Freddie Mac: Rapidly Growing Metros Are Losing Affordable Housing at Alarming Rates

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MCLEAN, Va., June 26, 2019 (GLOBE NEWSWIRE) -- The fastest growing cities in the United States saw a substantial decline in affordable housing units from 2010 to 2017, according to new research released today by Freddie Mac (OTCQB: FMCC) Multifamily. With an average population growth of more than 15%, the 10 fastest growing metros of the Top 50 metros in the nation saw the number of units affordable to very low-income residents decline by more than a third. The average loss in very low-income affordable units was limited to about half that amount across all metro areas nationwide where population growth averaged just over 5%, according to the report.

“Cities that have experienced aggressive population growth have struggled to build enough rental housing to meet the increased demand,” said Steve Guggenmos, who leads Freddie Mac Multifamily’s research and modeling team. “The problem continues to get worse, and every year more very low-income families are forced to spend more of their income on housing. That’s especially true where population growth is rapid. The old laws of supply and demand are showing their teeth and the people who can least afford it are getting bit.”

The report titled, “Diminishing Affordability – Inescapable,” examines multifamily rental affordability, using area median income (AMI) data from the Federal Housing Finance Agency (FHFA) and unit-level rent data from the American Community Survey. It then compares rental affordability against population data from Census. Researchers mapped the data sets, finding a strong correlation between population growth and affordability loss. “The findings are very convincing. If these two variables were in fact not related, the chance of observing a result this extreme is about one in seven million,” said Guggenmos. “The data show that population growth is strongly correlated with affordability loss.”

Metro Focus: Austin, Texas
Researchers homed in on a few key areas where the correlation was striking. An example of this is Austin, Texas where the population grew by 22.5% over the period studied — the fastest of the nation’s Top 50 metro areas.

“What’s most concerning is that the loss in affordable housing units happened even though Austin’s supply of multifamily housing grew. Nearly a quarter of Austin’s units were built after 2009 and a high percentage of these new units are not affordable for very low-income renters. Like a lot of cities, they just can’t keep up” said Guggenmos.

In 2010, the metro had a higher proportion of multifamily rental units affordable to very low-income households than the U.S. as a whole at 66%. By 2017, the proportion dropped to 31.9% — seven percentage points lower than the national average.

The report concludes, “Although rapid population growth is generally an economic blessing, the adverse effect that it can have on an area’s affordable housing stock is not trivial and should not be overlooked.”

Freddie Mac Multifamily is the nation's multifamily housing finance leader. Historically, more than 90% of the eligible rental units we fund are affordable to families with low-to-moderate incomes earning up to 120% of area median income.

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