

## Renters More Often Burdened by Housing Costs After Recession

### Nearly Half of All Renters Spent Over 30 Percent of Income on Housing by 2010

JESSICA A. BEAN

Since the onset of the Great Recession in December 2007,<sup>1</sup> much of the economic discussion has centered on the role of the housing collapse in the financial crisis.<sup>2</sup> Specifically, most of this attention has been focused on the impact of the housing bubble on homeowners in terms of both housing values and mortgage foreclosures. Less attention, however, has been paid to the effects of the recession on renters' housing situations. With declines in the construction of rental housing and a flood of former homeowners turning to rental options, the tightening market undoubtedly has had effects on renters.<sup>3</sup>

This brief uses data from the 2007 and 2010 American Community Survey to document changes in the proportion of household income spent on rental costs (rent plus utilities) during the Great Recession, by region (Northeast, Midwest, South, and West) and place type (rural, suburban, or central city location). Particular attention is paid to how patterns of cost burden vary among renters of different ages and income levels and to the policy implications of these findings.

A standard measure of affordability suggests that renters should spend no more than 30 percent of income on rent and utility costs; any household paying more than this is considered "cost burdened."<sup>4</sup> This cutoff is intended to allow for sufficient remaining income for clothing, transportation, food, medical, and childcare expenses, as well as asset-building. Given this affordability framework, there are two major ways in which renters may have been affected by the recession: first, through the economy's effects on employment and income, and second, through its effects on rental prices. Because cost burden is calculated as a proportion of rent to income, it is important to consider shifts in both factors. Between 2007 and 2010, real median gross rental prices increased by about 3 percent, from \$830 to \$855 per month (all amounts in 2010 dollars).<sup>5</sup> During that same period, real median household income among renters declined by 6.0 percent nationwide, from \$32,512 in 2007 (in 2010 dollars) to \$30,671 by 2010.

#### Key Findings

- Nationwide, nearly half (49 percent) of all renters were "cost burdened" in 2010, spending more than 30 percent of their income on housing costs,<sup>6</sup> with the highest rates occurring in the West and in central cities.
- In all regions and across all place types, the percentage of renters who were cost burdened increased between 2007 and 2010.
- The largest increase in cost-burdened renters occurred in rural places, up 4.3 percentage points by 2010, compared with increases of 3.4 and 2.9 percentage points in suburban places and central cities, respectively.
- Renters under the age of 25 were most often cost burdened both pre- and post-recession, with nearly 60 percent of young renters spending more than 30 percent of their income on rent in 2010.
- In all regions, the largest increase in the proportion of renters who were cost burdened occurred among those with a household income between \$20,000 and \$50,000.

#### National Trends

In 2007, 45.6 percent of renters were cost burdened. In just three years (2007–2010), this share increased by 3.3 percentage points, to 48.9 percent of households nationwide (19.4 million households in 2010). This trend was evident in every region of the country and across rural, suburban, and central city place types (see Table 1).

**TABLE 1. PERCENT OF RENTER-OCCUPIED HOUSING UNITS SPENDING 30 PERCENT OR MORE OF MONTHLY INCOME ON RENT, 2007-2010**

	All Places			Rural			Suburban			Central City		
	2007	2010	PP Change	2007	2010	PP Change	2007	2010	PP Change	2007	2010	PP Change
U.S.	45.59	48.93	<b>3.34</b>	37.89	42.22	<b>4.33</b>	44.83	48.19	<b>3.36</b>	48.59	51.49	<b>2.90</b>
Northeast	46.63	49.15	<b>2.52</b>	39.52	42.87	<b>3.35</b>	45.34	47.37	<b>2.03</b>	48.88	51.75	<b>2.87</b>
Midwest	43.81	47.04	<b>3.23</b>	37.23	40.97	<b>3.74</b>	42.29	45.50	<b>3.21</b>	48.49	51.23	<b>2.74</b>
South	44.18	47.96	<b>3.78</b>	37.56	42.49	<b>4.93</b>	43.80	47.61	<b>3.81</b>	47.30	50.44	<b>3.14</b>
West	48.18	51.56	<b>3.38</b>	39.00	43.35	<b>4.35</b>	47.87	51.88	<b>4.01</b>	49.88	52.64	<b>2.76</b>

Source: American Community Survey, 2007 & 2010 Note: Bold and shaded font indicate statistical significance ( $p < 0.05$ ).

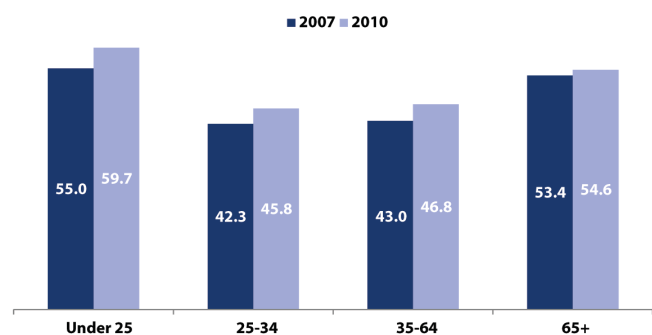
## Regional and Place Type Variations

As shown in Table 1, the West was the only region in which rates of cost burden topped 50 percent (51.6 percent) in 2010. These high rates are likely a result of the combination of factors described above; median gross rent prices in the West increased by 1.7 percent during the recession, while income among renters in this region declined by 7 percent. In 2007, median income among Western renters was \$38,166 (in 2010 dollars); by 2010, it had fallen to \$35,510. This drop in median income coincides with the high jobless rates observed there during the recession: the West was the only region with unemployment rates that were higher than the national numbers in 2008, 2009, and 2010.<sup>7</sup>

In both 2007 and 2010, rural renters were the least likely to be cost burdened (42.2 percent in 2010), while renters in central cities were the most likely to be cost burdened, with more than half of renters (51.5 percent) spending more than 30 percent of their income on rent by 2010. Suburban renters fell in the middle of the cost burden spectrum, with 48.2 percent cost burdened in 2010. Despite the lowest rates of cost burden, rural areas saw the largest increase (4.3 percentage points between 2007 and 2010) in the proportion of those who were cost burdened during the recession. This compares with a 2.9 percentage point increase in central cities, and 3.4 percentage points in suburban places (see Table 1).

## Demographic Differences

Nearly all demographic groups were affected by the recession, but the effects on renters were not equally distributed. Nationwide, renters under the age of 25 were most often cost burdened (59.7 percent in 2010). This group also experienced the largest increase in cost burden during the recession, with an increase of 4.7 percentage points between 2007 and 2010. The next most likely to be cost burdened were renters over the age of 65 (54.6 percent), although they experienced far smaller increases during the recession (up just 1.2 percentage points nationwide) (see Figure 1).

**FIGURE 1. PERCENT COST BURDENED, BY HOUSEHOLDERS' AGE, 2007 & 2010**

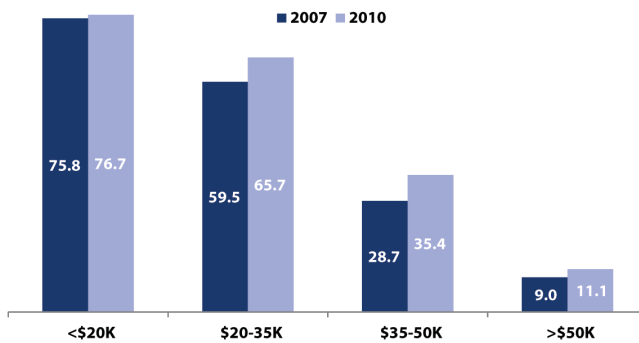
Source: American Community Survey, 2007 & 2010

Note: All increases between 2007 and 2010, and between age categories, are significant ( $p < 0.05$ ).

In addition to differences in rates of cost burden by age, there were also major differences by household income. For example, more than three-quarters of households earning less than \$20,000 a year were cost burdened in both 2007 and 2010 (see Figure 2), and the increase across the three years was fairly small (0.9 percentage points). This relatively stable rate can perhaps be accounted for by the fact that so many of these households were cost burdened at the outset (9.2 million households in 2007) and many may have been receiving federal, state, or local housing assistance. It is also possible that a larger share of these households were elderly or disabled and, thus, low-income. If so, these households could have been receiving Social Security or Supplemental Security Income benefits, which are fixed and adjusted annually for inflation.<sup>8</sup> This income is limited, but it is not subject to year-to-year fluctuations. Overall, public policy designed to protect these renters likely acted as a safety net for members of the poorest households.

Although all income groups experienced significant increases in the rate of cost burden during the recession, increases were the most evident for households that reported incomes of between \$20,000 and \$35,000 and between \$35,000 and \$50,000: a total of 7.9 million households in 2010. Within each of these

**FIGURE 2. PERCENT OF RENTERS COST BURDENED, BY HOUSEHOLD INCOME, 2007 & 2010**



Source: American Community Survey, 2007 & 2010

Note: All increases between 2007 and 2010, and between income categories, are statistically significant ( $p < 0.05$ ).

income groups, the proportion of households that were cost burdened rose more than 6 percentage points (see Figure 2). Higher-earning households (that is, those reporting an income of over \$50,000 annually) saw an increase in this proportion of just 2.1 percentage points.

The rising cost burden affected renters disproportionately during the recession. For example, among homeowners who had a mortgage, 37.8 percent spent more than 30 percent of their income on housing costs, a rate that is statistically identical to the pre-recession figure. Among homeowners with no mortgage, only 15.4 percent were cost burdened by housing expenses, also similar to the pre-recession rate. It is important to note that the population of homeowners declined by more than half a million during the recession and that many of these families may now be renters.

Also important is that this increasing cost burden does not appear to be due to the rising number of people who live alone. Although recent popular and academic reports have documented a longer-term rise in single-person households,<sup>9</sup> it is less evident in these data. For example, the share of rented households occupied by one person actually declined between 2007 and 2010 (from 38.3 percent to 36.8 percent nationwide).<sup>10</sup> Thus, it is reasonable to believe that these increases in cost burden are more likely related to external economic factors, rather than a rise in sole occupancy.

## Policy Implications

As this brief has demonstrated, increased need among American renters indicates that strong public housing programs are necessary to protect individuals from becoming overburdened. However, this brief also demonstrates that the lowest-earning households experienced the smallest increases in cost burden over time, indicating that without the housing programs already in existence,

America's most vulnerable households likely would have fared even worse.

The current economic climate has left funding for a variety of social service programs in a precarious state. Attempts by Congress to reduce the federal deficit through the Budget Control Act of 2011 came largely at the expense of discretionary programs, especially nondefense discretionary programs (such as rental assistance).<sup>11</sup> The Budget Control Act set tough caps on discretionary spending and also enacted additional automatic spending cuts to be triggered if Congress couldn't further reduce the deficit through revenue increases and cuts to entitlement programs (such as health insurance and SNAP). In late March 2012, the House of Representatives passed the FY2013 Budget Bill, which would cap nondefense discretionary spending at \$19 billion less than the levels specified in the Budget Control Act,<sup>12</sup> and in May, the House passed legislation to implement the budget that would cut nondefense discretionary spending even more, reducing it in FY2013 by \$27 billion compared to the levels specified in the Budget Control Act. Although this budget is unlikely to pass through the Democrat-controlled Senate, the dramatic cuts it proposes are indicative of attitudes regarding the broader budget climate. Republican leaders are already insisting that some version of these proposals will be raised again in the context of "must pass" legislation (for example, in the context of raising the debt ceiling); in this case, legislators may feel pressure to pass the bills. If this should occur, these proposals could have even more significant impacts on social programs, including rental assistance programs like Section 8.<sup>13</sup>

## Data

This analysis is based on U.S. Census Bureau estimates from the 2007 and 2010 American Community Survey. For more details, please refer to the U.S. Census Bureau's website.<sup>14</sup> Estimates here were produced by aggregating information from detailed tables available on American FactFinder. These estimates are meant to give perspective on cost burden among renters; however, because they are based on survey data, one should use caution when comparing across categories, as the margins of error may place seemingly disparate estimates within reasonable sampling error.<sup>15</sup> All differences highlighted in this brief are statistically significant ( $p < 0.05$ ).

## ENDNOTES

1. National Bureau of Economic Research, "Memo from the Business Cycle Dating Committee, September 20, 2010" (Cambridge, MA: NBER, 2010), available at <http://www.nber.org/cycles/sept2010.pdf>; retrieved February 23, 2012.
2. Alexander Katkov, "The Great Recession of 2008-2009 and Government's Role," *Proceedings of ASBBS*, vol. 18, no. 1 (2011): 898-906, available at <http://asbbs.org/files/2011/ASBBS2011v1/PDF/K/KatkovA.pdf>; retrieved February 23, 2012.

3. See Joint Center for Housing Studies, “The State of the Nation’s Housing” (Cambridge, MA: Joint Center for Housing Studies of Harvard University, 2011), and “America’s Rental Housing: Meeting Challenges, Building on Opportunities” (Cambridge, MA: Joint Center for Housing Studies of Harvard University, 2011).
4. Joint Center for Housing Studies, “America’s Rental Housing.”
5. Carsey Institute analysis of American Community Survey data; available upon request. Includes contract rent price plus estimated average monthly cost of utilities and fuels if paid by renter (see “American Community Survey & Puerto Rico Community Survey 2010 Subject Definitions” for more detail).
6. Note that all percentages in this brief include data on renters for whom the percentage of income spent on rent could not be calculated as part of the total renting population. This yields a slightly more conservative estimate of the prevalence of cost burden than published elsewhere (for example, National Low Income Housing Coalition, “Housing Spotlight: Renters’ Growing Pain,” *Housing Spotlight* 1(1)). Also note that all analyses in this brief were conducted at the household level. For readability, I abbreviate the actual universe (“renter-occupied housing units”) to “renters” or “households” throughout this brief.
7. See Bureau of Labor Statistics, “Regional and State Unemployment: 2008 Annual Averages” (Washington, DC: U.S. Department of Labor, Bureau of Labor Statistics, February 27, 2009, News Release); Bureau of Labor Statistics, “Regional and State Unemployment: 2009 Annual Averages” (Washington, DC: U.S. Department of Labor, Bureau of Labor Statistics, March 3, 2010, News Release); and Bureau of Labor Statistics “Regional and State Unemployment: 2010 Annual Averages” (Washington, DC: U.S. Department of Labor, Bureau of Labor Statistics, February 25, 2011, News Release).
8. Social Security Administration, *Latest Cost-of-Living Adjustment* (Washington, DC: Social Security Administration, 2011), available at [www.ssa.gov/oact/COLA/latestCOLA.html](http://www.ssa.gov/oact/COLA/latestCOLA.html); retrieved April 9, 2012.
9. See, for example, Steven Kurutz, “One is the Quirkiest Number: The Freedom, and Perils, of Living Alone,” *New York Times*, February 22, 2012, and Eric Klinenberg, *Going Solo: The Extraordinary Rise and Surprising Appeal of Living Alone* (London: Penguin, 2012).
10. Carsey Institute analysis of American Community Survey data; available upon request.
11. Nicholas Johnson, “Federal Budget Debate: Implications for States.” Paper presented at the National Lieutenant Governors Association Federal-State Relations Meeting, Washington, DC, March 21, 2012.
12. “House Passes FY2013 Budget Bill.” C-SPAN report, March 29, 2012. Available at <http://www.c-span.org/Events/House-Passes-FY2013-Budget-Bill/10737429451/>. Accessed April 9, 2012.
13. Deborah Weinstein, “Impact of Looming Budget Cuts on Low-Income Families, our Communities, and Our Economy: Tools and Resources to Help You Fight Back.” Half in Ten Presentation, April 10, 2012.
14. See U.S. Census Bureau’s American Factfinder. Available at <http://factfinder2.census.gov>.
15. Ibid.

#### ACKNOWLEDGEMENTS

The author would like to thank Bruce Mallory, Curt Grimm, Beth Mattingly, Amy Sterndale, and Laurel Lloyd at the Carsey Institute for their helpful comments and suggestions; Sally Ward at the University of New Hampshire Manchester and Douglas Rice at the Center on Budget and Policy Priorities for their thoughtful reviews; Barbara Ray at Hiredpen for editorial assistance; and Sara Dillingham at the Carsey Institute for analytical support.

#### ABOUT THE AUTHOR

Jessica A. Bean is a vulnerable families research associate at the Carsey Institute. ([jessica.bean@unh.edu](mailto:jessica.bean@unh.edu)).



Building knowledge for families and communities

The Carsey Institute conducts policy research on vulnerable children, youth, and families and on sustainable community development. We give policy makers and practitioners timely, independent resources to effect change in their communities.

This work was supported by the Annie E. Casey Foundation, the W. K. Kellogg Foundation, and an anonymous donor.

Huddleston Hall  
73 Main Street  
Durham, NH 03824

(603) 862-2821

[www.carseyinstitute.unh.edu](http://www.carseyinstitute.unh.edu)