Cost, Crowding, or Commuting? Housing stress on the middle class

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Why is housing affordability important?

• Housing costs are rising faster than average incomes.
  – Middle-income families face increasing housing affordability challenges.

• Stable, decent housing is critical to well-being.
  – Housing costs are largest single budget item for most households
  – Residential stability provides foundation for other social & economic activities
  – Where you live determines access to jobs, schools, and place-based amenities
  – Home equity is the largest financial asset for most middle-income households
Measuring housing stress is complicated.

• Analyze four ways that households respond to high housing costs
  – Spend larger share of income on housing
  – Downsize or “double-up”
  – Move farther from job centers
  – Homeownership provides insurance against rising rents & receives special tax treatment

• Understanding how different households adjust to financial constraints allows better tailored policies
  – By income, household type, race, or geography
Key results

• Most middle-income households don’t have housing affordability problems.

• But housing stresses affect specific groups
  – Lower-middle income households are stretching to pay for housing.
  – Families with kids are more likely to be crowded.
  – Long commutes are more common in expensive metro areas.
  – Homeownership lags for younger & non-white households, and in expensive metros.
Lower-middle income households spend more on housing

Housing costs as a share of income, by income quintile

Within each income quintile, the darker, left-hand bar represents renters, the lighter, right-hand bar represents owners.

Source: 2012-2016 American Community Survey IPUMS.
Housing consumes more income in expensive metros

Housing costs, by metro house price & income quintile

Source: 2012-2016 American Community Survey IPUMS.
Crowding is rare, except in expensive metros

Housing space, by metro house price & income quintile

Source: 2012-2016 American Community Survey IPUMS
Households with kids are most crowded
Frequency of crowding, by household type & metro house price

Source: 2012-2016 American Community Survey IPUMS
Households with kids are most crowded
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Cost, Crowding, or Commuting?
Families in California & Texas are most crowded

% of families with children living with more than 2 persons/bedroom, 100 largest metros

Source: 2012-2016 American Community Survey IPUMS

% Family Crowding

- < 5%
- 5-10%
- > 10%

Source: 2012-2016 American Community Survey IPUMS
Families in California & Texas are most crowded

% of families with children living with more than 2 persons/bedroom, 100 largest metros

Source: 2012-2016 American Community Survey IPUMS
Commute times increase with metro housing prices

Commute time, by metro house price & income quintile

Source: 2012-2016 American Community Survey IPUMS.
Long commutes are more frequent in the West and Northeast

% of households with hour-long commute

Source: 2012-2016 American Community Survey IPUMS
Long commutes are more frequent in the West and Northeast

% of households with hour-long commute

Source: 2012-2016 American Community Survey IPUMS
Homeownership is strongly correlated with income

Homeownership rate, by income quintile

Source: 2012-2016 American Community Survey IPUMS.

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Homeownership lags among non-white households

Source: 2012-2016 American Community Survey IPUMS.
Homeownership lags among non-white households

Homeownership by race & income quintile

Source: 2012-2016 American Community Survey IPUMS.

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Summary of results

• Most middle-income households aren’t stretched to pay rent or mortgage.

• Some housing stresses are present nationally
  – Affordability for lower-middle income households
  – Homeownership for younger & non-white households

• Other challenges are regional
  – Crowding among families w/ kids in West & Southwest
  – Very long commutes in some metro areas
Thoughtfully designed policies could help

• Reduce financial stress for lower-middle income households
  – Slight boost to incomes or decrease in housing costs
  – In inexpensive metros, affordability gap around $100

• Reduce financial penalties for renters
  – Increase renters’ stability
  – Alternate channels for savings & wealth-building

• State and local policies in most expensive metros
  – Build more housing, especially near jobs and transit
  – Political resistance from long-term homeowners who enjoy large houses and have built substantial wealth
Full report is available online:
https://www.brookings.edu/research/cost-crowding-or-commuting-housing-stress-on-the-middle-class/

Comments welcome!
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