Washington Research Council

POLICY brief

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Front Lawns or Balconies? Trends in WA Housing

BRIEFLY

Two distinct trends in housing preferences stand out in Washington's housing market; large single-family homes typically located outside of the central city and dense, multifamily residences in downtown city centers. Population in the state will continue to grow near employment centers. Affordable housing development in and around the urban core can prosper if local regulations support its growth.

Goals and Promises Reviewed

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As population in Washington grew over the past decade, so too did the wealth of the state. The state rose to have one of the highest median incomes in the nation. Countless individuals in the region benefited from a decade of economic successes of the dot com industry. Housing development thrived under these conditions. Even though we have been in the throes of a recession for more than a year, it has only been in the past few months that we have started to see a slow down in the state's housing market.

Housing choices have been determined by the ups and downs in state population and the economy. The influx of residents and job growth over the decade fueled a growing housing market in both single and multifamily homes. Since the economy has slowed down this past year and state population growth has temporarily subsided, it is an opportune time to take stock of current housing trends.

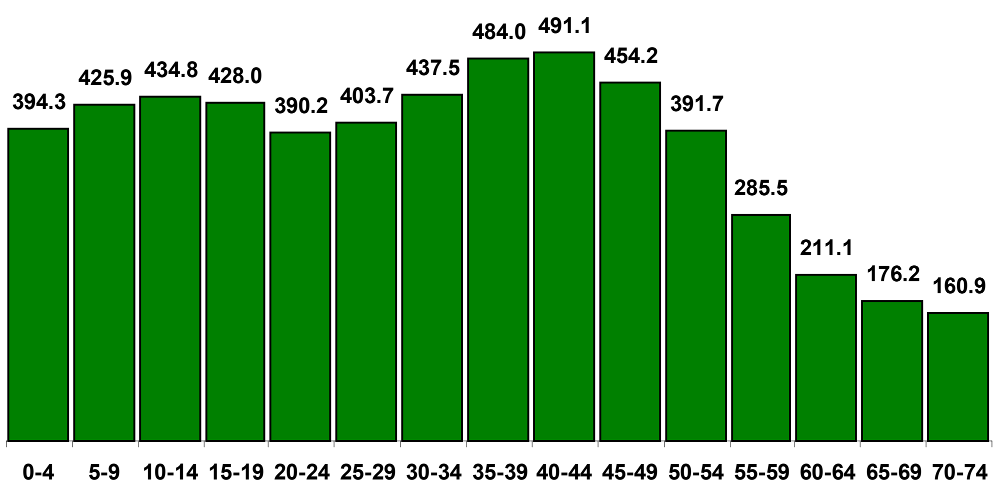
Population and Housing growth

As seen in our recent report "New Population Projections for GMA Planning," population growth is concentrated primarily in economic corridors throughout Western Washington.[1] State population grew 21 percent over the past decade. But this growth has started to lose speed, according to Office of Financial Management estimates released in July. The state's population grew at a rate of 1.1 percent in the 12-month period ending April 1, down from 1.4 percent the previous year. Slower growth is expected until 2004, and is attributed to the state's sluggish recovery from the recession.

The makeup of the state's population is that of relatively young adults. Figure 1 graphs Washington's population in

FIGURE 1

Washington State population by 5-year cohorts (thousands)



Source: US Census 2000

Note: Washington population 75 and older totals 324,982.

five year cohorts. The peak is centered at the 40-44 year cohort, which represents the post-war "baby boom." The trough running roughly from the cohorts 20-24 to 30-34 is the "baby bust" that followed the baby boom. And finally the baby boomers' children form the hump from ages 5-9 through 15-19 (the "baby boom echo").

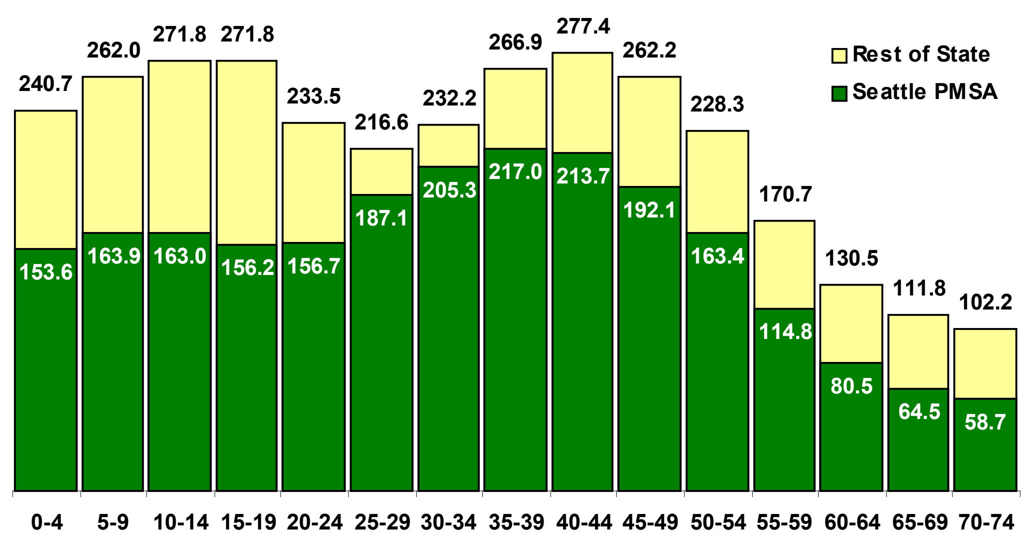
The age distribution of Washington looks much like that for the nation; however, reflecting the importance of migration as a source of state population growth, the state has a higher percentage of residents between the ages of 30 and 54 than does the nation as a whole. Correspondingly, Washington has a smaller percentage of its population over the age of 54 than the nation as a whole. Our state's population has a greater percentage of working-aged individuals than the nation.

The Seattle metropolitan area is the heart of the state's economy. Figure 2 shows the age distribution of residents of the Seattle PMSA and the rest of the state. Compared to the state, the PMSA has fewer numbers of children and teenagers than the state as a whole. The PMSA population peaks between the ages of 25 and 44, while the rest of the state's population peaks between the ages of 35 and 49.

Even more revealing is the age distribution within the PMSA. Figure 3 separates the age distribution for Seattle from the rest of the PMSA. The two distributions are

FIGURE 2

PMSA & Rest of State, population by 5-year cohorts (thousands)

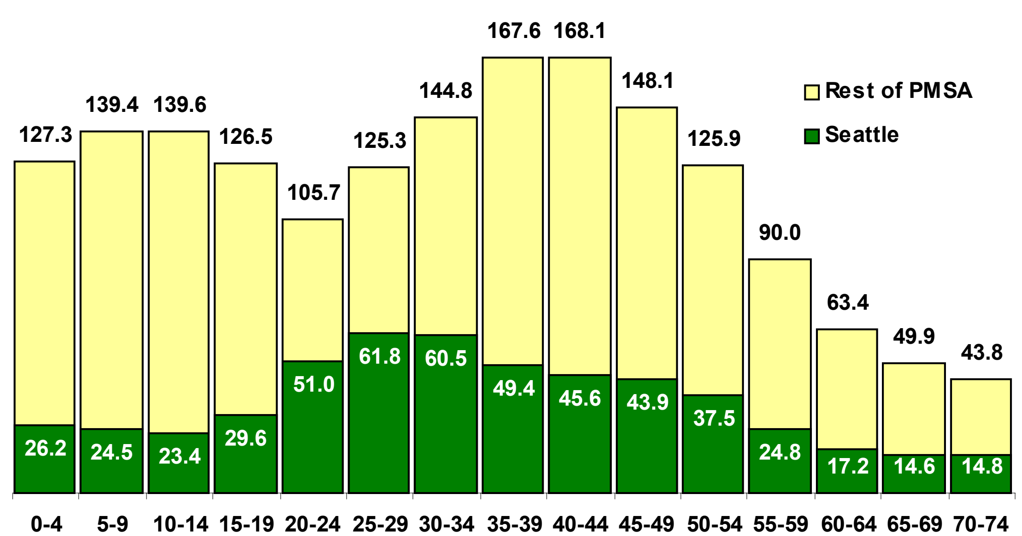


Source: US Census 2000

Note: PMSA population 75 and older totals 123,862.
Rest of State population 75 and older totals 200,245.

FIGURE 3

Seattle and Rest of PMSA, population by 5-year cohorts (thousands)



Source: US Census 2000

Note: Seattle population 75 and older totals 38,198.
Rest of PMSA population 75 and older totals 85,664.

quite different. The city is particularly attractive to young adults, clearly seen when compared to the age distribution in the rest of the PMSA. People between the ages of 19 and 35 made up 34 percent of the city's residents in 2000, compared to only 16 percent for the rest of the PMSA. On the other hand, individuals ages 5 to 18 are 12 percent of the city's population compared to 21 percent for the rest of the PMSA. The attractiveness of Seattle to young adults argues for the continued vitality of the city as the baby boom echo reaches adulthood during the coming decade.

Still the lack of children is troubling. Under growth management people are supposed to have the opportunity to live close to the places where they work. In spite of its ranking by Population Connection (the organization formerly known as Zero Population Growth) as the country's second most "kid friendly" of the largest 25 cities, relatively few parents choose to raise their children in the city.[2]

The city ranks second lowest among 50 largest US cities in the percentage of population under the age of 18. High housing prices appear to be part of the reason.[3] Working families with children are being priced out of Seattle where so many of the region's jobs are concentrated.

It has become increasingly hard to purchase affordable homes in close proximity to employment centers. According to the Washington Center for Real Estate Research, "the largest concentration of less costly housing is outside a reasonable commuting distance from major population centers."[4] The median house price in Washington is $168,300. In King County, where much of the state's population and employment are located, the median price is $236,900.[5]

At first glance, it appears that only the Seattle metropolitan area's housing market is pricing out residents. But residential expansion over the past decade in areas such as Clark County is further proof of continued residential growth at the fringes of urban centers. In a recent survey conducted in Clark County, Riley Research Associates found that one-quarter of employed Clark County adults work in Oregon.[6]

Regardless of proximity to work, more than half (62 percent) of Washington residents live in single-family homes.[7] Homeowners inhabit approximately two-thirds of the state's occupied housing units, mirroring national rates of homeownership. Rentals comprise 35 percent of the state's occupied housing units. Out of the Metropolitan Statistical Areas in Washington, only Seattle's share of rental properties, 50 percent of occupied units, was substantially greater than the statewide rate for rentals.

Single-family attached homes represent just three percent of the state's housing stock. Manufactured homes account for 8.5 percent of our housing stock, and just over one-quarter of Washington's housing is made up of multifamily units.

Two distinct trends in housing preferences stand out in Washington's housing market. Large single-family homes typically located outside of the central city are being purchased mainly by families with young children. Dense, multifamily residences in downtown city centers are inhabited both by young adults and empty nesters returning to the urban core after raising children or retiring. The demand for both types of housing has produced substantial development in downtowns and suburban corridors for several years. Demand for these distinct choices represents the diversity of preferences among

FIGURE 4
Smart Growth and Land Use Survey

Smart Growth Strategies	Strongly – Somewhat Approve	Somewhat –Strongly Disapprove
Revitalizing and redeveloping existing run-down buildings and properties.	92%	6%
Increased opportunity for shopping closer to home.	68%	28%
Building homes, condominiums and apartments closer together, with more stories and smaller lots in your neighborhood.	21%	77%
Regulating the compatibility of houses and buildings with their surrounding neighborhoods.	79%	18%
Building commercial and retail buildings AND residential buildings in the same neighborhood.	37%	60%
Building multi-family houses in your neighborhood	39%	58%
Building single family houses on smaller lots in your neighborhood.	46%	52%

Source:National Association of Realtors & WA Association of Realtors.

consumers, and both choices merit equal representation when discussing housing needs of local communities.

Single Family Homes

Homeowners are increasingly interested in purchasing new and large homes (greater than 2000 square feet) with three or four bedrooms and at least two baths, according to a recent National Association of Homebuilders survey.[8] Such preferences encourage the tear down or rehabilitation of our older, smaller housing stock. Preservation of existing housing is often more costly than tearing down and rebuilding. If there is no demand to purchase older homes, little incentive exists for developers to pursue options beyond project-based incentives, such as historic preservation tax credits. Ultimately, many potential homeowners want new, large, single-family homes with their own patch of grass.

In a national survey on growth and land use, conducted for the Washington Association and National Association of Realtors, with an oversample of Washington voters, survey results mimic recent national trends.[9] While respondents support pro-smart growth development strategies such as smaller lot sizes and increased communal green space, they contradict such responses with statements that endorse traditional "Not in my backyard," or NIMBY preferences. Respondents supported local land use and growth controls over state decisions, and endorse new urbanism housing development principles, such as front porches, smaller lot sizes and garages in alleys.

But as Figure 4 shows, there is less support for smaller lots and increased density when it pertains to an individual's neighborhood. While many approve of smart growth principles in theory, when theories encroach upon individual's neighborhoods, consumer preferences of large lot sizes and uniform residential neighborhoods generally prevail. Such predilection adds to the continued trend away from urban centers, where housing is traditionally more dense.

Multi-family

Washington developers have to contend with both the preferences of housing consumers and the state's Growth Management Act, which are sometimes in conflict. However, local successes of both market rate and affordable housing developments, such as the Denice Hunt Townhomes (Figure 5), attest to consumer interest for housing that supports smart growth principles. The desire for larger lots with big houses is based on decades of housing built to support the suburbanization of our landscape. But a growing segment of homeowners and renters in Washington prefer to live in a dense urban

FIGURE 5

Denice Hunt Townhomes, Seattle

Source: Tonkin, Hoyne & Lokan Architecture and Design, http://www.thl-arch.com/denicehunt.html

environment. Between 1990 and 2000, 5000 new housing units were built in downtown Seattle.[10]

Local design consultant Mark Hinshaw reflected earlier this summer on the continued trend of downtown living, "Not only are downtown Seattle and Bellevue bursting with new apartments and condominiums, but so are other midsize city centers such as Kirkland, Edmonds and Renton."[11] At a regional meeting on urban sprawl, King County Executive Sims echoed this sentiment noting that the Belltown neighborhood, just a few blocks north of downtown Seattle, is the fastest growing neighborhood in the county.

Executive Sims also mentioned that housing in Belltown is financially unavailable for many who want to live in a dense urban neighborhood. The Seattle Times quotes the average price of a home in Belltown at $450,000.[12] As the trend for downtown living continues, affordable options for homeownership in the urban core must continue to be a part of the mix.

Maintaining affordability across all types of housing

Consumer preferences at both ends of the housing spectrum are thriving. However, the challenge of producing affordable housing options for all preferences continues.

- ❑ *Would reexamination of urban growth boundaries produce more affordable units near employment centers?*

A recent report, "The Link Between Growth Management and Housing Affordability: The Academic Evidence," from the Brookings Institution Center on Urban and Metropolitan Policy, explores the correlation between growth management legislation and the impact on housing affordability.[13] The authors note that market demand, and not growth management, is the primary source of increased house prices. They maintain inconsistent evidence for UGB's causing house prices to increase. However, if sufficient land is unavailable to accommodate growth, housing prices will increase.

The authors report that housing markets are impacted by consumer demand, local policy implementation, land use regulations and urban growth boundaries, and that isolating the effects of UGB's produces unclear results. Much of the research on UGBs has focused on Portland, OR. Urban growth boundaries are required by GMA, and are developed based in part on population estimates. Planning using population estimates has its drawbacks, as noted in "New Population Projections for GMA Planning."

That said, there are restrictive land use regulations such as exclusionary zoning codes which could cause housing prices to increase, and also produce fewer housing options for consumers. Exclusionary practices include requiring large lot sizes and community restrictions on multifamily or manufactured housing. With fewer types of housing available to prospective homebuyers/

renters, individuals will move to locations where the options do exist. This tends to create uneven housing markets within communities. Washington's GMA attempts to eliminate unequal housing proportions through a "fair share" clause, but this language lacks teeth as it leaves the "fair share" calculation up to each city.

- *Do building restrictions need to change to accommodate growth?*

Recent research shows that local land use regulations impact house prices.[14] One method of lowering prices to consumers is to ease costly building restrictions. The city of Seattle relaxed its mother-in-law zoning codes in the past few years, which opened up a previously untapped resource for affordable options. Seattle's house prices have grown at rates higher than the national average, and the mother-in-law option, along with the numerous downtown condos built in recent years provide additional alternatives to purchasing single family homes.

Zoning regulations that require lengthy approval processes and high impact fees are often viewed as building restrictions which increase the price of housing. Regulations vary locally and for consumers whose primary concern is price, purchasing a home within their price range typically occurs further away from employment centers.

Population in the state of Washington will continue to grow near employment centers. Urban growth boundaries will likely fluctuate over time, and their impact on the cost of housing is subject to debate. However, land use regulations do affect the price of housing. Affordable housing development in and around the urban core can prosper if local regulations support its growth.

Endnotes

[1] Washington Research Council, June 25, 2002.

[2] http://www.kidfriendlycities.org

[3] Mike Lindblom, "Seattle leads the way with fewer children," *Seattle Times*, April 8, 2001.

[4] Washington State's Housing Market, First Quarter 2002. WCRER.

[5] US Census 2000.

[6] Columbia River Economic Development Council, "Southbound Commuter Study." April 2002.

[7] US Census 2000.

[8] NAHB, "What 21st Century Homebuyers Want," International Builders Show Presentation. February 2002.

[9] *An Oversample Study of 800 Voters in Washington on the Topic of Smart Growth and Land Use Issues,* conducted August 22-26, 2000. Public Opinion Strategies on behalf of the National Association of Realtors and Washington Association of Realtors.

[10] City of Seattle. *Downtown Housing Report*, 2001.

[11] "More people are making their homes in urban centers; not just in Seattle," *Seattle Times*, June 30, 2002.

[12] Peyton Whitely, "Seattle-Tacoma sprawl worst in region," *Seattle Times.* July 25, 2002.

[13] A.C. Nelson, R. Pendall, C.J. Dawkins & G.J. Knaap, February 2002.

[14] Urban Institute report and E.L. Glaeser & J.Gyourko, "The Impact of Building Restrictions on Housing Affordability." Presented at Policies to Promote Affordable Housing Conference, April, 2002. http://rider.wharton.upenn.edu/~wred/Gyourko/NYFed-zoning%20paper-final.pdf.

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