America's Rental Housing 2024

STUDY #1

Source: Joint Center for Housing Studies, Harvard University (2024)

IMPLICATIONS FOR RENT CONTROL:

As financial pressures mount, rent control policies worsen the situation by capping landlords' ability to cover rising expenses. The result is fewer new developments, delayed maintenance, and a decline in the quality and availability of affordable housing—harming the very tenants these policies claim to protect.

LINK TO STUDY

KEY FINDINGS:

How Rising Costs & Financial Pressures Impact Housing Supply & Quality

1. High Interest Rates Constrain Multifamily Financing

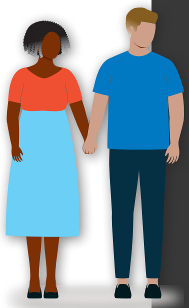
- Rising interest rates have significantly increased the cost of debt for multifamily developers, making new projects less financially feasible.
- Fixed-rate multifamily loans reached an average of **5.5% by mid-2023,** up from historically low levels during the pandemic.
- This higher cost of capital has led to a **48% drop in multifamily mortgage originations year-over-year,** stalling new development.

2. Construction Delays & Costs Are Increasing

- Construction timelines for multifamily buildings have grown longer, with the average time from start to completion rising to **17 months** in 2022, up from 10.8 months a decade ago.
- Material costs have soared since the pandemic, with gypsum (+41%) and plastic products (+35%) driving up expenses, alongside a **14% rise in construction labor costs.**
- Rising costs are steering new developments toward higher-end units, leaving fewer options for low- and moderate-income renters.

3. Risk of Delinquencies Grows

- Slowing rent growth, higher costs, and increased borrowing expenses are leading to rising risks of delinquencies, particularly for properties with recent loans.
- Delinquency rates for multifamily loans backed by commercial mortgage-backed securities (CMBS) climbed to **3.8% in mid-2023,** compared to pre-pandemic lows.



4. Operating Costs Strain Small-Scale Providers

- Increased operating and insurance costs are squeezing small-scale housing providers and subsidized properties the hardest.
- Many landlords are unable to afford critical repairs, further deteriorating an already aging housing stock. This puts low-rent and assisted units at risk of being lost entirely.

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