

Change and Challenges

East Austin's Affordable Housing Problem

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The rapidly rising price of single-family homes in East Austin has left homeownership out of reach for its existing low-income population. From 2011 to 2015, growth rates of home sales prices in East Austin were two to four times that of Travis County and the Austin-Round Rock MSA.

While rooted in single-family housing, lack of affordability is also deepening in East Austin's apartment sector. The widening divide between housing costs and household income has spelled disaster for East Austin's affordability and forced many of its residents to relocate farther from downtown.

The effect of explosive job and population growth on East Austin's single-family housing market was outlined in "East Side Story" (Center publication 2139). This article delves deeper into the area's overall housing affordability challenges and how they will impact East Austin's demographics, issues that more and more Texas cities will face.

The Takeaway

Low-income residents in East Austin are facing a housing affordability crisis. Both renters and homeowners are being impacted by the increasing cost of housing. This trend is expected to continue.

East Austin's Changing Demographic Dynamics

East Austin has historically housed minority populations. A city plan published in 1928 segregated Austin's Hispanic and African American populations to the area east of East Avenue (present-day I-35) by refusing city service to minorities living west of East Avenue. While this practice was prohibited beginning in the 1940s, the population of East Austin remains primarily minority nearly a century after the original enactment of the plan. However, this trend is reversing.

Since 2000, the African American population in East Austin has declined in all but one ZIP code, 78741, which witnessed modest growth of 2.1 percent (see map). While the Hispanic population has grown in several ZIP codes, the growth levels are below Travis County with the exception of ZIP code 78741 (Table 1). From 2000 to 2015, the minority population increased slightly in the two ZIP codes farthest north and south, 78752 and 78741. But the nonminority population has experienced significant

growth: 78702, which borders downtown, observed a 25 percent increase in its nonminority population. In essence, while the minority population of Travis County has increased since 2000, the opposite is true in East Austin.

East Austin has also historically housed a large low-income population. In 2000, median household incomes across East Austin measured well below those of Travis County. The median household income for three of the

Measuring Housing Affordability

In this article, *low-income* refers to households earning less than 80 percent of the median household income for Travis County. This article evaluates the affordability of existing single-family housing through the median multiple, a standardized method for comparing housing affordability across regions. The median multiple is merely the median home price divided by median household income. A median multiple of 3.1 or more is considered “unaffordable,” but the multiple can further be classified as moderately, seriously, or severely unaffordable (Table 6).

Using the Real Estate Center’s data, the median multiple was calculated for existing single-family homes in the Austin-Round Rock MSA, Travis County, and the six East Austin ZIP codes for 2011 and 2015. Three scenarios for income growth were applied to each geography: 1) no growth in the 2011 median household income, 2) growth in the 2011 median household income based on growth in the 2011–15 Dallas-Fort Worth (DFW) Consumer Price Index [CPI] and, 3) growth in the 2011 median household income based on growth in the 2011–15 Austin MSA’s median household income. Texas metro-level CPI

calculations are only available for DFW and Houston.

Income scenarios are meant to control for growth in the median household income from recent higher-earning residents relocating to East Austin. Within certain ZIP codes, large annual increases in median household income from a growing minority of higher-income earners has distorted the household income. Using the 2015 median household income for 78722, which increased over \$10,000 from 2014 to 2015, would be misrepresentative of the population as a whole and would deflate the median multiple. However, much of the difference in the median multiples amongst the three income scenarios derives from the exorbitant growth of the median home sales price, not income.

Similar to the median multiple, the ratio of annual rent to household income was applied to three income scenarios to evaluate apartment affordability. However, the income calculations for apartment affordability differ slightly from those of single-family housing. The incomes for scenario 1, which assumes no growth, were not affected. For scenario 2, median household income was based on growth in the DFW CPI

from 2011 to 2016. For scenario 3, as household income data for 2016 has not yet been published by the Census, an estimate of the 2016 median household income for the Austin MSA was calculated from the 2014–15 growth rate of the median household income for the MSA. This growth rate was applied to the 2015 median household income for the MSA, which was previously calculated for single-family housing affordability.

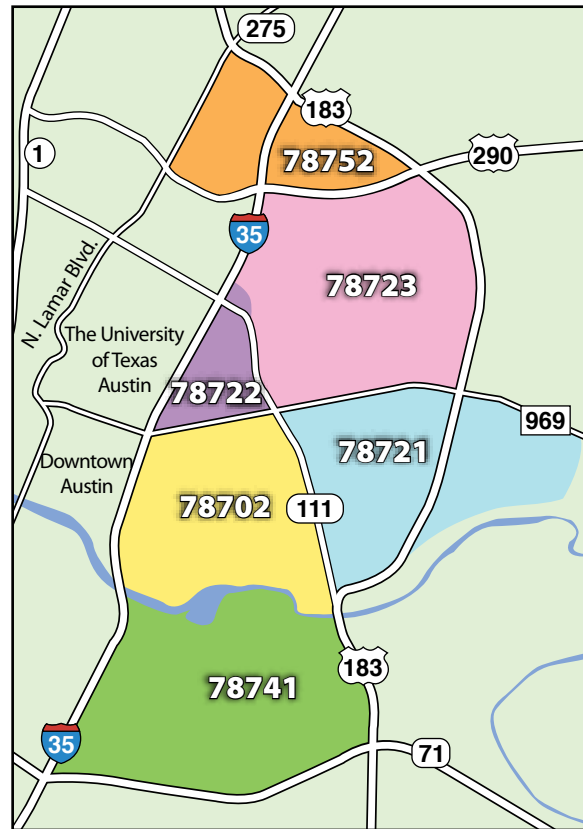
Three important factors are of note. First, instead of calculating an affordability index for apartments in each ZIP code, the affordability for East Austin was determined on an aggregate level. Secondly, the data, calculated from data collected by Enriched Data, reflects only apartments charging market rent. Lastly, the median age of apartments differs significantly between East Austin and the MSA. Apartments in East Austin are older, with a median age of 43 compared with 30 years for the MSA. The difference in age partially explains the lower rents within East Austin, as older apartments are likely to charge less rent. A second measure of apartment affordability was calculated that only included apartments built since 2000. This is discussed in the section “Rents Also Rising.”

six ZIP codes was around half that of Travis County (Table 2). However, by 2015, the median household incomes of 78702 and 78722, the two ZIP codes closest to downtown, had nearly doubled.

An expanding income gap has contributed to the large growth in household income within certain ZIP codes. In 2014, median household income for 78722 was \$54,526. A year later, household income had jumped to \$64,929, surpassing that of Travis County, a first for any East Austin ZIP code. From 2011 to 2015, the share of households in 78722 with median incomes of \$100,000 or more increased nearly 10 percent (Table 3).

But disparate gains in household income in East Austin have left certain parts of the area lagging the pace of income growth in Travis County. In 2015, the median household income for 78741 was still around half that of Travis County. Unsurprisingly, across the six East Austin ZIP codes, 78741 had the lowest percentage of households with median incomes of \$100,000 or more.

Families in East Austin have not fared as well financially as families in Travis County. From 2000 to 2015, median household income recorded higher growth than median family income in East Austin. The reverse occurred in Travis County. By 2015, families in 78741 were earning less than nonfamily households, which include a householder living alone or only with nonrelatives, such as a roommate or unmarried partner. Since 2000, the percentage of families in East Austin whose income falls below the poverty level has increased (Table 4). From 2000 to 2015, within four East Austin ZIP codes this



statistic rose more quickly than that of Travis County. Rising unaffordability in East Austin has left families increasingly financially burdened. As median household income continues to grow at a faster rate than median family income, more families will be forced to leave the area.

Table 1. Racial Composition

	Zip Code (Percent)						Travis County (Percent)
	78702	78721	78722	78723	78741	78752	
Hispanic or Latino (of any race)							
Year 2000	67.7	50.8	20.4	42.3	51.6	54.6	28.2
Year 2015	50.7	52.7	16.5	43.3	58.3	59.2	33.7
Change from 2000–15	-17.0	1.9	-3.9	1.0	6.7	4.6	5.5
Black or African American							
Year 2000	23.7	45.2	22.1	31.8	8.8	13.2	9.3
Year 2015	13.6	30.7	12.2	20.8	10.9	11.6	8.3
Change from 2000–15	-10.1	-14.5	-9.9	-11.0	2.1	-1.6	-1.0
(Not Hispanic or Latino) White Alone							
Year 2000	7.5	3.9	53.2	24.0	31.7	28.6	56.4
Year 2015	32.2	15.1	62.9	32.6	25.1	25.7	49.8
Change from 2000–15	24.7	11.2	9.7	8.6	-6.6	-2.9	-6.6

Sources: American Community Survey (ACS) Demographic and Housing Estimates (2011–15); Profile of General Population and Housing Characteristics (2010); Profile of General Demographic Characteristics (2000).

Table 2. Median Household Income

	Zip Code (Dollars)						Travis County
	78702	78721	78722	78723	78741	78752	(Dollars)
Year 2000	\$23,348	26,646	35,794	34,242	25,369	30,207	46,761
Year 2015	41,016	37,234	64,929	42,433	31,657	38,841	61,451
Percent change from 2000–15	76	40	81	24	25	29	31

Source: ACS, Profile of General Demographic Characteristics (2000)
Income in the Past 12 Months (2011–15)

Table 3. Percentage of Households Earning \$100,000 or More

	Zip Code (Percent)						Travis County
	78702	78721	78722	78723	78741	78752	(Percent)
Year 2011	11.4	4.2	17.9	13.4	4.3	6.2	25.5
Year 2015	15.7	7.9	27.5	15.8	7.8	9.8	28.8

Source: ACS, Income in the past 12 months (2011–15)

Table 4. Percentage of Families with Income Below the Poverty Level

	Zip Code (Percent)						Travis County
	78702	78721	78722	78723	78741	78752	(Percent)
Year 2000	25.5	21.4	10.4	16.0	21.2	22.4	7.7
Year 2015	24.0	26.0	12.6	24.6	35.7	26.9	11.2

Source: ACS

Housing Stock Constraints, Prices Drive Residents Out

Since 2000, growth in the housing stock in Travis County has outpaced that of East Austin. From 2000 to 2015, the housing stock of East Austin grew 22 percent compared with Travis County's 38 percent increase. In 78722, the housing stock increased by only 6 percent over 15 years, largely due to the lack of land available for development.

Much of the new construction in East Austin has been oriented toward renter-occupied housing as opposed to owner-occupied housing. In 2015, the share of renters in East Austin approached 70 percent, whereas in Travis County it fell below 50 percent (Table 5). From 2000 to 2015, approximately four times more renter-occupied housing units than owner-occupied units were added to East Austin. However, the share of renters in East Austin increased only slightly. With such a large pool of housing units, even a considerable addition of renter-

Table 5. Number and Percent of Renter-Occupied Units

	Zip Code						East Austin	Travis County
	78702	78721	78722	78723	78741	78752		
Year 2000								
% renter-occupied units	52.8	42.2	55.1	55.8	85.5	73.8	67.7	48.6
Renter-occupied units	3,823	1,307	1,589	5,818	14,609	5,062	32,208	155,791
Occupied housing units	7,242	3,099	2,886	10,430	17,080	6,862	47,599	320,766
Year 2015								
% renter-occupied units	53.5	48.5	57.2	58.1	86.0	75.6	69.2	48.3
Renter-occupied units	4,464	2,027	1,702	6,969	17,355	5,728	38,245	206,795
Occupied housing units	8,337	4,176	2,973	11,989	20,177	7,579	55,231	428,220

Source: ACS, Selected Housing Characteristics (2011–15), General Housing Characteristics (2010 and 2000)

occupied housing units will only incrementally increase the percentage of renter-occupied units.

In 2015, Austin was the least affordable of the four major Texas metros. From 2011 to 2015, growth in home sales prices far outpaced that of household income. Previously affordable areas are now unaffordable, leaving homeownership out of reach for much of the population, particularly the city’s low-income residents. In 2011, the Austin-Round Rock MSA, with a median multiple just above 3.0, was still relatively affordable (Tables 6 and 7).

Table 6. Housing Affordability Rating Categories

Rating	Median Multiple
Severely Unaffordable	5.1 & Over
Seriously Unaffordable	4.1 to 5.0
Moderately Unaffordable	3.1 to 4.0
Affordable	3.0 & Under

Source: Demographia International Housing Affordability Survey

Over the following five years, a near-40 percent increase in home sales prices pushed the median multiple for the MSA into “seriously unaffordable” territory. Inside Travis County, affordability was already an issue by 2011,

which recorded a median multiple slightly above 4.0. In 2015, the multiple surpassed the “severely unaffordable” threshold.

Regardless of the considerable increases in home prices over the five-year period, all six East Austin ZIP codes were unaffordable in 2011 (Table 7). While the median multiple for each of the ZIP codes had surpassed that of the MSA, the multiples for two ZIP codes fell below that of Travis County. In 2011, certain areas of East Austin were more affordable than Travis County as a whole. But by 2015, within each income scenario, the median multiples for all six East Austin ZIP codes eclipsed the multiples for the county and the MSA. Many of the multiples for East Austin were double that of the MSA, itself classified as “seriously unaffordable.”

Without a doubt, single-family housing unaffordability for potential buyers in East Austin has skyrocketed over the past few years. The area was once considered affordable to the city’s low-income homeowners. It is now only affordable to buyers earning a median household income of at least \$100,000 using a median multiple of 3.0. In 2015, the percentage of households in East Austin that surpassed this income threshold hovered between 8 and 28 percent, depending on the ZIP code. It is now

Table 7. Single-Family Housing Affordability Based on the Median Multiple

	Year	Austin-Round Rock MSA (Dollars)	Travis County (Dollars)	Zip Code (Dollars)					
				78702	78721	78722	78723	78741	78752
Growth rate 1 (no growth in MHI)									
Median household income	2011	59,795	55,452	35,350	30,591	44,798	41,839	30,021	33,173
	2015	59,795	55,452	35,350	30,591	44,798	41,839	30,021	33,173
Median close price	2011	187,000	226,500	171,000	100,385	245,500	161,000	137,500	166,000
	2015	255,000	301,000	349,000	235,000	394,250	312,800	225,000	281,000
Median Multiple	2011	3.13	4.08	4.84	3.28	5.48	3.85	4.58	5.00
	2015	4.26	5.43	9.87	7.68	8.80	7.48	7.49	8.47
Growth rate 2 (growth in MHI tied to DFW CPI)									
Median household income	2011	59,795	55,452	35,350	30,591	44,798	41,839	30,021	33,173
	2015	62,034	57,528	36,674	31,736	46,475	43,406	31,145	34,415
Median close price	2011	187,000	226,500	171,000	100,385	245,500	161,000	137,500	166,000
	2015	255,000	301,000	349,000	235,000	394,250	312,800	225,000	281,000
Median Multiple	2011	3.13	4.08	4.84	3.28	5.48	3.85	4.58	5.00
	2015	4.11	5.23	9.52	7.40	8.48	7.21	7.22	8.17
Growth rate 3 (MHI growth MHI according to MSA MHI)									
Median household income	2011	59,795	55,452	35,350	30,591	44,798	41,839	30,021	33,173
	2015	63,437	58,829	37,503	32,454	47,527	44,387	31,850	35,194
Median close price	2011	187,000	226,500	171,000	100,385	245,500	161,000	137,500	166,000
	2015	255,000	301,000	349,000	235,000	394,250	312,800	225,000	281,000
Median Multiple	2011	3.13	4.08	4.84	3.28	5.48	3.85	4.58	5.00
	2015	4.02	5.12	9.31	7.24	8.30	7.05	7.06	7.98

Source for income: ACS and Real Estate Center at Texas A&M University

virtually impossible for low-income residents to purchase a home in East Austin.

Rents Also Rising

Apartments in Travis County and the MSA offer an affordable solution to single-family housing. Overall, apartments in East Austin are also affordable. But based on the general rule that renters should spend no more than one-third of their incomes on rent, unaffordability is already emerging in East Austin's two-bedroom apartment sector.

Depending on the number of bedrooms and the income growth scenario, households in Travis County and the MSA spend between 18 and 27 percent of their annual incomes on apartment rent. Residents living in East Austin spend between 28 and 38 percent of their annual income on apartment rent (Table 8).

According to Julian Huerta, deputy executive director of Foundation Communities, apartment rents in East Austin have doubled over the past ten years. To portray this rise in apartment rents, a second measure of apartment affordability was developed. This measure includes only market-rate apartments built from 2000 onwards. While the annual rent-to-income

Table 8. Apartment Affordability for All Existing Apartment Stock

		Austin-Round Rock MSA	Travis County	East Austin
Growth rate 1 (no growth in MHI)				
Median household income, 2016		\$59,795	\$55,452	\$34,654
Median rent	1 bedroom	\$11,430	\$11,880	\$10,548
	2 bedroom	\$14,508	\$15,144	\$13,428
Median Rent to Median Household Income	1 bedroom	0.19	0.21	0.30
	2 bedroom	0.24	0.27	0.39
Growth rate 2 (growth in MHI tied to DFW CPI)				
Median household income, 2016		\$63,522	\$58,909	\$36,814
Median rent	1 bedroom	\$11,430	\$11,880	\$10,548
	2 bedroom	\$14,508	\$15,144	\$13,428
Median Rent to Median Household Income	1 bedroom	0.18	0.20	0.29
	2 bedroom	0.23	0.26	0.36
Growth rate 3 (MHI growth MHI according to MSA MHI)				
Median household income, 2016		\$65,012	\$60,290	\$37,678
Median rent	1 bedroom	\$11,430	\$11,880	\$10,548
	2 bedroom	\$14,508	\$15,144	\$13,428
Median Rent to Median Household Income	1 bedroom	0.18	0.20	0.28
	2 bedroom	0.22	0.25	0.36

Source for income: ACS and Real Estate Center at Texas A&M University

Table 9. Affordability for Apartments Completed Since 2000

		Austin-Round Rock MSA	Travis County	East Austin
Growth rate 1 (no growth in MHI)				
Median household income, 2016		\$59,795	\$55,452	\$34,654
Median rent	1 bedroom	\$13,680	\$15,420	\$17,724
	2 bedroom	\$16,500	\$19,764	\$22,020
Median Rent to Median Household Income	1 bedroom	0.23	0.28	0.51
	2 bedroom	0.28	0.36	0.64
Growth rate 2 (growth in MHI tied to DFW CPI)				
Median household income, 2016		\$63,522	\$58,909	\$36,814
Median rent	1 bedroom	\$13,680	\$15,420	\$17,724
	2 bedroom	\$16,500	\$19,764	\$22,020
Median Rent to Median Household Income	1 bedroom	0.22	0.26	0.48
	2 bedroom	0.26	0.34	0.60
Growth rate 3 (MHI growth MHI according to MSA MHI)				
Median household income, 2016		\$65,012	\$60,290	\$37,678
Median rent	1 bedroom	\$13,680	\$15,420	\$17,724
	2 bedroom	\$16,500	\$19,764	\$22,020
Median Rent to Median Household Income	1 bedroom	0.21	0.26	0.47
	2 bedroom	0.25	0.33	0.58

Source for income: ACS and Real Estate Center at Texas A&M University

ratios for Travis County and the MSA increase slightly, the ratios remain below the threshold for unaffordability (Table 9).

However, in East Austin, the ratios nearly double. While overall apartments in East Austin are affordable, apartments built since 2000 are unaffordable to the area's existing population. The median rent for apartments built since 2000 in East Austin is higher than that of Travis County and the MSA. These apartments are primarily located in the ZIP code bordering downtown, 78702, and southeast of downtown, in 78741. Few affordable options are being created for low-income residents.

The emergence of new apartment stock will drive up the rents of existing apartments, which will push more residents out of the area.

This research shows that the rapidly increasing cost of single-family homes and apartments will make East Austin increasingly unaffordable to low-income residents long housed in the area. 📌

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