Case Studies: Pittsburgh

THE HOUSING AFFORDABILITY TOOLKIT

Developed in Partnership with HR&A Advisors
Pittsburgh, PA

Pittsburgh is home to a large number of low-income renters who are vulnerable to even modest increases in rent. However, the city’s cost of rental housing is still relatively low.

Much of the city’s existing lower-rent housing is becoming obsolete. The housing developed in recent years has primarily been for newer, high-income renters. This housing is out of reach for low-income residents and cannot replace the loss of existing lower-rent housing.

**Drivers**

**Widening Gap in Renter Incomes**
A majority of Pittsburgh’s renter households are low-income (53% in 2016, down from 61% in 2000). At the same time, the city has experienced a small but meaningful influx of high-income renters, who have heightened competition for rental housing.

**Aging Housing Stock**
Much of Pittsburgh’s stock of single-family and multifamily rental housing was built before World War II and is increasingly obsolete and uninhabitable.

**Moderately Rising Development Costs**
Hard costs have risen by 62% since 2000, slightly above the national average of 57%. Land costs have been volatile and largely fell throughout this period, reflecting the higher rates of vacant and underutilized land throughout the city.

**Impacts**

**Rising Rents for Existing Rental Housing**
Between 2000 and 2016, the real gross median rent for units built before 2000 increased by 26%, double the nationwide growth rate of 13%. This increase has had a significant impact on the many low-income renters who rely on the city’s low cost of living. The share of occupied rental units priced under $800 a month has fallen by 21.1 percentage points from 2000 to 2016.

**New Rental Housing Unaffordable for Low-Income Renters**
Due to higher development costs and greater renter competition, only 4% of the units built in 2016 and 2017 were priced to be affordable to low-income renters.

**Growing Housing Affordability Challenges for Low-income Renters**
Though still relatively affordable to middle-income renters, the number of low-income households in the city has actively decreased, as they are unable to access quality housing at their price point.

**Relevant Tools**
For more information on relevant housing tools, programs, and policies, see the following pages:

- Public Land
- Tax Abatement

**Cities Facing Similar Challenges**
Cities facing similar housing affordability challenges include:

- St. Louis, MO
- Norfolk, VA
- Indianapolis, IN
- Kansas City, MO
**DRIVER**

**Widening Gap in Renter Incomes:** The profile of renter households is shifting as low-income renters leave the city and high-income renters are added.

On net, the number of renter households increased by 3,200 from 2000 to 2016. This is a small level of growth, accounting for only a 5% increase in renter households. The loss of low-income renters masks the growth of middle- and high-income renter households.

**Pittsburgh’s net increase in renters between 2000 and 2016 was driven by high-income renters.** Pittsburgh gained 5,400 high-income renters, equating to 64% growth in the total number of high-income renters in the city.

In contrast, Pittsburgh lost about 3,100 low-income renters, indicating that the city is increasingly unaffordable to low-income renters.

**FOR EVERY 10 NET NEW RENTER HOUSEHOLDS ADDED BETWEEN 2000 AND 2016**

- 6.9 low-income renters left Pittsburgh
- 5.0 were middle income
- 11.8 were high income

The real median renter income in Pittsburgh rose 16% from 2000 to 2016. The dramatic decrease in the number of low-income renters and increase in high-income renters appears to be the primary driver of the rise in renter incomes.

**Aging Housing Stock:** Pittsburgh’s existing rental units are increasingly unable to serve the needs of the renters who would occupy them.

Pittsburgh delivered just under 9,000 units of multifamily rental housing between 2000 and 2016. This is well below the national multifamily development rate of 19%.

**SHARE OF RENTAL STOCK BUILT AFTER 2000**

- 6% Pittsburgh
- 19% Nation

Source: CoStar, ACS, U.S. Census, HR&A analysis
The supply of multifamily rental housing appears to have dropped. The number of households living in multifamily rental housing fell by 1,100. This appears to indicate that the pace of new development has not been sufficient to keep up with the loss of multifamily housing to obsolescence, much less the growth in the number of middle- and high-income renters.

Pittsburgh’s slow pace of rental development means that new renters are more likely to turn to existing buildings for housing. As the stock of multifamily housing has declined, single-family rental housing has meet the growing demand from renters.

**NET NEW OCCUPIED RENTAL UNITS BETWEEN 2000 AND 2016 BY UNITS IN STRUCTURE**

- **3,200** New Renter Households Between 2000 and 2016
- **1,100** decrease in multifamily renter households
- **4,300** increase in single-family renter households

**DRIVER**

**Rising Development Costs:** Rising hard costs have contributed to increases in development costs and higher rents.

When development costs increase, rents must increase to cover the higher costs. In Pittsburgh, rising development costs contributed to the 106% increase in asking rents for new units. Development costs are driven by three main components: land, labor and materials, and regulatory costs.

Local regulatory conditions further intensify the rising cost of development. Policies that reduce the amount of land available for multifamily residential development, extend the development timeline through lengthy permit approval processes, limit development potential through stringent parking requirements, and other local requirements can each result in higher development costs.

In the Pittsburgh area, real hard costs, or the cost of labor and materials, increased significantly between 2000 and 2016. Real hard costs for multifamily buildings increased 63% from $85 PSF to $138 PSF in real terms, slightly higher than the nationwide increase of 57%. When hard costs increase at such a rate, developers must charge higher rents to make up for higher costs.

Source: Lincoln Institute of Land Policy, Craftsman Book Company, HR&A analysis
Real land costs were highly variable between 2000 and 2016. While land costs doubled nationwide between 2000 and 2016, land costs in Pittsburgh are low and generally falling. This indicates there is a sufficient amount of developable land in the city.

Rising real hard costs are the main cost driver behind rising rents in Pittsburgh. Land costs, which are highly variable and generally low, likely play a minimal role.

**IMPACT**

**Rising Rents for Existing Rental Housing:** Due to a diminishing supply, rents for existing units have grown rapidly.

*Rents for existing units are increasing at a rate above the national rate.* Between 2000 and 2016, the real gross median rent for units built before 2000 increased by 26%, double the nationwide growth rate of 13%. This indicates significant demand for existing units due to insufficient supply of rental housing. This growth rate likely varies widely based on geography and may be more pronounced in popular neighborhoods such as Squirrel Hill.

**Real median gross rent growth has surpassed median renter income growth.** While the median renter income has grown in recent years, median rent growth has outpaced renter income growth. In 2000, the median gross rent was $10 more per month than what the median renter could afford. By 2016, the number had increased to $74.

Source: CoStar, ACS, U.S. Census, HR&A analysis
Between 2000 and 2016, the share of occupied units renting below $800 fell by 21.1 percentage points in Pittsburgh, compared to 12.2 percentage points nationally. The slow pace of development in Pittsburgh has resulted in increasing competition for existing units, driving up rents for units that once rented for under $800.

**44%** of occupied rental units were priced under $800 in 2016, down from 65% in 2000.

The real gross median rent in Pittsburgh increased 25% from $697 in 2000 to $874 in 2016. This is greater than the nationwide increase of 17%. Despite the steep rent growth, the median gross rent in Pittsburgh was $100 less than the U.S. overall in 2016.

**IMPACT**

**New Rental Housing Unaffordable for Low-Income Renters:** New units are largely only affordable for middle- or higher-income households.

The average asking rent for new multifamily units doubled between 2000 and 2016. In 2000, the asking rent for a unit in a new building was $715 in real dollars. By 2016, the rent for a unit in a new building was $1,471, reflecting a 106% rise in real terms. This growth is due to a new influx of higher-end development.

Most units produced in 2016 and 2017 were not affordable to the median renter. Only 124 units were produced with average asking rents less than $800, the affordable monthly rent for the median renter, while 3,231 units affordable to middle- and high-income renters were produced.

**REAL MEDIAN GROSS RENT IN PITTSBURGH AND THE NATION**

![Graph showing real median gross rent in Pittsburgh and the nation between 2000 and 2016.](image)

- $697 in 2000
- $874 in 2016
- $981 (National Median Gross Rent)
- $839 (Pittsburgh Median Gross Rent)

**ASKING RENT DISTRIBUTION OF MULTIFAMILY UNITS BUILT IN 2016 AND 2017**

- **551 units** for high-income renters ($1,875 or more)
- **124 units** for low-income renters ($875 or less)
- **2,680 units** for middle-income renters ($875 - $1,875)
- **124 units** affordable to the median renter ($800 or less)

Note: Subsidized units are not included.

Source: CoStar, ACS, U.S. Census, HR&A analysis
IMPACT

Growing Housing Affordability Challenges for Low-Income Renters: Without housing they can afford, low-income renters are leaving the city.

Pittsburgh lost 8% of its low-income renters, likely due to rising rent pressures. The number of low-income renters grew by 6% in the surrounding metro region. In contrast, the number of high-income renters grew 64% in the city and increased by 3% in outlying metro areas. The growth in high-income renters and the loss of low-income renters indicates a shift in the affordability of housing in Pittsburgh.

These trends mask the depth of cost burden for the city’s numerous low-income renters. The total share of rent-burdened households increased from 41% to 42% between 2000 and 2016. This relatively mild increase does not account for the many cost-burdened renters who have left the city. Affordability challenges are growing in Pittsburgh, but the city remains relatively affordable compared to other cities.

Middle-income renters in Pittsburgh experienced increases in affordability challenges. In 2000, 9% of middle-income renters were burdened compared to 20% in 2016. In contrast, 32% of middle-income renters nationwide were rent burdened in 2016. This increase is likely due to Pittsburgh’s low rents and rising renter incomes.

Source: CoStar, ACS, U.S. Census, HR&A analysis