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Contacts:

Michele Anapol
(202) 466-2121, x226
manapol@nhc.org

Laura Woods
(202) 466-2121, x240
lwoods@nhc.org

**HOUSING WOES EXTEND BEYOND MORTGAGE PAYMENTS,
FAMILIES FACING SHARP INCREASES IN WIDE VARIETY OF HOUSING COSTS**

**New Study Details that Full-Spectrum of Housing Costs – Utilities, Transportation, Property Taxes,
Property Insurance and Rent – are on the Rise for America’s Families**

Washington, DC (October 8, 2008) – The housing woes of America’s families extend beyond higher mortgage payments to include large increases in a wide-variety of other housing expenses, according to a new study entitled *Stretched Thin: The Impact of Rising Housing Expenses on America’s Owners and Renters*. Conducted by the Center for Housing Policy, the research affiliate of the National Housing Conference, the study reveals that mortgage payments are only one of several factors contributing to the challenge of rising housing expenses, and that this problem is adversely affecting virtually all segments of the housing market – homeowners and renters, new and longtime homeowners, and households with and without mortgages.

Specifically, between 1996 and 2006, all the major categories of homeowner expenses increased faster than incomes. Mortgage payments increased 46 percent, utilities 43 percent, property taxes 66 percent, and property insurance 83 percent. By contrast, homeowner incomes increased by 36.3 percent. Rental costs also increased faster than incomes. Rents increased by 51 percent between 1996 and 2006, while renter incomes increased only 31.4 percent over the same period. The study further found that large increases since 2006 in the cost of heating oil, natural gas, and gasoline have further stretched families’ budgets.

“By documenting the substantial increases in a wide variety of housing expenses, this study shows that the nation’s housing concerns extend beyond higher mortgage payments,” said Center for Housing Policy Chairman John McIlwain, a senior resident fellow at the Urban Land Institute and the ULI/J. Ronald Terwilliger Chair for Housing. “To get the American economy back on its feet, we will need to look comprehensively at helping Americans afford the full ‘costs of place,’ which include the costs of shelter, utilities and transportation.”

Incomes Not Keeping Pace With Rising Homeowner and Renter Household Expenses

Housing expenses grew at a pace that far outstripped growth in income. For the purposes of the study, housing expenses include rent or mortgage payments as well as the cost of utilities, property taxes, insurance and maintenance. Among homeowners, housing expenses increased by 66 percent from 1996 to 2006, while incomes grew by about 36 percent. Similarly, housing expense increases of 51 percent among renters were not offset by renters’ income growth, which lagged behind at 31 percent. In general, the median income of renters is only slightly more than half the median income of homeowners – a ratio that did not improve over the ten-year period.

Housing expenses increased by an average of \$5,314 or 64.9 percent over the study period, substantially more than other major expenses such as food at \$1,412 or 30.1 percent, transportation at \$2,126 or 33.3 percent, and even outpacing healthcare at \$996 or 56.3 percent. Median incomes rose 35.8 percent over the same period.

Mortgage Payments and Rent Take Up Growing Share of Household Income

Over the 1996 to 2006 period, a growing share of household income was devoted to meeting housing expenses, which includes shelter (mortgage interest and charges, property taxes, other homeowners’ expenses and/or rent), utilities minus telephone expenses, and mortgage principal payments in the case of homeowners. In 2006, homeowners typically spent 26.2 percent of their income on housing expenses – up from 21.5 percent in 1996 – while among renters, housing consumed 29.4

percent of income, up from 25.6 percent ten years earlier. Nearly one-in-six households – some nine million homeowners and nine million renters – spent more than half their income on housing in 2006, which is a share of income far in excess of the 30 percent threshold generally considered affordable.

A Closer Look at Other Individual Household Expenses

Utilities – Natural Gas, Fuel Oil, Electric and Water

Rising utility costs affect household budgets for people of all income levels and at all housing market segments – including homeowners and renters, new and longtime homeowners, and households with and without mortgages. The study reveals that the utility bills of homeowners, which include electric, natural gas, fuel oil (also commonly referred to as heating oil) and water, rose 43 percent from 1996 to 2006 compared with a 36 percent increase in their median income. Renters paying separately for these items experienced similar increases.

The study further notes that fuel oil and natural gas costs have been rising in recent years. During the 1996 to 2006 period, fuel oil prices increased 131 percent, from \$1.05 to \$2.43 per gallon, and jumped another 52 percent to \$3.69 per gallon in 2008. Over the same period, natural gas prices more than doubled from \$6.34 per thousand cubic feet in 1996 to \$13.75 in 2006 and further increased to \$14.30 in 2008. Electricity comprises a large share of household utility usage in the South and West, but its average price has held relatively steady. Households in the West tend to spend more on the combination of water, sewer, trash and septic bills than other regions.

Transportation

Additionally, gasoline expenses have nearly tripled in the last six years from \$1.38 per gallon in 2002 to \$4.05 per gallon in 2008. So as many Americans continue to live far from mass transit, the soaring price of gasoline, combined with a heavy reliance on private vehicles, could mean even higher expenses in the coming years.

Mortgage Principal and Interest Payments

Mortgage principal and interest payments are generally the largest housing expense for homeowners with mortgages, consuming over one-fifth of owner incomes. From 1995 to 2005, these payments increased almost 46 percent, outpacing the increase in the median homeowner income of just over 36 percent. Tellingly, the figures here do not fully reflect the increased costs associated with interest rate re-sets on mortgages offered with initial teaser rates and the widespread use of option ARMs – adjustable rate mortgages that enable borrowers to choose their payments. Increases in mortgage payments resulting from these loan types have largely taken, and will continue to take place, after 2006.

Property Taxes

Unlike mortgages that eventually can be paid off, property taxes are a recurring expense for all homeowners. Typically, property taxes account for just over four percent of a homeowner's overall income. From 1996 to 2006, average property tax bills increased nearly 66 percent, a rate far above the 36.3 percent change in homeowner income, but less than half the rise in average home values of 137.3 percent. Because many jurisdictions limit rates of growth in property value assessments, assessments in many areas never reached the heights of peak market values. As a result, property tax bills in some areas may have continued to rise – or at least not declined – even as market values were declining in the 2005 to 2008 period.

Property Insurance

The average cost of homeowner insurance rose nearly 83 percent over the 1995 to 2005 period, partly as a result of disaster risks and increases in construction costs and the cost of repairs and partly because of increases in mortgage amounts. Unfortunately, future spikes in insurance costs may be in store. Recent disasters such as Hurricane Katrina, flooding in the Midwest, and fires in California have caused large-scale losses. As a result, in some communities private insurance for disasters may not be available and, in other areas, premiums for homeowner insurance may increase substantially.

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The Center for Housing Policy is the research affiliate of the National Housing Conference (NHC). The Center works to broaden understanding of America's affordable housing challenges and examines the impact of policies and programs developed to address these needs. For more information, please go to www.nhc.org.