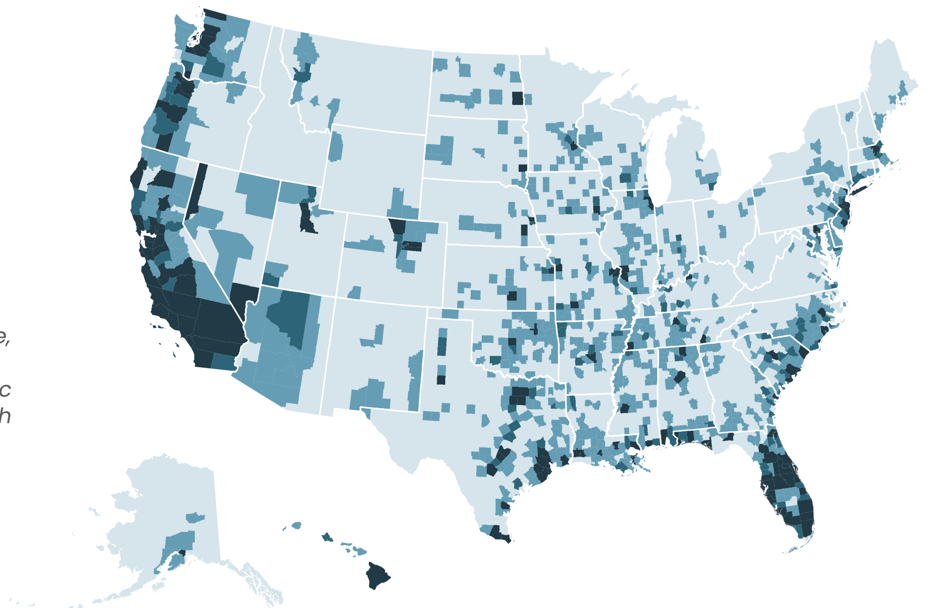
These areas are geographically diverse, reflecting the variety of acute and chronic environmental hazards that impact every part of the country **(Figure 16)**. California has the most rental units located in census tracts with at least moderate expected annual economic losses caused by hazards. There, 4.6 million units—77 percent of the state's rental stock—are at risk of damage or destruction, followed by Florida, with 2.4 million units (89 percent) at risk.

Figure 16

More Than 18 Million Rental Units Are Under Threat from Environmental Hazards

Number of Rental Units in High-Risk Counties

- Under 2,000
- 2,000–9,999
- 10,000–19,999
- 20,000 and Over (Up to 1.6 Million)



Notes: High-risk areas have a relatively moderate, relatively high, or very high expected annual loss (EAL) score. EAL represents the average economic loss in dollars resulting from natural hazards each year. The number of units in high-risk counties is aggregated from the tract level.
Source: JCHS tabulations of Federal Emergency Management Agency, July 2023 National Risk Index EAL data, and US Census Bureau, 2021 American Community Survey 5-Year Estimates.

Nationally, more than a third of units in small, midsize, and large multifamily buildings (35–40 percent) are located in census tracts with substantial annual losses, as are 45 percent of single-family rentals and just over half of manufactured rentals. Because manufactured housing units are the most likely to be classified as physically inadequate, they may be especially susceptible to damage or destruction from their hazard exposure.

The already limited supply of low-rent and federally subsidized units is also at risk. Indeed, 3.2 million units with rents below $600 (38 percent) are in at-risk areas. An additional 1.2 million Low-Income Housing Tax Credit units (40 percent) are at risk from environmental hazards, along with 34 percent of project-based HUD units. This includes 960,000 units that are public housing, Project-Based Section 8, affordable housing for older adults, and supportive housing for householders with disabilities. Also at risk are 200,000 units (52 percent) subsidized by the US Department of Agriculture's rural multifamily housing program. The growing exposure to hazards will only compound these units' numerous preservation needs.

Notably, newer rental units are much more likely to be vulnerable to weather- and climate-related hazards. Nearly half of rentals built in 2000 or later are located in areas with substantial losses, double the 24 percent of rentals built before 1940. Still, those built before 1940 have the highest rate of physical inadequacy of any rental units, so they may be more vulnerable to damage caused by environmental hazards.

As a growing number of rental units are damaged by environmental hazards, the cost to repair and rebuild homes will increase, as will the insurance costs in high-risk areas. At the same time, the escalating frequency, severity, and diversity of disasters, coupled with the magnitude of their likely damages, will necessitate greater investments in pre-disaster mitigation and climate adaptation strategies for both properties and regions. Otherwise, the increasing incidence of costly disasters will almost certainly render an increasing number of rental units uninhabitable, forcing residents to relocate and threatening to further reduce the supply of rental housing.

The Outlook

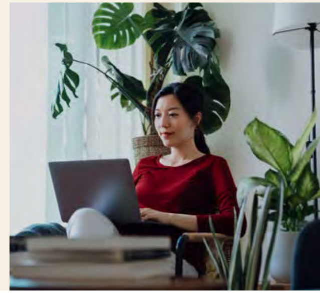
With more supply coming online across the country, the rental stock is likely to expand, though with a changing composition. A growing share of the rental stock is more expensive units in larger buildings. New construction is furthering this trend by increasingly targeting the high end of the market. In contrast, the supply of units in small multifamily buildings—which tend to have lower median rents—remains largely unchanged.

The shifting composition, coupled with the high cost of new construction and the deep need at the lower end of the market, suggests that new market-rate supply alone will do little to bring immediate relief to those with lower incomes. For these households, the number of affordable options is declining as low-rent units are demolished, converted to owner-occupancy, or repriced at higher rents.

Moreover, the lack of diverse rental options in many suburban communities constrains where households can choose to live. Regulatory barriers restrict the amount of multifamily housing that can be built in neighborhoods with few rental opportunities.

Additionally, the existing stock requires significant investment. The level of structural inadequacy has not improved in decades, and critical repairs and replacements are imperative to ensure that the units are of decent quality. Further, steps must be taken to mitigate the impact of climate-related hazards on low-rent and subsidized units while reducing the loss of the stock and preserving its affordability. Finally, there is an urgent need to make accessibility modifications in response to the nation's rapidly aging population.

04
RENTAL MARKETS



A steady stream of new supply and stabilizing demand have cooled rental markets from their pandemic-induced frenzy. As vacancy rates have risen from historic lows, rent growth has plummeted from its record-breaking pace. While multifamily housing completions remain near historic highs, construction starts are slowing as interest rates rise. The increasing costs of debt and equity have dampened multifamily performance and raised expenses for apartment operators. Nevertheless, the relatively strong performance of multifamily properties over the longer term has attracted new investors to the rental market.

Rent Growth Cools as Vacancies Rise

Robust new supply and stabilizing demand have brought rent growth to a near standstill. Rents for professionally managed apartments grew just 0.4 percent annually in mid-2023. This is a dramatic turnaround from the prior year when apartment rents increased by a record-breaking 15.3 percent year over year. The current pace is more than 3 percentage points below the 3.6 percent pace averaged in the five years leading up to the pandemic.

Rent growth slowed across property classes. For higher-quality Class A units, rent growth decelerated from a record-breaking 18.5 percent annual pace in early 2022 to just 0.8 percent in the third quarter of 2023. Similarly, rents for Class B and Class C apartments grew annually by just 0.1 percent and 0.7 percent, respectively, in the third quarter of 2023—down from 16.1 percent and 8.5 percent at the beginning of 2022.

Rents for single-family units also slowed, according to the CoreLogic Single-Family Rent Index. In this market segment, rents grew just 2.9 percent year over year in August 2023, significantly below the record-high growth of more than 14 percent in 2022 and similar to the pre-pandemic annual growth rate. Further, the Consumer Price Index for rent of primary residence, which covers the entire rental stock and is slow to register changes, decelerated in mid-2023 from a four-decade high of 8.8 percent in March 2023 to 7.2 percent in October 2023.

The slowdown in apartment rent growth was geographically widespread. In the third quarter of 2023, just 1 percent of markets experienced rent growth of at least 10 percent annually, down from 50 percent of markets a year earlier. Instead, the majority of markets (61 percent) experienced only moderate rent growth under 5 percent, as compared to just 4 percent of markets in the prior year. And whereas not a single market reported negative rent growth in mid-2022, rents declined in 32 percent of markets in mid-2023.

The areas with the fastest-growing rents in the third quarter of 2023 include many less expensive markets in the South, Midwest, and Northeast, such as Midland-Odessa, Madison, Champaign-Urbana, Trenton, and Springfield, Massachusetts, where apartment rents grew by at least 6 percent annually. In contrast, the bulk of the markets with declining rents was in the West and South, with year-over-year decreases of at least 4 percent in Boise, Phoenix, Austin, and Las Vegas. Similarly, single-family rent growth was lowest or negative in metros in the West and South, including Las Vegas, Miami, and Austin. While slowing rent growth may help

to address the affordability crisis, any relief will only be incremental, given that rents mostly remain elevated compared to pre-pandemic levels.

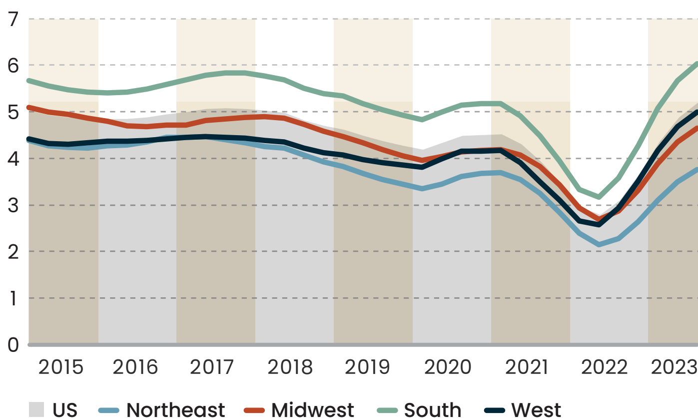
Some of the slowing rent growth is attributable to rising vacancy rates. Nationally, the rental vacancy rate reached 6.6 percent in the third quarter of 2023, according to the Census Bureau's Housing Vacancy Survey. After falling to a pandemic low of 5.6 percent recorded in late 2021, the recent vacancy rate was on par with the 6.9 percent rate averaged in the five years preceding the pandemic.

RealPage data show an even more dramatic shift for professionally managed apartments **(Figure 17)**. The vacancy rate for these rental units climbed to 5.5 percent in the third quarter of 2023, a sharp turnaround from early 2022, when surging demand brought the vacancy rate to a record low of just 2.5 percent in the first quarter. Since then, vacancy rates for professionally managed apartments have increased fastest in the South (up 3.5 percentage points, to 6.3 percent) and the West (up 2.9 percentage points, to 5.2 percent). Nationally, vacancies are somewhat higher in the most expensive Class A market segments since a large volume of newly constructed units was added to the stock.

Figure 17

Apartment Vacancy Rates Are Rising Everywhere, Most Dramatically in the South

Apartment Vacancy Rate (Percent)



Note: Vacancy rates are four-quarter trailing averages for professionally managed apartments in buildings with five or more units.
Source: JCHS tabulations of RealPage data.

High Interest Rates Constrain Multifamily Financing

The recent uptick in interest rates from their historic lows is cooling rental market activity. The interest rates for fixed-rate multifamily loans are often anchored to the yield for 10-year Treasury notes. In the second quarter of 2023, the yield rate on these Treasuries was 3.6 percent, nearly 3 percentage points above the rate recorded in the first year of the pandemic and the highest since the Great Recession. As a result, apartment mortgage rates jumped to 5.5 percent for 7- and 10-year fixed-rate loans in June 2023, according to MSCI—an increase of more than two percentage points from October 2021.

Rising interest rates increase the cost of the debt that investors and developers use to acquire and build multifamily properties. At the same time, high Treasury yields increase the cost of equity, as investors require higher returns to compete with lower-risk Treasury notes. Consequently, it becomes harder to make projects financially feasible. To make the same project work with an equal rate of return in a high interest rate environment, property developers and owners would need more revenue to offset the increased capital costs, meaning rents would need to be higher.

Lenders typically want properties to have a debt service coverage ratio—the ratio of total monthly net income to total monthly debt service payments—of at least 1.2. However, the high cost of debt in 2023 has, all else being equal, pushed down debt service coverage ratios, making it more difficult for developers to qualify for the same amount in loans. Knowing they would likely be declined, potential borrowers have pulled back from even applying for financing. More than half of the banks surveyed by the Federal Reserve noted that demand for multifamily loans has decreased. Additionally, uncertainty about apartment performance and the broader economy has tightened multifamily underwriting among nearly two-thirds of the surveyed banks.

The slowdown in borrowing and lending has been substantial. According to the Mortgage Bankers Association (MBA), multifamily mortgage originations dropped 48 percent year over year in the second quarter of 2023. With declining originations, the amount of multifamily debt outstanding increased by less than $30 billion in the second quarter to $2.03 trillion, the weakest second-quarter showing in four years **(Figure 18)**.

Nevertheless, the sources of multifamily lending have remained relatively stable. The government-sponsored entities Fannie Mae and Freddie Mac continued to hold nearly half of all multifamily mortgage debt and posted the largest quarterly gain of any investor group in mid-2023. Banks and thrifts increased their holdings at about half the rate of Fannie Mae and Freddie Mac but still held 30 percent of multifamily mortgage debt. Meanwhile, mortgage debt held in commercial mortgage-backed securities (CMBS) made up just 3 percent of the market.

Multifamily Starts Slow as Completions Remain High

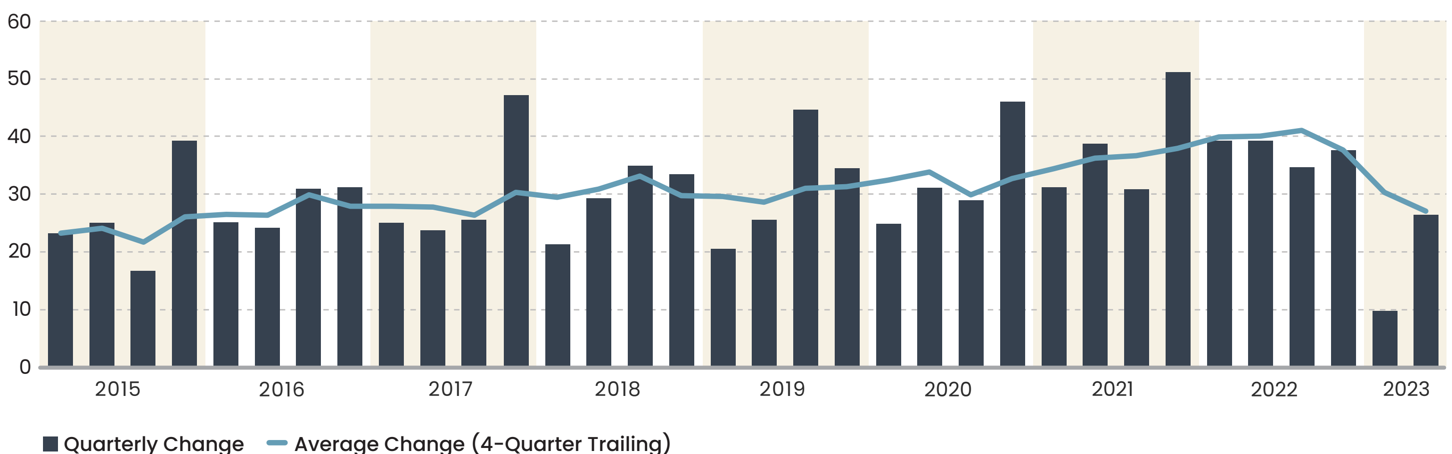
Multifamily construction is slowing in the face of softening rent growth and rising vacancy and interest rates. After averaging 536,000 units in the first six months of 2023, multifamily starts slowed to a seasonally adjusted annual rate of 402,000 units in October 2023. Though this marked a 30 percent decline from the pace one year earlier, starts are decreasing from extremely high levels and remain relatively robust.

While multifamily starts are cooling, the single-family built-for-rent sector has remained strong. A small share of new single-family construction is built specifically for the rental market. However, the number has grown steadily over the last decade, with an especially large uptick during the pandemic. In 2022, 69,000 single-family rental homes were started, a 77 percent increase over 2019. In the third quarter of 2023, single-family rental starts hit a new record high with an annual rate of 70,000 homes.

Figure 18

Multifamily Mortgage Flows Are Slowing

Multifamily Mortgage Debt Outstanding (Billions of Dollars)



Source: JCHS tabulations of Mortgage Bankers Association data.

Multifamily units already under way also continue to come online at historically high numbers **(Figure 19)**. On a seasonally adjusted annualized basis, 436,000 multifamily units were completed in the third quarter of 2023, up 30 percent from pre-pandemic levels. This has helped to maintain the steady flow of completions despite the slowdown in starts. On a seasonally adjusted basis, the number of multifamily units under construction reached a record high of 1.0 million units in July 2023 that continued through October 2023.

Though the slowdown in multifamily starts could lead to supply challenges in the coming years, the huge pipeline of units currently under construction has the potential to ease rents in the near term. Research by RealPage suggests that new supply puts downward pressure on rent growth in markets where new units are added. In several geographies where new supply increased at a rate above the national average in 2023, rent growth notably cooled. Apartment absorption—the difference between the number of households moving in and the number moving out—increased in mid-2023, which suggests that new supply is accommodating new households while still allowing rents to moderate.

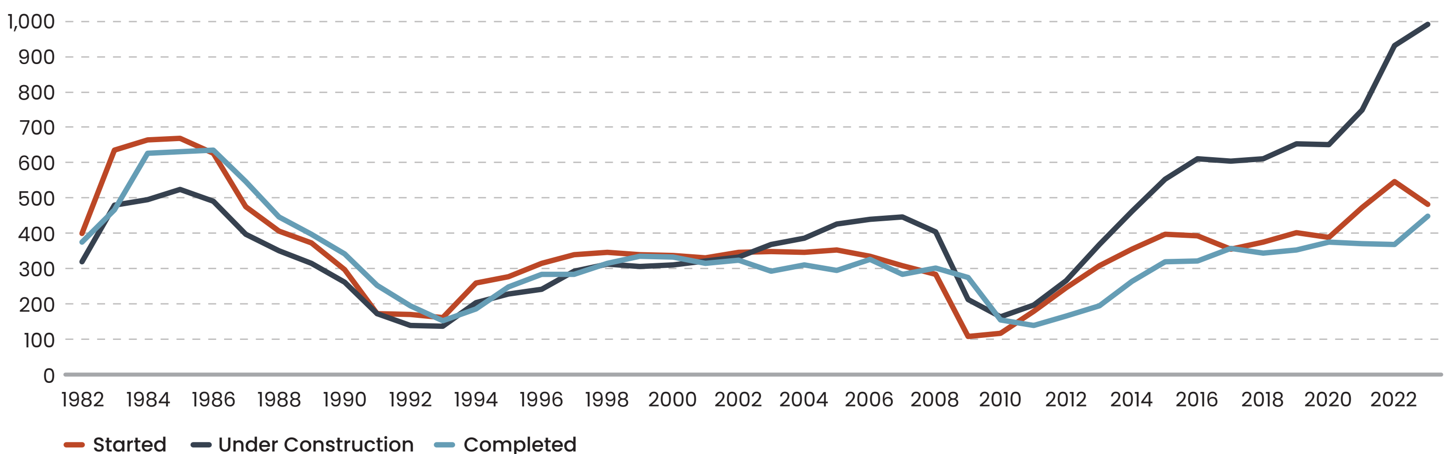
Construction Delays and Costs Are Increasing

While there is a healthy level of new supply under construction, the question of when it will come online remains unanswered as extended construction timelines become increasingly common. The average number of months from start to completion for multifamily buildings reached 17.0 in 2022, up from 15.4 in 2021 and 10.8 in 2012. Between 2021 and 2022, the time to complete single-family homes increased from 7.2 to 8.3 months. A survey of construction and development firms conducted by the National Multifamily Housing Council in September 2023 found that 88 percent of respondents reported construction delays.

Such interruptions can add to the cost of new development, as do the rising costs of labor and materials. In the second quarter of 2023, the employment cost index for private industry construction workers was up 5 percent from the prior year and 14 percent since the start of the pandemic. The price of all inputs to new residential construction, excluding capital investment, labor, and imports, also increased, up 35 percent since March 2020—more than triple the growth rate in

Figure 19

Completions Remain High and a Record Number of Units Are Under Construction



Note: Data for 2023 represent the seasonally adjusted year-to-date average through October.
Source: JCHS tabulations of US Census Bureau, New Residential Construction data.

the equivalent period before the pandemic. The cost of ready-mix concrete, lumber, and brick and clay structural tile each rose by at least 25 percent after the pandemic, with even steeper price increases for gypsum (41 percent) and plastic construction products (35 percent).

In response to both rising costs and the growing demand from higher-income renters, new rental units increasingly target the high end of the market. Construction remains highly concentrated in large metros, where land is most expensive. The NAHB Home Building Geography Index indicates that 69 percent of multifamily permitting in the second quarter of 2023 was in large metro areas. Reflecting these trends, asking rents for new units continue to climb. In the second quarter of 2023, the median asking rent for new units was $1,760, up 39 percent from the second quarter of 2014, according to the Survey of Market Absorption. Between 2015 and 2022, the share of newly completed units with asking rents of at least $2,050 nearly doubled, to 37 percent. In the same period, the share of units with asking rents below $1,050 declined by two-thirds, to just 7 percent. This shift in new construction toward higher-cost apartments means many units are unaffordable to households with low and moderate incomes. Whether this new supply will improve affordability for these households in the longer term remains to be seen.

Property Performance Weakens

Apartment operators' cash flow has slowed, not only because of decelerating rent growth but also because of increased operating costs and insurance premiums. According to Yardi Matrix, national total operating expenses for multifamily properties rose by 9.3 percent in the 12 months ending in June 2023. Additionally, Trepp reported that property insurance costs increased 13.6 percent annually for multifamily properties in large metro areas in 2022. Consequently, net operating incomes for apartments grew by just 3.5 percent annually in the third quarter of 2023, according to data from the National Council of Real Estate Investment Fiduciaries. This was a substantial deceleration from the pandemic high of 24.8 percent in late 2021 and put the pace of net operating income growth well below the 5.3 percent annual rate averaged in the five years preceding the pandemic.

Against this backdrop, apartment capitalization rates—the net operating income divided by the property price—have gradually risen. According to Moody's Analytics, cap rates fell through 2022 before rising by 0.9 percentage points over the first three quarters of 2023 to 5.8 percent. With the high interest rates on 10-year Treasuries, the cap rate spread was just 1.6 percentage points, considerably lower than the 3.5 percentage point spread averaged between 2015 and 2019. Multifamily properties have thus become a somewhat less attractive investment than before the pandemic.

Rising cap rates are pushing apartment property prices down. According to Real Capital Analytics data, apartment prices fell year over year at the beginning of 2023 for the first time since 2010 and were down 13 percent annually by the third quarter **(Figure 20)**. This was a substantial turnaround from the peak 23 percent price growth posted at the beginning of 2022.

Along with apartment prices, transaction volumes cooled in 2023 as potential buyers and sellers paused amid uncertainty about property performance and rising interest rates. According to MSCI, apartment sales transaction volumes declined by 72 percent in mid-2023 from the prior year. The 2023 second-quarter volume was less than 25 percent of the $165 billion peak volume reached at the end of 2021, and approximately half of the $42 billion averaged quarterly between 2015 and 2019.

Risk of Delinquencies Grows

As net operating income growth slows, the risk of delinquencies is increasing. So far, the composition of multifamily financing and the pre-pandemic period of rapidly accruing equity have staved off widespread defaults. Currently, the most at-risk properties are those with shorter-term loans taken out in the last two

years that leave borrowers little chance to build equity before the loan matures. These loans are more likely to be held by banks, by investor-driven lenders, or in CMBS. The 30-day delinquency rate for CMBS loans has moved upward for three consecutive quarters, hitting 3.8 percent in the second quarter of 2023, according to MBA. However, CMBS are a small share of all multifamily loans. Further, the most recent delinquency rate is only slightly higher than the pre-pandemic average. Much of the increase has been driven by other commercial property types, such as retail, hotels, and offices.

Longer-term loans that have fewer near-term maturities make up the largest share of multifamily loans. The 60-day delinquency rates for loans held by Fannie Mae and Freddie Mac rose slightly in the second quarter of 2023 to 0.37 percent and 0.21 percent, respectively. Still, delinquencies remain low. Commercial and multifamily loans by banks and thrifts followed the same trend, with a 90-day noncurrent rate of 0.67 percent in the second quarter of 2023, up from 0.56 percent in the first quarter of 2022. While increasing, these delinquency rates nonetheless remain much lower than the 4 percent rate recorded in the years following the 2008 housing market crash.

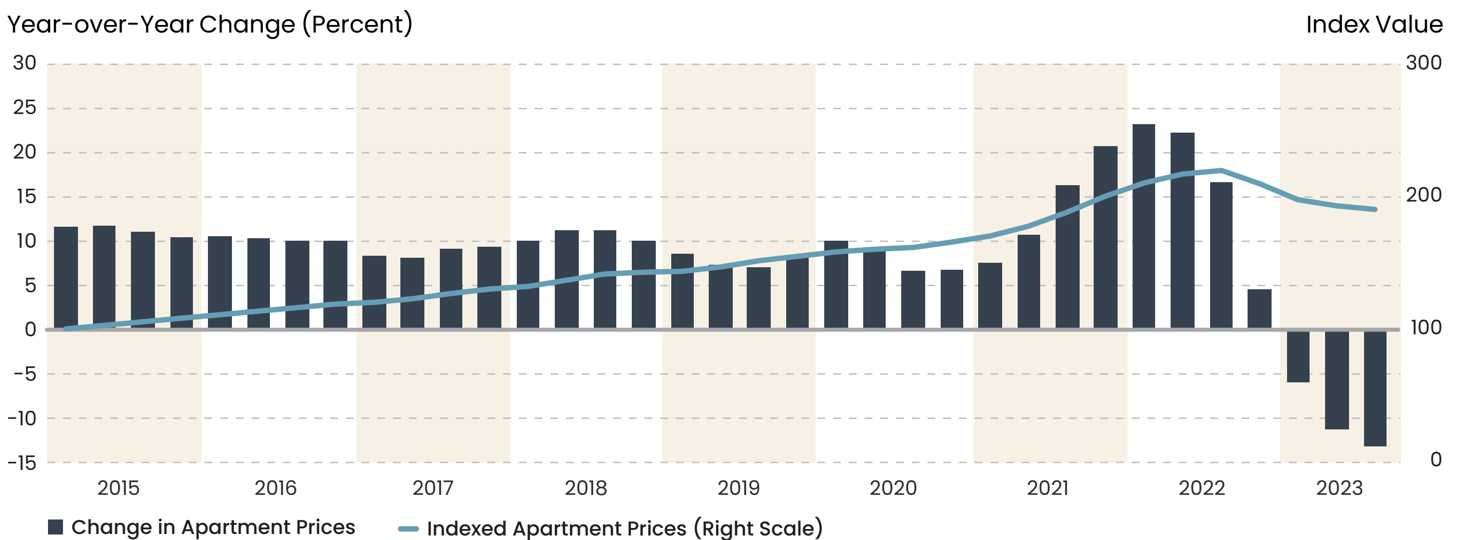
In the event that slowing returns do lead to a greater uptick in delinquencies, new opportunities may emerge for potential property buyers to acquire a building at a more favorable price, in turn freeing up capital that they can then invest in the apartments. Meanwhile, property owners facing financial distress might otherwise cut back on maintenance and repair, to the detriment of renters.

Ownership of Rental Properties Shifts

Despite the slowdown in rent growth and low cap rate spread, rental housing remains a popular investment option, offering a relatively good return compared to other commercial real estate asset classes. Although investor activity has lessened in the short term, the strong and sustained performance of multifamily properties over the past two decades has attracted new investors. Most rental properties are still owned by individuals. But the healthy track record of return on rental investment has also encouraged the professionalization of smaller landlords, who are increasingly forming limited liability partnerships (LLPs) and limited liability companies (LLCs).

Figure 20

Apartment Property Prices Have Fallen from Record Highs



Notes: Apartment prices are indexed to January 2015. Indexed values represent cumulative percent change.
Source: JCHS tabulations of Real Capital Analytics, Commercial Property Price Indexes.

The share of rental properties owned by nonindividual investors, including LLPs, LLCs, real estate corporations, and similar entities, keeps growing. Between 2001 and 2021, these investors increased their ownership share by 9 percentage points, to 27 percent of rental properties, according to the Rental Housing Finance Survey **(Figure 21)**.

The growth in ownership by nonindividual investors has been especially swift among small multifamily properties, for which these investors have historically been absent. Between 2001 and 2021, the share of 2- to 4-unit multifamily properties owned by nonindividual investors increased by 17 percentage points, to 32 percent. During the same period, the share of 5- to 24-unit properties owned by nonindividual investors nearly doubled, to 67 percent. Among large rental properties, nonindividual ownership shares are significantly higher. Nonindividual ownership of rental properties with at least 50 units increased by 6 percentage points since 2001, to 93 percent, and by 17 percentage points, to 83 percent ownership of properties with 25 to 49 units.

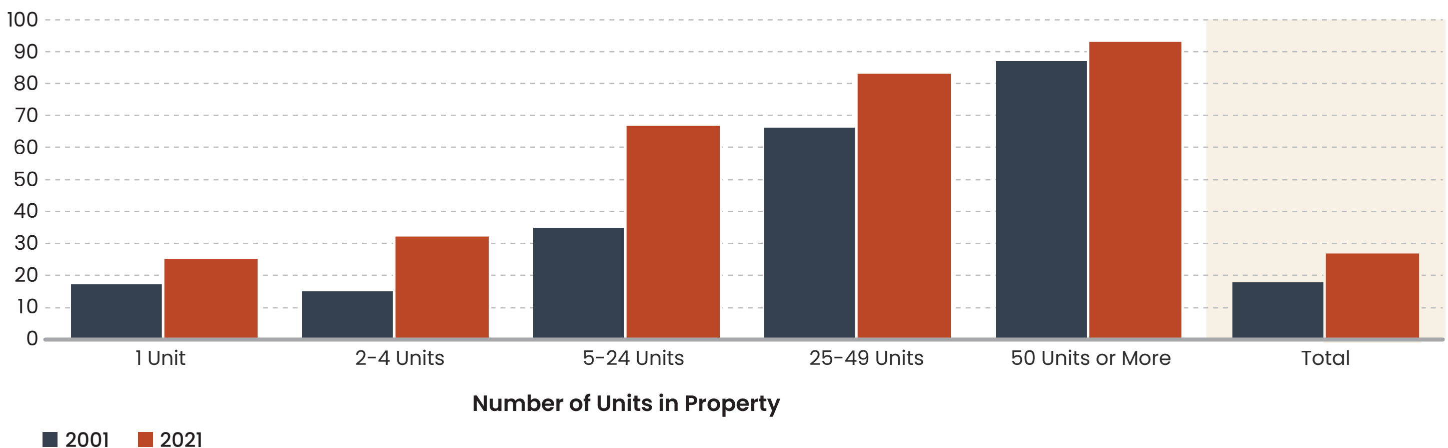
While nonindividual investors are somewhat less active in the single-family rental market, they have gained market share here, too. Over the last two decades, their ownership of single-family rentals increased by 8 percentage points, to 25 percent. The scale at which these investors operate may affect their strategies. Larger institutional investors tend to purchase newer and bigger single-family rentals in areas with fast-growing populations and rapid rent growth. By comparison, smaller institutional investors are more likely to purchase smaller, older, and less expensive properties.

Even as the share of single-family rental homes owned by nonindividual investors has grown, overall investor activity in this market has recently declined. This slowdown is a response to both the current interest rate environment and uncertainty about rental property performance, prompting some investors to opt for other asset classes. Redfin data show that single-family home purchases by institutions or businesses fell 30 percent annually in the third quarter of 2023. This is the largest third quarter decline since 2016, aside from the first quarter of 2023, when activity dropped even more sharply. Whether the presence of investors in the single-family rental market will continue to grow depends largely on the availability of homes to purchase, the interest rate environment, the strength of other investment returns, and the steadiness of the demand for rental housing.

Figure 21

Nonindividual Investors Own a Growing Share of Rental Properties

Share of Properties Owned by Nonindividual Investors (Percent)



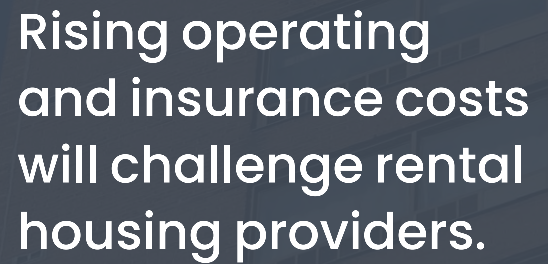
Note: Nonindividual investors include partnerships, trustees for estate, real estate corporations, real estate investment trusts, nonprofit organizations, and other entities.
Source: JCHS tabulations of US Census Bureau, Rental Housing Finance Surveys.

The Outlook

With demand stabilizing and a large volume of new apartments coming online, rent growth will likely remain slower than the frenzied pace of the early pandemic years, helping to cool overall inflation and relieve some of the pressure on household budgets. The robust multifamily construction pipeline may further moderate rent growth as new units hit the market. Even so, asking rents will likely remain above pre-pandemic levels. And the new supply will continue to target the high end of the market as construction costs rise. As a result, the forthcoming units will do little to solve the immediate affordability needs of lower-income households.

Additionally, high interest rates present a considerable challenge for the apartment industry. As the costs of debt and equity rise, ensuring that deals are profitable has become increasingly difficult. New construction and property transactions have shown signs of slowing as developers and buyers wait for greater economic certainty and a more favorable financing environment. These dynamics are likely to persist, given the expectation that interest rates will remain high for at least the near term. If construction continues to slow and the supply once again constricts relative to demand, the affordability gains achieved at the high end of the rental market could be lost.

Increased operating and insurance costs will also continue to challenge housing providers, especially those that are small scale or operate subsidized apartments and smaller rental properties. In the face of falling returns, housing providers may be less able to afford urgently needed repairs to the aging stock and preserve low-rent and assisted units.



05 RENTAL AFFORDABILITY

The number of renters living in unaffordable housing has reached an all-time high and includes households across the income spectrum and around the country. The growing shortage of units affordable to renters with the lowest incomes is only worsening the affordability crisis. Though rent increases have leveled relative to the pandemic spike, rents remain elevated and are straining household balance sheets. Inflation has further challenged renters. Many lower-income households are struggling to cover basic needs and are confronting difficult trade-offs that threaten their financial stability and overall well-being.

Cost Burdens Have Hit Unprecedented Heights

Cost burdens have reached record highs, fueled by rapidly rising rents during the pandemic. In 2022, the number of renter households spending more than 30 percent of income on rent and utilities reached 22.4 million, up from 20.4 million in 2019. Alarmingly, the number of severely cost-burdened renter households—those spending more than half of their income on housing and utilities—also hit an all-time high of 12.1 million in 2022, a full 1.5 million households above pre-pandemic levels.

These recent increases stand in stark contrast to the modest declines in cost burdens recorded before the pandemic. Between 2014 and 2019, the number of cost-burdened renter households fell by about 883,000, stemming from a substantial decrease in severe burdens. However, in the aftermath of the pandemic surge, the record-high number of cost-burdened households in 2022 exceeded the 2014 pre-pandemic peak by nearly 1.1 million and marked a 7.6 million increase over the low posted in 2001.

Not only has the number of cost-burdened renters grown, so has their share of the total renter population. In 2022, half of renter households were cost burdened, up 3.2 percentage points since 2019 and 9.0 percentage points since 2001. Likewise, the share of severely burdened renter households rose quickly during this period, from 24 percent in 2019 to 27 percent in 2022, 6.3 percentage points above the 2001 low.

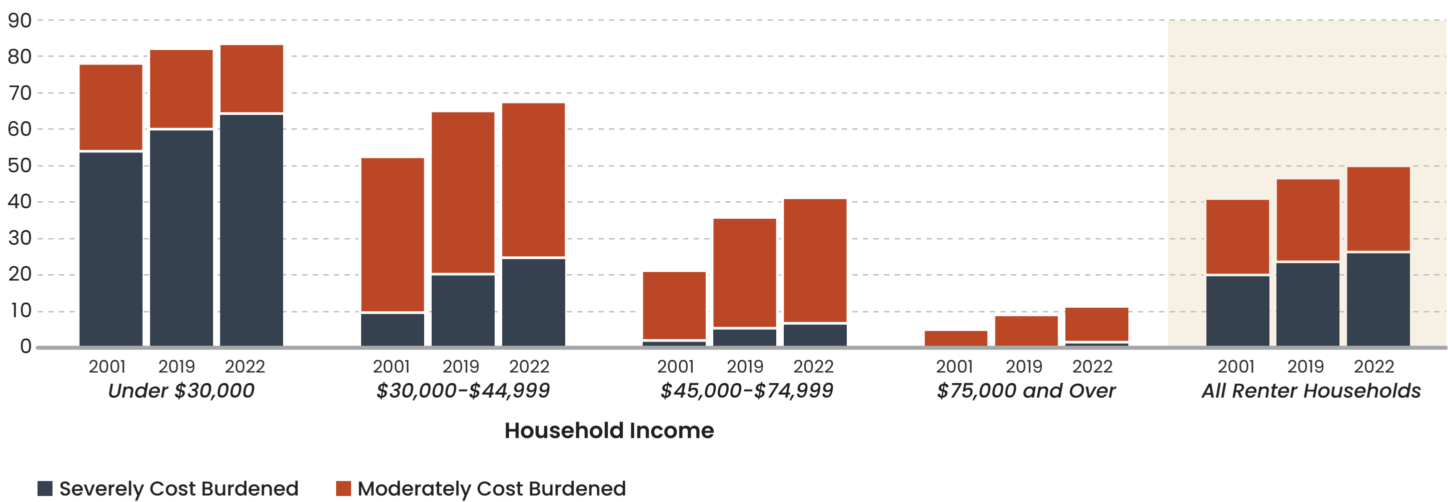
Cost Burdens Are Climbing the Income Scale

Renter households at all income levels have experienced rising cost-burden rates over the last two decades **(Figure 22)**. The pandemic accelerated this trend. In recent years, cost-burden rates hit record highs across all income groups. Middle-income renters have especially felt the pain of increasing housing costs. Just over two-thirds (67 percent) of households earning $30,000 to $44,999 per year were cost burdened in 2022, an increase of 2.6 percentage points from 2019 and a shocking 15.1 percentage points above 2001 levels.

Figure 22

Cost Burdens Continued to Increase Across Incomes During the Pandemic

Share of Renter Households (Percent)



Notes: Household incomes are adjusted for inflation using the CPI-U for All Items. Moderately (severely) cost-burdened households spend 30–50% (more than 50%) of income on rent and utilities. Households with zero or negative income are assumed to have severe burdens, while households that are not required to pay rent are assumed to be unburdened.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

Renter households with annual incomes of $45,000 to $74,999 have seen the fastest growth in their burden rates, both over the longer term and during the pandemic. Indeed, 41 percent of renter households in this income category were burdened in 2022, a 5.4 percentage point increase since the start of the pandemic, nearly doubling their 2001 rate.

Even many renter households earning at least $75,000 annually have felt increased financial strain. Cost-burden rates for this income bracket have risen 2.2 percentage points since the start of the pandemic and 6.4 percentage points over the longer two-decade sweep. Still, cost-burden rates for this group remain relatively low at just 11 percent.

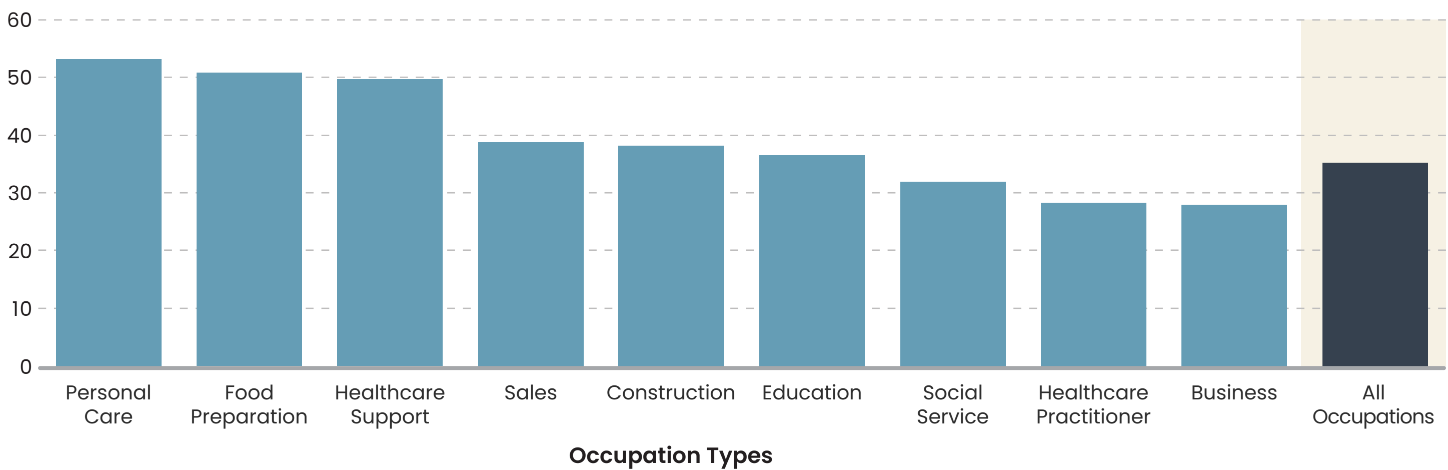
Most concerning is the rapid increase in cost burdens among lower-income renter households, a group that already had a high burden rate. The share of cost-burdened renter households earning less than $30,000 annually rose 1.5 percentage points from 2019 to 2022. While this increase is notable for any group, these renters have consistently grappled with widespread and persistent housing hardships. From 2001 to 2019, the cost-burden rate among renter households with lower incomes hovered between 77 and 82 percent. In 2022, 83 percent of these households were cost burdened, with the majority (65 percent) experiencing severe burdens, marking yet another all-time high. The new rental stock is unlikely to bring immediate relief to these households because the bulk of these units charges high rents.

Disparities in Cost Burdens Persist

While overall cost-burden rates are high, some demographic groups experience higher rates than others. Long-standing discrimination in housing, employment, and education has contributed to disproportionately high cost-burden rates for renter households headed by a Black, Hispanic, or multiracial person. In 2022, more than half of Black (57 percent), Hispanic (54 percent), and multiracial (50 percent) households were cost burdened, while rates were lower for white (45 percent), Asian (44 percent), and Native American (44 percent) households.

Figure 23

Fully Employed Renters in a Range of Occupations Are Cost Burdened



Notes: Fully employed householders reported working at least 35 hours per week for at least 50 weeks of the previous year. All occupations includes households in occupations not shown. Cost-burdened households spend more than 30% of income on rent and utilities. Households with zero or negative income are assumed to be burdened, while households that are not required to pay rent are assumed to be unburdened.
Source: JCHS tabulations of US Census Bureau, 2022 American Community Survey 1-Year Estimates.

Even accounting for income, households headed by a white person were more likely to find affordable housing than those headed by most people of color. Among households with annual incomes under $30,000, cost-burden rates are highest for those headed by a Hispanic (87 percent), Asian (86 percent), Black (85 percent), or multiracial (84 percent) person, as compared to their white counterparts (80 percent). Only lower-income households headed by a Native American person fared better than white renter households, with a cost-burden rate of 72 percent, though these households face other housing challenges, including inadequate conditions and overcrowding.

Cost burdens also vary by age and are most common among the youngest and oldest renters, many of whom have lower incomes than individuals in their prime earning years. In 2022, a stunning 61 percent of renter households headed by someone under age 25 were cost burdened, including 37 percent with severe burdens. Unsurprisingly, the cost-burden rate dropped substantially for renter households in their prime earning years, to about 45 percent for those headed by someone aged 25–54. Still, even among this subset, nearly a quarter are severely burdened. The rate then begins to rise again, increasing slightly to 49 percent for households headed by someone aged 55–64, including 28 percent with severe burdens, and continues upward. Fully 57 percent of renter households headed by someone age 65 and over were cost burdened, with 34 percent experiencing severe burdens.

Across all age groups, cost-burden rates are higher among renters with disabilities, as workplace challenges can limit employment options and earnings. In fact, 60 percent of renter households headed by someone with a disability were cost burdened in 2022, a whopping 13 percentage points higher than their counterparts who did not have a disability. The financial burden is especially significant for young adult renters with disabilities. Among those under age 25, two-thirds were cost burdened.

Even many fully employed households struggle with housing costs. Just over a third—8.0 million—of the renter households headed by a full-time, year-round worker were cost burdened in 2022 **(Figure 23)**.

Renters working in personal care (including childcare workers, fitness trainers, and hairstylists) or in food preparation occupations were especially likely to spend an outsize portion of their income on rent. More than half of renter householders working full time in these occupations were cost burdened, including about a quarter who were severely burdened.

Of course, occupations and earnings are related to education, a dynamic reflected in cost-burden rates as well. In 2022, the burden share among renter households headed by someone with at least a college degree was 39 percent—more than 19 percentage points lower than the 59 percent of cost-burdened households headed by someone who lacked either a high school diploma or a GED.

Differences in cost-burden rates are also influenced by both the number of potential earners in a household and the amount of space the household requires. With just one earner and the need for more bedrooms to accommodate children, single-parent renter households had the highest cost-burden rate in 2022 at 62 percent. Because so many renter households consist of just one individual, single-person households accounted for nearly half of all cost-burdened renters. Despite the need for less space, 58 percent of single-person households were cost burdened. Meanwhile, a third of renters who were married without kids were burdened by housing costs, making this household type most likely to live in affordable housing.

Affordability Is Worsening Across the Country

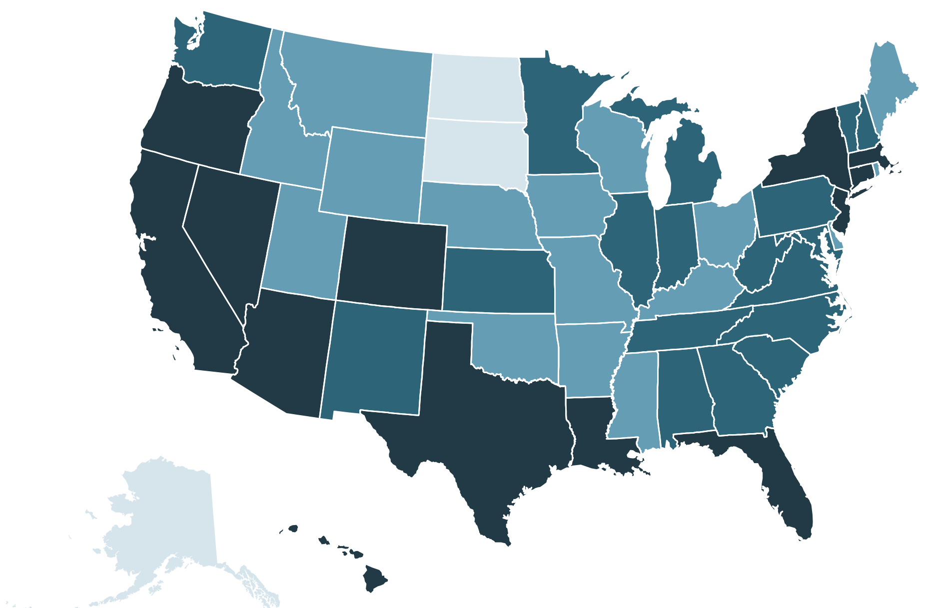
Given the enormous number of renters struggling to afford housing, it is perhaps unsurprising that cost-burden rates are high across the country **(Figure 24)**. In some places, this is due to high rents. In others, it is a function of low incomes. For example, in the Midwest and the South, where median rents are lowest, cost-burden rates are still 46 percent and 50 percent, respectively, because median incomes are also lower. Though renters in the Northeast and West have higher median incomes, the cost-burden rates in these regions are similarly elevated at 50 and 52 percent because of high housing costs.

Figure 24

More Than a Third of Renters Are Cost Burdened in Every State in the Country

Share of Renters with Cost Burdens (Percent)

- 37.0–39.9
- 40.0–44.9
- 45.0–49.9
- 50.0–57.9



Notes: Cost-burdened households spend more than 30% of income on rent and utilities. Households with zero or negative income are assumed to be burdened, while households that are not required to pay rent are assumed to be unburdened.
Source: JCHS tabulations of US Census Bureau, 2022 American Community Survey 1-Year Estimates.

These same patterns emerge when cost burdens are examined by state. For instance, the cost-burden rate was 51 percent in both Louisiana and New Jersey in 2022, despite the states' vastly different median incomes and rents. Florida, Hawaii, and Nevada topped the list of the most unaffordable states, with cost-burden rates exceeding 55 percent. But, notably, even in the most affordable states, more than a third of renter households were cost burdened, and affordability has worsened in all but seven states since the start of the pandemic.

Though renters are cost burdened in all types of communities across the country, shares are highest in the largest metros, where rents tend to be higher. More than half (51 percent) of renter households living in the 56 metros with populations over 1 million were burdened by housing costs in 2022, with the highest rates in Miami, Honolulu, and Orlando. Since 2019, cost-burden rates in large metros have risen 3.5 percentage points, increasing in all but one of the 56 large metros.

Conversely, places with smaller populations are relatively more affordable. Just under half of renters (49 percent) in midsize metros with populations between a quarter million and 1 million were cost burdened in 2022. In these geographies, cost-burden rates increased by 2.9 percentage points since the start of the pandemic. The cost-burden share was slightly lower (45 percent) in small metros with populations under 250,000, where rates have risen by 2.6 percentage points during the same period. Rural areas were the most affordable, with 40 percent of renter households experiencing cost burdens, a 1.7 percentage point increase over pre-pandemic levels.

Alarmingly, most lower-income renter households struggle to find housing they can afford in any community. Renters with the lowest incomes—those in the bottom fifth of the income distribution for a given metropolitan area or for a state's rural areas—experience high cost-burden rates even in less expensive areas. In rural communities where cost-burden rates were lowest, 72 percent of these households were burdened, with nearly half experiencing severe burdens. The share of lowest-income renters struggling with cost burdens increased with population size, reaching 86 percent in large metros.

Affordable Supply Is Scarce

A significant driver of the record-high cost-burden levels is the large and increasing dearth of rental units affordable to households with the lowest incomes. According to HUD's *Worst Case Housing Needs: 2023 Report to Congress*, there are 61 affordable units for every 100 renter households that earn no more than 30 percent of area median income. Of these units, 40 percent were occupied by a household with an annual income above 30 percent of the area median, reducing the number of units available and affordable to the most financially vulnerable to just 36 per 100 households.

Nationally, the severe shortage of units both affordable and available to households with extremely low incomes has only worsened over the last two decades. From 2001 to 2021, the number of extremely low-income households increased by 3.6 million. Yet the relevant supply rose by just 677,000 units during the same period. As a result, the total shortfall in units affordable and available to these households rose from 4.9 million in 2001 to a record-high 7.8 million units by 2021. The pandemic further accelerated unit losses as the number of extremely low-income households climbed, raising the total deficit by 823,000 units in just two years.

The affordable supply shortage is largest in central cities and high-density suburbs. In 2021, just 35 units in central cities and 30 units in high-density suburbs were affordable and available for every 100 renters with extremely low incomes. Low-density suburbs were only slightly more affordable, with 43 units per 100 extremely low-income renter households. In contrast, rural communities had 54 units available for every 100 renter households with extremely low incomes. However, the larger supply of affordable and avail-

able units in rural areas is offset somewhat by higher rates of physical inadequacy among rural rental units. Excluding inadequate housing, only 44 rentals were affordable and available for every 100 rural renters with extremely low incomes.

Rising Housing Costs Are Consuming Household Incomes

Over the last two decades, housing cost increases have outpaced income gains for renters, straining household balance sheets. Though median rents have risen 21 percent in inflation-adjusted terms since 2001, median annual income has risen just 2 percent during the same period. Consequently, renters' median residual income—the amount of money available each month after paying for rent and utilities—was $2,600 in 2022, down 4 percent from 2001.

Renters with lower incomes have been particularly hard-hit by rising housing costs. Residual incomes for those making less than $30,000 dropped to an all-time low of $310 per month in 2022, 47 percent below the 2001 peak **(Figure 25)**. Among these lower-income renters, those with cost burdens fared even worse, with a median residual income of just $170.

The high cost of rent has also diminished spending power for renters making $30,000 to $74,999 annually. Such households had a median residual income of $2,700 each month, down 10 percent over two decades. In contrast, residual incomes increased slightly for renters earning at least $75,000 per year, consistent with the nation's widening income inequality. For these households, the monthly residual income in 2022 was $7,500, about a half percent above 2001 levels.

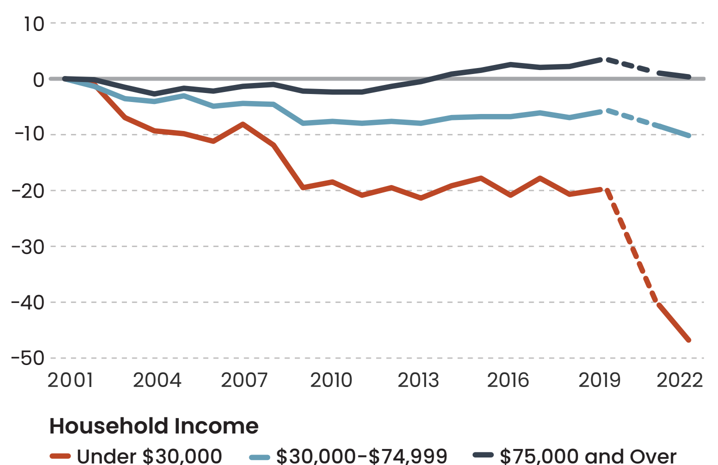
While many higher-income households have been able to afford a comfortable standard of living, a large share of renters have not. According to the Economic Policy Institute, a single-person household in the nation's most affordable counties would still need about $2,000 each month in residual income to cover all other needs, an amount that far exceeds what most renters have available after paying for rent and utilities. Indeed, 42 percent of renters have less than $2,000 in residual income and, in many cases, much less.

Rapid inflation of both rents and consumer goods and services over the last two years has further stretched household budgets. According to the Household Pulse Surveys from June to October 2023, 63 percent of renter households reported their rents rose in the past year, with 15 percent reporting increases of at least $250. The vast majority of surveyed households also noticed price increases for other goods in their communities in the preceding two months.

Figure 25

After Paying for Housing, Lower-Income Renters Have Less Money Left Over Than Ever Before

Change in Residual Income Since 2001 (Percent)



Notes: Household incomes and residual incomes are adjusted for inflation using the CPI-U for All Items. Households that are not required to pay rent are excluded. Data for 2020 are based on 2019 and 2021 values because of pandemic data disruptions.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

These price increases have been especially hard on lower-income renters. About two-thirds of renter households earning less than $25,000 reported feeling stressed by rent hikes and inflation **(Figure 26)**. Likewise, just over 60 percent of Hispanic and Black households were very stressed by inflation, compared to 54 percent of white and 41 percent of Asian households. And having children further compounded the financial strain, with 67 percent of renters with children feeling stressed by price increases as compared to 51 percent of households without children.

Against this backdrop, many of the most financially vulnerable renters have reduced their spending in areas critical to well-being. Rent is the largest expense for most households and often takes priority because the consequences of not paying rent could include eviction and homelessness. Center tabulations of the Consumer Expenditure Survey indicate that severely cost-burdened renter households in the lowest expenditure quartile (a proxy for low incomes) spent 39 percent less on food and 42 percent less on healthcare than their unburdened counterparts in 2022.

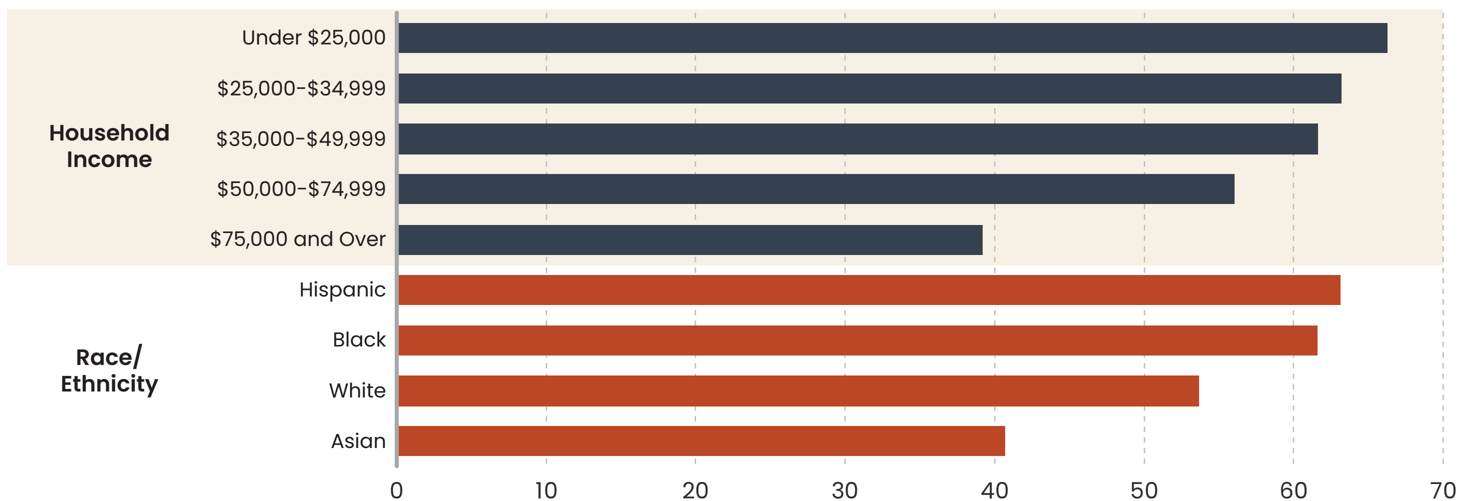
More recently, the Census Bureau's Household Pulse Survey illustrates that such trade-offs continued into 2023, particularly for lower-income households and those that have fallen behind on rent. While almost two-thirds of renter households making less than $25,000 reported difficulty paying for their usual expenses, the share rose to 82 percent for households in this income bracket who were behind on rent.

Renters may make other trade-offs, too. For example, in an effort to reduce housing costs, a household might relocate to an older or substandard unit. Such units tend to have lower rents, but they are also more likely to present significant risks to tenant health and safety. Renters may also reduce housing costs by opting for overcrowded living arrangements, longer commutes, or neighborhoods that are less safe, have fewer amenities, or are in lower-performing school districts. These and other such choices may further threaten an already vulnerable household's well-being, financial stability, and economic mobility.

Figure 26

Lower-Income, Hispanic, and Black Renter Households Have Been Hardest Hit by Inflation

Share of Renter Households Very Stressed by Price Increases (Percent)

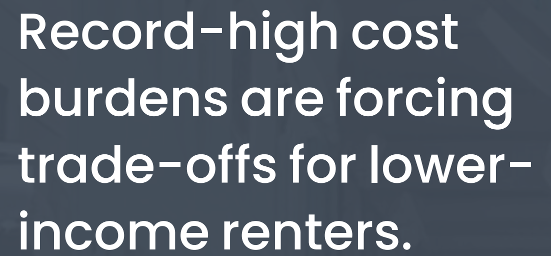


Notes: Black, Asian, and white respondents are non-Hispanic. Hispanic individuals may be of any race. People identifying as another race (including Native American) or multiple races are not shown owing to data limitations. The survey asked, "How stressful, if at all, has the increase in prices in the last two months been for you?"
Source: JCHS tabulations of US Census Bureau, Household Pulse Surveys, June–October 2023.

The Outlook

The pandemic propelled the housing affordability crisis to new heights, making it an urgent priority for communities across the nation. While the influx of new supply at the high end of the market will provide some relief for the rising ranks of cost-burdened renters in the middle and higher income brackets, little respite is likely for those with lower incomes. Construction costs and market dynamics make it difficult to build new units at lower and moderate rent levels, increasing the need to preserve and repair the existing stock of affordable rental housing.

Households with lower incomes especially will continue to struggle to find affordable homes anywhere in the country, let alone in neighborhoods with high-quality amenities and services. Absent increased affordable housing production and subsidies or additional income supports, more renters—especially those with lower incomes—will strain to make ends meet, as so many already are.



06 RENTAL HOUSING CHALLENGES

Federal subsidies fail to meet the large and growing need for affordable housing, and rental assistance programs face ongoing challenges. To mitigate the shortfall, some state and local governments have sought to remove zoning and regulatory barriers to affordable and multifamily construction. Nevertheless, an increasing number of renters are at risk of eviction, and homelessness has hit an all-time high. Climate change–related hazards and energy price hikes are creating further precarity for renter households and property owners.

Rental Subsidies Fall Short

Rental assistance is a crucial housing support for roughly 5 million households that earn no more than 50 percent of their area median income. The majority of those obtaining assistance through Department of Housing and Urban Development (HUD) programs are older adults, people with disabilities, and families with children. Unfortunately, rental assistance programs have not expanded to meet the growing demand. Instead, federal funding for housing assistance has increased only modestly and incrementally since the mid-1990s, aside from significant one-off appropriations during the Great Recession and the pandemic.

Between 2001 and 2021, the number of renter households receiving support increased by just 910,000, even as the number of renter households with very low incomes grew by 4.4 million to 19.3 million. Consequently, the number of income-eligible households that do not receive assistance jumped from 10.7 million in 2001 to 14.2 million in 2021, leaving three out of every four eligible households unassisted.

Simultaneously, cost-burden rates have increased for income-eligible unassisted renter households. As rents have risen faster than incomes, the share of these households with severe cost burdens, substandard housing, or both jumped from 47 percent in 2001 to 60 percent in 2021. This reflects a rise in worst case housing needs from 5.0 million to a record-high 8.5 million households over two decades.

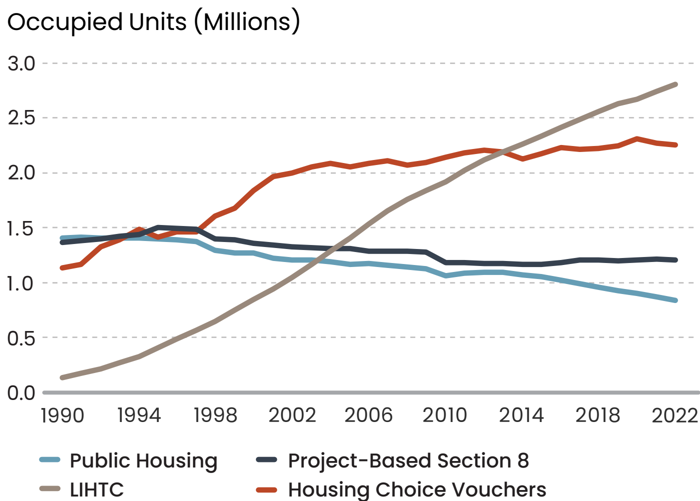
Subsidized Stock Requires Substantial Investments

Though all of the nation's rental assistance programs fall far short of the need, public housing in particular is severely underfunded. Decades of insufficient capital and operating funds have left a massive maintenance backlog estimated at $90 billion. The stock's generally poor condition has motivated many public housing authorities to demolish or transition units to other funding streams. As a result, the number of occupied public housing units has declined. In 2022, 835,000 households lived in public housing, down from a peak of 1.4 million in 1994 **(Figure 27)**.

The Rental Assistance Demonstration (RAD) program, which converts public housing units to longer-term, stable Section 8 contracts, allows housing providers to secure other sources of financing to undertake needed maintenance and redevelopment.

Figure 27

LIHTC and Vouchers Have Become the Largest Rental Assistance Programs



Notes: LIHTC occupancy is based on the 98.6% rate reported by Novogradac in 2021. LIHTC units include low-income units only.
Sources: JCHS tabulations of HUD, Picture of Subsidized Households and Low-Income Housing Tax Credit Database; Robert Collinson, Ingrid Gould Ellen, and Jens Ludwig, Low-Income Housing Policy, NBER Working Paper, 2015.

Under RAD, 226,000 units have converted to Section 8 units to date, boosting the number of project-based Section 8 households to 1.2 million in 2022.

A recent extension of RAD offers public housing authorities the first real opportunity to develop new public housing units since the Faircloth Amendment capped the public housing stock at 1999 levels. With the demolition of hundreds of thousands of units since then, many places operate below their allowable maximum but do not have the capital to support new units. Faircloth-to-RAD helps address this financing hurdle, providing housing authorities with the opportunity to add nearly 220,000 units back to the stock through HUD's mixed-finance program, with the knowledge that the units will convert to longer Section 8 contracts.

Faircloth-to-RAD holds promise for expanding the subsidized stock. Still, most new construction, rehabilitation, and acquisition projects are currently financed through the Low-Income Housing Tax Credit (LIHTC) program. Since the program's creation in 1986, LIHTC has supported the development and preservation of more than 3.6 million low-income units. While LIHTC is an important source of quality affordable housing in many communities, developers are permitted to flip these units to market rate after the conclusion of the affordability period, typically at least 30 years. More than 325,000 units are set to expire between 2024 and 2029 alone. Additionally, at least 7,000 units are prematurely lost each year through the qualified contracts process, which permits property owners to opt out of the program after 15 years.

Further, LIHTC does not necessarily protect a renter from cost burdens. Because rents are capped based on the income designation of the unit, tenants who make less than that maximum may find themselves in an unaffordable unit. For some renters with lower incomes, Housing Choice Vouchers can help make up a portion of the difference.

Housing Choice Vouchers have been the dominant HUD subsidy for the last 25 years, assisting 2.3 million renter households in 2022. However, voucher holders may struggle to secure a unit priced within their area's fair market rent. Vouchers also do not guarantee an affordable apartment. Indeed, 26 percent of voucher recipients were cost burdened despite receiving assistance. This is likely because renters can select housing that costs more than the program limit as long as they pay for the difference out of pocket.

Moreover, Housing Choice Vouchers rely on the private market and landlord participation. Yet many property owners find the program's inspections and requirements too burdensome to merit their involvement. Given these challenges, about 40 percent of voucher holders are unable to secure an appropriate unit in the allotted time. To address these obstacles, HUD announced in 2023 that the agency will pilot a direct-to-tenant assistance program.

Though HUD programs serve rural areas, multifamily subsidies from the US Department of Agriculture (USDA) play an important role in these communities. USDA's Section 515 Rural Rental Housing program offers

low-interest mortgages for multifamily housing and requires that rents in these units remain affordable over the 30-year loan period. Currently, Section 515 serves 378,000 renter households in rural areas with limited rental supply. However, this stock is dwindling. The program has not financed new housing in recent years, and most of the existing loans are nearing maturity. Loan prepayments also threaten the stock. Nearly 22,000 units exited the program between 2016 and 2021, according to the Housing Assistance Council.

State and Local Governments Step Up Efforts

Limited federal rental assistance has prompted many state and local governments to find solutions to the affordability crisis. Increasingly, states and localities rely on multifamily housing bonds to finance affordable housing, often pairing tax-exempt bond revenue with LIHTC financing. Multifamily private activity bond issuances rose from $2.4 billion in 2010 to a record $17.2 billion in 2020 **(Figure 28)**. On a smaller scale, more than 800 state and local housing trust funds generated almost $3 billion annually to fund affordable housing.

In addition to raising their own revenues, state and local governments manage federal resources for affordable housing. Since 2016, the National Housing Trust Fund has provided states with flexible funding ranging from $173 million to nearly $740 million annually. American Rescue Plan state and local fiscal recovery funds have also been a recent boon to affordable housing efforts. State and local governments budgeted $17.7 billion of these funds through June 2023 to support about 2,800 affordable housing projects and programs nationwide.

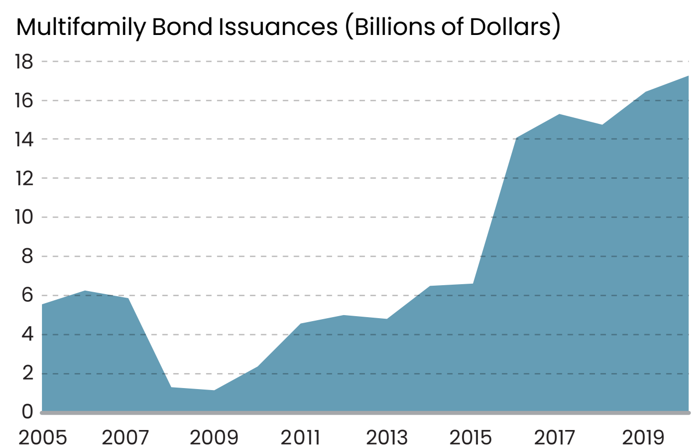
Some cities are finding ways to take units out of the private market for longer-term affordability, including shared and public ownership models. According to a 2022 survey by the Grounded Solutions Network, community land trusts hold nearly 20,000 rental units nationwide. Growing momentum for publicly or community-owned permanently affordable housing has also spurred calls for social housing plans in California and Rhode Island, as well as in New York City, Los Angeles, San Francisco, Kansas City, Seattle, and Washington, DC.

At the same time, a growing tenant movement has prompted rent regulation legislation. In 2019, Oregon passed the first statewide rent stabilization bill, limiting annual rent increases to 7 percent plus inflation. California enacted similar legislation shortly thereafter. At the local level, Saint Paul recently implemented rent stabilization measures.

However, other state and local legislative efforts to limit rent increases have failed, in part because striking a balance between the priorities of renters and property owners proved difficult. While renters seek protection from rapid rent hikes, landlords are concerned about limits on rent increases that can make it more difficult to cover growing expenses. There is also the risk that developers may steer clear of jurisdictions with rent control, creating longer-term supply challenges.

Figure 28

Multifamily Bond Issuances Jumped in the Last Decade



Note: Multifamily private activity bonds are issued by state and local authorities.
Source: Council of Development Finance Agencies.

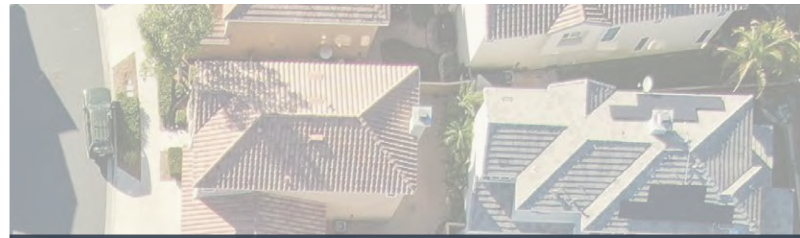
Barriers to New Construction Are Falling

Reducing the barriers to multifamily housing construction can improve affordability and increase rental options. Nationwide, an estimated 75 percent of land in major cities is zoned exclusively for single-family homes. By limiting diverse housing types, communities effectively exclude renters. Amending zoning laws does not guarantee that new units will be built or will be affordable to renters with lower incomes, but it removes a significant barrier to such possibilities.

Such zoning reforms are gaining popularity, with recent efforts at all levels of government. The 2023 federal omnibus spending bill included $85 million for new "Yes In My Back Yard" grants to encourage state and local governments to identify and address exclusionary zoning and land use policies. The program follows Washington's model of incentivizing communities to carefully examine restrictive zoning. There, the initiative supported several cities in changing their land use policies to allow duplexes, triplexes, and accessory dwelling units in formerly single-family districts.

Also, a growing list of states are preempting local single-family zoning laws to compel more neighborhoods to allow a range of housing options. In 2023 alone, Montana, Vermont, and Washington passed legislation requiring local communities to loosen zoning laws to allow modest-sized multifamily buildings. These changes came on the heels of sweeping zoning reforms in California, Maine, and Oregon that similarly opened single-family-only zones to different types of housing. And in Massachusetts, recent legislation mandated that the 177 jurisdictions served by public transit must designate at least one zone to allow multifamily buildings and higher densities without special approvals.

At the local level, cities are also eyeing zoning reforms to enable more supply and improve affordability over the longer term. In 2020, Cambridge, Massachusetts, adopted an innovative 100 percent affordable housing overlay, allowing affordable development

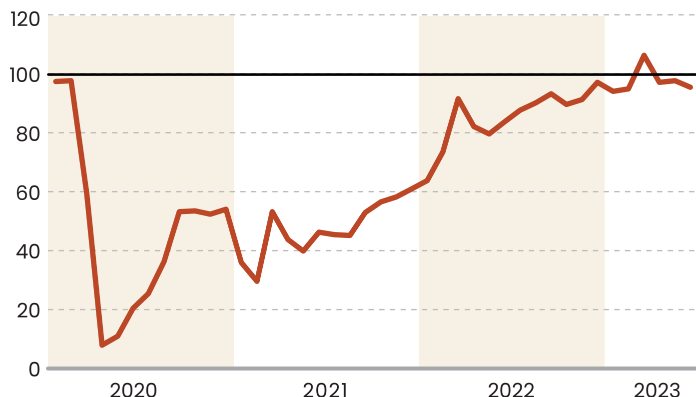


About 75 percent of land in major cities is zoned exclusively for single-family homes.

Figure 29

Eviction Filings Returned to Pre-Pandemic Levels After Relief Measures Expired

Eviction Filings Relative to Pre-Pandemic Average (Percent)



Notes: Data include eviction filings in the 10 states and 18 cities that had complete data through the end of June 2023. Rates are relative to a pre-pandemic average baseline.
Source: JCHS tabulations of Eviction Lab, Eviction Tracking System.

projects by right and at greater heights and densities. Cambridge is also among the cities—including Ann Arbor and Cincinnati—that recently removed some or all parking requirements in an effort to reduce the cost of construction and, in turn, rents in new developments.

Evictions Have Returned to Pre-Pandemic Levels

The protections and supports that kept households in their homes through the first years of the pandemic either have ended or are nearing depletion. Emergency Rental Assistance (ERA) and federal, state, and local eviction moratoriums—as well as property owners who gave renters additional leniency—helped keep vulnerable renters housed, reducing eviction cases by an estimated 58 percent through the end of 2021, according to the Eviction Lab.

ERA has been a particularly critical program, making more than 10.8 million payments to renters at risk of eviction and, in doing so, making their landlords whole. While some ERA funds have spending timelines that extend through 2025, most of the money has already been disbursed. As of mid-October 2023, about $6.5 billion remained of the $46.55 billion in authorized assistance, and programs in most states were closed.

Yet renters continue to face financial stressors. In the middle of 2023, 12 percent of all renter households were behind on rent despite low unemployment and the broader economic recovery, with even higher rates for lower-income households (18 percent) and those headed by a Black person (21 percent) or an Asian person (17 percent). With significant shares of renters still at risk as ERA and other critical protections wind down, eviction filings approached pre-pandemic levels at the end of 2022 and remained elevated through the first half of 2023 **(Figure 29)**.

Still, some renters are benefitting from ongoing efforts to keep tenants housed. At the federal level, HUD's Eviction Protection Grant Program has offered funding to a limited number of governments and nonprofits that provide or connect renters with legal services. States and localities are also working to pass right-to-counsel legislation for renters facing eviction. Jurisdictions in 17 states had some form of right to counsel as of mid-2023, with 3 states and 12 local governments enacting such programs since 2021. State, county, and local governments are also continuing their emergency rental assistance programs, with about half of ERA administrators surveyed by the National Low Income Housing Coalition reporting that they plan to keep running these programs beyond the end of the US Department of the Treasury's ERA funds.

Homelessness Reaches an All-Time High

As evictions and housing costs have risen, so has homelessness. In 2023, a record-setting 653,100 people in the US were unhoused on a given night in January. During the early years of the pandemic, eviction prevention efforts, emergency rental assistance programs, and temporary income supports minimized the rise in homelessness. However, many of these protections ended in 2022 as rents rose rapidly and

amid an influx of migrants prohibited from working. Consequently, the number of unhoused people rose by nearly 71,000 in just one year.

The most recent increase reflects a significant growth in both sheltered and unsheltered homelessness. Between January 2022 and 2023, the number of people staying in shelters rose by 47,860 to 396,490. Meanwhile, an increase of 22,780 people staying in places not intended for human habitation drove the population experiencing unsheltered homelessness to an all-time high of 256,610.

Rising unsheltered homelessness continues a longer-term trend. Since 2015, this population has grown nationally by more than 83,000 people (48 percent). While states across the country have seen their unsheltered populations increase, the growth has been highest in the West, where housing costs have risen rapidly and shelter resources were already strained. In California alone, 123,420 people are experiencing unsheltered homelessness, amounting to 48 percent of the national unsheltered population. Even states traditionally considered more affordable, like Arizona, Ohio, Tennessee, and Texas, have experienced rising unsheltered homelessness since 2015 **(Figure 30)**.

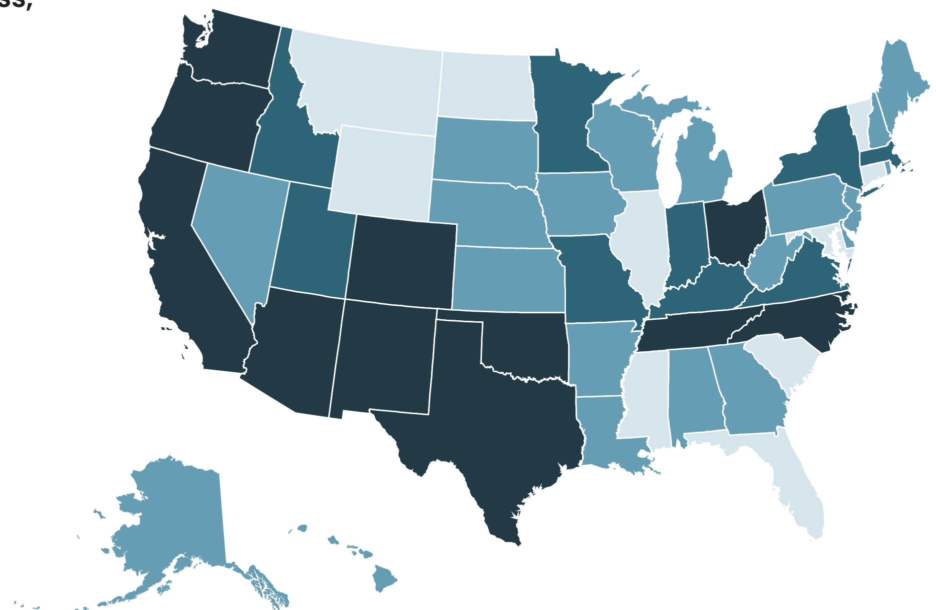
Several populations are vulnerable to homelessness. Widespread discrimination against Black and Hispanic people creates inequities in household finances, housing opportunities, and evictions. As a result, Black people are 37 percent of all unhoused people but just 13 percent of the US population, while Hispanic people are more than a quarter (28 percent) of people experiencing homelessness but less than 20 percent of the population. In addition to discrimination, Native Americans and Indigenous people face unique housing challenges that also leave a disproportionate share homeless.

Figure 30

Unsheltered Homelessness Has Risen in Most States

Change in Unsheltered Homelessness, 2015–2023 (People)

- Decrease (Up to 1,535)
- 1–500 Increase
- 501–1,000 Increase
- 1,001–50,000 Increase



Source: JCHS tabulations of US Department of Housing and Urban Development, Annual Homeless Assessment Report Point-in-Time Estimates.

In response to the increase in homelessness, the current administration has offered federal agencies additional in resources. Through its Continuum of Care program, HUD made available a record-setting $3.1 billion in competitive grants in 2023 for homelessness response efforts. The 2021 American Rescue Plan Act also included $5 billion for homelessness services, shelters, and housing through the HOME-ARP program and 70,000 Emergency Housing Vouchers for people experiencing or at risk of homelessness. Still, a much greater investment by the federal government in affordable housing and rental assistance is imperative to prevent further increases in homelessness, rehouse people at scale, and reduce the costs of homelessness responses.

State and local governments have filled some gaps by using flexible pandemic funding to serve unhoused people. More than $3.8 billion of state and local fiscal recovery monies have been earmarked for homelessness services and housing. However, some states, including Missouri and Tennessee, are responding to heightened homelessness by passing laws that restrict encampments or criminalize sleeping on public property. Such policies are harmful to people experiencing homelessness, divert resources from supporting unhoused people, and do not address the underlying housing affordability issues that push people into homelessness.

Rental Stock Urgently Requires Energy Upgrades

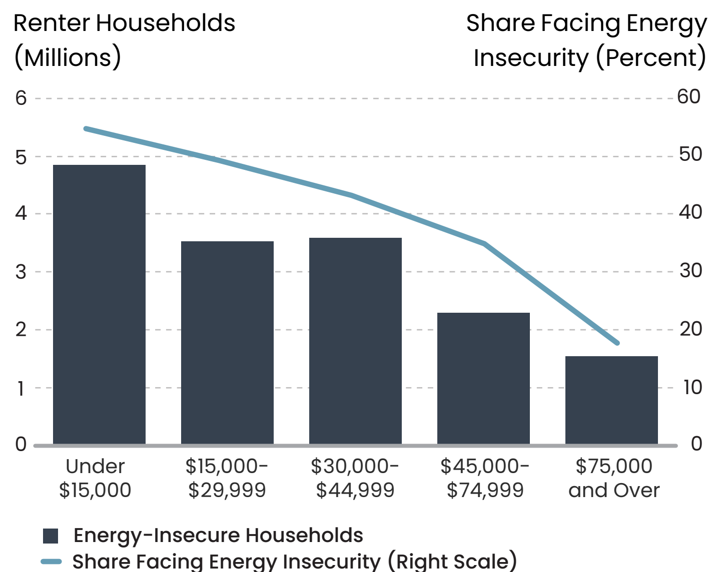
Extreme weather variability and rising temperatures caused by climate change are expected to increase home energy demand and, in turn, renters' housing costs. About half of renters making less than $30,000 (8.4 million households) experienced energy insecurity in 2020 **(Figure 31)**. The Low Income Home Energy Assistance Program offset costs for more than 6 million renter and homeowner households in 2022 but nonetheless was unable to fully address the need.

Despite improvements in construction techniques and retrofits, the rental housing stock still has efficiency and electrification needs. While renters use less energy than homeowners on a per household basis, rentals account for greater energy use per square foot than owner-occupied homes, according to the Residential Energy Consumption Survey. Older rental homes, in particular, use more energy than newer homes and have considerable efficiency, renewable energy installation, and electrification needs.

New federal resources will help address the need for energy efficiency by providing funding to encourage tenants and property owners to make select improvements. The Weatherization Assistance Program, for example, received a one-time $3.5 billion infusion through the Infrastructure Investment and Jobs Act to help homeowners—and likely a modest number of renter households—fund approved upgrades. The Inflation Reduction Act also granted renters and rental property owners $8.8 billion in household rebates and

Figure 31

Millions of Renters Are Energy Insecure



Note: Households that are energy insecure have forgone basic necessities, maintained an unhealthy temperature inside their home, or received a disconnection notice.
Source: US Energy Information Administration, 2020 Residential Energy Consumption Survey.

tax credits, expanded home energy tax credits, and provided an additional $1 billion for energy and water efficiency improvements in HUD-assisted housing.

Similarly, states are making financial resources available for multifamily retrofits. The new Massachusetts Community Climate Bank, the nation's first "green bank" focused exclusively on affordable housing, will lend an initial $50 million in state funds to leverage additional federal and private resources and promote efficiency improvements. And in response to a deadly heat wave in 2021, Oregon created a $15 million grant and rebate program for landlords who install heat pumps as energy-efficient alternatives to air conditioners and furnaces.

Climate Change Threatens Renters and Their Homes

Improving the rental stock's climate resiliency is another urgent priority. The frequency and severity of hazards related to climate change leave an increasing number of renter households at risk of hurricanes, wildfires, floods, and other extreme climate-related events. Disasters also carry longer-term risks to renters. Both evictions and rents increase in the year after a climate-related disaster, and recovery assistance for renters is dramatically lower than homeowner aid and takes longer to receive.

Rising insurance premiums and the increasingly frequent withdrawal by insurers from high-risk markets are making property insurance more expensive. Yet even as insurance costs are growing, coverage has decreased. Nearly two-thirds of firms surveyed in 2023 by the National Multifamily Housing Council reported that they had to increase their deductibles, and about a third noted that their insurance carrier had limited or reduced coverage amounts. These rising costs threaten the financial solvency of existing properties and can constrain the financing of new construction, especially for affordable housing providers. Renters are also affected by the shifting insurance markets. Just over half have a general renters insurance policy. But most of these policies do not include separate flood coverage.

With gaps in insurance, federal resources are crucial in helping renter households and communities with relief and recovery after disasters. The Federal Emergency Management Agency's Individuals and Households Program has provided $4.5 billion directly to 1.4 million renter households since 2020. Additionally, $10 billion of Community Development Block Grant Disaster Recovery funds assisted communities affected by disasters between 2020 and 2022. State and local grantees can use these monies to rebuild multifamily housing and cover rent payments. Still, they typically put most of their funds toward supporting individual homeowners, leaving unaddressed the assistance that rental property owners may need to bring units back online.

Greater investment in pre-disaster upgrades for the existing rental stock is also critical to protecting the already dwindling supply of affordable homes. At the federal level, the new Green and Resilient Retrofit Program will enable HUD-supported providers to reinvest in their housing, making the units more resilient to extreme weather events while improving energy efficiency. Locally, efforts such as the Washington, DC, Resilience and Solar Assessment tool will help owners of affordable multifamily properties identify adaptation improvements and potential funding sources to pay for them.

Ultimately, increasing assistance for pre-disaster retrofits, supporting affordable housing providers with insurance costs, and investing in regional coordinated planning are critical to ensuring rental homes and operators are equipped to meet the challenges of climate change while preserving affordability.

The Outlook

Though the affordability challenge is not new, it has noticeably worsened in recent years. Before the pandemic, housing cost burdens swiftly climbed the income scale, especially in high-cost markets, while households with lower incomes grappled with persistently high burdens. The pandemic significantly exacerbated these problems as rents surged at unprecedented rates, leaving record numbers of renters struggling to afford housing and other basic needs. Against this backdrop and with the sunsetting of pandemic-era supports for renters, evictions have risen and more people are experiencing homelessness than ever before.

As a growing number of middle-income households struggle with increasingly unaffordable housing, the crisis is receiving more attention. State and local governments are seeking to reduce barriers to building housing that is more affordable and located in desirable neighborhoods. Such actions include reforming zoning laws to allow for a greater variety of housing types. While this work is crucial, state and local governments cannot tackle the affordability crisis alone. Industry must continue to innovate less costly ways to build homes. If successful and achieved at the needed scale, these efforts could address the affordability challenges facing middle-income renters.

Even so, a gaping divide persists between what lower-income households can afford and the cost of building and operating rental housing. The need to expand housing subsidies remains a pressing priority. Over the last few decades, rental assistance has failed to keep up with the growing number of income-eligible renters. The number of unassisted renters is now at an all-time high, forcing households to make painful choices that may include forgoing basic needs in favor of housing. To meaningfully shrink the affordability gap, all levels of government, as well as the private sector, must increase their commitment to assisting households and use every available tool.

There is also an increasingly urgent need to address challenges at the intersection of housing and climate change. Necessary actions include mitigating the housing sector's contribution to greenhouse gas emissions and adapting policies and practices to better help households recover from increasingly frequent climate-related hazards. Likewise, the existing and future stock must be able to meet the needs of the nation's rapidly aging population.

Property owners' willingness and ability to make these sorts of crucial investments may be hampered by high costs, and many upgrades may only be possible with subsidies. Recently, federal programs have expanded funding for energy-efficiency investments, with an eye toward ensuring that rental properties and lower-income communities benefit from these resources.

Importantly, while the scope of needed investments is substantial, so is the cost of inaction. The instability caused by a lack of affordable housing bleeds over to other public spending, threatening the well-being of millions of people. Pandemic-era emergency housing programs demonstrated the value of supporting stable housing while showing that we can muster the political will for these efforts. With housing challenges growing ever more severe, now is the time to make a fuller commitment to ensuring that all people living in the US have a decent, safe, and affordable place to call home.

07 ADDITIONAL RESOURCES

The following interactive figures and data tables are a sample of the additional resources available at www.jchs.harvard.edu.

Interactive Maps and Data

Share of Cost-Burdened Renters by Metro Area: 2022

Changes in Cost-Burdened Rates by Income by State: 2001–2022

Number of People Experiencing Homelessness by State: 2007–2023

Decline in Low-Rent Units by State: 2012–2022

Data Tables

Basic Rental Housing Facts by State and Metro Area: 2022

Characteristics of Renter Households by State and Metro Area: 2022

Rentership Rates by State and Metro Area: 2022

Number and Share of Cost-Burdened Renters by State: 2001–2022

Number of Rental Units by Monthly Contract Rent by State: 2012–2022

Table A-1

Characteristics of Renter Households: 2010–2022

Renter Households (Thousands)

	2010	2019	2022	Percent Change 2010–2022	Percent Change 2019–2022
All Renter Households					
Total	39,620	44,012	45,123	14	3
Age of Householder					
Under 35	14,591	15,159	16,009	10	6
35–44	8,098	8,776	8,869	10	1
45–54	6,965	6,840	6,630	-5	-3
55–64	4,630	6,014	5,966	29	-1
65 and Over	5,336	7,222	7,650	43	6
Household Income					
Under $15,000	7,132	6,853	7,529	6	10
$15,000–$29,999	8,072	7,384	7,068	-12	-4
$30,000–$44,999	6,387	6,313	6,926	8	10
$45,000-$74,999	8,603	9,953	10,076	17	1
$75,000 and Over	9,425	13,508	13,524	43	0
Housing Cost Burdens					
Not Burdened	19,736	23,623	22,763	15	-4
Moderately Burdened	9,075	9,870	10,292	13	4
Severely Burdened	10,809	10,518	12,068	12	15
Educational Attainment of Householder					
No High School Diploma	6,978	5,960	5,518	-21	-7
High School Diploma or GED	10,834	11,652	11,829	9	2
Some College	12,952	13,940	13,929	8	0
Bachelor's Degree	5,960	8,119	8,988	51	11
Graduate/Professional Degree	2,894	4,341	4,859	68	12
Household Type					
Married, Without Children	4,773	5,838	5,909	24	1
Married, with Children	5,582	5,633	5,116	-8	-9
Single Parent	6,999	6,593	6,349	-9	-4
Other Family	3,445	4,110	4,333	26	5
Single Person	14,682	16,811	17,975	22	7
Other Nonfamily	4,138	5,026	5,442	32	8

Notes: Household incomes are adjusted for inflation using the CPI-U for All Items. Moderately (severely) cost-burdened households spend 30–50% (more than 50%) of income on rent and utilities. Households with zero or negative income are assumed to be burdened, while households that are not required to pay rent are assumed to be unburdened.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

America's Rental Housing 2024 was prepared by the Joint Center for Housing Studies of Harvard University. The Center strives to improve equitable access to decent, affordable homes in thriving communities. We conduct rigorous research to advance policy and practice, and we bring together diverse stakeholders to spark new ideas for addressing housing challenges. Through teaching and fellowships, we mentor and inspire the next generation of housing leaders.

STAFF

Whitney Airgood-Obrycki
Corinna Anderson
Jean Barrett
Patricia Bravo Morales
James Chaknis
Kerry Donahue
Riordan Frost
Chris Herbert
Alexander Hermann
Alexander von Hoffman
Mary Lancaster
David Luberoff
Magda Maaoui
Carlos Martín
Daniel McCue
Jennifer Molinsky
Samara Scheckler
Sophia Wedeen
Peyton Whitney
Abbe Will
Juanne Zhao

STUDENTS

Nora Cahill
Sophie Huang
Etta Madete
Aditya Mukundan
Olivia Novick
Abby Yoon

FELLOWS & ADVISORS

Barbara Alexander
Frank Anton
Daniel Fulton
Joe Hanauer
Nicolas Retsinas
Mark Richardson

EDITOR

Loren Berlin

DESIGN

Pixels 360

FOR ADDITIONAL COPIES, PLEASE CONTACT

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

www.jchs.harvard.edu | Twitter (X): @Harvard_JCHS

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