



THE STATE OF THE NATION'S HOUSING 2019

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New Harvard Report Shows US Housing Supply Falls Far Short of What Is Needed

The Joint Center for Housing Studies to release its 2019 State of the Nation's Housing report

CAMBRIDGE, MA – With the nation's economy on sound footing and incomes on the rise, the number of people forming households in the United States has finally returned to a more normal pace. Housing production, however, has not. The 2019 [State of the Nation's Housing](#) report from the [Harvard Joint Center for Housing Studies](#) documents how the housing shortfall is keeping pressure on house prices and rents, eroding affordability for modest-income households in many markets. The report will be released June 25 at the Federal Reserve Bank of Atlanta.

Center researchers found that household growth is now back from post-recession lows, but new home construction remains depressed, with additions to supply barely keeping pace with the number of new households. Several factors may be contributing to the slow construction recovery, including excess supply following the housing boom, which took years to absorb, and persistent labor shortages.

“The most significant factors, however, are rising land prices and regulatory constraints on development,” says Chris Herbert, managing director of the Joint Center for Housing Studies. [\[Interactive Map\]](#) “These constraints, largely imposed at the local level, raise costs and limit the number of homes that can be built in places where demand is highest.” Meanwhile, a large percentage of new housing being built is intended primarily for the higher end of the market, Herbert states. The limited supply of smaller, more affordable homes in the face of rising demand suggests that the rising land costs and the difficult development environment make it unprofitable to build for the middle market.

The report also finds that the number of homeowners rose sharply, even as the ratio of median home price to median household income rose from a low of 3.3 in 2011 to 4.1 in 2018, a sign of deteriorating affordability. But conditions for would-be buyers vary widely across the country, with home values more than five times greater than incomes in roughly one in seven metro areas (primarily on the West Coast) compared with less than three times in about one in three metros (primarily in the Midwest and South). [\[Interactive Map\]](#)

On the renter side, the number of renter households fell for the second consecutive year in 2018, a stark contrast to the increases of the 12 preceding years. Nevertheless, rents are rising at twice the rate of overall inflation.

“The growing presence of higher-income renters has helped keep rental markets stable,” says Daniel McCue, a senior research associate at the Center. “This has maintained demand for new apartments, even as overall rental demand has waned.” At the lower end of the market, though, the number of units renting for under \$800 fell by one million in 2017, bringing the total loss from 2011–2017 to four million. [\[Interactive Map\]](#)

Even as the market continues to lose lower-cost rental units, the share of US households paying more than 30 percent of their income for housing declined for the seventh straight year in 2017. [\[Interactive Map\]](#) Much of the progress was among homeowners, though, whose cost-burden rate declined to its lowest level this century. Cost-burden rates for modest-income renter households, however, continue to rise and with burdens affecting households higher up the income scale, the issue of rental affordability is increasingly getting attention at the state and local level.

Looking forward, the report authors predict that millennials and baby boomers will continue to push household growth, spurring demand in the remodeling market and the demand for entry-level homes. Rental growth is expected to be solid as well, with 400,000 additional renter households per year expected between 2018 and 2028. Whether these projections come to pass depends on a number of factors, including economic conditions, housing affordability, and the pace of foreign immigration.

One big question mark is whether the market can supply housing that is within reach of most household incomes.

“To ensure that the market can produce homes that meet the diverse needs of the growing US population, the public, private, and nonprofit sectors must address constraints on the development process,” says Herbert. “And for the millions of families and individuals who struggle to find housing that fits their budget, public efforts will be necessary to close the gap between what they can afford and the cost of producing decent housing.”

The State of the Nation’s Housing 2019 will be released in a [live webcast](#) from the Federal Reserve Bank of Atlanta on Tuesday, June 25 at 12:00 pm Eastern.

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



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KEY FACTS

US Housing Construction Not Keeping Pace with Demand

- Although up 3.2 percent last year to 875,800 units, single-family housing starts remained below the 1.0 million mark for the 11th consecutive year.
- Housing production barely kept pace with household growth for most of the past decade. In eight of the nation's 50 largest metros, the growth in households exceeded the number of housing permits issued between 2007 and 2017.
- Rising land prices and a shrinking labor pool are two explanations for the lack of middle-market housing; the median price per acre of residential land used for existing single-family homes nationwide jumped from \$159,800 in 2012 to \$203,200 in 2017 (27 percent). [\[Interactive Map\]](#)
- The construction industry relies on an increasingly limited labor pool where one out of three trades workers are immigrants and 11 out of 12 do not have bachelor's degrees.
- The inventory of existing homes on the market increased at the end of 2018 for the first time since 2015, to 1.53 million units—a jump of 4.8 percent from a year earlier. Even so, for-sale inventories remain historically low.
- Year-over-year home price growth slowed nationwide from 6.9 percent on average in the first three quarters of 2018 to 6.0 percent in the last quarter.
- In 2018, the national median sales price for an existing home in 2018 was more than 4.1 times the median household income.

Household Growth Is Up, but so Is Income Inequality

- Household growth is back to a healthy 1.2 million households per year, driven by a recent pick-up in households headed by young adults age 25-34.
- Real per-capita incomes are up across the board since 2012, with the largest increases for 25–34 year olds (up 11.3 percent) and 35–44 year olds (up 11.1 percent).
- Income inequality has grown in the last 30 years. Adjusting for inflation, the average income of households in the top income quartile rose 38.5 percent between 1987 and 2017, while the average income in the bottom quartile increased just 2.3 percent.
- Immigrants have been responsible for high shares of household growth. Despite making up only 13.7 percent of the population in 2017, foreign-born households were responsible for 37 percent of household growth from 1990 to 2017.
- Our latest projections call for household growth in 2018–2028 to average 1.2 million per year, led by 11.1 million additional households age 65 and over and 2.9 million households aged 35-44.

Homeownership Rates Tick Up Slightly

- The US homeownership rate edged up again last year. After falling 5.6 percentage points between 2004 and 2016, the national rate increased 0.5 percentage point in 2017–2018, to 64.4 percent—roughly on par with the average rate in 1985–1995 before the latest housing boom and bust.
- Median sales price of an existing home hit \$259,300 in 2018, up from \$177,400 in 2011. Adding to affordability pressures, the average rate on a 30-year fixed-rate mortgage also rose to 4.54 percent—higher than any annual reading since 2010. [[Interactive Map](#)]
- Fueled by rapidly rising home prices and modest increases in mortgage debt, the aggregate value of home equity more than doubled between 2011 and 2018.

Demand for High-End Rentals Is Strong, but Stock of Low-Rent Housing Continues to Shrink

- The number of renter households fell again in 2018, in stark contrast to average annual increases of in the preceding 12 years.
- Even as overall demand cooled, higher-income households kept up demand for new apartments.
- Rents nationwide continued to climb in 2018, up 3.6 percent for the year.
- Rental housing construction remained strong in 2018. Even after a 5 percent dip last year, the number of completed rentals was close to a 30-year high at 360,000 units.
- The number of units renting for less than \$800 has fallen every year since 2011, a net decline of four million units. [[Interactive Map](#)]

Housing Cost Burdens Climb the Income Ladder

- In 2017, 37.8 million US households (31 percent) were cost-burdened, spending over 30 percent of their incomes for housing, including 18.2 million (15 percent) who were severely burdened (spending over 50 percent of their incomes for housing). [[Interactive Map](#)]
- Although declining modestly overall, cost-burden rates are still rising within income groups, particularly for middle-income renter households.
- Affordability restrictions could expire on about 1.2 million rental units by 2029. This includes 611,000 units added through the LIHTC program, 352,000 units of Section 8 project-based housing, and 221,000 units under other programs.
- Despite considerable progress over the previous decade, homelessness edged up 0.3 percent in 2018, to 552,830.
- In 2018, 14 natural disasters caused at least \$1 billion in damage, with costs for the year amounting to nearly \$92 billion. In the 1980s, disasters of that magnitude averaged less than three per year while the costs of damage were on the order of \$17 billion.

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

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