



Harvard University Joint Center for Housing Studies **PRESS RELEASE**

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200,000 Rental Units Demolished Annually, Contribute to Serious Housing Affordability Squeeze Harvard Study Asserts

New York City, NY –The nation is losing approximately 200,000 rental housing units each year due to demolition, significantly compounding the ongoing housing affordability squeeze gripping millions of families. New research on rental housing market dynamics from Harvard University’s Joint Center for Housing Studies finds that while the Low-Income Housing Tax Credit program and other initiatives contribute over 100,000 new units of affordable rental housing each year, that is still less than the number of low-rent units disappearing. “We are taking one step forward and two steps back as gentrification in some neighborhoods and continued deterioration in others leads to the removal of vitally needed lower-cost rental housing,” notes Nicolas P. Retsinas, director of the Joint Center.

According to *America’s Rental Housing: Homes for a Diverse Nation*, renting is a critical housing option. Ninety-five percent of Americans rent at some point in their lives. The rental housing inventory, valued at over \$2.7 trillion dollars, is big enough to support both a sizeable high-end market for luxury housing and the vast majority of the nation’s lowest-income families. Despite the continuing policy focus on the growing number of homeowners, many households have the income to purchase a home, but choose to rent because it is a lower-cost way to maintain a flexible urban lifestyle, and avoid the risk associated of investing in a potentially volatile home purchase market. Indeed, 20 percent of renters have median annual incomes topping \$60,000. William Apgar, senior scholar at the Joint Center states, “Favorable demographics, including the maturing of the echo baby boom, along with higher interest rates, should ensure that the market-rate rental market expands in the decade ahead.”

Yet, serious problems exist in the middle and lower sections of the rental market, where renters are feeling increasingly squeezed. Median asking rent rose from \$734 in 1994 to \$974 in 2004. During the same period, monthly renter income barely grew, rising from \$2,272 to \$2,348. Seventy percent of the nation’s 7 million lowest-incomer renters pay more than half of their income for housing. Lack of adequate funding makes it difficult to preserve, let alone expand, the existing stock of subsidized housing inventory. Despite recent weakness in market rents for better quality rentals, overall rents stand at record levels. Exacerbating this

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affordability squeeze, restrictive zoning and land use policies add substantially to the cost of producing new rental housing.

“Many of the nation’s working poor live in older small multifamily and single-family rentals,” adds Retinas. “But difficulty accessing the resources needed to maintain this much needed housing too often sets off a cycle of disinvestment and demolition. Even after a period of strong new production of market rate rentals, the available supply of housing that is affordable to the majority of the nation’s low- and moderate-income families continues to shrink.”

Today’s report, sponsored by the John D. and Catherine T. MacArthur Foundation, is the cornerstone of a new research agenda on rental housing now underway at the Joint Center. The MacArthur Foundation seeks to promote the preservation of affordable rental housing across the country through a \$75 million initiative to facilitate new ownership, call attention to the importance of rental housing, and stimulate new policies that preserve and expand the nation's stock of affordable rental units.

“Recent studies have found that decent, stable housing improves the ability of individuals to get and keep jobs, increases psychological and physical health, and leads to better social behavior and school achievement among children,” said MacArthur President Jonathan Fanton. “Preserving affordable rental housing is sensible public policy. On average across the country, it costs half as much to acquire and improve an existing rental apartment than to build a new one.”

In addition to efforts to transfer subsidized units to property owners committed to maintaining long-term affordability, the report also encourages new efforts to stem the loss of non-subsidized, privately owned lower-cost rental units.

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Harvard’s Joint Center for Housing Studies is the nation’s leading center for information and research on housing in the United States. Established in 1959, the Joint Center is a collaborative unit affiliated with the Harvard Design School and the Kennedy School of Government. The Director of the Joint Center for Housing Studies is Nicolas P. Retsinas, who was appointed in 1998. The Center’s research and additional information about its programs and activities are available at www.jchs.harvard.edu.

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