THE STATE OF THE NATION'S HOUSING 2022

KEY FACTS

Housing Costs Hit New Heights

- Home price appreciation nationwide hit 20.6 percent in March 2022—topping the previous high of 20.0 percent in August 2021 and marking the largest jump in three decades of recordkeeping. [INTERACTIVE CHART] The runup has been widespread, with 67 of the top 100 housing markets experiencing record-high appreciation rates at some point over the past year.
- The median home price-to-income ratio was at an all-time high in 2021. The median sales price for existing homes last year was 5.3 times the median household income—well above the 4.6 ratio in 2020 and a notable increase from the previous peak of 4.9 in 2005. By comparison, price-to-income ratios averaged 3.9 in the 2010s, 4.1 in the 2000s, and just 3.1 in the 1980s.
- Fewer existing homes were available for sale in January 2022 than at any point since the late 1990s. Just 850,000 homes were on the market at the start of the year, down 17.5 percent from January 2021, which was itself at a record low. Months of supply dipped to only 1.6 months, down from 1.9 months a year earlier.
- Over half of outstanding mortgages in the fourth quarter of 2021 had interest rates below 4.0 percent, including 13 percent with rates below 3.0 percent. Homeowners with such low-rate mortgages may hesitate to sell if they have to take on new loans at substantially higher rates.
- Some 6.1 million existing homes were sold nationally in 2021, an increase of 8.5 percent from 2020 and the highest level since 2006. However, the combination of rising prices and climbing interest rates has already taken a toll on homebuying activity in early 2022. Indeed, the annual pace of sales fell from 6.5 million units in January to 5.6 million units in April, the lowest annualized rate since June 2020.
- Investors have moved rapidly into the single-family market since the pandemic began. The investor share of homes sold averaged 28 percent per month in the first quarter of 2022, up from 19 percent a year earlier and well above the 16 percent share averaged in 2017–2019.
- High demand, low inventories, and rapidly rising prices propelled a sharp increase in housing production in 2021. Housing starts rose 16.0 percent last year to 1.60 million units, the highest total since 2006. The uptick in housing construction in 2021 was widespread, with permitting activity rising in 83 of the nation's 100 largest metros.
- Shortages of building materials, global supply chain disruptions, and other inflationary pressures have led to higher material costs. The price of inputs to new residential construction (excluding capital, labor, and imports) was up 20 percent year over year in February 2022, 7 percentage points larger than the year-over-year increase in February 2021. Meanwhile, costs for a wide variety of materials were all rising considerably faster in early 2022 than a year earlier.

Millennials Lead Strong Household Growth; Aging Baby Boomers Prompt Need for Housing Accessibility

- Household growth has been strong during the pandemic, increasing by 3.2 million between Q1 2020 and Q1 2022. This has been driven in part by the large millennial generation aging into prime years of household formation. The peak of the millennial generation (born 1985–2004) was age 31 in 2021. As a result, there were 46 million adults aged 25–34 in 2021, a record-high number for the age group most likely to form households.
- Population growth hit a record low in 2021 due to declining immigration and natural population change (the difference between births and deaths). In 2011, natural population change was 1.5 million, while immigration was

nearly 800,000, summing to a national population gain of 2.3 million. Natural population change steadily declined throughout the decade, while immigration held steady until it began to decline in 2017. In 2021, natural population change was only 148,000 and immigration was only 245,000, resulting in a population growth of less than 400,000.

- The composition of households has become more racially diverse in the past decade. People of color formed 11.0 million of the 14.5 million households added from Q1 2011 to Q1 2022. Hispanic, Black, Multiracial, Asian, and another race householders now account for 35 percent of all households. This changing composition may alter housing demand by increasing the number of multigenerational households and shifting the tenure composition towards renters given long-standing barriers to homeownership for people of color.
- The aging of the baby boom generation is resulting in a meteoric rise in the number of older adult households. The peak of the baby boom generation (born 1946–1964) was age 59 in 2021, and the oldest members of the generation were age 75. The number of householders age 65 and over rose by 10.0 million from 2011 to 2021 and is projected to rise by 1.1 million annually until 2028. This growth in older households will result in a more pressing need for accessible and affordable housing as well as supportive services to meet the changing needs of this demographic.
- Though overall residential mobility continues to decline, pre-pandemic trends in migration away from large urban areas continued during the pandemic. In total, the core counties of large metro areas lost 1.2 million people to domestic migration last year, while suburban counties of these large metros gained 428,000 people from domestic moves. Counties in small- and medium-sized metros added a net total of 539,000 migrants, and rural non-metropolitan counties gained 235,000 people from net domestic migration last year—reversing a decade-long trend in net domestic outflows. **[INTERACTIVE CHART]**

Homeownership Growth Despite the Economic Downturn; Rising Interest Rates Cutting Deep Into Affordability

- Despite the economic downturn brought on by the pandemic and the surge in home prices, some 2.2 million new homeowners were added on net between the first quarter of 2020 and the first quarter of 2022, lifting the total number of homeowner households to 83.4 million. Additionally, the US homeownership rate managed to inch up 0.1 percentage point between the start of the pandemic and early 2022, ending at 65.4 percent.
- Record low interest rates from late December 2020 throughout most of 2021 helped many first-time homebuyers qualify for mortgages while also providing current owners a chance to reduce their monthly mortgage payments through refinancing.
- From January to May 2022 interest rates surged by more than 2.0 percentage points to 5.27 percent—the highest level in 10 years. This increase resulted in total monthly payments (mortgage payments plus estimated property tax and insurance costs) on the median-priced home increasing by 35 percent, from $2,100 in April 2021 to $2,800 in April 2022.
- In April 2021, a household had to earn at least $79,570 a year to afford payments on the median-priced home of $340,700. One year later, the income requirement stood at $107,500. This cost increase resulted in 4 million fewer renter households that could afford a median priced home. **[INTERACTIVE CHART]**
- While many homeowners continue to experience pandemic challenges, most homeowners who were in federal forbearance programs have exited their plans and are current on their payments. During the pandemic, 8.2 million homeowners entered forbearance and by April 2022, 92 percent had exited their plans. Of these borrowers, 53 percent were current on their mortgage payments, 29 percent had paid off their loans by refinancing or selling, and only 10 percent remained in delinquency or were in active foreclosure.

Rents Hit Record Highs as Vacancies Plummet

- Rents grew at a record pace in early 2022. In the professionally managed segment, rents hit a record 11.6 percent growth at the end of 2021 and remained at that pace in the first quarter of 2022. Rents for single-family housing reached the fastest pace on record in early 2022, increasing 12.4 percent year over year in the first quarter. Rents were also increasing year-over-year in all of the nation’s large metro markets in early 2022, growing by double digits in 116 out of 150 metro markets and by more than 20 percent in 25 markets.

- As rental demand rebounded in 2021, vacancies plummeted to historic lows. In late 2021, the national vacancy rate fell to 5.6 percent—the lowest quarterly reading since 1984 and remained low, at 5.8 percent, in the first quarter of 2022. Vacancies in the professionally managed segment also hit a record low, running more than a percentage point below the average in the years leading up to the pandemic. In prime urban areas, where vacancies had skyrocketed early in the pandemic, the vacancy rate was also below its pre-pandemic average in early 2022.
- Completions of multifamily units reached 371,000 units in 2021, the second highest recorded pace since the mid-1980s. Of these, 348,000 units—a record share of all multifamily units—were intended for rent. Despite the recent strength of multifamily construction, demand far outstripped supply in the professionally managed segment in early 2022. Despite completions running at a robust 349,000-unit annual rate in the first quarter of 2022, the number of occupied apartments was rising at more than twice that, at 713,000 units.
- Rental property prices surged in 2021 and hit a 20-year high in early 2022, growing 22.5 percent year-over-year and pushing capitalization rates to a new low of 3.9 percent. The strong performance of multifamily properties has attracted new investment, with total quarterly transaction volumes setting a new record of $96.5 billion in the fourth quarter of 2021.
- Many renter households continued to face financial hardship in early 2022, with 20 percent of renters reporting they had lost income in the prior four weeks and 15 percent reporting they were behind on rent. Lower-income renter households and renter households of color were disproportionately likely to fall behind on rent. 21 percent of lower-income households were behind on rent, more than four times the share for households making $75,000 or more. 24 percent of Black renter households were behind on rent, as were 18 percent of Hispanic households, 18 percent of Asian households, and 10 percent of white households.

Cost Burdens Climb and Evictions Increase

- Job and income losses early in the pandemic increased the affordability challenges for millions of households who were already struggling. [INTERACTIVE CHART] The national share of cost-burdened households rose in the first year of the pandemic, climbing 1.5 percentage points to 29.9 percent in 2020. This includes a substantial 2.6 percentage point jump in the rate for renters and a 1.0 percentage point increase in the rate for homeowners. [INTERACTIVE CHART]
- With pandemic government protections now ended, evictions increased in 2022. Filings reached 61,300 in March—just 2.5 percent below the average for the same month in 2012–2016. Evictions in more than half of the cities tracked were back to historical levels.
- Just over $46 billion in emergency rental assistance was targeted to households that lost income during the pandemic. As of March 2022, 5.3 million payments—covering current and back rents, plus utility expenses—had been made on behalf of these hard-hit renters.
- At last count in 2019, some 7.8 million unassisted households with very low incomes faced severe cost burdens, lived in severely inadequate housing, or both. Just one out of every four income-eligible renter households actually receives assistance. There were 737,000 households on waiting lists at just 44 housing agencies in 2021.
- The nation's housing stock is under threat from the impacts of climate change. Hurricanes, winter storms, and other disasters damaged some 14.5 million residential properties in 2021, at a cost of $56.92 billion. The real costs of disaster repairs for homeowners alone have been on a steady climb, rising 117 percent in 2009–2019 to a total of $26 billion.

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