Outline

• Importance of Affordable Housing
• Definition of Housing Affordability
• Statewide Trends
• Local Trends
Importance of Affordable Housing

• Quality of life

• Economic competitiveness
  • Attracting and retaining workers
Definition of Housing Affordability

• General definition – can the typical household afford housing in a state, city or town

• More specific definition – can the median income household afford and the median value house
Definition of Housing Affordability

• Precise definition – Can a median income family afford to make a monthly mortgage payment (excluding escrow) for a median sale price house in their area with 25% of their income, assuming
  • a 20 percent down payment
  • a 30 year fixed mortgage

• If the answer is yes, we say housing is affordable.

• Nebraska Realtors Association provides data on median sale prices each month.
Definition of Housing Affordability

• Mathematical Definition –
  Housing Affordability Index = 100*Median Family Income / Qualifying Income

• “Qualifying Income” = Monthly Mortgage Payment X 12 X 4
  • Multiply by 4 since the mortgage payment is 25% of income if
    the housing is just affordable

• The monthly mortgage payment, naturally depends on
  • the median sales price of a single-family home (in area)
  • effective interest rates
Definition of Housing Affordability

• If the Median Income = Qualifying Income, housing is just affordable and the Housing Affordability Index = 100

• If the Median Income > Qualifying Income, housing is more affordable (less than 25% of median income) and the Housing Affordability Index > 100

• If the Median Income < Qualifying Income, housing is less affordable (more than 25% of median income) and the Housing Affordability Index < 100
Q1: What is the value of the Housing Affordability Index in Nebraska?

- 100
- 150
- 200
- 250
Definition of Housing Affordability

• Is the Housing Affordability Index > 100 in Nebraska and in Nebraska towns and cities?

• More to the point is it much higher than 100?
Housing Affordability Statewide
HAI Values NE vs US
Housing Affordability Statewide

• Average HAI value over last year
  • Nebraska: 243
  • United States: 165

• A value of 243 means the median family can afford the monthly mortgage (excluding escrow) on a median family house with approximately 10 percent of their income
Q2: Where will housing affordability be greatest?

• Grand Island
• North Platte
• Norfolk
Housing Affordability Statewide

• In Nebraska, housing affordability rose slightly between August 2015 and August 2016

• The reason was that rising incomes and falling interest rates compensated for an increase in the median sale price of a single-family home
Housing Affordability Statewide

Housing Affordability Index
June Through August 2016

- Grand Island: 257
- Hastings: 394
- Lincoln County: 295
- Norfolk: 308
- Omaha Area: 244
- Midlands: 239
- Scottsbluff County: 287
Housing Affordability in Nebraska

• The Metropolitan areas are near the state average
  • Omaha Area: 244
  • Midlands (Lincoln Area): 239
  • Grand Island: 257

• Housing Affordability even greater in micropolitan areas
  • Scottsbluff: 287
  • Lincoln County (North Platte): 295
  • Norfolk: 308
  • Hastings: 394
Housing Affordability In Nebraska

• Housing affordability is especially strong in micropolitan and rural areas

• However, these areas face another issue: *housing availability*
  • Limited population growth and low prices for existing homes has led to a lack of new construction
THANK YOU!

Any Questions?
Next Webinar
Entrepreneurship in Nebraska
November 18, 2016
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