

## LVPC, Urban Land Institute To Tackle Housing Attainability in 2023

Developers in 2022 tried to close a Lehigh Valleywide housing shortage by proposing the most units in 16 years, but rising population and interest rates made it more difficult for people to find homes that fit their incomes.

An LVPC analysis shows that even as the housing market cools, skyrocketing interest rates and increasing home values are pricing many out of the market. Consider that the median household income in the Lehigh Valley is \$74,158. A family with that income can afford a home with the maximum price of \$175,950, according to the federal benchmark defining that a family is cost-burdened if it pays more than 30% of their income on housing.

But just try and find one of those on the market. According to Justin Poremba, CEO of the Greater Lehigh Valley Realtors, of the roughly 500 homes list for sale in December, just 58 were \$176,000 or lower. That means that a typical Lehigh Valley household, with an income smack in the middle of the spectrum, can only afford a home in the bottom 12% of the market, with the remaining half of the Lehigh Valley's households earning below the median income in an even worse position.

To help reverse that trend, the LVPC in 2023 will be partnering with Urban Land Institute, American Planning Association, Lehigh County and other municipal partners, developers, lenders and other stakeholders across the region to convene a multi-event housing summit to create a housing supply and attainability strategy. The intent will be to analyze just how many new homes are needed, at what price points and where they should be built.

"This analysis is critical to preventing families from being priced out of their neighborhoods and maintaining the Lehigh Valley as an attractive place to live for people of all incomes," said Becky Bradley, LVPC Executive Director. "Everyone should be able to find housing that fits their income."

An analysis by LVPC Senior Planner Jill Seitz shows that 76,000 households – or more than 190,000 people – are cost-burdened, which means they spend more than 30% of their income on housing, endangering their financial stability. That number has likely grown in recent months as interest rates have skyrocketed. Consider that the same homeowner who could afford a \$272,000 homes at 2.65% interest rates in January of 2021, by December of 2022 could only afford a \$170,000 home at interest rates of 6.7%. Those kind of numbers have caused many buyers to jump out of the market, Poremba said.

"Our walk away rate for people who were serious buyers is 27% to 29%," Poremba said.

"There's still demand and homes are still selling relatively quickly, but a lot more people are being scared off by these elevated costs."

The problem is universal, from cities to suburbs to the region's rural communities, among renters and owners, according to Seitz's analysis. And it's not just about finding a way to build less expensive homes because the housing shortages in the Lehigh Valley are at the bottom and top of the market. That fact has high, middle and low income households competing for the same middle market homes.

"Adding the region's needed housing isn't going to an issue solved in the three cities," Seitz said. "All communities need to prepare themselves to take an honest look at housing attainability, otherwise their most vulnerable populations – which include seniors and young adults who grew up in the community – will struggle to stay in the area."

Greater Lehigh Valley Realtors statistics back this up. Its affordability index, which matches median income with median sales price, last month hit its lowest point since the organization began tracking the index in 2004. It's essentially estimates that a family with a median household income falls 22% short of being able to afford a median priced home.

It's no better for Lehigh Valley renters, who now pay a median rent of \$1,170 a month – a nearly 40% increase since 2010.

The news is not all bad. This is an issue plaguing regions across the nations, and compared to the national median housing sales price of \$384,000 in November, the Valley's median sales price of \$296,500 seems like a relative bargain. But that's also helped deepened the region's housing shortage because it has attracted many to a region that grows by about 4,000 residents a year – most of it attributed to out-of-state and out-of-country migration.

It's also encouraging that developers the past three years have been racing to close the housing shortage. In 2022, they proposed more than 6,400 new units – the most the LVPC has reviewed since 2006. And what they're building is far more diverse than the giant homes on acre-sized lots built during the last housing boom in the first half of the 2000s. Last year, nearly 1,400 townhomes and twins were among the proposals, and nearly 3,800 were for apartments – a growing trend regionwide. Those will provide more options for price points lower than single-family homes, but of course, all those homes proposed in 2022 probably won't hit the market before 2024 or 2025.

Which leads back to the developing a strategy. The LVPC, in partnership with ULI, will soon be convening community meetings and workshops to determine how much housing must be built, where it is needed, and perhaps most important, how much it has to cost for people in this region to afford it.

"We know this is a heavy lift, but if not us, then who? If not now, then when?," Bradley said. "If we don't tackle this, our young professionals will not be able to live and work in the Lehigh Valley. Addressing this issue is one of the most important things we'll do this year."