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Further Evidence of Worsening Affordability for Renters

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It is not possible to draw a one-size-fits-every-community relationship between changing rental markets and homelessness trend lines, but there are clearly powerful connections between people's access to affordable housing and both their risk of homelessness and their ability to exit homelessness. To prevent and end homelessness, we all need to be attentive to changes in affordability in rental markets – both nationally and in our own communities. And, if we're attentive right now, we can see that things have been getting worse.

In a previous article, Worst Case Housing Needs Have Gotten …. Worse, I provided a summary of key findings from HUD's Worst Case Housing Needs: 2017 Report to Congress. This report provides an estimate of the number and percentage of renters who are experiencing "worst case" housing needs[1] and documented an 8% increase in the number of households with worst case housing needs during the 2013-2015 period, an increase of 582,000 households, from 7.72 million households up to 8.30 million households.[2] My last article looked at issues of overall prevalence, racial and ethnic disparities, and some of the factors driving the increase in worst case housing needs. In this article, I explore some of the geographic differences in more detail. In addition, Freddie Mac Multifamily recently provided an analysis of its portfolio of housing projects that provides further evidence of worsening affordability in rental housing markets.

Regional Variations Described in Worst Case Housing Needs Report

As with a great deal of national homelessness and housing market data, there are significant geographic differences to be found within HUD's worst case housing needs data. One of the key findings of HUD's report is the mismatch between the number of extremely low-income (ELI) renters and the number of affordable units available to them. For every 100 ELI renters (with incomes at 0-30% of Area Median Income), only 66 affordable units existed, and only 38 of those units were affordable and available (i.e., either occupied by a renter at or below that income level or vacant). There is inadequate availability of such units in all parts of the country, but there were variations in different regions of the U.S. (See this map to see which states are included within which census regions used in the report.) The situation was worst in the West and South regions:

- For every 100 ELI households in the West region, there were only 30 units that were affordable and available, and in the South region there were 39 such units.
- For every 100 ELI households in the Midwest region, there were 40 affordable and available units, and in the Northeast region there were 43 such units.

The West and South regions also had the highest rates of worst case housing needs among very low-income households (0 – 50% of Area Median Income.) Nationally, 43.2% of all very low-income renters experienced worst case housing needs. In the West region, the rate was 50.4% of such households, the rate was 43.7% in the South region, 39.9% in the Midwest region, and 42.8% in the Northeast region.

[1] Defined as households that: have very low incomes (below 50% of the median income in their area); do not receive government housing assistance; and either have severe rent burdens (paying more than 50% of their income in rents), or live in severely inadequate or substandard housing, or experience both problems.
[2] These worst-case housing needs were overwhelmingly driven by severe rent burdens: 95.6% of households with worst-case needs faced severe rent burden only; 1.8% faced severely inadequate housing only; and 2.6% faced both problems.

HUD's report also documents the vital role that housing assistance plays in preventing renter households from experiencing worst case needs; given the previous data, it is not surprising that the percentage of very low-income renter households receiving rental assistance was lowest in the West and South regions. Nationally, only 24.9% of such households receive rental assistance. In the West, the rate of receipt of rental assistance was only 20.8% of very low-income renter households. That rate was 22.4% in the South region, 26.8% in the Midwest region, and 31.9% in the Northeast region.

Data Across Metropolitan Areas in Worst Case Housing Needs Report

The prevalence of worst case needs among low-income renters was highest in urban suburbs (48.8%) and central cities (44.2%) and was lower in rural suburbs (34.8%) and non-metropolitan areas (31.1%). For the first time, HUD's 2017 report provides estimates of worst case housing needs for 25 select metropolitan areas.[3] These data document a significant range of prevalence rates of worst case needs among the 25 communities analyzed:

- Only 5 of the metropolitan areas analyzed had prevalence rates of worst case housing needs among very low-income renter households between 30% and 39% - Boston (31%), Cincinnati (37%), Cleveland (39%), Kansas City (34%), and Pittsburgh (31%).
- 15 of the metropolitan areas had prevalence rates between 40% and 49% - Atlanta (49%), Chicago (43%), Dallas-Ft. Worth (49%), Denver (49%), Detroit (46%), Houston (46%), Memphis (49%) Milwaukee (44%), New Orleans (41%), New York City (44%), Philadelphia (42%), Portland, OR / Vancouver, WA (45%), Raleigh, NC (40%), Seattle-Tacoma (42%), and Washington, DC-VA-MD-WV (41%).
- And 5 of the metropolitan areas had prevalence rates of worst case housing needs among very low-income renter households that exceeded 50% - Los Angeles (55%), Miami-Ft. Lauderdale (61%), Phoenix (55%), Riverside, CA (57%), and San Francisco-Oakland (50%).

There was also significant variation in the percentage of very low-income renter households who were receiving rental assistance in these 25 metropolitan areas considered in the report:

- In 7 of the metropolitan areas, between 10% and 19% of very low-income renter households were receiving rental assistance – Dallas-Ft. Worth (15%), Houston (14%), Los Angeles (16%), Phoenix (14%), Riverside, CA (14%), Memphis (18%), and Raleigh, NC (17%).
- In 14 of the metropolitan areas, between 20% and 29% of very low-income renter households were receiving rental assistance – Atlanta (20%), Chicago (28%), Detroit (23%), Miami (20%), Philadelphia (25%), San Francisco-Oakland (29%), Seattle-Tacoma (27%), Washington, DC-VA-MD-WV (22%), Cincinnati (28%), Cleveland (26%), Denver (22%), Kansas City (26%), Milwaukee (21%), and Portland, OR-Vancouver, WA (26%),
- In 3 of the metropolitan areas, between 30% and 39% of very low-income renter households were receiving rental assistance – New York (31%), New Orleans (37%), and Pittsburgh (31%).
- In 1 of the metropolitan areas – Boston, at 49% - more than 40% of the very low-income renter households were receiving rental assistance.

Further Documentation of Worsening Rental Affordability from Freddie Mac

Providing further evidence of how rental markets are becoming more difficult for low-income households, last month, Freddie Mac Multifamily released an analysis that documented market trends in rents for units the organization financed twice between 2010 and 2016. This analysis found a significant decline in the number of

[3] You can check here if your metropolitan area is included. They represent the 15 largest metropolitan areas and an additional 10 that are a subset of the 16th to 50th largest metropolitan areas.

units affordable to very low-income households. At the time of the first financing of the projects included in the analysis, 11.2% of the units included were affordable to VLI households; at the time of the second financing, just 4.3% of the units were. That's a 62% decline in the number of units affordable to VLI households. The report also looks more closely at data from the 9 states in which Freddie Mac Multifamily financed the most units: AZ, CA, CO, FL, GA, NC, NV, TX, and WA. While the analysis specifically focused on properties financed by Freddie Mac Multifamily, the analysis also substantiates that the trend is representative of the broader market. And the situation seems unlikely to change soon, as the report notes further: "Although multifamily housing construction is back to historically average levels, the new units flowing into the overall rental supply are generally serving higher-income renters."

USICH will continue to provide information and analysis of changes in housing markets and conditions that have significant impacts on our shared efforts – and we'll also be documenting examples of how communities are striving to address their housing affordability crises and are linking those efforts to their work to prevent and end homelessness.