

Dream now a fantasy

Housing prices outpace wage gains in many areas; many spend beyond means The Associated Press Friday, April 29, 2005 WASHINGTON -- The American dream of having a job and owning a nice home is becoming a fantasy for more people.

Housing prices are outstripping wage increases in many areas, meaning more people are either spending beyond their means or living in dilapidated conditions, according to a pair of studies being released today by the Center for Housing Policy, a coalition pushing for more affordable housing.

It's generally accepted that a family should not spend more than 30 percent of its income on housing to ensure enough money for other necessities.

But in a recent six-year period, the number of low- and middle-income working families paying more than half their income for housing has increased 76 percent. In 2003, 4.2 million working families spent more than half their income on housing, up from 2.4 million in 1997.

The problem is even more acute for immigrant working families: They are 75 percent more likely than native-born working families to pay more than half their income for housing.

Barbara Lipman, the center's research director, said a full-time job doesn't guarantee families a decent, affordable place to live.

"The problem seems to be impervious to economic conditions because the number of working families in this situation has grown during the boom-boom '90s and early 2000s," she said. "More families are competing for a limited supply of affordable housing. The price is going up faster than the wages of working families."

One in every eight families in the United States -- or 14 million -- had critical housing needs in 2003, defined as either paying more than half of income for housing or living in run-down quarters. The center found homeowners more likely than renters to have critical housing needs -- 55 percent of the 14 million own their homes.

A national-median-priced home in 2003 cost \$176,000, up more than 11 percent from 2001. During the same time, national median salaries went up only 4 percent for licensed practical nurses (to \$33,000), 3 percent for elementary-school teachers (\$43,000) and 7 percent for police officers (\$45,000).

And even though some people buy houses farther out in suburbia that are HOUSING more affordable, the group found that for every \$1,000 families saved that way, they are only \$225 ahead because their transportation costs rise.

"Choices are a bit grim -- commuting longer distances, working longer hours, having another wage earner in the family, taking a second job," Lipman said.

For renters, the center found that a worker needed to earn \$15.21 an hour in 2003 to have a two-bedroom apartment that did not consume more

than 30 percent of income. But the national median wages of retail sales workers and janitors, for example, were less than \$9 an hour.

In Los Angeles, the median income for a construction laborer was \$29,050, more than \$70,000 short of what was needed to qualify for a mortgage on a \$335,000 home, the median figure in that market. A laborer made only about half the salary required for such a mortgage in Atlanta, New York and nationally.

In the rental market, a paralegal earning the median \$21.26 in New York City made more than enough to get a two-bedroom apartment that did not consume more than 30 percent of the paycheck.

But a paralegal earning the median \$16.32 an hour in Chicago would fall short of the \$17.85 an hour needed to have a two-bedroom apartment without an undue stress on the budget.

The findings also indicate that housing problems are far from limited to central cities. Most homeowners with critical housing needs lived in the suburbs.

Lipman said government must do more to encourage construction of affordable housing through zoning regulations. Communities need to work with developers and allow them to increase the density for market-rate housing. In exchange, developers must allow for a certain amount of houses to be sold at affordable rates.

The Center for Housing Policy is the nonprofit research affiliate of the National Housing Conference coalition. Mortgage giant Freddie Mac paid for the report.