Weak Income Growth and Rising Rents Create Severe Affordability Problems for American Renters

Harvard’s Joint Center for Housing Studies Releases Biennial Rental Housing Report

December 9, 2013 – Cambridge, MA and Washington, DC – Affordability problems for renters have skyrocketed over the past decade both in number and the share of renters facing them, according to a new report on rental housing from the Harvard Joint Center for Housing Studies. The inability of so many to find housing they can afford dramatically impacts the health and well-being of U.S. renters, as lower-income households cut back on food, healthcare, and savings, just to keep up.

Released today at an event held at the Newseum in Washington, DC, the report, America’s Rental Housing: Evolving Markets and Needs, finds that half of U.S. renters pay more than 30 percent of their income on rent, up an astonishing 12 percentage points from a decade earlier. Much of the increase was among renters facing severe burdens (paying more than half their income on rent), boosting their share to 27 percent. These levels were unimaginable just a decade ago, when the share of American renters paying half their income on housing, at 19 percent, was already a cause for serious concern.

Escalating affordability problems come at a time when the share of Americans that rent has increased from 31 percent in 2004 to 35 percent in 2012. In fact, the 2000s marked the strongest numerical growth in renter households in the last fifty years. As ownership rates fell, housing markets have adjusted dynamically to the increased demand for single-family rentals, with about 3 million existing homes switching from owner to rental occupancy from 2007-2011 alone.

On the strength of the surge in demand, rental vacancies have fallen, rents have climbed, and construction of new rental housing has picked up sharply, giving an important spur to the struggling residential construction market. Rising rents combined with softness in wages has put the squeeze on affordability. The report points out that between 2000 and 2012 real median rents nationally (adjusted for inflation) increased by 6 percent, while over the same period the real median income of renters dropped by 13 percent. More than ever before, the private market struggles to provide decent housing that is affordable for people of even modest means.

THE EFFECT OF HOUSING AFFORDABILITY ON FAMILIES

“The gravity of the situation for the large proportion of renters spending so much of their incomes on housing is plain,” said Eric Belsky, Managing Director of the Joint Center for Housing Studies at Harvard, which publishes its report on the state of rental housing in the U.S. every other year. “We are losing ground rapidly against a chronic problem that forces households to cut essential spending. With little else to cut in their already tight budgets, America’s lowest-income renters with severe cost burdens spend about $130 less on food each month, and make similar reductions in healthcare, clothing, and savings. And while many choose longer commutes to lower their housing costs, the combined cost of housing and transportation means even less remains for other expenses.”

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GROWTH IN THE GAP BETWEEN THE NUMBER OF LOW-INCOME RENTERS AND THE SUPPLY OF AFFORDABLE UNITS

“For many low-income families, the rental housing affordability crisis is like a game of musical chairs in which there is never a chair left for them,” said Chris Herbert, Research Director at the Harvard Joint Center for Housing Studies. “The shortfall in the number of units affordable to extremely low-income renters in the U.S. (those earning no more than 30 percent of the area median) more than doubled from 1.9 million in 2001 to 4.9 million in 2011. The situation just keeps getting worse. Assistance efforts have failed to keep pace with escalating need, undermining the nation’s longstanding goal of ensuring decent and affordable housing for all.”

TRENDS IN HOUSING AND A DISCUSSION OF HOUSING POLICY

“The release of the Harvard Joint Center for Housing Studies rental housing report is a further indicator that serious discussion about market trends and implications for U.S. housing policy can no longer be deferred. The profound and growing needs of the expanding population of renters should be considered a front-burner issue,” said Julia Stasch, Vice President, U.S. Programs, the John D. and Catherine T. MacArthur Foundation. The MacArthur Foundation provided principal support for the report as part of its $150 million Window of Opportunity, Preserving Affordable Rental Housing initiative.

LIVE WEBCAST OF TODAY’S RELEASE EVENT IN WASHINGTON, D.C.

The release event for America’s Rental Housing: Evolving Markets and Needs, being held today in Washington, DC, will be webcast live from 11:30 a.m. – 4:30 p.m. at www.jchs.harvard.edu, and includes a keynote address from Shaun Donovan, Secretary of Housing and Urban Development, as well as remarks by Colorado Governor John Hickenlooper, Senator Mark Warner of Virginia, and Michael Stegman, Counselor to the Treasury Secretary for Housing Finance. A panel on “Future Directions in Assisted Housing” will be moderated by NPR correspondent Chris Arnold, and feature Erika Poethig of the Urban Institute and Mark Calabria of the Cato Institute. A second panel, “The Evolution of the Rental Housing Market,” will be moderated by Nick Timiraos of The Wall Street Journal, and will feature discussants Tom Bozzuto of The Bozzuto Group, Connie Moore of BRE Properties, Sean Dobson of Amherst Securities, and Shekar Narasimhan of Beekman Advisors.

Visit www.jchs.harvard.edu for the full agenda, as well as a Fact Sheet from the report.

Viewers watching the live webcast can also join the conversation on Twitter with #RentalHousing

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ABOUT JCHS: The Harvard Joint Center for Housing Studies advances understanding of housing issues and informs policy. Through its research, education, and public outreach programs, the center helps leaders in government, business, and the civic sectors make decisions that effectively address the needs of cities and communities. Through graduate and executive courses, as well as fellowships and internship opportunities, the Joint Center also trains and inspires the next generation of housing leaders. www.jchs.harvard.edu

ABOUT THE MACARTHUR FOUNDATION: The MacArthur Foundation supports creative people and effective institutions committed to building a more just, verdant, and peaceful world. In addition to selecting the MacArthur Fellows, the Foundation works to defend human rights, advance global conservation and security, make cities better places, and understand how technology is affecting children and society. The Foundation has invested more than $300 million in grants and below market loans to preserve and expand affordable housing and to support more balanced housing policies that acknowledge the importance of rental housing affordable to a full range of incomes. More information is at www.macfound.org/housing

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CONTACT
Audrey Chang, The Harbour Group, 202.295.8779, audrey.chang@harbourgrp.com
Kerry Donahue, Harvard Joint Center for Housing Studies, 617.495.7640, kerry_donahue@harvard.edu