

King County Housing Authority

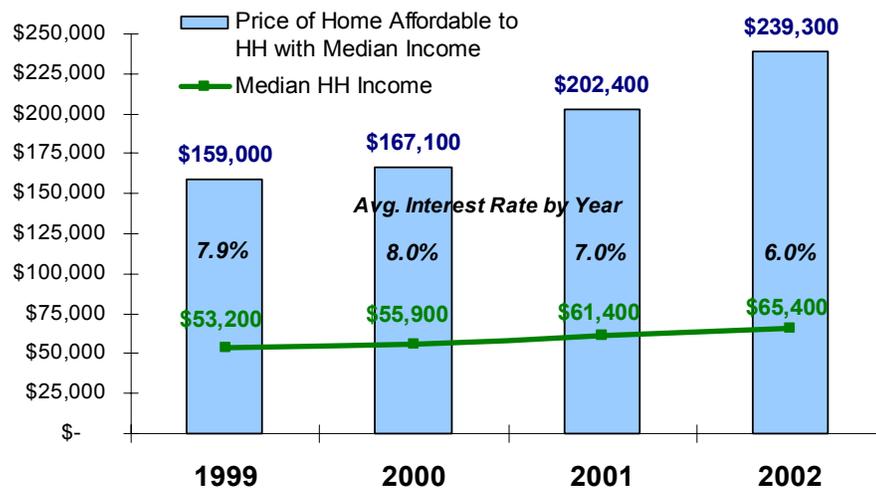
Home Prices Still Rising, But Cost to Buyer May Be Less

While economic recovery in Washington State proceeds much more slowly than hoped for, and unemployment rates remain high for this region, the housing market continues to buck the trend and thrive.

Often the word of rising home prices is good news to builders and current home-owners, but bad news to first-time home seekers. But with interest rates falling to their lowest level since the 1960s, first-time buyers in 2002 may have been able to afford more homes in the County than they could during the past few years.

The graph below shows the home price affordable to households earning median income in 1999 through 2002. The affordable home price is based on a downpayment of 5% with a monthly payment equivalent to 25% of the household's monthly income. In 1999, a median income household could afford a home priced at about \$159,000. In 2002, they could afford a home priced at \$239,300. This is nearly a 50% increase in the home value that is affordable, in just four years.

During this same period, the median income has grown a healthy 23%, and the cost of the median-priced single family home has risen about 22% (about 5 – 6% per year). So currently home prices are rising at about the same rate as incomes in King County. But the big difference in affordability comes with the decline of average mortgage interest rates by two full percentage points since 2000.



While the drop in interest rates is encouraging for home-buyers, home-sellers, and the housing industry in general, the price of a home is still out of reach for nearly 40% of households in the County. With unemployment more than 6% in the County, many households can't even begin to save for a down payment. Households that formerly had two workers may have just one worker, or workers may be returning to the workforce in lower-paying jobs than they had several years ago.

At 80% of median income (about \$45,700 in 2002), a household could afford a home priced at \$167,000. But this year fewer than 8% of single family homes, and 45% of condos were priced at, or below, that amount.

About 35% of single family homes in King County are priced at or below the \$239,000 price tag that would be affordable to a median-income household. It would take an income at about 117% of the median (around \$76,500) to afford the \$280,000 middle-priced single-family home in the County.