

As the COVID-19 crisis continues to develop, the NMHC research team is working on special analysis for our members. We are working diligently to complete this research quickly; in the meantime, we are happy to share some of regularly scheduled analysis.

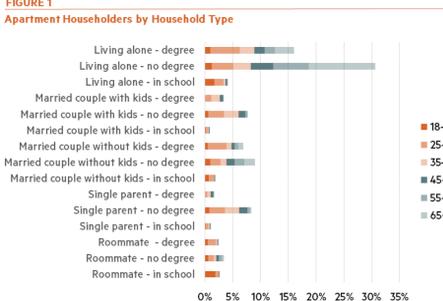
Do Different Renters Face Different Affordability Challenges?

According to the American Community Survey, more than half (51 percent) of all apartment households were rent burdened in 2018, meaning that they paid more than 30 percent of their monthly income on rent. But this aggregate statistic is a fairly crude metric of affordability. Apartment households in the U.S. are a diverse collection of students, working professionals, married couples and single parents, spanning all ages and incomes.

In this Research Notes, we take a closer look at these many disparate groups that comprise our nation's apartment residents and examine how their rent-to-income ratios stack up against one another. This investigation underscores how responses to apartment affordability challenges need to be either targeted to address the specific needs of unique renter groups or flexible enough to address the full range of varying needs for all renter groups.

Apartment Households Take Many Shapes

For this analysis, we divided apartment householders into six age categories (18-24, 25-34, 35-44, 45-54, 55-64 and 65+); three categories of educational attainment (currently enrolled in school, not enrolled and without a bachelor's degree and not enrolled and with a bachelor's degree); and, finally, five different household types (living alone, living with roommates, married with children, married without children and single parent). This gives us 90 unique segments of apartment households.



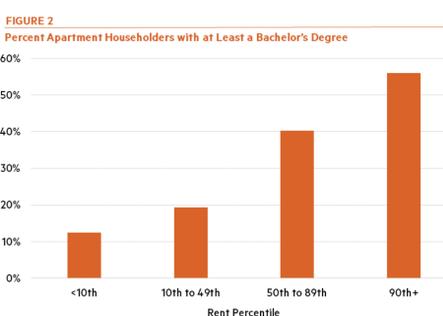
As shown in Figure 1, more than half (51 percent) of apartment households in 2018 were made up of apartment renters who lived alone, and the majority of those individuals (60 percent) did not hold a college degree.

The chart also illustrates that more than three in four apartment householders aged 55 and above lived alone. Why is this the case? Of apartment householders living alone who were aged 55 to 64, 60 percent were either divorced, widowed or separated in 2018. Of those aged 65 or older, 82 percent were divorced, widowed or separated.

Education Levels Change by Rent Level

This household type mix changes, however, when we move from the nation's least expensive to the most expensive apartments. The most noticeable shift relates to educational attainment.

In the nation's least expensive apartment units (less than 10th percentile rents), 12 percent of householders held a college degree, whereas, in the most expensive units (90th percentile rent or above), more than half (53 percent) of householders completed at least their bachelor's (see Figure 2). This is to be expected since apartment householders with a college degree earned, on average, higher household incomes than those without a degree (\$85,598 compared to \$39,424 in 2018).



Roommate households were also slightly more prevalent among pricier apartments, making up 5 percent of households in units with less than 10th percentile rents and more than 11 percent of households in units with 90th percentile rents or more. This supports the idea that individuals generally choose to have roommates so that they can better afford a given level of rent.

Certain Household Factors Correlate to Higher Cost Burdens

Given these two patterns, we might expect both roommate households and college-educated householders to have lesser rent burdens than other household types, a hypothesis we put to the test.

For the analysis, we calculated the percentage of rent-burdened apartment households (paying more than 30 percent of monthly income on rent) across the 90 household types we referenced earlier and by rent level (less than 10th percentile rent, 10th to 49th percentile rent, 50th to 89th percentile rent and +90th percentile rent).

What became immediately apparent after performing this exercise was that, of the apartment households with the highest rent burdens, the vast majority were those where the householder was currently enrolled in school (see Figure 3).

FIGURE 3
Most Rent-Burdened Household Types

Enrolled in School	Rent Percentile	Age of Householder	Household Type	Percent of Rent-Burdened Households
Yes	90th+	18-24	Living alone	95%
Yes	90th+	18-24	Roommate	94%
No - without degree	90th+	65+	Living alone	92%
Yes	<10th	18-24	Living alone	91%
Yes	50th to 89th	18-24	Living alone	88%
Yes	50th to 89th	65+	Living alone	87%
Yes	10th to 49th	18-24	Living alone	86%
Yes	50th to 89th	18-24	Roommate	83%
No - without degree	50th to 89th	65+	Living alone	81%
Yes	90th+	25-34	Living alone	80%

This result is not surprising, as students are much less likely work full time, if at all. However, it's important to be aware of this fact because student householders—and their greater likelihood of being rent burdened—can affect broader affordability statistics. More than 10 percent of rent-burdened apartment households are student householders; when those student households are excluded from the pool of all rent-burdened households, the percentage of apartment households spending more than 30 percent of their incomes on rent drops to 49 percent from 51 percent.

While many students face significant financial hardships and can have difficulty affording housing, most housing affordability attention is generally focused on the non-student population. Reflective of that focus, the following tables show the most and least rent-burdened apartment household types, excluding all student householders.

FIGURE 4
Most Rent-Burdened Apartment Household Types (excluding student householders)

College Degree	Rent Percentile	Age of Householder	Household Type	Percent of Rent-Burdened Households
No	90th+	65+	Living alone	92%
No	50th to 89th	65+	Living alone	81%
No	50th to 89th	18-24	Living alone	79%
No	50th to 89th	25-34	Single parent	78%
No	50th to 89th	18-24	Single parent	77%
Yes	90th+	65+	Living alone	76%
No	90th+	18-24	Living alone	76%
No	50th to 89th	35-44	Single parent	75%
No	10th to 49th	18-24	Living alone	74%
No	10th to 49th	18-24	Single parent	73%

Of the top 10 most burdened apartment household types, only one included householders who held a bachelor's degree. This likely reflects the trend of college graduates tending to earn more than their peers without a degree.

Another key takeaway from the table was that renters living alone and single parents tended to be the most burdened household types, especially among the nation's youngest (18-24) and oldest (65+) age cohorts. Many older renters are presumably retired, and, therefore, likely to be living off of some combination of social security income, interest income and accumulated wealth (which is unobservable in the data).

The level of rent (on a national scale) appeared to be less of a factor in predicting burden levels, except that no household type within the lowest rent category (less than 10th percentile rent) made it onto the top 10 most burdened list.

FIGURE 5
Least Rent-Burdened Apartment Household Types (excluding student householders)

College Degree	Rent Percentile	Age of Householder	Household Type	Percent of Rent-Burdened Households
Yes	<10th	25-34	Married couple w/out kids	11%
Yes	<10th	55-64	Married couple w/out kids	11%
Yes	90th+	35-44	Married couple w/out kids	12%
Yes	90th+	35-44	Roommate	13%
Yes	10th to 49th	35-44	Married couple w/out kids	13%
Yes	50th to 89th	35-44	Married couple w/out kids	14%
Yes	50th to 89th	25-34	Married couple w/out kids	14%
Yes	90th+	25-34	Married couple w/out kids	15%
Yes	10th to 49th	25-34	Married couple w/out kids	15%
Yes	<10th	18-24	Married couple w/out kids	16%

All of the top 10 least burdened apartment household types were led by a householder who held at least a bachelor's degree, which is consistent with our prior hypothesis.

Married couple with kids clearly seemed to be the least burdened apartment household type overall, and, to a somewhat lesser extent, roommate households as well. Even if we were to extend this list out to the top 20 least burdened household types, only married couples without kids and roommate households would be present. It stands to reason that households with two or more earners and no dependents are likely to be best equipped to manage their housing costs.

We also saw much less representation in this table from the youngest and oldest age cohorts. There were no 65+ household types in the top 10, which again may reflect challenges related to measuring the financial wellbeing of retirees.

Conclusion

There is no such thing as a "typical" apartment household. Apartment residents span all ages, incomes and household types, and some of these groups are more vulnerable than others to high housing costs.

We found that renters without a bachelor's degree, for example, along with those who were the sole earner for their household, tended to face greater affordability challenges when compared to other household types. The nation's oldest and youngest renters faced some of the highest rates of rent burdens, as well. At the other end of the spectrum, married couples without kids and roommate households tended to spend less of their income on rent, especially among householders who had earned a bachelor's degree.

Aggregate affordability statistics can be misleading, not just because of this diversity among apartment households, but also because of their inclusion of residents who are enrolled in school (and are less likely to have a full-time job) and retirees, for which there is very little publicly available data. Future efforts aimed at addressing issues surrounding apartment affordability should take care to consider the unique challenges faced by the full range of renter groups.

About Research Notes

Published quarterly, Research Notes offers exclusive, in-depth analysis from NMHC's research team on topics of special interest to apartment industry professionals, from the demographics behind apartment demand to effect of changing economic conditions on the multifamily industry.

QUESTIONS

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