NAHMAnalysis
NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION
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April 27, 2021 NAHMAnalysis 2021-0427

COVID-19 and the State of Affordable Housing

Executive Summary

Over the course of the past year, a multitude of businesses and households were affected by the public health and economic crisis brought about by the COVID-19 pandemic. Low-income renters in the labor force, many already struggling to pay their rents before the pandemic, were significantly impacted by COVID-19 business closures and partial shutdowns, hampering their ability to pay rent. Many tenants were in financial distress, and landlords and property managers have come under pressure as well. With the national federal eviction moratorium in effect until at least June 30, 2021 and states and localities continuing to allocate emergency rental assistance funds, communities and business alike are seeking a comprehensive response from all levels of government to address the rental affordability crisis. Primarily using recent data and observations from *The State of the Nation's Housing 2020* report by the Joint Center for Housing Studies at Harvard University (JCH Report), *The March 2021 GAP Report, A Shortage of Affordable Homes* by the National Low Income Housing Coalition (NLIHC Report), and the Urban Institute's *Emergency Rental Assistance Priority Index*, this NAHMAnalysis provides an initial assessment of COVID-19's impact on affordable housing and describes challenges remaining that hinder a strong and equitable recovery.

- **State of Crisis Existed Prior to COVID-19**

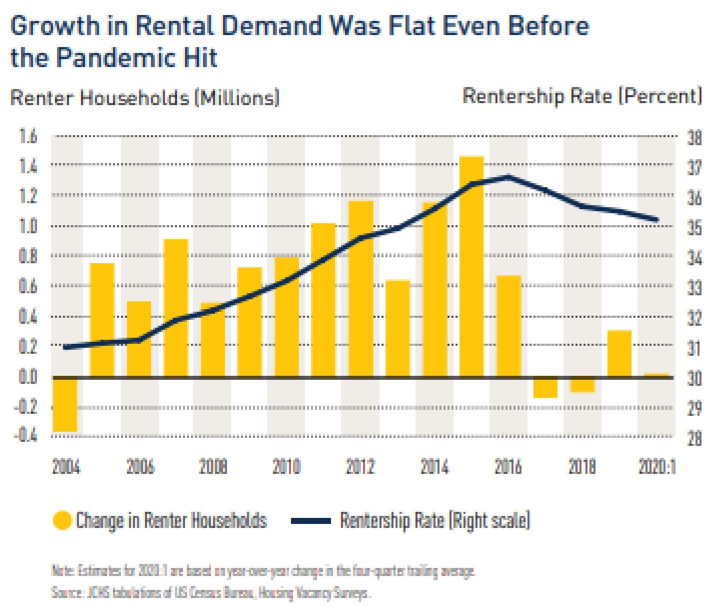
At the on-set of the COVID-19 pandemic, NAHMA reported that rental markets had already started tightening and concerns about affordability were rising despite a slowdown in demand and the increase of new construction. In the previous decade, rents had risen faster than incomes in many segments of the market—increasing the number and share of cost-burdened and severely cost-burdened renters, hitting low and middle-income earners especially hard. The increasing number of high-income renters skyrocketed, accounting for three-quarters of the increase in the number of renters from 2010-2018. At the same time, low-income renters earning less than $30,000 fell by nearly 1 million, reversing a decade's long trend in the 2000s, when low-income households accounted for 93 percent of renter growth.

Constraints on supply coupled with substantial losses of low-cost rentals also contributed to the rise in cost and decrease in the availability of the affordable rental stock. Meanwhile, the supply of affordable housing for low- and extremely-low income families and individuals continued to be limited or non-existent. With limited support at federal, state and local levels, communities and business alike advocated for a comprehensive response from all levels of government to address the growing rental affordability crisis.

- **Evidence of Shifts in Demand Continuing**

The JCH Report found that at the start of the pandemic, the share of US households renting their housing was also showing signs of slowing down, dipping to 35.2 percent in the first quarter of 2020—its lowest point in six years (see graph below). However, while overall rental demand has indeed slowed in recent years, the NLIHC Report indicated that the number and share of higher-income renters were actually on the rise--7.9 million renter households were added between 2004 and 2019, bringing the total number to 44.0 million. With higher income households driving over half of this growth, the number of renter households with incomes of at least $75,000 increased by 4.6 million in 2004 to 2019, and their share of renter households jumped from 18 percent to 26 percent.

Meanwhile, the number of renter households with incomes under $30,000 grew by just 654,000 over this interval, reducing their share of renters from 42 percent to 36 percent. Indeed, the number of lower-income renter households was on the decline in recent years, including a drop of more than 750,000 in 2019 alone. However, the massive job losses due to the COVID-19 pandemic could potentially reverse this trend, increasing both the number and share of renter households with lower incomes.



Going forward, rising unemployment among younger workers could also stifle rental demand and encourage the growth of nontraditional households, such as adults living with parents or unrelated individuals. These nontraditional households were already a fast-growing household type before the pandemic, accounting for a third of renter household growth in 2004–2019. Roommate households and adult children living with parents made up a fifth of all renter households in 2020. It's worth noting that these nontraditional households are most commonly formed in expensive housing markets, suggesting that these living situations are related closely to rental affordability.

Decline in Rents

According to the JCH Report, as the virus progressed in the first half of 2020, rents for units in higher-quality (4 and 5 Star) properties were down by 1.6 percent year over year in the second quarter of 2020. This was the first actual decline since 2010 and a significant drop from the 2.7 percent increase a year earlier. Rents for top-quality units continued to slide in the third quarter, off 2.2 percent year over year. Rent growth for moderate-quality (3 Star) properties slowed somewhat less, easing from 3.1 percent in the third quarter of 2019 to 1.2 percent in the third quarter of 2020. The slowdown in the lower-quality (1 and 2 Star) segment was even more modest, with rent growth dipping from 2.7 percent to 1.7 percent.

Increased Vacancy Rates

Utilizing data from 12.6 million professionally managed apartments, the JCH Report put the vacancy rate at 7.0 percent in the third quarter of 2020—the highest level since 2010. The sharpest rise was in the higher-quality segment, up 1.9 percentage points from a year earlier, to 10.5 percent. Vacancy rates climbed the most in the higher-quality segment, up nearly 2 percentage points year over year in the third quarter of 2020, to 10.5 percent. Meanwhile, the vacancy rate at the lower end of the market inched up only 0.2 percentage point to 5.3 percent. The biggest increases in third-quarter 2020 vacancy rates were in expensive, high-density urban areas, where rates jumped 3.0 percentage points. The vacancy rate in these prime areas hit 9.1 percent in the third quarter as the rental supply increased by 3.8 percent but demand rose just 0.5 percent. The initial data seems to confirm that expanding supply and faltering demand are behind the jump in rental vacancy rates.

The Survey of Market Absorption collects data for new residential construction, providing reports on amenities, rent/sales price levels, number of units, type of building, and the number of units taken off the market (absorbed). The JCH Report found that the latest market absorption survey report indicated that apartment take-ups at the high end of the market slowed sharply during the spring. Only a third of new units completed in the first quarter of 2020 and renting for more than $2,050 were leased within three months, the lowest absorption rate posted in the last five years. By comparison, two-thirds of newly completed units with rents under $1,050 were leased within three months.

- **Persisting Shortage of Affordable Housing**

Today, no state has an adequate supply of affordable rental housing, especially for low-income households. According to the NLIHC Report, the current shortage ranges from 7,479 rental homes in Wyoming to nearly one million in California. The states where low-income renters face the greatest challenges finding affordable homes are Nevada, with only 20 affordable and available rental homes for every 100 low-income renter households, California (24 for every 100 low-income renter households), Oregon (25/100), Arizona (26/100), and Florida (28/100). The states with the greatest relative supply of affordable and available rental homes for low-income renters still have significant shortages. The five top states are Wyoming and Mississippi, with 61 affordable and available rental homes for every 100 low-income renter households, West Virginia (60/100), Alabama (58/100), and South Dakota (58/100).

Expected Slowdown of Multifamily Construction

Prior to the start of the national lock-down measures to help combat the virus, construction of multifamily housing in the beginning of 2020 was above the previous year's pace. According to the JCH Report, multifamily housing starts fell sharply during the lockdown but they made a quick and strong comeback, lifting year-to-date starts in September above those in the same period in 2019 (which was already the strongest year for multifamily construction in three decades). However, given the lengthy development process, a falloff in multifamily volumes would lag any drop in demand for new rentals. A concerning indicator that multifamily construction is heading for a slowdown in 2021 is that permitting activity was down 10 percent from the previous year's levels through September 2020.

- **Income Gaps Continued to Widen**

Prior to 2020, strong income growth and falling unemployment fed the optimism surrounding housing demand. According to the JCH Report which utilized the American Community Survey, median household income was up 4.7 percent in 2018–2019, to $65,000. Adjusted for inflation, the US median household income grew at a 2.5 percent average annual rate from 2014 to 2019, and was 11 percent higher last year than in 2010. While all age groups posted gains, the biggest increase was among younger households. Indeed, the real median income for households under age 35 jumped by 21 percent over the decade. Across-the-board income growth, however, did nothing to reduce the inequality between high- and low-income households. In fact, the gap between lowest- and highest-income households widened. After adjusting for inflation, the average annual income of households in the bottom decile ($7,800) increased just 5 percent from 2010 to 2019, or about $340. In contrast, the average income of households in the top decile ($316,000) soared by 20 percent, or about $52,000. As a result, the average income of top-decile households increased from 35 times the average income of bottom-decile households in 2010 to 41 times in 2019.

But the COVID-19 economic recession and its resulting job and wage losses have only magnified and accelerated the inequality gap, especially for those who were already struggling. More than 20 million renters live in households that have suffered COVID-19-related job loss. While the overall unemployment rate fell to 6.7% by the end of 2020, the Black and Latino unemployment rates were still considerably higher – 9.9% and 9.3%, respectively – and a recent Federal Reserve analysis found the unemployment rate for workers in the bottom wage quartile may have been higher than 20%.

Job and Income Losses Increased

The economic fallout from the COVID-19 pandemic has also amplified the rental affordability crisis. According to the Census Bureau's Household Pulse Survey for late September, renters earning less than $25,000 a year were much more likely to report lost employment income since the March shutdown. Indeed, more than half (52 percent) of lowest-income renters lost wages during this period, compared with 41 percent of all households. Not surprisingly, about one in five renters earning less than $25,000 also said they were behind on rent, compared with 15 percent of all renters and just 7 percent of renters earning more than $75,000. Those earning $25,000 to $49,999 also struggled, with 53 percent losing income and 16 percent behind on rent.

Cost Burdens Increased

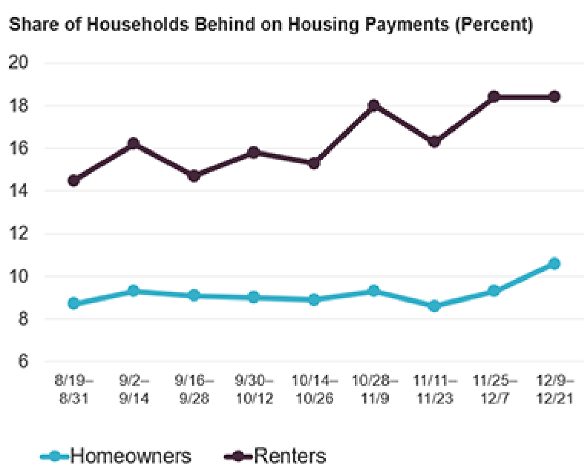
In January of 2020, 21% of renters reported being behind on rent payments -- nearly one-third of all renters, and nearly half of the lowest-income renters had no or only slight confidence they could pay next month's rent on time or had already deferred payments. Among renters earning less than $25,000 per year, over 30% were behind. Among renters who had fallen behind on rent, over 47% expected an eviction in the next two months, even with eviction moratoriums still in place.

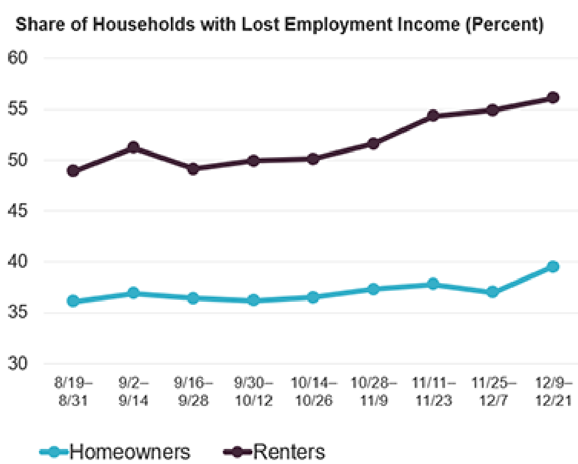
For lowest-income renter households, however, conditions have barely improved since 2011. More than four-fifths of households with incomes under $25,000 were at least moderately cost burdened in 2019, including 62 percent paying more than half their incomes for housing. Tight supply and rising rents have increased the pressures on moderate-income households as well, lifting the share of cost burdened households earning between $25,000 and $49,999 from 44 percent in 2001 to 58 percent last year.

As a result, many renters experiencing cash shortages during the pandemic relied on sources other than income to pay rent. Thirty percent of renters reported using money from government aid or assistance to pay rent, and another 30% indicate that they have borrowed cash or obtained a loan to make rent payments. Tenants also used credit cards to pay the rent, with a 43% increase in the first two quarters of 2020 as compared to the prior year. There is evidence that families shifted their dwindling budgets towards ensuring they paid rent at the expense of other needs. Food pantry requests increased by as much as 2000% in some states, with nearly 30 million Americans reporting they did not have enough food.

- **Rental Payments Decreased**

As of late September 2020, 15 percent of renter households responding to the Census Bureau Household Pulse Survey said that they were behind on rent (see graph below). Meanwhile, the [National Multifamily Housing Council (NMHC) reported](#) that just 5 percent of the tenants in professionally managed apartments did not make payments by the end of September, a difference of just 0.9 percentage point from a year before. Even in April, when rent payments were down the most (3.1 percentage points), 95 percent of renters were reported to have still made payments.

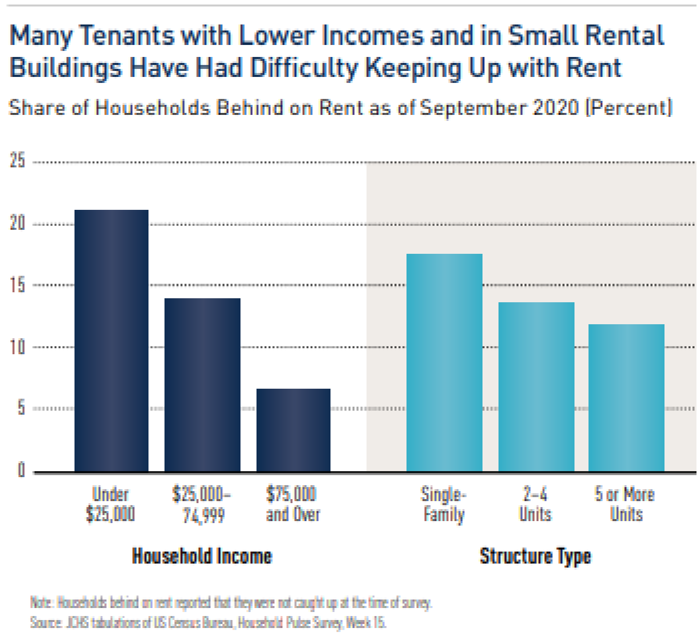




Source: JCHS tabulations of US Census Bureau, Household Pulse Survey.

The JCH Report found that just 7 percent of renter households making at least $75,000 were behind on rent in late September, closely aligning with the NMHC rent collections rate. At the same time, though, some 21 percent of renters making less than $25,000 reported being behind on rent in September.

A larger share of tenants also reported being behind on rent in single-family (17 percent) and small multifamily rentals (14 percent)—the types of units that are not typically professionally managed (see graph below). As a result, the landlords of smaller rental properties may already be struggling to cover their costs. ApartmentList has reported that tenants of buildings with under 50 units were more likely to make partial payments or to miss a payment in the first week of July 2020 than those living in larger multifamily buildings.



Short-term income supports have helped to keep some landlords and households afloat so that they could cover their housing payments. The Household Pulse Survey from late September 2020 found that 28 percent of renters used their one-time federal stimulus checks to cover basic needs, including rent, and 17 percent used unemployment insurance benefits. But many households also had to turn to other financial supports. Nearly a quarter of renters borrowed money from friends or family to cover costs, and 27 percent drew on savings. Since nearly half of renter households have savings of less than $1,000 and their rents typically exceed that amount, many have likely depleted their emergency funds.

Of concern is a recent analysis conducted by Mark Zandi, Chief Economist at Moody's Analytics, and Jim Parrott, Fellow at the Urban Institute, which found that the average renter with accrued rent is nearly four months behind in payment and owes $5,600, including late fees and unpaid utilities.

- **Demographics Changes Continue**

The racial and ethnic diversity of renters increased from 2004 to 2019, with households headed by a person of color accounting for about three-quarters of growth and foreign-born households making up more than a quarter of the growth. As a result, the share of renter households headed by a person of color increased 6 percentage points over this period, to 48 percent—well above their 33 percent share of all US households. And regardless of their incomes, households of color, particularly Black and Hispanic households, are more likely to rent their housing than white households.

With the aging of the population, adults age 55 and over drove about two-thirds of renter household growth in 2004–2019, lifting their share of all renters from 22 percent to 30 percent. Indeed, the rentership rate for older adults continued to increase in 2019, with their numbers up 327,600. While households under age 35 still made up just over a third of all renters, the slowdown in their household formation rates kept their share of renter household growth to only 4 percent over this period. Although the number of younger renters picked up by about 110,000 in 2018–2019, the pandemic will likely slow any gains in 2020.

Rent Debt Concentrated Among Lower Incomes Households, Households of Color

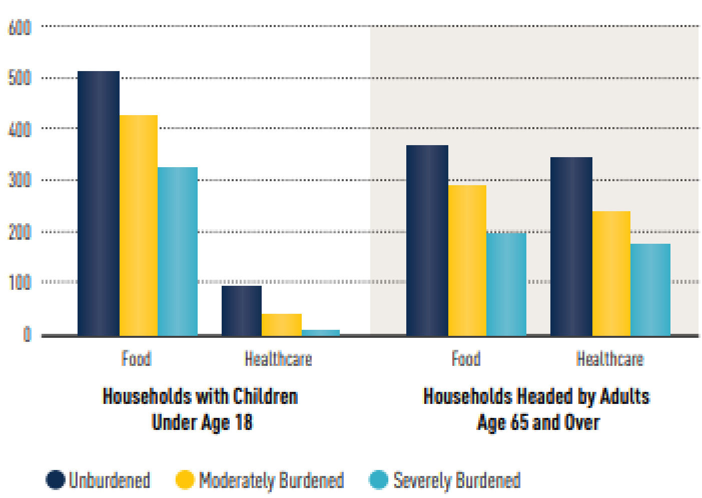
The COVID-19 pandemic and economic collapse of 2020 devastated millions of families; however, people with low incomes and people of color have been disproportionately impacted. According to the Census Bureau's Household Pulse Survey in late September 2020, 41 percent of all US households reported a pandemic-related loss in earned income since mid-March. Although economic impact payments from the federal government provided temporary support, the drop in employment income hit Hispanic, Black, and Asian households disproportionately hard. Some 54 percent of Hispanic households reported income losses over this period, 12 percentage points above the national average share. At 48 percent, the share of Black households that lost income was also well above average. The share of Asian households with losses was only slightly lower, at 42 percent. By comparison, 37 percent of white households reported income losses between mid-March and late September.

Conditions for low-income families with children and those headed by older adults are especially troubling (see graph below). Among households in the bottom expenditure quartile that included children under age 18, those with moderate cost burdens spent 57 percent less on healthcare (including insurance premiums and out-of-pocket expenses) and 17 percent less on food than unburdened households. Those with severe burdens spent 93 percent less on healthcare and 37 percent less on food.

According to recent analysis conducted by the National Council of State Housing Agencies, the share of tenants with rent debt is highest (38 percent) among households earning up to $25,000 per year, compared with 17 percent among renter households with annual incomes of $100,000 or more. Researchers note that while eviction moratoriums allow renters with accrued rent to stay in their homes, additional rental assistance is needed to address the issue of rent debt.

The Burden of High Housing Costs Prevents Vulnerable Households from Meeting Other Basic Needs

Average Monthly Expenditures of Lowest-Income Households (Dollars)



Notes: Data are for households in the bottom quartile of expenditures. Households are moderately (severely) burdened if housing accounts for more than 30% (more than 50%) of their spending. Healthcare expenditures include out-of-pocket costs and insurance premiums.
Source: JCHS tabulations of Bureau of Labor Statistics, 2018 Consumer Expenditure Survey.

The NLIHC Report also provides data that shows pandemic-induced rent debt has been concentrated among households of color and lower incomes households: 29% of Latino renters and 36% of Black renters were behind on rent, compared with 12% of white renters. Additionally, Apartment List also found that 53 and 38 percent of Black and Hispanic renters, respectively, have unpaid housing bills, compared with 27 percent of Asian renters and 21 percent of white renters.

- **Accessing and Prioritizing Resources**

To help renters and landlords deal with the rental shortfalls, numerous states have started to receive federal resources for emergency rental assistance programs and have opened or are opening their 2021 emergency rental assistance programs to local applicants. To help renters and landlords access rental assistance in their respective localities, two organizations, the National Low Income Housing Council (NLIHC) and the National Council of State Housing Agencies (NCSHA) have created separate data dashboards tracking COVID-19 emergency rental assistance programs. The NLIHC dashboard provides an interactive map and searchable database to find state and local emergency rental assistance programs. The NCSHA dashboard also provides ways to find emergency rental assistance programs at the state level. Both sets of data are updated on a continuing basis.

Additionally, to help inform federal and state decisions makers on the economic and health impacts exacerbating the nation's affordable housing, the Urban Institute created the Emergency Rental Assistance Priority Index. The index estimates the level of need in a census tract by measuring the prevalence of low-income renters who are at risk of experiencing housing instability. Decision makers who want to prioritize an equitable COVID-19 response can use this tool to inform a community-based process to target areas where resources for residents and nonprofit organizations are likely to have the greatest impact on reducing housing instability.

- **Outlook Toward the Future**

Without knowing the extent of further Congressional support for affordable housing, the long-term effects of COVID-19 on renter households and on the rental housing market remain to be seen. As it is, rental demand is likely to continue to moderate as income and job losses prevent younger adults from forming their own households and historically low mortgage rates encourage more higher-income renters to buy homes. At the same time, however, if foreclosure prevention measures now in place are ended, rental markets could see an influx of former homeowners.

With a new Administration in the White House, Congress has been given an outline of a much needed long-term recovery strategy. This includes increased funding and resources for low-income individuals and for HUD and USDA affordable housing programs. However, in the past, funding for affordable housing has fallen well short of the need. Between 2001 and 2010, housing assistance declined from an 8.8 percent share of non-defense discretionary spending to 7.1 percent, even as the number of cost-burdened renter households rose by 6 million. While spending did increase to 7.4 percent in 2019, the increase was negligible in comparison with the growing incidence of cost burdens over the past two decades.

Of the major HUD programs, only project-based rental assistance and Housing Choice Vouchers (HCV) received increased funding from fiscal 2010 to fiscal 2020. Funding for project-based rental assistance was up 25 percent over the decade in real terms, to $12.6 billion, while funding for vouchers rose 12 percent, to $23.9 billion. However, these increases were often dedicated to preserving units rather than expanding the pool of assisted households. The number of households with vouchers only rose from 2.1 million in 2010 to 2.3 million in 2019.

The Urban Institute estimates that the cost of helping all renters return to their pre-pandemic income-to-rent ratio without unemployment assistance would be $5.5 billion per month (although even this support would leave many households with cost burdens). A recent report by the National Council of State Housing Agencies calculates a cumulative rent shortfall of at least $25 billion as of January 2021. The JCH Report puts the cost of rental assistance at $3.5 billion per month when paired with state unemployment support.

Having already provided an additional $20 billion in rental assistance this March, President Biden has called for additional increased investments for housing assistance in his recent budget request and infrastructure funding proposal, including an additional $213 billion to further fund affordable housing programs, including project-based rental assistance and Housing Choice Vouchers. However, it’s clear that without further congressional action, the prognosis for the future looks dire for lower income households. With only 1 out of 4 eligible households currently receiving housing assistance and the average assisted family living on $14,000 a year, it’s crucial for NAHMA members to remain engaged with their members of Congress and continue advocating for more affordable housing for low-income families in need. Likewise, Congress must be willing to continue the legislative and regulatory work necessary to ensure the strong viability of affordable housing, and to a greater extent, the health and well-being of the people and communities entrusted in their care.