The COVID-19 pandemic has resulted in unprecedented large and rapid changes in many data series, and similarly unprecedented large policy responses, making analysis of, and longer run predictions for, the economy and housing markets exceptionally difficult and uncertain. HUD will continue to monitor national market conditions and provide an updated report/addendum in the future.

National

COMPREHENSIVE HOUSING MARKET ANALYSIS

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

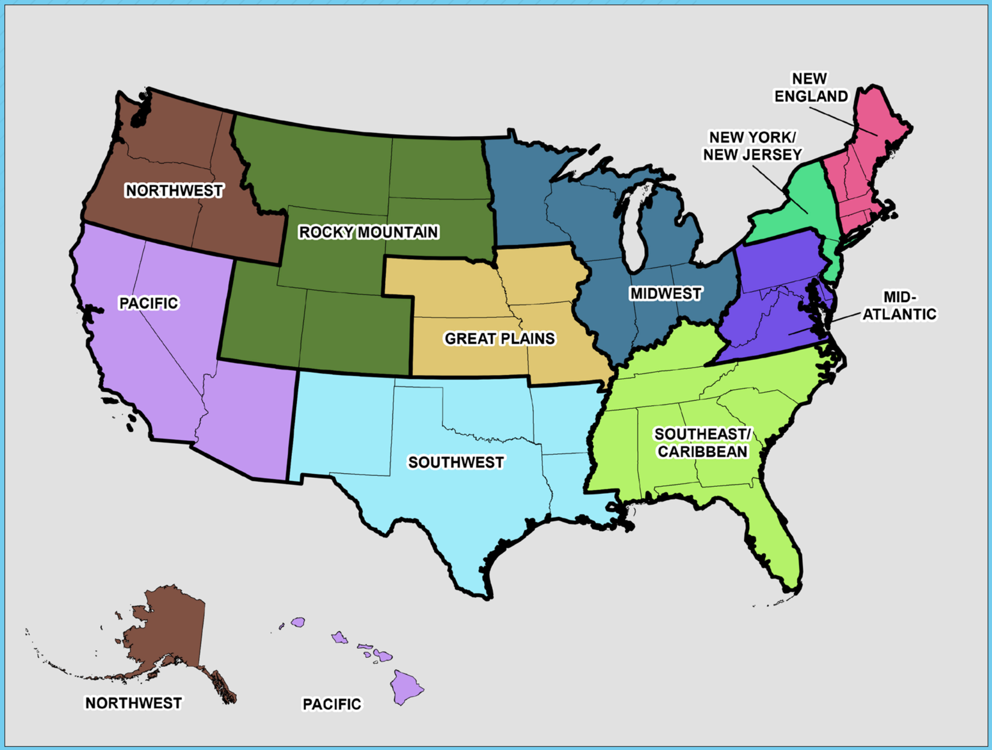
As of January 1, 2021

Share on:

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 2020. 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 330.80 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 this report's supplemental tables.
For information on HUD-supported activity throughout the country, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Weak: During 2020, nonfarm payrolls decreased by 8.72 million jobs, or 5.8 percent compared with 2019.

A 9-year period of payroll expansion ended abruptly during 2020 due to the impacts of the measures taken throughout the nation to slow the spread of COVID-19. 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 throughout the year to lessen the economic impact and stimulate the economy. By the end of 2020, approximately 64 percent of the jobs lost had been recovered. During the next 3 years, nonfarm payrolls are expected to increase an average of 1.9 percent a year.

Sales Market

Very Tight: The months' supply of homes for sale dropped from 3.9 in 2019 to 3.1 in 2020 (National Association of Realtors® [NAR]).

The national sales housing market is very tight, with home sales and prices increasing at robust paces in 2020. Overall, the number of homes sold in 2020 was up 8 percent from 2019 (Census Bureau/HUD; NAR). Year-over-year, the median sales price for existing homes increased 9 percent to $296,500—the highest annual increase in 7 years (NAR). The median sales price for new homes grew 4 percent to $333,100 after no average annual change during the previous 2-year period (Census Bureau/HUD). During the next 3 years, demand is estimated for 3.28 million sales units. The 571,100 units already under construction will meet a portion of that demand.

Rental Market

Slightly Tight: After steady rent increases and vacancy rate declines during the past decade, the tight rental market eased slightly in 2020.

The national rental housing market is slightly tight, with an estimated 6.2 percent vacancy rate, up slightly from 2019 but down from 9.2 percent in 2010 when the market was soft. More than one-half of the rental supply in the nation is in structures with two or more units, typically apartments, making those types of structures highly influential on overall rental market conditions. The average monthly apartment rent decreased nearly 1 percent in the past year to $1,410, the first year that the average rent has declined since 2008 (RealPage, Inc.). Demand for rental units during the next 3 years is estimated at 1.11 million units. The 352,000 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	3,284,000	1,110,000
	Under Construction	571,100	352,000

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, 2021. The forecast period is January 1, 2021, to January 1, 2024.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Education and Health Services

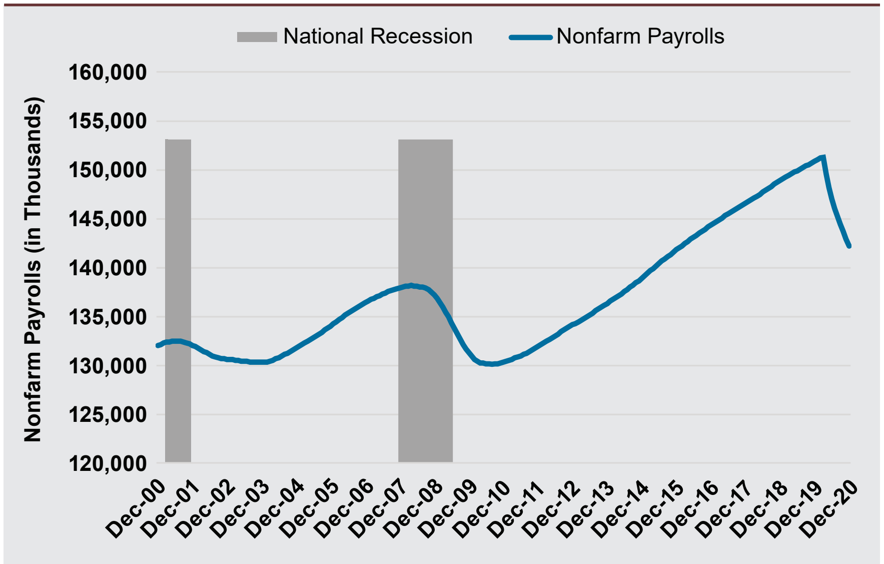
On January 30, 2020, the World Health Organization declared COVID-19 a global health emergency. In March and April, the American labor market lost 20.7 million jobs because of measures to contain COVID-19.

Real gross domestic product (GDP) fluctuated significantly during 2020, with a large decline in the second quarter but a significant rebound in the third quarter. Real GDP was down 3.5 percent in 2020 relative to a year earlier, compared with an increase of 2.2 percent in 2019 (U.S. Bureau of Economic Analysis).

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. Figure 1 shows the national 12-month average of nonfarm payrolls from December 2000 through December 2020.

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

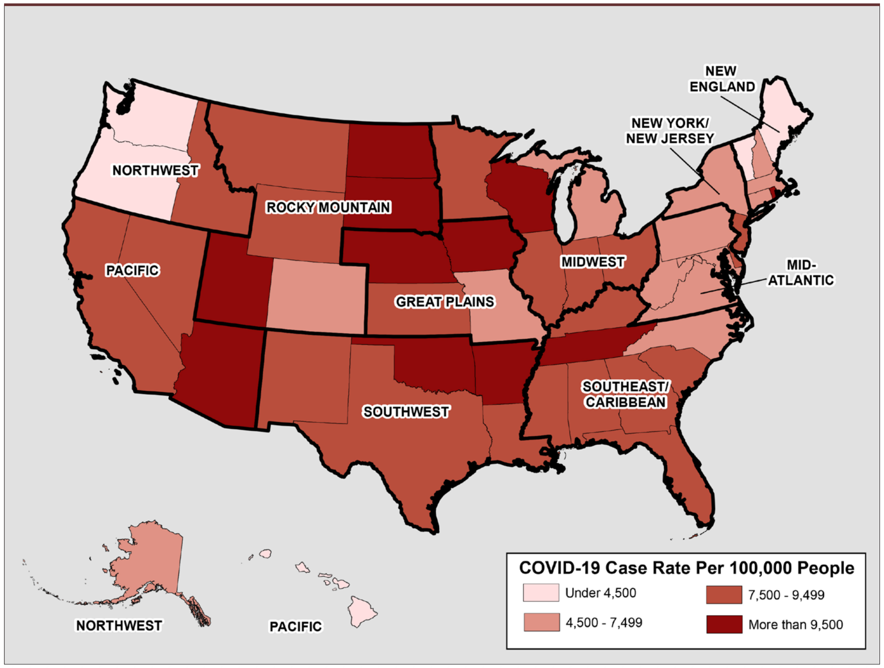


Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Current Conditions—Nonfarm Payrolls

The impacts of COVID-19 have not been uniform across the country. Map 1 shows the COVID-19 case rate per 100,000 people as of mid-January 2021

Map 1. COVID-19 Case Rate per 100,000 People

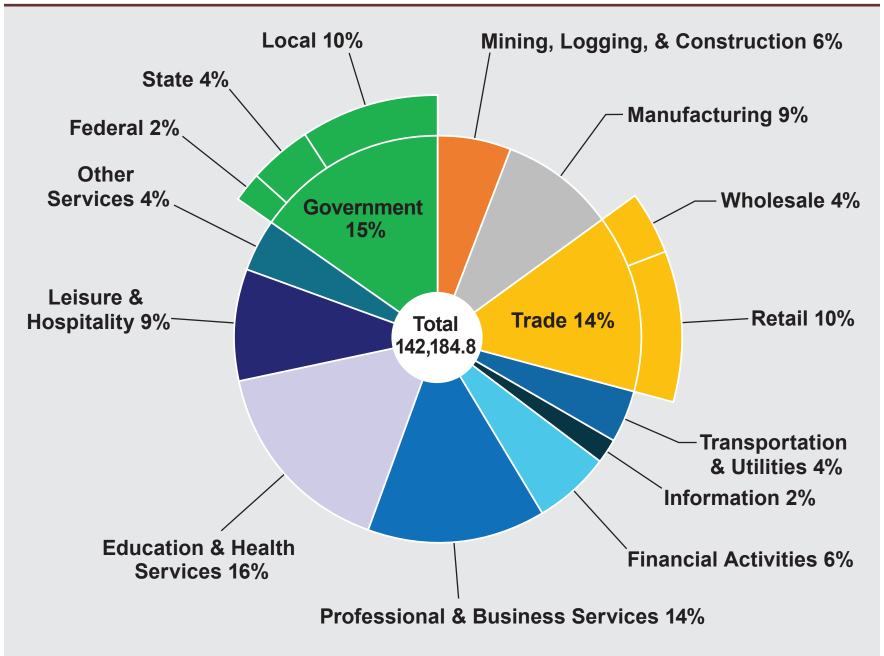


Note: Data are from January 2020 to mid-January 2021.
Source: Centers for Disease Control and Prevention, COVID Data Tracker

at the state level. The case rate is highest in the middle of the country. With the rise of COVID-19, many state and local governments instituted policies early in 2020 to contain or slow the spread of the virus. These policies varied across the country, but in many locations, they resulted in travel limitations and the temporary closure of stores, restaurants, and other types of social establishments. As restrictions were eased throughout the year, many establishments reopened with limited service and a general decrease in demand. Many consumers chose online or remote options to maintain social distancing. This caused significant job losses. During 2020, nonfarm payrolls were down 5.8 percent—or by 8.72 million jobs—to 142.18 million jobs, compared with an increase of 1.3 percent—or 2.00 million jobs—in 2019.

Job losses occurred in every nonfarm payroll sector during 2020, ranging from a decline of less than 1 percent, or 30,600 jobs, in the financial activities sector to nearly 20 percent, or 3.26 million jobs, in the leisure and hospitality sector. Although the leisure and hospitality sector accounted for 11 percent of all jobs in the United States during 2019, the sector represented 37 percent of the jobs lost during 2020, accounting for 9 percent of all jobs during 2020 (Figure 2). Within the sector, the accommodations and food services industry accounted for 80 percent of all the sector losses, with a decline of 2.60 million jobs. Other sectors with more than 1 million jobs lost include the professional and business services sector, down 4.8 percent, or 1.03 million jobs, and the wholesale and retail trade sector, down 4.7 percent, or 1.02 million jobs (Table 1). The financial

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 2020 annual data.
Source: U.S. Bureau of Labor Statistics

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

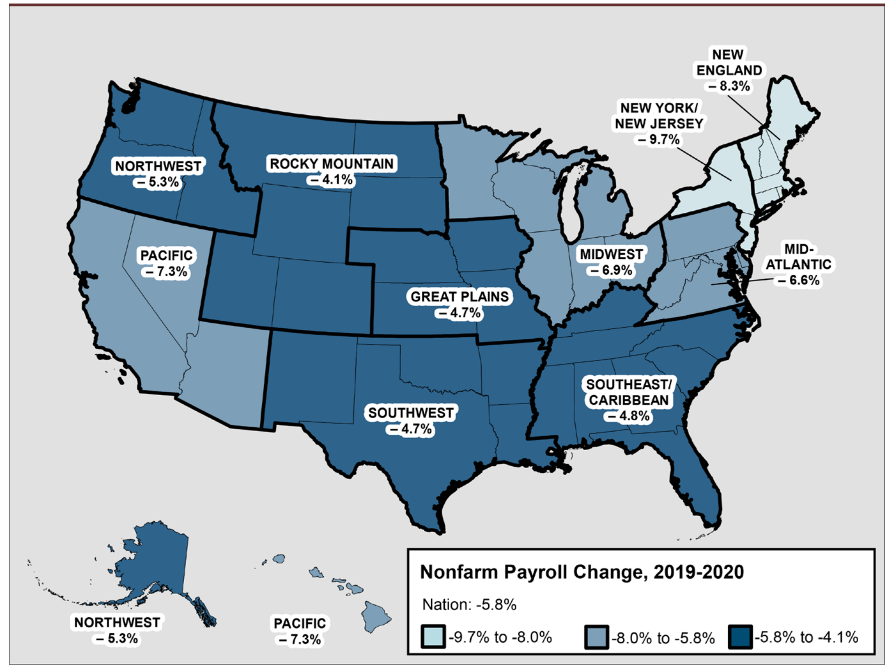
	2019	2020	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**150,904.8**	**142,184.8**	**-8,720.0**	**-5.8**
Goods-Producing Sectors	21,037.4	20,067.5	-969.9	-4.6
Mining, Logging, & Construction	8,220.3	7,888.4	-331.9	-4.0
Manufacturing	12,817.2	12,179.1	-638.1	-5.0
Service-Providing Sectors	129,867.3	122,117.3	-7,750.0	-6.0
Wholesale & Retail Trade	21,508.5	20,492.9	-1,015.6	-4.7
Transportation & Utilities	6,214.3	6,097.0	-117.3	-1.9
Information	2,864.1	2,694.3	-169.8	-5.9
Financial Activities	8,754.1	8,723.5	-30.6	-0.3
Professional & Business Services	21,274.4	20,245.7	-1,028.7	-4.8
Education & Health Services	24,162.5	23,235.2	-927.3	-3.8
Leisure & Hospitality	16,585.8	13,326.5	-3,259.3	-19.7
Other Services	5,890.6	5,393.8	-496.8	-8.4
Government	22,613.2	21,908.5	-704.7	-3.1

Notes: Based on 2019 and 2020 annual data. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

activities sector had the smallest losses because many businesses in this sector were able to adapt to more online services, whereas sectors with the highest level of person-to-person interaction were impacted the most by the countermeasures.

To lessen the economic impacts of COVID-19 and help stimulate the economy, the federal government implemented a number of fiscal and monetary policies during 2020. In March, Congress passed a $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, Congress passed another stimulus package, the Consolidated Appropriations Act 2021, which was worth $900 billion and included $600 payments to qualified individuals and extended unemployment benefits, among other items. In addition, the Federal Reserve instituted a variety of policies 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 securities.

Map 2. Nonfarm Payroll Growth by HUD Region, 2019–2020



Source: U.S. Bureau of Labor Statistics

Current Conditions— Regional Nonfarm Payrolls

The rate of job loss varied significantly across the country during 2020, with the largest rates of decline occurring in the northeast (Map 2). The highest rate of job loss occurred in the New York/New Jersey region, down 9.7 percent, which was led by a 32.7-percent decline—or 443,300 jobs—in the leisure and hospitality sector. The New England region had the second highest rate of decline, down 8.3 percent. The leisure and hospitality sector declined by 220,500 jobs, or 28.3 percent, followed by the education and health services sector, with 106,400 jobs lost, or 6.7 percent. No sectors added jobs in the New York/New Jersey or New England regions. Jobs in the Pacific region were down 7.3 percent, with leisure and hospitality sector jobs down 765,800, or 26.9 percent. The transportation and utilities sector was the only sector to grow, adding 29,900 jobs, or 3.2 percent. Many consumers have turned to online purchasing and local restaurant meal delivery during the pandemic, contributing to job growth in the transportation and shipping industry. The Midwest and Mid-Atlantic regions were down 6.9 and 6.6 percent, respectively. The leisure and hospitality sector led declines in both regions with losses of 561,400, or 22.4 percent, and 375,400, or 25.3 percent, respectively. The transportation and utilities sector in the Midwest and Mid-Atlantic regions were up less than 1 percent each, with gains of 5,700 and 600 jobs, respectively. This was the only sector to add jobs in either region.

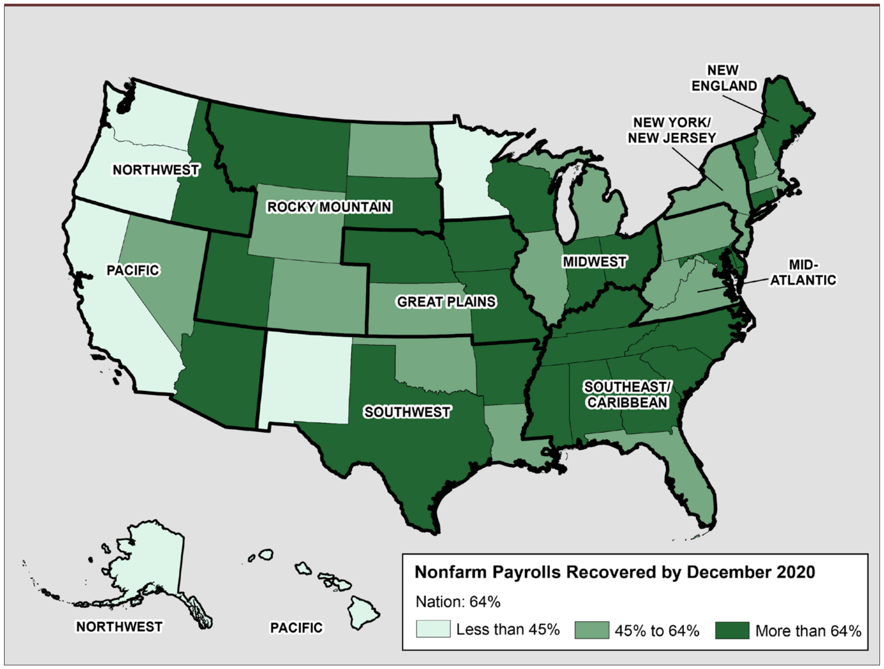
The remaining five regions had lower rates of job loss than the 5.8-percent national rate of decline, ranging from 4.1 percent in the Rocky Mountain region to 5.3 percent in the Northwest region. Nearly 45 percent of the job decline in the Northwest region was in the leisure and hospitality sector, which declined by 154,400 jobs, or 22.7 percent. The only sector to add jobs was the information sector, which added 1,000 jobs, or less than 1 percent.

Jobs in the Southeast/Caribbean, Southwest, Great Plains, and Rocky Mountains regions all declined between 4 and 5 percent. As with the rest of the country, job declines were led in each region by the leisure and hospitality sector, which was down 17.9, 15.8, 17.3, and 17.3 percent, respectively. In the Southeast/ Caribbean region, the only sector to add jobs was the financial activities sector, up 2,100 jobs, or less than 1 percent. The transportation and utilities sector was the only sector to add jobs in the Southeast and Rocky Mountain regions, up 12,000 jobs, or 1.4 percent, and 2,200 jobs, or 1.0 percent, respectively. All sectors in the Great Plains region declined during 2020.

Progress of the Recovery

By the end of December 2020, the national economy had recovered 64 percent of the nearly 21 million jobs that were lost in March and April. Map 3 shows the percent of nonfarm payrolls recovered at the state level by the end of the year.

Map 3. Percent of Nonfarm Payroll Jobs Recovered by December 2020



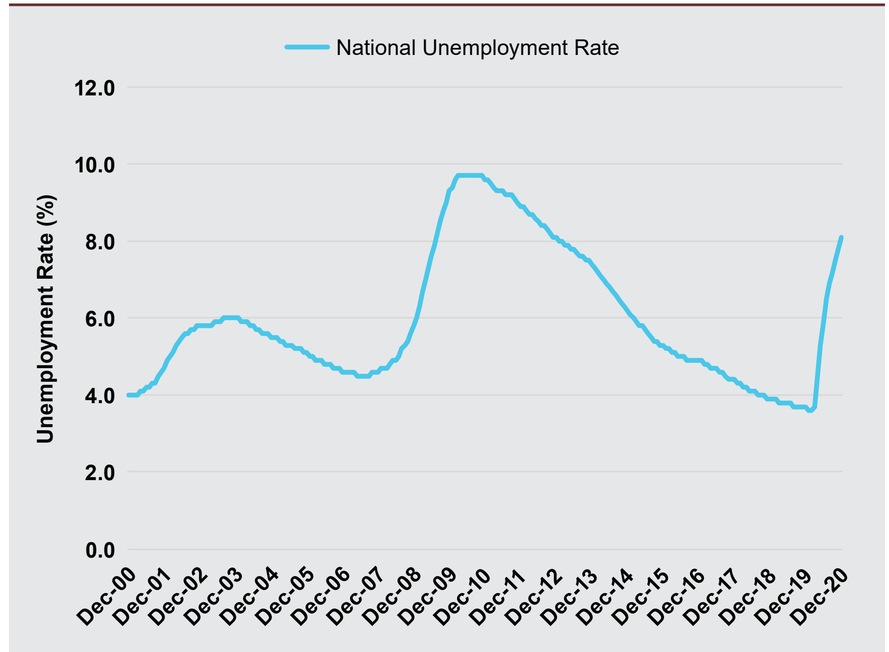
Notes: Percent of nonfarm payroll jobs lost in March and April 2020 that were recovered by the end of December 2020. Data are not seasonally adjusted.
Source: U.S. Bureau of Labor Statistics

Idaho and Utah are the only two states that fully recovered the jobs lost due to the pandemic by the end of the year. Twenty-three additional states recovered a higher percentage of jobs than the national level, led by South Dakota and Montana, which had each recovered 92 percent of the jobs lost. The remaining states had rates of recovery less than the national average. The lowest rate was in the District of Columbia, which only recovered 16 percent of the jobs lost, followed by New Mexico, Alaska, and Hawaii at 21, 27, and 27 percent, respectively.

Current Conditions—Unemployment

During 2020, the unemployment rate averaged 8.1 percent, up from 3.7 percent in 2019. The unemployment rate in 2020 was the highest rate since 2012 when it was also 8.1 percent. The 12-month average unemployment rate previously peaked at 9.7 percent during 2010 but declined steadily through 2019. Figure 3 shows the 12-month average unemployment rate in the nation from 2000 through 2020.

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 early 2000s recession officially lasted 8 months, from March 2001 through November 2001 (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 (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 (National Bureau of Economic Research). 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.

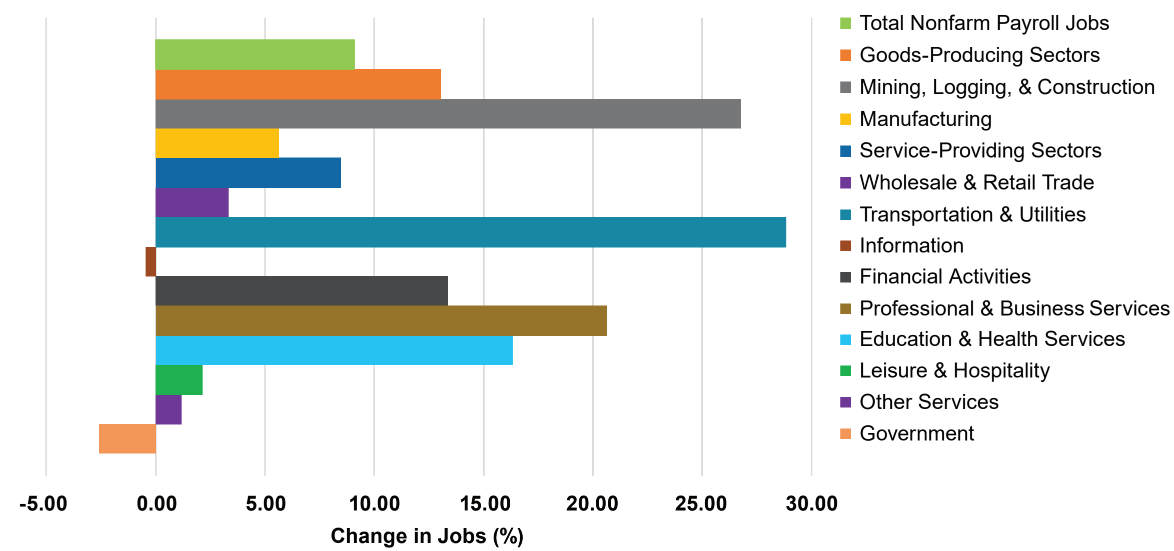
2011 Through 2016: The Expansion

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 averages 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: Recent 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 rate 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 28.9 percent through 2020, 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, 2021.
Source: U.S. Bureau of Labor Statistics

Employment Forecast

During the next 3 years, nonfarm payroll jobs are anticipated to grow at an average of 1.9 percent annually. The distribution of COVID-19 vaccines will enable the economy to "open up" and eventually reduce the need to socially distance. In addition, more fiscal stimulus was enacted in 2021 ($1.9 trillion American Rescue Plan), and the Federal Reserve has committed to maintaining its pro-growth policies of low interest rates and increased money supply while maintaining a close watch on inflation as the labor market returns to and maintains a level of full employment. Job growth is expected to be moderate in the first year of the forecast, with nonfarm payrolls increasing by an estimated 1.3 percent, but will pick up significantly in the second year as more individuals get vaccinated and COVID-19 restrictions are rolled back in earnest. Growth is anticipated to average 2.3 percent during the second year but to return to a more sustainable long-run level of 2.0 percent in the third year. Growth during the forecast period is likely to be led by those sectors most impacted by the COVID-19 pandemic, such as the leisure and hospitality sector.

Population and Households

Current Population: 330.80 Million

Net natural change has steadily declined since 2010, and net migration into the United States has fluctuated.

Population Trends

From 2000 to 2005, a period including the 2001 recession and subsequent moderate economic expansion, the population of the United States grew by an average annual rate of 0.9 percent, or 2.69 million (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, as 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 900,000 people a year, accounting for 40 percent of population growth. Net natural change continued to decline at a significant rate, averaging 1.37 million people a year, or 60 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 2.27 million, or 0.7 percent, annually. The rate of population growth continued to slow, to an average annual rate of 0.5 percent, or 1.75 million people, from 2016 to the current date. Net in-migration slowed to an average of 770,000 people a year but accounted for 44 percent of the population gains during the period, as net natural change declined to an average of 980,000 people, or 56 percent of growth. During 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 more considerably than in recent years.

During the 3-year forecast period, the population is expected to increase at an average annual rate of 0.5 percent or 1.57 million people. Net natural change and net-in migration are expected to average 810,000 and 760,000, respectively. The population is expected to total 335.49 million by the end of the forecast period (Table 2). Figure 5 shows the components of population change from 2000 through the forecast period.

Table 2. Population and Household Quick Facts for the Nation

		2010	Current	Forecast
Population Quick Facts	**Population**	308,745,538	330,800,000	335,494,000
	Average Annual Change	2,732,000	2,052,000	1,565,000
	Percentage Change	0.9	0.6	0.5
		2010	**Current**	**Forecast**
Household Quick Facts	**Households**	116,716,292	127,604,000	130,225,000
	Average Annual Change	1,124,000	1,013,000	873,700
	Percentage Change	1.0	0.8	0.7

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, 2021) to January 1, 2024.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

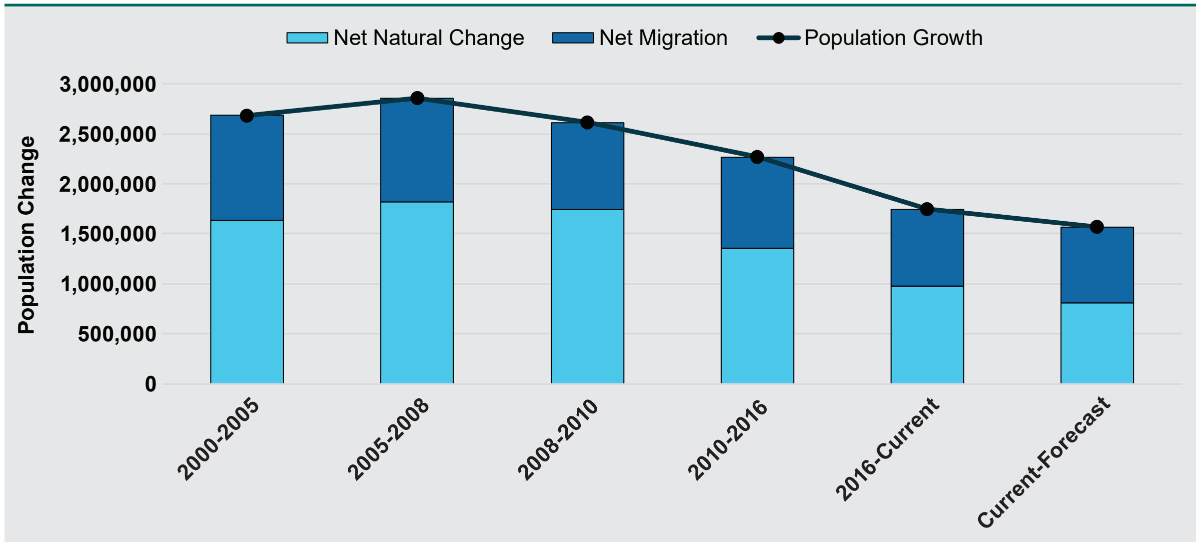
International Migration

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. These policies may be relaxed once the pandemic ends.

Age Cohort Trends

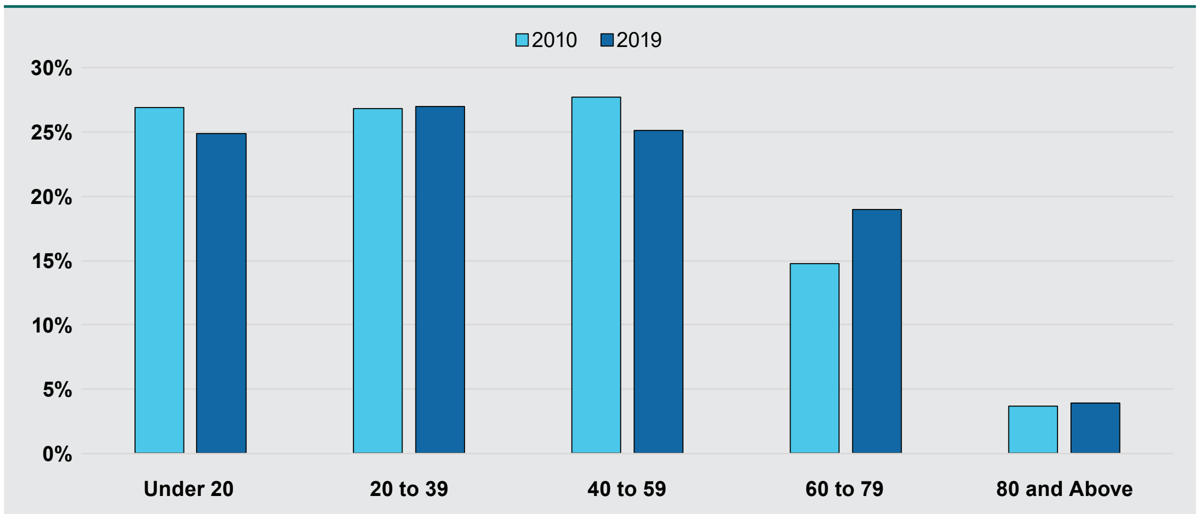
The median age in the United States in 2019 was 38.5 years, up from 37.2 years in 2010. The largest population by age range in the United States is the 20-to-39-year-old age cohort, which

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 time period. The forecast period is from the current date (January 1, 2021), to January 1, 2024.
Sources: U.S. Census Bureau; current and forecast—estimates by the analyst

Figure 6. Population by Age Range in the Nation



Sources: 2010 and 2019 American Community Survey, 1-year data constituted 27.0 percent of the total population as of 2019, compared with 26.8 percent in 2010 (ACS 1-year data). The under-20 age cohort declined from 26.9 percent of the population in 2010 to 24.9 percent in 2019. 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 14.8 percent of the total population, but by 2019 it had grown to 19.0 percent of the population. This helps explain the steady growth in healthcare-related services throughout the country, as this age group tends to be a major consumer of health services. The 80-and-older age group remained relatively stable during the period, rising from 3.7 percent of the total population in 2010 to 3.9 percent in 2019. Figure 6 shows the population by age range in the United States for 2010 and 2019.

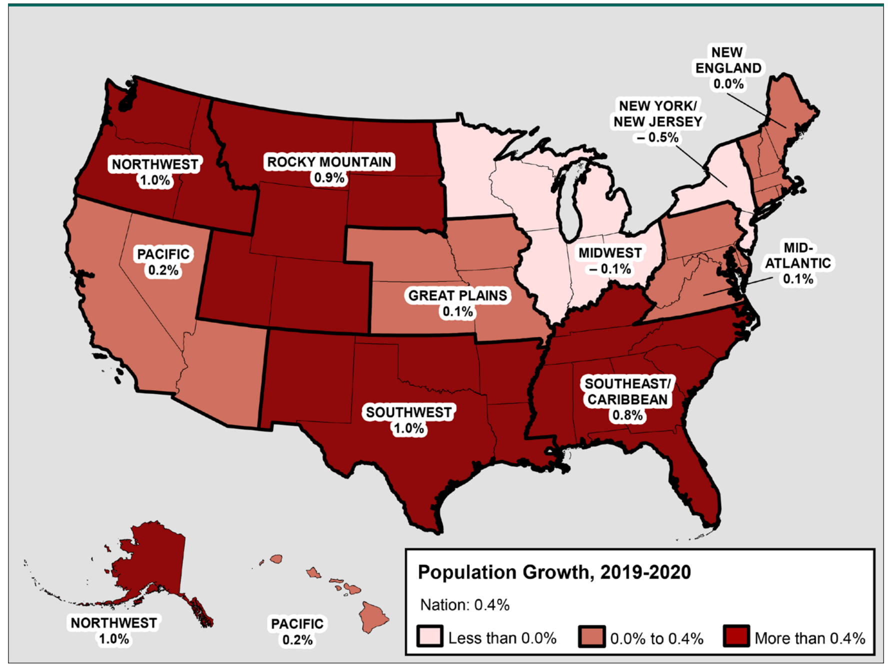
Recent Regional Population Trends

From 2019 to 2020, the population increased in 8 of the 10 HUD regions. Map 4 shows the population growth rates by region. The national increase in population was 0.4 percent during that period. Four regions had a rate of population growth higher than the national average, with the highest rates of 1.0 percent in the Northwest and Southwest regions. The population in the Rocky Mountains grew by 0.9 percent, followed by the Southeast/Caribbean region at 0.8 percent. In the Pacific region, the population increased by 0.2 percent while growing by 0.1 percent in both the Great Plains and Mid-Atlantic regions. The population remained unchanged in the New England region. The population in the New York/New Jersey region declined 0.5 percent during the period and was down by 0.1 percent in the Midwest region.

Household Trends

The number of households in the United States is currently estimated at 127.60 million—an average annual increase of 0.8 percent, or 1.01 million 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.

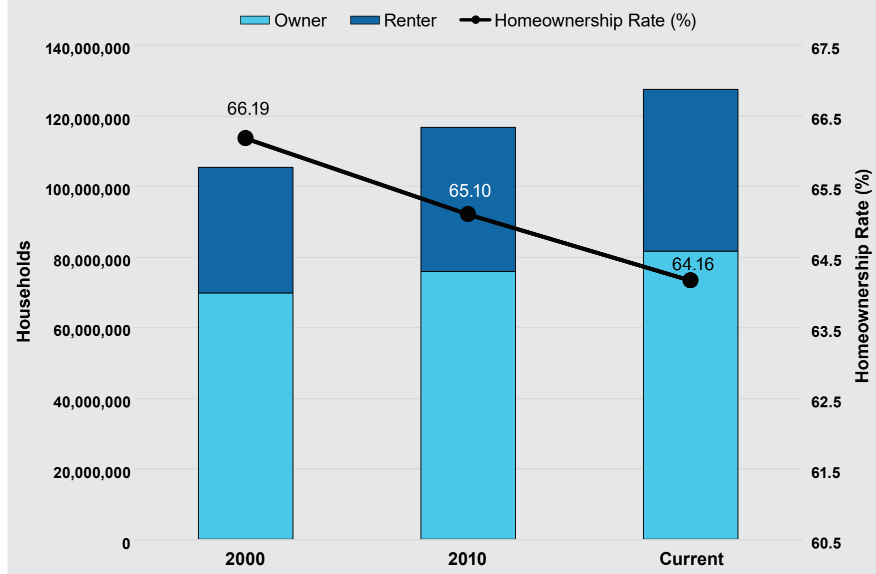
Map 4. Population Growth by HUD Region, 2019–2020



Source: U.S. Census Bureau Population Estimates Program

Since 2010, owner households have increased 0.7 percent a year, and renter households have increased 1.1 percent a year, compared with respective rates of 0.9 and 1.3 percent from 2000 to 2010. Owner household growth was highly variable in the 2000s, 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 throughout the country among households with a number of households shifting from ownership to renting. 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 547,800 a year, and renter household growth averaged 464,900. 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 64.2 percent, down from 65.1 percent in 2010 and down from a peak of 69.0 percent in 2004. Currently, an estimated 81.88 million owner households and 45.73 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 873,700, or 0.7 percent, annually, as the rate of population growth slows.

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



Note: The current date is January 1, 2021.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Home Sales Market

Market Conditions: Very Tight

Despite the severity of the economic downturn during the past year, demand for owner housing was strong, and the home sales market tightened in 2020.

Current Conditions

The national home sales market is very tight, with the months' supply of homes dropping from 3.9 months in 2019 to 3.1 months in 2020 (NAR). As the nation entered a severe economic downturn, home sales and prices rose and the inventory of homes for sale hit a new low. In 2020, there were 1.07 million active listings—a decrease of 23 percent from 2019 levels when the market was already tight. The low number of active listings in the past 12 months was exacerbated by the challenges of showing homes during the pandemic. In 2020, year-over-year, existing home sales increased 6 percent (NAR), but new home sales increased 19 percent—the largest annual increase in new home sales since 2012 when sales were recovering from lows reached during the housing crisis (Census Bureau/HUD). Home prices also rose in 2020, with the median existing home sales price increasing 9 percent to $296,500, and the median new home sales price rising 4 percent to $333,100 (Table 3).

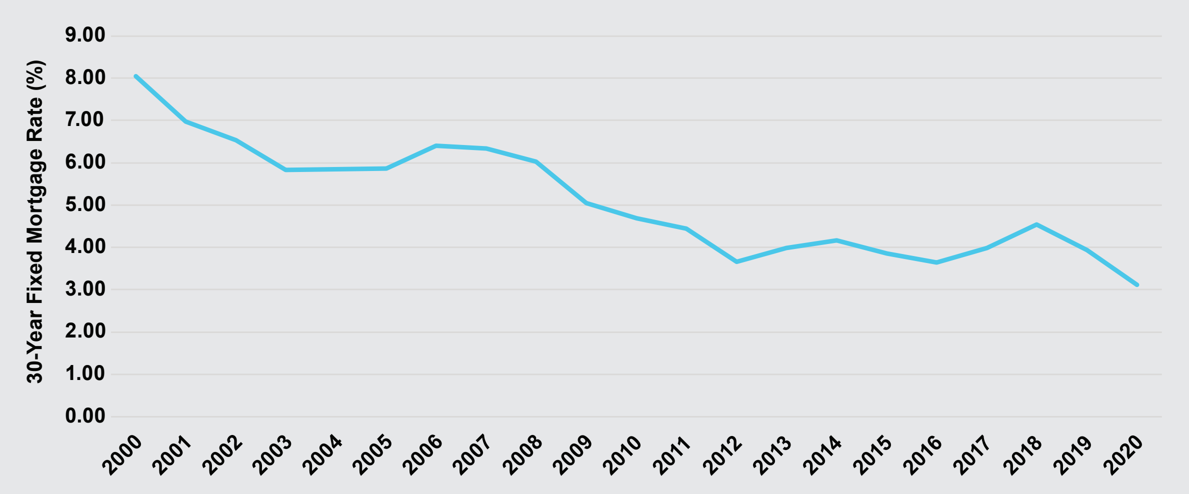
One explanation for increased homebuying in 2020 was record-low mortgage interest rates. According to Freddie Mac, the annual average interest rate for a 30-year fixed-rate mortgage was 3.11 percent in 2020, down from 3.94 percent in 2019 and 4.54 percent in 2018 (Figure 8). The 2020 rate for 30-year mortgages is the lowest annual rate on record since Freddie Mac began tracking them in 1971. Another reason behind the increase in homebuying

Table 3. Home Sales Quick Facts for the Nation

Home Sales Quick Facts		2019	2020
	Vacancy Rate	1.2%	1.0%
	Months of Inventory	3.9	3.1
	Existing Home Sales	5,340,000	5,640,000
	1-Year Change		6%
	New Home Sales	683,000	811,000
	1-Year Change		19%
	Existing Home Sales Price	$271,900	$296,500
	1-Year Change		9%
	New Home Sales Price	$321,500	$333,100
	1-Year Change		4%
	Mortgage Delinquency Rate	1.4%	4.0%

Notes: The 2019 Vacancy Rate is as of January 1, 2020, and the 2020 Vacancy Rate is as of January 1, 2021. Months of supply, home sales, and prices are for the 12 months ending December 2020; and mortgage delinquency data are as of December 2020. The current date is January 1, 2021. Prices shown are the median for the year.
Sources: National Association of Realtors®; Census Bureau/HUD; CoreLogic, Inc.

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



Source: Freddie Mac

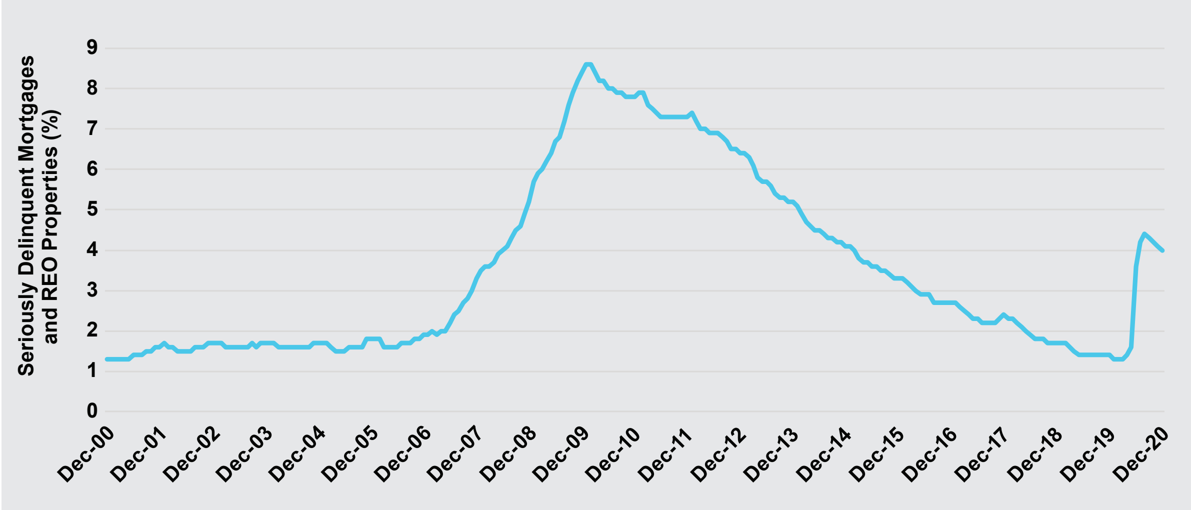
during the pandemic likely comes from households spending more time at home because of increased telework and in-home learning. As households sought to optimize their time at home, many bought new homes or invested in upgrades for their existing homes.

Mortgage Delinquencies and Forbearance

Although the sales market is extremely tight, a portion of mortgage borrowers have been hit hard by the pandemic-induced economic downturn. The percentage of seriously delinquent mortgages and real estate owned (REO) properties increased rapidly in the summer of 2020, peaking at 4.4 percent in August before making a gradual decline in the remainder of the year to 4.0 percent in December (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 peak is significantly lower than the high of 8.6 percent reached in January 2010. A substantial increase in seriously delinquent home loans in 2020 caused the increase in the percentage of seriously delinquent home loans and REO properties. In December 2020, the number of seriously delinquent home loans increased 314 percent year-over-year, whereas foreclosures declined 31 percent and REO properties declined 61 percent.

To help homeowners affected by the COVID-19 pandemic, mortgage forbearance of up to

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 or in foreclosure.
Source: CoreLogic, Inc.

180 days was mandated by the CARES Act for federally backed home loans. The borrower may request an additional 180 days for a total forbearance period of 360 days. In February 2021, further extensions of mortgage forbearance between 3 to 6 months were announced for federally backed home loans. Approximately 70 percent of mortgages nationwide are federally backed and qualify for mortgage forbearance as outlined in the CARES Act (Urban Institute). As of April 30, 2020, an estimated 3.85 million borrowers representing 7.3 percent of the first lien market were in an active forbearance plan; this includes 6.7 percent of fully private mortgages that are not covered by the forbearance options mandated by the CARES Act (Black Knight Financial Technology Solutions, LLC). The number of active forbearance plans increased rapidly, rising by 24 percent nearly a month later, to 4.76 million borrowers on May 26, or 9.5 percent of first lien mortgages nationwide. Since then, the number of mortgages in active forbearance plans has declined to 2.74 million borrowers, or 5.2 percent of all first lien mortgages as of January 19, 2021. While the number of mortgages in forbearance plans has declined since the beginning of the pandemic, Black Knight Financial Technology Solutions, LLC projects that 24 percent of the loans in active forbearance plans will reach their expiration in March 2021. The extension of mortgage forbearance options will allow some of those borrowers an extra 3 to 6 months of delaying their payments. Currently, only 12 percent

of homeowners in forbearance make monthly mortgage payments, whereas that share was approximately 50 percent at the beginning of the pandemic (Black Knight Financial Technology Solutions, LLC). In mid-December, 5 percent of homeowners that were not current on their mortgage payments thought it was very likely that they would have to leave their home in the next 2 months due to foreclosure (U.S. Census Bureau, Household Pulse Survey). In addition to the mortgage forbearance policies, a moratorium on foreclosures for homeowners with federally backed mortgages is currently in place through June 2021.

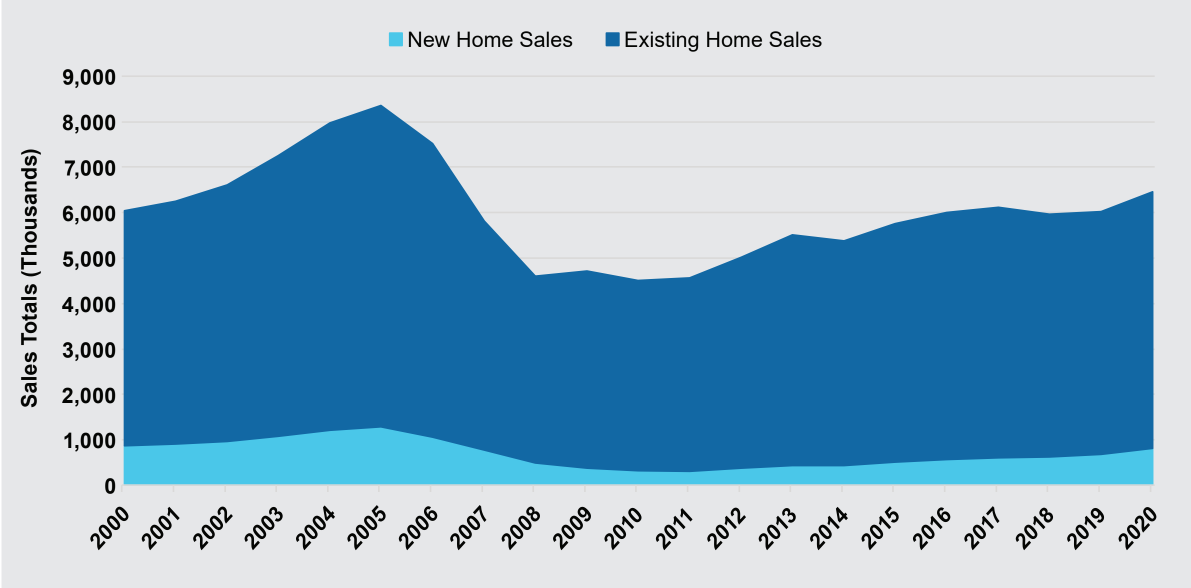
Current Regional Highlights

The sales housing markets in the 10 HUD regions had mixed conditions during the fourth quarter of 2020, ranging from slightly soft to very tight. Sales markets in the Northwest region ranged from very tight to balanced, whereas the New York/New Jersey region was the only region with slightly soft sales markets. According to the CoreLogic, Inc. home price index (HPI) for repeat sales, price appreciation was highest in the states in the New England region from December 2019 to December 2020. Four of the top 10 states in the country for price appreciation were in the New England region, with price increases ranging from 15 percent in Maine to 13 percent in Rhode Island. Home prices in the Southwest region had some of the smallest increases: the HPIs in Texas and Louisiana each increased 6 percent. No state in the country had a price appreciation of less than 6 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 (Figure 10). During that period, home sales rose as 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; 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



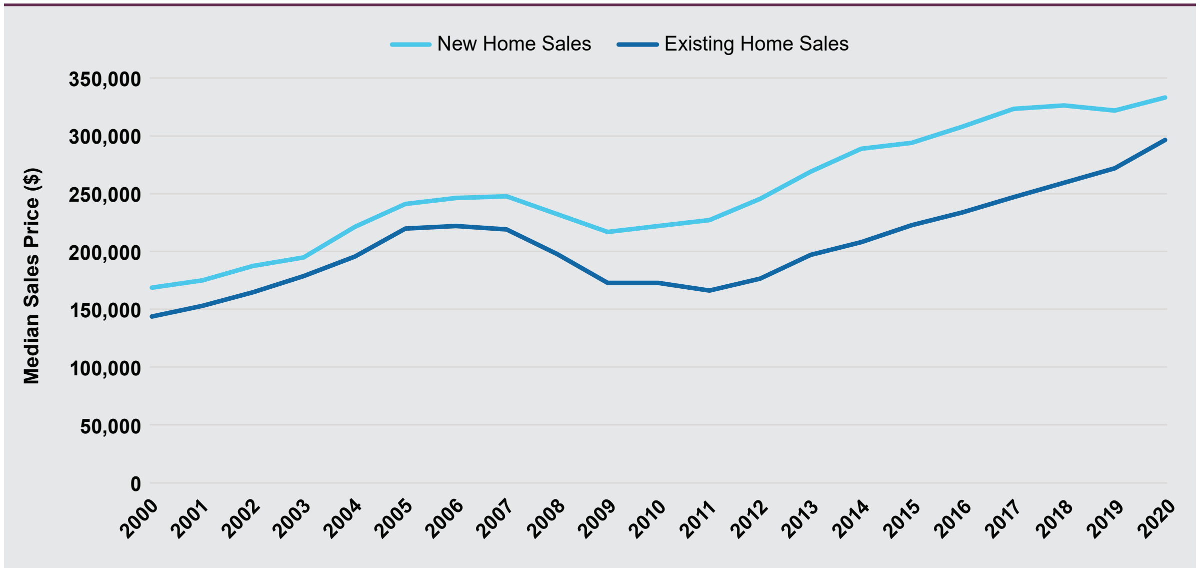
Sources: National Association of Realtors®; U.S. Census Bureau/HUD

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. Since their respective lows, new and existing home sales have trended upward as the economy improved and sales market conditions tightened. Most of the sales growth from 2009 through 2019 for existing homes and from 2012 through 2019 for new homes was concentrated in the early years of the recovery. From 2009 through 2016, existing home sales increased at an average annual rate of 4 percent. From 2017 through 2019, existing home sales decreased at an average annual rate of 1 percent. New home sales followed a similar pattern, 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. In 2020, home sales growth accelerated to 6 percent for existing homes and 19 percent for new homes.

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 since then (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; 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



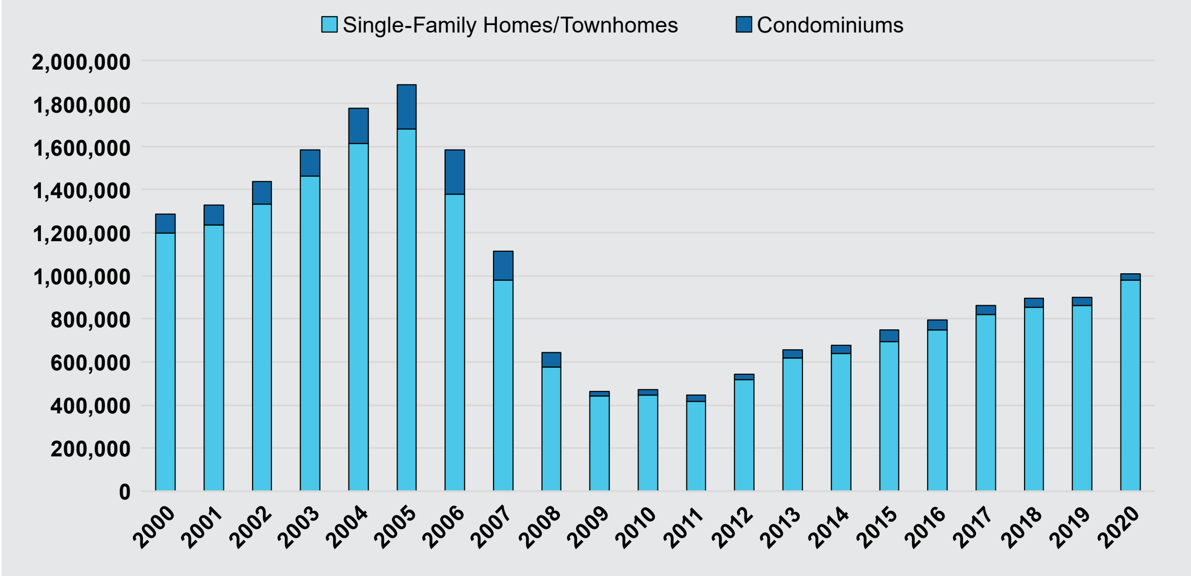
Sources: National Association of Realtors®; U.S. Census Bureau/HUD

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. The median home sales price for new homes increased an average of 4 percent a year from 2010 through 2020. 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. However, growth accelerated to 9 percent in 2020. The total increase in home prices from trough to 2020 was 54 percent for new homes and 79 percent for existing homes.

Sales Construction Activity

Since 2010, sales construction activity, 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 1.55 million units a year. During the next 4 years, the number of sales units permitted dropped precipitously, averaging 952,200 units permitted a year or a decline of 39 percent from the previous period. Sales building activity stabilized at low levels from 2009 through 2011, at 457,400 sales units permitted annually, as the housing market worked to absorb an excess supply of sales inventory. Since 2012, the number of sales units permitted has averaged 759,700 annually, an increase of 66 percent from the previous period. Although this increase in sales permitting is significant, it has not kept pace with the growth in demand and has contributed to the currently tight sales market conditions. The number of sales units permitted increased 12 percent in 2020, year over year, surpassing 1 million for the first time since 2007.

Figure 12. Average Annual Sales Permitting Activity in the Nation



Note: Includes single-family homes, townhomes, and condominiums.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

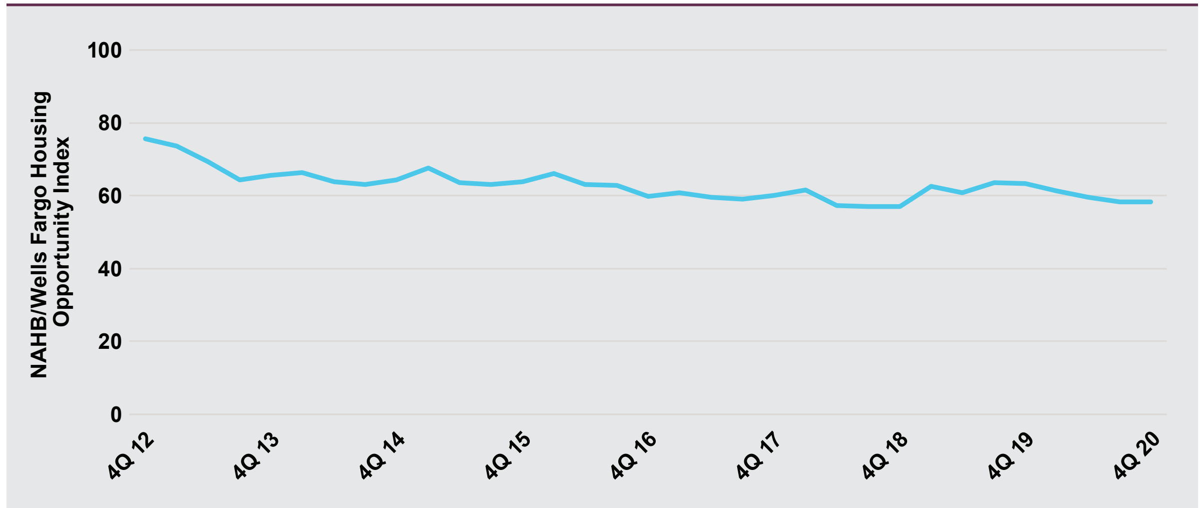
While most residential construction in the United States is captured in building permit data, a large portion of new housing is built without a permit. An estimated 14 percent of the new supply of sales housing since 2010 was built without a permit, which amounts to an average of 111,600 sales units a year.

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 58.3 during the fourth quarter of 2020, down from 75.6 during the fourth quarter of 2012 (Figure 13). Despite record low mortgage interest rates in 2020, the HOI declined by 4.9 percentage points in the past year alone because of increased home sales prices and decreased household income.

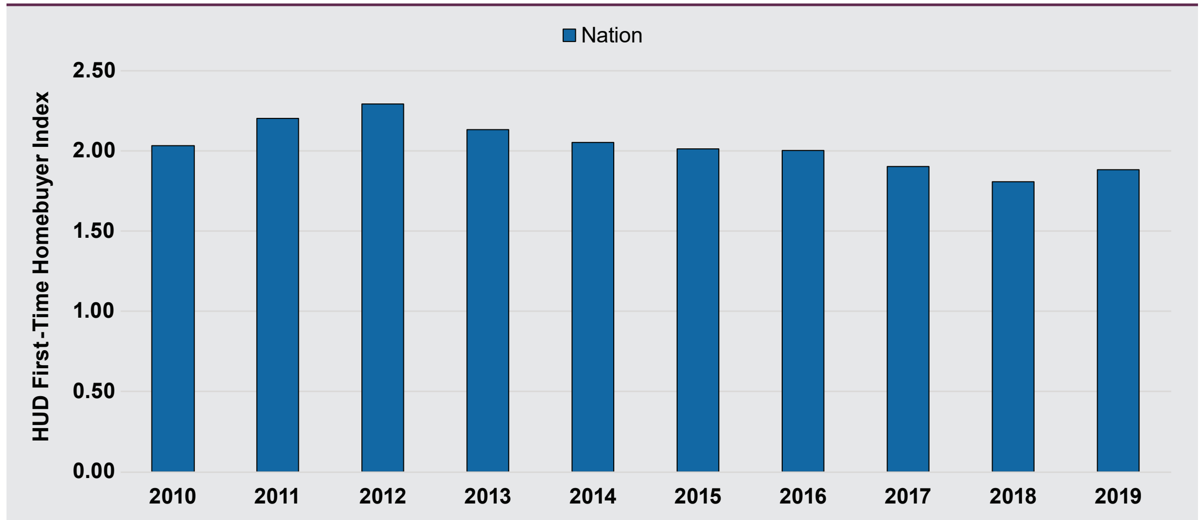
First-time homebuyers face many affordability challenges when it comes to purchasing a home, regardless of where they live. For the nation, homeownership has become less affordable for households in the 25-to-44-year age cohort, a prime group for first-time homebuyers. The HUD First-Time Homebuyer Affordability 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. When 2020 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 in the past year and weak income growth.

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



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

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



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

Forecast

Despite signs of weakness in the housing market because of increased mortgage delinquencies during the past year, the outlook for the home sales market is positive. Demand is expected for 3.28 million sales units during the 3-year forecast period (Table 4). This forecast calls for an increase in the production of sales units to ease the extremely tight housing market conditions. Less 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.

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

	Sales Units
Demand	3,284,000 Units
Under Construction	571,100 Units

Note: The forecast period is from January 1, 2021, to January 1, 2024.
Source: Estimates by the analyst

Rental Market

Market Conditions: Slightly Tight

The overall rental housing market was slightly tight in 2020, though the apartment market showed signs of weakness with a decline in the average apartment rent.

Current Conditions and Recent Trends

The national rental market is slightly tight, with an estimated vacancy rate of 6.2 percent—up from 6.1 percent in 2019, when the market was tight (Table 5). Sixty-two percent of the national rental supply is in multifamily structures with two or more units, typically apartment properties (2019 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 2020, the vacancy rate for professionally managed single-family rental units was 2.7 percent, up 0.1 percentage point from December 2019 (CoreLogic, Inc.). At the same time, the median rent for two-bedroom single-family homes that were professionally managed increased 7 percent, to $1,418. During a similar period, from the fourth quarter of 2019 to the fourth quarter of 2020, the average monthly effective rent for apartment units declined nearly 1 percent, whereas the apartment vacancy rate increased from 4.2 to 4.3 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 6.2 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	6.2
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	34.0	33.0
	Multifamily (2–4 Units)	19.0	17.0
	Multifamily (5+ Units)	43.0	45.0
	Other (Including Mobile Homes)	5.0	4.0
		Current	**YoY Change**
	Apartment Vacancy Rate	4.3	0.1
	Average Monthly Rent	$1,410	-0.6%

YoY= year-over-year.
Notes: The current date is January 1, 2021. Percentages may not add to 100 due to rounding.
Sources: 2010 and 2019 American Community Survey, 1-year data; RealPage, Inc.

It is likely that the severe economic downturn caused by the COVID-19 pandemic disproportionally harmed renter households in part because they were less secure financially before the pandemic. In addition, many renters were employed in industries hard hit by the pandemic and therefore were more likely to face job losses. In 2019, the median net worth of an owner household was 40 times the median net worth of a renter household, and the median income of an owner household was more than twice that of a renter household (Board of Governors of the Federal Reserve System, Survey of Consumer Finances). During mid-December 2020, an estimated 18 percent of all renter households were behind on their housing payment, versus 8 percent for all owner households (U.S. Census Bureau, Household Pulse Survey). At the same time, 17 percent of renter households that were not current on their rental payments thought it was very likely that they would have to leave their home because of eviction in the next 2 months.

Several policies have been enacted at the federal level in the past year that have helped renters stay in their homes during the COVID-19 pandemic. The CARES Act included a 120-day moratorium on evictions and protections for tenants in certain rental properties with federal assistance or federally related financing. According to the Urban Institute, this covers 28 percent of rental units in the nation. In addition, state and local eviction moratoriums enacted in 2020 provided protections for a share of renters not covered by the CARES Act. Under Section 4024(b)(2) of the CARES Act, renter households living in covered dwellings were able to postpone rent payments until July 24, 2020, without the threat of eviction or being charged fees or penalties for nonpayment of rent. After the moratorium expired, landlords were required to give a 30-day notice to evict a tenant in a covered dwelling unit, giving households until August 24, 2020. Following that date, an 11-day period occurred in which no eviction protection for renters existed at the federal level. On September 4, 2020, the Centers for Disease Control and Prevention (CDC) issued an order to temporarily halt residential evictions to prevent the further spread of COVID-19. While the eviction moratorium included in the CARES Act was intended to alleviate economic and public health consequences of eviction, the CDC order was focused on the public health consequences of eviction during the pandemic—a recognition of the increased risk of COVID-19 transmission associated with evictions. Like Section 4024(b)(2) of the CARES Act, the CDC order does not relieve any obligation to pay rent or make a housing payment; the order was set to expire on January 31, 2021, but has been extended through March 31, 2021. Meanwhile, rental debt will continue to accrue. In October 2020, the Federal Reserve Bank of Philadelphia projected that an estimated 1.34 million renter households would owe $7.2 billion in rent or approximately $5,400 each in December 2020.

On December 27, 2020, Congress passed the Consolidated Appropriations Act of 2021, which included $25 billion for the Department of Treasury to launch the Emergency Rental Assistance Program. The program, which provides funding to state and local governments, helps renter households struggling to pay rent and utilities because of the COVID-19 pandemic.

Current Regional Highlights

Rental market conditions varied throughout the 10 HUD regions from soft to tight during the fourth quarter of 2020. The Mid-Atlantic region was the only region containing soft markets, whereas most regions had a mix of balanced to tight markets. Year-over-year apartment rent growth during the fourth quarter of 2020 did not exhibit any pronounced trends at the regional level; however, it is worth noting that some metropolitan areas known for their high housing costs registered sharp rent declines. The average effective rent for the fourth quarter of 2020 decreased 19 percent in the San Francisco metropolitan area and 14 percent in the San Jose and New York City metropolitan areas (RealPage, Inc.). Additional rental 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

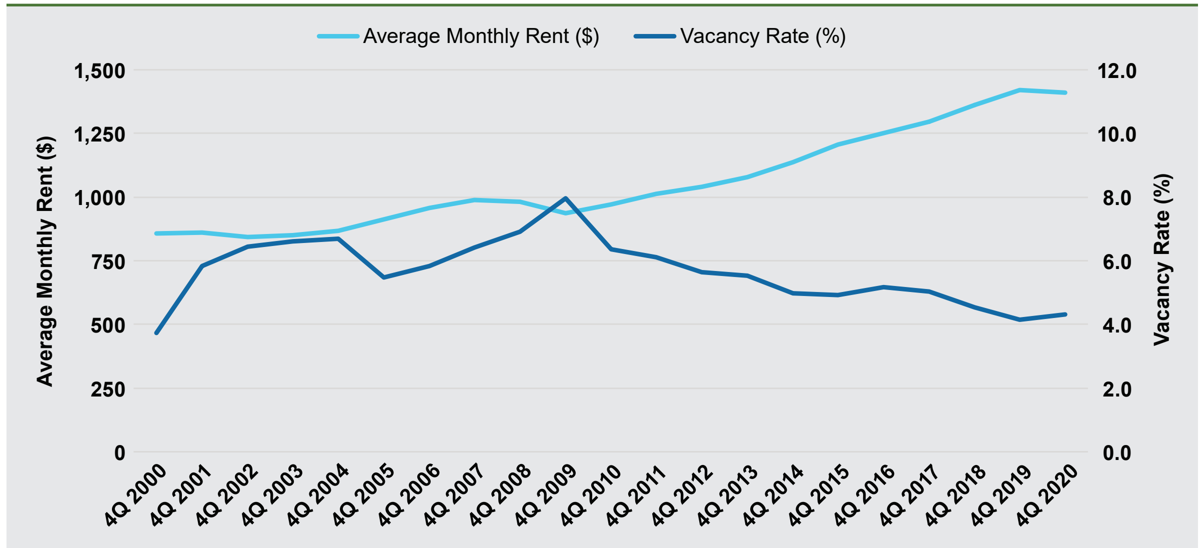
The national apartment market during the 2000s was more volatile than during the 2010s when there was a steady tightening of market conditions. The apartment vacancy rate for the nation was a low 3.7 percent during the fourth quarter of 2000 before increasing to 6.7 during the fourth quarter of 2004 (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 3 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 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 8.0 to 4.2 percent, or an average of 0.4 percentage point a year. In the fourth quarter of 2020, the average apartment vacancy rate increased 0.1 percentage point to 4.3 percent (RealPage, Inc.). The average effective monthly rent increased an average of 4 percent annually, from $938 in the fourth quarter of 2009 to $1,419 in the fourth quarter of 2019 before declining 1 percent to $1,410 in the fourth quarter of 2020.

Rental Construction Activity

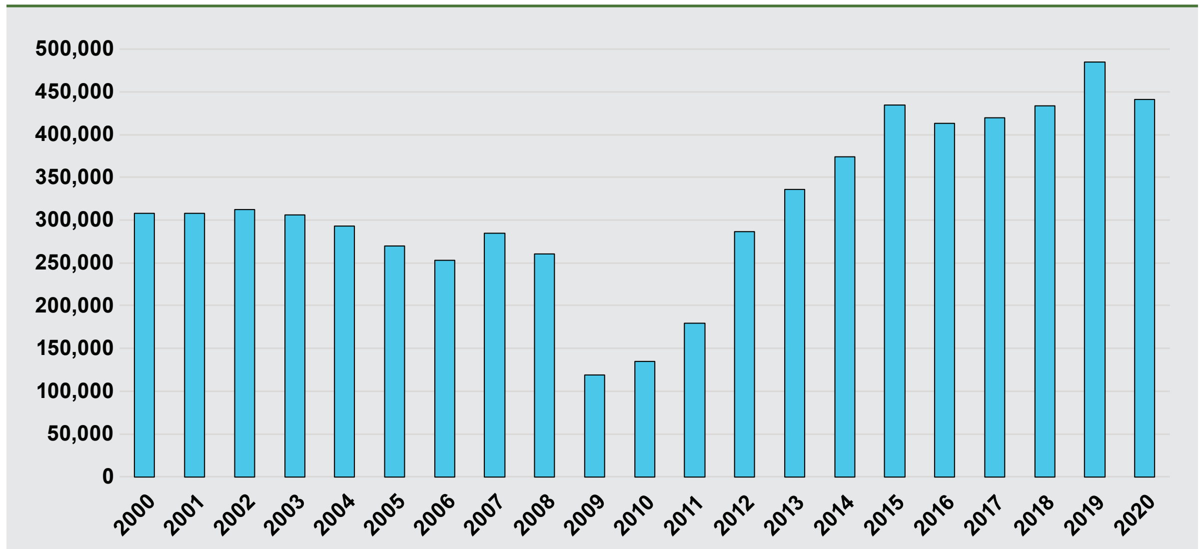
Rental building activity, as measured by the number of rental units permitted, averaged much higher levels during the 2010s in response to stronger growth in rental demand and tighter rental market conditions compared with the previous decade. From 2000 through 2008, an average of 288,400 rental units were permitted annually (Figure 16). As the rental market

Figure 15. Apartment Rents and Vacancy Rates in the Nation



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

Figure 16. Average 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 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

softened considerably in 2009, rental permitting dropped and remained at relatively low levels for 3 years, averaging 144,300 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 in 2012 to approximately 286,300 units, or more than double the average for the previous 3 years, and an average of 332,000 rental units were permitted annually during the 2012-through-2014 period. Since 2015, an average of 364,200 rental units have been permitted annually, increasing 10 percent from the average annual level during the previous 3 years.

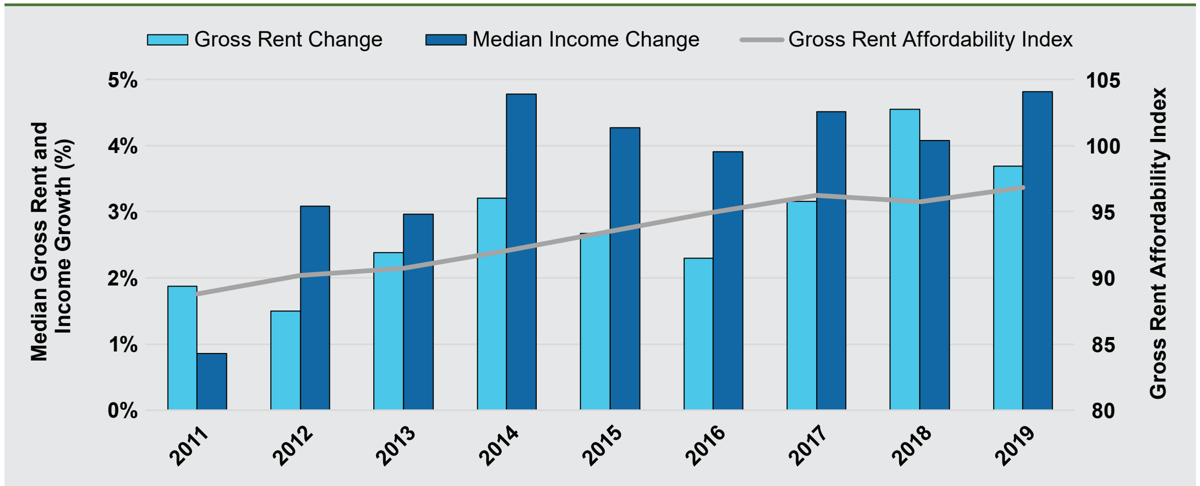
Similar to the construction of sales units, a large portion of new rental housing in the nation is built without a permit. An estimated 33 percent of the new supply of rental housing units since 2010 was built without a permit. This amounts to an average of 167,400 rental units a year.

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 2020 data will show a decline in rental affordability because of decreased income for renter households brought on by the pandemic.

Although rental affordability improved during the 2010s, many renter households in the United States face some degree of cost burden, paying more than 30 percent of their income on rent. During the 2013-through-2017 period, an estimated 21.8 percent of all renter households in the nation were cost burdened, spending between 30 and 49 percent of their income on rent, whereas 22.9 percent were severely cost burdened, spending more than 50 percent of income toward rent (Table 6). The cost

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

Table 6. Percentage of Cost Burdened Renter Households by Income in the Nation, 2013–2017

	Cost Burdened	Severely Cost Burdened
Renter Households with Income <50% HAMFI	25.6	50.1
Total Renter Households	21.8	22.9

HAMFI = HUD area median family income.
Note: "Cost-burdened" households spend between 30–49 percent of their income on rent, and "severely cost-burdened" households spend over 50 percent of their income on rent.
Sources: Consolidated Planning/CHAS Data; American Community Survey 5-year estimates

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, 25.6 percent were cost burdened and 50.1 percent were severely cost burdened.

The Low-Income Housing Tax Credit (LIHTC) program is the primary source of funding for new affordable rental housing in the nation. From 2010 through 2019, 889,557 LIHTC units were placed in service, with 79 percent of those units reserved for low-income households with incomes at or below 60 percent of the local Median Family Income (MFI). Of the total LIHTC units placed in service from 2010 through 2019, 21 percent were reserved for seniors. By comparison, from 2000 through 2009, 1.3 million LIHTC units were placed in service, with 60 percent reserved for households with incomes at or below 60 percent of MFI. During this period, 18 percent of all units were reserved for seniors.

In addition to LIHTC, income-eligible residents may qualify for project-based rental assistance (PBRA) or housing choice vouchers (HCV) through the local public housing authority (PHA). Nationwide, PHAs administered approximately 2.3 million HCVs in 2019, an increase of more than 13 percent from 2010 (HUD's Picture of Subsidized Households). The number of households served and the average monthly subsidy have increased by 3.9 and 0.1 percent, respectively, since 2010, whereas the monthly tenant contribution has decreased 0.5 percent (Table 7). Tenant income likely decreased in 2020 because of the COVID-19 pandemic, leading to increased subsidy and a decrease in tenant contributions. Despite nearly 4.6 million American households receiving rental assistance, funding limitations prevent three out of four eligible households from receiving housing assistance.

Forecast

During the 3-year forecast period, the slightly tight rental market is expected to ease as the rate of renter household growth moderates. In addition, a large number of potential evictions looms over the rental market, the effects of which are highly uncertain and may be influenced by government efforts to limit the impact. Demand for approximately 1.11 million rental units is expected nationwide for the next 3 years (Table 8). The 352,000 rental units already under construction will satisfy nearly all 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.

Table 7. National Picture of Subsidized Households, 2020

	Total	Change Since 2010
Total Assisted Households (2020)	4,599,832	3.9%
Total Housing Voucher Households (2020)	2,313,166	13.4%
Average HCV Tenant Monthly Contribution	$386	-0.5%
Average Monthly HUD Subsidy	$834	0.1%

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

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

	Rental Units
Demand	1,110,000 Units
Under Construction	352,000 Units

Note: The forecast period is January 1, 2021, to January 1, 2024.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits (Rental/Sales Construction Activity)	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. 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. *Severely Cost Burdened* is spending more than 50 percent of household 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	1/1/2021–1/1/2024—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family, 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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