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Does 'affordability' matter? Housing is more of a you-get-what-you-pay-for model

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Why do the states with housing's highest "affordability" measurements — much-discussed but perhaps with dubious yardsticks — have more borrowers who can't make their mortgage payments?

Take California, which usually scores low on the traditional "affordability" ladder. Its homeowners are currently making their house payments with greater frequency.

The state's home listings are priced at 55 percent of normal "affordability," according to one housing-cost index from the National Association of Realtors. That ranks next to last nationally.

But just 1.2 percent of Californians who own a home have a delinquent mortgage, the ninth-best payment-making rate among the states, according to loan tracker CoreLogic.

How does such a gap exist? While I'm not trying to diminish the anguish of many frustrated house hunters, tracking housing expenses is a good reflection of the regional economy's oomph.

I loaded my trusty spreadsheet with various economic and housing markers — plus the recent ranking of state rankings I compiled — to ponder how housing "affordability" translated to other measurements of life. But you don't need a trusty spreadsheet to know you don't buy — or keep — a home without a steady paycheck.

So when California bosses were adding employees at a 1 percent annual pace in November, 20th best among the states, that created more competition for those seeking homeownership.

These seemingly conflicting California trends — being able to "afford" the supposedly "unaffordable" house payments — were commonly found across the nation when I compared the "most-affordable" states for homebuying — the top third, ranked by the Realtor metric — vs. the "least affordable" in the bottom third.

Look at mortgage delinquency trends from CoreLogic for the third quarter: An average 4.1 percent of owners in the "most affordable" states were late payers vs. 3.5 percent for the "least affordable" states. Again, jobs help explain this gap. Data from the Bureau of Labor Statistics shows 1.2 percent yearly growth in employment for the "most affordable" states vs. 2.2 percent for the least.

Now to be fair to those "affordable" states, homeownership (tracked by the US Census Bureau) paralleled affordability: averaging 69 percent for states with the highest Realtor grades vs. 63 percent for the least affordable. But that was a rare benchmark that gave an edge to the high-affordability states.

Obviously, paychecks help pay a borrower's bills. However, added incomes across a region tend to push home prices higher — the house hunter's double-edged sword! The same hiring spree that put them in a home-buying mood also makes housing costlier to buy.

But what does one get for their money when looking through the "affordability" prisms? Looking at my compilation of state rankings — 14 state-vs.-state scorecards on various slices of life — suggests a "you get what you pay for" situation.

The 17 "most affordable" states — which include national leader Ohio plus West Virginia, Pennsylvania, Illinois, Wisconsin and Maryland — had a lowly average ranking of 30th best. The 17 costlier states — which in addition to California includes New York, Nevada, Florida, Arizona and Texas — had a far-loftier No. 20 average grade.

I'm not saying our national thirst for rankings proves much, but this math hints that less "affordable" regions may at least have fewer bells and whistles.

Digging further into the 14 rankings, it was of little surprise where it was cheaper to live — places with "affordable" housing. A broad-based cost-of-living scorecard from the state of Missouri gave most "most affordable" states an average No. 19 rank vs. No. 37 for least affordable.

Plus, the "most affordable" states were good for drivers: The transportation scorecard by Bankrate translated to the most "affordable" states having a No. 18 average rank vs. No. 37 for least affordable. An index of personal freedoms from the Cato Institute shows little difference between the states when housing affordability was concerned.

And WalletHub's scoring of states for family-rearing qualities had "least affordable" states just slightly behind "most affordable: No. 25 average rank vs. No. 21.

The other 10 scorecards decidedly favored "most" affordable states: Worker rights (ranked by Oxfam), education (US News); business climate (CNBC); healthcare (United Health Foundation); economy (24/7 Wall Street); livability (Gallup) and population growth (Census).

That last one was perhaps most surprising. If "affordability" is so important and even drives folks to move across state lines then why are pricier states adding more residents? And it's not a small gap: thin 0.2 percent population growth for "most affordable" states in 2018 vs. swifter 1 percent for the pricier locales.

How? It's real estate's three magic words: Jobs. Jobs. Jobs. Have work, and they will come. Even if life costs more.

And sadly job creation is what most "affordability" measurements barely track. Yes, more jobs can nudge up whatever income metric these "affordability" trackers apply to their calculations. But it's how many higher salaries are created — what boosts the number of house hunters — that makes a housing market hum … or collapse!

So when folks wonder aloud “How can anybody afford to live in California?” … there’s a really simple answer: Jobs.

Remember the flip side, which we all suffered through a decade ago in the Great Recession? Huge job losses meant that housing was unaffordable. No matter what any “affordability” metric said.