

# Rental Housing: Poised for a Return to Growth

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Remodeling Futures Conference  
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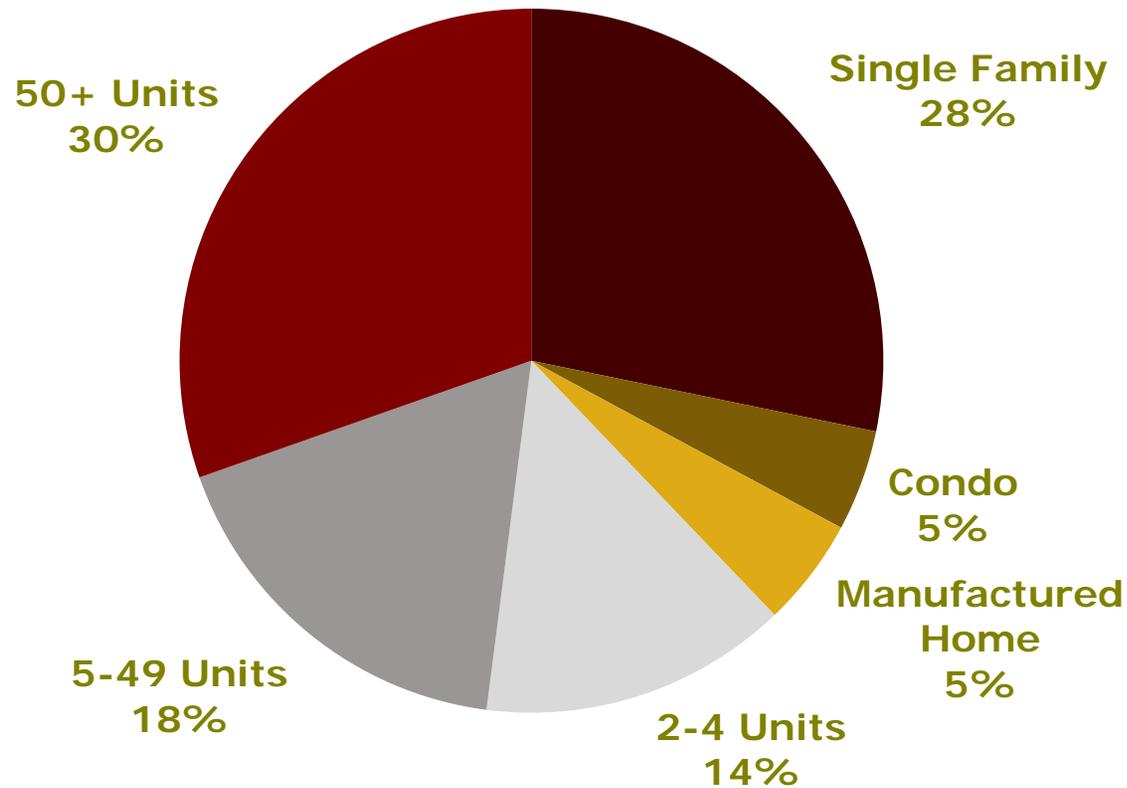
# Summary of Ongoing Joint Center Research on The Rental Housing Market

- Overview of the Rental Market
- Current Market Conditions
- Increasing Affordability Challenges
- The Outlook for Renter Household Growth

# Overview of the Rental Market

# A Large Share of Rental Units are in Single Family Houses and Other Small Properties

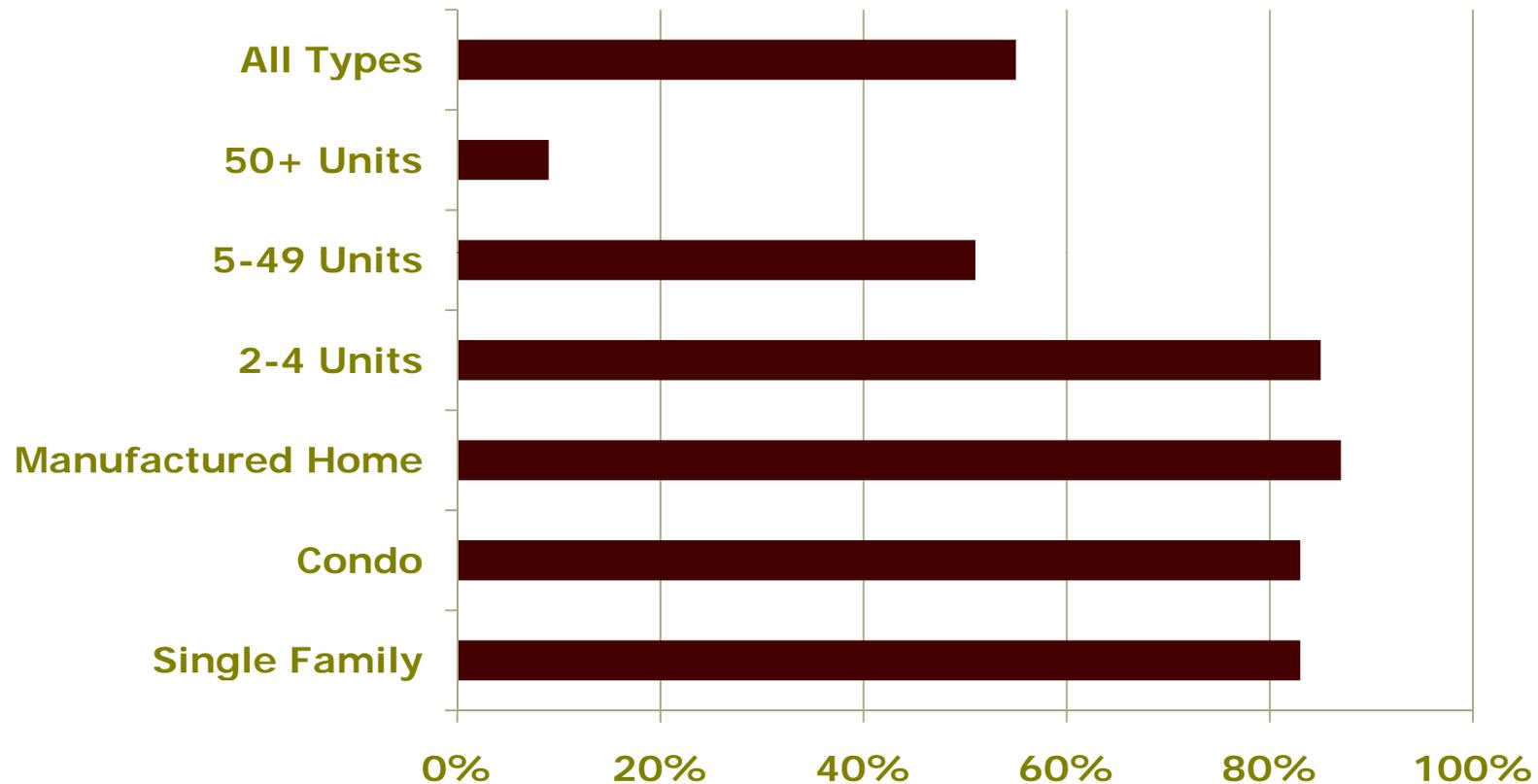
Share of Rental Units by Number of Units in Property, 2001



Source: US Census Bureau, Residential Finance Survey.

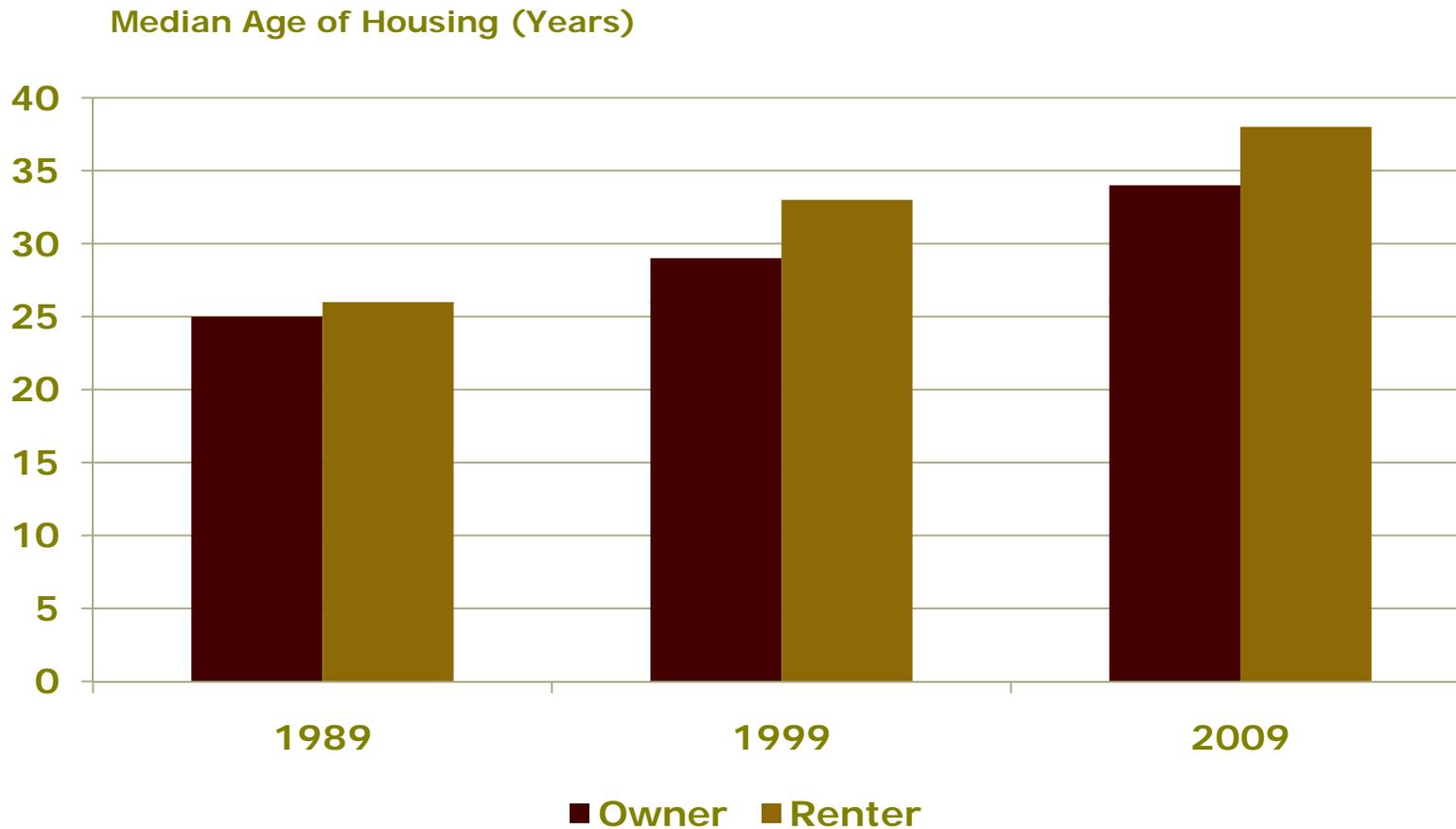
# Individual Investors Own a Large Share of the Rental Housing Stock

Share of Rental Units Owned by Individuals by Number of Units in Property, 2001



Source: US Census Bureau, Residential Finance Survey.

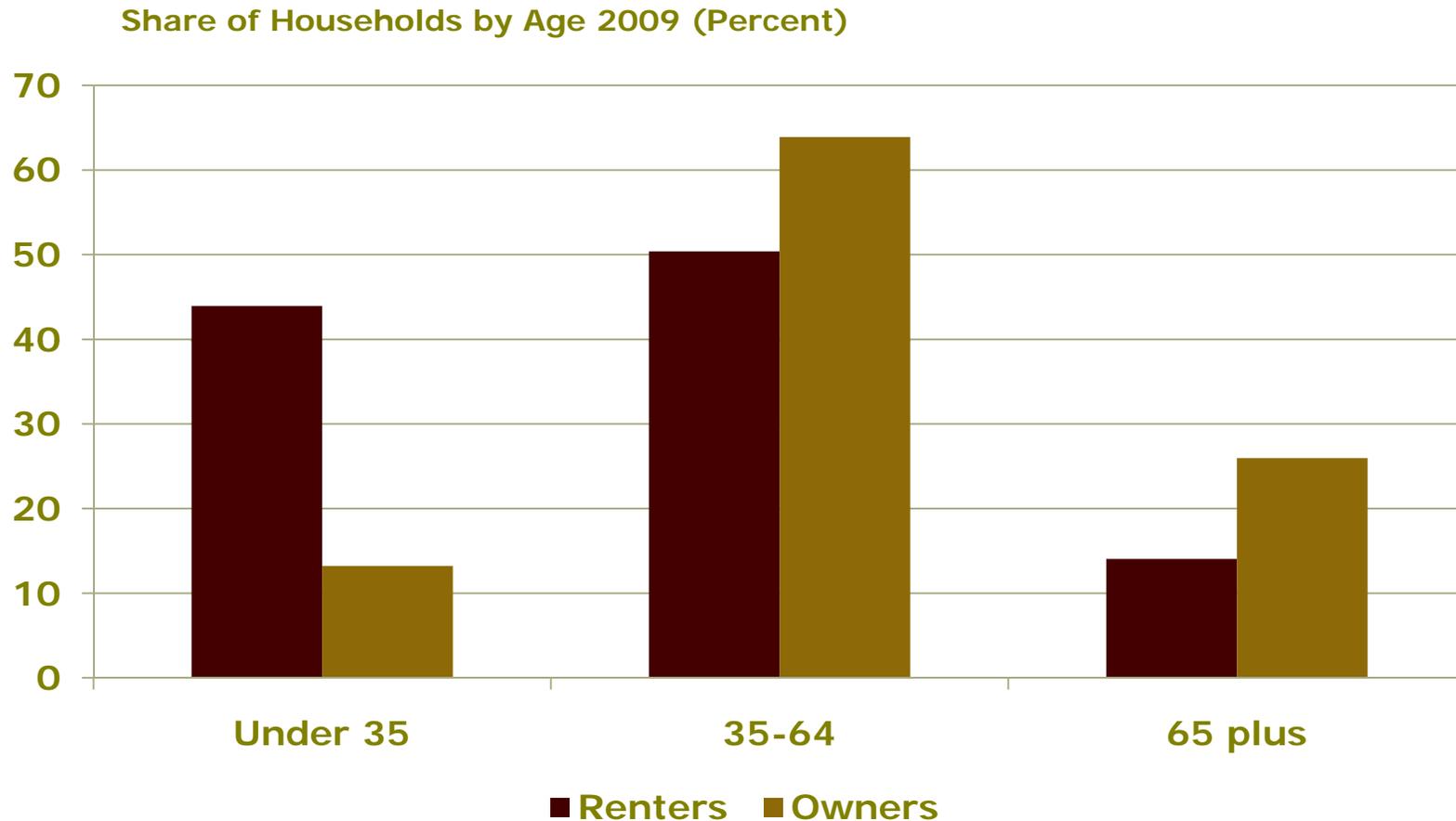
# The Housing Stock is Older Than Ever, with Aging of Rentals Outpacing Owner Housing



Source: American Housing Survey, published tables.



# Renters Are Younger than Owners, But Also Include Many Middle-Aged Households

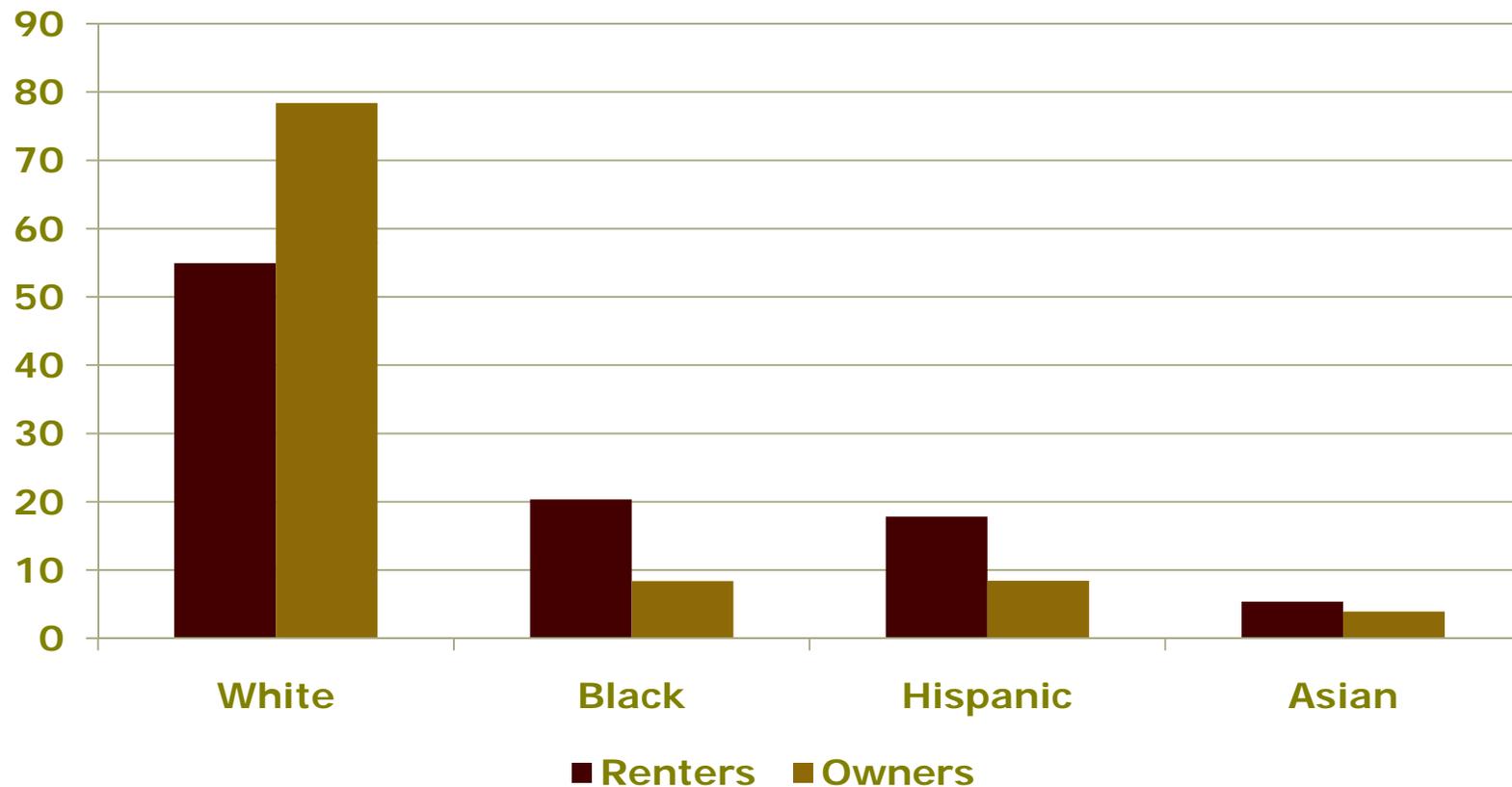


Source: U.S. Census Bureau, Current Population Survey.



# Minorities Are a Higher Share of Renters, in Part Reflecting Importance of Immigrants Among Young Households

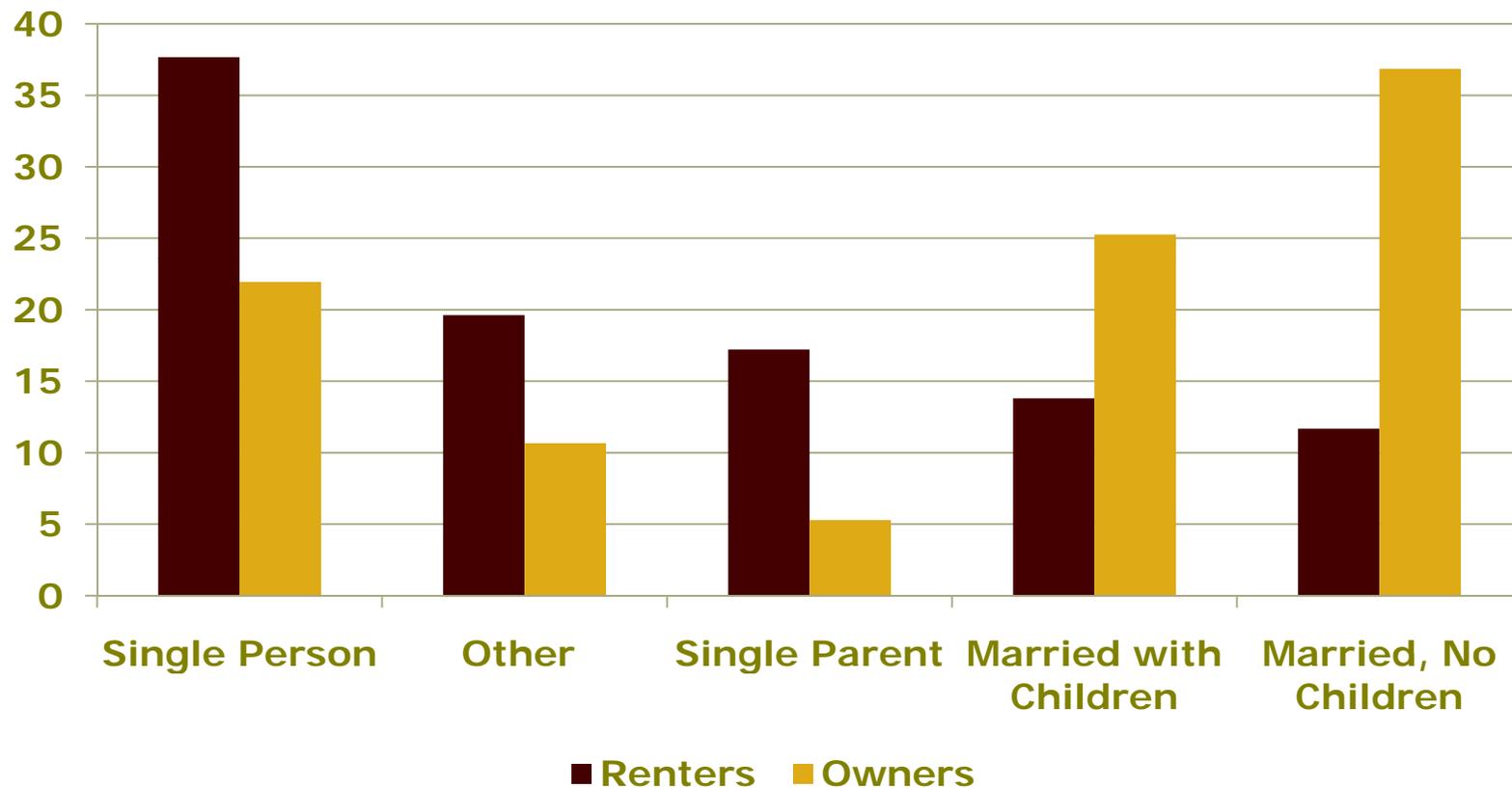
Share of Households by Race/Ethnicity 2009 (Percent)



Source: U.S. Census Bureau, Current Population Survey.

# Renters Are More Likely to Be Single Persons and Less Likely to be Married Couples

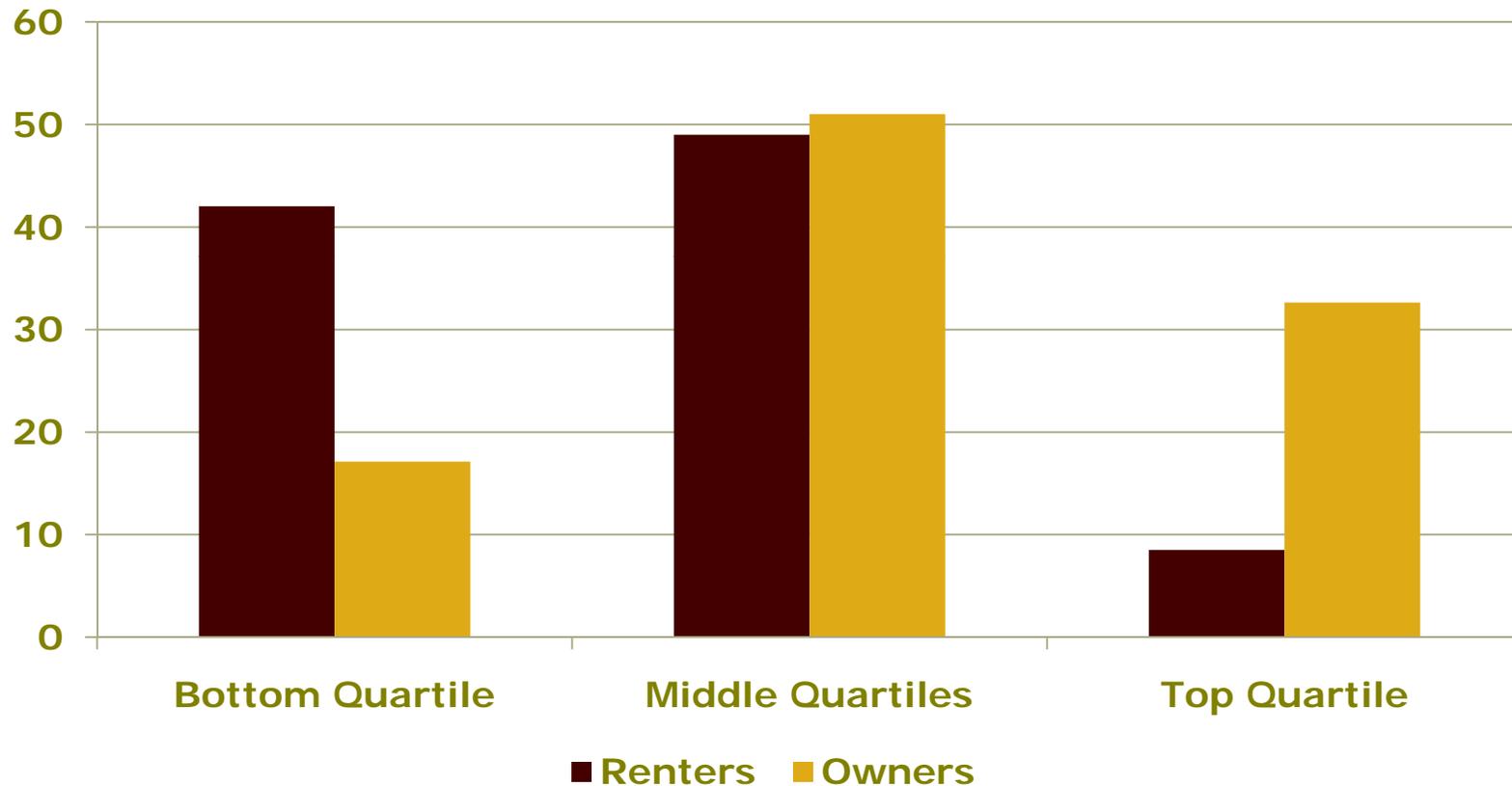
Share of Households by Type 2009 (Percent)



Source: U.S. Census Bureau, Current Population Survey.

# Renters Are Disproportionately Low-Income, But Income Many Middle-Income Households

Share of Households by Income Quartile 2009 (Percent)

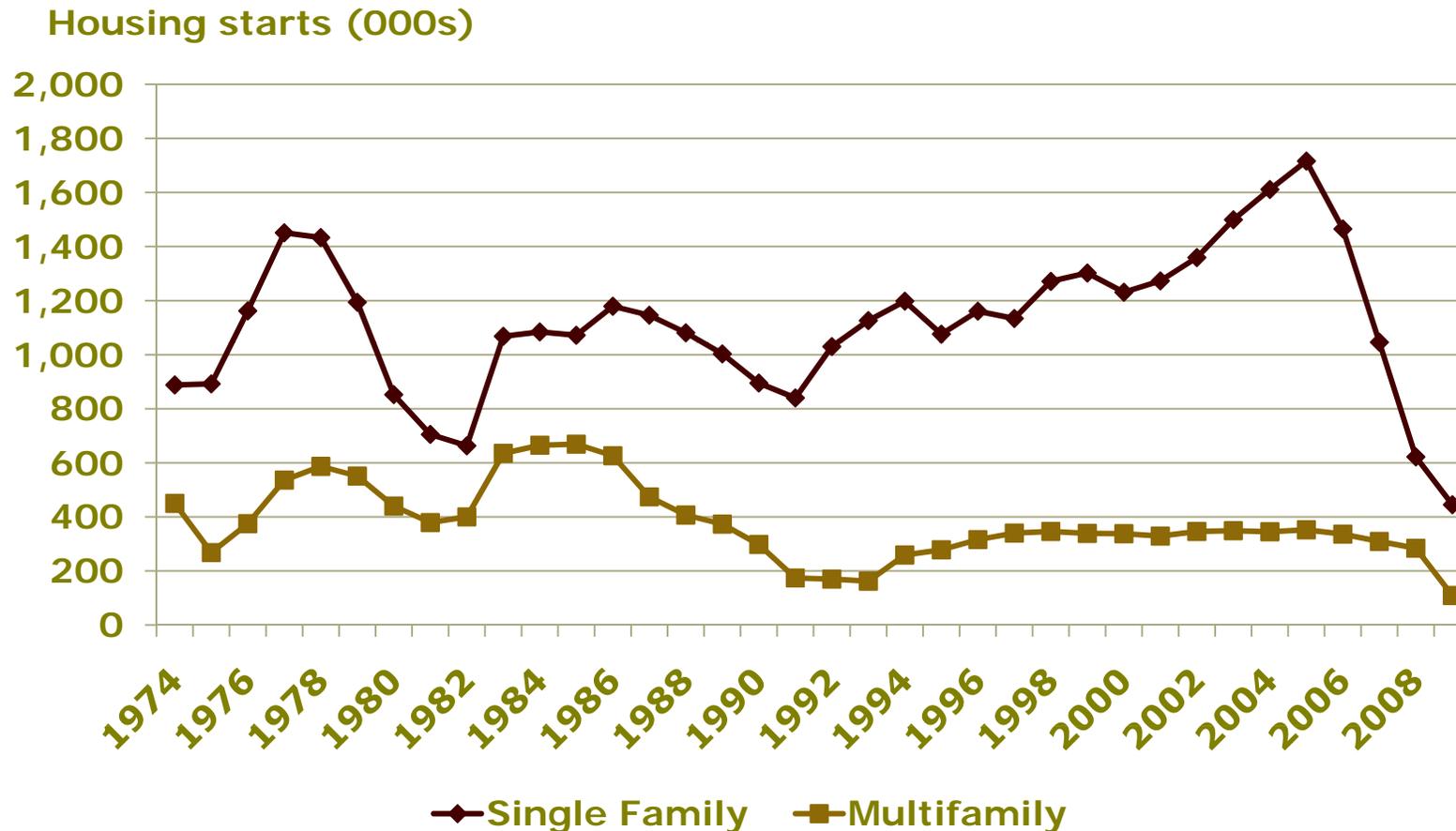


Source: U.S. Census Bureau, Current Population Survey.



# Current Market Conditions

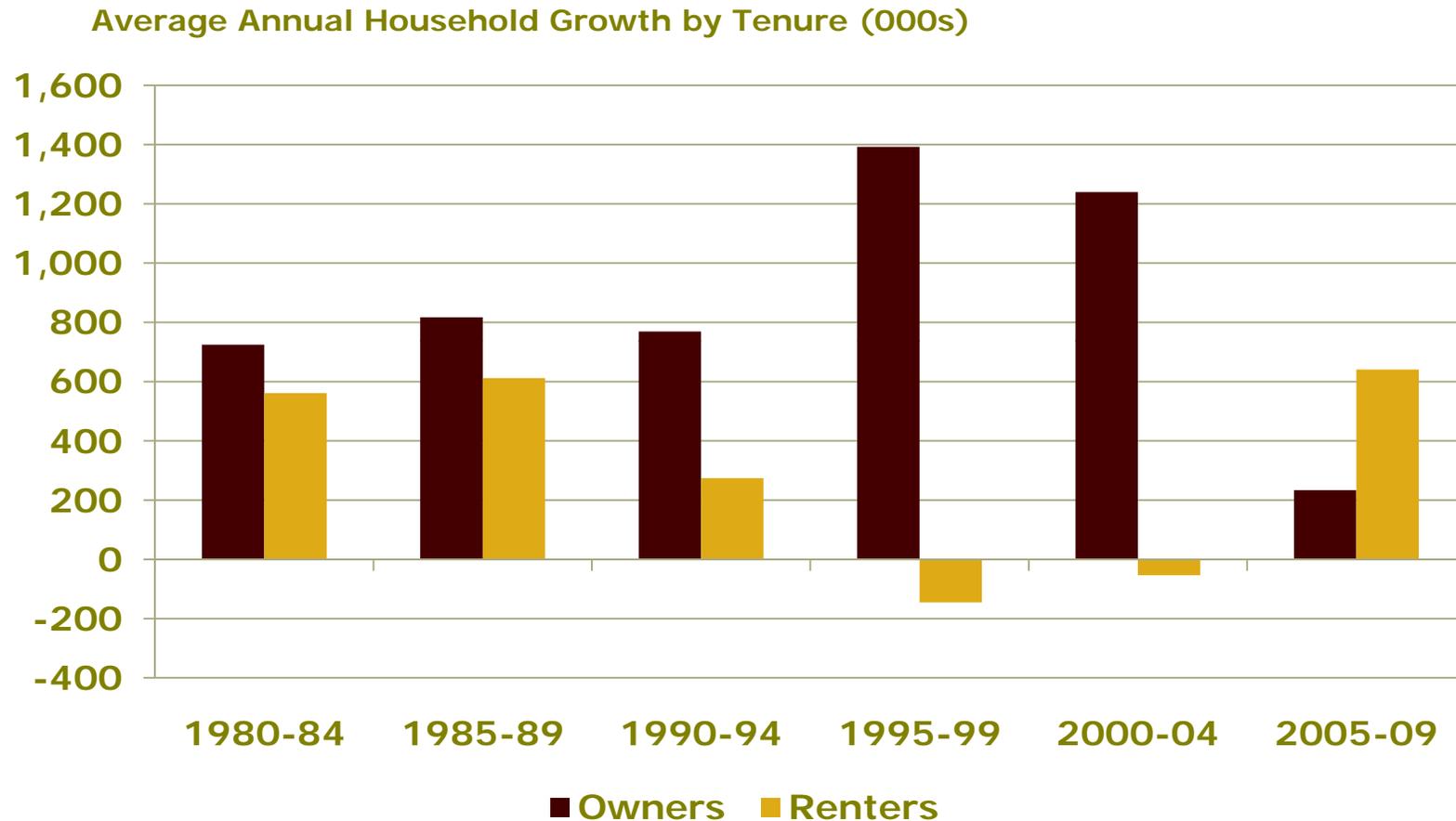
# Multifamily Starts Did Not Experience a Boom as in the Single Family Market, But Did Have a Bust



Source: U.S. Census Bureau.



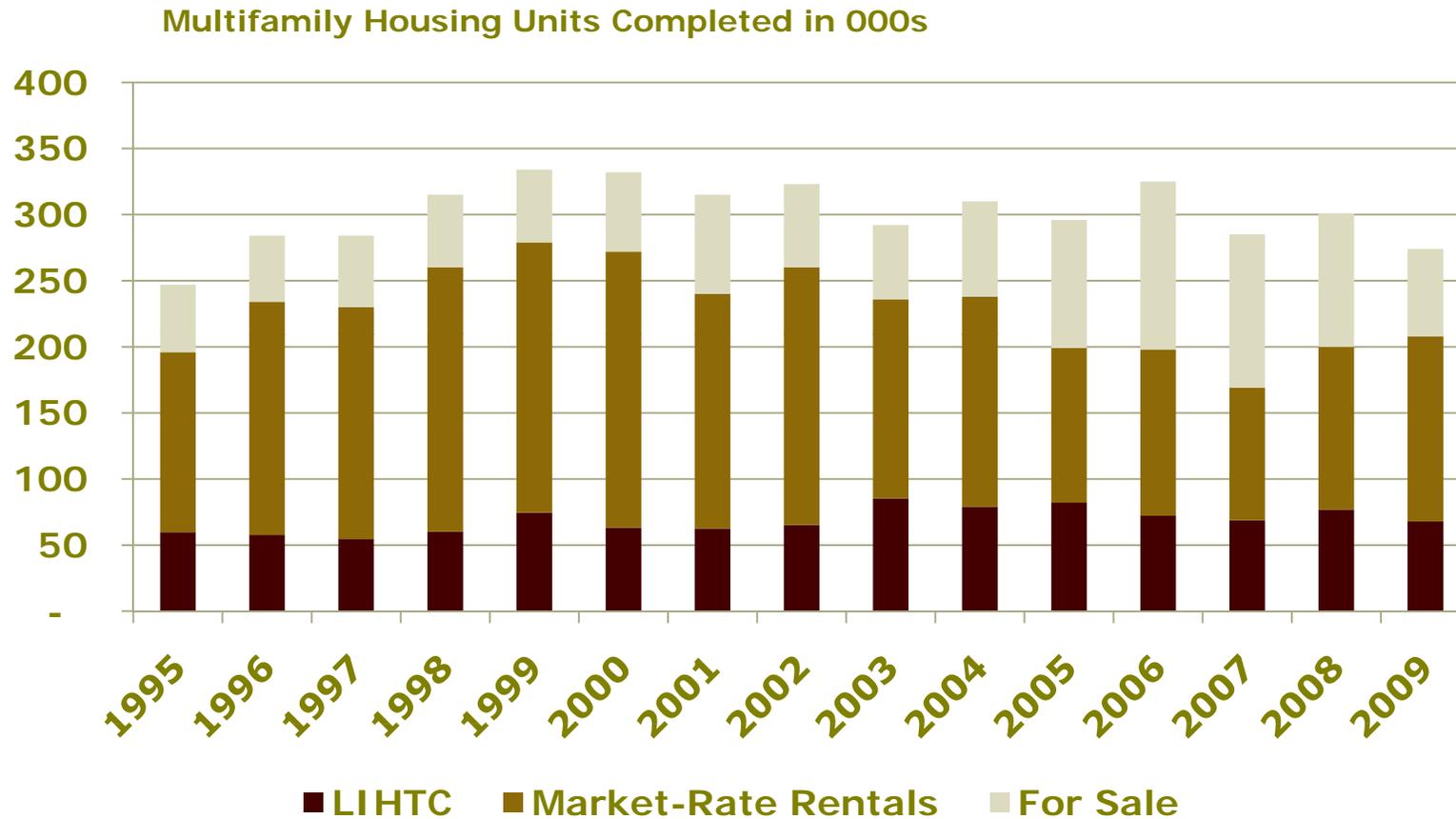
# Low Volume of Multifamily Construction Reflected Lack of Growth in Renter Households



Source: U.S. Census Bureau, Housing Vacancy Survey.

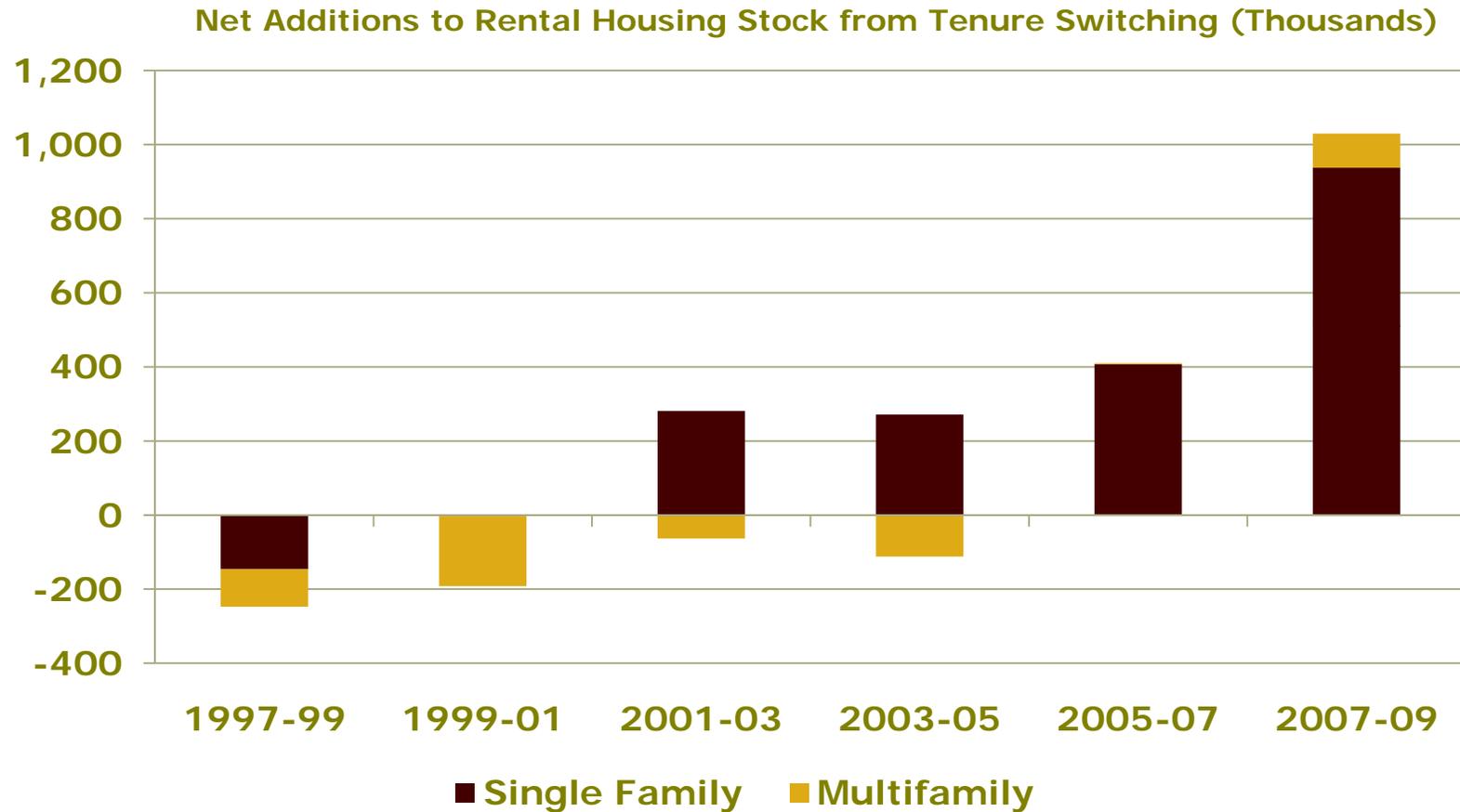


# Less than Half of New Multifamily Completions were Market Rate Rental Units During Boom



Source: JCHS estimates based on U.S. Census Bureau data on housing completions and U.S. Department of Housing and Urban Development data on LIHTC units placed in service.

# Foreclosure Crisis Has Boosted the Flow of Single Family Homes into the Rental Market

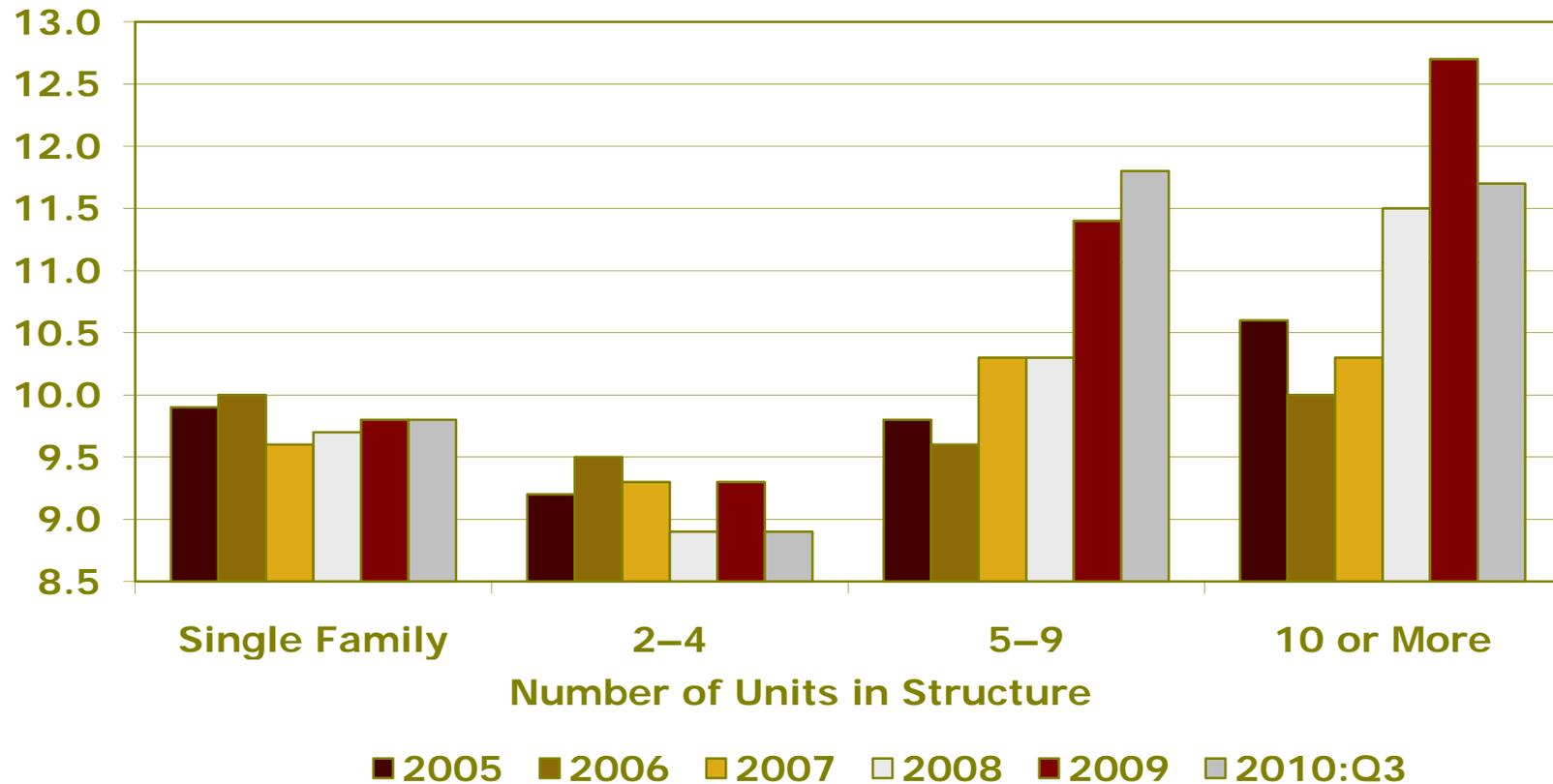


Source: JCHS tabulations of the American Housing Survey.



# Vacancy Rates Have Been Up Sharply in Larger Rental Buildings, But Starting to Fall

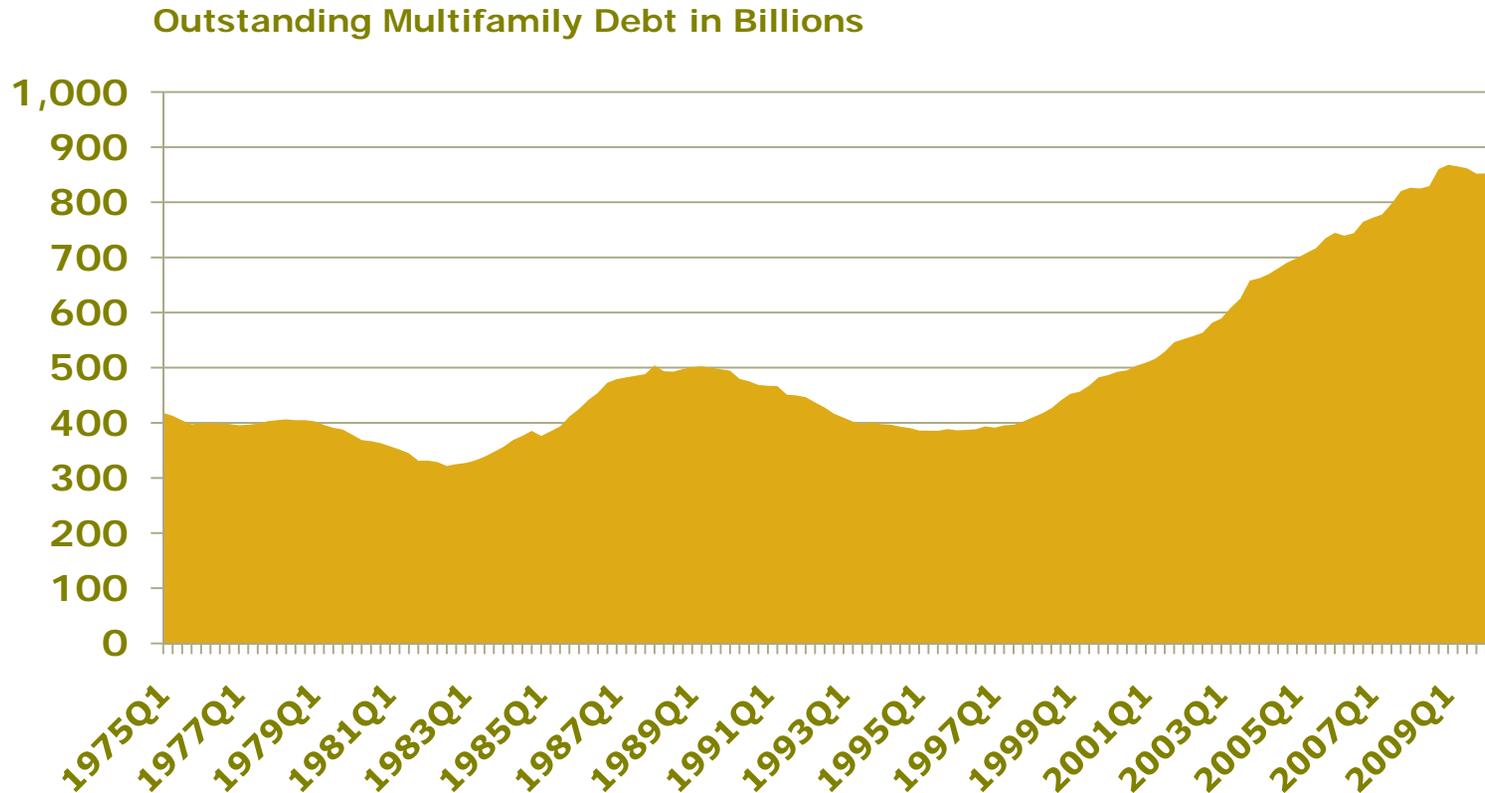
Rental Vacancy Rate (Percent)



Source: US Census Bureau, Housing Vacancy Survey.



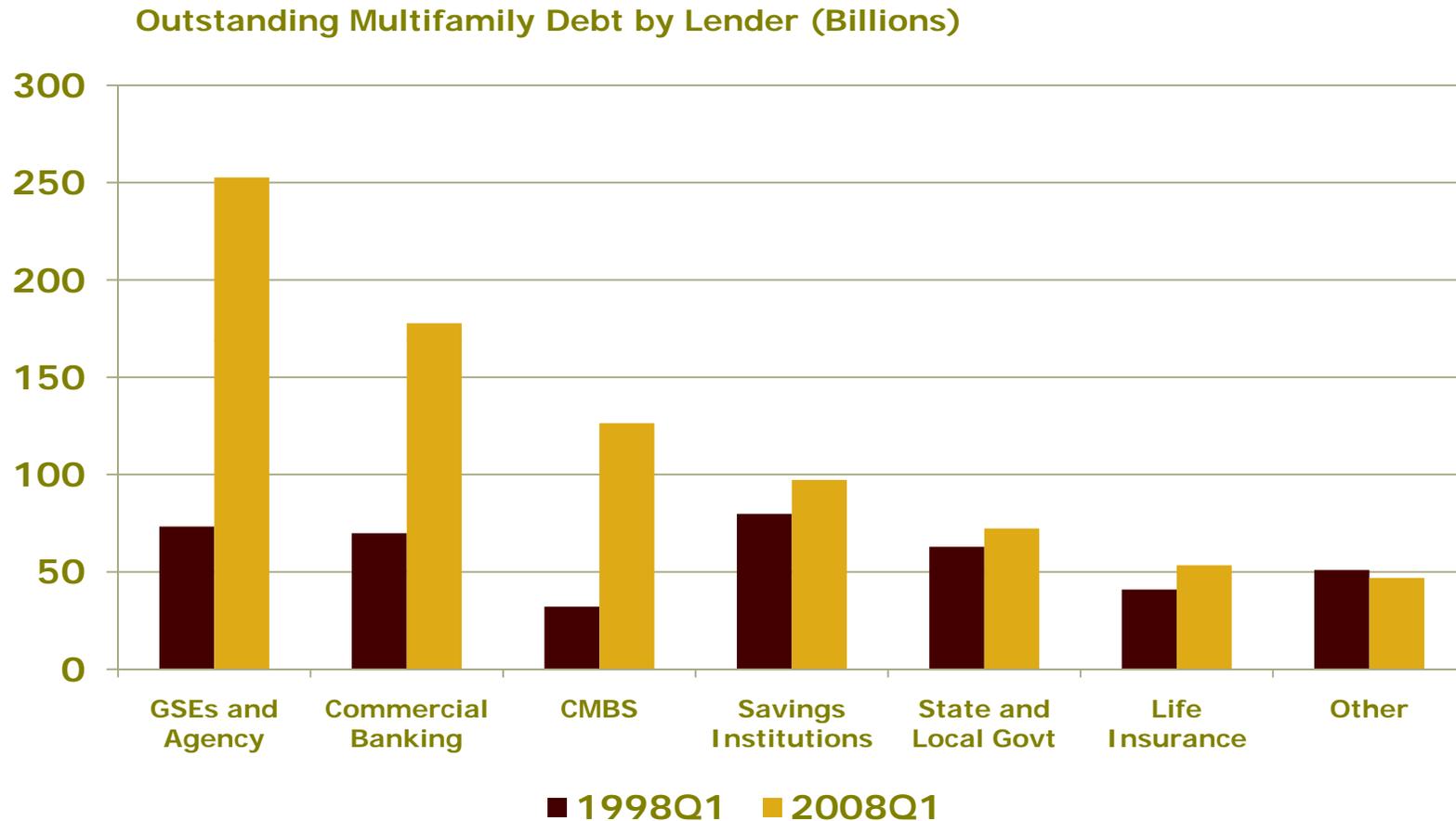
# While There Was Not a Boom in Construction, There Was a Boom in Multifamily Lending



Source: Federal Reserve Flow of Funds, adjusted by CPI-U All Items.



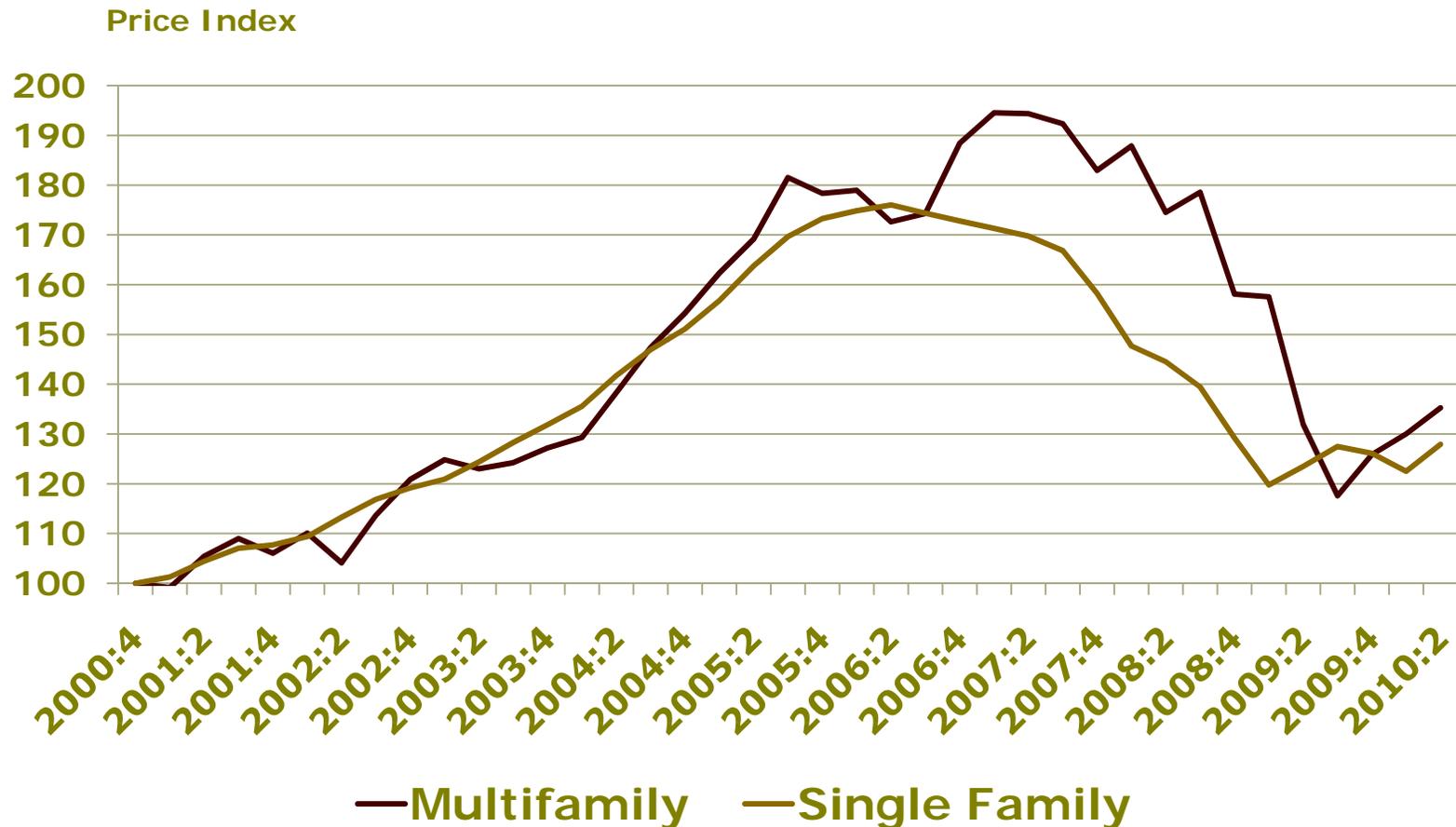
# Large Share of Lending Growth Fueled by GSEs, Followed by Commercial Banks and CMBS



Source: Federal Reserve Flow of Funds, adjusted by CPI-U All Items.



# Lending Boom Helped Fuel Rapid Rise in Prices that Mirrored Rise in Single Family Prices

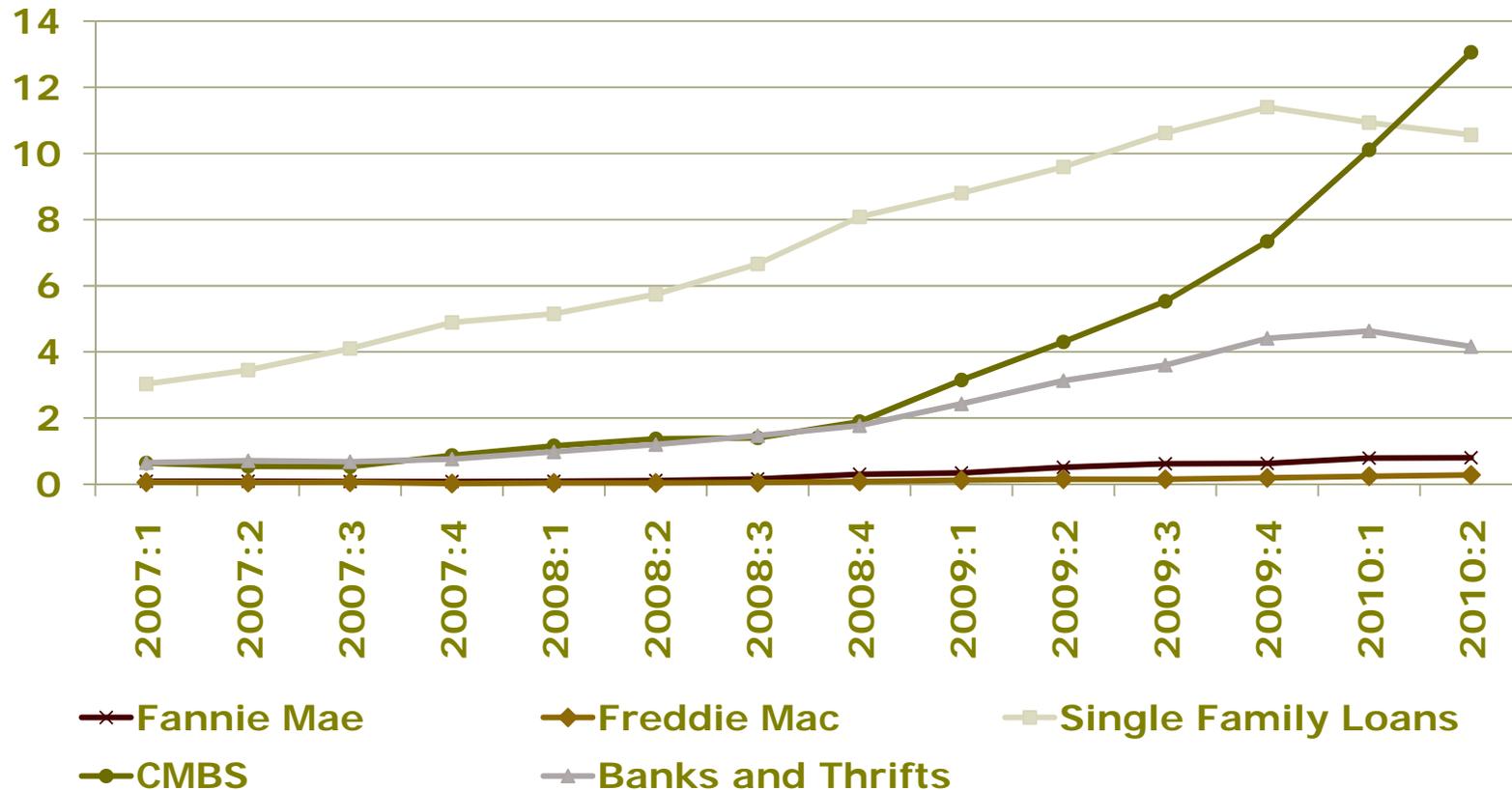


Notes: Data are normalized to 100 in 2000:4. Single family index is based on sales of 1-4 unit properties. Multifamily index is based on sales of multifamily apartment properties worth at least \$2.5 million.  
Sources: Moody's/REAL National Commercial Property Price Index for Apartments; S&P/Case-Shiller National Home Price Index.



# Rise in CMBS Delinquencies Has Been Dramatic, While GSE Loans Have Performed Relatively Well

Share of Loans Delinquent or in Foreclosure (Percent)



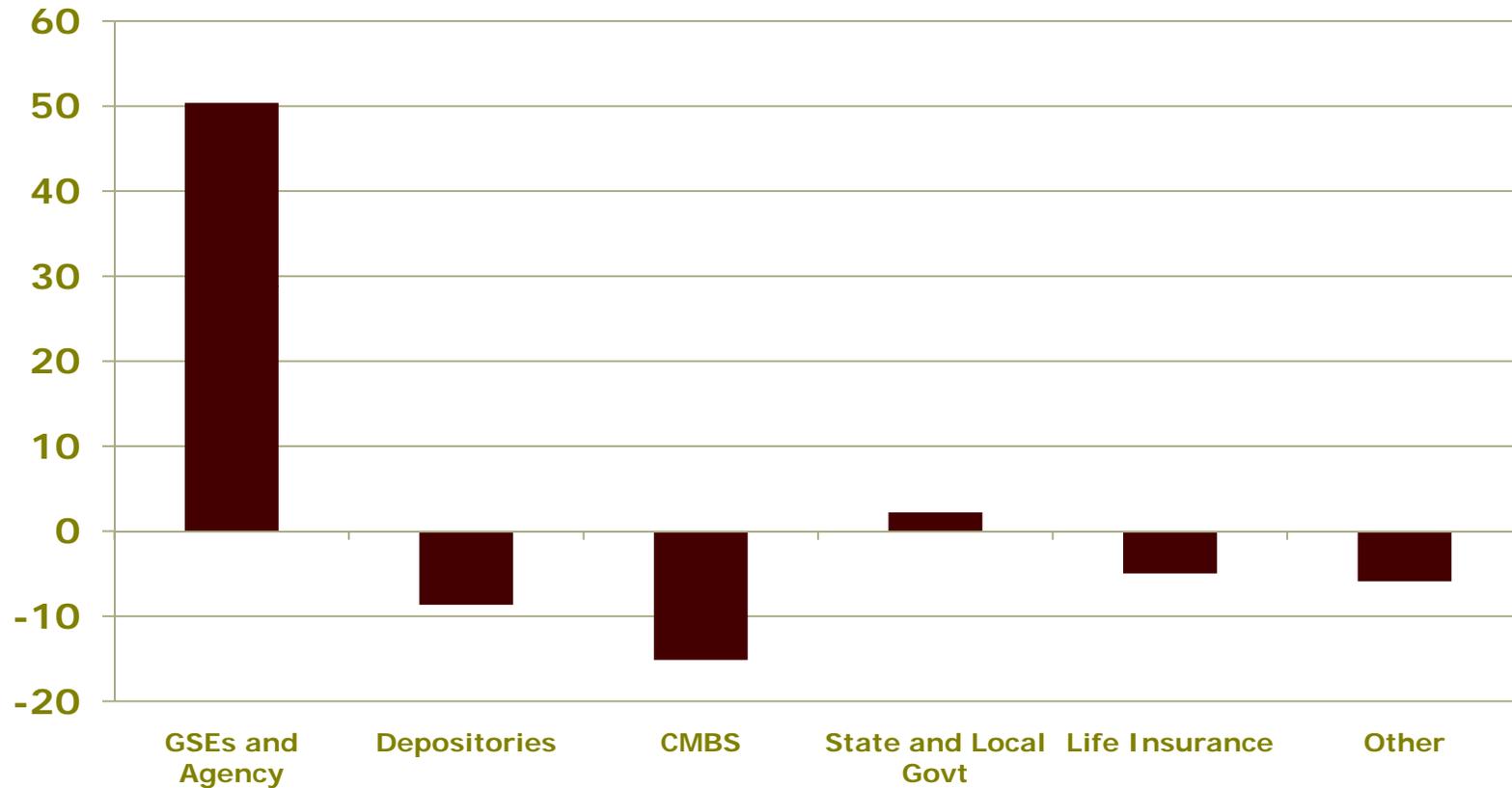
Notes: Single family loans include loans for 1- to 4-unit properties. CMBS delinquencies include properties foreclosed but not yet sold. Delinquency rates are the share of loans by volume that are 60 or more days delinquent, except for banks and thrifts, which are the share 90 or more days delinquent.

Sources: Mortgage Bankers Association, National Delinquency Survey and Commercial/Multifamily Mortgage Delinquency Rates; Moody's Multifamily CMBS Delinquency Tracker; Federal Deposit Insurance Corporation, Quarterly Loan Portfolio Performance Indicators.



# Since 2008, the GSEs Have Accounted for Virtually All of the Growth in Multifamily Debt

Change in Outstanding Multifamily Debt by Lender 2008:Q1-2010:Q2 (Billions)

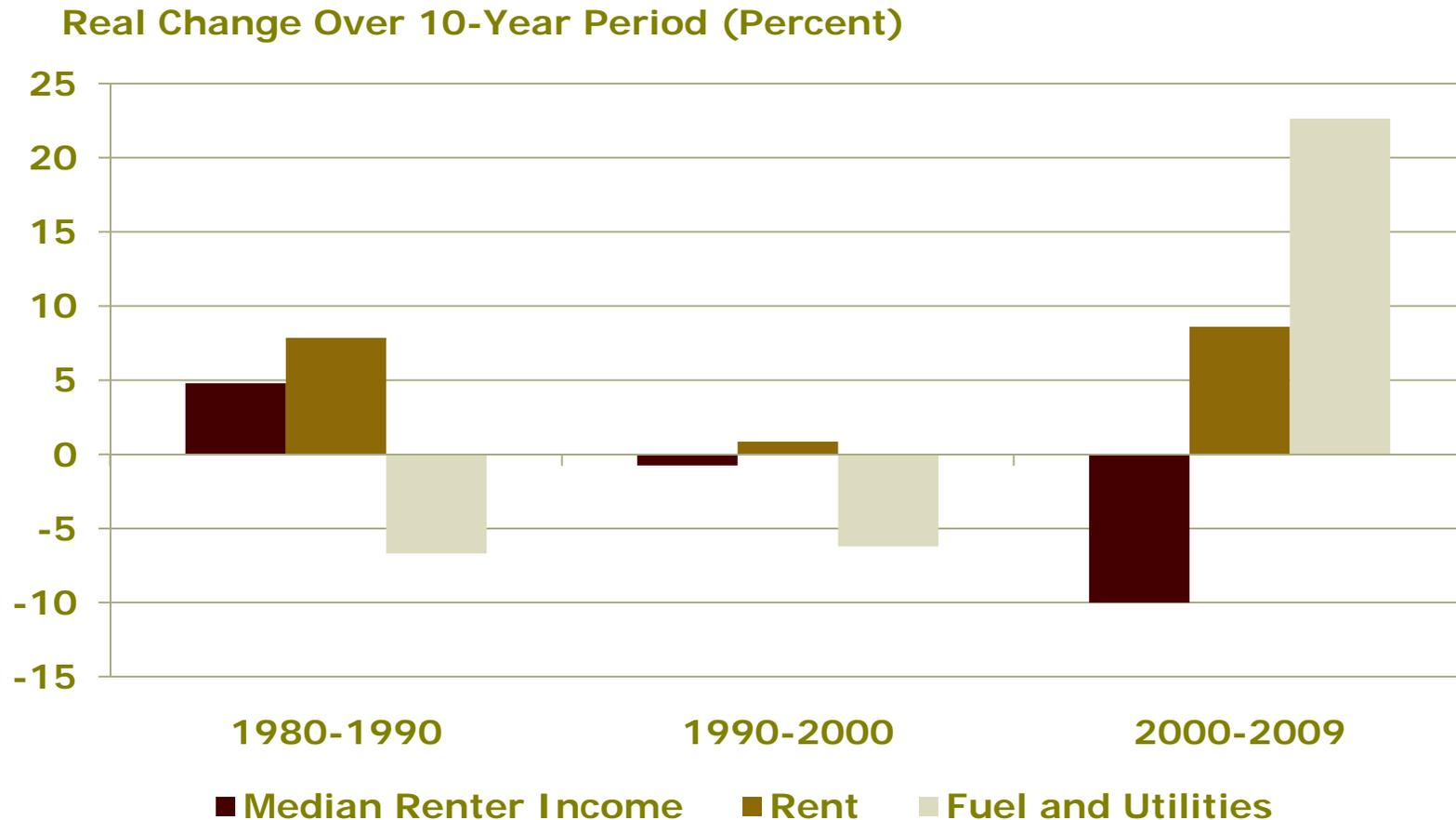


Source: Federal Reserve Flow of Funds, adjusted by CPI-U All Items.



# Increasing Affordability Challenges

# Renter Incomes Have Long Not Kept Pace with Rents, But Gap Widened Substantially in 2000s



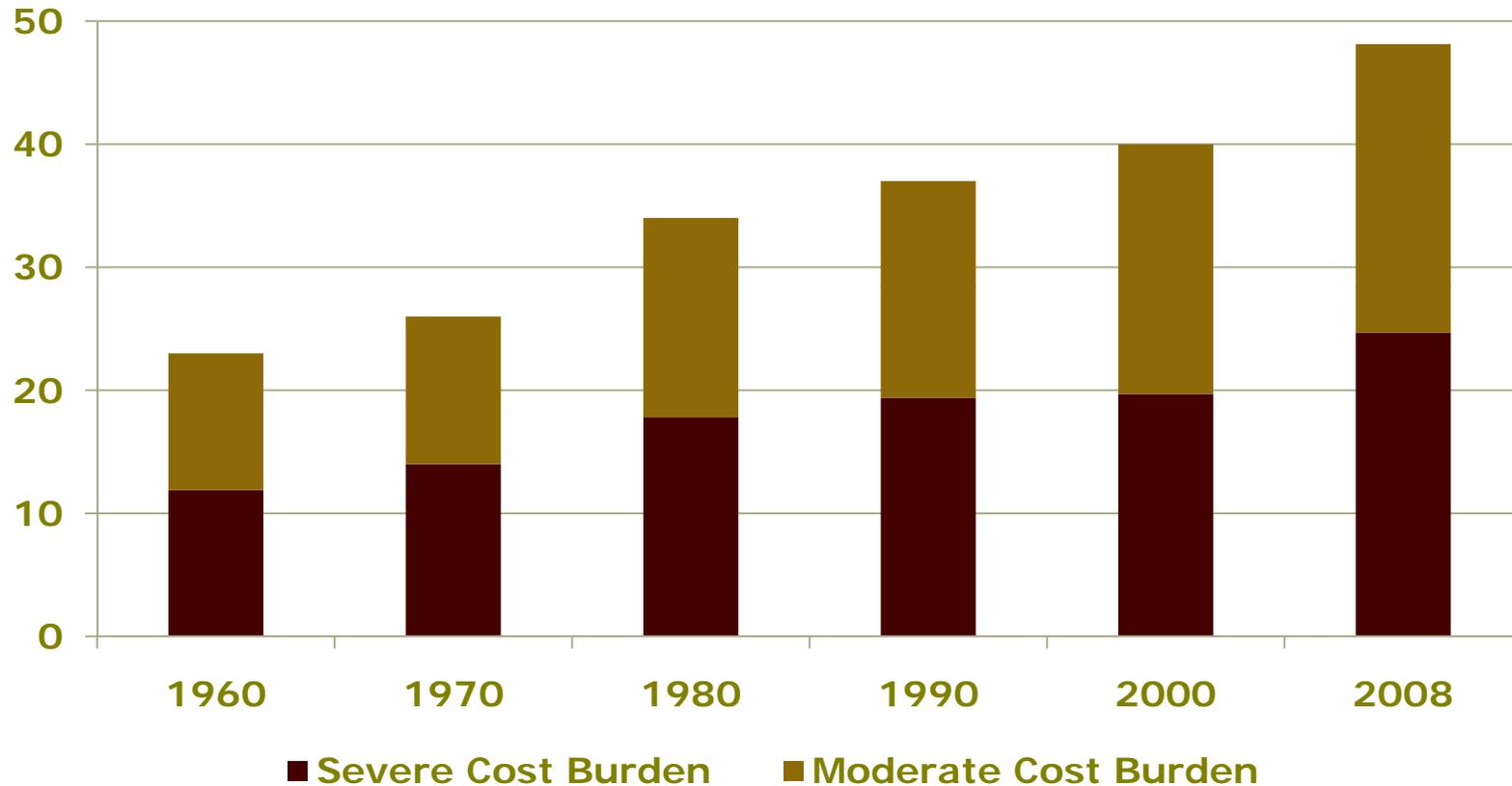
Note: Income and price indexes are deflated using the CPI-U for All Items.

Source: US Bureau of the Census, Current Population Survey and US Bureau of Labor Statistics, Consumer Price Index.



# The Share of Renters Facing Cost Burdens Has Increased for Decades, But Has Spiked in 2000s

Share of Renter Households (Percent)

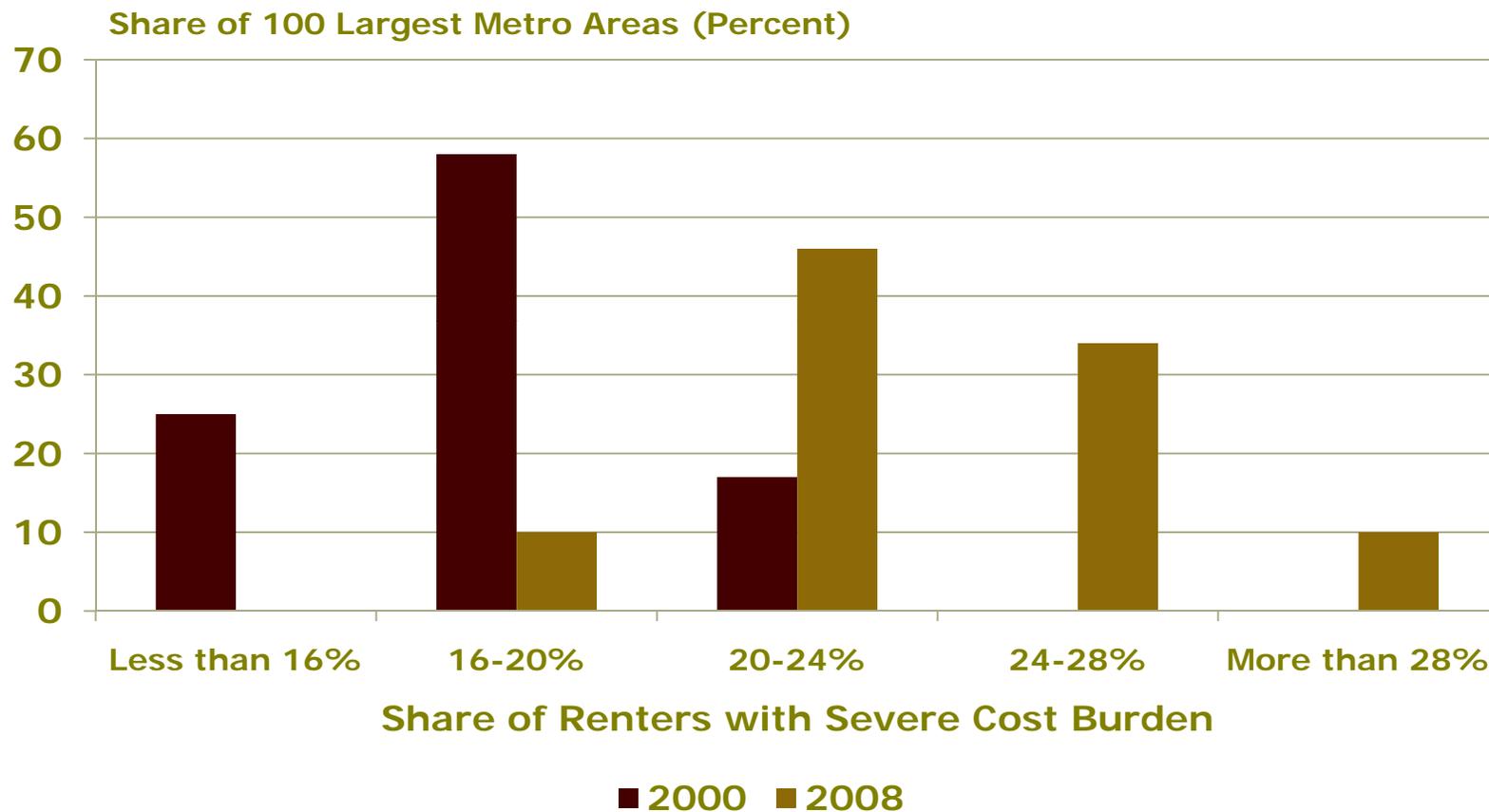


Note: Severe and moderate housing cost burdens are defined as spending more than 50% or 30-50% of pre-tax household income on housing, respectively.

Sources: JCHS tabulations of the IPUMS 1960-2000 Decennial Censuses and 2008 American Community Survey.



# The Increase in Renters with Severe Cost Burdens Has Been Evident Across the County



Notes: Renters with severe housing cost burdens pay more than 50% of household income for rent and utilities. Metros are the top 100 metros by population in 2009.

Source: JCHS tabulations of US Census Bureau, 2000 and 2008 American Community Surveys.



# The Outlook for Renter Household Growth

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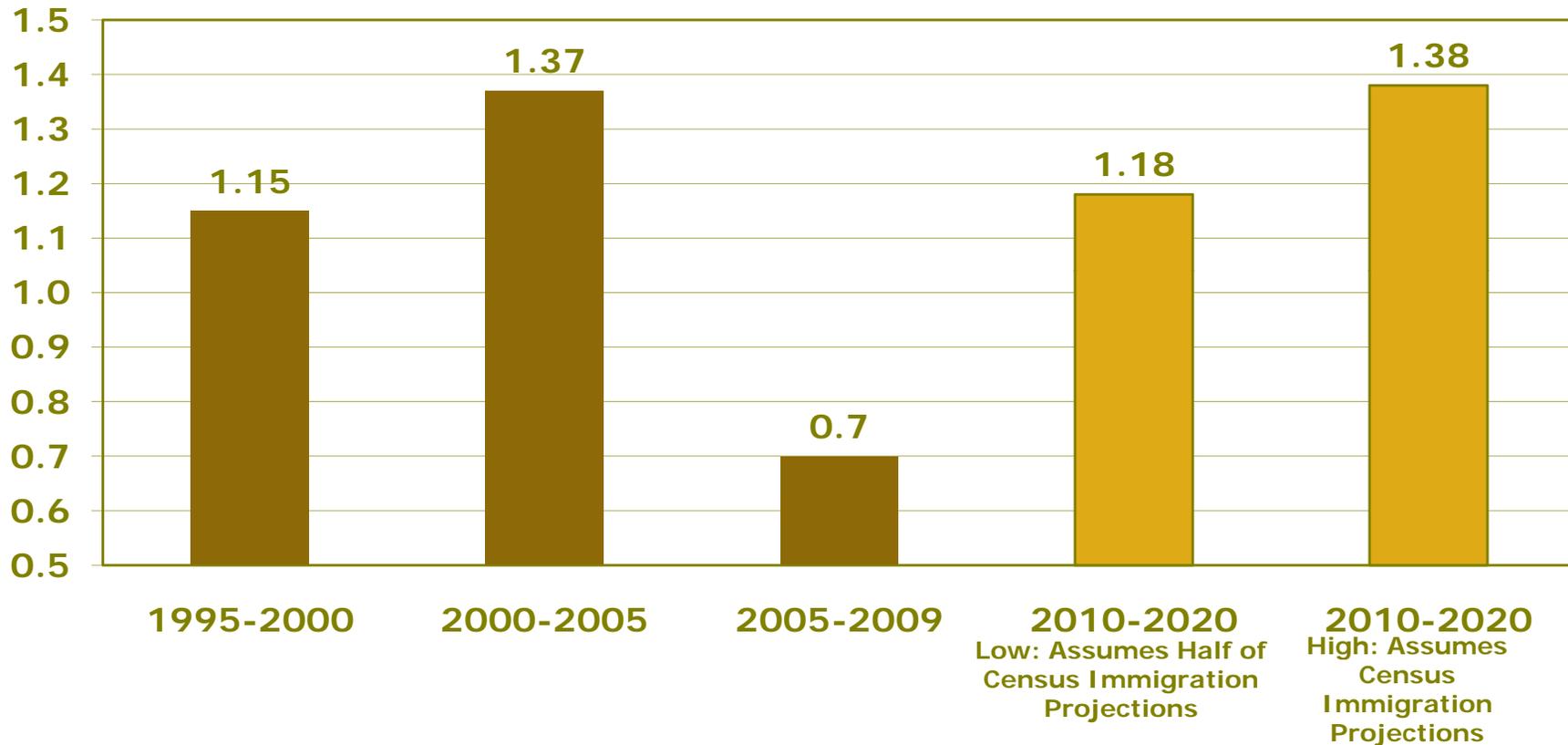
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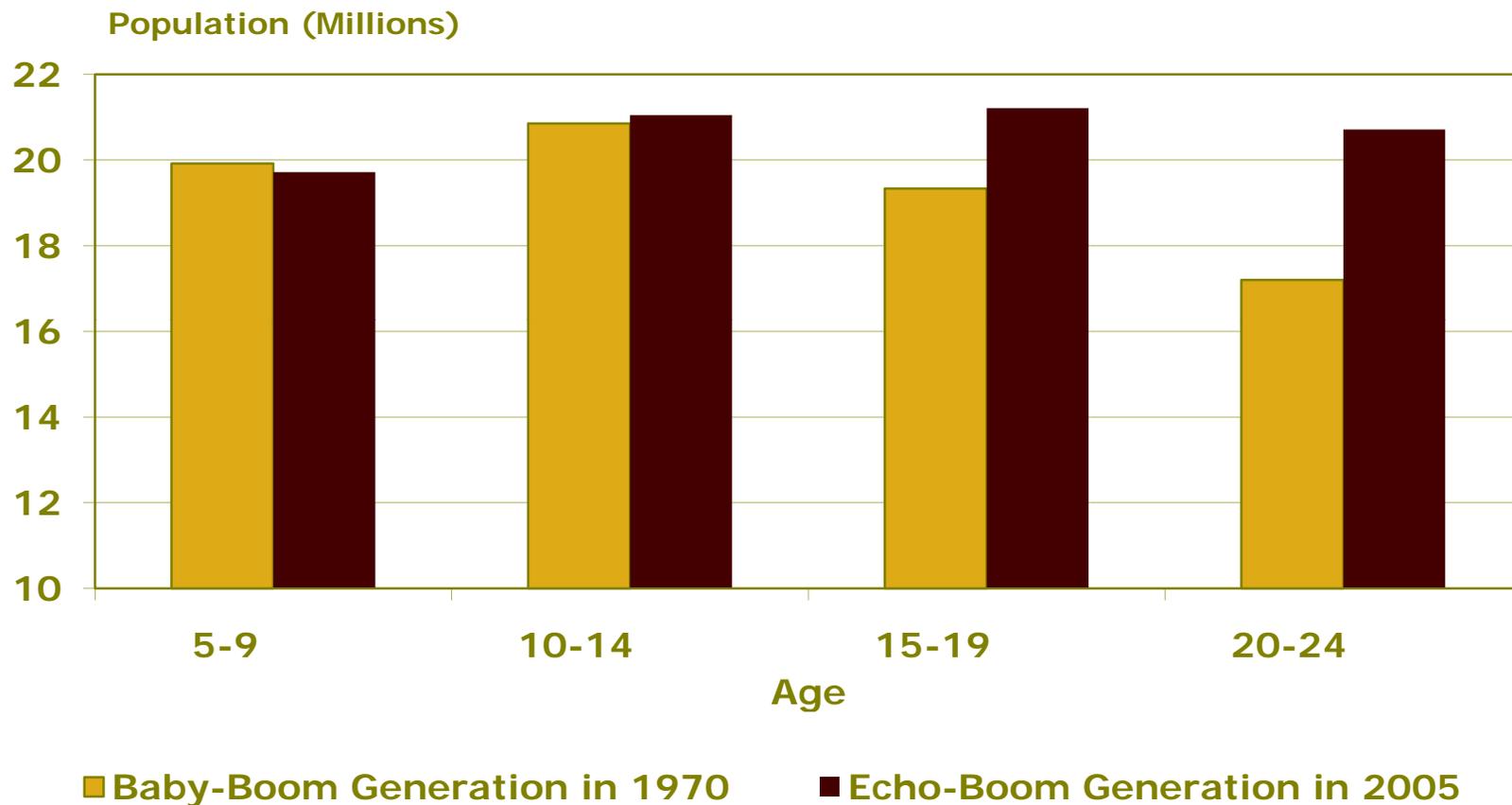
# Household Growth Should Return to Pre-Recession Levels – Immigration Key Wildcard

Average Annual Household Growth (Millions)



Notes: JCHS projections using 2008 US Census Bureau Population projections.  
Sources: US Census Bureau, Housing Vacancy Survey; JCHS Working Paper W10-9.

# Echo-Boom Generation Will Fuel Household Growth and Boost Rental Demand



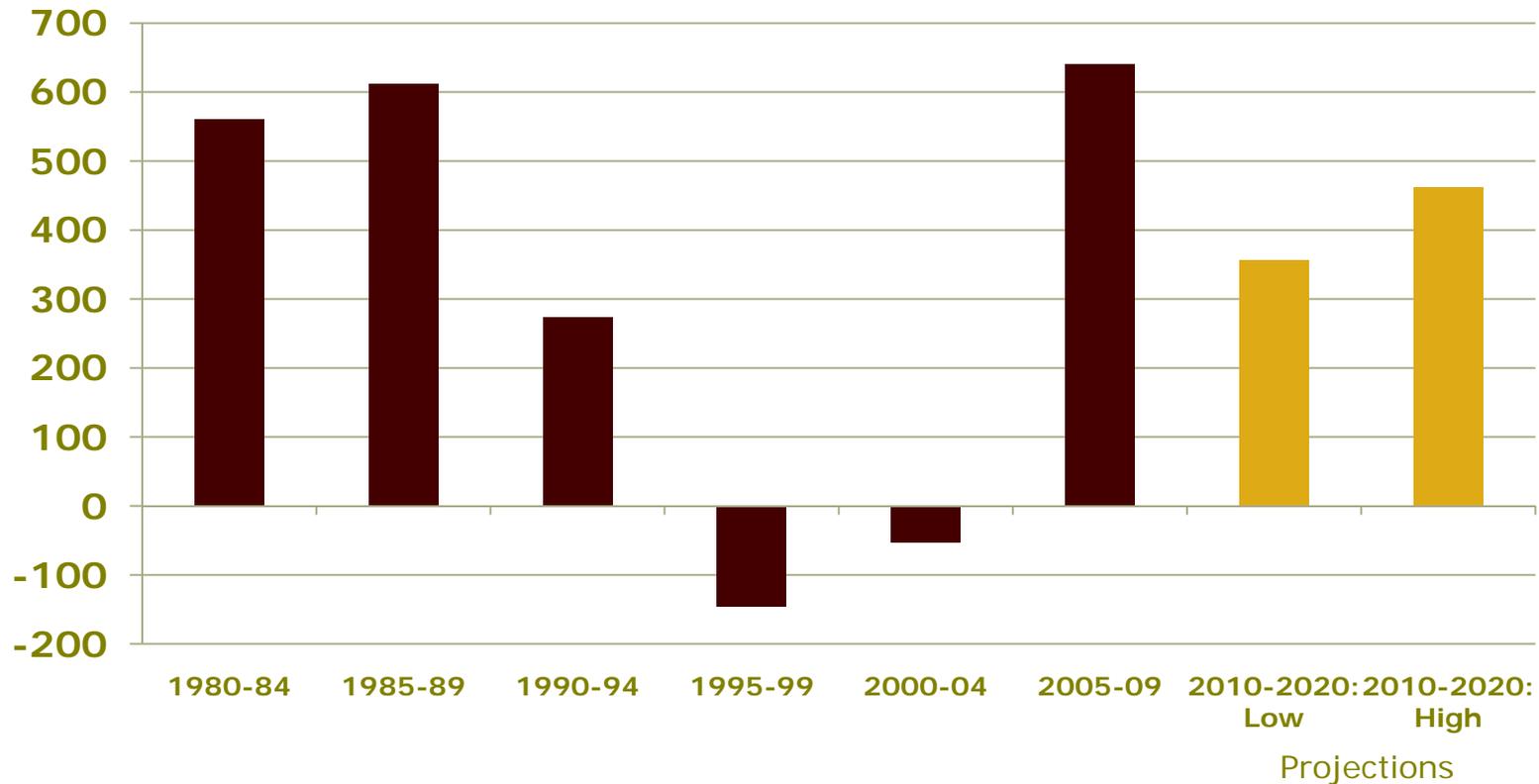
Notes: Members of the baby-boom generation were born 1946-1964. Members of the echo-boom generation were born 1981-2000.

Source: US Census Bureau, Population Estimates.



# Renter Household Growth Over Next Decade Should Be at Highest Since 1980s

Average Annual Household Growth (Thousands)

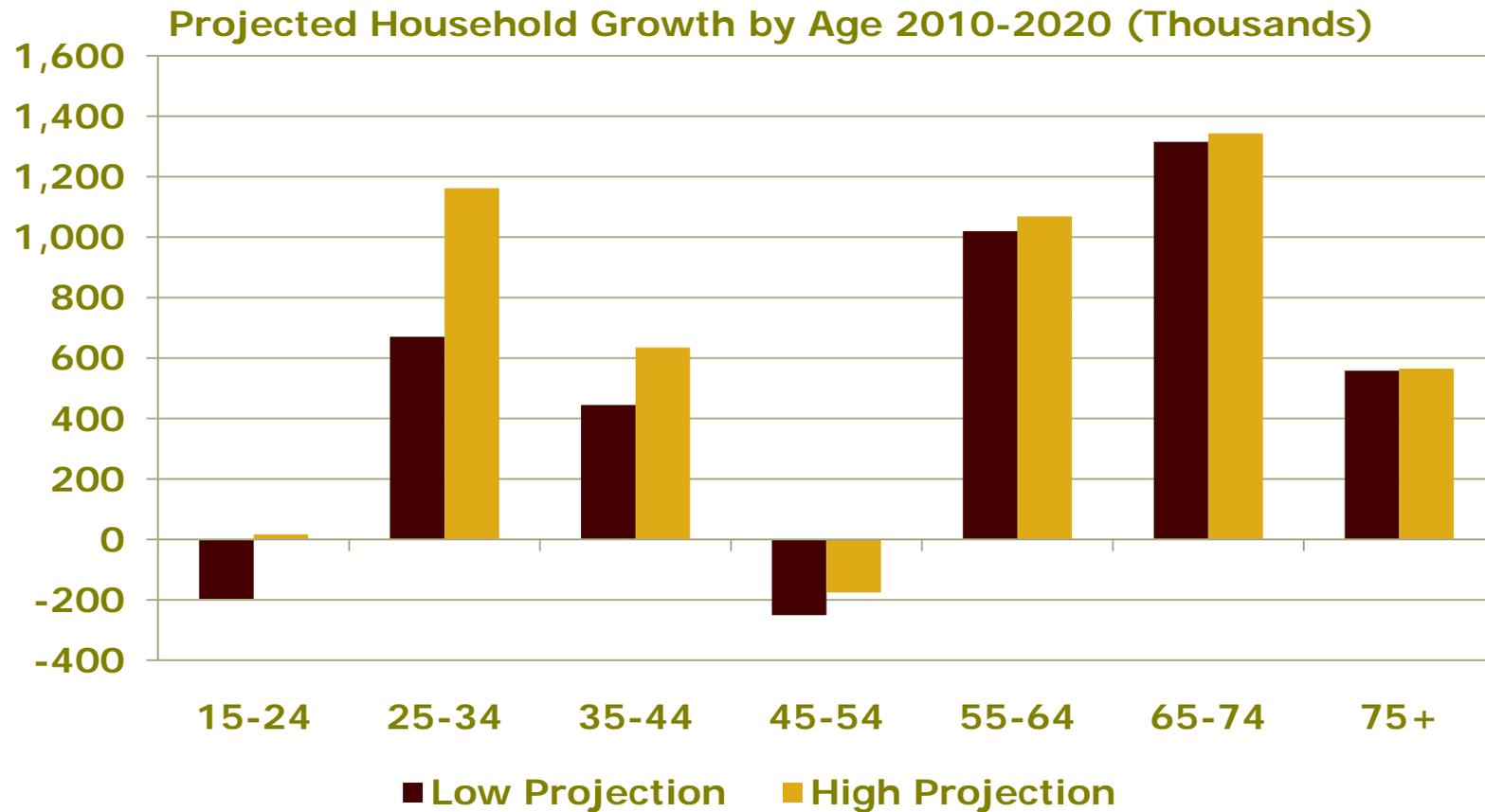


Note: Renter household projection assumes constant 2009 homeownership rates from 2009 Current Population Survey by age, race/ethnicity, and household type.

Source: U.S. Census Bureau, Housing Vacancy Survey; JCHS Household Growth Projections.



# Changing Age Distribution of Renters Will Reflect Influence of Echo and Baby Booms



Source: JCHS Household Growth Projections.

