



# U.S. Housing Market Conditions

February 2011

## SUMMARY

Housing data for the fourth quarter of 2010 indicated that the recovery in the housing market continues to remain fragile. In the production sector, single-family housing permits increased and starts remained steady, although completions fell. Multifamily housing permits, starts, and completions all fell, although permits and completions were down only slightly. In the marketing sector, sales of both new and existing homes rose, while median sales prices for new homes remained steady and those for existing homes fell slightly from year-earlier levels. The Standard and Poor's Case-Shiller® national seasonally adjusted (SA) repeat-sales house-price index, which is reported with a lag, recorded a 3.4-percent decline in the value of homes in the third quarter of 2010, after having increased 2.6 percent in the second quarter, and a 1.6-percent decline over year-earlier levels. The less volatile Federal Housing Finance Agency's (FHFA) purchase-only repeat-sales index, also reported on a lagged basis, estimated a 1.6-percent (SA) decrease in home values in the third quarter compared with the second quarter and a 3.2-percent decline from year-earlier levels. Inventories of available homes at the current sales rate decreased in the fourth quarter of 2010, reaching an average rate of 8.0 months' supply of new homes and 9.4 months' supply of existing homes, down from rates of 8.5 and 11.7 months' supply, respectively, in the previous quarter.

The national homeownership rate declined in the fourth quarter of 2010, as did the homeownership rate for minorities. According to the Mortgage Bankers Association (MBA), the percentage of delinquencies for mortgage loans fell in the third quarter, while newly initiated foreclosures increased (the data are reported with a 2-month lag). The percentage of newly initiated foreclosures rose for both prime and subprime loans. The advance estimate of overall real growth in the national economy for the fourth quarter was a 3.2-percent increase at a seasonally adjusted annual rate (SAAR), following a 2.6-percent expansion in the third quarter, according to the Bureau of Economic Analysis. Residential investment increased by 3.4 percent in the fourth quarter compared with a decline of 27.3 percent in the third quarter of 2010.

## Housing Production

Housing production indicators were mixed in the fourth quarter of 2010. The number of single-family housing permits rose and starts remained steady, but completions fell. In the multifamily sector (apartments and condominiums), the number of permits, starts, and completions all fell, although the decline in permits and completions was small. Shipments of manufactured housing dropped in the fourth quarter.

- Builders took out permits for new housing at a pace of 574,000 (SAAR) units during the fourth quarter, which was 3 percent higher than the previous quarter but 8 percent lower than a year earlier. Single-family building permits were issued for 421,000 (SAAR) housing units, an increase of 4 percent from the third quarter but a decrease of 14 percent from year-earlier levels. Single-family permits have increased in 5 of the last 7 quarters, after having declined for 14 consecutive quarters, ending the second quarter of 2009.
- During the fourth quarter, builders started construction on 538,000 new housing units (SAAR), down 8 percent from the third quarter and 5 percent from a year earlier. Single-family housing starts totaled 436,000 (SAAR) housing units, virtually unchanged

## I n s i d e

Contents .....	2
2010 Annual Data .....	5
What Do We Know About Single-Family Rental Properties? .....	6
National Data.....	17
Regional Activity .....	33
Historical Data.....	68



## Contents

<b>Summary</b> .....	1
Housing Production.....	1
Marketing of Housing.....	3
Affordability, Homeownership, and Foreclosures.....	4
Multifamily Housing.....	5
<b>2010 Annual Data</b> .....	5
<b>What Do We Know About Single-Family   Rental Properties?</b> .....	6
Introduction.....	6
AHS Data—Property and Renter Characteristics.....	6
Financing and Mortgage Performance.....	9
Single-Family Mortgage Purchases by Fannie Mae and Freddie Mac.....	12
Distribution of U.S. Rental Structures.....	15
Conclusion.....	16
Notes.....	16
Glossary.....	16
<b>National Data</b> .....	17
<b>Housing Production</b> .....	17
Permits.....	17
Starts.....	18
Under Construction.....	18
Completions.....	19
Manufactured (Mobile) Home Shipments.....	19
<b>Marketing of Housing</b> .....	20
Home Sales.....	20
Home Prices.....	21
Repeat Sales Price Index.....	22
Housing Affordability.....	22
Absorption of New Multifamily Units.....	23
Manufactured (Mobile) Home Placements.....	24
Builders' Views of Housing Market Activity.....	25
<b>Housing Finance</b> .....	26
Mortgage Interest Rates.....	26
FHA Market Share of 1- to 4-Family Mortgages.....	27
FHA 1- to 4-Family Mortgage Insurance.....	28
PMI and VA Activity.....	28
Delinquencies and Foreclosures.....	29
<b>Housing Investment</b> .....	30
Residential Fixed Investment and Gross Domestic Product.....	30
<b>Housing Inventory</b> .....	31
Housing Stock.....	31
Vacancy Rates.....	32
Homeownership Rates.....	32
<b>Regional Activity</b> .....	33
<b>Regional Reports</b> .....	34
New England, HUD Region I.....	34
New York/New Jersey, HUD Region II.....	36
Mid-Atlantic, HUD Region III.....	37
Southeast/Caribbean, HUD Region IV.....	39
Midwest, HUD Region V.....	41
Southwest, HUD Region VI.....	42
Great Plains, HUD Region VII.....	44
Rocky Mountain, HUD Region VIII.....	46
Pacific, HUD Region IX.....	48
Northwest, HUD Region X.....	49
<b>Housing Market Profiles</b> .....	52
Burlington-South Burlington, Vermont.....	52
Cincinnati-Middletown, Ohio- Kentucky-Indiana.....	53
Dallas-Plano-Irving, Texas.....	54
Grand Rapids, Michigan.....	55
Honolulu, Hawaii.....	56
Louisville-Jefferson, Kentucky-Indiana.....	57
Miami-Miami Beach-Kendall, Florida.....	58
Milwaukee-Waukesha-West Allis, Wisconsin.....	59
Missoula, Montana.....	60
New York City, New York.....	61
Pittsburgh, Pennsylvania.....	62
West Palm Beach-Boca Raton-Boynton Beach, Florida.....	64
<b>Units Authorized by Building Permits,   Year to Date: HUD Regions   and States</b> .....	66
<b>Units Authorized by Building Permits,   Year to Date: 50 Most Active Core   Based Statistical Areas (Listed by   Total Building Permits)</b> .....	67
<b>Historical Data</b> .....	68
Exhibit 1 New Privately Owned Housing Units Authorized: 1967–Present.....	68
Exhibit 2 New Privately Owned Housing Units Started: 1967–Present.....	69
Exhibit 3 New Privately Owned Housing Units Under Construction: 1970–Present.....	70
Exhibit 4 New Privately Owned Housing Units Completed: 1970–Present.....	71
Exhibit 5 Manufactured (Mobile) Home Shipments, Residential Placements, Average Prices, and Units for Sale: 1977–Present.....	72
Exhibit 6 New Single-Family Home Sales: 1970–Present.....	73
Exhibit 7 Existing Home Sales: 1969–Present.....	74
Exhibit 8 New Single-Family Home Prices: 1964–Present.....	75
Exhibit 9 Existing Home Prices: 1969–Present.....	76
Exhibit 10 Repeat Sales House Price Index: 1991–Present.....	77
Exhibit 11 Housing Affordability Index: 1973–Present.....	78
Exhibit 12 Market Absorption of New Rental Units and Median Asking Rent: 1970–Present.....	79
Exhibit 13 Builders' Views of Housing Market Activity: 1979–Present.....	80
Exhibit 14 Mortgage Interest Rates, Average Commitment Rates, and Points: 1973–Present.....	81
Exhibit 15 Mortgage Interest Rates, Fees, Effective Rates, and Average Term to Maturity on Conventional Loans Closed: 1982–Present.....	82
Exhibit 16 FHA Market Share of 1- to 4-Family Mortgages: 2001–Present.....	83
Exhibit 17 FHA, VA, and PMI 1- to 4-Family Mortgage Insurance Activity: 1971–Present.....	84
Exhibit 18 FHA Unassisted Multifamily Mortgage Insurance Activity: 1980–Present.....	85
Exhibit 19 Mortgage Delinquencies and Foreclosures Started: 1986–Present.....	86
Exhibit 20 Value of New Construction Put in Place, Private Residential Buildings: 1974–Present.....	88
Exhibit 21 Gross Domestic Product and Residential Fixed Investment: 1960–Present.....	89
Exhibit 22 Net Change in Number of House- holds by Age of Householder: 1971–Present.....	90
Exhibit 23 Net Change in Number of House- holds by Type of Household: 1971–Present.....	91
Exhibit 24 Net Change in Number of House- holds by Race and Ethnicity of Householder: 1971–Present.....	92
Exhibit 25 Total U.S. Housing Stock: 1970–Present.....	93
Exhibit 26 Rental Vacancy Rates: 1979–Present.....	94
Exhibit 27 Homeownership Rates by Age of Householder: 1982–Present.....	95
Exhibit 28 Homeownership Rates by Region and Metropolitan Status: 1983–Present.....	96
Exhibit 29 Homeownership Rates by Race and Ethnicity: 1983–Present.....	97
Exhibit 30 Homeownership Rates by Household Type: 1983–Present.....	98

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from the third quarter but down 11 percent from year-earlier levels. Single-family starts have risen or remained steady in 4 of the last 7 quarters, after having fallen for 12 consecutive quarters, ending the second of 2009. Builders completed 583,000 (SAAR) new housing units in the fourth quarter, down 4 percent from the third quarter and 26 percent over the four-quarter period. Single-family home completions totaled 461,000 (SAAR) units, down 4 percent from the previous quarter and 13 percent from a year earlier. Completions have increased in 2 of the last 5 quarters, after having declined for 14 consecutive quarters, ending the fourth quarter of 2009.

- Manufactured housing shipments totaled 42,000 (SAAR) units in the fourth quarter, down 15 percent from the third quarter and 14 percent over the four-quarter period. Onsite placements of manufactured housing, which are reported with a lag, reached 49,000 units in the third quarter, down 15 percent from the previous quarter but up 3 percent from a year earlier. Manufactured housing shipments have increased in 2 of the last 4 quarters, following a downward trend that began after the hurricane-induced sales-order increases of late 2005.

## Marketing of Housing

Data on the housing marketing sector improved in the fourth quarter of 2010. The number of both new and existing homes sold rose, while the median sales prices of new homes was unchanged and those of existing homes sold fell slightly from a year ago. The S&P Case-Shiller® and FHFA repeat sales house price indices, which are reported with a lag, estimated that house prices were down in the third quarter from both the second quarter of 2010 and the third quarter of 2009. The average months' supply of homes for sale in the fourth quarter fell for both new and existing homes. Home builders' confidence, as measured by the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index, increased in the fourth quarter.

- During the fourth quarter of 2010, 296,000 (SAAR) new single-family homes were sold, up 2 percent from the 291,000 (SAAR) homes sold in the third quarter but down 21 percent from a year earlier.
- The NATIONAL ASSOCIATION OF REALTORS® (NAR) reported that 4.803 million (SAAR) existing homes—including single-family, townhomes, condominiums, and cooperatives—were sold in the fourth quarter, up 15 percent from the previous quarter but down 20 percent from year-earlier levels. According to a NAR practitioner survey, sales to first-time homebuyers accounted for 32 percent of all home sales transactions in the fourth quarter, down from 34 percent in the previous quarter.

- The median price of new homes sold in the fourth quarter was \$219,800, down 2 percent from the previous quarter and virtually the same over the previous four quarters. The average price of new homes sold was \$272,400, up 2 percent from the previous quarter and nearly the same as a year earlier. A constant-quality house would have sold for \$282,000, up 1 percent from the previous quarter but down 1 percent from a year earlier.
- NAR reported that the median price of existing homes sold was \$169,800 in the fourth quarter, down 4 percent from the third quarter and 1 percent from a year earlier. The average price of existing homes sold in the fourth quarter was \$218,000, 3 percent lower than the previous quarter but 1 percent higher than the fourth quarter of 2009. According to a NAR practitioner survey, distressed sales (foreclosures and short sales) represented 34 percent of all home sales in the fourth quarter, the same as in the third quarter. Distressed sales prices are typically 15 to 20 percent below normal market prices.
- S&P/Case-Shiller® and the FHFA both produce repeat-sales house price indices that are reported with a 2-month lag. The Case-Shiller® national index estimated that (SA) home prices in the third quarter of 2010 were down 3.5 percent from the previous quarter and 1.6 percent from a year earlier. The FHFA purchase-only national index estimated that (SA) home prices in the third quarter were down 1.6 percent from the previous quarter and 3.2 percent from a year earlier. The FHFA index is based on sales financed with mortgages that have been sold to or guaranteed by Fannie Mae and Freddie Mac and tends to show less volatility than the S&P Case-Shiller® index. The lower volatility occurs mainly because the FHFA index excludes sales transactions associated with subprime and some “jumbo” loans and because it is transaction weighted instead of value weighted.
- During the fourth quarter of 2010, the average inventory of new homes for sale was 195,000 units, down 5 percent from the third quarter and 17 percent from a year earlier. That inventory would support 8.0 months of sales at the current sales pace, down 0.5 month from the third quarter but up 0.4 month from a year earlier. The average inventory of existing homes for sale in the fourth quarter was 3.713 million units, down 8 percent from the third quarter but up 7 percent over the four-quarter period. That inventory would support 9.4 months of sales at the current sales pace, down 2.3 months from the third quarter but up 2.4 months from a year earlier. Of concern is the “shadow inventory” of homes as a result of the high rate of delinquencies and foreclosures, which has the potential to increase the supply of homes for sale and further depress home prices.



- The Federal Housing Administration's (FHA) share of the mortgage market, which is reported with a 2-month lag, increased only for refinance loans in the third quarter of 2010. Based on loan origination data, the FHA's dollar volume share of the mortgage market was 16.8 percent, down from 19.0 percent in the second quarter and 18.2 percent a year earlier. For home purchase loans, the FHA's dollar volume share was 35.3 percent, down from 36.5 percent in the second quarter and 26.0 percent a year earlier. For refinance loans, the FHA's dollar volume share was 10.4 percent in the third quarter, up 7.3 percent from the previous quarter but down from 12.3 percent a year earlier. Based on the number of loans originated, the FHA's share of the mortgage market was 19.2 percent in the fourth quarter, down from 22.7 percent in the previous quarter and 21.6 percent a year earlier. For home purchase loans, the FHA's share of the number of new mortgage loans was 40.9 percent, down from 42.4 percent in the previous quarter but up from 30.3 percent a year earlier. The FHA's share of the number of new refinance loans was 11.1 percent in the third quarter, up from 8.4 percent in the previous quarter but down from 14.5 percent a year earlier.
- Home builders' optimism rose in the fourth quarter of 2010. The NAHB/Wells Fargo composite Housing Market Index was 16, up 3 points from the third quarter but down 1 point from a year earlier. The index for expected future sales increased from 19 to 24 points. The composite index is based on three components—current market activity, future sales expectations, and prospective buyer traffic—and ranges from 0 to 100.

## Affordability, Homeownership, and Foreclosures

Housing affordability, as measured by the NAR Housing Affordability Index, increased in the fourth quarter of 2010. The NAR composite index estimates that a family earning the median income had 185.0 percent of the income needed to purchase a median-priced, existing single-family home, using standard lending guidelines. That value is up 11.9 percentage points over the previous quarter and 11.3 percentage points over the four-quarter period. The increase in affordability is attributed to a 0.7-percent increase in median family income, a 4-percent decrease in the median sales price of existing single-family homes, and a 16-basis-point decrease in mortgage interest rates.

Estimates from the MBA's quarterly National Delinquency Survey, which is reported with a 2-month lag, showed that the overall, short-term, and serious delinquency rates for mortgages on 1- to 4-family homes all fell

during the third quarter of 2010. These delinquency rates decreased for prime, subprime, and FHA loans. The percentage of mortgage holders seriously delinquent on their mortgages (90 or more days past due or in the foreclosure process) fell for the third consecutive quarter; the rate had been rising since the third quarter of 2006. The percentage of newly initiated foreclosures (foreclosure starts), in contrast, increased for prime, subprime, and FHA loans.

According to the MBA, the (SA) delinquency rate for all mortgage loans in the third quarter of 2010 was 9.13 percent, down from 9.85 percent in the second quarter and 9.64 percent a year earlier. The (SA) delinquency rate for prime mortgages was 6.29 percent in the third quarter, down from 7.10 percent in the second quarter and 6.84 percent a year earlier. The (SA) delinquency rate for subprime mortgage loans was 26.23 percent in the third quarter, down from 27.02 percent in the second quarter and 26.42 percent a year earlier. For FHA loans in the MBA survey, the (SA) delinquency rate was 12.62 percent in the third quarter, down from 13.29 percent in the second quarter and 14.36 percent a year earlier.

Newly initiated foreclosures represented 1.34 percent of all mortgage loans in the third quarter, up from 1.11 percent in the second quarter but down from 1.42 percent a year earlier. The rate of newly initiated foreclosures on prime loans was 1.12 percent in the third quarter, up from 0.91 percent in the second quarter but down from 1.14 percent a year earlier. Foreclosures started on subprime loans rose to 3.31, after having fallen for five consecutive quarters. Newly initiated foreclosures on subprime loans were up from 2.83 percent in the second quarter but down from 3.76 percent a year earlier. Not all newly initiated foreclosures end in foreclosure completions. Before the recent slowdown in the processing of foreclosures, approximately 52 percent of newly initiated foreclosures were completed 6 months later, which was the approximate average length of time for processing foreclosures.

The national homeownership rate was 66.5 percent in the fourth quarter of 2010, down from 66.9 percent in the third quarter and 67.2 percent a year earlier. The national homeownership rate has not been this low since 1998. The homeownership rate for minority households decreased to 48.5 percent in the fourth quarter, down from 48.6 percent in the previous quarter and 49.8 percent a year earlier. The decline in homeownership reflects the subprime lending crisis, the high rates of unemployment, and the recent severe recession. Servicer emphasis on home retention actions, including those actions under the Making Home Affordable Program, are helping to keep the number of newly initiated and completed foreclosures down, despite high rates of mortgage delinquency. Foreclosure activity



has also declined recently as lenders review internal procedures related to the foreclosure process. This decline is likely to be temporary, however, and loan modification programs cannot help all delinquent borrowers. In this regard, servicers have indicated that completed foreclosures are likely to increase as alternatives for seriously delinquent borrowers are exhausted.

## Multifamily Housing

Performance in the multifamily housing sector (five or more units) was mixed in the fourth quarter of 2010. In the production sector, the number of building permits, starts, and completions all fell, although the decline in permits and completions was small. The absorption rate for multifamily apartments increased, while the rental vacancy rate declined. The absorption rate for condominiums and cooperatives also increased in the fourth quarter.

- During the fourth quarter of 2010, builders took out permits for 131,000 (SAAR) new multifamily units, down 3 percent from the third quarter but up 14 percent from a year earlier.
- Builders started construction on 90,000 (SAAR) new multifamily units in the fourth quarter, down 35 percent from 140,000 units in the third quarter but up 33 percent from 68,000 units a year earlier. Builders completed 114,000 (SAAR) multifamily units in the fourth quarter, down 1 percent from the previous quarter and 52 percent from year-earlier levels.
- Market absorption of new multifamily units increased for apartments and for condos and co-ops in the fourth quarter of 2010. Of the total number of new apartments completed in the third quarter, 62 percent were leased in the first 3 months after completion, up from 56 percent in the third quarter and 10 percentage points higher than year-earlier levels. Of the total number of new condos and co-ops completed in the third quarter of 2010, 40 percent were sold in the fourth quarter, up 2 percentage points from the third quarter but down 6 percentage points from a year earlier.
- The multifamily rental vacancy rate reported by the Census Bureau was 10.4 percent in the fourth quarter of 2010, down from 11.8 percent in the third quarter and 12.5 percent a year earlier.

## 2010 ANNUAL DATA

Housing production indicators improved in 2010. In both the single-family and multifamily sectors, permits and starts increased, although completions declined. Shipments of manufactured homes increased 0.4 percent in 2010, the first increase in annual shipments since 2005. The marketing sector performed less well, with both new and existing home sales declining during the past year. The median price of new homes sold rose during 2010, while remaining steady for existing homes sold. Housing affordability improved during 2010, although homeownership rates for the nation and for most groups declined. The housing sector component of GDP (residential fixed investment) declined in 2010, but by a much slower rate than in 2009.

- Builders took out permits for 447,100 new single-family homes in 2010, an increase of 3 percent from 2009. Multifamily permits were issued for 131,000 new units in 2010, up 11 percent from 2009.
- Single-family housing starts totaled 471,000 units in 2010, up 6 percent from 2009, while multifamily housing starts totaled 105,000 units, up 8 percent from the previous year.
- In 2010, construction was completed on 497,000 new single-family housing units, 4 percent fewer than in 2009. A total of 148,000 new multifamily units were ready for occupancy in 2010, down 43 percent from 2009.
- Builders sold 321,000 new single-family homes in 2010, down 14 percent from the 375,000 homes they sold in 2009. For all of 2010, the median price of new homes sold was \$221,900, up 2.4 percent from 2009.
- NAR reported that 4.908 million existing single-family homes were sold in 2010, a 5-percent decrease from the 5.165 million sold in 2009. For all of 2010, the median price of existing homes sold was \$173,000, nearly the same as in 2009.
- Builders were just slightly more optimistic in 2010 than they were in 2009. The NAHB/Wells Fargo composite Housing Market Index averaged 16 points in 2010, up 1 point from 2009. The 2009 value was the lowest annual value in the 25-year history of this attitude survey.
- The average interest rate for 30-year, fixed-rate mortgages in 2010, as reported by Freddie Mac's Primary Mortgage Market Survey, was 4.69 percent, 35 basis points below the 2009 annual average rate, which set a record low.



- According to the NAR Housing Affordability Index, the affordability of housing improved in 2010, increasing by 5.2 percentage points from 2009. A family earning the median level of income (\$61,583) had 174.6 percent of the income needed to purchase the median-priced existing home (\$173,200), while mortgage interest rates declined 25 basis points to 4.89 in 2010. The increase in housing affordability is attributed to falling interest rates and a 0.8-percent increase in median family income, which more than offset a 0.6-percent increase in the median sales price.
- The FHA guaranteed 1.625 million mortgages in 2010, down 20 percent from 2009. Private insurance on mortgages decreased 28 percent in 2010 to 317,037 loans.
- Based on the Housing Vacancy supplement to the Current Population Survey, the proportion of American households that owned their homes in 2010 declined to 66.9 percent from 67.4 percent in 2009. The homeownership rate for White non-Hispanic households was 74.4 percent in 2010, down from 74.8 percent in 2009; the homeownership rate for African-American households was 45.9 percent in 2010, down from 46.6 percent in 2009; and the homeownership rate for Hispanic households was 47.5 percent, down from 48.4 percent in 2009.
- The rental vacancy rate declined, while the absorption of new apartments rose in 2010. The vacancy rate for multifamily rental units fell to 11.6 percent in 2010, down from 12.3 percent in 2009. The average lease rate for newly completed apartments rented within 3 months of their completion was 55 percent in 2010 compared with 50 percent for all of 2009.
- The housing component of GDP (residential fixed investment) declined 3.0 percent in 2010 compared with a decline of 22.9 percent in 2009.

## WHAT DO WE KNOW ABOUT SINGLE-FAMILY RENTAL PROPERTIES?

### Introduction

The 2009 American Housing Survey<sup>1</sup> (AHS) identified 130.1 million housing units in the United States, 77 percent (99.7 million) of which were one- to four-unit buildings,<sup>2</sup> with the remaining 23 percent being multifamily buildings with five or more units. While most housing discussions focus on homeownership of single-family buildings and rental housing within multifamily buildings, 21 percent (20.6 million) of one- to four-unit buildings provide rental housing. The 2009 AHS found that 27 percent of rental housing units were in single-family-detached structures, 6 percent were located in single-family-attached structures (for example, row-houses sharing one or more common walls on individually owned or leased lots), 20 percent were in two- to four-unit structures (for example, a duplex on a single lot), and 48 percent were located in buildings with five or more units. These figures illustrate that, despite the focus on multifamily rental housing, the U.S. rental housing stock is split nearly down the middle, 52 to 48 percent, between one- to four-unit, single-family, and five or more unit, multifamily, structures. In the wake of the buildup of single-family homes during 2004 through 2006, the housing bust of 2007 through 2010, and the dramatic rise in foreclosures and vacancies in single-family homes, the one- to four-unit share of rental housing is poised to increase further in 2011 and 2012. Given the significant contribution of one- to four-unit structures to the rental housing market, it is important to examine and understand the characteristics of single-family rental structures, their residents, their owners, their financing, and their distribution across the United States.

### AHS Data—Property and Renter Characteristics

Table 1 shows the number of bedrooms per unit and the age (year built) of rental buildings with one unit, two to four units, and five or more units in the United States as reported in the 2009 AHS. The top half of Table 1 shows that the largest share of units in multifamily buildings (buildings with five or more units) have one-bedroom while two-bedroom units account for the largest share of units in two- to four-unit buildings, and three-bedroom units account for the largest share of units in one-unit buildings (single-family detached or attached).

Thus, one-unit and two- to four-unit buildings provide more bedrooms and may be better able to accommodate larger families than the average rental unit in a multi-family property. The lower half of Table 1 shows the age distribution of rental buildings. In general, one-unit and two- to four-unit buildings tend to be older, and buildings with five or more units tend to be younger. For example, 19.6 percent of buildings with five or more units were built after 1990 versus 16 and 9.7 percent for one-unit and two- to four-unit buildings, respectively. Similarly, 22.4 percent of buildings with five or more

units were built before 1960 versus 48.1 and 49.2 percent for one-unit and two- to four-unit buildings.

Whereas Table 1 presents rental building characteristics, Tables 2 and 3 present characteristics of rental housing residents. Table 2 shows the age distribution and race and ethnicity of renters; Table 3 shows the relative income and housing costs of rental housing residents. The top half of Table 2 shows that buildings with five or more units have a greater percent share of younger (less than 35) or older (greater than 75) residents,

**Table 1. Bedrooms Per Unit and Building Age of U.S. Rental Housing Stock by Structure Type**

	Structure Type			
	1 unit (%)	2–4 units (%)	5+ units (%)	Total (%)
<b>Bedrooms per Unit</b>				
Studio	0.5	1.2	4.2	2.3
1 bedroom	6.6	26.9	44.5	27.9
2 bedrooms	31.3	54.6	43.9	41.8
3 bedrooms	45.5	15.3	6.4	21.7
4 bedrooms+	16.1	2.0	0.9	6.4
Total	100.0	100.0	100.0	100.0
<b>Building Age by Year Built</b>				
Pre-1940	23.1	33.7	13.4	20.9
1940–1959	25.0	15.5	9.0	15.9
1960–1979	27.9	31.0	39.7	33.8
1980–1989	8.0	10.1	18.3	13.1
1990–1999	6.4	5.3	9.3	7.5
2000–2009	9.6	4.4	10.3	8.8
Total	100.0	100.0	100.0	100.0

Sources: American Housing Survey; U.S. Department of Housing and Urban Development

**Table 2. Age and Race/Ethnicity of U.S. Rental Housing Residents**

	Structure Type			
	1 unit (%)	2–4 units (%)	5+ units (%)	Total (%)
<b>Householder Age</b>				
Under 25 years	10.7	14.1	17.3	14.3
25 to 29	13.5	17.1	16.6	15.6
30 to 34	14.5	12.8	13.6	13.8
35 to 44	24.9	21.4	16.4	20.5
45 to 54	18.5	14.9	14.6	16.1
55 to 64	9.9	10.6	9.2	9.7
65 to 74	4.6	5.0	4.9	4.8
75 years and over	3.5	4.2	7.4	5.3
Total	100.0	100.0	100.0	100.0
<b>Householder Race/Ethnicity</b>				
Non-Hispanic White	61.8	55.9	51.6	56.1
Non-Hispanic Black	16.8	18.5	19.6	18.4
Hispanic (of any race)	16.5	18.9	20.1	18.6
Other	5.0	6.7	8.8	7.0
Total	100.0	100.0	100.0	100.0

Sources: American Housing Survey; U.S. Department of Housing and Urban Development



**Table 3. Household Income and Housing Costs Relative to Area Median Income**

	Structure Type			
	1 unit (%)	2–4 units (%)	5+ units (%)	Total (%)
<b>Percent of Renters by Building Type in Each Income Category</b>				
< 30% AMI	17.8	25.1	21.9	21.1
30–50% AMI	18.4	20.8	21.1	20.1
51–60% AMI	8.4	8.2	8.7	8.5
61–80% AMI	14.6	13.7	13.3	13.8
81–100% AMI	10.4	9.6	9.3	9.8
101–120% AMI	9.1	7.8	8.6	8.6
>120% AMI	21.4	14.8	17.0	18.1
Total	100.0	100.0	100.0	100.0
<b>Rent Affordability (% AMI Required To Afford a Particular Housing Unit)</b>				
< 30% AMI	5.5	5.9	4.8	5.3
30–50% AMI	25.4	35.5	26.4	28.0
51–60% AMI	17.9	22.1	23.1	21.1
61–80% AMI	26.8	24.0	27.2	26.4
81–100% AMI	12.9	5.7	7.7	9.1
101–120% AMI	6.5	3.4	4.3	4.8
>120% AMI	5.0	3.5	6.5	5.4
Total	100.0	100.0	100.0	100

AMI = Area Median Income.

Sources: American Housing Survey; U.S. Department of Housing and Urban Development

whereas, one-unit buildings, and to a lesser extent two- to four-unit rental buildings, have a greater percent share of residents from the middle of the age distribution (35 to 54 years old). The split in residents in buildings with five units or more may be due to (1) younger households seeking low-maintenance housing and communities before making the transition into homeownership and (2) older households seeking low-maintenance housing and communities as they make the transition out of single-family homeownership. The lower half of Table 2 shows that a higher percent share of non-Hispanic White renters reside in one-unit rental buildings and that a higher percent share of non-Hispanic Black, Hispanic, and other minority renters reside in rental buildings with two to four units and five or more units. The Home Mortgage Disclosure Act (HMDA) provides data on the race and ethnicity of the owners of one- to four-unit rental properties. In 2009, one- to four-unit rental mortgage originations were divided at 65.6, 2.7, 6.1, and 25.6 percent among the categories of non-Hispanic White, non-Hispanic Black, Hispanic, and other. The high share for “other” is due, in part, to corporate or nonprofit purchases and refinances in addition to other minorities. Race and ethnicity origination shares remained relatively constant from 2004 through 2009, with the notable exception of the non-Hispanic Black share, which declined from 6.02 to 2.70 percent, while the other share increased from 18.7 to 25.6 percent.

Table 3 shows rental household income and rental housing costs relative to the Area Median Income

(AMI). The top half of Table 3 shows the percentage of renters by structure size that falls into each relative income category. Note that the table contains only data on renter households (families and unrelated individuals), while AMI estimates are based on all families, including homeowners, but exclude unrelated individuals. The table shows that residents with the lowest income relative to AMI (less than or equal to 30 percent of AMI) are disproportionately in two- to four-unit buildings and, to a lesser extent, in buildings with five or more units. Similarly, residents with the highest income relative to AMI (greater than or equal to 100 percent AMI) disproportionately choose to live in one-unit rental buildings. The lower half of Table 3 shows the percent of AMI that a household would have to earn to be able to afford a particular rental housing unit. Two- to four-unit buildings have the highest incidence of affordability in the two most affordable categories (below 30 percent of AMI and 30 to 50 percent of AMI), which probably reflects that two- to four-unit buildings have a greater share of older buildings, as shown in Table 1. The highest share for one-unit buildings and for buildings with five or more units is within the 60- to 80-percent AMI category. The share of rental units requiring income equal to 80 percent of AMI or greater to be affordable is the highest for one-unit buildings and buildings with five or more units, probably because of the fact that these property types have a greater share of newer buildings, and one-unit buildings have a greater share of units with three or more bedrooms, as shown in Table 1.



## Financing and Mortgage Performance

Because rental properties are purchased solely for investment purposes and owner-occupant properties are purchased for both the provision of shelter and economic returns, it is often hypothesized that payment and default behaviors differ substantially based on occupancy and that mortgages on one- to four-unit rental properties underperform the mortgages of owner-occupants. Figure 1 and Tables 4 and 5 use LPS Applied Analytics Mortgage Performance Data to compare first-lien mortgage performance for rental property investors and owner-occupants over time.<sup>3</sup>

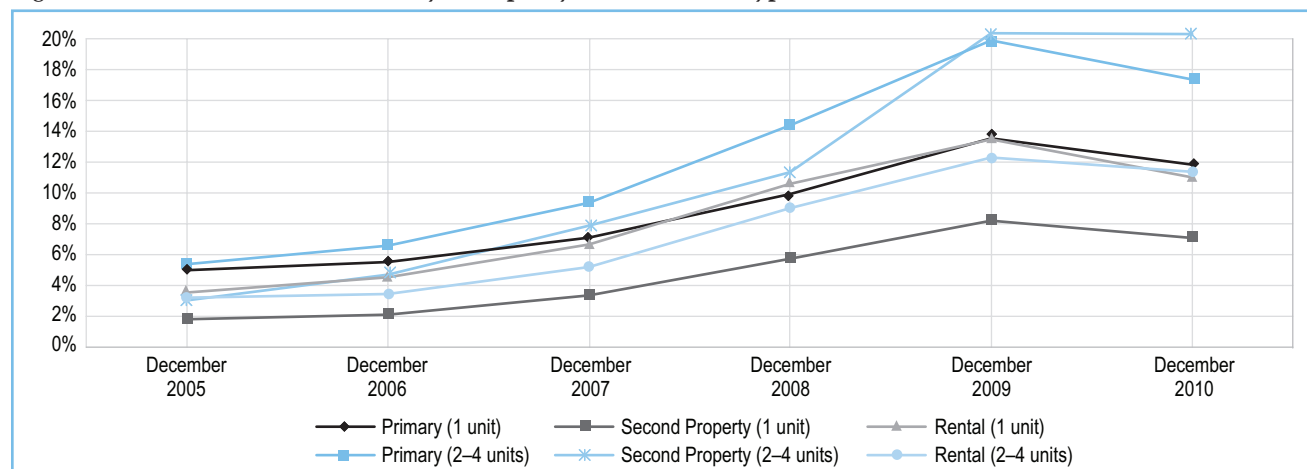
Figure 1 shows the share of active first-lien mortgages that were noncurrent (30 or more days delinquent or in foreclosure) as of December 31st in each year from 2005 through 2010—broken out by units in structure (one unit versus two to four units) and occupancy status of the property owner (primary residence, second home, or rental property). From 2005 through 2010, default rates were lowest for one-unit second homes and highest for two- to four-unit primary residences (meaning the owner lives in one of the units), while one-unit rentals, two- to four-unit rentals, and one-unit primary residences were bound by a range in the center, with rental properties showing slightly lower default rates than one-unit primary residence mortgages, with the exception of 2008, when one-unit rental defaults slightly exceeded the default rate for one-unit primary residences.

Table 4 (Table 5) shows mortgage performance for one-unit (two- to four-unit) primary residence and rental properties over the period from 2005 through 2010 by origination year. The left-hand side of the table contains performance for primary residences and the right-hand side contains performance for rental properties. The

first section presents performance for all originations years, with the subsequent six sections containing performance for origination years 2005 to 2010; the final section contains performance for mortgages originated before 2005. For each property type, the table shows (1) active loan count, (2) share of loans in foreclosure, and (3) total noncurrent share of loans.

Table 4 shows that the trends for both primary residences and rental properties have moved in tandem; that is, for the all origination year groups, the share of mortgages that are in foreclosure and noncurrent has increased for both primary residences and rental properties over time from 2005 to 2010. The table shows that, across origination years, foreclosure and noncurrent shares of more recent vintages (for example, 2010, 2009, 2008) performed better in the first, second, and third years after origination than vintages at the peak of the housing market in 2006 and 2007. Looking at all origination years, the noncurrent share for mortgages on one-unit rental properties was less than the noncurrent share on one-unit primary residences on December 31st of each year from 2005 through 2010, with the exception of December 2008. The table shows that, for individual origination years, the rental noncurrent share is less than the share for primary residences at all points in time, for all origination years, with the exception of the 2005 origination year in December 2008, at which point the noncurrent share for rental properties exceeded the noncurrent share for primary residences. Conversely, the rental foreclosure share exceeds the primary residence foreclosure share in nearly every case. The fact that the noncurrent share is lower but the foreclosure share is higher for one-unit rental properties compared with one-unit primary residences may indicate a greater willingness by lenders to work with delinquent one-unit, owner-occupant borrowers to avoid foreclosure relative to nonowner-occupant borrowers.

**Figure 1. Percent Share Noncurrent by Occupancy and Structure Type**



Sources: LPS Applied Analytics Mortgage Performance Data; U.S. Department of Housing and Urban Development



Table 5 presents performance metrics for two- to four-unit structures comparable to those shown in Table 4 for one-unit structures. While Table 4 depicts a split in mortgage performance between one-unit primary residences and rentals across origination years (primary residences had lower foreclosures, but rentals had lower delinquencies), the results in Table 5 show that two-

to four-unit rental properties had superior performance across all metrics (foreclosures and noncurrent share), at all points in time, and across all vintages. Looking across all origination years, the average two- to four-unit primary residence foreclosure and noncurrent shares are 54 and 69 percent higher, respectively, than the respective average foreclosure and noncurrent rental

**Table 4. One-Unit Primary Residence and Rental Mortgage Performance by Origination Year**

Origination Year and Date	1 Unit—Primary Residence			1 Unit—Rental		
	Active Loan Count (#)	Foreclosure Presale (%)	Total Non-current (%)	Active Loan Count (#)	Foreclosure Presale (%)	Total Non-current (%)
<b>All origination years</b>						
2005	18,094,560	.43	4.99	766,362	.47	3.54
2006	19,178,465	.62	5.52	872,806	.81	4.53
2007	21,814,454	1.16	7.10	999,095	1.73	6.66
2008	26,052,739	1.74	9.93	1,292,266	3.52	10.59
2009	22,611,288	3.13	13.54	1,121,994	5.31	13.47
2010	25,353,804	3.49	11.84	1,330,817	5.00	11.01
<b>2010 originations</b>						
2010	3,353,221	.04	.92	142,449	.05	.52
<b>2009 originations</b>						
2009	3,335,705	.07	1.65	90,002	.08	.79
2010	3,756,606	.53	3.88	118,615	.42	1.51
<b>2008 originations</b>						
2008	2,934,941	.24	3.85	154,858	.55	2.88
2009	1,950,230	1.83	11.17	118,951	2.30	7.13
2010	1,926,049	3.92	14.59	137,740	3.57	7.91
<b>2007 originations</b>						
2007	3,124,720	.55	5.11	189,595	.74	4.15
2008	3,546,363	2.42	13.89	216,917	4.74	13.64
2009	2,521,625	6.02	24.81	173,104	8.50	19.66
2010	2,307,898	8.52	24.39	171,846	9.44	18.78
<b>2006 originations</b>						
2006	3,295,294	.51	5.14	210,251	.62	4.29
2007	3,437,312	2.73	12.28	207,153	3.32	10.36
2008	3,421,929	4.72	19.33	212,554	7.23	18.80
2009	2,529,104	8.76	29.57	170,865	10.94	23.93
2010	2,229,769	9.89	27.63	165,133	11.02	21.74
<b>2005 originations</b>						
2005	3,770,140	.19	3.25	221,992	.22	2.96
2006	3,581,358	.92	6.42	201,950	1.19	4.98
2007	3,391,028	1.86	9.18	184,174	2.69	8.26
2008	3,565,558	2.70	12.52	201,117	5.14	13.88
2009	2,767,412	5.03	18.82	164,937	7.74	17.85
2010	2,556,039	5.95	18.35	169,895	7.62	16.11
<b>Origination before 2005</b>						
2005	14,324,420	.49	5.45	544,370	.57	3.78
2006	12,301,813	.57	5.36	460,605	.74	4.44
2007	11,861,394	.66	5.53	418,173	.98	5.25
2008	12,583,948	.82	6.94	506,820	1.70	6.89
2009	9,507,212	1.66	9.40	404,135	2.63	9.31
2010	9,224,222	2.38	9.71	425,139	3.22	8.83

Sources: LPS Applied Analytics Mortgage Performance Data; U.S. Department of Housing and Urban Development

building shares. The largest differences occur in the most recent vintages, 2008 through 2010, in which the average difference between primary residences and rental structures is 121 and 180 percent for foreclosures and noncurrent shares, respectively. One possible explanation for this result could be that underwriting

for rental property investors was more conservative and that the pool of two- to four-family primary residence borrowers may have contained a larger share of marginally qualified or less financially capable candidates who planned to use rental income to make payments that did not materialize or were less than anticipated.

**Table 5. Two- to Four-Unit Primary Residence and Rental Mortgage Performance by Origination Year**

Origination Year and Date	2–4 Unit—Primary Residence			2–4 Unit—Rental		
	Active Loan Count (#)	Foreclosure Presale (%)	Total Non-current (%)	Active Loan Count (#)	Foreclosure Presale (%)	Total Non-current (%)
<b>All origination years</b>						
2005	328,091	.69	5.38	197,715	.44	3.21
2006	359,005	1.24	6.58	226,562	.69	3.45
2007	404,913	2.52	9.36	253,807	1.36	5.20
2008	420,401	3.86	14.38	262,055	2.58	9.02
2009	420,364	6.19	19.89	254,600	4.99	12.30
2010	499,890	6.84	17.36	276,622	5.39	11.37
<b>2010 originations</b>						
2010	44,292	.06	1.23	24,750	.03	.48
<b>2009 originations</b>						
2009	44,438	.30	2.85	13,682	.14	.93
2010	54,319	1.34	5.64	15,204	.63	1.60
<b>2008 originations</b>						
2008	45,288	.72	5.99	25,434	.26	2.36
2009	37,899	5.17	17.96	24,015	2.44	6.84
2010	42,662	8.58	20.38	24,555	4.16	8.34
<b>2007 originations</b>						
2007	72,942	1.36	6.83	49,100	.51	3.24
2008	68,963	4.95	19.09	46,330	2.76	10.65
2009	59,847	10.03	32.61	42,027	7.12	17.46
2010	62,012	13.61	31.13	39,587	9.54	19.03
<b>2006 originations</b>						
2006	83,886	1.12	7.08	55,708	.49	3.53
2007	85,555	6.06	17.35	53,074	2.62	8.87
2008	74,890	9.90	28.60	47,207	5.64	17.19
2009	65,997	14.79	39.63	41,878	10.36	22.62
2010	63,700	15.63	35.94	38,353	11.06	21.85
<b>2005 originations</b>						
2005	82,402	.40	4.25	59,063	.19	2.97
2006	72,691	2.06	8.43	53,607	1.04	4.38
2007	63,548	3.38	11.63	46,211	2.12	7.17
2008	58,819	4.73	16.91	42,789	3.92	12.32
2009	53,778	7.86	24.27	39,057	7.21	16.84
2010	57,016	9.29	23.69	38,483	8.22	17.23
<b>Origination before 2005</b>						
2005	245,689	.78	5.76	138,652	.55	3.31
2006	202,428	1.00	5.71	117,247	.63	2.98
2007	182,868	1.02	5.85	105,422	.78	3.39
2008	172,441	1.33	7.66	100,295	1.06	4.69
2009	158,405	2.47	10.62	93,941	2.08	6.55
2010	175,889	3.46	10.67	95,690	2.73	6.79

Sources: LPS Applied Analytics Mortgage Performance Data; U.S. Department of Housing and Urban Development



## Single-Family Mortgage Purchases by Fannie Mae and Freddie Mac

Throughout the recession and since house prices peaked in the second quarter of 2007 (Federal Housing Finance Agency House Price Index), credit availability has tightened and lending has been curtailed by nearly all mortgage funding sources. Secondary mortgage markets for private-label mortgage backed securities (MBS) saw a 93-percent decline in volume in 2007 and a contraction in private MBS debt outstanding in 2008, 2009, and the first three quarters of 2010. Conversely, mortgage pools backed by the government-sponsored enterprises (GSEs) increased from 2007 through the third quarter of 2010, providing the primary source of liquidity for owner occupants, single-family rental property owners, and multifamily property owners. Tables 6 through 9 compare one- to four-unit owner-occupied and investor lending by Fannie Mae and Freddie Mac in 2008 and 2009, the time period during which private-label MBS issuance contracted by \$647.1 billion (Federal Reserve Board, Flow of Funds Accounts) on net.

Table 6 shows the distribution of purchases by Fannie Mae and Freddie Mac by occupancy and structure type; that is, between owner-occupied and investor homes and between one-unit and two- to four-unit homes based on unpaid principal balance, the number of mortgages, and the number of units in 2008 and 2009. For both Fannie Mae and Freddie Mac in both 2008 and 2009, most of their purchases are for one-unit versus two- to four-unit properties and owner-occupied homes versus investor homes, similar to the overall market composi-

tion shown in Tables 4 and 5. Despite the focus on owner-occupied, one-unit properties, investor-owned units account for 8.6 percent (250,000) of units in 2008 and 3.8 percent (135,000) in 2009 at Fannie Mae; they account for 9.0 percent (175,000) of units in 2008 and 3.3 percent (82,000) in 2009 at Freddie Mac. Two trends apparent in Table 6 are the shifts in GSE mortgage purchases toward owner-occupied and one-unit homes from 2008 to 2009.

Table 7 shows the distribution of mortgage purchases by Fannie Mae and Freddie Mac based on loan purpose in 2008 and 2009; that is, purchase, refinance, second mortgage, rehabilitation, or other. The shares are very close for both GSEs within each year, although significant differences exist between owner-occupied and investor properties and from 2008 to 2009. For both Fannie Mae and Freddie Mac, a greater share of owner-occupied mortgage purchases are for refinance transactions and a greater share of investor-owned mortgage purchases are for purchase transactions. In 2008, for example, Fannie Mae's mortgage purchase share split was 38.4 and 56.9 percent for purchase and refinance mortgages, respectively, to one-unit, owner-occupant borrowers, whereas the share split for one-unit, investor-owned homes was 48.5 percent for purchase mortgages and 51.5 percent for refinance mortgages.

In 2009, interest rates fell to an average of 5.04 percent from 6.03 percent in 2008 and 6.37 percent in 2007, based on Freddie Mac's Primary Mortgage Market Survey; these low rates sparked a refinancing boom for owner-occupants. Table 7 shows that the share of Fannie Mae's 2009 mortgage purchases for one-unit, owner-occupant purchase transactions fell to 21.6 percent, down 16.8 percentage points from 2008, and that the one-unit,

**Table 6. GSE Purchase Composition by Structure and Occupancy**

Property or Structure Type	Fannie Mae			Freddie Mac		
	UPB (\$ Millions)	Number of Mortgages (Properties)	Number of Units	UPB (\$ Millions)	Number of Mortgages (Properties)	Number of Units
<b>2008</b>						
Owner-occupied 1 unit	92.8%	91.3%	88.4%	92.5%	91.3%	88.4%
Owner-occupied 2-4 units	1.8%	1.4%	2.9%	1.8%	1.2%	2.6%
Investor-owned 1 unit	4.4%	6.3%	6.1%	4.3%	6.3%	6.1%
Investor-owned 2-4 units	1.0%	1.1%	2.5%	1.3%	1.2%	3.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>2009</b>						
Owner-occupied 1 unit	96.3%	95.7%	93.8%	97.0%	96.5%	95.0%
Owner-occupied 2-4 units	1.5%	1.1%	2.5%	1.0%	0.7%	1.7%
Investor-owned 1 unit	1.9%	2.7%	2.7%	1.6%	2.4%	2.4%
Investor-owned 2-4 units	0.4%	0.4%	1.1%	0.4%	0.4%	1.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

GSE = government-sponsored enterprise. UPB = unpaid principal balance.

Sources: Federal Housing Finance Agency; U.S. Department of Housing and Urban Development



**Table 7. GSE Purchase Composition by Loan Purpose**

Loan Purpose	Fannie Mae				Freddie Mac			
	Property or Structure Type				Property or Structure Type			
	Owner-Occupied 1 Unit (%)	Owner-Occupied 2–4 Units (%)	Investor-Owned 1 Unit (%)	Investor-Owned 2–4 Units (%)	Owner-Occupied 1 Unit (%)	Owner-Occupied 2–4 Units (%)	Investor-Owned 1 Unit (%)	Investor-Owned 2–4 Units (%)
<b>2008</b>								
Purchase	38.4	29.4	48.5	39.4	39.3	35.6	43.9	38.9
Refinance	56.9	63.9	51.5	60.5	60.7	64.4	56.1	61.1
2nd mortgage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rehabilitation	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0
NA	4.7	6.7	0.0	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>2009</b>								
Purchase	21.6	23.8	47.1	44.4	21.1	24.7	46.5	39.2
Refinance	76.6	71.7	52.8	55.3	78.9	75.3	53.5	60.8
2nd mortgage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rehabilitation	0.0	0.1	0.1	0.3	0.0	0.0	0.0	0.0
NA	1.8	4.5	0.0	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100	100

GSE = government-sponsored enterprise. NA = not applicable or unknown.

Sources: Federal Housing Finance Agency; U.S. Department of Housing and Urban Development

owner-occupant refinance share increased 19.7 percentage points to 76.6 percent. The lower mortgage rates had less of an effect on the investor market as Fannie Mae's 2009 purchase and refinance shares for one-unit, investor-owned homes were 47.1 and 52.8 percent, respectively—down 1.4 percentage points and up 1.3 percentage points, respectively, from 2008.

In both 2008 and 2009, GSE purchases of investor purchase and refinance mortgages were approximately equal, while GSE purchases of owner-occupant mortgages shifted towards refinances as interest rates declined in 2009. In the presence of the declining purchase share for owner-occupants, the consistency of the investor purchase share likely helped stabilize housing prices, by reducing the glut of unsold properties.

Tables 8 and 9 show the extent to which GSE mortgage purchases supported affordable rental properties and the extension of credit in underserved areas. Table 8 shows that a significant share of Fannie Mae's and Freddie Mac's mortgage purchases of one-unit, investor-owned homes and two- to four-unit structures have rents that are affordable<sup>4</sup> at or below 80 percent of AMI and that the percent shares remained relatively constant in 2008 and 2009. In 2008, for example, 87.7, 53.6, and 73.7 percent of Freddie Mac's two- to four-unit owner-occupied,

one-unit investor-owned, and two- to four-unit investor-owned purchases, respectively, had rents that were affordable at or below 80 percent of AMI, and, in 2009, the shares were 82.6, 64.7, and 79.6 percent, respectively.

Table 9 shows GSE mortgage purchases in underserved areas by structure and occupancy type. In 2008, one-unit, owner-occupied homes financed by Fannie Mae and Freddie Mac had the lowest percent share in underserved areas, at 31.3 and 31.1 percent, respectively, and two- to four-unit, owner-occupied homes had the highest percent share, 73.8 and 71.5 percent, respectively. From 2008 to 2009, the share of mortgage purchases in underserved areas decreased for all structure and occupancy types, although the rank order (highest percent share to lowest percent share) remained the same across structure and occupancy types, with Fannie Mae (Freddie Mac) underserved area purchases being 67.5 percent (64.6 percent) for two- to four-unit, owner-occupied buildings; 66.3 percent (63.0 percent) for two- to four-unit, investor-owned buildings; 45.9 percent (43.3 percent) for one-unit, investor-owned homes; and 24.6 percent (22.5 percent) for one-unit, owner-occupied homes. Thus, the GSEs' single-family rental mortgage purchase programs disproportionately increased lending in underserved areas compared with their one-unit, owner-occupant mortgage purchases.



**Table 8. GSE Purchase Composition—Rent Affordability**

Rent Affordability*	Fannie Mae				Freddie Mac			
	Property or Structure Type				Property or Structure Type			
	Owner-Occupied 1 Unit (%)	Owner-Occupied 2-4 Units (%)	Investor-Owned 1 Unit (%)	Investor-Owned 2-4 Units (%)	Owner-Occupied 1 Unit (%)	Owner-Occupied 2-4 Units (%)	Investor-Owned 1 Unit (%)	Investor-Owned 2-4 Units (%)
<b>2008</b>								
>100% of area median	0.0	7.6	15.3	7.8	0.0	6.1	14.4	9.2
81% to 100% of area median	0.0	8.6	16.3	11.5	0.0	5.0	13.2	10.5
51% to 80% of area median	0.0	17.4	36.0	46.3	0.0	28.1	31.5	40.9
≤50% area median	0.0	7.5	18.9	27.7	0.0	59.6	22.1	32.8
0% or missing data	100.0	58.9	13.6	6.7	100.0	1.2	18.8	6.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>2009</b>								
>100% of area median	0.0	5.5	17.3	8.0	0.0	9.1	14.4	7.7
81% to 100% of area median	0.0	7.3	17.0	11.8	0.0	7.3	16.1	10.6
51% to 80% of area median	0.0	16.8	37.1	46.6	0.0	34.5	39.4	44.1
≤50% area median	0.0	8.0	17.0	27.5	0.0	48.1	25.3	35.5
0% or missing data	100.0	62.4	11.6	6.2	100.0	1.0	4.8	2.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

\*Rent to median tract income ratio.

Sources: Federal Housing Finance Agency; U.S. Department of Housing and Urban Development

**Table 9. GSE Purchase Composition in Underserved Areas**

	Fannie Mae				Freddie Mac			
	Property or Structure Type				Property or Structure Type			
	Owner-Occupied 1 Unit (%)	Owner-Occupied 2-4 Units (%)	Investor-Owned 1 Unit (%)	Investor-Owned 2-4 Units (%)	Owner-Occupied 1 Unit (%)	Owner-Occupied 2-4 Units (%)	Investor-Owned 1 Unit (%)	Investor-Owned 2-4 Units (%)
<b>2008</b>								
Served	68.6	26.1	48.4	31.7	68.8	28.4	47.8	31.8
Underserved	31.3	73.8	51.5	68.1	31.1	71.5	52.1	68.1
Bad GEOCODE/NA	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>2009</b>								
Served	75.3	32.4	54.0	33.6	77.3	35.2	56.5	36.8
Underserved	24.6	67.5	45.9	66.3	22.5	64.6	43.3	63.0
Bad GEOCODE/NA	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

NA = not available.

Sources: Federal Housing Finance Agency; U.S. Department of Housing and Urban Development

## Distribution of U.S. Rental Structures

Tables 10 and 11 present data on the geographic distribution of U.S. rental properties. The top half of Table 10 shows that 1-unit rental properties are most heavily concentrated in the suburbs, while all other property types (from 2- to 4-unit buildings up to properties with 50 or more units) are most heavily concentrated in central cities. The lower half of Table 10 shows that, on a regional basis, 1-unit properties are most heavily concentrated in the South and West. Properties with 2 to 4 units are more evenly distributed, with slightly higher concentrations in the Northeast and South. Similar to 1-unit properties, properties of 5 to 49 units are most heavily concentrated in the South and West, while concentrations of properties with 50 or more units align more closely with 2- to 4-unit property concentrations in the Northeast and South.

Table 11 shows the distribution of one-unit rental properties relative to one-unit primary residences in the 50 states and the District of Columbia, based on the Lender Processing Services Mortgage Performance Data at the end of 2010. Although California, Florida, and Texas have the greatest number of one-unit rental properties, only Florida (ranked 7th) is within the top-10 list of states by relative one-unit rental share. Table 11 lists states ordered by the ratio of the “percent of one-unit rental properties” to the “percent of one-unit primary residences” for each state. This ratio gives an indication of which states have a disproportionate share of one-unit rental properties (ratio is greater than 1) and which states may have a shortage of one-unit rental properties or an environment that does not lend itself to one-unit rentals (ratio is less than 1), relative to primary residences. The five highest one-unit rental to primary residence ratios are in Hawaii, Nevada, the District of Columbia, Arizona, and Idaho. The five lowest ratios are in Connecticut, North Dakota, Iowa, New York, and Massachusetts.

**Table 10. Regional and Urban Distribution of U.S. Rental Structures**

	Structure Type					
	Single Family	2–4 Units	5–19 Units	20–49 Units	50+ Units	Total
<b>City/Suburban Status</b>						
Central city	33.7%	48.7%	47.0%	54.8%	67.2%	45.2%
Suburb	43.3%	35.3%	44.3%	37.5%	29.8%	40.2%
Nonmetro	23.0%	16.0%	8.8%	7.7%	3.0%	14.6%
Total units (#)	10,896,007	6,679,178	8,514,613	3,007,953	2,740,682	31,838,432
<b>Region</b>						
Midwest	20.4%	23.6%	20.6%	18.6%	19.1%	20.8%
Northeast	12.0%	28.1%	15.8%	21.4%	31.4%	19.0%
South	40.8%	26.0%	38.1%	31.8%	26.2%	34.8%
West	26.8%	22.4%	25.6%	28.2%	23.4%	25.4%
Total units (#)	10,896,007	6,679,178	8,514,613	3,007,953	2,740,682	31,838,432

Sources: American Housing Survey; U.S. Department of Housing and Urban Development

**Table 11. Relative Distribution of One-Unit Rental Homes**

1-Unit Rentals and Rental-to-Primary Residence Ratio									
State	Ratio	State	Ratio	State	Ratio	State	Ratio	State	Ratio
HI	1.8	CA	1.3	ME	1.0	IN	0.9	IL	0.7
NV	1.7	DE	1.3	MO	1.0	RI	0.9	NH	0.6
DC	1.6	SC	1.2	WY	1.0	KY	0.9	MN	0.6
AZ	1.6	WA	1.2	TX	0.9	AR	0.8	NE	0.6
ID	1.6	VA	1.1	AL	0.9	LA	0.8	SD	0.6
OR	1.5	GA	1.1	MS	0.9	MI	0.8	NJ	0.6
FL	1.4	MT	1.1	KS	0.9	PA	0.7	MA	0.6
CO	1.4	UT	1.1	OH	0.9	WV	0.7	NY	0.6
NM	1.4	OK	1.1	TN	0.9	WI	0.7	IA	0.5
NC	1.3	VA	1.0	MD	0.9	AK	0.7	ND	0.5
								CT	0.5

Sources: LPS Applied Analytics Mortgage Performance Data; U.S. Department of Housing and Urban Development



## Conclusion

Although housing discussions traditionally focus on homeownership in single-family properties and rental housing within multifamily properties, 21 percent of single-family, one- to four-unit buildings are used as rental properties, and 2009 AHS data show that U.S. rental housing is split nearly down the middle, 52 to 48 percent, between one- to four-unit, single-family dwellings and multifamily buildings with five or more units. The characteristics of rental units vary significantly in terms of size (number of bedrooms), structure type, age, and geography. At the same time, the residents of different kinds of rental housing vary significantly in age, race and ethnicity, and income. Analysis of mortgage data for owner-occupied and rental properties indicates that, with sound underwriting, mortgages on rental properties perform at least as well as owner-occupant mortgages such that reluctance to extend credit to rental property investors because of the perception of elevated risk may be unwarranted. Revisiting lending to rental property investors could assist housing markets in working through the glut of vacant single-family properties and help victims of the foreclosure crisis by providing additional rental housing opportunities.

## Notes

<sup>1</sup> The American Housing Survey is conducted by the Census Bureau for the U.S. Department of Housing and Urban Development (HUD).

<sup>2</sup> Although it is common to think of rental “properties” as meaning one or more buildings under common management and financing, most federal government surveys actually collect information on individual buildings, not properties; exceptions are the Property Owners and Managers Survey of 1996 and the Residential Finance Surveys of 2001 and earlier. HUD and the Census Bureau are currently developing a Rental Housing Finance Survey that will also attempt to survey properties rather than individual buildings. On the other hand, private-sector financing data is more likely to be for properties than for individual buildings.

<sup>3</sup> This comparison may exclude financing for some one- to four-unit structures that are part of properties with five or more units.

<sup>4</sup> In Table 8, affordability is defined as the share of rental units that have rents less than or equal to a given share of AMI. For example, in 2009, 17.0 percent of Fannie Mae’s one-unit, investor property mortgage purchases had rents equal to less than 50 percent of AMI.

## Glossary

**active loan.** Mortgage actively being serviced by a mortgage servicer.

**in foreclosure.** Mortgage that has been referred to an attorney to begin foreclosure proceedings, but for which the foreclosure sale or auction has not yet happened.

**noncurrent.** Mortgage that is either 30 or more days delinquent or is in foreclosure.