RESEARCH BRIEF:

Worsening Rental Affordability Linked to Higher Rates of Homelessness

By Rachel Bogardus Drew

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Enterprise®

Introduction

All households deserve a safe, decent and affordable place to live and thrive. Unfortunately, millions of people struggle daily to afford high housing costs, putting them at risk of housing instability if they cannot make their rent. In extreme cases, some may experience homelessness if they are unable to find and access housing they can afford. Indeed, **multiple studies** have shown that high housing costs within a market are associated with higher rates of people experiencing homelessness.

However, these studies find that areas with high median rent-to-income ratios do not necessarily experience higher rates of homelessness and may even have lower homelessness rates due to generally higher incomes in places with high housing costs. What prior research has not assessed, however, is how the number of renters with unaffordable rent-to-income ratios — particularly those spending more than half their income on housing — aligns with trends in homelessness over time and across different geographic areas.

This brief offers that analysis, along with others that update trends in renter affordability and homelessness generally. The analyses find that the number of renters spending large shares of their income on housing continues to rise in the wake of the COVID-19 pandemic, with even moderate-income households increasingly feeling the pinch. At the same time, rising housing costs, the end of pandemic-era supports, and underfunding of services relative to need have collectively increased the number of people experiencing homelessness to record highs. Finally, comparisons of these two trends suggest that the number of renters with affordability challenges correlates highly with counts of people experiencing homelessness in the following year, while same-year shares of these data show some association at the state level.

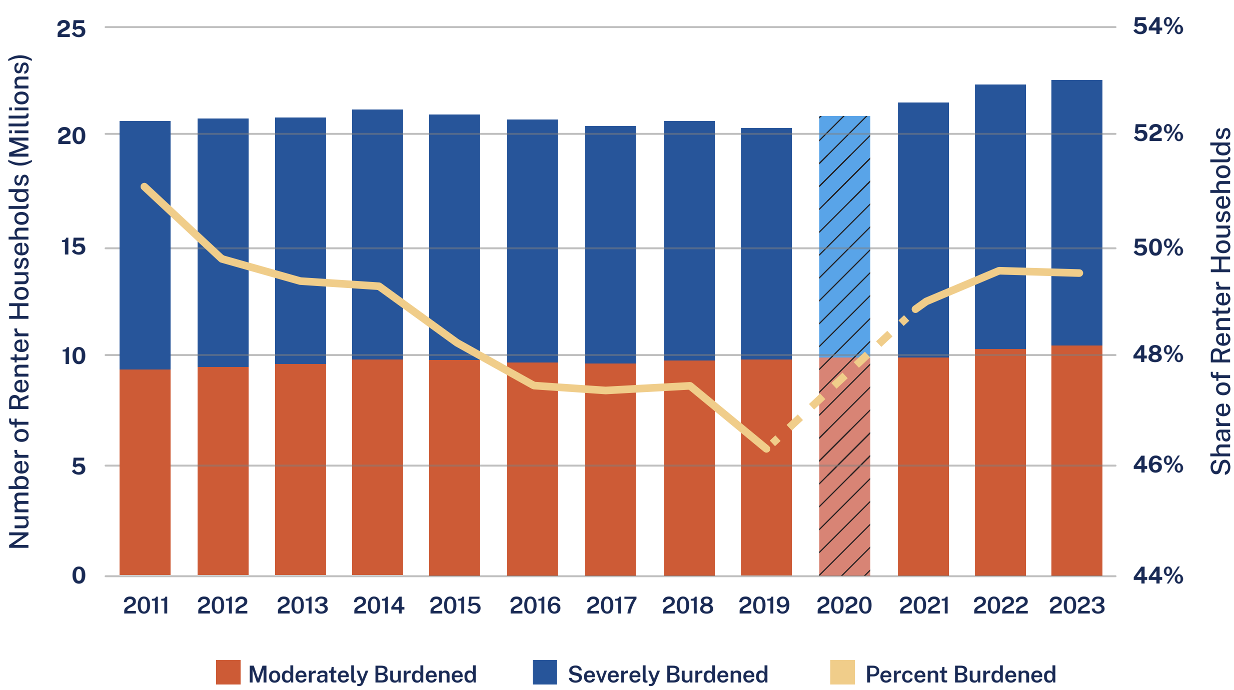
These data findings underscore two important forces at play in housing policy: one, that renters remain in dire need of strong public programs and policy solutions to reduce their housing costs and alleviate housing affordability challenges; and two, that any successful efforts to address rising counts of people experiencing homelessness must include improving access to housing as well as expanding the supply of stable, affordable housing for all. Policymakers at all levels of government are encouraged to heed these findings when developing or modifying housing and homelessness programs and funding resources.

Trends in Rental Affordability

To measure renter affordability, Enterprise uses the U.S. Census Bureau's [American Community Survey](https://www.census.gov/programs-surveys/acs) (ACS) 1-year microdata, which is collected from a nationally representative sample of around 3 million people each spring. This data includes information on total housing costs and household income; calculating rent-to-income ratios provides a measure of how cost burdened a household is that year. Households with rent-to-income ratios over 30% — the federal threshold for affordability among subsidized renter households — and up to 50% are considered moderately cost burdened, and those with ratios over 50% are considered severely cost burdened.[1]

The most recent ACS data from 2023 reveal a continued worsening of rental affordability. Renter households with severe cost burdens have driven most of this growth, rising from 10.5 million renters in 2019 to 12.1 million renters in 2023, a 14.9% increase over a four-year period when the total number of renter households only rose by 3.5%. Moderately burdened renters also increased 6.1% over this period, from 9.9 million to 10.5 million. Combined, the share of all renter households spending large amounts of their income on housing rose from 46.3% to 49.5%. This increase reverses a generally improving trend in renter affordability observed between 2011 and 2019, when the share of renters with housing cost burdens declined following the end of the Great Recession and foreclosure crisis.

Renter Cost Burdens, 2011-2023



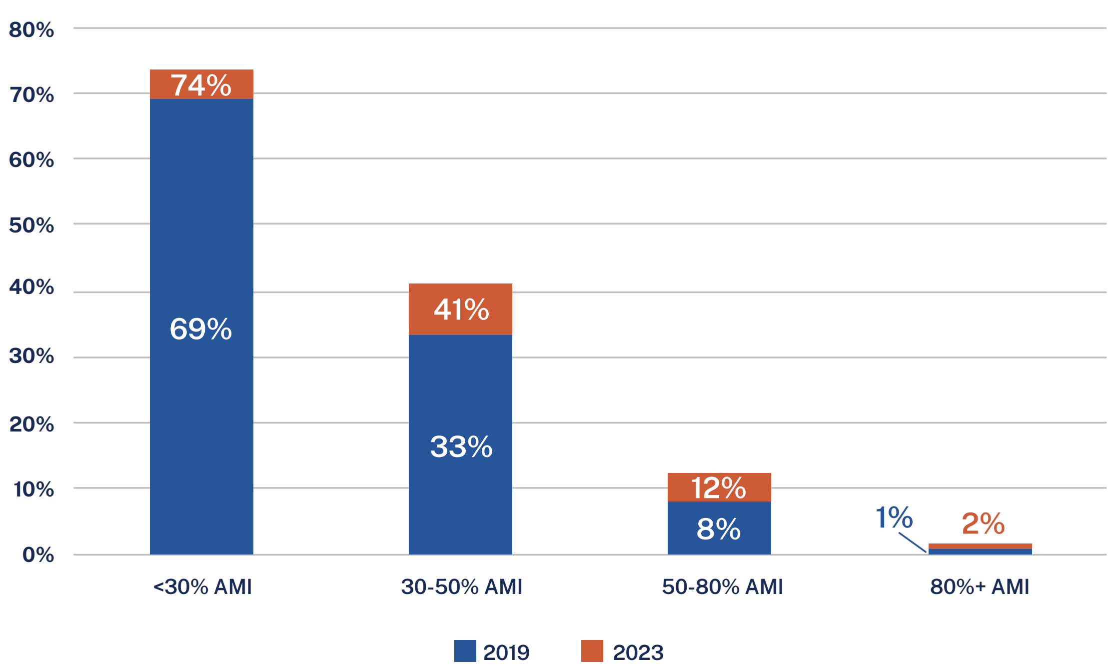
Source: Calculations of the U.S. Census Bureau's 1-year American Community Survey (ACS) microdata public use file.
Notes: Due to disruptions in data collection during the COVID-19 pandemic, 2020 data are estimated as the midpoint between 2019 and 2021.

[1] Renter households that report positive cash rent but zero or negative income are also included among those with severe cost burdens. Renter households with ratios under 30% OR with zero reported rent (regardless of income), meanwhile, are considered not cost burdened. Note that this methodology differs from that used by the Census Bureau and other researchers, which excludes renters that report having zero rent or zero/negative income from their calculations. Census tabular data also report shares of income spent on housing using lower-bound inclusive ratio ranges (i.e. 30% or more, rather than over 30%), which combines households paying exactly an "affordable" rent with those spending above this share. As such, estimates of counts and shares of renters in each cost burden category (including no cost burden) provided in this brief may differ slightly from other published estimates.

These recent increases in cost burdens were not evenly distributed across renters by income. While 74% of renters earning less than 30% of their area median income (AMI) were severely cost burdened in 2023, their increase from 69% in 2019 was less than for renters in the next lowest income range, earning 30-50% of AMI, over 40% of whom were severely cost burdened in 2023, up from 33% four years earlier.

While higher income renters are even less likely to have affordability challenges, they have experienced even larger percent changes in affordability shares. For renters with incomes 50-80% of AMI, there was a 50% increase in severely cost burdened households — from 8% to 12% — and a doubling among those with incomes over 80% of AMI.

Share of Renters with Severe Cost Burdens by Income, 2019 and 2023



Source: Calculations of the U.S. Census Bureau's 1-year American Community Survey (ACS) microdata public use file.
Notes: Severely burdened renters spend more than 50% of their income on rent or report positive cash rent with zero or negative income.

Spending high shares of income on housing means renters have less money available to cover other basic needs, such as food, medical expenses, childcare, or transportation. Indeed, the total amount that cost burdened renters spent on rent above the 30% of income threshold for affordability topped $190 billion in 2023. That is an average of $8,451 per cost burdened renter household, which is more than the average American household spent on health and personal care combined in 2023, according to the Bureau of Labor Statistics' Consumer Expenditure Survey. The per-household overpayment is even greater for the lowest income renters, who can least afford to spend excess amounts of their income on housing. Cost burdened renters earning below 30% of AMI spent an average of $9,899 above affordability guidelines, or nearly as much as the average household spends on food in one year.

Many of these millions of renters spending thousands of dollars more than they can afford on housing are living in precarious circumstances, unable to save for a rainy day. As such, one unforeseen expense or small decrease in their income could put them at risk of losing their ability to afford housing altogether. The next section looks at recent data on people experiencing homelessness to confirm this association.

Rent Overpayment among Cost Burdened Renters by Income, 2023

Income	Total Overpayment ($billions)	Cost Burdened Renters (millions)	Overpayment per Renter
<30% AMI	$90.5	9.1	$9,899
30-50% AMI	$44.1	5.3	$8,244
50-80% AMI	$35.1	5.1	$6,769
80%+ AMI	$21.0	2.8	$7,265
Total	$190.7	22.5	$8,451

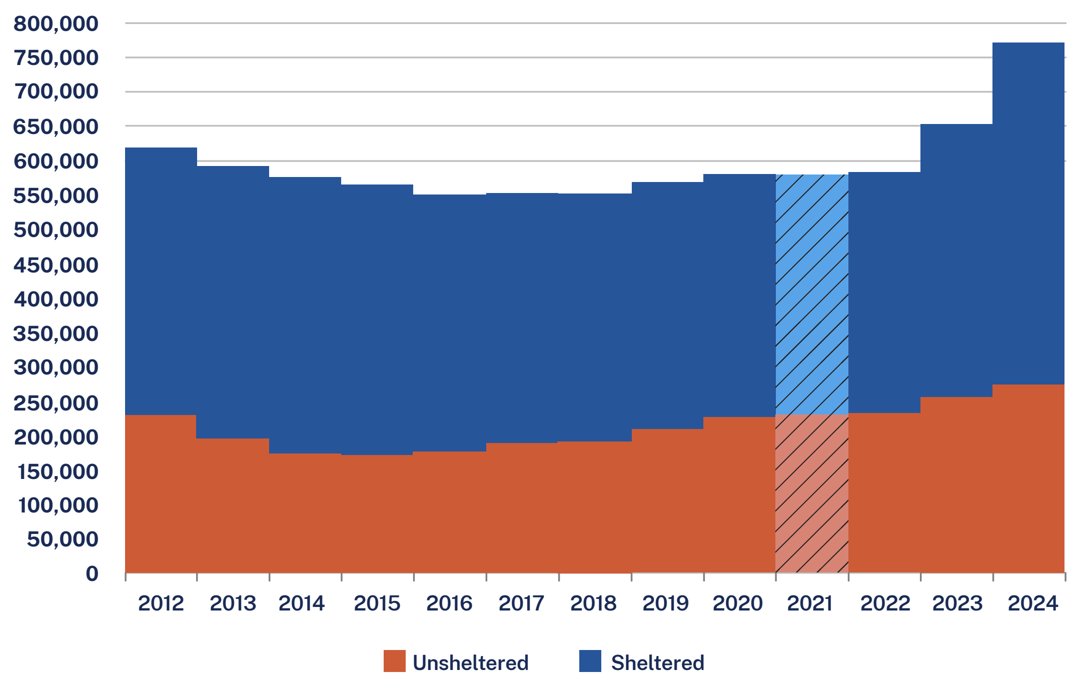
Source: Calculations of the U.S. Census Bureau's 1-year American Community Survey (ACS) microdata public use file.
Notes: Cost burdened renters spend more than 30% of their income on rent or report positive cash rent with zero or negative income.
Overpayment is defined as the amount spent on rent that exceeds 30% of a household's income.

Comparing Homelessness with Affordability

The measure of homelessness used in this analysis comes from the U.S. Department of Housing and Urban Development's (HUD) **Annual Homelessness Assessment Report** (AHAR), which includes the annual Point-in-Time (PIT) count of people experiencing homelessness observed on a given night in January each year. This count includes people staying overnight either in an emergency shelter designated for people experiencing homelessness or observed in unsheltered locations not meant for habitation, such as parks, sidewalks, transit stations, motor vehicles, and abandoned structures. The PIT count does not include people with temporary but unstable living arrangements (e.g. people who are couch surfing, doubled up, or staying in motels/hotels), nor are all people in unsheltered locations able to be reached during the count. As such, the PIT count is necessarily an underestimate of the true extent of people experiencing homelessness but still represents the best available source for tracking annual trends in and characteristics of people known to be experiencing homelessness.

As an annually recurring estimate, the PIT count allows for consistent tracking of trends in people experiencing homelessness over time. The most recent PIT count from January 2024, for example, reveals a dramatic increase in people experiencing homelessness since the end of the COVID-19 pandemic, growing by over 30% in just two years. Most of this growth was among people observed in sheltered locations, which underscores the significant investment made in recent years to increase the supply of shelters and housing options for people without permanent housing. However, given the known undercount of people in unsheltered locations, similar dramatic increases in their numbers cannot be ruled out. Also notable is how the recent increase in the PIT count comes after a sustained period of declines in people experiencing homelessness observed between 2012 and 2016, followed by a leveling off in the lead up to the pandemic.

Point-in-Time Counts of People Experiencing Homelessness, 2012-2024

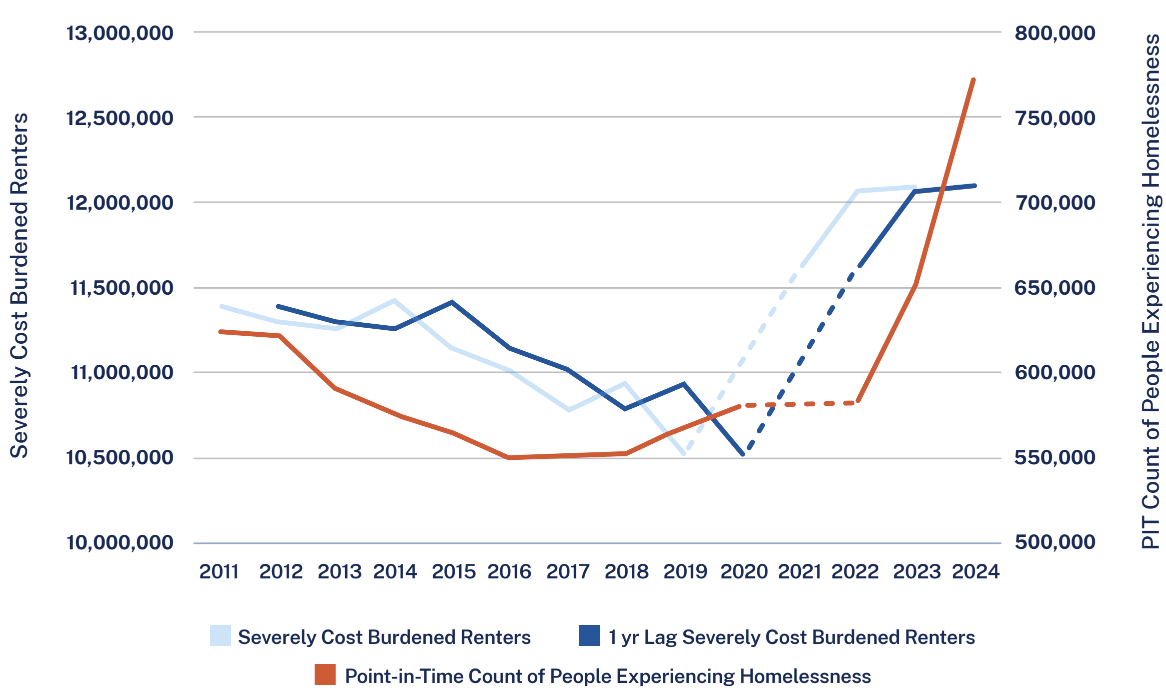


Source: Department of Housing and Urban Development, Annual Homelessness Assessment Report.
Notes: Due to disruptions in data collection during the COVID-19 pandemic, the 2021 Point-in-Time data are estimated as the midpoint between 2020 and 2022.

Part of the dramatic increase in counts of people experiencing homelessness since 2022 comes as a result of the end of pandemic-era supports to reduce housing insecurity. Much of this assistance, however, had either been spent down by the end of 2022 — immediately before the 2023 PIT count — or was no longer targeted toward people experiencing homelessness. This loss of support had a dramatic effect on housing stability for millions of households still recovering from the economic impacts of the pandemic. At the same time, rental costs across the country were spiking due to higher demand and reduced construction, leaving many precariously housed people with few alternatives to homelessness. The double whammy of price increases and the end of expanded assistance options thus created a perfect storm for the number of people experiencing homelessness to rise, first by 12% as of 2023, and then by another 18% a year later.

Given the timing of when the PIT counts occur, it is appropriate to pair them with one-year lagged ACS data when assessing measures of association, e.g. comparing cost burdens in 2023 with observations of people experiencing homelessness in January 2024. When done visually, this comparison reveals that, at least since the end of the Great Recession, counts of people experiencing homelessness generally rise in the year after an increase in number of severely cost burdened renters, and fall when there is a decrease in affordability challenges. One exception to this trend occurred in the immediate wake of the COVID-19 pandemic, when cost burdened renters increased in 2021 relative to 2019 while PIT counts the following year remained in line with those of the 2020 count prior to the onset of the pandemic. As noted above, this discrepancy can be explained by the considerable effort and funding committed during the pandemic to helping people become and remain stably housed, which may not have reduced affordability challenges but did allow millions of households to stave off evictions despite high rent-to-income ratios. Similarly, the most recent set of data points from both series suggest some moderating of the counts of severely cost burdened renters in 2023, even though the PIT count the following year showed its largest ever increase as those pandemic-era supports ended.

Counts of Severely Cost Burdened Renters and People Experiencing Homelessness, 2011-2024



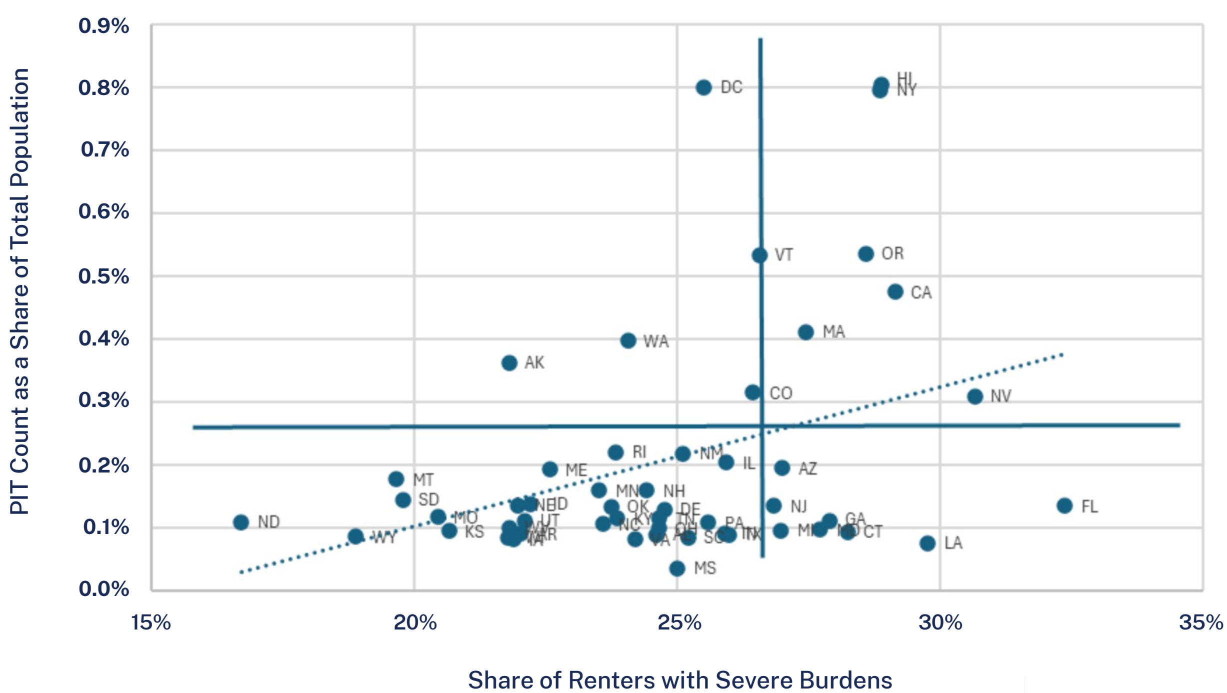
Source: Department of Housing and Urban Development, Annual Homelessness Assessment Report, and calculations of the U.S. Census Bureau's 1-year American Community Survey microdata public use file.
Notes: Due to disruptions in data collection during the COVID-19 pandemic, 2020 ACS data and 2021 Point-in-Time count data are estimated as the midpoint between the preceding and following years.

Even with these deviations from the general trend, numerical calculations of association confirm that there is strong correlation between the number of severely cost burdened renters and the following year's PIT counts, with a coefficient of 0.744 on the two-time series. **Said another way, in a given year, changes in the number of severely burdened renters alone can explain nearly 75% of the change in the observed count of people experiencing homelessness the following year.**

While this analysis offers only a rudimentary assessment of the connection between affordability and homelessness, leaving out several other factors that may also correlate with these two data points and reduce the explanatory power of the former on the latter, it nonetheless suggests a strong connection between housing affordability and experiences with homelessness.

In addition to this temporal association, it is also possible to assess how variations in affordability and homelessness correlate geographically. For this analysis, it is appropriate to compare shares of people experiencing homelessness and severely cost burdened renters, to account for variations in state populations overall. Using just the latest data points — the share of renters with severe burdens in 2023 and PIT counts as a share of total population in 2024 — from each state and the District of Columbia, there is a generally positive relationship between them. Indeed, among 11 states (plus DC) with an above-national rate of people experiencing homelessness, seven have an above-national rate of renters with severe burdens as well. Similar trends exist in other years, with each 1% increase in a state's severe cost burden share from 2011-2023 associated with a 0.014% increase in its PIT as a share of the total population the following year.

Severely Cost Burdened Share of Renters and People Experiencing Homelessness as Share of Total Population by State, 2023/4



Source: Department of Housing and Urban Development, Annual Homelessness Assessment Report 2024, and calculations of the U.S. Census Bureau's 1-year 2023 American Community Survey microdata public use file.
Note: Severely burdened renters spend more than 50% of their income on rent or report positive cash rent with zero or negative income. The dashed line above represents the linear trend line of state-based associations between the two data points shown in the scatter plot. The solid lines represent the national share of renters with severe burdens (vertical) and PIT count as a share of total population (horizontal).

Conclusion

The combination of rising renter cost burdens and spiking numbers of people observed experiencing homelessness are not isolated trends, but rather connected consequences of a lack of sufficient affordable housing to match the demand from millions of low-income households that struggle to access a stable home. Decades of underbuilding housing — driven by the high costs of building materials, labor shortages, and regulatory requirements that limit what and where new housing can be built — have constrained supply, while public funding for housing subsidies and other measures to offset these costs have failed to keep pace with slow income growth. As more renters feel the squeeze of housing affordability impacting their ability to meet other needs, some face housing instability and, eventually, homelessness.

Just as these two effects are related, so too must the policy solutions be to address them. To effectively address homelessness, policy solutions must tackle both the root causes and immediate needs. We cannot reduce homelessness without preventing renters from losing their homes through both supply- and demand-side interventions. At the same time, those already without permanent housing need more affordable options paired with supportive services to regain stability. This challenge is solvable, and bipartisan efforts are already underway at the local, state, and federal levels to reduce housing shortages and improve affordability. By recognizing the dual benefits of these actions and committing to proven, evidence-based solutions, we can reverse both trends and create lasting change.

About Enterprise Community Partners

Enterprise is a national nonprofit that exists to make a good home possible for the millions of families without one. We support community development organizations on the ground, aggregate and invest capital for impact, advance housing policy at every level of government, and build and manage communities ourselves. Since 1982, we have invested $80.9 billion and created 1 million homes across all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands – all to make home and community places of pride, power, and belonging. Join us at enterprisecommunity.org.