Joint Center for Housing Studies of Harvard University

With mortgage rates at 30-year lows, the homeownership rate and home sales are at all-time highs.

Meanwhile, progress remains stalled on certain longstanding housing problems. The overall aging of the population

The State of the Nation’s Housing 1999

Joint Center for Housing Studies of Harvard University

Graduate School of Design

John F. Kennedy School of Government

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Executive Summary

Housing had another record-setting year in 1998. Home sales reached new peaks, housing starts topped 1.6 million units, and the value of residential construction hit an all-time high. With effective mortgage interest rates and unemployment at their lowest levels since the 1960s, the national homeownership rate climbed to a record 66.3 percent last year (*Fig. 1*).

Notwithstanding these impressive achievements, progress on certain longstanding housing problems remains stalled. At the same time that homeownership has become a reality for more Americans than ever before, the gap between minority and white homeownership rates has barely narrowed. And despite steady gains in both employment and income, about four million extremely low-income renters still pay more than half their incomes for housing.

Housing Contributes to Expansion

Housing has not only benefited from the strong economy, but it has also contributed significantly to its growth. Total spending on home building and remodeling was up nine percent in 1998, to $300 billion. The blistering pace of home sales generated about $2.2 billion in additional spending by homebuyers making improvements to their newly purchased homes. What is more, revenues to businesses and state and local governments from home selling activity surged by 17 percent.

Heavy mortgage refinancing activity also put more money into consumers' hands. A recent Freddie Mac survey reveals that over three million homeowners took out more equity in cash last year than they needed to refinance their loans.

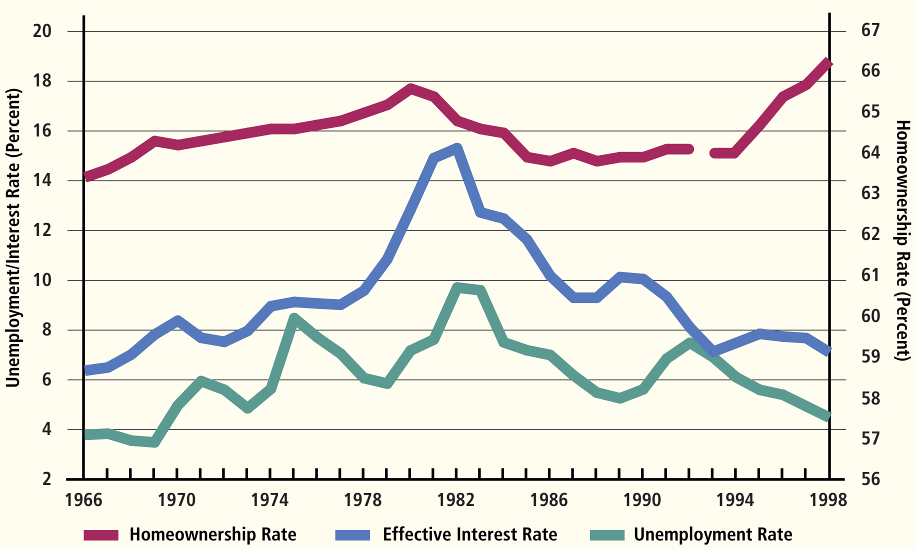
Development Intensifies

Housing production in 1998 stood at its highest level in more than a decade. Including manufactured housing, new homes have been added at nearly a 1.8 million unit annual rate since 1996. In 17 states, more housing permits were issued last year than during the previous peak in the 1980s.

The housing boom has rekindled concerns over the pace and pattern of development. Between 1990 and 1997, home building activity exceeded 200,000 units in 8 metropolitan areas, and 100,000 units in 21 metropolitan areas. Most of this construction is in medium- and lower-density counties at the metropolitan fringe or beyond *(Fig. 2)*. In fact, nearly one million building permits issued in nonmetropolitan areas during the 1990s have been in counties bordering metro areas.

Meanwhile, the nation's largest cities have experienced varying rates of growth. While housing

1 With Mortgage Interest and Unemployment Rates at 30-Year Lows, Homeownership has Soared



Note: Break in homeownership series in 1993 is due to change in Census methodology.

Sources: Homeownership from Census Bureau Series H-111; effective mortgage interest rate from Federal Housing Finance Board; unemployment rate from Bureau of Labor Statistics.

permits in most locations are up from early 1990s troughs, a large number of cities in the Northeast and Midwest continue to lose population. In contrast, strong economic growth in dozens of large cities in the South and West continues to attract new residents.

Homeownership Booms

In the past four years alone, the number of owner households has grown by 5.4 million. All age and income groups, household types, and ethnic and racial groups have registered homeownership gains. Remarkably, minority households have contributed over 40 percent of this growth even though they make up less than 20 percent of all owners. Minorities now account for 30 percent of first-time homebuyers, up from just 19 percent in 1985.

Even with these advances, though, homeownership rates among minorities still lag those of whites by a substantial margin. A key factor in this persistent disparity is education and its returns in the labor market. For minorities, the likelihood of becoming a homeowner increases dramatically with completion of a bachelor's degree. But 38 percent of Hispanics and 12 percent of blacks aged 25 to 34 have not even completed high school. Moreover, even young, married, college-educated minorities have lower ownership rates than high school-educated whites with similar demographic characteristics — in large measure because minorities still earn lower median wages.

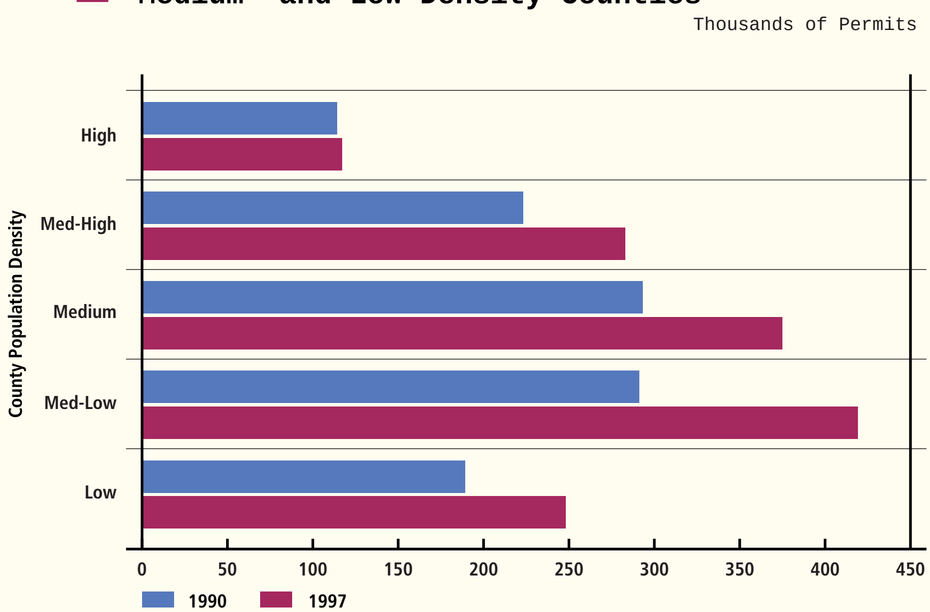
Affordable Housing Needs Grow

Despite this long economic expansion, the number of severely cost-burdened renters remains stubbornly high. In 1995, almost 3.9 million unsubsidized households with extremely low incomes spent more than half their incomes on housing. Although changes to federal data sources make more current estimates impossible, this number has likely grown in the past four years because incomes have not kept pace with rents.

While the jury is still out on the success of welfare reform, its impact on housing needs is becoming clearer. If recent experience is any guide, the wages ex-recipients earn — at least initially — are inadequate to cover the costs of a modest two-bedroom rental without exceeding the 30-percent-of-income standard. At today's rent levels in eight states, at least two people in each household would have to work full time earning $7.00 an hour to comfortably afford this type of housing *(Fig. 3)*.

On the supply side, 337,000 unsubsidized units affordable to extremely low-income renters were

2 Development Is Increasingly Concentrated in Medium- and Low-Density Counties



Notes: Population densities defined using 1990 population and land area. Each density category contained one-fifth of the US population in 1990.

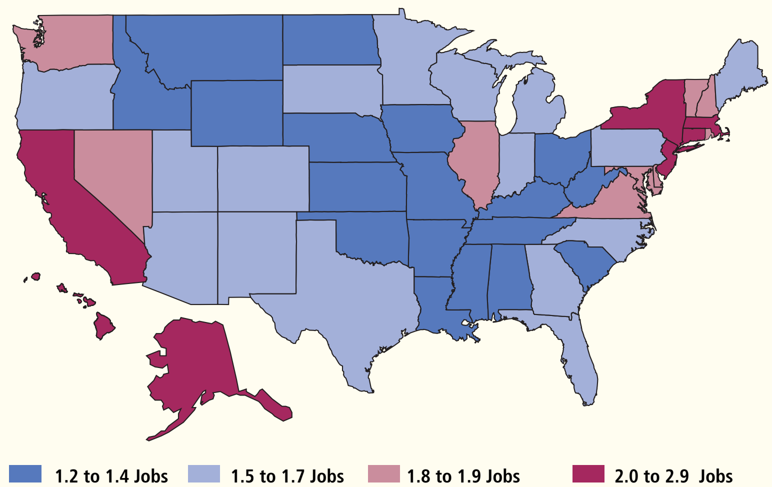
Sources: Joint Center county database; Census Bureau Series C-40.

lost between 1991 and 1995. The number of units receiving direct federal subsidies has also dropped by 65,000 in the past four years alone. Meanwhile, federal programs have replaced long-term subsidy contracts with annual extensions, leaving a growing share of landlords free to opt out at almost any time.

Contracts on another million units will expire within five years, many of which are located in areas with rising market rents. Tens of thousands of very low-income renters — many of them elderly — may face stiff rent hikes or be forced to leave in search of more affordable units that accept "portable" subsidies.

3 The Working Poor Are Struggling to Afford Even Modest Rentals

Number of Full-Time Jobs Needed to Rent a Typical Two-Bedroom Apartment



Notes: Assumes 1998 Fair Market Rents, take-home wages of $7 per hour, a 40-hour work week, and a rent burden of no more than 30% of income. Modeled on the National Low-Income Housing Coalition methodology.

Source: Joint Center analysis using HUD Fair Market Rents.

Expanding Housing Opportunities

Over the next decade, the pace of household growth should match or slightly exceed the 1.1-1.2 million annual rate averaged in the 1990s. Including manufactured homes, the number of housing units added should thus be on par with the 16 million or so built in this decade.

As the baby boomers reach their 40s, 50s, and early 60s, they will continue to drive both homeownership rates and home values to new heights. They will also spend more on remodeling their older and more valuable properties, further stimulating housing investment. Those boomers who remain or become renters will demand more expensive and amenity-rich apartments.

Meanwhile, the "echo boomers" will be gradually entering the housing market, fueling demand for rentals and starter homes. The children of the baby boomers differ from their parents in important ways that affect their housing preferences. In particular, more echo boomers are immigrants or second-generation Americans. More will have college degrees, more of the women will work, and more will delay marriage and childbearing.

At the same time, most of the parents of the baby boomers are now past 70 and an unprecedented share is expected to live well past the age of 80. Demand for structural modifications that allow the elderly to function safely within their homes will therefore increase. As these seniors grow more infirm, though, independent living will become more difficult and alternative arrangements combining healthcare with housing will gain popularity.

The overall aging of the population thus favors rising homeownership rates, strong home building and remodeling activity, and record home sales well into the next decade. Unfortunately, the enduring strength of housing markets may add to the affordability problems of poor households with weak income growth. Indeed, with housing costs on the rise, expanding the supply of low-cost units and preserving the subsidized stock will be especially important housing challenges.

Housing Markets

Housing markets turned in another stellar performance in 1998, setting new records for home sales as well as for the value of residential construction *(Fig. 4)*. Single-family production stood at levels not seen since the 1970s, and multifamily construction achieved a fifth straight year of growth. Condominium sales also heated up to a record 655,000 unit seasonally adjusted annual rate in the first quarter of 1999.

Housing has drawn its strength from the lowest effective mortgage interest rates in 30 years. In addition, 1998 marked the third consecutive year of tame inflation, low unemployment, and nearly four percent economic growth.

Housing Production Surges

Housing starts jumped nearly 10 percent to 1.6 million units last year, and were up strongly in the first quarter of 1999 over the first quarter of 1998. Housing permits reached 1990s peaks in 32 states and eclipsed their previous cyclical peaks in 17 *(Fig. 5)*.

California, Florida, Georgia, North Carolina, and Arizona — which together account for nearly a third of total 1998 production — all posted their best year since 1991. Indeed, it was the best year ever for Georgia and North Carolina. In many of these states, permits were double or triple their recession lows. Even markets with relatively low housing production were at 1990s peaks, including several states in the Midwest and Northeast.

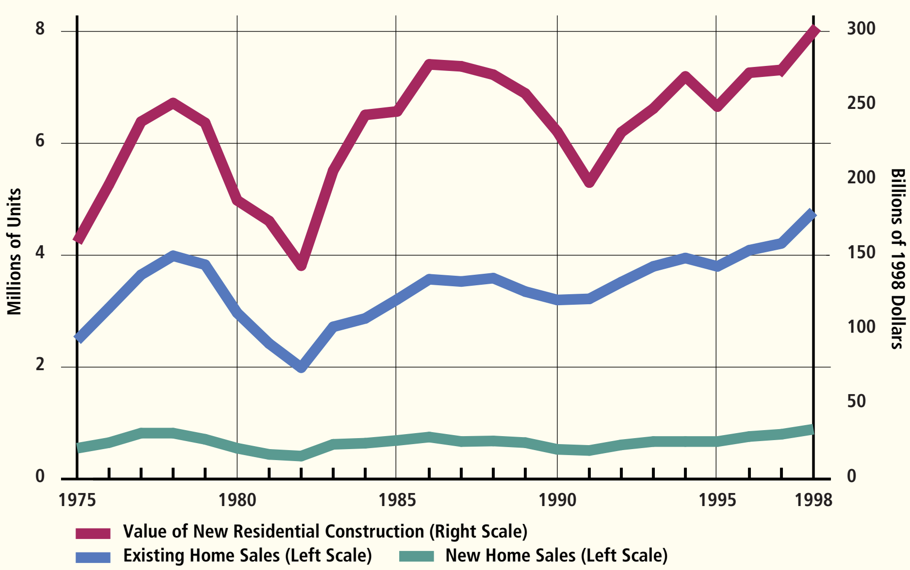
No state displayed major signs of housing market weakness relative to 1997. In the 10 states where permits declined last year, the losses were only modest. Of this group, Arkansas, Nebraska, Oregon, and West Virginia issued more permits in 1998 than in peak years of the 1980s. Still, production in many states — including Alaska, California, and Hawaii — remains well below 1980s levels.

Single-family production registered its best year since 1978, exceeding 1980s peaks in 29 states. Multifamily housing increased its share of total production from a low of 11 percent in 1993 to 18 percent in 1998. Although its share fell from about 19 percent in 1995 to 17 percent last year, manufactured housing production continued to grow. Indeed, manufactured housing accounted for more than a third of 1997 home production in 10 states.

Housing Outpaces the Economy

The 9.4 percent surge in combined spending on home building and remodeling provided a substantial lift to the national economy in 1998. Strong home sales, mortgage refinance activity, and home equity lending also helped to fuel

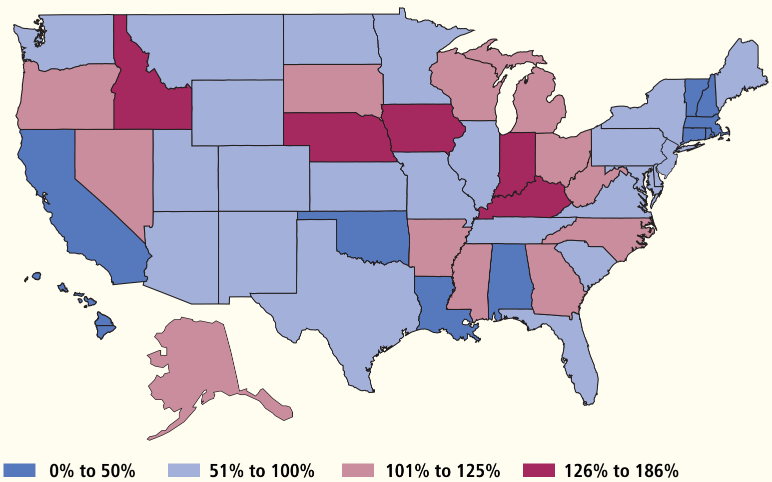
4 Home Production and Sales Reached All-Time Highs in 1998



Source: Table A-1.

5 Housing Production Has Topped 1980s Peaks in One Out of Every Three States

1998 Permits as Share of 1980s Peak



Source: Census Bureau Series C-40.

growth. Including lender and broker fees, transfer and title taxes, and fixed costs, home sales directly contributed $60-70 billion to the economy and generated about $12-14 billion in state and local tax revenues. Indeed, sales-related revenue grew more than four times faster than the economy in general and helped to offset weakness in other sectors.

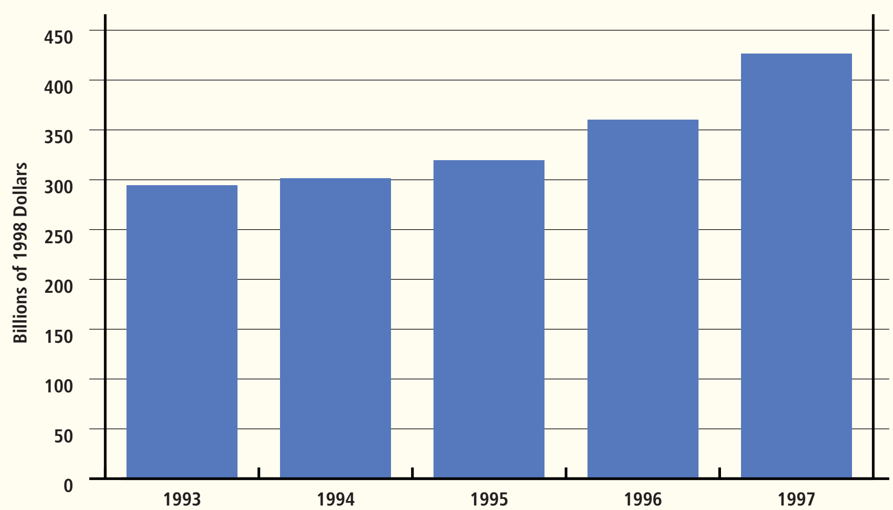
Strong home sales also stimulate remodeling activity. According to Joint Center estimates, buyers of existing homes spend roughly $1,900 more, and buyers of new homes about $1,300 more, on improvements within the first year of purchase than owners who do not move. Growth in home sales thus generated about $2.2 billion in additional home improvement spending in 1998 over 1997.

At the same time, heavy refinancing activity pumped money into the economy, both by allowing homeowners to borrow against their home equity and by freeing up cash through lower mortgage payments. A 1998 Freddie Mac survey indicates that about half of the six million homeowners who refinanced last year took out new mortgage loans that were at least five percent larger than the ones they retired. By comparison, only about a third of borrowers drew on their home equity to such an extent during the record refinancing boom of 1993. What is more, the median amount of cash taken out in 1998 equaled 11 percent of the home value, up from 6 percent in 1993.

Borrowing against home equity in the form of second mortgages and lines of credit has also surged in the past five years *(Fig. 6)*. Even after adjusting for inflation, home

6 Growth of Home Equity Borrowing Has Pumped Cash Into the Economy

Home Equity Loans Outstanding



Source: Federal Reserve Bulletin, "Recent Developments in Home Equity Lending," April 1998, p. 248.

equity lending of this type rose some 45 percent between 1993 and 1997 — more than 10 times faster than the 3.9 percent rise in home prices. Not all of this $130 billion became available for spending, however, since more than half of these borrowers used some portion of their equity loans to pay off higher interest-rate debt. Nevertheless, second mortgages helped even these homeowners spend more on goods and services by reducing their debt payments.

For all these reasons, housing has made important contributions to this unprecedented economic expansion. Whether this support can continue will depend primarily on the strength of job growth and the direction of mortgage interest rates. While exceeding expectations throughout this business cycle, the vigor of housing production, home sales, and refinancing activity will be difficult to sustain.

Decentralization Continues

Home building has set a spectacular pace, exceeding 10,000 units in 240 counties across the country from 1990 to 1997. Since the beginning of the decade, 21 metropolitan areas have issued more than 100,000 permits *(Table A-4)*. Topping the list are Washington, DC with more than 330,000 permits, Los Angeles with nearly 310,000, Atlanta with 303,000, and Chicago with 276,000.

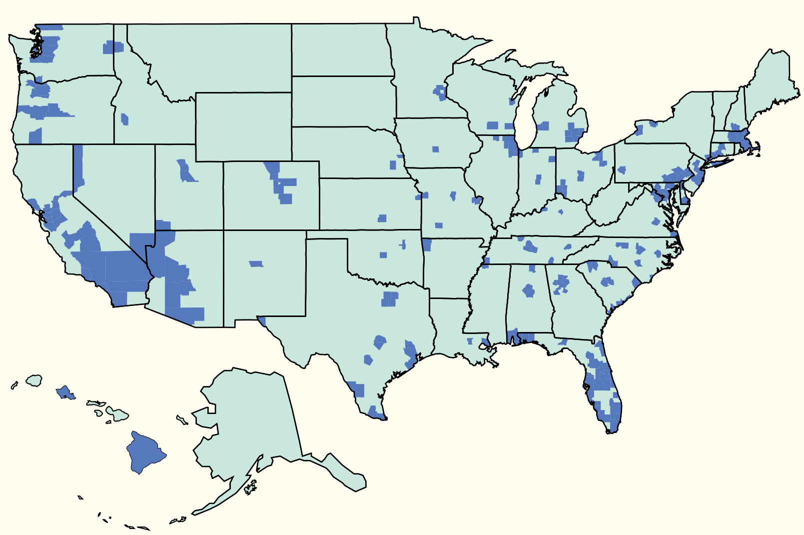
Since the beginning of the decade, 21 metropolitan areas have issued more than 100,000 permits.

When mapped, the extent of development around many of the nation's large metropolitan areas becomes apparent *(Fig. 7)*. Southern California, the San Francisco Bay area, southern Florida, southern Arizona, the Boston-Washington corridor in general (and Seattle, Portland, Las Vegas, Denver, Chicago, and Atlanta in particular) have all experienced heavy building activity outside traditional city centers. But so too have smaller metropolitan areas such as Mobile, AL, Boise, ID, and Greenville, SC.

Development is pushing to the boundaries of metropolitan areas and spilling over into nonmetropolitan areas. One indicator of this growth is the number of housing permits per thousand people, which conveys the intensity of new construction relative to the population already residing in a particular county. By this measure, medium-density counties are undergoing the most intense development, averaging 54 permits

7 **Many Areas Across the Country Have Experienced Intense Home Building Activity**

Counties Adding at Least 10,000 Homes, 1990-1997



Notes: Annual place-level permit data aggregated to counties. Does not include manufactured housing. The extent of growth in the Southwest appears somewhat exaggerated because the counties in that region are particularly large.

Source: Census Bureau Series C-40.

per thousand people in the South, 52 in the Midwest, 51 in the West, and 29 in the Northeast. In fact, even the low-density counties in the West registered a rate of 46 permits per thousand people.

Nationwide, 14 counties that issued 10,000 or more permits during the 1990s also averaged more than 150 permits per thousand people. Assuming an average of three persons per household, this level of activity means that almost half as many permits were issued as there were households. Moreover, four of these counties (Clark County in Nevada, Collin County in Texas, Collier County in Florida, and Douglas County in Colorado) issued 30,000 or more permits between 1990 and 1997.

Meanwhile, more Americans in the 1990s than in the 1980s have been bypassing metropolitan areas altogether in choosing where to live. For the first time since the 1970s, the pace of growth of the nonmetro population is approaching that of the metro population. In addition, 60 percent of the 1.6 million nonmetropolitan housing permits issued since 1990 have been in counties adjacent to metropolitan areas.

> For the first time since the 1970s, population growth in nonmetropolitan areas is approaching growth in metropolitan areas.

Population Trends

Domestic and foreign immigration patterns continue to strongly favor the South and West. Indeed, the share of the population living in the West has now surpassed that in the Northeast. In addition, the South's share of the US population is at its highest level since before the Civil War. As a result, major metropolitan areas in the South and West have experienced the fastest growth during the 1990s, with development pressures extending into the surrounding nonmetropolitan areas.

While the suburbs continue to grab population share from central cities in all four regions, there are hopeful signs that the exodus from some of the nation's largest cities is reversing. Both Boston and New York posted modest population gains from 1994 to 1996. These cities, however, would have continued to lose population to domestic outmigration if not for the arrival of foreign immigrants.

Indeed, many cities continued to lose population through the mid-1990s, including Baltimore, Buffalo, Chicago, Cincinnati, Cleveland, Milwaukee, New Orleans, Philadelphia, Pittsburgh, Rochester, St. Louis, and Washington, DC *(Fig. 8)*. In nearly all cases, the losses continued even as their metropolitan areas gained population. With domestic migrants primarily headed to the South and West, it will be difficult for these cities to attract residents back to their centers.

In contrast, dozens of large cities in the South and West have managed to parlay regional economic growth into city population growth *(Table A-5)*. Even so, San Antonio is the only one of the 39 largest metropolitan areas where population growth in the city exceeded that in the suburbs between 1990 and 1996. San Antonio is an exception because its central city spans 333 square miles and contains 75 percent of the metro area population. Many of the other fast-growing cities — such as Charlotte, Orlando, and Phoenix — also include large tracts of undeveloped land within their boundaries.

While up overall since the 1980s, population growth in nonmetropolitan areas is uneven. Population continued to decline in just over a quarter of the more than 2,200 nonmetro counties from 1990 to 1997, with ongoing losses concentrated in Appalachia, the Great Plains, and the Mississippi delta region. But these declines were more than offset by gains in locations adjacent to metropolitan areas, and also in retirement destinations and communities that

8 Population Growth in Large Cities Lags Gains in Surrounding Areas

Annual Average Percent Change in Population, 1990-1996

City Growth \ Surrounding Area Growth	Less than 1%	1% to 1.99%	2% +
1% +		San Antonio	Charlotte Dallas Denver/Aurora Houston Phoenix/Mesa Portland Salt Lake City
0 to 0.99%	New York	Columbus Kansas City Los Angeles Miami Norfolk San Diego San Francisco Seattle Tampa/St. Petersburg	Atlanta Indianapolis Orlando Sacramento
Negative	Boston Buffalo Cleveland/Akron Detroit Hartford Philadelphia Pittsburgh Providence Rochester, NY St. Louis	Baltimore Chicago Cincinnati Milwaukee New Orleans Washington, DC	Minneapolis/St. Paul

Notes: Large cities defined as the primary named city of the MSA/CMSA plus any other city in the metro area with a population greater than 200,000 in 1990. Surrounding area defined as the remainder of the metro area. New York includes Newark and Jersey City. Los Angeles includes Long Beach, Anaheim, Santa Ana and Riverside. San Francisco includes San Jose and Oakland. Dallas includes Ft. Worth and Arlington.

Source: Table A-5.

specialize in services and manufacturing. In fact, population growth in nonmetro retirement communities was up a remarkable 19 percent between 1990 and 1997.

Housing Market Prospects

Over the next decade, residential construction will probably proceed at a rate similar to the 1.6 million unit annual pace averaged so far in the 1990s. With the leading edge of the baby-boom generation well into their peak earning years and the trailing edge fast approaching, strong demand for larger, well-appointed new homes will keep construction values climbing. The addition of 16 million homes over the next decade and the aging of the overall housing stock will also serve to boost spending on home improvements, repairs, and alterations.

Unless the baby boomers and their children reverse what is now a century-long trend toward decentralized development, home building activity will remain concentrated at the metropolitan fringe and beyond. And although some urban areas could see turnarounds, the share of the US population living in central cities is likely to continue to decline unless key issues such as school quality and public safety are addressed.

While the South and West will continue to draw population on net from the Northeast and the Midwest, most of the growth is expected to occur in just a few states — including Arizona, Colorado, Florida, Georgia, Oregon, North Carolina, Texas, and Washington. Growth patterns could, however, change if quality-of-life and environmental concerns lead to constraints on land supply and make housing in these areas less affordable.

Growth in the number of households is the single largest source of residential construction demand, accounting for over 70 percent of home building activity during the 1990s. The rest of demand comes from the replacement of housing lost to abandonment or disaster, expansion of the stock of second homes, and the increase in the number of vacant units needed to accommodate the turnover generated by movers.

Over the next decade, the number of US households should continue to increase by an average of 1.1-1.2 million annually, adding to the roughly 104 million that exist today. While immigration will contribute about a quarter of this growth, 65 percent of the increase will come from the movement of the population into ages with higher household headship rates (the share of individuals heading independent households). The remaining 10 percent of the growth will result from the overall rise in headship rates caused by relatively high divorce rates, declining marriage rates, and low remarriage rates.

The Echo Boomers

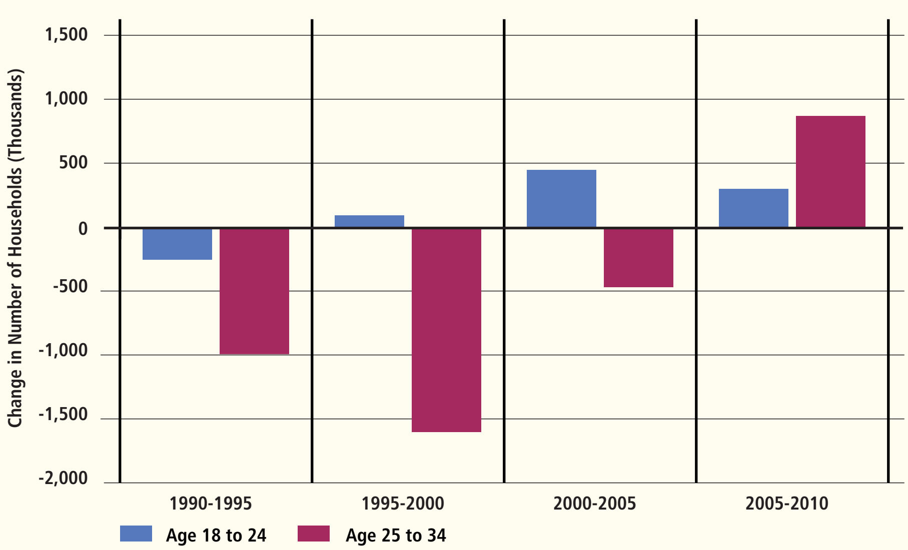
The 84 million native-born children of the baby boomers make up the lion's share of the so-called "echo-boom" generation born since 1977. Another five million foreign-born individuals living in the US are also echo boomers, and immigration will continue to fuel growth of this population group over the next 10 years.

The echo boomers are already beginning to reverse the recent decline in the young-adult population, adding an average of about 20,000 each year to the ranks of households headed by 18 to 24 year-olds *(Fig. 9)*. The number of households headed by 25 to 34 year-olds will also show substantial increases after 2005. By 2010, the echo boomers will account for more than one in ten owner and four in ten renter households.

Today as the first echo boomers enter the housing market, they face economic conditions that are remarkably similar to those their parents encountered when they started to form households in the mid- to late-1960s — strong GDP growth, accompanied by low inflation and low unemployment. But while market conditions are comparable, the echo boomers themselves differ in notable ways that affect their housing choices.

Compared with the postwar baby boomers who reached young adulthood around 1968, the leading edge of the echo boom is more racially and ethnically diverse. The first wave of echo boomers is also more educated than their parents were at the same ages, although they earn slightly less. In addition, more women in this age group are

9 The Echo Boomers Are Reversing Recent Declines in the Number of Young Households



Source: Table A-2.

10 Leading-Edge Echo Boomers Are More Diverse and Slower to Marry

Percent in Each Category at Ages 18 to 22

	Baby Boom	Echo Boom
Population		
Minority	16.8	34.0
Foreign-Born	3.4	10.1
Second-Generation	9.8	11.7
Never Married	67.0	88.4
Women in Labor Force	52.3	66.1
Households		
Single-Person	13.7	23.1
Married-Couple	69.0	21.4
Any Household with Children	43.5	32.4
Homeownership Rate	16.2	15.2
Single-Person	8.5	11.4

Sources: Echo-boom race and immigrant characteristics are for people aged 18-22 from the 1998 Current Population Survey. Baby-boom race and immigrant characteristics are for people aged 20-24 from the 1970 Census PUMS files. Household characteristics are for households with heads aged 18-22 from the 1968 and 1998 Current Population Surveys.

in the labor force today than in 1968 *(Fig. 10)*. And most important for housing demand, larger shares of leading-edge echo boomers live alone. Even so, the first echo boomers have only slightly lower homeownership rates overall than their parents did, in part because relatively more single echo boomers are buying homes.

Whether the next wave of echo boomers will have as much home-buying success remains to be seen. Slightly lower earnings relative to their parents, combined with rising home prices, will make buying more difficult if interest rates climb. Nevertheless, it is noteworthy that echo boomers who marry are far more likely to be in dual-earner households than married baby boomers at the same ages. On average, the echo boomers also have fewer siblings and wealthier parents than the previous generation, and may therefore receive more family help in making a downpayment on a home.

The echo boomers will have the biggest impact on housing markets in the South and West. They already make up a larger share of the population in these regions than elsewhere, and continued migration will only add to their concentration. Although heralded by some as a boon to central cities, the movement of the echo boomers into their 20s may not bolster city population growth as much as predicted. The fact is that only individuals in their late teens have a net migration pattern favoring urban areas, possibly because of the attractions of city-based colleges and universities. By ages 20 to 24, young adults are already moving to the suburbs.

The echo boomers will have the biggest impact on housing markets in the South and West.

Senior Households

At the same time that the children of the baby boomers are growing to young adulthood, their parents are reaching their 70s and 80s. With life expectancies rising, the fastest growing segment of the elderly population will be age 85 and older. Currently, over 70 percent of this age group are women, most of whom are widows living alone.

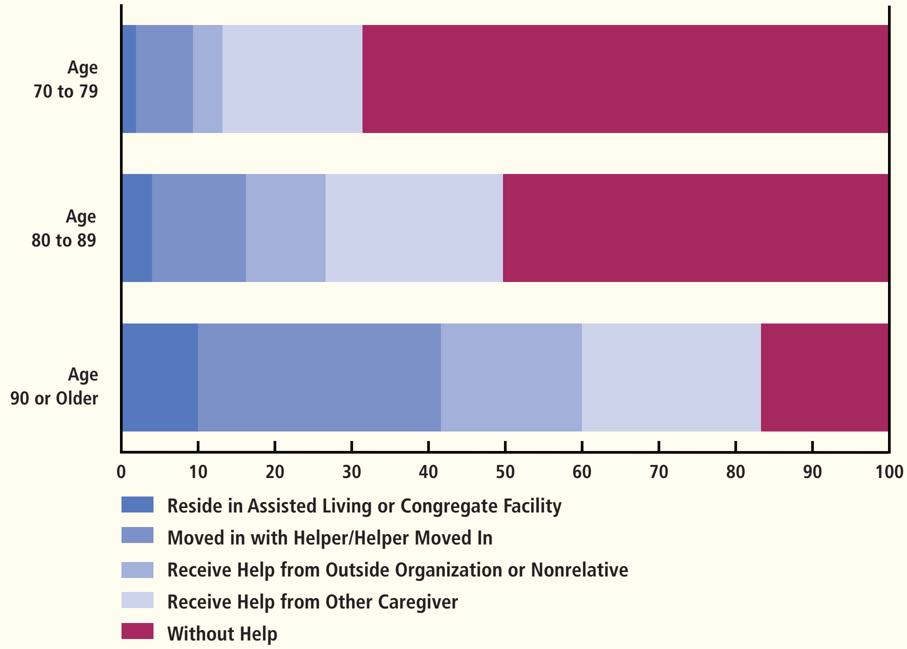
Despite infirmities that increase with age, the overwhelming majority of seniors want to — and do — remain in their homes. Of those households with members aged 70 and over living outside institutions, only 3 percent reside in assisted or congregate facilities that provide health, domestic, or personal-care services. Of the remaining 97 percent, about 42 percent live alone, 34 percent with spouses, and 24 percent with others.

Senior living arrangements take a variety of forms. In 10 percent of households with an elderly member, the senior has moved in with a caregiver or a caregiver has moved in with him or her. Another 20 percent are supported by friends or family who already live in the home or visit to provide help. Only about 7 percent get assistance from outside organizations or unrelated individuals. Regardless of the setting, though, the proportion receiving care increases with the age of the senior *(Fig. 11)*.

Although 5.0 million households now include a senior citizen with disabilities, just 2.1 million express the need for structural modifications to their homes to function safely and comfortably. And only about half of these households actually have the modifications they say they need *(Fig. 12)*. With the number of households headed by a person aged 65 or older rising by about 300,000 per year over the next decade, demand for such home modifications will clearly grow.

Perhaps the biggest impact that seniors will have on housing markets, however, will come when they depart their homes for smaller or more appropriate units, move in with other individuals, or die. Given that elderly owners

11 The Share of Households with Seniors Receiving Care in Various Settings Increases With Age

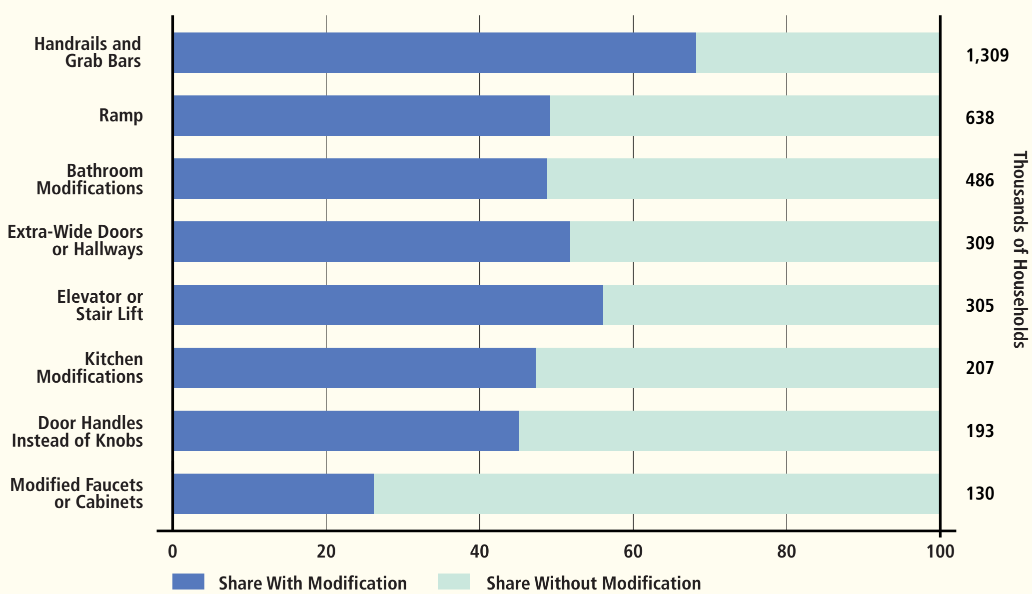


Note: Age refers to the oldest member of the household.

Source: Joint Center tabulations of the National Institute on Aging's Assets and Health Dynamics Among the Oldest-Old (AHEAD) Survey, 1993-94.

12 Only Half of Households With Disabled Seniors Have the Home Modifications They Need

Households Expressing Need for Modifications, 1995



Note: Excludes all households with seniors that did not express need for structural modifications.

Source: Joint Center tabulations of the 1995 American Housing Survey.

seldom make discretionary improvements to their homes, the new owners of these units are likely to invest in substantial modifications or upgrades to their properties.

> With the baby boomers struggling to care for their aging parents, public attention will increasingly focus on the intersection of housing and healthcare.

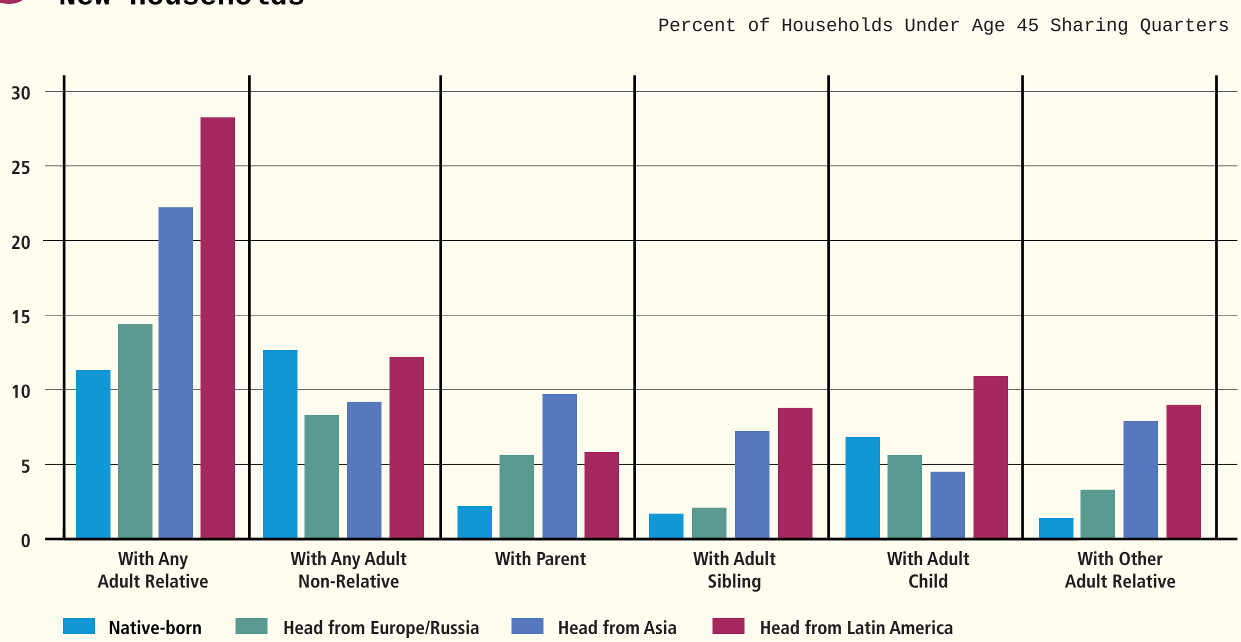
With increasing numbers of baby boomers struggling to care for their elderly parents and the leading edge of the boomers themselves only 12 years away from retirement, more public attention will become focused on the intersection of housing and healthcare. In the meantime, efforts under way to reform Medicare will have a significant impact on what home-based health and personal-care options remain viable and affordable in the future.

Because the elderly population is concentrated geographically, the effects of their housing choices will be felt most strongly in certain markets. Some states — particularly in New England, the Great Plains, and the Mid-Atlantic region — have large shares of seniors simply because young adults have moved away to other parts of the country. Others, such as Florida and Arizona, have sizable elderly populations because they provide popular retirement destinations. While the states in the Western and Mountain regions, along with those in the Southeast (excluding Florida), have relatively small elderly populations today, these locations are expected to show the fastest growth in senior households over the next 20 years.

Foreign-Born Households

Now accounting for just over 10 percent of the US population, foreign-born households are important contributors to housing demand. Although generalizing across immigrant households —

13 Immigrant Adults Residing Together Are a Potential Source of New Households



Notes: Immigrant defined as any foreign-born person. Adult relatives exclude spouse.

Source: Joint Center tabulations of the 1998 Current Population Survey.

even of the same nationality — is risky, their living arrangements do differ from those of the native-born population in specific ways that affect their housing preferences.

For example, even after accounting for the younger age structure of the foreign-born population, a larger share of immigrants under the age of 45 head married-couple households with children. Some 54 percent of Latin American immigrants head this type of household, compared with 40 percent of native-born Americans of all races and ethnicities.

At the same time, the foreign-born are also more likely to live with other adults (excluding spouses). While native-born households more commonly include an unmarried partner, immigrant households are more apt to include parents, adult siblings, or other adult relatives *(Fig. 13)*.

Household composition varies not only between the foreign- and native-born, but also among immigrants from different regions. For instance, Asian and Latin American immigrants are much more likely to have adult siblings and adult cousins, aunts or uncles living in their households than European or Russian immigrants. Asians are more likely than any other group to have a parent living with them and least likely to be single parents.

These cultural patterns have implications for future housing demand as well as for current consumption. Foreign-born adults who currently share a single unit are a potential wellspring of new households. Over time, the household headship rates of immigrants converge with those of the native-born population. For example, immigrants aged 20 to 29 in 1980 were 83 percent as likely as native-born individuals to head their own households. By 1990, though, these same immigrants (then aged 30 to 39) were 92 percent as likely to head households.

Second-Generation Americans

Over half of the country's 28.3 million second-generation Americans (native-born children of immigrants) are under the age of 30. Although representing only a small share of today's households, these younger second-generation Americans make up nearly a sixth of the echo-boom population. As such, they will have a growing influence on housing demand over the next decade.

Many second-generation Americans have already taken advantage of economic mobility in the United States to become homeowners.

Many second-generation Americans have already taken advantage of economic mobility in the United States to become homeowners. Indeed, homeownership rates among second-generation households under age 30 far exceed those of same-aged immigrants. Moreover, their ownership rates approach those of other native-born Americans even though they are more concentrated in metropolitan and Western areas where ownership rates are relatively low. Their progress is not wholly surprising given that the share of younger second-generation Americans with a bachelor's degree or higher approximates that of same-age native-born Americans, and their median household incomes are also similar.

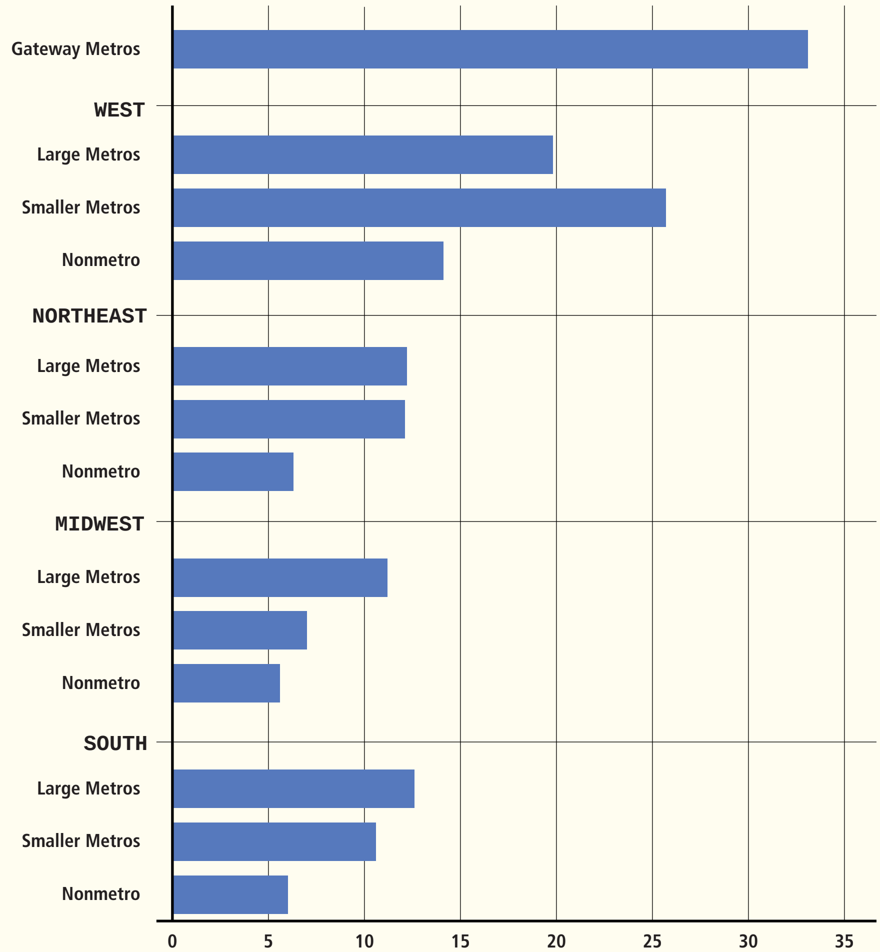
Like foreign-born households who have been in the United States for several years, second-generation Americans are less likely to live in central cities than recent immigrants. Since they are also unlikely to live in non-metropolitan areas, second-generation Americans have a significantly greater presence in the suburbs (in percentage terms) than even those whose families have been in this country for more than two generations.

Geographic Impacts of Immigration

While media attention has focused on the growing pluralism of the US

14 The Impact of Immigration Is Greatest in Gateway Areas and the West

Percent of Young Households Headed by Immigrants or Their Children, 1998



Notes: Gateway metros include Los Angeles, New York, San Francisco, Miami, Chicago, Washington, DC, Houston, San Diego, Boston, Dallas and Philadelphia. Large metros have population over 1 million. Nonmetro contains some small metros not identified by the Census Bureau. Young households defined as under age 45.

Source: Joint Center tabulations of the 1998 Current Population Survey.

population, most locations remain untouched by the sharp influx of immigrants since the 1980s. The vast majority of foreign-born households and second-generation Americans live in just 11 "gateway" metropolitan areas. Indeed, immigrants or their native-born children make up a third of all young households in these gateways *(Fig. 14)*.

Outside these metro areas, the impact of immigration is most noticeable in a handful of Western states. Immigrants and their US-born children account for about 20 percent of households under age 45 in large Western metro areas, 26 percent in smaller metro areas, and 14 percent in nonmetro areas. Elsewhere in the country, though, these shares are a modest 10 percent in metropolitan areas and 5 percent in nonmetropolitan areas.

Household Prospects

While the baby boomers will continue to dominate housing markets over the next 10 years, their parents and their children are beginning to exert a growing influence on demand. In keeping with the general shift of the population to the South and West, the racially and ethnically diverse echo boomers will make their presence felt particularly in these regions.

With the leading edge of the baby-boom generation still 12 years from retirement age, many have parents who are now in their late 70s, 80s, and even 90s. Since most of these seniors live in conventional housing, the demand for home modifications to deal with the infirmities of aging will increase. Meanwhile, the baby boomers will become increasingly involved in the search for new housing alternatives for the elderly.

Barring a significant change in immigration policy, the foreign-born population will continue to account for a substantial share of household growth. Although second-generation Americans are more apt to move away from the gateway areas than their parents, immigrants and their adult children will likely remain concentrated in relatively few areas of the country.

With effective mortgage interest rates at their lowest levels in three decades, the national homeownership rate reached a new high of 66.3 percent in 1998 and has continued to rise in 1999. Even though home prices climbed 3.8 percent faster than general price inflation between 1997 and 1998, favorable interest rates pushed the after-tax costs of a typical home down by 1.7 percent *(Fig. 15)*.

Mounting pressures could, however, slow the pace of homeownership growth even if the economy continues to prosper. House price inflation has already made it more difficult for marginal borrowers in some areas to save enough to buy a home. And because mortgage interest rates are unlikely to fall much further, they will not give much additional lift to homebuying.

Broad-based Gains

Households of all ages and races have made impressive homeownership progress since 1994 *(Fig. 16)*. After dropping by over three percentage points between 1983 and 1992, homeownership rates among younger households (under age 35) have recovered lost ground despite declining shares of married couples. The homeownership rate among young unmarried adults has also jumped 2.2 percentage points from its previous high of 21.4 percent, placing the baby-bust generation (born from 1965 to 1977) on a higher homeownership trajectory than past generations.

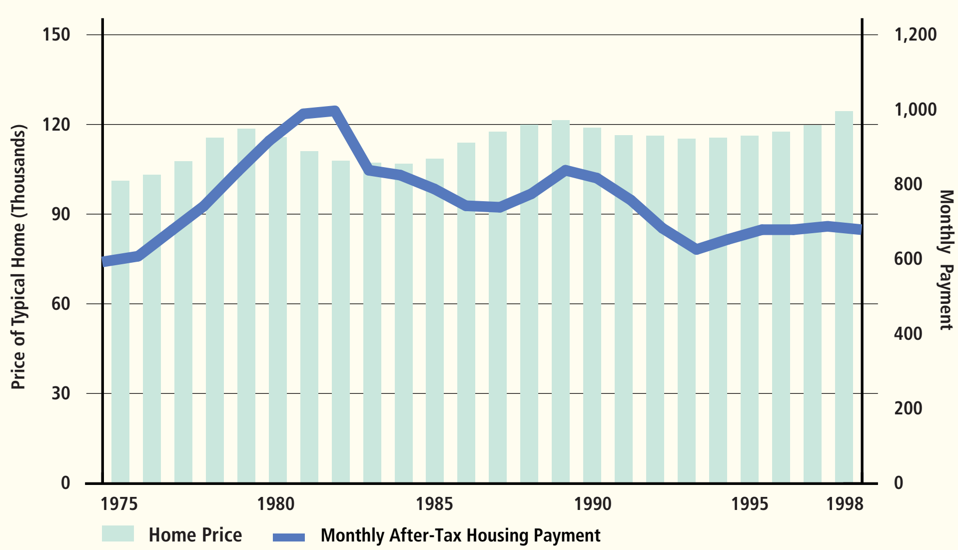
Meanwhile, women living alone or heading single-parent households have increased as a share of homebuyers from 10 percent in 1985 to 15 percent in 1997.

Homeownership gains are particularly dramatic among low-income and minority households. Falling interest rates and specially tailored mortgage loan programs have given a significant boost to low-income homebuying. Between 1993 and 1997, loans to buyers with incomes less than 80 percent of the local median increased by 38 percent, compared with 25 percent for higher-income buyers. At the same time, the minority share of first-time homebuyers climbed from just 22 percent to 30 percent.

While immigration flows have helped to lift the minority share of net additional homeowners to above 40 percent over the past four years, they have also masked the progress of some native-born minorities in achieving homeownership. For example, when foreign-born Hispanic households enter this country, they start out with lower homeownership rates than US-born Hispanic households and never close the gap. As a result, while homeownership rates among Hispanic immigrants only inched up from 37 percent in 1994 to 38 percent in 1998, rates among

15 Homeownership Costs Are Holding Near 20-Year Lows Despite Rising Prices

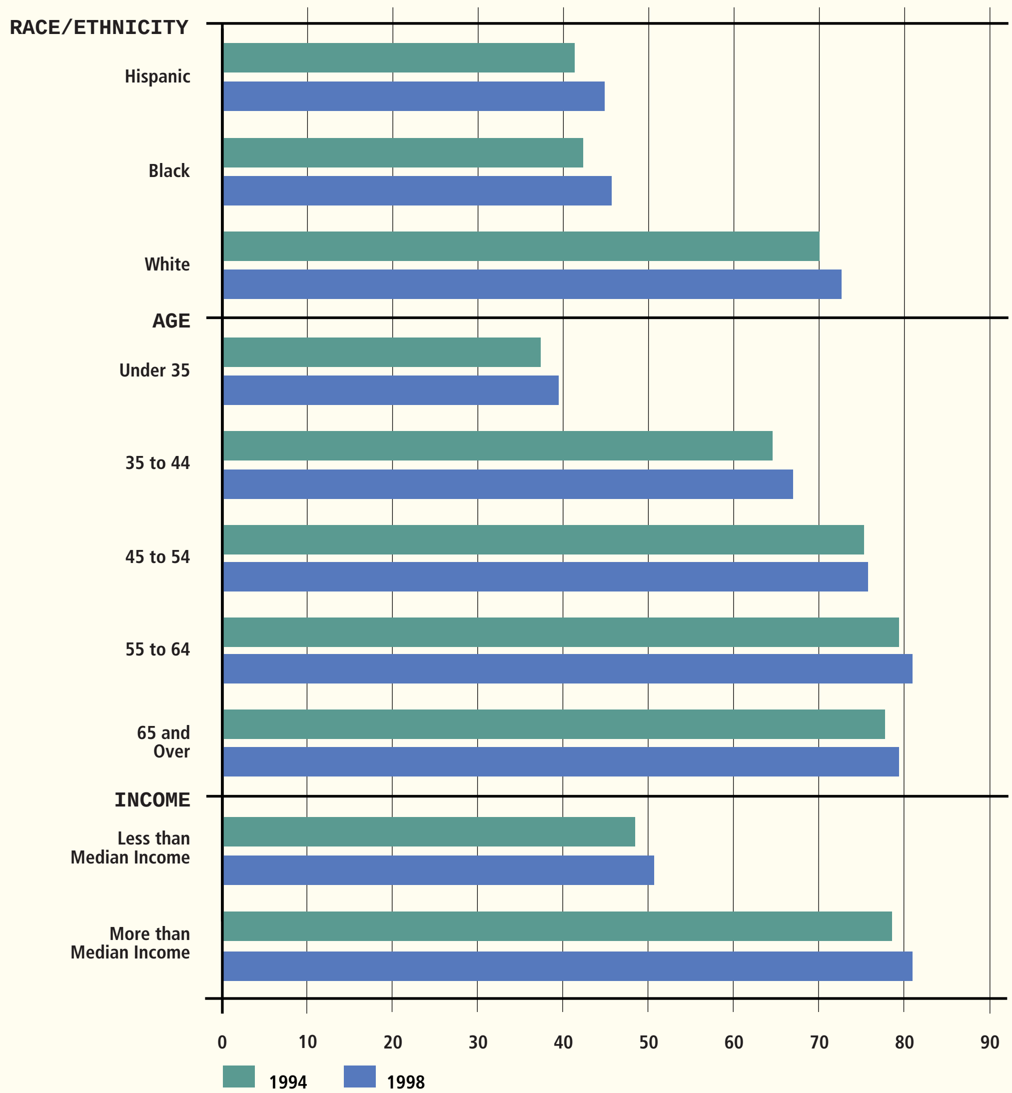
1998 Dollars



Source: Table A-7.

16 All Groups Have Achieved Homeownership Gains

Percent of Each Group Owning Homes



Sources: Census Bureau Series H-111 and Joint Center tabulations of the 1994 and 1998 Current Population Surveys.

the native-born Hispanic population jumped from 46 percent to 51 percent.

Education Is Key

Although minority households are making advances, their homeownership rates are still less than two-thirds those of whites *(Fig. 17)*. In addition, it is important to note that similar progress in closing the homeownership gap made during previous expansions was later erased when the economy went into a downturn.

Minorities have lower homeownership rates in part because they have lower average incomes and wealth, different living arrangements and age distributions, and higher immigrant shares. But even when compared with whites of similar characteristics, minority homeownership rates still fall short.

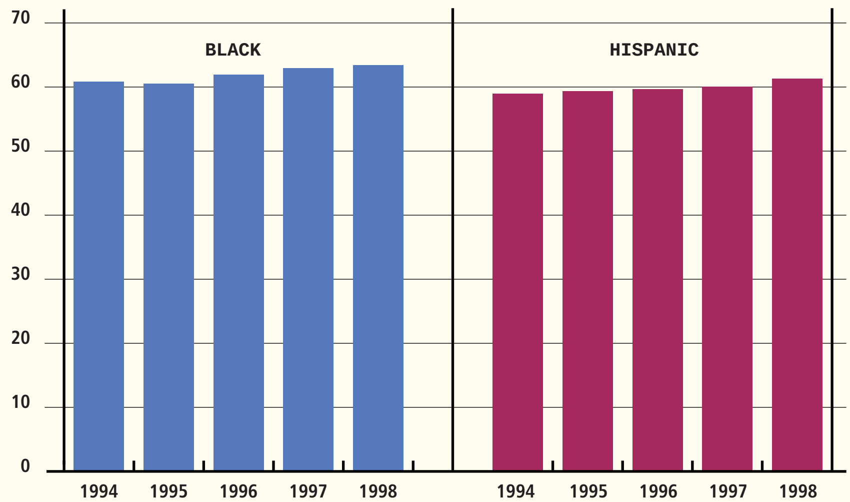
The importance of education to homeownership progress has increased as employment growth has shifted toward professional, technical, and managerial jobs on the one hand, and non-union, low-skill service jobs on the other. As a result, each successive educational degree commands a larger return.

Compared with male full-time workers aged 25 to 34 without high school diplomas, males with high school diplomas earn 60 percent more, those with bachelor's degrees earn 2.3 times more, and those with graduate degrees earn 3.0 times more. Indeed, the disparity in earning power between full-time workers with and without high school diplomas widened from 47 percent to 60 percent between 1987 and 1997.

Closing the homeownership gap will be especially difficult because far fewer minorities than whites manage to earn high school or college degrees. Fully 38 percent of Hispanics between the ages of 25

17 Minorities Are Making Limited Progress in Closing Persistent Homeownership Gaps

Minority Rates as Shares of Non-Hispanic White Rate



Source: Census Bureau Series H-111.

and 34 lack a high school diploma, compared with only 12 percent of blacks and 7 percent of whites. Similarly, only 8 percent of young Hispanic adults have a bachelor's degree, compared with 12 percent of blacks and 25 percent of whites. Educational attainment among Hispanics is so much lower in part because many Hispanic immigrants arrive in this country without a high school diploma.

For minorities in particular, earning a college degree dramatically improves the likelihood of becoming a homeowner. Even so, the homeownership rates of young married minorities with bachelor's degrees still lag those of whites with just a high school diploma *(Fig. 18)*. This holds for suburban as well as central city residents.

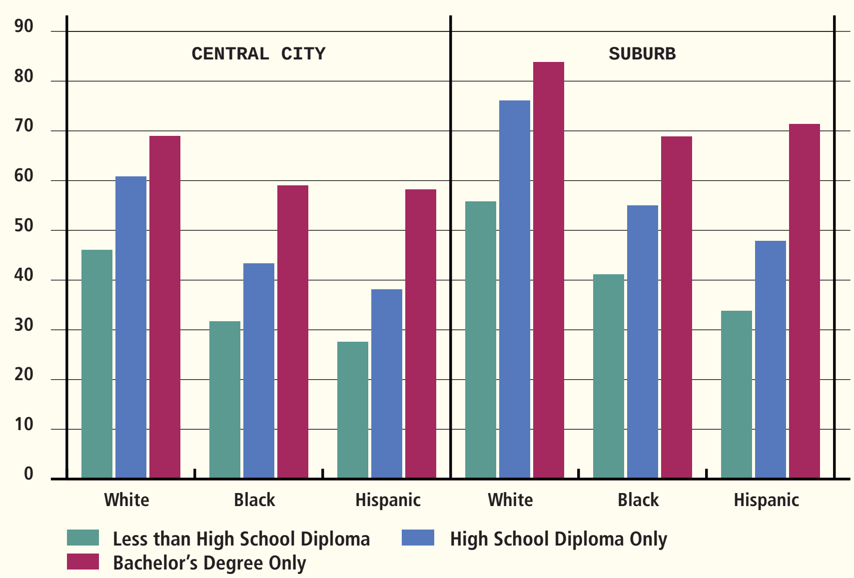
In large measure, this disparity reflects the much lower returns that black male workers receive for their bachelor's degrees. Indeed, young college-educated black males working full time had median earnings of only $27,000 in 1997, compared with $36,000 for their white counterparts. Among 35 to 44 year-olds, median earnings for black male full-time workers with bachelor's degrees were $35,000 in 1997 — some $15,000 below those for white male workers.

Lagging Central City Rates

Homeownership gains have largely bypassed the nation's central cities. According to preliminary results from the 1997 American Housing Survey (using 1980 census definitions of metropolitan areas),

18 A Bachelor's Degree Gives a Major Lift to the Ownership Prospects of Young Minorities

Ownership Rates (Percent)

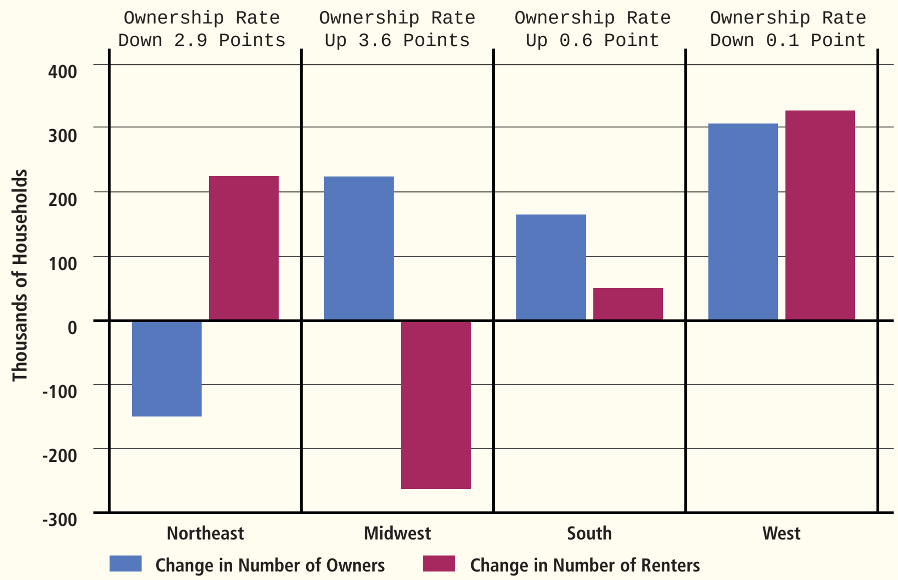


Notes: Includes only married-couple households under age 45. Data was averaged over 1996, 1997, and 1998 to increase sample size.

Source: Joint Center tabulations of the Current Population Survey.

suburban areas added nearly 3.6 million homeowners and nonmetropolitan areas about 1.6 million between 1991 and 1997, while central cities added only about 520,000. Over this same period, the suburban homeownership rate rose from 71 percent to 73 percent and the nonmetropolitan rate from 73 percent to 75 percent. The central city rate, in contrast, edged up less than half a percentage point to just 49 percent.

19 **City Homeownership Rates Reflect the Shifting Balance Between Owner and Renter Growth**



Source: Joint Center tabulations of the 1991 and 1997 American Housing Surveys.

In the Northeast, central cities both lost owner households and saw a drop in homeownership rates *(Fig. 19)*. Although central cities in the West added over 300,000 homeowners, the overall ownership rate fell in the region because an even larger number of renters were added. While Midwestern cities posted only modest increases in the number of owners, homeownership rates were up sharply because the number of city renters fell. Meanwhile, homeownership rates in Southern central cities inched higher with the addition of about 160,000 owners.

Minority and Low-Income Buyers

Large and growing shares of both minority and low-income households are buying homes in the suburbs. Fully 60 percent of minority buyers and 66 percent of low-income buyers within metropolitan areas purchased suburban homes in 1997. Two-thirds of loans to minorities in Southern metropolitan areas were made in the suburbs; in Miami, Atlanta, and Washington, DC, the share exceeded 75 percent *(Table A-6)*. Meanwhile, the share of loans to low-income buyers made in the suburbs of Atlanta, Cincinnati, Detroit, Hartford, Miami, New York, Pittsburgh, St. Louis, and Washington, DC was also over 75 percent.

In all regions, the share of minority buyers purchasing homes in the suburbs now exceeds the share of minority owners living in such neighborhoods in 1990. Indeed, the share of minority suburban homebuyers in the South and West is now on par with the share of suburban owners of any race living in those regions in 1990. Similarly, even though low-income families have traditionally been underrepresented among suburban owners, the share of these households buying in the suburbs in 1997 approached that of owners of all income groups living there seven years earlier. In the South, the share of low-income households buying in the suburbs actually exceeded that of all owners residing there in 1990.

> In all regions, the share of minority buyers purchasing homes in the suburbs now exceeds the share of minority owners living in such neighborhoods in 1990.

The growing concentration of low-income and minority owners in the suburbs does not necessarily mean, however, that more of these households are buying into higher-income or less-segregated communities. Many older suburbs have attributes more often associated with central cities, such as high concentrations of poor and minority households. Thus, while two-thirds of low-income buyers purchased homes in suburban areas in 1997, only one-third bought in neighborhoods where the median income was at least equal to the metro area median.

Meanwhile, roughly three-quarters of higher-income buyers (with incomes at least 20 percent above area medians) are also choosing to live outside central cities. Of the eight largest metropolitan areas in each region, Atlanta, Buffalo, Detroit, Pittsburgh, Rochester, and St. Louis have had the least success attracting higher-income homebuyers to their central cities. Less than 10 percent of upper-income buyers purchased homes in such neighborhoods in 1997. The places that were most successful in attracting higher-income homeowners are a mix of amenity-rich cities with high home prices (such as San Francisco) and central cities that include large suburban-like areas (such as Phoenix and San Antonio).

Cities had an even harder time drawing upper-income homebuyers to low-income neighborhoods. In the 32 metropolitan areas analyzed, the share of upper-income buyers purchasing homes in low-income neighborhoods was consistently below eight percent.

Escalating House Prices

As measured by the Freddie Mac Repeat Sales Index and adjusted for overall inflation, house prices rose eight percent between 1993 and 1998. Last year alone, house prices were up by more than four percent in nearly a quarter of the states.

House price inflation has been particularly strong on the West Coast, topping seven percent in Seattle, San Francisco, San Diego, and Los Angeles. Massachusetts and New Hampshire have also seen notable advances, caused in large part by the more than five-percent increase in metropolitan Boston housing prices.

In the Mountain states, though, home price inflation slowed in 1998 after exceeding the national average rate for the preceding five years. Similarly, home price inflation in the Great Lakes region (with the exception of Michigan) has also retreated from previously strong gains. Hawaii is the only state where house price increases failed to keep pace with general price inflation.

With house prices rising faster than the incomes of the bottom third of households, it has become increasingly difficult for these families to save enough to buy a home. In inflation-adjusted dollars, the amount of money required to make a 10 percent downpayment on a typical home increased from $11,560 in 1978, to $12,000 in 1988, to $12,450 in 1998.

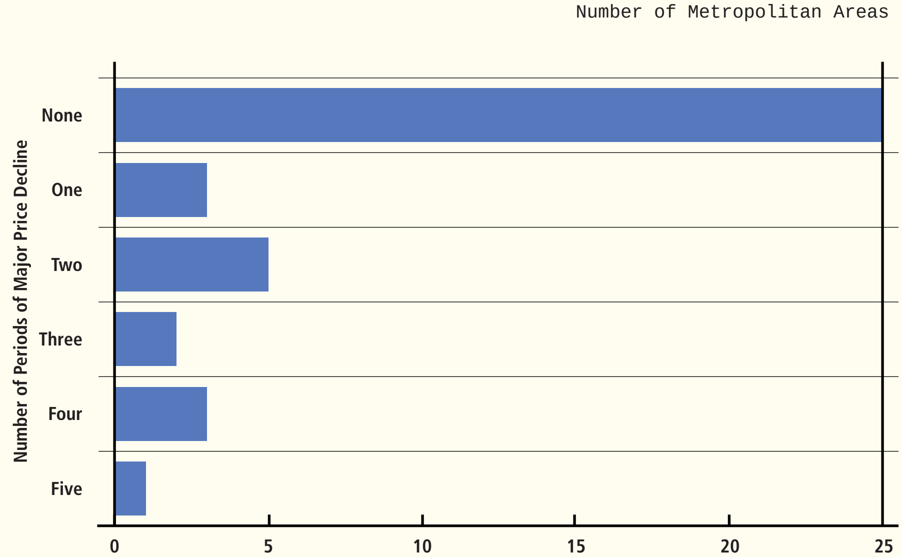
The pressure of rising home prices has been offset to some extent by expanded access to low-downpayment loans.

Flexible Underwriting

The pressure of rising home prices has been offset to some extent by expanded access to low-downpayment loans. According to a Federal Housing Finance Board survey, the share of loans with downpayments of five percent or less (excluding those that are government-insured) increased from one percent in 1985, to three percent in 1990, to seven percent in 1998. Some lenders are even experimenting with no-downpayment loans. Lenders have also relaxed other standards, such as debt-to-income ratios, cash reserve requirements, and documentation of credit history.

Research conducted by Freddie Mac and other industry partners reveals, however, that delinquencies and defaults mount when several underwriting standards are eased simultaneously. Even in the

20 Most of the 39 Largest Metros Have Avoided Major Sustained House Price Declines



Note: Major sustained house price decline defined as a nominal house price drop of five percent or more over a three-year period, measured between 1975 and 1998.

Source: Table A-3.

absence of multiple risk factors, low-downpayment loans pose legitimate concerns for lenders because they are known to trigger greater losses than loans with a larger equity cushion. In fact, if forced to sell immediately, borrowers with five-percent downpayment loans would not have enough equity to cover average selling costs.

With weaker performance of affordable loans even in the midst of a booming economy, liberal underwriting practices have raised concerns over what might happen when prices turn down or unemployment rises. House price declines sizable enough to wipe out home equity of five percent, however, are relatively rare events at the metropolitan level. Over the period 1975 to 1998, two-thirds of the nation's 39 largest metropolitan areas experienced no three-year intervals when nominal prices fell five percent or more *(Fig. 20).*

Even in the other 14 metropolitan areas, the risk of buying during such a period of sustained price declines was relatively low: 10 percent or less in eight metropolitan areas and under 20 percent in another five. The only metropolitan area where the risk exceeded 20 percent was Hartford, CT. Still, when combined with job losses, even modest price declines can easily force homeowners without cash reserves and with little equity to become delinquent and ultimately default on their loans.

Low-downpayment loans are also no panacea for affordability. While easing wealth constraints, low-downpayment loans actually worsen income constraints by adding to the size of loans. In addition, they require payment of mortgage insurance, which adds half of a percentage point or more to interest rates. As a result, below-market interest rate programs (such as mortgage revenue bonds) that can be used in tandem with low-downpayment loans are vital to the future growth of homeownership.

Homeownership Prospects

The aging of the US population favors increases in the national homeownership rate in the decade ahead. Minorities will, however, have a difficult time catching up with rates achieved by whites because of their lower levels of education, income, and wealth, and because their younger age structure and family characteristics are less conducive to homeownership. Indeed, the gap between minority and white ownership rates has barely narrowed even in the best of times.

Nevertheless, minorities should make up a growing share of homeowners. Not only do minorities represent an increasing share of all households and therefore of potential owners, but they will also be reaching their peak homebuying years during the next decade.

Even if homeownership rates by age and household type continue to rise at the pace set over the 1990s, about 30 percent of US households will still rent their homes in 2010. Some families rent simply because they cannot afford to buy. For others, though, renting is an attractive alternative to owning. In fact, many households of all income levels — particularly those who are changing job locations, are in the process of divorce, or are in some other life transition — prefer the flexibility that renting allows.

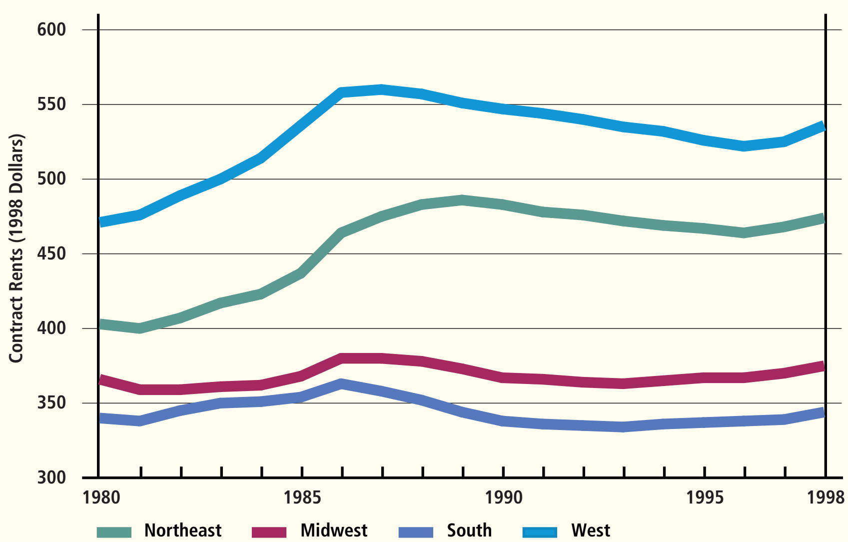
Rent Increases

Rents in the South and Midwest started to rise faster than overall inflation in 1994, and picked up the pace in the Northeast and West in 1997. Nevertheless, inflation-adjusted contract rents in all four regions remain below their previous peaks *(Fig. 21)*. Rent increases are now outpacing inflation in all 23 metropolitan areas (within the contiguous US) tracked by the Consumer Price Index. Real gains, however, are modest in most places, with rent levels reaching record highs in just 5 of the 23 areas: Portland (up 12 percent since 1990), Chicago (up 6 percent), San Francisco (up 6 percent), Seattle (up 6 percent), and New York (up 2 percent).

Though meager overall, rent increases have nonetheless outstripped even smaller renter income gains over the past two years. The median income of renter households rose just 0.3 percent between 1996 and 1998 while rents climbed by 1.6 percent. For renters earning the median income and living in typical units, then, housing has become less affordable. Nationally, renter households devoted 27.7 percent of their incomes to housing last year, up slightly from 27.4 percent in 1996.

Even consistently declining real rents between 1987 and 1996 failed to reverse the rapid run-up in cost burdens that occurred in the early and mid-1980s. Because of sluggish income growth, renters thus pay more for their housing today than they did for comparable units in the 1970s *(Table A-7)*.

21 Although Rents Are Rising, They Still Remain Below 1980s Peaks



Notes: Median rents from the AHS were adjusted by the BLS Residential Rent Price Index. Data before 1987 were adjusted separately for depreciation.

Sources: Joint Center tabulations of the 1977 American Housing Survey; Bureau of Labor Statistics' Residential Rent Price Index.

Demand Shifts

Rising homeownership rates, together with the passage of the baby boomers into their late 30s through early 50s, have held growth in the number of renter households to only 2.0 percent since the economic expansion began in 1991.

Nevertheless, rental demand has been relatively strong in the West, with the number of renter households up 7 percent over this period. The region's recovering economy, relatively young population, and steady influx of the foreign-born have all contributed to the growth in renters. Meanwhile, record-high rents in some of the major metro areas in the Midwest, together with especially affordable home-buying markets, have pushed the renter population in that region down four percent.

Growth in the number of renter households has been strongest in locations where immigration is most concentrated. Despite their homeownership gains, immigrants and minorities make up a growing share of renters. Between 1990 and 1998, the foreign-born share of renter household heads increased from 13 percent to 16 percent, while the minority share jumped from 33 percent to a record 38 percent.

In the late 1980s, households in all income groups joined the ranks of renters. In the 1990s, however, the number of both lower- and higher-income renters has increased while that of middle-income renters has declined *(Fig. 22)*.

Although households in the lowest-income brackets are responsible for most of the absolute growth in the number of renters, about a quarter

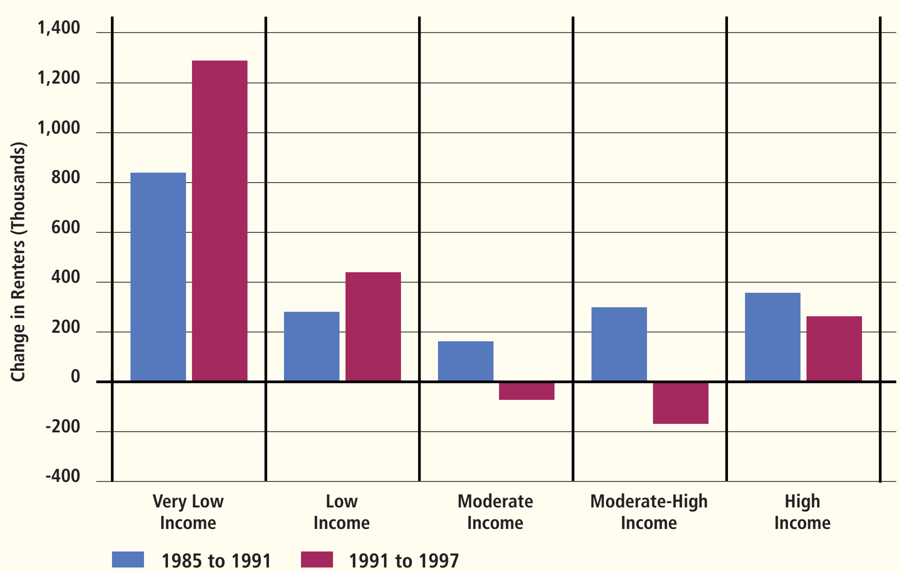
> In the 1990s, the number of both lower- and higher-income renters has increased while that of middle-income renters has declined.

of a million renters added between 1991 and 1997 had incomes that are 20 percent or more above regional medians. In 1995 (the last year for which local income comparisons are possible), more than six million renter households earned incomes that exceeded the local area median by at least 20 percent. In fact, nearly 3.5 million of these renter households had incomes that topped area medians by 50 percent or more.

These highest-income renters tend to be younger singles and those who are ending marriages or are divorced. While only 21 percent of high-earning households under age 45 are renters, 33 percent of the divorced, 43 percent of the recently separated, and 49 percent of the never married in this age group rent their housing. Among upper-income households over age 45, rentership rates are 23 percent for the never married and 21 percent for the divorced.

Like the rest of the renter population, upper-income renters are highly mobile. Half of these households report having lived in their homes for one year or less. By comparison, half of all homeowners with comparable incomes have remained in their homes for seven years or more.

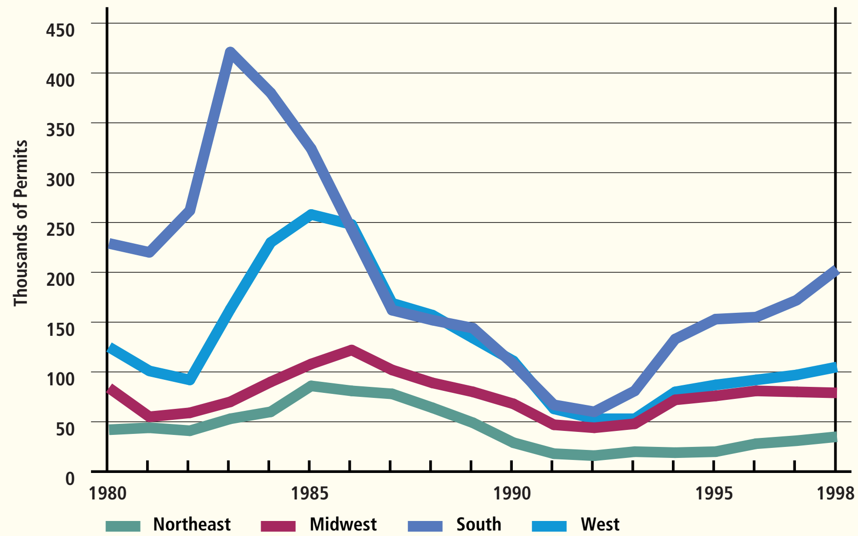
22 Very Low-Income Households Account for Most of the Growth in Renters



Notes: Very low income defined as less than 50% of regional median incomes; low is between 50% and 80%; moderate is between 80% and 100%; moderate-high is between 100% and 120%; high is above 120%.

Source: Joint Center tabulations of the 1986, 1992, and 1998 Current Population Surveys.

23 **Multifamily Construction Has Heated Up Particularly in the South**



Source: Census Bureau Series C-40.

For highly mobile households, renting can make more financial sense than owning. In general, the advantages of owning — including the ability to lock into payments based on current house prices, build equity by paying down the loan, and gain from the long-term rise in house prices — increase with the length of occupancy. Nonetheless, surprisingly large shares of homeowners move within just a few years of buying.

Analysis of the American Housing Survey indicates that 20 percent of owners who purchased homes in 1985 (when home prices were generally on the rise) moved within three years, 35 percent moved within five years, and over 70 percent moved within ten years. Even among those who bought in 1989 (when prices were generally weakening and homeowners had a disincentive to sell), 16 percent moved within three years and 28 percent moved within five. For these homeowners, renting may well have been a more sound financial choice.

Rental Housing Characteristics

Contrary to popular notions, fully one-third of the nation's 34 million rental units are single-family homes, and only about one-sixth are located in multifamily structures with 20 or more units. In addition, about two-thirds of private rental property owners are individuals or married couples — most of whom own less than five units.

Moreover, a large and growing share of the nation's rental housing stock is now located outside central cities. In 1997, 54 percent of rental units were in suburban or nonmetropolitan areas. Indeed, 68 percent of the new rental housing construction that took place between 1994 and 1997 occurred outside central city boundaries.

Mirroring population growth, the South has been adding rental housing at the fastest clip *(Fig. 23)*. Production of multifamily units in both the West and the Northeast has increased modestly in the past two years, while activity in the Midwest has declined slightly.

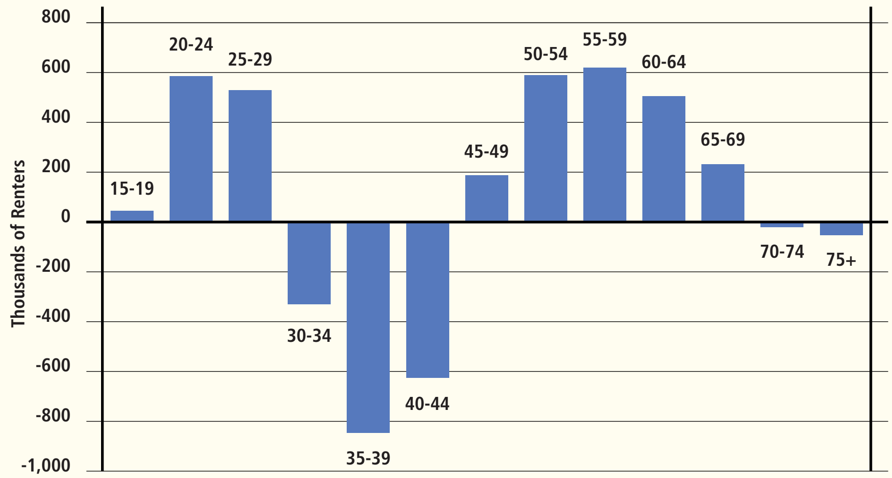
Contrary to popular perceptions, one-third of the nation's 34 million rental units are single-family homes, and only about one-sixth are located in large multifamily structures.

Even though multifamily production has rebounded somewhat from its recession lows, construction of affordable units has not kept pace with demand. In fact, the number of low-cost units produced under the Low Income Tax Credit program has actually dropped because the program has not received an inflation adjustment since 1986.

Because of the lack of incentives to build at the low end of the market and the strengthening of demand at the

24 The Baby Boomers and the Echo Boomers Will Bolster the Ranks of Renters

Change in Renters by Age Group, 2000-2010



Source: Joint Center projections.

high end, rental housing production has shifted toward more expensive units. Between 1990 and 1997, the median size of new multifamily housing units increased by nearly 100 square feet and the share with two bedrooms rose from 65 percent to 71 percent. At the same time, the median asking rents in apartment buildings with five or more units, after adjusting for inflation, saw a striking 16 percent increase from $645 in 1994 to $724 in 1997.

Because of the lack of incentives to build at the low end and strengthening demand at the high end, multifamily production has shifted toward more expensive units.

Rental Housing Prospects

Over the next decade, the number of renters should increase sharply as the echo boomers begin to form independent households. Consequently, more new renter households will be added to the 20 to 30 year-old age range than in the past 10 years *(Fig. 24)*. Minorities, immigrants, and second-generation Americans will continue to make up growing shares of these new renter households.

At the same time, the number of renters between the ages of 30 and 44 will decline with the aging of the baby-bust generation. Although the postwar baby-boom generation will be in the age groups when homeownership is highest, the sheer size of this generation will mean considerable growth in the number of renters age 50 to 64. The fastest-growing market segments will therefore be young adults with modest incomes (many of them minorities) who are forming households for the first time, and older, higher-income households who choose to rent rather than own for a variety of lifestyle reasons.

After a decade of tepid growth, the opportunities are expanding for rental housing providers who can fill these niche markets. New rental housing construction is, however, likely to focus even more on the high end of the market, particularly in suburban locations. In the absence of additional government subsidies, meeting the housing demand of low-income renters through new construction will remain difficult.

Rising real rents and the shift in demand at the margin to higher-income tenants will also restore incentives for owners to improve their rental properties. Some upgrading of lower-cost units to appeal to more affluent renters is therefore likely. Like new construction, the remodeling of rental units to accommodate low-income tenants will depend on scarce federal subsidies.

The booming economy has done little to relieve the chronic housing problems of low-income households. The supply of low-cost unsubsidized rental units continues to dwindle as rent increases outpace growth in renter median incomes. Indeed, the number of units affordable (at 30 percent of income) to extremely low-income households fell from 1.9 million in 1991 to 1.5 million in 1995. The stock of subsidized housing units is also shrinking as property owners increasingly opt out of federal subsidy programs in search of higher returns.

Low-income homeowners face significant cost burdens as well. While in theory these owners should benefit from the drop in mortgage interest rates, in practice their low incomes often make it difficult for them to refinance their home loans.

Housing Affordability and Structural Adequacy

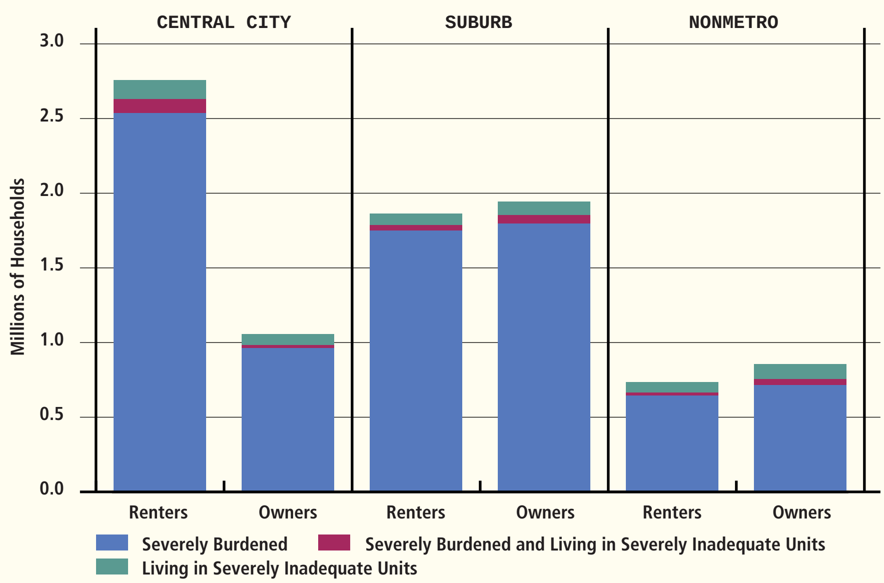
Despite the long economic recovery, the number of unsubsidized, very low-income renters (incomes below 50 percent of area median) paying more than half their incomes for housing was virtually unchanged between 1993 and 1995. Although changes in the primary data source used to track these trends make a more recent comparison impossible, the number of severely burdened households probably did increase between 1995 and 1997. Over this period, incomes for renters in the bottom quarter of the income distribution fell 2.9 percent and costs for units in the bottom quarter of the rent distribution rose 4.5 percent.

Severe payment burdens are most prevalent among the 5.8 million unsubsidized renters with extremely low incomes (less than 30 percent of area median). Almost 3.9 million of these households spent more than half their incomes on rent in 1995 *(Table A-9)*. Of those who reported utility costs separately from their rents, over one in four paid 25 percent or more of their incomes for utilities alone.

Although affordability has become the predominant housing issue, problems of structural inadequacy and overcrowding still affect a significant number of US households. In 1995, HUD classified 2.0 million housing units as seriously inadequate. In addition, 2.8 million households lived in units housing more than one person per room.

Among households living in unsubsidized units, very low-income renters in central cities most commonly face severe housing problems. As of 1995, over 2.7 million (53 percent) of these households paid half their incomes for gross

25 Severe Housing Problems Are as Prevalent in the Suburbs as in the Central Cities



Notes: Very low income is less than 50% of area median. Severely burdened defined as households paying 50% or more of their incomes for gross rent. Severely inadequate defined as having severe problems in plumbing, heating, electrical systems, upkeep or hallways. Renter households exclude units that are federally subsidized.

Source: Joint Center tabulations of the 1995 American Housing Survey.

rent or lived in severely inadequate units. But both owners and renters in the suburbs also make up a substantial share of households suffering from severe housing problems. In fact, the number of households in the suburbs living in these conditions equals that in central cities, but a larger share are homeowners *(Fig. 25)*. Even though the number of households with severe housing difficulties is lower in nonmetropolitan areas than elsewhere, the incidence (on a percentage basis) of severely inadequate housing is considerably higher in these locations.

While minorities in general are more likely to experience housing problems, the difficulties of Native Americans in particular are often overlooked. Native American households are nearly twice as likely as the general population to live in substandard conditions. According to the 1990 Census, 28 percent of Native Americans on tribal lands either lived in overcrowded housing or lacked complete kitchen and plumbing facilities.

Impacts of Welfare Reform

Welfare reform has had its greatest impact on the renter population. While only a third of US households rent their homes, 80 percent of those reporting receipt of public assistance (TANF and general relief) in 1998 are renters.

Although it is still unclear how many former welfare recipients have made the transition to work, there is no doubt that many who are now employed do not earn enough to afford decent housing.

At current rents, a full-time worker earning $7.00 per hour cannot afford a modest two-bedroom unit.

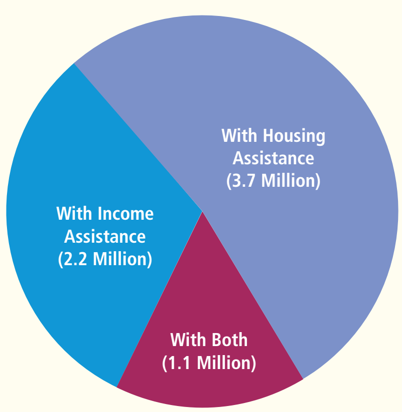
A recent compilation of studies by the Center on Budget and Policy Priorities found that former welfare recipients typically earn less than $8.00 per hour, and many earn less than $6.00 per hour. Assuming take-home pay of $7.00 per hour and full-time work (40 hours per week, 52 weeks per year), a single earner could not pay the rent on an average, modest two-bedroom unit anywhere in the US without incurring a significant cost burden.

In fact, at current rent levels in eight states, at least two people in each household would have to be employed at $7.00 per hour to earn enough to pay the rent. Even this estimate is very optimistic, given that many workers are not full time and have periods of unemployment throughout the year. Moreover, over half (57 percent) of non-elderly households receiving welfare in 1998 contained only one adult.

Also troubling is the fact that about 1.1 million renters (almost 16 percent) receiving housing assistance in 1995 also received income assistance *(Fig. 26)*. As a result, the federal housing budget may have to pick up more of the difference

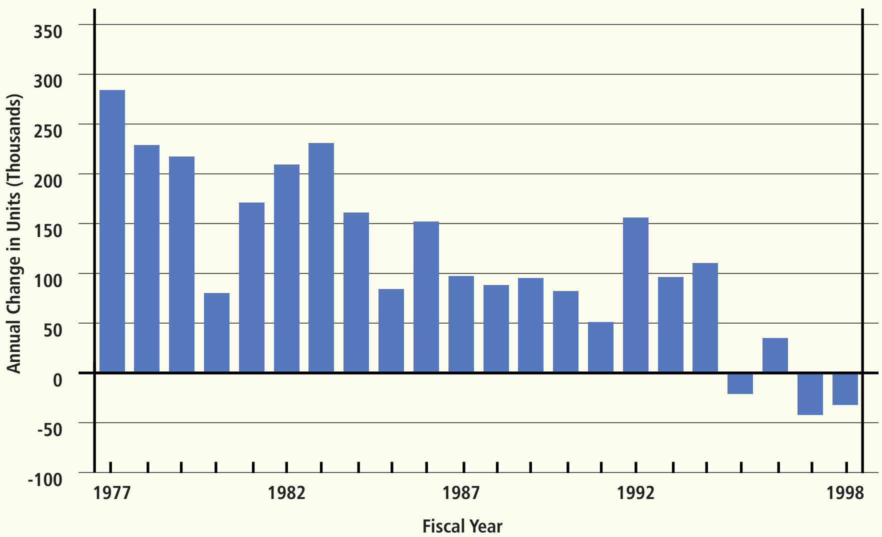
26 Welfare Reform Could Affect Over One Million Households Who Receive Housing Assistance

Number of Households Receiving Assistance in 1998



Notes: Income assistance includes payments such as TANF and general assistance. Housing assistance includes Public Housing and other government rent subsidies.
Source: Joint Center tabulations of the 1998 Current Population Survey.

27 **After Years of Growth, The Number of Rentals Receiving Direct Federal Subsidies Has Fallen**



Note: HUD rent subsidy programs include Public Housing, Section 8, Section 236 and rent supplements.

Source: Congressional Budget Office in HUD's "Waiting in Vain," March 1999.

between the rents and 30 percent of the incomes of former recipients who earn less than they collected on welfare. The hope remains, however, that welfare reform will start former recipients on a path of rising wages that will ultimately give them more housing choices and reduce the need for federal housing assistance.

Loss of Assisted Units

Along with the number of low-cost unsubsidized units, the stock of subsidized housing has also dwindled. After slowing drastically in the 1980s and early 1990s, growth in the number of rental units receiving HUD subsidies turned negative between 1995 and 1998, with the loss totaling 65,000 units *(Fig. 27)*. While funding for a modest number of new units was approved in 1999 and is likely to increase in the next budget, it is far below the amount required to meet the housing needs of the large and apparently growing number of severely burdened renters.

The federal government directly subsidizes about 4.5 million units to ensure that no renter has to pay more than 30 percent of income on housing, unless by choice. Of these subsidies, 1.4 million allow recipients to rent any unit that meets minimum federal standards where the landlord agrees to accept partial rent payment from the government. The other 3.1 million subsidies are tied to specific units — roughly 45 percent of which are in public housing and the balance in privately owned buildings.

> Increasing numbers of subsidized units may be lost as property owners convert their properties to market-priced rentals.

Years of neglect have led to a serious backlog of repairs among the 1.1 million assisted and 350,000 unassisted units insured by HUD. An Abt Associates study estimates that restoring systems in these buildings to their original working condition would have cost $4.2 billion in 1995, up from $2.2 billion in 1989. The price tag for repairing a typical two-bedroom unit would be $2,800 in newer assisted properties and $3,845 in older properties *(Fig. 28)*. An estimated fifth of these costs relate to repairs to systems essential to health and safety.

On top of losses due to neglect and demolition, increasing numbers of subsidized units may be lost as property owners convert their units to market-priced rentals. In 1998 alone, the nation lost 17,000 subsidized units as owners opted out of federal programs, bringing total losses since late 1996 to 30,000.

During the next five years, contracts on two-thirds of all Section 8 units — involving 14,000 properties and 1 million apartments — are set to expire.

Forty-four states thus stand to lose more than half the affordable units subsidized through Section 8.

While the government promises "portable" rental vouchers to the low-income residents of these units, vouchers in many cases will not cover the difference between 30 percent of income and rents that are above "fair market" levels. Significant rent hikes will force tenants either to take on high rent burdens or to move.

HUD is now requesting authority to use vouchers to cover the higher rents and is working to retain these older assisted units in the affordable stock. The barriers to success, however, are formidable. First, hot rental markets in many cities are making the conversion to market rates increasingly attractive. Second, the duration of Section 8 contract renewals is now just one year, increasing the share of owners that can opt out annually and adding to the uncertainty property owners feel about keeping their units affordable for extended periods of time.

Retaining older subsidized units in the affordable stock is becoming even more difficult.

Third, low federal caps on subsidized rents discourage owners from participating in the subsidy programs in areas where they can earn higher market rents. And fourth, HUD has heightened enforcement against owners of substandard units. While this crackdown is not intended to frighten landlords already in compliance, it has raised concerns among some property owners that relatively minor problems may land them in court. This fear, in turn, has reduced landlords' willingness to partner with a government agency.

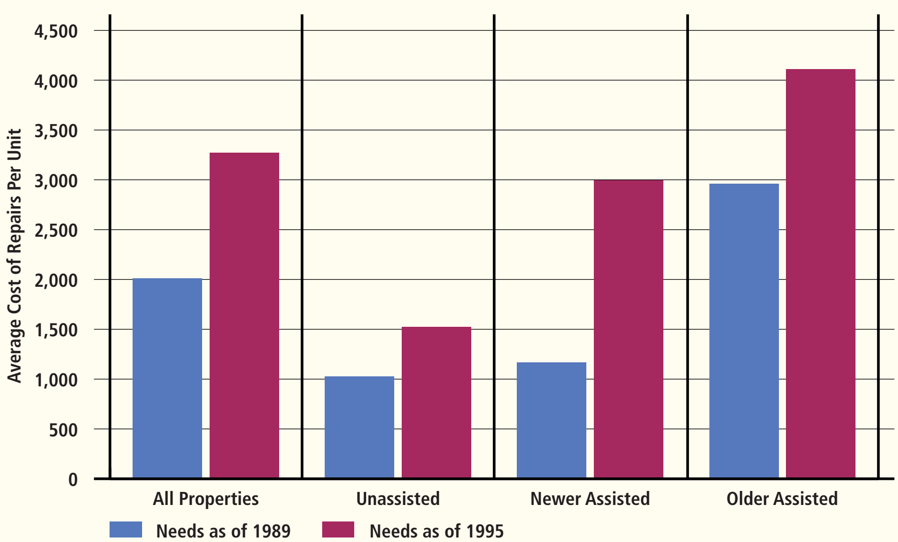
Even as it stands, finding enough property owners to participate in federal housing programs is difficult in some areas. After waiting years to obtain a subsidy, many families ultimately have to return their rental vouchers because they cannot find a landlord that is willing to take them.

Very Low-Income Homeowners

Some 45 percent of very low-income households are homeowners. Over half of these households are headed by females or include at least one elderly member. In addition, nearly one quarter are headed by minorities *(Fig. 29).* Unlike very low-income renters, who tend to live in central cities, very low-income homeowners are more often found in suburban neighborhoods (47 percent) and nonmetropolitan areas (27 percent).

28 The Repair Needs of FHA-Insured Multifamily Rentals Are Growing

1998 Dollars

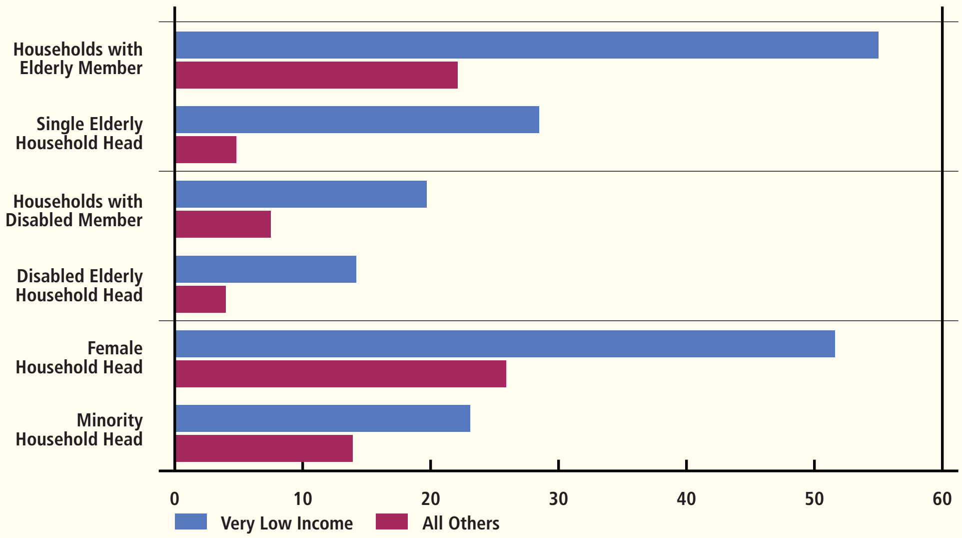


Notes: Based on repairs to two-bedroom equivalent. Includes most properties insured before 1990 and still insured (or held) in 1995. Unassisted includes units with FHA insurance but no rent subsidies.

Source: Abt Associates, "Status of HUD-insured (or Held) Multifamily Rental Housing," September 1998.

29 **Over Half of Very Low-Income Owner Households Include An Elderly Member**

Household Types as a Percent of Owner Households in 1995



Notes: Very low-income defined as less than 50% of local area median. Elderly is age 65 or over.

Sources: Joint Center tabulations of the 1995 American Housing Survey.

Nearly 60 percent of very low-income homeowners pay more than 30 percent of their incomes for housing, while 10 percent pay more than 50 percent. Faced with these high payment burdens, some poor owners defer basic upkeep. In 1995, only 74 percent reported performing routine maintenance within the preceding two years, and the amounts they spent were significantly lower than those reported by other homeowners. In fact, from 1984 to 1993, a million very low-income owners spent less than $250 on home maintenance and/or replacements each year on average. As a result, an estimated 1.1 million very low-income homeowners lived in substandard housing in 1995.

Making the necessary improvements is difficult even for low-income owners that are equity-rich but cash-poor. Low incomes often prevent these homeowners from being able to refinance their mortgages or qualify for home equity loans or lines of credit.

For seniors, reverse mortgage products that pay the owner an annuity that is later repaid upon sale of the home may be a viable way to generate cash to cover healthcare needs and necessary home modifications. But even if they can get financing, many elderly owners hesitate to borrow against their equity because they view their homes as a last protection against emergencies or because they fear fraud or abuse by lenders.

An estimated 1.1 million very low-income homeowners lived in substandard housing in 1995.

Low-Income Housing Prospects

Barring unprecedented progress in securing better-paid employment, the only solution to the plight of the nation's 4.9 million severely cost-burdened renters is some form of housing subsidy or income support. For at least a decade, though, federal policy has moved to contain or curtail funding for such programs.

To make matters worse, the government recently shortened the duration of contracts for project-based rental assistance to just one year. As the number of projects with expiring contracts rises, the risk that property owners will stop participating in subsidy programs also increases. As they do, the tens of thousands of renters who face displacement will have difficulty finding landlords willing to accept vouchers in partial payment for rent.

Adding to the nation's housing policy challenges, many properties that still receive federal assistance have been seriously undermaintained, threatening the health and safety of residents. Although there have been recent efforts to demolish the most dilapidated housing projects and to make improvements to others, the need for extensive rehabilitation of assisted units is growing.

Table A-1 Housing Market Indicators: 1975-1998

Year	Permits [1] (Thousands) Single-family	Permits [1] (Thousands) Multi-family	Starts [1] (Thousands) Single-family	Starts [1] (Thousands) Multi-family	Starts [1] (Thousands) Manu-factured	Size [2] (Median sq. ft.) Single-family	Size [2] (Median sq. ft.) Multi-family	Sales Price of Single-family Homes (1998 dollars) New [4]	Sales Price of Single-family Homes (1998 dollars) Existing [5]	Residential Upkeep and Improvement [6] (Millions of 1998 dollars) Owner-occupied	Residential Upkeep and Improvement [6] (Millions of 1998 dollars) Rental	Vacancy Rates [7] (Percent) For Sale	Vacancy Rates [7] (Percent) For Rent
1975	676	263	892	268	229	1,535	942	139,930	101,254	56,485	24,726	1.2	6.0
1976	894	402	1,162	376	250	1,590	894	143,735	103,376	64,687	24,159	1.2	5.6
1977	1,126	564	1,451	536	258	1,610	881	152,303	107,869	68,969	21,487	1.2	5.2
1978	1,183	618	1,433	587	280	1,655	863	163,626	115,639	73,984	26,966	1.0	5.0
1979	982	570	1,194	551	280	1,645	893	171,766	118,718	77,436	26,566	1.2	5.4
1980	710	481	852	440	234	1,595	915	170,188	115,815	78,730	24,207	1.4	5.4
1981	564	421	705	379	229	1,550	930	167,781	111,222	67,951	25,533	1.4	5.0
1982	546	454	663	400	234	1,520	925	161,786	107,992	63,139	23,034	1.5	5.3
1983	902	703	1,068	635	278	1,565	893	158,592	107,278	65,517	24,445	1.5	5.7
1984	922	757	1,084	665	288	1,605	871	158,166	106,974	73,155	36,321	1.7	5.9
1985	957	777	1,072	669	283	1,605	882	154,638	108,602	76,969	44,624	1.7	6.5
1986	1,078	692	1,179	625	256	1,660	876	157,821	114,009	85,846	49,899	1.6	7.3
1987	1,024	510	1,146	474	239	1,755	920	160,412	117,653	83,356	51,643	1.7	7.7
1988	994	462	1,081	407	224	1,810	940	159,776	120,032	90,173	49,151	1.6	7.7
1989	932	407	1,003	373	203	1,850	940	158,568	121,528	82,602	50,021	1.8	7.4
1990	794	317	895	298	195	1,905	955	153,272	119,101	78,927	54,234	1.7	7.2
1991	754	195	840	174	174	1,890	980	149,046	116,554	74,096	42,623	1.7	7.4
1992	911	184	1,030	170	212	1,920	985	146,596	116,293	81,162	39,356	1.5	7.4
1993	987	212	1,126	162	243	1,945	1,005	148,456	115,453	82,213	39,958	1.4	7.3
1994	1,068	303	1,198	258	286	1,940	1,015	151,688	115,755	89,900	36,618	1.5	7.4
1995	997	335	1,076	278	311	1,920	1,040	151,692	116,354	84,049	35,402	1.6	7.6
1996	1,070	356	1,161	316	320	1,950	1,030	150,094	117,641	83,183	36,205	1.6	7.9
1997	1,062	379	1,134	340	297	1,975	1,050	151,725	119,917	86,634	33,782	1.6	7.8
1998	1,184	421	1,271	345	333	2,000	1,020	153,183	124,500	86,336	30,050	1.7	7.9

Note: Manufactured housing starts defined as mobile home placements as reported by the US Bureau of the Census. All value series are defla
Price Index (CPI-UX) for All Items.

Sources:
1. US Bureau of the Census, Construction Reports, Series C-20.
2. US Bureau of the Census, Construction Reports, Series C-25.
3. National Association of Realtors.
4. New home price is the 1990 national median home price indexed by the Census Bureau's Construction Reports C-25 Constant Quality
5. Existing home price is the 1990 median sales price of existing single-family homes determined by the National Association of Re Home Price Index from Freddie Mac.
6. US Bureau of the Census, Construction Reports, Series C-50. 1998 figures are estimated by the Joint Center for Housing Studies. change in survey in 1984.
7. US Bureau of the Census, Construction Reports, Series H-111.
8. US Bureau of the Census, Construction Reports, Series C-30.

Table A-2 Households by Age and Family Type: 1990-2010

Thousands

	1990	1995	Revised 1995	2000	2005	2010
Total	92,257	98,262	99,202	104,731	110,390	116,342
Age of Head						
Under 25 Years	5,049	4,801	4,843	4,944	5,398	5,704
25 to 34 Years	19,841	18,855	19,028	17,433	16,971	17,848
35 to 44 Years	20,518	22,898	23,107	24,096	22,802	20,859
45 to 54 Years	14,420	17,812	17,971	21,323	23,735	24,869
55 to 64 Years	12,379	12,492	12,606	14,482	18,000	21,426
65 to 74 Years	11,549	11,963	12,070	11,713	11,951	13,745
75 Years and Over	8,501	9,441	9,577	10,740	11,533	11,891
Family Type						
Single Person	23,112	24,932	25,198	27,421	29,733	32,052
Married With Children	23,808	24,787	25,011	25,828	25,834	25,699
Married Without Children	27,500	28,545	28,810	30,640	33,245	36,221
Single Parent	7,477	8,734	8,813	9,193	9,327	9,463
Other Households	10,360	11,264	11,370	11,649	12,251	12,907

Notes: 1995 data are consistent with the 1990 Census. Revised 1995 data are consistent with the 1995 Current Population Survey.

Source: Masnick, McArdle, and Apgar, "US Household Trends: The 1990s and Beyond," Joint Center for Housing Studies, 1996.

Value Put in Place [8] (Billions of 1998 dollars)			Home Sales (Thousands)	
Single-family	Multi-family	Additions & Alterations	New [2]	Existing [3]
91.1	20.6	47.0	549	2,476
126.8	20.0	50.7	646	3,064
161.7	26.1	51.6	819	3,650
166.9	29.4	55.7	817	3,986
148.1	34.8	55.7	709	3,827
98.4	31.1	57.2	545	2,973
90.5	30.4	51.9	436	2,419
70.0	26.2	46.8	412	1,990
118.9	36.9	50.9	623	2,719
135.8	44.7	63.5	639	2,868
133.9	44.4	68.1	688	3,214
151.7	46.1	80.2	750	3,565
162.6	36.2	77.8	671	3,526
159.6	30.5	81.0	676	3,594
153.7	29.3	75.4	650	3,346
138.4	24.5	69.9	534	3,211
120.5	19.1	59.1	509	3,220
144.1	16.2	72.2	610	3,520
157.1	12.7	78.4	666	3,802
173.8	15.9	80.2	670	3,946
156.9	19.3	73.4	667	3,799
169.0	21.6	81.8	757	4,086
169.7	23.4	81.1	804	4,213
189.6	24.7	85.7	888	4,782

ted by the Bureau of Labor Statistics' Consumer

Home Price Index.
altors, indexed by the Conventional Mortgage

Owner-occupied series modified to account for

Appendix tables can be downloaded in Microsoft Excel format from the Joint Center for Housing Studies website at

www.gsd.harvard.edu/jcenter

The following tables are also available:

1. Housing Permits by State: 1995-1998, including a comparison of 1998 levels to 1980s peaks.
2. Single- and Multifamily Housing Permits by State: 1991-1998; Manufactured Housing Placements by State: 1991-1997.
3. Households by Detailed Age and Family Type: 1990-2010.
4. Home Prices by Region and Metropolitan Area: 1991-1998.
5. Terms of Conventional Single-Family Mortgages: 1975-1998.
6. Homeownership Rates by Race, Age, and Family Type: 1983-1998.

Table A-3 Large Metropolitan Areas Experiencing Three-Year Nominal House Price Declines of Five Percent or More: 1975-1998

Number of Three-Year Periods of Price Declines	Metro Area	Years of Decline Start	End	Percent Decline
One	Denver	1986	1989	-5.5
	Milwaukee	1979	1982	-6.4
	Providence	1989	1992	-5.8
Two	Boston	1988	1991	-8.5
		1989	1992	-9.3
	Detroit	1980	1983	-6.3
		1981	1984	-8.4
	New Orleans	1985	1988	-6.5
		1986	1989	-8.3
	San Francisco	1990	1993	-7.7
		1991	1994	-5.1
	San Diego	1991	1994	-7.4
		1992	1995	-7.1
Three	Dallas	1985	1988	-7.8
		1986	1989	-12.3
		1987	1990	-8.0
	Sacramento	1991	1994	-10.3
		1992	1995	-10.0
		1993	1996	-7.4
Four	Houston	1982	1985	-11.6
		1983	1986	-16.2
		1984	1987	-19.0
		1985	1988	-11.2
	Los Angeles	1990	1993	-9.2
		1991	1994	-15.0
		1992	1995	-16.2
		1993	1996	-11.9
	San Antonio	1984	1987	-7.1
		1985	1988	-9.3
		1986	1989	-16.1
		1987	1990	-11.9
Five	Hartford	1988	1991	-8.4
		1989	1992	-10.5
		1990	1993	-8.7
		1991	1994	-8.2
		1992	1995	-7.4

Note: Metropolitan areas are the primary named PMSA.

Source: Freddie Mac Weighted Repeat Sales Index.

Table A-4 Housing Production in High-Growth Metropolitan Areas and Counties: 1990-1997

Ranked by Total Permits (Thousands)

	1990	1991	1992	1993	1994	1995	1996	1997	Total Permits 1990-97	Total 1993 Population	Total Permits per 1,000 People
Metropolitan Areas											
Washington, DC	41.8	31.9	42.4	43.8	45.2	40.9	42.4	42.1	330.5	6,978	47.4
Los Angeles	68.3	40.8	35.0	28.2	35.7	28.8	32.6	39.6	308.9	15,200	20.3
Atlanta	27.2	24.1	28.7	35.7	41.2	48.3	48.3	49.8	303.2	3,229	93.9
Chicago	31.9	27.1	32.4	35.1	38.4	36.8	38.9	35.4	276.0	8,467	32.6
New York	27.2	22.6	25.4	36.6	36.7	34.8	41.7	44.5	269.6	8,594	31.4
Dallas	20.0	19.6	21.9	26.5	34.0	36.7	38.8	44.3	241.8	4,283	56.5
Phoenix	13.4	15.4	21.0	25.5	34.8	37.5	39.6	43.2	230.4	2,392	96.4
Las Vegas	23.9	19.8	15.7	21.0	27.8	29.5	32.4	30.9	201.0	1,013	198.5
Seattle	35.0	19.5	23.7	22.9	23.5	21.9	24.4	25.3	196.1	3,184	61.6
Miami	21.6	14.0	17.1	22.0	27.0	27.6	21.0	22.9	173.2	3,351	51.7
Detroit	19.6	16.4	18.1	19.3	23.4	24.0	26.7	24.9	172.4	5,246	32.9
Houston	13.3	15.6	16.7	17.3	22.5	21.7	24.1	32.3	163.5	4,030	40.6
San Francisco	21.9	17.7	16.8	15.1	18.0	15.7	21.4	26.5	153.2	6,470	23.7
Philadelphia	17.7	15.2	17.7	20.1	20.1	17.7	19.5	22.0	150.1	5,941	25.3
Portland, OR	18.3	12.6	14.0	16.2	18.9	20.4	21.6	22.3	144.3	1,945	74.2
Minneapolis	15.6	14.2	18.5	19.3	17.6	17.8	18.2	16.7	137.9	2,655	51.9
Orlando	21.0	15.3	14.3	16.6	16.7	16.0	16.1	21.4	137.5	1,335	103.0
Denver	6.2	8.1	13.9	17.0	20.6	21.4	21.5	24.8	133.5	2,148	62.2
Tampa	13.1	11.1	11.0	12.5	14.7	13.6	14.7	17.0	107.7	2,135	50.5
Boston	7.8	7.7	10.5	15.7	16.3	14.8	16.0	16.4	105.2	5,467	19.2
Charlotte	10.8	8.4	9.7	10.8	13.8	13.8	18.5	18.2	104.0	1,233	84.3
Counties											
Maricopa, AZ	13.0	14.9	20.4	24.8	33.7	36.7	38.6	41.5	223.6	2,268	98.6
Clark, NV	20.7	17.9	13.4	19.0	25.6	27.8	30.9	29.2	184.5	880	209.7
Harris, TX	10.2	12.6	12.6	13.2	15.9	14.1	14.5	23.0	116.0	3,005	38.6
Broward, FL	10.7	6.5	8.7	13.0	15.7	12.9	14.4	13.0	95.0	1,351	70.3
Los Angeles, CA	25.1	15.9	12.0	7.4	7.8	7.8	7.7	9.8	93.5	9,135	10.2
Dallas, TX	8.8	8.2	8.8	11.2	12.7	15.1	13.2	14.5	92.5	1,928	48.0
King, WA	15.8	7.3	9.3	7.9	8.3	8.2	10.3	11.8	78.8	1,577	50.0
Dade, FL	10.9	7.5	8.3	9.0	11.3	14.7	6.6	10.0	78.2	2,001	39.1
Palm Beach, FL	9.9	7.5	8.3	8.9	11.6	10.3	10.0	9.0	75.5	932	81.0
Orange, CA	12.0	6.6	5.8	6.3	12.6	8.2	10.2	12.3	74.0	2,516	29.4
Orange, FL	9.6	9.0	6.9	8.3	9.2	9.7	8.7	11.4	72.8	728	100.0
Riverside, CA	15.4	9.3	8.2	7.3	8.0	6.8	7.5	9.7	72.2	1,321	54.7
Cook, IL	9.5	6.2	7.8	8.5	9.0	8.9	9.6	9.4	68.8	5,142	13.4
San Diego, CA	15.7	7.9	6.1	5.8	6.9	6.6	6.8	11.1	67.0	2,611	25.7
Wake, NC	4.2	4.6	5.8	7.0	10.1	8.9	9.2	10.1	59.8	476	125.6
Gwinnett, GA	4.0	4.4	5.9	7.8	8.3	9.8	9.5	9.3	59.1	413	143.1
Mecklenburg, NC	6.1	4.3	5.1	6.0	8.2	7.7	10.4	10.3	58.2	549	106.1
Tarrant, TX	4.9	5.0	5.1	6.0	7.4	8.9	9.5	10.1	56.8	1,235	46.0
Travis, TX	1.8	2.8	4.9	7.0	8.7	9.8	11.8	9.4	56.0	631	88.7
Collin, TX	4.3	3.8	4.8	5.6	8.5	7.0	8.5	11.6	54.2	308	175.9
Franklin, OH	6.9	5.9	6.7	7.1	7.3	6.8	7.3	6.2	54.0	999	54.0
Hillsborough, FL	5.5	4.4	4.7	5.2	7.5	7.1	8.9	9.1	52.5	865	60.6
San Bernardino, CA	13.3	6.8	7.3	5.8	4.8	3.9	4.8	5.4	52.1	1,546	33.7
Fulton, GA	6.2	3.8	3.9	5.1	7.8	8.9	8.1	8.1	52.0	677	76.8

Notes: Includes metropolitan areas with over 100,000 permits and counties with over 50,000 permits. Metropolitan areas are CMSAs and MSAs with only the name of the principal central city given. Metropolitan areas are defined by the Office of Management and Budget as of 1993. For New York and Boston, metropolitan area definitions are those in effect for the particular year, while population estimates are based on 1996 area definitions.

Sources: US Bureau of the Census, Construction Reports, Series C-40, and Metropolitan and County Population Estimates.

Table A-5 **Population Growth in Large Cities and Their Surrounding Areas: 1990-1996**

Thousands

Metropolitan Areas	City Area (Square Miles)	Population 1990 Central City	Population 1990 Surrounding Area	Population 1996 Central City	Population 1996 Surrounding Area	Absolute Change 1990-96 Central City	Absolute Change 1990-96 Surrounding Area	Annual Percent Change 1990-96 Central City	Annual Percent Change 1990-96 Surrounding Area
Total	7,697	39,414	91,323	39,916	99,001	502	7,678	0.2	1.4
Atlanta	132	394	2,566	402	3,139	8	573	0.3	3.7
Baltimore	81	736	1,646	675	1,799	-61	153	-1.4	1.5
Boston	48	574	4,881	558	5,005	-16	124	-0.5	0.4
Buffalo	41	328	861	311	864	-17	3	-0.9	0.1
Charlotte	174	420	742	441	880	21	138	0.8	3.1
Chicago	227	2,784	5,456	2,721	5,879	-63	423	-0.4	1.3
Cincinnati	77	364	1,454	346	1,575	-18	121	-0.8	1.4
Cleveland/Akron	139	729	2,131	715	2,198	-14	67	-0.3	0.5
Columbus	191	633	712	657	791	24	79	0.6	1.8
Dallas	716	1,716	2,321	1,828	2,747	112	426	1.1	3.1
Denver/Aurora	286	690	1,290	750	1,527	60	237	1.4	3.1
Detroit	139	1,028	4,159	1,000	4,284	-28	125	-0.5	0.5
Hartford	17	140	1,018	133	1,012	-7	-6	-0.8	-0.1
Houston	540	1,639	2,092	1,744	2,509	105	417	1.1	3.3
Indianapolis	362	731	649	747	745	16	96	0.4	2.5
Kansas City	312	435	1,148	441	1,249	6	101	0.2	1.5
Los Angeles	668	4,702	9,830	4,822	10,673	120	843	0.4	1.4
Miami	36	359	2,834	365	3,149	6	315	0.3	1.9
Milwaukee	96	628	979	591	1,052	-37	73	-1.0	1.2
Minneapolis/St. Paul	108	641	1,898	618	2,147	-23	249	-0.6	2.2
New Orleans	181	497	788	477	836	-20	48	-0.7	1.0
New York	348	7,826	11,724	7,878	12,060	52	336	0.1	0.5
Norfolk	302	654	791	664	876	10	85	0.3	1.8
Orlando	67	165	1,060	174	1,243	9	183	0.9	2.9
Philadelphia	135	1,586	4,307	1,478	4,495	-108	188	-1.1	0.7
Phoenix/Mesa	529	1,273	965	1,504	1,243	231	276	3.0	4.8
Pittsburgh	56	370	2,025	350	2,029	-20	4	-0.9	0.0
Portland, OR	125	464	1,329	481	1,597	17	268	0.6	3.4
Providence	19	161	973	153	971	-8	-2	-0.8	0.0
Rochester, NY	36	230	832	222	866	-8	34	-0.6	0.7
Sacramento	96	369	1,112	376	1,256	7	144	0.3	2.2
Salt Lake City	109	160	912	173	1,045	13	133	1.4	2.4
San Antonio	333	959	366	1,068	422	109	56	1.9	2.6
San Diego	324	1,111	1,387	1,171	1,484	60	97	0.9	1.2
San Francisco	274	1,878	4,372	1,941	4,664	63	292	0.6	1.1
Seattle	84	516	2,454	525	2,796	9	342	0.3	2.3
St. Louis	62	397	2,095	352	2,196	-45	101	-1.9	0.8
Tampa/St. Petersburg	168	520	1,548	521	1,678	1	130	0.0	1.4
Washington, DC	61	607	3,616	543	4,020	-64	404	-1.8	1.9

Notes: Metropolitan areas shown are those with population over 1 million in 1990. Metropolitan boundaries are as of 1996. Central city includes named central city and all other cities in the metro area with population over 200,000 in 1990. New York includes Newark and Jersey City. Los Angeles includes Long Beach, Anaheim, Santa Ana, and Riverside. San Francisco includes San Jose and Oakland. Dallas includes Ft. Worth and Arlington.

Sources: US Bureau of the Census, “Estimates of the Population of Cities with Populations of 100,000 and Greater,” July 1, 1996; “Estimates of the Population of Metropolitan Areas,” July 1, 1996; and “County and City Databook,” 1994.

Table A-6 Home Purchase Loan Activity for Large Metropolitan Areas: 1997

		% Residing in Suburbs		% of Loans Made:				% of Loans to Minorities Made:		% of Loans to Low-Income Borrowers Made:		% of Loans to High-Income Borrowers Made:	
	Number of Loans	All Owners (1990)	Minority Owners (1990)	In Suburbs	To Minorities	To Low-Income Borrowers	To High-Income Borrowers	In Suburbs	In Mostly White Suburbs	In Suburbs	In Moderate/ High-Income Suburbs	In Cities	In Low-Income City Areas
Total	3,241,681	67.7	47.5	70.7	19.0	28.4	43.2	60.0	19.2	66.1	33.1	27.2	3.7
All Metro Areas in the:													
Northeast	501,974	75.8	42.7	77.6	15.0	25.5	45.6	52.0	22.6	71.5	36.7	20.0	2.9
Midwest	729,107	67.1	31.2	70.1	12.1	33.0	37.0	49.2	26.3	61.3	33.6	23.2	4.6
South	1,203,530	66.6	49.0	72.7	20.9	29.7	43.5	65.7	13.8	70.5	33.9	26.9	3.3
West	807,070	61.6	56.8	64.0	24.9	24.2	47.1	60.6	7.0	60.3	28.8	34.8	4.2
Largest Northeastern Metros													
New York	192,632	71.8	45.5	73.3	23.1	20.6	51.0	53.2	16.4	78.5	37.0	30.3	3.2
Philadelphia	72,854	71.1	33.0	81.0	17.9	32.2	41.8	51.4	21.4	63.0	34.2	8.1	1.7
Boston	77,810	78.9	50.7	77.5	9.8	26.5	43.1	51.2	36.5	65.8	34.0	15.5	4.1
Pittsburgh	23,564	87.9	57.7	89.9	6.0	24.3	49.5	68.2	47.5	84.8	31.6	7.7	1.7
Hartford	14,168	92.7	64.5	92.0	14.9	37.8	32.1	74.0	36.1	87.2	48.6	3.7	0.9
Providence	12,327	65.9	41.9	65.8	8.5	27.5	40.1	32.6	26.1	51.5	37.9	24.0	4.1
Rochester	12,589	84.7	41.2	85.5	8.9	30.6	39.2	42.7	37.6	74.0	36.6	7.4	3.2
Buffalo	10,314	75.3	22.1	81.6	8.3	26.8	41.9	37.2	30.6	64.9	40.3	9.7	2.6
Largest Midwestern Metros													
Chicago	128,744	69.7	33.9	71.2	25.1	29.9	39.6	54.4	17.0	65.1	40.8	24.9	7.1
Detroit	90,730	77.9	24.3	86.8	13.0	34.2	36.7	52.1	28.7	78.4	42.1	7.2	2.1
Cleveland	40,643	75.2	37.2	77.6	12.2	30.1	40.3	48.2	25.5	60.8	37.4	10.8	4.1
Minneapolis	50,666	78.9	50.2	81.8	8.6	41.2	28.6	53.4	49.7	73.5	38.6	12.0	2.3
St. Louis	43,096	81.1	53.9	85.5	13.0	37.6	34.2	73.4	32.1	79.6	38.2	9.2	3.0
Cincinnati	32,675	80.5	46.3	83.3	7.1	31.6	38.6	60.2	38.0	78.2	37.7	13.9	4.7
Kansas City	29,169	60.6	17.4	68.2	9.9	33.7	37.0	40.9	34.4	60.4	32.0	26.4	2.1
Milwaukee	22,638	61.5	13.1	66.1	12.6	25.7	41.9	21.3	20.0	43.1	31.3	19.7	4.1
Largest Southern Metros													
Washington	117,865	81.2	60.7	85.1	26.7	37.0	34.5	79.1	12.4	81.2	42.1	13.0	3.0
Dallas	83,216	59.1	35.6	69.1	19.1	27.4	46.4	58.4	12.0	61.4	28.0	27.5	3.2
Houston	63,930	58.4	40.2	71.7	28.0	28.0	48.1	61.7	6.5	64.3	40.3	26.0	3.9
Atlanta	83,080	90.3	69.9	92.9	24.7	32.6	39.3	92.6	32.2	93.9	44.6	9.2	1.5
Miami/Ft. Lauderdale	62,354	87.3	83.5	88.1	54.1	23.7	49.0	89.9	5.3	91.2	46.3	15.1	4.8
Tampa/St. Petersburg	41,370	73.6	48.5	77.4	13.8	29.3	45.3	66.7	25.1	74.4	32.2	21.5	2.1
Norfolk, VA	22,039	27.9	22.6	34.6	22.2	28.3	40.8	25.4	4.4	26.4	16.4	57.9	4.5
San Antonio	20,005	32.6	19.8	46.4	38.6	24.7	50.2	38.1	2.7	40.1	25.9	50.8	2.8
Largest Western Metros													
Los Angeles	192,321	69.1	67.5	70.0	39.3	20.7	51.7	68.2	0.9	68.8	32.9	29.9	3.6
San Francisco	102,420	60.9	48.1	62.0	32.0	17.2	56.4	55.9	1.9	56.4	26.3	34.9	5.1
Seattle	66,892	71.4	54.3	74.8	13.3	24.9	42.5	70.1	35.5	72.9	32.7	25.4	3.5
Phoenix	67,997	35.0	36.7	45.5	15.4	30.3	42.4	38.8	9.8	41.8	19.9	55.2	3.5
Sacramento	26,002	72.7	51.6	77.3	22.6	25.9	45.9	61.9	6.8	69.1	40.0	17.9	2.2
San Diego	37,011	53.8	43.4	51.7	22.7	17.8	56.6	48.5	2.3	50.7	24.6	49.3	3.1
Denver	57,388	70.1	52.1	75.5	15.4	34.0	35.8	64.7	18.4	70.7	38.0	22.4	5.8
Portland	41,293	69.3	51.9	74.4	10.5	20.5	49.1	70.0	47.3	67.4	32.2	23.0	5.7

Notes: Metropolitan areas shown are the eight largest in each region. Metro boundaries are as of 1996. Excludes loans made outside metro areas, in Puerto Rico, or for which valid applicant income was not given. Mostly white areas are those in which minorities made up less than 10% of the population in 1990. Low-income loans are those to borrowers with incomes less than 80% of metro median in 1997. High-income loans are those to borrowers with incomes at or above 120% of metro area median in 1997. Low-income areas are those in which the tract median income was less than 80% of the metro median in 1989. Moderate/ high-income suburbs are those in which the tract median income was at or above the metro median in 1989. Freddie Mac data on the share of tract population in central cities was used to apportion the loan and owner data to central cities and suburbs.

Sources: Joint Center tabulations of the 1997 Home Mortgage Disclosure Act data and 1990 Decennial Census STF 3A files; Freddie Mac data on the share of tract population in central cities.

Table A-7 Income and Housing Costs, US Totals: 1975-1998

1998 Dollars

	Monthly Income		Owner Costs				Renter Costs		Cost as Percent of Income: Owners		Cost as Percent of Income: Renters	
Year	Owner	Renter	Home Price	Mortgage Rate	Mortgage Payment	After-Tax Mortgage Payment	Contract Rent	Gross Rent	Before-Tax Mortgage Payment	After-Tax Mortgage Payment	Contract Rent	Gross Rent
1975	3,287	1,909	101,254	8.92	728	600	407	468	22.1	18.2	21.3	24.5
1976	3,316	1,875	103,376	8.87	740	610	407	471	22.3	18.4	21.7	25.1
1977	3,439	1,891	107,869	8.82	769	680	408	475	22.4	19.8	21.5	25.1
1978	3,381	1,871	115,639	9.37	865	744	409	477	25.6	22.0	21.8	25.5
1979	3,359	1,836	118,718	10.59	985	837	401	470	29.3	24.9	21.9	25.6
1980	3,268	1,733	115,815	12.46	1,109	919	394	466	33.9	28.1	22.7	26.9
1981	3,287	1,719	111,222	14.39	1,217	991	392	467	37.0	30.2	22.8	27.2
1982	3,296	1,677	107,992	14.73	1,208	999	399	479	36.6	30.3	23.8	28.6
1983	3,328	1,691	107,278	12.26	1,012	840	406	490	30.4	25.2	24.0	29.0
1984	3,412	1,739	106,974	11.99	990	827	411	494	29.0	24.2	23.6	28.4
1985	3,509	1,767	108,602	11.17	943	790	423	505	26.9	22.5	23.9	28.6
1986	3,631	1,797	114,009	9.79	885	745	440	521	24.4	20.5	24.5	29.0
1987	3,671	1,782	117,653	8.95	848	741	442	519	23.1	20.2	24.8	29.1
1988	3,674	1,826	120,032	8.98	868	777	441	515	23.6	21.1	24.2	28.2
1989	3,724	1,895	121,528	9.81	945	840	437	510	25.4	22.6	23.1	26.9
1990	3,617	1,819	119,101	9.74	920	819	432	503	25.4	22.6	23.8	27.6
1991	3,560	1,735	116,554	9.07	849	760	429	499	23.9	21.4	24.7	28.8
1992	3,534	1,694	116,293	7.83	756	685	427	496	21.4	19.4	25.2	29.3
1993	3,488	1,692	115,453	6.93	686	628	424	494	19.7	18.0	25.1	29.2
1994	3,575	1,732	115,755	7.31	715	655	424	492	20.0	18.3	24.5	28.4
1995	3,617	1,758	116,354	7.69	746	681	422	489	20.6	18.8	24.0	27.8
1996	3,657	1,781	117,641	7.58	746	681	421	487	20.4	18.6	23.7	27.4
1997	3,748	1,784	119,917	7.52	756	690	424	490	20.2	18.4	23.8	27.5
1998	3,819	1,787	124,500	6.97	743	681	431	495	19.5	17.8	24.1	27.7

Notes: All dollar amounts are expressed in 1998 constant dollars using the Bureau of Labor Statistics' Consumer Price Index (CPI-UX) for All Items. Monthly incomes of families and primary individuals from 1975 to 1983 are from the American Housing Survey; incomes from 1984 to 1997 are from the American Housing Survey adjusted by the Current Population Survey. Incomes for 1998 are adjusted by HUD median family income data, weighted by owners' and renters' contribution to income growth as calculated from the 1996 and 1997 Current Population Surveys.

Home price is the 1990 median sales price of existing single-family homes determined by the National Association of Realtors, indexed by the Freddie Mac Conventional Mortgage Home Price Index, deflated by the CPI-UX.

Mortgage rates are from the Federal Housing Finance Board Monthly Interest Rate Survey. Mortgage payments assume a 30-year mortgage with 10% down. After-tax mortgage payment equals mortgage payment less tax savings of homeownership. Tax savings are based on the excess of housing (mortgage interest and real-estate taxes) plus nonhousing deductions over the standard deduction. Nonhousing deductions are set at 5% of income through 1986; they decrease to 4.25% in 1987 and 3.5% from 1988 on.

Contract rent equals median 1977 contract rent from the American Housing Survey, indexed by the CPI residential rent index, with adjustments for depreciation in the stock before 1987. Gross rent equals contract rent plus fuel and utilities.

Table A-8 Owner and Renter Households and Homeownership Rates by Age of Head: 2000-2010

	2000			2005			2010		
	Owners (Thousands)	Renters (Thousands)	Homeownership Rate (%)	Owners (Thousands)	Renters (Thousands)	Homeownership Rate (%)	Owners (Thousands)	Renters (Thousands)	Homeownership Rate (%)
Total	70,277	34,459	67.1	75,349	35,041	68.3	80,461	35,883	69.2
Under Age 25	830	4,112	16.8	908	4,490	16.8	960	4,744	16.8
Aged 25 to 34	7,945	9,489	45.6	7,790	9,182	45.9	8,160	9,688	45.7
Aged 35 to 44	15,936	8,160	66.1	15,308	7,494	67.1	14,169	6,689	67.9
Aged 45 to 54	16,138	5,187	75.7	17,922	5,813	75.5	18,904	5,966	76.0
Aged 55 to 64	11,574	2,909	79.9	14,528	3,470	80.7	17,392	4,035	81.2
Aged 65 to 74	9,569	2,144	81.7	9,809	2,143	82.1	11,389	2,357	82.9
Aged 75 and Over	8,285	2,457	77.1	9,083	2,450	78.8	9,488	2,404	79.8

Source: Joint Center projections.

Table A-9 Housing Quality and Cost Burdens Among Extremely and Very Low-Income Households: 1995

Thousands

	Owners			Renters		
	Total	Severely Burdened Only	Severely Inadequate Units	Total	Severely Burdened Only	Severely Inadequate Units
Extremely Low Income						
Total	5,638	2,566	195	5,751	3,753	245
Region						
Northeast	1,020	587	24	1,373	892	94
Midwest	1,349	635	32	1,160	768	43
South	2,253	877	108	1,697	1,013	69
West	1,016	467	32	1,520	1,079	39
Location						
Central City	1,506	708	45	2,994	2,004	152
Suburb	2,693	1,330	72	1,908	1,298	48
Nonmetro	1,438	529	79	850	450	45
Race/Ethnicity						
White	4,203	1,940	118	3,023	1,956	96
Black	869	387	54	1,329	861	81
Hispanic	436	178	16	1,097	712	62
Other	129	61	7	303	224	6
Household Type						
Married with Children	659	410	31	670	419	25
Single Parent	418	250	17	1,480	1,035	45
Single Elderly	1,726	600	36	925	525	27
Other	2,834	1,307	112	2,675	1,775	149
Age of Head						
Under 25 Years	63	35	2	938	720	31
25 to 34 Years	379	220	12	1,370	908	58
35 to 44 Years	713	416	31	1,105	709	50
45 to 54 Years	725	409	26	639	398	37
55 to 64 Years	955	484	31	485	318	29
65 Years and Over	2,803	1,004	93	1,214	699	40
Very Low Income						
Total	6,069	895	163	5,021	1,178	151
Region						
Northeast	1,203	206	21	893	266	49
Midwest	1,489	168	35	946	151	39
South	2,338	296	76	1,701	341	40
West	1,038	224	31	1,480	421	24
Location						
Central City	1,518	244	45	2,237	532	68
Suburb	2,853	468	63	1,949	450	49
Nonmetro	1,697	183	54	834	196	34
Race/Ethnicity						
White	4,804	661	114	2,911	768	70
Black	721	101	31	906	185	40
Hispanic	425	82	15	962	166	30
Other	119	51	2	241	60	11
Household Type						
Married with Children	778	163	20	963	109	27
Single Parent	497	136	14	982	196	25
Single Elderly	1,609	149	26	544	194	10
Other	3,184	447	103	2,532	679	89
Age of Head						
Under 25 Years	80	26	0	806	201	18
25 to 34 Years	437	100	10	1,468	283	30
35 to 44 Years	783	199	24	1,081	192	39
45 to 54 Years	638	181	20	538	163	30
55 to 64 Years	773	108	41	340	88	19
65 Years and Over	3,358	281	66	788	251	14

Notes: Extremely low income is less than 30% of area median; very low is between 30% and 50%. Severely burdened defined as households paying 50% or more of their incomes for gross monthly housing costs. Severely inadequate defined as having severe problems in plumbing, heating, electrical systems, upkeep or hallways. Renter households exclude those with federal subsidies. Hispanics may be of any race. Other households includes Asians, Pacific Islanders, Native Americans, and all other racial groups not shown separately.

Source: Joint Center tabulations of the 1995 American Housing Survey.

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