

# The National Need for Affordable Housing

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The United States faces a significant shortage of affordable rental housing. The shortage is most severe for households with extremely low incomes, defined by incomes at or below the national poverty guideline or 30% of their area's median income (AMI), whichever is higher. According to the 2022 American Community Survey (ACS), only 7.1 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 2022 ACS Public Use Microdata Sample). Not all 7.1 million affordable homes, however, are available. Approximately 3.4 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, 2024: <https://nlihc.org/gap>).

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 \$1,800 in the 3<sup>rd</sup> quarter of 2023, and only 4% of new units

rented for less than \$1,050 (U.S. Census Bureau, 2023: <https://bit.ly/3S2E8V8>). 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, 2024: <https://bit.ly/4iABsJp>) estimated that the average monthly operating cost for rental units was \$566 in 2021, yet the typical ELI renter could not afford that level of rent. When rents on a property fall below 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: <https://bit.ly/3EDhP5i>). Scarce subsidies and the shortage of affordable units in the private market make it all the more important to preserve the existing stock of 5 million federally subsidized homes (NLIHC & PAHRC, 2024: <https://bit.ly/42M3wTY>). These existing federally subsidized homes require sustained funding commitments to ensure their continued affordability and habitability, which is critical as buildings age and existing rent and tenant eligibility requirements expire or come up for renewal.

Due to their limited incomes and the shortage of affordable housing, most of the lowest-income renters pay a large portion of their income toward rent. 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-seven percent of ELI renter households are cost-burdened and 74%

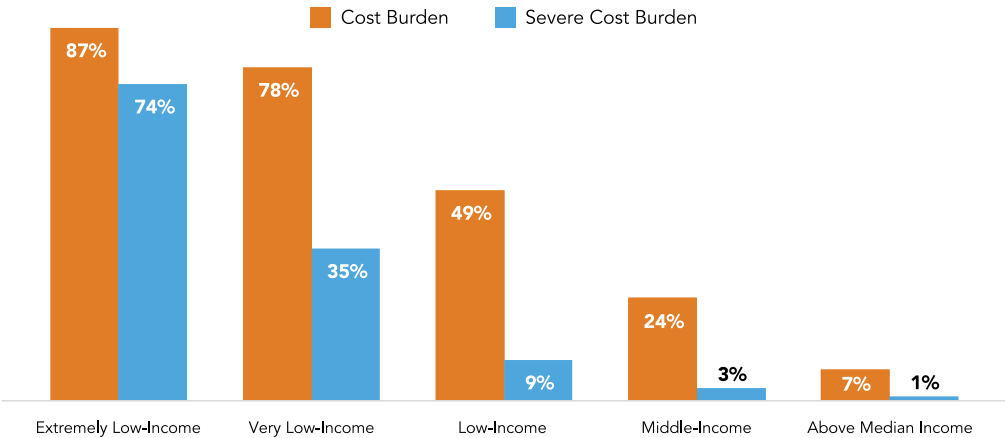
are severely cost-burdened. ELI households account for more cost-burdened and severely cost-burdened renter households than any other income group. The 8.1 million severely cost-burdened ELI renter households account for 69% of the 11.7 million severely cost-burdened renter households in the United States. 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, or healthcare. The lowest-income renters who are severely cost-burdened spend 39% less on food and 42% less on healthcare than the lowest-income renters who are not cost-burdened ([Joint Center for Housing Studies of Harvard University, 2024: https://bit.ly/4iHtBd6](https://bit.ly/4iHtBd6)). 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 impact renters nationwide. Though inflation cooled and rent growth continued to slow in 2024, renters still face the effects of a long-standing trend in which rents have risen faster than wages. Since 2001, national

median rents have increased 21% when considering inflation. However, median annual income has increased just 2% in the same period ([Joint Center for Housing Studies, 2024: https://bit.ly/4iHtBd6](https://bit.ly/4iHtBd6)). Even significant wage gains by low-wage workers in recent years have not been sufficient to counteract this trend. Between 2019 and 2023, wages for workers in the bottom 10th percentile nationally increased 13.2% – the highest increase for any income group ([Gould & deCourcy, 2024: https://www.epi.org/publication/swa-wages-2023/](https://www.epi.org/publication/swa-wages-2023/)). However, that 13.2% increase results in an hourly wage of \$13.66, which is an increase of only \$1.47 per hour, a level of growth that cannot make up for the significant gap between rent and wages.

Affordable housing remains out of reach for workers across a range of occupations and wage levels. In 2024, a person working full-time every week of the year needed to earn an hourly wage of \$32.11 to afford a modest two-bedroom rental home at fair market rent without spending more than 30% of their income on housing, or \$26.74 for a modest one-bedroom rental home. More than 60% of

# THE GAP

EXTREMELY LOW-INCOME HOUSEHOLDS DISPROPORTIONATELY  
EXPERIENCE SEVERE HOUSING COST BURDENS  
RENTER HOUSEHOLDS WITH HOUSING COST BURDENS BY INCOME, 2022



SOURCE: 2022 ACS PUMS.



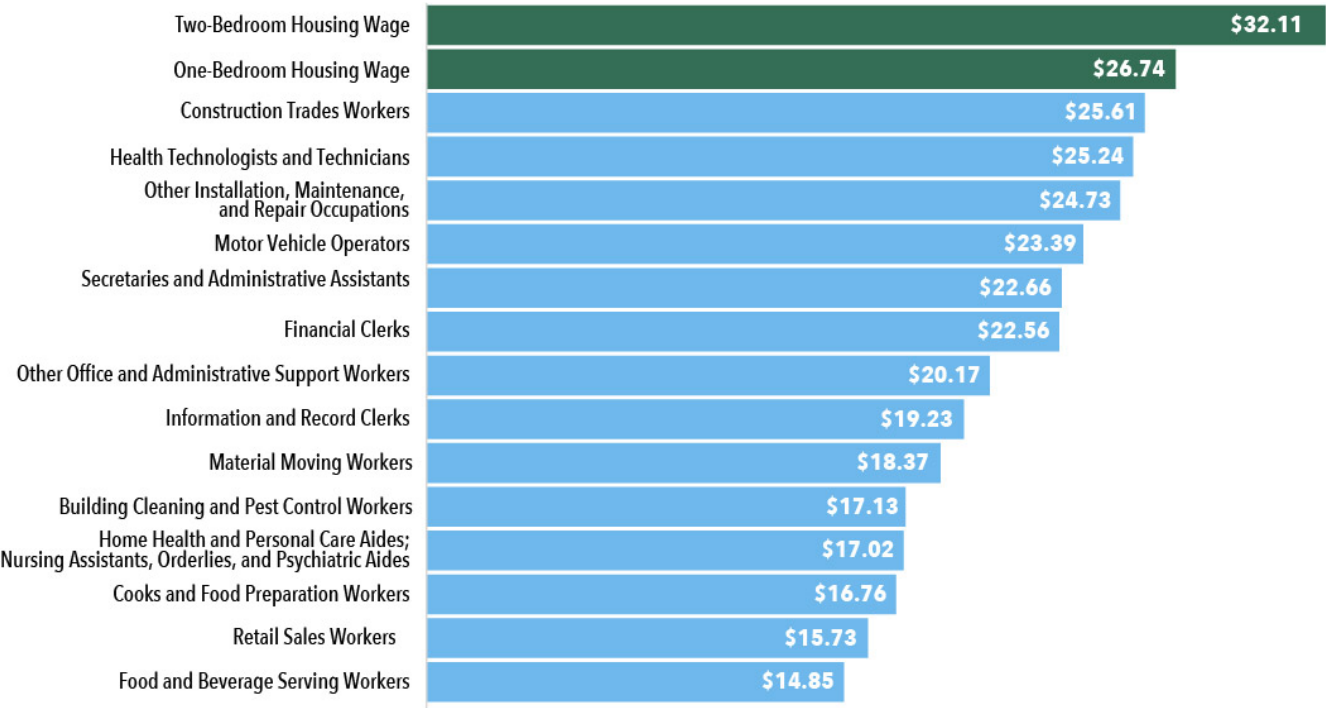
all full-time workers could not afford a two-bedroom rental home while working a 40-hour work week, and more than 50% of workers could not afford a one-bedroom rental home. Fourteen of the 20 most common occupations in the U.S. paid median wages lower than the wage needed by a full-time worker to afford a modest one or two-bedroom rental, these occupations account for approximately 42% of the entire U.S. workforce (NLIHC, 2024: <https://nlihc.org/oor>).

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 6% of counties (204) nationwide, not including Puerto Rico, can a full-time minimum wage worker afford a one-bedroom rental home at 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 \$780, and many cannot even afford that. An individual relying on federal Supplemental Security Income can only afford a rent of \$283 per month. The national average fair market rent for a one-bedroom home is \$1,390 per month and \$1,670 for a two-bedroom home, far from affordable for a family in poverty or a person relying on federal assistance (NLIHC, 2024: <https://nlihc.org/oor>).

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

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



Source: NLIHC calculation of weighted-average HUD Fair Market Rent. Occupational wages from May 2023 BLS Occupational Employment and Wage Statistics, adjusted to 2024 dollars.



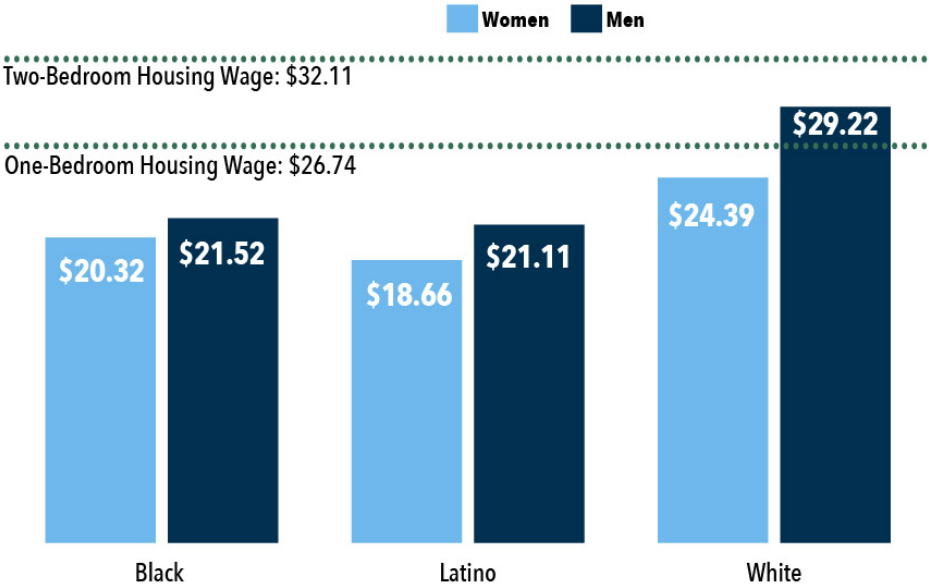
account for 19% of Black households, 16% of American Indian or Alaska Native households, and 13% of Latino households, but only 6% of white households (NLIHC, 2024: <https://nlihc.org/gap>). These disparities are due not only to historical barriers to wealth accumulation and home ownership, but also 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: <https://bit.ly/3EDoaO7>; Allard & Brundage, 2019: <https://bit.ly/3EDob4D>). 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: <https://bit.ly/3EDoaO7>).

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 just 26 cents less than what is needed to afford a one-bedroom apartment at fair market rent, while the median wage of a full-time Black worker falls \$6.24 short, and the median wage of a Latino worker is \$6.42 short. At the 70th percentile, a full-time white worker can afford a two-bedroom rental home at fair market rent.

In comparison, a full time Black worker at this income level can only afford a one-bedroom rental home. However, for a Latino worker making a wage at the 70<sup>th</sup> percentile, even a one-bedroom rental home is not affordable

MEDIAN HOURLY WAGES BY RACE, ETHNICITY, AND GENDER



(NLIHC, 2024: <https://nlihc.org/oor>). These disparities show up in cost-burdens as well: 56% of Black renters and 53% of Latino renters are housing cost-burdened, compared to 44% of white renters (NLIHC, 2024: <https://nlihc.org/gap>).

Regardless of race and ethnicity, women earn less than their male counterparts and face more difficulty affording rental housing. This disparity is especially significant for Black and Latina women. Black women earning the median wage for members of their race and gender make \$20.32 per hour, which is \$1.20 less than the median wage among Black male workers and \$8.90 less than the median wage among white male workers. The median wage of Latina women is \$2.45 less than the median wage of Latino men and \$10.56 less than the median wage of white men (NLIHC, 2024: <https://nlihc.org/oor>).

The private market on its own does not produce an adequate supply of housing affordable to the lowest-income renters. At the same time, incomes have failed to keep pace with housing costs. The result is a crisis of affordability that impacts the lowest-income renters in almost every community in the United States. It is a crisis that affects people of color disproportionately. Addressing the roots of this housing affordability problem requires a sustained commitment to subsidizing new affordable housing, preserving affordable rental homes that already exist, and bridging the gap between incomes and rent through universal rental assistance and wage increases. Providing emergency assistance to stabilize renters when they experience temporary financial shocks and establishing strong renter protections are also important to promoting housing stability.