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Ensuring NAHMA Members Receive the Latest News and Analysis of Breaking Issues in Affordable Housing

National Affordable Housing Management Association – 400 N. Columbus Street, Suite 203 - Alexandria, VA 22314
Phone 703-683-8630 - Fax 703-683-8634 - www.nahma.org

December 7, 2018 NAHMAnalysis 2018-1207

The State of the Nation's Housing Report

Introduction

For the 30th consecutive year, the Harvard Joint Center for Housing Studies (JCHS) has produced its annual State of the Nation's Housing report. This NAHMAnalysis provides NAHMA members with relevant affordable housing data and information, as they were provided by the JCHS staff in their Fact Sheets, Interactive Chart, and Full Report. We encourage members to review the full report for additional details.

Overall Multifamily Market

Last year, multifamily starts declined by 9.7 percent to 354,100 units, and multifamily permitting dropped in 52 of the nation's 100 largest metros. This slowdown comes in response to both weaker overall rental demand and increasing slack at the upper end of the market.

FIGURE 5
The Recent Rental Market Easing Is Largely at the High End

Notes: Vacancy rates are smoothed 4-quarter trailing averages. The vacancy rate for all rental units includes single-family rentals and is from the HVS. Vacancy rates for Class A, B, and C units are from RealPage, and refer to professionally managed apartments.
Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys, and RealPage data.

Annual rent growth for 2017 was 3.7 percent, a figure higher than inflation but slightly lower than it had been. And for the first time since 2009, the national rental vacancy rate rose, ticking up from 6.9 percent to 7.2 percent, primarily in higher cost units.

Most of the easing is among high-end (Class A) rentals, although vacancies in middle-market (Class B) apartment properties were up slightly as well (see Figure 5). In 2013, units renting for $1,000 or more had the lowest vacancy rate of all rentals, while units renting for less than $600 had the highest rate. The situation has now reversed, with vacancies at 6.8 percent in the low-cost market and 7.7 percent in the high-cost market.

Affordable Housing Challenges

More than 38 million U.S. households—nearly a third of all households—paid more than 30 percent of their incomes for housing in 2016, the standard definition for being “cost-burdened.” About 20.8 million renter households—47 percent—are cost-burdened. More than half of these households pay over 50 percent of their income for housing.

In 2016, the amount of income that households had left each month, after paying for housing costs, declined for those in the lowest income quartile from $730 in 2001 to $590. Households with children in the bottom income quartile were left with only $490 to spend after paying for housing.

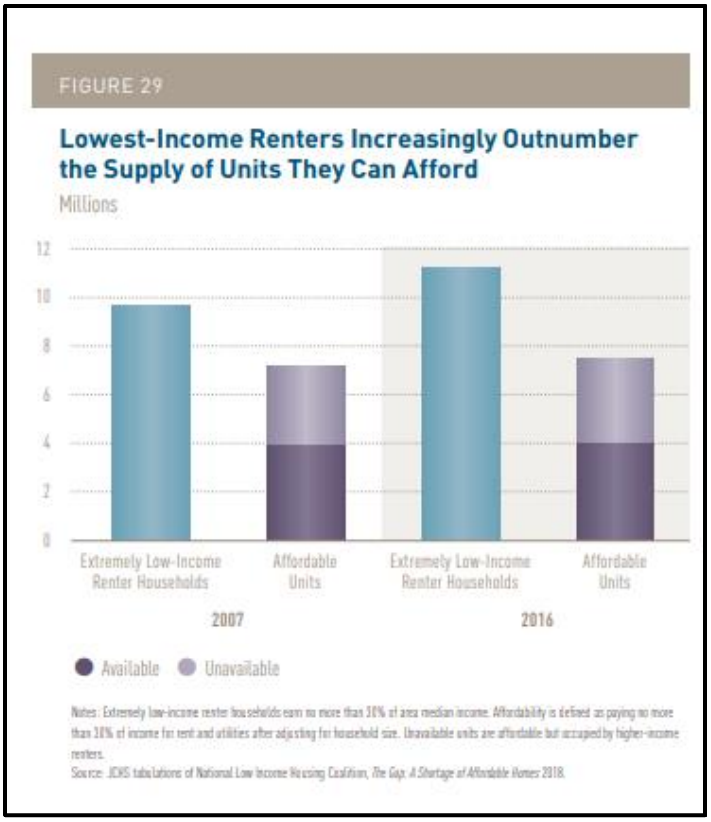
The number of very low-income households with severe cost burdens or living in inadequate or overcrowded conditions rose from 6.0 million in 2005 to 8.3 million in 2015. The number of assisted households rose by only 150,000 over this period. As a result, only one out of every four very low-income renter households received rental assistance.

Homelessness Increase

The number of people experiencing homelessness increased in 2017, ending a six-year trend of decreasing homelessness. In total, 1.4 million people—including 147,000 families with children—used a shelter at some point in 2016. More than half of the homeless population live in the nation’s highest-cost metros.

Decline in Low-Income Rental Units

A National Low Income Housing Coalition study found that for every 100 extremely low-income (ELI) renters, only 35 rental units were affordable and available in 2016—a nationwide shortfall of more than 7.2 million units (see Figure 29). Conditions for very low-income (LI) renter households were little better, with 56 affordable and available rentals per 100 households.



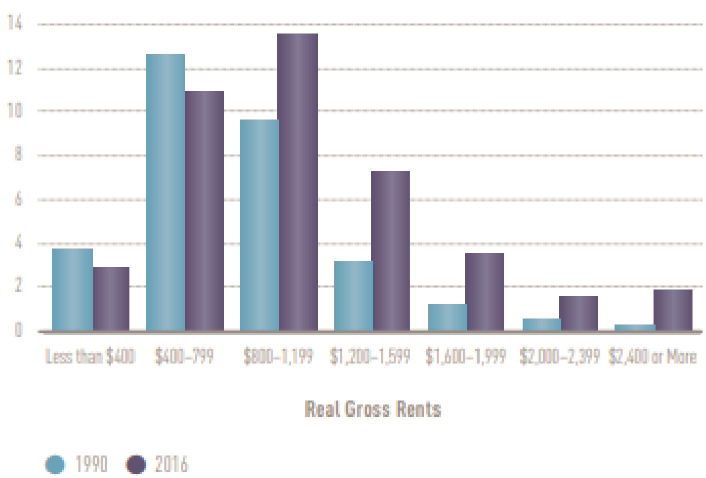
According to the same study, ELI renters far outnumber the units they can afford in all of the nation’s 50 largest metros. The lack of housing is most acute in the Western and Southern metros of Dallas, Houston, Las Vegas, Los Angeles, Orlando, and Sacramento, where fewer than 20 affordable units were available for every 100 LI households in 2016. But even in metros with larger supplies of affordable housing, the shortfall is severe. For example, three of the 50 largest metros—Boston, Louisville, and Providence—had no more than 47 units available for every 100 ELI renter households.

Ongoing losses of low-cost units have fueled this scarcity. According to Census Bureau data, more than 2.5 million units priced below $800 in real terms—affordable to households earning up to $32,000 per year—were lost on net between 1990 and 2016 (see Figure 30). Although adding new supply at the upper end should, in theory, cause older housing to filter down the rent scale, this process has not produced an adequate supply of rentals at the low end.

FIGURE 30

The National Rental Housing Stock Continues to Shift to Higher-Cost Units

Number of Occupied Units (Millions)



Notes: Rent cutoffs are adjusted for inflation using the CPI-U for all items less shelter. Data exclude households paying no cash rent.
Source: JCHS tabulations of US Census Bureau, Decennial Census and 2016 American Community Survey 1-Year Estimates.

Markets are also failing to produce new units with rents that many households can pay. Only 31 percent of renters could afford (at 30 percent of income) the $1,550 median asking rent for a new apartment in 2017. By comparison, 41 percent of renters could afford the $1,064 real median asking rent for new units in 1990.

Expanding the supply of lower-cost housing would help relieve the cost burdens of some households of modest means, but subsidies are the only way to close the affordability gap for the nation's lowest-income families and individuals. Even so, increases in federal rental assistance have lagged far behind growth in the number of renters with very low incomes, the group typically eligible for subsidies. Between 1987 and 2015, the number of very low-income renters grew by 6 million while the number assisted rose only 950,000, reducing the share with assistance from 29 percent to 25 percent (see Figure 7).

Between 2000 and 2017, the number of vouchers in use only edged up from 1.8 million to 2.2 million, as funding increases fell short of the higher costs per voucher caused by a widening gap between renter incomes and fair market rents (FMRs).

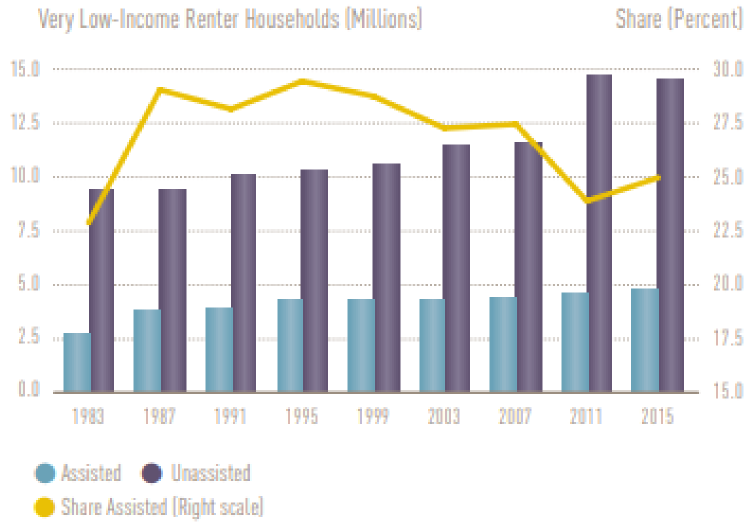
Meanwhile, the number of LIHTC-funded units available for occupancy grew steadily from 880,000 in 2000 to about 2.5 million in 2017.

But with the affordability periods of more than a million subsidized units expiring over the next decade and the growing shortfall in low-cost housing, the current rate of LIHTC production of about 80,000 units per year falls well short of need.

For their part, many state and local governments are finding new ways to leverage and supplement federal funds to spur development of below-market-rate housing. These strategies include raising new revenues through bond issuances, real estate transfer taxes, and linkage fees, as well as using their regulatory powers to either incentivize or mandate inclusion of affordable units in new market-rate developments. State and local initiatives are generally modest in scale, however.

FIGURE 7

Despite a Sharp Rise in Income-Eligible Households, the Number of Renters with Housing Assistance Has Been Essentially Flat for Two Decades



Notes: Very low-income renter households earn 50% or less of area median income. Assisted households may receive assistance from state and local as well as federal programs.
Source: JCHS tabulations of US Department of Housing and Urban Development (HUD), Worst Case Housing Needs Report to Congress.

Conclusion

As the federal government enters the new 116th Congress and the second half of the Trump Administration, the facts in the study make a clear case for more affordable housing. Millions of households need affordable housing and public subsidies to aid housing costs. We encourage NAHMA members to explore the study for additional details. More importantly, please use the data in your advocacy efforts for more affordable housing at every level of government.