



FEDERAL RESERVE BANK *of* KANSAS CITY

The Affordability of Rental Housing

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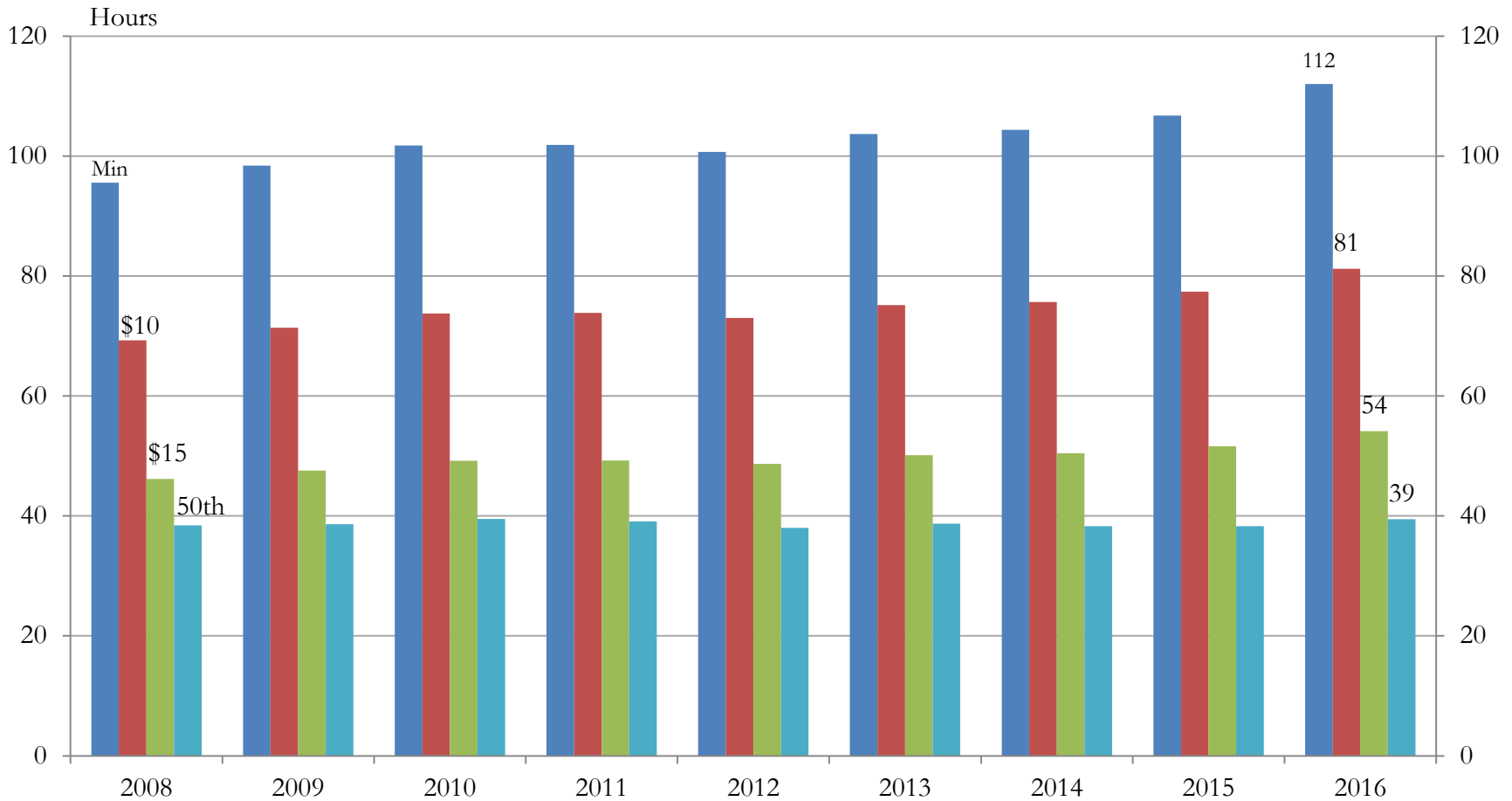
Why Do We Care About Rental Housing Affordability?

- Basic human requirement
 - The issue of housing insecurity
 - Implications of housing insecurity
- Substantial share of household budgets

How Can We Measure Rental Housing Affordability?

- Cost burden
 - Genesis of the approach / Brooke amendment
 - Housing wage
 - Other studies
- Residual Income
- Affordability Index

Weekly Work Hours Required to Afford a Typical Rental Housing Unit without Being Cost-Burdened



Source: Author's calculations; National Low-Income Housing Coalition

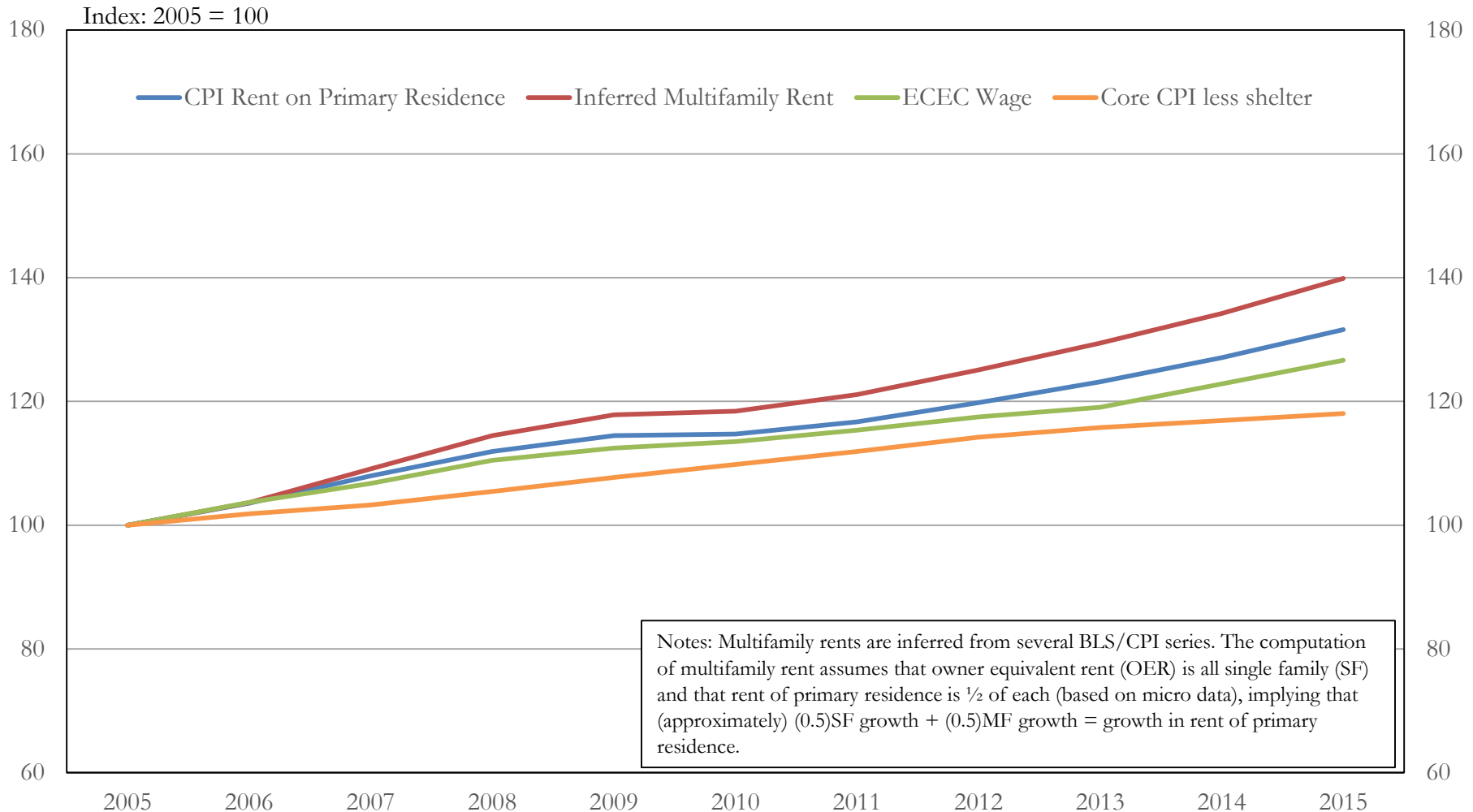
Other Recent Cost-Burden-Based Studies

- Atlanta Fed Study
 - Availability of units under \$750
 - Significant reduction in “affordable units between 2010 and 2014
- Philadelphia Fed Study
 - Compared rents and incomes in District
 - Most LMI households are housing cost-burdened
 - 85 percent of “extremely low-income” (< 30 percent of AMI) are housing cost-burdened

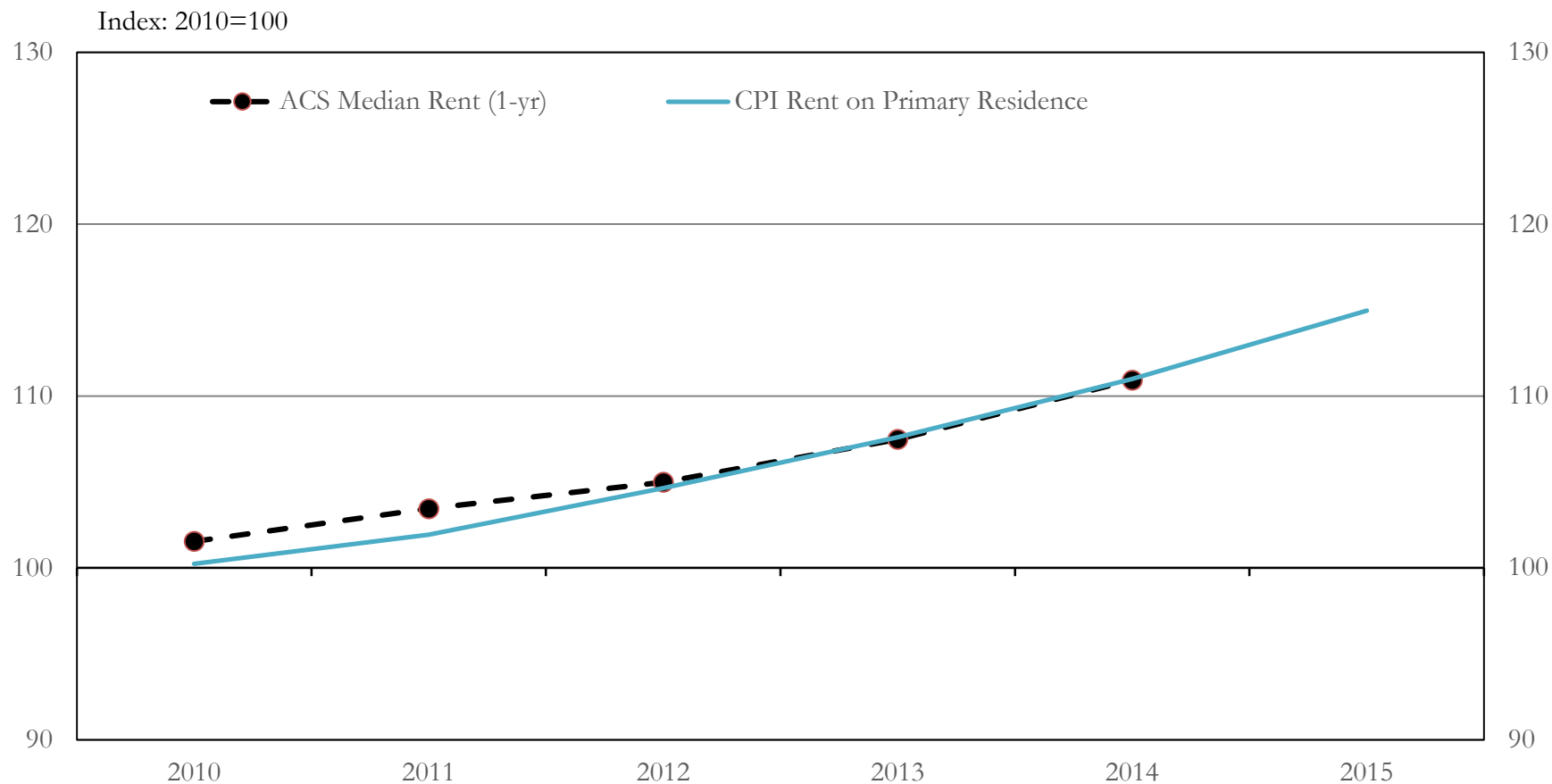
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Rent Affordability in the U.S.

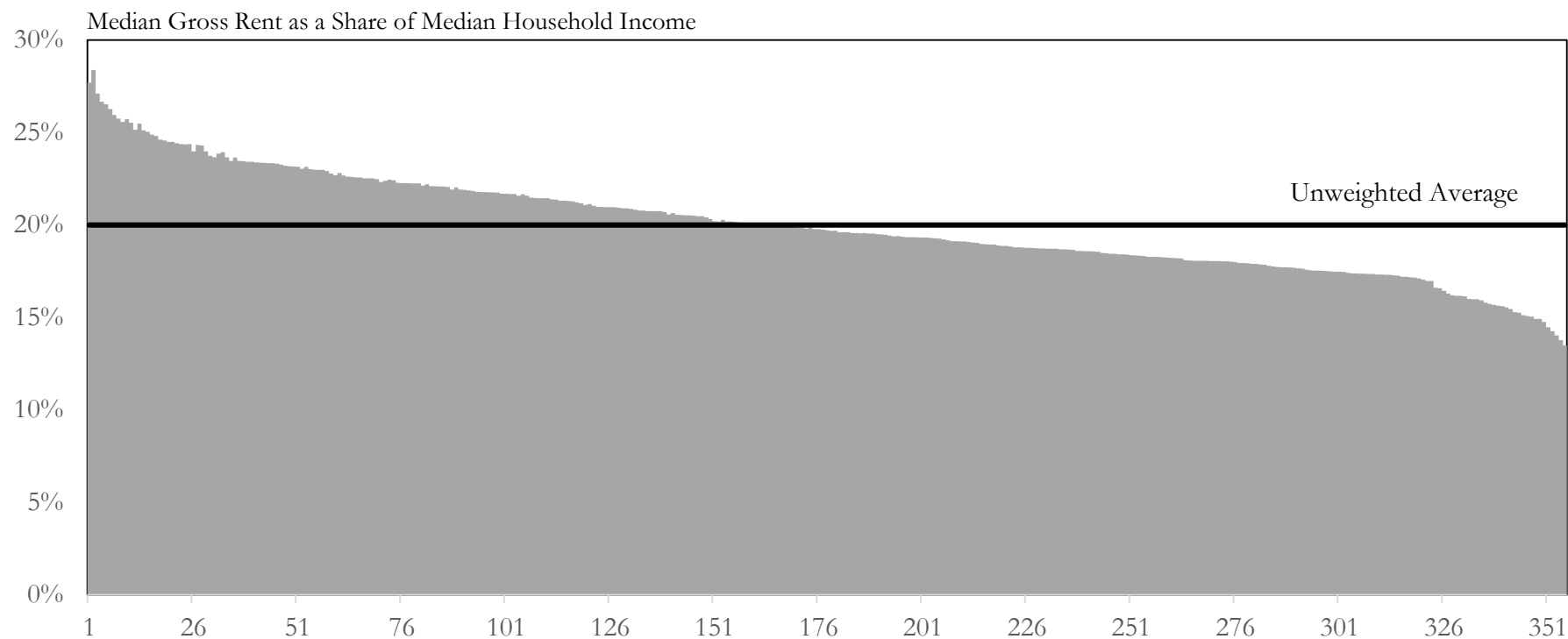


Inflation-Adjusted Growth in Rent

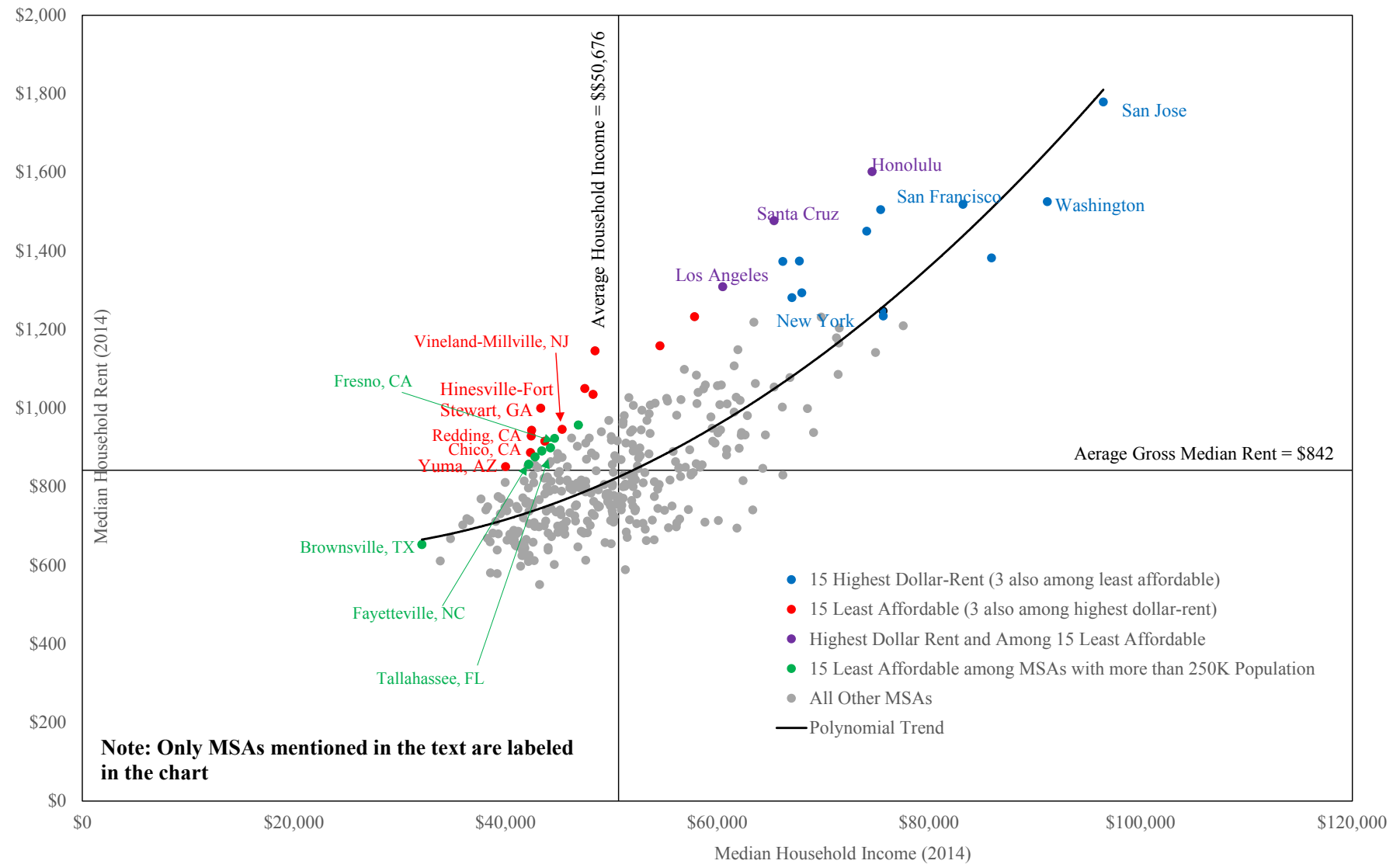


Sources: Author's calculations; U.S. Census Bureau, American Community Survey; U.S. Bureau of Labor Statistics

Median Gross Rent as a Share of Median Household Income



Rent, Income, and Affordability in 2014



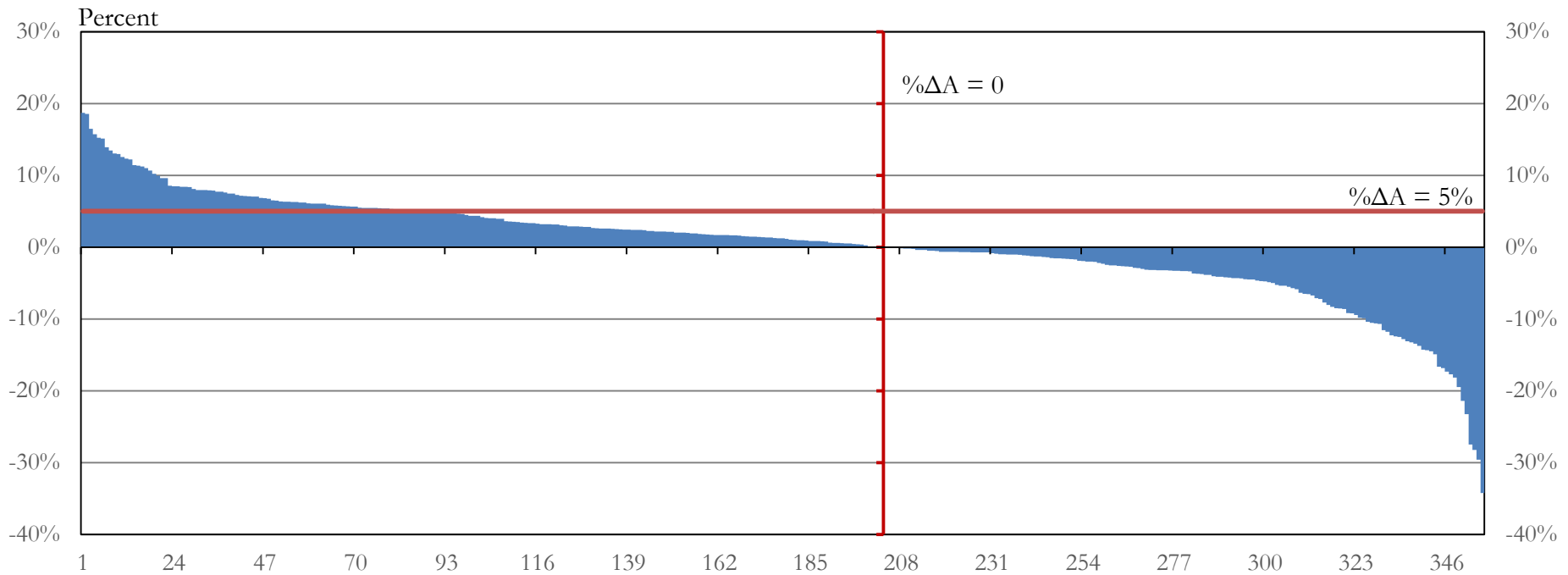
Rental Affordability Calculations

$$A_t = \frac{R_t}{I_t}$$

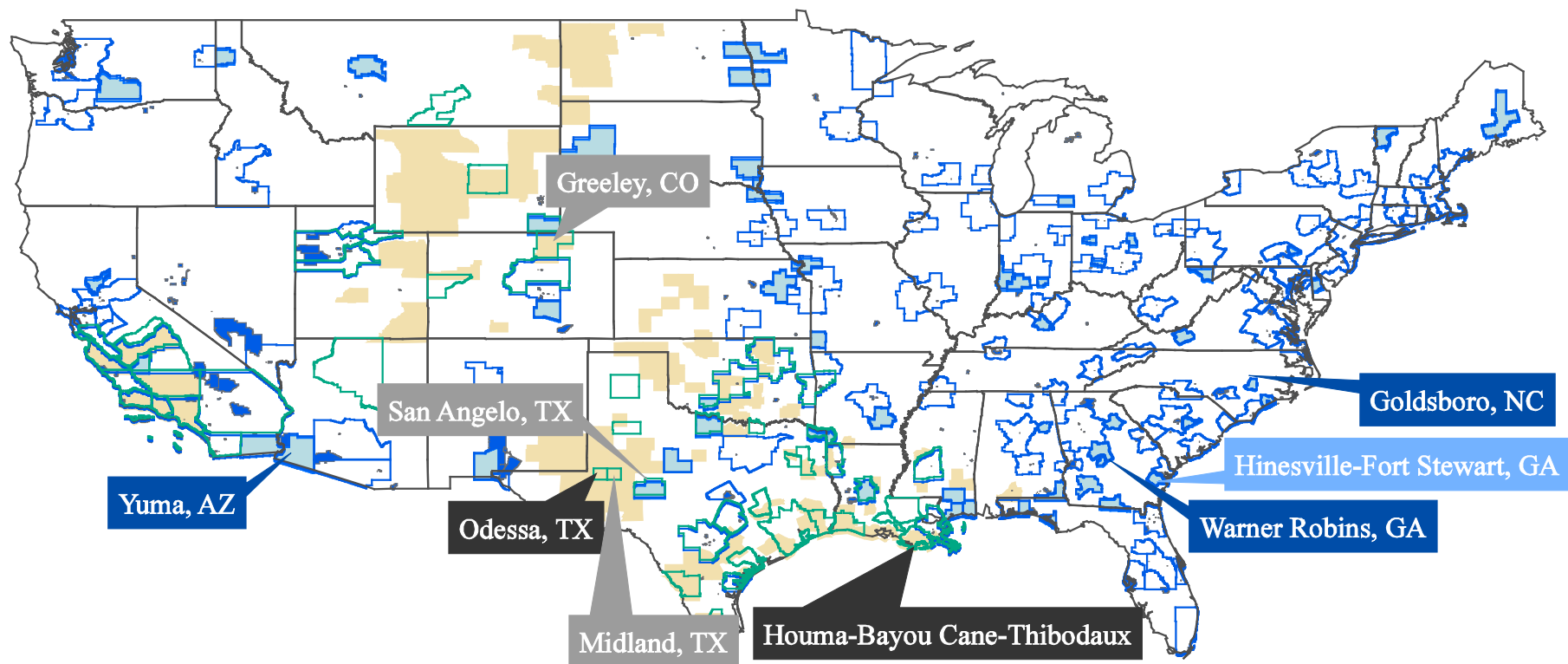
$$\Delta A = A_{14} - A_{10} = (R_{14} / Y_{14}) - (R_{10} / Y_{10})$$

$$\% \Delta A = \frac{A_{14} - A_{10}}{A_{10}} = \frac{R_{14} / R_{10}}{I_{14} / I_{10}} - 1 = \% \Delta R - \% \Delta I$$

Percent Change in Affordability Ratio, 2010-2014



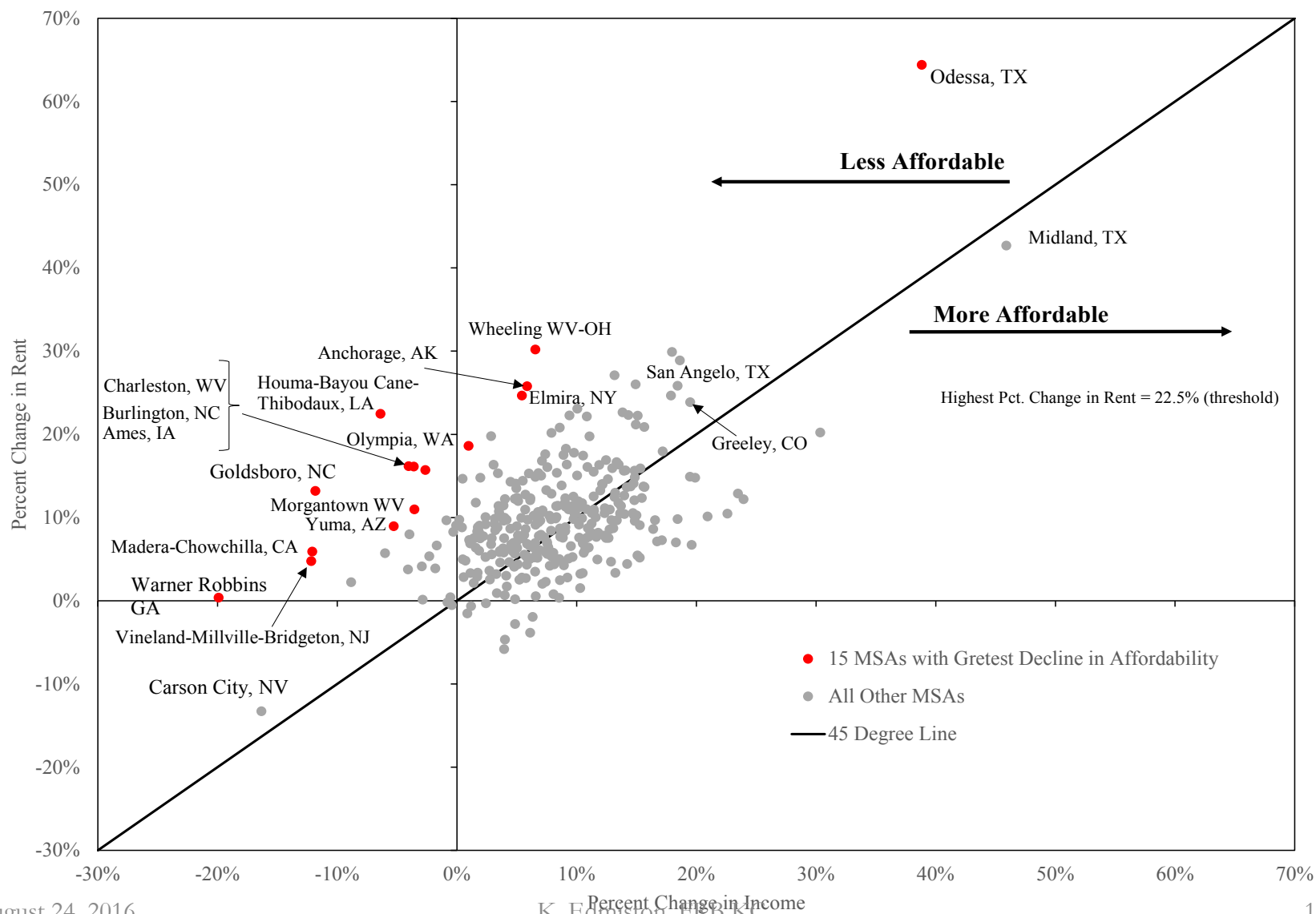
Military and Oil Boom Towns



Legend

- "Oil MSAs"
- All "Military MSAs"
- "Military MSAs" (pop $\leq 250,000$)
- Military Base
- 1.5+ Million Bbls Oil

Change in Housing Affordability Across MSAs, 2010 – 2014





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