

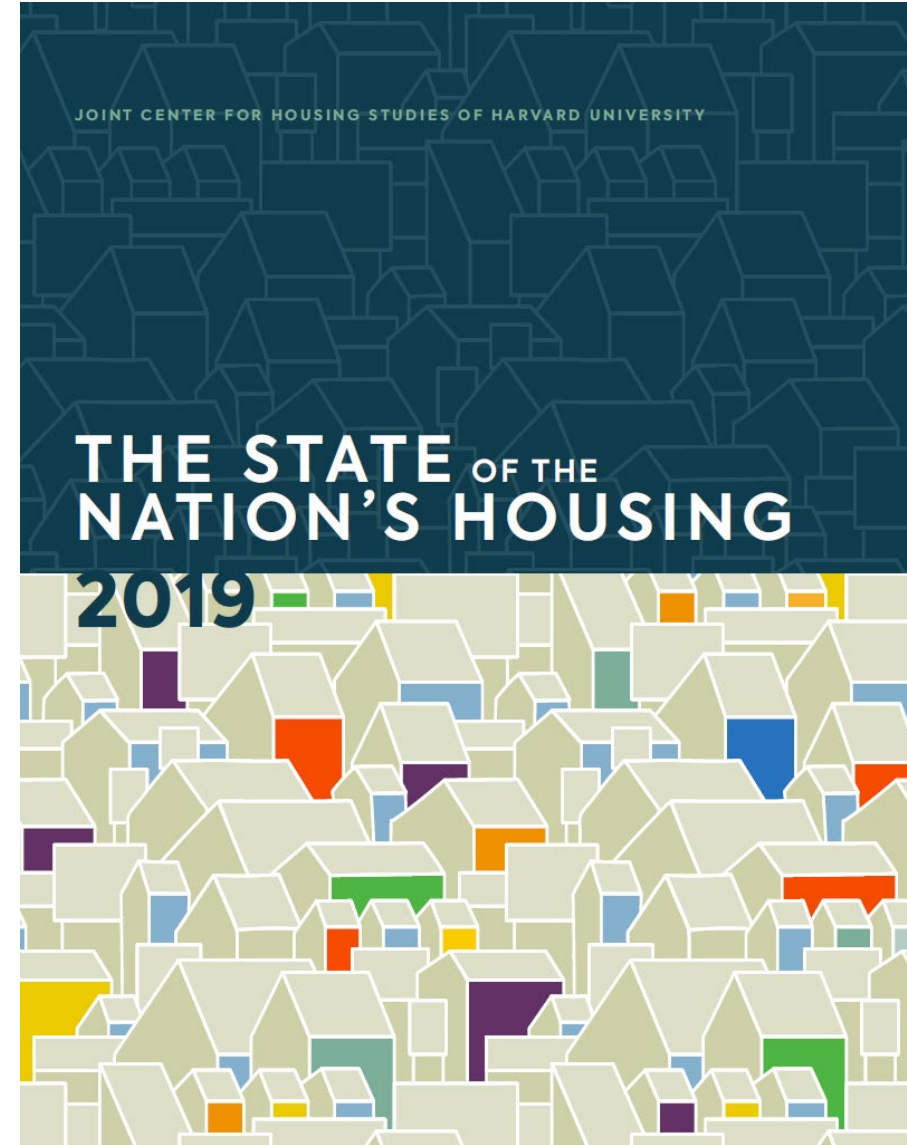
Key Themes from *The State of the Nation's Housing 2019*

Whitney Airgood-Obrycki, PhD
Research Associate

Self-Help Housing Conference
February 4, 2020

Key Themes

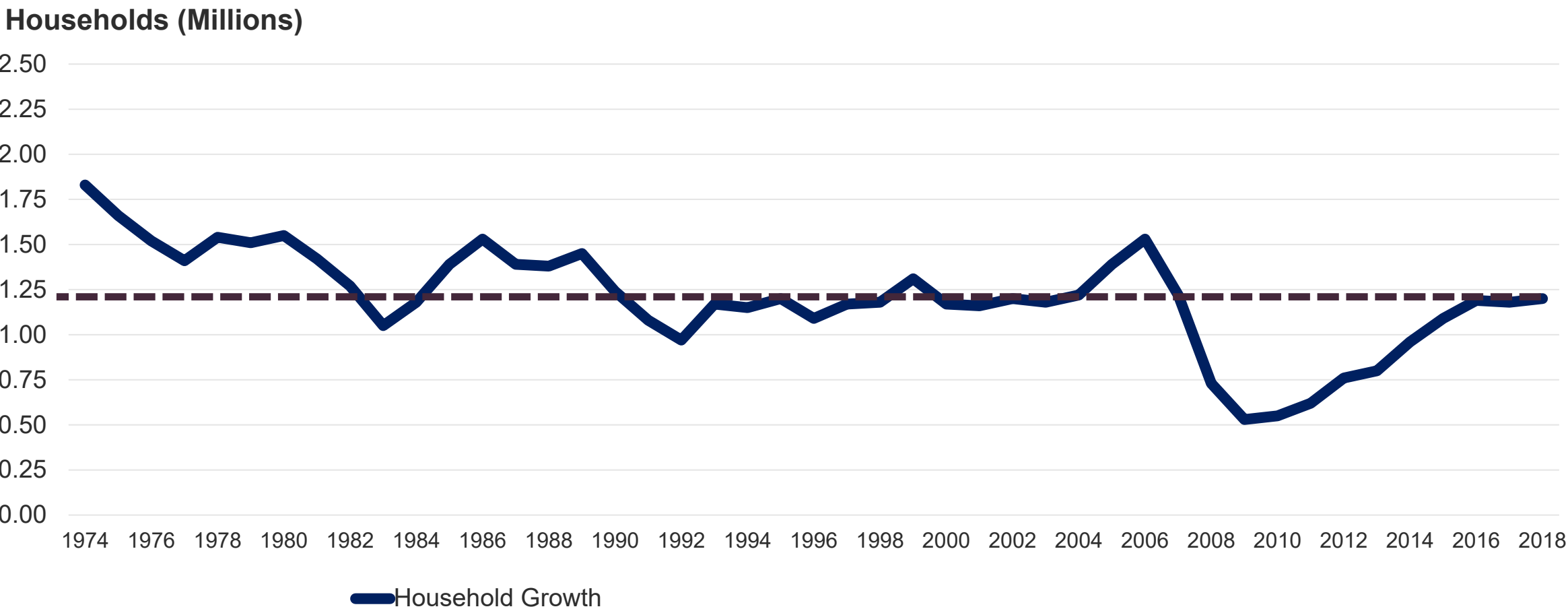
- We have not been building enough housing
- Demand for homeownership has returned
- Rental demand has moderated but markets steady
- Cost burdens down but affordability concerns remain as urgent as ever
- Aging boomers and millennials to support solid demand for the next decade



A construction worker wearing a hard hat and a plaid shirt is working on a wall. The image is overlaid with a semi-transparent orange filter. The worker is using a tool to apply or smooth material on the wall.

New Housing Supply Remains Constrained Despite Rising Demand

Housing Construction Has Just Kept Pace with Household Growth for an Unprecedented Eight Years

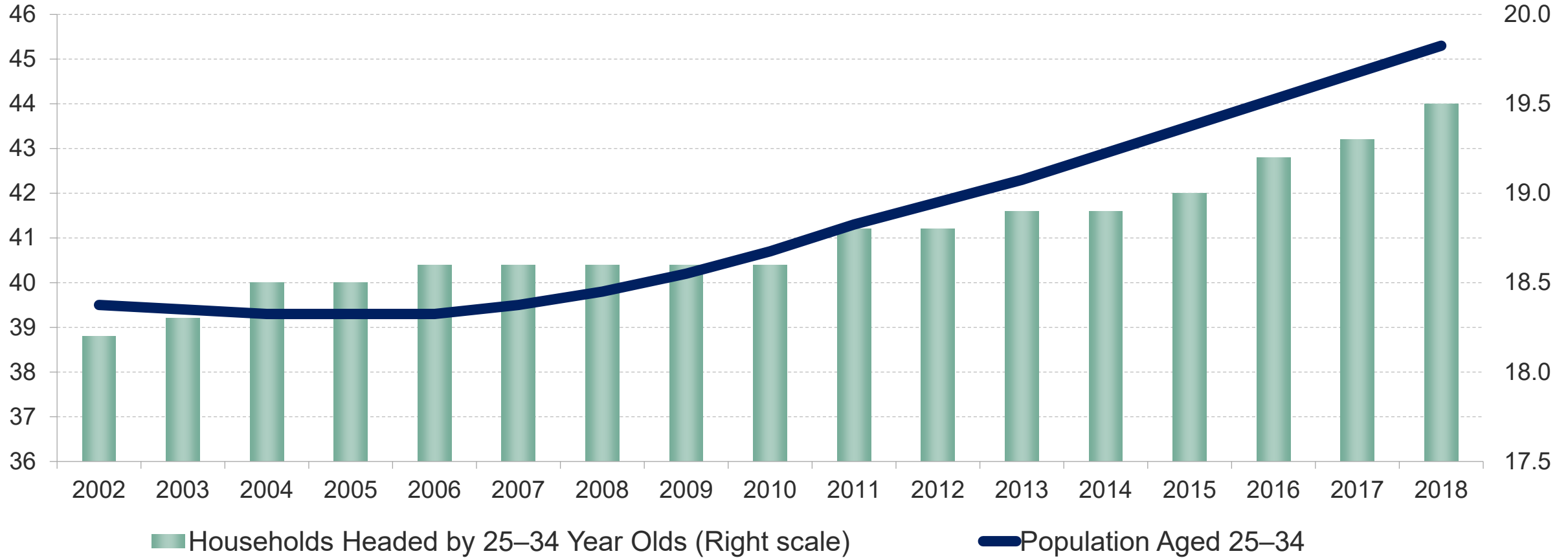


Notes: Household growth data are three-year trailing averages. Placements refers to newly built mobile homes placed for residential use.
Source: JCHS tabulations of US Census Bureau Housing Vacancy Survey, New Residential Construction data.

The Number of Young-Adult Households Is Finally Rising in Line with Population Growth

Population (Millions)

Households (Millions)

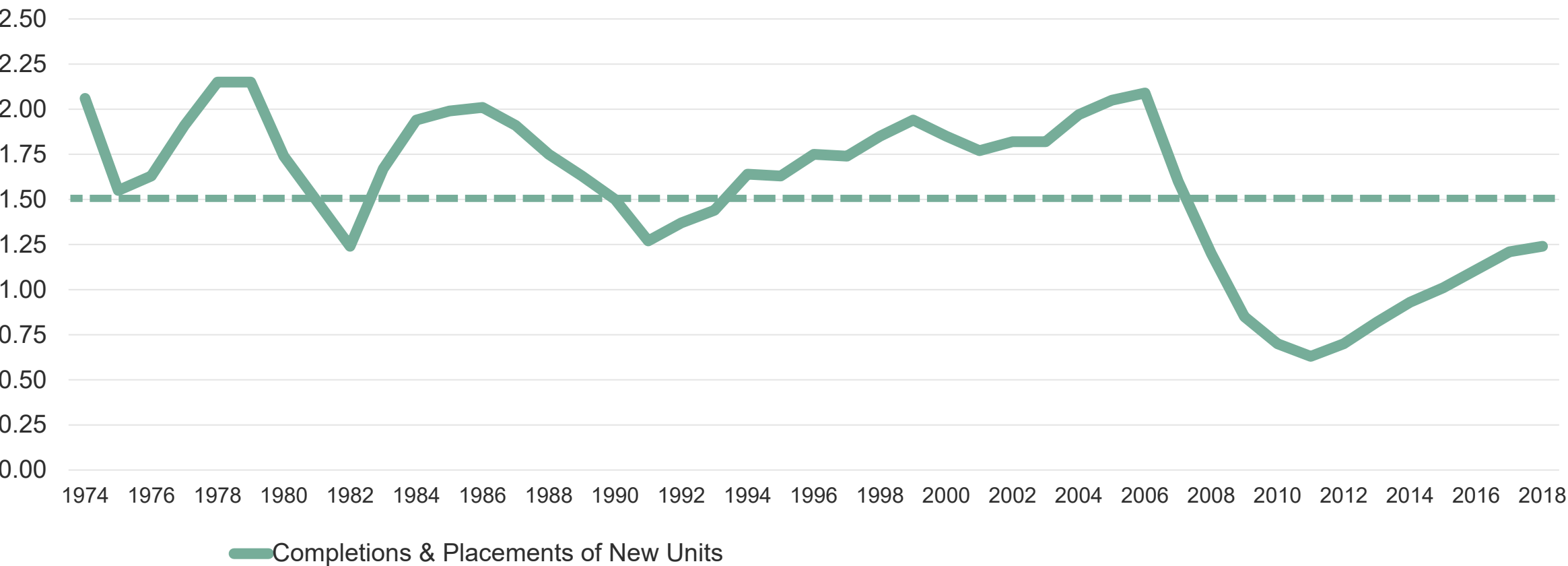


Note: Data are 3-year trailing averages.

Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys and National Population Estimates.

Housing Construction Has Just Kept Pace with Household Growth for an Unprecedented Eight Years

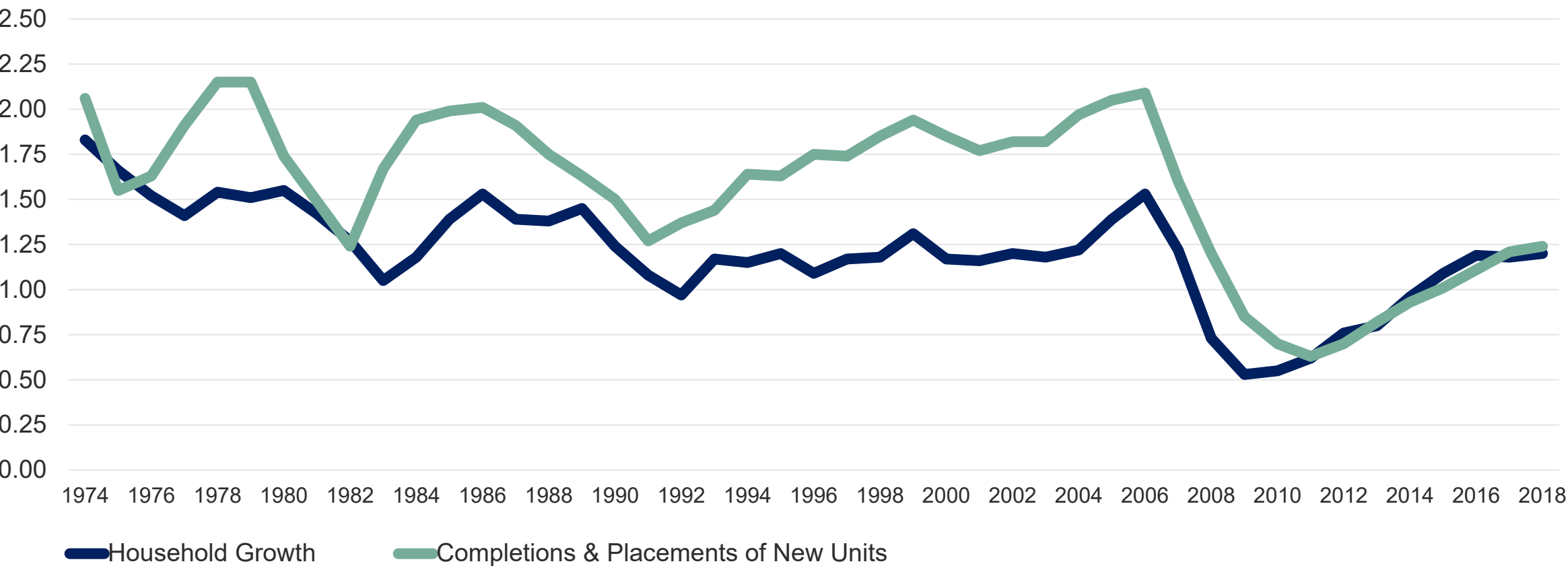
Units (Millions)



Notes: Household growth data are three-year trailing averages. Placements refers to newly built mobile homes placed for residential use.
Source: JCHS tabulations of US Census Bureau Housing Vacancy Survey, New Residential Construction data.

Housing Construction Has Just Kept Pace with Household Growth for an Unprecedented Eight Years

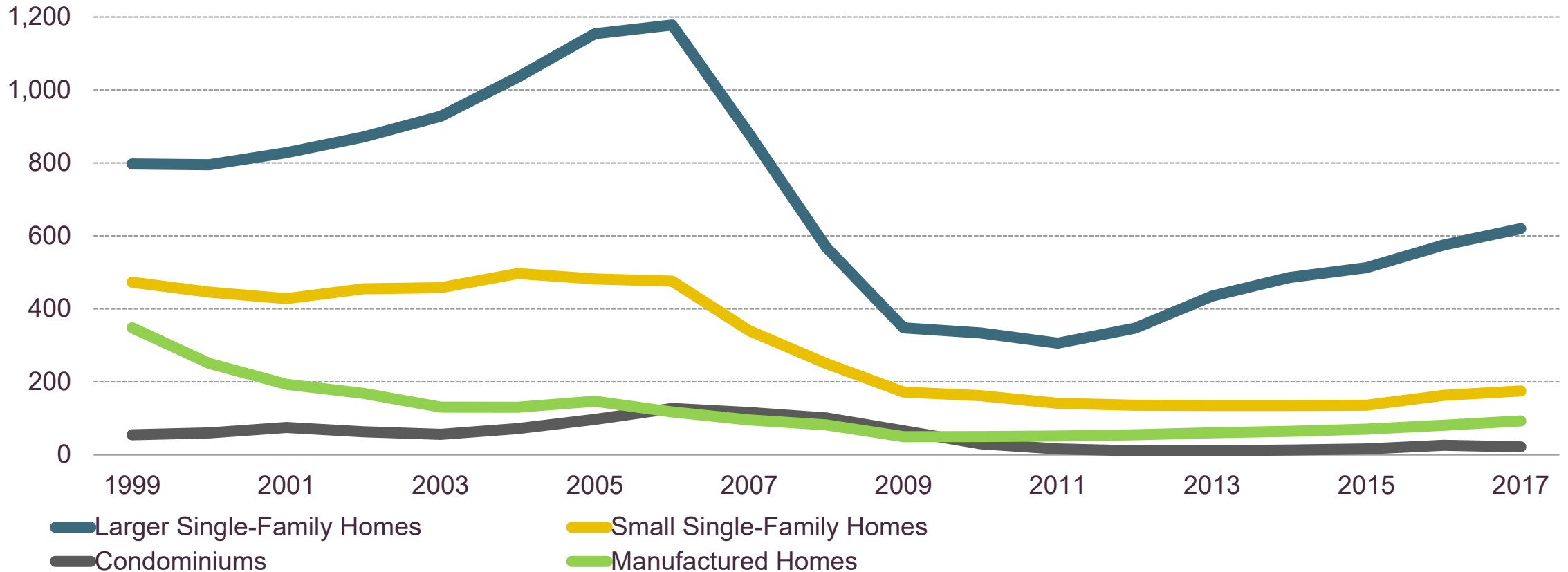
Units (Millions)



Notes: Household growth data are three-year trailing averages. Placements refers to newly built mobile homes placed for residential use.
Source: JCHS tabulations of US Census Bureau Housing Vacancy Survey, New Residential Construction data.

Construction of Modest-Sized Housing Remains Particularly Constrained

Units Added (Thousands)



Notes: Small single-family homes are under 1,800 sq. ft., and larger single-family homes are 1,800 sq. ft. and over. Condominiums are multifamily units built for sale. Manufactured homes are manufactured housing shipments. Single-family completions by home size for 2017 were unavailable at time of publication.

Source: JCHS tabulations of US Census Bureau, New Residential Construction and Manufactured Housing Surveys.

Multiple Factors Contributing to Shortfall in New Supply



Long time needed to work through excess vacancies from the boom



Labor shortages



Sharp increases in land costs

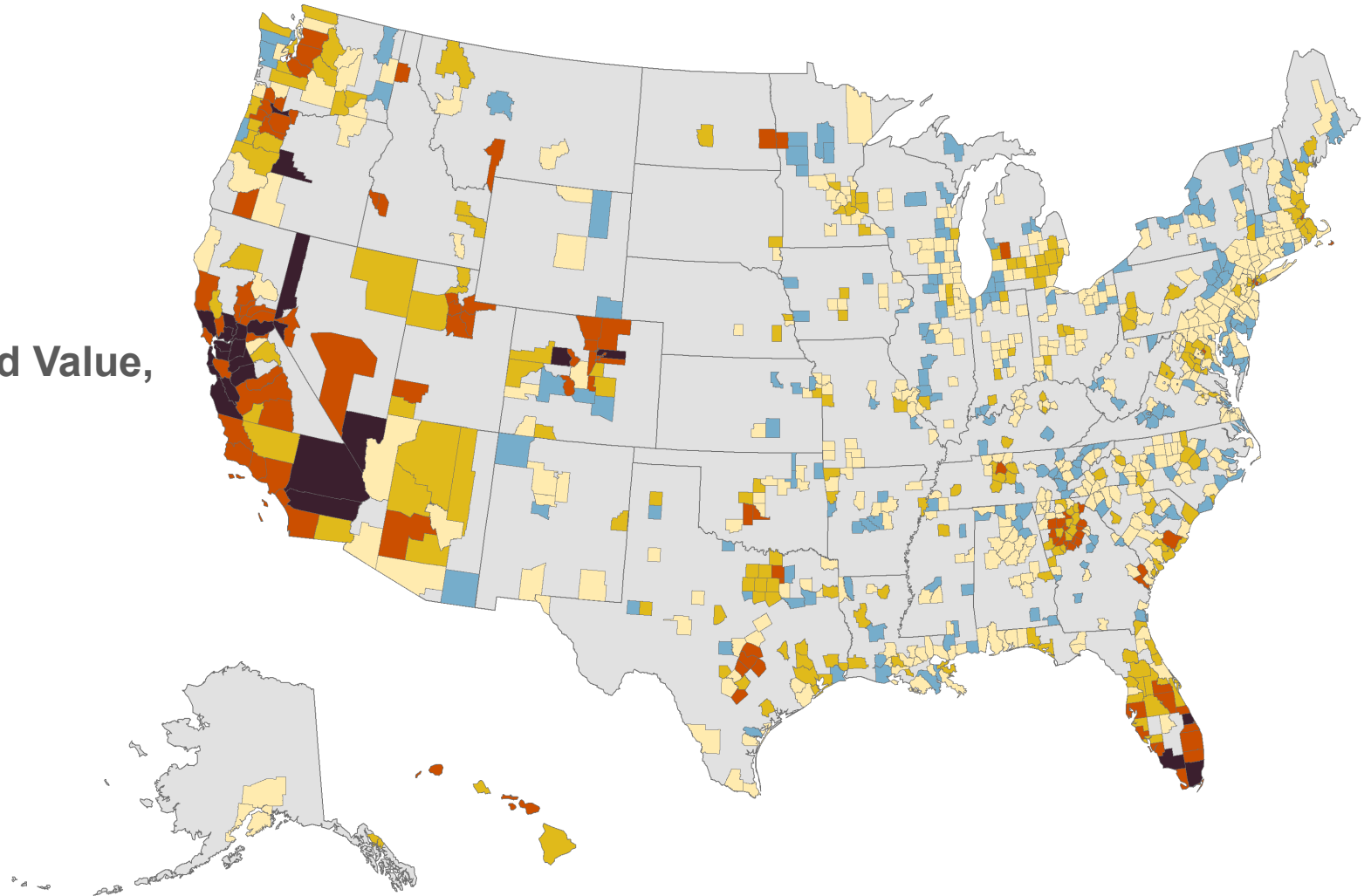
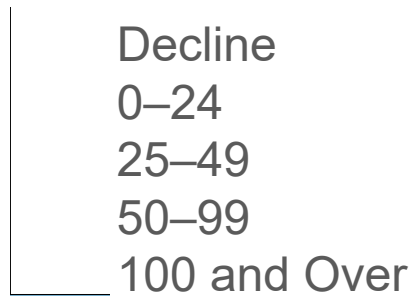


Regulatory barriers



Residential Land Prices in Many Areas Have Risen Sharply Since 2012

Change in Median Land Value,
2012–2017 (Percent)



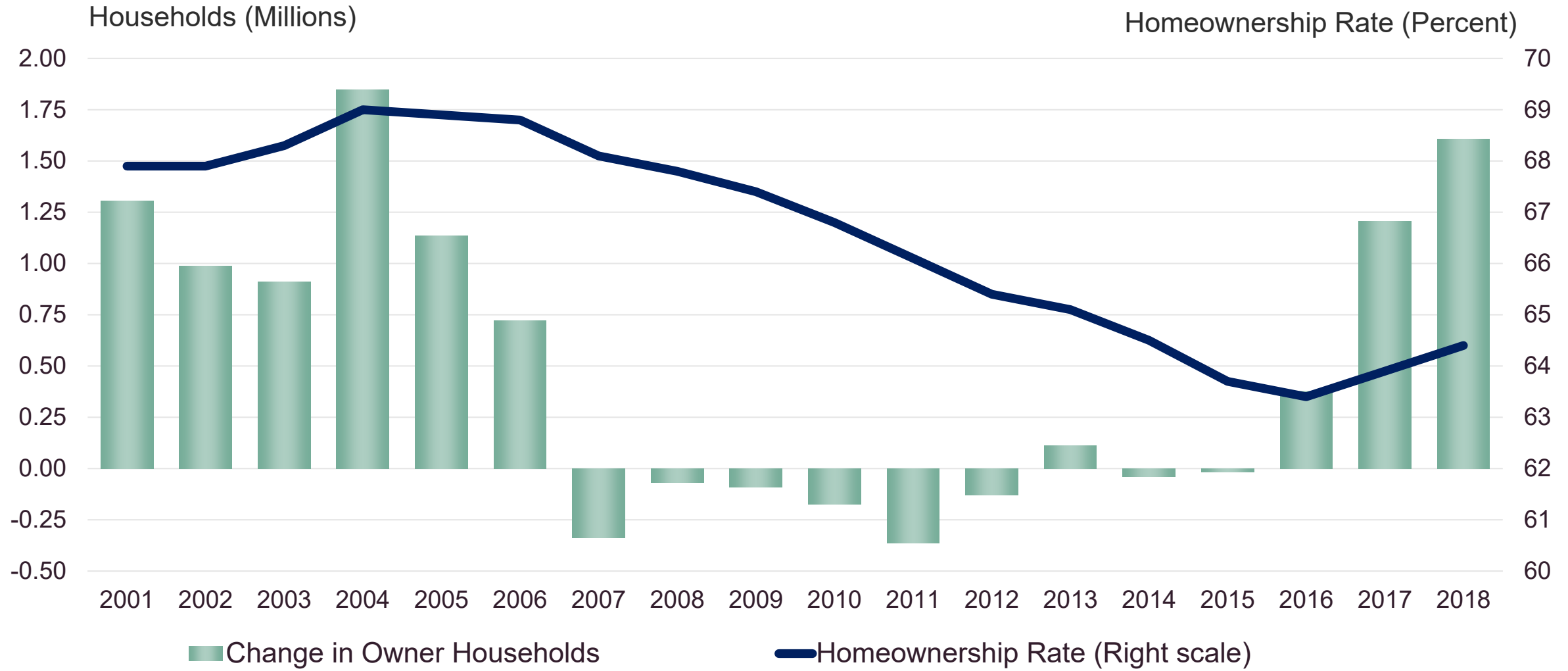
Note: Estimates are for land underneath existing single-family homes.

Source: JCHS tabulations of FHFA, The Price of Residential Land for Counties, ZIP codes, and Census Tracts in the United States.



Homeownership Rebound Continues Despite Declining Affordability

Homeownership Has Gained Some Upward Momentum

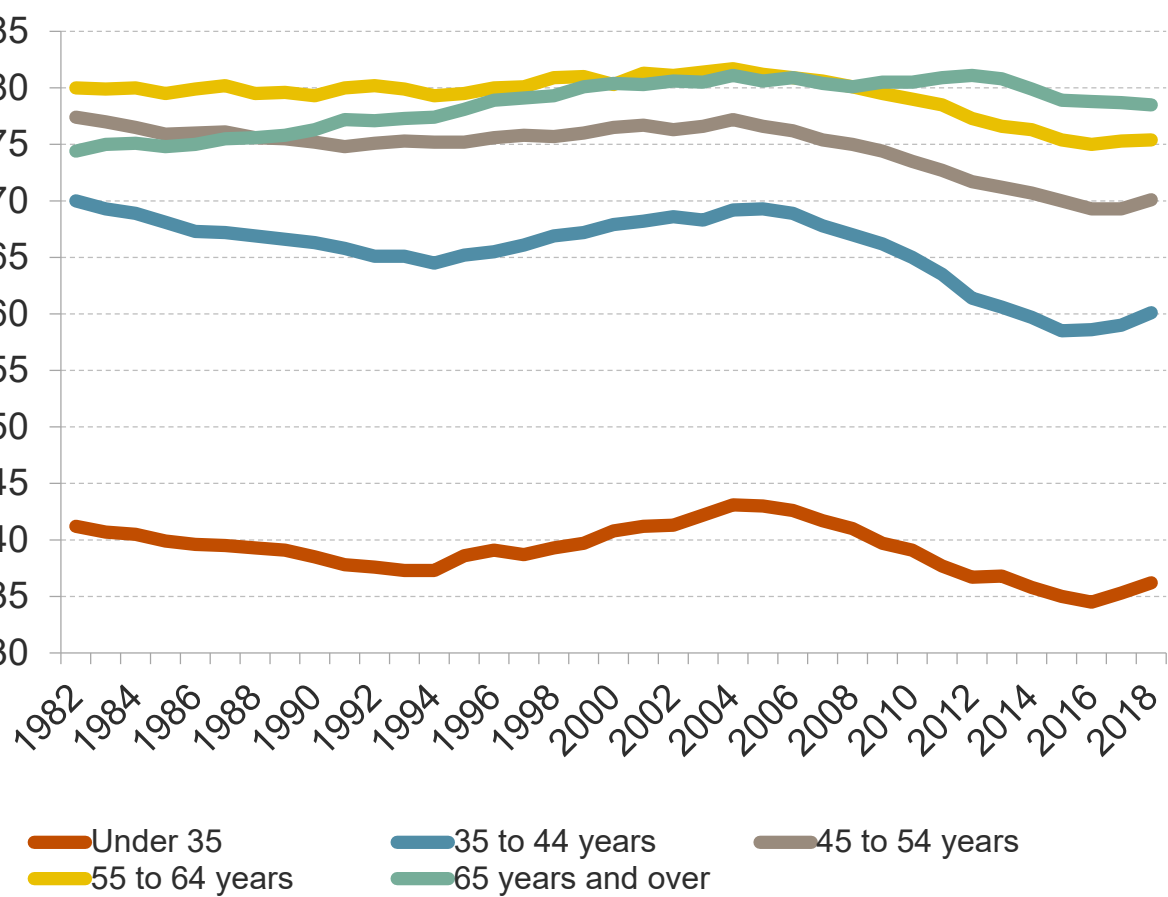


Note: Change in owner households is year-over-year.

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

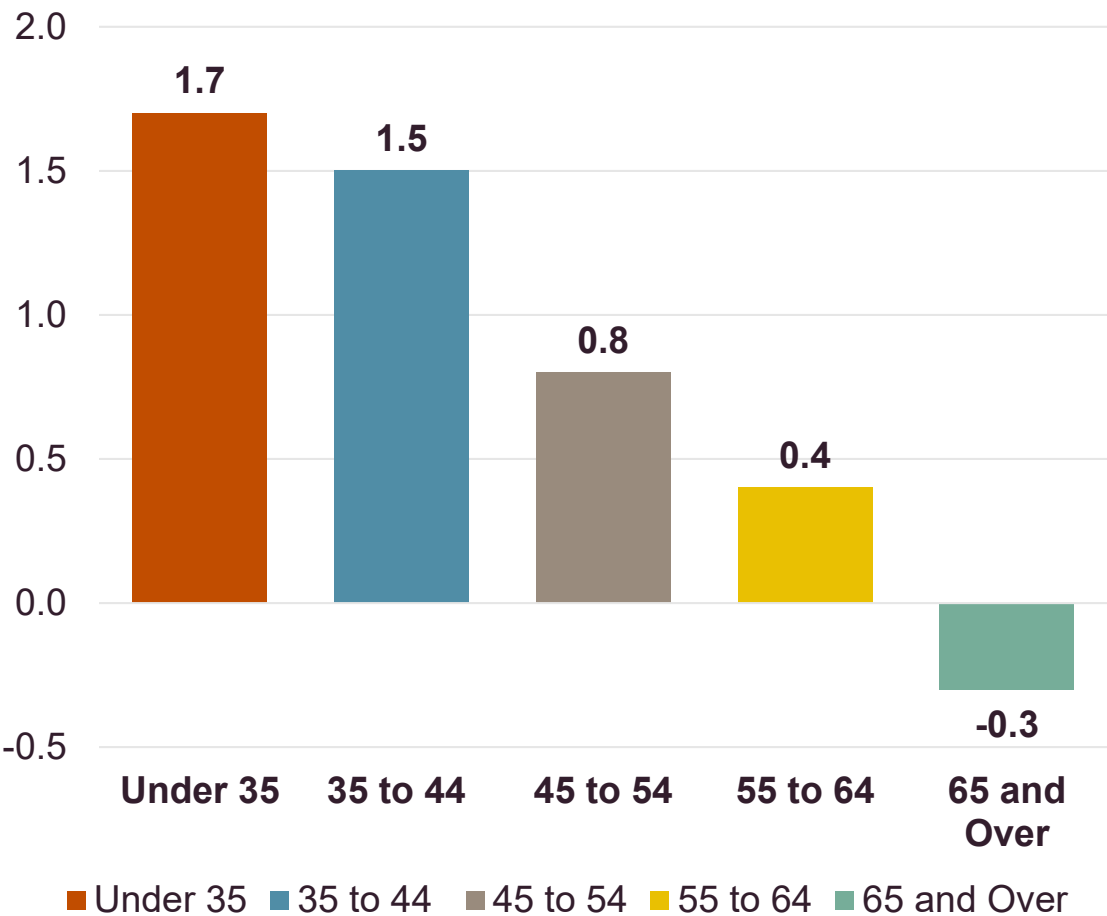
Young Adults Are Driving the Increase in Homeownership

Homeownership Rate by Age (Percent)



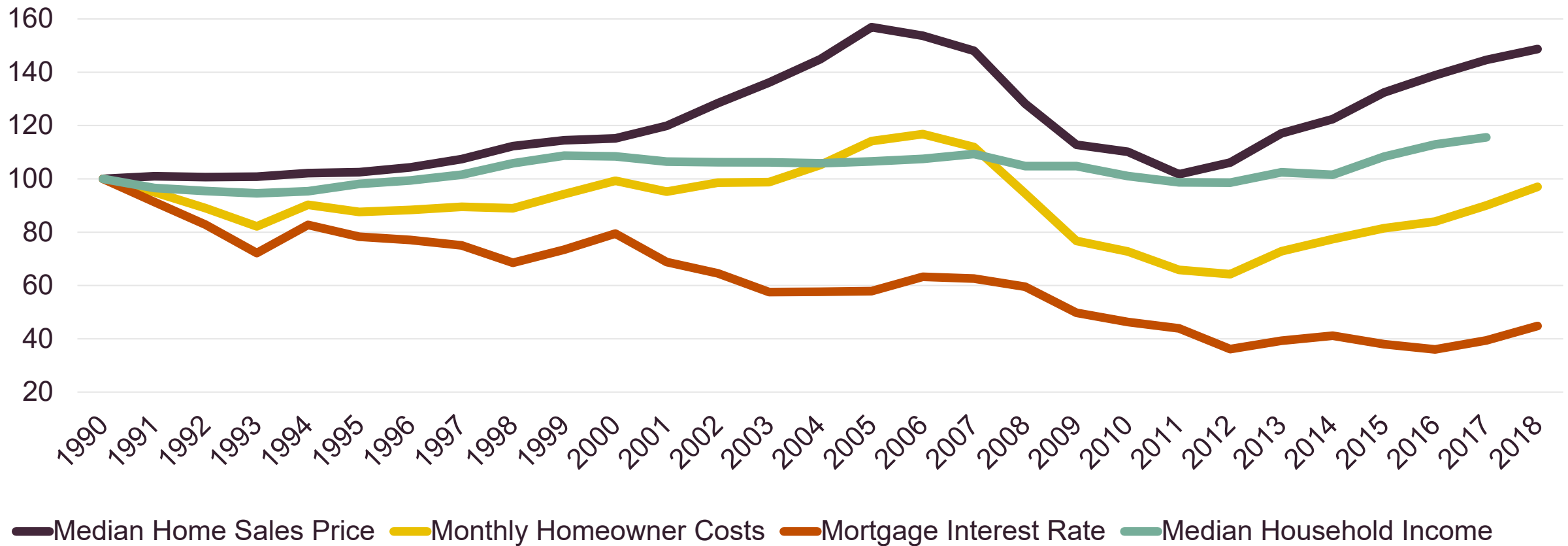
Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

Change in Homeownership Rate 2016-18



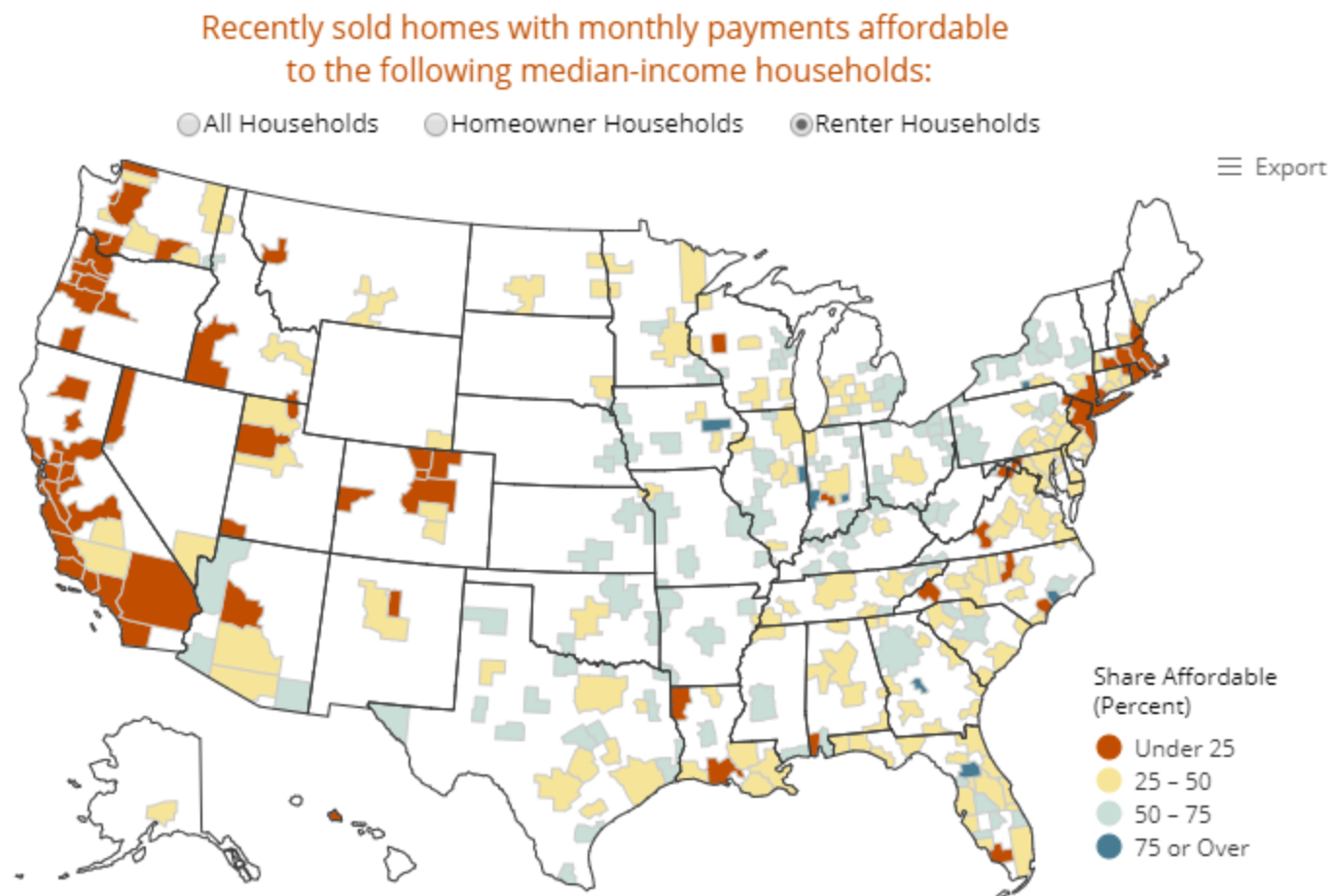
Despite Low Interest Rates, Rising Home Prices Are Driving Real Homeowner Costs to Highest Levels in Years

Index



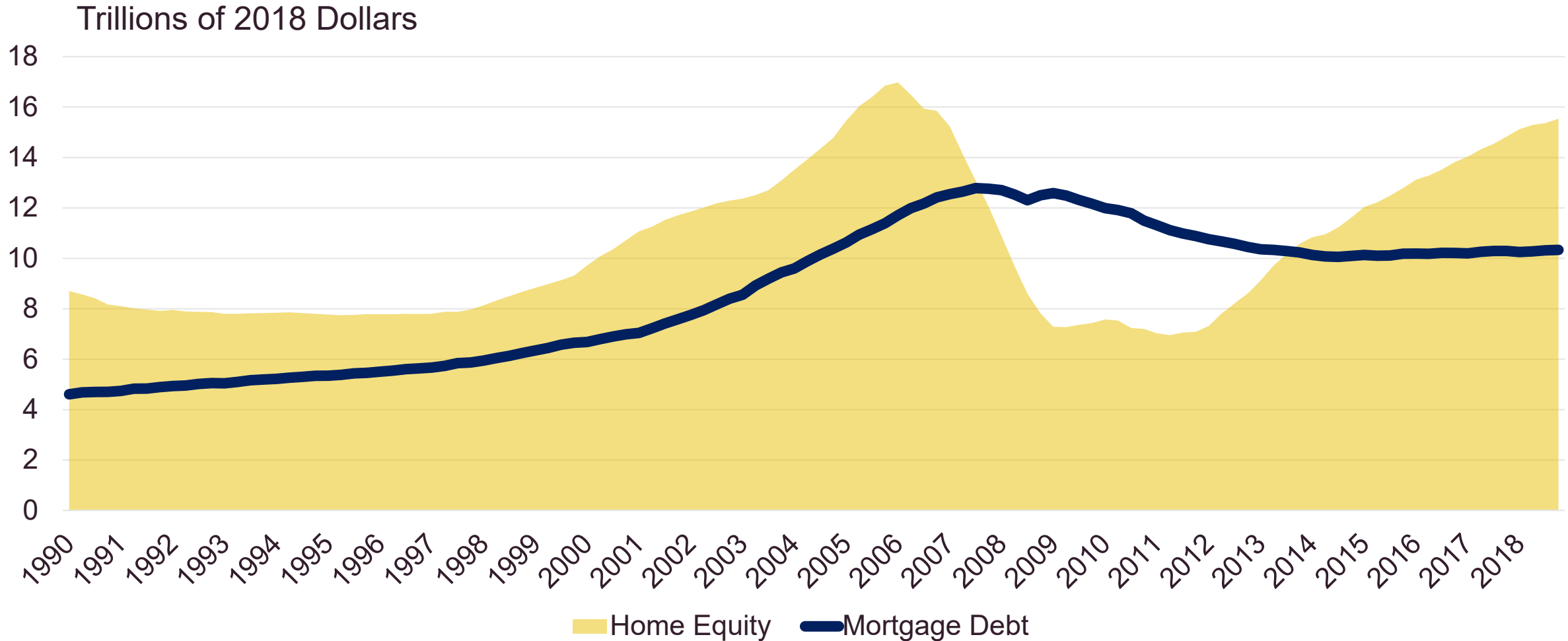
Notes: House prices, household income, and monthly homeowner costs are adjusted to 2018 dollars using the CPI-U for all items less shelter. Monthly homeowner costs assume a 3.5% downpayment on a median-priced, existing single-family home (including condos and coops) with property taxes of 1.15%, property insurance of 0.35%, and mortgage insurance of 0.85%. Source: JCHS tabulations of NAR, Existing Home Sales; US Census Bureau, Current Population Surveys; Moody's Analytics Forecasts; Freddie Mac, Primary Mortgage Survey (PMMS).

In Many Large Metros, Few Homes Are Affordable to the Typical Renter



Notes: Median incomes are estimated at the core-based statistical area (CBSA) level. Recently sold homes are defined as homes with owners that moved within the 12 months prior to the survey date. Monthly payments assume a 3.5% downpayment and property taxes of 1.15%, property insurance of 0.35%, and mortgage insurance of 0.85%. Affordable payments are defined as requiring less than 31% of monthly household income. Only CBSAs with at least 30 home sales in the past year are shown. Source: Harvard Joint Center for Housing Studies tabulations of US Census Bureau, 2017 American Community Survey 1-Year Estimates, and Freddie Mac, PMMS.

Home Equity Is Nearing Its Pre-Crisis Peak While Mortgage Debt Has Hardly Grown

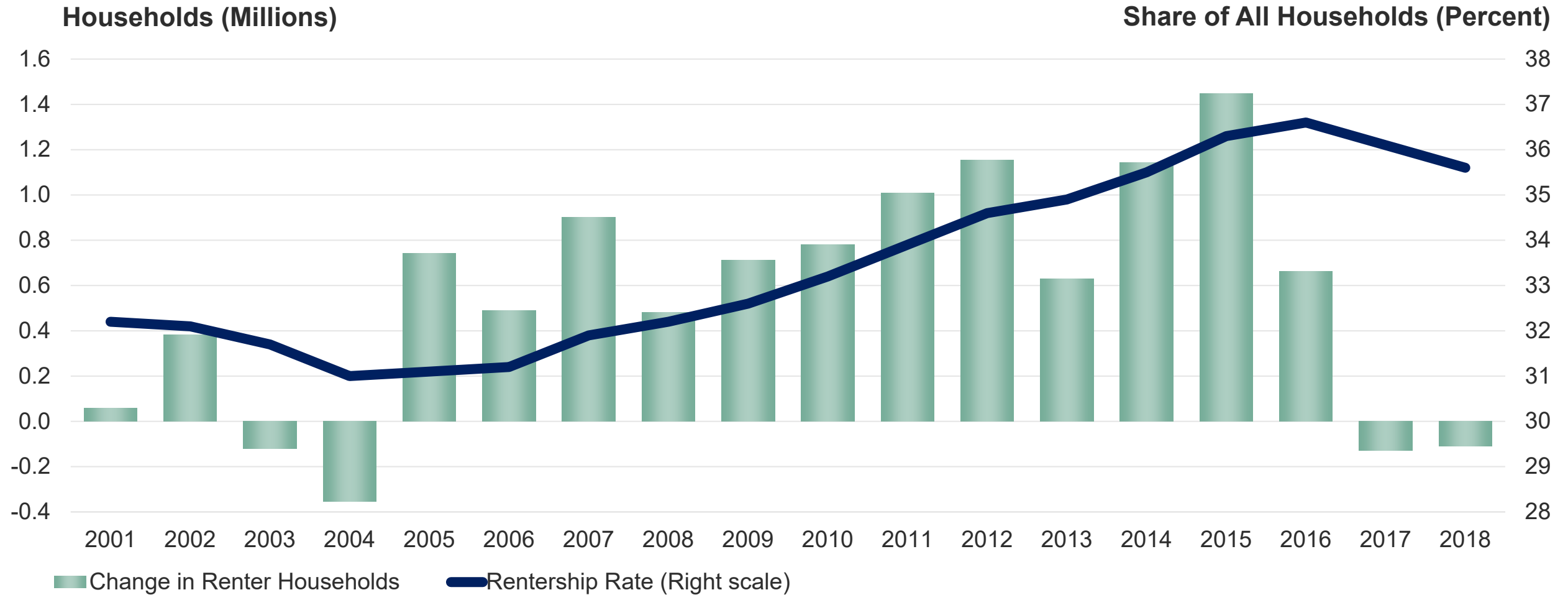


Note: Homeowner equity and mortgage debt are adjusted to 2018 dollars using the CPI-U for all items.
Source: JCHS tabulations of Federal Reserve Board Financial Accounts of the United States via FRED.



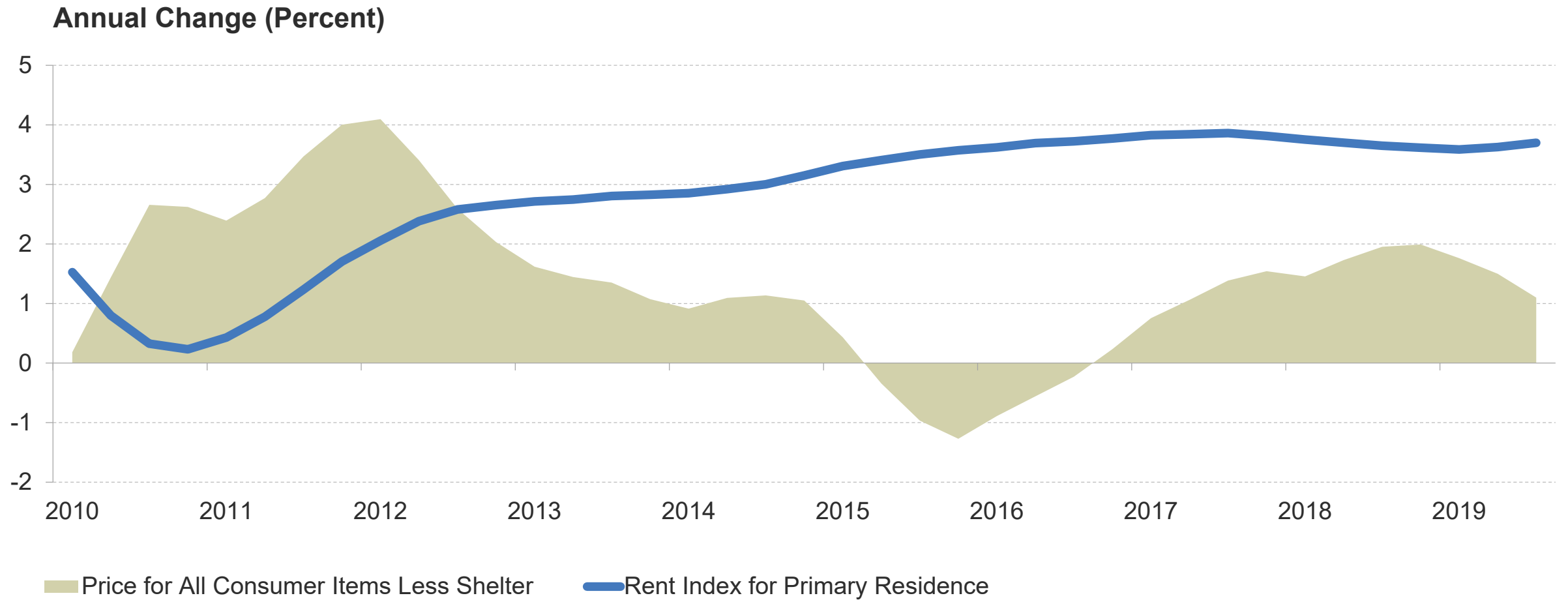
Rental Markets Remain on Solid Footing Despite Slowdown in Overall Demand

The Number and Share of Renter Households Continued to Decline in 2018



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

Rents Continue to Climb Much Faster than General Inflation

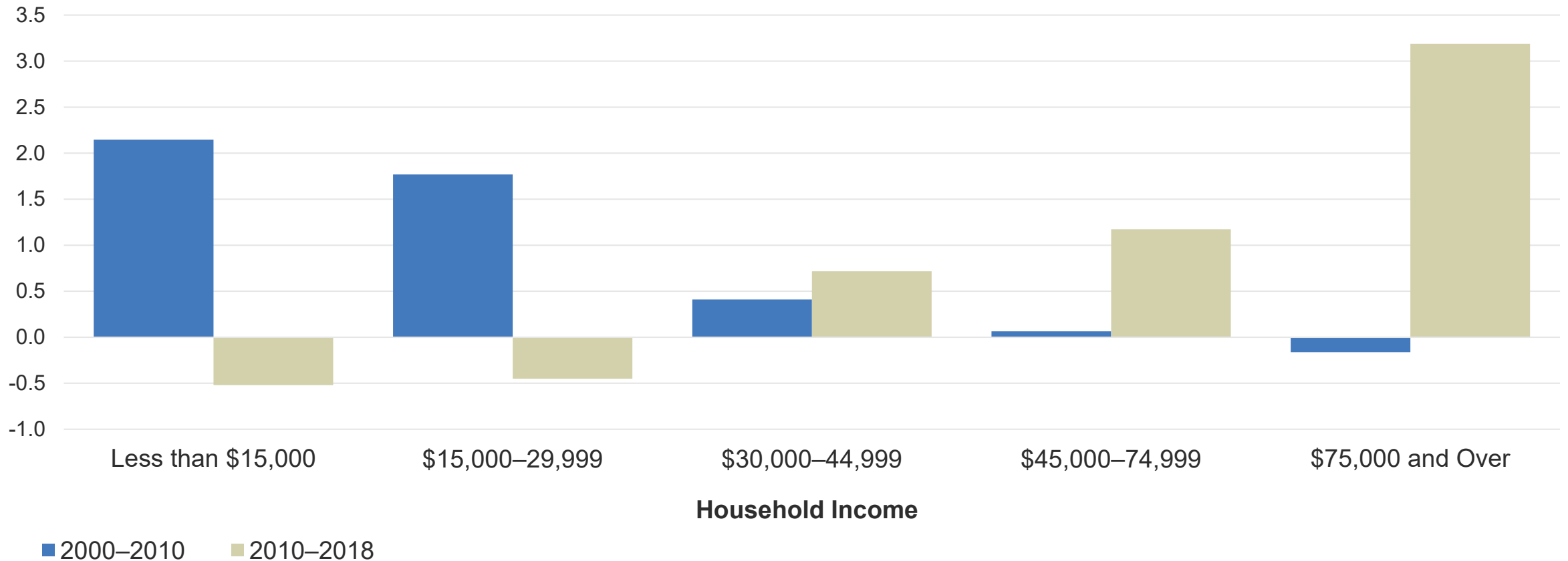


Note: Changes are four-quarter rolling averages.

Source: JCHS tabulations of BLS, Consumer Price Indexes.

High-Income Households Have Driven Most of the Growth in Renters Since 2010

Net Change in Renter Households (Millions)

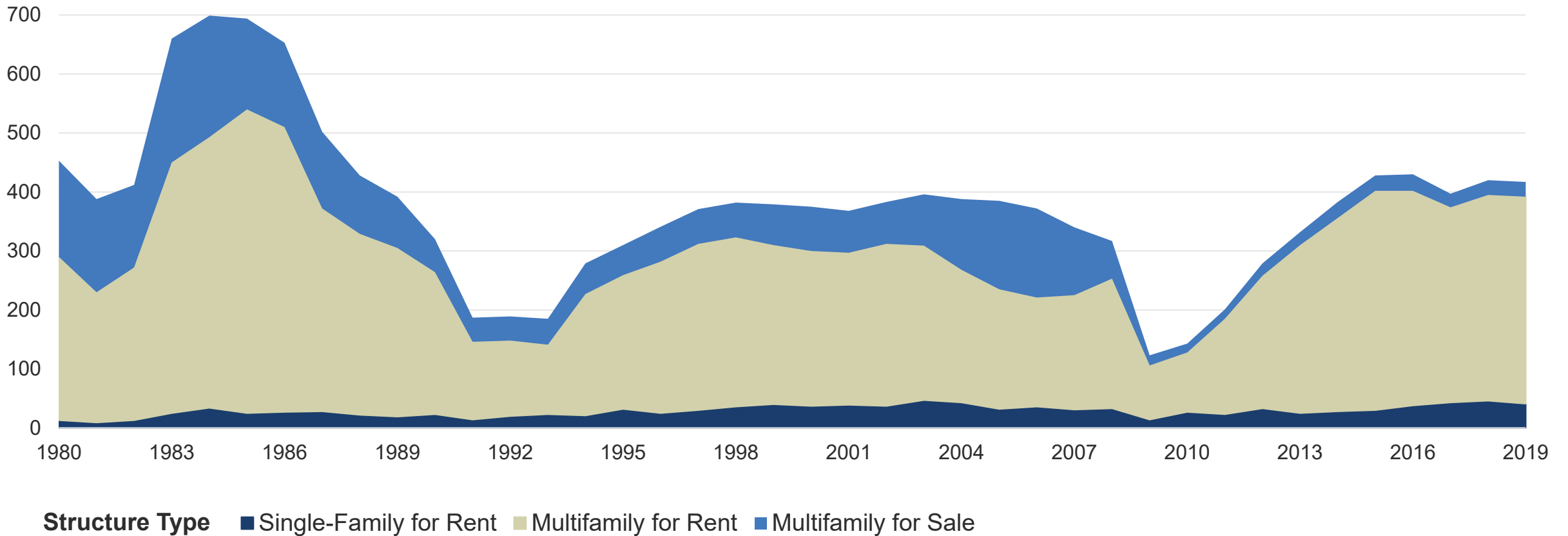


Note: Incomes are adjusted for inflation using the CPI-U for All Items.

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

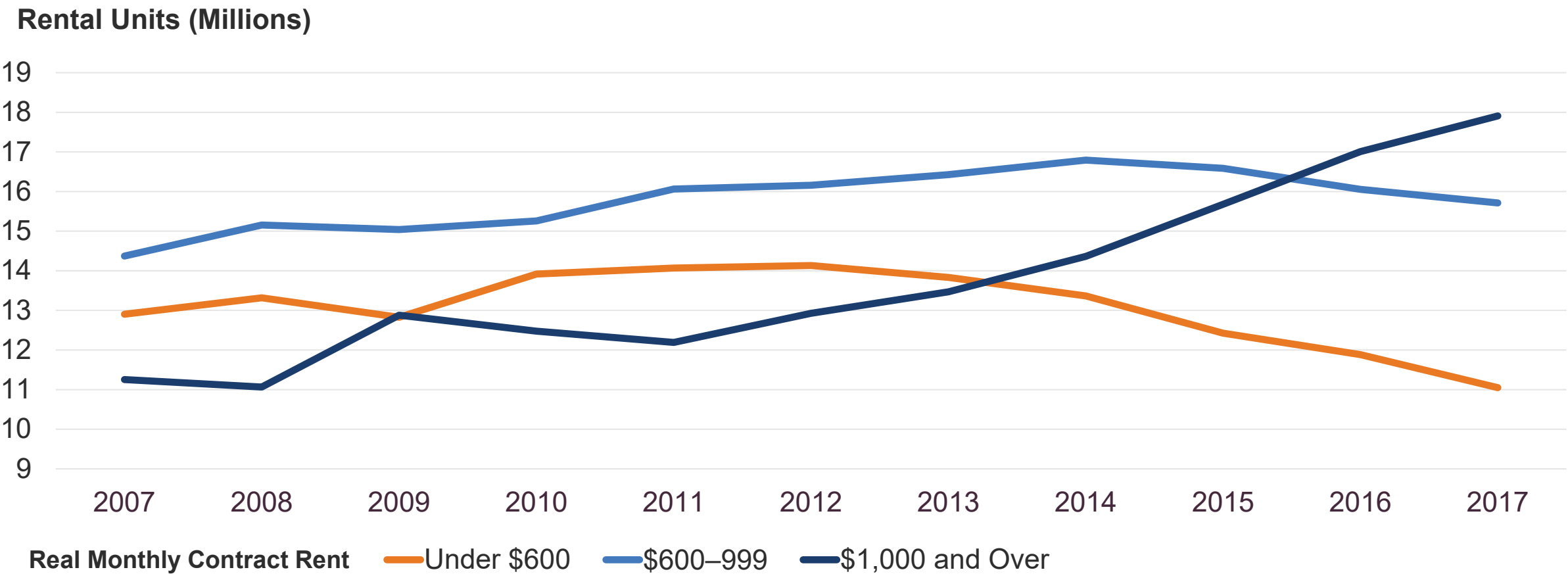
Multifamily Construction Remains Near Decades-Long Highs, With Almost All Units Intended as Rentals

Construction Starts (Thousands of units)



Note: Starts in 2019 are the four-quarter trailing average as of the third quarter.
Source: JCHS tabulations of US Census Bureau, New Residential Construction data.

Strong Growth in High-Cost Rentals Has Coincided with Dramatic Declines in Low-Cost Units



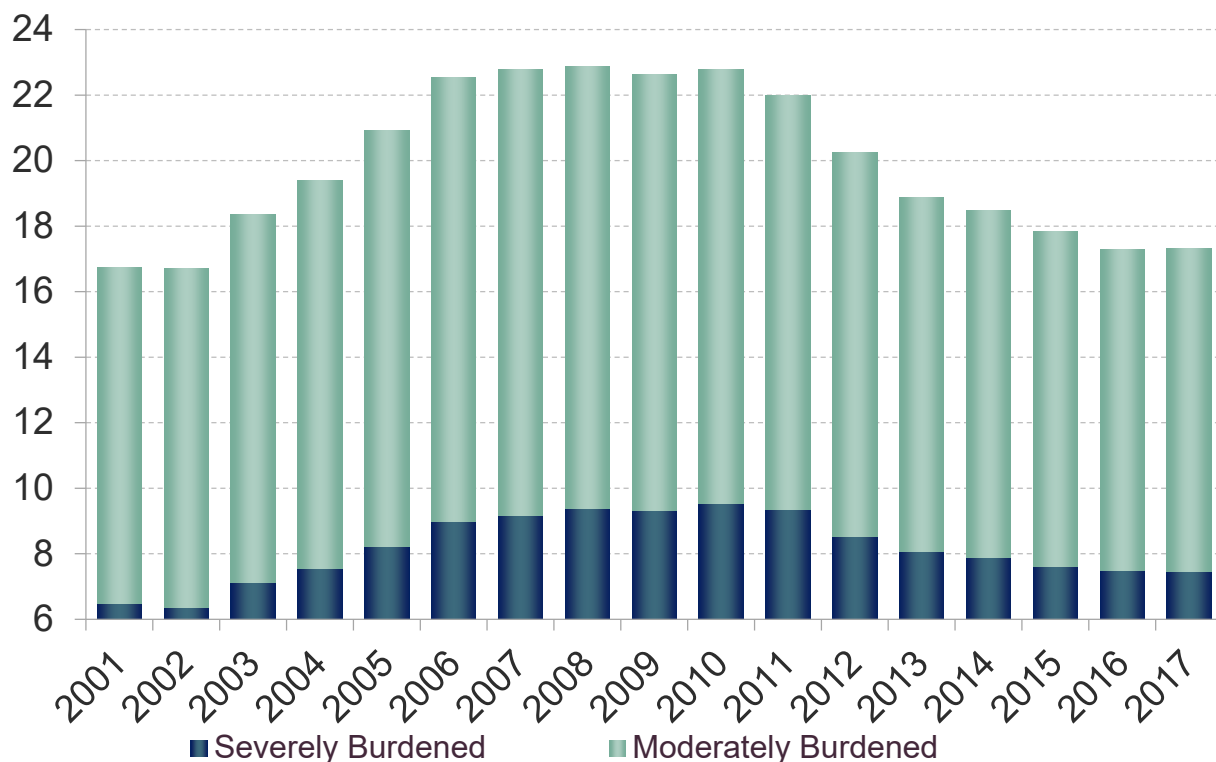
Notes: Rental units may be occupied, vacant for rent, or rented but unoccupied; excludes units occupied without cash rent. Dollar values are adjusted for inflation using the CPI-U for All Items Less Shelter. Contract rent excludes all utilities paid separately.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates via IPUMS USA.

A photograph of a man and a woman embracing from behind, standing in front of a house. The man is wearing a plaid shirt, and the woman has curly hair. The image is overlaid with a semi-transparent green filter.

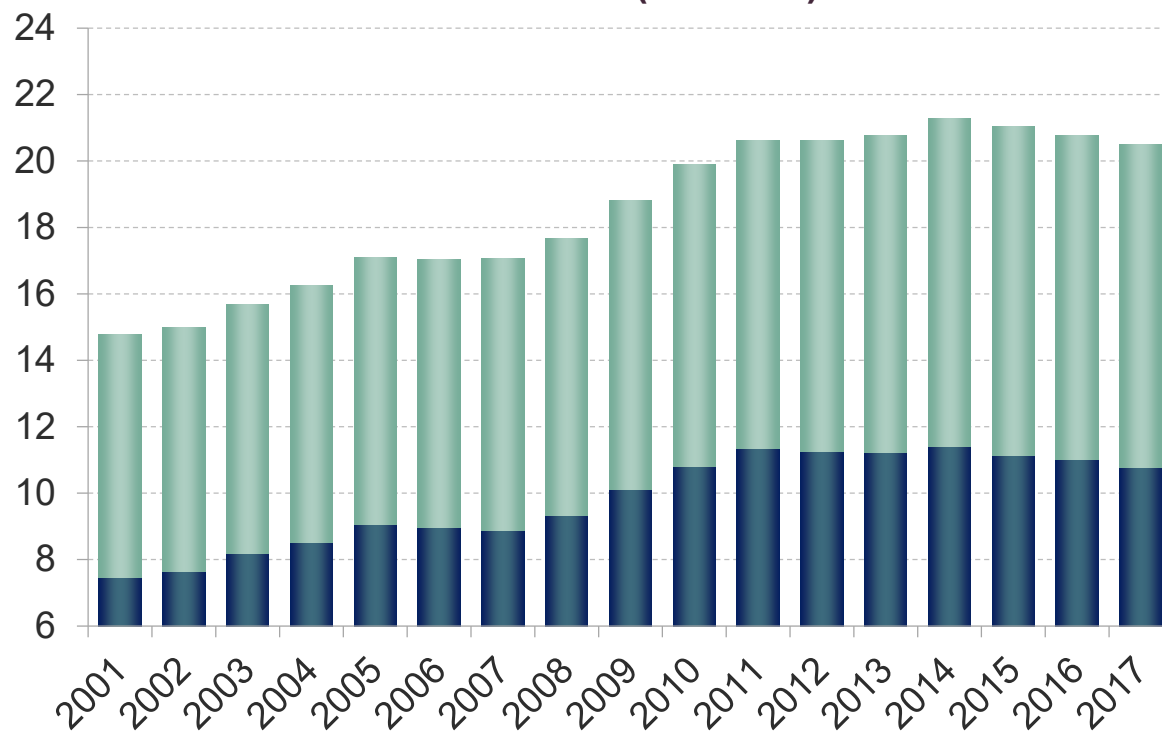
Despite Top Line Improvements, Affordability Worsens for Modest-Income Renters

While the Number of Cost-Burdened Homeowner Households Has Receded, Renter Burdens Remain Near Peak Levels

Owners with Cost Burdens (Millions)



Renters with Cost Burdens (Millions)

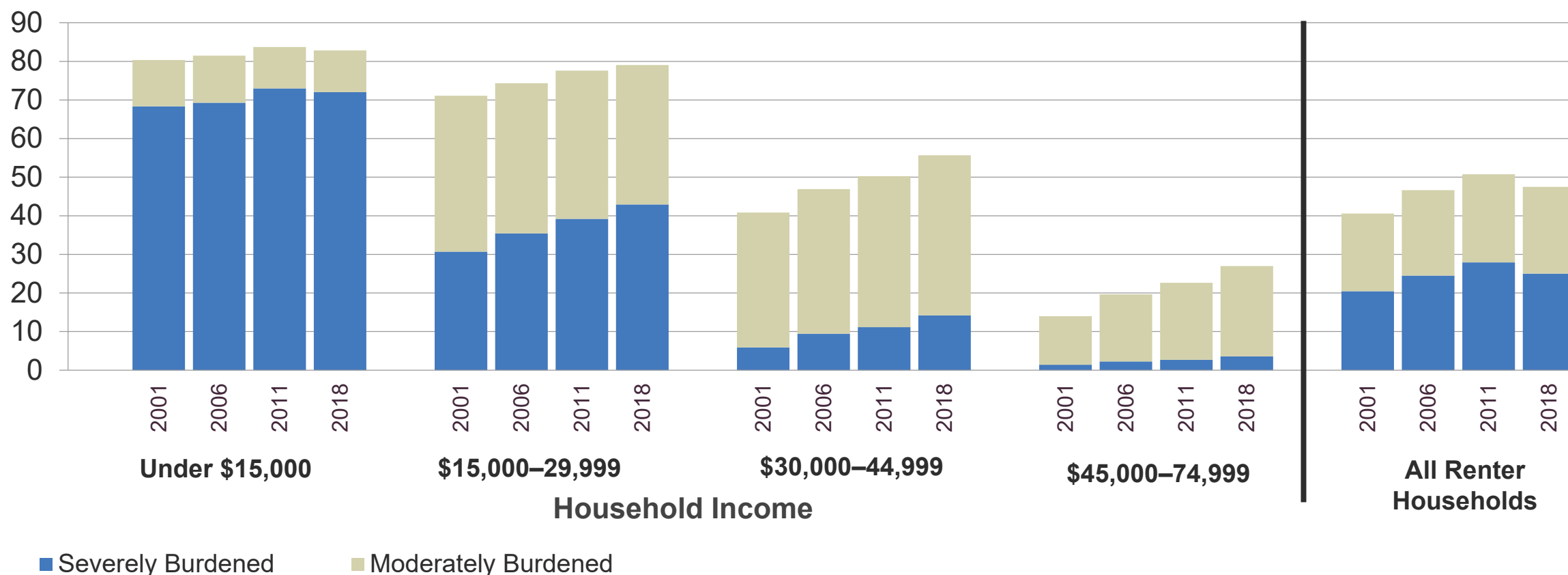


Notes: Cost-burdened (severely cost-burdened) households pay more than 30% (more than 50%) of their income on housing. Households with zero or negative income are assumed to have burdens, while households paying no cash rent are assumed to be without burdens.

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

Renter Cost-Burden Rates for Most Income Groups Are Rising

Share of Renter Households with Cost Burdens (Percent)



Notes: Household incomes are adjusted for inflation using the CPI-U for All Items. Moderately (severely) cost-burdened households pay more than 30% (more than 50%) 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.

Overall Homelessness is Up as the Unsheltered Population Grows, Particularly in High-Cost Western States

Homeless Population (Thousands)



Note: Homeless persons are considered sheltered if they are staying in emergency shelters, transitional housing, or safe havens.

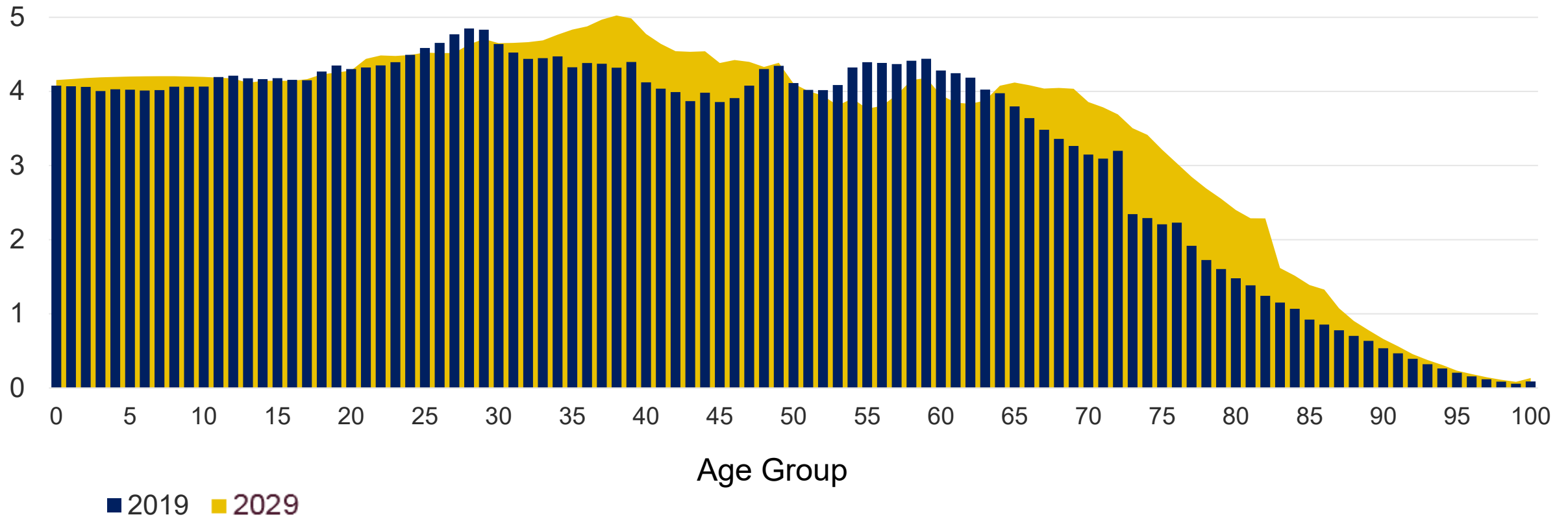
Source: JCHS tabulations of US Department of Housing and Urban Development, 2018 Annual Homeless Assessment Report, Point-in-Time Estimates of Homelessness.



Demographic Outlook is For Solid Household Growth Driven by Aging Boomers and Millennials

Over the Next Decade, the Millennial and Baby-Boomer Generations Will Swell the Populations in Key Age Groups

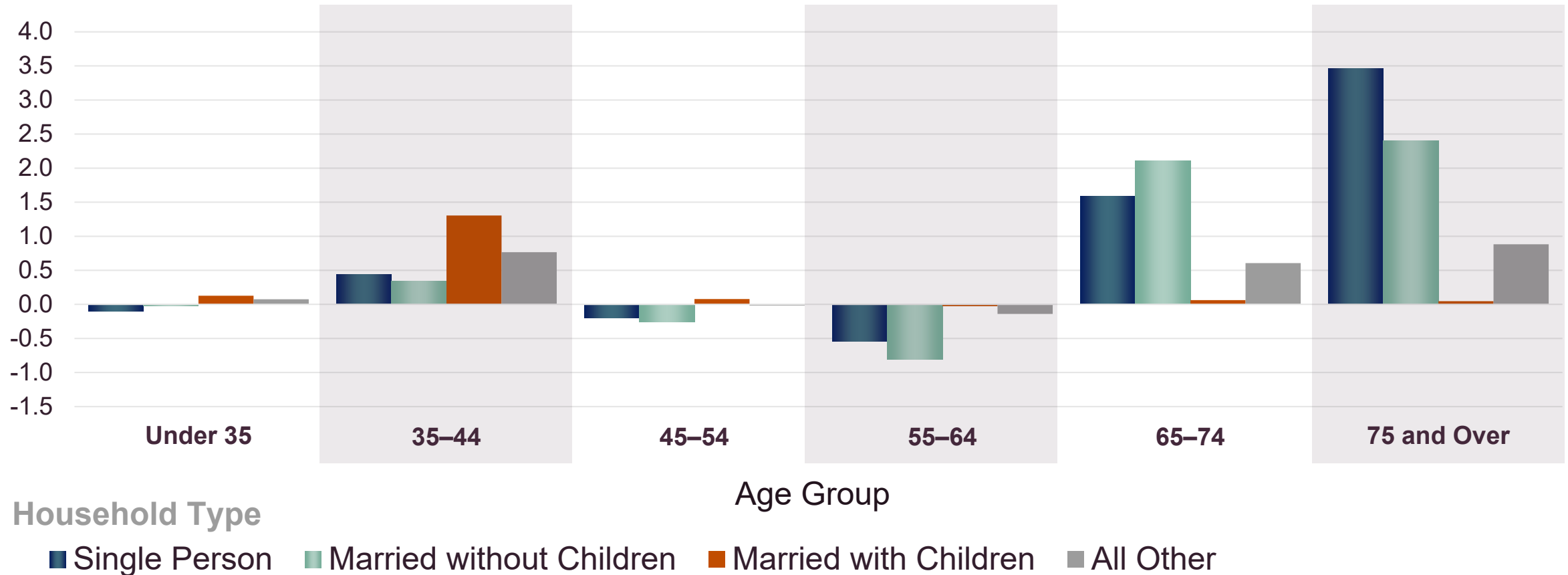
US Population (Millions)



Source: JCHS tabulations of US Census Bureau, 2017 National Population Projections.

The Fastest-Growing Household Types Will Be Younger Families with Children and Older Single Persons and Empty-Nesters

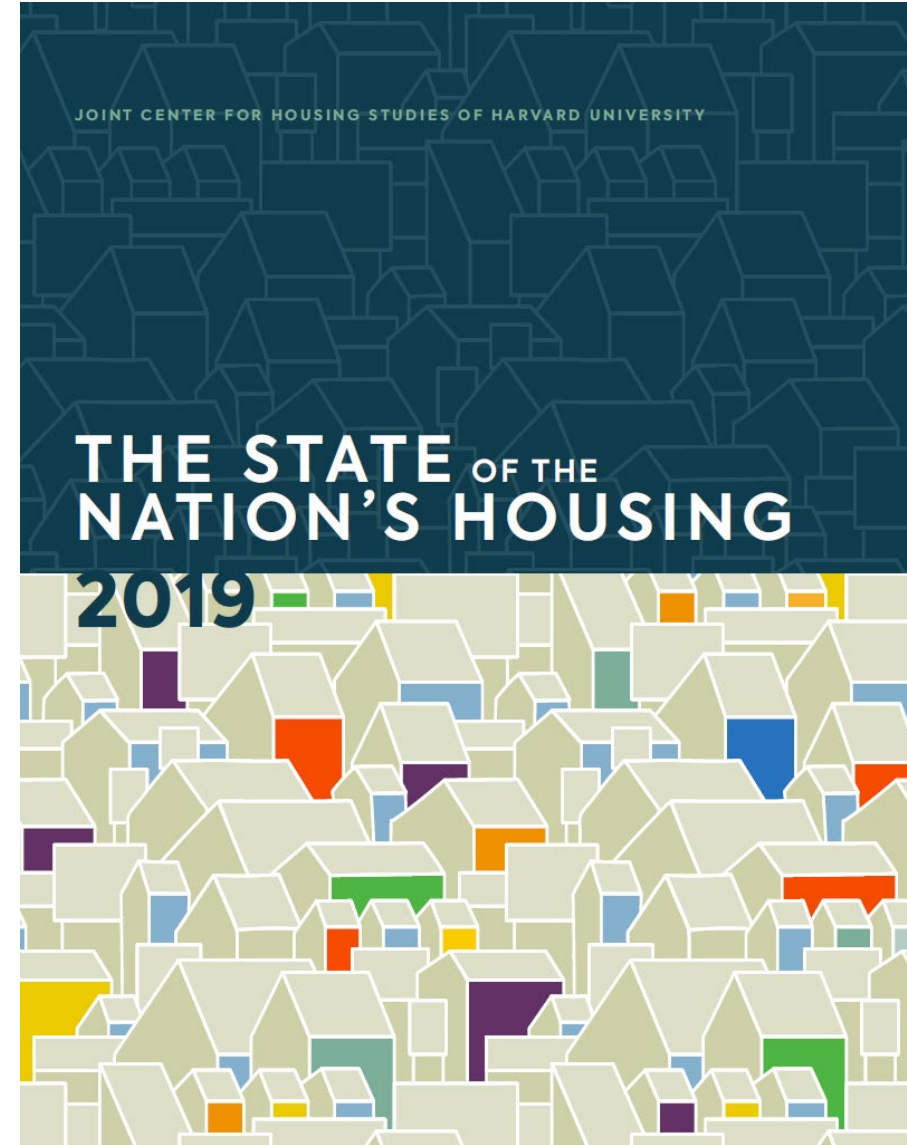
Projected Change in Households, 2018–2028 (Millions)



Source: JCHS 2018 Household Projections.

Key Themes

- We have not been building enough housing
- Demand for homeownership has returned
- Rental demand has moderated but markets steady
- Cost burdens down but affordability concerns remain as urgent as ever
- Aging boomers and millennials to support solid demand for the next decade



Additional Report Information Available Online

- *Housing America's Older Adults*
 - Annual supplemental report to be released in fall
- *America's Rental Housing 2020*
- Interactive Maps
 - Cost Burden Rates
 - Loss of Low-Rent Units
 - Land Prices
 - Homebuyer Affordability
- State & Local Datasets
 - See variations in national story

jchs.harvard.edu



An aerial photograph of a city grid, likely Chicago, showing a dense pattern of streets and buildings. A semi-transparent dark purple overlay covers the entire image, with the text "Thank You" centered in white. The overlay is slightly darker in the center and fades towards the edges.

Thank You

Local Actions to Reduce Barriers to Affordable Housing

Increase the amount of housing that can be built on currently developable land

- Minneapolis – plan to end single family zoning
- Oregon – require cities with at least 10,000 residents to allow duplexes in single family zones.

Encourage more affordable housing options

- Oregon - allow & incentivize accessory dwelling units
- Montgomery County, MD – legalize accessory dwelling units

Streamline Approvals Processes for Building Permits

- Montgomery County, MD – streamlined permit application process
- Boston, MA – Reduced application to permit wait time from 425 days in 2014 to 119 in 2016*.

Eliminate Costly Requirements for New Buildings

- San Francisco – Eliminated minimum parking requirements

*Northeastern University, Greater Boston Housing Report Card (2017) <https://www.tbf.org/-/media/tbf/reports-and-covers/2017/2017-housingreportcard.pdf>

Local Funding Efforts to Build, Preserve, and Protect

States and Localities Are Issuing Bonds to Fund Affordable Housing

- California \$4 billion for low-income housing production & preservation
- Massachusetts (\$1.8 billion)
- Portland, Oregon metro (\$652 million)
- Austin, TX (\$250 million)

As well as to Address Homelessness

- Los Angeles – \$1.2 billion to build housing for chronically homeless
- California - \$2 billion for statewide homeless prevention initiatives.
- San Francisco – business revenue tax for homeless prevention & services.
- Berkeley – real estate transfer tax on vacant properties

Private-Sector Innovations to Reduce Construction Costs

MODULAR CONSTRUCTION IN GREENFIELD, MA

LEYDEN WOODS

GREENFIELD, MA 200 UNITS MODULAR CONSTRUCTION 2015-2017

THE **COMMUNITY**
BUILDERS

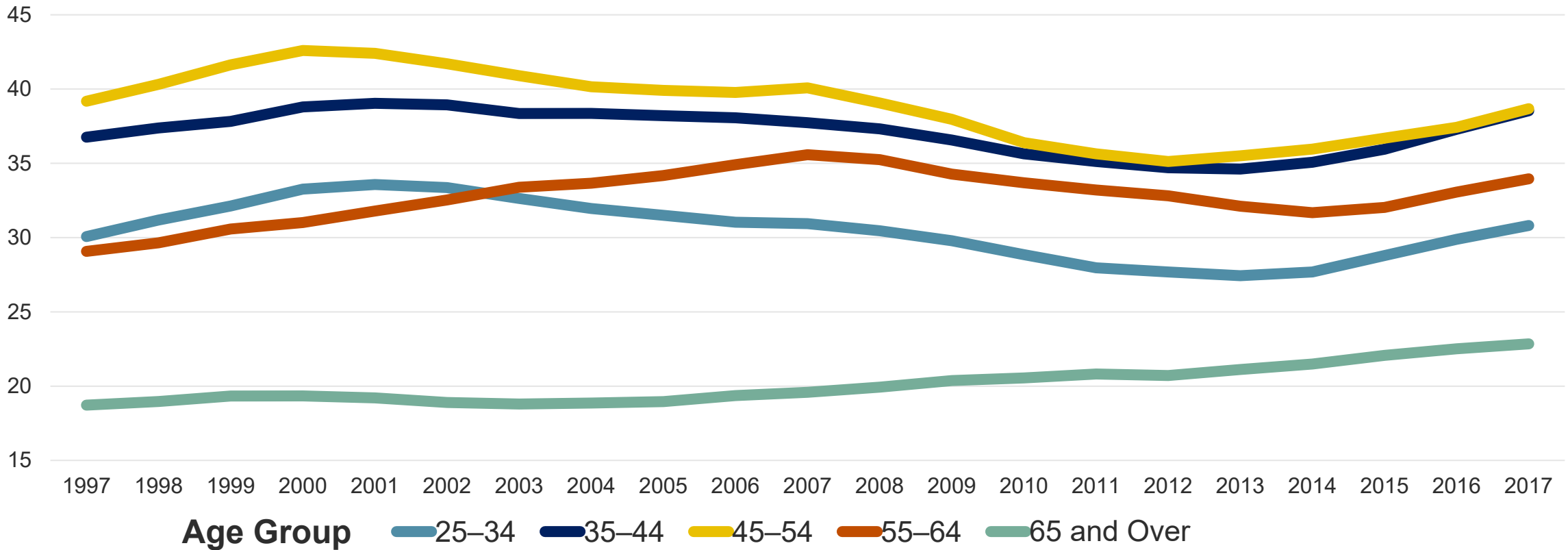
Modular Redevelopment

- Reduced Time: 78 weeks vs. 126 for stick-built
- Reduced Costs: \$390,000 vs. \$468,000 (20%)



Income Growth Among Younger Adults Has Been Particularly Strong

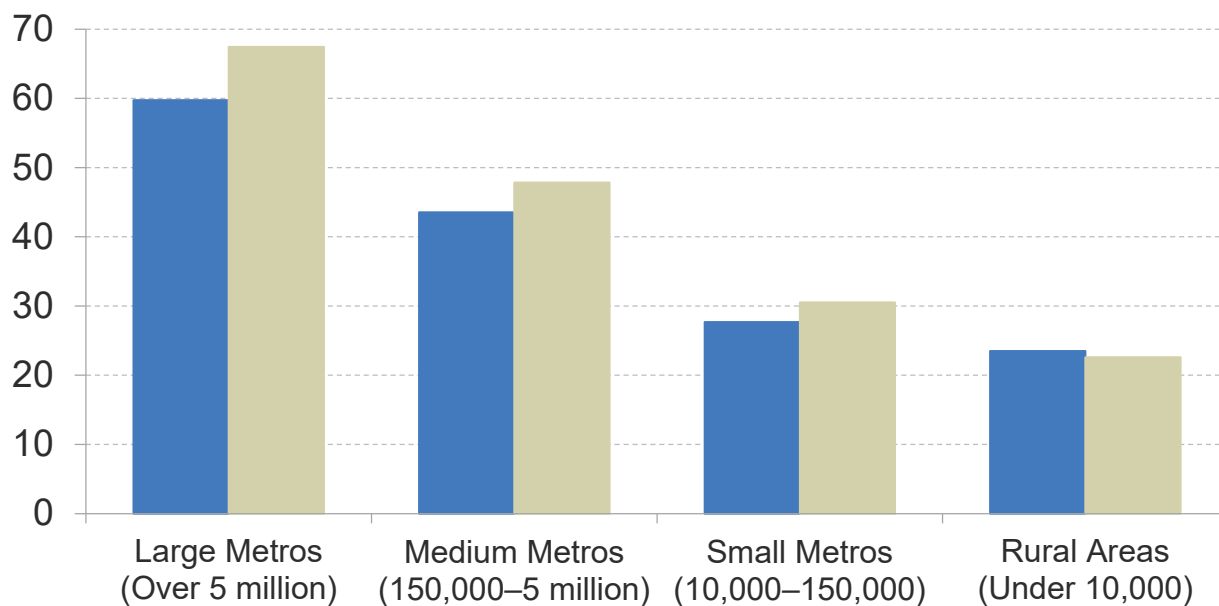
Median Real Per Capita Income (Thousands of 2017 dollars)



Note: Incomes are three-year rolling averages, adjusted for inflation using the CPI-U for All Items.
Source: JCHS tabulations of US Census Bureau, Current Population Surveys via IPUMS CPS.

Middle-Income Burdens are Rising in Metros of All Sizes

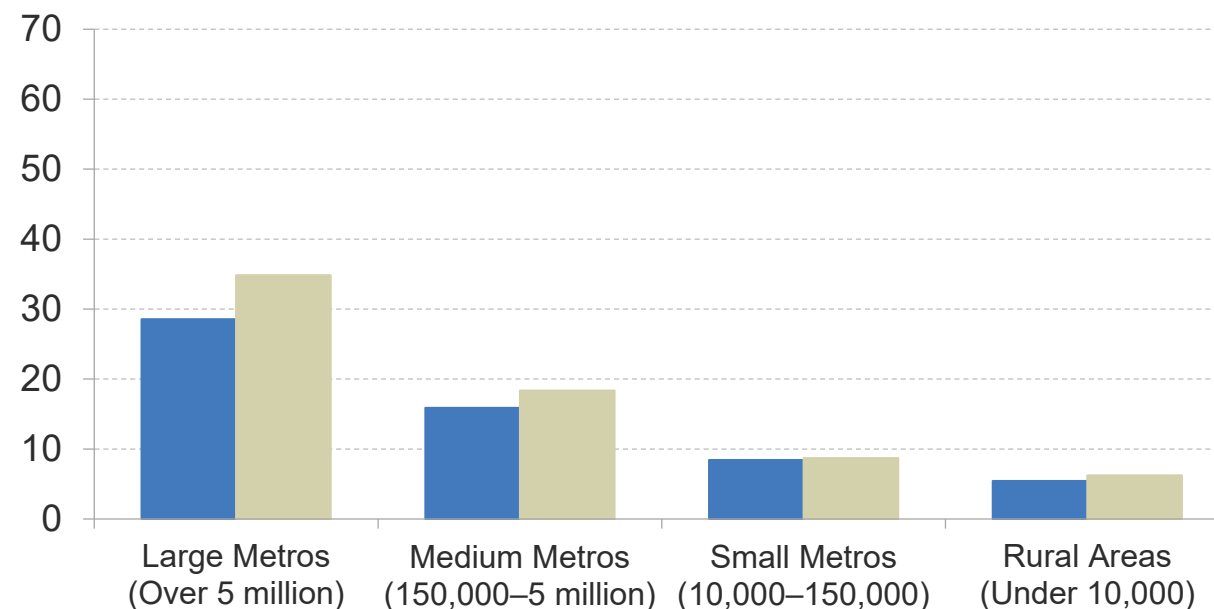
Share of Cost-Burdened Renters (Percent)



Population Size

Household Income of \$30,000–\$44,999

■ 2011 ■ 2018



Population Size

Household Income of \$45,000–\$74,999

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. Household 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 and Missouri Census Data Center data.