The U.S. Department of Housing and Urban Development (HUD) finds that worst case housing needs decreased during the 2011-to-2013 period but persist at high levels across demographic groups, household types, and regions. Substantial unmet needs for affordable rental housing remain even as economic conditions are improving. The unmet need for decent, safe, and affordable rental housing continues to outpace the ability of federal, state, and local governments to supply housing assistance.

Worst case needs are defined as renters with very low incomes—below 50 percent of the Area Median Income (AMI)—who do not receive government housing assistance and who pay more than one-half of their income for rent, live in severely inadequate conditions, or both. Worst Case Housing Needs: 2015 Report to Congress examines the causes of and trends in worst case needs, using the most recent data from the American Housing Survey.

Worst Case Needs Have Decreased

The number of renter households with worst case needs decreased to 7.7 million in 2013 from the record high of 8.5 million in 2011, ending a sustained period of large increases. The number of worst case needs in 2013 is 9 percent lower than in 2011, yet it remains 9 percent greater than in 2009 and 49 percent greater than in 2003.

The likelihood that a very low-income renter household had worst case needs decreased from 44 percent in 2011 to 42 percent in 2013, about the same as in 2009. The decrease in worst case needs between 2011 and 2013 reflects both a smaller population of susceptible very low-income renters and a lower prevalence of severe housing problems among that population. The data suggest that the nation’s ongoing economic recovery is beginning to have beneficial effects on the incomes and housing problems of very low-income renters.
Worst Case Needs Affect All Demographic Groups and Household Types

Worst case needs affect very low-income renters across racial and ethnic groups. The prevalence of worst case needs among such renters during 2013 was 44 percent for non-Hispanic Whites and Hispanics, 35 percent for non-Hispanic Blacks, and 42 percent for others. The rate decreased between 2011 and 2013 for non-Hispanic Whites, non-Hispanic Blacks, and Hispanics but not for others.

Worst case needs also affect all types of households. In 2013, 2.8 million families with children, 1.5 million elderly households without children, 2.7 million other “nondisabled” households (unrelated people sharing housing), and 0.7 million “other family” households experienced worst case needs.

Compared with 2011 levels, worst case needs decreased within the two largest categories—families with children and other nonfamily households—but changed little for the other categories. The proportion of very low-income renters with worst case needs in 2013 ranged somewhat narrowly from a high of 46 percent for other nonfamily households, to 43 percent for other family households, 40 percent for families with children, and 37 percent for elderly households without children.

About one in seven renters with worst case needs—14 percent— included a nonelderly person with disabilities. The 1.1 million such households are 17 percent fewer than in 2011 but remain 10 percent above the 2009 estimate.

Worst Case Needs Result From a Shortage of Affordable Rental Housing

Most worst case needs are caused by severe rent burdens— paying more than one-half of income for rent. Inadequate housing caused only 3 percent of worst case needs.

A decline by 1 million from 2011 to 2013 in the number of very low-income renters who lack housing assistance—the group at risk of experiencing worst case needs—explains about 600,000 cases of the 800,000 reduction in worst case needs. Four contradictory demographic factors affected the size of the at-risk group. Two factors contributed to an increase in lowest case needs by 300,000 cases: a modest level of household formation and an ongoing (though slowing) shift from homeownership to renting. These factors were more than offset by two other demographic factors that contributed to declines in worst case needs: renter income increases (and changes in income limits) that raised renters out of the very low-income population and, to a lesser extent, a mitigation of the gap in rental assistance, which together accounted for 900,000 fewer worst case needs in 2013.

Fewer unassisted, very low-income renters mean less demand for affordable units. Even if the housing supply were unchanged, we would expect decreased competition for affordable units, decreasing rents, and decreasing prevalence of worst case needs. The reduction in very low-income renters reflects, in part, the 7.2-percent increase in the median renter’s income over the 2011-to-2013 period. Further, because median rent increased only 1.0 percent, rent burdens decreased for many households. After demographic factors on net reduced worst case needs by 600,000, it is reasonable that market-driven reductions in the proportion of unassisted very low-income renters with worst case needs should account for a further decrease of 200,000 cases.

Modest expansions of the overall number of rental units were less important than household income and other demographic factors in affecting worst case needs. Although the total supply of rental units increased by 900,000, or 2 percent, between 2011 and 2013, renter households expanded by 1.4 million, or 3.7 percent. As a result, new renters absorbed all the net increase of rental units and also occupied 500,000 previously vacant units. The rental vacancy rate declined from 9.8 to 8.4 percent as the rental market tightened.

Although the number of renters increased overall, the number of renters with extremely low incomes (0 to 30 percent of AMI) decreased in 2013. An expanded number of affordable units became available for the smaller number of extremely low-income renters, increasing the ratio of affordable and available units by 5 from 2011 levels to 39 units per 100 renters. For very low-income renters, there was little change in availability, leaving the ratio at 65 units per 100 renters.

Conclusion

Worst case housing needs are a national problem. They have expanded dramatically during the past decade and were exacerbated by the economic recession and associated collapse of the housing market, which reduced homeownership through foreclosures and increased demand for renting. During the most recent 2-year period, 2011 to 2013, worst case needs decreased modestly but significantly. The improvement is attributable primarily to demographic factors, especially increasing renter incomes, that reduced the number of susceptible households. Modest housing market responses that reduced the proportion of unassisted very low-income renters with severe rent burdens played a secondary yet substantial role.

Even with rental assistance, 6 of 10 extremely low-income renters and 3 of 10 very low-income renters do not have access to affordable and available housing units. In 2013, there are 1.6 very low-income households with worst case needs for every very low-income household with rental assistance. A broad strategy at the federal, state, and local levels is needed to continue to rebuild the economy, strengthen the market, and provide assistance to those families most in need.