

# The Cost of Living in Paradise

## A Housing Affordability Index for Tourism Communities

Are you tired of the commute into the city? Do you want to get out of that traffic and head for the country? Have you ever dreamed on of leaving that stressful high rise job behind and telecommuting from your living room, while overlooking the beach? What about scrapping it all and pursuing that long-lost dream of becoming a ski instructor living in a mountain lodge? Who hasn't had one of these dreams at least once or twice, if not once or twice a day?

Before you make any quick decisions, you should check out one small detail. The cost of housing. Housing costs have skyrocketed in many beach and mountain tourism communities over the last few years. In some places, the average price of a house is beyond a \$1 million, affordable only to the very wealthy, while in other places rental costs are so high that local businesses are finding it impossible to find and keep workers.

Are there still affordable tourism communities out there? Which communities are the most affordable, and which communities are the least affordable? To answer this question, the Connecticut based Wyndham Financial Group has developed a tourism community housing affordability index. The index ranks housing affordability in 250 United States beach, mountain, and resort communities using a combination of housing prices, rent levels and local incomes.

Aspen, Colorado, with its exclusivity and million dollar homes, tops the list, followed closely by neighboring Snowmass Village, and by Bal Harbour, Florida, Breckenridge, Colorado, and Carmel-by-the-Sea, California. The Galveston Bay Texas community of Bolivia Peninsula, with its affordable under \$60,000 homes and modest rents is the most affordable tourism community.

The ranked tourism communities include well known places such as Palm Springs, California and Hilton Head Island, South Carolina, and lesser known places such as Beech Mountain, North Carolina, the smallest community in the index.

Colorado and Florida each have eight of the top 50 least affordable communities, while New Jersey has six, and California, Massachusetts, and New York each have five. Four Hawaiian communities are included among the 50 least affordable, as are two communities from North Carolina and Idaho, and one each from Delaware, Montana, Nevada, Oregon, South Carolina, and Utah.

Florida also has some of the most affordable communities, with thirteen of the 50 most affordable communities. The 50 most affordable communities list also includes five communities in each of Michigan, North Carolina, and New Jersey, and three communities in each of Pennsylvania, Texas, and Alaska.

## Index Results by State and Region

### The West

#### Colorado:

Eight of the top 50 least affordable tourism communities are in Colorado. Aspen ranked as the least affordable community, followed closely by neighboring Snowmass, while Breckenridge was ranked fourth, Telluride ninth, and Vail fourteenth. Other Colorado communities identified as unaffordable were Keystone (22<sup>nd</sup>), Edwards (33<sup>rd</sup>) and Avon (37<sup>th</sup>).

#### California:

Five California communities ranked among the 50 least affordable. Carmel-by-the-Sea ranked as the fifth least affordable community in the U.S. The Santa Catalina Island community of Avalon ranked 15<sup>th</sup>, the Lake Tahoe community of Dollar Point ranked 19<sup>th</sup>, the coastal community of Cayucos ranked 27<sup>th</sup> and the mountain destination of Mammoth Lakes ranked 35<sup>th</sup>.

Only two California towns, the neighboring mountain communities of Crestline and Running Springs, were included on the most affordable list, ranked 215<sup>th</sup> and 230<sup>th</sup> respectively in housing costs.

#### Lake Tahoe/Reno:

Two communities in the Reno/Lake Tahoe area were ranked among the 50 tourism communities with the least affordable housing. Incline Village, Nevada ranked 26<sup>th</sup>, while Dollar Point, California ranked 19<sup>th</sup>. Additionally, two other Lake Tahoe communities, Sunnyside-Tahoe City, California and Kings Beach, California finished just above the 50 least affordable communities, ranking 53<sup>rd</sup> and 57<sup>th</sup> respectively.

#### Hawaii:

Four Hawaiian communities were included on the list of the 50 communities with the least affordable housing. Kaanapali was ranked 16<sup>th</sup>, Wailea ranked 18<sup>th</sup>, Poipu 29<sup>th</sup>, and Kahaluu 40<sup>th</sup>.

### The Northeast

#### Massachusetts:

Five popular Massachusetts summer destinations ranked among the 50 least affordable tourism communities in the U.S. Leading the list is Nantucket, ranked 11<sup>th</sup>, followed closely by Provincetown ranked 13<sup>th</sup>. Martha's Vineyard ranked 36<sup>th</sup> on the least affordable list. On the cape, Chatham was ranked as the 23<sup>rd</sup> least affordable community, and West Chatham ranked as the 43<sup>rd</sup> least affordable community.

An additional five Cape Cod communities were amongst the 100 least affordable communities, including Falmouth, Brewster, North Eastham, and Dennis.

### **New York/Long Island:**

Five popular Long Island summer destinations ranked among the 50 least affordable tourism communities. East Hampton Village ranked as the 10<sup>th</sup> least affordable community in the country, while Amagansett, Southampton, East Hampton North, and Montauk ranked 20<sup>th</sup>, 28<sup>th</sup>, 31<sup>st</sup>, and 32<sup>nd</sup> respectively.

### **New Jersey/Pennsylvania/Delaware:**

Five New Jersey shore communities were ranked among the 50 least affordable communities. Avalon was ranked 25<sup>th</sup>, Cape May 41<sup>st</sup>, North Beach Haven 44<sup>th</sup>, Sea Isle City 49<sup>th</sup>, and Surf City was the 50<sup>th</sup> least affordable community on the list.

The Delaware shore community of Rehoboth Beach was ranked the 48<sup>th</sup> least affordable tourism community in the U.S.

### **Pennsylvania:**

Three Pennsylvania lake recreation communities are among the 50 tourism communities with the most affordable housing. The western Pennsylvania communities of Pymatuning and Conneaut Lake ranked 227<sup>th</sup> and 231<sup>st</sup> in housing costs of the 250 communities studied. Additionally, the central Pennsylvania town of Harvey's Lake ranked 232<sup>nd</sup>.

## **The South**

### **Florida:**

Eight of the top 50 least affordable tourism communities are in Florida. Exclusive Bal Harbour was ranked as the third least affordable community, while North Key Largo was ranked seventh, and the Palm Beach was ranked 12<sup>th</sup>.

Three of the 50 least affordable communities are in the Florida Keys, North Key Largo at seventh, Islamorada at 42<sup>nd</sup>, and Marathon at 46<sup>th</sup>.

In addition to Bal Harbour, the south Florida community of Sunny Isles Beach also made the least affordable list, ranked 17<sup>th</sup>.

In addition to Palm Beach, the central Florida community of Highland Beach also made the least affordable list, ranked 24<sup>th</sup>. Central Florida ranked more affordable than south Florida and the Keys, with three communities on the most affordable list, where Ponce Inlet ranked 201<sup>st</sup> in housing costs, Daytona Beach Shores ranked 203<sup>rd</sup> and New Smyrna Beach ranked 211<sup>th</sup>.

In contrast to the Atlantic coast, Florida's Gulf Coast is more affordable, with only Naples 45<sup>th</sup> on the list of the 50 least affordable communities, and the Gulf Coast panhandle communities of Destin and Panama City ranked in the 50

the most affordable communities, ranked 210<sup>th</sup> and 213<sup>th</sup> in housing costs respectively

### **North Carolina:**

The beach community of Wrightsville Beach ranked 21<sup>st</sup> among the 50 tourism communities in the U.S. with the least affordable housing, while the mountain community of Highlands ranked 38<sup>th</sup> in the same study.

The study also identified North Carolina as the home of tourism communities with affordable housing. The 50 most affordable communities include the outer banks communities of the North Topsail Beach (ranked 206<sup>th</sup> in housing costs), Nags Head (222<sup>nd</sup>), and Kill Devil Hills (225<sup>th</sup>), the beach community of Oak Island (207<sup>th</sup>), and the mountain destination of Beech Mountain (219<sup>th</sup>).

### **Texas:**

The Galveston Bay community of Bolivar Peninsula was ranked as the tourism community with the most affordable housing in the U.S. The popular Texas destination of South Padre Island was ranked 147<sup>th</sup>, with slightly above average affordability, while neighboring Port Arkansas was ranked as very affordable, with housing costs ranked 218<sup>th</sup> of the 250 communities.

## **The Mid-West**

### **Michigan:**

Five Michigan resort communities were ranked among the 50 most affordable tourism communities. The northern Michigan community Canadian Lakes ranked 212<sup>th</sup> of 250 tourism communities in housing costs, Houghton Lake ranked 228<sup>th</sup>, nearby St. Helen ranked 243<sup>rd</sup>, Shoreline Park ranked 234<sup>th</sup>, while the southern Michigan resort of Paw Paw Lake ranked 240<sup>th</sup> in housing costs.

## Constructing the Index

Key to the construction of the Tourism Community Housing Affordability Index was the identification of comparable communities to include in the index, and the calculation of relative housing affordability in the community.

One of the key economic drivers in many mountain and coastal communities in the U.S. and other parts of the world is tourism. As the baby boomers age and the wealth of workers and retirees increases, the demand for housing in many of these tourism towns has increased. Second home owners are becoming an important part of the tourism business in these communities.

The common thread in all the communities selected for inclusion in this index is a concentration of second homes. All the communities included in the study are places where 20% or more of the housing units are second homes. The selection was further refined to select only those larger communities, in effect weeding out very small and unknown places.

Housing affordability was calculated by combining housing affordability (the relationship between housing prices) and rental affordability (the relationship between rental rates and household income). The results were standardized to a base of 1.00. The typical tourism community (i.e. the mid communities on the list) has an affordability index of 1.00. Those communities with an index value above 1.00 are less affordable, while those with an index value below 1.00 are more affordable.

For instance, one of the communities ranked in the middle of the index, Holden Beach, North Carolina (121<sup>st</sup>), with an index value of 1.00 has average affordability, while number the most affordable community identified, Bolivar Peninsula, Texas, has an index value of 0.42, indicating that it is more than twice as affordable as average, and the least affordable community, Aspen, Colorado, with an index value of 4.38 is over 4 times less affordable than the average community.

The primary source of data from the index is the 2000 U.S. Census. For more detail on the impact of second homes on tourism communities, and for a more detailed description of the calculation of housing affordability, see *Living and Working in Paradise: Why Housing Is Too Expensive and What Communities Can Do About It*, (Hettinger, 2005 Thames River Publishing).

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