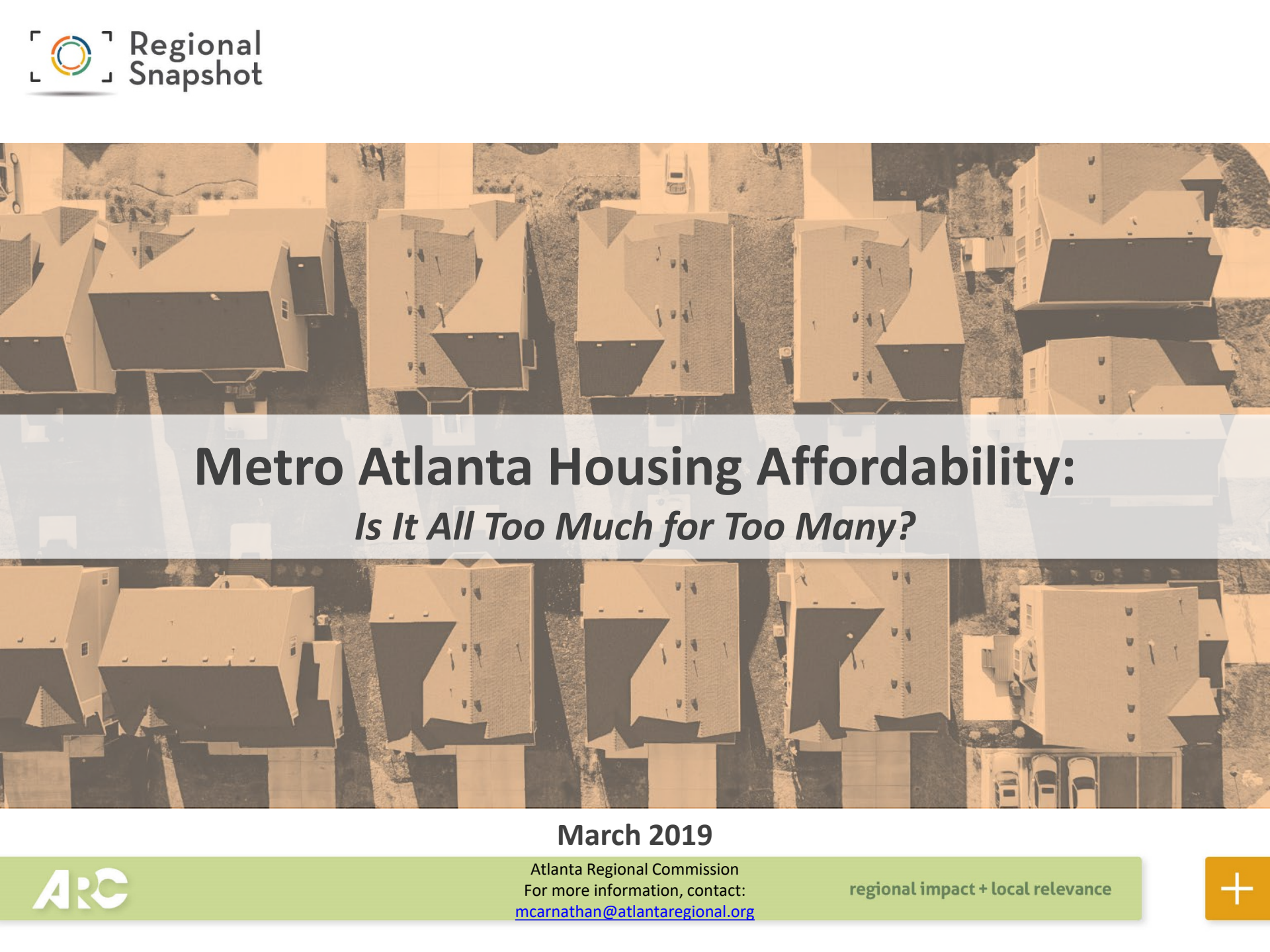




Metro Atlanta Housing Affordability:

Is It All Too Much for Too Many?

March 2019



Atlanta Regional Commission
For more information, contact:
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regional impact + local relevance



Key Takeaways

Home prices continue to rise nationally. According to the National Association of Realtors, the median sale price nationwide is now \$257K, compared to around \$190K in 2012.

Fewer starter homes are being built, which is exacerbating the affordability crisis. In metro Atlanta, 44% of home buyers have incomes above \$100K, meaning that home ownership is becoming out of reach for lower income households (the median household income for the ARC 10-county region is \$62,332) .

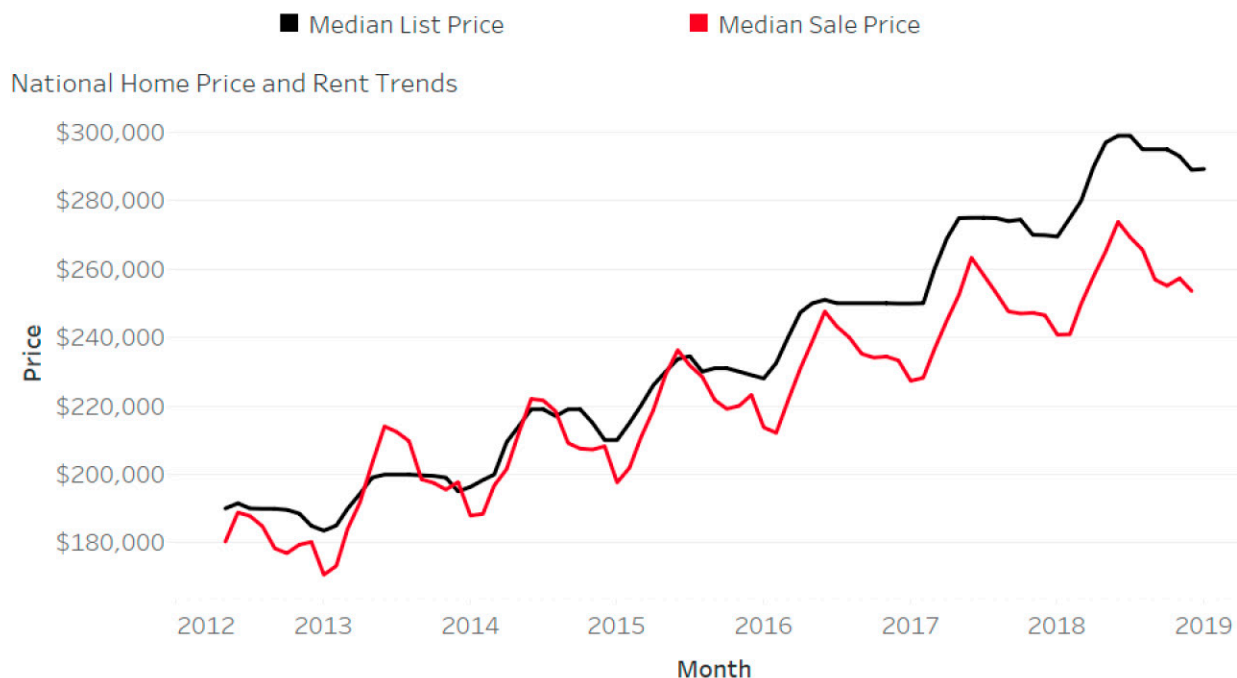
Since 2011, the rate of home price increase has been about 20 percentage points higher than has the rate of wage increase.

The geography of home prices follows a distinct spatial pattern in the Atlanta region. The areas that experienced the greatest home price appreciation since 2000 are located in the north while the areas that have experienced declines since 2000 are located in the south.

PRICES CONTINUE TO RISE

List Price at \$289,000, Sales Price \$257,000 (January 2019/November 2018)

National Home Sale and List Price Trends



Source: Realtor.com® and National Association of REALTORS®

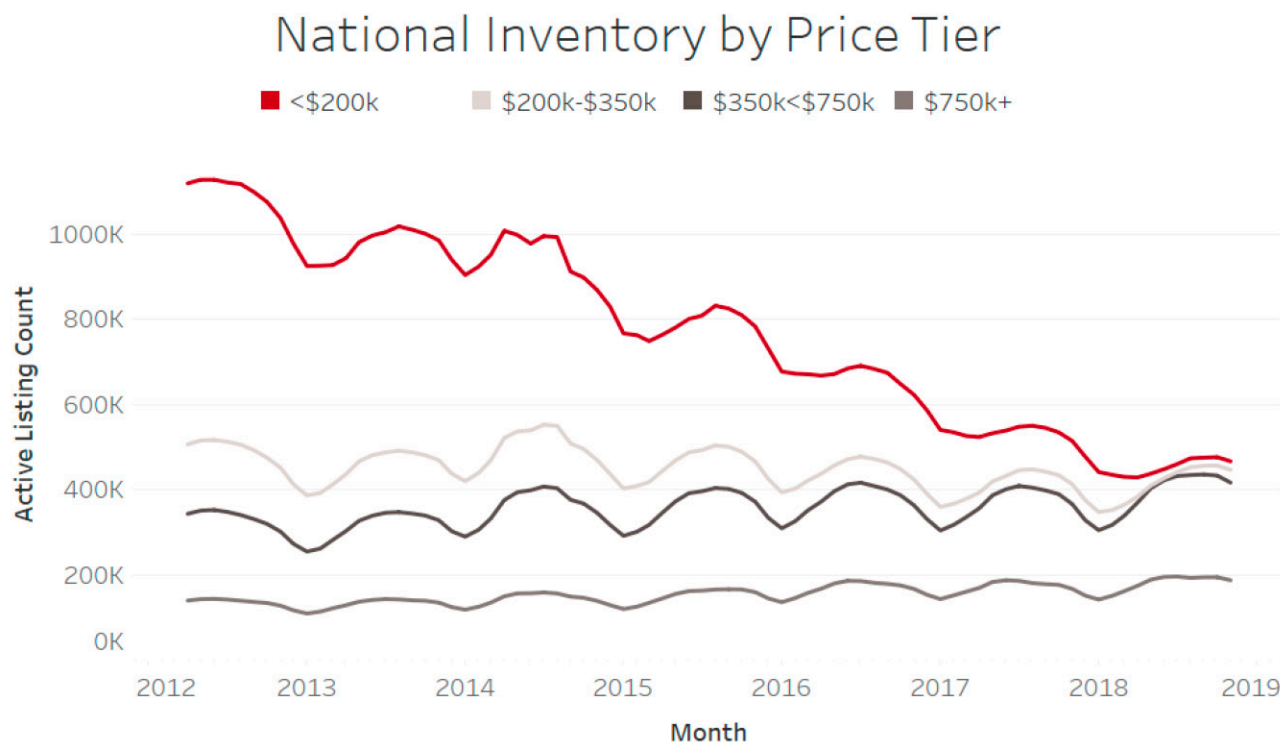
realtor.com™

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AFFORDABLE HOME SHORTAGE

290,000 fewer 'starter' homes (<\$200k) now vs December 2015



Source: realtor.com®

realtor.com

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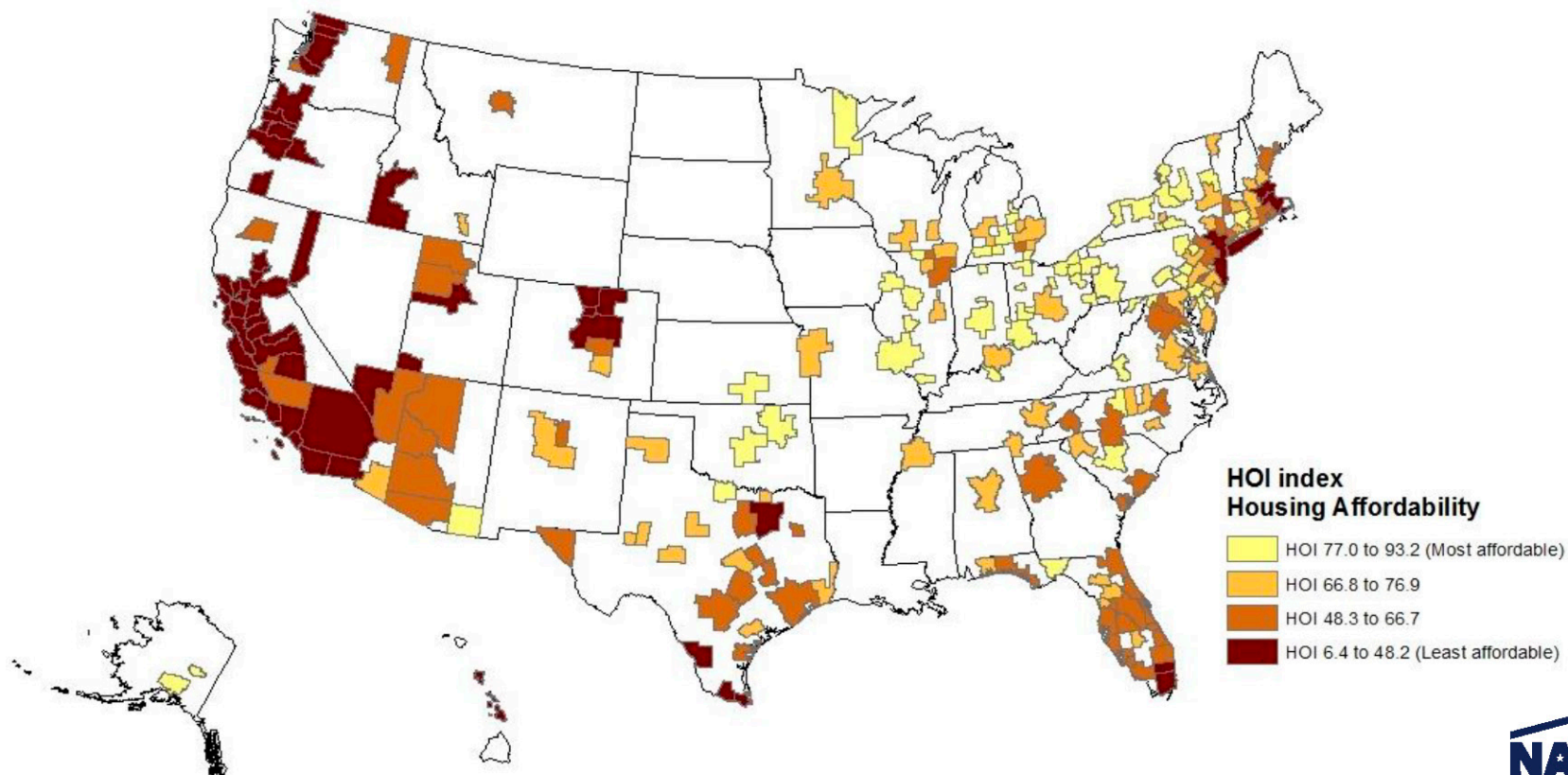
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The National Picture

A Review of Recent Housing Affordability Headlines

/The Geography of Housing Affordability-NAHB/Wells Fargo HOI

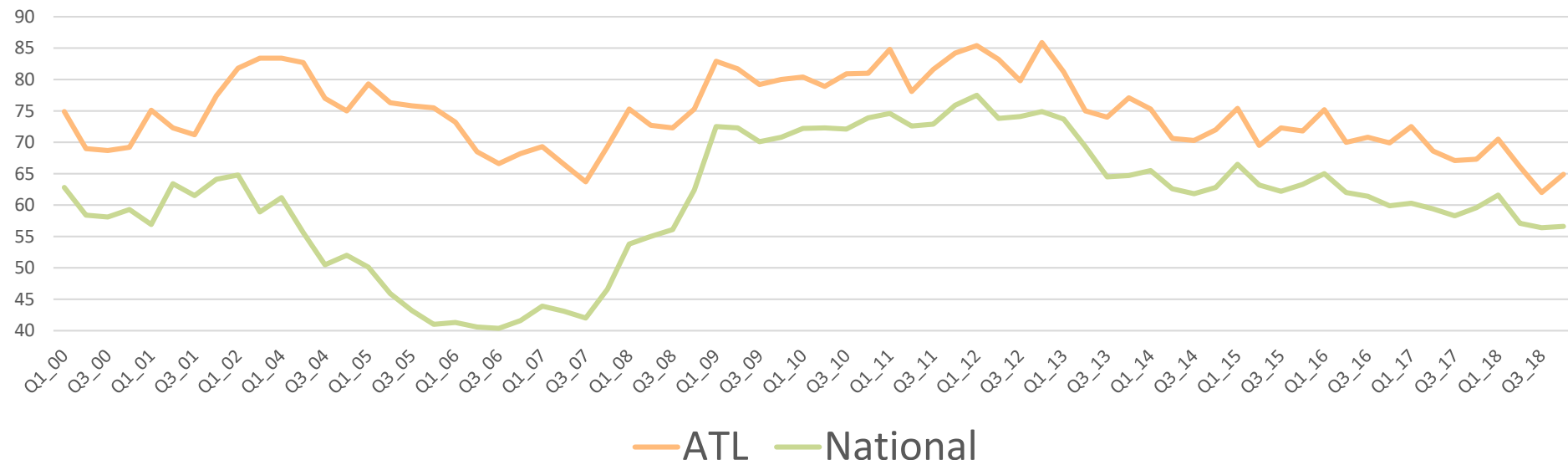
Coastal markets least affordable



Source: NAHB/Wells Fargo Housing Opportunity Index (HOI).

Affordability is Eroding Compared to National

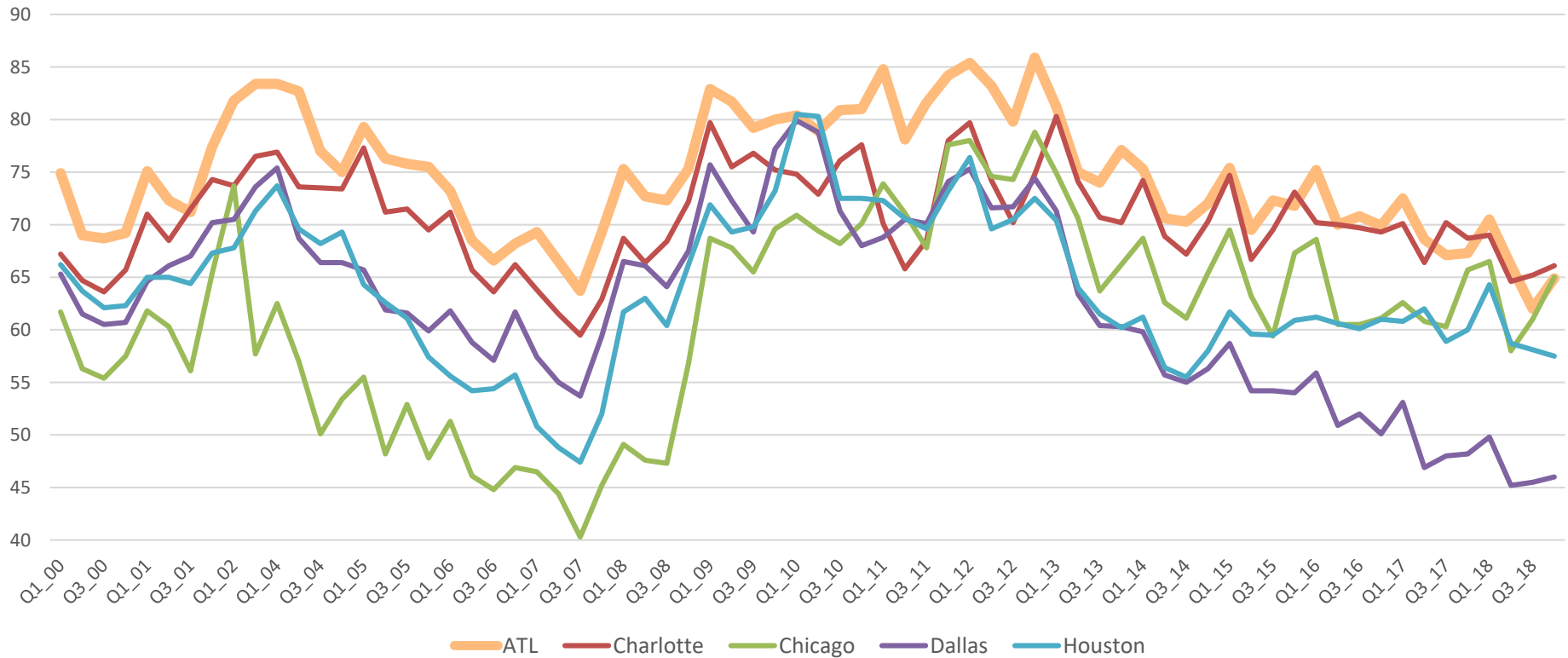
Percent of Homes Affordable To Median Household Income



This chart looks at the Housing Opportunity Index (HOI) developed by the National Association of Home Builders. It shows the percentage of homes that would be affordable to a family making the local area median income, based on standard mortgage underwriting criteria. Before the Great Recession, **more than 70 percent of homes sold in metro Atlanta would be considered affordable** according to the HOI — around 15 to 20 percentage points higher than the national percentage. Today, metro Atlanta still has a higher percentage of homes that would be affordable to a median income buyer than does the nation, but the gap has shrunk dramatically. **As of the third quarter of 2018, only 65 percent of homes would be considered affordable using the HOI.**

Affordability is Also Eroding Compared to Peer Metros

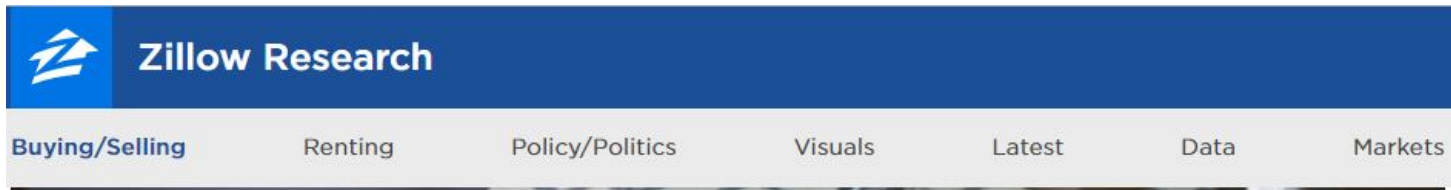
Percent of Homes Affordable To Median Household Income



When comparing the HOI to some of metro Atlanta's peers, we can see that for most of the past two decades, metro Atlanta was, in general, more affordable than the selected metros. However, metro Atlanta is now LESS affordable than both Charlotte and Chicago, and the gap has closed significantly with Houston.

The National Picture

A Review of Recent Housing Affordability Headlines



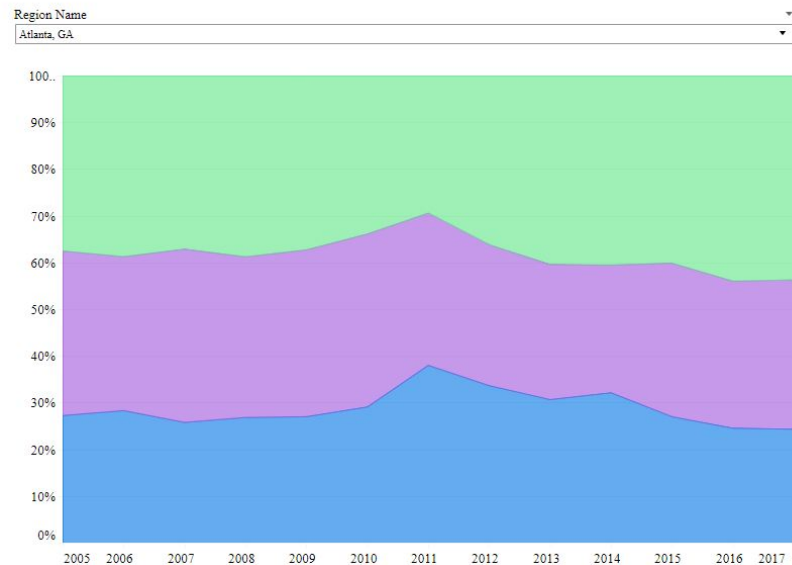
More Than a Third of Home Buyers Now Make More Than \$100,000

By Jeff Tucker on Jan. 29, 2019

In metro Atlanta in
2017, 44% of
home buyers made
more than \$100k

Among home buyers, six-figure households at an all-time high

Share of home buyers earning less than \$50,000, \$50,000-100,000 and more than \$100,000 a year (2017 dollars)

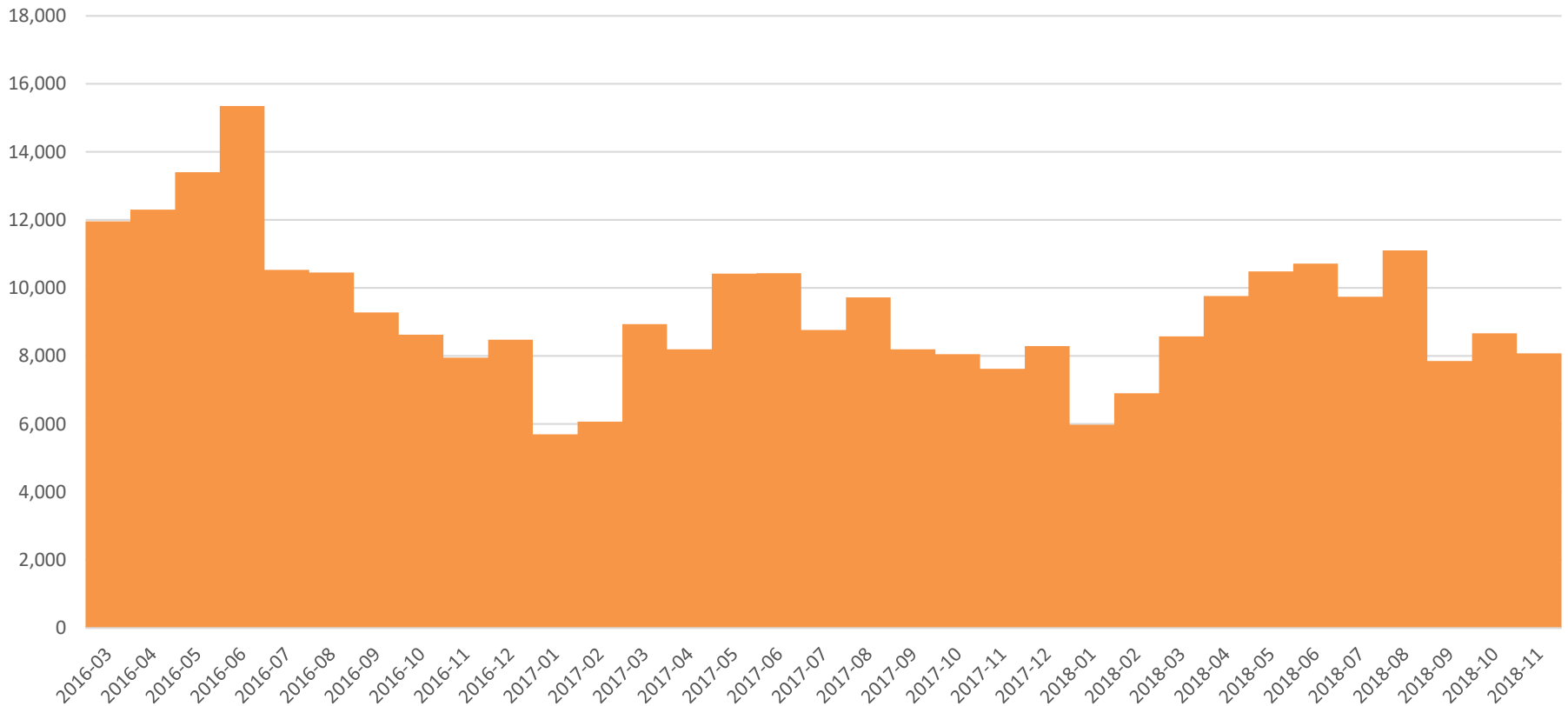


Zillow Economic Research | Source: Zillow analysis of U.S. Census Bureau, American Community Survey, 2005-2017, made available by the University of Minnesota, IPUMS-USA.

+ a b l e a u

For-Sale Inventory Still Low

10 County Atlanta Region*

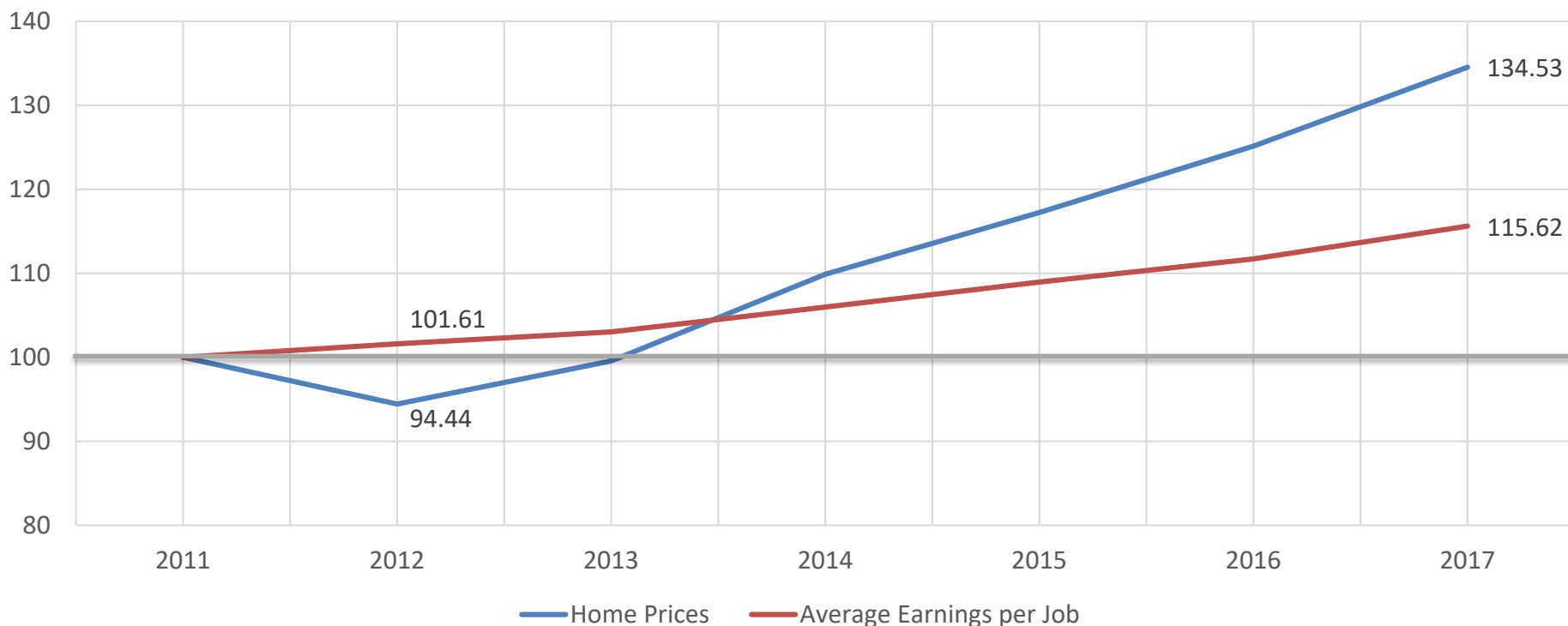


For-Sale Inventory is still low, which, of course, drives up prices.

Metro Atlanta Home Price Increases Are Outpacing Wage Growth

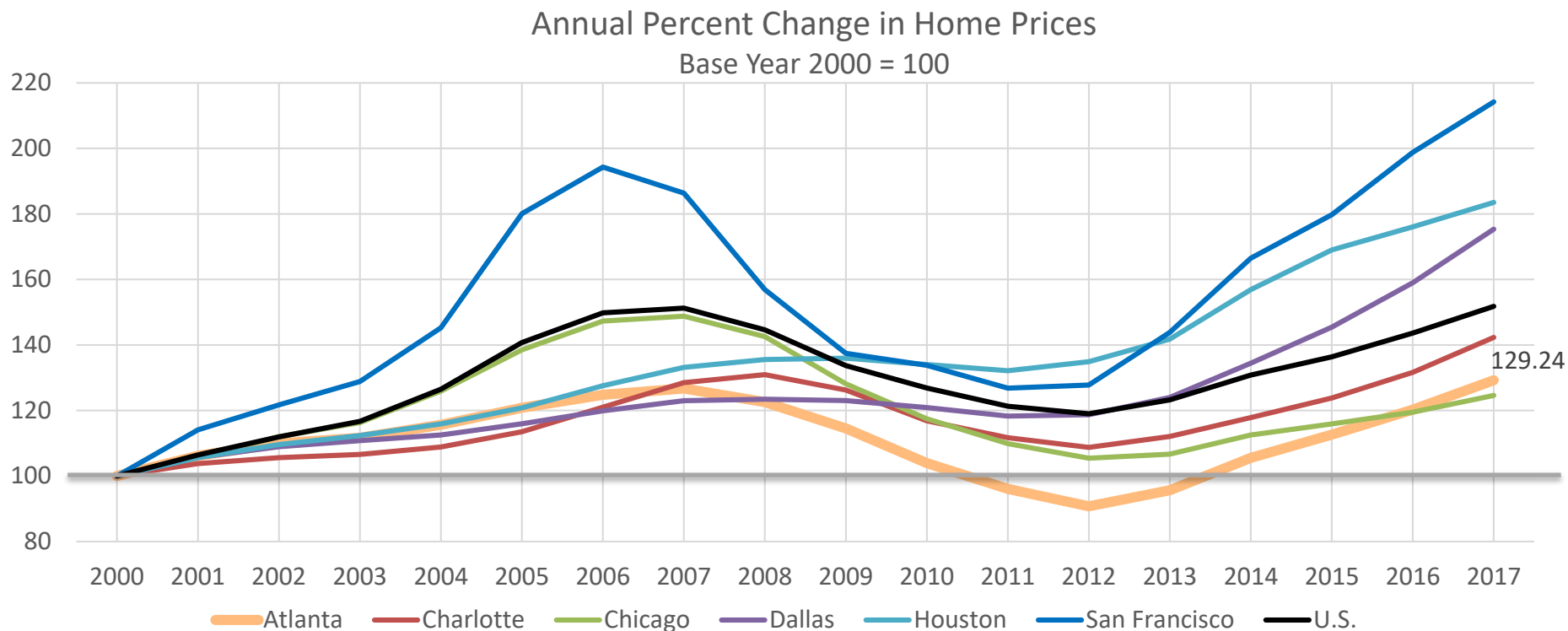
Year-Over-Year Change in Home Prices and Job Earnings

Index: 2011=100



Home prices in metro Atlanta increased nearly 35% between 2011 and 2017, while wage growth was comparatively stagnant, with earnings increasing just over 15 percent during the same period.

Metro Atlanta Home Prices Now Surpassing Pre-Recession Peak



Metro Atlanta's home prices fell nearly 10% below base year values during the recovery from the housing crisis – the only metro among the select peers above to do so. **However, in 2012 metro Atlanta home prices began a steady recovery, with home prices passing pre-recession peak levels in 2017.**

How Does Metro Atlanta Compare to Its Peers?

Metro Area	Total Households (2013-2017 ACS)	% of total households that are homeowners (2013-2017 ACS)	Home Price Index (FHFA 2017)	Home Value Index, SF Residences (Zillow 2019 Q1)	% Cost-Burdened Households with a Mortgage (2013-2017 ACS)	Estimated median household income for homeowners (2013-2017 ACS)
Atlanta	2,029,045	63.2%	129.24	\$219,300	27.1%	\$78,961
Charlotte	766,987	64.0%	142.30	\$207,900	24.8%	\$74,291
Chicago	3,151,519	63.8%	124.58	\$234,600	33.5%	\$87,337
Dallas	2,494,426	59.8%	175.35	\$244,900	25.9%	\$85,359
Houston	2,271,561	60.5%	183.52	\$208,600	26.3%	\$85,015
San Francisco	1,684,081	54.3%	214.22	\$994,900	37.0%	\$121,546

The table above provides further detail on each peer metro's housing market. When compared with these select metros, **only Chicago has experienced slower home price appreciation**, and **only Charlotte has a lower estimated median household income**. Metro Atlanta falls in the middle of the pack in terms of the number of households (2M+), home value (\$219,300), and percentage of cost-burdened households (27.1%).

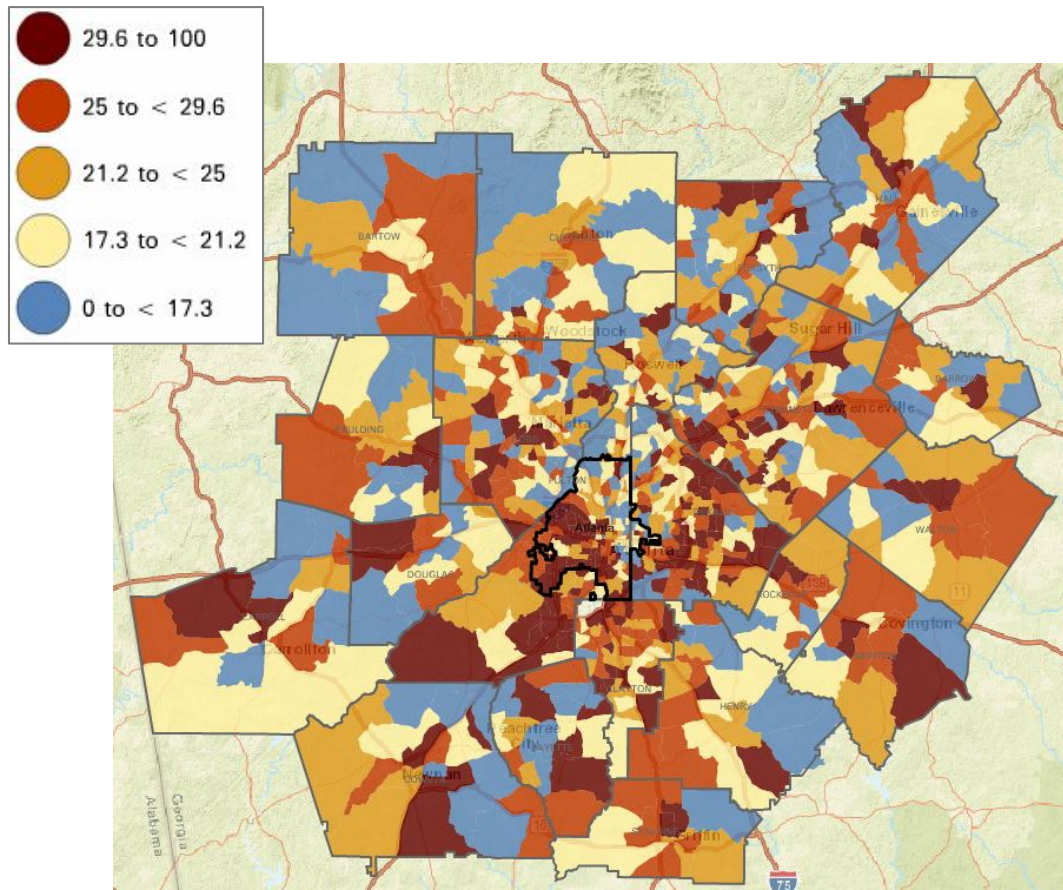
How Do Metro Atlanta's Counties Fare?

Metro Area	Total Households (2013-2017 ACS)	% of total households that are homeowners (2013-2017 ACS)	Home Price Index (FHFA 2017)	Home Value Index, SF Residences (Zillow 2019 Q1)	% Cost-Burdened Households with a Mortgage (2013-2017 ACS)	Estimated median household income for homeowners (2013-2107 ACS)
Cherokee	83,150	76.4%	137.61	\$256,900	24.0%	\$85,626
Clayton	91,604	50.5%	90.40	\$117,800	31.7%	\$56,713
Cobb	274,361	64.3%	143.10	\$269,400	23.0%	\$91,894
DeKalb	273,614	54.1%	133.48	\$203,300	30.2%	\$77,766
Douglas	48,426	65.8%	110.35	\$166,700	26.5%	\$68,626
Fayette	39,604	81.0%	131.11	\$284,700	25.2%	\$97,004
Fulton	391,850	51.3%	149.38	\$314,400	27.5%	\$96,386
Gwinnett	283,256	66.6%	128.38	\$231,300	29.5%	\$80,296
Henry	72,697	72.0%	106.35	\$180,100	27.9%	\$73,764
Rockdale	29,937	68.5%	103.03	\$164,400	31.2%	\$64,476

Similar to the previous table, this table provides housing market information for each of the counties in the 10-county ARC region. Counties vary widely across all metrics – though despite their differences, **a quarter or more of homeowners in the majority of counties are cost-burdened. Home prices have appreciated across all counties, with the exception of Clayton**, which has experienced a decline of nearly 10 percent in home prices since 2000.

Metro Atlanta Homeowners are Cost-Burdened

% Homeowners Spending 30% of Income or Greater on
Select Monthly Costs (Housing + Utilities)



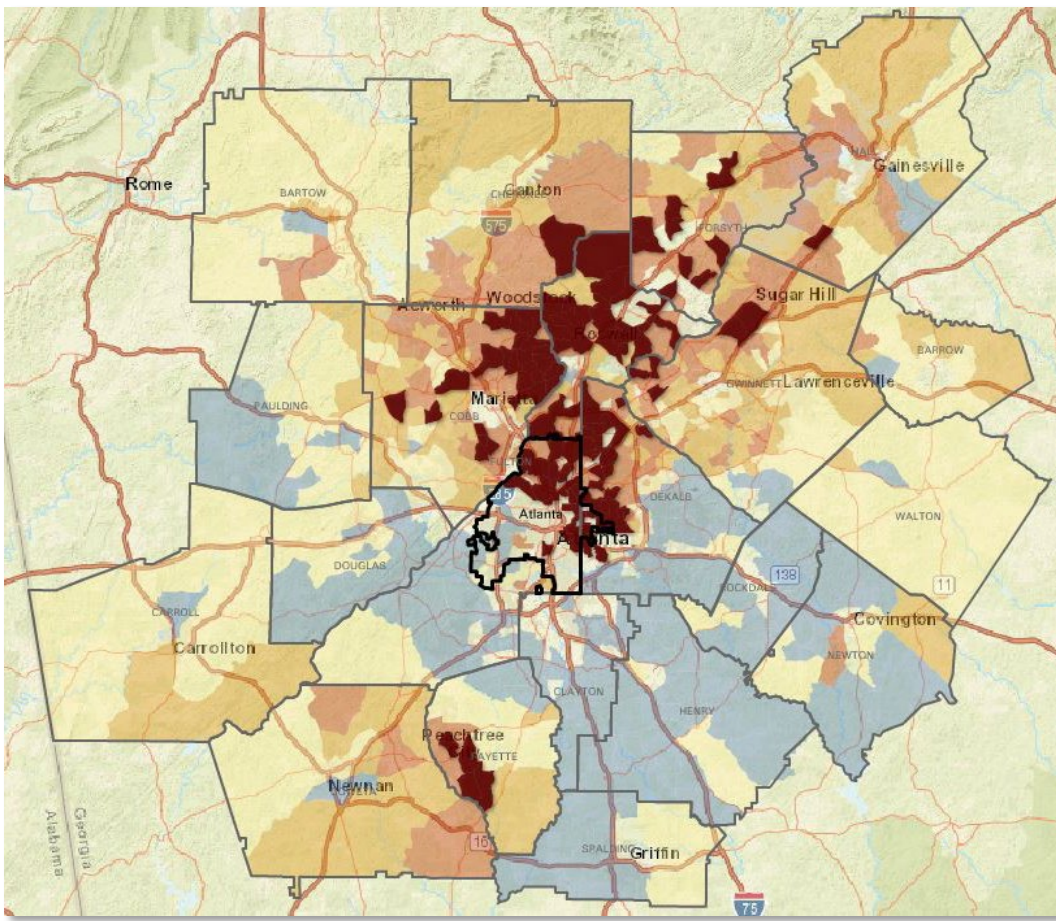
What Does it Mean to be a Cost-Burdened Household?

Cost-burdened households are those that spend more than 30 percent of their household income on housing costs and utilities. The definition evolved from the United States National Housing Act of 1937, and the 30 percent threshold corresponds to the amount of income residents pay for housing among various housing programs.

As shown in the adjacent map, **more than a quarter of the homeowners in the majority of tracts in the region are cost-burdened.** The tracts shown in brown are least affordable, where 30 percent or more of owners are cost-burdened.

Metro Atlanta Homes Appreciating Fastest in North Atlanta and Northern Suburbs

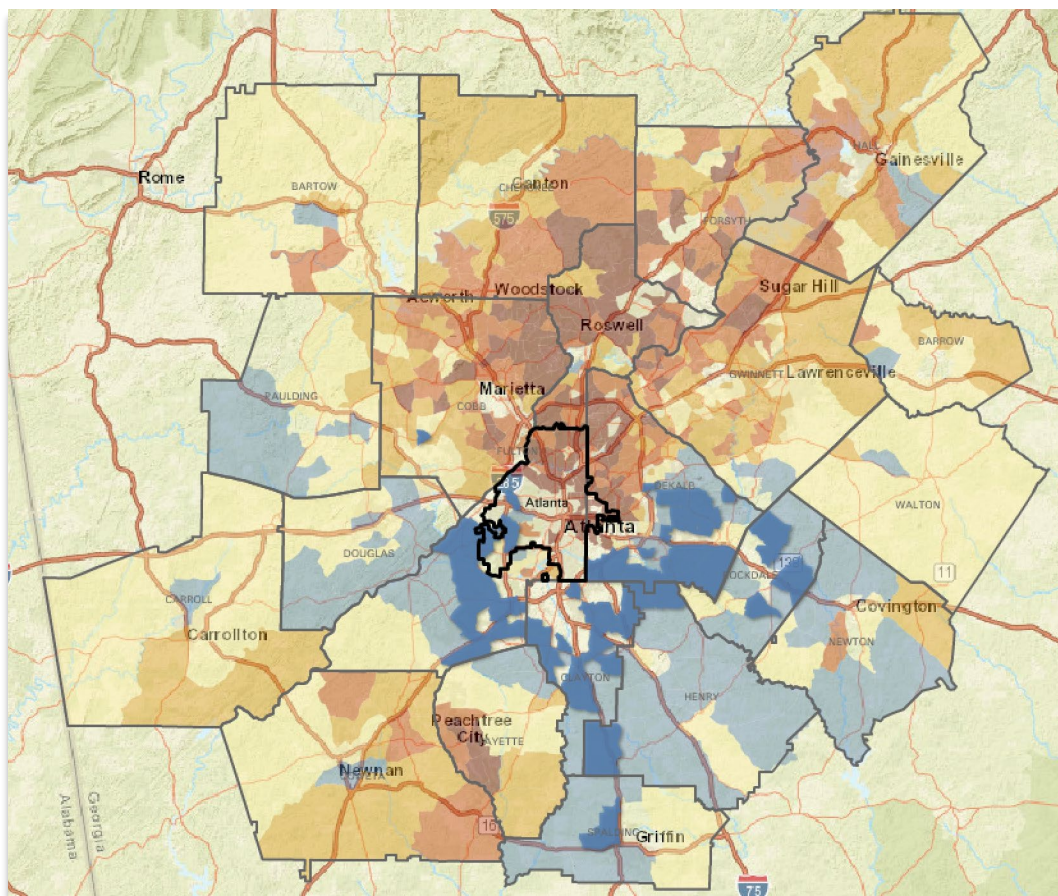
Home Price Index Values by Census Tract
(Dark Brown Shades = Highest Index Values)



The adjacent map highlights the areas that have experienced the greatest home price appreciation since 2000. As the map shows **home prices have appreciated the most in north Atlanta and the suburbs of the northern metro counties** (Cobb, Cherokee, Forsyth, Hall, and Gwinnett).

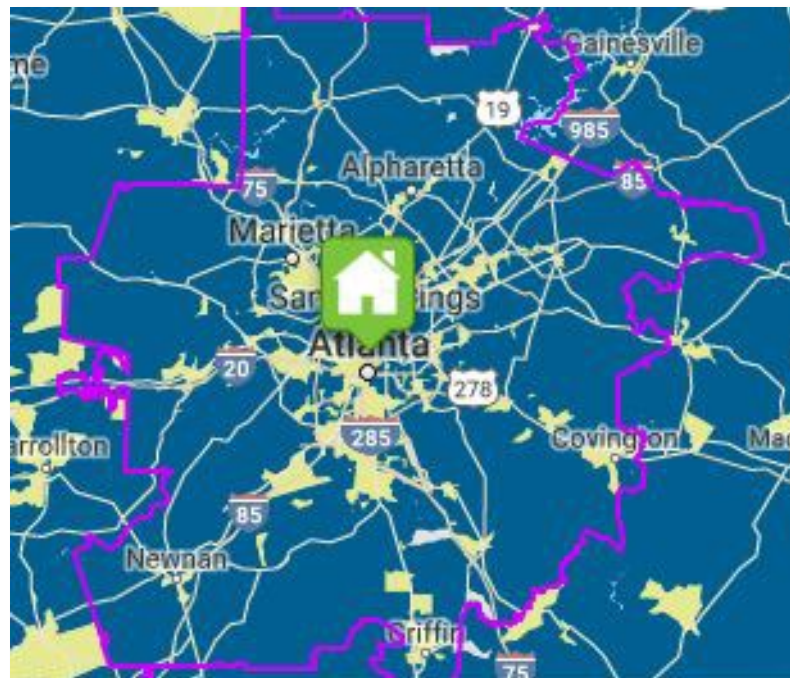
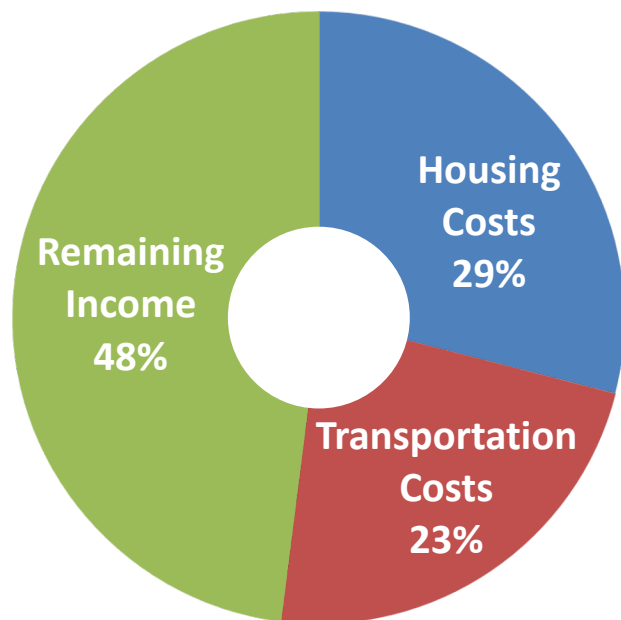
Areas Where Home Prices Have Fallen Since 2000 Are Located South of I-20

Home Price Index Values by Census Tract
(Dark Blue Shades = Values Lower Today Than in 2000)



This map shows an opposite trend than the one in the previous map. Areas in blue indicate locations where home prices have declined since 2000. As can be seen, the majority of **these areas are located south of I-20 in Clayton, DeKalb, Fulton and Henry Counties.**

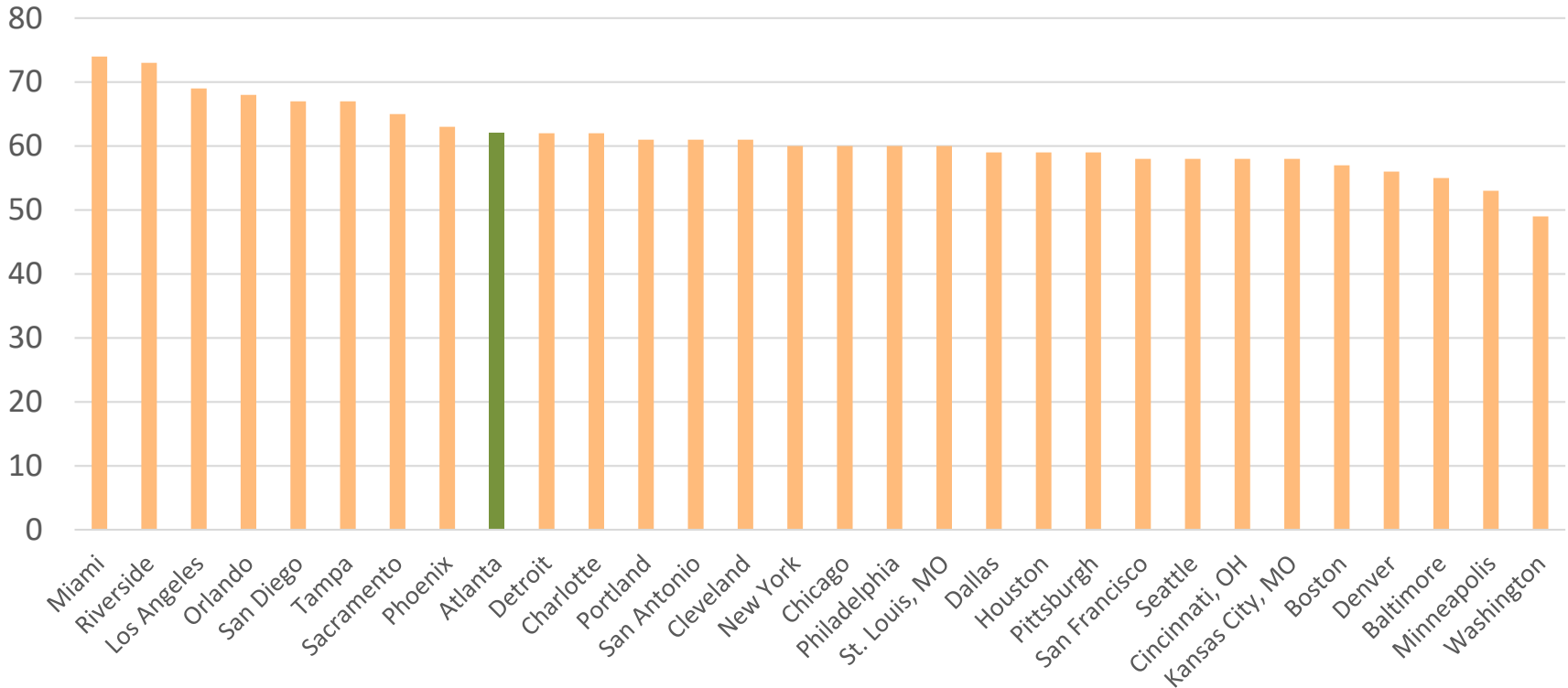
Add in Transportation Costs, and Metro Atlanta's Affordability Gets Even More Constrained



The combined costs of housing and transportation offer a more comprehensive view of housing affordability. As shown in the chart above, **when housing and transportation costs are combined for Atlanta, they consume 52% of the average household income in the metro, and the number of affordable neighborhoods (shown in yellow on the map) is further limited.**

Add in Transportation Costs, and Metro Atlanta's Affordability Gets Even More Constrained

Percent of Income Spend on Housing + Transportation Costs for Moderate Income HHs



When looking at the combined costs of housing and transportation for just moderate income households (which is defined as 80 percent of AMI, which is around \$46K), affordability worsens as these households **spend some 62 percent of their income on housing and transportation.**