

Affordably-Priced Housing

Can the next generation afford to live in Chester County?



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to live in Chester County?

January 2019

Chester County
Planning Commission



This slide deck is an annotated version of one presented at the Chesco2020 Affordably-Priced Housing event held on December 13, 2018 at the Desmond Hotel in the Borough of Malvern, PA.

Affordably-Priced Housing

Can the next generation afford to live in Chester County?

What is housing like in Chester County?



Many think that most of the housing in the county consists of a single-family home on a half acre lot with a married couple and two children.

What is housing like in Chester County?



Single-Family



Townhomes



Multi-family



Other

Housing in Chester County can be divided into four categories. More detail follows on the next five pages.

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Can the next generation afford to live in Chester County?

Chester County has many different types of housing



Single-Family



Chester County used to be overwhelmingly dominated by single-family detached houses, but that is now changing.

Chester County has many different types of housing



Townhomes



In the past, single-family attached housing in Chester County consisted largely of rowhomes and twins. Now, townhouses are quite common and are increasing.

Chester County has many different types of housing



Multi-family



There have always been some multi-family housing units, such as duplexes, garden apartments, and mid-rise apartments, in Chester County. But in recent years, there has been an increase in multi-family units, particularly mid-rise apartments.

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Chester County has many different types of housing

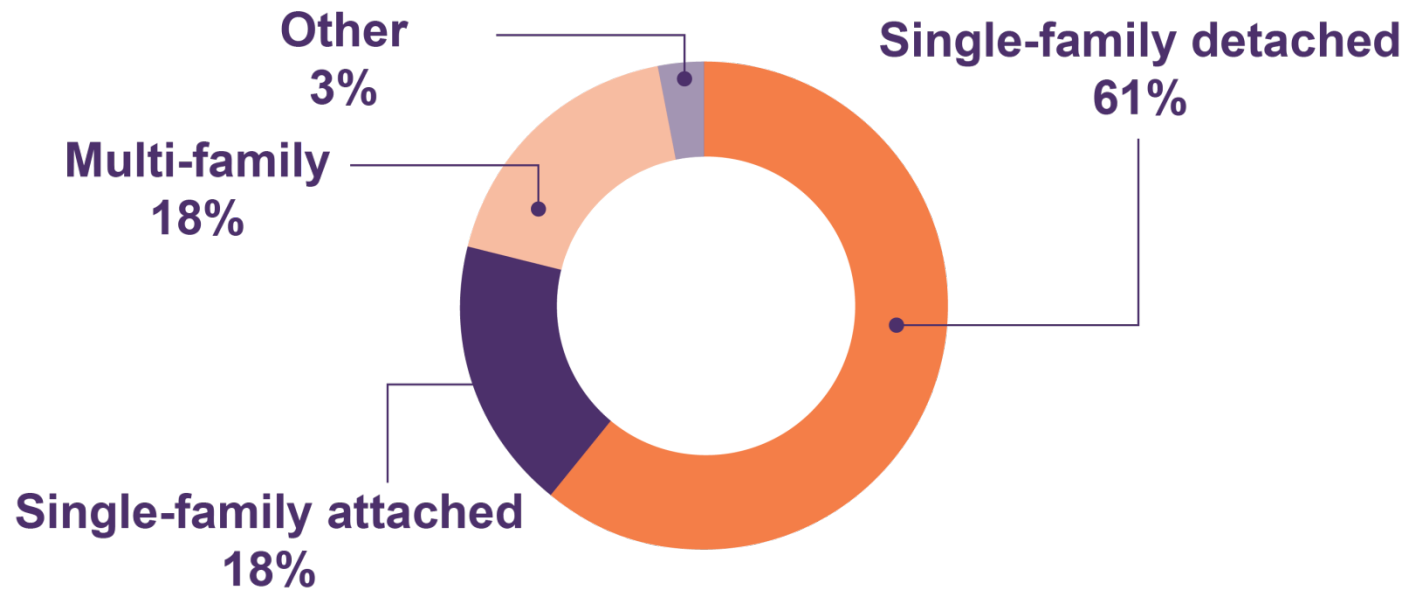


Other



Other housing includes mobile homes, trailers, tents, boats, and other unique housing.

Housing types



Source: U.S. Census, 2010

Single-family detached is the dominant housing type, yet much housing consists of other types.

Like the nation as a whole, our family structures have changed.

Singles



Single parents with children



Couples with no children

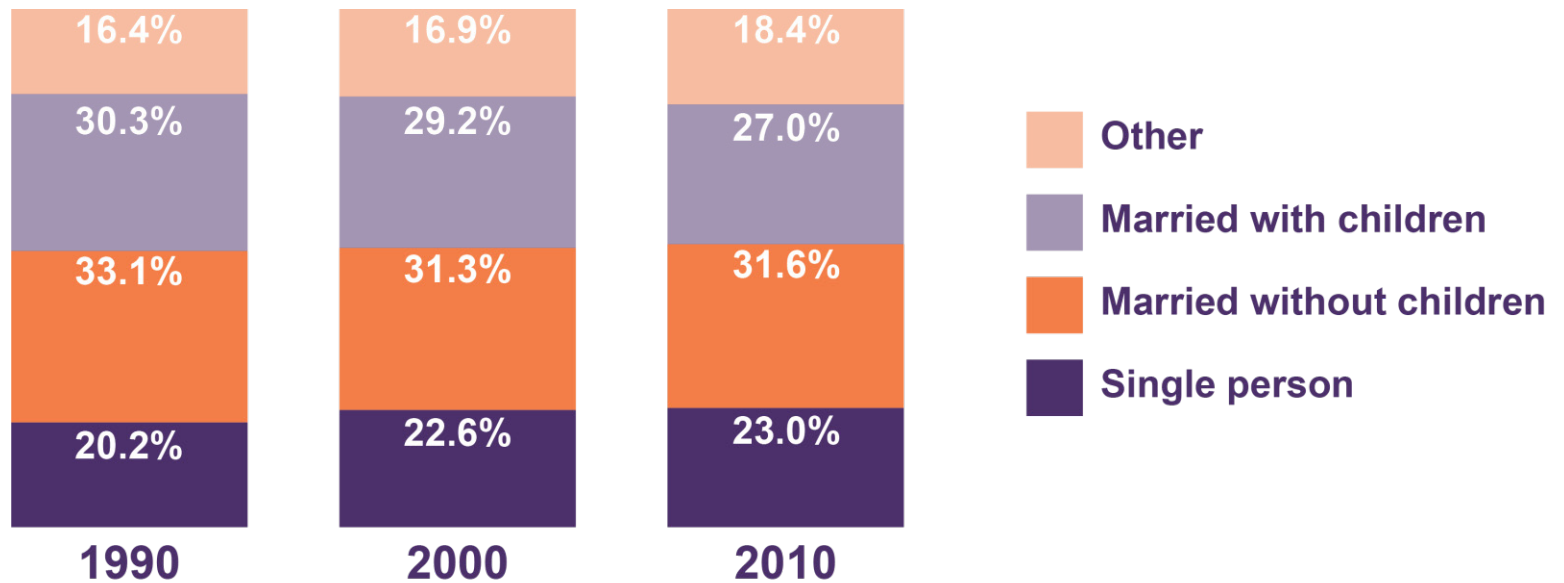


Following national trends, although with less dramatic change than the nation as a whole, Chester County household structure is changing, with more singles, single-parents, and other household types.

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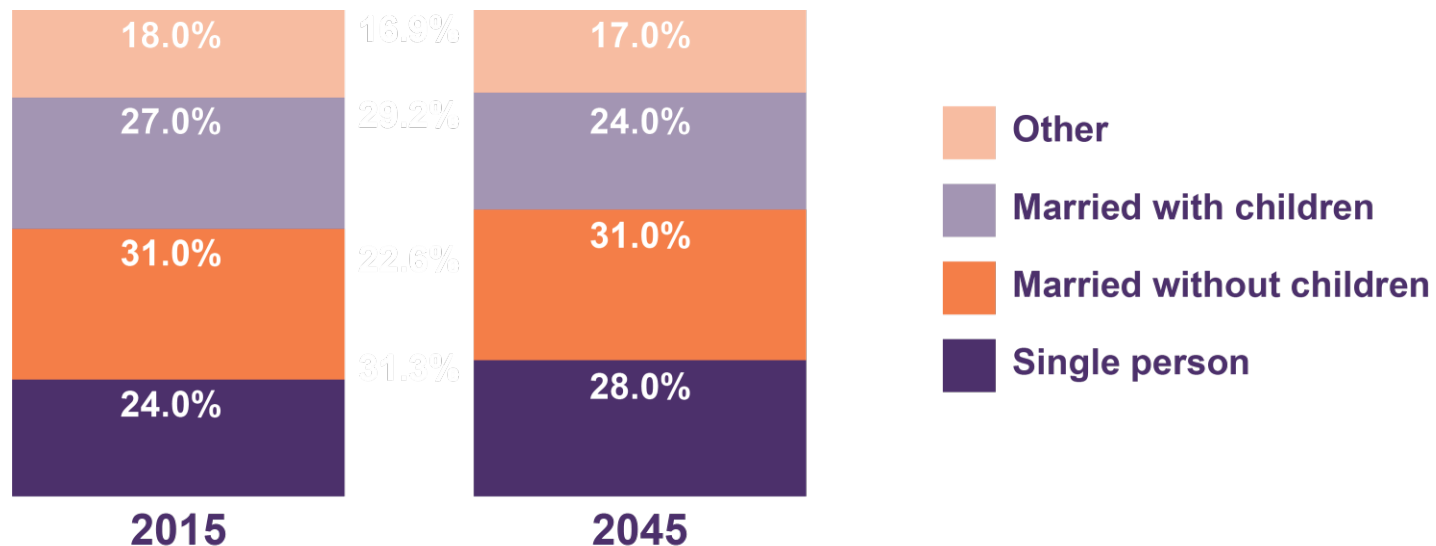
Household composition



Source: U.S. Census

In recent years, there has been an increase in the number of single people who are living alone, either in apartments or in houses they own and maintain by themselves.

Projection of Household Composition in 2045



Source: U.S. Census, CCPC analysis, and State of the Nation's Housing Harvard University, 2017

Given recent trends, it can be conservatively estimated that by 2045, 28% of households will be single people who are living alone, either in apartments or in houses they own and maintain by themselves. This estimate was created by taking 2035 national household type projections from a December 2016 Joint Center for Housing Studies of Harvard University report titled *Updated Household Projections, 2015 – 2035: Methodology and Results* and projecting these to 2045, then applying the projected change to Chester County.

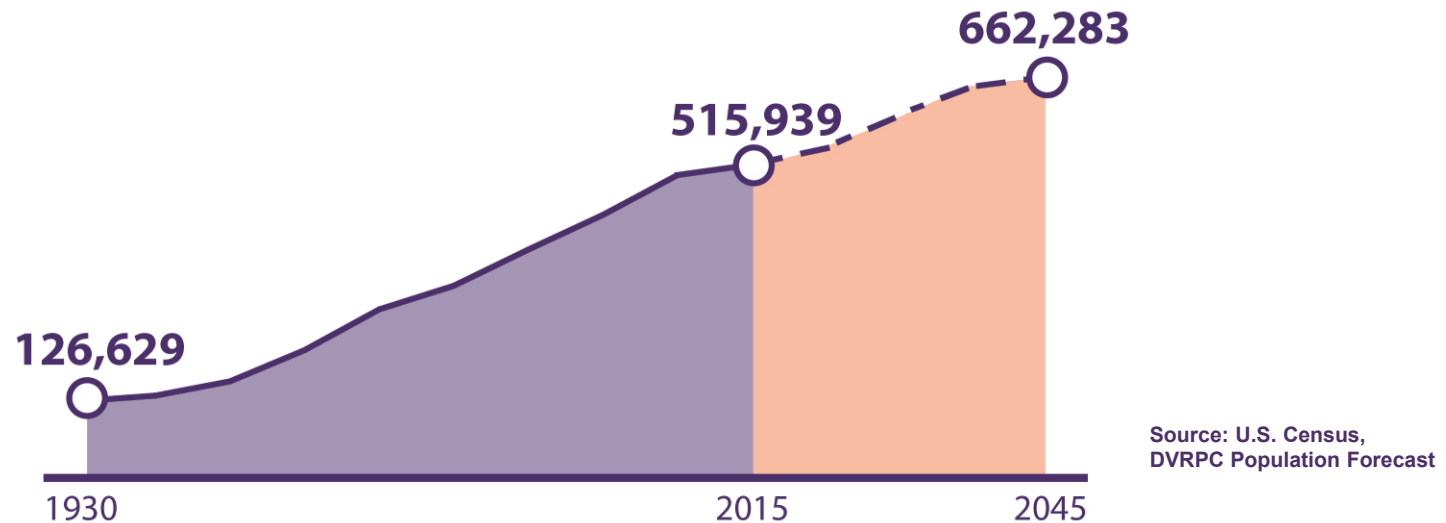
How much is Chester County expected to grow?



Population and housing growth is expected to continue.

There are many techniques that can be used to project growth and none can anticipate unforeseen circumstances like the Great Recession. However, County and regional planners agree that Chester County is likely to add population in the coming decades.

Population change, 1930-2045



The county is projected to add over **146,000** people from 2015 to 2045, a **28.5%** increase from the county's 2015 population of **516,000** people.

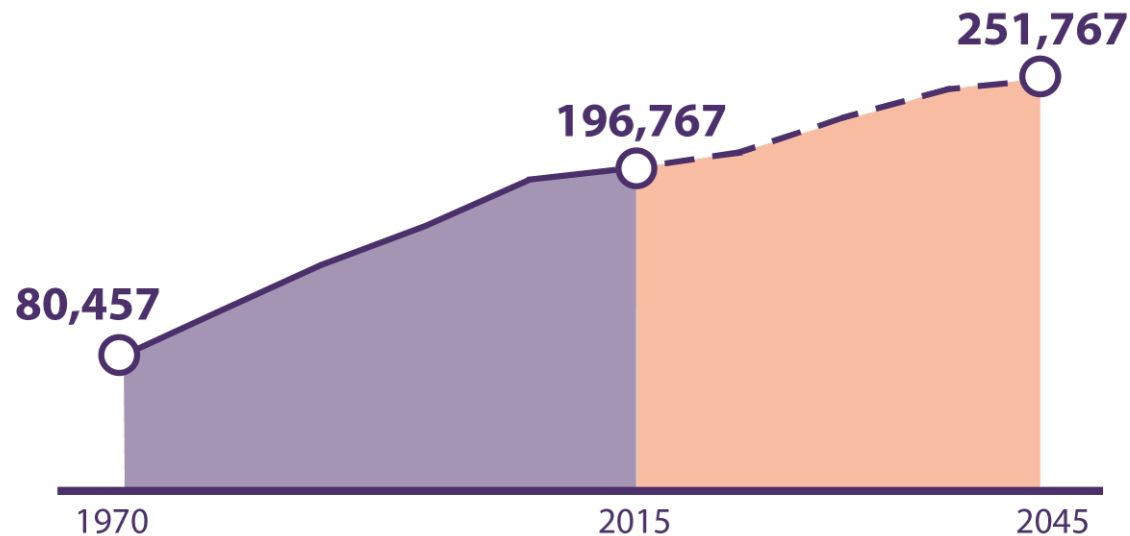
Population forecasts developed by DVRPC for the Philadelphia region in July 2016 project that the county will add over 146,000 people by 2045. Thus, one can conservatively say that over the next ten to 15 years, it is likely that 50,000 new residents will move to, or be born in, Chester County.

Older population change



Population forecasts developed for *Landscapes3* - Chester County's Comprehensive Plan (adopted November 2018), projected that the senior population for Chester County will double in coming decades as the large Baby Boomer population ages.

Housing unit change, 1970-2045



To accommodate new population growth, the county will need **55,000 new homes.**

Source: U.S. Census, CCPC analysis

The population forecasts developed by DVRPC for Chester County, which showed 146,000 more people by 2045, were used to estimate future projected homes. This estimate assumed that the average household will stay the same size since it has been leveling out. This estimate also assumed that the number of future people in group quarter institutions would equal the number that could have been in unoccupied homes.

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What kind of housing will Chester County need?



or



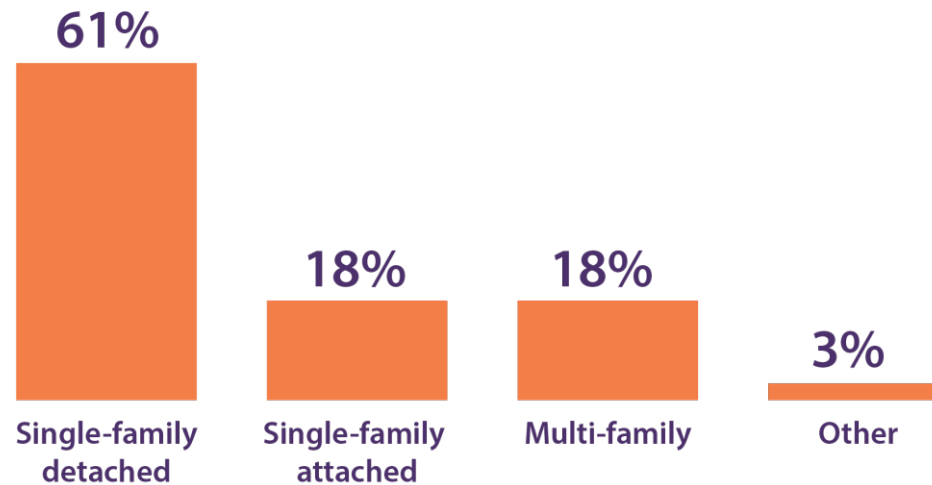
Single-Family



Multi-family

Housing type trends

U.S. Census 2010

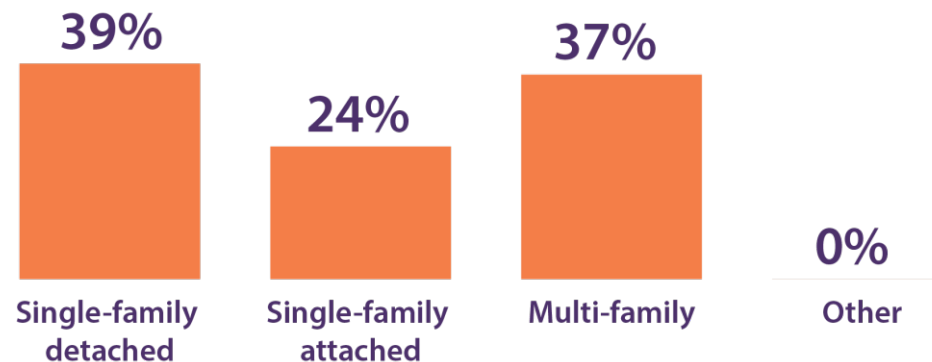


Source: U.S. Census

Multi-family housing (like apartments) and single family attached housing (like twins and townhomes) make up a significant portion of housing in Chester County.

Housing type trends

Recent Construction (past five years)

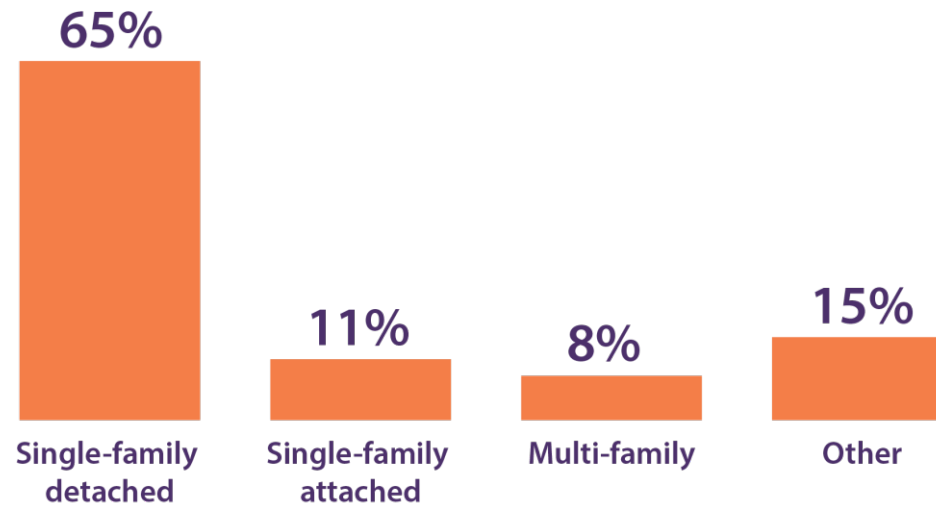


Source: U.S. Census, CCPC and Assessment

County records for the last five years, as summarized in the annual *Housing Report* prepared by CCPC, indicate that newly constructed housing units are a full mix of housing types, with no one type dominant. Newly built single-family detached units, with just one house on a lot, now only make up about 40% of all new construction.

Housing type trends

NAHB Housing Type Preferences

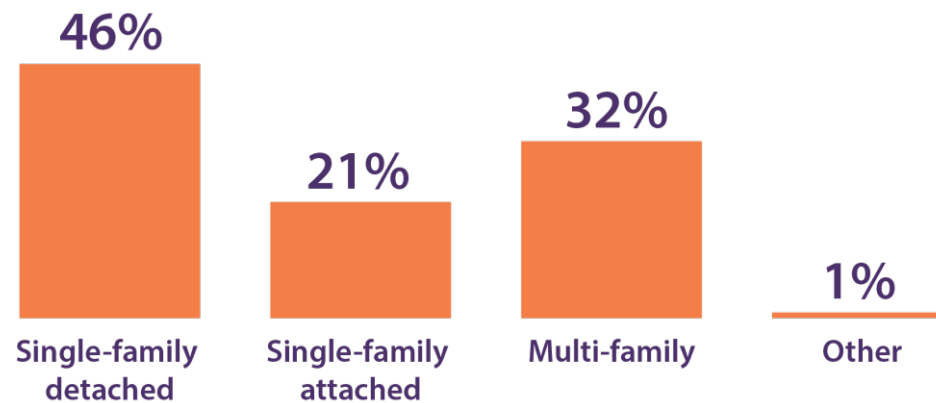


Source: NAHB - 2016 Housing Preferences of the Boomer Generation

According to a 2015 survey cited in the National Association of Home Builders' *Housing Preferences of the Boomer Generation* report, most respondents from all generations prefer a single-family detached home; however, 35% prefer some other type of home.

Housing type projections

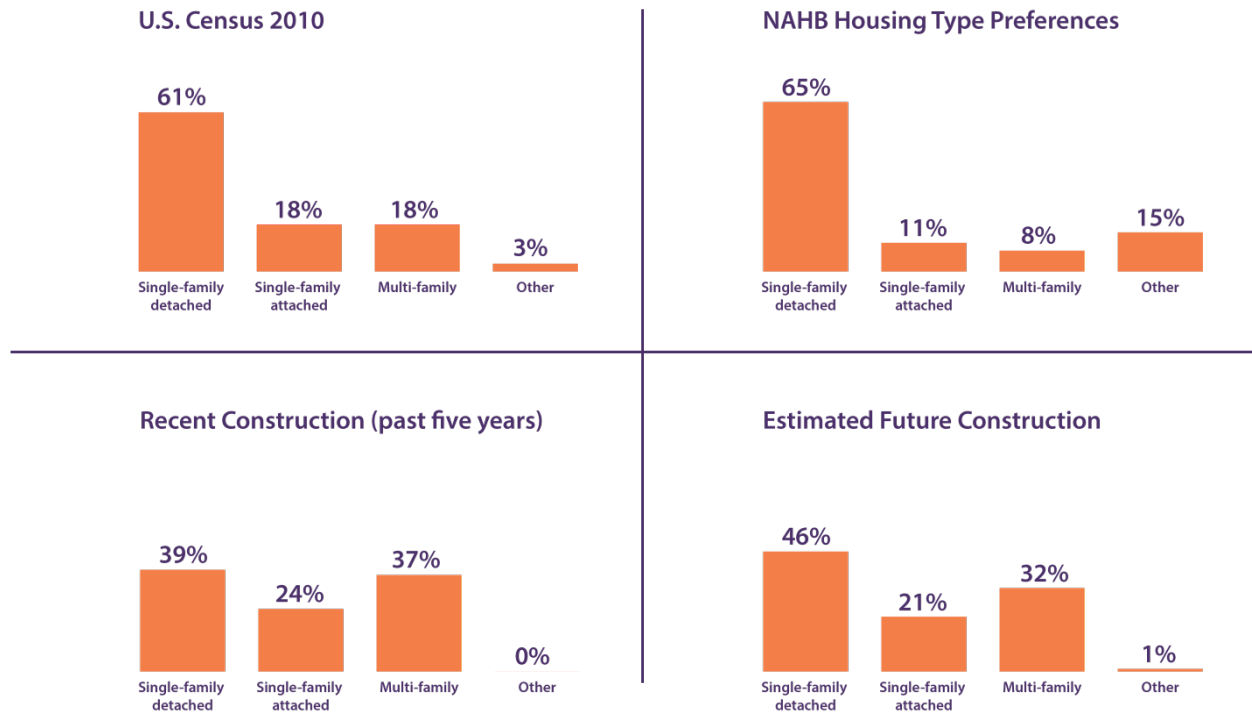
Estimated Future Construction



Source: CCPC estimate

Recent construction trends lean heavily towards multi-family and single-family attached housing, while the historic building pattern in the county and the preferences of potential homebuyers lean towards single-family detached homes. CCPC estimates that reality over the next 25 plus years will be somewhere in between.

Housing type consideration



When all the recent housing trends are viewed together, it becomes clear that the County's traditional housing characteristics, dominated by married families with children living in single family home on a lot with a large yard, is changing. The county's housing makeup is becoming more diverse.

Housing type expectations

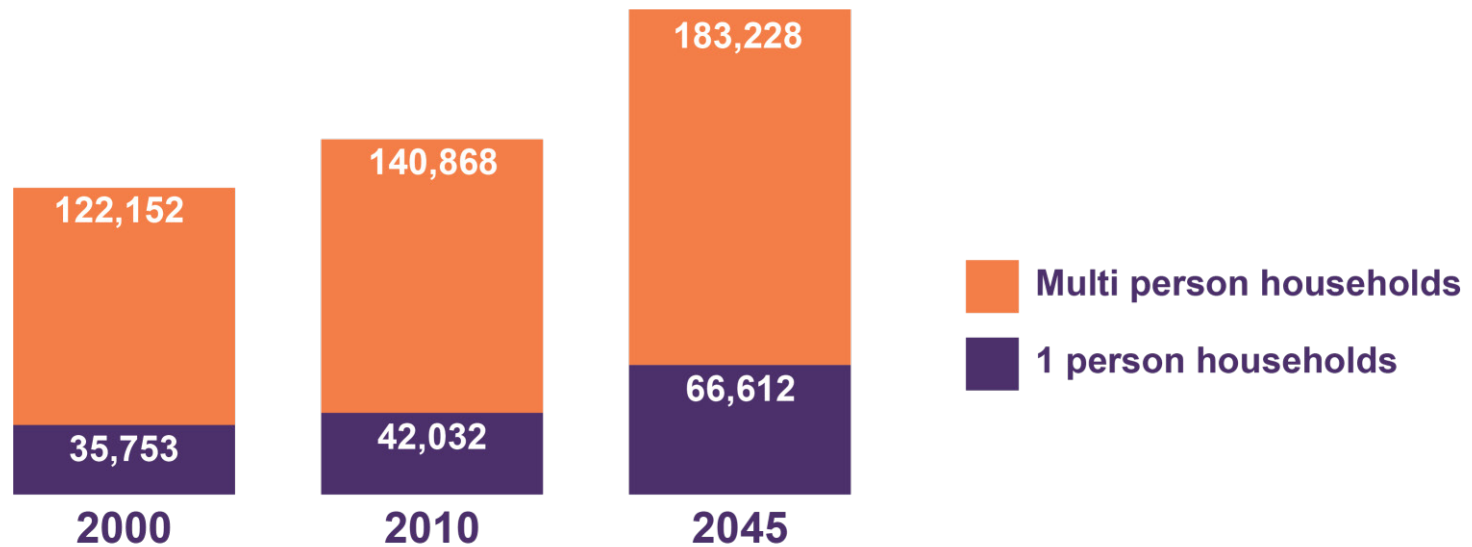
	Estimated Future Construction	% breakdown
Single-family detached	25,300	46%
Single-family attached	11,550	21%
Multi-family	17,600	32%
Other	550	1%
TOTAL	55,000	

What might make these housing expectations change?

Source: CCPC analysis

About half of the units built between 2015 and 2045 will be single-family detached homes, based on CCPC estimates of future housing demand and housing type breakdown.

Household trend

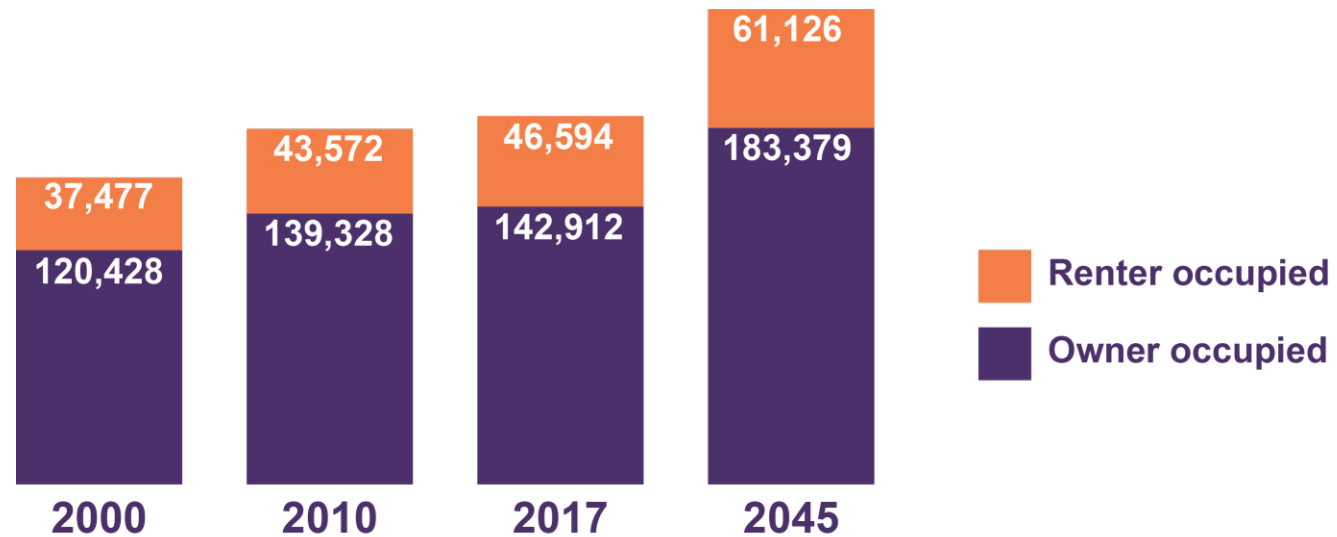


There will be more single-person households

Source: U.S. Census and CCPC analysis

The percentage of single people living alone in Chester County has been rising. If this trend continues there will be thousands more single-person households in the County which will impact the housing market in new ways. This estimate of future single-person households was generated by applying the share of future households expected to be single (28%) and applying this to the expected number of future households.

Renter trend

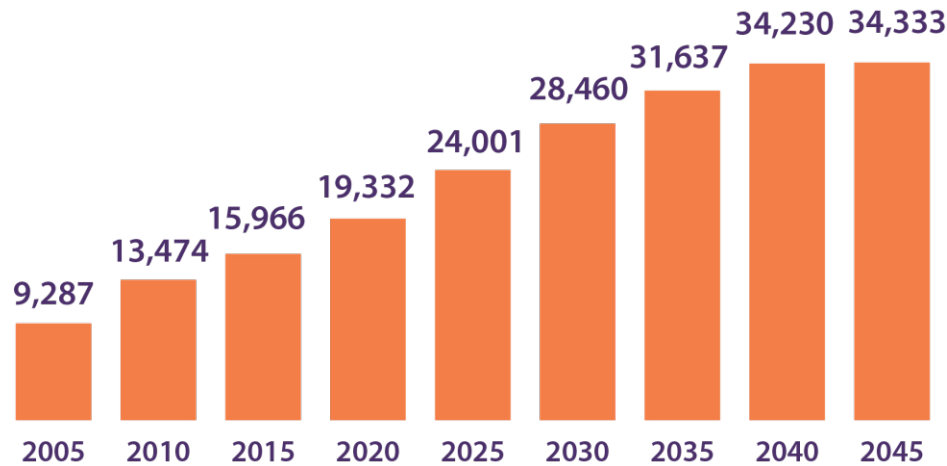


There will most likely be more renters

Source: U.S. Census and CCPC analysis

The percentage of renters in Chester County has been rising and may expand because of the increasing number of single-person and other households that are more likely to rent. From 2000 to 2017, the percent of renter occupied units rose from 23.7% to 24.6%. Assuming that there will be 55,000 more units by 2045, 25% of which are renter occupied, there will be a total of 61,126 rental units.

Older renters trend



The county's 65+ renters will increase by over 18,000 (2015-2045)

Source: CCPC analysis

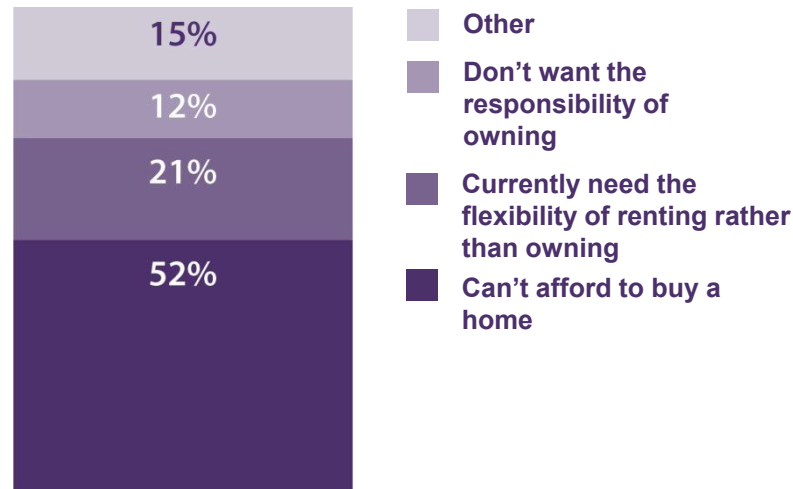
The number of seniors who are renting in Chester County has grown significantly as Baby Boomers age. This growth will eventually slow as Baby Boomers pass away. Projecting future trends for this topic can be challenging, but a conservative forecast is that within the next ten to 15 years there will be 8,000 to 12,000 new renters over 65 years old, based on the share of people 65 years and over who rent and the increasing numbers of those 65 and over.

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Housing expectations

Main Reason Non-Owners Do Not Currently Own

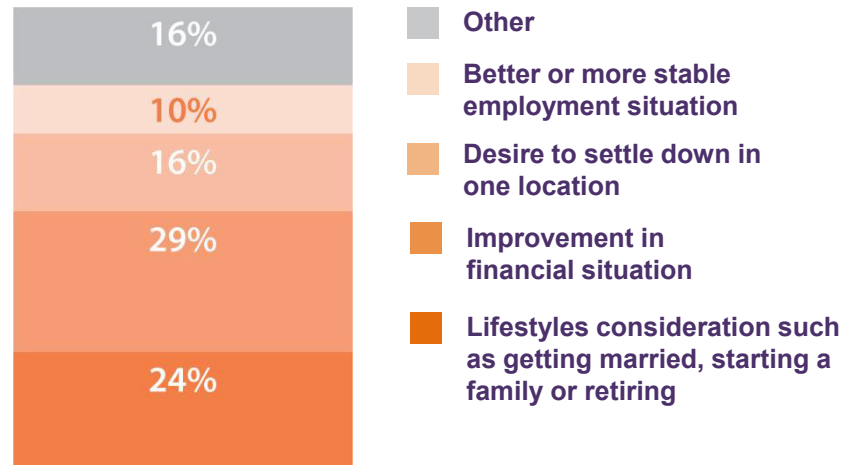


Source: 2018 NAR Aspiring Home Buyers Profile, Quarter 2

According to 2017 survey data cited in the National Association of Realtors (NAR) January 2018 report titled *Aspiring Home Buyers Profile*, affordability of homes was the most significant, but not only, reason non-owners do not own a home.

Housing expectations

Main Reason Non-Owners Would Buy



The affordability of homes might also lead to an increase in single-family attached and multi-family homes.

Source: 2018 NAR Aspiring Home Buyers Profile, Quarter 2

According to 2017 survey data cited in the National Association of Realtors (NAR) January 2018 report titled *Aspiring Home Buyers Profile*, an improvement in financial situation was the most significant, but not only, reason non-owners would seek home ownership.

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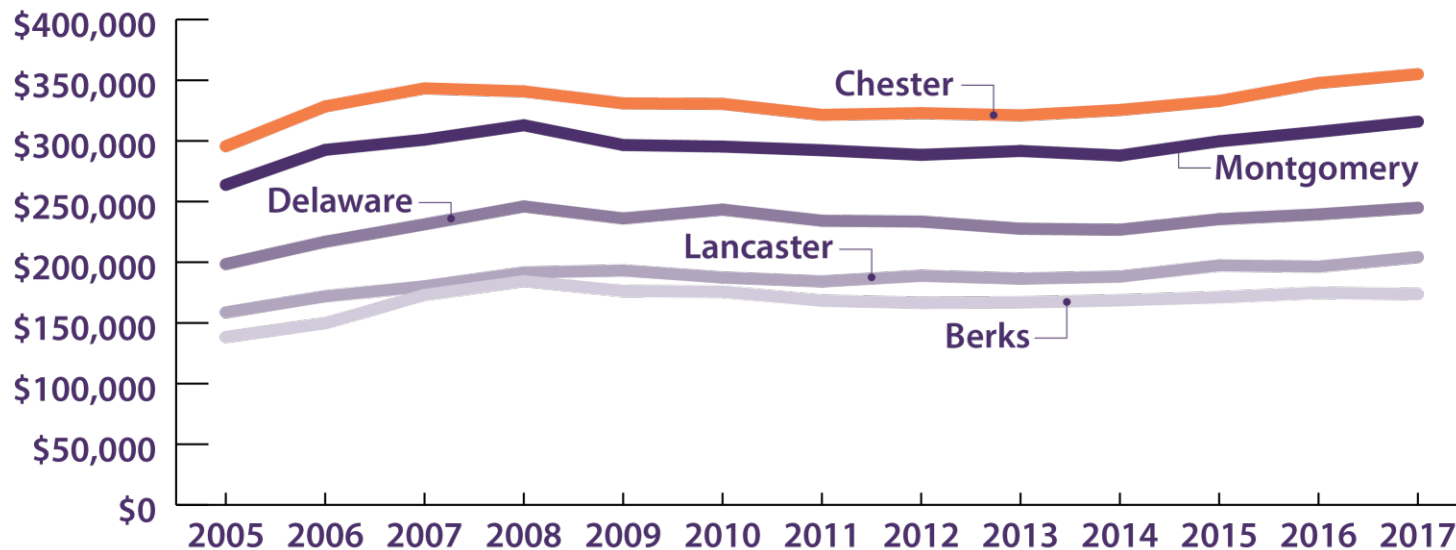
Is more affordably-priced housing needed?



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Median housing value



Source: U.S. Census

The median housing value in 2017 was **\$337,000**, which is the highest in the state.

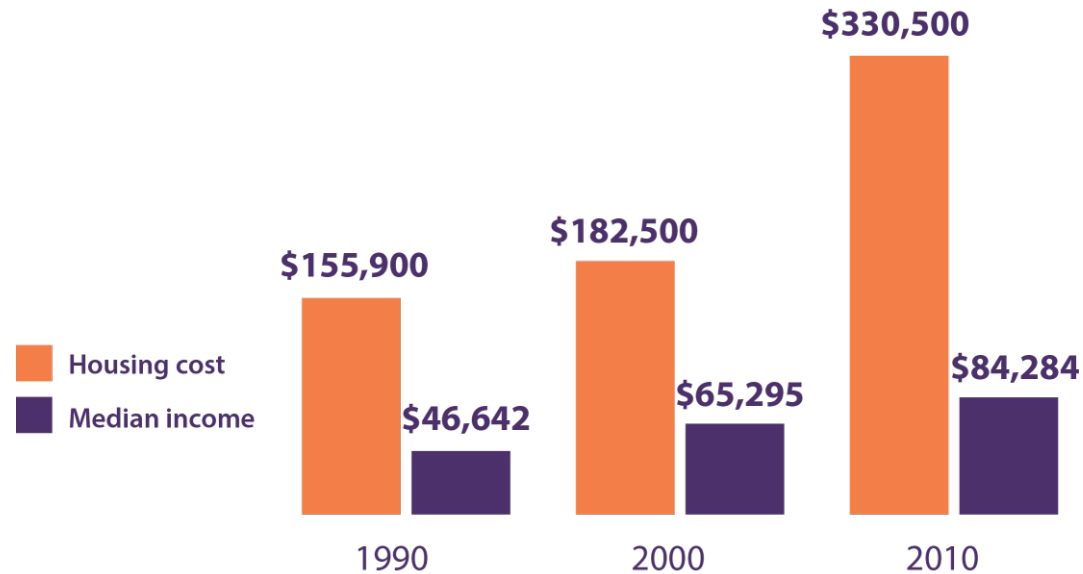
Source: Chester County Housing Report

Over the last few years, Chester County has consistently had the highest median housing price in the region and state, according to U.S. Census data, which uses people's estimates of their home's value. In 2017, Chester County had a median housing value of \$337,000, based on sales.

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Household income



Household income has not kept pace with increases in housing costs.

Source: U.S. Census

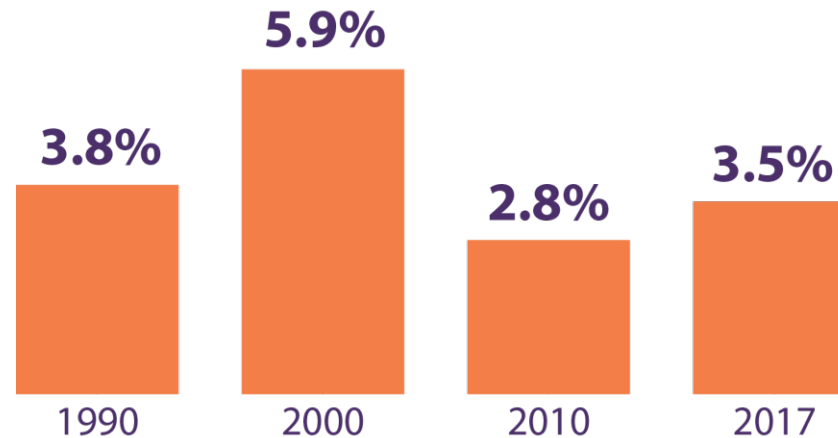
After adjusting for inflation, between 1990 and 2010 median household income increased only 6% and median housing cost increased 25%. (Not adjusted for inflation, the increases are 81% and 112% respectively).

Inflation calculated with the Bureau of Labor Statistics (BLS) CPI Inflation Calculator (www.data.bls.gov/cgi-bin/cpicalc.pl).

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Home sales as percentage of total housing stock



Fewer homes are for sale, which impacts housing costs.

Source: U.S. Census , Chester County Housing Report

Based on the U.S. Census and CCPC's annual *Housing Report*, the portion of all housing units that exist in the county that sell in a given year has fallen. When fewer homes are sold, housing costs may increase. In 2017, when the economy was humming, only 3.5% of the housing market sold, which can be compared with 5.9% in 2000.

Monthly rents



County residents who rent are particularly vulnerable to escalating housing costs.

Source: U.S. Census

After adjusting for inflation, between 2005 and 2017 median rents increased 4.9%. (Not adjusted for inflation, the increase is 33.5%). Inflation calculated with the Bureau of Labor Statistics (BLS) CPI Inflation Calculator (www.data.bls.gov/cgi-bin/cpicalc.pl).

Housing costs







Many county household budgets are stretched by high housing costs, paying more than 30% of their income towards housing.

Source: U.S. Census

According to the U.S. Department of Housing and Urban Development (HUD), spending up to 30% of total household income on housing is considered to be affordable, with any percentage above viewed as unaffordable. These percentages include both renters and owners. (Housing costs include all costs associated with housing, such as mortgages, rents, taxes, insurance, utilities, maintenance, HOA fees, etc.)

What occupations can afford

2017 Chester County Median Sale Price: \$337,000

				
	accountant	police officer	truck driver	farmworker
MEDIAN ANNUAL INCOME	\$83,760	\$70,270	\$49,060	\$34,200
% OF HOME SALES AFFORDABLE	38%	23%	8%	2%

Source: PA Workforce Development and CCPC analysis

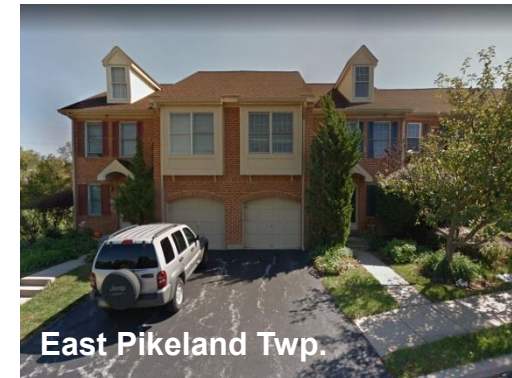
The percent of home sales affordable is based on the following assumptions:

- A debt-to-income ratio (DTI) of 36 % or less which is essential in obtaining a qualified mortgage.
- A down payment derived from 67% of the Annual Average Income being 20% and a 30 year mortgage rate of 4.667%.
- \$500 of monthly debt unrelated to housing (auto loans, student loans, credit card debt, etc.) is factored in for incomes of \$50,000 and less; \$750 for incomes \$50,001-\$99,999.
- The mortgage tool developed by the National Association of Realtors was utilized for this analysis (www.realtor.com/mortgage/tools/affordability-calculator).

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Can the next generation afford to live in Chester County?

What families can afford



In 2000, a family with a full-time working middle-school teacher with a part-time accountant spouse could afford **30.5%** of the homes in Chester County

Source: CCPC analysis

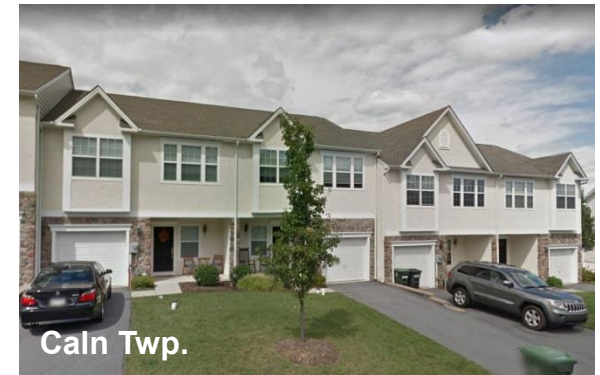
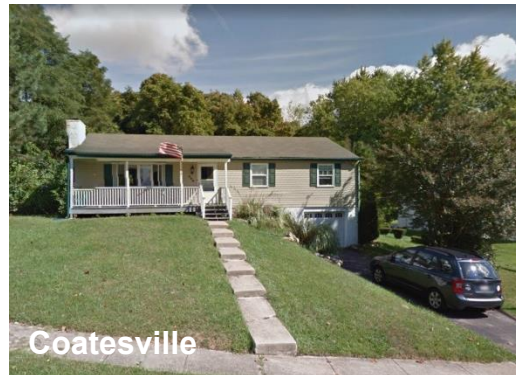
Based on a family income of \$38,213 (full time middle school teacher and ¼ time accountant at the entry level) in 2000, the maximum affordable home price was an estimated \$142,011. 30.5% of all home sales in Chester County in 2000 were less than \$142,011. The assumptions utilized to make these calculations were as follows:

- A debt-to-income ratio (DTI) of 36 % or less which is essential in obtaining a qualified mortgage.
- A 20% down payment of \$37,600 (20% of the 2000 median of \$188,000) and a 30 year mortgage rate of 4.945%.
- This model assumes \$500 of monthly debt unrelated to housing (auto loans, student loans, credit card debt, etc.).
- Inflation was calculated with the Bureau of Labor Statistics (BLS) CPI Inflation Calculator (<https://data.bls.gov/cgi-bin/cpicalc.pl>).
- The mortgage tool developed by the National Association of Realtors was utilized for this analysis (www.realtor.com/mortgage/tools/affordability-calculator).

Affordably-Priced Housing

Can the next generation afford to live in Chester County?

What families can afford



**By 2017, this family could only afford
12.9% of the homes in Chester County**

Source: CCPC analysis

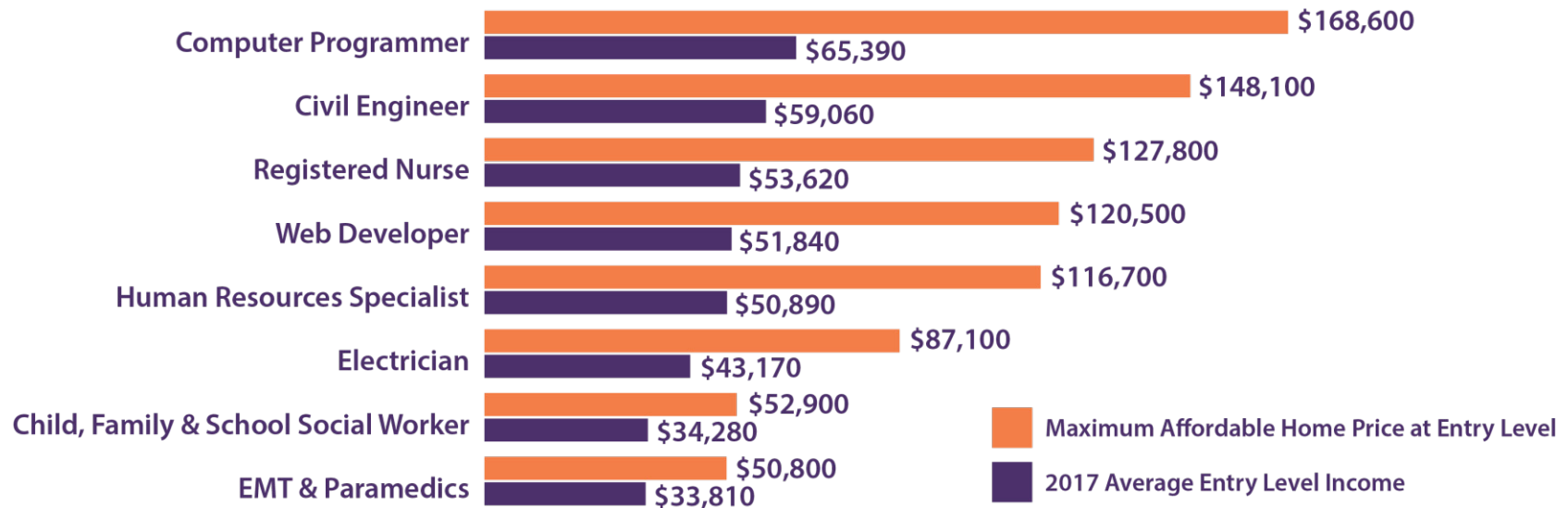
Based on a family income of \$56,145 (full time middle school teacher and ¼ time accountant at the entry level) in 2017 the maximum affordable home price was an estimated \$189,000. 12.9% of all home sales in Chester County in 2017 were less than \$189,000. The assumptions utilized to make these calculations were as follows:

- A debt-to-income ratio (DTI) of 36 percent or less which is essential in obtaining a qualified mortgage.
- A 20% down payment of \$67,400 (20% of the 2017 median of \$337,000) and a 30 year mortgage rate of 4.945%.
- This model assumes \$720 of monthly debt unrelated to housing (auto loans, student loans, credit card debt, etc.).
- The mortgage tool developed by the National Association of Realtors was utilized for this analysis (www.realtor.com/mortgage/tools/affordability-calculator).

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Entry-level workers



Source: PA Workforce Development and CCPC analysis

This slide illustrates that entry-level workers with high debt and low savings cannot afford much in the way of housing. The assumptions utilized to make these calculations were as follows:

- A debt-to-income ratio (DTI) of 36 percent or less which is essential in obtaining a qualified mortgage.
- A 5% down payment of \$16,850 (5% of the 2017 median of \$337,000) and a 30 year mortgage rate of 4.945%.
- This model assumes \$750 of monthly debt unrelated to housing (auto loans, student loans, credit card debt, etc.).
- The mortgage tool developed by the National Association of Realtors was utilized for this analysis (www.realtor.com/mortgage/tools/affordability-calculator).

Housing concerns

Housing affordability is a key issue in Landscapes3, which found that:

- **The county will need 55,000 new homes by 2045 to accommodate population growth**
- **The demand for more diverse housing is increasing**
- **Housing is unaffordable for much of our current and future population**