

THE STATE
OF THE NATION'S
HOUSING
2020

JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

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TABLE OF CONTENTS

1. Executive Summary	1
2. Housing Markets	8
3. Demographic Drivers	15
4. Homeownership.....	21
5. Rental Housing	28
6. Housing Challenges	34

ONLINE TABLES AND EXHIBITS

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1 | EXECUTIVE SUMMARY

For most of 2020, the country has been beset by the COVID-19 pandemic, social unrest sparked by longstanding racial injustice, and the devastating impacts of climate change. Although low interest rates and continued growth in some sectors have bolstered homebuying and the broader economy, conditions have worsened for many households. Indeed, the nation's failure to live up to its long-stated goal of a decent home in a suitable environment for all has never been clearer—particularly in the lack of affordable rental housing and unequal access to homeownership. Today's crisis conditions call for a comprehensive re-envisioning of national housing policy.

WORSENING AFFORDABILITY FOR RENTERS

With rent increases continuing to compete with income gains, some 20.4 million renter households paid more than 30 percent of their incomes for housing in 2019. Although this represents a modest decline since the peak in 2014, the total number of cost-burdened renters last year was still 5.6 million higher than in 2001.

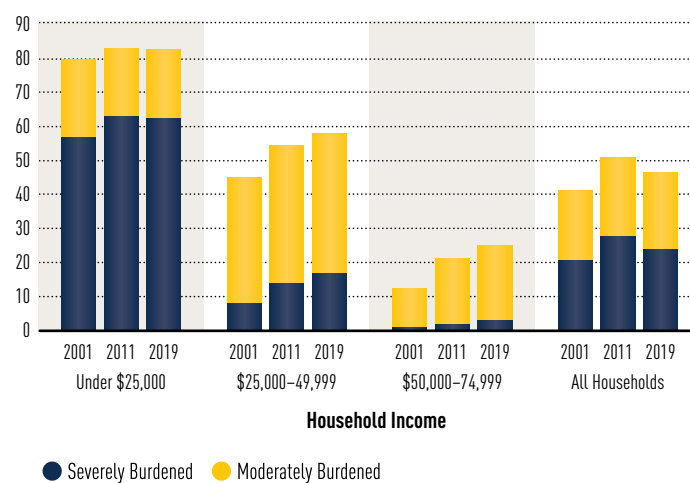
For lowest-income renter households, however, conditions have barely improved since 2011. More than four-fifths of households with incomes under \$25,000 were at least moderately cost burdened in 2019, including 62 percent paying more than half their incomes for housing. Tight supply and rising rents have increased the pressures on moderate-income households as well, lifting the share of cost-burdened households earning between \$25,000 and \$49,999 from 44 percent in 2001 to 58 percent last year (**Figure 1**).

The economic fallout from the COVID-19 pandemic has amplified the rental affordability crisis. According to the Census Bureau's Household Pulse Survey for late September, renters earning less than \$25,000 a year were much more likely to report lost employment income since the March shutdown. Indeed, more than half (52 percent) of lowest-income renters lost wages during this period, compared with 41 percent of all households. Not surprisingly, about one in five renters earning less than \$25,000 also said they were behind on rent, compared with 15 percent of all renters and just 7 percent of renters earning more than \$75,000. Those earning \$25,000 to \$49,999 also struggled, with 53 percent losing income and 16 percent behind on rent.

FIGURE 1

Heading Into the Pandemic, Renter Cost Burden Rates Were Already High and Moving Up the Income Scale

Share of Renter Households with Cost Burdens (Percent)



Notes: Incomes are adjusted for inflation using the CPI-U for All Items. Moderately (severely) cost-burdened households pay 31–49% (50% or more) of income for housing. Households with zero or negative income are assumed to have severe burdens, while households paying no cash rent are assumed to be without burdens.

Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

Renter households of color have also suffered disproportionately from the pandemic's impacts. Even before the COVID-19 outbreak, the cost-burdened shares of Black and Hispanic renters, at 54 percent and 52 percent, were already more than 10 percentage points

higher than that of white renters. The disparity between white and Asian renters, however, was just 0.3 percentage point. But with the shutdown of the economy, many of these households experienced income losses. As a result, 23 percent of Black, 20 percent of Hispanic, and 19 percent of Asian renters were behind on their rents by late September, or about twice the 10 percent share of white renters.

Federal support provided through the CARES Act—including enhanced unemployment benefits, stimulus payments, and funding for state and local relief efforts—did manage to keep many renters afloat. The overall economy has also recovered to some degree, with the unemployment rate dropping from 14.7 percent in April to 6.9 percent in October. So far, state and federal moratoriums have slowed evictions, but without additional federal aid, many households that have missed payments may be unable to cover their back rents.

Additional government outlays would not only help keep renters stably housed, but also provide needed support for property owners. With so many tenants in financial distress, landlords are coming under pressure as well. The full impacts of the economic downturn on owners are as yet unknown, although weekly surveys by the National Multifamily Housing Council show that rent delinquencies at professionally managed buildings from May through October averaged just under 10 percent by the 20th of each month.

Still, collections at the types of properties that are not typically professionally managed are much lower. The Household Pulse Survey found that 17 percent of renters in single-family homes and 14 percent of renters in smaller multifamily buildings (with fewer than five units) were behind on rent during the last two weeks of September, compared with 11 percent of tenants in larger apartment buildings (with at least 20 units).

UNCERTAIN DIRECTION OF THE RENTAL MARKET

Even before the pandemic derailed the economy, rental housing demand had slowed as the millennials (born 1985–2004) moved into their prime homebuying years. The number of renter households fell in 2017 and 2018 before rebounding by 301,000 in 2019, leaving their numbers essentially unchanged from 2016. However, the number of renters with higher incomes did continue to rise over this period, buoying the apartment market despite slackening demand overall.

Going forward, rental demand is likely to weaken further as households that have fared well financially this year turn to the homebuying market, while individuals who have lost jobs are forced to double up with others or delay forming their own households. Indeed, with the closing of schools and orders to work from home, a surge of young adults moved back into their parents' homes.

According to the Pew Research Center, the share of adults aged 18–29 living with their parents climbed to 52 percent in July 2020, up from 46 percent at the start of the year and the highest level since the Great Depression. While many of these young adults may move to their own homes as the economy reopens further, some share of this group will remain out of the rental market either out of choice or necessity.

Softening demand has been accompanied by a steady flow of new supply. CoStar data for 12.6 million professionally managed apartments put the vacancy rate at 7.0 percent in the third quarter of 2020—the highest level since 2010. The sharpest rise was in the higher-quality segment, up 1.9 percentage points from a year earlier, to 10.5 percent. The increases are widespread, with RealPage reporting higher vacancies in 93 of the 150 markets they survey.

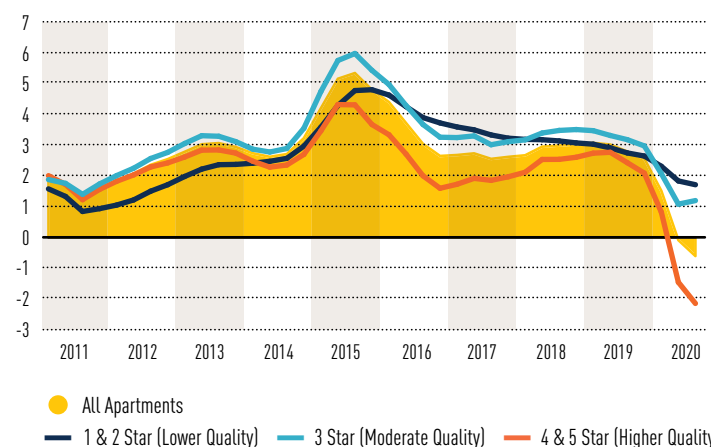
Rents have already started to respond to the falloff in occupancy (**Figure 2**). CoStar finds that rents were down just 0.6 percent nationwide in the third quarter of 2020, but this decline represents a sharp reversal from the 2.8 percent gains averaged in 2019. With vacancy rates rising, the higher-quality segment has seen the largest drop in rents, off 2.2 percent. RealPage data indicate that third-quarter rents declined in 51 of the metros surveyed—six times the number a year earlier.

But if the rental market is at a turning point, relatively tight supply coming into the pandemic may prevent a steep downturn. In fact, market conditions appear to be relatively strong as apartment property prices

FIGURE 2

Rent Growth Has Slowed Sharply, Particularly at Higher-Quality Properties

Annual Change in Rents (Percent)



Note: Apartment quality is based on the CoStar Building Rating System for professionally managed market-rate apartments in buildings with five or more units.
Source: JCHS tabulations of CoStar data.

continue to rise. According to Real Capital Analytics, prices increased at an 8.8 percent annual rate over the 12 months ending in September 2020, down only slightly from the 9.5 percent rate a year earlier.

And despite concerns about tenants' inability to pay their rents, the delinquency rate for multifamily mortgages has not risen appreciably. The share of multifamily loans that are seriously delinquent (at least 90 days past due) inched up from just 0.12 percent in the first quarter to 0.19 percent in the second. Similarly, a Mortgage Bankers Association survey found that less than 1.7 percent of loans for professionally managed multifamily properties were in any stage of delinquency in September.

Moreover, construction of multifamily housing began 2020 well above the year-earlier pace. Although starts fell sharply during the spring lockdown, they made a quick and strong comeback. This lifted year-to-date starts in September above those in the same period in 2019, which was already the strongest year for multifamily construction in three decades. However, given the lengthy development process, a falloff in multifamily volumes would lag any drop in demand for new rentals. One indication that multifamily construction is in fact headed for a slowdown is that permitting activity was down 10 percent from year-earlier levels through September.

HOMEOWNERS ALSO HARD HIT

Although renters have been more likely to lose income during the pandemic, not all homeowners have been spared. Again, households of color and those with lower incomes have taken a disproportionate

hit. While 36 percent of all homeowners reported having lost income between March and the end of September, the shares are as high as 44 percent among owners earning less than \$25,000, 41 percent among Black owners, and 49 percent among Hispanic owners.

For many of these homeowners, the income losses come on top of cost burdens, leaving them struggling to pay their mortgages once the shutdown started. Among owners earning less than \$25,000 annually, 69 percent were cost burdened going into the pandemic. Homeowners of color at this income level were also 5–10 percentage points more likely to have cost burdens than white homeowners.

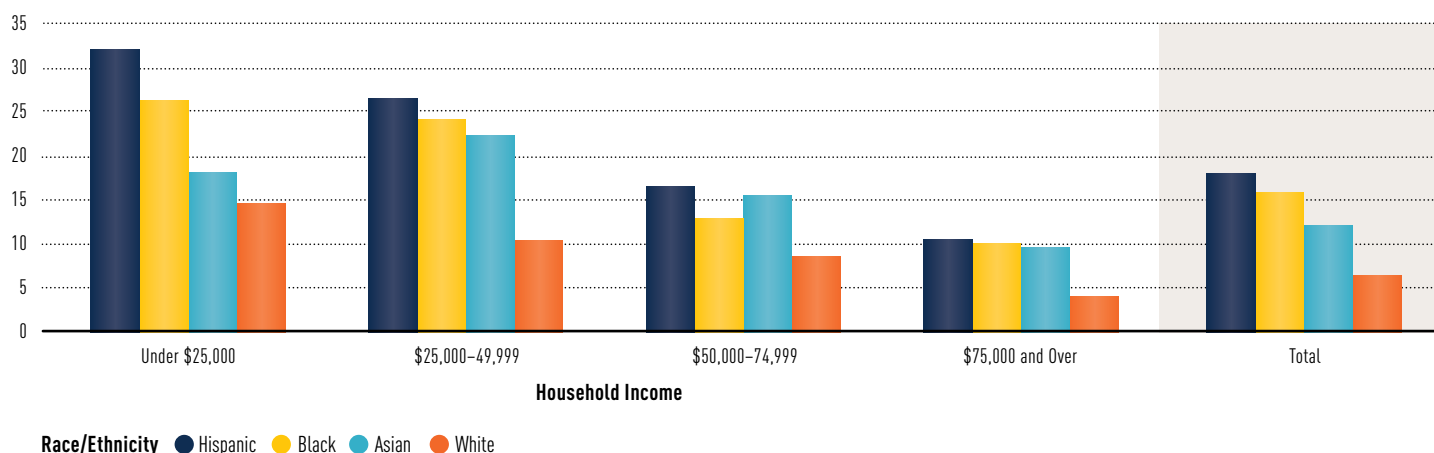
The pandemic has widened these disparities (**Figure 3**). Just 7 percent of white homeowners were behind on mortgage payments in late September, but the share was nearly two-and-a-half times higher among Hispanic (18 percent) and Black (17 percent) owners, and nearly twice as high among Asian owners (12 percent). The shares of lowest-income households behind on their payments are especially alarming, including nearly a third of Hispanic, a quarter of Black, and a fifth of Asian homeowners.

Since roughly two-thirds of mortgages are federally backed, the government has considerable leeway to extend protections to distressed homeowners. Congress and the Federal Housing Finance Agency (FHFA)—the entity that oversees Fannie Mae and Freddie Mac—acted quickly at the start of the pandemic to provide homeowners forbearance of their monthly payments without penalties, fees, or the threat of foreclosure for up to a year. When the economy

FIGURE 3

Across Income Groups, Homeowners of Color Are More Likely than White Homeowners to Have Fallen Behind on Housing Payments During the Pandemic

Share of Homeowners Behind on Mortgage Payments as of September 2020 (Percent)



Notes: Homeowners behind on housing payments reported that they were not caught up at the time of survey. White, Black, and Asian households are non-Hispanic. Hispanic households may be of any race. Totals include owners that identify as other races or as multiracial.
Source: JCHS tabulations of US Census Bureau, Household Pulse Survey, Week 15.

went into freefall in April, it was widely expected that more than one in five homeowners would opt for this relief. As it was, however, the share peaked at just 8.8 percent in June and fell steadily thereafter. Still, Black Knight Mortgage Monitor reports that 6.3 million homeowners had entered forbearance plans by the end of October.

These federal initiatives do not, however, cover 14.6 million homeowners with mortgages, although some lenders are extending similar safeguards to these borrowers. Another notable gap in protections is for the nearly three-quarters of owners of manufactured homes whose units are titled as personal property rather than real estate. Indeed, the Household Pulse Survey for late September shows that owners of manufactured homes are more likely to report lost income since March as well as to be behind on their housing payments.

In addition, homeowners under forbearance plans must work with loan servicers to remedy the accumulated debt. Black Knight reports that 53 percent of homeowners had already exited forbearance by late October, with a large majority of those who exited (68 percent) again current on their loans. Another 14 percent were delinquent but engaged with lenders in loss-mitigation efforts. These results are consistent with the expectation that many borrowers that are unable to make up for back payments will be able to add the outstanding amounts onto the end of their mortgage terms or otherwise restructure their loans. As of October, just 2 percent of these borrowers were at risk of foreclosure, having exited forbearance but still delinquent and not engaged in loss mitigation.

Of course, most homeowners that have exited forbearance plans are less likely to have suffered major income losses compared with those still in forbearance. In contrast, the 3.0 million owners that remain in forbearance may still be at risk of longer-term losses that will make it difficult for them to resume their normal mortgage payments even if the arrearage can be otherwise accommodated. With the steady rise in home prices, though, at least some of these financially stressed owners could avoid foreclosure by selling their homes or refinancing. As of August, some 15 percent of those exiting forbearance had paid off their loans by refinancing or by selling their homes.

But given the disproportionate impact of the pandemic on Black and Hispanic households, forced sales could take a toll on the homeownership rates of these already disadvantaged groups. Maintaining homeownership over a long period of time is critical to wealth creation by enabling households to ride out housing price cycles while gradually paying off mortgage debt. Loss mitigation approaches that help homeowners with longer-term income losses sustain homeownership are therefore important for both their current housing stability and their future financial success.

RESILIENCY IN THE HOMEBUYING MARKET

As 2020 began, the national homeownership rate had climbed back up to 64.6 percent, an increase of 1.2 percentage points from 2016. More importantly, the number of homeowner households grew at a 1.3 million average annual rate over this period, more than making up for nearly a decade of decline. Much of this growth was driven by younger adults, bolstered by the movement of the millennial population into the prime homebuying age group of 25–34. Indeed, the homeownership rate for households under age 35 rose 2.2 percentage points in 2016–2019.

Once the pandemic hit and the economy shut down, however, homebuying came to an abrupt halt. New home sales were down 14 percent year over year in April and existing home sales were off 27 percent in May. But the market for owner-occupied homes then made a surprisingly strong rebound, with total sales well above year-earlier levels by summer (**Figure 4**). At their present pace, sales of both new and existing homes are likely to exceed 2019 levels this year.

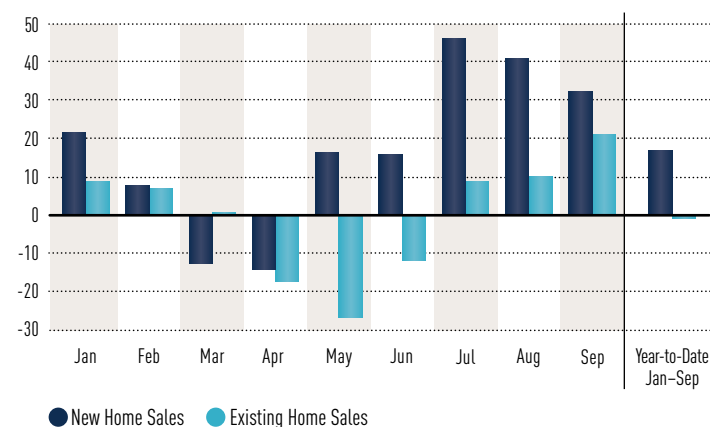
Meanwhile, single-family construction started the year at its fastest pace since the Great Recession, running above a 900,000 unit annual rate. Like home sales, though, single-family starts fell sharply in April, dipping below 700,000 units before making a rapid recovery. By September, construction activity was back to a 1.1 million annual rate, up 22 percent from a year earlier.

Still, the supply of homes for sale has not kept up with demand, shrinking already tight inventories. Only 1.47 million existing homes were on the market in September, representing a 2.7 months sup-

FIGURE 4

Home Sales Surged After a Sharp Dive in the Spring

Year-over-Year Change (Percent)



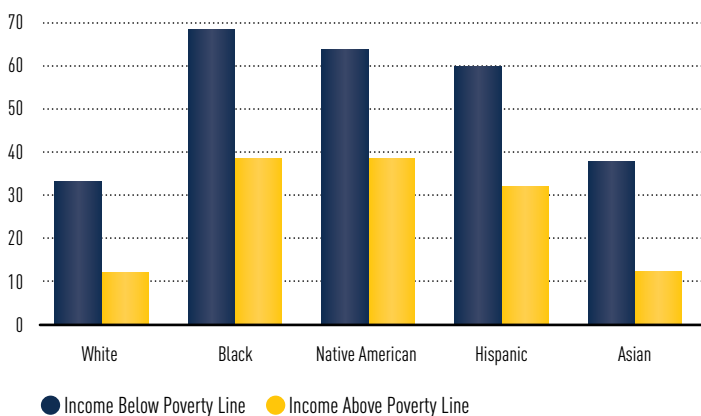
Notes: Year-over-year changes are based on seasonally adjusted data, while the year-to-date changes are not seasonally adjusted. Recent monthly data are subject to revision.

Source: JCHS tabulations of US Census Bureau, New Residential Sales; National Association of Realtors (NAR), Existing Home Sales.

FIGURE 5

People of Color Are More Concentrated in High-Poverty Neighborhoods than White People with Similar Incomes

Share of Population Living in Census Tracts with 20% or Higher Poverty (Percent)



Notes: Incomes above or below the poverty line are defined by the official measure of poverty established by the Office of Management and Budget (OMB). Only white individuals are non-Hispanic. Since Hispanic individuals may be of any race, there is some overlap with other racial categories. Source: JCHS tabulations of US Census Bureau, 2018 American Community Survey 5-Year Estimates.

ply—the lowest level in decades. With strong competition for the limited stock of homes for sale and mortgage rates at record lows, the S&P CoreLogic Case-Shiller home price index rose at a 5.7 percent clip in September, exceeding the previous peak by more than 20 percent. Price increases for modest homes (valued at less than 75 percent of the area median) were especially strong, up 7.5 percent at an annual rate in July. Prices for higher-cost homes (valued at more than 125 percent of the median) rose more slowly but still increased at a 5.0 percent annual rate.

While high unemployment would normally be a significant headwind for the market, the combination of low inventories and low interest rates will likely keep upward pressure on home prices. However, several factors could make it difficult for some potential homebuyers to take advantage of today's low mortgage rates. In particular, house prices continue to outrun incomes, pushing up the national price-to-income ratio to 4.3 in 2019. Although lower than the 4.7 peak reached during the housing boom, the national ratio is well above levels that prevailed in previous decades. Indeed, price-to-income ratios set new highs in 39 of the nation's 100 largest metros. And even if low interest rates help to offset these high prices, the amount of savings needed for downpayment and closing costs still presents a significant hurdle for first-time buyers.

Moreover, lending standards have tightened. With all the uncertainty in the economy, the Mortgage Bankers Association Mortgage Credit Availability Index declined by 34 percent from February to September this year, dipping to its lowest levels since 2014. This

decline reflects much more restricted access for borrowers with lower credit scores and higher loan-to-value ratios, as well as a pull-back from jumbo loans and non-qualified mortgages.

PERSISTENT RACIAL DISPARITIES

Racial disparities in housing are both a cause and a consequence of other social inequalities. Discriminatory practices have limited the opportunities for people of color to live in neighborhoods that offer good-quality schools and public services, while also increasing their exposure to crime and other environmental hazards. The nation's long history of housing and mortgage market discrimination has also prevented generations of Black and Hispanic households from buying homes and accruing wealth. The impact of this systemic inequality is evident in the lower incomes and wealth of today's households of color, a legacy that perpetuates their struggle to obtain decent, affordable housing in safe neighborhoods.

As a result, people of color have far higher cost-burden rates and far lower homeownership rates than white households, and account for a disproportionately large share of the homeless population. In 2019, some 43 percent of Black, 40 percent of Hispanic, and 32 percent of Asian households spent more than 30 percent of their incomes on housing, compared with 25 percent of white households. Although the higher rate of cost burdens among people of color in part reflects their generally lower incomes, disparities are evident even across households in the same income groups.

Inequality in homeownership rates is even more pronounced. While overall rates began to move up in 2016, the homeownership rate for Black households had increased just 0.6 percentage point by 2019—less than half the 1.4 percentage point gain among white households. And because Black rates fell much more sharply than white rates during the Great Recession, the Black-white homeownership gap is now larger than it has been in decades, at fully 31 percentage points. Although Hispanic and Asian households made more gains than Black households since 2016, their homeownership rates still lag those of white households by 27 and 16 percentage points, respectively.

Another important dimension of unequal housing access is the high degree of residential segregation that exists today (Figure 5). Among the many factors contributing to this pattern are discriminatory housing practices, the lack of affordable rental and homeownership options in many communities, and missed opportunities to affirmatively further racial integration. A consequence of this segregation is that people of color are heavily concentrated in high-poverty neighborhoods and underrepresented in higher-income areas. Nearly two-thirds of the Black, Hispanic, and Native American populations living in poverty

reside in communities with poverty rates above 20 percent, about twice the share of the white population living in poverty. Large shares of relatively affluent households of color also live in these neighborhoods, including 39 percent of both Black and Native American households and 30 percent of Hispanic households.

The housing affordability challenges facing people of color are also clear from their disproportionately high rates of homelessness. In 2019, Black people accounted for just under 13 percent of the US population but nearly 40 percent of people experiencing homelessness. A large disparity also exists among Native Americans and Alaskan Natives, who collectively made up 0.9 percent of the population but 3.2 percent of those experiencing homelessness. Hispanics are also overrepresented, comprising 18 percent of the total population but 22 percent of homeless individuals.

THE CASE FOR A NEW NATIONAL HOUSING AGENDA

The economic dislocation caused by the pandemic has underscored the fundamental importance of secure, adequate, and affordable housing for all. It has also revealed just how many millions of cost-burdened households struggle to keep a roof over their heads. Indeed, the experience of the past year has thrown the differences between the country's haves and have-nots into stark relief. Most households with good-quality, appropriate housing have been able to maintain their health and financial security from within their safe harbors. Those without adequate resources and secure housing have faced not just the risk of eviction or foreclosure, but also greater exposure to life-threatening illness from COVID-19.

The National Housing Act of 1949 established the goal of a decent home in a suitable living environment for all. In the more than 70 years since this landmark legislation, the country has not come close to this ideal, at least in part because there is no coherent national housing policy. Instead, US housing policy is an amalgam of measures intended to address past priorities and market conditions, and generally created without regard for any overarching goal.

To be effective, a national housing policy would set out the appropriate roles and responsibilities of federal, state, and local governments in meeting the country's needs. It would establish funding sources and distribution channels for subsidies, create incentives for efficient private production of housing through regulatory and tax structures, and ensure the availability and affordability of mortgage financing as well as the stability of the housing finance system. Other critical elements would be to remedy both the legacy and continuing presence of racial discrimination in housing markets, accommodate the needs of the nation's rapidly aging population, and improve the resilience of the housing stock in the face of climate change.

As it is, however, federal funding has fallen far short of even holding the line on supporting cost-burdened families in need (**Figure 6**). From 2000 to 2010, the share of federal expenditures for housing assistance fell from 9.0 percent of non-defense discretionary spending to just 7.1 percent, even as the number of cost-burdened renters rose by 6 million. Since then, the housing assistance share has increased marginally to 7.4 percent while the number of cost-burdened renters has barely retreated.

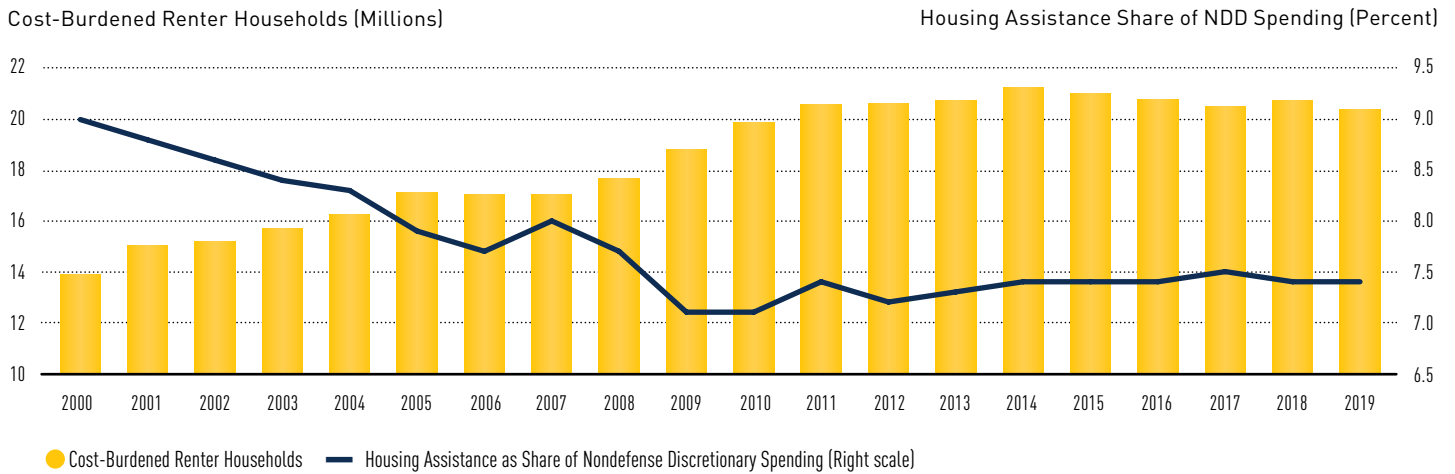
Although households with very low incomes (earning less than 50 percent of area median) are theoretically eligible for federal rent subsidies, housing assistance is not an entitlement program and is vastly underfunded. For the three out of four very low-income households unable to obtain subsidies, few affordable options are available on the open market. The National Low Income Housing Coalition estimates that only 57 rental units are affordable and available for every 100 very low-income renters. Conditions for extremely low-income renters (earning less than 30 percent of area median) are even tighter, with just 36 units affordable and available for every 100 households. A national housing policy should reconsider eligibility rules for housing assistance and then provide the means to fully meet that commitment.

Making housing assistance an entitlement would also help to remedy the country's homelessness crisis. But while stable and affordable housing provides the foundation for at-risk populations, many extremely low-income households need additional services to address the full range of challenges they face. A new national housing policy should therefore consider the best ways to combine rental assistance with other supports to provide the conditions and resources necessary for these households to succeed. And for the rapidly expanding number of older households on fixed incomes, a new national housing policy should ensure affordable, physically appropriate housing as well as the services needed to allow aging in community.

At the same time, many of today's 20 million cost-burdened renters have low to moderate incomes. The challenge for policymakers is to enable private entities to provide housing for these households without public support. However, many regulatory barriers—primarily at the state and local levels—constrain the ability of the private market to supply the types of well-located rental housing that these households can afford. While land use restrictions and building codes are essential to public health and safety, it is critical to balance those goals against the unmet need for smaller, denser housing that is convenient to transportation and employment opportunities. Tax policy at all levels of government has a powerful influence on the location, type, and cost of both new and existing homes, and should be used more strategically to reshape residential development patterns and make housing more affordable.

FIGURE 6

The Number of Cost-Burdened Renters Has Grown as Housing Assistance Has Become a Lower Budget Priority



Notes: Cost-burdened households pay more than 30% of income for housing. Households with zero or negative income are assumed to have burdens, while households paying no cash rent are assumed to be without burdens.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates; US Office of Management and Budget, Historical Tables, Budget of the United States Government, Fiscal Year 2021, Table 8.7, Outlays for Discretionary Programs: 1962–2025.

Another priority is to help the many households that aspire to own homes but do not understand how to navigate the complex home-buying process or are unable to meet the financial requirements. Support for education and counseling for potential homebuyers, along with broad access to safe and affordable mortgage financing, should therefore be cornerstones of a national policy.

For many would-be homeowners, the large upfront investment for the downpayment and closing costs is perhaps the biggest obstacle. While most states and many localities do offer assistance with these costs, their programs are small relative to potential demand and the qualification criteria vary widely, making it challenging for homebuyers to identify and take advantage of these opportunities. A critical policy question is whether these financial supports should be brought to scale and, if so, how they can ensure that borrowers are positioned to succeed as owners given the financial risks of homeownership.

Beyond making housing affordable for all, a new national housing policy needs to promote reinvestment in long-distressed neighborhoods. In the years following the Great Recession, poverty rates in one out of five census tracts across the country exceeded 40 percent, nearly twice the number of high-poverty tracts in 2000. While the needs of these communities go well beyond housing, good-quality homes are an essential element of a comprehensive neighborhood revitalization strategy. It is true that past efforts to turn distressed

neighborhoods around have not been altogether successful, but those experiences nonetheless provide lessons on which future policy can and should build.

Finally, a new national housing policy needs to be more attuned to how the built environment both contributes to and is affected by climate change. Housing is a major source of carbon emissions, not just because of energy use inside the home but also because of travel to and from work, school, and other destinations. Efforts to reduce the nation's carbon footprint must include federal policies aimed at making housing more energy efficient and better connected to low-carbon transportation networks. Investments are also needed to improve the resiliency of the nation's housing stock as natural disasters increase in power and frequency.

Between the health and economic consequences of the COVID-19 pandemic, the social unrest brought on by the nation's reckoning with its painful history of racial discrimination, and the series of storms, floods, and wildfires across the country, 2020 has been a difficult and challenging year for many. All of these sources of distress have important ties to longstanding housing policy issues. The hope is that now that these challenges are so clearly in the spotlight, we as a country can finally re-envision a national housing policy and recommit to the goal of a decent home in a suitable living environment for all.

2 | HOUSING MARKETS

After a year of healthy growth in home sales and new construction, housing markets stalled in mid-March 2020 with the COVID-19 outbreak. Since the summer, however, the rebound in both sales and construction has been surprisingly strong. Home prices have also continued their steady rise, propped up by the historically tight supply of homes for sale and record-low interest rates. These recent trends lend hope that the housing sector can lead the economy into recovery as it has in several past cycles. Whether this momentum will continue depends largely on containment of the virus and the pandemic's longer-term impacts on the labor market.

SHARP DECLINE AND REBOUND IN HOME SALES

Sales of existing homes were steady in the first quarter of 2020, on par with the first quarter of 2019. Once the economy began to shut down in response to the pandemic, however, year-over-year sales plunged 17 percent in April and 27 percent in May. Indeed, May sales sank to a 3.91 million unit annual rate, the lowest reading for that month in records dating back to 1999. Existing home sales began to bounce back in June to a 4.70 million unit annual rate, but were still down 12 percent year over year. The pace of sales then continued to pick up through the summer, climbing 10 percent in August (to a 5.98 million unit annual rate) and 21 percent in September (to a 6.54 million unit annual rate)—the strongest single month since 2006.

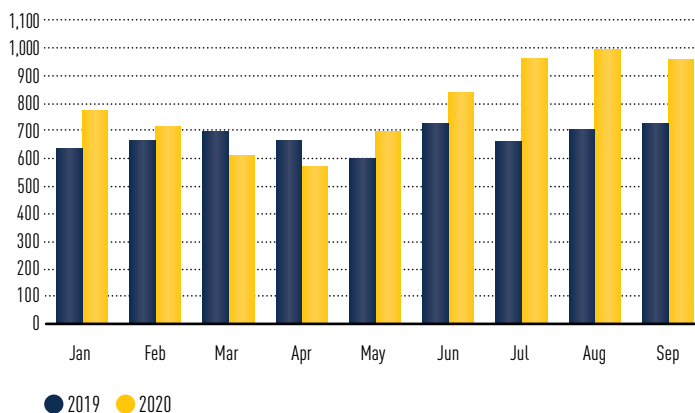
After a similar decline in the spring, new home sales recovered even more strongly (**Figure 7**). Unlike existing home sales, new home sales are not constrained by low inventories and can be recorded when the contract is signed, including before construction even starts. Year-over-year sales of new single-family homes were up 46 percent in July, 41 percent in August, and 32 percent in September. The summer surge put year-to-date new home sales some 17 percent higher in September than a year earlier, while existing home sales were off by just 0.2 percent.

The robust market for new homes in 2020 continues the uptrend started in 2019 when sales jumped 10.7 percent, to 683,000 units—more than double the 2011 low of 306,000 units. In contrast, sales of existing single-family homes rose just 0.5 percent last year, to 4.77

FIGURE 7

After a Steady Decline in Early 2020, New Home Sales Are Now Well Above Year-Earlier Levels

Annualized New Home Sales (Thousands of units, seasonally adjusted)



Note: Recent monthly data are subject to revision.
Source: JCHS tabulations of US Census Bureau, New Residential Sales.

million units, while sales of existing condos and co-ops fell 3.7 percent, to 579,000 units. As a result, existing home sales overall were flat in 2019 at 5.34 million units.

Home sales over the summer were strong for several reasons. First, interest rates dipped to historic lows as the economy entered a

recession in March. According to Freddie Mac's Primary Mortgage Market Survey, the interest rate on a 30-year fixed-rate mortgage declined below 3.0 percent in July for the first time since the survey began in the early 1970s and stood at a record low of 2.8 percent at the end of October.

Second, demographic changes favor homeownership. The Census Bureau's most recent population estimates point to strong growth in the number of 30–44 year olds, the age group most likely to purchase homes. In fact, adults in this age range accounted for half of total population growth between 2018 and 2019. In addition, the economic fallout from the pandemic has had a relatively modest impact on higher-income households, another demographic group likely to purchase homes.

Third, the pandemic disrupted the usual seasonal pattern in home sales, which are typically low in winter months, increase in the spring, and then peak in early summer. This year, the pandemic delayed homebuying in April and May, likely shifting many purchases to the late summer and fall.

Fourth, the pandemic itself may encourage homebuying. With growing numbers of adults working from home and children unable to attend school, some households are looking for larger homes to accommodate their need for added space. Residents of multifamily buildings may also be moving to single-family homes to avoid the threat of virus transmission in shared spaces.

And fifth, innovations in homebuying and selling have streamlined the purchase process in ways that allow social distancing. According to Zillow's 2020 Urban-Suburban Market Report, virtual searches were up significantly over the summer and virtual showings have also become more commonplace. In addition, the Federal Housing Finance Agency (FHFA) made loan closings easier by allowing virtual appraisals and remote notarization of documents.

BOUNCEBACK IN RESIDENTIAL CONSTRUCTION

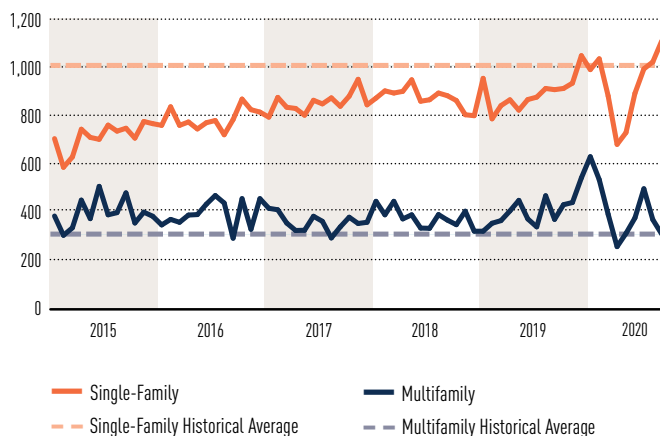
Housing construction also made a quick comeback after a sharp decline in the spring. From December 2019 through February 2020, housing starts were running near a 1.6 million unit annual rate for the first time since 2006. But when all non-essential activity was put on pause, annualized housing starts fell 19 percent between February and March, and another 26 percent from March to April—the largest one-month drop since 1984.

But new construction was back up to a 1.5 million unit annual rate by July, and held at a 1.4 million unit rate in August and September. Single-family starts led the way, increasing to a 1.1 million unit annual rate in September, up 22 percent from the

FIGURE 8

Housing Construction Is Back on Track After a Near-Record Decline in the Spring

Annualized Housing Starts (Thousands of units, seasonally adjusted)



Notes: Single-family and multifamily historical averages are of seasonally adjusted monthly data from January 1990 to September 2020. Recent monthly data are subject to revision.
Source: JCHS tabulations of US Census Bureau, New Residential Construction data.

year prior and the strongest month for single-family homebuilding in over 13 years (**Figure 8**).

The recent strength of single-family construction is a sharp departure from 2019 when starts edged up just 1.4 percent, to 887,700 units—the 12th consecutive year below the million mark. In contrast, construction of multifamily units continued to climb, with starts rising 7.5 percent last year to 402,300 units. This was the first year that multifamily starts topped 400,000 units since 1988.

With its current momentum, the housing sector could lead a broader recovery. Historically, housing has helped to bolster economic growth after recessions because starts and sales tend to rebound quickly. Moreover, the persistent deficit in homes for sale makes residential construction ripe for a continued upturn. Indeed, after more than a decade of limited homebuilding, the homeowner vacancy rate was just 1.1 percent in the first quarter of 2020 and the rental vacancy rate was 6.6 percent, both historic lows. Homebuilders are also optimistic about market conditions. According to the NAHB/Wells Fargo Housing Market Index, builder confidence hit 85 in October—the highest reading in the survey's 36-year history.

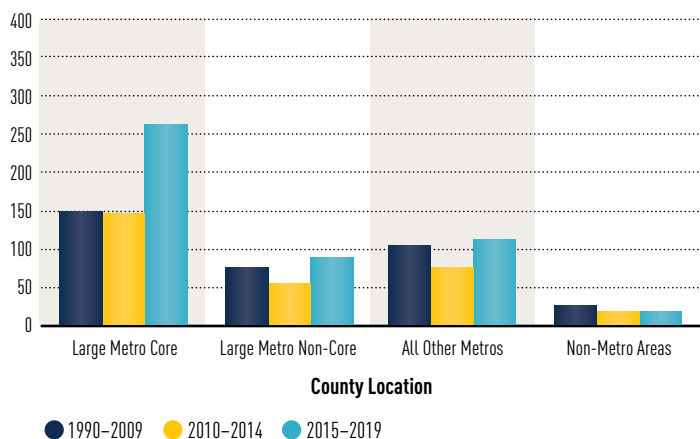
THE LOCATION OF NEW CONSTRUCTION

The pandemic could lead to a change in housing location preferences. For example, if working remotely becomes the norm, demand could strengthen for homes in outlying communities that are

FIGURE 9

Multifamily Construction Has Driven a Building Boom in Core Counties

Average Multifamily Permits (Thousands)



Notes: Large metro areas have at least 1 million residents. Core counties contain either the largest city in the metro area or any city with over 250,000 residents. Non-core counties are all other counties in large metro areas.
Source: JCHS tabulations of US Census Bureau, Building Permits Survey via Moody's Economy.com.

relatively far from employment centers. In this case, construction activity could shift away from central urban areas to suburban communities and perhaps to less expensive markets away from the coasts. In fact, an NAHB analysis of second-quarter permitting data indicates that this may already be happening, at least in the short term. The fastest growth in permits was in the suburban counties of small metro areas, including a nearly 11 percent increase in single-family permits, while the number of units permitted in more central urban areas of large metro areas declined.

If this shift continues, it would represent a significant reversal of recent homebuilding patterns. For the past decade, construction has been concentrated in urban settings. In 2015–2019 alone, more than a third (446,000) of permits issued on average were in the core counties of large metros with at least a million residents, up from 27 percent (395,000) issued on average in 1990–2009.

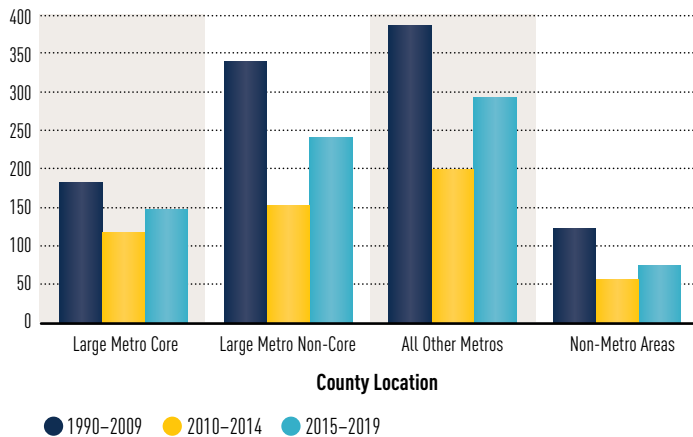
This urban focus was driven largely by the growth and concentration of multifamily construction (**Figure 9**). Fully 55 percent of multifamily permits (262,000) were issued in core counties in 2015–2019, compared with just 42 percent in 1990–2009. And although total multifamily permitting increased 36 percent in those five years relative to the prior two decades, its rate of growth in core counties was 78 percent. At the same time, multifamily permitting rose modestly in the suburban counties of large metros (up 17 percent) and in all other metro areas (up 8 percent), but fell in non-metro areas (down 31 percent).

Meanwhile, single-family construction in 2015–2019 was substantially lower across the board relative to the 20-year average (**Figure 10**).

FIGURE 10

Although Reviving Across Locations, Single-Family Construction Still Lags Historical Averages

Average Single-Family Permits (Thousands)



Notes: Large metro areas have at least 1 million residents. Core counties contain either the largest city in the metro area or any city with over 250,000 residents. Non-core counties are all other counties in large metro areas.
Source: JCHS tabulations of US Census Bureau, Building Permits Survey via Moody's Economy.com.

Indeed, single-family permitting was off 26 percent in core counties, 29 percent in the suburbs of large metros, 24 percent in other metros, and 40 percent in non-metro areas. An uptick in single-family homebuilding in response to the pandemic would likely occur in all of these locations, but especially in the suburban counties of large metros and in other metro areas, where two-thirds of single-family construction activity typically takes place.

GROWING SIZE OF NEWER HOMES

Before the pandemic forced many households to work remotely, housing construction had increasingly focused on larger homes over the past several decades. Indeed, the share of newly completed single-family homes with four or more bedrooms grew steadily from 28 percent in 1989 to 47 percent in 2015, before a slight decline to 43 percent in 2019. Accordingly, the median size of new single-family homes jumped 24 percent from 1989 to 2019, to 2,301 square feet. Meanwhile, the average size of households living in newly built homes held at about 2.9.

As a result, many homeowner households have more bedrooms than people. Indeed, 96 percent of owner-occupied households have five or fewer members. Most of these households (61 percent) have at least one extra bedroom, including over a quarter (27 percent) with two or more extra bedrooms. Smaller households living in owner-occupied homes are far more likely to have at least one additional bedroom, including 93 percent of single-person and 79 percent of two-person households, compared with 36 percent of three-person households.

The long-term shift toward larger single-family homes has come at the expense of smaller, more affordable units. However, completions of homes under 1,800 square feet increased 13 percent in 2018–2019. Although well below their 37 percent share in 1999, smaller homes accounted for 24 percent of newly completed houses last year. Meanwhile, completions of homes with at least 3,000 square feet declined 4 percent last year, but still made up 25 percent of new units. The remaining 51 percent of homes completed in 2019 had between 1,800 and 3,000 square feet.

Construction of other smaller housing options also increased last year. Townhome completions were up 12 percent in 2019 (to 120,000 units) and are approaching levels in the early 2000s. Condo completions also rose 15 percent (to 31,000 units), but lagged far below their numbers every year from 1974 to 2009. Manufactured home shipments actually declined slightly in 2019 (to 94,600 units) and had been under 100,000 units every year since 2007. Ultimately, housing construction targeted toward different price points, including smaller homes, will be essential for maintaining affordability over the long term.

INVENTORIES AT NEW LOWS

In the first quarter of 2020, the number of existing single-family homes for sale was already down about 11 percent year over year. Indeed, the supply of for-sale homes was at its lowest level since at least 1982. The pandemic made the shortage even worse, preventing many potential sellers from putting their homes on the market and leaving inventories off about 20 percent from year-earlier levels from April through September. The number of single-family homes for sale stood at just 1.24 million in September 2020, compared with an already low 1.60 million in September 2019 (**Figure 11**).

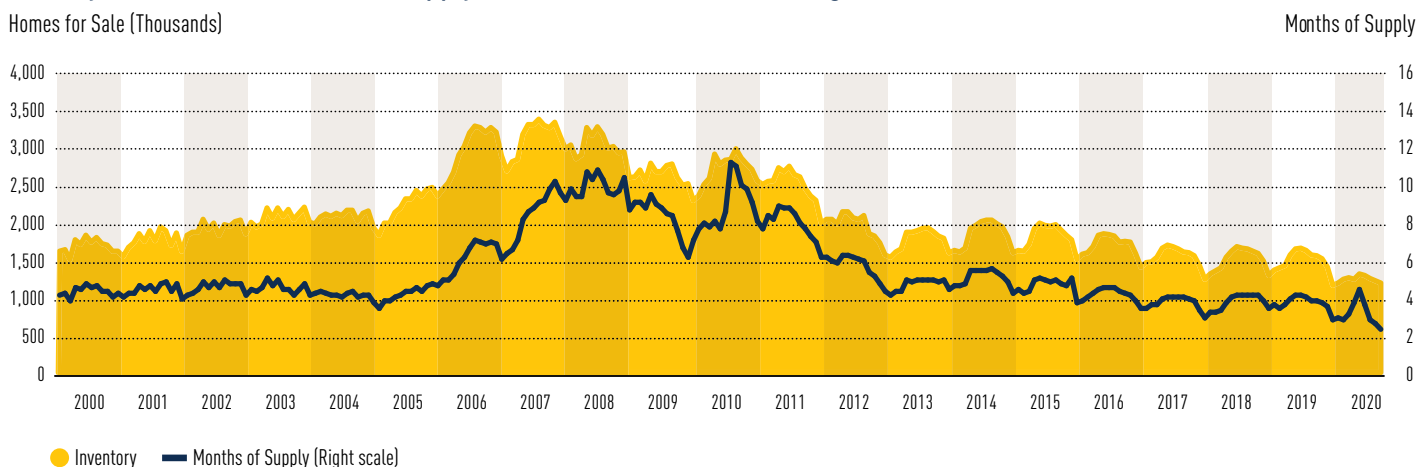
Measured in months of supply, for-sale inventories fell from an average of 3.9 months in 2019 to a record low of 2.5 months in September. Inventories were tightest for lower- and moderate-cost homes. According to CoreLogic, the supply was under 2.0 months in July for homes costing 50–150 percent of the metro area median sales price. Inventories of homes priced under 50 percent of the median also ticked down from 3.4 months in 2019 to 3.0 months so far in 2020, while those of homes costing more than 200 percent of the median fell from 5.3 months to 3.9 months.

The pandemic both broadened and accelerated the tightening of supply. In January, for-sale inventories had already fallen year over year in 65 of the 96 large markets tracked by Zillow. By June, inventories were lower in 94 of those markets, with declines accelerating in all but two. The sharpest drop in the number of homes for sale was in the Northeast, where supplies in the Allentown, Philadelphia, and Syracuse metro areas were down by more than 30 percent. Several Western metros also posted declines of more than 25 percent, including Los Angeles, San Jose, and Seattle. Inventories in only two markets—Colorado Springs and San Antonio—increased from the prior year, but by only 2 percent or less.

Inventories of new homes for sale were also below year-earlier levels in early 2020. The number of new single-family homes on the market was about 4 percent lower on average in the first four months of this year, 8 percent lower in May and June, and fully 12 percent lower from July to September. Meanwhile, months of supply of new homes dipped below 4.0 months in July for the first time since 2004.

FIGURE 11

Already Near Historic Lows, the Supply of Homes for Sale Declined Again in 2020



Notes: Data are for single-family homes only. Months of supply measure how long it would take the number of homes on the market to sell at the current rate, where six months is typically considered a balanced market.
Source: JCHS tabulations of NAR, Existing Home Sales.

CONTINUING IMPEDIMENTS TO CONSTRUCTION

Low for-sale inventories in much of the country are evidence of the growing supply-demand mismatch. Among the many reasons for the undersupply of housing—particularly of more affordable homes—are a myriad of regulatory requirements and development fees that both increase construction costs and limit the amount of new housing that can be built by right.

Joint Center analysis of the 2019 National Longitudinal Land Use Survey (NLLUS) found that more than a third of the 1,703 cities, villages, towns, and counties with zoning authority allowed no more than seven housing units per acre. These density restrictions imply a minimum lot size of at least 6,200 square feet in the entire jurisdiction. Indeed, minimum lot sizes up to a full acre are common even in large metro areas. In contrast, only about a quarter of jurisdictions surveyed had zones allowing more than 30 units per acre. A much larger share of these higher-maximum districts was in the West (51 percent) than in the South (27 percent), Midwest (18 percent), and Northeast (16 percent).

Regulations on housing density effectively limit the supply of new housing and push up land prices, particularly in highly restricted markets with strong demand. According to FHFA data, the median price per quarter acre of land underneath existing single-family housing was \$144,100 in 2018, up 56 percent from 2012. At the median, land prices thus represented 39 percent of the total property value. But in highly constrained markets, land costs accounted

for more than half of the value of single-family properties, with particularly high shares posted in San Jose (70 percent), Los Angeles (64 percent), and Honolulu (63 percent) (**Figure 12**).

Local government fees also add directly to the costs of residential development. Many jurisdictions charge impact fees to fund schools, sewerage systems, roads, and other public services associated with new development and growing populations. These fees can be large and raise the price of new homes significantly. Nearly half of the jurisdictions (45 percent) responding to the 2019 NLLUS imposed impact fees, but the share in Western communities was nearly twice as high (86 percent). Parking requirements can also drive up development costs by reducing the amount of land available for housing units and in some cases requiring costly parking structures. Fully 46 percent of jurisdictions required two or more off-site parking spaces per multifamily unit constructed, while just 4 percent required less than one parking space.

Well before the pandemic, the costs of construction materials were on the rise. The Census Bureau's constant quality price indices for single-family home construction jumped 45 percent from 2010 through September 2020, and the current disruption of global supply chains may give another lift to prices, at least temporarily. For example, Bureau of Labor Statistics data indicate that softwood lumber prices jumped 87 percent between April and September—the largest five-month gain since recordkeeping began in the 1940s. NAHB also reports that prices for framing lumber shot up more

FIGURE 12

Land Costs Account for More Than Half of Single-Family Property Values in Several Highly Restricted Housing Markets

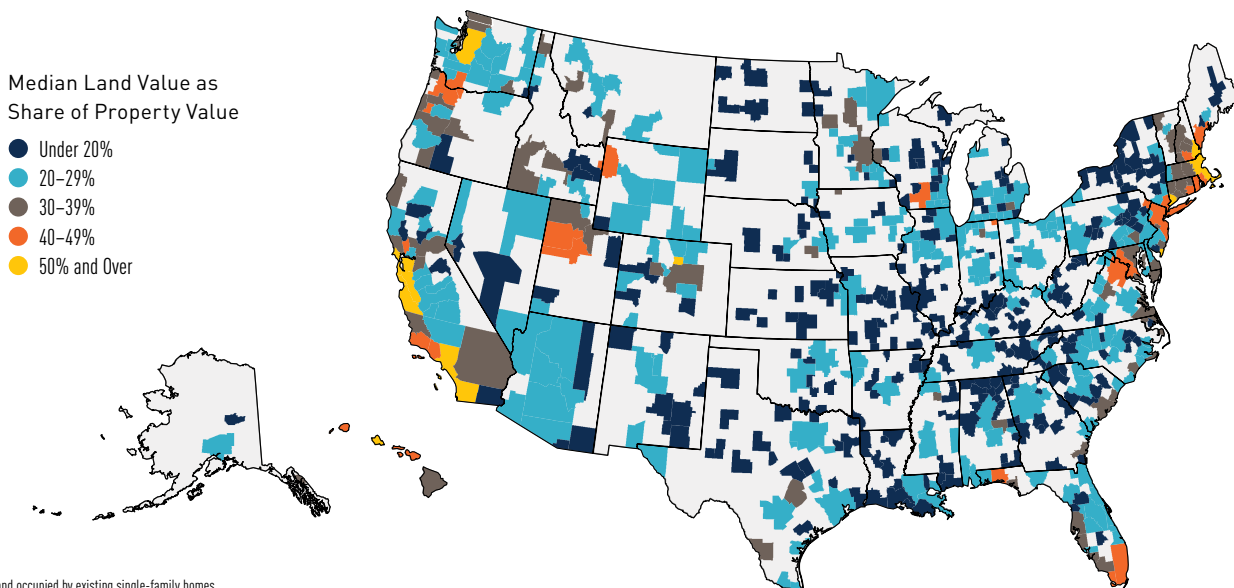
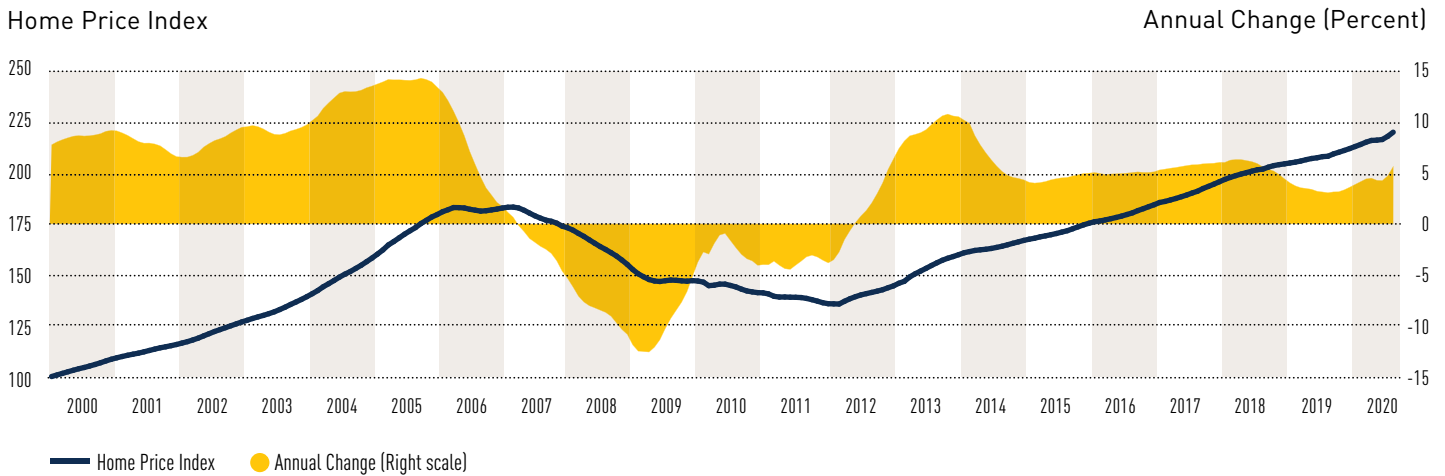


FIGURE 13

Home Prices Continued to Climb Through the Summer Months



Source: JCHS tabulations of S&P CoreLogic Case-Shiller US National Home Price Index.

than 120 percent over that period, but appeared to decline slightly in October.

The persistent shortage of construction workers is yet another impediment to housing development. The number of construction job openings averaged 321,000 in 2019—the highest level since at least 2001. Openings have remained elevated, averaging 276,000 through August 2020, despite the number of separations (including both layoffs and voluntary quits) reaching new highs in March and April when the shutdowns began.

The pandemic could continue to affect labor availability in at least two ways. On the one hand, if housing construction maintains its momentum, the industry could attract unemployed workers from other sectors such as nonresidential construction. On the other hand, foreign-born workers are a key demographic, accounting for nearly a third of the construction labor force in 2018. Lower immigration could therefore shrink the already tight labor pool.

HOME PRICE GROWTH STILL STRONG

With supply tight and demand strong, home prices rose at an accelerating pace through the middle of 2020. According to the S&P CoreLogic Case-Shiller Home Price Index, nominal home prices were up 5.7 percent year over year in September—much faster than the 3.5 percent average increase in 2019 and even the 4.2 percent average earlier this year (**Figure 13**). Real home prices also showed strong growth, increasing from 2.4 percent on average in 2019, to 2.6 percent in the first quarter of 2020, to 5.0 percent from April through August.

After rising for more than eight consecutive years, nominal home prices are now 20 percent above their previous peak. Indeed, home prices more than doubled between 2000 and mid-2020, up 121 percent. Even after adjusting for inflation, home prices climbed 51 percent over this period and are back near their previous record highs during the housing boom in the mid-2000s.

Prices for lower-cost homes continue to escalate the most, driven by high demand and limited supply. According to CoreLogic data, prices rose 7.6 percent in July for homes selling for 75 percent or less of the area median price, compared with 5.0 percent for homes selling for 125 percent or more of the area median. In both segments, home price growth accelerated during the spring and summer, although not quite to the pace in 2017 and 2018.

Home price increases in the second quarter of 2020 were widespread, with the FHFA All-Transactions Price Index showing nominal year-over-year gains in 117 of the nation's 120 largest metro areas and divisions. The most rapid increases were in Western markets, including Boise (up 10.0 percent), Tacoma (up 7.6 percent), and Phoenix (up 7.2 percent). At the height of the economic dislocation in the second quarter, price increases did slow in 81 of the 120 largest markets, with notable cooling in Las Vegas, Omaha, San Antonio, and Spokane.

Given such tight inventories and historically low interest rates, home prices will likely continue to rise in the short term. However, demand could drop if unemployment remains high and more temporary job losses become permanent. Freddie Mac forecasts a moderation in home price growth in 2021, while the CoreLogic Home

Price Index Forecast is for a 0.2 percent uptick from August 2020 to August 2021, including actual declines in about half of states. The biggest drops are likely to be in metros with economies that rely heavily on tourism, such as Las Vegas.

ELEVATED PRICE-TO-INCOME RATIOS

Rising home prices relative to household incomes can impede access to homeownership, particularly for low- and moderate-income households. In 2019, the median sales price of existing single-family homes continued to rise faster than the median household income for the eighth straight year, lifting the ratio from 4.2 in 2018 to 4.3. This marked the fourth consecutive year that the median sales price was quadruple median household income.

Moreover, the price-to-income ratio was higher in 2019 than in all but the three years before the housing bust, when it jumped from 3.9 in 2002 to 4.7 in 2005. What is different this time around, however, is that it took five years to reach its current level. And with interest rates so much lower now, buyers can bid up home prices but still keep their monthly payments relatively low, assuming they can afford the larger downpayments.

Even so, price-to-income ratios were higher last year in 39 of the nation's top 100 markets than during the housing boom. The largest increases were in metro areas with significant home price growth, such as Denver (with a ratio of 5.7), Charlotte (4.0), and Dallas (3.8).

And in seven large markets, last year's home prices were at least 6.0 times higher than median household income, including four

with ratios above 8.0. With the exception of Miami (6.1), these markets were all in the West and include San Jose (9.8), Los Angeles (9.6), Honolulu (9.3), and San Francisco (8.8). At the same time, though, close to a fifth of the nation's large metro areas had price-to-income ratios below 3.0. Most of these markets were in the Midwest and Northeast, although ratios in three Southern markets—McAllen (2.6), Oklahoma City (2.7), and Little Rock (3.0)—were also relatively low.

THE OUTLOOK

Given the profound impact of the pandemic on how US households live and work, there is plenty of reason to believe that it could bring meaningful changes to housing markets. With millions of people forced to work remotely, employers and employees alike may find this an attractive option even after the pandemic ends. If so, demand would likely increase for homes large enough to provide office space, as well as easy access to outdoor spaces to exercise and socialize. And if long commutes are no longer everyday requirements, many households may move to lower-density areas where housing is less expensive. However, a major shift in residential development patterns is far from certain.

What is certain is that the need for more housing of all types, locations, and price points will persist. In the near term, the outlook for housing markets is bright, fueled by very low interest rates as well as unabated demand from more affluent households. If the pandemic persists, however, it will remain a serious drag on the labor market and wage growth, and ultimately on household formations. Still, the pandemic's negative impact on markets should be relatively muted given historically tight conditions on the supply side.

3 | DEMOGRAPHIC DRIVERS

As 2020 began, low unemployment and rapid income gains were fueling steady household growth, the main driver of housing demand. But the demographic forces that could drag down future demand were already at work, including slowdowns in native population growth, immigration, and residential mobility. And when COVID-19 hit, the crisis not only brought huge losses of life and livelihoods, but also highlighted how growing income inequality has left many millions of households behind.

MILLENNIALS DRIVING HOUSEHOLD GROWTH

Both major surveys of household growth confirm that 2020 started off at a strong pace. According to the Housing Vacancy Survey, annual household growth increased from an already high average of 1.3 million in 2016–2019 to a 1.5 million annual rate in the first quarter of 2020 (**Figure 14**). The American Community Survey also puts average annual growth at roughly 1.3 million in 2016–2019. While differing somewhat over time, results of both surveys thus suggest that household growth was back to early 2000s levels early this year.

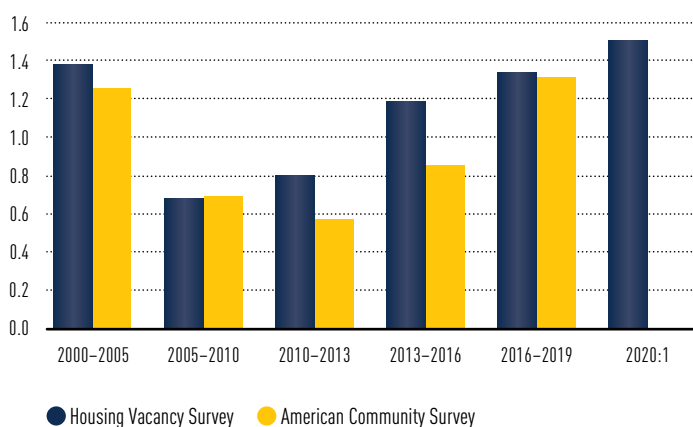
The recent acceleration of household growth reflects a pickup in household formation rates among millennials in their 20s and 30s. After several years of solid income and employment gains, the growth in households aged 25–34 alone jumped from just 34,000 per year in 2010–2013, to 170,000 per year in 2013–2016, to 250,000 per year in 2016–2019. As a result, the share of adults under age 35 heading their own households edged up for the first time in a decade, while the share living with parents declined slightly.

Even this small increase in headship rates among younger adults represents a major turnaround in housing demand for this age group. Between 2007 and 2017, falling headship rates had kept household growth among the under-35 age group to just 240,000 (1 percent), even though the population aged 15–34 increased by fully 5.5 million (7 percent) over that period. As headship rates rose in 2017–2019, however, the number of households under age 35 climbed by 570,000, more than twice the 230,000 growth in population aged 15–34. Still, there

FIGURE 14

The Latest Surveys Point to a Continuing Pickup in Household Growth in Early 2020

Average Annual Household Growth (Millions)



Note: Estimate for 2020:1 is based on year-over-year change in the four-quarter trailing average.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates via IPUMS USA, University of Minnesota, www.ipums.org.

were 2 million fewer households headed by adults under age 35 in 2019 than if headship rates had remained at their 2007 level.

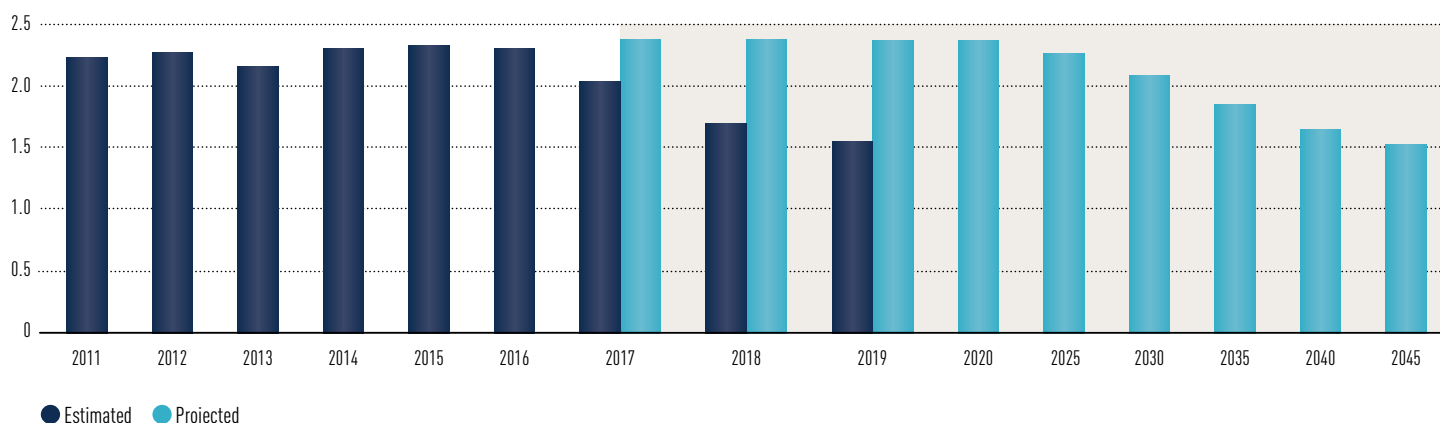
STRUCTURAL DRAGS ON HOUSEHOLD GROWTH

Even as headship rates among the millennial generation were strengthening, two other major drivers of household growth—

FIGURE 15

Census Estimates Indicate that Population Growth Has Slowed Far Earlier than Projected

Annual US Population Growth (Millions)



Source: JCHS tabulations of US Census Bureau, 2019 vintage Population Estimates and 2017 Middle-Series Population Projections.

resident population growth and immigration—were losing steam. Indeed, Census Bureau estimates indicate that US population growth edged up by just 0.48 percent last year, the lowest annual growth rate since 1918 according to the Brookings Institution. With the slowdown in both the natural growth of the resident population and a drop in net immigration, the US population increased by only 1.55 million last year—far less than the latest Census projections of at least 2.3 million annually until 2030 (**Figure 15**).

Weaker natural growth of the resident population reflects lower-than-expected births and higher-than-expected deaths even before the pandemic struck. According to the Census Bureau, natural growth was a full 30 percent below its 2017 projections last year, as it dropped below 1 million for the first time in decades. Births were 7 percent below projections, accounting for most of the difference, while deaths were 4 percent above projections, accounting for about a quarter of the difference.

At the same time, the Census Bureau estimates that the net contribution of international immigration to US population growth fell 15 percent in 2019, to just 595,000. This brought the total drop since 2016 to 43 percent. Immigration is sensitive to a variety of economic, political, and other factors, and wide swings over a few years are not uncommon. Still, immigration has been a significant source of household growth for decades, driving well over a third (38 percent) of all household growth from the mid-1990s to 2019. In the 2010s alone, foreign-born households contributed more than 4 million of the roughly 10 million households added over the decade.

Slowing population growth is a long-term concern that has not yet affected current measures of household growth for several reasons. First of all, the overall aging of the population continues to have a

large positive impact on household growth because the likelihood of heading a household increases with age. In addition, much of the decline in resident population growth is due to lower birth rates and fewer children under age 18—cohorts that are too young to form households. And finally, because the majority of immigrants do not immediately form their own households upon arrival in the country, the drag on household growth from lower immigration only becomes apparent over time.

SLOWDOWN IN POPULATION AND HOUSEHOLD GROWTH

In the short term, the fallout from the pandemic is sure to result in even slower population growth. International immigration was brought to a halt early in the year, and the spread of COVID-19 led to more than 230,000 additional deaths by November. In addition, the ongoing uncertainty in the economy is likely to lead to lower births, which the Brookings Institution notes typically decline in times of turmoil. Pandemic-related job and income losses in 2020 will also delay household formations among young adults, the age group driving most of household growth.

Beyond 2020, slower population growth is likely to lead to even lower household growth than previously projected. As it is, Joint Center projections from 2018, which were based on the 2017 Census population projections, already anticipated a drop in annual household growth from 1.2 million in 2018–2028 to 960,000 in 2028–2038.

A prolonged slowdown in immigration would lower these projections even further. The 2017 Census projections assumed average net annual immigration of 1.0 million in 2018–2038 (roughly the same as in 2016), well above its 2019 low-series assumptions of just 600,000 per year. Under that revised scenario, projected household growth

would drop to 1.0 million per year in 2018–2028 and to 760,000 per year in 2028–2038. Higher mortality rates and lower levels of natural population growth, which are also not factored into the 2017 Census projections, would make future household growth lower still.

DISRUPTIONS TO RESIDENTIAL MOBILITY

Residential mobility rates relate to the turnover of the housing stock, which opens up opportunities for homeowners and renters to form new households, upsize or downsize their housing, accept jobs in new locations, expand their families, or make any number of other lifestyle changes. Mobility also contributes to household growth within and across markets. For example, more than two-thirds of all household growth in Arizona (38,000 of 56,000 additional households) came from interstate moves in 2019. Similarly, half of the 96,000 increase in households in Florida also resulted from interstate moves.

After declining for decades, residential mobility rates for both owners and renters may have edged up slightly heading into the pandemic. Increased homebuying activity since 2016 stabilized the mobility rate of owners and even led to higher rates within certain age groups. Although the rate for renters fell again in 2019, the evidence suggests that apartment turnover was increasing. The National Apartment Association reported a small year-over-year decline in the share of units whose leases renewed last year, while RealPage noted a brief year-over-year decrease in apartment renewal rates in early 2020.

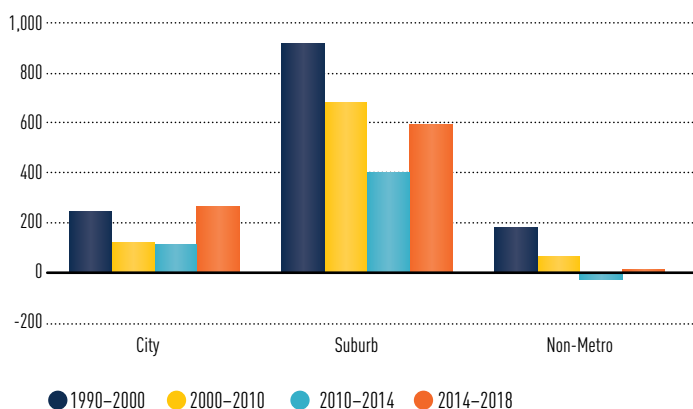
But as the pandemic spread, the uptick in mobility rates came to a halt. For owners, the pause may be temporary, given the sharp rebound in home sales in July. On the rental side, however, the reports are mixed. RealPage notes that renter retention rates climbed to an all-time high for the month of July. At the same time, though, there was a surge in short-term lease-ups, suggesting that renter mobility rates could rise in the coming months.

If the pandemic leads to lasting changes in work arrangements—particularly in working remotely—it could affect mobility between states as well as reverse the recent trend toward urban living. Although most household growth is still in the suburbs, an increasing share has been in urban areas. Annual household growth in cities more than doubled in the latter half of the 2010s, rising from 114,000 per year in 2010–2014 to 270,000 annually in 2014–2018 (**Figure 16**). As a result, 31 percent of all household growth in 2014–2018 was in the central cities of metro areas, up from 14 percent in the 2000s and 18 percent in the 1990s. Meanwhile, more than two-thirds of household growth occurred in suburban communities and just 2 percent in non-metro areas.

FIGURE 16

While Still Concentrated in Suburban Communities, Household Growth Made a Comeback in Cities

Average Annual Household Growth (Thousands)

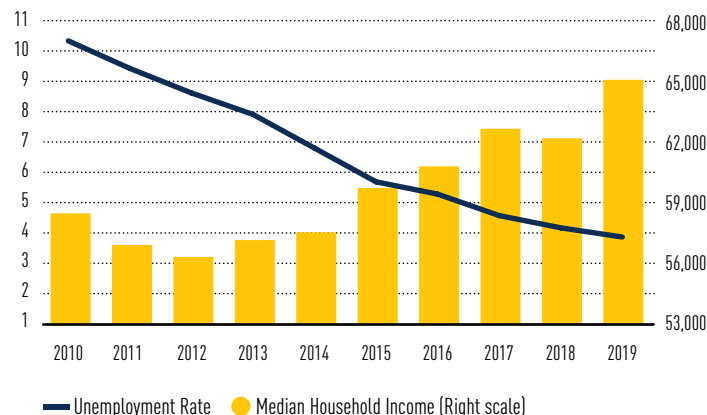


Notes: Cities are defined following Kneebone & Nadeau (2015), where city tracts are either in the metro's principal city or in cities with populations over 100,000. All non-city tracts in metro areas are suburban.
Source: JCHS tabulations of US Census Bureau, 1990 and 2000 Decennial Censuses and 2010, 2014, and 2018 American Community Survey 5-Year Estimates.

FIGURE 17

Declining Unemployment and Rising Incomes Set the Stage for a Strong Housing Market in 2020

Unemployment Rate (Percent) Median Income (2019 Dollars)



Note: Incomes are adjusted for inflation using the CPI-U for All Items.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates via IPUMS USA, and Current Population Surveys via IPUMS CPS, University of Minnesota, www.ipums.org.

rate from 2014 to 2019, and was 11 percent higher last year than in 2010. While all age groups posted gains, the biggest increase was among younger households. Indeed, the real median income for households under age 35 jumped by 21 percent over the decade.

Across-the-board income growth, however, did nothing to reduce the inequality between high- and low-income households. In fact, the gap between lowest- and highest-income households widened. After adjusting for inflation, the average annual income of households in the bottom decile (\$7,800) increased just 5 percent from 2010 to 2019, or about \$340. In contrast, the average income of households in the top decile (\$316,000) soared by 20 percent, or about \$52,000. As a result, the average income of top-decile households increased from 35 times the average income of bottom-decile households in 2010 to 41 times in 2019.

Income inequality between Black and white households also worsened. Although the median incomes of both Black and white households grew in the 2010s, Black household incomes rose much more slowly in absolute terms, leaving the income gap wider than it had been in decades (**Figure 18**). The median income for Black households in 2019 was \$43,200—roughly 60 percent of the \$70,900 median for white households. The median income for Black households was also far below that for Hispanic households (\$55,000), Asian households (\$93,000), and households of all other races and ethnicities (\$57,300).

In real terms, the median income of Black households in 2019 was only back up to its 2000 level, while the median for white households was 6 percent higher than in 2000. As a result, the Black-white income gap widened by \$4,100 (17 percent) over the past two decades, to \$27,700, with most of the increase occurring between 2010 and 2019.

COVID'S SEVERE AND DISPARATE ECONOMIC IMPACTS

The pandemic has reduced incomes, especially for those already struggling. The nationwide shutdown of businesses and organizations led to an unprecedented surge in unemployment as well as furloughs and other reductions in work schedules. More than 20 million workers lost jobs between March and April, and initial unemployment claims hit a record 6 million per week twice in those months. In the first five weeks of the shutdown alone, unemployment claims shot up by 20.4 million, the same as in the first year of the Great Recession. After 20 weeks, claims topped 50 million.

According to the Census Bureau's Household Pulse Survey in late September, 41 percent of all US households reported a pandemic-related loss in earned income since mid-March. Although economic impact payments from the federal government provided temporary support, the drop in employment income hit Hispanic,

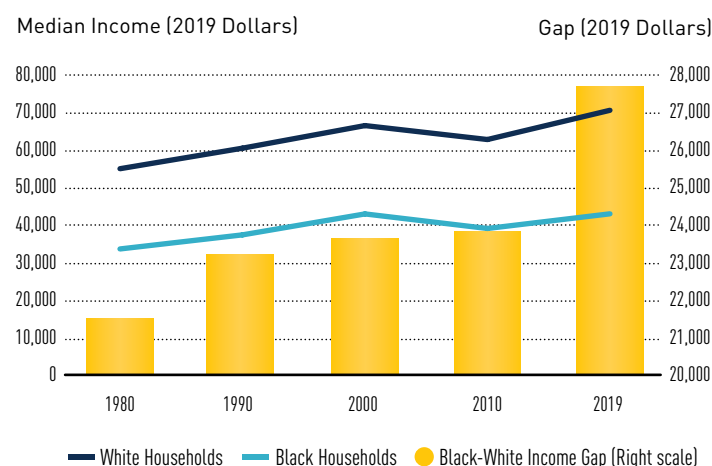
Black, and Asian households disproportionately hard. Some 54 percent of Hispanic households reported income losses over this period, 12 percentage points above the national average share. At 48 percent, the share of Black households that lost income was also well above average. The share of Asian households with losses was only slightly lower, at 42 percent. By comparison, 37 percent of white households reported income losses between mid-March and late September.

Large shares of lower-income households also had income losses, including 49 percent of households earning less than \$25,000 and 45 percent of households earning between \$25,000 and \$49,999. The shares of households reporting lost income get progressively smaller as income rises, falling from 42 percent of households earning \$50,000–74,999, to 35 percent of those earning at least \$75,000. As a result, income inequality between the lowest and highest earners likely worsened this year.

Income losses are also more prevalent among households that have less education, rent their housing, and/or include children. Roughly 44 percent of households headed by someone without a college degree reported pandemic-related income losses between March and September, compared with 35 percent of households with a bachelor's degree or higher. The share of households reporting income losses was also significantly higher among renters (50 percent) than owners (37 percent). And with closures of daycare centers and the shutdown of schools, some 50 percent of households with children lost income this year, compared with 37 percent of households without children.

FIGURE 18

The Black-White Income Gap Widened Further in the 2010s



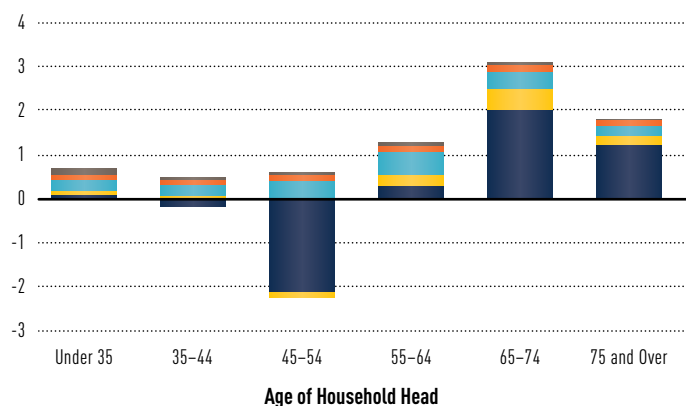
Note: Incomes are adjusted for inflation using the CPI-U for All Items.

Source: JCHS tabulations of US Census Bureau, 1980, 1990, and 2000 Decennial Censuses, and 2010 and 2019 American Community Survey 1-Year Estimates via IPUMS USA, University of Minnesota, www.ipums.org.

FIGURE 19

US Households Are Becoming Older and More Diverse

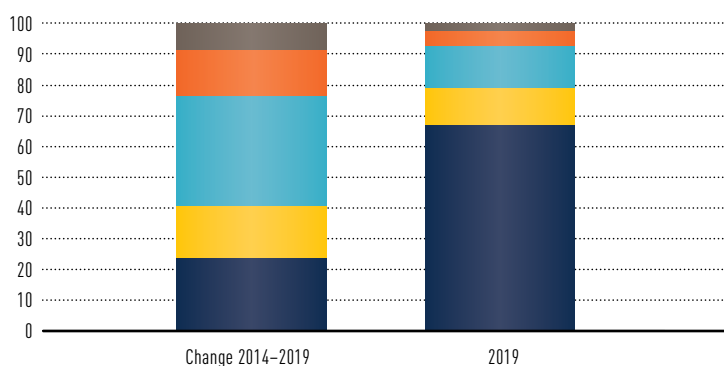
Change in Households, 2014–2019 (Millions)



● White ● Black ● Hispanic ● Asian ● All Other

Notes: Householders who are white, Black, Asian, or another race are non-Hispanic. Hispanic householders may be of any race.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

Share of Households (Percent)



● White ● Black ● Hispanic ● Asian ● All Other

Disparities in income losses in part reflect differences in the types of jobs held by earners. Workers in high-contact jobs, in businesses that depend upon activities most at risk of exposure to COVID, were most likely to have lost income during the pandemic. These jobs, which require being within arm's length of others—such as waiters, taxi drivers, and personal care aides—typically have relatively low incomes to begin with. Indeed, the median income of high-contact workers is \$29,200, or about \$10,000 less than the median for workers in other types of jobs.

Just under 44 million US households include at least one person who works in a job that requires close contact. In addition, larger shares of households of color—including 40 percent of Black households and 45 percent of Hispanic households—rely on the income from such jobs, compared with just 34 percent of white households.

INCREASING DIVERSITY AND AGE OF HOUSEHOLDS

With such a large share of household growth among people of color, income inequality has major implications for the strength of housing demand going forward. Over the past five years, households of color accounted for more than three out of every four additional households (**Figure 19**). Hispanic households drove 36 percent of household growth (400,000 per year) in 2014–2019, lifting their share of all households to 14 percent. Black households were responsible for 17 percent of growth (190,000 per year) and made up 12 percent of all households in 2019. Asian households accounted for another 15 percent (165,000 per year) of the increases, raising their share of all households to 5 percent. By comparison, white households drove

23 percent of household growth (260,000 per year) and still made up two-thirds of all households in 2019.

Households of color are a higher share of younger households and accounted for just over 90 percent of additional households under age 35. The numbers of Black, Hispanic, Asian, and other households of color aged 35–64 also increased enough to offset the 2 million decline in white households in this age range over the past five years, with Hispanic households contributing much of this growth. Diversity within the 65-and-over age group is also slowly increasing, with the white share declining from 80 percent to 78 percent in 2014–2019.

Although the resurgence of household formations among the large millennial generation pushed up the number of younger-adult households over the past five years, the age distribution of US households continues to shift upward. As the baby-boom generation (born 1946–1964) makes its way through the 65-and-over age range, they are replacing the much smaller generation that preceded them. As a result, households aged 65-and-over are rising faster than any other age group both in number and as a share of all households. Indeed, as the number of households under age 45 grew by a total of one million between 2014 and 2019, the number of households aged 65 and over increased by nearly a million households each year during that time, lifting the share of older households from 24 percent to 26 percent.

Meanwhile, the younger half of the baby boomers are moving through the 55–64 year-old age group. Given that this is still the largest 10-year cohort of US households, the younger boomers will

continue to support growth in the number of households age 65 and over for the near future, but fastest growth over the next decade will be in the population 75 and over, which is projected to increase by 48 percent in 2020–2030.

At the same time, the aging of Generation X—the smaller cohort born after the baby boomers—reduced the number of households aged 45–54 by some 1.6 million in 2014–2019, and by more than 400,000 in 2018–2019 alone. This age group will continue to shrink until the mid-2020s, when members of Gen-X will begin to age out of this age range and the oldest millennials will begin to move in.

CHANGING MIX OF HOUSEHOLD TYPES

With such rapid growth in the older population, single-person households and empty-nest couples have become the fastest-growing household types. Over the past five years, the total number of single-person households increased by 2.2 million, accounting for 40 percent of all household growth. Households age 65 and over drove fully 80 percent of the increase in single-person households. Meanwhile, the number of married couples without young children living at home grew by 1.8 million, or another 32 percent of all household growth. Households age 65 and over accounted for nearly all of the increase in these households.

Younger adult households have also spurred growth in single-person households and married couples without children, but also in the number of unrelated adults living together as roommates. The increase in these households reflects the long-term trend toward delayed marriage and childbearing. In fact, single-person households headed by people under age 35 now outnumber same-age married couples with children. Even so, the aging of the older millennials has lifted the number of married couples with children in the 35–54 year-old age group, and will continue to do so as more members of this large generation move into this age range.

Growth in the number and share of older adults, along with the limited housing options that younger adults can afford, has led to an

increase in multigenerational living. The growing diversity of the population has also contributed to this rise, given that Hispanic, Asian, and foreign-born households are especially likely to be multigenerational. The number of two-generation households, consisting of adult children at least 25 years old and their parents, rose by nearly 1.8 million (15 percent) from 2014 to 2019, to 13.8 million—accounting for roughly one out of every three households added during that period. Meanwhile, the number of three-generation households—made up of grandparents and their adult children and grandchildren, who may or may not be adults—also grew over the past five years, increasing by just under 200,000 (4 percent) to 4.7 million.

THE OUTLOOK

The pandemic and its economic aftermath are almost certain to slow the pace of household growth in 2020 and beyond. Immigration is set to drop from its already low 2019 level, and COVID-related deaths will push mortality rates above recent averages. And with the economy at a standstill for much of this year, fewer young adults are likely to have the resources to form their own households.

Still, the sheer size of the millennial and the baby-boomer populations should help to sustain housing demand over the coming decade. The aging of the millennials—the largest and most diverse generation in US history—will drive up the number of households in their prime homebuying years. Millennials will also boost the number of families with children. Similarly, the baby boomers will increase the number and share of age 65-and-over households to unprecedented levels, pushing up the number of single- and two-person households.

But the question remains whether persistent inequalities in income and opportunity will continue to make housing unaffordable to millions of households of color. If the pandemic has demonstrated nothing else, it has clearly shown how many households, young and old, lack the financial resources needed to withstand economic downturns and pay for housing without sacrificing other basic necessities.

4 | HOMEOWNERSHIP

Demand for homeownership firmed through 2019 and, after a dramatic but temporary slowdown when the pandemic took hold, is on track for a strong year in 2020. Low interest rates are attracting homebuyers, while rising home prices are lifting the housing wealth of current owners. Preferences for homeownership also remain steady. At the same time, though, ongoing economic uncertainty has led to tighter credit conditions and left many owners struggling to pay their mortgages. The disparity in Black-white homeownership rates also continues to widen, highlighting the enduring impacts of discriminatory housing policies and structural racism.

HOMEOWNERSHIP RATE EDGING UP

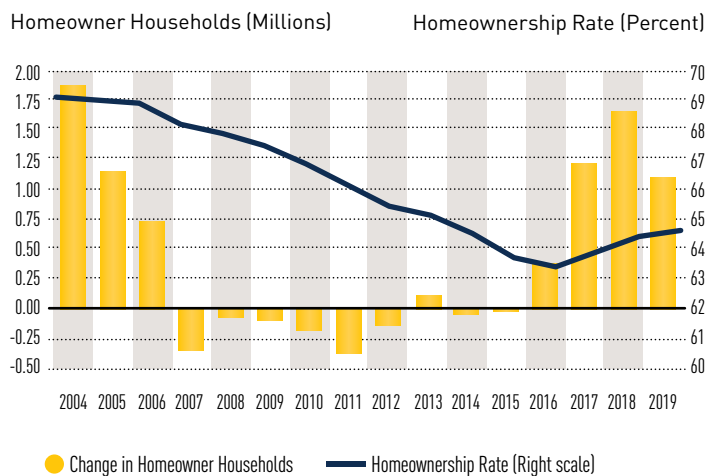
The US homeownership rate began 2020 with some momentum. The Housing Vacancy Survey reported a national rate of 64.6 percent for 2019, up slightly from 64.4 percent in 2018. While still far below the peak of 69.0 percent in 2004, the homeownership rate had recovered by more than a percentage point from the 63.4 percent low in 2016. Meanwhile, the number of net new homeowner households jumped by 1.3 million annually on average from 2016 to 2019 (**Figure 20**). Strong home sales over the summer suggest that the homeownership rate could increase again in 2020.

Some of the rebound over the last several years reflects rising homeownership rates among younger households. While older households traditionally have the highest rates, the gap between older and younger households widened sharply during the Great Recession as many households under age 45 delayed buying homes or returned to renting after selling or losing their homes to foreclosure. As a result, the homeownership rate for households under age 35 fell from a peak of 43.1 percent in 2004 and 2005 to just 34.6 percent in 2016, before climbing back up to 36.7 percent in 2019. The homeownership rate for households aged 35–44 dropped even more sharply from 69.3 percent in 2005 to a low of 58.5 percent in 2015, but recovered to 60.1 percent last year.

The aging of the US population has also helped lift the number of homeowners. With continued strong growth in the 65-and-over age group, the number of older homeowners increased by more than 2.5 million from 2016 to 2019. Over this same period, the aging of

FIGURE 20

Growth in Homeowner Households Revived After 2016, Lifting the Homeownership Rate



Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

younger generations, along with the increase in their homeownership rates, pushed up the number of owners under age 35 by 800,000 and those aged 35–44 by nearly 700,000.

All of the recent growth in homeowners has been among households with higher incomes. According to the American Community Survey, the number of owner households increased by 4.9 million between

the post-Great Recession low in 2013 and 2019. This total represents 6.8 million more owners with real incomes over \$75,000, offset by 698,000 fewer owners with incomes between \$30,000 and \$75,000 and 1.3 million fewer owners with incomes below \$30,000. In fact, most recent gains have been among households with incomes of \$150,000 or more, adding 4.3 million to the ranks of homeowners and accounting for more than 88 percent of net growth between 2013 and 2019.

MARKET STABILITY DESPITE ECONOMIC STRAINS

Even with strong income growth through 2019, the financial toll from the pandemic has left many homeowners struggling. Since April 2020, sizable shares of owners have reported that they have been unable to pay their mortgages on time. As of September, the Census Bureau's Household Pulse Survey found that 9 percent of the nation's 48 million homeowners with mortgages were behind on their housing payments.

With so many homeowners under pressure, the Federal Housing Finance Agency (FHFA) instructed Fannie Mae and Freddie Mac to suspend foreclosures for at least 60 days from mid-March, later extending the moratorium through the end of 2020. The Federal Housing Administration, US Department of Veterans Affairs, and US Department of Agriculture also enacted moratoriums through the end of the year. All told, these federal actions offered foreclosure protection to about 70 percent of single-family homeowners with mortgages. FHFA also directed Fannie Mae and Freddie Mac to purchase loans in forbearance (with mortgage payments suspended for up to 12 months), with guidance running through the end of October.

According to the Black Knight Mortgage Monitor (BKMM) report, some 6.3 million homeowners entered a forbearance plan between March and October, with a peak of more than 4.6 million households in active plans in May and June. Once the initial jolt to the housing market passed, however, many homeowners exited their plans and new forbearance starts declined. By the end of October, 3.0 million homeowners remained in forbearance, representing about 5.6 percent of all mortgages.

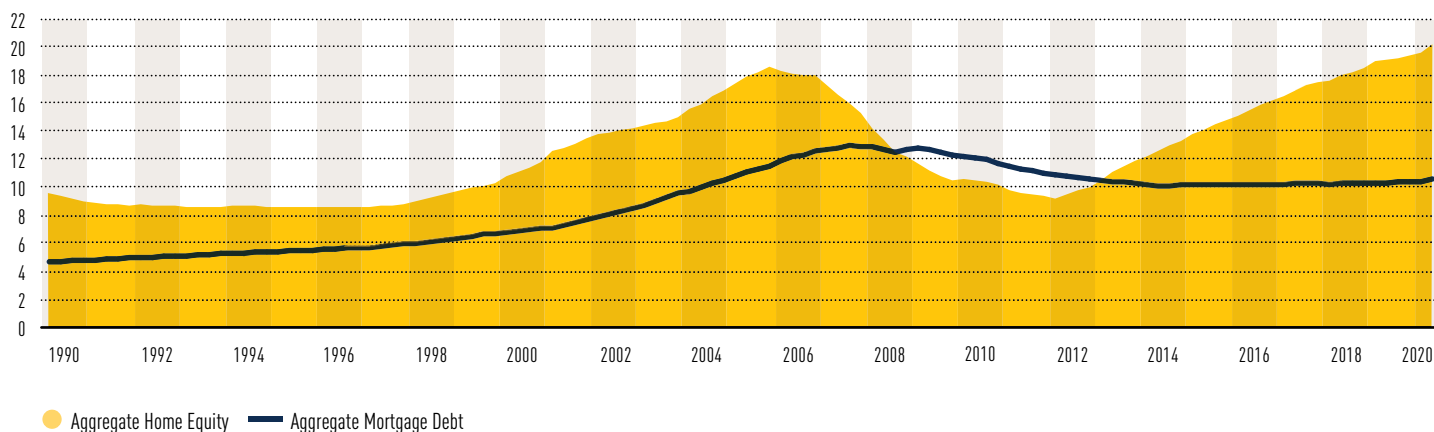
Despite these exits, many homeowners are still financially pressed. The BKMM report shows that the mortgage delinquency rate (including loans in forbearance with missed payments) spiked from a record low of 3.2 percent in early 2020 to 7.8 percent in May before falling back to 6.7 percent in September. This decline reflects a drop in the numbers of owners with payments 30 or 60 days past due, but the number of those that are 90 or more days past due is still growing. Of the 3.7 million owners who had exited forbearance by October, 68 percent were current on their mortgage payments, 15 percent had paid off their loans, 14 percent were delinquent but involved in active loss mitigation, and 2 percent were delinquent.

Fortunately, conditions today are much less threatening than before the foreclosure crisis. First, home price appreciation remains strong. According to the S&P CoreLogic Case-Shiller Home Price Index, seasonally adjusted prices surged 5.7 percent year over year in August 2020, compared to 3.1 percent in August 2019. In contrast, home prices were already falling as the economy headed into the Great Recession, leaving more and more homeowners underwater on their mortgages.

FIGURE 21

Home Equity Has Reached a Record High While Mortgage Debt Remains More Moderate

Trillions of 2020 Dollars

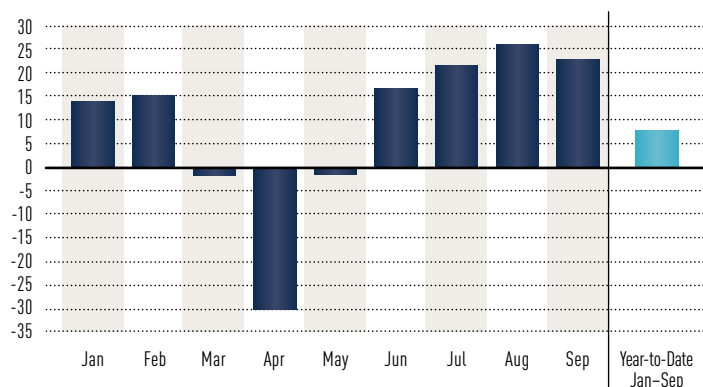


Note: Homeowner equity and mortgage debt are adjusted for inflation using the CPI-U for All Items.
Source: JCHS tabulations of Federal Reserve Board, Financial Accounts of the United States via FRED.

FIGURE 22

After a Sharp But Brief Drop, Home Loan Applications Rebounded Quickly by June

Year-over-Year Change in Home Purchase Mortgage Applications (Percent)



Note: Monthly data are weekly averages.

Source: JCHS tabulations of Mortgage Bankers Association (MBA), Weekly Applications Survey via Moody's Economy.com.

Second, homebuyers are not as highly leveraged as they were entering the last downturn (**Figure 21**). According to Federal Reserve Flow of Funds data, real home equity rose for 33 straight quarters from early 2012 to a new peak of \$20.2 trillion in the second quarter of 2020. At the same time, mortgage debt grew only modestly to \$10.6 trillion. The ratio of aggregate home equity to the value of real estate thus held at 65.6 percent, the highest level since mid-1990.

Third, federal interventions—including the foreclosure moratorium, forbearance plans, and stimulus payments—have allowed many homeowners to at least temporarily stay in their homes and suspend mortgage payments as their finances stabilize. With these protections in place, the Mortgage Bankers Association's (MBA's) National Delinquency Survey found that fewer than 265,000 loans were in foreclosure in the second quarter of 2020—the lowest level in more than two decades.

However, millions of homeowners did not benefit from these supports. According to an Urban Institute analysis, the majority of the nation's nearly 5 million owners of manufactured homes were excluded from federal foreclosure protections because their homes were titled as personal property rather than real estate. Many of these owners are in need of support, given that 35 percent work in industries that have had the greatest job losses during the pandemic. In addition, some 14.6 million owners with privately backed mortgages were not covered by federal forbearance plans and foreclosure moratoriums.

CONTINUED STRONG DEMAND FOR HOMEOWNERSHIP

According to the latest Home Mortgage Disclosure Act (HMDA) data, originations of first-lien mortgages for purchase of one- to four-fam-

ily owner-occupied units rose steadily in 2019, to 3.85 million—the highest level since the homeownership peak in 2006. Originations remained strong at the start of 2020, with MBA reporting 891,000 in the first quarter, up from 830,000 in the first quarter of 2019.

Attitude surveys show continued enthusiasm for homeownership through 2019. According to Freddie Mac's Profile of Today's Renter and Homeowner conducted in April 2019, 61 percent of renter respondents said it was either somewhat or extremely likely they would ever own a home. Millennial renters (aged 23–38) are especially likely to see themselves as future homeowners, with 78 percent stating that they were somewhat or extremely likely to own. Among those expecting to move within the next five years or who were unsure about the timing of their move, 52 percent of millennial renters expected their next move to be to a home they buy.

The Fannie Mae National Housing Survey also reported a consistently positive view of homeownership and of homebuying conditions late last year, with 66 percent of respondents—both owners and renters—saying they would buy a home if they were going to move. Fannie Mae's Home Purchase Sentiment Index (HPSI) echoes these attitudes, rising 8.3 percentage points between January 2019 and January 2020 to 93.0. As the pandemic took hold, however, the HPSI plummeted from 92.5 in February to 63.0 in April before rebounding to 81.0 in September, when most components of the index were again trending positively.

After months of being largely confined to their homes, many households seem to be reexamining their housing options. Zillow reports that views of for-sale listings were up 42 percent year over year in June 2020, although searches largely focused on the same locations and types of homes as a year earlier. About two-thirds of potential homebuyers on the site looked for suburban properties in both years, and the shares searching for single-family detached homes and for homes over 3,500 square feet were relatively unchanged. Zillow did note an 83 percent jump in searches for newly built homes, which also tend to be located in suburban areas, but are only a small share of the for-sale market. Strong demand for homes is borne out by the jump in mortgage applications in the fall. According to the MBA's Purchase Applications Index, loan applications in late summer and into the fall were up more than 20 percent above year-earlier levels (**Figure 22**).

SHARP CONTRASTS IN AFFORDABILITY

Continuing a decade of growth, US home prices increased again in 2020. The National Association of Realtors® (NAR) reports that the monthly median sales price of existing homes averaged \$281,200 through the first six months of the year, a 3.3 percent rise in real terms from 2019. Meanwhile, the Freddie Mac Primary Mortgage Market Survey showed a steady drop in the 30-year fixed mortgage rate from 3.93 percent in 2019 to 3.51 percent in the first quarter

of 2020, 3.23 percent in the second quarter, and 2.95 percent in the third quarter—its lowest quarterly level going back to 1989. Weekly rates held under 3.00 percent from late July through the end of October. In addition to increases in household income, these record-low interest rates were enough to offset sustained price increases and reduce real homeownership costs in 2018–2020 for the first time since 2011–2012 (**Figure 23**).

Black Knight estimates that 15.6 million homeowners are well-positioned to take advantage of these conditions by refinancing, potentially cutting their interest rates by 0.75 percentage point and saving an average of \$289 on their monthly payments. Indeed, the MBA reported that 2.8 million borrowers of one- to four-family mortgages refinanced during the first half of 2020 as interest rates fell, more than triple the 810,000 that refinanced during the same period in 2019.

The Joint Center found that the drop in interest rates would benefit new homebuyers as well, despite a more than \$9,000 increase in the median sales price of homes from 2019 to mid-2020. Assuming an interest rate of 3.37 percent (the average through the first half of 2020), new buyers could afford to borrow about \$19,000 more but still keep their mortgage payments the same as they would have been in 2019. Alternatively, they could purchase the same-priced house as in 2019 and save \$82 per month on their housing payments.

These conditions offer moderate-income buyers an opportunity to become homeowners. Based on a 30-percent-of-income affordability standard, a 30-year fixed rate, and an average downpayment for

the area, NAR and Realtor.com® estimated that households with incomes under \$75,000—close to the national median income for owner households—could afford 46 percent of the homes on the market in September 2020. Because of rising prices, however, this share is somewhat lower than the 49 percent posted in 2019. In addition, affordability varies widely across the country. In a third of the nation's 100 largest metros, households earning under \$75,000 could afford less than 40 percent of homes for sale. And in nine of those metros (Boston, Los Angeles, New York, Oxnard, Sacramento, San Diego, San Francisco, San Jose, and Seattle), moderate-income households could afford less than 15 percent of for-sale homes.

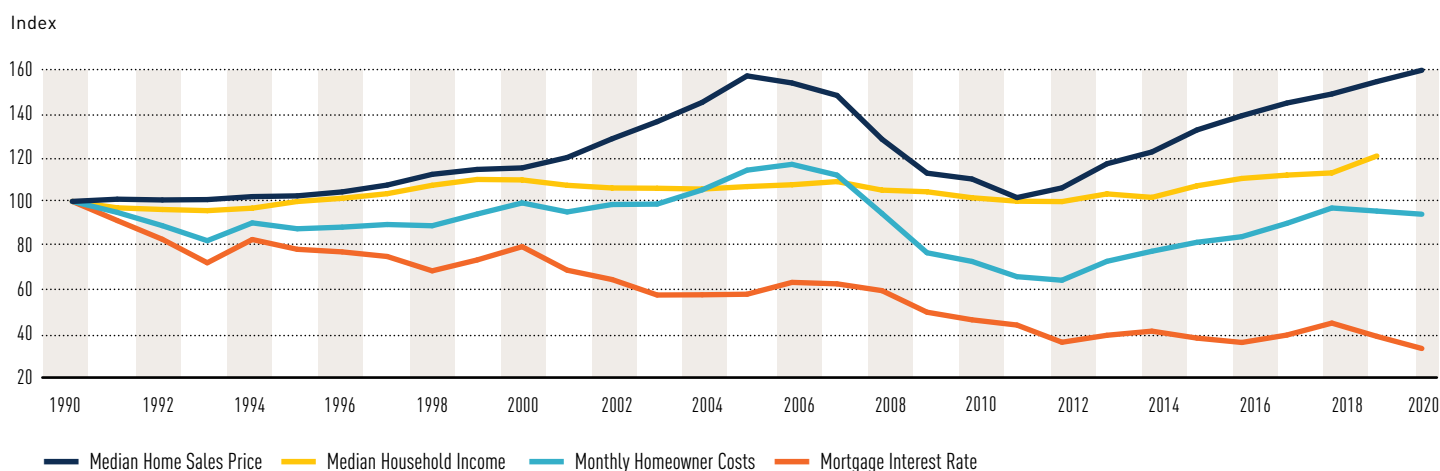
THE HIGH HURDLE TO HOMEOWNERSHIP

Both the upfront and long-term costs of homeownership are major constraints for first-time buyers. With the continuing climb in home prices, however, the lack of sufficient savings for the downpayment and closing costs has become an even greater barrier. The 2019 Profile of Today's Renter and Homeowner survey found that just under half of renters believed that not having enough money for upfront costs would be a “major obstacle” to buying a home. Large shares of respondents also considered being unable to afford monthly mortgage payments a major obstacle (41 percent), along with having mortgage payments higher than their current rents (40 percent).

Affordability is a particularly high hurdle for younger households with competing financial responsibilities. Some 27 percent of all renter respondents to the Freddie Mac survey—including more than a third of millennial renter respondents—adapted their housing

FIGURE 23

Higher Incomes and Lower Interest Rates Have Offset the Rise in House Prices, Bringing Down the Real Cost of Homeownership



Notes: House prices and monthly homeowner costs are adjusted to 2020 dollars using the CPI-U for All Items less shelter. Household incomes are adjusted to 2019 dollars using the CPI-U-RS for All Items. Monthly homeowner costs assume a 3.5% downpayment on a median-priced, existing single-family home (including condos and coops) with property taxes of 1.15%, property insurance of 0.35%, and mortgage insurance of 0.85%. Data for 2020 are the monthly averages from January to June. Source: JCHS tabulations of NAR, Existing Home Sales; US Census Bureau, Current Population Surveys; Moody's Analytics Forecasts; Freddie Mac, Primary Mortgage Market Surveys.

choices to repay student debt. These renters typically chose to delay buying a home (22 percent), live in cheaper housing (22 percent), or live in smaller units (21 percent). In addition, 23 percent of all renter respondents and about a third of millennial renter respondents altered their housing choices to afford daycare or childcare costs. These renters chose to move to lower-cost areas (22 percent), cheaper housing (21 percent), or to live with family or friends (20 percent).

Another barrier to homeownership is a lack of full information on mortgage qualifications and low downpayment options. In a 2019 Consumer Mortgage Understanding Study, Fannie Mae found that respondents tended to overestimate the minimum credit score and downpayment requirements for buying a home, and to underestimate the maximum debt-to-income ratio that mortgage lenders would allow.

Moreover, only 23 percent of respondents were aware that low-downpayment programs existed. Indeed, the National Survey of Mortgage Originations found that fewer than half of borrowers taking out mortgages in 2017 were told about government programs providing low-downpayment options. While credit and financial constraints are very real barriers to homeownership for many, increased outreach to underserved communities and information about affordable loan options would improve access to ownership for those who want it.

TIGHTENING ACCESS TO MORTGAGE CREDIT

In addition to affordability constraints, tighter credit conditions limit access to homeownership at today's record-low interest rates. The MBA's Mortgage Credit Availability Index (MCAI) measures market

tightness based on borrower characteristics (including credit score, loan type, and loan-to-value ratio), as well as lender and investor underwriting criteria. During the recovery from the Great Recession, the MCAI rose 90 points from December 2012 to December 2017 as access to credit eased, and then was essentially flat around 180 through the end of 2019. As the pandemic progressed in 2020, however, the credit availability index fell more than 60 points from January to September, holding near its lowest level in six years.

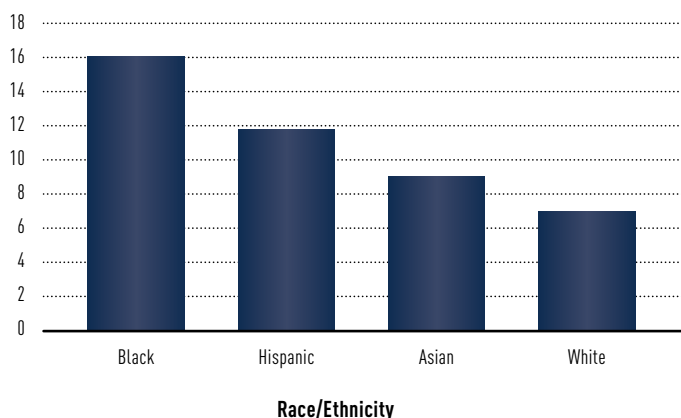
Mortgage borrowers need to have increasingly strong credit histories to qualify for loans. Indeed, data from the New York Fed Consumer Credit Panel and Equifax show that credit scores for borrowers of newly originated home purchase mortgages have generally been on the rise for two decades. From a low of 698 in the second quarter of 2000, the median credit score jumped to 743 in the first three quarters of 2003 and then held near 720 through the end of 2007. Since then, the median score fluctuated around the 760s before climbing to 770 in the fourth quarter of 2019. By the second quarter of 2020, the median score stood at 784—its highest level in records going back to 1999.

A 2019 Urban Institute analysis using Freddie Mac data highlights how reliance on credit scores poses a particular problem for Black households. The report found that more than half of white households had a FICO score above 700, compared with 21 percent of Black households. Structural racism and other systemic factors related to employment, income, and student loan debt for Black households all affect their credit scores, which do not take into account payment histories for other major items such as rent and utilities. Furthermore, nearly a third of Black households did not have a FICO score at all, compared with 18 percent of white households, effectively shutting these households out of the homeownership market.

FIGURE 24

Black Households Experience Especially High Denial Rates for Mortgages

Mortgage Denial Rate (Percent)



Notes: White households are non-Hispanic. Hispanic households are white only. Asian and Black households may be either Hispanic or non-Hispanic.

Source: JCHS tabulations of 2019 Home Mortgage Disclosure Act data.

Reflecting differences in credit scores, among other factors, racial and ethnic disparities in loan denial rates persist. The 2019 HMDA data show that nearly 16 percent of Black applicants were denied home purchase loans, along with 11.6 percent of Hispanic applicants and 9.1 percent of Asian applicants. The comparable share of white applicants was just 7.0 percent (**Figure 24**). An inadequate credit history is among the most common reasons for denial, especially for Black applicants.

THE WIDENING BLACK-WHITE HOMEOWNERSHIP GAP

For decades, official and unofficial housing policies at all levels of government, business practices of lenders and other private entities, and discrimination in other facets of society have worked to reduce the incomes, savings, and credit standing of households of color—and in turn, their access to homeownership. Even with today's better legal protections, the legacy of these actions is apparent in the chronic underserving of and underinvestment in communities

of color, persistent residential segregation, dramatic disparities in home values, and the enduring—and widening—gap in homeownership rates between white households and households of color.

The largest disparity in homeownership rates continues to be between white and Black households. According to the Housing Vacancy Survey, the homeownership rate for white households ticked up from 73.0 percent in 2018 to 73.3 percent in 2019, while the homeownership rate for Black households was essentially flat at 42.8 percent. This 30.6 percentage point gap is the largest disparity since 1983. And even though the number of Black households increased by some 3.1 million between 2000 and 2019, the number of Black homeowner households rose by just 786,000.

Much of the growing homeownership gap reflects the fact that Black households face greater difficulty buying homes because of their lower average incomes and credit ratings, as well as explicit and implicit biases throughout the lending and buying processes. Homeownership rates for younger and middle-aged Black households thus remain well below their rates two decades earlier, as well as current rates for other racial and ethnic groups (**Figure 25**). Between 2000 and 2019, homeownership rates for Black households under age 35, aged 35–44, and aged 45–54 were all down 7–10 percentage points. By 2019, Black homeownership rates for these age groups were 28–34 percentage points lower than for same-age white households, 8–12 percentage points lower than for same-age Hispanic households, and 14–24 percentage points lower than for same-age Asian households.

In addition, some of the growing Black-white gap is due to the disproportionate impact of the foreclosure crisis on Black homeowners. Analysis by the Center for Responsible Lending found that Black owners were 76 percent more likely than white owners to lose their homes between 2007 and 2009. Indeed, the homeownership rate for Black households now aged 55–64, one of the age groups most likely to have owned homes when the foreclosure crisis hit, fell from a peak of 66.9 percent in 2005 to just 53.6 percent in 2019. Although the homeownership rate for white households in this age group also declined during the housing downturn, it was just 4 percentage points short of the 85.9 percent peak by 2019. As a result, the Black-white homeownership gap for this age group stood at 28.3 percentage points last year.

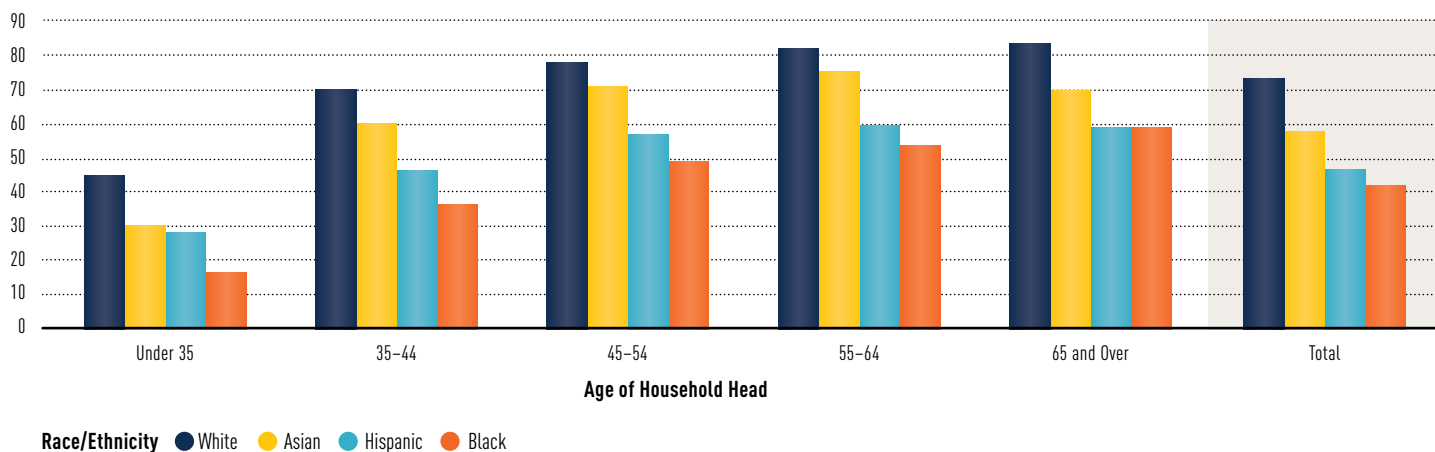
Racial disparities in homeownership also increased within the 65-and-over age group. In 2000, 82.9 percent of older white households were homeowners, compared with 70.2 percent of same-age Black households. The homeownership rate for older white households remained in the 80–85 percent range for the next two decades, while the rate for older Black households peaked at 71.3 percent in 2003 and then dropped to 58.9 percent in 2019—doubling the gap to nearly 25 percentage points.

Although still underrepresented, Hispanic and Asian households have become a larger share of owners as their populations have grown. By the Current Population Survey's count, Hispanic households made up 7.7 percent of homeowners in 2000 and 10.0 percent in 2019. Similarly, the share of Asian homeowners nearly doubled

FIGURE 25

Homeownership Gaps Persist Across All Age Groups, with the Largest Disparities Between Black and White Households

Homeownership Rate (Percent)



Notes: White, Asian, and Black householders are non-Hispanic. Hispanic householders may be of any race.

Source: JCHS tabulations of US Census Bureau, Current Population Surveys via IPUMS CPS, University of Minnesota, www.ipums.org.

from 2.5 percent to 4.8 percent over this period. These households also account for growing shares of recent homebuyers, with Hispanics making up 12.1 percent of households that bought within the previous year and Asians making up 5.5 percent in 2019, up from 9.6 percent and 3.5 percent, respectively, in 2000. In contrast, the share of Black households among recent homebuyers fell from 9.1 percent in 2000 to 6.9 percent in 2019, slightly worsening their underrepresentation among homeowners.

THE OUTLOOK

Entering 2020, both the national homeownership rate and the number of owner households were on the rise as more young and high-income households bought homes. The aging of the population also helped to lift the number of households into age groups with traditionally high homeownership rates. Attitudes toward and interest in homeownership remained positive, and demand for homeownership was strong. Although many homeowners struggled to make their mortgage payments when the pandemic hit, government interventions, rising home values, and high levels of home equity have so far kept a foreclosure crisis at bay.

Looking ahead, record-low interest rates should keep homebuying on the rise despite tighter credit conditions. However, inequality in the homeownership market may well increase. Current homeowners able to refinance may be able to reap savings on their monthly payments while also enjoying the benefits of rising home equity. But distressed owners now in forbearance plans will have to make up for missed mortgage payments over time, adding to their financial pressures. And for those buying for the first time, homeownership is increasingly out of reach for all but the highest-income households, particularly in many of the nation's largest metro areas.

Moreover, the pandemic has had a disproportionately large impact on lower-income workers, placing those that own homes at higher risk of foreclosure and limiting renter households' ability to save for future downpayments. Other real barriers to homeownership also remain, including tight credit conditions, competing financial demands, and, significantly, the far-reaching impacts of exclusionary housing policies. Efforts to expand access to homeownership as well as educational and economic opportunity must not only address current economic pressures but also confront the lasting legacy of discriminatory housing policy head on.

5 | RENTAL HOUSING

The economic fallout from the pandemic has hit renter households particularly hard. Despite widespread job losses and limited income support, however, most have continued to make their rent payments. After a sharp spike in the summer, rental construction resumed a more moderate pace in September, but sales of multifamily properties fell amid rising vacancy rates and ongoing uncertainty. Meanwhile, with most new units intended for the high end of the market and continued losses of low-cost units, rental affordability continues to erode, and the concentrated location of affordable units reinforces inequities.

HARDSHIPS FOR TENANTS AND LANDLORDS ALIKE

Renter households have been especially vulnerable to the economic disruption caused by COVID-19. According to the Census Bureau's Household Pulse Survey, 49 percent of renter households reported at least some lost employment income between mid-March and mid-September—a much larger share than the 36 percent of homeowners. Income losses have been widespread, affecting some 59 percent of Hispanic renters, 53 percent of Black renters, and 45 percent of white renters.

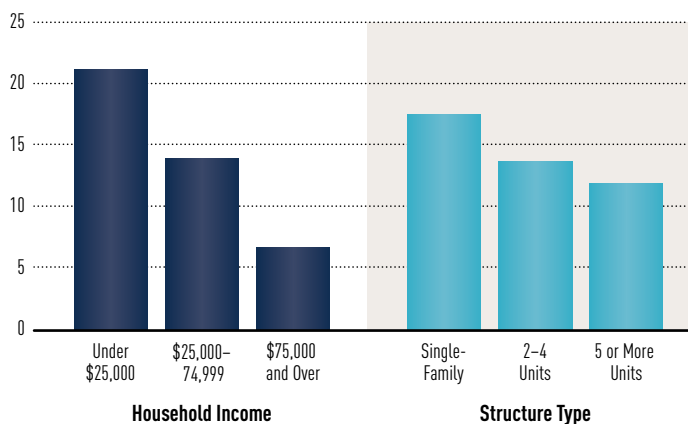
Nevertheless, most renters continued to make rent payments. As of late September, 15 percent of renter households responding to the Household Pulse Survey said that they were behind on rent. Meanwhile, the National Multifamily Housing Council (NMHC) reports that just 5 percent of the tenants in professionally managed apartments did not make payments by the end of September, a difference of just 0.9 percentage point from a year before. Even in April, when rent payments were down the most (3.1 percentage points), 95 percent of renters still made payments.

However, these professionally managed multifamily units make up only about a quarter of the rental stock. Tenants in these buildings typically have higher incomes and are therefore less likely to miss rent payments. Indeed, the Household Pulse Survey found that just 7 percent of renter households making at least \$75,000 were behind on rent in late September, closely aligning with the NMHC rent collections rate. At the same time, though, some 21 percent of renters making less

FIGURE 26

Many Tenants with Lower Incomes and in Small Rental Buildings Have Had Difficulty Keeping Up with Rent

Share of Households Behind on Rent as of September 2020 (Percent)



Note: Households behind on rent reported that they were not caught up at the time of survey.
Source: JCHS tabulations of US Census Bureau, Household Pulse Survey, Week 15.

than \$25,000 reported being behind on rent in September (**Figure 26**). A larger share of tenants also reported being behind on rent in single-family (17 percent) and small multifamily rentals (14 percent)—the types of units that are not typically professionally managed.

As a result, the landlords of smaller rental properties may already be struggling to cover their costs. ApartmentList reports that tenants

of buildings with under 50 units were more likely to make partial payments or to miss a payment in the first week of July than those living in larger multifamily buildings. Avail's survey of smaller landlords, who typically own just one to four units, also found that incomplete rent payments increased 93 percent from March to May 2020, with more than a third of these landlords pulling from savings or emergency funds to cover the shortfall.

Short-term income supports have helped to keep some households afloat so that they could cover their rents. The Household Pulse Survey from late September found that 28 percent of renters used their one-time federal stimulus checks to cover basic needs, including rent, and 17 percent used unemployment insurance benefits. But many households also had to turn to other financial supports. Nearly a quarter of renters borrowed money from friends or family to cover costs, and 27 percent drew on savings. Since nearly half of renter households have savings of less than \$1,000 and their rents typically exceed that amount, many have likely depleted their emergency funds.

SHIFTING DEMAND FOR RENTAL HOUSING

After a two-year slowdown, renter household growth resumed in 2019 with the addition of 301,000 households. The number of renter households held steady in the first quarter of 2020, increasing by a modest 18,000 year over year (**Figure 27**). As a result, the share of US households renting their housing continued to decline, dipping to 35.2 percent in the first quarter—its lowest point in six years.

But even as overall rental demand slowed in recent years, American Community Survey data indicate that the number and share of higher-income renters were on the rise. Some 7.9 million renter households were added between the homeownership peak in 2004 and 2019, bringing the total number to 44.0 million. With higher-income households driving over half of this growth, the number of renter households with incomes of at least \$75,000 increased by 4.6 million in 2004–2019 and their share of renter households jumped from 18 percent to 26 percent.

Meanwhile, the number of renter households with incomes under \$30,000 grew by just 654,000 over this interval, reducing their share of renters from 42 percent to 36 percent. Indeed, the number of lower-income renter households was on the decline in recent years, including a drop of more than 750,000 in 2019 alone. However, the massive job losses due to the COVID-19 pandemic could reverse this trend, increasing both the number and share of renter households with lower incomes.

The racial and ethnic diversity of renters increased from 2004 to 2019, with households headed by a person of color accounting for about three-quarters of growth and foreign-born households

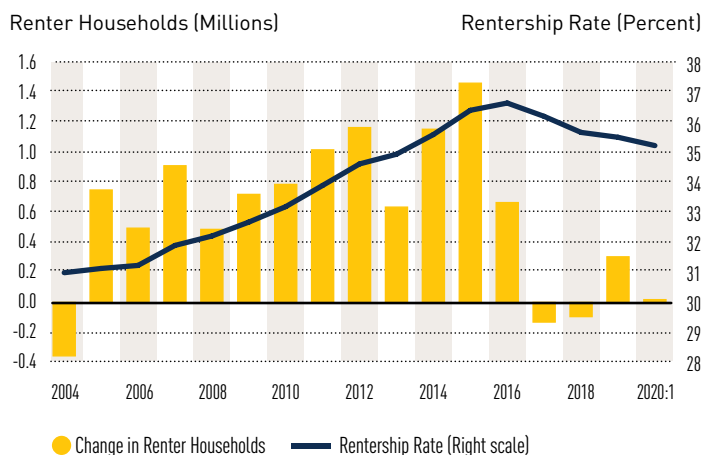
making up more than a quarter of the growth. As a result, the share of renter households headed by a person of color increased 6 percentage points over this period, to 48 percent—well above their 33 percent share of all US households. And regardless of their incomes, households of color, particularly Black and Hispanic households, are more likely to rent their housing than white households.

With the aging of the population, adults age 55 and over drove about two-thirds of renter household growth in 2004–2019, lifting their share of all renters from 22 percent to 30 percent. Indeed, the rentership rate for older adults continued to increase in 2019, with their numbers up 327,600. While households under age 35 still made up just over a third of all renters, the slowdown in their household formation rates kept their share of renter household growth to only 4 percent over this period. Although the number of younger renters picked up by about 110,000 in 2018–2019, the pandemic will likely slow any gains in 2020.

Temporary college closures and rising unemployment among younger workers may also stifle rental demand and encourage more households to double up. Nontraditional households, such as adults living with parents or unrelated individuals, were already a fast-growing household type before the pandemic, accounting for a third of renter household growth in 2004–2019. Indeed, roommate households and adult children living with parents made up a fifth of all renter households last year. Nontraditional households are most common in expensive housing markets, suggesting that these living situations are related to rental affordability.

FIGURE 27

Growth in Rental Demand Was Flat Even Before the Pandemic Hit



Note: Estimates for 2020:1 are based on year-over-year change in the four-quarter trailing average.
Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

COOLING AT THE HIGH END

Although still positive, rent growth slowed slightly from March to September 2020 as the pandemic progressed. In September, however, the Consumer Price Index for rent of primary residence (a stable measure of overall rent growth that rarely shows nominal declines) rose at a 3.4 percent annual rate—down 0.3 percentage point from March but still more than four times the pace of prices for all other items. CoreLogic's Single-Family Rent Index also showed continued growth of 1.7 percent in July 2020, although a slowdown from 2.9 percent a year earlier.

At the same time, however, nominal rents for professionally managed apartments were falling. According to CoStar, rents for units in higher-quality (4 & 5 Star) properties were down by 1.6 percent year over year in the second quarter of 2020. This was the first actual decline since 2010 and a significant drop from the 2.7 percent increase a year earlier. Rents for top-quality units continued to slide in the third quarter, off 2.2 percent year over year. Rent growth for moderate-quality (3 Star) properties slowed somewhat less, easing from 3.1 percent in the third quarter of 2019 to 1.2 percent in the third quarter of 2020. The slowdown in the lower-quality (1 & 2 Star) segment was even more modest, with rent growth dipping from 2.7 percent to 1.7 percent.

The third-quarter cooldown in rent growth was widespread geographically, with about a third of the 150 markets tracked by RealPage reporting year-over-year declines. By comparison, only eight markets posted rent decreases a year earlier. Rents for professionally managed units dropped by more than 2 percent in 20 markets, 17 of which were in the South or West. Declines of more than 4 percent were posted in 11 markets, including Boston, Los Angeles, New York, and San Francisco.

Softening rents in professionally managed properties reflect rising vacancy rates. CoStar data indicate that the vacancy rate for apartments in buildings with at least five units rose to 6.9 percent in the second quarter and held at 7.0 percent in the third quarter of 2020, nearly a full percentage point higher than a year earlier. Vacancy rates climbed the most in the higher-quality segment, up nearly 2 percentage points year over year in the third quarter, to 10.5 percent. Meanwhile, the vacancy rate at the lower end of the market inched up only 0.2 percentage point to 5.3 percent.

Of the 150 markets tracked by RealPage, third-quarter vacancy rates were up year over year in 93 markets, with increases of more than 1.0 percentage point in 32. Within markets, CoStar reports that the biggest increases were in expensive, high-density urban areas, where rates jumped 3.0 percentage points (**Figure 28**). The vacancy rate in these prime areas hit 9.1 percent in the third quarter as the rental supply increased by 3.8 percent but demand rose

just 0.5 percent. In contrast, rental supply and demand in suburban areas were in close balance, lifting the vacancy rate by just 0.2 percentage point.

RealPage data confirm that expanding supply and faltering demand are behind the jump in rental vacancy rates. Second-quarter completions of new units outpaced the growth in renter households in 92 markets, and net demand fell in 44 markets. Several of the metros with a drop-off in rental demand were high-cost markets, including some that were initially hard hit by COVID-19, such as Boston, New York, and San Francisco. Rental demand regained strength in the third quarter, with especially large increases in Southern and Western markets. Completions of rental units exceeded renter household growth in just 29 markets and net demand was down from the previous quarter in only 11.

While not yet capturing the third-quarter uptick in demand, the Survey of Market Absorption indicates that apartment take-ups at the high end of the market slowed sharply during the spring. Only a third of new units completed in the first quarter of 2020 and renting for more than \$2,050 were leased within three months, the lowest absorption rate posted in the last five years. By comparison, two-thirds of newly completed units with rents under \$1,050 were leased within three months.

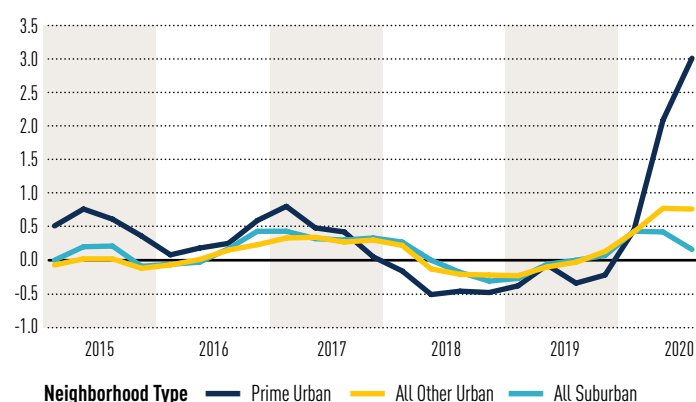
SLOWDOWN IN MULTIFAMILY INVESTMENT

After reaching a 12-year high at the end of 2019, the volume of apartment property transactions plunged 68 percent year over year in the second quarter of 2020 (**Figure 29**). A slowdown in apartment

FIGURE 28

Vacancies Have Climbed Sharply in Prime Urban Areas

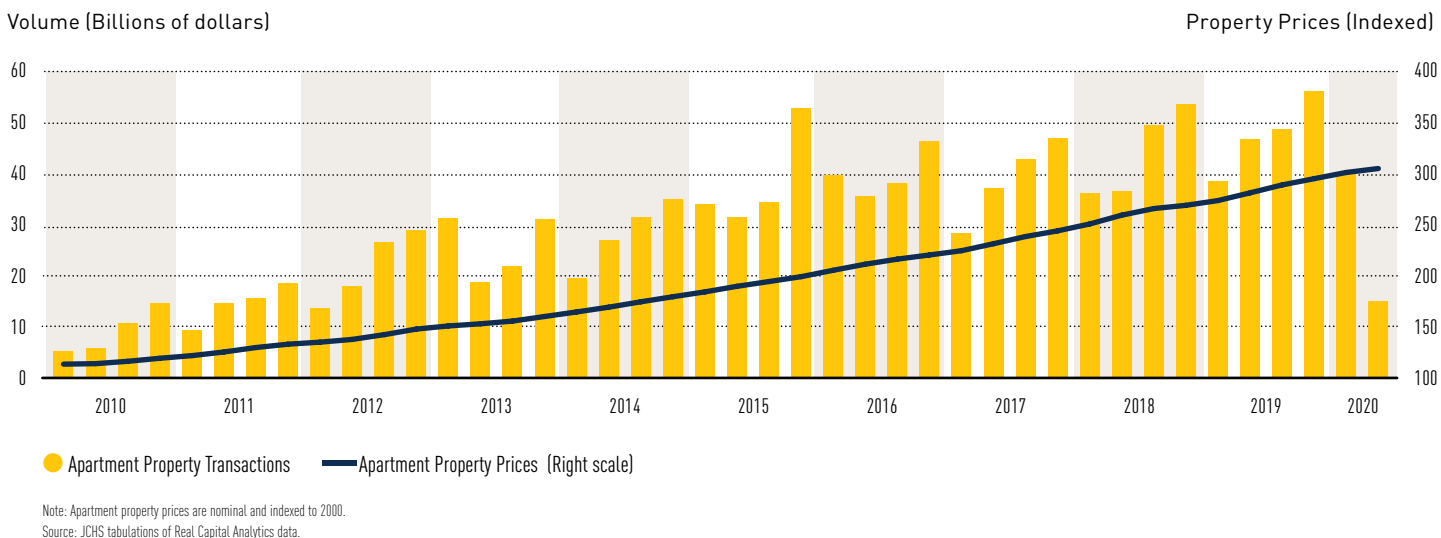
Year-over-Year Change in Vacancy Rate (Percentage points)



Notes: Prime urban areas are the most expensive urban markets. Urban/suburban areas are defined based on density in the 54 largest markets that CoStar tracks.
Source: JCHS tabulations of CoStar data.

FIGURE 29

Sales of Apartment Properties Plunged in Early 2020, But Prices Continued Their Ascent



price growth accompanied the sharp drop in transactions. According to Real Capital Analytics data, year-over-year price growth exceeded 9 percent through April 2020 but then fell steadily to 6.7 percent in September—the lowest year-over-year pace since early 2011.

Although still modest, delinquency rates for multifamily loans ticked up slightly from a near-historic low of 0.12 percent in the first quarter of 2020 to 0.19 percent in the second quarter. Defaults have likely remained low because most tenants continued to make rent payments and owners could use cash reserves to cover temporary shortfalls.

But with fewer transactions and weaker price gains, the total volume of multifamily mortgage originations fell 13 percent from the first to second quarters of 2020, leaving originations down 24 percent from a year earlier. While volumes at commercial banks and life insurance companies and held in commercial mortgage-backed securities declined, Fannie Mae and Freddie Mac continued to support the multifamily market with a 25 percent increase in originations.

With uncertainty in the market, multifamily credit conditions tightened going into the second quarter of the year. Nearly half of the respondents to the Federal Reserve Board's Senior Loan Officer Survey in April said that credit had tightened considerably, and none reported that it was easing. This was a sharp shift from January, when 94 percent responded that credit was either unchanged or easing. For investors that are able to obtain credit, however, mortgage interest rates remain at historic lows.

A sharp drop in net operating income (NOI) may signal problems ahead. According to the National Council of Real Estate Investment Fiduciaries,

NOI grew at a strong 5.4 percent annual rate at the end of 2019, but then fell 1.5 percent in the second quarter of 2020—its first decline since 2010. The third quarter was even worse, with NOI down 10.3 percent. With vacancy rates rising, rent collections lagging, and pandemic-related expenses increasing, the net operating incomes of rental property owners will likely continue to fall in the coming months.

MODERATING GROWTH OF MULTIFAMILY CONSTRUCTION

Multifamily construction fluctuated wildly this year before settling back to a more sustainable pace in late summer. After reaching a 30-year high of 389,000 units in 2019, starts of multifamily buildings with at least five apartments jumped to a 426,000 unit annual rate in the first quarter of 2020. But once the pandemic hit and some state and local governments halted non-essential construction activity, seasonally adjusted starts fell 37 percent year over year in April and 31 percent in May. Multifamily starts then bounced back to their 2019 level in June and spiked in July, before gradually easing to a seasonally adjusted annual rate of 295,000 units in September.

Meanwhile, completions of multifamily apartments slowed from a 343,000 to a 335,000 unit seasonally adjusted annual rate in the first quarter of 2020. Much of this decline came in February when the seasonally adjusted number of new units coming on the market was down 43 percent from the year-earlier peak. Activity in the following two months was also weak, with completions falling 20 percent year over year in April and 3 percent in May. Even so, completions were already more than 10 percent higher in June and July than a year earlier, before climbing to a strong 480,000 annual rate in September.

Following the pandemic, changes in remote work policies could alter demand for the type and location of rental housing. In 2019, the majority of multifamily permits issued (53 percent) were in the core areas of major metros. In addition, 49 percent of newly completed units were efficiencies or one-bedroom apartments, and 58 percent were located in large buildings with at least 50 units. However, the number of new single-family homes intended as rentals has been on the rise in recent years, accounting for 51,000 seasonally adjusted completions in the second quarter of 2020. This could mark the start of a trend, with rental demand shifting to larger single-family homes that can accommodate home offices, units in smaller multifamily buildings with fewer shared amenities, and suburban locations that provide more outdoor space.

AFFORDABILITY CHALLENGES FROM STOCK SHIFTS

Well before 2020, changes in the composition of the housing stock had already made renting less affordable. The rental supply grew by 7.5 million units from 2004 to 2019, to a total of 47.4 million. Most of these additions (6.6 million) were either single-family rentals or units in buildings with at least 20 apartments (**Figure 30**). Meanwhile, the supply of apartments in multifamily buildings with two to four units fell by 38,000.

The impacts of these stock changes are clear. Apartments in larger multifamily buildings and single-family rentals are typically more expensive than those in smaller multifamily structures. Including

utilities, the median rent for apartments in buildings with 20 or more units was \$1,200 in 2019 (up 29 percent in real terms from 2004) and the median for single-family rentals was also \$1,200 (up 19 percent). By contrast, the median rent for apartments in small multifamily buildings increased just 13 percent over this period, to \$975.

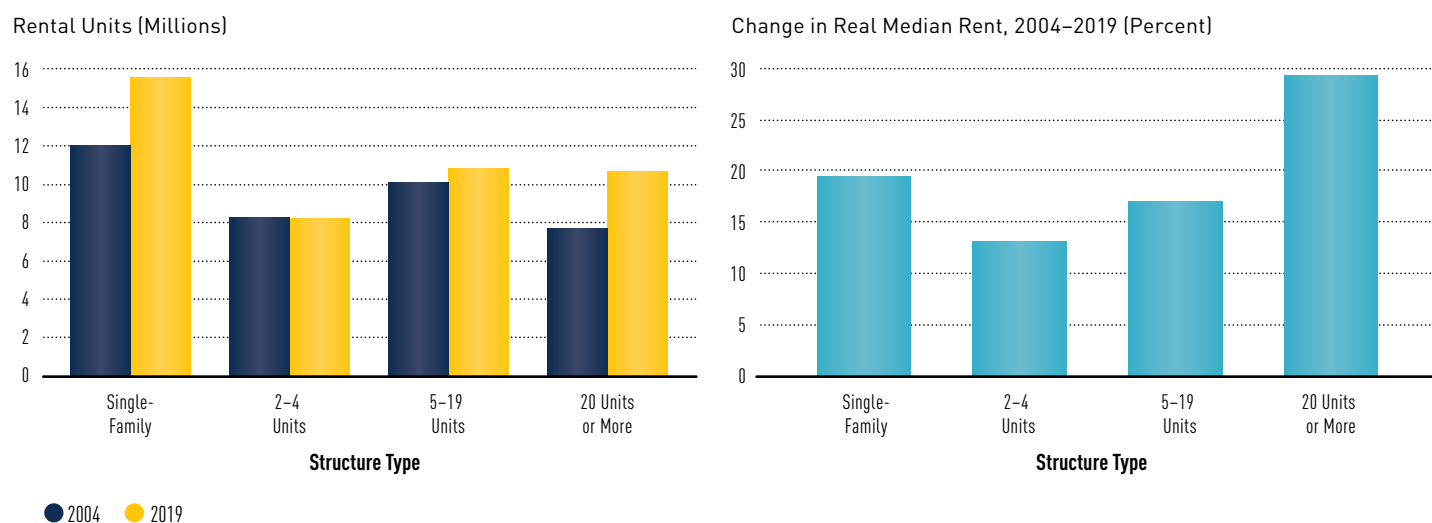
Meanwhile, the real median rent for occupied units increased 20 percent from 2004 to 2019. The number of units with real contract rents of at least \$1,000 rose by 10.4 million over this period while the number renting for under \$600 fell by 2.5 million. Losses of the low-rent stock were concentrated in small multifamily buildings, where the supply fell by more than 850,000 units. The number of low-rent apartments built before 1970 also declined by 2.1 million over this period, and 44 percent of the low-rent supply was at least 50 years old in 2019. As the rental stock continues to age and landlords of some smaller buildings are unable to collect full rents, more low-cost units will be at risk of deterioration or loss.

ROLE OF RENTAL STOCK LOCATION IN INEQUALITIES

Although rental units make up about a third of the housing in the average census tract, the distribution of the stock is highly uneven. About half of all rental units nationwide are located in just under a quarter of census tracts. Rentals make up more than 80 percent of the stock in just 4 percent of tracts, which are generally located in urban areas. Conversely, the housing in nearly a

FIGURE 30

The Rental Stock Has Shifted Toward Single-Family Homes and Large Multifamily Buildings, Where Rents Have Risen the Most

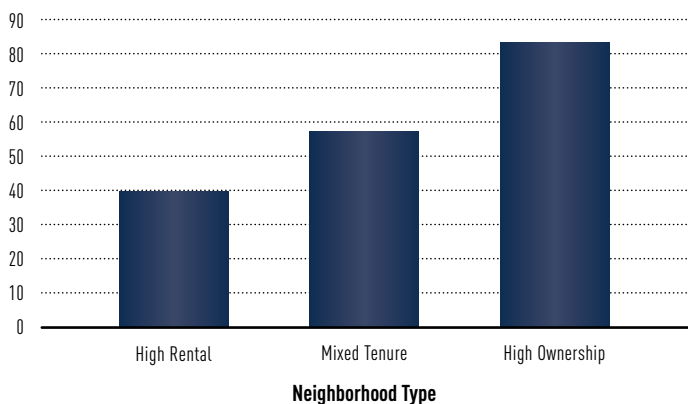


Notes: Rental units may be occupied, vacant for rent, or rented but unoccupied. Median rents are adjusted for inflation using the CPI-U for All Items Less Shelter. Median rents are for occupied units only and exclude units occupied without payment of rent. Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

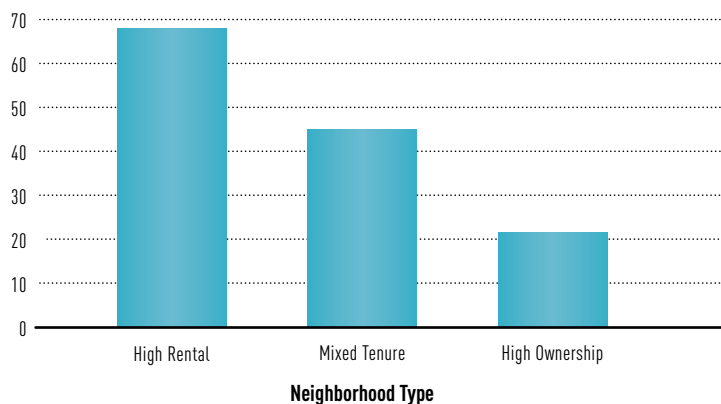
FIGURE 31

The Geographic Concentration of Rental Housing Contributes to Economic and Racial Segregation

Median Income (Thousands of dollars)



Share of Households Headed by a Person of Color (Percent)



Notes: Neighborhoods are census tracts. The housing stock in high-rental neighborhoods is more than 80 percent rental, while the stock in high-ownership neighborhoods is more than 80 percent owner-occupied or vacant for sale. Estimates are neighborhood averages.
Source: JCHS tabulations of US Census Bureau, 2018 American Community Survey 5-Year Estimates.

third of census tracts is at least 80 percent owner-occupied and typically located in suburban areas. And even though high-ownership neighborhoods far outnumber high-rental neighborhoods, they contain about the same share (10–12 percent) of the entire rental stock.

The spatial concentration of rental housing serves to perpetuate economic and racial segregation (**Figure 31**). On average, the median household income in high-rental neighborhoods is less than half that in high-ownership neighborhoods. In addition, people of color head just over two-thirds of households in high-rental neighborhoods, or about twice their share of all households. Indeed, some 23 percent of households in high-rental neighborhoods are Black and 32 percent are Hispanic. In high-ownership neighborhoods, however, people of color make up just 20 percent of households, including 6 percent who are Black and 8 percent who are Hispanic.

Low-rent units are even more geographically concentrated than the overall rental stock. Half of the units with rents under \$600 are located in just 12 percent of census tracts nationwide. Many of these rentals are in micropolitan areas and in small- to medium-size metros where rents tend to be cheaper. The low-rent stock is also more spatially dispersed in less expensive metros such as Little Rock, McAllen, and Scranton, but highly concentrated in the most expensive markets, including Honolulu, New York, and Washington, DC.

Federally subsidized units are the most spatially concentrated of all rentals. About half of all affordable units subsidized by tax credits are located in just 5 percent of census tracts. The project-based HUD stock,

including public housing, is similarly concentrated in just 4 percent of tracts. Although somewhat more dispersed, about half of the private-market units that accept vouchers are located in 10 percent of tracts. On average, neighborhoods with the most subsidized units have higher rentership rates, lower median incomes, and more households of color than those with the least subsidized housing, directly reinforcing long-standing patterns of economic and racial segregation.

THE OUTLOOK

The full effects of COVID-19 on renter households and on the rental housing market remain to be seen. As it is, rental demand is likely to continue to moderate as income and job losses prevent younger adults from forming their own households and historically low mortgage rates encourage more higher-income renters to buy homes. At the same time, however, if foreclosure prevention measures now in place are ended, rental markets could see an influx of former homeowners.

In the near term, demand for higher-quality properties in urban areas and in expensive markets may cool further. The extent of the decline will largely depend on the persistence of the pandemic, the speed of the employment recovery, and the effectiveness of the policy response. Lower-income renters, especially those who have lost wages, are likely to see little relief from rising rents and limited housing choices, although the downward filtering of higher-end apartments could help to expand the affordable stock. But without a significant jobs recovery and a renewal of income or rental supports, more and more households may have difficulty paying their rents, in turn adding to the financial distress of property owners.

6 | HOUSING CHALLENGES

The COVID-19 pandemic has laid bare the connections between racial and income inequality and the nation's longstanding housing policy challenges. Even before the pandemic, housing affordability was at crisis levels, especially among low-income renters of color, and the current economic meltdown has revealed just how many millions of vulnerable households could be one rent payment away from eviction and homelessness. Short-term federal aid has helped some households weather the storm, but much more housing assistance—and housing supply—is necessary to counter the combined effects of the affordability crisis and the pandemic.

THE CONTINUING AFFORDABILITY CRISIS

Even before the pandemic-induced downturn, the number of US households with cost burdens held near record highs. Indeed, with the economy near full employment in 2019, some 37.1 million households (30.2 percent) spent more than 30 percent of their incomes on housing (**Figure 32**). Of this group, 17.6 million households had severe burdens, paying more than half their incomes for housing. Although on a downtrend, the number of cost-burdened households was still 5.6 million higher last year than in 2001.

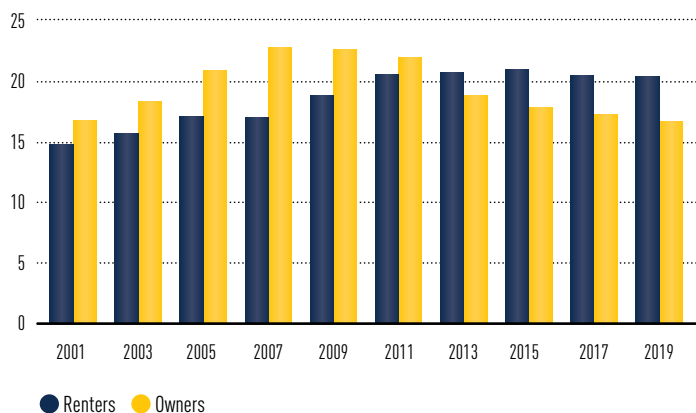
Housing affordability problems are more than twice as common among renters than among homeowners. Even with a 1.2 percentage point decline in 2018–2019, 46.3 percent of renter households were cost burdened last year, including 23.9 percent with severe burdens. Meanwhile, the share of cost-burdened homeowner households was down 1.4 percentage points, to 21.2 percent, and the share with severe burdens was at 9.0 percent. Still, the total number of cost-burdened homeowners (16.7 million) was not far below the number of cost-burdened renter households (20.4 million).

With affordability challenges moving up the income ladder, cost-burden rates among middle-income households edged up again last year. Although still stubbornly high at 83.5 percent, the share of cost-burdened households earning less than \$15,000 per year actually dipped by 0.4 percentage point from 2018 to 2019. The rate for households earning \$15,000–29,999 also declined by 0.9 percentage point. At the same time, though, the cost-burdened share increased 0.1 percentage

FIGURE 32

Despite Recent Progress, the Number of Cost-Burdened Households Still Exceeds 37 Million

Cost-Burdened Households (Millions)



Notes: Cost-burdened households pay more than 30% of income for housing. Households with zero or negative income are assumed to have burdens, while households paying no cash rent are assumed to be without burdens.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

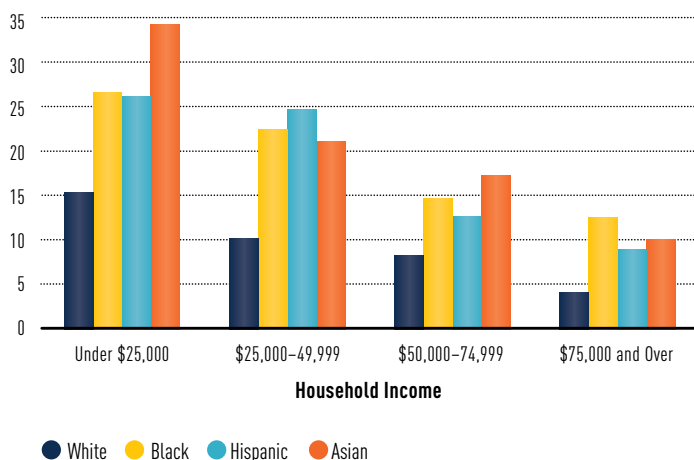
point for households with incomes in the \$30,000–44,999 range and 0.2 percentage point for those with incomes in the \$45,000–74,999 range.

The nation's youngest and oldest households are the most likely to be cost burdened. Households under age 25 have the highest cost-burden rates, including more than half (53.8 percent) of the 4.4 million house-

FIGURE 33

Households of Color Are More Likely to Have Fallen Behind on Housing Payments

Share of Households Behind on Rent/Mortgage in September 2020 (Percent)



Notes: Households behind on rent or mortgage reported that they were not caught up at the time of survey. White, Black, and Asian households are non-Hispanic. Hispanic households may be of any race.

Source: JCHS tabulations of US Census Bureau, Household Pulse Survey, Week 15.

holds in this age group. The shares with burdens decline for each successive age group through ages 45–54, but rise thereafter. Cost-burden rates are especially high among those age 85 and over. Indeed, households in that age group had the second-highest cost-burdened share in 2019, with 1.5 million of the 4.0 million households in this age range (36.8 percent) paying more than a third of their incomes for housing.

For older homeowners more generally, having mortgage debt can make the difference between being cost burdened and not. The share of homeowners with housing debt at age 65 and over more than doubled from 1989 to 2019, while the median loan-to-value ratio on that debt nearly tripled to 36.8 percent. By 2019, 40.2 percent of older homeowners with mortgages (3.8 million) were cost burdened, compared with only 14.7 percent (2.4 million) of same-age owners without mortgages.

Among renters, Black and Hispanic households are particularly likely to have cost burdens. Black renters have the highest share at 53.7 percent, followed closely by Hispanic renters at 51.9 percent. By comparison, 41.9 percent of white renters were cost burdened last year, along with 42.2 percent of Asian renters and 46.6 percent of renter households identifying as multiracial or another race. Across most income groups, households of color are more likely to be cost burdened than white households.

DISPARATE IMPACTS OF THE PANDEMIC

The economic fallout from the pandemic has compounded affordability challenges. The unemployment rate soared from 3.5 percent

in February to 14.7 percent in April, with 20.5 million jobs lost in that month alone. As of September, the unemployment rate had declined to 7.9 percent, although the number of unemployed persons remained high at 12.6 million. The households hardest hit by job losses were also the groups most likely to be cost burdened—renters, lower-income households, and households of color.

The pandemic has had a disproportionately large economic impact on people of color. Some 54 percent of Hispanic households reported income losses between March and September, along with 47 percent of Black households and 39 percent of Asian households. The share of white households was 37 percent. Across all income groups, Hispanic households are consistently the most likely to have lost income this year.

Despite federal stimulus payments and extended unemployment benefits early in the pandemic, many households still struggled to cover their housing costs. As of late September, 15 percent of renter households were behind on their rents and 9 percent of homeowners with mortgages were behind on their payments. Lower-income households were significantly more likely to miss payments, including 21 percent of renters and 20 percent of homeowners earning less than \$25,000 per year. But even among households with incomes of at least \$75,000, 7 percent of renters and 5 percent of homeowners were behind on their housing payments by late September.

The shares of Black and Hispanic households behind on housing payments were more than twice as high as that of white households. Among renters, 23 percent of Black households and 20 percent of Hispanic households were behind, compared with 10 percent of white households. The disparity among homeowners is also substantial, with 17 percent of Black owners and 18 percent of Hispanic owners behind on their mortgages, compared with just 7 percent of white owners.

These racial differences persist across incomes (**Figure 33**). Among households earning less than \$25,000, some 27 percent of Black households and 26 percent of Hispanic households were behind on their rent or mortgage payments in September, in contrast to just 15 percent of white households. And even among households with incomes of \$75,000 or more, 13 percent of Black households and 9 percent of Hispanic households reported being behind on payments, far larger shares than the 4 percent of white households.

DIFFICULT TRADEOFFS FOR COST-BURDENED HOUSEHOLDS

Lower-income households with housing cost burdens have little to spend on food, healthcare, and other necessities. According to American Community Survey data, a large majority (71 percent) of households earning less than \$15,000 had severe cost burdens in

2019, leaving these households with a meager \$225 each month for all non-housing expenses. Households in this income group with moderate burdens had \$550 left each month. Among those with incomes between \$15,000 and \$30,000, severely burdened households had less than \$600 for all other expenses while moderately burdened households had \$1,150.

When compared with other lower-income households that live in housing they can afford, the differences in spending are stark. Data from the 2018 Consumer Expenditure Survey show that unburdened households in the bottom expenditure quartile (a proxy for lower income) were able to spend 19 percent more each month on non-housing needs than moderately cost-burdened households and 52 percent more than severely cost-burdened households.

Conditions for low-income families with children and those headed by older adults are especially troubling (**Figure 34**). Among households in the bottom expenditure quartile that included children under age 18, those with moderate cost burdens spent 57 percent less on healthcare (including insurance premiums and out-of-pocket expenses) and 17 percent less on food than unburdened households. Those with severe burdens spent 93 percent less on healthcare and 37 percent less on food.

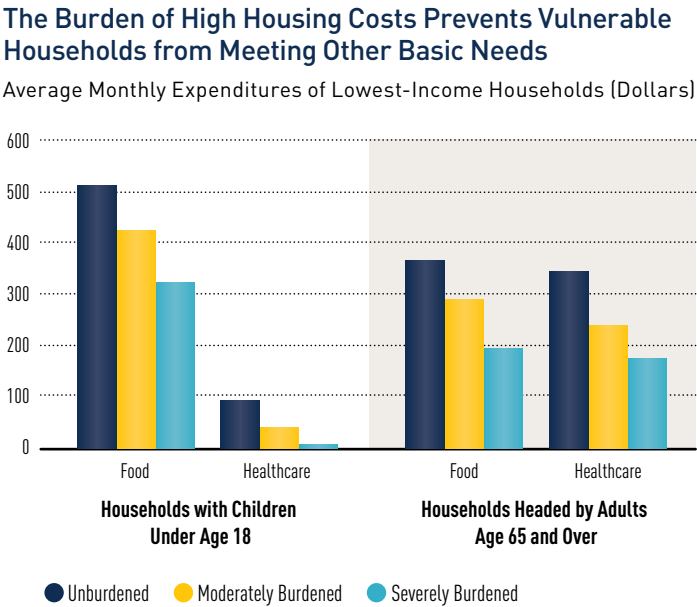
Differences among households in the bottom expenditure quartile headed by adults age 65 and over are similarly large. Older adults

with moderate cost burdens spent 31 percent less on healthcare and 21 percent less on food than same-age households without burdens, while those with severe burdens spent nearly 50 percent less on both healthcare and food.

Renter households behind on their housing payments are at significant risk of food insufficiency. In early September, some 46 percent of renter households behind on rent reported they sometimes or often did not have enough to eat in the previous seven days—about double the 24 percent share of owner households behind on their mortgages. Lower-income households are especially vulnerable. Among households earning less than \$25,000 in 2019 that were also behind on housing payments, 55 percent of renters and 38 percent of owners reported food insufficiency. Even households that earned more than \$75,000 in 2019 and were behind on housing payments said they sometimes or often did not have enough to eat, including 23 percent of renters and 11 percent of owners.

Large shares of renter households of all races and ethnicities experienced food insufficiency in September 2020. Indeed, some 53 percent of white renters behind on rent reported that they sometimes or often did not have enough to eat in the previous seven days—an even larger share than of Black renters (47 percent) and Hispanic renters (45 percent). The shares of homeowners behind on mortgage payments that reported food insufficiency were lower but still sizable at 30 percent for Hispanic homeowners, 27 percent of Black homeowners, and 23 percent of white homeowners.

FIGURE 34



Notes: Data are for households in the bottom quartile of expenditures. Households are moderately (severely) burdened if housing accounts for more than 30% (more than 50%) of their spending. Healthcare expenditures include out-of-pocket costs and insurance premiums. Source: JCHS tabulations of Bureau of Labor Statistics, 2018 Consumer Expenditure Survey.

HOMELESSNESS AGAIN ON THE RISE

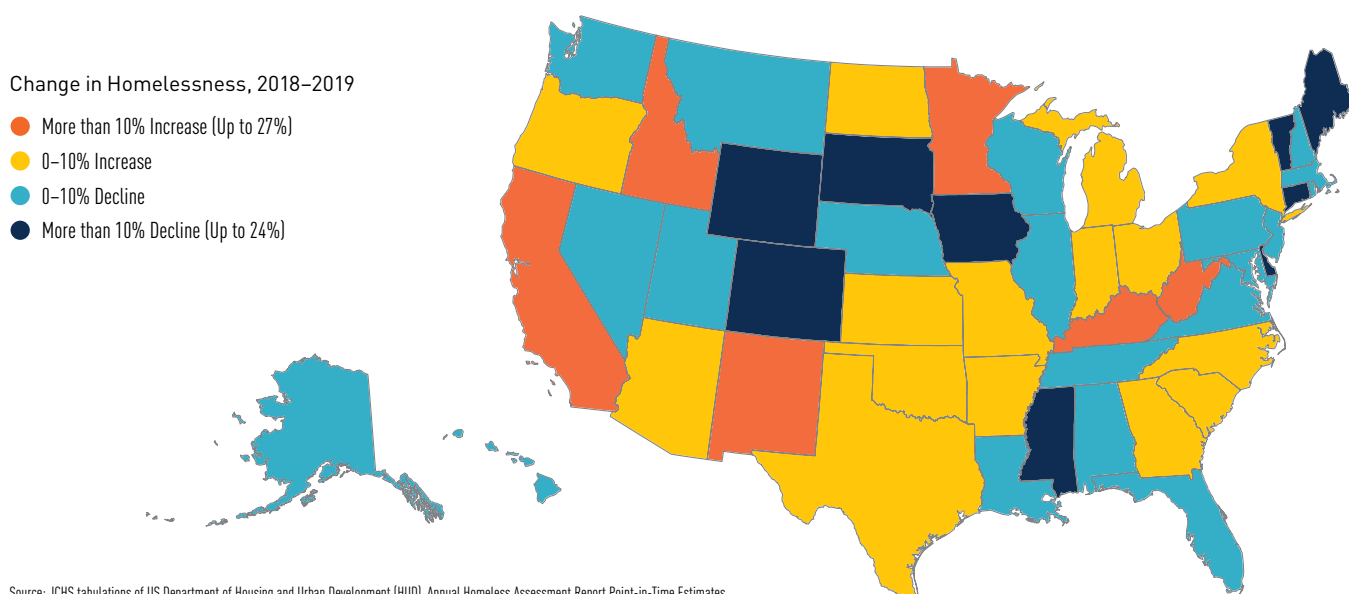
Even before the pandemic, the affordable housing crisis was fueling an increase in homelessness. After edging up in 2017 and 2018, the number of people experiencing homelessness rose more sharply in 2019. HUD’s latest point-in-time estimates show a spike of 15,000 more people experiencing homelessness last year, bringing the total to nearly 568,000.

The uptick in homelessness was entirely due to growth in the unsheltered population, whose numbers rose by almost 17,000 (nearly 9 percent), to 211,000. Meanwhile, the number of people in shelters declined by 2,000 (less than 1 percent), reducing the total to 356,000. The number of people in families experiencing either sheltered or unsheltered homelessness also fell by about 9,000 last year, but the number of individuals jumped by nearly 24,000. Homelessness rose in both high- and low-cost states across the country in 2019, with increases of more than 10 percent in six states (**Figure 35**).

People of color are disproportionately at risk. If homelessness were proportionate to population, 13 percent of people experiencing

FIGURE 35

Homelessness Increased in Both High- and Low-Cost Housing Markets in 2019



homelessness would be Black, 18 percent would be Hispanic, 1 percent would be American Indian or Alaska Native, and 72 percent would be white. As it is, however, 40 percent of people experiencing homelessness in 2019 were Black, 22 percent were Hispanic, 3 percent were American Indian or Alaska Native, and just 48 percent were white.

The increase in homelessness last year is especially alarming because people experiencing homelessness are at high risk of COVID-19 exposure. In fact, the Centers for Disease Control and Prevention (CDC) reported that a quarter of residents in 19 homeless shelters in four cities tested positive for the coronavirus between March 27 and April 15. A number of states and localities responded quickly to the public health threat by providing emergency shelter in hotels, convention centers, and trailers. For example, California's Project Roomkey was launched in April with a goal of securing 15,000 rooms in hotels and motels as safe isolation spaces for people experiencing homelessness.

An Urban Institute analysis in August found that about 70 percent of the nation's continuums of care (governing bodies that coordinate homeless services) also used hotels to provide temporary isolation shelters, although they were only able to house about 18 percent of their homeless populations on average. In addition, only a few of these communities had plans to transition their programs to permanent supportive housing, which may be in increased demand if the incidence of homelessness rises over the course of the pandemic.

THE FRAYING HOUSING SAFETY NET

The very high shares of low-income households with cost burdens is a measure of how weak the housing safety net has become. According to HUD's latest Worst Case Housing Needs report, only one in four very low-income renter households (earning less than 50 percent of area median income) received housing assistance in 2017. Nearly two in four very low-income renter households lack assistance and face either severe cost burdens or severely inadequate housing, or both.

Renters with very low incomes who do not receive assistance are left to find housing on the private market, where there is a substantial shortage of units they can afford. According to the National Low Income Housing Coalition's (NLIHC's) latest Gap report, only 10 million rentals on the private market were affordable and available for the nation's nearly 18 million households with very low incomes in 2018.

The lifting of affordability restrictions on thousands of subsidized units over the course of this decade is a potential threat to the low-cost housing stock. According to the 2020 Picture of Preservation report, affordability restrictions are set to expire on over 700,000 subsidized units by 2029. Moreover, a majority of the units with subsidies expiring in the next five years have for-profit owners, who are more likely to convert their properties to market rate. This is especially true for the 21,000 units with for-profit owners that are located in desirable neighborhoods.

Although recent federal budget changes held some promise, funding falls well short of need. Between 2001 and 2010, housing assistance declined from an 8.8 percent share of non-defense discretionary spending to 7.1 percent, even as the number of cost-burdened renter households rose by 6 million. While spending did edge up slightly to 7.4 percent in 2019, the increase was negligible in comparison with the growing incidence of cost burdens over the past two decades.

Of the major HUD programs, only project-based assistance and Housing Choice Vouchers received increased funding from fiscal 2010 to fiscal 2020. Funding for project-based rental assistance was up 25 percent over the decade in real terms, to \$12.6 billion, while funding for vouchers rose 12 percent, to \$23.9 billion. However, these increases were often dedicated to preserving units rather than expanding the pool of assisted households. The number of households with vouchers only rose from 2.1 million in 2010 to 2.3 million in 2019.

Other programs whose budgets increased from fiscal 2010 to fiscal 2020 include the McKinney-Vento Homeless Assistance grants, up from \$2.2 billion to \$2.8 billion (in 2019 dollars). The Rental Assistance Demonstration (RAD) program continued to support conversion of public housing units to long-term Section 8 contracts, bringing the total number of converted units to more than 130,000 by February 2020. RAD was expanded in late 2019 to include Section 202 housing for older adults.

At the same time, however, significant cuts were made to other critical programs, including the public housing operating fund (down 19 percent), the HOME Investment Partnership Program (down 37 percent), and Community Development Block Grant program (down 34 percent). While some funding for new homes under the Section 202 Housing for the Elderly program was restored in 2018, its budget in fiscal 2020 was still 18 percent lower than in 2010. Funding for Housing for Persons with Disabilities was also reduced by 43 percent over the decade.

GOVERNMENT RESPONSES TO COVID-19

When the economy nosedived in March, Congress passed the CARES Act, providing \$2 trillion in short-term economic relief. The package included direct payments to individuals, funding for coronavirus responses through the Community Development Block Grant and the Emergency Solutions Grants programs, additional unemployment payments, and a moratorium on evictions and foreclosures involving properties with GSE-backed mortgages. The moratorium covered 28 million homeowners and about 28 percent of rental units.

Since March, 43 states and Washington, DC, halted evictions for varying periods, but only 15 had moratoriums still in place at the start of November. The CDC announced a sweeping new eviction moratorium in September, covering renters nationwide until the end of 2020, but

the measure carries eligibility requirements and new limitations were added in October. None of these moratoriums forgave back rents.

According to the NLIHC, 43 states and Washington, DC, plus 310 localities, responded to the economic fallout from the pandemic with new or expanded forms of rental assistance. Many of these programs quickly ran out of funds, however, and many others were only able to offer short-term relief. Meanwhile, 35 states and Washington, DC, enacted utility shut-off preventions and payment plans for utility bills. At the start of November, though, these policies were still active in only 19 states and Washington, DC, according to the National Association of Regulatory Utility Commissioners.

The Urban Institute estimates that the cost of helping all renters return to their pre-pandemic income-to-rent ratio without unemployment assistance would be \$5.5 billion per month, although even this support would leave many households with cost burdens. A similar Joint Center analysis, focused on workers in jobs at the highest risk of loss, puts the cost of rental assistance at \$3.5 billion per month when paired with state unemployment support. Another report, commissioned by the National Council of State Housing Agencies, calculated a cumulative rent shortfall of at least \$25 billion by January 2021.

THE NEED TO ADDRESS RESIDENTIAL SEGREGATION

It is a well-documented fact that where children grow up affects their long-term health and well-being. Research has found that children in families who move from high-poverty to low-poverty neighborhoods are more likely to attend college, earn more as an adult, and ultimately live in lower-poverty neighborhoods themselves.

Given the importance of neighborhood quality to future success, national housing policy must do more to reduce the concentration of both poverty and affluence. People of color—particularly low-income households—are far more likely than white people to live in high-poverty areas. Indeed, nearly two-thirds of low-income Black, Hispanic, and Native American individuals live in these communities, compared with only a third of low-income white individuals (**Figure 36**). It is also striking that 38 percent of Black people with incomes above the poverty line live in high-poverty areas, more than three times the 12 percent share of white people with those incomes.

Today's conditions reflect a long history of housing policies—redlining, siting of public housing, and exclusionary zoning, to name just a few—that prevent people of color and low-income households from living in communities with good-quality public services, easy access to jobs, and healthy environments. Reducing residential segregation requires concerted efforts on multiple fronts, including the elimination of discriminatory treatment in housing and mortgage markets,

as well as the amendment of zoning laws that limit housing development in high-opportunity communities.

The federal government has an important role in this, but the recent rollback of HUD's Affirmatively Furthering Fair Housing regulations was a step in the wrong direction. These regulations represented one of the primary tools for ensuring that local governments identify, and take measures to remove, impediments to fair housing. Without state and federal mandates, many local governments are less inclined to expand the housing options for lower-income households.

Still, some jurisdictions have taken the lead in upholding the fight for fair housing. For example, Oregon passed a state mandate last year requiring most communities to allow medium-density housing. Even without a state mandate, the City of Minneapolis eliminated single-family zoning across the city's neighborhoods. These initiatives have gained widespread attention and may help to spur action in other states and localities.

Another federal priority should be to improve the quality of life for people of color living in the nation's distressed communities. Housing production programs would be one facet of these efforts, given the positive impacts of good-quality affordable housing on individual and community well-being. But neighborhood revitalization must also include substantial investments in schools, parks, public safety, transportation networks, and social services. Although past public efforts at urban revitalization have had notoriously poor

outcomes, recent initiatives in distressed areas across the country demonstrate that community reinvestment can succeed and their example should inform much needed new policy initiatives.

THE LINKS BETWEEN HOUSING AND PUBLIC HEALTH

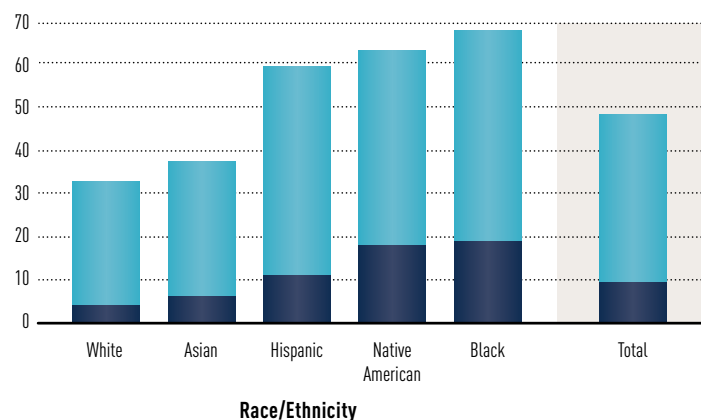
Public health guidance to shelter at home during the pandemic underscored the direct relationships between health and housing. In particular, the evidence suggests that death rates from COVID-19 are disproportionately high in neighborhoods with higher rates of poverty. In addition, research has shown how people living in overcrowded settings are more prone to respiratory illnesses, and the findings of early COVID-19 infection rates bear this out. Crowded conditions are especially common in communities of color, with particularly high rates among Hispanic, Asian, and American Indian or Alaska Native households (**Figure 37**).

Meanwhile, living in congregate settings has put many older adults and people with underlying health problems at increased risk from COVID-19. Indeed, residents of nursing homes account for just 8 percent of coronavirus cases, but fully 40 percent of deaths. Older adults living in shared households are also more at risk of infection if they are unable to maintain social distancing. As it is, a fifth of adults age 65 and over live in multigenerational households (with at least two adult generations present), with shares reaching as high as 39 percent among older Hispanic adults, 43 percent among older Asian adults, and 28 percent for older Black adults.

FIGURE 36

People of Color with Low Incomes Are Concentrated in High-Poverty Areas

Share of Poor Living in High-Poverty Census Tracts, 2018 (Percent)



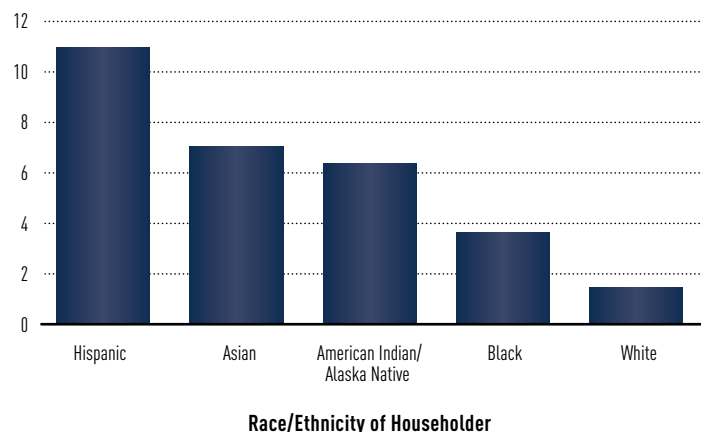
● Neighborhoods with 20–39% Poverty ● Neighborhoods with 40% or Higher Poverty

Notes: Incomes above or below the poverty line are defined by the official measure of poverty established by the OMB. Only white individuals are non-Hispanic. Since Hispanic individuals may be of any race, there is some overlap with other racial categories.
Source: JCHS tabulations of US Census Bureau, 2018 American Community Survey 5-Year Estimates.

FIGURE 37

Many Households of Color Live in Overcrowded Conditions

Share of Households with More than One Person per Room (Percent)



Notes: Asian, American Indian/Alaska Native, white, and Black householders are non-Hispanic. Hispanic householders may be of any race.
Source: JCHS tabulations of US Census Bureau, 2019 American Community Survey 1-Year Estimates.

But just as living with others may increase their exposure to the coronavirus, older adults living alone face a serious health risk from loneliness. In 2019, 14 million people age 65 and over lived by themselves, including 4.5 million age 80 and over. Recognizing that loneliness is such a threat to health, operators of age-restricted housing have continued to support communal life during the pandemic with shopping, care coordination, and other services. This support is vital given the competing needs for social distancing and socialization among older adults.

WORSENING IMPACTS OF CLIMATE CHANGE

So far in 2020, the United States has experienced 16 distinct billion-dollar disasters, making this year one of the three worst on record according to the National Oceanic and Atmospheric Administration. The cost of damages from these events neared \$50 billion as of September, surpassing the total for all of 2019.

But the massive recovery efforts required by disasters on this scale often overlook the nation's most vulnerable households, particularly renters. For example, an NLIHC analysis of Superstorm Sandy's impact in three New Jersey counties found that there were large losses of low-cost rental units in two of the three counties and that many renters received no disaster assistance at all. A 2010 Government Accountability Office report also showed that only 18 percent of damaged rental units received federal assistance after Hurricanes Katrina and Rita, compared with 62 percent of damaged homeowner units.

Climate change has also added to the number of low-income households facing energy insecurity. When the pandemic forced families to spend more time at home, residential utility use went up—sometimes significantly. This was especially true during the record summer heat, when the need for air conditioning was extreme. For lower-income households, this forced a tradeoff between paying higher utility bills or suffering the health risks of excessive heat.

Even before the pandemic, communities of color were especially at risk of energy insecurity. According to the most recent Residential Energy Consumption Survey, 54 percent of American Indian or Alaska Native, 52 percent of Black, and 45 percent of Hispanic households experienced some form of energy insecurity in 2015—about twice the 25 percent share of non-Hispanic white households. More recent studies have also found that formerly redlined neighborhoods in US cities experienced more extreme heat events than surrounding areas.

THE OUTLOOK

The economic disruption caused by the COVID-19 pandemic has underscored the stark—and growing—differences between financially secure households and those living paycheck to paycheck. While relatively affluent households have been able to retreat to their homes and work remotely during this crisis, millions of low-income households have lost their jobs and fallen behind on their rent or mortgage payments. Many of these households had housing cost burdens even before the crisis hit, and are now facing the potential loss of their homes.

A disproportionate share of those at risk are households of color. The wide racial and income disparities between the nation's haves and have-nots are the legacy of decades of discriminatory practices in the housing market and in the broader economy. This year's traumatic events have delivered a wakeup call that access to affordable housing is an essential right, not only for the disadvantaged but also for the ability of entire communities to prosper. There is no better time for policymakers to seize the moment by framing a new, comprehensive housing strategy that will reduce inequalities and advance the longstanding goal of a decent, affordable home in a suitable living environment for all.

The State of the Nation's Housing 2020 was prepared by the Harvard Joint Center for Housing Studies. The Center advances understanding of housing issues and informs policy. Through its research, education, and public outreach programs, the Center helps leaders in government, business, and the civic sectors make decisions that effectively address the needs of cities and communities. Through graduate and executive courses, as well as fellowships and internship opportunities, the Center also trains and inspires the next generation of housing leaders.

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