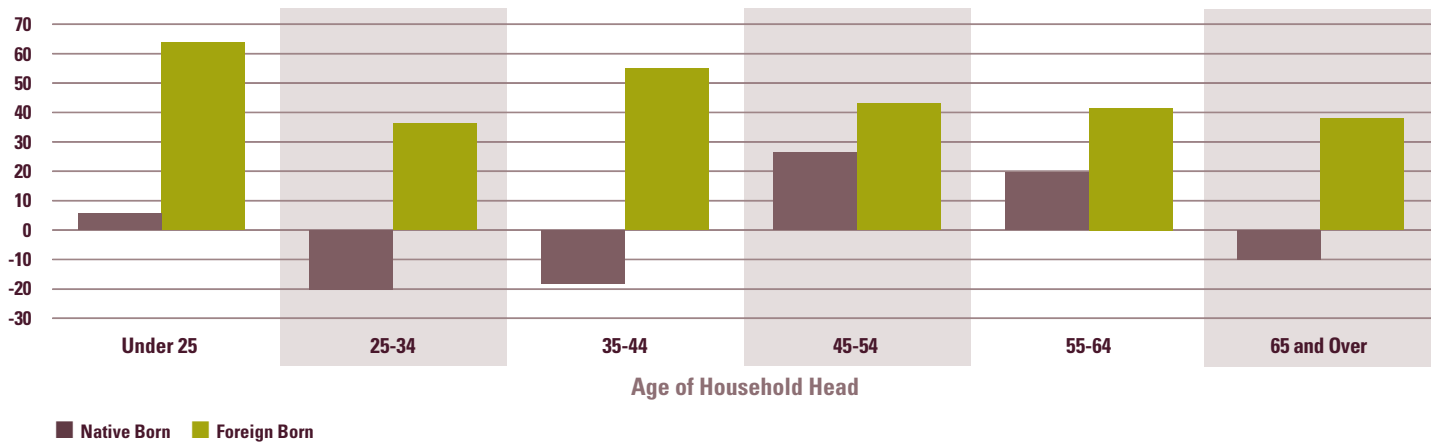


FIGURE 5**Immigrants Have Helped Offset Expected Declines in Renter Households**

Change in Renter Households, 1994-2004 (Percent)



Source: Table A-5.

transition, such as a change in job or marital status. For example, over 60 percent of households that moved in 2003 because of divorce or separation chose to live in a rented unit (Figure 4).

In addition, almost 30 percent of former owners that moved in that year rented rather than purchased another home. For owners who are relocating, rental housing can be a good option if they expect to move again within a few years. In addition, renting can provide a haven from asset depreciation during periods when house prices are falling. Former homeowners are thus free to invest the money they would otherwise tie up in housing, both in mortgage payments and in maintenance and repairs.

RACE/ETHNICITY

At the same time that they have set new records for homeownership, minorities have also expanded their share of the rental market. During the decade 1994–2004, the number of minority renters rose by nearly 3 million households, offsetting a comparable decline in the number of white renters.

Much of the growth in minority renters reflects the huge influx of immigrants since the 1960s. The number of new arrivals has risen each decade since then, with an estimated 10 million immigrants arriving in the 1990s alone. Hispanics account for half and Asians nearly a fifth of the total increase

in immigrants. Because they are younger, have lower incomes, and are just beginning to climb the economic ladder, most recent immigrants rent rather than purchase a place to live.

Immigration has had an especially important impact on renter rates among the so-called baby-bust generation (born between 1965 and 1974). When birth rates among the native-born population fell sharply after the baby boom, many feared that rental demand would drop off precipitously. But thanks to the strength of immigration, the number of renter households remained steady through the 1990s and early 2000s as foreign-born households supplemented the rental demand of native-born households (Figure 5). The arrival of young foreign-born households thus tempered the decline in renters aged 25–34 from 20 percent to 12 percent, and in renters aged 35–44 from 18 percent to 7 percent over the 1994–2004 period. Indeed, without these immigrants, the total number of renters would have fallen by more than 2 million (5 percent), rather than rising modestly by 100,000 (Table A-5).

INCOME AND WEALTH

Over the past quarter-century, the labor force has become increasingly divided between well-educated, high-skilled workers who can take advantage of the opportunities afforded by a growing economy, and less well-educated, low-skilled workers who are unable to advance up the economic ladder.

As it has for all segments of the American economy, the growing inequality in income and wealth has had adverse consequences for the rental housing sector.

The divergence is most striking among males. Between 1980 and 2000, the median earnings of men with less than a high school education fell by 20 percent in inflation-adjusted terms. Earnings for men with only a high school education were down 10 percent, with even sharper declines recorded for younger male workers. Less well-educated women fared

slightly better. Earnings of females with less than a high school education fell slightly over the 20-year period, while the earnings of female high school graduates grew a modest 6 percent. In sharp contrast, the median earnings of men with more than a college education jumped 16 percent, while those for college-educated women surged by 35 percent.

The consistent widening of the income divide is clearly evident in the rental market. Incomes at the high end of the distribution have grown disproportionately faster than those at the low end (Figure 6). This trend has accelerated in the last 10 years, with the top fifth of renter households seeing a 17 percent average gain in income and the bottom fifth seeing little growth from 1993 to 1999 and declines thereafter.

The disparity between owner and renter income gains is even more dramatic. During the economic slowdown in the early 1990s, median renter incomes fell so sharply that they failed to regain even pre-1990 levels by the end of the decade. With the mild recession early in the 2000s, renter incomes declined almost 10 percent in four years. Meanwhile, median owner incomes in the 1990s not only returned to their previous peak but also weathered the short recession in 2000 without major setbacks. As a result, the gap between median owner and renter incomes increased in real terms from \$22,500 in 1990 to \$26,700 in 2004.

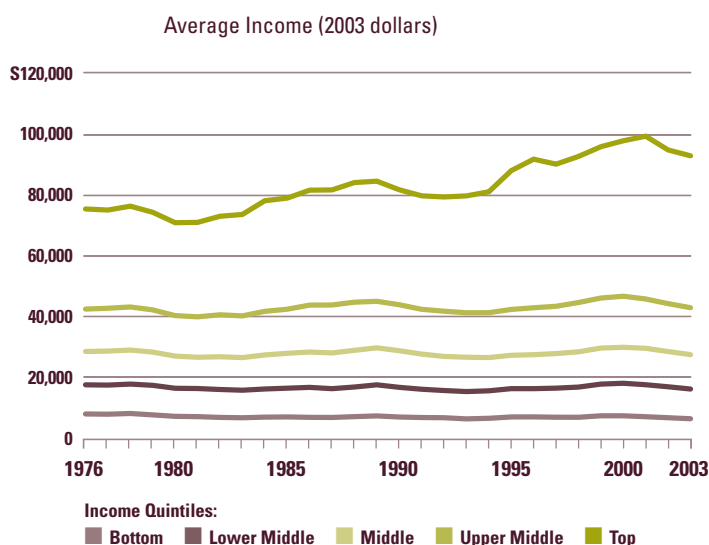
The wealth holdings of owners and renters are also diverging more sharply. While owners have always held more wealth than renters because of their ability to accumulate equity, the disparity grew noticeably wider during the recent surge in house prices (Figure 7). Older owners who bought their homes several years ago have particularly benefited from this latest round of house price appreciation. Older renters, in contrast, gained little net wealth and thus have limited resources to sustain themselves as they head into their retirement years.

LOWEST-INCOME RENTERS

Although millions of middle- and high-income households rent their homes, low-income and low-wealth households make up a large and rapidly growing segment of the market. Somewhat counter to conventional wisdom, more than half of these lowest-income households are white. In addition, some two-thirds of poor households are either elderly and/or employed—evidence enough that working and saving for retirement are no cure for poverty (Figures 8a and 8b).

Lowest-income renter households also include a wide range of family types living in a variety of neighborhood settings. While

FIGURE 6 Income Growth Among High-End Renters Far Outstrips Median Gains



Source: JCHS tabulations of the 1977-2004 Current Population Surveys.

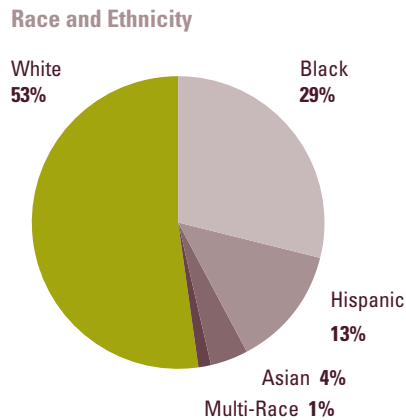
FIGURE 7 Renters Have Significantly Less Wealth than Owners

Median Net Wealth (2001 dollars)

1989	Owners	Renters
Under Age 45	\$97,019	\$2,315
Age 45-64	181,703	3,119
Age 65 and Over	151,073	5,059
2001	Owners	Renters
Under Age 45	107,300	4,100
Age 45-64	219,600	6,590
Age 65 and Over	244,950	6,500

Source: JCHS tabulations of the 1989 and 2001 Surveys of Consumer Finances.

FIGURE 8a Most Lowest-Income Renters Are White...



thirds with overwhelming housing cost burdens that consume more than half their meager incomes.

HOUSEHOLD GROWTH

Despite a brief cyclical slowdown after the 2001 recession, 1.3 million new households have formed each year on average since the start of the decade. Bolstered by strong immigration and the coming of age of the “echo boomers,” the Joint Center for Housing Studies estimates that household growth over the decade 2005–2015 should total 14.6 million (Table A-9). This represents a slight acceleration from the growth of the past five years, as well as a more than 20 percent increase from the strong gains recorded in the 1990s.

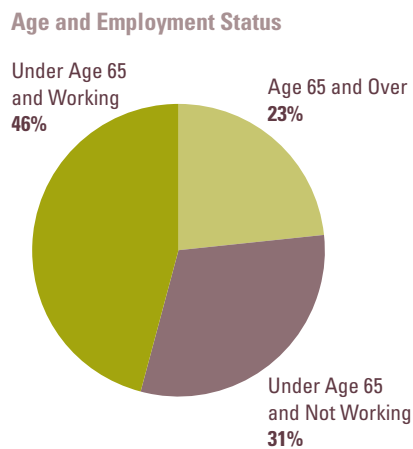
Joint Center projections also suggest that even as the share of renter households continues to shrink, the rapid pace of household formation will ensure that the number of renter households will still increase over the next decade. As the children of the baby boomers reach their 20s, most will move at least initially into rental apartments. At the same time, many baby boomers themselves may choose to downsize their housing by moving to smaller, more convenient rental units.

Moreover, the continued strength of immigration and the growth of young minority households alone are enough to keep rental demand growing in the decade ahead. The Joint Center now projects that the number of renter households will increase by more than 1.8 million over the 2005–2015 period. Minority renters will account for all of this growth as the number of white renters continues to decline. From a share of 4 in 10 today, minorities are expected to make up the majority of renters by 2015.

THE OUTLOOK

Looking ahead, the rental sector will continue to serve an increasingly diverse America. Even as growing numbers of households move into homeownership, rental housing will remain an important resource for families and individuals of all types—from new immigrants just settling into life in the United States to the aging baby boomers seeking to convert their home equity into much-needed retirement income. And for the nation’s households of little or no means, decent and affordable rental housing will provide the security and stability necessary to improve upon their circumstances.

FIGURE 8b ...And Either Work or Are Retired



Notes: Lowest-income renters earned under \$10,600 in 2003. Working households derive at least half their total income from wages.
Source: Table A-6.

more than half of poor renters are single persons living alone, an additional one in four lowest-income households include children—most living with a single parent. Moreover, close to half (3.3 million) lowest-income renter families live in center cities, another 2 million live in suburban locations, and 1.5 million live in rural areas (Table A-6).

While diverse in many ways, lowest-income renters do have one characteristic in common—a lack of resources to secure decent housing on the open market. Only a third of poor households receive housing assistance, leaving the other two-