

# Examining how housing unaffordability leads to cascading socioeconomic effects

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Los Angeles residents who pay more than 30% of their income toward rent are forced to make trade-offs in other areas of their lives that can last for years and contribute to many social ills, a University of Cincinnati professor and his colleagues found.

Gary Painter, Ph.D., the academic director of the Carl H. Lindner College of Business real estate program and a professor of real estate, contributed to a study about the household-level impacts of rent burden in Los Angeles that was published in the *Journal of Urban Affairs*. The research found a lack of affordable housing in Los Angeles has caused people to cut their budgets in areas including food, [health care](#), education, clothing, transportation and entertainment.

"It's hard to not see the importance of real estate when we are looking at some of the social ills," said Painter, the inaugural holder of the UC BEARE Chair in Real Estate. "Among people who are struggling to pay their bills, their largest bill is their housing cost."

## **An issue affecting millions**

The survey, which was conducted in 2019, relied on data from 794 respondents in Central and South Los Angeles. It found people rely on a number of strategies to remain housed when they're rent burdened, which is when a household spends more than 30% of its income on rent. About 48% of the households reported being severely rent burdened, which is when they spent more than half of their income on rent.

"In California, we know that 1.2 million households, right before the [COVID-19] pandemic, paid more than half of their income in rent," Painter, a former University of Southern California professor, said. "In [Los Angeles] County, that's 700,000 households. That represents a pretty big group of people."

Painter worked on the study with Sean Angst, a postdoctoral scholar at the USC, Jovanna Rosen, an assistant professor of public policy at Rutgers University-Camden, and Soledad De Gregorio, an associate researcher at Abt Associates, based in Los Angeles.

They began their research by conducting focus groups in south Los Angeles to better understand the experiences of residents, which helped them develop their survey questions.

"We need to think about human dignity, people's quality of life and their ability to survive and thrive," said Angst. "When you are making such a wide breadth of sacrifices, your quality of life decreases quite a bit."

## **Sacrifices to get by**

Almost 85% of respondents, regardless of rent-burdened status, reported consumption cutbacks to make life more affordable in the two years prior to the survey. For rent-burdened households, respondents reported making significantly higher cuts to [basic needs](#) that lasted for longer durations.

"What we saw that was especially striking was that in our sample, 25% of families had almost institutionalized these trade-offs," Painter said. "They'd been cutting back for more than a year, and an important subsection of them had been cutting back for five years. The level of strain and therefore the cascading effects for a good chunk of the families had the potential for pretty long impacts."

While some trade-offs, such as buying less clothing, might not have severe long-term consequences, some residents reported cutting back on medicine and other health care that could have cascading effects.

[A 2022 study](#) published in *Housing Policy Debate* that Painter contributed to with Angst, Rosen and Victoria Ciudad-Real, a researcher in the USC Price Center for Social Innovation, found the stress of housing affordability strained family dynamics and contributed to worsening mental health for youth in rent-burdened households.

"Once you're paying more than half your income in rent, you're having to make really important decisions to maintain housing in whatever way you can, and there are significant consequences of the choices if you are able to maintain housing," Painter said.

Other consumption trade-offs, such as cuts to transportation spending, can limit what jobs a person can attain, preventing them from gaining higher incomes and further straining their finances.

"In a place like Los Angeles, you often need a car to get to the best jobs," Painter said. "If you don't have a car because you didn't have the money to buy a car, then the kind of jobs you're able to get are going to be less competitive than the wage you could get if you did have a car."

## **Additional strategies**

Along with consumption cutbacks, rent-burdened respondents reported taking on additional jobs, having additional people live in a household and taking on additional debt. A quarter of respondents had taken in more people and cut back in three or more consumption categories.

"In many cases, these families had already done a lot of different things to make a budget," Painter said. "For instance, the people who were paying more than half of their income as rent already had been working extra hours."

Consumption cutbacks were the first saving strategy that respondents tended to make, Angst said, which was followed by additional strategies such as working additional hours or living with more people.

"If I have more people in my home, that is going to radically change my day to day versus those smaller consumption cutbacks, but it's different than living overcrowded every single day; it's different than working two

jobs," Angst said.

Even when people adjust their spending, work more hours and have more people living together, it's still not enough for them to get to a more sustainable level of income to housing cost ratio, Painter said. That reinforces the barriers that households face to get to a more stable housing situation.

"It's not just about people choosing anywhere that they want to live," Painter said. "Why? Because they have constraints."

## **On the brink**

The primary driver of homelessness is not being able to afford housing, Painter said, and 23% of rent-burdened respondents said they wouldn't be able to afford a \$400 emergency expense, leaving them at risk of becoming homeless.

"For those folks, one event could cause them to lose their housing," Painter said.

For many people, savings strategies such as making cutbacks to their consumption, taking on additional work and living with more people didn't help their ability to cover an unexpected expense.

"We didn't see any increased ability to cover that unexpected expense," Angst said. "That suggests those strategies people are using are no longer helping them increase their savings. Instead the sacrifices and coping strategies that people are using are really just to survive."

While Los Angeles and other areas of California are economically prosperous overall, the region hasn't kept up with demand for housing, which has left many people struggling to afford the housing costs.

"These regions of the Bay Area and Southern California continue to be economically overall prosperous regions where there's a lot of innovation happening and a lot that's attractive, especially to highly educated households, to come and live there," Painter said. "If you don't build [housing](#) to match [population growth](#), you end up having this gap, and that gap is associated with more and more people paying a higher percentage of their income as rent."

## Lessons for other communities

Other regions have the same issues as Los Angeles, Painter said, although often not quite to the same extent. To avoid facing some of the same issues, he said, cities need to prioritize real estate to keep up with their growing economies.

"A city like Cincinnati has to keep focused to make sure that the real estate industry is moving as quickly as any economic growth to make sure that you don't end up seeing people who have low- and moderate-income households having to pay a higher and higher percentage of their income as rent," Painter said.

**More information:** Sean Angst et al, How do renters survive unaffordability? Household-level impacts of rent burden in Los Angeles, *Journal of Urban Affairs* (2023). [DOI: 10.1080/07352166.2023.2235039](https://doi.org/10.1080/07352166.2023.2235039)

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