

Using Census Data To Conduct a Housing Gap* Analysis:

The Case of Montgomery County, Mississippi

The housing industry accounts for about 14 percent of the U.S. Gross Domestic Product. Applying this figure to Mississippi data suggests that housing accounted for \$9.42 billion of Gross State Product and 15.83 percent of personal income in the state in 2000. Housing creates millions of jobs each year and produces billions of dollars in tax revenues. In addition, new homebuyers spend thousands of dollars on establishing their homes each year.

Business and rural development specialists often prepare market studies and feasibility analyses for evaluating various community services such as housing. When evaluating the housing market, you should study key factors such as population, number of households, housing stock, housing tenure (owner/renter occupied), and vacancy rates to adequately assess the demand/need for new housing.

Finding Data

Data on key housing statistics are readily available at the county and city levels from various sources, including the U.S. Census Bureau, state data sources, state and local development associations, chambers of commerce, and regional planning and development organizations in the community. Population is one of the most visible signs of change in a market. Thriving markets attract people to the area for work, recreation, health care, housing, shopping, and other services.

Analyzing Demand/Supply Data

In estimating demand for housing at the county level, knowing the number of households and housing tenure is valuable. There will be cases, however, when you do not have time to do intensive market research before deciding to build new houses. Whenever you do housing research, the sole purpose should be to discover what type and how many houses (either for sale or rent) the particular market would demand.

How can you get this information? The following sections help answer this question.

Identifying Relevant Data

Trends in the supply of available houses are important in understanding what type and how many houses a county may need. This information, combined with Census data about population; number of households; housing tenure; individuals in group quarters, prisons, mental institutions, college, dormitories, and such; and vacancy rates can provide key insight into estimating the demand

for additional housing in the county. The following information can serve as a guide for anyone doing housing analysis and estimating demand.

Why Study Housing?

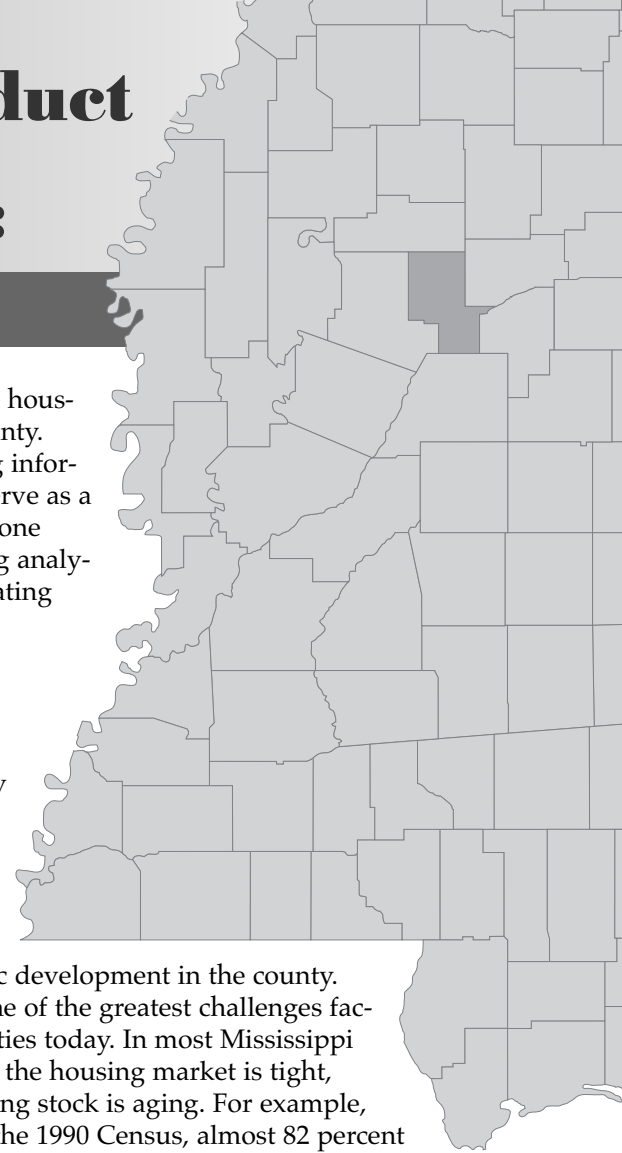
Local leaders often feel they must provide enough housing to have a quality labor pool to support economic development in the county. Housing is one of the greatest challenges facing communities today. In most Mississippi communities, the housing market is tight, and the housing stock is aging. For example, according to the 1990 Census, almost 82 percent of the housing stock in Montgomery County was built before 1970. In 2000, 66 percent of the county's housing stock was built before 1970. More than 830 homes were built between 1990 and 2000, explaining the decline in the aging structure.

Some believe the lack of housing limits economic growth. If Mississippi is to grow, improving the quality and quantity of housing to meet the needs of its citizens and make the towns more attractive to prospective businesses is critical.

This publication outlines the necessary steps in estimating housing demand and supply in a county. The analysis is on the county level, since those housing data are readily available for making forecasts.

Estimating Housing Demand/Supply

The basic data necessary to estimate housing demand are shown below. In 1990, Montgomery County had a population of 12,388. Of those, 140 lived in group quarters. The actual population to be housed during this period was 12,248. The average number of persons per household in Montgomery County was 2.7 in 1990. The number of households in Montgomery County can be estimated by dividing the population to be housed (12,248)



by the average persons per household (2.7). Thus, the estimated number of households in Montgomery County was 4,536 in 1990. The number of households in the county is projected to be 4,738 in 2005.

TABLE 1. Housing Statistics, Montgomery County 1980 to 2005

Item	Year			
	1980	1990	2000	2005
Population	13,360	12,388	12,189	12,590
In group quarters	110	140	150	155
To be housed	13,250	12,248	12,039	12,435
Number of households	4,538	4,536	4,684	4,783
Housing vacancy rate	0.088	0.0912	0.1318	0.1317
Housing supply	4,986	4,987	5,402	5,556

Sources: Census of Population and Housing for years 1980 to 2000. Woods and Poole for 2005 statistics.

Mississippi's households per housing unit averaged 1.096 in 1990. Applying this ratio to the number of households in a county can provide preliminary estimates of demand for housing in an area. Specifically, Montgomery County's 4536 households divided by 1.096 produced housing demands of 4,139 units in 1990. This figure times the housing vacancy rate produced county housing demand estimates of 4,516 (4,139 times 1.0912) in 1990. Similar procedures and statewide households per housing units of 1.11 and 1.072 provided housing demand estimates in 2000 and 2005, respectively.

TABLE 2. Housing Estimates for Montgomery County, 1980 to 2005

Year	Supply	Demand	Shortage	Surplus
1980	4986	4480	-	506
1990	4987	4516	-	471
2000	5402	4776	-	626
2005	5556	5049	-	507

Source: Derived from statistics in Table 1

Including the vacancy rate in estimating housing demand is one way of ensuring future buyers have several housing units from which to choose in the local market. Local leaders do have some control over the vacancy rate. For example, if population were declining, this would suggest the current vacancy rate is too high and should be reduced to reflect local trends in the community. Consulting local realtors and developers about a reasonable vacancy rate is one way to adjust this figure.

Projections of housing demand for Montgomery County in 1990, 2000, and 2005 may also be developed by applying the same methodology to U.S. Census projections of population for other counties. Using this technique, Montgomery County had estimated surpluses of 471 housing units in 1990, 626 in 2000, and 507 in 2005. The increase and then decrease in housing demand for Montgomery County is a result of the increasing population estimates and surpluses in the local housing market during these periods.

By using Census data to estimate demand for housing, local officials can at least get a sketchy view of the housing market in their county. To make the analysis more practical, you should consult with major employers and realtors in the area. Many employers may have a good idea about how many of their employees live in the area or commute to work from other areas.

Distribution of Surplus Housing

Table 3 suggests owner-occupied units accounted for 68 percent (344) of the 506 surplus houses in 1980 versus 318 in 1990. Projections show the number of surplus owner-occupied units will decline to 331 units by 2005. Similarly, the supply of renter-occupied units varied between 1980 and 2005. In 1980, there were 117 surplus rental units compared to 111 rental units in the county in 1990. Surplus rental units, which reached 125 units in 2000, are projected to decline to a low of 109 units in 2005.

The number of vacant units, as a percent of total housing units in Montgomery County, was small between 1980 and 2005. Vacant housing equaled 443 units in 1980 and are projected to peak at 732 units in 2005. Some of these units lacked complete plumbing and kitchen facilities, according to Census data from 1980 to 2000. More than 59 percent of the vacant units were substandard in 1980. The number of vacant substandard housing units peaked at 62 percent in 1990 before declining to 10 percent in 2000.

The study did not make projections of vacant substandard units for 2005, since the trend in substandard housing suggests there would be few structures in this category today. While the number of vacant units offers some flexibility in the housing market, local officials should not view this as sufficient to meet the needs of new families moving into the county. It is more important to have a few quality vacant units than it is to have a large quantity of vacant substandard units in the county.

TABLE 3. Sources of Housing Surplus in Montgomery County, 1980 to 2005

Year	Owner-Occupied	Renter-Occupied	Vacant Units	Total Surplus
1980	344	117	45	506
1990	318	111	43	471
2000	418	125	83	626
2005	331	109	67	507

Source: Derived from Census of Population and Housing for years 1980 to 2000 and Woods and Poole for 2005 statistics.

Quantity and Quality

Census data will help determine housing the stock and provide information on the age/potential condition of existing units in the county. Montgomery County had 4,072 units that were built before 1970, according to Census data in 1990. Only 915 units of the housing stock were built after 1970. The condition of these units is hard to determine. However, techniques such as “driving tours” can document the quantity and quality of housing units and provide local officials a better picture of the housing market.

Consultations with local employers and realtors will improve estimates of housing supply. Realtors will likely know about new or proposed housing developments in the county or neighboring counties and the quantity/quality of available housing in the area. New housing developments should be added to the estimates of supply in Montgomery County.

Summary

Housing figures from the Census Bureau provide many communities and counties with good estimates of the

housing stock. For communities and counties that require residential building permits, this is another way to determine the number of new units built in the area. Thus, the new units built each year could be added to the Census stock in a given period.

According to the 2000 Census, Montgomery County had a predicted surplus of 626 housing units with a stock of 5,402 in 2000. This housing surplus is

expected to continue, but decline by 2005. The 507 surplus housing units reflect the number of housing units expected to be available (projected for 2005 for sale or rent) in the county to meet anticipated demand in 2005. The results show the housing surpluses in 1990 and 2000 will continue because of declines in population during these periods and then increasing population in 2005. Clearly, estimating housing demand depends on the number of people living in group quarters and the population in the county. If these figures should change, the estimate of housing demand will change accordingly.

For More Information

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U.S. Census of Population and Housing for Mississippi, 1980, 1990, 2000

*The term “Gap Analysis” means the difference between the current housing stock and projected demand for housing in the community.



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Publication 2329

Extension Service of Mississippi State University, cooperating with U.S. Department of Agriculture. Published in furtherance of Acts of Congress, May 8 and June 30, 1914. JOE H. MCGILBERRY, Director (500-1-03)