

Housing Costs Continue to Outpace Incomes in Massachusetts and the U.S.

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On October 3rd, the U.S. Census Bureau released its 2005 American Community Survey (ACS) data on housing trends across the country. The ACS provides annual estimates of trends between decennial censuses. Because ACS sample sizes are relatively small, some of the estimates have large margins of error¹ and should be interpreted in that light. Nevertheless, the 2005 estimates indicate that median housing costs rose steeply both in Massachusetts and nationally between 2000 and 2005, outpacing income growth for both renters and owners. They also show an overall drop in rental units in Massachusetts since the 2000 Census.

Rents and Renter Costs

- The median gross rent (rent plus utilities) in Massachusetts was \$902, up 31.9% from 2000 (\$684).² The median income of renter households is estimated to have risen by 3.7% during this same period, from \$30,682 (1999) to \$31,820 in 2004-5³ (with a margin of error of +/- \$823).
- The percentage of Massachusetts renter households paying 30% or more of their income for housing rose to an estimated 46.4% in 2005, up from 34.4% in the 2000 Census. Nationally, 45.7% of renters paid 30% or more of their income for housing in 2005, up from 36.8% in 2000.
- The percentage of Massachusetts renter households paying 50% or more of their income rose from 16.7% in 2000 to 23.2% in 2005. Nationally, 23.2% of renters spent half or more of their income for housing in 2005.
- Overall, Massachusetts had the 4th highest median gross rent in the U.S. in 2005, up from 7th place in 2000 and now ranks 9th in the nation in terms of the percentage of households paying 30% or more of their income for rent, up from 15th in 2000.

Home Values and Ownership Costs

- The 2005 survey reports a median value of \$361,500 for an owner-occupied unit in Massachusetts, fourth highest in the nation and more than twice the national median of \$167,500.
- Median owner housing costs in Massachusetts in 2005 totaled \$1,426 a month (mortgage payments, insurance, property taxes, utilities and condominium fees)⁴. For the 72% of owners who have mortgages, the median was \$1,781 per month. For owners without mortgages, the median was \$551 per month. Overall, Massachusetts ranked third in the nation in 2005 in terms of monthly homeowner costs for owners with mortgages, and 9th in terms of the percentage of such owners paying 30% or more of their income for housing.

¹ For this reason, the Census Bureau 2005 estimates include information the range of values that provide a "90 percent probability that the interval defined by the estimate plus minus the margin of error and the estimate plus the margin of error... contains the true value."

² The Census Bureau excluded about 3,000 rented single family homes on 10+ acres when calculating median gross rents in 2000, but did not exclude them in the 2005 estimate.

³ The 2000 Census collected information on calendar 1999 incomes, while the ACS collected data on a household's income in the prior 12 months.

⁴ Comparisons with 2000 owner costs are not available because prior to 2003, the Census bureau only published data on the costs of owners of single family homes (one unit).

- Despite a 16.6% rise in the median income of Massachusetts homeowner households between 2000 and 2005 (from \$64,506 to \$75,213), the percentage of homeowners paying more than 30% of their income for housing increased.
- The percentage of owners estimated to be paying 30% or more of their income for housing was 32.6% in 2005, up from 23.2% percent in 1999, including 37.3% of those with mortgages and 20.8% of those with no mortgages. In the U.S. as a whole, 34.5% of owners with mortgages paid more than 30% of their income for housing in 2005. The percentage paying 50% or more of their income for housing rose from 8.6% in 1999 to 12.0% in 2005.

Housing Supply Trends

- The 2005 survey indicates that while Massachusetts' total housing supply grew by about 66,000 units (2.5%) between 2000 and 2005.
- However, growth in the number of occupied units since 2000 has been much lower or possibly even dropped (the ACS estimate of a 4,452 unit gain has a margin of error of +/- 10,780 units).
- About half of the difference between total and occupied unit growth is due to an almost 30,000 unit increase in the housing *not available* for rent or sale (e.g. primarily due to an increase in the number of units used as part-time non-primary residences). The balance is due to an increase in units rented or sold but not yet occupied (about 12,000 units) and vacant units available for sale or rent (about 19,000).

Trends in Tenure and Vacancy Rates

The 2005 survey suggests that all of the net growth in the year-round housing supply in Massachusetts between 2000 and 2005 occurred in the for-sale inventory. (It should be noted that the large margins of error associated with the 2005 estimates make the magnitude of this trend uncertain and that it may change if condominium owners decide to rent out units.)

- The owner-occupied and for-sale inventory in Massachusetts rose by *about* 68,000 units between 2000 and 2005 and the number of households who are homeowners rose by almost 60,000 (with a margin of error of +/- 15,921).
- The total rental inventory (occupied, under agreement or vacant for rent) has dropped by *about* 31,000 units (3.3%) since 2000 and the number of occupied rental units has dropped even more (over 55,000 households or 6% with a margin of error of +/- 14,720).
- Overall, the percentage of Massachusetts residents who are homeowners was estimated to be 64.0% in 2005, up from 61.7% in 2000, while the percentage who are renters dropped to 36% (down from 38.3% in 2000).

The growth in overall supply has increased vacancy rates, particularly in the rental inventory:

- The estimated rental vacancy rate in 2005 was 5.6% (with a margin of error of +/- 0.5 percentage points), up from 3.5% in 2000. While this figure is above the 5% level often cited as optimal for efficient functioning of the rental market, it does not appear to have benefited most renters given the 32% rise in rents since 2000.
- The estimated vacancy rate in the for-sale market in 2005 was 1.1% (with a margin of error of +/-0.2 percentage points), up from 0.7% in 2000.

Change in Massachusetts Housing Inventory 2000-2005

	Ownership Units		Rental Units		Total Units
2005 Housing Units					
Total Occupied	1,567,885		880,147		2,448,032
Vacant for rent	0		52,706		52,706
Rented not occupied yet	0		11,653		11,653
For sale only	18,167		0		18,167
Sold, not occupied yet	10,092		0		10,092
Total Year Round	1,596,144		944,506		2,540,650
For seasonal, recreational, occasional use					93,819
For migrant workers					0
Other vacant					53,545
Total Other					147,364
Grand Total					2,688,014
2000 Housing Units					
Total Occupied	1,508,248		935,332		2,443,580
2000 Vacant for rent	0		35,943		35,943
2000 rented or sold/ not occupied yet (estimated)*	4,805	*	4,805	*	9,610
2000 for sale only	15,281		0		15,281
Total Year Round	1,528,334		976,080		2,504,414
For seasonal, occasional, recreational use					97,434
For migrant workers					187
Other vacant					19,954
Total Other					117,575
Grand Total					2,621,989
2000-2005 Change					
Change in Year Round Units	67,810	*	-31,574	*	36,236
Change in Other Units					29,789
Change in Total Housing Units					66,025
Change in Year Round Units					
Rent/sold not yet occupied					31,784
For rent					12,135
For sale					16,763
					2,886
Change in Other Units					
For seasonal, occasional, recreational use					-3,615
For migrant workers					-187
Other vacant					33,591

*2000 Census data only reported combined total number of units rented or sold but not yet occupied. This estimate assumes half of those units were rental and half were for sale. Alternative assumptions would change the estimated change in the rental and ownership inventory between 2000 and 2005 by 4,805 units at most.

Change in Occupied Housing Units in Massachusetts 2000-2005

Total Households	Renter	Owner	Total	% Renters	% Owners
2000 Census	935,332	1,508,248	2,443,580	38.3%	61.7%
2005 ACS	880,147	1,567,885	2,448,032	36.0%	64.0%
2005 Margin of Error (MOE)	+/- 14,720	+/- 15,921	+/- 10,748		
Change	-55,185	59,637	4,452		
% Change	-5.9%	4.0%	0.2%		

Changes in Rents and Rent Burdens 2000-2005

	2000 Census	2005 ACS	2005 Margin of Error	2000-2005 change	% Change
MA Median Renter Income	30,682	31,820	+/- 823	1,138	3.7%
MA Median Gross Rent	684	902	+/- 13	218	31.9%
US Median Renter Income	27,362	28,251	115	889	3.2%
US Median Gross Rent	602	728	+/- 2	126	20.9%
MA Rank among 50 states	7	4			
**Renter Households Paying >30%	321,683	408,793	+/- 14,934	87,110	
% of all MA Renters	34.4	46.4			
% of all US Renters	*	45.7			
MA Rank among 50 states	15	9			
**MA Renter Households Paying ≥50%	156,166	204,299	+/- 7,731	48,133	
% of all MA Renters	16.7%	23.2%			
% of all US Renters	*	23.2%			

*The 2000 data for Massachusetts is based on revised 2000 Census data published in 2003 (updated figures for U.S. as whole not known); ranking is based on original 2000 Census data.