



The Relationship between Family Economic Security, Job Growth & Housing Supply

OVERVIEW

As the economy evolves, the labor market naturally changes with it.

To evolve sustainably, housing stock must adjust so that the range of available housing options matches the earning capacity of all jobs in the economy. However, preliminary evidence suggests that housing in metro Denver is becoming increasingly unaffordable for workers in many occupations. This brief assesses the relationship between available housing and the occupational income profile in the region by showing the housing available to support workers in the region's major occupations.

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ECONOMIC SELF-SUFFICIENCY

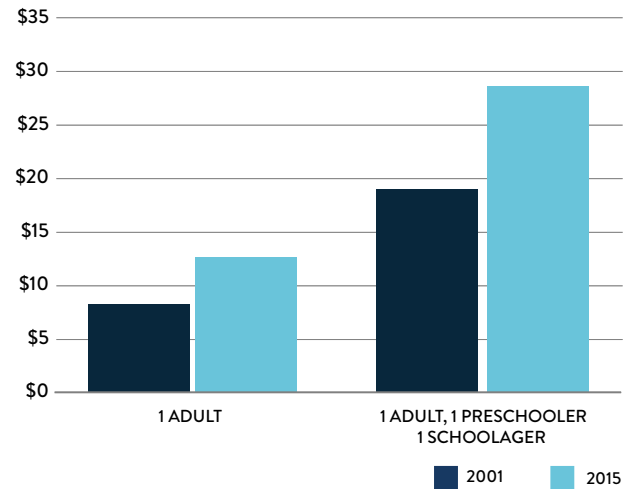
The Self-Sufficiency Standard (SSS) defines, by family type, the amount of income required to cover basic household expenses. The graph to the right shows how the SSS changed from 2001-2015 for two family types in Adams County.

Not only did the SSS increase from 2001-2015, making it more difficult for families to cover their basic household expenses, the share of jobs with wages above the median SSS has sharply declined. As the graph on the right shows, in 2001, 65 percent of jobs met the SSS. In 2015, that number dropped to 53 percent.

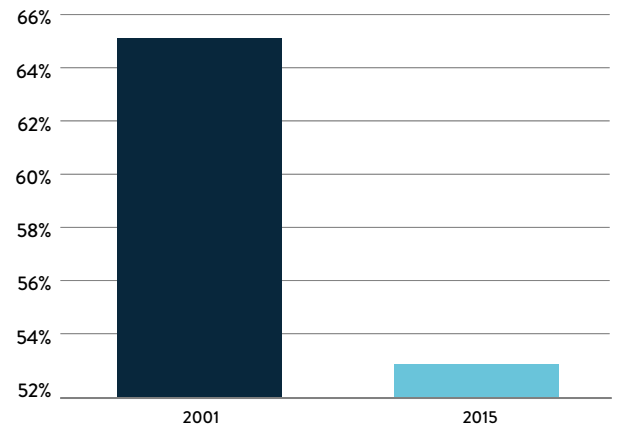
In 2015, the median Colorado SSS ranged on the low end from \$7.59/hour for a family of two adults and on the high end to \$32.65/hour for a family of one adult and three infants. This is a 50 percent increase from the 2001 SSS of \$5.05/hour for a family of two adults and \$21.70/hour for a family of one adult and three infants.

Some family types are more impacted by these economic changes than others. The graph below shows the share of jobs with the median wage above and below the median SSS for different family types. While close to 100 percent of jobs for two adults meet the SSS, less than 20 percent of jobs for one adult and three infants meet the SSS. **The job market isn't providing high enough wages for many families to cover their basic expenses.**

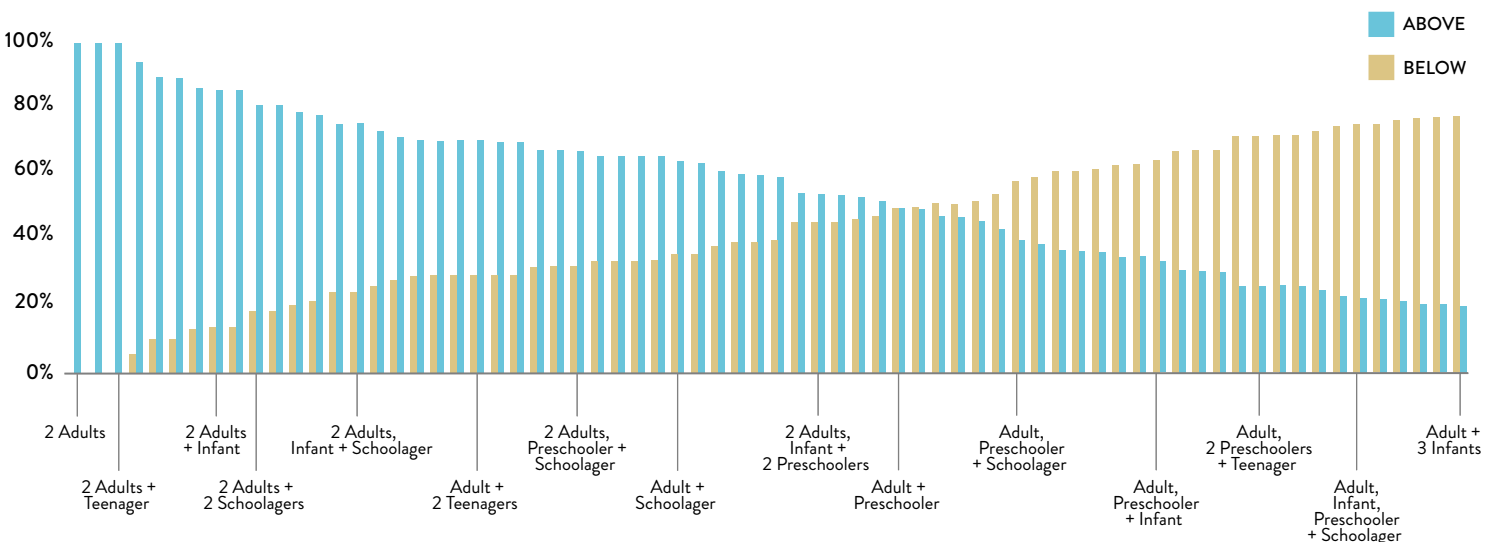
SELF-SUFFICIENCY STANDARD BY FAMILY TYPE IN ADAMS COUNTY



CAPACITY FOR WAGES TO SUPPORT FAMILIES



SHARE OF JOBS ABOVE AND BELOW SELF SUFFICIENCY STANDARD BY FAMILY TYPE



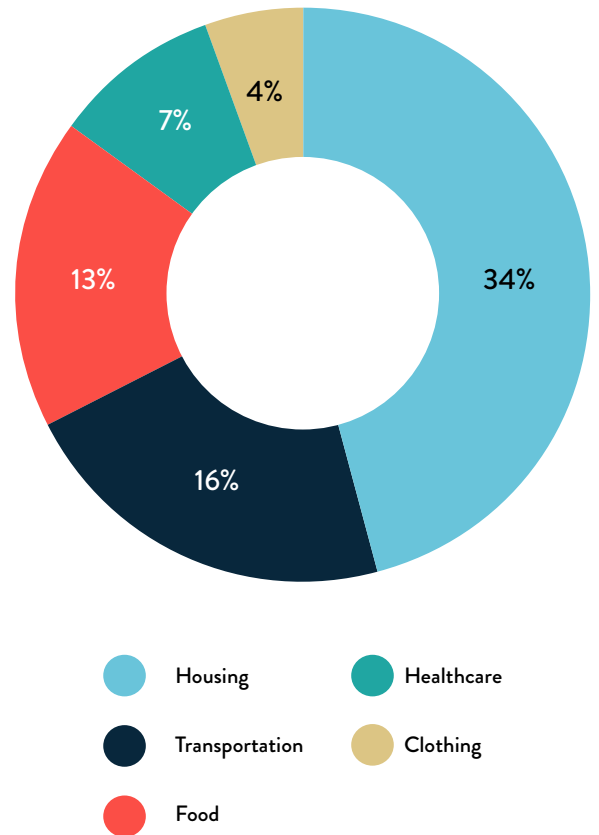
HOUSING

Housing is the single largest household expenditure and comprises a significant component of self-sufficiency. According to the latest data from the Bureau of Labor Statistics, housing comprised more than 34 percent of all household expenditures. Housing also comprises nearly the same amount of expenses as the other four basic categories. **When households are cost burdened by housing, they almost always fail to become self-sufficient.**

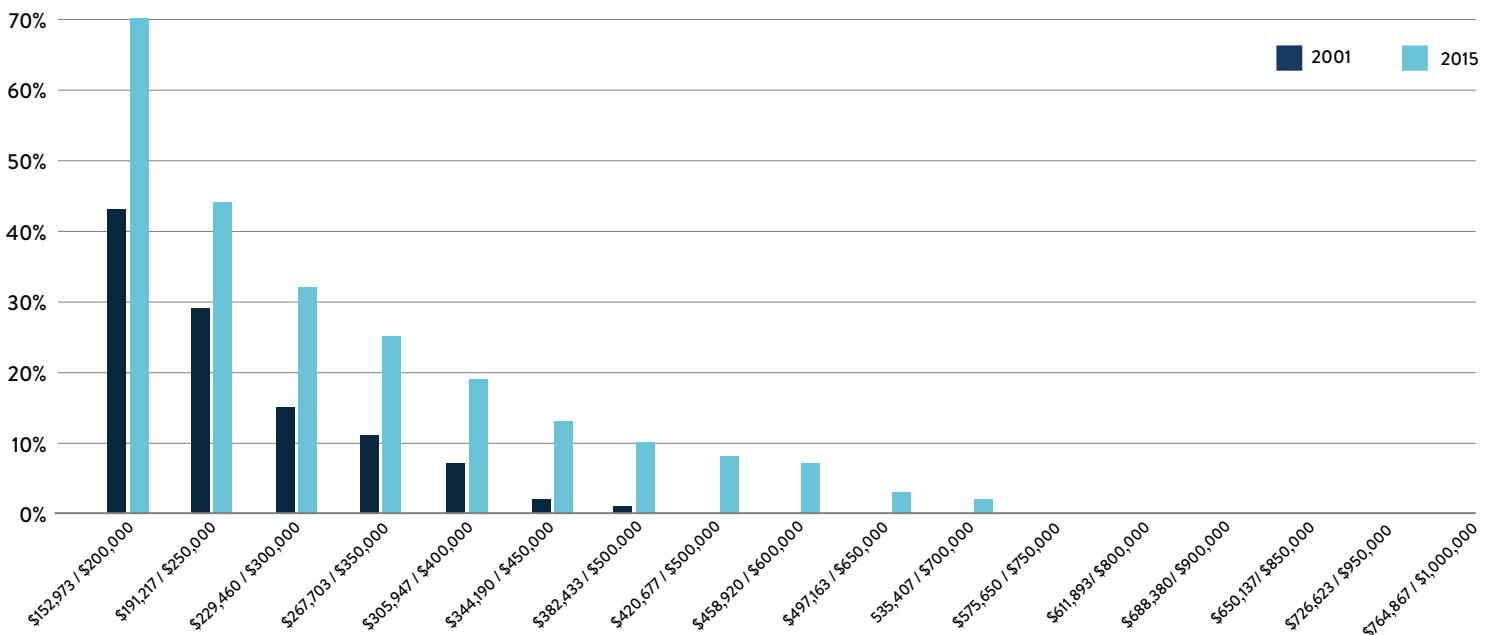
The graph below shows the share of Colorado jobs supporting housing in 2001 and 2015. Since 2001, mortgage interest rates have fallen considerably. In addition, Colorado's property tax laws are deferential to residential property owners. These two forces combined have reduced the cost of homeownership, and, as a result, the current economy has a larger share of jobs capable of supporting housing at all price levels. This phenomenon is particularly pronounced for lower cost housing where 70 percent of Colorado's jobs support a \$200,000 residence.

Without supply constraints, housing was more affordable in 2015 than 2001. However, there is a limited supply of housing, particularly at the lower price points.

HOUSEHOLD EXPENDITURES



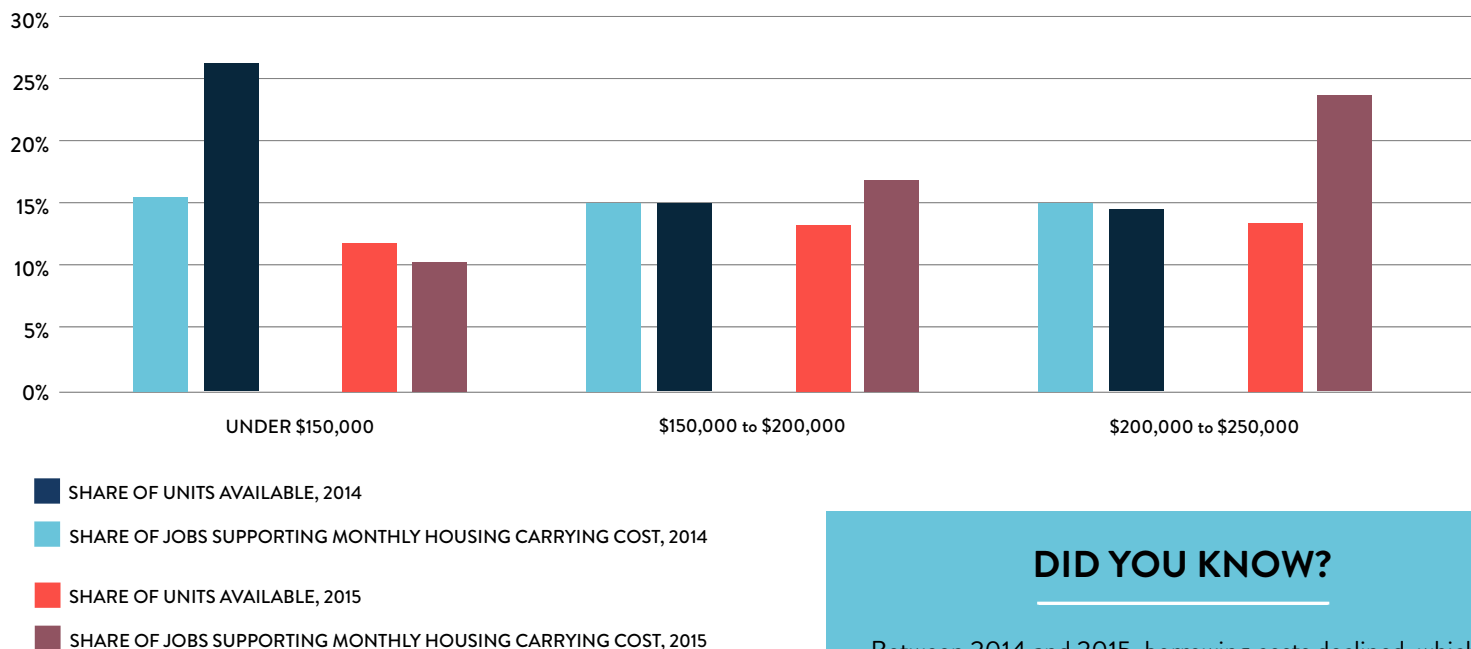
SHARE OF COLORADO JOBS SUPPORTING HOUSING (HOUSING VALUE 2001 / HOUSING VALUE 2015)



EMPLOYMENT & HOUSING

The metro Denver region is trending toward an increasing mismatch between the employment profiles and the share of housing stock that is affordable for workers. In 2014, housing under \$250,000 represented 47 percent of the inventory but was affordable to workers in 57 percent of the jobs, resulting in a gap of 10 percentage points. By 2015, that gap widened to 12.5 percentage points. Currently, mortgage rates are increasing. This will drive up the monthly cost of housing and widen the mismatch between housing and jobs because a larger share of the region's jobs will only support housing costs under \$250,000.

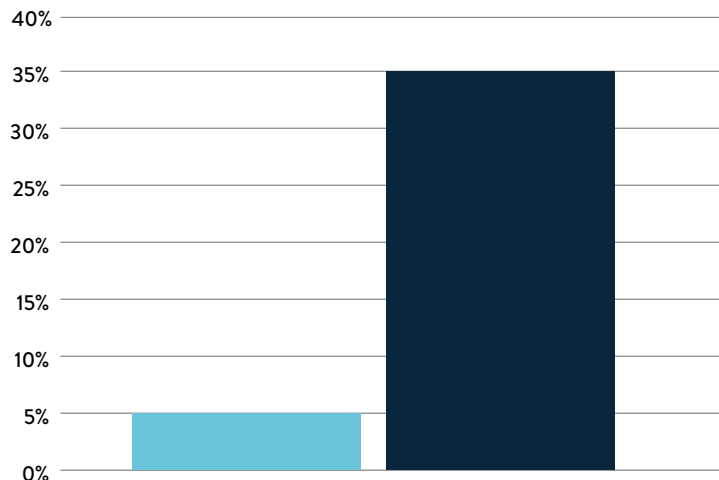
ASSESSING THE MISMATCH BETWEEN JOBS & HOUSING (2014, 2015)



DID YOU KNOW?

Between 2014 and 2015, borrowing costs declined, which expanded housing affordability for the region's workers. However, it also widened the gap between the share of jobs and wages that could afford housing costs under \$250,000.

WAGES VS. RENT GROWTH 2009-2015



The graph to the left shows that wages aren't keeping pace with escalating housing costs. Because housing comprises a large share of household expenditures, an effective way to move more households towards self-sufficiency will be through finding new solutions to reducing housing costs that allow wages to catch up.



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Have more questions about economic self-sufficiency specifically, or Shift's work more generally? Contact Jennifer Newcomer, Director of Shift Research Lab.

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