

Housing Markets in Six Metropolitan Areas and their Main Central Cities

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Housing issues and opportunities at the regional scale

To understand the challenges and opportunities facing low-income neighborhoods, we need to understand their broader metropolitan market contexts. When income stagnates or falls at the metropolitan level, central city households' incomes usually fall by at least as much, and incomes in the lowest-income neighborhoods fall by even more. When poverty rises at the metro level, central-city poverty rates usually rise by as much or more. When housing markets are weak at the metro level, central cities and low-income neighborhoods—whose housing is older and often provided with less highly regarded public services—often stagnate or decline. All six of the metro areas under study here experienced increasing challenges of falling income, rising poverty, rising rent, increasing rental affordability, and soft markets for owner-occupied housing since 2000—all of which challenge organizations working to improve low-income central-city neighborhoods.

Stagnant or falling incomes and rising poverty. After adjusting for inflation, none of the metropolitan areas in our review registered an increase in median household income. (See Table 1.) Metro Pittsburgh suffered only a \$50 drop in the median income (not significant from a statistical sense), but that region could ill afford any decline, having begun the decade with the lowest median of any of the six metros (\$46,750). Metro Chicago's median income dropped by a staggering 11 percent, from \$64,270 to \$57,100. Households lost ground in most of the central cities too, the exceptions being Boston, Pittsburgh, and San Francisco, but only San Francisco had a real rise in income (4 percent) after a decade of hotly contested and often disruptive gentrification. Pittsburgh's "stability," too, still left it with a very low median income of about \$36,200. Poverty also grew across the board, generally more in the cities than in the metro areas as a whole; poverty grew especially fast in Minneapolis-St. Paul, with increases of 4.6 percentage points for the metro area and 6.4 and 8.6 percentage points for the cities of Minneapolis and St. Paul, respectively.¹

Rising rent and increasing rental affordability problems. While incomes have stagnated or declined, rents have risen both at the median and at the low end. (See Table 2.) San Francisco-Oakland's median rent of \$1,314 is not only the highest among these six metro areas but also 12 percent higher (after accounting for inflation) than in 2000. Metro Boston's median rent rose more sharply, by 17 percent, to \$1,141. Metro Houston and Chicago both had increases over 10 percent in real rent costs in the 2000s, but Houston's median rent remains a relatively low \$846. Metro Pittsburgh's median rent of \$656 is the lowest among these metro areas, and increased only about 8 percent. The lowest-cost rentals—

¹ The estimate for St. Paul—which has the smallest population of these central cities—is subject to significant sampling error, however.

represented by the 25th-percentile rent²--had price increases paralleling the increases in median rents except in Houston, where an extraordinarily large stock of older apartments holds down rent. Houston and Pittsburgh have the two lowest 25th percentile rents at the metro level, of \$609 and \$387, respectively.

With rising rent and falling or weak incomes, rental housing has become less affordable—that is, the share of renter households paying more than 30 percent of income for rent has increased. The biggest declines in rental affordability were in metro Chicago (12.5 percentage points, to 50.9 percent), Minneapolis (11.4 percentage points, to 48.8 percent), and the city of Chicago (11.1 percentage points, to 46.5 percent). In all three other metro areas, between 43 and 49 percent of renters paid more than 30 percent of their income on housing and utilities—compared with only one metro, San Francisco-Oakland with over 40 percent overpayment in 2000.

While rents are generally lower in central cities than in surrounding areas, central-city renters' incomes are also lower than those of suburban renters. Consequently, the rate of renter overpayment exceeds the metropolitan rate in every central city except in the City and County of San Francisco.³ Overpayment among renters in Pittsburgh, at 50 percent, is seven points higher than the metropolitan-wide rate of overpayment (43.1 percent). Families who spend this much of their income on rent and utilities often have too little money left over to cover an array of basic needs ranging from food, to transportation, to health care.

Soft metropolitan markets for owner-occupied housing. At the metro level, all these regions have serious backlogs of delinquent and foreclosed properties, and the problem was more acute in early 2011 than two years earlier. (See Table 3.) According to LPS Applied Analytics, almost 12 percent of the loans in metro Chicago were 90 days delinquent or in foreclosure in March 2011, up from 8 percent in March 2009. Pittsburgh and San Francisco each have delinquency + foreclosure rates of about 7.5 percent, and the other three metro areas have rates between 5 and 7 percent. Data on foreclosures are unavailable for earlier in the decade, but other statistics from 2000—mainly homeowner vacancy rates and overall vacancy rates—reinforce the story. All six of the metropolitan areas had higher homeowner vacancy rates⁴ in 2010 than in 2000, ranging from about 1.5 percent in Boston to 2.6 percent in Chicago. The cities' homeowner vacancy rates were mostly higher than their regions' rates, ranging from 2.2 percent in Boston to 4.0 percent in Chicago. In 2000, by comparison, all the metro areas except Houston had homeowner vacancy rates below 2.0 percent; San Francisco, Boston, and Minneapolis-St. Paul had rates at or below 1.0 percent.

In five of the six metro areas, the exception being Pittsburgh, there has been sufficient new demand from rising or arriving young households to absorb significantly more housing than released by seniors through shifts to rental housing or group quarters, out-migration, and mortality. The cities' owner-

² 25 percent of rented units have lower rent plus utility costs, 75 percent have higher rent plus utilities.

³ That is, household payment of more than 30% of income on rent plus utilities.

⁴ Measured as the number of vacant-for sale units divided by owner-occupied plus vacant-for-sale plus sold-but-not occupied units.

occupied housing markets, however, are much less robust. We return to the issue of the “senior-to-young household transition” in a section below.

The cities’ role in regional housing markets

In most metropolitan areas, central cities play certain roles in their metropolitan areas’ housing markets. They provide more rental housing than the average jurisdiction, especially low-cost rentals. They also accommodate more than a proportionate share of low-income households. The eight central cities in these six metro areas all play those roles to a greater or lesser extent, making them both important parts of the economic and social fabric of their metropolitan areas and especially vulnerable to the strains of economic distress.

Rental housing provision. All these cities are critical sources of rental housing for their regions’ households. Houston, for example, accounts for 27 percent of its metropolitan area’s owner-occupied housing stock but for 55 percent of its rental housing. Chicago, with 20 percent of the metro area’s owner stock, provides almost half (49 percent) of its rentals. (See Table 4.) San Francisco and Oakland, together, provide only about one-fifth of the owner-occupied housing for their metro area but 42 percent of the rentals. Minneapolis and St. Paul are home to 38 percent of the rental housing and only 15 percent of the owner-occupied stock. As a consequence, the actions of local landlords, city governments, and community developers in these cities can have an outsized impact on metropolitan housing markets more broadly understood. Boston and Pittsburgh, too, have higher shares of rental housing than of owner-occupied units, but neither city is as dominant as the biggest city (or two biggest cities) in the other metro areas.

Provision of low-cost rentals. Except for Pittsburgh, the 25th percentile gross rent in all the cities is lower than those for the metropolitan area. (See Table 5.) Considering the dominance of the cities’ rental housing stock in the metro areas as a whole, this means that “low-cost” rentals outside the cities are more expensive than the metro-wide statistic would suggest. Oakland, St. Paul, and Boston all have 25th percentile rents that are at least 10 percent lower than corresponding metro-wide figures. Pittsburgh is a notable exception: the low-end rents there exceed the metro 25th percentile by 10 percent, and the median rent in Pittsburgh also exceeds the metropolitan median by more than in other cities.

Home for low-income households and families. All the cities have lower median household incomes than their cities, ranging from as little as 67% for Oakland, to 98% for San Francisco. (See Table 6.) The other cities range between 71% (St. Paul) and 79% (Houston) of the metropolitan median income. The cities also have poverty rates well over their regional averages, with between 22 and 25 percent of residents living in poverty in every city except San Francisco (12 percent), compared with regional poverty levels ranging between 10 and 14 percent (with Houston the outlier, at 16.5 percent poverty) in 2009. Central cities’ relative poverty rates declined between 2000 and 2010, but perhaps counter to the widely reported trend of “suburbanizing poverty,” and as shown previously in Table 1, all but two of the central cities experienced larger gains in their poverty *rates* than their metro areas as a whole (and thus very much larger than poverty gains in the suburbs). (The two exceptions were San Francisco and Chicago.)

A number of factors make for low median household incomes (compared with their regions) in these cities. They have smaller households and more renters, college students, racial and ethnic minorities, and recent immigrants than their metropolitan areas. All these populations, with lower incomes than national medians, are drawn into the older, smaller, and predominantly rental housing stock that concentrates in big cities. In the case of racial minorities, the fear and the reality of housing discrimination outside predominantly minority areas also limits the ability of low-income people to find housing outside core areas.

Absorption and releases: Anticipating the “boomer-to-millennial” transition

Increasing numbers of housing units are being “released” (supplied) in many U.S. markets by senior homeowners who migrate, move to rental housing, or pass away. To the extent that younger households are on hand to absorb those releases of housing, the housing market can remain robust. Otherwise, housing values will drop, and homes will shift to renter occupancy, remain vacant, or become abandoned. As the number of seniors climbs in the next two to three decades with the aging of the Baby Boom past the age of 65, the health of many regions’ housing markets will hinge on the presence of enough younger households (the “millennials”) to absorb the seniors’ releases.

By understanding the absorptions and releases of housing, we get a better idea of the dynamic flow of households into and out of the regional homeownership market. (See Table 7.) The table shows the “release/ absorption” ratio as a simple indicator of the ratio between releases and absorption, with values above 1.0 indicating active oversupply and between 0.8 and 1.0 suggesting unfavorable conditions for new construction.

These six metro areas have a few broad parallels. First, the central city generally has higher ratios of releases to absorption than the metro area as a whole. The highest imbalance was in the city of Pittsburgh, where 2.3 times more seniors left the homeownership market than younger adults entered it. Pittsburgh’s nine-percentage-point drop in homeownership and its four-point increase in the share of houses vacant “for other reasons” are both symptoms of the outflow of older homeowners. The weakness of owner-occupancy also stands out in the Pittsburgh metro housing market, where releases outpaced absorptions by about 13 percent; even so, the metro area’s homeownership rate of just under 70 percent is still second only to Minneapolis-St. Paul’s and only about two percentage points lower than in 2000.

Minneapolis and St. Paul had surprisingly acute weakness in their homeownership markets; senior homeowners in Minneapolis released about 11,500 houses in the 2000s and those in St. Paul released another 9,200, whereas households headed by people under 55 in 2000 absorbed only 8,500 and 4,700 in the two cities, respectively. The metro housing market, however, had a level of absorption second to only Houston’s, with the 77,300 dwellings released balanced by more than twice as many owner-occupied units absorbed (162,900).

Chicago presents a mixed, and perhaps predictable, picture, with about 85,500 of the city’s seniors moving out of homeownership and 90,100 moving in (a ratio of 0.95, compared with the metro area’s ratio of 0.65). Chicago also had faster-increasing homeownership in the city than in the metro area (1.1

points, compared with 0.8 points). Houston had the lowest absorption ratio of any central city (0.65), and its metro area had the lowest ratio of all the metros (0.25).

Two exceptions to the rule of relatively weak central city absorption were Boston and San Francisco, both of which experienced substantial gentrification in the early to mid-2000s and rising homeownership rates. Oakland, in contrast with San Francisco, had weaker absorption, like the other central cities we review here. The San Francisco-Oakland metro area had the weakest absorption levels outside Pittsburgh, with absorptions constituting about 84 percent of releases.

TABLE 1: MEDIAN HOUSEHOLD INCOME AND POVERTY RATES IN SELECTED CITIES AND METRO AREAS

CITY	Median Household Income*			Poverty Rate		
	2000	2010	Percent Change	2000	2010	Percentage Point Change
Boston	\$ 49,536	\$ 49,893	1%	19.5	23.3	3.8
Chicago	\$ 48,281	\$ 44,776	-7%	19.6	22.5	2.9
Houston	\$ 45,770	\$ 42,355	-7%	19.2	22.8	3.6
Minneapolis	\$ 47,468	\$ 46,508	-2%	16.9	23.3	6.4
St. Paul	\$ 48,468	\$ 44,057	-9%	15.6	24.2	8.6
Pittsburgh	\$ 35,735	\$ 36,196	1%	20.4	22.3	1.9
San Francisco	\$ 69,026	\$ 71,745	4%	11.3	12.5	1.2
Oakland	\$ 50,069	\$ 49,190	-2%	19.4	22.3	2.9
METRO AREA						
Boston	\$ 68,796	\$ 68,020	-1%	8.5	10.3	1.8
Chicago	\$ 64,270	\$ 57,104	-11%	10.5	13.6	3.1
Houston	\$ 55,865	\$ 53,942	-3%	13.7	16.5	2.8
Minneapolis-St. Paul	\$ 67,746	\$ 62,352	-8%	6.7	10.9	4.2
Pittsburgh	\$ 46,750	\$ 46,700	0%	10.8	12.2	1.4
SF-Oakland	\$ 76,171	\$ 73,027	-4%	9.1	10.9	1.8
* Because we tried to use the same metro areas (2010 MSA), medians and 25th percentiles using 2000 census data were calculated as weighted averages of the medians and 25th percentiles in the counties that make up the 2010 Metro Area.						
Source: Census 2000 SF1 and SF3, Census 2010 SF1, and ACS 2010						

TABLE 2: RENTS AND AFFORDABILITY IN SELECTED CITIES AND METRO AREAS

CITY	Median Gross Rent*			25th Percentile Gross Rent			Percent Renter Households Paying More Than 30% of Income on Rent		
	2000	2010	Percent Change	2000	2010	Percent Change	2000	2010	Percentage Point Change
	Boston	\$ 1,004	\$ 1,233	23%	\$ 544	\$ 633	16%	43.0	48.2
Chicago	\$ 770	\$ 904	17%	\$ 511	\$ 603	18%	40.1	51.4	11.3
Houston	\$ 719	\$ 794	10%	\$ 496	\$ 518	4%	36.4	47.2	10.8
Minneapolis	\$ 719	\$ 785	9%	\$ 510	\$ 563	10%	39.3	50.1	10.8
St. Paul	\$ 706	\$ 751	6%	\$ 506	\$ 529	4%	39.9	54.2	14.3
Pittsburgh	\$ 625	\$ 717	15%	\$ 373	\$ 425	14%	44.2	50.0	5.8
San Francisco	\$ 1,160	\$ 1,385	19%	\$ 728	\$ 834	15%	37.3	43.9	6.6
Oakland	\$ 870	\$ 991	14%	\$ 594	\$ 710	20%	44.1	51.8	7.7
METRO AREA									
Boston	\$ 975	\$ 1,141	17%	\$ 601	\$ 709	18%	39.0	47.3	8.3
Chicago	\$ 824	\$ 913	11%	\$ 565	\$ 627	11%	38.4	50.9	12.5
Houston	\$ 738	\$ 846	15%	\$ 499	\$ 537	8%	35.4	46.5	11.1
Minneapolis-St. Paul	\$ 804	\$ 845	5%	\$ 580	\$ 609	5%	37.4	48.8	11.4
Pittsburgh	\$ 605	\$ 656	8%	\$ 364	\$ 387	6%	38.5	43.1	4.6
SF-Oakland	\$ 1,175	\$ 1,314	12%	\$ 797	\$ 902	13%	40.9	48.8	7.9

* Because we tried to use the same metro areas (2010 MSA), medians and 25th percentiles using 2000 census data were calculated as weighted averages of the medians and 25th percentiles in the counties that make up the 2010 Metro Area.

Source: Census 2000 SF1 and SF3, Census 2010 SF1, and ACS 2010

TABLE 3: LOAN DISTRESS AND HOMEOWNER VACANCY IN SELECTED CITIES AND METRO AREAS

CITY	Delinquent 90 Days or Foreclosure*			Homeowner Vacancy Rate**		
	3-09	3-11	Percentage Point Change	2000	2010	Percentage Point Change
	Boston	5.8%	6.8%	1.0%	1.6	2.2
Chicago	9.6%	13.3%	3.7%	2.3	4.0	1.7
Houston	4.8%	5.8%	0.9%	1.9	2.6	0.6
Minneapolis	5.5%	5.4%	-0.1%	0.9	3.0	2.1
St. Paul	6.7%	6.1%	-0.5%	1.0	2.7	1.7
Pittsburgh	8.8%	8.7%	-0.2%	3.1	2.9	(0.2)
San Francisco	2.4%	3.6%	1.2%	1.3	2.4	1.1
Oakland	8.6%	9.3%	0.7%	2.0	3.0	1.1
METRO AREA						
Boston	5.0%	6.7%	1.7%	0.8	1.5	0.7
Chicago	8.0%	11.7%	3.7%	1.6	2.6	1.0
Houston	5.4%	6.3%	0.8%	2.0	2.2	0.2
Minneapolis-St. Paul	4.9%	5.4%	0.5%	0.7	1.9	1.1
Pittsburgh	7.0%	7.5%	0.5%	2.0	2.0	0.1
SF-Oakland	6.2%	7.4%	1.2%	1.0	1.8	0.8

*As a percentage of mortgaged single-family residential units

**Measured as the number of vacant for-sale units divided by the owner-occupied plus vacant-for-sale plus sold but not occupied units.

Source: Census 2000 SF1 and SF3, Census 2010 SF1, Applied Analytics

TABLE 4: OWNER- AND RENTER-OCCUPIED UNITS IN SELECTED CITIES AND METRO AREAS

CITY	Owner-Occupied Units				Renter-Occupied Units			
	2000	City Percent of Metro	2010	City Percent of Metro	2000	City Percent of Metro	2010	City Percent of Metro
	Boston	77,209	8%	85,791	8%	88,305	13%	90,649
Chicago	464,912	22%	469,562	20%	214,385	19%	222,165	19%
Houston	329,006	33%	355,236	27%	597,009	92%	575,998	74%
Minneapolis	83,422	10%	80,439	9%	162,319	52%	166,908	46%
St. Paul	61,437	7%	56,993	6%	78,941	25%	83,101	23%
Pittsburgh	74,930	11%	64,807	9%	50,672	18%	54,008	18%
San Francisco	115,315	13%	123,646	14%	68,809	10%	71,410	10%
Oakland	62,482	7%	63,142	7%	389,225	56%	427,407	58%

METRO AREA

Boston	1,023,242	1,082,688	656,417	677,896
Chicago	2,138,763	2,293,837	1,141,292	1,181,889
Houston	1,008,983	1,294,913	647,816	777,712
Minneapolis-St. Paul	823,328	908,905	313,287	363,772
Pittsburgh	711,338	697,151	284,167	304,476
SF-Oakland	860,316	884,539	691,632	742,821

* Because we tried to use the same metro areas (2010 MSA), medians and 25th percentiles using 2000 census data were calculated as weighted averages of the medians and 25th percentiles in the counties that make up the 2010 Metro Area.

Source: Census 2000 SF1 and SF3, Census 2010 SF1

TABLE 5: 25TH PERCENTILE MEDIAN RENTS IN SELECTED CITIES AND METRO AREAS

CITY	25th Percentile Median Rent			
	2000	City Percent of Metro	2010	City Percent of Metro
	Boston	544	90%	633
Chicago	511	90%	603	96%
Houston	496	99%	518	96%
Minneapolis	510	88%	563	92%
St. Paul	506	87%	529	87%
Pittsburgh	373	102%	425	110%
San Francisco	728	91%	834	92%
Oakland	594	74%	710	79%

METRO AREA

Boston	601	709
Chicago	565	627
Houston	499	537
Minneapolis-St. Paul	580	609
Pittsburgh	364	387
SF-Oakland	797	902

* Because we tried to use the same metro areas (2010 MSA), medians and 25th percentiles using 2000 census data were calculated as weighted averages of the medians and 25th percentiles in the counties that make up the 2010 Metro Area.

Source: Census 2000 SF1 and SF3, Census 2010 SF1, and ACS 2010

TABLE 6: MEDIAN INCOMES AND POVERTY RATES IN SELECTED CITIES AND METRO AREAS

CITY	Median Income				Poverty Rate			
	2000	City Percent of Metro	2010	City Percent of Metro	2000	City Percent of Metro	2010	City Percent of Metro
	Boston	49,536	72%	\$ 49,893	73%	19.5	229%	23.3
Chicago	48,281	75%	\$ 44,776	78%	19.6	187%	22.5	165%
Houston	45,770	82%	\$ 42,355	79%	19.2	140%	22.8	138%
Minneapolis	47,468	70%	\$ 46,508	75%	16.9	252%	23.3	214%
St. Paul	48,468	72%	\$ 44,057	71%	15.6	233%	24.2	222%
Pittsburgh	35,735	76%	\$ 36,196	78%	20.4	188%	22.3	183%
San Francisco	69,026	91%	\$ 71,745	98%	11.3	124%	12.5	115%
Oakland	50,069	66%	\$ 49,190	67%	19.4	212%	22.3	205%
METRO AREA								
Boston	68,796		\$ 68,020		8.5		10.3	
Chicago	64,270		\$ 57,104		10.5		13.6	
Houston	55,865		\$ 53,942		13.7		16.5	
Minneapolis-St. Paul	67,746		\$ 62,352		6.7		10.9	
Pittsburgh	46,750		\$ 46,700		10.8		12.2	
SF-Oakland	76,171		\$ 73,027		9.1		10.9	

* Because we tried to use the same metro areas (2010 MSA), medians and 25th percentiles using 2000 census data were calculated as weighted averages of the medians and 25th percentiles in the counties that make up the 2010 Metro Area.

Source: Census 2000 SF1 and SF3, Census 2010 SF1, and ACS 2010

TABLE 7: ABSORPTION AND RELEASES IN SELECTED CITIES AND METRO AREAS

CITY	Owner Absorption	Owner Release	Release/ Absorption
Boston	20,287	(11,705)	0.58
Chicago	90,134	(85,484)	0.95
Houston	75,021	(48,791)	0.65
Minneapolis	8,480	(11,463)	1.35
St. Paul	4,737	(9,181)	1.94
Pittsburgh	7,674	(17,797)	2.32
San Francisco	27,723	(19,392)	0.70
Oakland	11,218	(10,558)	0.94
METRO AREA			
Boston	203,741	(144,295)	0.71
Chicago	442,502	(287,428)	0.65
Houston	383,462	(97,532)	0.25
Minneapolis-St. Paul	162,897	(77,320)	0.47
Pittsburgh	110,667	(124,854)	1.13
SF-Oakland	150,396	(126,173)	0.84

Source: Census 2000 SF1 and SF3, Census 2010 SF1, and ACS 2010