NAHMAnalysis
NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION
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 13, 2021 NAHMAnalysis 2021-1213

A Review of the Full JCHS Report: "The State of the Nation's Housing 2021"

Executive Summary

As the economy recovers, the disparities that arose due to the COVID-19 pandemic remain, negatively impacting both homeowners and renters. Many families that survived the crisis without financial distress are now purchasing the already low supply of homes available for sale. This in turn increases the price of the other homes available and further excludes low-income families from homeownership. Meanwhile, millions of households that suffered economic losses during the pandemic-related shutdowns continue to fail to meet their housing obligations and are on the brink of eviction or foreclosure. A disproportionate share of those at risk are people of color and families with lower incomes. Lawmakers have taken several steps to support workers and families, but additional government support will be necessary to ensure that all households can benefit from an economy on the rebound. This NAHMAnalysis provides a summary of key findings from The State of the Nation's Housing 2021 report by the Joint Center for Housing Studies at Harvard University (JCHS Report) regarding COVID-19's impact on housing and the challenges remaining that could prevent a strong and equitable recovery.

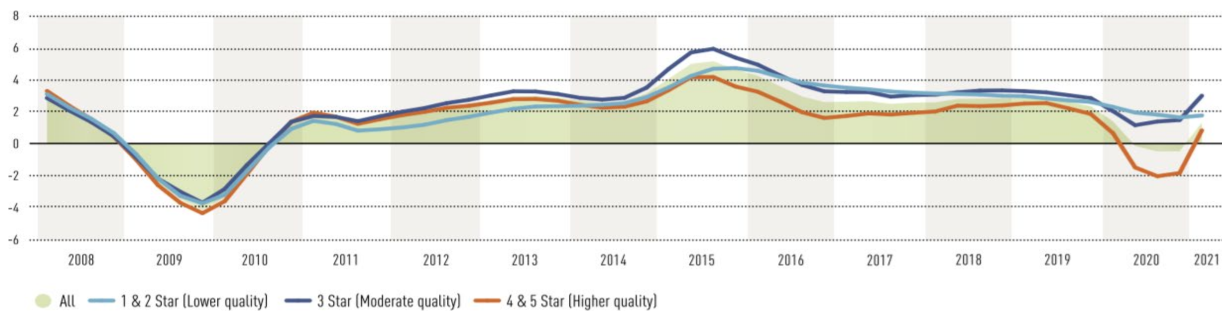
Following Initial Slowdown, Rental Markets Begin to Stabilize

Over the last year and due largely to the pandemic, demand for housing increased in suburban areas and decreased in urban markets. According to CoStar, at the end of 2020, the vacancy rates in prime urban areas increased to 10 percent from the 7.2 percent reported at the beginning of the year. In the first quarter of 2021, those rates declined slightly to 9.6 percent. On the other hand, suburban vacancy rates in prime areas—which also started out at 7.2 percent at the beginning of 2020—decreased to 6 percent by the beginning of this year.

Vacancy rates for higher-quality rentals located in prime urban areas increased to 10.5 percent at the end of 2020, before decreasing to 9.9 percent in early 2021. This resulted in rents for higher-end units decreasing by 1.9 percent year over year at the end of last year before increasing by 0.8 percent at the beginning of this year (see graph below).

Following a Dip Early in the Pandemic, Rents for Higher-Quality Apartments Are Again on the Rise

Annual Change in Rents (Percent)



Note: Apartment quality is based on the CoStar Building Rating System for professionally managed market-rate apartments in buildings with five or more units.
Source: JCHS tabulations of CoStar data.

However, for moderate- and lower-quality apartments the markets remained firm, exhibiting only a slight change in vacancies over this period. Rent growth for moderate-quality apartments had declined to 1.5 percent in 2020, but then increased to 3.0 percent during the beginning of 2021—a faster pace than had occurred before the pandemic. On the other hand, rent increases for lower-quality apartments declined by 0.5 percent, from 2.3 percent in early 2020 to 1.8 percent at the beginning of 2021.

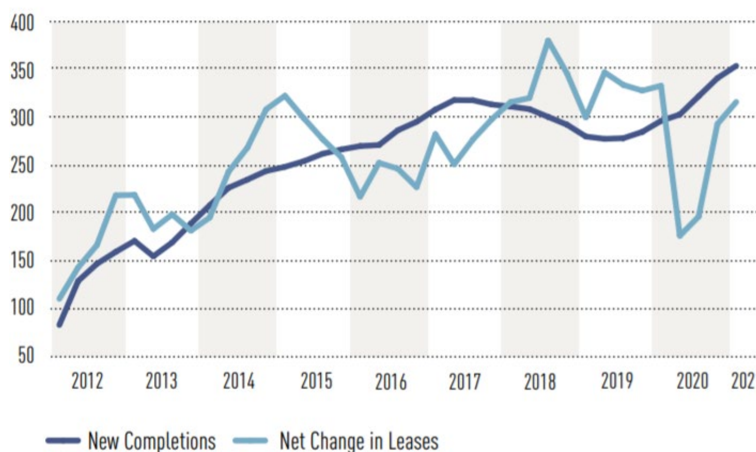
Out of the 150 metro-area markets tracked by RealPage during the beginning of 2021, rents had declined in 25. The biggest decreases occurred in high-cost markets such as San Francisco (-20 percent), San Jose (-16.5 percent), New York (-15 percent), and Boston (-8 percent). During the same period, rents increased by more than 2.0 percent in 94 metros, with most of those increases occurring in lower-cost markets in the South and West. The biggest gains occurred in Boise (11 percent) and Fayetteville (10 percent).

The stabilization of rents and vacancy rates in prime urban areas and in higher-quality segments in early 2021 suggests that the strengthening economy and easing of pandemic-related restrictions will make the decrease in rental demand only temporary.

Rise in Multifamily Construction

Multifamily construction, which had been closely tracking new rental demand, continued at an increased pace in 2020 despite a slowdown early in the pandemic. The current increase in multifamily construction, with starts of units in buildings with five or more apartments increasing from a 342,000 annual rate at the end of 2020 to a 429,000 annual rate in the beginning of 2021, also seems to indicate that the decrease in rental demand is only for the interim. Indeed, if these increases are sustained, 2021 would be the first year that starts will have exceed 400,000 units since 1987.

According to the JCHS Report, in the years leading up to the pandemic multifamily rental construction was increasingly concentrated in larger buildings. The share of new multifamily completions of buildings with at least 50 apartments more than doubled from 30 percent in 2011 to a peak of 62 percent in 2018. Shares remained elevated during the pandemic, with fully 56 percent of newly completed rental units in 2020 located in buildings with 50 or more units.



Completions of professionally managed apartment units also increased throughout 2020, climbing at an annual rate from 296,000 units in the first quarter to 341,000 in the fourth quarter. Apartment completions far outpaced growth in rental occupancy (see graph above). As a result, the national vacancy rate for professionally managed multifamily rentals increased from 6.7 percent in early 2020 to 6.9 percent in early 2021.

Renters Still Face Worsening Challenges

A recent Household Pulse Survey initiated by the Census Bureau found that more than 50 percent of all renter households had lost income between March 2020 and March 2021. But the economic fallout that occurred due to the COVID-19 pandemic related shutdowns was felt primarily by low-income renters.

While 17 percent of all renters were reportedly behind on rent in early 2021, almost 25 percent of those earning less than $25,000 and 20 percent of those earning between $25,000 and $34,999 reported being behind on their rental payments. Economic and racial disparities persist with 29 percent of Black, 21 percent of Hispanic, and 18 percent of Asian renters reported being in arrears. This is compared with just 11 percent of White renters.

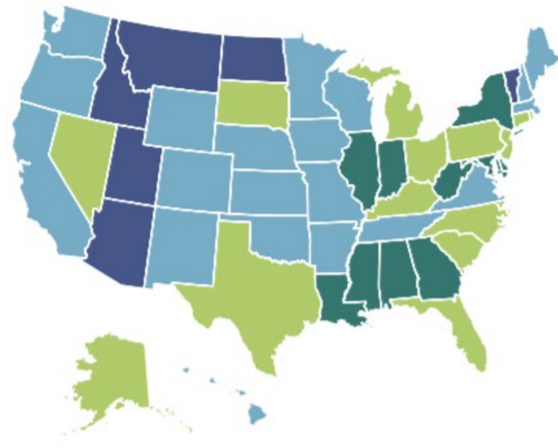
The highest concentrations of renters in arrears are in states in the Southeast. Mississippi ranks first with 27 percent of renters in arrears, followed by Delaware (25 percent) and Louisiana (25 percent). The lowest shares are in the Midwest and Mountain West states, including Idaho, North Dakota, Montana, and Utah, where less than 12 percent of renters were behind on their housing payments in early 2021 (see graph below).

With many renters continuing to experience economic uncertainty, concerns over potentially high increases in evictions have risen steadily. So far, the “eviction tsunami” has yet to materialize, largely due to federal and state eviction moratoriums, substantial federal relief through expanded unemployment benefits, direct financial payments, and the Emergency Rental Assistance Programs (ERA) enacted in December 2020 and March 2021. With $25 billion already disbursed to states, and another $20 billion in the pipeline, the potential increase in evictions still largely depends on whether the assistance reaches at-risk households in time.

More than a Fifth of Households in Several States Struggled to Pay Rent in Early 2021

Share of Renters (Percent)

- Under 12
- 12–15
- 16–19
- 20 and Over



Note: Households behind on rent reported that they were not caught up at the time of survey.
Source: JCHS tabulations of US Census Bureau, Household Pulse Surveys, January–March 2021.

The latest report from the Department of Treasury, which administers the ERA programs, found that only $13 billion had reached renters and landlords as of October 2021. A key concern remains as to whether state and local governments will be able to distribute this assistance quickly and effectively. Some state and local programs failed early on to reach many in need because of difficult and cumbersome application processes, restrictive eligibility requirements, and a lack of consumer awareness about the availably of the emergency rental relief funds. Best practices learned from that experience will hopefully make distribution of the rest of the emergency rental assistance funding more efficient.

Households Behind on Rent or Mortgage Payments Often Face Other Hardships as Well

Share of Households Facing Hardships by Housing Payment Status (Percent)

Hardship	Behind on Payments	Up-to-Date on Payments
Difficulty Paying Expenses in the Past Week	77	29
Symptoms of Depression or Anxiety	60	38
Moderate or Severe Food Insufficiency	37	8
Fair or Poor Health	35	19
No Work in Past Week Due to COVID	24	9
No Public/Private Health Insurance	21	8

Notes: Every hardship is showing data from the first quarter of 2021 except for Fair or Poor Health, which is from the fourth quarter of 2020. Data include both renters and homeowners.
Source: JCHS tabulations of US Census Bureau, Household Pulse Surveys, September 2020–March 2021.

For the millions of families that had to use their savings or go into debt to cover lost income in 2020, the economic impacts of the pandemic will continue to persist well into the future (see graph to the right). The JCHS Report cites a review conducted last year that found “about a quarter of the renters with COVID-19 related job losses reported that they had substantially depleted their savings, another quarter had borrowed from

families and friends, and a tenth had turned to payday or personal loans.[1]" These households, who in time may regain some of their financial losses, will still have a difficult time drawing upon limited resources to cover everyday costs, unanticipated emergencies, or save for a down-payment for the purchase of a home. Recovering from the devastating effects of the pandemic will be harder yet for those who have lost loved ones to COVID-19 or are themselves suffering from the long-term debilitating effects of the virus.

Housing Investments Remain a Critical Need for the Nation

After many years of limited residential construction, the median age of the U.S. housing stock increased dramatically. In 2007 the median age of a home was 34 years, but in 2019, it increased to 41 years. An older house usually requires more repairs and has higher upkeep costs than does a newer home. An analysis performed by the Federal Reserve Bank of Philadelphia and PolicyMap in 2019 found that only 26 percent of homes that were built in 2000 or later needed repair. This is compared to the 45 percent of homes that were built before 1940 that needed considerable repair. The study also estimated that the total cost of addressing the needed repairs was $127 billion. This total includes the more than one-third of all occupied homes reporting in 2017 of having had plumbing, heating, electric and structural problems. Given the impact of the pandemic, it is estimated that these costs will be much higher as most homeowners had to delay paying for these types of expanses due to economic factors and/or supply-chain issues. It also does not take into consideration the associated costs of climate or environmental concerns, such as improving indoor air and water quality or removing lead contamination, which all pose serious threats to human health and safety.

Among the homes most in need of repair are manufactured housing units, units occupied by renters, and those occupied by Black, Hispanic, and Native American/Alaskan Native households, as well as by people with disabilities. Public housing is an important case in point. The National Association of Housing and Redevelopment Officials estimated that the backlog of capital funding needed to address deficiencies in the stock of roughly one million units was $70 billion in 2019 and accruing at $3.4 billion per year.

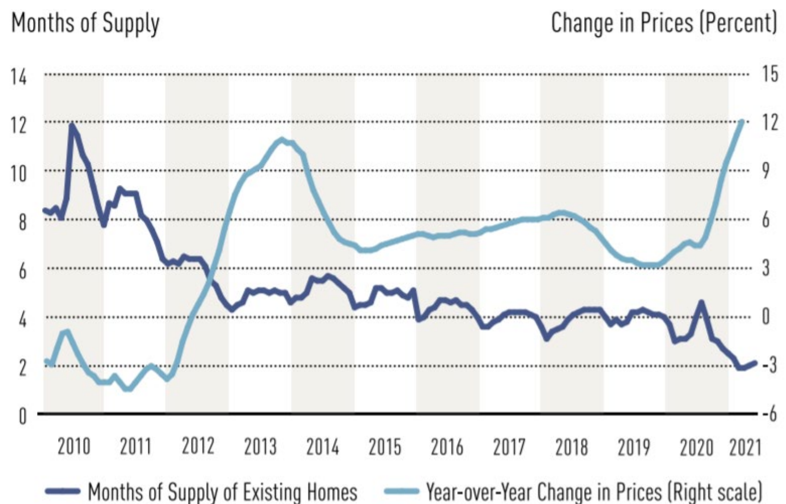
High Demand and Limited Supply Lead to Increased Prices

According to the JCHS Report, home sales have increased after a brief pause during the middle of last year. After a 26 percent decrease in May 2020, home sales rose by 20 percent (year over year on average) between September 2020 and February 2021. Additionally, newly constructed single-family homes sales also increased by more than 30 percent between June 2020 to February 2021.

The increase in home sales happened even though the supply of housing was already very limited prior to 2020. As the COVID-19 pandemic increased in strength and scope, many homeowners decided not to put their homes up for sale, which further reduced the number of homes available for purchase. As a result, the number of homes available for purchase decreased by 30 percent between March 2020 to March 2021. This left just slightly more than 1 million homes for sale in the existing home inventory. For the first time, the months of supply of available homes, which is calculated by measuring the number of homes available at the current

[1] The State of the Nation's Housing 2021 report by the Joint Center for Housing Studies at Harvard University, pg. 33.

sales rate, declined from almost 3.9 months on average in 2019 to less than 2.0 months in late 2020 (see graph to the right). The median time that a home was on the market for sale also hit a record low of 18 days in March of 2020.
Home prices increased on average by 3.5 percent throughout 2019 and 4.2 percent during the first quarter of 2020. However, in March of 2021, home prices rose 13.2 percent nationally.



Note: Months of supply measures how long it would take the number of homes on the market to sell at the current rate, where six months is typically considered a balanced market.
Source: JCHS tabulations of National Association of Realtors (NAR), Existing Home Sales; S&P CoreLogic Case-Shiller US National Home Price Index.

While constructing new housing would bring more homes on the market and could potentially make owning a home more affordable, it would not alone alleviate the current short-term constraints on supply. More existing homes will have to be put on the market for sale to meet the current demand. Many homeowners may be encouraged to start selling, as more Americans have been vaccinated against COVID-19 and are increasing their social interactions. However, the price of homes is still likely to increase in the short-term due to low interest rates and strong home sales.

Homeownership Rates Increased, But Not for All

The JCHS Report found that, primarily due to the strong income gains by millennials in their 30s, the national homeownership rate continues to increase. The Census Bureau estimates for the first quarter of 2021 describe a 0.3 percent increase in homeownership, following a 1.2 percent increase between 2016 through 2019. Households in their 30s are leading the current home ownership growth rate, with a 0.8 percent increase during the first quarter of 2021. Between 2016 and 2019, rates for households in their early 30s increased by 2 percent. This growth rate coincided with an 8.0 percent increase in real income among renters in the same age group.

As the pandemic spread, home price gains overshadowed income growth in 2020, lifting the national price-to-income ratio to 4.4—the highest level since 2006. In 2020, price-to-income ratios were under 3.0 in only 16 metro areas and above 5.0 in 23 metro areas. With home prices steadily increasing, accumulating the necessary funds to make a down payment on a home could now take years. This is especially troubling for younger households who are struggling with both high rents and student loan debt.

Along with the high cost of housing, income inequalities also contribute to the wide gap in homeownership among people of color. In 2019, the median household income of Black renters ($32,100) was 40 percent lower than that of White renters. ($45,000). For Hispanic renters, the median household income ($42,000) was 7 percent lower than that of White renters.

When looking at White households who earned between 50–80 percent of the area median income, 64 percent owned their homes. That’s compared to 56 percent of Asian, 43 percent of

Hispanic, and 38 percent of Black households who owned homes. According to the Survey of Consumer Finances, the median net wealth of Black renters was $1,830 in 2019. In comparison, the median net wealth was $6,000 for Hispanic renters and $8,300 for White renters.

Many first-time homebuyers already find it difficult to save for the down-payment, but it becomes especially hard if it's a household of color. For example, 25 percent of White renters have more than $10,000 in their savings account, compared to 12 percent of Hispanic renters and only 8 percent of Black renters. A recent study found that when examining how many homebuyers had help from their parents with regards to coming up with the down-payment, White home buyers were 4 times more likely to have received assistance from their parents.

Considering the historically low interest rates, creating a down-payment assistance program for households of color would provide a substantial increase in homeownership rates. It is estimated that "a $15,000 income-targeted assistance program could help as many as 1.0 million Black renters and 470,000 Hispanic renters buy homes. When coupled with homebuyer education and counseling services to overcome information and credit barriers, this support has the potential to reduce the Black-white homeownership gap by 12 percentage points and the Hispanic-white gap by 4 percentage points."[2]

Demographic Trends

The number of U.S. households increased by 1.3 million per year on average from 2016 to 2019—significantly faster than the 856,000 annual increases averaged in 2013–2016. Household formation rates among millennials have experienced the steadiest rise, with adults under age 35 making increasingly large contributions to overall household growth. Millennials accounted for an additional 250,000 households annually in 2016–2019 and headship rates among 35- to 44-year-olds also increased by 200,000 households in that age group over that period.

During the height of the pandemic, when the unemployment rate reached 14.8 percent, many millennials were unable to meet their housing obligations and had to move back in with their parents. However, by the end of 2020, when employment opportunities widened due to the recovery, this trend reversed. The total number of households increased by 1.5 million in the first quarter of 2021 from the previous year. This was largely due to the strength of higher headship rates among millennials. If this trend continues, millennials will undoubtedly lead the growth in demand for housing. In fact, higher household formation rates among the millennial generation will likely offset the decreases in national birth and death rates and will increase household growth in the near term.

While rising headship rates among younger adults are giving a boost to household growth, other demographic drivers can potentially drag down future household growth. This includes lower-than-expected birth rates and drastic cuts to immigration, which will contribute to a slowdown in population growth. Low immigration levels especially translate directly into slower household growth and therefore into weaker housing demand.

Residential mobility experienced several up-and-down changes during the pandemic. A survey conducted in late 2020 by Fannie Mae's National Housing Survey found that only 6 percent of renter households had sped up their moves compared to 11 percent of households

---

[2] The State of the Nation's Housing 2021 report by the Joint Center for Housing Studies at Harvard University, pg. 3.

that chose to delay their moves. This was exemplified by the fact homes sales in April 2020 had declined by more than 25 percent compared to the year before. But as the response to the pandemic improved, residential moves started to increase again, and rentals in prime urban areas increased in early 2021. With the easing of pandemic restrictions and an increase in vaccination rates, more homeowners have also become comfortable with selling their homes. Buoyed by low mortgage interest rates, existing home sales grew by more than 20 percent (year over year), between September 2020 and January 2021.

Factors that encourage home buying, including low interest rates, a growing number of households at the prime ages for first-time homeownership, changing needs for living space, and increased ability to work from home, are very evident in the market. However, the overall shortage of homes for sale continues to constrain not only home purchases but also residential mobility rates.

The desire for more **workspace to work** comfortably from home was another contributing factor that led many to move. Only 5.7 percent of the labor force worked from home full time in 2019, according to an American Community Survey. However, the Bureau of Labor Statistics showed that 35.4 reported working from home in May 2020. While this share has dropped down to 18.3 percent as of April 2021, it still demonstrates that large portions of the population will continue to work from home. This includes a third of workers with college degrees and almost half of workers in the financial and business sectors.

Educational attainment and income disparities continue to be exposed by the pandemic and remain a factor when determining if a household survives any further economic shutdowns. Almost half of all households that lost income because of the pandemic in early 2021 earned less than $50,000, with nearly two-thirds of those households reporting they were headed by a person without a college degree.

However, households headed by someone with a college degree were much less affected during the lockdowns because they were more likely to be able to work remotely. The Bureau of Labor Statistics found that in 2020, 67.5 percent of workers with a bachelor's degree worked in occupations that could be done from home, compared with just 24.5 percent of workers with only a high school diploma.

Wide Disparities in Wealth Leave Renters at a Large Disadvantage in the Housing Market

Median Household Wealth (Dollars)

	Owners	Renters	All Households
All Households	254,900	6,270	121,760
Race/Ethnicity			
Black	113,130	1,830	24,100
Hispanic	164,800	5,800	36,050
Asian and All Other Races	299,000	6,710	74,500
White	299,900	8,900	189,100
Income Quartile			
Bottom	108,100	1,900	10,700
Lower Middle	161,000	8,300	64,800
Upper Middle	240,200	20,700	164,000
Top	703,000	154,000	627,000

Notes: White, Black, and Asian and all other race households are non-Hispanic. Hispanic households may be of any rac
Source: JCHS tabulations of the Federal Reserve Board, 2019 Survey of Consumer Finances.

The ability to withstand a temporary loss of income also depends largely on having a reserve of wealth. In this case, homeowners have a huge advantage over renters. In 2019, the median wealth for homeowners was $254,900—more than 40 times the $6,270 median for renters (see graph above).

Household wealth and financial resiliency also differs by race and ethnicity. The Federal Reserve reported in November 2020 that 72 percent of White adults had enough savings to pay for an unexpected expense of $400. This is compared to only 47 percent of Hispanic adults, and just 45 percent of Black adults. The median wealth of Black households is seven times less than White households. For Hispanic households, median wealth is five times less than White households. The loss of employment combined with a lack of savings means millions of households, especially households of color, are not only in a disadvantageous position when seeking to purchase a home but are also much more likely to be at risk of eviction or foreclosure.

The Outlook for the Future

The road to recovery is still plagued with uncertainty. Millions of households are still struggling to cover their rent or mortgage obligations. Low-income renters and households of color face daunting economic challenges. Low-income renters continue having difficulties in ensuring they can make their rental payments on time. Racial disparities also persist even as the economy starts showing signs of recovery and many lower-income households of color are still struggling to emerge from the crisis.

With many renters and property owners still reeling from the economic shocks that occurred due to the shutdowns, the JCHS Report recommends that further government support, in addition to the relief measures taken so far, will be necessary to ensure that both households and property owners benefit from a rebounding economy. There are several policy recommendations for Congress to undertake, including providing greater rental assistance, increasing the affordable housing supply while preserving the current stock, establishing greater protections for renters, addressing the need for a broader and stronger housing safety net while also closing the racial and ethnic disparities in housing markets.

The profound disruptions of the past year have made clear how urgent these necessary steps have become. While Congress has approved assistance in the form of rental relief, the roll out has been slow and cumbersome. With the recovery still in progress, and millions still facing economic hardships including the inability to make their full housing payments on time, policymakers must be attuned to the needs of those who continue to struggle in meeting their rental or housing obligations. Ultimately, it will be up to federal and state leadership to ensure that no one is left behind and that those most in need have timely access to rental and housing relief.