THE STATE OF THE NATION'S HOUSING 2024

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New Report Shows Housing Costs Strain Owners and Renters Alike; Millions Priced Out of Homeownership

Harvard Joint Center for Housing Studies releases The State of the Nation's Housing 2024 report

CAMBRIDGE, MA – Homeowners and renters across the US are struggling with high housing costs, according to The State of the Nation's Housing 2024, a new report released today by the Harvard Joint Center for Housing Studies. Millions of potential homebuyers have been priced out of the market by high home prices and interest rates, while the number of renters with cost burdens has hit an all-time high. However, a surge in new multifamily rental units is slowing rent growth and increasing single-family construction is starting to lift for-sale inventories. Still, addressing the country's housing crisis, including the record number of people experiencing homelessness, the inadequate housing safety net, and the growing threat of climate change, will require contributions from the private and nonprofit sectors as well as policymakers at all levels of government.

Housing Costs Continue to Rise

Both homeowners and renters struggle with high prices in 2024. On the for-sale side, home prices reached a new all-time high in early 2024 despite persistently elevated interest rates, rising at an annual rate of 6.4 percent in February. With these gains, the US home price index is now a whopping 47 percent higher than since early 2020. The rise in prices has pushed the median sales price to about five times the median household income. [**INTERACTIVE MAP**] Meanwhile, in the rental market, although rent growth slowed to just 0.2 percent year over year in early 2024, rents remain up 26 percent nationwide since early 2020 and are rising in three out of every five markets.

Homeownership Out of Reach

After a brief dip in early 2024, interest rates on the 30-year mortgage rose to over 7.0 percent by mid-April, pushing mortgage costs to 30-year highs for a median-priced home. [**INTERACTIVE MAP**] As a result, first time homebuying dropped and the US homeownership rate inched up just 0.1 percentage points in 2023 to 65.9 percent, the smallest increase since 2016. The higher costs of homebuying have also hampered efforts to reduce racial disparities. As of the first quarter of 2024, the Hispanic (49.9 percent) and Black (46.6 percent) homeownership rates are significantly lower than that of white households (74.0 percent). "Households of color face other disadvantages, too," says Daniel McCue, a Senior Research Associate at the Center. "Whether it's the high downpayment or the monthly mortgage payments, the costs of buying a home have left homeownership out of reach to all but the most advantaged households."

Cost Burdens Hit Record Highs

In the face of rising housing costs, burden rates are also increasing. Half of all renter households—22.4 million in total—spent more than 30 percent of their income on housing and utilities at last measure in 2022, up 2 million since 2019 and the highest number on record. [**INTERACTIVE MAP**] "Rents have been rising faster than incomes for decades," says Alexander Hermann, a Senior Research Associate at the Center. "However, the pandemic-era rent surge produced an unprecedented affordability crisis that continues."

The number of cost-burdened homeowners also grew by 3 million to 19.7 million between 2019 and 2022, with most of the increase among households with incomes under $30,000. Nearly one in four (23.2 percent) homeowner households are now stretched worryingly thin, including 27.4 percent of homeowners age 65 and over. Adding to the financial pressures, insurance premiums grew an average of 21 percent between May 2022 and May 2023, and property taxes are on the rise, further increasing the cost of homeownership.

Surge in New Multifamily Units Softens Rental Market

Multifamily completions rose by 22 percent in 2023, reaching the highest annual level in more than three decades. As these units have come online, they have outnumbered even sizeable increases in new renter households, and so the rental market has cooled slightly. At the same time vacancies have risen, so have operating costs, straining property owners' balance sheets. Over the past year, apartment operating expenses increased by 7.1 percent, led by a 27.7 percent nationwide average increase in owners' insurance premiums. Against this backdrop, net operating income growth fell to 2.8 percent in the first quarter of 2024, down from 8.1 percent a year earlier. The lost revenues, combined with the rising cost of both debt and equity, make new multifamily projects more difficult to finance.

Low For-Sale Inventories Lead Homebuyers Toward New Homes

Existing homes for sale remain in short supply. Just 1.1 million homes were available for purchase in March 2024, down 34 percent from March 2019. This is just 3.2 months of supply, even with the current reduced sales rate. Annual home sales dropped 19 percent in 2023, nearly a 30-year low. The shortage of homes for sale is due largely to the "lock-in" effect whereby current homeowners with below-market interest rates are disincentivized to move. With few existing homes for sale, aspiring homebuyers are turning to new construction. New home sales increased by 4 percent in 2023, constituting 15 percent of all single-family home sales compared to 12 percent just two years earlier. However, construction of smaller, lower-cost, entry-level housing is still hampered. Restrictive zoning and regulatory policies, skilled labor shortages, financing limitations, and other challenges increase the costs and reduce the amount of affordable development.

Homelessness Reaches Record High and Climate Change Threatens the Stock

As housing costs have risen, so has the number of people experiencing homelessness, reaching a record-high 653,100 people in 2023. [**INTERACTIVE MAP**] The migrant crisis explains some of this growth; net international migration jumped from less than 500,000 in 2019 to 2.6 million in 2022 and 3.3 million in 2023. [**INTERACTIVE MAP**] However, much of the increase in the number of people experiencing homelessness reflects the end of pandemic protections, high rents, and the already meager housing safety net. Another significant challenge is to the housing stock itself, which is increasingly at risk of damage from severe hazards. The number of billion-dollar disasters related to climate change has grown from an annual average of six in the 1990s to 28 in 2023 alone. At last count, 60.5 million housing units were located in areas with at least moderate risk from natural disasters.

Policymakers, Nonprofits, and the Private Sector Must Work Together

The country's housing challenges are likely to become more urgent in the years ahead. "Addressing these challenges will not be easy," says Chris Herbert, Managing Director of the Center. "But with concerted efforts by policymakers at all levels of government, together with the private and nonprofit sectors, we have the ability to increase the supply of quality, affordable homes in thriving communities across the US."

The State of the Nation's Housing 2024 will be released in a live webcast today at Noon Eastern. Registration required.

Download the full report along with interactive maps and data

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