RESEARCH BRIEF

Deteriorating Rental Affordability

An Update on America's Rental Housing 2024

DECEMBER 2024 | WHITNEY AIRGOOD-OBRYCKI, ALEXANDER HERMANN, SOPHIA WEDEEN

JCHS JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

The number of cost-burdened renter households has reached a new record high, further deepening the affordability challenge that accelerated during the pandemic. Across all income groups, rental affordability has continued to worsen as a growing share of household income has been devoted to rent and cost burden rates have risen. Longstanding disparities in who experiences cost burdens have persisted. Lower-income renters in particular have less left over after paying for housing than ever before, forcing difficult tradeoffs that have implications for well-being and health. The ongoing upward shift in the distribution of rents has contributed to these trends, leaving renters with fewer affordable options each year. The urgency of addressing these challenges through effective policies and subsidies is even more heightened.

A New High for Renter Unaffordability

The number of cost-burdened renter households has hit yet another record high. As of 2023, 22.6 million renter households are cost burdened, spending more than 30 percent of their incomes on rent and utilities (**Figure 1**). This includes 12.1 million severely cost-burdened households, who spend more than half of their incomes on housing costs. Nearly 47.8 million renters live in cost-burdened households, encompassing 13.0 million children under age eighteen and 5.6 million older adults.

The most recent count of cost-burdened renters marks an increase of 209,000 households over the year before and of 2.2 million since 2019, the last data point before the pandemic began. Over the longer term, the number of cost-burdened renter households is up 7.8 million from 2001 levels. The occurrence of severe burdens has also risen substantially, increasing by 1.6 million households since just before the pandemic started and by 4.6 million households since 2001.

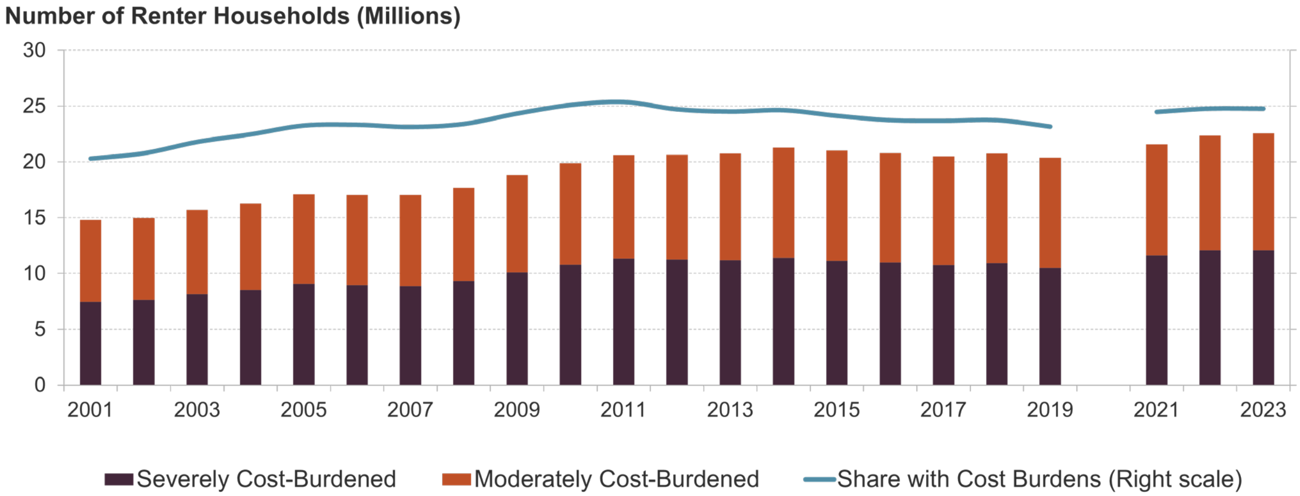
While the number of cost-burdened renter households increased last year, the total number of renter households also increased, keeping the share of cost-burdened renters at 50 percent, including 27 percent with severe burdens. With cost burden rates essentially unchanged in 2023, the burdened share remained 3.2 percentage points above pre-pandemic levels. Pandemic-era increases came on the heels of slightly improving burdens in years leading up to 2019 and have undone all affordability gains from the mid- to late 2010s. This recent surge pushed the renter cost burden rate up by 9.0 percentage points since 2001.

Affordability Challenges Rise Up the Income Scale

Rapidly rising rents, strong rental demand, and the systemic undersupply of housing have led to worsening affordability challenges for renters at every level of household income in recent years. Cost burdens rose even for lower-income renters, who already faced exceedingly high unaffordability well before the pandemic. Indeed, 83 percent of renters earning under $30,000 were cost burdened in 2023, including 67 percent with severe burdens, up 1.5 percentage points since 2019 and 5.2 percentage points since 2001 (**Figure 2**). Likewise, even higher-income households, despite a wave of new supply targeted toward the high end of the market, aren’t insulated from deteriorating affordability. The cost burden rate for renters earning an inflation-adjusted $75,000 or more stood at 13 percent in 2023, a rise of 3.3 percentage points since 2019 and up 7.8 points over two decades.

FIGURE 1

THE NUMBER OF COST-BURDENED RENTERS HAS HIT ANOTHER RECORD HIGH

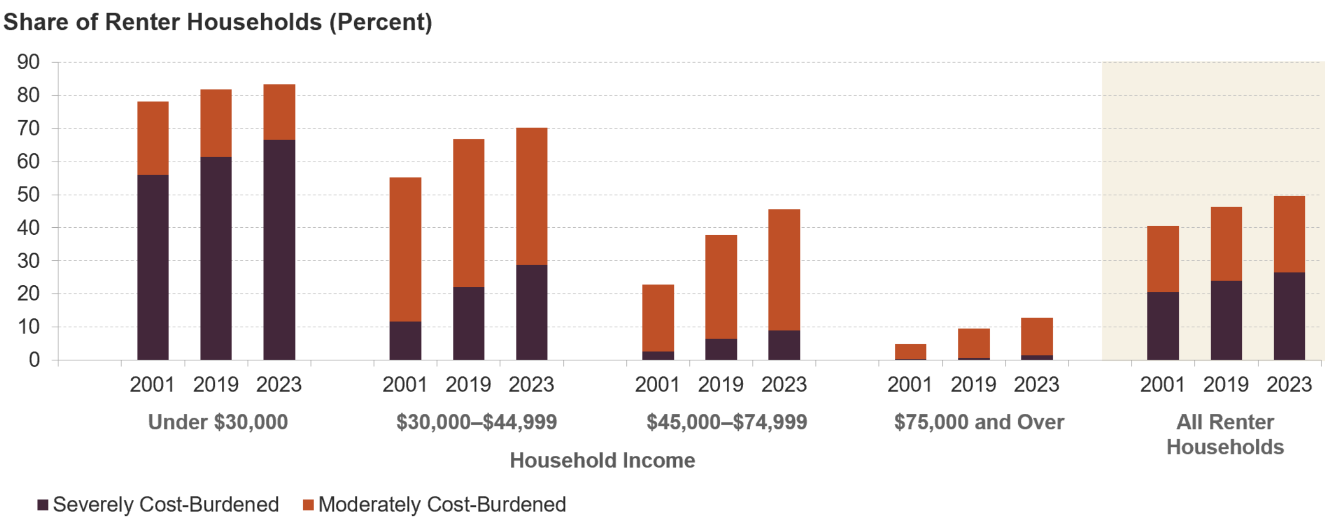


Notes: Moderately (severely) cost-burdened households spend 30–50% (more than 50%) of income on rent and utilities. Estimates for 2020 are omitted because of data collection issues experienced during the pandemic.

Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

FIGURE 2

COST BURDENS ARE RISING FOR RENTERS OF ALL INCOMES



Notes: Household incomes are adjusted for inflation using the CPI-U for All Items. Moderately (severely) cost-burdened households spend 30–50% (more than 50%) of income on rent 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.

However, middle-income renters have suffered the most dramatic increases in cost burdens. In 2023, 70 percent of renters earning $30,000–44,999 were burdened, an increase of 15.0 percentage points since 2001, including a 3.5 percentage point rise since 2019. Affordability challenges for renters earning $45,000–74,999 have grown even more dramatically, with their burdens nearly doubling in two decades. Just over 45 percent of these renters had burdens last year, up an astounding 22.7 percentage points since 2001 and 7.7 points since the start of the pandemic.

Deteriorating affordability and a growing number of middle- and higher-income renters have shifted the distribution of who is cost burdened dramatically. From 2001 to 2023, the number of lower-income renters with cost burdens increased by 2.2 million to 11.3 million households (**Appendix Table 1**). Nearly 1.5 million households earning $30,000–44,999 and 2.7 million earning $45,000–74,999 were also added to the ranks of the cost burdened over this period (for totals of 4.7 million and 4.6 million households, respectively), while the number of burdened higher-income renters increased by 1.4 million to 1.9 million. With these shifts, the share of cost-burdened households with lower incomes dropped from 61 percent in 2001 to about half in 2023. Middle-income renters now make up 41 percent of cost-burdened households, up from 35 percent, and the share with higher incomes rose from 3 percent to 9 percent.

While a greater number and share of middle- and higher-income renters are experiencing cost burdens, severe cost burdens remain most prevalent among lower-income households, which is indicative of the deeper affordability challenges they face. Fully 67 percent of renters earning under $30,000 spent more than half their income on housing in 2023. As a result, these households comprised about three-quarters of renters with severe burdens. However, severe burdens are becoming increasingly common for middle-income households: 29 percent of renters earning $30,000–44,999 were severely burdened and even 9 percent of renters earning $45,000–74,999 had such deep affordability challenges. These renters comprised 16 percent and 8 percent of renters with severe burdens, respectively. Just 1 percent of higher-income renters had severe burdens.

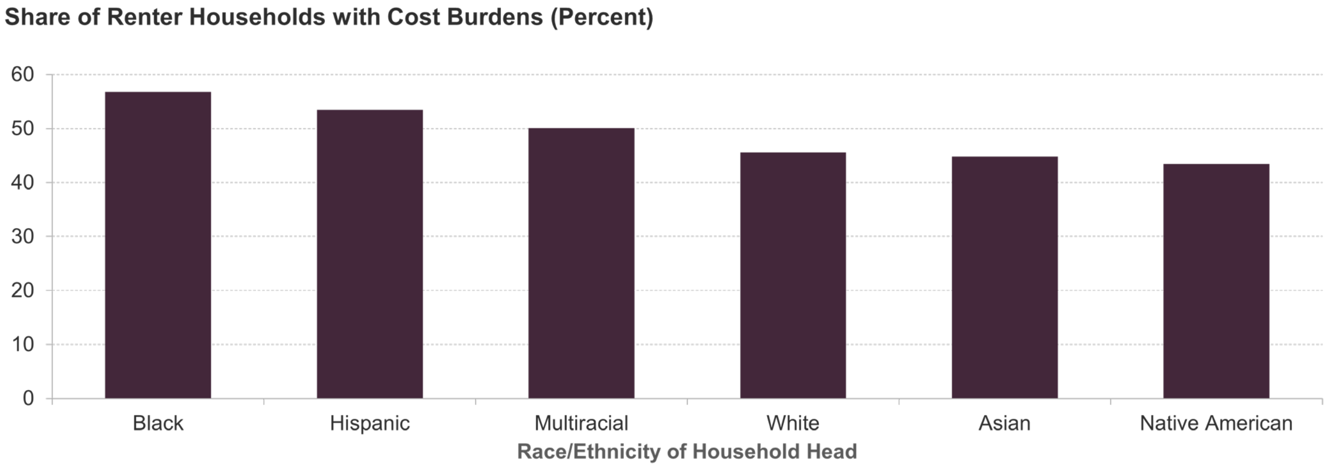
Affordability challenges have worsened across the board in part because full-time employment does not guarantee the ability to secure housing that's affordable. Indeed, the share of fully employed renters—households headed by someone who worked at least 50 weeks in the prior year and 35 hours in a typical week—with cost burdens was under 25 percent in 2001 (**Appendix Table 2**). But as rents have skyrocketed, the share of fully employed renters with cost burdens climbed all the way to 36 percent by 2023. Cost burdens were especially high for full-time workers in certain occupations (**Appendix Table 3**). More than half of fully employed renters working in personal/care services (55 percent) and food preparation (54 percent) had burdens, as did high shares working in office and administrative support (42 percent) and education (38 percent).

Cost Burden Disparities Persist

Increasing cost burdens during the pandemic were a universal trend, leaving intact the longstanding disparities in who is exposed to housing unaffordability. Renter households headed by a Black or Hispanic person face discrimination in education, employment, and housing, contributing to high cost burden rates for these groups. Indeed, more than half of Black (57 percent) and Hispanic (53 percent) renters are cost burdened, substantially higher than the 45 to 46 percent of white and Asian renters who live in unaffordable housing (**Figure 3**). While Native American renters have relatively low cost burden rates, they often experience other housing challenges such as overcrowding and substandard conditions. In terms of the composition of cost-burdened households, the high rate of burden for Black renters in particular means they are disproportionately represented, accounting for 22 percent of all burdened households but just 16 percent of unburdened households.

FIGURE 3

PERSISTENT DISCRIMINATION HAS LEFT MORE THAN HALF OF BLACK AND HISPANIC RENTER HOUSEHOLDS COST BURDENED



Notes: Black, multiracial, white, Asian, and Native American householders are non-Hispanic. Hispanic householders may be of any race. Cost-burdened households spend more than 30% of income on rent and utilities.

Source: JCHS tabulations of US Census Bureau, 2023 American Community Survey 1-Year Estimates.

The youngest and oldest households face the highest likelihood of being cost burdened. In part reflecting their greater diversity as well as their lower incomes, renter households headed by a young adult under age 25 are most likely to be cost burdened, with a rate of 60 percent (**Appendix Table 4**). At the other end of the spectrum, older adult households headed by someone age 65 or older, who is more likely to be out of the workforce and have a fixed income, also have a high cost burden share, at 58 percent. Between these two extremes, cost burden rates hover around 45 percent for renter households headed by someone aged 25 to 54 before rising to 50 percent for those aged 55 to 64, as incomes start to dip. With their high cost burden rates, the oldest and youngest households make up a disproportionate share of those with cost burdens. Households headed by someone under age 25 are 12 percent of cost-burdened renters, compared to 8 percent of unburdened households while older adults are 20 percent of those with burdens but just 14 percent of unburdened renters.

While highly correlated with age, disability status also affects renters' ability to afford their housing across all age groups. People with disabilities more frequently face barriers to employment and may be unable to work. Some disabilities may further require accessibility features that can make it challenging to find housing that is both suitable and affordable. As a result, 60 percent of renter households headed by a person with a disability are cost burdened, 13 percentage points higher than the cost burden share for those without a disability.

The composition of renter households can also make them more or less likely to experience housing cost burdens. Single-parent and single-person households have the highest rates of burden by far at 62 percent and 59 percent, respectively. These households typically have fewer workers to contribute toward high rents, especially single parents who often require more bedrooms to accommodate their children. While single parents have the highest burden rates, single-person households account for the largest share of households that are cost-burdened. A full 47 percent of cost-burdened households consist of only one person, with these households making up just 33 percent of unburdened renters. Married couples without kids have the lowest burden rate, at 33 percent, and make up a disproportionately small share of cost-burdened renter households (9 percent, as compared to 18 percent of unburdened households).

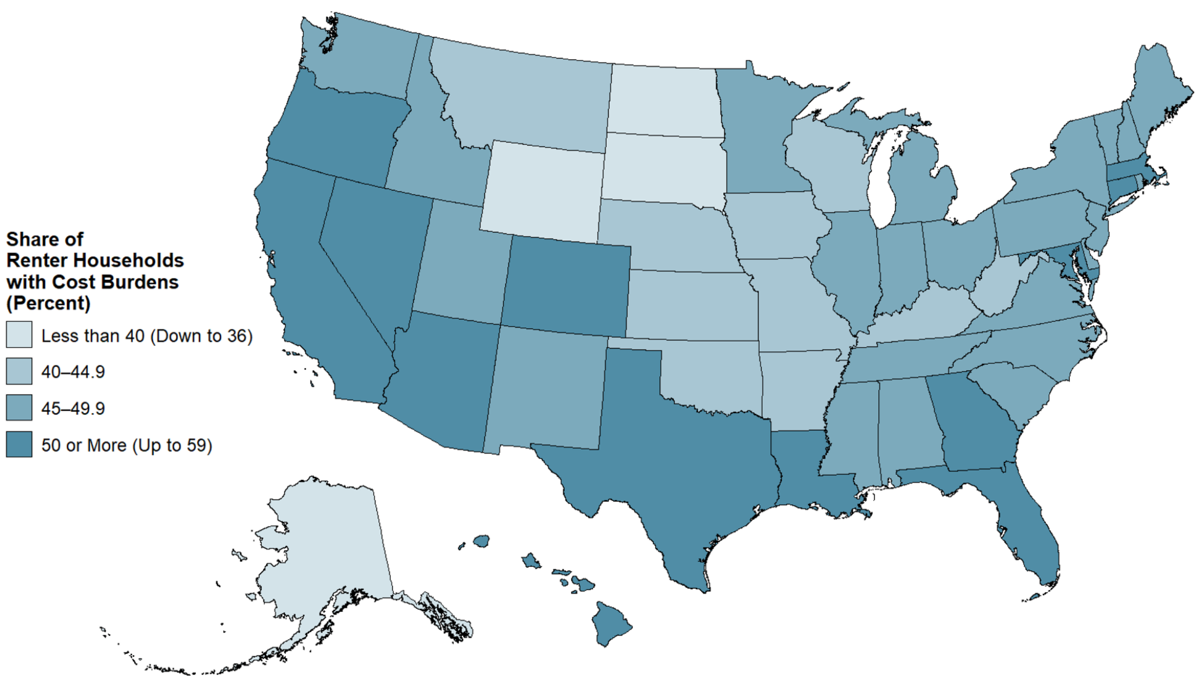
Finally, renters with lower levels of formal education are least likely to find housing that is affordable to them. Households headed by someone with no high school diploma or GED have a cost burden rate of 59 percent. With each level of educational attainment, cost burden rates decrease, down to 39 percent of households headed by a person with at least a bachelor's degree.

Geography of Cost Burdens

Renters face substantial and worsening affordability challenges across the US. Indeed, more than half of renters in the West (52 percent) and South (50 percent) had cost burdens in 2023, up 3.4 and 4.2 percentage points respectively since 2019. Cost burdens also rose a more modest 1.9 percentage points to 49 percent in the Northeast, and 2.3 percentage points to 45 percent in the Midwest.

FIGURE 4

RENTERS FACE SUBSTANTIAL AFFORDABILITY CHALLENGES IN NEARLY EVERY STATE OF THE COUNTRY



Notes: Cost-burdened households spend more than 30% of income on rent and utilities.

Source: JCHS tabulations of US Census Bureau, 2023 American Community Survey 1-Year Estimates.

Much of the country has become less affordable over time. Indeed, the share of renters with cost burdens rose in 43 of 50 states since before the pandemic, including increases of at least 4.0 percentage points in 16 states. States with such large rent burden increases are extremely diverse in terms of their housing costs, incomes, and locations, and include Arizona (burdens up 8.0 percentage points), New Hampshire (6.1 points), Oregon (5.8 points), and Georgia (5.3 points). On the other hand, burdens decreased in seven states. Four of these had small decreases, but North Dakota, South Dakota, and Wyoming all showed an improvement of more than 2.0 percentage points in their cost burden rates.

As cost burdens have become more widespread, nearly every state is facing a deep housing affordability crisis. Last year, more than a third of renters in every state were cost burdened (**Appendix Table 5**). Four states—Alaska, North Dakota, South Dakota, and Wyoming—were relatively affordable, with renter cost burden rates under 40 percent. But more than half of renters were burdened in 13 states, particularly in the West and select states in the Northeast—where rents tend to be high—as well as in the South where incomes are generally lower (**Figure 4**). Indeed, Florida had the highest rate of renter burdens in the nation at a whopping 59 percent, followed by California, Hawaii, and Nevada, where burdens ranged from 53 to 55 percent. In the Northeast, 51 percent of renters were burdened in Connecticut and Massachusetts. Even in the lower-cost Midwest, rent burdens ranged from 36 percent in North and South Dakota to as high as 49 percent in Michigan and 48 percent in Indiana.

At the metro level, while cost burdens generally increased in the vast majority of large markets, affordability challenges still varied considerably. Between 2019 and 2023, cost burdens increased in 89 of the 100 largest metro areas in the country (**Appendix Table 6**). The share of renters with burdens exceeded 50 percent in exactly half of these large markets. Mirroring the state-level affordability trends, the cost burden rate was highest in five markets in Florida: Cape Coral (65 percent), Miami (63 percent), Orlando (59 percent), North Port (59 percent), and Tampa (58 percent). Florida has seen some of the fastest rent increases in the country in recent years, boosted in part by rapid growth in the number of higher-income renters who compete for rental units.

Renter burdens were also common in New Orleans—where 58 percent of renters had burdens and household incomes are low—and select markets in the West, including Riverside (58 percent), San Diego (57 percent), and Las Vegas (57 percent). Even in the most affordable of the large metros, cost burdens still afflicted at least two-in-five renters. Cost burdens were generally lowest in the Midwest and Rust Belt Northeast, where rents tend to be less expensive, but still left fully 42 percent of renters with burdens in Des Moines, Pittsburgh, and Wichita.

Affordability challenges have increased fastest in the most populous markets, where cost burden shares are highest. The cost burden rate in the largest metros rose 3.5 percentage points to 51 percent. In all other metros, the rate was nearly as high at 48 percent after a 2.5 percentage point increase from 2019 to 2023. Micropolitan areas, which have populations under 25,000, have also seen increases in the cost burden rate at 2.3 percentage points since 2019, but are more affordable with a 42 percent cost-burdened share in 2023. While rural areas saw only a slight increase (0.8 percentage points) and are still the most affordable geography of all, a full 39 percent of rural renter households are cost burdened.

Notably, no geography is affordable to the lowest-income renters. In 2023, in rural areas, the geography that should be most affordable, nearly three-quarters (72 percent) of renters whose incomes fell in the bottom fifth of all households had cost burdens. An even higher share of lower-income renters had burdens in micropolitan (76 percent), small metro (83 percent), and large metro (86 percent) areas.

Lower-Income Households' Residual Incomes Fall to Record Low

In recent decades, rent growth has outpaced income gains for renters. Between 2001 and 2023, the median rent increased 25 percent in inflation-adjusted terms, while the median renter household income increased by just 5 percent (**Appendix Table 7**).[i] The erosion of affordability accelerated during the pandemic due to rapidly rising rents. Between 2019 and 2023 alone, the median rent grew by 8 percent while household income growth remained flat.

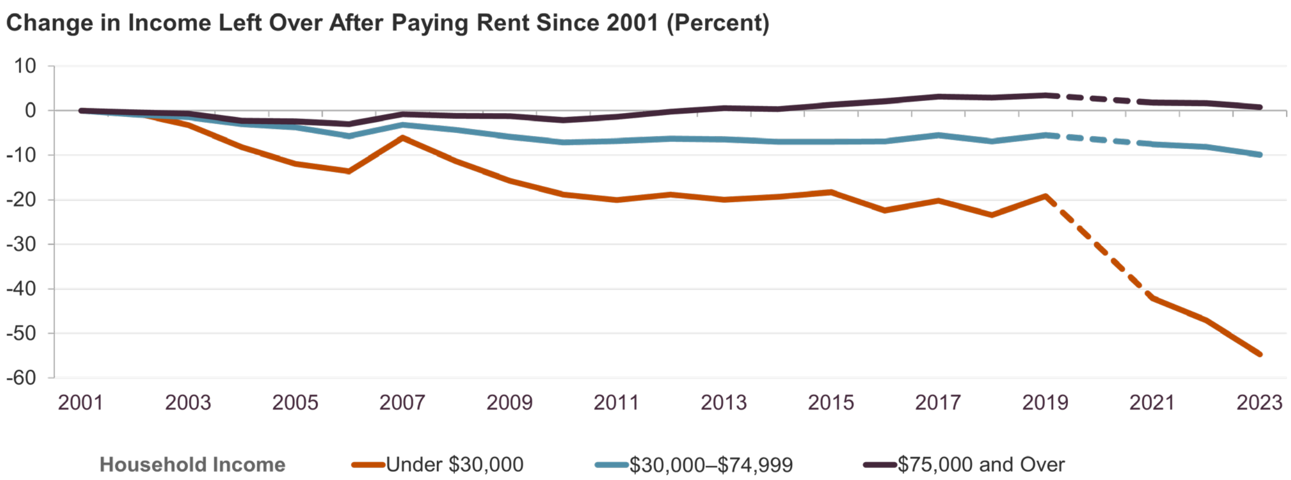
In recent decades, rents have risen across all income groups while incomes have declined for lower- and middle-income households. Lower-income households experienced the smallest increase in rents, although these households are the most likely to be cost burdened, are the least able to absorb an increase in rents, and have experienced the largest decline in household income. While median rents for those earning less than $30,000 rose 18 percent from 2001 to 2023, their incomes fell by 12 percent. Middle-income renters earning between $30,000 and $75,000 similarly saw a 21 percent increase in median rents while their incomes dropped 1 percent. Meanwhile, higher-income households earning $75,000 or more experienced the fastest increase in rents, at 30 percent between 2001 and 2023, but they were also the only group whose incomes rose in real terms over this period, with a 6 percent increase.

As a result of these trends, households are spending a higher share of their income on housing. The median renter in 2023 spent 31 percent of their income on rent and utilities, up from 29 percent in 2019 and 27 percent in 2001. While the share of income dedicated to rent has risen across all income groups, it has grown especially fast for lower-income renters, reaching 80 percent in 2023, compared to 68 percent before the pandemic and 60 percent in 2001.

The rising share of income dedicated to rent has left lower-income households with less left over after paying for housing than ever before (**Figure 5**). Lower-income households' residual incomes—the amount of income a household has left over each month after paying rent and utilities—plummeted to a record low. In 2023, the median renter household earning less than $30,000 had just $250 left over each month after paying rent and utilities. Between 2001 and 2023, the median residual income for renter households earning less than $30,000 fell by 55 percent, including a 44 percent decline between 2019 and 2023 alone. In just those four years, lower-income renters' residual incomes fell by $195—nearly double the $106 decline in the almost two decades leading up to the pandemic. Middle-income households also experienced a 10 percent decline in residual incomes since 2001, with the amount dropping from $2,960 in 2001 to about $2,670 in 2023. Residual incomes even stalled out for the median higher-income renter at $7,540 in 2023, an increase of less than a percent over 2001 levels.

FIGURE 5

RESIDUAL INCOMES FOR LOWER-INCOME RENTERS HAVE FALLEN SHARPLY



Notes: Household incomes and residual incomes are adjusted for inflation using the CPI-U for All Items. Households that are not required to pay rent are excluded. Data for 2020 are based on 2019 and 2021 values because of pandemic data disruptions.

Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

Rising Rents Threaten Household Health and Security

Low residual incomes leave households without enough left over to afford necessities. According to the Consumer Expenditure Survey, in 2023, renter households in the bottom quartile for household expenditures (a proxy for low incomes) who were severely cost burdened spent less on necessities than households without cost burdens. Severely cost-burdened renter households in the bottom expenditure quartile spent 50 percent less on healthcare, 48 percent less on food, 47 percent less on transportation, and 38 percent less on retirement than their unburdened counterparts.

High energy costs are also forcing renter households to make difficult tradeoffs. According to the Household Pulse Survey collected through August 2024,[ii] a third of renter households reported that they had to reduce spending on necessities like food and medicine in order to pay an energy bill in some months or almost every month in the past year. Among renter households with incomes below $25,000, 42 percent reported making this tradeoff. Some households compensated for high energy costs by reducing their energy consumption, with just over a quarter of lower-income renters keeping their homes at unsafe or unhealthy temperatures in at least some months. And nearly a third of lower-income renter households could not keep up with energy bills at all, missing a full payment in at least some months of the year.

Even with these tradeoffs, renter households still experience housing instability. In 2024, 12 percent of renter households were behind on rent, as were 17 percent of renter households with incomes below $25,000. Among lower-income renters, 7 percent reported feeling pressure to move in the last six months because they had missed rent and thought they would be evicted, and 5 percent were threatened with eviction or told to leave by their landlord.

Rent Distribution Shifts Higher

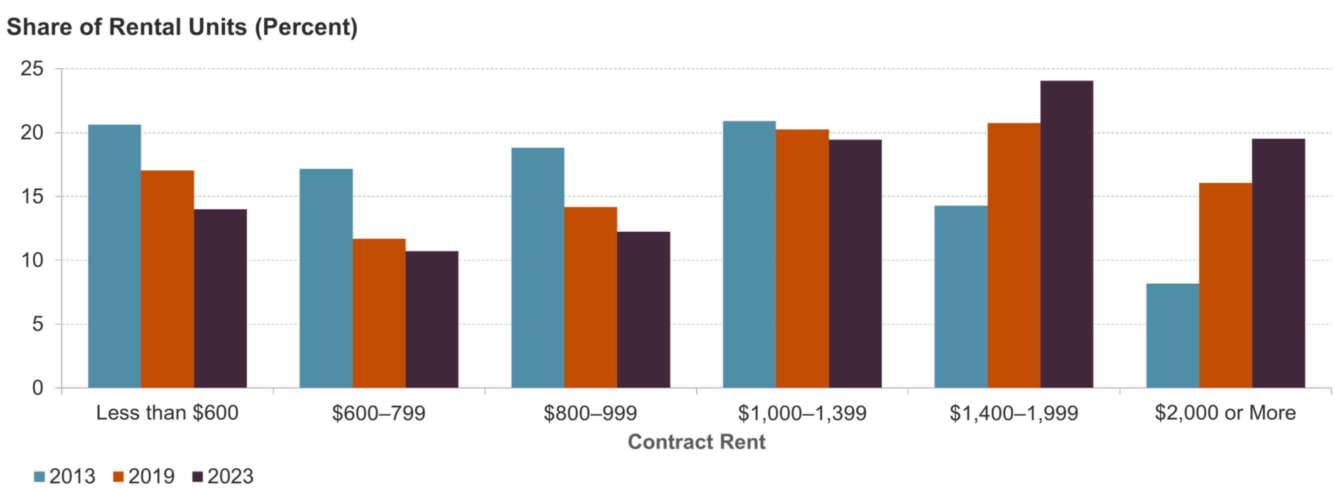
The rise in median rents over time reflects the upward shift in the distribution of rents, a trend that has been especially pronounced in the last ten years (**Figure 6**). The stifled supply of new apartments in some markets and the high cost of construction have contributed to this trend. Additionally, upgrades aimed to attract the growing number of renters with higher incomes and the demolition or removal of units, particularly at the low end of the market, have pushed the rent distribution upward over time. The relatively small amount of funding for subsidized rental housing has further meant that the supply of affordable units for lower-income renters has not meaningfully increased despite rising need.

These factors in combination have resulted in a decreasing number and share of low-rent units. Since 2013, the number of units with contract rents under $1,000 in inflation-adjusted terms has fallen by 7.5 million. These units now make up just 37 percent of rentals, compared to 57 percent in 2013. Included in the 7.5 million loss were 2.5 million units renting for less than $600 and an additional 2.5 million units renting for $600 to $799.

While losses have been concentrated at the low end of the market, net additions have been entirely among units renting for more than $1,400. The number renting for $1,400 to $1,999 has risen by nearly 5 million since 2013, while the stock with rents of $2,000 or more increased by 5.5 million. With these additions and with the loss of lower-rent units, rentals going for $1,400 to $1,999 now make up nearly a quarter of the total stock. A fifth of the stock is comprised of units that rent for at least $2,000, a substantial change from 2013 when just 8 percent fell in this upper band.

FIGURE 6

THE DISTRIBUTION OF RENTS HAS SHIFTED HIGHER



Notes: Rents are adjusted for inflation using the CPI-U Less Shelter. Units that are occupied but do not receive payment are excluded. Contract rents exclude utility costs.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

Looking Forward

Rental market conditions during the pandemic, characterized by a rapid surge in demand that pulled vacancy rates down and pushed rents up at record-high rates, have since turned a corner. Multifamily updates from proprietary companies such as Costar, RealPage, and Yardi have all showed essentially stagnant or easing rent growth on new leases in professionally managed apartments through 2024 as new units have come online, outpacing steady demand. Some markets have even begun to offer lower asking rents as compared to the year prior.

Despite recent slowing growth of asking rents in the professionally managed sector, outright decreases are still rare for most renters. Indeed, according to the Census's Household Pulse survey, a full 41 percent of renters surveyed between January and August 2024 reported that their monthly rent had increased by at least $100 in the last year, while just 2 percent benefited from decreases. This suggests that as existing leases expire, new leases are being enacted at higher rates to bring them up to current market levels. The extent and size of the rent increases that households are still reporting is concerning, and the unaffordability evident in the 2023 data has likely continued.

Slowing construction may also contribute to further unaffordability in the coming years. The current boom in multifamily construction relative to steady demand has helped slow the growth in asking rents over the last year. But relief may be short lived as declining multifamily construction due to high interest rates and lower returns to apartment owners has already begun. While multifamily units are still being completed at a robust rate, starts and permits have dropped considerably. This slowdown in construction will likely contribute to tightening markets that could push rents back up at a faster pace if demand continues to rebound and new apartments are absorbed quickly.

The future state of rental affordability will depend on our ability to increase supply in constrained markets as well as our ability to increase subsidies that offset high rents for lower-income households. Affordability will also depend on the quality of employment opportunities that are available, prevailing wage trends, and the existence of policies that increase household incomes through the tax code or through guaranteed income programs. With rental affordability at an all-time low, the urgency of addressing these challenges is even more heightened.

Endnotes

i Rents, incomes, and income categories in this section are all inflated to 2023 dollars using the CPI-U for All Items.

ii Household Pulse Survey data was collected between January 9 and August 19, 2024.

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