How Large is the Workforce Housing Rental Segment?

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Rental demand from the workforce housing segment is on the rise, with a relatively higher concentration in single-family and small asset properties.

Overall US Workforce Housing Segment Size

Among various factors sustaining the resiliency and vibrancy of metro-level economies, housing plays a crucial role in matching workers to expanding and better-paying job opportunities, and in turn, supporting local markets for goods and services.

Underscoring this important link to economic development, housing policy initiatives at the local and federal level — including recent small balance lending initiatives by Freddie Mac and Fannie Mae — are increasingly focusing on expanding the market supply of workforce rental housing.

In this blog, we examine the size and growth of the workforce housing segment across rental asset classes by categorizing households against the area median income (AMI) of their respective local economies.

Workforce households, assumed to rent at prevailing market rates, are typically defined as those falling within a range of 60% to 120% AMI, and this is specific to metropolitan and micropolitan areas due to wage differences across the US.

As shown below, of the nearly 39.2 million rental households across US metro areas, 11.9 million, or 30.3%, were classified as being a part of the workforce segment — a share increase of about 70 basis points from 2014[1].
Expanding the scope of the current discussion, it should be noted that close to 50% of all US rental households fall below 60% AMI, with implications for affordable housing.

Workforce Segment More Concentrated in Smaller Properties

The share of workforce households varies within asset classes, with smaller properties typically **showing higher relative concentrations** of this demand segment.
As shown below, in 2016, the share of workforce households was the highest within single-family properties at 32.3%, followed by small apartment buildings (5-49 units) at 30.7%.

The above findings underscore the recent policy direction at the GSA-level to expand market liquidity targeted specifically at smaller rental properties, as a strategy that supports the next wave of local economic growth.

1 All data is sourced from the American Community Survey (ACS), unless otherwise stated. ACS statistics are sample-based estimates of the compositional profile of the total population in the given year of data collection, and include a margin of error.