

# The National Need for Affordable Housing

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**T**he United States faces a significant shortage of affordable rental housing. The shortage is most severe for households with extremely low incomes, defined as income at or below the poverty guideline or 30% of their area's median income, whichever is higher. According to the 2020 American Community Survey (ACS), only 7.4 million rental homes are affordable for the nation's 11 million extremely low-income (ELI) renter households under the assumption that households should spend no more than 30% of their income on housing costs (unless otherwise noted, figures are based on the 5-yr 2020 ACS Public Use Microdata Sample). Not all 7.4 million homes, however, are available. Approximately 3.4 million are occupied by higher-income households. As a result, approximately 4 million rental homes are affordable and available for ELI renters, leaving a shortage of nearly 7 million. In other words, there are fewer than four affordable and available rental homes for every ten ELI renter households. ELI renters have the greatest housing needs relative to all other income groups and addressing their needs should be the highest national housing priority.

The severe shortage of affordable homes for the lowest-income renters is systemic, affecting every state and metropolitan area. Without public subsidy, the private market is unable to produce new rental housing affordable to these households because the rents that the lowest-income households can afford to pay typically do not cover the development costs and operating expenses of such housing. New private rental housing, therefore, is largely targeted to the higher-price end of the market and the lowest-income renters must rely on older, private rental housing or subsidies.

The private market, however, does not generate

an adequate supply of affordable older rental homes and subsidies are woefully inadequate. In strong markets, owners of older rental homes have an incentive to redevelop their properties to receive higher rents from higher-income households. In weak markets, owners of older rental homes have an incentive to abandon their rental properties or convert them to other uses when rental income is too low to cover basic operating costs and maintenance. Between 2011 and 2019, the number of rental homes renting for under \$600 per month fell by 3.9 million, and their share of the national rental stock fell from 32% to 22% (Joint Center for Housing Studies, 2022: *America's Rental Housing 2022*). Meanwhile, just one in four households eligible for federal housing assistance get the help they need (Center on Budget and Policy Priorities, 2017: *Chart Book: Federal Housing Spending Is Poorly Matched to Need*).

As a result of these challenges, 86% of ELI renter households spend more than 30% of their income on housing and 71% spend more than half of their income on housing, making them severely cost burdened. ELI households account for more cost burdened and severely cost burdened renter households than any other income group. The 7.8 million severely cost burdened ELI renter households account for 72% of the 10.9 million severely cost burdened renter households in the U.S.

The most vulnerable ELI renters, such as people with disabilities relying on Supplemental Security Income (SSI) and minimum wage workers, typically face the greatest burdens. A renter relying on SSI could only afford a rent of \$252 per month in 2022, while the average monthly rent for a modest one-bedroom home was \$1,105. For the 4.6 million people with disabilities whose sole source of income is SSI, such costs are unsustainable (Technical Assistance Collaborative, 2022: *Priced Out*). Workers earning the minimum wage also face significant barriers to affording housing. In only 274 counties out of more than 3,000 counties

nationwide can a full-time worker at minimum wage afford a modest one-bedroom apartment at the fair market rent (NLIHC, 2022: *Out of Reach 2022: The High Cost of Housing*).

Low-wage employment often does not pay enough for workers to afford housing and other necessities. A person working full-time every week of the year needs to earn an hourly wage of \$25.82 to afford a modest two-bedroom rental home without spending more than 30% of their income on housing, or \$21.25 for a modest one-bedroom apartment. These wages are far higher than the federal minimum wage and higher than wages paid in many of the most common occupations in the country, such as food and beverage service workers, retail workers, nursing assistants, and home health aides.

Rents have historically been out of reach for the lowest income renters, but dramatic rent increases over the last two years have likely made finding and maintaining affordable housing even harder for low-income households. Between the first quarter of 2021 and 2022, median rents for two-bedroom apartments increased nearly 18% (NLIHC, 2022: *Out of Reach 2022: The High Cost of Housing*). These rent increases were widespread nationwide, with 85% of metropolitan counties experiencing a rent increase of over \$100 during this time period. Rent growth continued into 2022, increasing nearly 6% between January and October (Apartment List, 2022: *National Rent Report*).