

Paycheck to Paycheck 2011: Is housing affordable for Americans getting back to work?

By Maya Brennan and Laura Williams
July 2011

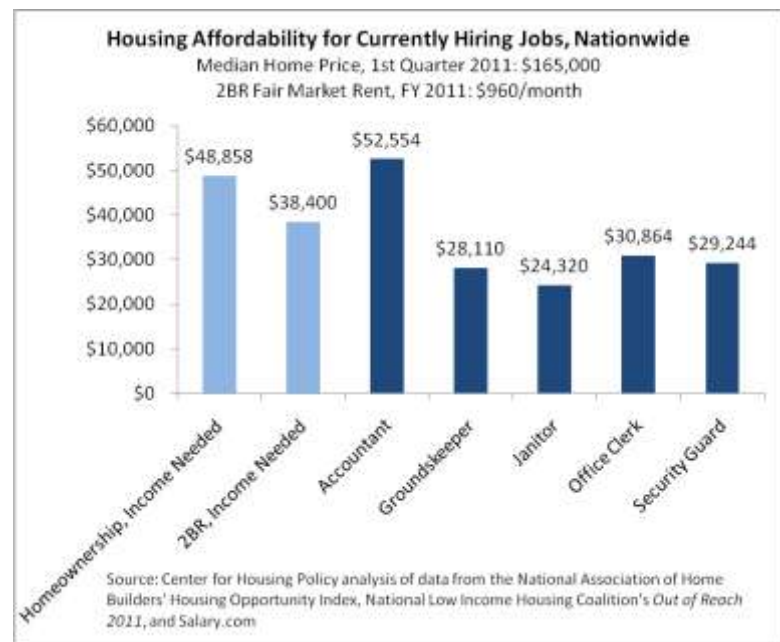
After a prolonged recession, employers are slowly starting to hire again. But will the newly created jobs pay enough for workers to afford housing, or will workers have to struggle to get by with each paycheck? This edition of *Paycheck to Paycheck*¹ focuses on housing affordability for the five largest jobs in the industry sector currently doing the most hiring – accountants, groundskeepers, janitors, office clerks, and security guards.²

As shown in figure 1, only one in five of these jobs – accountants – earns enough to afford to rent or buy housing at typical prices nationwide. So while some job is clearly better than no job, many of the newly created jobs just do not pay enough to allow workers to make ends meet.

Is housing affordable for workers in currently hiring jobs?

The fair market rent for a two-bedroom apartment and the mortgage for a median-priced home are not affordable for workers in four out of the five largest currently hiring jobs in most metro areas. Figure 2 shows the number of markets where housing is affordable for each of these workers. In more expensive metro areas, even accountants earn too little to afford fair market rents or a median-priced home.

Figure 1



¹ The complete *Paycheck to Paycheck* database can be accessed at www.nhc.org/chp/p2p. It includes wages for 72 occupations compared with home prices and rents in over 200 metropolitan areas.

² According to the Bureau of Labor Statistics' Job Openings and Labor Turnover Survey, the Professional and Business Services supersector hired the most employees each month during the first quarter of 2011 and continued to have high numbers of job openings in April 2011. Within this sector, the largest job categories that do not require a professional degree are janitors, security guards, office clerks, groundskeeping/landscaping workers, and accountants/auditors.

Figure 2

Occupation	Salary Range ^b	Number of Affordable Metro Areas ^a for:		
		Median-Priced Home Purchase	2 BR Apartment	1 BR Apartment
Janitor	\$21,000 to \$29,000	11	0	49
Groundskeeper	\$24,000 to \$34,000	20	23	98
Security Guard	\$25,000 to \$35,000	21	42	116
Office Clerk	\$26,000 to \$37,000	27	68	129
Accountant	\$44,000 to \$63,000	149	196	209

a Number is out of 209 metro areas.

b Salaries are rounded to the nearest thousand.

Which metro areas are more affordable or unaffordable for the currently hiring jobs?

Janitors

None of the 209 rental markets studied has a two-bedroom fair market rent that is affordable at a janitor’s wages, and the rent on a typical one-bedroom apartment is affordable in just 49 markets – less than one-quarter of those studied. These metro areas are scattered around the country, including much of the Midwest as well as parts of Texas, Colorado, Pennsylvania, and Washington. In a handful of markets, for those with sufficient savings and access to credit, homeownership may be an option. Janitors can afford the mortgage for a median-priced home in 11 metro areas (in Michigan, Ohio, Indiana, and West Virginia). Finding a downpayment of between \$6,300 and \$8,200, however, may present a steep barrier.

Groundskeepers

Just 23 of the 209 metro areas studied have fair market rents that make a two-bedroom unit affordable for groundskeepers. These markets include El Paso and Brownsville, Texas; Green Bay, Wisconsin; Visalia, California; several parts of Ohio; and other metro areas in the Midwest and South. Buying a median-priced home is affordable for groundskeepers in 20 areas (mainly in Ohio and Michigan), assuming adequate savings for a downpayment and access to credit.

Security Guards

Two-bedroom fair market rents are affordable for security guards in 42 out of the 209 metro areas studied. These affordable markets can be found in the areas mentioned earlier as well as parts of the Carolinas and the Northwest. The mortgage for a median-priced home is affordable for security guards in 21 metro areas, mainly in the Great Lakes region.

Office Clerks

A typical two-bedroom apartment is affordable for office clerks in 68 of the 209 metro areas studied across the nation, including several metro areas in Texas, Ohio, Michigan, the Carolinas, and even a few lower-cost markets in California (Bakersfield, Merced, Visalia, and Yuba City). The mortgage for a median-priced home is affordable for office clerks in 27 metro areas, mainly in the Great Lakes region. Other affordable homeownership markets include Topeka, KS; Fort Lauderdale; and Ocala, FL.

Accountants

As the highest paid of the five currently hiring jobs, accountants can afford the fair market rent for a two-bedroom apartment in the majority (196) of the 209 metro areas studied. The only markets where fair market rents are unaffordable are the Washington, DC area; Long Island; Honolulu; and many sections of Florida and California. Accountants are also in the fortunate position of being able to afford the mortgage for a median-priced home in more than half of the metro areas studied. The 60 unaffordable homeownership markets for accountants include Honolulu, many California and Florida metro areas, and many high-cost East Coast markets, but they also include more moderately-priced metro areas such as Madison, WI; Austin, TX; Salt Lake City, UT; Asheville, NC; and Anchorage, AK.

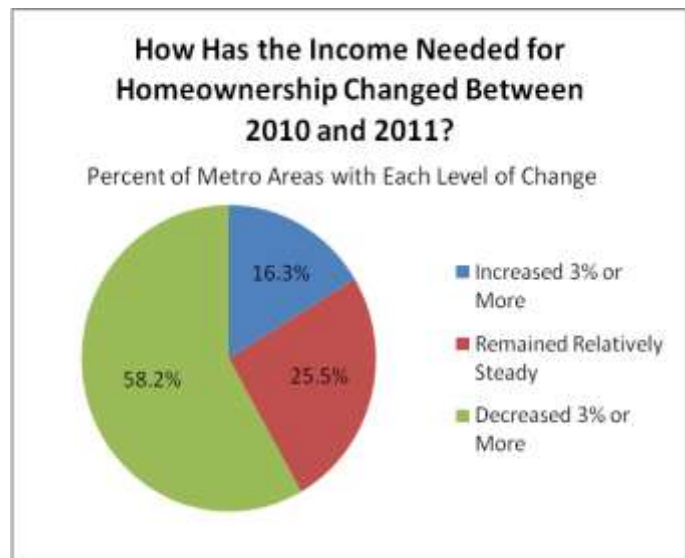
How has housing affordability changed since last year?

While many newly hired workers cannot afford their housing costs, they are somewhat better able to afford to buy a home than they were a year ago. The pattern for renters is less clear; some workers are better able to afford rental costs while others are less able to afford rental costs.

Homeownership

Between the first quarter of 2010 and the first quarter of 2011, the income needed to buy a median-priced home dropped in many metro areas. This is due to a combination of decreasing home prices and a reduction in the mortgage interest rate.³ As shown in figure 3, the income needed to purchase a median-priced home decreased by at least 3 percent in more than half of the metro areas studied.

Figure 3



In 49 metro areas (mainly those that have been hard hit by foreclosures), home prices have dropped so much over the past few years that the fair market rent for a two-bedroom unit is now higher than the monthly mortgage payment for a median-priced home.⁴ However, this reversal of normal affordability paradigms will not necessarily open the doors to more home purchases by low- and moderate-income workers in these areas. Despite ownership costing less than renting on a monthly basis in these

³ According to the Federal Housing Finance Agency's Monthly Interest Rate Survey, the effective interest rate on a 30-year fixed rate conventional mortgage went from 5.23 percent in February 2010 to 5.09 percent in February 2011.

⁴ Comparing rents and mortgage payments should not be interpreted as comparing the actual expenses of renting versus owning. A number of expenses that are included in fair market rents are not included in the mortgage payment – particularly utilities, maintenance, and repairs. Mortgage payments would therefore underestimate true ownership costs.

markets, some workers may not be able to buy a home due to credit constraints or difficulty amassing thousands of dollars for a downpayment.⁵ Others may prefer renting for reasons as varied as concerns about home price volatility, uncertainty about affording the costs of major repairs, or a desire to have greater access to job opportunities elsewhere.

Some markets run counter to the general trend of homeownership becoming less expensive. A total of 34 metro areas (16 percent of those studied) are less affordable for home buyers than they were last year. The income needed to afford a median-priced home rose by more than 10% in Springfield, MA; Daytona Beach, FL; Albany, NY; Durham, NC; Erie, PA; Sarasota, FL; Amarillo, TX; and Charlotte, NC – far outpacing typical wage growth.

Rental Housing

On the rental side, the story is more mixed. Over the past year, fair market rents rose just slightly, on average. Among the markets studied, the fair market rent for a two-bedroom apartment rose by a median of 1.1 percent, and very few areas had rents either increase or decrease by more than 5 percent.⁶ With rent increases generally being moderate, housing affordability changes on the rental side tend to reflect changes in income rather than in housing costs. For jobs that saw salary increases over the past year, such as retail salespeople and nurses, rents in a few metro areas became newly affordable.⁷ When workers' incomes decreased, so did rental affordability.

What does this mean for communities?

Across the United States, many workers cannot afford to live in the communities they serve. Unfortunately for job-seekers, wages in many of the largest fields currently hiring are typically not high enough to afford fair market rents or a median-priced home.

These data reinforce that jobs are only part of the answer. To ensure that newly employed workers can afford to meet necessary expenses for nutritious food, health care, and education, states and localities need policies that expand the supply of affordable housing.

⁵ In these 49 metro areas, a 10% downpayment totals between \$6,300 and \$17,000.

⁶ Fair Market Rents are set by HUD based on the cost of a moderately-priced rental unit.

⁷ Trends in wages use data from this edition of *Paycheck to Paycheck* (the first quarter of 2011) compared with data from the last edition of *Paycheck to Paycheck* (the fourth quarter of 2009).