Freddie Mac: New Research Shows Affordable Housing Shortage Persists

August 26, 2020

More High-Income Households are Renting, but Low-Income Renters Still Face Limited Options

MCLEAN, Va., Aug. 26, 2020 (GLOBE NEWSWIRE) -- Less than 10% of rental units are affordable to renter households earning 50% of median renter income (MRI), according to new research released today by Freddie Mac (OTCQB: FMCC) Multifamily. Building on last year's "Diminishing Affordability – Inescapable" report, the new study isolates renter income to more accurately capture the availability of affordable housing to individual renters. Although prior analyses have shown strong income growth among renters in recent years, the report finds those numbers have been skewed by the introduction of high-income households to the pool of renters and an increase in the number of wage earners living in renter households. Taking these changes in renter household composition into account, the study finds that despite aggregate statistics that suggest renter household income grew relative to rent growth, households are not better off as the availability of affordable housing for individual households has not improved in the past decade.

"Rental affordability continues to be a major issue as demand remains high and supply of affordable housing is both insufficient and more likely to decline than it is to grow," said Steve Guggenmos, vice president of Multifamily Research and Modeling at Freddie Mac. "Our research demonstrates the need to focus on and understand the complexities of rental affordability as we continue to address the affordable housing crisis in this country."

The report titled "Rental Affordability Reexamined" calculates multifamily rental affordability using unit-level rent data from the American Community Survey's Public Use Microdata Sample. Researchers compared the rent amount of each rental unit with the median income of renters for that unit's respective metro area. The full report from Freddie Mac's Multifamily Research Center is available online here. The paper outlines several key findings:

- Every year since 2010, fewer than 10% of all rental units are affordable to households making 50% or less of MRI. That's more than four times lower than when using the most common income measure: median family income.
- Shifting household composition partly explains why affordability appears to be getting better over time. The arrival of higher income households into the renter group, including former owners with high incomes compared with most renters, drove up income for this new renting cohort.
- The number of wage earners in each renter household increased by 2.4% between 2010-2018, which increased household income without boosting the income of individual renters.
- Correcting for these factors relevant to income results, affordability levels have not improved when using renter income but instead remain essentially flat and are extremely low in all periods.

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. More than 90% of the mortgages purchased support rental units for households earning 120% of area median income or below. Freddie Mac securitizes about 90% of the multifamily loans it purchases, thus transferring the majority of the expected credit risk from taxpayers to private investors.

Freddie Mac makes home possible for millions of families and individuals by providing mortgage capital to lenders. Since our creation by Congress in 1970, we've made housing more accessible and affordable for homebuyers and renters in communities nationwide. We are building a better housing finance system for homebuyers, renters, lenders and taxpayers. Learn more at FreddieMac.com, Twitter @FreddieMac and Freddie Mac's blog FreddieMac.com/blog.

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