EXECUTIVE SUMMARY

Housing markets began the twenty-first century on a high note. Buoyed by the longest economic expansion in history, home sales, homeownership rates, and the value of residential construction all set new records in 1999. And thanks to strong income growth, housing affordability remained in check for most Americans despite rising interest rates, home prices, and rents.

Widespread home price inflation continues to lift household net worth. The stock market boom notwithstanding, home equity remains the cornerstone of household wealth—even among most American homeowners who also have stock holdings.

In the midst of this remarkable prosperity, however, the homeownership gap between whites and minorities has hardly narrowed. Even worse, millions of very low-income households still lack adequate, affordable housing at a time when losses of subsidized units are rising.

HOME BUILDING'S RESILIENCE

Housing markets shrugged off a full percentage-point increase in interest rates in 1999, with no year-over-year decline posted in aggregate production or home sales. Although multifamily and manufactured housing production did retreat, the value of new multi- and single-family construction rose and single-family production stood at its highest level in two decades.

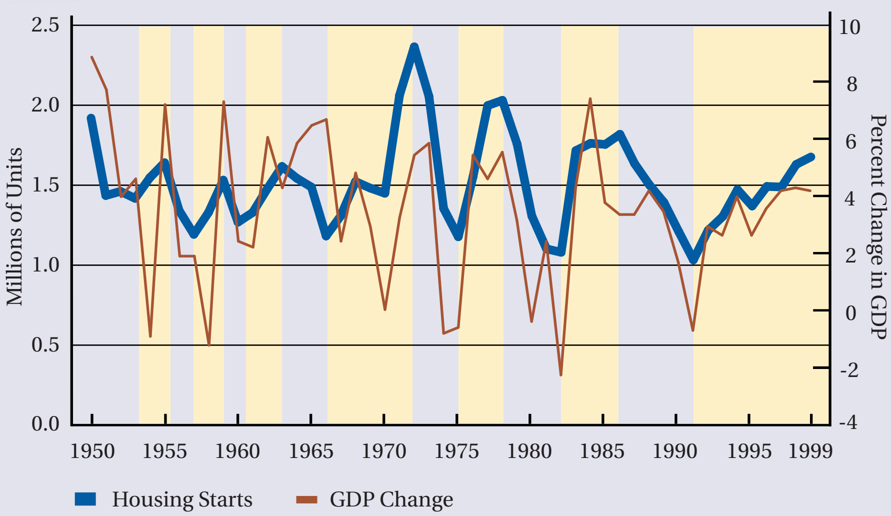
Housing starts have shown no significant declines for eight years, making this the longest housing expansion in the last half-century (*Figure 1*). Aided by steady economic growth, production gains have been more gradual than during the last three expansions. Adjustable-rate mortgages have also helped to blunt the impact of rising interest rates, climbing from 12 percent of mortgage loans in 1998 to 21 percent in 1999. With plenty of room for that share to grow, adjustables should again help to stave off a major downturn in housing markets this year.

While production did cool in over one-third of the states in 1999, it was still going strong in the rest—most notably in four of the five states that together account for almost 40 percent of the nation's residential construction. Housing could thus eke out further gains in 2000, although rising interest rates and moderating stock prices pose threats to growth.

CONCERNS OVER SPRAWL

The fast pace of residential construction has fueled concerns about sprawl. As employment continues to decentralize, households are able to live and work at greater and greater distances from the urban core. As a

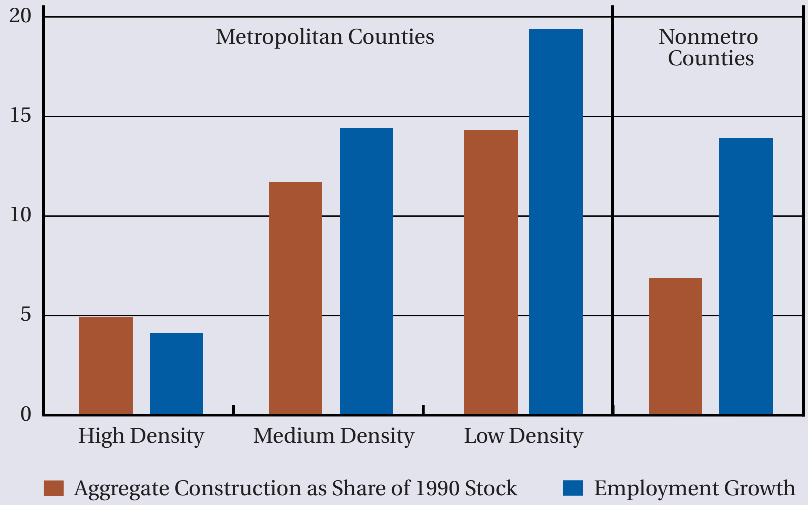
1 The Current Housing Expansion Is the Longest on Record



Sources: Census Bureau, Series C-25 and Bureau of Economic Analysis, Survey of Current Business.

2 Employment and Construction Growth Has Soared in the Metropolitan Fringe

Percent Change 1990-1997



Notes: Each metropolitan density class contained one-third of the total US metropolitan population as of 1990. Metropolitan definitions as of 1993. Excludes manufactured home placements.
Source: Table A-12.

result, low-density metro counties have witnessed explosive job and housing growth in recent years while activity in high-density counties has been limited (*Figure 2*).

The stock of homes in many metropolitan areas is also expanding at a remarkable rate. Between 1990 and 1998, new construction added 25 percent or more to the housing stocks of 21 metropolitan areas in the South and West. And this figure does not even include manufactured housing placements, which are highly concentrated in these regions. In contrast, no metropolitan area in the Northeast and only two in the Midwest experienced housing stock growth of this magnitude.

Meanwhile, the exodus from central cities continues. Although most cities in the South and West registered gains, the movement away from many localities in the Northeast and Midwest pushed national net outmigration from larger cities to 1.2 million households between 1997 and 1999. High-income households are leading the way. While accounting for only one-quarter of all households living in larger cities in 1997, affluent households made up fully 44 percent of net outmigrants in the final two years of the decade.

HOMEOWNERSHIP ON THE RISE

Powered by strong income and employment growth, the national homeownership rate reached a new annual high of 66.8 percent in 1999 and continues to climb across all geographic regions, age groups, and racial/ethnic groups. Although persistent disparities between whites and minorities narrowed only slightly, minorities still accounted for nearly 40 percent of the net growth in owners in the final half of the 1990s. Rapid household growth, combined with climbing ownership rates, has boosted the minority presence in homebuying markets.

Homeownership has gotten an extra lift from mortgage industry innovation and outreach to low-income borrowers. With the introduction of low-downpayment products, flexible underwriting standards, and improved risk assessment tools, lenders have helped millions of low-income families buy first homes. In fact, loans to low-income buyers in metro areas increased by 55 percent between 1993 and 1998, compared with a 40 percent increase in loans to high-income borrowers.

THE ROLE OF SUBPRIME LENDING

Subprime lenders—who specialize in loans to borrowers with blemished credit histories—also played a role in this growth. Between 1993 and 1998, these lending specialists increased their share of home purchase loans in metro areas from one percent to five percent, helping nearly a half-million families buy homes. Much of this activity centered in low-income and minority areas. In neighborhoods that are *both* low-income and minority, subprime lenders' share of loans to homebuyers soared from just 2 percent to 15 percent in only five years.

Growth in the subprime lender share of *refinance* loans in metro areas has been even more dramatic (*Figure 3*). In 1998, subprime specialists captured 46 percent of the refinance market in low-income minority areas and 30 percent in high-income minority areas, but only 18 percent in low-income predominantly white areas and 6 percent in high-income white areas.

While reaching traditionally underserved markets, the subprime lending boom in low-income minority areas is noteworthy because of the higher rates and fees these lenders charge. According to a 1996 Freddie Mac study, between 10 percent and 35 percent of subprime borrowers could have qualified for lower-cost prime loans. The lack of access to prime lenders for such borrowers is thus a source of growing concern. Even more troubling are reports of predatory lending practices that target vulnerable borrowers, charge excessive fees and interest rates, and even defraud families of their home equity.

LOSSES OF AFFORDABLE HOUSING

Despite the strong economy, record numbers of very low-income households are devoting more than half their incomes for housing—and working is no panacea for these high housing cost burdens. About half a million very low-income renters and nearly as many very low-income owners earning at least the equivalent of the full-time minimum wage spend this much for housing.

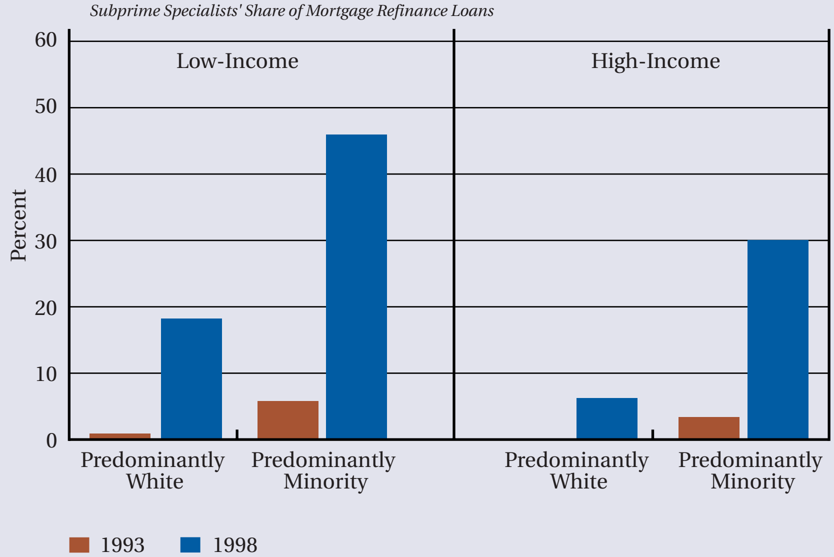
In light of these affordability problems, preserving the limited supply of federally subsidized housing is increasingly urgent. Already, 90,000 units have been lost as private owners have opted out of programs or prepaid their subsidized mortgages—usually in order to capitalize on higher prevailing rents. Extensions to expiring 15- and 20-year contracts are now subject to annual budget appropriations. If history is any guide, 10-15 percent of the remaining project-based assisted units with contracts expiring in coming years will be at risk of loss.

For current tenants of properties whose owners opt out or prepay their mortgages, HUD has been offering vouchers to make up for the shortfall between new, higher rents and 30 percent of tenant incomes. Recipients who move, however, have no guarantee of finding alternative affordable housing. As of 1994, the last year in which reliable data are available, over one in eight recipients in studied areas returned their vouchers because they could not find suitable accommodations and/or a landlord willing to accept this form of payment.

Meanwhile, demolition of public housing units is eliminating many badly deteriorated units, but without providing one-for-one replacement. And construction of affordable units

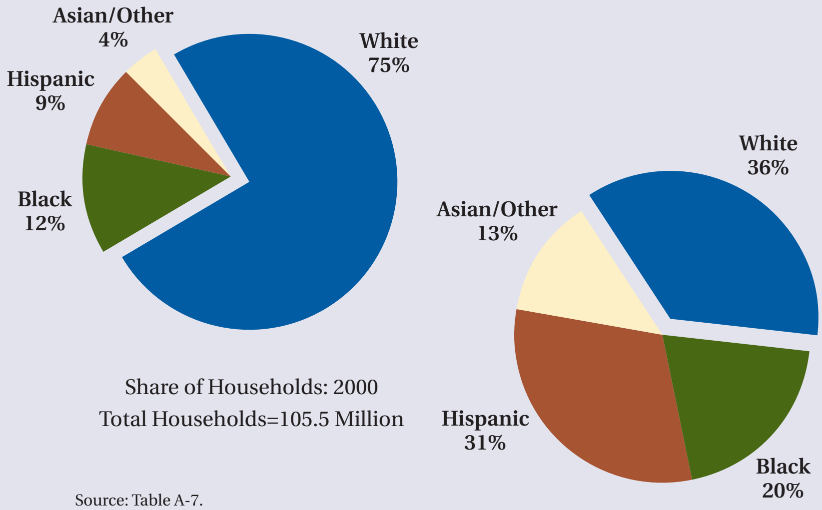
3 Subprime Lending for Refinance Loans Has Surged in Low-Income Minority Neighborhoods

Subprime Specialists' Share of Mortgage Refinance Loans



Note: See Table A-11 for definitions of areas.
Source: Table A-11.

4 Minorities Will Contribute Nearly Two-Thirds of Household Growth Over the Next Decade



Share of Households: 2000
Total Households=105.5 Million

Source: Table A-7.

Share of Household Growth: 2000-2010
Total Growth=11.7 Million

financed through tax credits has slowed steadily, primarily because funding is not adjusted for inflation.

DEMAND IN THE NEXT DECADE

Although household growth may slow slightly over the coming decade, home building will likely rival the 1990s in terms of number of units built and value of construction. As the aging baby boomers boost the number of 45-54 and especially 55-64 year-olds, the demand for amenity-rich homes and second homes will continue to rise. At the same time, the echo boomers—the children of the baby boomers—will start to replace the smaller baby-bust generation in the young adult age groups, giving the markets for manufactured housing, starter homes, and rental apartments a modest lift.

Thanks to longer life expectancies and past patterns of births in the US, the number of households over age 65 will also be on the rise. Today's seniors are wealthier than their predecessors, and tomorrow's will be even wealthier than today's. Better health and greater wealth will enable more seniors to act on their housing preferences—whether that means remodeling their current homes to accommodate growing frailties, purchasing a second home, or moving to either an active retirement community or one that provides health care.

But not all seniors will have the resources to exercise the same options. Sharp disparities in wealth exist between senior owners and renters, as well as across races and ethnic groups. As a result, many older Americans will be left without affordable housing that meets their particular needs.

Minorities will grow ever-more important to housing markets over the next 10 years, accounting for an estimated two-thirds of net new households (*Figure 4*). Already, minorities have contributed over 60 percent of the net growth in households since 1994.

Immigrants have played a particularly important part in this growth. The foreign-born make up roughly one-quarter of net households added over the last three years, and are responsible for all of the net household growth in the Northeast. Hispanics, who account for the largest share of recent immigrants, will soon be the nation's largest minority group. Indeed, by 2010, the number of net new households formed each year by Hispanics will exceed that of non-Hispanic whites.

These demographic shifts offer a number of opportunities for the housing industry. Minorities have historically had lower incomes and wealth than whites, but even those with similar incomes lag in terms of homeownership and service from prime lenders. In addition, larger shares of these populations face serious housing problems. Reaching out to these markets is vital to the national goals of promoting homeownership and reducing the number of cost-burdened and inadequately housed Americans.

HOUSING MARKETS

Despite more than a full percentage-point increase in interest rates over the course of the year, both home sales and the value of residential construction reached new highs in 1999. While multifamily starts contributed to gains in the value of residential investment, only single-family starts continued to climb.

Meanwhile, house prices in most parts of the country were headed up. Contrary to early 1990s predictions of a retreat, the rise in home prices has exceeded the general inflation rate in each of the last six years. Moreover, house price appreciation has become much more uniform across the country as the longest expansion in US history shored up housing markets nationwide.

After eight years without a significant correction, however, the housing expansion is poised for a slowdown. Although the economy has remained remarkably resilient, housing will have an increasingly difficult time turning in another strong performance in 2000 without a decline in interest rates or an acceleration of income growth.

RECORD-SETTING EXPANSION

No housing expansion in the last half a century has lasted as long—or been as gradual—as this eight-year run. After a modest slowdown in the mid-1990s that coincided with a dip in the broader economy, housing production picked up steam again in the late 1990s. Past cycles have typically been marked by much greater volatility.

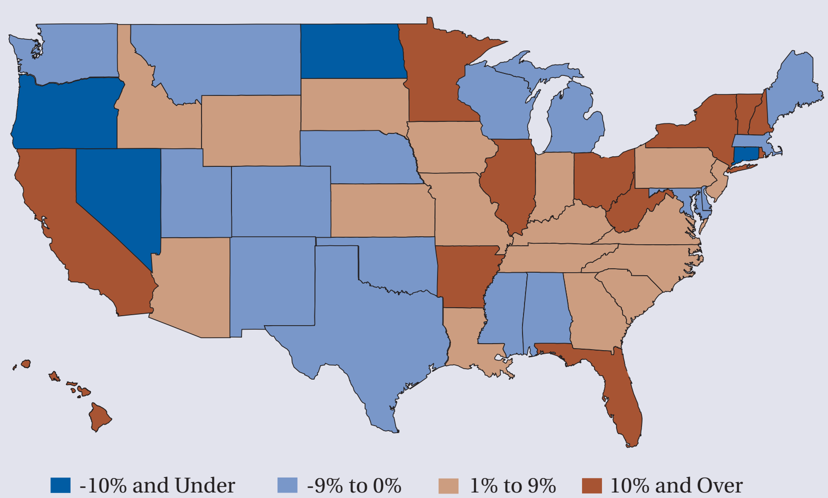
The length and strength of this cycle reflect in part changes in the underlying economy. With inventories under tighter control and cyclical sectors playing a smaller role, expansions have become longer and contractions shorter since World War II. In addition, inflation has been remarkably tame in the 1990s, sparing interest rate-sensitive sectors like home building from a tightening of monetary policy.

Improvements in the mortgage industry have also helped to dampen housing market volatility. Thanks to the availability of products with shorter adjustment periods, more marginal borrowers can remain in the market when rates turn up. In addition, lower refinancing costs have made it easier for borrowers to switch their loans if interest rates fall or their incomes rise.

Housing markets have also gotten a lift from outreach to low-income borrowers. Through a combination of low-downpayment products, homeownership counseling, lower loan origination costs, and flexible underwriting, lenders have helped

5 Production in Nearly Two-Thirds of the States Was Still on the Rise Last Year

Percent Change in Permits 1998-1999



Source: Census Bureau, Series C-40.

increasing numbers of low-income families buy first homes. Growth in loans for manufactured homes has also kept markets strong—up 173 percent between 1993 and 1998, and rising from 3.5 percent to 6.2 percent of all home purchase loans.

MIXED PERFORMANCE

Even though mortgage interest rates ended the year higher, evidence of a housing market slowdown was mixed in 1999. On the one hand, housing production in more than one-third of the states weakened. On the other hand, gains in the rest of the country more than offset these declines (*Figure 5*). In fact, four of the five states that together account for about 40 percent of home building nationwide—Florida, California, Georgia, and North Carolina—saw healthy increases in production. California topped that list with 11.3 percent growth, followed closely by Florida at 10.8 percent. Only Texas saw a decline (-6.5 percent).

Housing production in the West shifted decisively toward California, with none of the states in the Mountain region except Idaho reporting significant gains. As California's economy came roaring back, permits dropped by more than 10 percent in Nevada and Oregon. Slowdowns also occurred in much of the Southwest.

In contrast, permits in all the South-Atlantic states except Maryland and Delaware were up in 1999. Activity in the Northeast and Midwest was mixed, with production still reaching new peaks in some states and heading down in others.

Performance across construction sectors was also mixed. Single-family starts were up 4.7 percent over 1998, with permits on the rise in 41 states. Multifamily starts, in contrast, fell 4.1 percent and permits increased in only 23 states. Nevertheless, growth in the value of multifamily construction outpaced that of single-family construction. Manufactured home placements, meanwhile, dropped by 19.4 percent as inventory continued to accumulate on dealers' lots.

Housing's contribution to the overall economy also slipped because of a sharp cutback in mortgage refinancings. Between 1998 and 1999, the dollar volume of refinance loans plummeted from $754 billion to just $463 billion, with many fewer owners taking cash out of their home equity to spend on goods and services.

PRODUCTION OF SECOND HOMES

Soaring stock prices and home sales, rising incomes, and low interest rates (which encouraged cash-out refinances and lowered borrowing costs) helped to fuel a 13 percent increase in the supply of second homes in the 1990s. Using the broadest definition—homes held for seasonal or occasional use—the number of units added over the decade exceeds 700,000.

As of 1990, about one-fifth of second homes were concentrated in just 20 of the nation's approximately 3,000 counties. Most of these counties are located in Florida or near the Boston, Los Angeles, New York, Philadelphia, Phoenix, and Washington, DC metropolitan areas. Of these top counties, however, only five had more than one-third of their housing stocks in second homes. Another 86 counties with this high a concentration of second homes were thinly settled and widely dispersed.

While it is difficult to measure its impact on local construction levels, demand for new second homes appears to have been highest in parts of the West. In the 25 Western counties with the highest proportion of second homes, overall construction added 20.1 percent to their housing stocks between 1990 and 1997, greatly outstripping production in the rest of the region.

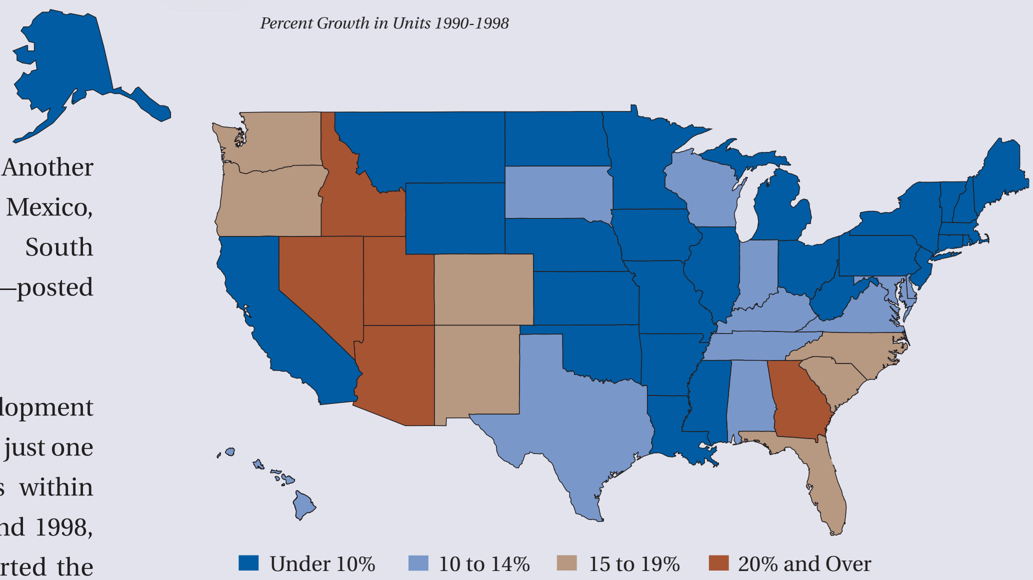
The growth of production in these areas was undoubtedly even higher because these estimates do not include manufactured housing placements. Nationally, manufactured homes make up 18 percent of recently built units held for seasonal and occasional use— most of which are likely to be second homes.

ADDING TO SPRAWL

During this long economic expansion, over 16 million units have been added to the national housing stock. Between 1990 and 1998, five states—

6 The Southeast and West Have Added Rapidly to Their Housing Stocks

Percent Growth in Units 1990-1998



Source: Census Bureau, Report ST-98-48.

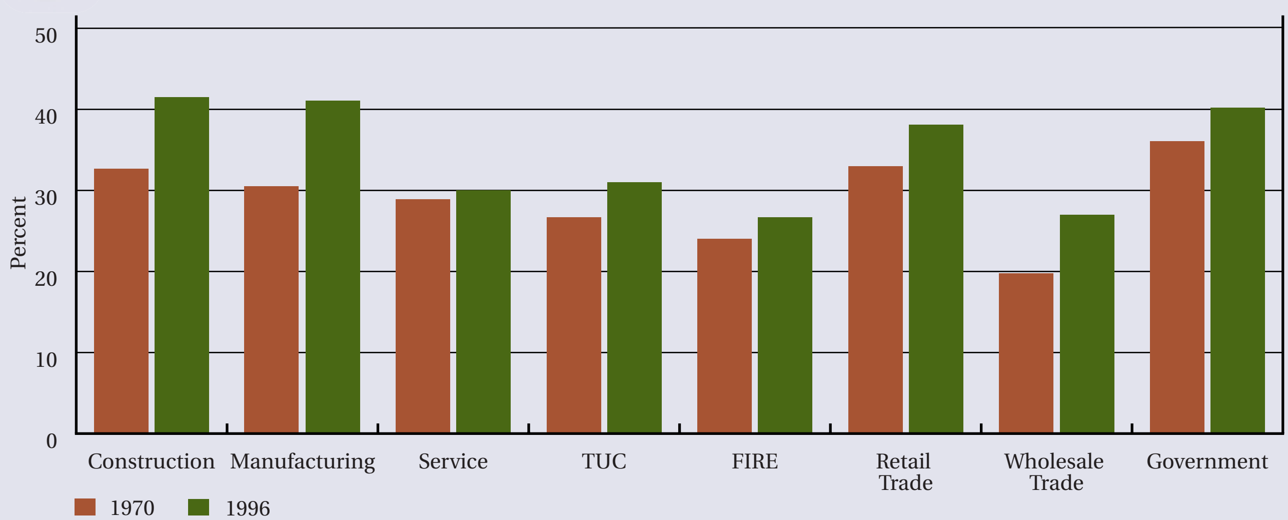
Arizona, Georgia, Idaho, Nevada, and Utah—saw their housing stocks increase by a stunning one-fifth or more (*Figure 6*). Another six states—Colorado, New Mexico, North Carolina, Oregon, South Carolina, and Washington—posted gains of 15-19 percent.

Much of this intense development activity is concentrated near just one or two metropolitan areas within each state. Between 1990 and 1998, 11 metropolitan areas reported the construction of at least 200,000 homes, with Washington, DC and Atlanta topping the list. Even more striking, the housing stocks of 23 metro areas (including Atlanta, Charlotte, Las Vegas, Orlando, and Phoenix) increased by a whopping 25 percent or more (*Tables A-2 and A-3*).

With the steady migration of jobs to the metro fringe, more and more people both live and work far from the old urban core. From 1990 to 1997, job growth in the lower-density fringe of metro areas was 19 percent, compared with only 4 percent in the high-density core. It is noteworthy that job growth in low- and medium-density areas is not confined to construction and retail, but has occurred across all sectors (*Figure 7*).

7 Jobs in All Sectors Are Moving to the Metropolitan Fringe and Beyond

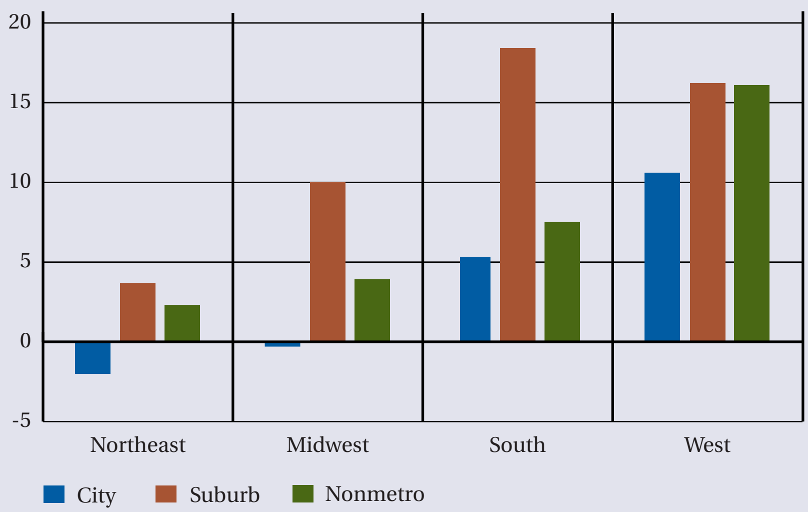
Share of Employment in Medium-Low and Low-Density Counties



Notes: Medium-low and low-density counties had less than 245 people per square mile and contained 40% of population in 1984. TUC is transportation,utilities, and communications; FIRE is finance, insurance, and real estate.
Sources: Joint Center county database and Bureau of Economic Analysis, REIS database.

8 Cities in the Northeast and Midwest Continue to Lose Population to the Suburbs

Percent Change in Population 1990-1998



In keeping with the outward movement of employment, housing construction has increased sharply in these same areas. Between 1990 and 1997, new construction added 15 percent to the housing stocks of low-density metropolitan counties, compared with only 5 percent in high-density core areas. Growth in low-density counties has been particularly strong in the West, where nonmetropolitan counties adjacent to metropolitan boundaries have also seen intense housing development activity.

Efforts to combat sprawl by passing no- and slow-growth initiatives in outlying areas could actually make matters worse. By taking land out of the path of development, these initiatives run the risk of pushing development even further out. In addition, restricting land development may make housing closer to city and suburban employment centers less affordable.

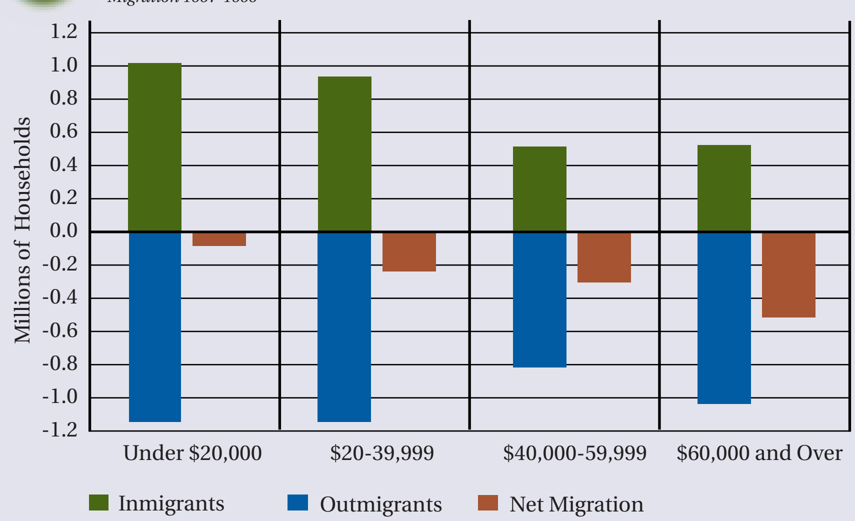
CENTRAL CITY LOSSES

With the locus of growth moving outward, central cities are either losing population outright or are growing more slowly than their suburbs (*Figure 8*). Among large Northeastern and Midwestern cities, only New York, Columbus, and Kansas City experienced steady population growth through 1998. After gains early in the decade, Chicago and Indianapolis lost population again in the later 1990s. While large cities in the South and West are still attracting new residents, Charlotte is the only location where population growth in the city has outpaced that in the suburbs.

Higher-income households are leading the exodus from larger central cities. Between 1997 and 1999, on net more than a half-million households with incomes of $60,000 or more left these cities for suburban or nonmetro areas (*Figure 9*).

9 Higher-Income Households Are Leaving Central Cities

Migration 1997-1999



Note: Excludes central cities of small metro areas for which the Census Bureau does not provide a central city/suburb breakdown.
Source: Joint Center tabulations of the March 1998 and 1999 Current Population Surveys.

While accounting for only 24 percent of households in the nation's larger cities, affluent families made up over 40 percent of the 1.2 million net outmigrants.

Reports of empty-nesters moving back to the city have fanned hopes that older baby-boomers will lead the revitalization of inner-city neighborhoods. But by the time household heads reach their 50s and 60s, the shares living in central cities actually decrease. For example, when household heads born in the 1930s moved from the 45-54 age range into the 55-64 age range between 1985 and 1995, the share living in the cities fell from 31 percent to 28 percent. Without a reversal of this trend, empty-nesters will not make a significant contribution to central city revival.

THE SURGE IN HOUSEHOLD WEALTH

Thanks to the stock market boom and renewed house price appreciation, average household net worth has risen dramatically. Between 1995 and 1998, the value of primary residences climbed 20 percent from $7.8 trillion to $9.4 trillion, while the value of stocks owned by households nearly doubled from $3.8 trillion to $7.4 trillion.

Homeowners have capitalized on soaring prices when they sell. The Federal Reserve Board has estimated that the average capital gain on a home sale, net of transaction costs, has exceeded $25,000 for the past five years. With existing home sales running at roughly 4.5 million annually, realized capital gains amounted to as much as $560 billion in the second half of the 1990s.

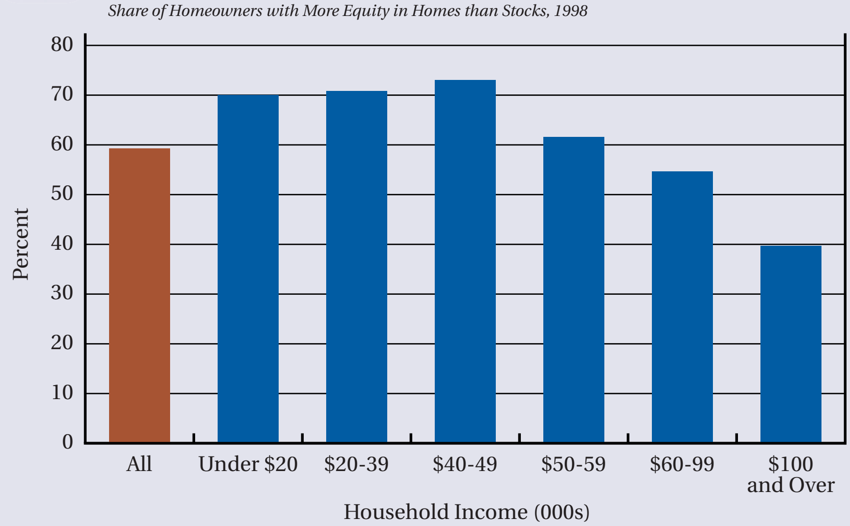
Although stock prices have appreciated faster than home prices, home equity remains the cornerstone of wealth for most families. While it is true that stocks have surpassed home equity as a share of total household wealth, 59 percent of homeowners with stock holdings still had more equity in their homes than in stocks in 1998 (*Figure 10*). Furthermore, the top one percent of stockholders held fully 37 percent of stock wealth, while the top one percent of homeowners held just 13 percent of home equity.

Home equity remains an especially important source of wealth for low-income and minority households. Among non-elderly homeowners with incomes under $20,000 in 1998, half held 69 percent or more of their net household wealth in home equity. By comparison, among homeowners with incomes of $50,000 to $60,000, half held 38 percent or less of their net wealth in home equity.

For half of black homeowners, home equity accounted for 57 percent or more of their net wealth. For half of Hispanic homeowners, the share was even higher at 71 percent or more. Among half of white homeowners, though, the contribution of home equity to wealth was 40 percent or less.

10 Home Equity Still Makes Up the Majority of Wealth for Most Homeowners

Share of Homeowners with More Equity in Homes than Stocks, 1998



Source: Joint Center tabulations of the 1998 Survey of Consumer Finance.

DEMOGRAPHIC DRIVERS

Although household growth is expected to slow slightly over the coming decade, its changing composition should push the value of residential construction to new heights. Now in their peak earning years, the baby boomers will continue to demand expensive, amenity-rich homes. This is likely to be true even for the growing number of baby-boomer couples whose children no longer live at home. Meanwhile, the boomers' parents are living longer, more active lives, and in the process are reshaping the market for seniors' housing.

The importance of minority households to housing demand—particularly in rental and existing home markets—continues to mount. As a result of ongoing immigration and higher rates of natural increase, minorities will account for about two-thirds of net household growth over the next decade.

HOUSEHOLD GROWTH

Based on the Census Bureau's revised population projections, the Joint Center now estimates that an average of 1.17-1.18 million net new households will be formed annually over the next 10 years—marginally less than the 1.2 million added annually in the last decade (*Table A-6*). It is important to note, however, that actual household growth in the 1990s slightly exceeded expectations and could well do so again during this decade, especially if immigration is higher than now thought.

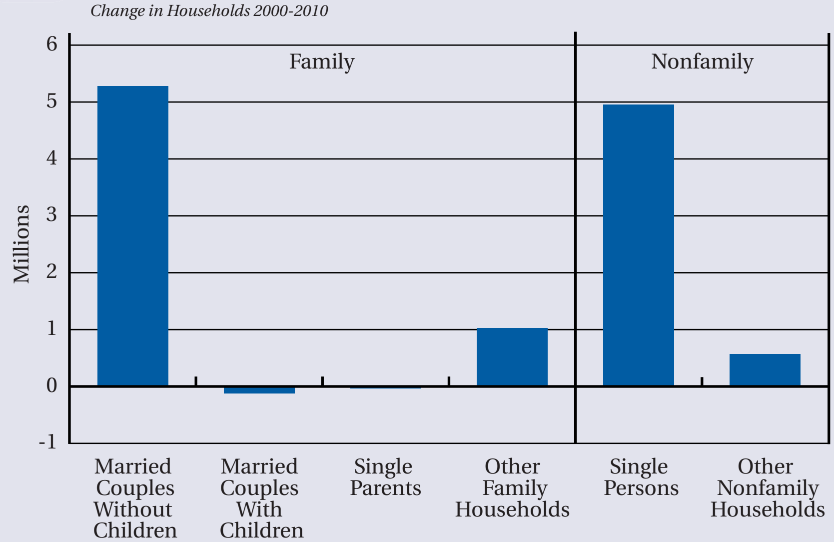
Much of the projected slowdown reflects the movement of the large post-World War I generation into the ages when households are typically lost to death, institutionalization, or consolidation into other households. By 2010, household growth should return to roughly 1.2 million annually as more of the echo boomers—the children of the baby boomers—start to live independently.

Over the next decade, though, the baby boomers (born 1946-64) will remain the predominant force, boosting the number of households aged 55-64 by nearly 50 percent and those aged 45-54 by 18 percent. Meanwhile, the echo boomers (born since 1977) are now moving into prime household-formation years, and will lift the number of households under the age of 25 by 13.6 percent. At the same time, the number of households aged 35-44 will drop 10.7 percent as the baby-busters (born 1965-76) move into this age range.

With the sharp increase in households over the age of 55, the number of married-couple households without minor children at home and single-person households will

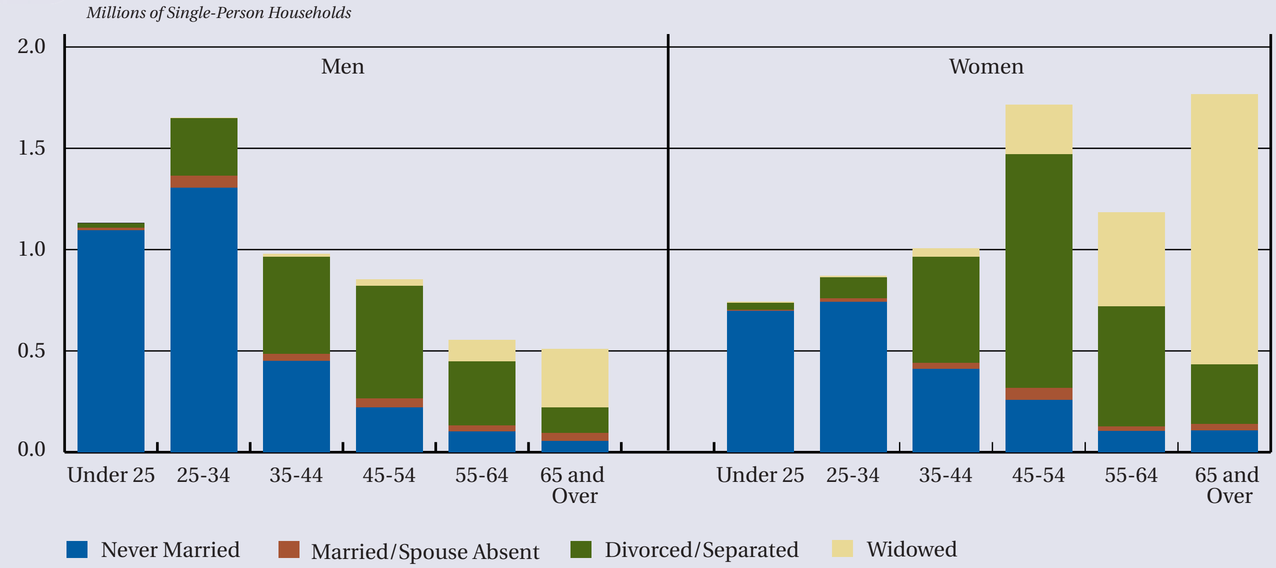
11 Married Couples Without Children and Single Persons Will Dominate Household Growth

Change in Households 2000-2010



Notes: Children defined as own children under age 18. Family households defined as two or more related individuals sharing living quarters.
Source: Table A-6.

12 Single-Person Households Consist Largely of Young Never-Married Men, Middle-Aged Divorced Women, and Elderly Widows



Source: Joint Center tabulations of the 1999 Current Population Survey.

each grow 17.5 percent. Together, these two types of households will make up the vast majority of net additions (*Figure 11*). The decrease in middle-aged couples with children at home will offset the rising number of younger households with children, causing the total number of families with minor children to fall slightly.

The number of people living alone will rise by 5 million, with increases across almost all age groups. A variety of factors have contributed to this phenomenon—delayed marriage and childbearing among the young, high divorce rates and low remarriage rates among the middle-aged, and longer life-spans and increased income support among the elderly. Higher labor-force participation has also enabled more women to live independently. As a result, single-person households largely consist of young, never-married men; middle-aged, divorced women; and elderly widows (*Figure 12*). With their growing numbers and rising incomes, one-person households will begin to exert a stronger influence on housing markets in the future.

MINORITY HOUSEHOLDS

Racial and ethnic minorities, which currently represent one-quarter of all US households, will contribute the majority of household growth over the next decade. By 2010, nearly three in ten households will be headed by minorities.

Younger on average than whites, minorities will add 9.2 million households under age 50 and lose only 1.7 million households over that age to death, institutionalization, and other causes. And thanks to ongoing immigration, the Asian and Hispanic populations will not experience the same baby bust-related decline in 35-44 year-old households as the white and black populations. With net increases across all age groups, the number of minority households will increase by 7.5 million over the next decade (*Table A-7*).

By comparison, the number of non-Hispanic white households under age 50 will grow by 14 million over the decade, but nearly 10 million households over that age will be lost. As a result, net growth in non-Hispanic white households will be limited to just over 4 million.

THE GROWING HISPANIC POPULATION

Hispanics will soon become the nation's largest minority group, increasing from 11.7 percent of the population to 14.6 percent in 2010. Today, half of surveyed Hispanics are foreign-born, up from 36 percent in 1990. The foreign-born share could well be higher, however, because population surveys probably undercount undocumented immigrants.

The economic progress of the many Hispanic subgroups varies widely by country of origin and length of stay in the US (*Figure 13*). For example, US citizens of Mexican descent make up the largest share of Hispanics (42 percent), followed by Mexican immigrants (23 percent). Foreign-born Mexican-Americans have the lowest levels of education and income of major Hispanic groups. Puerto Ricans, who account for almost 10 percent of US Hispanics, have especially low ownership rates and median incomes, even though two-thirds have high school degrees.

Regardless of national origin, US-born Hispanics far outstrip their foreign-born counterparts in terms of income, education, and homeownership, just as immigrants of longer US residency consistently surpass those who have arrived more recently. While most Hispanic groups still lag the socioeconomic progress of non-Hispanics, the half-million US-born Cuban-Americans are a notable exception.

Hispanics already play a substantial role in housing markets, paying nearly $30 billion in aggregate annual rent and owning homes valued at over $360 billion as of 1997. But their presence is highly localized, with 75 percent of Hispanics living in just five states—Arizona, California, Florida, New York, and Texas.

Fully 70 percent of Mexican-Americans reside in California or Texas. With their large numbers and relatively high ownership rates for Hispanics, they have a major impact on homeownership markets in these areas. Cuban-Americans, in contrast, are concentrated primarily in Southern Florida and have homeownership rates rivaling those of non-Hispanic whites. And nearly six in ten Puerto Ricans residing in the continental US live in New York, Florida, and New Jersey. Indeed, their heavy concentration in the New York metropolitan area explains in part their particularly low ownership rates.

THE IMPORTANCE OF IMMIGRATION

The Census Bureau conservatively estimates that immigration will account for 27.4 percent of US population growth over the next decade, up slightly from the 1990s. By this estimate, immigration will directly contribute just over one-quarter of Hispanic population

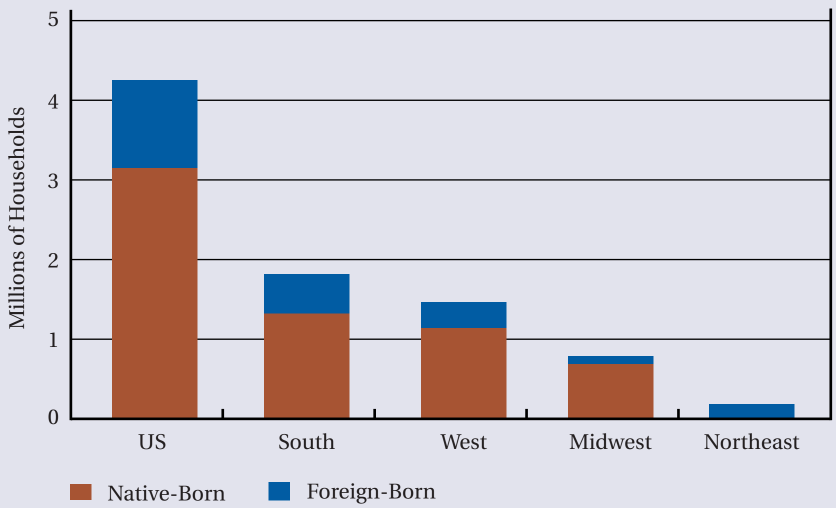
13 The Economic Progress of Hispanics Varies Widely by National Origin

	Non-Hispanic	Mexico		Puerto Rico	Cuba		Central/South America		Other Hispanic	
		US Born	Foreign Born	US Born	US Born	Foreign Born	US Born	Foreign Born	US Born	Foreign Born
Population (Millions)	240.0	13.4	7.2	3.0	0.5	0.9	1.6	3.0	1.5	0.6
Percent over 21 with High School Diploma	86.6	70.4	33.5	65.3	94.3	66.2	88.6	61.5	82.3	59.8
Percent US Citizens (Foreign-born only)			20.0			57.4		25.0		35.5
Median Household Income (000s of 1998$)	40.0	30.8	25.0	26.0	51.1	27.1	38.8	30.0	36.3	22.3
Homeownership Rate (Percent)	62.7	55.3	41.7	32.2	61.3	56.6	43.8	33.0	59.0	25.8

Notes: People born in Puerto Rico are by definition US born. Excludes a small number of Puerto Ricans born outside the US.
Source: Joint Center tabulations of the March 1999 Current Population Survey.

14 **The Foreign-Born Have Contributed Fully One-Quarter of Recent Household Growth**

Net Growth in Households 1996-1999



Source: Joint Center tabulations of the 1996 and 1999 Current Population Surveys.

growth and one-half of Asian population growth. The indirect contribution of immigration will be even larger as these new households begin to bear children in the US.

Over the past three years, the foreign-born were responsible for just over one-quarter of the net growth in households. Indeed, if it were not for immigrants, the Northeast region would have seen no net growth in households (*Figure 14*). Even in the Midwest where immigrants are least likely to settle, the foreign-born accounted for one in eight net new households.

Immigrants have been especially crucial to central city growth, accounting for 22 percent of the increase in owner households and 62 percent of the increase in renter households between 1996 and 1999. Their contribution has been even greater in the 11 gateway metropolitan areas where fully two-thirds of foreign-born households live.

THE GROWING SENIORS POPULATION

The population age 65 and over now stands at 34 million, up from 31 million in 1990 and 26 million in 1980. While growing by just 5 million over the coming decade, the number of seniors will surge after 2011 when the first members of the baby-boom generation reach age 65.

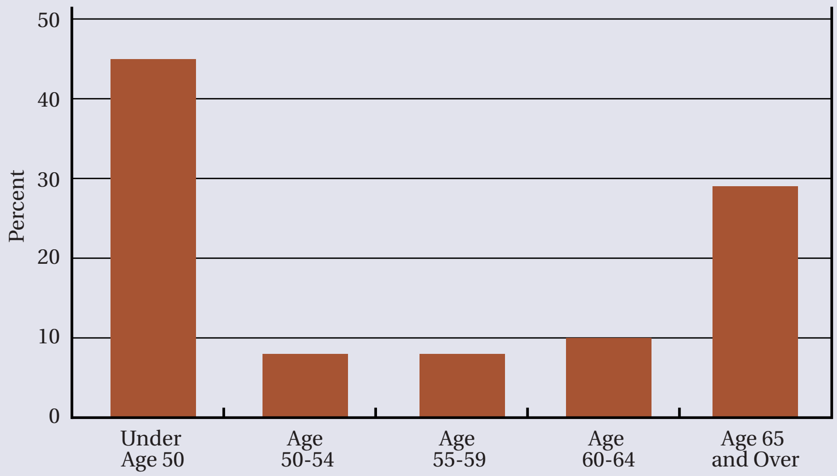
Medical and technological advances are enabling more seniors to live independently longer. In addition to being healthier, today's seniors are wealthier on average than their predecessors, and tomorrow's will be even wealthier than today's. Greater wealth will allow more seniors to choose from a growing array of housing options—purchasing a second home, moving to an active retirement community or one that provides personal services and healthcare, or retrofitting a primary residence to accommodate disabilities. Currently, much of the conventional housing stock is not constructed with the special needs of the elderly in mind. Only about half of disabled seniors have the structural modifications they say they need to live safely and comfortably in their homes.

How changes in the senior population will reshape housing demand in the future remains unclear. On the one hand, the elderly strongly prefer to remain in the homes they now occupy. Fully six in ten households who are now in their 70s locked in their housing choices by age 60, and over four in ten did so by age 50 (*Figure 15*). If this trend continues, many baby boomers will be making choices about both primary and secondary residences over the next decade that will last through their retirement.

On the other hand, a significant share (about 40 percent) of seniors who are in their 70s today moved into their current residences after they reached age 60. In the future, the growing array of housing options could encourage more seniors to make moves later in life. For example, communities that offer appealing environments for those who need assistance with personal care are becoming increasing-

15 Most Seniors Lock in Their Housing Choices Before They Reach Age 60

Age When Households Now in Their 70s Moved Into Their Currrent Homes



Source: Joint Center tabulations of the 1997 American Housing Survey.

ly common. Active retirement communities—age-restricted communities that offer a variety of social and recreational activities—are also growing in number.

Countering the argument for greater mobility among the elderly is the rising retirement age. As people look forward to longer lives and as the age for full Social Security benefits edges higher, many seniors will choose to continue to work. Among those with jobs, moves—especially long-distance ones—are less likely. For those delaying retirement who have considerable wealth, keeping a primary residence near work and another one elsewhere for recreational purposes may become a popular choice.

Not all seniors, of course, have the resources to exercise the same options. Disparities in wealth are particularly wide between older owners and renters. In 1998, households aged 55 and over who owned their homes had median net wealth of $177,400, compared with merely $5,500 for same-aged renters (*Figure 16*). Inequalities are also evident between older minorities and non-Hispanic whites. Median net wealth for older whites was $161,300 in 1998, more than four times the $40,000 net wealth of minorities. While differences in homeownership rates and home equity explain some of this disparity, it should be noted that white renters have much more wealth than minority renters.

Perhaps one of the most important legacies that today's seniors will leave is the housing stock they now occupy. Seniors currently own 17.4 million units that they will eventually pass on. Most of these homes are in good repair because older households generally focus their home expenditures on maintenance projects such as replacing the roofing, siding, and mechanical systems.

At the same time, though, many senior households have occupied their homes for years, and their units are both older and smaller than newly constructed homes. To meet current tastes for spacious, amenity-rich homes, the housing passed on by the elderly may therefore be candidates for substantial upgrading and remodeling.

16 Wealth Disparities Will Restrict Housing Options for Many Older Americans, Especially Minorities

Household Medians, 1998 Dollars

	Total		Owners		Renters
	Net Wealth	Home Equity	Net Wealth	Home Equity	Net Wealth
Age 55 and Over	134,900	62,000	177,400	80,000	5,500
White	161,300	70,000	194,510	82,000	8,000
Minority	40,000	20,000	86,600	51,000	600

Source: Joint Center tabulations of the 1998 Survey of Consumer Finance.

HOMEOWNERSHIP TRENDS

The strong economy, together with innovative mortgage products and expanded outreach, has created unusually favorable conditions for homebuyers. In response, the number of US homeowners showed an unprecedented five-year gain of 7 million between 1994 and 1999, pushing the homeownership rate to an annual record of 66.8 percent.

Even with this extraordinary progress, though, the homeownership gap between minority and white households has barely improved. In addition, rising home prices and interest rates are threatening affordability. Sustaining the homeownership boom will therefore be difficult unless income growth continues to outrun house price inflation.

RISING OWNERSHIP COSTS

Monthly mortgage costs have begun to creep up as a result of higher house prices and interest rates (*Figure 17*). Measured on an average annual basis, after-tax payments on a typical home with a 10 percent downpayment and a 30-year fixed loan climbed 4.5 percent in 1999, or $372 after adjusting for inflation. Downpayment costs rose 3.5 percent, or $442.

Increases in home prices have outpaced overall inflation for six years. Totaling 11.1 percent between 1994 and 1999, the current rise in real home prices rivals the 11.9 percent runup between 1985 and 1989. The increases are also unusually widespread, reducing regional disparities in home price inflation to their lowest levels in decades.

At the local level, house prices hit record highs last year in 15 of the nation's 39 largest metropolitan areas and stood at post-recession peaks in most of the rest. Only three large metros—Buffalo, Miami, and Rochester—experienced real price declines in 1999 (*Table A-5*).

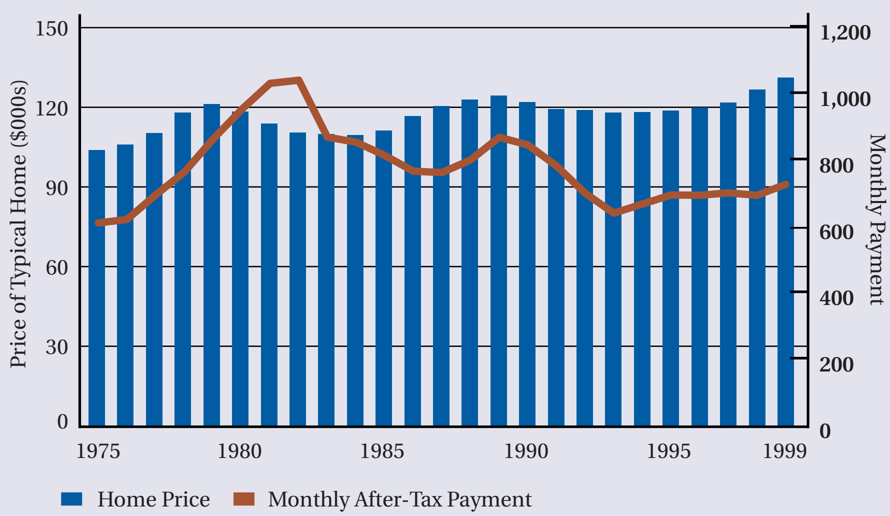
The mounting threats to affordability have, however, been met with strong growth in household income. Real incomes of homeowners rose more than 12 percent between 1994 and 1999, driving after-tax mortgage payments as a share of income down from 18.3 percent to 17.6 percent.

RECORD HOMEOWNERSHIP RATES

Homeownership rates are up across all regions and across all age groups. The sustained rise in ownership among young households is especially impressive, given the trend toward later marriage that has boosted the share of single-person and nonfamily households—households that have far lower homeownership rates than married couples.

17 **Rising Home Prices and Interest Rates Have Begun to Push Up Ownership Costs**

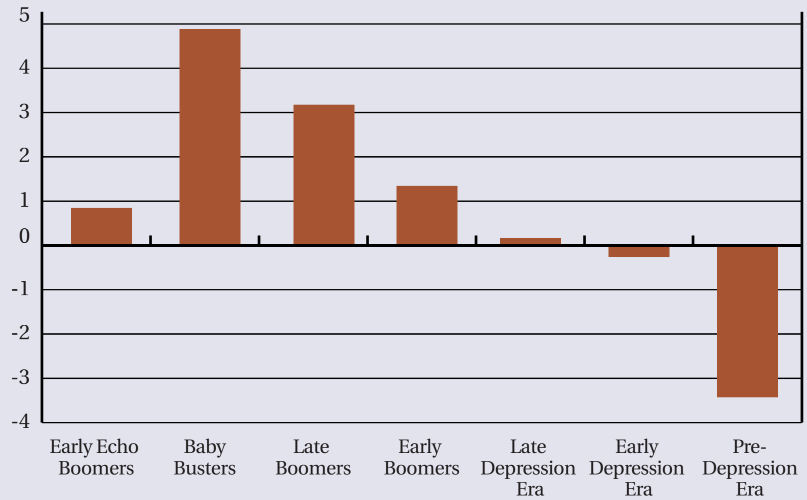
1999 Dollars



Source: Table A-4.

18 The Baby-Bust Generation Is Making the Move to Homeownership

Millions of Homeowners Added 1994-1999



Source: Joint Center calculations based on tabulations of the 1994 and 1999 Current Populations Surveys.

Now at the ages when ownership rates climb the fastest, the baby-busters accounted for nearly 5 million of the owners added between 1994 and 1999 (*Figure 18*). The baby boomers also contributed to growth even though they are at an age when ownership rates rise more slowly. Because of the size disparity between the two generations, however, the number of owners aged 25-34 actually dropped by 45,000 as the baby boomers moved out of this age group and the baby-busters moved in.

While immigrants have contributed an impressive 15 percent of the net growth in homeowners over the past three years, the overall homeownership rate of the foreign-born has only recently begun to rise. Indeed, homeownership rates among immigrants are much lower today than in 1980. The primary explanation is the growing share of relatively recent immigrants. Foreign-born households tend to be renters for the first several years after arriving in this country, but their ownership rates rise with length of stay (*Figure 19*).

As longer-term immigrants begin to make up a larger and larger share of the foreign-born population, overall immigrant homeownership rates will likely improve.

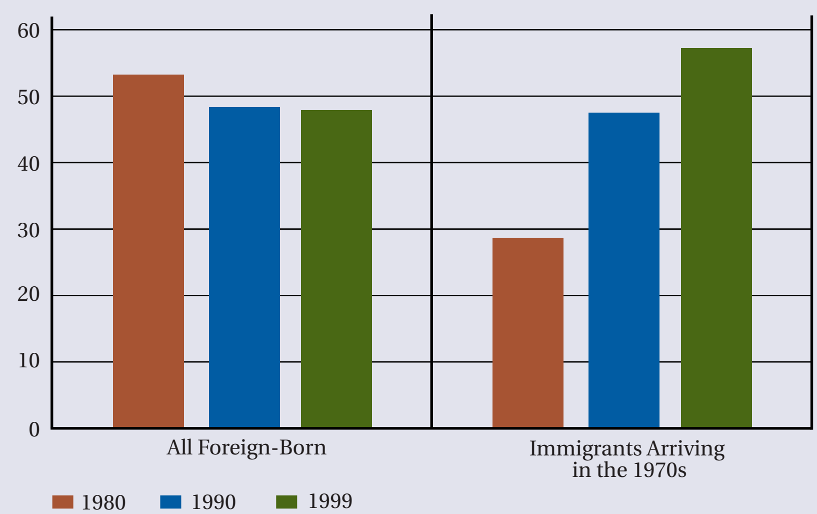
MINORITY OWNERSHIP INCREASES

Despite impressive growth in the number of minority homeowners since 1994, the gap between minority and white homeownership rates holds at 25.8 percentage points—an improvement of just over one percentage point.

The disparity between black and white rates remains particularly wide. In fact, despite the booming economy and more concerted efforts to reach out to blacks, today's 26.6 percent gap reflects only a slight

19 Ongoing Immigration Masks the Homeownership Progress of Foreign-Born Households

Homeownership Rates, Percent

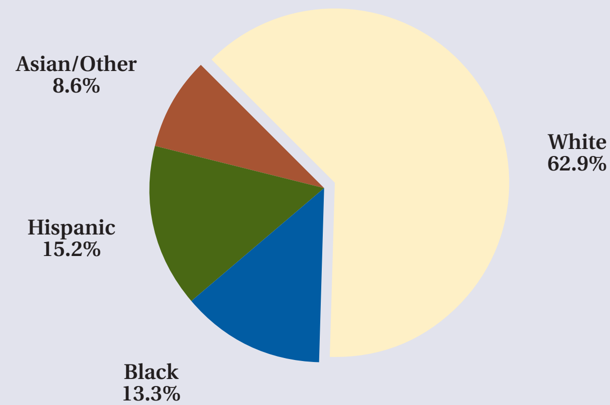


Source: Joint Center tabulations of the 1980 and 1990 Decennial Census and the 1999 Current Population Survey.

narrowing since 1994, the year when homeownership rates began to surge. Nevertheless, rising homeownership rates mean that there are almost one million more black homeowners today than five years ago (*Figure 20*).

20 Minorities Account for Almost 40 Percent of the Recent Growth in Homeowners

Share of Net Increase in Owners 1994-1999



Total Net Growth=6.9 Million Owners

Note: Hispanics may be of any race.
Source: Joint Center tabulations of the March Current Population Surveys.

Homeownership among Hispanics has also risen markedly. Among US-born Hispanics, the rate jumped from 46.1 percent in 1994 to 50.2 percent in 1999. Among foreign-born Hispanics, the rate climbed from 37.0 percent to 40.2 percent. Today, there are over one million more Hispanic homeowners than five years ago, with nearly half of these new owners born outside the US. But even though the homeownership rate for US-born Hispanics now exceeds that of blacks, it still lags a full 23 percentage points behind that of whites.

Differences in income and age between minorities and whites do not fully explain these persistent disparities. If minorities owned homes at the same rates as whites of similar age and income, their homeownership rate would have been 60.8 percent in 1998 rather than 47.1 percent—a difference of nearly 3.5 million additional homeowners.

NEW MORTGAGE OPTIONS

Broader product diversity and stronger competition among lenders have helped to keep the housing expansion alive. Low-downpayment loans, for example, have allowed borrowers to trade income for wealth in the economics of the home purchase equation. Cash-strapped households have flocked to these products, with 30 percent of buyers in 1999 putting down 10 percent or less, 16 percent putting down 5 percent or less, and 4 percent putting down just 3 percent or less.

These loan products do little, however, to aid those with both wealth and income constraints. Consider the monthly out-of-pocket costs for a median-priced home costing $133,300 in 1999. Buyers making the traditional 20 percent downpayment would have to come up with $26,600 and—assuming an 8 percent interest rate on a 30-year fixed loan—then pay $762 per month. Putting only 10 percent down cuts the upfront cost in half but raises monthly payments by $126, including mortgage insurance. Putting only 3 percent down drops the cash requirement even further, but adds another $96 to monthly payments compared with a 10 percent downpayment loan. This means that buyers need to make $31,525 annually to qualify for a 20 percent downpayment loan, $39,130 for a 5 percent downpayment loan, and $43,360 for a no-downpayment loan on the same home.

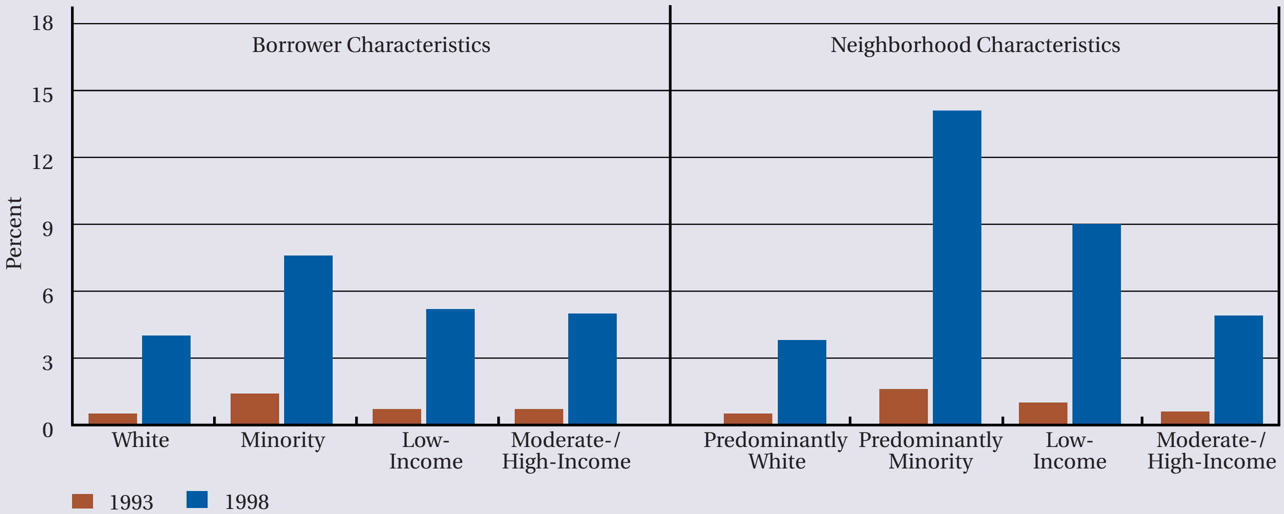
In the past year, the shift to adjustable-rate loans and other products with a broad spectrum of maturities and terms has been dramatic. Some 21 percent of loans had adjustable rates in 1999, compared with just 12 percent in 1998. These loans may adjust every one, three, or five years after initial fixed periods that range from one to ten years.

SUBPRIME LENDING TAKES OFF

Mortgage lenders are also reaching out to borrowers with impaired credit histories. A recent Freddie

21 Subprime Lending Has Soared in Low-Income and Minority Neighborhoods

Share of Home Purchase Loans



Notes: See Table A-11 for definitions of areas.
Source: Table A-11.

Mac study reveals that poor credit is a surprisingly widespread problem and highlights how products serving this market could potentially fuel the homeownership boom. Among 20 to 40 year-olds making less than $75,000 a year, 30 percent had poor credit records—including 22 percent of those with incomes between $65,000 to $75,000.

The strong demand for products aimed at buyers with impaired credit is apparent in the recent surge in subprime lending activity. Between 1993 and 1998, the share of all home purchase loans in metro areas made by subprime specialists increased from under 1 percent to 5 percent, while their share of refinances soared to 12 percent.

The growing influence of subprime lending is obvious in low-income and minority markets. In low-income neighborhoods, subprime lenders made 9 percent of home purchase loans (*Figure 21*) and 27 percent of refinance loans in 1998—up from just 1-2 percent in 1993. The increase among minority borrowers is similar. The presence of subprime lenders is most marked, however, in low-income minority neighborhoods, where they captured 15 percent of home purchase loans and fully 40 percent of refinances.

While effective in reaching traditionally underserved markets, subprime lending activity has raised concerns because of the higher interest rates and fees involved. To some extent, the charges paid by subprime borrowers are in line with risk. Research by Freddie Mac in 1996 found, however, that anywhere between 10 and 35 percent of subprime borrowers could have qualified for prime loans. Another study showed that while most white borrowers are able to assess their credit worthiness accurately, only 49 percent of African-Americans with good credit thought their credit was good.

Such findings suggest that many subprime borrowers are unaware that they can qualify for lower-cost loans, underscoring the importance of homebuyer counseling and financial literacy campaigns in low-income and minority communities. The results also point to the need for mainstream financial institutions to reach out to these markets.

A growing number of banks and thrifts, along with Fannie Mae and Freddie Mac, are in fact offering products tailored to borrowers with slightly impaired credit. Lenders are becoming more adept at identifying these borrowers and in developing products that help them repair their credit histories and/or decrease the premium they pay for missing the prime market. These innovations should make homeownership more possible for the many households with marginal credit records.

HOMEBUYING IN THE SUBURBS

Homebuyers continue to gravitate toward the suburbs. Throughout the 1990s, about 7 in 10 home purchase loans made in metro areas were for homes in suburban areas. Although less likely to buy there than whites, over 6 in 10 minorities also purchased homes in the suburbs, and this share has been slowly increasing.

Minorities in the West and especially in the South are more likely to buy in the suburbs than in the Northeast and Midwest, but less likely to buy in predominantly white suburbs (*Figure 22*). Seattle and Portland in the West, and Tampa and Atlanta in the South, stand out as exceptions within their regions, with relatively larger shares of minorities buying in predominantly white suburbs.

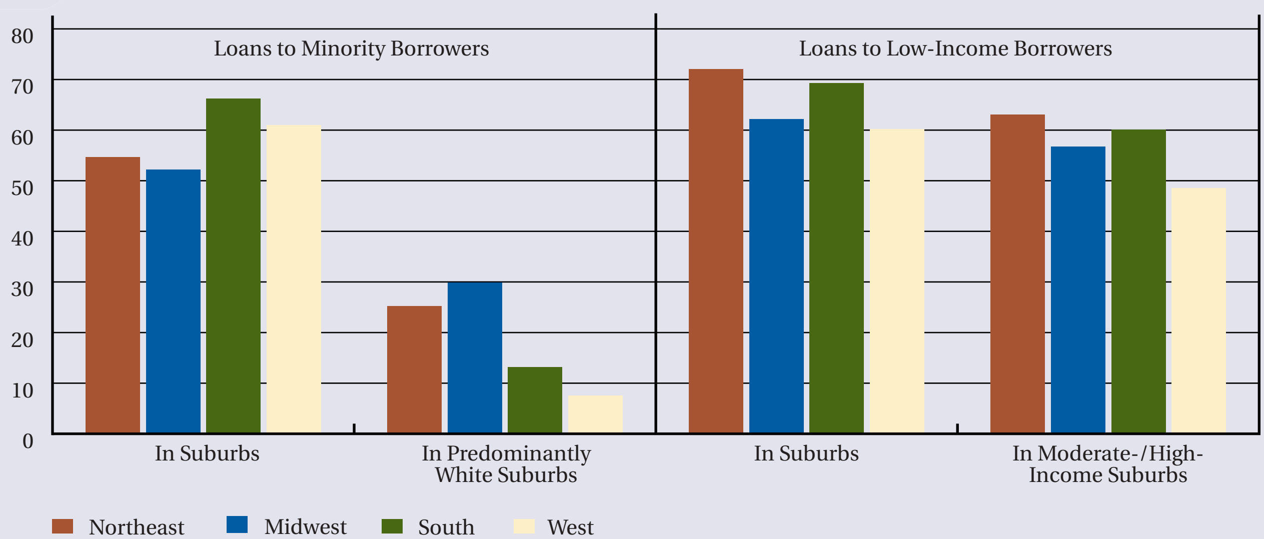
Low-income buyers also favor suburban locations by a ratio of two-to-one—and not just the lower-income neighborhoods there. Indeed, the vast majority of low-income buyers who purchased homes in the suburbs in 1998 bought units in moderate- or high-income areas.

Despite a two percentage-point drop in share since 1993, the Northeast leads the country with 72 percent of low-income buyers purchasing homes in the suburbs. The share in the West, although up by almost 3 percentage points, still lags at just 60 percent. At the local level, Hartford, Atlanta, and Miami top the list, with 85 percent or more of low-income borrowers buying suburban homes.

While the vast majority of high-income borrowers also buy homes in the suburbs, a notable 28 percent purchased homes in center cities in 1998—down slightly from 1993. Not surprisingly, affluent families that do buy homes in cities overwhelmingly favor middle- and higher-income neighborhoods. In contrast, the share buying homes in lower-income central city neighborhoods has held at less than four percent for the past five years. Among the handful of cities where that share exceeds five percent are Chicago, Denver, Miami/Ft. Lauderdale, Portland, San Francisco, and Norfolk.

22 **Most Minority and Low-Income Buyers Are Purchasing Homes in the Suburbs**

Percent of Home Purchase Loans, 1998



Notes: Predominantly white suburbs defined as those less than 10% minority in 1990. Low-income borrowers defined as those with incomes less than 80% of metro area median in 1998. Moderate-/high-income suburbs defined as those with tract median income at or above 80% of metro area median. Includes loans made in metro areas only.
Source: Joint Center tabulations of the 1998 Home Mortgage Disclosure Act data.

RENTAL HOUSING

Rental markets strengthened in 1999 as rents rose faster than inflation for the third consecutive year. Increases have been especially sharp in the West, with Portland, San Francisco, and Seattle posting record rents last year and Denver and San Diego experiencing real gains of four percent or more. Rents in the Northeast have also moved up and are now approaching their late 1980s highs. Increases in the South and Midwest are more modest, with rents still significantly below historical peaks (*Figure 23*).

Most new homes that are built to satisfy renter demand are apartments. Indeed, over 80 percent of new multifamily units are constructed for the rental market, compared with just 3 percent of new single-family units. Last year multifamily starts fell slightly to 331,000, but production was still more than double the 1993 cyclical low of 162,000 units. After overbuilding in the 1980s (spurred by changes in the tax treatment of rental housing that were later reversed), multifamily construction is now more in line with demand and may even be running slightly below it.

DIVERGING VACANCY TRENDS

Although apartments dominate new rental construction, single-family homes account for fully one-third of rental housing. Over the 1990s, rental markets for single- and multifamily housing have followed different courses. Continuing a decade-long trend, vacancies in both small and larger multifamily rental units edged down again in 1999 (*Figure 24*). Increases in single-person households, the ongoing influx of immigrants, and the movement of the echo boomers into their 20s have bolstered the demand for apartments by over four percent. Strong economic growth and modest production levels in the West and Northeast have also helped to reduce vacancies.

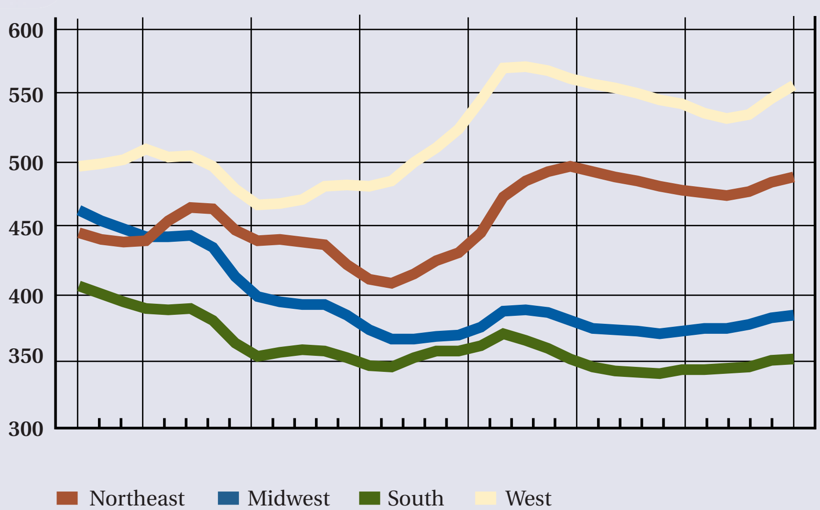
In contrast, the combination of weak (less than two percent) demand growth and rapid supply growth has driven single-family rental vacancies up sharply in all four regions of the country. Rates climbed from 3.7 percent in 1993 to 7.3 percent in 1999, pushing up the number of vacant single-family units from 421,000 to 686,000.

The homeownership boom is a likely contributor to the rise in single-family vacancies. Households who rent single-family homes are apt to buy under the right conditions. Indeed, single-family renters have higher incomes on average than multifamily renters and are more likely to be married.

Meanwhile, a growing number of single-family homeowners has opted

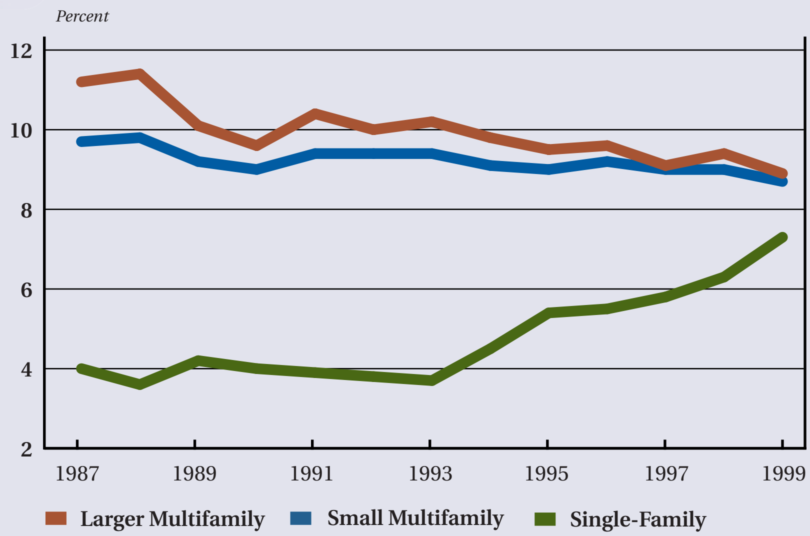
23 **Rents in the Northeast and West Are Up Significantly**

Contract Rents in 1999 Dollars



Notes: Median rents from the AHS were adjusted by the BLS Residential Rent Price Index. Data before 1987 were adjusted separately for depreciation.
Sources: Joint Center tabulations of the 1977 American Housing Survey and Bureau of Labor Statistics' Residential Rent Price Index.

24 Multifamily Vacancy Rates Continue to Fall While Single-family Vacancy Rates Rise



Note: Small multifamily rentals have 2-4 units; larger multifamily rentals have 5 or more units.
Source: Census Bureau, Series H-111.

to rent out their homes—so many, in fact, that the supply exceeds slowly growing demand by about 270,000 units. The additional numbers of single-family homes on the rental market may well reflect the graying of the baby boomers, since the likelihood of owning an investment property rises with household age.

RECENT SHIFTS IN DEMAND

Rental demand has not only shifted at the margin in favor of multifamily units, but it is also growing fastest among both young and middle-aged households. With the echo boomers beginning to live independently, the number of renter households under age 25 jumped by nearly 250,000 between 1994 and 1999. While homeownership is on the rise among this younger age group, the share that rents housing still exceeds 80 percent.

The baby boomers are also contributing, lifting the share of renter households in the 35-54 age group to 37 percent in 1997. By comparison, the share of renter households in this age range was just 30 percent in 1987 and 26 percent in 1975. As the boomers age during this decade, the share of renters aged 45-64 will likely rise from 22 percent to 26 percent.

In keeping with the growth in middle-aged, higher-income renters, multifamily developers are concentrating on more upscale markets. Over the past five years, the median size of newly constructed multifamily units has increased by 45 square feet to 1,060 square feet. The share with two or more bathrooms has increased by 10 percentage points, from 44 percent to 54 percent.

Rising immigration has also added to rental housing demand. Since newly arrived immigrants tend to rent their homes, much of the strong growth in foreign-born households translates directly into demand for rental units. In fact, had it not been for the new households formed by immigrants, the total renter population would have declined between 1996 and 1999.

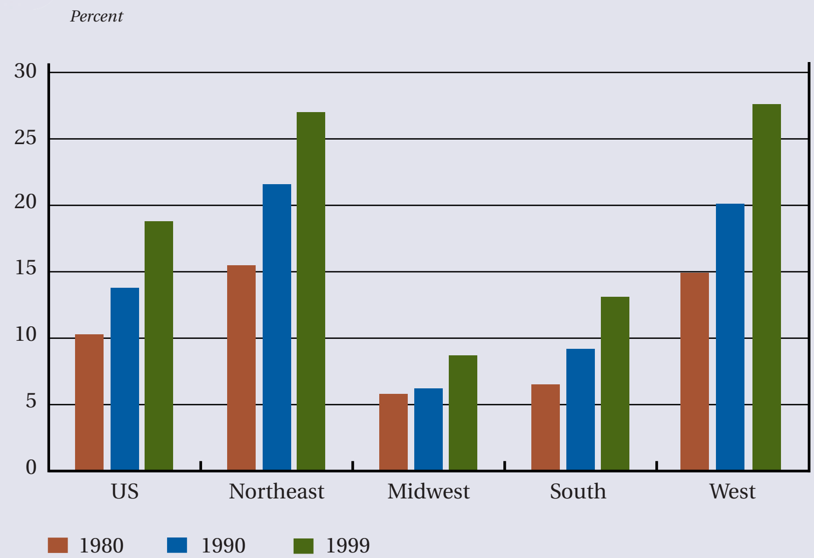
The foreign-born now make up 28 percent of renter households in the Northeast and West, up from 15 percent two decades ago (*Figure 25*). Between 1996 and 1999, increases in the number of foreign-born renter households offset decreases in the number of native-born renter households in all regions except the Midwest. There, the numbers of foreign- and native-born renters were both on the rise, but absolute growth in foreign-born renter households was 16 times that of native-born renter households.

THE RENT/OWN DECISION

Renting remains the only option for the many Americans who are either unable to qualify for a mortgage loan or to cover the costs associated with buying a home. For millions of others, though, renting is an attractive lifestyle as well as a prudent financial choice.

Renting is an especially appealing option for people who expect to move again within a few years because they can avoid the steep transaction costs associated with

25 Foreign-Born Households Make Up a Large and Growing Share of Renters



Source: Joint Center tabulations of the 1980 and 1990 Decennial Census and the 1999 Current Population Survey.

buying and selling a home. On average, it costs 1.5 percent of the purchase price to close on a home, and as much as 6.0 percent of the sales price to sell it if a real estate agent is used. Unless house price appreciation in the first few years of ownership is enough to fully offset these transaction costs, renting is generally a better option.

Given these cost considerations, it is perhaps unsurprising that 49 percent of owners have remained in the same homes for 10 years or more, compared with just 12 percent of renters. Moreover, some 22 percent of long-term renters live in the New York metropolitan area, where rent control has encouraged a disproportionate share of tenants to stay in their same apartments.

In reality, of course, the choice to own or rent involves much more complex considerations than merely financial prudence. Depending on the location, the housing stock available for owning or renting may be quite limited. In addition, the same type of home may not be available as both a rental and as a for-sale unit. As a result, in choosing a community or a unit type, households often implicitly decide between owning or renting regardless of the financial implications.

RENTAL PROPERTY UPKEEP

While rental housing markets have been reviving, their recovery has not yet stimulated higher spending among property owners for upkeep and improvements. Between 1992 and 1999, real spending by homeowners for upkeep and improvements rose at a 1.9 percent average annual rate, but real spending by owners of rental units fell at a 2.7 percent average annual rate.

Nevertheless, investment in rental properties—for major systems, kitchen and bath remodeling, and structural alterations—has picked up in recent years. As the market continues to heat up, spending on other types of upkeep and improvements is likely to accelerate as well.

PRODUCTION OUTLOOK

Rental housing demand will edge higher as the echo-boom generation continues to form new households. By 2015, the number of renters under age 25 is expected to increase by over a million—a 20 percent gain. The demand for multifamily units will particularly benefit since young households are the most likely of all age groups to rent apartments. Together with the depressed production levels in the early 1990s, this increase in demand should bring a significant uptick in multifamily production over the coming decade.

Although more baby boomers will abandon the rental market for homeownership, the sheer size of that generation will drive up the number of renters in the 55-64 year-old age range. These middle-aged renters will keep fueling the demand for more expensive units.

Immigrants will continue to play a critical role in rental housing markets. Especially in cities such as New York, Los Angeles, and Miami where the foreign-born tend to settle, demand for rental properties will remain strong.

The red-hot economy has done little to relieve the housing problems of low-income households. Renters in the bottom quarter of the income distribution saw their real incomes actually decline between 1996 and 1998, while real rents increased by 2.3 percent. At the same time, rising home prices and interest rates are making it more difficult to move into homeownership.

Low-income households who have already attained homeownership are largely insulated from escalating costs and have enjoyed rising incomes. Nevertheless, the number of very low-income homeowners facing severe housing cost burdens continued to increase through 1997—due at least in part to consolidation of consumer debt into mortgage payments.

At the same time, more subsidized rental units are being lost from the affordable housing inventory as private owners take advantage of expiring contracts to exit federal programs and charge higher market rents. Although Congress has acted to soften the blow by extending vouchers to current tenants to keep the units affordable for the length of their stay, many of these units are vulnerable to stiff rent increases and eventual removal from the affordable housing stock once current tenants move.

THE WORKING POOR

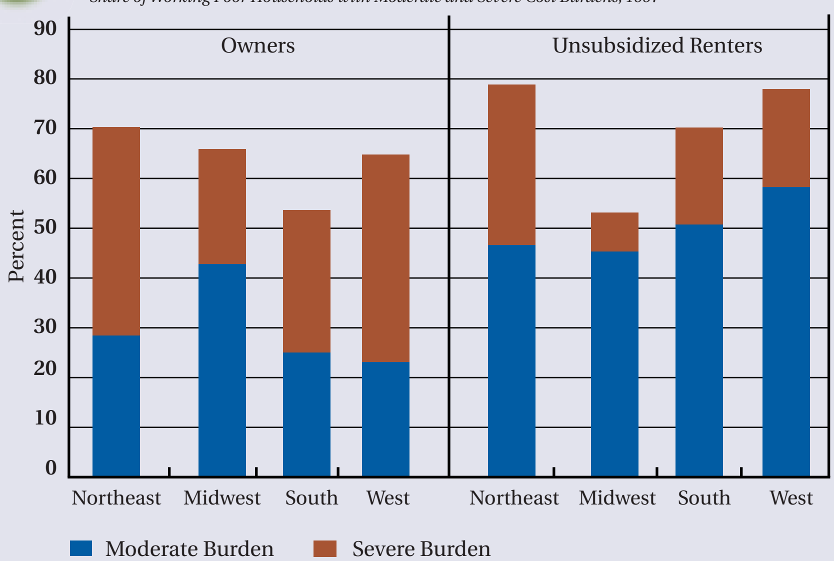
While welfare-to-work programs have met with some success, working households cannot necessarily afford housing. According to the 1997 American Housing Survey, 3.9 million very low-income households living in unsubsidized housing had wage and salary earnings equal to or exceeding the equivalent of full-time employment at the federal minimum wage.

Over two-thirds of these households paid 30 percent or more of their incomes for housing, and one-quarter paid over 50 percent. The shares paying over half of their incomes for housing are especially large in the high-cost Northeast and West (*Figure 26*).

Among very low-income working households, unsubsidized renters face particular hardships, with 71 percent shouldering high housing cost burdens. These working poor renters tend to be young, headed by a single person or single parent, and reside in the nation's central cities. Working poor homeowners are slightly better off, but 62 percent also face high housing cost burdens. In contrast to renters, working poor homeowners are typically middle-

26 Working Is No Cure for High Housing Cost Burdens

Share of Working Poor Households with Moderate and Severe Cost Burdens, 1997



Notes: Working poor is defined as households with incomes below 50% of area median with wage and salary income greater than full-time work at the federal minimum wage. Moderate burden defined as paying 31-50% of income for housing; severe burden defined as paying over 50% of income for housing.
Source: Joint Center tabulations of the 1997 American Housing Survey.

aged, married couples with children, and live in suburban areas.

HOUSING PROBLEMS WORSEN

According to HUD estimates, the number of very low-income households facing severe housing problems—paying more than half of their incomes for housing and/or living in severely inadequate units—set another record in 1997. Although changes in the American Housing Survey make this impossible to verify, it is likely that affordability problems are increasing because of the growing gap between housing costs and the incomes of the nation's poorest households.

As of 1997, about 5.4 million very low-income renters receiving no housing assistance had severe housing problems. At the same time, 4.6 million very low-income homeowners had severe housing problems, with 4.3 million devoting more than half their incomes to cover costs.

Housing problems among very low-income households are concentrated largely in urban areas. Half of these urban renters not receiving subsidies pay over 50 percent of their incomes for housing. One-third of very low-income urban homeowners must also devote the majority of their incomes to housing.

The significant incidence of housing problems in rural areas is often overlooked. In 1997, about one in ten rural owners and one in five rural renters spent more than half their incomes for housing. Roughly a third of very low-income owners and an even larger share of very low-income renters faced high cost burdens, particularly in the Northeast. Rural households are also more likely than urban families to live in severely inadequate housing.

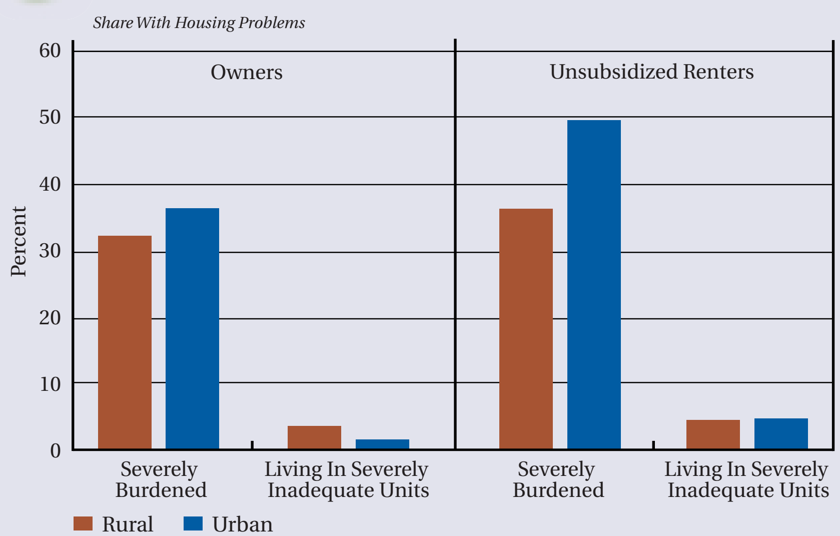
Meanwhile, only 17 percent of very low-income rural renters receive housing subsidies, compared with 28 percent of very low-income urban renters. Even so, federal funding for loans and grants specifically targeted to rural households has been slashed. In addition, assistance has shifted from direct loans providing deeply subsidized assistance, to guaranteed loans serving rural residents with higher incomes.

As a result, progress in addressing very low-income housing needs in rural areas depends increasingly on rental tax credits and programs provided by the US Department of Housing and Urban Development (HUD). Funding for these programs has also failed to keep pace with growing need.

HIGH COSTS AND HOMELESSNESS

While estimates of the homeless population range widely—from the hundreds of thousands on any given night, to the millions over the course of a year—escalating housing costs and the shrinking affordable stock clearly place more people at risk of homelessness.

27 Severe Housing Problems Afflict Very Low-Income Households In Both Urban and Rural Areas



Notes: Very low-income defined as less than 50% of area median. Severely burdened defined as households paying over 50% of their incomes for housing. Severely inadequate defined as having severe problems in plumbing, heating, electrical systems, upkeep or hallways.
Source: Table A-13.

In a recent Census Bureau survey of people who use homeless assistance programs, 18 percent of homeless respondents cited inability to pay the rent or cover a rent increase as the main factor driving them into homelessness. This is an even larger share than the 14 percent who attributed their homelessness primarily to a job loss. In fact, nearly half reported working for pay at some time during the month they were surveyed.

The vast majority of the homeless are single men, but one in seven are members of homeless families, usually headed by women. Though generally less educated than those with homes, slightly over a quarter of homeless adults have some education beyond high school. While 40 percent are white and an equal share black, the incidence of homelessness is much higher among blacks because they represent a much smaller share of the overall population.

The causes of homelessness are multiple and overlapping, and many kinds of people become homeless. As a result, the emphasis of housing policy for the homeless has shifted from simply providing temporary housing to promoting self-sufficiency through job training, placement, and social and mental health services.

AFFORDABLE HOUSING LOSSES

Severe housing problems persist in part because of the dwindling supply of unsubsidized units affordable to very low-income households. Recent losses of units either to rising rents or demolition have intensified the housing problems of the more than 70 percent of very low-income renters who receive no rent subsidies.

Between 1993 and 1995, the number of unsubsidized units affordable to very low-income households was down 8.6 percent—a decrease of nearly 900,000 units. At the same time, the number of units affordable to extremely low-income households—those with incomes less than 30 percent of area median—fell by an even more alarming 16 percent. Although changes to the survey used to measure the affordable stock prevent more recent comparisons, rising rents and declining incomes among the poorest renters point to further losses.

HUD-SUBSIDIZED HOUSING

Conditions in the subsidized housing market are hardly better, with a growing share of HUD-subsidized units at risk of loss. Owners of 1.4 million private rental units can prepay their mortgages at the end of expiring use periods or opt out of programs when their subsidy contracts end. Landlords with properties in the most desirable areas and in the best condition are the most likely to opt out and to take advantage of higher prevailing rents.

Subsidy and use contracts locking owners into programs for 15 or 20 years began to expire in the 1980s. Although long-term restrictions and contracts were initially replaced with multi-year contracts, recent renewals have been for one year only. In an effort to insure long-term affordability, HUD is once again negotiating multi-year contracts—although even these are subject to annual budget appropriations. As a result, long-term affordability of these units is uncertain.

As of the end of 1999, roughly 90,000 units had been lost from the affordable stock because of mortgage prepayments or opt outs. If the past is any guide, as many as 10-15 percent of the 1.2 million units with contracts expiring by 2004 may also opt out. If rent increases continue to outpace inflation, the share may go even higher.

HUD is making an effort to ensure that current tenants are not left unsubsidized and subject to stiff rent increases. The vast majority of residents of properties that opt out, prepay, or do not have their contracts renewed are eligible for enhanced vouchers that hold their payments to 30 percent of income as long as they stay in those units. If they leave, however, the unit is lost from the affordable stock and they must find a suitable apartment that will accept portable vouchers.

These portable vouchers may not, however, make up the difference between the new rents and 30 percent of income. Moreover, finding units that will accept voucher payments is not always easy. As of 1994, the last year for which reliable data are available, over one in eight households that received vouchers in studied areas returned them because they could not find a suitable apartment whose landlord would accept the voucher, or for other reasons.

TAX CREDIT UNITS

As the largest federal rental production program, tax credits have supported the construction of over one million units affordable to people earning 60 percent or less of area median incomes. Keeping tax-credit assisted units in the affordable stock is gaining new urgency because the compliance periods (during which rents must be kept affordable) for the first 23,000 units built under the program are set to expire in 2002.

Making matters worse, fewer of these subsidized units are being added each year because the tax credit is not inflation-adjusted. In fact, the number of units receiving tax credit allocations fell from a high of 117,099 in 1994 to just 67,822 in 1998.

PUBLIC HOUSING

Public housing is home to 1.3 million of the nation's most vulnerable households—half are families with children and one-third are elderly. Another million or so households are on waiting lists. Public housing tenants have an average income of $9,100 a year, well below the federal poverty line and lower than those of other subsidized housing residents. A disproportionate share are minority households (69 percent) and nearly half are African-American.

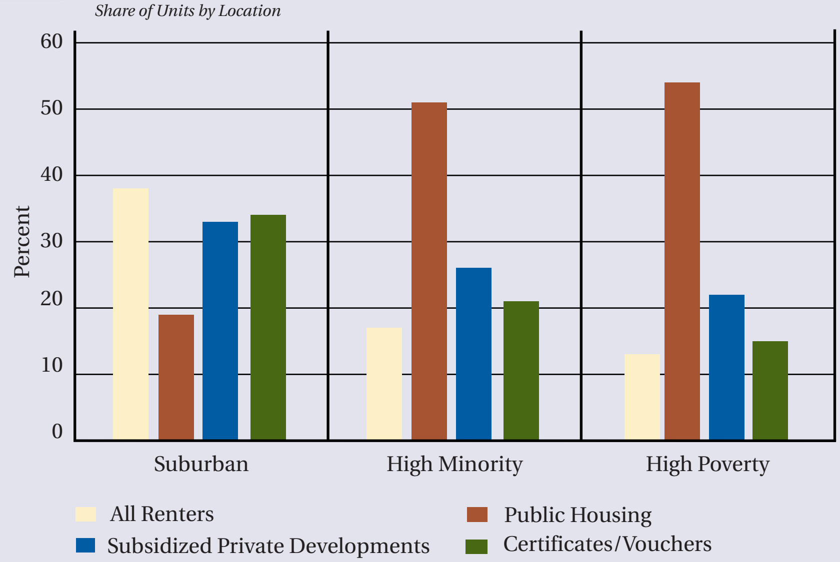
Public housing is concentrated in areas of high poverty, where opportunities are especially scarce and problems rife (*Figure 28*). One study conducted in the mid-1990s found that almost 70 percent of public housing was located in neighborhoods where the median household income was under $20,000. By comparison, just over 20 percent of all rental units are located in such areas.

Even though demand for public housing is strong, 60,577 of 86,000 seriously distressed units are slated for demolition. By the end of 1999, over 27,600 units had been torn down. Despite HUD's replacement goal of 45 percent, only 7,273 units have been built or rehabbed thus far.

Major reforms are now in place to help stem the deterioration of public housing. Beginning in 1999, the requirement that public housing take only the poorest households was eliminated in an effort to promote a wider mix of incomes. In addition, several initiatives to improve drug enforcement and to fund prevention, treatment and youth programs are taking aim at violent crime. These steps should help to protect more public housing units against the risk of loss.

28 **Public Housing Is Concentrated in High-Poverty and High-Minority Areas**

Share of Units by Location



Notes: High minority areas defined as more than 50% minority. High poverty areas defined as more than 30% of households in poverty.
Source: Newman and Schnare, Fannie Mae's *Housing Policy Debate*, 1997.

APPENDIX

Appendix tables can be downloaded in Microsoft Excel format from the Joint Center for Housing Studies website at www.gsd.harvard.edu/jcenter

The following tables are also available:

Single- and Multifamily Permits by State: 1991–1999

Home Purchase Loan Activity for Large Metropolitan Areas: 1993 and 1998

Housing Production in Counties with High Second-Home Share: 1990–1997

TABLE A-1 Housing Market Indicators: 1975–1999

Year	Permits[1] (Thousands) Single-family	Permits[1] (Thousands) Multi-family	Starts[1] (Thousands) Single-family	Starts[1] (Thousands) Multi-family	Starts[1] (Thousands) Manu-factured	Size[2] (Median sq. ft.) Single family	Size[2] (Median sq. ft.) Multi-family	Single-Family Sales Price (1999 dollars) New[4]	Single-Family Sales Price (1999 dollars) Existing[5]	Residential Upkeep and Improvement[6] (Millions of 1999 dollars) Owner-occupied	Residential Upkeep and Improvement[6] (Millions of 1999 dollars) Rental	Vacancy Rates[7] (Percent) For Sale	Vacancy Rates[7] (Percent) For Rent
1975	676	263	892	268	229	1,535	942	143,021	103,656	57,732	25,272	1.2	6.0
1976	894	402	1,162	376	250	1,590	894	146,910	105,763	66,116	24,693	1.2	5.6
1977	1,126	564	1,451	536	258	1,610	881	155,667	110,223	70,492	21,962	1.2	5.2
1978	1,183	618	1,433	587	280	1,655	863	167,239	117,916	75,618	27,562	1.0	5.0
1979	982	570	1,194	551	280	1,645	893	175,560	120,990	79,146	27,153	1.2	5.4
1980	710	481	852	440	234	1,595	915	173,946	118,197	80,469	24,741	1.4	5.4
1981	564	421	705	379	229	1,550	930	171,487	113,625	69,452	26,097	1.4	5.0
1982	546	454	663	400	234	1,520	925	165,359	110,402	64,533	23,543	1.5	5.3
1983	902	703	1,068	635	278	1,565	893	162,095	109,692	66,964	24,985	1.5	5.7
1984	922	757	1,084	665	288	1,605	871	161,659	109,395	74,771	37,124	1.7	5.9
1985	957	777	1,072	669	283	1,605	882	158,054	111,016	78,669	45,609	1.7	6.5
1986	1,078	692	1,179	625	256	1,660	876	161,307	116,559	87,742	51,001	1.6	7.3
1987	1,024	510	1,146	474	239	1,755	920	163,954	120,286	85,197	52,784	1.7	7.7
1988	994	462	1,081	407	224	1,810	940	163,305	122,697	92,165	50,237	1.6	7.7
1989	932	407	1,003	373	203	1,850	940	162,071	124,212	84,426	51,126	1.8	7.4
1990	794	317	895	298	195	1,905	955	156,658	121,731	80,670	55,432	1.7	7.2
1991	754	195	840	174	174	1,890	980	152,338	119,105	75,732	43,564	1.7	7.4
1992	911	184	1,030	170	212	1,920	985	149,834	118,828	82,954	40,225	1.5	7.4
1993	987	212	1,126	162	243	1,945	1,005	151,735	117,888	84,029	40,841	1.4	7.3
1994	1,068	303	1,198	258	291	1,940	1,015	155,039	118,102	91,885	37,427	1.5	7.4
1995	997	335	1,076	278	319	1,920	1,040	155,042	118,545	85,905	36,184	1.6	7.6
1996	1,070	356	1,161	316	338	1,950	1,030	153,409	119,720	85,020	37,005	1.6	7.9
1997	1,062	379	1,134	340	338	1,975	1,050	155,076	121,670	88,547	34,528	1.6	7.8
1998	1,188	425	1,271	346	369	2,000	1,020	156,567	126,584	92,201	31,125	1.7	7.9
1999	1,247	417	1,332	331	297	2,025	1,060	161,133	131,007	94,400	33,200	1.7	8.1

Notes: Manufactured housing starts defined as manufactured housing placements as reported by the Census Bureau. All value series are deflated by the Bureau of Labor Statistics' Consumer Price Index (CPI-UX) for All Items.

Sources:
1. Census Bureau, Construction Reports, Series C-20.
2. Census Bureau, Construction Reports, Series C-25.
3. National Association of Home Builders, www.nahb.org/facts/economics/new&existing_sales.html.
4. New home price is the 1990 national median home price indexed by the Census Bureau's Construction Reports C-25 Constant Quality Home Price Index.
5. Existing home price is the 1990 median sales price of existing single-family homes determined by the National Association of Realtors, indexed by the Conventional Mortgage Home Price Index from Freddie Mac.
6. Census Bureau, Construction Reports, Series C-50. 1999 figures are estimated by the Joint Center for Housing Studies. Owner-occupied series modified to account for change in survey in 1984.
7. Census Bureau, Construction Reports, Series H-111
8. Census Bureau, Construction Reports, Series C-30.

1999 Dollars

Value Put in Place[8] (Billions of 1999 dollars)			Home Sales (Thousands)	
Single-family	Multi-family	Addition & Alterations	New[2]	Existing[3]
94.5	21.4	48.7	549	2,476
131.4	20.7	52.6	646	3,064
167.7	27.1	53.5	819	3,650
173.0	30.5	57.7	817	3,986
153.6	36.1	57.8	709	3,827
102.1	32.3	59.3	545	2,973
93.9	31.5	53.8	436	2,419
72.6	27.2	48.5	412	1,990
123.2	38.3	52.7	623	2,719
140.8	46.4	65.8	639	2,868
138.8	46.0	70.6	688	3,214
157.2	47.8	83.1	750	3,565
168.6	37.5	80.7	671	3,526
165.4	31.6	83.9	676	3,594
159.3	30.4	78.1	650	3,346
143.5	25.4	72.4	534	3,211
124.9	19.8	61.3	509	3,220
149.4	16.8	74.8	610	3,520
162.9	13.2	81.3	666	3,802
180.2	16.5	83.1	670	3,967
162.7	20.1	76.1	667	3,812
175.2	22.4	84.8	757	4,196
176.0	24.5	84.1	804	4,382
197.5	25.5	83.9	886	4,970
212.7	27.7	81.3	907	5,197

TABLE A-2 Metro Areas With More Than 200,000 Housing Permits Issued: 1990–1998

Thousands

	Total Permits 1990-98	Total 1990 Population	Total Permits per 1,000 Population
Washington, DC	379.9	6,726	56.5
Atlanta, GA	361.0	2,960	122.0
Los Angeles, CA	351.8	14,532	24.2
New York, NY	321.3	19,565	16.4
Chicago, IL	314.2	8,240	38.1
Dallas, TX	296.4	4,037	73.4
Phoenix, AZ	278.2	2,239	124.3
Las Vegas, NV	233.6	853	274.0
Seattle, WA	226.6	2,970	76.3
Houston, TX	210.4	3,731	56.4
Detroit, MI	201.1	5,187	38.8

Notes: Metropolitan areas are CMSAs and MSAs with only the name of the principal central city given. Metropolitan areas are defined by the Office of Management and Budget as of 1993, except for New York where the metropolitan area definition is that in effect for the particular year in which permits were reported.
Sources: Census Bureau, Construction Reports C-40, and Metropolitan and County Population Estimates.

TABLE A-3 Metro Areas Adding More Than 25 Percent To Their Housing Stocks: 1990–1998

Thousands

	Total Permits 1990-98	1990 Housing Stock	Permits as Share of 1990 Stock (%)
Las Vegas, NV	233.6	376.1	62.1
Naples, FL	44.1	94.2	46.9
Provo, UT	28.4	72.8	38.9
Boise City, ID	44.2	114.0	38.8
Laredo, TX	12.9	37.2	34.7
Wilmington, NC	30.2	94.2	32.1
Raleigh-Durham, NC	113.8	359.3	31.7
Orlando, FL	163.2	524.2	31.1
Atlanta, GA	361.0	1,224.4	29.5
Fort Collins, CO	22.8	77.8	29.3
Greenville, NC	12.5	43.1	28.9
Fayetteville, AR	25.5	88.8	28.7
Myrtle Beach, SC	25.2	90.0	28.0
Lawrence, KS	8.9	31.8	28.0
Phoenix, AZ	278.2	1,004.8	27.7
Fort Walton Beach, FL	16.9	62.6	27.0
Clarksville, TN	16.4	60.7	27.0
Columbia, MO	12.0	44.7	26.7
Charlotte, NC	124.1	472.9	26.2
McAllen, TX	32.9	128.2	25.7
Reno, NV	28.6	112.2	25.5
Bellingham, WA	14.2	55.7	25.5
Fort Myers, FL	47.6	189.1	25.2

Notes: Metropolitan areas are CMSAs and MSAs with only the name of the principal central city given. Metropolitan areas are defined by the Office of Management and Budget as of 1993. Estimates understate actual growth because they exclude manufactured housing placements.
Sources: Census Bureau, Construction Reports C-40, and 1990 Decennial Census.

TABLE A-4 Income and Housing Costs, US Totals: 1975–1999

1999 Dollars

Year	Monthly Income: Owner	Monthly Income: Renter	Owner Costs: Home Price	Owner Costs: Mortgage Rate	Owner Costs: Mortgage Payment	Owner Costs: After-Tax Mortgage Payment	Renter Costs: Contract Rent	Renter Costs: Gross Rent	Cost as Percent of Income, Owners: Before-Tax Mortgage Payment	Cost as Percent of Income, Owners: After-Tax Mortgage Payment	Cost as Percent of Income, Renters: Contract Rent	Cost as Percent of Income, Renters: Gross Rent
1975	3,360	1,952	103,656	8.92	745	614	416	478	22.2	18.3	21.3	24.5
1976	3,389	1,917	105,763	8.87	757	624	416	481	22.3	18.4	21.7	25.1
1977	3,515	1,933	110,223	8.82	785	694	417	485	22.3	19.8	21.5	25.1
1978	3,455	1,913	117,916	9.37	882	759	418	488	25.5	22.0	21.8	25.5
1979	3,433	1,876	120,990	10.59	1,003	853	410	481	29.2	24.9	21.9	25.6
1980	3,340	1,771	118,197	12.46	1,132	938	403	476	33.9	28.1	22.7	26.9
1981	3,359	1,757	113,625	14.39	1,243	1,013	401	477	37.0	30.1	22.8	27.2
1982	3,369	1,714	110,402	14.73	1,235	1,022	408	490	36.7	30.3	23.8	28.6
1983	3,401	1,728	109,692	12.26	1,035	859	415	501	30.4	25.2	24.0	29.0
1984	3,488	1,777	109,395	11.99	1,012	845	420	505	29.0	24.2	23.6	28.4
1985	3,587	1,806	111,016	11.17	964	807	432	516	26.9	22.5	23.9	28.6
1986	3,712	1,837	116,559	9.79	904	762	450	532	24.4	20.5	24.5	29.0
1987	3,752	1,821	120,286	8.95	867	758	452	530	23.1	20.2	24.8	29.1
1988	3,755	1,866	122,697	8.98	887	794	451	527	23.6	21.1	24.2	28.2
1989	3,807	1,937	124,212	9.81	965	859	447	521	25.4	22.6	23.1	26.9
1990	3,697	1,859	121,731	9.74	940	837	442	514	25.4	22.6	23.8	27.6
1991	3,639	1,774	119,105	9.07	868	777	439	510	23.9	21.4	24.7	28.8
1992	3,612	1,732	118,828	7.83	772	699	437	507	21.4	19.4	25.2	29.3
1993	3,565	1,729	117,888	6.93	701	642	434	505	19.7	18.0	25.1	29.2
1994	3,654	1,771	118,102	7.31	729	668	433	503	20.0	18.3	24.5	28.4
1995	3,696	1,796	118,545	7.69	760	694	432	500	20.6	18.8	24.0	27.8
1996	3,735	1,819	119,720	7.58	759	693	431	498	20.3	18.5	23.7	27.4
1997	3,826	1,822	121,670	7.52	767	700	433	501	20.0	18.3	23.8	27.5
1998	3,940	1,889	126,584	6.97	756	693	440	506	19.2	17.6	23.3	26.8
1999	4,115	1,994	131,007	7.14	796	724	444	508	19.3	17.6	22.3	25.5

Notes: All dollar amounts are expressed in 1999 constant dollars using the Bureau of Labor Statistics' Consumer Price Index (CPI-UX) for All Items.

Monthly incomes of families and primary individuals from 1975 to 1983 are from the American Housing Survey; incomes from 1984 to 1998 are from the American Housing Survey adjusted by the Current Population Survey. Incomes for 1999 reflect growth in HUD median family income between 1998 and 1999, weighted by owners' and renters' contribution to income growth as calculated from the 1997 and 1998 Current Population Surveys.

Home price is the 1990 median sales price of existing single-family homes determined by the National Association of Realtors indexed by the Freddie Mac Conventional Mortgage Home Price Index, deflated by the CPI-UX. Mortgage rates are from the Federal Housing Finance Board Monthly Interest Rate Survey. Mortgage payments assume a 30-year mortgage with 10% down. After-tax mortgage payment equals mortgage payment less tax savings of homeownership. Tax savings are based on the excess of housing (mortgage interest and real-estate taxes) plus non-housing deductions over the standard deduction. Non-housing deductions are set at 5% of income through 1986. With tax reform, they decrease to 4.25% in 1987 and 3.5% from 1988 on.

Contract rent equals median 1977 contract rent from the American Housing Survey, indexed by the CPI residential rent index with adjustments for depreciation in the stock before 1987. Gross rent equals contract rent plus fuel and utilities.

Cost as percent of income for owners is before-tax or after-tax mortgage payments as a percent of monthly owner income. Cost as a percent of income for renters is monthly contract rent or gross rent as a percent of monthly renter income.

TABLE A-5 Home Prices by Region and Metropolitan Area: 1991–1999

1999 Dollars

	Peak Since 1975										
	Year	Level	1991	1992	1993	1994	1995	1996	1997	1998	1999
US TOTAL	1999	131,007	119,105	118,828	117,888	118,102	118,545	119,720	121,670	126,584	131,007
REGIONS											
Northeast	1988	195,781	170,522	168,145	165,315	160,710	157,626	157,083	157,467	163,505	170,113
Midwest	1999	114,619	93,882	94,913	95,566	98,574	100,962	103,454	106,402	110,077	114,619
South	1979	122,369	107,392	107,781	107,612	107,908	108,215	109,185	110,572	114,835	118,025
West	1999	178,652	174,100	170,875	165,794	162,976	161,880	161,888	164,198	172,897	178,652
METRO AREAS											
Atlanta	1999	126,270	107,088	106,925	106,836	106,519	107,584	109,871	113,120	119,444	126,270
Baltimore	1989	135,674	132,994	132,857	130,633	127,732	125,072	124,670	124,217	126,924	128,882
Boston	1988	253,930	201,919	194,896	190,863	188,452	188,449	190,679	196,045	207,716	227,157
Buffalo	1992	99,531	97,976	99,531	99,374	96,878	94,211	93,092	90,598	91,540	89,536
Charlotte	1999	136,693	116,663	116,314	115,666	116,932	119,126	122,848	126,925	132,944	136,693
Chicago	1999	165,035	148,756	150,356	151,348	153,997	155,219	155,990	157,694	161,276	165,035
Cincinnati	1999	118,395	101,197	102,395	102,919	105,671	106,836	108,347	110,577	114,284	118,395
Cleveland	1978	125,105	103,714	106,432	107,742	110,263	112,076	114,857	116,957	121,143	123,926
Columbus	1999	121,727	103,672	105,132	106,079	108,993	110,817	113,004	115,195	119,147	121,727
Dallas	1986	154,897	111,358	111,168	109,836	107,709	106,235	106,458	107,251	112,174	116,723
Denver	1999	162,474	109,358	113,059	118,343	128,632	134,149	137,372	142,334	149,500	162,474
Detroit	1999	130,329	97,644	98,417	98,283	100,668	104,852	110,442	117,000	123,108	130,329
Houston	1982	142,058	89,619	90,492	89,743	87,868	85,508	85,210	85,105	89,883	94,438
Indianapolis	1999	107,600	95,504	96,466	96,898	98,027	99,501	100,936	102,597	105,760	107,600
Kansas City	1979	122,822	91,988	91,366	90,684	92,767	94,478	96,232	98,827	102,383	107,781
Los Angeles	1990	252,386	239,163	228,770	210,103	189,897	178,942	173,469	172,470	186,833	196,566
Louisville	1999	95,329	77,179	78,496	79,402	83,133	85,591	87,267	89,635	92,544	95,329
Madison	1999	132,740	106,203	109,089	111,115	122,492	127,006	127,621	128,663	130,358	132,740
Miami	1980	130,263	112,145	113,222	116,611	119,320	120,738	122,286	122,036	127,497	127,297
Milwaukee	1978	136,187	108,393	111,365	113,841	119,918	122,129	123,297	124,884	128,274	132,541
Minneapolis	1999	135,484	111,271	111,279	111,645	114,341	115,929	118,048	121,105	126,353	135,484
New York	1988	248,232	200,030	197,021	193,743	189,396	184,796	184,220	184,407	192,548	204,794
Philadelphia	1989	143,158	133,752	132,015	129,585	125,667	122,853	121,629	120,905	124,135	126,062
Phoenix	1986	132,408	103,867	103,770	102,820	104,829	108,022	110,814	113,826	118,770	123,931
Portland, OR	1999	154,718	107,212	113,016	117,985	126,735	134,139	140,888	147,574	153,346	154,718
Raleigh	1999	160,435	135,303	135,658	135,876	141,991	146,229	148,022	151,041	155,848	160,435
Richmond	1989	114,199	108,519	108,808	107,573	106,913	105,710	105,775	106,020	109,240	111,698
Rochester, NY	1988	107,890	99,076	99,089	97,645	94,328	91,168	89,766	87,947	89,362	88,867
Sacramento	1991	176,433	176,433	167,503	156,883	145,602	139,023	134,208	133,020	138,360	142,286
Salt Lake City	1999	143,535	89,785	92,891	100,168	115,521	125,015	132,691	138,505	143,385	143,535
San Diego	1990	233,520	222,807	214,345	201,464	189,862	183,173	178,347	179,155	193,867	208,746
San Francisco	1990	330,523	313,543	302,163	287,306	274,232	266,938	260,956	268,249	291,420	318,300
Seattle	1999	197,683	165,745	165,904	164,113	165,069	164,376	165,091	171,266	185,073	197,683
St. Louis	1979	111,058	95,216	94,720	93,758	95,065	96,009	97,167	98,890	101,420	105,854
Washington, DC	1989	196,037	184,417	181,598	177,178	171,072	166,274	163,860	161,757	164,673	168,111

Notes: House prices are the 1990 median sales price of existing single-family homes determined by the National Association of Realtors, indexed by the Conventional Mortgage Home Price Index and the Weighted Repeat Sales Index by Freddie Mac, and adjusted by the Bureau of Labor Statistics Consumer Price Index (CPI-UX) for All Items.

TABLE A-6 Households by Age and Family Type: 2000 and 2010

Thousands

	Total	Married Couples Without Children	Married Couples With Children	Single Parents	Other Family	Single Person	Other Nonfamily
2000							
Age 15-24	5,403	715	877	1,042	369	1,213	1,187
Age 25-34	18,069	2,506	6,765	2,907	472	3,683	1,736
Age 35-44	24,370	2,654	11,909	3,698	858	4,144	1,107
Age 45-54	20,657	7,180	5,254	1,157	1,735	4,613	718
Age 55-64	13,909	7,529	650	149	1,304	3,918	359
Age 65-74	11,442	5,803	109	22	1,032	4,316	160
Age 75 and Over	11,420	3,788	4	9	1,026	6,447	146
Total	105,270	30,175	25,568	8,984	6,796	28,334	5,413
2010							
Age 15-24	6,137	811	996	1,184	419	1,378	1,349
Age 25-34	18,390	2,532	6,836	2,937	477	3,811	1,797
Age 35-44	21,765	2,340	10,502	3,261	757	3,871	1,034
Age 45-54	24,380	8,349	6,109	1,345	2,017	5,676	884
Age 55-64	20,391	10,644	919	211	1,844	6,205	568
Age 65-74	13,217	6,609	125	25	1,176	5,093	189
Age 75 and Over	12,722	4,166	5	10	1,129	7,248	164
Total	117,002	35,451	25,492	8,973	7,819	33,282	5,985

Notes: Projections utilize Census Bureau population projections and Joint Center headship projections based on analysis of the Current Population Survey. Household totals differ slightly (0.24%) from Joint Center projections by race/ethnicity. Family households defined as two or more related individuals sharing living quarters. Children are own children under age 18.

Source: Masnick, “Updating and Extending the Joint Center Household Projections Using New Census Bureau Population Projections,” Joint Center for Housing Studies, 2000.

TABLE A-7 Households by Age and Race: 2000 and 2010

Thousands

	Total	White	Black	Hispanic	Other
2000					
Age 15-24	5,753	3,759	913	817	26
Age 25-34	18,294	12,454	2,629	2,305	906
Age 35-44	24,743	17,785	3,301	2,588	1,069
Age 45-54	20,661	15,715	2,494	1,613	839
Age 55-64	13,701	10,761	1,518	941	481
Age 65-74	11,307	9,263	1,083	673	288
Age 75 and Over	11,068	9,662	757	443	206
Total	105,527	79,399	12,695	9,380	4,053
2010					
Age 15-24	6,542	4,064	1,066	1,064	348
Age 25-34	18,794	12,047	2,857	2,820	1,070
Age 35-44	22,017	14,345	3,207	3,137	1,328
Age 45-54	24,460	17,357	3,311	2,622	1,170
Age 55-64	20,181	15,310	2,400	1,634	837
Age 65-74	13,031	10,283	1,328	971	449
Age 75 and Over	12,255	10,270	913	724	348
Total	117,280	83,676	15,082	12,972	5,550

Notes: See Table A-6 Notes. Hispanics may be of any race. Other includes Asians and Pacific Islanders, Native Americans, and all other racial groups not shown separately.

Source: See Table A-6 Source.

TABLE A-8 Terms on Conventional Single-Family Mortgages: 1980–1999

Annual Averages, All Homes

Year	Effective Interest Rate (%)	Term to Maturity (Years)	Mortgage Loan Amount (Thousands of 1999 dollars)	Purchase Price (Thousands of 1999 dollars)	Loan-To-Price Ratio (%)	Percent of Loans with Loan-to-Price Ratio More than .9	Estimated Share of Loans with Adjustable Rates (%)
1980	12.8	27.2	104.7	148.6	72.9	10	NA
1981	14.9	26.4	99.3	141.1	73.1	15	NA
1982	15.3	25.6	95.8	136.6	72.9	21	41
1983	12.7	26.0	100.2	139.0	74.5	21	40
1984	12.5	26.8	103.4	138.9	77.0	27	62
1985	11.6	25.9	108.7	148.8	75.8	21	51
1986	10.2	25.6	120.5	168.1	74.1	11	30
1987	9.3	26.8	130.7	178.6	75.2	8	43
1988	9.3	27.7	137.2	185.3	76.0	8	58
1989	10.1	27.7	140.4	191.9	74.8	7	38
1990	10.1	27.0	132.6	181.8	74.7	8	28
1991	9.3	26.5	130.0	179.4	74.4	9	23
1992	8.1	25.4	129.1	173.8	76.6	14	20
1993	7.1	25.5	123.4	165.0	77.2	17	20
1994	7.5	27.1	123.5	159.6	79.9	25	39
1995	7.9	27.4	120.7	156.1	79.9	27	32
1996	7.7	26.9	126.0	164.7	79.0	25	27
1997	7.7	27.5	131.4	170.8	79.4	25	22
1998	7.1	27.8	134.7	177.2	78.9	25	12
1999	7.3	28.2	139.3	184.2	78.5	23	21

Source: Federal Housing Finance Board, www.fhfb.gov/tables.htm.

TABLE A-9 Income and Wealth of Owners and Renters: 1998

1998 Dollars

	Owners			Renters	
	Median Income	Median Home Equity	Median Net Wealth	Median Income	Median Net Wealth
TOTAL	43,581	57,000	132,130	20,000	4,200
AGE					
Under 35	42,567	19,000	40,649	19,000	2,600
35 to 64	52,702	55,000	145,100	23,000	5,480
65 and Over	23,311	80,000	169,750	12,000	6,220
RACE/ETHNICITY					
White	46,621	60,000	148,920	22,000	5,800
Black	28,378	29,000	67,280	13,000	1,661
Hispanic	33,446	43,000	70,000	19,000	2,000
Other	54,729	70,000	163,800	23,000	7,760
INCOME					
Under $20,000	12,162	47,000	70,100	9,800	1,000
$20,000-49,999	32,432	50,000	104,650	30,000	8,050
$50,000 and Over	74,999	65,000	238,500	63,000	51,300

Notes: Hispanics may be of any race. Other includes Asians and Pacific Islanders, Native Americans, and all other racial groups not shown separately.
Source: Joint Center tabulations of the 1998 Survey of Consumer Finance.

TABLE A-10 Homeownership Rates by Age and Race/Ethnicity: 1994–1999

Percent

	1994	1995	1996	1997	1998	1999
TOTAL	64.0	64.7	65.4	65.7	66.3	66.8
WHITE						
Under Age 25	17.4	18.9	20.9	20.7	21.4	23.2
Age 25-34	50.8	52.3	52.6	52.3	53.3	53.8
Age 35-44	71.3	72.1	72.6	73.2	73.9	74.2
Age 45-54	80.1	80.5	80.7	80.5	80.5	80.9
Age 55-64	83.5	84.0	84.4	84.5	85.3	85.4
Age 65-75	83.5	84.2	85.0	85.4	85.2	86.0
Age 75 and Over	75.0	76.1	76.9	77.2	77.7	78.8
Total	70.0	70.9	71.7	72.0	72.6	73.2
BLACK						
Under Age 25	7.7	8.3	10.4	11.0	9.8	10.9
Age 25-34	21.4	22.6	23.3	23.9	26.3	26.5
Age 35-44	40.5	41.4	42.5	43.2	44.4	45.8
Age 45-54	55.5	53.3	55.0	58.2	58.4	58.6
Age 55-64	62.1	63.1	64.4	63.2	62.3	62.1
Age 65-75	65.4	65.4	68.3	67.7	69.2	69.0
Age 75 and Over	64.3	66.7	67.3	69.3	68.0	67.9
Total	42.5	42.9	44.5	45.4	46.1	46.7
HISPANIC						
Under Age 25	11.0	11.1	14.2	13.3	13.0	15.2
Age 25-34	27.5	28.9	29.4	28.9	31.4	31.5
Age 35-44	44.5	45.9	45.2	46.4	47.6	48.5
Age 45-54	54.5	55.4	56.7	56.8	56.4	57.6
Age 55-64	59.1	57.1	59.4	61.8	63.7	63.3
Age 65-75	60.0	61.9	62.8	58.4	62.5	67.0
Age 75 and Over	59.9	56.1	57.3	61.7	63.9	62.6
Total	41.2	42.0	42.8	43.3	44.7	45.5
OTHER						
Under 25	13.1	12.6	15.1	13.8	17.1	19.2
Age 25-34	30.1	32.9	31.0	32.3	32.7	34.4
Age 35-44	55.1	54.2	55.3	57.7	59.4	58.0
Age 45-54	68.3	68.6	68.1	69.8	68.8	68.3
Age 55-64	71.7	66.4	68.8	69.3	70.0	73.7
Age 65-75	62.1	62.9	66.0	68.9	68.5	69.9
Age 75 and Over	56.8	59.8	62.4	62.4	64.0	60.6
Total	50.8	51.5	51.5	53.3	53.7	54.1

Notes: Hispanics may be of any race. Other racial groups exclude people of Hispanic ethnicity. Other includes Asians and Pacific Islanders, Native Americans, and all other racial groups not shown separately. Caution should be used in interpreting year-over-over changes for certain age/race categories because of small sample sizes.

Source: Joint Center tabulations of the Current Population Surveys, and Census Bureau, Series H-111.

TABLE A-11 Total and Subprime Lending: 1993–1998

Thousands of Loans

	Subprime Specialists						All Lenders					
	1993	1994	1995	1996	1997	1998	1993	1994	1995	1996	1997	1998
ALL HOME PURCHASE LOANS	22.8	36.6	38.4	49.3	90.0	235.5	3,187.7	3,539.5	3,495.7	3,806.3	3,955.1	4,550.0
BORROWER CHARACTERISTICS												
White	13.9	22.5	22.2	31.4	55.5	138.0	2,614.2	2,849.2	2,761.0	2,983.6	3,044.0	3,433.6
Minority	6.7	9.8	10.7	13.6	23.9	62.1	470.8	602.6	633.0	687.4	719.3	813.8
Low-Income	4.9	8.5	8.7	11.3	23.1	54.5	679.6	756.4	712.8	835.3	884.5	1,051.4
Moderate-/High-Income	12.2	21.2	22.4	29.2	53.6	129.0	1,873.1	1,987.0	1,945.4	2,166.1	2,246.9	2,577.0
NEIGHBORHOOD CHARACTERISTICS												
Predominantly White	9.3	8.1	9.7	12.2	28.0	73.0	1,990.1	1,457.2	1,414.0	1,622.4	1,676.1	1,926.0
Predominantly Minority	1.1	1.7	2.6	2.6	5.6	16.4	70.4	84.3	89.1	95.4	103.3	116.0
Low-Income	2.9	4.6	5.9	6.8	15.0	41.1	288.8	325.5	343.1	381.6	401.4	458.8
Moderate-/High-Income	14.1	24.3	27.4	34.2	61.2	162.8	2,268.9	2,468.0	2,379.5	2,744.6	2,870.4	3,341.8
Low-Income/Predominantly Minority	0.8	1.2	1.9	1.9	4.2	12.0	45.6	54.1	58.7	64.3	70.1	78.8
High-Income/Predominantly Minority	0.1	0.1	0.1	0.1	0.2	0.7	3.9	5.0	4.9	4.9	5.2	6.0
Low-Income/Predominantly White	0.3	0.5	0.7	0.8	2.0	5.7	64.9	72.4	75.3	83.1	86.5	98.2
High-Income/Predominantly White	1.6	3.7	4.2	5.4	11.2	27.6	604.1	629.5	587.7	685.6	715.9	826.7
ALL REFINANCE LOANS	46.9	105.2	122.1	218.5	428.6	818.9	6,098.4	2,519.8	1,638.9	2,577.8	2,789.4	6,705.2
BORROWER CHARACTERISTICS												
White	27.0	59.6	57.5	108.6	214.8	398.0	5,070.0	1,981.1	1,265.3	1,971.4	2,027.9	4,994.2
Minority	14.6	29.0	31.9	50.5	92.3	165.1	698.8	382.1	243.5	346.5	397.3	862.1
Low-Income	12.8	35.1	40.8	73.2	141.0	248.1	732.8	409.5	277.0	482.6	548.8	1,143.0
Moderate-/High-Income	23.2	51.3	56.6	95.6	188.3	375.2	3,919.5	1,384.4	900.1	1,438.8	1,525.8	3,787.3
NEIGHBORHOOD CHARACTERISTICS												
Predominantly White	14.8	29.1	37.2	67.4	142.3	271.1	3,707.8	1,020.2	681.5	1,159.4	1,216.6	3,087.0
Predominantly Minority	6.3	13.0	16.3	27.2	47.4	88.6	123.7	94.6	69.5	105.7	124.9	209.6
Low-Income	9.6	22.1	29.7	49.5	92.5	164.7	428.7	249.6	177.1	282.7	326.4	616.7
Moderate-/High-Income	30.5	63.9	67.5	118.5	234.0	489.7	4,715.7	1,783.8	1,098.2	1,805.7	1,925.2	5,009.6
Low-Income/Predominantly Minority	4.3	9.2	12.1	20.3	35.8	65.2	74.7	60.9	47.4	72.7	89.1	142.0
High-Income/Predominantly Minority	0.3	0.4	0.5	0.7	1.2	3.0	8.7	5.7	3.2	4.7	4.5	10.0
Low-Income/Predominantly White	0.8	2.5	4.0	7.1	14.4	24.2	89.3	49.0	37.3	61.7	67.4	133.3
High-Income/Predominantly White	3.1	9.5	273.1	18.4	40.0	82.5	1,350.7	434.4	273.1	455.9	483.6	1,329.7

Notes: Includes only loans made in metropolitan areas as defined by the Office of Management and Budget for 1993 HMDA reporting. Excludes subprime loans for manufactured housing. Lower-income borrowers have incomes less than 80% of area median income. Moderate-/high-income borrowers have incomes of 80% or greater than area median. Predominantly white neighborhoods were less than 10% minority in 1990. Predominantly minority neighborhoods were 80% or more minority as of 1990. Low-income neighborhoods had tract median incomes less than 80% of metro area median in 1989. Moderate-/high-income neighborhoods had tract median income of 80% or greater than metro area median. High-income neighborhoods had tract median income of 120% or greater than metro area median. Subprime specialists are identified by HUD based on industry sources, denial rates, refinance share, and/or lender name. For more information on subprime specialist definition see Canner and Passmore, "The Role of Specialized Lenders in Extending Mortgages to Low-Income and Minority Homebuyers," *Federal Reserve Bulletin*, Nov. 1999, Appendix B.

Source: Joint Center tabulations of the Home Mortgage Disclosure Act data.

TABLE A-12 Construction and Employment Changes by Region: 1990–1997

Thousands

	Housing Stock in 1990 (Units)	Aggregate Housing Permits 1990-1997	Aggregate Permits as Share of 1990 Stock (Percent)	Total Employment 1990	Total Employment 1997	Change in Employment 1990-1997 (Percent)
NORTHEAST	20,811	1,034	5.0	28,399	29,476	3.8
Metro High Density	8,910	235	2.6	13,117	13,183	0.5
Metro Medium Density	6,153	437	7.1	8,793	9,352	6.4
Metro Low Density	3,268	221	6.8	3,883	4,180	7.6
Nonmetro Adjacent	1,807	111	6.1	1,880	1,988	5.7
Nonmetro Nonadjacent	673	30	4.5	726	773	6.5
MIDWEST	24,493	2,205	9.0	33,646	38,003	12.9
Metro High Density	6,775	380	5.6	10,755	11,523	7.1
Metro Medium Density	4,978	631	12.7	7,352	8,476	15.3
Metro Low Density	5,675	754	13.3	7,487	8,833	18.0
Nonmetro Adjacent	3,545	254	7.2	4,060	4,646	14.4
Nonmetro Nonadjacent	3,520	186	5.3	3,992	4,525	13.4
SOUTH	36,065	4,075	11.3	46,921	54,414	16.0
Metro High Density	5,114	439	8.6	8,445	9,230	9.3
Metro Medium Density	11,193	1,568	14.0	16,359	19,242	17.6
Metro Low Density	10,159	1,486	14.6	11,859	14,329	20.8
Nonmetro Adjacent	5,518	377	6.8	5,834	6,639	13.8
Nonmetro Nonadjacent	4,081	205	5.0	4,424	4,974	12.4
WEST	20,895	2,485	11.9	30,221	34,520	14.2
Metro High Density	5,644	247	4.4	9,827	9,952	1.3
Metro Medium Density	4,588	523	11.4	7,253	8,410	16.0
Metro Low Density	7,426	1,333	18.0	9,450	11,683	23.6
Nonmetro Adjacent	1,241	182	14.7	1,306	1,620	24.0
Nonmetro Nonadjacent	1,996	200	10.0	2,385	2,855	19.7

Notes: Metropolitan definitions are as of 1993. High-density counties had more than 1,400 people per square mile in 1990. Medium-density counties had 377-1,400 people per square mile. Low-density counties had less than 377 people per square mile. Adjacent refers to adjacency to metropolitan boundaries.

Sources: Census Bureau, Series C-40; Bureau of Economic Analysis, REIS database; Joint Center county database.

TABLE A-13 Housing Conditions of Very Low-Income Households

	Total		Rural		Urban		Working Poor	
	Owners	Unsubsidized Renters	Owners	Unsubsidized Renters	Owners	Unsubsidized Renters	Owners	Unsubsidized Renters
TOTAL HOUSEHOLDS (000s)	12,820	10,253	4,745	1,529	8,075	8,724	1,365	2,523
Moderately Cost Burdened	2,889	3,003	949	398	1,940	2,605	399	1,292
Severely Cost Burdened	4,432	4,879	1,517	557	2,915	4,322	442	505
Living in Severely Inadequate Housing	274	460	171	66	103	394	14	81
SHARE (%)								
Moderately Cost Burdened	22.5	29.3	20.0	26.0	24.0	29.9	29.2	51.2
Severely Cost Burdened	34.6	47.6	32.0	36.4	36.1	49.5	32.4	20.0
Living in Severely Inadequate Housing	2.1	4.5	3.6	4.3	1.3	4.5	1.0	3.2

Notes: Due to changes in the American Housing Survey in 1997, these data are not comparable with data from previous years. Estimates exclude renter households that receive housing subsidies or for which subsidy status was not reported. Numbers may differ from official HUD estimates because of differences in subsidy definition. Very low-income households defined as having less than 50% of area median income. Moderately cost burdened defined as paying 31-50% of income for housing. Severely cost burdened defined as paying more than 50% of income for housing. Severely inadequate housing defined as having severe problems in plumbing, heating, electrical systems, upkeep, or hallways. Rural defined as living in rural suburbs or rural nonmetropolitan areas according to the American Housing Survey. Working poor defined as having wage and salary income equal to or greater than full-time federal minimum wage income ($5.15 per hour).

Source: Joint Center tabulations of the 1997 American Housing Survey.