



South Carolina State Housing Finance and Development Authority
300-C Outlet Pointe Blvd., Columbia, South Carolina 29210
Telephone: 803.896.9001 TTY: 803.896.8831
SCHousing.com

C. Todd Latiff
Chairman

Richard A. Hutto
Interim Executive Director

The mission of the South Carolina State Housing Finance and Development Authority (SC Housing) is to ensure that all South Carolinians have an opportunity to live in safe, decent, and affordable housing. One of the fundamental components of carrying out such a mission is the regular evaluation of the housing market landscape in order to identify both current and future statewide housing needs.

Although such evaluations have always been important, they are now perhaps even more critical in a post-pandemic economy that is rapidly evolving and in which the housing needs of South Carolinians are also changing. Since 2020, housing needs have become even more pronounced due to increased inflation, rising rents, rapid house price appreciation, and higher mortgage interest rates. The purpose of the 2023 Palmetto State Housing Study is to examine the primary drivers of housing supply and demand and the impacts these drivers have on affordability across various geographies, family structures, and income levels.

*-- Palmetto State Housing Study 2023
Supply and Demand Analysis*

Joseph Von Nessen, Ph.D, Darla Moore School of Business

June 30, 2023

Dear Honorable Mr. Harvey Peeler, Jr. and Honorable Mr. Bruce Bannister,

Under your leadership, in June 2022, the South Carolina Legislature passed *Budget Proviso 42.6* requiring that the South Carolina Housing Finance and Development Authority (SC Housing), in partnership with University of South Carolina (USC) Darla Moore School of Business, conduct a statewide housing needs assessment.

The "Palmetto State Housing Study" was launched to fulfill this mandate. Due to the all-encompassing nature of the proviso, the Housing Study was organized into three phases. Phase One included the creation of the "Supply and Demand Analysis," which is an evaluation of the trends and conditions associated with housing stock across the state and identifies the primary drivers of housing needs. Phase Two incorporated public engagement and survey input from organizations and persons interested in housing assistance and development, while Phase Three

culminated in a summary of key findings and policy recommendations based on outputs from the two previous phases. All work under the State Housing Study was to be completed and submitted to the SC Legislature by June 30, 2023.

Enclosed, you will find the completed *Palmetto State Housing Study*, which includes both the *Supply and Demand Analysis*, as well as the *Housing Engagement Survey*. Both the analysis and survey results were led by Principal Investigator, Dr. Joseph Von Nessen of the Darla Moore School of Business.

Referencing the finalized *Palmetto Housing Study*, SC Housing has identified core findings that lend themselves to recommendations which public policy stakeholders, including members of our legislature, may find useful to set the state's housing policy agenda. **SC Housing's recommendations** and central study findings are noted below:

- **Finding:** According to the 2023 *Palmetto Housing Study*, the number of homes sold in South Carolina for less than \$100,000 has decreased by 14.8 percent each year since 2014. Furthermore, the percentage of homes sold in South Carolina for under \$100,000 fell below 5 percent for the first time.

Recommendation: As a result of higher housing prices, market-oriented tools such as *down-payment assistance* will play an increasingly important role in making housing more accessible to first-time home buyers, as well as low-to-middle income households that require expanded workforce housing solutions. Efforts to expand it would prove beneficial to this cohort of potential homeowners. Currently, SC Housing, under its Palmetto Home Advantage program, offers down payment assistance with an upper limit of \$8,500. Additionally, via the SC Housing Palmetto Heroes Program, \$10,000 in down-payment assistance is provided. This needed program targets educators, first responders and community service personnel in the fields of law enforcement, corrections, firefighting, emergency medical services and health care, as well as active duty military, members of the SC Army National Guard, SC Air National Guard and Veterans of the U.S. Armed Forces. As housing prices continue to rise and fewer homes priced at \$100,000-200,000 come to the market, tools such as down-payment assistance become a critical stepping stone in providing housing for South Carolina's expanding workforce.

- **Finding:** While the vast majority of households earning less than \$35,000 are cost burdened, *middle-income households earning between \$45,000 to \$75,000 and possessing a mortgage are also significantly cost burdened*. As defined by the U.S. Department of Housing and Urban Development (HUD), a cost burdened household is one that pays more than 30 percent of its income for housing. This status is especially pronounced for single parents with children. In this income category, 43 percent of households with 1 adult and 3 children is cost burdened. For households with 1 adult and 2 children, 26 percent of them are cost burdened. Additionally, approximately 50 percent of households that rent and 25 percent of households with a mortgage are "cost burdened."

Recommendation: To alleviate this constraint and to meet the increasing needs for workforce housing in South Carolina's urban centers, SC Housing recommends that the

authority further evaluate the feasibility of making *SC Housing's Bond Mortgage Program* accessible to a wider variety of borrowers and lenders to include community banks, credit unions, and mortgage brokers. Currently all lenders participating in the Bond Mortgage Program are Federal Housing Administration approved and most carry additional agency approvals from the Veteran's Administration, United States Department of Agriculture, Fannie Mae, Freddie Mac and/or Ginnie Mae. Opening the program to more non-traditional lenders (i.e., third party originators) would allow SC Housing to offer mortgage programs to small and medium sized community banks, credit unions, brokers, Community Development Financial Institutions (CDFI's) and Minority Depository Institutions (MDI's). This type of expansion makes homeownership available to more households, especially in rural areas not served by traditional brick and mortar banks and/or lenders. Done correctly, using third party business channels could also generate additional loan volume and improve outreach to minority borrowers.

- **Finding:** More than half of all survey respondents who participated in the qualitative study (214 in total) reported needing some type of major home repair. The most commonly reported issue was the need for a new roof followed by new windows, plumbing/electrical issues, and foundation concerns. Approximately 21 percent of respondents with incomes greater than \$90,000 reported needing significant home repairs compared to nearly 87 percent of respondents with incomes of less than \$15,000. More generally, the need for housing repair was more pronounced than the need for financial monthly payment assistance across all regions. This implies that *housing repair assistance may be a higher priority for existing renters and homeowners across South Carolina than housing-related financial assistance.*

Recommendation: These findings reaffirm the approach and need for *SC Housing's Trust Fund Home Repair and Supportive Housing Program*, which leverages federal, state, and other housing assistance to deliver funds through established partnerships with governmental entities, qualified non-profit sponsors, and for-profit developers. The Home Repair Program provides critical funding to help low- and very low-income homeowners make essential interior and exterior repairs to correct life, health and safety issues; provide accessibility for persons who are disabled; and repair or replace major housing systems (including roofs, water heaters and HVAC equipment). Additional funding is available to help with any lead-based paint, asbestos, mold, and radon removal and cleanup as required by federal and state. SC Housing will continue to provide support to our community partners in administering this essential program.

As SC Housing delivers the 2023 Palmetto State Housing Study to the South Carolina Legislature, we still encourage housing stakeholders to engage with the study by visiting our website. A link to the study can also be found at this address: <https://www.schousing.com/library/Research/Palmetto-State-Housing-Study-Qualitative-Feedback.pdf>. We look forward to continuing our conversations with policy makers, local housing authorities, community-based organizations, nonprofits, the private housing industry, and other organizations interested in housing needs.

Sincerely,



Richard A. Hutto
Executive Director

Cc:

South Carolina Housing, Finance and Development Authority Board of Commissioners



Palmetto State Housing Study 2023

SUPPLY AND DEMAND ANALYSIS



Darla Moore
School of Business
UNIVERSITY OF SOUTH CAROLINA

Commissioned by:
The SC State Legislature

Prepared by:
Joseph C. Von Nessen, Ph.D.
Research Economist
University of South Carolina
Darla Moore School of Business

In Partnership with



EXECUTIVE SUMMARY

The mission of the South Carolina State Housing Finance and Development Authority (SC Housing) is to ensure that all South Carolinians have an opportunity to live in safe, decent, and affordable housing. One of the fundamental components of carrying out such a mission is the regular evaluation of the housing market landscape in order to identify both current and future statewide housing needs. Although such evaluations have always been important, they are now perhaps even more critical in a post-pandemic economy that is rapidly evolving and in which the housing needs of South Carolinians are also changing. Since 2020, housing needs have become even more pronounced due to increased inflation, rising rents, rapid house price appreciation, and higher mortgage interest rates. The purpose of the 2023 Palmetto State Housing Study is to examine the primary drivers of housing supply and demand and the impacts these drivers have on affordability across various geographies, family structures, and income levels.

The key findings of the analysis are as follows --->

- *South Carolina has experienced significant population growth throughout the previous decade that has far outpaced the national average. These population gains have come primarily through high rates of in-migration from other U.S. states – rather than being the result of an increase in the number of births. As a result, the state’s population gains have led to high rates of household formation, which translates into strong housing demand. The number of households in South Carolina increased by 16.4 percent between 2010 and 2021, compared to just 11.3 percent for the U.S.*
- *South Carolina’s population is highly concentrated, with approximately 90 percent of the state’s population located in just 50 percent of the state’s 46 counties. Moreover, half of South Carolina’s counties have experienced population losses over the previous decade. Because these trends are likely to continue, the demand for new housing will continue to be concentrated in the coastal regions of South Carolina along with the Upstate, the Midlands, and the outskirts of the Charlotte metropolitan area (e.g., York and Lancaster counties). By contrast, the housing needs of South Carolinians in rural counties will likely center around home remodeling and maintenance, with less demand for new housing.*
- *In addition to population growth, South Carolina is also experiencing a demographic shift in which the population is significantly aging. For example, since 2009, the median age in South Carolina has increased by 2.4 years and the gap between the median age in South Carolina and the median age in the U.S. has risen by 0.4 years. Such demographic changes imply that the housing industry in South Carolina will also have to change to meet the needs of an aging population.*

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EXECUTIVE SUMMARY

- *The strong population growth that South Carolina has experienced throughout the 21st century has been accompanied by a more recent, decade-long period of underbuilding that began in 2008 and has taken place across the U.S. following the Great Recession. This period of underbuilding has culminated in a nationwide shortage in housing inventory that extends to most U.S. regions, including South Carolina.*
- *This lack of housing inventory in South Carolina is especially pronounced among lower price points. Although a lack of demand in the immediate aftermath of the Great Recession helped temporarily increase the availability of entry-level homes, the number of homes sold in South Carolina for less than \$100,000 has decreased by 14.8 percent each year since 2014.*
- *The combination of strong housing demand coupled with relatively low levels of housing inventory has led to an imbalanced housing market in South Carolina, which has created affordability challenges for many South Carolinians. The U.S. Department of Housing and Urban Development (HUD) specifically defines a cost burdened household as one that pays more than 30 percent of its income for housing. By this measure, approximately 50 percent of renting households and 25 percent of households with a mortgage are housing cost burdened in South Carolina.*
- *Approximately 90 percent of South Carolina's lower income households – defined as those earning less than \$35,000 annually – are estimated to be housing cost burdened. However, in South Carolina there is also a significant population base of middle-income households that also face affordability challenges. Specifically, this study estimates that more than one-third (34.5%) of households earning between \$35,000 and \$75,000 annually are housing cost burdened by traditional measures. The cost burden of this segment of the population is especially high in coastal South Carolina.*
- *When examining the cost burden of South Carolina households by both income level and family structure, the need for a greater supply of workforce housing becomes clear. A vast majority of all household groups earning below \$35,000 annually – regardless of family structure – are housing cost burdened. Yet even among middle-income households, affordability challenges are prevalent. This is especially true for single-parent households with children. For example, approximately 43.3 percent of single-parent households with three children earning between \$45,000 and \$75,000 are housing cost burdened. Individuals in these households are often employed as teachers, first responders, and health care support workers.*
- *The standard HUD definition of cost burdened typically does not take into account differences in costs of living and may not sufficiently capture the true housing needs of a community. Factors such as family size and composition can vary widely among households with similar income levels, meaning that household income alone may be insufficient for capturing true housing needs. An alternative measure that has been gaining traction in recent years is the “residual income methodology,” which estimates a housing cost burden by residual income – that is – income that the household has left over after all housing expenses have been paid. In general, the residual income methodology finds a greater share to be house cost burdened than the standard definition. This is especially true for households with children.*

DRIVERS OF DEMAND

South Carolina has experienced significant population growth throughout the previous decade that has far outpaced the national average. This has been the result of many factors, including a relatively low cost-of-living, a strong economy, and many natural amenities. The Palmetto State has gained approximately 650,000 new residents since 2010, with a total growth rate more than six percentage points higher than the U.S.

Additionally, these population gains have come primarily through high rates of in-migration from other U.S. states – rather than being the result of an increase in the number of births. As a result, **state’s population gains have led to high rates of household formation, which translates into strong housing demand.** The number of households in South Carolina increased by 16.4 percent between 2010 and 2021, compared to just 11.3 percent for the U.S.

Figure 1 – Cumulative Population Growth: 2010-2022

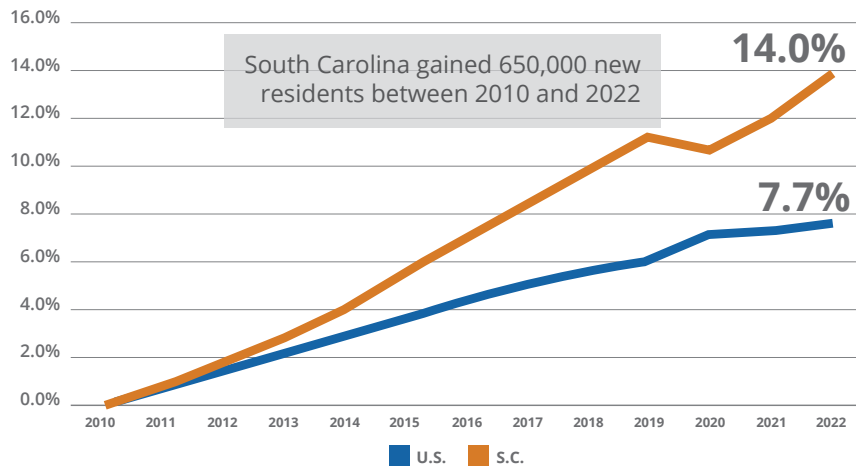


Table 1 – Total Number of Households

Year	United States	South Carolina
2010	114,567,419	1,761,393
2015	118,208,250	1,857,768
2021	127,544,730	2,049,972
Total Change: 2010-2021	+12,977,311	+288,579
Pct. Change: 2010-2021	+11.3%	+16.4%

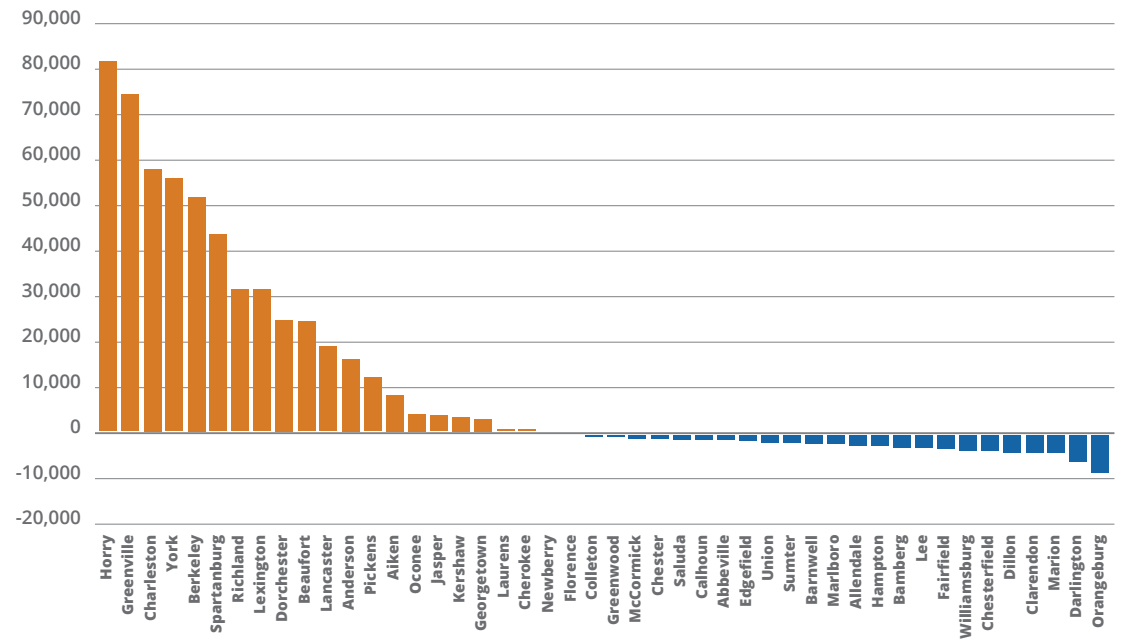
Source: U.S. Census Bureau

DRIVERS OF DEMAND

South Carolina's population is highly concentrated, with approximately 90 percent of the state's population located in just 50 percent of the state's 46 counties. Moreover, half of South Carolina's counties have experienced population losses over the previous decade. Because most of the economic growth in South Carolina is taking place in the major metropolitan regions, these are the areas where individuals want to locate. This is true for South Carolinians who are relocating from rural South Carolina counties as well as in-migrants moving in from other U.S. states.

Because these trends are likely to continue, the demand for new housing will continue to be concentrated in the coastal regions of South Carolina along with the Upstate, Columbia, and the outskirts of the Charlotte metropolitan area (e.g., York and Lancaster counties) as shown in **Figure 3**. By contrast, the housing needs of South Carolinians in rural counties will likely center around home remodeling and maintenance, with less demand for new housing.

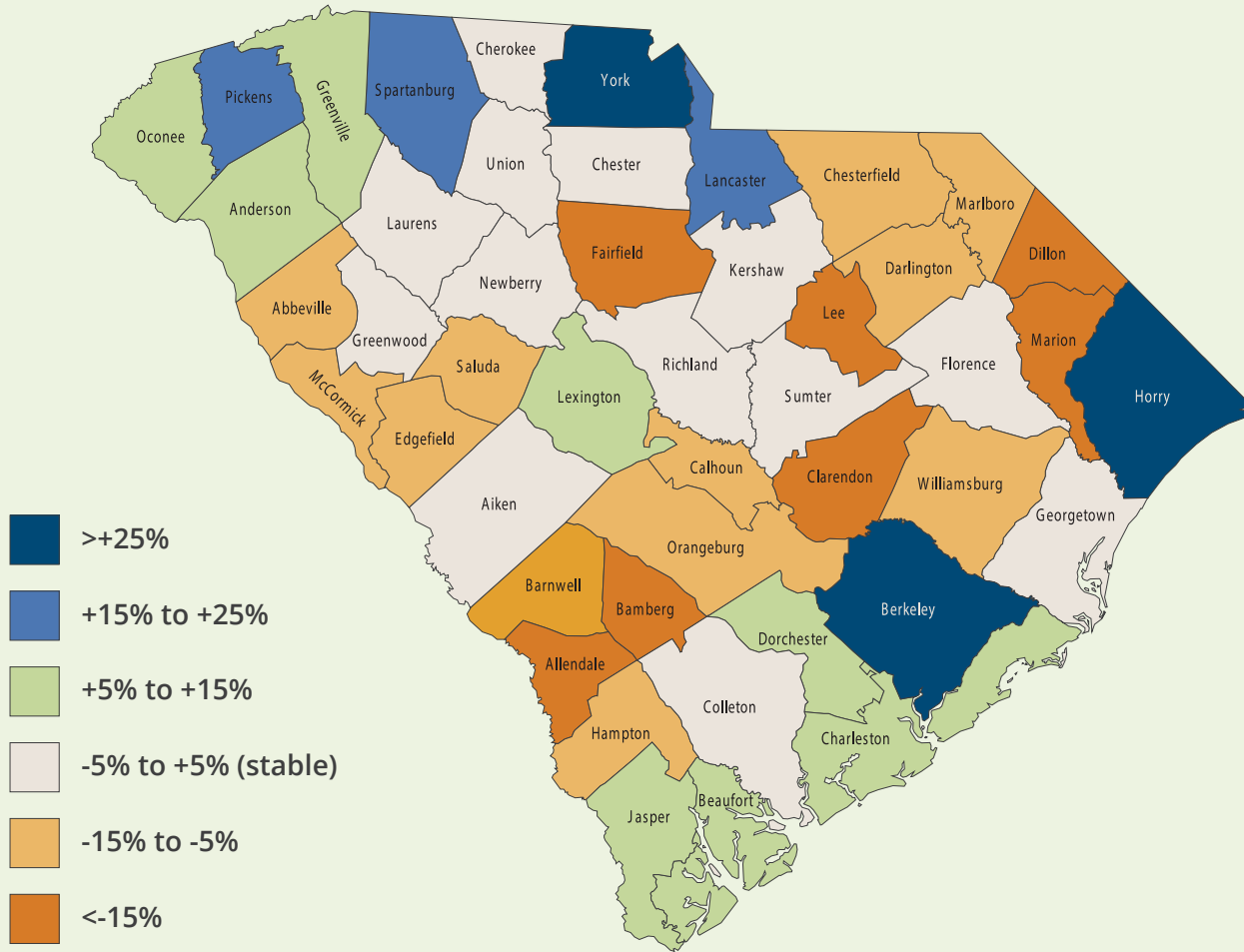
Figure 2 – Population Change by County: 2010-2020



Approximately 90 percent of the state's population is located in just 50 percent of the state's 46 counties.

Source: U.S. Census Bureau

Figure 3 – South Carolina Projected Population Change: 2020-2030



Source: S.C. Office of Revenue and Fiscal Affairs

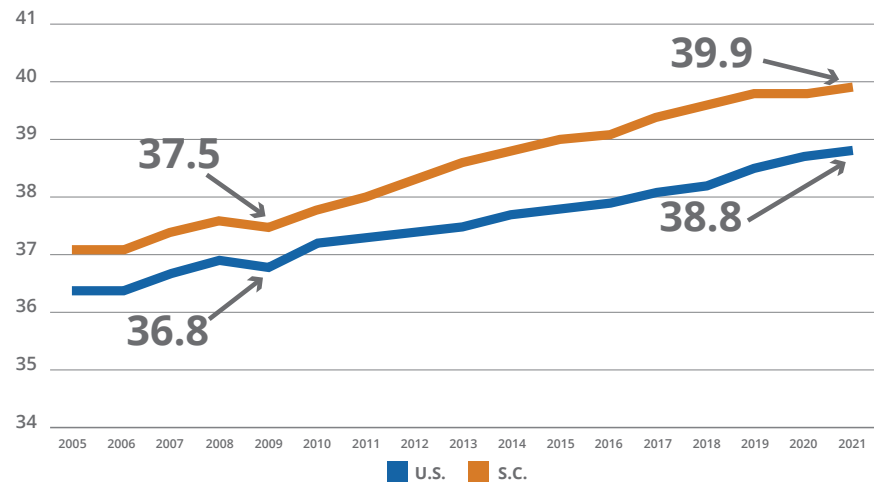


DRIVERS OF DEMAND

In addition to population growth, South Carolina is also experiencing a demographic shift in which the population is aging. This is a result of two factors: (1) the existing South Carolina population is aging in line with broader U.S. trends; (2) because South Carolina is a popular retirement destination, a sizable percentage of the individuals who are moving to South Carolina are over the age of 55 and are, as a result, increasing the average age of the population base. For example, **since 2009, the median age in South Carolina has increased by 2.4 years and the gap between the median age in South Carolina and the median age in the U.S. has risen by 0.4 years.**

Such demographic changes imply that the housing industry in South Carolina will also have to change to meet the needs of an aging population. One approach that many builders and remodelers are already using to help older homeowners is to implement various “aging-in-place” accommodations (e.g., wider doorframes, lower cabinets, no-step showers, etc.) to allow older South Carolinians to remain in their homes longer.

Figure 4 – Median Age of the Population: 2005-2021



Source: American Community Survey, 1-Year 2005-2021 Estimates

CURRENT SUPPLY

The strong population growth that South Carolina has experienced throughout the 21st century has been accompanied by a more recent, decade-long period of underbuilding that began in 2008 and has taken place across the U.S. following the Great Recession. **This period of underbuilding has culminated in a nationwide shortage in housing inventory that extends to most U.S. regions, including South Carolina.**

To put this into perspective, note that South Carolina's population has grown steadily at an average annual rate of roughly 1.2 percent from 2000 to 2021 (compared to just 0.8 percent for the United States over the same time period). Nevertheless, the average annual growth rate in the number of new housing permits in South Carolina dropped by nearly half after the Great Recession in 2008. More specifically, the average annual growth rate of new housing permits between 2000 and 2007 in South Carolina was 5.3 percent, compared to 3.1 percent between 2008 and 2021. This decline includes both single- and multi-family housing.



Figure 5 – S.C. Single-Family Housing Permits vs. Pop. Growth

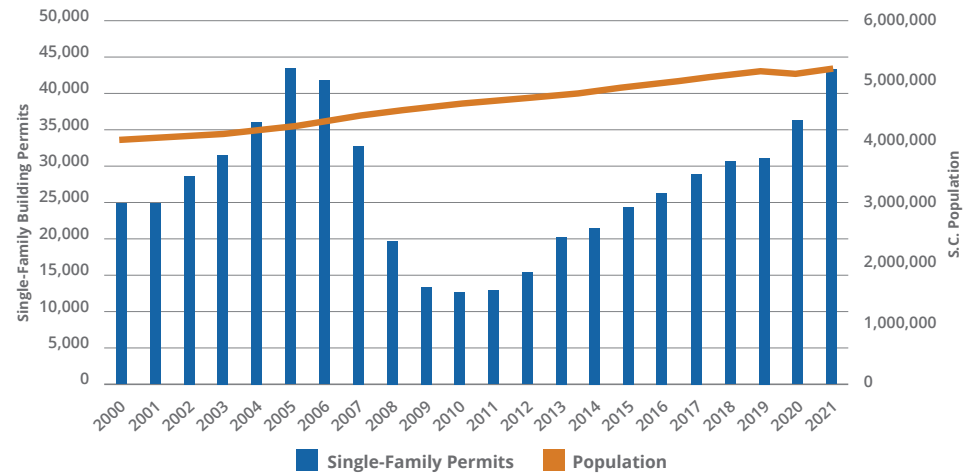
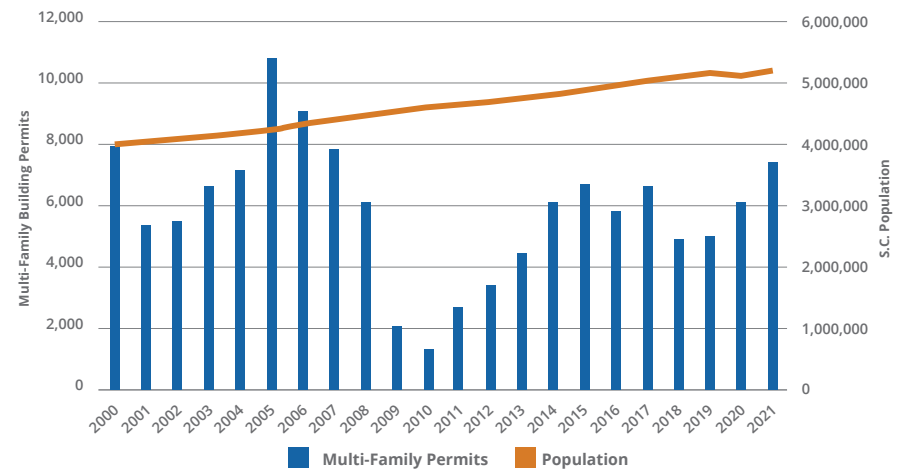


Figure 6 – S.C. Multi-Family Housing Permits vs. Pop. Growth

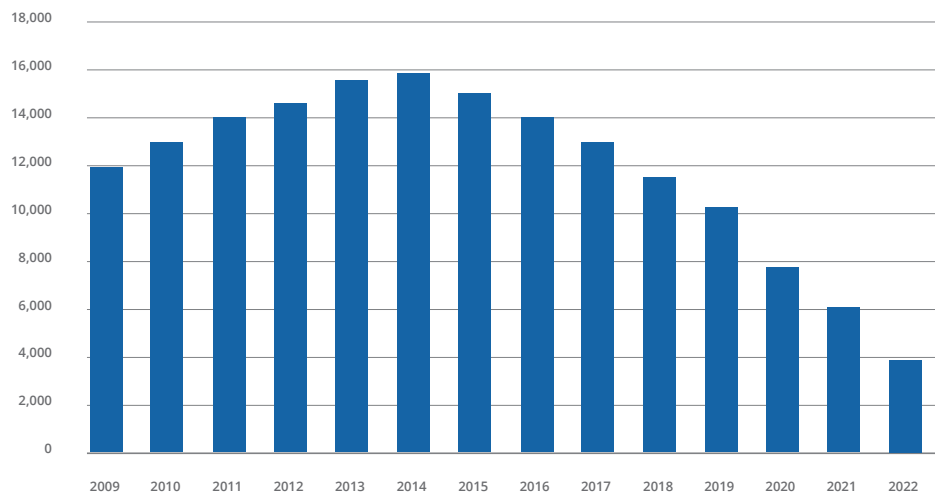


Source: U.S. Census Bureau

CURRENT SUPPLY

The lack of housing inventory in South Carolina is especially pronounced among lower price points. Although a lack of demand in the immediate aftermath of the Great Recession helped temporarily increase the availability of entry-level homes, **the number of homes sold in South Carolina for less than \$100,000 has decreased by 14.8 percent each year since 2014.**

Figure 7 – Total Number of South Carolina Closed Housing Sales Less than \$100K



The number of homes sold in South Carolina for less than \$100,000 has decreased by 14.8% each year since 2014.

Source: South Carolina REALTORS



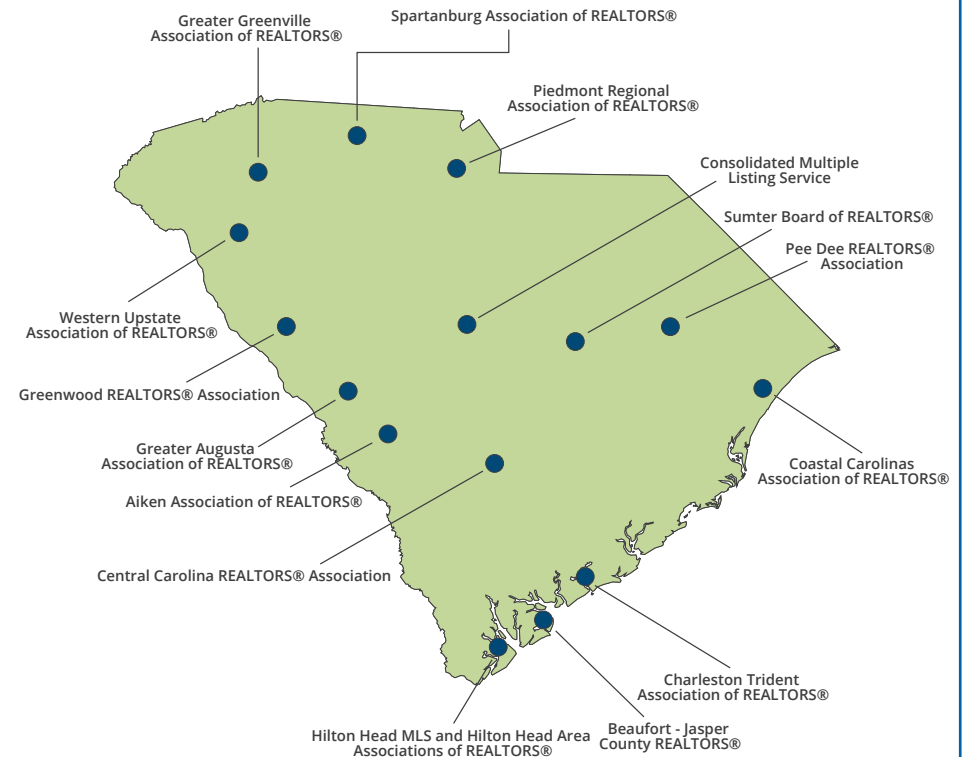
CURRENT SUPPLY

This decrease is especially pronounced in most coastal metropolitan regions of the state as well as portions of Aiken and Greenville. **In 2022, the percentage of homes sold in South Carolina for under \$100,000 fell below 5 percent for the first time.**

Figure 8 - Percentage of Homes Sold for Under \$100K

Note: Highlighted cells denote less than 5%

	2020	2021	2022
Aiken	9.5%	6.7%	4.8%
Beaufort	11.9%	6.1%	7.2%
Charleston Trident	2.3%	1.3%	1.2%
Cherokee	19.6%	19.5%	15.5%
Greater Columbia	9.4%	6.3%	5.2%
Coastal Carolinas	10.8%	7.6%	3.0%
Greater Greenville	4.1%	2.5%	2.2%
Greenwood	20.7%	13.0%	12.0%
Hilton Head	1.2%	0.7%	0.8%
Greater Augusta	9.4%	6.2%	5.3%
Pee Dee	24.8%	19.2%	14.2%
Piedmont	3.4%	2.7%	2.2%
Central Carolina	32.5%	24.9%	22.1%
Spartanburg	8.9%	6.3%	5.7%
Sumter	15.3%	11.8%	9.9%
Western Upstate	9.2%	6.5%	5.5%
State Total	6.8%	5.1%	3.8%



Source: South Carolina REALTORS; note that regions shown in Figure 8 are defined by the local REALTOR associations depicted in the adjacent state map



AFFORDABILITY CHALLENGES: *DEFINING “COST BURDENED”*

The combination of strong housing demand coupled with relatively low levels of housing inventory has led to an imbalanced housing market in South Carolina, which has created affordability challenges for many South Carolinians. Housing affordability is usually measured by examining the extent to which families are considered to be housing cost burdened. **The U.S. Department of Housing and Urban Development (HUD) defines a cost burdened household as one that pays more than 30 percent of its income for housing.**

By this measure, approximately 50 percent of renting households and 25 percent of households with a mortgage are housing cost burdened in South Carolina. Examining housing cost burdens by county reveals that renters are most likely to be cost burdened in the Midlands and coastal regions of South Carolina. By contrast, households with mortgages are most likely to be cost burdened in the Pee Dee and coastal regions, as shown in **Figures 9 and 10.** **On average, housing cost burdens across the state are higher for renters than they are for households with mortgages.**

Figure 9 – Pct. of Households (with Mortgages) that are House Cost Burdened
Geographic Unit of Analysis: County

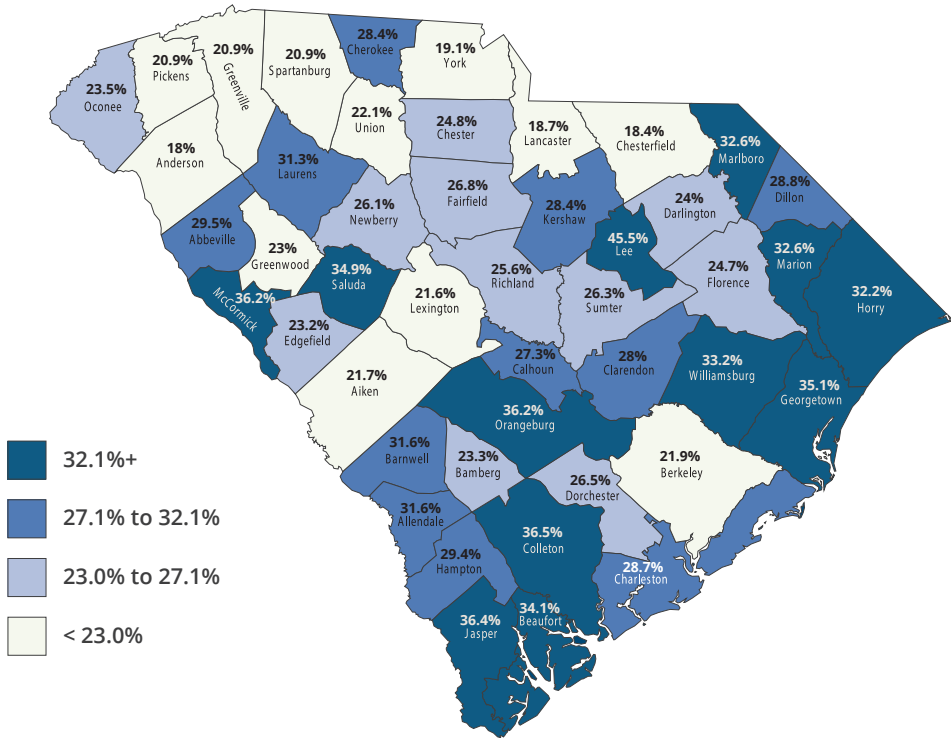
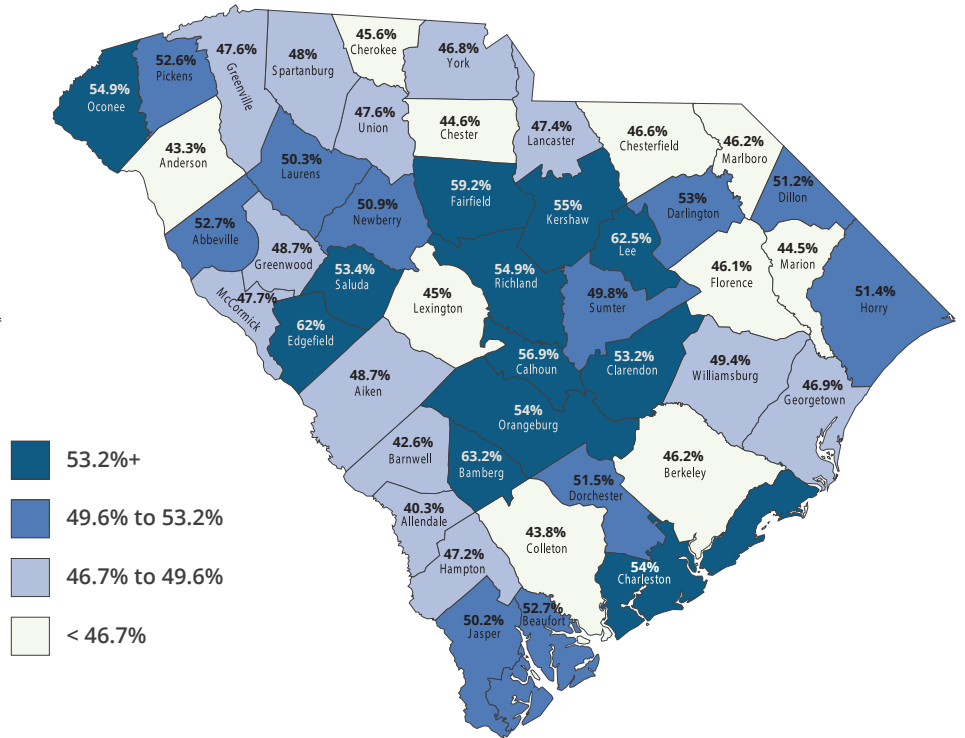


Figure 10 – Pct. of Households (Renters) that are House Cost Burdened
Geographic Unit of Analysis: County



Source: American Community Survey, 5-Year 2017-2021 Estimates



AFFORDABILITY CHALLENGES:

THE DISTRIBUTION OF COST BURDENED HOUSEHOLDS

Examining the distribution of cost burdened households in South Carolina is important because it provides perspective on where these needs are most concentrated within the state. **Yet while county-level breakdowns of housing market data are the most common, they can also be misleading.** For example, the county level breakdown shown previously in **Figures 9 and 10** revealed that cost burdened households were most concentrated in the Midlands, Pee Dee, and coastal regions of South Carolina.

However, when examining South Carolina at the more detailed level of the census tract – as shown in **Figures 11 and 12** – cost burdened households are shown to permeate all of South Carolina. **Perhaps most striking is the fact that even the most prosperous and affordable counties in South Carolina have areas in which there is a significant need for affordable housing. For example, every county contains areas in which a majority of renters are cost burdened. A county-level analysis risks masking these smaller, distressed regions.**

Figure 11 – Pct. of Households (with Mortgages) that are House Cost Burdened

Geographic Unit of Analysis: Census Tract

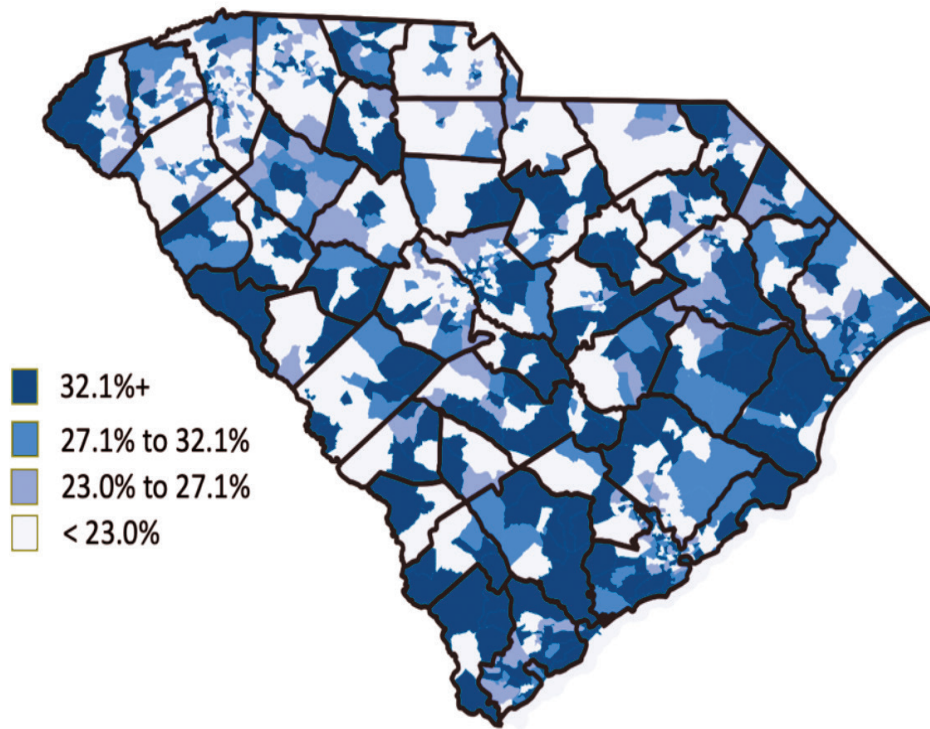
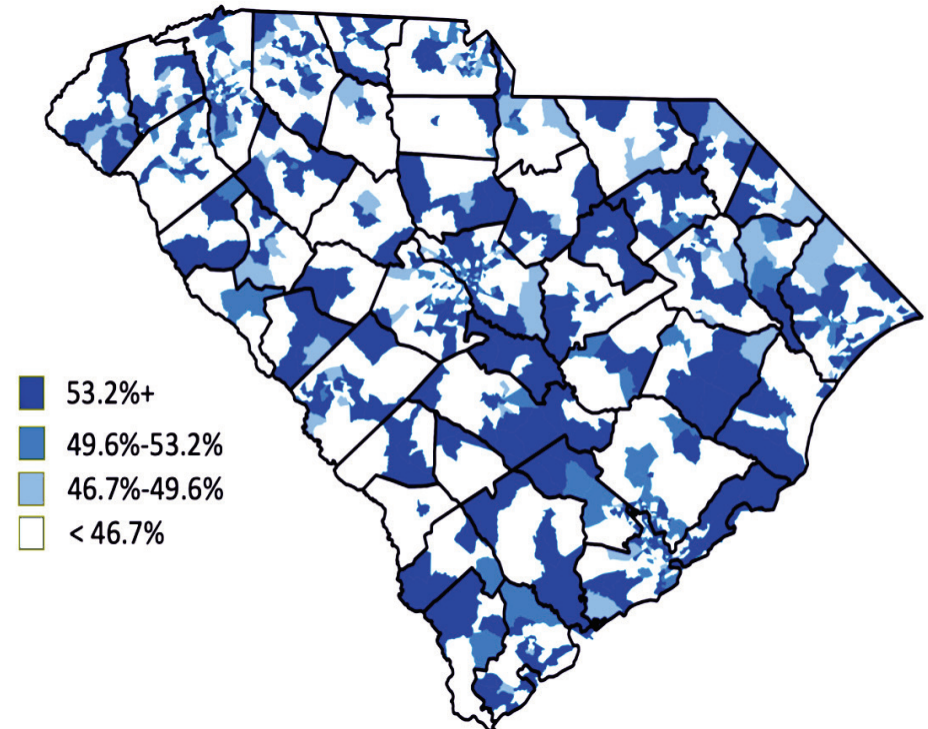


Figure 12 – Pct. of Households (Renters) that are House Cost Burdened

Geographic Unit of Analysis: Census Tract



Source: American Community Survey, 5-Year 2017-2021 Estimates

AFFORDABILITY CHALLENGES:

BY HOUSEHOLD INCOME

Housing affordability is often considered to be a challenge that is either mostly or exclusively concentrated among households with relatively lower income levels. **Approximately 90 percent of South Carolina's lower income households – defined as those earning less than \$35,000 annually – are estimated to be housing cost burdened.**

However, in South Carolina there is also a significant population base of middle-income households that also face affordability challenges. Specifically, this study estimates that more than one-third (34.5%) of households earning between \$35,000 and \$75,000 annually are also housing cost burdened by traditional measures. Existing statewide workforce housing initiatives are often designed for this population. The cost burden of this segment of the population is especially high in coastal South Carolina, as shown in **Figures 13 and 14.**



Figure 13 – Pct. of Households that are House Cost Burdened

Annual Household Income: Less than \$35,000

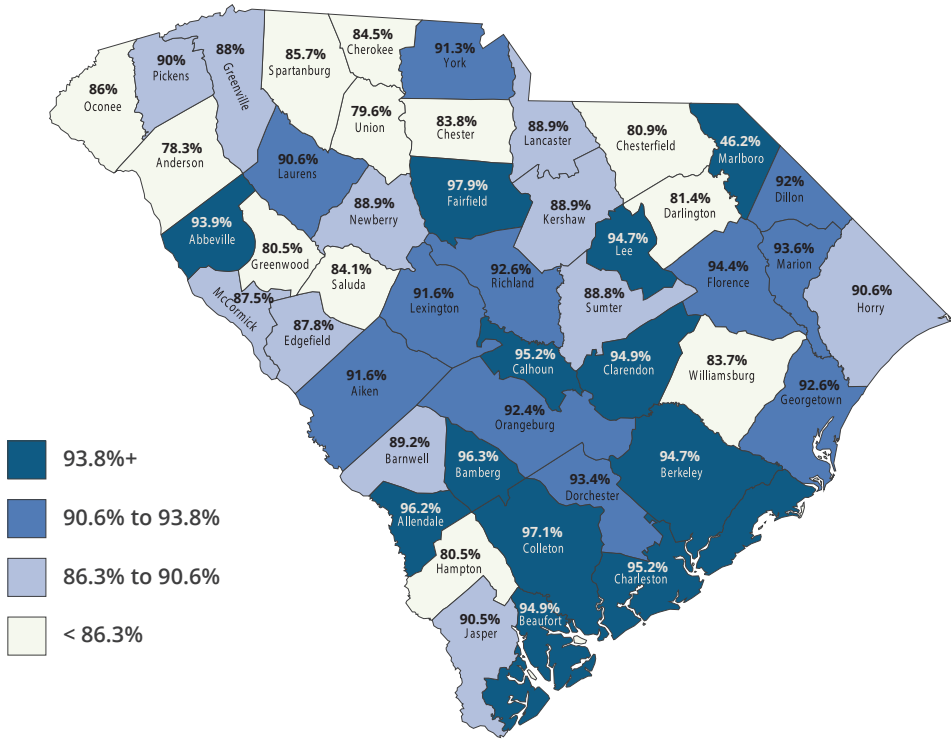
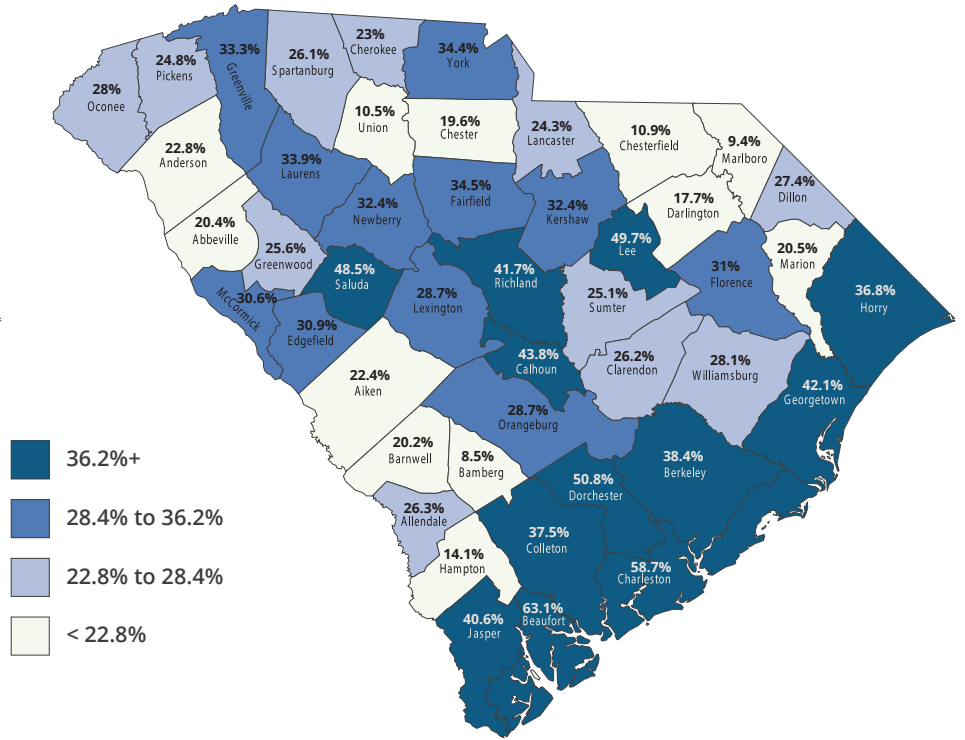


Figure 14 – Pct. of Households that are House Cost Burdened

Annual Household Income: \$35,000 - \$75,000



Source: American Community Survey, 5-Year 2017-2021 Estimates

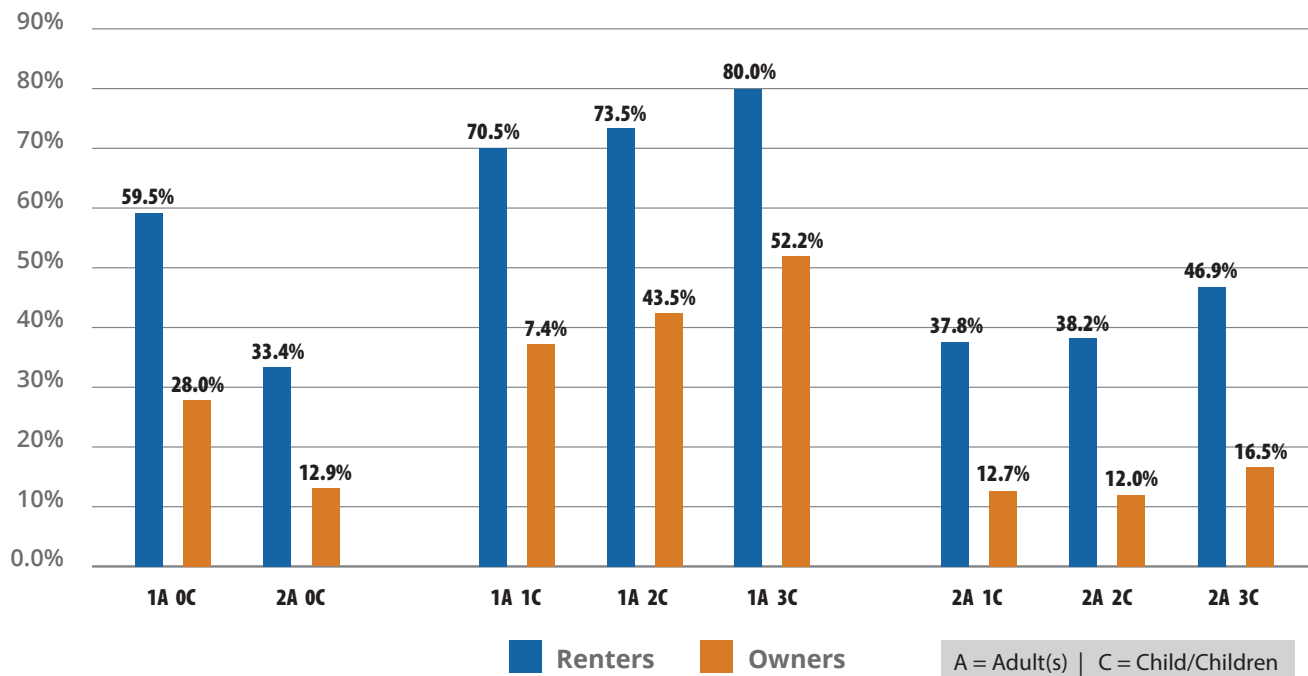
AFFORDABILITY CHALLENGES:

BY FAMILY STRUCTURE

In addition to geography and income, cost burdened households also vary considerably by family structure. Approximately 80 percent of households with one adult and three children that rent in South Carolina are housing cost burdened. This compares to just 12 percent for households with mortgages in which there are two adults and two children.

Households with two adults are less likely to be cost burdened than households with one adult, while each additional child increases the likelihood that any given household will be cost burdened. More generally, housing affordability challenges are greater for renters – regardless of family structure.

Figure 15 - Pct. of Households that are House Cost Burdened



Source: American Community Survey, 5-Year 2016-2020 Estimates

AFFORDABILITY CHALLENGES:

WORKFORCE HOUSING

When examining the cost burden of South Carolina households by both income level and family structure, the need for a greater supply of workforce housing becomes clear. As **Figures 16 and 17** denote, more than 40 percent of all household groups earning below \$35,000 annually – regardless of family structure – are housing cost burdened. Yet even among middle-income households, affordability challenges are prevalent. This is especially true for single-parent households with children. For example, approximately 43.3 percent of single-parent households with three children earning between \$45,000 and \$75,000 are housing cost burdened.



These data demonstrate that while housing affordability is a nearly universal challenge for lower-income households, it is also a significant strain on working-class families. **Policies directed at improving housing affordability should also include attainable housing programs and new inventory for middle-income families.** Individuals in these households are often employed as teachers, first responders, and health care support workers.

Approximately 43.3 percent of single-parent households with three children earning between \$45,000 and \$75,000 are housing cost burdened.



Figure 16 – Pct. of Cost Burdened Households: Renters

Notes: Highlighted cells denote that more than 40% of households are housing cost burdened

	<\$15,000	\$15,000-\$34,999	\$35,000-\$44,999	\$45,000-\$74,999	\$75,000+
1 Adult 0 Children	93.9%	74.2%	40.9%	14.8%	1.2%
2 Adults 0 Children	98.0%	75.2%	36.8%	12.2%	1.4%

1 Adult 1 Child	96.2%	75.7%	44.1%	25.9%	3.0%
1 Adult 2 Children	95.1%	79.4%	60.0%	23.2%	0.0%
1 Adult 3 Children	98.3%	87.2%	39.9%	24.0%	0.0%

2 Adults 1 Child	95.7%	77.8%	50.8%	11.9%	1.3%
2 Adults 2 Children	99.5%	80.2%	39.9%	23.6%	2.0%
2 Adults 3 Children	97.8%	78.2%	60.5%	23.6%	8.6%

Figure 17 – Pct. of Cost Burdened Households: Households with Mortgages

	<\$15,000	\$15,000-\$34,999	\$35,000-\$44,999	\$45,000-\$74,999	\$75,000+
1 Adult 0 Children	81.6%	42.1%	29.7%	13.2%	3.5%
2 Adults 0 Children	84.4%	40.0%	24.7%	13.2%	2.3%

1 Adult 1 Child	89.3%	57.4%	33.9%	25.0%	3.3%
1 Adult 2 Children	88.8%	65.8%	56.6%	25.9%	2.8%
1 Adult 3 Children	85.0%	59.3%	43.1%	43.3%	8.8%

2 Adults 1 Child	86.7%	47.1%	31.7%	16.8%	2.4%
2 Adults 2 Children	90.8%	57.1%	35.1%	17.1%	3.8%
2 Adults 3 Children	98.6%	41.5%	31.1%	28.2%	5.0%

Source: American Community Survey, 5-Year 2016-2020 Estimates

AFFORDABILITY CHALLENGES:

RE-DEFINING “COST BURDENED”

As previously noted, housing affordability is usually measured by examining the extent to which families are considered to be housing cost burdened. A cost burdened household, in turn, is usually defined as one that pays more than 30 percent of its income for housing. **This “classic” definition of cost burdened, however, typically does not take into account differences in costs of living and may not sufficiently capture the true housing needs of a community.** Factors such as family size and composition can vary widely among households with similar income levels, meaning that household income alone may be insufficient for capturing true housing needs.

An alternative measure that has been gaining traction in recent years is the “residual income methodology,” which estimates a housing cost burden by residual income – that is – income that the household has left over after all housing expenses have been paid. More specifically, this methodology examines whether the residual income available after housing costs have been paid is sufficient to cover basic standards of living for the household in question. This would take into account, for example, the fact that larger families have more living expenses and therefore may face a greater housing cost burden even if they have the same income as a relatively smaller family. **In general, the residual income methodology finds a greater share to be house cost burdened than the classic definition. This is especially true for households with children, as shown in Figures 18 and 19.**



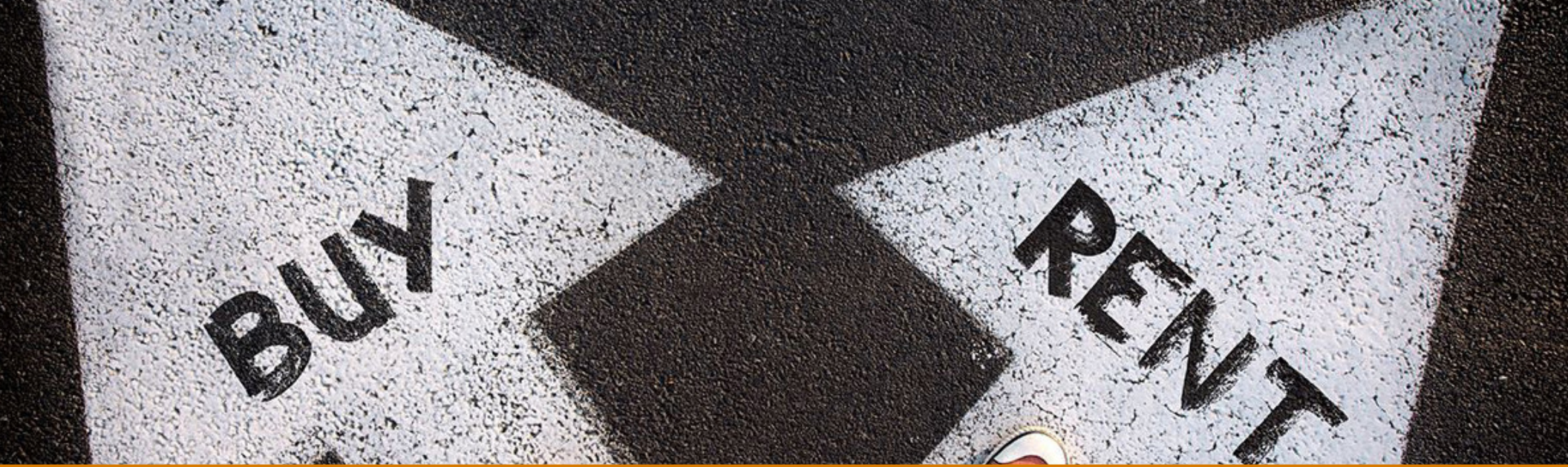


Figure 18 – Pct. of Cost Burdened Households: Households with Mortgages

Household	Classical	Residual Income	Difference
1 Adult 0 Children	28.0%	36.2%	+8.2
2 Adults 0 Children	12.9%	28.6%	+15.7

1 Adult 1 Child	37.4%	74.8%	+37.5
1 Adult 2 Children	42.5%	81.7%	+39.2
1 Adult 3 Children	52.2%	94.2%	+42.0

2 Adults 1 Child	12.7%	39.1%	+26.4
2 Adults 2 Children	12.0%	45.6%	+33.6
2 Adults 3 Children	16.5%	57.9%	+41.5

Overall	19.6%	38.0%	+18.4

Figure 19 – Pct. of Cost Burdened Households: Renters

Household	Classical	Residual Income	Difference
1 Adult 0 Children	59.5%	65.1%	+5.7
2 Adults 0 Children	33.4%	56.6%	+23.2

1 Adult 1 Child	70.5%	95.7%	+25.2
1 Adult 2 Children	73.5%	96.7%	+23.2
1 Adult 3 Children	80.0%	99.4%	+19.4

2 Adults 1 Child	37.8%	76.6%	+38.8
2 Adults 2 Children	38.2%	83.8%	+45.6
2 Adults 3 Children	46.9%	94.0%	+47.1

Overall	47.1%	69.8%	+22.6

Source: American Community Survey, 5-Year 2016-2020 Estimates and MIT Living Wage Calculator Expenses for SC, retrieved January 2023; see 2019 SC Housing Needs Assessment Appendix for more information on residual income methodology

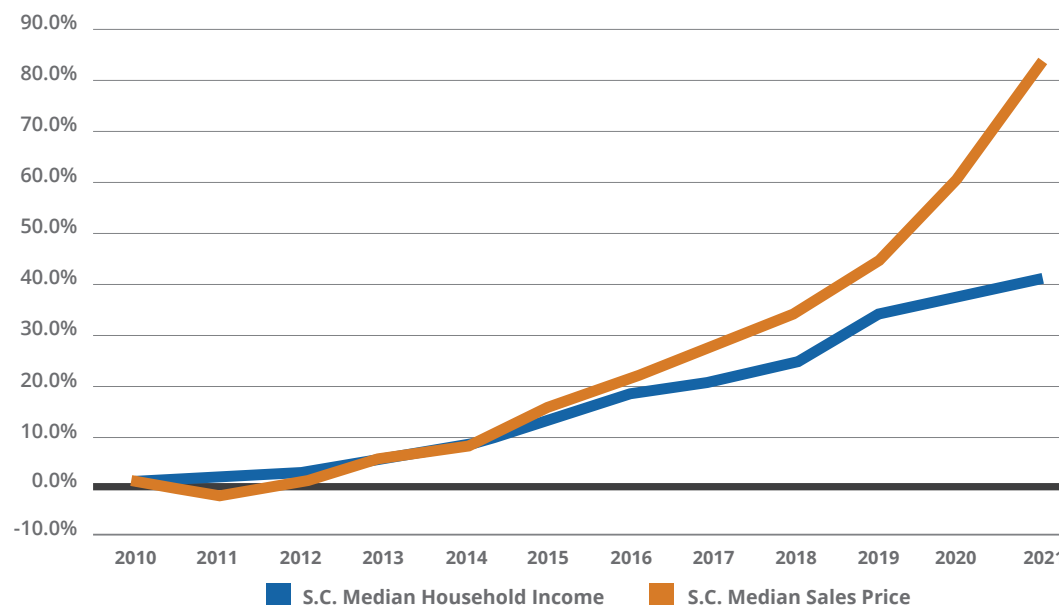
AFFORDABILITY CHALLENGES:

STATEWIDE TRENDS

Regardless of how the term “cost burdened” is specifically defined, there is no question that since 2010, overall housing affordability has declined in South Carolina. Housing affordability at any point in time – when examined across all income groups – is primarily determined by three factors: the price of housing, the income of the renter or homeowner, and mortgage interest rates. While mortgage interest rates have experienced both increases and decreases at various points since 2010 as market conditions have evolved, there has nevertheless been a clear trend over the past decade in which housing prices have steadily increased at a faster rate than income levels for South Carolinians.

Specifically, from 2010 to 2022, housing prices in South Carolina increased at more than twice the rate as household income levels (83.2% vs. 41.2%). As such, housing is becoming less affordable for the average South Carolinian. **Figure 20** highlights these trends, in which the growth rate of South Carolina’s median sales price steadily outpaced the growth rate of the median household income. Additionally, **Figure 21** reveals the counties where housing affordability is the lowest. These are the South Carolina counties in which the median household can afford fewer than half of the homes listed for sale in the county.

Figure 20 – Growth in S.C. Median Sales Price vs. S.C. Median Household Income



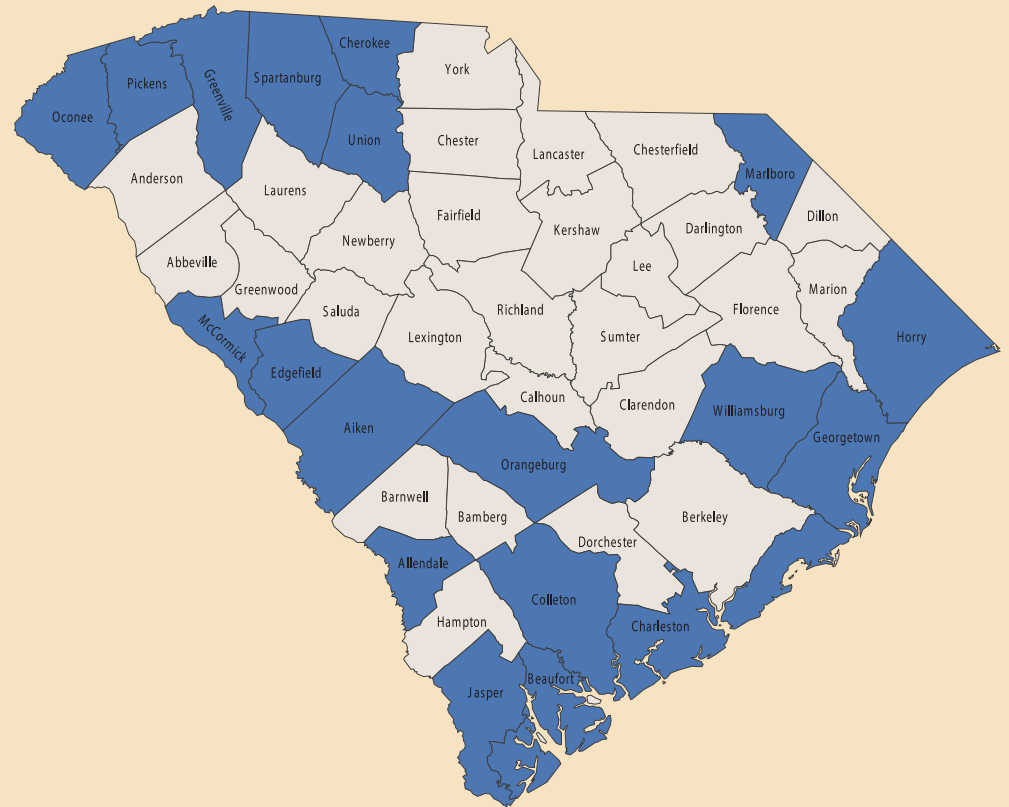
From 2010 to 2022, housing prices in South Carolina increased at more than twice the rate as household income levels (83.2% vs. 41.2%). As such, housing is becoming less affordable for the average South Carolinian.

Source: American Community Survey, 1-Year 2010-2021 Estimates and South Carolina REALTORS



Figure 21 - County-Level Housing Affordability: 2021

Note: Counties shaded in blue denote those in which the median household could afford less than half of the homes listed for sale in the county in 2021.



Source: American Community Survey, 1-Year 2010-2021 Estimates

FEEDBACK OF S.C. RESIDENTS:

SURVEY RESPONDENTS

SC Housing sought input directly from both renters and homeowners in order to help assess the most important housing priorities from the perspective of South Carolina residents. This analysis consisted of a brief survey documenting various demographic characteristics, housing financial resources, and housing repair needs.

The 213 responses received in the Spring of 2023 were generally consistent with statewide demographic patterns – including age, race, and ethnicity. There was a higher response rate from individuals living in the Midlands region as well as from females. A majority of respondents (54%) were homeowners with a mortgage payment while another 23.9 percent were renters. Approximately 12 percent of respondents were homeowners without a mortgage payment. For those paying a mortgage or rent, monthly payments were typically more than \$1,000.



Figure 22 – Current Living Situation

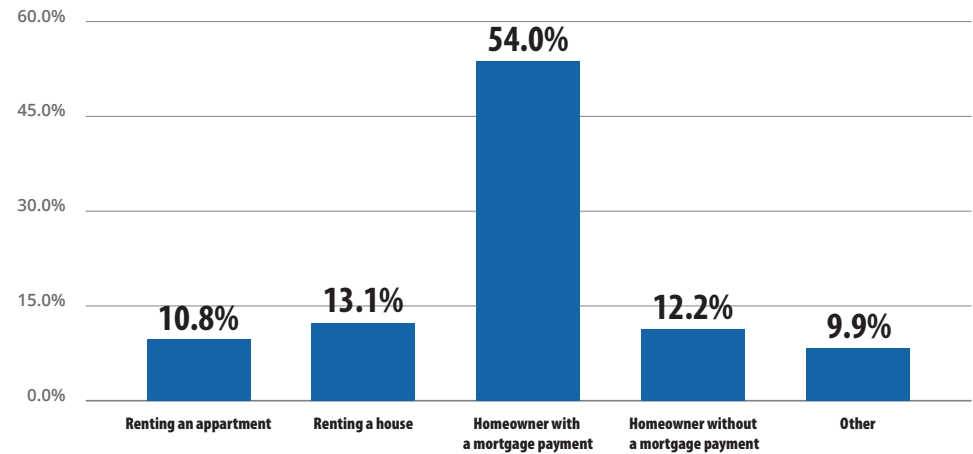
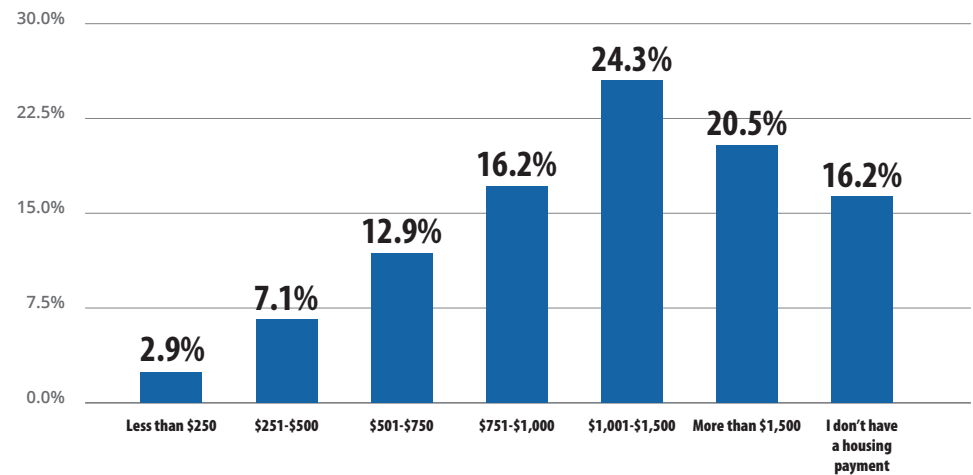


Figure 23 – Monthly Rent or Mortgage Payment



FEEDBACK OF S.C. RESIDENTS:

HOUSING FINANCES

Many survey respondents reported missing a housing payment in the previous twelve months due to financial hardship. Those with higher incomes were generally less likely to have reported missing a housing payment, with households reporting annual incomes greater than \$90,000 not reporting any missed payments. By contrast, **more than 1 in 5 (or 22%) of those with annual income levels between \$30,000 and \$75,000 reported missing a payment within the last twelve months.**

The likelihood of missing a housing payment varied considerably depending upon the required housing payment, although households paying less than \$250 per month reported the highest overall likelihood of missing a payment within the last twelve months (33.3%).



Figure 24 – Missed Housing Payments by Income Level

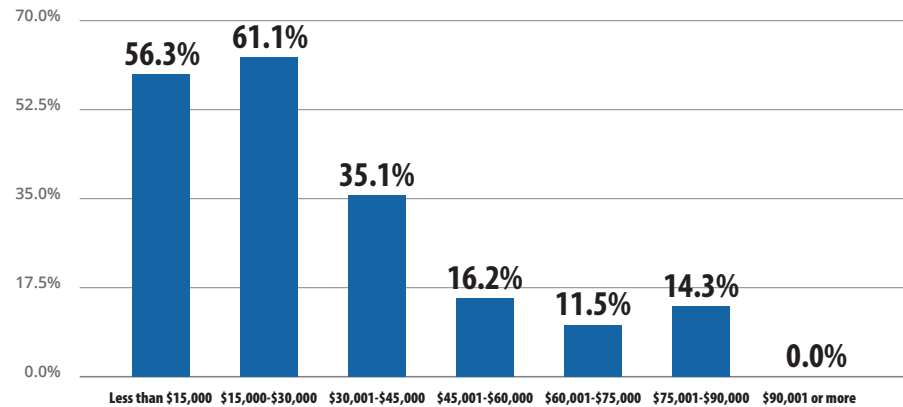
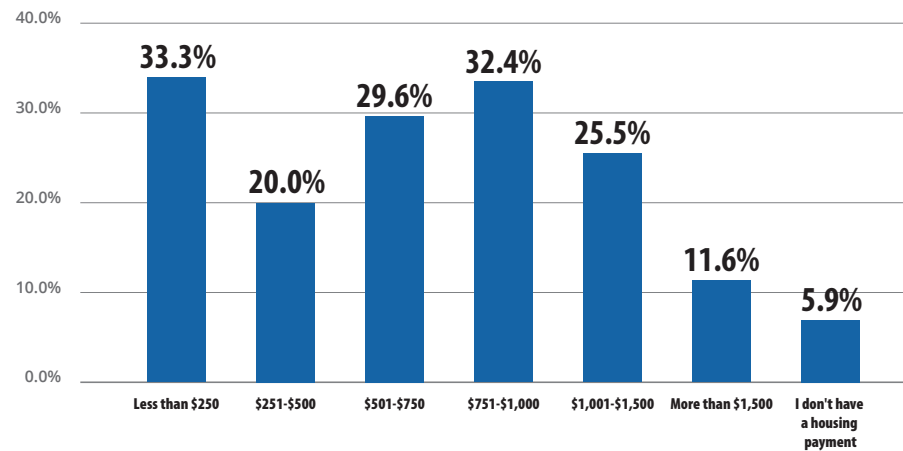


Figure 25 – Missed Housing Payments by Monthly Housing Costs



FEEDBACK OF S.C. RESIDENTS:

HOME REPAIRS

More than half of all survey respondents reported needing some type of major home repair. The most commonly reported issue was the need for a new roof followed by new windows, plumbing/electrical issues, and foundation concerns. **Approximately 21 percent of respondents with incomes greater than \$90,000 reported needing significant home repairs compared to nearly 87 percent of respondents with incomes of less than \$15,000.**

Survey respondents with the lowest monthly housing costs had the highest reported need of home repairs. All respondents who paid less than \$250 per month had major housing repair needs. **Moreover, nearly 25 percent of those paying more than \$1,500 per month reported needing significant housing repairs.**



Figure 26 – Housing Repair Needs by Income Level

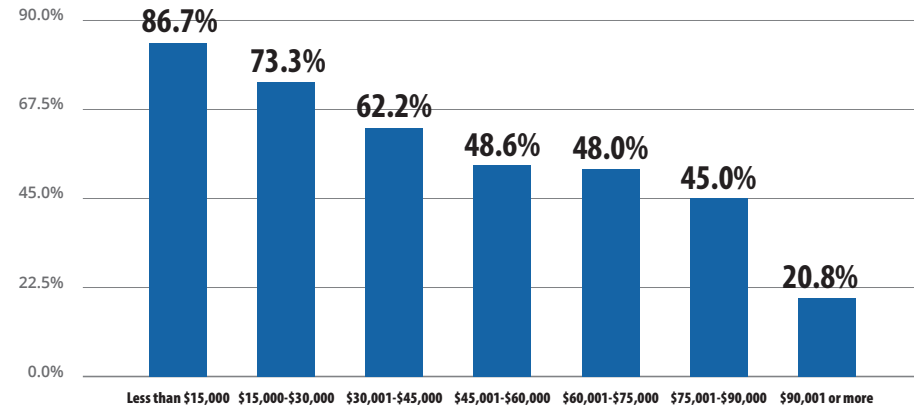
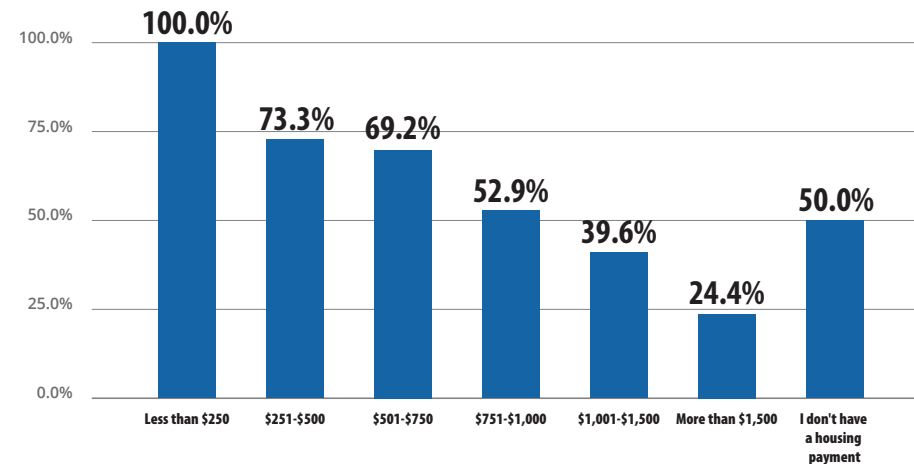


Figure 27 – Housing Repair Needs by Monthly Housing Costs



Source: S.C. Housing Public Survey, Spring 2023

FEEDBACK OF S.C. RESIDENTS: *HOUSING FINANCES*

Those who missed a housing payment were far more likely to also report a needed housing repair. Specifically, over 77 percent of those who missed a housing payment also reported the need for a significant housing repair.

Figures 28 and 29 highlight the breakdown of survey respondents by region – highlighting the extent to which each region’s respondents report having missed a housing payment and the need for a housing repair.

The Pee Dee region had the highest percentage of respondents (31%) reporting missing a housing payment in the past 12 months due to financial hardship. The Greater Upstate region had the highest percentage of respondents (54%) reporting a need for significant home repairs. More generally, the need for housing repair was more pronounced than the need for financial monthly payment assistance across all regions. This implies that **housing repair assistance may be a higher priority for existing renters and homeowners across South Carolina than housing-related financial assistance.**



Figure 28 – Pct. of Households Reporting a Missed a Housing Payment within the Last Twelve Months

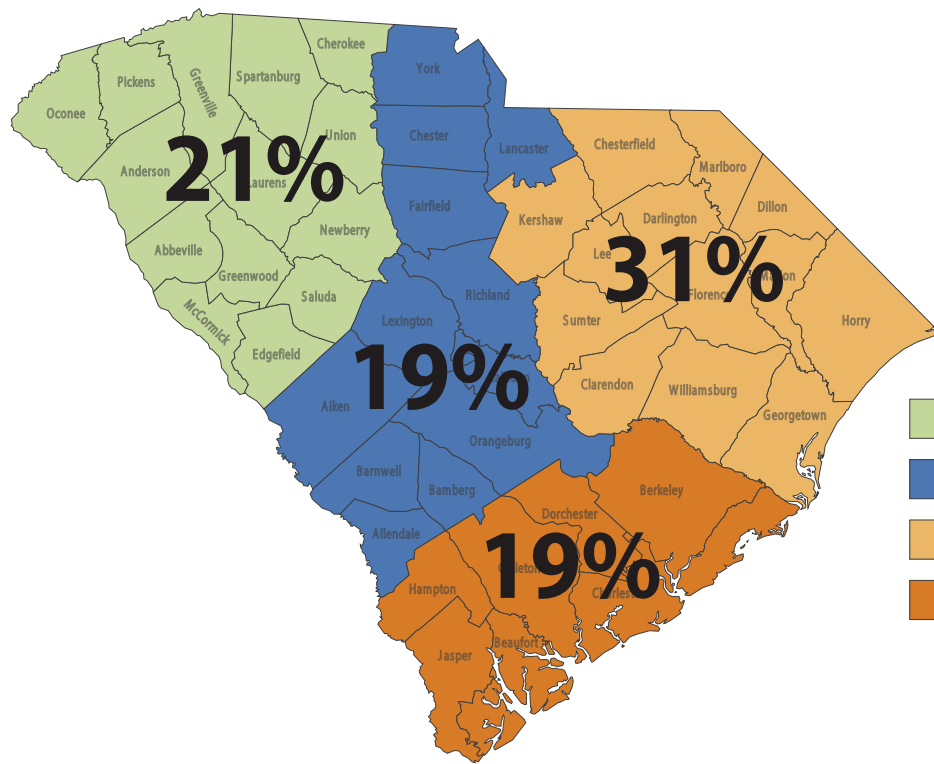
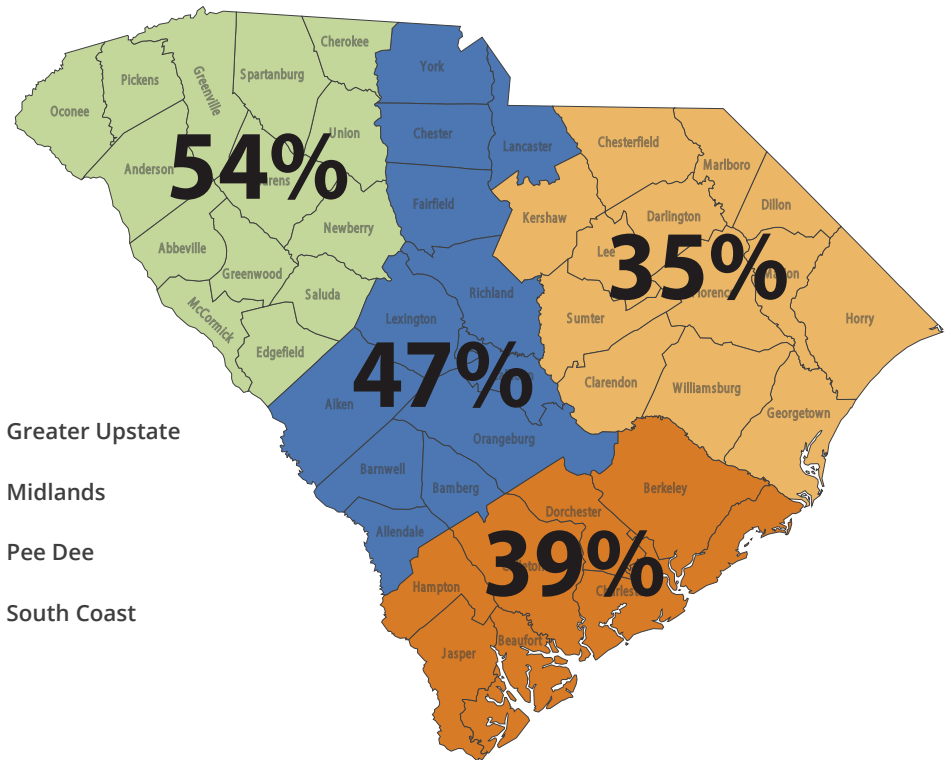


Figure 29 – Pct. of Households Reporting a Major Housing Repair Need



- Greater Upstate
- Midlands
- Pee Dee
- South Coast

Source: S.C. Housing Public Survey, Spring 2023



South Carolina State Housing Finance and Development Authority (SC Housing)

300-C Outlet Pointe Boulevard

Columbia, S.C. 29210

www.schousing.com

Contact Us: palmettohousingstudy@schousing.com

