



The analysis in this section identifies mismatches in supply and demand for all households in Cincinnati—i.e., it examines housing need across all income levels. The housing model developed for this section shows where there are too few or too many units to meet the affordability needs of Cincinnati’s households.

Data used in the analysis include:

- Household projections from the 2009 American Community Survey (ACS) and household income ranges from ACS;
- Rental cost ranges from CB Richard Ellis (as of late September 2010) and the ACS (2009);
- Data on subsidized rental units from the Cincinnati Metropolitan Housing Authority (CMHA); and
- Current and active listings of homes for sale in Cincinnati from the Cincinnati Area Board of Realtors MLS.

Defining affordability. In the housing industry, housing is “affordable” if no more than 30 percent of a household’s monthly income is needed for rent, mortgage payments and utilities. When the proportion of household income needed to pay housing costs exceeds 30 percent, a household is considered “cost burdened.”

Housing programs generally focus on assisting lower income populations. The U.S. Department of Housing & Urban Development (HUD) divides low and moderate income households into categories based on their relationship to the median family income (MFI). In Cincinnati, for 2010, HUD reports the MFI for a family of four at \$69,500. For this study, the following HUD income categories are used:

- Extremely low income (earning 30 percent or less of the MFI)—\$20,850. This is roughly the same as the poverty level for a family of four.
- Very low income (earning between 31 and 50 percent of the MFI)—\$20,851 to \$34,750.
- Low income (earning between 51 and 80 percent of the MFI)—\$34,751 to \$55,600, and
- Moderate income (earning between 81 and 100 percent of the MFI)—\$55,601 to \$69,500.

SECTION IV. Housing Affordability

Top Housing Affordability Needs

Rental needs. Contrary to many cities where poverty rates have risen, Cincinnati's poverty rate has stayed relatively level during the past two decades. Still, as of 2009, there are more than 33,000 renters (39 percent) and 4,400 homeowners (6 percent) who earn less than \$15,000 per year. Without the rental assistance provided by the Cincinnati Metropolitan Housing Authority (CMHA), the city would have a significant rental affordability problem.

One-quarter of Cincinnatians live in poverty. Sustaining the city's supply of affordable rental housing is vital.

Cincinnati, through its public housing authority and other partners, has done an excellent job of providing affordable rental housing to its lowest income residents. Although there is still a

shortage of rental housing for residents earning less than \$15,000 per year, affordable rentals are less challenging to find for low income households who earn slightly more.

Homeownership needs. There are many renters living in the city who could become homeowners, but are not able to find the home they want and/or are hesitant to buy. The largest constraint to homeownership is limited housing supply.

After decades of population decline, many areas of Cincinnati are revitalizing and downtown residential living is growing in popularity. The city is home to many renters who are good candidates for first time ownership: Indeed, 19,000 renters earn between \$35,000 and \$75,000 per year. The downturn in the housing market has dampened the supply of homes to buy for these potential owners—but as the economy improves, the city should seize the opportunity to make these renters long time residents of Cincinnati.

The housing market in Cincinnati is quite affordable, overall.



Rental Affordability

Exhibit IV-1 shows the affordability of rental housing by price range for households in Cincinnati. Units are affordable if no more than 30 percent of a household’s income is required to pay both rent and utilities. For example, households earning less than \$10,000 per year could afford to pay a maximum of \$175 in rent each month (accounting for utility costs) to avoid being cost burdened.

**Exhibit IV-1.
Affordable Rents by
Household Income
Range, 2009**

Income Range	Maximum Affordable Rent (excludes utilities)
Less than \$5,000	\$ 125
\$5,000 to \$9,999	\$ 175
\$10,000 to \$14,999	\$ 300
\$15,000 to \$19,999	\$ 425
\$20,000 to \$24,999	\$ 550
\$25,000 to \$34,999	\$ 775
\$35,000 to \$49,999	\$ 1,125
\$50,000 to \$74,999	\$ 1,750
\$75,000 to \$99,999	\$ 2,350
\$100,000 to \$149,999	\$ 3,575
\$150,000 or more	\$ 4,825

Source:
BBC Research & Consulting.

Exhibit IV-2 shows the estimated number of renter households in each income category in 2009, along with the number and proportion of rental units affordable to them. The housing units include those rental units provided by the city public authority and Section 8 vouchers. The total number of rental units is calculated by adding the number of occupied units (renter households) to the number of units identified as vacant by the ACS.¹

**Exhibit IV-2.
Renter Households Compared to Rental Units, 2009**

Income Range	Renters		Maximum Affordable Rent	Rental Units	
	Number	Percent		Number	Percent
Less than \$5,000	8,582	10%	\$ 125	5,775	5%
\$5,000 to \$9,999	14,040	17%	\$ 175	3,954	4%
\$10,000 to \$14,999	9,945	12%	\$ 300	7,686	7%
\$15,000 to \$19,999	8,109	10%	\$ 425	20,055	19%
\$20,000 to \$24,999	7,440	9%	\$ 550	29,813	28%
\$25,000 to \$34,999	9,654	12%	\$ 775	24,463	23%
\$35,000 to \$49,999	11,943	14%	\$ 1,125	9,981	9%
\$50,000 to \$74,999	7,881	9%	\$ 1,750	3,424	3%
\$75,000 to \$99,999	3,438	4%	\$ 2,350	1,788	2%
\$100,000 to \$149,999	1,847	2%	\$ 3,575	-	0%
\$150,000 or more	708	1%	\$ 4,825	-	0%
Total	83,587	100%		106,939	100%

Source: BBC Research & Consulting.

¹ For the units identified by the ACS as “other vacant,” 60 percent were considered rental units, consistent with overall tenure in the city.

SECTION IV. Housing Affordability

Rental mismatch summary. Exhibit IV-3 compares the supply of rental units to the number of renter households in each category. The Rental Gap column identifies the shortages and excesses in the market—this is the rental unit mismatch.

**Exhibit IV-3.
Rental Gaps Analysis, 2009**

Income Range	Renters		Maximum Affordable Rent	Rental Units		Rental Gap
	Number	Percent		Number	Percent	
Less than \$5,000	8,582	10%	\$ 125	5,775	5%	(2,807)
\$5,000 to \$9,999	14,040	17%	\$ 175	3,954	4%	(10,086)
\$10,000 to \$14,999	9,945	12%	\$ 300	7,686	7%	(2,259)
\$15,000 to \$19,999	8,109	10%	\$ 425	20,055	19%	11,946
\$20,000 to \$24,999	7,440	9%	\$ 550	29,813	28%	22,373
\$25,000 to \$34,999	9,654	12%	\$ 775	24,463	23%	14,809
\$35,000 to \$49,999	11,943	14%	\$ 1,125	9,981	9%	(1,962)
\$50,000 to \$74,999	7,881	9%	\$ 1,750	3,424	3%	(4,457)
\$75,000 to \$99,999	3,438	4%	\$ 2,350	1,788	2%	(1,650)
\$100,000 to \$149,999	1,847	2%	\$ 3,575	-	0%	(1,847)
\$150,000 or more	708	1%	\$ 4,825	-	0%	(708)
Total	83,587	100%		106,939	100%	
Total gap for households earning less than \$15,000/year:						(15,152)

There is a shortage of affordable rental units priced less than \$300 per month.

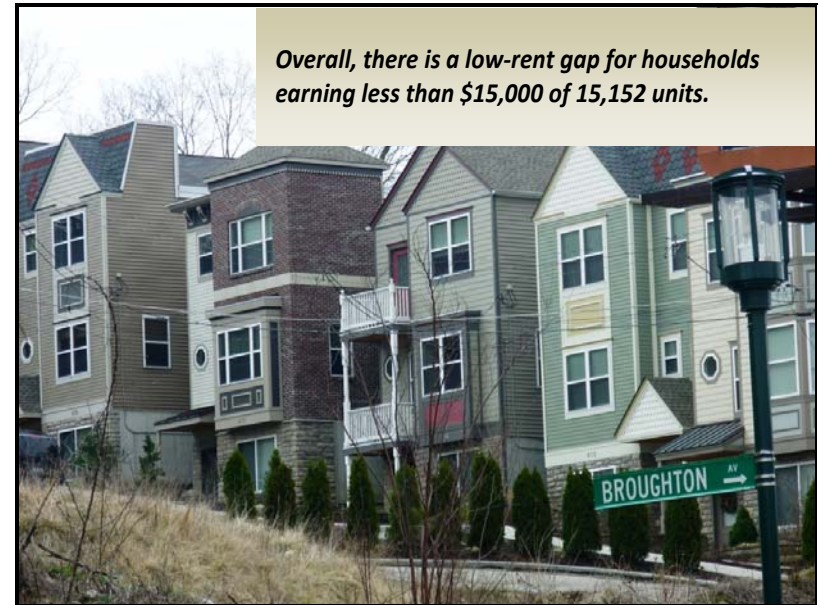
There is an abundance of units in the \$425-\$775 rental range.

Source: BBC Research & Consulting.

SECTION IV. Housing Affordability

Rental gaps findings:

- The largest shortage of rental units is for units renting between \$125 and \$175 per month (rent only, no utilities). More than 14,000 of the city's renters need rents at this level to avoid cost burden. There are 3,954 units in this rent range, leaving a gap (or shortage of units) of 10,086.² This appears in the second line, far right hand column of Exhibit IV-3.
- Renters earning less than \$5,000, between \$10,000 and \$15,000 and more than \$35,000 face a shortage of rental units in their affordability range. These renters are either paying more or, for high income renters, less than what they can afford.
- Overall, there is a low-rent gap for households earning less than \$15,000 of 15,152 units. This appears at the end of the exhibit and is calculated by adding the “gaps” numbers for renters earning less than \$15,000. These renters are all paying more than they can afford—likely between \$425 and \$550 per month in rent. In this price range, rental units are abundant.



² The renters who need rents in this range are not homeless; rather, they are “renting up” and paying more in rent than they can afford.

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Rental gap by MFI. There is not a negative rental gap for the lowest income renters if the model is constructed by MFI (see Exhibit IV-4). This is because the gap is calculated across a wider income range, which assumes that the units priced between \$400 and \$446 per month are affordable to all households in the 0 to 30 percent of MFI category.

In reality, these households would be slightly cost burdened. It is important to note, though, that by this measure, the city's rental gap is minor because of the abundance of units renting for less than \$446 per month.

**Exhibit IV-4.
Rental Gap by HUD MFI, 2009**

MFI Range	Renters		Maximum Affordable Rent	Rental Units		Rental Gap	
	Number	Percent		Number	Percent		
0% to 30% of MFI	\$20,850	41,941	50%	\$ 446	42,544	40%	603
31% to 50% of MFI	\$34,750	15,589	19%	\$ 769	49,202	46%	33,613
51% to 80% of MFI	\$55,600	13,949	17%	\$ 1,265	10,748	10%	(3,201)
100% of MFI	\$69,500	4,382	5%	\$ 1,613	1,904	2%	(2,478)
101% to 120% of MFI	\$83,400	2,889	3%	\$ 1,910	753	1%	(2,136)
121% to 150% of MFI	\$104,250	2,440	3%	\$ 2,431	1,788	2%	(652)
More than 150% of MFI	\$104,251	2,398	3%	\$ 2,431	-	0%	(2,398)
Total		83,587	100%		106,939	100%	23,352

Note: HUD 4 person MFI, 2010 = \$69,500

Source: BBC Research & Consulting.

SECTION IV. Housing Affordability

The student effect. Some of the households in the gaps that have needs are college students. The University of Cincinnati has an enrollment of more than 39,000 students (both part- and full-time), with only 3,000 students living on campus. Cincinnati State reports an enrollment of 20,000. Xavier University has an enrollment of about 6,600 students. Therefore, the resident student population in the city is potentially very large. However, not all students enrolled at these schools attend full time and many live outside of the city.

The American Community Survey (ACS) estimates that 17 percent of Cincinnati’s residents living in poverty are students. Therefore, an estimated 2,500 of the renter households earning less than \$15,000 per year who face rental housing shortages could be students.

Single Family Affordability

This gaps analysis for the affordability of homes for sale was conducted to examine two facets of the for-sale market:

- How easily renters at different income levels can afford to buy a home; and
- How easily current owners could afford to sell their current home and buy another home in Cincinnati.

The distribution of for-sale units by price for Cincinnati was based on 2010 data provided by the Cincinnati Area Board of Realtors MLS.

Exhibit IV-5 shows what households at different income levels could afford to buy.³ Units are affordable if no more than 30 percent of a household’s income is required to pay both the mortgage payment (including taxes and property insurance) and utilities.

**Exhibit IV-5.
Affordable Home
Prices by Household
Income Range, 2010**

Source:
BBC Research & Consulting and
Cincinnati Area Board of Realtors MLS.

Income Range	Maximum Affordable Home Price
Less than \$5,000	\$ -
\$5,000 to \$9,999	\$ 14,693
\$10,000 to \$14,999	\$ 33,073
\$15,000 to \$19,999	\$ 51,433
\$20,000 to \$24,999	\$ 69,792
\$25,000 to \$34,999	\$ 99,177
\$35,000 to \$49,999	\$ 150,614
\$50,000 to \$74,999	\$ 242,462
\$75,000 to \$99,999	\$ 330,618
\$100,000 to \$149,999	\$ 510,622
\$150,000 and more	\$ 694,371

³ Mortgage loan terms are assumed as 30-year fixed, 5.5 percent, 5 percent downpayment. The mortgage payment is also adjusted to incorporate hazard insurance, property taxes and utilities.

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Renter/for-sale mismatch. Exhibit IV-7 on the following page shows the estimated number of renter households in each income category in 2009—the city’s potential buyers—along with the number and proportion of homes affordable to them as of 2010. The exhibit shows how well the for sale market is able to serve Cincinnati’s renters who might be looking to buy.

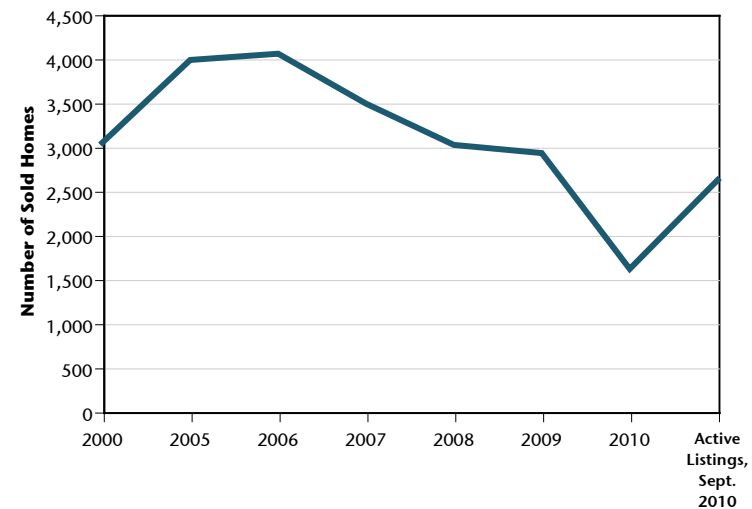
The “cumulative” column shows the proportion of units for sale to renters of different income levels. For example, renters earning between \$35,000 and \$50,000 per year could afford to buy 60 percent of the units for sale in Cincinnati in 2010. Renters earning between \$50,000 and \$75,000 per year could afford 77 percent of the units for sale.

Homeownership gap findings. There are 19,800 renters in Cincinnati who earn between \$35,000 and \$75,000 per year. These renters include a diversity of people, many of whom are good candidates for first time homeownership in the city (young professionals, young families, public servants). During 2010, if these potential homeowners were looking to buy, they would be able to choose among 2,000 units for sale—a small number relative to the number of renters who could be buyers.

The homeownership gaps analysis suggests a lack of supply in the for sale market.

The inventory of homes for sale is low because of the housing market downturn and lack of demand. As Exhibit IV-6 demonstrates, the number of homes sold in Cincinnati through September 2010 is relatively low.

Exhibit IV-6.
Inventory of Sold Homes and Active Listings, 2000 to 2010



Source: Cincinnati Area Board of Realtors MLS.

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It is likely that many of the city's renters who could be owners are choosing not to buy because of current economic conditions. Some may need some modest assistance before they purchase a home (e.g., downpayment assistance, co-sign on their loan). Others may need stronger market indicators and/or incentives to demonstrate that buying in the city is a good investment.

Exhibit IV-7.
Affordability of For-Sale Housing to Cincinnati's Renters, 2010

Income Range	Renters <i>(potential homeowners)</i>		Maximum Affordable Home Price	Units for Sale, 2010		Cummulative Percent of Units For Sale	Difference in Percent Between Renters and Units For Sale
	Number	Percent		Number	Percent		
Less than \$5,000	8,582	10%					
\$5,000 to \$9,999	14,040	17%	\$ 14,693	97	4%	4%	-13%
\$10,000 to \$14,999	9,945	12%	\$ 33,073	190	7%	11%	-5%
\$15,000 to \$19,999	8,109	10%	\$ 51,433	226	9%	20%	-1%
\$20,000 to \$24,999	7,440	9%	\$ 69,792	183	7%	27%	-2%
\$25,000 to \$34,999	9,654	12%	\$ 99,177	395	15%	42%	4%
\$35,000 to \$49,999	11,943	14%	\$ 150,614	492	19%	60%	5%
\$50,000 to \$74,999	7,881	9%	\$ 242,462	443	17%	77%	7%
\$75,000 to \$99,999	3,438	4%	\$ 330,618	230	9%	86%	5%
\$100,000 to \$149,999	1,847	2%	\$ 510,622	179	7%	93%	5%
\$150,000 and more	708	1%	\$ 694,371	182	7%	100%	6%
Total	83,587	100%		2,617	100%		

Source: BBC Research & Consulting and Cincinnati Area Board of Realtors MLS.

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Homeownership mismatch. Exhibit IV-8 shows how Cincinnati’s owner population matches up with existing units in Cincinnati’s owner-occupied housing market. This analysis examines how easily current owners could move within Cincinnati if they wanted or had to. In markets with rapid appreciation, some owners find themselves in a situation where they “cannot afford to buy the house they are living in.” Although this usually means owners have built equity in their homes, it can also mean that it is cost prohibitive for current owners to move within a market.

In general, most owners in Cincinnati could move into different units in the city without experiencing greater levels of cost burden or, conversely, losing money on the sale of their current home. The comparison between proportions (far right column) shows some market shifts, but they are modest. Overall, the units that are currently for sale have a slightly lower valuation distribution than all homes in the city. This may suggest that the homes that are for sale lack desirability and therefore are not selling—further evidence of a mismatch between renter demand and for sale supply.

**Exhibit IV-8.
Homeownership Gaps Analysis, 2010**

Income Range	Owners		Maximum Affordable Home Price	Units for Sale (2010)		Cummulative Percent of Units For Sale	Units by Value (2009)		Difference in Proportions (Value % - For Sale %)
	Number	Percent		Number	Percent		Number	Percent	
Less than \$5,000	1,061	2%	\$ -						
\$5,000 to \$9,999	1,309	2%	\$ 14,693	97	4%	4%	502	1%	-3%
\$10,000 to \$14,999	2,073	4%	\$ 33,073	190	7%	11%	505	1%	-6%
\$15,000 to \$19,999	2,302	4%	\$ 51,433	226	9%	20%	1,836	3%	-5%
\$20,000 to \$24,999	1,749	3%	\$ 69,792	183	7%	27%	4,119	7%	0%
\$25,000 to \$34,999	5,765	10%	\$ 99,177	395	15%	42%	11,423	21%	6%
\$35,000 to \$49,999	7,244	13%	\$ 150,614	492	19%	60%	14,607	26%	8%
\$50,000 to \$74,999	11,957	22%	\$ 242,462	443	17%	77%	11,431	21%	4%
\$75,000 to \$99,999	8,430	15%	\$ 330,618	230	9%	86%	4,511	8%	-1%
\$100,000 to \$149,999	6,691	12%	\$ 510,622	179	7%	93%	3,252	6%	-1%
\$150,000 and more	6,689	12%	\$ 694,371	182	7%	100%	3,084	6%	-1%
Total	55,270	100%		2,617	100%		55,270	100%	

Source: BBC Research & Consulting and Cincinnati Area Board of Realtors MLS.

SECTION IV. Housing Affordability

Summary Housing Gaps Findings

Exhibit IV-9 visually illustrates the market mismatches described in this section for 2010. The flowchart begins with Cincinnati’s population and number of households, divides the households by current tenure (owners/renters), and, through comparing key indicators of supply in the market with renter and owner incomes, points out the areas of need in Cincinnati’s current housing market.

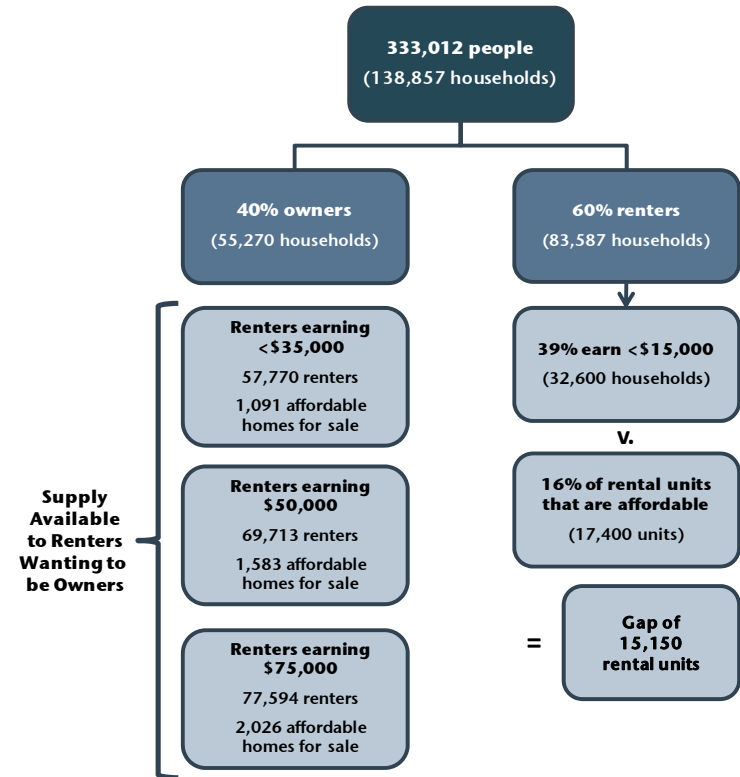
Sensitivity analysis. To examine the reliability of the rental gaps model, we conducted several alternative scenarios. The rental model is more sensitive to fluctuations in data estimates because rental data are more difficult to track (v. data on for sale homes, which are listed and available on a daily basis).

We conducted three alternative scenarios:

1. The first scenario models *an underestimate* of the number of affordable units available to households earning \$15,000 per year. In this case, we assumed that the rental data available did not accurately capture the number of public housing authority units and Section 8 vouchers.

Outcome: Under this scenario, the gap/shortage of rental units affordable to households earning less than \$15,000 per year is reduced to 1,500 units—10 percent the gap in our original model. This exercise demonstrates the strong impact the public housing authority has in housing the city’s poorest residents.

Exhibit IV-9. Cincinnati Market Mismatches, 2010



Source: BBC Research & Consulting.

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- In the second scenario, we lowered the rental vacancy rate to 10 percent, which is the rate that CBRE has identified in the market. CBRE largely monitors moderate- to high-end rental properties, which may have lower vacancy rates than the market overall.

Outcome: Under this scenario, the gap/shortage of rental units affordable to households earning less than \$15,000 per year is increased to 17,500 units because there are fewer units in the market to meet the needs of low income households.

- The last scenario uses our original rental gaps and eliminates rental units that are in substandard condition, as measured by inadequate plumbing and/or kitchen facilities. We also adjust for households that are “doubling up”—i.e., who are living in overcrowded conditions because of the lack of affordable housing. In total, we remove 10 percent of the rental units from the model because of inadequate condition and/or overcrowded situations.

Outcome: Under this scenario, the gap/shortage of rental units affordable to households earning less than \$15,000 per year is increased to 16,800 units.

Exhibit IV-10 summarizes the various scenarios.

**Exhibit IV-10.
Rental Gaps, Alternative Scenarios**

Scenario	Number	Type
1. Subsidized units and Section 8 vouchers are under estimated		
Number of renter households earning less than \$15,000	32,500	Households
v.		
Number of affordable rental units	31,000	Units
=		
Rental gap of 1,500 units priced less than \$300/month		
2. Rental vacancy rate is too high.		
Number of renter households earning less than \$15,000	32,500	Households
v.		
Number of affordable rental units (assumes 10 percent rental vacancy)	15,000	Units
=		
Rental gap of 17,500 units priced less than \$300/month		
3. Adjusts for substandard condition and doubling up		
Number of renter households earning less than \$15,000	32,500	Households
v.		
Number of affordable rental units	15,700	Units
=		
Rental gap of 16,800 units priced less than \$300/month		

Source: BBC Research & Consulting.

Changes in Affordability Since 2000

The rental market became less affordable to low income renters during the past decade according to a gaps analysis conducted for 2000. Overall, the median rent increased from \$390 in 2000 to \$490 in 2009. This increase appears to have been related to raises in rents and losses in inventory of the city’s most affordable rental units.

Seventy-five percent of homes for sale in 2000 were affordable to households earning \$50,000 per year, compared to 60 percent in 2010.

On the for sale side, prices increased slightly: There were fewer moderately priced homes on the market in 2010 and more high end homes. Inventory was down slightly.

Rental affordability decreased for households earning less than \$15,000. In 2000, 37 percent of the city’s renters earned less than \$15,000—a total of 33,700 renters. This proportion increased slightly to 39 percent by 2010, but the number of renters declined to 32,500.

Cincinnati had a shortage of 11,300 units for renters earning less than \$10,000 per year in 2000. By 2010, this had increased to a shortage of 15,152 for renters earning less than \$15,000.

Why the change in rental affordability if it was not driven by growth in low income renters? The main reason was a drop in the number of affordable rental units. In 2000, there were almost 24,000 affordable units for the city’s lowest income renters, or 23 percent of all rental units. By 2010, this had declined to 17,400 affordable rental units, or just 16 percent of all units.

Exhibit IV-11 below shows the change in rental and home purchase affordability between 2000 and 2010.

Exhibit IV-11. Change in Rental and Homeownership Affordability, 2000 to 2010

Rental Affordability			
	2000	Change	2010
Total Renters	90,336	-6,749	83,587
Renters earning less than \$15k per year	33,709	-1,142	32,567
Units affordable to low income renters (\$0 to \$15k per year)	23,903	-6,488	17,415
Shortage of affordable rental units (priced form renters earning \$0 to \$15k per year)	9,806	5,346	15,152
Homeownership Affordability			
	2000	Change	2010
Median Price of Sold Homes	\$97,500	\$10,500	\$108,000
Number of homes affordable to renters earning \$50k and less	2,291 <i>(75% of Homes on Market)</i>	(708)	1,583 <i>(60% of Homes on Market)</i>
Number of homes affordable to renters earning \$75k and less	2,742 <i>(90% of Homes on Market)</i>	(714)	2,056 <i>(80% of Homes on Market)</i>

Source: BBC Research & Consulting.

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Future Needs

The future housing needs of Cincinnatians is closely linked to future population changes—both in terms of the level of growth or decline and the types of people who choose to call the city home.

Housing needs in a slow growth environment. As described in Section II, the city has experienced flat population growth in recent years. After several decades of decline, population growth began to stabilize between 2000 and 2009. If the city continues to experience a flat or very slow growth scenario, its housing needs will include the following:

- Low maintenance housing options for seniors who want to age in place, with easy access to in-home services.
- Housing with accessibility improvements for the city’s growing senior population, as well as persons with disabilities.
- Subsidized rental options for the city’s households living in poverty.
- Housing that will convince first- and second-time (move up) buyers to choose the city as their home.
- Housing that will attract Baby Boomers living outside of the city to city living.



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Housing needs if homeownership is to increase.

An alternative scenario would be concerted efforts to increase the city’s homeownership rate, by providing stronger incentives for renters to become homeowners and for developers to increase the supply of quality homes to buy. As the exercise in this section shows, however, the city’s homeownership rate will likely remain within a few percentage points of its current mark because of limited supply of for sale housing.

As shown in Exhibit IV-12 to the right, there are an estimated 19,800 renters—one quarter of the renter population—earning between \$35,000 and \$75,000.

Information on the creditworthiness of these renters is unavailable; however, one can assume that some of these renters are good candidates for ownership. If provided with the right loan package and housing options, these “target renters” may purchase their first homes in the city, and ideally become long time city residents.

**Exhibit IV-12.
Renters to Target for Homeownership**

Income Range	Renters		Maximum Affordable Home Price
	Number	Percent	
Less than \$5,000	8,582	10%	N/A
\$5,000 to \$9,999	14,040	17%	\$ 14,693
\$10,000 to \$14,999	9,945	12%	\$ 33,073
\$15,000 to \$19,999	8,109	10%	\$ 51,433
\$20,000 to \$24,999	7,440	9%	\$ 69,792
\$25,000 to \$34,999	9,654	12%	\$ 99,177
\$35,000 to \$49,999	11,943	14%	\$ 150,614
\$50,000 to \$74,999	7,881	9%	\$ 242,462
\$75,000 to \$99,999	3,438	4%	\$ 330,618
\$100,000 to \$149,999	1,847	2%	\$ 510,622
\$150,000 and more	708	1%	\$ 694,371
Total	83,587	100%	

Target Renters = moderate income renters who are potential owners
19,824 Renters
23.7% of All Renters

Source: BBC Research & Consulting.

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At the time this study was prepared, there were 2,600 homes for sale in Cincinnati. About 500 of these homes were in the affordability range of the target renters—or only .025 homes per target renter. If these renters purchased all of the 500 homes in their affordability range, the city’s homeownership rate would increase by less than 1 percent. If these target renters bought all 2,600 of the homes for sale, the city’s homeownership rate would increase by a little more than 1 percent.

In sum, increasing the city’s homeownership rate will require a much larger supply of for sale housing, a very ambitious conversion of renters into homeowners and/or many years of homeowner growth.



Cincinnati Compared

BBC has prepared similar housing mismatch models in the past few years for the cities of Denver, San Diego and Austin. In comparison to these cities, Cincinnati's housing market offers more rental and home purchase affordability overall.

Rental gap compared. BBC estimates that, in Cincinnati, there is a shortage of 15,000 rental units to serve renters earning less than \$15,000 per year. Forty percent of the city's renters earn less than \$15,000 per year. Sixteen percent of the rental stock is priced to be affordable to these renters (taking into account Section 8 vouchers and publicly assisted rental units). In Cincinnati, the rental gap diminishes for renters earning more than \$15,000.

By comparison:

- In Denver, in 2006, 30 percent of renters earned less than \$15,000 per year (compared to Cincinnati's 40 percent). About 10 percent of the city's rental stock was affordable to them (Cincinnati has 16 percent). Denver's rental gap diminishes for households earning \$20,000 and more.
- In Austin, Texas in 2008, 20 percent of renters earned less than \$15,000 per year. Just 2 percent of the city's rental stock was affordable to these renters. The rental gap diminishes when renters earn \$25,000 and more.
- In San Diego in 2009, 15 percent of renters earned less than \$15,000 per year. Four percent of the city's rental stock was affordable to them. The rental gap in San Diego diminishes for renters earning \$25,000 and more.

In sum, Cincinnati has higher proportions of very low income renters than Denver, San Diego or Austin. But, despite the higher proportion of very low income renters, Cincinnati offers far greater housing options for its low income renters, especially compared to the high cost areas of San Diego and Austin.

Homeownership gap compared. At the time this study was prepared, there were about 2,600 homes for sale in Cincinnati. The majority of these homes—60 percent—were affordable to potential buyers making less than \$50,000. Cincinnati offers potential buyers a range of housing price options. Overall, however, the number of homes to buy is small relative to the number of city households at about 3 percent of total renter households. The very small inventory in the city is partially a reflection of the current housing market.

The good news in Cincinnati is that there are many renters—an estimated 19,000 overall—who are likely potential candidates for homeownership. One quarter of the city's renters earn between \$35,000 and \$75,000. The homeownership rate of these renters is low (49 percent), especially given the city's affordability at this range. For example, Denver's homeownership rate among household earning \$35,000 to \$75,000 is 54 percent; Indianapolis, 64 percent; Charlotte, 59 percent; and Pittsburgh, 54 percent.

These renters have more than 2,000 units for sale to choose from. Therefore, an estimated 10 percent of these renters could become owners in the city if they could find a home they prefer and are creditworthy. This compares to Denver's 1,650 units for sale in this price range—currently available to just 4 percent of the city's renters earning between \$35,000 and \$75,000.