The National Need for Affordable Housing

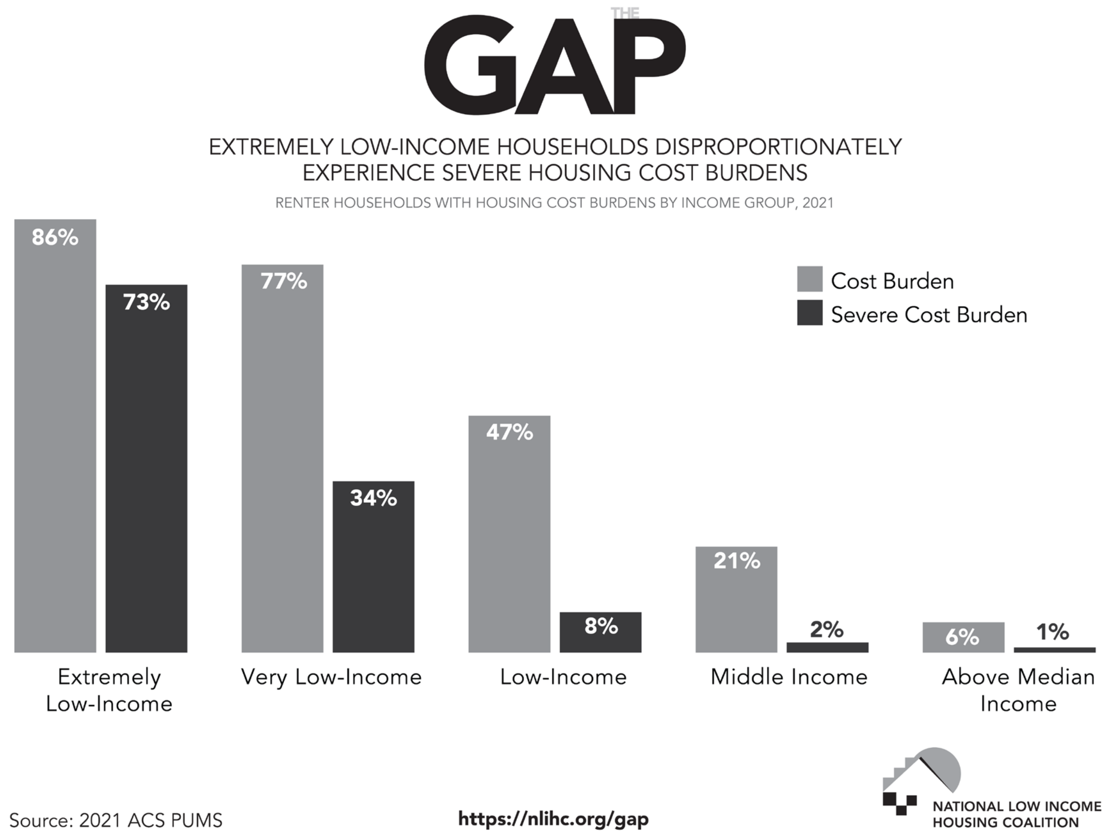
By Andrew Aurand, Senior Vice President for Research, and Mackenzie Pish, Research Analyst, NLIHC

The United States faces a significant shortage of affordable rental housing. The shortage is most severe for households with extremely low incomes, defined as incomes at or below the national poverty guideline or 30% of their area's median income (AMI), whichever is higher. According to the 2021 American Community Survey (ACS), only 7.0 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 1-yr 2021 ACS Public Use Microdata Sample). Not all 7.0 million affordable homes, however, are available. Approximately 3.3 million are occupied by higher-income households. As a result, 3.7 million rental homes are affordable and available for ELI renters, leaving a shortage of 7.3 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 (NLIHC, 2023).

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. The median monthly asking rent for new units in multifamily properties was $1,805 in the 3rd quarter of 2022, and only 5% of new units rented for less than $1,050 (Joint Center for Housing Studies, 2023). 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. The Center on Budget and Policy Priorities (CBPP, 2022) estimated that the average monthly operating cost for rental units was $520 in 2019, yet the typical ELI renter could not afford that level of rent. When rents on a property fall below the operating costs, private landlords in weak markets have an incentive to find a different use for or abandon their properties, while landlords in strong markets have an incentive to renovate their properties to capture higher rents from higher income households. Meanwhile, just one in four households eligible for federal housing assistance get the help they need (CBPP, 2021). Millions of families are placed on waitlists for housing assistance, many of them facing homelessness or overcrowding while they wait (Acosta & Guerrero, 2021).

As a result of these challenges, many low-income renters pay a large portion of their income toward rent. Traditionally, households that spend more than 30% of their income on housing costs are considered cost-burdened and households that spend more than 50% of their income on housing costs are considered severely cost-burdened. Eighty-six percent of ELI renter households are cost-burdened and 73% are severely cost-burdened. ELI households account for more cost-burdened and severely cost-burdened renter households than any other income group. The 8.1 million severely cost-burdened ELI renter households account for 72% of the 11.3 million severely cost-burdened renter households in the United States. When low-income households spend more than half their income on housing, they have little if any money left to spend on other necessities, such as food, childcare, transportation, and healthcare. The lowest-income renters who are severely cost-burdened spend 38% less on food and 70% less on healthcare than the lowest-income renters who are not cost-burdened (Joint Center for Housing Studies of Harvard University, 2022).

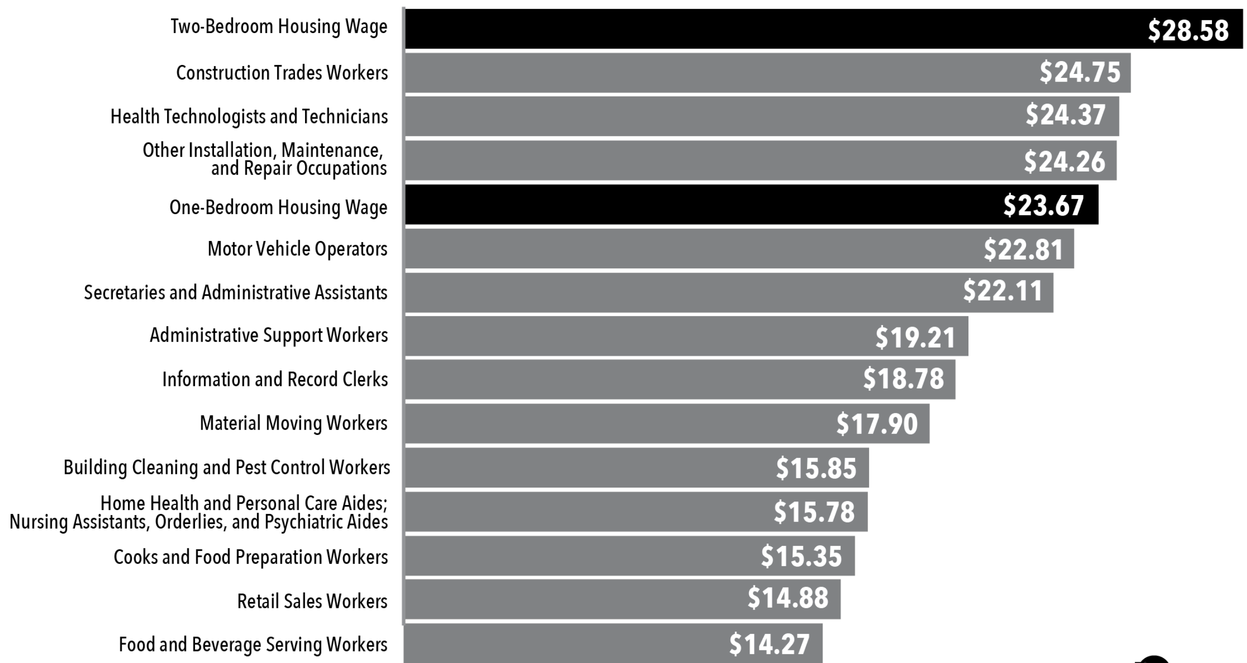


The nation's lowest-income renters have long faced a severe shortage of affordable housing, and the problem has only worsened in recent years, as record-high inflation and the loss of low-cost rental homes impacted renters nationwide. Though inflation cooled and rent growth slowed in 2023, renters still face the effects of a long-standing trend in which rents have risen faster than wages. Nationally, between 2001 and 2021, median rents increased 17.9%, while median household income only increased by 3.2% (CBPP, 2022). Even significant wage gains by low-wage workers in recent years have not been sufficient to counteract this trend. Between 2019 and 2022, wages for workers in the bottom 10th percentile increased 9% – the highest increase for any income group (Gould & deCourcy, 2023). However, that 9% increase results in an hourly wage of $12.57, which is an increase of only $1.04 more per hour, a level of growth that cannot make up for the significant gap between rent and wages.

As a result, affordable housing remains out of reach for workers across a range of occupations and wage levels. In 2023, a person working full-time every week of the year needed to earn an hourly wage of $28.58 to afford a modest two-bedroom rental home at fair market rent without spending more than 30% of their income on housing, or $23.67 for a modest one-bedroom rental home. Sixty percent of all full-time workers could not afford a two-bedroom rental home while working a 40-hour work week, and nearly 50% of workers could not afford a one-bedroom rental home. Thirteen of the 20 most common occupations in the U.S. paid median wages lower than the wage needed by a full-time worker to afford a modest two-bedroom rental, and 10 of these occupations, which account for more than one-third of the workforce, paid median wages that were insufficient to afford a one-bedroom rental. (NLIHC, 2023).

The problem is acute and widespread for the lowest-income workers and other ELI renters. In no state, metropolitan area, or county can a full-time minimum-wage worker afford a modest two-bedroom rental home. In only 7% of counties (228) nationwide, not including Puerto Rico, can

13 OF THE 20 LARGEST OCCUPATIONS IN THE UNITED STATES PAY MEDIAN WAGES LESS THAN THE TWO-BEDROOM HOUSING WAGE



OUT of REACH THE HIGH COST OF HOUSING

Source: NLIHC calculation of weighted-average HUD Fair Market Rent. Occupational wages from May 2022 BLS Occupational Employment and Wage Statistics, adjusted to 2023 dollars.

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a full-time minimum-wage worker afford a one-bedroom rental home at the fair market rent. In most areas of the U.S., a family of four with a poverty-level income can afford a monthly rent of no more than $750, and many cannot even afford that. An individual relying on federal Supplemental Security Income can only afford a rent of $274 per month. The national average fair market rent for a one-bedroom home is $1,231 per month and $1,486 for a two-bedroom home, far from affordable for a family in poverty or a person relying on federal assistance (Ibid).

The shortage of affordable and available housing disproportionately affects Black, Latino, and Native and Alaska Native households, as these households are both more likely to be renters and to have extremely low incomes. They are more than twice as likely as white households to be ELI renters: ELI renters account for 19% of Black households, 17% of American Indian or Alaska Native households, and 14% of Latino households, but only 6% of white households. (NLIHC, 2023). These disparities are due not only to historical barriers to wealth accumulation and home ownership, but also to ongoing labor market discrimination. Black, Latino, and Native American workers are more likely than white workers to be employed in sectors with lower median wages, like service, consumer-goods production, and transportation, while white workers are more likely to be employed in higher-paying management and professional positions (Wilson, Miller & Kassa, 2021; Allard & Brundage, 2019). Even within the same professional occupations, however, the median earnings for white workers are often higher than the median earnings for Black and Latino workers (Wilson, Miller & Kassa, 2021).

As a result of wage disparities, Black and Latino workers face larger gaps between their wages and the cost of rental housing than white workers. Nationally, the median wage of a full-time white worker is adequate to afford a one-bedroom apartment at fair market rent, but the median wage of a full-time Black or Latino worker is not. At the 60th percentile, a full-time white worker can afford a two-bedroom rental home at fair market rent. Meanwhile, a full-time Black or

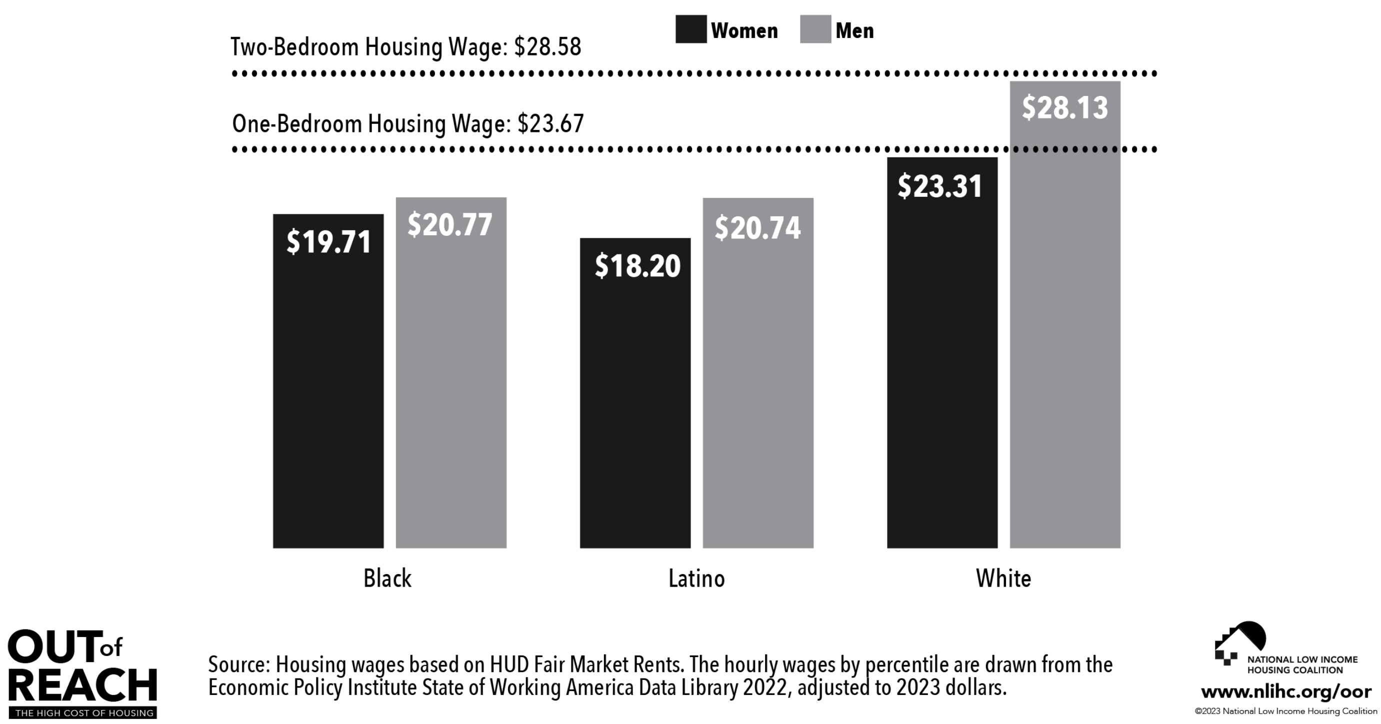
Latino worker at the 60th percentile for Black and Latino workers, respectively, cannot afford even a one-bedroom rental home (NLIHC, 2023). These disparities show up in cost-burdens as well: 55% of Black renters and 52% of Latino renters are housing cost-burdened, compared to 44% of white renters (NLIHC, 2023).

Regardless of their race and ethnicity, women earn less than their male counterparts and face more difficulty affording rental housing, but this is especially the case for Black and Latina women. Black women earning the median wage for members of their race and gender make $19.71 per hour, $1.06 less than the median wage among Black male workers and $8.42 less than the median wage among white male workers. The median wage of Latina women is $2.54 less than the median wage of Latino men and $9.93 less than the median wage of white men (NLIHC, 2023).

During the pandemic, the Treasury Emergency Rental Assistance (ERA) program helped low-income renters remain housed by funding more than 514 state, local, territory, and tribal programs. By October 2023, ERA programs had disbursed $39.96 billion of the $46.55 billion appropriated for rental assistance and other housing services (NLIHC ERA Dashboard). Together, these ERA programs made nearly 12 million payments, mostly to assist very low- and extremely low-income renters. While ERA has been impactful for millions of households, the program was designed to provide short-term financial assistance during the pandemic and cannot address the long-standing gaps. In a May 2023 survey of ERA program administrators whose programs had either closed or had spent 75% of their ERA funds, 90% of programs that indicated that their program would stop providing assistance cited a lack of a dedicated funding source as the primary reason (Housing Initiative at Penn & NLIHC, 2023). As of October 2023, nearly 90% of Treasury ERA programs had closed to new applicants (NLIHC ERA Dashboard).

Even with the stabilization of rental prices in the latter half of 2022 and through 2023, the rapid inflation during 2021 and the first half of 2022 has done significant damage to affordability,

MEDIAN HOURLY WAGES BY RACE, ETHNICITY, AND GENDER



Source: Housing wages based on HUD Fair Market Rents. The hourly wages by percentile are drawn from the Economic Policy Institute State of Working America Data Library 2022, adjusted to 2023 dollars.

especially for the lowest-income renters. Nationwide, median rents increased by 18% during 2021 and by 25% between January 2021 and June 2022 (Apartment List, 2023). Between October 2022 and October 2023, however, rents had declined by 1.2% (Apartment List, 2023). Despite this decline, median rents for new units in October 2023 were still almost $250 more than they were in 2020 (Apartment List, 2023). Historically, rent inflation is typically higher for lower-priced units (McCarthy, Peach, & Ploenke, 2015). A study by the Government Accountability Office (GAO) found that a $100 increase in median rent was significantly associated with a 9% increase in estimated homelessness rates, even after accounting for other factors (US GAO, 2020).

With ERA funding depleted and renter protections expired, evictions reached or surpassed pre-pandemic levels in a number of communities during 2023 as millions of renters remain behind on rent (Eviction Lab, 2023). As of September 2023, roughly 5 million (12%) renter households remained behind on rent; renters with incomes below $35,000 accounted for more than half of these. Households of color were also disproportionately behind on rent. Twenty-one percent of black households and 19% of Asian households were behind on rent compared to 9% of white households.

Addressing the roots of the housing affordability problem requires a sustained commitment to investing in new affordable housing, preserving affordable rental homes that already exist, bridging the gap between incomes and rent through universal rental assistance, providing emergency assistance to stabilize renters when they experience financial shocks, and establishing strong renter protections.