CENTER FOR HOUSING POLICY

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HOLIDAY RETAIL SEASON WORKERS STRUGGLE TO COVER HOUSING COSTS IN MANY U.S. METROS

Despite falling home prices, retail workers remain priced out in most markets and struggle to pay rents

WASHINGTON—Economists and pundits look to the end-of-year retail season as a bellwether for trends in the larger economy, hoping to forecast prospects for economic recovery in the coming year from winter sales receipts. In the latest edition of Paycheck to Paycheck, researchers at the Center for Housing Policy look at data from the holiday season to answer another important question: have falling home prices brought housing within reach of the retail workers who are critical to the success of the gift-giving supply chain? This edition of *Paycheck to Paycheck* draws on the latest data from the third quarter of 2011 to reveal the gap between wages and the costs of housing, both rental and owned, in more than 200 U.S. metro areas for workers in 74 occupations.

"Despite years of falling home prices, many of the workers most visible during the holiday season are unable to afford a place of their own," said Center researcher and report co-author Laura Williams. "And the problem is not limited to homeownership. In many cities, rentals are also beyond the reach of workers in the jobs we examined."

An accompanying report, *Paycheck to Paycheck 2011: Can retail season workers afford housing in your community?*, explores trends in housing affordability for workers in five jobs integral to the holiday retail season: delivery truck drivers, mail carriers, retail salespeople, retail assistant managers and stock clerks. Of these professions, the *Paycheck to Paycheck* data finds that only one—mail carriers—offers wages high enough to afford to pay the mortgage on a home at typical prices nationwide, and only mail carriers and retail assistant managers can afford the typical nationwide rent on a two-bedroom apartment.

None of the 210 metro areas studied in *Paycheck to Paycheck* offered a fair-market rent on a two-bedroom apartment affordable on a retail salesperson's salary, and in only 2 out of 210 markets could a janitor afford the mortgage on a median-priced home. In the most expensive markets covered, even relatively high-earning mail carriers could not afford the typical rent on a two-bedroom apartment.

"There is a structural gap between the wages of low- and moderate-income working families and the costs of buying and renting a home," added Center Executive Director Jeffrey Lubell. "That gap has narrowed but by no means disappeared for homeownership and rents are actually increasing in many places. Strong affordable housing policies are essential for helping holiday season workers and others afford their monthly housing costs."

See the data for 210 U.S. metro areas

Read the report

Key Findings

- Of the five retail-season jobs highlighted in the report—delivery truck drivers, mail carriers, retail salespeople, retail assistant managers and stock clerks—only mail carriers earn enough on average to afford mortgage payments at typical prices nationwide, and only mail carriers and retail assistant managers can afford typical rents on a two-bedroom apartment. However, even a mail carrier's salary will not cover rent on a typical two-bedroom apartment or the mortgage payment on a median home in the most expensive housing markets.

- For nearly half of the metro areas studied, the income needed to buy a median-priced home dropped by at least three percent, due to a combination of lower home prices and falling mortgage interest rates. However, many workers face additional obstacles to ownership, including access to credit and saving for a down payment. Other workers might prefer renting for reasons as varied as concerns about home price volatility, uncertainty about affording the costs of major repairs, or a desire for mobility to access job opportunities elsewhere.

- Many markets run counter to the trend of homeownership becoming less expensive. In twenty-four percent of the metro areas studied a median-priced home became more expensive for buyers between the 3rd quarter of 2011 and the 4th quarter of 2009. In seven of those, the income needed to afford a median-priced home rose by more than 10 percent over that period: increases in qualifying incomes in Atlantic City, NJ; Ann Arbor, MI; Syracuse, NY; Beaumont, TX; Wheeling, WV; Monroe, MI; and Ithaca, NY far outpaced typical wage growth.

- 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. With rent increases generally being moderate, housing affordability changes for renters tend to reflect changes in income rather than in housing costs.

U.S. Metropolitan Area Rankings

Fact Sheet – Most to Least Expensive Homeownership Markets
Fact Sheet – Most to Least Expensive Rental Markets
Fact Sheet – Rental Affordability Index
Fact Sheet – Homeownership Affordability Index
Fact Sheet – Changes in the Qualifying Income Needed to Purchase a Home

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Methodology

Wages and Occupations
Wage information is as of August 2011 and was provided by Kenexa's Salary.com, a private provider of salary information, which maintains a database of salaries by geographic location. Wages are based on full-time employment in intermediate-level positions.

Homeownership Affordability
Home price data are from 3rd quarter 2011 and include new and existing homes. Data are from the National Association of Home Builders (NAHB). In select cases where the data from NAHB were not available, home price data on existing homes from the National Association of Realtors® are provided. Following conventional mortgage underwriting guidelines, the study assumes that not more than 28 percent of household income should be used to pay the mortgage, property taxes and insurance. The study further assumes a downpayment of 10 percent, an interest rate of 5.22 percent (the effective rate for August 2011 (4.77 plus .45 to account for taxes and insurance) according to the Federal Housing Finance Agency), and the use of a 30-year fixed-rate mortgage.

Rental Affordability

Typical rents in each metropolitan area are based on the Fair Market Rents for fiscal year 2011, and for comparison, fiscal year 2009, issued by the U.S. Department of Housing and Urban Development. These are the Fair Market Rents in effect in 4th quarter 2009 and 3rd quarter 2011 respectively.

The Income Needed to Afford (found in the Paycheck to Paycheck online tables) is the annual income that must be earned so that rent does not exceed 30 percent of income, a standard measure of affordability.

About the Center for Housing Policy

The **Center for Housing Policy** is the research affiliate of the National Housing Conference (NHC) and 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.

About the National Housing Conference

As the *United Voice for Housing*, the nonprofit **National Housing Conference** (NHC) has been dedicated to helping ensure safe, decent and affordable housing for all in America since 1931.

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