

KEY FACTS

Strong Demand and Tight Supply Lift Home Prices by Double Digits

- The supply of existing homes for sale has never been tighter. There were 1.03 million existing homes on the market in February 2021, down from an already low 1.46 million a year earlier. This amounts to a 29 percent decline in just one year and a 37 percent drop in two years. Single-family homes accounted for only 870,000 of the existing units available—the lowest level in records dating back to 1982.
- The combination of robust demand and limited supply lifted home prices to their fastest pace in over a decade. Home prices rose 13.2 percent nationally in March 2021 and by at least 10 percent in 85 of 100 large metro areas and divisions in the first quarter of 2021, up from just 5 markets the year prior.
 [INTERACTIVE CHART]
- Following low levels of homebuilding since the mid-2000s, housing construction has finally approached levels consistent with projected demand. From June 2020 through March 2021, total starts averaged just over 1.5 million units at a seasonally adjusted annual rate, in line with our housing demand projections calling for production of 1.5 million units annually in 2018–2028.
- The top concerns among homebuilders in 2020 were the scarcity and cost of building materials. The price of inputs to new residential construction overall rose by a substantial 14 percent year over year in March 2021. The surge in softwood lumber prices is particularly alarming, up some 83 percent over the same period. The jump in lumber costs added about \$36,000 to the average price of a new single-family home.

Household Growth Accelerating While Population Growth Has Slowed

- The pandemic hit at a time when household growth, the primary driver of housing demand, was strong and accelerating largely on the strength of increased household formation among young adults. Growth continued to be robust after the pandemic started as the total number of households was up by 1.5 million from the first quarter of 2020 to the first quarter of 2021.
- Since 2016, household formation rates among millennials have been rising, and adults under age 35 have made increasingly large contributions to overall household growth, accounting for an additional 250,000 households annually in 2016–2019.
- Increased working from home could spur additional household growth in suburbs and small metros, which was on the increase even before the pandemic began.
- In 2019, 5.7 percent of the labor force worked from home full time. In May 2020, the share working from home because of the pandemic stood at 35.4 percent. Although the total share working from home receded to 18.3 percent by April 2021, large portions of certain groups continued to work remotely, including over a third of workers with college degrees and nearly half of workers in business and financial operations.

- US population growth slowed again last year, dipping to 0.35 percent from July 2019 to July 2020. The
 addition of just 1.15 million people was about half the 2.37 million originally projected. The unexpected
 weakness of population growth pre-dates the pandemic and reflects a combination of factors, including
 higher-than-predicted death rates and lower-than-predicted birth rates among the resident population, as
 well as the more than 50 percent drop in international immigration from 2016 to 2020.
- The halt in immigration in April 2020 also pulled down overall population growth, reducing the number of net new immigrants to 477,000 for the year, down from 570,000 in 2019 and 1.07 million per year as recently as 2016. This decline is significant because foreign-born residents make up large shares of population and household growth—about a third of the nation's population growth in 2010–2019, along with 40 percent of household growth.

Low Interest Rates Fuel an Increase in Homeownership and a Refinancing Boom

- The homeownership rate continued to grow during the pandemic. The national homeownership rate stood at 65.6 percent in the first quarter of 2021, a 0.3 percentage point increase from a year earlier. Additionally, the number of homeowners rose by more than 1.3 million over this period, consistent with average annual gains from 2016 to 2019.
- Record-low interest rates fueled a refinancing boom last year. Following a steady downtrend since the third quarter of 2019, the 30-year fixed mortgage rate hit a record low of 2.70 percent in the first week of January 2021. Declining interest rates resulted in nearly \$2.4 trillion in mortgage refinances in 2020, more than double the volume in the prior year and the highest annual dollar total since 2003.
- For homeowners able to refinance, the savings were significant. Borrowers lowered their interest rate from 4.3 percent to 3.1 percent on average, the largest reduction since the second quarter of 2015. Borrowers that refinanced their 30-year fixed mortgages without taking out equity saved more than \$2,800 in principal and interest payments annually on average.
- By the first quarter of this year, half of Hispanic homeowners lost income, somewhat higher than the 43 percent share of Black homeowners and the 39 percent share of Asian homeowners, but well above the 35 percent share of white homeowners. As a result, 17 percent of Black, 16 percent of Hispanic, and 16 percent of Asian homeowners were behind on their mortgage payments in early 2021—more than twice the 7 percent share of white homeowners.
- During the pandemic, 7.1 million homeowners (14 percent of all mortgage holders) entered forbearance. Of these, 4.8 million (68 percent) had exited by March 2021. A large majority of those borrowers had either resolved the delinquency (65 percent) or paid off their loans (23 percent). A small share (8 percent) were engaged in loss mitigation with their lenders, and the remaining 4 percent were delinquent.

Many Renters Continue to Face Pandemic Hardship

- Renter households continued to face financial hardship in the first quarter of 2021, with 53 percent of renter households reporting they had lost income since the beginning of the pandemic, and 17 percent behind on rent. The share of renter households behind on rent payments varied considerably by state, ranging from a low of 10 percent in Idaho to a high of 27 percent in Mississippi.
- The ability to withstand a temporary loss of income depends largely on having a reserve of wealth and homeowners have a huge advantage over renters. At last measure in 2019, the median wealth for homeowners was \$254,900—more than 40 times the \$6,270 median for renters. Even excluding home

equity, the median wealth of owners was \$98,500, or more than 15 times that of renters. Wealth also differed widely by race and ethnicity, as the median wealth of white households was more than seven times that of Black households and over five times that of Hispanic households.

- Rental demand plunged early in the pandemic, with growth in the number of occupied apartments dropping from 333,000 units in the first quarter to 176,000 units in the second quarter. But multifamily construction, which had been closely tracking new rental demand, continued at a brisk pace throughout 2020 and ended the year at a total of 377,000 units, not far below the 2019 level.
- As demand slowed, vacancy rates soared to 10.0 percent in prime urban areas in late 2020, before edging down to 9.6 percent in early 2021. Meanwhile, vacancy rates fell in prime suburban areas from 7.2 percent in the first quarter of 2020 to 6.0 percent in the first quarter of 2021.
- After dropping below zero for much of 2020, growth in apartment rents resumed in 2021, reaching 1.3 percent growth year-over-year in the first quarter. But even as rent growth resumed nationally in early 2021, rents continued to decline in seven of the country's eight largest metros.

The Unequal Financial Effects of the Pandemic Add to Persistent Affordability Challenges

- The financial impacts of the pandemic continued to affect households unequally. At the start of 2021, one quarter of households earning less than \$25,000 were behind on their housing payments, compared to six percent of households earning \$75,000 or more. [INTERACTIVE MAP] Even among the lowest-income households, racial disparities were pronounced: more than a third of Black renters and a quarter of Hispanic and Asian renters were behind on rent in early 2021, compared to 17 percent of white renters. [INTERACTIVE CHART]
- Households who received Economic Impact Payments from the Consolidated Appropriations Act passed in December 2020 spent the money primarily on food, utilities, and housing costs. Over 60 percent of lowincome households spent the payment at least partially on food, 56 spent some part on utilities, and 53 percent spent at least part of the payment on rent or mortgage.
- Many households were struggling with housing costs before the pandemic began. In 2019, nearly half of all renter households and one-fifth of all homeowner households spent more than 30 percent of their incomes on housing. More than three-fifths of renters and nearly half of homeowners earning less than \$25,000 spent more than 50 percent of their incomes on housing in 2019. [INTERACTIVE MAP]
- One sign of the pre-pandemic affordability crisis was the increase in the number of people experiencing homelessness in January 2020. The number had increased from January 2019 by 13,000 to 580,000 people total.
- Last year set a record for the number of distinct billion-dollar disasters, with 22 disasters costing \$95 billion combined. This fit a trend of more frequent and expensive disasters, accompanied by higher homeowner spending on disaster repairs, which has increased in real terms from \$8 billion in 2000 to \$26 billion in 2019.

Download the full report along with interactive maps and data

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