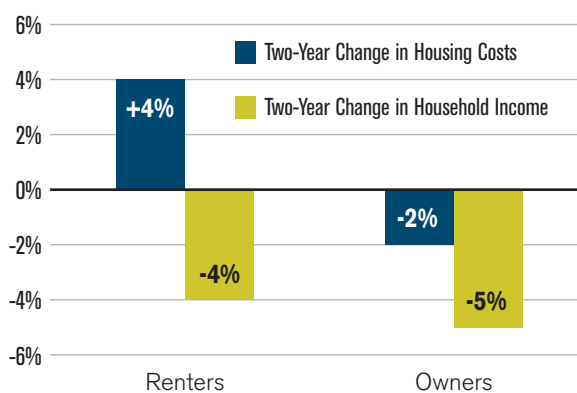


## An Annual Look at the Housing Affordability Challenges of America's Working Households

Nearly one in four working households spends more than half of its income on housing costs. Moreover, despite falling home values, housing affordability worsened significantly for working owners and renters between 2008 and 2010. As shown in Figure 1, incomes declined even as rents

**FIGURE 1. Median Monthly Housing Costs**



increased over the two-year period,<sup>1</sup> making housing substantially less affordable for working renters. For working owners, a modest decline in housing prices was outpaced by a larger decline in incomes, leading to higher cost burdens in 2010.

### National Findings

**The overall share of working households with a severe housing cost burden<sup>2</sup> increased significantly between 2008 and 2010, rising from 21.8 percent to 23.6 percent (Table 1).<sup>3</sup>**

The increase was also significant over the one-year period from 2009 to 2010. As shown in Figure 2, the increase in the share of working households paying more than half of their income for housing was driven largely by eroding affordability for working renters, of which 25.6 percent are now severely burdened by their housing costs (up significantly from 22.8 percent in 2008). This trend can be attributed to increasing

**TABLE 1. Working Households and Severe Housing Cost Burden (in millions)**

	2010	2009	2008	Two-Year Change (2008-2010)
Working Households	45.1	46.2	47.3	-4.7%
With a Severe Cost Burden	10.6	10.5	10.3	2.9%
Percentage with a Severe Cost Burden	23.6%	22.8%	21.8%	1.8 percentage points

This report focuses on housing affordability for **working households**. For the purposes of this report, working households are those that worked at least 20 hours per week, on average, and had a household income of no more than 120 percent of the median income in their area.

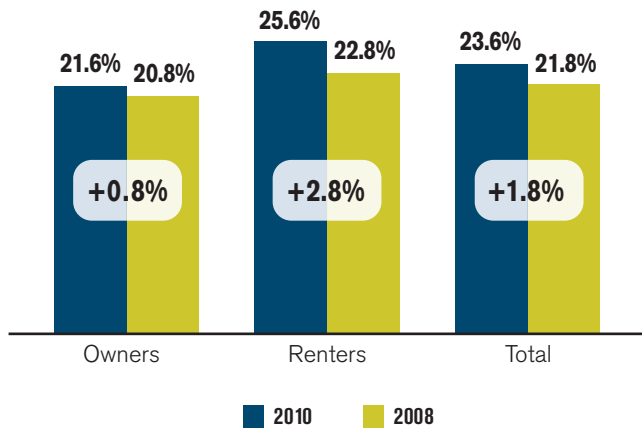
There were approximately 45.1 million working households in the United States in 2010, almost evenly split between homeowners (22.6 million) and renters (22.5 million).

In 2010, approximately one-third of all owner-occupied households met the working household definition; this group typically earned between 50 percent and 120 percent of the area median income (AMI). Nationally, the median income for working household owners in 2010 was a little higher than \$41,000 – or about 80 percent of the median income for all U.S. homeowners. Due to their lower incomes, working household owners faced greater affordability challenges than higher-income homeowners.

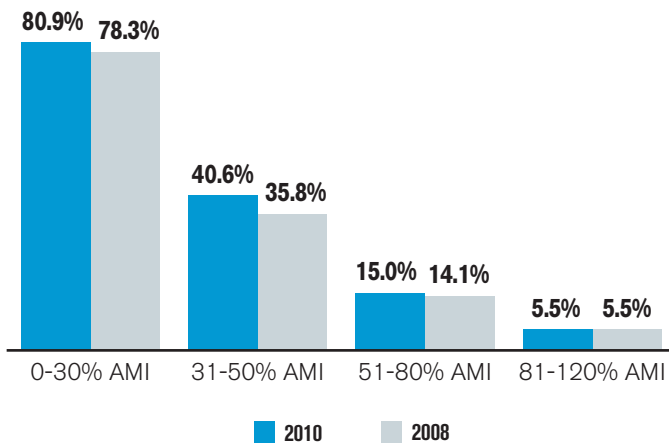
On the other hand, working renters represent a majority of all renters; almost 60 percent of all renter-occupied households met the working household definition in 2010. Overall, renting households saw their incomes decrease and housing costs increase, creating greater affordability challenges than in previous years.

*The author thanks Keith Wardrip for his analysis of the American Community Survey microdata files on which this report is based.*

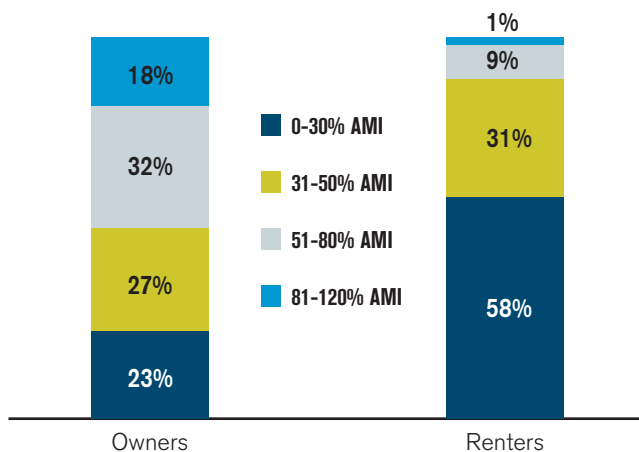
**FIGURE 2.** Percentage of Working Households with a Severe Housing Cost Burden by Tenure



**FIGURE 3.** Percentage of Working Households with a Severe Housing Cost Burden by Income



**FIGURE 4.** Distribution of Working Households with a Severe Housing Cost Burden by Income



rents and decreasing incomes. The increase in the share of working owners paying more than half their income for housing was smaller, but also significant – rising from 20.8 percent in 2008 to 21.6 percent in 2010.

**The increase in the rate of severe housing cost burden among working households occurred exclusively for those earning less than 80 percent of area median income (AMI).**

As shown in Figure 3, the proportion of households with a severe housing cost burden increased the most for households earning less than 50 percent of AMI, and their rate of cost burden continued to exceed that of higher-earning households. Households with a more moderate income, earning between 80 and 120 percent of AMI, saw little change in the share severely burdened by housing costs.

**The incomes of working renters and working owners with severe housing cost burdens differ.**

As shown in Figure 4, nearly all working renters with a severe housing cost burden earn less than 50 percent of AMI while working owners with a severe housing cost burden are more evenly distributed across income categories. This difference is likely due to the fact that there are relatively few very low-income owners and that moderate-income owners are more likely to struggle to meet housing costs than moderate-income renters.

## State and Local Findings

**Since 2008, affordability has steadily eroded for working households in 24 states.**

The share of working households with severe housing cost burdens increased significantly in 24 states between 2008 and 2010 and was lower in just one – Maine (see shaded areas of Figure 5). Eight of those states saw significant increases just in the one year since 2009: Alaska, Georgia, Kentucky, New Jersey, North Carolina, Pennsylvania, South Carolina, and Texas. (Michigan saw a significant decrease in its rate of severely burdened households since 2009, but this only returned it to 2008 levels, resulting in no change over the two-year period.)<sup>4</sup>

It is also worth noting that many states have steadily high rates of severe housing cost burdens among working households. In California, Nevada, Connecticut, Hawaii, and Rhode Island, there was no significant change between 2008 and 2010, but at least one in four working households is severely cost burdened. Another eight states have a rate of at least 20 percent.

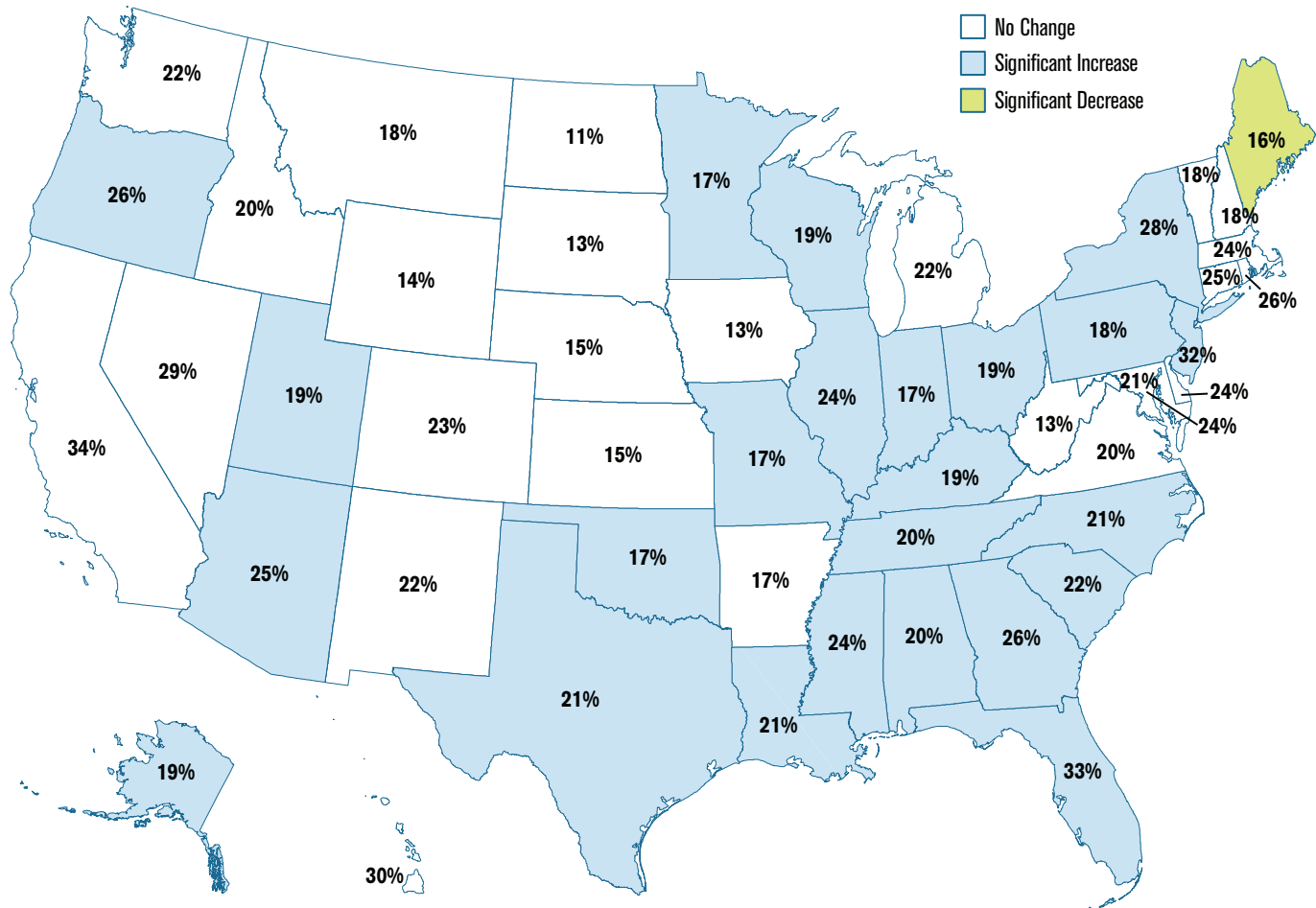
**Nineteen of the 50 largest metro areas saw the number of working households with severe housing cost burdens increase between 2008 and 2010.**

Only Riverside-San Bernardino, California, saw its share of severely cost-burdened households decline significantly since 2008, and in spite of this, it remains in the list of the five metro areas with the highest shares of severely

burdened households (Table 2). Focusing on the one-year period between 2009 and 2010, six metro areas saw significant increases in the share of working households with severe housing cost burdens and only one, Detroit, saw a decline which, while significant, kept its share well above that of 2008 (See Appendix B).

Even among the metro areas that ranked lowest, one in seven working households is severely cost burdened.

**FIGURE 5.** Share of Working Households with Severe Housing Cost Burden by State, 2010  
(Shaded by Change, 2008–2010)



**TABLE 2.** Percentage of Working Households with a Severe Housing Cost Burden by Metro Area (2010)

Highest		Lowest	
Miami-Fort Lauderdale-Pompano Beach, FL	43%	Pittsburgh, PA	15%
Los Angeles-Long Beach-Santa Ana, CA	38%	Buffalo-Niagara Falls, NY	16%
San Diego-Carlsbad-San Marcos, CA	37%	San Antonio, TX	17%
Riverside-San Bernardino-Ontario, CA	34%	Rochester, NY	17%
New York-Northern New Jersey-Long Island, NY-NJ-PA	34%	Kansas City, MO-KS	17%

## Supporting Data: Employment, Income, and Housing Costs

The findings above demonstrate that 2010 continued a trend of worsening affordability for low- and moderate-income (LMI) households – that is, those earning less than 120 percent of AMI. To shed light on the underlying causes, this section briefly explores national employment, income, and housing cost trends between 2008 and 2010.

### Fewer low- and moderate-income households have jobs that employ them for 20 hours or more per week.

The share of all U.S. households that met our criteria for “working households” – income less than or equal to 120 percent AMI and at least 20 hours of work per week – decreased by 2.4 percentage points between 2008 and 2010, falling from 41.8 percent to 39.3 percent. In just one year – from 2009 to 2010 – the share decreased by 1.3 percentage points. The change can largely be explained by increases in the share of low- and moderate-income households that were not working or working less than 20 hours, which increased by 1.7 percentage points between 2008 and 2010. By definition, households working less than 20 hours per week are not included in our analysis, even if they pay more than half their income for housing. Had they been included, the number and share of low- and moderate-income households with severe housing cost burdens would have been higher: overall, 27 percent of low- and moderate income households in the United States – or 18.2 million of the more than 67 million households – had a severe housing cost burden in 2010, up from 25 percent in 2008.

At the same time, there is evidence of a small increase in the share of households with higher incomes. The share of all U.S. households earning more than 120 percent of AMI rose by 0.5 percentage points between 2008 and 2010 even as the share of all households with low- or moderate-incomes declined by the same amount.

### Incomes for all households, working and not, have declined since 2008.

Working homeowners saw the largest declines in income, falling from \$43,570 in 2008 to \$41,413 in 2010 (in nominal dollars) – about 5 percent (Table 3). This can be explained in part by a decrease in the median number of hours worked (per week) by owners – from 50 to 48 between 2008 and 2010.

Median hours for working renters, on the other hand, held steady over the same period. While the median household income of renters increased slightly between 2009 and 2010, that increase was not enough to overcome previous declines, and the median income for a working renter in 2010 was still about four percent below 2008 levels.

For all households, working and not, nominal income declined about 3 percent between 2008 and 2010.

### Since 2008, there has been a steady trend in decreasing costs for owners and increasing costs for renters.

The decrease in housing costs for working owners has been modest, and was outweighed two to one by decreases in income since 2009 and slightly more than that since 2008 (Table 4). This means that declines in housing costs for owners have not been enough to improve affordability for working households.

Renters, however, are faced with both higher costs and lower incomes. Since 2009, increases in the median household income for working renters (1 percent) were matched by a similar increase in housing costs. But between 2008 and 2010, the median income for renter households declined by 4 percent while housing costs increased by that same amount, exacerbating renters’ affordability challenges.

**TABLE 3.** Median Household Income for Working Households

	2010	2009	2008	One-Year Change 2009–2010	Two-Year Change 2008–2010
Working Renters	\$ 30,229	\$ 29,988	\$ 31,570	1%	-4%
Working Owners	\$ 41,413	\$ 42,178	\$ 43,791	-2%	-5%

**TABLE 4.** Median Monthly Housing Costs for Working Households

	2010	2009	2008	One-Year Change 2009–2010	Two-Year Change 2008–2010
Working Renters	\$ 830	\$ 820	\$ 800	1%	4%
Working Owners	\$ 1,037	\$ 1,047	\$ 1,058	-1%	-2%

## Methodology

This report is based on American Community Survey (ACS) data collected by the U.S. Census Bureau in 2008, 2009, and 2010. Estimates in this report were generated using Public-Use Microdata Sample (PUMS) population and housing files made publicly available by the Census Bureau. Each file includes roughly 40 percent of the full ACS sample for its respective year, resulting in over 3 million records in each population file and over 1.2 million records in each housing file. There is a unique identifier that links individuals in the population file to households in the housing file. The only geographic identifiers are the state, the census region, and the Public-Use Microdata Area (PUMA) of residence. PUMAs are locally defined geographic areas that allow researchers to produce socioeconomic and demographic estimates with ACS data for sub-state geographies. Each PUMA has a minimum population of 100,000.

The remainder of this section explains how the PUMS files and constituent variables were used to develop the estimates in this report.

**Metropolitan Area Estimates:** The ACS PUMS files were used to generate metropolitan area statistics by associating each PUMA with the metropolitan area (or non-metropolitan area) in which it is located.<sup>5</sup> These PUMA-to-metropolitan area relationships were generated using the Missouri Census Data Center's MABLE/Geocorr2K online application.<sup>6</sup> Because not all PUMAs are entirely contained within a metropolitan area, each PUMA was assigned to a metro area if at least 50 percent of its housing units fell within the area's boundaries. PUMAs that did not fall at least 50 percent within a metropolitan area were coded as non-metropolitan.

One consequence of using this "50 percent rule" is that where metropolitan area and PUMA boundaries are not coterminous, either too few or too many households are assigned to the metro area (i.e., if a PUMA falls 75 percent within a metro area, all of its households are considered to reside in the metro area even though 25 percent do not, in actuality). For the 50 metropolitan areas listed in

the report, this methodology produced housing unit totals equal to anywhere from 91 percent to 106 percent of each area's actual housing unit counts, suggesting that, by and large, the PUMAs do a sufficiently good job of approximating the metropolitan areas. In fact, for 15 metro areas, PUMAs nested exactly within their borders and housing unit totals matched control totals exactly.

**Household Income Relative to Area Median Income:** For each household assigned to a metropolitan area, household income (variable HINCP in the PUMS file) was compared to the area's median family income estimate (ACS detailed table B19113), adjusted for household size.<sup>7,8,9</sup> The ratio of household income to this area median income (AMI) was used to determine the income category for each household, as well as whether or not it met the income requirements of the working household definition (i.e.,  $\leq 120$  percent of the AMI). Non-metropolitan AMIs for each state were derived from the household records classified as non-metropolitan in the PUMS files. The roughly 1.2 million households reporting zero or negative income in each of the study years were excluded from these analyses.

**Housing Costs:** The PUMS housing files include two variables that aggregate monthly housing costs for owners and renters. For owner-occupied households, this variable (SMOCP) includes first and second mortgage payments, property taxes, insurance, homeowner association fees, and utilities; for renter-occupied households, this variable (GRNTP) includes cash rent and utility costs. This analysis used the Census Bureau's aggregation for owner-occupied households but replaced the renter housing cost aggregation with a custom-calculated variable. This was necessary because the PUMS housing file does not aggregate housing costs for renters that do not pay cash rent, even if they pay utilities. Because using the PUMS variable would have excluded these households from the analysis, a replacement variable was calculated that sums utility costs for renter-occupied households that do not pay cash rent.

STATE	2010 WORKING HOUSEHOLDS		% WITH SEVERE HOUSING COST BURDEN			SIGNIFICANT DIFFERENCE*	
	Total	With Severe Housing Cost Burden	2010	2009	2008	2009-10	2008-10
Alabama	639,290	129,019	20%	19%	16%		Higher
Alaska	118,996	22,065	19%	14%	12%	Higher	Higher
Arizona	883,344	224,738	25%	25%	23%		Higher
Arkansas	392,216	67,656	17%	19%	17%		
California	4,897,680	1,661,671	34%	33%	33%		
Colorado	861,815	197,380	23%	22%	22%		
Connecticut	555,259	137,144	25%	23%	23%		
Delaware	127,559	31,155	24%	21%	22%		
District of Columbia	118,613	28,155	24%	23%	22%		
Florida	2,500,193	812,931	33%	33%	31%		Higher
Georgia	1,402,718	360,240	26%	23%	20%	Higher	Higher
Hawaii	195,608	58,182	30%	30%	30%		
Idaho	237,878	48,016	20%	21%	17%		
Illinois	1,897,950	458,840	24%	24%	23%		Higher
Indiana	999,311	167,736	17%	17%	15%		Higher
Iowa	521,980	68,249	13%	12%	13%		
Kansas	459,300	68,661	15%	15%	16%		
Kentucky	601,513	114,001	19%	16%	15%	Higher	Higher
Louisiana	656,371	135,695	21%	19%	18%		Higher
Maine	204,591	32,158	16%	18%	19%		Lower
Maryland	951,241	199,060	21%	21%	20%		
Massachusetts	976,338	231,406	24%	22%	24%		
Michigan	1,349,409	298,304	22%	23%	21%	Lower	
Minnesota	887,734	153,858	17%	17%	16%		Higher
Mississippi	370,919	88,448	24%	22%	19%		Higher
Missouri	935,347	163,285	17%	17%	15%		Higher
Montana	166,866	30,438	18%	17%	16%		
Nebraska	327,885	48,294	15%	13%	13%		
Nevada	401,729	115,129	29%	28%	27%		
New Hampshire	222,130	40,824	18%	20%	19%		
New Jersey	1,139,986	360,393	32%	29%	28%	Higher	Higher
New Mexico	297,613	64,927	22%	20%	19%		
New York	2,819,539	798,890	28%	27%	26%		Higher
North Carolina	1,419,452	305,148	21%	20%	18%	Higher	Higher
North Dakota	133,879	14,435	11%	12%	10%		
Ohio	1,682,596	323,579	19%	18%	18%		Higher
Oklahoma	577,946	98,098	17%	16%	15%		Higher
Oregon	575,542	147,179	26%	23%	23%		Higher
Pennsylvania	1,879,159	344,345	18%	17%	17%	Higher	Higher
Rhode Island	148,092	38,081	26%	25%	24%		
South Carolina	655,602	142,894	22%	19%	18%	Higher	Higher
South Dakota	141,338	18,185	13%	13%	12%		
Tennessee	913,173	183,358	20%	20%	17%		Higher
Texas	3,734,958	797,232	21%	20%	19%	Higher	Higher
Utah	413,859	79,070	19%	18%	16%		Higher
Vermont	106,533	19,640	18%	19%	19%		
Virginia	1,224,614	249,441	20%	20%	19%		
Washington	1,068,567	232,117	22%	22%	21%		
West Virginia	231,718	30,661	13%	15%	14%		
Wisconsin	951,877	181,968	19%	18%	16%		Higher
Wyoming	99,971	13,752	14%	13%	13%		
United States	45,077,797	10,636,131	24%	23%	22%	Higher	Higher

\*Where estimates of the percentage of working households with a severe housing cost burden are deemed significantly different (at the 90% confidence level), the direction of the difference is indicated. This field is blank where the difference is not deemed significant.

Source: Center for Housing Policy tabulations of American Community Survey PUMS files.



METROPOLITAN STATISTICAL AREA	2010 WORKING HOUSEHOLDS		% WITH SEVERE HOUSING COST BURDEN			SIGNIFICANT DIFFERENCE*	
	Total	With Severe Housing Cost Burden	2010	2009	2008	2009-10	2008-10
Atlanta-Sandy Springs-Marietta, GA	787,029	220,132	28%	24%	22%	Higher	Higher
Austin-Round Rock-San Marcos, TX	322,216	78,713	24%	22%	21%		Higher
Baltimore-Towson, MD	426,130	84,227	20%	21%	19%		
Birmingham-Hoover, AL	145,570	31,349	22%	20%	16%		Higher
Boston-Cambridge-Quincy, MA-NH	732,952	175,691	24%	23%	24%		
Buffalo-Niagara Falls, NY	162,047	26,652	16%	18%	18%		
Charlotte-Gastonia-Rock Hill, NC-SC	286,923	62,329	22%	21%	18%		Higher
Chicago-Joliet-Naperville, IL-IN-WI	1,415,963	388,676	27%	26%	26%		
Cincinnati-Middletown, OH-KY-IN	319,691	57,804	18%	16%	17%		
Cleveland-Elyria-Mentor, OH	313,316	65,458	21%	21%	20%		
Columbus, OH	293,506	59,066	20%	20%	17%		Higher
Dallas-Fort Worth-Arlington, TX	1,016,521	217,506	21%	20%	20%		Higher
Denver-Aurora-Broomfield, CO	455,616	99,518	22%	21%	22%		
Detroit-Warren-Livonia, MI	575,394	135,575	24%	26%	22%	Lower	
Hartford-West Hartford-East Hartford, CT	192,749	38,554	20%	19%	22%		
Houston-Sugar Land-Baytown, TX	888,270	209,120	24%	22%	20%	Higher	Higher
Indianapolis-Carmel, IN	276,676	51,910	19%	18%	16%		
Jacksonville, FL	197,062	50,507	26%	25%	20%		Higher
Kansas City, MO-KS	308,800	52,255	17%	16%	15%		
Las Vegas-Paradise, NV	289,225	85,875	30%	29%	29%		
Los Angeles-Long Beach-Santa Ana, CA	1,683,211	640,301	38%	37%	36%		Higher
Louisville/Jefferson County, KY-IN	188,942	36,031	19%	15%	15%	Higher	Higher
Memphis, TN-MS-AR	175,994	46,446	26%	27%	25%		
Miami-Fort Lauderdale-Pompano Beach, FL	714,733	307,690	43%	42%	40%		Higher
Milwaukee-Waukesha-West Allis, WI	257,057	56,803	22%	22%	19%		
Minneapolis-St. Paul-Bloomington, MN-WI	535,768	98,876	18%	18%	17%		Higher
Nashville-Davidson--Murfreesboro--Franklin, TN	236,842	52,192	22%	19%	16%		Higher
New Orleans-Metairie-Kenner, LA	183,027	51,415	28%	26%	22%		Higher
New York-Northern New Jersey-Long Island, NY-NJ-PA	2,610,597	879,382	34%	32%	31%	Higher	Higher
Oklahoma City, OK	220,873	38,972	18%	17%	15%		
Orlando-Kissimmee-Sanford, FL	312,100	101,864	33%	35%	34%		
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	893,786	201,082	22%	20%	20%	Higher	Higher
Phoenix-Mesa-Glendale, AZ	593,584	153,014	26%	26%	24%		
Pittsburgh, PA	352,629	54,335	15%	15%	14%		
Portland-Vancouver-Hillsboro, OR-WA	352,518	82,403	23%	23%	21%		
Providence-New Bedford-Fall River, RI-MA	225,887	55,626	25%	25%	23%		
Raleigh-Cary, NC	191,396	36,365	19%	17%	15%		Higher
Richmond, VA	180,983	33,689	19%	20%	16%		
Riverside-San Bernardino-Ontario, CA	495,836	169,657	34%	35%	37%		Lower
Rochester, NY	159,533	26,766	17%	18%	18%		
Sacramento--Arden-Arcade--Roseville, CA	300,650	91,612	30%	28%	27%		Higher
San Antonio-New Braunfels, TX	311,481	51,912	17%	19%	19%		
San Diego-Carlsbad-San Marcos, CA	417,480	153,445	37%	34%	36%	Higher	
San Francisco-Oakland-Fremont, CA	636,605	182,916	29%	29%	30%		
San Jose-Sunnyvale-Santa Clara, CA	246,918	69,160	28%	28%	26%		
Seattle-Tacoma-Bellevue, WA	586,152	135,264	23%	22%	22%		
St. Louis, MO-IL	433,439	76,977	18%	17%	16%		
Tampa-St. Petersburg-Clearwater, FL	386,799	111,290	29%	29%	27%		
Virginia Beach-Norfolk-Newport News, VA-NC	261,918	60,639	23%	21%	19%		Higher
Washington-Arlington-Alexandria, DC-VA-MD-WV	946,454	201,986	21%	21%	22%		
<b>Total</b>	<b>24,498,848</b>	<b>6,449,027</b>	<b>26%</b>	<b>25%</b>	<b>25%</b>	<b>Higher</b>	<b>Higher</b>

\*Where estimates of the percentage of working households with a severe housing cost burden are deemed significantly different (at the 90% confidence level), the direction of the difference is indicated. This field is blank where the difference is not deemed significant.

Source: Center for Housing Policy tabulations of American Community Survey PUMS files.

As the research affiliate of the National Housing Conference (NHC), the Center for Housing Policy specializes in developing solutions through research. In partnership with NHC and its members, the Center works to broaden understanding of the nation's housing challenges and to examine the impact of policies and programs developed to address these needs. Combining research and practical, real-world expertise, the Center helps to develop effective policy solutions at the national, state and local levels that increase the availability of affordable homes.

## HOUSING LANDSCAPE 2012

The Housing Landscape series uses the most current information available to understand the relationship between housing costs and incomes for working households in the United States.

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## Endnotes

<sup>1</sup> All dollar figures reported are nominal and not adjusted for inflation.

<sup>2</sup> A household is considered to have a severe housing cost burden if it spends more than 50 percent of its income on housing costs, including utilities.

<sup>3</sup> Due to changes in population controls since *Census 2010*, population estimates and "estimates of the number of people in a given location are not strictly comparable" before and after 2010. General trends, however, should remain valid and we have used rates and percentages throughout our analysis to focus on trends rather than discrete counts of households. For further information, please see the Census Bureau's Change in [Population Controls](#) document. In addition, a methodological change noted in the Methodology section has resulted in a recalculation of the level of cost burden in 2008 and 2009; the estimates reported in this report are thus not comparable to those of previous editions of *Housing Landscape*.

<sup>4</sup> For a detailed state-by-state listing, see Appendix A.

<sup>5</sup> Metropolitan area definitions are consistent with those defined by the Office of Management and Budget in *Update of Statistical Area Definitions and Guidance on Their Uses*, OMB Bulletin No. 08-01, issued November 20, 2007 (available at <http://www.whitehouse.gov/sites/default/files/omb/assets/omb/bulletins/fy2008/b08-01.pdf>).

<sup>6</sup> Available at <http://mcdc2.missouri.edu/websas/geocorr2k.html>.

<sup>7</sup> Similar to the way HUD develops income limits for households of various sizes, the median family income is used as the benchmark to which the income of a four-person household is compared. Incomes of larger households are compared to an upwardly adjusted median family income, and the benchmark for smaller households is adjusted downward. For a detailed description of the adjustments used by HUD and in this report, see p. 10 in HUD's *FY2010 HUD Income Limits Briefing Material*, available at [www.huduser.org/portal/datasets/il/il10/IncomeLimitsBriefingMaterial\\_FY10.pdf](http://www.huduser.org/portal/datasets/il/il10/IncomeLimitsBriefingMaterial_FY10.pdf).

<sup>8</sup> Median family incomes for non-metropolitan areas in each state were derived from the household records classified as non-metropolitan in the PUMS files.

<sup>9</sup> This year's Housing Landscape report reflects a change in methodology. Last year, we adjusted income using the income adjustment variable (ADJINC) when calculating the housing-cost-to-income ratio (HCIR). Census no longer advises making this adjustment and thus we have discontinued it. Therefore, the results from the current Housing Landscape report are not comparable to those of prior reports.