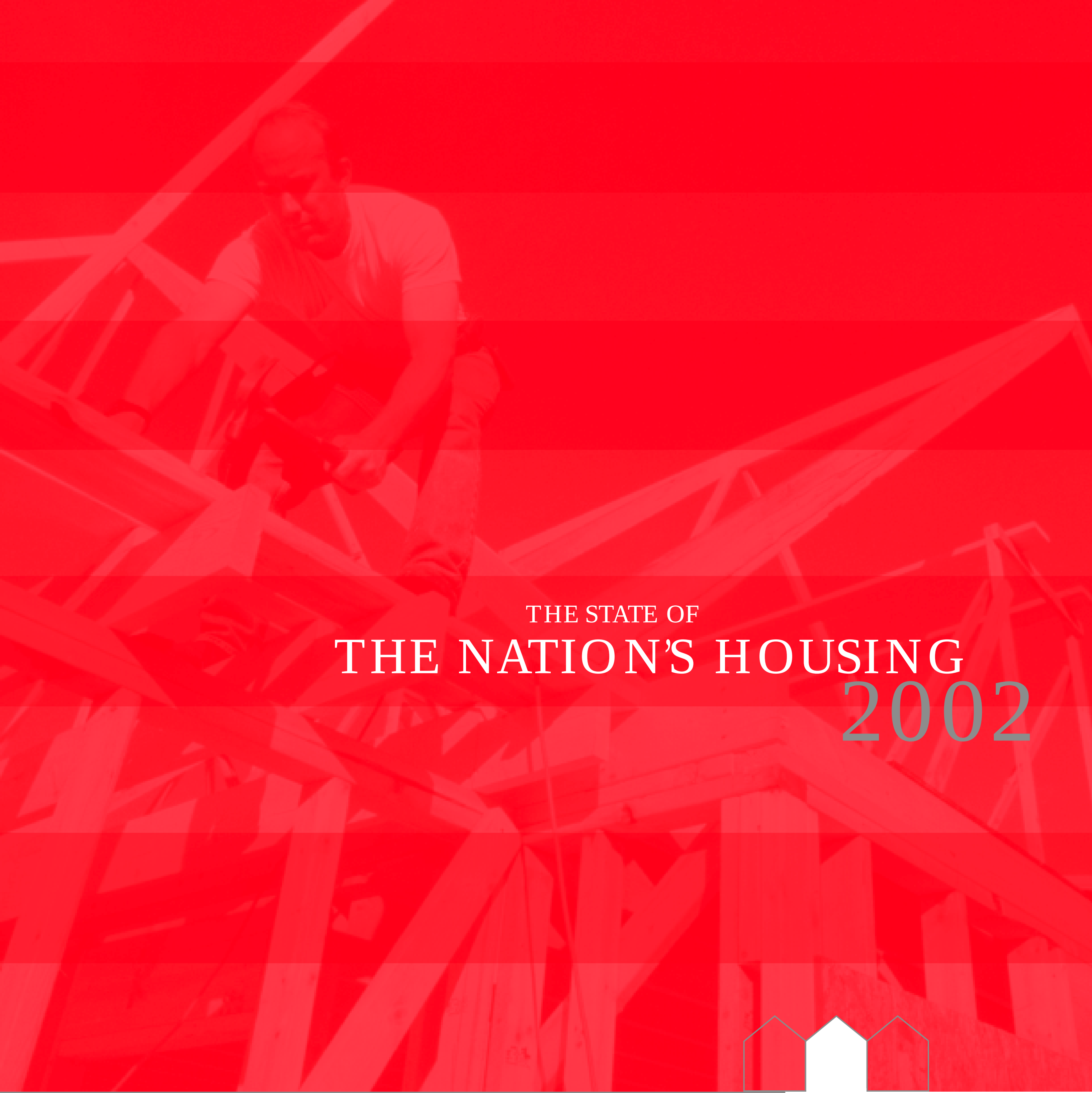

THE STATE OF

THE NATION'S HOUSING 2002

JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

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Graduate School of Design

John F. Kennedy School of Government

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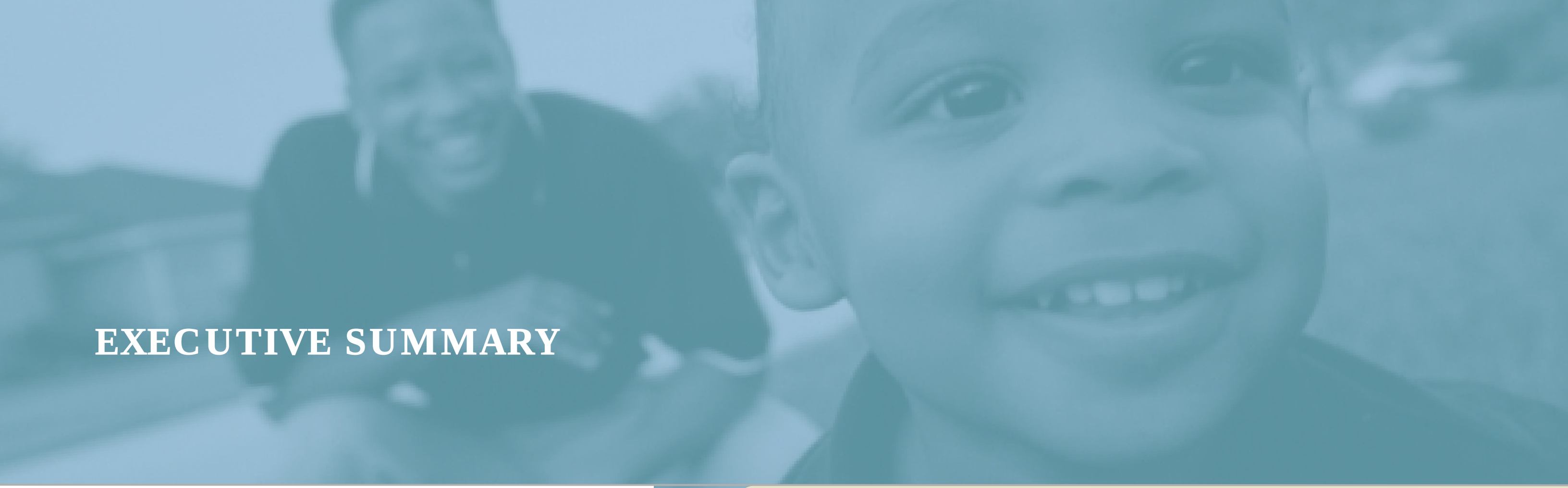


EXECUTIVE SUMMARY

WITH THE ECONOMY EMERGING FROM ITS FIRST recession in nearly a decade, the housing sector continues to display remarkable resilience. Even after the events of September 11th threatened to deepen the downturn, rock-solid home prices and historically low mortgage interest rates helped consumers keep faith in the housing sector. As a result, not only home sales and production but also home improvement spending climbed to record-setting levels by year-end.

Continuing a seven-year surge, inflation-adjusted home prices in 2001 were up fully 5.7 percent from 2000 *(Figure 1)* as more than 70 million homeowners continued to build home equity at astounding rates. Gains realized from the sales of 5.3 million existing homes enabled many households to purchase better houses. Among the approximately 7 million homeowners who refinanced last year, more than half took out cash in the process. Although households that traded up to better homes or cashed out equity added to their mortgage debt, overall home values rose enough last year to offset these increases.

CONSOLIDATING HOMEOWNERSHIP GAINS

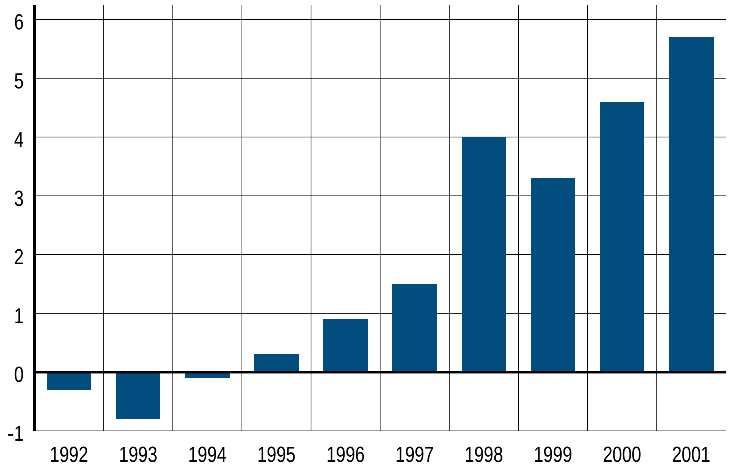
Despite the upward trend in prices, millions of lower-income households have made the transition to homeownership in recent years. Spurred by the strong economy, favorable interest rates and innovations in mortgage finance, the share of home purchase loans going to lower-income households and/or households living in lower-income communities increased steadily over the decade.

This growth, however, has been fueled by the emergence of a dual mortgage delivery system in which new types of lending organizations provide distinctly different mortgage products to lower-income markets than those commonly offered in higher-income markets. In fact, government-backed loans and lending by subprime and manufactured housing specialists account for almost two-thirds of recent increases in lower-income neighborhoods *(Figure 2)*. Conventional prime lending—that is, mortgages with the lowest rates and most favorable terms—accounted for just 37 percent of the growth in lower-income lending, compared with 81 percent of loans to higher-income borrowers in higher-income neighborhoods.

FIGURE 1

Home Prices Continue to Rise Despite the Economic Downturn

Inflation-adjusted Annual Percent Change



Source: Freddie Mac Conventional Mortgage Home Price Index adjusted by CPI-UX.

Innovative financing alternatives have undoubtedly enabled many low-wealth and low-income families to become homeowners who would otherwise have failed to qualify for loans. At the same time, though, defaults are far more common on these higher-cost loans. A prolonged economic downturn could be devastating to those households with limited ability to meet current mortgage payments and equally limited equity or cash reserves to ride out the storm. A major upsurge in foreclosures would not only impose hardship on individual families, but could also destabilize particular communities, dampen home price appreciation, and send buyers—and consumers in general—into hiding. This risk underscores the importance of ensuring that lower-income households have access to financing on the best terms for which they qualify, of rooting out predatory lending practices, and of assisting borrowers trapped in high-cost mortgages.

LONGER-TERM PROSPECTS

As the recovery takes hold, any pressure on housing markets from unemployment-related defaults and foreclosures should ease. Even so, the torrid pace of home price appreciation is unlikely to continue. Home prices nationwide have outdistanced homeowner income growth for several years, particularly in red-hot markets such as San Francisco and Boston. So far, though, low mortgage interest rates have masked the adverse effects of the house price run-up on first-time buyers. Even a moderate rise in rates will therefore expose major affordability problems in some markets.

While the housing market may cool in the near term, favorable demographics should prevent a deep chill. Indeed, Joint Center projections suggest that the number of owners will rise by an average of 1.1 million annually over the next two decades. Much of this growth reflects the dramatic rise in the foreign-born population since the 1970s with the pickup in Latin American and Asian immigration. Today, over one in ten U.S. residents is foreign-born *(Figure 3)*.

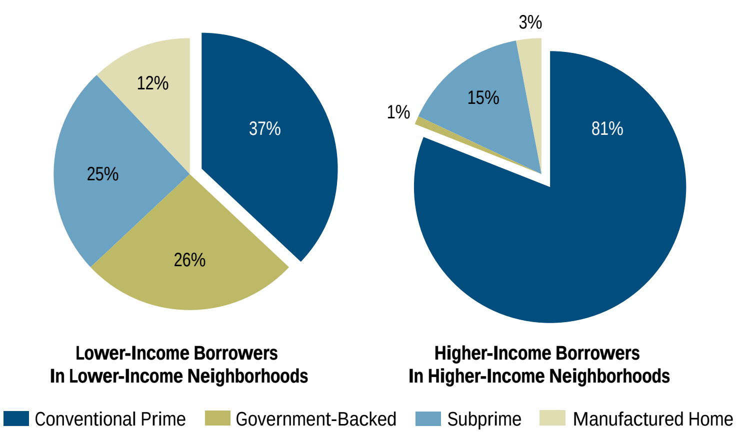
Immigrants and their children are already driving demographic change in the nation as a whole, as well as in many of the largest metropolitan areas. These households are also driving the growing demand for housing, especially for starter homes. Minority homeownership gains began to surge in the 1990s just when the baby bust would otherwise have dampened first-time homebuying activity. As a result, minorities accounted for over 40 percent of net new owners during the past five years.

With growth of the immigrant population likely to continue, the number of minority households is projected to rise by 15.3 million over the next two decades, contributing an astounding 64 percent of household growth. Although many of these minority households will buy homes, their homeownership rate will still lag that of whites by a substantial margin—a reflection of slower gains in income and wealth, along with the limited

FIGURE 2

Expanded Lending to Lower-Income Borrowers Has Fostered a Dual Market

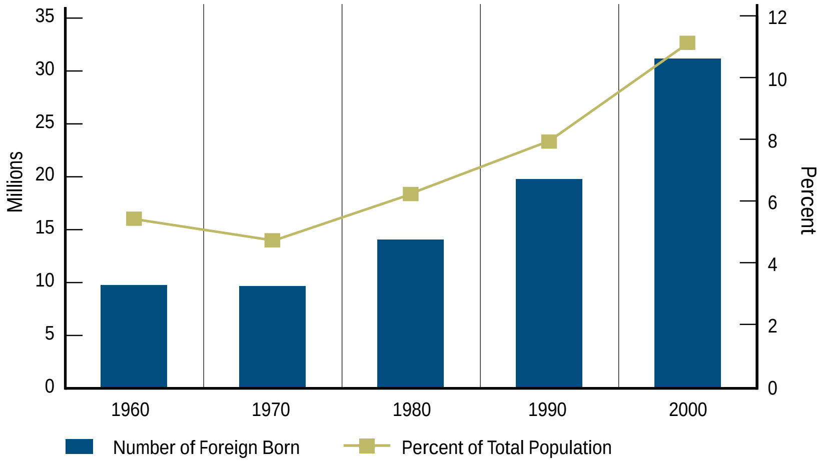
Share of Growth in Home Purchase Lending, 1993-2000



Notes: Lower- (higher-) income borrowers have income of less than (at least) 80% of area median in that year. Lower- (higher-) income neighborhoods have income of less than (at least) 80% of area median as of 1990.
Source: Joint Center for Housing Studies, "The 25th Anniversary of the Community Reinvestment Act: Access to Capital In an Evolving Financial Services System," March 2002.

FIGURE 3

Post-1965 Immigration Has Permanently Altered the Composition of the U.S. Population



Source: U.S. Census Bureau, Population Division.

ability of many immigrant families to buy homes within the first few years of arrival. While participating in the general upward drift in homeownership, minorities will thus come to dominate renter markets. Indeed, with the number of white renters expected to fall and the number of minority renters to rise, minorities will make up more than half of all renters by 2020.

HOUSING AND POVERTY

Even a decade of record economic growth has done little to lift the incomes of the nation's most disadvantaged households. With an average annual income of $10,500 in 2000, households in the lowest 20 percent of the distribution have seen almost no gains since 1975, with slight advances made during periods of strong economic growth later offset during downturns. By comparison, average annual incomes among the top 20 percent have soared an inflation-adjusted 55 percent to $145,600, with a more than 25 percent increase just since 1991 *(Figure 4)*. Although incomes at the low end did rise modestly in the 1990s, last year's slowdown may have reversed the gains as rising unemployment pushed down the earnings of lower-skilled workers.

The inexorable rise in home prices and rents represents a serious challenge for the nation's 20 million lowest-income households. Although the plight of renters receives much attention, the vast majority of lowest-income owners also face severe housing affordability problems. Overall, some 8.6 million renters and 6.4 million owners in this group pay more than 30 percent of their limited incomes for housing and/or live in structurally inadequate or overcrowded homes.

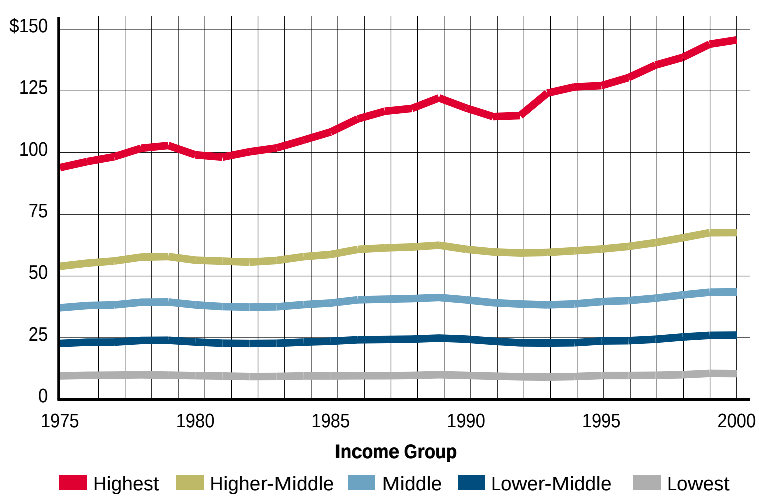
Spatial isolation adds to the difficulty of providing assistance to the nation's lowest-income households. Although some of these families live in small towns and outlying rural areas, many reside in aging and economically distressed central-city neighborhoods. Because most upwardly mobile households are unable to find suitable housing and/or are unwilling to live in high-poverty areas, they leave when they have the resources to do so. This only perpetuates the isolation of disadvantaged households in deteriorating neighborhoods.

As employment and housing continue to shift to suburban and non-metropolitan areas, those left behind in central cities increasingly lack access to the social and economic opportunities—including good-quality housing, healthcare, schools and social services—essential to family stability and wealth accumulation. Programs to expand the supply of affordable rental and owner housing—in city, suburban, and rural areas alike—are vital not only to an effective national housing policy, but also to closing the persistent income and wealth gaps separating the housing haves and have-nots.

FIGURE 4

Income Disparities Have Widened Over the Last Quarter-Century

Average Income by Quintile (Thousands of 2001 dollars)



Note: Each income group contains approximately one-fifth of U.S. households.
Source: U.S. Census Bureau, Income Statistics Division.

HOUSING AND THE ECONOMY

- Consistently contributing nearly one-fifth of Gross Domestic Product, the housing sector helped to ensure the 2001 recession was neither deep nor prolonged.
- Unlike previous national recessions, the recent downturn had no strong geographic focus as housing construction and sales remained healthy in the vast majority of markets.
- Sharply rising home prices and the related surge in household wealth encouraged consumers to continue to spend even as concerns about the recession mounted.
- With 24 million new households expected to form between 2000 and 2020, the housing sector is poised to set new records for production, sales, and aggregate home equity.
- Ongoing efforts to keep interest rates low and to promote the production of affordable housing are critical to sustaining the housing sector's contribution to the overall economy.

EVEN AS THE ECONOMY SLUMPED FOR THE FIRST time since the early 1990s, the national housing market remained buoyant. Sales of new and existing homes did in fact slow immediately after September 11th, as did mortgage applications. But the pull-back was brief and the year ended on a strong note as annual sales of existing single-family homes reached an all-time high of 5.3 million units and annual sales of new homes moved up 3 percent to 906,000 units *(Figure 5)*.

The boom in home sales kept builders busy in 2001. Starts of single-family homes totaled 1.27 million in 2001 in the best showing since 1978, when baby-boomer demand pushed starts above 1.4 million. With a median size of 2,100 square feet, these new homes were larger than ever. In consequence, the total value of single-family construction activity topped $206 billion in 2001, again the highest figure ever recorded *(Table A-1)*.

Spending on additions and alterations also soared to $99 billion, up 10 percent from the previous peak in 1996 and up more than 62 percent since 1991. Last year's record home sales bode well for this type of residential investment, given that many new buyers make improvements to existing homes soon after purchase.

Housing's resilience reflects in large measure the ongoing demand of the baby boomers and their parents for high-quality housing. While most already own homes, many baby boomers decide to trade up to better houses or acquire a second home or retirement property when conditions are right. With interest rates at lows not seen for decades and aggregate home equity at record heights, many decided that 2001 was indeed the right time to buy a new primary residence, to purchase a vacation property, or to make improvements to their current homes.

Nationwide efforts to expand access to mortgage credit, together with the continued growth of the minority middle class, further fueled home sales in 2001. The aging of many immigrant households into the prime homebuying years of 25 to 34 offset some of the dampening effect of the baby bust on starter home sales. In combination, the affluent baby boomers and the growing minority market lifted the national homeownership rate to yet another high of 67.8 percent—an increase of 0.4 percentage point from 2000 and almost 4 percentage points from 1993.

Strong demand pushed the sales price of a typical existing home above $150,000 for the first time ever. With this rapid home price appreciation, the aggregate value of homes in the United States reached a new high of $12 trillion, or more than 30 percent higher than in 1990 in inflation-adjusted terms.

FIGURE 5

Housing Set Records in 2001 Even as the Economy Faltered

	2000	2001	Percent Change
Existing Home Sales	5.15 Million	5.30 Million	2.8
New Home Sales	877,000 Units	906,000 Units	3.3
Homeownership Rate	67.4%	67.8%	0.6
Existing Home Price	$144,531	$152,712	5.7
Home Equity	$6.17 Trillion	$6.68 Trillion	8.3
Mortgage Debt	$4.99 Trillion	$5.30 Trillion	6.2

Note: All dollar figures are in 2001 dollars.
Sources: Table A-1 and Federal Reserve Flow of Funds of Accounts, Table B.100.

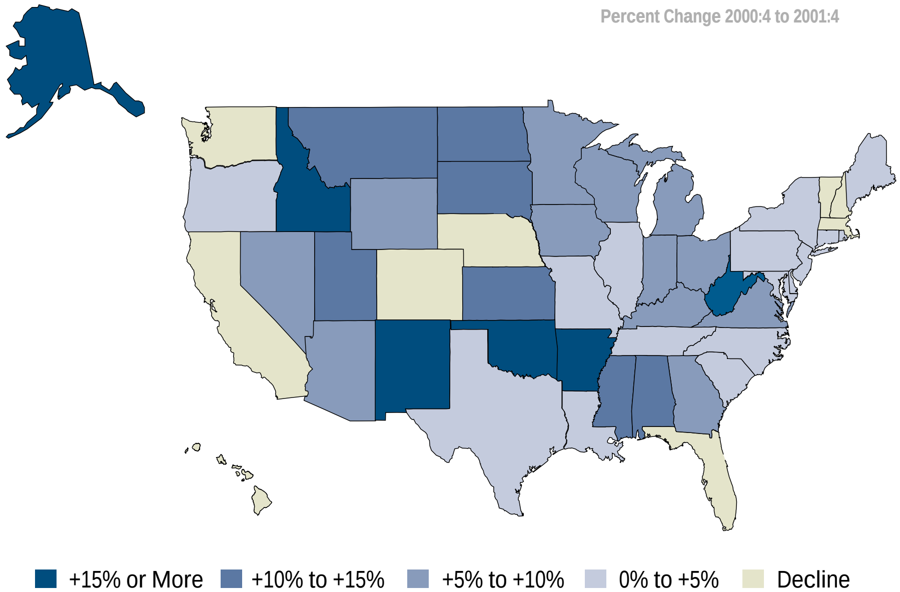
Home equity also soared to a record $6.7 trillion. For those able to afford a home, equity buildup was truly spectacular. For example, buyers who purchased a typical $125,000 home in 1995 and experienced home price appreciation at national average rates saw a $27,000 increase in inflation-adjusted equity by the end of last year. Even those who bought as recently as 1998 had amassed $19,000 by year's end *(Table A-1)*. For owners who made downpayments of 10 percent, these represent stunning inflation-adjusted gains of 215 percent and 142 percent on their downpayments.

Unlike the thriving single-family market, other housing market segments showed little growth in 2001. In the manufactured housing industry, the repercussions from overly generous financing in the mid-1990s continued as many recent purchasers fell behind in their payments or lost their homes to foreclosure. With repossessed homes depressing both sales and prices of new units, manufactured housing placements plummeted from 374,000 units in 1998 to only 186,000 last year. On the multifamily side, slow growth of renter households and rental vacancy rates of 8.4 percent (a 25-year high) led to a modest drop in starts, to 329,000 units.

FIGURE 6

Home Sales Remained Strong Throughout Most of the Country

Percent Change 2000:4 to 2001:4



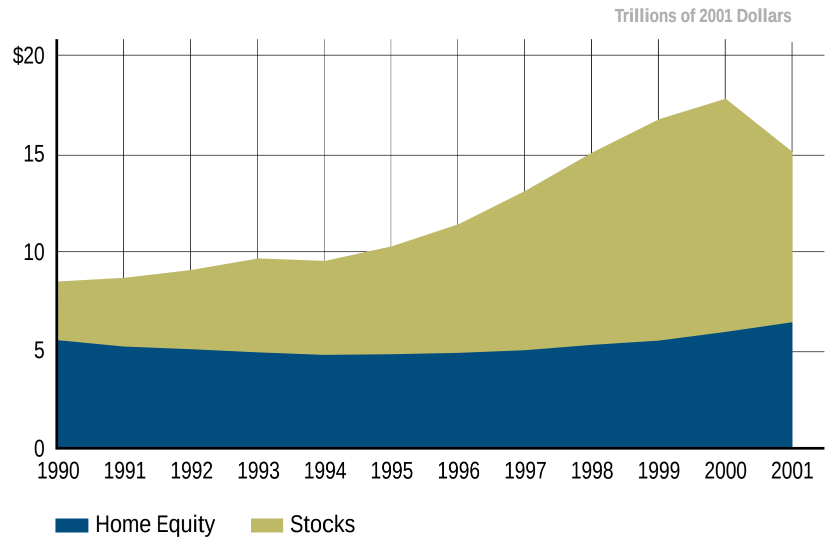
Note: Includes sales of existing single-family homes, apartments, condos and co-ops.
Source: National Association of Realtors.

REGIONAL HOUSING MARKET TRENDS

In contrast to previous national recessions, the 2001 economic retreat had no strong geographic focus. To be sure, the drastic drop in the travel, tourism, and hospitality industries after September 11th, on top of the general downturn in the high-tech sector, hit certain metropolitan areas and selected non-metro resort communities particularly hard. Nevertheless, these declines had only limited impact on regional economies and did little to dampen housing activity in most locations. Even at year-end when the national economy seemed most vulnerable, home sales increased in all but 10 states *(Figure 6)*. Led by the strength in America's heartland, year-over-year sales in the fourth quarter were up more than 5 percent in 25 states.

FIGURE 7

Home Equity Is Stable and Growing



Note: Stocks are corporate equities and mutual fund shares held by households and nonprofits. Home equity is for households only.
Source: Federal Reserve Flow of Funds of Accounts Table B.100, adjusted by CPI-UX.

Steady demand meant that price appreciation was also widespread. The nation's 48 largest metropolitan areas all registered price increases in 2001, with 28 reporting all-time highs *(Table W-1)*. The strength of demand for recreation and retirement housing also pushed up prices in selected non-metropolitan areas, several of which posted new peaks as well.

The pace of new home construction was also solid in most states. In contrast to the 1980s when new construction activity swung from boom to bust and back again, housing demand in the past five years has been remarkably stable in most areas. This stability, together with the introduction of more sophisticated market assessment tools, has enabled homebuilders to keep inventories low and thus avoid the problems that had previously led to periods of overbuilding, followed by sudden cutbacks in production.

Sustaining this robust demand in markets across the country, of course, depends on future trends in income and mortgage interest rates. Significant interest-rate increases, in combination with persistently high unemployment, could add pressure to the affordability of homes for younger first-time buyers—and even prevent many lower-income and minority households from buying homes all together. Interest rates approached 7.2 percent in late March 2002, almost three-quarters of a percentage point above their low in early November 2001. Even so, with many households concerned that rates may move up further as the economy regains steam, the pace of home sales and home construction remained brisk in early 2002.

Meanwhile, home refinancing activity should moderate in 2002. Last year, fully 88 percent of all borrowers took out fixed-rate loans to lock in mortgage interest payments at historically low rates *(Table A-4)*. Absent an unprecedented decline in interest rates, refinancing activity in 2002 should therefore slow from last year's frenzied pace.

THE IMPORTANCE OF THE HOUSING SECTOR

Residential investment, housing consumption, and housing-related expenditures together account for nearly one-fifth of GDP. Residential investment—which includes construction of site-built and manufactured housing, expenditures for home remodeling, real estate brokers' commissions on home sales, and purchases of equipment for rental dwellings—makes up about 4.0 percent of GDP. Add to this rent payments and the imputed housing benefits generated by owner-occupied properties and the share increases to 12.5 percent. And when spending for heat, utilities, home operation, appliances, and furnishings is included, the total contribution of the housing sector approaches 20 percent of GDP.

The housing sector is also important to state and local economies. Construction activity creates jobs and adds to tax revenues. In addition, direct expenditures for homebuilding benefit the local economy as firms and their employees purchase locally produced goods and services. According to National Association of Home Builders (NAHB) estimates, production of 1,000 typical single-family homes generates 2,448 jobs in construction and construction-related industries, approximately $79.4 million in wages, and $42.5 million in federal, state, and local tax revenues and fees. The economic impact of constructing 1,000 multifamily units is about half as large, given that housing of this type is typically smaller and has fewer amenities.

Housing's economic impact does not end there. In the first 12 months after purchasing a new home, NAHB estimates indicate that the typical owner spends $8,900 on furnishings and improvements. Among those who buy existing homes, expenditures average nearly $7,800. There is little question that last year's strong home sales therefore bolstered not just the housing construction and construction-related industries, but also the manufacture of furniture, appliances and other housing-related durable goods.

In addition, some 7 million homeowners refinanced their mortgages in 2001, with over half taking out cash in the process. The cash generated by these refinancings—estimated by Fannie Mae to exceed $80 billion—became available just as the economy seemed poised to fall into a deep recession. Even for owners who did not refinance, the upsurge in home equity buoyed consumer confidence. Despite the deteriorating economy and the distressing events of September 11th, households therefore continued to spend more on goods and services than they might have otherwise.

HOUSING AS A FINANCIAL ASSET

For most of the two-thirds of American households that are homeowners, home equity is by far their single most important asset *(Figure 7)*. In fact, in 1998 half of all homeowners held at least 50 percent of their net wealth in home equity. In comparison, less than half of U.S. households hold stocks; of those, the top one percent own more than one-third of the total value. Moreover, while the 1990s bull market substantially increased the value of stocks as a share of household assets, many of these gains were erased after 1999.

The upsurge in value of both stocks and homes over the past decade dramatically improved owners' ability to weather the recent downturn. Along with income growth, gains in household wealth have a major impact on consumption. This so-called "wealth effect" clearly sustained the consumer demand that fueled the record expansion of the 1990s.

Recent analyses by the Federal Reserve Board suggest that about 20 percent of all consumer spending is linked to changes in household wealth. With wealth contributing so significantly to consumption, the stock market dive raised concerns about massive cutbacks in spending. Fortunately, though, these fears went unrealized because households apparently tie their spending more to housing wealth than to increases in other forms of wealth, such as stocks or bonds.

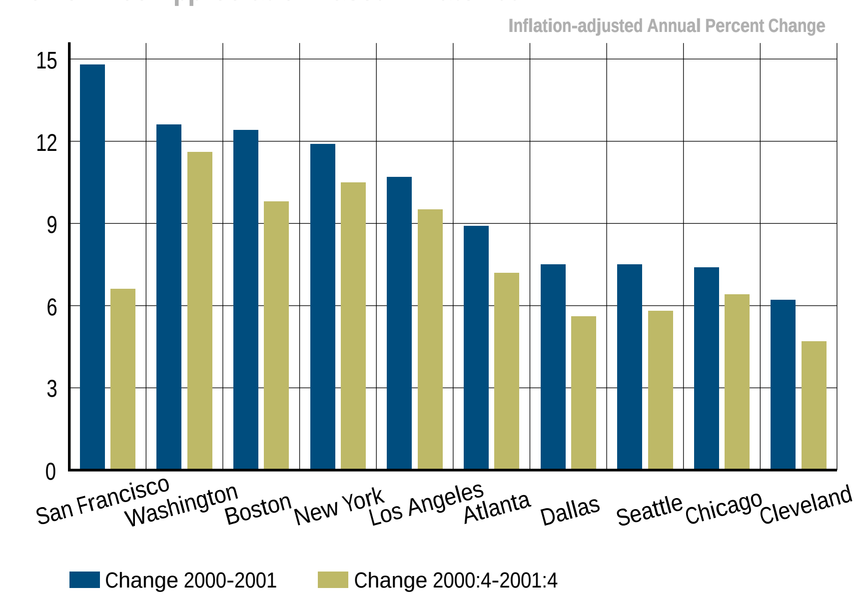
Furthermore, the Fed estimates that every $1,000 gain realized from a home sale boosts spending by as much as $150. In contrast, every $1,000 stock market gain generates only $30 to $50 in additional spending. As a result, the strong growth of home equity in 2001 undoubtedly helped to sustain consumer spending and offset the weakness in other sectors of the economy.

THE HOUSING OUTLOOK

While remarkably resilient for nearly a decade, the housing sector began to show some of the same weakness evident elsewhere in the economy by the end of 2001. Home price appreciation

FIGURE 8

Home Price Appreciation Eased in Late 2001



Source: Freddie Mac Conventional Mortgage Home Price Index.

slowed to a more modest pace, particularly in such overheated markets as San Francisco and Boston, which were hard-hit by the high-tech collapse *(Figure 8)*.

Although it limits equity buildup for current owners, some moderation in home price appreciation is a blessing to potential first-time buyers who are struggling to save for the downpayment and qualify for a mortgage. Highlighting this challenge, house prices in 8 of the nation's 50 largest metropolitan areas have risen an inflation-adjusted 30 percent or more since 1997. In San Francisco, home prices soared over 55 percent—more than two-and-a-half times faster than income growth *(Figure 9)*. There, less than 10 percent of all homes are affordable to households with median incomes.

In other locations, house price appreciation was more subdued. In combination with low mortgage interest rates, this moderation kept homeownership affordable. As the economy recovers, income growth should accelerate. Unless home price growth slows and interest rates remain low, however, the affordability crunch may well spread to additional housing markets.

Over the longer term, the housing outlook remains bright with about 1.2 million net new households expected to form each year through 2020. Reflecting the growing immigrant and minority populations, Joint Center projections suggest that homeowners will account for the lion's share of household growth, rising in number from just over 70 million in 2000 to 92.3 million by 2020 *(Table A-6)*.

Producing housing for the burgeoning number of U.S. households, together with meeting baby-boomer demand for vacation and retirement homes and replacing units lost from the stock, calls for average annual construction of 1.7 million new homes and apartments in the decades ahead. Add to this the enormous investment required to maintain and upgrade the existing inventory of homes and it is clear that housing will remain a key driver of the economy for the foreseeable future.

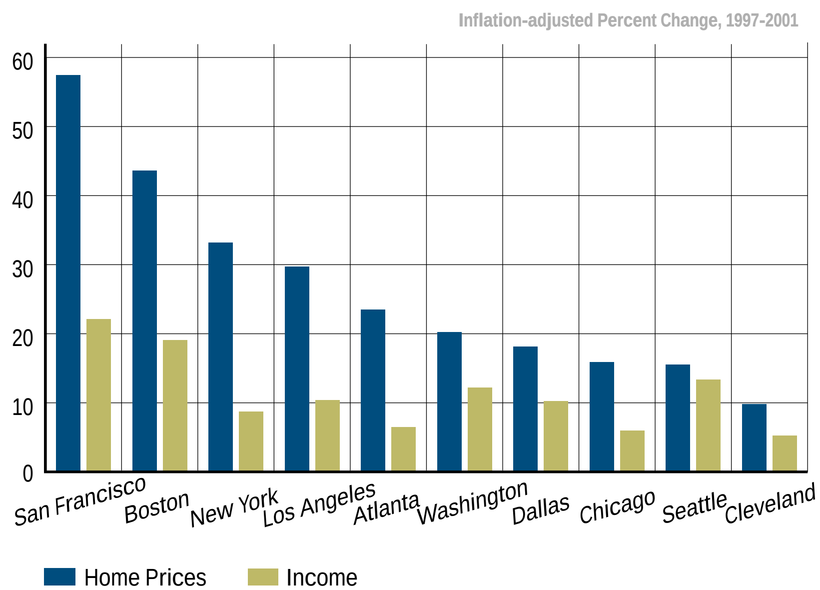
CONCLUSION

With more and more owners benefiting from rapid home price appreciation, housing wealth has emerged as a critical determinant of consumer spending. Home equity provides families the resources to finance their children's education, trade up to better homes, build financial resources for retirement, and purchase major goods and services.

At the same time, rising home prices of course undermine affordability. Fully realizing the contribution of the housing sector to the overall economy therefore requires efforts to keep interest rates low as well as initiatives to promote production of affordable housing.

FIGURE 9

Home Prices Have Outpaced Income Growth in Many Metro Areas



Sources: Freddie Mac Conventional Mortgage Home Price Index and Bureau of Economic Analysis' Regional Accounts Data, adjusted for inflation by CPI-UX. See also "Home Price Bubble Babble," *Housing Economics*, April 2002.

DEMOGRAPHIC DRIVERS

- Inequality of income and wealth threatens to widen the gap between those who can and those who cannot afford decent housing.
- The movement of high-income households into formerly low-density areas is transforming communities on the metropolitan fringe.
- With the exodus of upwardly mobile households from low-income neighborhoods, the nation's most disadvantaged families remain isolated in deteriorating central cities.
- Accounting for almost two-thirds of household growth, minorities will make up more than half of all renters and a quarter of all owners by 2020.
- Regardless of the pace of future immigration, foreign-born residents and their children have already altered—and will continue to alter—the composition of the U.S. population.

AMERICA'S HOUSEHOLDS ARE INCREASINGLY diverse. Fully 3.5 million of the 6.0 million net households added over the past five years are headed by minorities. During this period, the number of Hispanic households rose 19 percent, Asian/other households (combining Asians, Native Americans and others) 23 percent, and black households 9.5 percent. By comparison, the increase in non-Hispanic white households was just 3.3 percent.

The disproportionately large increase in minority households primarily reflects high rates of immigration. Today, one in five U.S. households is headed by either a foreign-born individual or a first-generation American. Immigrant shares do, however, vary widely by race and ethnicity. In 2001, immigrants accounted for 64 percent of all Asian/other households, but just over half of all Hispanic households and less than 10 percent of black households.

Of equal significance are changes in family types. Between 1996 and 2001, the number of married-couple families grew by only 2.5 percent. In contrast, the number of "non-family" households (consisting of a single person or two or more unrelated individuals) rose 11 percent, while family households headed by unmarried persons (typically single parents) increased 8.2 percent.

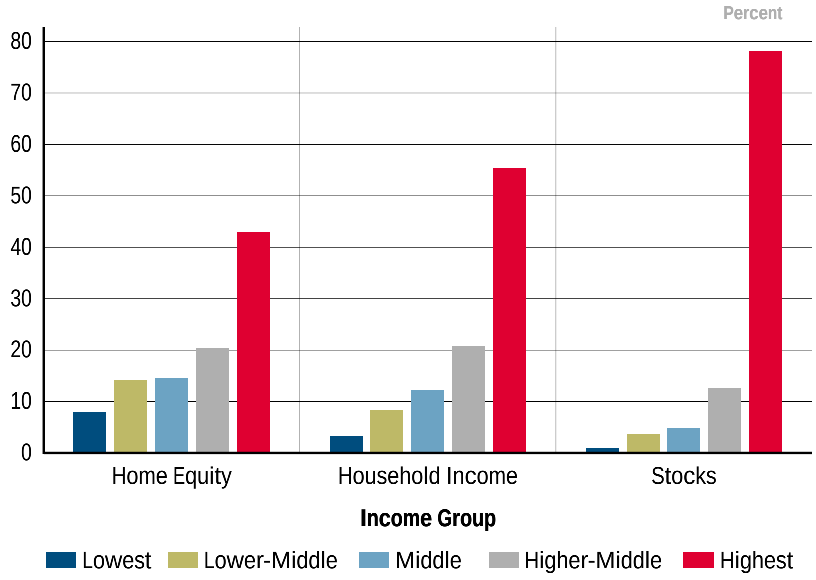
PERSISTENT DISPARITIES IN INCOME AND WEALTH

Over the past two decades, the U.S. labor force has become increasingly divided between workers who are well-educated and well-paid, and those who are poorly educated and poorly compensated. This polarization has led to a sharp shift in the distribution of household income. At one extreme, the 20 percent of households in the lowest group collectively have average incomes of just $10,500 and receive less than 4 percent of all income earned in the United States. Meanwhile, the top 20 percent of households have average incomes of $145,600 and claim about 55 percent of total household income.

Interestingly, home equity is more evenly distributed than either income or stock market holdings *(Figure 10)*. While only half are

FIGURE 10

Home Equity Is Broadly Distributed Across Income Groups



Note: Each income group contains approximately one-fifth of U.S. households.
Source: Joint Center tabulations of the 1998 Survey of Consumer Finances.

homeowners, the nation's lowest-income households as a group held a larger share of total home equity in 1998 than of either income or stock market wealth. Indeed, for many lowest-income households—and especially the lowest-income elderly—equity in their homes is their principal financial resource.

Overall, though, most wealth is highly concentrated in the hands of older white households. As of 1998, whites aged 55 and over held more than half the nation's net household wealth. The median wealth of all black and Hispanic households was less than one-fifth that of white households. For blacks, the persistent gap in income and wealth is in part the enduring legacy of decades of limited homeownership opportunities.

As affluent seniors begin to pass their wealth onto their children, the housing market impact of these transfers will be significant. For younger households, receiving financial help from their parents can make the difference between being able to buy a home of their own or continuing on as a renter. Joint Center for Housing Studies research suggests that as many as one in five first-time homebuyers receive funds from a relative or friend for the downpayment. These financial transfers average more than half the downpayment amount. In fact, many younger homebuyers continue to receive financial support from their parents—including mortgage assistance—several years after buying a first home.

Inherited wealth also enables current homeowners to trade up to bigger or better homes or to substantially improve their existing ones. The available evidence indicates that one in nine households owning second homes inherited them directly. Many others use their inheritances to purchase second homes of their own.

With whites controlling 92 percent of all household wealth and 89 percent of all home equity, it follows that they are twice as likely as blacks and other minorities to receive transfers. Furthermore, the amount they typically receive is also twice as large. While many minority households will succeed in buying homes and building wealth on their own behalf, intergenerational transfers give young white adults a significant head start that enables them to acquire better first homes and to do so earlier. This advantage will inevitably widen already substantial disparities in wealth.

THE IMPACTS OF SPRAWL

After slowing somewhat in the 1980s, spatial decentralization picked up pace in the 1990s. Non-metropolitan areas added jobs rapidly with the growth of new technology and manufacturing centers in previously remote locations. Construction and service sector jobs also increased in lower-density recreational and retirement communities, especially in the South and West. With job growth in higher-density counties lagging far behind, the share of overall employment located in major urban centers continued to fall over the decade.

Strong employment growth in lower-density areas has been matched by an influx of new residents, primarily domestic migrants from higher-density areas. With this ongoing shift, many core urban areas have lost population over the past 30 years. These declines would have been even larger without immigration. In fact, 43 percent of recent foreign immigrants settled in the nation's 38 highest-density counties—the same areas domestic out-migrants have abandoned in droves.

In combination, the departure of the native-born population and the arrival of the foreign-born population have transformed the racial composition of core urban areas. The Brookings

Institution reports that 71 of the nation's 100 largest cities lost at least 2 percent of their white populations during the 1990s. In 20 cities, the decline exceeded 20 percent. Little wonder that by 2000, minorities constituted a majority of the population in 48 of the 100 largest cities, up from 30 just a decade earlier.

In the meantime, the movement away from core areas has transformed many sparsely populated rural settlements into communities with suburban or even urban densities. As part of an ongoing study of urban sprawl, the Joint Center is examining development patterns in formerly low-density communities outside Atlanta, Boston, Dallas, Los Angeles, and Washington, D.C. Population in these communities broke the 200 persons per square-mile threshold during the 1970s and continues to grow today. By the year 2000, the locations outside Atlanta, Dallas, and Los Angeles had reached residential densities of more than 1,000 people per square mile. Growth in the communities outside Boston and Washington, D.C. was somewhat more subdued, in part because of slower metropolitan area population growth and restrictive land use policies *(Figure 11)*.

As these fringe areas attracted population, their socioeconomic character changed dramatically. New residents were better educated and held white-collar jobs. Income in the formerly low-density areas rose from below the metropolitan area average to well above it. Rising incomes in turn triggered higher home prices and rents, resulting in higher housing cost burdens and/or the displacement of lower-income residents.

This long-term process, known as sprawl, is transforming the backcountry of America. Affluent, highly educated pioneers move into rural or semi-rural areas and redefine them as places that are home to urbanites. Encouraged by this redefinition, the trickle of new people becomes a flow and the areas are further redefined. As population growth picks up momentum, upper-middle-class and middle-class families move in. Eventually new urban areas are born.

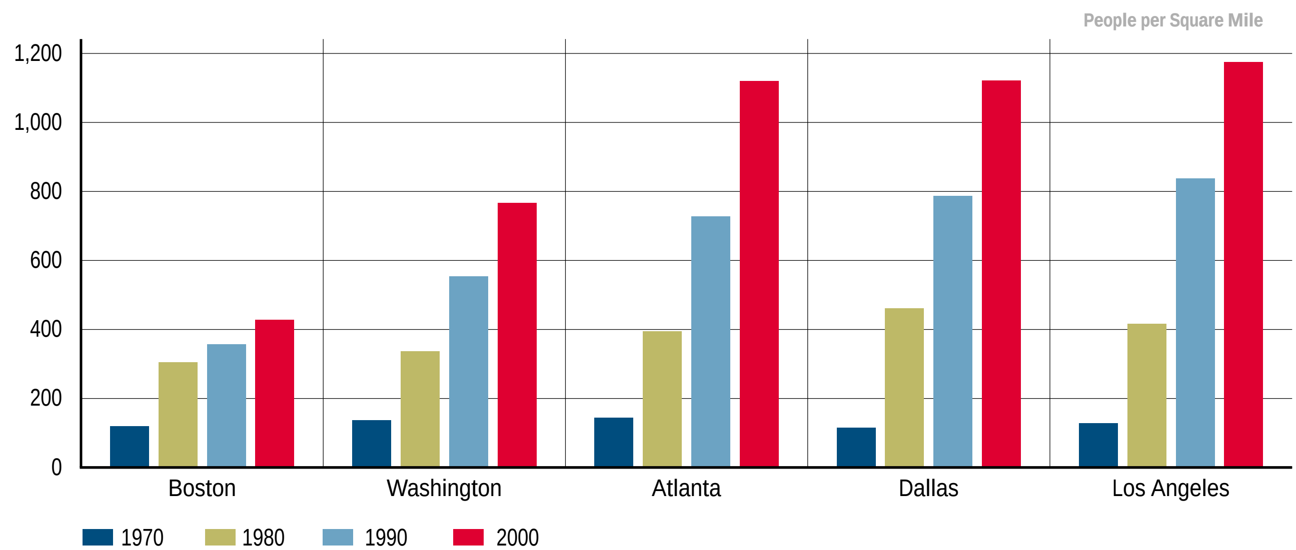
ISOLATION OF THE DISADVANTAGED

With the departure of higher-income households from central cities, disadvantaged households have become increasingly isolated in deteriorating core areas. In the nation's largest metropolitan areas, a quarter of all homeowner families and more than a half of all renter families reside in the central city. The central-city share of lower-income renter families—especially minorities or families with children—is larger still *(Figure 12)*.

The concentration of lower-income minority families in central cities poses difficult housing challenges. As employment and housing construction continue to move outward, those left behind in core areas must live in an older, often deteriorating housing stock. Unfortunately, the number of lenders willing to fund the construction or rehabilitation of affordable housing in older neighborhoods, and of individuals willing to invest in these areas, is few. In addition, even when subsidies can be procured, the relatively high cost of urban redevelopment makes many projects unfeasible.

FIGURE 11

Sprawl Has Transformed Many Low-Density Communities on the Metropolitan Fringe



Note: Chart depicts population densities each decade for census tracts with less than 200 people per square mile in 1970.
Source: Alexander von Hoffman, "The Patterns and Process of Sprawl," Joint Center for Housing Studies (forthcoming).

One bright note is the highly visible rebound of many downtowns and other sections of major cities. In a recent review, Fannie Mae Foundation researchers found that 18 of the 24 large metropolitan areas under study had seen population growth in their downtown areas during the 1990s. Moreover, higher-income whites appear to be leading the movement back to urban living.

It is important to note, however, that the numbers of higher-income households moving back to the city are modest: downtowns included in the study were typically home to less than one percent of metropolitan area populations. This small shift may nevertheless signal the onset of a broader movement. To the extent that the emerging downtown revival does spill over to other urban neighborhoods, it could enhance the image of the city as an attractive place to live and work. By doing so, it may bring more people and jobs back to the city and, in the process, reduce the isolation of disadvantaged households.

THE NEXT TWO DECADES

Over the next 20 years, the number of U.S. households will likely increase 22.6 percent to 129 million. Minorities will account for almost two-thirds of this growth, climbing 59 percent to over 41 million households. At the same time, the number of non-family households will most likely rise by 9.4 million (28 percent). By 2020, the 43 million non-family households will thus make up a third of all households.

These changes in the race, ethnicity, and family structure of households will substantially alter the characteristics of homeowners. After dominating the homebuyer market throughout the postwar period, white families will account for less than 30 percent of the 22.2 million net new homeowners added by 2020. The number of minority homeowners will increase by 10.4 million to 22.5 million over this period, lifting the minority share of all owners to 24 percent *(Figure 13)*. Non-family homeowners will also increase in number by 7.8 million, or 45 percent.

Meanwhile, growth in the number of renter households is expected to be moderate, up 1.6 million to 37 million. Once again, minorities will lead the way. By 2020, minorities are projected to head more than half of all renter households. With the total number of renter families holding steady, non-family renters will also make up a growing share, increasing 10 percent to 18 million.

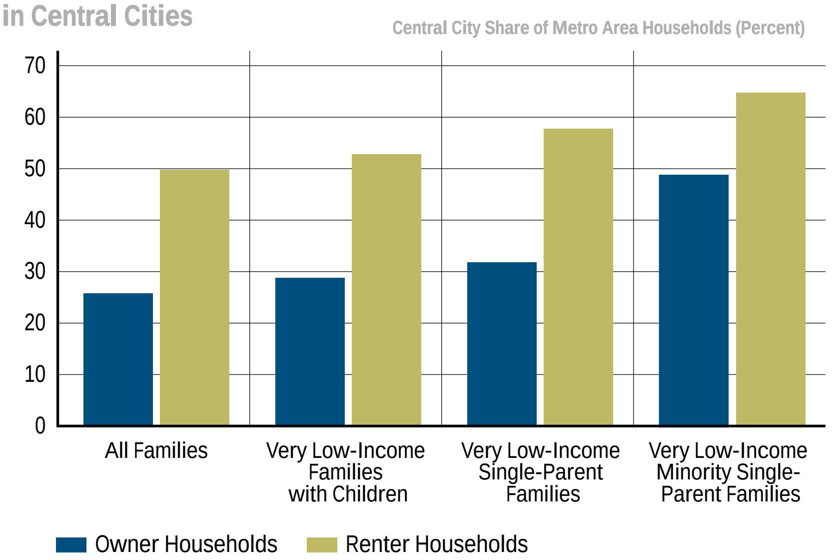
THE ENDURING IMPACTS OF IMMIGRATION

Household projections of course depend on long-term trends in both native- and foreign-born population growth. While it is difficult to predict future changes in immigration policy, it is evident that the foreign-born population will remain a powerful driver of household growth in the United States. Even if the Census Bureau's most likely (baseline) projection is correct in assuming that annual net immigration falls 25 percent over the next 10 years and then holds steady, immigrants will still account for a third of the net growth in Hispanic households and almost two-thirds of the net growth in Asian/other households.

U.S. household growth will in fact proceed strongly regardless of immigration policy. For example, if the cutback in annual net immigration were 50 percent rather than 25 percent, the projected number of new households would be about 78,000 lower each year. While this low immigration projection translates into 1.6 million fewer households over the next 20 years, overall household growth would still total 22.2 million *(Figure 14)*. Alternatively, if net immigration holds constant near its current average of 1.0 million annually, the number of net new households would be 78,000 higher than predicted. This implies total household growth of

FIGURE 12

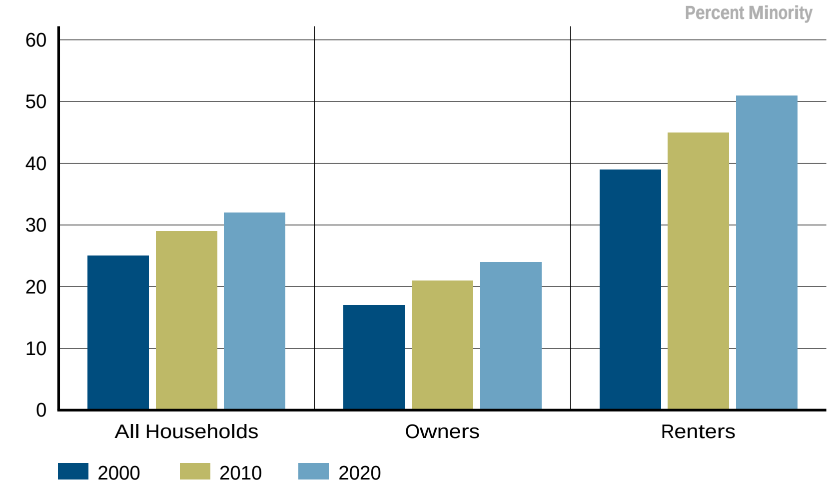
The Most Disadvantaged Metro Area Households Reside in Central Cities



Notes: Very low-Income is defined as less than 50% of area median income. Data include the 123 MSAs with population of 500,000 or more in 2001. Minority families include all households other than non-Hispanic whites.
Source: Joint Center tabulations of the 2001 Current Population Survey.

FIGURE 13

Minorities Will Continue to Lead Household Growth



Source: Table A-6.

25.4 million over the next two decades. Neither of these outcomes represents a significant departure from the most likely estimate of 23.8 million households.

The reason why changes in projected immigration flows do not significantly affect the outlook for household growth—and particularly for its increasing diversity—is that there are so many immigrants and their children already residing in the United States. For example, Hispanics now living in this country will account for two-thirds of the almost 8 million Hispanic households formed over the next 20 years.

Household projections also depend on the assumptions used. Prepared periodically by the Joint Center for Housing Studies, these projections are based on a careful assessment of recent and likely future trends in household formation and tenure choice for population classified according to demographic characteristics such as race/ethnicity, family type, and age cohort (i.e., individuals born within a given five-year period). The forecasts assume a "middle-level" of economic activity, with future economic conditions expected to be somewhat less favorable than in the late 1990s (a period of sustained economic growth) but more favorable than in the early 1990s (a period of more limited growth). Of course, a more dramatic expansion or contraction of the economy could produce more or less robust outcomes than the household projections discussed here.

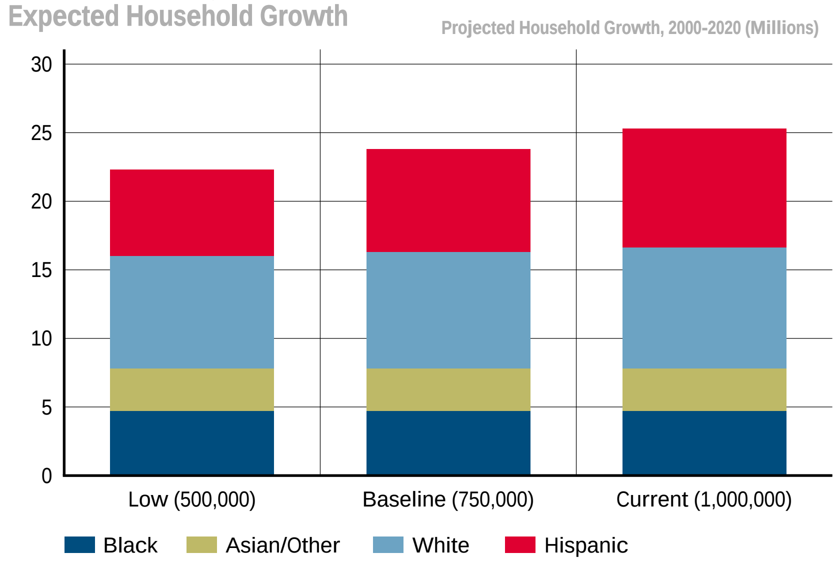
CONCLUSION

The composition of U.S. households is undergoing rapid change as both the number and share of minority and non-family households increase sharply. Anchored by recent immigrants and their children, this diversity is now a permanent feature of the U.S. landscape.

At the same time, the persistent inequality of income and wealth between owners and renters, as well as between whites and minorities, threatens to widen the gap between those who can afford decent housing and those who cannot. These demographic trends have important implications not only for future housing markets, but also for policies to expand affordable rental housing and homeownership opportunities for an increasingly diverse population.

FIGURE 14

Alternative Immigration Projections Have Only a Modest Impact on Expected Household Growth



Source: Table A-7.

HOMEOWNERSHIP

- Historically low mortgage interest rates helped to lift the national homeownership rate to a new high of 67.8 percent in 2001.
- After contributing strongly to homeownership growth in the 1990s, manufactured housing is now correcting for market unbalances created by overly aggressive lending to low-income households.
- Despite rapid gains in the number of minority homeowners, the gap in homeownership rates between minorities and whites will persist in the years ahead.
- Regulatory oversight has not kept pace with dramatic changes in the mortgage lending industry, including the rapid growth of subprime lending to lower-income borrowers.
- The growing number of low-income borrowers with thin equity cushions, along with the increased use of high-cost mortgage products, may undo recent homeownership gains and introduce new risks to the overall housing market.

HOMEBUYERS RECEIVED HELP LAST YEAR FROM mortgage interest rates averaging nearly a full point below 2000 levels. Overall, the monthly after-tax cost for buyers purchasing a typical home fell $22 to $821 *(Figure 15)*. In combination, lower interest rates and modest income growth cut monthly mortgage payments from 19.2 percent of the typical buyer's income in 2000 to 18.5 percent in 2001, even as home price appreciation outpaced household income growth for the fourth straight year.

Improved affordability prompted strong demand from first-time buyers, particularly among racial and ethnic minorities. The total number of U.S. households owning homes reached a new peak of 72.6 million in 2001—a record-setting 67.8 percent. The net increase since 1994 totals 9.5 million homeowners, with minorities accounting for fully 40 percent of the gain. To put their contribution in perspective, minorities still represent just 17 percent of owner households and 25 percent of all households.

Some 7 million homeowners also took advantage of low rates to refinance their mortgages, most of which were loans taken out since 1998. According to Federal Reserve Board analyses, borrowers used most of the money generated by these "cash-out refis" to pay down higher-cost consumer debt, purchase consumer durables, and make home improvements. House price appreciation and low interest rates also allowed other homeowners to lower their monthly housing outlays by replacing higher-cost mortgages with loans at historically low rates.

THE ROLE OF THE MORTGAGE FINANCE INDUSTRY

Expanded lending to lower-income borrowers, along with lending to riskier borrowers, helped support the strong growth in homeownership in the 1990s. Mortgage companies specializing in subprime loans made astonishing gains, increasing their share of home purchase mortgages from just 1 percent in 1993 to 13 percent in 2000. While far higher in certain submarkets, the share of government-backed loans averaged 12-14 percent over this period. For example, nearly half (44 percent) of home purchase loans made to black borrowers in 2000 were government-backed, with another 14 percent made by subprime specialists. Comparable figures for home purchase loans to Hispanics are 40 percent and 9 percent.

Meanwhile, industry consolidation has produced mortgage giants that now make tens of thousands of loans each year. For the first time ever, 25 institutions made at least 25,000 home purchase mortgages in 2000. These lenders accounted for more than half of all home purchase loans. As recently as 1993, only 13 institutions operated at this scale, collectively originating 23 percent of home purchase mortgages. Brutal competition and the cost savings resulting from economies of scale—along with incentives created by the Community Reinvestment Act (CRA) and fair lending regulations—have encouraged these giants to expand into lower-income and minority markets.

Unfortunately, regulatory oversight has not kept pace with these mortgage industry changes. A growing share of all home purchase loans, including the vast majority of high-cost subprime loans, are made by lenders that are not subject to detailed CRA scrutiny. Despite the growing popularity of these new mortgage products, surprisingly little is currently known about these loans. Although the Federal Reserve Board recently announced that it will start collecting data on high-cost lending, this information will not be available to the public for several years. Nevertheless, the rise of predatory practices in the subprime sector is already raising calls for Congress to pass new legislation to expand consumer protections.

THE CONTRIBUTION OF MANUFACTURED HOUSING

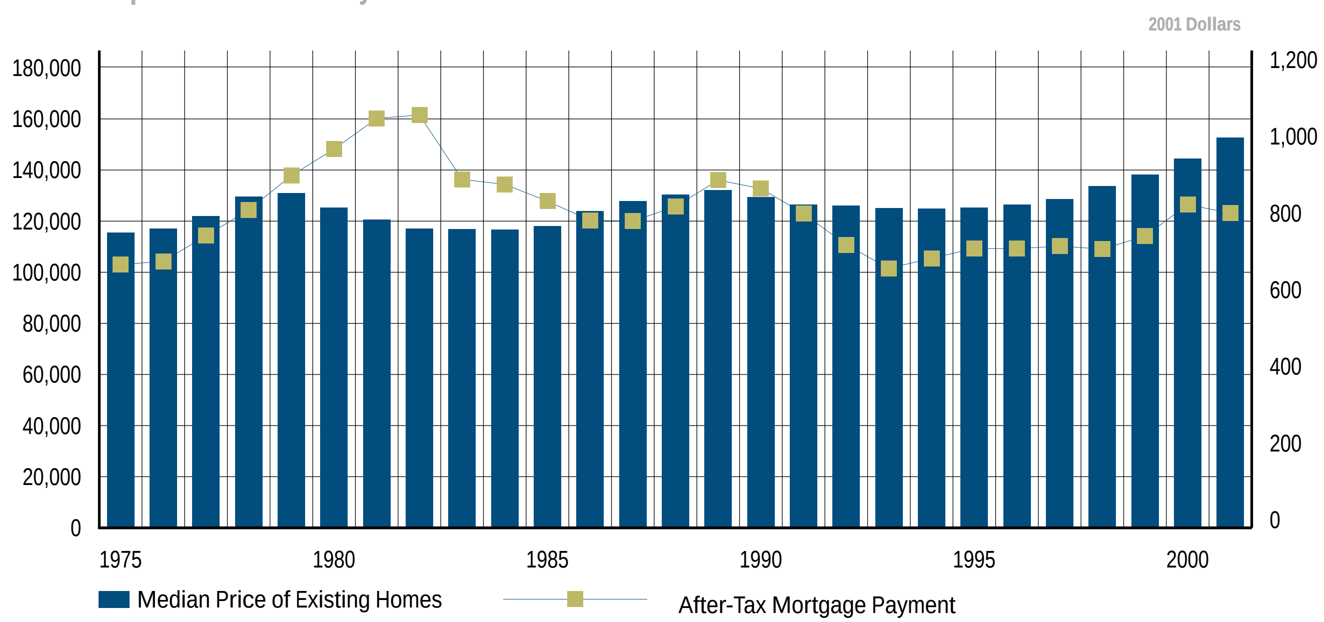
Recent events in the manufactured housing sector illustrate both the benefits and potential risks of expanded credit access for lower-income borrowers. Spurred by readily available financing, 17 percent of net new homeowners added from 1993 to 1999 purchased manufactured homes *(Figure 16)*. Even more impressive, manufactured housing was responsible for 35 percent of the growth in homeownership in non-metropolitan areas and 23 percent of the gains among very low-income households. Manufactured housing's share of growth in the South was 30 percent overall and fully 63 percent in rural areas.

Both the character and quality of today's manufactured units have improved markedly from previous decades. The typical manufactured home now has 1,500 square feet, includes air conditioning and other amenities, and is located in a subdivision or on an individually owned lot. Unlike units on rented land, upscale manufactured homes located on owned land appreciate in value at rates close to those of site-built homes, thus offering affordability and equity potential in a single package.

Following record production and sales for much of the 1990s, however, the manufactured housing industry remains in a

FIGURE 15

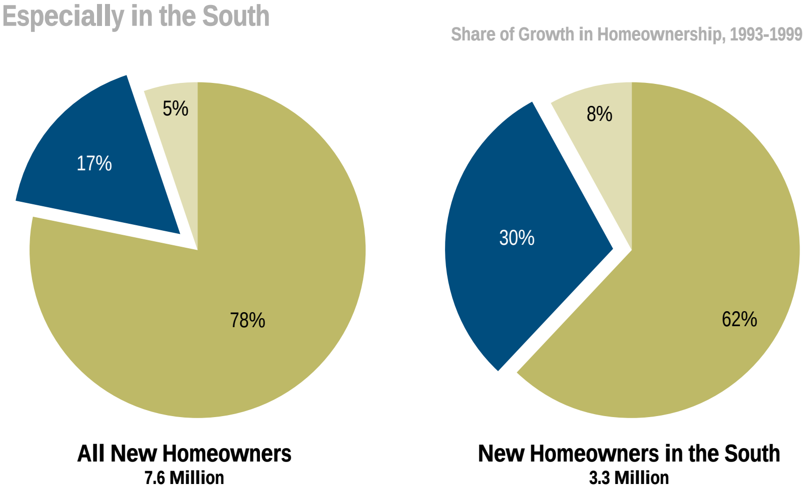
Ownership Costs for New Buyers Moderated Somewhat in 2001



Sources: Tables A-1 and A-3.

FIGURE 16

Manufactured Housing Has Lifted Homeownership, Especially in the South



Source: Joint Center tabulations of 1993 and 1999 American Housing Surveys.

slump. Many recent buyers of manufactured homes—especially those with the lowest incomes who had the least ability to withstand household budget shocks—pay well above the prime mortgage interest rate. These vulnerable borrowers began to default in substantial numbers in 1999, even before the economy went into recession. With few provisions for loan loss mitigation, creditors had to foreclose on the loans and repossess the units, leading to an excess of both new and used inventories.

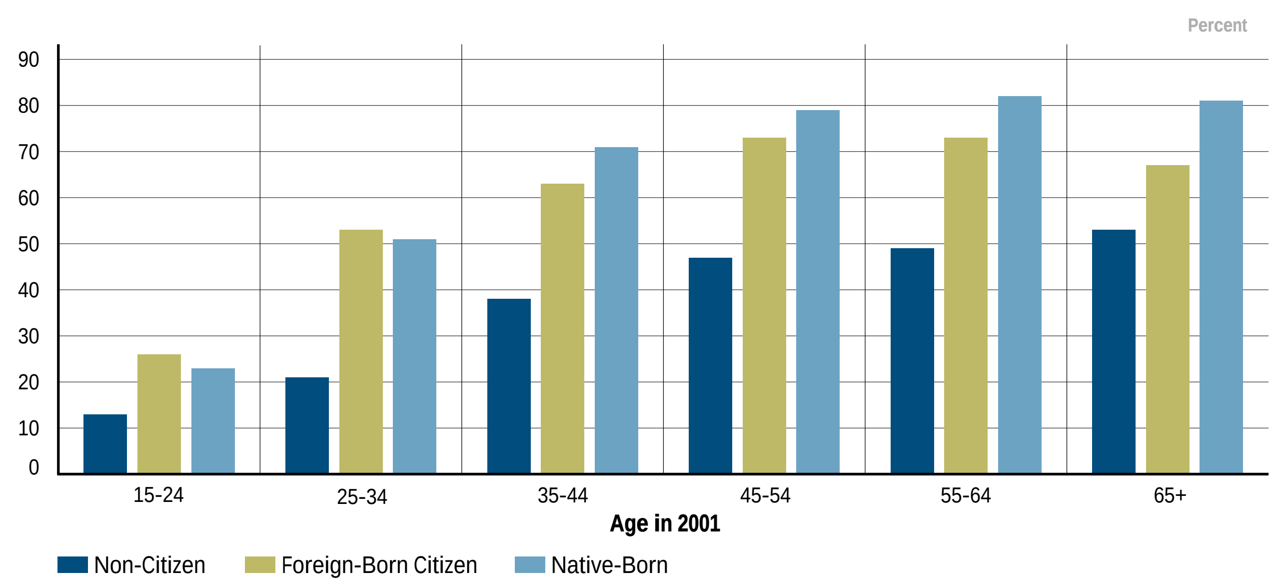
With resales of used units depressing demand for new homes, the manufactured housing industry has suffered through three years of plant closures and worker layoffs. While manufactured housing now appears poised for a turnaround, realizing its full potential to boost homeownership depends on the availability of new forms of affordable and fairly priced financing that accurately reflects the ability of homebuyers to pay.

IMMIGRANT HOMEOWNERSHIP RATES

Immigrants have also contributed considerably to homebuying demand over the past two decades. Many foreign-born households overcome substantial wealth and income constraints to buy homes at rates nearly as high as their native-born counterparts. Moreover, the U.S.-born children of immigrants often have higher homeownership rates than the same-age children of native-born parents.

FIGURE 17

Citizenship Gives a Sizable Boost to Immigrant Homeownership Rates



Source: U.S. Census Bureau, 2000 Current Population Survey.

Citizenship is a particularly strong indicator of which immigrants make the transition to homeownership. Immigrants who become U.S. citizens own homes at substantially higher rates than non-citizens of the same age, and are only slightly less likely to be homeowners than their same-aged native-born counterparts. Ownership rates among non-citizens, in contrast, remain much lower across all age groups *(Figure 17)*.

Because it takes time to gain citizenship as well as to move up the economic ladder, ethnic groups with large shares of recent immigrants tend to have lower homeownership rates. This is particularly true for Asians and Hispanics. Together with generally lower incomes and a tendency to live in higher-cost housing markets, high immigrant shares serve to depress overall Asian homeownership rates to 53.9 percent and Hispanic homeownership rates to 46.4 percent. By comparison, the rates for native-born Asians and Hispanics are higher at 56.0 percent and 52.7 percent.

PERSISTENT HOMEOWNERSHIP GAPS

Despite rapid growth in the number of minority owners, the gap between the homeownership rates of whites and minorities is still substantial. In 2001, the overall homeownership rate for whites was 74.2 percent, while the rates for blacks, Hispanics and Asian/others were 48.4 percent, 46.4 percent and 53.9 percent, respectively.

Led by the growing number of immigrant homebuyers, minority owners will likely double in number from 12.2 million to 22.5 million over the next two decades. Even so, the wide disparity between minority and white homeownership rates is unlikely to change perceptibly. The gap between whites and blacks is projected to improve the most, shrinking 2.5 percentage points to 24.3 percentage points. The white-Hispanic gap, in contrast, will narrow just 1.1 percentage points to 27.3 percentage points. The white-Asian/other gap should in fact widen by 1.1 percentage points, to 21.4 percentage points.

Ownership rates within the 45 to 54 year-old age group illustrate the persistence of the racial/ethnic homeownership gap *(Figure 18)*. While rates for all households in this age group will increase over the next two decades, the gain among white households will nearly match that of Hispanics and outpace that for Asians/others.

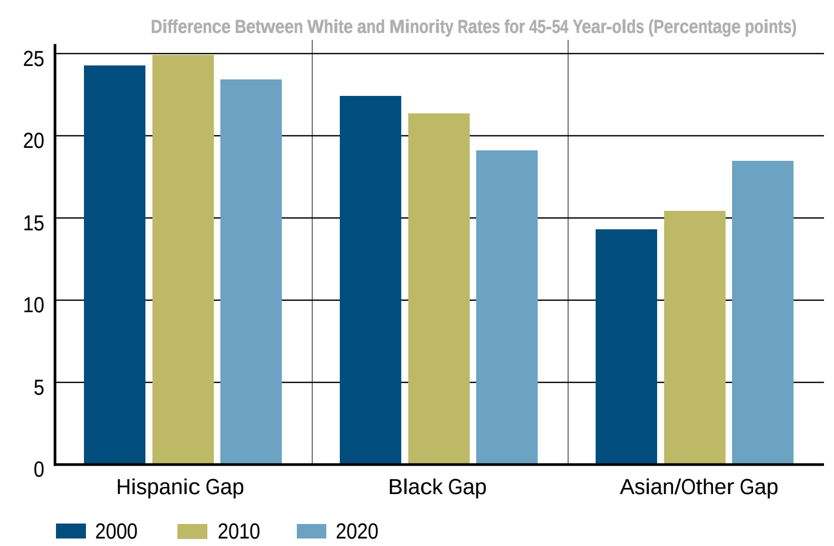
Closing the homeownership gap requires efforts not only to expand financing options for minorities, but also to ensure that recent minority first-time buyers are able to remain homeowners. In the past, ownership gains have been quickly lost during periods of economic decline. During the severe regional recessions of the 1980s and early 1990s, for example, many recent buyers with little equity and limited cash reserves lost their homes to foreclosure. With mortgage delinquencies at relatively high levels, now would be a good time to enhance regulatory efforts to weed out and punish predatory lending practices. Lenders can also help by aggressively monitoring and perhaps restructuring troubled loans.

RISKS TO THE MARKET

Beyond the impact on lower-income families themselves, a slowdown in homebuying or an uptick in foreclosures could significantly affect the entire housing market. Countering the dampening effect of the baby-bust generation on homebuying activity, lower-income and minority buyers anchored the strong housing market of the 1990s. Their presence helped to lift home prices across the board, providing buyers for the homes vacated by

FIGURE 18

Homeownership Rates of Minorities Will Continue to Lag Those of Whites



Note: Whites, blacks and Asians/others are non-Hispanic. Hispanics can be of any race.
Source: Table A-8.

families trading up to better, newly constructed homes. As a result, a significant weakening of demand at the lower end of the housing market could spread to other segments in the form of lower sales, less production, and weaker price appreciation.

To enable lower-income households to buy homes, low down-payment loans have become increasingly commonplace. Last year, some 15 percent of all home purchase loans had loan-to-value ratios equal to or greater than 95 percent. This represents a considerable rise since 1990, when only 4 percent of loans had such high loan-to-value ratios. These loans do, however, impose higher costs than conventional prime loans that require more substantial downpayments. As a result, overall mortgage delinquencies, defaults and foreclosures have been on the rise, closing 2001 at their highest levels in several years.

Community advocates are increasingly concerned that widespread defaults could threaten the health of whole neighborhoods, if not the entire housing market. While foreclosures on prime loans also rose in the fourth quarter of 2001, foreclosures on government-backed loans (including those of the Federal Housing Administration) were nearly twice as high. Recent research by the Office of Federal Housing Enterprise Oversight reveals that, even controlling for such factors as household income and size of downpayment, defaults on even the best-quality subprime loans are higher still—indeed, up to eight times those on conventional prime loans.

Any market downturn will first hit those without sufficient equity or cash reserves to ride out a period of unemployment or declining income. This group includes recent buyers with high loan-to-value ratios and/or those residing in weaker housing markets, plus owners that have cashed out much of their equity to cover other expenses. As of 1999, 5 percent of all owners had equity that was less than 5 percent of the value of their homes, while almost 9 percent had under 10 percent equity *(Figure 19)*. Lowest-income owners are especially vulnerable, with 11 percent having less than 5 percent equity.

If the economy does fall into a deep recession, it may be difficult to prevent the defaults on subprime and manufactured housing loans from depressing prices marketwide. One strategy for limiting this threat is to assist lower-income borrowers in refinancing their higher-cost loans when market conditions warrant. For their part, community groups can help by counseling minority borrowers about ways to avoid foreclosure and secure mortgage credit on the best terms possible.

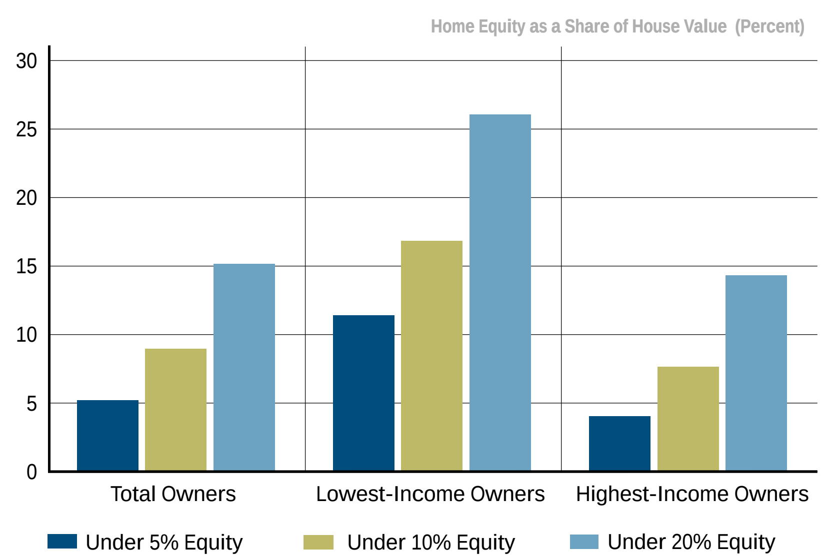
CONCLUSION

Specialized mortgage products and low interest rates, together with favorable demographic forces, helped to lift the national homeownership rate to a new high last year. The expanding minority market, fueled by a growing immigrant population and their U.S.-born children, will drive further increases in homeownership in the years ahead.

Nevertheless, the rash of foreclosures in the manufactured housing sector and substantially higher default rates among subprime borrowers provide ample evidence that recent homeownership gains among lower-income families may not prove durable. Ensuring that lower-income owners and buyers have access to financing on the best terms for which they qualify is therefore key to both their individual financial security and the health of the overall housing market.

FIGURE 19

Many Lowest-Income Owners Have Thin Equity Cushions



Note: Lowest-income owners are defined as the lowest 20% of all U.S. households by income; highest-income are defined as the highest 20%.
Source: Joint Center tabulations of the 1999 American Housing Survey.

RENTAL HOUSING

- With higher energy and operating costs driving up rents in 2001, affordability problems continue to plague renter households.
- In selected metropolitan areas, many individuals who work full time are unable to afford a modest two-bedroom rental apartment.
- Some young adults, the traditional source of new renter households, are being priced out of the housing market entirely and instead continue to live with their parents.
- While slowing at the national level, multifamily rental production remained strong in certain markets—particularly those with fast-growing immigrant populations.
- Because their owners lack access to mortgages and other financial resources, many small multifamily properties are deteriorating and at risk of loss.

RISING COSTS AND THE DIMINISHING SUPPLY OF low-cost rentals are adding to the already considerable pressures on renters. Despite last year's economic slowdown, contract rents (payments to landlords excluding utilities) moved up sharply, reaching an all-time high of $481 per month. Spiraling energy costs, meanwhile, pushed inflation-adjusted gross rents up 2.2 percent to $555 *(Figure 20)*. Continued income growth in 2001 did provide some relief, with inflation-adjusted renter incomes up 2.3 percent. Even so, 14 million of the nation's 34 million renter households still spend 30 percent or more of their incomes for housing, while 7 million spend 50 percent or more.

Unfortunately, most recent construction and substantial rehabilitation projects have done little to expand the supply of affordable rental units. New multifamily construction largely targets higher-income renters, setting new records in terms of average size and other amenities. Moreover, during the past four years, the median asking rent for new apartments has shot up an inflation-adjusted 15 percent—four times faster than the increase in new home prices. With a median asking rent of $920, new units are beyond the reach of two-thirds of today's renter families.

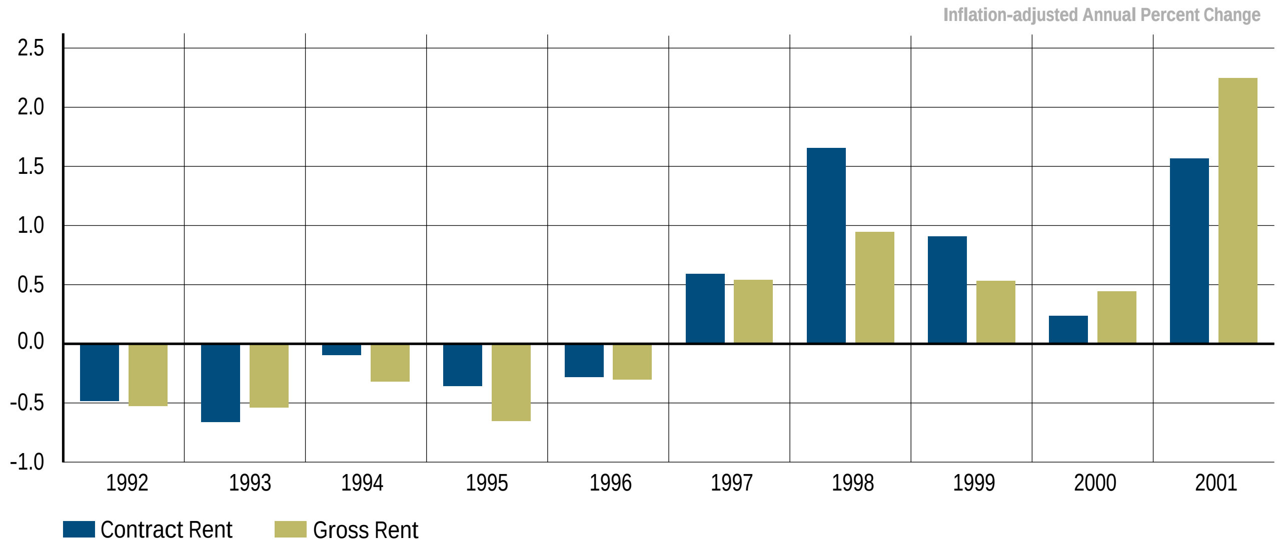
Lagging incomes also add to the affordability crunch. Since 1975, inflation-adjusted incomes of renter households have moved up just 6 percent, compared with 25 percent among owner households *(Table A-3)*. Even though some higher-income families prefer to rent, the persistent owner-renter income gap reflects the general tendency of middle- and higher-income households to make the transition to homeownership. Inability to qualify for a mortgage makes renting the only choice for most low-income families.

METRO AREA RENT BURDENS

National statistics mask the intense affordability challenges renters face in certain metropolitan areas. According to HUD estimates, the inflation-adjusted rent for a modest two-bedroom unit (HUD's Fair Market Rent) averages $701 per month in the nation's 50 largest metro areas, reaching as high as $1,362 in San Francisco. At 30 percent

FIGURE 20

Rents Rose Sharply Last Year



Source: Table A-3.

of income, such an apartment is only affordable to San Franciscans making $54,480 or more *(Figure 21)*. In Boston, the income required is $37,680. Even in areas with lower rents—such as Washington, San Diego, and Chicago—it takes an income of at least $30,000 to afford a modest two-bedroom rental at the 30-percent-of-income standard. This figure is well in excess of the earnings of lower-skilled workers such as retail salespersons and janitors.

Higher-paying jobs, of course, make it easier—although not necessarily possible—to afford rental housing. For example, teachers living in Washington, D.C. have median earnings that do not match the amount needed to afford the basic two-bedroom apartment. Similarly, nurses in both San Diego and Washington, D.C. would have to pay more than 30 percent of their incomes to live in this modest rental unit.

FIGURE 21

Even Those Who Work Full Time Face Housing Affordabilty Problems

	San Francisco	Boston	Washington	San Diego	Chicago	Dallas
Two-Bedroom Fair Market Rent	$1,362	$942	$840	$805	$762	$749
Income Needed to Afford Fair Market Rent	$54,480	$37,680	$33,600	$32,200	$30,480	$29,960
Median Incomes						
Retail Salespersons	$19,323	$17,930	$17,285	$17,139	$17,971	$17,243
Janitors	$20,800	$20,987	$15,787	$16,536	$18,824	$14,810
Nurses	$39,603	$39,541	$33,280	$31,990	$31,990	$38,938
Bio-Technicians	$36,546	$36,109	$32,219	$32,781	$35,526	$32,011
Teachers	$38,293	$38,584	$32,781	$38,584	$36,733	$34,861

Notes: Fair Market Rent is HUD's estimate of the price of a standard, modest, existing two-bedroom apartment. Income to afford the Fair Market Rent is based on spending 30% of income on housing.
All data are for 2000 and expressed 2000 dollars.
Source: Table A-13.

Non-metropolitan areas have their own affordability problems. Even with median monthly rents of just $429 in 1999, over 2 million non-metro area renters still paid more than 30 percent of their incomes for housing, and 900,000 paid more than 50 percent.

RENTER HOUSEHOLD FORMATION

Many young adults—especially those employed in low-wage industries—have found rents too high relative to their incomes to live on their own. In 2000, the number of U.S. households composed of adult children living with their parents topped 2.6 million. These families included 12.5 percent (2.3 million) of males aged 25 to 34 and 7.9 percent (1.5 million) of same-age females.

Joint Center research suggests that income and rent levels directly affect the likelihood that a young adult will live at home. For example, some 28 percent of young adult males earning less than $5,000 per year live at home, compared with 5 percent of males earning in excess of $35,000 *(Figure 22)*. After controlling for income and other factors, a $100 increase in the median rent makes a young adult about 2 percent more likely to live with his or her parents. The current economic softening and across-the-board housing price increases thus threaten to boost both the number and share of young adults living with their parents.

Other factors also influence the tendency for young adults to live at home. In particular, children of homeowners are more likely to remain in their parents' homes than children of renters, and young unmarried adults are some 20 times more likely to do so than young married adults. Young adult immigrants and the young adult children of immigrants are the most apt to live in multigenerational households, perhaps a greater reflection of cultural norms than of economic factors.

CHANGING RENTER DEMAND

The past five years have witnessed a small decrease in the renter population. An 800,000 gain in the number of minority renter households, driven in large measure by the continued influx of new immigrants, was not enough to offset the loss of 1.3 million non-Hispanic white renters. This slowdown reflects the dampening effect of both lagging income growth and persistently high rent burdens on household formation, as well as the shift of many middle- and higher-income renters to homeownership.

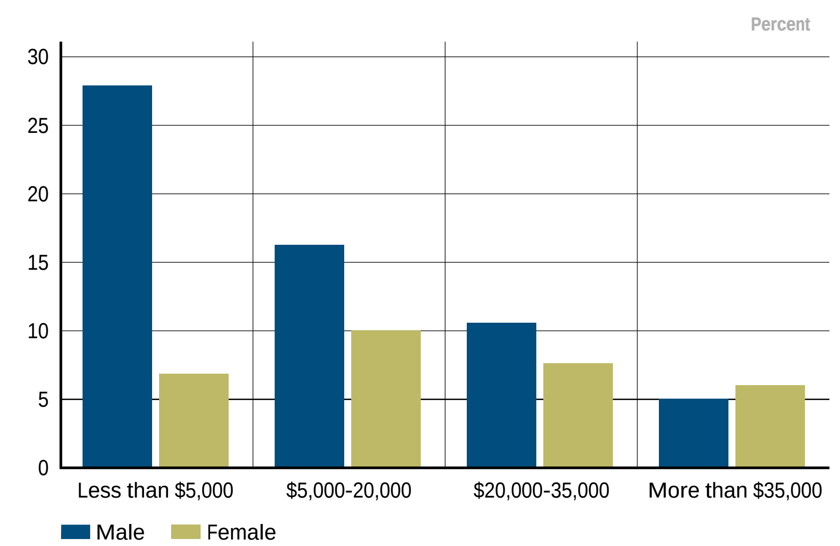
With over 80 percent of new multifamily units built specifically for the rental market, the net decline in renter households has led to cutbacks in multifamily housing production. Even with the solid economic growth and favorable interest rates of the 1990s, just 2.7 million multifamily units were constructed over the decade—down from 4.9 million units in the 1980s when the number of renter households was growing rapidly *(Table A-1)*.

Nevertheless, multifamily production in the 1990s added more than 4 percent to the total housing inventory in 17 states *(Figure 23)*. Florida led all states in the number of newly constructed multifamily units, adding 373,000 units (or 8 percent) to the 1990 housing stock. Texas was close behind with 315,000 units, representing a 5 percent increase. Although production totaled just 84,000 units in Nevada, this still represents a 19 percent increase in the housing inventory for this rapidly growing state. Even the relatively slow-growth states of Ohio, Illinois, and New York each added over 110,000 multifamily units.

The fact that production didn't fall even further is a measure of the ongoing need to replace units lost to conversion, deterioration and abandonment, as well as to accommodate rising demand in selected suburban and other strong-growth areas. Moreover,

FIGURE 22

Low Incomes Keep Many 25 to 34 Year-Olds Living at Home

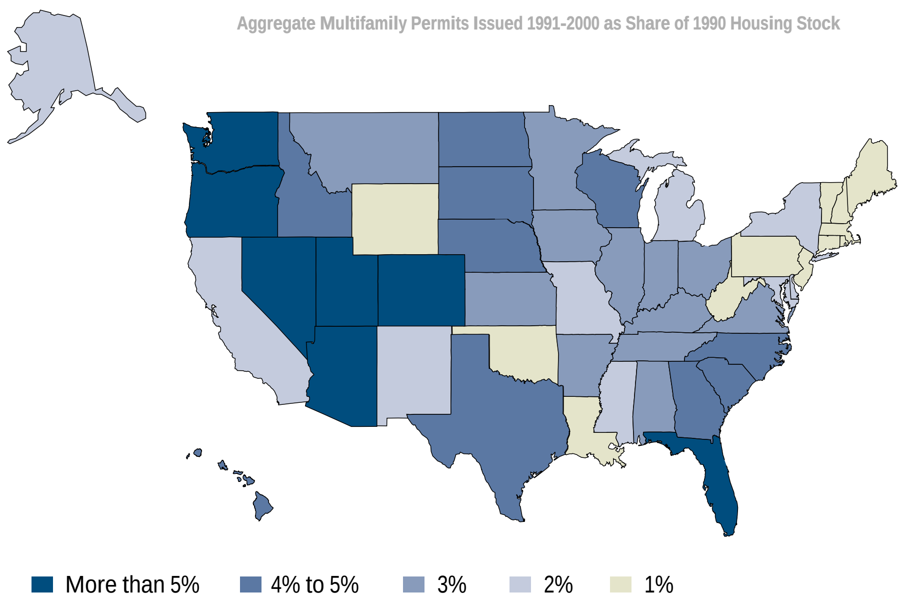


Source: Zhu Xiao Di, Yi Yang, and Xiaodong Liu, "Young American Adults Living in Parental Homes," Joint Center Working Paper, 2002.

FIGURE 23

Multifamily Construction Remains Strong in Selected Markets

Aggregate Multifamily Permits Issued 1991-2000 as Share of 1990 Housing Stock



Note: Multifamily permits are the number of units authorized for construction in structures with two or more units.
Source: Table W-2.

federally funded multifamily construction programs—including the Low-Income Housing Tax Credit program—help stimulate production even in slow-growth areas.

With the number of renter households expected to rise over the next decade, the pace of multifamily construction should also pick up—especially in areas with strong immigrant demand. In addition, given the high transaction costs associated with buying and selling a home and the risk of losing money over a short holding period, renting will remain a better financial decision for some households. As a result, even in slower-growing areas, there will be continued demand for rental units catering to higher-income households who can afford to own but prefer to rent for financial, lifestyle, or other reasons.

THE RENTAL HOUSING INVENTORY

While most apartments constructed since 1980 are in larger structures with 10 or more units, the majority of renters lives in older single-family and small (2- to 9-unit) multifamily structures. Contrary to popular perceptions, only 43 percent of the nearly 6.2 million units in the subsidized rental housing inventory are located in larger buildings. Within the privately owned, unsubsidized rental stock, one-quarter (6.9 million units) are located in larger multifamily structures, while 43 percent (11.5 million units) are in small multifamily structures. Another 31 percent (8.3 million) of rental units are single-family detached and manufactured homes *(Figure 24)*.

Following the slowdown in multifamily production during the 1990s, the rental stock is aging. The conversion of older, owner-occupied single-family homes and small multifamily structures into rental units has also increased the average age of the rental inventory. Today, less than one in three renters lives in a rental unit built since 1975—nearly the same number that live in units over 50 years old *(Table A-12)*. While much of the aging rental stock is located in the central cities of the Northeast and Midwest, even rapidly growing metropolitan areas of the South and West have relatively high shares of renters living in older, central-city housing.

Although the nation's 34 million rental units are generally in good repair, American Housing Survey estimates indicate that 4 million (11.6 percent) have moderate or severe structural deficiencies. Indeed, renters are more than twice as likely as owners to reside in structurally inadequate housing.

Housing adequacy depends in part on a unit's age, characteristics, location, and initial construction quality. In central-city neighborhoods where structural deficiencies are most prevalent, 55 percent of the more than 1.7 million inadequate units (including many smaller multifamily and single-family rentals) were built before 1950. In non-metropolitan areas, nearly one in seven rental units (primarily older single-family dwellings or manufactured homes) are structurally inadequate.

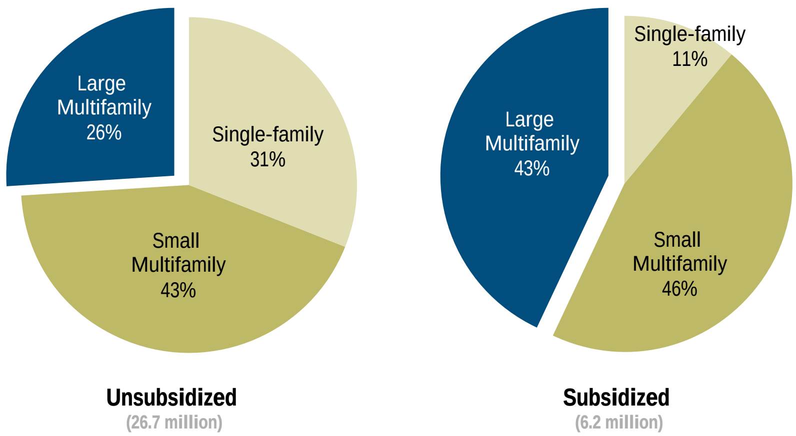
OWNERSHIP OF THE RENTAL STOCK

According to a recent HUD survey, some 17 million of the nearly 26 million unsubsidized rental units are owned by either an individual or a married couple *(Table A-11)*. The remaining 9.1 million are held by limited partnerships, real estate corporations, or a variety of other for-profit and not-for-profit entities.

Given this diverse ownership structure, the prospects for preserving much of the older unsubsidized stock are dismal. For most property owners, operating rental housing is at best a part-

FIGURE 24

Most Renters Live in Single-family Homes or Small Multifamily Structures



Notes: Single-family includes single-family detached and manufactured housing units. Small multifamily structures are defined as single-unit attached and two- to nine-unit residential buildings. Large multifamily structures are defined as residential structures with 10 or more units.
Source: Joint Center tabulations of the 1999 American Housing Survey.

FINANCING HOUSING PRESERVATION

Although public attention focuses on subsidized rental housing, preserving the stock of affordable, privately owned unsubsidized units is equally critical. Lack of suitable financing vehicles is, however, a major obstacle. During the 1990s, options for permanent financing of large properties expanded rapidly as secondary markets developed and other new forms of financing came on line. Loans for the acquisition or refinancing of smaller apartment buildings, in contrast, are poor candidates for securitization because of their lack of standardization. As a result, the small rental property market has yet to benefit from the expansion of financing options.

time job. Nearly 1.1 million rental units are located in two- to four-unit structures with a resident owner. Another 7.9 million apartments are controlled by absentee landlords owning fewer than 10 rental units *(Table A-11)*.

Of particular concern is the fact that many owners of lower-cost and lower-quality rentals are ill-equipped to manage and maintain their units. Operating such properties is a challenging business, especially when tenants have only limited rent-paying ability. Many nonresident owners of nine or fewer rental units have low incomes themselves, with almost a third reporting annual incomes of under $30,000. Little wonder, then, that less than half of all property owners report making a profit, and 61 percent of small nonresident owners say they would not acquire their properties again.

The deterioration of the older rental stock is troubling, especially for communities facing a shortage of affordable housing. For smaller nonresident landlords, it makes economic sense to abandon structurally inadequate units if the property cannot command enough rent to cover basic operating expenses, or would not sell for enough to cover outstanding debt. Moreover, losses of subsidized units are accelerating as more and more property owners “opt out” of federal housing programs or prepay their government-insured mortgages. Continuing losses of such units add to the pressures on the shrinking low-cost inventory, further undermining the ability of low-income households to secure decent, affordable housing.

The limited availability and higher cost of financing prevents owners from either investing in capital improvements or selling their properties to more capable owners. In addition, subsidizing smaller multifamily property owners is often difficult because the administrative complexity and costs may be just as great for a property owner with a 10-unit building as for a property owner with a 100-unit building. In consequence, today’s major supply-side housing assistance programs—including the Low-Income Housing Tax Credit—typically provide subsidies to larger properties, even though most renters needing assistance live in smaller properties.

CONCLUSION

Rental units make up a vital component of the nation’s housing stock, especially for lower-income minority and immigrant families unable to buy homes and for higher-income and/or mobile households for whom renting makes economic sense. Unfortunately, a significant share of the unsubsidized rental inventory is now more than 50 years old and in poor repair.

In addition, much of this stock consists of smaller multifamily properties owned by individuals with limited capacity to maintain and manage rental properties. Moreover, even the most sophisticated owners of smaller rental properties find it difficult to secure funds to maintain or upgrade their units. Without new policies to address these obstacles to preservation, the ongoing losses of affordable rental housing will place even greater cost pressures on lower-income and working-class households.

LOW-INCOME HOUSING NEEDS

- Despite the 1990s economic boom, housing conditions for the nation's 20 million lowest-income households have improved little.
- Most of the 7.2 million lowest-income working families have severe affordability problems, paying more than half their incomes for housing.
- Even lowest-income owners that do not have mortgages are vulnerable to losing their homes.
- Although the elderly account for 42 percent of the nation's lowest-income families, most housing assistance programs—for both owners and renters—are ill-suited to their needs.
- Because many lowest-income families do not have savings and checking accounts, they are at a disadvantage in securing mortgage credit.

MANY, IF NOT MOST, OF THE NATION'S VERY POOREST households earn so little that making economic progress is difficult. Households in the lowest-income quintile have average annual incomes of just $10,500–slightly below the salary of a full-time minimum wage worker. Average household income for the next quintile is more than twice as high at $26,100, while the average for families in the top quintile stands at $145,600.

Fully 8.4 million of the nation's nearly 21 million elderly households fall into the lowest-income group. Because of their longer life expectancies, women head some 5 million of these poor elderly households, with 4 million of them widows. Among the other 3 million lowest-income elderly households, more than half are headed by men living with a spouse. Only 600,000 are widowers living alone.

Contrary to popular stereotypes, two-thirds of households with lowest incomes are non-Hispanic whites and nearly half own their homes *(Figure 25)*. Moreover, 7.2 million of the 11.5 million working-age poor do in fact receive more than half of their incomes from work. One in six of these working poor households includes at least two wage earners. Nearly half (3.1 million) have children, with 28 percent headed by single parents and 14 percent by married couples. Overall, 78 percent of households in the lowest-income quintile are either employed or elderly, while many of the remaining 22 percent have only limited capacity to find and hold jobs.

THE FRAYING SAFETY NET

For the past decade, state and local governments have taken on added responsibility for meeting the housing and human service needs of the most disadvantaged families. When the recent recession–in combination with state tax-cutting initiatives–led to a sharp drop in tax revenues, it caused an equally sharp drop in the ability of state and local governments to fund critical elements of the social safety net. This directly undermines the well-being of the nation's lowest-income families.

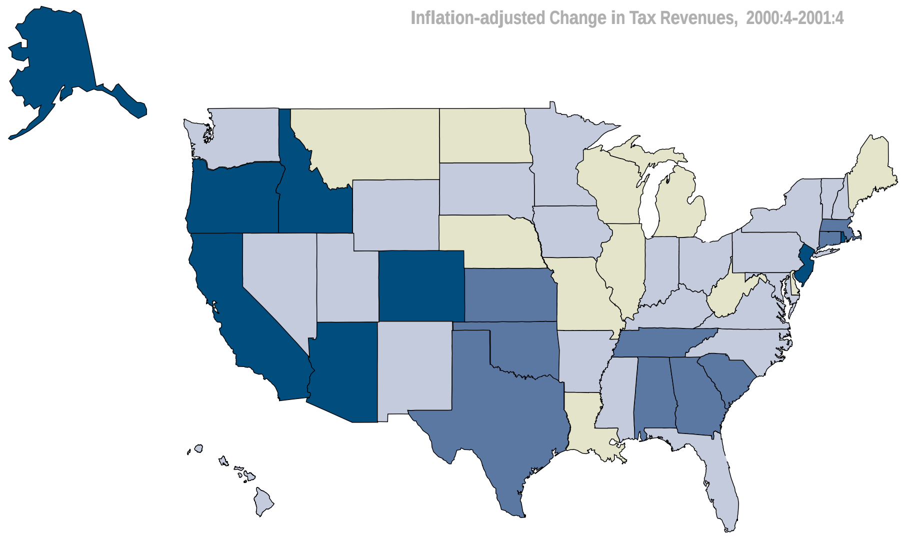
Fourth-quarter 2001 revenues were down in 39 of the 50 states, with California, Oregon, and Idaho posting declines of more than 10 percent *(Figure 26)*. The National Association of State Budget Officers reports that 40 states are contending with "severe" shortfalls in 2002. Moreover, any state and local governments that had begun to devote more funds to housing now face serious challenges to this commitment. States are also increasingly hard-pressed to meet demand for support services such as daycare, health benefits and workforce development.

With rent burdens high and housing assistance in short supply, the fraying social safety net is particularly threatening to households that are making the transition from welfare to work. According to a recent study by the Center on Budget and Policy Priorities, the cost of modest housing would likely consume between 52 percent and 109 percent of the monthly earnings of families leaving the welfare rolls.

Since only a third of households on welfare also receive federal housing assistance, a number of states have used part of their welfare funds to provide supplemental housing assistance. These programs, however, have somewhat perverse incentives in that they keep the clock on welfare time limits running, even if the family receives all of its income from work.

FIGURE 26

Declining State Tax Revenues May Jeopardize the Social Safety Net



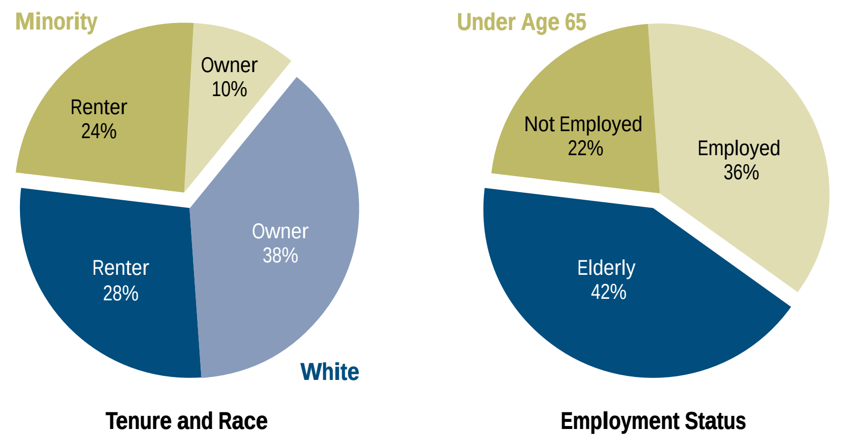
Source: Rockefeller Institute Fiscal Studies Program, State Revenue Report No. 47, March 2002.

UNMET HOUSING NEEDS

While the soft economy and high housing costs affect people across a wide range of incomes, households in the lowest-income quintile experience the most serious hardships *(Figure 27)*. Housing affordability is by far the most common concern for these households, with over 24 percent moderately burdened (paying 30 percent to 50 percent of income for housing) and 46 percent severely burdened (paying 50 percent or more). A significant share (14 percent) of lower-income households also lives in units that are overcrowded and/or structurally inadequate. This percentage is based on HUD's procedure for identifying structurally inadequate units, which has not been updated for many years. Recent research by

FIGURE 25

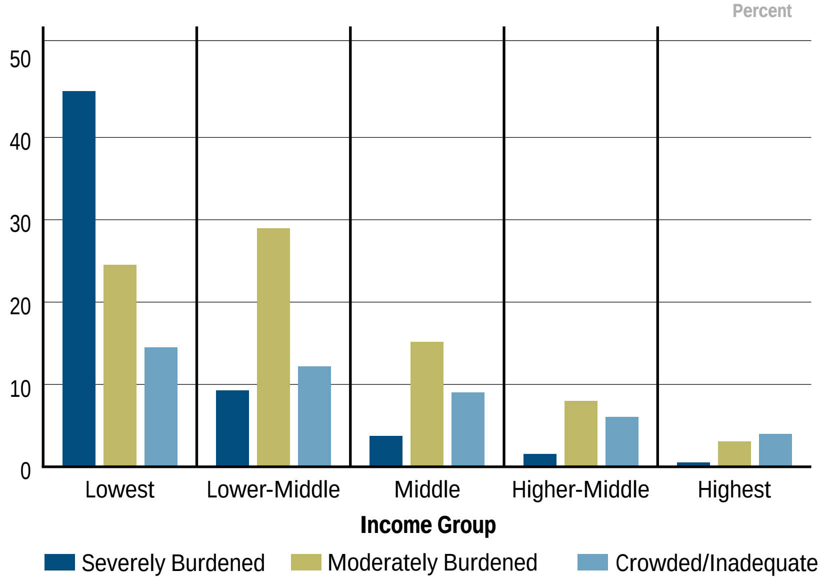
Most Lowest-Income Households Are White, Own Homes, and Either Work or Are Retired



Notes: Lowest-income families are those in the bottom 20% of the income distribution. Employed households obtain half or more of their incomes from working. Elderly households have heads aged 65 or older. Seven percent of elderly households are employed.
Source: Table A-10.

FIGURE 27

Housing Problems Are Most Common Among Lowest-Income Households



Notes: Each income group contains one-fifth of U.S. households. Severely burdened households pay more than 50% of income for housing. Moderately burdened households pay between 30% and 50% of income for housing. Housing problem categories are not mutually exclusive.
Source: Joint Center tabulations of the 1999 American Housing Survey.

the National Association of Home Builders in fact suggests that the incidence of structural inadequacy is nearly twice as high.

Renters in the lowest-income quintile are more likely to have housing problems than homeowners in the same income group. Slightly more than half of all lowest-income renters and 38 percent of homeowners have severe cost burdens, while about one-quarter of both groups have moderate cost burdens. When those living in structurally inadequate and/or overcrowded conditions are included, the share of all lowest-income renters with some housing problem totals 83 percent, compared with 67 percent of lowest-income owners.

The extremely large share of renters with housing problems reflects the limited supply of low-cost rental units. Today, nearly 9.1 million units have annual gross rents of $4,800 or less (an amount that represents nearly half of the average annual income of lowest-income renters). In addition to competing with one another, 10.3 million lowest-income renter households must also compete with higher-income households for these low-cost units. As a result, under half (4.7 million) of all lowest-income renters are able to secure apartments that rent for $4,800 or less a year, leaving almost 6 million lowest-income renters to compete for higher-priced units that place even greater strains on their household budgets.

Because a relatively large share owns homes free and clear, lowest-income homeowners are somewhat less cost-burdened on average than renters. Even so, after covering modest payments for utilities, property taxes, insurance, and maintenance obligations of $2,770 a year, 27 percent (2.0 million) of lowest-income homeowners without mortgages still pay more than half their incomes for housing *(Table A-10)*.

The 2.3 million lowest-income owner households with mortgages are under even greater pressure to meet median housing costs of $7,524 annually. Payments of this magnitude force 73 percent (1.7 million) of lowest-income homeowners with mortgages to pay more than half their incomes for housing.

VULNERABLE HOMEOWNERS

Although homeownership is a major financial challenge for lowest-income families, a somewhat surprising 48 percent own their homes. By comparison, the rates for the other four income quintiles range from 55 percent to 90 percent. The fact that 61 percent of lowest-income owners are elderly largely explains the relatively high ownership rate for this group, since many elderly purchased homes when they had higher incomes. Indeed, excluding the elderly, the homeownership rate among lowest-income households would be just 33 percent.

Lowest-income households hold a remarkable $592 billion in housing wealth. The 2.3 million lowest-income owners with mortgages have median home equity of $35,000 on homes valued at $75,000. Another 7.3 million lowest-income households own their homes free and clear, holding median home equity of $70,000. It is therefore noteworthy that households in the top quintile have incomes that are more than 14 times higher on average than those of households in the lowest quintile, but they have less than 6 times more home equity *(Table A-5)*.

Many lowest-income elderly owners are particularly vulnerable to losing their homes because they have the added burden of rising healthcare expenses. Overall, 1.8 million lowest-income homeowning seniors—including 1.2 million that own their homes outright—pay more than 50 percent of their incomes for housing. For these severely burdened elderly, balancing even minimal housing costs with expenditures for healthcare and other basic needs can be a strain *(Figure 28)*.

Although numerous housing programs do target the elderly, existing assistance is only modest in scale. Moreover, current programs largely focus on enabling seniors to live in mainstream subsidized rental units (public housing, other assisted housing, and rural rental housing) rather than in housing explicitly designed to meet the unique needs of the elderly.

Equally problematic is the failure of assistance programs to address the urgent needs of vulnerable elderly homeowners. Although most seniors would prefer to remain in their own homes, all too frequently they are forced to make a financially and emotionally costly move to rental housing—or worse still to a nursing home—to receive needed assistance.

The pressures of high housing costs and equally high healthcare costs have led many lowest-income elderly homeowners to fall prey to unscrupulous lenders. In some cases, predatory lenders are stripping these homeowners of their accumulated home equity by enticing them with mortgages they can't afford or don't want. Meanwhile, many elderly are unaware of other useful mortgage options, such as so-called reverse mortgages that convert home equity into an income stream. Today's profusion of high-cost and poorly crafted mortgages marketed to "cash poor and house rich" seniors underscores the importance of creating better financial options and stronger consumer protections that enable seniors to safely convert home equity into needed cash.

Over the coming decades, the housing needs of lowest-income seniors will clearly grow. By 2020, the number of homeowners with heads aged 65 and older will rise by 11.4 million to 29 million, while the number aged 75 and older will increase by 3.8 million to 12.4 million. Particularly at risk will be the growing number lowest-income owners (primarily women) living alone. As today's 4 million single homeowners aged 75 and older become increasingly frail, many will require additional assistance in the form of both housing subsidies and supportive services.

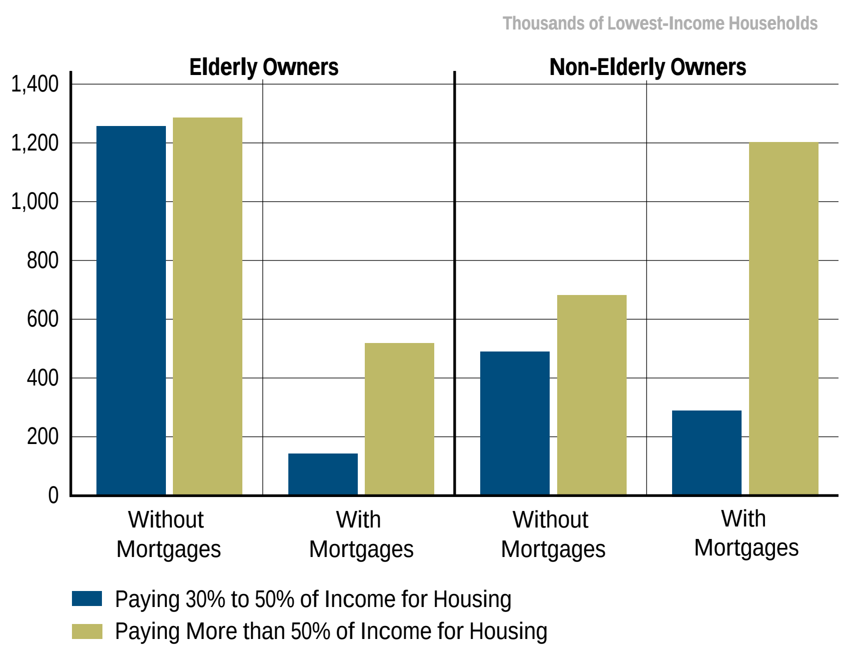
LIVING OUTSIDE THE MAINSTREAM

In an increasingly automated financial services marketplace, residents of lower-income communities are at a distinct disadvantage because they have less access to mainstream financial service providers and products. Only one in four households with income below 80 percent of area median has a bank account, and fewer than half have credit cards. This failure to use mainstream financial services products prevents many families from becoming homeowners, because having a well-documented credit history (including capacity to manage checking accounts and credit cards) increasingly influences mortgage terms and lending standards.

The rapid expansion of lending to lower-income households represents one of the most significant accomplishments of the 1990s *(Figure 29)*. Even so, the evidence suggests that these borrowers are not getting the full benefit of conventional mortgage products offered by mainstream lenders. Indeed, higher-cost providers have captured a growing share of lower-income loans. These higher-cost loans can add significantly to the housing cost burdens of lower-income families. For example, a $100,000 loan

FIGURE 28

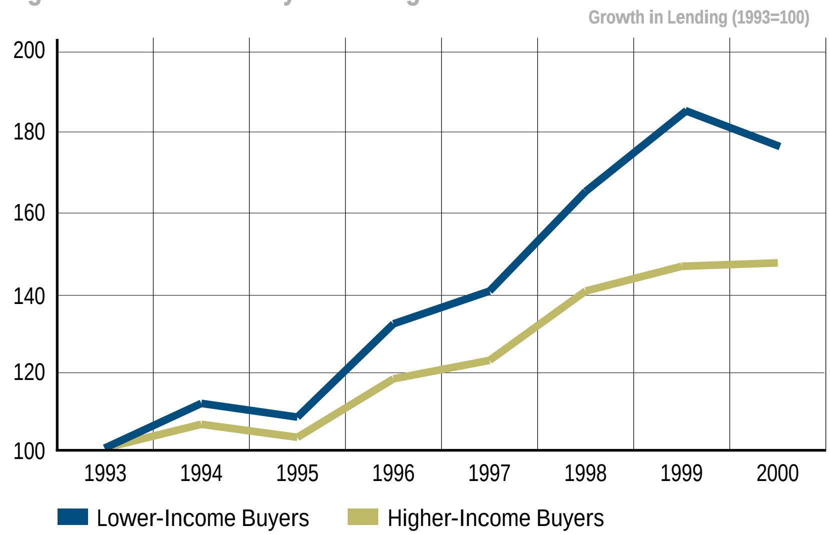
Many Lowest-Income Owners Are Vulnerable to Losing Their Homes



Source: Table A-10.

FIGURE 29

Lending to Lower-Income Homebuyers Outpaced Lending to Higher-Income Homebuyers During the 1990s



Notes: Lower- (higher-) income borrowers have incomes of less than (at least) 80% of area median in that year. Includes loans for home purchase only.
Source: Joint Center, "The 25th Anniversary of the Community Reinvestment Act," 2002.

at a prime rate of 7 percent entails a monthly payment of $665. The monthly payment on a 10-percent loan of the same size would be $213 higher. This added amount substantially increases the financial burden of owning for lowest-income families, while keeping others out of the homebuyer market altogether.

As lenders attach increasing importance to formal credit histories, the challenges for potential borrowers living outside the economic mainstream are intensifying. At the same time, the current regulatory framework gives financial services conglomerates little incentive to put their cost advantages to work to help address the needs of lower-income communities.

The situation echoes that in the mortgage lending industry in the 1970s, when evidence of redlining eventually led to legislation that prompted greater lending to lower-income families and communities. Similar incentives are now needed to ensure that lower-income communities can participate fully in this new financial services environment where access to both credit and basic banking services are closely intertwined.

FUTURE DIRECTIONS

Current federal, state, and local programs are clearly incapable of addressing the severe housing problems of the nation's 20 million lowest-income households. Additional resources are necessary to help owners make the payments needed to remain in their homes, and to assist renters in securing decent and affordable units.

Unfortunately, low-income housing has not been a federal priority for a generation. Despite growing affordability pressures, neither the Administration nor Congress projects increased support for housing assistance and related social services over the next five years. With states and localities facing severe budget shortfalls of their own, domestic programs are likely to be slashed. If history is any guide, housing will take more than its share of cutbacks.

Nonetheless, certain federal initiatives seem promising. A bipartisan congressional commission has recently presented a comprehensive assessment of housing programs and policies that highlights gaps in the current assistance framework. A second congressional commission is examining ways to address housing and human service needs specifically for the elderly. The bipartisan nature of these efforts, along with the fact that they are congressional initiatives, provide grounds for hope that the federal government will give higher priority to critical housing needs.

Meanwhile, there is growing recognition that housing plays a prominent role in many other policy areas. For example, housing stability is now seen as key both to the well-being of lowest-income elderly and working families, and to the ability of welfare recipients to find and keep jobs. Public health officials are also focusing on reducing the many hazards present in structurally inadequate housing, and public safety officials have attested to the success of housing choice vouchers in enabling families to move to safer communities. Furthermore, recent years have witnessed the emergence of increasingly sophisticated nonprofit housing providers and the greater involvement of for-profit companies in the production and financing of affordable housing.

These changes have prompted thousands of organizations to call on Congress to increase federal housing assistance resources. It is now imperative that this widening circle of concerned organizations identify and support innovative ways to expand the supply of affordable units to better meet the nation's urgent—and growing—housing needs.

APPENDIX TABLES

The following tables can be downloaded in Microsoft Excel format from the Joint Center's website at *www.jchs.harvard.edu.*

TABLE A-1

Housing Market Indicators: 1975-2001

	Permits (1) (Thousands)		Starts (2) (Thousands)			Size (3) (Median sq. ft.)		Sales Price Single-family Homes (2001 dollars)		Residential Upkeep and Improvement (6) (Millions of 2001 dollars)		Vacancy Rates (7) (Percent)	
Year	Single-family	Multi-family	Single-family	Multi-family	Manu-factured	Single-family	Multi-family	New (4)	Existing (5)	Owner-occupied	Rental	For Sale	For Rent
1975	676	263	892	268	229	1,535	942	152,035	115,446	62,726	26,864	1.2	6.0
1976	894	402	1,162	375	250	1,590	894	156,169	117,143	71,835	26,246	1.2	5.6
1977	1,126	564	1,451	536	258	1,610	881	165,478	121,961	76,590	23,342	1.2	5.2
1978	1,183	618	1,433	587	280	1,655	863	177,780	129,639	82,159	29,299	1.0	5.0
1979	982	570	1,194	551	280	1,645	893	186,624	131,082	85,992	28,863	1.2	5.4
1980	710	481	852	440	234	1,595	915	184,909	125,355	87,430	26,300	1.4	5.4
1981	564	421	705	379	229	1,550	930	182,295	120,629	75,460	27,744	1.4	5.0
1982	546	454	663	400	234	1,520	925	175,781	117,010	70,115	25,027	1.5	5.3
1983	902	703	1,068	636	278	1,565	893	172,311	116,926	72,757	26,560	1.5	5.7
1984	922	757	1,084	665	288	1,605	871	171,847	116,734	79,732	40,602	1.7	5.9
1985	957	777	1,072	670	283	1,605	882	168,015	118,122	84,493	50,681	1.7	6.5
1986	1,078	692	1,179	626	256	1,660	876	171,473	123,881	94,963	57,461	1.6	7.3
1987	1,024	510	1,146	474	239	1,755	920	174,288	127,851	91,592	60,273	1.7	7.7
1988	994	462	1,081	407	224	1,810	940	173,597	130,368	101,580	58,400	1.6	7.7
1989	932	407	1,003	373	203	1,850	940	172,285	132,066	94,256	60,070	1.8	7.4
1990	794	317	895	298	195	1,905	955	166,531	129,404	91,154	65,257	1.7	7.2
1991	754	195	840	174	174	1,890	980	161,939	126,501	86,776	53,255	1.7	7.4
1992	911	184	1,030	170	212	1,920	985	159,277	126,132	95,537	50,345	1.5	7.4
1993	987	212	1,126	162	243	1,945	1,005	161,298	125,154	97,803	51,597	1.4	7.3
1994	1,068	303	1,198	256	291	1,940	1,015	164,810	125,019	108,333	47,764	1.5	7.4
1995	997	335	1,076	278	319	1,920	1,040	164,814	125,397	97,511	47,715	1.6	7.6
1996	1,070	356	1,161	316	338	1,950	1,030	163,077	126,584	99,930	48,344	1.6	7.9
1997	1,062	379	1,134	340	336	1,975	1,050	164,043	128,543	103,680	43,712	1.6	7.8
1998	1,188	425	1,271	346	374	2,000	1,020	165,608	133,699	107,998	37,259	1.7	7.9
1999	1,247	417	1,302	338	338	2,028	1,041	170,016	138,145	105,538	46,368	1.7	8.1
2000	1,198	394	1,231	338	273	2,057	1,039	171,471	144,531	107,560	49,768	1.6	8.0
2001	1,236	401	1,273	329	186	2,105	1,092	172,650	152,712	111,886	48,100	1.8	8.4

Note: All value series are deflated by the Bureau of Labor Statistics' Consumer Price Index (CPI-UX) for All Items.

Sources:

1. U.S. Census Bureau, Construction Statistics, New Residential Construction, New Privately Owned Housing Units Authorized by Building Permits, http://www.census.gov/pub/const/bpann.pdf (as of May 2002)
2. U.S. Census Bureau: Construction Statistics, New Residential Construction, New Privately Owned Housing Units Started, http://www.census.gov/const/startsan.pdf (as of May 2002); and Manufactured Housing Statistics, Placements of New Manufactured Homes, http://www.census.gov/pub/const/mhs/mhstabplcmnt.pdf (as of May 2002). Manufactured housing starts defined as placements of new manufactured homes.
3. U.S. Census Bureau, Construction Statistics, New Residential Construction, New Privately Owned Housing Units Started in the United States, by Intent and Design, http://www.census.gov/const/starts usintenta.pdf (as of May 2002).
4. New home price is the 1990 national median home price indexed by the U.S. Census Bureau, Construction Statistics, New Residential Sales. Price Indexes of New One-Family Houses Sold, http://www. census.gov/const/C25/price_indexes.pdf (as of May 2002)
5. Existing home price is the 1990 median sales price of existing single-family homes determined by the National Association of Realtors, indexed by the Conventional Mortgage Home Price Index from Freddie Mac.
6. U.S. Census Bureau, Construction Statistics, Residential Improvements, Expenditures by Region and Property Type, http://www.census.gov/pub/const/C50/tables2.pdf (as of May 2002).
7. U.S. Census Bureau, Housing Vacancy Survey.
8. U.S. Census Bureau, Construction Statistics, Value of Construction Put in Place, Annual Value of Construction Put in Place, http://www.census.gov/pub/const/C30/c30tab1.rpt (as of May 2002) .
9. U.S. Census Bureau, Construction Statistics, New Residential Sales, New One-Family Houses Sold, http://www.census.gov/const/soldann.pdf (as of May 2002).
10. National Association of Realtors, Existing Home Sales.

Value Put in Place (8) (Billions of 2001 dollars)			Home Sales (Thousands)	
Single-family	Multi-family	Addition & Alterations	New (9)	Existing (10)
85.8	19.4	44.2	549	2,476
119.3	18.8	47.7	646	3,064
152.3	24.6	48.6	819	3,650
157.1	27.7	52.4	817	3,986
139.5	32.8	52.4	709	3,827
92.6	29.3	53.9	545	2,973
85.2	28.6	48.9	436	2,419
65.9	24.7	44.0	412	1,990
112.4	34.8	47.9	623	2,719
129.0	42.1	60.3	639	2,868
127.9	41.8	65.3	688	3,214
145.5	43.4	77.6	750	3,565
156.8	34.1	76.2	671	3,526
154.7	28.7	80.0	676	3,594
149.7	27.6	75.5	650	3,346
135.3	23.1	70.6	534	3,211
118.1	18.0	61.4	509	3,220
142.0	15.3	74.9	610	3,520
155.5	12.0	82.3	666	3,802
172.6	15.0	87.4	670	3,967
156.4	18.2	77.4	667	3,812
170.9	20.3	90.0	757	4,196
170.2	22.2	88.3	804	4,382
188.8	23.3	85.9	886	4,970
202.6	24.8	89.8	880	5,205
204.8	24.3	94.6	877	5,152
205.5	25.9	99.2	906	5,296

TABLE A-2

Homeownership Rates by Age and Race/Ethnicity: 1996-2001

Percent

	1996	1997	1998	1999	2000	2001
Total	65.4	65.7	66.3	66.8	67.4	67.8
White						
Under Age 25	20.6	20.3	20.7	21.5	23.7	25.1
Age 25-34	52.5	51.9	52.8	53.0	54.2	55.5
Age 35-44	71.6	72.6	73.1	74.0	73.7	75.1
Age 45-54	80.8	80.1	80.4	81.2	82.0	81.9
Age 55-64	85.2	84.5	84.7	85.0	84.6	85.8
Age 65-74	85.5	85.5	85.5	86.3	86.9	86.0
Age 75 and Over	76.4	76.8	77.1	78.4	78.6	79.2
Total	71.6	71.7	72.2	73.0	73.5	74.2
Black						
Under Age 25	10.8	12.0	12.4	9.0	12.0	11.3
Age 25-34	23.1	24.2	27.8	26.1	29.4	29.9
Age 35-44	41.4	44.9	45.3	44.8	45.7	49.1
Age 45-54	54.5	58.1	58.0	58.6	56.0	55.6
Age 55-64	63.3	62.0	60.2	58.4	63.8	61.4
Age 65-74	66.5	68.0	68.9	67.1	69.8	72.0
Age 75 and Over	68.3	69.9	67.1	68.6	70.9	75.9
Total	44.3	46.0	46.6	46.1	47.5	48.4
Hispanic						
Under Age 25	12.3	15.3	12.4	11.3	20.7	17.6
Age 25-34	28.6	30.7	32.0	31.5	30.8	32.0
Age 35-44	42.9	45.9	47.3	46.7	51.2	49.0
Age 45-54	55.2	54.5	56.6	59.4	53.5	60.1
Age 55-64	56.4	58.6	64.7	68.4	61.4	61.8
Age 65-74	61.4	58.8	62.3	67.0	65.8	65.3
Age 75 and Over	58.2	54.4	59.9	59.0	56.3	64.2
Total	41.2	43.1	44.8	45.1	45.5	46.4
Asian/Other						
Under Age 25	15.6	17.2	10.4	11.9	13.5	18.6
Age 25-34	31.3	30.2	35.4	31.0	34.5	33.0
Age 35-44	51.4	55.2	57.3	58.7	56.2	57.5
Age 45-54	65.8	69.9	66.8	69.1	69.6	71.4
Age 55-64	67.4	71.4	72.5	78.2	72.5	75.5
Age 65-74	68.3	75.2	63.5	68.6	69.8	66.5
Age 75 and Over	67.8	65.1	63.6	61.8	64.7	54.4
Total	50.3	52.7	53.5	53.4	53.9	53.9

Notes: White, black and Asian/other are non-Hispanic. Hispanics can be of any race. Caution should be used in interpreting year-over-year changes for certain age/race categories because of small sample sizes.

Sources: Total homeownership rate from the U.S. Census Bureau, Housing Vacancy Survey; all other data from Joint Center tabulations of the Current Population Surveys.

TABLE A-3

Income and Housing Costs: 1975-2001

2001 Dollars

									Cost as Percent of Income			
	Monthly Income		Owner Costs				Renter Costs		Owners		Renters	
Year	Owners	Renters	Home Price	Mortgage Rate (%)	Before-Tax Mortgage Payment	After-Tax Mortgage Payment	Contract Rent	Gross Rent	Before-Tax Mortgage Payment	After-Tax Mortgage Payment	Contract Rent	Gross Rent
1975	3,571	2,075	115,446	8.92	830	687	443	508	23.2	19.2	21.4	24.5
1976	3,603	2,037	117,143	8.87	838	695	443	512	23.3	19.3	21.7	25.1
1977	3,736	2,055	121,961	8.82	869	762	443	516	23.3	20.4	21.5	25.1
1978	3,673	2,033	129,639	9.37	970	829	445	519	26.4	22.6	21.9	25.5
1979	3,650	1,994	131,082	10.59	1,087	919	436	511	29.8	25.2	21.9	25.6
1980	3,551	1,883	125,355	12.46	1,201	988	428	506	33.8	27.8	22.7	26.9
1981	3,571	1,867	120,629	14.39	1,320	1,068	426	508	37.0	29.9	22.8	27.2
1982	3,582	1,822	117,010	14.73	1,309	1,077	434	521	36.5	30.1	23.8	28.6
1983	3,616	1,837	116,926	12.26	1,104	909	442	533	30.5	25.1	24.0	29.0
1984	3,707	1,889	116,734	11.99	1,080	896	447	538	29.1	24.2	23.7	28.5
1985	3,813	1,920	118,122	11.17	1,026	852	460	549	26.9	22.4	23.9	28.6
1986	3,945	1,953	123,881	9.79	961	802	479	566	24.4	20.3	24.5	29.0
1987	3,988	1,936	127,851	8.95	922	800	481	564	23.1	20.1	24.8	29.1
1988	3,992	1,984	130,368	8.98	942	838	479	560	23.6	21.0	24.2	28.2
1989	4,047	2,059	132,066	9.81	1,026	907	475	555	25.4	22.4	23.1	26.9
1990	3,930	1,976	129,404	9.74	1,000	885	470	547	25.4	22.5	23.8	27.7
1991	3,868	1,885	126,501	9.07	922	820	467	543	23.8	21.2	24.8	28.8
1992	3,839	1,841	126,132	7.83	820	738	465	540	21.3	19.2	25.2	29.3
1993	3,789	1,838	125,154	6.93	744	677	462	537	19.6	17.9	25.1	29.2
1994	3,884	1,882	125,019	7.31	772	703	461	535	19.9	18.1	24.5	28.4
1995	3,903	1,858	125,397	7.69	804	729	460	532	20.6	18.7	24.7	28.6
1996	3,957	1,898	126,584	7.58	803	728	458	530	20.3	18.4	24.1	27.9
1997	4,050	1,957	128,543	7.52	810	735	461	533	20.0	18.1	23.6	27.2
1998	4,150	1,982	133,699	6.97	798	727	469	538	19.2	17.5	23.6	27.1
1999	4,274	2,018	138,145	7.14	839	761	473	541	19.6	17.8	23.4	26.8
2000	4,401	2,152	144,531	7.86	942	843	474	543	21.4	19.2	22.0	25.3
2001	4,447	2,202	152,712	6.94	909	821	481	555	20.4	18.5	21.9	25.2

Notes: All dollar amounts are expressed in 2001 constant dollars using the Bureau of Labor Statistics' Consumer Price Index (CPI-UX) for All Items. Monthly incomes of families and primary individuals from 1975 to 1983 are from the American Housing Survey; incomes from 1984 to 2000 are from the Current Population Survey. Incomes for 2001 are estimated from the 2000 Current Population Survey, adjusted by the growth in HUD median family income data. Home price is the 1990 median sales price of existing single-family homes determined by the National Association of Realtors indexed by the Freddie Mac Conventional Mortgage Home Price Index. Mortgage rates are from the Federal Housing Finance Board Monthly Interest Rate Survey. Mortgage payments assume a 30-year mortgage with 10% down. After-tax mortgage payment equals mortgage payment less tax savings of homeownership. Tax savings are based on the excess of housing (mortgage interest and real-estate taxes) plus non-housing deductions over the standard deduction. Non-housing deductions are set at 5% of income through 1986. With tax reform, they decrease to 4.25% in 1987 and 3.5% from 1988 on. Contract rent equals median 1977 contract rent from the American Housing Survey, indexed by the CPI residential rent index with adjustments for depreciation in the stock before 1987. Gross rent is equal to contract rent plus fuel and utilities. Cost as percent of income for owners is before-tax or after-tax mortgage payments as a percent of monthly owner income. Cost as a percent of income for renters is monthly contract rent or gross rent as a percent of monthly renter income.

TABLE A-4

Terms on Conventional Single-family Mortgages: 1980-2001

Annual Averages, All Homes

Year	Effective Interest Rate (%)	Term to Maturity (Years)	Mortgage Loan Amount (Thousands of 2001 dollars)	Purchase Price (Thousands of 2001 dollars)	Loan-to-Price Ratio (%)	Percent of Loans with: Loan-to-Price Ratio More than 90%	Percent of Loans with: Adjustable Rates
1980	12.8	27.2	111.3	158.0	72.9	10	na
1981	14.9	26.4	105.5	149.9	73.1	15	na
1982	15.3	25.6	101.9	145.2	72.9	21	41
1983	12.7	26.0	106.5	147.8	74.5	21	40
1984	12.5	26.8	109.9	147.6	77.0	27	62
1985	11.6	25.9	115.5	158.2	75.8	21	51
1986	10.2	25.6	128.1	178.7	74.1	11	30
1987	9.3	26.8	138.9	189.9	75.2	8	43
1988	9.3	27.7	145.8	197.1	76.0	8	58
1989	10.1	27.7	149.2	203.9	74.8	7	38
1990	10.1	27.0	140.9	193.2	74.7	8	28
1991	9.3	26.5	138.2	190.8	74.4	9	23
1992	8.1	25.4	137.2	184.8	76.6	14	20
1993	7.1	25.5	131.1	175.4	77.2	17	20
1994	7.5	27.1	131.3	169.7	79.9	25	39
1995	7.9	27.4	128.2	166.0	79.9	27	32
1996	7.7	26.9	134.0	175.0	79.0	25	27
1997	7.7	27.5	139.7	181.5	79.4	25	22
1998	7.1	27.8	143.2	188.4	78.9	25	12
1999	7.3	28.2	148.1	195.8	78.5	23	21
2000	8.0	28.7	152.5	204.6	77.8	22	24
2001	7.0	27.6	155.7	215.5	76.2	21	12

Note: “na” indicates data not available.

Source: Federal Housing Finance Board, Monthly Interest Rate Survey.

TABLE A-5

Household Income and Housing Characteristics: 1999

	Income Quintiles: Lowest	Lower-Middle	Middle	Higher-Middle	Highest
Homeowners With Mortgages					
Median Income	$10,000	$24,000	$37,505	$60,000	$104,000
Median Monthly Housing Costs	$627	$674	$800	$965	$1,350
Median House Value	$75,000	$75,000	$86,000	$115,000	$175,000
Median Equity	$35,341	$41,871	$53,106	$71,601	$99,569
Homeowners Without Mortgages					
Median Income	$10,000	$22,270	$36,005	$58,000	$104,000
Median Monthly Housing Costs	$231	$268	$290	$320	$408
Median House Value	$70,000	$80,000	$88,000	$100,000	$150,000
Renters					
Median Income	$9,000	$22,100	$36,000	$56,500	$98,000
Median Monthly Housing Costs	$411	$540	$629	$724	$903

Note: Income quintiles each contain approximately one-fifth of U.S. households.

Source: Joint Center tabulations of the 1999 American Housing Survey.

TABLE A-6

Household Projections by Race/Ethnicity, Tenure and Family Type: 2000-2020

Thousands

	Owners			Renters			
Year	Family	Non-Family	Total	Family	Non-Family	Total	Total
Total							
2000	53,166	16,928	70,094	19,098	16,339	35,437	105,531
2010	60,378	20,700	81,078	18,941	17,261	36,202	117,280
2020	67,641	24,691	92,332	19,011	17,991	37,001	129,334
White							
2000	43,292	14,632	57,924	9,866	11,610	21,476	79,400
2010	46,595	17,298	63,893	8,433	11,350	19,783	83,676
2020	49,743	20,052	69,795	7,227	10,871	18,098	87,893
Black							
2000	4,430	1,434	5,864	4,144	2,690	6,834	12,697
2010	5,658	2,054	7,713	4,240	3,128	7,369	15,081
2020	6,898	2,701	9,600	4,321	3,488	7,809	17,409
Hispanic							
2000	3,640	533	4,173	3,890	1,317	5,207	9,380
2010	5,527	838	6,365	4,794	1,811	6,606	12,971
2020	7,569	1,227	8,796	5,681	2,409	8,090	16,887
Asian/Other							
2000	1,803	330	2,134	1,198	722	1,920	4,053
2010	2,597	509	3,107	1,474	971	2,445	5,552
2020	3,431	711	4,142	1,781	1,222	3,004	7,146
Total Minority							
2000	9,873	2,297	12,170	9,232	4,729	13,961	26,131
2010	13,783	3,402	17,185	10,509	5,911	16,420	33,604
2020	17,898	4,639	22,538	11,784	7,120	18,904	41,441

Notes: Whites, blacks and Asian/others are non-Hispanic. Hispanics can be of any race. Family households are related persons living together; non-family households are individuals or unrelated persons living together.

Source: George S. Masnick and Zhu Xiao Di, *Projections of U.S. Households by Race/Hispanic Origin, Age, Family Type and Tenure to 2020: A Sensitivity Analysis*, paper prepared for the Department of Housing and Urban Development, May 2002.

TABLE A-7

Projected Growth in Households Under Alternative Immigration Scenarios: 2000-2020

Thousands

	Low Immigration		Baseline Immigration		Constant Immigration	
	Household Growth	Immigrant Share	Household Growth	Immigrant Share	Household Growth	Immigrant Share
Total	22,236	5,323	23,803	6,890	25,370	8,457
White	8,205	1,017	8,493	1,305	8,781	1,594
Black	4,674	860	4,712	898	4,749	936
Hispanic	6,265	1,456	7,506	2,697	8,748	3,938
Asian/Other	3,092	1,989	3,092	1,989	3,092	1,989
Total Minority	14,031	4,305	15,310	5,584	16,589	6,863

Notes: Baseline immigration scenario assumes annual average immigration of 920,613 between 2000 and 2010, declining to 767,349 between 2010 and 2020. Low immigration scenario assumes annual average immigration of 827,936 between 2000 and 2010, declining to 512,753 between 2010 and 2020. Constant immigration scenario assumes annual average immigration of 1,013,290 between 2000 and 2010, holding steady at 1,021,945 between 2010 and 2020.

Source: Masnick and Di, *Projections of U.S. Households by Race/Hispanic Origin, Age, Family Type and Tenure to 2020,* May 2002.

TABLE A-8

Household Projections by Race/Ethnicity, Age and Tenure: 2000-2020

Thousands

	Owners			Renters		
	2000	2010	2020	2000	2010	2020
Total	70,094	81,078	92,332	35,437	36,202	37,001
White						
Under Age 25	723	783	716	3,036	3,281	3,001
Age 25-34	6,551	6,348	6,682	5,903	5,698	5,899
Age 35-44	13,114	11,039	10,878	4,672	3,305	3,134
Age 45-54	12,686	14,520	12,030	3,030	2,838	1,785
Age 55-64	9,144	13,367	15,472	1,618	1,943	1,628
Age 65-74	8,009	9,171	13,657	1,254	1,111	1,182
Age 75 and Over	7,698	8,664	10,360	1,964	1,606	1,470
Total	57,924	63,893	69,795	21,476	19,783	18,098
Black						
Under Age 25	84	98	90	829	969	894
Age 25-34	657	742	852	1,972	2,115	2,406
Age 35-44	1,482	1,622	1,776	1,820	1,586	1,673
Age 45-54	1,456	2,065	2,163	1,038	1,246	1,016
Age 55-64	917	1,530	2,172	601	870	1,028
Age 65-74	737	930	1,591	347	398	572
Age 75 and Over	531	727	954	226	185	221
Total	5,864	7,713	9,600	6,834	7,369	7,809
Hispanic						
Under Age 25	85	111	139	732	953	1,188
Age 25-34	714	907	1,112	1,591	1,914	2,375
Age 35-44	1,185	1,604	1,933	1,403	1,532	1,766
Age 45-54	912	1,542	1,968	701	1,080	1,120
Age 55-64	587	1,087	1,749	354	546	813
Age 65-74	430	650	1,168	243	321	472
Age 75 and Over	260	464	727	183	260	358
Total	4,173	6,365	8,796	5,207	6,606	8,090
Asian/Other						
Under Age 25	29	39	48	235	309	386
Age 25-34	273	319	401	633	752	948
Age 35-44	601	745	866	468	584	677
Age 45-54	558	799	968	281	371	441
Age 55-64	352	635	889	129	202	251
Age 65-74	196	330	565	93	118	172
Age 75 and Over	124	239	405	82	109	128
Total	2,134	3,107	4,142	1,920	2,445	3,004

Notes: White, black and Asian/other are non-Hispanic. Hispanics can be of any race.

Source: Masnick and Di, *Projections of U.S. Households by Race/Hispanic Origin, Age, Family Type and Tenure to 2020,* May 2002.

TABLE A-9

Characteristics of Households by Income Quintiles: 1999

Thousands

	Income Quintiles					
	Lowest	Lower-Middle	Middle	Higher-Middle	Highest	Total
Total	19,938	19,434	20,966	20,078	20,179	100,596
Race						
White	13,110	13,610	15,710	16,070	16,950	75,450
Black	4,006	2,862	2,445	1,787	1,182	12,283
Hispanic	2,156	2,227	1,940	1,431	1,060	8,814
Asian/Other	661	733	867	795	982	4,038
Age						
Under 65	11,510	13,860	17,570	18,170	18,620	79,730
65 or Older	8,433	5,571	3,396	1,903	1,564	20,867
Employment Status						
Working	7,782	13,640	17,560	17,980	17,600	74,562
Non-Working	12,160	5,796	3,403	2,101	2,580	26,041
Family Type						
Married With Children	3,170	4,758	5,898	6,509	8,370	28,705
Married Without Children	1,371	2,815	4,935	7,056	8,282	24,460
Single Parent	2,902	2,593	1,883	1,069	424	8,870
Other Family	1,615	1,707	1,603	1,268	814	7,006
Single Person	9,992	6,385	5,095	2,811	1,534	25,816
Other Non-Family	889	1,176	1,552	1,366	756	5,739
Metro Status						
Central City	7,209	6,386	6,445	5,486	4,784	30,309
Suburb	7,097	8,051	9,731	10,450	12,610	47,940
Non-Metro	5,632	4,997	4,789	4,140	2,790	22,348
Region						
Northeast	3,758	3,439	3,853	3,907	4,545	19,502
Midwest	4,564	4,664	5,021	5,178	4,497	23,925
South	7,782	7,216	7,665	6,704	6,175	35,544
West	3,835	4,114	4,426	4,289	4,962	21,625
Tenure						
Owner With Mortgage	2,325	4,190	7,741	10,720	13,520	38,496
Owner Without Mortgage	7,301	6,575	5,808	4,907	4,543	29,134
Renter	10,310	8,669	7,417	4,447	2,114	32,957
Cost Burden						
Not Burdened	5,952	12,000	16,990	18,170	19,450	72,562
Moderately Burdened	4,892	5,628	3,182	1,603	619	15,925
Severely Burdened	9,094	1,801	788	309	108	12,101
Crowded						
Not Crowded	19,440	18,660	20,430	19,640	19,900	98,070
Crowded	500	770	538	441	279	2,528
Adequacy						
Adequate	17,550	17,840	19,610	19,310	19,660	93,970
Moderately Inadequate	1,665	1,167	962	522	355	4,671
Severely Inadequate	723	427	397	251	164	1,960

Notes: Income quintiles each contain approximately one-fifth of U.S. households. White, black and Asian/other are non-Hispanic. Hispanics can be of any race. Working households are those whose income is at least 50% derived from employment. Moderately (severely) burdened households pay between 30% and 50% (more more than 50%) of income for housing. Households living in moderately and severely inadequate units are defined by the American Housing Survey.

Source: Joint Center tabulations of the 1999 American Housing Survey.

TABLE A-10

Characteristics of Lowest-Income Households by Age and Mortgage Status: 1999

Thousands

	Non-Elderly				Elderly			
	With Mortgage	Without Mortgage	Renter	Total	With Mortgage	Without Mortgage	Renter	Total
Total	1,622	2,179	7,704	11,510	703	5,122	2,609	8,433
Race								
White	1,101	1,618	3,707	6,426	467	4,442	1,779	6,689
Black	264	332	2,283	2,879	164	477	487	1,127
Hispanic	191	177	1,314	1,682	62	168	245	474
Asian/Other	66	52	400	518	10	35	98	143
Employment Status								
Working	923	1,058	5,225	7,206	56	304	216	576
Non-Working	700	1,121	2,479	4,299	647	4,818	2,393	7,857
Family Type								
Married Couple Without Children	291	543	388	1,222	213	1,426	308	1,948
Married Couple With Children	349	206	804	1,360	na	na	na	12
Other Family With Children	320	274	2,296	2,890	na	na	na	11
Other Family Without Children	139	234	537	911	103	407	194	704
Single Person	434	829	3,066	4,329	368	3,247	2,047	5,662
Other Non-Family	89	92	612	793	13	28	55	96
Metro Status								
Central City	449	436	3,920	4,806	204	1,043	1,156	2,403
Suburb	671	874	2,130	3,675	296	2,216	909	3,422
Non-Metro	502	869	1,654	3,024	202	1,862	544	2,608
Region								
Northeast	204	294	1,402	1,900	93	986	779	1,858
Midwest	357	572	1,663	2,592	143	1,255	575	1,973
South	707	987	2,806	4,500	313	2,167	801	3,282
West	354	326	1,834	2,513	153	714	454	1,322
Cost Burden								
Not Burdened	122	998	1,495	2,615	33	2,570	735	3,338
Moderately Burdened	293	495	1,999	2,787	147	1,262	695	2,104
Severely Burdened	1,207	686	4,210	6,103	523	1,290	1,179	2,991
Crowded								
Not Crowded	1,608	2,135	7,282	11,030	699	5,118	2,595	8,413
Crowded	14	44	422	480	na	na	13	21
Adequacy								
Adequate	1,467	1,913	6,471	9,850	656	4,736	2,310	7,701
Moderately Inadequate	117	208	846	1,170	22	276	196	494
Severely Inadequate	39	59	387	485	25	110	102	238

Notes: Lowest-income households are those in the bottom 20% of the income distribution. Elderly households are those headed by persons over 65 years old. White, black and Asian/other are non-Hispanic. Hispanics can be of any race. Working households are those whose income is at least 50% derived from employment. Moderately (severely) burdened households pay between 30% and 50% (more than 50%) of income for housing costs. Households living in moderately and severely inadequate units are defined by the American Housing Survey. “na” indicates too few observations in the sample.

Source: Joint Center tabulations of the 1999 American Housing Survey.

TABLE A-11

Characteristics of Owners of Rental Housing: 1997

Thousands of Units

	Resident Owners	Individual Nonresident Owners: Small Owners	Individual Nonresident Owners: Large Owners	Individual Nonresident Owners: Not Reported	Institutional Owners	Total
Total Rental Units	1,441	7,915	3,771	3,980	9,121	29,358
Structure Type						
Single-family Detached	na	4,150	627	696	680	6,438
Single-family Attached	na	359	110	119	154	773
Other Single Family	na	915	137	235	180	1,562
Multifamily with 2 to 4 Units	1,122	2,080	800	712	592	5,556
Multifamily with 5 to 9 Units	159	411	453	303	364	1,894
Multifamily with 10 or More Units	129	na	1,644	1,915	7,153	13,135
Annual Income of Owner						
Less than $30,000	562	2,253	285	179	189	3,480
$30,000 to $49,999	290	1,850	382	147	157	2,826
$50,000 to $74,999	159	1,105	570	153	182	2,174
$75,000 or More	140	1,239	1,726	451	1,739	5,308
Not Reported/Not Applicable	258	1,468	808	3,050	6,855	15,571
Owner Making a Profit						
Yes	392	2,902	2,163	1,345	4,014	11,548
No, Breaking Even	386	1,426	338	338	863	3,415
No, Had Loss	408	2,519	714	630	1,494	5,967
Don’t Know/Not Reported	225	1,068	557	1,667	2,750	8,428
Owner Would Buy Unit Again						
Yes	799	3,117	1,800	1,055	4,092	10,945
No	282	2,856	1,088	609	1,313	6,186
Don’t Know/Not Reported	330	1,942	884	2,316	3,716	12,226

Notes: Small owners have fewer than 10 rental units. Large owners have 10 or more rental units. Total includes owner type not reported. “na” indicates too few observations in the sample.

Source: Joint Center for Housing Studies, *Building Individual and Community Wealth Through Homeownership and Housing Related Enterprises*, September 1997.

TABLE A-12

Subsidized and Unsubsidized Rental Stock by Age, Location, Quality and Unit Type: 1999

Thousands of Units

Subsidized Units	Central City		Suburb		Non-Metro		
Age and Type of Unit	Adequate	Inadequate	Adequate	Inadequate	Adequate	Inadequate	All Units
Built Pre-1950							
Single-family Detached	92.8	28.8	42.6	na	50.3	10.5	225.0
Small Multi-unit	404.1	54.0	139.8	12.6	61.0	20.4	692.0
Large Multi-unit	277.0	71.0	34.6	na	12.6	na	400.6
Manufactured Home	na	na	na	na	na	na	na
Total	773.9	153.8	221.3	15.0	123.8	34.1	1,321.9
Built 1950-1974							
Single-family Detached	61.9	24.4	119.5	13.9	40.2	5.7	265.6
Small Multi-unit	417.6	66.4	296.3	29.0	155.9	18.3	983.6
Large Multi-unit	571.8	96.5	259.9	43.7	95.2	15.9	1,083.0
Manufactured Home	na	na	7.5	na	13.6	na	23.3
Total	1,051.3	187.3	683.2	86.6	304.9	42.2	2,355.5
Built Post-1975							
Single-family Detached	43.6	na	43.1	4.9	57.5	2.6	151.5
Small Multi-unit	353.8	22.3	449.8	27.5	270.5	28.9	1,152.7
Large Multi-unit	494.9	55.7	435.0	27.2	173.8	15.8	1,202.2
Manufactured Home	na	na	6.2	na	10.6	2.5	19.4
Total	892.2	77.9	934.1	59.5	512.4	49.7	2,525.8

Unsubsidized Units	Central City		Suburb		Non-Metro		
Age and Type of Unit	Adequate	Inadequate	Adequate	Inadequate	Adequate	Inadequate	All Units
Built Pre-1950							
Single-family Detached	906.4	200.3	905.9	111.3	898.3	237.9	3,260.1
Small Multi-unit	2,291.9	448.6	1,008.1	154.8	443.1	78.2	4,424.7
Large Multi-unit	920.0	276.4	148.8	27.1	26.2	9.4	1,407.9
Manufactured Home	na	na	na	na	na	na	10.2
Total	4,118.3	925.3	2,067.1	293.2	1,373.6	325.5	9,102.9
Built 1950-1974							
Single-family Detached	736.0	112.8	1,048.4	84.7	643.0	82.1	2,707.0
Small Multi-unit	1,495.1	169.4	1,442.5	138.9	315.5	28.6	3,590.1
Large Multi-unit	1,193.8	177.4	1,042.1	94.2	104.9	7.6	2,620.0
Manufactured Home	22.4	10.9	184.9	8.7	194.5	22.6	444.2
Total	3,447.4	470.6	3,718.0	326.5	1,258.0	140.9	9,361.4
Built Post-1975							
Single-family Detached	281.7	15.6	621.8	29.7	293.8	26.8	1,269.4
Small Multi-unit	1,315.7	106.8	1,665.1	97.4	487.3	32.0	3,704.3
Large Multi-unit	1,160.0	152.2	1,297.8	115.0	141.0	19.4	2,885.4
Manufactured Home	40.3	na	199.8	11.8	308.3	55.4	618.8
Total	2,797.8	277.8	3,784.5	253.9	1,230.4	133.6	8,477.9

Notes: Small multi-units are units in structures with 2-9 units. Large multi-units are units in structures with 10 or more units. “na” indicates too few observations in sample.

Source: Joint Center tabulations of the 1999 American Housing Survey.

TABLE A-13

Rental Affordability by Metropolitan Area and Occupation: 2000

	2000 Two-Bedroom Fair Market Rent	Annual Income Requirement: Fair Market Rent at 30%	Annual Income Requirement: Fair Market Rent at 50%	Percent of Income Needed to Pay for Two-Bedroom FMR: Nurses	Electricians	Bio-Technicians	Teachers	Janitors	Retail Salespersons
Atlanta	712	28,480	17,088	29	20	28	24	51	50
Austin	700	28,000	16,800	28	21	30	25	55	48
Boston	942	37,680	22,608	29	23	31	29	54	63
Buffalo	510	20,400	12,240	23	13	18	17	37	43
Charlotte	648	25,920	15,552	25	25	25	24	48	45
Chicago	762	30,480	18,288	29	16	26	25	49	51
Cincinnati	544	21,760	13,056	18	17	na	18	35	39
Cleveland	619	24,760	14,856	23	15	20	19	43	45
Columbus	597	23,880	14,328	22	17	na	20	40	43
Dallas	749	29,960	17,976	23	25	28	26	61	52
Denver	728	29,120	17,472	27	18	29	27	47	48
Detroit	650	26,000	15,600	23	13	35	19	39	45
Grand Rapids	566	22,640	13,584	22	17	na	18	35	39
Greensboro	553	22,120	13,272	21	21	25	20	43	39
Hartford	697	27,880	16,728	20	18	24	20	41	48
Houston	620	24,800	14,880	24	20	37	21	55	46
Indianapolis	552	22,080	13,248	20	15	na	20	37	38
Jacksonville	572	22,880	13,728	22	20	27	19	44	42
Kansas City	574	22,960	13,776	23	16	21	22	39	41
Las Vegas	702	28,080	16,848	26	18	na	na	38	48
Los Angeles	766	30,640	18,384	27	23	33	22	52	52
Louisville	501	20,040	12,024	21	15	22	15	37	36
Memphis	533	21,320	12,792	23	16	na	17	41	37
Miami	712	28,480	17,088	29	28	35	25	60	52
Milwaukee	619	24,760	14,856	22	16	27	22	42	45
Minneapolis	684	27,360	16,416	25	15	26	23	42	46
Nashville	630	25,200	15,120	24	23	31	25	50	45
New Orleans	521	20,840	12,504	23	19	22	20	46	43
New York	920	36,800	22,080	34	17	33	24	39	67
Norfolk	580	23,200	13,920	27	21	25	22	47	46
Oklahoma City	469	18,760	11,256	22	17	na	19	37	34
Orlando	682	27,280	16,368	30	31	35	23	52	52
Philadelphia	738	29,520	17,712	24	21	26	24	48	53
Phoenix	642	25,680	15,408	25	23	29	25	52	44
Pittsburgh	558	22,320	13,392	23	15	22	18	39	43
Portland	702	28,080	16,848	25	14	28	24	41	45
Providence	667	26,680	16,008	21	20	29	19	42	48
Raleigh	649	25,960	15,576	23	22	22	21	50	46
Richmond	625	25,000	15,000	24	20	22	22	51	45
Rochester	609	24,360	14,616	26	15	22	20	44	48
Sacramento	631	25,240	15,144	21	16	28	19	44	45
Salt Lake City	647	25,880	15,528	28	19	26	28	45	44
San Antonio	555	22,200	13,320	24	17	21	18	42	41
San Diego	805	32,200	19,320	30	26	29	25	58	56
San Francisco	1,362	54,480	32,688	41	30	45	43	79	85
Seattle	772	30,880	18,528	28	17	28	27	44	45
St. Louis	510	20,400	12,240	19	12	19	18	36	37
Tampa	630	25,200	15,120	25	27	28	21	48	45
Washington	840	33,600	20,160	30	24	31	31	64	58
West Palm Beach	719	28,760	17,256	28	28	33	24	59	44

Notes: Fair Market Rent is calculated by the U.S. Department of Housing and Urban Development. Occupations are defined by Bureau of Labor Statistics (BLS) codes. Annual income requirement is the salary necessary to pay indicated share of income for the Fair Market Rent. Rent and income are expressed in 2000 dollars.

Sources: HUD, Fair Market Rents for Metropolitan Areas; BLS, 2000 Metropolitan Area Employment and Earnings Estimates.

WEB TABLE 1

Home Prices by Region and Metropolitan Area: 1990-2001

Thousands of 2001 Dollars

	Peak Since 1975													
	Year	Level	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
US Total	2001	152.7	129.4	126.5	126.1	125.2	125.0	125.4	126.6	128.5	133.7	138.1	144.5	152.7
Northeast	1988	208.8	191.3	180.9	178.4	175.4	170.0	166.5	166.0	166.1	172.5	179.4	191.5	206.4
Midwest	2001	130.8	100.3	99.8	100.9	101.7	104.6	107.0	109.6	112.7	116.6	121.0	125.9	130.8
South	2001	134.6	116.4	114.0	114.4	114.2	114.4	114.7	115.7	117.1	121.5	124.5	128.1	134.6
West	2001	215.5	189.2	184.9	181.0	175.6	171.8	170.2	169.9	172.1	181.3	187.8	200.4	215.5
Metro Areas														
Atlanta	2001	147.4	117.1	113.5	113.4	113.2	112.9	114.0	116.4	119.3	126.1	132.7	139.3	147.4
Baltimore	2001	146.6	143.5	141.0	140.8	138.6	135.1	132.0	131.5	130.6	133.3	135.0	139.0	146.6
Boston	2001	300.2	235.9	214.4	207.4	203.4	200.7	200.6	203.2	209.0	221.8	244.0	274.7	300.2
Buffalo	1992	105.8	104.6	104.6	105.8	105.8	102.4	100.1	98.6	96.2	97.2	94.2	92.6	95.5
Charlotte	2001	151.0	126.2	124.2	123.9	123.2	124.1	126.9	131.4	135.5	141.1	144.3	146.2	151.0
Chicago	2001	194.1	158.3	158.2	160.0	161.1	163.9	164.9	165.7	167.5	171.2	176.3	185.8	194.1
Cincinnati	2001	133.3	108.1	107.5	109.0	109.7	112.2	113.7	115.4	117.3	121.5	125.0	129.1	133.3
Cleveland	2001	136.4	109.2	110.1	112.9	114.6	117.0	119.2	121.8	124.2	128.1	130.4	132.1	136.4
Columbus	2001	137.1	110.6	110.4	111.9	113.0	116.1	118.2	120.2	122.7	126.8	129.5	132.2	137.1
Dallas	1986	164.5	121.3	118.1	117.9	116.4	114.4	112.6	112.8	113.7	118.4	122.9	128.5	134.3
Denver	2001	208.6	117.1	116.3	120.4	126.1	137.3	143.0	146.6	152.0	159.6	173.7	193.1	208.6
Detroit	2001	148.7	103.9	103.7	104.3	104.1	106.4	110.7	116.4	123.2	129.5	136.9	143.6	148.7
Grand Rapids	2001	122.8	92.5	92.1	91.9	91.4	94.1	97.2	101.1	105.1	109.2	114.3	118.8	122.8
Greensboro	2001	135.1	118.0	115.8	116.0	115.5	116.8	118.8	120.0	122.7	126.7	129.4	131.1	135.1
Hartford	1988	246.6	213.1	195.3	185.3	175.8	164.3	157.3	154.1	151.2	156.8	160.1	167.2	177.0
Houston	1982	155.8	95.8	95.0	96.0	95.1	93.4	90.6	90.0	90.3	95.2	100.1	105.3	110.1
Indianapolis	2001	118.4	101.4	101.5	102.6	103.0	104.1	105.8	107.3	108.7	112.2	113.1	114.5	118.4
Jacksonville	2001	120.6	98.1	94.8	95.8	95.4	94.1	93.7	95.7	97.3	101.9	107.1	112.3	120.6
Kansas City	1980	129.6	100.4	97.9	96.9	96.3	98.2	100.1	102.0	105.0	108.8	114.1	119.7	124.3
Las Vegas	1982	151.4	126.0	129.2	129.8	127.5	123.5	122.6	122.3	122.0	124.6	124.1	125.5	131.9
Los Angeles	1990	268.3	268.3	253.6	242.1	222.0	200.0	188.6	181.8	180.2	195.1	205.7	217.3	233.8
Louisville	2001	107.8	82.4	82.2	83.4	84.7	88.7	91.4	93.1	96.1	99.4	102.0	104.6	107.8
Memphis	2001	129.0	111.5	109.4	109.3	109.2	109.4	111.4	114.4	117.2	121.9	125.8	125.8	129.0
Miami	2001	153.8	121.0	119.9	120.9	124.7	127.8	129.1	130.9	130.6	135.9	136.6	141.1	153.8
Miwaukee	2001	150.7	114.4	115.5	118.9	121.8	128.0	130.2	131.3	133.3	136.6	140.9	145.5	150.7
Minneapolis	2001	171.6	120.2	118.2	118.2	118.6	121.1	123.0	125.3	128.8	134.3	144.2	157.7	171.6
Nashville	2001	141.1	110.8	107.6	107.7	108.2	113.8	119.1	123.7	128.6	133.9	136.4	137.3	141.1
New Orleans	1979	145.2	91.9	90.2	93.3	95.4	99.0	101.2	104.3	106.4	110.9	113.8	114.8	119.2
New York	1988	264.2	229.0	212.5	209.0	205.4	200.2	194.8	194.2	194.1	202.3	215.2	237.7	258.5
Oklahoma City	1983	126.7	72.1	71.6	71.7	72.3	74.4	74.3	75.5	75.7	77.9	78.6	79.8	82.1
Orlando	2001	127.5	112.2	109.9	110.0	108.9	105.7	104.3	104.6	105.7	110.2	113.5	119.0	127.5
Philadelphia	1989	152.2	147.3	142.1	140.2	137.6	133.2	129.8	128.6	127.4	130.8	132.6	136.9	145.5
Phoenix	1981	146.2	113.8	110.7	110.5	109.5	112.0	115.1	118.1	121.5	126.9	132.6	138.4	144.7
Pittsburgh	1978	112.3	95.0	95.9	98.7	101.1	101.3	100.0	100.1	99.4	103.4	103.4	105.3	111.0
Portland	2001	170.3	107.7	114.3	120.2	125.8	135.4	143.5	151.0	158.3	164.2	165.1	165.6	170.3
Providence	1988	186.7	173.3	160.8	153.9	149.2	142.3	139.2	136.7	135.4	138.6	142.1	153.6	167.1
Raleigh	2001	167.2	140.4	136.2	136.6	137.2	142.9	147.5	149.3	152.4	156.8	160.5	162.6	167.2
Rochester	1988	114.5	108.1	104.9	104.9	103.5	99.5	96.2	94.6	92.6	94.3	93.7	92.0	93.9
Sacramento	1991	188.3	186.3	188.3	178.6	167.3	154.7	147.0	141.6	139.8	145.6	150.1	162.5	185.1
Salt Lake City	1998	169.2	103.9	105.0	108.9	118.2	135.7	147.3	156.4	163.1	169.2	167.8	165.1	169.1
San Antonio	2001	94.0	86.2	82.4	79.1	74.3	69.9	67.3	65.3	65.5	70.7	76.3	85.3	94.0
San Diego	2001	321.6	248.2	228.4	218.7	207.2	198.6	194.0	190.6	199.8	220.3	244.7	296.3	321.6
San Francisco	2001	458.9	351.4	335.2	324.2	309.9	297.0	288.5	283.3	291.5	315.9	344.9	411.6	458.9
Seattle	2001	224.7	192.4	187.4	186.4	184.5	186.6	188.9	191.0	194.5	199.5	207.0	216.5	224.7
St. Louis	1984	148.0	94.0	92.4	95.2	98.1	99.1	99.2	98.1	97.1	99.3	99.3	100.8	105.0
Tampa	2001	115.5	96.7	94.4	94.1	93.3	91.7	91.6	91.7	92.6	96.8	100.5	106.5	115.5
Washington	1989	209.2	203.9	195.7	192.3	187.4	181.1	175.8	173.2	170.8	173.4	176.9	187.5	205.3
W. Palm Beach	1975	163.1	146.3	140.7	139.2	135.9	133.4	132.8	132.2	132.0	137.4	139.4	147.2	160.3

Notes: House prices are the 1990 median sales prices of existing single-family homes determined by the National Association of Realtors, indexed by the Conventional Mortgage Home Price Index by Freddie Mac, and adjusted by the Bureau of Labor Statistics Consumer Price Index (CPI-UX) for all items. Metropolitan areas are the 50 largest MSA as of 2001, excluding Austin, Texas and Norfolk, Virginia.

WEB TABLE 2

Changes to Single-family and Multifamily Housing Stock: 1990-2001

Thousands

	1990 Housing Stock		Aggregate Permits Issued 1991-2000		Permits Issued in 2000		Permits Issued in 2001	
	Single	Multi	Single	Multi	Single	Multi	Single	Multi
US Total	65,655.7	27,811.3	10,479.5	3,199.3	1,198.1	394.2	1,221.2	389.5
Northeast	11,909.8	7,971.6	1,131.1	267.9	122.3	42.8	113.7	41.8
Midwest	16,972.7	5,943.9	2,256.9	710.2	245.4	78.5	246.4	77.6
South	23,625.6	7,972.1	4,526.9	1,392.4	529.7	172.2	556.8	169.1
West	13,147.6	5,923.7	2,564.7	828.9	300.7	100.8	304.4	101.1
States								
Alabama	1,165.9	265.0	132.5	42.6	13.7	3.7	16.2	2.7
Alaska	140.1	67.8	15.4	5.1	1.6	0.5	1.8	1.1
Arizona	977.9	406.7	405.7	94.9	48.8	12.6	48.8	10.2
Arkansas	726.9	132.3	69.5	32.2	6.9	2.3	7.9	3.6
California	6,930.9	3,572.0	824.6	253.6	105.0	40.6	106.3	37.3
Colorado	971.9	403.2	292.6	90.0	38.6	16.0	36.5	18.1
Connecticut	815.3	474.6	78.6	13.9	8.2	1.2	8.0	1.4
Delaware	196.2	56.7	43.3	4.4	3.9	0.7	4.7	0.7
Florida	3,368.6	1,910.6	918.6	373.0	106.4	48.8	117.3	47.3
Georgia	1,712.3	598.3	558.1	131.8	68.9	23.0	70.5	22.6
Hawaii	237.0	146.7	38.0	19.6	4.3	0.7	4.0	0.7
Idaho	295.0	58.1	87.9	19.0	9.7	1.2	9.5	1.8
Illinois	2,714.9	1,602.2	350.8	113.8	37.8	14.1	38.8	15.1
Indiana	1,631.6	438.4	279.5	66.7	30.4	7.5	32.0	6.4
Iowa	870.7	204.5	77.9	36.8	8.5	4.0	8.9	3.6
Kansas	782.2	183.5	94.3	31.7	9.3	3.3	9.4	4.3
Kentucky	1,036.1	271.1	134.6	41.7	14.8	3.6	14.8	2.5
Louisiana	1,162.9	335.8	120.3	19.6	13.1	1.6	12.9	2.3
Maine	390.2	128.9	45.1	3.3	5.7	0.4	5.2	0.5
Maryland	1,331.7	504.2	239.5	45.7	25.1	5.2	23.3	5.2
Massachusetts	1,326.5	1,095.1	149.5	22.3	14.2	3.8	12.9	3.9
Michigan	2,803.8	755.3	387.4	79.7	43.0	9.5	39.4	7.9
Minnesota	1,299.8	437.0	224.9	49.5	25.5	7.3	25.3	8.2
Mississippi	727.4	133.8	73.8	25.0	7.6	3.6	8.2	1.6
Missouri	1,547.0	470.2	185.4	51.5	17.9	6.4	18.0	5.4
Montana	246.0	56.6	16.1	9.3	1.6	1.0	1.7	0.7
Nebraska	494.9	123.7	56.2	27.9	6.5	2.6	6.6	1.4
Nevada	262.7	180.5	215.4	84.0	25.7	6.6	27.0	9.2
New Hampshire	320.8	141.1	44.9	5.0	6.1	0.6	5.5	0.6
New Jersey	1,872.0	1,126.6	211.7	44.5	25.3	9.3	21.6	6.8
New Mexico	416.2	103.5	81.3	12.7	8.2	0.7	8.9	1.0
New York	3,231.1	3,693.0	219.2	119.9	23.9	20.2	23.8	21.0
North Carolina	1,904.5	459.5	510.6	137.3	59.1	19.3	63.3	19.6
North Dakota	183.2	63.5	14.5	12.9	1.3	0.9	1.4	1.1
Ohio	3,044.5	1,080.9	343.7	120.4	38.0	11.7	39.3	11.5
Oklahoma	1,037.9	224.9	84.2	19.2	9.0	2.2	9.6	2.2
Oregon	796.6	251.8	154.2	73.7	15.6	4.3	16.2	4.8
Pennsylvania	3,546.3	1,071.6	339.6	53.0	34.5	6.6	32.3	7.0
Rhode Island	230.0	175.8	23.1	3.1	2.3	0.3	2.2	0.2
South Carolina	932.1	238.7	213.0	57.5	24.9	7.9	24.7	5.5
South Dakota	207.4	50.8	24.3	11.7	3.1	1.1	3.4	1.1
Tennessee	1,413.5	405.1	254.2	60.2	24.4	7.8	27.3	5.9
Texas	4,604.0	1,774.3	775.5	315.4	108.6	32.6	111.4	35.1
Utah	417.1	140.3	142.0	38.3	14.7	2.9	14.2	4.0
Vermont	177.6	65.0	19.4	3.0	2.2	0.3	2.1	0.4
Virginia	1,748.1	566.2	371.3	80.7	39.8	8.6	41.2	10.9
Washington	1,320.8	504.4	278.5	126.0	25.5	13.6	28.1	11.6
West Virginia	557.6	95.5	27.8	6.1	3.3	0.5	3.4	0.5
Wisconsin	1,392.6	533.8	218.0	107.7	24.0	10.1	23.7	11.6
Wyoming	135.4	32.1	13.1	2.7	1.4	0.2	1.4	0.4

Source: U.S. Census Bureau, Construction Statistics, New Residential Construction, New Privately Owned Housing Units Authorized by Building Permits, www.census.gov/pub/const/bpann.pdf (as of May 2002).

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