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Seattle, WA Area

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| 08/31/10 | Geographic Measures of Shelter Affordability and Income Levels |

Geographic Measures of Shelter Affordability and Income Levels

The Spreadsheet

This spreadsheet is comprised of the following tabs:

* House
* Condo
* Rental
* Recap House
* Recap Condo
* Recap Rental
* Median Income
* HUD Income Limits
* MLS
* Rents

The House, Condo and Rental tabs are the information spreadsheets for Shelter Affordability. The three recap tabs summarize House, Condo and Rental respectively (occupation information comes from the Bureau of Labor Statistics). MLS and Rents tabs contain reference information for House, Condo and Rental prices (local price information can come from many sources and each market must be researched individually). Median Income is the information spreadsheet for Income Level Analysis. HUD Income Limits contain reference information for Median Income. The entire analysis can be based on all Metropolitan Statistical Areas (MSA), all states and some non-Metropolitan Statistical Area depending on available information. The analysis can also be tailored to compare submarket sales and rental data within a BLS area.

For this spreadsheet, you are able to use the BLS regional Seattle area and then compare sales and rental submarkets including Seattle City, Pierce County, King County and Snohomish County. The area can be selected at the top of the House tab. By changing this drop-down menu, you can see visually and quickly affordability by different locations.

Who is This Analysis For?

This analysis is a valuable tool for land planners, economist, business and industry, housing advocates, government officials or anyone else who wants to learn about housing affordability and income levels by occupation by geographic area anywhere in the country.

Shelter (Home) Affordability

This analysis focuses on the job categories identified by the Bureau of Labor’s Occupational Codes within a certain Metropolitan Statistical Area (MSA). Data available from the Department of Labor provides industrial pay figures by occupation (jobs) by geographic area. Each occupation is broken into five income strata by percentile, i.e. lower 10th, lower 25th, median, upper 75th and upper 90th. Intuitively, those compensated at the lower strata (lower 10th and 25th) are typically the younger, less skilled workers likely new to their respective industry. The well compensated (upper 75th and 90th percentile) are the older, highly skilled and more experienced workers.

The measure of home and condo affordability is estimated by the number of salaries (jobs) of each of the occupations that are required to buy a median priced single-family residence for each of the five income strata. This analysis follows home and condo affordability for 2000, 2003, 2006 and 2008 both numerically and by a percentage of the occupations.

Calculating affordability by occupation puts a sense of realism to this analysis. The reader has friends, neighbors, and associates, likely knows how long they have been working and also knows the spouse’s occupation. One of the theories behind using how many job holders required to own the median home or condo is for comparison purposes to other markets by the same occupation (i.e. Seattle versus Austin).

Many households in today’s society contain two or more wage earners; it is not uncommon in cases of dual income families for one of the incomes to be higher than the other.  A simple example:  A Civil Engineer has a spouse who most likely does not have the same occupation, but perhaps is a Bank Teller. The combined income, in reality, is much lower than what has been shown.

The first of the baby boomers are now eligible for Social Security and beginning to retire.  Exasperating home affordability or lack thereof is the replacement of many of these older, well paid workers. Their replacements will be by lower skilled workers that likely will be compensated at lower strata levels.  The real challenge is as homes become available for purchase, mostly from the baby boomer generation (older workers downsizing), the younger worker (less skilled) will not be able to compete in a market with better paid white collar workers. Many of these white collar workers are actually making more or similar wages as older workers due to high sector labor demands mixed with smaller variances in skill level. In some markets (i.e. Honolulu), very few of the highest paid workers can afford the median home price.

This analysis can also examine different occupation sub-categories including Business and Financial, Computer and Mathematical, Architecture and Engineering, Education, Healthcare, etc. to determine shelter affordability within a certain occupation sub-category and can be further examined by white collar, blue collar, etc.

Following is a sample of the actual spreadsheet. The first section contains the BLS Labor Codes and Names. The second section, also from the BLS, contains the income levels broken out by the 5 stratas (10%, 25%, Median, 75% and 90%). The third section contains the year. The fourth section contains the loan amount using the median home or condo price broken out by the 5 stratas. The fifth section is the median home price and the final section represents how many job holders by occupation it takes to afford the median house, condo or rental.

Shelter (Condo and Rental) Affordability

Some have settled for condominium or apartment living which are still affordable to many dual income working families. Though multi-family living may appear affordable to many working, in real world terms, many families are still choosing long commutes for home purchases as single family living is more conducive to family living. Multi-family living for families with at least two kids, pets, toys, bicycles and noise is a difficult proposition. Multi-family living is really only appropriate for small families, like couples with one or no children. Though multi-family living may not be a conducive choice for many working families, it is worthy of some discussion.

Excluding high-end product, condominiums tend to range from as small as 500 square feet up to about 900 square feet, with some approaching 1,000 to 1,200 square feet. Similarly, the bulk of condominium product tends to be in the one to two-bedroom size ranges with random studio and three-bedroom units. The urban markets tend to have smaller units including studios while the suburban markets tend to have larger units. Overall, condominiums, though relatively affordable, have followed the same trend for measures of affordability as single family housing but on a delayed basis. Condominium analysis can also be very specific to a suburban market, urban market or even a sub-market within an urban market which may need to be addressed in this study.

In terms of apartment housing, for the most part, apartment rents have remained relatively affordable over the past eight years or so. This pricing disparity has created a strong demand for rental units especially in markets with high median priced homes and condos. Other demographic factors are also contributing to the rental market including marrying later, smaller families and high divorce rate. However, notwithstanding these economic factors, the pricing disparity between purchase and rental will most likely equalize by increased rental prices, decreased home and condo prices or a combination of the two.

Income Level Analysis

This analysis examines the United States Bureau of Labor Occupation Codes within a certain Metropolitan Statistical Area and shows how a family's income within a certain occupation code compares to the Area Median Income established by the U.S. Department of Housing and Urban Development (HUD) and subsequently, eligibility in State and Federal Housing Programs. The analysis is broken into several sections:

The first section is the user input area. This allows the user to define the family size, how many wage earners are in the family, and the percentage of income of the additional wage earners beyond the primary (if applicable). Family size is necessary because Area Median Income is determined by the number of occupants in the family; the larger the family, the more space required and consequently higher income. The reason for the Additional Wage Earner Salary % calculation is that the norm in a family with multiple wage earners is the primary makes the highest income and the secondary wage earners make a percentage less than the primary.

The second section is broken into five income strata by percentile, i.e. lower 10th, lower 25th, median, upper 75th and upper 90th. Intuitively, those compensated at the lower strata (lower 10th and 25th) are typically the younger, less skilled workers likely new to their respective industry. The well compensated (upper 75th and 90th percentile) are the older, highly skilled and more experienced workers.

The third section (color coded) compares the family income (based on user input for size and wage earners) to the HUD Area Median Income by percentages. Therefore, if the % is less than 100%, the family would be making less than the HUD Area Median Income. If the % is greater than 100%, the family would be making more than the HUD Area Median Income. The specific color-coded data represents the HUD income levels.

The last section sums all occupancy codes both in a chart and graph format.

What Does This All Mean?

One of the useful tools in this analysis is to compare specific occupational code categories to determine differences in housing affordability and land use. For this analysis, we will focus specifically on the Seattle City housing market compared to the Bureau of Labor Statistics Seattle Region occupational information. The analysis will then look at all occupations and then specifically industrial related occupation codes. First of all, let’s look at shelter affordability across all occupations:

All Occupation Codes – Home Affordability / Condo Affordability



As you can see in the above chart (left), in 2000 the median home price was $273,000. Therefore, with up to 2 income producers in the family, over 58% of all job possibilities could afford the median home. In 2009, things have changed dramatically. Not only has the median home price risen to $400,000, but now only about 47% of the job possibilities can afford the median home with up to 2 income producers in the family.

As far as condos are concerned (right chart), in 2000 the median condo price was $192,000. Therefore, with up to 2 income producers in the family, over 80% of all job possibilities could afford the median condo. In 2009, things have also changed significantly. The median condo price has risen to $279,000 and about 70% of the job possibilities can afford the median condo with up to 2 income producers in the family.

Industrial Occupation Codes – Home Affordability / Condo Affordability



When you examine the industrial occupation codes, it represents a relatively gloomy picture. In 2000, approximately 50% of all job possibilities could afford the median home with up to 2 income producers in the family. In 2009, this has fallen to 35% with only 1.4% of the job possibilities being able to afford the median house in families with only 1 income producer.

Regarding condos, in 2000 over 77% of all job possibilities could afford the median condo with up to 2 income producers in the family. In 2009, this has fallen to 65% with only 11.3% of the job possibilities being able to afford the median house in families with only 1 income producer.

Although the overall housing market has gotten more affordable over the past couple of years, it is still far from ideal. If you have a family of 4 with one working parent, only 11% can afford the median home across all jobs. Specifically looking at industrial jobs, only 1.4% can afford the median home.

Another interesting thing to note is the total number of jobs within each 2-digit industrial code from year 2000 to 2009. The totals are as follows:



As expected, the number of jobs within the majority of the job codes increased over this ten year period. However, it is interesting to note, there were only two jobs codes that represented over a 10% DECREASE in total number of jobs. These two job codes are the industrial job codes: (1) Installation, Maintenance and Repair and (2) Production. There are two major reasons for this decrease in total number of jobs within the two categories. First of all, as everyone is aware of, the industrial sector as a whole is declining in both production and personnel. Secondly, many industrial companies have moved out of the Seattle area due to overall market affordability and the availability of employees living within close proximity to their work.