

# **Appendix C**

## **Housing Trends**

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### **What are the Housing Trends in the SR 167 Corridor?**

Over the last ten years the region experienced two divergent sets of trends with respect to housing prices and affordability. On the one hand, a surge in demand for housing due to population growth and increases in wealth during the late 1990s collided with a relatively tight supply in the region's housing market to produce rapid annual increases in housing prices. For many, the increase in home prices exceeded income gains, raising the housing cost burden, particularly for lower income households. Falling interest rates translated into historically low mortgage and refinancing rates, bolstering consumer purchasing power for housing. As such, home prices continued to climb during the early 2000s, in spite of a lingering recession, as demand was bolstered by buyers seeking to take advantage of low interest rates and investors turning to real estate as an alternative to the stock markets.

### **How is Housing Affordability Measured?**

The Housing Affordability Index measures the ability of a family earning 100% of area median family income to qualify for a conventional mortgage loan on a median price home. A value of 100 indicates balance between the family's income and the cost of housing. An index above 100 means the family has more than enough income to qualify for a mortgage loan. For example, an index of 120.0 means the family earns 120% of the necessary income. An index below 100 indicates the family has less than enough income. The calculation assumes a 20% down payment and 25% qualifying ratio. The First Time Buyer Index assumes the purchaser earns 70% of area median household income, and the home costs 85% of area median price. The calculation assumes a 10% down payment and 25% qualifying ratio. All loans are assumed to be for 30 years.

The housing affordability index for all buyers shows that declining mortgage rates did boost housing affordability for the typical homebuyer between 1995 and 2003/04, although the indices begin to show a decline in affordability from 2003 to 2004. First time and low-income homebuyers also benefited, though not to the same degree as the average buyer. However

first time homebuyers indices still remain well below "100," the point that represents balance between available income and the cost of housing, indicating that each of the region's counties suffers from a shortage of housing affordable to lower and moderate income households.

**Exhibit C-1  
Regional Housing Market Data**

	1995	2000	2001	2002	2003	2004	Average Annual % Change 1995-2004
<b>Median Sales Price (existing single family homes, in thousands)</b>							
King	166.5	249.9	262.0	278.5	292.4	322.0	7.6%
Kitsap	124.6	149.4	155.0	165.9	184.0	204.0	5.6%
Pierce	121.4	151.8	159.0	170.0	178.5	195.5	5.4%
Snohomish	149.6	196.4	210.0	220.0	231.0	248.0	5.8%
WA State	136.6	176.3	179.9	188.5	203.8	223.7	5.6%
<b>Housing Affordability Index (all buyers)</b>							
King	110.4	92.5	103.2	104.6	121.3	105.1	--
Kitsap	121.6	130.9	140.3	145.9	155.5	136.7	--
Pierce	117.7	119.5	133.8	135.8	153.1	137.8	--
Snohomish	114.5	110.3	116.2	119.7	133.2	123.1	--
WA State	114.8	106.4	118.6	119.8	135.0	123.0	--
<b>Housing Affordability Index (first time buyers)</b>							
King	62.1	53.1	58.7	59.2	68.2	58.4	--
Kitsap	74.7	80.9	85.6	88.1	92.8	81.5	--
Pierce	72.3	73.6	81.1	81.1	90.1	80.5	--
Snohomish	71.3	68.7	71.9	73.8	81.5	74.6	--
WA State	67.0	65.1	72.9	69.8	78.6	71.5	--

Source: National Association of REALTORS, Washington State Center for Real Estate Research, Dupre+Scott Apartment Advisors

Notes: Median sales prices are annual. Figures are not adjusted for inflation. Housing affordability indices are for the second quarter.

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