

Affording a Home

WHAT DOES IT TAKE TO BUY A REASONABLY PRICED HOUSE? BY RODGER DOYLE

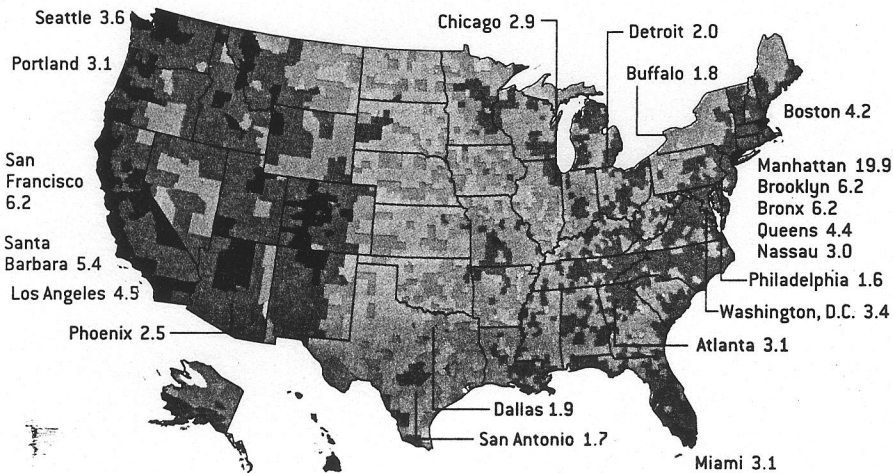
There are now about 107 million households and 122 million dwelling units in the U.S.—more than enough, it would seem, to place all 287 million Americans under a roof. Furthermore, the typical U.S. family can afford a house: according to the National Association of Realtors, a family with a median income of about \$52,000 has 36 percent more than the minimum needed to qualify for a mortgage on a median-priced house.

typical house there. But in places such as Santa Barbara, Calif., where the median income is \$54,000, a family must spend 5.4 years' worth of income to buy a median-priced residence, valued at \$293,000. The typical Buffalo family would have no problem obtaining a mortgage with a minimum down payment, whereas a similar family in Santa Barbara would be turned down. In certain other places, such as Brooklyn, N.Y., prospective buyers are at an even greater disadvantage: houses there are valued at an average of \$224,000, but the average family income is only \$36,000, or 6.2 years' income.

The Millennial Housing Commission, a bipartisan group appointed by Congress, concluded in a May report that affordable housing in the U.S. for low- and moderate-income renters—those with family incomes of up to 120 percent of the median income—is “being lost at alarming rates.” In the prosperous Washington, D.C., region, for example, 114,000 new jobs were added in 2000, compared with only 35,000 new dwelling units. Using the rule of thumb of 1.6 workers per home, that is a shortage of about 36,000 homes.

Part of the problem in Washington and elsewhere is gentrification of older properties, which has led to a reduction in the number of units available to lower-income families. Other causes for the shortfall, according to the Millennial Commission, are a rise in housing production costs; inadequate public subsidies; and local regulations, including zoning laws that require at least five acres for each home or limit the construction of multi-family dwellings. Indeed, according to economist Edward L. Glaeser of Harvard University and policy analyst Joseph Gyourko of the University of Pennsylvania, zoning restrictions, rather than a shortage of land, may be the most important contributor, especially in places such as New York City, Washington, D.C., and Los Angeles.

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Number of Years of Median Family Income Needed to Buy a Median-Priced House, by County

■ Less than 1.5 ■ 1.5 to 1.99 ■ 2 to 2.99 ■ 3 or more □ No data

SOURCE: U.S. Census 2000. Based on homeowners' estimates of the value of their house in 2000 and their income in 1999. The figures noted on the map apply to the home counties of cities.

NO PLACE LIKE HOME

Total housing units in 2001:
119,120,000

Total year-round housing units:
117,900,000

Occupied by owner: 61.8%

Occupied by renter: 29.1%

Vacant: 10%

SOURCE: U.S. Department of Housing and Urban Development, Office of Policy Development and Research

But many Americans are not housed adequately, and some are not housed at all. Part of the problem is that many live in places where housing costs are high in relation to income. This is illustrated by the map, which correlates median family income to median housing value, expressed as the number of years of income needed to obtain an existing home. As the map indicates, buyers have a relatively easy time purchasing in areas such as Buffalo, N.Y., where the median family income is about \$49,500 and the median house valuation is about \$91,000. Thus, it takes about 1.8 years of family income to buy a