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news release

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STUDY SHOWS MANY FIRST TIME BUYERS CAN'T TAKE ADVANTAGE OF DECLINING HOME PRICES

Rents remain high and market is still tight despite drop in home prices

BURLINGTON—In spite of the softening real estate market, Vermonters earning the median income still could not afford the median priced home, according to a new report released today.

The report, "Between a Rock and a Hard Place: Housing and Wages in Vermont," is the latest in an annual series that tracks housing costs in relation to Vermonters' incomes. For the last several years, Vermont's tight housing markets have driven up prices while wages, particularly those employing the most Vermonters, have not kept pace. During the recession, even as home prices drop, opportunities for low-income and first time buyers were limited due to high fees and higher interest rates for buyers with moderate credit scores.

"The real estate market was helped this year by low interest rates and a generous federal tax credit," said Sarah Carpenter, Executive Director of Vermont Housing Finance Agency. "The problem was those low rates weren't available to many buyers and the tax credit wasn't available at closing to help pay for the higher down payments and fees lenders now require. Few first time buyers can save up the down payment and closing costs needed to buy a home even if the median price dropped."

Among the report's findings:

- The median purchase price of a home in Vermont dropped by 5% to $190,000, the first substantial fall on record.
- A Vermont household would need an annual income of $57,000, and an estimated $15,000 for down payment, fees and closing costs, to afford that home.
- The median household income remained the same as last year, $52,000, although once inflation is factored in, Vermonters saw a 2% decrease in buying power.
- The average Fair Market Rent for a modest two-bedroom unit is $920 a month, and more than half of Vermont's occupations have median wages less than the $36,800 needed to afford that rent.
- An additional 3,000 households become cost burdened annually, meaning more Vermonters paying more than 30% of their income for housing. The state is the 7th and 15th worst state in the nation for cost burdened renters and owners, respectively.
- The recession is more than many households on the edge can bear. Despite stimulus programs and increased funding, the number of people who are homeless in Vermont increased 22% since 2008 when the recession began.

“Vermonters continue to need affordable housing and the state’s economy needs housing construction in order to help it emerge from this recession,” said Rob Naylor of Naylor & Breen Builders in Brandon, VT. “Our company has seen firsthand the effects of the real estate market, but because of the programs designed to fund the construction and renovation of housing for lower-income residents, we were able to keep a crew working to build the units this report clearly shows are needed. These projects have created permanently affordable housing, while also keeping my guys employed.”

One family's story illustrates the difficulty accessing both the rental and homeownership market. Janet Green, her husband and son lived in an apartment in Richmond, but were commuting to work in Burlington. “The commuting had become a lot for us, and we wanted to raise our son in Burlington so we started looking for a place to rent. But it was so expensive!” In May 2009 they decided to attend a homebuyer education workshop to see if homeownership was an option. It was, through the Champlain Housing Trust's shared equity program, and after searching for a number of months, they bought a condo in Burlington and moved in on Halloween.

“We could never have bought a home on the open market — even renting seemed to stretch our budget. But with CHT’s program, we were fortunate to be able to do it,” added Green.

Copies of the new report are available online at the VHFA website, www.vhfa.org.

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