

TOURISM AFFORDABILITY

The Current Outlook: More or Less Affordable?

The median price of all home sales in King County – detached single-family, attached townhomes and condominiums – rose more than 5% between 2000 and 2001, despite slowing economic growth. This continues the trend which has seen home prices rise at a rate of more than 6% per year, on the average, over the last twenty years. However, it represents a smaller rate of increase than the 9.4% average annual increase during the previous four years (1996 – 2000). The volume of sales has been down considerably since last year, but prices continue to edge upward.¹

With local economic indicators somewhat mixed, and the prospect of unemployment becoming real again, caution is dampening the housing market - but only moderately. And, in fact, despite the rising prices, buying a home is actually more affordable this year than it has been since 1998. Interest rates for a conventional 30 year mortgage have fallen from about 8.2% last year to around 7% this year, making it possible for this year’s median-income buyer to afford a home priced at \$214,000, with 10% down. Last year the median-income buyer could only afford a home costing about \$173,000 or less. With another half point drop in the Federal Reserve rate in early November, 30 year mortgage rates are currently averaging 6.5%, and could fall further.

In 2000, a median-income household with a 5% down payment could afford just 15% of the single family homes selling in King County. This year, a median income household could purchase 24% of the single family homes in the County.

Housing supply is likely to continue to grow for at least another 6 – 12 months, as the 14,700 new units permitted in 2000 become ready for occupancy. The effect should be to keep prices and rents from increasing too rapidly. But there remain 237,000 King County households earning 80% of median income or less, who find home ownership, or even an adequately-sized rental, beyond their means.

Housing is About Neighborhoods and Opportunities

“Housing is not just about sturdy walls and a sound roof, but also about neighborhoods and opportunities.”² When housing becomes unaffordable, families often have little choice about where they live. In the past, low-income housing has been clustered into areas where a culture of poverty prevails – with poor schools, inadequate access to transportation, little economic opportunity, and an unsafe environment.



Increasingly, housing advocates are stressing the importance of providing a spectrum of housing choices. Rather than being economically segregated, these choices would be distributed equitably throughout the region. When a neighborhood has a healthy mix of income levels – with high end housing in close proximity to moderate and lower-income housing – the likelihood of strong schools, good transportation, and a healthy environment increases. “Affordable housing needs to be located strategically to create economically integrated communities that allow households of modest means access to a range of opportunities – from good jobs and schools to transportation and safe streets.”³ However, other advocates stress that the effort to create a mix of housing may sometimes conflict with the need to preserve the community network on which low-income families, particularly immigrants, depend. In planning for housing, enhancing the quality of human communities is also vital.

¹ Northwest Multiple Listing Service data on homes sold, 2000 – 2001.

² Karen Destorel Brown, “Expanding Affordable Housing Through Inclusionary Zoning: Lessons from the Washington Metropolitan Area”. The Brookings Institution Center on Urban and Metropolitan Policy (October, 2001).

³ Ibid.