



Issue Fact Sheet

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APARTMENTS: THE NEW HOUSING RESOURCE

The U.S. is on the cusp of a **fundamental change in our housing dynamics**. Changing demographics and new economic realities are driving more people away from the typical suburban house and causing a **surge in rental demand**. Tomorrow's households want something different. They want more choice. They are more interested in urban living and less interested in owning. They want smaller spaces and more amenities. And increasingly, they want to rent, not own. Unfortunately, our housing policy has yet to adjust to these new realities.

Booming Rental Demand

- One-third of Americans rent their housing, and nearly 14 percent—17 million households—call an apartment their home.
- Changing demographics mean changing housing preferences.
 - Married couples with children are now less than 21% of households and that number is falling. Fully 70% of all households in the United States are childless.
 - Almost 80 million **Echo Boomers** are beginning to enter the housing market, primarily as renters.
 - Many of the more than 75 million **Baby Boomers** are beginning to downsize, and some will choose the convenience of renting.
- In this decade, renters could make up **half of all new households—upwards of seven million new renter households**.
- Because of these changes, University of Utah Professor Arthur C. Nelson predicts that **half of all new homes built between 2005 and 2030 should be rental units**.

Demand Outstripping New Supply

- We need to be building an estimated 300,000 units a year to meet expected demand. Yet new multifamily construction set an all-time post-1963 low in 2010 at 97,000 new starts. In 2011, we started 167,400. That's only slightly more than what's needed to replace the units lost every year to demolition, obsolescence and other losses.
- While there is still a surplus of single-family housing, on the apartment side the surge in demand has outstripped new supply. The shortage of affordable rental units is particularly acute. The Harvard Joint Center for Housing Studies estimates a three million unit shortage nationwide.

A Strong Track Record

- The performance of the apartment industry stands in stark contrast to the single-family sector. It **did not overbuild** in the housing boom and did not contribute to the housing meltdown.
- Nearly 90 percent of the apartment units financed by Fannie Mae and Freddie Mac over the past 15 years—more than **10 million units—were affordable to working families** at or below their communities' median income. An overwhelming number of these were market-rate apartment properties with no federal subsidies.
- Importantly, default rates for the GSEs' multifamily business remain below one percent.

More Than Just Shelter: Social Benefits of Rental Housing

- Apartments are **fiscally responsible**. They use existing infrastructure and reduce the cost of providing public services like water, sewer and roads. Nationally, we can save \$100 billion in infrastructure costs if we pursue more compact forms of development.
- Apartments are more **environmentally sustainable**, resource-efficient and **energy-efficient** than other housing types. Because of their high-density nature, apartment households generate 30 to 40 percent fewer vehicle trips than single-family houses, which make them an important tool in our climate change efforts.
- Apartments help create a more **mobile workforce** that can respond to changing economic opportunities.
- Apartments help create **economically healthy communities** by providing housing for much-needed workers. Harvard University researchers found that average house values were the highest in working communities with the most multifamily units.

The time has come to rebalance our housing policy and make rental housing a priority. Nearly two-thirds of households formed between 2008 and 2015 will be renters, yet 80% of our housing programs and tax expenditures go to homeownership.

A MORE BALANCED HOUSING POLICY

NMHC and NAA have joined together to advocate for a more balanced housing policy, one that explicitly values rental housing. We urge policymakers at all levels of government to work with the apartment industry to craft a smarter housing policy that:

- Assures that everyone has access to decent and affordable housing, regardless of his or her housing choice;
- Respects the rights of individuals to choose the housing that best meets their financial and lifestyle needs without disadvantaging, financially or otherwise, those who choose apartment living;
- Promotes healthy and livable communities by encouraging responsible land use and promoting the production of all types of housing;
- Recognizes that all decent housing, including apartments, and all citizens, including renters, make positive economic, political and social contributions to their communities; and
- Balances the expected benefits of regulations with their costs to minimize the impact on housing affordability.

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