Harvard JCHS Releases 2017 State of the Nation's Housing

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On June 16, Harvard's Joint Center for Housing Studies (JCHS) released its annual assessment of the U.S. rental and homeownership markets, *State of the Nation's Housing*, a report funded by the Ford Foundation and the Policy Advisory Board of the Joint Center for Housing Studies. (Disclosure: NAHRO also contributed to the creation of this report.) The study found that despite a 5.6 percent increase in housing prices, the national housing market is returning to normal and homeowners are regaining value on their houses. However, the number of people who are housing cost-burdened, or those who spend more than 30 percent of their income on housing, continues to be a matter for concern – especially since low- and moderate-income families are disproportionately affected. With the budget cuts proposed in the Administration's fiscal year (FY) 2018 budget request, housing advocates are dissecting the housing crisis to find solutions for preserving and developing affordable housing through policy and structural changes.

Most of the largest metropolitan areas (97 of 100 of them) are experiencing the most significant increases in homeownership prices. On the coasts, homeowners are seeing prices that have grown by 50 percent since 2000. Early indicators in 2017 state that the homeownership rate is still at 63.6 percent and shows a significant increase of 600,000 compared to the rental market last year. Study results found that at the end of 2016 there was a historical low of 1.65 million homes for sale nationwide. Additional supply is needed, as this rate shows there is only 3.6 months of supply, which is almost half of the time it takes to make it a balanced market. This lack of supply is due to just 9 million new housing units being constructed in the past ten years for the 87 million millennials, the largest generation in history, entering into the phase when they are most likely to form their own households. As a result of this diminished supply, in 2015, 35.6 percent of adults 18-34 still are living with their parents.

Another concern is the number of people who are housing cost-burdened, or those that spend more than 30 percent of their income on housing. While the absolute number of cost-burdened households is decreasing, low- and moderate-income families continue to be disproportionately affected by increasing rents and lower vacancy rates. In 2015, 18 million homeowners paid more than 30 percent of their income on their housing. In the same year, the total number of cost-burdened households fell from 39.8 million in 2014 to 38.9 million. 2015 was the fifth straight year of declines in cost-burdened households, led by a decrease in the owner share from 30.4 percent in 2010 to 23.9 percent in 2015. For renters, the share decreased slightly from 50.2 percent to 48.3 percent. However, while nearly half of all renters were cost-burdened in 2015, 83 percent of renters with incomes under $15,000 and 77 percent of those with incomes between $15,000 and $29,000 were cost-burdened. Younger and older households also bear a significant portion of the burden. In 2015, nearly 25 million children and one-third of older adults lived in cost-burdened households. In total, 11.1 million renter households were severely cost burdened in 2015.

The report also documents threats to the already-strained affordable housing supply, including the loss of private units to upgrading and rent increases, Section 8 landlords opting out, the proposed cuts to the Low Income Housing Tax Credit (LIHTC) program and the expiry of affordability restrictions on more than half a million LIHTC units over the next 10 years.

The study also found a disproportionate rate of white homeownership compared to African-American homeownership. Over the past 12 years, the black homeownership rate decreased to 42.2 percent, compared to white homeownership rate increased to 71.9 percent. The black-white homeownership gap widened by 2.3 percentage points to 29.7 percentage points in 2016, which is the largest disparity since World War II. As neighborhoods are becoming more segregated economically, the population of people living below the federal poverty line has increased to 47.7 million people, which is a 59 percent increase for high-poverty neighborhoods. Policies such as Inclusionary Zoning were put forth as possible solutions to increase demand for living in urban areas to provide economically and racially diverse communities without driving up housing costs for low-income and minority residents. According to the report, rising interest rates for Federal Housing Administration (FHA) loans will be less effective for homeowners and renters. It will impact the for-sale housing market with rate increases that will have a long-run negative impact. This would be unacceptable even with current job growth.