



Housing Affordability and the Impact on Our Economy

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Home prices have risen dramatically over the last few years all across central Florida. For example, in June the average price of a new single-family home ranged from a low of \$228,000 in Volusia County to a high of \$291,000 in Seminole County. These are the average prices. Existing homes were equally expensive. The average resale price ranged from \$195,000 in Volusia County to \$279,000 in Orange County in June. Furthermore, over the last year alone the average price for an existing single-family home has jumped approximately 20 percent across central Florida.

The good news is that if you own a home, you are significantly wealthier. The bad news is that the run-up in home prices has occurred at a much faster rate than the increase in median household incomes. Across central Florida the median household income has only increased by 4.5 percent over the last 12 months. Therefore, housing has become progressively much less affordable; the average family can no longer afford the average home.

The increasing affordability problem is not limited to central Florida. A recent study by the Joint Center for Housing Studies at Harvard University found that there is a national mismatch between the large number of relatively low-paying jobs being generated by the economy and the high cost of providing housing. The report found that more than one-third of the nation's households now spend more than 30 percent of their income on housing. And almost 1 in 8 spend 50 percent of their incomes on housing. This problem is particularly acute here in central Florida. Our local economy has generated more new jobs than almost anywhere else in the nation, but many of the jobs pay relative low wages. As a result, our home prices have become increasing unaffordable.

This is a problem for our economy and has the potential to compromise our vibrant economic growth. For years recruiters have promoted Florida's affordable housing and great lifestyles as inducements to prospective employees

and businesses. "You can comfortably live on a modest salary" was the claim. But no longer. In part the current leap in housing prices is the result of low interest rates. In part it is the result of investor demand when the stock market seemed unattractive. And in part it is due to soaring costs for building materials that has driven up the price of a new home, which boosts the prices for existing homes as well. However, now that prices have adjusted, it will be more difficult to provide affordable housing in central Florida in the future. The economy will adjust, but there are important consequences.

This is Hank Fishkind for 90.7 FM, WMFE News.