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## 1953 SURVEY OF CONSUMER FINANCES

### PART III. Housing of Consumers<sup>1</sup>

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The high rate of family formation, rising levels of employment and real income, shifts of population, and availability of mortgage credit on terms favorable to borrowers have maintained demand for both rental and owner-occupied housing at a high level throughout the postwar period. Although the major part of this demand has been met by an increase in the number of owner-occupied houses, there has been a substantial increase in the number of rental units. The demand for housing has also been reflected in large expenditures for home improvements and maintenance.

Consumers continued in 1952 to purchase new and existing houses at the high rates characteristic of previous postwar years. The elements underlying housing demand were still strong early in 1953. A larger proportion of consumers at that time reported plans to buy new and existing houses during the coming year than in the previous two Surveys of Consumer Finances. Those planning to buy this year expected to pay about

the same amount for their houses as was paid on the average in 1952.

The average value of owner-occupied houses has increased substantially in recent years—from \$9,100 in early 1949 to \$10,700 early this year. While the increase in house values reflects primarily the rise in real estate prices, it also reflects the greater proportion of recently constructed houses in the total stock. The rise in the average value of owner-occupied houses since 1949 has been accompanied by a sizable increase in the average amount of mortgage debt. Consequently, the average equity has increased less than the average value—from about \$7,400 in early 1949 to approximately \$8,600 at the beginning of 1953.

Rents, as well as the values of owner-occupied houses, have risen in the postwar period. Relaxation of rent controls and higher construction and maintenance costs, together with strong demand, have led to higher rents. The average rent paid in early 1953 was about \$47 a month as compared with \$33 five years earlier.

Expenditures for improvements and maintenance continued at high rates in 1952. About 12 million home owners spent at least \$50 on their houses last year and about one-third of these spent \$500 or more. Consumer plans for improvements and maintenance suggest that demand in this field will continue strong this year.

#### HOME OWNERSHIP

The number of nonfarm families who own their homes has increased substantially since early 1948, rising from 18.5 million to

<sup>1</sup>This is the third of a series of articles presenting the results of the 1953 Survey of Consumer Finances conducted by the Board of Governors of the Federal Reserve System in cooperation with the Survey Research Center of the University of Michigan. The first article in the series, covering the general financial position and economic outlook of consumers, appeared in the June BULLETIN. The second article, covering purchases of durable goods in 1952 and buying plans for 1953, appeared in the July BULLETIN. An article covering the ownership of selected major assets and liabilities will appear in a subsequent issue of the BULLETIN. Discussion of the sampling procedure and limitations of the survey is given in the technical appendix to the first article.

The present article was prepared by Tynan Smith and John Frechtling of the Consumer Credit and Finances Section of the Board's Division of Research and Statistics. A close working relationship is maintained with the staff of the Survey Research Center at all stages of the work and this analysis has had the benefit of suggestions from the Center's staff, particularly John Lansing and Kent Winter.

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23.5 million early this year.<sup>2</sup> This increase has been relatively greater than the increase in the number of nonfarm families, and the proportion that own their homes rose from 49 per cent in early 1948 to 54 per cent in early 1953 (see Table 1). The proportion owning homes has shown little change since early 1951.

TABLE 1  
HOUSING STATUS OF NONFARM FAMILIES  
[Percentage distribution]

Year	Estimated number of non-farm families (In millions)	All cases	Owens home	Rents home	Other <sup>1</sup>
1953.....	43.9	100	54	43	3
1952.....	42.6	100	54	42	4
1951.....	41.7	100	55	41	4
1950.....	40.8	100	51	44	5
1949.....	39.5	100	51	44	5
1948.....	38.0	100	49	45	6

<sup>1</sup>Families who have housing as part of compensation, who are temporarily living in houses they have sold, etc.

The postwar rise in home ownership has reflected several factors. The most important of these are the deferred demand which existed at the end of World War II, the high levels of income and employment, the availability of mortgage credit on favorable terms, and concentration of residential construction in single-family dwelling units for owner occupancy. In the early postwar period, rent control encouraged many owners of rented houses to sell to owner-occupants.

Younger veterans of World War II have made a marked change in their housing arrangements in the postwar period. While purchases of houses are generally more frequent among younger families, young veterans have been affected by special condi-

<sup>2</sup>The analysis in this article excludes families who derive the major part of their incomes from farm operations. Families of farm laborers and those who, though living on farms, derive the major portion of their incomes from nonfarm sources are considered nonfarm families. As used in the Survey of Consumer Finances, the term "family" includes all persons related by blood, marriage, or adoption, and residing in the same dwelling unit and also includes persons living alone.

tions. In many cases, they had deferred marriage or the setting up of a permanent household during the war years and had faced difficulties in finding housing immediately after the war. The favorable credit terms made available under the Veterans Administration loan program permitted veterans to enter the market in large numbers as housing supplies improved. In early 1948, only three in ten of the younger spending units (head under 45 years of age) with veterans owned their homes and two in ten lived with relatives. Five years later, four in ten of similar age and veteran status owned their homes and only one in ten lived with relatives.

Continuation of a strong demand for housing is indicated by the large number of consumers who in early 1953 were considering the purchase of a house during the year. Consumers planning 1953 purchases were concentrated in the same groups which have been active in the market in the other postwar years. About 60 per cent of prospective purchasers were younger married couples (under 45) although they made up less than 40 per cent of the population. Veterans continued to show more interest in the housing market than nonveterans. Nearly one-half of those planning to purchase houses in 1953, as in recent years, were veterans of World War II.

**Pattern of ownership.** Home ownership is less common in more densely populated areas than in small communities. In large cities, for many reasons, a large proportion of the families satisfy their housing needs by renting apartments. In early 1953, the proportion of nonfarm families owning homes ranged from 43 per cent in metropolitan areas to about 68 per cent in small towns and rural areas. The relatively low frequency of home ownership in the North

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East reflects the high degree of urbanization of the area (see Table 2).

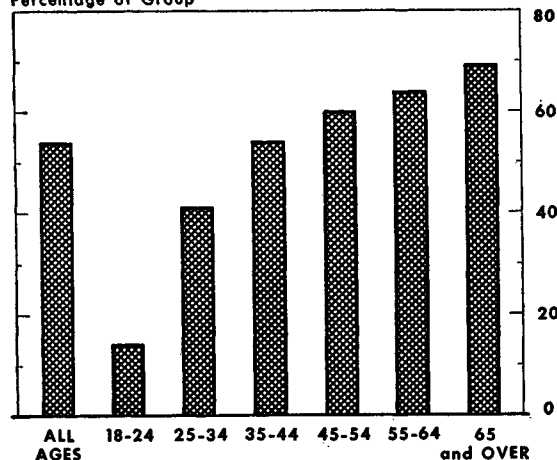
TABLE 2  
HOUSING STATUS OF NONFARM FAMILIES RELATED TO LOCALITY, EARLY 1953  
[Percentage distribution of nonfarm families within groups]

Locality	All cases	Owns home	Rents home	Other <sup>1</sup>
<b>Size of community:</b>				
Metropolitan area <sup>2</sup> .....	100	43	55	2
Other city, 50,000 and over.....	100	46	51	3
Town or city, 2,500 to 50,000...	100	57	41	2
Town under, 2,500.....	100	68	29	3
Open country.....	100	69	23	8
<b>Region:</b>				
North East.....	100	44	53	3
North Central.....	100	64	34	2
South.....	100	50	45	5
West.....	100	57	40	3

<sup>1</sup>Families who have housing as part of their compensation, who temporarily live in houses they have sold, etc.  
<sup>2</sup>Includes the 12 largest cities in the United States and their surrounding suburban areas.

Home ownership is less frequent among younger than among older families, ranging in early 1953 from 14 per cent among those headed by persons under 25 years of age to 69 per cent among those headed by persons 65 and over, as shown in the accompanying chart. The frequency of home ownership increases most rapidly through the 35-44 age group. This reflects the high rate of purchases among young families as

HOME OWNERSHIP  
WITHIN AGE GROUPS, EARLY 1953  
Percentage of Group



they become settled in a particular community, their need for single-family dwelling increases, and their financial position permits home ownership.

Income is another important factor affecting home ownership. For families of similar age and living in communities of comparable size, home ownership is more common among those with higher incomes. In the under \$2,000 group, however, where there is a concentration of families headed by older persons and those living in rural areas, home ownership is more frequent than among families with somewhat higher incomes.

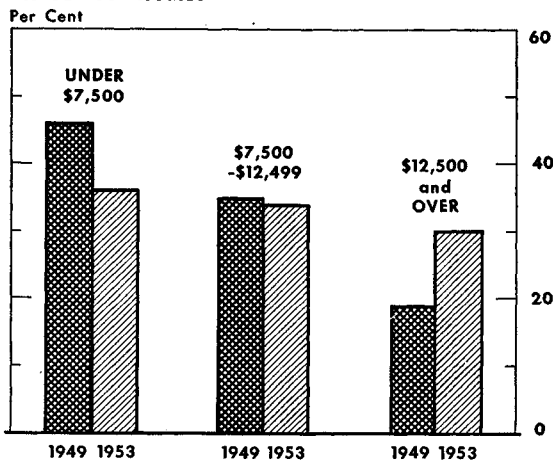
**House value and debt.** Rising prices, an increasing proportion of relatively new houses, and large expenditures on improvements have contributed to a substantial increase in the average value of owner-occupied homes in recent years.<sup>8</sup> The proportion of homes valued at \$12,500 or more rose from two in ten in early 1949 to three in ten in early 1953, as shown in the first chart on the following page.

There is a striking difference in the value of owner-occupied houses by size of community. In general, the value of homes is greater in more densely populated areas. About one-half of the homes in metropolitan areas were valued in early 1953 at \$12,500 or more as compared with only about one-sixth of the homes in small towns and rural areas. This variation reflects differences in land and construction costs, in the quality of houses, and in the income groups owning their houses. In the large cities home ownership is concentrated to a greater

<sup>8</sup>The values of owner-occupied homes are based upon estimates of the owners. A check of owners' estimates of value against values determined by professional appraisers in 1950 indicated that owners' estimates can be accepted as fairly reliable guides to the size distribution of the current market values of homes.

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VALUE OF HOMES



NOTE.—Percentage distribution of one- and two-family owner-occupied houses.

extent in the upper income groups whereas it is fairly general in smaller communities.

In early 1953 nearly one-half of the home owners had mortgage debt, about the same proportion as four years earlier (see Table 3). Over this period, however, there has been an increase in the average size of mortgage, from about \$3,700 in early 1949 to nearly \$4,500 in early 1953, as credit extensions have exceeded amortization and repayment of mortgage debt. This reflects the liberal mortgage terms available and the high prices of houses purchased. The active trading in existing properties has resulted in larger mortgages being placed on these properties. At the beginning of this year, about two-fifths of the mortgages on owner-occupied houses

amounted to \$5,000 or more as compared with about one-third of the mortgages four years earlier.

The value of owners' equities in houses has risen in recent years since the increase in house values has been larger than the increase in mortgage debt. The amount of equity an owner has in his house is affected not only by the price paid, cash payments at time of purchase, and amortization terms if the property is mortgaged, but also by the length of time over which mortgage payments have been made and by changes in house values since the time of financing. Consequently, owners of houses bought prior to World War II generally have larger equities than do those who purchased houses during the postwar period.

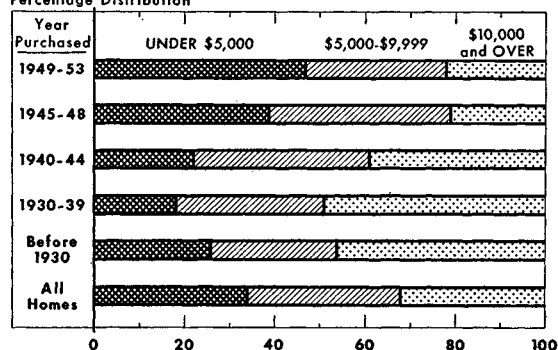
Home owners who bought during the thirties generally have the largest equities in their houses, as shown in the accompanying chart. This group of homes has risen substantially in value since the time of purchase and owners have had a longer period than more recent purchasers in which to pay off mortgage indebtedness. For the group who bought houses prior to 1930, the effects of factors increasing equities have been offset to some extent by the relatively low value of many of these older houses located in less desirable neighborhoods.

TABLE 3  
MORTGAGE DEBT ON OWNER-OCCUPIED NONFARM HOUSES  
[Percentage distribution of houses]

Amount <sup>1</sup>	1953	1951	1949
Zero.....	53	53	55
Under \$5,000.....	27	30	29
\$5,000-\$7,499.....	11	8	7
\$7,500-\$9,999.....	5	5	3
\$10,000 and over.....	3	2	2
Not ascertained.....	1	2	4
All cases.....	100	100	100

<sup>1</sup> Early in year specified.

OWNERS' EQUITIES IN HOMES EARLY 1953  
Percentage Distribution



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## RENTAL HOUSING

The number of families renting their homes has increased from 17 million in early 1948 to nearly 19 million in early 1953. This increase reflects some of the same factors that have influenced the rise in home ownership, primarily the high marriage and birth rates and the rise in incomes which has permitted more families to maintain separate households. Another factor is the growth of population of the large cities where rental housing is generally more readily available than in smaller communities.

Relaxation of rent controls and increased construction and maintenance costs, together with strong demand, have resulted in rent increases over the last five years. By early 1953, four in ten renting families were paying \$50 or more a month in rent as compared to less than two in ten in 1948 (see Table 4).

TABLE 4  
MONTHLY RENT OF NONFARM FAMILIES  
[Percentage distribution of rent-paying nonfarm families]

Amount <sup>1</sup>	1953	1948
Under \$20 .....	11	21
\$20-\$29 .....	16	22
\$30-\$39 .....	15	22
\$40-\$49 .....	17	16
\$50-\$74 .....	26	12
\$75 and over .....	13	5
Not ascertained .....	2	2
All cases .....	100	100
Average .....	\$47	\$33

<sup>1</sup> Early in year specified.

Average rent paid has increased relatively more since 1948 than the average income of renters. Average rent payments in early 1953 amounted to approximately 14 per cent of the average money income of renting families as compared with 12 per cent five years earlier. Lower income families spent a larger proportion of their incomes for rent than the higher income groups. For families with incomes of less than \$3,000 in 1952,

rent payments amounted to about one-fifth of total income as compared with one-tenth for families with incomes of \$5,000 or more.

## IMPROVEMENTS AND MAINTENANCE

Substantial expenditures for home improvements and maintenance have accompanied the active postwar markets for newly constructed and existing houses. In 1952 about 13.8 million families, or 60 per cent of all nonfarm home owners, made such expenditures (see Table 5).

TABLE 5  
EXPENDITURES ON HOME IMPROVEMENT AND MAINTENANCE  
[Percentage distribution of home-owning nonfarm families]

Amount	1952	1950	1948
None .....	40	38	36
Some .....	60	62	64
Under \$100 .....	14	14	14
\$100-\$299 .....	18	20	19
\$300-\$499 .....	9	9	10
\$500-\$999 .....	11	12	12
\$1000 and over .....	7	6	9
Not ascertained .....	1	1	( <sup>1</sup> )
All cases .....	100	100	100

<sup>1</sup> No cases reported or less than one-half of 1 per cent.

Families who purchased houses during the postwar years made expenditures for improvements more frequently than those who had purchased earlier. On the other hand, home owners made expenditures for repairs and other maintenance with about the same frequency regardless of the period of purchase. In general, major improvements are probably more frequent between 3 and 5 years after the purchase of a house than in the years immediately after purchase, or after the house has been owned for some time and many of the major improvements desired by the family have already been made.

In 1948, home owners were still in the process of catching up on improvements and maintenance that had been deferred during the war, and as a result there was little difference in the frequency of such expenditures

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among families who had purchased their houses in different periods.

Less than one in five nonfarm families renting their dwellings made expenditures on improvements and maintenance in 1952. Their expenditures tended to be small because they were largely confined to minor projects such as interior painting and decoration rather than major structural changes.

Plans for improvements and repairs were reported by about three in ten nonfarm home owners in early 1953, the first year such plans have been investigated. While planned expenditures for 1953 were reported only half

as frequently as actual expenditures in 1952, plans for spending \$500 or more were almost as frequent as actual expenditures of such amounts in 1952. Experience with plans for other types of expenditures indicates that the larger the expenditure the more likely that it will be planned well ahead of time. Accordingly, the total number of families making some outlays for improvements and maintenance in 1953 will probably be considerably greater than indicated early in the year since a very substantial number of smaller but unforeseen expenditures are likely to be made.

*Reprints of this article, including additional tabular material, may be obtained upon request to the Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington 25, D. C.*