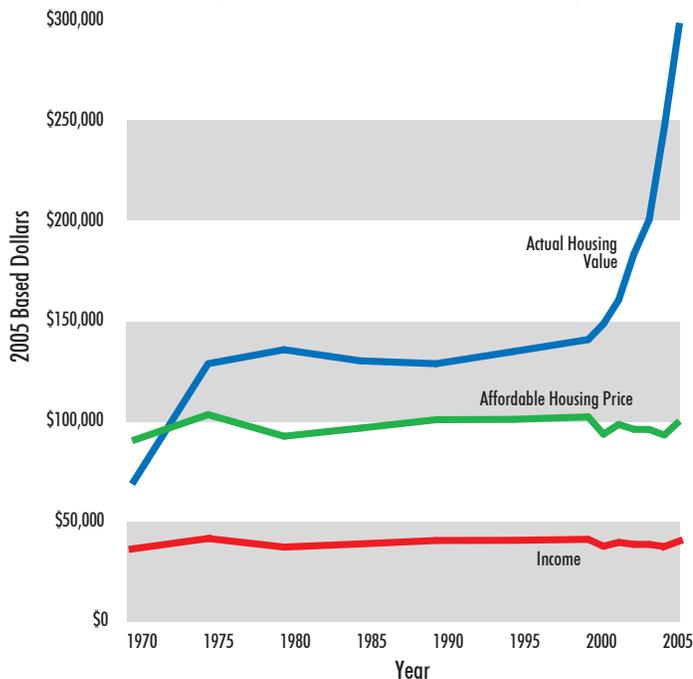


## Housing Affordability

Chart 1:  
"Housing Affordability Gap" Median Income v. Median Housing Value 1970-2006 (Adjusted to 2005 Constant Dollars)



Source: U.S. Census Bureau, Census 1970-2000, American Community Survey 2000-2006. Bureau of Labor Statistics Consumer Price Index. Miami-Dade County, Department of Planning and Zoning 2007.

Housing affordability in Miami-Dade County is currently one of the most pressing issues for households and politicians alike. Although finding housing that is affordable for most County residents has been a challenge for many years, it has become particularly serious since the rapid rise in home values that began in 2000-2001. In this edition, we endeavor to shed light on the magnitude of the issue by examining the relevant housing and income data.

Housing is considered affordable to a household, whether as renter or owner, if its housing related expenses add up to 30 percent or less of gross income. In regard to purchasing a home, the quick rule of thumb is that the purchase price must be no more than 2.5 times the household's gross yearly income. This calculation is presented for the period 1975-2006 using median household income and median housing value. In the following chart, the affordable housing price, is 2.5 times the median household income.

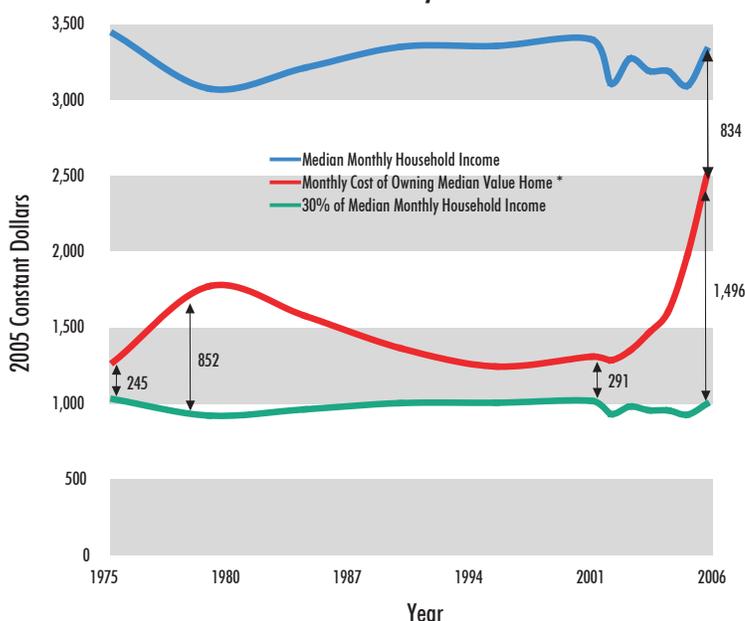
The chart shows that the median value home has not been an "affordable purchase" for a median income household since the early 1970s. From 1975 to 2000, the gap between the affordable housing price and actual housing value remained steady at about \$40,000. Since 2000, the rapid escalation in housing values, compounded by limited growth in median household income, has led to a huge affordability gap. In 2006, median housing value reached 7.5 times median household income.

Further, in terms of monthly housing costs, in 2006 not only was a household at the median income level not able to afford the costs associated with a home of median value, but the same was true for 90 percent of households in the County. Table 1 shows the reason for this, namely, that income and home values in constant dollars showed limited growth.

The next chart looks at the cost of ownership on a monthly basis. It takes into consideration information on mortgage rates. Included in the calculation are the following assumptions: house price equals the median home value for the year, a 10 percent down payment is required, the mortgage rate is the median mortgage rate for the year, property taxes amount to 2 percent of home value, and homeowners insurance cost amounts to 1 percent of home value a year.

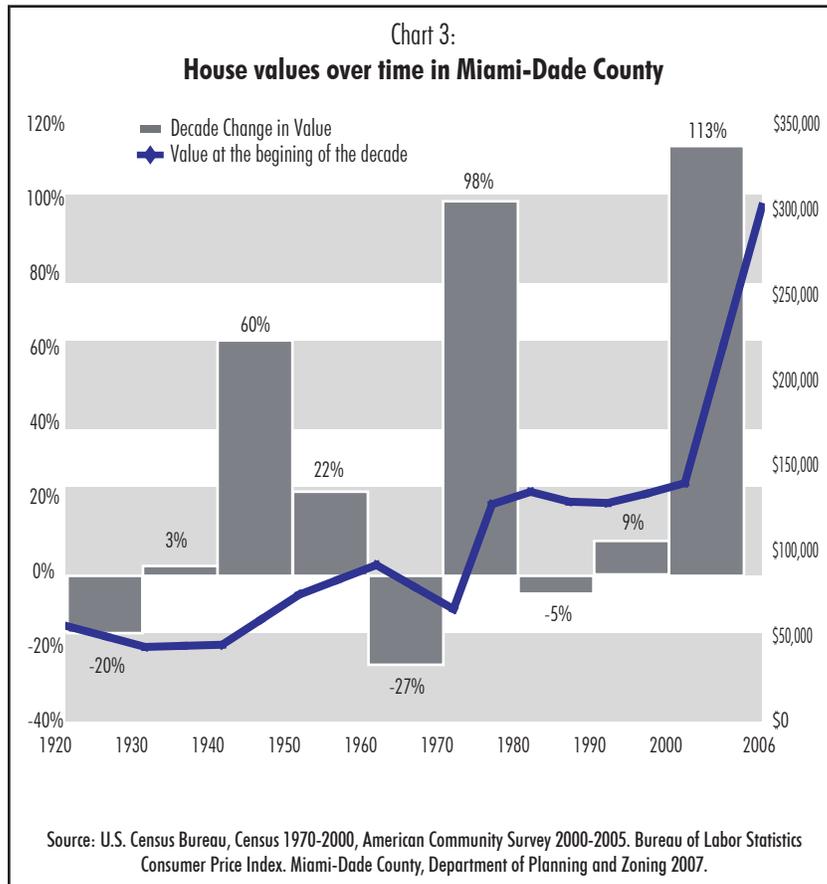
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Chart 2:  
Housing Affordability Gap - Monthly Income/Cost Analysis Miami-Dade County 1975-2006



Source: U.S. Census Bureau, Census 1970-2000, American Community Survey 2000-2006. Bureau of Labor Statistics Consumer Price Index. Miami-Dade County, Department of Planning and Zoning 2007.

## Housing Affordability, continued



Note that in 2006, the household at the median income level that purchased a home of median value would have had to pay \$2,495 a month towards housing (or 75 percent of income). This amounts to an affordability gap of almost \$1,500 compared to about \$300 for most of the 1990s. Given this huge affordability gap in 2006, a household would be left with \$834 to pay for all other expenses, clearly an untenable situation.

According to the 2006 American Community Survey, 57.9 percent of homeowners with mortgages in Miami-Dade County allocated more than 30 percent of gross income to housing. In 2000 the percentage was 41.6, suggesting that a much larger proportion of households that became homeowners in the 2000-2006 period belong in this 30 percent or more category.

As the more recent slowdown in the housing market reminds us, housing as a durable product market is a cyclical one. The next chart shows that at least since 1920, most periods of increasing house prices has been followed by a slowdown and even a decrease in real market value. Here we can see that home values increased in the 1940s, 1950s, 1970s, 1990s and so far in the 2000s. On the other hand, prices in real terms declined in the 1920s, 1960s and 1980s.

The fact that currently we are facing a downturn in the housing market, does not mean that the County's housing affordability problems will be resolved. This follows, as despite these cyclical adjustments, housing affordability has been an ever-growing problem. In the more recent years, the downturns have been much smaller in magnitude than the preceding increases in values, while incomes over the years have remained mostly flat.

One alternative to spending a large portion of income on buying a home is to rent. But, renting a home has, in recent times, affordability issues of its own. As can be seen in Chart 4 below gross rent remained significantly below the 30 percent affordability threshold from 1980 to 2000. In fact, expenditures for rent rose modestly over this 21 year period from 16.4 percent in 1980 to 22.6 percent in 2000. However, by 2006 the average renter was spending over 27 percent of income on gross rent. This increasing rental burden resulted in the percentage of households who rented and spent more than 30 percent of their income on housing rising from 47.1 percent in 2000 to 64.5 percent in 2006.

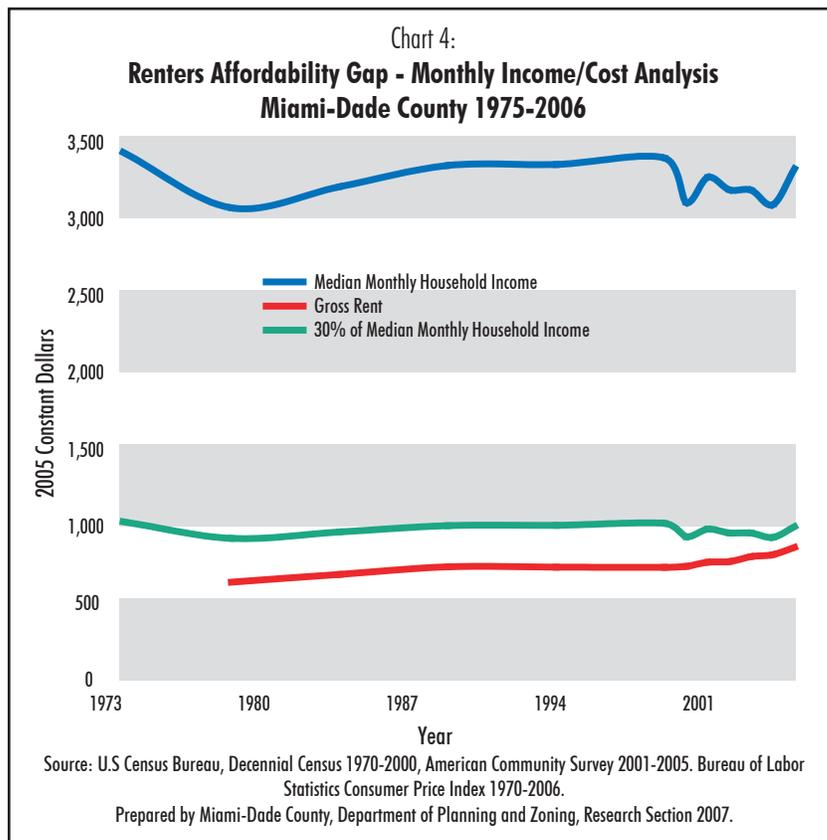


Table 1: **Housing Affordability Gap**  
**Miami-Dade County**  
**1970-2006**

Year	In Current Dollars			In 2005 Constant Dollars			Ratio: Home Value to Income
	Median Household Income	Median Home Value	Affordable Value (2.5 x income)	Median Household Income	Median Home Value	Affordable Value (2.5 x income)	
1970	\$7,151	\$13,600	\$17,877	\$35,995	\$68,456	\$89,986	1.9
1975	\$11,361	\$35,400	\$28,402	\$41,242	\$128,506	\$103,104	3.1
1980	\$15,571	\$57,200	\$38,927	\$36,906	\$135,572	\$92,264	3.7
1985	\$21,240	\$71,600	\$53,100	\$38,552	\$129,958	\$96,379	3.4
1990	\$26,909	\$86,000	\$67,272	\$40,209	\$128,507	\$100,523	3.2
1995	\$31,438	\$105,000	\$78,595	\$40,288	\$134,557	\$100,719	3.3
2000	\$35,966	\$124,000	\$89,915	\$40,791	\$140,634	\$101,977	3.4
2001	\$33,840	\$134,620	\$84,600	\$37,318	\$148,454	\$93,294	4.0
2002	\$36,183	\$147,734	\$90,457	\$39,280	\$160,380	\$98,201	4.1
2003	\$36,089	\$172,757	\$90,222	\$38,305	\$183,367	\$95,763	4.8
2004	\$37,025	\$193,906	\$92,562	\$38,279	\$200,476	\$95,699	5.2
2005	\$37,148	\$246,500	\$92,870	\$37,148	\$246,500	\$92,870	6.6
2006	\$41,237	\$308,500	\$103,092	\$39,948	\$298,859	\$99,871	7.5

Source: U.S. Census Bureau, Census 1970-2000, American Community Survey 2000-2006.  
 Miami-Dade County, Department of Planning and Zoning 2007.

Table 2: **Households paying more than 30% of their income in Selected Owner Costs\***  
**Miami-Dade County**  
**1989 and 2006**

Owners with Mortgages			
Year	Total	Paying more than 30%	Percent of Total
1989	223,902	71,130	31.8
1999	258,002	105,458	40.9
2005	359,180	193,171	53.8
2006	362,624	210,013	57.9

Source: U.S. Census Bureau 1990-2000 Census, 2005, 2006 American Community Survey  
 Miami-Dade County, Department of Planning and Zoning 2007.

Note: Data are estimates based on a sample and are subject to sampling variability.

\* Selected monthly owner costs are calculated from the sum of payment for mortgages, real estate taxes, various insurances, utilities, fuels, mobile home costs, and condominium fees.