South Carolina
Commission for Minority Affairs

Research Brief - March 2024 (3:1)

Unattainable Dreams

Housing Affordability in South Carolina

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Abstract

By examining new data sources and releases, this research further explores dynamics addressed in the "Unaffordable Housing" brief (1:7) published in July 2022 by the SC Commission for Minority Affairs. By integrating data from the Bureau of Labor Statistics (bls.gov) and Federal Reserve Economic Data (fred.stlouisfed.org), this research spotlights major socioeconomic dynamics and connections between affordable housing, vacant houses, and householder age patterns in South Carolina. We find that while housing affordability has worsened, the COVID-19 pandemic and subsequent economic turmoil are not the root causes. Further, our work illustrates how these conditions disproportionately affect minority households.

Laying Foundations

In analyzing data from 2009-2019 we revealed the "unaffordability paradox" of cost-burdened households: many low-income households dedicate 30% or more of income to housing while being unable to capitalize on the economic benefits of home ownership. For these residents, limited personal resources coupled with poor credit impedes access to education, professional development, quality of life improvements, retirement savings, and mortgage loans. Being cost-burdened means that crisis is, without exaggeration, right around the corner, as even minor changes to a household economy might further send one down the endless cycle of poverty and potentially into homelessness. We showed that renters were significantly more likely to be cost-burdened when compared to homeowners, even as they spend more of their income on housing. Furthermore, we illustrated how existing racial income disparity increases Minority households' vulnerability.

This current report starts with 2009, the first year after the Great Financial Crisis to demonstrate some stability in real estate and mortgage categories. The 2022 release of the American Community Survey (ACS) One-Year data marks the first year of post-COVID financial tightening after a blistering 2021. South Carolina's real estate situation, by this point, had fundamentally changed due to the development of remote work opportunities and increased numbers of retirees making their way to the state. In fact, South Carolina had the third fastest growing population in the United States in 2022. Coupled with this increased demand was an uptick in inflation, which jumped in 2021. It is with this context in mind that our research contributes to the growing literature on housing affordability as a social problem in South Carolina.

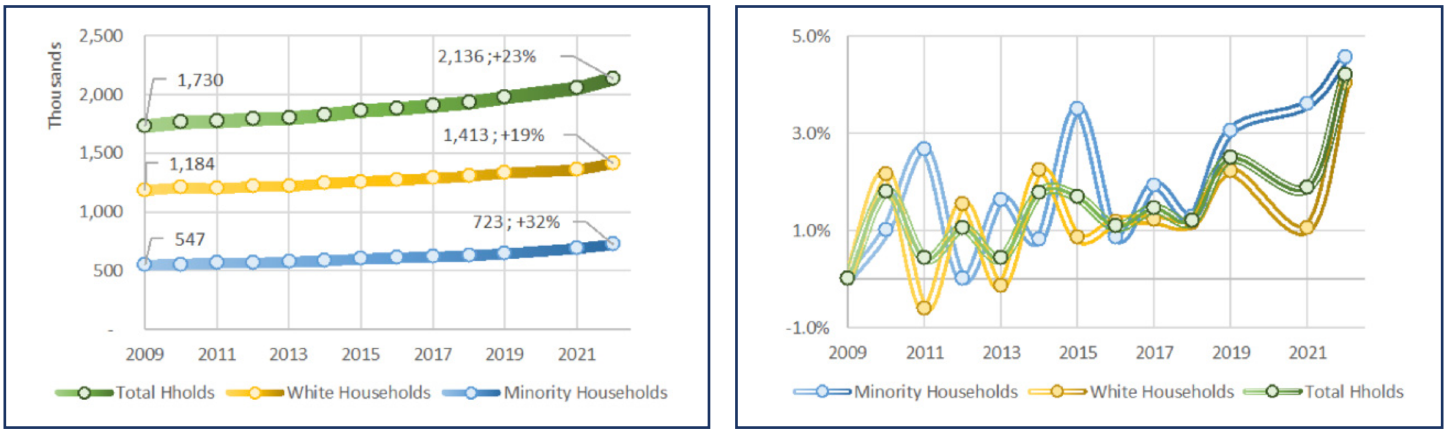
[1] Wherever not otherwise stated, the dataset filters out vacant housing units and those in general quarters by design.

Blueprints and Cornerstones

Household Dynamics

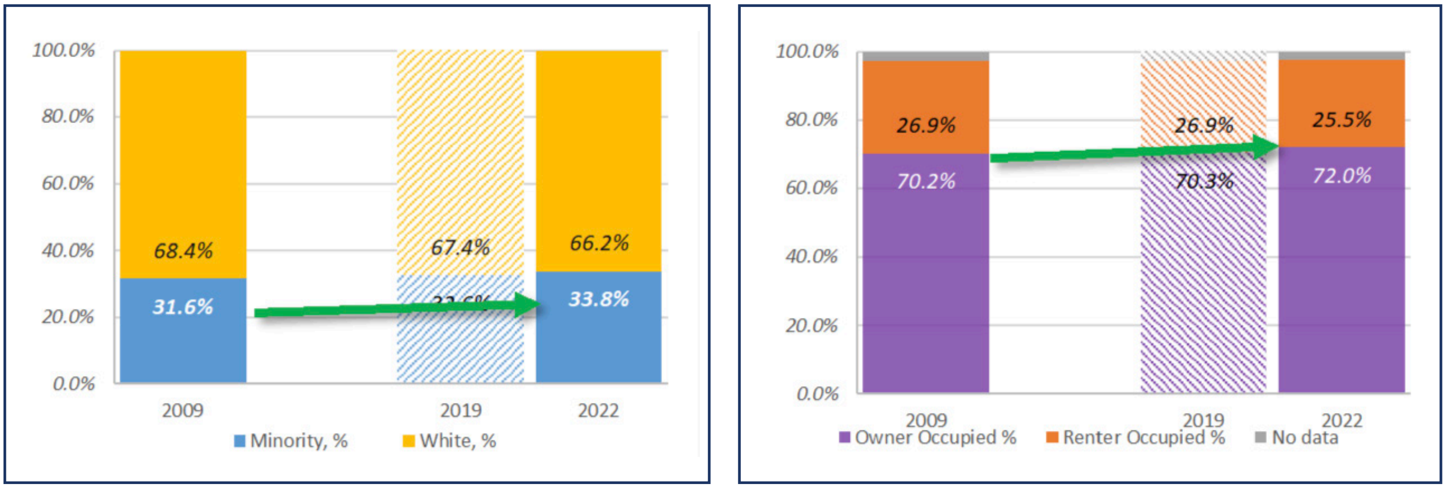
The number of households in South Carolina has steadily increased over the past 13 years. In 2022, there were estimated at 2.136 million households. The cumulative growth rate has been modest, at 23% since 2009, and averaging 1.77% per year. However, there has been a rapid acceleration in this growth after 2018 (see Figure 1). From 2009 to 2018, the number of households in the state grew slightly, from 0.5 to 1.5% annually, increasing +14% in 11 years. In 2019, the growth rate jumped up and by 2022 the year-to-year growth rate was over 4%.

Figure 1. Households Dynamics in Numbers (Left), Total and Categorized. Year-to-Year Growth Rate (Right).



When analyzing household growth by ownership from 2009, Minority-headed households increased by 32%, while households headed by Whites grew by 19% over the same period. This tracks larger demographic shifts in the state's population, with Minority population growth exceeding that of the White population. Due to this differential growth rate, the composition of households in the state has shifted - the share of Minority households has risen from 31.6% to 33.85%, while the share of White households has decreased from 68.4% to 66.15%.

Figure 2. Households Categories Composition (Shares) Dynamics: Minority/White (Left); Renter/Owner Occupied (Right).2020.

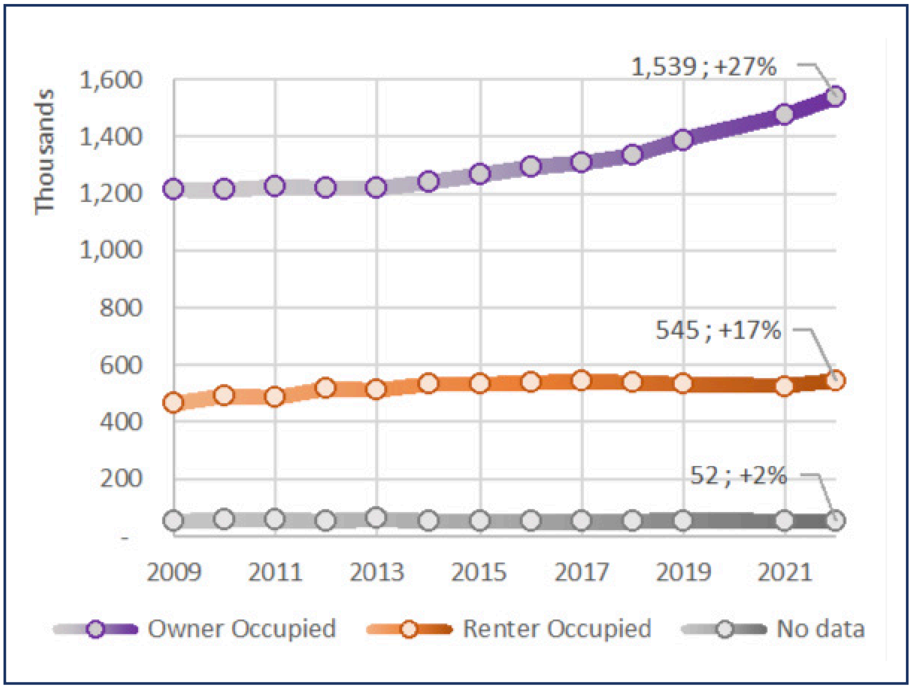


[1] Source: https://www.census.gov/newsroom/press-releases/2022/2022-population-estimates.html

Housing utilization dynamics indicate growth in both owner- and renter-occupied units (+27% and +17%, respectively). This contributed to an uptick of 1.8 percentage points (to 72%) for owner-occupied housing as a share of total households.

Given this data, with the growth rate of owner-occupied households (Figure 2) outpacing the total household growth rate, new construction and the purchasing of existing rental properties are two key sources for satisfying much of the demand.

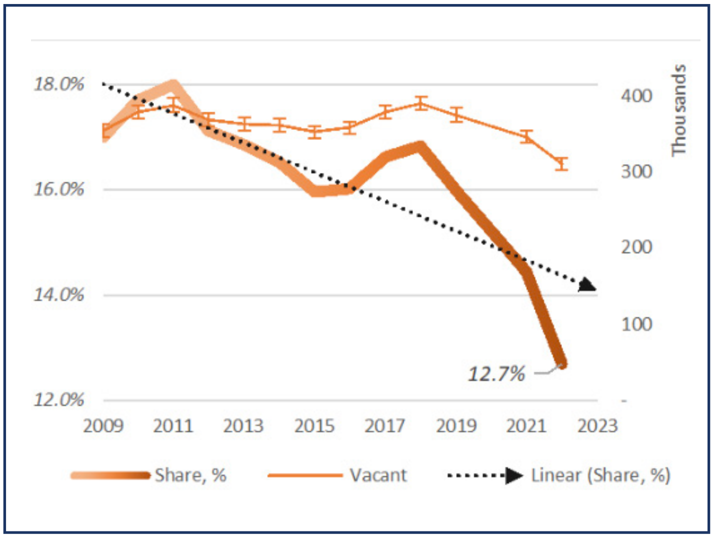
Figure 3. Absolute Changes in Tenancy

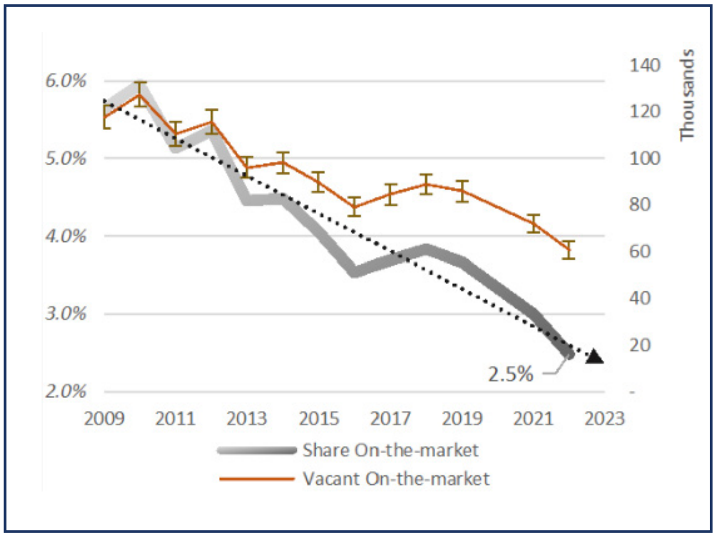


Vacant houses

A third potential source to meet the growing demand is tapping into the vacant housing stock. In analyzing vacancy rates, it is important to note that vacant units for rent or sale are priced for market exchange, while vacant "seasonal" and "recreational" units are not. Examining total vacancies as well as marketed vacant unit rates (Figure 4 a, b) shows an ongoing decline in South Carolina's vacant housing units. This gradual reduction indicates the vacant stock cannot adequately satisfy rising demand in near future. While the downward trend will likely persist, together with population growth it may trigger further price inflation, especially in key real estate markets across the state.

Figure 4. a: Vacant Housing Units Share (Left scale) and Absolute Numbers (Right scale). b: Vacant houses "On-the-Market".





[3]Note: Vacant houses are studied as a subset of the "housing units" data, which is different from the "households" subset used in the rest of this study.

While low vacancies may temporarily benefit certain sellers, rates approaching 2.5% indicate a brewing crisis affecting broader economic well-being:

- Constrained supply drives inflated price expectations, bidding wars, and desperation among buyers.
- Supply shortages promote the sale of defective units and deter maintenance of rentals.
- Supply lags demand, which may cause developers to cut corners on quality and infrastructure.
- Absent relief, extremely tight vacancy rates set the stage for cascading economic and social problems.

Over the study period, median household income grew substantially: 40% for owner-occupied and 53% for renter-occupied units (Figure 5). Yet, to what extent has income growth bolstered residents' purchasing power and ability to obtain affordable housing? Examining inflation against a home price index offers insight (Figure 6). While inflation climbed cumulatively 36% during the study period, real (i.e., inflation-adjusted) incomes rose only 3% for owner-occupied households and 12% for renter-occupied households. However, real housing prices skyrocketed 78% since 2009 - dramatically outpacing income growth - which only accelerated further after 2019. The South Carolina House Price Index outpaced the national index handily over this period.

Figure 5. Households Income Dynamics Numbers and Inflation Adjusted Categorized by Tenancy.

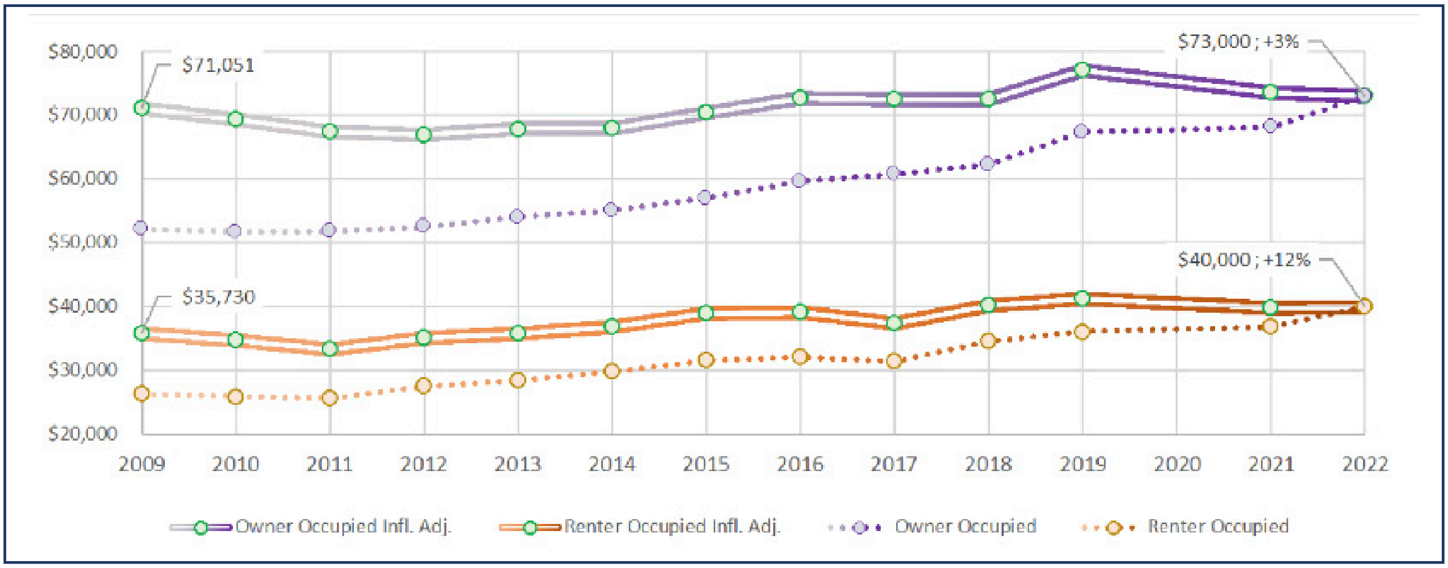
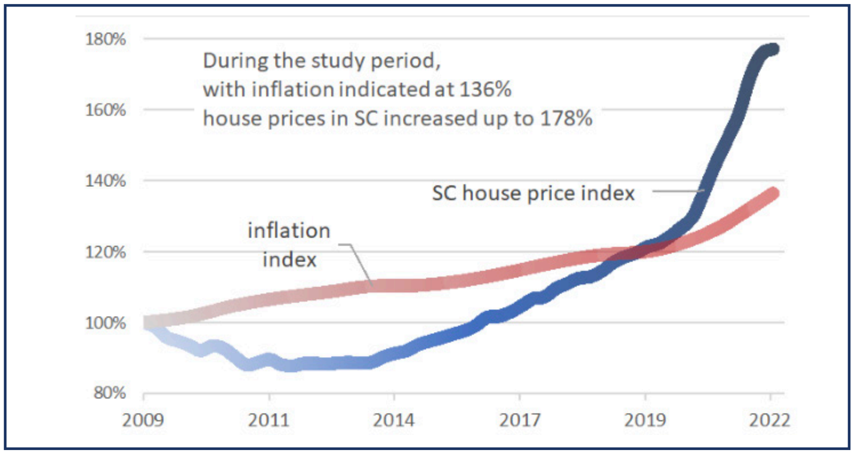
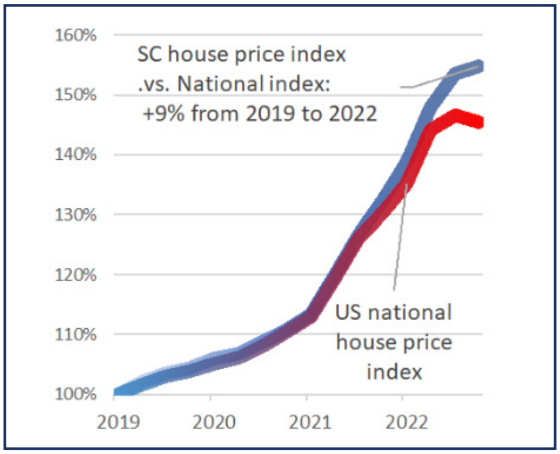


Figure 6 Inflation Rate and SC House Price Index Dynamics. Side Graph: SC House Price Index versus US National

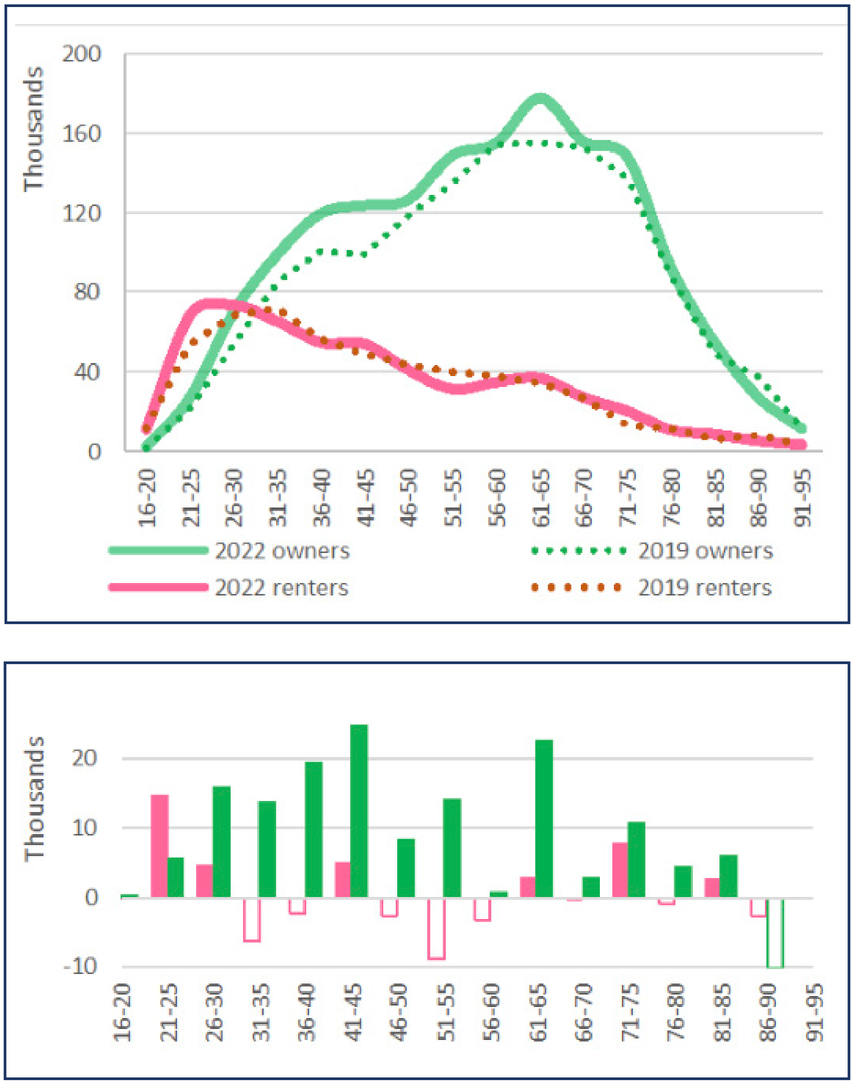




Aging Structures and New Builds

Age plays an outsized role in both income and housing tenancy. The age distribution for heads of households (Figure 7) formed a humped shape peaking at 66-75 years. Of 2.136 million households in 2022, 2.048 million were estimated as occupied, up 8% from 2019. Categorization by tenancy indicates predominant growth among renters for younger residents aged 21-25, mature professionals, and near-retirement seniors. The largest contribution new household formation over 2019-2022 came from 36-45-year-olds, contributing a significant 31.6% to the total growth (50% together with the 26-35 cohort), and seniors aged 56-75 contributing 30%. We suggest that the intensive inflow of new homeowners reflects both demographic and economic transitions. On the one hand, older individuals are taking advantage of South Carolina's relative affordability and mild weather, while on the other, remote work opportunities have contributed to growth in younger age cohorts. In all cases, newcomers appear to be capitalizing on the price disparity between South Carolina and outflow states.

Figure 7. Household Heads Age Distribution and 2019-2022 Change. Categorized by Tenancy.



Minority Householders in South Carolina

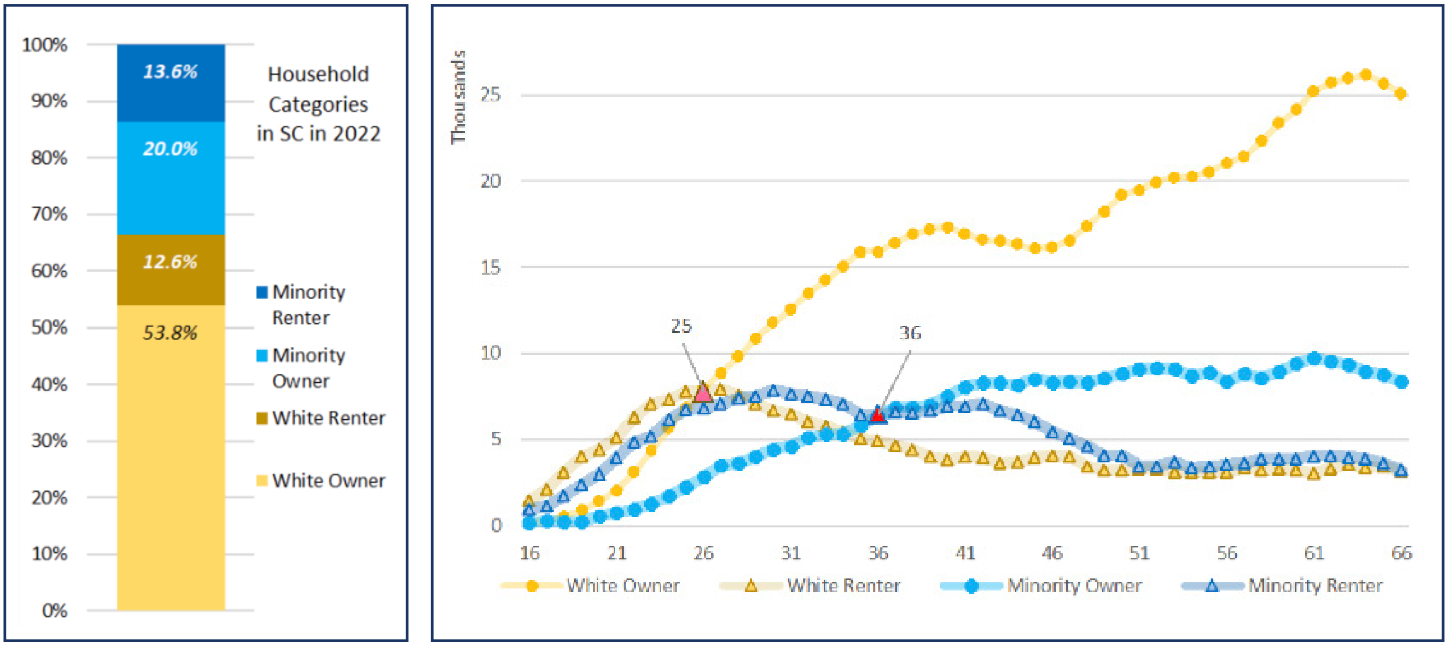
In general, these trends have unfolded in uneven ways across the state's population. Here, we examine the age distribution across four household categories:

- White renters
- Minority renters
- White homeowners
- Minority homeowners

The dominance of White homeowners is striking, comprising 54% of all households in the state (Figure 8). White homeowners account for 81% of all White households, while Minority owners take 60% of all Minority households. Overall homeowners comprise 74% and renters the remaining 26%. The age distribution graph illustrates how the desire to own often strengthens with age. We can also infer minority renters tend to remain renting longer compared to white renters, who transition to homeownership sooner.

Note: The number of renters is equal of that for owners at the intersection of two lines. Whites reach the equilibrium point at the age of 25 while Minorities owners outnumber renters after 36.

Figure 8. Households Categories and Categorized Household Heads Age Distribution (First 75%) in SC for 2022

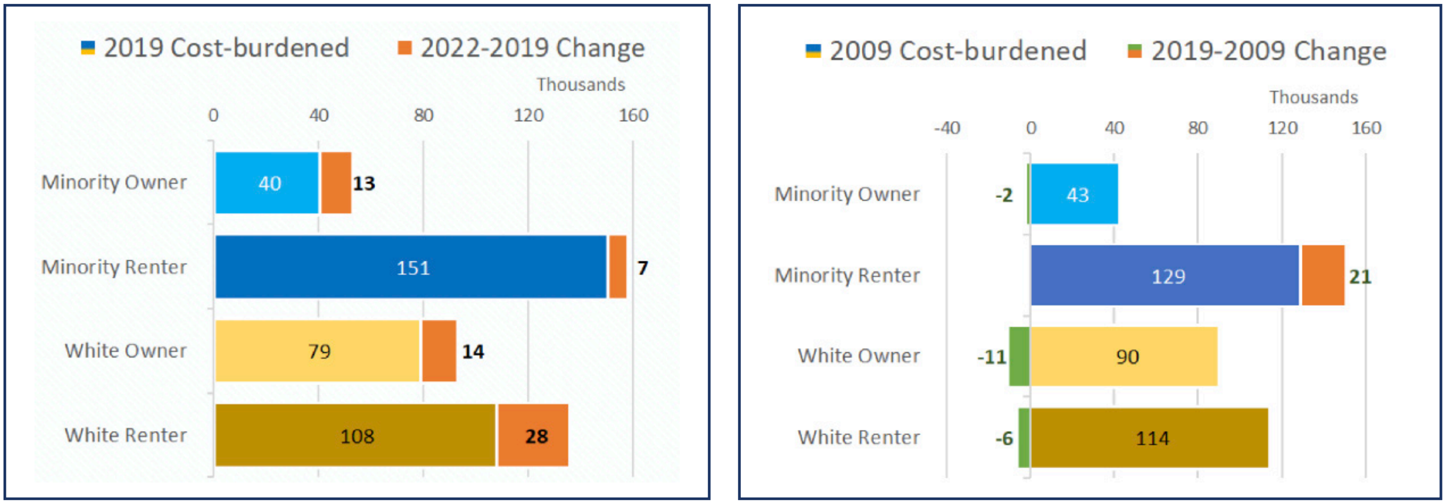


Note: The number of renters is equal of that for owners at the intersection of two lines. Whites reach the equilibrium point at the age of 25 while Minorities owners outnumber renters after 36.

The Burdens of Cost

Over the last three years about 20,000 new minorities households were recognized as cost burdened, equal to the previous 11 years combined. Minority renters, the group designated as most vulnerable, continued to increase from 2019-2022. However, what is more concerning is the fact that elevated number of cost-burdened households reversed gains made over the prior decade. From 2009 to 2019, 3 out of 4 household categories showed declines in cost-burdened rates. Together with total number growth, this makes remarkable positive structural changes. The period after 2018, however, indicates that these successes might not continue, as all categories show elevated cost-burdened rates (Figure 9 a, b).

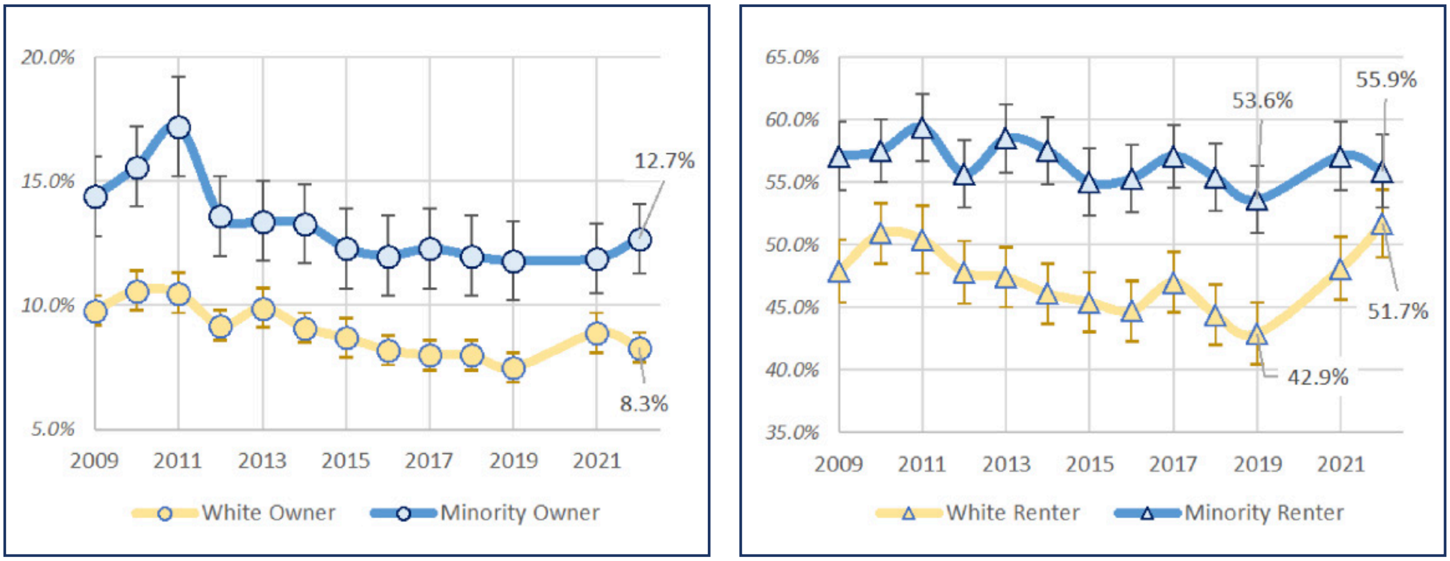
Figure 9. Cost-Burden Households Dynamics for 2022-2019 (Left) and 2019-2009 (Right)



By the end of 2022, the number of cost-burdened Minority households reached 211,000, roughly 30.2% of all Minority households. Among them, cost-burdened renters occupied households contributed 158,000, around 55.9% of the total.

The share of cost-burdened households for owner-occupied units saw no significant changes. The dynamics are slowly decreasing for both Minority and White owners. The gap between White and Minority share of cost-burdened households is clear, with a value of 4.4 percentage points (Figure 10).

Figure 10. Cost Burdened Households Share Dynamics for Owners (Left) and Renters (Right) Categories



Renters were heavily impacted by the recent housing market. The share of cost-burdened households among White renters jumped 9 percentage points from 2019 to 2022, meaning nearly 12,200 additional white renter households became cost-burdened. While the gap between Minorities and Whites narrowed, this was not caused by a significant decline in cost-burdened Minority renters, but of deteriorating conditions for White renters.

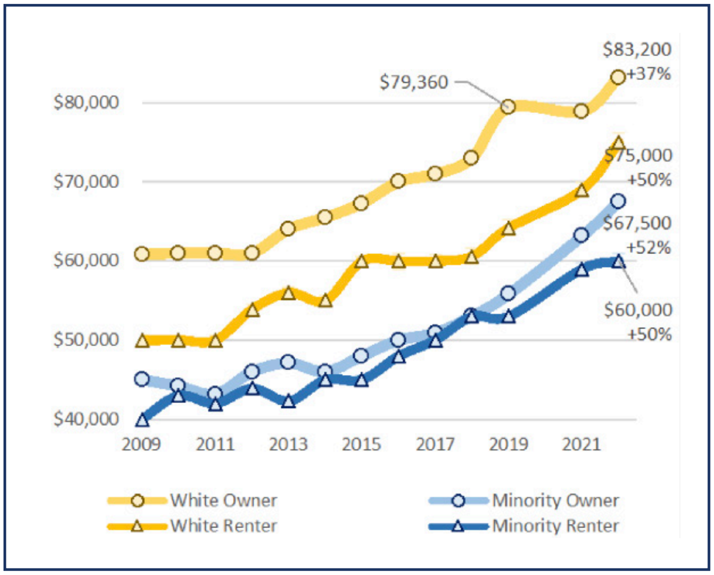
Household Income

As it was noted above, from 2009-2022 household income in South Carolina increased 40% for owner-occupied and 53% for renter-occupied households. A closer look shows that the income for non-cost-burdened households increased 37%-52% (Figure 11).

A significant gap in absolute amounts remain, even though the rate of income growth for these householders remains high and is not a current cause concern. For the cost-burdened category, income grew slowly at 12% and 23%. With slow growth, household income for cost-burdened owner-occupied households only reached $20,000 and $28,000. This dismal increase and proximity to poverty limits prompted an examination of inflation-adjusted income dynamics (Figure 12). The graph reveals a strong but gradual decrease in real income for homeowners.

The graph is also providing a clear view of a significant (30%) income gap between minorities and their white peers.

Figure 11 Income Dynamics for Categorized Non-Cost-Burdened (Left) and Cost-Burdened (Right) Households.



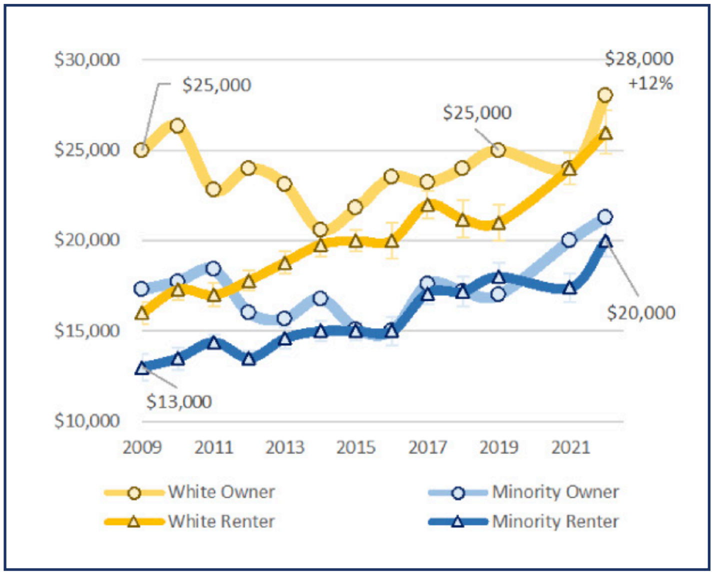
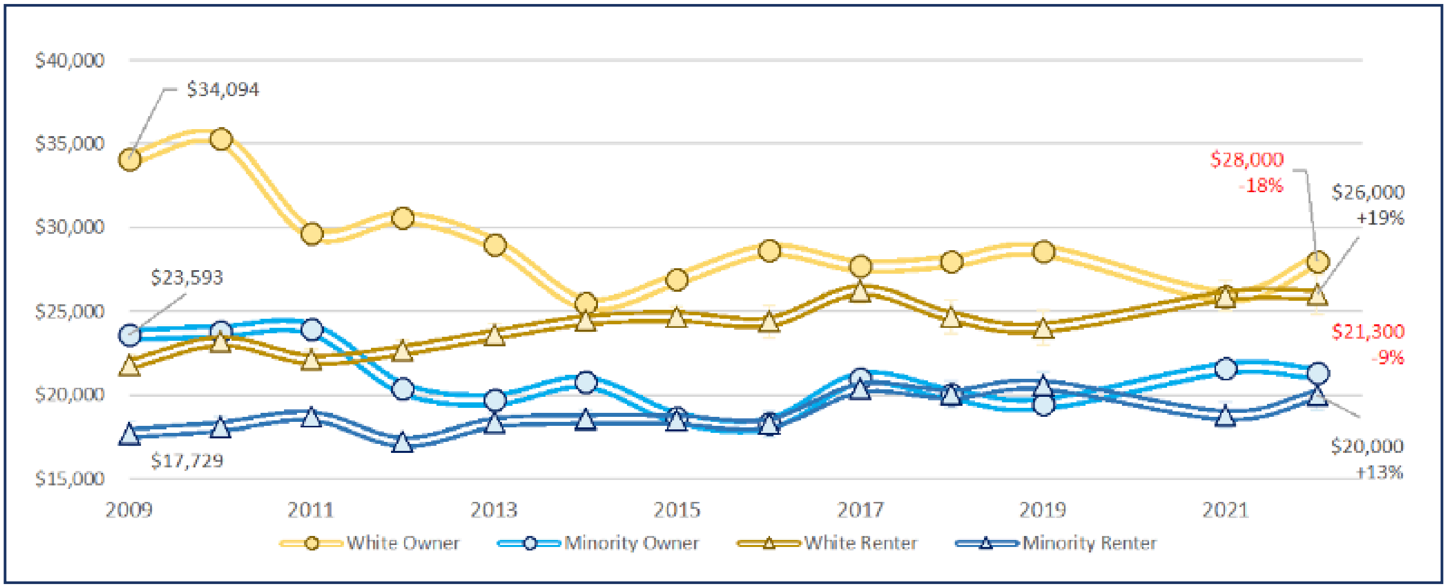


Figure 12 Inflation Adjusted Income Dynamics for Cost Burdened Households Income Dynamics.



"From 2019 to 2022 the share of cost-burdened households grew by 1.4% from 19.7% to 21.1%. This translates to 20,000 additional minority cost-burdened households in just the last 3 years - equaling the total increase from 2009 to 2019."

Conclusion

This brief suggests that policies aimed at increasing housing affordability and minority wealth, which showed promising momentum from 2009-2019, have been undermined by the swell in housing demand. When combined with inflationary effects, this reversed the positive trajectory. From 2019 to 2022 the share of cost-burdened households grew by 1.4% from 19.7% to 21.1%. This translates to 20,000 additional minority cost-burdened households in just the last 3 years - equaling the total increase from 2009 to 2019.

Expanding the analysis through 2022 shows no improvement in this trend: Increases in cost-burdened rates primarily affected renters and new homeowners as the state's real estate market struggled with a depleted housing stock after the onset of the COVID-19 pandemic. With vacant household rates as a historic low of 2.5%, and no end in sight in the stream of new residents to the state, one might expect to see these rates increase further if more proactive housing policies fail to be adopted.

Despite efforts, severe housing market shortages, depleted vacancy reserves, unchecked population inflows, and runaway price surges mean dreams of homeownership slip further out of reach for many, including Minorities in vulnerable communities. As the indicators analyzed here are flashing warning signs, actors in the public, non-profit, and business communities must come together to confront, with urgency, the affordable housing crisis facing South Carolina. From workforce development, family wellbeing , mental health, and productivity, this is an issue that cuts across economic and social interests in the state.

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