

# The National Need for Housing

By Elina Bravve, Research Analyst, National Low Income Housing Coalition

Today, low income households face rising rents, stagnating wages and opportunities limited by an economic recovery that largely excludes low wage workers. Housing costs continue to rise faster than income growth; the gap between what low income workers can afford to pay for rent, and the actual cost of rental housing keeps growing.

The economic downturn and recession contributed to long term shifts in the housing market, with many more households turning towards renting, and delaying or rebuffing homeownership. Renters grew from 31% of all households in 2004 to 35% of all households in 2012. The number of renters nationwide reached 43 million by early 2013.<sup>1</sup>

The number of renter households is expected to grow sharply by as many as 4.7 million households between 2013 and 2023.<sup>2</sup> With more households choosing to rent, competition for available units will continue to rise, and the number of units available and affordable to the lowest income households is likely to decline.

Based on NLIHC analysis of the 2012 American Community Survey (ACS),<sup>3</sup> there are 10.16 million extremely low income (ELI) renter households, those with incomes at or below 30% of the area median income (AMI), and only 5.73 million units affordable to them, using the standard affordability measure of spending no more than 30% of household income on housing costs. This leads to an absolute shortage of 4.43 million rental homes for these households nationwide. Another way of describing the gap is that for every 100 ELI renters in 2012, there are only 56 units they could potentially live in without spending more than 30% of their income on housing and utility costs.

The most vulnerable ELI renters, including households relying on Supplemental Security Income (SSI) and minimum wage workers, face the greatest challenges when seeking affordable housing. Renter households with incomes of 15% AMI or less make up 40% of all ELI renters. For this group, there are also only 56 units affordable per 100 renter households.

The shortage of affordable housing is most severe among ELI households. For households with incomes between 31 and 50% AMI there is a surplus of 2.4 million affordable rental units. For those with incomes between 51% and 80% AMI, there is a surplus of 10.5 million affordable units.

The challenge for ELI renters is even greater than it appears, because many of the units affordable to ELI households are rented and occupied by higher income households. Thus, on a nationwide basis, the shortage of affordable and available rental homes for ELI households is 7 million. Nationally, there are only 31 affordable and available rental homes for every 100 ELI renter households. There are just 16 affordable and available units for every 100 households with incomes at 15% of AMI or less.

Though the situation improves for higher income households, households at or below the VLI threshold (50% AMI or less) still face a significant shortage, with just 58 affordable and available units per 100 renter households. Finally, for LI renters (80% AMI or less) there are 96 affordable and available units per 100 renters.

In light of this significant shortage of affordable and available housing, the lowest income renters continue to make sacrifices in order to make ends meet. Many end up spending a significant proportion of their income on rent. Seventy-five percent of ELI renters spent more than half of their incomes on housing costs in 2012, leaving very little for other basic necessities such as food, health care, and transportation.

<sup>1</sup> Joint Center for Housing Studies of Harvard University. (2013). *The State of the Nation's Housing 2013*. Cambridge, MA: Author. Retrieved from: <http://bit.ly/1d6KsPy>

<sup>2</sup> Ibid.

<sup>3</sup> Unless otherwise cited, all data are based on NLIHC analysis of 2012 ACS data.  
Advocates' Guide - 1 - National Low Income Housing Coalition

In 2011 there were 8.5 million households with worst-case housing needs, which HUD defines as households earning at or below 50% of AMI who do not receive any housing assistance from the government and who spend over half of their income on housing costs, live in severely substandard housing conditions or both. The number of households with worst case housing needs grew by 19% from 2009, and by 43% from 2007.<sup>4</sup>

Further indication that renters are struggling to find affordable housing comes from NLIHC's annual research report, *Out of Reach*, which compares the average wages earned by households to the Fair Market Rents (FMRs) where they live. This provides a clear picture of how difficult it is to find a decent rental home on local wages. On a national basis, a worker would need to earn an hourly wage of \$18.92, over two and a half times the federal minimum wage, in order to afford a two-bedroom rental home at the nation's FMR of \$984. An ELI household can only afford a rent of \$493 a month. Even households at the average renter wage (\$14.64) do not earn enough to afford a fair market rent two bedroom apartment.<sup>5</sup>

Many low income households include people who work at the low-wage jobs that are critical to a healthy economy. They are child care providers, nursing home aides, hotel housekeepers, office cleaners, retail clerks, and receptionists. Overall job growth continues to be heavily concentrated in these lower wage fields, with 58% of new jobs in the post-recession recovery period paying no more than \$13.83 an hour.<sup>6</sup> There is an immediate need for additional rental units affordable to low income households.

There is also an immediate need for housing affordable to the nation's most vulnerable households. There are 4.8 million non-elderly Americans with disabilities who receive Supplemental Security Income (SSI) nationwide. An SSI recipient received an annual income of \$8,714 in 2012. One-bedroom rents exceed 100% of SSI in 181 housing market areas across 33 states.<sup>7</sup>

Whatever measurement is used, the available data continue to affirm that there is a great need to expand the supply of affordable housing, and it is imperative that researchers and advocates continue to work together to ensure this need is met.

<sup>4</sup> HUD (2013). *Worst Case Housing Needs 2011: Report to Congress*. Washington DC: Author. Retrieved from: <http://bit.ly/1gH6sVS>

<sup>5</sup> NLIHC (2014). *Out of Reach 2014*. Washington DC: Author. Retrieved from: [www.nlihc.org/oor/2014](http://www.nlihc.org/oor/2014)

<sup>6</sup> National Employment Law Project. (2012). *The Low-Wage Recovery and Growing Inequality*. Washington DC: Author. Retrieved from: <http://bit.ly/1eRkC2y>

<sup>7</sup> Technical Assistance Collaborative. (2013). *Priced Out in 2012*. Boston, MA: Author. Retrieved from: <http://bit.ly/1hVo64f>