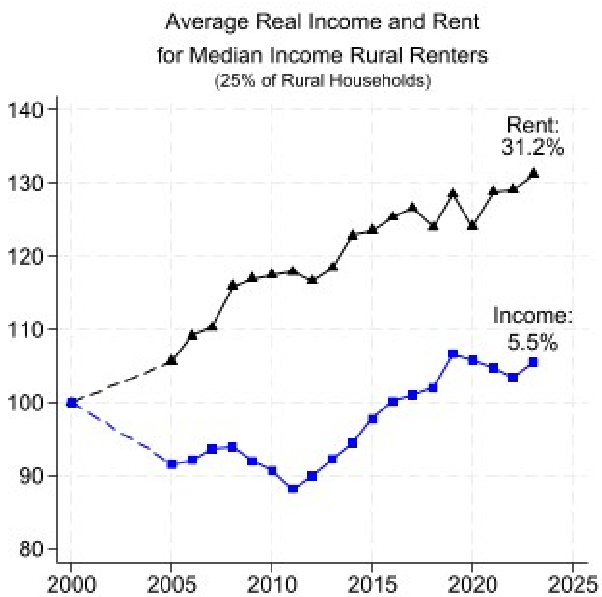
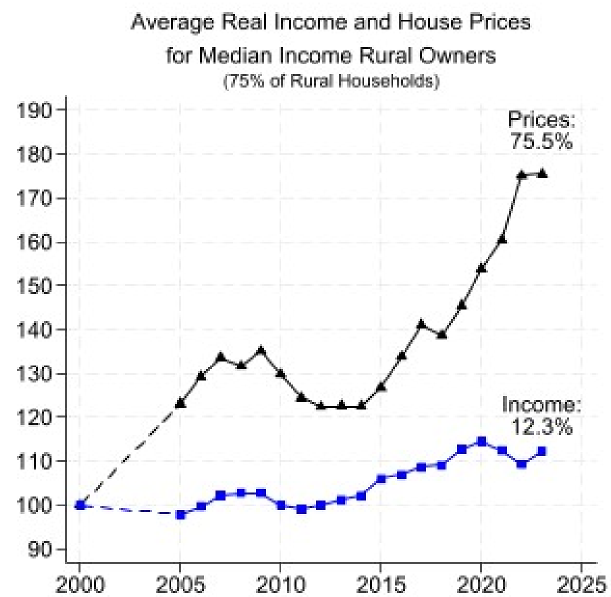
The Deterioration of Housing Affordability in Rural America

It is well known that housing costs have skyrocketed in suburban and urban areas across America since the turn of the century and especially in recent years, but it is less understood whether rural parts of the country have also seen a deterioration in housing affordability.[1] This Council of Economic Advisers (CEA) brief establishes that the housing affordability challenge is also impacting rural America, as shown in the Figure below that plots cumulative income and housing cost growth for rural renters and homeowners relative to their year-2000 values (indexed to 100). The marked deterioration in affordability suggests a strong need for additional rural housing supply to tame costs and enable greater homeownership.





Key facts uncovered and documented in this brief include:

- **Rural incomes have not kept up with rising rents.**
  As shown in the upper-left figure, real rents increased by 31.2 percent between 2000 and 2023, whereas the median real income of rural renting households only rose by 5.5 percent.

- **Real house prices have vastly outpaced incomes.**
  As shown in the upper-right figure, real rural house prices have risen at faster than 6x the pace of homeowner incomes, which is pushing homebuying further out of reach for young families.

- **Rural homeownership rates have declined at nearly all working ages.**
  As shown in Figure 1 below, rural homeownership rates have declined for working-age Americans. For example, the fall in homeownership rates between 2000 and 2023 for rural households aged 31-35 is 3.2 percentage points and for households aged 36-40 is 3.8 percentage points.

[1] Baum-Snow and Duraton (2025) in "Housing Supply and Housing Affordability" show that housing affordability has worsened in rural areas.

Introduction

To explore the extent to which the housing affordability challenge has impacted rural America, this brief examines patterns of real rents, house prices, and expenditure shares between the years 2000 and 2023. The key finding is that, like with America as a whole, housing costs have risen more rapidly than incomes in rural communities, leading to a deterioration in rural housing affordability. As a result, homeownership rates have noticeably declined in rural areas, suggesting that the inability to buy a home is not limited to urban and suburban communities. Housing supply shortfalls are a substantial driving factor behind these trends and can also explain the substantial aging of the rural housing stock over the past two decades.

Brief Overview of the Data

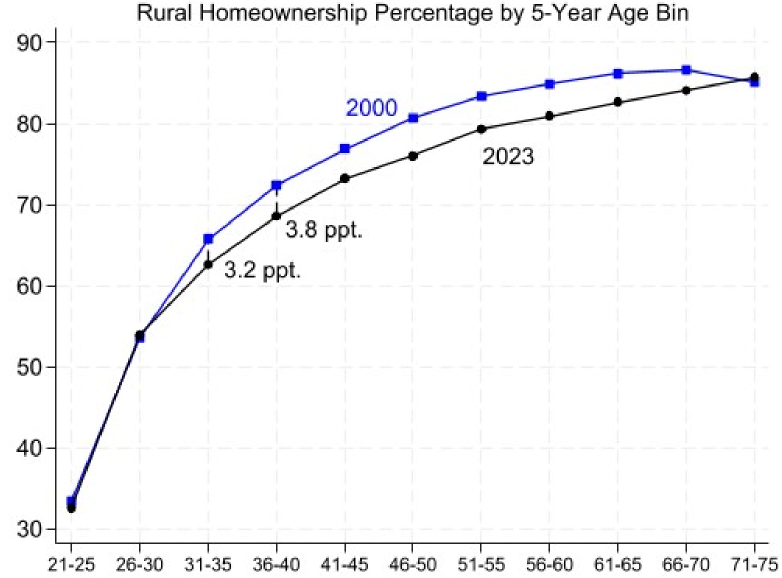
The CEA uses Census data to study homeownership rates and housing affordability for rural Americans.[2] For purposes of this analysis, a rural area is one in which the population density is less than 250 people per square mile.[3] With this definition, the estimated rural population in the United States in 2023 comes out to 58 million people, very similar to other estimates.[4] To provide some perspective, a randomly chosen person living in this definition of a rural area resides in a location with a population density of 128 people per square mile, corresponding to roughly one household per 13-acre plot.[5]

Decline in Rural Homeownership

After rising from 67.1 percent to 69.0 percent between 2000 and 2006, the national homeownership rate hit a low of 62.9 percent in 2016. After President Trump took office, the rate partly recovered to just over 65 percent by 2020 before flatlining during the Biden Administration.[6] In rural America, homeownership was also lower in 2023 relative to 2000 for all working ages. For aspiring families in their 30s, the rate has fallen by 3.2 to 3.8 percentage points (ages 31-35 and 36-40, respectively).

Figure 1

Rural Homeownership Percentage by 5-Year Age Bin



[2] The CEA uses IPUMS USA data for the 2023 American Community Survey and the 2000 1% Unweighted Census Sample. See Steven Ruggles, Sarah Flood, Matthew Sobek, Daniel Backman, Grace Cooper, Julia A. Rivera Drew, Stephanie Richards, Renae Rodgers, Jonathan Schroeder, and Kari C.W. Williams. IPUMS USA: Version 16.0 [dataset]. Minneapolis, MN: IPUMS, 2025. https://doi.org/10.18128/D010.V16.0.

[3] Due to limitations of the data, the CEA cannot apply the Census definition of rural (which essentially defines rural as the absence of urban): see https://mtgis-portal.geo.census.gov/arcgis/apps/storymaps/collections/189aa1dbd64c4c81b3b4a2b71124f6c6?item=1.

[4] The World Bank, for example, reports that the rural U.S. population was 56 million in 2023.

[5] A square mile is 640 acres. If a household is 2.54 people, then one household per 12.7 acres yields a population density of 128 people / mi^2.

[6] See https://fred.stlouisfed.org/series/RHORUSQ156N.

Decline in Affordability for Rural Renters

Many discussions of housing affordability focus on the cost of housing for households at the low end of the income distribution. The CEA now documents that housing has become increasingly unaffordable for rural renters and rural homeowners with household incomes around the median.

Figure 2:
Real ($2023) Income, Rural Renting Households

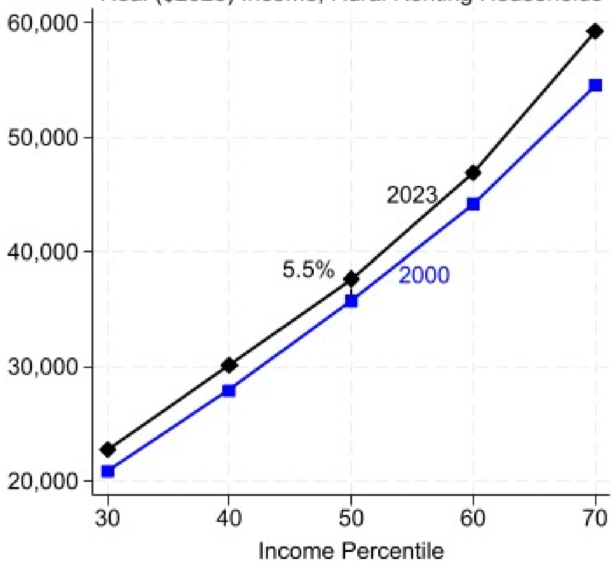
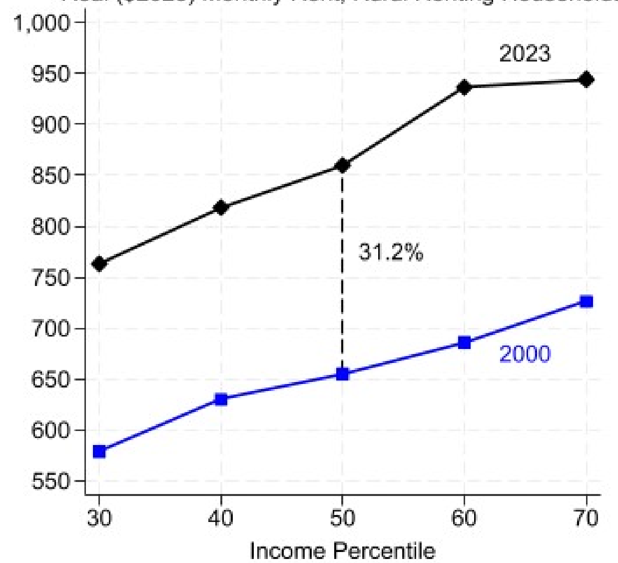


Figure 3:
Real ($2023) Monthly Rent, Rural Renting Households

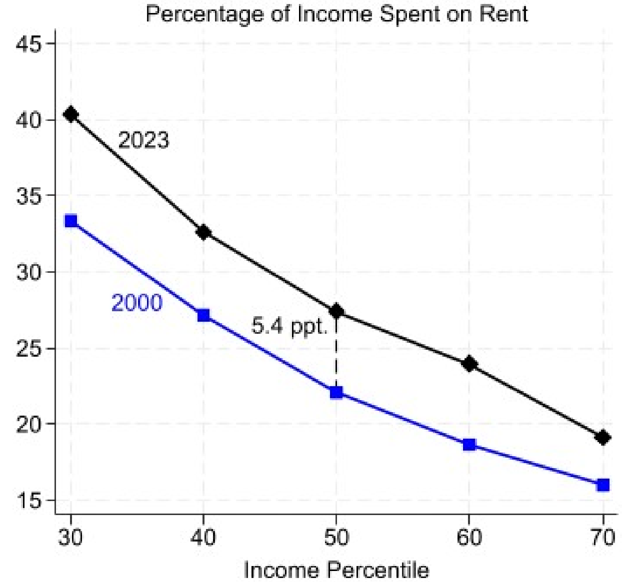


For rural renting households, the CEA computes real household income corresponding to the 30th, 40th, 50th, 60th, and 70th percentiles of the rural-renting-household income distribution in 2000 and again in 2023.[7] These data are graphed in Figure 2, which shows that real incomes of rural renters increased modestly between 2000 and 2023. Figure 3 shows average real monthly gross rent (inclusive of utilities) for rural renting households at each of the income percentiles. Figure 3 shows real rents increased at a much faster rate than real household incomes. Measured at the median income, real incomes increased by 5.5% from 2000 to 2023 but average real monthly rents for those households increased by 31.2%.

[7] The CEA excludes households reporting zero household income from these and subsequent calculations. The CEA adjusts reported all year-2000 income, rent, and price data using the chain-type price index for personal consumption expenditures available at the FRED Economic Data database at the Federal Reserve Bank of St. Louis: https://fred.stlouisfed.org/series/PCEPI. The CEA sets the price index for 2023 (the base year) equal to 100 implying the 2000 value of the index is 61.3.

Figure 4 shows the average value of rent divided by income, the "expenditure share" on rents, also by income percentile. Figure 4 shows the average expenditure shares of rural renting households earning the median income increased by 5.4 percentage points. This price-driven increase can be thought of as a 5.4 percentage point housing-inflation-tax.

Figure 4:
Percentage of Income Spent on Rent

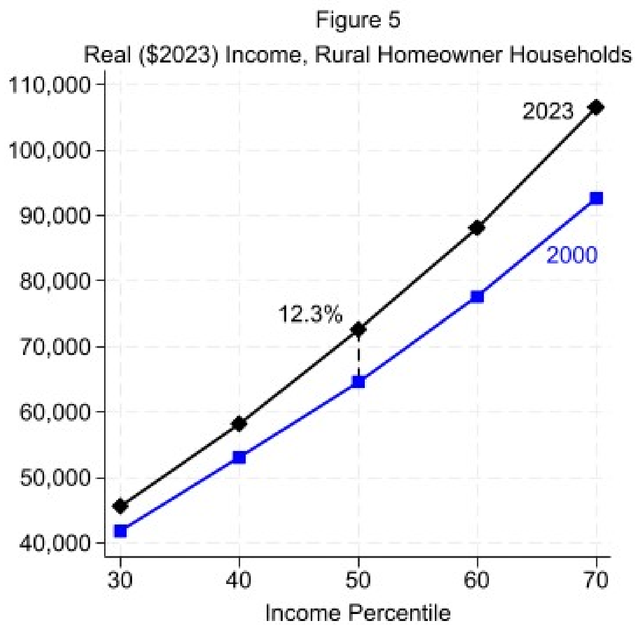


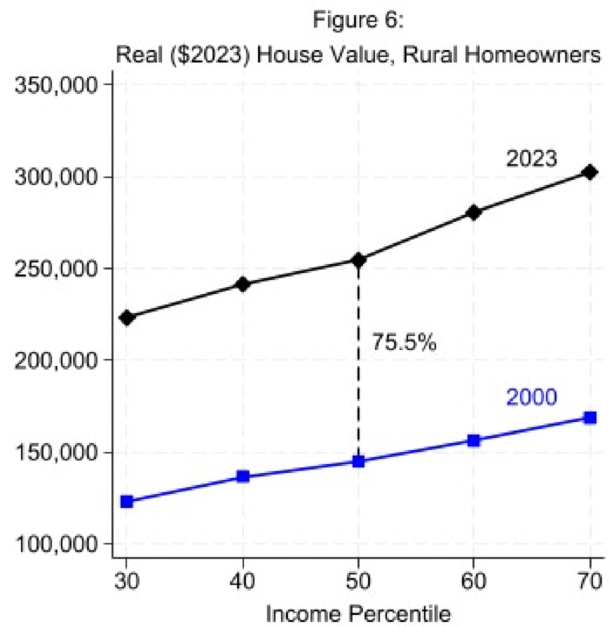
Another way to look at rural rental affordability is to compute the share of rural households that spend at least 30 percent of their income on rent ("cost burdened households"). The CEA estimates that in 2000, 31 percent of rural renting households were cost burdened. By 2023, the cost-burdened percentage increased to 40 percent.[8]

<u>Decline in Affordability for Rural Homebuyers</u>
Using similar methods to those discussed for renters, the CEA computes the distribution of real household income for rural homeowning households in 2000 and 2023. These data are shown in Figure 5. A comparison of Figures 2 and 5 shows that at each income percentile, household income of rural homeowners in each year is larger than household income of rural renters. Figure 5 also shows that rural homeowners earning the median income experienced real income growth of 12.3% between 2000 and 2023, greater than the 5.5% real income growth of rural renters earning the median income.

Figure 6 graphs the average of real house prices owned by rural homeowners at each of the reported income percentiles in 2000 and 2023. This figure shows a marked jump in real house prices: at the median, rural house values were <u>75.5 percent</u> more expensive in real terms compared to in the year 2000, making it much more difficult for young rural Americans to buy their first home and start a family.

[8] To compute cost-burdened percentages, the CEA uses the exact expenditure share for every rural renting household in our sample. Figure 4 reports the average expenditure share among people earning a given income percentile, explaining why the cost-burdened percentages one can infer from this Figure are not what is reported in the text. For example, even though the average expenditure share of rural renting households at the 30th income percentile in 2023 is about 40 percent as shown in Figure 4, that does not mean that every rural renting household at the 30th percentile has an expenditure share of 40 percent.





In inflation-adjusted terms, in 2000 a median-earning rural homeowner earned $65,000 per year and owned a house with a price of $145,000, implying a price-income ratio of 2.2. In 2023, a median-earning rural homeowner earned $73,000 per year and owned a house priced at $254,000, a price-income ratio of 3.5. Even though a $254,000 house may seem quite affordable from the perspective of someone living in a high-density metropolitan area, incomes are lower on average in rural areas, and it is unlikely a rural household in 2023 could buy a new home for $254,000 given that only 19 percent of owned homes five years old or newer in rural communities had a value less than $254,000. For comparison, 79 percent of owned homes five years old or newer in rural communities in the year 2000 had a value under $254,000.

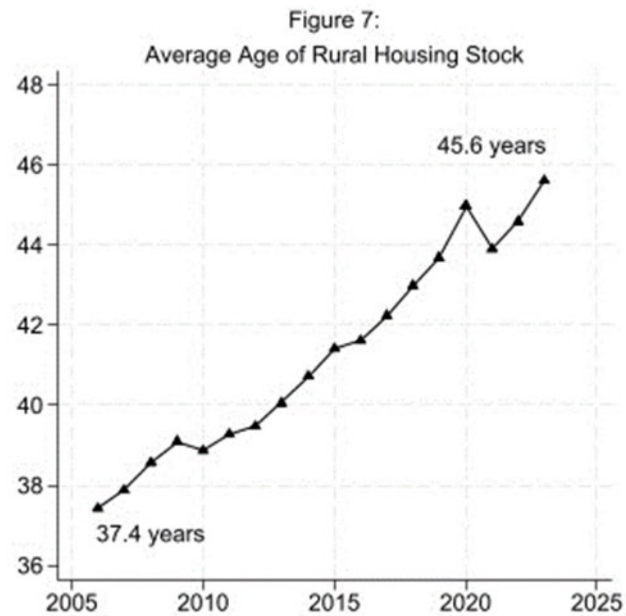
To illustrate how the rapid increase in house prices relative to incomes has reduced affordability, consider a hypothetical first-time rural homebuyer in 2000 earning the median income of rural homeowners of $65,000 and purchasing a house for $145,000. If this household makes a 20% down payment and gets a 30-year mortgage with an annual mortgage rate of 8.05% (the average rate in 2000), the household spends 18.0% of its income on the mortgage and property tax.[9] Now consider a hypothetical first-time homebuyer in 2023, earning income of $73,000 and purchasing a house for $254,000. After making a 20% down payment and getting a 30-year mortgage with an annual rate of 6.81%, the average rate in 2023, the household spends 25.3% of its income on the mortgage and property tax, an increase of 7.3 percentage points.[10] This large increase in the share of income required to finance and own a home may have played a role in the decline in rural homeownership rates by age shown in Figure 1.

[9] The CEA assumes the annual property tax is equal to 1.0 percent of current market value. Data on 30-year fixed rate mortgage rates are available at the FRED Economic Data database at the Federal Reserve Bank of St. Louis, available here: https://fred.stlouisfed.org/series/MORTGAGE30US.

[10] Using the same logic as earlier, this is analogous to a 7.3 percentage point increase in taxes.

Aging Housing Stock

Figure 7 shows the average age of all rural housing units from 2006 to 2023. Over this 17-year period, the average age of the housing stock has increased about 8 years. [11] Thus, the rapid increase in the average price of rural housing shown in Figure 6 is not the result of expensive new construction. In 2000, 9.4 percent of rural housing units were 5 years old or newer. By 2023, only 2.9 percent of rural housing units were 5 years old or newer.[12] Instead, rural housing is simultaneously becoming both more expensive and older.



Conclusions

As the data make clear, the housing affordability crisis is not just an urban and suburban issue. Housing costs have rapidly outpaced incomes for both renters and owners in rural America since 2000. Moreover, the housing affordability crisis is not just a housing problem: the price of housing affects where people want to live, whether or not they own, and when they can afford to start a family. Where housing is expensive and scarce, businesses also face greater difficulties recruiting and retaining workers. Rural America has much to gain if progress can be made revitalizing the growth of housing supply to drive greater affordability, such as by reforming and streamlining regulatory barriers that impede construction and inflate the costs of new development.

[11] The CEA starts in 2006 due to limitations of the data. The same graph for the non-rural housing stock is similar (not shown).

[12] Nationwide, annual single-family housing starts fell by nearly 50% after the financial crisis of the early 21st century, from an average of 5,944 starts per million civilian non-institutional people over the 1983-2007 period to an average 3,000 starts per million people from 2008-2024. We do not have data to compute equivalent statistics for rural America.