

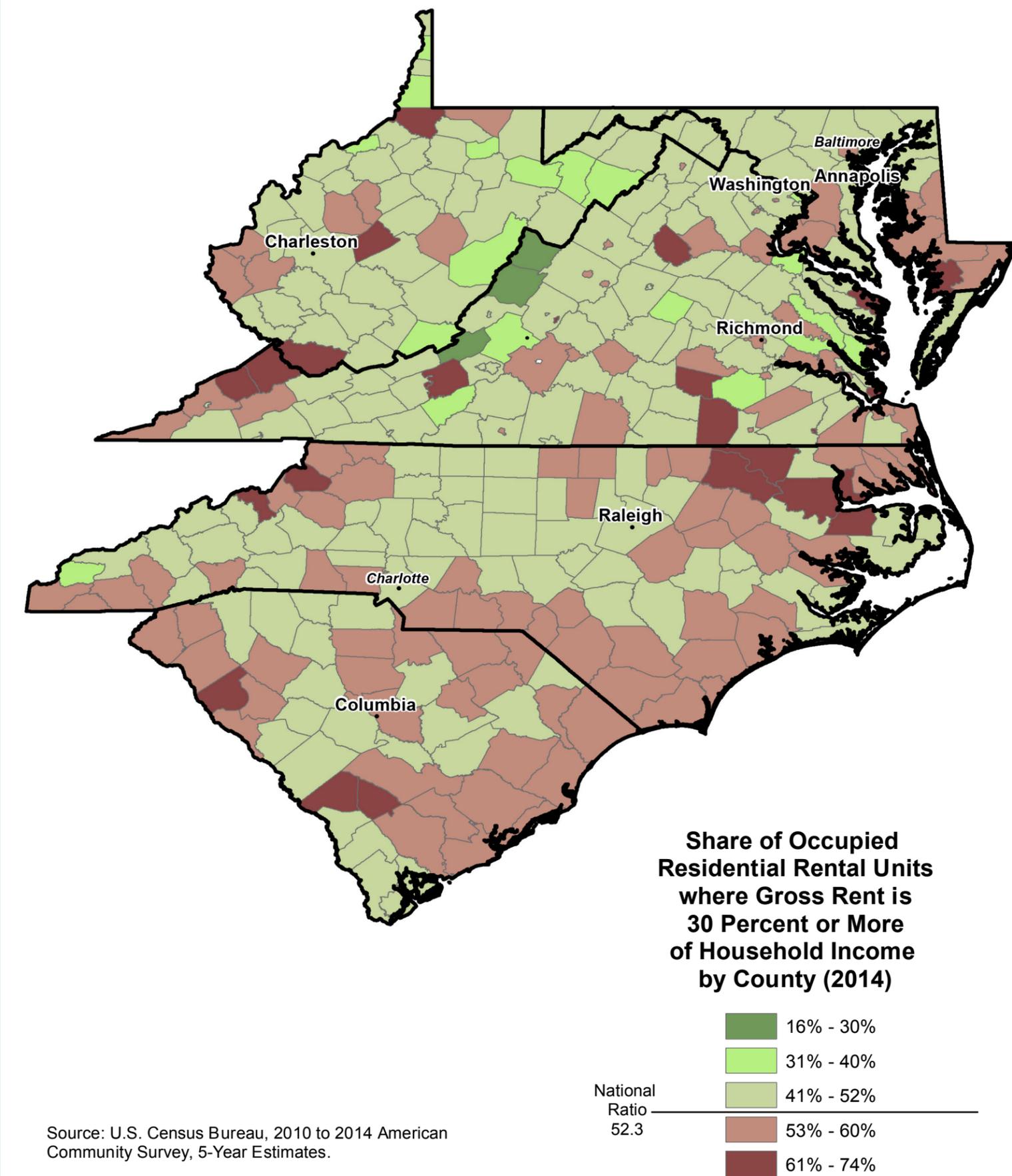
Rent Share of Household Income in the Fifth District

This issue of *5th District Footprint* examines the share of household income spent on rent in the Fifth District. Since 1981, the federal government has used 30 percent as the threshold for the share of income that a household should pay for housing.¹ Public housing and rental assistance programs are designed around this threshold.² Thus, in public policy circles, people who use 30 percent or more of their income for housing costs are often considered “housing-cost burdened.” This issue of *5th District Footprint* uses the U.S. Census Bureau’s American Community Survey 2010–2014 5-Year Estimates to show the share of “rent burdened” households in the Fifth District, i.e., those who pay 30 percent or more in gross rent as a share of their income.³

Nationally, 52.3 percent of renter households have a gross rent that is 30 percent or more of their household income. For the Fifth District, the share is lower at 50.9 percent. At the state level, South Carolina (52.8 percent) was the only Fifth District state to exceed the national average. The shares in the other states and the District of Columbia ranged from 48.2 percent in West Virginia to 51.8 percent in Maryland.

Roughly 38 percent of the counties in the Fifth District have a higher share of “rent burdened” households than the national share. Craig County, Virginia, and Watauga County, North Carolina, had the lowest and highest shares of “rent burdened” households at 15.8 percent and 74.1 percent, respectively. Craig County is located in Virginia’s southwestern region and shares a border with West Virginia while Watauga County is in North Carolina’s northwestern region and close to the Virginia border.

The “rent burdened” share in an area may be a function of rental supply, rental prices, household incomes and preferences. Households may be putting a larger share of their income towards rent if rental housing demand exceeds rental housing supply, which raises rental prices. An area may also have a larger number of households that are low- to moderate-income. Individual



choice is another consideration because households may value housing more than other consumption goods, such that they are willing to spend less on entertainment, for example, in order to have more expensive housing. Additionally, many households may choose to spend a relatively larger share of income on housing in order to be located in areas with better job prospects or better schooling, particularly at certain stages of life.

As mentioned before, Craig County, Virginia, had the lowest share of rent burdened households, while Watauga County, North Carolina, had the highest share. Watauga County also had more rental units as a share of total occupied units (24.9 percent) and a higher median monthly rent (\$822) compared to Craig County (12.1 percent, \$550).⁴ Therefore, the dynamics of renting in the two counties seem to be very different. Differences in the “rent burdened” of these counties could also be explained by the age composition of the population. Watauga includes Appalachian State University, which has an undergraduate enrollment of approximately 15,840 students.⁵ The nonfamily household median income is \$15,974 in Watauga County and \$25,195 in Craig County.⁶ Since college

students typically have low incomes and live in rental housing, this could explain some of the elevated share of “rent burdened” households in Watauga County.

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1. Rental housing costs include monthly contract rent and utilities while owner housing costs include all mortgages and/or home equity loans, taxes, insurance, other fees and utilities.
2. For a brief history of such policies, see [Schwartz, Mary and Ellen Wilson, “Who Can Afford to Live in a Home?: A look at data from the 2006 American Community Survey,” US Census Bureau.](#)
3. Gross rent is defined as monthly contract rent plus the average monthly cost of utilities and fuels paid by renter.
4. U.S. Census Bureau, 2010–2014 American Community Survey, 5-Year Estimates, Table DP04.
5. U.S. Department of Education, “[Appalachian State University](#),” College Scorecard. Accessed on November 9, 2015.
6. U.S. Census Bureau, 2010–2014 American Community Survey, 5-Year Estimates, Table S1903.