

A photograph of a modern, single-story house at dusk. The house has a dark, flat roof and large windows. The interior lights are on, and the sky is a deep blue. There are trees and bushes in the foreground and background. A blue semi-transparent banner is overlaid on the left side of the image, and a green semi-transparent banner is overlaid on the bottom right.

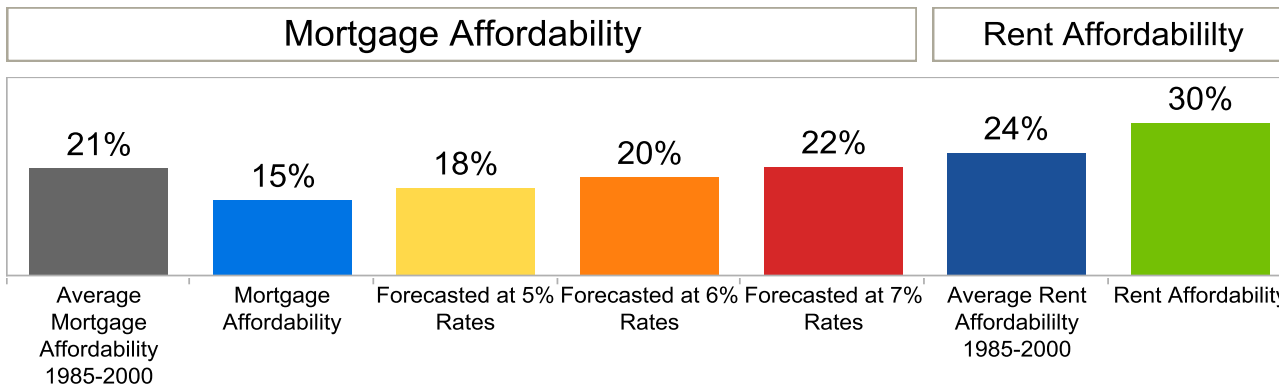
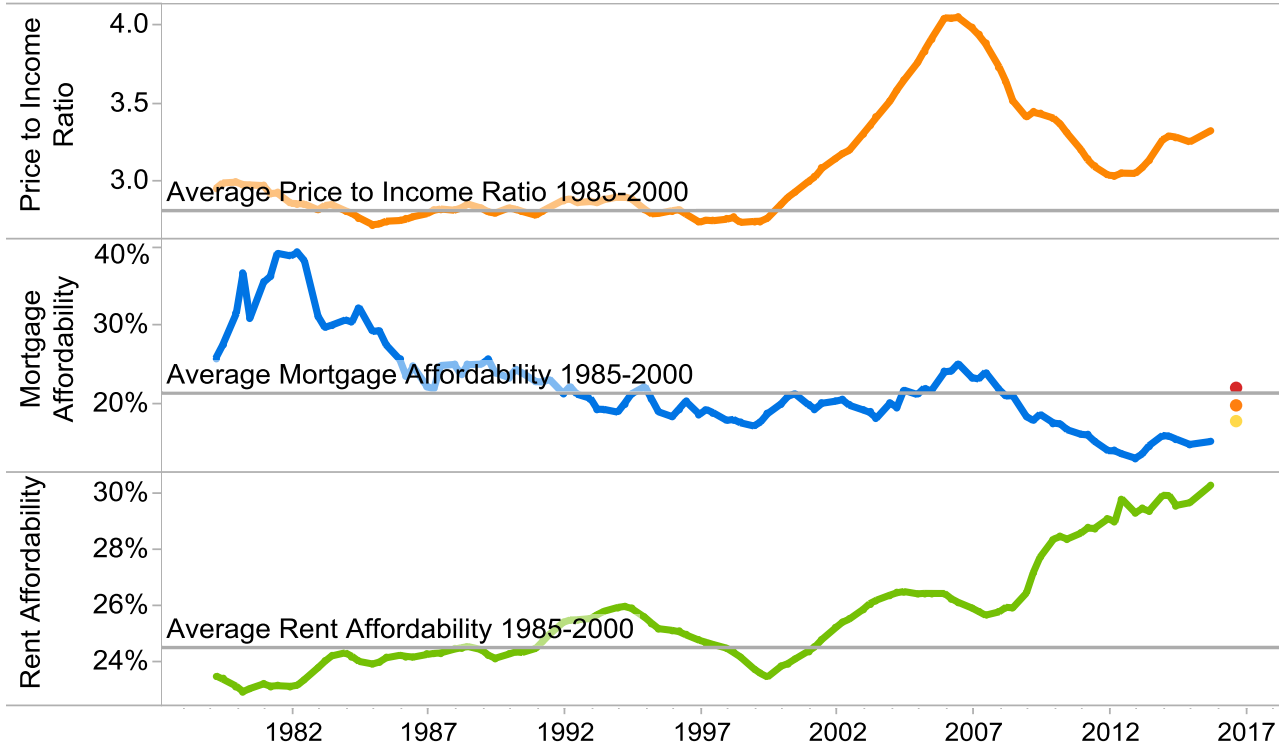
RENTAL AFFORDABILITY: WHERE WE ARE, HOW WE GOT HERE, WHAT IT MEANS

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RENTAL AFFORDABILITY – HERE'S WHERE WE ARE

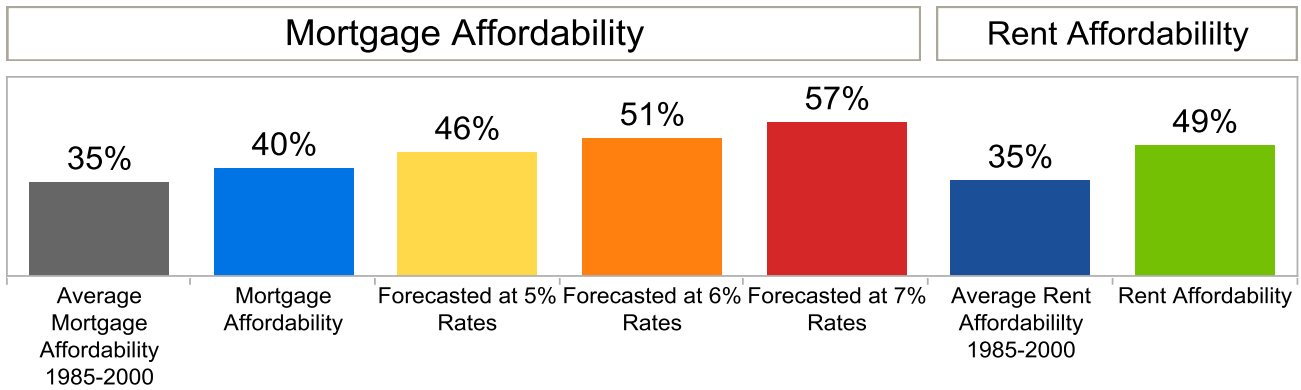
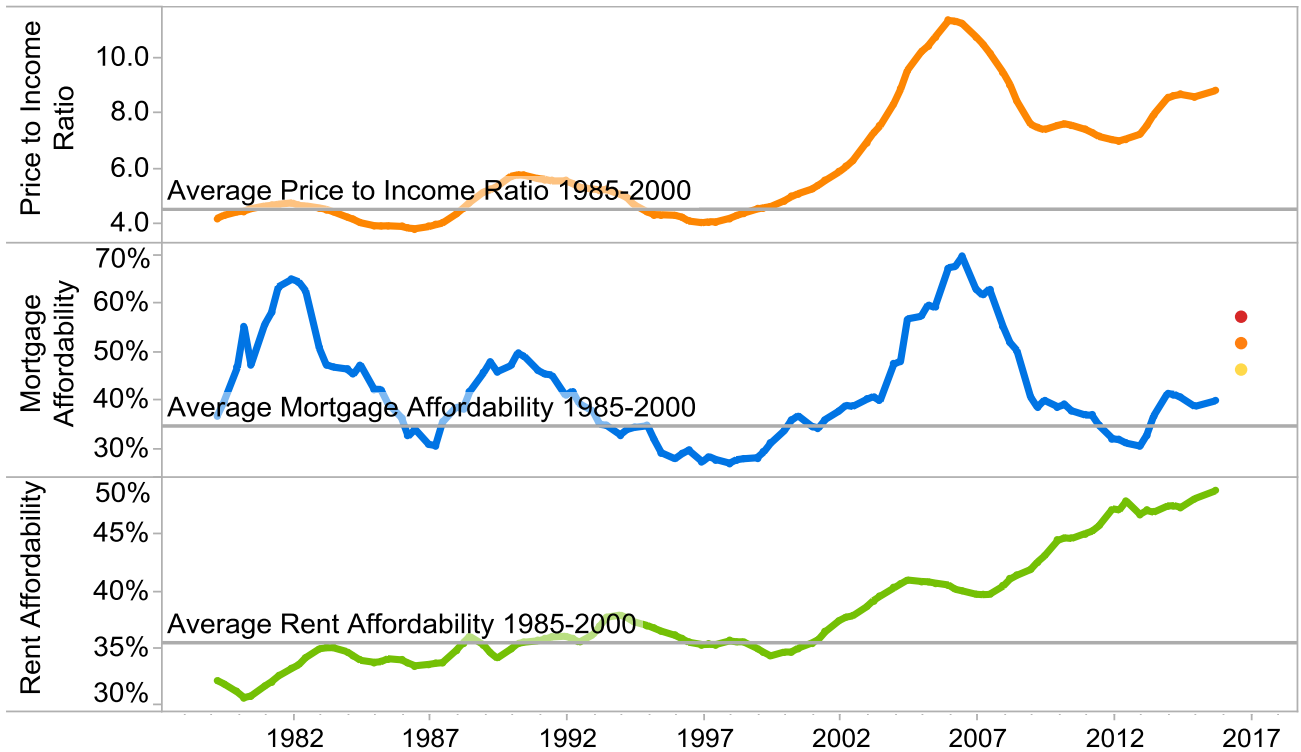
Rental affordability has been deteriorating since 2000

United States Price to Income Ratio and Affordability Indices (1985 - 2015Q3)

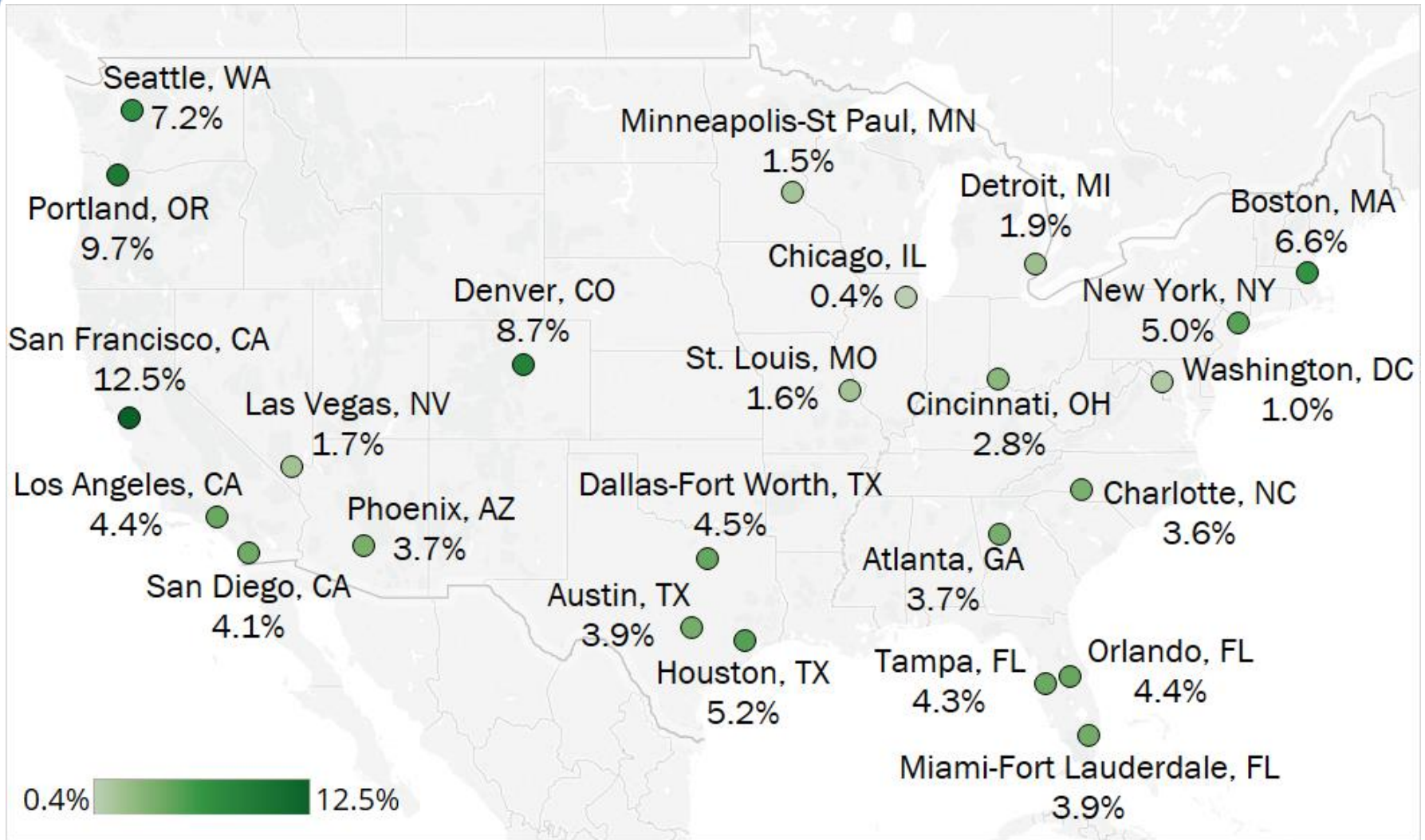


The rental affordability crisis is especially pronounced in Los Angeles

Los Angeles, CA Price to Income Ratio and Affordability Indices (1985 - 2015Q3)

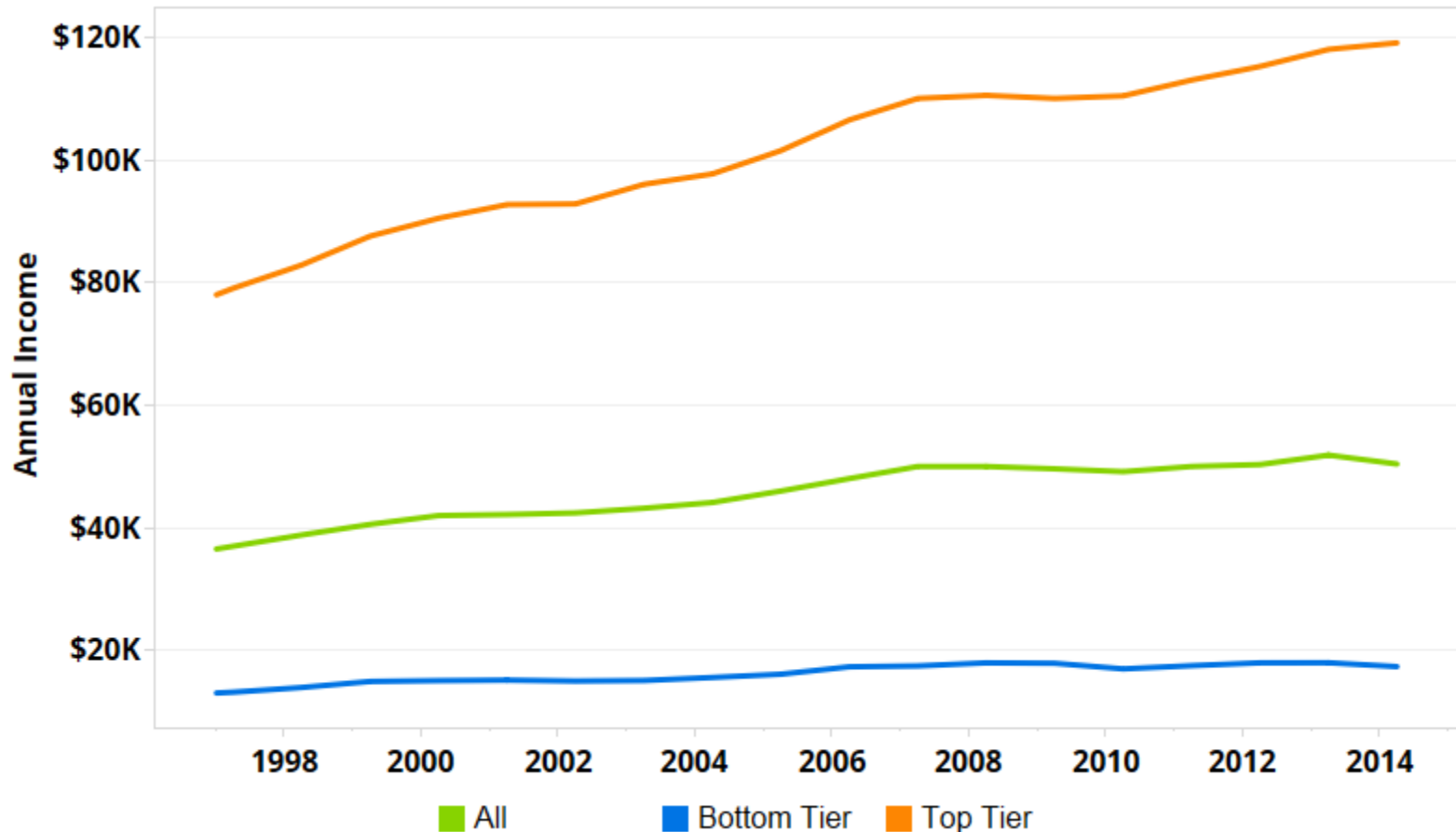


Rapid rental growth is a nationwide trend



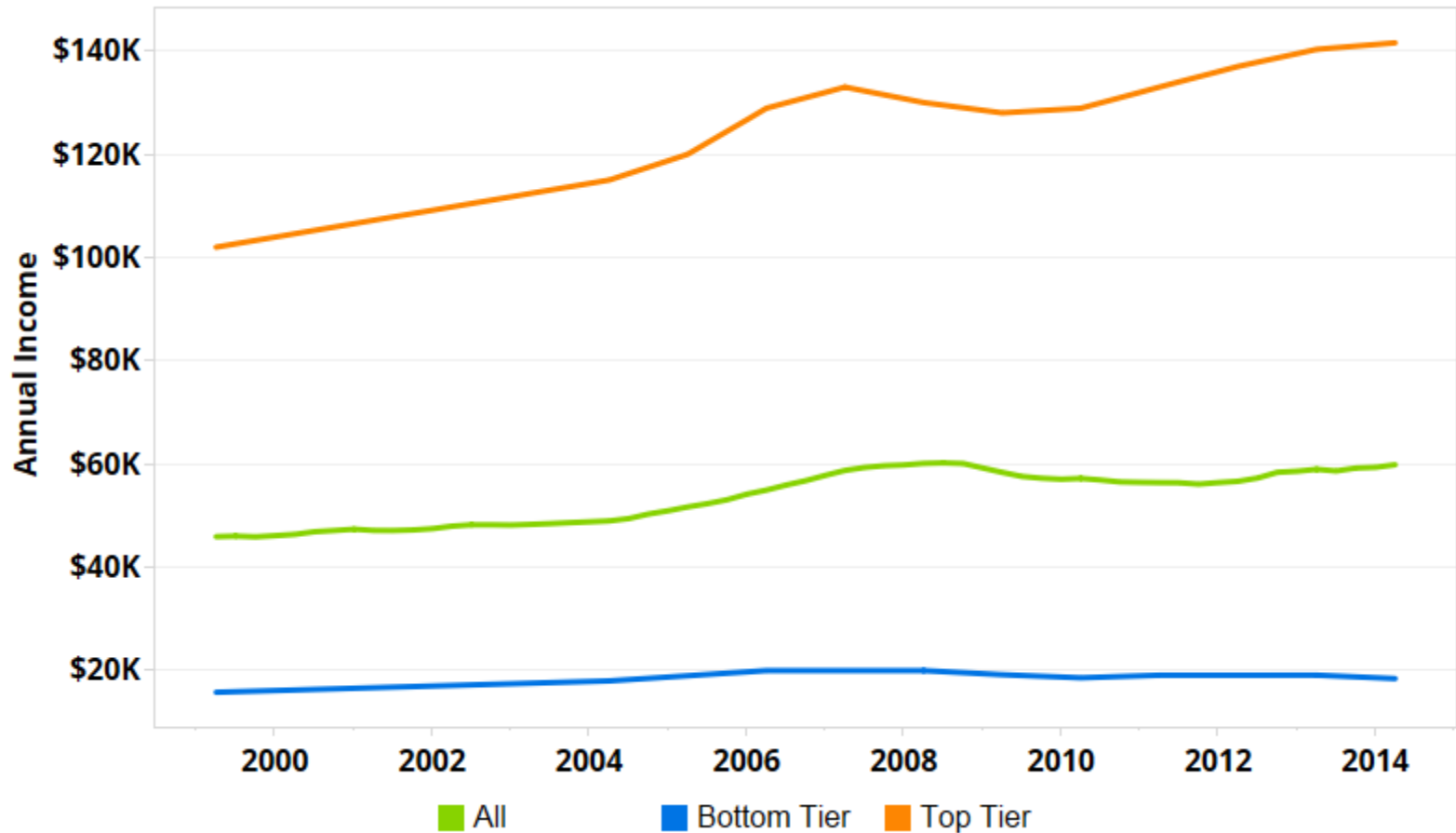
Rents have been rising, and incomes haven't – especially for lower-income Americans

Income by Tier - United States



Los Angeles is no exception

Income by Tier - Los Angeles, CA



HOW'D WE GET HERE?

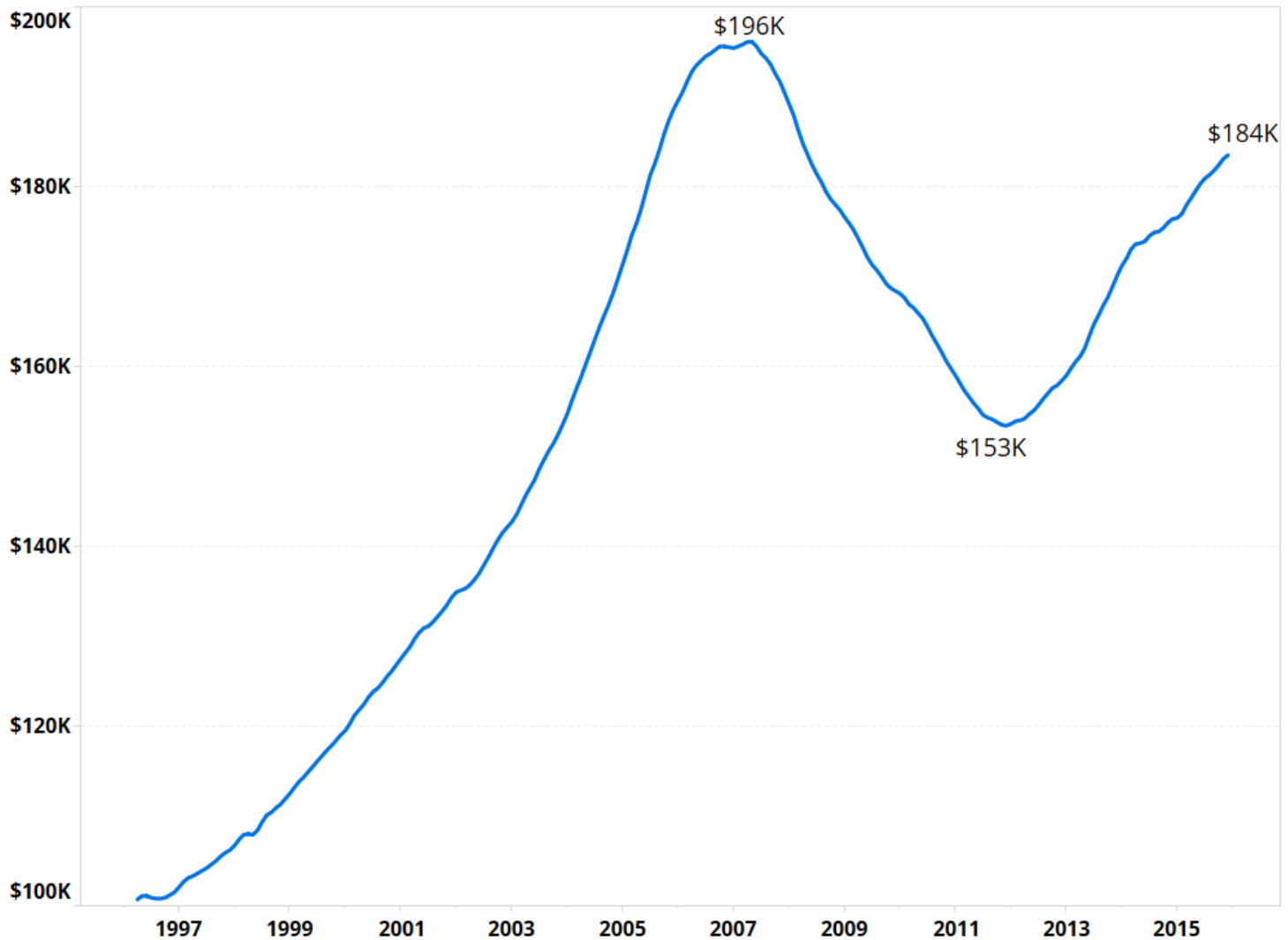
More Demand, Tight Supply

- **Incomes have been rather stagnant, especially for low-income earners, since 2000.**
- **3 Reasons for more demand:**
 1. **During the recession, many homeowners were foreclosed upon and forced to rent after being displaced from their homes.**
 2. **Millennials, in particular, are delaying big life decisions (including getting married, having children and buying a home) and renting for longer (currently about 6 years vs. 2 years in the 1970s).**
 3. **Finally, many renters face big hurdles when trying to buy a home, including:**
 - **Difficulty saving for a down payment**
 - **Difficulty qualifying for a mortgage**
 - **Difficulty finding an affordable home for sale**
- **Very little construction during the economic downturn.**

Home values dropped by more than 20% during the housing recession

U.S. Zillow Home Value Index

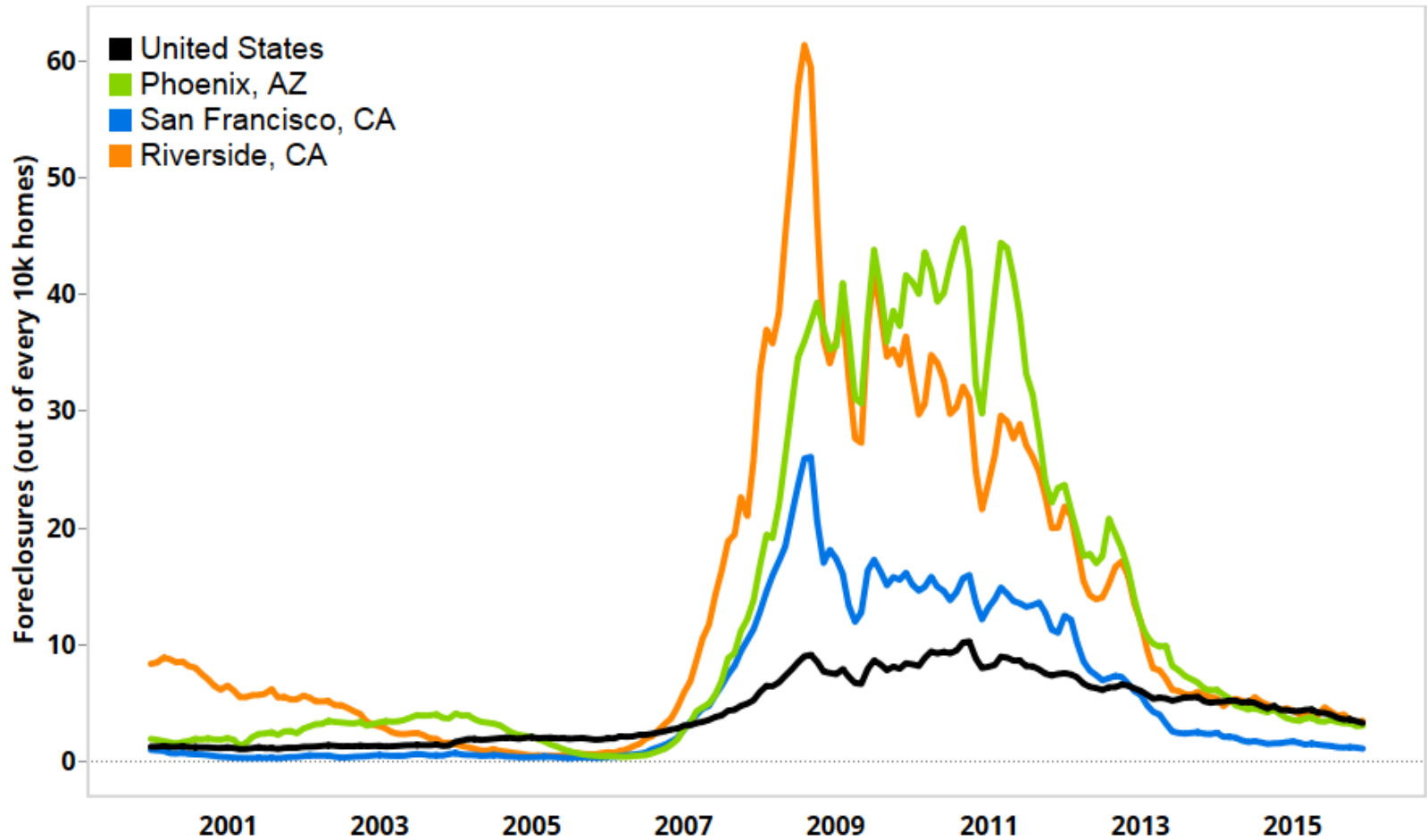
December 2015



Job losses and balloon payments then forced millions into foreclosure

Foreclosure Rate

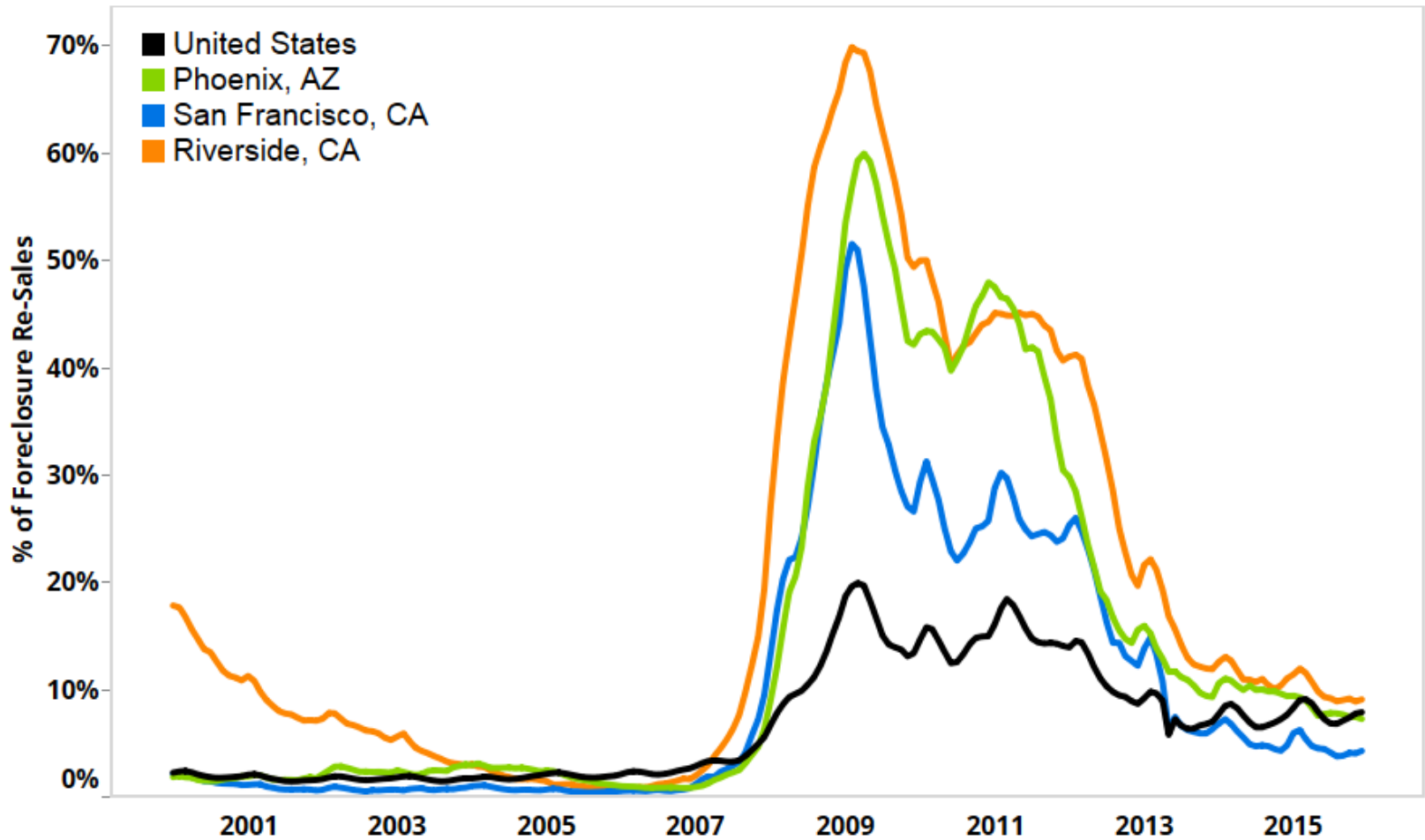
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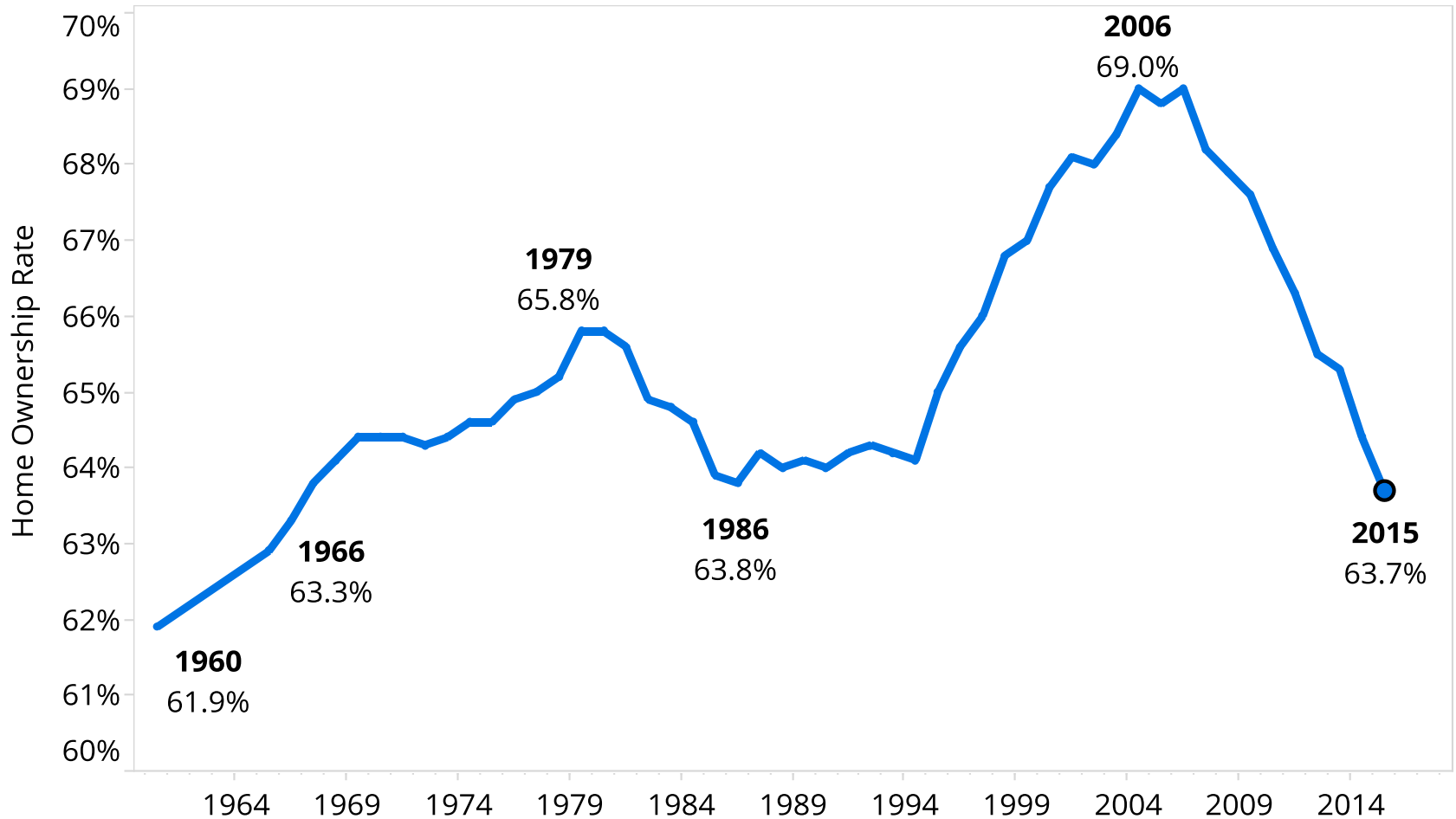
At the height of the recession, huge shares of home sales were of previously foreclosed homes

Foreclosure Re-Sales

December 2015



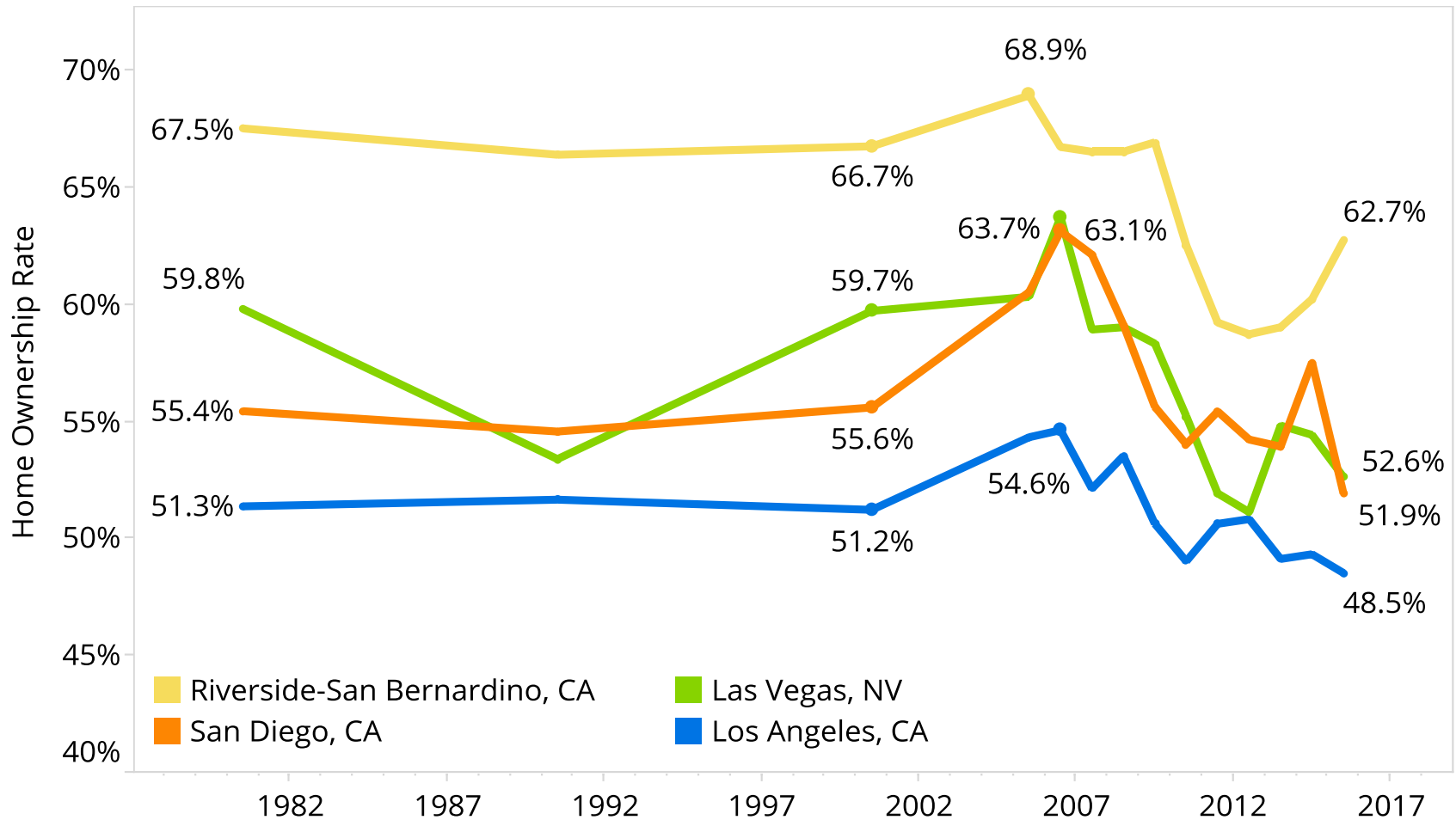
The U.S. homeownership rate is at its lowest level since the Johnson Administration



Note: Third quarter of each year.

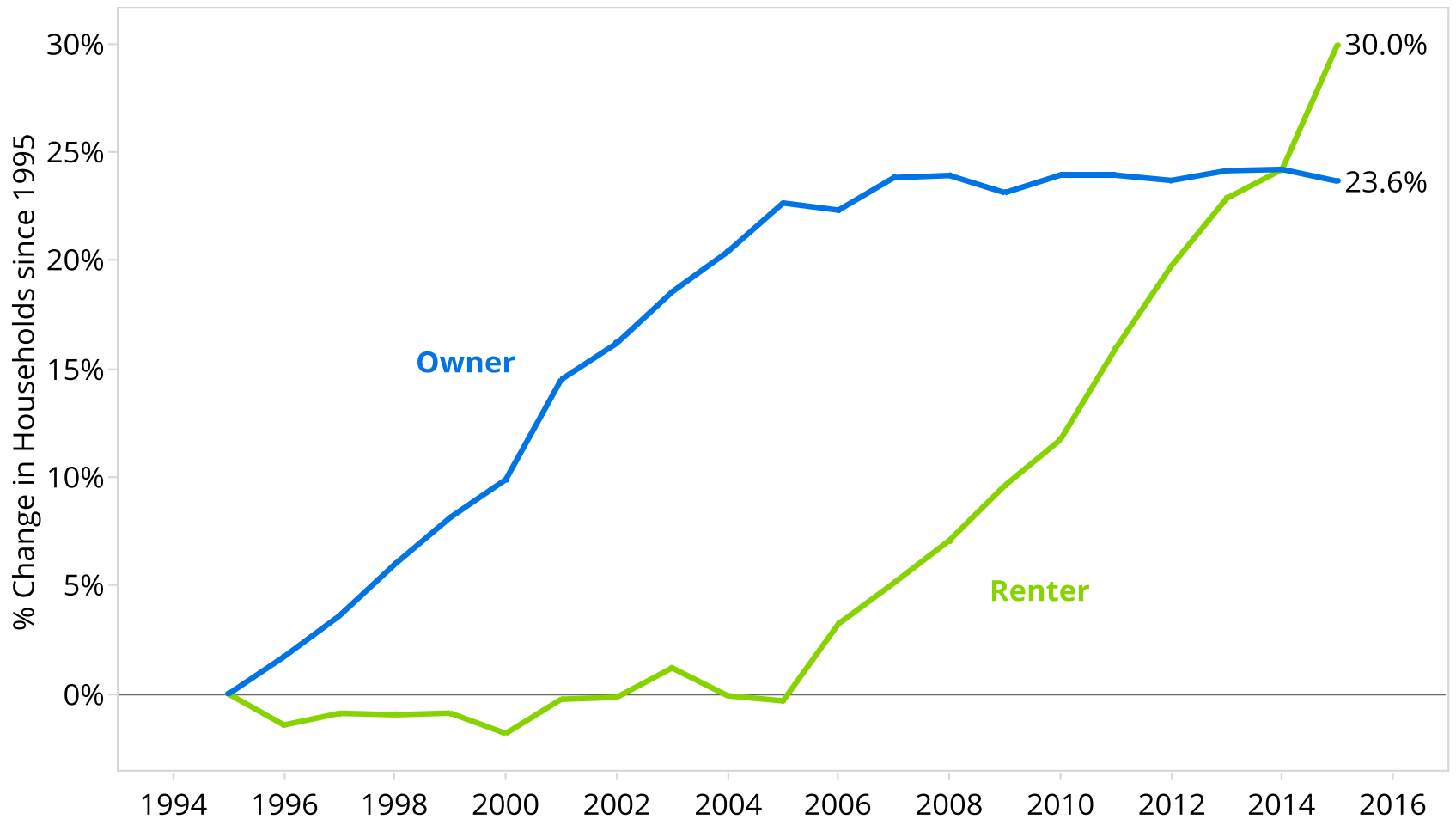
Source: U.S. Census Bureau, Housing Vacancy Survey and 1960 Census of Population and Housing.

In the Los Angeles metro, the homeownership rate is now below 50%



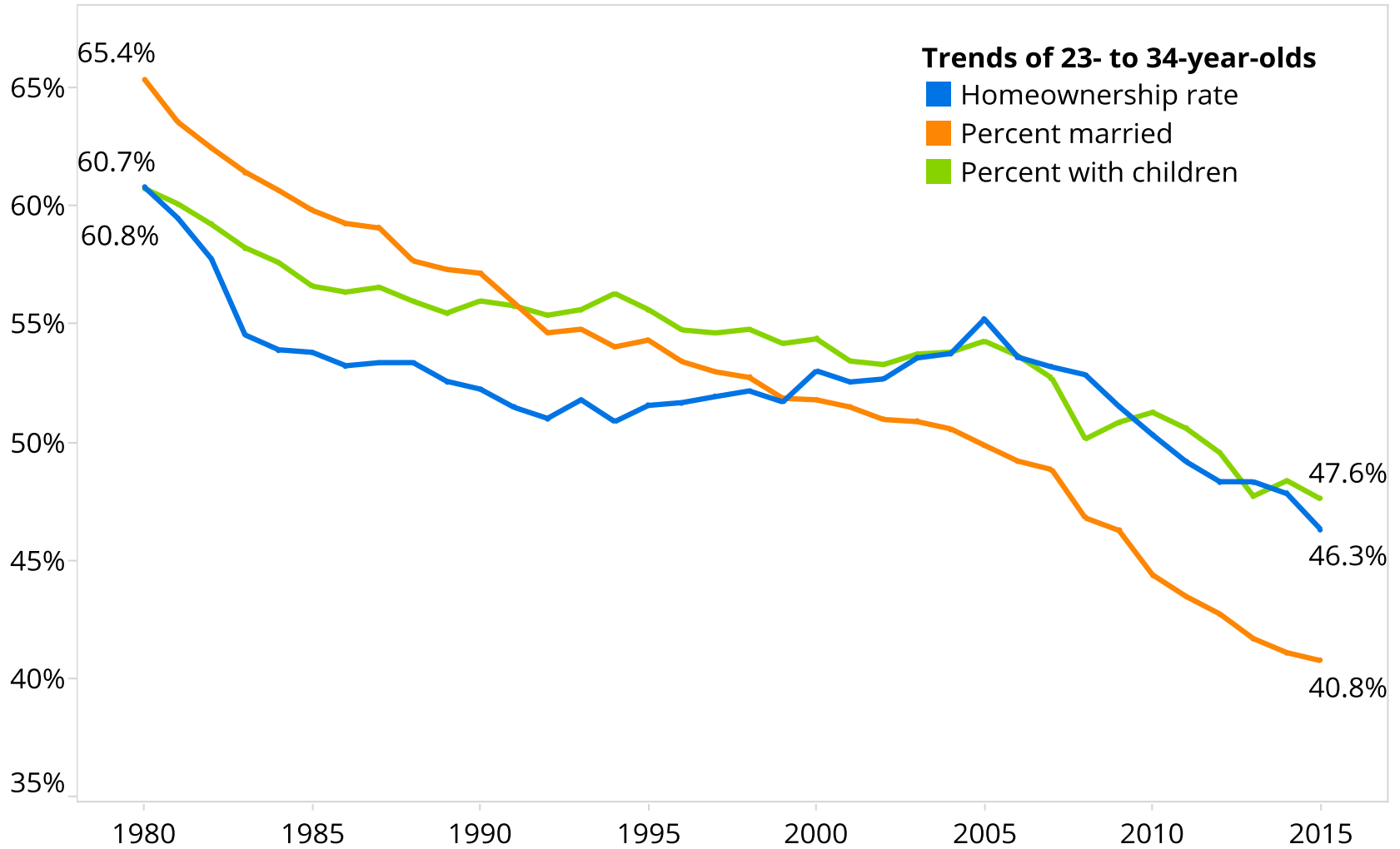
Note: Third quarter of each year.
 Source: U.S. Census Bureau, Housing Vacancy Survey.

A tale of two decades: The increase in households nationwide since 2005 has been driven by renters



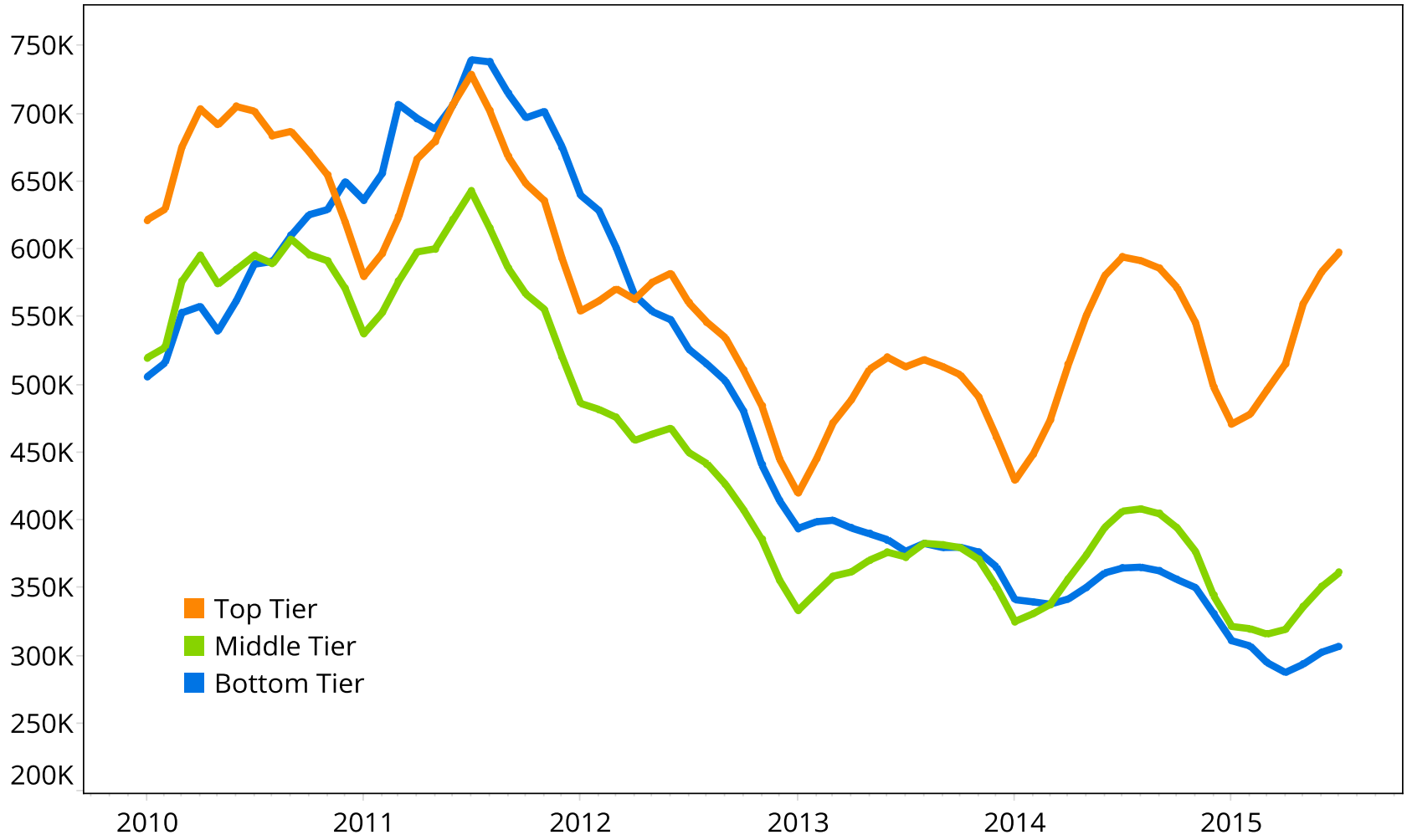
Source: Zillow analysis of U.S. Census Bureau, March Current Population Survey (ASEC), made available by the University of Minnesota, IPUMS-USA.

Young adults are delaying major life decisions

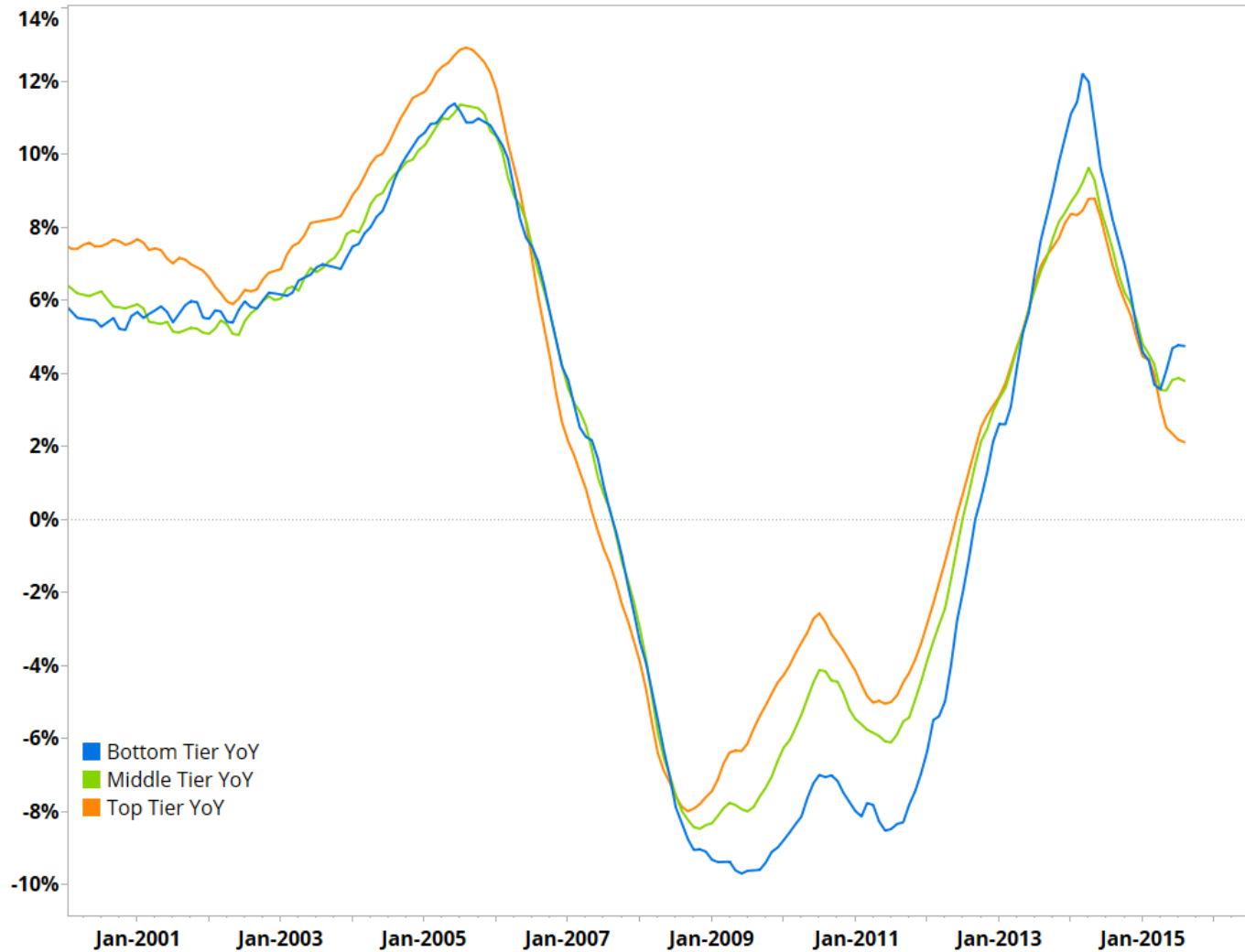


Source: Zillow analysis of U.S. Census Bureau, Current Population Survey, made available by the University of Minnesota, IPUMS-USA.

Nationwide, for-sale inventory is particularly constrained for entry-level housing



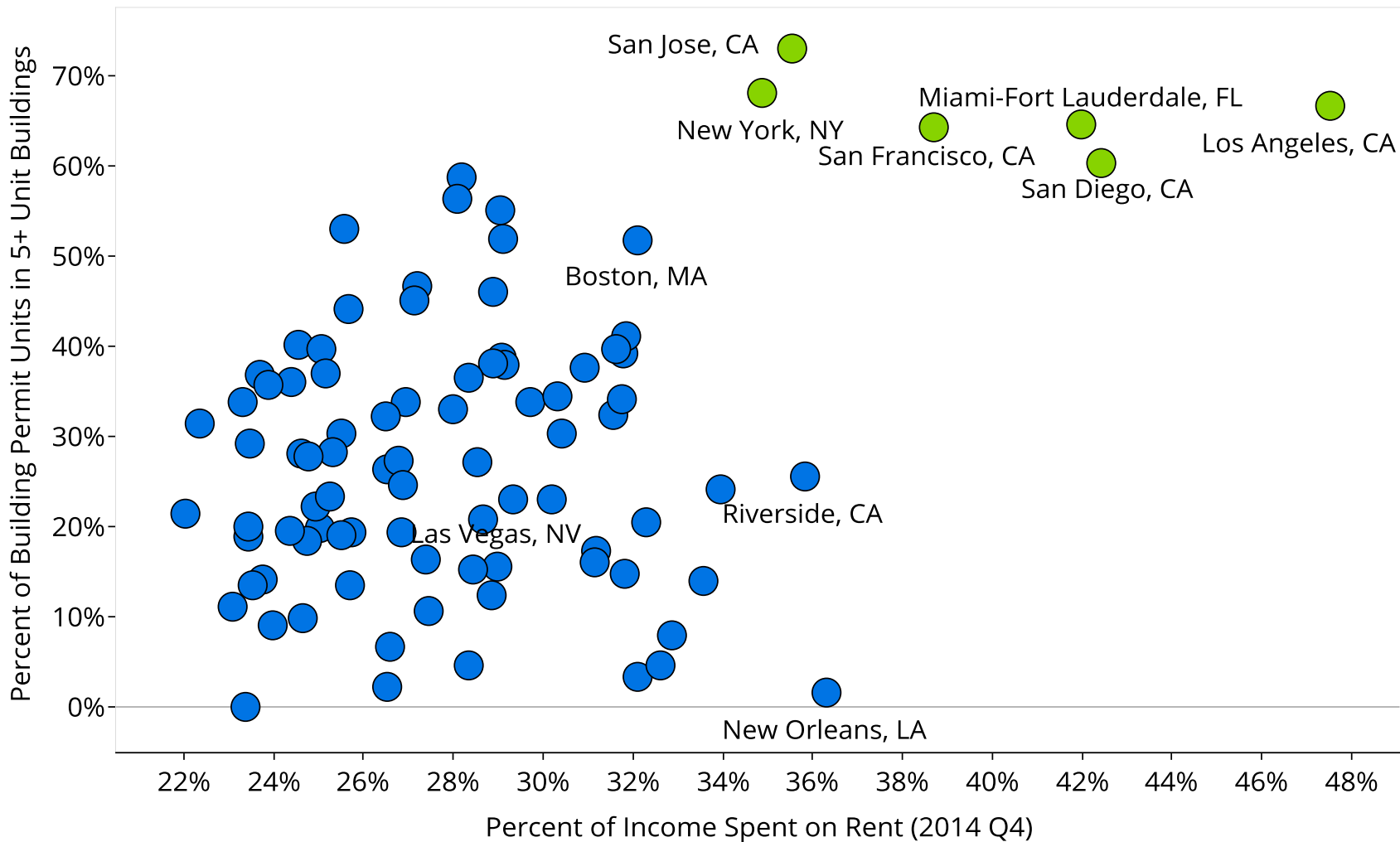
Home value appreciation is especially strong among entry-level homes



The metro areas with the lowest rent affordability also tend to have the least amount of permits granted



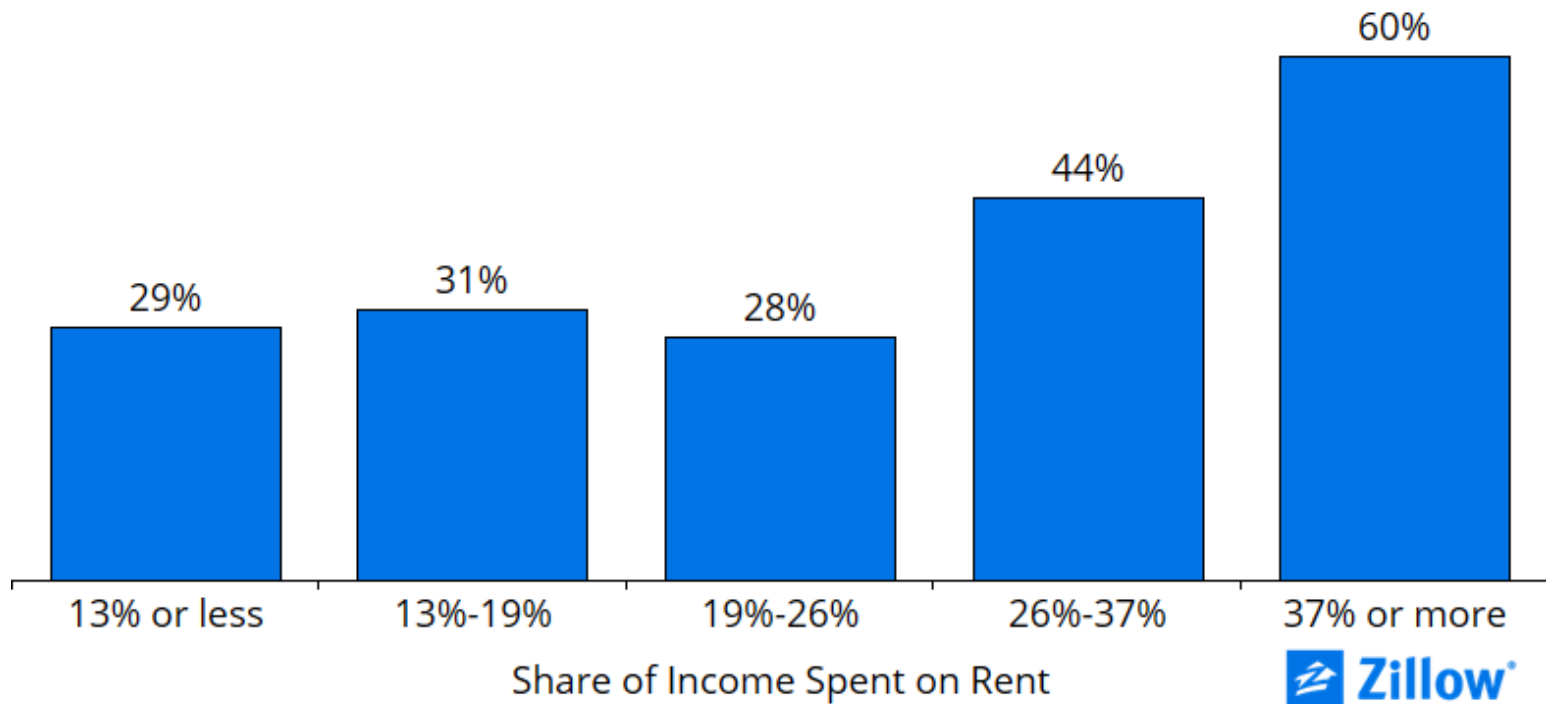
New single-family homes are increasingly scarce



WHAT'S IT MEAN?

High rents have real impacts...

Figure 2: Share of Renters Saving Nothing, by Rent-to-Income Quintile

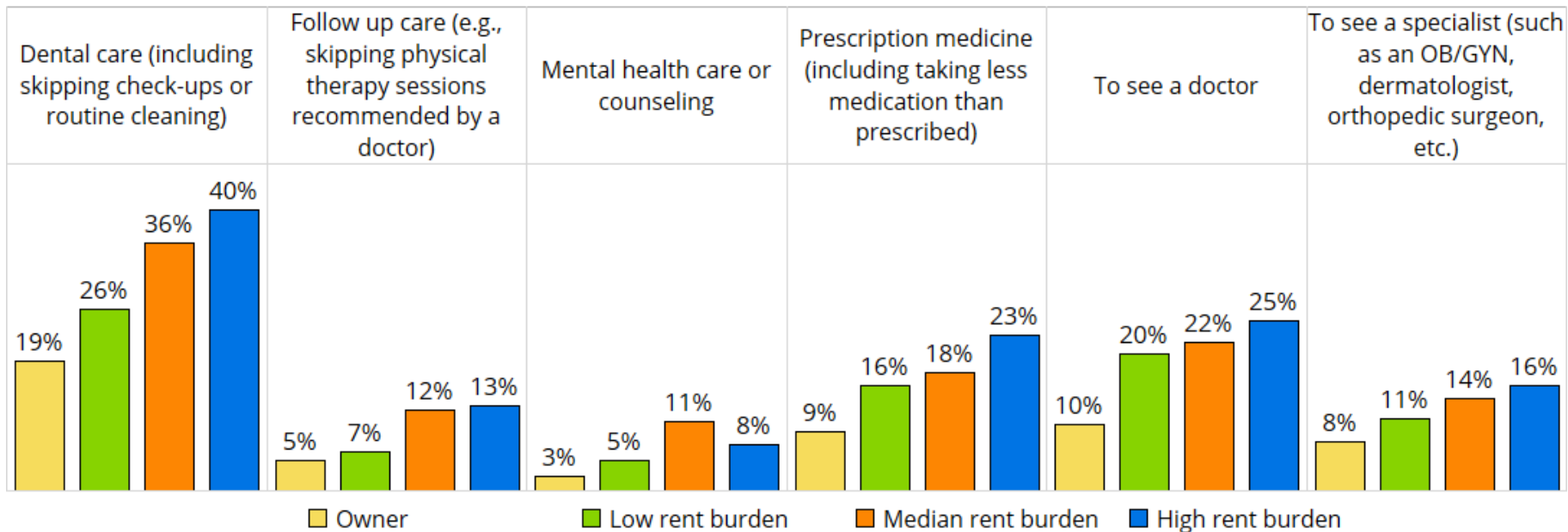


Source: Zillow analysis of data from the Federal Reserve Board, Survey of Household Economics and Decisionmaking 2013 and 2014, and the U.S. Census Bureau, American Community Survey, 2013 and 2014, made available by the University of Minnesota, IPUMS-USA.
Notes: Includes employed renters with nonzero income. The size of each dot reflects its survey weight.



...high rents could even be bad for your teeth

Figure 1: During the past 12 months, was there a time when you needed any of the following but didn't get it because you couldn't afford it?



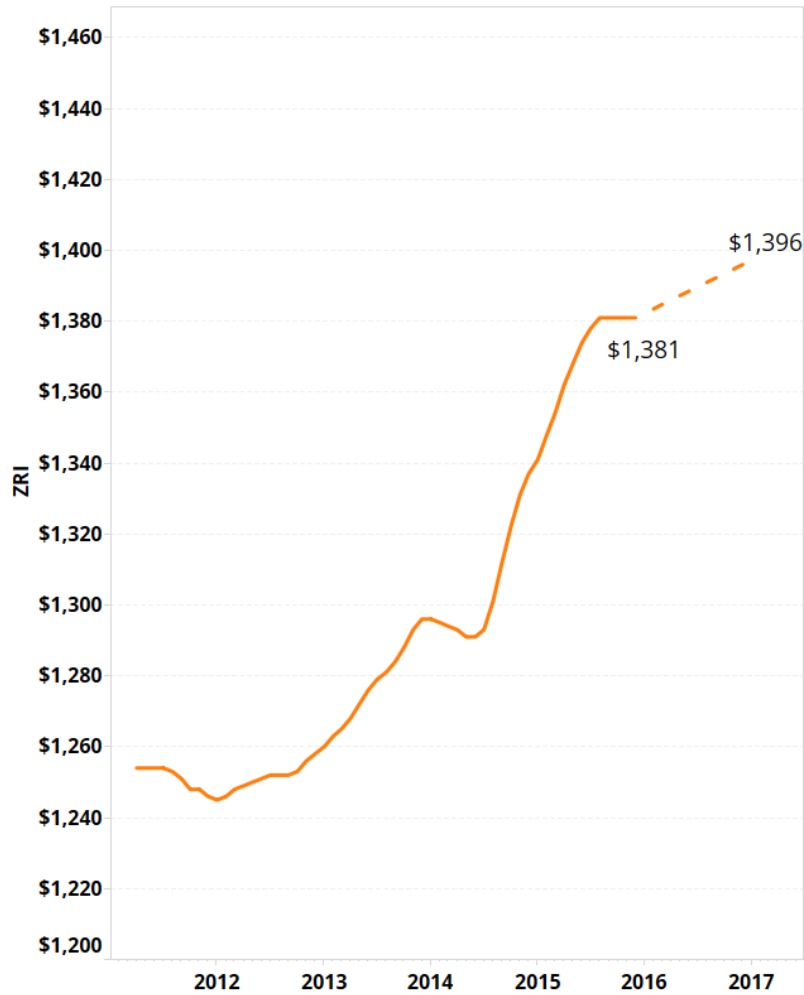
Source: Zillow analysis of the Federal Reserve Board, Survey of Household Economics and Decisionmaking, 2014, and the U.S. Census Bureau, American Community Survey, 2013, made available by the University of Minnesota, IPUMS-USA.



Rent Forecast: Not much relief in sight

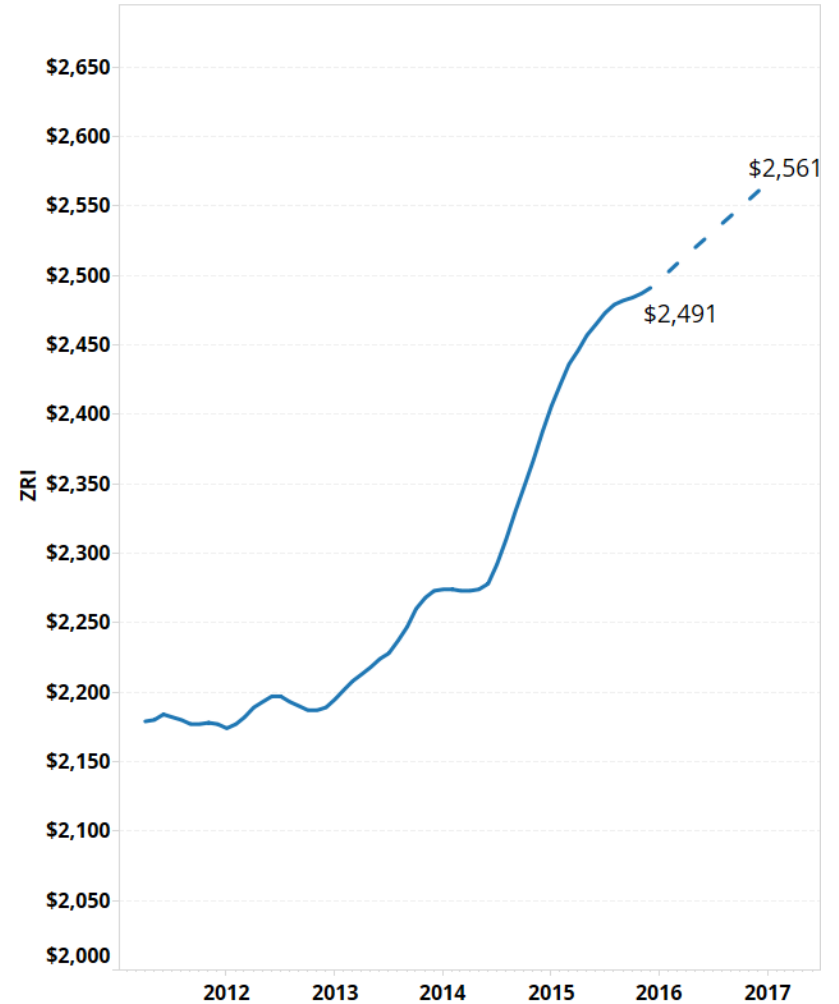
U.S. Zillow Rent Index with Forecast

December 2015



Los Angeles Zillow Rent Index with Forecast

December 2015



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