Housing Affordability Report:

Maine Housing Affordability Indices

York County, ME

Produced by Southern Maine Planning and Development Commission

Updated July 2021

SMPDC
SOUTHERN MAINE PLANNING & DEVELOPMENT COMMISSION

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INTRODUCTION

Southern Maine, much like the state and nation, has struggled to balance attainable workforce housing through a changing economy. As a regional organization, we have heard from multiple towns and cities that housing affordability is their greatest challenge. Many municipalities have taken important steps to change local policy and regulations in hopes of encouraging more affordable housing options, but many complex factors still influence the housing market across the region. This challenge is only exacerbated by the impacts of the COVID-19 pandemic, increasing in-migration, development costs, and supply shortages or bottlenecks.

SMPDC believes that by taking a broader regional view, we can provide a more comprehensive understanding of the issue and develop regional strategies that allow communities to confront this challenge together.

DATA

To illuminate regional trends in housing affordability in Southern Maine, we analyzed Maine Housing Authority (referenced as Maine Housing throughout text) historic data detailing homeownership and rental affordability throughout the state. This report seeks to display and quantify the Maine Housing data in a way generally accessible to our towns and cities, for the purposes of educating themselves and the public on what housing disparities exist in their town and region.

Maine Housing produces statistical datasets for both homeownership and rental affordability on a semi-annual basis. Thorough datasets are available for homeownership costs and incomes for the years 2000-2020, but are less consistent for rentals. For the purposes of this analysis, we focused on the years 2000, 2005, 2010, 2015, 2019 and 2020. Given the dramatic impact of the COVID-19 pandemic on housing costs, the 2020 data should be interpreted with caution. We include the 2019 year as well to provide a pre-pandemic baseline.

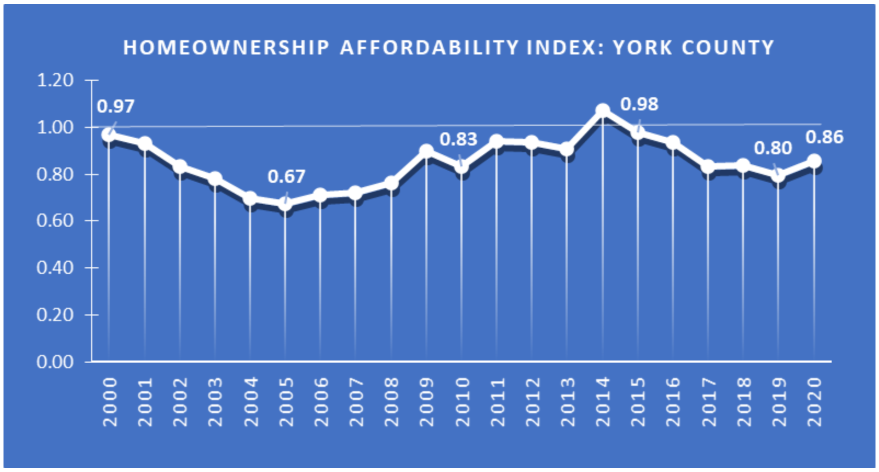
To evaluate homeownership and rental affordability, Maine Housing compares home and rental prices to a geographic area's median income. Median income refers to the income level where half of the households in the geographic area earn more and half earn less. Median income is therefore used to evaluate whether housing is attainable to middle class households in the area.

HOMEOWNERSHIP AFFORDABILITY

Homeownership Affordability Index

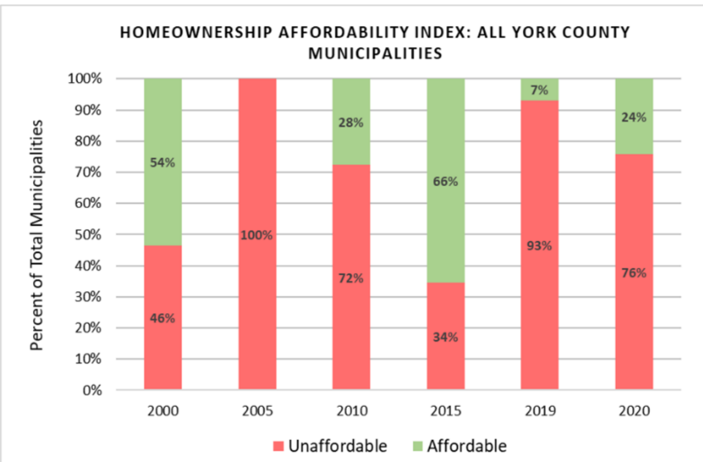
The Homeownership Affordability Index is the ratio between the home price affordable to the median income and the median home price for that area. The home price affordable to the median income considers the payment on a home with a 30-year mortgage, taxes, and insurance, using no more than 28% of gross income. An index of 1 would mean the median home price is equal to the home price affordable to the median income for that region. An index less than 1 indicates a generally unaffordable area, where as an index greater than one indicates the area is generally affordable.

$$Homeownership\ Affordability\ Index = \frac{Home\ Price\ Affordable\ to\ Median\ Income}{Median\ Home\ Price}$$



(Above) Figure 1. Homeownership Affordability Index: York County, 2000-2020

The Homeownership Affordability Index for York County is displayed in **Figure 1. Figure 2** breaks down the index results for all municipalities in York County. The trends seen over time in both figures are reflected throughout this report. Housing affordability drops greatly between 2000 and 2005. By 2015, overall affordability improves above 2000 levels, but has since dropped to levels like those around 2008. In 2000, the home price affordable to the median income ($121,279) was just slightly less than the median home price ($124,500). By 2005, the median home price had increased by 85%, while median income only increased by 14%.



(Above) Figure 2. Homeownership Affordability Index: York County All Towns and Cities

Tables 1 and 2 show the communities with the highest and lowest index results for all years. In 2019, only three towns fall into the affordable (Index >1) category.

Below, **Figure 3** shows the Homeownership Index results for all York County towns, in 4 of our study years. The populous coastal communities are unaffordable across all study years. While inland communities fluctuate between affordable and unaffordable over time, they do consistently have higher index values, and are closer to that affordable threshold. On page 4, we see the same data for each town.

(Below) Tables 1 & 2. Top 5 Affordable and Unaffordable, based on Homeownership Index

Top 5 "Affordable" Municipalites: Index (Ratio of Home Price Affordable to Median Income and Median Home Price)			
2000		**2005**	
Newfield	1.30	Limerick	0.88
Hollis	1.26	Hollis	0.82
Buxton	1.24	Limington	0.81
Waterboro	1.23	Waterboro	0.81
Limerick	1.23	Dayton	0.77
2010		**2015**	
Limerick	1.15	Limerick	1.67
Waterboro	1.14	Parsonsfield	1.40
Cornish	1.13	Limington	1.37
Lyman	1.12	Waterboro	1.33
Dayton	1.07	North Berwick	1.31
2019		**2020**	
Buxton	1.12	Waterboro	1.17
North Berwick	1.07	Limington	1.08
Waterboro	0.99	Buxton	1.06
South Berwick	0.98	Dayton	1.02
Sanford	0.98	Berwick	1.02

Top 5 "Unaffordable" Municipalites: Index (Ratio of Home Price Affordable to Median Income and Median Home Price)			
2000		**2005**	
Kennebunkport	0.55	Ogunquit	0.34
Ogunquit	0.57	Kennebunkport	0.38
York	0.73	Biddeford	0.49
Eliot	0.76	York	0.51
Kittery	0.78	Alfred	0.57
2010		**2015**	
Ogunquit	0.51	Kennebunkport	0.54
Sanford	0.64	Ogunquit	0.63
Biddeford	0.65	Kittery	0.64
Kittery	0.69	York	0.70
York	0.70	Biddeford	0.78
2019		**2020**	
Ogunquit	0.40	Ogunquit	0.47
Kennebunkport	0.50	Kennebunkport	0.52
Old Orchard Beach	0.52	Arundel	0.65
Biddeford	0.63	Kennebunk	0.69
York	0.63	Old Orchard Beach	0.69

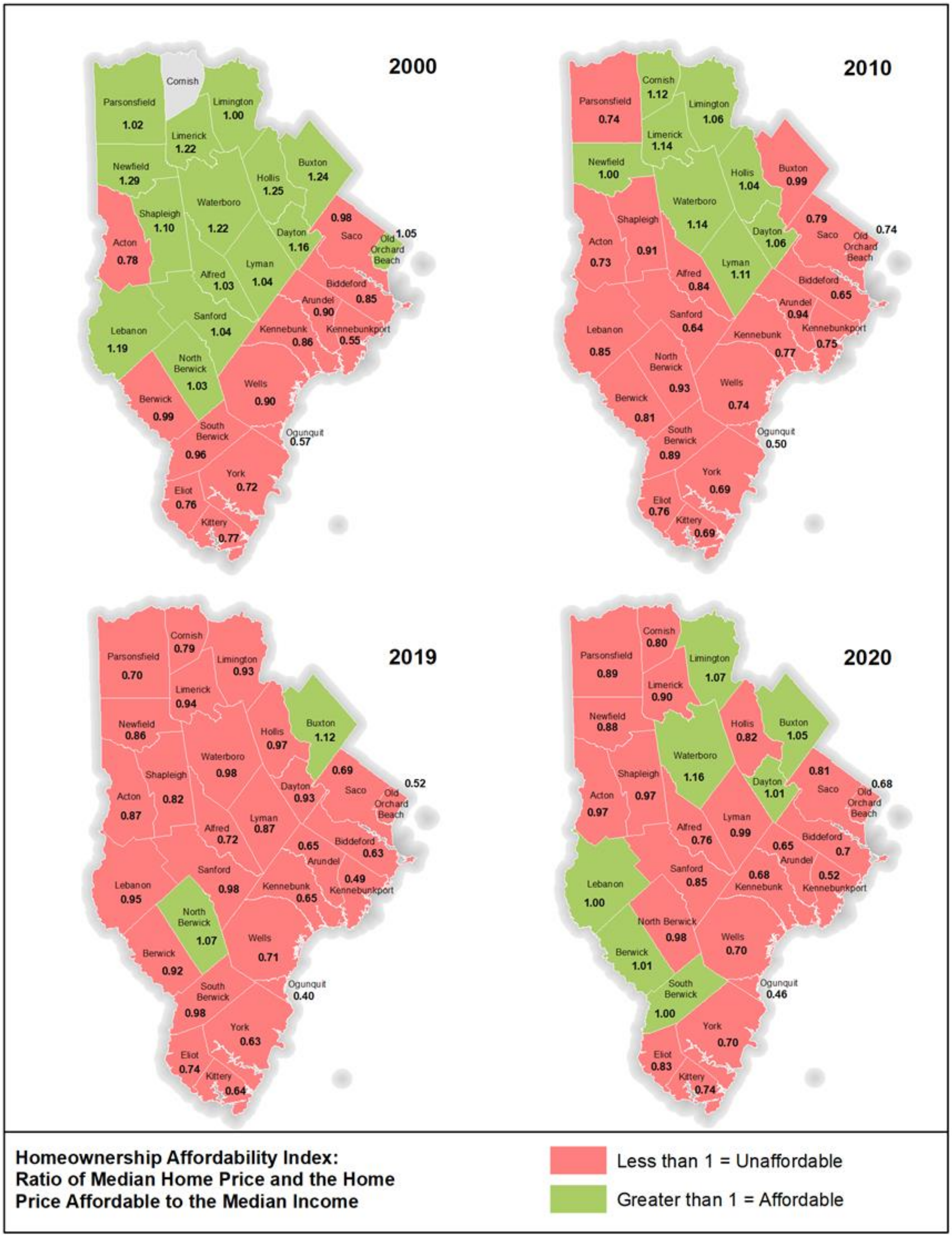


Figure 3. Homeownership Affordability Index, defined as the ratio between Median Home Price and the Home Price Affordable at the Median Income. Less than 1 is generally unaffordable; greater than 1 is generally affordable.

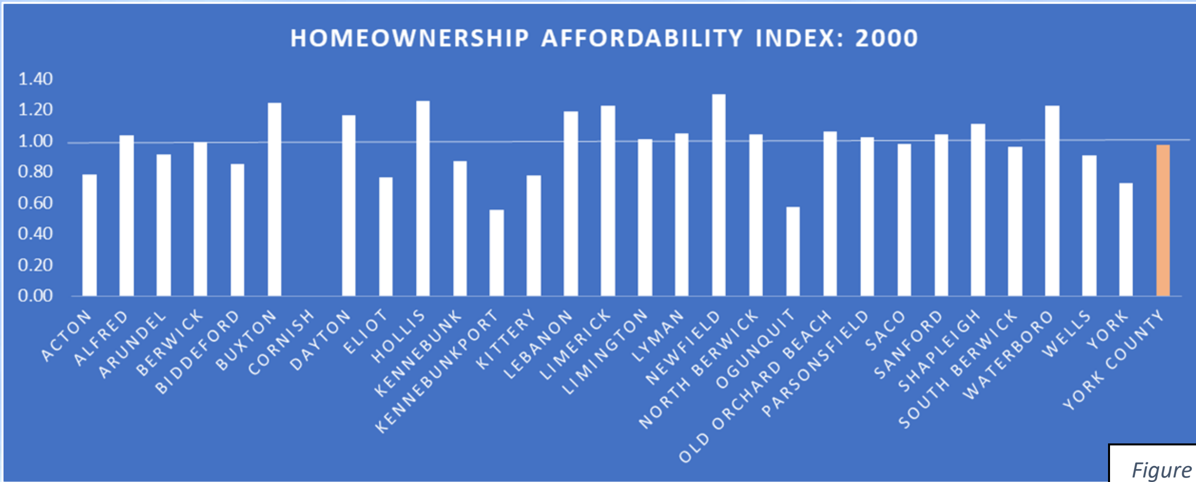


Figure 4

Figure 5

Figure 6

Figure 7

Homeownership Income Gap

The following charts and graphs look at the difference between median income and income needed to afford the median home price. The goal of this section is to quantify the income gap between the median income and the income needed to afford the median home price on a regional scale, and within each town.

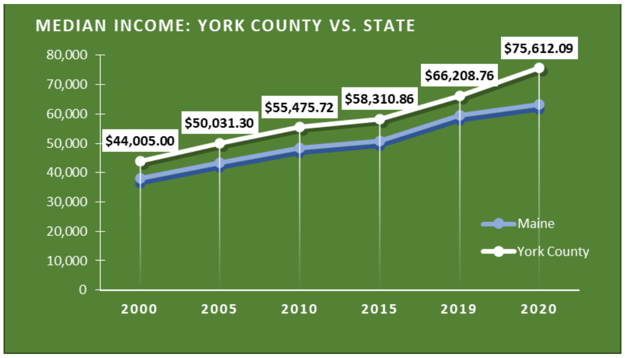
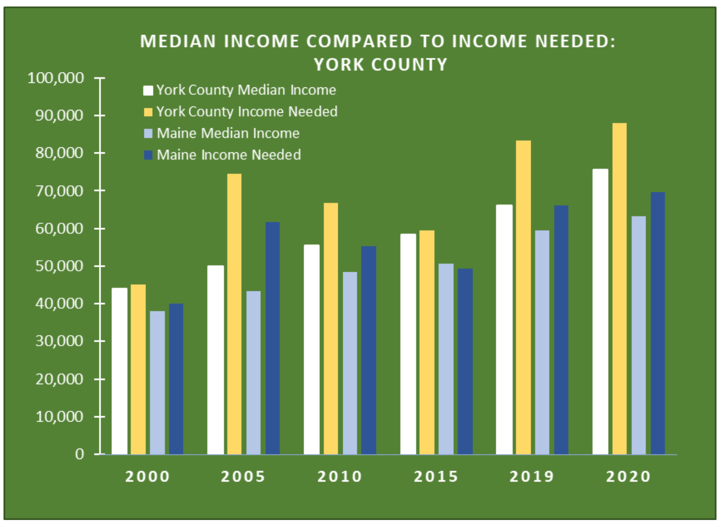


Figure 8. Median Income: York County vs. State

Figure 8 shows a steady increase in incomes throughout the six study years for York County. The 2020 data predicts a steeper income increase for York County compared to the state, but this may be skewed considering economic and employment impacts of the Covid-19 pandemic.

Figure 9 compares median incomes and the income needed to afford median home prices for York County and Maine. In all study years, the income gap in York County exceeds that of the state. In 2019, median incomes fell short by approx. -$6,000 statewide, and by over -$17,000 in York County. The larger income gap in York County indicates that affordability could be an even greater issue for Southern Maine.



Tables 3 and 4 show the topmost affordable and unaffordable communities based on income gap. A negative value indicates median incomes are less than the income needed. The largest income gaps in 2019 range from -$40,000 to over -$100,000. Only two communities, Buxton, and North Berwick, have median incomes greater than the income needed. On the following page, we compare income gaps for all towns in four study years.

(Left) Figure 9. Median Income Compared to Income Needed: York County and Maine

(Below) Tables 3&4. Top 5 Most Affordable and Most Unaffordable based on income gap.

Top 5 "Affordable" based on Income Gap: Median Income - Income Needed to Afford Median Home Price			
2000		**2005**	
Hollis	$9,982.08	Limerick	-$6,489.80
Buxton	$9,491.80	Waterboro	-$11,155.92
Newfield	$8,916.32	Limington	-$11,472.35
Waterboro	$7,994.97	Hollis	-$11,812.82
Dayton	$7,560.73	Sanford	-$15,220.00
2010		**2015**	
Waterboro	$6,910.06	Limerick	$26,144.31
Limerick	$6,783.60	Dayton	$18,792.56
Lyman	$6,411.16	Limington	$16,610.14
Cornish	$5,068.31	Lyman	$16,084.07
Dayton	$4,410.74	North Berwick	$15,696.22
2019		**2020**	
Buxton	$8,737.86	Waterboro	$10,935.03
North Berwick	$5,450.64	Limington	$4,948.19
Sanford	-$718.00	Buxton	$4,695.06
Waterboro	-$806.19	Dayton	$1,672.61
South Berwick	-$1,752.46	Berwick	$1,500.74

Top 5 "Unaffordable" based on Income Gap: Median Income - Income Needed to Afford Median Home Price			
2000		**2005**	
Kennebunkport	-$43,661	Kennebunkport	-$105,920.88
Ogunquit	-$35,454	Ogunquit	-$104,967.05
York	-$21,221	York	-$63,747.46
Eliot	-$16,445	Biddeford	-$40,697.00
Kittery	-$13,191	Eliot	-$39,215.71
2010		**2015**	
Ogunquit	-$59,743.72	Kennebunkport	-$59,982.78
York	-$31,124.50	Ogunquit	-$36,696.17
Kittery	-$25,412.13	Kittery	-$31,623.66
Kennebunkport	-$23,847.04	York	-$29,458.13
Biddeford	-$22,418.00	Biddeford	-$12,505.00
2019		**2020**	
Ogunquit	-$104,425.35	Ogunquit	-$94,313.56
Kennebunkport	-$87,970.93	Kennebunkport	-$84,152.59
York	-$48,228.27	York	-$39,200.74
Old Orchard Beach	-$44,960.47	Kennebunk	-$38,153.76
Kittery	-$41,471.93	Arundel	-$36,826.70

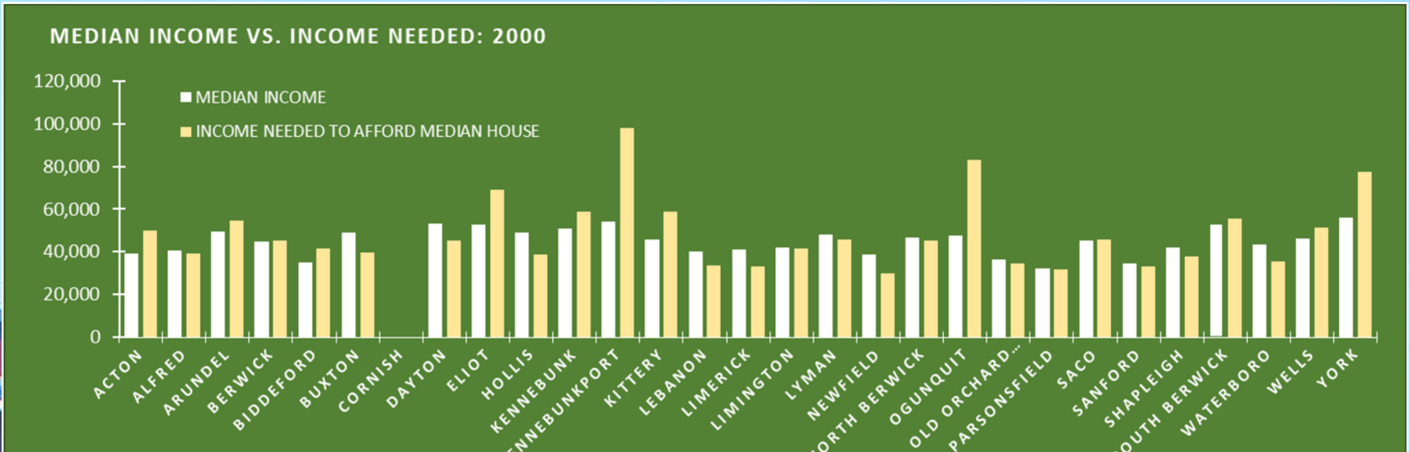


Figure 10

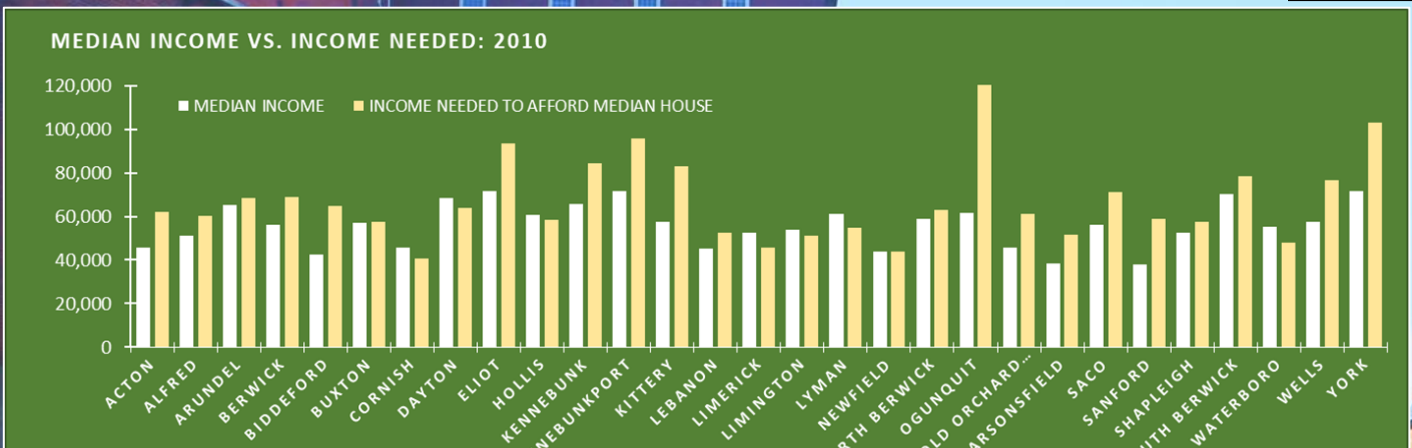


Figure 11

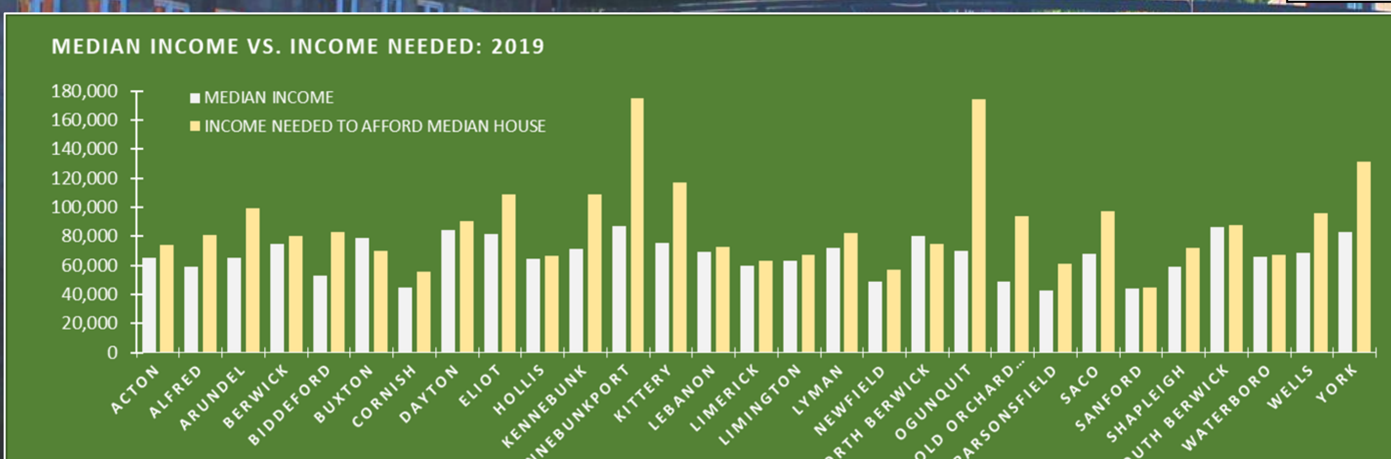


Figure 12

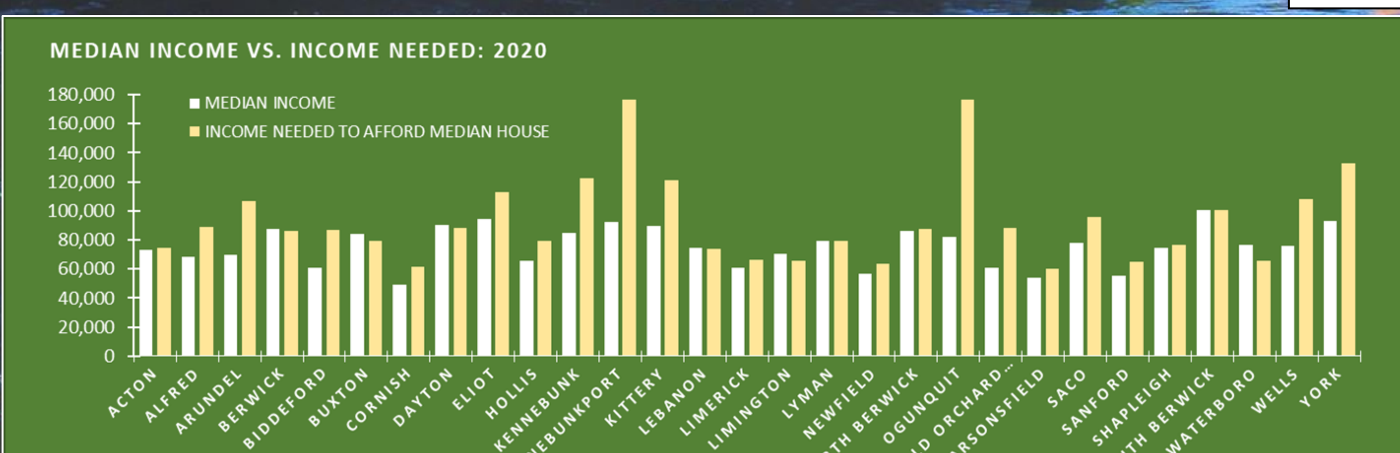


Figure 13

Homeownership Costs

The following charts detail the homeownership costs used to calculate the Homeownership Index, including the price gap between area median home price, and the home price affordable to the median income. **Figure 14** indicates that home prices in York County have been consistently higher than the state median since 2000, with a faster rate of increase between 2000 and 2005, and 2015-2019. **Figure 15** shows the price gap is again larger in York County compared to the state. In 2019, statewide home prices were approx. $23,000 higher than the price affordable to the median income, and $46,000 higher in York County.

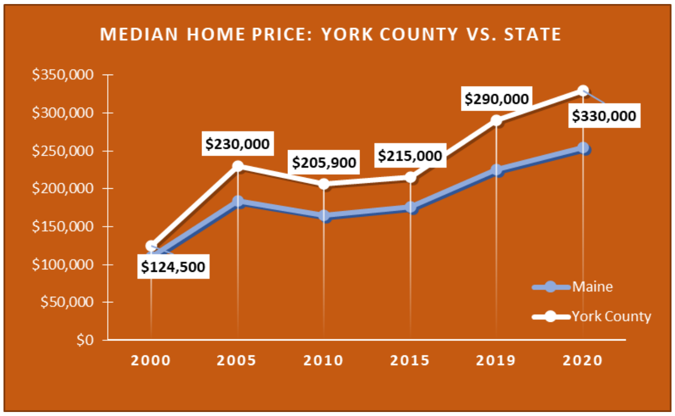
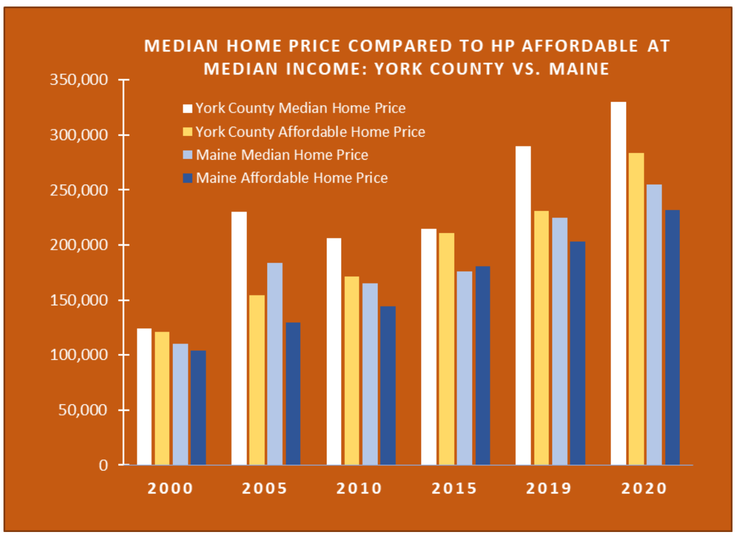


Figure 14. Median Home Price: York County and State

Tables 5 and 6 show the largest and smallest home price gaps in towns of York County. In this case, a negative value depicts the median home price is *less than* what is affordable. In 2019, the most affordable towns based on the home price gap, still have home prices above what the median income can afford.



Tables depicting home price gaps for all towns will be available in the appendix following this report.

(Left) Figure 15. Median Home Price Compared to Home Price Affordable at Median Income, York County and State

(Below) Tables 5 & 6. Top 5 Most Affordable and Most Unaffordable, based on Home Price Gap

Top 5 "Affordable" based on Home Price Gap: Median Home Price - Home Price Affordable at Median Income			
2000		**2005**	
Hollis	-$27,225.78	Limerick	$19,838.94
Buxton	-$26,455.51	Waterboro	$33,626.66
Newfield	-$25,485.76	Limington	$35,380.28
Waterboro	-$22,063.92	Hollis	$37,391.92
Dayton	-$20,773.39	Sanford	$48,573.00
2010		**2015**	
Waterboro	-$20,828.59	Limerick	-$94,466.56
Limerick	-$20,737.06	Dayton	-$65,390.92
Lyman	-$20,137.73	Limington	-$62,247.70
Cornish	-$15,244.42	Lyman	-$58,997.03
Dayton	-$13,485.22	North Berwick	-$57,326.54
2019		**2020**	
Buxton	-$30,699.07	Waterboro	-$40,355.43
North Berwick	-$19,393.30	Limington	-$19,181.40
Sanford	$2,339.00	Buxton	-$17,757.64
Waterboro	$2,768.49	Dayton	-$6,147.61
South Berwick	$5,766.29	Berwick	-$5,416.35

Top 5 "Unaffordable" based on Home Price Gap: Median Home Price - Home Price Affordable to Median Income			
2000		**2005**	
Kennebunkport	$122,667.97	Ogunquit	$337,607.27
Ogunquit	$100,377.25	Kennebunkport	$332,523.19
York	$58,953.05	York	$204,617.87
Eliot	$45,428.71	Eliot	$122,784.38
Kittery	$35,641.90	Biddeford	$119,419.00
2010		**2015**	
Ogunquit	$192,154.72	Kennebunkport	$234,095.34
York	$99,904.05	Ogunquit	$143,274.39
Kittery	$78,682.01	Kittery	$111,470.00
Kennebunkport	$74,864.32	York	$110,500.01
Eliot	$68,846.43	Biddeford	$42,524.00
2019		**2020**	
Ogunquit	$396,859.31	Ogunquit	$388,287.08
Kennebunkport	$329,187.50	Kennebunkport	$340,693.74
York	$175,270.30	York	$153,769.27
Old Orchard Beach	$152,456.81	Kennebunk	$143,399.54
Kittery	$143,455.01	Arundel	$137,200.93

RENTAL AFFORDABILITY

We realize that the housing market is changing throughout southern Maine, and for many, homeownership is not an attainable or preferred investment. However, the Maine Housing data available for individual York County towns is not as extensive for rentals, potentially indicating low rates of rentals for many of our rural communities. For this reason, we have limited the rental affordability data in this report to the county and state level. Overall, more data on rental households is needed considering the predicted growth of the rental market. In addition, emphasizing single-family homeownership ignores an important part of the problem and solution. Rental Affordability Indexes we not calculated by Maine Housing for 2018 or 2019.

The Rental Affordability index is the ratio of 2-bedroom rent affordable to median renter income to average 2-bedroom rents. In 2020, median 2-bedroom rents were used. Rent affordable to the median renter income considers the renters utilities, using no more than 30% of gross income.

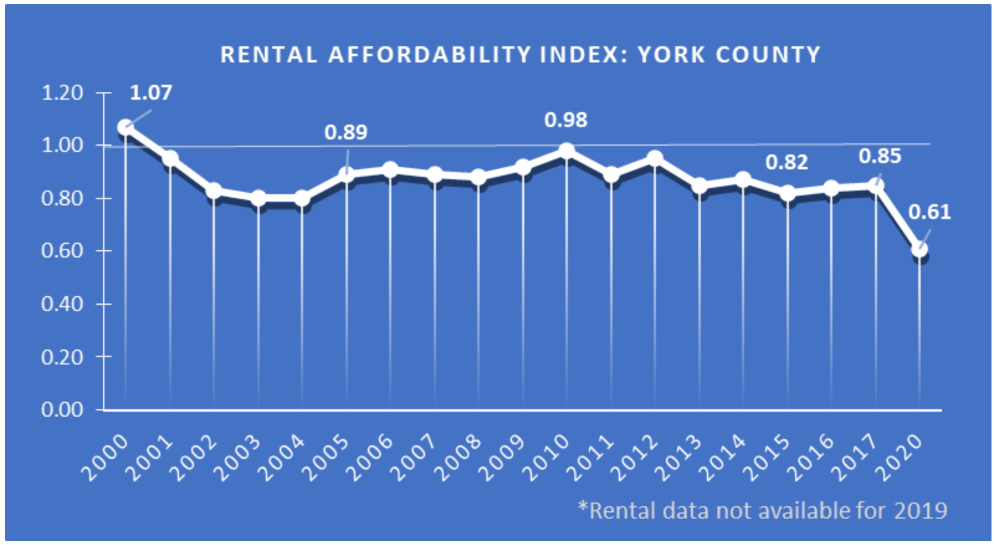


Figure 16. Rental Affordability Index: York County, 2000-2020

Figure 16 shows the Rental Affordability Index for York County since 2000. York County rentals have been consistently unaffordable since 2000, with a peak of .98 in 2010. **Figure 17** compares the York County Affordability Indexes for both homeownership and rentals for our major study years. In most cases, we see higher affordability for renters, except for 2015, where homeownership affordability is at its highest. Both figures show the sharp drop in rental affordability between 2017 and 2020. Without 2018-2019 data, the trend is unknown, but the drop in affordability is likely due to the use of median rents instead of average rents in 2020.

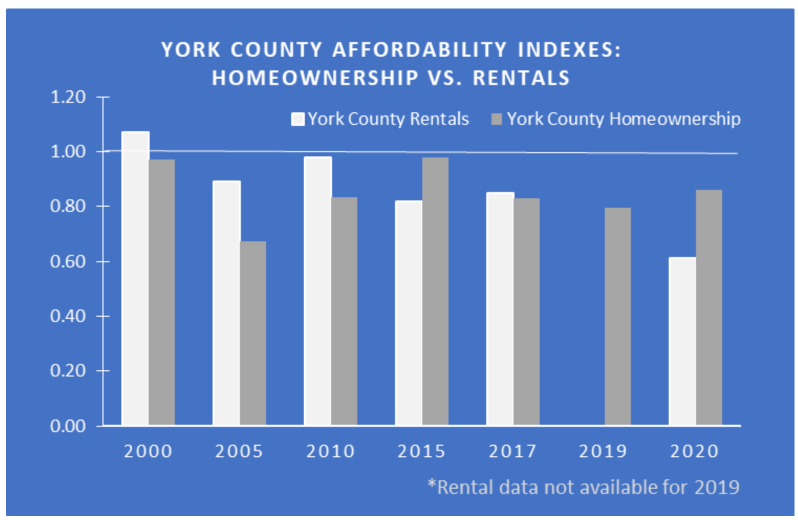


Figure 17. York County Affordability Indexes Compared: Homeownership and Rentals

Figures 18-21 median renter incomes, average 2-bedroom rents, and the comparison to the associated income needed to afford.

From 2017 to 2020, there is a predicted increase in median renter income of around 16.3%, just slightly higher than the states increase by 13.9%. The use of median rents in 2020 is highlighted in Figure 12 and 11. The 2020 median 2-bedroom rents are over 60% higher than the average 2-bedroom rents used in 2017. Part of this trend is due to the change in the type of data used, but could indicate that rental affordability was overestimated in the years prior to 2020. Statewide, rents only increase by 8.7%. Although the change is emphasized by the three-year gap in data, the predictions show affordability changing more rapidly in York County than the state overall.

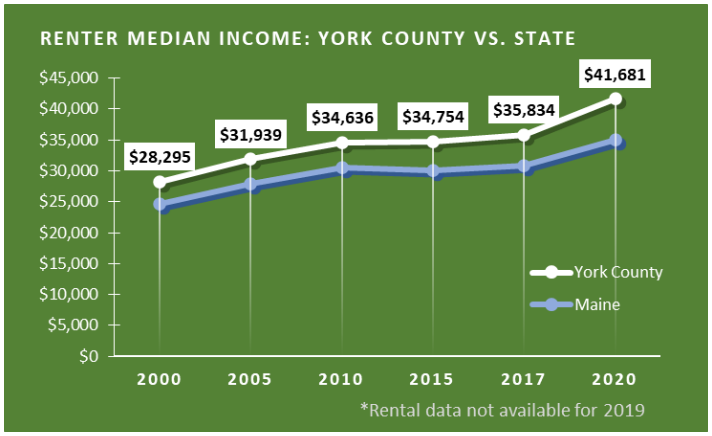


Figure 18. Renter Median Income, York County and State

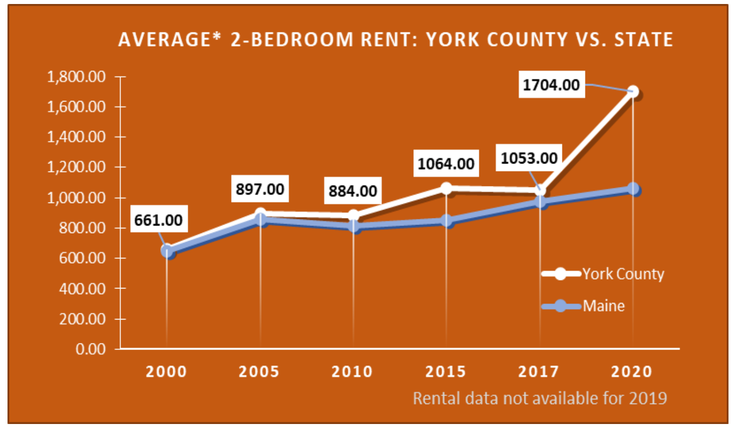


Figure 20. Average 2-Bedroom Rent: York County and the State; *Median Rent used in 2020*

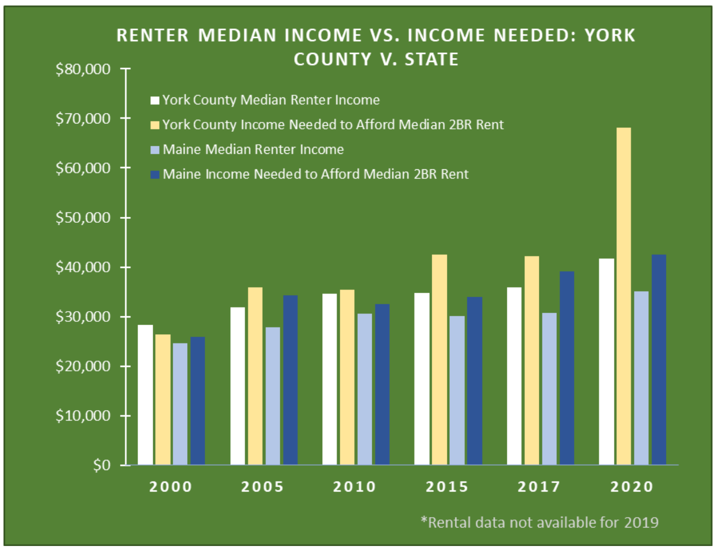


Figure 19. Renter Median Income vs. Income Needed to Afford the Average 2-Bedroom Rent, York County and State; *Median Rent used in 2020*

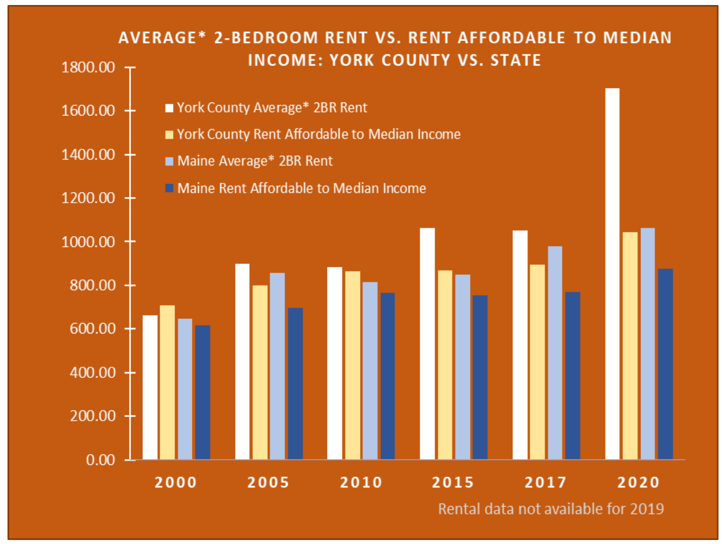


Figure 21. Average 2-Bedroom Rent vs. Rent Affordable to Median Renter Income: York County and State; *Median Rent used in 2020*

CONCLUSION

The Maine Housing data analysis presented in this report indicates that there is a housing affordability issue in Southern Maine, and it may be more extreme and progressing quicker than the state overall. Home prices continue to rise, while at the same time, incomes fall short and do not keep pace with rising prices. Between 2015-2019, York County median incomes increased by 13.54%, while median home prices increased by 34.88%. The information in this report supports the concerns of many municipal staff and officials in our region, and provides insight on how their communities compare on the spectrum of housing affordability. The forthcoming appendix to this report includes some additional tables, charts, and graphs, that expand upon those presented here.

There are still many questions about the information presented here, not the least of which are 1) what the contributing factors to unaffordability are and 2) what the important actions are that communities can take to increase affordability. In addition, more in-depth data about the rental housing market, and housing stock are necessary to get a clearer picture of all housing types in Southern Maine.