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Research: Rental Demand to Escalate by the Millions

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Inventory shortages are weighing down just about every housing market, with supply on all sides—renter- and owner-occupied—on a months-long downtrend. A new multifamily report now estimates that by 2030, some 4 million new apartments alone will be needed to keep pace with demand.

"Apartment rentals are on the rise, and this trend is expected to continue at least through 2030, which means we'll need millions of new apartments in the U.S. to meet the increased demand," said Cindy Clare, chair of the National Apartment Association (NAA), in a statement on the report, released recently by the NAA and the National Multifamily Housing Council (NMHC).

Meeting demand will require a minimum of 325,000 new apartments, defined as buildings with five or more rental units, built each year—a lofty endeavor, considering only 244,000 apartments were constructed between 2012 and 2016, according to the report.

The primary catalysts behind the need are the as-ever delay in home-buying and the formation of new renter households as a result of aging and immigration. One million new renter households, on average, were formed each year over the last five.

"Renting is not just for the younger generations anymore," said Dr. Norm Miller, principal at Hoyt Advisory Services, which collaborated with the NAA and the NMHC on the report. "Increasingly, baby boomers and other empty nesters are trading single-family houses for the convenience of rental apartments; in fact, more than half of the net increases in renter households over the past decade came from the 45-plus demographic."

Immigrant households, in addition, will have a deeply transformative effect on both the renter- and owner-occupied housing markets.

"Immigration affects rents and home prices far more than it affects the labor market," saidAlex Nowrasteh, immigration policy analyst at the Center for Global Liberty and Prosperity at the Cato Institute, at the 2017 REALTORS® Legislative Meetings & Trade Expo in May. Nowrasteh pointed to increases in home values and rents that parallel population growth, much of it spurred by immigrants.

The report finds that demand, though widespread, will be most felt in sought-after markets in the South and West, including Arizona, Georgia and Nevada, and in markets on the East Coast, such as in New York and Virginia.

“The western U.S. as well as states such as Texas, Florida and North Carolina are expected to have the greatest need for new apartment housing through 2030, although all states will need more apartment housing moving forward,” Clare said. “The need is for all types of apartments and at all price points”—affordable stock included.

Another recent report out of the National Low Income Housing Coalition (NLIHC) purports an inability for renters in every state, earning minimum wage and working 40 hours each week, to afford a two-bedroom rental, giving way to a shortage of 7.4 million affordable units for low-income renter households. Research by the Joint Center for Housing Studies at Harvard University affirms the need, with roughly 6 million older, low-income renter households, as well, burdened.

“Apartments and their 39 million residents contribute $1.3 trillion to the national economy,” said Bob DeWitt, chair of the NMHC.

“The growing demand for apartments…will make a significant and positive impact on our nation’s economy for years to come.”