

Housing Affordability: Only Part of the Housing Equation

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What do these four issues have in common?

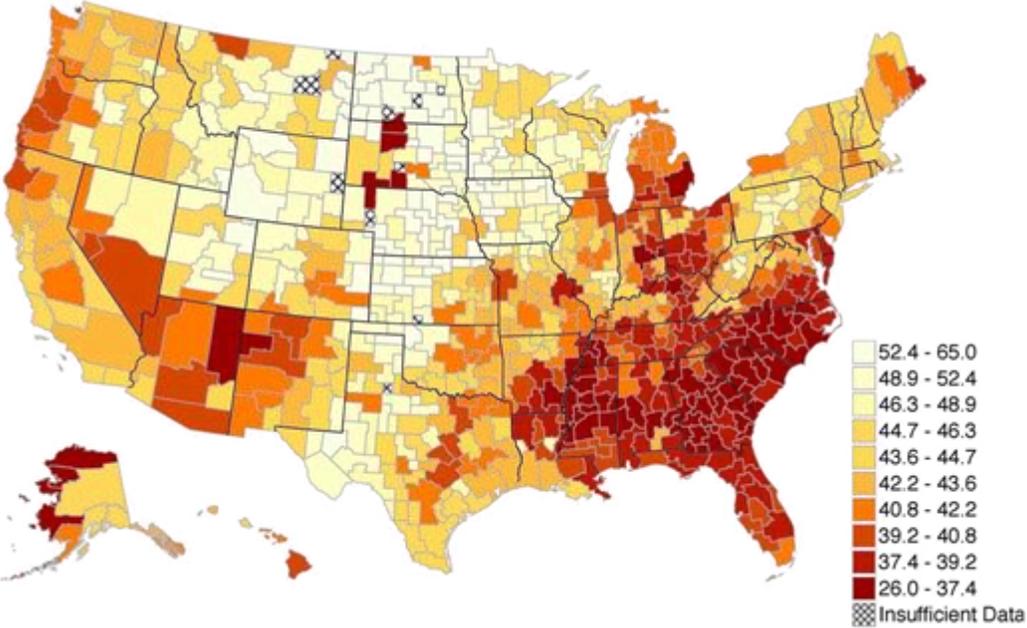
- Economic Growth
- Economic Opportunity
- Income Inequality
- Middle Class Wealth Creation

They all rely on affordable housing and access to high-paying jobs

Five key research findings

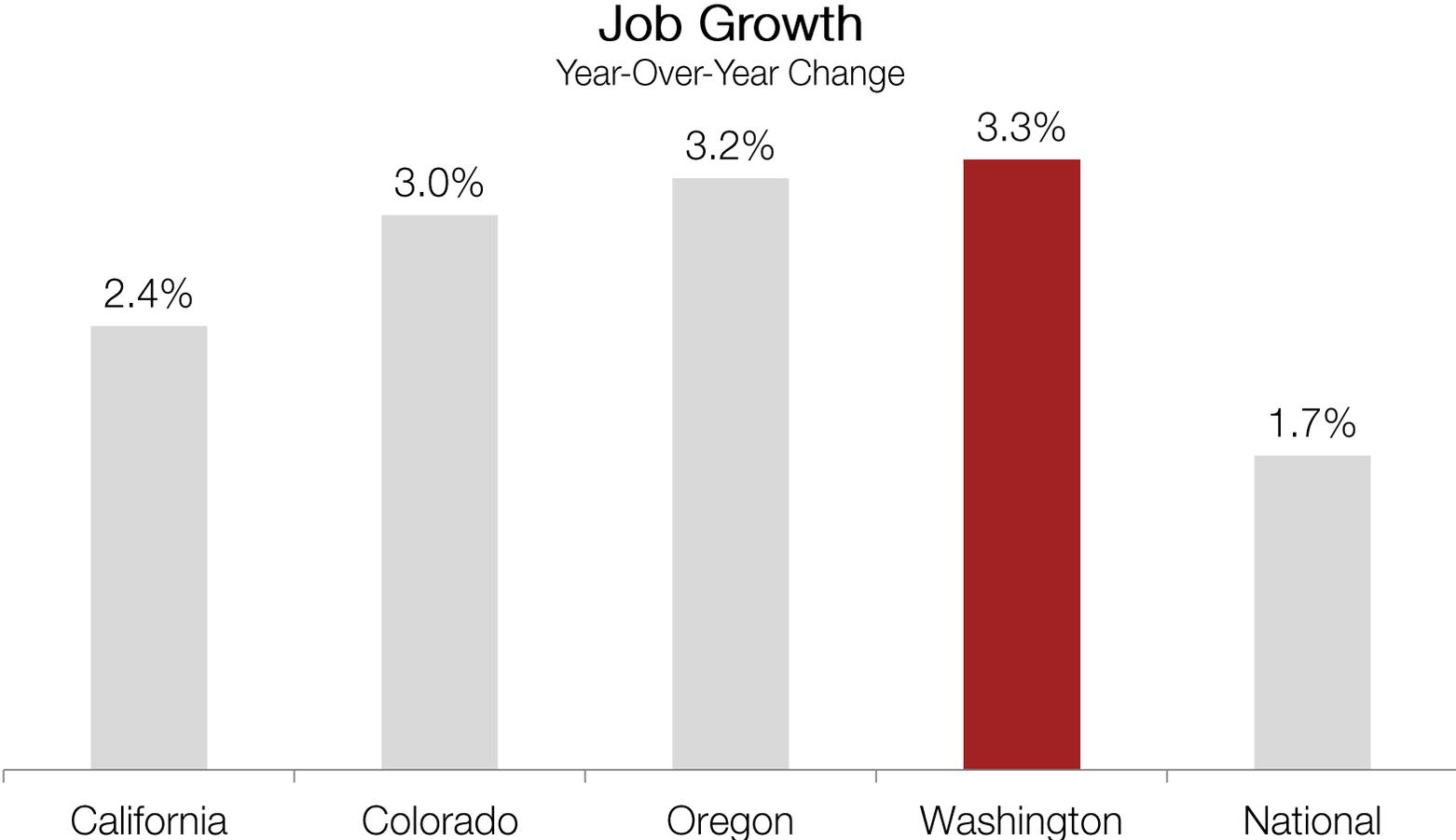
1. The housing market is chronically undersupplied (and the rent is too darn high!)
2. Economic mobility depends on geography
3. Economically integrated neighborhoods are rare
4. Land-use regulation affects economic inequality
5. Zoning threatens U.S. productivity and economic growth

Economic mobility is based on where you live

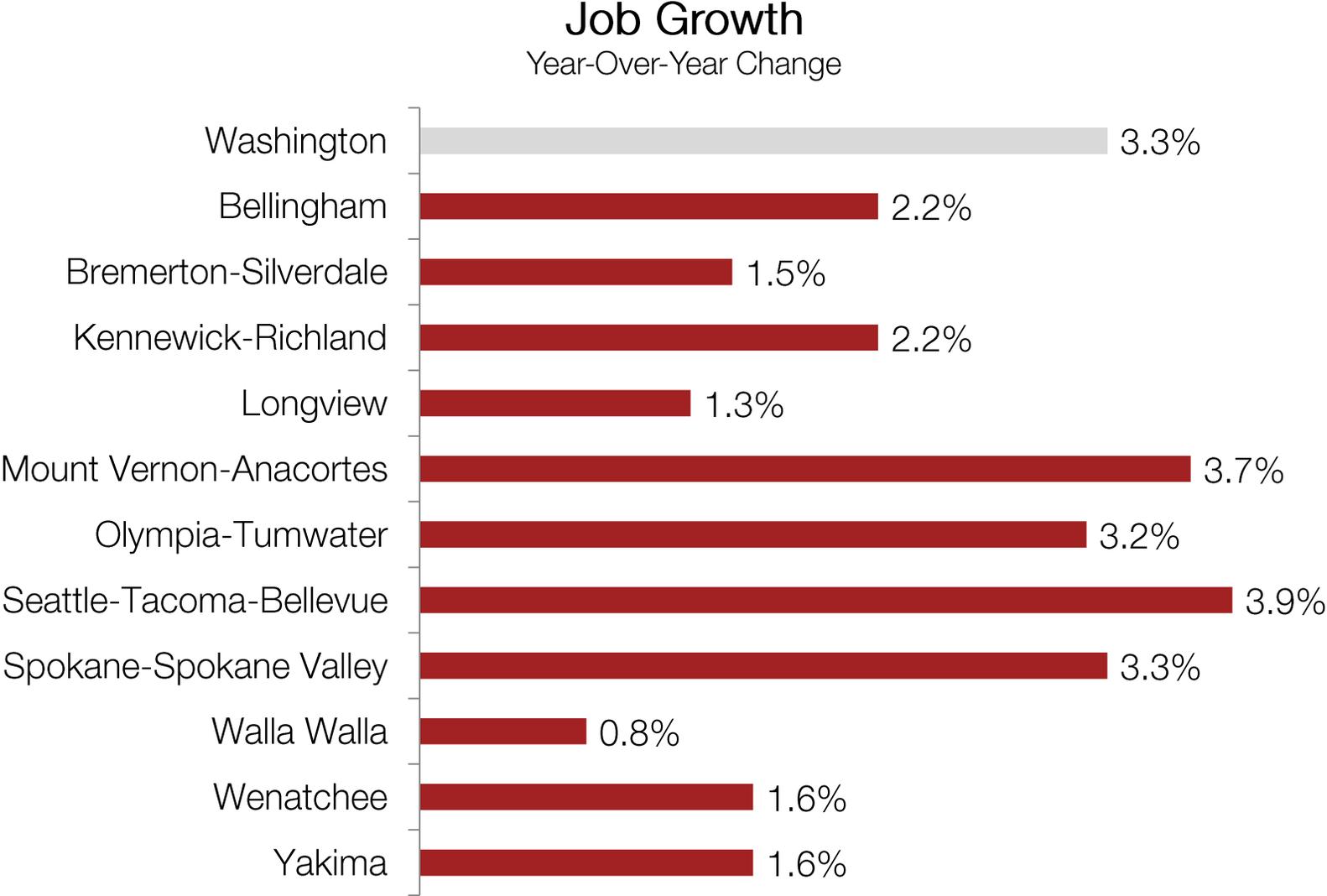


Source: <http://www.voxeu.org/article/where-land-opportunity-intergenerational-mobility-us>

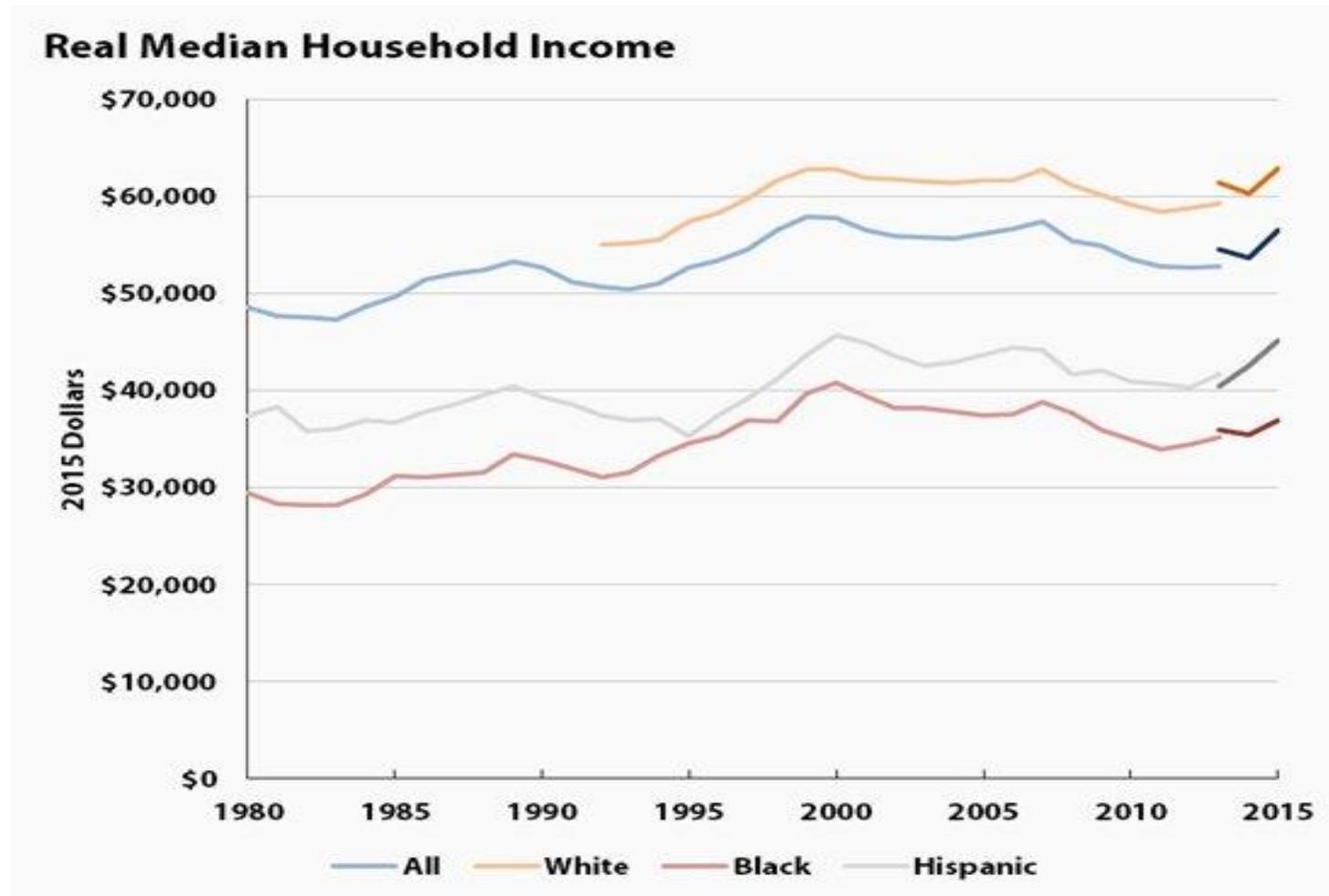
First the good news....



First the good news....

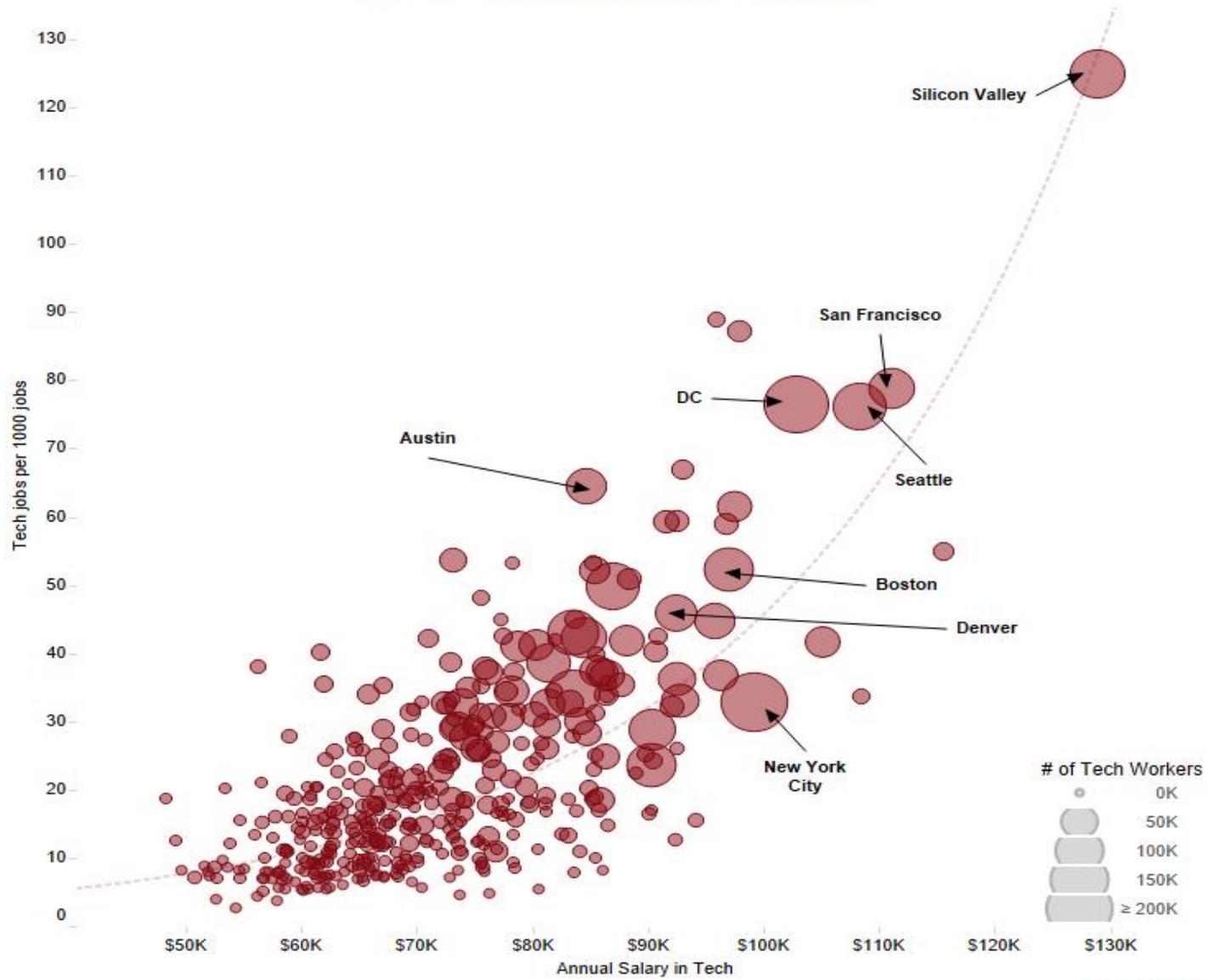


Household incomes are up nationally



Source: Census

Where Tech Workers Cluster

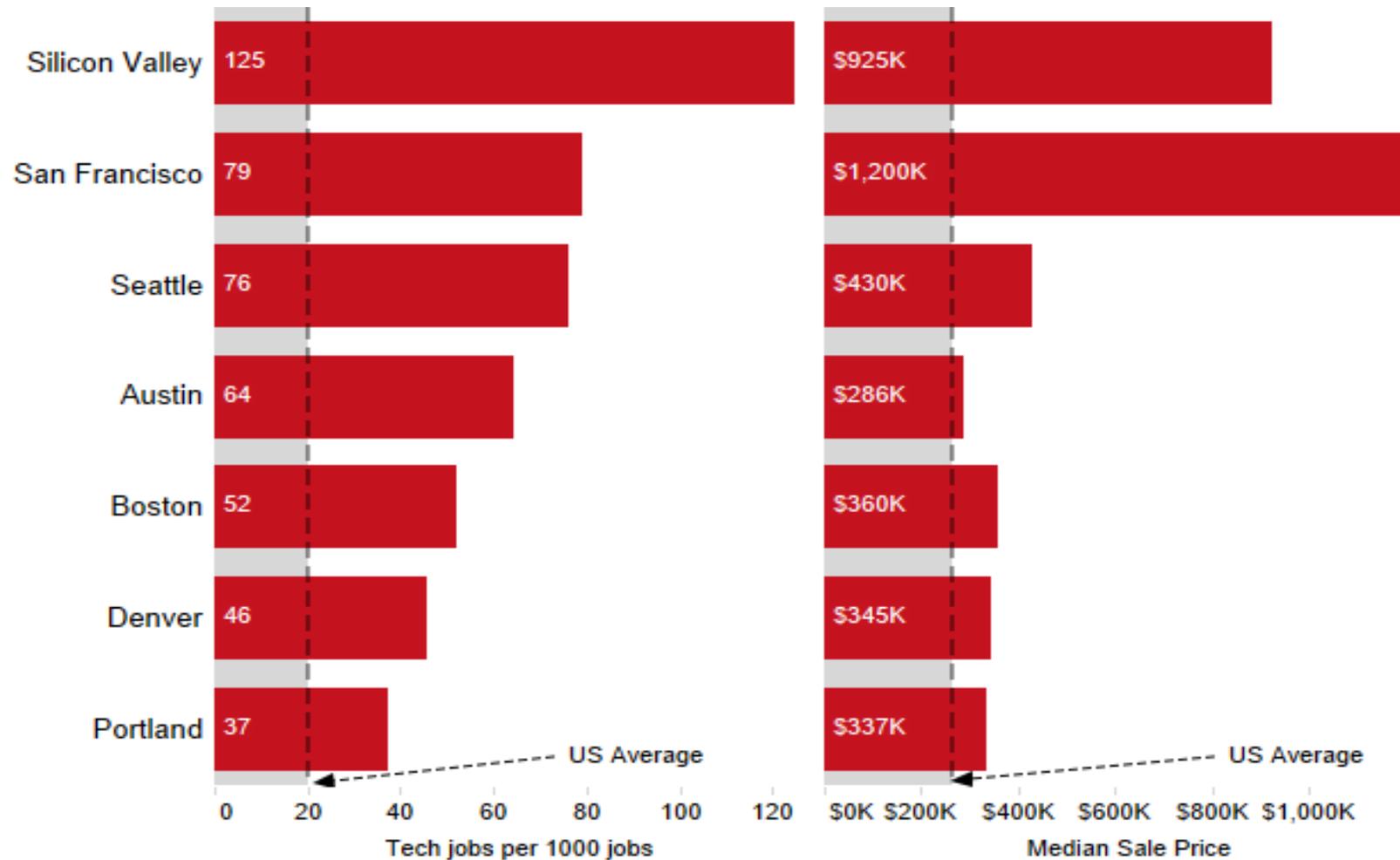


Source: Bureau of Labor Statistics: Computer and Mathematical Occupations

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Tech-fueled boom in house prices

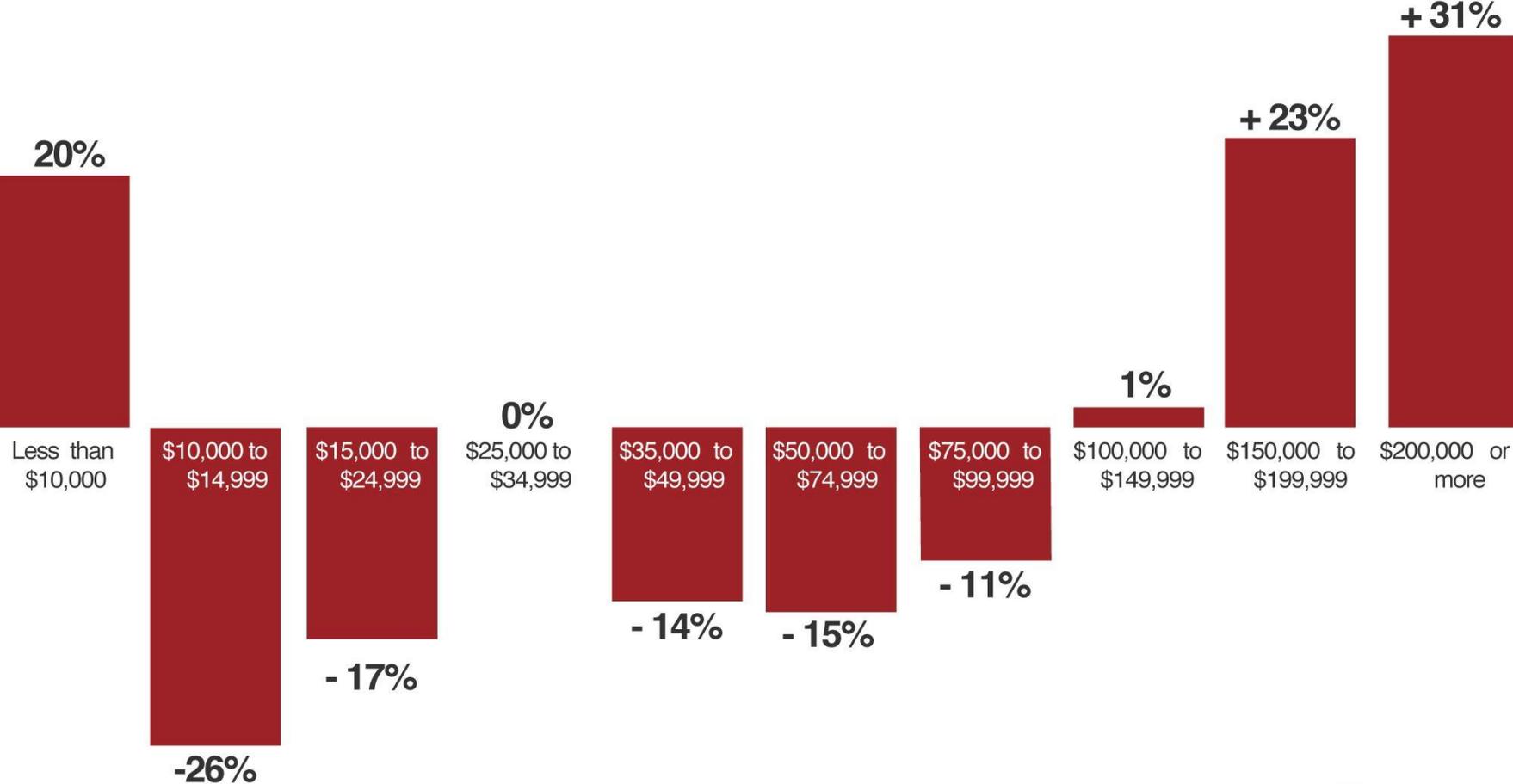


Source: Redfin; Bureau of Labor Statistics: Computer and Mathematical Occupations

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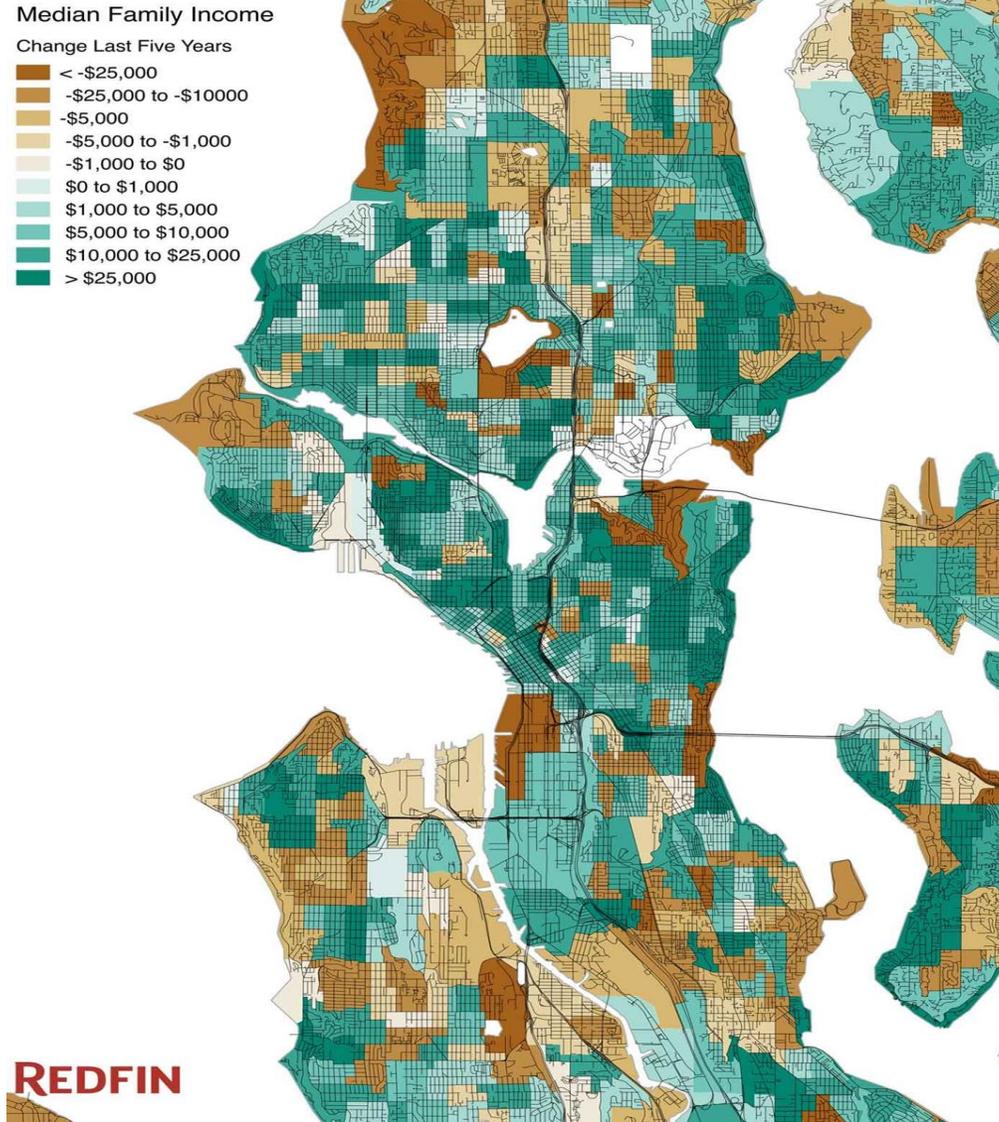
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Seattle is getting richer



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...but it depends on where you look

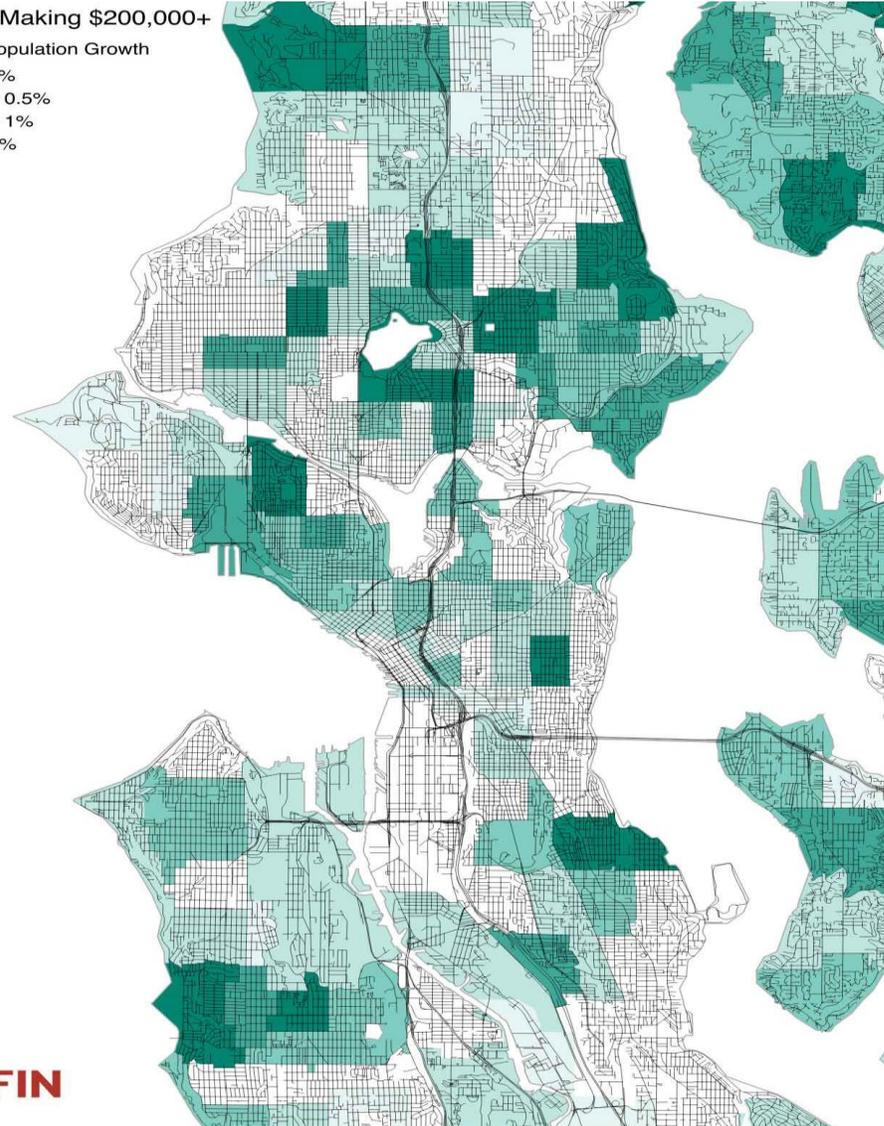


Seattle families making above \$200K

Families Making \$200,000+

% Above Population Growth

- 0 - 0.1%
- 0.1% - 0.5%
- 0.5% - 1%
- 1% - 2%
- > 2%

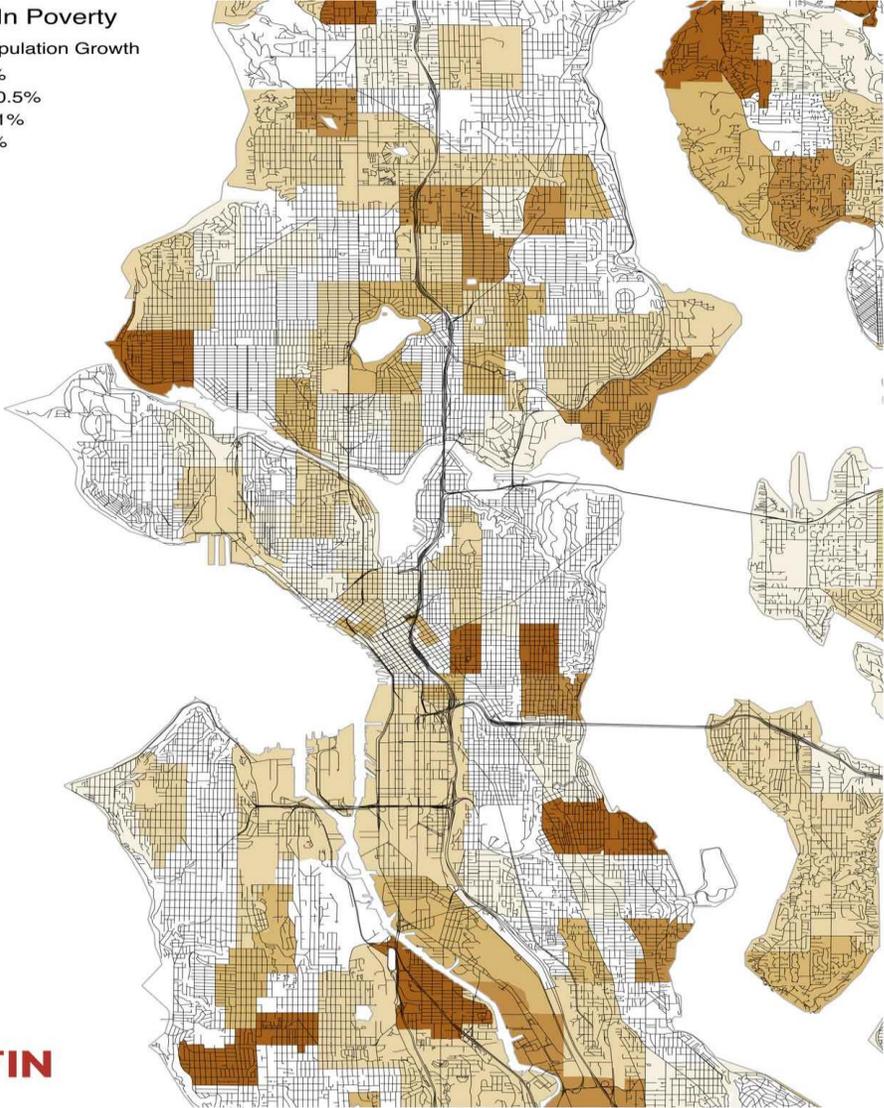


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Seattle families near the poverty line

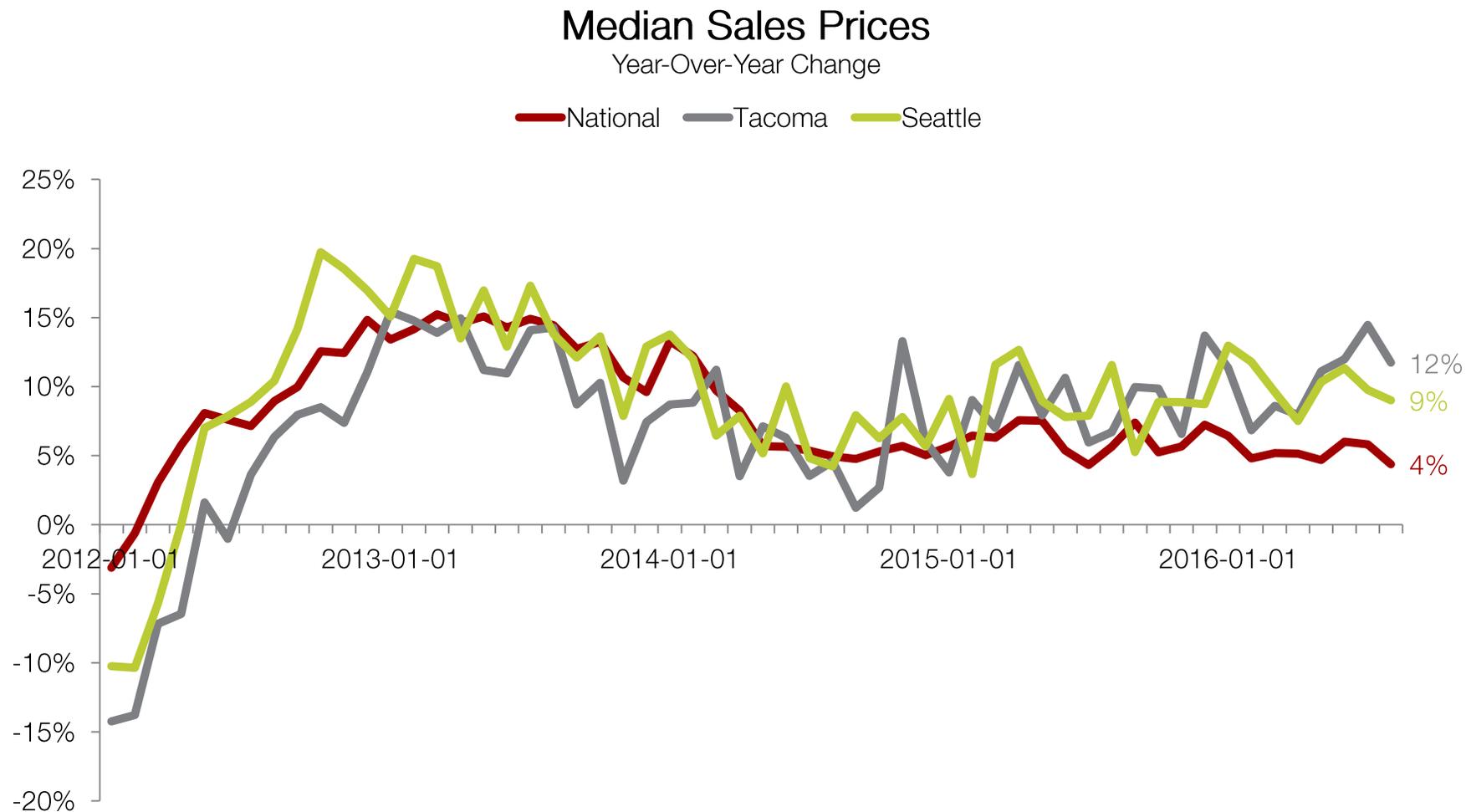
Families In Poverty
% Above Population Growth

- 0 - 0.1%
- 0.1% - 0.5%
- 0.5% - 1%
- 1% - 2%
- > 2%



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Washington area prices are strong

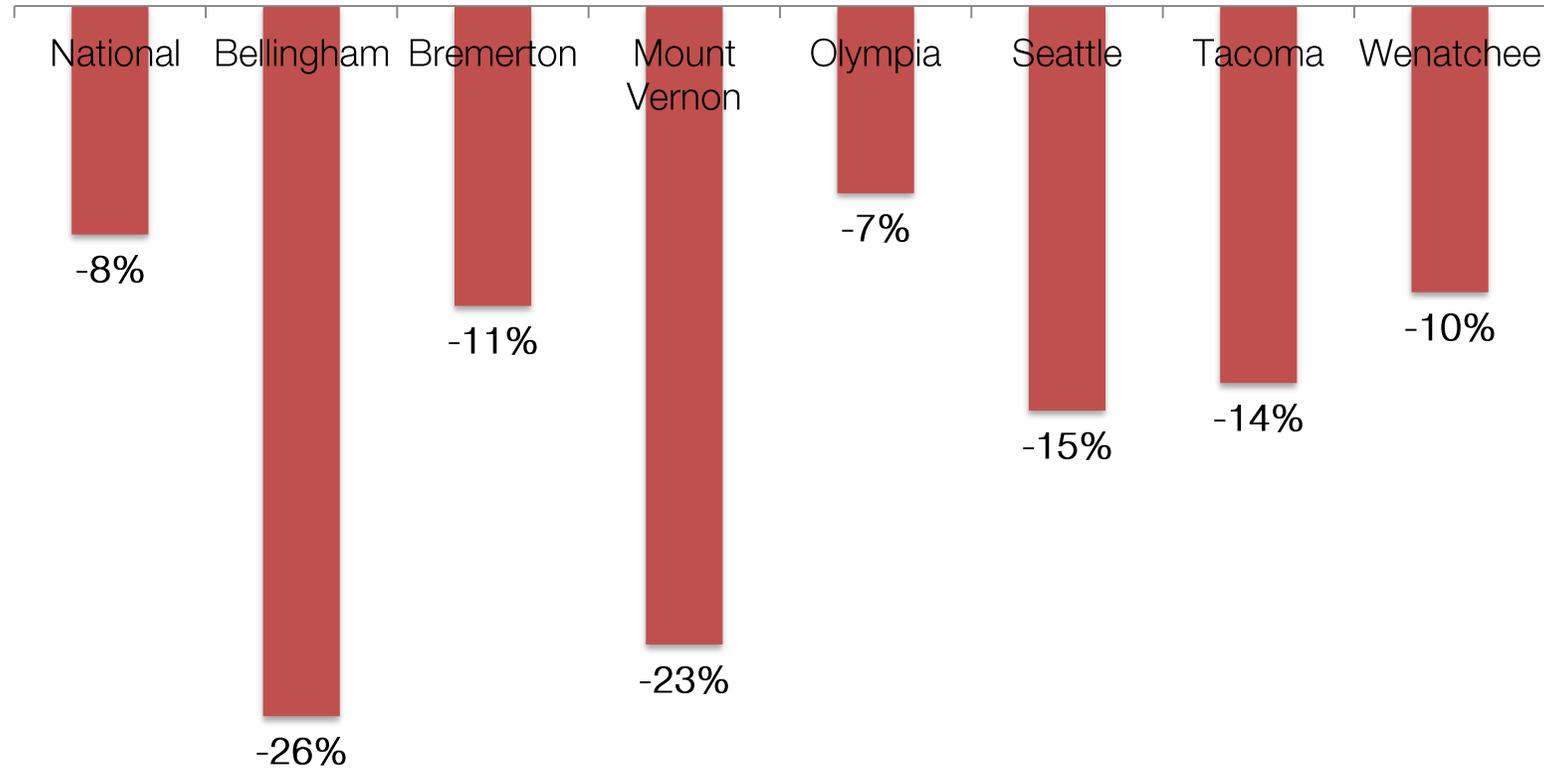


WA prices lead the nation

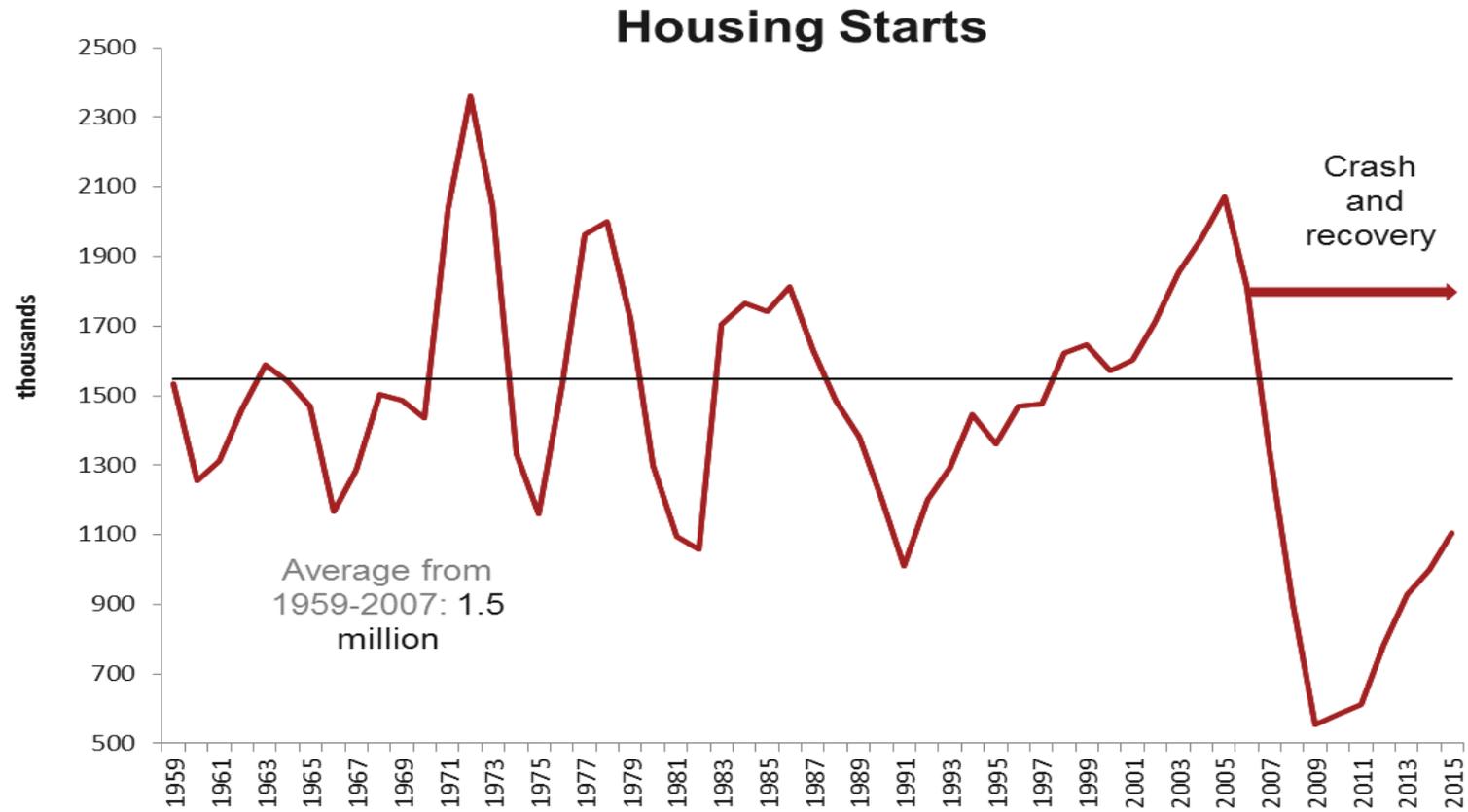
| Metro | Median Sales Price | Year-Over-Year Price Change |
|--------------|--------------------|-----------------------------|
| National | \$272K | 4.20% |
| Bellingham | \$323K | 13.20% |
| Bremerton | \$295K | 11.30% |
| Mount Vernon | \$299K | 9.10% |
| Olympia | \$275K | 7.80% |
| Seattle | \$450K | 9.10% |
| Tacoma | \$285K | 11.80% |
| Wenatchee | \$295K | 11.30% |

...but less to buy

Inventory of Available Homes for Sale Year-Over-Year



New construction hasn't kept up with population increases



Average from
1959-2007: 1.5
million

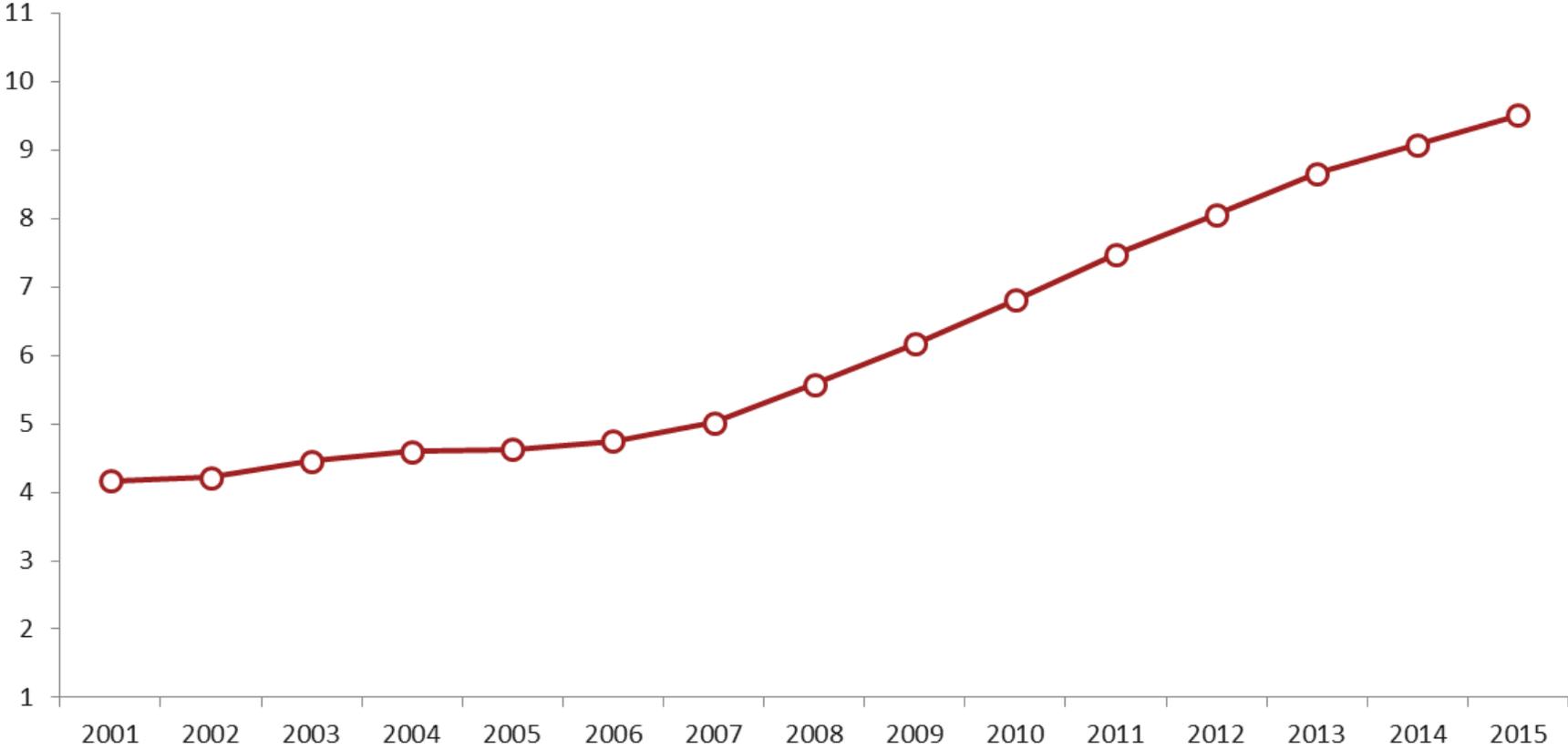
Source: US Census

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U.S. households are less willing (and able) to move

Years Spent in Home

Homeowners' Median Length of Occupancy

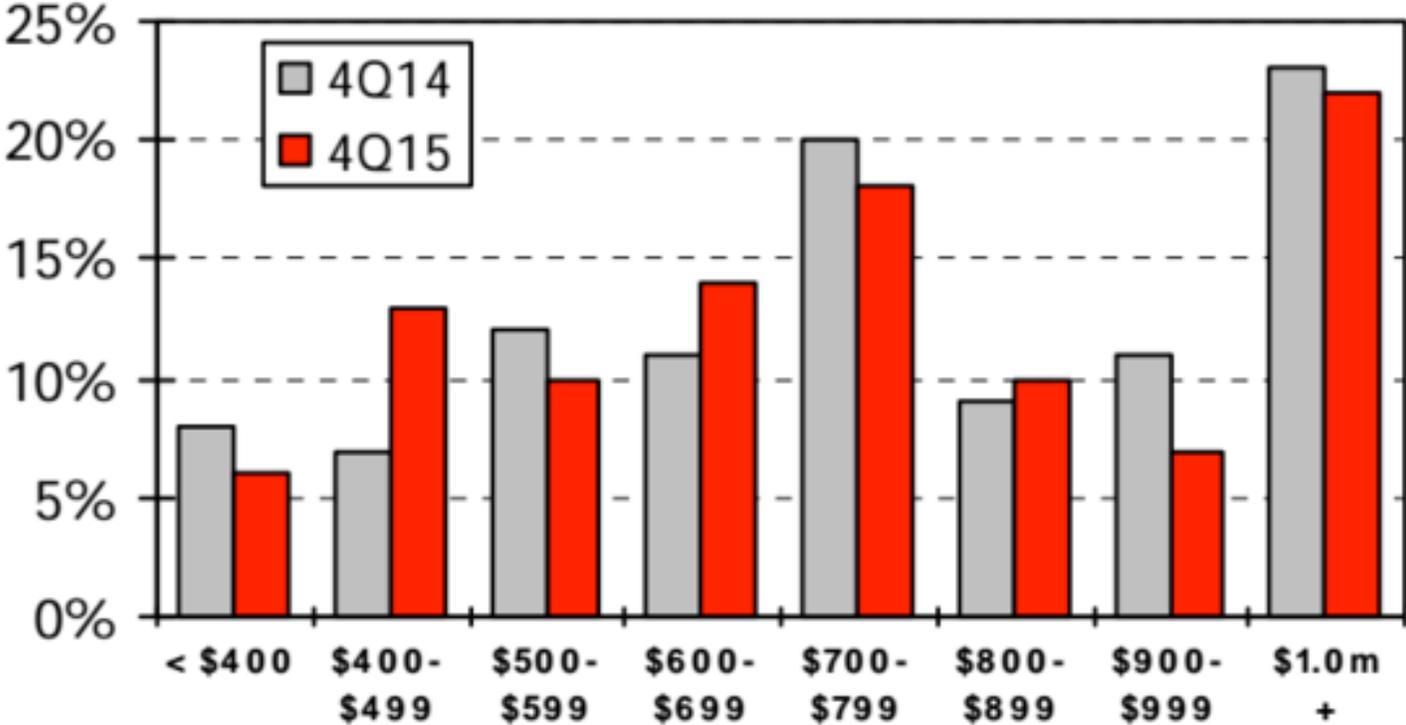


Source: Core Logic, Redfin

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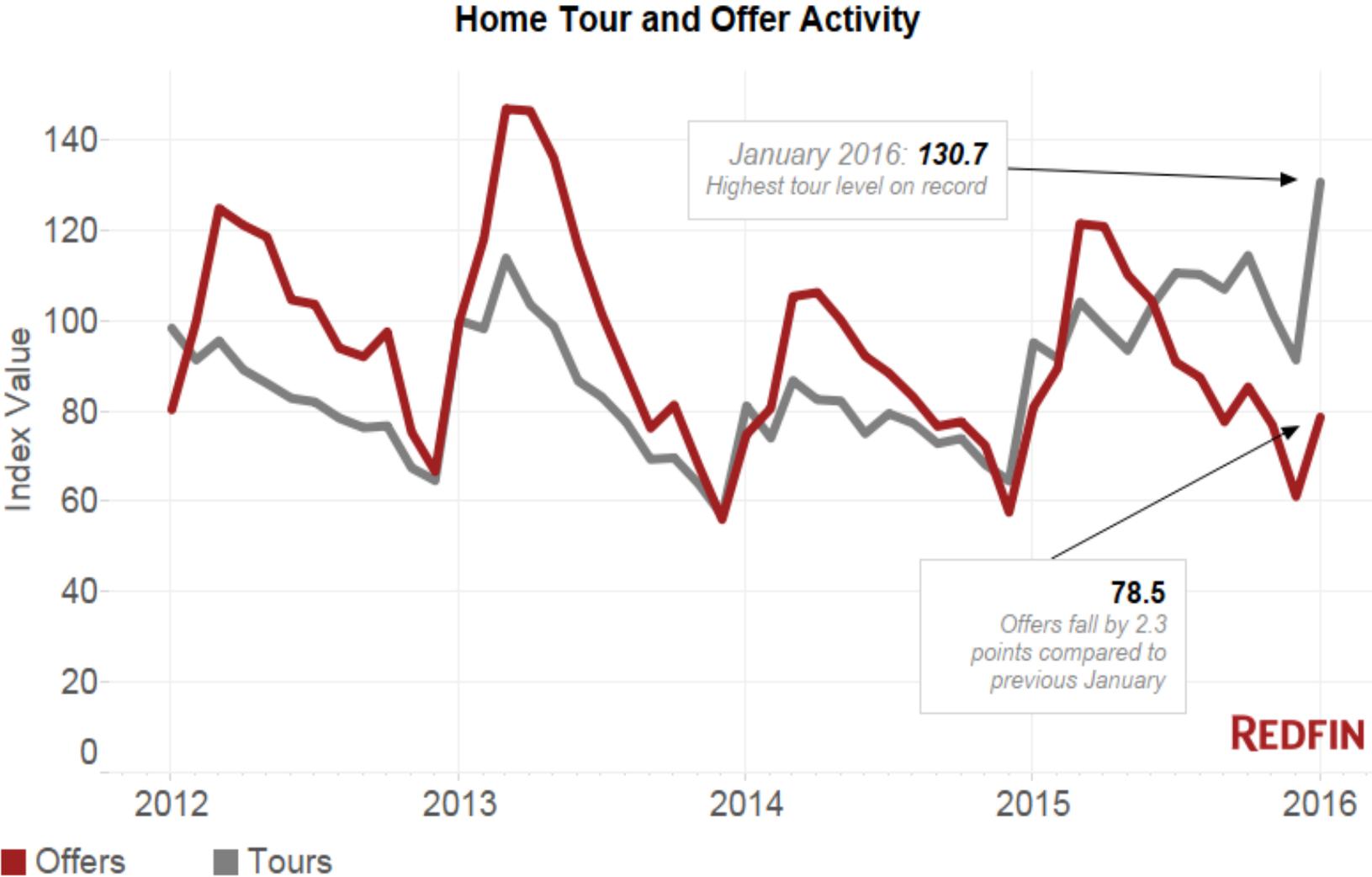
New construction is skewed toward high-priced homes

Figure 5: Price shift in Housing Starts

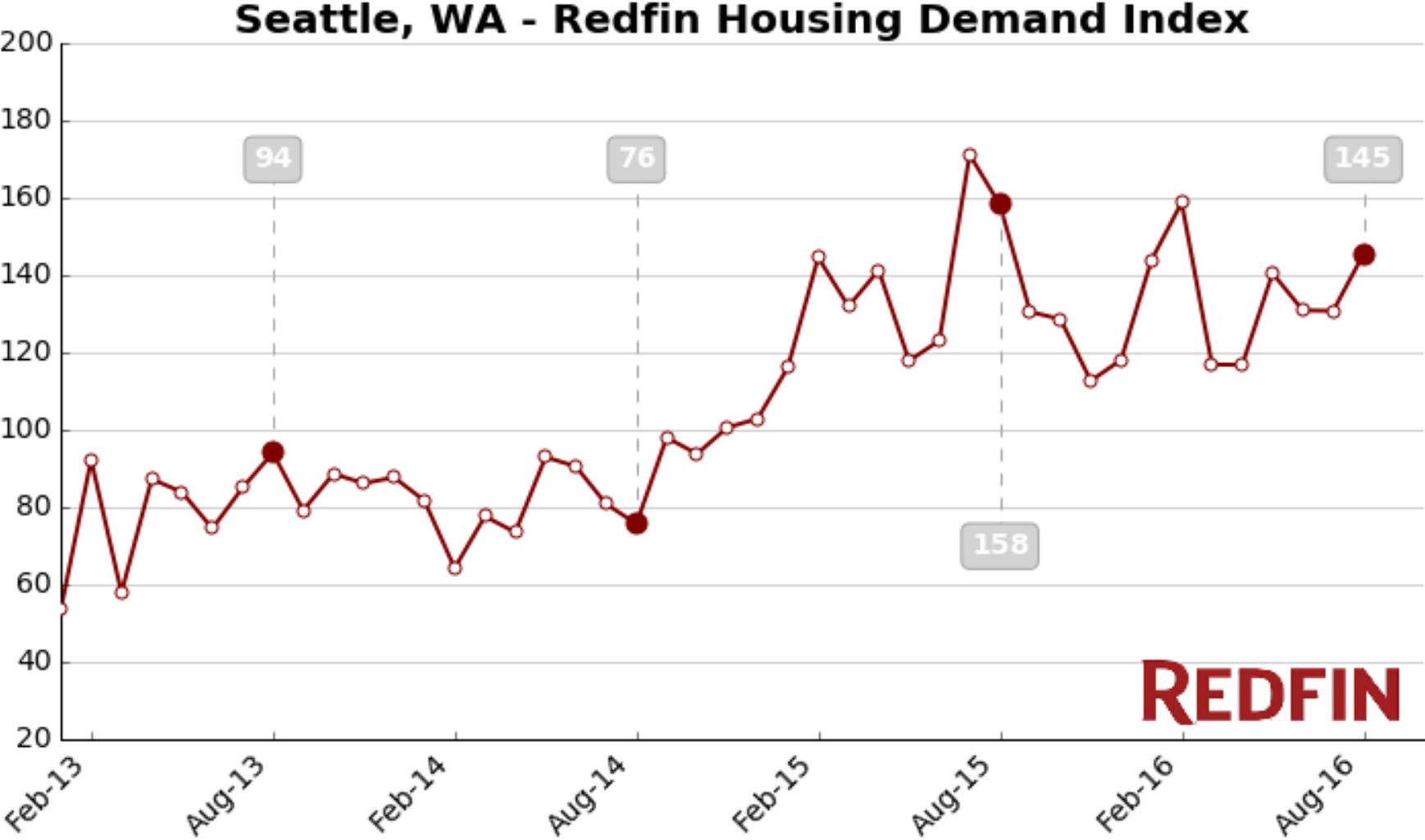


Source: Metrostudy

Buyers are searching but having less success

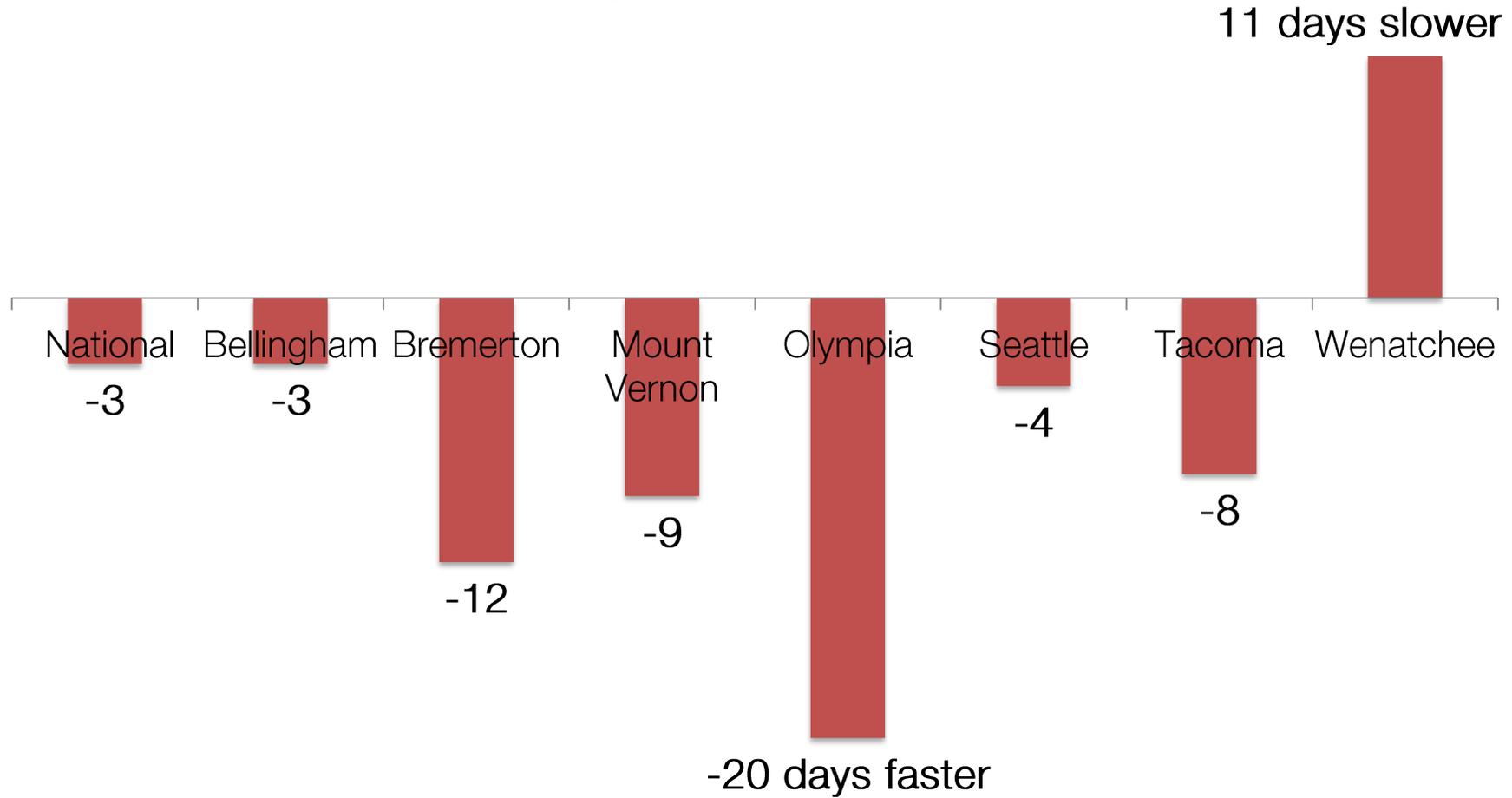


Demand is up



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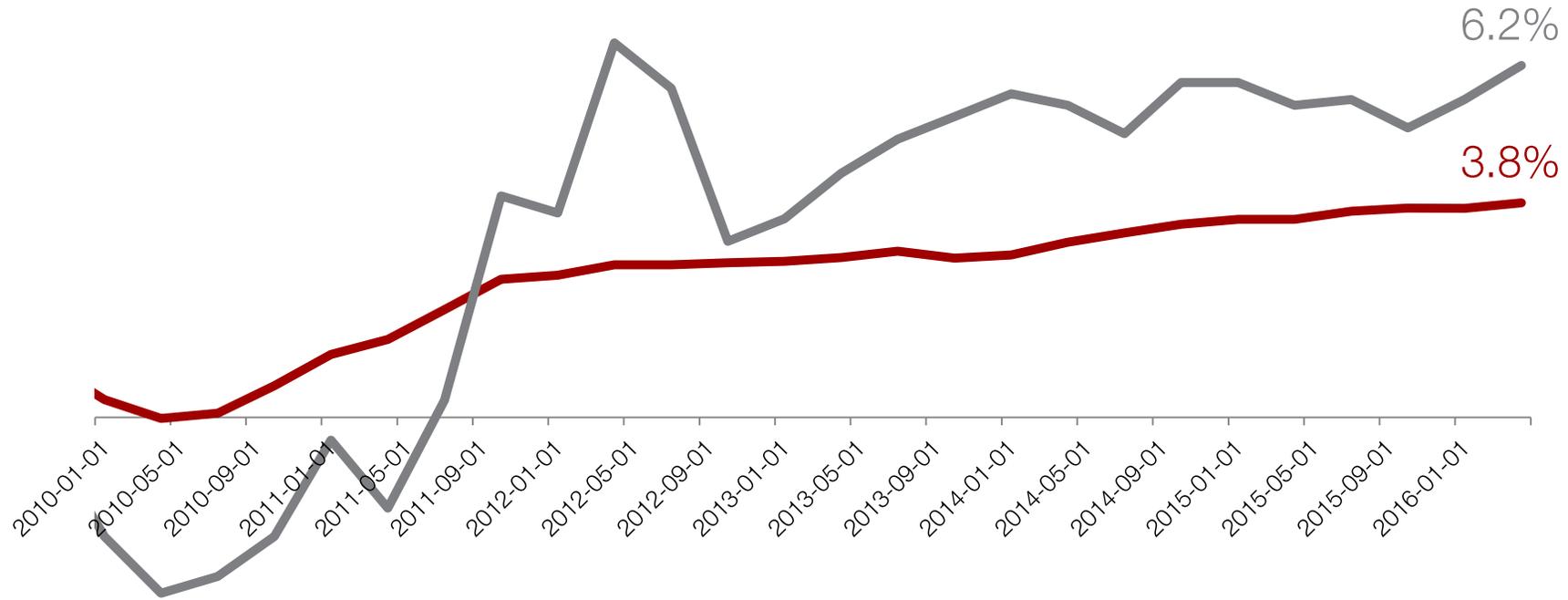
Market speed across Washington state compared to 2015



Rental Prices

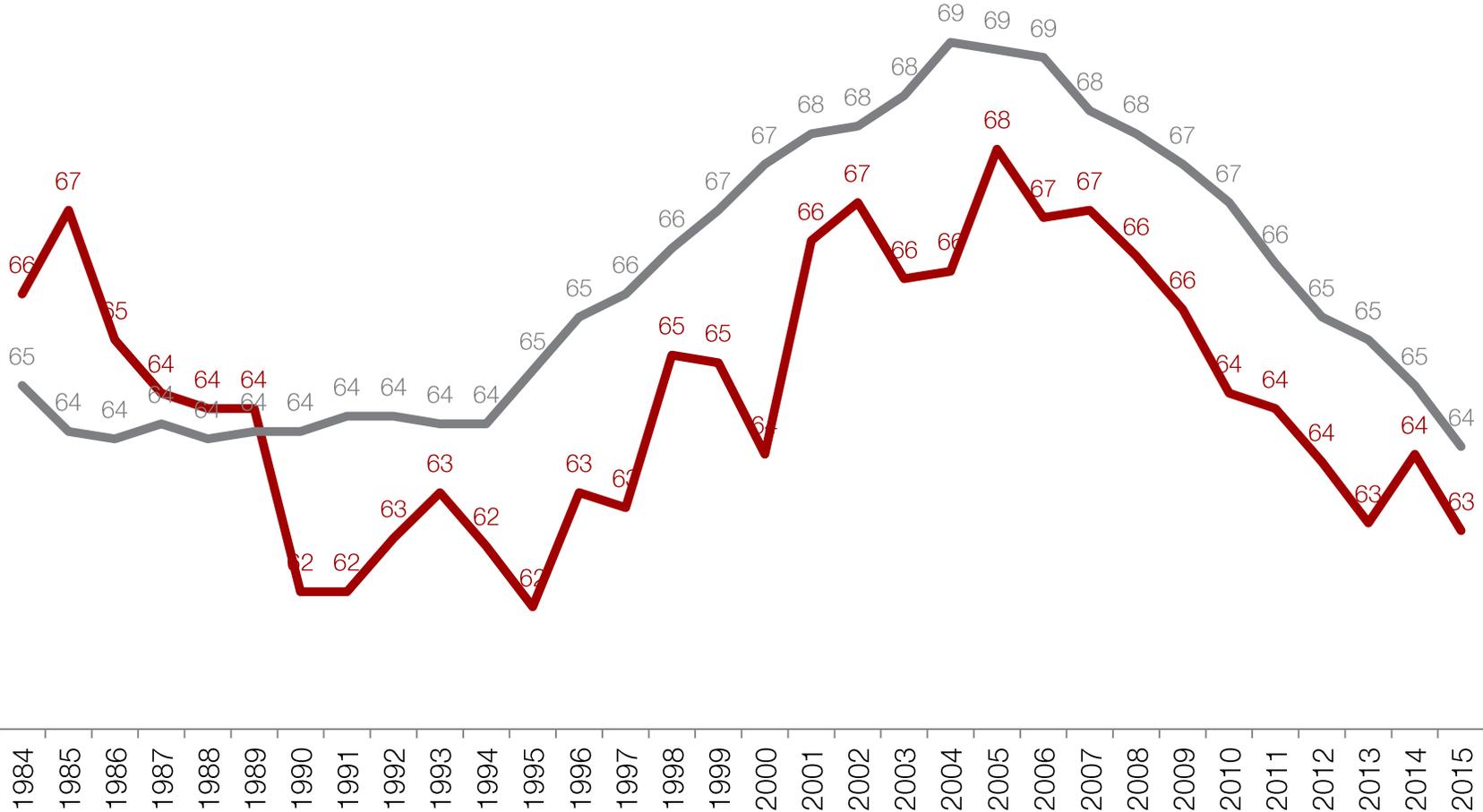
Year-Over-Year Change

— National — Seattle Metro

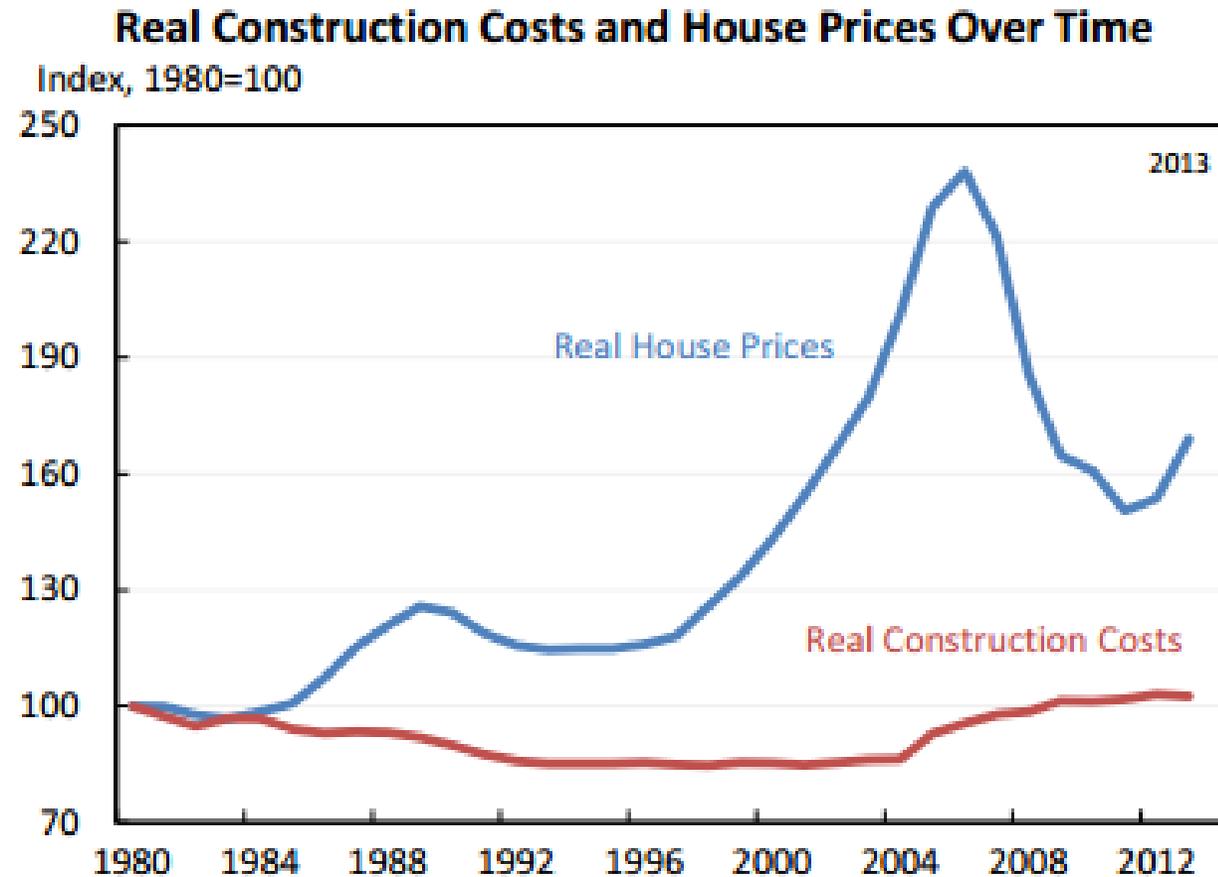


Homeownership Rates

Washington US



Land-use regulation has made housing more expensive

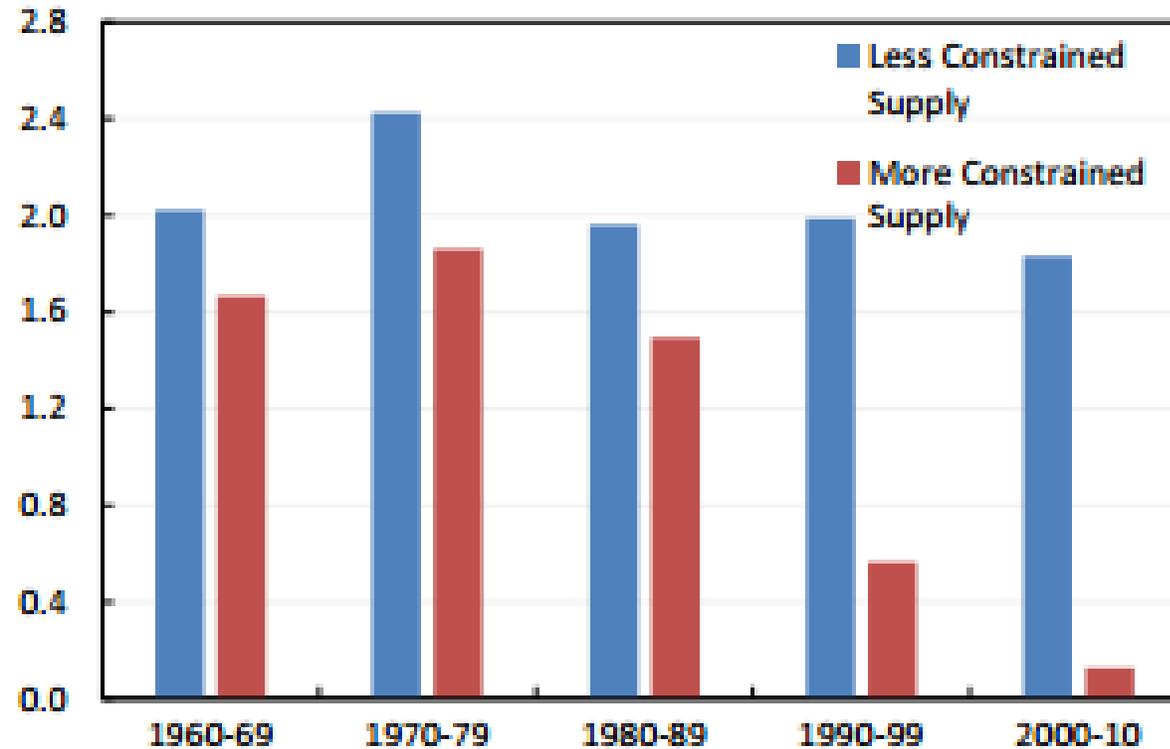


Source: White House Council of Economic Advisors

Lack of housing supply increases income inequality

Speed of Income Convergence Across States by Housing Supply

Percent of Income Gap Closed Each Year



Integrated cities are rare

| City | Balanced Mix Area | High-end Area | Affordable Area |
|--------------------------------|-------------------|---------------|-----------------|
| Boston | 51% | 35% | 15% |
| Seattle | 31% | 10% | 59% |
| Washington, DC | 30% | 25% | 45% |
| San Jose | 24% | 53% | 24% |
| Denver | 24% | 7% | 69% |
| San Diego | 20% | 40% | 40% |
| Los Angeles | 19% | 74% | 7% |
| Chicago | 17% | 5% | 79% |
| Austin | 16% | 11% | 73% |
| Phoenix | 13% | 11% | 76% |
| Houston | 12% | 16% | 72% |
| Philadelphia | 11% | 6% | 82% |
| Baltimore | 11% | 3% | 86% |
| San Francisco | 10% | 88% | 2% |
| San Antonio | 8% | 5% | 88% |
| Memphis | 8% | 4% | 88% |
| Jacksonville | 7% | 3% | 90% |
| Detroit | 7% | 1% | 92% |
| Indianapolis | 6% | 2% | 92% |
| Columbus | 4% | 1% | 95% |

Families want access to highly ranked schools

| Metro Area | Median Sale Price | \$ Premium of 1 point of GS Rating on Median Home Price | % Premium of 1 point of GS Rating on Median Home Price |
|-------------------|--------------------------|--|---|
| Atlanta, GA | \$185,000 | \$5,409 | 2.92% |
| Baltimore, MD | \$260,000 | \$12,158 | 4.68% |
| Boston, MA | \$335,000 | \$3,890 | 1.16% |
| Chicago, IL | \$208,500 | \$5,441 | 2.61% |
| Denver, CO | \$285,000 | \$7,480 | 2.62% |
| Los Angeles, CA | \$479,000 | \$19,195 | 4.01% |
| Oakland, CA | \$550,000 | \$16,278 | 2.96% |
| Orange County, CA | \$565,000 | \$10,262 | 1.82% |
| Phoenix, AZ | \$207,500 | \$8,038 | 3.87% |
| Portland, OR | \$280,000 | \$5,380 | 1.92% |
| San Diego, CA | \$450,000 | \$16,343 | 3.63% |
| San Francisco, CA | \$975,000 | \$28,587 | 2.93% |
| Seattle, WA | \$385,000 | \$9,150 | 2.38% |
| Washington, D.C. | \$365,000 | \$5,135 | 1.41% |
| <i>Average</i> | | \$10,910 | 2.78% |

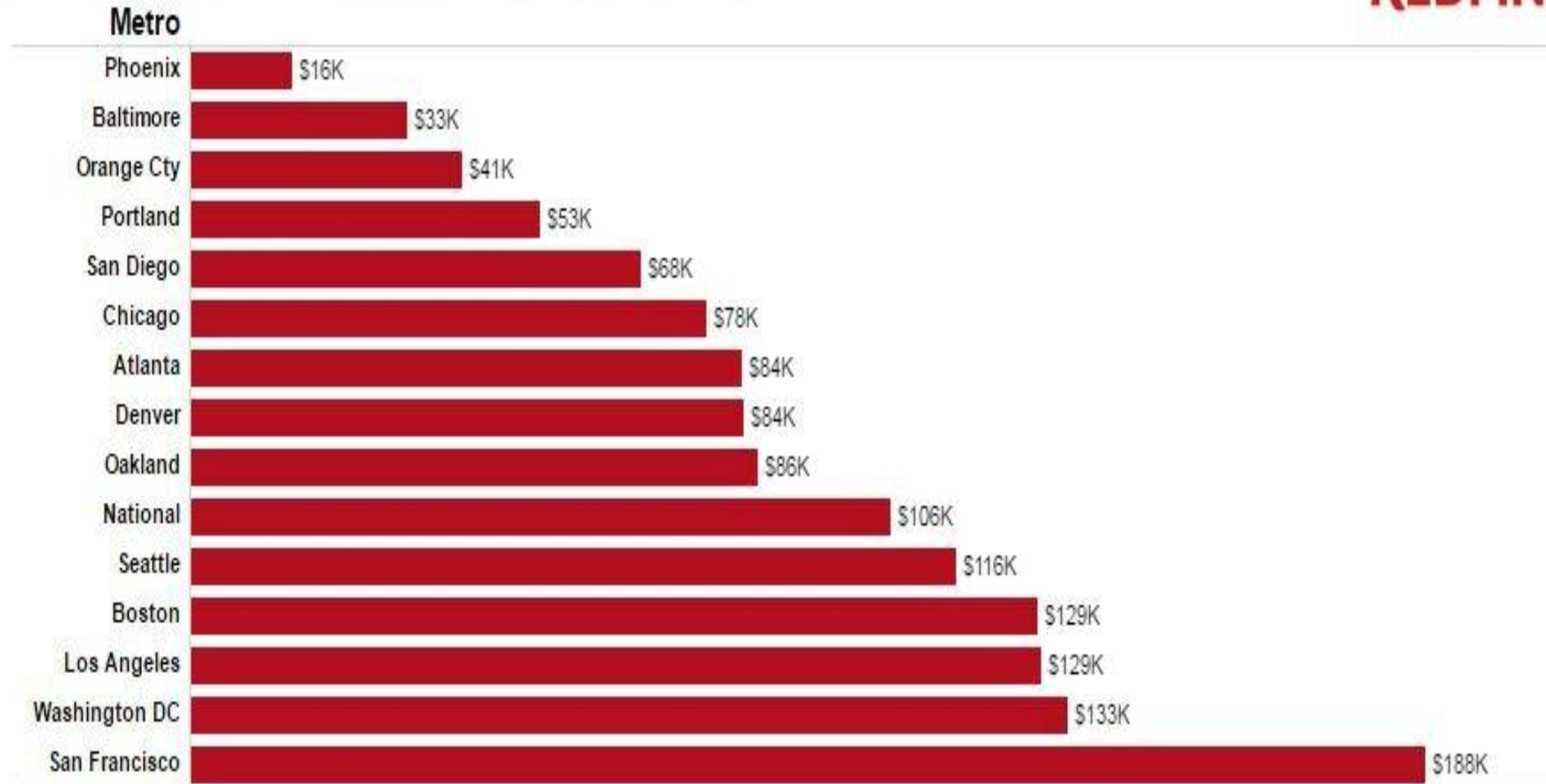
...and walkable communities

| Metro Area | Walk Score | Median Sale Price | \$ Premium of 1 Walk Score Point on Median Home Price | % Premium of 1 Walk Score Point on Median Home Price |
|-------------------|-------------------|--------------------------|--|---|
| Atlanta | 48.4 | \$ 168,000 | \$2,838 | 1.69% |
| Baltimore | 68.7 | \$ 229,900 | \$652 | 0.28% |
| Boston | 80.7 | \$ 325,000 | \$3,927 | 1.21% |
| Chicago | 77.5 | \$ 220,000 | \$2,437 | 1.11% |
| Denver | 59.9 | \$ 285,000 | \$2,410 | 0.85% |
| Los Angeles | 66.3 | \$ 475,000 | \$3,948 | 0.83% |
| Oakland | 71.6 | \$ 523,000 | \$1,735 | 0.33% |
| Orange County | 43.5 | \$ 580,000 | \$114 | 0.02% |
| Phoenix | 40.3 | \$ 204,900 | \$217 | 0.11% |
| Portland | 63.9 | \$ 275,000 | \$1,210 | 0.44% |
| San Diego | 49.9 | \$ 449,000 | \$2,205 | 0.49% |
| San Francisco | 85.7 | \$ 950,000 | \$3,943 | 0.42% |
| Seattle | 72.9 | \$ 375,000 | \$3,603 | 0.96% |
| Washington, D.C. | 77.0 | \$ 360,000 | \$4,386 | 1.22% |

Walkable communities are highly valued

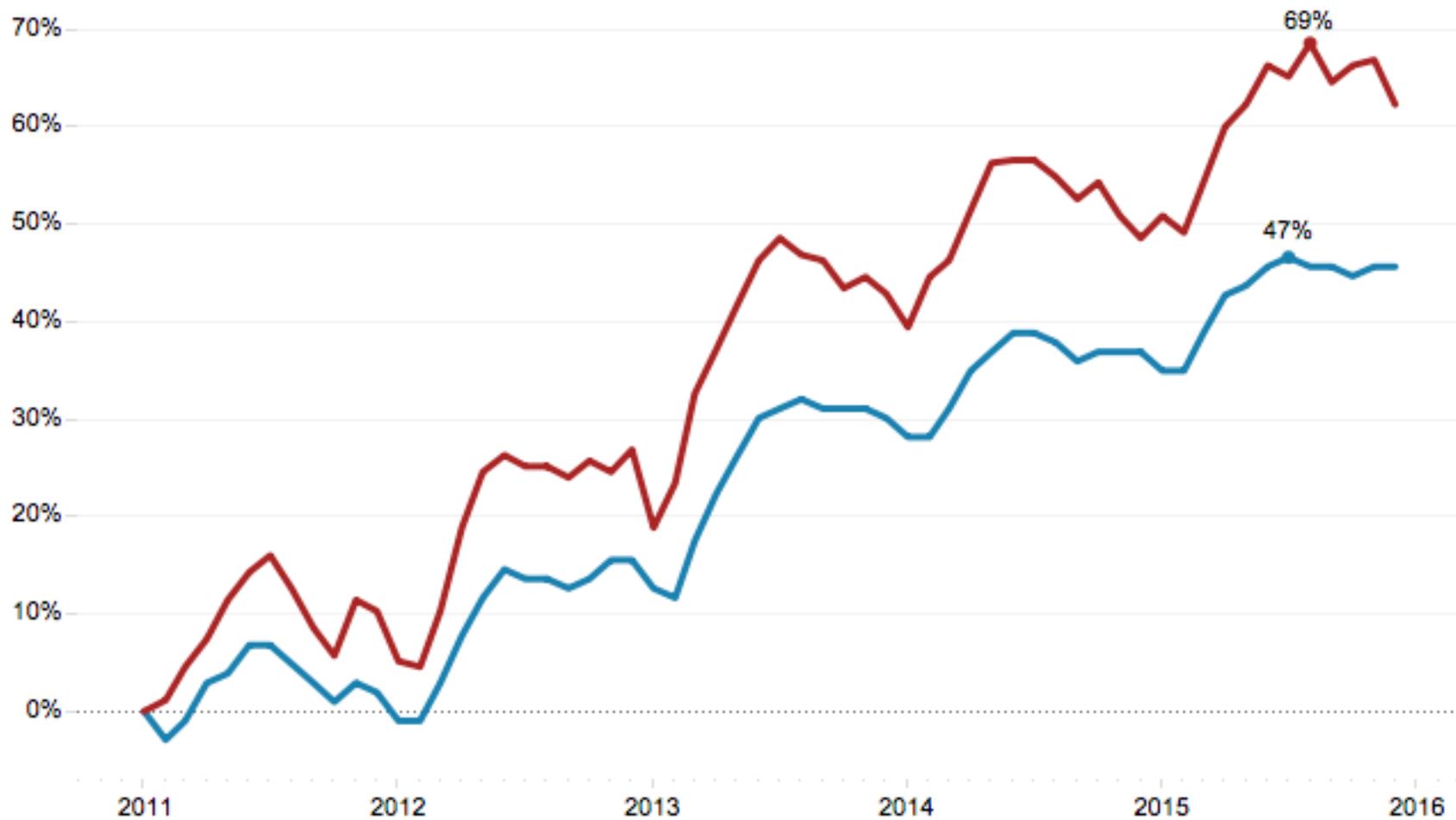
Home Price Premiums for Increases in Walk Score from 60 to 80

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National Home Prices

Percent change since 2011



Source: MLS data price-per-square-foot

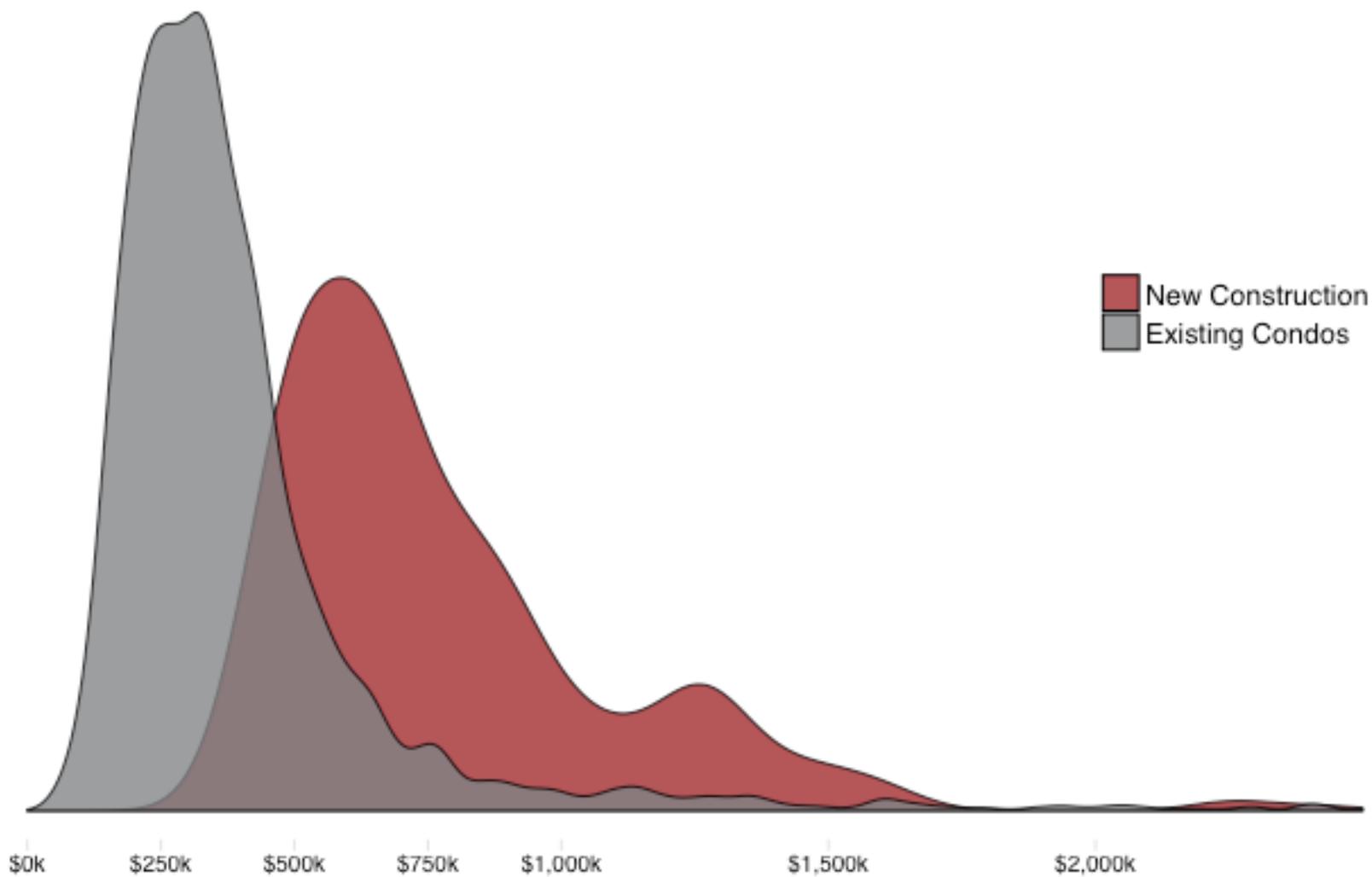
Urban Core

Metro

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Sale Price Distribution of Condos in Seattle in 2015



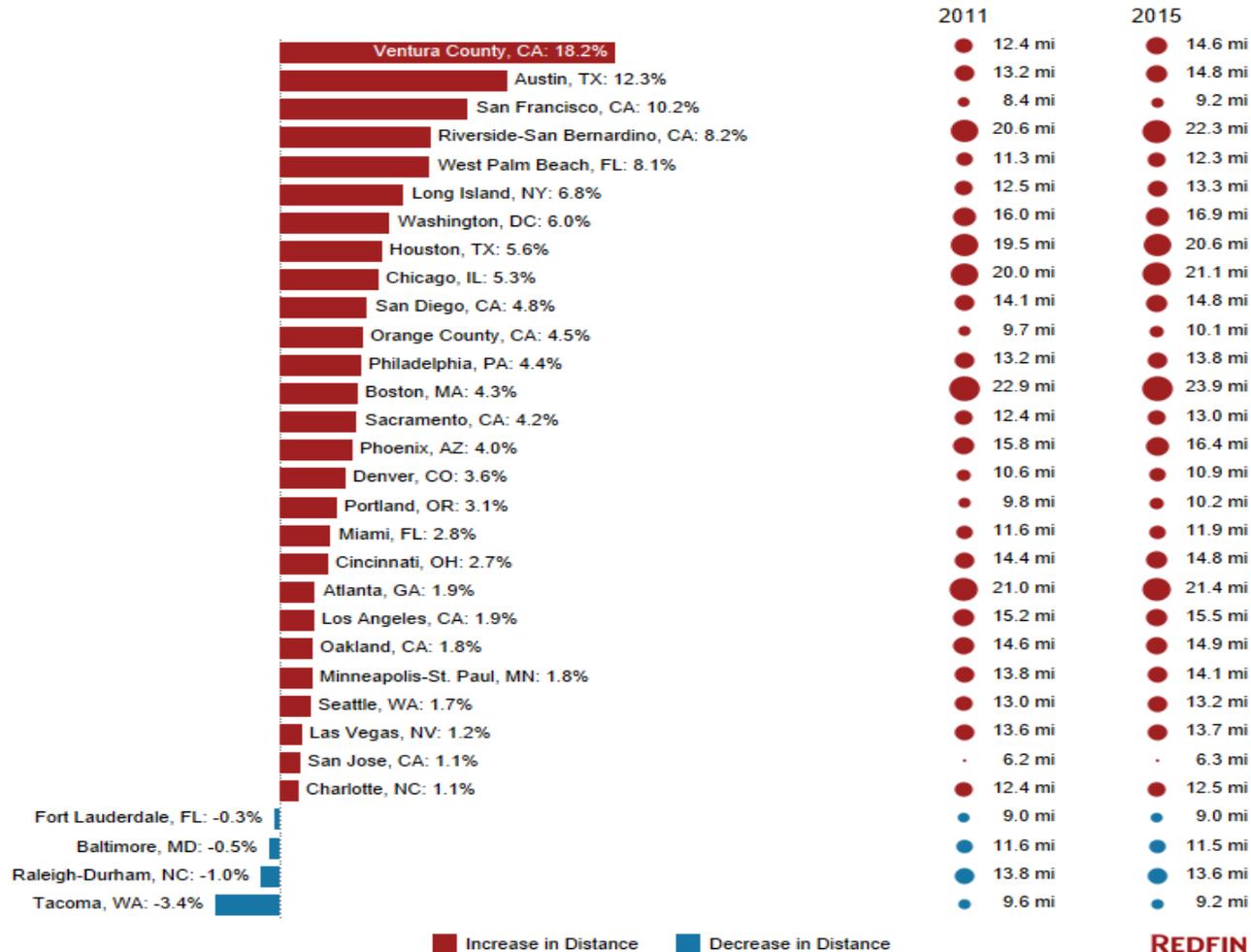
Source: Redfin

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Families are moving farther from the city center

Median Distance of Home Sales from City Center
Percent change since 2011



Transit requires density

| Rank | City | Transit Score |
|------|-----------------------------------|---------------|
| 1 | New York, NY | 84.1 |
| 2 | San Francisco, CA | 80.4 |
| 3 | Boston, MA | 74.4 |
| 4 | Washington, DC | 70.6 |
| 5 | Philadelphia, PA | 66.8 |
| 6 | Chicago, IL | 64.7 |
| 7 | Miami, FL | 59.4 |
| 8 | Baltimore, MD | 57.8 |
| 9 | Minneapolis, MN | 57.5 |
| 10 | Seattle, WA | 57.0 |

Percentage of Homes Affordable to Teachers in 31 California Counties



| | | | | | |
|----|-----------------|------|----|---------------|-------|
| 1 | San Mateo | 0.0% | 17 | Santa Barbara | 5.2% |
| 2 | Santa Clara | 0.0% | 18 | Los Angeles | 7.1% |
| 3 | San Francisco | 0.2% | 19 | El Dorado | 10.8% |
| 4 | Sonoma | 0.5% | 20 | Solano | 11.7% |
| 5 | Santa Cruz | 0.7% | 21 | Yolo | 13.7% |
| 6 | Alameda | 1.2% | 22 | Riverside | 24.7% |
| 7 | Ventura | 1.4% | 23 | San Joaquin | 25.6% |
| 8 | San Benito | 2.2% | 24 | Sacramento | 31.7% |
| 9 | Napa | 2.2% | 25 | Madera | 43.8% |
| 10 | Marin | 2.6% | 26 | San Bernadino | 46.1% |
| 11 | San Luis Obispo | 2.6% | 27 | Stanislaus | 51.6% |
| 12 | Orange | 3.2% | 28 | Butte | 53.9% |
| 13 | San Diego | 3.6% | 29 | Kern | 56.5% |
| 14 | Contra Costa | 4.2% | 30 | Fresno | 59.4% |
| 15 | Monterey | 4.3% | 31 | Merced | 60.0% |
| 16 | Placer | 4.3% | | | |

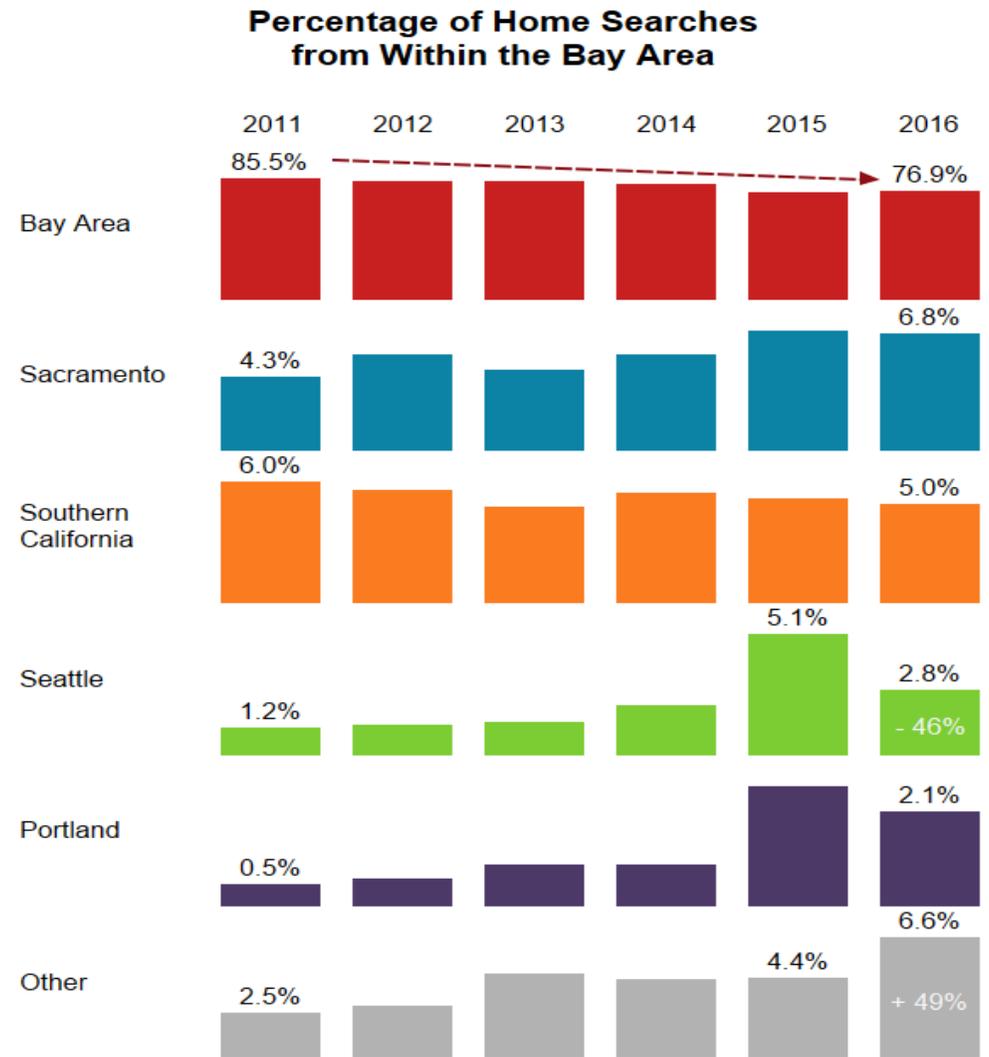
Total for California: 17.4%

Percentage of homes affordable by county, based on the average teacher's salary and MLS list prices as of September 6, 2016

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Fewer Bay Area buyers are heading to Washington



Source: Google Analytics; Redfin; Data only for Q1 of each year

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Solutions?

- The private sector can help – more construction
- Smart zoning
- Accessible transit

Thank you!

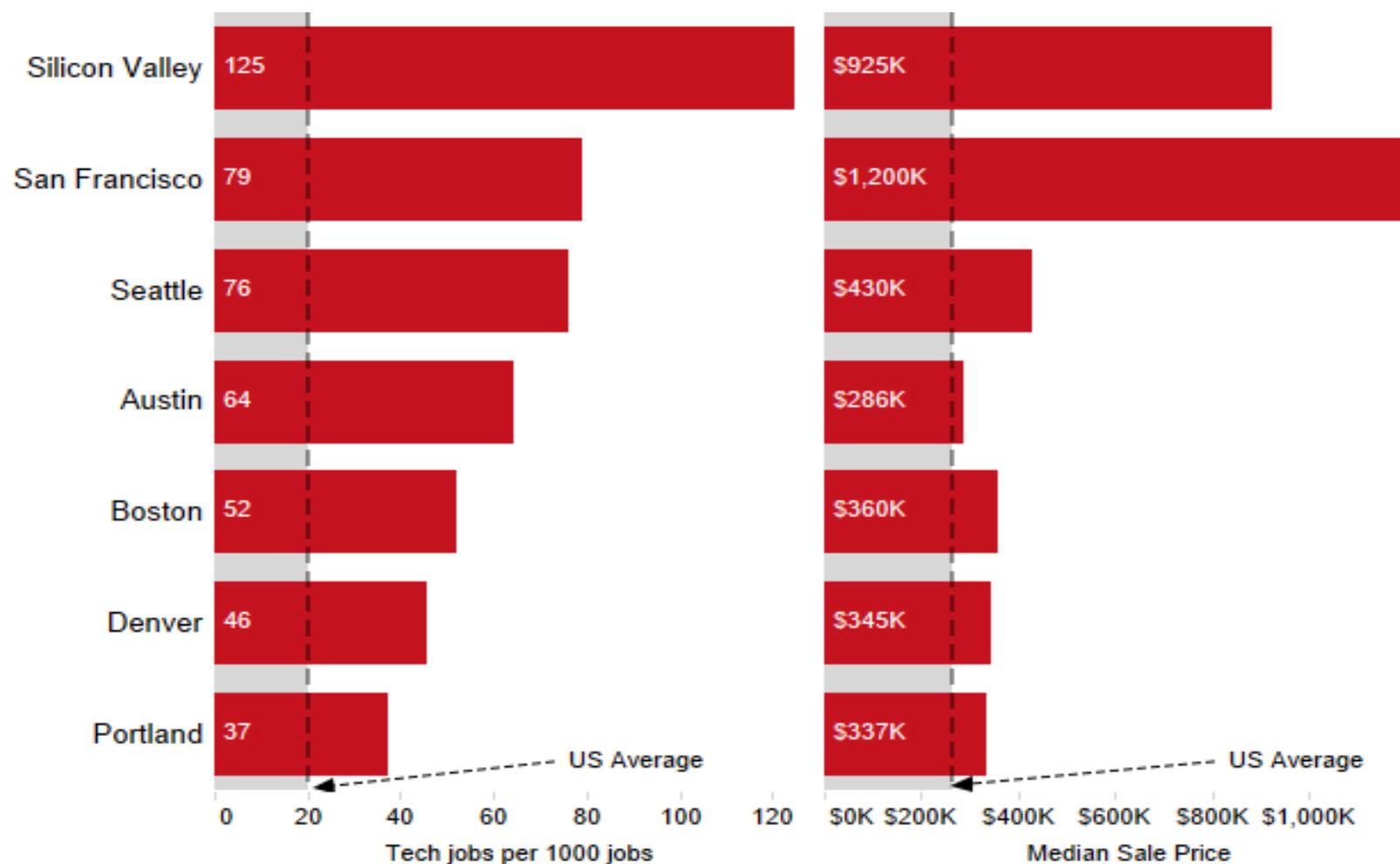
Redfin Research

<https://www.redfin.com/blog>

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Tech fueled boom in house prices



Source: Redfin; Bureau of Labor Statistics: Computer and Mathematical Occupations

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