National

COMPREHENSIVE HOUSING MARKET ANALYSIS

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of January 1, 2022

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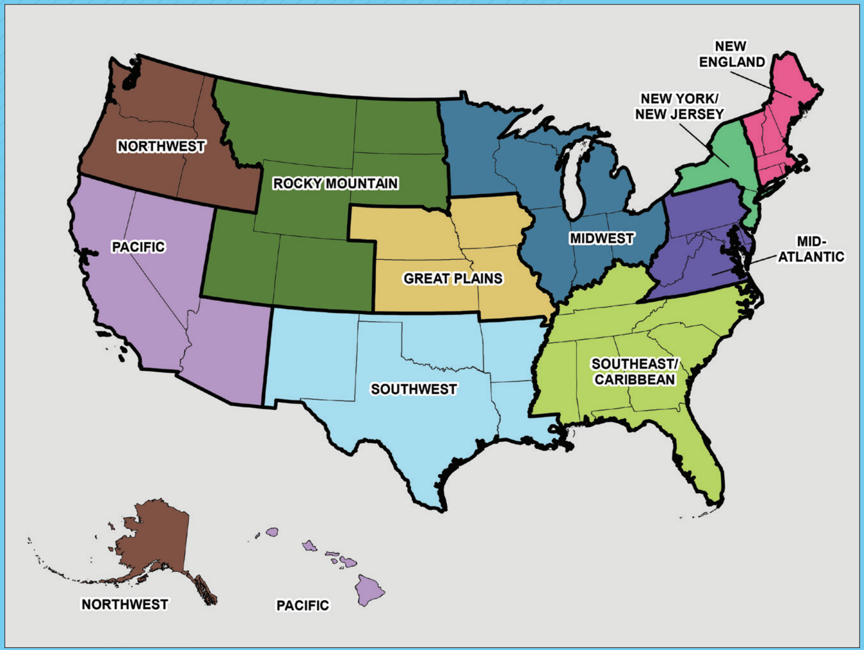
Executive Summary

This report presents an analysis of the economic conditions, demographic trends, and housing markets in the United States from 2000 through the end of 2021. Forecasts of housing demand were made to bring the sales and rental markets into balance during the next 3 years. This report discusses select data for the 10 HUD regions defined in the "Terminology Definitions and Notes" section at the end of the report.

The population of the United States is currently estimated at 332.40 million.



Tools and Resources

Find interim updates for the United States, and select subnational geographies, at PD&R's Market-at-a-Glance tool.
Additional data for the United States can be found in the supplemental tables for this report.
For information on HUD-supported activity throughout the country, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Strengthening: During 2021, nonfarm payrolls increased by 3.94 million jobs, or 2.8 percent compared with 2020.

The recession resulting from the COVID-19 pandemic officially lasted only 2 months, but the impact on the economy has been profound. In 2020, many policies that were enacted to slow the spread of COVID-19 had negative economic consequences. More than 1 million jobs were lost in March, followed by nearly 20 million jobs lost in April, a total loss of 14 percent of nonfarm payrolls during the 2 months. Monetary and fiscal policies were enacted to lessen the economic impact and stimulate the economy, and many COVID-19-related policies have been relaxed or eliminated over time. By the end of 2021, approximately 97 percent of the jobs lost had been recovered on a monthly basis at the national level (monthly data, not seasonally adjusted). During the next 3 years, nonfarm payrolls are expected to increase an average of 2.3 percent a year.

Sales Market

Very Tight: Home prices rose sharply in 2021, with double-digit gains in average sales prices for both new and existing home sales.

The national sales housing market is very tight, with an estimated 1.1 percent vacancy rate, down from 2.4 percent in 2010 when the market was soft. Although the sales housing market has been varying degrees of tight for the past few years, certain measures of housing market conditions in 2021 were indicative of an extreme shortage of sales housing. In 2021, the supply of existing homes for sale declined to 2.3 months, down from 3.1 months in 2020 (National Association of REALTORS® [NAR]). Since 2012, the median existing home sales price has doubled, with a 17-percent increase in 2021 alone. Overall, the total number of homes sold in 2021 was up 7 percent from 2020 (U.S. Census Bureau/HUD; NAR). During the next 3 years, demand is estimated for 2.69 million sales units. The 560,000 units already under construction will meet a portion of that demand.

Rental Market

Very Tight: After easing slightly during 2020, the rental market tightened considerably in 2021.

The national rental housing market is very tight, with an estimated 5.8 percent vacancy rate, down from 9.2 percent in 2010 when the market was soft. The average monthly apartment rent increased 15 percent in the past year to $1,627, the highest year-over-year rent increase in at least 20 years (RealPage, Inc.). Single-family rental homes, which make up a smaller portion of the overall rental market than apartments, also had a significant increase in rents during the past year. From December 2020 to December 2021, the median rent for two-bedroom single-family homes that were professionally managed increased 12 percent to $1,592. Demand for rental units during the next 3 years is estimated at 1.90 million units. The 469,300 rental units already under construction will satisfy a portion of that demand.

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3-Year Housing Demand Forecast

		Sales Units	Rental Units
Nation	Total Demand	2,694,000	1,901,000
	Under Construction	560,000	469,300

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2022. The forecast period is January 1, 2022, to January 1, 2025.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Education and Health Services

By the end of December 2021, the number of jobs in the U.S. economy on a monthly basis nearly reached the prepandemic level that existed in February 2020 (monthly data, not seasonally adjusted). Approximately 97 percent of the total jobs lost during March and April during the COVID-19 recession were added back to the economy by the end of 2021.

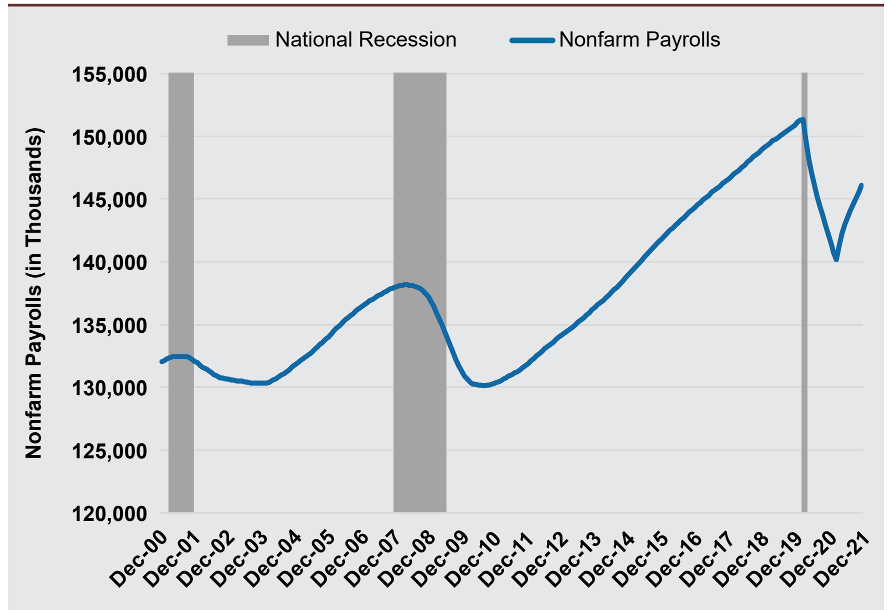
Long-Term Economic Trends

From 2001 through 2019, nonfarm payrolls in the nation grew by an average of 0.7 percent, or 994,400 jobs, annually. Growth during that period was interrupted by two recessions: the dot-com recession from March through November 2001 and the Great Recession from December 2007 through June 2009. The years leading up to the Great Recession are often referred to as the housing boom; the economy received a boost from strong homebuilding and home sales activity. Although the Great Recession ended in June 2009, the U.S. economy continued to lose jobs through 2010. The economy then underwent a lengthy period of expansion, adding jobs every year from 2011 through 2019. With the impact of COVID-19 and the many countermeasures implemented to contain the spread of the virus, the economy lost a significant number of jobs in early 2020. As more of the population became vaccinated and most of the countermeasures were lifted, the economy resumed growth in 2021. Figure 1 shows the national 12-month average of nonfarm payrolls from December 2000 through December 2021.

Current Conditions

After losing 8.72 million jobs during 2020, a decline of 5.8 percent, nonfarm payrolls grew 2.8 percent in 2021 with the addition of 3.94 million jobs. Despite gains in every sector during 2021, all sectors remained below their 2019 annual average levels.

Figure 1. 12-Month Average Nonfarm Payrolls in the Nation



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

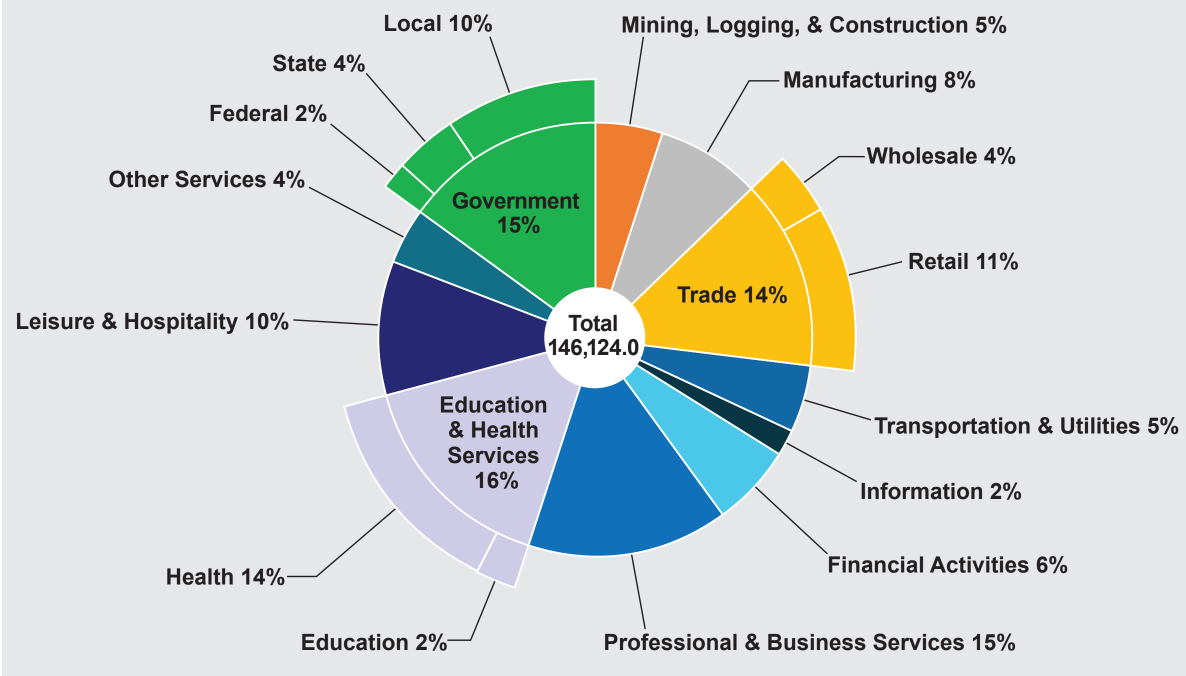
Growth during 2021 was led by the leisure and hospitality sector, which added 952,000 jobs, or 7.2 percent. At the onset of the COVID-19 pandemic in 2020, this sector had the most job losses because of the closure or limited in-person availability of many restaurants and bars; reduced travel impacting hotels and places of recreation also contributed to losses in this sector. In 2020, the sector lost 3.44 million jobs, a decline of 20.7 percent. Within the sector, the accommodation and food services industry accounted for 80 percent of all the sector losses, with a decline of 2.80 million jobs. Although the leisure and hospitality sector accounted for 11 percent of all jobs in the nation during 2019, the sector represented 37 percent of the total jobs lost during 2020 and accounted for only 9 percent of all jobs during 2020. With the gains in 2021, the sector currently accounts for 10 percent of all nonfarm payrolls in the

U.S. (Figure 2). Approximately 78 percent of the sector gains in 2021 were in the accommodation and food services industry; restaurants reopened and people began to resume travelling. In 2021, there were 14.10 million jobs in the leisure and hospitality sector, still down 2.49 million jobs from the recent high in 2019.

The professional and business services sector also added a significant number of jobs in 2021, up 4.6 percent, or by 936,000 jobs, as many companies began to return to some form of in-person work, resulting in a greater demand for support services. The fastest rate of growth during the past year occurred in the transportation and utilities sector, at 7.3 percent, or 450,600 new jobs. Included in this sector are distribution centers, which continue to grow in number and size to support an increase in e-commerce that has accelerated in the past year. E-commerce sales increased 47 percent during the first quarter of 2021 relative to the first quarter of 2020 (U.S. Census Bureau News, Quarterly Retail E-Commerce Sales, U.S. Department of Commerce, May 19, 2022). Gains in e-commerce sales ranged from 9 to 15 percent during the other quarters of 2021. By the fourth quarter of 2021, e-commerce sales accounted for 16 percent of all retail sales, up from 12 percent in the fourth quarter of 2019, and that share has continued to rise.

To lessen the economic impacts of the COVID-19 pandemic and help stimulate the economy, the federal government implemented several

Figure 2. Share of Nonfarm Payroll Jobs in the Nation, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 2021 annual data.
Source: U.S. Bureau of Labor Statistics

fiscal and monetary policies during 2020. In March, Congress passed a $2.2 trillion stimulus measure, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which included payments to qualifying individuals (typically $1,200), $260 billion in increased unemployment benefits, $350 billion in loans to small businesses, $500 billion for corporate loans, and nearly $340 billion in funding for state and local governments. In December 2020, Congress passed another stimulus package, the Consolidated Appropriations Act 2021, which was worth $920 billion and included $600 payments to qualified individuals and extended unemployment benefits, among other items. In March 2021, the government passed the American Rescue Plan Act of 2021 (also known as the American Rescue Plan), which included $1.9 trillion of economic stimulus. The American Rescue Plan extended the expanded unemployment benefits in previous stimulus measures, included $1,400 direct payments to qualified individuals, extended food stamp benefits, provided funds to state, local, and tribal governments, provided additional funding for housing and education, provided grants to small businesses, and provided emergency paid leave for 100 million Americans. In addition, the Federal Reserve instituted a variety of monetary policies during 2020 and 2021 to generate economic growth, including lowering the federal funds rate to near 0 percent and increasing the money supply in the economy through the purchase of Treasury bonds and mortgage-backed securities.

Real gross domestic product (GDP) increased 5.7 percent during 2021 after declining 3.4 percent in 2020. Growth was strong throughout most of the year, with gains of more than 6 percent each quarter (seasonally adjusted annual rates), except during the third quarter, when real GDP increased at a rate of 2.3 percent (U.S. Bureau of Economic Analysis). The annual rate of inflation averaged 4.7 percent during 2021 and reached 7.0 percent in December 2021 (Consumer Price Index for All Urban Consumers, not seasonally adjusted, U.S. Bureau of Labor Statistics).

Current Conditions—Regional Nonfarm Payrolls

The number of jobs increased in all 10 HUD regions during 2021, ranging from 1.9 percent in the Great Plains region to 3.8 percent in the Southeast/Caribbean region (Map 1). The leisure and hospitality sector led growth in every region both in terms of the total number of jobs added and the rate of increase. Sector gains ranged from 8.6 percent in the Great Plains region to 14.3 percent in the New York/New Jersey region.

Table 1. Nonfarm Payroll Jobs (1,000s) in the Nation, by Sector

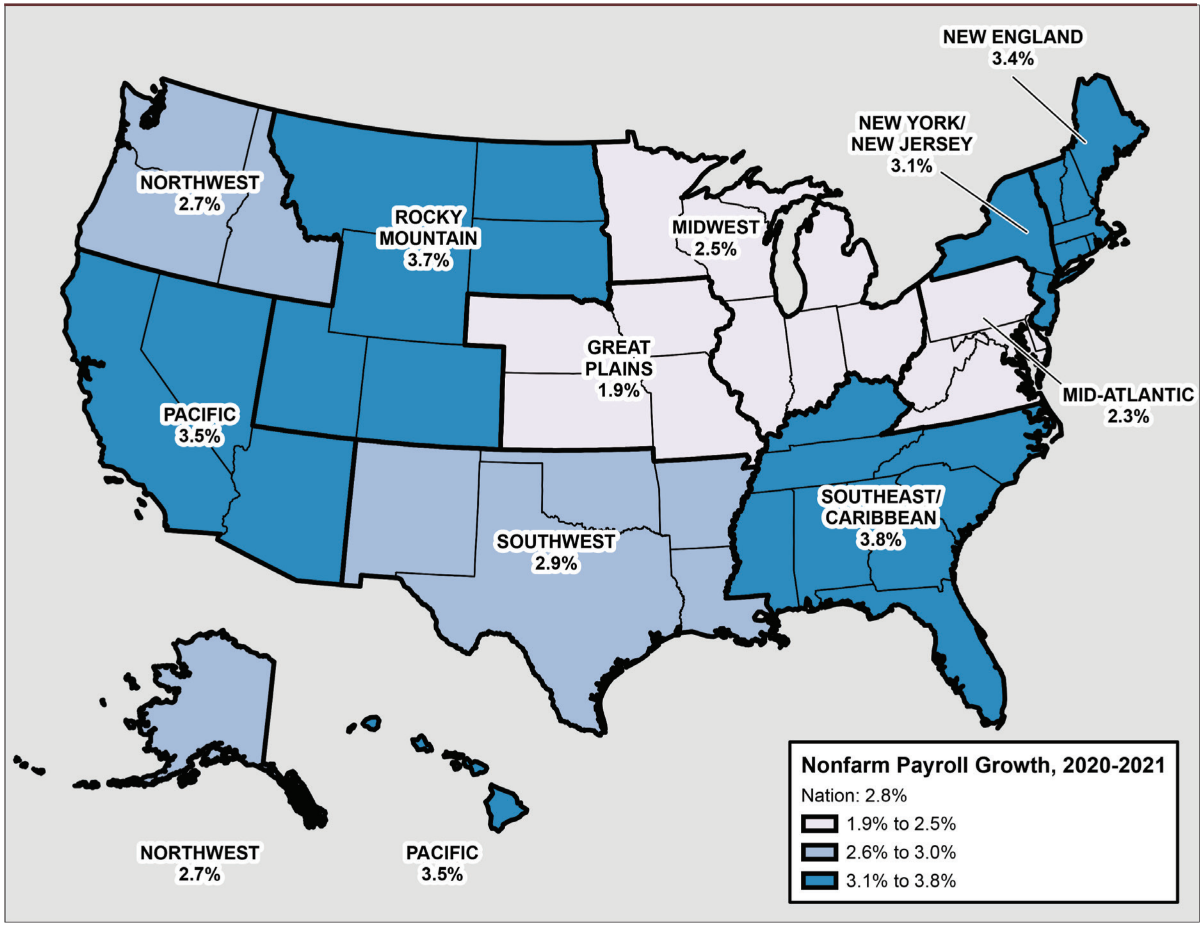
	2020	2021	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**142,186.0**	**146,124.0**	**3,938.0**	**2.8**
Goods-Producing Sectors	20,023.0	20,325.0	302.0	1.5
Mining, Logging, & Construction	7,857.0	7,979.0	122.0	1.6
Manufacturing	12,167.0	12,346.0	179.0	1.5
Service-Providing Sectors	122,163.0	125,799.0	3,636.0	3.0
Wholesale & Retail Trade	20,504.1	21,074.5	570.4	2.8
Transportation & Utilities	6,182.9	6,633.5	450.6	7.3
Information	2,720.0	2,831.0	111.0	4.1
Financial Activities	8,704.0	8,777.0	73.0	0.8
Professional & Business Services	20,314.0	21,250.0	936.0	4.6
Education & Health Services	23,275.0	23,673.0	398.0	1.7
Leisure & Hospitality	13,148.0	14,100.0	952.0	7.2
Other Services	5,329.0	5,456.0	127.0	2.4
Government	21,986.0	22,004.0	18.0	0.1

Notes: Based on 2020 and 2021 annual data. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

In the Southeast/Caribbean region, the 270,900 jobs added in the leisure and hospitality sector, or 9.3 percent gain, was followed closely by 253,300 new jobs in the professional and business services sector, up 6.2 percent. The two sectors combined accounted for nearly half the net jobs added in the region. Growth of more than 3.0 percent also occurred in the Rocky Mountain (3.7), Pacific (3.5), New England (3.4), and New York/New Jersey (3.1) regions. In addition to the 67,200 jobs, or 11.8 percent, added to the leisure and hospitality sector in the Rocky Mountain region, the professional and business services sector gained 38,500 jobs, or 4.9 percent, and the retail trade subsector grew by 29,000 jobs, or 4.7 percent. The pattern was similar in the Pacific region, with the largest gains also in the leisure and hospitality sector, professional and business services sector, and retail trade subsector, which were up by 230,600, 126,900, and 100,100 jobs, or 11.0, 3.9, and 4.9 percent, respectively. The transportation and utilities sector had the second fastest rate of growth in the Pacific region, up 8.4 percent, or by 81,500 jobs. The professional and business services sector added the second largest number of jobs in both the New England and the New York/New Jersey regions, with gains of 44,200, or 4.3 percent, and 71,200, or 3.8 percent, respectively. Among all HUD regions, the construction subsector increased at the highest rate in the New England region, up 6.3 percent.

Nonfarm payroll growth was below 3.0 percent in the remaining five regions. In the Southwest region, where jobs were up 2.9 percent, the leisure and hospitality and professional and business services sectors accounted for more than 58 percent of the total job gains, with additions of 152,700, or 8.9 percent, and 151,000, or 6.3 percent, respectively. Similarly, in the Northwest region, the leisure and hospitality and professional and business services sectors accounted for 47 percent of the 166,800 new jobs. The retail trade subsector added 31,900 jobs, up 4.5 percent. In the Midwest region, approximately half of all new jobs were in the leisure and hospitality and professional and business services sectors, with gains of 177,300, or 9.1 percent, and 120,700, or 3.8 percent, respectively. In the Mid-Atlantic region, these same two sectors accounted for nearly 59 percent of all new jobs in 2021, with the leisure and hospitality sector up by 116,900 jobs, or 10.5 percent, and the professional and business services sector up by 67,300 jobs, or 3.0 percent. Retail trade subsector gains were also notable in the Mid-Atlantic region, with the addition of 54,500 jobs, or 4.0 percent. Finally, in the Great Plains region, the most job gains occurred in the leisure and hospitality sector, up by 48,100 jobs, or 8.6 percent, and the retail trade subsector, up by 19,700 jobs, or 2.8 percent.

Map 1. Nonfarm Payroll Growth by HUD Region, 2020–21

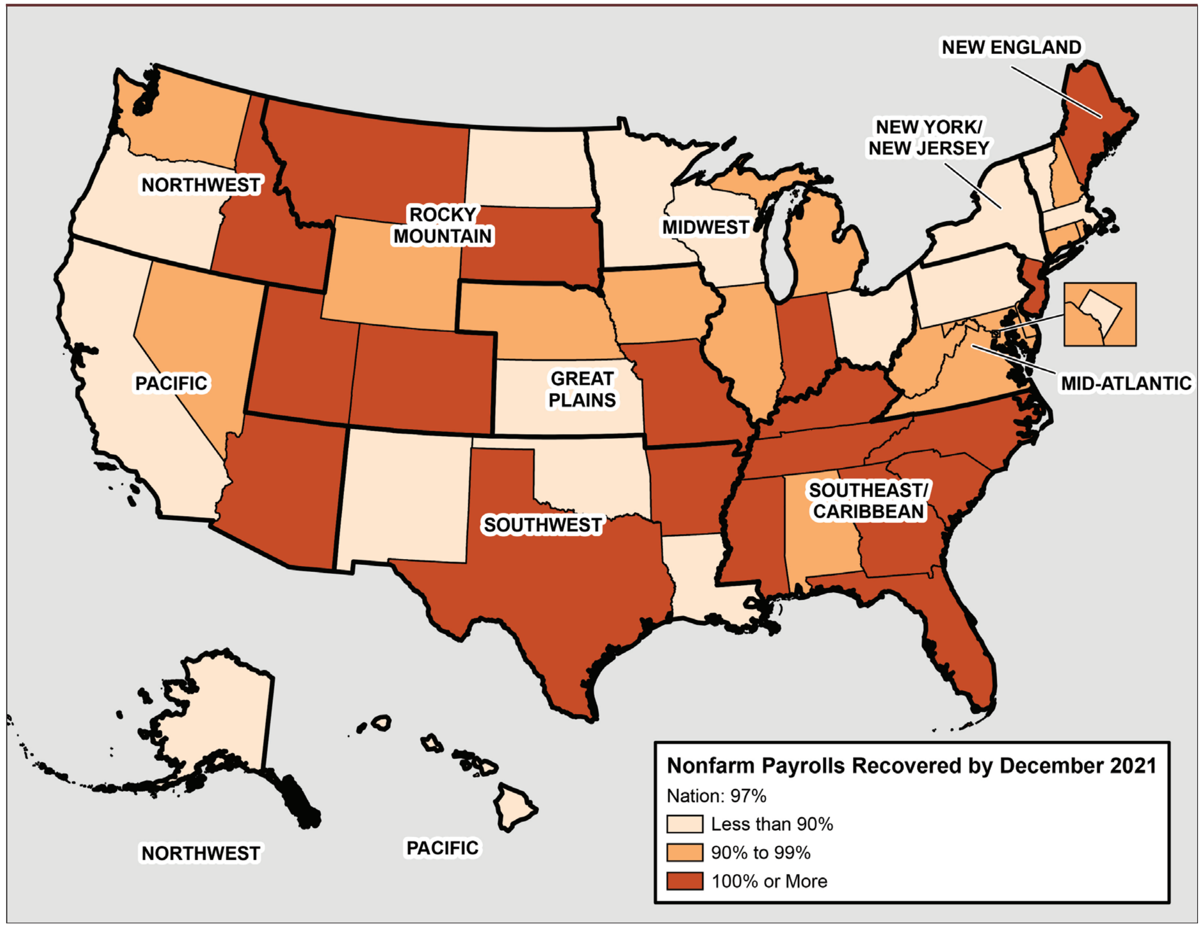


Source: U.S. Bureau of Labor Statistics

Progress of the Recovery

By the end of December 2021, on a monthly basis, the national economy recovered 97 percent of the nearly 21 million jobs that were lost in March and April of 2020. Map 2 shows the percent of nonfarm payrolls recovered at the state level by the end of 2021 (including the District of Columbia). Nineteen states fully recovered the jobs lost due to the pandemic, with 17 of those states surpassing prepandemic job levels. The two states with the highest rates of recovery were Utah and Idaho, with 161 percent and 158 percent of the total jobs recovered. Maine and New Jersey both recovered 100 percent of the jobs lost. Nevada and Nebraska recovered more than the national rate but were not quite fully recovered by the end of 2021. There are six states that, along with the District of Columbia, recovered less than 80 percent of the jobs lost from the COVID-19 pandemic, including North Dakota, Kansas, Minnesota, Louisiana, Hawaii, and Alaska. Approximately 52 percent of the jobs lost in the District of Columbia were recovered by the end of 2021.

Map 2. Percent of Nonfarm Payroll Jobs Recovered by December 2021

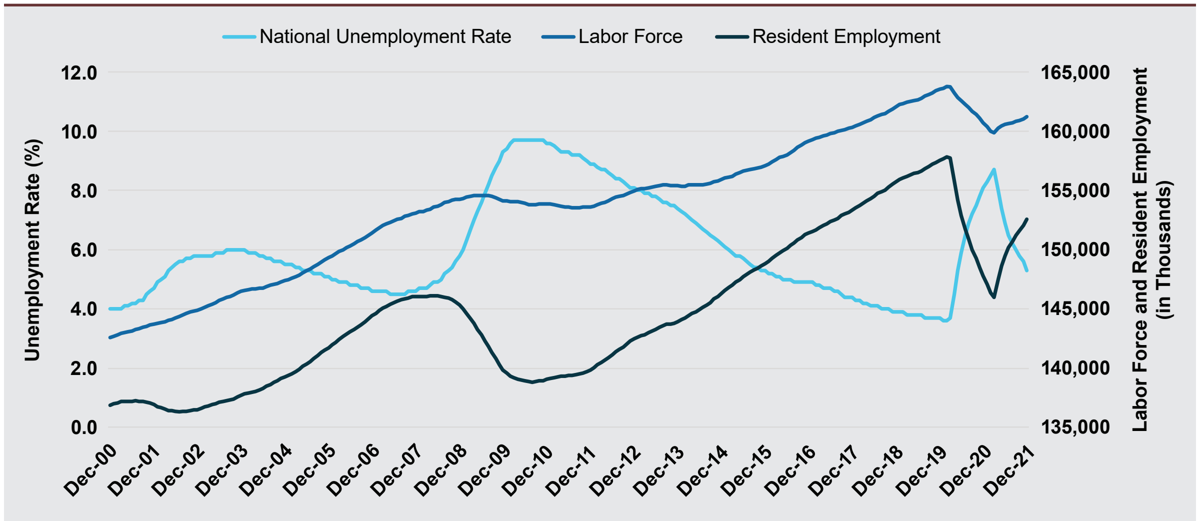


Source: U.S. Bureau of Labor Statistics

Current Conditions—Unemployment

During 2021, the unemployment rate averaged 5.3 percent, down from an average of 8.1 percent in 2020, and it was the same level that it had averaged in 2015. The 12-month average unemployment rate previously peaked at 9.7 percent during 2010, but it declined steadily through 2019, reaching a prepandemic average low of 3.7 percent during the 12 months ending March 2020. As a result of the COVID-19 recession, the unemployment rate rose to a high of 8.7 percent during the 12 months ending March 2021. The number of unemployed people rose from 6.00 million in 2019 to 12.95 million in 2020, the highest yearly total since 13.75 million people were unemployed in 2011. During 2021, the number of unemployed people declined to 8.62 million. Large fluctuations in the labor force have also occurred in the past couple of years. During 2020, the labor force declined by 2.80 million from 2019. Approximately 462,000 people returned to the labor force in 2021, but the total labor force is still down 2.34 million from the 2019 level. Figure 3 shows the 12-month average unemployment rate in the nation from 2000 through 2021.

Figure 3. 12-Month Average Unemployment Rate in the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

2000 Through 2004: Recession and Recovery

The recession in the early 2000s officially lasted 8 months, from March 2001 through November 2001 (National Bureau of Economic Research [NBER]). During 2001, job growth in the nation was flat. The manufacturing sector experienced significant losses, declining by 822,000 jobs, or 4.8 percent. The wholesale trade subsector, the professional and business services sector, and the federal government subsector had significant declines of 160,400, 190,000, and 101,000 jobs, or 2.7, 1.1, and 3.5 percent, respectively. The education and health services sector grew by 562,000 jobs, or 3.7 percent, during the year, offsetting some of the losses in other sectors.

Although the recession was officially over in 2001, the impacts on the labor market continued for the next 2 years. During 2002 and 2003, nonfarm payrolls declined by an average of 871,000 jobs, or 0.7 percent, annually. Losses were widespread, with payrolls in 6 of the 11 nonfarm sectors declining. Declines in the manufacturing sector accelerated to an average of 966,000 jobs, or 6.1 percent, annually. Other sectors that lost an average of more than 200,000 jobs during those years were wholesale and retail trade, professional and business services, and information, which declined at average annual rates of 1.2, 1.5, and 6.3 percent, respectively. Growth continued, however, in the education and health services and the government sectors, which added an average of 510,500 and 232,500 jobs, or 3.2 and 1.1 percent, annually, respectively.

During 2004, the economy added 1.44 million jobs, or 1.1 percent, despite small declines in the manufacturing and information sectors. The professional and business services, the education and health services, and the leisure and hospitality sectors led gains, adding 411,000, 395,000, and 320,000 jobs, or 2.6, 2.3, and 2.6 percent, respectively. Modest gains occurred in most other sectors, but the manufacturing sector was down by 194,000 jobs, or 1.3 percent, from a year earlier. The information sector lost 70,000 jobs, or 2.2 percent.

2005 Through 2006: The Housing Boom

The rate of job growth in the nation increased significantly in 2005 and 2006, averaging gains of 2.33 million jobs, or 1.8 percent, each year. During these years, the fastest growing sector was the mining, logging, and construction sector, which was up an average of 5.2 percent, or 404,000 jobs, annually. Nearly all the growth in that sector came from the construction subsector, which increased by 357,500 jobs each year. The nominal annual value of construction (residential and nonresidential) averaged $1.14 trillion from 2005 through 2007—an increase of 31 percent compared with an average annual level of $875 billion during 2000 through 2004 (U.S. Census Bureau). Other sectors with significant payroll gains during 2005 and 2006 were the professional and business services, education and health services, and leisure and hospitality sectors, with average annual gains of 589,500, 462,000, and 308,500 jobs, or 3.5, 2.6, and 2.4 percent, respectively. Declines continued in the manufacturing and the information sectors, but the rates of decline slowed. The manufacturing sector lost an average of 80,000 jobs, or 0.6 percent, annually, and the information sector was down an average of 40,000 jobs, or 1.3 percent, annually.

2007: The Slowdown

Nonfarm payrolls continued to grow through 2007, but the rate of growth slowed to 1.1 percent, or 1.55 million jobs added. Growth continued in 7 of the 11 sectors during 2007, led by the education and health services sector, up by 522,000 jobs, or 2.9 percent. The professional and business services sector continued to grow at a strong pace of 2.2 percent, or 379,000 jobs, which was a noticeable slowdown from growth during the previous 2 years. The leisure and hospitality sector also had significant gains of 317,000 jobs, or 2.4 percent, in 2007. The largest decline in jobs was in the manufacturing sector, down 276,000, or 1.9 percent. Small declines occurred in the mining, logging, and construction; the financial activities; and the information sectors, with average decreases ranging from 0.2 to 0.3 percent. The construction subsector had a decline of 0.8 percent, or 61,000 jobs, during 2007, because the housing market began to soften following the bursting of the housing bubble. This was partly offset by a gain of 40,000 jobs, or 5.8 percent, in the mining and logging subsector.

2008 Through 2010: The Great Recession

The Great Recession officially lasted from December 2007 through June 2009, or 18 months (NBER). It was the longest recession since the Great Depression, which lasted 43 months from 1929 to 1933. The impacts from the Great Recession on the labor market lasted well into 2010. From 2008 through 2010, nonfarm payrolls in the country declined by an average of 2.55 million, or 1.9 percent, annually, and the nation lost 7.6 million jobs. With the exceptions of the education and health services and the government sectors, every sector lost jobs. The education and health services sector increased by an average of 433,000 jobs annually, or 2.3 percent, and the government sector remained relatively stable, with modest growth averaging 90,700 new jobs, or 0.4 percent, annually. The most significant declines occurred in the goods-producing sectors: the manufacturing sector was down an average of 783,700 jobs, or 6.0 percent, annually, and the mining, logging, and construction sector lost an average of 710,300 jobs, or 9.3 percent, each year. Most notably, the construction subsector declined an average of 10.1 percent, or by 704,000 jobs, annually during this period because of significant declines in both residential and commercial construction. The nominal annual value of construction reached a trough from 2008 through 2011, when it averaged $895 billion, down 22 percent from the 2005-through-2007 average. Most remaining sectors had average annual declines ranging from 2.3 to 3.7 percent, with even smaller declines in the leisure and hospitality and the other services sectors. The wholesale and retail trade sector was down by an average of 547,100 jobs, or 2.6 percent. The professional and business services sector declined by an average of 405,000 jobs, or 2.3 percent.

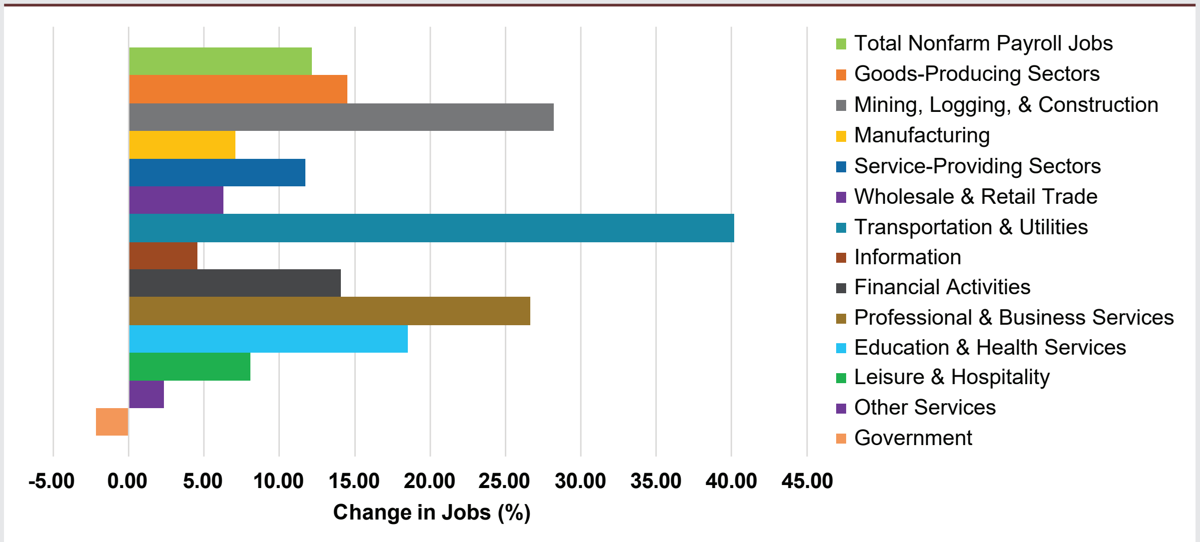
2011 Through 2016: The Expansion

Annual job gains resumed in 2011, and jobs were added in the nation every year through 2019. From 2011 through 2016, nonfarm payrolls increased by an average of 2.33 million jobs, or 1.7 percent, annually. Every sector except for the government sector added jobs during that period. The professional and business services sector led growth, with an average gain of 555,200 jobs, or 3.1 percent, a year. The leisure and hospitality and the education and health services sectors each increased by an average of more than 400,000 jobs, or 3.1 and 2.1 percent, a year, respectively. The construction subsector was slower to recover, but by 2014 and 2015, the subsector was averaging gains of 5.0 percent, or 303,000 jobs, a year. Not until 2014, however, did the economy recover all the jobs lost from 2008 through 2010.

2017 Through 2019: Continued Growth

Job growth slowed slightly from 2017 through 2019, averaging gains of 2.19 million jobs annually, or 1.5 percent growth. Growth slowed partially because of fewer available workers; the nation had a historically low level of unemployment, averaging 4.0 percent during the period, and many job openings were harder to fill. Every sector added jobs during the 3 years except the wholesale and retail trade sector, which declined by an average of 36,700 jobs, or 0.2 percent, partly reflecting growth in e-commerce. Average losses of 70,600, or 0.4 percent, in the retail trade subsector more than offset the increase of 33,900, or 0.6 percent, in the wholesale trade subsector. The education and health services, the professional and business services, and the leisure and hospitality sectors led gains during the period—up by average annual rates of 2.2, 1.9, and 1.9 percent, or 508,000, 386,700, and 308,700 jobs, respectively. The fastest rate of growth was in the transportation and utilities sector, up 3.8 percent, or 218,000 jobs, a year, followed by the mining, logging, and construction sector, up 3.6 percent, or 274,700 jobs. The transportation and utilities sector has been the fastest growing sector since the end of 2010, with a total gain of 40.2 percent through 2021, also primarily because of the increase in e-commerce (Figure 4).

Figure 4. Sector Growth in the Nation, 2011 to Current



Note: The current date is January 1, 2022.
Source: U.S. Bureau of Labor Statistics

2020: COVID-19 and the Recession

Every nonfarm payroll sector declined during 2020 as countermeasures designed to reduce the spread of COVID-19 were put in place. While the recession officially only lasted during March and April, the impacts were significant. Nonfarm payrolls declined by 8.72 million, or 5.8 percent, during 2020. Approximately 39 percent of the total losses during the year were in the leisure and hospitality sector, which was down 3.44 million jobs, or 20.7 percent. The professional and business services sector was down by 960,000 jobs, or 4.5 percent, with many companies operating on full telework status. The education and health services sector lost 888,000 jobs, or 3.7 percent, with many nonessential services and surgeries cancelled. The retail trade subsector lost 748,500 jobs, or 4.8 percent, with many stores facing temporary (or in some cases, permanent) closures. Manufacturing sector jobs were down 5.1 percent, or by 650,000 jobs. The government sector also had significant declines of 627,000 jobs, or 2.8 percent, with all the losses at the state and local levels, whereas the federal subsector added 99,000 jobs, or 3.5 percent.

Forecast

During the next 3 years, nonfarm payroll jobs are anticipated to grow at an average of 2.3 percent annually. Growth is anticipated to be strongest in the first year and gradually slow in years 2 and 3. On a monthly basis, nonfarm payrolls should be fully recovered at the national level in the first year of the forecast. The Federal Reserve System (The Fed) has begun to take aggressive steps towards reducing inflation by raising the federal funds rate. The Fed has signaled that they are likely to continue to raise rates throughout 2022, which will likely cause economic growth to dampen and contribute to the more subdued rates of job growth in the later years of the forecast. The transportation and utilities sector is expected to continue to have strong gains with the increasing popularity of e-commerce. The leisure and hospitality sector is also expected to have significant growth as people continue to become more comfortable with social interaction, increasing business for restaurants, travel, and tourism.

Population and Households

Current Population: 332.40 Million

Population growth slowed significantly because of COVID-19, with declines in both net natural change and net in-migration.

Population Trends

From 2000 to 2005, a period including the 2001 recession and the subsequent moderate economic expansion, the population of the United States grew by an average annual rate of 0.9 percent, or 2.69 million (U.S. Census Bureau decennial census counts and population estimates as of July 1). Net natural change accounted for 61 percent of the growth, or an average increase of 1.64 million people annually, and net in-migration to the United States averaged 1.05 million people, accounting for 39 percent of the population gain. Population growth increased from 2005 to 2008 to an average annual rate of 1.0 percent, or 2.86 million people. Net natural change increased significantly during the period to an average of 1.82 million people, accounting for 64 percent of population growth, and net in-migration averaged 1.04 million people, or 36 percent of the population gains.

From 2008 to 2010, when the United States lost jobs due to the Great Recession, population growth slowed to an average annual rate of 0.9 percent, or 2.66 million people. Net natural change declined to an average of 1.77 million people a year, partly reflecting fewer births during the recession, but accounted for 67 percent of population growth, and net in-migration slowed significantly to an average of 890,000 people a year, or 33 percent of population growth.

As the economy expanded from 2010 to 2016, the average level of net in-migration increased to 1.13 million people a year, accounting for 45 percent of population growth. Net natural change continued to decline at a significant rate, averaging 1.37 million people a year, or 55 percent of population growth. That decline was partly due to an aging population, with an increase in the number of deaths, along with birth rates remaining low following the recession. As a result, the total population increased by 2.50 million, or 0.8 percent, annually. The rate of population growth continued to slow, to an average annual rate of 0.6 percent, or 1.90 million people, from 2016 to 2020. Net in-migration slowed to an average of 890,000 people a year, but it accounted for 47 percent of the population gains during the period, and net natural change declined to an average of 1.01 million people, or 53 percent of growth. Since 2020, as a result of the impacts of COVID-19 and the policies enacted to contain its spread, both net natural change and net in-migration are estimated to have slowed considerably. From 2020 to the current date, the population grew at an average annual rate of 0.2 percent, or 545,400. With many deaths associated with COVID-19, the rate of net natural change slowed to an average of 149,500 people a year, representing 27 percent of the total growth in population during the period. Net in-migration also slowed considerably because of COVID-19 and averaged 395,900 a year, accounting for 73 percent of the total population growth since 2020.

During the 3-year forecast period, the population is expected to increase at an average annual rate of 0.4 percent, or approximately 1.50 million people. Net natural change and net-in migration are expected to average 500,000 and 1 million people a year, respectively. The population is expected to total 336.89 million by the end of the forecast period (Table 2). Figure 5 shows

Table 2. Population and Household Quick Facts for the Nation

		2010	Current	Forecast
Population Quick Facts	**Population**	308,745,538	332,404,000	336,889,000
	Average Annual Change	2,732,000	2,013,000	1,495,000
	Percentage Change	0.9	0.6	0.4
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	116,716,292	128,188,000	130,629,000
	Average Annual Change	1,124,000	976,300	813,700
	Percentage Change	1.0	0.8	0.6

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to the current date, and the current date to the end of the forecast period. The forecast period is from the current date (January 1, 2022) to January 1, 2025.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

the components of population change from 2000 through the forecast period.

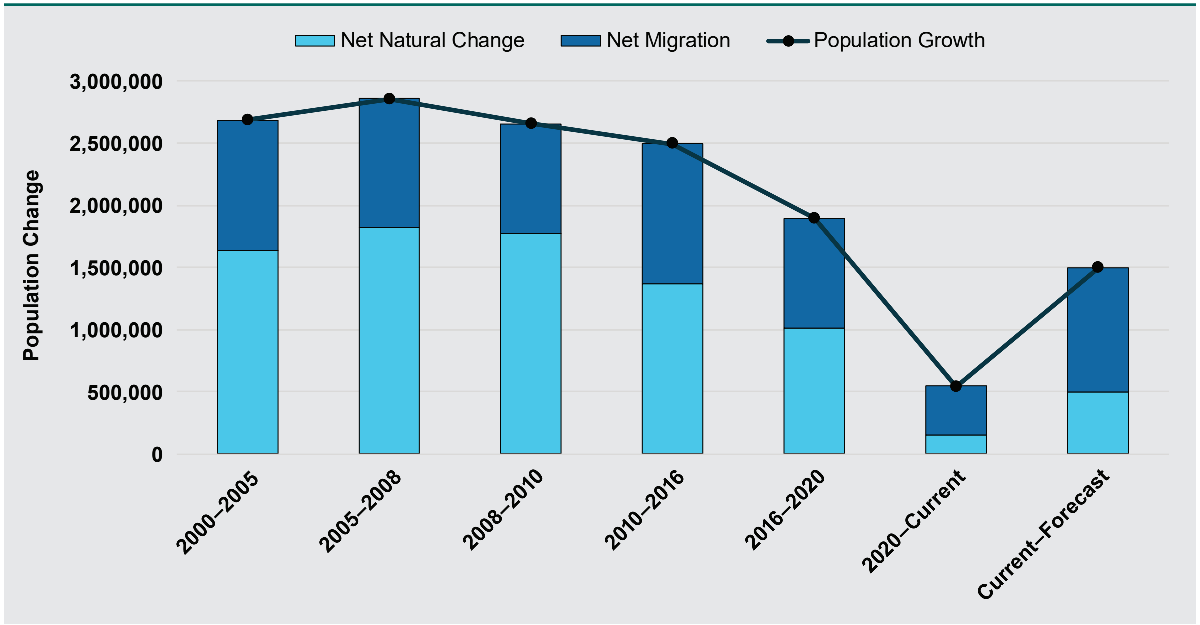
International Migration

From 2010 through 2019, the largest number of immigrants to the United States came from Mexico, China (defined as China, Hong Kong, Macau, and Paracel Islands), and India (American Community Survey [ACS] 1-year data, Public Use Microdata Sample). Mexico accounted for the greatest number of immigrants into the United States from 2010 through 2013, averaging 12 percent of all U.S. immigrants. China and India accounted for an average of 8 percent of immigrants during these years. In 2014, China (10 percent) surpassed Mexico (9 percent), and in 2015, India (10 percent) surpassed China (9 percent). From 2016 through 2018, China resumed the top spot, accounting for 10 percent of all immigrants, with Mexico and India each averaging 9 percent. In 2019, the largest number of immigrants to the United States came from Mexico (10 percent), followed by China (9 percent) and India (8 percent). During 2020, numerous policies were enacted that had the effect of restricting immigration to the United States, undertaken as part of the efforts to reduce the spread of COVID-19. Many of these policies have since been lifted.

Age Cohort Trends

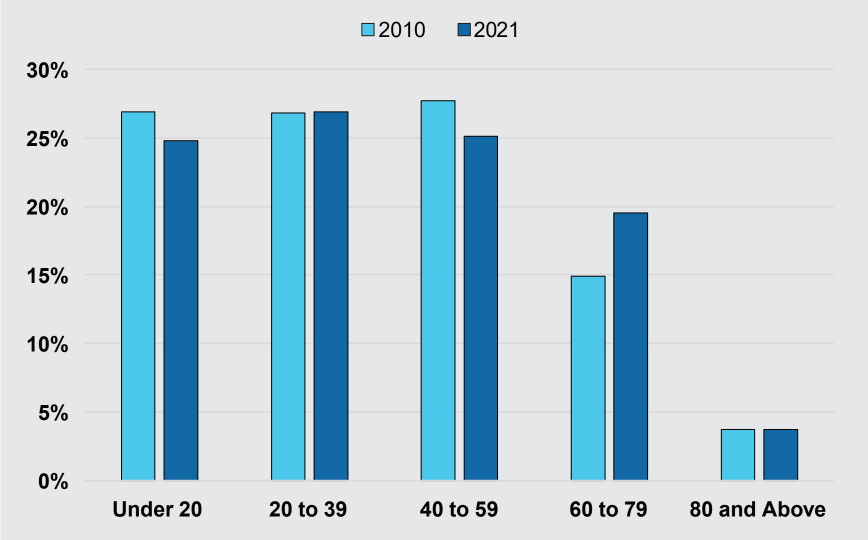
The median age in the United States in 2021 was 38.8 years, up from 37.2 years in 2010. The largest population by age range in the United States is the 20-to-39-year-old age cohort, which constituted 26.9 percent of the total population as of 2021, compared with 26.8 percent in 2010 (U.S. Census Bureau Population Estimates). The under-20 age cohort declined from 26.9 percent of the population in 2010 to 24.8 percent in 2021. In addition, the 40-to-59-year-old cohort also declined, from 27.7 percent of the total population to 25.1 percent during the same period. As the baby boom generation has aged, the 60-to-79-year-old age cohort has grown substantially. In 2010, this age group made up 14.9 percent of the total population, but by 2021 it had grown to 19.5 percent of the population. This helps explain the steady growth in healthcare-related services throughout the country, because this age group tends to be a major consumer of health services. The 80-and-older age group remained stable during the period, accounting for 3.7 percent of the total population in 2010 and 2021. Figure 6 shows the population by age range in the United States for 2010 and 2021.

Figure 5. Components of Population Change in the Nation, 2000 Through the Forecast



Notes: Net natural change and net international migration totals are average annual totals over the period. The forecast period is from the current date (January 1, 2022), to January 1, 2025.
Sources: U.S. Census Bureau; current and forecast—estimates by the analyst

Figure 6. Population by Age Range in the Nation

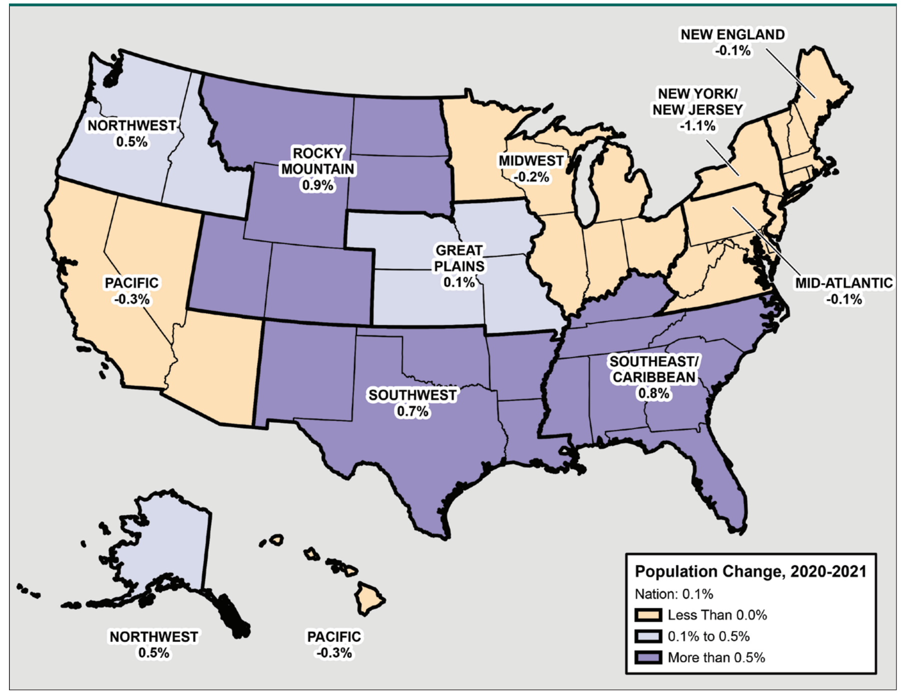


Source: 2010 and 2021 U.S. Census Bureau Population Estimates

Recent Regional Population Trends

From 2020 to 2021, the population increased in 5 of the 10 HUD regions. Map 3 shows the population growth rates by region. The national population remained relatively unchanged during that period, increasing by only 0.1 percent. The highest rate of growth occurred in the Rocky Mountain region, up 0.9 percent, followed by the Southeast/Caribbean region at 0.8 percent and the Southwest region at 0.7 percent. The Northwest region increased 0.5 percent, whereas the population in the Great Plains region nudged up 0.1 percent. Population declined in the other HUD regions, led by a 1.1 percent drop in the New York/New Jersey region. In the Pacific region, the population decreased 0.3 percent, and the population in the Midwest region fell 0.2 percent. The populations were down slightly in the New England and Mid-Atlantic regions by 0.1 percent each.

Map 3. Population Growth by HUD Region, 2020–21



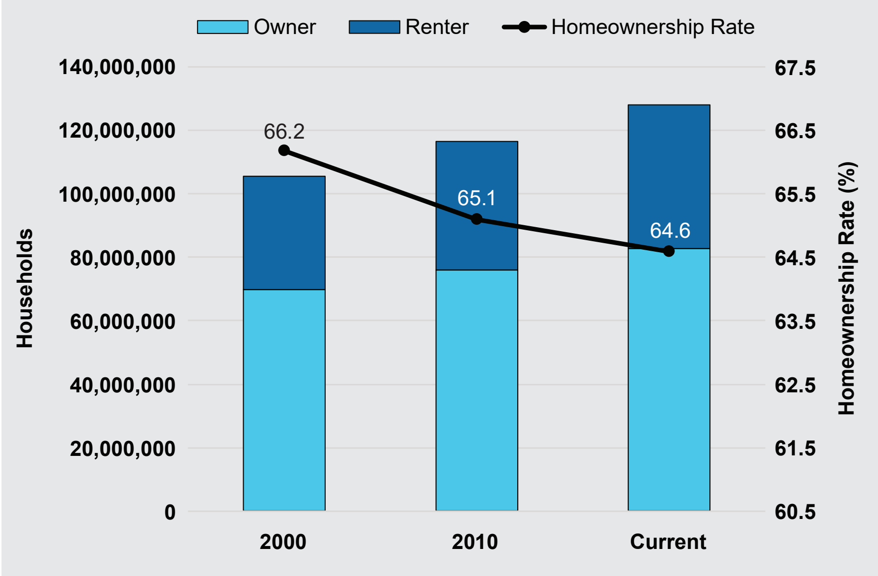
Source: U.S. Census Bureau Population Estimates Program

Household Trends

The number of households in the United States is currently estimated at 128.19 million, representing an average annual increase of 0.8 percent, or 976,300 households, since 2010. From 2000 to 2010, the number of households increased at a somewhat faster average annual rate of 1.0 percent, or 1.12 million households, due largely to higher population growth compared with the 2010s.

Since 2010, owner households have increased 0.7 percent a year, and renter households have increased 0.9 percent a year, compared with respective rates of 0.9 and 1.3 percent from 2000 to 2010. Owner household growth was more rapid during the previous decade, as the rate of homeownership increased significantly during the years of the housing boom. After the housing bubble burst and the economy entered the Great Recession, overall tenure distribution shifted from ownership to renting among households throughout the country. In part, that shift occurred because younger households have been delaying homeownership compared with previous generations. In absolute terms, from 2000 to 2010, the number of owner households increased by an average of 617,000 per year, whereas renter households increased by 506,600 a year. Since 2010, owner household growth slowed to 579,300 a year, and renter household growth averaged 397,000 annually. As a result, the rate of owner household growth has slowed since 2010, and the homeownership rate in the country has declined to a current estimated level of 64.6 percent, down from 65.1 percent in 2010 and down from a peak of 69.0 percent in 2004. Currently, an estimated 82.79 million owner households and 45.40 million renter households reside in the United States. Figure 7 shows the homeownership rate and households by tenure for 2000, 2010, and the current date. During the next 3 years, households are expected to increase by an average of 813,700, or 0.6 percent, annually, as the rate of population growth slows compared with the 2010s.

Figure 7. Households by Tenure and Homeownership Rate in the Nation



Note: The current date is January 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Home Sales Market

Market Conditions: Very Tight

The economic downturn of 2020 had little to no effect on the sales market, which has been very tight for the past 2 years.

Current Conditions

The national home sales market continued to be very tight in 2021, with an estimated 1.1 percent vacancy rate as the supply of homes for sale reached an extremely low level. The home sales market was already tight in 2020, with a 3.1-month supply of existing homes for sale, before dropping to a 2.3-month supply in 2021 (NAR). In contrast to a typical recessionary period, when a weak economy negatively affects the home sales market, the national recession in March and April 2020 did not result in a lower demand for homes. The inventory of homes for sale dropped below 1 million in 2021—a 17-percent decline from 2020 and a 37-percent decline from 2019. In 2021, year-over-year existing home sales increased 9 percent (NAR), but new home sales declined 6 percent—the first decline in the number of new homes sold in 10 years (U.S. Census Bureau/HUD). The decline in new home sales in 2021 can be partly attributed to new homes becoming increasingly expensive and out of reach for many homebuyers. Because of the limited supply of homes for sale, prices increased in 2021 at rates even higher than during the housing bubble of the 2000s. The median new home sales price rose 18 percent to $397,100, and the median existing home sales price increased 17 percent to $347,100, compared with 2020 (Table 3).

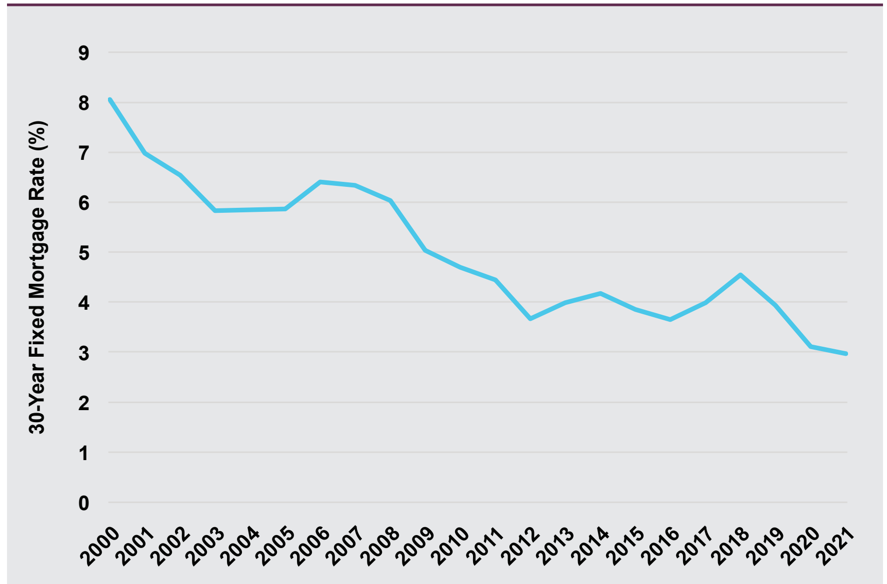
The historically low mortgage interest rates during the past several years have contributed to increased housing demand and have somewhat lessened the effect of rising home prices on monthly costs for homebuyers paying with a mortgage. Mortgage interest rates continued to decline in 2021, but at a slower pace compared with 2020. According to Freddie Mac, the annual average interest rate for a 30-year fixed-rate mortgage was 2.96 percent in 2021, down from 3.11 percent in 2020 and 3.94 percent in 2019 (Figure 8).

Table 3. Home Sales Quick Facts for the Nation

		2020	2021
Home Sales Quick Facts	Months of Inventory	3.1	2.3
	Existing Home Sales	5,640,000	6,120,000
	1-Year Change		9%
	New Home Sales	822,000	771,000
	1-Year Change		-6%
	Existing Home Sales Price	$296,700	$347,100
	1-Year Change		17%
	New Home Sales Price	$336,900	$397,100
	1-Year Change		18%
	Mortgage Delinquency Rate	4.0%	2.0%

Notes: Months of supply, home sales, and prices are for the year shown; mortgage delinquency data are as of December of the year shown. The current date is January 1, 2022. Prices shown are the median for the year.
Sources: National Association of REALTORS®; U.S. Census Bureau/HUD; CoreLogic, Inc.

Figure 8. Annual Average 30-Year Fixed Mortgage Rate in the Nation



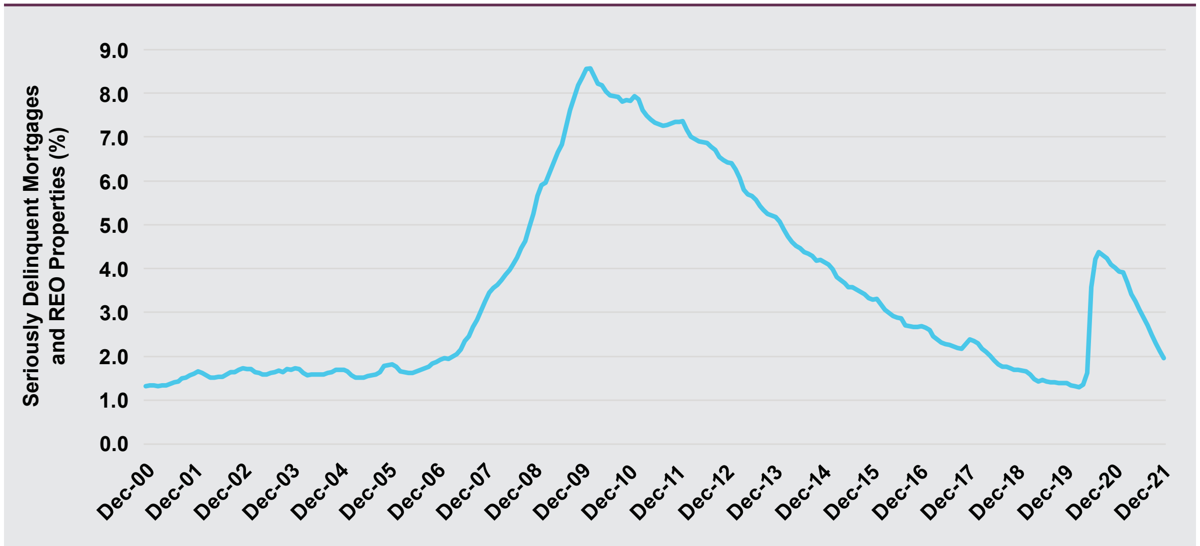
Source: Freddie Mac

The 2021 rate for 30-year mortgages is the lowest annual rate on record since Freddie Mac began tracking them in 1971.

Mortgage Delinquencies and Forbearance

The severe economic shock that the nation went through at the beginning of the pandemic caused the percentage of seriously delinquent mortgages and real estate owned (REO) properties to increase rapidly. Since then, as the economy recovered, the share of mortgages in this category has declined at a steady pace. The percentage of seriously delinquent mortgages and REO properties peaked at 4.4 percent in August 2020 before declining to 2.0 percent in December 2021 (CoreLogic, Inc.; Figure 9). While the increase in the share of seriously delinquent mortgages and REO properties in 2020 was steeper than the increase during the housing crisis of the late 2000s, the 2020 peak was significantly lower than the high of 8.6 percent reached in January 2010. The substantial increase in the rate of seriously delinquent mortgages and REO properties in 2020 was driven entirely by increases in seriously delinquent mortgages and not increases in foreclosures and REOs. In December 2020, the number of seriously delinquent mortgages was up 314 percent year-over-year, whereas foreclosures and REO properties were down 31 percent and 61 percent, respectively. Since then, all three loan types have declined, with the number of seriously delinquent mortgages decreasing the most—a decline of 51 percent from December 2020 to December 2021.

Figure 9. Seriously Delinquent Mortgages and REO Properties



REO = real estate owned.
Note: Seriously delinquent mortgages are those that are 90 or more days delinquent.
Source: CoreLogic, Inc.

To help homeowners affected by the COVID-19 pandemic, mortgage forbearance of up to 180 days was mandated with the CARES Act for federally backed home loans. In 2020, approximately 70 percent of mortgages nationwide were federally backed and qualified for mortgage forbearance as outlined in the CARES Act (Urban Institute). In addition to the mortgage forbearance policies, a moratorium on foreclosures for homeowners with federally backed mortgages was in place through June 2021. Despite the foreclosure moratorium expiring in June 2021, the number of foreclosures declined 15 percent through the second half of the year (CoreLogic, Inc.).

Current Regional Highlights

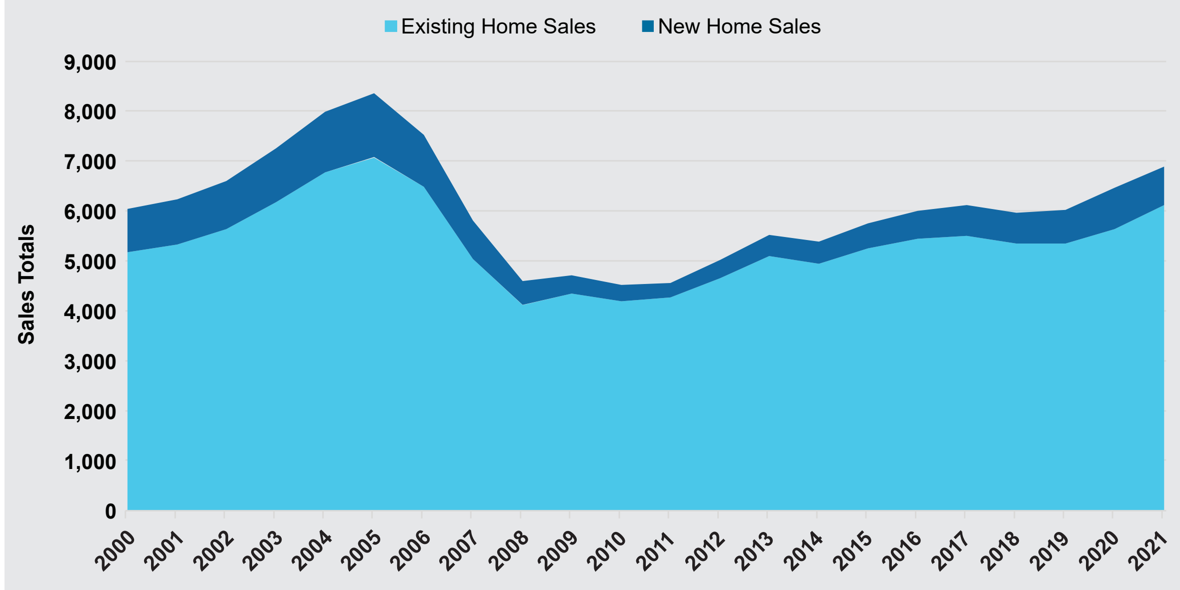
The sales housing markets in the 10 HUD regions had mixed conditions during the fourth quarter of 2021, ranging from balanced to very tight. The Southeast region was the only region with balanced sales markets, whereas sales markets in the other nine HUD regions all had varying degrees of tight conditions. Despite the Southeast region having some balanced markets, which were limited to the state of Mississippi, the vast majority of sales markets in the region were tight. According to the CoreLogic, Inc. home price index (HPI) for repeat sales, price appreciation was highest in the states in the Southeast region from December

2020 to December 2021. Four of the top 10 states in the country for price appreciation were in the Southeast region, with price increases ranging from 13 percent in Kentucky to 27 percent in Florida. Home prices increased in the double-digits in 46 of the 50 states, but all states had an increase in the HPI. No state in the country had a price appreciation of less than 7 percent in the past year. For additional home sales market data by HUD region, visit the regional housing market information page on the PD&R U.S. Housing Market Conditions website.

Home Sales Trends: 2000 to Current

Before the housing crisis during the latter half of the 2000s, home sales growth in the nation was rapid, with home sales reaching a peak of 8.36 million in 2005 (NAR; U.S. Census Bureau/HUD; Figure 10). During that period, home sales rose because mortgage lending standards were more relaxed and more mortgages were issued to riskier borrowers, which helped to inflate home sales. From 2001 through 2006, subprime and near-prime loans increased from 9 to 40 percent of all mortgage originations (U.S. Economics Analyst, Goldman Sachs). During roughly the same period, from 2001 through their peak in 2005, existing home sales increased an average of 6 percent a year, and new home sales increased an average of 8 percent a year (NAR; U.S. Census Bureau/HUD). As mortgage interest rates increased in 2006, new and existing home sales declined 18 and 8 percent, respectively, with the decrease accelerating in 2007 after the housing bubble began to burst.

Figure 10. National Home Sales



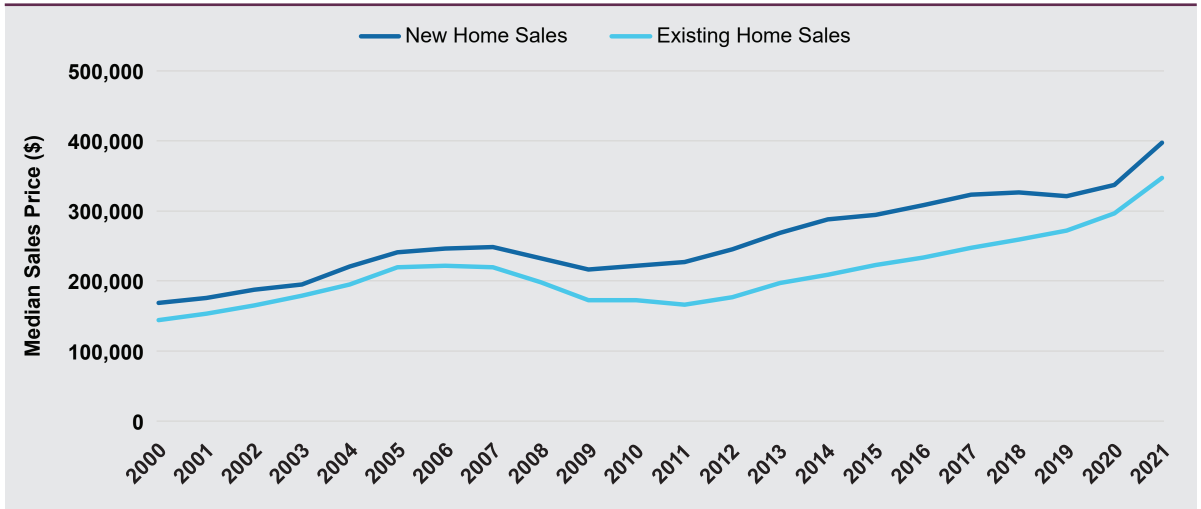
Sources: National Association of REALTORS®; U.S. Census Bureau/HUD

For the next few years, the home sales market in the United States was extremely soft. As a result, new and existing home sales continued to decline, with existing home sales bottoming out in 2008 and new home sales bottoming out in 2011. From peak to trough, new home sales declined at an average annual rate of 8 percent, and existing home sales declined at an average annual rate of 28 percent. After their respective lows, new and existing home sales trended upward as the economy improved and sales market conditions tightened. From 2009 through 2016, existing home sales increased at an average annual rate of 4 percent before declining from 2017 through 2019 at an average annual rate of 1 percent. New home sales also had faster growth during the earlier years of the recovery from the housing crisis, increasing at an average annual rate of 13 percent from 2012 through 2016 and slowing to an average annual rate of 7 percent from 2017 through 2019. Since 2019, existing home sales have picked up, increasing 7 percent a year, and new home sales have slowed slightly to an average increase of 6 percent annually.

Home Sales Price Trends: 2000 to Current

Sales prices for new and existing homes have followed similar trajectories since 2000: increasing in the first half of the 2000s, declining during the housing crisis, and gradually increasing before gaining momentum in 2020 (Figure 11). The median existing home sales price increased an average of 8 percent a year from 2001 through the peak in 2006, whereas the median new home sales price peaked a year later, increasing an average of 6 percent a year from 2001 through 2007 (NAR; U.S. Census Bureau/HUD). Sales prices declined for both new and existing home sales in the years that followed; however, the peak-to-trough decline in existing home sales prices (25 percent) was more severe than the decline in new home sales prices (13 percent) and lasted nearly twice as long. From 2008 through 2009, the median price for new homes sold declined an average of 7 percent a year, and from 2007 through 2011, the median price for existing homes sold decreased an average of 6 percent a year. In large part, this was because the proportion of existing sales that were REO properties swelled during this time, and the relatively low prices for REO home sales created downward pressure on overall existing home sales prices. REO sales constituted a small proportion of existing home sales from 2000 through 2007, averaging around 3 percent (CoreLogic, Inc.). With the onset of the Great Recession, that percentage skyrocketed to 32 percent in 2009, a year when the average sales price for an REO home was nearly 50 percent below the price of a regular resale home.

Figure 11. National Home Sales Prices



Sources: National Association of REALTORS®; U.S. Census Bureau/HUD

After median sales prices reached lows of $216,700 for new homes in 2009 and $166,100 for existing homes in 2011, price growth was relatively steady through the 2010s (U.S. Census Bureau/HUD; NAR). The median sales price for new homes increased an average of 4 percent a year from 2010 through 2019. Price growth for existing homes was also steady from 2012 through 2019, with the median sales price increasing an average of 6 percent a year. As the COVID-19 pandemic began and the housing market tightened, home price growth accelerated. From 2020 through 2021, the median price for new home sales increased an average of 11 percent annually, and the median price for existing home sales increased an average of 13 percent annually. In 2021, the price difference between the median existing home sales price and the median new home sales price declined to 14 percent—the smallest difference between the two sales types since 2007.

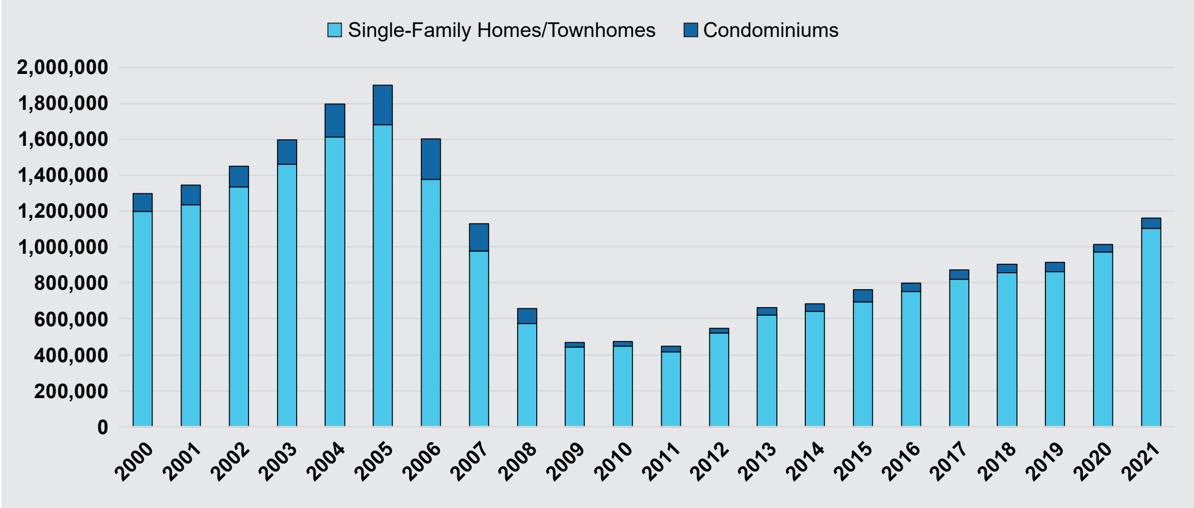
Sales Construction Activity

Since 2010, sales construction, as measured by the number of sales units permitted, has trended upward for the nation, but sales construction activity remained well below the construction levels throughout much of the 2000s, when the home sales market was overbuilding (Figure 12). From 2000 through 2005, when home sales and prices increased, the number of sales units permitted averaged 1.56 million units a year. During the next 4 years, the number of sales units permitted dropped precipitously, averaging 963,400 units permitted a year, or a decline of 38 percent from the previous period. Sales building activity stabilized at low levels from 2009 through 2011, at 463,400 sales units permitted annually, as the housing market worked to absorb an excess supply of sales inventory. In the years that followed, the number of sales units permitted increased at a steady rate of 9 percent a year to approximately 913,900 in 2019. Since then, the pace of sales construction has accelerated to an average of 13 percent a year to approximately 1.16 million sales units permitted in 2021, the highest level since 2007.

Housing Affordability: Sales

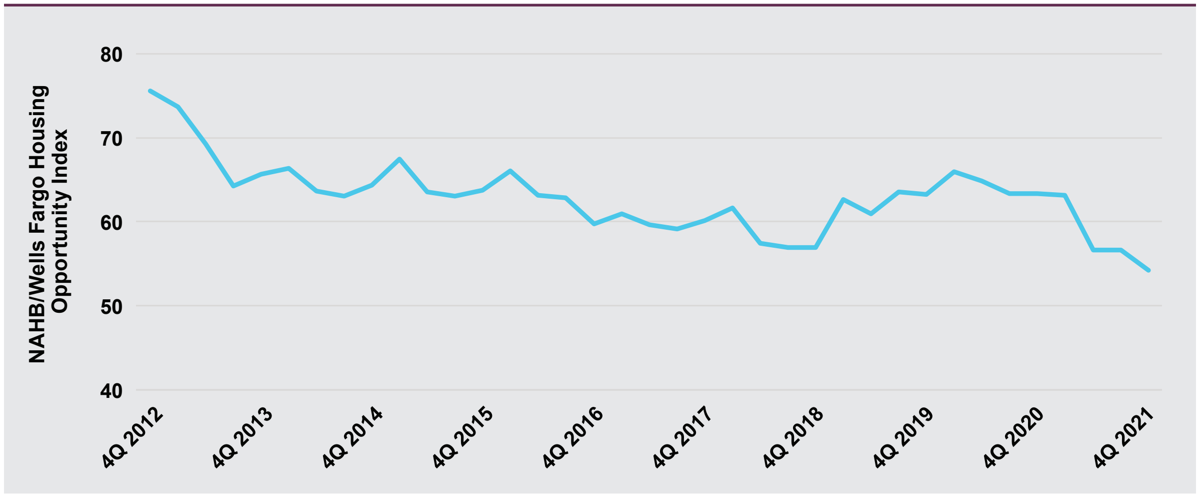
The affordability of owning a home in the United States varies significantly depending on geography, but homeownership in general has become less affordable during the last decade. The National Association of Home Builders (NAHB)/Wells Fargo Housing Opportunity Index (HOI) for the United States, which represents the share of homes sold that would have been affordable to a family earning the median income, was 54.2 during the fourth quarter of 2021, down from 75.6 during the fourth quarter of 2012 (Figure 13). Despite record low mortgage interest

Figure 12. Annual Sales Permitting Activity in the Nation



Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst

Figure 13. NAHB/Wells Fargo Housing Opportunity Index for the Nation



NAHB = National Association of Home Builders. 4Q = fourth quarter.
Source: NAHB/Wells Fargo

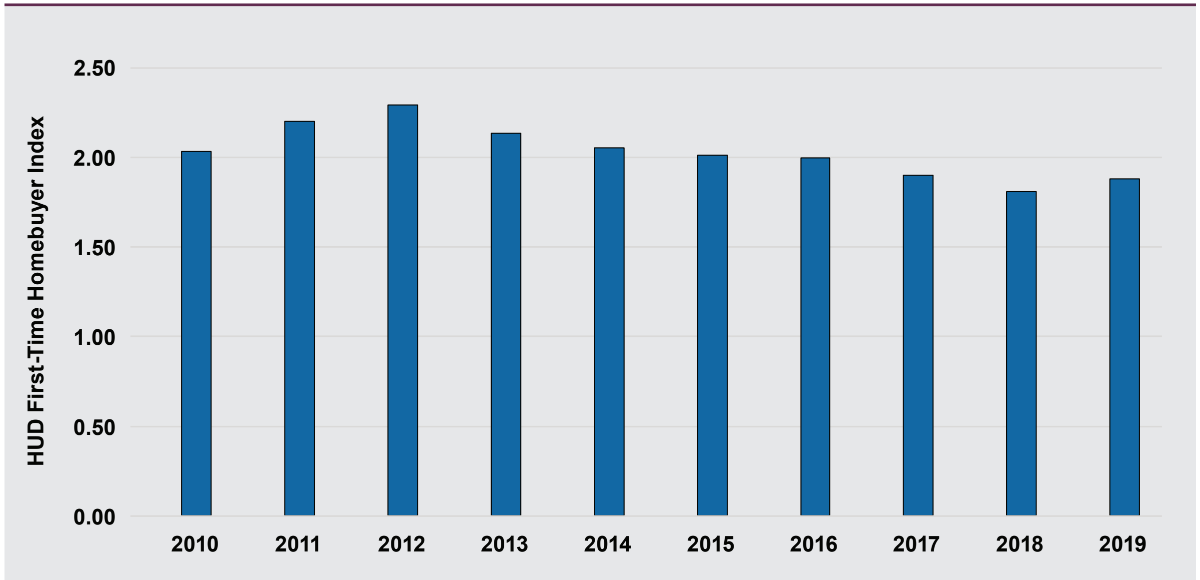
rates in 2021, the HOI declined by 9.1 percentage points in the past year alone, primarily because of increased home prices. In 2021, the median home price increased 11 percentage points faster than the median family income.

First-time homebuyers face many affordability challenges when it comes to purchasing a home, regardless of where they live. For the nation, homeownership has become less affordable for households in the 25-to-44-year age cohort, a prime group for first-time homebuyers. The HUD First-Time Homebuyer Affordability Index measures the median household income for householders aged 25 to 44 years old relative to the income needed to purchase the 25th percentile-priced home. After peaking in 2012 at 2.3, the index declined every year to 1.8 in 2018 (Figure 14). In 2019, the index increased slightly to 1.9 because of low interest rates and increased household income. Calculating the 2020 index is not possible because of data limitations with the 2020 ACS; however, when 2021 data are released, it is likely that the HUD First-Time Homebuyer Affordability Index will show a decline in affordability for first-time homebuyers, in part because of the strong home price increases since 2019.

Forecast

Strong demand for sales housing is expected to continue during the forecast period as the economy continues to grow in the aftermath of the pandemic-induced downturn. Demand is expected for 2.69 million sales units during the 3-year forecast period (Table 4). More than one-half of the demand during the first year will be met by units already under construction. Given the current economic and demographic forecast, the number of homes demanded should be relatively constant through the next 3 years. A rise in mortgage rates during this period would lessen the demand for sales housing. This demand forecast does not take into account investor demand for homes, which has risen dramatically in recent years. According to Redfin, a national real estate brokerage, 18.4 percent of home sales during the fourth quarter of 2021 were investor purchases, the highest share of investor purchases on record. As a result, the demand forecast in this report is lower than recent levels of home construction. To the extent that investor purchases continue at a high rate, this demand forecast may be underestimated.

Figure 14. HUD First-Time Homebuyer Affordability Index for the Nation



Sources: American Community Survey 1-year data; Federal Housing Finance Agency; Zonda

Table 4. Demand for New Sales Units in the Nation During the Forecast Period

	Sales Units
Demand	2,694,000 Units
Under Construction	560,000 Units

Note: The forecast period is from January 1, 2022, to January 1, 2025.
Source: Estimates by the analyst

Rental Market

Market Conditions: Very Tight

In 2021, the rental housing market was very tight, and rental permitting reached a new high as builders tried to keep up with rising demand.

Current Conditions and Recent Trends

The national rental market is very tight, with an estimated vacancy rate of 5.8 percent—down from 9.2 percent in 2010, when the market was soft (Table 5). The majority of the rental supply in the nation consists of apartments. In 2019, 62 percent of the national rental supply was in multifamily structures with two or more units, typically apartment properties (ACS 1-year data). Attached and detached single-family homes are also an important source of rental supply in the nation, with 33 percent of renters residing in that type of unit as of 2019, up 1 percentage point from 2010. During December 2021, the vacancy rate for professionally managed single-family rental units was 2.6 percent, down 0.1 percentage point from December 2020 (CoreLogic, Inc.). At the same time, the median rent for two-bedroom single-family homes that were professionally managed increased 12 percent to $1,592. During a similar period, from the fourth quarter of 2020 to the fourth quarter of 2021, the average monthly effective rent for apartment units increased 15 percent, whereas the apartment vacancy rate decreased from 4.3 to 2.5 percent (RealPage, Inc.). A large portion of the rental supply in the nation is not captured in the aforementioned survey data, which explains why the vacancy rates for apartments and professionally managed single-family rentals are below the current estimated vacancy rate of 5.8 percent for all rental units.

Table 5. Rental and Apartment Market Quick Facts for the Nation

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	9.2	5.8
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	34	33
	Multifamily (2–4 Units)	19	17
	Multifamily (5+ Units)	43	45
	Other (Including Mobile Homes)	5	4
Apartment Market Quick Facts		4Q 2021	YoY Change
	Apartment Vacancy Rate	2.5	-1.9
	Average Monthly Effective Rent	$1,627	15%

4Q = fourth quarter. YoY= year-over-year.
Notes: The current date is January 1, 2022. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—RealPage, Inc.

In 2020, several policies were enacted at the federal level to help renters stay in their homes during the COVID-19 pandemic. A national moratorium on evictions was in place for much of the pandemic, but a Supreme Court ruling resulted in the moratorium ending in August 2021. Many predicted that a mass wave of rental evictions would follow; however, that has not come to pass. Although rental evictions did increase 20 percent from the 3 months before the end of the moratorium to the 3 months after the moratorium ended, evictions were coming from a low base and remained well below the historical average (Eviction Lab).

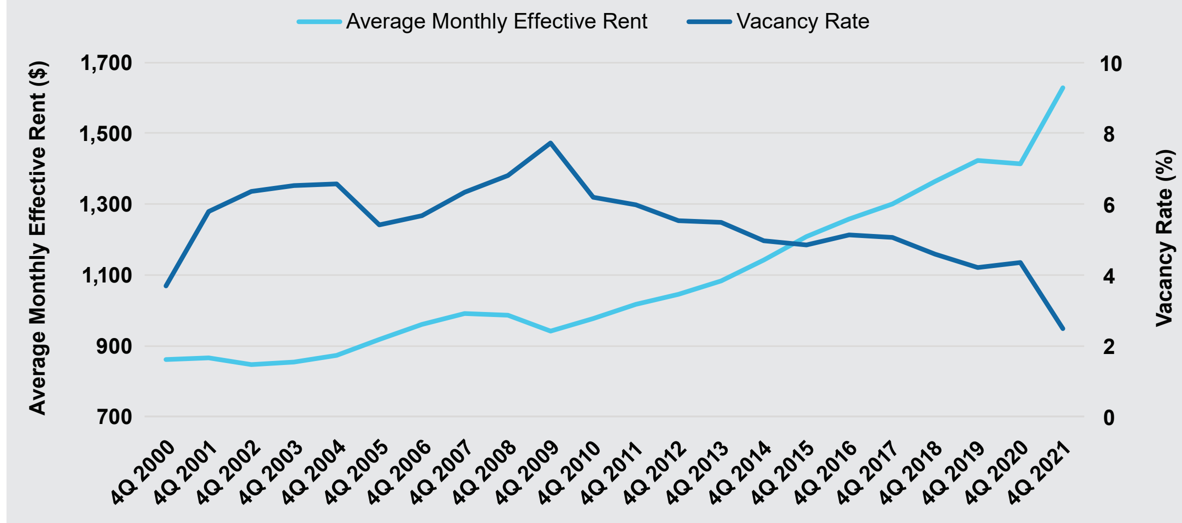
Current Regional Highlights

Apartment market conditions varied throughout the 10 HUD regions from balanced to very tight during the fourth quarter of 2021. Most regions had tight markets, and year-over-year apartment rent growth during the fourth quarter of 2021 was extreme in some areas. Florida had 5 of the top 10 markets for apartment rent growth, with the highest year-over-year rent increase in the country occurring in the Naples metropolitan area at 43 percent. Additional apartment market data by HUD region is available at the regional housing market information page on the PD&R U.S. Housing Market Conditions website.

Apartment Vacancy Rates and Rents Since 2000

The national apartment market during the 2000s was more volatile than during the 2010s when there was a steady tightening of market conditions. The apartment vacancy rate for the nation was a low 3.7 percent during the fourth quarter of 2000 before increasing to 6.6 during the fourth quarter of 2004 (RealPage, Inc.; Figure 15). During this period, the average monthly effective apartment rent was relatively unchanged. The rental market softened during this time because of an increased number of households shifting from renting to owning homes and an increased supply of single-family rentals that investors added to the market. The market tightened somewhat in 2005, with the vacancy rate declining by 1.2 percentage points and the average monthly effective rent increasing 5 percent. In the years that followed, the apartment vacancy rate increased by an average of 0.6 percentage point annually, and the average monthly effective rent increased an average of 1 percent a year through the fourth quarter of 2009. As was the case for the sales market during that period, the national apartment market was soft in 2009, in part because

Figure 15. Apartment Rents and Vacancy Rates in the Nation



4Q = fourth quarter.
Source: RealPage, Inc.

apartments faced increased competition from investor-owned condominiums and single-family homes entering the rental market. During the housing crisis, the increase in condominium and single-family rentals came from two main sources: (1) investors buying foreclosed properties and offering them for rent and (2) households needing to relocate and move out of their homes but without enough equity to sell.

In the years since the Great Recession, the average apartment vacancy rate has mostly trended downward, but the average monthly effective rent in the nation increased at a steady rate until 2020. From the fourth quarter of 2009 to the fourth quarter of 2019, the average apartment vacancy rate decreased from 7.7 to 4.2 percent, or an average of 0.4 percentage point a year (RealPage, Inc.). At the same time, the average effective monthly rent increased an average of 4 percent annually, from $942 in the fourth quarter of 2009 to $1,423 in the fourth quarter of 2019. The COVID-19 pandemic and 2020 recession led to a brief softening of the apartment market as the average monthly effective rent declined 1 percent and the average vacancy rate increased by 0.1 percentage point from the fourth quarter of 2019 to the fourth quarter of 2020. The slowdown in rental demand was short-lived, however, and by the fourth quarter of 2021, the average rent for apartments was up 15 percent, year-over-year, and the average vacancy rate was down by 1.8 percentage points. The fourth quarter of 2021 had the lowest apartment vacancy rate and the highest year-over-year increase in the average apartment rent in more than 20 years.

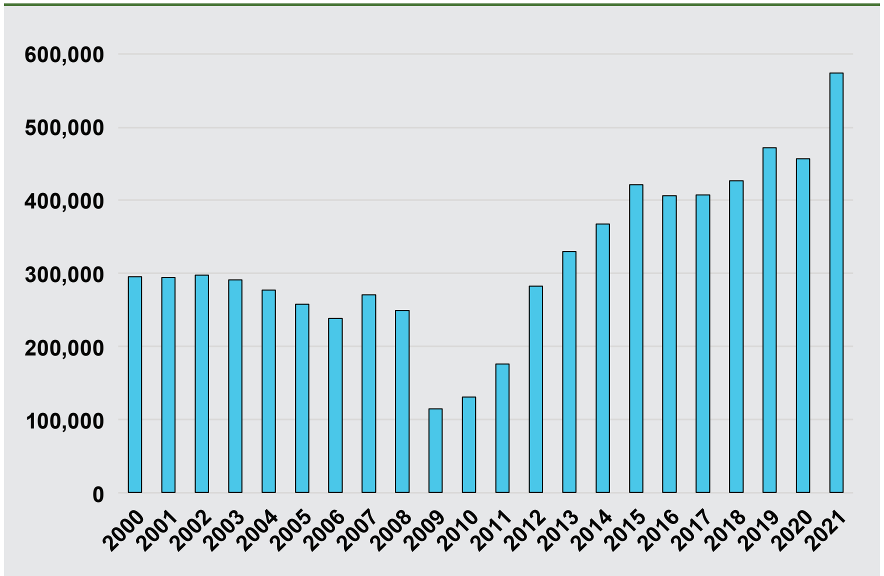
Rental Construction Activity

Rental building activity (see Rental Construction), as measured by the number of rental units permitted, averaged much higher levels during the 2010s in response to stronger growth in rental demand and tighter rental market conditions compared with the previous decade. From 2000 through 2008, an average of 274,600 rental units were permitted annually (Figure 16). As the rental market softened considerably in 2009, rental permitting dropped and remained at relatively low levels for 3 years, averaging 140,500 units permitted annually through 2011, or nearly half the average annual level during the previous 9 years. Rental building activity began to recover in earnest from 2012 through 2015, increasing at an average annual rate of 24 percent. For the next 5 years, the number of rental units permitted was fairly steady, averaging 434,000 units per year. As the rental market tightened and rents rose rapidly in 2021, the number of rental units permitted reached a high of approximately 573,900 units.

Housing Affordability: Rental

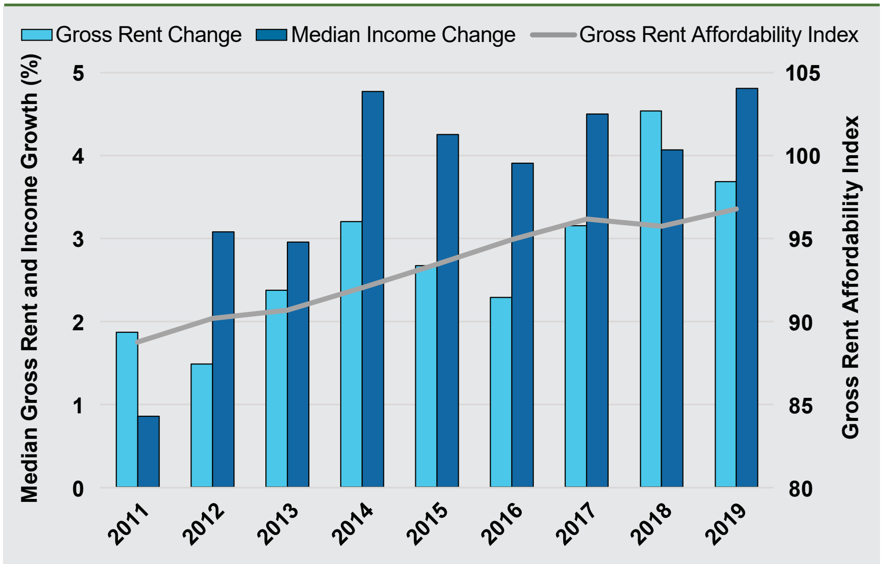
Rental affordability across the nation increased through the 2010s, with the median income for renter households increasing at a faster rate than the median gross rent. From 2010 to 2019, the median income for renter households increased 38 percent, whereas the median gross rent increased 28 percent. As a result, the HUD Gross Rent Affordability Index for the nation, a measure of median renter household income relative to qualifying income for the median-priced rental unit, increased from 89.7 in 2010 to 96.8 in 2019 (Figure 17). It is likely that rental affordability has declined substantially since 2019 because of the rapid rent growth during the past year.

Figure 16. Annual Rental Permitting Activity in the Nation



Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–20—final data and estimates by the analyst; 2021—preliminary data and estimates by the analyst

Figure 17. Gross Rent Affordability Index for the Nation



Note: The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website in that it is based on combined rent and utilities expenditure.
Source: American Community Survey 1-year data

Even prior to the incredible growth in rents during 2021, many renter households in the United States faced some degree of cost burden, paying more than 30 percent of their income on rent. During the 2014-through-2018 period, an estimated 21.8 percent of all renter households in the nation had a moderate to high cost burden, spending between 31 and 50 percent of their income on rent, whereas 22.6 percent were severely cost burdened, spending more than 50 percent of income toward rent (Table 6). The cost burdens are significantly worse for very low-income renter households. For renter households with incomes less than 50 percent of the Area Median Family Income, 24.7 percent experienced moderate to high cost burden and 51.2 percent were severely cost burdened.

Income-eligible residents may qualify for project-based rental assistance (PBRA) or housing choice vouchers (HCV) through their local public housing authority (PHA). Nationwide, PHAs administered approximately 2.3 million HCVs in 2021, an increase of more than 14 percent from 2010 (HUD's Picture of Subsidized Households). The average monthly subsidy has increased 1.5 percent since 2010, whereas the monthly tenant contribution has decreased 2.5 percent (Table 7). Despite nearly 4.6 million American households receiving rental assistance, funding limitations prevent three out of four eligible households from receiving housing assistance.

Table 6. Percentage of Cost Burdened Renter Households by Income in the Nation, 2014–18

	Moderate to High Cost Burden: 31–50 Percent of Income Toward Housing Costs	Severe Cost Burden: 51 Percent or More of Income Toward Housing Costs
Renter Households with Income <50% HAMFI	24.7	51.2
Total Renter Households	21.8	22.6

CHAS = Comprehensive Housing Affordability Strategy. HAMFI = HUD Area Median Family Income.
Sources: Consolidated Planning/CHAS Data; 2014–18 American Community Survey 5-year estimates

Table 7. National Picture of Subsidized Households, 2021

	Total	Change Since 2010
Total Assisted Households (2021)	4,565,867	3.1%
Total Housing Voucher Households (2021)	2,327,707	14.1%
Average HCV Tenant Monthly Contribution	$395	-2.5%
Average Monthly HUD Subsidy	$883	1.5%

HCV = housing choice voucher.
Note: Dollar changes are inflation-adjusted using the Consumer Price Index for All Urban Consumers (CPI-U).
Source: HUD Picture of Subsidized Households

Forecast

During the 3-year forecast period, the high levels of rental unit construction are expected to ease the tight market. Demand for approximately 1.90 million rental units is expected nationwide for the next 3 years (Table 8). The 469,300 rental units already under construction will satisfy much of the estimated demand during the first year of the forecast period. Demand is expected to remain relatively constant during the 3-year period, given the economic and demographic outlook presented in this report. A rise in mortgage rates during this period would increase the cost of owning a home and in turn, increase the demand for rental units.

Table 8. Demand for New Rental Units in the Nation During the Forecast Period

Rental Units	
Demand	1,901,000 Units
Under Construction	469,300 Units

Note: The forecast period is January 1, 2022, to January 1, 2025.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits (Rental/Sales Construction)	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Cost Burdened	Spending more than 30 percent of household income on housing costs. Moderate to high-cost burden refers to households spending 31 to 50 percent of income on housing costs. Severe cost burden refers to households spending 51 percent or more of income on housing costs.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Effective Rent	The cost to rent an apartment, less concessions.
Forecast Period	1/1/2022–1/1/2025—Estimates by the analyst.
Home Sales/ Home Sales Prices	Include single-family home, townhome, and condominium sales.
Net Natural Change	The difference between resident births and resident deaths.

Rental Market/ Rental Vacancy Rate	**Includes apartments and other rental units such as single-family, multifamily, and mobile homes.**
Seriously Delinquent Mortgages	**Mortgages 90+ days delinquent or in foreclosure.**

B. Notes on Geography

1.	**Puerto Rico, U.S. Virgin Islands, and Guam are served by HUD programs but are not included in this analysis due to data limitations.**
2.	**HUD is organized into 10 regions:** **New England (Region I): Connecticut, Vermont, Massachusetts, Maine, New Hampshire, Rhode Island** **New York/New Jersey (Region II): New York, New Jersey** **Mid-Atlantic (Region III): Pennsylvania, Virginia, West Virginia, Maryland, Delaware, Washington, D.C.** **Southeast/Caribbean (Region IV): Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Puerto Rico, U.S. Virgin Islands** **Midwest (Region V): Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin** **Southwest (Region VI): Arkansas, Louisiana, New Mexico, Oklahoma, Texas** **Great Plains (Region VII): Kansas, Iowa, Missouri, Nebraska** **Rocky Mountain (Region VIII): Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming** **Pacific (Region IX): California, Arizona, Hawaii, Nevada** **Northwest (Region X): Washington, Alaska, Idaho, Oregon**

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments.
3.	The NAHB/Wells Fargo Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
4.	The national HUD First-Time Homebuyer Affordability Index is a weighted average of the index for each metropolitan area, weighted by the total number of sales.

D. Photo/Map Credits

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