

# Cost, Crowding, or Commuting? Housing stress on the middle class

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# Why is housing affordability important?

- Housing costs are rising faster than average incomes.
  - Middle-income families face increasing housing affordability challenges.
- Stable, decent housing is critical to well-being.
  - Housing costs are largest single budget item for most households
  - Residential stability provides foundation for other social & economic activities
  - Where you live determines access to jobs, schools, and place-based amenities
  - Home equity is the largest financial asset for most middle-income households

# Measuring housing stress is complicated.

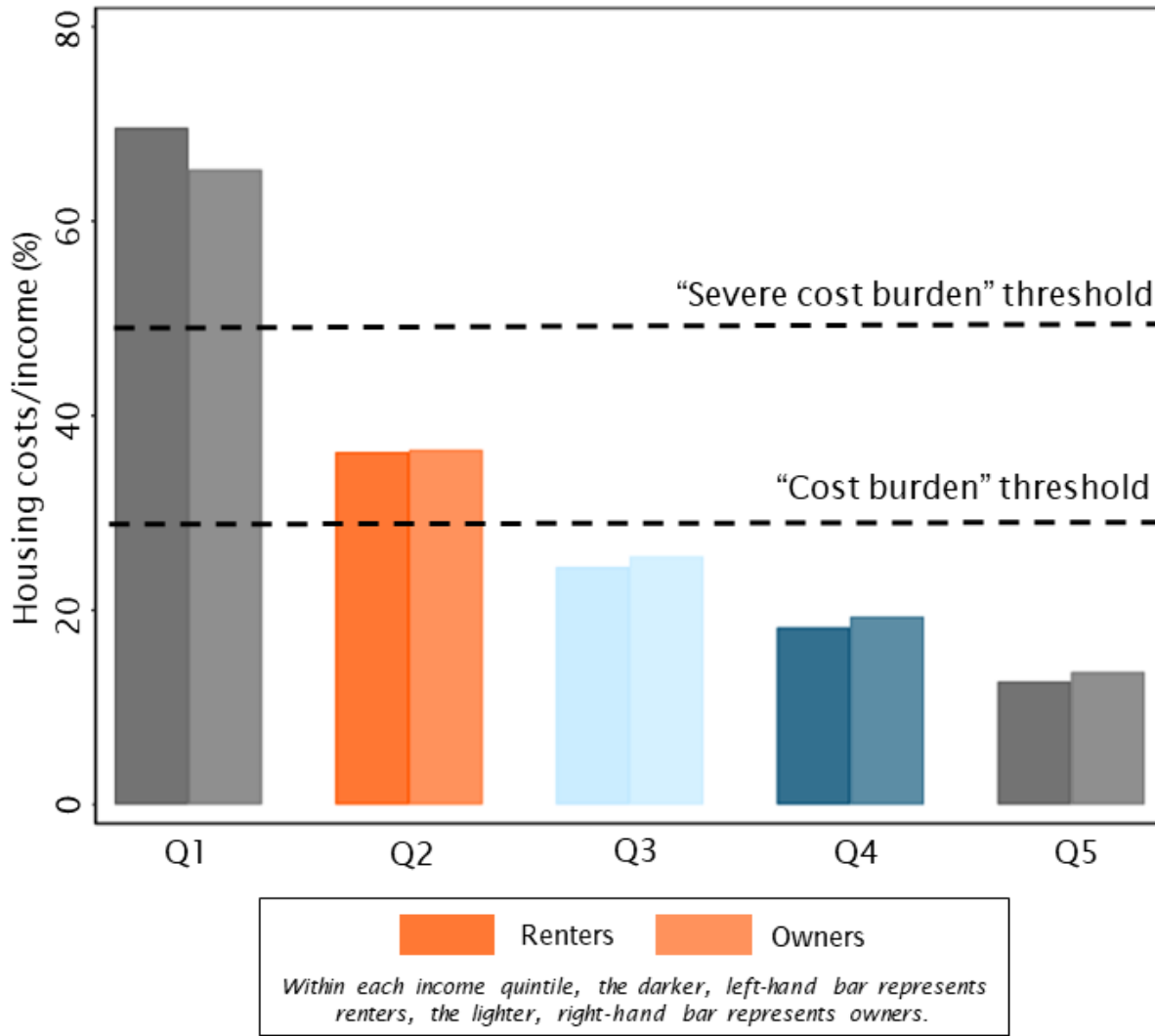
- Analyze four ways that households respond to high housing costs
  - Spend larger share of income on housing
  - Downsize or “double-up”
  - Move farther from job centers
  - Homeownership provides insurance against rising rents & receives special tax treatment
- Understanding how different households adjust to financial constraints allows better tailored policies
  - By income, household type, race, or geography

# Key results

- Most middle-income households don't have housing affordability problems.
- But housing stresses affect specific groups
  - Lower-middle income households are stretching to pay for housing.
  - Families with kids are more likely to be crowded.
  - Long commutes are more common in expensive metro areas.
  - Homeownership lags for younger & non-white households, and in expensive metros.

# Lower-middle income households spend more on housing

Housing costs as a share of income, by income quintile

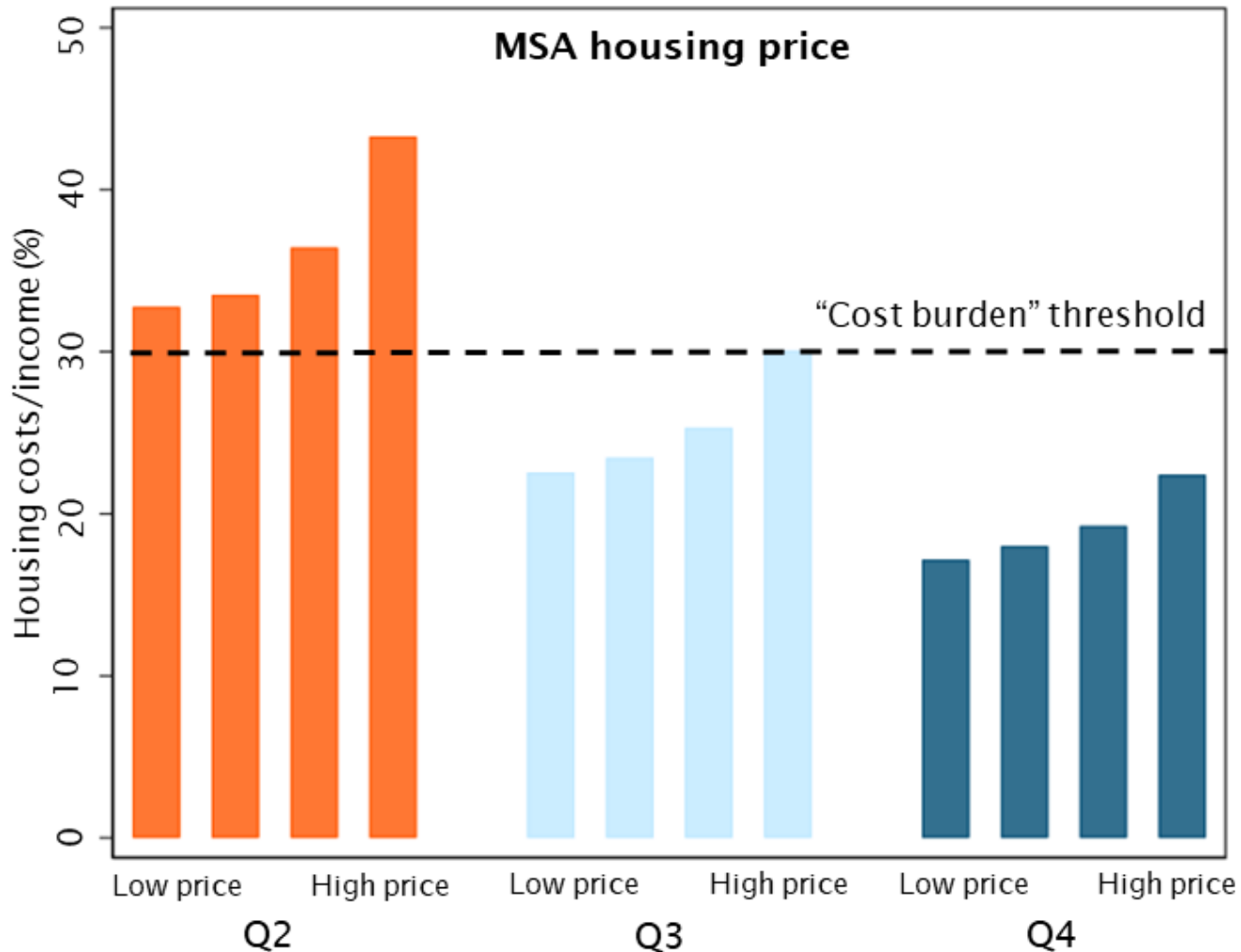


Source: 2012-2016 American Community Survey IPUMS.



# Housing consumes more income in expensive metros

Housing costs, by metro house price & income quintile

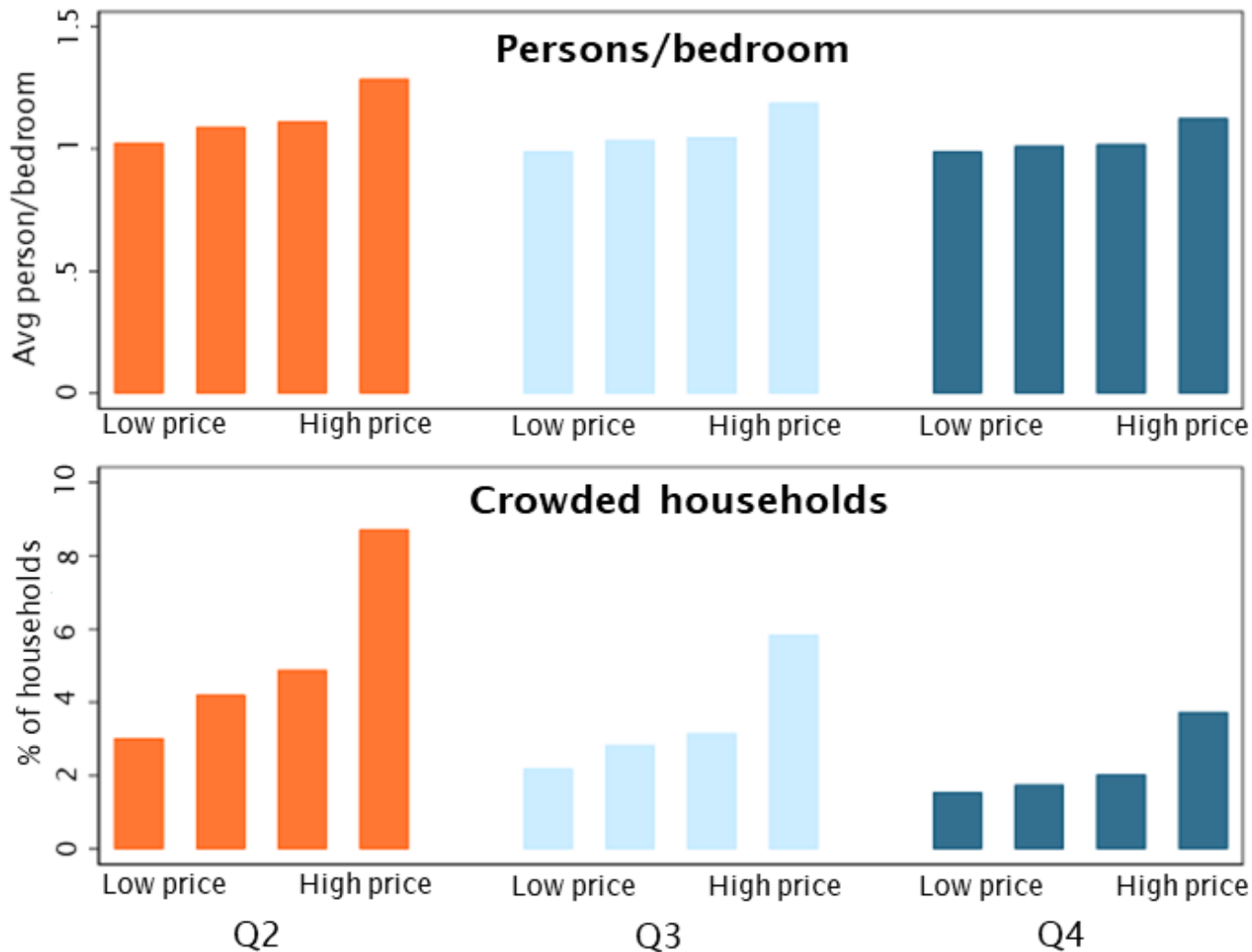


Source: 2012-2016 American Community Survey IPUMS.



# Crowding is rare, except in expensive metros

Housing space, by metro house price & income quintile

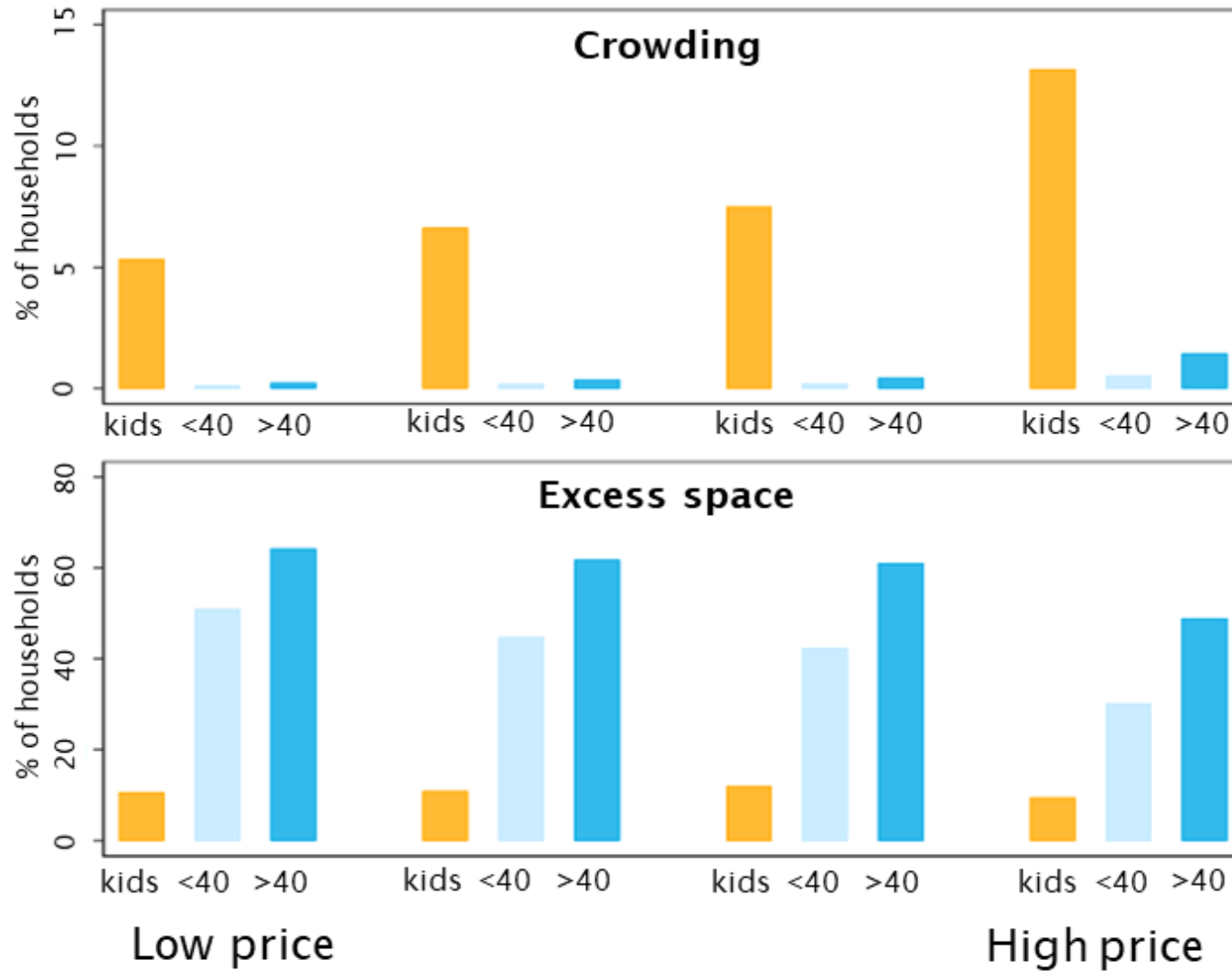


Source: 2012-2016 American Community Survey IPUMS.



# Households with kids are most crowded

Frequency of crowding, by household type & metro house price



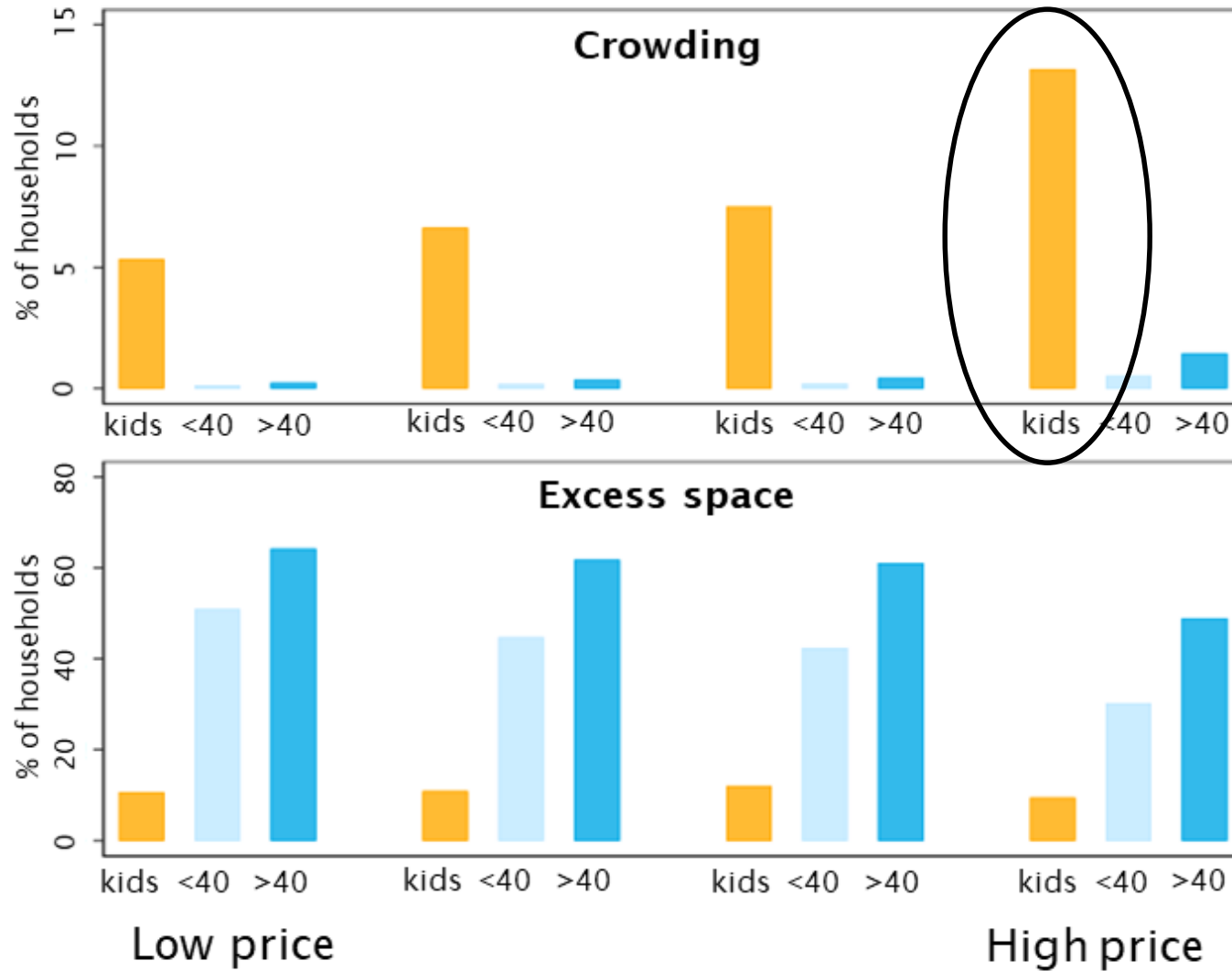
Source: 2012-2016 American Community Survey IPUMS

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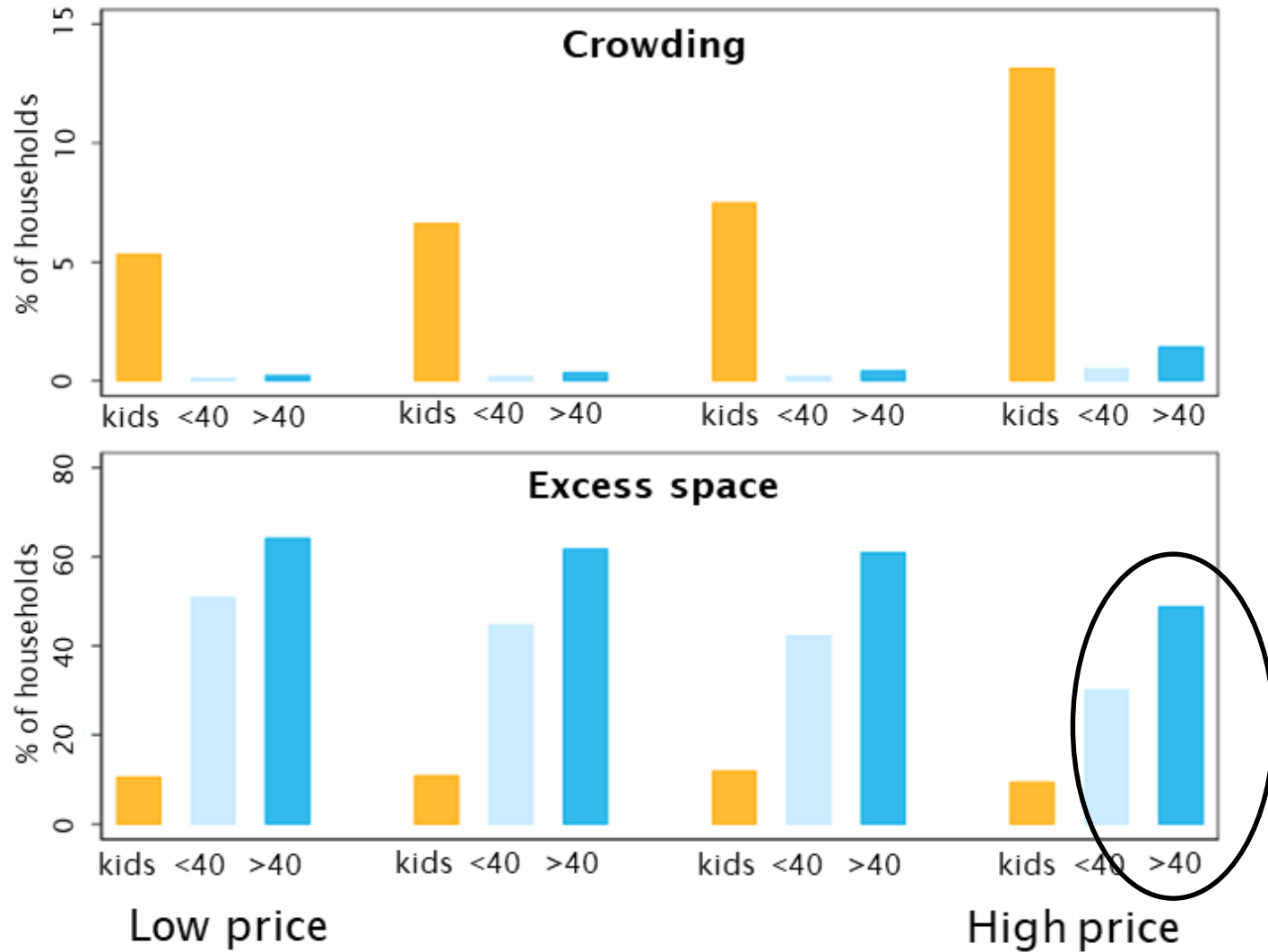


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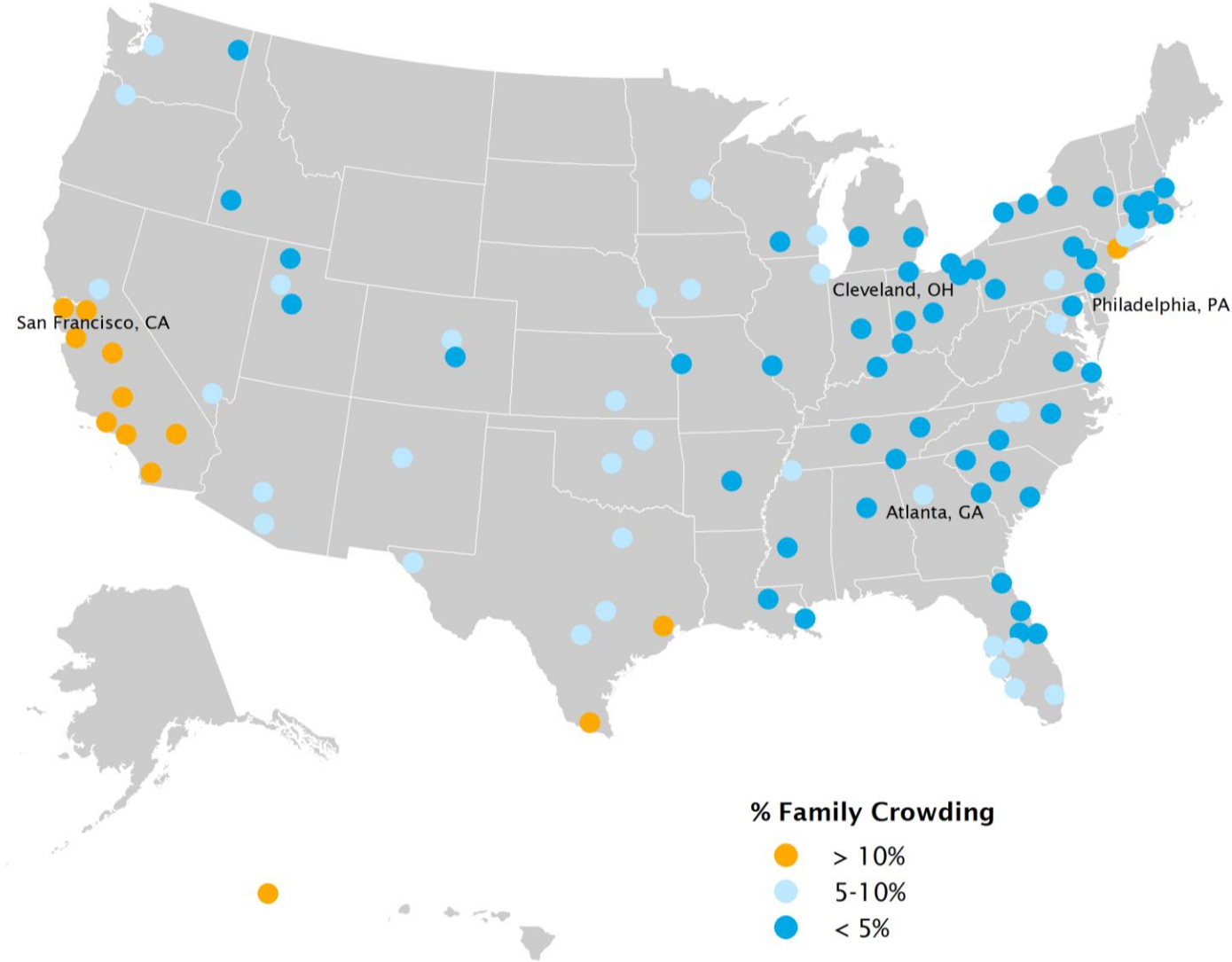


Source: 2012-2016 American Community Survey IPUMS

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# Families in California & Texas are most crowded

% of families with children living with more than 2 persons/bedroom, 100 largest metros

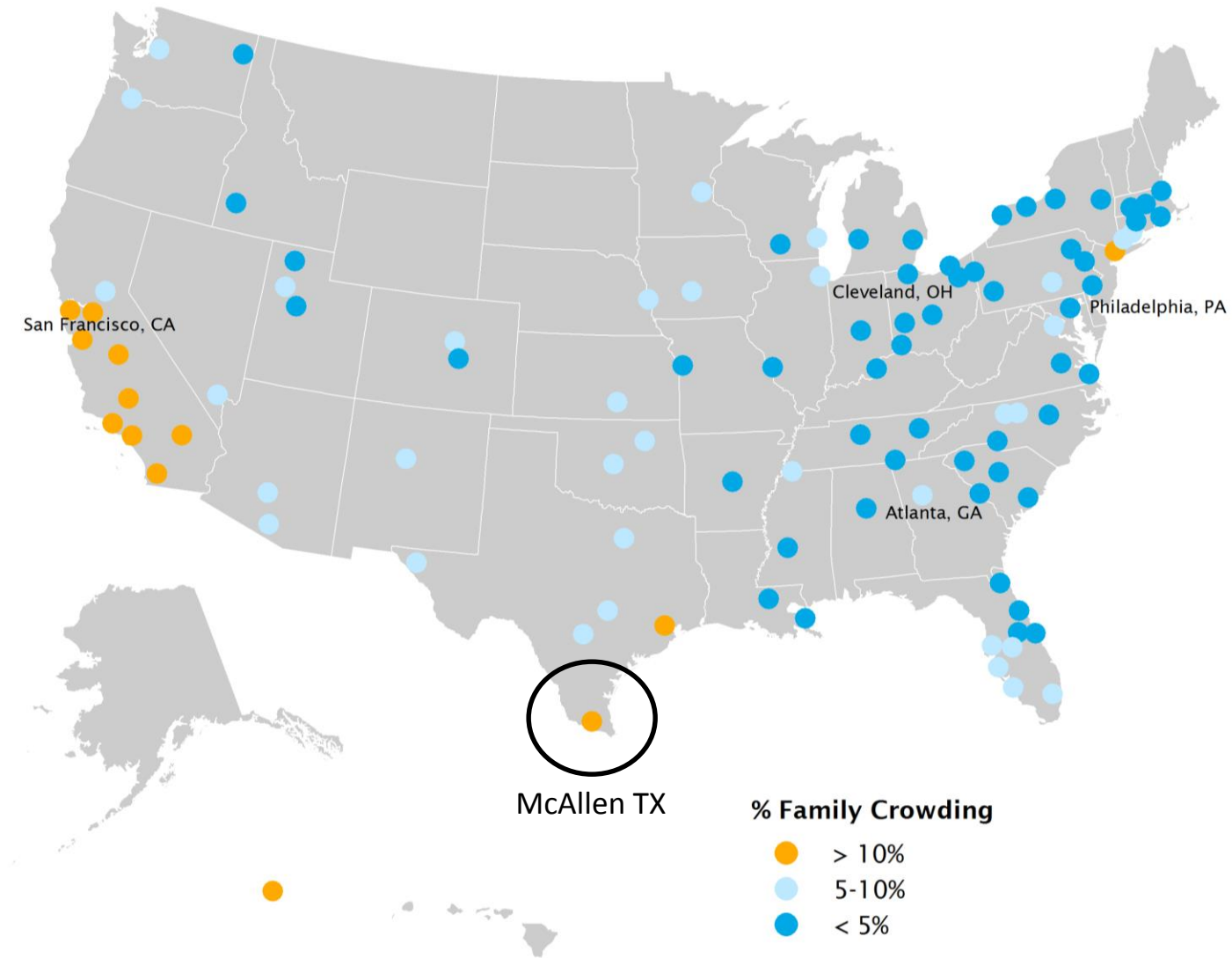


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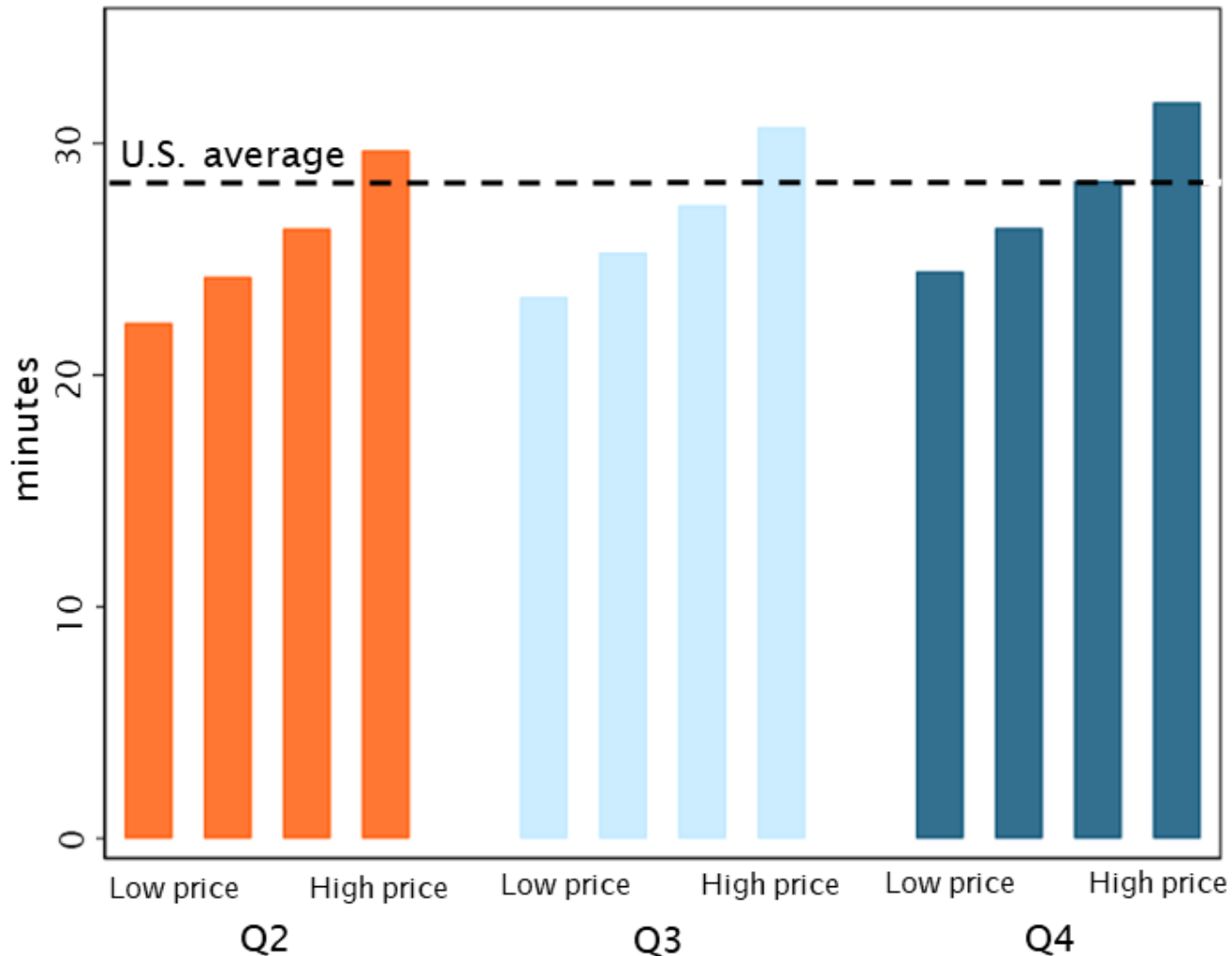


Source: 2012-2016 American Community Survey IPUMS



# Commute times increase with metro housing prices

Commute time, by metro house price & income quintile

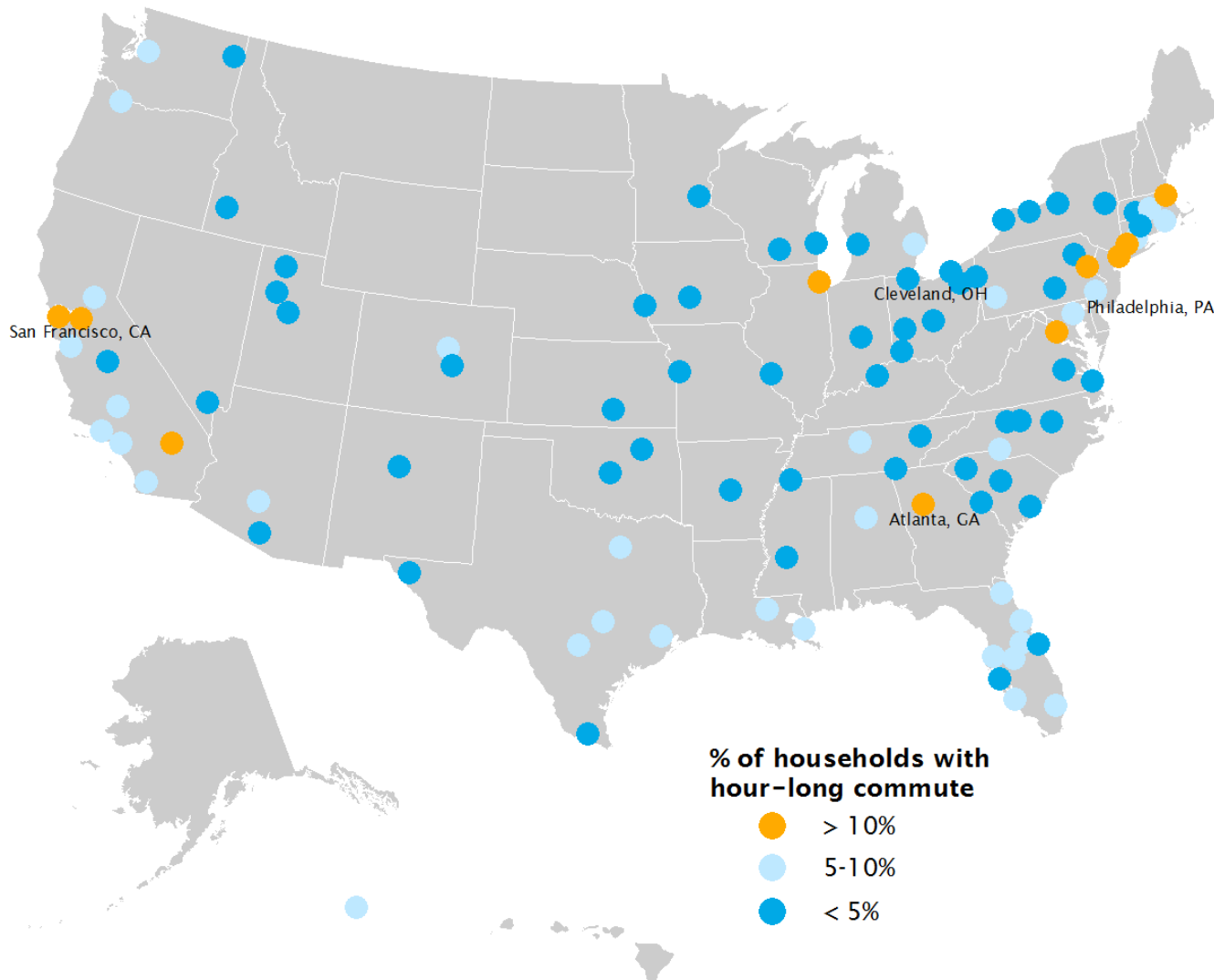


Source: 2012-2016 American Community Survey IPUMS.



# Long commutes are more frequent in the West and Northeast

% of households with hour-long commute

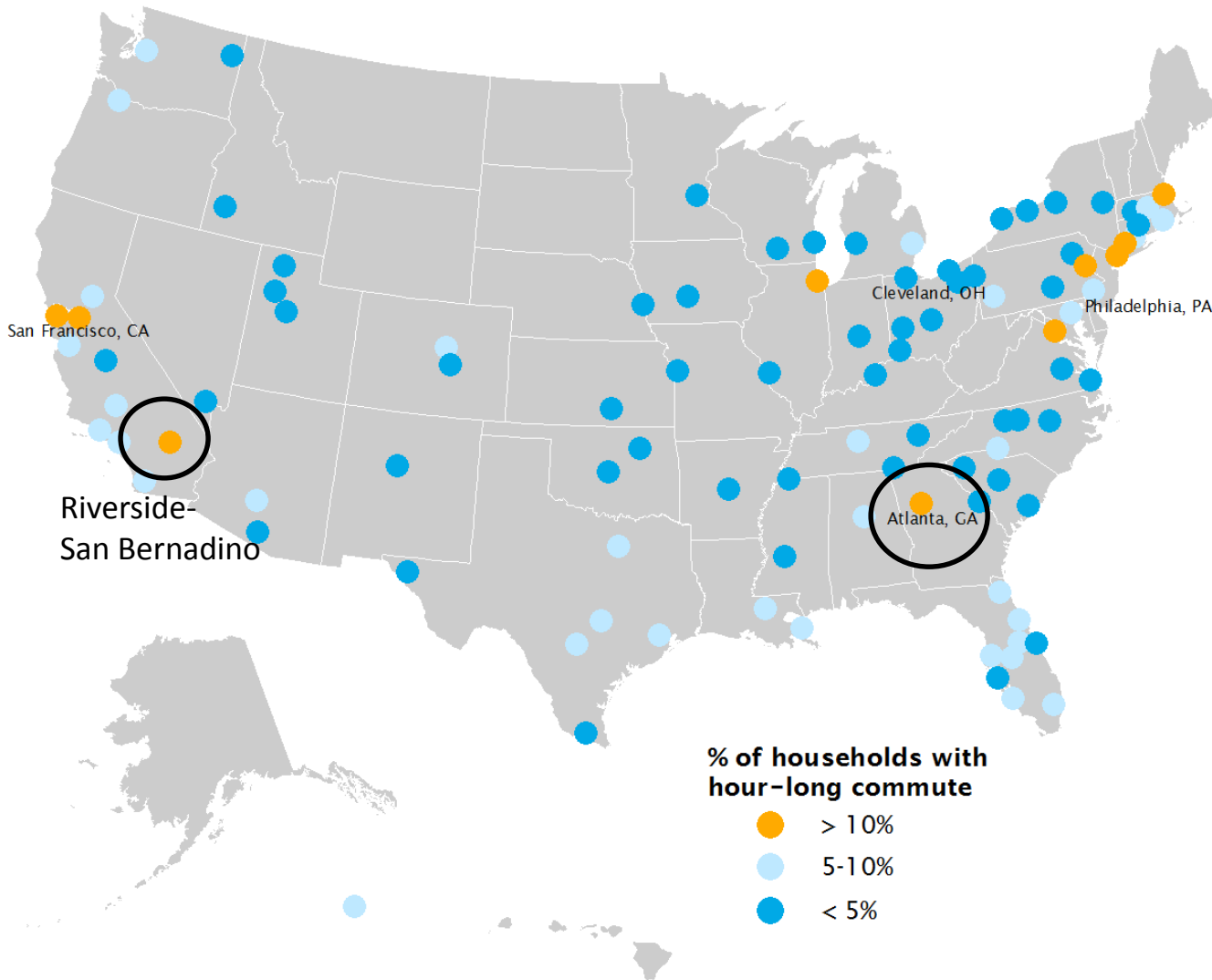


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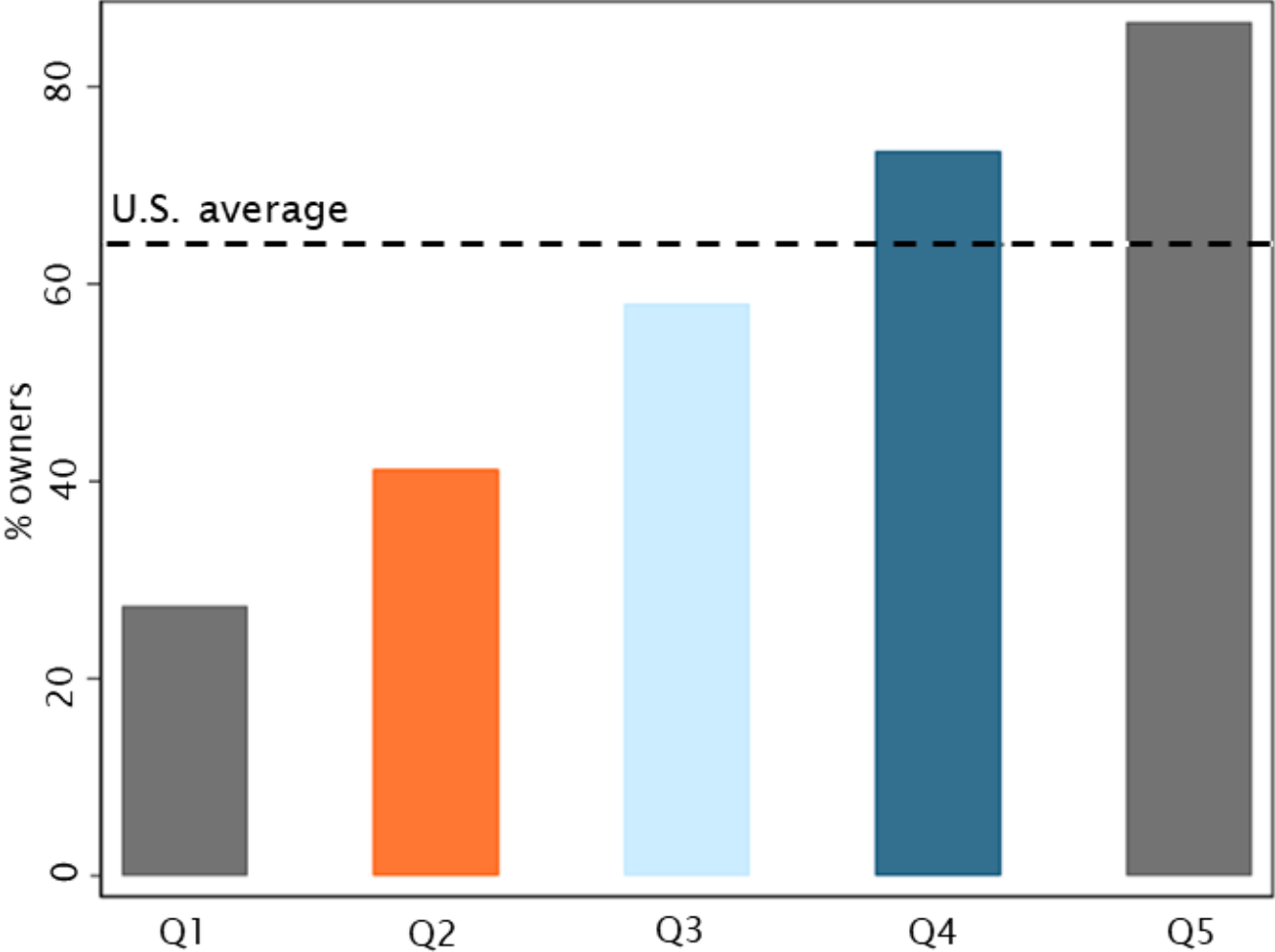


Source: 2012-2016 American Community Survey IPUMS



# Homeownership is strongly correlated with income

Homeownership rate, by income quintile



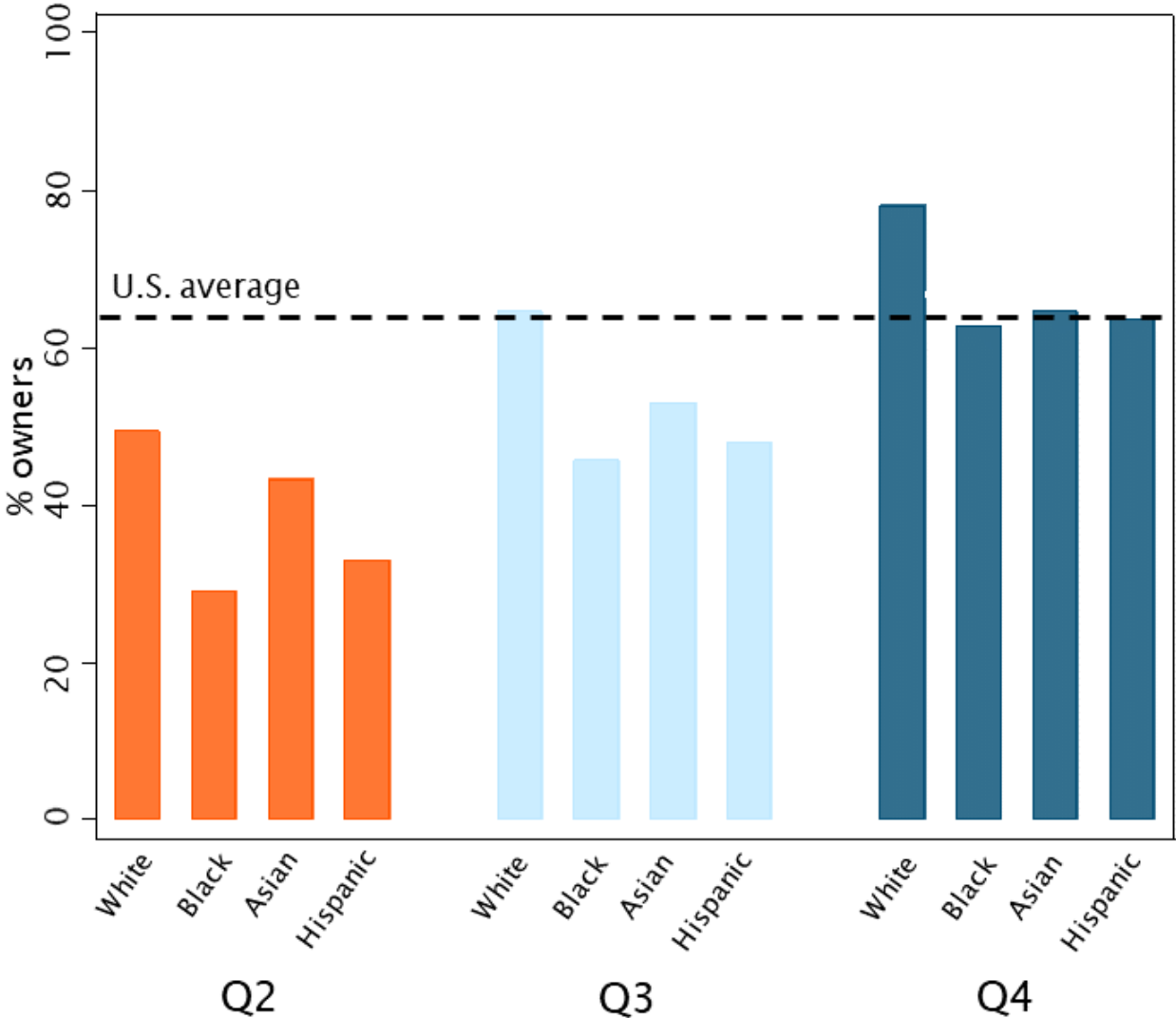
Source: 2012-2016 American Community Survey IPUMS.





# Homeownership lags among non-white households

Homeownership by race & income quintile



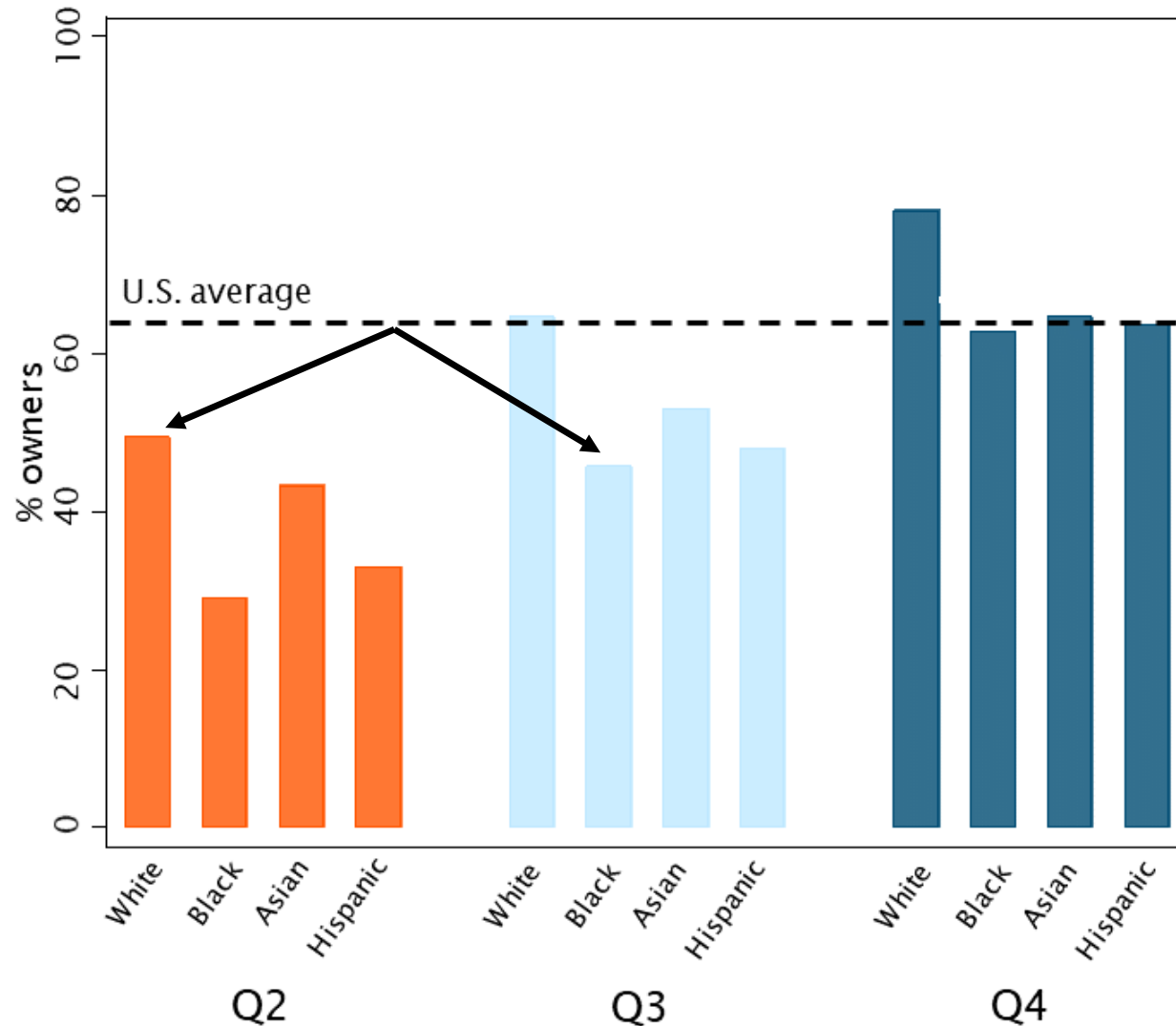
Source: 2012-2016 American Community Survey IPUMS.

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Homeownership by race & income quintile



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# Summary of results

- Most middle-income households aren't stretched to pay rent or mortgage.
- Some housing stresses are present nationally
  - Affordability for lower-middle income households
  - Homeownership for younger & non-white households
- Other challenges are regional
  - Crowding among families w/ kids in West & Southwest
  - Very long commutes in some metro areas

# Thoughtfully designed policies could help

- Reduce financial stress for lower-middle income households
  - Slight boost to incomes or decrease in housing costs
  - In inexpensive metros, affordability gap around \$100
- Reduce financial penalties for renters
  - Increase renters' stability
  - Alternate channels for savings & wealth-building
- State and local policies in most expensive metros
  - Build more housing, especially near jobs and transit
  - Political resistance from long-term homeowners who enjoy large houses and have built substantial wealth

Full report is available online:

<https://www.brookings.edu/research/cost-crowding-or-commuting-housing-stress-on-the-middle-class/>

Comments welcome!

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