



Housing Affordability

Prepared by Rebaz Ahmad Hassan

Table of Contents

Introduction.....	3
Brief history of housing affordability and affordable housing	4
The logic of housing affordability	5
Factors affecting affordability	6
Population, housing and the city and urban	7
Affordability for housing example in some country:	8
Factors affecting affordability:	12
Conclusion	13
References:.....	14

Introduction

Affordable housing applies to housing units that are affordable for that segment of society whose income is below the median income of the household.

Most importantly, in relation to their individual housing conditions, it is an expression of people's social and material interactions, developed as households. Affordability represents the challenge each household faces in balancing, on the one hand, the cost of its real or potential housing and, on the other, its non-housing expenses within its income constraints.

While various countries have different definitions of affordable housing, but they are essentially the same, the housing needs of lower or middle-income households should be met by affordable housing. Affordable housing is a key problem, especially in developing countries where most of the population cannot buy houses at the market price.

People's disposable income remains the key factor in evaluating affordability. As a consequence, the government's increased obligation is to respond to the growing demand for affordable housing. The Government of India, along with some developers, has taken various steps to meet the increased demand for affordable housing and stressed public-private partnerships (PPP) for the construction of these units.

One of the key issues that local governments struggle with is housing policy. This addresses many overlapping concerns. A significant general goal is to ensure that everybody has a decent place to live. People are also interested in ensuring that in particular communities, metropolitan areas, or neighborhoods, economic diversity occurs. Last but not least, there is interest without unduly displacing individuals in preserving unique cultures and community ties.

Brief history of housing affordability and affordable housing

Over the past few decades, the relationship between rents and house prices on the one hand and household incomes on the other has diverged in the metropolitan areas of many Western countries. There are several reasons for this trend.

First, rents and house prices have increased because there is less easily available land for development. Over the past few decades

developers have gone from building out (i.e., expanding outwards), to building up (i.e., replacing lower-level with higher-level buildings when allowed by local height limits), to building in the back (i.e., dandifying by splitting parcels or building in a homeowner's back yard, as has recently occurred with accessory dwelling units). Building out is relatively inexpensive when pieces of land are large, are in single ownership, and fall under conventional zoning. However, building in the back is relatively expensive when most sites are small, have a 'main' building nearby, and may be subject to unconventional residential zoning or require zoning modifications.

Second, rents and house prices have increased because developers have faced increasingly tight planning regulations and increasing costs for construction materials over time, as well as tighter lending standards during and after the global financial crisis.

Third, rents and house prices have increased because filtering and moving chains have not worked in practice. On the one hand, most developers have continued to build or rehabilitate for upper-income households, or high or ultra-high net worth individuals to satisfy their desired profit margins, which are not regulated. While these newly built and rehabilitated units increase the number of housing units, they may not be primary places of residence and thus may not necessarily result in moving chains. On the other hand, many landlords or developers have continued to tear down old (i.e., affordable) units, partly because of gentrification pressures or code issues, and then replaced them with new units geared towards higher-income residents.

Fourth, rents and house prices have increased because many national, state, and local governments have retrenched from social policies or pursued austerity, resulting in reduced funding for affordable housing.

The logic of housing affordability

Semantic and substantive issues relating to affordability

There are several types of tensions in the literature on housing affordability, including but not necessarily limited to the following:

1. Conceptual rigor versus practical policy implications
2. Housing affordability versus “affordable housing”
3. housing affordability versus housing standards
4. A normative standard of affordability versus empirical analysis of housing costs in relation to incomes

Affordability of housing versus expectations for housing. Housing deprivation can take a number of forms, of which only one is a lack of affordability. Households may live in housing that does not meet physical decency standards, in overcrowded conditions, with unstable tenure, or in places that are unsafe or inaccessible. While each of these other types of deprivation is technically different from lack of affordability, in practice, most households suffering one or more of these other forms of deprivation do so because they cannot afford satisfactory housing and residential environments.

In summary, affordability of housing is not really separable from standard housing. An analysis of the degree and distribution of affordability issues that takes other aspects of housing deprivation into account would increase the number of households that are determined to have a real affordability problem, whereas over housing change would minimize it. Housing affordability studies should preferably be iterative due to these offsetting patterns and concept difficulties: applying an economic affordability criterion in the first case, while finding ways to enhance the accuracy of the study to account for under- and over housing

Factors affecting affordability

Any variables that have affected affordability may be defined under various assessment approaches. The rent and profits are the most evident. These two aspects are primarily stressed by all the various approaches. In affecting affordability, rent is important as it defines how much is needed to pay for housing.

There is numerous numbers of factors that have been giving a huge affected to the housing affordable stress such as:

1. Income pattern

It can be classified as having housing affordability stress, according to Judith (2007), if low-income households spend at least 30 percent of their income to cover the cost of housing. Measuring Housing Tension, Tanton & Harding (2010) according to Nepal,

Income is also playing a fundamental role to affect affordability. It determines a household's ability to pay for housing. Few would doubt these two factors are strongly affecting one's affordability, but the discussion should not be stopped here. There are other factors affecting one's affordability in addition to income and re

Years	Total		BUMIPUTERA		Chinese		Indian	
	2009	2012	2009	2012	2009	2012	2009	2012
Highest (20%)	9,987	12,159	8,976	10,666	12,152	15,254	9,774	13,127
Middle (40%)	3,631	4,573	3,272	4,123	4,560	5,836	3,569	4,589
Lowest (40%)	1,440	1,847	1,300	1,686	1,897	2,455	1,547	1,937

Table 1 (Average household income according to the races)

2. Household Type and Size

Based on the findings of a study by Yates (2007), the type of household also is one of factors that caused housing affordability stress. According to the list of households spouses, the spouses and children, individuals, single parents, groups, and others, the percentage of households that are said to be in housing stress is a single parent. According to a study conducted by Stone, Burke and Ralston (2011) estimated that the type of households with income only \$75,000 a year afford the housing costs of \$800 per week (approximately 50 percent of gross income), differ with households couples with children, can only accommodate about half of that amount. In generating income that enables a person not only cover the cost of housing,

but also the costs of other basic, then they should have the kind of good work types. According to Clark et al. (1997), households with stable jobs are easier to buy a home.

3. Region/District

The most important factor in owning a house in the socio-economic environment is the price, location and population (Rossi, 1995). According to the statement by Bujang et al. (2010), however, the ability of individuals is the key factor in the high house prices offered on the market and caused by a lack of supply of affordable houses, especially in the region.

Population, housing and the city and urban

Housing is about the location of individuals in their permanent places of residence; it cannot be isolated from two basic parameters: the population and the available national space. The 20th century was the era with the most rapid population growth in human history; and in the second half of the 20th century, the rise in human populations surpassed the world's experience over the previous 4 million years.

On the other hand urban social and ecological problems have resulted in urban populations, especially in the developing world. UN demographers have estimated that a further 2.8 billion growth in the world's population would occur in developing countries in the first half of the 21st century, contributing to a further exacerbation of complex urban social and ecological problems. "In most major Third World cities, homelessness is already a serious problem." Of the 2.05 billion people that demographers expect would be added to the world's population between 2000 and 2030, Africa's share is expected to be about 1.4 billion and a good share of this addition will occur in Nigeria (the country which holds about one-fifth of the continent's population and has one of the highest rates of population growth in the continent). The housing situation is poised to deteriorate even further with the addition of more urban dwellers. The end result of all these scenarios will be the "combination of environmental degradation and social shortfalls", which would ultimately hinder the progress of these nations .

The government literally loses control of urban planning processes in such circumstances; resorting only to the physical manifestations of the urban

environment being reduced. The total lengths of urban roads, electric power lines, water supply lines and even waste collection and disposal routes are increased by urban sprawl. The maintenance of all these excessively over-extended lines of urban infrastructure facilities adds up to a permanent burden of financial capital for the city authorities. The maintenance of all these excessively over-extended lines of urban infrastructure facilities adds up to a permanent burden of financial capital for the city authorities. In addition, as electric power lines are dramatically spread across the urban landscape, some percentage of electrical energy is transformed into heat as a result of urban sprawl (during transmission).

This ends up affecting the efficiency of electric power supply in the city; city dwellers are forced to pay for some amounts of electrical energy that they actually do not consume. Extended transportation routes in cities result in increases in demands for transportation fuel, escalation of urban transportation costs, and increases in urban air pollution problems associated with automobile transportation.

Affordability for housing example in some country:

In order to offset the cost of rent, families around the United States pay too big a price. Rents and the cost of home ownership are skyrocketing, while salaries do not keep pace.

Today, in a place to rent, nearly 18 million U.S. households pay half or more of their income. That means that the security that secure, decent and affordable housing offers is denied to almost 1 in 6 families.

What makes a home affordable comes down to simple math at the most basic level. Subtract your monthly rent or mortgage from your take-home pay, and for life's needs, you should have ample money left over.

Too many individuals have to make difficult decisions, the product of two big trends, lagging wages for low- and moderate-income families, and rising housing prices, says Chris Herbert, managing director of the Joint Center for Housing Studies at Harvard University.

Today's real average wage — after accounting for inflation — has about the same purchasing power it did 40 years ago, according to Pew Research Center. Meanwhile, the Joint Center for Housing Studies notes that both the

median home price and median rent has risen faster than overall inflation over the past 25 years — 41 percent and 20 percent respectively.

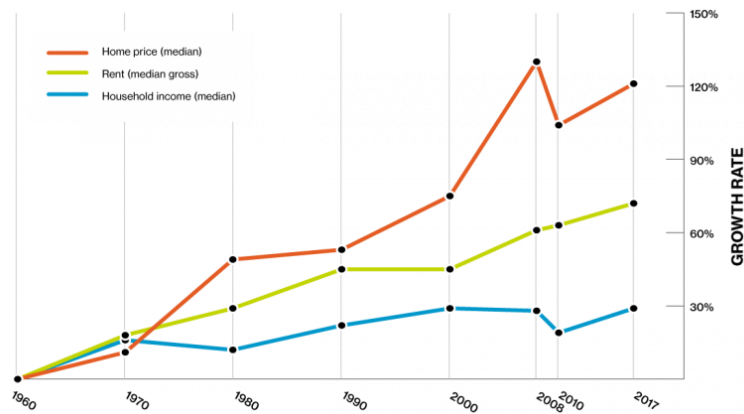


Chart 1 (Harvard University's Joint Center for Housing Studies)

Experts usually claim that 30 per cent of their income is the limit a family can pay for housing. Any more than 30 percent and a family is considered cost-burdened, which means that when it comes to other needs, they often find themselves making difficult decisions.

The ratio of housing costs to income is widely accepted in the United States as the appropriate indicator of affordability and the simple "rule of thumb" ratio standard (25 percent of income until the early 1980s, 30 percent since then) for the assessment of housing affordability issues, as well as for the determination of eligibility and payment levels, explicitly for publicly subsidized rent.

The ratio paradigm persists in the United States despite considerable critical discussion in the late 1960s and early 1970s, and some efforts since then, in presenting and applying an alternative residual income approach.

Housing affordability versus "affordable housing." Affordability is also expressed in terms of "affordable housing" in Britain and the United States. But affordability is not a characteristic of housing—it is a relationship between housing and people. For some people, all housing is affordable, no matter how expensive it is; for others, no housing is affordable unless it is free. "Affordable" housing can have meaning (and utility) only if three essential questions are answered:

1. Affordable to whom?
2. On what standard of affordability?
3. For how long?

Indeed, in light of the discussion in the following section on housing standards, one might also add, meeting what physical standard?

Before the 1980s in the United States, subsidized housing (public and private) was referred to as low-income housing and low- and moderate-income housing, with explicit definitions of “low income” and “moderate income.” Although such terms and definitions are still used in determining eligibility.

At a recent housing forum, organized by the Nigerian Society of Engineers (NSE), Calabar Branch, some of the peculiarities of housing situations in Nigerian cities were discussed (August 24, 2010)

- about 98 percent of the housing stock of Nigeria is privately developed housing without any support in the form of mortgage finance or direct government interventions;
- The estimated housing stock in Nigeria is about 11 million housing units, and the present deficit is estimated at 17 million housing units.

The United Nations estimate for Nigeria’s population for 2009 was 154.7 million. Reckoning with an average family size of 5.5, it would take a total about 28 million housing units to accommodate this population, i.e. 17 million in addition to the present estimated housing stock of 11 million. This corresponds with the computations made at the NSE housing forum .

Thus the huge deficits in housing stock in Nigeria are the result of the lack of consistent government policies and interventions in the Nigerian housing sector over the last 50 years. Several persons, located well above the median- income bracket, are now without easy access to affordable housing in virtually all the major cities of Nigeria.

In Germany, by comparison, the Federal Government passed rent control laws in March 2013. Select municipalities that have experienced large rent increases began implementing these laws in June 2015. However, In the summer of 2014, the Federal Government, states, municipalities, and associations formed an affordable housing coalition, which published its final report in November 2015. However, In the summer of 2014, the

Federal Government, states, municipalities, and associations formed an affordable housing coalition, which published its final report in November 2015. In terms of housing affordability, the coalition suggested increasing housing assistance for renters and analysing the implications of high housing costs.

With regard to the affordable housing stock, the coalition proposed that states and municipalities stabilize and increase housing subsidies for the sustainable renovation of buildings; decrease property taxes on newly purchased homes; sell federally owned properties at a discount; encourage municipalities to sell lots, particularly in urban areas, subsidising states and municipalities to reduce the asking price of properties; increasing the affordable housing stock for students and apprentices; improving, establishing, and streamlining legal and construction standards; increasing density; allowing mixed uses; encouraging flexible parking regulations; reforming noise and fire regulations; encouraging collaboration among developers and stakeholders; and establishing policies and programmes that facilitate aging in place, among other things.

The table below shows the average monthly cost of rent at some German cities, including the biggest ones:

City	Average Monthly Rent	City	Average Monthly Rent
Aachen	534.65 €	Dusseldorf	672.22€
Augsburg	613.57€	Frankfurt	868.91€
Berlin	795.90€	Hamburg	838.94 €
Bochum	406.67€	Hannover	591€
Bonn	653.75€	Ingolstadt	708.33€
Bremen	560.00€	Leipzig	490.80€
Cologne	727.14€	Mainz	668.00€
Dortmund	460.00€	Munich	1,094.30€
Dresden	533.33€	Paderborn	512.50€
Essen	451.83€	Stuttgart	846.43€

Chart 2 (rent at some German cities)

The above rental prices are given for a one-bedroom apartment located at the center of the city.

Factors affecting affordability:

Quality Based Measurement also emphasizes on the importance of housing quality. It argues that a household is unaffordable to housing if it consumes a housing unit which is below the socially acceptable standard, regardless to the rent paid is below certain ratio. Housing quality can be operationalized into different indicators, such as housing size and household size.

<i>Different Affordability Measurement</i>	<i>Factors affecting affordability</i>
<i>Traditional Ratio Measurement</i>	<i>Rent</i> <i>Income</i> <i>Housing expenditure</i>
<i>Quality Based Measurement and Core Need Measurement</i>	<i>Rent</i> <i>Income</i> <i>Housing expenditure</i> <i>Minimum socially accepted standard housing unit</i>
<i>Residual Income Measurement</i>	<i>Income</i> <i>Housing expenditure</i> <i>Minimum socially accepted non housing expenditure</i>

Table 2 Factors affecting affordability

Conclusion

In summary, while affordability of housing and affordable housing can be difficult to address through policies and initiatives, the papers published in this particular issue indicate that successful strategies are in place to address affordability of housing and affordable housing . Other suggestions to solve housing

affordability and affordable housing may be building on vacant urban land already zoned for multifamily development; adding units to exist- ing single-family homes; adding units to underutilized urban land zoned for multifamily development, developing affordable and adjacent single- family housing, incentivizing local governments to approve already- planned-for housing, accelerating land-use approvals, prioritizing state and local funding for affordable housing, attracting new investors in affordable housing; designing regulations to boost affordable housing while maintaining investment attractiveness, raising construction productivity deploying modular construction, accelerating construction permitting, reducing housing operating costs; and aligning development impact fees with housing objectives. These approaches, in addition to the discussed strategies in the articles in this special issue, may be worth considering in the short, mid, and long run.

References:

Books

1. Housing Policy Debate, by (Michael E. Stone) , published: 31 Mar 2010.
2. the problems of access to affordable housing for urban dwellers in nigeria and the challenge of the 21st century, by (A. E., Ita Ekpe E.). Cross River University of Technology, CRUTECH, Calabar, Nigeria
3. Introduction: housing affordability and affordable housing. By (Katrin B. Anacker),2019

Citation:

1. Peterson, K. (2018). Backdoor revolution: The definitive guide to ADU development.

Portland, OR: Accessory Dwelling Strategies.

2. Jakabovics, A., Ross, L. M., Spotts, M., & Simpson, M. (2014). Bending the cost curve:

Solutions to expand the supply of affordable rentals. Washington, DC: Urban Land Institute.

3. Geithner, T. F. (2014). Stress test: Reflections on financial crises. New York: Crown

Publishers.

4. Prevost, L. (2013). Snob zones: Fear, prejudice, and real estate. Boston: Beacon Press.
5. Harrington, B. (2016). Capital without borders: Wealth managers and the one percent Cambridge, MA: Harvard University Press.
6. Budding, David W. 1980. Housing Deprivation among Enrollees in the Housing Allowance Demand Experiment. Cambridge, MA: Abt Associates, Inc.

7. Anacker, K. B., & Li, Y. (2016). Rental housing affordability of U.S. renters during the Great Recession, 2007 to 2009. *Housing and Society*, 43(1), 1–17. doi:10.1080/08882746.2016.1160556

Internet cites

1. Cost of Living in Germany. On this cite

<https://www.studying-in-germany.org/cost-of-living-in-germany/>

2. Affording houses in Nigeria. on this site

<http://housingfinanceafrica.org/countries/nigeria/>