KEY FACTS

Pandemic, Residential Segregation, and Natural Disasters Call Attention to America’s Housing Challenges

- Before the COVID-19 pandemic, 37.1 million households (30 percent) were cost burdened in 2019, spending over 30 percent of their incomes on housing, including 17.6 million (14 percent) who were severely cost burdened (spending over 50 percent of their incomes on housing). [Interactive Map]

- The pandemic has had wide-reaching economic impacts on households, with 49 percent of renters and 36 percent of homeowners experiencing employment income loss between March and September. These effects have not been felt equally, varying by race and income. For example, 23 percent of Black and 20 percent of Hispanic renter households were behind on rent as of September, compared to 10 percent of white renter households. [Interactive Chart]

- The number of people experiencing homelessness rose by 15,000 (3 percent) in 2019, bringing the total to nearly 568,000. This increase was entirely due to the rise in people experiencing unsheltered homelessness, which rose by 17,000, only somewhat offset by the 2,000-person decrease in sheltered homelessness. Increases took place in both high- and low-cost states. [Interactive Map]

- Residential segregation remains a significant problem in the country, as evidenced by the racial disparity present in who lives in high-poverty neighborhoods. Nearly two-thirds of low-income Black, Hispanic, and Native American individuals live in high-poverty areas, compared to one-third of low-income white individuals.

- By September, there had been 16 billion-dollar disasters in 2020, totaling nearly $50 billion in damage. This already surpasses the total number and cost of disasters in 2019 and matches the number of disasters in previous record-setting years, with more disasters yet to be measured.

Rapid Growth in Households but Slowing Population Growth and Widening Income Inequality

- The US population increased by only 1.55 million in 2019, a level not expected to be that low until the 2040s. There was slow growth in both the resident population, which grew by less than one million for the first time in decades, and net international immigration which fell 15 percent to just 595,000.

- Under the low-series immigration projection Census released in early 2020, our projected household growth figures would drop to 1.0 million per year in 2018–2028 and to 760,000 per year in 2028–2038.

- Annual household growth, however, increased from an already high average of 1.3 million in 2016–2019 to a 1.5 million annual rate in the first quarter of 2020. Growth in households aged 25–34 alone jumped from just 34,000 per year in 2010–2013, to 170,000 per year in 2013–2016, to 250,000 per year in 2016–2019.

- The Black-white income gap widened in the 2010s such that the median income for Black households in 2019 was $43,200, which is roughly 60 percent of the $70,900 median for white households.
• Hispanic (54 percent), Black (48 percent), and Asian (42 percent) households were also more likely than white households (37 percent) to have lost income since March due to COVID.

• Income growth has widened income inequality since 2010 as the average annual income of households in the bottom decile ($7,800) increased just 5 percent from 2010 to 2019, or about $340. In contrast, the average income of households in the top decile ($316,000) soared by 20 percent, or about $52,000.

• US households are increasingly diverse racially and ethnically. Over the past five years, households of color accounted for more than three out of four additional households. Hispanic households drove 36 percent of household growth (400,000 per year) in 2014–2019, lifting their share of all households to 14 percent.

Demand for HomeownershipSurges Amidst the Pandemic, but Gaps Remain

• In 2019, homeownership rose to 64.6 percent, up from a recent low of 63.4 percent in 2016, as the number of net new owner households rose by over 1.3 million annually on average.

• Record low mortgage rates that dropped to 2.95 percent in the third quarter of 2020, made both owning and refinancing attractive to many. There was a 20 percent rise in purchase loan applications in the fall compared to a year earlier, and 2.8 million refines through the first half of the year, more than triple the level over the same period in 2019.

• While the homeownership rate for white households rose to 73.3 percent in 2019, that for Black households held flat at 42.8 percent, widening the gap between the rates to 30.6 percentage points, the largest since 1983, and reflecting the legacy of decades of discriminatory policies and inequitable access to homeownership.

• Facing financial pressures during the pandemic, 6.3 million homeowners entered a mortgage forbearance plan between March and October of this year.

• Record high levels of aggregate home equity – reaching a new peak of $20.2 trillion as of the second quarter of 2020, which represents the highest share of the value of real estate (65.6 percent) since the mid-1990s, has provided homeowners more protection from becoming underwater on their mortgages and entering foreclosure than conditions leading into the Great Recession.

Rental Markets Cool as Demand Slows

• Renter households have been hard-hit by the pandemic with 49 percent reporting lost employment income between mid-March and late September. While most renters have continued to make rent payments, 15 percent reported that they were behind on payments.

• COVID-19 slowed apartment demand in expensive, high-density urban areas where vacancy rates jumped 3.0 percentage points in 2020. In contrast, rental supply and demand in suburban areas were in balance, lifting the vacancy rate by just 0.2 percentage point.

• With decreased demand and new supply coming online, nominal rents declined in professionally managed apartments. Rents for higher-quality units fell the most, down 2.2 percent year over year in the third quarter.

• Multifamily investment slowed in the second quarter of 2020 with a 68 percent year-over-year drop in transaction volume. Growth in apartment prices slowed to 6.7 percent in September—the slowest pace since early 2011.
• After hitting a 30-year high of 389,000 units started at the end of 2019, construction of multifamily structures with 5 or more units slowed as the pandemic progressed, falling by more than 30 percent year over year in April and May. Starts activity bounced back in June and July before settling into a seasonally adjusted annual rate of 295,000 units in September.

• Most of the additions to the rental supply have been in single-family rentals or in buildings with at least 20 apartments. Units in these structures are most expensive with median rents of $1,200, and their rents have also increased the fastest.

Strength in Housing Construction and For-Sale Markets as Supplies Remain Tight

• After plunging in the spring due to the COVID-19 pandemic, both home sales and housing construction bounced back strongly over the summer. The pace of existing home sales climbed 21 percent in September from the year prior. New single-family home sales recovered even more, up 46 percent in July, 41 percent in August, and 32 percent in September. Housing construction also held at a 1.4 million unit rate in August and September. Single-family starts led the way, increasing to a 1.1 million unit annual rate in September, up 22 percent from the year prior and the strongest month for single-family homebuilding in over 13 years.

• Over the past several decades, housing construction had increasingly focused on larger homes. And while homes have become bigger, households have become smaller. As a result, many homeowner households have more bedrooms than people. Indeed, 96 percent of homeowners in the country have five or fewer people living in the household. Most of these homeowners (61 percent) have at least one extra bedroom, including over a quarter (27 percent) with two or more extra bedrooms.

• In the first quarter of 2020, the supply of existing single-family homes for sale was already at its lowest level since 1982. The pandemic made the shortage even worse, preventing many potential sellers from putting their homes on the market and leaving inventories off by about 20 percent from April through September of last year. The number of single-family homes for sale stood at just 1.24 million in September 2020, compared with an already low 1.60 million in September 2019.

• With supply tight and demand strong, home prices rose at an accelerating pace through the middle of 2020; nominal home prices were up 5.7 percent year over year in September—much faster than the 3.5 percent average increase in 2019 and even the 4.2 percent average earlier this year. Prices for lower-cost homes continue to escalate the most, rising 7.6 percent in July for homes selling for 75 percent or less of the area median price, compared with 5.0 percent for homes selling for 125 percent or more of the area median.

• In 2019, the median sales price of existing single-family homes continued to rise faster than the median household income for the eighth straight year, lifting the ratio from 4.2 in 2018 to 4.3. This marked the fourth consecutive time that the median sales price was quadruple median household income.

Download the full report along with interactive maps and data

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