



2 | RENTER HOUSEHOLDS

More than a third of US households live in rental housing. After the Great Recession and housing market crash, the number of renters surged across all ages, races/ethnicities, and household types, with especially large increases among higher-income and older households. Nevertheless, younger, lower-income, and minority households are still the most likely to rent and thus make up large shares of renters. While growth in rental demand now appears to be slowing, demographic changes will continue to drive strong increases in the number of renter households over the coming decades.

A DECADE OF SOARING DEMAND COMING TO AN END

Rental housing demand has grown at an unprecedented pace for more than a decade. According to the Census Bureau's Housing Vacancy Survey, the number of renter households jumped by nearly a third, or roughly 10 million, between the homeownership peak in 2004 and 2016. From 2010 through 2016, growth has averaged 976,000 renters per year, far exceeding the 430,000–500,000 added annually in the 1970s and 1980s when the baby boomers started to enter the rental market. As of mid-2017, the number of US renters stood at 43 million.

The surge in renter households erased a decade of declining demand between 1994 and 2004, when the national rentership rate fell from 36 percent to just 31 percent (**Figure 7**). The share of renter households was back up above 36 percent by early 2015, where it has stabilized now that fewer owners are losing their homes to foreclosure and more young households are buying first homes. As a result, rental markets generally are drawing less demand from homeowner markets.

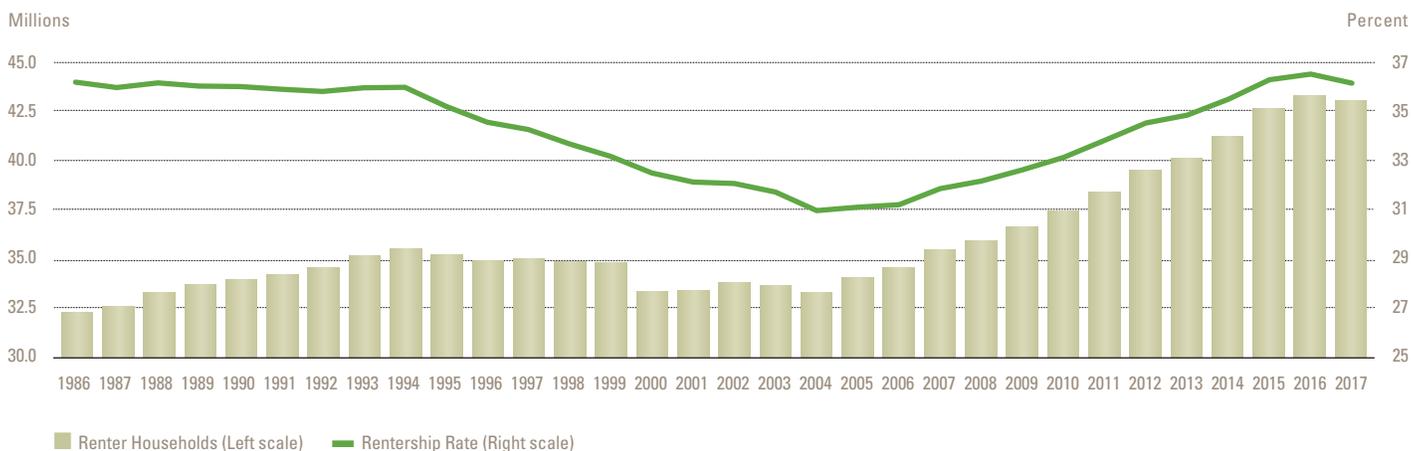
The latest survey data are beginning to reflect these trends. All of three annual Census Bureau household surveys reported slowdowns in renter growth in 2016. Indeed, the Housing Vacancy Survey showed a year-over-year decline in the number of renter households in mid-2017. But given that the trend is new and survey data are unprecise, the full extent and duration of the decline in rental demand are still unclear. Assuming that the homeownership rate does stabilize, renters should continue to account for roughly a third of household growth in the years ahead.

THE SURGE IN HIGH-INCOME RENTERS

Households of all ages, incomes, races/ethnicities, and family types helped to fuel the recent growth in renters, but the role of high-income households is particularly noteworthy. According to the Current Population Survey, households with real annual incomes of \$50,000 or more—a group that accounted for just one-third of all renter households in 2006—drove well over half (60 percent) of the growth in renter households from 2006 to 2016. Moreover, house-

FIGURE 7

The Wave of Growth Since 2004 Has Lifted the Number and Share of Renter Households



Note: Estimate for 2017 is the average of second- and third-quarter data.
Source: JCHS tabulations of US Census Bureau, Housing Vacancy Survey.

holds with real annual incomes of \$100,000 or more—making up just 9 percent of renters in 2006—were responsible for 29 percent of the 9.9 million increase in renters over the decade (Figure 8).

Many, though not all, of the outsized increases in higher-income renters were concentrated in high-cost metro areas. For example, households earning \$100,000 or more accounted for 65 percent of the growth in renter households in the New York City metro and fully 93 percent in San Francisco (Figure 9). But even in metros where they were less prevalent, higher-income households were responsible for significant shares of renter growth, including Miami (15 percent) and Phoenix (20 percent).

Strong growth in high-income renter households was driven in large measure by sharply higher rentership rates among this group. Indeed, the share of households with incomes of at least \$75,000 that rented their housing jumped by 6.9 percentage points in 2006–2016, more than twice the 3.3 percentage point increase among households earning less than \$50,000. Without this increase in rentership rates among high-income households, there would be 3.4 million fewer renters today.

The strong growth in higher-income households altered the distribution of renter household types. Unlike lower-income renters, who primarily live in single-person households, higher-income renters live in a variety of household settings that are likely to include multiple adults, such as married couples or unmarried partners. These types of households, which are apt to have at least two earners, made up half of the growth in renters earning \$50,000 or more over the past decade.

ROLES OF OLDER AND WHITE HOUSEHOLDS

While the largest increase in rentership rates was among young, high-income households, much of the overall growth in renter households was driven by older households. Indeed, adults age 50 and over accounted for half of the increase in the total number of renters in 2006–2016 (Figure 10). Although much of this increase simply reflects changes in the age structure of the population, rising rentership rates among this age group lifted the number of older renters well above what population aging alone would suggest. In addition, higher rentership rates among households in their 30s and 40s also helped to offset what would have otherwise been declines among that age group as the youngest baby-boomers moved into their 50s.

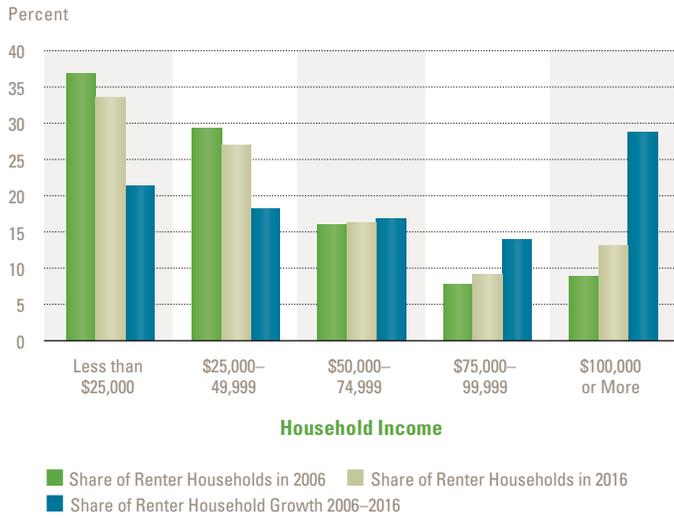
Given that older adults are likely to live alone, the increase in older renters added significantly to the number of single-person households. Single persons accounted for 37 percent of renter household growth overall in 2006–2016, but fully 52 percent of the growth in renter households age 50 and over. By comparison, single persons made up only 20 percent of the increase in renter households under age 50. As a result, three out of every four single-person renter households added over the decade were at least age 50.

After single persons, married couples without children accounted for the next-largest share of renter growth (17 percent). This group includes older renter households with adult children no longer living at home. Running a distant third, married couples with children made up just 10 percent of the growth in renter households.

A resurgence of renting among white households also helped to keep demand on the rise. The number of renter households headed by a

FIGURE 8

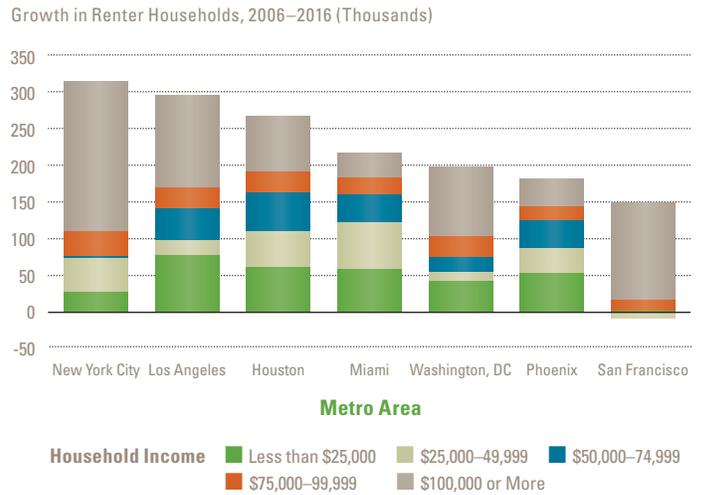
Higher-Income Households Represent a Growing Share of Renters...



Note: Household incomes are in constant 2015 dollars, adjusted for inflation using the CPI-U for All Items.
Source: JCHS tabulations of US Census Bureau, Current Population Surveys.

FIGURE 9

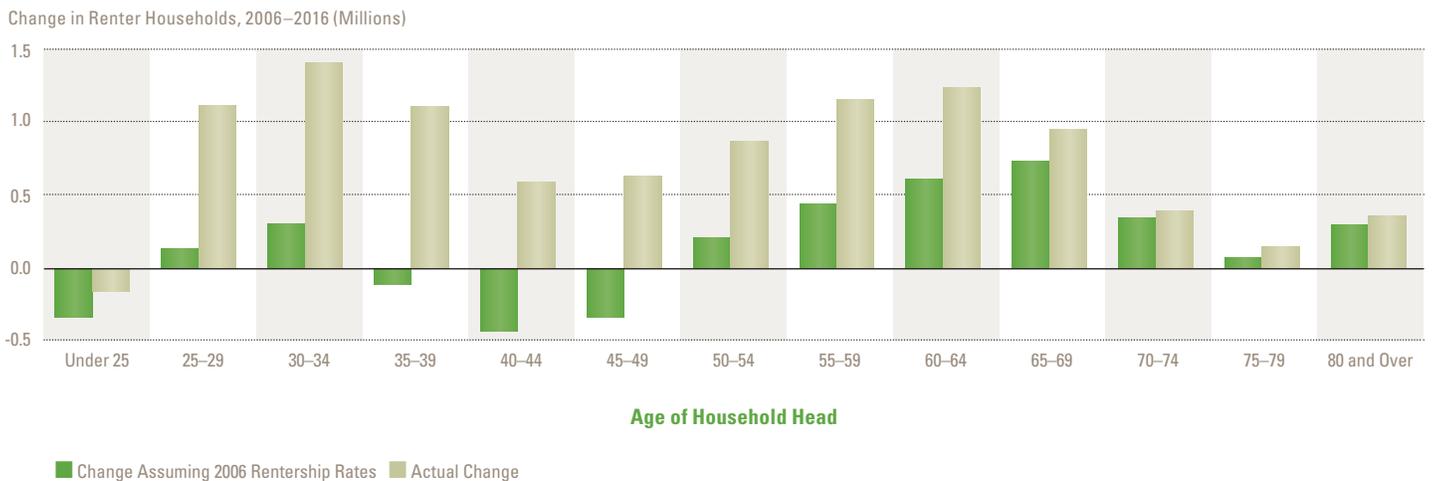
... Particularly in High-Cost Metros Like New York, San Francisco, and Washington, DC



Note: Household incomes are in constant 2016 dollars, adjusted for inflation using the CPI-U for All Items.
Source: JCHS tabulations of US Census Bureau, 2016 American Community Survey 1-Year Estimates using the Missouri Census Data Center MABLE/Geocorr14.

FIGURE 10

With Rising Rentership Rates and a Growing Adult Population, Households Age 50 and Over Accounted for Half of the Recent Surge in Renters



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

white person was up by 3.6 million in 2006–2016, more than offsetting the 2.6 million decline that had occurred over the previous 20 years. While minority renters collectively drove most of the increase in renter households over the decade, white households were responsible for the largest share of growth (37 percent), followed by Hispanics (27 percent), blacks (21 percent), and Asians/others (15 percent). The majority of the increase in white renters (65 percent) was among households age 50 and over, but younger households—particularly those in the 25–34 year-old age group—also contributed significantly to growth.

PROFILE OF RENTER HOUSEHOLDS

Despite the changing composition of renter household growth over the past decade, households that rent their housing differ in systematic ways from those that own homes (Figure 11). In particular, renters tend to be younger, with a median age of 40 in 2016 compared with 56 for homeowners. Rentership rates decline with age, dropping from more than two-thirds (68 percent) of households under age 35 to less than a quarter (24 percent) of households age 55 and over. Nevertheless, the overall aging of the population has meant that one in three renters is now over the age of 50.

Although the majority of renter households are white, the minority share of renters (47 percent) is twice that of homeowners. As measured by the Current Population Survey, rentership rates of Hispanic, black, and all other minority households are higher than for whites

both overall and across age groups. Renters are also more apt to be foreign born than homeowners, with immigrants accounting for 20 percent of renters but just 12 percent of owners.

Renter households are smaller on average than owner households. Over a third of renter households (37 percent) are single persons living alone—far higher than the 23 percent share among owners. Still, families make up a significant share of renter households, and families with children in fact account for a larger share of renter households (33 percent) than homeowner households (30 percent) in the 2016 ACS.

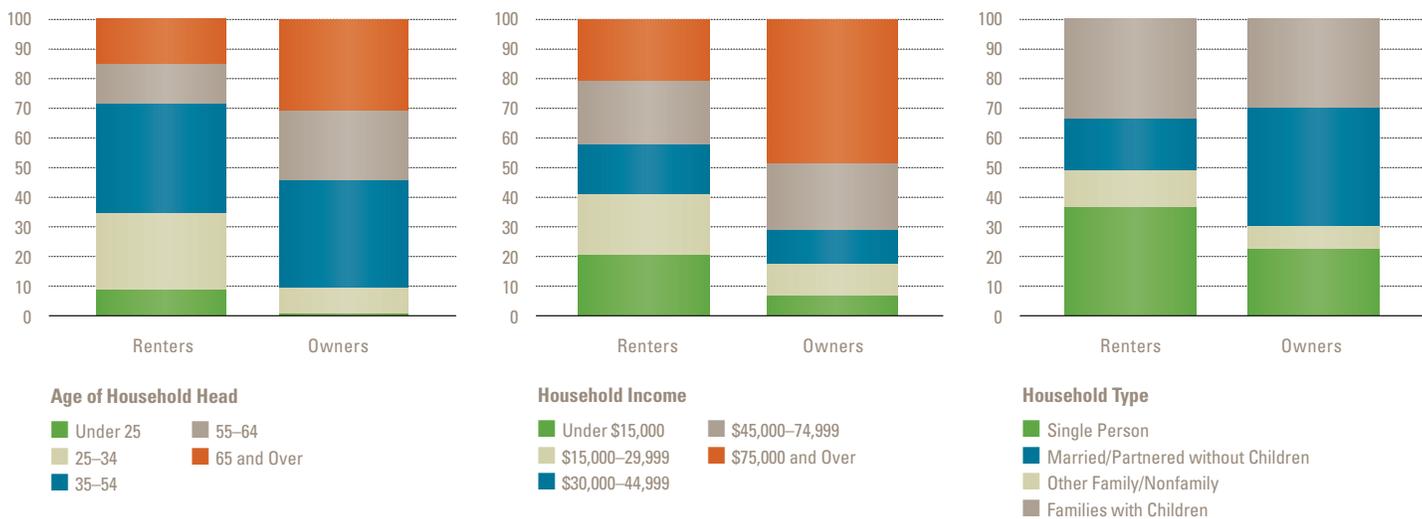
Household incomes for renters are lower than for owners. According to the American Community Survey, the median income for cash renters in 2016 was \$37,300—more than 49 percent below the median income of owners of \$73,100. In addition, two-thirds of all renter households (30.5 million) were in the bottom half of the income distribution (below the US median household income). As measured by HUD’s Worst Case Housing Needs 2017 Report to Congress, 64 percent of renters had low incomes (80 percent or less of area medians) and 26 percent had extremely low incomes (30 percent or less of area medians).

In addition to their lower incomes, renter households have very little savings and wealth. The latest Survey of Consumer Finances indicates that the median net worth of renter households was only \$5,000 in 2016, a small fraction of the median owner’s net worth of

FIGURE 11

Renters Are More Likely than Owners to Be Young, Low Income, and Single

Share of Households (Percent)



Note: Families with children include any household with a child under the age of 18.
Source: JCHS tabulations of US Census Bureau, 2016 American Community Survey 1-Year Estimates.

\$230,000. The median amount of cash savings held by renters was similarly low at just \$800, compared with \$7,300 for owners.

The discrepancy in wealth is even greater among households headed by adults age 65 and over, who generally need to draw down their assets in retirement. The median net wealth of older renters was \$6,700 in 2016, compared with a median for older homeowners of \$319,200. Not all of this difference is due to housing wealth, however. The non-housing wealth of renters in all age groups is also several times lower than that of homeowners.

THE GEOGRAPHY OF RENTING

The 2016 American Community Survey indicates that just under half (46 percent) of all renter households reside in principal cities of metropolitan areas. By comparison, about a quarter (26 percent) of homeowner households live in these locations.

Among the nation's 100 largest metro areas, the highest rentership rates are in high-cost markets such as Los Angeles (52 percent) and New York City (49 percent), as well as in fast-growing areas such as Las Vegas (49 percent) and Austin (42 percent). The shares of renters are much smaller in low-cost and slow-growth areas like Detroit (32 percent), Grand Rapids (29 percent), and Pittsburgh (31 percent). Rentership rates are also relatively low in metros with large shares of older householders, such as Cape Coral, Deltona, and several other Florida metros, consistent with the high homeownership rates among this age group.

Higher-income households are more apt to rent in high-cost housing markets (**Figure 12**). This makes the renter population in these areas somewhat more economically diverse than the US average. However, these metros still have large numbers of low-income renters and the highest rates of renting among low-income households.

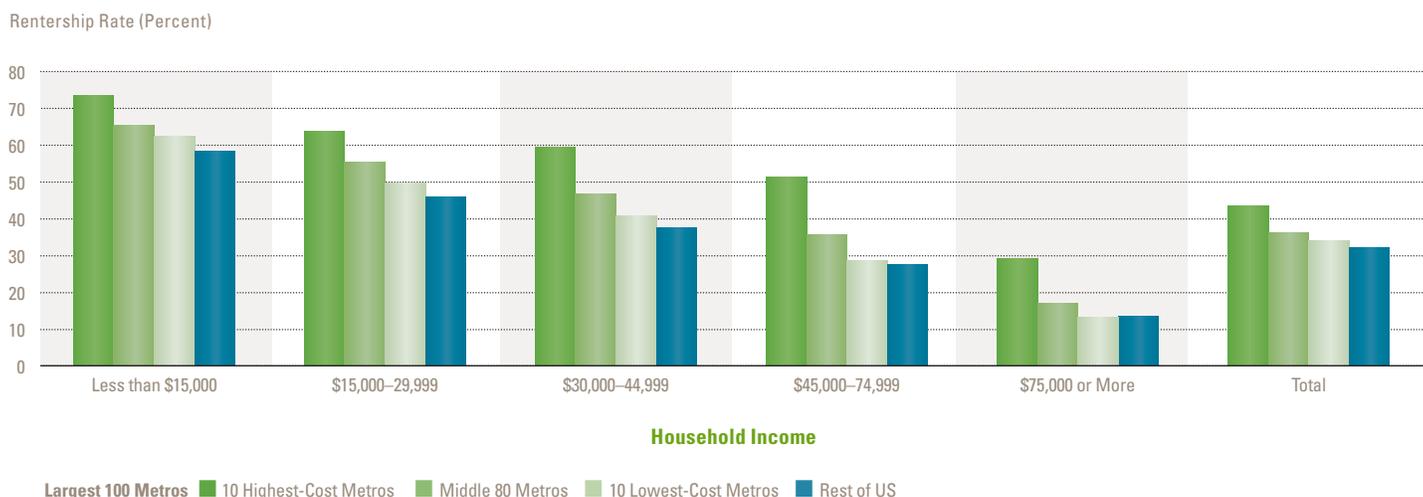
Given their greater income diversity, renters in high-cost metros are also more diverse in terms of household type. Nearly half (45 percent) of all married couples with children that live in Los Angeles and San Diego rent their housing. By comparison, the share of married couples with children that rent is just 15 percent in Pittsburgh and 18 percent in Philadelphia. At the same time, high-cost markets tend to have larger shares of nontraditional households, which may include extra workers to help afford the high rents. For example, households with three or more adults made up 13 percent of renter households nationally in 2015, but 23 percent in the Los Angeles metro area.

RENTING THROUGH THE LIFECYCLE

The vast majority of households rent at some point in their lives. According to a JCHS analysis of the Panel Study of Income Dynamics (PSID), about half (49 percent) of owners under age 60 in 2015 had been renters at some point within the previous 20 years. Among owners under age 50, the share was even higher at nearly three-quarters (72 percent).

FIGURE 12

Renting Is More Common in High-Cost Housing Markets, Especially Among Higher-Income Households

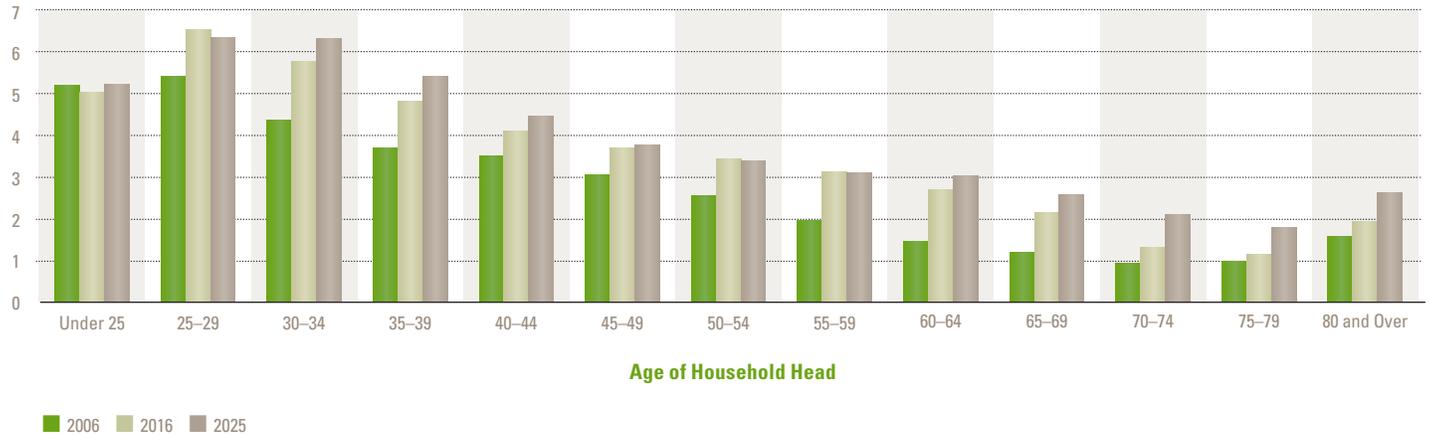


Note: Metros are the 100 largest by population as defined in the 2016 American Community Survey.
 Source: JCHS tabulations of US Census Bureau, 2016 American Community Survey 1-Year Estimates using the Missouri Census Data Center MABLE/Geocorr14.

FIGURE 13

Over the Next Ten Years, Aging of the Baby Boomers and Millennials Will Drive Growth in Renter Households

Renter Households (Millions)



Note: JCHS projection for 2025 assumes homeownership rates by five-year age group and race/ethnicity hold at current values.
Sources: JCHS tabulations of US Census Bureau, Current Population Surveys; JCHS 2016 Household and Tenure Projections.

Without the downpayment and other costs entailed in buying and selling homes, renting is often an affordable housing option for young adults. Indeed, the 2015 American Housing Survey shows that 86 percent of all newly formed households were renters. Low transaction costs also make renting a good choice for households that move frequently. As measured by the Current Population Survey, renters accounted for three out of four residential moves in 2016, as well as for the majority of moves made by all age groups.

But renting is not merely a life phase or a steppingstone to homeownership for all households. The JCHS analysis of PSID data also indicated that 17 percent of renters in 1995 remained renters through 2015. In addition, 23 percent of homeowners in 1995 switched to renting sometime in the ensuing two decades, often in response to changes in family structure and other life events. For instance, renters made up over 80 percent of recent movers who were divorced or separated. Other owners shifted to renting to have less responsibility for home maintenance. This preference, along with the desire to downsize or to meet accessibility needs, is reflected in the increasing shares of renters among the oldest age groups. PSID data indicate that 1 in 12 owners age 55–64, 1 in 8 owners age 65–74, and 1 in 5 owners age 75 and over made own-to-rent transitions between 2005 and 2015.

THE OUTLOOK

Given the sharp swings in rentership rates over the past two decades, predicting future rental demand is difficult. Shifting preferences, macroeconomic conditions and government policy

help to shape many of the factors that determine rates of renting and owning, including housing affordability, mortgage accessibility, labor markets, and household incomes. As a starting point, though, future rental demand depends on the rate of household growth. JCHS projections suggest that overall household growth will be strong over the next 10 years as increasing numbers of the large millennial generation reach adulthood (Figure 13). At the same time, the aging of the baby-boom generation will lift the number of older households. Household growth is therefore expected to total 13.6 million in 2015–2025, before moderating to 11.5 million in 2025–2035 when losses of older households begin to accelerate.

Despite the aging of the adult population (which tends to favor higher homeownership rates), certain other demographic forces should support healthy growth in rental demand. Over the next 10 years, the younger half of the millennial generation—the largest generation in US history—will move into their 20s and 30s, the age groups most likely to rent. In addition, minority households are expected to account for nearly three-quarters of household growth in 2015–2025 and fully 90 percent in 2025–2035. If minority homeownership rates remain at current levels, the national rentership rate will increase in the coming decades.

Taking all of these forces into account, the base scenario from the 2016 JCHS household tenure projections shows that, if homeownership rates stabilize at their 2015 levels, underlying demographics—that is, growth and change in the composition of US households by age, race/ethnicity, and family type—will support the addition of 4.7 million renters and 8.9 million homeowners between 2015 and 2025.