

Housing Spotlight: Renters' Growing Pain



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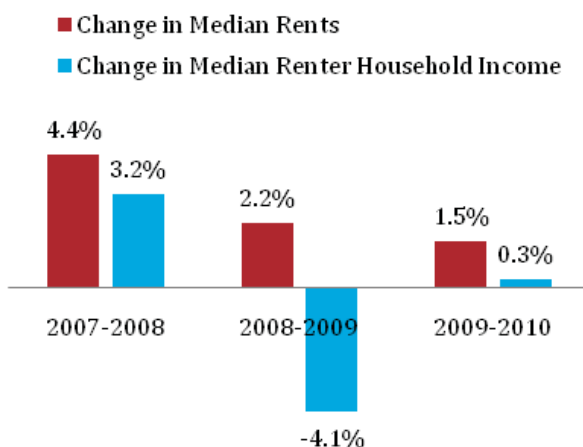
Housing Spotlight is a new series of research briefs from the National Low Income Housing Coalition that will use data from different sources to highlight a variety of housing issues. In this first issue of *Housing Spotlight*, data from the recently released 2010 American Community Survey (ACS) are used to examine the housing problems facing renters in America and how those problems have grown since the beginning of the great recession.

Rising Rents and Stagnating Incomes Contribute to Growing Hardships

During the recent recession, income growth slowed while rents steadily rose, two trends illustrated by ACS estimates of median renter household income and median gross rent, respectively. Two years ago, in 2008, median household income was \$52,029 overall and \$31,891 for renters. By 2010, the median household income dropped to \$50,046 for all households and \$30,671 for renter households. Meanwhile, median gross rents rose from \$824 in 2008 to \$855 in 2010.

As Figure 1 indicates, incomes are not keeping pace with rising rents, leading to increasing hardship among renter households. Between 2007 and 2010, the year-to-year growth in monthly rents exceeded any income gains. Between 2008 and 2009, during the depths of the recession, median rents grew 2.2% while renter household income fell over 4%. If these trends continue, renters will be paying more to keep a roof over their heads even as their paychecks continue to shrink.

Figure 1: Change in Rents and Incomes, 2007-2010

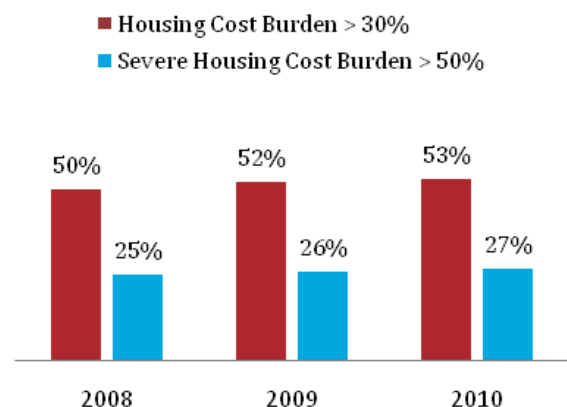


Over Half of All Renter Households Experience Cost Burden

Households are considered housing cost burdened when they spend more than 30% of their income on housing and utility costs. According to ACS data, by 2010, the total number of renter households facing a housing cost burden rose to 19.4 million, up from 18.5 million in 2009. Rising numbers of cost burdened households reflect the tide of families unable to bear the steady rising costs of rent.

Since the recession began, the proportion of renters facing a housing cost burden swelled, reaching a high of 53% in 2010. As Figure 2 indicates, over a quarter of all renter households now must spend over half their income on housing related costs. Spending such a high proportion of income on housing severely limits the ability of a household to cover the costs of other necessities and save for financial emergencies.

Figure 2: Percentage of Renter Households with Housing Cost Burden, 2008-2010



Lowest Income Renters Most Likely to Face Housing Cost Burden

Housing affordability problems disproportionately impact the lowest income American households, as Figure 3A demonstrates. In 2010, 53% of the 19.4 million cost burdened renter households were households earning under \$20,000 a year. Renters earning under \$20,000 make up one third of the total renter population.

Figure 3B further illustrates that lower income households are much more likely than higher income households to experience housing cost burdens. While only 3% of all renter households earning \$100,000 or more face a housing cost burden, 91% of those earning below \$10,000 and 81% of those earning between \$10,000 and \$20,000 are housing cost burdened. Even among households earning between \$20,000 and \$34,999 a year, 69% face housing cost burdens. Yet, this trend shifts dramatically in the upper-middle income brackets. Among renters

earning between \$50,000 and \$74,999, only 18% of households face a housing cost burden. Fewer than 10% face a housing cost burden among earners making more than \$75,000 annually.

The evidence of housing problems observed in the 2010 ACS Survey reaffirms research conducted by HUD in its *Worst Case Housing Needs 2009* report. This study identifies the number of very low income American renters (those earning at or below 50% of the Area Median Income) without housing assistance who experience severe housing cost burdens, or who live in substandard housing conditions, or face both hardships. According to the 2009 report, the number of renters with worst case needs jumped 20% between 2007 and 2009.¹ The number of renters with worst case needs is certain to continue its upward trajectory.

Figure 3A: Percentage of Cost Burdened Renters by Income Group, 2010

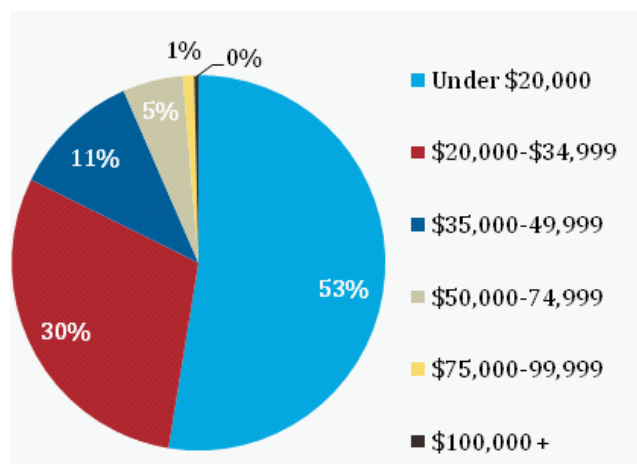
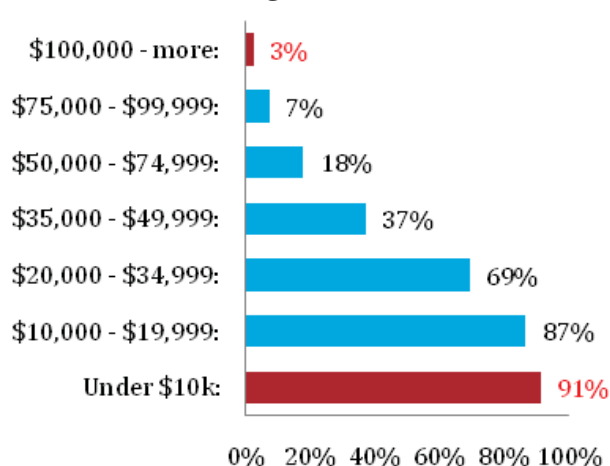


Figure 3B: Percentage of Renters in each Income Group with Housing Cost Burden, 2010



Advantages and Challenges to Using ACS Data

The ACS is updated each year, as opposed to once in a decade. The availability of more timely data is a major advantage of the ACS. This allows policy makers to monitor changes and identify new trends.

The allocation of more than \$400 billion dollars in federal and state funds is determined by data from the ACS. The timeliness of the ACS will allow programs that depend on this state and federal funding to respond more nimbly to changes in need.

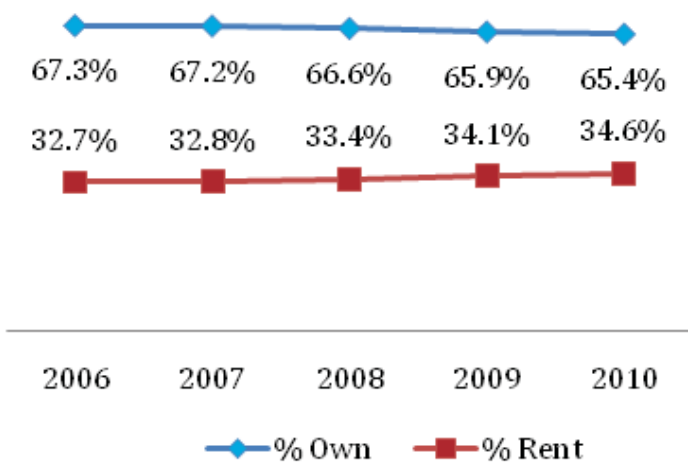
However, the primary challenge posed by the ACS is the smaller sample size. While the long form of the Census reached one in six households every ten years, the ACS only reaches one in forty every year. In response to this challenge, the Census Bureau combines years of data.

More Americans Turn to Renting

Recent housing market shifts are also captured by the ACS. ACS data confirm that Americans have become wary of the housing market and are choosing in greater numbers to rent rather than buy, as shown in Figure 4. The foreclosure crisis and the need to be flexible in the unstable job market have both made renting more appealing than it was in the past. Furthermore, there is additional evidence to suggest that a rising number of renters are low income. With more low income households renting, the competition for affordable units is likely to rise, pushing down vacancies.

HUD's *Worst Case Needs* report notes a significant discrepancy between vacancy rates across affordability categories. While the vacancy rate was 15% for the highest rent units, it was only 4.3% for units affordable to extremely low income households.² The market for affordable units is certain to tighten further if more households choose to rent as the ACS shows is happening. The demand for affordable units already surpasses the supply, and this gap is likely to grow.

Figure 4: Renter and Homeownership Rates, 2006-2010

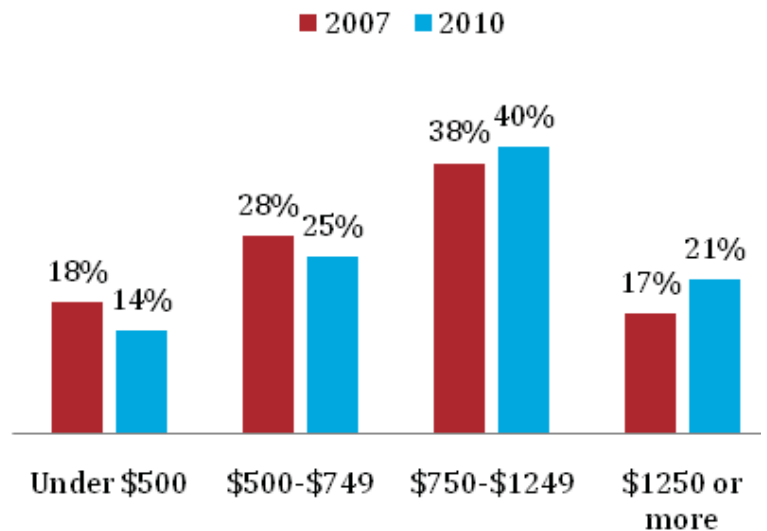


Fewer Affordable Units Available

Coupled with a rising demand for rental units overall, the loss of affordable housing contributes to increased competition for units that remain available on the market. Affordable units are lost when they deteriorate or when they are upgraded to serve a wealthier demographic. Evidence from the ACS suggests that most rental unit losses are occurring at the low end of the rental market. Between 2007 and 2010, the rental housing market lost nearly one million units priced under \$500 a month, while gaining over two million units priced above \$1250. As Figure 5 shows, the supply of higher priced units grew between 2007 and 2010.

The loss of affordable housing units has been widely documented. The Joint Center for Housing Studies reports that 12% of the low-cost rental market was lost between 1999 and 2009.³ With fewer affordable units available, lower income households are left with fewer housing options.

Figure 5: Percentage of Rental Units in Different Rent Ranges, 2007 and 2010



About the American Community Survey

The American Community Survey (ACS) is a nationwide survey of approximately three million households conducted annually. It provides timely data on the social, economic, demographic and housing characteristics of the U.S. population. The ACS replaced the Census “long form” in 2010 and eliminated the long waiting period for new data between each decennial census.

The ACS makes data available in three different types of data sets: one-year, three-year and five-year estimates. The one-year estimates allow users to look at the characteristics of areas with populations of 65,000 or more. Three-year data sets provide estimates of less populated communities, down to areas as small as 20,000. With the five-year data, which the Census first provided in 2010 for the 2005-2009 time period, estimates for all geographies down to the block-group level are now available. The multi-year data sets do not reflect the average over time. Rather, they are an aggregate of data collected over the three or five year period.

Unlike the decennial census, which is a snapshot of a community at a specific point-in-time, the ACS collects data throughout the calendar year.

Endnotes

¹ Steffen, B., Fudge, K., and Martin, M., et al. (2011). Worst Case Housing Needs 2009: Report to Congress. Washington DC: Government Printing Office. Retrieved from: www.huduser.org/portal/Publications/pdf/WorstCaseNeeds2009Summary.pdf

² Steffen, B., Fudge, K., and Martin, M., et al.

³ Joint Center for Housing Studies. (2011). The State of the Nation's Housing 2011. Retrieved from: www.jchs.harvard.edu/publications/markets/son2011/index.htm.

For More Information

Questions and Comments on this edition of NLIHC's *Housing Spotlight*? Contact NLIHC's Research Analyst Megan DeCrappeo Bolton.

Information about the ACS can be found on the U.S. Census Bureau's webpage at: www.census.gov/acs/www/

The American FactFinder provides access to the 2010 ACS data: <http://factfinder2.census.gov/>

ACS data before 2010 at: <http://factfinder.census.gov>

Megan DeCrappeo Bolton

Research Analyst, NLIHC
megan@nlihc.org
202-662-1530 x245

Elina Bravve

Research Assistant, NLIHC
elina@nlihc.org
202-662-1530 x244



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The National Low Income Housing Coalition is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes. Visit www.nlihc.org today!