KEY FACTS

Housing Markets Cool Rapidly

- On an annual basis, home prices rose just 2.0 percent year over year in February 2023, down sharply from their peak rate of 20.8 percent annual growth in March 2022. Still, home prices have risen astoundingly when measured from the start of the pandemic. Between February 2020 and February 2023, nominal home prices jumped 37.5 percent. Over the longer term, nominal home prices have more than doubled since 2010. (Figures 1, 7)

- Nominal home prices declined year over year in a quarter of the 100 largest markets in March 2023, compared with zero metros a year earlier. (Interactive Chart)

- The number of homes available for sale remained near historic lows in early 2023. Just 970,000 existing homes were for sale in March 2023, 42 percent less than March 2019. Nevertheless, this is an uptick from the all-time lows experienced during the pandemic. (Figure 8)

- Purchases of single-family homes by investors declined by 25 percent year over year in the fourth quarter of 2022. Investors still purchased 25 percent of homes sold in the quarter, just short of record highs.

- By the first quarter of 2023, rents rose 4.5 percent annually, just above the 3.6 percent average annual growth between 2015 and 2019. (Figure 1)

- Fully 177,000 renters in the professionally managed apartment sector left the market on net over the past year in the first quarter of 2023, following a 698,000 increase one year earlier amid the pandemic surge. The drop in rental demand helped push the vacancy rate from a record-low 2.5 percent in the first quarter of 2022 up to 5.2 percent in the first quarter of 2023.

- Single-family construction dropped precipitously in 2022, after climbing to the highest level in 15 years in 2021. Just 1.01 million single-family homes were started last year, down 10.8 percent from a year earlier. (Figure 3)

- Multifamily construction was extraordinarily resilient in 2022. The number of multifamily starts rose 15.5 percent from an already-high 474,000 units in 2021 to 547,000 units in 2022—the highest level since 1986. (Figures 3, 11)

Household Growth Continues but Slowing Ahead

- The number of US households grew by 1.6 million in 2022, driven by an acceleration in new household formations by younger adults. (Figure 12)

- Housing demand is increasingly shaped by the pandemic-fueled rise in remote work. Between 2019 and 2021, the share of the workforce reporting that they usually worked from home tripled from 6 percent to 18 percent.
• Moves into smaller metros and rural areas surged since the pandemic along with moves out of large urban counties. *(Figure 15)*

• The number of householders ages 65 and older grew by nearly 40 percent between 2012 and 2022 to a whopping 35 million households. *(Figure 16)*

• Real median household income rose from $60,200 in 2011 to $70,200 in 2021, with particularly large gains among people of color. However, racial income and wealth gaps remain wide: at last measure, the median income for white households was $78,000, which was 35 percent higher than the $57,900 median for Hispanic households and 62 percent higher than the $48,100 median for Black households.

**High Costs of Homeownership Price Out Many Potential Buyers**

• Despite a 1.0 percent decrease in the existing sales price, monthly mortgage payments on the median-priced home in March 2023 were up by 20 percent, or more than $500 higher than in March 2022. *(Figure 17)*

• Annual income needed to afford payments on the median-priced home rose over the past year by 20 percent from $97,400 to $117,100. As a result, the number of renter households able to afford these higher payments fell from 7.5 million to 5.1 million, a loss of 2.4 million potential homebuyers. *(Figure 17)*

• Homeowner equity in the US totaled a near-record $31.0 trillion in the fourth quarter of 2022, up 33 percent ($7.7 trillion) in real terms since the start of the pandemic. *(Figure 20)*

• The homeownership rates for Black households, at 45.9 percent, and Hispanic households, at 48.6 percent, remain 28.6 and 25.8 percentage points, respectively, below the white rate of 74.4 percent. *(Figure 21)*

• Between 2019 and 2021, the number of homeowners spending more than 30 percent of their income on housing costs jumped by 2.3 million households, the largest increase in cost-burdened homeowners since the height of the housing boom in 2005–2007. *(Figure 18)*

**Slowing Demand for Rental Housing**

• The number of renter households fell by 158,000 annually in the first quarter of 2023, to 43.9 million households, and the rentership rate fell to 34.0 percent.

• In the professionally managed apartment segment, the number of occupied apartments declined by 177,000 between the first quarter of 2022 and the first quarter of 2023, the lowest reading in decades and a sharp reversal from the demand surge in the first quarter of 2022 when the net number of occupied apartments increased by a record-breaking 698,000 units annually. *(Figure 10)*

• Multifamily construction has increasingly targeted the high end of the market, shifting the distribution of asking rents for new multifamily units. Between 2015 and 2022, the share of new units with asking rents of $2,050 or more
in nominal terms nearly doubled, from 19 percent to 36 percent.

- The supply of low-cost rental units has fallen precipitously in the past decade. After adjusting rents for inflation, the market lost 3.9 million units with contract rents below $600 between 2011 and 2021, including 1.2 million units between 2019 and 2021 alone. (Figure 25)

- The number of cost-burdened renter households grew by 1.2 million between 2019 and 2021 to a record high of 21.6 million households. The number of severely cost burdened households accounted for 1.1 million of the increase. (Figure 4)

Addressing the National Housing Shortage

- The rising cost of land, labor, and building materials has emerged as a key challenge for homebuilders and developers. The price of inputs to new residential construction has increased 35 percent since the start of the pandemic. (Figure 27)

- Increasing attention to the national housing shortage has spurred zoning reforms. In 2023, Montana and Washington passed sweeping legislation allowing other types of housing on parcels previously zoned exclusively for single-family homes, joining California, Oregon, and Maine. The federal 2023 omnibus appropriations bill also included $85 million in HUD grants for cities to identify and implement reforms that will increase density, reduce minimum lot sizes, and streamline permitting processes.

- While overall homelessness increased only slightly during the pandemic, unsheltered homelessness increased by 3.4 percent from January 2020–2022 to 233,830 people, offsetting the 1.6 percent decrease in people living in shelters. These pandemic trends continued a longer-term shift—the unsheltered population increased by 35 percent from 2015–2022 with the addition of 60,560 people.

- The nation’s housing stock is at risk from increasingly frequent disasters. An estimated 59.9 million homes are located in areas with at least moderate expected annual losses from climate-related hazards, leaving people vulnerable to damaged or destroyed homes and displacement. (Figure 30)

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