

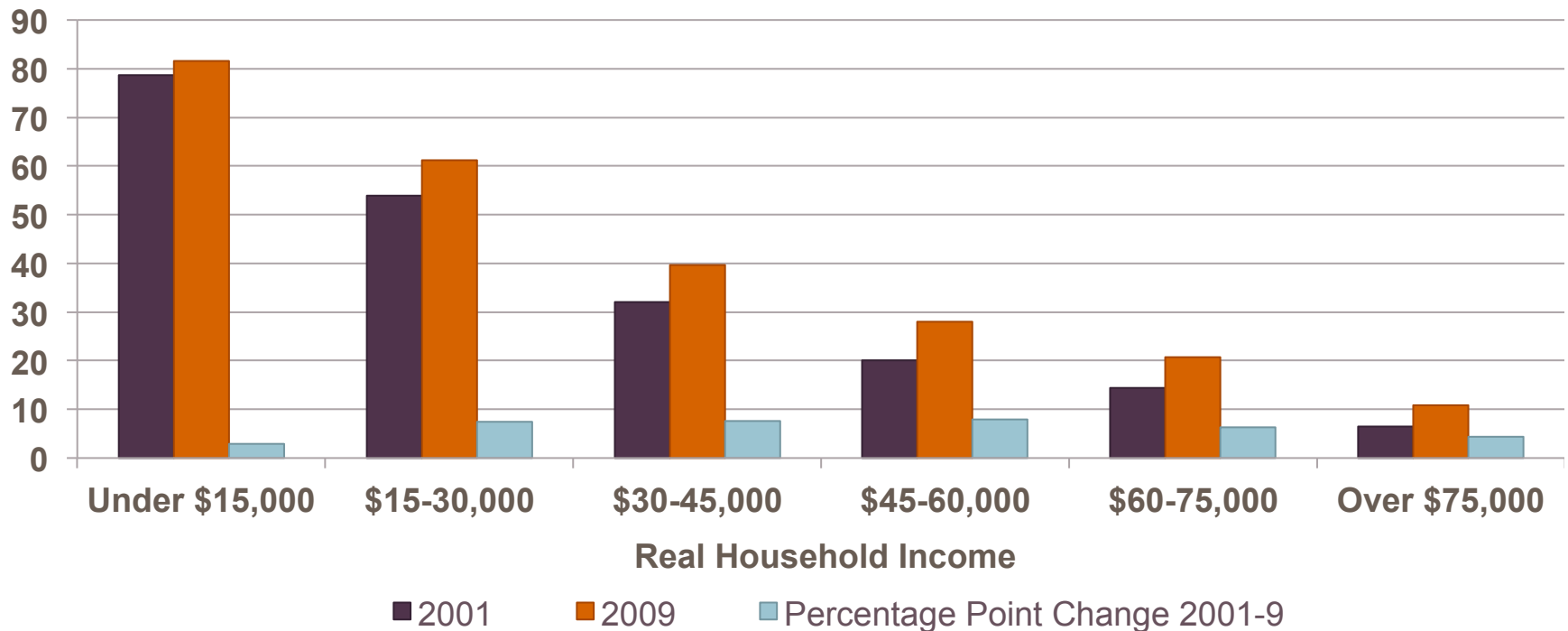
WORKFORCE HOUSING AFFORDABILITY CHALLENGES

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October 2012

AFFORDABILITY PROBLEMS HAVE WORSENERD

Affordability Problems Are Creeping Up the Income Scale

Share of Households with Cost Burdens (Percent)

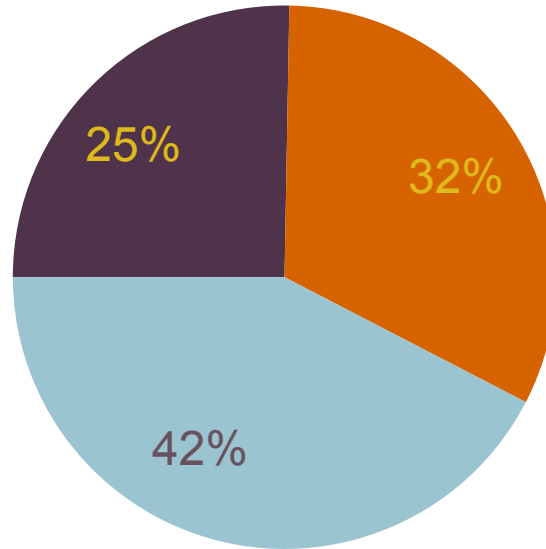


Notes: Cost-burdened households spend more than 30 percent of pre-tax income for housing. Income ranges are in 2009 dollars, adjusted for inflation by the CPI-U for All Items.

Source: JCHS tabulations of US Census Bureau, 2001 and 2009 American Community Surveys.

Low Income Households Made Up the Majority of Household Growth from 2001 to 2010

Share of Household Growth in
2001-10



Pre-tax Income

- Less than \$15,000
- \$15,000 to \$29,999
- \$30,000 and Over

Notes: Lower income is defined as less than \$30,000 per year. Household income is in constant 2010 dollars, adjusted for inflation by the CPI-U for All Items. Households earning less than \$15,000 accounted for 12.6% of all US households in 2001; those earning \$15-\$29,999 accounted for 15.7%; and those earning \$30,000 and over accounted for 71.7%.

Source: JCHS tabulations of US Census Bureau, American Community Surveys

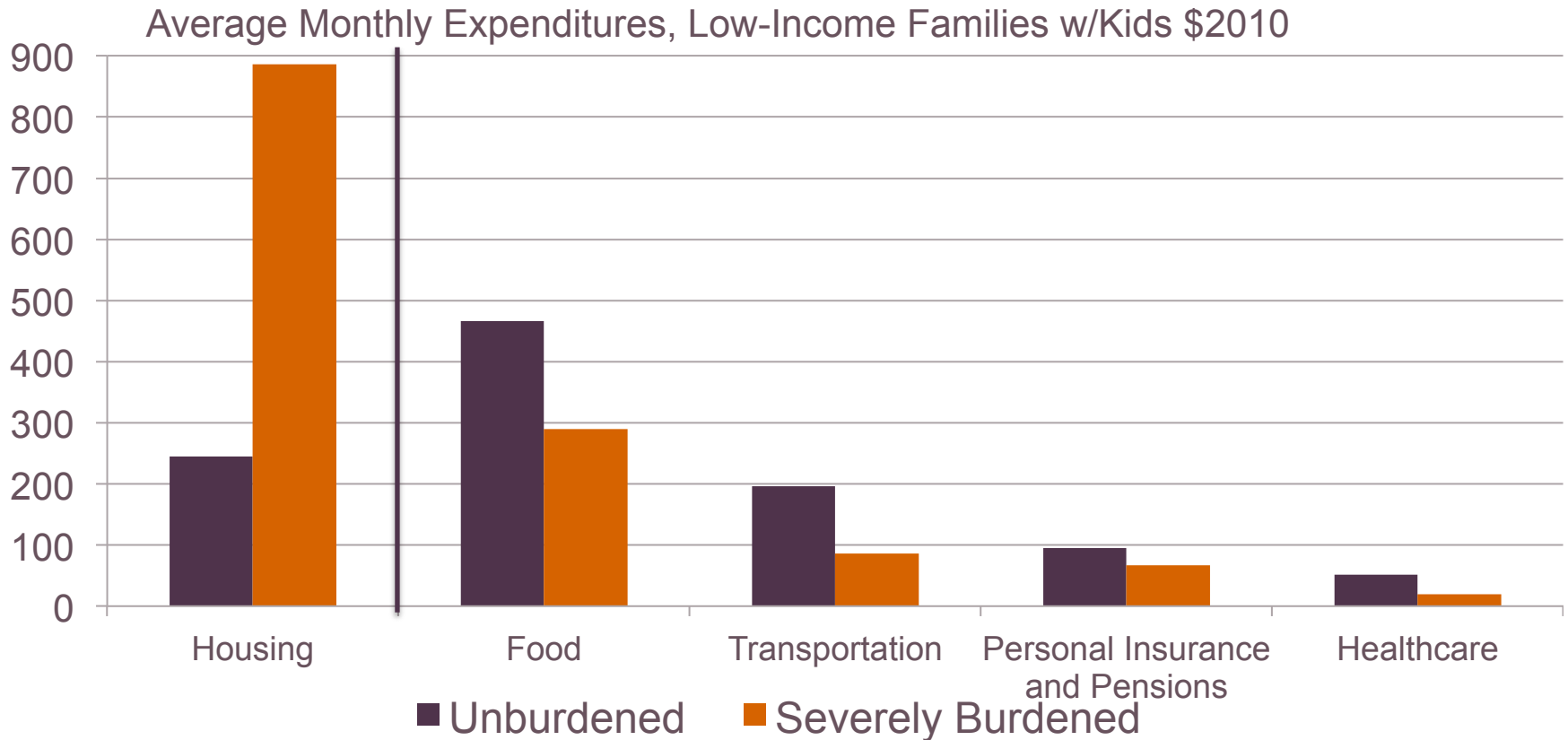
Sending the Number With Severe Cost Burdens Soaring

Households with Severe Cost Burdens (Millions)



Note: Households with severe cost burdens are spending over 50 percent of pre-tax income on housing costs.
Source: JCHS tabulations of US Census Bureau, American Community Surveys.

Severely Burdened Low-Income Families Sharply Curtail Spending on Other Necessities

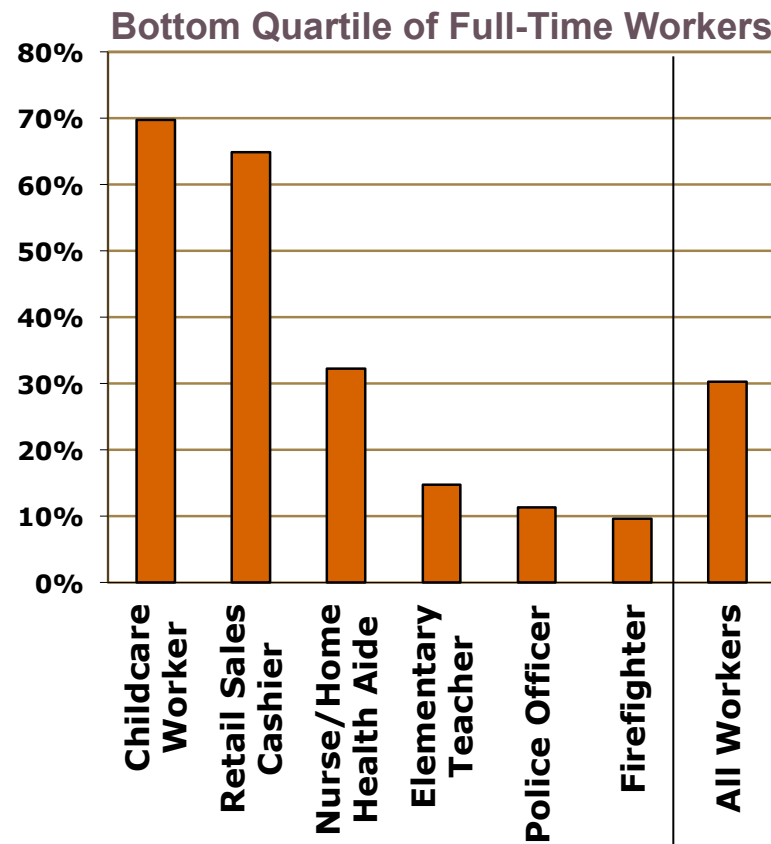
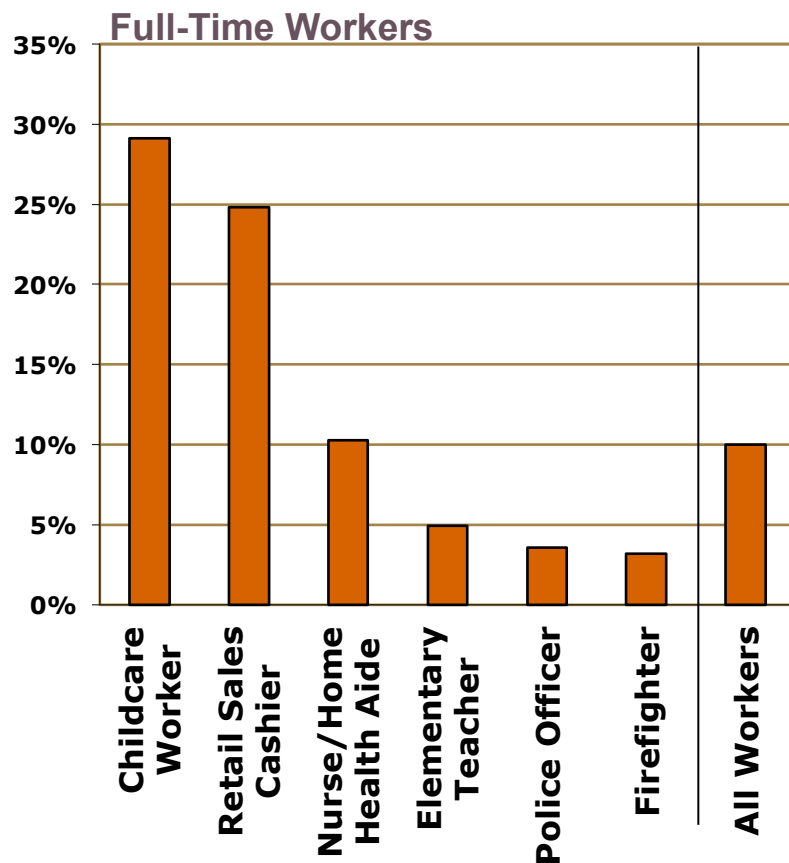


Note: Low-income families with children are those in the bottom expenditure quartile. Severely cost burdened households spend over half of all expenditures on housing; unburdened households spend less than 30 percent.

Source: JCHS tabulations of the Bureau of Labor Statistics, Consumer Expenditure Survey.

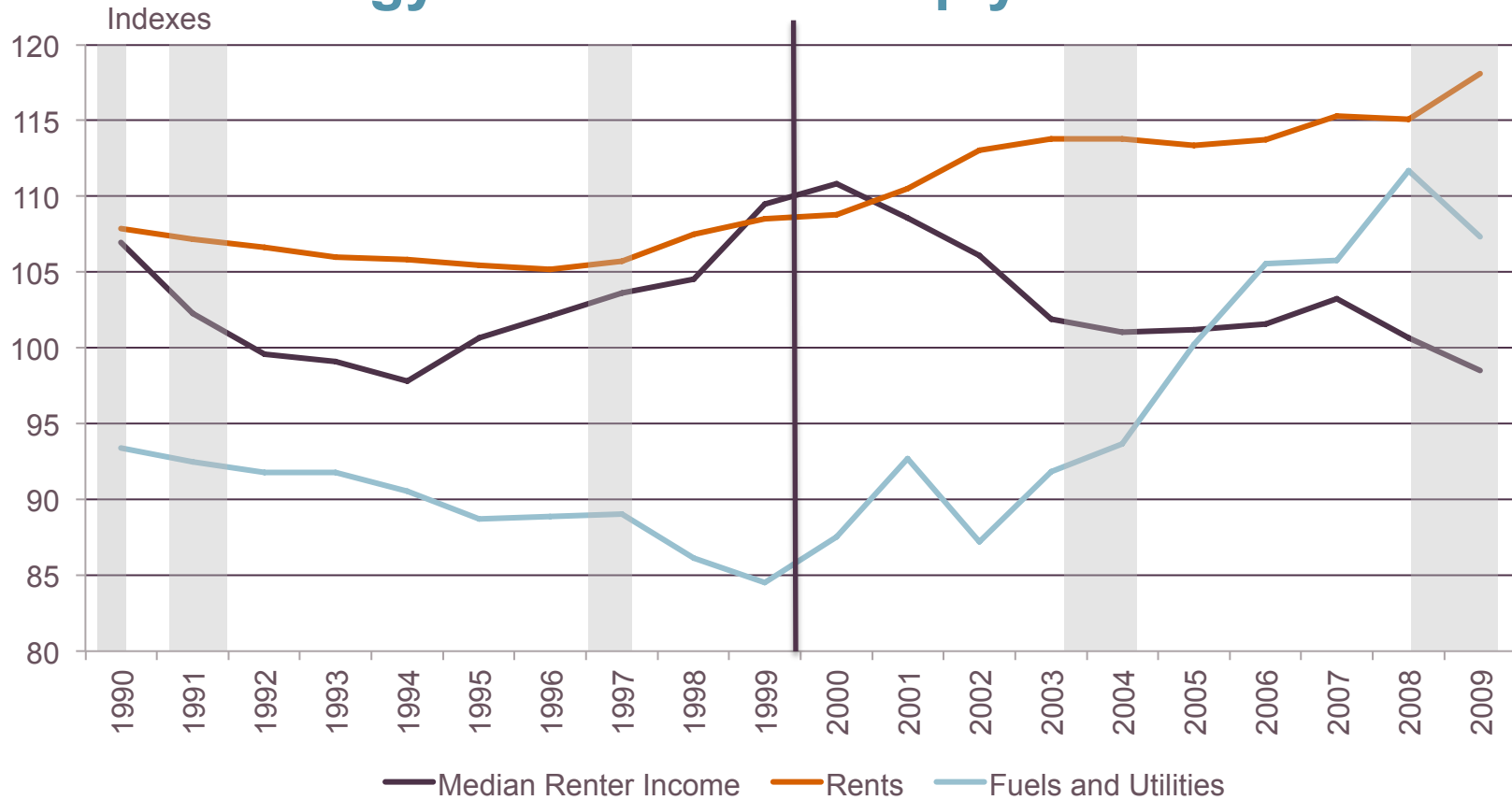
Households Headed by Lower-Paid Essential Workers Face Daunting Affordability Problems

Share with Severe Housing Cost Burdens (Percent)



Notes: Full time workers defined as those working 35 or more hours per week during the past 12 months. Entry-level equivalent workers are in the bottom quartile of income for their occupation. Severe housing cost burden is defined as spending more than 50% of household income on housing costs. Source: JCHS tabulations of the 2010 American Community Survey.

Real Renter Incomes Declined While Rents and Energy Costs Rose Sharply Last Decade

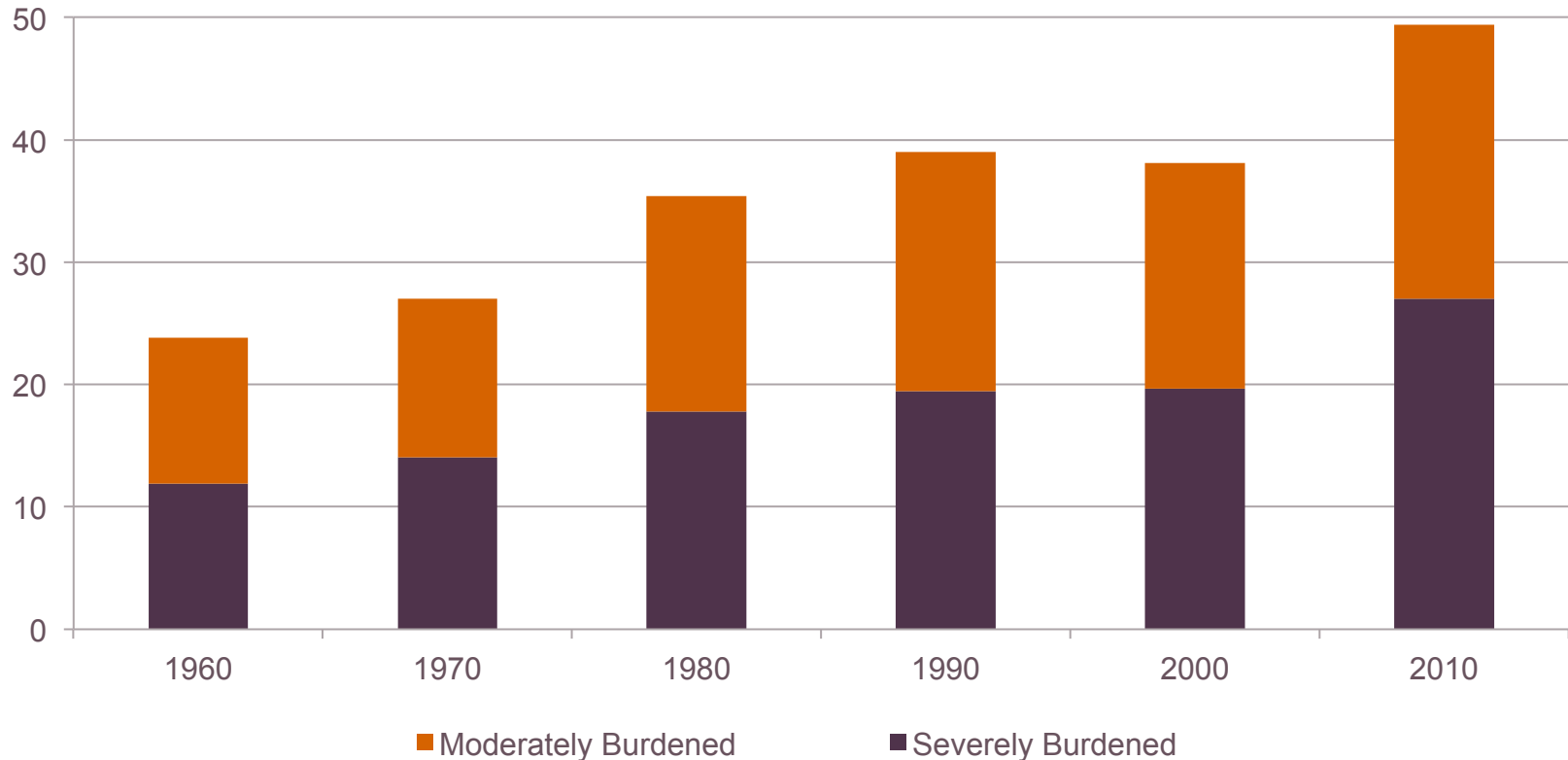


Notes: Values are adjusted for inflation using the CPI-U for All Items and are normalized to 100 in 1980. Shaded areas are recessions as defined by the National Bureau of Economic Research.

Sources: US Bureau of Labor Statistics, Consumer Price Index; JCHS tabulations of US Census Bureau, Current Population Survey.

The Share of Renters with Affordability Problems Has Doubled in the Last 50 Years

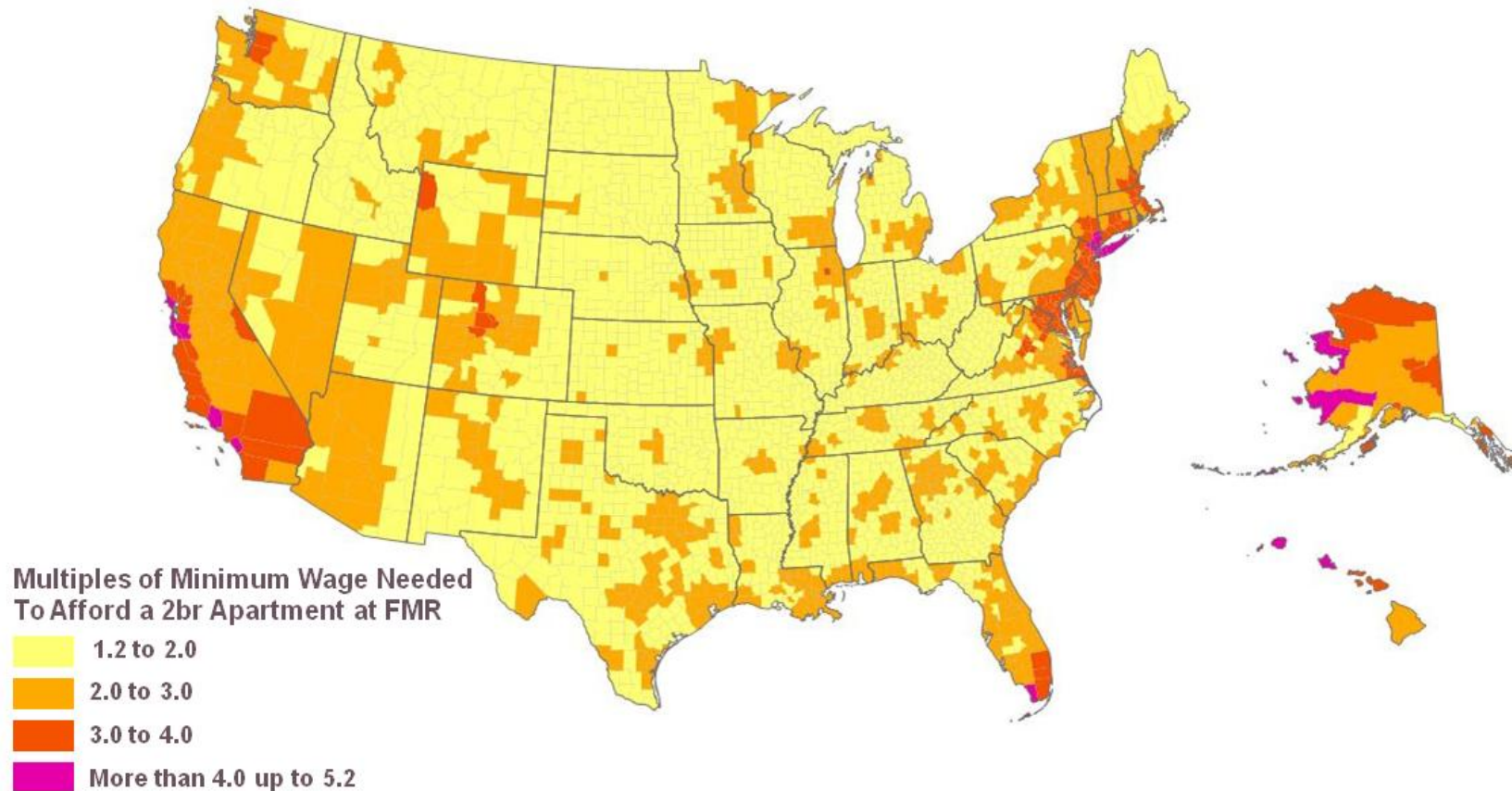
Shares of Cost-Burdened Renter Households (Percent)



Notes: Rent includes tenant-paid utilities. Moderately (severely) cost-burdened renters pay 30-50% (more than 50%) of pre-tax household income for housing. Renters with zero or negative income are assumed to be severely burdened, while renters not paying cash rent are assumed to be unburdened.

Source: JCHS tabulations of US Census Bureau, 1960-2000 Decennial Censuses and 2010 American Community Survey.

It Takes Multiples of the Full-time Minimum Wage To Afford A Moderate 2-Bedroom Rental

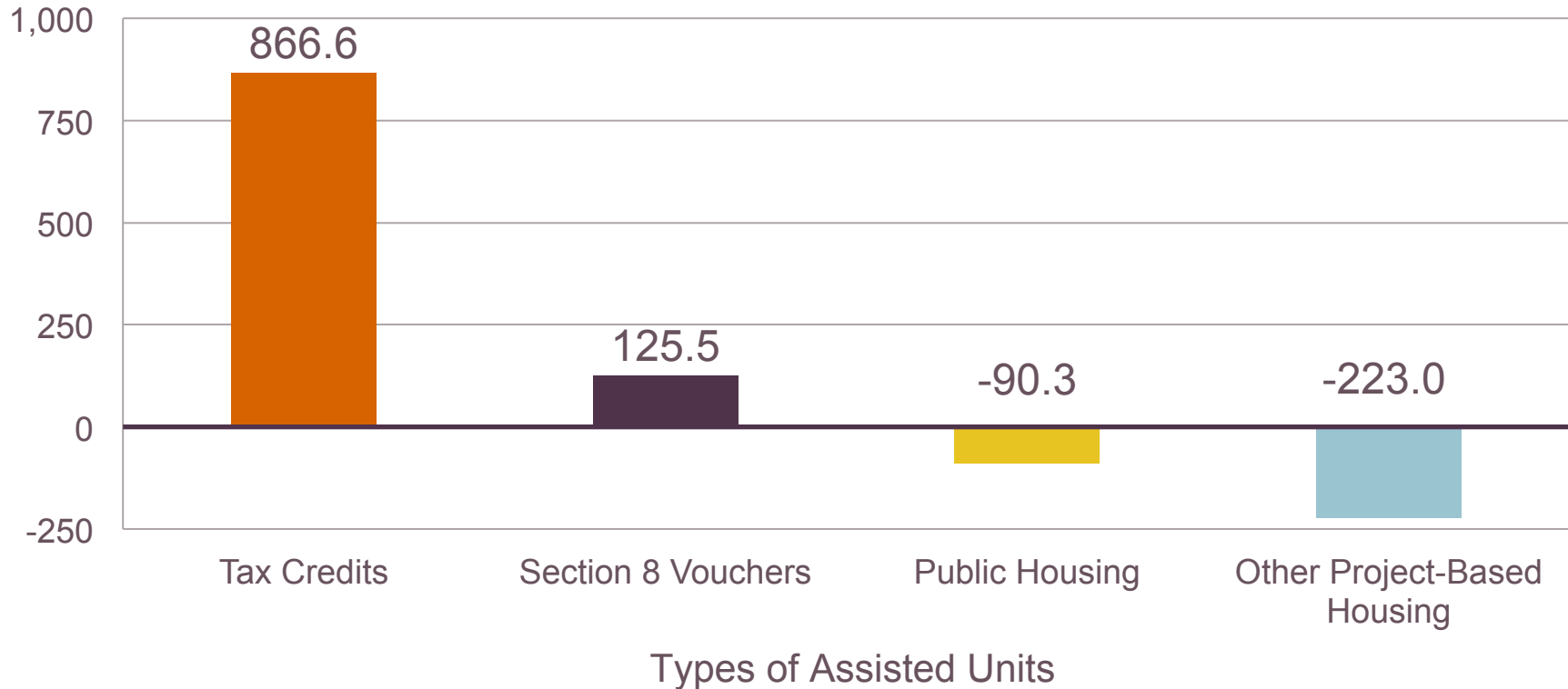


Note: Affordability is based on paying no more than 30% of household income on rents. The Federal minimum wage is \$7.25 per hour. Full time workers work 40 hours a week for 50 weeks a year.

Source: JCHS tabulations of US Department of Housing and Urban Development FY 2013 Fair Market Rents.

Low Income Housing Tax Credits Are the Key Driver of Additions to the Affordable Rental Housing Stock

Change in Assisted Households, 2001-9 (Thousands)

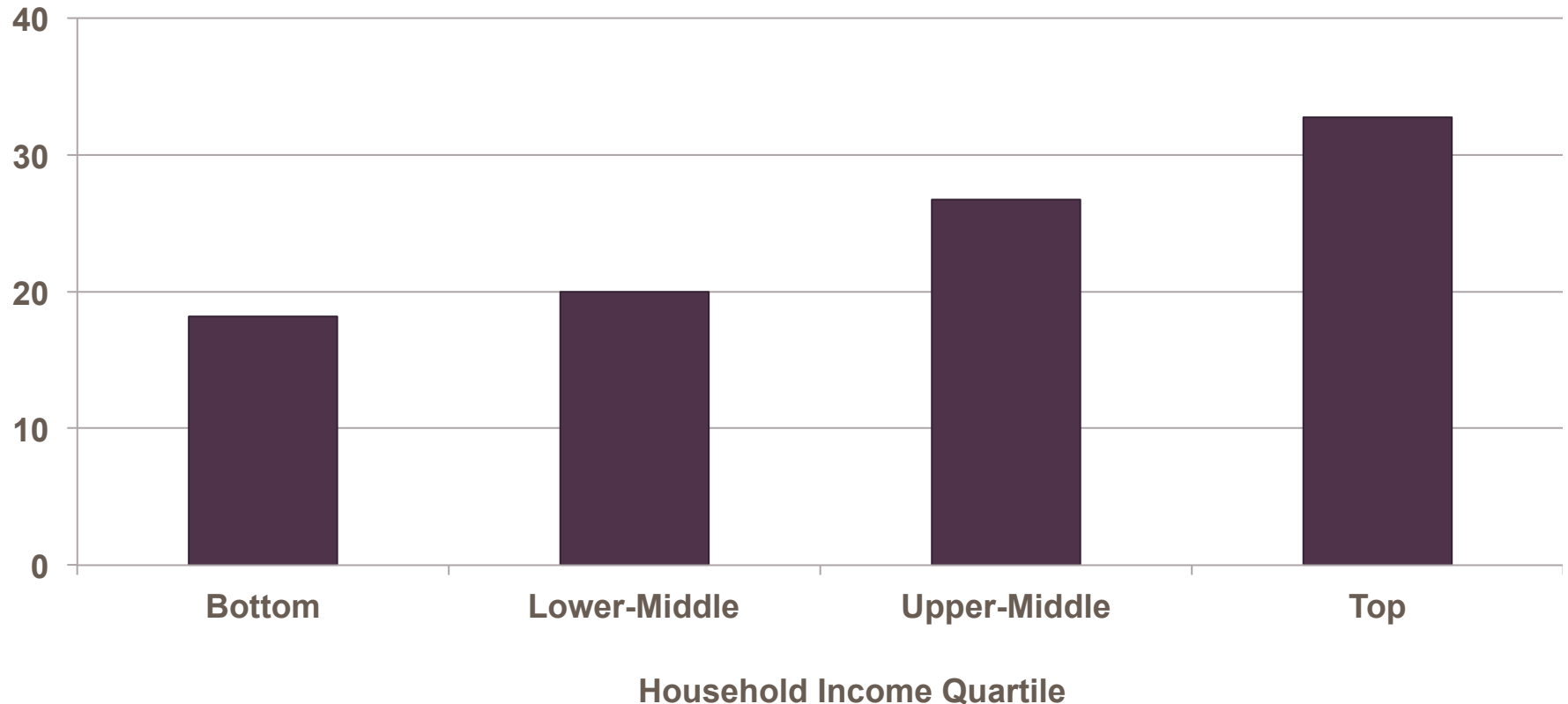


Note: Tax credits refer to units built with Low Income Housing Tax Credit funding. Other project-based housing includes Section 236 and Section 515 units.

Sources: Ingrid Gould Ellen, presentation at the Next Generation Housing Policy Convening on Rental Policy, 2010; JCHS estimates.

Lower Income Homeowners Are Having a Much Tougher Time Refinancing

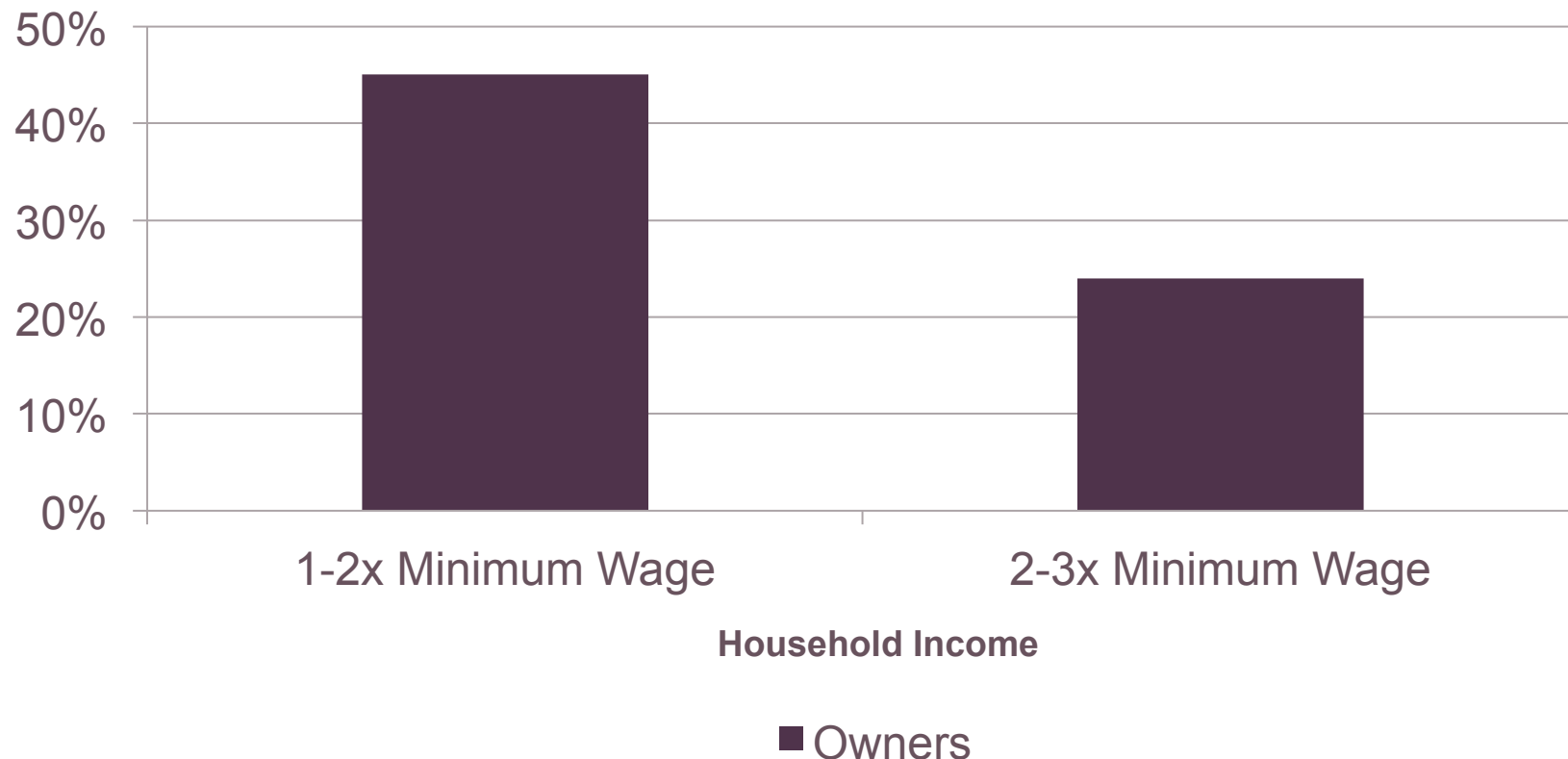
Share of Non-Mover Households with Mortgages that Refinanced 2008-2009 (Percent)



Source: JCHS tabulations of US Census Bureau, 2009 American Housing Survey, using JCHS-adjusted weights.

And Large Shares of Homeowners Earning Equivalent of Multiples of the Minimum Wage Are Struggling

Share of Working-Age Households With Severe Cost Burdens, 2010 (Percent)



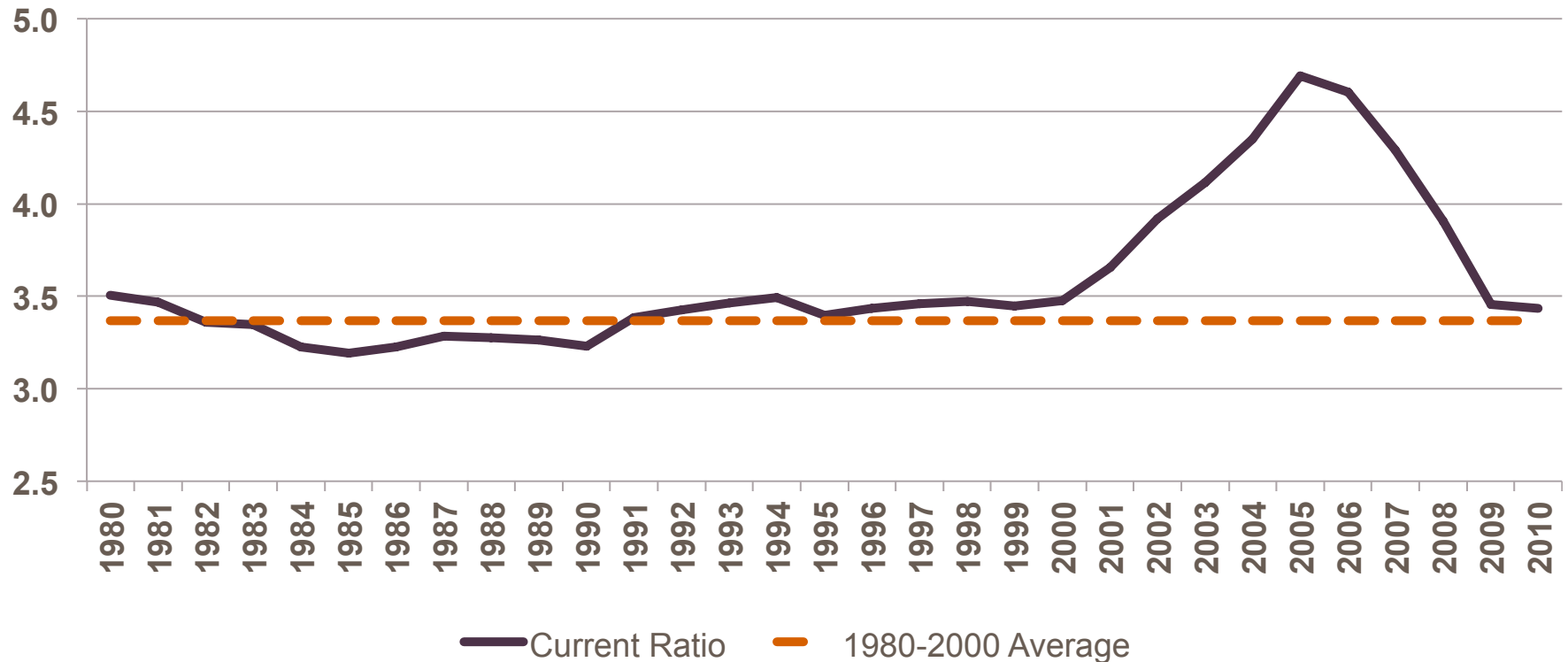
Notes: Working-age households are aged 18-64. Minimum wage is \$7.25 per hour. Full-time minimum wage job equivalent income is based on working 35 hours per week for 50 weeks. Households with severe cost burdens spend more than 50% of pre-tax income on housing. Source: JCHS tabulations of US Census Bureau, 2010 American Community Survey.

**AFFORDABILITY FOR FIRST-TIME
BUYERS AT RECORD LEVELS . . .**

**FOR MANY THIS IS A GOLDEN
OPPORTUNITY**

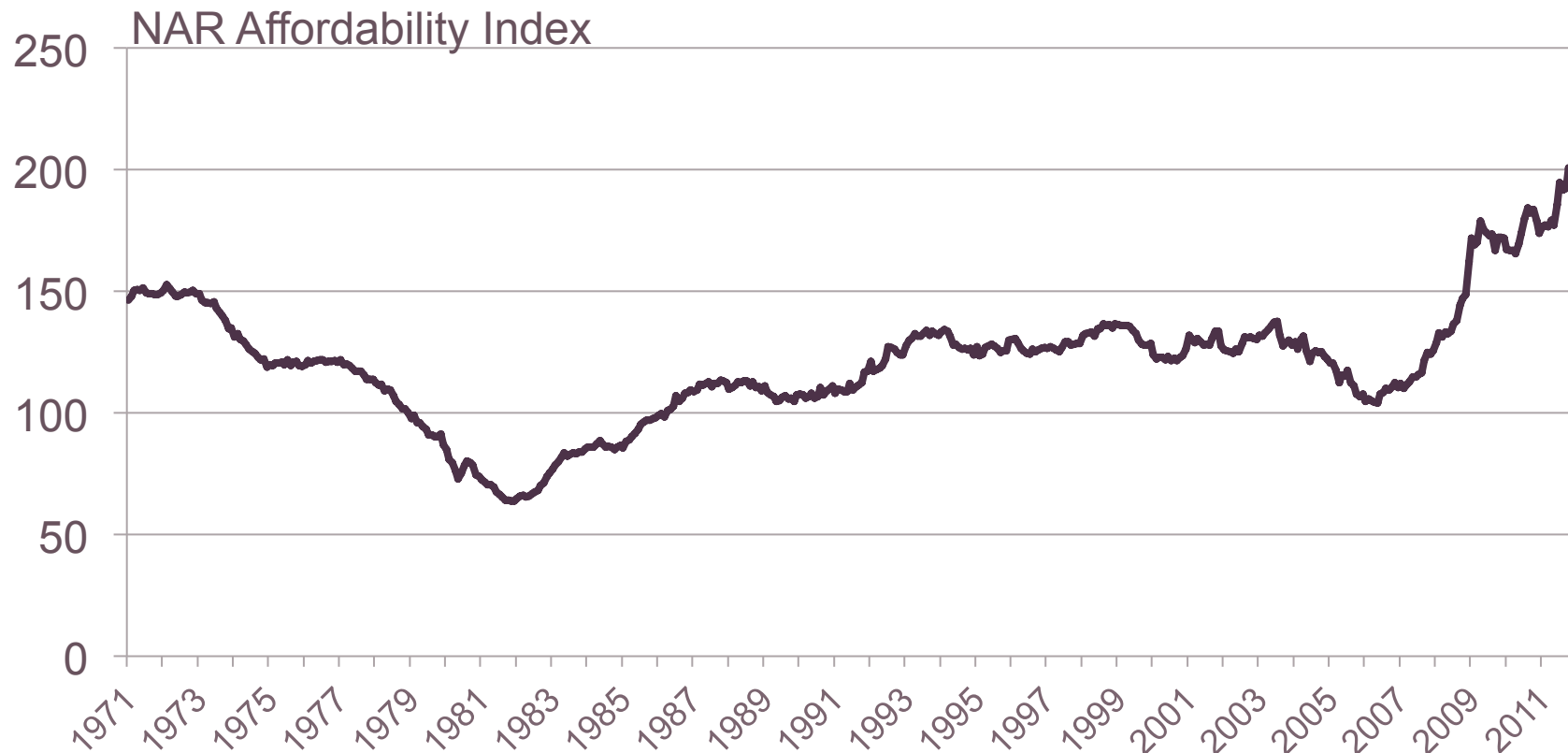
The National Median Price-to-Income Ratio Has Returned to its Long-Run Average

Ratio of Median Single-Family Home Price to Median Household Income



Source: JCHS tabulations of National Association of Realtors®, Existing Home Sales Prices; and Moody's Economy.com, Median Household Income.

And Homeownership Is at its Most Affordable Since at Least 1971

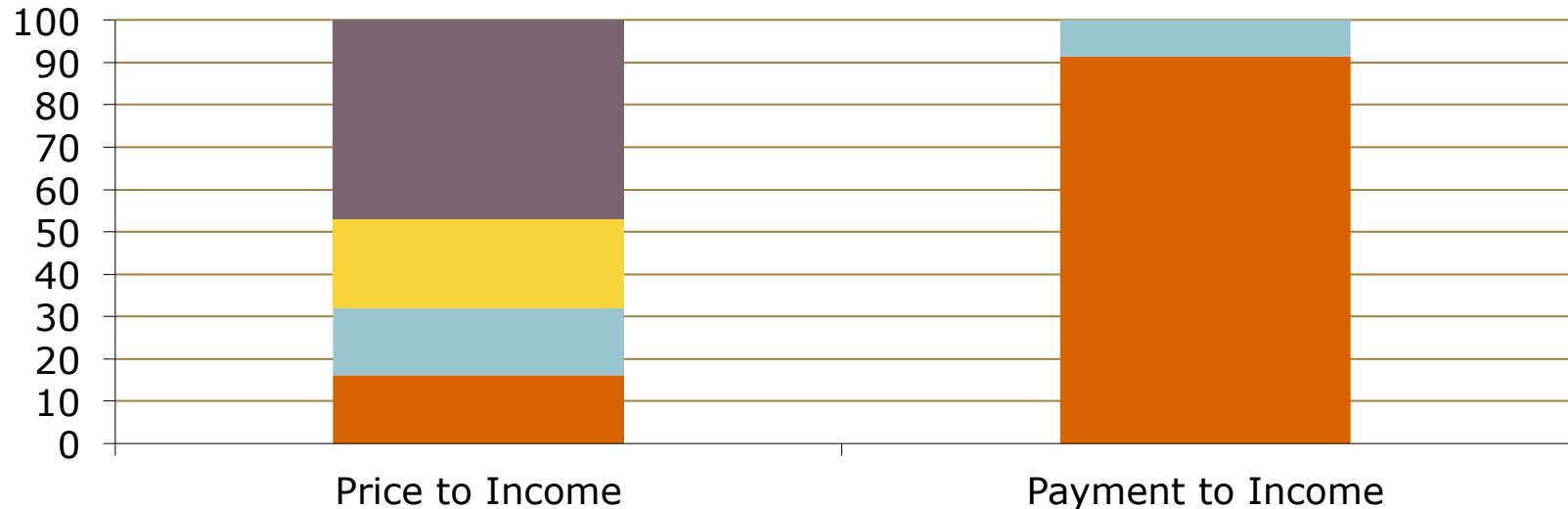


Notes: According to the NAR (<http://www.realtor.org/topics/housing-affordability-index/methodology>) a value of 100 means that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced home. Their calculations assume a 20 percent down payment and a qualifying ratio of 25 percent.

Source: NAR Composite Affordability Index.

Most Metro Areas Have Become More Affordable for First-Time Homebuyers

Share of Metropolitan Areas in 2011 (Percent)



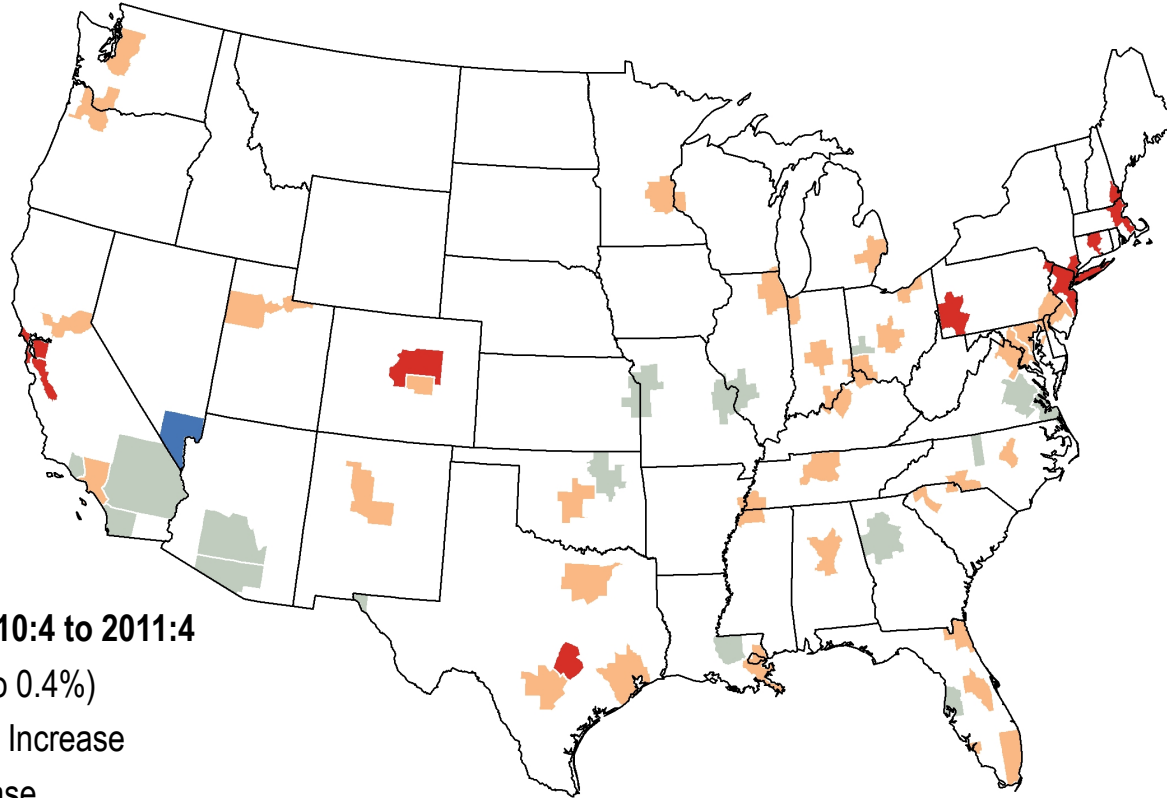
■ More than 10% Above ■ 0-10% Above ■ 0-10% Below ■ More than 10% Below

Metro Level Relative to 1990s Average

Notes: Areas are the 81 metros with quarterly data available for 1990-1999 and 2011. Non-seasonally adjusted quarterly data were averaged to obtain annual data. Payments are based on a 10% downpayment and a 30-year fixed-rate mortgage. Ratios use median household income.

Source: JCHS calculations based on data from Freddie Mac, the National Association of Realtors®, and Moody's Economy.com.

Nominal Rents are Rising Across the Country

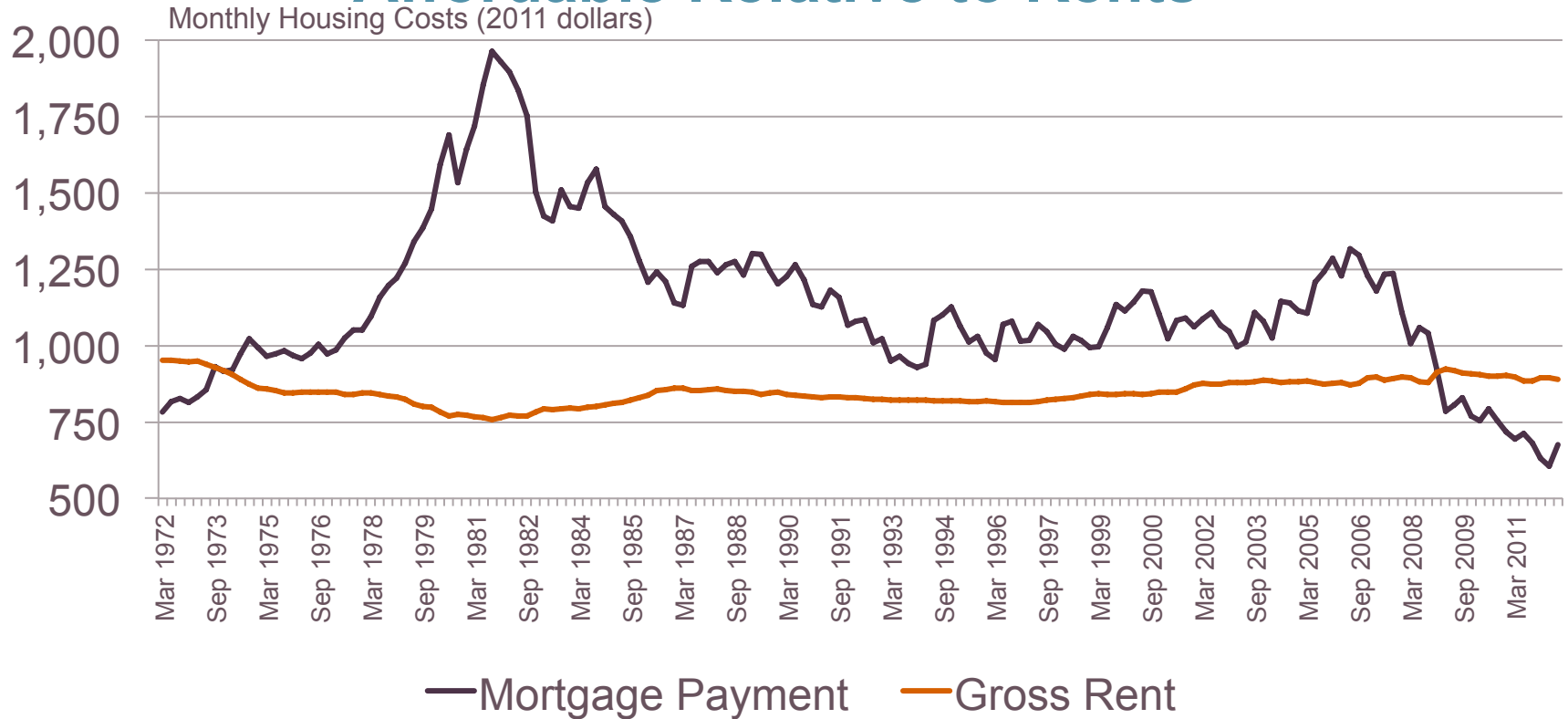


Percent Change 2010:4 to 2011:4

- Decline (Up to 0.4%)
- Less than 3% Increase
- 3-5.9% Increase
- Increase of 6% or more (Up to 14.6%)

Notes: Estimates are based on a sample of investment-grade properties.
Source: JCHS tabulations of MPF Research data.

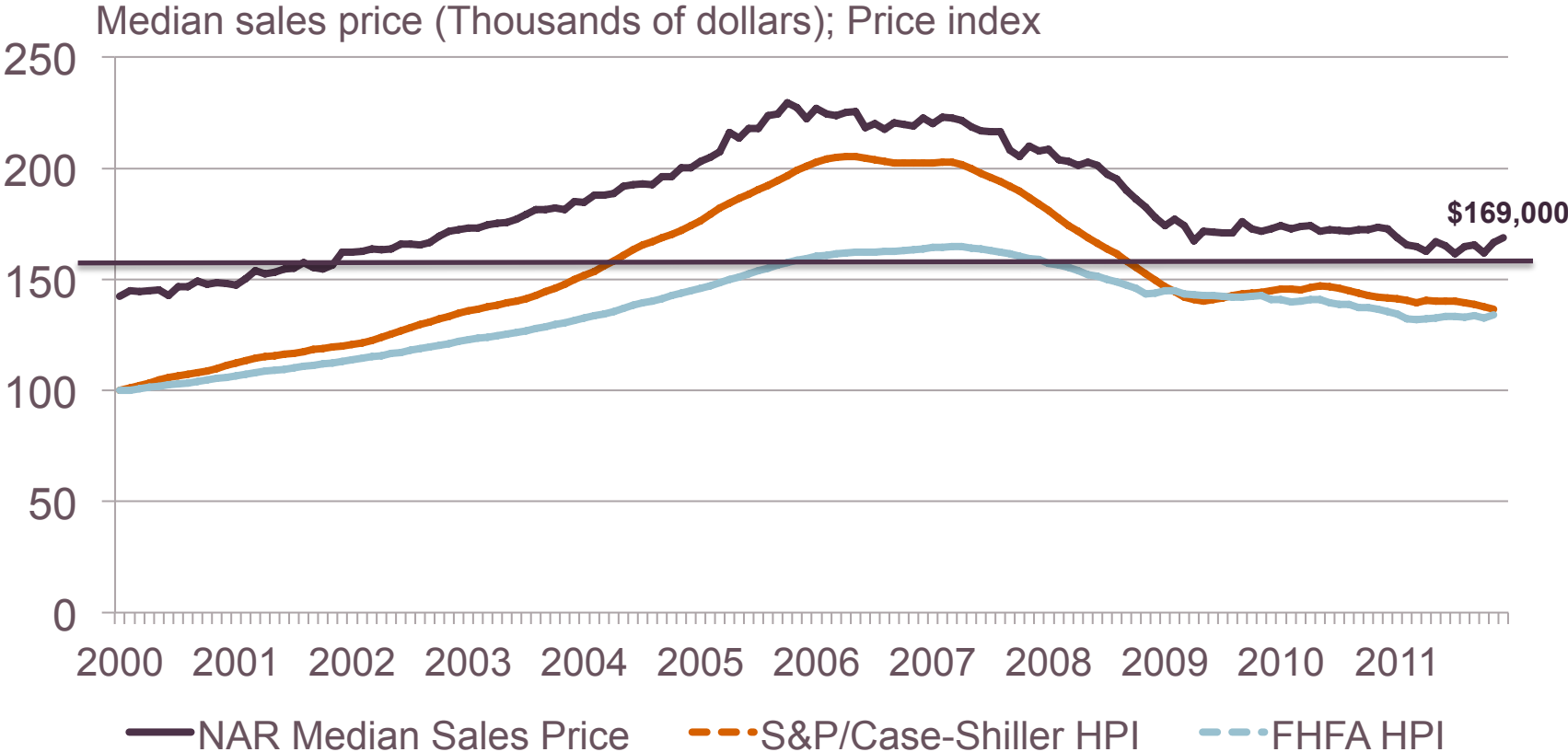
Mortgage Payments Have Become More Affordable Relative to Rents



Notes: Monthly mortgage payments are based on the median existing home price from the National Association of Realtors® and assumes a 20 percent downpayment and a 30-year fixed-rate mortgage at the average rate for the quarter reported by Freddie Mac. The monthly gross rent is the median gross rent from the 2010 American Community Survey indexed to the Consumer Price Index for Rent of Primary Residence. Both series are adjusted for inflation using the CPI for All Items.

Source: JCHS tabulations of Freddie Mac, Primary Mortgage Market Survey; National Association of Realtors®, US Census Bureau, 2010 American Community Survey; and US Bureau of Economic Analysis, Consumer Price Indices.

Timing of Purchases Matters

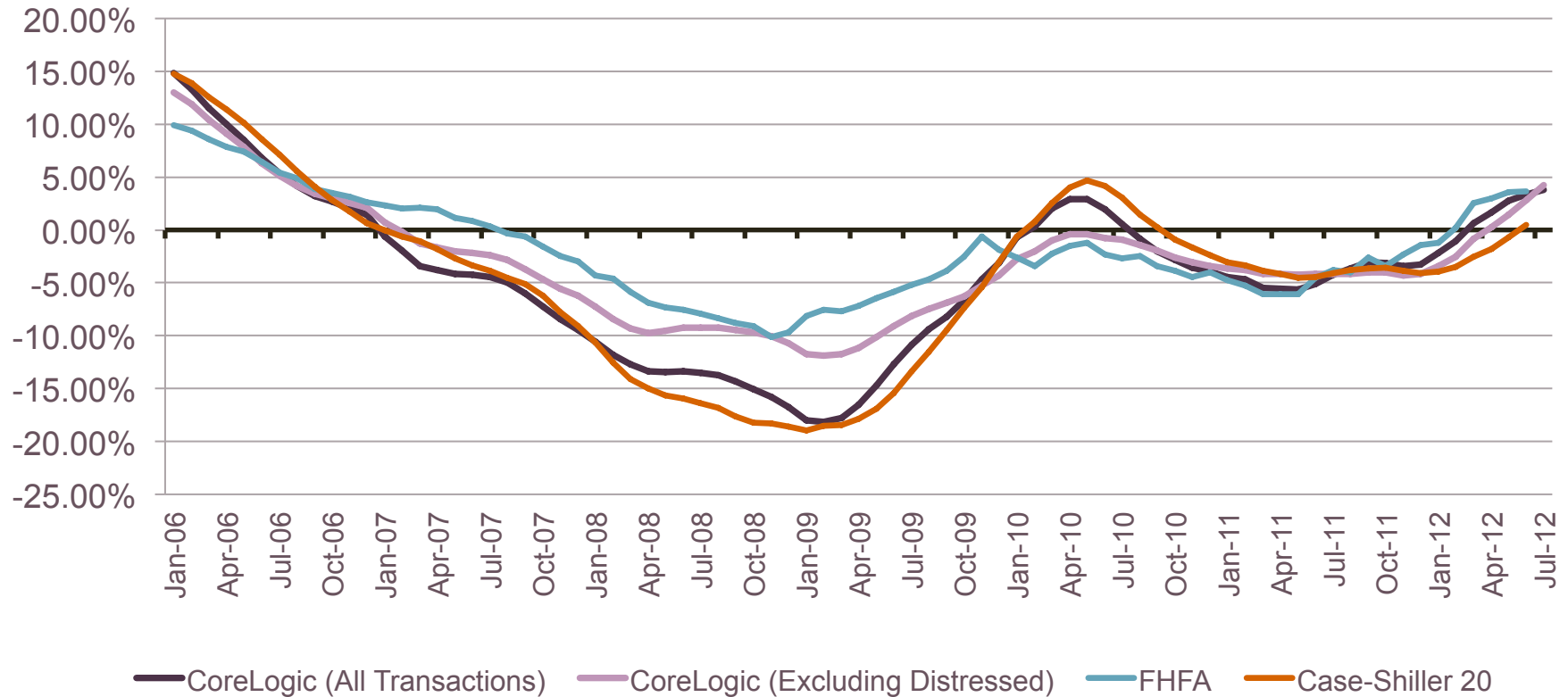


Notes: All values are seasonally adjusted and in nominal dollars.

Sources: National Association of Realtors, Median Sales Price Existing Single-Family Homes; S&P/Case-Shiller Single-Family Home Price Index; and FHFA Purchase-Only Home Price Index.

With Sales Picking Up and Inventories Falling, House Prices May be Starting to Find a Floor

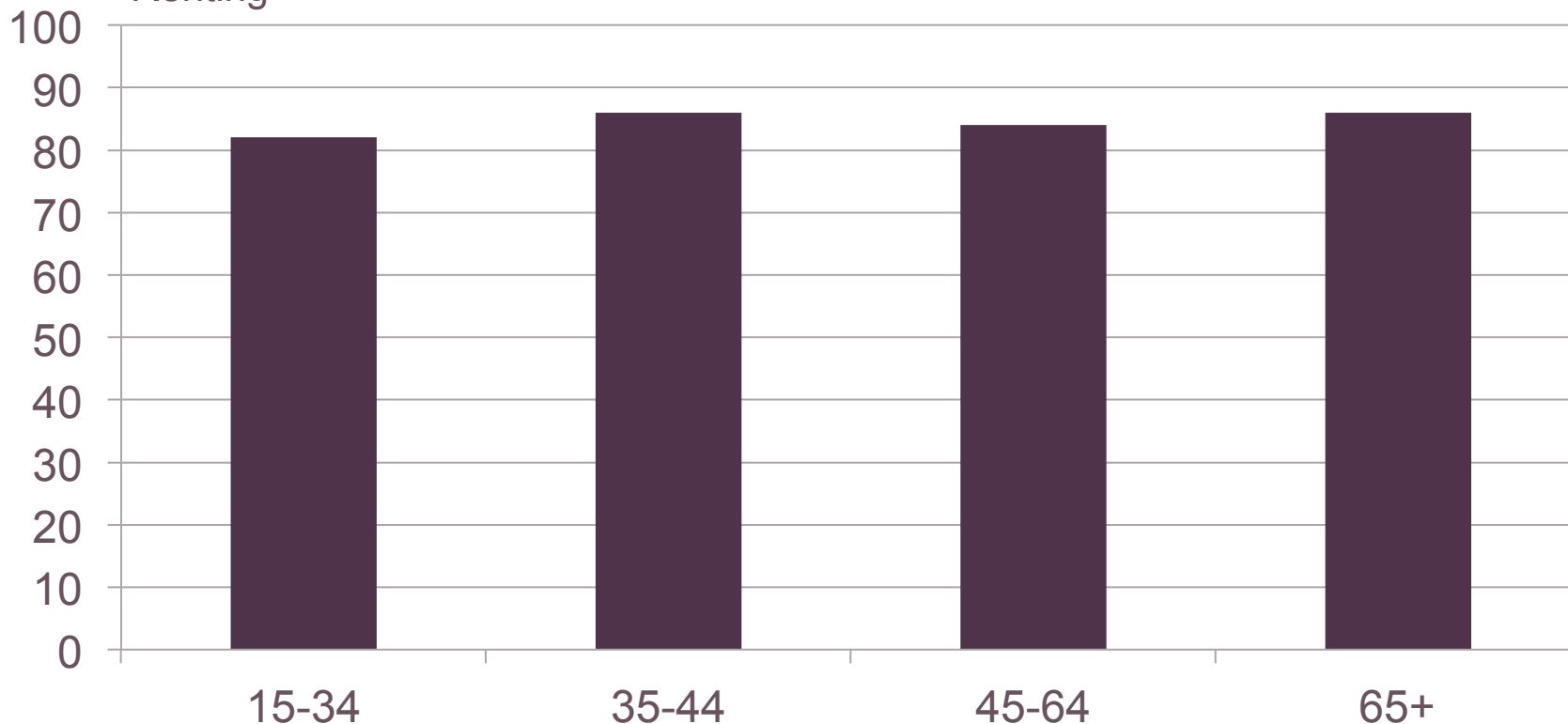
12-Month Change in House Price Index (Percent)



Source: CoreLogic, FHFA, and S&P Indices.

People Still Think Owning Makes More Financial Sense Than Renting

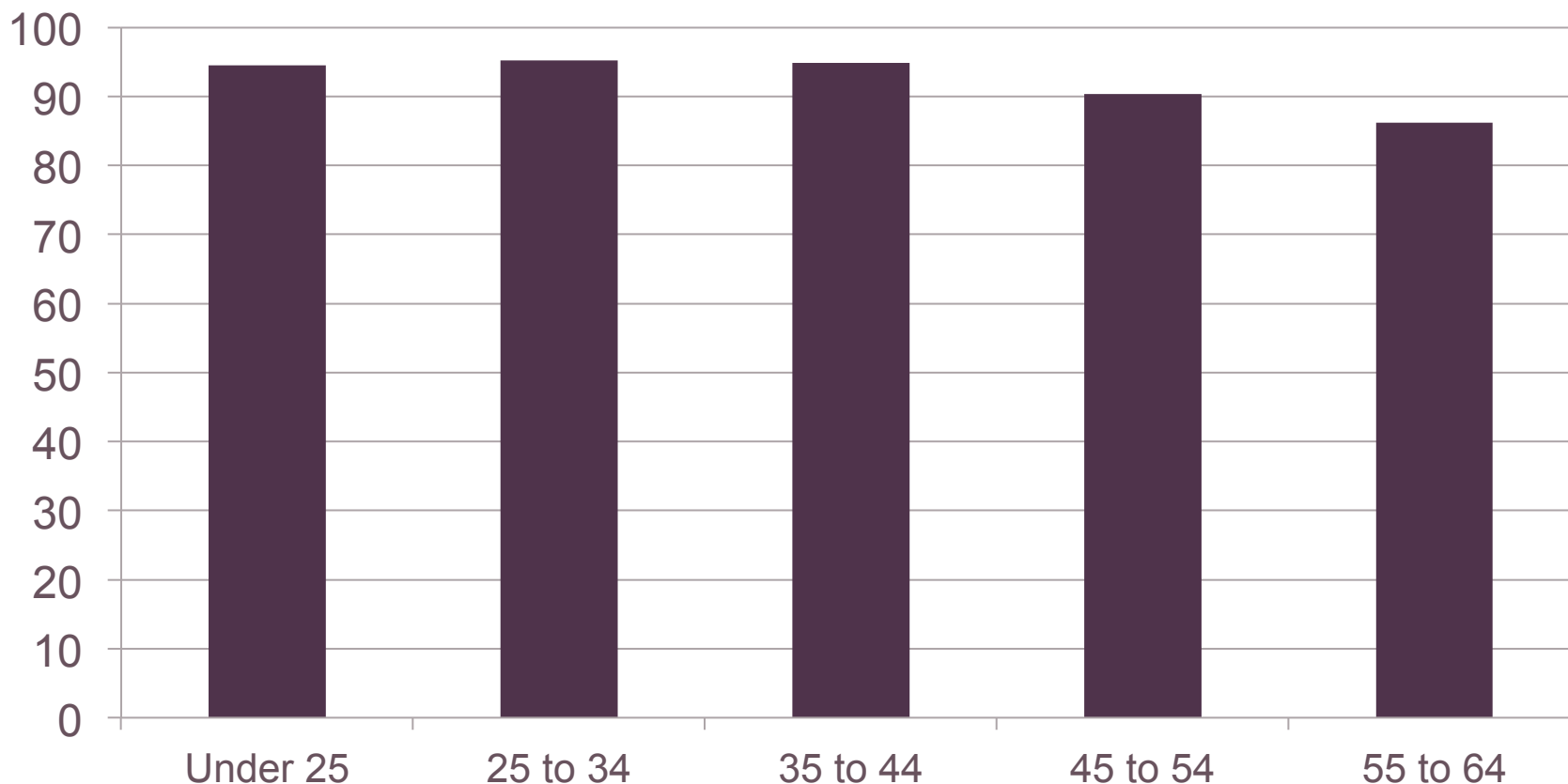
Percent of Respondents Agreeing that “Owning Makes More Sense than Renting”



Source: Fannie Mae, National Housing Survey Q1 2012.

Nearly All People Under Age 45 Expect to Buy in the Future

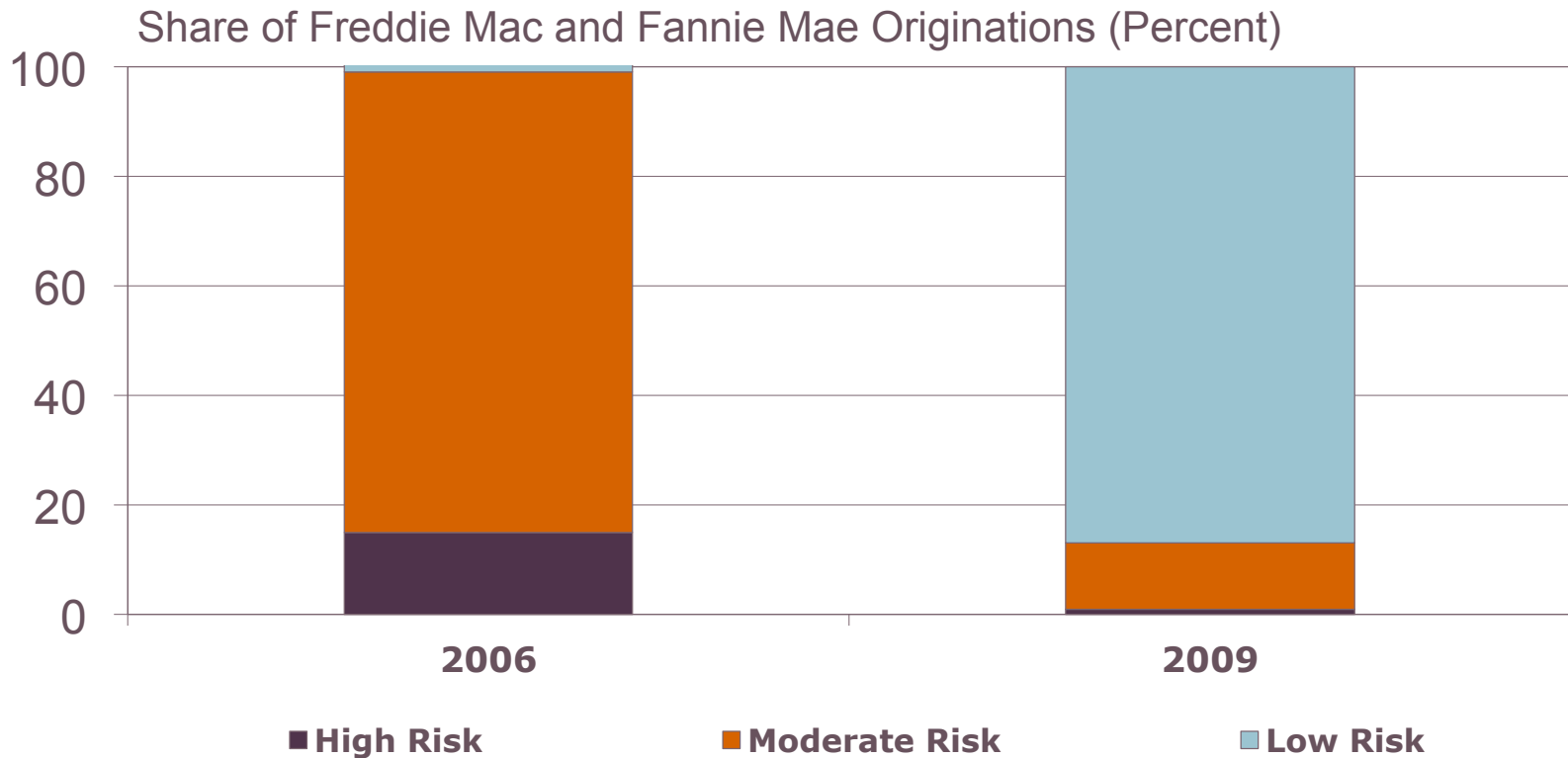
Percent of Respondents Who Expect to Buy a Home at Some Point in the Future



Source: Drew and Herbert, 2012. Based on Fannie Mae National Housing Survey 2010-2012.

BUT CREDIT IS TIGHT

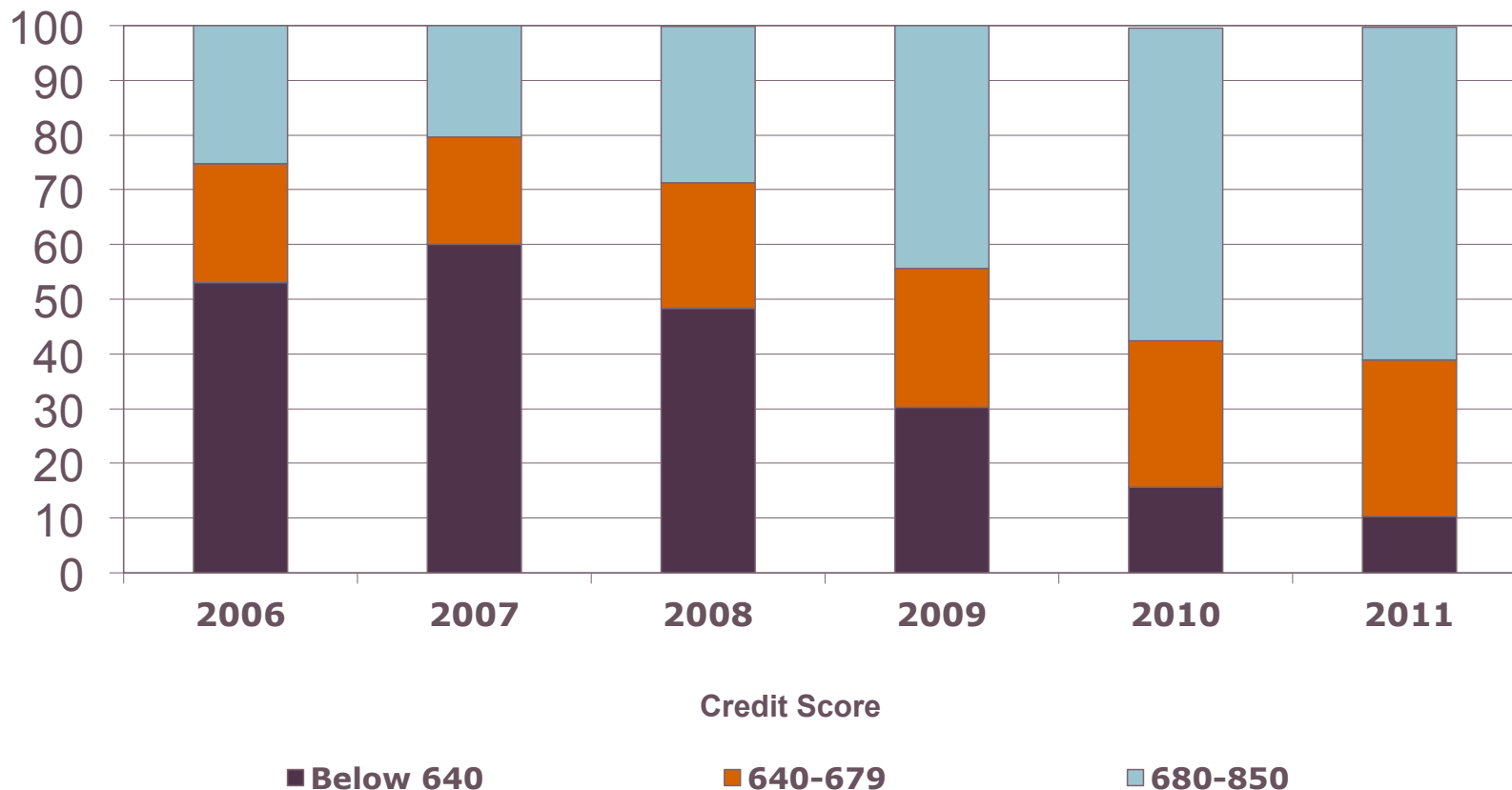
Fannie and Freddie Have Shifted Dramatically Toward Lower-Risk Loans



Notes: High (low) risk loans are to borrowers with credits scores under 690 (above 750) and have loan-to-value ratios above 85% (below 75%).
Source: Barclays Capital, *GSEs: Back to the Future, US Interest Rates Strategy, 2009*.

FHA Credit Scores Distributions Have Shifted Towards Higher Scores

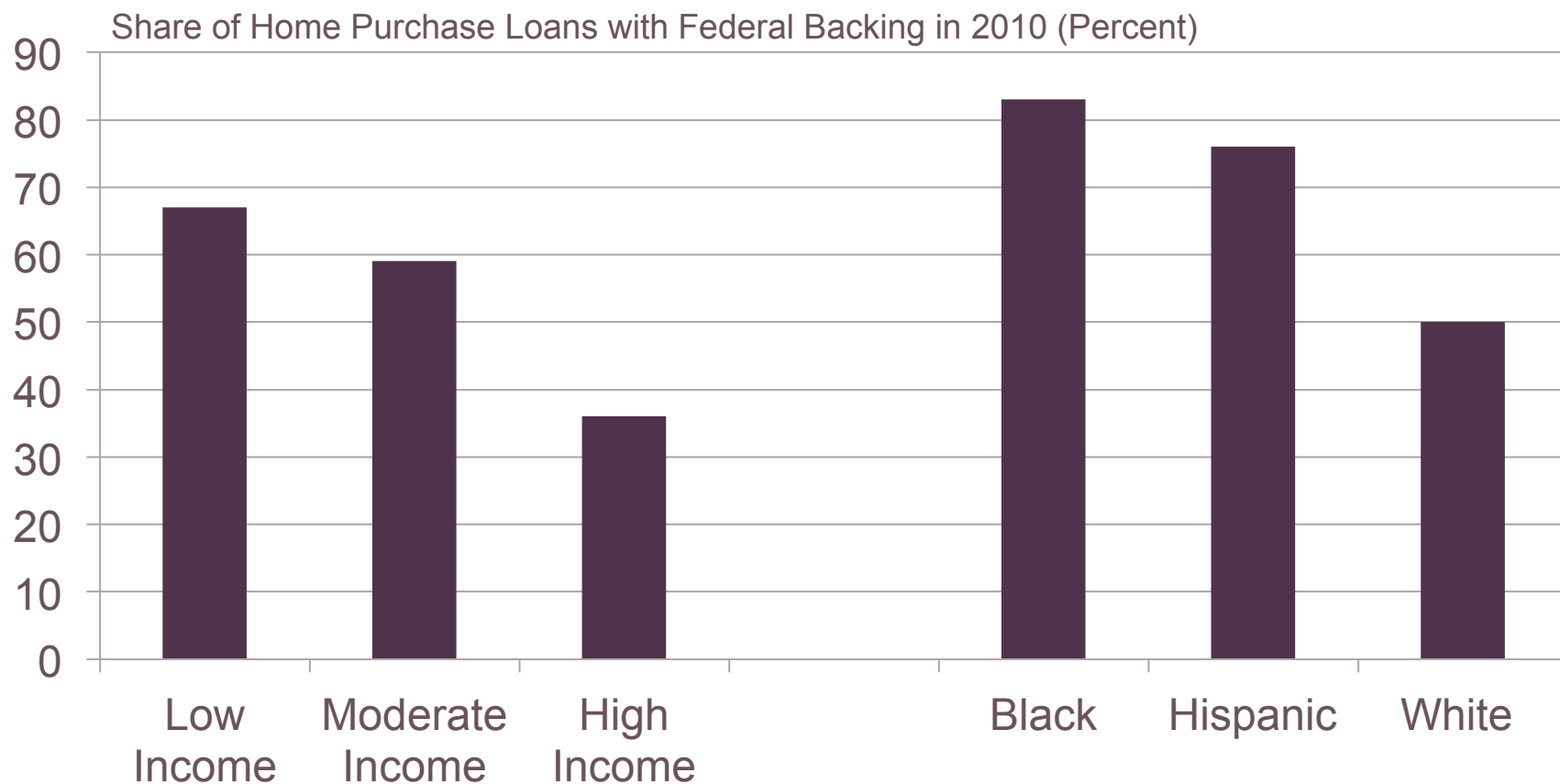
Share of FHA-Insured Mortgages by Dollar Volume (Percent)



Note: FHA data exclude records with no credit score information.

Source: US Department of Housing and Urban Development.

What Happens to FHA is Especially Important to The Fledgling Recovery

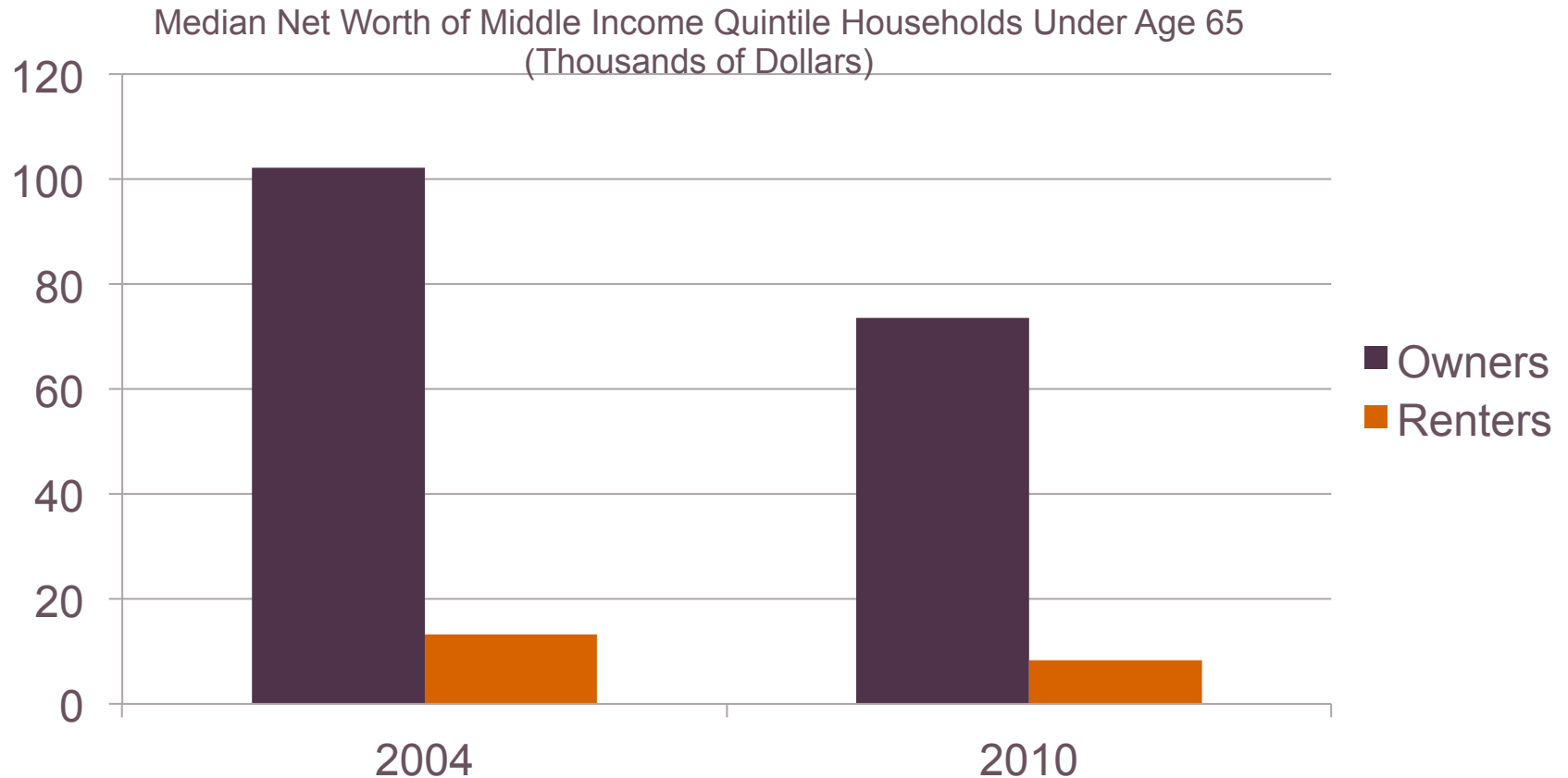


Notes: Federally backed loans include FHA/VA and USDA Rural Housing loans. Low income is defined as less than 80 percent of area median income (AMI), moderate income is between 80 and 120 percent of AMI, and high income is above 120 percent of AMI. Black and white householders are non-Hispanic; Hispanics may be of any race.

Source: JCHS tabulations of 2010 Home Mortgage Disclosure Act data.

ACCESS TO HOMEOWNERSHIP OVER LONG RUN HAS MATTERED

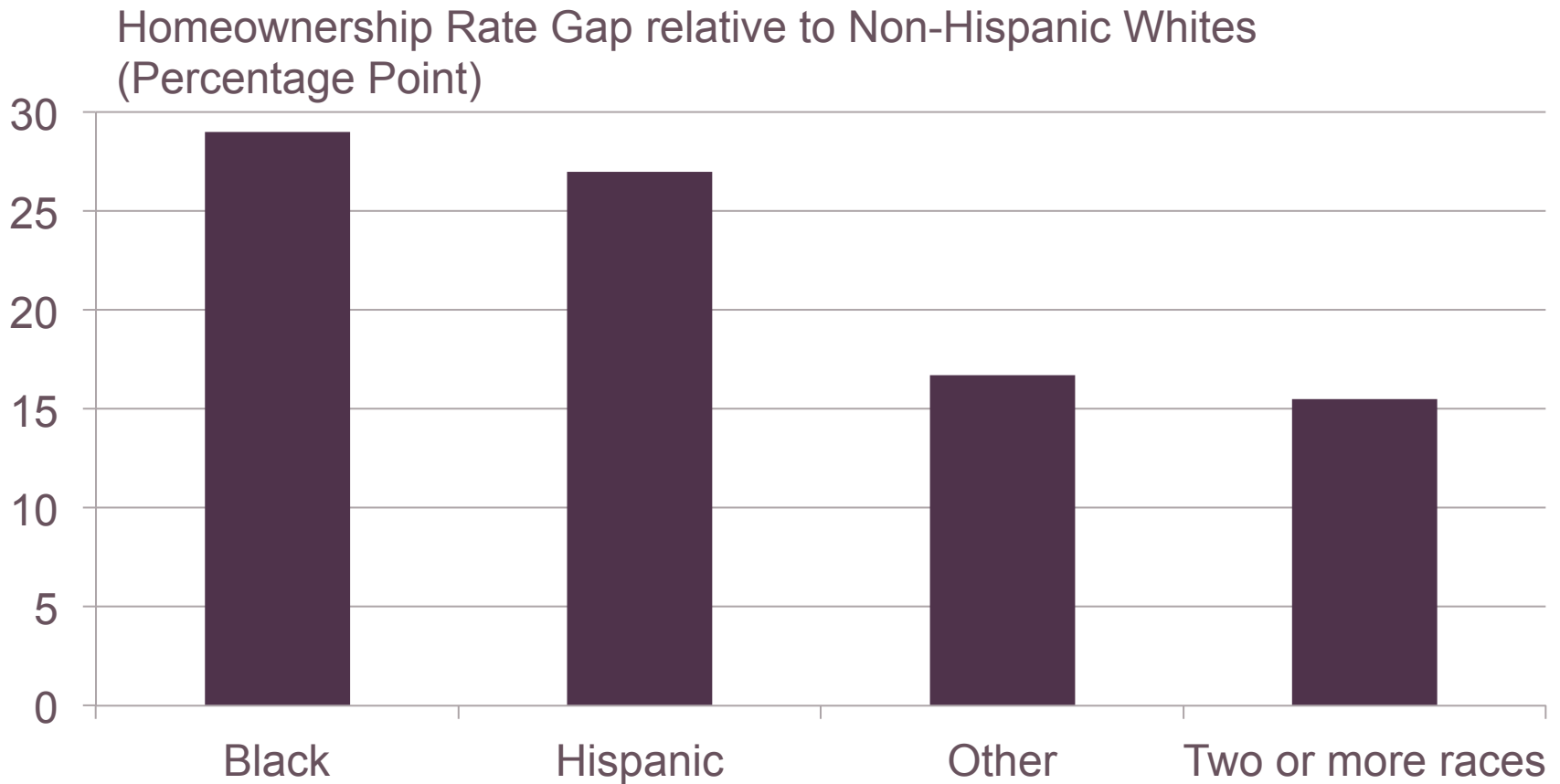
Homeownership Has Mattered Profoundly to Wealth Accumulation Even After Controls for Income and Age



Note: All values are in 2010 dollars, for the middle income quintile. Excludes seniors age 65 and over.

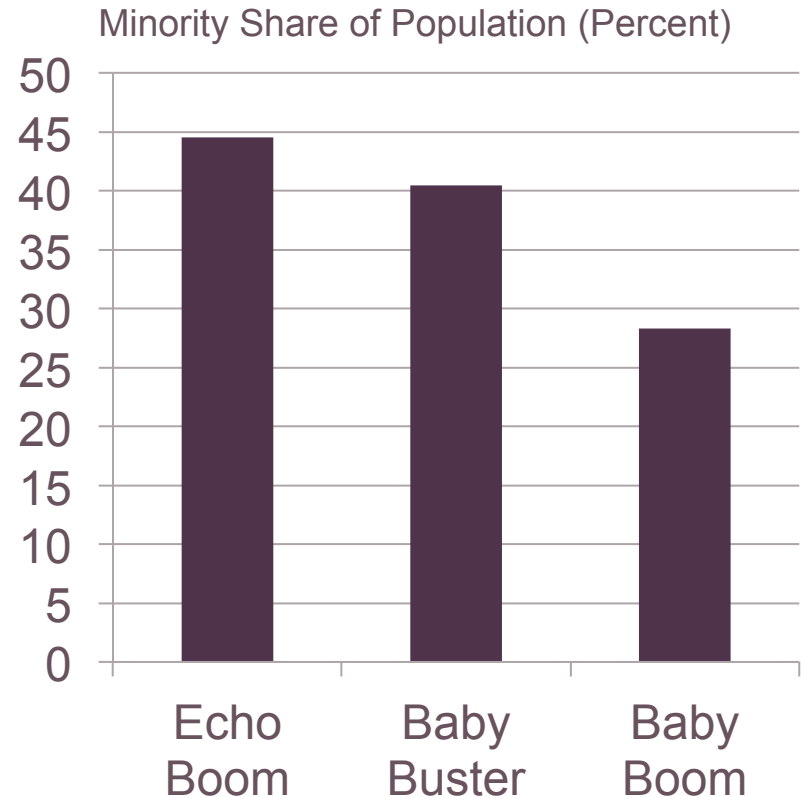
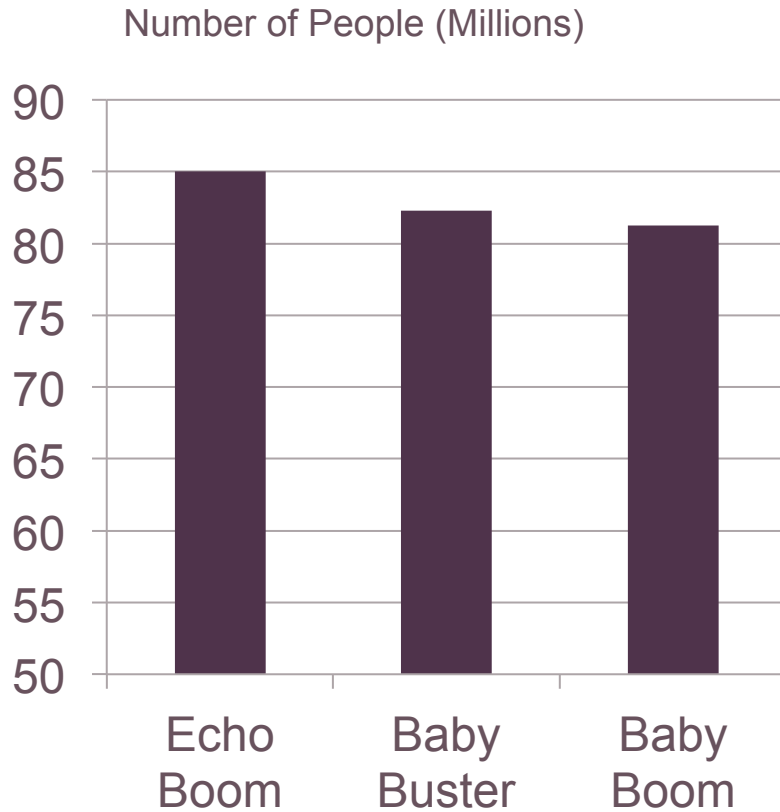
Source: Joint Center tabulations of Board of Governors of the Federal Reserve System, Survey of Consumer Finances.

Minority Homeownership Gaps are Wide



Note: Black, multi-race, and other householders are non-Hispanic. Hispanics may be of any race.
Source: US Census Bureau, Current Population Survey/Housing Vacancy Survey, Q2 2012.

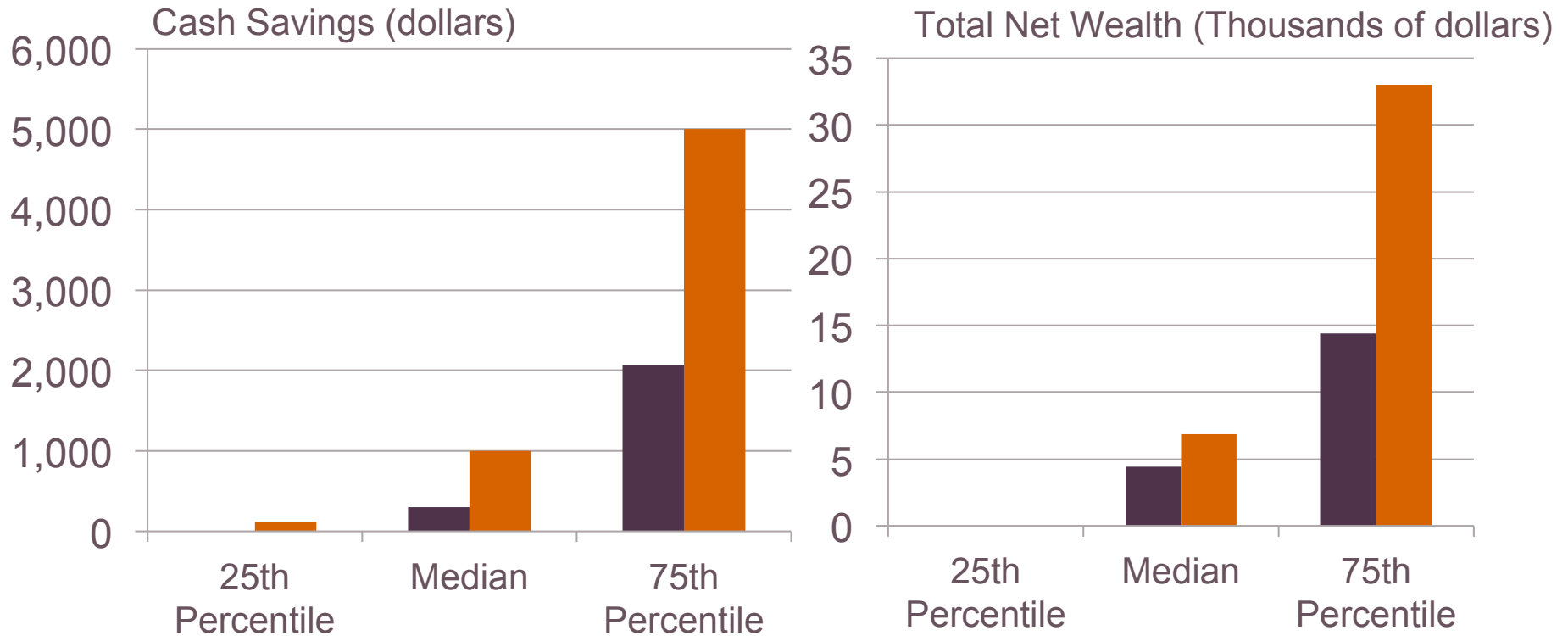
The Generations Following the Baby Boomers Are Large and More Diverse



Note: Members of the baby-boom generation were aged 46-65 in 2011, the baby bust generation aged 26-45, and the echo boom aged 6-25.

Source: JCHS tabulations of US Census Bureau, Population Estimates for July 1, 2011.

Renters, Especially Minorities, Have Minimal Savings and Wealth



■ Minority ■ White, Non-Hispanic

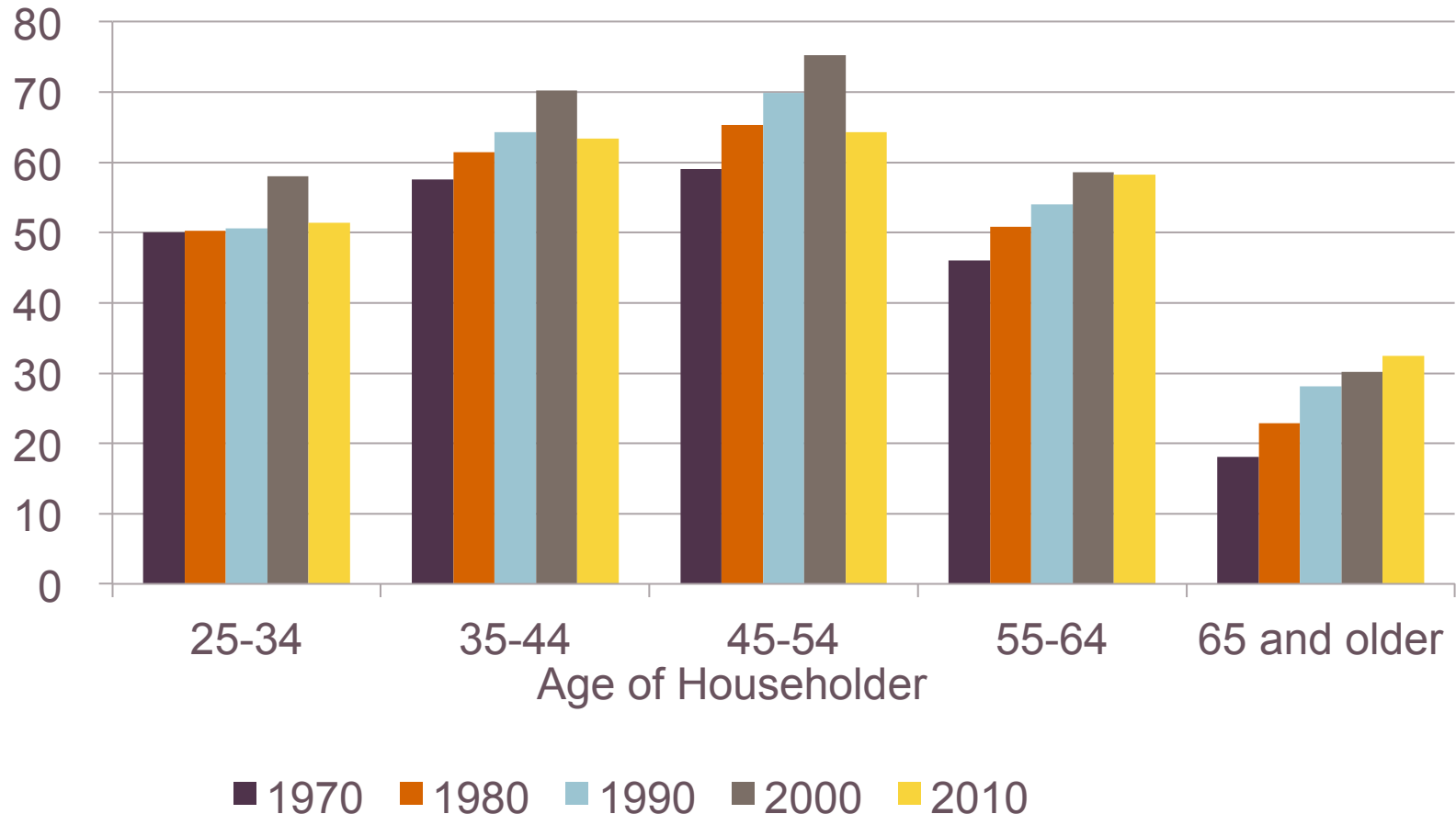
Note: Data for Renters only. Cash savings includes checking, saving, CD and money market accounts.

Source: JCHS tabulations of 2010 Survey of Consumer Finances.

AFFORDABILITY PROBLEMS WILL REMAIN SEVERE

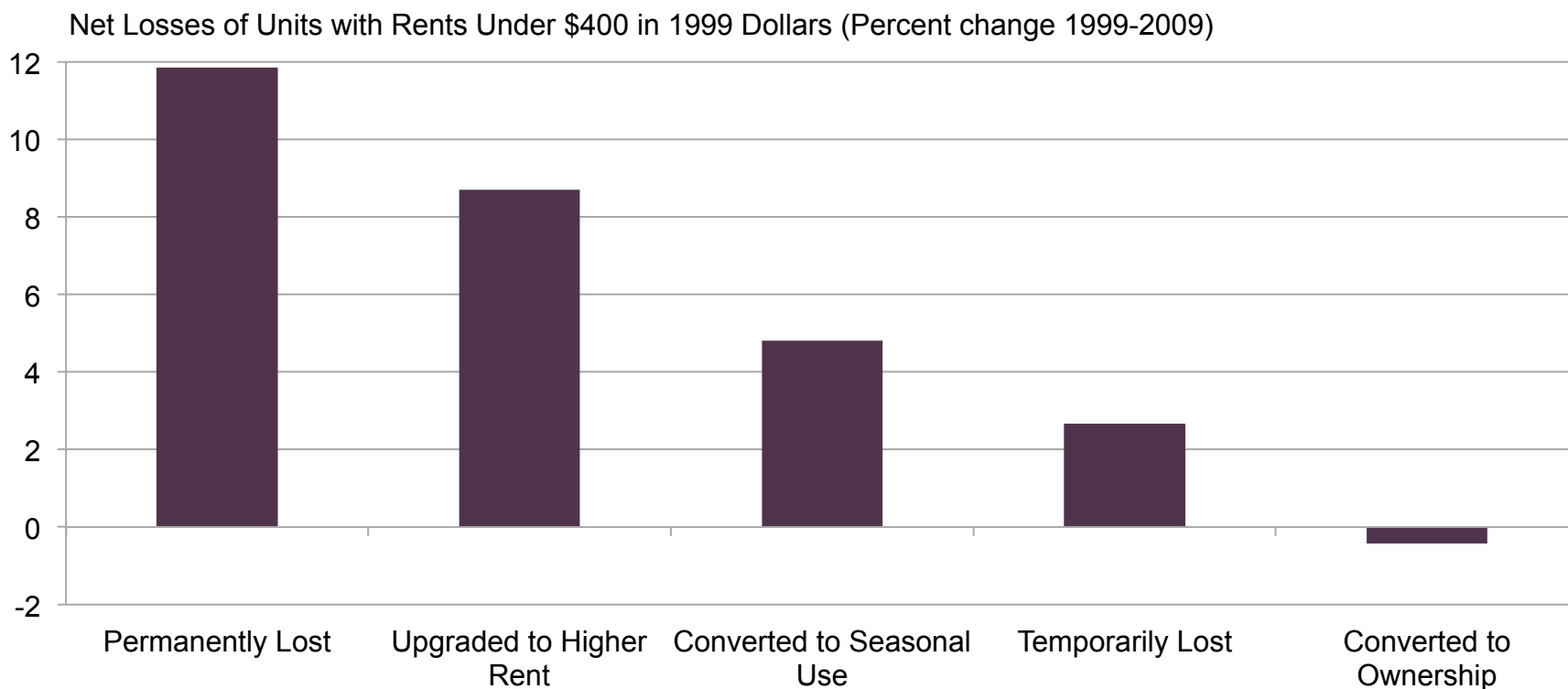
Median Incomes Under Age 55 Fell Last Decade

Median Household Income (Thousands of 2011 dollars)



Note: Dollar values adjusted for inflation by the CPI-U for All Items.
Source: US Census Bureau, Current Population Surveys.

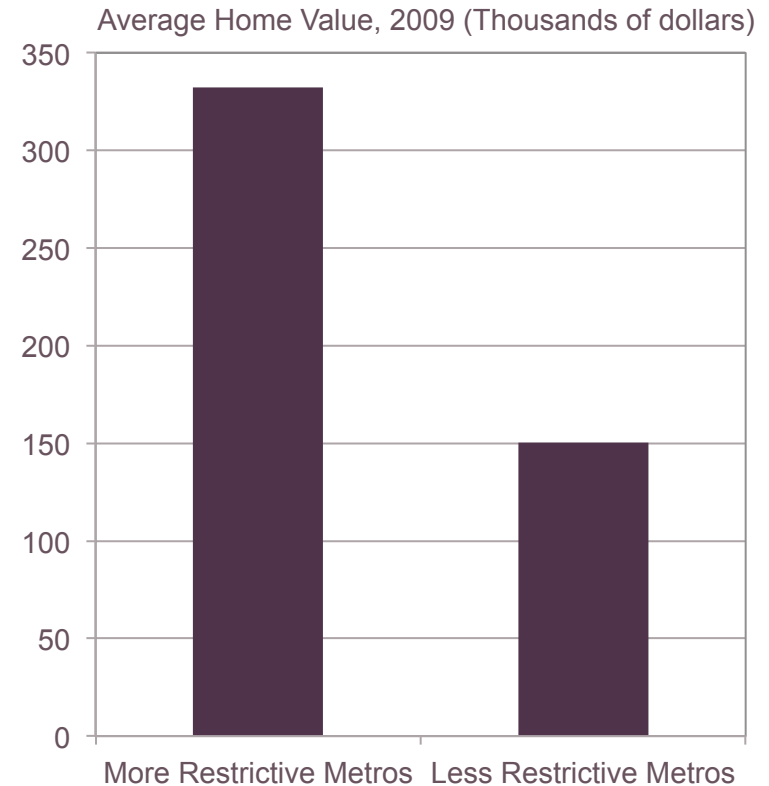
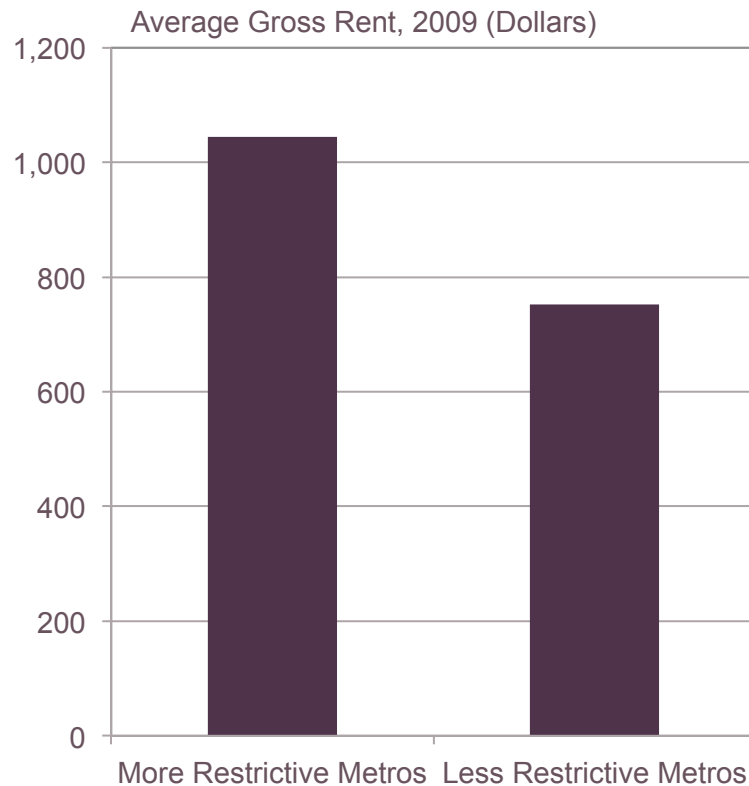
More than a Quarter of the Low-Cost Rental Stock Has Been Lost Since 1999, With Much of the Loss Permanent



Notes: Temporary losses are defined as units condemned, exposed to the elements, converted to non-residential or institutional use, or otherwise removed temporarily from the housing stock. Rent levels are adjusted for inflation using the CPI-U for All Items.

Source: JCHS tabulations of US Department of Housing and Urban Development, 1999 and 2009 American Housing Surveys.

Housing Costs are Higher in Areas with Restrictive Land Use Regulations



Notes: Data are the averages of metro-area medians. Gross rent includes rent and tenant-paid utilities. More (less) restrictive metros rank in the top (bottom) third of the Wharton Residential Land Use Regulatory Index, out of the 46 for which data are available. Rent and house values use US Census metro area definitions from 2009, while the Wharton Index uses definitions from 1999.

Sources: Joseph Gyourko, et al., "A New Measure of the Local Regulatory Environment for Housing Markets," *Urban Studies*, 2007; US Census Bureau, 2009 American Community Survey.