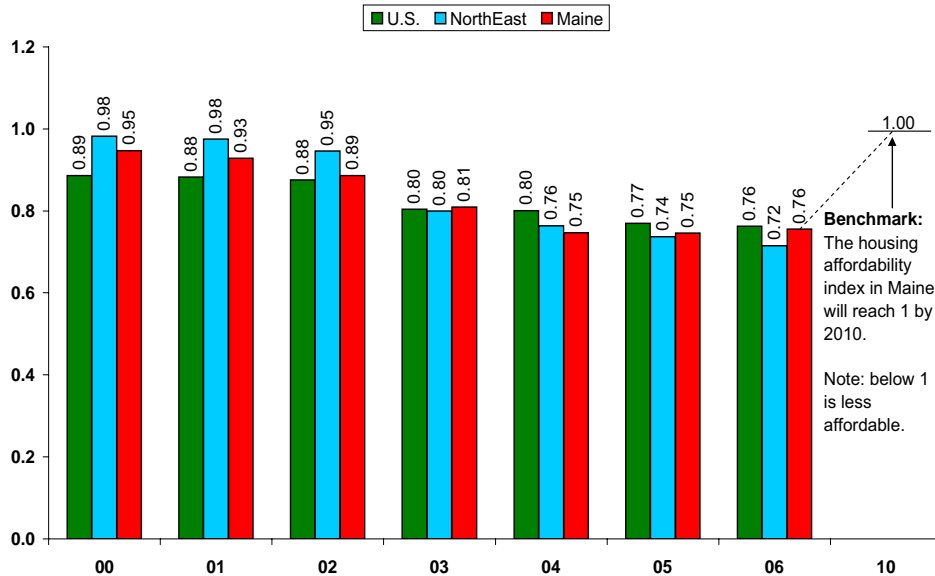


# 17. Affordable Housing



**Benchmark: The housing affordability index in Maine will reach 1 by 2010.**

**Housing Affordability by Year (weighted owner/renter)**



Data Source: MaineHousing

## Housing Affordability Remains an Issue for Most Maine Counties

Housing affordability in Maine continued to be a problem in 2006. There was no significant movement on this indicator from the previous year. This is also the case for the Northeast region, as well as the nation. This measure is not moving toward the benchmark.

The index used here is the weighted average of MaineHousing’s homeownership affordability index\* and rental affordability index\*\*, with the weighting based on the relative numbers of homeowner and rental households.

In the graph above, the higher the index, the more affordable housing is; the lower the index, the less affordable. It can be seen that in Maine, as in the Northeast and U.S. as a whole, housing has become less affordable over the last few years.

Low housing affordability creates a drag on the economy. It decreases consumer spending as people must pay more for their homes or apartments. It also impacts the community and the environment. In most of Maine’s employment centers, high housing costs are forcing people to commute long distances because they can’t afford to live in the same communities in which they work. This contributes to sprawl, including increased traffic problems, highway maintenance costs, and dependence on fossil fuels.

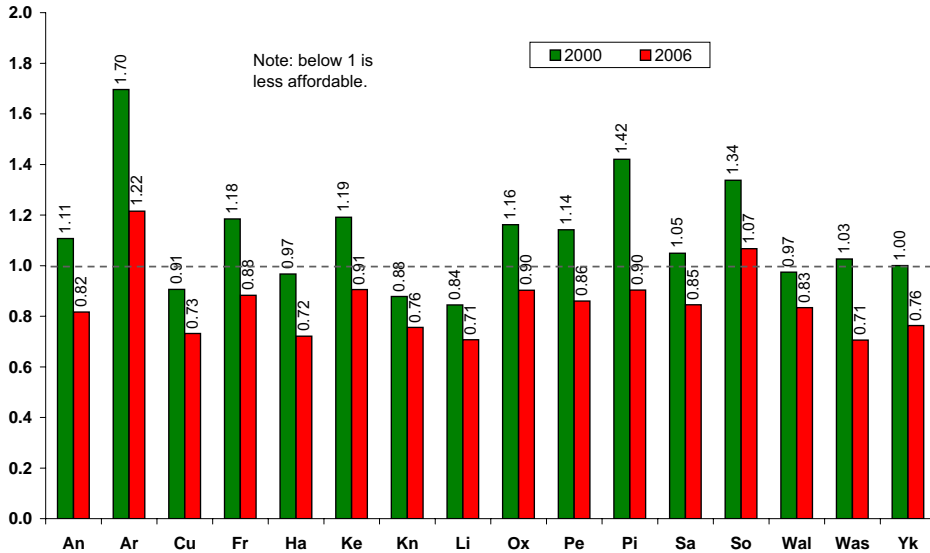
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\*The homeownership affordability index is the ratio of the home price that a Maine household at median income can afford to the actual median home price. A home price is considered to be affordable if no more than 28% of monthly gross income is needed to cover payment on a 30-year mortgage with a 5% down payment (including taxes, homeowners insurance, and private mortgage insurance).

\*\*The rental affordability index is the ratio of the rent that a Maine renter household with median renter household income can afford to the actual average rent for a two bedroom apartment, including utilities. A rental is considered to be affordable if no more than 30% of gross monthly income is needed to cover the rent. In this index, median rental household income is used rather than median household income generally, because typically the median income of renter households is 25 to 35% less than households overall.

## 17. Affordable Housing (continued)

Weighted Average Affordability by County (2000 vs. 2006)



Data Source: MaineHousing

The graph above shows homeowner/renter affordability for all 16 Maine counties in 2000 and 2006. In 2000, 13 counties were considered to have affordable housing (an index that was near or above 1.0). Cumberland, Lincoln, and Knox counties, all in southern Maine, were not considered affordable. By 2006, only two Maine counties were considered to have affordable housing: Aroostook and Somerset.

One example of a drastic shift in affordability is Washington County. MaineHousing reports that, from 2001 to 2006, the median home price in Washington County rose by almost 85%, from \$59,000 to \$120,000. This may be due, in part, to an increased desirability of Downeast coastal property. Median incomes only grew by 16%, from \$27,872 to \$29,913. Again, the counties with the least affordable housing tended to be coastal and southern counties. This indicator may change somewhat in the next few years as the full effects of the national housing market decline are felt.