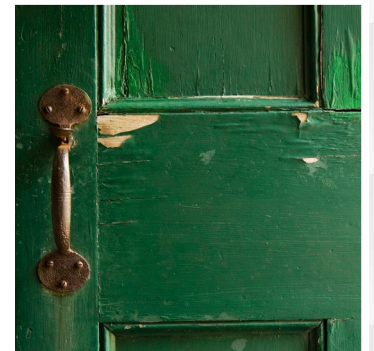


# WORST CASE HOUSING NEEDS

2023 REPORT TO CONGRESS

EXECUTIVE SUMMARY



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# **WORST CASE HOUSING NEEDS**

## 2023 REPORT TO CONGRESS

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### EXECUTIVE SUMMARY

Prepared for  
U.S. Department of Housing and Urban Development  
Office of Policy Development and Research

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# FOREWORD

The U.S. Department of Housing and Urban Department (HUD) presents to the U.S. Congress its 19th biennial report on Worst Case Housing Needs. The 2023 report on Worst Case Housing Needs provides national data and analyzes the critical problems facing low-income renting families. The report primarily draws on data from the 2021 American Housing Survey (AHS) sponsored by HUD and conducted by the U.S. Census Bureau. AHS is a comprehensive national longitudinal housing survey conducted since 1973.

Households with worst case housing needs are very low-income renters—households with incomes at or below 50 percent of area median income—who do not receive government housing assistance and who pay more than one-half of their income toward rent, live in severely inadequate conditions, or both. The 2023 report finds that in 2021, during the COVID-19 pandemic, 8.53 million households had worst case housing needs. This is an increase in worst case needs from the record high of 8.48 million in 2011 and 70 percent greater than the 5.01 million households with worst case housing needs in 2001.

The increase in renters with worst case housing needs since the last biennial report was published (using data from 2019, when 7.77 million renters had worst case housing needs) reflected the declining supply of units affordable and available to very low-income renters at a time when demand was rising. There is an urgent need to expand the supply of both homes affordable for very low-income renters and for-sale homes for renters locked out of the sales market.

The 2021 AHS captured housing needs in mid-2021, about a year and a half after the onset of the COVID-19 pandemic and its economic fallout. The financial shock to the labor market and household incomes contributed to the substantial increases in worst case needs. The major federal legislative response to the pandemic, including enhanced unemployment benefits, stimulus payments, and the Emergency Rental Assistance program, reduced the economic hardship experienced by renter households in 2021 and beyond. The 2021 AHS did not count one-time Federal stimulus payments, such as those that were part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, in its measurement of household income, so such payments were not considered for the estimates of worst case housing needs<sup>1</sup>. Although the AHS data collection does not capture the effect of the one-time stimulus payments or the Emergency Rental Assistance program, government relief measures provided over the pandemic have helped to offset the dire needs of many families with worst case needs.

Demographic and pandemic-related economic factors greatly increased the number of very low-income renters needing affordable housing units, increasing

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<sup>1</sup> It would be difficult to capture emergency payments in the AHS, as the survey instrument must be tested and finalized in advance and the survey fieldwork occurs over an extended period. Additionally, changes in the number and content of income questions can depress response rates and disrupt the year-to-year comparability of income reporting without necessarily capturing temporary income sources accurately.

competition and driving up rents in a housing market that has long acted only partially and slowly to meet the housing needs of this very low-income renter population, which accounts for about 15 percent of U.S. households.

No group of very low-income renters was immune from worst case needs if they lacked access both to housing assistance and to sufficient affordable units to ease market pressure on rents. Among the various demographic subgroups, geographic regions, and urban-suburban-rural categories examined in this report, the rate of worst case needs among very low-income renters ranged from 23.4 to 58.2 percent. Two geographic variables explain much of this variation: first, places with more adequate supply than others have a greater share of unsubsidized very low-income renters who are free of severe cost burdens, and second, places with higher rates of housing assistance have less pressure on the most affordable housing units in the local housing supply.

This variation also provides the key to ending worst case housing needs—increasing affordable housing through both more supply and more rental assistance. This report finds that in 2021, only 57 affordable units (including those with rental assistance) were available for every 100 very low-income renter households. Only 36 affordable units were available for every 100 extremely low-income renter households. HUD is committed to ending worst case housing needs and homelessness in America by increasing affordable housing access.

The serious scarcity of housing units affordable to the most vulnerable households and hard-working families makes it essential to prioritize production of affordable units, reducing regulatory barriers to affordable housing production and providing technical assistance to local governments to assist in removing barriers that drive up housing costs. Providing income supports to very low-income renters can also help address worst case needs. As these longer-term strategies take effect and as the nation emerges from the pandemic, increasing access to rental assistance may be essential to sustain affordable housing and prevent homelessness.

Although the pandemic has likely played a role in increasing worst case housing needs, this report and its predecessors provide clear, consistent evidence of the persistent, underlying structural gap in the affordable housing market. Ideally, a policy response that begins to bridge this affordable housing gap will also seek to address geographic disparities in resource allocation that contribute to inequities and pockets of distress.



Solomon Greene  
Principal Deputy Assistant Secretary for Policy Development and Research  
U.S. Department of Housing and Urban Development

# EXECUTIVE SUMMARY

Worst case need is a long-standing measure of the extent of unmet needs for affordable rental housing of adequate quality. Housing affordability is made possible through housing offered in the private market at affordable rents, through public rental assistance, or a combination of the two. Renter households are defined as having worst case needs for such housing if they have very low incomes—household incomes at or below 50 percent of the area median income (AMI), do not receive government housing assistance, and either pay more than one-half of their income for rent, or live in severely inadequate conditions, or both.

*Worst Case Housing Needs: 2023 Report to Congress* examines trends in and causes of worst case needs using the most recent data from the 2021 American Housing Survey (AHS)<sup>2</sup>. This report finds that since 2019, worst case housing needs have increased across demographic groups, household types, and regions throughout the United States. The unmet need for decent, safe, and affordable rental housing continues to outpace income growth and the ability of federal, state, and local governments to supply housing assistance and facilitate affordable housing production. As a result, the number of families with worst case housing needs in 2021 sets a historic record since the Great Recession of 2007–2009.

This report captures housing needs in mid-2021, about a year and a half after the onset of the COVID-19 pandemic and the associated brief recession early in 2020. The financial shock to the labor market and household incomes contributed to substantial increases in worst case needs as measured by the 2021 AHS.

## Worst Case Needs Reached a New High in 2021

There were 8.53 million renter households with worst case needs in 2021, an increase of 760,000 cases compared with 7.77 million in 2019 (exhibit ES-1). The 2021 count of households with worst case needs is the highest ever recorded, slightly higher than the previous record high of 8.48 million in 2011. The number of very low-income renters with worst case housing needs has averaged 8 million in the past decade, a major increase from the years preceding the 2007–2009 recession when there was greater availability of affordable housing stock.

<sup>2</sup> Unless otherwise cited, estimates presented in this report are the findings of HUD's analysis of worst case needs and related factors using the AHS.

**Exhibit ES-1. Change in Worst Case Housing Needs, 2001–2021**

Source: HUD-PD&R tabulations of American Housing Survey data

Alongside the growth in the number of households with worst case needs, the rate at which very low-income (VLI) renters experience worst case needs also has increased in recent years. The percentage of VLI renters experiencing worst case needs (the “prevalence” of worst case needs) was 44.1 percent in 2021, an increase of 1.9 points from 42.2 percent in 2019, surpassing the record prevalence of 44.0 percent observed in 2011. Further, between 2019 and 2021, the number of households with worst case needs grew significantly more (9.8 percent) than the overall number of VLI renters (5.2 percent). The most recent biennial change in total worst case needs is attributable to three factors: (1) the ongoing formation of new households; (2) a modest increase in the number of renters with very low incomes; and (3) increased competition for affordable units, which made them less available to VLI renters.

VLI renter households comprise two income groups: households with extremely low incomes (ELIs) and households with incomes between 30 and 50 percent of AMI. ELI renter households account for the majority of worst case needs cases: 71.0 percent in 2021, down from 74.4 percent in 2019. The prevalence of worst case needs did not change among ELI renters between 2019 and 2021 but increased among renters with incomes between 30 and 50 percent of AMI.

## Prevalence of Worst Case Needs Worsened Across Demographic Groups and Household Types

The percentage of very low-income renters experiencing worst case needs varied among demographic groups. In 2021, the prevalence of worst case needs was 52.6 percent among Asian households, 47.4 percent among Hispanic households, 44.1 percent among non-Hispanic White households, 41.6 percent among Native Hawaiian or Other Pacific Islander households, 39.3 percent among non-Hispanic Black households, and 36.4 percent among American Indian or Alaska Native households. Between 2019 and 2021, the prevalence of VLI renters with severe problems increased by 3.2 percentage points for non-Hispanic Blacks, by 2.3 points for Hispanics, by 0.4 points for non-Hispanic Whites, and by 12.2 points for other races or other ethnicities. The prevalence of worst case needs remained the same for Asian households. Despite the increased prevalence of worst case needs, the percentage of VLI renters receiving rental assistance decreased for non-Hispanic Blacks but remained the same for non-Hispanic Whites and Hispanic households between 2019 and 2021.

More than 8.5 million renter households had worst case needs in 2021, of whom 3.17 million lived in the South, 2.25 million lived in the West, 1.62 million lived in the Northeast, and 1.48 million lived in the Midwest. In the Midwest, Northeast, and South, the prevalence of worst case needs among VLI renters increased by about 2 percentage points between 2019 and 2021. The West, however, saw a prevalence decrease of almost 1 percentage point during the same period. The prevalence of worst case needs decreased in central cities between 2019 and 2021 but not in suburbs and nonmetropolitan areas. The greatest increase was observed in urban suburbs.

For very low-income renters, worst case needs remained a serious and prevalent problem among all household types in 2021: 44.4 percent among families with children, 40.1 percent among households headed by older adults without children, 50.0 percent among “other family” households (including multiple family members without children), and 46.0 percent among “other nonfamily” households (mostly single individuals). Between 2019 and 2021, the prevalence of worst case needs increased by 4.2 points among families with children and 6.3 points among the other families group, remained the same among nonfamily households, and slightly decreased among households headed by older adults.



In absolute terms, worst case needs increased among all household types since 2019. In 2021, households with worst case needs included 2.63 million families with children, 2.63 million “other nonfamily” households, 2.35 million older adult households, compared with 0.92 million “other family” households. About one in seven renter households with worst case needs—14.7 percent or 1.26 million—included people younger than 62 who have disabilities.

This report includes a new analysis of the intersection between worst case needs and the related but less prevalent problem of housing overcrowding. Overcrowding is defined as the condition of having more than one person per room in a residence, considering only whole rooms such as bedrooms, living rooms, dining rooms, kitchens, recreation rooms, lodger’s rooms, and other finished rooms. In 2021, about 948,000 very low-income renter households, or 4.9 percent, were overcrowded. Of these, 390,000 households also experienced worst case needs.<sup>3</sup> About two-fifths of households experiencing overcrowding also experienced worst case needs. The large majority—75.8 percent—of VLI households with overcrowding had moderate or severe rent burden. Most VLI households with overcrowding—92.5 percent—were families with children. More than one-half of overcrowded households in 2021—54.4 percent—were Hispanic, 17.9 percent were non-Hispanic White, 16.1 percent were non-Hispanic Black, 7.1 percent were Asian, and 4.4 percent were of other races and ethnicities. The majority of overcrowded households in 2021—70.6 percent—had from five to seven household members.

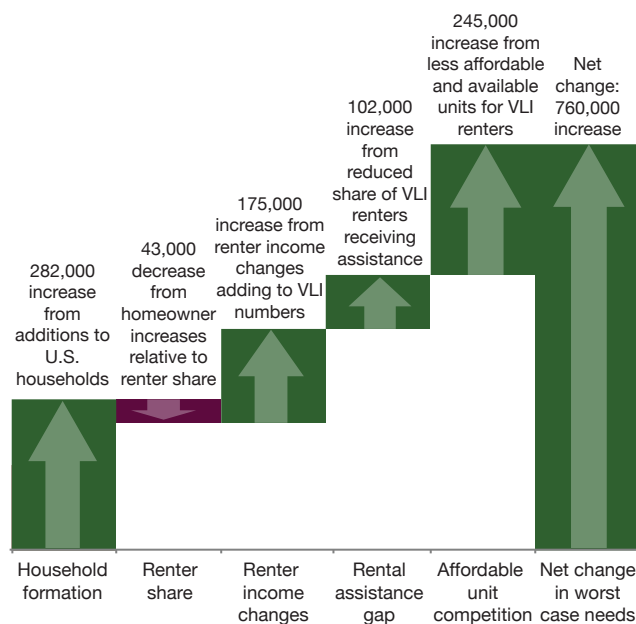
## Demographic and Market Factors Shape the Persistent Shortage of Affordable and Available Rental Housing

For most households, worst case needs are caused by severe rent burdens—that is, paying more than one-half of the household’s income for rent. Inadequate market supply, competition for affordable units, and a shortage of rental assistance continued to pose a substantial challenge for VLI renter households in 2021. Inadequate housing quality caused only 2.8 percent of worst case needs.

The net increase in worst case needs by 760,000 cases between 2019 and 2021 is attributable to a combination of the demographic changes affecting the number of unassisted VLI renter households and the housing market’s response to affordable housing demand. Exhibit ES-2 shows

how these factors worked together to result in the increase in worst case needs. An attribution analysis estimated the independent contribution of each of four increasingly focused demographic factors to assess its effect on the number of unassisted VLI renters and thereby on the number of worst case needs. The positive or negative effects attributed to the four demographic factors are represented by the first four bars of exhibit ES-2: household formation increased worst case needs because there was a net increase in new households from population changes; tenure shift reduced worst case needs because the growth in renters between 2019 and 2021 lagged the growth in homeowners; renter household income shifts increased worst case needs because there was a net increase of renter households with income below 50 percent of AMI; and the rental assistance gap increased worst case needs because there was a net increase in VLI renters lacking rent subsidies from the federal, state, or local government.

**Exhibit ES-2. Worst Case Needs Markedly Increased as a Result of Household Formation, Changes in Income, the Rental Assistance Gap, and Greater Competition for Affordable Units from 2019 to 2021**



VLI = very low-income.  
 Note: The columns of ES-2 are cascading in the sense that each column begins where the previous one ends, while the final column displays the net effect on worst case needs.  
 Source: HUD-PD&R analysis of American Housing Survey data

Contributing most to the increase in worst case needs were household formation—individuals creating new single-person or multi-person households in a separate housing

<sup>3</sup> HUD categorizes overcrowding as a moderate housing problem rather than a severe problem, so households that experience overcrowding but do not experience severe rent burden or severely inadequate conditions are not included in the count of households with worst case needs.

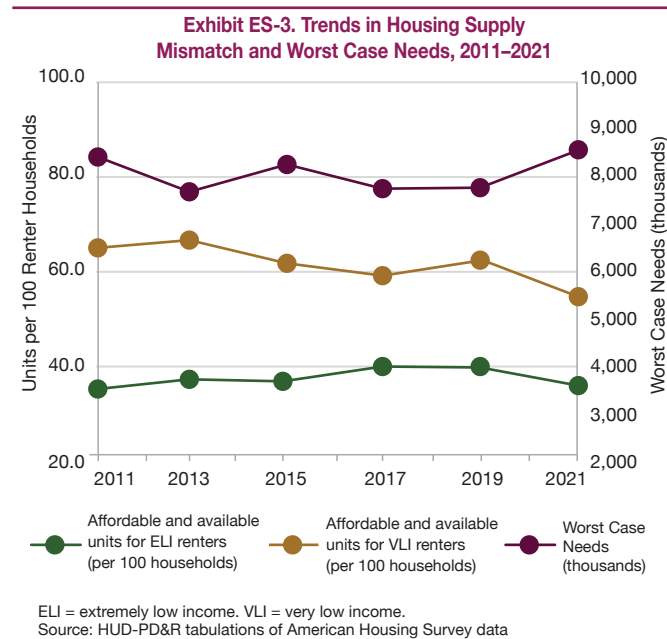
unit—and the increased competition for affordable units that reduced their availability to households with very low incomes. Changes in income among VLI renters<sup>4</sup> and the widening of the already large gap between the number of households eligible to receive housing assistance and the number who receive it were also major factors contributing to raising worst case needs to a level never before seen. The only demographic factor that helped improve the worst case needs picture between 2019 and 2021 was the modest increase in homeownership rates (by definition, only renters can have worst case needs).

The four demographic factors together created the environment for a substantial net increase in worst case needs between 2019 and 2021 by increasing the size of the unassisted VLI renter population. The market’s increase of competition among renters for affordable units aggravated worst case needs through 2021. The net increase attributed to demographic changes was exacerbated 32.2 percent more as the modest pace of additions to the rental stock relative to increases in renter households reduced the availability of affordable VLI units, as indicated by the fifth bar of the exhibit. If the supply of affordable rental units fails to increase at the same rate as the renter population, greater demand would be expected to increase competition for affordable units, drive up rents, and increase the prevalence of worst case needs. Competition may include higher-income households choosing to occupy units that would be affordable to households with significantly lower incomes, making those units unavailable to those with greater needs.

By 2021, the VLI renter population increased by 950,000 households while the rental units affordable and available to them decreased by 463,000. ELI renters increased by 571,000 households while the supply of affordable and available units for these renters decreased by 252,000. Added rental units, including converted owner-occupied units, increased the rental unit supply by only 1.5 percent between 2019 and 2021.

With tighter supply, rents increased at a much higher rate than renter incomes between 2019 and 2021. Median renter housing costs<sup>5</sup> increased by 10.6 percent, substantially more than the 2.5 percent increase in the median renter income (see exhibit 3-2). For VLI renters as a group, mean rent increases of 13.8 percent between 2019 and 2021 nearly doubled their mean income increases of 7.6 percent (exhibit A-14), explaining why the prevalence of severe rent burdens increased.

Access of VLI renter households to a sufficient supply of naturally affordable rental units or assisted units is critical to the extent of the worst case needs problem. Exhibit ES-3 presents how the availability of rental units affordable to VLI households has responded to demand trends over the past 10 years.



Although the supply of rental units slightly expanded in 2021, rental housing production has significantly lagged household formation since 2010. At the same time, the number of households receiving rental assistance has risen only modestly and has not kept pace with the increase in the number of VLI households. Rental units added to the stock have tended to be in higher-rent properties. As a result, the ratio of affordable and available units to VLI renters followed a downward path from 2009 to 2017. After a modest improvement from 2017 to 2019, the ratio again worsened from 62 units per 100 renter households in 2019 to 57 units per 100 renter households in 2021. For ELI households, the ratio decreased from 40 to only 36 affordable and available units per 100 households in 2021. Increasing the affordable housing supply by providing rental and sustainable homeownership options for households across the income spectrum—including by expanding rental assistance, particularly for poorer households—is critical for reducing worst case needs.

<sup>4</sup> The 2021 AHS did not count one-time Federal stimulus payments, such as those that were part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, in its measurement of household income, so such payments were not considered for the estimates of worst case housing needs. AHS captures the total money income in the 12 months before the interview for household members ages 16 and older, where “money income” is defined as income received on a regular basis (exclusive of certain money receipts such as capital gains and lump-sum payments). See definition of income at <https://www2.census.gov/programs-surveys/ahs/2021/2021%20AHS%20Definitions.pdf>.

<sup>5</sup> Those housing costs include rent, utilities, property insurance, land rent, and association fees but exclude any separate security deposit or parking fees.

Availability ratios are as important as worst case needs measurement for understanding affordable housing problems. Availability ratios demonstrate the critical role of rental assistance in expanding affordable housing options for VLI renters: among VLI renters with access to affordable housing, a large share have such access by virtue of the rental assistance they receive. Availability ratios, when compared with affordability ratios, also make clear the intense competition for the most affordable housing. For each affordability bracket, renters with incomes above the bracket levels occupy large shares of units affordable to households within the bracket. Such crowding-out affects 40 percent of the units affordable to ELI renters, 40 percent of the units affordable at incomes of 30 to 50 percent of AMI, and 35 percent of the units affordable at incomes of 50 to 80 percent of AMI. When higher-income renters defer home purchases, they continue to compete for affordable units and sustain rental demand, limiting the availability of affordable rental units for lower-income renters by nearly two-fifths. In short, the effect of weak growth in the rental housing supply, a shortage of rental assistance, and strong competition for available rental units from higher-income renters seem to be having the most detrimental effect on the availability of units affordable to renters with incomes at and below 30 percent of AMI. Improving the availability of affordable rental units for ELI renters will be crucial to reducing worst case needs.

## Conclusion

Worst case housing needs increased markedly between 2019 and 2021 due to household formation (new households formed as a result of population increase), the widening of the rental assistance gap for eligible very low-income households, and the continuing shortage of affordable rental housing. Reductions in worst case needs generally result when economic growth improves household incomes, when the production of affordable housing is sufficient to reduce market rents, or, alternatively, when the availability of rental assistance increases.

The worsening between 2019 and 2021 of severe housing problems among the nation's VLI renter households is attributable to demographic factors, beginning with substantial household formation, that increased the number of VLI renters needing affordable units and increased competition for such units, combined with an inadequate response of the housing market to quantitative changes in demand. The weak supply response of the housing market exacerbated the increase in worst case needs cases resulting from demographic and economic factors—especially household formation, income loss, and the widening gap between renter households eligible to receive housing assistance and those receiving it. More than three in five ELI renter households and three in seven VLI renter households continued to lack access to affordable

and available housing units as of 2021. Rental housing assistance—such as that offered by HUD programs, other federal programs, states, or localities—help many vulnerable renter households who have such limited incomes. Among VLI renters in 2021, 26.6 percent of households were able to avoid worst case needs because they had rental assistance. Rental assistance is in short supply: because of inadequate funding, only about one in four eligible households received rental assistance. Another 29.3 percent of VLI renters were able to avoid severe housing problems in the unassisted private rental market by finding affordable units of adequate quality. The remaining 44.1 percent, however, were left with worst case needs and almost five in seven of those were ELI households. Worst case needs weigh upon families of all types; in all regions of the country; and in rural, suburban, and urban areas. Non-Hispanic White households experienced worst case needs as well as households of color and worst case needs were found among families with children, older adults, people with disabilities, and people living on their own.

A broad strategy at the federal, state, and local levels has long been needed to continue to grow the economy, support market production and access to affordable homes, and provide rental assistance to the most vulnerable households. With the impact of the COVID-19 pandemic and associated economic difficulties in 2020 and 2021, worst case housing needs have increased substantially, reaching a new record high and highlighting more than ever the need for a comprehensive approach to addressing the affordable housing crisis.

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