

Trend of Housing Costs in Relation to Income

OUTCOME: PROMOTE AFFORDABLE HOME OWNERSHIP OPPORTUNITIES

From 1990 to 2000, median household income, home prices and rental costs increased at comparable rates. While growth in median home prices averaged annual growth of almost 5%, the growth in prices was only nominally larger than the increase in income and rental rates. That trend changed dramatically after 2000, with the growth in home prices far exceeding that of income and rent.

Figure 27.1

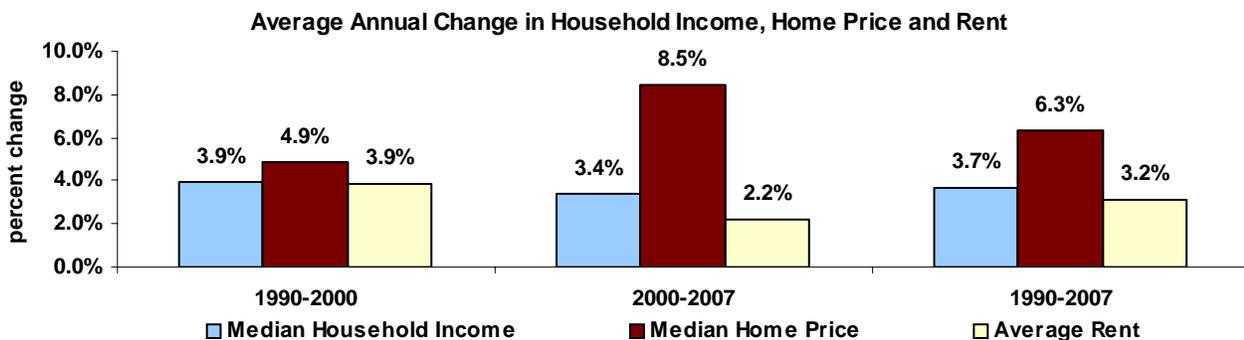
Rate of Increase in Income, Median Home Price, and Average Rent: 1990 - 2007						
Year	Median Household Income	Annual Percent Increase in Median HH Income	Median Home Price (Condo and Single Family)	Annual Percent Increase in Median Home Price	Average Rent (2 BR/ 1 BA units)	Annual Percent Increase in 2 BR / 1 BA Rent
1990	\$ 36,200		\$ 140,000		\$ 537	
2000	\$ 53,200	3.9%	\$ 225,000	4.9%	\$ 784	3.9%
2001	\$ 54,887	3.2%	\$ 235,000	4.4%	\$ 826	5.3%
2002	\$ 55,082	0.4%	\$ 249,000	6.0%	\$ 838	1.5%
2003	\$ 56,881	3.3%	\$ 265,000	6.4%	\$ 821	-2.0%
2004	\$ 55,114	-3.1%	\$ 289,950	9.4%	\$ 803	-2.3%
2005	\$ 58,370	5.9%	\$ 332,000	14.5%	\$ 810	0.9%
2006	\$ 63,489	8.8%	\$ 378,500	14.0%	\$ 849	4.8%
2007	\$ 67,010	5.5%	\$ 397,000	4.9%	\$ 912	7.4%

source: American Community Survey, King County Department of Assessments, Central Puget Sound Real Estate Research Report

Responding to a regionwide recession, income growth slowed dramatically through 2004. Rental costs showed a similar trend, actually decreasing in 2003 and 2004. Home prices, however, grew at an accelerated rate as the housing market boomed, both locally and nationally. Research by the Center for American Progress indicates that the national housing market peaked in 2006, an event that is suggested in figure 27.1 above. However, while home prices continued climbing in 2006, the rate of growth slowed relative to both income and rents. By 2007, the housing market had cooled considerably, with home prices increasing less than 5% from the previous year. Gains in income and rents surpassed home price gains for the first time this decade.

Figure 27.2 shows that home prices averaged 8.5% annual growth while income grew less than 4% during the 2000 to 2007 period. Rent increased just over 2% annually, though the lion's share of that growth occurred only recently in 2006 and 2007. Despite these recent increases, rentals continue to provide an affordable housing option for many King County households.

Figure 27.2



source: American Community Survey, King County Department of Assessments, Central Puget Sound Real Estate Research