AMERICA'S RENTAL HOUSING 2024

KEY FACTS

Rental Unaffordability Reaches New Heights

- The number of cost-burdened renter households hit a record high of 22.4 million in 2022, an increase of two million households since 2019. The number of severely cost-burdened renter households also hit an all-time high of 12.1 million, a full 1.5 million above pre-pandemic levels. (**Figure 3**)
- In 2022, half of all renter households were cost burdened, up 3.2 percentage points since 2019 and 9.0 percentage points since 2001. The share of severely burdened renter households also rose quickly.
- Cost burdens continue to climb the income scale. While all income groups had increasing cost-burden rates from 2019 to 2022, middle-income renters making $45,000 to $74,999 saw their cost-burdened share rise the fastest with a 5.4 percentage point increase to 41 percent. The already high share of cost-burdened renter households earning less than $30,000 annually rose 1.5 percentage points from 2019 to 2022, reaching 83 percent. (**Figure 3 + INTERACTIVE**)
- Affordability is worsening across the country. Cost-burden shares are highest in the largest metros, where rents tend to be higher. More than half (51 percent) of renter households living in the 56 metros with populations over 1 million were burdened by housing costs in 2022. (**INTERACTIVE**)
- Even many fully employed households struggle with high housing costs. In 2022, just over a third—8.0 million—of the renter households headed by a full-time, year-round worker were cost burdened. (**Figure 23**)
- Housing cost increases have outpaced income gains for renters in the last two decades, leaving lower-income households with less money left over than ever before. In 2022, residual incomes for renter households making less than $30,000 dropped to an all-time low of $310 per month. Among these lower-income renters, those with cost burdens had a median residual income of just $170. (**Figure 25**)
- High housing costs make it difficult to pay for expenses and force some households to reduce their spending in areas critical to well-being. In 2022, severely cost-burdened renter households in the lowest expenditure quartile (a proxy for low incomes) spent 39 percent less on food and 42 percent less on healthcare than their unburdened counterparts.

Rental Markets Cool After Overheating During the Pandemic

- Rent growth has almost completely halted following record-breaking increases in 2021 and 2022. In the third quarter of 2023, asking rents for professionally managed apartments grew by just 0.4 percent year-over-year, down from 15.3 percent in early 2022. (**Figure 1**)
- The slowdown in rent growth was geographically widespread. Rents for professionally managed apartments dropped year-over-year in 32 percent of large metro markets. Just 1 percent of markets posted rent growth of at least 10 percent in the third quarter of 2023, a sharp turnaround from the prior year when rents in half of markets increased at that rate.
- Rental vacancy rates have rebounded. After hitting a pandemic low of 5.6 percent in late 2021, the national rental vacancy rate reached 6.6 percent in the third quarter of 2023. The rise in vacancies has been even more pronounced

in the professionally managed apartment sector. In the third quarter of 2023, 5.5 percent of these units were vacant, more than double the record low of 2.5 percent set in early 2022. (**Figure 17**)

- Rising costs of debt and equity have pushed down property prices. The beginning of 2023 marked the first time that apartment prices fell year over year in more than a decade. Apartment prices were down 13 percent by the third quarter of 2023, a remarkable turnaround from the peak 23 percent growth rate posted at the beginning of 2022. (**Figure 20**)
- Decelerating rent growth and increased operating costs and insurance premiums are slowing apartment operators' cash flows. Net operating income growth slowed to 3 percent in the third quarter of 2023, from the recent high of 25 percent posted in 2021.
- Multifamily construction has slowed in the face of softening rent growth and rising vacancy and interest rates. Multifamily starts decelerated to a seasonally adjusted annual rate of 402,000 units in October 2023, a 30 percent decline from the pace one year earlier. Still, starts are decreasing from historically high levels. (**Figure 6**)
- The single-family built-for-rent sector has remained strong. In the third quarter of 2023, single-family rental starts hit a new record high with an annual rate of 70,000 homes.
- The ownership of rental properties continues to shift from individuals to business entities such as LLPs, LLCs, and real estate corporations. Between 2001 and 2021, nonindividual investors increased their ownership share by 9 percentage points, to 27 percent of rental properties. The growth in ownership by nonindividual investors has been especially swift among small multifamily properties. (**Figure 21**)

Gen Z and Higher-Income Households Drive Rental Demand

- Rental demand has returned to the more typical pace witnessed in the years preceding the pandemic, buoyed by the high cost of homeownership, an influx of new supply helping to moderate rents, and a strong job market. In the professionally managed apartment market, rental demand accelerated in the third quarter of 2023 with 91,000 new renter households, putting household growth nearly on par with rate before the pandemic. (**Figure 2**)
- The bulk of the growth in renter households in the past decade has come from younger generations. The number of millennial-headed renter households grew by an enormous 6.2 million between 2009 and 2019 to a peak of 16.2 million. Gen Z are driving rental demand and headed 7.9 million renter households in 2022. (**Figure 9**)
- Higher-income households have increasingly driven rental demand. The number of renter households with incomes of $75,000 or more has risen 43 percent since 2010, to 13.5 million households in 2022. This drove their share of renter households up 6 percentage points in this period, to 30 percent of renter households in 2022. (**Figure 10**)
- Many renters are economically vulnerable. In 2022, 32 percent of renters (14.6 million) had household incomes below $30,000. These renters had a median cash savings of just $300 and total net wealth of just $3,200.
- Mobility rates among renters have continued trending downward over the last decade. In 2013, 25 percent of renters reported having moved in the last year. The mobility rate decreased to 16 percent in 2021 as the pandemic prompted record-high lease renewals, and maintained that low pace through 2023, reflecting tightening housing markets and continued high apartment retention.

Rental Supply Increases but Millions of Low-Rent Units Lost

- Between 2010 and 2022, the total rental supply increased by 4.3 million units to 48.1 million units. Robust multifamily production increased the number of rentals in buildings with at least 20 apartments by 3.3 million, to 12.3 million units. The supply of single-family homes for rent increased by 649,000 homes, to 14.9 million. Rentals in small multifamily buildings, a property type that tends to be more affordable, grew by just 103,000, to 8.1 million units. (**Figure 12**)
- The supply of low-rent units has fallen precipitously in the past decade. After adjusting rents for inflation, the market lost 2.2 million units with contract rents below $600 between 2012 and 2022, including a loss of 230,000 units from 2021 to 2022 alone. Nationwide, the share of low-rent units dropped from 22 percent of the stock to just 16 percent in the last decade. (**Figure 13**)

- The loss of low-rent units has been geographically widespread. In more expensive states already short on low-cost units, these losses extended higher up the rent spectrum, with 16 states losing units at all rent levels up to $1,400. (**INTERACTIVE**)
- In 2021, 3.9 million renter households (8.4 percent of renter households) lived in substandard housing with multiple problems such as structural deficiencies, a lack of upkeep, or the inconsistent provision of basic features such as hot and cold running water, heat, and electricity. Households with lower incomes and households of color are disproportionately exposed to substandard conditions. (**Figure 15**)
- Environmental hazards and disasters pose a serious threat to the rental stock. A full 18.2 million occupied rentals (41 percent of occupied rentals) are located in areas exposed to substantial weather- and climate-related threats. Many of the units under threat are low-rent or subsidized, including 3.2 million units with rents below $600, 1.2 million units supported by the Low-Income Housing Tax Credit, 960,000 project-based HUD units, and 200,000 USDA-subsidized rentals. (**Figure 16**)

Need for Rental Assistance Far Outstrips Availability

- Rental subsidies fall short of need. Between 2001 and 2021, the number of renter households with very low incomes grew by 4.4 million, while the number of renter households receiving support increased by just 910,000. Consequently, the number of income-eligible households that do not receive assistance jumped from 10.7 million in 2001 to 14.2 million in 2021, leaving three out of every four eligible households unassisted. (**Figure 5**)
- States and localities increasingly rely on multifamily housing bonds to finance affordable housing. Multifamily private activity bond issuances rose from $2.4 billion in 2010 to a record $17.2 billion in 2020. (**Figure 28**)
- Nationwide, an estimated 75 percent of land in major cities is zoned exclusively for single-family homes. A growing list of states are preempting local single-family zoning laws to compel more neighborhoods to allow a range of housing options.
- Emergency Rental Assistance (ERA) and federal, state, and local eviction moratoriums—as well as property owners who gave renters additional leniency—collectively reduced eviction cases by an estimated 58 percent through the end of 2021. Eviction filings have returned to pre-pandemic levels in 2023 as relief measures expire. (**Figure 29**)
- Homelessness reached an all-time high in 2023 amid rapid increases in rents combined with the end of pandemic-era eviction protections and temporary income supports. A record-setting 653,100 people were unhoused on a given night in January 2023, an increase of nearly 71,000 people in just one year. (**Figure 4 + INTERACTIVE**)
- Extreme weather variability and rising temperatures caused by climate change are expected to increase home energy demand and, in turn, renters' housing costs. About half of renters making less than $30,000 (8.4 million households) experienced energy insecurity in 2020. (**Figure 31**)

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