



AMERICA'S RENTAL HOUSING

MEETING CHALLENGES, BUILDING ON OPPORTUNITIES

Press Release **APRIL 26, 2011**

New Report Finds Renters Face Record High Affordability Problems

Recession Made Matters Worse and Rental Revival Threatens to Add to Rent Pressures

April 26, 2011 – Cambridge, MA and Washington, DC – The Great Recession pushed the number of renters paying more than half their income for housing to record levels, according to a new report from the Harvard Joint Center for Housing Studies (JCHS). Released today at an event held at the Newseum in Washington, DC, the report “America’s Rental Housing: Meeting Challenges, Building on Opportunities” finds that even prior to the recession, long-term increases in rents and utility costs combined with falling renter incomes put strain on many renters’ budgets. The Great Recession made matters worse, increasing the cost burden on once-secure working and middle class Americans.

Today, one in four renters, or 10.1 million households, spends more than half their income on rent and utilities. Another quarter of renters, 26.2%, spends 30%-50% of their income on rent and utilities.

While severe housing cost burdens are still concentrated among those in the bottom fifth of the household income distribution, over the last decade the number of renters even in the next two higher quintiles facing such burdens increased by one million households. In addition, more lower-middle income renters (56%, up from 38%) and more middle income renters (23%, up from 10%) are paying 30-50% of income for rent and utilities.

“In the last decade, rental housing affordability problems went through the roof,” said Eric S. Belsky, Managing Director of the Harvard Joint Center for Housing Studies and an author of the study. “And these affordability problems are marching up the income scale. In real terms, it means more people have less money to spend on household necessities such as food, health care, or savings.”

As the economy begins to gain traction, rental housing is likely to lead the housing recovery as the troubled homeowner market and demographic trends push up the number of renters. Vacancy rates are falling and rents are showing a return to growth in many markets around the country. But what is good news for the housing industry could further erode rental housing affordability.

THE SHRINKING SUPPLY OF AFFORDABLE RENTAL HOUSING

While the demand for affordable rental housing is greater than ever, the report also finds that the supply has been shrinking. Since the mid 1990s, more than 700,000 rentals with federal subsidies tied to them were lost from the subsidized housing stock (either through demolition, or owner decision to abandon subsidies and turn the units into market-rate rentals). Meanwhile, nearly 12% of low-cost market-rate rentals existing in 1999 were demolished or otherwise permanently lost from the housing stock by 2009. With a median age of 38 years, the rental housing stock is older on average than it has ever been, raising concerns about continued high losses of this valuable resource.

“While the need for affordable rental housing is growing, the squeeze on government budgets is putting these much-needed programs in jeopardy,” said Chris Herbert, Director of Research, Harvard Joint Center for Housing Studies and a study co-author. “Investments to preserve existing assisted housing may be cost-effective. But the public sector can’t tackle this problem on its own. Policy makers

must look for ways to support efforts by the private sector to invest in both existing and new rental housing, while keeping prices affordable.”

THE IMPORTANCE OF RENTAL HOUSING POLICY

Beyond providing decent homes for working Americans, the report also points to the role that rental housing policy can play in addressing some of the country's other most pressing needs. “Rental housing policies can also be an important component of broader anti-poverty efforts and can help to revitalize communities hit hard by the foreclosure crisis,” said Belsky. “The current budget reality adds even greater pressure to do more with less to address these needs.”

The release event for “America's Rental Housing: Meeting Challenges, Building on Opportunities,” held today in Washington, DC, included a keynote from the Secretary of Housing and Urban Development, Shaun Donovan, as well as a panel of housing experts representing a range of perspectives. The panel was moderated by Chris Farrell, Economics Editor, Marketplace Money and featured Nancy Andrews, President & CEO, Low Income Investment Fund, Richard D. Baron, Co-Founder & Chairman, McCormack Baron Salazar and Mark Calabria, Director of Financial Regulation Studies, Cato Institute.

“The bottom line is there are a number of ways to address the housing crunch and alleviate the economic burden on renters. The important thing is to start an honest and open dialogue, to give this issue the attention it deserves,” said Julia Stasch, Vice President, U.S. Programs, the MacArthur Foundation. The MacArthur Foundation provided principal support for the report as part of its \$150 million Window of Opportunity, Preserving Affordable Rental Housing initiative.

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About JCHS: Through its research, educational programs and outreach, the Joint Center for Housing Studies is committed to informing public understanding and debate on a broad range of housing issues of vital importance to individuals, communities, and the economy. Established in 1959, the Joint Center is a collaborative unit of Harvard University, affiliated with the Graduate School of Design and the Harvard Kennedy School of Government. www.jchs.harvard.edu

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