



Priced Out: Key Findings

- Housing in the San Francisco Bay Area is persistently and pervasively unaffordable despite the recent economic and housing market downturn. In the Bay Area workforce households are priced out of the for-sale housing market almost entirely. As of the middle of 2009, every county in the Bay Area fell within the 15 percent least affordable in the country.
- There are no real “fringe” locations in the nine-county Bay Area where workforce households can escape the high cost of housing and choose to trade off a much longer commute in exchange for an affordable housing option, even after the dramatic fall in prices that has occurred over the last two years.
- Bay Area households in the “workforce” income range are largely priced out of homeownership. Owner-occupied workforce households in the Bay Area spend more of their income on homeownership than do households almost anywhere else in the country.
- Only 15 percent of the existing for-sale housing stock in the Bay Area is affordable to workforce households earning the median family income. This compares with between 50 and 60 percent in many of the Bay Area’s peer metropolitan regions. This is due in part to the fact that high housing prices extend across the region.
- A workforce household earning \$65,000 per year, or approximately 70 percent of the Bay Area’s estimated median family income, can afford to purchase only about 5 percent of the for-sale housing stock in the entire region.
- A workforce household earning \$102,000, or about 110 percent of the average median family income, can only afford to purchase only 20 percent of the for-sale housing stock. These statistics are remarkable considering that they reflect the situation in 2009 after home prices have fallen by 40 percent or more from their 2006 peak.
- Uniformly high housing costs are similarly pervasive in the rental housing market, which serves 42 percent of existing workforce households, and far more of the new workforce households being created in the Bay Area. Workforce households have a much higher propensity to rent in the Bay Area, especially among families, than in peer cities across the country.
- Bay Area rents are high and a disproportionately high percentage of workforce households also pay more than 30 percent of their incomes on rent, more than in peer metropolitan regions across the country.

Priced Out: Future Consequences

- Despite a temporary correction in the housing market, the demand for additional housing in the Bay Area over the next 20 years will be immense.
- Between 2010 and 2030, the Association of Bay Area Governments (ABAG) projects that the Bay Area will add over 500,000 households. Meeting the demand for workforce housing will be particularly challenging as most new housing construction in recent years has resulted in housing financially out of the reach of the vast majority of workforce family households.
- A projection of future demand and supply suggests that there will be a shortage of over 6,000 new for-sale housing units affordable to workforce households by 2025. This estimate, moreover, is likely conservative because it assumes that prices do not rebound from their current lows. In reality, the shortage could be substantially higher.
- Workforce demand for new rental housing, especially among those earning between 60 and 100 percent of AMI, is projected to exceed supply by almost 23,000 units, resulting in a total shortage of more than 29,000 workforce housing units in 2025.

Priced Out: Solving the Problems

- Unless serious changes are made, new home development will leave significant unmet demand from workforce households. A scarcity of appropriately zoned and located land together with relatively high development costs makes it nearly impossible for builders and developers to deliver high-quality new rental communities at price points affordable to workforce families.
- Additional high-quality rental housing could provide improved living opportunities for the Bay Area workforce and help fulfill the unmet demand. To meet the needs of workforce families, rental apartment communities need to offer housing with more bedrooms for all income categories, as the family housing need is the most dire.
- Creatively exploring new financing techniques, public subsidy solutions, approaches to lowering the cost of construction, or other innovative development strategies will be necessary to address this worsening problem and to provide adequate rental housing options for workforce households.