EXECUTIVE SUMMARY

Both homeowners and renters are struggling with high housing costs. On the for-sale side, millions of potential homebuyers have been priced out of the market by elevated home prices and interest rates. Homeowner cost burdens are also on the rise, driven by growing taxes and insurance costs. For renters, the number with cost burdens has hit an all-time high as rents have escalated. While single-family construction is accelerating and a surge of new multifamily rental units is slowing rent growth, any gains in affordability are likely to be limited by robust household growth, ongoing development constraints, and high construction costs. All stakeholders must work together to address the affordability crisis and many related urgent housing challenges, including the inadequate housing safety net, the record number of people experiencing homelessness, and the growing threat of climate change.

Housing Costs Continue to Rise

Lack of affordability defines both the for-sale and the for-rent housing markets. Home prices rebounded to a new all-time high in early 2024 despite persistently elevated interest rates. After declining briefly in early 2023, home prices ended the year up 5.6 percent annually and continued to rise in early 2024 at an annual rate of 6.4 percent in February, according to the S&P CoreLogic Case-Shiller US National Home Price Index. With these gains, the US home price index is now up 4.0 percent from its previous June 2022 peak and has jumped a whopping 47 percent since early 2020 (Figure 1).

Home price growth was widespread in early 2024, occurring in 97 of the top 100 markets, with higher increases in the Northeast and Midwest and more muted growth in the South and West. Additionally, home insurance premiums grew an average of 21 percent between May 2022 and May 2023 alone, according to Policygenius, and property taxes are on the rise, further increasing the cost of homeownership.

Figure 1
Housing Costs Remain Elevated After Pandemic-Era Surges

Notes: Asking rents are for professionally managed apartments in buildings with five or more units. Prices and rents are indexed to 100 in 2020:1. Home prices are seasonally adjusted and are an average of January and February data in 2024:1.
Source: JCHS tabulations of RealPage data; S&P CoreLogic Case-Shiller US National Home Price Index.
In the rental market, although rent growth slowed to just 0.2 percent year over year in early 2024, rents remain up 26 percent nationwide since early 2020 after rapid pandemic-era growth. Rents are rising in three out of every five markets, including in much of the Midwest and Northeast. Declines were contained mostly to markets in the West and South, though rents there were still up from pre-pandemic levels by an average of 21 and 28 percent, respectively.

**Cost Burdens Hit Record Highs**

In the face of rising housing costs, burden rates are increasing. The number of cost-burdened homeowners, those who spend more than 30 percent of household income on housing and utilities, grew by 3 million to 19.7 million between 2019 and 2022. Nearly one in four homeowner households (23.2 percent) are now stretched worryingly thin, including 27.4 percent of homeowners age 65 and over.

Households earning less than $30,000 annually constituted over half of the growth in cost-burdened homeowners from 2019 to 2022. While such burdens are difficult for any household, they present distinct challenges for these homeowners. During this period, homeowners with incomes under $30,000 saw their residual incomes—the amount of money left over each month after paying for housing and utilities—fall 18 percent to just $627 after adjusting for inflation, forcing tough choices among daily necessities, basic home maintenance and repairs, and possibly accessibility improvements.

For renters, the landscape is even more challenging. While rents have been rising faster than incomes for decades, the pandemic-era rent surge produced an unprecedented affordability crisis. Half of all renter households—22.4 million—were cost burdened at last measure in 2022, up 2 million since 2019 and the highest number on record (Figure 2). Likewise, the number of severely cost-burdened renter households—those spending more than half of household income on housing and utilities—also hit a new high of 12.1 million in 2022, up 1.5 million from pre-pandemic levels.

Among renters, cost-burden rates have increased across the income spectrum. Still, renters with the lowest incomes have the highest cost-burden rates. Fully 83 percent of renter households earning less than $30,000 annually were cost burdened in 2022, including 65 percent (9.4 million households) with income under $15,000.

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**Figure 2**

**Cost Burdens Hit New High for Renters While Also Rising for Homeowners**

Cost-Burdened Households (Millions)

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Notes: Cost-burdened households spend more than 30% of income on housing and utilities. Estimates for 2020 are omitted due to data collection issues experienced during the pandemic.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.
severe burdens. Renters with the lowest incomes have a median of just $310 per month in residual income to cover all non-housing needs.

More than half of Black (57 percent), Hispanic (54 percent), and multiracial (50 percent) renter households were cost burdened at last measure in 2022. Rates were lower for white (45 percent), Asian (44 percent), and Native American (44 percent) households. While racial income inequality explains some of the difference, burden rates remain disproportionately high for lower-income renters of color, at 85 and 87 percent for Black and Hispanic renters, respectively, as compared to 80 percent of their white counterparts.

Household Growth Still High
Despite high housing costs, household growth remained robust through last year. The nation gained 1.7 million households between 2022 and 2023, according to the Housing Vacancy Survey. Though lower than the previous year’s 1.9 million new households, this is still a significant uptick from the 1.1 million annual pace averaged in the 2010s.

This growth is driven largely by Gen Zers (born 1995—2009) benefiting from the healthy labor market and millennials (born 1980—1994) who got a late start on forming their own households because of the Great Recession. Additionally, the large population of baby boomers is increasing the number of older households.

Another major contributor to robust household growth is ballooning immigration, which peaked at 3.3 million in 2023 according to the Congressional Budget Office, after averaging 919,000 annually in the 2010s. The majority of this increase is asylum seekers facing challenges that will slow their housing trajectories. But household growth may remain strong for some time, as this population will eventually form households.

New Units Soften Rental Market
Multifamily completions rose by 22 percent to 449,900 in 2023, the highest annual level in more than three decades, and the number of units under construction in March 2024 remained near the record high. As these units have come online, they have outnumbered even sizeable increases in new renter households, and so the rental market has cooled slightly (Figure 3). RealPage reports vacancy rates in professionally managed apartments rose to 5.9 percent at the beginning of 2024, more than twice the record low of 2.5 percent recorded in early 2022.

Figure 3
Supply of New Apartments Is Outpacing Rental Demand
Units in Professionally Managed Properties (Thousands)

Note: Estimates are four-quarter rolling totals for professionally managed apartment buildings with five or more units. Source: JCHS tabulations of RealPage data.
At the same time vacancies have risen, so have operating costs, straining property owners’ balance sheets. As of January 2024, apartment operating expenses increased by 7.1 percent year over year, according to Yardi Matrix, led by a 27.7 percent nationwide average increase in owners’ insurance premiums. Against this backdrop, net operating income growth fell to 2.8 percent in the first quarter of 2024, down from 8.1 percent a year earlier. These declines affected valuations: apartment property prices fell in 2023 for the first time in more than a decade, down more than 10 percent nationwide by the end of the year, according to Real Capital Analytics. By March 2024, prices were falling 8.4 percent year over year.

Slowing revenues, combined with the rising cost of both debt and equity, make new multifamily projects more difficult to finance. Multifamily construction starts have plummeted from an annualized rate of 531,000 units in the first half of 2023 to just 343,000 units in the first quarter of 2024. This decline will slow the pace of new unit additions, but only after markets work through the backlog of units currently under construction.

Low For-Sale Inventories Lead Homebuyers Toward New Homes

Existing homes for sale remain in short supply. Just 1.1 million homes were available for purchase in March 2024, down from 1.7 million in March of 2019, according to the National Association of Realtors (NAR). This is just 3.2 months of supply, even with the current reduced sales rate. Annual existing home sales dropped 19 percent to 4.1 million in 2023, nearly a 30-year low.

The shortage of homes for sale is due largely to the “lock-in” effect whereby current homeowners with below-market interest rates are disincentivized to move. Though the 30-year mortgage interest rate is hovering around 7 percent, the average interest rate on outstanding residential mortgages is just over 4 percent (Figure 4). This rate spread incentivizes current homeowners to stay put, dramatically reducing the number of homes available for sale.

Figure 4

Homeowners’ Average Mortgage Rate Is far Below the Current Market Rate

Average Interest Rate (Percent)

Source: JCHS tabulations of Federal Housing Finance Agency, National Mortgage Database; Freddie Mac, Primary Mortgage Market Surveys.
With few existing homes for sale, aspiring homebuyers are turning to new construction. New home sales increased by 4 percent in 2023, constituting 15 percent of all single-family home sales compared to 12 percent just two years earlier. Though down for the year in 2023, single-family starts rose to an annualized rate of 1.06 million units in the last quarter, a 25 percent year-over-year increase.

While homebuilders are increasingly delivering smaller, lower-cost options, construction of entry-level housing is still hampered. Constraints from restrictive zoning and regulatory policies, skilled labor shortages, financing limitations, and other challenges increase the costs and reduce the amount of development. Alternative construction techniques, such as modular and manufactured housing, help to provide housing at a wider range of price points and fill supply gaps. Manufactured housing construction costs can be as little as 35 percent of an equivalent site-built home, but production remains just a fraction of levels from previous decades.

In response to the housing shortage and widespread concerns about affordability, an increasing number of state and local governments are removing supply barriers. Some local areas have changed zoning to allow a range of housing types on land previously zoned exclusively for single-family development, and a handful of states have preempted local zoning codes to do so. Other places are repurposing underutilized land for development. One example is California, which has also relaxed permitting and environmental review requirements to make projects easier, quicker, and less costly. Several cities, such as Charlottesville, Virginia, and Cambridge, Massachusetts, have removed minimum parking mandates. The US Department of Housing and Urban Development (HUD) is helping to spur these efforts by granting $85 million to help states, cities, and metropolitan planning organizations identify and address zoning, land use, and regulatory barriers to housing production.

**Homeownership Increasingly Out of Reach**

The high affordability hurdle has reduced the number of first-time homebuyers and slowed the growth in homeownership over the past year. According to the Housing Vacancy Survey, the homeownership rate for households under age 35—a key first-time homebuyer demographic—fell 0.4 percentage points over the last year as first-time homebuying dropped. As a result, the US homeownership rate across all age groups inched up just 0.1 percentage points in 2023 to 65.9 percent, the smallest increase since 2016.

Atop the rebound in home prices, persistently high mortgage interest rates have further limited access to homeownership for many potential first-time buyers. The rate on the 30-year fixed-rate mortgage peaked in October 2023, hitting 7.79 percent, the highest in more than 20 years, according to the Freddie Mac Primary Mortgage Market Survey. After a brief dip in early 2024, rates were again over 7.0 percent by mid-April, more than twice the 3.0 percent rate averaged across 2020 and 2021.

This combination of rising interest rates and home prices pushed the median payment on home mortgage applications up $108 over the past year (to $2,201), according to the Mortgage Bankers Association, and the median is now up more than $850 over the last three years. For the low-downpayment loans commonly pursued by first-time buyers, the total monthly payment on the median-priced home is now $3,096 after taxes and insurance (Figure 5). To afford such a high payment under common payment-to-income ratios, a borrower would need an annual income of at least $119,800, a threshold just one in seven (6.6 million) of the nation’s 45 million renter households can meet. It now takes an annual household income of at least $100,000 to afford the median-priced home in nearly half of all metro areas.
Although rising home prices are a barrier for first-time buyers, the recent rapid home price appreciation has provided substantial equity gains for many homeowners. According to CoreLogic, the average home equity among owners with mortgages increased $24,000 in 2023 and $119,900 over the past four years. As of the fourth quarter of 2023, the average mortgaged home equity is a substantial $298,000. Many current homeowners, especially those with higher incomes, are also enjoying the benefits of past historically low mortgage interest rates. Having locked in fixed rates with lower monthly payments, homeowners as a whole are paying less on housing debt service as a percentage of income than at any time since 1980.

**Barriers to Narrowing Racial Homeownership Gaps**

The higher costs of homebuying have hampered efforts to reduce the wide racial homeownership rate gaps. As of the first quarter of 2024, the Hispanic (49.9 percent) and Black (46.6 percent) homeownership rates are significantly lower than that of white households (74.0 percent). While these gaps have remained largely unchanged over the past 30 years, some incremental progress had been made: growth in Black and Hispanic homeownership rates slightly outpaced the US average beginning in 2019 and through the majority of the pandemic. However, continuing even those modest gains became increasingly difficult in 2023 as the rising cost of homeownership disproportionately priced out most Hispanic and Black renter households. By the first quarter of 2024, just 8 percent of Black and 13 percent of Hispanic renter households had sufficient annual income to afford monthly mortgage payments on the median-priced home, as compared to 16 and 29 percent of their white and Asian counterparts, respectively.

Households of color face other disadvantages, too, including a lack of access to the intergenerational transfers of wealth that serve as a downpayment for many white homebuyers and a more difficult time accessing mortgage financing. Initiatives that offer downpayment assistance and increase access to affordable credit can help address these barriers. Special purpose credit programs that allow lenders to tailor affordable lending programs to specific populations with a history of disparate treatment, including racial groups, can further assist renters of color in transitioning to homeownership.
Expanding the Housing Safety Net

Growing numbers of income-eligible households need housing assistance but don’t get it. The number of very low-income renter households increased by 4.4 million from 2001 to 2021, while the number of assisted households increased by just 910,000. As of 2021, three in every four income-eligible renter households go without help. Additionally, a record-high 8.5 million of these very low-income households had worst case housing needs, spending more than half their income on housing or living in severely inadequate housing, according to HUD.

Given the hardships facing the vast majority of renters with very low incomes, expanding assistance is imperative. But federal funding has not grown to meet the rising need, and as housing costs increase, simply maintaining current levels of support requires more funding each year. In need of additional resources, many state and local governments are expanding their funding for housing assistance. They’ve been aided by roughly $3 billion generated annually through housing trust funds, multifamily private activity bonds that totaled $17.2 billion at last measure in 2020, and nearly $18 billion allocated to housing needs through American Rescue Plan state and local fiscal recovery funds. While every bit helps, these efforts pale in comparison to the scope of the housing crisis, and increased federal resources are critical to meaningfully addressing the need.

As housing costs have risen, so has the number of people experiencing homelessness, reaching a record-high 653,100 people in 2023. The unsheltered population also hit an all-time high of 256,600 last year, following an increase of nearly 23,000 people from the previous year. Though the recent migrant crisis explains some of this growth, much of the increase reflects the end of pandemic protections, rapidly rising rents, and the already meager housing safety net.

As one piece of a broader federal strategy, in early 2024 HUD awarded a record $3.2 billion through its Continuum of Care program to provide housing opportunities and services for people experiencing homelessness. This program, in conjunction with other resources like Emergency Housing Vouchers, enabled HUD to help more than 424,000 households exit or avoid homelessness in 2023. Funding for homelessness assistance, prevention, and rehousing programs is crucial, but these programs can only go so far, given the lack of permanently affordable housing.

The Growing Threat of Climate Change to the Nation’s Housing Stock

The housing stock is increasingly at risk of damage from severe hazards. The number of billion-dollar disasters related to climate change has grown from an annual average of 3 in the 1980s to 28 in 2023 alone (Figure 6). At last count, 60.5 million housing units were located in areas with at least moderate risk, according to the Federal Emergency Management Agency (FEMA) National Risk Index. An effective response requires both structural adaptations and financial resources to increase household, building, and land resiliency, and to reduce future risks by shrinking the residential sector’s carbon footprint.
Federal resources are available to shore up the housing stock against the impacts of hurricanes, floods, wildfires, and other hazards. Eligible activities are property acquisition, retrofits, floodproofing, and long-term planning, among other strategies. Yet FEMA’s hazard mitigation programs deliver an average of less than $2 billion annually to states and tribal nations, and significantly more resources and strategies are needed to increase properties’ resiliency. To date, the bulk of the funding has been dedicated to recovery and adaptation after a disaster. The programs help the hardest-hit households and communities after an event but are not designed to make households whole. This approach could leave critical needs unmet at a moment of extreme household vulnerability.

The best way to reduce the threat of climate change to the nation’s housing stock is to reduce the carbon footprint of the residential sector, responsible for a stunning 18 percent of US greenhouse gas emissions. While improved construction materials and techniques have helped new homes to become more energy efficient, great potential lies in retrofitting older homes. However, the upfront cost of retrofits can be significant and a barrier to implementation. To help reduce costs, the Inflation Reduction Act of 2022 allocated more than $9 billion for rebates and expanded property owner tax credits, and another $27 billion to leverage financing for community and residential energy-efficiency improvements, among the largest such federal investments. Along with additional resources for the Weatherization Assistance Program through the Infrastructure Investment and Jobs Act of 2021 and various state resources, there is a concerted effort to mitigate housing’s impact on climate change and reduce household energy burdens.

The Outlook

Looking forward, housing costs are likely to remain high. On the for-sale side, home prices are set to rise in the face of highly constrained supply, prolonging this unusually difficult market for first-time homebuyers. On the rental side, there may be some affordability gains in the near term. Wage growth is high and the nearly 1 million new multifamily units currently under construction will soon come online, suppressing rent growth. But subdued rent growth will not last long. New construction starts are dropping rapidly, and financial conditions are increasingly impeding multifamily development projects.

Further pressuring the housing markets are the nation’s shifting demographics. Housing demand will remain strong in the near term, fueled by the immigration surge, household formations among Gen Zers, and the large millennial generation’s shifting housing needs. However, demand is expected to slow over the longer term. Native-born population growth is decelerating and will soon turn negative as baby boomer mortality rates overtake birth rates. Immigration will then become the primary, albeit much less predictable, source of population and household growth.

Households across the income spectrum will continue to struggle to secure affordable housing. Yet the shortage will remain most acute for those with low incomes, especially if the nation continues to lose low-rent units even as the population of financially vulnerable households grows. While regulatory relief and technological innovation can help to grow the private supply of lower-cost housing, there is also a need to expand the housing safety net beyond the market’s reach to serve the growing number of renters with very low incomes.

Other housing challenges are also likely to become more urgent, including the imperative to both increase the housing stock’s resiliency to climate change and reduce its significant carbon footprint. Given the importance of homeownership as a source of household stability and wealth, narrowing the wide racial homeownership disparities is also an increasingly urgent policy concern. Addressing these pressing needs will require contributions from policymakers at all levels of government as well as the private and nonprofit sectors to grow the supply of quality, affordable homes in thriving communities.
Rising home prices, elevated interest rates, and a limited supply of homes for sale have forced many potential homebuyers out of the market. Existing home sales fell to a near three-decade low in 2023. Nevertheless, new single-family construction is increasing, helping to offset the acute supply shortage. By contrast, rental vacancy rates are rising and rent growth has stalled as a large volume of new apartments comes online. Homebuilders and developers face numerous barriers to providing housing at the cost, quantities, and locations needed most.

**Home Prices Rising Again**

After a brief period of decline, home prices turned upward in early 2023 despite persistently higher interest rates. The S&P CoreLogic Case-Shiller US National Home Price Index fell from June 2022 through January 2023, the first decline in over a decade (Figure 7). Since then, home prices have rebounded and were up 6.4 percent year over year by February 2024, or 4.5 percent when adjusted for inflation. Nationwide, home prices have jumped a shocking 47 percent since early 2020 (23 percent when adjusted for inflation) and 115 percent since 2010 (58 percent when adjusted for inflation). In 2023, the median sales price for existing homes in the US was $389,300, as compared to $271,900 in 2019, according to NAR.

Home price growth was widespread across the country. Annual home prices rose nominally in 97 of the 100 largest metro areas in March 2024, and gains were

![Home Price Index](chart.png)

Figure 7

**After a Brief Dip, Home Price Growth Has Resumed**

Source: JCHS tabulations of S&P CoreLogic Case-Shiller US National Home Price Index.
generally highest in previously affordable markets in the Northeast and Midwest. Home prices rose more than 8 percent annually in a quarter of large markets, including 59 percent of those in the Northeast and 33 percent in the Midwest, as compared to 15 and 13 percent in the South and the West, respectively. San Diego led all large metro areas with 11.9 percent annual home price growth, followed by Hartford (11.3 percent) and Allentown and Bridgeport (10.8 percent). Just Austin (down 3.5 percent), Cape Coral (down 1.8 percent), and New Orleans (down 1.3 percent) experienced outright declines year over year.

As home prices have risen, they have grown to many multiples of household income. In 2022, the median sales price for existing single-family homes rose to 5.1 times the median household income, up from 4.1 in 2019 and the 3.2 price-to-income ratio averaged in the 1990s. Though this ratio dipped slightly to 4.9 in 2023 as home price growth slowed, it nonetheless means that homeownership is unaffordable for many households.

**Constrained Inventory Fuels Declining Home Sales**

The limited supply of housing for sale has helped fuel the rise in home prices. In March 2024, only 1.11 million homes were available for purchase, according to NAR, down 34 percent from the same month in 2019 (Figure 8). As a result, a scant 3.2 months of for-sale inventory was available in March 2024 versus 3.8 months in March 2019. In the first quarter of 2024, inventory was down an average of 42 percent in 94 of the 100 largest metros relative to the same period in 2019, according to Center tabulations of Realtor.com data. Declines were steepest in Northeastern metros with the strongest home price growth, including Hartford, Bridgeport, and Providence, where they exceeded 70 percent. Inventories were up in just six markets, concentrated mostly in the South, including San Antonio, Lakeland, and Austin.

Though the number of homes available for purchase remains alarmingly low, for-sale inventories have

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**Figure 8**

**Despite Slight Gains, For-Sale Inventories Are Still Near Record Lows**

**Existing Homes for Sale (Millions)**

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**Months of Supply**

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**Notes:** Months of supply measures the length of time needed at the present pace to sell homes currently listed for sale. A balanced market is typically considered six months. Source: JCHS tabulations of National Association of Realtors, Existing Home Sales.
shown small signs of growth in recent months. The number of homes for sale in March increased 14 percent year over year and 19 percent from the record lows set in early 2022. Inventories also ticked up in two-thirds (67 percent) of the nation’s 100 largest metro areas year over year.

Several factors are limiting the availability of homes for sale. For starters, many current homeowners are disincentivized to put their homes on the market, either because they are unsure they can find a suitable replacement given the current supply shortage or because they have a mortgage with a below-market interest rate. Second, older adults, who are less likely to move than younger householders, are an increasing share of homeowner households as the baby boomers age. Over the last 15 years, the share of homeowners age 55 and over grew from 44 percent to 54 percent. Finally, investors have purchased single-family homes at an elevated rate since 2021, potentially competing with owner-occupant buyers for the limited inventory.

The dearth of inventory has led to a substantial reduction in existing home sales. In 2023, just 4.1 million existing homes were sold, including 3.7 million single-family homes and 428,000 condominium and cooperative units (Figure 9). This was the lowest level of existing home sales in nearly 30 years—lower even than in 2008 (by 23,000)—and a striking 33 percent decrease from the 6.1 million homes sold in 2021. The 2023 decline was widespread, with 30 percent fewer sales in the Midwest, 31 percent fewer in the South, 35 percent fewer in the Northeast, and 41 percent fewer in the West, as compared to 2021. Meanwhile, new single-family home sales climbed modestly last year, up 4 percent to 666,000 units in 2023.

**Single-Family Construction Strengthening**

The pace of single-family homebuilding climbed steadily throughout 2023 despite persistently higher interest rates, from an average seasonally adjusted annualized rate of 828,000 in the first quarter to 1.06 million in the last quarter. So far in 2024, single-family housing starts are maintaining this pace, averaging 1.06 million in the first quarter (Figure 10). However, a total of just 947,700 units were started in 2023, down from 1.01 million in 2022 and the 15-year high of 1.13 million in 2021.

With limited competition from existing sellers, new construction is giving homebuyers more options. New
homes have constituted about a third of available single-family inventory since 2021, a sharp increase from the past four decades, during which new construction made up just 14 percent of inventory on average.

To improve affordability for buyers without lowering prices, large homebuilders increasingly offer mortgage rate buydowns: homebuyers who purchase a new home through a partnering lender benefit from an interest rate reduction paid for by the builder. Rate buydowns offset current high interest rates and lower monthly payments. According to an April 2024 survey by the National Association of Home Builders (NAHB), about a quarter of homebuilders used mortgage rate buydowns to bolster sales, up from just 4 percent during the same month in 2019. Rate buydowns are most common among large builders. According to a September 2023 survey by John Burns Research and Consulting, 60 percent of production builders offered interest rate buydowns.

Homebuilders are also delivering smaller, lower-cost homes. At the median, single-family homes started in 2023 were 2,180 square feet, down from 2,300 square feet in 2021. This decline is at least partially explained by the growth in the construction of townhomes, which are frequently smaller and less costly than detached single-family homes. The number of new townhomes increased 5 percent year over year in 2023 to 158,000 units, the highest level since 2006.

New housing construction is also increasingly focused on the rental market. The number of single-family rental starts rose 11 percent last year to 90,000 units, the highest annual number on record dating back to the mid-1970s. In 2023, single-family rentals were 9 percent of new single-family construction, up from the historic rate of roughly 3 percent and the 5 percent averaged since 2013.

However, one construction technique for increasing affordable housing options remains significantly underutilized—manufactured housing, which costs significantly less than site-built housing on average. Although up from the historic low of 49,700 units in 2009, manufactured home shipments numbered just 89,000 in 2023, a 21 percent annual decline. By comparison, manufactured home shipments were much higher in previous decades, averaging 247,000 units annually in the 1980s and 291,000 in the 1990s.
Multifamily Construction Declines Amid Record Completions

While single-family construction strengthened throughout 2023, multifamily starts fell 14 percent to 472,300 units last year, and the decline has only accelerated. The seasonally adjusted annualized rate of multifamily starts dropped from an average of 531,000 units across the first six months of 2023 to just 415,000 units on average in the second six months of the year, and then to an even more modest 343,000 unit average in the first quarter of 2024.

Despite declining starts, the multifamily stock continued to grow in 2023 as projects in the development pipeline reached completion. Indeed, 449,900 new multifamily units hit the market in 2023, a 22 percent increase from the previous year and the highest number of completions in more than three decades. Completions will likely remain elevated at least for a time, as 950,000 multifamily units were under construction in March 2024, just shy of the record high of over 1 million units reached in 2023. Even so, this is a 3 percent decline from last year’s total.

The vast majority of these new multifamily units are built as rentals and target the high end of the market. Ninety-seven percent of the multifamily units started last year were built for rent and 87 percent were in buildings with at least 20 units, a property type that tends to have some of the highest multifamily rents. The median asking rent for units completed in the fourth quarter of 2023 was $1,710, up from $1,690 in 2019 and $1,440 in 2014.

These units command higher asking rents in part because of the rising costs of land, building materials, and labor, and also because of where they are built and the amenities they increasingly offer. According to the NAHB Home Building Geography Index, 68 percent of new multifamily units were located in large metros in the fourth quarter of 2023, including 38 percent in those metros’ core counties. Another 24 percent were in the core counties of smaller markets. Consistent with new construction trends over the last several years but higher than the rates observed in previous decades, 97 percent of multifamily units completed in 2022 had air conditioning and 88 percent had in-unit laundry.

Rental Vacancies Rise and Rent Growth Stalls

Rental vacancy rates have increased considerably as more new rental units come online. The national rental vacancy rate hovered at 6.6 percent through the first quarter of 2024, up a full percentage point from the pandemic-era low of 5.6 percent in early 2022 and much closer to the 6.9 percent vacancy rate averaged in the five years leading up to the pandemic, according to the Housing Vacancy Survey.

In the professionally managed apartment sector, 5.9 percent of units were vacant at the start of 2024, up from 5.2 percent a year earlier and 2.5 percent in the first quarter of 2022, according to RealPage. This is also significantly higher than the 4.8 percent vacancy rate averaged in the five years preceding the pandemic.

Likewise, RealPage reports that vacancy rates rose to about 6 percent across property types. The lower-quality Class C apartments recorded the largest year-over-year increase (1.2 percentage points to 5.9 percent), followed by Class B (0.5 percentage points to 5.8 percent), and the highest-quality Class A apartments (0.5 percentage points to 6.1 percent). These increases were geographically widespread. Vacancy rates increased annually in 135 of the 150 large markets tracked by RealPage, including 44 that reported growth of at least 1 percentage point. Vacancy rates increased the most in previously hot markets in the South and West, including Cape Coral (up 3.3 percentage points), Honolulu (up 2.8 percentage points), and Crestview, Florida (up 2.7 percentage points).

Consequently, rent growth has softened considerably. Here, too, the trend has been felt across the rental market. In the professionally managed apartment sector, asking rents rose just 0.2 percent year over year in the first quarter of 2024, a steep slowdown from...
the 4.5 percent rate recorded a year earlier and the record-high 15.3 percent seen in the first quarter of 2022 (Figure 11). Asking rents also moderated across property classes, rising by less than 1 percent for Class A and B apartments and declining 0.3 percent for Class C apartments. Despite the slowdown, apartment asking rents were 26 percent higher than in early 2020.

Similarly, rent growth for single-family rental homes also tempered. According to CoreLogic’s Single-Family Rent Index, rents grew by just 3.4 percent annually in March 2024, much closer to pre-pandemic norms and a sharp retreat from the 14.0 percent annual peak growth rate recorded in April 2022.

Though recent apartment rent trends have been widespread, they have varied geographically. Rents have continued to rise in a majority of markets, with the most rapid growth in smaller, less expensive metros. Most notably, in Midland-Odessa, Texas, rents jumped a sharp 9.3 percent annually in the first quarter of 2024. Otherwise, rents increased by more than 5 percent in just 11 markets, mostly in the Northeast and Midwest, including Springfield, Massachusetts (7.2 percent), Rochester, New York (6.4 percent), Lincoln, Nebraska (5.6 percent), and Champaign-Urbana, Illinois (5.5 percent).

Conversely, asking rents for apartments declined on an annual basis in 57 of the 150 markets tracked by RealPage, including 57 percent of Southern, 51 percent of Western, and 7 percent of Midwestern markets, but in zero Northeastern markets. Rents fell most rapidly in Cape Coral (9.2 percent), Austin (6.7 percent), and Naples (6.5 percent) on an annual basis in the first quarter of 2024, all places where rent growth was especially rapid in the aftermath of the pandemic. This is a sharp deviation from the previous year when rents declined in just six markets, all in the West.

### Numerous Barriers to Housing Construction Remain

Even with rising single-family construction, the US is experiencing a significant shortage of housing units, attributable to the extended period of low construction beginning in 2008. There are a number of reasons builders and developers are unable to provide enough homes at affordable prices. According to a NAHB

![Figure 11](image-url)

**Even as Rent Growth Has Moderated, Asking Rents Remain High**

Average Monthly Rent (Dollars) vs. Annual Change (Percent)

- **Monthly Asking Rent**
- **Annual Change (Right scale)**

*Note: Asking rents are for professionally managed apartments in buildings with five or more units.
Source: JCHS tabulations of RealPage data.*
survey of homebuilders, high interest rates and rising inflation were the most frequently cited challenges in 2023, with more than 80 percent of respondents identifying them as an obstacle to construction. Other challenges included the cost and availability of labor (73 percent), the price of building materials (63 percent), the cost and availability of developed lots (57 percent), and difficulties obtaining zoning or permit approvals (49 percent).

According to Center tabulations of data from the Bureau of Labor Statistics (BLS), the number of job openings in the construction industry remains near record highs. On a 12-month trailing basis, 384,000 construction jobs went unfilled at the end of 2023, down slightly from 399,000 a year earlier but still up 20 percent from the 319,000 openings at the end of 2019. At the same time, labor costs continue to rise. Total compensation for construction workers increased 3.7 percent year over year in the first quarter of 2024 and 14.2 percent since 2020, according to the BLS Employment Cost Index.

Futhermore, though the unprecedented growth in costs of building materials during the pandemic has moderated substantially, prices remain high. Between the end of 2019 and 2023, the cost of inputs to new residential construction (excluding capital investments) jumped 33 percent or more for some common building materials, including gypsum (43 percent) and plastic construction products (50 percent).

The availability of developed land also remains a key impediment to increasing the supply of housing. Though lot availability was down just 1 percent year over year in the first quarter of 2024, it was down 11 percent from the first quarter of 2020 and 42 percent relative to the same quarter in 2015, according to the Zonda New Home Lot Supply Index. Moreover, the cost of land in many parts of the country continues to rise. According to the American Enterprise Institute’s Land Price and Land Share Indicators, the price of a standardized quarter-acre lot for existing single-family homes in the US grew 13 percent annually in 2022 and an astounding 51 percent since 2019.

Finally, local zoning and regulatory barriers frequently impede new construction by restricting or deterring the types, amount, and density of housing that can be built. These regulations can take many forms, including exclusionary single-family zoning, large minimum lot sizes, and excessive parking requirements. Because land-use and zoning policies are administered at the local level, it’s often difficult to identify the full extent of these barriers and study their effects. But there have been numerous efforts in recent years to do so. The National Zoning and Land Use Database, for example, captures data from 2,639 municipalities. According to Center tabulations, 43 percent of jurisdictions have a minimum lot size of at least one acre in any residential district, nearly 10 percent don’t allow multifamily housing by right in any district, and a median of 1.8 parking spaces are required per new unit, on average.

The Outlook

In the homebuying market, a decade plus of underbuilding, elevated mortgage interest rates, and shifting demographics has left homebuyers with few affordable options as home prices continue to rise. Lower interest rates could release more housing inventory, but it is unclear when rates will drop. When or if they do, there will still be a significant and urgent need for more new housing construction to make any real progress on homeowner affordability, including more moderately priced options.

In the rental market, rising multifamily completions and the number of apartments under construction will likely keep rent growth in check for a time. However, declining multifamily housing starts in the face of both higher interest rates and tighter lending standards mean those gains could be short-lived, as unaffordability in the for-sale market and the wave of young adult Gen Z households bolster rental demand.
Housing demand remains robust, driven by young adults forming new households, strong homeownership demand from millennials and Gen Xers, and the baby boom generation lifting up the number of older adult households. Immigration surged in 2023 to a level not seen in decades, foreshadowing the expanding role of immigrants in sustaining housing demand as natural population growth slows. Even as wages rise, disparities in household finances persist, with some enjoying the benefits of enormous home equity gains while others are left struggling with low wealth and income and high housing costs.

**Gen Z and Millennials Sustain Household Growth**

Despite housing’s increasing unaffordability, household growth remained elevated through last year. According to the Housing Vacancy Survey, 1.7 million new households were added in 2023, down only slightly from the 1.9 million households formed in 2022 and far outpacing the 1.1 million households added annually, on average, over the previous decade (Figure 12).

As of the end of 2023, 130.3 million households were established in the US, of which 85.9 million were homeowners and 44.5 million were renters.

The bulk of the recent household growth is among members of Gen Z (born 1995–2009) and millennials (born 1980–1994). As they entered peak household formation years, Gen Zers, the oldest of whom turn 29 in 2024, formed 8.1 million households on net from 2017 to 2022, according to the American Community Survey.

**Figure 12**

**Household Growth Remains Strong**

<table>
<thead>
<tr>
<th>Year</th>
<th>Change in Households (Millions)</th>
</tr>
</thead>
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<tr>
<td>2011</td>
<td>0.7</td>
</tr>
<tr>
<td>2012</td>
<td>0.8</td>
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</tr>
<tr>
<td>2023</td>
<td>2.0</td>
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</tbody>
</table>

Note: Estimates for 2020 and 2021 are omitted due to data collection issues experienced during the pandemic. Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.
Most were renter households. During the same period, millennials added 6.9 million new households, with most of the increase among homeowner households. Gen Xers (born 1965–1979) added a more modest 1.1 million households, with the youngest of this group in their late 30s at the start of this period.

As a generation, baby boomers (born 1946–1964) lost 850,000 households over the past five years, largely from mortality. Nevertheless, they remain influential in the housing market. Baby boomers account for 32 percent of all householders and, with a homeownership rate of 78 percent, about 38 percent of all homeowner households. About 41 million households are headed by a baby boomer, as compared to 33.3 million, 33.4 million, and 10.3 million by a Gen Xer, millennial, or Gen Zer, respectively.

Despite the recent decline in the overall number of baby boomer households, the number of households headed by an adult age 65 and over increased by 16 percent (5 million) over the past five years. Because the baby boom generation is so much larger than the preceding generation, the number of older adults has grown as its members have aged. As a result, the median householder age has risen from 49 to 52 over the last 15 years, with the median homeowner age up from 52 to 57 and the median renter age up from 40 to 42.

Notably, the new households formed by younger generations are more racially diverse than their predecessors. Among Gen Z and millennial households, 56 percent are white, 19 percent Hispanic, 13 percent Black, 6 percent Asian, and 6 percent multiracial or another race. This stands in contrast to baby boomer householders, 72 percent of whom are white, 10 percent Hispanic, 11 percent Black, 4 percent Asian, and 4 percent multiracial or another race. Nearly 80 percent of household growth over the past five years has been householders of color, driven by these younger and more diverse cohorts. More than a third of householders of color are immigrants, reflecting the role of immigration in increasing the racial diversity of US households.

**Immigration Surge Impacts Housing Demand**

Immigration levels swelled in 2022 and 2023, significantly boosting population growth (Figure 13). Estimates from the Congressional Budget Office (CBO) suggest net international migration jumped from...
less than 500,000 in 2019 to 2.6 million in 2022 and 3.3 million in 2023. Asylum seekers and humanitarian parole grantees from Central and South American countries drove much of this growth.

Recently arrived immigrants are already influencing housing demand and household growth. In 2022, 35 percent of immigrants aged 18–64 who arrived within the previous five years headed a household. Understandably, this group had a household formation rate lower than the 41 percent of same-aged immigrants who arrived earlier (between 2012–2016) and the 47 percent of the native-born population in this age group. That said, the full impact on the housing markets of recently arrived immigrants has not yet been realized. Many do not have legal status or work authorizations, severely limiting their earning potential and housing options.

The surge in immigration comes as natural population growth (births minus deaths) is slowing. Last year’s estimated increase continued a trend of declining growth from the aging population’s falling birth rates and rising mortality rates. With 3.65 million births and 3.15 million deaths in 2023, natural population growth was only 500,000 last year, according to the Census Bureau. This is down from an increase of 1.3 million in 2013.

Residential Mobility Continues to Decline

The residential household mobility rate dropped by half a percentage point in 2023. This drop is attributable mainly to homeowners moving less often. The homeowner mobility rate fell a full percentage point, from 4.6 percent in 2022 to 3.6 percent in 2023, the lowest rate in the past forty years, according to the latest Current Population Survey (CPS). Faced with high interest rates, homeowners with below-market mortgage rates were disincentivized to sell. At the same time, many potential buyers were stymied by either the high cost of homeownership or the limited supply of homes for sale. The result was a population with fewer choices or incentives to relocate.

Meanwhile, renter mobility rates inched up by half a percentage point but remained relatively low after long-term declines. New supply has recently come online, creating additional options for renters and reducing record-high lease renewal rates. Even so, the renter mobility rate remained close to 17 percent in 2023, according to the CPS, a full 7.5 percentage points lower than a decade prior.

The 2023 decline in residential mobility is consistent with a longer-term trend. Mobility rates in the US dropped by half between 1993 and 2023. Declines were similar for both intrastate moves, the most common type of relocation, and moves across state lines. This dwindling mobility rate may have negative implications for job market flexibility and household satisfaction.

To the extent that households are relocating, they are continuing a recent trend of leaving the urban cores of large metropolitan areas for suburbs and smaller metropolitan areas. This trend accelerated in 2021 during the pandemic and has since moderated (Figure 14). Contrary to pre-pandemic trends, however, is the steady inflow to rural areas. For the third consecutive year, nearly 60 percent of rural counties experienced a net inflow of domestic migrants in 2023, a reversal from pre-pandemic norms in which most rural areas lost migrants. Recent Center analysis has found moves to outlying suburbs are being driven by the desire for more affordable housing. This could be accelerating rural migration as well.

Regionally, domestic moves continued to fuel growth in the South, the only census region to report net gains from domestic migration at last measure in 2023. Domestic inflows in this region remain higher than pre-pandemic norms, though the South has consistently gained migrants for the past decade. The Northeast and Midwest census regions saw consistent outflows leading up to and during the pandemic,
Though these moderated in 2023. Only the West saw an increased net outflow of migrants in 2023, a combination of a continued steep outflow from the coastal states of the Pacific West and fewer moves into states in the Mountain West.

Income Inequality Persists Amid Economic Recovery

The economy has been favorable to workers over the last year. After the Federal Reserve instituted a series of interest rate hikes, inflation cooled in 2023 and still the economy managed to avoid a recession. The labor market added an average of more than 250,000 jobs per month in 2023, and the unemployment rate held steady under 4 percent throughout the year. Additionally, wage growth began to exceed inflation in early 2023, according to the Bureau of Labor Statistics, a welcome change of pace when compared to the decline in real wages in 2022.

These economic improvements are especially good news for households with lower incomes, whose income growth has been slower than that of more affluent households. Indeed, real household income only rose by 10 percent from 2012 to 2022 for households in the lowest income quartile, compared to 16 percent among households in the highest income quartile, according to the CPS. As a result, income gaps widened. As of 2022, those in the bottom quartile had a median income of $20,000 as compared to $195,000 for those in the highest quartile.

Racial disparities were evident in incomes as well, though income gaps have been narrowing between households of color and white households over the past decade. Real median household income rose by 24–27 percent from 2012 to 2022 for Hispanic, Black, and Asian householders and by 18 percent for multi-racial householders or householders of another race, compared to 11 percent for white householders. Still, disparities persist. In 2022, Asian and white householders had the highest median household incomes, at $109,000 and $81,000, respectively, compared to $66,000 among multiracial or another race householders, $63,000 among Hispanic householders, and $52,000 among Black householders.
These income gaps are exacerbated by the recent resumption of federal student loan payments, which were paused from March 2020 to September 2023 in response to the pandemic. An estimated 28 million households carried student debt in 2022, according to the most recent Survey of Consumer Finances, including about 13 million households with annual incomes under $75,000. Student loan payments, which averaged nearly $500 per month for those making payments in 2022, disproportionately impact Black households, which are more likely to have outstanding student loan debt (36 percent) than their white (20 percent), Hispanic (15 percent), or Asian (15 percent) counterparts (Figure 15). The added stress of these loans was made clear when only 60 percent of borrowers with payments due made their first student loan payment on time after the pause ended, according to the US Department of Education.

**Widening Wealth Disparities Between Owners and Renters**

Median real household wealth rose between 2019 and 2022, the last years for which data are available. For many households, the combination of Economic Impact Payments, paused student loan payments, and reduced consumer spending early in the pandemic meaningfully increased household savings. However, not all households experienced these gains equally, with homeowners’ wealth increasing significantly more than renters’, due to skyrocketing home equity.

The opportunity for homeowners to build equity results in large wealth disparities with renters. In 2019, median renter household wealth was $7,300, compared to $295,500 for homeowners. That gulf widened dramatically between 2019 and 2022, during which the median net wealth for renter households and homeowners rose by $3,100 and $101,000, respectively, after adjusting for inflation. Consequently, median renter household wealth was less than 3 percent of median homeowner wealth, at $10,400 compared to $396,500.

Wealth disparities are also significant when measured in terms of available cash, with homeowners once again outpacing renters. In 2022, renters had a median cash savings of just $1,800, dramatically less than the $15,100 median of their homeowners counterparts. Furthermore, according to researchers at the Federal Reserve Bank of San Francisco, the nationwide aggregate cash savings that ballooned to more than $2 trillion between 2020 and 2021 will likely be depleted by mid-2024. This will leave many households, especially those that rent, with even less of a financial buffer.

Recent gains also did little to reduce large racial wealth inequalities. From 2019 to 2022, the median wealth of white households jumped by $65,100, higher than the $45,800 gain among Asian, multiracial, or another race households and far above the $20,300 gain among Hispanic households and the $16,200 gain among Black households. This resulted in continued disparities, with the median wealth of Black house-
holds sitting at $44,100, less than a sixth that of white households, which had the highest median wealth at $284,300 (Figure 16). Hispanic households had a median wealth of just $62,100, less than a quarter of that of white households, while Asian, multiracial, or another race households had a median of $132,200.

While these racial wealth gaps are largely the product of a range of systemic and discriminatory policies and practices, including differences in access to high-quality jobs, affordable credit, and intergenerational wealth, they are also a result of differences in homebuying opportunities. In a country where homeownership is so often the primary means through which households build wealth, households of color having fewer chances to buy a home directly feeds racial wealth disparities. Access to homeownership is not enough to close racial wealth gaps. In 2022, white homeowners had a median household wealth of $442,200, as compared to $397,600 for Asian, multiracial, or another race, $206,400 for Hispanic, and $202,200 for Black homeowners.

The Outlook

In the near term, the growing numbers of younger and more diverse households headed by Gen Zers and millennials will fuel and shape housing demand. So, too, will the large number of older households headed by aging baby boomers, as well as the millions of recent immigrants who have entered the country over the previous two years.

In the longer term, however, younger generations may be unable to form households fast enough to outpace baby boomers’ rising mortality rates. Instead, the decline in the natural population growth rate may accelerate, as projected by both the CBO and the Census Bureau, leaving immigration as the primary and potentially sole driver of population and household growth.

As immigrants and people of color continue to increase as a share of the population, the need to address persistent racial disparities in household income and wealth becomes even more urgent. To some degree, this can be achieved by increasing access to a broader range of housing options that are available, affordable, and able to meet households’ increasingly diverse needs.
High home prices and interest rates have raised the costs of homebuying to historic heights, pricing out millions of potential first-time buyers, slowing homeownership growth, and exacerbating racial homeownership gaps. While the average homeowner is enjoying significant equity gains and a below-market mortgage interest rate, cost burdens are rising for owners with lower incomes in the face of higher insurance premiums and property taxes. For homeownership to remain a viable and beneficial choice for US households, the affordability, accessibility, and sustainability of homeownership must be improved for both current and future homeowners.

**Homebuying Costs Reach Unprecedented High**

The low interest rates that helped shield homebuyers from rapidly rising home prices have disappeared. In their wake, high mortgage interest rates and continually increasing home prices have pushed homeownership farther out of reach for millions of potential buyers in 2024. After rising from less than 3.0 percent in late 2021 to a peak of 7.8 percent in October 2023, the 30-year mortgage rate held at 7.2 percent in early May 2024, nearly a full percentage point higher than a year earlier. Meanwhile, home prices have not simply remained elevated—47 percent higher than pre-pandemic levels—but have risen another 6 percent over the past year.

**Notes:** Payments and prices are inflation-adjusted using the CPI-U for All Items Less Shelter and a four-quarter rolling average. Monthly payments assume a mortgage with a 3.5% downpayment on a 30-year fixed-rate loan with zero points and 0.55% mortgage insurance, 0.36% property insurance, and 1.15% property tax rates. Source: JCHS tabulations of Freddie Mac, Primary Mortgage Market Surveys; National Association of Realtors, Existing Home Sales.
Consequently, homeownership is less affordable than it has been in decades. In March 2024, the median monthly mortgage principal and interest payment on home purchase mortgage applications rose $108 year over year to $2,201, according to the MBA Purchase Applications Payment Index, and is now up more than $852 over the last three years. Accounting for property taxes and insurance pushes these payments even higher. According to Center estimates, the all-in monthly costs of the median-priced home in the US are the highest since these data were first collected more than 30 years ago (Figure 17).

As monthly payments have increased, so, too, has the income required to afford them. In the first quarter of 2024, a household needed to earn a whopping $120,000 annually to afford the median-priced home in the US, up from an inflation-adjusted $82,000 in the first quarter of 2021, assuming a loan with a down-payment of 3.5 percent and a 31 percent housing-payment-to-income ratio. In a growing number of metro areas, a buyer must have an annual income of more than $100,000 to afford the median-priced home, including nearly half (48 percent) of the 179 markets covered by NAR in the first quarter of 2024, up from 40 percent a year earlier and just 11 percent of metros in the first quarter of 2021.

Higher home prices also necessitate larger down-payments, further limiting access to homeownership. As of the first quarter of 2024, a buyer of the US median-priced home of $389,400 would need to have $25,300 in cash to cover a 3.5 percent downpayment and 3 percent closing costs. Just 12 percent of renters can hit that benchmark, according to the most recent Survey of Consumer Finances. In the event a buyer could not qualify for a low-downpayment loan, the required cash would be $89,600 for a 20 percent downpayment and 3 percent closing costs on the same property. Assuming the buyer earns the national median household income of $74,800, they would need to save more than a full year’s salary to amass sufficient cash.

Millions of First-Time Homebuyers Priced Out of Market

Faced with rising homeownership costs, fewer renters can afford to transition to homeownership. Just 6.6 million renter households (14.5 percent) had sufficient income to afford the US median-priced home in the first quarter of 2024, down from 7.7 million in early 2023 and 10.2 million in 2022, according to Center tabulations of the American Community Survey and assuming a 31 percent housing-payment-to-income ratio. If a cash requirement of a 3.5 percent downpayment and 3 percent closing costs is added, the eligible population plummets to just 2.6 million renter households (5.8 percent), according to Center tabulations of data from the Survey of Consumer Finances.

This increasing unaffordability is evident in the declining purchases by first-time homebuyers. According to the Urban Institute, the number of first-lien mortgages originated to first-time homebuyers dropped by 17 percent in 2023 after falling 22 percent in 2022, translating to 660,000 fewer mortgages than two years prior.

Increased costs and limited opportunities mean recent first-time homebuyers are older and have higher incomes. Data from NAR show that first-time homebuyers were, on average, 35 years old in 2023, just down from the record high of 36 in 2022 and well above the 30–33 range that had held steady since the 1990s. NAR also reported that the median household income of first-time homebuyers jumped to $95,900 in 2023 after having averaged $79,200 over the previous three years.

Homeownership Rates Leveling Off

The rate of homeownership growth is slowing, especially among younger householders. Between 2016 and 2022, the homeownership rate for householders under age 35 rose by 4.5 percentage points, the fastest of any age group. However, in 2023, the rate for this group dropped by 0.4 percentage points. This helped
pull down growth of the US homeownership rate to just 0.1 percentage points in 2023. At 65.9 percent, the national homeownership rate is still up from the post–Great Recession low of 63.4 percent reached in 2016 (Figure 18). However, last year’s annual increase was the smallest since, according to the Housing Vacancy Survey. The US homeownership rate dropped slightly year over year in the first quarter of 2024, suggesting an end to the multiyear streak of annual increases.

Additionally, the number of homes for sale remains lower than at any time before the pandemic, further complicating homebuyers’ efforts. According to the 2023 NAR Profile of Home Buyers and Sellers, successful buyers reported that finding a home was the most difficult step in the process, more challenging even than obtaining a mortgage or saving for the downpayment.

Massive Racial Homeownership Gaps Persist

The wide racial homeownership disparities are becoming further entrenched in this moment of rising home prices and higher mortgage interest rates. As of the first quarter of 2024, 46.6 percent of Black and 49.9 percent of Hispanic households own a home, as compared to 74.0 percent of white households and 59.6 percent of householders who are Asian or of another race. These numbers reflect a 27.4 percentage point Black–white homeownership rate gap that is virtually unchanged for 30 years and a Hispanic–white gap of 24.1 that has only receded by 5.4 percentage points (Figure 19).

While the rising costs of homeownership have challenged potential homebuyers across the demographic spectrum, Black and Hispanic renters have been hit especially hard. Between the first quarter of 2022 and the first quarter of 2024, the numbers of Black and Hispanic renter households that could afford the median-priced home dropped by 43 percent and 40 percent, respectively, exceeding the declines among white and Asian renter households (down 35 and 26 percent, respectively). Just 8 percent of Black and 13 percent of Hispanic renters have sufficient income to afford the monthly payments on a median-priced home, compared to 16 and 29 percent of white and Asian renters, respectively, as of the first quarter of 2024.
As with income, wealth is another obstacle to homeownership for many potential buyers of color. Whereas 18 percent of white renter households have at least $20,000 in cash savings to put toward a downpayment, just 8 percent of Black and 7 percent of Hispanic renter households can meet this threshold. And the familial transfer of wealth in the form of home equity—or a home itself—that can assist younger generations in becoming homeowners is much less readily available for most Black and Hispanic renters, given the relatively low homeownership rates for households of color.

Financing is another barrier that disproportionately affects people of color. Mortgage loan denial rates are much higher for Black (16.8 percent) and Hispanic (12.0 percent) applicants, in contrast to their Asian (9.6 percent) and white (6.7 percent) counterparts, according to the latest Home Mortgage Disclosure Act report. A January 2024 report by the Federal Reserve Bank of Minneapolis found that Black applicants are more likely than their white counterparts to be denied a loan because of their credit history. Furthermore, research published in 2021 by the Brookings Institution links such credit and financing challenges to neighborhood residential segregation by race, whereby many households of color live in underserved neighborhoods with less access to banking institutions and other financial vehicles for establishing creditworthiness. Each of these barriers contributes to racial differences in homeownership and the associated wealth accumulation.

Many Homeowners Enjoy Low Interest Rates and Rising Equity

Even as rapid home price appreciation has pushed homeownership out of reach for millions of potential buyers, it has fueled significant home equity gains for millions of homeowners. In aggregate, homeowner equity is up 37 percent over the last four years, even after adjusting for inflation, from $23.2 trillion in the fourth quarter of 2019 to $31.8 trillion in the fourth quarter of 2023 (Figure 20). According to CoreLogic, the average mortgaged homeowner has gained $119,900 in home equity since 2020, including $24,000 in just the past year, and now possesses $298,000 in home equity as of the fourth quarter of 2023.
These equity gains have not been equally distributed. Black homeowners have experienced above-average increases in home values since the pandemic, according to an analysis by Zillow. Still, the average value of a home owned by a Black or Hispanic household in January 2023 was 17 or 12 percent lower, respectively, than that of a white household, clear evidence of the consequences of both racial segregation and the entrenched biases against neighborhoods of color that underpin property valuations.

In addition to equity gains, the record-low interest rates available during the pandemic have benefited many owners. As of the fourth quarter of 2023, more than half (58 percent) of all homeowners with a mortgage enjoy rates under 4.0 percent, according to the Federal Housing Finance Agency’s National Mortgage Database. Having locked in these low fixed rates, US homeowners are, on average, paying less for mortgage debt as a percentage of disposable income than at any time since such data collection began in 1980.

Increasing Number of Homeowners Are Cost Burdened

Although many homeowners are in favorable financial positions, many others face a growing affordability challenge, especially those with lower incomes. Nearly 20 million homeowners as of last measure in 2022 are cost burdened, spending more than 30 percent of income on housing and utilities. This includes 9 million who are severely burdened, spending more than 50 percent of household income on these costs.

Concerningly, homeowner cost-burden rates are rising. Between 2019 and 2022, the burden rate grew from 21 percent to 23 percent of homeowners, an increase of roughly 3 million households. Increasing property insurance premiums and taxes have likely made this worse. According to Policygenius, home insurance premiums increased an average of 21 percent between May 2022 and May 2023, with statewide increases averaging a shocking 35 percent (nearly $500) in Florida. Single-family property taxes also grew an average of 4.1 percent in 2023 to $4,062, according to the ATTOM 2023 property tax analysis.

While property tax increases may eventually be offset by increased home equity, this can only occur when the homeowner sells or refinances the property or obtains a home equity loan or line of credit against it. Until then, the rising cost can be a sudden financial burden for homeowners, particularly those with lower incomes, who are increasingly incurring the largest property tax hike as low-cost homes appreciate faster than high-end properties nationwide.

Cost burdens are concentrated among disadvantaged and vulnerable populations, including homeowners of color and those with low incomes. Specifically, 30.3 percent of Black, 28.5 percent of Hispanic, and 25.8 percent of Asian homeowners are cost burdened, as compared to 21.3 percent of their white counterparts. Single-parent homeowners also have high burden rates (36.1 percent). And adults age 65 and over, 27.4 percent of whom are burdened, constitute a large
and rapidly growing share of homeowners with cost burdens, up by 1.4 million since 2019 to 7.6 million.

Still, burdens are most prevalent and growing fastest among homeowners with low incomes, with fully half of the growth in owner cost burdens since 2019 among households with annual incomes under $30,000. Among the 11.5 million homeowner households in this group, 72 percent are cost burdened, including 52 percent that are severely burdened (Figure 21). Though this population constitutes just 14 percent of homeowners, they represent 42 percent of those with burdens and an alarming 66 percent of the severely burdened. The growth in burdens has been especially swift among older adult homeowners with low incomes, up from 30 percent in 2001 to 45 percent in 2022, and is particularly high among those with mortgages. A shocking 95 percent of older adult homeowners with low incomes and mortgages are cost burdened, dramatically higher than the 56 percent of their counterparts who own their homes outright and the 74 percent of those who rent.

These homeowners are feeling the financial strain. The median low-income homeowner has just $627 per month available after paying for housing and utilities, while those with cost burdens have just $216 per month, forcing tough choices between housing and other basic needs. According to the 2022 Consumer Expenditure Survey, homeowners with low incomes and severe burdens spent half as much on food and healthcare and contributed less than half as much to savings and retirement as those who were unburdened.

Another potential trade-off facing homeowners with low incomes is home maintenance. Higher shares of these homeowners must delay or forgo housing upkeep and repairs. As a result, they are more likely to live in substandard housing with various problems related to plumbing, heating, electrical wiring, and maintenance. Housing inadequacy also disproportionately impacts homeowners of color. About 9.6 percent of American Indian/Alaska Native and 5.7 percent of Black homeowners live in inadequate housing, as compared to 3.4 percent of all homeowners.

Figure 21

Cost-Burden Rates Continue to Rise Among Homeowners with Lower Incomes

Share of Homeowner Households with Cost Burdens (Percent)

Notes: Household incomes are adjusted for inflation using the CPI-U for All Items. Moderately (severely) cost-burdened households spend more than 30% (more than 50%) of income on housing and utilities. Households with zero or negative income are assumed to have severe burdens, while households that are not required to pay rent are assumed to be unburdened. Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.
Inadequacy is also a concern for older homeowners, not only with maintenance but also with ensuring the necessary accessibility upgrades so that they can remain safely at home. For example, while 22 percent of adults age 65 or over report an ambulatory difficulty, fewer than 4 percent of homes offered the three foundational features of accessible housing—single-floor living, no-step entries, and wide hallways and doorways—at last measure in 2011. Meanwhile, paying for such upgrades is out of reach for a growing number of older adults.

The Outlook

In the near term, interest rates will likely remain elevated, disincentivizing homeowners with below-market mortgage rates to move and continuing the constrained supply of homes for sale. Consequently, the high cost of homebuying will likely persist and possibly even increase further, underscoring the need for new construction to help meet demand. Smaller homes, townhouses, and modular and manufactured housing would be especially helpful in serving potential buyers with more modest incomes who are priced out of the current market. Downpayment assistance, interest rate buydowns, and other targeted programs that can help to increase homeownership rates among households of color are also critical to narrowing the large racial homeownership disparities.

As for homeowners, many will gain even more equity from rising prices. However, for those with low incomes, the financial burden of rising insurance premiums and property taxes will threaten household stability, pointing to the need for policies to provide tax relief and access to affordable insurance.

Shifting demographics will only increase the urgency for an effective response to burgeoning housing costs. In the next decade, millions of Gen Zers and millennials will want to become homeowners. The only effective strategy for meaningfully satisfying that demand is to increase access to affordable homeownership through regulatory reforms that will better utilize land and remove costly barriers to development. There must also be support for private sector innovations to bring down construction costs and create a greater variety of housing types at a wider range of prices, possibly through greater adoption of manufactured and modular housing techniques. Additionally, projected growth in the population of older homeowners suggests the need for more resources to upgrade millions of properties to ensure this population has the option to remain in their current homes and communities.
Rental affordability is the worst on record. The number of renters with cost burdens has hit an all-time high, and the stock of low-rent units has continued to fall. Though a rush of new supply has helped to temper rent growth and increase vacancies, the slowdown will likely be short-lived. High interest rates and rising insurance and operating costs are weakening property performance and hindering new development. Yet, rental demand remains strong, bolstered by the large Gen Z, millennial, and baby boom generations and the growing number of higher-income renter households.

Renter Cost Burdens Reach New High

The number of cost-burdened renter households reached a record-breaking 22.4 million at last measure in 2022, an increase of 2.0 million households since 2019. The number of severely cost-burdened renter households also hit a record high at 12.1 million, fully 1.5 million households above pre-pandemic levels. This rise pushed the share of cost-burdened renter households to an alarming 50 percent in 2022, an increase of 3.2 percentage points since 2019 and 9.0 percentage points since 2001.

Renter households at all income levels have experienced rising cost-burden rates over the last two decades, a trend that accelerated during the pandemic (Figure 22). Among renter households earning $30,000 to $44,999 per year, 67 percent were

Figure 22

Renter Cost Burdens Are Rising Fastest Among Middle-Income Households

Share of Renter Households with Cost Burdens (Percent)

Notes: Household incomes are adjusted for inflation using the CPI-U for All Items. Moderately (severely) cost-burdened households spend more than 30% (more than 50%) of income on housing and utilities.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.
cost burdened in 2022, an increase of 2.6 percentage points from 2019 and 15.1 percentage points since 2001. Renter households with annual incomes of $45,000 to $74,999 experienced the fastest growth in their burden rates, up 5.4 percentage points since the start of the pandemic to 41 percent, nearly double the 2001 rate. Cost-burden rates among renter households earning at least $75,000 annually grew 2.2 percentage points since the start of the pandemic, though they remain relatively low at 11 percent.

Burden rates also rose among renter households with annual incomes under $30,000, which consistently have the highest cost-burden rates. In 2022, 83 percent of these households were cost burdened, an increase of 1.5 percentage points from 2019, including 65 percent who were severely burdened.

Long-standing discrimination in housing, employment, and education has contributed to disproportionately high cost-burden rates for renter households headed by a Black, Hispanic, or multiracial person. In 2022, more than half of Black (57 percent), Hispanic (54 percent), and multiracial (50 percent) renter households were cost burdened, as compared to white (45 percent), Asian (44 percent), and Native American (44 percent) households. Even among renters with incomes under $30,000, households headed by a Hispanic (87 percent), Asian (86 percent), or Black person (85 percent) were more likely to be cost burdened than those headed by a white person (80 percent).

Because rents have been increasing faster than incomes for years, renters have less money to cover non-housing expenses. While median rents have risen 21 percent in inflation-adjusted terms since 2001, median renter household incomes have risen just 2 percent. Consequently, renters’ median residual income—the amount of money available each month after paying for rent and utilities—declined 4 percent since 2001 to $2,600 in 2022. Renters with lower incomes have been particularly stricken by rising housing costs.

Residual incomes for those making less than $30,000 annually dropped to an all-time low of $310 in 2022, 47 percent lower than in 2001. Among these renters, those with cost burdens had a scant $170 in residual income.

High housing costs are forcing financially vulnerable renters to reduce their spending in areas critical to well-being. Center tabulations of the Consumer Expenditure Survey indicate that severely cost-burdened renter households in the lowest expenditure quartile (a proxy for low incomes) spent 39 percent less on food and 42 percent less on healthcare than their unburdened counterparts in 2022. Renters may also make other trade-offs to reduce housing costs, including relocating to an older or substandard unit or a different neighborhood, or opting for overcrowded living arrangements or longer commutes. These and other such choices may further threaten an already vulnerable household’s health, financial stability, and economic mobility.

**Shortage of Low-Rent Units Grows**

Over the past decade, the supply of low-rent stock has continued to decline, leaving lower-income households even fewer housing options they can afford. Between 2012 and 2022, the nation lost 2.1 million units with rents under $600 when adjusted for inflation, the maximum amount affordable to a household earning $24,000 annually when applying the 30 percent of income standard. This left only 7.2 million units at this rent level as of 2022 (Figure 23).

The market also lost an astounding 4.0 million units with rents between $600 and $999, for a total loss of 6.1 million units with rents below $1,000. The declining supply of these crucial units is attributable to rent increases among existing units, tenure conversions out of the rental stock, building condemnations, and demolitions.
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The Rental Stock Is Shifting Toward Higher-Rent Units

The loss of low-rent units has been geographically widespread, with decreases recorded in 47 states and the District of Columbia. Between 2012 and 2022, 42 states lost more than 10 percent of their low-rent stock, including 24 that lost more than 20 percent. Among the hardest-hit states were those previously considered more affordable that have seen swiftly growing rental demand, including Texas, North Carolina, and Georgia. Losses were also significant in several Midwestern states where renter household growth was relatively low over the decade, including Ohio, Michigan, and Indiana. In more expensive states already short on low-rent units, the net decline extended much farther up the rent spectrum, with 15 states losing units at all rent levels up to $1,400.

Meanwhile, the supply of higher-rent units increased. The number of units with rents between $1,000 and $1,399 increased by 400,000, while those with rents between $1,400 and $1,999 grew by 4.3 million, and those with rents of $2,000 or more increased by 4.1 million. These changes have shifted the distribution of rents upward. In 2022, just 16 percent of units had rents below $600, down from 22 percent of the rental stock in 2012. Meanwhile, the share of units renting for $2,000 or more increased from 7 percent to 16 percent.

One reason for the upward shift is that nearly all of the last decade’s growth in the rental supply has come from units in large multifamily buildings, which have the highest median rents at $1,300 as of 2022. Between 2012 and 2022, the number of units in large multifamily buildings with 20 or more units grew by 3.1 million to 12.3 million units. During the same period, the supply of units in midsize multifamily buildings with 5 to 19 units, which had a median monthly rent of $1,100, increased by only 267,000 to 10.6 million units. The supply of rentals in small multifamily buildings with 2 to 4 units, which had the lowest median rents at $980 in 2022, increased by just 14,000 to 8.3 million.

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Flood of New Units Softens Rental Market

New multifamily units are coming online at a rate not seen since the 1980s (Figure 24). At the end of March 2024, multifamily completions reached their highest level since May 1988, with 487,000 units added over the prior 12 months, up 21 percent from the previous year (402,000 units).

The national rental vacancy rate rose to 6.6 percent in the first quarter of 2024, according to the Housing Vacancy Survey, up from the pandemic low of 5.6 percent in the second quarter of 2022 and approaching the 6.9 percent rate averaged in the five years leading up to the pandemic. Vacancies have also rebounded in the professionally managed apartment sector: rates climbed steadily through 2022 and 2023, reaching 5.9 percent in the first quarter of 2024, over 1 percentage point above the pre-pandemic rate of 4.8 percent averaged between 2015 and 2019, according to RealPage. As a result, rent growth slowed to 0.2 percent year over year in the first quarter of 2024 after reaching a record high of more than 15 percent annually in early 2022.

As supply has surged, new units are sitting vacant longer. According to the Survey of Market Absorption, 52 percent of new units were leased within three months of completion in the third quarter of 2023, down from a high of 75 percent in the third quarter of 2021. This indicates a slowdown in the market’s ability to absorb the rush of new units.

Rising Costs Weaken Property Performance

Total operating expenses for multifamily properties grew nationwide by 7.1 percent between January 2023 and January 2024, according to Yardi Matrix. Insurance premiums, which rose 27.7 percent year over year in January 2024, increased most rapidly, far outpacing other expenses, including repairs (8.8 percent), payroll (6.1 percent), utilities (3.7 percent), and taxes (3.5 percent) (Figure 25). Operating expenses grew most rapidly in markets in the Southeast, where greater disaster exposure has inflated insurance premiums. RealPage reported that per unit property insurance costs in the 50 largest metro areas have more than doubled since the start of the pandemic, with many of the largest increases in Florida.
As rent growth has stalled and operating costs have risen, property owners’ net operating income growth has slowed. According to the National Council of Real Estate Investment Fiduciaries (NCREIF), net operating incomes for apartments grew by 2.8 percent annually in the first quarter of 2024. This was a substantial deceleration from the high of 24.8 percent in late 2021 and lower than the 5.4 percent annual rate averaged in the five years preceding the pandemic.

Against this backdrop, the risk of multifamily loan delinquencies has increased. According to the Mortgage Bankers Association (MBA), the 60-day delinquency rates for loans held by Fannie Mae grew to 0.46 percent in the fourth quarter of 2023 (from 0.24 percent a year earlier), and those held by Freddie Mac reached 0.28 percent (from 0.12 percent). Likewise, the 90-day noncurrent rate for longer-term commercial and multifamily loans for banks and thrifts climbed through the year to reach 0.94 percent in the fourth quarter of 2023, up from 0.45 percent in the fourth quarter of 2022. Nevertheless, delinquencies remain well below the 90-day peak of more than 4 percent reached during the Great Recession and are relatively low overall.

Figure 25

**Insurance Costs for Multifamily Properties Are Up Significantly**

Annual Change in Operating Costs (Percent)

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Note: Estimates are for the 12 months ending in January 2024. Source: Yardi Matrix, March 2024 Research Bulletin, Multifamily Expenses.

Though longer-term loans constitute the bulk of the multifamily debt, it is short-term loans that are at greatest risk of delinquency. Properties with loans coming due in the near future face much higher borrowing costs, given today’s higher interest rates, and potentially lower property values in light of rising capitalization rates. Shorter-term loans are more likely to be held by banks or investor-driven lenders or in commercial mortgage-backed securities (CMBS). The 30-day delinquency rate for CMBS loans has increased for six consecutive quarters, hitting 4.3 percent in the fourth quarter of 2023, according to MBA. However, CMBS are a small share of all multifamily loans, and the most recent delinquency rate is only slightly higher than the pre-pandemic average.

**Multifamily Developers Face Financing Challenges**

Even as property owners and investors contend with weakening property performance, they are confronting a more difficult financing environment. Rising interest rates have increased the cost of debt for acquiring and building multifamily properties, and high treasury yields have increased the cost of equity, as apartments now need to provide greater investor returns to compete with Treasury notes. Consequently, projects are less financially feasible, and demand for multifamily investment is slowing.

Apartment property prices have responded by declining, falling year over year in early 2023 for the first time in more than a decade. According to Real Capital Analytics, prices fell by nearly 14 percent in late 2023 and continued dropping in early 2024 at a decelerated pace of 8.4 percent annually in March. Falling property prices reflect rising capitalization rates—an indicator of returns used to compare investments—which hit 4.3 percent in early 2024, up from 3.9 percent a year earlier, according to NCREIF.
Borrowing and lending have also slowed substantially. According to MBA, multifamily mortgage originations in 2023 were 46 percent less than in 2022. With declining originations, the growth of multifamily debt outstanding has slowed, up $88.5 billion annually in the fourth quarter of 2023 to $2.09 trillion. Multifamily investment has also declined. Apartment transactions fell 45 percent year over year in January 2024, according to MSCI.

The triple threat to property owners and investors of slowing revenue growth, increasing expenses, and rising capital costs is contributing to a drop-off in new multifamily construction. Though new unit completions are high and likely to remain so through 2024 and into 2025 as the nearly 1 million units already under construction hit the market, starts are down. This suggests an imminent downturn that may be difficult to reverse quickly enough to meet future demand.

Demographic Drivers Support Rental Demand

Despite the softening market, rental demand remains strong. Nationally, the number of renter households rose by 514,000 in 2023, the largest annual increase since 2016, according to the Housing Vacancy Survey (Figure 26). This lifted the number of renter households to 44.5 million in 2023. The bulk of this growth is from the large millennial and baby boom generations, as well as the increasing numbers from Gen Z who are forming their own households.

The largest cohort of renters is millennials, born between 1980 and 1994, who constitute 34 percent (15.4 million) of all renter households in 2022. While millennials remain an important source of rental demand, they are no longer driving renter household growth. The number of renter households headed by a millennial
peaked in 2019 at 16.2 million. Since then, the number of millennial renter households has fallen by 797,000 households through 2022 as they have aged out of peak household formation years and into prime first-time homebuying years. However, the legacy of high student loan debt combined with current high home prices and interest rates is preventing more of these renters from transitioning into homeownership at the pace of previous generations, preserving their significant influence in the rental market.

Increasingly, Gen Z households are driving rental demand. Members of this generation, the oldest of whom turned 27 in 2022, are rapidly forming their own households. Between 2019 and 2022 alone, the number of Gen Z–headed renter households more than doubled to 7.9 million, accounting for all net growth in renter households during this period.

Gen X and the sizable baby boom generation are further bolstering rental demand. In 2022, members of Gen X headed 10.0 million renter households, while baby boomers headed 9.1 million. With the oldest baby boomers turning 80 in 2026, the number of renter households in this age group will grow in the coming years. Indeed, rentership rates increase past age 80 as many older homeowners transition to renting, often in search of accessibility features, amenities, and fewer maintenance responsibilities. In 2022, 21 percent of households headed by a person aged 65–79 were renters, as were 26 percent of households headed by a person age 80 and over.

Growth in the number of renter households with annual incomes of at least $75,000 slowed between 2019 and 2022 amid the pandemic homebuying boom, as many households took advantage of low interest rates. Yet, over the longer term, this income group has propelled 74 percent of the net growth in renter households. From 2010 to 2022, the number of higher-income renter households increased by 43 percent to 13.5 million. These higher-income renters are more likely to be married and college educated, a demographic that fits previous generations’ profile of first-time homebuyers. Increasingly common options like single-family rental construction and apartments with high-end amenities have also reflected this trend.

The Outlook

Slackening in the rental market is unlikely to last given the development slowdown and strong rental demand. Although new multifamily units are coming online in record numbers, declining construction starts suggest that completions will eventually recede, even as demographic shifts signal continued robust demand in the near term. Given the lengthy lag times for multifamily developments from permitting to completion, an extended downturn in construction amid rising demand will risk sparking another period of rapid rent increases similar to the recent run-up that has contributed to the worst renter affordability conditions on record.
HOUSING CHALLENGES

Housing supply and affordability remain major challenges, and federal, state, and local governments are working to increase both the overall stock and the diversity of housing types. The number of households in need of assistance continues to grow even as funding for subsidies fails to keep up, contributing to rising homelessness. Broadening access to homeownership for households with modest incomes is crucial to reducing racial homeownership gaps. Additionally, there is an urgent need to invest in improving the housing stock’s resiliency and reducing its contribution to greenhouse gas emissions.

Unlocking the Constrained Housing Supply

The national housing shortage is severe, estimated at more than 1 million units. Zoning is an obstacle to growing the stock. The majority of land in cities across the country is currently zoned exclusively for single-family homes. Changing these regulations to allow greater densities and more diverse housing types can make the approval process faster and more predictable, in turn reducing costs.

There is growing momentum for zoning reform at the state and local levels. In 2023 alone, Montana, Vermont, and Washington passed statewide laws similar to those in California, Maine, and Oregon that preempt local zoning to allow a range of housing types on land previously zoned exclusively for single-family homes. In a more targeted approach, Massachusetts now requires the 177 jurisdictions served by public transit to designate at least one zone that allows multifamily buildings and higher-density construction without special approvals.

Locally, Charlottesville, Virginia, recently revised its zoning code to eliminate single-family-only zoning while taking steps to prevent displacement in lower-income neighborhoods. The new code also removed mandated parking minimums, an approach Cambridge, Massachusetts; Lexington, Kentucky; Saint Paul, Minnesota; and several other places have used to streamline project planning and reduce development costs.

Like zoning, the high cost and limited availability of developed land constrains supply in many areas. In response, some places are repurposing underutilized land to create new development possibilities. In 2023, California rezoned land owned by religious institutions and colleges to enable affordable housing development, amounting to 171,000 developable acres, and allowed developers to circumvent some local permitting and environmental review rules to expedite the process. On a smaller scale, Boston made 150 parcels of city-owned land available for housing development in 2022.

Another strategy is reusing existing buildings, especially given pandemic-fueled increases in office, hotel, and retail vacancies. Because adapting commercial buildings is challenging, conversions are responsible for relatively few new units to the housing stock. Still, these incremental additions add up over time. To facilitate conversions, cities and states can change zoning to allow for mixed commercial-residential use and streamline review and approval processes. They...
can also provide incentives. Federal actions seek to spur adaptive reuse through detailed guidance and $35 billion in financing for transit-oriented office-to-residential projects, though these funds have been largely unused partly because of long approval timelines.

Increasing Lower-Cost Housing Types

While expanding supply can help bring down costs, there is also a need for a greater diversity of housing types at a wider range of prices. Greater use of more efficient construction methods can help to address that need by boosting the construction sector’s productivity, alleviating labor shortages, and reducing waste.

One such construction method is manufactured housing, a well-established affordable building technique with costs as low as 35 percent of an equivalent site-built home. Nevertheless, manufactured home shipments have been low over the last two decades (Figure 27). Despite improvements in quality and design, negative perceptions of manufactured homes persist, and such homes are often excluded from areas zoned only for single-family housing. To address these challenges, state and local governments can relax zoning to allow manufactured homes. Pilot programs, like one recently launched in Jackson, Mississippi, that features model homes, can help to dispel negative perceptions and showcase the stock’s improved quality.

Financing further limits manufactured home uptake. Because manufactured homes are typically titled as personal property, they are usually financed with chattel loans that often carry higher interest rates and offer fewer consumer protections than a traditional mortgage. Under the Duty to Serve program, Fannie Mae and Freddie Mac have developed mortgage products to address this challenge, but more can be done to expand access to safe, lower-cost financing for manufactured homes.

Modular or factory-built housing also offers lower costs than site-built housing. The Terner Center estimated that factory building techniques could reduce the cost of a 3- to 4-story wood frame multifamily building by up to 20 percent while reducing construction time by 40 to 50 percent. Yet modular techniques are not used widely, in part because of the significant capital required to establish factories. Additionally, manufacturers must navigate varying building codes and inspection requirements across states and coordinate transportation, staging, and installation. The public sector can help by simplifying building code requirements. States can also offer funding to localities to make code and regulatory changes that enable modular construction, as in Virginia.

Accessory dwelling units are another promising strategy to incrementally increase the affordable housing stock. While there are many barriers to building ADUs, recent policy momentum has helped to smooth the path. For example, Maine’s 2022 law allows ADUs on all parcels zoned for single-family homes. At the local level, Seattle reduced ADU restrictions in 2019 and in 2020 began offering pre-approved floor plans to simplify construction, a strategy that has since been adopted by many other cities and counties.

Figure 27
Manufactured Home Production Is Still Well Below 1990s Levels

Manufactured Home Shipments (Thousands)

Source: US Department of Housing and Urban Development, Manufactured Home Survey via FRED.
However, when zoning does allow ADUs, cash-out refinancing or home equity loans often don’t provide enough financing to cover the construction cost. In 2023, the Federal Housing Administration announced that lenders could count ADU rental income when underwriting mortgages and added ADUs to the list of improvements that can be financed through FHA new construction mortgages. As a leader in incentivizing ADUs, California also offers an ADU Grant Program that provides low-income homeowners with $40,000 for pre-construction costs.

Strengthening the Housing Safety Net

Bringing down construction costs can only go so far, and there will still be households the market cannot serve. Rental subsidies are a lifeline for the 5.1 million very low-income households that receive them. But assistance fails to reach another 14.2 million eligible households, including a record-high 8.5 million with worst-case housing needs (Figure 28). And the shortfall has only grown. The number of income-eligible renter households increased by 4.4 million from 2001 to 2021 while the number of assisted households rose by just 910,000.

Existing subsidized housing needs significant funding to ensure it functions well. The aging public housing stock requires an estimated $90 billion in repairs after decades of deferred maintenance brought on by insufficient funding. The poor quality of this stock threatens the health and well-being of the 815,000 households that live in public housing as of 2023.

The Rental Assistance Demonstration (RAD) program has funded improvements by moving public housing to the Section 8 platform, providing greater stability through longer-term contracts that allow public housing authorities to borrow against their properties. This makes it easier for owners to plan and finance repairs and redevelopment for nearly 1,700 converted properties. These conversions have boosted the number of project-based Section 8 units to about 1.2 million.

The Low-Income Housing Tax Credit (LIHTC) supports many RAD redevelopment projects. Since 1986, LIHTC has financed the construction, acquisition, or preservation of more than 3.8 million units. But the affordability requirement expires after 30 years or more, with about 294,000 units reaching the end of the affordability period between 2025 and 2029, according to the Public and Affordable Housing Research Corporation and the National Low Income Housing Coalition (NLIHC). Furthermore, a program provision allows owners to opt out of the program after just 15 years, resulting in the premature loss of about 7,000 units annually. To prevent these losses, state agencies typically require or incentivize owners to waive their right to opt out.

Multifamily units supported through the US Department of Agriculture’s Section 515 program are also facing expirations. The program serves 375,000 renter households in rural areas through long-term low-interest mortgages but has not recently financed new housing. Existing loans are nearing maturity, while pre-payments are furthering the loss of subsidized

Figure 28

Rental Assistance Has Not Increased to Match Growing Need

Households with Very Low Incomes (Millions)

Notes: Households with very low incomes earn 50% or less of area median income. Worst case needs include spending more than 50% of income on rent and utilities or living in severely inadequate housing.

Source: JCHS tabulations of US Department of Housing and Urban Development, Worst Case Housing Needs Reports to Congress.
According to the Housing Assistance Council, nearly 22,000 units exited the program between 2016 and 2021.

Housing Choice Vouchers are the largest support for the lowest-income renters, giving 2.3 million assisted households some choice in where they live. However, options are limited by low rental vacancy rates and the reluctance of some landlords to accept vouchers. Difficulties with the program, including inspections and a lengthy review and approval process, disincentivize property owners from participating and make it harder for renters to find an appropriate unit. About 40 percent of voucher recipients are unable to successfully rent a unit in the allotted time, according to a recent HUD report. While source of income discrimination laws can require landlords to accept vouchers, there is a need for additional incentives for landlords, and mobility counseling and lengthened search periods for renters, as well as funds to cover security deposits, utility deposits, and application fees to increase success rates.

State and local governments are employing an array of strategies to fill affordability gaps. According to a 2023 NLIHC survey, state and local governments fund about 350 programs that provide tenant benefits or capital funding for affordable housing projects. These pull from a variety of funding sources, including housing trust funds that generate an estimated $3 billion annually. Governments have also allocated nearly $18 billion in state and local fiscal recovery funds from the American Rescue Plan Act to address housing needs.

Bonds are increasing funding for affordable housing and enabling new development models, too. States issued $17.2 billion in multifamily private activity bonds in 2020, often in conjunction with LIHTC financing. In Montgomery County, Maryland, the public housing agency was empowered to issue $100 million in bonds for a construction loan revolving fund that will help finance at least 6,000 new mixed-income units. While state and local experimentation must be part of the solution, larger-scale federal efforts are critical for meeting the scope of the housing challenge.

**Addressing Rising Homelessness**

At last count in 2023, a record-high 653,100 people experienced homelessness on a single night in January, up 70,600 people in one year (Figure 29).

**Figure 29**

**A Record Number of People Are Unhoused**

People Experiencing Homelessness (Thousands)

Note: Because of the pandemic, complete unsheltered counts were unavailable in January 2021 and sheltered counts were artificially low, likely because of reduced shelter capacity.

This included an additional 22,800 people living outside or staying in places not intended for human habitation, pushing the unsheltered population to an all-time high of 256,600. Since 2015, the number of unhoused people staying outside shelters has increased by 83,300 (48 percent).

This recent growth followed the expiration of pandemic-era eviction moratoriums, income supports, and Emergency Rental Assistance that helped keep many renters stably housed. These measures ended at a time of rapidly rising rents and an influx of asylum seekers who cannot legally work, further straining affordable housing and homelessness response systems.

The growing challenge of homelessness has sparked increased federal funding through existing programs and new policy initiatives. HUD awarded a record $3.2 billion in early 2024 through its annual Continuum of Care program to increase housing opportunities and services for people experiencing homelessness. This program, in conjunction with resources like Emergency Housing Vouchers, enabled HUD to help more than 424,000 households exit or avoid homelessness in 2023.

Additional federal funding and policies that seek to address and prevent unsheltered homelessness include about $500 million in grants and 3,300 special vouchers introduced in 2023 to help reduce unsheltered and rural homelessness. The Biden–Harris administration also launched the ALL INSide initiative to provide staffing and technical assistance to five cities and California with the goal of collaborating across agencies and reducing unsheltered homelessness. The federal government approved Medicaid waivers in certain states that will cover rental assistance for up to six months in recognition of the relationship between homelessness and health.

Local governments are also taking action. Houston decreased homelessness by more than 60 percent over 12 years using a housing first model that places people in permanent housing before addressing other needs and by coordinating resources across agencies. With a similar strategy, Milwaukee County has lowered its unsheltered population by 92 percent since 2015.

Other places have responded to rising homelessness with criminalization and detrimental sweeps. In recent years, several state and local governments have passed laws restricting or banning encampments on public land or in certain public spaces. Though campment can pose public health concerns, the removal of people experiencing homelessness harms unhoused people without addressing the potential challenges of the shelter system or the underlying unaffordability that causes homelessness.

**Expanding Access to Homeownership**

The rising cost of homeownership has priced many potential buyers out of the market and perpetuated racial homeownership gaps. A number of strategies are imperative to shrinking these inequities, including downpayment assistance, increased access to credit, and homebuyer outreach and education.

Downpayment assistance can help households with the initial savings hurdle. A Center analysis found that a $25,000 downpayment assistance loan could make homeownership possible for 1.1 million income-ready renter households headed by a Black or Hispanic person. There are about 1,700 downpayment assistance programs nationwide. For instance, through MassDREAMS, Massachusetts offers $50,000 grants to fund downpayments, closing costs, and mortgage insurance to help communities impacted by COVID-19, which were disproportionately of color.

Another strategy is special purpose credit programs (SPCPs), which can increase access to credit and downpayment assistance to borrowers in traditionally underserved communities. Though long an option, SPCPs have only recently gained traction in the wake of guidance from HUD and the Consumer Financial Protection Bureau that helps organizations develop
these programs in compliance with the Fair Housing Act. Fannie Mae and Freddie Mac both included SPCPs in their most recent Equitable Housing Finance Plans, and an increasing number of lenders, such as Chase, Bank of America, US Bank, and Wells Fargo, now offer these programs.

Broader affordable homeownership programs that use a combination of strategies can also reduce racial homeownership gaps. The MBA’s CONVERGENCE program, which is currently active in Memphis, Columbus, and Philadelphia, uses a multipronged approach that includes outreach to and education for communities of color to overcome information and trust gaps that prevent people from pursuing homeownership. The program also offers downpayment assistance and mortgage products that make buying a home financially feasible and works to increase the affordable housing supply.

Recent federal policies further ensure that current homeowners can sustain and benefit from homeownership. Income losses caused by COVID, which disproportionately affected people of color, have threatened homeowners’ ability to make mortgage payments. The nearly $10 billion Homeowner Assistance Fund helped about 400,000 households at risk of foreclosure through June 2023, as have lengthy forbearances.

Sustaining homeownership while maintaining structural adequacy can also be difficult. This is especially true for low-income households, as well as those headed by a Black, Hispanic, Native American, or multiracial person, which disproportionately live in homes with repair needs. According to an estimate by the Federal Reserve Bank of Philadelphia, the housing stock needs $149.3 billion in repairs, with owner-occupied homes accounting for $97.9 billion. Programs like Pennsylvania’s Whole-Home Repairs Program provide financial resources to ensure that low-income owners can live in healthy, safe homes. The program, like others nationally, was seeded with federal pandemic American Rescue Plan Act funding and now requires sustained resources.

Further perpetuating racial homeownership inequities are tangled titles, or heirs’ property, which can happen when the homeowner dies without a will and the property is either split among surviving family members or transferred informally. Such circumstances are more common among Black, Hispanic, and rural households that may lack access to legal services, affecting at least 444,000 properties nationwide. Absent a clear title, homeowners cannot access equity, sell the home, secure disaster assistance, get property tax relief, or obtain insurance. Since 2010, 22 states and Washington, DC, have adopted the Uniform Partition of Heirs Property Act to help owners clear their titles and ensure they can retain their property rights. For those who haven’t cleared their titles, Philadelphia offers expanded eligibility for its homeownership assistance programs to account for such circumstances.

**Confronting Climate Change**

Weather-related shocks and rising temperatures are increasingly straining the housing stock. The number of billion-dollar weather and climate disasters has risen dramatically in the last few decades, including an all-time high of 28 events in 2023 alone. Based on past losses, 60.5 million housing units are located in areas with at least moderate risk, according to the Federal Emergency Management Agency’s (FEMA’s) National Risk Index (Figure 30).

The housing stock must adapt to increasingly common hazards such as hurricanes, floods, and wildfires. Expanded regional infrastructure, individual home modifications, evolving land restrictions, and affordable home and hazard insurance are critical. FEMA has programs geared toward these purposes, many of which received additional appropriations from the 2021 Infrastructure Investment and Jobs Act (IIJA). However, current hazard-mitigation programs collectively delivered an average of less than $2 billion annually to states and tribes for climate resiliency efforts.
More Than 60 Million Homes Are at Risk of Environmental Hazards

While there is an urgent need to increase housing stock resiliency, most of the policy emphasis to date has been on recovery after events. Insurance has been a key resource post-disaster, but millions of households—especially those of color and with lower incomes—are going without adequate insurance policies altogether, thanks to rapidly rising costs and diminishing coverage. Public insurance, such as the National Flood Insurance Program and state Fair Access to Insurance Requirements plans, can help to fill gaps and offer exposure-specific coverage, but risk-based pricing has meant that public sector premiums are also increasing.

Plus, many funds for hazard mitigation and climate adaptation are available only after a disaster has occurred. FEMA’s Individuals and Households Program has paid $3.3 billion since 2022 to directly help 1.5 million households with recovery costs. In addition to FEMA aid, Congress appropriated $3.5 billion through HUD’s Community Development Block Grant for Disaster Recovery in communities with unmet needs remaining from disasters that occurred in 2022 and 2023. Even then, these programs are not designed to cover all losses.

The most effective way to reduce the effect of climate change on housing is to decrease greenhouse gas emissions. Almost 18 percent of all US greenhouse gas emissions come from housing. Without energy efficiency upgrades, electrification, and renewable energy installations in existing homes, home energy demand will only add to emissions, and utility bills will remain high. Older homes in particular still have significant retrofit needs. Indeed, the energy consumption for homes built before 1950 is 45 percent higher than that of homes built in the five years leading up to 2020.
But the upfront costs of retrofits can be a deterrent. The Inflation Reduction Act marked one of the largest federal investments in energy efficiency improvements, providing $8.8 billion for household rebates, expanding existing tax credit programs, and committing an additional $1 billion for energy and water efficiency improvements in HUD-assisted housing, along with $27 billion in leveraged finance through the Environmental Protection Agency’s Greenhouse Gas Reduction Fund. Additional resources are also available for the Weatherization Assistance Program through the IIJA and state initiatives, but more is needed to meaningfully reduce greenhouse gas emissions and ensure that subsidies reach the households most in need.

The Outlook

Nationwide, housing unaffordability remains the key challenge facing both renters and homeowners, and solutions are desperately needed. These must include facilitating new supply by supporting the production of low-cost housing. State and local experimentation with regulatory reforms and incentives will incrementally add affordable homes while providing a base of evidence about effective strategies. However, increased efforts are crucial to promoting affordable construction techniques and more meaningfully growing the stock.

On the homeownership side, low for-sale inventory, high interest rates, and high home prices call attention to the need for downpayment support and access to low-interest mortgage products to close racial gaps and put homeownership within reach for households with modest incomes. As for renters, the rising cost burden rates, all-time high number of people experiencing homelessness, and increasing number of unassisted income-eligible renters speak to the inability of the private rental market to serve all renters, the inadequacy of the housing safety net, and the imperative to shore up federal rental subsidy programs.

At the same time, other urgent housing needs, including energy efficiency improvements to respond to climate change and accessibility upgrades to support older adults remaining in their current homes and communities, must be addressed while minimizing housing cost increases. Ensuring that everyone has equal access to safe, affordable, stable housing is one of the nation’s most pressing challenges, and one that will require buy-in from all sectors and levels of government to resolve.
The following interactive maps and data tables are a sample of the additional resources available at www.jchs.harvard.edu.

Interactive Maps and Data

Shares of Cost-Burdened Homeowner and Renter Households by Metro Area: 2022
Home-Price-to-Income Ratios by Metro Area: 1980–2023
Domestic Migration and International Immigration by State: 2022–2023
Homebuyer Mortgage Payment Affordability by Metro Area: 2024:1
Number of People Experiencing Homelessness by State: 2023

Data Tables

Housing Market Indicators for the US: 1980–2023
Cost-Burdened Households by Tenure and Income: 2001, 2019, and 2022
Shares of Cost-Burdened Homeowners and Renters by State and Metro Area: 2022
Homeownership Rates by Race/Ethnicity: 1994:1–2024:1
Domestic Migration by County Type and Region: 2019–2023
Household Median Wealth, Home Equity, and Cash Savings by Race/Ethnicity: 2022
Number of Rental Units by Monthly Contract Rent by State: 2012 and 2022
Number of Homes Available for Sale by Metro Area: 2019:1, 2023:1 and 2024:1
The State of the Nation’s Housing 2024 was prepared by the Harvard Joint Center for Housing Studies. The Center strives to improve equitable access to decent, affordable homes in thriving communities. We conduct rigorous research to advance policy and practice, and we bring together diverse stakeholders to spark new ideas for addressing housing challenges. Through teaching and fellowships, we mentor and inspire the next generation of housing leaders.

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