

Supply and Demand for Affordable Rental Housing

OUTCOME: PROVIDE SUFFICIENT AFFORDABLE HOUSING FOR ALL KING COUNTY RESIDENTS

Countywide Planning Policy Rationale

"All jurisdictions shall plan for housing to meet the needs of all economic segments of the population." (AH 1)...Each jurisdiction shall participate in developing Countywide housing resources and programs to assist the large number of low and moderate-income households who currently do not have affordable, appropriate housing. These Countywide efforts will help reverse current trends which concentrate low-income housing opportunities in certain communities, and achieve a more equitable participation by local jurisdictions in low income housing development and services. Countywide efforts should give priority to assisting households below 50% of median-income that are in greatest need and communities with high proportions of low and moderate income residents (AH 2)...King County shall report annually on housing development, the rate of housing cost and price increases and available residential capacity Countywide." (AH 4)

Rental Housing Supply. Rental housing has historically provided an affordable housing option for lower- and moderate- income households in King County. From 2000 to 2006, rents grew annually at just over one percent while incomes increased three percent per year and home prices averaged a remarkable nine percent annual growth rate. However, 2007 signaled a turning point in the housing market. For the first time in five years, rents grew at a higher rate than both income and home prices, leading to a decrease in rental affordability. As shown in figure 21.1, more than 85% of the county's rental units are affordable to households earning 80% of median income, down from 93% in 2006. Similarly, rental affordability for households earning one-half of median income decreased. While 46% of the county's rentals were affordable to these households in 2006, fewer than 34% of the rentals remained affordable in 2008.

Figure 21.1

Percent of Rental Housing Affordable to Moderate- and Low-Income Households (spring 2008)				
		Percent of Rental Units Affordable by Income Category		
Jurisdiction	median rent	<80%	<50%	<40%
East	\$1,156	74.3%	7.4%	0.7%
Rural Cities	\$1,295	51.5%	24.2%	2.8%
South	\$825	96.4%	51.1%	14.0%
Seashore	\$930	82.8%	34.6%	7.7%
Uninc King County	\$980	85.6%	25.1%	5.5%
Countywide	\$940	85.4%	33.8%	8.3%

source: Dupre + Scott Apartment Advisors, Inc.

According to a spring 2008 survey of rental units in King County, the median rental unit cost \$940. As shown in figure 21.1, rents in both South King County and Seashore are generally lower than the county median, while rents in unincorporated King County (including the rural area), the Eastside and the county's rural cities exceeded the county median. It should be noted that these findings include market-rate rentals only. Lacking a consistent count to subsidized and tax credit properties that cater of households earning under 60% of median income throughout King County, this bulletin estimates the distribution of market-rate rentals only. As such, the share of rentals affordable to households earning less than 60% of median income is likely underestimated.

Figure 21.2

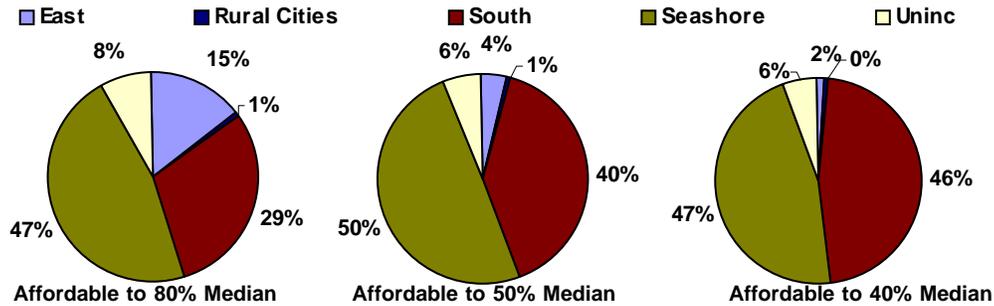
2007 Median HH Income and Affordable Home Costs						
	Annual Income					
	30% median	40% median	50% median	60% median	80% median	median income
	\$20,100 (\$9.66/hr)	\$26,800 (\$12.88/hr)	\$33,500 (\$16.11/hr)	\$40,200 (\$19.33/hr)	\$53,600 (\$25.77/hr)	\$67,010 (\$32.22/hr)
Affordable Monthly Hsg Payment ¹	\$419	\$558	\$698	\$838	\$1,117	\$1,396
Affordable Rent ²	\$503	\$670	\$838	\$1,005	\$1,340	\$1,675
Affordable Home Price ³	\$77,600	\$103,500	\$129,400	\$155,300	\$207,000	\$258,800

source: American Community Survey

¹Affordable monthly housing payment assumes a 25% monthly expenditure to account for additional costs (such as waste collection and other utilities) that are not typically captured in a mortgage payment. ²Affordable rent assumes a 30% monthly expenditure as it typically captures these additional costs. ³For the affordable home price this table uses a 5% down payment on a 30 yr. mortgage at 5.5% interest (estimate).

Figure 21.3

Distribution of Rental Housing in King County Affordable to Income Groups (Spring 2008 estimates)



source: American Community Survey, Dupre + Scott Apartment Advisors, Inc.

Figure 21.3 summarizes the table on page 13 of this bulletin and estimates the distribution of affordable rental housing among the county’s subareas. As shown, most rental units countywide that are affordable to households earning 40% of median household income are in the South King County and SeaShore subareas. Although a larger proportion of the rental units within South King County are affordable to these low income households, the magnitude of the housing stock in Seashore (and Seattle specifically) leads to this distribution of affordable rental housing.

Almost three-quarters of the rental units in East King County are affordable to households earning 80% of median income, providing 15% of the countywide supply affordable at this income level. Meanwhile, just four percent of the market-rate rental units in King County that are affordable to households that earn half of the median income are in East King County.

Rental Housing Demand. Figure 21.4 estimates the number and size of rental households in King County by income and affordable rental category. Renter households typically have smaller household sizes; nearly three-quarters of all renter households include two people or less. The vast majority of rental units reflect smaller household sizes. Over 90% of all rental units have two bedrooms or less, and at least half of all rental units are either one-bedroom or studios. With more income earners likely in the household, roughly half of all two- and three-person renter households earn at least 80% of median income and can afford more than \$1341 in rent. In contrast, less than one-fifth of all one-person households can afford this amount. An estimated 60,000 households, comprising one-fifth of all renters, are one-person households earning less than 40% of median income and who can afford no more than \$670 in rent. However, studio apartments available in this price range only make up fewer than five percent of the market-rate rental units in King County. More than one-third of all renter households earn less than 40% of median income and can afford less than \$670 in rent, yet only 8% of all market-rate rental units are priced in this range.

Figure 21.4

Number of Renter Households in King County by Household Size and Income Category and Affordable Rent Range (2007)								
		Income Category						TOTAL
		40% median	50% median	60% median	80% median	median income	above median	
		\$26,800 (\$12.88/hr)	\$33,500 (\$16.11/hr)	\$40,200 (\$19.33/hr)	\$53,600 (\$25.77/hr)	\$67,010 (\$32.22/hr)	\$67,011+ (\$32.22+/hr)	
		Affordable Rental Range						
		<=\$670	\$671-\$838	\$839-\$1005	\$1006-\$1173	\$1174-\$1340	\$1341+	
household size	1 person in household	60,000	16,700	13,500	9,700	9,000	26,900	135,800
	2 people in household	19,200	4,100	4,900	4,900	5,400	39,500	78,000
	3 people in household	9,400	2,500	3,000	2,300	2,000	16,300	35,500
	4 people in household	6,500	1,300	1,800	2,100	1,700	7,900	21,300
	5+ people in household	5,600	1,000	600	700	1,800	7,500	17,200
	TOTAL	100,700	25,600	23,800	19,700	19,900	98,100	287,800

source: American Community Survey, Dupre + Scott Apartment Advisors, Inc.