



AMERICA'S RENTAL HOUSING 2020

FOR IMMEDIATE RELEASE

New Report Shows America's Rental Affordability Crisis Climbing the Income Ladder

Harvard Joint Center for Housing Studies to release its biennial America's Rental Housing report

CAMBRIDGE, MA – Rental market conditions in the United States have changed fundamentally since the Great Recession, according to [America's Rental Housing 2020](#), a new report out today from the [Harvard Joint Center for Housing Studies](#). The report shows how it has become harder than ever for middle-income Americans to pay the rent. [\[Interactive Chart\]](#)

With higher-income households accounting for much of the growth in rental demand since 2010, new supply has been concentrated at the upper end of the market. Meanwhile, rising demand and constricted supply have reduced the stock of low- and moderate-cost rental units, leaving modest-income Americans caught in the middle.

According to the new report, households with incomes of \$75,000 and above accounted for more than three-quarters of the growth in renters (3.2 million) from 2010 to 2018. [\[Interactive Chart\]](#) This shift has significantly altered the profile of the typical renter household and, nationwide, a growing number of renters with incomes between \$30,000 and \$75,000 are now cost-burdened (i.e. paying more than 30 percent of their income for housing). [\[Interactive Map\]](#) Even more alarmingly, a majority of lowest-income renters spend more than half of their monthly income on housing. Not surprisingly, these conditions have also led to increases in homelessness, particularly in high-cost states.

“Despite the strong economy, the number and share of renters burdened by housing costs rose last year after a couple of years of modest improvement,” says Chris Herbert, Managing Director of the Joint Center for Housing Studies. “And while the poorest households are most likely to face this challenge, renters earning decent incomes have driven this recent deterioration in affordability.”

Further constraining the market, renting has become more common among those traditionally more likely to own their home, including those aged 35–64, older adults, and married couples with children. Indeed, families with children now make up a larger share of renter households (29 percent) than owner households (26 percent).

“Rising rents are making it increasingly difficult for households to save for a downpayment and become homeowners,” says Whitney Airgood-Obrycki, a Research Associate at the Center and lead author of the new report. “Young, college-educated households with high incomes are really driving current rental demand.”

New rental construction remains near the highest levels in three decades, with a growing share in larger buildings intended for the high end of the market. The share of newly-completed apartments in structures with 50 or more units increased steadily from 11 percent in the 1990s, to 27 percent in the 2000s, to 61 percent in 2018.

[\[Interactive Chart\]](#) The unprecedented growth in demand from higher-income renters clearly contributed to this shift although the rising costs of housing development are also a key factor—particularly the soaring price of commercial land, which doubled between 2012 and mid-2019.

As the national vacancy rate edged down in 2018 to its lowest level since the mid-1980s, rent gains continued to outrun general inflation. The Consumer Price Index for primary residence rental costs was up 3.7 percent year-over-year in the third quarter of 2019, far outpacing the 1.1 percent increase in prices for all non-housing items. Additionally, apartment rental prices rose to new heights, up 150 percent between 2010 and the third quarter of 2019.

Climate change also poses a threat to the stability of American renter households. According to the report, 10.5 million of the country's 43.7 million renter households live in zip codes that incurred at least \$1 million in home and business losses due to natural disasters between 2008 and 2018. Moreover, 8.1 million renter households report that they do not have the financial resources to evacuate their homes if and when a disaster strikes.

Increasingly, local governments have found themselves on the front lines of the rental affordability crisis. In response, many jurisdictions have adopted a variety of promising strategies to expand the supply of affordable homes and apartments, including increased funding as well as zoning and land use regulation reform to allow more higher-density construction.

“Last year, Minneapolis became the first large American city to end single-family zoning,” says Herbert. “This has the potential to greatly expand the rental supply and improve affordability in that city but, ultimately, only the federal government has the scope and resources to provide housing assistance at a scale appropriate to need across the country.”

America's Rental Housing 2020 will be released in a [live webcast](#) from the Federal Reserve Bank of Minneapolis on Friday, January 31 at 1:00 pm CST.

[Download the full report along with interactive maps and data.](#)



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AMERICA'S RENTAL HOUSING 2020

KEY FACTS **Embargoed until Friday, January 31 at 12:01 a.m.**

HIGH-INCOME HOUSEHOLDS DRIVE RENTER HOUSEHOLD GROWTH

- The number of renter households increased in the US over the first three quarters of 2019 after falling in both 2017 and 2018. At an annual rate of 350,000 households, the growth in 2019 was far short of the 846,000 annual increases averaged during the rental boom in 2004–2016 (P1, P7).
- Since 2010, high-income households have become the primary source of rental demand, driving more than three-quarters of growth in 2010–2018. These high-income renter households are more likely to be college-educated, married, white, and headed by young adults (P8, P9, P10, Figure 9, [Interactive Chart](#)).
- Despite the growth in high-income white renters, renter households overall have become more racially and ethnically diverse since 2004, with minority households accounting for 76 percent of renter household growth through 2018 (P8, P9, Figure 7).
- Immigrants also remain an important source of demand for rental housing. Foreign-born households accounted for 30 percent of renter household growth in 2004–2018 (P8, P9, Figure 7).
- Income inequality among renter households has been growing. The average real income of the top fifth of renters rose more than 40 percent over the past 20 years, while that of the bottom fifth of renters fell by 6 percent (P11, Figure 10).

MARKET INDICATORS REMAIN STRONG DESPITE A PLATEAU IN OVERALL DEMAND

- Rental vacancies are at their lowest point in over three decades, averaging 6.8 percent over the last four quarters, the lowest reading on record since 1986 (P20).
- Rents in 2019 continued their seven-year climb. Rents nationally were up 3.7 percent year-over-year in the third quarter, marking 21 consecutive quarters of nominal increases above 3.0 percent (P21, Figure 21).
- After a 6 percent rise in 2018, the level of multifamily starts through the first three quarters of 2019 remained at an annual rate of just under 380,000 units. In the first three quarters of 2019, 93 percent of all new multifamily units started were intended as rentals, well above the 78 percent average share posted in records back to 1974 (P2, P22, Figure 22).
- New construction continues to target the high-end of the market. The median monthly asking rent for unfurnished apartments completed in 2018 was just over \$1,600, well above the \$900 median contract rent for all units in 2018 (P23, P24).
- Apartment property prices were up 8.2 percent year over year nominally in the third quarter of 2019 and have more than doubled since 2010 (P24, Figure 25).

RENTAL STOCK SHIFTS TOWARD APARTMENTS IN LARGER BUILDINGS

- Over the past decade, the rental stock shifted toward units in large buildings with 20 or more apartments and single-family homes. The number of units in buildings with 20 or more apartments alone jumped 31 percent and the number of single-family rentals rose 18 percent from 2008–2018 (P13, Figure 13, [Interactive Chart](#)).
- In 2018, 61 percent of multifamily units completed were in buildings with 50 or more units, higher than the 11 percent averaged in the 1990s (P2, P23, Figure 24).
- Considerable investment is needed to maintain the rental housing stock as it ages. Adjusted for inflation, improvement spending was up 198 percent from 2010 to 2018 while maintenance spending increased only 31 percent. As a result, spending on existing rental housing totaled \$128 billion in 2018, including \$87 billion in capital improvements and \$41 billion in maintenance expenses (P18, Figure 18).
- The rising costs of development impede production of both subsidized and market-rate rental housing. The nominal costs of commercial construction projects increased 39 percent in 2012–2019 while the price of vacant commercial land nearly doubled over the same time period (P2, P18, Figure 19).

AFFORDABILITY WORSENS FOR MIDDLE-INCOME HOUSEHOLDS

- After three years of modest declines, the number of renter households paying at least 30 percent of income for housing and utilities edged up to 20.8 million in 2018 bringing the cost-burdened share to 47.5 percent. One in four renters spent more than half of their incomes on housing in 2018. Of the largest metros, Miami had the highest share of cost-burdened renters at 61 percent (P26, P28, Figure 27, Figure 29, [Interactive Map](#)).
- Cost burdens are rising fastest among middle-income households. The cost-burdened share for renter households earning \$30,000–44,999 has jumped 5.4 percentage points since 2011, reaching 55.7 percent in 2018. The largest increases were in metros with populations above 5 million where middle-income cost burden rates grew by 7.7 percentage points to 67.4 percent (P28, Figure 28, [Interactive Chart](#)).
- Even fully employed renters are cost burdened. Over half of renters working in food preparation and service were cost burdened in 2018, along with half of renters in healthcare support positions (P29).

HIGH HOUSING COSTS AND NATURAL DISASTERS THREATEN RENTER STABILITY

- High housing costs leave renters with little income for other expenses. After paying rent, the median renter earning less than \$15,000 in 2018 had only \$410 left each month to cover all other necessities (P5).
- Low-income renters who have difficulty paying rent may face eviction. In 2017, 1.9 percent of all renter households—including 1.4 million adults and 810,500 children—reported being threatened with eviction within the previous three months. The share is highest among black households making less than \$30,000 (P35, Figure 36).
- Natural disasters are increasing, and 10.5 million renter households live in neighborhoods that suffered at least \$1 million in disaster-related losses in 2008–2018. In a 2017, an estimated 8.1 million renter households did not have the financial resources to evacuate their homes if a disaster did strike (P5, P37, Figure 38).
- Homelessness is again on the rise. After falling for six straight years, the number of people experiencing homelessness nationwide grew in 2016–2018, to 552,830 (P5, P36, Figure 37).

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