Although the recession may have temporarily stalled the rising cost of housing in the United States, it did not result in increased access to affordable rental housing for households that need it most: extremely low income families facing the greatest housing cost burden. As demand flooded the rental market over the past year, indicated by the vacancy rate dropping to the lowest level since 2001, rental costs have begun to inch up, impacting those households already most vulnerable to price fluctuations.¹ The rental market is expected to continue to heat up, with more moderate income households choosing to rent, making even fewer housing options available to low income renters.

By the fourth quarter of 2011, the homeownership rate dropped to 66%, the lowest since 1998, reflecting caution among prospective homeowners. Over the past four years, renter household growth has consistently surpassed owner household growth.² It is estimated that the number of renter households rose by nearly 4 million between 2005 and 2010. Over the next decade, the number of renters may increase by upwards of 470,000 annually, further straining the rental market and disproportionately affecting extremely low income households.³

Among renter households, the number of extremely low income renters, those earning 30% or less of the Area Median Income (AMI), jumped by nearly 900,000 in the years between 2007 and 2010.⁴ Extremely low income (ELI) renters, competing with an ever-growing number of households in search of decent, safe and affordable rental units, face a tightening market with fewer and fewer options. With the recent surge in demand, the need for affordable rental units has never been greater.

\[
\text{GAP} = \text{Housing Wage} - \text{Renters' Wage}
\]

\[
\begin{array}{c|c|c}
\text{2012} & \text{2012} & \text{GAP} \\
\text{Housing Wage} & \text{Renters' Wage} & \text{Fair Market Rent} \\
$18.25 & $14.15 & $4.10
\end{array}
\]

Out of Reach 2012 clearly shows that this need cuts across all parts of the country by fusing housing cost data with wage data at the national, state, metro, and county levels. The analysis illustrates a wide gap between the cost of decent housing and the hourly wages that renters actually earn. The numbers in Out of Reach demonstrate that this year, in every community across the country, there are renters working full-time who are unable to afford the rents where they live.

The Housing Wage is an estimate of the full-time hourly wage a household must earn in order to afford a decent apartment at the HUD estimated Fair Market Rent (FMR) while spending no more than 30% of income on housing costs. Nationally, the average two-bedroom FMR for 2012 is $949. Accordingly, the 2012 Housing Wage is $18.25, significantly surpassing the $14.15 hourly wage actually earned by renters, on average, nationally. The gap between the Housing Wage and the average renter wage is an indicator of the magnitude of need for more affordable rental units. In 2012, in 86% of counties studied nationwide, the housing wage exceeds the average hourly wage earned by renters.

In spite of this bleak picture, it is possible to work towards bridging the gap between wages and housing costs. Policies that support expanding the supply of affordable housing, targeted to the lowest income households, are an important step toward providing more households access to decent housing.

⁴ NLIHC tabulations of 2007, 2010 ACS PUMS data.
EXTREMELY LOW INCOME HOUSEHOLDS FACE THE GREATEST HOUSING NEED

By 2010, the number of ELI renter households rose to 9.8 million, accounting for one out of every four renter households. ELI renter households face a tough rental market: for every 100 such households seeking an apartment, only 30 units both affordable and available can be found.\(^5\) In sum, 6.8 million additional units are required to address the need for affordable housing among ELI households.\(^6\)

Despite the immense need, the supply of low-cost rental units is actually shrinking, as more units are converted to serve higher income tenants or fall into disrepair. According to recent ACS data, the number of units renting for $500 or less fell by one million from 2007 to 2010, and during that same time period, the number of units renting at $1,250 or more grew by two million units.\(^7\)

1 out of 4 RENTER HOUSEHOLDS IS ELI. BUT DESPITE THE IMMENSE NEED, THE SUPPLY OF LOW-COST RENTAL UNITS IS ACTUALLY SHRINKING.

Roughly 8 million individuals receive Supplemental Security Income (SSI) because they are elderly, blind or disabled and have few economic resources.\(^8\) With the maximum federal monthly payment of $698 in 2012, Out of Reach estimates that an SSI recipient can afford rent of only $209.\(^9\) SSI is the only source of income for 57% of all recipients.\(^10\) Among those reliant on SSI, there is not a single county in the U.S. where even a modest efficiency apartment, priced according to the FMR, is affordable. By 2010, an estimated 46.2 million people lived in poverty in the United States, the largest poverty estimate since the Census began to quantify the indicator over fifty years ago.\(^11\) With the number of American households living in poverty on the rise, it is likely that the need for affordable housing, especially among the lowest income households, will continue to grow.

Year after year, Out of Reach data show that for many extremely low income Americans, including seniors on fixed incomes and the disabled, a decent apartment remains incredibly difficult to find.


\(^{6}\) Ibid.


\(^{9}\) Ibid.

\(^{10}\) Because SSI payments are reduced for beneficiaries who report other sources of income, the average federal payment in December 2011 was $502. However, 45 states supplement the federal payment for all or a subset of recipients, depending on the state. See Appendix A.


\(^{12}\) Rohde, D. (2012, January 5). “Yes, we’re creating jobs, but how’s the pay?” Reuters. http://blogs.reuters.com/david-rohde/2012/01/05/yes-we-are-creating-jobs-but-heres-the-pay/


AFFORDABILITY IS A NATIONAL CONCERN

Housing costs vary across the nation, but uniformly, low-income households are likely to face a grueling search for affordable housing with few decent options available to them. Nationally, the Housing Wage is highest in Hawaii, where costs of land development and building materials drive up the cost of housing. California and the highly urbanized Northeast corridor between Boston and Washington, D.C. also are home to communities with extremely high housing wages.

Yet, the lack of affordable housing is not an issue constrained to high-cost, urbanized regions. In fact, according to Out of Reach calculations, a worker earning the renter wage is unable to afford a two-bedroom unit in nearly every state, unless they pick up extra hours by cobbling together several jobs. In 28 states, the one-bedroom FMR exceeds the rent affordable to the average renter. And, in all but one state (WY), the two-bedroom FMR exceeds the rent affordable to the average renter.

FOR A FULL-TIME INDIVIDUAL EARNING THE RENTER WAGE, A TWO-BEDROOM UNIT IS UNAFFORDABLE IN NEARLY EVERY STATE.

For each state, Out of Reach combines data for counties outside metropolitan areas and calculates the Housing Wage for these rural communities. Our findings this year demonstrate that while housing costs are lower in rural areas, these areas also generally have lower wages than metropolitan areas. To illustrate, Out of Reach 2012 indicates that the Housing Wage, on average across nonmetropolitan America, is $12.21, still exceeding the nonmetropolitan renter wage of $9.87. At the state level, the nonmetropolitan two-bedroom Housing Wage exceeds the renter wage in all but five states.

Low-income renters continue to struggle to overcome poverty and limited economic opportunities, while facing rents that are likely to rise in the coming years as demand grows. In both rural and urbanized America, more renters are not making ends meet: over half of all renters (53%) are cost burdened, paying over 30% of their income for housing. Only 25% of renters faced such a burden in 1960. And, of course, this issue affects the lowest income families more severely than others. Seventy-six percent of ELI renter households spend more than 50% of their income on housing costs, or have a severe housing cost burden. The rising incidence of housing cost burdens among renters makes evident the urgent need for expanding the supply of affordable housing.

Notes:

CONCLUSIONS

This year, as in years past, *Out of Reach* speaks to a fundamental truth: a mismatch exists between the cost of living, the availability of rental assistance and the wages people earn day to day across the country.

With the number of low income renters on the rise, the argument for sustaining affordable housing assistance is timely.

- In 2012, a household must earn the equivalent of $37,960 in annual income to afford the national average two-bedroom FMR of $949 per month.\(^\text{18}\)
- Assuming full-time, year-round employment, this translates into a national Housing Wage of $18.25 in 2012.
- This year the housing wage exceeds the average renter wage, $14.15, by over four dollars and is nearly three times the minimum wage.

Despite the great need for affordable housing units, subsidies for critical affordable housing programs continue to face the threat of cuts, as do many social safety net programs. For FY12, HUD suffered cuts of $3.7 billion dollars, 9% below FY11 funding levels. Although HUD estimates that its public housing capital needs are in excess of $25 billion, the Public Housing Capital Fund received 8% lower funding for FY12.\(^\text{19}\) The HOME program, key to the production of many new affordable units at the local level, suffered a cut of 38% between FY11 and FY12, a cut that is estimated to result in 31,000 fewer affordable rental homes. Meanwhile, the National Housing Trust Fund (NHTF), which Congress authorized in 2008, remains unfunded. The NHTF would fund the production and preservation of homes affordable to the lowest income households. Funding the NHTF is NLIHC’s top priority.

An affordable home, providing stability and shelter, is a basic human need. Expanding the availability of affordable housing to address the unmet need of so many low income Americans should be a top public policy priority.

THE NUMBERS IN THIS REPORT

As in past years, *Out of Reach* 2012 relies on data from HUD, the U.S. Census Bureau, the Bureau of Labor Statistics, the Department of Labor, and the Social Security Administration to make its case. See Appendix A for a detailed explanation of data sources and methodologies.

The FMR on which the Housing Wage is based is HUD’s best estimate of what a household seeking a modest rental unit in a short amount of time can expect to pay for *rent and utilities* in the current market. Thus, the FMR is an estimate of what a family moving today can expect to pay for a modest rental home, *not* what current renters are paying on average. See Appendix B for information on how HUD calculates the FMR.

Readers are cautioned against comparing statistics in one edition of *Out of Reach* with those in another. In recent years, HUD has changed its methodology for calculating FMRs and incomes. In 2012, the FMR estimates were developed using American Community Survey (ACS) data as base rents, rather than data from the Decennial Survey. The new methodology is thought to be an improvement on past practices, but it can introduce more year-to-year variability into the data. For this reason and others (e.g., changes to the metropolitan area definitions), readers should not compare this year’s data to previous editions of *Out of Reach* and assume that differences reflect actual market dynamics. Please consult the appendices and NLIHC research staff for assistance interpreting changes in the data.

The data in this report and the additional materials and data can be found online at: [WWW.NLIHC.ORG/OOR/2012](http://www.nlihc.org/oor/2012)