AMERICA'S RENTAL HOUSING

THE KEY TO A BALANCED NATIONAL POLICY

Joint Center for Housing Studies of Harvard University

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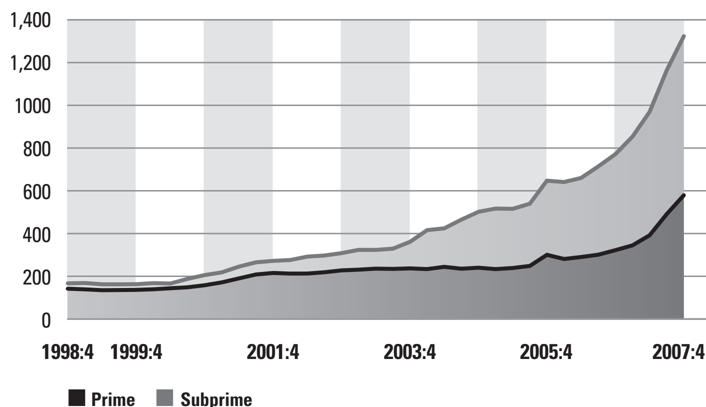
INTRODUCTION AND SUMMARY

The damage from today's mortgage foreclosure crisis reaches deep into the rental market. With affordability already a long-standing problem, the current housing debacle not only adds to the number of households competing for low-cost rentals and threatens current renters with eviction from their homes, but also increases the costs of financing rental housing construction and preservation. Moreover, because many high-risk loans now in default are concentrated in low-income and minority communities, the fallout from foreclosures is hitting the same neighborhoods where many of the nation's most economically vulnerable renters live.

FIGURE 1 **Serious Delinquencies Have Moved Up Sharply**

Loans 60+ Days Delinquent or Entering Foreclosure (Thousands)



Note: Numbers equal four-quarter moving average of non-seasonally adjusted conventional loans serviced, multiplied by the seasonally adjusted rates of delinquencies and foreclosure starts.
Source: Mortgage Bankers Association.

THE MORTGAGE MARKET MELTDOWN

Soaring foreclosure rates are one of the unintended side effects of extending homeownership opportunities to higher-risk households with limited incomes and wealth. Designed to expand access to mortgage capital for these borrowers, subprime lending helped to fuel the decade-long homebuying boom. But as early as 2004, the number of subprime loans that were seriously delinquent (with payments 60 days or more late, and/or just entering into foreclosure) had jumped to over 260,000, devastating many low-income and minority communities—particularly in the industrial Midwest. But because the performance of prime loans remained relatively stable, the uptick in troubled subprime mortgages had little impact on national mortgage markets.

But as more and more households struggled to buy in the face of rapidly rising home prices, the number of seriously delinquent conventional mortgages continued to climb—more than doubling from 2004 to 2007 to well over 1.3 million (Figure 1). Various forms of nontraditional and higher-priced subprime loans were particularly vulnerable. The Mortgage Bankers Association estimates that over 12 percent (or some 750,000) of all subprime loans were seriously delinquent by the end of 2007. Although the share of troubled prime mortgages was only 1.67 percent at year end, this translates into nearly 580,000 seriously delinquent loans—an increase of 143 percent from the 2004 figure.

Aggressive marketing by many mortgage industry participants helped to spark the meteoric rise in high-risk products. Reinforcing this trend was the structure of the mortgage industry itself—in particular Wall Street's seemingly insatiable appetite for mortgage-backed securities and the widespread use of incentives for brokers and loan officers to push risky, higher-priced products. The surge in foreclosures suggests that many borrowers who took on subprime loans and other forms of high-priced debt had little or no capacity to repay.

The plentiful supply of mortgage capital also fed a substantial rise in high-risk lending to absentee owners of one- to four-

unit rental properties. The Mortgage Bankers Association reports that, by the end of 2007, one out of every five new foreclosure actions nationwide involved absentee owners of such properties. While varying from one state to the next, the foreclosure process generally overrides existing rental lease provisions. As a result, even tenants with strong payment histories may be forced to move from their homes with little or no notice.

THE RENTAL AFFORDABILITY CRISIS

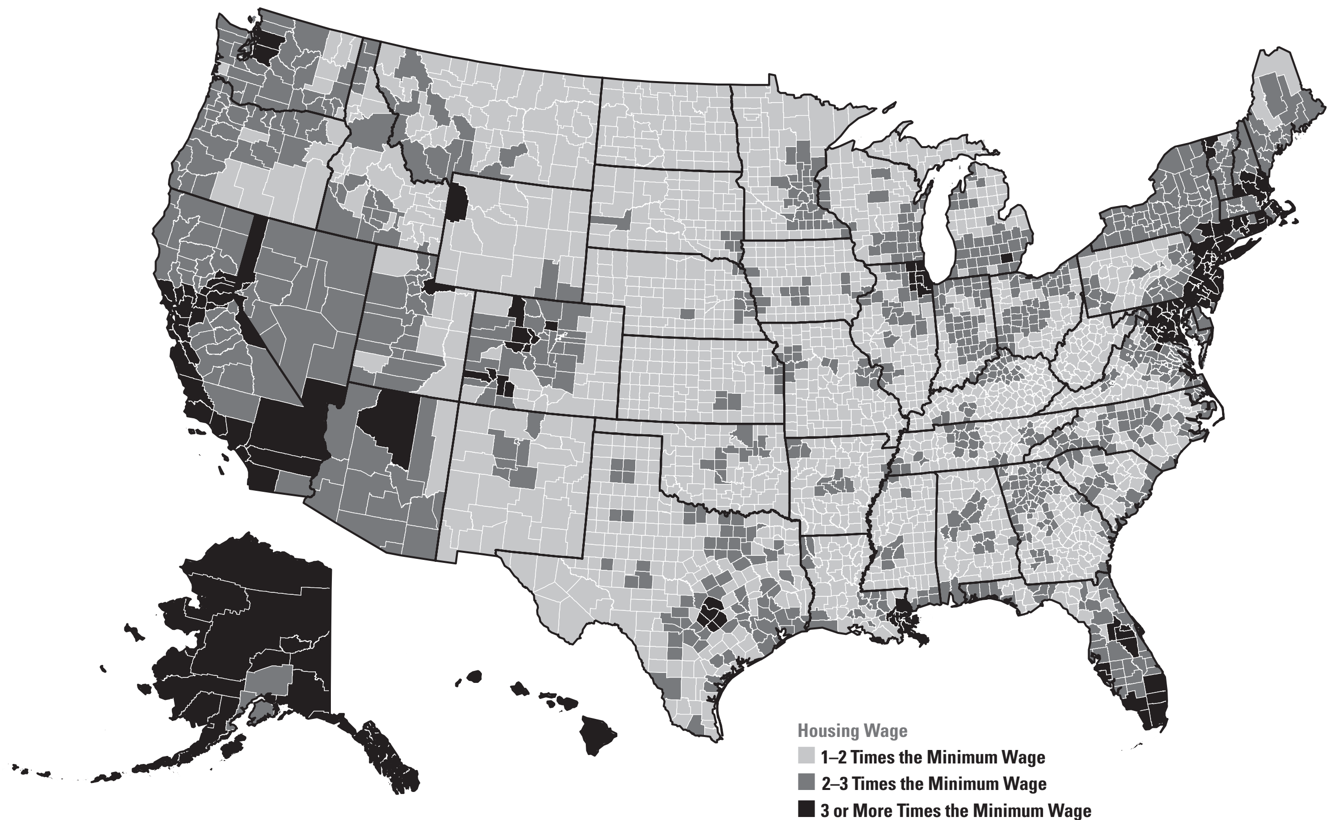
While some owners who have lost their homes will quickly buy another unit and others will move in with family and friends, many will become renters. Indeed, after averaging just 0.7 percent annual growth from 2003 to 2006, the number of renter households jumped by 2.8 percent or nearly one million in 2007.

The growing numbers of renters must now compete for the limited supply of affordable housing, adding to the long-standing pressures in markets across the country. Each year the National Low Income Housing Coalition (NLIHC) calculates the current "housing wage," or the amount it takes to afford a modest two-bedroom apartment at 30 percent of income. In 2007, that figure stood at $16.31 an hour, nearly three times today's minimum wage of $5.85 and over twice the $7.25 level scheduled to go into effect in 2009.

National figures of course mask sharp differences in affordability across states. Nevertheless, no single minimum-wage earner working 40 hours a week, 52 weeks a year, earns enough to cover the cost of a modest rental anywhere in the country (Figure 2). Even in rural counties where rents may be as low as $500, a full-time worker would have to earn up to two times the minimum wage to afford a basic two-bedroom unit. Meanwhile, in some of the highest-cost areas where rents exceed $1,500 per month, a household would have to include more than five full-time minimum-wage workers to cover the cost of a modest apartment.

FIGURE 2 **One Minimum-Wage Earner Cannot Afford a Modest Rental Unit Anywhere in the Country**

Housing Wage Needed to Afford a Two-Bedroom Apartment



Notes: The housing wage is the income required to afford a modest two-bedroom apartment at the local fair market rent, assuming the household pays 30% of income for housing and works 40 hours a week for 52 weeks. The federal minimum wage in February 2008 was $5.85 per hour. Analysis is based on methodology developed by Cushing N. Dolbeare and the National Low Income Housing Coalition.
Source: US Department of Housing and Urban Development, Fiscal Year 2008 Fair Market Rents.

FIGURE 3 Foreclosures Have Added Significantly to the Vacant Inventory

Thousands

	2003	2006	2007	Average Annual Percent Change 2003–06	2006–07
Occupied	**105,560**	**109,575**	**110,306**	**1.3**	**0.7**
Own	72,054	75,380	75,159	1.5	-0.3
Rent	33,506	34,195	35,147	0.7	2.8
Year-Round Vacant	**11,631**	**12,459**	**13,276**	**2.3**	**6.6**
For Rent	3,676	3,737	3,848	0.5	3.0
For Sale	1,308	1,836	2,117	12.0	15.3
Held Off Market	5,672	5,778	6,181	0.6	7.0
Seasonal Vacant	**3,643**	**3,978**	**4,376**	**3.0**	**10.0**

Source: US Census Bureau, 2003–2007 Housing Vacancy Survey.

SUPPLY PRESSURES

Rising foreclosures and the resulting turmoil in credit markets threaten to undermine the already weak multifamily construction sector. Last year, completions of multifamily units for rent fell to 169,000 units—just two-thirds of the 2002 figure and only one-third of the 1986 record high (Table A-1). Today, with the cost of capital to fund new multifamily construction on the rise and a possible recession in the offing, the near-term prospects for this sector remain bleak.

In the short run, it also appears that mortgage foreclosures are adding to the number of units held off the market—in part because of the long foreclosure disposition process, and in part because some new owners of foreclosed properties are waiting for conditions to improve before putting their units back on the market (Figure 3). At the same time, the weak homebuying market is also helping to expand the supply of higher-priced rentals as owners attempt to rent out their newly vacant condominiums and single-family homes. But because most renters do not have adequate income to take advantage of these opportunities, the market has limited ability to absorb the current excess supply.

With these large, unprecedented shifts on both the demand and supply sides of the rental market, the direction of rents is impossible to predict. On the one hand, rent levels were still climbing through the end of 2007. Indeed, monthly gross rents (payments to property owners plus utility costs) stood at a record high of $775 last year in inflation-adjusted terms (Table A-2). While former homeowners with good income-earning prospects may be able to manage rents of this magnitude, over 15 million lowest-income renters cannot. With incomes of less than $24,200, these households would have to spend at least 38 percent of their incomes to afford rents of $775 a month, and many would have to spend a much higher percentage.

On the other hand, just as the foreclosure crisis is pushing down home prices, rising rental vacancy rates could trigger a decline in rents. Indeed, the excess supply could eventually filter down to lowest-income renters. This would, however, provide a temporary fix at best. When property owners are unable to collect rents sufficient to cover basic maintenance and operating costs, they are likely to leave their properties vacant for long periods—the first step toward abandonment and demolition.

THREATS TO LOW-INCOME COMMUNITIES

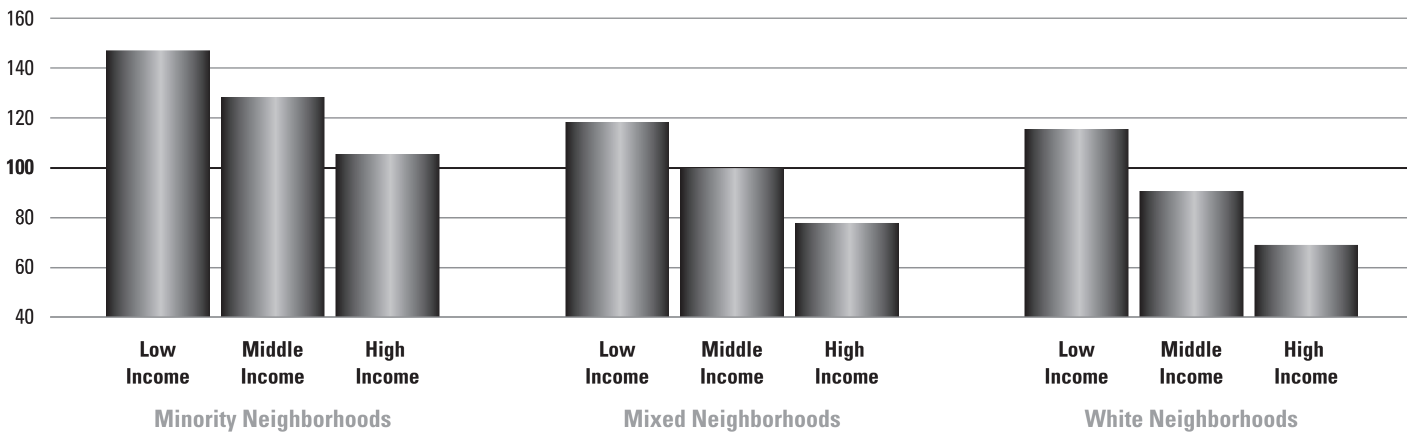
The foreclosure crisis is hitting the nation's low-income and minority neighborhoods particularly hard. According to the most recent Home Mortgage Disclosure Act (HMDA) data, higher-cost subprime loans accounted for 27 percent of all home loan originations in 2006, but nearly 45 percent of those in low-income, predominantly minority communities. By comparison, higher-priced subprime loans represented just 15 percent of all home mortgages in high-income, predominantly white areas (Table A-8).

Little wonder, then, that foreclosures are also concentrated in low-income and minority communities. Assuming that a higher-priced subprime loan is 10 times more likely than a lower-priced prime loan to end in foreclosure (a fairly conservative ratio), loans on homes in low-income minority neighborhoods are 48 percent more likely to be foreclosed than loans on average, and two times more likely than loans in high-income white areas (Figure 4).

High levels of foreclosures produce collateral damage that can easily destabilize already vulnerable communities. In particular, the concentration of foreclosures in lower-income, densely populated neighborhoods works to depress property values, lower local property tax revenue, and impose additional costs on cash-strapped public agencies that must pay for police, fire, and other municipal services to prevent the blighting effect of vacant properties.

FIGURE 4 Foreclosures Hit Hardest in Minority and Low-Income Neighborhoods

Index of Foreclosure Probabilities for Loans Originated in 2006 (100=National Average)



Notes: Loans are first lien mortgages originated for owner-occupied, one- to four-unit properties. Low- (middle-/high-) income neighborhoods are defined as census tracts with less than 80% (80–120%/more than 120%) of the MSA/MD median income. Minority neighborhoods are more than 50% minority; mixed neighborhoods are 10–50% minority; and white neighborhoods are less than 10% minority.

Source: JCHS tabulations of 2000 Decennial Census and 2006 Home Mortgage Disclosure Act data.

NEW DIRECTIONS FOR POLICY

Rates of early payment delinquencies are a widely used indicator of how a set of loans is likely to perform over time. Based on an analysis of loans that are currently 60 days or more late, most industry experts predict loans originated in 2006 and 2007 will be the most foreclosure-prone in history.

Of course, quick and aggressive policy action could limit future growth in foreclosures and help financially distressed homeowners pull back from the brink. Yet even as mortgage industry executives, government officials, and nonprofit and community leaders work to find remedies to the mortgage market meltdown, the number of foreclosures continues to climb. Left unchecked, loan foreclosures are likely to continue to rise well into 2009.

While crafting appropriate solutions to assist homeowners facing foreclosure is an important national goal, the mortgage market crisis should not divert attention from the urgent housing problems that low-income renters confront. As the mortgage market turmoil continues, many holders of foreclosed assets will be forced to sell at deep discounts. Rather than allow foreclosed properties be sold off to the highest bidder, what is needed is a mission-driven entity, such as a community preservation fund, that could participate in this market with the goal of expanding the supply of affordable rental housing.

Crafting such a program could be the centerpiece of the next generation of affordable housing programs—a balanced set of national housing policy initiatives that expand access to sustainable and affordable housing opportunities to meet the needs of owners and renters alike.

DEMOGRAPHIC DRIVERS OF RENTAL DEMAND

Renter households are becoming more diverse not only because of the growing numbers of immigrants and minorities, but also because of the changing age structure of the population. Meanwhile, the income and wealth disparity between owners and renters has expanded, especially after many upper-income renters were enticed into buying during the recent homeownership boom. The current rash of foreclosures will, however, force some owners to switch back to renting. How these long- and short-term trends play out will affect the strength of future renter demand and the response of the rental stock.

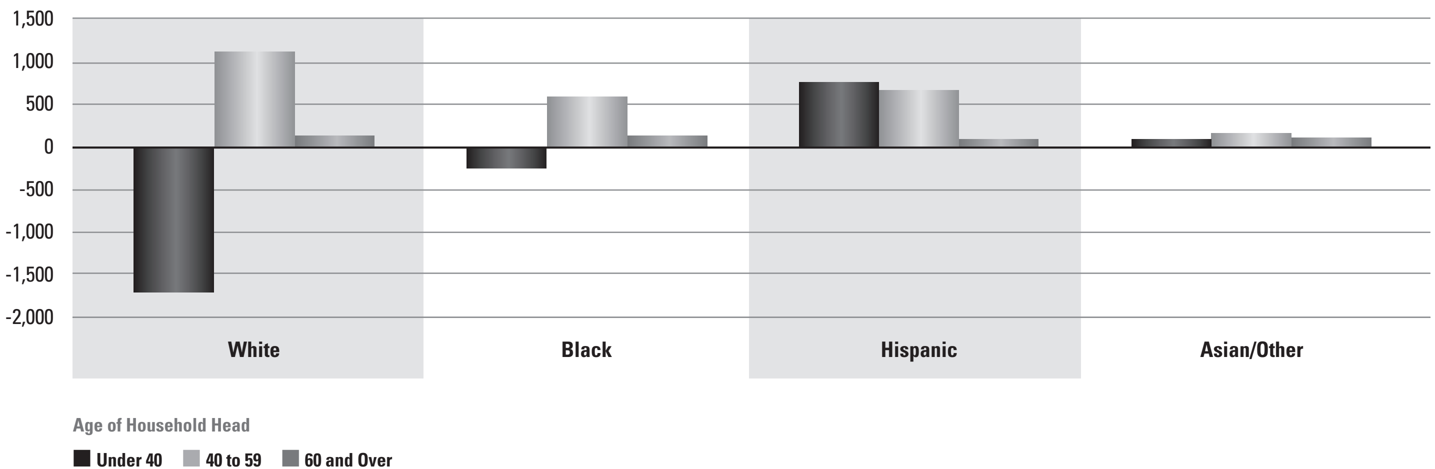
THE SHIFTING COMPOSITION OF DEMAND

Over the decade from 1995 to 2005, the number of renter households increased by just 2.6 million while the number of owners jumped by 10.7 million. Demand for rental housing slowed over the period as the last members of the baby-boom generation moved into their peak homebuying years. At the same time, rising house prices and lax mortgage underwriting standards encouraged many renter households with limited resources to make the switch to homeowning. As a result, the homeownership rate for all age groups rose and the share of renter households declined.

What little growth in renter households that did occur before 2005 was due primarily to the rising numbers of minority and immigrant households, whose homeownership rates lag those of white and native-born households. Indeed, the minority share of renter households increased from 37 percent in 1995 to 43 percent in 2005 (Table A-3). Hispanic renters accounted for nearly half of the minority gains, with their numbers up 34 percent over the decade. The number of black and other

FIGURE 5 Strong Growth in Minority Renters Has Offset the Dramatic Decline in Younger White Renters

Change in Renter Households, 1995–2005 (Thousands)



Notes: White, black and Asian/other are non-Hispanic. Hispanics may be of any race.

Source: JCHS tabulations of the 1995 and 2005 American Housing Surveys, using JCHS-adjusted weights for 2005 data.

minority renter households rose more modestly, while that of white households fell by about 433,000.

In part, these trends reflect the age structure of the immigrant and minority population. These groups are younger on average than whites because immigrants typically arrive in the United States as teenagers and young adults. Among renter households with heads aged 39 and under, the number of Hispanic renters increased by 775,000 from 1995 to 2005, even as the number of same-age white renters fell by 1.7 million and the number of black renters declined by 242,000 (Figure 5). Because of the sheer size of the baby-boom generation, the number of renter households aged 40 to 59 climbed 31 percent over this period, lifting the middle-aged share of renter households from 27 percent to 32 percent, with notable gains for whites and minorities alike.

THE ROLE OF IMMIGRANTS

Of the nearly 37 million renter households in 2005, one in six (6.1 million) were headed by an immigrant. Most foreign-born households rent their housing during their first several years in this country. For example, among the 1.6 million immigrants who had lived in the United States for five years or less in 2005, more than 80 percent were renters (Figure 6). But like native-born households, many foreign-born households eventually make the move to homeownership. Indeed, the median length of time that immigrants live in the United States before buying their first homes is about 11 years, and a little longer (14 years) for those who arrive before the age of 25. As a result, only one-third of the immigrants who came to the United States before 1990 remained renters in 2005. After being in the country for at least 15 years, the share of immigrant households that still rent nearly matches the share of same-aged native-born households.

The decision to own or rent depends on a variety of demographic factors including income, age, and household composition, as well as supply factors such as home prices and location. Citizenship also appears to influence this choice, given that noncitizens are more than twice as likely as naturalized citizens to rent. This gap reflects the limited access that foreign-born noncitizens have to mortgage finance, as well as their tendency to be younger and to have lived in the United States for less time than foreign-born citizens.

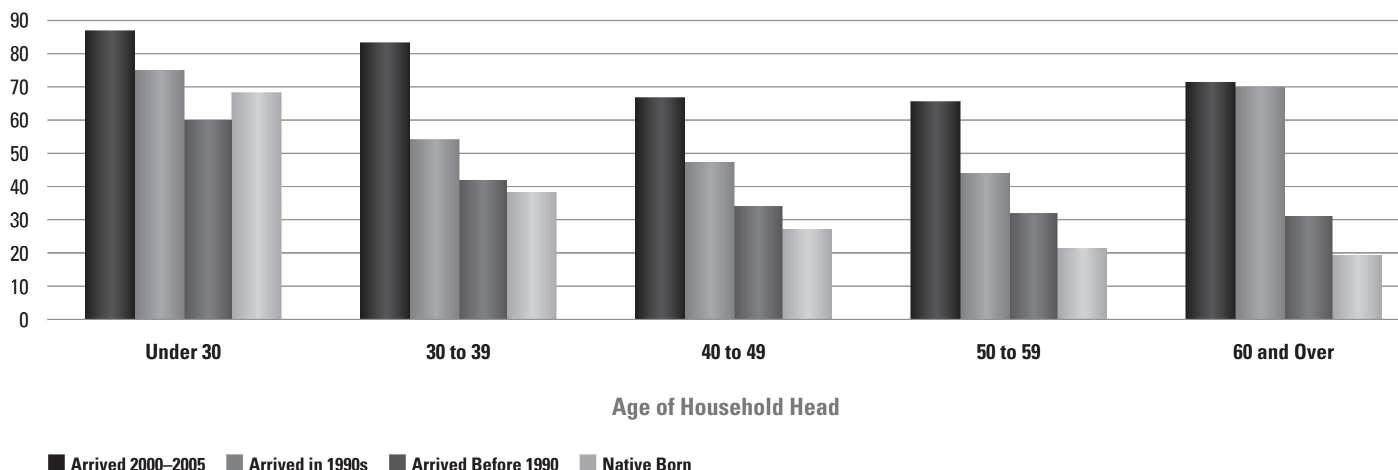
Foreign-born renters also differ from native-born renters in significant ways. For example, they are slightly more likely to have higher incomes, with only 37 percent of foreign-born renters in the bottom income quartile compared with 41 percent of native-born renters. Immigrants pay higher rents on average, largely because they tend to settle in some of the nation's most expensive housing markets. In addition, they are far more likely than native-born individuals to live in the center cities of metro areas and much less likely to live in more affordable rural areas.

HOUSING MOBILITY AND TENURE CHANGE

Millions of households move in any given year. According to a recent Joint Center for Housing Studies analysis, some 20.4 million—or 19 percent of all households—reported a change of residence between 2003 and 2005. While not all households switch tenure when they move, many do. Over

FIGURE 6 Recent Immigrants Buoy the Ranks of Renters

Share of Households that Rented in 2005



Source: JCHS tabulations of the 2005 American Housing Survey, using JCHS-adjusted weights.

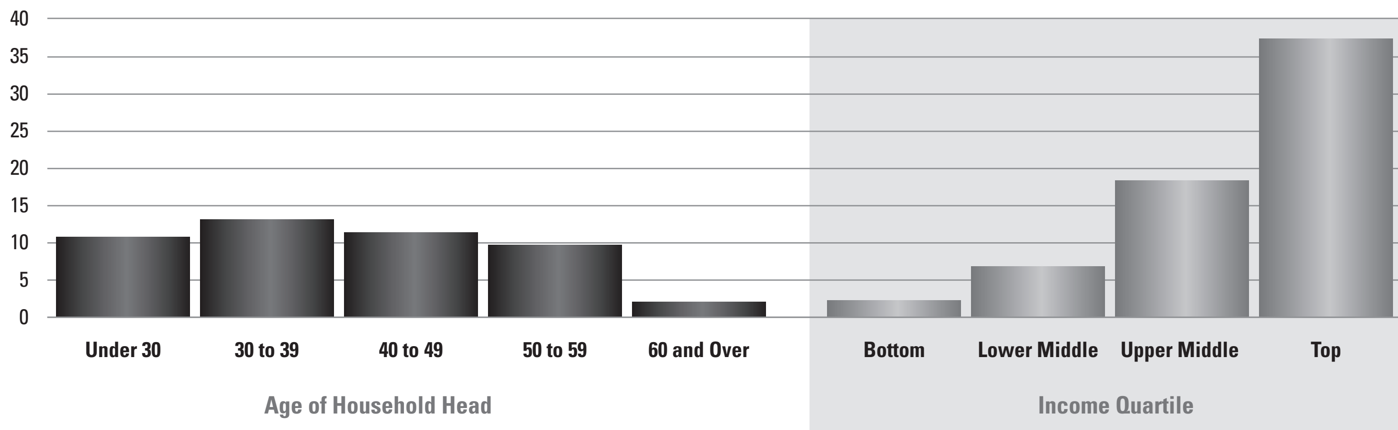
this two-year period, 3.6 million renters became homeowners and 1.9 million owners became renters (Table A-4). At the same time, 4.7 million owners purchased other homes while more than 10.2 million renters moved to different rental units.

In weighing the decision to move, households must assess the size, quality, and location of their housing options as well as the relative advantages of owning or renting. The transaction costs associated with renting a unit—usually just a matter of making a deposit—are much more modest than the realtor fees, mortgage brokerage costs, and downpayment requirements involved in buying a home. As a result, households with shorter expected stays are more likely to rent, while households with longer expected stays are more likely to buy given that they can spread the high transaction costs over a longer period. Younger households that anticipate major changes in education, employment, income, and marital status are therefore more apt to rent than otherwise similar households that have finished their schooling, settled down, and do not expect to move in the near future.

Because owned units require higher monthly outlays and are usually larger and of better quality than rental units, higher-income renters are more likely than lower-income renters to

FIGURE 7a **Renters that Become Owners Have Higher Incomes…**

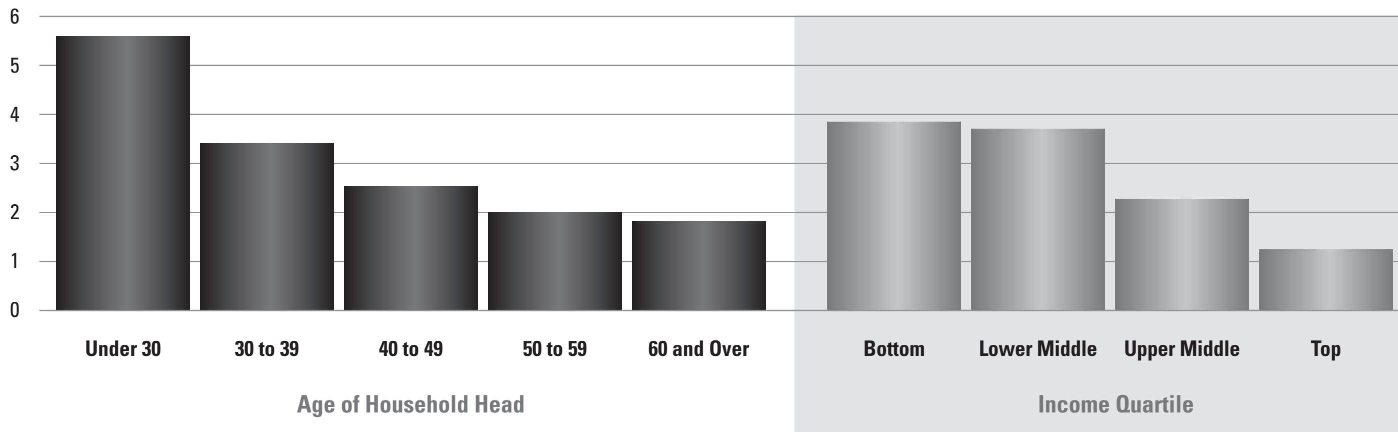
Share of Renter Households in 2003 That Owned in 2005 (Percent)



Note: Income quartiles are equal fourths of all households sorted by pre-tax income.
Source: JCHS tabulations of the 2003 and 2005 American Housing Survey, using JCHS-adjusted weights.

FIGURE 7b **…While Owners That Become Renters Are Much Younger and Have Lower Incomes**

Share of Owner Households in 2003 That Rented in 2005 (Percent)



Note: Income quartiles are equal fourths of all households sorted by pre-tax income.
Source: JCHS tabulations of the 2003 and 2005 American Housing Survey, using JCHS-adjusted weights.

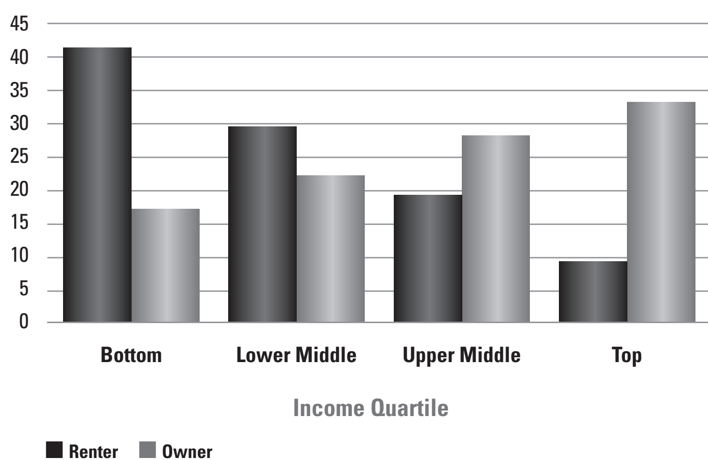
switch to ownership (Figure 7a). Indeed, over one-third of renter households in the top income quartile in 2003 purchased homes in the ensuing two years, compared with less than 2.5 percent of renters in the bottom income quartile. Given the long-standing disparity in income and the lingering effects of racial discrimination, white renters are twice as likely as black renters to make the transition to owning.

The number of owner households that switch to renting is also noteworthy. The reason most of these households cite for making such a move is a change in marital status, although other family/personal reasons, a new job or job transfer, and proximity to work or school are also common motivations. Some of these moves, however, are involuntary—especially if the owners faced foreclosure. While rising across the country, foreclosures appear to be highly concentrated in the lowest-income and minority communities. Consistent with these findings is the fact that homeowners in the bottom income quartile were three times more likely than those in the top income quartile to switch from owning to renting (Figure 7b).

Today's mortgage market woes will not only force many owners into the rental market, but also limit the homebuying opportunities for other lower-income renters. Another fallout from the crisis is the reported increase in renter evictions from foreclosed properties owned by absentee landlords and financed with subprime loans. At best, the rash of foreclosures will increase the number of households searching for rental units. At worst, it will add to the ranks of the homeless.

FIGURE 8 **Household Incomes of Renters Are Well Below Those of Owners**

Share of Households in Quartiles (Percent)



Note: Income quartiles are equal fourths of all households sorted by pre-tax income.
Source: JCHS tabulations of the 2005 American Housing Survey, using JCHS-adjusted weights.

GROWING INCOME INEQUALITY

The income and wealth gap between owners and renters continues to widen. According to the American Housing Survey, median renter income declined by 6 percent in real terms to $26,000 from 1995 to 2005, while median owner income increased by 8 percent to $55,000. By the end of that decade, some 41 percent of renters were in the lowest income quartile ($21,000 or less), compared with just 17 percent of owners (Figure 8). At the other end of the distribution, only 9 percent of renters were in the highest income quartile (over $76,000), compared with 33 percent of owners.

The wide income gap reflects in part the steady movement of renters—and particularly white renters—into homeownership during the decade. Indeed, the number of white renters fell in all income quartiles except the lowest. While many minority households also bought homes during the boom, the number of minority renters in the lowest income quartile increased by over one million. In 2005, over 51 percent (3.6 million) of black and 39 percent (2.4 million) of Hispanic renters had incomes in the bottom income quartile.

The latest available data from the Survey of Consumer Finance show that the inequality in wealth holdings of owners and renters has also increased. From 1995 to 2004, the surge in home prices and unusually favorable mortgage environment enabled most owners to accumulate home equity at a rapid clip. Over this same period, the median net wealth of owners (aggregate value of assets less debts) was up by 44 percent. In sharp contrast, the median net wealth of renters fell by 32 percent (Figure 9).

Rapid home price appreciation helped to increase the disparity. By 2004, homeowners had aggregate net wealth of approximately $50 trillion, including nearly $12 trillion in home equity. Joint Center research indicates that growth in homeowner wealth for highest-income households also reflects gains in stocks and other financial assets, funded in part by equity cashed out either through home sales or refinancings. In contrast, income-constrained owners more typically used accumulated home equity to fund daily consumption needs rather than savings and investments. As a result, the disparity in wealth within the ranks of homeowners also grew in 1995–2004 as the median net wealth of highest-income owners nearly doubled while that of lowest-income owners fell.

While lowest-quartile renter households did achieve some modest gains in net wealth between 1995 and 2004, this category includes many households who switched from owning to renting and took with them home equity acquired over the

period of rapid price appreciation. Even so, the median wealth holdings of owners in 2004 was 45 times the median wealth holdings of renters.

It is important to note that these net wealth estimates predate the recent housing market turmoil when millions of homeowners began to see substantial losses of home equity. At this point, it is impossible to predict how long it will take for prices to stabilize and then begin to rise again. But even in the extremely unlikely case that homeowner wealth returns to 1995 levels and renter wealth remains unscathed, median homeowner wealth would still be as much as 30 times higher than median renter wealth.

THE OUTLOOK

If foreclosures continue to rise, renter household growth could return to levels not seen in a decade. This is already the case in those regions and for those groups that have experienced declines in homeownership rates for several years. For example, given that foreclosures in the industrial Midwest have been climbing since 1996, it stands to reason that renters now constitute a growing share of households in that region. In fact, the Housing Vacancy Survey indicates that the number of renter households in the Midwest was up some 10.4 percent from 2004 to 2007, nearly double the increase in the rest of the nation.

Similarly, the homeownership rate for black households has declined more or less steadily since 2004 and growth in the number of black renters has accelerated. Now that the homeownership rate for whites also appears to be declining and that for Hispanics has leveled off, the numbers of renter households in these groups are likely to increase as well.

Looking beyond the immediate housing market turmoil, there is reason to believe that the growth of renter households will again slow early in the next decade. Based on most likely assumptions about population growth, household formation rates, and continued immigration, the Joint Center estimates that demographic factors alone will add 14.6 million households on net between 2005 and 2015. Growth of this magnitude will not only help to absorb the oversupply in both owner and renter markets, but also begin to stabilize housing prices and restore gains in homeownership.

FIGURE 9 Renter Wealth Lags Far Behind Owner Wealth

Tenure and Income Quartile	Median Net Wealth (2004 dollars)		Percent Change
	1995	2004	1995–2004
Owner			
Bottom	79,160	75,850	-4.2
Lower Middle	99,473	118,300	18.9
Upper Middle	107,598	161,000	49.6
Top	237,910	453,600	90.7
Total	**127,813**	**184,560**	**44.4**
Renter			
Bottom	1,231	1,830	48.7
Lower Middle	6,771	5,400	-20.2
Upper Middle	20,436	19,720	-3.5
Top	62,417	60,500	-3.1
Total	**5,934**	**4,050**	**-31.7**

Notes: Income quartiles are equal fourths of all households sorted by pre-tax income. Dollar values are adjusted for inflation by the CPI-UX for all items.
Source: Joint Center tabulations of the 1995 and 2004 Surveys of Consumer Finance.

RENTAL PRODUCTION AND SUPPLY

Despite a sharp uptick in the number of renter households, construction of multifamily units for rent declined in 2007 for the fifth straight year. Even so, growth in the rental inventory has accelerated as the excess supply of housing in the for-sale market has forced many owners to attempt to rent out vacant single-family homes, condos, and vacation properties. Although expanding the overall supply, these additions are generally higher-quality units that provide little relief to the large and growing number of low-income renters who struggle to afford even marginal housing. This mismatch between supply and demand will severely limit the market's ability to absorb the excess rental units sitting empty in communities across the country.

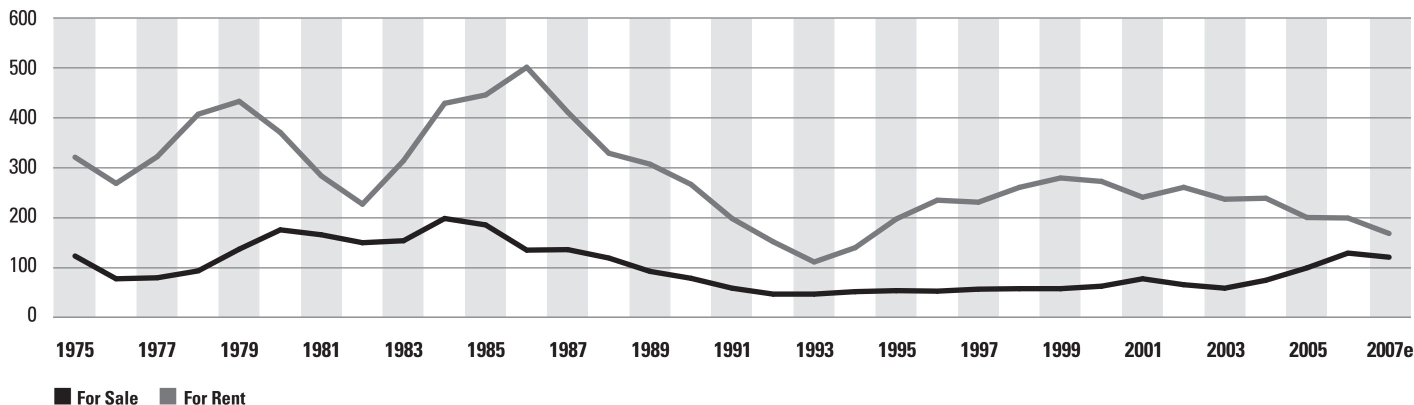
RENTAL CONSTRUCTION SLOWDOWN

Multifamily completions—including both units built for rent and condominiums and cooperative apartments built for sale—have hovered near 300,000 units annually for much of this decade. Building on the strength of the homeownership boom, multifamily developers ramped up construction in the for-sale market starting in 2004. Completions of multifamily units for rent were down to 169,000 units by 2007—the lowest level since the deep recession of the early 1990s and only one-third of the record set in 1986 (Figure 10).

According to the US Census Bureau, the sharpest cutbacks in multifamily rentals have been in the Midwest, where production fell to just 19,000 units in 2007—a 60 percent decline since 2004. Only the South, a region with relatively rapid renter household growth and relatively modest building costs, bucked the trend. Rental production in the region did decline to 89,000 units in 2007, but this represents only a 20 percent drop from the 2004 level.

Multifamily rental production would have fallen even further without the Low Income Housing Tax Credit (LIHTC) program. Created by the Tax Reform Act of 1986, the LIHTC

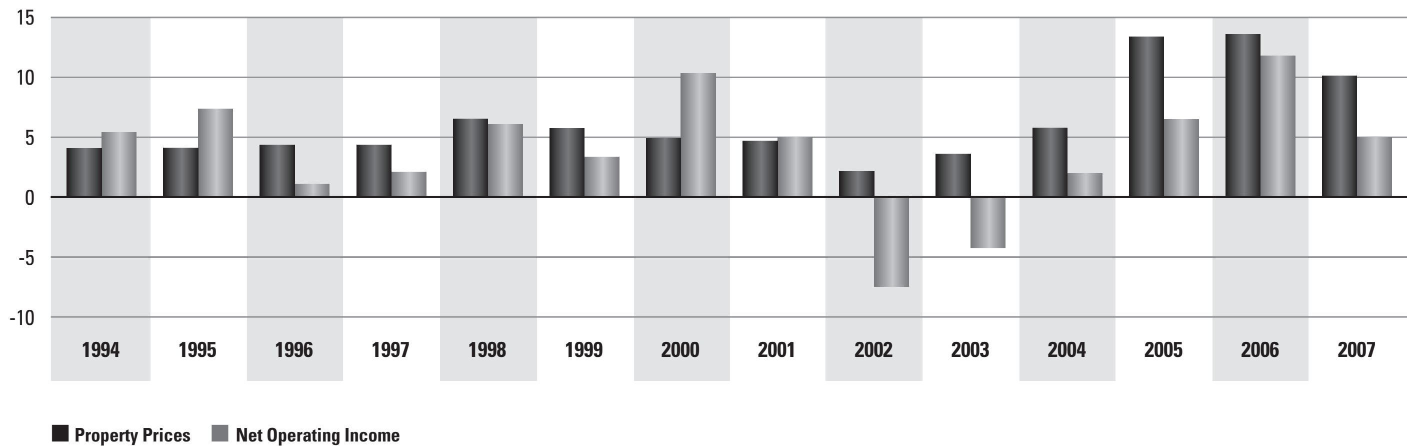
FIGURE 10 **Multifamily Construction Has Fallen Well Below Historical Peaks**



Source: US Census Bureau, New Residential Construction.

FIGURE 11 Apartment Property Prices Are Rising Faster than Their Net Operating Income

Annual Percent Change



Source: National Council of Real Estate Invesment Fiduciaries.

program provides tax breaks to developers in exchange for set-asides of units affordable to lower-income households. According to the National Council of State Housing Agencies, some 75,000 LIHTC units—more than 40 percent of total multifamily production—were built in 2006.

The limited amount of rental construction that is taking place today consists primarily of larger apartment buildings. Over the period from 1996 through 2005, 1.3 million of the 3.2 million rentals completed were in structures with 20 or more units, and another 1.0 million rentals were in buildings with 5–19 units. Over the same period, completions of multifamily rentals in structures with two to four apartments—historically the mainstay of many urban rental markets—totaled about 200,000, while site-built and manufactured single-family homes added another 733,000 (Table A-7).

The increasing focus on larger structures reflects a variety of factors, but the LIHTC program plays a significant role. The US Department of Housing and Urban Development reports that the average number of units in tax-credit developments has steadily risen since the program's inception and now stands at close to 80 units. With tax-credit units accounting for increasing shares of all multifamily construction, little wonder that large multifamily structures have become the fastest-growing segment of the rental housing inventory.

SURGE IN LARGE PROPERTY VALUATIONS

Even as construction of multifamily rentals fell steadily from 2002 to 2007, investment in large multifamily properties accelerated. The combination of record-low interest rates, rising occupancy rates, and attractive yields helped to lift sales and prices of apartment complexes starting in 2003. Hefty increases in net operating income brought in even more investors, with property prices advancing 50 percent from 2003 to 2007 (Figure 11).

One of the forces driving investment mid-decade was the growing demand for condominiums. In markets across the country, the relative affordability of condos and the availability of easy financing terms sparked new interest in multifamily for-sale units. For buyers, condos provided a means of attaining homeownership in higher-density locations at less cost than single-family units. For developers, conversion of multifamily rental properties into condos was a good alternative to the high costs of new construction. Investors bought buildings from landlords facing weak rental demand, renovated the units, and then sold the condos to individual homebuyers or investors seeking a quick profit.

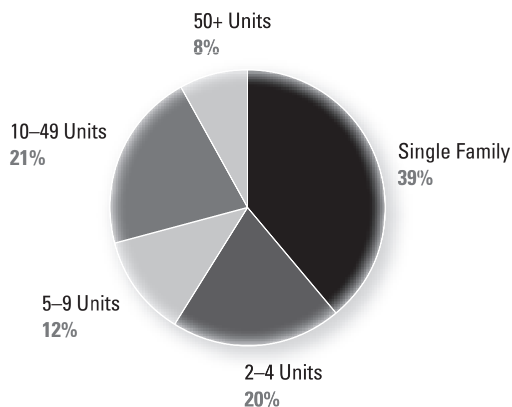
The run-up in rental property sales was sudden and dramatic. Acquisitions by condo converters of multifamily properties selling for at least $5 million rose ten-fold from 2003 to 2005, to more than $30 billion. According to Real Capital Analytics, the number of units in these larger rental properties converted to condos expanded from a few thousand in 2003 to 235,000 in 2005—a figure that exceeds new multifamily rental completions in that year. The conversion boom was a distinctly regional trend, with over 40 percent of transaction volume in 2004–2006 located in the Southeast (particularly Florida).

But by the middle of 2006, condo conversions were falling out of favor even faster than they had gained it. For the year as a whole, acquisitions of multifamily properties for conversion to condos dropped to less than $10 billion and the number of units converted fell to less than 60,000. By 2007, the market for condo conversions had all but disappeared while thousands of units remained in the pipeline.

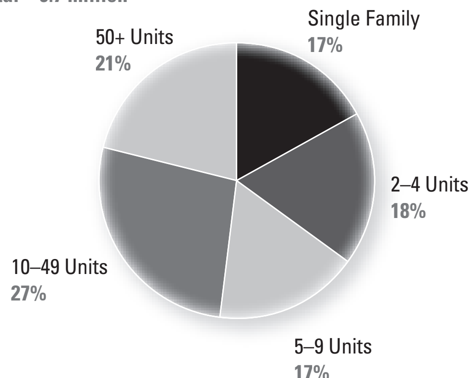
The condo boom and bust is not without precedent. From 1981 to 1985, completions of multifamily units for sale averaged 120,000 units annually. But as the market's ability to absorb this level of production slowed in the second half of the decade, some 343,000 units in condo and coop buildings reverted to the rental market.

FIGURE 12 Most Renters Live in Single-Family Homes Or Small Multifamily Apartment Buildings

Share of Renters Living in Unsubsidized Units
Total = 30 million



Share of Renters Living in Subsidized Units
Total = 6.7 million



Note: Single-family units include manufactured housing.
Source: JCHS tabulations of the 2005 American Housing Survey, using JCHS-adjusted weights.

A similar dynamic appears to be in place. Although current condo owners can attempt to rent out their vacant units until the for-sale market rebounds, the ability of the rental market to absorb a significant share of this excess is questionable. The fact that many condominiums are now in the midst of a complex foreclosure process adds further uncertainty to the timing of the condo market adjustment.

FOCUS ON THE HIGH END

With apartment construction focused increasingly on the high end of the market, asking rents have moved up steadily since 1999. In part, higher asking rents reflect the upward drift in the size and quality of multifamily rentals being built. In 2006, the median size of multifamily rentals set a record of 1,192 square feet, while the share of apartments with three or more bedrooms, air conditioning, and other amenities set records as well.

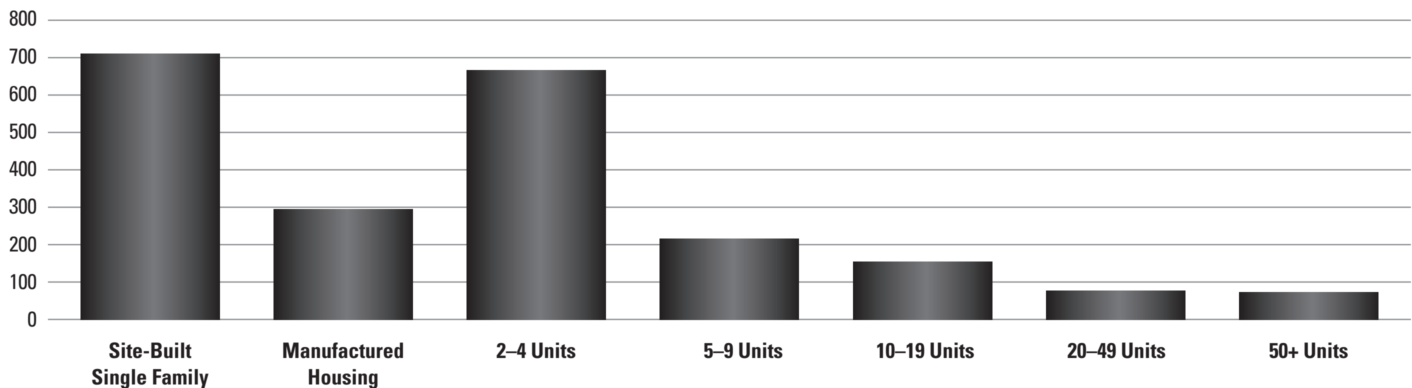
At the same time, the persistent rise in development costs has sharply curtailed the construction of modest-quality, affordable rental housing. Although materials such as wood and wallboard have become cheaper in recent years, metal prices and especially labor costs have climbed. Indeed, average annual cost increases for multifamily construction ranged from -0.1 percent to 2.2 percent from 1996 to 2003, never exceeding the change in general consumer price inflation. From 2004 to 2006, however, construction costs were up more than 7 percent annually (more than double the rise in consumer price inflation), before dropping back to 3 percent in 2007.

Even more important are soaring land costs. A recent Federal Reserve Board study concludes that the price of residential land has increased almost 250 percent faster than inflation since 1975. Restrictive zoning and land use practices have added to the price pressures by limiting the amount of land available for multifamily construction, while complex building requirements have extended construction time. Given the reality of rapidly rising land prices, builders increasingly target production to high-end consumers or rely on LIHTC or other forms of subsidy to help offset high development costs.

Even allowing for the growing importance of LIHTC units in the overall construction mix, the median asking rent for newly built apartments in buildings with five or more units nevertheless stood at a record high of $1,057 in 2006—well above the $766 median gross rent for all units and up more than 30 percent from mid-1990s levels. As a result, only 20,000 new unfurnished apartments renting for less than $750 a month were completed in 2006, despite being the types of units most in demand.

FIGURE 13 **Inventory Losses Focus on Smaller Properties**

Rental Units in 1995 Permanently Removed from the Stock by 2005 (Thousands)



Source: Table A-7.

Although demand for better-quality, higher-priced rentals does exist in many metropolitan areas, the annual income required to afford (using the 30-percent-of-income standard) a monthly rent of $1,057 is $42,280. Given that the median renter income in 2006 was just $29,000, most newly built units are well beyond the reach of the majority of renters.

LOSS OF AFFORDABLE RENTAL HOUSING

More than 80 percent of all renters, as well as more than 70 percent of renters with incomes in the lowest quartile, live in privately owned, unsubsidized housing. Unlike newly built units, most of the unsubsidized rental stock consists of single-family residences (including manufactured homes), two- to four-family structures, and smaller apartment buildings with 5–49 units (Figure 12).

The assisted rental inventory is also predominantly in these smaller properties, including units rented by voucher holders as well as public housing and project-based developments located in smaller metropolitan and nonmetropolitan areas. In fact, only one-fifth of assisted rentals are in buildings with 50 or more units. Larger subsidized properties are typically older public housing, project-based developments, or newly built LIHTC projects.

Most of the privately owned, small multifamily rental stock was built at least 30 years ago, when construction techniques and capital markets were less sophisticated and households were less affluent. Much of this inventory is now in need of substantial repair. According to the American Housing Survey, 3 million private market rental units have severe structural deficiencies and are at risk of loss.

From 1995 to 2005, nearly 2.2 million of the 37 million initially available rental units (occupied and vacant) were demolished or otherwise permanently removed from the inventory. Though representing just 6 percent of the 1995 rental stock, these losses offset nearly 70 percent of the 3.2 million new rental units built over the decade. While occurring across all types of properties, losses among single-family and small multifamily rentals have been particularly high—in fact more than three times those of units in large multifamily buildings (Figure 13). Also experiencing high losses are communities with large shares of older, lower-quality, and structurally inadequate units.

Relative to the low levels of rental construction over this period, these losses are even more troubling. Indeed, between 1995 and 2005, two rental units were permanently removed from the inventory for every three units built (Table A-7). Inventory losses were highest in the Northeast, where two rental units were lost for every one built. In the Midwest, construction of 596,000 rental units barely offset removals of 441,000. Within metropolitan areas, center cities were particularly hard hit by the rental losses since most new construction occurs in outlying areas.

SHIFTS IN MORTGAGE FINANCE

The changing structure of the mortgage industry has had a noticeable impact on the multifamily housing market.

During the 1990s, the share of multifamily mortgages that were placed in mortgage-backed securities and traded in the secondary markets grew steadily. Along with increased standardization of underwriting criteria and loan documentation, these trends created a larger, more stable, and less expensive source of capital for rental property owners and developers, while also providing greater diversification for investors.

At the same time, a dual mortgage delivery system began to emerge. Individuals and investors seeking to purchase, rehabilitate, or build smaller rental properties were increasingly served by a distinctly different set of mortgage products, provided by a distinctly different set of lenders, than those financing larger rental properties. The Survey of Residential Finance documents that by 2001, some 86 percent of all apartment properties with 50 or more units had a mortgage, and as many as 65 percent of these properties had a level-payment, fixed-rate loan. In contrast, only 58 percent of five- to nine-unit apartment buildings had a mortgage, and just a third had level-payment, fixed-rate mortgages (Figure 14).

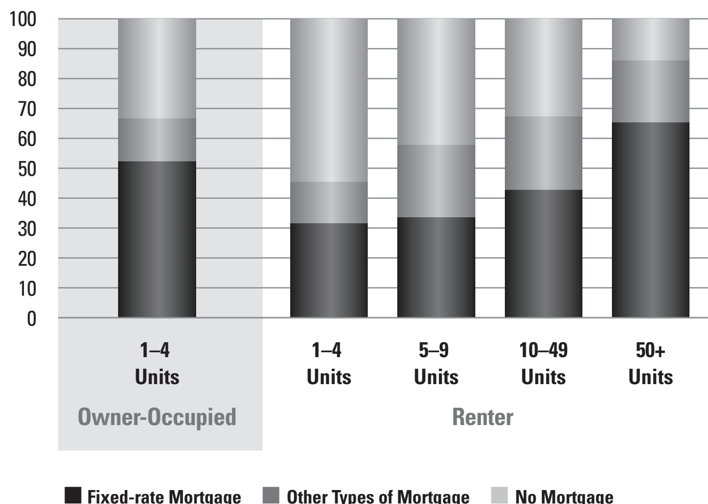
While Fannie Mae, Freddie Mac, and the Federal Housing Administration have greatly expanded access to capital for one- to four-unit rentals, they draw a distinction between owner-occupied and absentee-owner buildings. In 2001, less than one-third of all absentee-owned, one- to four-unit rental properties had level-payment, fixed-rate financing, and over half had no mortgage at all. By way of comparison, two out of three owner-occupied, one-to four-unit properties had mortgages.

Lacking access to longer-term, level-payment mortgages, absentee owners apparently increased their use of higher-risk subprime loans to purchase or refinance their small multifamily properties. According to Home Mortgage Disclosure Act data, in 2006 higher-risk subprime loans accounted for 30 percent of first lien home purchase mortgages made to nonresident owners of one- to four-unit properties located in metropolitan areas. In lower-income minority communities, this share approached 50 percent (Table A-8).

Although the data are limited, it appears that foreclosures of subprime mortgages on absentee-owned, one- to four-unit properties are also on the rise in communities across the country, just as they are for owner-occupied housing. Indeed, the Mortgage Bankers Association reports that nearly 20 percent of foreclosures involve these small investment properties. Foreclosures of rental properties are not only costly for the owners, but they also typically lead to the eviction of tenants. In addition, foreclosures can undermine the stability of already weak neighborhoods by depressing local property values, discouraging investment, and attracting crime.

FIGURE 14 **Owners of Small Multifamily Properties Have Limited Access to Mortgage Capital**

Share of Properties with Financing (Percent)



Note: One- to four-unit properties do not include manufactured homes and condominiums.
Source: US Census Bureau, Survey of Residential Finance.

THE OUTLOOK

The unprecedented turmoil in mortgage and construction markets makes the outlook cloudy at best. In its January 2008 survey of market conditions, the National Multi Housing Council reports that executives of apartment-related firms were increasingly pessimistic about accessing equity financing for new projects and about the prospects for both the multifamily rental and for-sale markets.

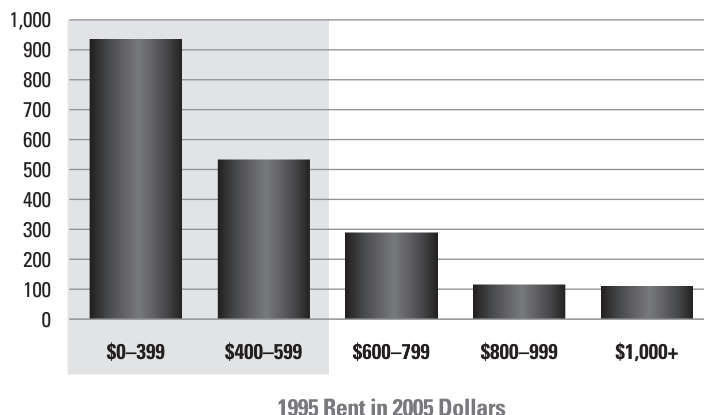
The biggest wildcard is how foreclosures of both single-family and small multifamily properties alter the supply of rentals. In the short term, these units add to the stock of vacant housing held off the market as they work their way through the complex foreclosure process. In the longer term, because many of these foreclosures are in distressed urban markets where renters are concentrated, they could well accelerate the inventory losses that are already under way. In many urban areas, it could take many years to restore stability to rental housing markets.

AFFORDABILITY CHALLENGES

With so many lower-income renters competing for the limited supply of affordable housing, growing numbers of households find it increasingly difficult to make ends meet. To cover even modest rents, they must either sacrifice other needs to pay for decent housing or live in crowded, inadequate conditions in locations that are unsafe, inconvenient, or both. Meanwhile, the affordable rental stock continues to shrink, placing additional upward pressure on rents. Making matters worse, the tightening of credit standards in response to the foreclosure crisis is adding to the already heavy debt burdens of lower-income renters.

FIGURE 15 **Twice as Many Low-Cost Rental Units Have Been Lost Than of All Other Units Combined**

Rental Units in 1995 Permanently Removed from the Stock by 2005 (Thousands)



Source: JCHS tabulations of the 1995 and 2005 American Housing Surveys, using JCHS-adjusted weights for 2005 data.

GROWING RENT BURDENS

After declines in the 1980s and early 1990s, inflation-adjusted gross rents (rents plus utility costs) moved up steadily from $704 in 1996 to an all-time high of $775 in 2007. The upward drift in rents reflects the fact that even as better-quality and higher-rent units are being added to the inventory, older, lower-quality, lower-rent units are being lost. From 1995 to 2005, 1.5 million units renting for less than $600 a month in 1995 were demolished or otherwise removed from the housing inventory (Figure 15). Of these, some 944,000 rented for less than $400. Overall, these losses represent almost 8 percent of the lower-cost stock.

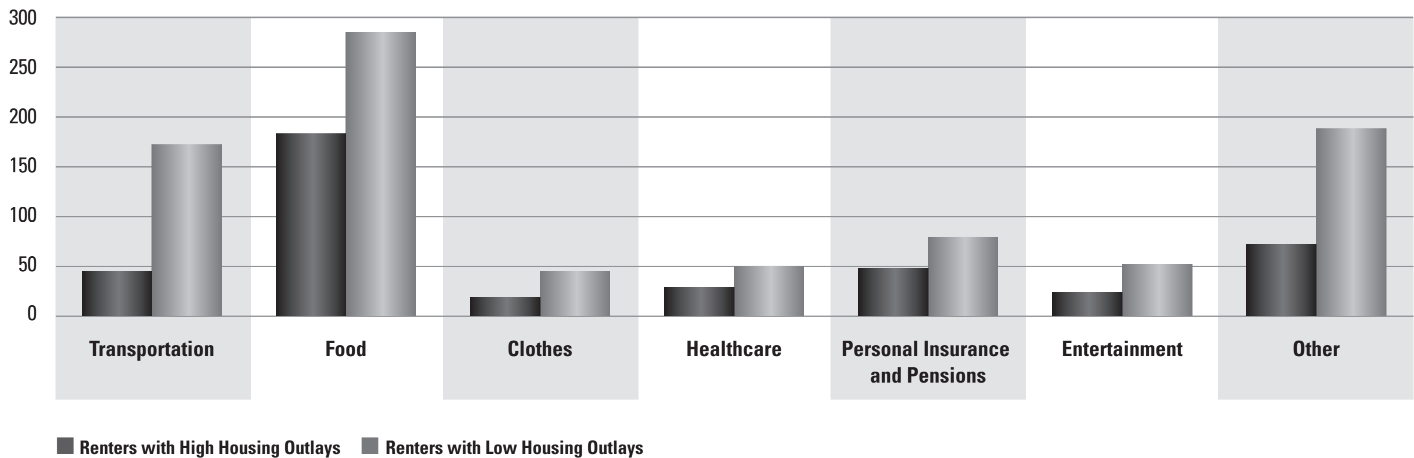
With losses of this magnitude on top of lagging renter income growth, affordability problems have reached unprecedented levels. According to the American Community Survey, the median gross rent rose 2.7 percent in real terms from 2001 to 2006 while the median renter income fell by 8.4 percent (from over $31,600 to $29,000). As a result, nearly half of all renters paid more than 30 percent of their incomes for housing in 2006, and about a quarter—nearly nine million households—spent more than 50 percent (Table A-6).

Although the share of renters with such severe cost burdens increased in all but the top income group, affordability remains a special concern for the nation's lowest-income renters (with annual incomes of $24,200 or less in 2006). Fully 52 percent of these renters spent more than half their incomes on housing in 2006, up from 47 percent in 2001. In absolute terms, the number of lowest-income renters with severe cost burdens increased by more than one million between 2001 and 2006 to surpass the eight-million mark.

Minority households, as well as the youngest and oldest renters, are the most likely to face affordability problems. More than 30 percent of black renters and 27 percent of Hispanic renters were severely housing-cost burdened in 2006, compared with 21 percent of white renters. In addition, 34 percent of renters under age 25, along with 32 percent of renters aged 75 and over, also paid more than half their incomes for housing.

FIGURE 16 Low-Income Renters with High Housing Costs Spend Much Less on Other Needs

Average Monthly Expenditures of Renters in the Bottom Expenditure Quartile



Notes: Expenditure quartiles are equal fourths of households sorted by total monthly expenditures. High (low) housing outlays are housing costs that are over 50% (under 30%) of monthly expenditures.
Source: JCHS tabulations of the 2005 Consumer Expenditure Survey, using Quarterly Interview Survey data.

Even the 6.7 million households living in subsidized rental housing are not immune to these cost pressures because many of today's subsidized housing programs do not cap rents at 30 percent of income. American Housing Survey data indicate that half of all subsidized renters pay more than 30 percent of their incomes for rent, while a quarter pay more than 50 percent.

Among the subsidized households facing high rent burdens are many residents of LIHTC units. To qualify for the tax credit, developments must set rents that are affordable to households earning 60 percent of area median income. But because area median income is based on the incomes of both owners and renters, this standard is not as tightly targeted as it may first appear. Indeed, in a typical metropolitan area, only about one-third of renters can afford a tax-credit unit without additional subsidy.

RENTER TRADE-OFFS

While not captured in simple affordability measures, high housing costs affect a wide range of consumption choices and undermine the quality of life for millions of renter households. Rather than pay large shares of their income for housing, households may instead choose to live in substandard units, double up with friends or relatives in crowded conditions, or locate in unsafe or inconvenient neighborhoods.

Renters are more likely than homeowners to endure such poor living conditions. Almost 5 percent of renter households live in crowded units while almost 11 percent live in structurally inadequate housing. Comparable shares for homeowners are just 1 percent and 3 percent. Moreover, renters are more likely than owners to face threats to health and safety in their neighborhoods, especially those living in older housing units that are located in economically distressed center city neighborhoods. For example, more than 21 percent of renters reported crimes in their neighborhoods in 2005, compared with 12 percent of owners.

Rather than sacrifice the quality of their housing, some households pay half or more of their incomes for rent and skimp on other expenses. To meet high rents and utility payments, these severely cost-burdened renters make difficult trade-offs (Table A-5). Those in the bottom expenditure quartile devote 33 percent less to food, 42 percent less to healthcare, and almost 60 percent less to clothing than renters with the same total expenses but living in affordable housing (Figure 16).

While renters with high housing costs spend 74 percent less on transportation than those with low housing expenses, this trade-off may be no bargain if it means that they are unable to access areas where job growth is strongest. Indeed, almost 60 percent of lowest-income renters do not own cars and thus face serious obstacles to seeking jobs in high-growth suburban employment centers. While public transit is sometimes an option, these systems are generally ill-suited to moving people from core areas to widely scattered suburbs.

THE STRUGGLE OF WORKING FAMILIES AND SENIORS

To combat the rising cost of living, the federal minimum wage is currently set to increase gradually from today's $5.85 to $7.25 by 2009. Yet even if the full amount were now in effect, one minimum-wage job would not pay enough to cover the cost of a modest two-bedroom rental unit anywhere in the country. According to the latest estimates from the National Low Income Housing Coalition (NLIHC), the housing wage—or the hourly wage that someone working 40 hours a week, 52 weeks a year, would have to earn to cover the cost of a modest two-bedroom rental while paying no more than 30 percent of income for rent—climbed from $16.31 in 2007 to $17.32 in 2008.

The shortfall in renter earnings is not for lack of effort. Based on an analysis of the 2006 American Community Survey, the NLIHC reports that 77 percent of renter households received wage and salary income. The shares receiving such income increase with household size, from 61 percent for one-person households to 92 percent for households with five or more persons. Moreover, more than half of all renter households with earnings in 2006 reported working more than the standard 40 hours a week (Figure 17).

Renter households without wage and salary income are typically older or have at least one household member with a disability that limits their ability to work. For example, single-person households with no wage and salary income were seven times more likely to be age 60 and older than single-person households with earnings. Similarly, 39 percent of two- and three-person households with no wage and salary income included at least one person age 60 and over, compared with only 8.5 percent of same-size households with income from earnings.

Unfortunately for young and old renters alike, even full-time employment is no guarantee that a household can afford housing. Using statewide average fair market rents (FMRs), NLIHC estimates that 42.6 percent of all working families did not earn enough in 2006 to afford an appropriately sized housing unit. Although larger renter households tend to receive higher wage and salary income because they have multiple workers, they are still unable to cover the relatively higher costs of larger apartment units. As a result, as many as 59 percent of five- and six-person renter households cannot afford the fair market rent for a modest three-bedroom apartment.

American Community Survey data also indicate that nearly 2.5 million senior renters (53 percent) pay more than 30 percent of their incomes for housing, while 1.4 million pay more than 50 percent. Seniors and others unable to work who have basic Supplemental Security Income (SSI) are especially likely to face high housing-cost burdens. Universal entitlement still leaves these households without sufficient resources to pay for rent and utilities as well as for food, medicine, and other necessities. Indeed, the basic SSI payment of $623 a month is only enough to cover a rent of $191 a month—far below the FMR for an efficiency apartment, let alone one with a separate bedroom.

FIGURE 17 Larger Working Families Face Particularly High Housing Cost Burdens

Number in Household	All Households: Number (000s)	All Households: Percent With Wage/ Salary Income	Households With Wage/Salary Income: Percent Working 40+ Hours Per Week	Households With Wage/Salary Income: Percent Unable to Afford FMR
One	14,050	61.1	58.4	39.4
Two	9,691	82.8	74.4	36.9
Three to Four	9,534	90.6	76.3	46.1
Five or More	2,770	91.6	79.9	59.3
All	**36,045**	**77.1**	**80.5**	**42.6**

Note: FMRs (fair market rents) are HUD estimates of the gross rent for a modest two-bedroom unit in 530 metropolitan areas and 2,045 non-metropolitan areas.

Source: National Low Income Housing Coalition tabulations of 2006 American Community Survey.

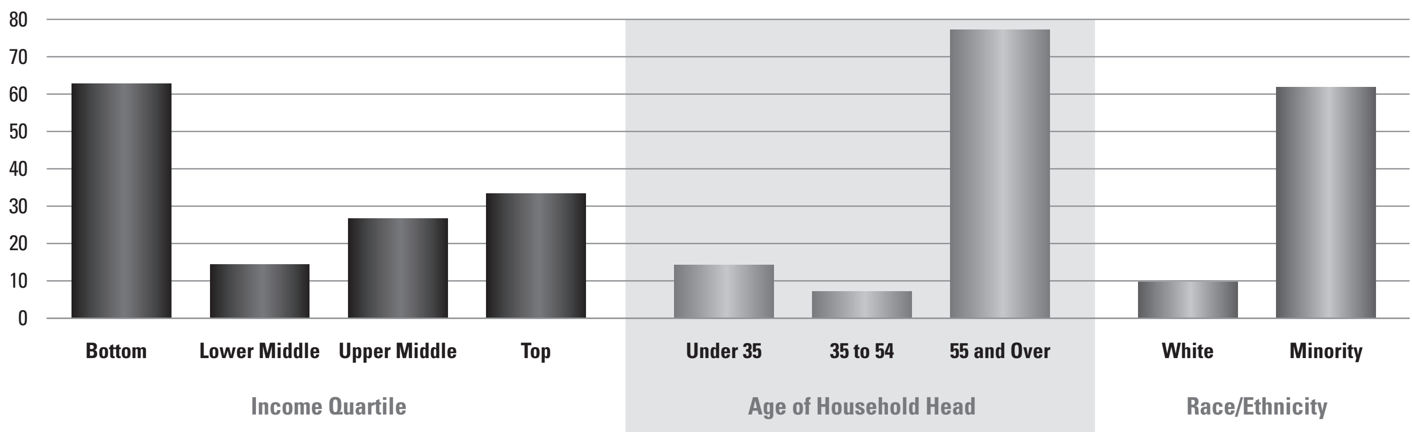
GROWTH OF RENTER DEBT

Faced with high housing costs that leave little left over for other necessities, many renters in the lowest-income quartile have to borrow to make ends meet. Indeed, the number of lowest-quartile renters in debt grew by 20 percent from 1995 to 2004, to 7.6 million. For all lowest-income renters, average outstanding debt was up 62 percent in inflation-adjusted terms, from $3,200 to $5,200 (Figure 18). While increasing across all age and racial groups, mean debt among renter households with heads age 55 and older surged by 76 percent, to $8,800. Among minorities, mean debt rose by 61 percent to $7,900.

Despite these growing debt levels, the combination of low interest rates and easy credit terms kept minimum monthly payments low. According to the 2004 Survey of Consumer Finances, the typical lowest-income renter with debt put just 9 percent of his or her meager income toward debt repayment

FIGURE 18 Renter Debt Has Grown Substantially

Inflation Adjusted Change in Average Debt Outstanding, 1995–2004 (Percent)



Notes: Income quartiles are equal fourths of all households sorted by pre-tax income. White householders are non-Hispanic, and minority households are all others.
Source: JCHS tabulations of the 1995 and 2004 Surveys of Consumer Finances..

each month, despite having a median debt-to-income ratio of almost 40 percent. Payments of this size reduce the cash available for rent and other necessities, but they are usually insufficient to cover the accumulating interest on debt, much less the principal. By 2004, millions of lowest-income renters were caught in a trap as the average number of months required to pay off their outstanding balances moved up sharply and their debt mounted.

The recent tightening of credit will likely keep the debt burdens of low-income renters on the rise, at least in the near term. Financial institutions are already reporting sharp upticks in delinquencies on credit cards and auto loans. In consequence, lower-income and less creditworthy borrowers are likely to see higher carrying costs on current debt and to have limited access to new debt.

THE OUTLOOK

Housing affordability pressures are expected to increase in the near term. With foreclosures forcing owners into the rental market and forcing current renters out of their apartments, the pressure on the affordable housing inventory is likely to drive rents higher. And with energy costs also on the rise, gross rents are certain to climb in the year ahead.

Unfortunately, any improvement in rental affordability will not come from the income side of the equation. Renter incomes have been stagnant or declining for the last few years, and large shares of lowest-income families already work full time. If the economy goes into recession, the slowdown in employment and wage growth will only make matters worse.

The rising cost of consumer credit will also take a toll, especially on renters that have run up significant debt in an attempt to cover basic living expenses. Even for lowest-income consumers that have managed their credit responsibly in the past, stricter credit standards will constrain the options for making ends meet in times of unexpected costs or sudden loss of income.

Over the longer term, the flood of foreclosed properties onto the rental market could ease some of the affordability pressures, but only to the extent that for-sale units converted to rentals meet the needs of households in the market. Indeed, lowest-income renters may be unable to afford even the highly discounted asking rents on foreclosed homes. Moreover, given that foreclosures are concentrated in many economically distressed urban areas, many low-cost rental properties could sit vacant or abandoned for years.

POLICY DIRECTIONS

During the past decade, broader access to homeownership emerged as the centerpiece of federal, state, and local efforts to expand affordable housing opportunities. But just as many mortgage brokers and loan officers aggressively marketed high-risk mortgage products to vulnerable borrowers, many federal, state, and local officials also oversold the benefits of homeownership—especially to low-income and low-wealth households. The recent rise in mortgage delinquencies and foreclosures has now exposed the tragic flaw in this single-minded strategy.

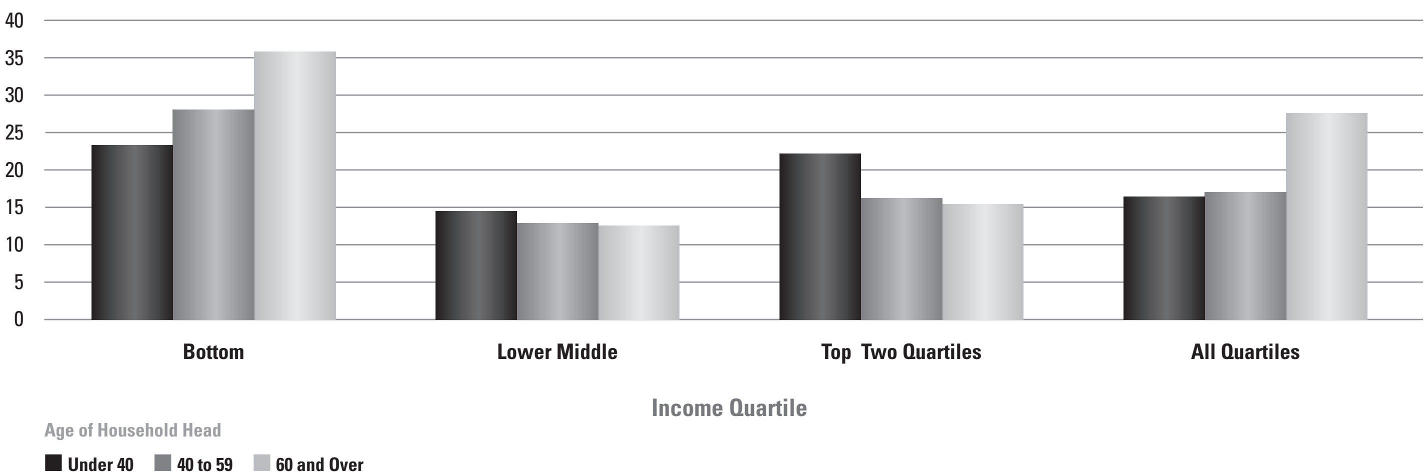
Undoubtedly most Americans share the goal of becoming homeowners. Yet for many families, securing access to decent and affordable housing of any sort is even more important. What is needed is a more balanced set of policies that would expand affordable housing in both the for-rent and for-sale markets. Ironically, as the nation struggles against the fallout from the mortgage crisis, now is a good time to develop initiatives that would transform the large inventory of foreclosed properties into the next generation of affordable rental housing.

FALLING SHORT OF NEED

At current funding levels, federal, state, and local programs serve only a fraction of the nation's lowest-income families in desperate need. Following a rapid buildup from 1977 to 1987, growth in the number of households receiving direct assistance (public housing, housing choice vouchers, and project-based units) slowed dramatically. While the recent addition of thousands of tax-credit units helps matters, lowest-income renters often require a housing voucher to afford the rents in these units.

FIGURE 19 **Assisted Housing Covers But a Fraction of Renter Families in Need**

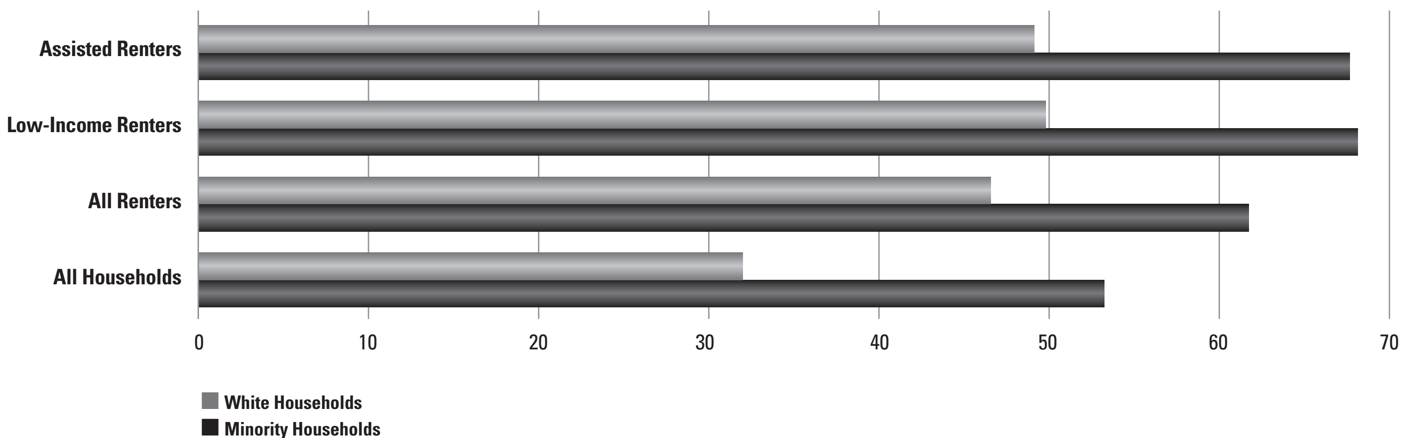
Share of Renter Households Receiving Assistance in 2005



Note: Income quartiles are equal fourths of all households, sorted by pre-tax income.
Source: JCHS tabulations of the 2005 American Housing Survey, using JCHS adjusted weights.

FIGURE 20 **The Concentration of Assisted Renters in Center Cities Reinforces Racial Isolation**

Share of Metro Area Households Living in Center Cities (Percent)



Notes: Low-income households are in the bottom fourth of all households sorted by pre-tax income. White householders are non-Hispanic, and minority households are all others.
Source: JCHS tabulations of the 2005 American Housing Survey, using JCHS-adjusted weights and AHS metro definitions.

Recognizing that housing assistance is not an entitlement program, Congress has attempted to target families most in need. Lack of available assisted units, however, makes this difficult. While estimates vary, the 2005 American Housing Survey suggests that only one in five (or 6.7 million) of all renters live in assisted housing. Even among elderly renters in the lowest income quartile, less than four in ten receive housing assistance (Figure 19).

PRESERVING AFFORDABLE UNITS

Even as new subsidized units are added—albeit slowly—to the affordable housing inventory, older subsidized units are being lost. Beginning in the late 1980s, some owners of project-based housing were able to remove their properties from the HUD-assisted inventory by prepaying their mortgages. In the mid-1990s, the trickle became a flow as the Section 8 contracts themselves began to expire and many owners opted out of the program.

Today large segments of the assisted inventory are at risk. The Government Accountability Office estimates that mortgage restrictions and rental assistance contracts on over one million subsidized units are set to expire by 2013. Efforts to encourage or force owners of assisted properties to keep their units affordable are under way, but limited funding again hampers any widespread or permanent solution.

At the same time, much of the unsubsidized but low-cost rental inventory is being lost to abandonment and demolition, and now to foreclosure. Since developing new affordable rental housing remains difficult without steep subsidy, preserving whatever low-cost units remain should be an urgent priority. The success of preservation efforts depends in large measure on the willingness of Congress to appropriate sufficient funds to renew expiring project-based contracts and fund additional efforts to slow the loss of privately owned low-cost rentals. Without new affordable housing initiatives and expanded funding to bring these initiatives to scale, the affordable rental inventory will continue to shrink.

REMOVING BARRIERS TO DEVELOPMENT

In addition to limited federal support, local regulations also contribute to the lack of affordable housing development. While an isolated few municipalities have taken steps to reduce or refine such regulations, many others are becoming more restrictive, either overtly or covertly. In many markets, zoning restrictions, minimum lot sizes, lengthy permitting and approval processes, and voter opposition to specific kinds of developments make the construction of affordable rental housing more difficult and therefore more expensive.

Predictably, the most restrictive municipalities have the largest shares of cost-burdened renter households. Just as predictably, low-income renters cluster in the least expensive—and often the least desirable—areas of metropolitan regions. Among all metro area households, renters are nearly twice as likely as owners to live in center city locations. The shares of low-income minority renters are even higher (Figure 20).

The concentration of lowest-income renters reflects in part the availability of assisted housing, particularly public housing. As a proportion of the metropolitan area total, over 60 percent of low-income minority renters and nearly 70 percent of assisted minority renters live in center cities.

The clustering of lowest-income and assisted renter households imposes a host of social and economic disadvantages on these groups. Among other impacts, these settlement patterns reinforce the spatial isolation of the poor, foster racial segregation, discourage investment in lower-income communities, and contribute to higher rates of crime, teen pregnancy, and school dropouts. At the same time, the lack of affordable rental housing options in job-rich environments limits the ability of lower-income families to work their way out of poverty.

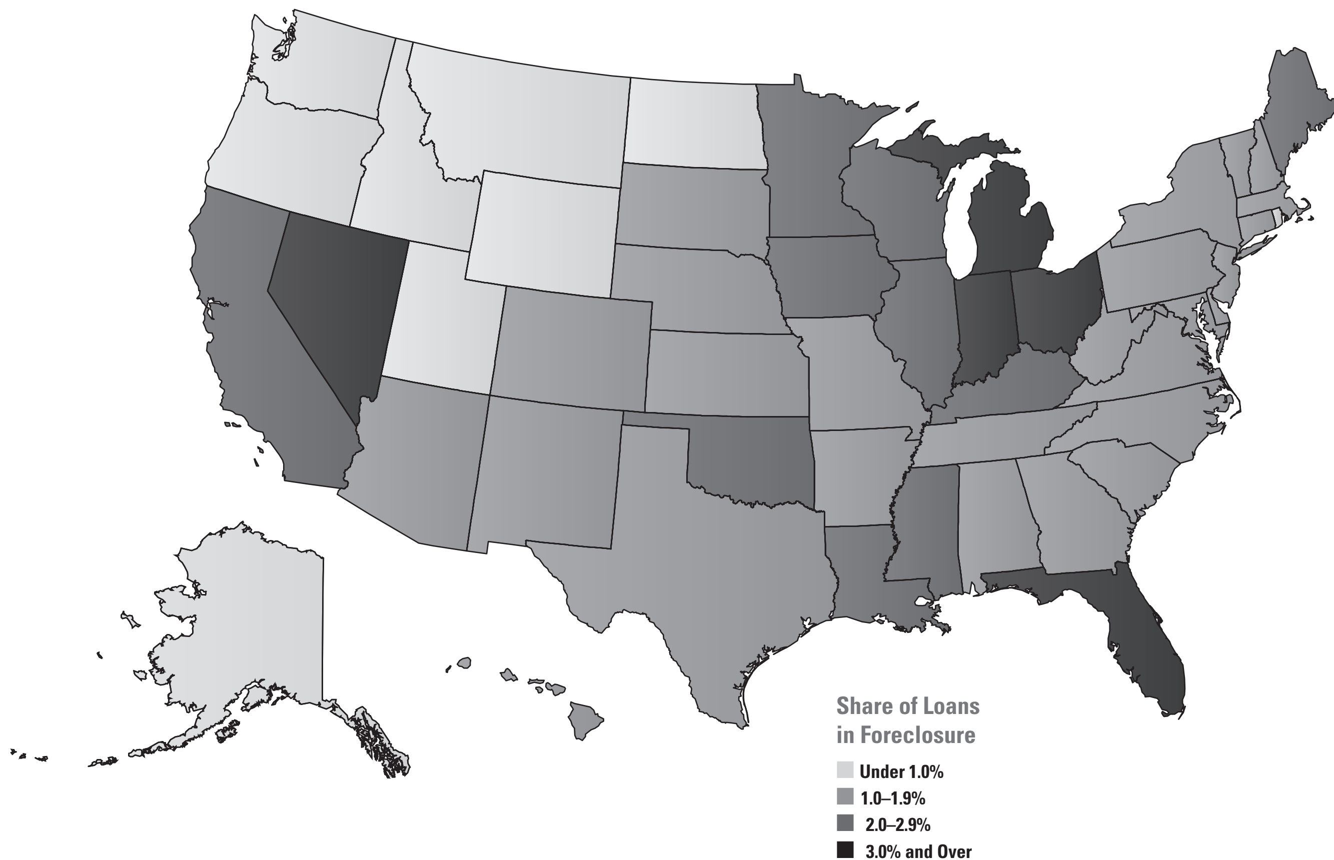
FORECLOSURES IN BOTH HOT AND COLD MARKETS

On top of the persistent problems of growing income inequality, concentration of poverty, and ongoing loss of affordable units, the rental market disruption linked to the subprime mortgage foreclosure crisis continues to gather steam. With serious delinquencies at record levels, the Mortgage Bankers Association estimates that some 936,000 home mortgages were in foreclosure at the end of 2007. As high as this number is, it includes neither foreclosure actions that were completed earlier in the year nor the hundreds of thousands of delinquent loans that are likely to enter foreclosure in the months and years ahead.

Although the mortgage market meltdown only emerged as the dominant national housing policy issue in 2007, problems were already well entrenched in the economically distressed states of the Midwest (Figure 21). Reflecting the ongoing loss of manufacturing jobs, serious mortgage delinquencies and foreclosures have been on the rise in Ohio, Michigan, and Indiana for more than 10 years. Particularly hard hit are the center cities and the urban neighborhoods that are home to many of the region's lowest-income and/or minority renters.

FIGURE 21 Foreclosures Are Mounting in States Across the Country

Share of Loans in Foreclosure, Year-End 2007 (Percent)



Note: Data are not seasonally adjusted.
Source: Mortgage Bankers Association.

The recent surge in delinquencies and foreclosures in hot housing markets such as California, Nevada, and Florida—with otherwise solid income, employment, and household growth—turned a regional problem into a national one. In these states where home prices had skyrocketed, lenders aggressively marketed a set of exotic mortgage products with affordability (interest-only and payment-option) features or adjustable-rate structures with steep initial discounts. Like earlier forms of subprime mortgages, these new loan products rapidly gained market share.

Even though rising home prices added to affordability pressures in these booming housing markets, they also boosted homeowners' equity. Together with increasingly favorable financing terms, this significant equity buildup helped many overextended homeowners meet their mortgage payments simply by refinancing. For households whose incomes were growing with the overall economy, this made considerable financial sense and homeowners accumulated substantial equity by doing so.

But for others with weaker income growth, mortgage payments quickly became unmanageable. When house price appreciation eventually slowed, a growing number of households were stretched to the limit—unable to afford their current mortgages or to cover the shortfall by refinancing. The result was a sudden and dramatic jump in the number of seriously delinquent loans, as well as in the number of homeowners facing foreclosure.

TOWARD A BALANCED NATIONAL HOUSING POLICY

With foreclosures on the rise across the country, national attention rightfully focuses on efforts to help owners caught in the crossfire of the mortgage market meltdown. At the same time, it is important not to lose sight of what this housing downturn means for the rental market. Since higher-risk subprime loans are concentrated in low-income and minority communities, the fallout from foreclosures hits hardest in the areas where many of the nation's most economically vulnerable renters live.

Moreover, to the extent that mortgage market troubles have spilled over into the broader housing capital market, today's crisis will further limit the construction of affordable rental housing and add to the costs of preserving the existing lower-cost inventory. Against the backdrop of long-standing rental affordability problems and with an economic slowdown under way, now is a good time to rethink efforts to insure that all households—owners and renters alike—have access to decent and affordable housing.

For millions of American households, the overwhelming problem is not simply high housing costs, but limited income. The current focus on promoting homeownership clearly has a downside when a move from renting to owning involves swapping an unmanageable rent burden for an unmanageable mortgage burden. While many lower-income households are able to meet the high payment burdens of homeownership, many cannot. Indeed, the Homeownership Preservation Foundation reports that of the more than 80,000 distressed borrowers counseled in 2007, approximately 70 percent had incomes that were below the national median.

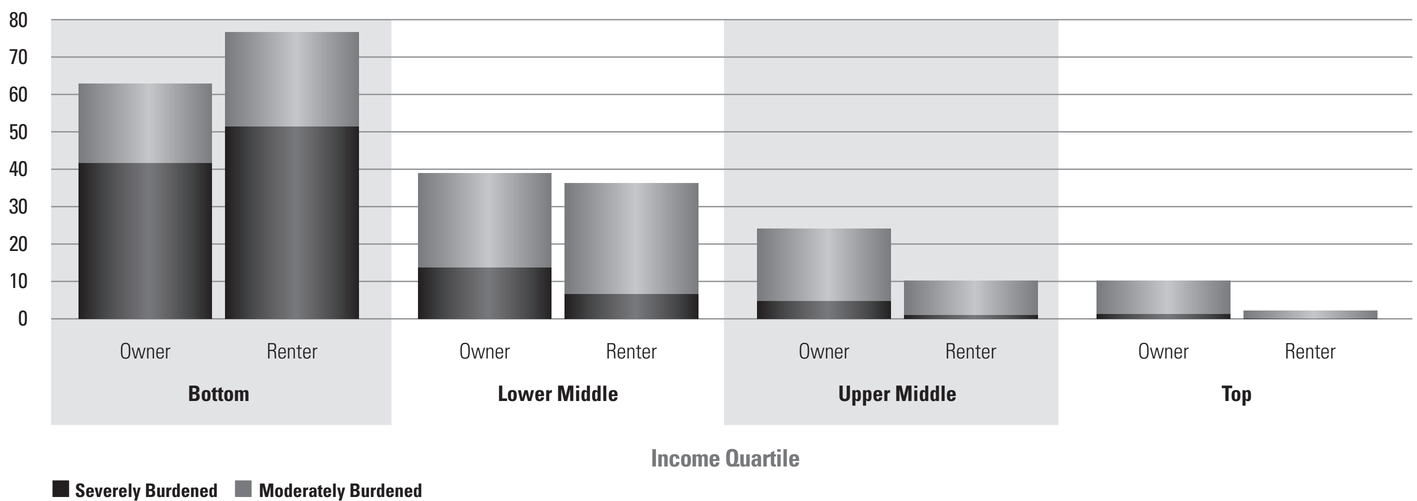
Although large shares of lowest-income renters face either moderate or severe housing cost burdens, over 60 percent of lowest-income homeowners also pay more than 30 percent of their meager incomes for housing (Figure 22). More than 40 percent pay more than half. Moreover, owner households in the lower-middle income quartile are more likely to face high housing cost burdens than renters with similar incomes.

Now that large numbers of former owners are flooding back into rental markets, expanding the available supply of affordable rentals is critical. While efforts to create new units must continue, preserving the existing stock of good-quality, subsidized rental housing is even more important. In addition, recognizing that the vast majority of lowest-income renters do not live in assisted housing, it is also time to craft new programs to preserve the rapidly dwindling supply of privately owned unsubsidized rentals.

To accomplish these goals, efforts must continue to eliminate land use policies that limit development of affordable, higher-density rental housing in resource-rich suburban communities. Although regulatory reform is difficult to achieve, national housing policy must confront political opposition head on. Simply put, land use restrictions not only deter production of affordable housing, but they also promote land-intensive development that raises housing prices and imposes costs on all households, whether rich or poor, owner or renter.

Comprehensive housing assistance programs must also improve access to critical health and human services, child care, transportation, and other workforce development initiatives so that low-income and low-wealth families are able to earn decent incomes. This might involve the construction of service-enriched affordable rental housing in suburban communities as well as in inner-city neighborhoods. In this way, a balanced national policy would not only expand the range of available rental housing options, but also underpin the revitalization of distressed areas.

FIGURE 22 **Both Owners and Renters Face Affordability Constraints**



Notes: Income quartiles are equal fourths of all households sorted by pre-tax income. Severely (moderately) burdened households are defined as paying more than 50% (30–50%) of income for housing.
Source: JCHS tabulations of the 2006 American Community Survey.

Finally, access to capital is needed to support the acquisition and preservation of single-family rentals and smaller apartment buildings, including foreclosed properties now coming back on the market. On the financing side, one strategy would be to perfect pooled approaches to acquire several properties with a single financial transaction. On the equity side, new types of real estate investment trusts could be designed to raise capital from private investors to invest in smaller apartment projects. This funding would breathe new life back into the stock of older multifamily properties, which are such a crucial component of the affordable rental housing supply in many communities.

In today's soft housing market, it would also be possible to expand on this concept. As the volume of foreclosed properties mounts, many holders of these assets will be forced to sell at deep discounts. This creates an opportunity for well-capitalized players to purchase and manage distressed portfolios for a profit. What is needed is a mission-driven entity—a community preservation fund—that could participate in this market but with the goal of creating affordable housing and stable communities rather than simply maximizing profits. With skill and foresight, the nation could capture a significant share of good-quality housing at today's depressed prices to create the next generation of affordable rental housing.

A well-designed program would help lower-income owners as well as renters. For example, a publicly oriented venture could offer more generous workout terms than presently available in the market and, in doing so, allow distressed borrowers more time to recover. Alternatively, rather than sell off foreclosed properties for the highest private return, the new entity might support a broader definition of social gain—including enhanced neighborhood stability and expanded access to affordable and sustainable homeownership opportunities.

This approach is not without risk. Managed with too much heart and too little head, this new enterprise could put millions of dollars at risk for only limited gain. But funded by some blend of public, CRA-motivated, and market-rate resources, along with earnings from the sale of performing loans and foreclosed assets, this new venture could also usher in a new era in public–private partnerships, and with it, a more balanced national housing policy.

APPENDIX TABLES

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Table A-1 Rental Housing Market Indicators, 1975–2007

Year	Multifamily Permits [1] (000s)	Multifamily Starts [2] (000s)	Multifamily Completions [3] For Sale (000s)	Multifamily Completions [3] For Rent (000s)	Size of New Multifamily For-Rent Units [4] (Median sq. ft.)	Residential Upkeep and Improvement of Rental Properties [5] (Millions of 2007 dollars)	Rental Vacancy Rates [6] (Percent)	Value Put in Place: Multifamily Units [7] (Millions of 2007 dollars)
1975	264	268	121	321	942	32,852	6.0	25,735
1976	403	375	75	268	894	32,075	5.6	25,175
1977	564	536	77	322	881	28,499	5.2	34,266
1978	618	587	91	408	863	35,502	5.0	40,799
1979	570	551	135	434	893	34,436	5.4	48,584
1980	480	440	174	371	915	30,750	5.4	42,034
1981	421	379	164	283	930	32,190	5.0	39,818
1982	454	400	148	226	925	29,022	5.3	33,379
1983	704	635	152	314	893	31,089	5.7	46,720
1984	759	665	197	430	871	47,525	5.9	56,306
1985	777	669	184	447	882	59,323	6.5	54,983
1986	692	626	133	503	876	67,259	7.3	58,706
1987	510	474	134	412	920	70,551	7.7	46,445
1988	462	407	117	329	940	68,358	7.7	39,073
1989	407	373	90	307	940	70,313	7.4	37,287
1990	317	298	76	266	955	76,387	7.2	30,532
1991	195	174	56	197	980	62,335	7.4	23,056
1992	184	170	44	150	985	58,931	7.4	19,347
1993	213	162	44	109	1,005	60,395	7.3	15,476
1994	303	259	49	138	1,015	55,909	7.4	19,696
1995	335	278	51	196	1,040	55,851	7.6	24,333
1996	356	316	50	234	1,030	56,588	7.8	26,853
1997	379	340	54	230	1,050	51,166	7.7	29,555
1998	425	346	55	260	1,020	43,613	7.9	31,253
1999	417	339	55	279	1,054	54,275	8.1	34,136
2000	394	338	60	272	1,091	58,256	8.0	34,019
2001	401	329	75	240	1,094	56,329	8.4	35,473
2002	415	346	63	260	1,092	59,710	8.9	37,520
2003	428	349	56	236	1,108	64,194	9.8	39,563
2004	457	345	72	238	1,159	60,493	10.2	43,835
2005	473	353	97	199	1,180	51,728	9.8	50,203
2006	461	336	127	198	1,192	51,960	9.7	54,519
2007	407	309	116	169	1,138	50,845	9.8	49,149

Note: All value series are deflated by the Bureau of Labor Statistics' Consumer Price Index (CPI-UX) for All Items. Web links confirmed as of April 2008.

Sources:
1. US Census Bureau, Construction Statistics, New Privately Owned Housing Units Authorized by Building Permits, *www.census.gov/pub/const/bpann.pdf.*
2. US Census Bureau, New Privately Owned Housing Units Started, *www.census.gov/const/startsan.pdf.*
3. US Census Bureau, New Privately Owned Housing Units Completed in the United States, by Purpose and Design, *www.census.gov/const/compsusintenta.pdf.*
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5. US Census Bureau, Expenditures by Region and Property Type, *www.census.gov/const/C50/histtab2new.pdf.*
6. US Census Bureau, Housing Vacancy Survey.
7. US Census Bureau, Annual Value of Private Construction Put in Place, *www.census.gov/const/C30/private.pdf.*

Table A-2 Renter Income and Housing Costs, 1975–2007

2007 Dollars

Year	Monthly Income and Housing Costs				Housing Cost as Share of Income (%)		
	Renter Incomes	Contract Rent	Gross Rent	Asking Rent	Contract Rent	Gross Rent	Asking Rent
1975	2,779	654	708	813	23.5	25.5	29.3
1976	2,697	654	710	798	24.2	26.3	29.6
1977	2,714	653	712	794	24.0	26.2	29.2
1978	2,750	651	711	798	23.7	25.9	29.0
1979	2,691	629	688	777	23.4	25.6	28.9
1980	2,551	605	666	775	23.7	26.1	30.4
1981	2,517	597	660	792	23.7	26.2	31.4
1982	2,542	607	675	827	23.9	26.5	32.5
1983	2,536	625	696	804	24.6	27.4	31.7
1984	2,614	632	703	784	24.2	26.9	30.0
1985	2,652	650	720	832	24.5	27.1	31.4
1986	2,683	677	745	865	25.2	27.8	32.2
1987	2,657	680	745	944	25.6	28.0	35.5
1988	2,737	678	741	964	24.8	27.1	35.2
1989	2,828	672	734	987	23.8	25.9	34.9
1990	2,739	664	724	952	24.3	26.4	34.8
1991	2,625	660	719	935	25.1	27.4	35.6
1992	2,553	657	716	866	25.7	28.0	33.9
1993	2,526	653	712	822	25.8	28.2	32.5
1994	2,493	652	710	806	26.2	28.5	32.3
1995	2,558	650	706	891	25.4	27.6	34.8
1996	2,580	648	704	888	25.1	27.3	34.4
1997	2,639	652	708	935	24.7	26.8	35.4
1998	2,691	662	717	934	24.6	26.6	34.7
1999	2,788	668	722	984	24.0	25.9	35.3
2000	2,805	670	724	1,013	23.9	25.8	36.1
2001	2,781	681	739	1,031	24.5	26.6	37.1
2002	2,677	696	751	1,058	26.0	28.1	39.5
2003	2,588	701	758	1,049	27.1	29.3	40.5
2004	2,551	701	759	1,071	27.5	29.7	42.0
2005	2,568	698	760	1,000	27.2	29.6	38.9
2006	2,639	701	766	1,057	26.5	29.0	40.1
2007	2,615	710	775	982	27.2	29.6	37.5

Notes and Sources: All dollar amounts are expressed in 2007 constant dollars using the Bureau of Labor Statistics' Consumer Price Index (CPI-UX) for All Items. Renter median incomes through 2006 are from Current Population Survey P60 published reports. Renters exclude those paying no cash rent. Income for 2007 is based on Moody's Economy.com estimate for all households, adjusted by the three-year average ratio of CPS renter incomes to all household incomes. Contract rent equals median 2005 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 is equal to contract rent plus fuel and utilities. Asking rent is for newly completed, privately financed, unsubsidized unfurnished rental apartments in structures of five or more units. Annual asking rent for 2007 is the average of the first and second quarters.

Table A-3 Characteristics of Renter Households by Race/Ethnicity, 1995 and 2005

Thousands

	1995					2005				
	White	Black	Asian/Other	Hispanic	All Renters	White	Black	Asian/Other	Hispanic	All Renters
Total	**21,530**	**6,502**	**1,606**	**4,512**	**34,150**	**21,096**	**7,004**	**1,993**	**6,065**	**36,776**
Family Type										
Married without Children	3,136	383	241	524	4,284	2,576	443	357	731	4,174
Married with Childen	3,263	766	424	1,279	5,732	2,654	591	457	1,641	5,417
Single Parent	2,693	2,054	220	1,042	6,008	2,588	1,993	203	1,299	6,197
Other Family	1,155	773	156	463	2,547	1,203	842	213	687	2,990
Single Person	8,783	2,118	427	864	12,192	9,424	2,750	592	1,183	14,180
Other Non-Family	2,500	408	137	341	3,386	2,650	385	171	524	3,817
Age										
Under 20	251	71	26	77	424	443	143	40	98	746
20–29	5,884	1,670	453	1,347	9,355	5,535	1,579	480	1,723	9,482
30–39	5,785	1,934	512	1,411	9,642	4,235	1,709	575	1,789	8,468
40–49	3,555	1,380	302	756	5,992	3,827	1,577	407	1,211	7,129
50–59	1,895	619	164	409	3,086	2,755	1,025	227	632	4,729
60–69	1,390	397	72	274	2,133	1,588	509	122	324	2,585
70 and Over	2,770	432	77	239	3,518	2,713	461	142	288	3,638
Income Quartile										
Bottom	7,179	3,348	582	1,972	13,082	7,982	3,581	685	2,385	14,897
Lower Middle	6,744	1,814	439	1,450	10,448	6,607	2,186	542	2,142	11,661
Upper Middle	5,147	1,047	365	810	7,369	4,336	884	480	1,135	6,923
Top	2,459	293	220	279	3,251	2,172	352	286	403	3,296

Notes: Household counts from 2005 exclude multirace, which was not a reported category in the 1995 data. Income quartiles are equal fourths of all households, sorted by pre-tax income. Black, white and Asian/other householders are non-Hispanic, and Hispanic householders may be of any race. Asian/other includes Pacific Islanders, Native Americans and Aleuts.

Source: JCHS tabulations of the 1995 and 2005 American Housing Surveys, using JCHS-adjusted weights in 2005.

Table A-4 Recent Mover Households by Prior Tenure, 2005

Thousands

	Owner Households in 2003			Renter Households in 2003		
	Total	Renters in 2005	Percent	Total	Owners in 2005	Percent
Total	**72,424**	**1,876**	**2.6**	**36,004**	**3,576**	**9.9**
Marital Status						
Married	46,495	692	1.5	10,716	1,991	18.6
Widowed	8,678	220	2.5	3,175	48	1.5
Divorced/Separated	10,477	730	7.0	9,071	560	6.2
Never Married	6,774	234	3.5	13,042	977	7.5
Family Type						
Married without Children	26,049	305	1.2	4,196	880	21.0
Married with Children	19,540	312	1.6	5,486	1,057	19.3
Single Parent	4,110	270	6.6	5,889	346	5.9
Other Family	4,857	105	2.2	2,910	173	6.0
Single Person	15,310	744	4.9	13,753	795	5.8
Other Non-Family	2,558	139	5.4	3,770	326	8.7
Age						
Under 20	77	17	22.1	511	11	2.2
20–29	4,184	227	5.4	9,693	1,093	11.3
30–39	12,521	438	3.5	8,724	1,149	13.2
40–49	17,404	453	2.6	6,877	784	11.4
50–59	15,240	312	2.0	4,295	417	9.7
60–69	10,477	170	1.6	2,385	91	3.8
70 and Over	12,520	258	2.1	3,520	31	0.9
Race/Ethnicity						
White	58,336	1,431	2.5	21,103	2,439	11.6
Black	5,816	151	2.6	6,686	362	5.4
Hispanic	5,104	165	3.2	5,685	512	9.0
Asian	2,534	65	2.6	1,995	209	10.5
Multirace	634	64	10.1	535	55	10.3
All Minority	14,088	445	3.2	14,901	1,138	7.6
Income Quartile						
Bottom	12,905	509	3.9	14,506	332	2.3
Lower Middle	16,052	610	3.8	11,225	769	6.8
Upper Middle	19,833	454	2.3	7,188	1,320	18.4
Top	23,634	303	1.3	3,086	1,156	37.5

Notes: Income quartiles are equal fourths of all households, sorted by pre-tax income. Black, white and Asian/other householders are non-Hispanic, and Hispanic householders may be of any race.

Source: JCHS tabulations of the 2003 and 2005 American Housing Surveys, using JCHS-adjusted weights.

Table A-5 Average Monthly Expenditures for Renters, 2005

2005 Dollars

Expenditure Quartiles and Share of Expenditures on Housing	Housing	Transportation	Food	Clothes	Healthcare	Personal Insurance and Pensions	Entertainment	Other
Bottom								
Less than 30%	209	173	286	45	50	80	52	189
30–50%	465	117	250	32	54	83	42	131
More than 50%	646	45	184	19	29	48	24	72
All	428	117	245	33	46	73	40	135
Lower Middle								
Less than 30%	499	449	439	96	103	232	110	418
30–50%	852	301	389	68	76	218	82	247
More than 50%	1,397	128	280	34	74	130	48	132
All	754	348	400	77	88	215	90	310
Upper Middle								
Less than 30%	751	732	569	152	179	402	176	678
30–50%	1,260	493	540	103	125	374	128	423
More than 50%	2,088	227	399	77	161	232	77	279
All	971	636	551	134	163	385	156	583
Top								
Less than 30%	1,113	1,231	821	248	346	717	345	1,594
30–50%	2,119	705	779	157	215	712	220	805
More than 50%	4,515	491	637	144	187	494	122	695
All	1,364	1,116	810	229	318	712	317	1,424

Note: Expenditure quartiles are equal fourths of households sorted by total monthly expenditures.
Source: JCHS tabulations of the Consumer Expenditure Survey, using Quarterly Interview Survey data for calendar year 2005.

FIGURE 6 Recent Immigrants Buoy the Ranks of Renters

Share of Households that Rented in 2005

Tenure and Income Quartile	2001				2006			
	No Burden	Moderate Burden	Severe Burden	Total	No Burden	Moderate Burden	Severe Burden	Total
All Households								
Bottom	8,769	6,511	11,328	26,609	8,036	6,620	13,247	27,904
Lower Middle	18,393	6,340	1,876	26,609	17,253	7,590	3,061	27,904
Upper Middle	22,786	3,319	504	26,609	22,085	4,751	1,068	27,904
Top	25,191	1,280	138	26,609	25,318	2,294	293	27,904
Total	75,140	17,450	13,846	106,436	72,692	21,256	17,669	111,617
Owners								
Bottom	5,065	2,549	4,428	12,042	4,507	2,654	5,168	12,329
Lower Middle	10,695	3,630	1,456	15,781	10,390	4,358	2,346	17,094
Upper Middle	16,015	2,882	465	19,362	15,923	4,110	1,002	21,035
Top	21,457	1,208	137	22,802	22,103	2,222	292	24,616
Total	53,231	10,270	6,485	69,986	52,924	13,343	8,808	75,075
Renters								
Bottom	3,705	3,962	6,901	14,567	3,529	3,967	8,079	15,575
Lower Middle	7,698	2,710	419	10,828	6,862	3,232	716	10,810
Upper Middle	6,771	437	39	7,247	6,162	641	65	6,869
Top	3,735	71	2	3,807	3,215	72	1	3,288
Total	21,908	7,180	7,361	36,449	19,769	7,912	8,861	36,542

Notes: Income quartiles are equal fourths of all households sorted by pre-tax income. Moderate (severe) burdens are defined as housing costs of 30–50% (over 50%) of household income.

Source: JCHS tabulations of the 2001 and 2006 American Community Surveys.

Table A-7 Rental Completions and Inventory Losses, 1995–2005

Characteristics in 1995	Rental Units in 1995 (000s)	Units Lost from Stock by 2005 (000s)	Loss Rate (%)	Completions 1996–2005 (000s)	Replacement Rate (%)
All Rental Units	**36,815**	**2,183**	**5.9**	**3,183**	**145.8**
Structure Type					
Single-Family	11,857	708	6.0	386	54.5
2–4 Units	8,196	664	8.1	206	31.0
5–9 Units	4,674	215	4.6	347	161.4
10–19 Units	4,343	154	3.5	645	418.8
20–49 Units	3,150	76	2.4	812	1,068.4
50 Units and Over	3,144	72	2.3	440	611.1
Manufactured Homes	1,452	294	20.2	347	118.0
Region					
Northeast	7,821	455	5.8	234	51.4
Midwest	7,651	441	5.8	596	135.1
South	12,299	911	7.4	1,608	176.5
West	9,044	377	4.2	743	197.1
Gross Rent (2005 $)					
Less than $400	8,597	944	11.0	NA	NA
$400 to $599	9,852	538	5.5	NA	NA
$600 to $799	8,504	292	3.4	NA	NA
$800 to $1,000	4,538	115	2.5	NA	NA
$1,000 and Over	3,914	110	2.8	NA	NA

Notes: Gross rents are in 2005 dollars. Loss rates are defined as share of all units in 1995 that were reported as a Type C Non-Interview (permanent removal from the stock) in 2005. Replacement rate is defined as housing units completed as a percent of inventory losses. NA is not available.

Sources: US Census Bureau, "New Privately Owned Housing Units Completed in the United States By Intent and Design," and Joint Center tabulations of the 1995 and 2005 American Housing Surveys, using JCHS-adjusted weights for 2005.

Table A-8 First Lien Mortgages on One- to Four-Unit Properties by Owner and Neighborhood Characteristics, 2006

	For Purchase			For Refinance			All		
		High Cost			High Cost			High Cost	
	Total Number (000s)	Number (000s)	Share (%)	Total Number (000s)	Number (000s)	Share (%)	Total Number (000s)	Number (000s)	Share (%)
Owner Occupied									
All	**3,833**	**888**	**23.2**	**3,892**	**1,161**	**29.8**	**7,726**	**2,049**	**26.5**
Low Income									
White	55	15	27.4	62	23	37.2	117	38	32.6
Mixed	231	70	30.1	226	85	37.5	457	154	33.7
Minority	360	158	43.9	462	207	44.9	822	365	44.4
Middle Income									
White	594	108	18.3	622	175	28.1	1,215	283	23.3
Mixed	980	230	23.5	946	284	30.0	1,926	514	26.7
Minority	266	104	38.9	376	138	36.6	642	241	37.6
High Income									
White	484	53	10.9	418	81	19.4	902	134	14.8
Mixed	775	124	15.9	671	139	20.7	1,446	262	18.1
Minority	89	27	30.6	110	30	27.1	198	57	28.7
Non-Resident Owned									
All	**717**	**211**	**29.4**	**455**	**136**	**29.9**	**1,172**	**347**	**29.6**
Low Income									
White	13	4	31.3	9	3	29.9	22	7	30.7
Mixed	74	25	33.8	49	15	31.3	123	40	32.8
Minority	110	54	48.7	102	44	43.5	212	98	46.2
Middle Income									
White	98	22	22.7	55	13	24.1	152	35	23.2
Mixed	194	52	26.9	106	27	25.6	300	79	26.4
Minority	43	17	38.5	38	13	34.9	81	30	36.8
High Income									
White	66	12	17.5	32	6	18.5	98	17	17.8
Mixed	109	23	20.7	55	11	20.9	163	34	20.8
Minority	12	3	29.1	8	2	27.0	20	6	28.2

Notes: Low- (middle-/high-) income neighborhoods are defined as census tracts with less than 80% (80–120%/more than 120%) of the MSA/MD median income. Minority neighborhoods are more than 50% minority; mixed neighborhoods are 10–50% minority; and white neighborhoods are less than 10% minority.

Source: Joint Center tabulations of 2006 Home Mortgage Disclosure Act data.

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