HOUSING UNDERSUPPLY AND THE IMPACT ON SINGLE-FAMILY RENTALS

A report by the National Rental Home Council

National Rental Home Council
Bringing you home.

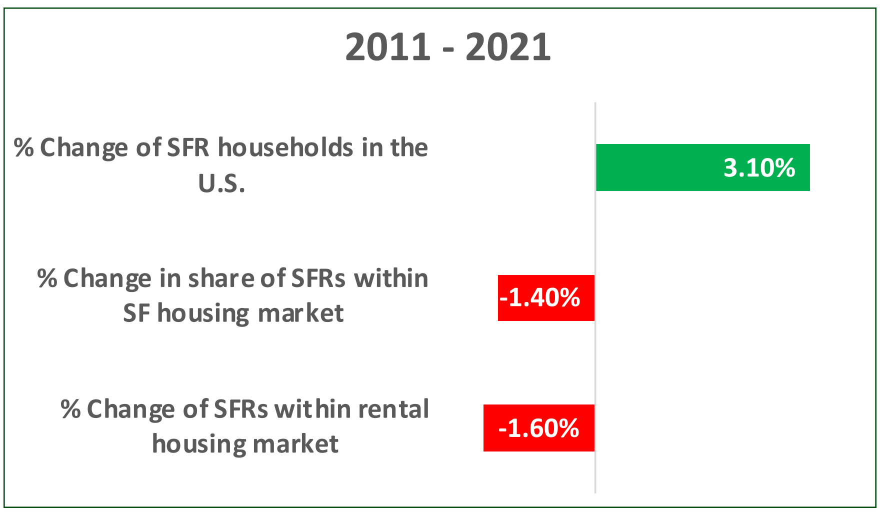
FEBRUARY 2023

INTRODUCTION

The stark undersupply of homes available to both homeowners and renters in the United States has steadily become one of the nation's most pressing economic and social concerns, the proportions of which have been highlighted succinctly by Up for Growth, in its report, *Housing Underproduction in the U.S. 2022*: "With 3.8 million homes short of meeting housing needs, double the number from 2012, the nation is in an extreme state of Housing Underproduction™."[1]

The undersupply of homes has far-reaching impacts and implications for both homeownership and rentership. In this report, the National Rental Home Council and research partner, Chandan Economics, analyzed data from the U.S. Census Bureau's American Community Survey to evaluate trends pertaining to the amount of single-family rental housing throughout the country over the ten-year period 2011 – 2021.

SFR: A Ten-Year Perspective



Data based on NRHC calculations of the U.S. Census Bureau's American Community Survey (ACS). All ACS data is calculated and reported at the household level. Resident population estimates are reported by US Census Bureau.

National Rental Home Council www.rentalhomecouncil.org

The National Rental Home Council (NRHC) is the nonprofit trade association representing the single-family rental home industry. NRHC members provide families and individuals with access to high-quality, single-family rental homes that contribute to the vitality and vibrancy of neighborhoods and communities.

Chandan Economics www.chandan.com

Chandan Economics is a leading provider of economic advisory and data science services to commercial real estate investors, lenders, service firms, and regulators.

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1 Up for Growth, https://upforgrowth.org/apply-the-vision/housing-underproduction/

Perhaps at no time in recent memory has America needed more housing, both owner-occupied and rental. As of the end of 2020, Freddie Mac estimated the country's housing deficit to be 3.8 million units, more than 50% higher than the corresponding deficit in 2018.[1] Similarly, the National Association of Realtors has identified an "underbuilding gap" that has led to a housing shortage of between 5.5 million and 6.8 million units.[2]

What's to blame for America's housing shortage? *A chronic undersupply of new housing development and investment.* In its analysis of the housing deficit, Freddie Mac concluded, "The main driver of the housing shortfall has been the long-term decline in the construction of single-family homes." Further, Freddie's reporting shows the decline in new home construction has been especially pronounced in the market for starter homes where it estimates the amount of such homes built in 2020 equaled just one-fifth the amount regularly built on an annual basis in the late 1970s and early 1980s.[3]

The most visible consequence of a housing market burdened by ongoing supply challenges is, quite simply, there are fewer options available to meet the needs of Americans in search of quality housing. More broadly, underproduction acts as a clear, and concerning, drag on homeownership and owner-occupied housing. However, supply shortages are felt throughout the housing ecosystem, impacting virtually every sector of the market, including single-family rental homes.

1 Freddie Mac, https://www.freddiemac.com/research/insight/20210507-housing-supply
2 NAR, https://www.nar.realtor/newsroom/once-in-a-generation-response-needed-to-address-housing-supply-crisis
3 Freddie Mac, ibid.

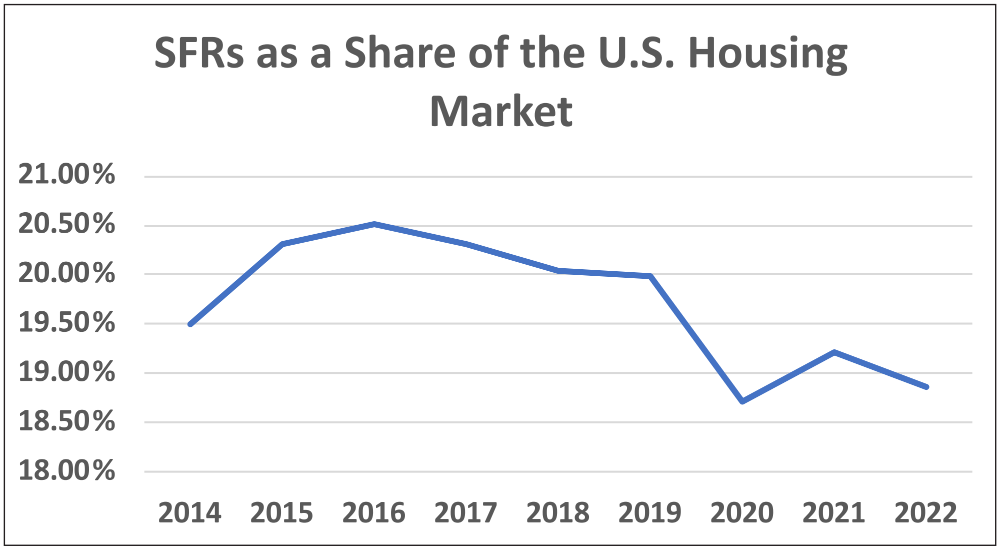
The single-family rental home industry has historically accounted for approximately forty percent of America's rental housing market, providing access to quality, affordably priced housing for more than 16 million households in neighborhoods with proximity to schools, employment centers, and transportation corridors. Providers of single-family rental homes – large and small – play a critical role in offering families and individuals a greater range of housing options, at a time when it is most needed. According to Harvard University's Joint Center for Housing Studies, the number of renter households increased by 870,000 during the COVID pandemic. The Joint Center's report, *America's Rental Housing 2022*, identified five reasons for the surge in rental housing:[4]

- Large number of millennials moving through their 20s and 30s: ages where renting is most common;
- Rapid growth of older renters: baby boomers aging into their 60s and 70s;
- Sharp rise in rentership between 2009 and 2019 for younger and middle-aged households: signaling delayed transitions to homeownership;
- The growing popularity of renting among older households: contributing to increases in both the number and share of higher-income renters;
- The increasing diversity of U.S. households: lifting demand for rental housing.

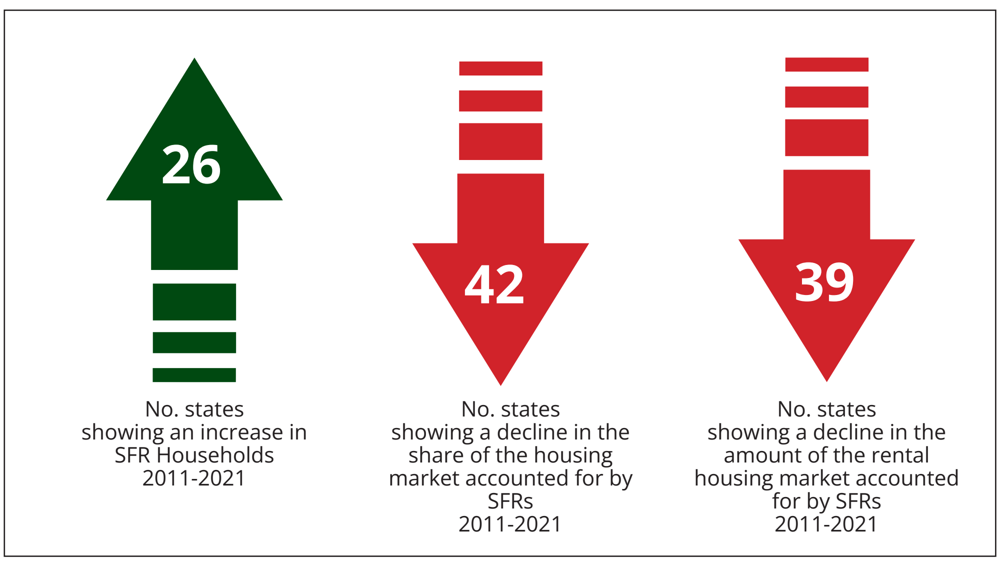
While these factors were likely present before the COVID health crisis, there's no question the pandemic contributed to a rise in demand for single-family rental homes. According to the NRHC/John Burns Real Estate Consulting Single-Family Rental Market Index (SFRMI) report from the third quarter of 2020, nearly 60% of new single-family rental home residents relocated from urban multifamily properties. With a greater share of the American workforce spending more time working from home, either permanently or part-time, the desire for extra space has also contributed to the demand for single-family rental homes, 65% of which contain three or more bedrooms (compared to just 11% of multifamily units). Finally, there is the great migration: in 2020, one in ten Americans moved to a new market[5].

4 *America's Rental Housing 2022,* Joint Center for Housing Studies of Harvard University
5 *One in Every Ten Americans Moved During the Pandemic,* Business Insider, August 10, 2021

For these reasons, there is arguably a greater need for single-family rental housing in the U.S. than there has been in decades. However, data show ongoing housing supply pressure has challenged the ability of the single-family rental home market to meet that demand. An analysis of housing data from the Annual Social Economic Supplement of the Current Population Survey, published by the U.S. Census Bureau, reveals even though demand for single-family rental homes increased during the decade 2011 – 2021, the share of single-family rental homes within both the single-family and rental housing markets declined.



Source: Annual Social Economic Supplement of the Current Population Survey



STATE LEVEL SFR DATA

For the years 2011 - 2021

	% Change SFR Households	Change SFR % All Single-Family	Change SFR % All Rentals
Alabama	-1.50%	-1.20%	-1.20%
Alaska	31.00%	1.90%	8.00%
Arizona	-1.50%	-4.40%	-4.20%
Arkansas	-1.70%	-2.50%	-0.60%
California	0.90%	-1.70%	-1.50%
Colorado	-2.60%	-3.10%	-3.10%
Connecticut	-0.70%	-0.60%	-1.30%
Delaware	5.00%	-1.90%	-7.40%
District of Columbia	7.00%	-0.70%	-0.20%
Florida	8.80%	-2.00%	-3.40%
Georgia	6.50%	-1.40%	-0.70%
Hawaii	6.10%	-2.50%	-0.50%
Idaho	-5.80%	-4.10%	-3.10%
Illinois	-2.30%	-0.90%	-1.70%
Indiana	-3.80%	-2.00%	-3.50%
Iowa	30.10%	2.10%	3.60%
Kansas	11.00%	1.30%	0.40%
Kentucky	-2.80%	-1.80%	-5.00%
Louisiana	-5.50%	-2.30%	-3.30%
Maine	2.60%	-1.50%	4.40%
Maryland	3.30%	-1.00%	-2.40%
Massachusetts	-1.40%	-1.10%	-0.80%
Michigan	-4.00%	-1.60%	-2.50%
Minnesota	-5.50%	-1.50%	-3.20%
Mississippi	-13.90%	-3.70%	-6.90%
Missouri	10.40%	0.10%	2.70%
Montana	31.60%	2.50%	5.70%
Nebraska	4.30%	-0.70%	0.60%
Nevada	8.30%	-2.90%	-1.90%

For the years 2011 - 2021

	% Change SFR Households	Change SFR % All Single-Family	Change SFR % All Rentals
New Hampshire	-21.00%	-3.10%	-6.10%
New Jersey	5.80%	-0.20%	-1.40%
New Mexico	-3.00%	-2.20%	-1.70%
New York	-0.70%	-1.10%	-0.10%
North Carolina	5.50%	-1.20%	-1.60%
North Dakota	86.90%	5.30%	8.30%
Ohio	0.00%	-1.20%	-1.30%
Oklahoma	23.10%	2.80%	2.40%
Oregon	-8.10%	-4.10%	-4.50%
Pennsylvania	3.90%	-0.50%	-0.40%
Rhode Island	-7.10%	-1.40%	-3.50%
South Carolina	1.60%	-3.00%	-0.70%
South Dakota	-4.20%	-2.80%	-4.40%
Tennessee	13.80%	0.00%	0.80%
Texas	11.30%	-1.40%	-3.70%
Utah	24.20%	-0.30%	1.20%
Vermont	-16.70%	-2.50%	-2.90%
Virginia	-0.30%	-1.80%	-2.60%
Washington	-1.10%	-2.60%	-3.50%
West Virginia	-26.20%	-4.50%	-9.00%
Wisconsin	9.20%	0.20%	0.40%
Wyoming	3.00%	-1.10%	-1.30%
National	3.10%	-1.40%	-1.60%

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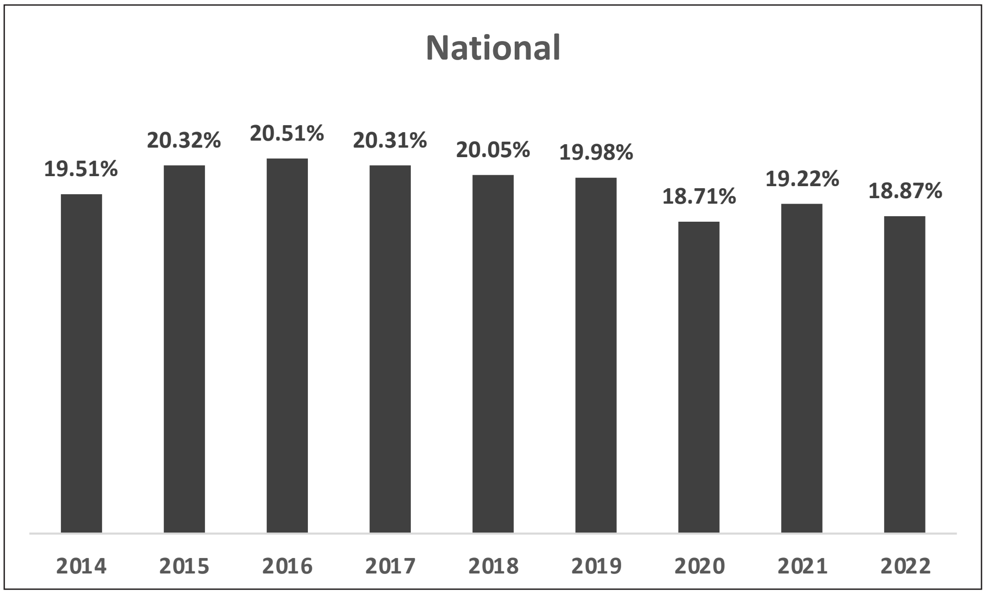
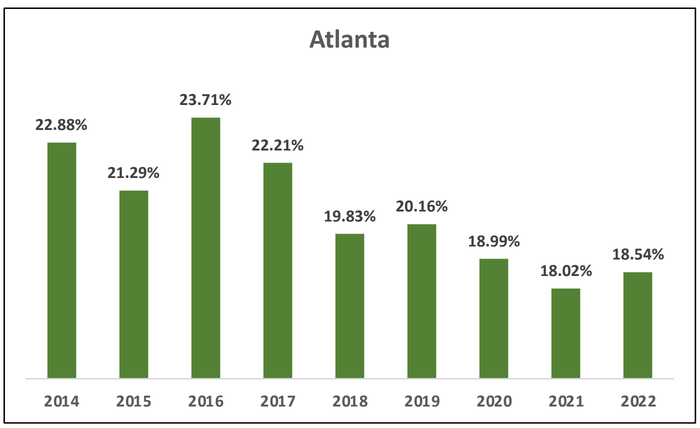
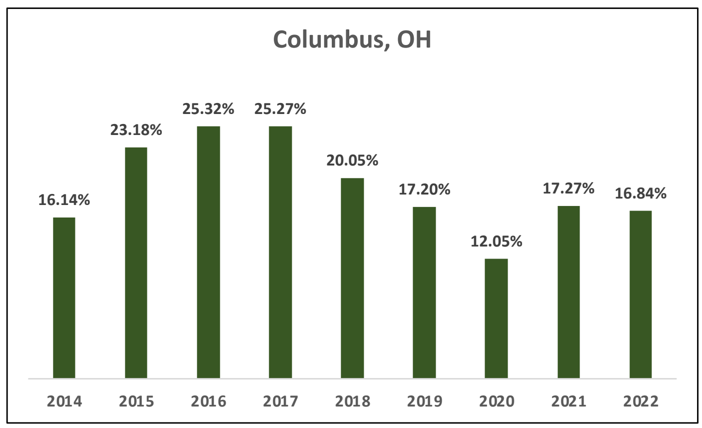
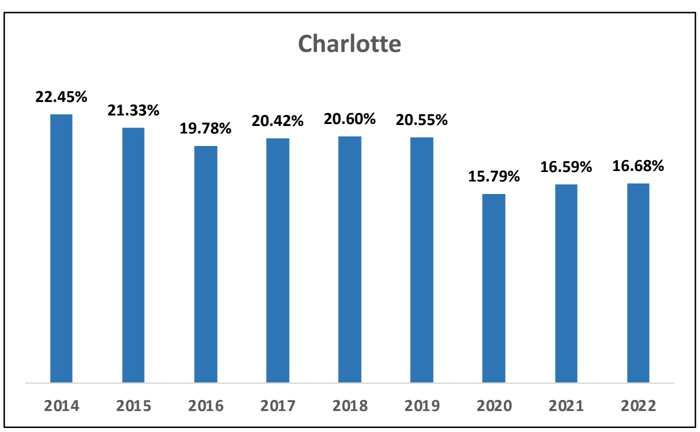
% Change in SFRs as a Share of the Housing Market – Select Metros

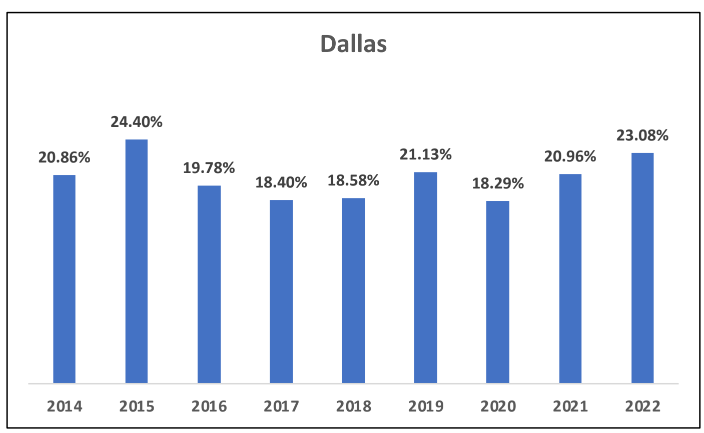
Source: Annual Social Economic Supplement of the Current Population Survey

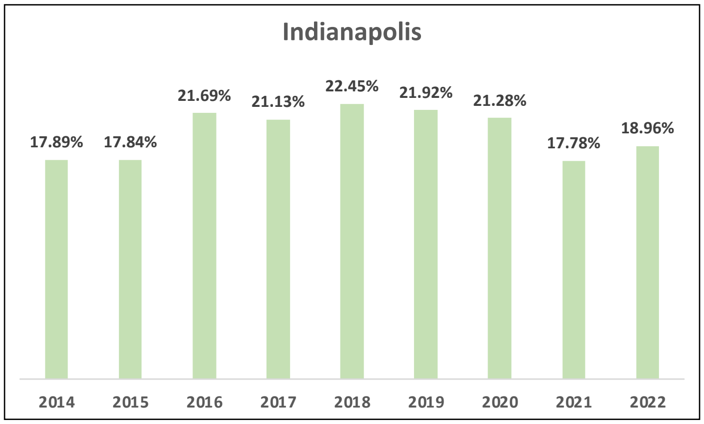


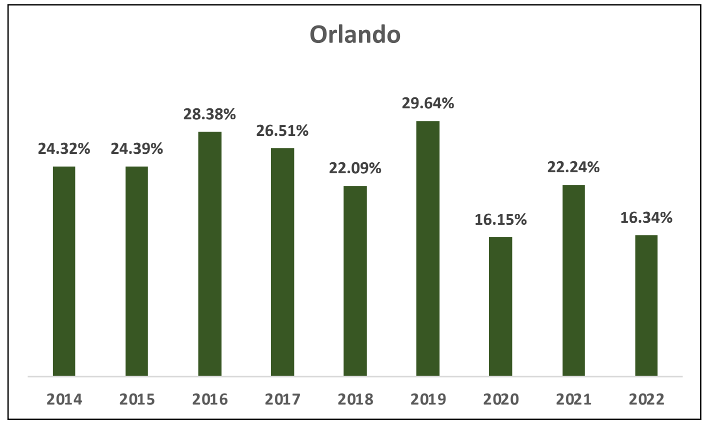


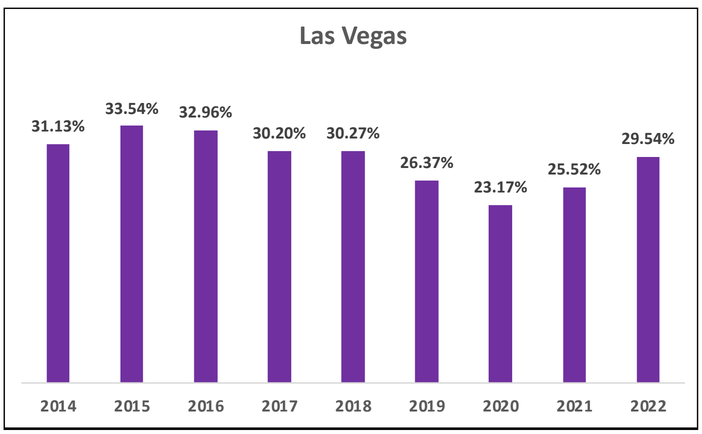


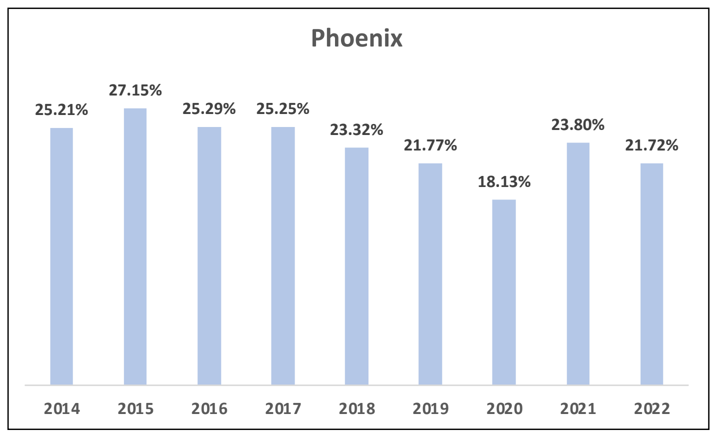


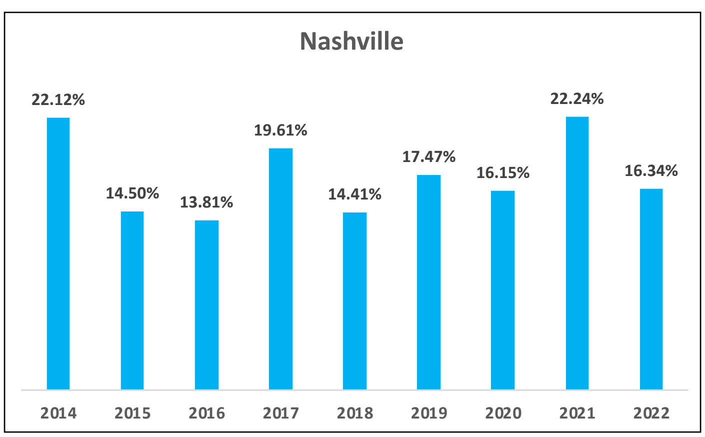


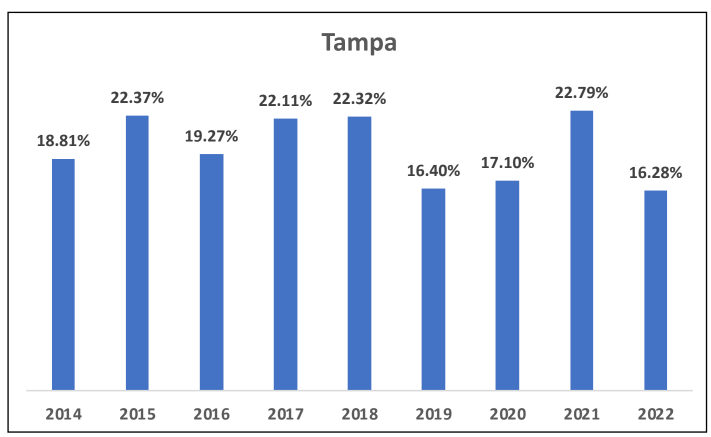

Indianapolis
17.89%
17.84%
21.69%
21.13%
22.45%
21.92%
21.28%
17.78%
18.96%
2014
2015
2016
2017
2018
2019
2020
2021
2022


Orlando
24.32%
24.39%
28.38%
26.51%
22.09%
29.64%
16.15%
22.24%
16.34%
2014
2015
2016
2017
2018
2019
2020
2021
2022


Las Vegas
31.13%
33.54%
32.96%
30.20%
30.27%
26.37%
23.17%
25.52%
29.54%
2014
2015
2016
2017
2018
2019
2020
2021
2022


Phoenix
25.21%
27.15%
25.29%
25.25%
23.32%
21.77%
18.13%
23.80%
21.72%
2014
2015
2016
2017
2018
2019
2020
2021
2022


Nashville
22.12%
14.50%
13.81%
19.61%
14.41%
17.47%
16.15%
22.24%
16.34%
2014
2015
2016
2017
2018
2019
2020
2021
2022


Tampa
18.81%
22.37%
19.27%
22.11%
22.32%
16.40%
17.10%
22.79%
16.28%
2014
2015
2016
2017
2018
2019
2020
2021
2022