Indianapolis Neighborhood Housing Partnership

RESEARCH BRIEF

Housing Cost Burden

SEPTEMBER 2021

STATE OF THE RESEARCH

A household's housing costs are generally considered to be affordable when their "all-in" housing costs—rent/mortgage, utilities, insurance, and property taxes—are no higher than 30 percent of the household's pre-tax income. When costs exceed this threshold, households are considered to be housing cost-burdened.

A recent report on the state of the nation's housing from the Joint Center for Housing Studies at Harvard University notes nearly half of all renters and 20 percent of homeowners had housing cost burdens in 2019; further, nearly half of those who are cost-burdened are also "severely" cost burdened, paying more than 50 percent of income on housing-related costs. The same report notes Black and Latinx renters are far more likely to be impacted by housing cost burdens than white and Asian renters.

BACKGROUND & RESEARCH FINDINGS

Experiencing a housing cost-burden contributes to stressors across several domains of well-being; beyond housing concerns, it has been shown to have a deleterious effect on the mental and physical health of household members, contribute to food insecurity, and limit wealth building opportunities. While the lowest of lower-income households have long been impacted by housing cost burdens, recent research from the Joint Center for Housing Studies at Harvard University finds that rental cost burdens are increasingly impacting those earning higher incomes as well, noting the prevalence of cost burdened households, at present, reflects a stark shortage in affordable housing. The report goes on to note that the most recent Census data for cost burden is from 2019, and it may be reasonable to expect that challenges have been exacerbated by the pandemic.

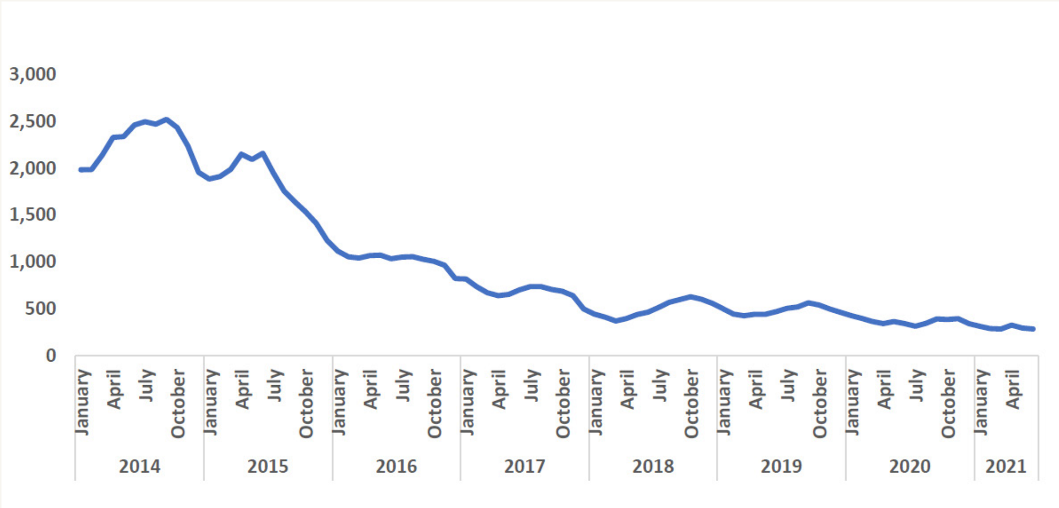
A 2018 study by the Pew Charitable Trusts found that 38 percent renting households were cost-burdened, the rate having doubled since 2001, further noting that nearly half of Black-led renting households are cost burdened, compared with just more than one third of white renting households. The Pew report likewise found these cost burdened renting households were financially vulnerable in other ways, beyond housing.

The National Low Income Housing Coalition's 2021 annual gap analysis—examining the shortage of affordable rental homes—reports the US has a shortage of 6.8 million rental homes that would be affordable and available to individuals with incomes at 30 percent of their area median incomes. The same research effort notes within the Indianapolis-Carmel-Anderson metropolitan area there are only three affordable and available rental units available for every four households earning at or below 50 percent of area median income.

LOCAL DATA

For Marion County, research conducted by Greenstreet Ltd., found that 31.4 percent of all households in Marion County earn less than 80 percent of the area median income *and* are housing cost-burdened. While demand for affordable rental and homeownership opportunities is increasing, supply is shrinking. The same is true for prospective homebuyers. The number of home listings with a list price between $75,000 and $140,000 in June 2021 (286 such listings) is just 11.6 percent of what it was in June 2014 (2,461 listings). Figure 1, provided by the Metropolitan Indianapolis Board of Realtors (MIBOR), shows a steady decrease in active listings within that price range since 2014. Over the same period of time the median sale price in Marion County has increased from $124,000 to $220,000, an increase of 77.4 percent (not pictured).

FIG 1. ACTIVE LISTINGS OF $75,000 TO $140,000 *Marion Co., Indiana*



Source: MIBOR REALTOR ® Association, BLC ® Listing Service

Within the homebuyer market, in addition to a historically tight housing supply and increasing prices, affordability challenges for those of modest incomes are exacerbated by the purchasing behavior of those with the ability to afford more expensive housing who opt-in to more affordable housing. The Greenstreet Ltd. analysis suggests 42 percent of households earning more than 80 percent of area median income, within Marion County, are "buying down". In the course of reducing their personal housing expenses, these more affluent homebuyers remove what might otherwise be affordable units from the supply of housing.

For cost-burdened renters in Marion County, there are not enough units to meet demand. Not enough new affordable units are being constructed, and the scale of construction for affordable multifamily is dropping. Between 2010 and 2014, 860 new rental units were produced, on average, each year; between 2015 to 2019, this had dropped to 560 per year. Additionally, a number of existing affordable housing developments are exiting—or "aging out"—of the period of time in which they are restricted to remain affordable (a temporal condition placed upon a development in exchange for a housing subsidy that enables the development). While demand for affordable rental housing increases, supply is falling; this results in higher market-based rents and greater difficulty in securing units in which rents are subsidized.

A 2019 report by the Center for Research on Inclusion and Social Policy (CRISP) at the IU Public Policy Institute found the greatest concentrations of cost-burdened renters in Center, Lawrence, Warren, and Wayne townships. It also found that areas with greater concentrations of Black and Latinx renters had higher cost burdens than areas with fewer households of color. The authors further noted that while median incomes—between 2012 and 2017—did not substantially change, rents were increasing, contributing to increases among those who are cost burdened.

Given tightening in the housing market—as evidenced in the MIBOR data—that has occurred since the time that the Greenstreet and CRISP reports were published coupled with other research and commentary pointing to continued increases in housing prices with limited wage growth, it is reasonable to assume the number of cost-burdened households have continued to trend upward, suggesting continued need for more affordable housing opportunities.

RELATED RESEARCH & COMMENTARY

The State of the Nation's Housing (Joint Center for Housing Studies at Harvard University): Available at https://www.jchs.harvard.edu/sites/default/files/reports/files/ Harvard_JCHS_State_Nations_Housing_2021.pdf

The Gap: A Shortage of Affordable Homes (National Low Income Housing Coalition): Available at https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2021.pdf

American Families Face a Growing Rent Burden (Pew Charitable Trusts): Available at https://www.pewtrusts.org/en/research-and-analysis/reports/2018/04/american-families-face-a-growing-rent-burden

Rental Trends in Marion County (IU Public Policy Institute/Center for Research on Inclusion & Social Policy): Available at https://policyinstitute.iu.edu/doc/housing-instability-2019.pdf? utm_source=blog&utm_medium=email&utm_campaign=rental_trends