

## Paycheck to Paycheck 2011:

Can holiday retail season workers afford housing in your community?

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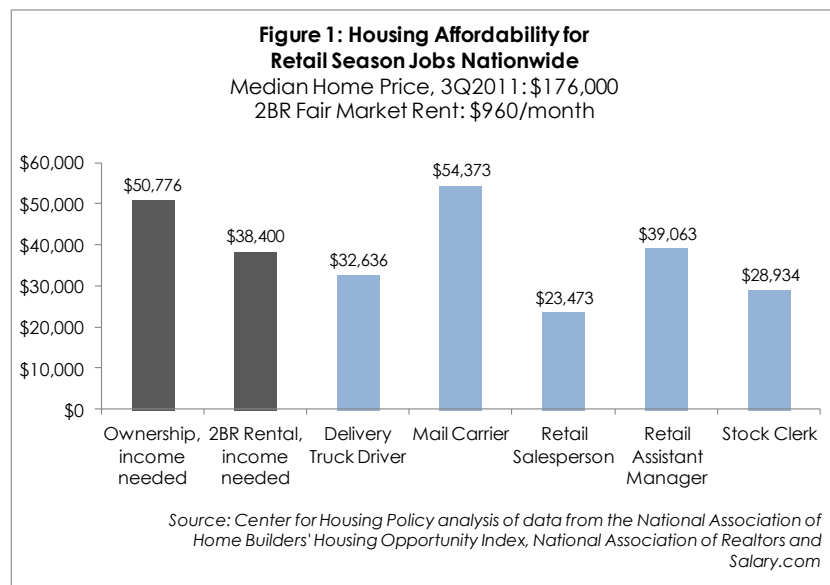
Retailers and other holiday businesses are hoping for a strong season this year. But do the workers who are busiest during this gift-giving season make enough to afford housing, or do they struggle to get by with each paycheck? This edition of *Paycheck to Paycheck*<sup>1</sup> focuses on housing affordability for jobs that are an integral part of the end-of-year holiday season – retail salespeople, retail assistant managers, stock clerks, mail carriers, and delivery truck drivers.

Despite sizable declines in home prices since the peak of the housing market in 2006 only one of these five jobs – mail carrier – earns enough to afford to buy housing at typical prices nationwide (Figure 1).<sup>2</sup> Rent for a two bedroom apartment is almost as difficult to afford, with only mail carriers and assistant managers able to afford to the national average fair market rent.<sup>3</sup>

These findings underscore the fundamental gap between wages for retail workers and the cost of housing. Even

after record home price declines, retail workers do not generally earn enough to afford to buy a median-priced home. With rents actually increasing (modestly), these workers face considerable difficulties affording their housing costs.

It is also worth noting that housing prices in the third quarter of 2011 – the most recent data available – were essentially the same or higher than they were in the fourth quarter of 2009 in 58 percent of the metro areas studied.<sup>4</sup> While it's too early to know whether home prices have truly stabilized in these communities, this trend is important to note as a warning that we cannot



<sup>1</sup> The complete *Paycheck to Paycheck* database can be accessed at [www.nhc.org/chp/p2p](http://www.nhc.org/chp/p2p). It includes wages for 74 occupations compared with home prices and rents in over 200 metropolitan areas.

<sup>2</sup> Homeownership affordability is based primarily on monthly mortgage payments. Calculations assume a 10 percent down payment, but do not account for utility or maintenance costs. These calculations do not take into account the difficulty of securing a loan due to poor credit, which can be a significant hurdle to homeownership.

<sup>3</sup> The national average fair market rent was calculated by the National Low Income Coalition's and included in their publication, *Out of Reach*, 2011.

<sup>4</sup> The most recent edition of *Paycheck to Paycheck* was released in June for the first quarter of 2011. Because of the lack of variation over a six-month period, we have used the previous release of *Paycheck*, from 4<sup>th</sup> Quarter 2009, as our baseline.

necessarily count on further home price declines in all communities to bring prices to levels retail workers and other working families can afford.

### Is housing affordable for workers in retail season jobs?

While the average fair market rent for a two-bedroom apartment and the mortgage for a median-priced home are not affordable for many retail season workers, affordability varies from city to city. Figure 2 shows the share of markets where housing is affordable for each of these workers out of more than 200 metropolitan areas that were analyzed. In more expensive metro areas, even mail carriers earn too little to afford a median-priced home or two-bedroom apartment.

**Figure 1: Share of Metro Areas Studied Where Housing Costs Are Affordable to Holiday Retail Season Workers**

Occupation	Salary Range	Median Priced Home	1 BR Apartment	2 BR Apartment
Delivery Truck Driver	\$28,000 to \$39,000	13%	69%	41%
Mail Carrier	\$44,000 to \$65,000	71%	100%	96%
Retail Salesperson	\$20,000 to \$28,000	1%	16%	0
Retail Assistant Manager	\$32,000 to \$47,000	32%	88%	69%
Stock Clerk	\$24,000 to \$35,000	8%	53%	19%

*Source: Center for Housing Policy Analysis of data from the National Association of Home Builders' Housing Opportunity Index, National Association of Realtors and Salary.com.*

### Which metro areas are more affordable or unaffordable for retail season jobs?

#### *Delivery Truck Driver*

A median-priced home is affordable to a delivery truck driver in only 14 percent of metro areas studied. Most of these are in Florida, Ohio and Michigan – states hard hit by foreclosures that have driven down prices. However, even affordable homes still require down payments, and saving \$7,000 to \$10,000 can be difficult on a salary hovering around \$30,000.

Rental is a more feasible option for truck drivers in most metro areas, but in 31 percent, even a one-bedroom unit would be too expensive. These include traditionally pricey markets such as Washington, DC, Honolulu, San Francisco and New York City, as well as Edison, NJ, Flagstaff, AZ, and Tampa, FL, among other cities around the country.

Port St. Lucie and Cape Coral, FL, are both more affordable to homebuyers than renters, though this does not account for the additional expenses of homeownership, such as utilities and repair work.

#### *Mail Carrier*

Mail carriers fare well in this study, earning enough for a one-bedroom apartment in every metro area, and only falling short for a two-bedroom in eight. Mail carriers can afford to buy a median-priced home in many markets, but 28 percent of the markets studied remain too expensive. For many mail carriers, the barriers to homeownership may lie more in heightened

credit and down payment requirements, rather than price. This issue is discussed in greater detail below.

#### *Retail Salesperson*

The rent for a typical two-bedroom apartment is unaffordable for a retail salesperson in every metro area studied, and in only 15 percent of metros is a typical one-bedroom within budget. Affordable one-bedroom units are primarily scattered throughout the Midwest, but span a region from North Carolina to Colorado.

In at least one housing market in Ohio, a median-priced home is affordable for a retail salesperson with access to credit. However, saving a down payment of more than \$7,000 in Youngstown could be a significant hurdle on a salary of less than \$23,000.

#### *Retail Assistant Manager*

Renting a one-bedroom apartment is the most affordable option for a retail assistant manager in most of the metro areas studied, however it is still beyond his or her grasp in 26 metro areas located primarily in California, the Mid-Atlantic and Northeast. Two-bedroom apartments are affordable in fewer metro areas yet, and homeownership is affordable in only 32 percent of the areas studied.

One city, Ft. Lauderdale, FL, stands out for retail assistant managers: mortgage payments for a median-priced home are affordable on an assistant manager's salary, while renting a typical one- or two-bedroom unit is not.

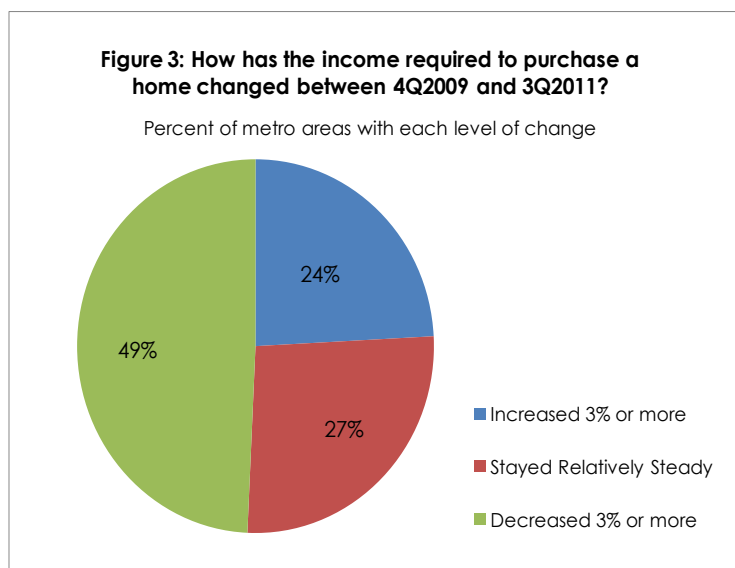
#### *Stock Clerk*

Stock clerks can afford a typical one-bedroom apartment in just over half of the metros areas, while two-bedroom units are affordable in less than one-fifth of the areas studied.

In only 9 percent of markets studied can stock clerks afford to buy a median priced home. In one of those, Ocala, FL, homeownership is actually more affordable than renting, though that does not account for the additional expenses homeowners incur related to utilities, maintenance and repairs.

### **How has housing affordability changed since 2009?**

Since late 2009, the cost of a median-priced home has declined in about 41 of markets studied. In large part because interest rates have also fallen, the share of markets in which the income required to purchase a median-priced home has declined is somewhat higher -- 49 percent (Figure 3). . However, as noted above, prices are still not at affordable levels for most retail workers. In addition, other barriers –



including heightened down payment and credit requirements – pose significant barriers to homeownership for these workers.

The pattern for renters is less clear; some workers are better able to afford rental costs while others are less.

### *Homeownership*

Between the fourth quarter of 2009 and the third quarter of 2011, the income needed to buy a median-priced home dropped in 49 percent of metro areas. This was due to a combination of decreasing home prices and a reduction in the mortgage interest rate.<sup>5</sup>

However, there are also many markets that run counter to the trend of homeownership becoming less expensive. In twenty-four percent of metro areas studied a median-priced home became more expensive for buyers between the 3<sup>rd</sup> quarter of 2011 and the 4<sup>th</sup> quarter of 2009. In seven of those, the income needed to afford a median-priced home rose by more than 10 percent over that period: prices in Atlantic City, NJ; Ann Arbor, MI; Syracuse, NY; Beaumont, TX; Wheeling, WV; Monroe, MI; and Ithaca, NY far outpaced typical wage growth.

Even where home prices are affordable, workers may face substantial obstacles to ownership. This study assumes that buyers put down a 10 percent down payment, but actual down payments can vary widely from five percent (FHA insurance) to twenty percent with some lenders. Building the savings needed for a down payment can also be very difficult on a modest salary, particularly as households struggle to meet basic needs in the current economy. Credit is another substantial barrier to homeownership. Families who have purchased a home in the last three years cannot qualify for a FHA mortgage, and many other lenders have increased their requirements. If a homeowner has a poor credit score, past foreclosure, or has ever declared bankruptcy, a willing mortgage lender is even more difficult to find. Worries about price volatility or meeting the costs of major repairs can also keep families from becoming homeowners.

### *Rental Housing*

On the rental side, the story is more mixed. Between 2009 and 2011, fair market rents rose just slightly on average. Among the markets studied, the fair market rent for a two-bedroom apartment rose by a median of 1.1 percent, and very few areas had rents either increase or decrease by more than 5 percent.<sup>6</sup> With rent increases generally being moderate, housing affordability changes tend to reflect changes in income rather than in housing costs. For jobs that saw salary increases, such as retail salespeople and nurses, rents in a few metro areas became newly affordable.<sup>7</sup> When workers' incomes decreased, so did rental affordability.

### **What does this mean for communities?**

Despite marked and well-publicized declines in housing prices, many workers cannot afford to live in the communities they serve. During this holiday season, that might mean long commutes from affordable areas on top of the extended hours holiday workers are putting in to meet the

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<sup>5</sup> According to the Federal Housing Finance Agency's Monthly Interest Rate Survey, the effective interest rate on a 30-year fixed rate conventional mortgage went from 5.19 percent in November 2009 to 4.77 percent in August 2011.

<sup>6</sup> Fair Market Rents are set by HUD based on the cost of a moderately-priced rental unit.

<sup>7</sup> Trends in wages use data from this edition of *Paycheck to Paycheck* (the third quarter of 2011) compared with data from the fourth quarter 2009 edition of *Paycheck to Paycheck*.

demands of the season. It could also mean cutting back on other household expenses and scaling back holiday activities to make ends meet.

Having a job is not enough this holiday season. To ensure workers can afford to meet necessary expenses for nutritious food, health care, education, and perhaps a bit of holiday cheer, states and localities need policies that expand the supply of affordable housing and create higher-paying jobs.