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NATIONAL ASSOCIATION OF AFFORDABLE HOUSING LENDERS

The Buzz: Five Take-Aways from Harvard's New Rental Housing Report

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Harvard's Joint Center for Housing Studies released a new report, America's Rental Housing: Expanding Options for Diverse and Growing Demand on December 9. Here are five key take-aways:

1. The decade-long surge in rental demand is unprecedented. As of mid-2015, 37% of all U.S. households now rent, the highest rate in about 50 years and up from 31% in 2005. Renter households now number 43 million, up nearly 9 million from 2005—the largest gain in any 10-year period on record. The reasons include: (1) conversion of foreclosed homes that were previously owner-occupied; (2) household incomes have fallen back to 1995 levels; (3) tight access to mortgage credit; (4) changing consumer preferences; and (5) demographic changes.

2. Renting is higher among all age groups, income levels, and family types. The greatest increases have come from:
   - Aging baby boomers (4.3 million) and Generation X (3 million)
   - Households with incomes under $25,000 (4 million) and over $50,000 (3.3 million)
   - Single persons living alone (2.9 million) and families with children (2.2 million)

3. The rental stock rose by 8.2 million units in 2003-2013, but affordable units have not kept pace.
   - Single-family rentals accounted for 80% of the growth and their share of all rentals grew from 34% to 40% (to 12 million homes).
   - New multifamily housing starts have grown to a projected 400,000 in 2015 and permits continue to rise, especially in large urban properties intended for upper-income renters.
   - Median asking rent for new market-rate apartments was $1,372 in 2014, up 26% from 2012. Only 10% of these units sought rents under $850, affordable to the median-income renter.
   - For the 20% of renters with incomes under $15,000, the number of affordable units increased by 10% in 2003-2013 while the number of such households rose by 40%.

4. Since 2010, vacancies have dropped to a 30-year low and rents have risen at a nearly 30-year high rate of 3.5% after inflation. The Great Recession had driven vacancies to record highs and flattened rents from 2007-2010.
   - Property values are now 33% above their previous high.

5. Rent burdens are at record levels. From 2001-2014, the number of "cost-burdened" renters (paying over 30% of income for housing) rose by 6.5 million and the number of "*severely* cost-burdened" renters (paying over 50% of income for housing) grew by 4 million. Affordability problems spread across income levels. (Numbers below in thousands.)

	Cost-burdened			Severely cost-burdened		
Income group	2014	2001	%Change	2014	2001	%Change
All incomes	21,271	14,792	44%	11,418	7,457	53%
Under $15,000	8,052	5,854	38%	6,943	4,921	41%
$15,000-$29,999	7,368	5,320	38%	3,517	2,101	67%
$30,000-$44,999	3,590	2,419	48%	732	321	128%
$45,000-$74,999	1,863	1,002	86%	211	102	107%
$75,000 and over	398	198	101%	16	12	33%

There are only slightly more cost-burdened renters earning under $15,000 as those earning under $15,000-$30,000, but almost twice as many *severely* cost burdened renters earning under $15,000 than those earning $15,000-$30,000.