

HOUSING TRENDS IN THE UNITED STATES, 1973 TO 1989

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Introduction

Declining household size in the United States, as in other industrialized nations, has resulted in the housing stock growing at a faster rate than the population. In 1973, the average household size was 3.01 persons. By 1989, average household size had declined to 2.62 persons. The population of 211.9 million in 1973 increased 16.7 percent to 247.4 million in 1989, while the housing stock increased 39.1 percent from 76.0 million in 1973 to 105.7 million in 1989.

While the housing stock was growing by 29.7 million units, new housing additions in the 1973 to 1989 period totaled 31.5 million units, 26.8 million from completion of conventionally built units and 4.7 million from placement for residential use of mobile homes, a form of manufactured housing which conforms to a national building standard administered by the Department of Housing and Urban Development (HUD), rather than to local codes and standards. Losses from the housing stock and additions from sources other than new construction comprise the rest of the inventory changes over the period; data on these other changes are not available for the

entire period.

This paper will detail the more important characteristics of the U.S. housing stock, relying primarily upon the Annual Housing Survey, conducted from 1973 to 1983, and its successor, the American Housing Survey; both surveys have been designed by HUD staff and conducted for HUD by the Bureau of the Census, Department of Commerce.

Units in Structure

Table 1 shows changes in the housing stock from 1973 to 1989 by type of structure. The types are: one unit, detached from any other unit; one unit, attached to one or more units; units in two to four unit structures; units in structures with five or more units; and mobile (manufactured) homes.

Table 1: Type of Structure
(units in thousands)

Year	Total	1 Det	1 Att	2 - 4	5 Plus	M. H.
1973	75,969	48,629	3,334	9,639	11,089	3,278
1975	79,087	51,023	3,129	9,802	11,792	3,342
1977	82,420	52,932	3,105	10,419	12,271	3,693
1979	86,374	55,667	3,401	10,785	12,910	3,610
1981	91,561	58,722	3,691	11,036	14,240	3,871
1983	93,519	58,874	4,453	11,373	14,820	3,999
1985	99,931	60,607	4,514	11,655	17,061	6,094
1987	102,652	61,775	5,496	10,987	17,706	6,688
1989	105,661	63,587	5,703	11,261	18,202	6,908
% chg 73-89	39.1	30.8	71.1	16.8	64.1	110.7

Three caveats are needed here. First, prior to 1981, the AHS sample was weighted to the 1970 census of population and housing,

and starting in 1981 it has been weighted to the 1980 census. The 1980 census found one million households and one-and-a-half million housing units more than expected, so the increase from 1979 to 1981 shown here is overstated by 1.5 million units. Second, a new sample from the 1980 census was drawn for the 1985 and succeeding surveys, and sampling differences may account for some of the increase from 1983 to 1985, especially in the multifamily stock. About 1.05 million new multifamily units were completed in 1984 and 1985, not the 2.2 million shown here. Third, beginning in 1985, mobile (manufactured) homes included vacant units on permanent sites, suitable for occupancy, while before then only occupied mobiles were counted. Thus this sector seems to have grown faster from 1983 to 1985 than it actually did.

The entire stock grew rapidly in the late 1970's in a period of strong economic growth, and then slowed in the recession of the early 1980's. Growth picked up again in the mid-1980's. The single family stock grew rapidly in the 1970's when substantial appreciation in prices and often negative real mortgage rates made home-buying not only socially desirable, but economically advantageous as well. The multifamily stock grew very much in the early 1970's, too early to be captured in these data, and grew again in the 1983 to 1986 period, due to very favorable tax treatment which is no longer available. The greatest rate of increase over the entire period appears to be in the mobile (manufactured) home inventory; the rate is somewhat overstated, however, for the reason previously discussed. Over 11 percent of

mobiles were vacant in 1989, so the increase in occupied mobiles over the period was 86.7 percent, still the highest rate. The next greatest rate of increase was in single family attached units, or "town houses." Their higher densities and savings in land costs make them very popular in urban areas for starter homes for owners as well as for households seeking larger rental units. In 1989, 49 percent of the occupied town houses sheltered renters. The next greatest growth was in multifamily housing, with five or more units in structure. The exceptionally favorable tax treatment of multifamily rental housing between 1982 and 1986 mentioned earlier led to much overbuilding of these units, so that the rental vacancy rate hovered close to eight percent for a time. Over fifteen percent of the "five plus" stock was vacant in 1989, including units held off the market. The most preferred form of housing in the United States, single family detached, grew more slowly than the stock as a whole, with the increase approximately equal to the number of completions over this period. The slowest growing component was the two-to-four unit sector, generally built to satisfy the interests of investors of limited means, and typically only four to seven percent of conventional housing production.

Tenure and Vacancies

Table 2 shows housing units suitable for year-round occupancy, excluding units for seasonal or migratory use. The units are shown as occupied stock by tenure, owned or rented, and vacant stock, with some rental information broken out.

Table 2: Changes in Occupied and Vacant Units, 1973 to 1989
(year-round units in thousands)

Year	Total	Total Occup	Own	Rent	% Owned	Total Vac't	Vac't for Rent	Rent Vac Rate
1973	75293	69337	44653	24684	64.4	5956	1545	5.8
1975	77553	72523	46867	25656	64.6	5030	1489	5.4
1977	80716	75280	48765	26515	64.8	5436	1532	5.4
1979	84586	78572	51411	27160	65.4	6014	1600	5.5
1981	89610	83175	54342	28833	65.3	6435	1634	5.3
1983	91675	84638	54724	29914	64.7	7037	1906	5.9
1985	96749	88425	56145	32280	63.5	8324	2518	7.2
1987	99815	90888	58164	32724	64.0	8927	2895	8.0
1989	102780	93683	59916	33767	64.0	9097	2644	7.2
% Chg 73-89	36.5	35.1	34.2	36.8	-0.6	52.7	71.1	24.1

As intimated earlier, the vacant stock grew much faster than the occupied stock. In particular, the vacant for rent stock grew the fastest due to overbuilding of apartments, so that the rental vacancy rate rose and peaked at 8 percent in 1987 (and 1988 as well). Adding vacant mobile homes to the count did very little to increase the rental vacancy rate from 1983 to 1985; although the rental vacancy rate for mobiles was 8.4 percent in 1985, there were only 79,000 vacant mobiles in that year. The over-all rental vacancy rate has since receded to just over 7 percent, still high, since 5.0 to 5.5 percent or so is considered normal for most markets. The renter occupied stock grew somewhat faster than the owner occupied stock, accompanied by a decline in the owner share

of the occupied inventory to a low of 63.5 percent in 1985. The rate had risen steadily from World War II to 1980. The homeowner rate has recovered slightly after 1985 and is now stabilized at the 64 percent level.

Demand for Housing

Most demand for additional housing from new construction, of course, arises from changes in household formation. A much smaller demand arises from the need to replace inadequate or lost housing, while rehabilitation or restoration of houses offsets some demand for new construction. Conversions to and from other uses appear to balance out, according to the latest data. Net increases in household formation averaged almost 1,738,000 per year during the 1970's, as the "baby boom" generation came of age, and demanded more of everything, particularly rental housing at first, and then owner housing. In the 1980's, net household formation slowed to an average annual increase of 1,257,000. High interest rates and increasing difficulty in finding jobs in manufacturing, plus postponing marriage, among other things, contributed to the slowdown. This slowdown in formations, plus recessions at the beginning and end of the 1980's slowed new housing production and housing inventory growth considerably below the rates in the 1970's. In the 1990's, household increases are projected to average just over one million per year.

Changes in Physical Condition

Table 3 shows owner and renter occupied units with physical condition problems, and units without central heating. The

problems range from severe to moderate, and include lacking some or all plumbing, frequent breakdowns of heating equipment, no electricity or problems with the electrical system, maintenance problems, problems in public areas of multiunit buildings, unvented gas, oil or kerosene heaters as primary heating equipment, or lacking a complete kitchen. The units without central heating rely primarily on such sources as vented or unvented space heaters, floor or wall heaters, or fireplaces or stoves, or have no heating equipment.

Table 3: Changes in Physical Conditions and Heating Equipment of Occupied Units, 1975 to 1989
(units in thousands)

Year	Total Owner	Physical Problems Number %	No Central Heating Number %	Total Renter	Physical Problems Number %	No Central Heating Number %
1975	46,920	3,507 7.5%	9,275 19.8%	25,633	4,197 16.4%	7,832 30.5%
1977	48,864	3,448 7.0%	9,154 18.8%	26,535	4,193 15.8%	7,568 28.5%
1981	54,361	3,445 6.3%	10,519 19.4%	28,842	4,250 14.7%	7,652 26.5%
1983	54,890	3,420 6.2%	10,632 19.4%	29,952	4,141 13.9%	7,538 25.2%
1985	56,145	3,087 5.5%	10,943 19.5%	32,280	4,286 13.2%	7,535 23.3%
1987	58,164	2,717 4.6%	10,243 17.6%	32,724	3,689 11.2%	7,155 21.9%
1989	59,916	3,572 5.9%	9,373 15.6%	33,767	4,031 11.9%	6,947 20.6%
% Chg. 1975-1989	27.7%	1.9%	1.1%	31.7%	-4.0%	-11.3%

Table 3 omits 1973, because the first year questionnaire lacked some of the important indicators that were later incorporated in the measures of condition after analysis of several years' results. The 1979 data are also omitted because questionnaire changes inadvertently dropped essential questions on frequent interruptions in the supply of running water, and on breakdowns of flush toilets, sewage disposal systems, and heating equipment. These indicators were restored in later years.

The questions on presence of complete bathrooms in 1985 and later years are worded somewhat differently than in earlier years, and the results are not entirely comparable. Also a new sample was instituted in 1985 and later, which may contribute to some differences in data.

These measures seem to indicate some improvement in the quality of the occupied housing stock, proportionately if not in absolute numbers. Also, it should be noted that central heating is not a necessity in some areas of the United States with a year-round warm climate. The lack of central heating of occupied units persists in all regions of the country, however, including the Midwest and the Northeast, where central heating is a necessity.

Housing Cost Burdens

Tables 4a and 4b show housing costs in relation to the incomes of owners or renters. Owner housing costs include payments for principal and interest on outstanding mortgage loans, real estate taxes, property insurance, utilities, fuel, and garbage and trash collection. Beginning in 1985, homeowners association fees,

cooperative or condominium fees, mobile home park fees, and land rent are included. Renter housing costs are "gross rent," which is contract rent plus any separate payments for utilities and fuels. After 1983, renter costs also include payments for property or hazard insurance, mobile home land rent, and garbage and trash collection.

Table 4a: Housing Costs as a Percent of Income
1975 to 1983

Year	Owners				Renters	
	With Mortgage		No Mortgage		Median	% > 50%
	Median	% > 50%	Median	% > 50%		
1975	18	4.4	11	3.1	23	16.0
1977	19	5.1	12	3.7	25	17.1
1979	19	5.7	12	3.8	26	18.2
1981	19	6.9	12	4.4	27	20.3
1983	20	7.8	13	4.7	29	22.8

Table 4b: Housing Costs as a Percent of Income
1985 to 1989

Year	All Owners			Renters		
	Median	# > 50%	% > 50%	Median	# > 50%	% > 50%
1985	18	3,696	7.2	27	6,128	20.7
1987	18	3,758	7.1	29	6,991	23.1
1989	18	3,692	6.9	27	5,836	18.8

The 1989 results are not directly comparable to 1985 and 1987 results. Questions were added in 1989 to obtain the current income of family members or primary individuals who recently entered the work force, rather than merely asking for income the prior twelve months, which would understate income. This has the effect of

lowering cost-income ratios. Also, an improved method was begun in 1989 to estimate more accurately the cost of utilities, which tended to be overstated by respondents who vividly remembered the largest monthly bills but not the smaller ones. This change also tends to lower the housing-cost ratios. It is believed that the 1989 results are better estimates of the cost-income ratios, which nevertheless have trended upward over time.

Changes in the Rental Stock

Table 5 shows changes in the occupied rental stock, the number and share subsidized by the Department of Housing and Urban Development, and the number and share occupied without payment of cash rent.

Table 5: Changes in the Occupied Rental Stock, 1973 to 1989
(units in thousands)

Year	Total Stock	HUD Subsidized Units		Occupied With No Cash Rent	
		Number	Percent	Number	Percent
1973	24,684	1,355	5.49	1,628	6.60
1975	25,656	1,717	6.69	1,267	4.94
1977	26,515	2,189	8.26	1,308	4.93
1979	27,160	2,636	9.71	1,287	4.74
1981	28,833	3,047	10.57	1,326	4.60
1983	29,914	3,434	11.48	1,401	4.68
1985	32,280	3,743	11.60	2,032	6.29
1987	32,724	3,992	12.20	2,065	6.31
1989	33,767	4,174	12.36	2,229	6.60
% Chg. 1973-89	36.8%	208.0%		36.9%	

The share of the occupied rental stock subsidized by HUD

programs has grown from 5 1/2 percent in 1973 to 12 percent in 1989, although the rate of growth of the subsidized rental stock has slowed in recent years; it still grew somewhat faster than the entire occupied rental stock in those recent years. These figures overstate slightly the HUD share in the fifty states and the District of Columbia, because Puerto Rico and other outlying areas are included in these HUD Budget Office figures and could not be excluded. The total number of subsidized rental units is understated because rental subsidy programs of the Farmers Home Administration of the Department of Agriculture and of state and local governments are not included.

Another interesting and often ignored part of the rental stock, the units occupied without payment of cash rent, has varied by year and by survey, but overall it has kept pace with the occupied rental stock. These units are usually rent-free because occupancy is part of pay for services rendered, such as managerial or janitorial services, or because the occupant is related to the owner.

"Worst Case" Needs

In a HUD report to Congress entitled "Priority Housing Problems and "Worst Case" Needs in 1989," Kathryn Nelson of HUD's Policy Development Division stated that 3.6 million elderly or family very-low income renter households had Congressionally defined priority "worst case" housing problems because they lived in severely substandard housing or had rent burdens greater than 50 percent of reported income. Another 1.4 million very-low income

renter households also had these severe problems but contained only nonelderly unrelated individuals, a group formerly not eligible for assistance. Renters with worst case needs make up 5 percent of U.S. households, and contain 5 percent of the population and 7 percent of the children. Severe rent burdens were the only housing problem for almost three-fourths of renters with worst case housing problems.

Among elderly and family renters, worst case needs grew markedly between 1974 and 1983, from 2.5 million (34 percent of those eligible) to 3.8 million (39 percent). Nonfamily households had similar increases. The increases were due entirely to increases in rent burdens, and occurred despite the increases in rental assistance over the period. Since 1985, the number and proportion of very-low income family and nonfamily renters with worst case problems have declined.

HUD Programs

The primary HUD programs currently used are no longer the housing construction programs of the 1970's, but employ housing certificates or vouchers to enable households in need of assistance to find housing in the existing inventory. Vouchers and certificates are similar but have an important difference. In the Certificate Program, the tenant contribution is a fixed percentage, 30 percent, of family income, and housing assistance payments vary to make up the difference between the tenant contribution and the unit rent, which must conform reasonably to a "Fair Market Rent" standard set annually for over three thousand housing markets in

the United States and territories. In the Housing Voucher Program, assistance payments are fixed, based on the local Payment Standard which initially is the Fair Market Rent, and tenant contributions can vary above or below 30 percent of income to make up the difference between the assistance payment and the unit rent. With certificates, the family is restricted to that part of the rental stock renting at or below the Fair Market Rent, while with vouchers, a family can rent any unit that meets program standards, getting desired amenities or better quality and paying more, or settling for fewer amenities or less quality and lower housing costs. In 1989, we estimate that almost 1.1 million renters were receiving assistance through certificates and vouchers.

Some new initiatives of the Department of Housing and Urban Development are the HOPE and HOME programs. The HOPE (Homeownership and Opportunity for People Everywhere) Program builds on the United Kingdom's experience in selling council housing to tenants. It has three components. Public and Indian Housing Homeownership covers the stock owned by Public Housing Agencies and Indian Housing Authorities. Multifamily Homeownership is for Federally subsidized and insured multifamily developments plus properties on which HUD holds the mortgage because of defaults on the HUD-insured mortgage and properties which HUD owns outright, having paid off the holder of the mortgage and foreclosed on the property. Single Family Homeownership is for single-family properties owned by Federal, State, or local governmental agencies. Grants are made to resident management

corporations, resident councils, cooperative associations, nonprofit organizations, and public agencies including PHAs and IHAs, for planning, technical assistance, acquisition, rehabilitation, counseling and training, economic development activities, capital reserves, operating expenses, and transaction costs. The goals are broadening homeownership, enabling people to enter the economic mainstream, and empowering people to take control of their homes and their lives.

The HOME Program is similar to a block grant program in that grants are made to entitlement jurisdictions on a formula basis. Eligible recipients include states, metropolitan cities and urban counties, Indian Tribes, and Insular areas. In order to apply for

HOME funds, State and local governments, but not Indian Tribes, must develop a "Comprehensive Housing Strategy" ^{Affordability} ~~covering assisted~~ ^{that identifies ~~any~~ needs for} ~~housing activities~~. ^{for affordable and supportive housing and outlines a strategy to address those needs.} The strategy must be approved by HUD before

funds can be received. The program's purposes include expanding the affordability of housing for low- and very-low income families primarily through tenant-based assistance and rehabilitation of existing housing, building State and local capacity to carry out affordable housing programs and leverage Federal funds with State and local contributions, and expanding the capacity of nonprofit community development organizations to develop and manage housing. Under certain circumstances, housing can also be constructed.

Characteristics of Eligible HUD-assisted and Unassisted Renters

A March 1992 HUD report by Connie Casey of HUD's Housing and

Demographic Analysis Division provides the first reliable data on HUD-assisted tenants in over 12 years. The report, entitled "Characteristics of HUD-assisted Renters and Their Units in 1989," is drawn from a special application of the 1989 American Housing Survey. She reports that in 1989 there were 13,808,000 renter households eligible for housing assistance under various HUD subsidy programs; these households were 41 percent of all renters. She estimates that about 4,070,000 renter households were residing in HUD-assisted rental units in the 50 states and the District of Columbia, 12 percent of all renters and 29 percent of eligible renters. Of the assisted households, 1,360,000 were in public housing units, 1,060,000 received assistance through housing certificates or vouchers, and 1,650,000 were in private, project-based units under various other HUD subsidy programs.

About 40 percent of all assisted renters were Black, compared with 23 percent of income-eligible unassisted renters. Among the three program types, Black proportions ranged from 30 percent of the private, project-based, subsidized households to 53 percent of public housing households. White non-Hispanic households were 46 percent of assisted tenants, 59 percent of eligible unassisted renters, and comprised 34 percent of public housing households, 45 percent of certificate and voucher holders, and 57 percent of private unit households. Hispanic households made up 11 percent of all assisted, with 12 percent in both public housing and certificate/voucher holders and 9 percent in private units, and 15 percent of eligible unassisted households.

The median age of all assisted householders was 50, and for unassisted householders it was 41. Among the program types, the median age was 40 for certificate/voucher holders, and 56 for both public housing and private, project-based, subsidized householders.

Householders in public housing had the lowest level of education; median years of school completed was 11.4, compared with 12.2, 12.3, and 12.2 for the certificate/voucher, the private, project-based, and the eligible unassisted householders, respectively. Thirty percent of public housing householders had 8 years of schooling or less compared with 15 to 18 percent of the other groups.

Married couples made up only 13 percent of assisted households, but 22 percent of unassisted households. The proportions of married couple families was 9 percent in public housing, 15 percent in private, project-based housing, and 16 percent among certificate/voucher holders.

One-person households were most common in private, project-based housing and public housing, occupying 50 percent and 47 percent, respectively, of these units, compared with 27 percent of certificate/voucher holders and 40 percent of eligible unassisted households.

Female-headed families comprised 39 percent of assisted tenants, with 29 percent of private, project-based households, 41 percent of public housing households, 53 percent of certificate/voucher households, and 31 percent of unassisted, eligible households being female-headed families. Single females were 33

percent of assisted households, with 39 percent of private, project-based, 34 percent of public, 21 percent of certificate/voucher, and 25 percent of eligible, unassisted households being single females.

Elderly households were 35 percent of assisted households (26 percent were elderly females), 38 percent in public housing (29 percent elderly females), 40 percent in private, project-based housing (31 percent elderly females), 23 percent with certificates or vouchers (16 percent elderly females), and 22 percent of eligible, unassisted households (15 percent elderly females).

About 12 percent of public housing households had five or more persons, compared with 14 percent of certificate/voucher holders, 6 percent of private, project-based households, and 12 percent of eligible, unassisted households.

About 61 percent of certificate/voucher households had children under 18, with 18 percent having three or more children. In public housing, the proportions were 41 percent and 13 percent; in private, project-based housing, 38 percent and 6 percent; and among eligible, unassisted households, the proportions were 43 percent and 15 percent.

The report contains a great deal more information on household characteristics and on the characteristics of the housing units occupied by these groups and by all renters in the United States.

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