Can the next generation afford to live in Chester County?

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.
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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?

Housing in Chester County can be divided into four categories. More detail follows on the next five pages.
Chester County has many different types of housing

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

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

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.
Chester County has many different types of housing

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

- Single-family detached: 61%
- Multi-family: 18%
- Single-family attached: 18%
- Other: 3%

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.

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.
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

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.
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.
Older population change

The county’s 65 and older population is expected to double, increasing from 65,000 residents to 129,000.

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

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.
What kind of housing will Chester County need?

or

Single-Family

Multi-family
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.
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.
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.
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

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Estimated Future Construction</th>
<th>% Breakdown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-family detached</td>
<td>25,300</td>
<td>46%</td>
</tr>
<tr>
<td>Single-family attached</td>
<td>11,550</td>
<td>21%</td>
</tr>
<tr>
<td>Multi-family</td>
<td>17,600</td>
<td>32%</td>
</tr>
<tr>
<td>Other</td>
<td>550</td>
<td>1%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>55,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

What might make these housing expectations change?

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.
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Household trend

There will be more single-person households

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.

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.
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.

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

Main Reason Non-Owners Would Buy

- Better or more stable employment situation: 16%
- Desire to settle down in one location: 16%
- Improvement in financial situation: 29%
- Lifestyles consideration such as getting married, starting a family or retiring: 24%
- Other: 10%

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.
Is more affordably-priced housing needed?
The median housing value in 2017 was $337,000, which is the highest in the state. 

Source: U.S. Census

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 has not kept pace with increases in housing costs.

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).

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Home sales as percentage of total housing stock

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>3.8%</td>
</tr>
<tr>
<td>2000</td>
<td>5.9%</td>
</tr>
<tr>
<td>2010</td>
<td>2.8%</td>
</tr>
<tr>
<td>2017</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

Fewer homes are for sale, which impacts housing costs.

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.
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Monthly rents

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Rents</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$936</td>
</tr>
<tr>
<td>2010</td>
<td>$1,135</td>
</tr>
<tr>
<td>2015</td>
<td>$1,267</td>
</tr>
<tr>
<td>2017</td>
<td>$1,250</td>
</tr>
</tbody>
</table>

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

After adjusting for inflation, between 2005 and 2017 median rents increased 4.9%. (Not adjusted for inflation, the increase is 33.5%).


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

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.)
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# What occupations can afford

2017 Chester County Median Sale Price: $337,000

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Median Annual Income</th>
<th>% of Home Sales Affordable</th>
</tr>
</thead>
<tbody>
<tr>
<td>accountant</td>
<td>$83,760</td>
<td>38%</td>
</tr>
<tr>
<td>police officer</td>
<td>$70,270</td>
<td>23%</td>
</tr>
<tr>
<td>truck driver</td>
<td>$49,060</td>
<td>8%</td>
</tr>
<tr>
<td>farmworker</td>
<td>$34,200</td>
<td>2%</td>
</tr>
</tbody>
</table>

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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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.

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

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).

Source: CCPC analysis
Entry-level workers

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Maximum Affordable Home Price at Entry Level</th>
<th>2017 Average Entry Level Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer Programmer</td>
<td>$168,600</td>
<td>$65,390</td>
</tr>
<tr>
<td>Civil Engineer</td>
<td>$148,100</td>
<td>$59,060</td>
</tr>
<tr>
<td>Registered Nurse</td>
<td>$127,800</td>
<td>$53,620</td>
</tr>
<tr>
<td>Web Developer</td>
<td>$120,500</td>
<td>$51,840</td>
</tr>
<tr>
<td>Human Resources Specialist</td>
<td>$116,700</td>
<td>$50,890</td>
</tr>
<tr>
<td>Electrician</td>
<td>$87,100</td>
<td>$43,170</td>
</tr>
<tr>
<td>Child, Family &amp; School Social Worker</td>
<td>$52,900</td>
<td>$34,280</td>
</tr>
<tr>
<td>EMT &amp; Paramedics</td>
<td>$50,800</td>
<td>$33,810</td>
</tr>
</tbody>
</table>

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).

Source: PA Workforce Development and CCPC analysis
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