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How Did Homelessness Change During the Great Recession and Recovery?

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As of January 2021, nearly one in four of the nation's 43 million renter households reported having missed at least one rent payment during the pandemic.

Las Vegas shows the closest tracking of regional economic trends: homelessness rose from 2008 to 2010—the period corresponding to the sharpest decline in housing prices due to foreclosures—then declined in all subsequent years.

Because renters earn lower incomes and have less wealth than homeowners, renters who lose jobs are more likely to experience housing insecurity, doubling up, and potentially homelessness.

Abstract

Job losses from the COVID-19 pandemic have exacerbated housing insecurity among low-income renters over the past year. Federal, state, and local policymakers have created temporary measures to help reduce displacement among people who have lost their jobs, but there is considerable uncertainty about what will happen when these temporary measures end. To gain insight into how homelessness changes over macroeconomic cycles, we examine changes in homelessness rates from 2007 to 2020. Our analysis focuses on four metro areas that were particularly hard-hit by the foreclosure crisis: Las Vegas, Los Angeles, Phoenix, and Riverside. Overall homelessness rates declined in all metros except Los Angeles during this time, but the share of unsheltered homeless persons has increased in recent years.

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Introduction

Job losses from the COVID-19 pandemic have exacerbated housing insecurity[1] among low-income renters over the past year. As of January 2021, nearly one in four[2] of the nation's 43 million renter households reported having missed at least one rent payment during the pandemic. To prevent widespread displacement that could increase public health risks, federal, state, and local policymakers have used a variety of tools[3] to help families stay in their homes. Direct financial support,[4] such as unemployment insurance, and emergency rent relief[5] funds allowed many renters to catch up on back rent. A nationwide eviction moratorium[6] has limited landlords from evicting tenants for non-payment of rent (although the moratorium has been unevenly enforced). But all of these measures are temporary, intended as stop-gaps until the public health threat recedes and the economy recovers. Which raises the questions: what will happen[7] to low-income renters when these policies end? Will there be a surge of people displaced from their homes? And where will they go?

To gain some insight into how homelessness changes over macroeconomic cycles, we examine changes in homelessness rates from 2007 to 2020. Our analysis focuses on four metro areas that were particularly hard-hit by the foreclosure crisis: Las Vegas, Los Angeles, Phoenix, and Riverside. Using data collected by the U.S. Department of Housing and Urban Development's annual Point-in-Time (PIT) survey, we look at changes over time in homelessness rates, the share of family homelessness, and the percentage of unsheltered homeless persons. These trends vary widely across metro areas, and do not necessarily line up with local housing market conditions or other economic indicators.

Individual Factors and Local Housing Market Conditions Influence Homelessness

People are more likely to experience housing instability, displacement, and homelessness following a shock to their economic or personal circumstances, such as losing a job, divorce, or severe illness. There are various ways people can adjust their housing situation after income losses. To stay current on their rent, households often cut back spending[8] on other goods and services, spend down their savings, or run up credit card debt. When those resources run out, households facing immediate risk of eviction[9] often "double-up", moving in temporarily with family or friends. (Concerns over the public health risk[10] of crowded housing was a primary reason the Centers for Disease Control imposed the national eviction moratorium in October 2020.) Even without the COVID-19 pandemic, households living in crowded housing (more than two persons per bedroom) face higher physical and mental health[11] risks. In the worse-case outcomes, families who have lost income and exhausted their resources may become homeless, living in temporary shelters, staying in cars or abandoned buildings, or sleeping unsheltered on streets and public spaces.

Local and regional housing market conditions also influence the prevalence of homelessness within communities. Places where the supply of rental homes is tight and where housing is expensive tend to have more people experiencing homelessness. Research has shown that homelessness is higher in metros with higher median rent,[12] higher shares of rental housing,[13] and higher percentages of single-person homes.[14] These local economic conditions are more strongly correlated with family homelessness[15] than individual homelessness. Broader economic conditions matter as well. Some studies have also found that income inequality[16] and poverty[17] are positively correlated with homelessness. Other factors, such as climate[18] and federal funding,[19] have been shown to be predictive of sheltered homelessness in particular.

Rising homelessness can harm entire communities, not just the persons experiencing homelessness. It increases financial and staffing demands on local governments and non-profit organizations who manage shelters, provide food assistance and other social services. Children whose families are homeless struggle in school[20]—which can have long-term consequences for their education and career.[21] In short, rehousing people after they become homeless is far more expensive—in human and financial terms—than keeping them housed in the first place.

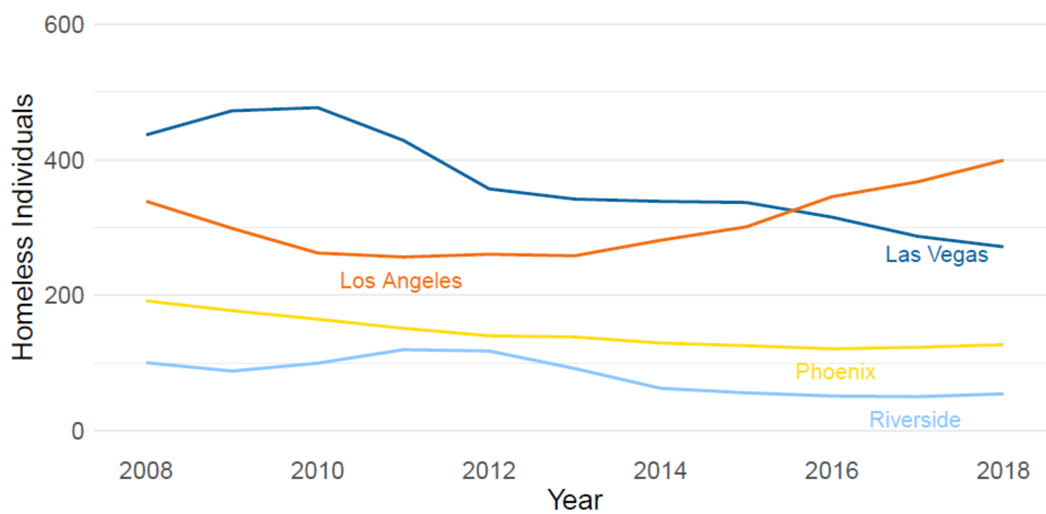
Overview of Data and Methods

HUD's PIT homelessness counts are collected by local governments every year on a single night in January. HUD's methodology notes that these surveys often undercount sheltered homeless[22] individuals. The PIT does not attempt to count people who are temporarily staying with other households, so the survey understates the full extent of people who lack long-term stable housing. Nonetheless, the PIT is an important and widely cited source for measuring housing insecurity. American Community Survey (ACS) population data is used to normalize homelessness counts across metro areas. We construct 3-year rolling averages to smooth out year-by-year noise and illustrate longer-term trends.

The Size and Composition of Homeless Populations Varied Over Time and Metro Areas

Las Vegas and Los Angeles had persistently higher rates of homelessness than Phoenix and Riverside during this period. Time trends vary widely across the four metros, and are not obviously correlated with the impact of the Great Recession and Recovery.[23] Las Vegas shows the closest tracking of regional economic trends: homelessness rose from 2008 to 2010—the period corresponding to the sharpest decline in housing prices due to foreclosures—then declined in all subsequent years. By contrast, homelessness in Los Angeles declined until about 2012 and increased in the second half of the period, as the regional economy strengthened. Phoenix and Riverside saw mostly declining homelessness rates over this time, starting from a much lower base.

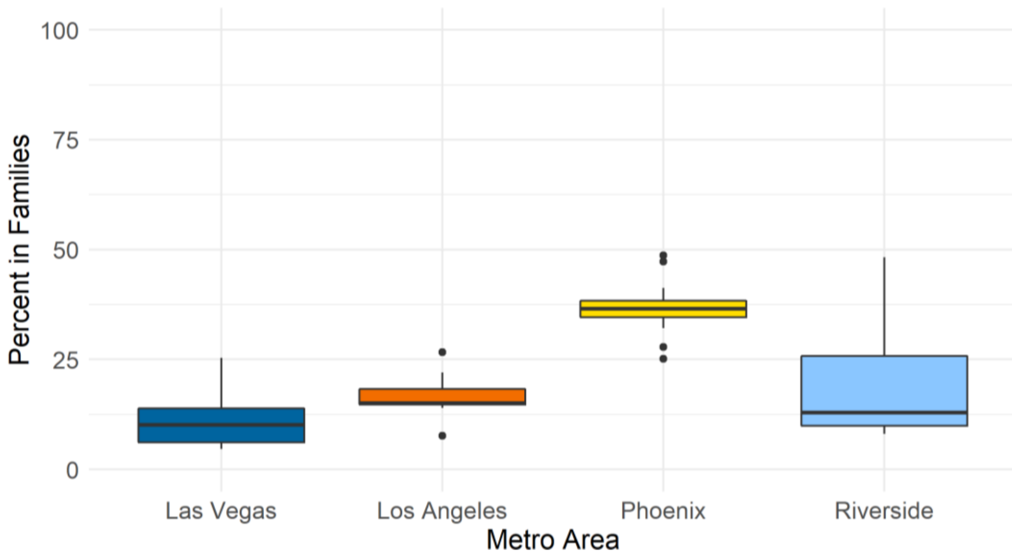
Figure 1: Persons Experiencing Homelessness Per 100,000 Residents, 2008 - 2018



Source: HUD Point-in-Time homelessness and Census Bureau annual population estimates.
Note: Graph shows three-year rolling averages.

The composition of homeless populations varies across the four metro areas. Roughly one-third of persons experiencing homelessness in Phoenix belong to families (specifically families with children). Las Vegas has the lowest share of family homelessness, around 10%. Family homelessness poses some particular challenges for local governments (including schools) and service providers. Emergency shelters generally separate single adults from families with children, who require different supportive services.

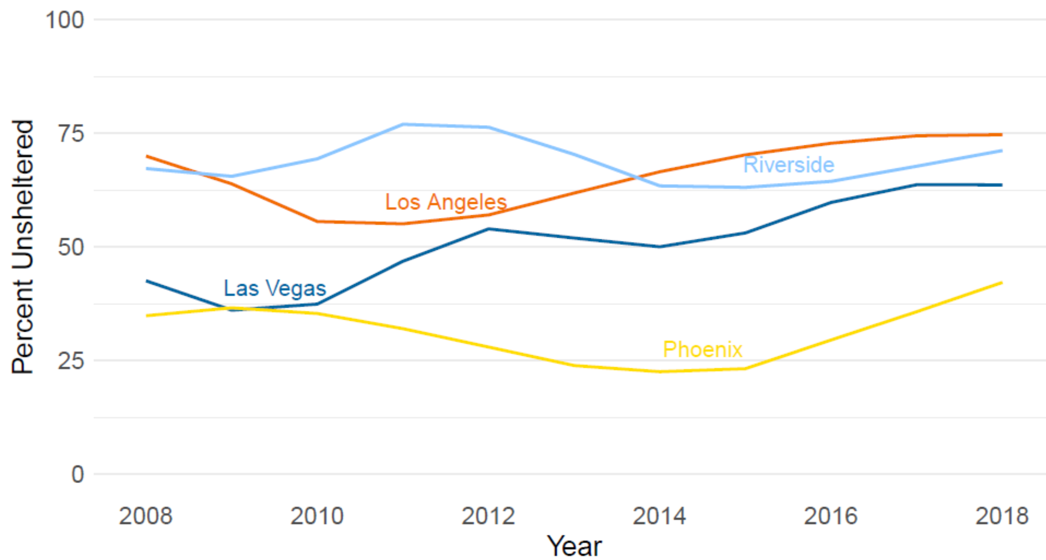
Figure 2: Families as Percent of Persons Experiencing Homelessness



Source: HUD Point-in-Time estimates.

In Los Angeles and Riverside, nearly three-quarters of the homeless population was unsheltered. For the point-in-time counts, HUD defines "sheltered" homeless[24] as people living in emergency shelters or transitional housing, both of which are intended as short-term housing. Unsheltered homeless persons—including those living in cars or RVs—are generally at higher risk from severe weather, including extreme heat, especially in Southwestern areas like Las Vegas and Phoenix. Los Angeles' moderate climate likely explains some of its higher rate of unsheltered homeless. Phoenix' low share may also reflect the higher percentage of homeless families, who are more likely than single adults to be placed in emergency shelters. A concerning trend is that all four metros show increases in the share of unsheltered homeless in the latter years of the period.

Figure 3: Unsheltered persons as share of homeless population, 2008 - 2018



Source: HUD Point-in-Time estimates.

Conclusion

The COVID-19 pandemic's impacts on housing markets are not directly parallel to the impacts of the Great Recession. Crucially, while the Great Recession was triggered by a massive wave of foreclosures among owner-occupied homes, then spilled over into rental markets,[25] job losses in the pandemic have hit renter households far harder than homeowners. Because renters earn lower incomes and have less wealth than homeowners, renters who lose jobs are more likely to experience housing insecurity, doubling up, and potentially homelessness. Based on past research, we would expect the largest increases in homelessness in places with expensive housing, limited availability of rental housing, and where COVID has hit jobs the hardest—metro areas like Los Angeles and Las Vegas.

Policymakers trying to address housing insecurity are hampered by inadequate real-time data[26] on housing distress. Weekly unemployment filings have been very useful in following COVID's impacts on labor markets, knowing when and where to target additional resources. We have no equivalent frequently reported measure of housing distress, especially for tracking the well-being of renter households. It is also important to note that homelessness is a lagging indicator of housing distress. Just as becoming homeless is an outcome of last resort for individuals, increased housing instability will take some time to show up in city-level homeless rates. By the time the PIT data show an increase in homelessness, families and individuals will have experienced long-term damage to their households' financial, social, and physical well-being.

To prevent rising homelessness, policymakers should quickly provide more support to low-income renters. Local and state governments have variety of tools to prevent people from becoming homeless—but also varying capacity in approaching the problem. The federal government has allocated unprecedented amount of money that could be used to support low-income renters, from emergency rent relief[27] to flexible funding[28] for state and local governments. But to date, bureaucratic hurdles[29] have gotten in the way of distributing funds to renters and landlords. Some large cities already had rent relief programs they could build on, but many communities had to create programs from scratch. If ever there was a time to give poor renters money quickly, without requiring them to jump through bureaucratic hoops, now is that time. Failing to get in front of the problem will have severe consequences for impacted households and for larger communities.

Given the uncertainty about how long the federal moratorium will remain in effect, cities and states should make every effort to speed up delivery of rent relief. Setting state and local guidelines to phase out eviction moratoriums over several months would allow extra protection for the most vulnerable tenants, while smoothing administrative burdens on court systems and social service providers.

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