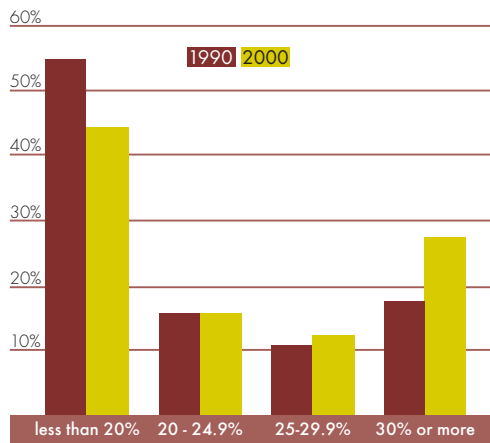


CHANGES IN HOUSING AFFORDABILITY

Homeownership costs changed considerably throughout the central Puget Sound region between 1990 and 2000. A key measure of housing affordability is the proportion of household income that is required to pay for rent or homeownership costs. Federal and state guidelines have established the threshold of affordability at 30 percent of gross income devoted to housing costs (rent and/or homeownership costs plus utilities).

Data from the 1990 and 2000 U.S. Censuses indicate that a substantially larger portion of homeowners' incomes was devoted to the costs of owning a home in 2000 than in 1990¹. In 1990, 54.9 percent of homeowners reported spending less than 20 percent of their monthly income on ownership costs, while 17.8 percent spent 30 percent or more of their earnings on such costs. By 2000, the proportion of homeowners spending less than 20 percent had decreased to 44.2 percent and the homeowners in the 30 percent or more bracket had increased to 27.5 percent. In other words, the proportion of homeowners spending a moderate proportion of their income on homeownership costs had decreased by ten percentage points, while the group devoting larger portions of its income to housing increased by ten percentage points.

FIGURE 1. Percentage of Income Spent on Ownership Costs, Central Puget Sound Region, 1990 and 2000



SOURCE: 1990 and 2000 U.S. Census

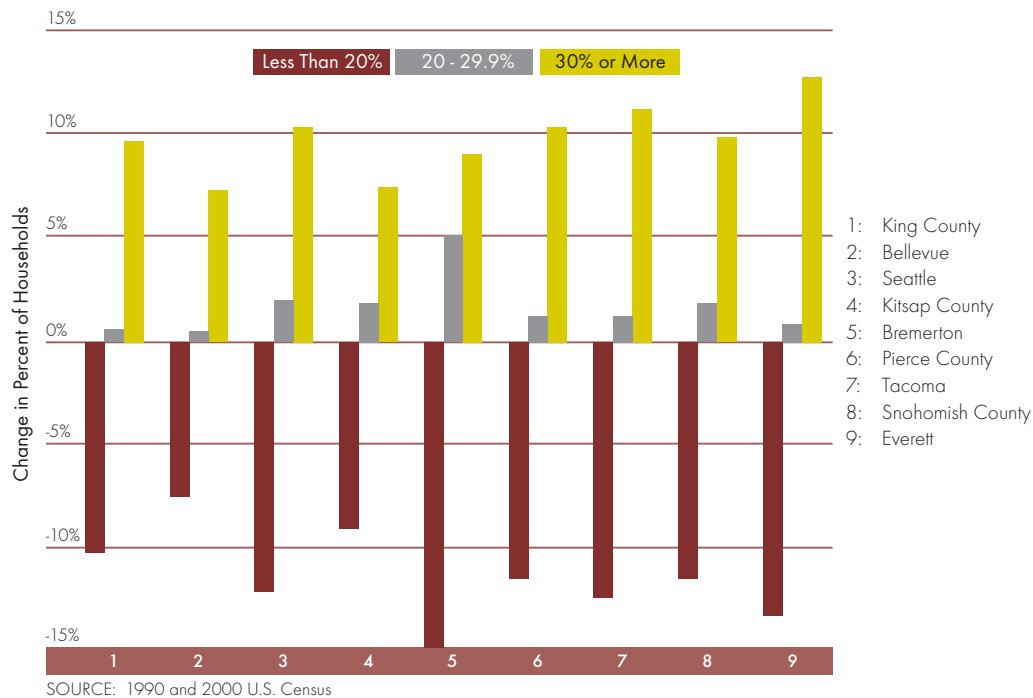
This trend is found not only at the regional level, but also at more local scales. Each county and city examined showed a smaller share of homeowners devoting moderate proportions of their income to housing (less than 20 percent), and a greater share of homeowners spending more. Figure 2 charts some of the changes that took place in homeowners' spending in the central Puget Sound region. It shows the change in proportions of households whose spending on homeowner costs were categorized within each of three different spending brackets: less than 20 percent, 20 to 29.9 percent, and 30 percent or more. Reported Census counts of households in several spending brackets can be found in Table 1.

Each of the four counties showed a drop of between 9.1 and 11.5 percentage points in the proportions of homeowners spending less than twenty percent of their income on housing. Among the cities, Bellevue had the lowest drop in households in the lower spending bracket, losing only 7.6 percentage points. Bremerton saw a 14.9 percentage point decline in households in the lower spending bracket.

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The opposite trend is observed among homeowners paying larger percentages of their earnings for housing. The group paying 30 percent or more of earnings increased by between 7.2 percentage points (Bellevue) to 12.7 percentage points (Everett).

FIGURE 2. Change in Proportion of Income Spent on Homeowner Costs, 1990–2000



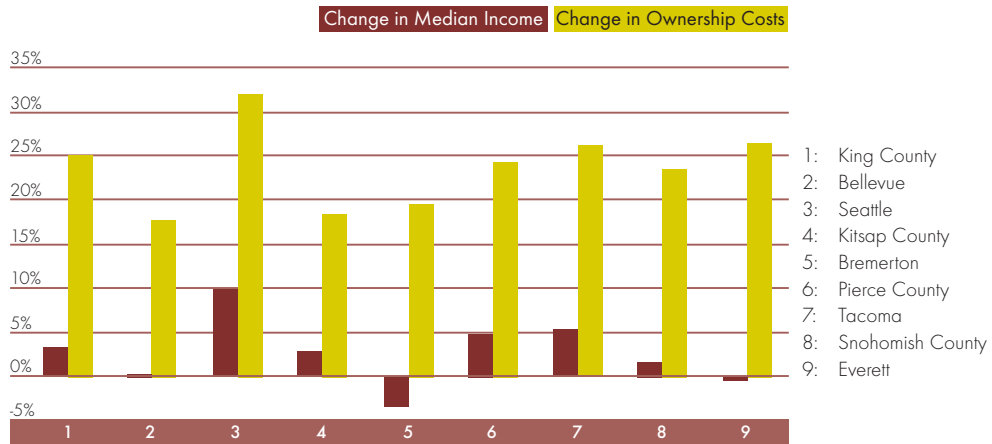
HOUSING COSTS INCREASED FASTER THAN INCOMES

A primary reason for this shift is that growth in housing costs substantially outpaced income growth during the decade. Each area reported on in this Trend saw a much faster increase in housing costs than in income. In some places, real income actually fell as measured by changes in the reported median household income. Table 2 details these changes.

When adjusted for inflation using the regional CPI², the median household incomes for King, Kitsap, Pierce and Snohomish Counties changed by 3.4 percent, 2.9 percent, 4.6 percent, and 1.4 percent, respectively³. However, ownership costs increased across the board at a much faster pace. Among the counties, the greatest percentage increase in adjusted median ownership costs for mortgaged homes was in King County, which had an increase rate of 25.0 percent. Other increases in owner costs were 18.4 percent for Kitsap County, 24.3 percent for Pierce County, and 23.2 percent for Snohomish County.

Among five major cities in the region – Bellevue, Bremerton, Everett, Seattle, and Tacoma – the trend looks similar, with a few twists. Inflation-adjusted ownership costs rose across the board, ranging between 17.7 percent (Bellevue) to 31.9 percent (Seattle). Seattle experienced the sharpest increase in ownership costs by far, but also saw a much larger leap in median household income than any other city. This figure rose by 9.7 percent from 1990. Bremerton, on the other hand, showed a slightly different combination of trends. Although it reported the second-lowest increase in ownership costs among the cities (19.7 percent), Bremerton also had a drop in real income of 3.6 percent. Everett also showed a slight drop in median household income of 0.7 percent. However, it posted the second highest percentage increase in housing costs (26.2 percent).

FIGURE 3. Change in Median Household Income 1989-99 vs. Change in Median Homeownership Costs, 1990-2000



SOURCE: 1990 and 2000 U.S. Census

NOTE: Change figures adjusted for inflation.

Owner-occupied housing accounts for roughly 58 percent of housing units in the region. Rental housing rates compared to income showed a more mixed pattern than the one discussed in this report, possibly owing to the fact that rents tend to react more quickly to economic conditions than do homeowner costs. More information from the 2000 Census on housing affordability for renters and for low income households in the central Puget Sound region is available as part of the Census SF-3 (long form) files, and can be downloaded from the Regional Council's Web site at psrc.org. For questions regarding this article, contact Chris Peak at (206) 464-7536 or cpeak@psrc.org.

¹ The Census Bureau defines monthly ownership costs to include payments for mortgages, deeds of trust, contracts to purchase, taxes, property insurance, utilities and fuels, as well as condominium fees and mobile home costs.

² The Consumer Price Index used was for all urban consumers in the Seattle-Tacoma-Bremerton Metropolitan Statistical Area.

³ Median income is based on the sum of wage or salary income, net self-employment income, interest, dividends, or net rental or royalty income, social security or railroad retirement income, supplemental security income (SSI), public assistance or welfare payments, retirement or disability income.

TABLE 1. Distribution of Owner Households by Share of Gross Household Income Spent on Monthly Homeowner Costs

	OWNER HOUSEHOLDS		PROPORTION OF INCOME SPENT ON HOMEOWNER COSTS												NOT COMPUTED ²	
			LESS THAN 20%			20% - 24.9%			25% - 29.9%			30% OR MORE				
	1990	2000	1990	2000	CHANGE	1990	2000	CHANGE	1990	2000	CHANGE	1990	2000	CHANGE	1990	2000
King Co.	304,047	355,508	169,401	161,947		47,026	53,764		33,360	41,777		53,272	96,344		988	1,676
			55.7%	45.6%	-10.2%	15.5%	15.1%	-0.3%	11.0%	11.8%	0.8%	17.5%	27.1%	9.6%		
Bellevue	18,070	23,901	10,477	12,037		2,612	3,437		1,752	2,431		3,193	5,940		36	56
			58.0%	50.4%	-7.6%	14.5%	14.4%	-0.1%	9.7%	10.2%	0.5%	17.7%	24.9%	7.2%		
Seattle	98,221	102,718	58,986	49,073		12,813	13,658		9,220	11,263		16,776	28,138		426	586
			60.1%	47.8%	-12.3%	13.0%	13.3%	0.3%	9.4%	11.0%	1.6%	17.1%	27.4%	10.3%		
Kitsap Co.	34,405	46,779	18,863	21,382		5,549	7,592		3,465	5,478		6,358	12,128		170	199
			54.8%	45.7%	-9.1%	16.1%	16.2%	0.1%	10.1%	11.7%	1.6%	18.5%	25.9%	7.4%		
Bremerton	5,135	5,259	3,293	2,589		671	748		353	562		805	1,298		13	62
			64.1%	49.2%	-14.9%	13.1%	14.2%	1.2%	6.9%	10.7%	3.8%	15.7%	24.7%	9.0%		
Pierce Co.	102,959	137,268	56,603	59,687		16,794	21,456		10,624	16,567		18,378	38,656		560	902
			55.0%	43.5%	-11.5%	16.3%	15.6%	-0.7%	10.3%	12.1%	1.8%	17.8%	28.2%	10.3%		
Tacoma	34,086	38,471	18,993	16,617		5,265	5,612		3,223	4,410		6,432	11,532		173	300
			55.7%	43.2%	-12.5%	15.4%	14.6%	-0.9%	9.5%	11.5%	2.0%	18.9%	30.0%	11.1%		
Snoh. Co.	87,821	122,703	45,490	49,444		14,936	21,189		10,631	16,682		16,432	34,868		332	520
			51.8%	40.3%	-11.5%	17.0%	17.3%	0.3%	12.1%	13.6%	1.5%	18.7%	28.4%	9.7%		
Everett	10,979	13,692	6,053	5,736		1,809	2,084		1,193	1,760		1,876	4,074		48	38
			55.1%	41.9%	-13.2%	16.5%	15.2%	-1.3%	10.9%	12.9%	2.0%	17.1%	29.8%	12.7%		

SOURCE: 1990 and 2000 U.S. Census

² Households were excluded from the calculations for selected monthly ownership costs as a percentage of household income if they reported either no earnings or a net loss for 1999.

TABLE 2. Change in Median Income and Monthly Homeownership Costs

	1989 MEDIAN HOUSEHOLD INCOME (1999 DOLLARS)	1999 MEDIAN HOUSEHOLD INCOME (1999 DOLLARS)	PERCENT CHANGE IN MEDIAN HOUSEHOLD INCOME	1990 MEDIAN MONTHLY OWNER COSTS (2000 DOLLARS)	2000 MEDIAN MONTHLY OWNER COSTS (2000 DOLLARS)	PERCENT CHANGE IN MEDIAN MONTHLY OWNER COSTS
King County	\$51,392	\$53,157	3.4%	\$1,206	\$1,508	25.0%
Bellevue	\$62,218	\$62,338	0.2%	\$1,384	\$1,629	17.7%
Seattle	\$41,696	\$45,736	9.7%	\$1,135	\$1,497	31.9%
Kitsap County	\$45,517	\$46,840	2.9%	\$1,037	\$1,228	18.4%
Bremerton	\$32,118	\$30,950	-3.6%	\$796	\$953	19.7%
Pierce County	\$43,200	\$45,204	4.6%	\$1,001	\$1,244	24.3%
Tacoma	\$35,986	\$37,879	5.3%	\$880	\$1,107	25.8%
Snohomish Co.	\$52,341	\$53,060	1.4%	\$1,157	\$1,425	23.2%
Everett	\$40,364	\$40,100	-0.7%	\$1,036	\$1,307	26.2%

SOURCE: 1990 and 2000 U.S. Census