National Trends in Affordable Housing

Despite the upward trend in home prices, millions of lower-income households have made the transition to homeownership in recent years. Encouraged by the economy, favorable interest rates and innovations in mortgage finance, the number of home loans granted to lower-income households, and/or households living in lower-income communities, increased steadily over the past decade.

However, as home prices continue to soar in the down economy, the opportunity for homeownership for the nation's lowest-income residents continues to decline.

Harvard University's Joint Center for Housing Studies recently published the "State of the Nation's Housing: 2002" report which outlines factors impacting the housing market.

Below are key national trends impacting the affordability and availability of housing.

A recent study conducted by the Millennial Housing Commission found that Americans are among the best housed people and that federal housing support has been "tremendously successful" for most households helping to produce a 67.8 percent national homeownership rate.

Consumer Buying Power and Income

- Since 1975, inflation-adjusted incomes of renter households have increased by only 6 percent, compared with 25 percent among owner households.

- Over the past four years, the median asking rent for new apartments increased four times faster than the increase in new home prices. With the median asking rent of $920, new units are beyond the affordability of two-thirds of today's renter families.

- Fourteen million of the nation's 34 million renter households (41 percent) spend 30 percent or more of their incomes for housing, while 7 million (21 percent) spend 50 percent or more.

- Most of the 7.2 million lowest-income working families have severe affordability problems, paying more than half of their incomes for housing.

- Housing affordability is by far the most common concern for the lowest-income households:
  - More than 24 percent are moderately burdened (paying 30 to 50 percent of income for housing)
  - Approximately 46 percent are severely burdened (paying 50 percent or more)
  - More than 14 percent of these households also live in units that are overcrowded and/or structurally inadequate.

- Approximately 2.3 million lowest-income households with mortgages are under even greater pressure to meet median housing costs of $7,524 annually. Payments of this magnitude force 73 percent (1.7 million) of the lowest-income homeowners to pay more than half of their incomes for housing.

- A prolonged economic downturn could be devastating to households with limited resources to meet their current mortgage payments and equally limited equity or cash reserves to ride out the storm.

- The concentration of lower-income minority families in central cities poses difficult housing challenges. As housing construction continues to move outward, those left behind in core areas must live in older, often deteriorating housing.

The State of the Nation's Housing Stock

- The total value of single-family construction activity topped $206 billion in 2002, the highest figure ever recorded.

- In 2001, strong demand pushed the sales price of a typical existing home above $150,000 for the first time ever.

- Manufactured housing was responsible for 35 percent of the growth in homeownership in non-metropolitan areas and 23 percent of the gains among very low-income households.

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To access the complete Joint Center for Housing Studies report, go to: www.jchs.harvard.edu/publications/markets/Son2002.pdf.

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