The 2021 State of Housing in Harris County and Houston
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The 2021 State of Housing in Harris County and Houston uses a range of indicators to track the challenges, opportunities and trends in the region’s housing system.

This second annual report and the underlying data it contains allows policymakers, housing providers and residents to see the bigger picture of the housing system. Isolating both troubling and promising trends presents an opportunity to craft policy interventions and investments that can target the key issues affecting access to safe, affordable and dignified housing for Harris County residents. Further, with knowledge about where improvements have been made, the public and private sector can undertake efforts to scale positive outcomes.

This year’s report tracks the status of the housing system at the county and city levels. Neighborhood level indicators are available at www.datahouston.org on the State of Housing Dashboard. With several key indicators in the report, results from Harris County and Houston are compared to other peer cities and their home counties.

As with last year’s inaugural report, the 2021 State of Housing documents that, like other major metro centers, Harris County and Houston’s housing sector is failing many and rewarding too few. For higher-income residents and most homeowners, the system is creating large benefits and stability. Yet lower-income households, especially lower-income renters, find themselves squeezed into unaffordable and often unsafe homes. Access to the ranks of homeownership, and the inherent benefits that come from that status, is growing more elusive.

These divergent paths were also magnified by the ongoing effects of the COVID-19 pandemic and Winter Storm Uri, which will leave ripple effects on the region’s housing system for years to come. Through this year’s State of Housing, Kinder staff hopes to better understand where these disasters could lead by examining the trends under-way prior to 2020.

COVID-19 has claimed hundreds of thousands of lives across the United States. Attempting to stem the tide of the pandemic, many people have spent more of their days in their homes more than ever over the past year. For those fortunate enough to live in safe, affordable and internet-connected homes, this was disruptive but not insurmountable. Yet for those living in substandard, crowded or disconnected homes, losing access to schools and workplaces increased stress and worsened personal health. For people who still needed to work outside the home, going to work also meant potentially bringing the infection back home. Meanwhile, the financial stresses caused by the pandemic brought thousands of households to the brink of losing their homes.

Similarly, Winter Storm Uri caused massive damage to people’s homes, forcing thousands into hotels or other arrangements. It amplified the realities of deferred maintenance for the many homes with exposed pipes, poor insulation and other neglected systems. Uri also occurred alongside COVID-19, which complicated efforts to find safe, warm housing. On top of all that, many of those affected by Uri were still recovering from previous events such as Hurricane Harvey and Tropical Storm Imelda.

Disruptions such as COVID-19 and Uri lay bare the underlying instability many households confront each day. Those struggling to pay their rent or mortgage during a normal period will be doubly taxed during a major disruption. As with the aftermath of Hurricane Harvey, lower-income Black and Hispanic residents experience...
slower access to recovery funds, secure less funding and have the least private resources (such as insurance and family financial support) to recover.¹

Housing is an essential building block for wealth creation. For those with access to the system, ownership of a home provides an entrée into generational wealth. People who can afford higher rents in high-amenity communities close to opportunities have more pathways to success. However, for those unable to afford safe homes or build equity through ownership, there are few avenues to build wealth or create stability.

**Key findings**

**Overall the affordability gap is shrinking, but not for renters.**

It became harder for renters to enter homeownership in 2019. Although the overall affordability gap for residents in the county slightly shrunk because of lower interest rates, the gap between median sales price and median


**Beyond not being able to own a home, a growing share of renters have difficulty paying the rent on the homes they already live in.**

Renters have a large cost burden, and it is getting worse, jeopardizing Houston’s and Harris County’s statuses as affordable places. Between last year’s report and now, the share of renters who are cost-burdened became the majority in both the city and the county (51% in both geographies, up from slightly less than 50% in 2018 in the county and 50% in the city. While incomes did increase, they did not increase as fast as rent, which grew around 5% locally.) Houston and Harris county’s renters are more cost-burdened than renters in Dallas, Chicago, Atlanta and those cities’ host counties.

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**Affordable housing price and gap for all buyers, Harris County and Houston, 2018 and 2019**

<table>
<thead>
<tr>
<th>Year</th>
<th>Homeowners, Harris County</th>
<th>Renters, Harris County</th>
<th>Homeowners, Houston</th>
<th>Renters, Houston</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$257,566</td>
<td>$37,566</td>
<td>$238,627</td>
<td>$147,358</td>
</tr>
<tr>
<td>2019</td>
<td>$280,839</td>
<td>$38,298</td>
<td>$260,455</td>
<td>$140,190</td>
</tr>
</tbody>
</table>

Data Source: Houston Association of Realtors, 2020; U.S Census Bureau, American Community Survey 1-Year Estimates, 2018 and 2019

The 2021 State of Housing in Harris County and Houston
Perhaps because of local renters’ housing insecurity, Harris County has a massive eviction rate.

Harris County also has a higher eviction rate than the three comparison cities’ host counties. As of 2019, the eviction filing rate—the ratio of eviction filings to renter households—was 8.8%, meaning that around one in 11 renters had an eviction notice posted to their door. The eviction rate was around 4.5%, meaning that more than one in 25 of renter households is evicted. While a federal moratorium during COVID-19 decreased evictions, local leadership did not adopt the type of protections that appear to have further slowed evictions in other Texas cities.

More knowledge about landlords will help stakeholders better understand the dynamics of a renter-majority city (and soon-to-be majority renter county).

Landlords are uniquely hard to research. U.S. Census American Community Survey (ACS) data does not report their demographics as they do for renters. Additionally, for tax and liability reasons, even landlords with few properties can set up corporate entities to manage their investments; records for these entities are difficult to link to larger holding companies. Data does suggest that most local landlords with fewer properties—“mom and pops”—have outstanding mortgages on their rental properties, putting them at risk of foreclosure during the COVID-19 economic crisis. The wave of nonpaying tenants could place more pressure on these landlords to quickly evict tenants. Larger institutional landlords have been purchasing foreclosed single-family homes in Harris County’s suburban areas. These large, national trusts include some of the largest landlords in the country but much more data is needed to understand who Harris County and Houston residents are renting from and what challenges they face in housing large segments of the population.

Affordable housing supply does not keep up with demand, and rising construction costs suggest this problem will grow.

The supply of affordable units is shrinking. The county lost units with a gross rent less than $1,000 (which are affordable for a renter at the median household income level, or MHI), while the number of units with rents more than $1,500 continued to grow. Meanwhile, there is not an adequate supply of affordable homes for purchase. Median sales prices in the county are around $230,000, meaning that a hypothetical 20% down payment of $46,000 actually exceeds the 2019 renter household median income ($42,257 in the county, $41,231 in the city).

Not only the poor, but middle-income renters and buyers are increasingly squeezed, too.

Roughly one quarter of rental households in the county earning between $50,000 and $75,000 are cost-burdened. The majority of renters with incomes in the range of the renter MHI—between $35,000 and $50,000—are cost burdened or severely cost burdened. For existing homeowners, buying a new home within the county has become harder, as the ratio of median home value to median owner household income continues to increase, particularly in the city. Middle-income buyers who wish to stay local must increasingly pursue homes in more affordable areas, likely outside of the county.

Houston is adding households but losing people, showing that households are getting smaller, while larger households are locating in suburban Harris County.

While it is often said “Houston is a great place to raise a family,” the fastest-growing household types are households without children. The data shows that Houston is becoming smaller, more childless and wealthier. The ACS shows that the City of Houston gained 27,000 households between 2018 and 2019, but it actually lost 9,000 residents. The fastest-growing household types, in both the city and the county, are single people living alone, followed by unrelated people living together. The number of smaller, higher income households also rose in both geographies between 2018 and 2019.
Houston and Harris County are becoming older and less diverse, while the rest of the metro area outpaces their growth.

The city’s shrinking population and the county’s lagging growth highlight the challenge of a declining tax base and raise questions about how the area’s housing stock is or is not meeting the needs of changing demographics. The metro area grew at a faster rate than either Harris County or Houston in the last ten years (19% for the metropolitan area, 15% Harris County, and 10% Houston). Harris County’s share of retirement-aged people grew in the past year, but the county’s share of people in the 20–24 age cohort declined. This intra-regional change also differs by race/ethnicity. In both the county and the city, the share of Hispanic residents is growing more than any other of the large ethnic or racial groups. Between 2018 and 2019, nearly 20,000 Asian Houstonians moved away from the city, all but erasing any increase since 2010. But the county gained Asian residents, suggesting movement to close-in suburbs. The city also lost roughly 36,000 foreign-born residents while the county gained 8,000, also suggesting suburban movement within the county.

Economic segregation and inequality remain a pervasive issue that transcends housing and affects Houstonians’ prospects of upward mobility.

The places where poorer and working class residents can buy and rent are increasingly in the outer reaches of the county, farther from services, jobs and other opportunities critical to upward mobility. Data on mortgage loans for affordable housing show that buyers need to “drive until they qualify” and buy homes in these far-flung areas. Loan data also show that Black and Hispanic home loan applicants are denied at a higher rate, and when they are approved, they pay higher interest rates on lower-value homes. Living in a service-poor area, paying higher mortgage payments and living in a home that’s less likely to appreciate also limits one’s chances for upward mobility.
Flooding is a growing risk: Homes are still being built in the existing 100- and 500-year floodplains.

The region had at least three 500-year floods in the past 20 years, yet new homes are still being built in floodplains. Though concerted buyout efforts have reduced the number of structures in the current floodway (i.e., the areas closest to bayous and other water bodies), the number of housing units in the larger 100 and 500-year floodplains actually increased between 2018 and 2019. The city and county have around $15 billion and $30 billion of residential home value built in these floodplains. Units in the floodplain outnumber insurance policies by a ratio of 4 to 1, meaning that a massive amount of residential wealth is vulnerable to washing away in the next storm.

Cost-burdened households have fewer resources to weather the inevitable next disaster

COVID-19 and Winter Storm Uri showed that housing instability can make people more vulnerable. In both Houston and Harris County, renters are three times more likely to live in severely overcrowded homes than homeowners. Even before accounting for the economic challenges of the pandemic, there was a 25% increase in severely overcrowded rental properties between 2018 and 2019. During the pandemic, overcrowding likely contributed to community spread. Additionally, one in seven unsheltered people in Harris, Montgomery, and Fort Bend counties said the reason they were without homes was because of COVID-19. Even homeowners face housing insecurity challenges, as the county experiences at least 8,000 foreclosures every year. In each of these cases, housing vulnerability contributes to economic instability and greater health risks. Similar patterns will repeat themselves in future disasters.

The suburbs are the site of a growing trend in concentrated poverty

Another truism that State of Housing data challenges is that severe poverty and racist exclusion is only a challenge in “the inner city.” Various 2019 data show that housing instability appears to be a big problem in the suburbs, too. A large number of the region’s high poverty census tracts are beyond the 610 Loop and, increasingly, Beltway 8 as well. The Community Tabulation Areas (CTAs, census-derived community geographies created by the Kinder Institute) with the highest number of mortgage foreclosures are almost all beyond Beltway 8, in communities like Bear Creek, Spring and Atascocita. The 10 highest eviction rate CTAs are all outside of the 610 Loop and mostly beyond Beltway 8 as well, while evictions are growing the most in areas southwest of the Loop. The outer suburbs also have a large number of the county’s poor elderly residents, stressing the need for targeted policies, infrastructure, and social services to reach people in need in the county’s edges.
The events of 2020 made clear the importance of having access to stable, safe and affordable housing. During a global pandemic and economic crises that altered the lives of residents of Houston, Harris County and the entire planet, home transformed into a place of rest, work, school, exercise and so much more. The global pandemic also affected people’s ability to build and live in stable homes. Construction materials became scarce and expensive. Residential preferences shifted alongside work patterns. Housing instability grew for millions. All of those shifts built upon the system as it was before the pandemic.

This year’s State of Housing weaves together indicators about where the regional housing sector stood before the disruptions of 2020 and will begin to track how the system has changed amidst them.

As with the inaugural State of Housing in Harris County and Houston, this report aims to document shifts occurring from year to year within Houston and Harris County. The 2021 State of Housing report will use some data that shows some of the impacts of COVID-19 and Winter Storm Uri, but it will primarily narrate the realities of the housing system going into the pandemic and provide a baseline for future analyses. Using the newest available U.S. Census Department American Community Survey (ACS) data, this report will compare critical housing indicators from 2018 to 2019 at the primarily city and county level but not neighborhood level because of limitations with the 1-year ACS survey. Where possible, non-ACS indicators from 2020 are included and explicitly highlighted. Throughout this report, indicators that are likely to be greatly impacted by COVID-19 are also flagged and will receive continued attention in future years’ reports.

The 2020 inaugural report documented a booming housing sector, one near the top of new units built nationally and a key driver of regional population growth, employment and gross domestic product. But the report also highlighted that the local housing system was developing into two different pathways. Down one pathway, mostly higher-income homeowners were benefiting from rising values and higher-income renters had their pick of a growing number of units in high-opportunity, amenity-rich areas. Down the second pathway, median- and lower-income households found their housing options constrained by rising prices and property taxes, rising rents and a shrinking supply of affordable units. These radically divergent housing outcomes are contributing to the growth of the racial wealth gap and increasingly limiting the options of low-income renters.

The 2021 report describes many of the same trends from 2020’s report. Home values have increased, and there is still a good deal of new construction. The number of renter households also continues to increase in both Harris County and Houston. New households tend to contain fewer people in more expensive homes. Combined with the financial impacts of the pandemic, these trends have crunched lower-income families even more. Overcrowding has increased locally, and severely overcrowded homes (with more than 1.5 residents per room) increased by around 25% in the city and county between 2018 and 2019.
While foreclosures and evictions remained high during the pandemic, targeted policies slowed them. However, the long-term fate of these policies remains uncertain.

In the future, it appears likely that households that maintained steady income will be able to access stable housing, while households that felt this year’s crises will continue to see the negative effects accumulate.

**COVID-19 impact**

As with environmental crises like hurricanes and winter storms, or economic disasters like the 2008 economic meltdown, COVID-19’s impact is worse for those living in less stable housing. Because New York City was the pandemic’s first hot spot in the United States, at first many people assumed a link between urban density and the disease’s spread. Yet it was not urban density but housing density and overcrowding, coupled with exposure to the virus, that accelerated the contagion. In New York City and in Houston (as shown in this report), ballooning housing costs have forced more people to live under one roof. Overcrowding means that if one person catches the disease at work, it is harder to quarantine from other people in the home, who in turn get sick and lose income (from health care costs, death or lost work time), creating a negative feedback loop. Researchers consistently found a relationship between housing precarity and COVID-19 transmission: more overcrowding, eviction and foreclosures meant more COVID-19 cases and more deaths.²

Houston’s and Harris County’s housing instability crisis existed before COVID-19. Because of this systemic failure, the region’s poorest residents were vulnerable to the impacts of the pandemic and will be in a worse state for the next crisis, be it economic collapse, hurricane or winter storm. The housing data in this year’s report come from 2019 and represent the baseline at the moment COVID-19 made many bad trends much worse.

COVID-19 had different impacts for wealthier renters and buyers. For wealthier renters, the pandemic was an excellent time to sign a lease: middle-upper and upper-income rents dipped and rental properties stayed empty longer,³ while (as shown in this report) an increased supply of high-end rental units ensured many choices. For buyers, historically low interest rates, plus people wanting more space because of lockdowns, increased demand for homes, which created a white-hot home purchase market.⁴ Home sales happened more quickly and overall

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Ability to come up with $400 in an emergency, by year

If you had a $400 emergency cost, would you need to borrow money, pay with savings, or not be able to pay?

- 2020: Borrow 20%, Pay 59%, Not able 19%
- 2021: Borrow 12%, Pay 71%, Not able 17%

Would not be able to pay a $400 emergency, by race/ethnicity

- White: 6%
- Black: 34%
- Hispanic: 21%
- Asian: 3%

Had a very serious or somewhat serious problem paying for housing

- Total: 40%
- White: 28%
- Black: 17%
- Hispanic: 37%
- Asian: 11%

Personal knows someone who died of COVID-19, by race/ethnicity

- White: 73%
- Black: 67%
- Hispanic: 36%

“Very often” put themselves at risk of coronavirus because of needing to go to work, by race/ethnicity

- White: 19%
- Black: 39%
- Hispanic: 43%
- Asian: 19%

Preferred area to live, by year

- A single-family home with big yard, where need to drive almost everywhere: 60%
- A smaller home in more urbanized area, within walking distance of shops and workplaces: 55%

Source: 2021 Kinder Houston Area Survey
home purchases increased, while increased construction costs tightened supply. Lumber prices increased over 130% in the first 5 months of the pandemic.\(^5\)

For poorer people and those in vulnerable populations, though, the pandemic’s economic crisis put them at the brink of losing their homes. According to Rice University’s COVID-19 Registry, local lower-income renters lived in more fear of eviction and older homeowners were more likely to fear foreclosure.\(^6\) U.S. Census Household Pulse Survey data on COVID-19’s impact shows that local non-white tenants are more likely to have trouble making rent and mortgage payments.

Further, overcrowding increased from 2018 to 2019: The number of severely overcrowded rental homes increased by 26.7% in the city and 22.5% in the county.\(^7\) Such crowding likely contributed to COVID-19 transmission. Lower income people are also more likely to work outside the home in high-contact environments. Research finds that the highest COVID-19 death rates were not in highly paid jobs, but lower-paying jobs where people prepare and harvest food, build homes and sort goods in warehouses.\(^8\) These workers then brought the virus to their relatively crowded homes, exacerbating its spread.

Local, state and federal governments attempted to stem these trends by stabilizing housing for the most vulnerable through eviction moratoria and other approaches. The largest of these policies was the Centers for Disease Control’s national eviction moratorium, along with limitations on evictions for those living in publicly subsidized units. State and local governments also implemented a range of moratoria, and, at least in the early stages of the pandemic, these efforts slowed the virus’s spread and helped keep people in their homes.\(^9\)

However, different approaches at the local level led to significantly different trajectories as the pandemic continued. According to data from the Eviction Lab, Austin, which instituted a grace period in March of 2020 to allow renters to catch up on missed payments, has seen far fewer eviction proceedings than Houston, where a grace period was not adopted until February of 2021.\(^10\) Kinder Institute researchers have found that the grace period accounted for a 53% reduction in Austin’s eviction filings compared to Houston; earlier passage of the grace period in Houston could have prevented nearly 9,000 evictions.\(^11\) In the absence of an eviction moratorium, Houston and Harris County instituted a $159 million rental assistance relief fund. Houston Mayor Turner and Harris County Judge Hidalgo also started a Housing Stabilization Task Force in summer 2020. The task force helped shape the use of the rental assistance funding and delivered a wide set of policy recommendations to both governments. Each local jurisdiction is considering ways to adopt recommendations via pilot programs or funding.\(^12\)

Eviction moratoria affect not only tenants but also landlords, most of whom own only a few properties. A survey of “mom and pop” landlords provided by Avail, a national company that develops software to help landlords manage their properties, suggests that a supermajority of the Houston metro’s small landlords still have mortgage payments. Outstanding debt puts these landlords at risk of foreclosure if too many tenants do not pay, which could in turn accelerate rental industry consolidation.\(^13\)

COVID-19 has an outsized impact on those without homes. According to the 2021 point-in-time census of people experiencing homelessness conducted by Coalition for the Homeless and The Way Home, 1 in 7 local unsheltered people cited COVID-19 as a reason for their status. At the same time, many shelters lowered their occupancy rates.

\(^6\) Children’s Environmental Health Initiative, University Of Notre Dame & Kinder Institute For Urban Research, Rice University. (2020). COVID-19 Registry [October 2020 Snapshot] [Version 1] [Data set]. Rice University-Kinder Institute: UDP.  
\(^7\) “Severely overcrowded homes” have more than 1.5 occupants per room, per census definitions.  
\(^9\) See Nande et al. (2021)  
\(^12\) The Entrepreneurship and Community Development Clinic at the University of Texas-Austin School of Law. Accessed May 18, 2021. https://sites.utexas.edu/covid19relief/tenant-protections/  
for safety reasons. In response to the virus, Coalition for the Homeless collaborated with the county and city to use CARES Act funding for the Community COVID Housing Program, which has served 1,110 people since fall 2020.

COVID-19 has also compounded existing inequalities that result from differing housing conditions. Locally, Hispanic Houstonians were disproportionately affected by the worst of the virus accounting for half of the city’s deaths while being only 42% of the population. Hispanic Houstonians also disproportionately work in the construction and food service sectors that have seen the highest death rates.\(^\text{14}\) KHAS data shows that local Hispanic residents, along with Black residents, were twice as likely to “Very Often” work outside of the home and risk catching COVID-19 and bringing it home, when compared to Asian and white residents (Figure 5).

During COVID-19, the region was also hit hard by Winter Storm Uri in February 2021. The storm affected life for an entire week, and according to FEMA, at least 130,000 households in the county had damaged homes. In Harris County alone, 31 people died, and millions were without power or reliable water. The housing sector’s recovery from COVID-19 may likely be delayed by future environmental disasters, like Uri or future hurricanes, that will test the region’s resilience.

Houston will not know the full effect of COVID-19 for years. This report mostly focuses on indicators for 2018 and 2019, because the 2019 ACS is the most recent available major census demographic data source. Understanding these baseline 2019 factors helps set the stage for understanding COVID-19’s impact. Future State of Housing reports will provide a clearer picture of how this disaster unfolded in the city and county.

Methodology

There has been one major shift between the 2020 State of Housing and this one. The 2020 report featured in-depth discussions of data at the Community Tabulation Area (CTA) level. CTAs are neighborhood-like geographies devised by the Kinder Institute that align with census tract geographies, allowing Kinder researchers to link census data to specific Harris County and Houston communities that are legible to this report’s readers.\(^{15}\)

This 2021 report features information at the Harris County and City of Houston levels. Methodological limitations of the United States Census Bureau ACS 5-year data necessitated this shift away from CTA-level analysis. The 2020 State of Housing report compared indicators from 2010 and 2018 and used two distinct ACS 5-year surveys—the 2006–2010 and the 2014–2018 estimates—that did not have overlapping data years. The Census Bureau discourages comparing data from 5-year surveys with overlapping years. Thus, 2019 5-year estimates are available at the CTA-level at www.datahouston.org but are not used in this report for comparative purposes.

As the State of Housing is an annual product, this year’s report shifted to using the ACS 1-year estimates. ACS 1-year estimates are only for the county and city levels, not for any smaller geographies like census tracts, which are the building blocks of the Kinder Institute’s CTAs. Therefore, for future reports that use ACS 1-year estimates, trends will be tracked at the county and city levels. Kinder research staff plan that the 2025 report will employ non-overlapping ACS 5-year data comparing the 2019–2023 and 2014–2018 ACS 5-year estimates, and thus will feature more trends at the CTA level.\(^{16}\)

There are a few non-ACS indicators, however, where CTA-level information is available, for example, data on home loans and evictions. In addition, the report’s maps at the county and city scale use Kinder’s CTAs as the default unit of analysis, though census tract and census block group levels are used to emphasize finer geographic variations.

Lastly, many of the indicators highlighted in this year’s State of Housing cannot fully incorporate the impacts of COVID-19 or Winter Storm Uri. Census data available through the ACS lags by one year, so 2019’s ACS is the most recent available year. Therefore any statistics drawn from the ACS will be pre-COVID-19, largely from 2018 and 2019. As with the 2020 State of Housing, this report features more recent data when it is available. For example, this report does include some more recent economic indicators that reflect the impact of COVID-19, since much of that data come from non-ACS sources, such as the Bureau of Labor Statistics. Lastly, this year’s State of Housing notes specific ACS indicators that are particularly important to understanding COVID-19’s impact (such as overcrowding), with the intention of following up on them in next year’s State of Housing.

\(^{15}\) For more information about the CTAs and their exact boundaries and names, please go to www.datahouston.org

\(^{16}\) For more information about ACS methodology and responsibly making inter-year comparisons, please consult “Understanding and Using American Community Survey Data: What Researchers Need to Know.” Washington, DC: U.S. Census Bureau, 2020, in particular pp. 15–16.
Section 1. Economic Trends

This section focuses only on economic trends that most directly relate to the local housing sector. Changes from 2018 to 2019 provide the baseline for this report, but with so much happening in 2020 with COVID-19, more recent data was analyzed where possible. Therefore, this section contains two parts: 2018–2019 economic trends and post-COVID-19 trends.

2018 to 2019: Steady economic growth locally and nationally

The state and local economy has consistently grown since the 2015 mini-recession. Between 2018 and 2019, the Houston MSA’s and county’s gross domestic products grew by 1.9%, a relatively steady growth rate from prior years. Harris County remained the region’s job center. While population growth in the suburbs continues to outpace growth in Harris County and Houston (Figure 7), in 2019 71% of the MSAs job growth and 77% of the total jobs were still within Harris County.
### Jobs added in Harris County, Q1 2018 to Q4 2020, by sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>2018(Q1)–2019(Q4)</th>
<th>2019(Q4) total</th>
<th>2019(Q4)–2020(Q2)</th>
<th>Percent change</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Jobs added,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2018(Q1) to 2019(Q4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>NAICS 11 Agriculture, forestry, fishing and hunting</td>
<td>67</td>
<td>1,543</td>
<td>–9</td>
<td>4.5%</td>
<td>–0.6%</td>
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<tr>
<td>NAICS 21 Mining, quarrying, and oil and gas extraction</td>
<td>926</td>
<td>64,992</td>
<td>–8,320</td>
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<tr>
<td>NAICS 22 Utilities</td>
<td>496</td>
<td>17,005</td>
<td>–289</td>
<td>3.0%</td>
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<tr>
<td>NAICS 23 Construction</td>
<td>15,045</td>
<td>174,685</td>
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<td>NAICS 31–33 Manufacturing</td>
<td>9,202</td>
<td>179,794</td>
<td>–13,024</td>
<td>5.4%</td>
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<tr>
<td>NAICS 42 Wholesale trade</td>
<td>4,527</td>
<td>137,402</td>
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<td>3.4%</td>
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<tr>
<td>NAICS 44–45 Retail trade</td>
<td>–853</td>
<td>213,879</td>
<td>–29,614</td>
<td>–0.4%</td>
<td>–16.1%</td>
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<tr>
<td>NAICS 48–49 Transportation and warehousing</td>
<td>10,519</td>
<td>129,655</td>
<td>–6,872</td>
<td>8.8%</td>
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<tr>
<td>NAICS 51 Information</td>
<td>419</td>
<td>27,429</td>
<td>–3,578</td>
<td>1.6%</td>
<td>–15.0%</td>
</tr>
<tr>
<td>NAICS 52 Finance and insurance</td>
<td>663</td>
<td>78,056</td>
<td>–1,611</td>
<td>0.9%</td>
<td>–2.1%</td>
</tr>
<tr>
<td>NAICS 53 Real estate and rental and leasing</td>
<td>3,695</td>
<td>53,721</td>
<td>–5,325</td>
<td>7.4%</td>
<td>–11.0%</td>
</tr>
<tr>
<td>NAICS 54 Professional and technical services</td>
<td>16,538</td>
<td>199,083</td>
<td>–11,011</td>
<td>9.1%</td>
<td>–5.9%</td>
</tr>
<tr>
<td>NAICS 55 Management of companies and enterprises</td>
<td>172</td>
<td>39,296</td>
<td>–1,170</td>
<td>0.4%</td>
<td>–3.1%</td>
</tr>
<tr>
<td>NAICS 56 Administrative and waste services</td>
<td>7,137</td>
<td>181,131</td>
<td>–20,954</td>
<td>4.1%</td>
<td>–13.1%</td>
</tr>
<tr>
<td>NAICS 61 Educational services</td>
<td>29,400</td>
<td>70,599</td>
<td>–4,214</td>
<td>71.4%</td>
<td>–6.3%</td>
</tr>
<tr>
<td>NAICS 62 Health care and social assistance</td>
<td>32,575</td>
<td>287,407</td>
<td>–14,365</td>
<td>12.8%</td>
<td>–5.3%</td>
</tr>
<tr>
<td>NAICS 71 Arts, entertainment, and recreation</td>
<td>2,212</td>
<td>26,396</td>
<td>–8,361</td>
<td>9.1%</td>
<td>–46.4%</td>
</tr>
<tr>
<td>NAICS 72 Accommodation and food services</td>
<td>7,975</td>
<td>216,046</td>
<td>–60,400</td>
<td>3.8%</td>
<td>–38.8%</td>
</tr>
<tr>
<td>NAICS 81 Other services, except public administration</td>
<td>3,385</td>
<td>69,921</td>
<td>–13,107</td>
<td>5.1%</td>
<td>–23.1%</td>
</tr>
<tr>
<td>NAICS 92 Public administration</td>
<td>1,008</td>
<td>49,654</td>
<td>416</td>
<td>2.1%</td>
<td>0.8%</td>
</tr>
<tr>
<td>NAICS 99 Unclassified</td>
<td>–668</td>
<td>1,788</td>
<td>–29</td>
<td>–27.2%</td>
<td>–1.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>144,440</strong></td>
<td><strong>2,219,482</strong></td>
<td><strong>–227,632</strong></td>
<td><strong>7.0%</strong></td>
<td><strong>–10.3%</strong></td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics Quarterly Census of Employment and Wages, 2020
Between 2018 and 2019, the county’s employment growth was spread across many sectors (Figure 8). Unemployment remained relatively low (around 5.5%) and labor force-participation rate remained high (in the range of 67%). Total employment grew 7% in the county during the one-year period from 2018 Q1 to 2019 Q4, adding almost 150,000 full-time, part-time and temporary jobs. The county saw the largest employment growth in the educational services (with an important caveat)17, construction and healthcare sectors. The healthcare sector added the most jobs: 33,575, which is more than 10% of the total jobs added across the entire county. The retail sector is the only identifiable sector with any job losses over that period. (However, through quarter two of 2020, COVID-19 related impacts led to declines across almost every employment sector.)

Even with a growing local economy prior to COVID-19, the region’s housing sector saw mixed outcomes between 2018 and 2019. In the MSA, residential construction spending actually decreased in 2018–2019, going down faster than the national decrease and declining for the first time since 2015 (Figure 9). Based on initial post-COVID-19 data, this trend continues in 2020. Despite lower spending overall, 2019 saw an increase in the both number and the share of multifamily units constructed in the Houston MSA (see Figure 10). Even so, builders continued to add more single-family than multifamily units, and the rolling average of total new units built every month showed a stable housing construction sector.

Even prior to COVID-19, homebuyers saw relatively favorable interest rates. The federal funds effective rate—a calculated and highly influential interest rate measuring interest rates of bank transactions in the aggregate—decreased from 2.27% to 1.55% from December 2018 to December 2019. Likewise, 30-year fixed rate mortgage rates decreased from 4.54% to 3.94%, per Freddie Mac data.

**After COVID-19: Early economic indicators show mixed results as GDP remains strong, employment has not fully recovered, and housing struggles to keep up with demand**

COVID-19’s economic impact was immediately negative, and indicators suggest varying signs of recovery. For example, GDP numbers remain strong. The U.S. GDP followed its 2020 second quarter record loss with a third quarter record gain; Texas’s GDP did not sustain as great of a decrease and has recovered faster than the nation’s (Figure 11).

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17 The Quarterly Census of Employment and Wages, a Bureau of Labor Statistics program from which Kinder gets this employment data, regularly suppresses employment data when there are few employers in an industry. The Bureau does this to protect employers’ confidentiality, as employers do not like their employee rolls being public. In the case of suppression, the count of jobs reads as zero. The massive increase in educational employment is because in the 4th quarter of 2019, the Bureau stopped suppressing the employment numbers for State of Texas employers in the education sector within Harris County, which they had done previously because there were too few state employers in that sector locally. This end of suppression caused the data to show an increase in roughly 30,000 employees, because Houston’s large public universities are technically state employers and their employee counts were now included in Quarterly Census data. Therefore the 29,400 employee increase in the education sector should be viewed skeptically, yet this report contains this information in order to be true to the data source.
Harris County, however, was uniquely vulnerable to the employment effects of COVID-19. As the MSA’s central county, Harris County’s economy has a greater share of employees in the service, hospitality, tourism and convention sectors, all of which COVID-19 hit hard. Almost 40% of the county’s jobs in Accommodation and Food Services disappeared between the end of 2019 and the 2nd quarter of 2020 (see Figure 8). Harris County’s unemployment rate remained above 8% at the end of 2020, double the 4.1% at the year’s start. At COVID-19’s onset, the county’s labor force participation rate, which measures the share of the working-age population that is employed or looking for work, took a tremendous hit but mostly recovered by the end of 2020, decreasing by only 0.4% by the year’s end. A high labor force participation rate, coupled with a high unemployment rate, suggests that many people are still looking for work and unable to find it.

Despite the negative employment effects, the pandemic was relatively kind to the U.S. economy’s housing sector and home values. Unlike the last economic crisis, COVID-19 did not drastically decrease home prices. Real private residential fixed investment, an economic indicator that measures the collective value of residential property in the United States, more than halved through the course of the Great Recession. But after COVID-19, it only had a brief dip and then resumed increasing.

The urban housing market stabilized and quickly increased after the initial shock of the first lockdowns. Near-zero interest rates and low mortgage rates helped this recovery. As of January 2021, 30-year fixed rate mortgage rates hovered around 2.74%, a full percentage point lower than the prior year’s already-low rate. Working from home also increased the desire for more space. According to the U.S. Federal Reserve statistics, debt service payments as a percentage of income have decreased post-COVID-19, signaling that new homebuyers are wealthier. Mortgage delinquencies still remain relatively low (a rate of 2.74% by the end of 2020, which is far lower than the 11.6% peak from the Great Recession).

Houston and Harris County follow the national trend of strong home sales markets. According to the Houston Association of Realtors, median single-family home prices in Harris County increased 16% from March 2020 to March 2021. The total number of sales increased 31.5%.

However, these strong markets have not necessarily translated into more housing construction starts. Across the United States, private residential construction spending increased 9% comparing 2019 and 2020 (October year-to-date). But in the Houston MSA, such spending decreased 1% over the same period. Even compared to the rest of Texas, the Houston MSA has not seen the post-COVID-19 housing construction boom. The multifamily construction growth experienced during 2018 has stopped locally, which is likely to tighten the rental market.

Related to this slowdown is the rise in construction material costs: The price of lumber more than doubled during the COVID-19 pandemic. Reasons for this increase include disasters—a record hurricane season—slowdowns at materials manufacturing plants like sawmills and tariffs on Canadian lumber.

Like other important housing indicators addressed in this report, local GDP and economic data from the Bureau of Economic Analysis was not available to fully evaluate COVID-19’s sectoral impact in Harris County. Kinder researchers look forward to tracking these and other trends in future reports.

19 ibid.
Section 2. Housing Demand and Supply

Demographic shifts inform housing demand: changing patterns of household composition, age, race/ethnicity, income and tenure

Population growth continued in Harris County, but Houston’s population shrunk despite ample household growth.

Harris County’s population rose by nearly 15,000 residents between 2018 and 2019 (Figure 12). Conversely, the City of Houston lost approximately 9,000 residents—the culmination of a slowing of population growth that began in 2016. Population change should be closely examined in future years once more pandemic-era demographic data becomes available. A one-year decrease might be an outlier or it could be a harbinger of future decreases.

What is clear is that smaller households are becoming more common, particularly in Houston. In the city, there was a net loss of 2,000 homeowner households (which tend to be larger), offset by a rise in approximately 30,000 renter households (Figure 13). This growth in renter households aligns with trends noted in last year’s report.

Residents in Houston and Harris County are becoming older.

The U.S. is approaching the “baby boomer cliff” in the 2030s, when the elderly population is expected to outnumber children under 18 years of age for the first time in the nation’s history. In Harris County, the share of residents over 65 years old increased from 8.2% to 10.9% from 2010 to 2019 and is projected to grow in the future, which has implications for the county’s tax base and economy.

Locally, a smaller proportion of young adults (under 24 years of age) coupled with a growing aging population of baby boomers (age 55–73 as of 2021) could make the county’s economy dependent on in-migration of working-age adults. As of now, working-age residents remain a sizable base of the population in Harris County.


FIGURE 12
Total population, 2018–2019

<table>
<thead>
<tr>
<th>Geography</th>
<th>Total Population 2018</th>
<th>Total Population 2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harris County</td>
<td>4,698,619</td>
<td>4,713,325</td>
<td>14,706</td>
</tr>
<tr>
<td>Houston</td>
<td>2,326,090</td>
<td>2,316,797</td>
<td>–9,293</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2018 and 2019

FIGURE 13
Occupied-housing units by tenure, Harris County and Houston

<table>
<thead>
<tr>
<th>Geography</th>
<th>Year 2018</th>
<th>Year 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harris County</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupied units</td>
<td>1,600,357</td>
<td>1,647,384</td>
</tr>
<tr>
<td>Owner-occupied</td>
<td>865,773</td>
<td>878,216</td>
</tr>
<tr>
<td>Renter-occupied</td>
<td>734,584</td>
<td>769,168</td>
</tr>
<tr>
<td>Houston</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupied units</td>
<td>849,105</td>
<td>876,504</td>
</tr>
<tr>
<td>Owner-occupied</td>
<td>355,592</td>
<td>353,562</td>
</tr>
<tr>
<td>Renter-occupied</td>
<td>493,513</td>
<td>522,942</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2018 and 2019
Married-couple families continue to decrease as a share of total households, while the share of householders living alone or with unrelated occupants increased.

While the truism states that Houston is a great place to raise a family, the fastest-growing household types are not “traditional” families.

People living alone, households with non-related occupants and single-parent households make up more than six out of every 10 households in the City of Houston, and their share of the population is growing. While the married-couple family population did rise in both Harris County and Houston, their growth was outpaced by other types of households by a factor of 2 to 1 countywide and 3 to 1 in Houston.

Single-occupant households make up the largest sub-group from the non-married-couple categories. By contrast, one area of significant decline was single-parent households. Census estimates show that single-parent households decreased by 11,000 in Houston and 4,800 countywide. Further study is needed to determine to what extent single-parent households are moving out of the area or are no longer identifying as single parents.
Houston's foreign-born and Asian populations are decreasing and likely relocating to other parts of the county and region.

Demographic changes are threatening Houston's diversity, and it remains a point to investigate how these changes will affect the housing sector.

Estimates suggest a nearly 20,000-person decrease in Houston's non-Hispanic Asian population, negating most of the increase of Asian residents since 2010. The Asian population remained constant in the Harris County, which suggests intraregional migration. Meanwhile, the

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**FIGURE 16**

**Population distribution by race and ethnicity, 2018–2019**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harris County</td>
<td>1,230,974</td>
<td>1,238,035</td>
<td>0.6%</td>
</tr>
<tr>
<td>% of Population</td>
<td>26.2%</td>
<td>26.3%</td>
<td></td>
</tr>
<tr>
<td>Houston</td>
<td>691,484</td>
<td>655,105</td>
<td>–5.3%</td>
</tr>
<tr>
<td>% of Population</td>
<td>29.7%</td>
<td>28.3%</td>
<td></td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2018 and 2019

**FIGURE 17**

**Foreign-born population, 2018–2019**

<table>
<thead>
<tr>
<th>Geography</th>
<th>2018</th>
<th>2019</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harris County</td>
<td>1,230,974</td>
<td>1,238,035</td>
<td>0.6%</td>
</tr>
<tr>
<td>% of Population</td>
<td>26.2%</td>
<td>26.3%</td>
<td></td>
</tr>
<tr>
<td>Houston</td>
<td>691,484</td>
<td>655,105</td>
<td>–5.3%</td>
</tr>
<tr>
<td>% of Population</td>
<td>29.7%</td>
<td>28.3%</td>
<td></td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2018 and 2019

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**FIGURE 18**

**Foreign-born population of Harris County, 2019**

Data Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2019.
Median household incomes rose slightly overall, though homeowners had a much larger increase than renters, which are predominantly non-white residents.

Median household income sits just below $62,000 in Harris County and $52,500 in Houston. These figures rose 2% from 2018 to 2019 in both jurisdictions.
Yet when examining income by housing tenure, homeowners earn more than twice as much as renters countywide ($87,516 for homeowners, $42,257 for renters in 2019). Owner incomes have also grown more: From 2018 to 2019, homeowner MHI increased by roughly $4,000, but renters only grew by $1,000. Homeowners are disproportionately white in Harris County, meaning that non-white locals are less likely to see these increasing benefits.

The region has a growing share of renter households.

Renter households are a majority of all Houston households, and will soon be the majority in the county as well. In both the city and the county, the trend continues to shift toward more renter households. Between 2018 and 2019, the county added almost three times as many renter households (35,000) than owner-occupied households (12,000), lowering the share of households that were owner-occupied.

While Houston and Harris County continue to densify in certain areas, both remain low density compared to peer cities and counties.

The region continued its long-term trend toward greater population density. As noted last year, population per square mile in 2010 totaled 2,303 and 3,138 in Harris County and Houston, and rose to 2,763 and 3,619, respectively, in 2019. However, both places continue to be less dense than peer cities and counties (see Figure 23).

The county’s most densely populated communities (i.e., Gulfton and Westwood, which have more than 15,000 persons per square mile) are situated in southwest Houston (Figure 24). Other notable population density centers, which have densities above 6,100 persons per square mile, are in southeast Harris County (i.e. Pasadena), areas near downtown Houston (i.e. Montrose, Fourth Ward, Midtown and Museum Park), and in the western Harris County (including Bear Creek, Alief, Sharpstown and Mission Bend).
New regulations aim to create denser, more pedestrian friendly urban environment in central Houston

This section focuses on the Transit Oriented Development Streets (TOD Streets) and Walkable Places standards passed in August, 2020, which are new regulations that will guide development in the urban core.

These regulations only apply to specifically designated streets and their nearby parcels. These designations cover an estimated 75 square miles and only around 10% of the city’s area, almost entirely in the older, central areas inside the 610 Loop (Figure 25). Kinder staff estimate that these regulations cover around 40,000 parcels, as one cannot provide an exact number given data irregularities.

These two regulations intend to create a more walkable and attractive built environment. Rules minimize required parking spaces and encourage more street-level fenestration, among other regulations, in order to help create a denser urban fabric. Also among the regulations are a required green buffer between the sidewalk and street, which is both more attractive and safer for pedestrians. This is an important goal for a region that has an outsized number of pedestrian-automobile deaths: amongst the 100 largest U.S. metro areas, the Houston MSA has the 18th highest pedestrian death index in Smart Growth America’s Dangerous By Design report.21

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Housing construction, while robust, is still not meeting the demands of a changing community.

Houston and Harris County added more households than newly built homes.

The number of households outpaced the growth in housing units between 2018 and 2019. The fast-growing number of households caused rising housing prices and resulted in low vacancy rates, particularly in the city. Harris County added 47,027 new households between 2018 and 2019, while adding 37,755 new housing units—showing that despite modest construction, it was not enough to keep pace with the changes in household composition. In the same period, Houston added 27,399 households, while adding 15,463 units. (see Figure 26)

Building age data and construction/demolition patterns also suggest that supply is not meeting demand. Both demolition and construction permitting activities increased in Harris County and Houston (Figure 27). But compared to Harris County, Houston issues fewer construction permits relative to demolition permits. A large share of the county’s housing stock is 40 years old or older (Figure 28), and it remains to be seen if builders will eventually fully replace the older building stock that is being demolished.
More new housing units were built in Harris County, and most of them were added in the suburbs.

Harris County has 1.8 million total housing units, and about 54% of those units are in Houston. In 2019, of the 37,755 units built in Harris County, 22,292 units (59%) were added outside of the city boundary while 15,463 units were built in the city, or 41% of the total. However, the city did add housing at a faster rate than the county, as residential construction increased by 11% in the county as a whole in 2019 over 2018, compared to 17% in the City of Houston.

Multifamily construction is robust in Houston and has been trending upward in Harris County, where it surpassed single-family construction in 2019.

Both the city and the county are seeing an increase in multifamily construction relative to single-family construction. In Harris County, the number of multifamily units constructed in 2019 exceeded the number of single-family units—a switch from 2018. In the City of Houston, 63% of all new units were multifamily, compared to 59% in 2018. This shift may be caused by several factors, including dwindling land supply, increasing land prices and the growing population of smaller households.

That is a continuation of the solid multifamily construction market shown in the 2010s, as cited in last year’s State of Housing, but should be tracked in future reports to follow how the post-COVID-19’s housing market, along with changing household composition, alters construction patterns.

New single-family and multifamily units are mostly built beyond Beltway 8 to the west, while the western 610 Loop has extensive multifamily construction.

The areas outside of the city that are seeing more construction tend to be amenity rich suburbs, such as Katy. As the maps show (Figures 31 and 32), most single-family home construction occurred in the county’s western fringes. Many multifamily units were built along major highways, including new upscale apartments in the western section of the Inner Loop.

Affordable housing supply does not keep up with demand, and rising construction costs suggest this problem will grow

Harris County and Houston do not have affordable housing for its lowest-income households.

The county and city lack homes for extreme low-income (ELI) and very low-income (VLI) renters. ELI households make less than 30% of the area median family income, meaning they earned $25,100 in 2018 and $25,750 in 2019 (per definitions from the U.S. Department of Housing and Urban Development). Very low-income households (VLI) make less than 50% of the area median family income, which was $37,450 in 2018 and $38,150 in 2019.

In Harris County and Houston, only one affordable unit is available for every five ELI renter households (An "affordable" unit is one in which the ELI renter spends less than 30% of their income on rent.)
SECTION 2. HOUSING DEMAND AND SUPPLY

FIGURE 31
Newly built single-family homes in 2019, Harris County

FIGURE 32
Newly built multifamily units in 2019, Harris County
The availability of affordable housing units to very low-income (VLI) renters is also inadequate. While more affordable housing units were available to the second most vulnerable income group, the number of VLI renter households (338,883 in the county) outnumbered the number of affordable units (254,252 countywide). Severe crowding is growing rapidly in renter households, a sign that supply and affordability are not meeting needs of low-income renters.

Severe overcrowding, defined as more than 1.51 occupants per room, is an increasing problem. Harris County experienced a rise of 4,200 severely crowded rental households, an increase of 23% over 2018. (By comparison, the total pool of renters grew by only 5% in the county.) Of the county’s 4,200 new severely overcrowded renter households, 3,600 (or 85%) were in Houston, disproportionately in areas beyond the 610 Loop. The most likely reason for this increase in crowding is because people are deciding to live with others to save money.

Amid the COVID-19 pandemic, it is important to note that this overcrowding (which was recorded before the pandemic started) contributes to the community spread of infectious diseases.

The rental vacancy rate declined while the ownership vacancy rate increased slightly.

The rental vacancy rates dropped in both the county and city in 2019, while homeowner vacancy rates slightly increased, which shows a more robust demand for rental units in the Houston area. As renters’ turnover occurs more frequently than homeowners, renter-occupied units have higher vacancy rates than their owner-occupied counterparts.

However, with COVID-19, the rental vacancy rate in 2020 is expected to be higher than the 2019 vacancy rate, especially within the city of Houston and in newly built luxury apartment units.

### FIGURE 33 Affordable housing available to ELI and VLI renters

<table>
<thead>
<tr>
<th></th>
<th>Extremely low-income (ELI) renters</th>
<th>Very low-income (VLI) renters</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Affordable housing units (#)</td>
<td>Households (#)</td>
</tr>
<tr>
<td>Houston, 2018</td>
<td>38,830</td>
<td>156,557</td>
</tr>
<tr>
<td>Houston, 2019</td>
<td>32,784</td>
<td>159,911</td>
</tr>
<tr>
<td>Harris, 2018</td>
<td>54,756</td>
<td>219,716</td>
</tr>
<tr>
<td>Harris, 2019</td>
<td>47,983</td>
<td>218,839</td>
</tr>
</tbody>
</table>

Note 1. Our calculation shows that ELI income limits are $628 in 2018 and $644 in 2019. The VLI income limits are $936 in 2018 and $954 in 2019, and the number of affordable housing units was proportionally calculated using the ACS housing unit estimates by rent range.

Note 2. Households (#): estimated number of ELI or VLI renter households based on the U.S. Department of Housing and Urban Development (HUD) ELI or VLI income limits. The number of households was proportionally calculated using the ACS renter household estimates by income range.

### FIGURE 34 Total number of severely crowded households by tenure, 2019

<table>
<thead>
<tr>
<th></th>
<th>Renter Occupied</th>
<th>Severe Crowded Rental Households</th>
<th>Owner Occupied</th>
<th>Severe Crowded Owner Households</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
<td>Rate of Change</td>
<td>2018</td>
</tr>
<tr>
<td>Harris County</td>
<td>734,584</td>
<td>769,168</td>
<td>4.7%</td>
<td>18,988</td>
</tr>
<tr>
<td>Houston</td>
<td>493,513</td>
<td>522,942</td>
<td>6.0%</td>
<td>13,479</td>
</tr>
</tbody>
</table>

The combined vacancy rate was computed using homeowner and rental vacancy rates, which is different from the US Census Bureau’s vacant housing unit percentage. The vacant housing unit percentage is higher than our combined vacancy rate because its percentage includes units that are vacant for seasonal, recreational and occasional uses, migrant workers and other purposes.
Rising construction costs present mounting challenges to future affordability.

During the pandemic, the cost of lumber and other construction materials increased dramatically. Lumber remains the largest material cost for single-family home construction (around 15%-20% by industry estimates). Lumber prices remained relatively stable in the past decade, spiking in summer of 2018. However, after COVID-19 led to widespread economic lockdowns in the U.S. in March 2020, prices increased 130% between April and August of that year, some of the largest price increases in recent recorded history.

Construction labor costs have also increased. Through the 2010s, construction worker salaries in the Houston MSA increased nearly 20%. It remains difficult to gather extensive data on worker salaries and shortages after the pandemic. The strong home construction market would theoretically lead to increased labor demand and subsequent increases in worker salaries, though this does not always occur in reality.24 Regardless, any construction labor and materials cost increases would be passed onto the homebuyer, adding to the challenges lower-income Houstonians face when trying to purchase a home in the city.


FIGURE 37 Historical closing lumber prices per 1,000 board feet (NASDAQ: LBS), January 2018–March 2021

Source: NASDAQ
Section 3. Affordability and Access to Housing

Housing sales price and values are rising, making it more difficult for median income households to buy a house. This is especially true for renters.

Renters face a growing home purchase affordability gap in Harris County. Median-income households cannot afford to buy a median sales price home in Houston and Harris County.

The housing affordability gap—the difference between the median sales price and the housing price that a resident earning the median wage could afford—is so large in both Harris County and Houston that the median income earner cannot afford a home.

Yet despite an increase in median sales price (4.5% in the county and 1.3% in the city), the affordability gap shrunk for the overall median income household. This occurred because of a lower mortgage interest rate and higher

FIGURE 38 Affordable housing price and gap for all buyers, Harris County and Houston, 2018 and 2019

FIGURE 39 Affordable housing price and gap for homeowners and renters, Harris County and Houston, 2018 and 2019

Data Source: Houston Association of Realtors, 2020, U.S. Census Bureau, American Community Survey 1-Year Estimates, 2018–2019
SECTION 3. AFFORDABILITY AND ACCESS TO HOUSING

FIGURE 40
Annual median sales price by CTA, Harris County, 2019

FIGURE 41
Median sales price change (%) by CTA between 2018 and 2019, Harris County
median household income (see Figure 19). The net overall gap (for renters and owners combined) still exceeds $30,000 in the county and $100,000 in the city.

When observing the different affordability gaps for home-owners and renters seeking to buy, however, one notices a divide (see Figure 39). Because Harris County renter households have a lower median income that increases at a lower rate, their affordability gap actually grew in Harris County. The gap shrunk for renters in Houston, likely because Houston renter households have a faster-growing income.

Homeowners continue to have benefits accrue to them. Their affordability gap shrunk in both geographies, and in Harris County there is actually no affordability gap for current homeowners. This means that people who already own homes can more easily buy a home higher than the median price.

Given growing home prices, anticipated inflation and the consistent high demand for homes after COVID-19, however, the affordability gap is likely to grow.

**Median sales prices vary across the county, evidencing economic inequality.**

The most costly housing units remain in Houston’s traditionally affluent communities on the west side of Downtown, including River Oaks, West University and Memorial Villages, and some suburban areas where new single-family development was concentrated in the 2010s (Figure 40). On the opposite end of the spectrum, several lower-income CTAs on the east side of Harris County had no sales in 2019.

Between 2018 and 2019, the median sales price in the eastern suburbs rose, but it also rose in several gentrifying Inner Loop communities, such as Third Ward and Near Northside (Figure 41). In general, affluent communities in the western part of Downtown recorded a decline in the median sales price between 2018 and 2019.

**Harris County’s home prices have risen more than its peer counties’ since 2000, continuing a recent trend.**

Other indicators show that home sales prices have increased at a faster rate in Harris County and Houston.

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25 Freddie Mac 30-year fixed-rate mortgage annual average was used. It is originally 4.54% in 2018 and 3.94% in 2019. Retrieved from: http://www.freddiemac.com/pmms/pmms30.html Our affordable home price calculation assumes that median-income households buy a home with a 3.5% down payment and spend 30% of their income on housing monthly.
Figure 42 shows the annual home price growth index in Harris and peer counties, in which the year 2000 represents the baseline of a 100 index score. So if one year’s index is 150, that means that homes are 50% more expensive than in the year 2000.

In Harris County, prices have more than doubled in 20 years, as the index in 2020 now exceeds 200. Harris County’s house price index is higher than the three peer counties—Dallas County, Fulton County, and Cook County.

**Single-family homes were the most popular housing type for purchase prior to the pandemic.**

The county’s single-family home market is strong and will likely continue to be, given COVID-19 and increased demand for standalone homes. As Figure 43 shows, the median sales price for single family homes increased by 4.7% from 2018 to 2019. Single family homes were also the largest (and growing) share of listings in the county and city (see Figure 44). Simultaneously, the townhouse and condominium median sales price declined slightly in the county (5.9% and 1.5%, respectively). A similar pattern played out in the city.\(^{26}\)

**Single-family homes on the market have the shortest inventory months among all housing types, and Harris County is more of a seller’s market than Houston.**

\(^{26}\) It is important to note that single-family homes here also include small-lot residential (i.e. under 5,000 square feet) in the city of Houston. These homes can often be confused with ‘townhomes’ due to their physical resemblance being 3-4 story, yet freestanding structures, and are permissible on lots as small as 1,400 square feet.

Inventory months is a typical indicator for the strength of a home sales market. It measures how many months it would take to sell all of the active listings in a certain area, assuming no new listings came into the market and sales continued at the average pace of the previous 12 months. Texas A&M University’s Real Estate Center views six months of inventory as a balanced market, less than six months as a seller’s market, and more than six months as a buyer’s market.

Both the county and the city are seller’s markets, but Harris County was more so (3.1 months compared to 4.1 in Houston as of the end of 2019). In both areas, single-family homes sold faster than other housing types and stayed on the market less time (see Figure 45). Even before the pandemic hit, the inventory months were decreasing for single-family homes but increasing for condominiums, suggesting buyers were already looking for larger homes.

**Houston is also experiencing fast-growing home value, with a median home value approaching $200,000.**

While information about actual home sales is critical, it only provides insights about those homes that are on the market. Looking at ACS data for estimated home value adds another layer to sales by showing shifts in the assets and tax burden for existing homeowners. It also shows the value of local fixed residential property.

According to ACS data (Figure 46), Houston’s home value increased more than Harris County’s (9.3% versus 5.5%), continuing last year’s trends. Although historically, home values have been higher outside the city, median home...
value in the two jurisdictions is now almost equal, reflecting growing demand for homes in the City of Houston and the construction of higher-value homes there.

**Harris County is gaining many housing units valued more than $150,000 and losing lower-valued units, lessening the stock of available homes for lower-income buyers.**

Harris County continues to lose affordability. About 70% of homes in Harris County are worth more than $150,000, and that number is going up while the supply of lower-value homes shrinks (see Figure 47). The decline means that fewer homes are likely to be available at affordable asking prices if they go up for sale, and that tax burdens are growing for existing taxpayers. Growth in property taxes can be particularly problematic for low-income homeowners.

**While both home value and household income are increasing in Harris County and Houston, the ratio of median value to median income is also growing, indicating homes are becoming more unaffordable to middle-class residents.**

The ratio of median home value to median owner household income shows how accessible the housing market is for median-income homeowners. It tracks the growth in home price relative to the growth in income. In addition to affordability gap statistics, the ratio helps show wheth-

### FIGURE 47

**Home value distribution, Harris County, 2018 and 2019**

![Home value distribution graph](source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2018–2019)

### FIGURE 48

**Ratio of median home value to median owner-occupied household income**

<table>
<thead>
<tr>
<th>Year</th>
<th>Harris County</th>
<th>Houston</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 2018</td>
<td>Year 2019</td>
<td>Year 2018</td>
</tr>
<tr>
<td>Median home value (MHV) of owner-occupied housing units</td>
<td>187,100</td>
<td>197,400</td>
</tr>
<tr>
<td>Median household income (MHI) for owner-occupied housing units</td>
<td>83,174</td>
<td>87,516</td>
</tr>
<tr>
<td>The ratio of MHV to MHI</td>
<td>2.25</td>
<td>2.26</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2018 and 2019
er a median-income level household can afford to buy a house locally. If the value to income ratio grows too high, it signals that homes are becoming unaffordable even for middle-income residents.

Particularly in Houston, home values are increasing faster than incomes. The city’s ratio grew more than Harris County’s between 2018 and 2019. While rising home values will generate more property taxes, the faster growth of values compared to income also signals that aspiring homeowners may be unable to purchase a local home in their price range.

**Beyond not being able to own a home, renters have difficulty covering existing rent payments**

**In 2019, a greater share of renter households in Harris County have become cost-burdened, while the number of cost-burdened homeowners has declined.**

In 2019, more than half of all renters in the county were identified as cost-burdened, meaning they spent more than 30% of their income on housing. Of these cost-burdened renters, nearly half were severely cost-burdened, meaning they spent 50% or more of their income on housing. The share of the cost-burdened renters slightly increased from 49.9% in 2018 to 51.1% in 2019 (Figure 49).

Homeowners do not have as high of a cost burden as renters, showing the benefits that accrue with homeownership. About 20% of county homeowners were cost-burdened in 2019, a decline from 2018.

**Renters’ cost burden is worsening for both poorer and middle-income renters, as a majority of renters earning less than $50,000 are cost burdened.**

Not just poor renters but middle-income renter households face a growing cost burden. In 2019, more than a quarter of renter households that make between $50,000 and $75,000—or 80% to 120% of the county’s median income—are cost burdened. This was a significant increase from 17% in 2018 to 26% in 2019. And more than half of renter households earning between $35,000 and $50,000—which is the range that includes the median renter household income ($42,000) in 2019—are considered cost-burdened.
Median gross rent is rising, and the area is adding more expensive rental units.

Median gross rent grew more in Houston than in Harris County, as the demand for rental units in Houston was substantial. The median gross rent rose by 4.9% in the county and 6.1% in the city between 2018 and 2019 (Figure 50). In addition to a rent increase, the city had a significant drop in rental vacancy rate (from 10% to 8.4%, see Figure 36 above), indicating a competitive rental market in Houston.

Alongside rising rents is a connected decline in affordable units. For example, Harris County lost roughly 20,000 units that cost less than $800 monthly, while the share of units that cost more than $1,000 increased from 56% to 61% in one year. These trends are consistent with those observed in last year’s report. This reflects not just rising rents on existing units, but also the new construction of higher priced rental units.

When compared to peer counties and cities, Harris County and Houston are more unaffordable to renters and becoming worse.

In both local geographies, the ratio of median income to median rent increased from 2018 to 2019, suggesting that people here are spending more money on rent.

Every other peer city (except Atlanta) and county had declining ratios, signaling that the peer cities were becoming more affordable to renters. The ratios suggest that rental affordability in both Harris County and Houston is an important issue not only for low-income renters, but for median-income renters as well.
Evictions by CTA, 2019

Evictions in 2019, by CTA

Evictions
- Less than 100
- 101 - 250
- 251 - 500
- More than 500

Eviction rate, 2019, by CTA
(Eviction rate = evictions/# of renter households)

Eviction rate
- Less than 2.5%
- 2.5% - 5%
- 5% - 10%
- More than 10%

Data Source:
Harris County court data compiled by January Advisors

Total eviction rate by CTA, 2019

Eviction rate, 2019, by CTA
(Eviction rate = evictions/# of renter households)

Eviction rate
- Less than 2.5%
- 2.5% - 5%
- 5% - 10%
- More than 10%

Data Source:
Harris County court data compiled by January Advisors
Perhaps because of local renters’ cost burden, Harris County has a massive eviction rate

In 2019, the county processed 64,257 eviction filings. Harris County’s eviction filing rate was 8.8%, meaning that in 2019 there was roughly one eviction filing for every 11 rental households in the county. These represent only filings, which are legal notices of eviction proceedings in court that appear on a renter’s door, and not actual evictions of which there were 32,924. The actual eviction rate is 4.5%, meaning that more than one in 25 rental households gets evicted.

Of the counties with the five biggest cities in the U.S., no single county had a higher eviction rate. Only New York City had slightly more total evictions, but note that New York City contains five counties, has twice as many people, and has a larger share of renter households.

The 32,924 eviction count does not include eviction-like events. For example, a renter who receives notice of an eviction filing might do an emergency, last-minute move to a family member’s home before they are formally evicted. Such disruptive moves are effectively “eviction-like” but are not recorded in that 4.5% statistic.

The 2019 eviction numbers fit into the region’s established pattern. Evictions increased rapidly during the 2000s and have remained at a high rate in the past decade.27 In recent years, evictions tended to peak in summer months. Evictions accelerated in 2018 and 2019 (see Figure 53), despite a strong economy. After the pandemic hit, the Texas Supreme Court ordered a halt on eviction proceedings, which then started again in May 19, 2020, after the court lifted its moratorium.28 Kinder has eviction data only through July 2020, and therefore this report could not assess the September 2020 CDC eviction moratorium.

As of 2019, certain CTAs in the north, southwest, and east have the highest number of gross evictions. Note that these CTAs that have both 1) many large rental complexes that cater to lower-income residents and 2) many immigrant households. Therefore, an eviction filing notice on a resident’s door requesting their appearance in court may be even more complicated and intimidating than it would be for a U.S. citizen and/or native English speaker. Tenants may not know their legal rights or how to pursue counsel for the court appearance.

When examining eviction rates (which divides evictions by the number of renter households), one sees a clear east-west divide in the county, with most of the high eviction rate CTAs being located in the county’s east.

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**FIGURE 55**

**Top 10 CTAs, 2019, eviction rate and total evictions**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Top 10 CTAs (eviction rate)</th>
<th>Top 10 CTAs (total evictions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1960/Cypress Creek North (14.8%)</td>
<td>Spring Southwest (1,467)</td>
</tr>
<tr>
<td>2</td>
<td>East Little York/Homestead (.129)</td>
<td>Greenspoint (1,338)</td>
</tr>
<tr>
<td>3</td>
<td>Aldine Northwest (9.9%)</td>
<td>Pasadena (1,004)</td>
</tr>
<tr>
<td>4</td>
<td>Greenspoint (9.6%)</td>
<td>1960/Cypress Creek North (955)</td>
</tr>
<tr>
<td>5</td>
<td>Edgebrook (9.2%)</td>
<td>Baytown (948)</td>
</tr>
<tr>
<td>6</td>
<td>Meyerland (9.1%)</td>
<td>Eldridge/West Oaks (926)</td>
</tr>
<tr>
<td>7</td>
<td>Clinton Park Tri-Community (9.0%)</td>
<td>Alief (901)</td>
</tr>
<tr>
<td>8</td>
<td>Nassau Bay (8.9%)</td>
<td>Briar Forest (834)</td>
</tr>
<tr>
<td>9</td>
<td>Minnetex (8.9%)</td>
<td>Westchase (800)</td>
</tr>
<tr>
<td>10</td>
<td>Spring Southwest (8.8%)</td>
<td>Aldine Northwest (728)</td>
</tr>
</tbody>
</table>

Source: January Advisors, Harris County Justice of the Peace 2019 ACS 5-year data

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Economic segregation and racial inequality remain a pervasive issue that transcends housing and affects many Houstonians’ prospects for upward mobility.

**Houston's geographic distribution of income is persistently marked by a clear east and west divide.**

Higher income residents live in the “arrow” west of Houston’s urban core (Figure 56), and in the fringes of the county between Beltway 8 and the Grand Parkway, particularly in the northwest and southeast. (The “arrow” is an affluent area shaped like an arrow that can be seen on most maps of Houston depicting socioeconomic conditions.)

In contrast, poverty dominates the eastern half of Harris County, the same area where a higher share of affordable housing subsidies are located. In 2019, residents with incomes below the poverty line were concentrated on the eastern side of Harris County between the 610 Loop and the northern part of Beltway 8.

**Since 2010 Harris County and Houston have made inroads in income diversity, though both rank below peer counties and cities.**

Income diversity is one way to measure economic diversity in neighborhoods. As defined by the New York University Furman Center for Real Estate and Urban Policy, the income diversity index is generated by dividing the income earned by the 80th percentile household by the income earned by the 20th percentile household in a given geography. A higher ratio means that there is more income diversity, while a lower ratio reflects less income diversity.

The city and county is less income diverse than most peer geographies. As of 2019, the income diversity ratio was 4.89 for Harris County, and its outer county suburbs showed a pattern of income homogeneity, though it has trended toward increasing diversity since 2010’s 4.82 ratio. When compared to peer counties, Harris County is third in income diversity while Dallas County came in last. Houston had a similar third-place ranking when compared to peer cities.
SECTION 4. ECONOMIC SEGREGATION AND HOUSING RESILIENCE

FIGURE 56

Median household income, 2019

FIGURE 57

Poverty rate, 2019
Racial diversity is higher in Harris County, including suburban areas, while income diversity, which is more prominent in the urban core.

Similar to last year, Harris County maintained the same level of racial diversity in 2019, as shown in the racial diversity index. Also developed by the New York University Furman Center for Real Estate and Urban Policy, the racial diversity index measures the probability that two randomly chosen people in a given geographic area will be of a different race. A higher racial diversity index means more racial diversity in a population.29

When using the index to measure racial diversity across the county, one sees highly diverse areas in the west and in many other areas beyond Beltway 8. Compared to other races and ethnicities, the share of Hispanic residents in Harris County increased by almost 1 percentage point from 2018 to 2019, accounting for 44% of the population.

29 The racial diversity index was developed by the New York University Furman Center for Real Estate and Urban Policy. If a given geography is inhabited by a single racial/ethnic group, its RDI would be zero. If the population of a neighborhood is evenly distributed among the five groups (20% white, 20% black, 20% Asian, 20% Hispanic, and 20% other), its RDI would be 0.8. However, it’s more likely given the small proportion of residents who fall into the Other category that an evenly distributed neighborhood would have an RDI around 0.75 (roughly 25% for each of the major race/ethnic groups).
SECTION 4. ECONOMIC SEGREGATION AND HOUSING RESILIENCE

FIGURE 60

Racial diversity index, 2019

FIGURE 61

Home loan originations as a share of owner-occupied households

Data Source: U.S. Census Bureau, American Community Survey 1-Year Estimate, 2019

Data source: Home Mortgage Disclosure Act data, 2018-2019
Non-white Harris County residents are denied mortgages at a higher rate and receive worse loan terms, yet banks are more likely to issue loans to higher-debt non-white borrowers.

Data on home loans bring to light gender, racial and ethnic divides in who receives loans. These loan patterns help inform an understanding of the local geography of segregation.

Unsurprisingly, home loan originations are most common in hotter real estate submarkets—outside of Beltway 8 and inside the 610 Loop in high-demand areas such as The Heights and Lazybrook / Timbergrove (see Figure 61).

In terms of race/ethnicity, Figure 62 shows the divide in who receives a loan origination for owner-occupied homes. (An “origination” is a successful loan application.) The denial-to-origination ratio is highest for Black Harris County residents, followed closely by Hispanic, other ethno-racial identity, Asian, then white. Further tracts with high rates of loan denials are disproportionately in communities of color throughout Harris County (see Figure 63).

In this section, unless specified we analyze loans only for people looking to buy homes for their primary residence, and not second homes or investment properties.

### Race/ethnicity Denial-to-origination ratio

<table>
<thead>
<tr>
<th>Race/ethnicity</th>
<th>Denial-to-origination ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian</td>
<td>0.15</td>
</tr>
<tr>
<td>Black or African American</td>
<td>0.25</td>
</tr>
<tr>
<td>Hispanic</td>
<td>0.22</td>
</tr>
<tr>
<td>Other</td>
<td>0.19</td>
</tr>
<tr>
<td>Unknown</td>
<td>0.16</td>
</tr>
<tr>
<td>White</td>
<td>0.10</td>
</tr>
</tbody>
</table>

### Gender Denial-to-origination ratio

<table>
<thead>
<tr>
<th>Gender</th>
<th>Denial-to-origination ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>0.18</td>
</tr>
<tr>
<td>Joint</td>
<td>0.14</td>
</tr>
<tr>
<td>Male</td>
<td>0.17</td>
</tr>
<tr>
<td>Gender Not Available</td>
<td>0.19</td>
</tr>
</tbody>
</table>

Source: Home Mortgage Disclosure Act, Snapshot National Loan Level Dataset

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High denial ratio census tracts, 2018–2019

*Tracts with denial-to-origination ratio > 0.212, the top quartile amongst all tracts with significant home purchase loan activity (meaning more than 56 total applications filed, in the top 3 quartiles of all applications)
Harris County women applying for loans for owner-occupied homes have a slightly higher denial ratio than men, and joint filings have the lowest denial rate.

However, the data tells a more complicated story when considering other loan terms, like dollar amount and interest rate. While denied at a higher rate, non-white and non-Asian Harris County residents also tend to receive higher-interest loans. While Hispanic borrowers do not have the highest denial ratio, they are paying the highest interest rates on the least expensive homes. This has the effect of putting certain Hispanic and other households into more unstable financial situations.

Analyzing existing borrower debt complicates the issue further. The average debt-to-income ratio on a denied applicant, for each racial/ethnic group, is higher than 0.40, which is the Federal Reserve’s definition of a high debt burden. While white Harris County residents are denied less frequently and have more favorable loan terms, those white applicants who are denied have a lower existing debt-to-income ratio (Figure 65). Lenders tend to accept higher debt burdens for non-white loan applicants, which may be associated with the fact that, as shown previously, non-white borrowers have less favorable loan terms (i.e., higher interest rates), putting them at a higher risk of foreclosure.

**Mortgage foreclosures are well-understood:** They occur when a person is delinquent on their mortgage loan payments. Tax foreclosures, a much smaller share of foreclosures, occur when a property owner does not pay their property taxes over a long period of time, often on non-residential or abandoned properties. In cases of an occupied residential property facing tax foreclosure, owners have many relief options and often enter into extended negotiations with the taxing authorities in order to prevent being displaced.

Data from each foreclosure come from different sources. Tax foreclosure records are public. Texas law does not require mortgage foreclosure records be public; therefore, Kinder acquired data from New America’s 2020 “Displaced in the Sun Belt” report, which processed data with the assistance of DataKind and Foreclosure Information and Listing Service Incorporated. New America unfortunately lacks mortgage foreclosure data for certain census tracts, so this report contains data only for the tract-level and does not aggregate a city or county-wide rate. Missing foreclosure data also makes it impossible to accurately estimate foreclosures at the CTA level, so this report does not include those numbers. Like evictions, these data are “lumpy” and thus are averaged across years. Through 2017–2019, the county recorded on average at least 8,193 mortgage foreclosures per year.

Across the county, the most mortgage foreclosures occurred in suburban areas around Bear Creek and Atascocita. Many high-mortgage foreclosure CTAs also had extensive flooding during Hurricane Harvey. It
SECTION 4. ECONOMIC SEGREGATION AND HOUSING RESILIENCE

FIGURE 66

Total mortgage foreclosures by tract

![Map showing total mortgage foreclosures by tract.](image)

- **Data Sources:**
  - Foreclosure Information and Listing Services Incorporated
  - Compiled by DataHed for New America

Total foreclosures, 2017-2019

- Less than 25
- 25 - 50
- 51 - 100
- More than 100
- Tract with no data

FIGURE 67

Mortgage foreclosure rate by tract

![Map showing mortgage foreclosure rate by tract.](image)

- **Data Sources:**
  - Foreclosure Information and Listing Services Incorporated
  - Compiled by DataHed for New America

Average foreclosure rate by census tract, 2017-2019

- Less than 1%
- 1% - 5%
- 5% - 10%
- More than 10%
- Tract with no data

(Foreclosures divided by owner-occupied households with a mortgage)
remains a point to investigate further if there is a relationship between flooding and mortgage foreclosures.

Many areas with high mortgage foreclosure numbers are in suburban areas with many single-family homes. When calculating the mortgage foreclosure rate (total mortgage foreclosures divided by number of owner-occupied homes with a mortgage), however, one finds that central areas in the eastern part of the county have particularly high rates (see Figure 67). This may be due partly to the lower number of homeowners in these areas and the relatively high level of financial risk that new homeowners are taking on.

Tax foreclosures represent a much smaller set of foreclosures, with fewer than 710 total foreclosures (on all types of properties) in 2019. The geography of residential tax foreclosures resembles that of mortgage foreclosures, with many inner areas to the east of downtown having high numbers. Two CTAs had more tax foreclosures than “traditional” home sales, showing that they have uniquely moribund real estate markets. These are also areas where ownership and title issues among families with long-term ownership are often complicated, which can lead to many properties entering into a legal limbo.

**Housing subsidies are concentrated in Houston, primarily in high-poverty neighborhoods.**

Despite ongoing efforts to bring subsidized homes into higher opportunity areas, subsidized housing units remain disproportionately concentrated in under-resourced areas, which reinforces racial and income segregation patterns. From 2018 to 2019, three out of every four subsidized housing units in Harris County were added in Houston city limits. Each of these trends are continuations of those since 2010. Housing Choice Voucher (HCV) and Low-Income Housing Tax Credit (LIHTC) programs are the largest affordable housing programs that provide rental assistance.\(^3\) The fair housing and poverty dispersal focus of HCVs is evidenced in that nearly half are split between Harris County and Houston, whereas the LIHTC and other subsidy programs’ homes are overwhelmingly inside Houston.

\(^3\) Each subsidy category is not mutually exclusive. Many HCV units can be double-counted with other subsidy programs. The number of LIHTC units indicates the number of units built with the LIHTC program or often with one or more other subsidy programs. The number of other subsidy program units indicates the number of units built with other subsidy programs but not with the LIHTC program.
More knowledge about landlords will help stakeholders better understand the dynamics of a renter-majority city (and soon-to-be majority renter county).

It is important for Houston’s housing advocates and professionals to not only understand renters but also landlords. Most landlords are smaller enterprises who are uniquely stressed during COVID-19.

Because many landlords—even “mom and pops”—have independent LLCs listed as the owners of each individual property, it remains very difficult to quantitatively trace ownership patterns countywide.

Therefore, one must search for baseline information from national research, such as a recent national study of “mom and pop” landlords by the Urban Institute in Washington, D.C.32 These landlords’ profits are smaller than larger landlords’, and their buildings tend to be older (and thus have...

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more maintenance costs). This implies that smaller landlords would be more vulnerable to COVID-19’s economic fallout and other shocks, as they have a higher likelihood of having tenants who would feel the brunt of these crises.

Survey data is an important tool for understanding local landlord practices. Avail, a Chicago company that sells portfolio management software to smaller landlords, issued a survey of its clients across the country during the pandemic to understand its impact. From a limited sample of the company’s 24 clients in the Houston MSA, 22 had an existing mortgage on their rental properties, a much higher proportion than the 36% in the national 2,400-landlord sample. While a 24-landlord sample is very small, the supermajority signals that Houston’s landlords may be disproportionately at risk of foreclosure during COVID-19, a period of many non-paying tenants.

The local city-county Housing Stability Task Force had a working group specifically focused on crafting policy to help smaller landlords through the crisis. The work group’s final report issued recommendations that included direct financial assistance, developing deferred-payment loan programs and expanding landlord participation in the Section 8 Housing Choice Voucher program. These recommendations are still being considered by both the city and county.

**Major real-estate investment trusts (REITs) have a large presence in Houston, largely in neighborhoods with many foreclosures.**

Because of the foreclosure crisis, many previously owner-occupied single-family homes became rental properties. This raises questions about who the new property owners are: While most landlords are smaller operations, corporate entities, such as real-estate investment trusts (REITs), are increasingly entering the property management business.

A crucial difference between a REIT and a “traditional” landlord is their business model. Traditionally landlords have one source of income: a rent check. REITs have two. Besides rent, they also earn revenue from issuing rental-backed securities, akin to the mortgage-backed securities that helped cause the 2008 crisis. However, single-family REITs are a miniscule sector of the rental market, less than 2% of all single-family rentals (SFRs) by a reasonable estimate. After the foreclosure crisis, newer REITs began to focus on SFRs. These REITs’ business model usually entails buying inexpensive (and often foreclosed) homes to rent in Sun Belt metropolises like Houston, where long-term prices are expected to be higher, and then re-selling the home after the market recovers.

Critics believe SFR REITs to be faraway landlords who outbid local landlords or potential owner-occupiers, and certain SFR REITs have received negative national press accusing them of poor maintenance and aggressive fee-issuing practices. Others note that these national investment trusts had the uniquely large resources to assure that more homes could remain occupied and therefore un-blighted, a particular concern after 2008.

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SFR REITs have a presence in Houston. It is difficult to track their local footprint because of the different LLCs they use. Kinder researchers were able to identify 12 LLCs associated with two of the largest SFR REITs—Invitation Homes (under the Blackstone Group) and American Homes 4 Rent—by using corporate records to trace ownership of certain LLCs back to these companies. By most estimates, Invitation Homes is the largest SFR landlord in the country. Tracking these two companies’ activities is therefore important for understanding the local REIT presence and the SFR market per se.

As of October 2020, these two major SFR REITs owned at least 3,075 homes in Harris County. They certainly own more, as these estimates only include homes owned by the 12 LLCs Kinder staff could confidently trace back to these two specific REITs. This 3,075 is also a small share of the 169,668 detached SFRs in Harris County. Additionally, Kinder researchers hypothesize that many of these companies may be rapidly selling their rentals during the strong post-COVID-19 home sales market.

Confirming other research, this report finds that these companies own homes in high-foreclosure areas, particularly in western and northeast Harris County. Among the CTAs with the largest Invitation Homes/American Homes 4 Rent presence are the CTAs with the highest foreclosure rates, places like Aldine Northwest, Spring Southwest, and Bear Creek.

Home Mortgage Disclosure Act (HMDA) data provides insight into other investor home acquisition activities. As mentioned, REITs tend to operate more in Sun Belt cities. Yet compared to peer counties, HMDA data shows that Harris County has seen fewer loan applications for investment rental properties.
However, this data has an important qualifier: HMDA only records loan applications and does not capture instances when investors may buy properties outright with cash on hand, which a large investment trust is theoretically able to do.

**The suburbs are the site of a growing trend in concentrated poverty**

As noted above, the suburbs contain a large share of the challenges of poverty, deprivation and housing insecurity. Foreclosures are highest in suburban CTAs beyond Beltway 8, while many high-poverty census tracts are beyond the Beltway as well. Cost-burdened and overcrowded renters are concentrated in many of these communities, too, despite being at the urban fringe of the county. Below, the report explains specific trends illustrating the suburbanization of poverty.

**Evictions are already high in the suburbs and are growing.**

The geography of evictions appears to be moving to southwestern suburban areas.

The 3-year average was compared to the 2019 eviction numbers. Eviction data can be very “lumpy,” with many evictions happening at once, causing occasional one-year spikes for certain neighborhoods. Averaging helps account for these trends. The 3-year average was used to compare to the 2019 eviction numbers.

Figure 73 shows that while the east side may have had higher eviction rates, evictions appear to be growing the most in the county’s west and southwest areas beyond the 610 Loop and Beltway 8. These “eviction growth” areas also include many predominantly immigrant communities, suggesting the need for targeted interventions for tenants with tenuous immigration status and/or non-native English proficiency. These sites of growing eviction also include many newer outer-ring suburbs with newer and higher-amenity buildings, suggesting that even median-income householders are also struggling to pay rent.

**Loan records show that affordable homes for purchase are disproportionately in far-flung, high-poverty suburban areas on the east side, which has implications for upward mobility.**

In order to assist low-income homebuyers, the Federal Housing Administration (FHA) insures some loans with lower down-payment and credit score requirements than most conventional commercial loans. As of 2020, FHA
FIGURE 74

Tracts with large share of FHA loans

FIGURE 75

Elderly population in poverty, 2019
down payments are 3.5% of home purchase price, much lower than the traditional 10%-20%. This helps borrowers with lower cash reserves buy homes. Per loan regulations, in 2019 FHA loans must be for homes that cost less than $331,000 in Harris County. Mapping FHA loan patterns can help us understand where low- and moderate-income buyers are actually purchasing homes.

The FHA data show that lower-income purchasers disproportionately purchase homes in the suburbs (Figure 74). Buyers often “drive until they qualify” for a loan in a home in the Beltway 8 area or beyond, largely in the county’s eastern half. These are predominately high-poverty areas far from many amenities. Research shows that residence in such communities has negative implications for upward mobility.37

Elderly residents in poverty live in the outer reaches of Harris County.

The suburbs are also the site of many poor, elderly residents. Earlier sections of this report showed that the city and county have a growing elderly population. Knowing where aging populations reside helps policymakers understand the challenges and opportunities around the elderly population’s housing, transportation and physical/mental health needs.

Unfortunately in 2019, statistics show that the elderly poor are residing in the suburban areas of Harris County (i.e. between Beltway 8 and the Grand Parkway) in far greater numbers. These places lack mass transit and non-automobile mobility options that these elderly residents currently need, and will only need more as they age.

Flooding is a growing risk: Homes are still being built in the existing 100- and 500-year floodplains

More families may be placed in harm’s way even as the overall share of at-risk housing is decreasing.

Federal Emergency Management Agency (FEMA) flood zones are based on different levels of flood risk and vulnerability to flooding events. The “floodway” is the area that has the highest risk of floods, such as the channel of a bayou and the land next to it. The 100-year floodplain is an area with a 1% annual chance of flooding, while the 500-year floodplain has a 0.2% annual chance of flooding and has the lowest flood risk.

In Harris County, homes continue to be built in floodplains—about 2,000 homes countywide in 2019—although the share of housing units in the floodplains dropped. About 10% of the total homes are within the current 100-year floodplain and floodway. A revision of the 100-year floodplain boundary will likely include the current 500-year floodplain, which means that about one in every four homes in the county will be likely included in the elevated flood-risk area.

In general, the share of homes in the 500-year floodplain declined in 2019. However, the unit numbers slightly increased. The increasing number of single-family and multifamily units in flood-prone areas can impact Houston’s most vulnerable communities, who are less likely to have savings as a cushion after a disaster. The growing number of housing units in the floodplain could also deteriorate many Houstonians’ safety and quality of life after the type of severe flooding event that the city and county will certainly experience in the future.

Not nearly enough local homeowners have flood insurance protection, as the number of flood insurance policies is roughly only one-fourth of the number of units in the floodplains.

Despite being on a coastal plain in a hurricane-prone area, many Harris County residents do not have flood insurance policies. Area residents tend to purchase policies only after a disaster threatens them, and purchases decline as storms recede from memory. According to National Flood Insurance Program (NFIP) data, many Houstonians purchased insurance after Hurricane Ike but numbers dipped until after Hurricane Harvey, when policy purchases increased again, up 16% from before the storm.

This pattern means that many people who need flood coverage do not have it: locally, there is only about one policy for every four units in a floodplain. The 83,322 and 55,197 policies in the county and city, respectively, are drastically less than the 404,273 and 242,670 units in the floodway, 100- and 500-year floodplains in the same areas. While the number of policies increased after Harvey (from roughly 66,000 to 74,000 from 2017 to 2018), the number of homes at risk and without coverage remains considerable.

Potential declines in property values in floodplains are a threat to wealth building and economic mobility.

Without adequate flood insurance protection, the immense amount of capital invested in homes in the floodplain may likely be washed away. Kinder staff estimate

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38 When comparing the NFIP policy count to the number of housing units, one must consider an important qualification. NFIP data show the total count of flood insurance policies. In the case of multifamily properties, it is possible that both a property owner and tenant each purchase flood insurance policies. Property owners policies cover structural damage, while renters purchase policies to protect their belongings because renters insurance may not cover flood damage. Therefore, while a comparison may be imprecise, the very large gap between total policies and units in Harris County still signifies that we do not have adequate coverage.
the county and city have $29.5 billion and $14.5 billion worth of residential property, respectively, located in the floodway or the 100- and 500-year floodplains. Moreover, the value of these properties increased from 2018 to 2019, similar to the rise of property values overall. About one-fourth of Houston’s residential property value, and one-fifth of the county’s value, are located in flood-risk, damage prone areas.

During disasters, financially stressed households have less resources to weather the crises and are increasingly vulnerable to the next disaster

COVID-19 is leading to more homelessness, leaving more people vulnerable to future disasters.

People are frequently experiencing homelessness because of a disaster: As mentioned, 1 in 7 unsheltered people during the 2021 local point-in-time count cited COVID-19 as the reason for their state, with many citing decreased work hours due to the virus. Fourteen percent cited a natural disaster as the reason for their homelessness. All of these newly homeless people were in turn more vulnerable to the February 2021 winter storm.

Curiously, the numbers for the 2021 point-in-time census showed decreasing overall homelessness, and there may be two reasons for this.

The first reason for the decline may be methodological: COVID-19 caused changes in how the Coalition for the Homeless and The Way Home conducted the count, making it difficult to compare different years. Among the changes were that the count occurred over more days, and the only people conducting the count were professionals (and not volunteers like in past years). Because of the different methodology, these agencies discourage inter-year comparisons with the 2021 results. In 2019, the point-in-time count showed 3,938 homeless residents, down from 4,143 in 2018. Yet in 2021, the point-in-time count (with a different methodology) showed that 3,055 people are experiencing homelessness in Harris, Fort Bend, and Montgomery counties, of which 51% have shelter but not stable housing.

The second possible reason may be that targeted policy and funding helped provide emergency shelter. The number of unsheltered people getting rapid re-housing and permanent supportive housing decreased in 2020, partially because shelters needed to decrease occupancy rates. An increase in the number of rapid re-housing units from 2015 to 2017 also helped meet demand. Lastly, federal CARES Act funding supported the local COVID Community Housing Program, which provided housing for 1,170 people, including roughly 800 people (or one quarter of the local unhoused population) prior to the night of the point-in-time count in 2021. This also makes inter-year comparisons between point-in-time counts difficult, because 2021’s count was irregular, but demonstrates that dedicated policies can successfully provide shelter.

Citizens returning from prison face many challenges and must rely on friends and family, who are more likely to be facing the worst of the COVID-19 crisis.

The protest movement that followed George Floyd’s murder brought renewed attention to inequities in the U.S. criminal justice system. Post-incarceration housing is one major area where housing policy and criminal justice policy intersect. According to the Texas Department of Criminal Justice, 7,134 parolees from state prisons moved to Harris County in 2019 after serving their sentences. This sum represents only parolees, and does not include fully discharged people with no parole stipulations or recently released people from out-of-state prisons; therefore, the true number of returnees is certainly larger.

These thousands of returnees have difficulties securing stable housing. First, per Texas policy, they are discharged from prison with only $50 upon release, and thus need to rely on family or friends for money, placing further stress on Houston’s non-white communities, which are over-represented in the returnee population and more likely to be negatively affected by COVID-19’s health and economic impacts. Second, as emphasized in this and last
year’s reports, Harris County and Houston have a severe undersupply of affordable homes. Additionally, landlords conducting background checks have it within their rights to deny leases to people with criminal records, making it harder to find housing.

Certain service providers help to address returning citizens’ needs, but their resources are limited. For example, New Hope Housing maintains slightly over 2,000 single-room occupancy units in Greater Houston. These affordable, furnished units are available with far less stringent background checks. However, the rooms lack the amenities and space of a typical one-bedroom apartment (e.g., they usually only have twin-sized beds). 2,000 is also far less than the total number of returning people cited in Figure 79.

Research finds that stable housing is often associated with decreased recidivism in the US. New Hope Housing, working with the University of Texas Health Science Center at Houston School of Public Health, conducted a recidivism study on their own residents. According to preliminary findings, only 12% of New Hope Housing residents with recent felony convictions received another conviction within a comparable period after move-in, which is roughly half of the statewide recidivism rate.39

New state regulations have made matters more difficult for the released to secure subsidized housing. In Fall of 2020, the Texas Department of Housing and Community Affairs created a regulation that barred people with certain violent and drug-related felony records from acquiring homes in supportive affordable housing for a set number of years after release. Curiously, the rule only applies to “supportive” housing with specific services, and not regular affordable housing, meaning that it only applied to more vulnerable people with criminal records.40

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Source: Texas Department of Criminal Justice

FIGURE 79 Texas parolees returning to Harris County, 2019, by gender and race/ethnicity


Houston’s housing sector remains both a sight of promise and instability. This report has highlighted four key themes.

There is not one housing sector but two. For wealthier locals, or even people earning the overall median, their owner-occupied houses accrue in value; if they are renters, they have a wide variety of new rental units to choose from. Their income increases fast enough to keep track with rising housing costs. For those earning the median of a renter household’s income or less, there is a lack of affordable homes to rent. If one is able to save up for a down payment and has not had their income affected by a disaster, then the homes that qualify for an FHA loan are in the county’s underserviced suburbs or, more likely, outside of the county. This dual housing sector compounds the economic and racial segregation that harms our region.

Renters face difficult challenges. This should be particularly concerning because Houston is a majority-renter city, and Harris County is soon to follow suit. There is a $40,000 difference between a median owner’s and renter’s household income, and a shrinking supply of homes that even a middle-income renter can afford. Probably the strongest evidence of the crisis facing local renters is Harris County’s enormous eviction rate: roughly one in 11 renters had an eviction notice on their door in 2019. If you see three fourplexes next to each other, odds are that one unit has had an eviction notice pinned to their door. While homeownership can be a policy goal and is a starting point for building generational wealth, it is crucial not to forget the needs of renters.

Can the housing supply meet Houston and Harris County’s new needs? Harris County and Houston add many new homes each year, yet it may not be enough, particularly because market-rate housing development caters increasingly to higher-income households. Renter incomes decrease while the city and county only add expensive rentals. Also, the average local household is becoming smaller and older, and thus may not want a single-family home that happens to be the hottest commodity at this specific moment. Single-family homes are also harder to build in a city with more expensive land, and homeownership and its down-payment requirements may be out-of-reach in the county for poorer residents.

Is the area’s housing ready for the next disaster? Housing is not only a roof and walls, it is also a refuge during pandemics, hurricanes and winter storms. Yet not enough households have flood insurance, more homes have been built in the floodplain, working-class and disproportionately non-white locals bring the pandemic back to their homes because they do not have the luxury to work from home, and Winter Storm Uri left many homes powerless and waterless. Households still recovering from one disaster must face another. Even if a person can secure a financially stable home, only policymakers can ensure the region has the resilient tap-water, electrical, stormwater and public health infrastructure to withstand a disaster. Even wealthy homeowners had frozen pipes because of power outages. The shrinking city population cited in the 2019 ACS 1-year survey—while an outlier—should worry policymakers. Frequent disasters threaten not only residents’ mental health, but perhaps also the ability of the city to prosper in the long term.

Conclusion
The Kinder Institute thanks the following supporters for their transformational support of our mission to *build better cities and improve people’s lives*.

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