As described in the Joint Center’s 2015 report *America’s Rental Housing: Expanding Options for Diverse and Growing Demand*, the affordability challenges facing American renter households have been growing over the past decade and a half, a time characterized by falling incomes and rising rents. In addition to being more severe than in the past, renter affordability problems in the US have been more severe than in other advanced countries.

Indeed, when measured by the median ratio of housing costs to incomes and compared to 11 other advanced countries, rental affordability in the US is worse than in all but Spain. In addition, the share of renters spending more than half their income on housing is highest in the US out of all 12 nations. Comparison of housing conditions revealed that key factors driving relative unaffordability in the US include larger housing units, differences in subsidy programs and other government policies, and, importantly, income inequality.

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Introduction

Since 2001, the median share of income US renters devote to housing costs has risen from about 25 percent to more than 30 percent. The increasing rent burden over this time has been driven largely by falling incomes alongside rising rents and utility costs. One way to contextualize high rent burdens is to compare the current US situation with that of other developed countries. However, the scope and quality of available data differs between countries, making comparative analysis of housing costs and conditions among them difficult. A new paper from Michael Carliner and Ellen Marya seeks to address this, establishing comparative measures across the US, Canada, and ten European countries to better understand rental housing characteristics and affordability in an international context. The following brief summarizes the methodology, basic characteristics of renter households, and key findings on differences in and drivers of renter housing affordability.

Data and Methodology

The characteristics of rental housing supply and renter households, and of rental housing affordability in twelve countries were examined. Along with the US and Canada, ten advanced European countries with large renter populations—Austria, Belgium, France, Germany, Italy, the Netherlands, Spain, Sweden, Switzerland, and the United Kingdom—were selected. Analysis drew on microdata from household surveys in each country, primarily from 2013. Housing affordability in the US and Canada has typically been measured by comparing housing costs to total household income, while European countries usually compare housing costs to disposable income. The report shows estimates using both income measures. It finds that, while the relative severity of affordability problems in the US appears less extreme when calculated using disposable income, it still finds the share of renters paying more than half their income for housing was greater in the US than in any of the other country except Spain.

Characteristics of Renter Households

The share of households paying rent in each country ranged from 15 percent in Spain to nearly 59 percent in Switzerland. If households paying no cash rent are included, the range is from 22 percent to 60 percent (Figure 1). Households paying no cash rent—typically because of an employment or family connection—made up less than 2 percent of

Figure 1. The Renter Share of Households Varies Widely Across Countries

all households in Canada, Belgium, the Netherlands, Sweden, Switzerland, the UK, and the US, but made up more than 6 percent in Austria, Italy, and Spain. Given the often unique characteristics and living arrangements of households living rent-free, the report focuses on cash renter households.

Within each country, renter incomes were lower than those for owners and for all households (Figure 2). Median income for renter households ranged from $22,114 in the UK to $62,633 in Switzerland. Typically, median renter incomes were between about two-thirds and three-quarters the size of the median for all households, but varied from a low of 58 percent of overall household income in the Netherlands to a high of 89 percent in Switzerland.

In each country considered, foreign-born households were more likely to rent than native-born households. There was a notable gap between the share of foreign-born and native-born households renting, especially in countries with low overall rentership rates. For example, in Spain, where only 15.4 percent of all households were renters, just 9.5 percent of native-born households rented, compared to 50.8 percent of foreign-born households. Similarly, in Italy, 18.5 percent of all households were renters, including 14.4 percent of native-born and 55.9 percent of foreign-born households. In Switzerland, 38 percent of all households were foreign—more than in any of the other countries—and more than 70 percent of those were renters.

Younger households were more likely to rent, with rentership rates typically at their highest for households under age 25, and declining at older age groups. However in several countries, including Canada, Belgium, the Netherlands, Sweden, and Switzerland, rentership rates were higher for households aged 65 and over than for middle-aged households. In fact, households aged 65 and over made up significant shares of renter households in the Netherlands (29.1 percent), Sweden (24.3 percent), and others. By contrast, only 12.1 percent of renter households in the US had householders aged 65 or over.

Rental Housing Affordability

The characteristics of renter households across countries helped to inform the main investigation of rental housing affordability. On a central measure of affordability—median housing costs net of housing allowances as a share of gross household income—renters in Spain fared the worst, with the US close
behind (Figure 3). The median renter in Spain spent 32.3 percent of income on housing costs, while the median US renter spent 31.1 percent. Renters in the UK (30.1 percent) and Belgium (29.5 percent) also faced particularly high costs as a share of incomes. Measured against another common threshold—the share of households paying more than 50 percent of gross income for housing—rankings were similar, but the incidence of such severe burdens was particularly dire for the US (Figure 4). In total, 28.5 percent of renters in the US faced severe cost burdens, along with 27.5 percent of those in Spain, 21.1 percent in the UK, 19.6 percent in Canada, and 17.7 percent in Belgium. The prevalence of severe burdens in the other countries studied ranged from 3.7 percent in Switzerland to 17.5 percent in Italy.

Given the severity of renter affordability challenges in the US (and the small proportion of households in Spain who were renters), several factors were examined as contributors to the outsized cost burdens in the US. The paper found the most significant factors contributing to higher burdens in the US were lower subsidy availability and higher income inequality. Other less important factors include whether disposable or gross income measures were used, the size and type of housing unit rented, and the targeting of assistance.

Impact of housing allowances

Demand-side rent subsidies provided to households in the form of housing allowances generally cover a portion of the difference between the cost of private housing in a designated area and the amount affordable to a household, often measured as a portion of household income. The US version, Housing Choice Vouchers, are provided to about two million income-eligible renter households.

The US voucher program has several unique features compared to its counterparts in other countries. First, vouchers in the US are designed to cover the full gap between the estimated local housing cost for modest housing and
the household contribution, while allowances in other countries cover only a portion of this gap, increasing the relative per-household subsidy amount in the US. Second, US voucher recipients must find housing that can pass a government quality inspection. The inspection process can deter households from applying for vouchers and property owners from accepting vouchers, while also steering some households to more expensive housing than they would otherwise choose. Recent data on the success rates of voucher recipients finding suitable housing are limited, but past studies indicate that large shares of households obtaining vouchers eventually surrender them when their current residences fail inspection, they are unable to find another suitable unit, or they hit any number of other roadblocks (such as landlord refusal or inability to pay moving or deposit costs) inherent in using their vouchers in the private market.

In addition, unlike in other countries with housing allowances, the US voucher program is not an entitlement program and the vast majority of eligible households receive no housing assistance. Just over 6 percent of all renter households in the US received housing allowances, compared with highs of 38.0 percent in the Netherlands, 46.4 in the UK, and 55.0 percent in France (Figure 5a & 5b). Reflecting in part an apparent tradeoff between broad and deep subsidies, the median allowance amount in the US was greater, at $7,200 annually, compared with $2,170 in the Netherlands, $4,988 in the UK, and $2,257 in France. The difference in the reach of housing allowances across countries is reflected in the size of increase in cost burden rates when such allowances are excluded. Without housing allowances (if nothing else changed), the median cost burden among all US renters would rise by just over 1 percentage point to 32.3 percent, while the share in the Netherlands would increase by 2.6 points to 28.0, that in France would increase 3.6 points to 26.2, and the rate in the UK would jump fully 9 points to 39.1 percent.

Figure 5a. While the Share of US Renters Receiving Housing Allowances is Small...

Figure 5b. ...the Median Allowance Amount is Comparatively Large

Notes: Renters are only those paying cash rent. Data is from 2011 for the United Kingdom and 2013 for the remaining European countries.
No data on housing allowances available for Canada.
Increasing the availability of vouchers in the US would therefore likely have a substantial impact on the cost burden rate, but require a significantly greater commitment of resources.

Income inequality

A second factor driving higher housing cost burdens in the US is income inequality and the concentration of renter households in lowest-income groups. The US is shown as having greater inequality according to every measure of total and disposable income inequality, including the ratio of median to mean household income and the ratio of the 10th percentile income to the 50th percentile (median) income.

Greater income inequality in the US adds to renter affordability challenges because US renters, just as in other countries, are concentrated in lower income groups. While just over 33 percent of all US households were renters, nearly 55 percent of those in the lowest income quintile rented. For most US renters in the lowest income quintile, housing costs consumed the majority of income; the median renter in the lowest income quintile paid 74.8 percent of income for housing (Figure 6). Lowest-quintile renters in Spain were also highly burdened, though notably less so, with a median burden of 67.6 percent, followed by a median of 54.9 percent in Italy. No other country, outside of these three, topped 50 percent of the median burden among lowest-quintile renters.

Tax burdens and the availability of disposable income

As previously noted, cost burden measures in the US and Canada are typically based on gross (pre-tax) income, while those in Europe use disposable (after-tax) income. Using disposable income, cost burden rates rise for all countries, but less for the US than for most others. On this measure, renters in Spain again pay the highest median share of income for housing (36.7 percent), followed by those in Belgium (35.0 percent), the UK (34.8 percent), the US (34.0 percent), and the Netherlands (33.8 percent). In terms of the share of renters facing severe burdens, however, the use of disposable income has less effect on affordability rankings. Based on disposable income, 31.3 percent of renters in Spain, 30.4 percent in the US, and 28.4 percent in the UK spent more than half of income on housing, while no other nation topped 25 percent. Although high personal tax burdens in some of these countries may limit the amount renters can afford to pay for housing, high taxes may fund free or low-cost services such as health care, child care, and higher educa-

Figure 6. Renters in the Lowest Income Quintile Spend Large Shares of Income for Housing, Especially in the US

Notes: Renters are only those paying cash rent and in the lowest income quintile for all households by country. Data is from 2011 for the United Kingdom and 2013 for the remaining European countries.


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Patterns of housing consumption

Differences in the size and quality of rental housing can also affect its relative affordability. For example, over one-quarter of renter households in the US lived in single-family detached units, which tend to be larger and more expensive. This was nearly twice the next largest share among Canadian renters, reflecting both a unique feature of US renters and the dominance of single-family detached homes in the US housing stock. Related to the high single-family detached share, the median size of US rental units was 88 square meters. Only in Switzerland (88) and Canada (86) were the median sizes of rentals comparably large. When considering only multifamily units, the US median rental fell to 74 square meters, behind Switzerland (85), Canada (80), and Spain (75). Measures of the number of rooms and of rooms relative to the number of persons suggest higher consumption of housing by renters in the US than by renters in most of the other countries studied, though this is limited by differences in definitions in the underlying data, particularly with regard to how kitchens are considered. The US housing stock is also relatively new, with a median age among occupied units of 37 years, behind only Canada and Spain at 33 years. As newer units tend to be of higher quality than older units, the age of the stock, along with its larger size, may also drive up renter housing costs in the US.

Read the Full Paper

The full paper provides a detailed description of data sources, methodology, and references to related research, along with an in-depth discussion of components of the rental housing supply, renter household characteristics, and additional findings on housing costs and affordability. Comprehensive data tables and additional figures are also presented, and data limitations and questions for further analysis are discussed.

Click here to read the full paper.