AMERICA'S RENTAL HOUSING 2017

FACT SHEET EMBARGOED UNTIL THURSDAY, DECEMBER 14, 2017 @ 12:01 A.M.

SIGNS OF A SOFTENING IN RENTAL MARKETS

- **HOUSEHOLDS:** After rising for over a decade, the number of renter households declined slightly in 2017. Nevertheless, the nation now has more than 43 million rental households (representing 36 percent of all households), a 25 percent increase from 2006 (P6, Figure 7).

- **UNITS:** Construction starts on new rental units – which almost quadrupled between 2009 and 2015 – levelled off in 2016 when work began on 400,000 units. Multifamily starts have fallen by 9 percent so far in 2017 (P3, Figure 28).

- **VACANCIES:** After declining sharply for several years, the national vacancy rate rose from 6.9 percent in the third quarter of 2016 to 7.2 percent in the third quarter of 2017. Vacancy rates have increased most sharply for the higher-priced segment of the market (P20, P21).

- **RENTS:** Despite these declines, rents continue to rise faster than inflation, increasing 3.9 percent as of the third quarter of 2017, compared to a 1.4 percent increase in non-housing related prices (P21, P22, Figure 22, Online Figures).

DESPITE MODEST IMPROVEMENTS, AFFORDABILITY CONTINUES TO BE A MAJOR PROBLEM

- The number and share of cost-burdened renters – those paying more than 30 percent of their income in rent – fell from 21.3 million renters (49 percent) in 2014 to 20.8 million renters (47 percent) in 2016. The number of severely burdened households – those paying more than 50 percent of income for housing – dropped from 11.4 million in 2014 to 11.0 million in 2016 (P4, P26).

- Nevertheless, cost burdens are much higher than in 2001, when 14.8 million renters (41 percent) were cost-burdened, including 7.5 million paying more than 50 percent of their income for housing. At the average rate of improvement from 2014 to 2016, it would take another 24 years for the number of cost-burdened renters to return to the 2001 level (P4, P31, Figure 5).

- Large metro areas (those with populations of more than 1 million) with the highest shares of cost-burdened renters are Miami (61 percent), Los Angeles (57 percent), Riverside, CA (56 percent), New Orleans (56 percent) and San Diego (55 percent). Mid-sized metros (population 150,000-1 million) with particularly high cost burdens include Chico, CA (63 percent), Laredo, TX (62 percent), and Iowa City (62 percent). The states with the largest share of cost-burdened renters are Florida (54 percent), California (54 percent), and New York (51 percent) (P27, Online Maps and Figures).

- In 2016, more than 83 percent of renter households making less than $15,000 were cost burdened and a majority of them were severely cost burdened (P28, Figure 28). Moreover, the median renter in the lowest income quartile had only $488 left over each month after paying for housing, an 18 percent decrease (in real dollars) from 2001 (P31, Figures 31 and 32). Many fully employed renters also are cost-burdened. More than 50 percent of renters with full-time jobs in personal care and service occupations, food preparation and service, building and grounds maintenance, and healthcare support were paying more than 30 percent of their income in rent (P28, Online Figures).

- Between 2001 and 2015, the number of very low-income households (making less than 50 percent of area median) rose from 14.9 million to 19.2 million, a 29 percent increase. However, during this period, the number of very low-income households receiving rental assistance rose only 14 percent, from 4.2 million to 4.8 million. As a result, the share of very low-income households that receive rental assistance declined from 28 percent to 25 percent in this time (P5, P32, Figure 6).

THE CHANGING NATURE OF RENTERS

- Households earning more than $100,000 made up nearly 30 percent of the growth in renters between 2006 and 2016 and now represent 13 percent of all renters, up from 9 percent in 2006 (P1). Such high-income households accounted for more than half the growth in new renters in high-cost metros such as New York and San Francisco (Figure 9, Online Figures).

- Adults age 50 and over accounted for half of the increase in the total number of renters in 2006–2016 (5.1 million of 9.9 million) (Figure 10). Moreover, while single persons accounted for 37 percent of the overall growth in renter households, they represented 52 percent of the growth in renter households age 50 and over. However, the majority of renters still are younger than 50 (P8).

THE CHANGING NATURE OF RENTAL UNITS

- The nation's 47 million rental units includes just over 18 million single-family homes—a number that has grown by more than 4 million since the start of the 21st century (P13). However, 83 percent of the almost 300,000 new multifamily rental units completed in 2016 were in buildings with 20 or more units and more than 40 percent of the newly built units rented for $1,500 or more, up from 15 percent in 2001 (P16, P17).

- Developing multifamily housing is increasingly expensive. Between 2012 and 2017 the price of vacant commercial land (a proxy for developable multifamily sites) rose 62 percent (P17, Figure 19).

- Only 3 percent of rental units have three basic universal design features: no-step entrances, a full bathroom and bedroom on the entry floor, and extra-wide hallways and doorways. However, newer and larger buildings are relatively more likely to be accessible (P16).

MIXED MARKET SIGNALS

- The largest rent increases have occurred in formerly low-cost neighborhoods, particularly in fast-growing metros. In the 100 largest metros, between 2012 and 2017, real rents rose by 2.4 percent a year in the lowest-cost areas compared to 2.1 percent in the most expensive areas. However, in fast-growing metros, real rents in the lowest-cost areas grew by 4.0 percent annually compared to 3.3 percent in the highest-cost neighborhoods (P23, Figure 23).

- There are signs of softening, particularly at the high-end of the market. The share of new rental units that were occupied within 12 months of completion fell between 2015 and 2016 for units renting for $1,250 or more—but not for units renting for less than $1,250. The largest drop was in occupied units renting for $2,450 or more (P21, Figure 21).

- Nevertheless, strong investor appetite has driven up the real prices of investment-grade apartment properties by 9.3 percent annually over the past seven years. However, over the past year, prices declined (in real terms) in the Midwest and Northeast and in several metropolitan areas in the West and the South (P24, Figure 25).

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