

## RENTAL HOUSING AFFORDABILITY GAP

*The US Department of Housing and Urban Development (HUD) recently released The Widening Gap: New Finding on Housing Affordability in America. The report addresses the number of American families continuing to suffer “worst case” housing needs. Using data from the latest American Housing Survey and recent data from the Bureau of Labor Statistics, the report gives a preliminary look at the growing shortage of affordable housing for millions of struggling American families. The HUD report is summarized in this newsletter in order to reemphasize the critical and growing need for affordable rental housing.*

*A copy of this report and other housing-related reports are available from HUD USER at 800-245-2691 or via the World Wide Web at <http://www.huduser.org>.*

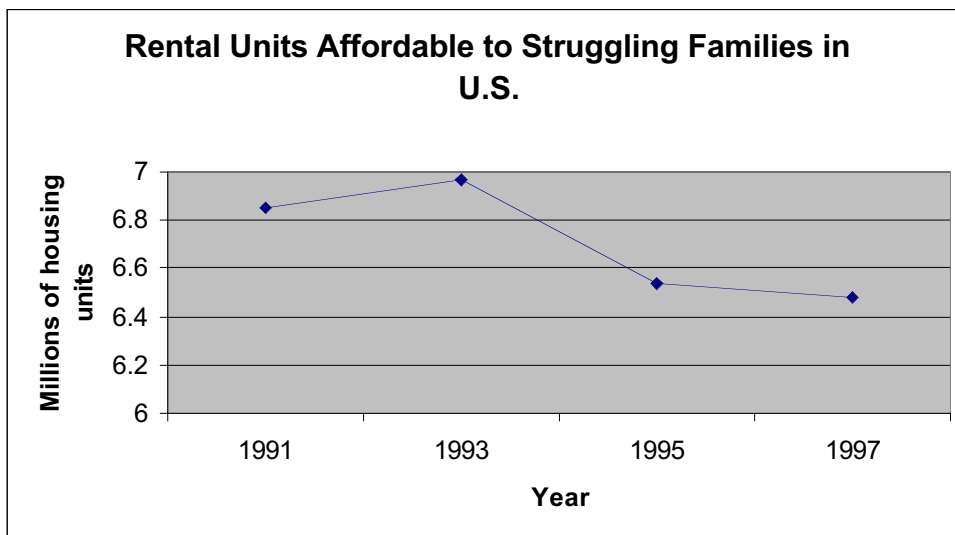
In 1949, Congress set a national goal to provide “a decent home in a suitable living environment for every American family.” Unfortunately, this 50-year-old goal has not yet been achieved. In fact, the findings presented in the HUD report show that the gap between struggling Americans and the Nation’s supply of affordable housing continues to widen.

Data from the American Housing Survey (AHS) is the principal source of information on the U.S. housing stock and served as the primary source of data for the report. The AHS was conducted for HUD by the U.S. Census Bureau, which completes interviews of occupied households in a biennial national sample of housing units.

### Key Findings

**Finding #1: New data from the Census Bureau’s AHS shows that, despite a period of robust economic expansion, the housing stock affordable to struggling American families continues to shrink.**

The affordable housing stock, as measured by the number of total rental units that are affordable for struggling households without rental assistance, is declining. The number of such affordable rental units decreased by 372,000 units, a 5 percent drop, between 1991 and 1997. In this case the term “affordable” refers to units that rent for 30 percent or less of the household income for households at or below 30 percent of the area median income level. This decline is shown graphically in Figure 1.

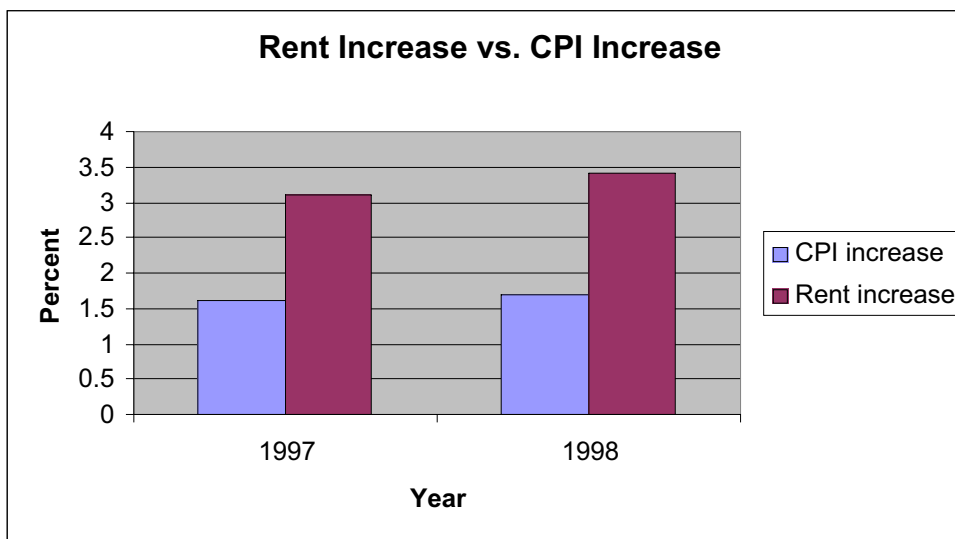


The steady decline in affordable units has added to the financial pressures facing low-income working families, the elderly, and the disabled. As a result of the shortage of affordable housing, many families are forced to spend far too much of their incomes on rent. Without housing assistance of any kind, these renters face severe financial pressures, many merely a paycheck away or unexpected medical bill away from homelessness. Their families are at risk, challenged to meet other basic needs, such as food and medical care. Particularly serious are the pressures faced by millions of American families in transition from welfare to work – families for whom housing is typically the number one cost burden.

**Finding #2: Adding to the gap between affordable supply and growing demand is the rapid rise in rents in American communities. In 1997 and 1998, rents increased at twice the rate of general inflation.**

In 1997, rents increased 3.1 percent while the overall Consumer Price Index (CPI) increased only 1.6 percent. In 1998, rents increased 3.4 percent while the overall CPI increased 1.7 percent.

In addition to the data from the Census Bureau's AHS, additional data on broader economic trends support the conclusion that housing affordability continues to worsen. Low inflation is one of the hallmarks of America's extraordinary economic expansion, yet according to the Bureau of Labor Statistics' May 1999 *Monthly Labor Review*, rents increased over 1997-1998 at twice the rate of general inflation.



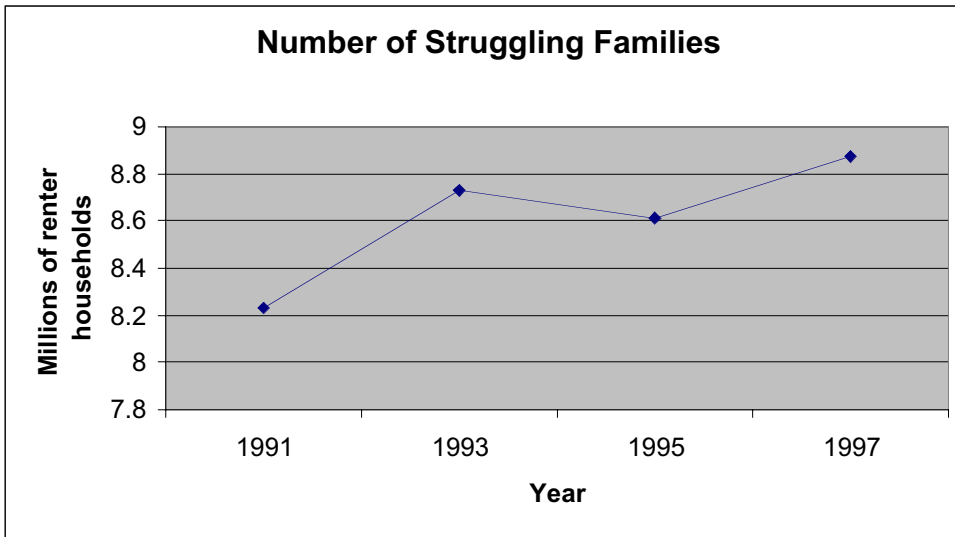
There is also evidence that incomes of struggling Americans have failed to keep pace with these steep increases in rents. According to the Department of Commerce's study *Money Income in the United States: 1997*, average incomes for the poorest 20 percent of the population increased only 1.9 percent from \$15,107 to \$15,400 between 1996 and 1997.

**Finding #3: As the affordable housing stock shrinks, the number of renters at or below 30 percent of median income continues to grow.**

Between 1995 and 1997, the number of renters at or below 30 percent of median income increased by 3 percent, from 8.61 million to 8.87 million. One of every four renter households in America is struggling at or below 30 percent of median income.

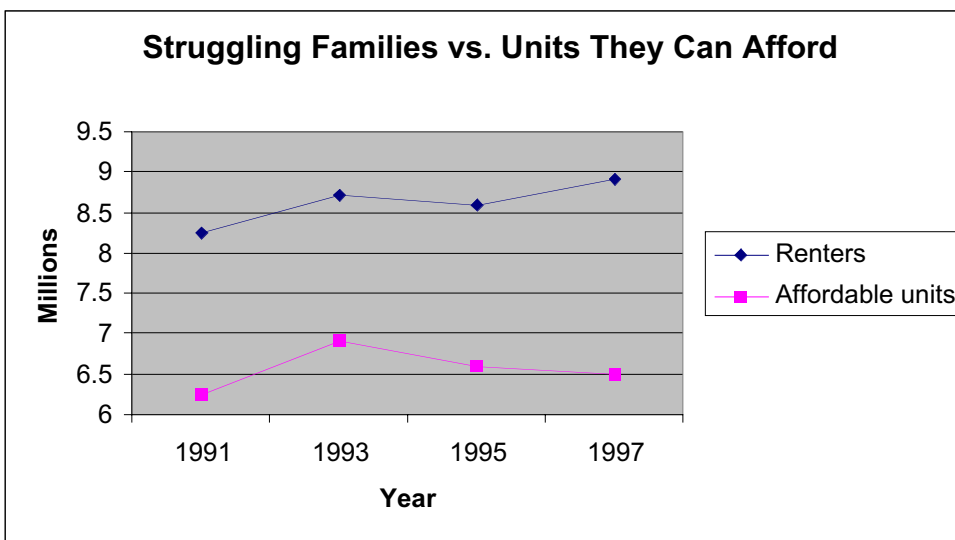
The continuing decline in affordable housing is exacerbated by the increase in the number of struggling families who are competing for scarce affordable rental units. The 3 percent increase in the number of

struggling renter households between 1995 and 1997 is 50 percent greater than the overall growth rate for American households. Coupled with the diminishing supply of affordable housing, this significant increase in demand for affordable housing further widens the affordability gap.



**Finding #4: The gap between struggling renter households and housing units affordable to them is large and growing.**

The gap between the number of struggling renter households and the number of affordable housing units continues to worsen. As indicated by the findings cited above, there is an overall gap in the supply of affordable housing. By 1997, for every 100 extremely low-income renters, there were only 76 units with rents that would have been affordable to them. However, the number of affordable units that were actually available for rent was much lower – 36 for every 100. This ratio is a serious decline from the 1995 figure of 44 units per 100 households and continues a worsening trend throughout the 1990s. The available and affordable housing stock is eroding at an alarming rate.



The following graph displays the trend through the 1990s of the ratio of renter households to affordable units (upper trend line) and the ratio of renter households affordable/available units (lower trend line). The upper trend line illustrates the growing mismatch between the number of struggling renters and the overall supply of units that they can afford. Even more troublesome is the lower trend line that shows a sharper decrease in the number of units both affordable and available to those renter families. It shows a drop from 47 affordable/available units per 100 renter families in 1991 to only 36 affordable/available units per 100 renter families in 1997 – a 23 percent decline in just six years.

