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WHAT'S THE VIEW FROM YOUR HOUSE?

Housing
Affordability
Concerns
in Utah



WHAT'S THE VIEW FROM YOUR HOUSE? AFFORDABILITY CONCERNS IN UTAH

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The mission of Utah Foundation is to promote a thriving economy, a well-prepared workforce and a high quality of life for Utahns by performing thorough, well-supported research that helps policymakers, business and community leaders and citizens better understand complex issues, and providing practical, well-reasoned recommendations for policy change.

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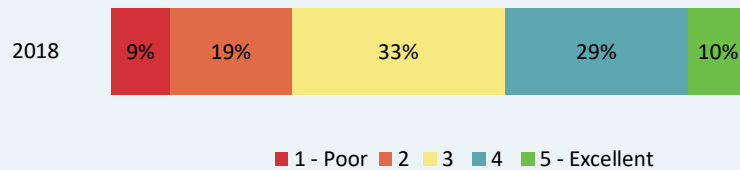
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INTRODUCTION

Housing affordability is an issue of increasing concern to Utahns. For the first time since Utah Foundation initiated its Community Quality of Life Index survey in 2011, the availability of quality affordable housing was the worst-performing factor on the index. In addition, when asked what could most improve respondents' communities as a place to live, 13% mentioned improving housing affordability, second only to traffic conditions.

While housing affordability rated worst on Utah Foundation's Quality of Life Index, Utahns still rated its performance more positively than negatively.

Figure 1: On a Scale from 1-to-5, Respondent Ratings for "the Availability of Good Housing that is Affordable"



Interestingly, however, when asked whether their own housing was affordable, only a small minority indicated that it was not.

Housing costs tend to be a household's largest single expense. And in Utah, housing prices have increased sharply during the past five years; the median sales price of a home rose from \$207,000 in 2013 to \$298,950 in 2018.¹ While homebuyers have seen a 44% increase in prices, renters are also seeing higher costs. Median rents in Utah increased from \$851 in 2012 to \$986 in 2017.²

This policy brief looks closely at three housing affordability questions in the Quality of Life Index survey. The brief is a supplement to the full report, *Utah Foundation Quality of Life Index: Measuring Utahns' Perceptions of their Communities, Personal Lives*, released in September 2018.³

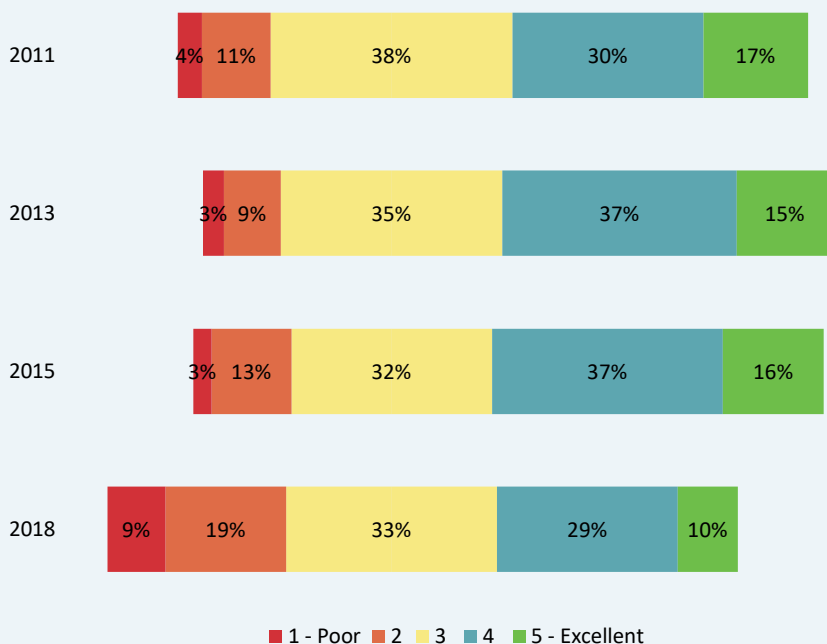


KEY FINDINGS OF THIS REPORT

- Housing affordability has the lowest rating in the 2018 Community Quality of Life Index.
- Of the 20 aspects on the index, housing affordability had the largest decline.
- Housing affordability in general is of greater concern for older Utahns than younger ones.
- When asked whether they felt their personal housing costs were affordable, only 12% of respondents said no. However, in Salt Lake County, that number was 20%.
- Respondents with lower incomes, those who are renters and those who live in Salt Lake County were more likely than other Utahns to feel that their own housing is unaffordable.
- When adjusting for inflation, Utah homeowners' monthly costs have decreased by 10% since 2007, while renters' costs have increased by 14%.
- More people gave a poor rating to "how affordable housing is for individuals in all income levels" than gave an excellent rating. However, nearly half of the respondents gave neutral responses.
- Those who are not religiously affiliated, renters and residents of Salt Lake County were more likely to be concerned about housing affordability across income levels.
- When compared to other large-metro counties in the west, Salt Lake County's housing costs are relatively favorable.

Ratings for “the availability of good housing that is affordable” sharply decreased in the 2018 survey.

Figure 2: On a Scale from 1-to-5, Respondent Ratings for “the Availability of Good Housing that is Affordable”



HOUSING AFFORDABILITY IN GENERAL

Three out of the 20 aspects of the Community Quality of Life Index declined in performance from 2015 to 2018; the availability of affordable housing had the largest decline of the three. The survey question put “the availability of good housing that is affordable” on a scale of 1 to 5, from poor to excellent. The percent of Utahns who rated it poor (or a 1 or 2 on the scale) increased dramatically – from 16% of the population in 2015 to 28% in 2018. Overall, its average 1-to-5 scale rating on the index fell from 3.5 to 3.1.

Various population factors have an important effect on Community Quality of Life. However, for the “availability of good housing that is affordable,” only one population characteristic was related to survey responses. As noted in the full report, older Utahns tended to think that their communities performed worse than younger Utahns in terms of housing affordability.⁴

The fact that older Utahns tend to have a less favorable view of their communities’ housing affordability might run counter to expectations. After all, younger Utahns are more likely to be renters and experience the pressures of rising rents. Older Utahns, on the other hand, are more likely to be homeowners and longer-term ones, with equity building in their homes.

It is possible that younger Utahns simply have a more positive outlook than older Utahns when it comes to housing affordability in their communities. Older Utahns have seen the price of houses increase over a longer period of time, causing them concern when comparing to housing costs in previous decades.

Much of the difference in younger and older perceptions may be due to differences in their communities themselves. Utah Foundation found strong evidence that younger householders tend to live in less expensive areas than older householders. The survey responses from homeowners under 30 were the driving force in the difference between older and younger Utahns.⁵

PERSPECTIVES ON AFFORDABILITY

Personal Affordability

In 2018, Utah Foundation included two supplemental questions in its Quality of Life Index survey to get at the heart of housing affordability. One question was used to assess whether respondents personally considered their own housing to

be affordable, and a second to evaluate whether respondents considered housing in their community to be affordable for all income levels.

The standard definition of housing affordability is that a household should not be paying more than 30% of its income toward housing costs; the 30% rule-of-thumb originated from a 1981 amendment to the U.S. Housing and Urban Development Act.⁶ And while some people choose to spend more on housing, this rule is particularly important when considering lower-income households.

The 30% rule-of-thumb is used in public policy decisions, but Utah Foundation’s survey question was less specific, focusing more on perceptions. It asked respondents, on a scale of 1 to 5, from disagree to agree, whether “I feel that my housing costs are affordable for me.”

Most Utahns responded that their own housing was affordable; 12% of respondents felt that their housing costs were unaffordable.

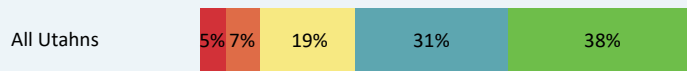
There were three main population factors that drove differing responses to this question – income, homeownership and where people live.

It is not surprising to find that income levels were a strong factor on whether individuals agreed with whether their housing costs were affordable to them. For households earning less than \$30,000, 27% felt that their housing costs were unaffordable, compared to only 3% of households earning more than \$100,000.

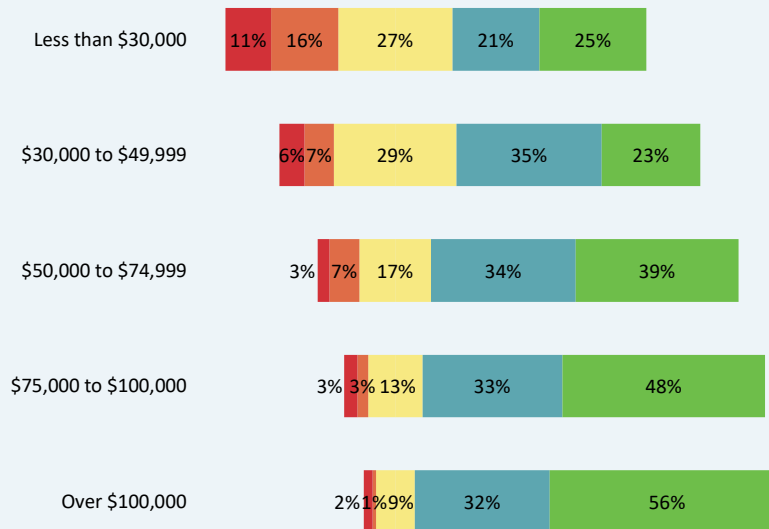
Figure 3: Share of Utahns Who Agree with the Statement “I Feel that My Housing Costs Are Affordable for Me”

■ 1 - Strongly Disagree ■ 2 ■ 3 ■ 4 ■ 5 - Strongly Agree

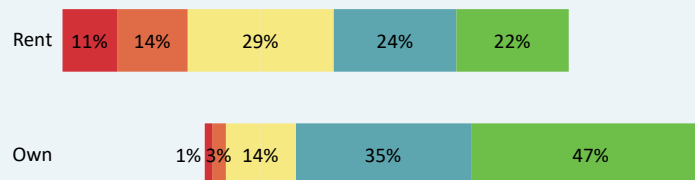
Two-thirds of Utahns report that their own housing is affordable, while 12% report that it isn’t.



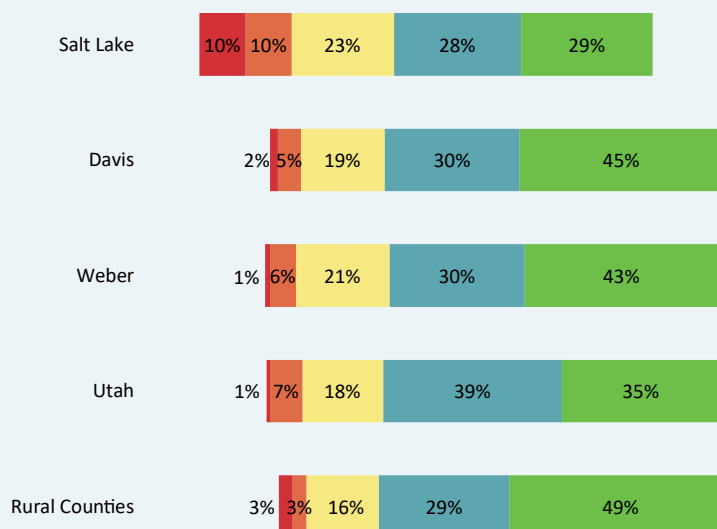
Less than half of Utah households earning less than \$30,000 consider their housing personally affordable. Nearly 90% of those making over \$100,000 do.



82% of those who own their home consider their housing personally affordable while only 46% of renters do.



20% of Salt Lake County residents disagree that their housing is personally affordable, far higher than in other counties.



OWNER COSTS DECLINE WHILE RENTER COSTS INCREASE

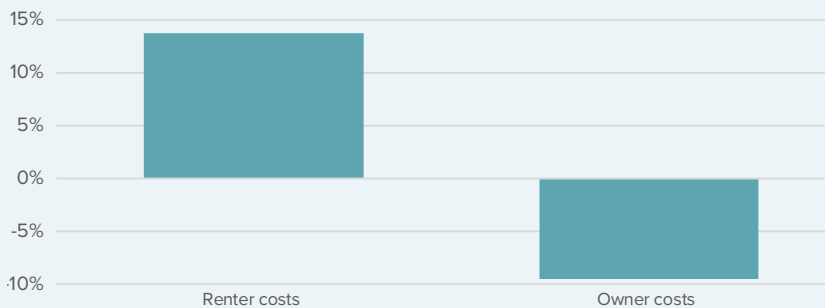
As noted on his page, concerns about personal affordability are far more pronounced among renters. A mere 3% of homeowners in Utah consider their housing unaffordable compared to one-quarter of Utah's renters.

This is probably due in large part to the relative cost stability that homeowners enjoy. While median sales prices are on the rise, those homeowners with fixed interest rates feel only the modest effects of increasing property taxes while enjoying big gains in housing equity. In fact, Utah homeowners' monthly housing costs actually decreased by nearly 10% between 2007 and 2017 (when adjusting for inflation) – with most of that decrease occurring since the Great Recession.*

However, rents have been increasing far faster than the cost of living, particularly in Western states and in high-growth places.† Utah is a prime example of this, with a inflation-adjusted increase in rents of 14% from 2007 to 2017.‡

Utah homeowners' inflation-adjusted monthly costs have decreased since 2007, while renters' costs have increased.

Figure A: Change in Monthly Renter and Homeowner Costs§, between 2007 and 2017, Adjusted for Inflation



* U.S. Census Bureau. Note: Homeowners' monthly housing costs are what the Census defines as "selected monthly owner costs" which are "the sum of payments for mortgages, deeds of trust, contracts to purchase, or similar debts on the property (including payments for the first mortgage, second mortgages, home equity loans, and other junior mortgages); real estate taxes; fire, hazard, and flood insurance on the property; utilities (electricity, gas, and water and sewer); and fuels (oil, coal, kerosene, wood, etc.). It also includes, where appropriate, the monthly condominium fee for condominiums and mobile home costs," www.census.gov/quickfacts/fact/note/US/HSG650216.

† "Over the last six years, increases in the median rent have exceeded inflation in non-housing costs by more than a full percentage point annually, with the largest gains in the South and West. Median rents have risen at twice the national pace in markets with rapid population growth, such as Austin, Denver, and Seattle." Harvard University's Joint Center for Housing Studies, *America's Rental Housing 2017*, p3, www.jchs.harvard.edu/sites/default/files/harvard_jchs_americas_rental_housing_2017_0.pdf

‡ U.S. Census Bureau. Note: Rents are what the Census defines as "gross rent" which is "the contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water and sewer) and fuels (oil, coal, kerosene, wood, etc.) if these are paid by the renter (or paid for the renter by someone else)," www.census.gov/quickfacts/fact/note/US/HSG860216.

§ Utilities are included for comparison purposes, since rental units often include some or all utility costs. See notes * and ‡.

A quarter of renters responded that their housing costs are unaffordable. This compares to only 4% of homeowners. At the other end of the scale, 46% of renters considered their housing to be affordable, while 82% of owners did. Far more renters (29%) responded in the middle of the scale than did owners (14%). These differences may be due to the relative stability of homeownership costs versus increasing renter costs.

In terms of where respondents live, Salt Lake County looks very different from the rest of the state. In Salt Lake County 20% of residents felt that their housing costs were unaffordable. This compares to only about 7% of people in the rest of the state. While this perception affects only one of the state's 29 counties, Salt Lake County contains about one-third of the state's population.

Community Affordability Across Income Levels

In addition to asking about personal affordability, Utah Foundation used a supplemental question to ask how Utahns' communities performed in terms of housing affordability. The survey asked respondents, on a scale of 1 to 5, from poor to excellent, "how affordable housing is for individuals in all income levels." Overall, more people gave this item a poor rating – or a 1 or 2 on the scale – than an excellent rating – or a 4 or 5. But nearly half (46%) of respondents were in the middle, giving the question a 3 on the 1-to-5 scale.

There were three main population factors related to this question. While income was one of the strongest predictors of whether someone found their homes personally affordable, it did not affect whether respondents considered housing in their community to be affordable to all income levels.

Rather, the strongest factor was whether individuals were religiously affiliated. Those who are religiously affiliated were slightly more likely to give their communities a positive rating on this question, while those who are unaffiliated were nearly three-times more likely to give it a very negative rating.

At first glance, it's not obvious why religiously affiliated individuals would consider housing to be more affordable for all income levels in their community. However, it should be noted that in Utah Foundation's Community Quality of Life Index, religiously affiliated Utahns ranked the performance of their communities higher than non-affiliated respondents across 19 of 20 factors. With this in mind, it is clear that religious individuals have a better view of their communities overall.

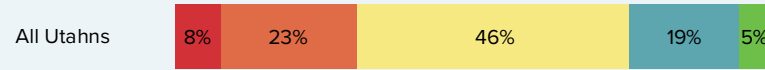
Similar to personal affordability, homeownership had a positive impact on views of community affordability of housing for all income levels. Approximately 21% of renters had a positive view compared to 25% of owners. And 39% had a negative view compared to 27% of owners.

Similar to personal affordability, location had an important impact on views of community affordability of housing at all income levels. Again, Salt Lake County residents were far more likely to have a negative view than the rest of the state – and much more likely to have a negative view than a positive one.

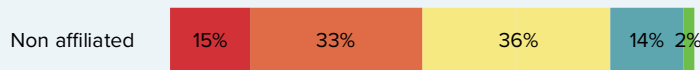
Figure 4: Performance of “How Affordable Housing Is for Individuals in all Income Levels”

■ 1 - Poor ■ 2 ■ 3 ■ 4 ■ 5 - Excellent

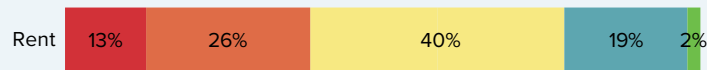
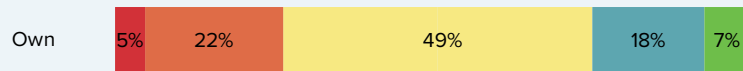
Most Utahns think their community does all right in providing affordable housing for all income levels, but 31% report negative impressions and 24% report positive impressions.



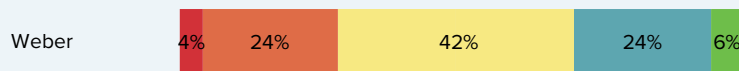
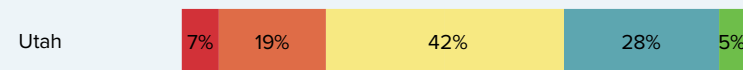
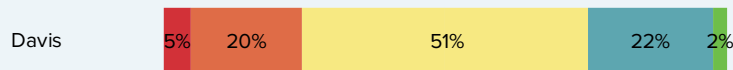
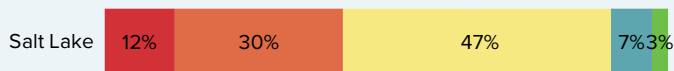
Religious affiliation is the strongest predictor of whether individuals think their community has housing affordable for all income levels.



Homeowners are evenly split when considering community housing affordability for all incomes while renters are more likely to report their communities perform poorly.



42% of Salt Lake residents report their community underperforms in providing affordable housing for all income levels. Residents from other urban and more rural counties report better performance.





OWNER AND RENTER COMPARISONS IN THE WEST

How does Utah compare to other Western states? Since prices are very different in rural and urban environments, Utah Foundation used American Community Survey data from the U.S. Census Bureau to compare Salt Lake County (which houses over one-third of Utah's residents) and the counties that contain other large Western cities.

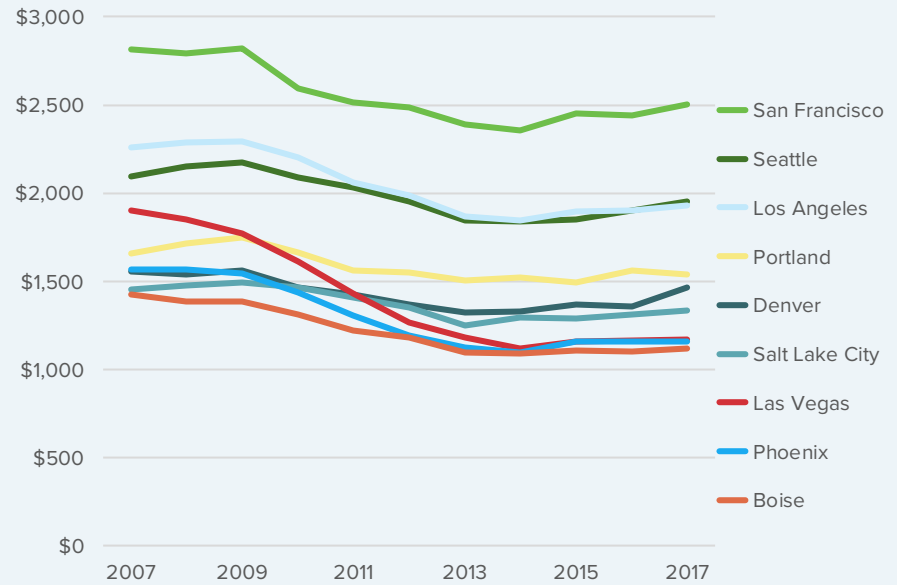
From this perspective, Salt Lake County actually has somewhat favorable housing cost conditions. While Salt Lake County's monthly housing costs for homeowners are higher than in counties like Ada (Boise), Clark (Las Vegas) and Maricopa (Phoenix), Salt Lake's costs are far below metro-area West Coast counties such as King (Seattle), Los Angeles, Multnomah (Portland) and San Francisco. And inflation-adjusted monthly owner costs in Salt Lake County have been steady during the past five years – in contrast to the 7% increase that Denver County, for instance, has experienced since 2012.

Again, the larger concern appears to be with rents. While monthly housing costs have held fairly steady in most of the largest Western counties, rents have increased. When adjusted for inflation, Salt Lake County's 13% median rent increase since 2012 has been faster than Ada, Clark and Maricopa. However, Salt Lake County's increase is dwarfed by Denver's 38% increase and the increases seen in the West Coast and Northwest cities.

It should be noted that rents are lower than median housing costs in all nine markets, with Salt Lake County rents 20% lower than owner costs in 2017 – or \$262 per month less.

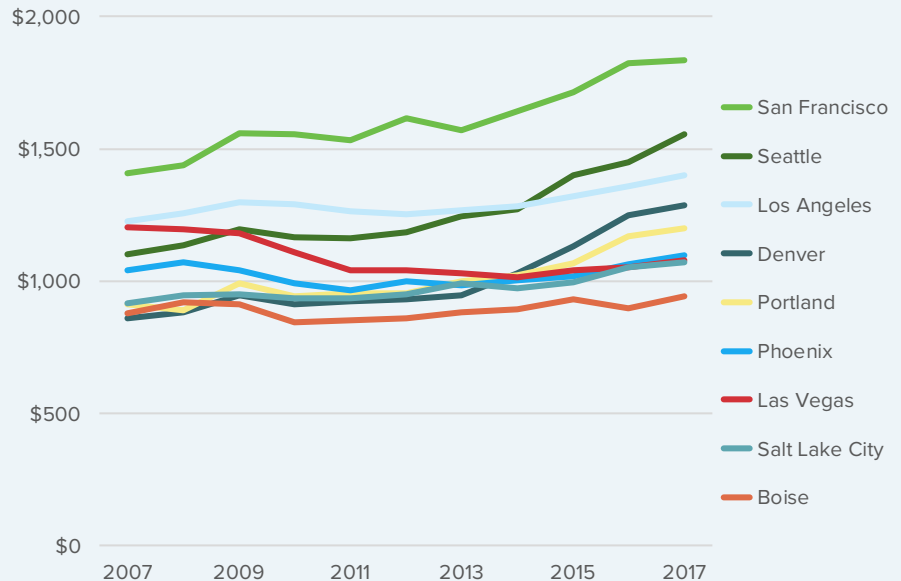
Homeownership costs have decreased in Western, large-metro counties, but have been fairly steady since 2012.

Figure B: Monthly Homeowner Costs* in Western, Large-Metro Counties†, between 2007 and 2017, Adjusted for Inflation



Renter costs have increased in most Western, large-metro counties, particularly since 2012.

Figure C: Monthly Renter Costs* in Western, Large-Metro Counties†, between 2007 and 2017, Adjusted for Inflation



* Utilities are included for comparison purposes, since rental units often include some or all utility costs.
† Utah Foundation looked at large-metro counties, but used city names for ease of identification.

Source: U.S. Census Bureau, American Community Survey. Utah Foundation calculations using the CPI-U.

CONCLUSION

The full Quality of Life Index report shows that the availability of quality affordable housing is a major concern for Utahns. However, the concern is particularly acute among Salt Lake County residents.

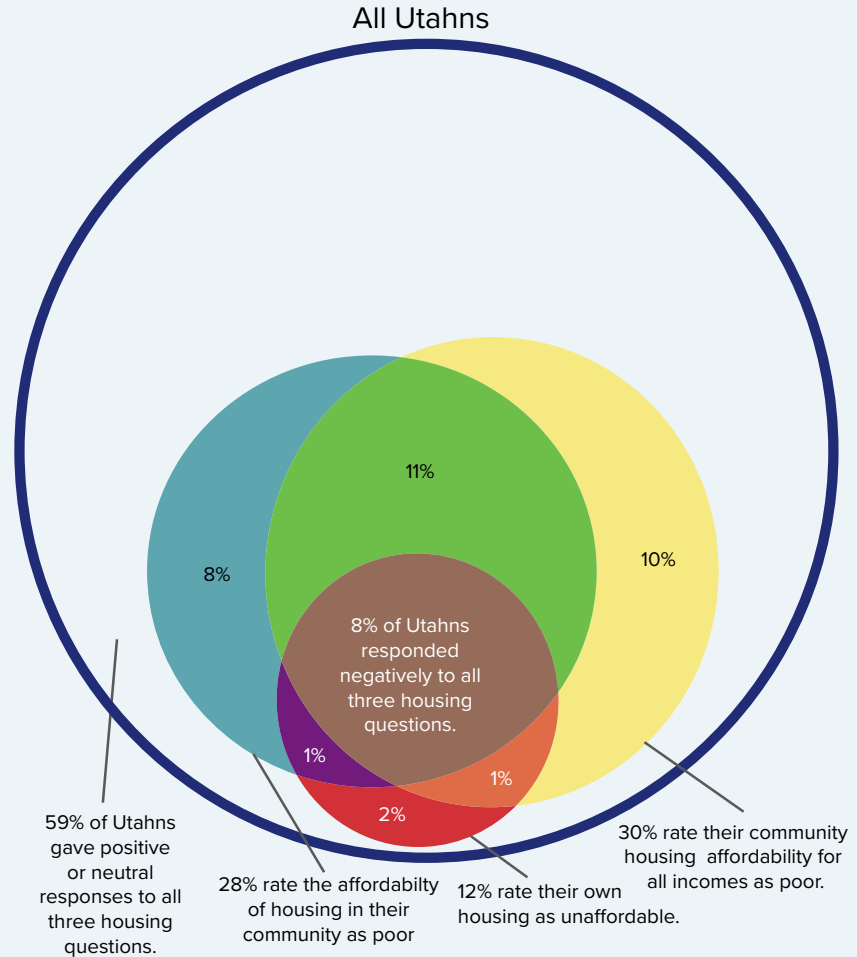
While housing costs are on the rise, the vast majority of respondents see their personal housing as affordable. In Weber, Davis and Utah counties, only 7% to 8% of respondents see their personal housing as unaffordable. In rural counties, the percentage is 6%. Salt Lake County is another story, with 20% seeing their housing as unaffordable.

Not surprisingly, people with lower incomes and renters are far more likely to be concerned about their housing affordability. In fact, a mere 3% of homeowners said their housing was unaffordable. Interestingly, Utahns are more concerned about the housing affordability for others in their community than about their personal housing affordability.

The findings suggest that housing efforts targeted at renters deserve the lion's share of attention from policymakers, particularly in Salt Lake County. They also suggest that part of that effort could include programs to transition renters into homeownership, where a greater degree of cost stability can be enjoyed over the long term.

51% of Utahns report feeling neutral or positive about all three aspects of housing affordability.

Figure 5: A Venn diagram demonstrating the overlap of those who reported negative sentiments regarding housing affordability



ENDNOTES

1. Utah Association of Realtors, Quarterly Report, Q2 2013 and Q2 2018.
2. U.S. Census Bureau, American Community Survey, one-year dataset.
3. See appendices B and C in the full report for survey and analysis methodology. It should be noted that this report addresses only those correlations or relationships that are statistically significant at least at the 95% level.
4. These differences are apparent over age categories. While there might not be a significant difference per se between the category of 35- to 44-year-old Utahns and the category of 45- to 54-year-old Utahns, when looking at the comparisons between the pairs of all five age categories, there is a significant difference on average between comparatively younger and older Utahns.
5. Homeowners under the age of 30 tend to live in areas with below-average homeownership costs. This finding is from Utah Foundation analysis of the U.S. Census American Community Survey PUMS dataset for Salt Lake County. Although the county represents only one-third of Utahns, it is the only county with a high enough population density in the PUMS dataset to analyze housing and population trends on sub-county geographies.
6. Mary Schwartz and Ellen Wilson, Who Can Afford To Live in a Home?: A look at data from the 2006 American Community Survey, US Census Bureau, <https://www.census.gov/housing/census/publications/who-can-afford.pdf>.



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