- According to the NAR Housing Affordability Index, the affordability of housing improved in 2010, increasing by 5.2 percentage points from 2009. A family earning the median level of income ($61,583) had 174.6 percent of the income needed to purchase the median-priced existing home ($173,200), while mortgage interest rates declined 25 basis points to 4.89 in 2010. The increase in housing affordability is attributed to falling interest rates and a 0.8-percent increase in median family income, which more than offset a 0.6-percent increase in the median sales price.
- The FHA guaranteed 1.625 million mortgages in 2010, down 20 percent from 2009. Private insurance on mortgages decreased 28 percent in 2010 to 317,037 loans.
- Based on the Housing Vacancy supplement to the Current Population Survey, the proportion of American households that owned their homes in 2010 declined to 66.9 percent from 67.4 percent in 2009. The homeownership rate for White non-Hispanic households was 74.4 percent in 2010, down from 74.8 percent in 2009; the homeownership rate for African-American households was 45.9 percent in 2010, down from 46.6 percent in 2009; and the homeownership rate for Hispanic households was 47.5 percent, down from 48.4 percent in 2009.
- The rental vacancy rate declined, while the absorption of new apartments rose in 2010. The vacancy rate for multifamily rental units fell to 11.6 percent in 2010, down from 12.3 percent in 2009. The average lease rate for newly completed apartments rented within 3 months of their completion was 55 percent in 2010 compared with 50 percent for all of 2009.
- The housing component of GDP (residential fixed investment) declined 3.0 percent in 2010 compared with a decline of 22.9 percent in 2009.

What Do We Know About Single-Family Rental Properties?

Introduction

The 2009 American Housing Survey[1] (AHS) identified 130.1 million housing units in the United States, 77 percent (99.7 million) of which were one- to four-unit buildings,[2] with the remaining 23 percent being multifamily buildings with five or more units. While most housing discussions focus on homeownership of single-family buildings and rental housing within multifamily buildings, 21 percent (20.6 million) of one- to four-unit buildings provide rental housing. The 2009 AHS found that 27 percent of rental housing units were in single-family-detached structures, 6 percent were located in single-family-attached structures (for example, rowhouses sharing one or more common walls on individually owned or leased lots), 20 percent were in two- to four-unit structures (for example, a duplex on a single lot), and 48 percent were located in buildings with five or more units. These figures illustrate that, despite the focus on multifamily rental housing, the U.S. rental housing stock is split nearly down the middle, 52 to 48 percent, between one- to four-unit, single-family, and five or more unit, multifamily, structures . In the wake of the buildup of single-family homes during 2004 through 2006, the housing bust of 2007 through 2010, and the dramatic rise in foreclosures and vacancies in single-family homes, the one- to four-unit share of rental housing is poised to increase further in 2011 and 2012. Given the significant contribution of one- to four-unit structures to the rental housing market, it is important to examine and understand the characteristics of single-family rental structures, their residents, their owners, their financing, and their distribution across the United States.

AHS Data—Property and Renter Characteristics

Table 1 shows the number of bedrooms per unit and the age (year built) of rental buildings with one unit, two to four units, and five or more units in the United States as reported in the 2009 AHS. The top half of Table 1 shows that the largest share of units in multifamily buildings (buildings with five or more units) have one-bedroom while two-bedroom units account for the largest share of units in two- to four-unit buildings, and three-bedroom units account for the largest share of units in one-unit buildings (single-family detached or attached).

Thus, one-unit and two- to four-unit buildings provide more bedrooms and may be better able to accommodate larger families than the average rental unit in a multi-family property. The lower half of Table 1 shows the age distribution of rental buildings. In general, one-unit and two- to four-unit buildings tend to be older, and buildings with five or more units tend to be younger. For example, 19.6 percent of buildings with five or more units were built after 1990 versus 16 and 9.7 percent for one-unit and two- to four-unit buildings, respectively. Similarly, 22.4 percent of buildings with five or more units were built before 1960 versus 48.1 and 49.2 percent for one-unit and two- to four-unit buildings.

Whereas Table 1 presents rental building characteristics, Tables 2 and 3 present characteristics of rental housing residents. Table 2 shows the age distribution and race and ethnicity of renters; Table 3 shows the relative income and housing costs of rental housing residents. The top half of Table 2 shows that buildings with five or more units have a greater percent share of younger (less than 35) or older (greater than 75) residents,

Table 1. Bedrooms Per Unit and Building Age of U.S. Rental Housing Stock by Structure Type

	Structure Type			
	1 unit (%)	2–4 units (%)	5+ units (%)	Total (%)
Bedrooms per Unit				
Studio	0.5	1.2	4.2	2.3
1 bedroom	6.6	26.9	44.5	27.9
2 bedrooms	31.3	54.6	43.9	41.8
3 bedrooms	45.5	15.3	6.4	21.7
4 bedrooms+	16.1	2.0	0.9	6.4
Total	100.0	100.0	100.0	100.0
Building Age by Year Built				
Pre-1940	23.1	33.7	13.4	20.9
1940–1959	25.0	15.5	9.0	15.9
1960–1979	27.9	31.0	39.7	33.8
1980–1989	8.0	10.1	18.3	13.1
1990–1999	6.4	5.3	9.3	7.5
2000–2009	9.6	4.4	10.3	8.8
Total	100.0	100.0	100.0	100.0

Sources: American Housing Survey; U.S. Department of Housing and Urban Development

Table 2. Age and Race/Ethnicity of U.S. Rental Housing Residents

	Structure Type			
	1 unit (%)	2–4 units (%)	5+ units (%)	Total (%)
Householder Age				
Under 25 years	10.7	14.1	17.3	14.3
25 to 29	13.5	17.1	16.6	15.6
30 to 34	14.5	12.8	13.6	13.8
35 to 44	24.9	21.4	16.4	20.5
45 to 54	18.5	14.9	14.6	16.1
55 to 64	9.9	10.6	9.2	9.7
65 to 74	4.6	5.0	4.9	4.8
75 years and over	3.5	4.2	7.4	5.3
Total	100.0	100.0	100.0	100.0
Householder Race/Ethnicity				
Non-Hispanic White	61.8	55.9	51.6	56.1
Non-Hispanic Black	16.8	18.5	19.6	18.4
Hispanic (of any race)	16.5	18.9	20.1	18.6
Other	5.0	6.7	8.8	7.0
Total	100.0	100.0	100.0	100.0

Sources: American Housing Survey; U.S. Department of Housing and Urban Development

Table 3. Household Income and Housing Costs Relative to Area Median Income

	Structure Type			
	1 unit (%)	2–4 units (%)	5+ units (%)	Total (%)
Percent of Renters by Building Type in Each Income Category				
< 30% AMI	17.8	25.1	21.9	21.1
30–50% AMI	18.4	20.8	21.1	20.1
51–60% AMI	8.4	8.2	8.7	8.5
61–80% AMI	14.6	13.7	13.3	13.8
81–100% AMI	10.4	9.6	9.3	9.8
101–120% AMI	9.1	7.8	8.6	8.6
>120% AMI	21.4	14.8	17.0	18.1
Total	100.0	100.0	100.0	100.0
Rent Affordability (% AMI Required To Afford a Particular Housing Unit)				
< 30% AMI	5.5	5.9	4.8	5.3
30–50% AMI	25.4	35.5	26.4	28.0
51–60% AMI	17.9	22.1	23.1	21.1
61–80% AMI	26.8	24.0	27.2	26.4
81–100% AMI	12.9	5.7	7.7	9.1
101–120% AMI	6.5	3.4	4.3	4.8
>120% AMI	5.0	3.5	6.5	5.4
Total	100.0	100.0	100.0	100

AMI = Area Median Income.
Sources: American Housing Survey; U.S. Department of Housing and Urban Development

whereas, one-unit buildings, and to a lesser extent two- to four-unit rental buildings, have a greater percent share of residents from the middle of the age distribution (35 to 54 years old). The split in residents in buildings with five units or more may be due to (1) younger households seeking low-maintenance housing and communities before making the transition into homeownership and (2) older households seeking low-maintenance housing and communities as they make the transition out of single-family homeownership. The lower half of Table 2 shows that a higher percent share of non-Hispanic White renters reside in one-unit rental buildings and that a higher percent share of non-Hispanic Black, Hispanic, and other minority renters reside in rental buildings with two to four units and five or more units. The Home Mortgage Disclosure Act (HMDA) provides data on the race and ethnicity of the owners of one- to four-unit rental properties. In 2009, one- to four-unit rental mortgage originations were divided at 65.6, 2.7, 6.1, and 25.6 percent among the categories of non-Hispanic White, non-Hispanic Black, Hispanic, and other. The high share for "other" is due, in part, to corporate or nonprofit purchases and refinances in addition to other minorities. Race and ethnicity origination shares remained relatively constant from 2004 through 2009, with the notable exception of the non-Hispanic Black share, which declined from 6.02 to 2.70 percent, while the other share increased from 18.7 to 25.6 percent.

Table 3 shows rental household income and rental housing costs relative to the Area Median Income (AMI). The top half of Table 3 shows the percentage of renters by structure size that falls into each relative income category. Note that the table contains only data on renter households (families and unrelated individuals), while AMI estimates are based on all families, including homeowners, but exclude unrelated individuals. The table shows that residents with the lowest income relative to AMI (less than or equal to 30 percent of AMI) are disproportionately in two- to four-unit buildings and, to a lesser extent, in buildings with five or more units. Similarly, residents with the highest income relative to AMI (greater than or equal to 100 percent AMI) disproportionately choose to live in one-unit rental buildings. The lower half of Table 3 shows the percent of AMI that a household would have to earn to be able to afford a particular rental housing unit. Two- to four-unit buildings have the highest incidence of affordability in the two most affordable categories (below 30 percent of AMI and 30 to 50 percent of AMI), which probably reflects that two- to four-unit buildings have a greater share of older buildings, as shown in Table 1. The highest share for one-unit buildings and for buildings with five or more units is within the 60- to 80-percent AMI category. The share of rental units requiring income equal to 80 percent of AMI or greater to be affordable is the highest for one-unit buildings and buildings with five or more units, probably because of the fact that these property types have a greater share of newer buildings, and one-unit buildings have a greater share of units with three or more bedrooms, as shown in Table 1.

Financing and Mortgage Performance

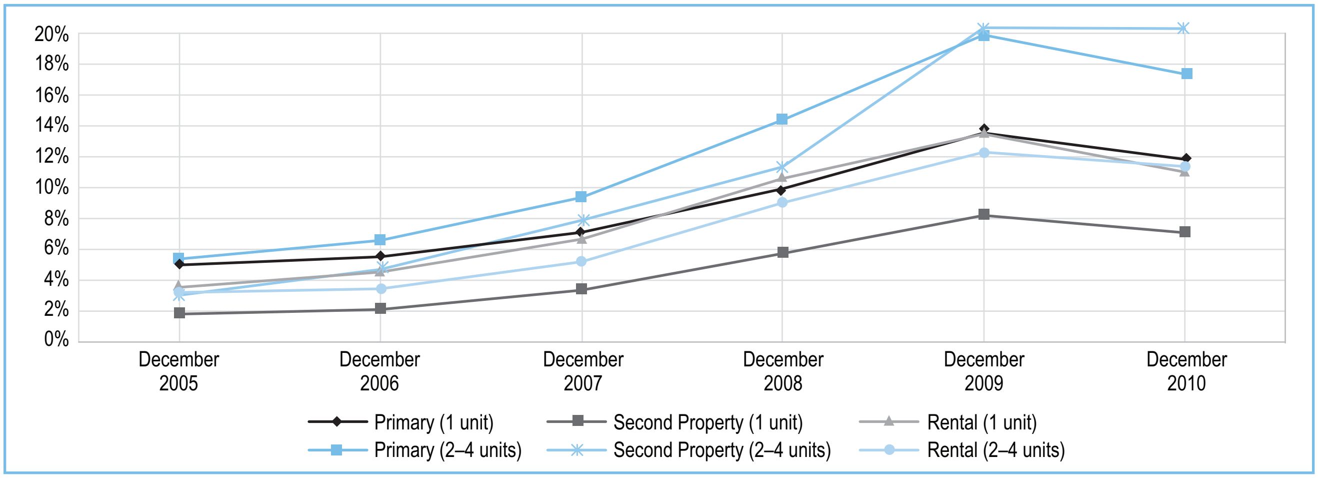
Because rental properties are purchased solely for investment purposes and owner-occupant properties are purchased for both the provision of shelter and economic returns, it is often hypothesized that payment and default behaviors differ substantially based on occupancy and that mortgages on one- to four-unit rental properties underperform the mortgages of owner-occupants. Figure 1 and Tables 4 and 5 use LPS Applied Analytics Mortgage Performance Data to compare first-lien mortgage performance for rental property investors and owner-occupants over time.[3]

Figure 1 shows the share of active first-lien mortgages that were noncurrent (30 or more days delinquent or in foreclosure) as of December 31st in each year from 2005 through 2010—broken out by units in structure (one unit versus two to four units) and occupancy status of the property owner (primary residence, second home, or rental property). From 2005 through 2010, default rates were lowest for one-unit second homes and highest for two- to four-unit primary residences (meaning the owner lives in one of the units), while one-unit rentals, two- to four-unit rentals, and one-unit primary residences were bound by a range in the center, with rental properties showing slightly lower default rates than one-unit primary residence mortgages, with the exception of 2008, when one-unit rental defaults slightly exceeded the default rate for one-unit primary residences.

Table 4 (Table 5) shows mortgage performance for one-unit (two- to four-unit) primary residence and rental properties over the period from 2005 through 2010 by origination year. The left-hand side of the table contains performance for primary residences and the right-hand side contains performance for rental properties. The first section presents performance for all originations years, with the subsequent six sections containing performance for origination years 2005 to 2010; the final section contains performance for mortgages originated before 2005. For each property type, the table shows (1) active loan count, (2) share of loans in foreclosure, and (3) total noncurrent share of loans.

Table 4 shows that the trends for both primary residences and rental properties have moved in tandem; that is, for the all origination year groups, the share of mortgages that are in foreclosure and noncurrent has increased for both primary residences and rental properties over time from 2005 to 2010. The table shows that, across origination years, foreclosure and noncurrent shares of more recent vintages (for example, 2010, 2009, 2008) performed better in the first, second, and third years after origination than vintages at the peak of the housing market in 2006 and 2007. Looking at all origination years, the noncurrent share for mortgages on one-unit rental properties was less than the noncurrent share on one-unit primary residences on December 31st of each year from 2005 through 2010, with the exception of December 2008. The table shows that, for individual origination years, the rental noncurrent share is less than the share for primary residences at all points in time, for all origination years, with the exception of the 2005 origination year in December 2008, at which point the noncurrent share for rental properties exceeded the noncurrent share for primary residences. Conversely, the rental foreclosure share exceeds the primary residence foreclosure share in nearly every case. The fact that the noncurrent share is lower but the foreclosure share is higher for one-unit rental properties compared with one-unit primary residences may indicate a greater willingness by lenders to work with delinquent one-unit, owner-occupant borrowers to avoid foreclosure relative to nonowner-occupant borrowers.

Figure 1. Percent Share Noncurrent by Occupancy and Structure Type



Sources: LPS Applied Analytics Mortgage Performance Data; U.S. Department of Housing and Urban Development

Table 5 presents performance metrics for two- to four-unit structures comparable to those shown in Table 4 for one-unit structures. While Table 4 depicts a split in mortgage performance between one-unit primary residences and rentals across origination years (primary residences had lower foreclosures, but rentals had lower delinquencies), the results in Table 5 show that two- to four-unit rental properties had superior performance across all metrics (foreclosures and noncurrent share), at all points in time, and across all vintages. Looking across all origination years, the average two- to four-unit primary residence foreclosure and noncurrent shares are 54 and 69 percent higher, respectively, than the respective average foreclosure and noncurrent rental

Table 4. One-Unit Primary Residence and Rental Mortgage Performance by Origination Year

Origination Year and Date	1 Unit—Primary Residence			1 Unit—Rental		
	Active Loan Count (#)	Foreclosure Presale (%)	Total Non-current (%)	Active Loan Count (#)	Foreclosure Presale (%)	Total Non-current (%)
All origination years						
2005	18,094,560	.43	4.99	766,362	.47	3.54
2006	19,178,465	.62	5.52	872,806	.81	4.53
2007	21,814,454	1.16	7.10	999,095	1.73	6.66
2008	26,052,739	1.74	9.93	1,292,266	3.52	10.59
2009	22,611,288	3.13	13.54	1,121,994	5.31	13.47
2010	25,353,804	3.49	11.84	1,330,817	5.00	11.01
2010 originations						
2010	3,353,221	.04	.92	142,449	.05	.52
2009 originations						
2009	3,335,705	.07	1.65	90,002	.08	.79
2010	3,756,606	.53	3.88	118,615	.42	1.51
2008 originations						
2008	2,934,941	.24	3.85	154,858	.55	2.88
2009	1,950,230	1.83	11.17	118,951	2.30	7.13
2010	1,926,049	3.92	14.59	137,740	3.57	7.91
2007 originations						
2007	3,124,720	.55	5.11	189,595	.74	4.15
2008	3,546,363	2.42	13.89	216,917	4.74	13.64
2009	2,521,625	6.02	24.81	173,104	8.50	19.66
2010	2,307,898	8.52	24.39	171,846	9.44	18.78
2006 originations						
2006	3,295,294	.51	5.14	210,251	.62	4.29
2007	3,437,312	2.73	12.28	207,153	3.32	10.36
2008	3,421,929	4.72	19.33	212,554	7.23	18.80
2009	2,529,104	8.76	29.57	170,865	10.94	23.93
2010	2,229,769	9.89	27.63	165,133	11.02	21.74
2005 originations						
2005	3,770,140	.19	3.25	221,992	.22	2.96
2006	3,581,358	.92	6.42	201,950	1.19	4.98
2007	3,391,028	1.86	9.18	184,174	2.69	8.26
2008	3,565,558	2.70	12.52	201,117	5.14	13.88
2009	2,767,412	5.03	18.82	164,937	7.74	17.85
2010	2,556,039	5.95	18.35	169,895	7.62	16.11
Origination before 2005						
2005	14,324,420	.49	5.45	544,370	.57	3.78
2006	12,301,813	.57	5.36	460,605	.74	4.44
2007	11,861,394	.66	5.53	418,173	.98	5.25
2008	12,583,948	.82	6.94	506,820	1.70	6.89
2009	9,507,212	1.66	9.40	404,135	2.63	9.31
2010	9,224,222	2.38	9.71	425,139	3.22	8.83

Sources: LPS Applied Analytics Mortgage Performance Data; U.S. Department of Housing and Urban Development

building shares. The largest differences occur in the most recent vintages, 2008 through 2010, in which the average difference between primary residences and rental structures is 121 and 180 percent for foreclosures and noncurrent shares, respectively. One possible explanation for this result could be that underwriting for rental property investors was more conservative and that the pool of two- to four-family primary residence borrowers may have contained a larger share of marginally qualified or less financially capable candidates who planned to use rental income to make payments that did not materialize or were less than anticipated.

Table 5. Two- to Four-Unit Primary Residence and Rental Mortgage Performance by Origination Year

Origination Year and Date	2–4 Unit—Primary Residence			2–4 Unit—Rental		
	Active Loan Count (#)	Foreclosure Presale (%)	Total Non-current (%)	Active Loan Count (#)	Foreclosure Presale (%)	Total Non-current (%)
All origination years						
2005	328,091	.69	5.38	197,715	.44	3.21
2006	359,005	1.24	6.58	226,562	.69	3.45
2007	404,913	2.52	9.36	253,807	1.36	5.20
2008	420,401	3.86	14.38	262,055	2.58	9.02
2009	420,364	6.19	19.89	254,600	4.99	12.30
2010	499,890	6.84	17.36	276,622	5.39	11.37
2010 originations						
2010	44,292	.06	1.23	24,750	.03	.48
2009 originations						
2009	44,438	.30	2.85	13,682	.14	.93
2010	54,319	1.34	5.64	15,204	.63	1.60
2008 originations						
2008	45,288	.72	5.99	25,434	.26	2.36
2009	37,899	5.17	17.96	24,015	2.44	6.84
2010	42,662	8.58	20.38	24,555	4.16	8.34
2007 originations						
2007	72,942	1.36	6.83	49,100	.51	3.24
2008	68,963	4.95	19.09	46,330	2.76	10.65
2009	59,847	10.03	32.61	42,027	7.12	17.46
2010	62,012	13.61	31.13	39,587	9.54	19.03
2006 originations						
2006	83,886	1.12	7.08	55,708	.49	3.53
2007	85,555	6.06	17.35	53,074	2.62	8.87
2008	74,890	9.90	28.60	47,207	5.64	17.19
2009	65,997	14.79	39.63	41,878	10.36	22.62
2010	63,700	15.63	35.94	38,353	11.06	21.85
2005 originations						
2005	82,402	.40	4.25	59,063	.19	2.97
2006	72,691	2.06	8.43	53,607	1.04	4.38
2007	63,548	3.38	11.63	46,211	2.12	7.17
2008	58,819	4.73	16.91	42,789	3.92	12.32
2009	53,778	7.86	24.27	39,057	7.21	16.84
2010	57,016	9.29	23.69	38,483	8.22	17.23
Origination before 2005						
2005	245,689	.78	5.76	138,652	.55	3.31
2006	202,428	1.00	5.71	117,247	.63	2.98
2007	182,868	1.02	5.85	105,422	.78	3.39
2008	172,441	1.33	7.66	100,295	1.06	4.69
2009	158,405	2.47	10.62	93,941	2.08	6.55
2010	175,889	3.46	10.67	95,690	2.73	6.79

Sources: LPS Applied Analytics Mortgage Performance Data; U.S. Department of Housing and Urban Development

Single-Family Mortgage Purchases by Fannie Mae and Freddie Mac

Throughout the recession and since house prices peaked in the second quarter of 2007 (Federal Housing Finance Agency House Price Index), credit availability has tightened and lending has been curtailed by nearly all mortgage funding sources. Secondary mortgage markets for private-label mortgage backed securities (MBS) saw a 93-percent decline in volume in 2007 and a contraction in private MBS debt outstanding in 2008, 2009, and the first three quarters of 2010. Conversely, mortgage pools backed by the government-sponsored enterprises (GSEs) increased from 2007 through the third quarter of 2010, providing the primary source of liquidity for owner occupants, single-family rental property owners, and multifamily property owners. Tables 6 through 9 compare one- to four-unit owner-occupied and investor lending by Fannie Mae and Freddie Mac in 2008 and 2009, the time period during which private-label MBS issuance contracted by $647.1 billion (Federal Reserve Board, Flow of Funds Accounts) on net.

Table 6 shows the distribution of purchases by Fannie Mae and Freddie Mac by occupancy and structure type; that is, between owner-occupied and investor homes and between one-unit and two- to four-unit homes based on unpaid principle balance, the number of mortgages, and the number of units in 2008 and 2009. For both Fannie Mae and Freddie Mac in both 2008 and 2009, most of their purchases are for one-unit versus two- to four-unit properties and owner-occupied homes versus investor homes, similar to the overall market composition shown in Tables 4 and 5. Despite the focus on owner-occupied, one-unit properties, investor-owned units account for 8.6 percent (250,000) of units in 2008 and 3.8 percent (135,000) in 2009 at Fannie Mae; they account for 9.0 percent (175,000) of units in 2008 and 3.3 percent (82,000) in 2009 at Freddie Mac. Two trends apparent in Table 6 are the shifts in GSE mortgage purchases toward owner-occupied and one-unit homes from 2008 to 2009.

Table 7 shows the distribution of mortgage purchases by Fannie Mae and Freddie Mac based on loan purpose in 2008 and 2009; that is, purchase, refinance, second mortgage, rehabilitation, or other. The shares are very close for both GSEs within each year, although significant differences exist between owner-occupied and investor properties and from 2008 to 2009. For both Fannie Mae and Freddie Mac, a greater share of owner-occupied mortgage purchases are for refinance transactions and a greater share of investor-owned mortgage purchases are for purchase transactions. In 2008, for example, Fannie Mae's mortgage purchase share split was 38.4 and 56.9 percent for purchase and refinance mortgages, respectively, to one-unit, owner-occupant borrowers, whereas the share split for one-unit, investor-owned homes was 48.5 percent for purchase mortgages and 51.5 percent for refinance mortgages.

In 2009, interest rates fell to an average of 5.04 percent from 6.03 percent in 2008 and 6.37 percent in 2007, based on Freddie Mac's Primary Mortgage Market Survey; these low rates sparked a refinancing boom for owner-occupants. Table 7 shows that the share of Fannie Mae's 2009 mortgage purchases for one-unit, owner-occupant purchase transactions fell to 21.6 percent, down 16.8 percentage points from 2008, and that the one-unit,

Table 6. GSE Purchase Composition by Structure and Occupancy

Property or Structure Type	Fannie Mae			Freddie Mac		
	UPB ($ Millions)	Number of Mortgages (Properties)	Number of Units	UPB ($ Millions)	Number of Mortgages (Properties)	Number of Units
2008						
Owner-occupied 1 unit	92.8%	91.3%	88.4%	92.5%	91.3%	88.4%
Owner-occupied 2–4 units	1.8%	1.4%	2.9%	1.8%	1.2%	2.6%
Investor-owned 1 unit	4.4%	6.3%	6.1%	4.3%	6.3%	6.1%
Investor-owned 2–4 units	1.0%	1.1%	2.5%	1.3%	1.2%	3.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
2009						
Owner-occupied 1 unit	96.3%	95.7%	93.8%	97.0%	96.5%	95.0%
Owner-occupied 2–4 units	1.5%	1.1%	2.5%	1.0%	0.7%	1.7%
Investor-owned 1 unit	1.9%	2.7%	2.7%	1.6%	2.4%	2.4%
Investor-owned 2–4 units	0.4%	0.4%	1.1%	0.4%	0.4%	1.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

GSE = government-sponsored enterprise. UPB = unpaid principal balance.

Sources: Federal Housing Finance Agency; U.S. Department of Housing and Urban Development

Table 7. GSE Purchase Composition by Loan Purpose

Loan Purpose	Fannie Mae: Property or Structure Type				Freddie Mac: Property or Structure Type			
	Owner-Occupied 1 Unit (%)	Owner-Occupied 2–4 Units (%)	Investor-Owned 1 Unit (%)	Investor-Owned 2–4 Units (%)	Owner-Occupied 1 Unit (%)	Owner-Occupied 2–4 Units (%)	Investor-Owned 1 Unit (%)	Investor-Owned 2–4 Units (%)
2008								
Purchase	38.4	29.4	48.5	39.4	39.3	35.6	43.9	38.9
Refinance	56.9	63.9	51.5	60.5	60.7	64.4	56.1	61.1
2nd mortgage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rehabilitation	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0
NA	4.7	6.7	0.0	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2009								
Purchase	21.6	23.8	47.1	44.4	21.1	24.7	46.5	39.2
Refinance	76.6	71.7	52.8	55.3	78.9	75.3	53.5	60.8
2nd mortgage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rehabilitation	0.0	0.1	0.1	0.3	0.0	0.0	0.0	0.0
NA	1.8	4.5	0.0	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100	100

GSE = government-sponsored enterprise. NA = not applicable or unknown.
Sources: Federal Housing Finance Agency; U.S. Department of Housing and Urban Development

owner-occupant refinance share increased 19.7 percentage points to 76.6 percent. The lower mortgage rates had less of an effect on the investor market as Fannie Mae's 2009 purchase and refinance shares for one-unit, investor-owned homes were 47.1 and 52.8 percent, respectively—down 1.4 percentage points and up 1.3 percentage points, respectively, from 2008.

In both 2008 and 2009, GSE purchases of investor purchase and refinance mortgages were approximately equal, while GSE purchases of owner-occupant mortgages shifted towards refinances as interest rates declined in 2009. In the presence of the declining purchase share for owner-occupants, the consistency of the investor purchase share likely helped stabilize housing prices, by reducing the glut of unsold properties.

Tables 8 and 9 show the extent to which GSE mortgage purchases supported affordable rental properties and the extension of credit in underserved areas. Table 8 shows that a significant share of Fannie Mae's and Freddie Mac's mortgage purchases of one-unit, investor-owned homes and two- to four-unit structures have rents that are affordable[4] at or below 80 percent of AMI and that the percent shares remained relatively constant in 2008 and 2009. In 2008, for example, 87.7, 53.6, and 73.7 percent of Freddie Mac's two- to four-unit owner-occupied, one-unit investor-owned, and two- to four-unit investor-owned purchases, respectively, had rents that were affordable at or below 80 percent of AMI, and, in 2009, the shares were 82.6, 64.7, and 79.6 percent, respectively.

Table 9 shows GSE mortgage purchases in underserved areas by structure and occupancy type. In 2008, one-unit, owner-occupied homes financed by Fannie Mae and Freddie Mac had the lowest percent share in underserved areas, at 31.3 and 31.1 percent, respectively, and two- to four-unit, owner-occupied homes had the highest percent share, 73.8 and 71.5 percent, respectively. From 2008 to 2009, the share of mortgage purchases in underserved areas decreased for all structure and occupancy types, although the rank order (highest percent share to lowest percent share) remained the same across structure and occupancy types, with Fannie Mae (Freddie Mac) underserved area purchases being 67.5 percent (64.6 percent) for two- to four-unit, owner-occupied buildings; 66.3 percent (63.0 percent) for two- to four-unit, investor-owned buildings; 45.9 percent (43.3 percent) for one-unit, investor-owned homes; and 24.6 percent (22.5 percent) for one-unit, owner-occupied homes. Thus, the GSEs' single-family rental mortgage purchase programs disproportionately increased lending in underserved areas compared with their one-unit, owner-occupant mortgage purchases.

Table 8. GSE Purchase Composition—Rent Affordability

Rent Affordability*	Fannie Mae Property or Structure Type: Owner-Occupied 1 Unit (%)	Fannie Mae: Owner-Occupied 2–4 Units (%)	Fannie Mae: Investor-Owned 1 Unit (%)	Fannie Mae: Investor-Owned 2–4 Units (%)	Freddie Mac Property or Structure Type: Owner-Occupied 1 Unit (%)	Freddie Mac: Owner-Occupied 2–4 Units (%)	Freddie Mac: Investor-Owned 1 Unit (%)	Freddie Mac: Investor-Owned 2–4 Units (%)
2008								
>100% of area median	0.0	7.6	15.3	7.8	0.0	6.1	14.4	9.2
81% to 100% of area median	0.0	8.6	16.3	11.5	0.0	5.0	13.2	10.5
51% to 80% of area median	0.0	17.4	36.0	46.3	0.0	28.1	31.5	40.9
≤50% area median	0.0	7.5	18.9	27.7	0.0	59.6	22.1	32.8
0% or missing data	100.0	58.9	13.6	6.7	100.0	1.2	18.8	6.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2009								
>100% of area median	0.0	5.5	17.3	8.0	0.0	9.1	14.4	7.7
81% to 100% of area median	0.0	7.3	17.0	11.8	0.0	7.3	16.1	10.6
51% to 80% of area median	0.0	16.8	37.1	46.6	0.0	34.5	39.4	44.1
≤50% area median	0.0	8.0	17.0	27.5	0.0	48.1	25.3	35.5
0% or missing data	100.0	62.4	11.6	6.2	100.0	1.0	4.8	2.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Rent to median tract income ratio.

Sources: Federal Housing Finance Agency; U.S. Department of Housing and Urban Development

Table 9. GSE Purchase Composition in Underserved Areas

	Fannie Mae Property or Structure Type: Owner-Occupied 1 Unit (%)	Fannie Mae: Owner-Occupied 2–4 Units (%)	Fannie Mae: Investor-Owned 1 Unit (%)	Fannie Mae: Investor-Owned 2–4 Units (%)	Freddie Mac Property or Structure Type: Owner-Occupied 1 Unit (%)	Freddie Mac: Owner-Occupied 2–4 Units (%)	Freddie Mac: Investor-Owned 1 Unit (%)	Freddie Mac: Investor-Owned 2–4 Units (%)
2008								
Served	68.6	26.1	48.4	31.7	68.8	28.4	47.8	31.8
Underserved	31.3	73.8	51.5	68.1	31.1	71.5	52.1	68.1
Bad GEOCODE/NA	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2009								
Served	75.3	32.4	54.0	33.6	77.3	35.2	56.5	36.8
Underserved	24.6	67.5	45.9	66.3	22.5	64.6	43.3	63.0
Bad GEOCODE/NA	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

NA = not available.

Sources: Federal Housing Finance Agency; U.S. Department of Housing and Urban Development

Distribution of U.S. Rental Structures

Tables 10 and 11 present data on the geographic distribution of U.S. rental properties. The top half of Table 10 shows that 1-unit rental properties are most heavily concentrated in the suburbs, while all other property types (from 2- to 4-unit buildings up to properties with 50 or more units) are most heavily concentrated in central cities. The lower half of Table 10 shows that, on a regional basis, 1-unit properties are most heavily concentrated in the South and West. Properties with 2 to 4 units are more evenly distributed, with slightly higher concentrations in the Northeast and South. Similar to 1-unit properties, properties of 5 to 49 units are most heavily concentrated in the South and West, while concentrations of properties with 50 or more units align more closely with 2- to 4-unit property concentrations in the Northeast and South.

Table 11 shows the distribution of one-unit rental properties relative to one-unit primary residences in the 50 states and the District of Columbia, based on the Lender Processing Services Mortgage Performance Data at the end of 2010. Although California, Florida, and Texas have the greatest number of one-unit rental properties, only Florida (ranked 7th) is within the top-10 list of states by relative one-unit rental share. Table 11 lists states ordered by the ratio of the "percent of one-unit rental properties" to the "percent of one-unit primary residences" for each state. This ratio gives an indication of which states have a disproportionate share of one-unit rental properties (ratio is greater than 1) and which states may have a shortage of one-unit rental properties or an environment that does not lend itself to one-unit rentals (ratio is less than 1), relative to primary residences. The five highest one-unit rental to primary residence ratios are in Hawaii, Nevada, the District of Columbia, Arizona, and Idaho. The five lowest ratios are in Connecticut, North Dakota, Iowa, New York, and Massachusetts.

Table 10. Regional and Urban Distribution of U.S. Rental Structures

	Structure Type					
	Single Family	2–4 Units	5–19 Units	20–49 Units	50+ Units	Total
City/Suburban Status						
Central city	33.7%	48.7%	47.0%	54.8%	67.2%	45.2%
Suburb	43.3%	35.3%	44.3%	37.5%	29.8%	40.2%
Nonmetro	23.0%	16.0%	8.8%	7.7%	3.0%	14.6%
Total units (#)	10,896,007	6,679,178	8,514,613	3,007,953	2,740,682	31,838,432
Region						
Midwest	20.4%	23.6%	20.6%	18.6%	19.1%	20.8%
Northeast	12.0%	28.1%	15.8%	21.4%	31.4%	19.0%
South	40.8%	26.0%	38.1%	31.8%	26.2%	34.8%
West	26.8%	22.4%	25.6%	28.2%	23.4%	25.4%
Total units (#)	10,896,007	6,679,178	8,514,613	3,007,953	2,740,682	31,838,432

Sources: American Housing Survey; U.S. Department of Housing and Urban Development

Table 11. Relative Distribution of One-Unit Rental Homes

1-Unit Rentals and Rental-to-Primary Residence Ratio									
State	Ratio	State	Ratio	State	Ratio	State	Ratio	State	Ratio
HI	1.8	CA	1.3	ME	1.0	IN	0.9	IL	0.7
NV	1.7	DE	1.3	MO	1.0	RI	0.9	NH	0.6
DC	1.6	SC	1.2	WY	1.0	KY	0.9	MN	0.6
AZ	1.6	WA	1.2	TX	0.9	AR	0.8	NE	0.6
ID	1.6	VA	1.1	AL	0.9	LA	0.8	SD	0.6
OR	1.5	GA	1.1	MS	0.9	MI	0.8	NJ	0.6
FL	1.4	MT	1.1	KS	0.9	PA	0.7	MA	0.6
CO	1.4	UT	1.1	OH	0.9	WV	0.7	NY	0.6
NM	1.4	OK	1.1	TN	0.9	WI	0.7	IA	0.5
NC	1.3	VA	1.0	MD	0.9	AK	0.7	ND	0.5
								CT	0.5

Sources: LPS Applied Analytics Mortgage Performance Data; U.S. Department of Housing and Urban Development

Conclusion

Although housing discussions traditionally focus on homeownership in single-family properties and rental housing within multifamily properties, 21 percent of single-family, one- to four-unit buildings are used as rental properties, and 2009 AHS data show that U.S. rental housing is split nearly down the middle, 52 to 48 percent, between one- to four-unit, single-family dwellings and multifamily buildings with five or more units. The characteristics of rental units vary significantly in terms of size (number of bedrooms), structure type, age, and geography. At the same time, the residents of different kinds of rental housing vary significantly in age, race and ethnicity, and income. Analysis of mortgage data for owner-occupied and rental properties indicates that, with sound underwriting, mortgages on rental properties perform at least as well as owner-occupant mortgages such that reluctance to extend credit to rental property investors because of the perception of elevated risk may be unwarranted. Revisiting lending to rental property investors could assist housing markets in working through the glut of vacant single-family properties and help victims of the foreclosure crisis by providing additional rental housing opportunities.

Notes

[1] The American Housing Survey is conducted by the Census Bureau for the U.S. Department of Housing and Urban Development (HUD).

[2] Although it is common to think of rental "properties" as meaning one or more buildings under common management and financing, most federal government surveys actually collect information on individual buildings, not properties; exceptions are the Property Owners and Managers Survey of 1996 and the Residential Finance Surveys of 2001 and earlier. HUD and the Census Bureau are currently developing a Rental Housing Finance Survey that will also attempt to survey properties rather than individual buildings. On the other hand, private-sector financing data is more likely to be for properties than for individual buildings.

[3] This comparison may exclude financing for some one- to four-unit structures that are part of properties with five or more units.

[4] In Table 8, affordability is defined as the share of rental units that have rents less than or equal to a given share of AMI. For example, in 2009, 17.0 percent of Fannie Mae's one-unit, investor property mortgage purchases had rents equal to less than 50 percent of AMI.

Glossary

active loan. Mortgage actively being serviced by a mortgage servicer.

in foreclosure. Mortgage that has been referred to an attorney to begin foreclosure proceedings, but for which the foreclosure sale or auction has not yet happened.

noncurrent. Mortgage that is either 30 or more days delinquent or is in foreclosure.