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Fitch: Pandemic Exacerbating U.S. Affordable Housing Stresses

Fitch Ratings-New York/San Francisco/Chicago-24 June 2021: The coronavirus pandemic is creating new cracks in the already fragile foundation of affordable housing, according to Fitch Ratings in a new report.

Low-income households have been facing daunting affordability with over 10 million low-income renter households facing economic stress and substandard housing for several years. After the onset of the pandemic, "COVID-19 caused an economic contraction felt among millions of American of many economic strata, and those at the most vulnerable level of the economic scale saw their tenuous grip loosen on housing security," said Senior Director Mikiyon Alexander.

The pandemic has intensified rising input costs, generational shifts in demand, changes in regulations and slower wage growth already in place that have all led to supply deficits and rising home prices that affect U.S. housing affordability. Affordable housing stock has decreased, causing demand to outstrip supply, and leaving a gap that particularly pressures the affordable housing segment.

The root of the affordable housing issues rests with a deficiency in the general housing supply. Only seven homes were built for every 10 households formed from 2010 to 2016. This creates a strong competition for the existing affordable housing supply for both homeownership and rental housing. This intensifying competition, according to Alexander, "makes the housing shortage more acute for those in the market for affordable housing."

Renters are facing similar struggles. Among the 10.8 million renter households with incomes at or below the poverty line, these extremely-low income households faced a shortage of nearly seven million rental homes. Just 37 affordable homes are available for every 100 extremely low-income rental households.

"COVID-19 Complicates Housing Affordability: Defining the Gaps for 2021" is available at www.fitchratings.com.

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