

Housing in Maine: An Overview
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Commission to Increase Housing Opportunities by
Studying Land Use Restrictions and Short-term rentals

PANDEMIC & FALLOUT

The COVID-19 pandemic exposed and amplified the impacts of unequal access to decent, affordable housing. For households with secure employment and good-quality housing, their homes provided a safe haven from the pandemic. However, for thousands of households, they became housing insecure due to loss of income or other COVID-19 related impacts and have struggled to regain normalcy in the face of current economic factors and tight and competitive local housing markets.

These disparities have existed and now persist as the economy and society have returned to a sense of normalcy. Many lower-income households have been slow to regain their financial footing and continue to face possible eviction or foreclosure (Harvard Center for Housing Policy, adjusted for Maine). Current economic pressures, specifically inflation and a tight housing market continue to place pressures on low and moderate income Maine families seeking to find either an affordable rental or home to buy.

SLOW TO NO GROWTH

Maine is largely rural, sparsely populated, with modestly sized urban or service centers. Maine's population grew 2 percent between the 2010 and 2020 Censuses; slower than New England's four percent and the U.S. at 12 percent. Nearly all of the growth Maine experienced was in the coastal and southern counties and the more rural counties had a decline in their population.

The scale of community in Maine, historically, influences our vision of community in the future. Maine is largely a collection of small towns, even our urban centers are small compared to other places. This sense of scale affects our development decisions.

The fastest growing age cohort are those over 65, and older adults will likely comprise 45% of the population by 2028 (Maine State Economist).

SMALLER HOUSEHOLD SIZE

Per the US Census:

- Slow continued shift toward non-family, small family households. Maine is third lowest in average household size and second lowest among owned units in the U.S.

- Higher than average number of homes occupied by older adults partially explains Maine's small overall household size of 2.3. The average household size for owned homes is 2.4 and 1.9 for rented units. There was a slight decrease in the size of renter households, possibly a sign of housing preferences during the pandemic of non-family households.

Smaller households and the preference for smaller housing is consumptive of land using traditional development patterns. However, smaller units offer opportunities to increase density more efficiently.

HOMEOWNERS & RENTERS

- 73% (414,939) of occupied housing units are owned.
- 27% (154,612) are rented.

Prior to the pandemic and a consequence of the Great Recession the percentage of households renting increased. The most recent data from the 2020 decennial Census and American Community Survey show a shift back toward owning. There remains a huge disparity between white and black homeownership rates – not acceptable!

COVID-19 has affected housing preference with a sharp increase in home buying. It is still not clear if this is a temporary shift or a permanent trend. Median home and rental prices increased during the pandemic and continue to do so in Maine. There are indications in other markets nationally of a slowdown in price appreciation not yet experienced in Maine. Availability of affordable rental and owned units are declining as are vacancy rates. Tight inventories of both are increasing prices and cost burden. More Mainers will be cost burdened unless the cost and supply of housing can be addressed.

AFFORDABILITY

Affordability and the cost of housing is increasingly burdening Maine residents:

- Maine's poverty rate has dropped to 11%; income has not kept pace with the cost of housing.
- 24% of households earn 50% or less of area median income.
- Renter median income \$34,018 vs \$71,717 for homeowners: explains the greater need for rental housing assistance. Last reported to this commission in August 2021 renter vs. homeowner income was \$29,350 and \$64,679 respectively.
- 39.3% of homeowners without a mortgage were cost burdened, paying in excess of 30% of income on housing.
- A larger share of older adults own their homes, have lower incomes, and a higher rate of need likely to increase as this segment of the population grows.

HOMEOWNERSHIP AFFORDABILITY

The return to homeownership has been gradual as low interest rates and a low supply of homes stimulated purchasing. Maine's homeownership rate increased slightly in 2020 Census data.

The average house price in Maine is unaffordable to the average income household in all Maine counties except Aroostook.

Increased competition of homes due to persistent low inventory is pricing many first time homebuyers out of the market. This was exacerbated during the height of the pandemic when interest rates were lower and the pressure to secure housing was increased.

MaineHousing saw a slight decline in our First Home Loan program reflective of the tightening market and higher purchase prices. Whereas in 2022 the program is out pacing 2020 and 2021 and recently the program had its largest mortgage purchase in three years.

The supply of existing homes for sale continues to be below average. The persistent low inventory is contributing to double digit increases in home prices. An expanded supply of for-sale homes would help to slow the continued double digit rise in house prices, but new construction also has to pick up substantially to keep homeownership relatively affordable.

RENTER AFFORDABILITY

HUD's Fair Market Rent for a 2-bedroom is unaffordable for the average renter household in all areas of Maine.

- 41.5% of renters are cost-burdened, paying more than 30% of their income on housing. Low income renters are of course hit hardest by cost burden.
- Approximately 39,716 renter households are extremely low-income (at or below 30% Area Median Income).
- Extremely low-income renters paying over 50% of their income on housing comprise 16% of all renters.
- 45% of all renter households are below 50% Area Median Income.
- Small family renter household comprise the largest share of extremely low-income households.
- 54% of extremely low-income renters have substandard housing (defined as lacking complete plumbing or kitchen facilities).
- Small single parent and older adult renters face the greatest housing challenges and greatest need. Nearly 15% of households with at least one person over 75 have extremely low incomes. 36% of households with one or more children aged 6 or under have extremely low incomes or low incomes.

The income limits for MaineHousing financed affordable housing for a one person household is up to \$48,300. Entry-level earnings for many professions are below the low-income threshold, including:

- Firefighters: \$31,760
- Elementary school teachers: \$42,710
- Construction and extraction occupations: \$35,010
- Farming, fishing, and forestry occupations: \$30,440

HOUSING QUALITY

Maine has the eighth oldest housing stock. Maine's housing stock consists of 746,793 houses, of which:

- Houses built before 1939 represent 24% (177,985) of the housing stock;
- Houses built between 1940 and 1979 represent 32% (242,691) of the housing stock.

HOUSING PREFERENCE

We are seeing a move toward Maine people preferring smaller, more energy efficient homes. This preference may be reflective of smaller household sizes.

Pre-pandemic: Maine people showed a preference for living near urban areas, coastal counties, and the I-95 corridor. Most population growth between 2010 to 2020 occurred in southern and coastal counties.

Post-pandemic: Access to broadband and more accepting views on telecommuting means that where one lives may not be as strong a factor. However, how COVID influences settlement patterns remains to be seen. Certain impacts of the pandemic on housing markets are potentially temporary – most notably, the drop in high-end urban rental demand. Indeed, early signs suggest that the reopening of offices, universities, restaurants, and other amenities is already bringing renter households back to city centers.

However, the growing demand for suburban and exurban living may be a more enduring shift, particularly if working from home becomes common practice. If freed from the requirement to commute every day, many more households (including those from out of state) will seek out lower cost housing away from employment centers.

SHORT-TERM RENTALS

MaineHousing has been interested in the impact of short-term rentals on the housing market, but have lacked the data to better understand the issue. Recently we signed an agreement with AirDNA a leading organization on short-term rental data to acquire such data for Maine. As we begin to analyze the data we will share our findings with the Commission as to the prevalence and scale of short-term rentals throughout Maine.

MAINEHOUSING'S ROLE IN ADDRESSING AFFORDABILITY

Through our programs MaineHousing helps families afford, heat and maintain their home. We might be best known for our First Home Loan program that helps first time homebuyers afford their home, helping an estimated 1,000 Maine families per year. We are also known for financing affordable multifamily rental housing developments, with over 900 units currently under construction.

Existing Multifamily Housing and Rental Assistance:

- USDA Rural Development: 331 properties / 7,243 units
- MaineHousing Development: 767 properties / 20,640 units
- HUD properties: 132 properties 5,462 units (includes 4,118 public housing units)
- Housing Choice Vouchers (HCV): 12,000+ households per month
- First Home Loans: 725 home purchases (in 2021) 576 to date in 2022

Housing in Maine

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Maine's Housing Market

- Maine is largely rural, sparsely populated, with modestly sized urban centers, and has an aging population. Since 2010 Maine has experienced a modest amount of population growth, modestly behind the New England region and much smaller than the United States.
- The fastest growing age cohort are those over 65, and older adults will likely comprise 45% of the population by 2028 (Maine State Economist).
- A larger share of older adults own their homes, have lower incomes, and a higher rate of need likely to increase as this segment of the population grows

The Census indicates a slow continued shift toward non-family, small family households. The higher than average number of homes occupied by older adults partially explains Maine's small overall household size of 2.3 compared to 2.6 nationally.

- The average household size for owned homes is 2.4 and 1.9 for rented units.
- Maine Homeowners percentage: 72.9%
- Maine Renters percentage: 27.1%
- On any given day, Maine has approximately 3,400 people who are homeless.

Homeownership

- The median home price in Maine was \$295,000 in 2021, \$255,000 in 2020 and \$225,000 in 2019. Representing a 16% increase over 2020 and a 31% increase since 2019. The number of housing units sold in 2021 was 20,585, a 2% increase.
- The median house price in Maine is unaffordable for the median income household in all Maine counties except Aroostook.
- MaineHousing First Home Loan Program: 725 loans in 2021 and 576 to date in 2022.

Rental

- HUD's Fair Market Rent for a 2 bedroom in Maine ranges from \$767 to \$1,637 per month.
- HUD's Fair Market Rent for a 2-bedroom is unaffordable for the median income renter household in all areas of Maine.
- Nearly 15% of households with at least one person over 75 have extremely low incomes. Nearly 15% of households with at least one person over 75 have extremely low incomes.
- And 36% of households with one or more children aged 6 or under have extremely low incomes or low incomes.

Affordable Housing

In order to address the changes in Maine's housing market, MaineHousing is working with other state and federal agencies to provide more affordable housing. Below is a summary of existing affordable housing in Maine in 2022.

- USDA Rural Development: 331 properties / 7,243 units
- MaineHousing Development: 767 properties / 20,640 units
- HUD properties: 5,462 units (includes 4,118 public housing units)
- Housing Choice Vouchers (HCV): 12,000+ households per month
- First Home Loans: 725 home purchases (in 2021) 576 to date in 2022

Housing Quality

Maine has the 8th oldest housing stock in the nation.

- Maine's housing stock consists of 746,793 housing units
 - Housing units built before 1939 represent 24% (177,985) of the housing stock.
 - Housing units built between 1940 and 1979 represent 32% (242,691) of the housing stock.
 - 56% of the housing units was built before 1980 (rank 19th in the U.S.).
 - 87% of children with lead poisoning live in housing built before 1950.

COVID-19 Emergency Rental Assistance

Since March 2020 the Emergency Rental Assistance Program:

- More than 31,009 households received help paying their rent and utilities
- \$251.3 million invested in rent relief

The data cited in this fact sheet are from the US Census or data collected by MaineHousing