



# UNDERSTANDING THE HOUSING SHORTAGE AND WHAT WE CAN DO ABOUT IT

A Roundtable with Congressman Denny Heck



# Agenda

3:00 Welcome and Overview

3:05 Market Data Briefing

3:15 Introduction of Participants

3:20 Observations

- How does housing affordability look around Puget Sound?
- What spillover effects have rising housing costs caused?
- How does the current environment compare to 2006?
- How has the region responded to rising housing costs?

3:50 Diagnosing the Problem

- What is driving housing demand in Puget Sound markets?
- What is constraining housing supply in Puget Sound markets?
- Are any factors artificially or temporarily distorting supply and demand?

4:20 Identifying Solutions

- To what extent could federal policy changes improve the supply and affordability of housing?
- Which, if any, local initiatives to address the problems are succeeding?

4:50 Concluding Remarks



A photograph of a modern, two-story house at dusk. The house has large windows and a flat roof. The interior lights are on, and the exterior is lit up. There are trees and bushes in the foreground and background.

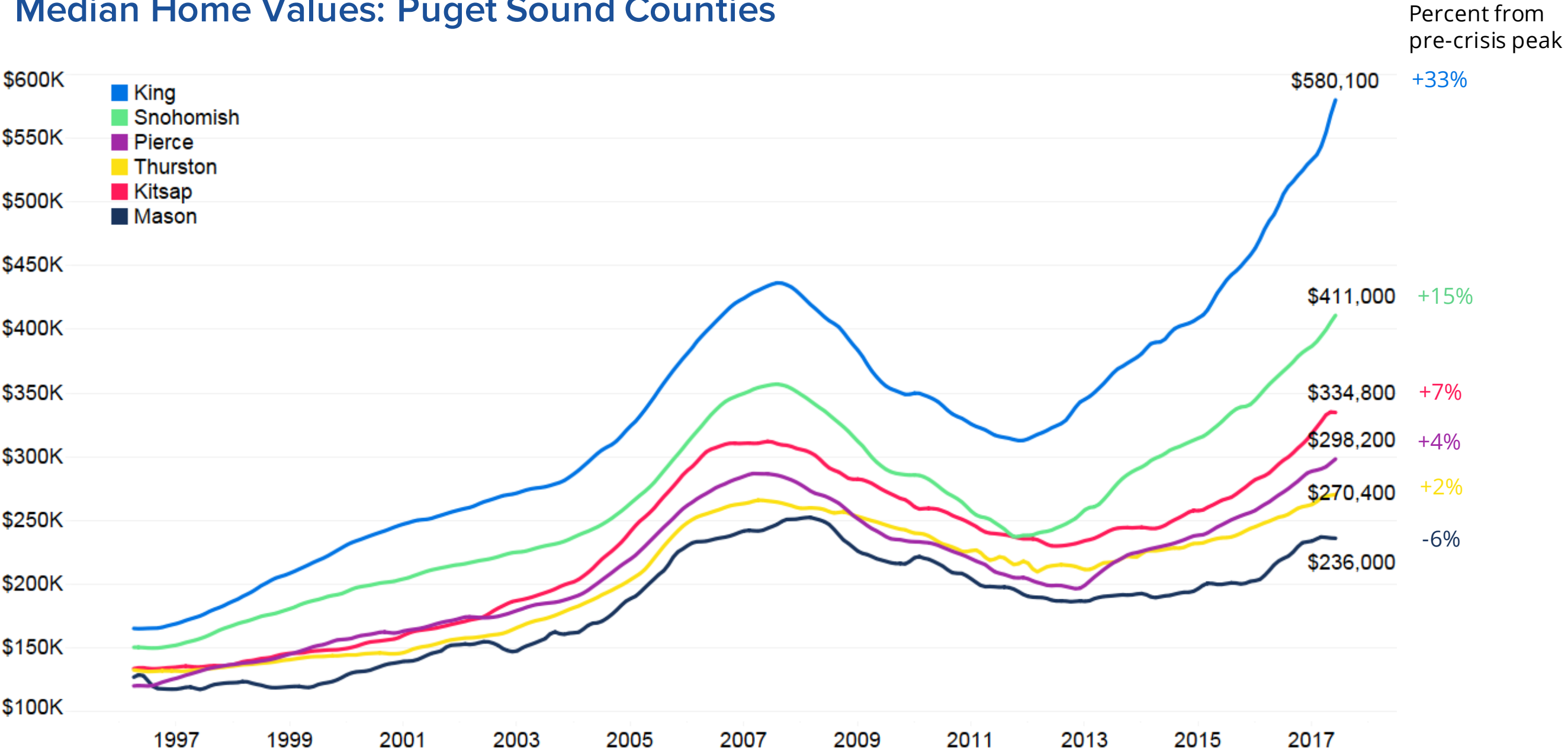
# STATE OF THE HOUSING MARKET IN THE PUGET SOUND REGION

Aaron Terrazas, Senior Economist  
[www.zillow.com/research](http://www.zillow.com/research)

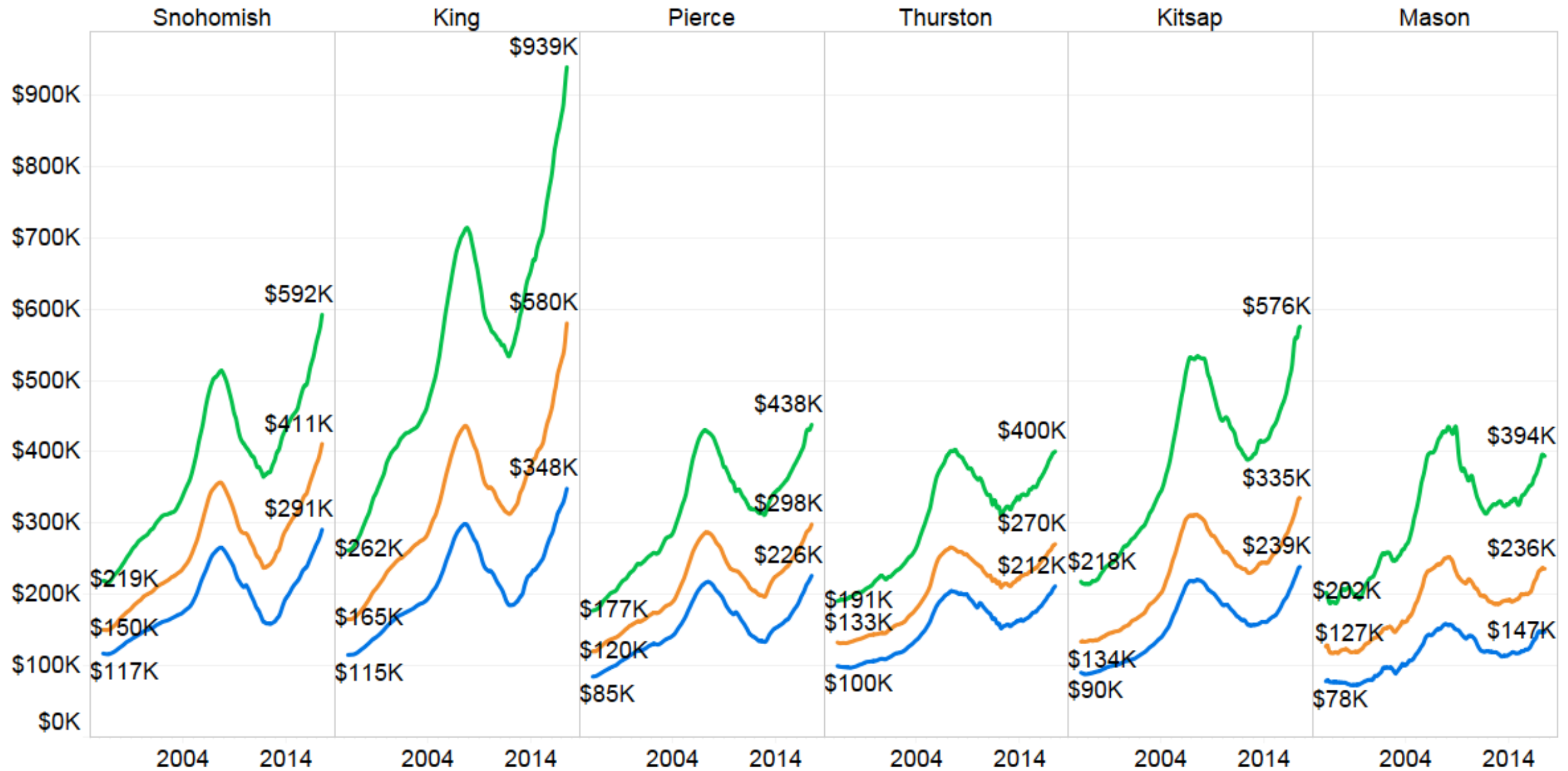
# REGIONAL HOUSING MARKET TRENDS



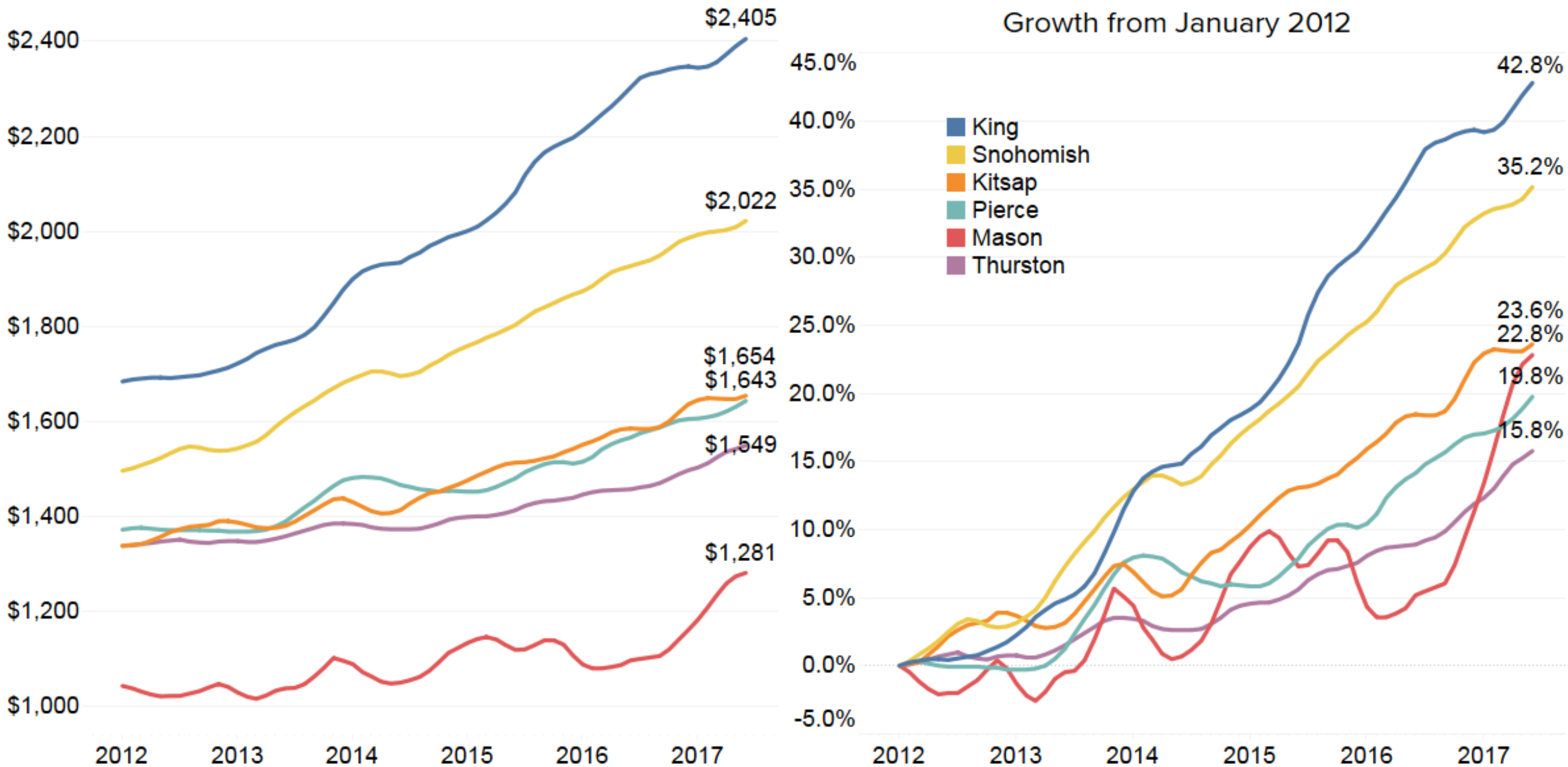
# Median Home Values: Puget Sound Counties



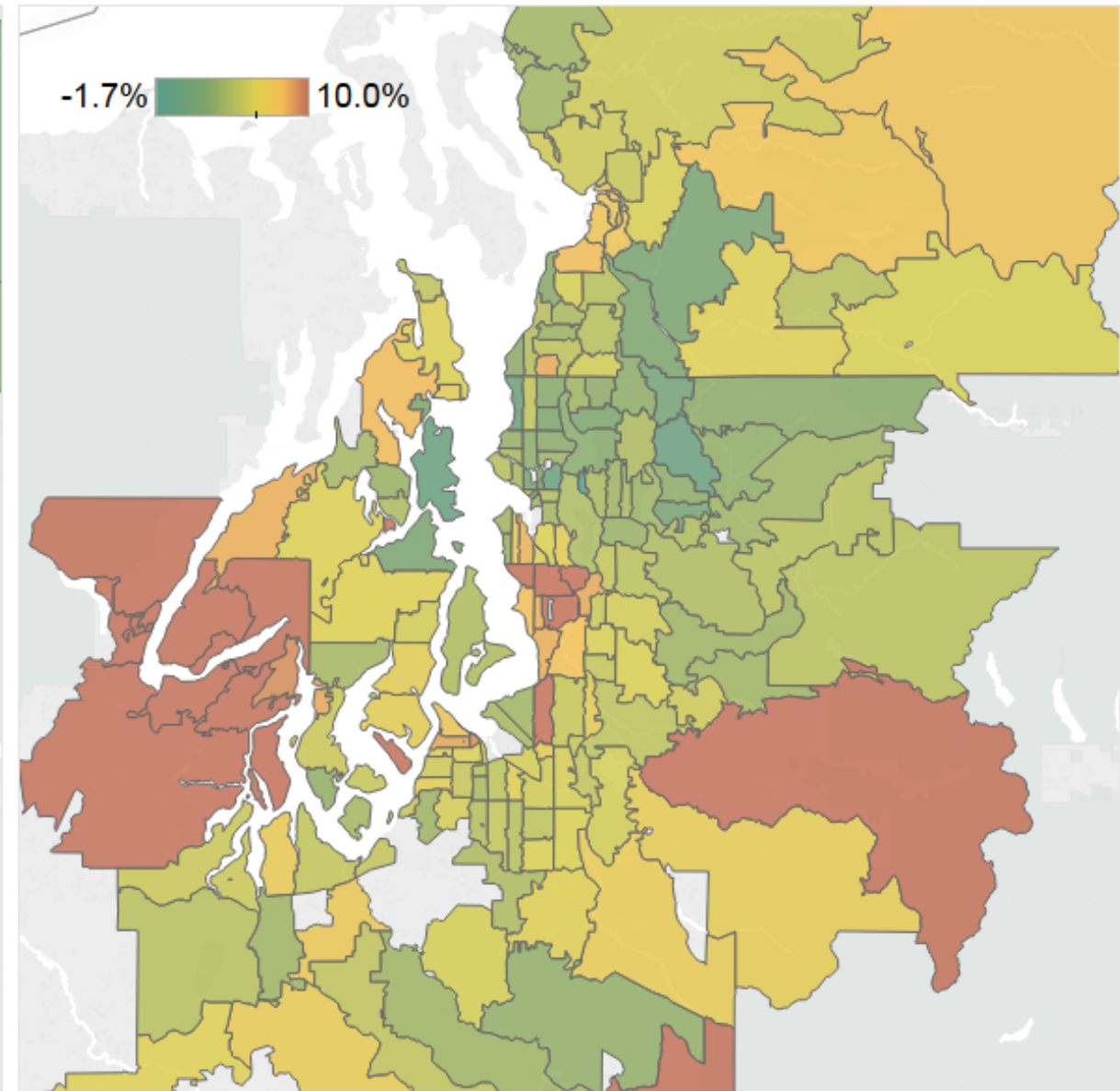
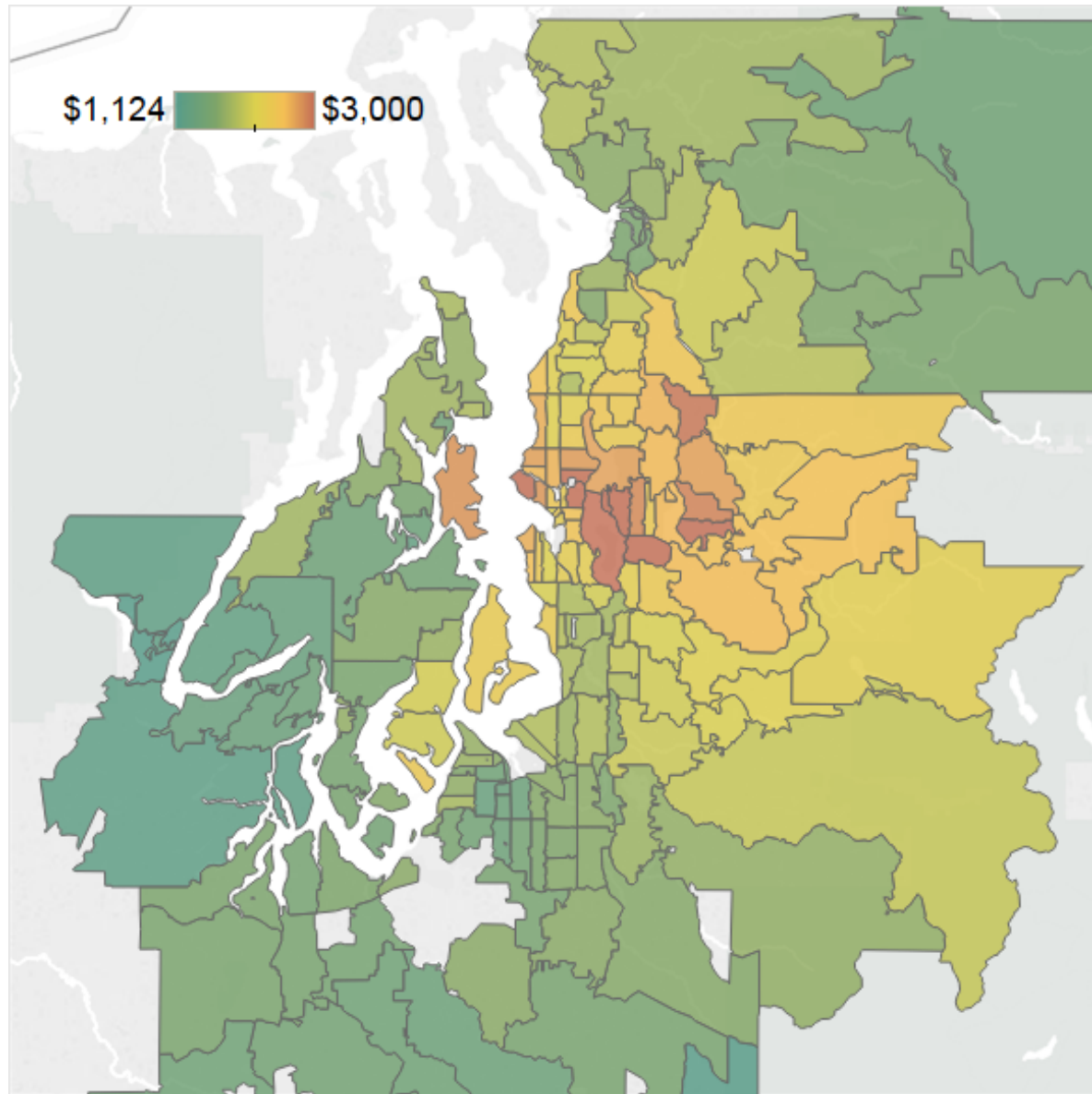
# Median Home Value By Market Third



# Median Rents: Puget Sound Counties



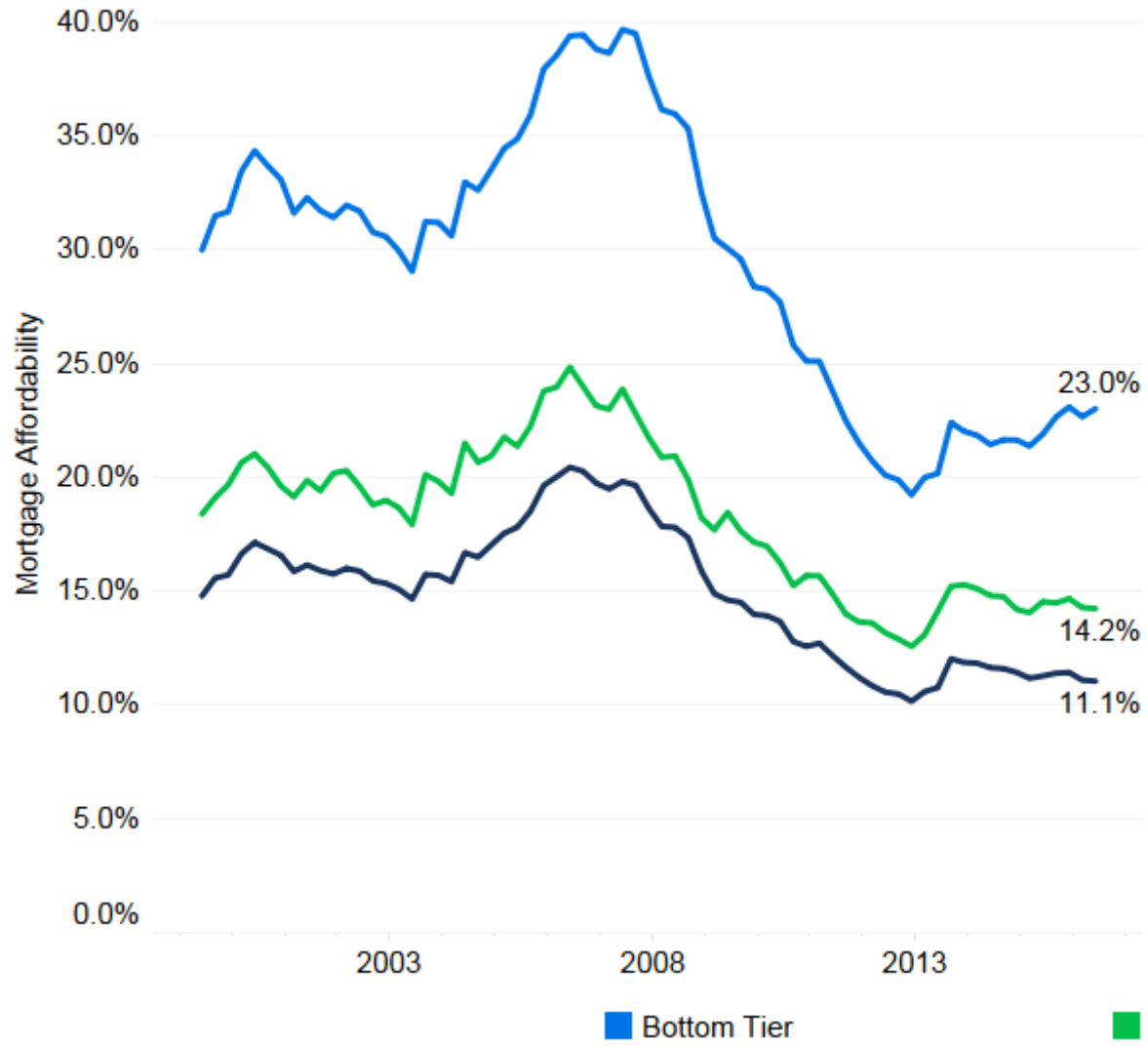
# Median Rents and Year-over-Year Rent Growth by ZIP Code



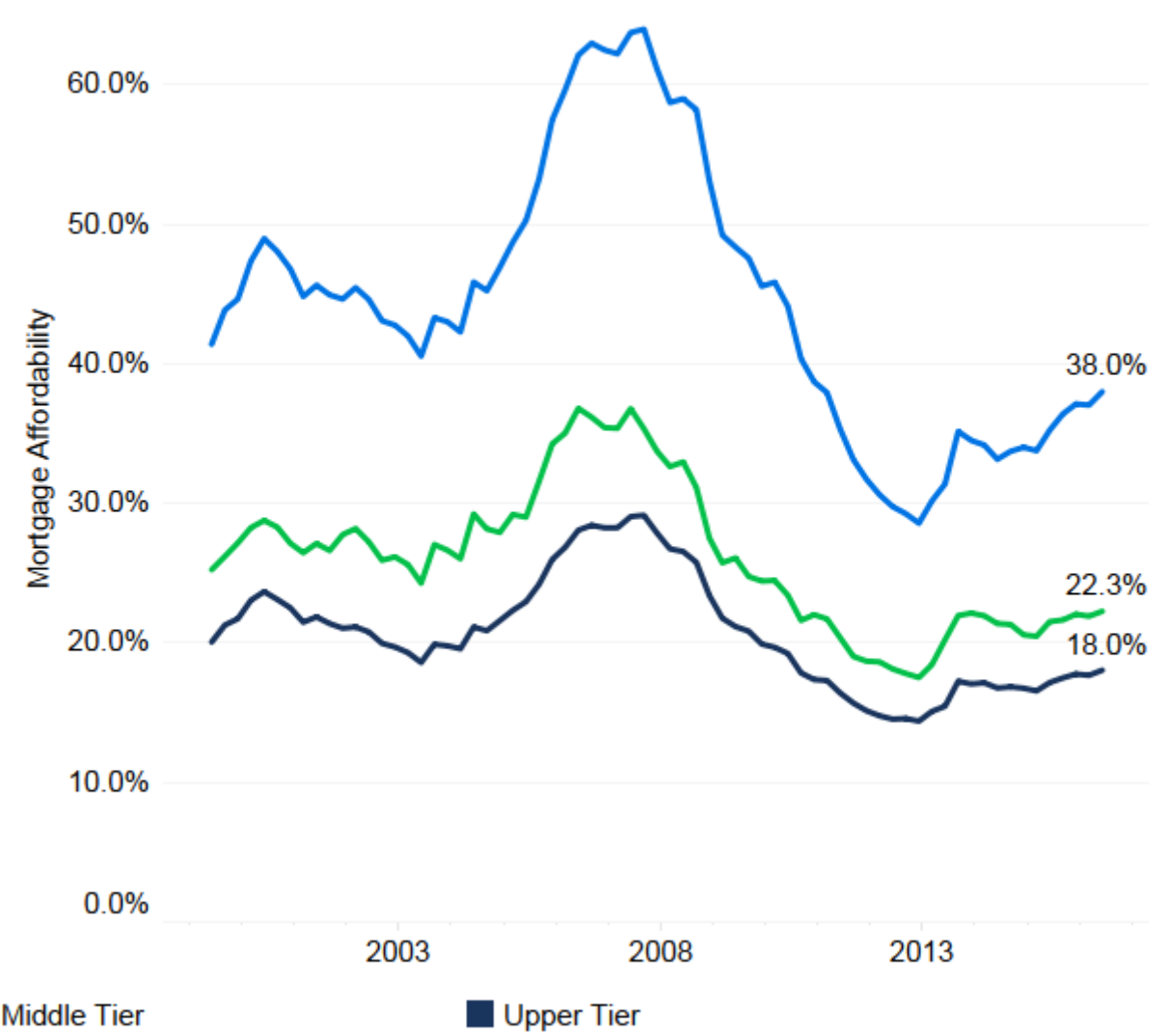


# Mortgage Affordability by Market Third

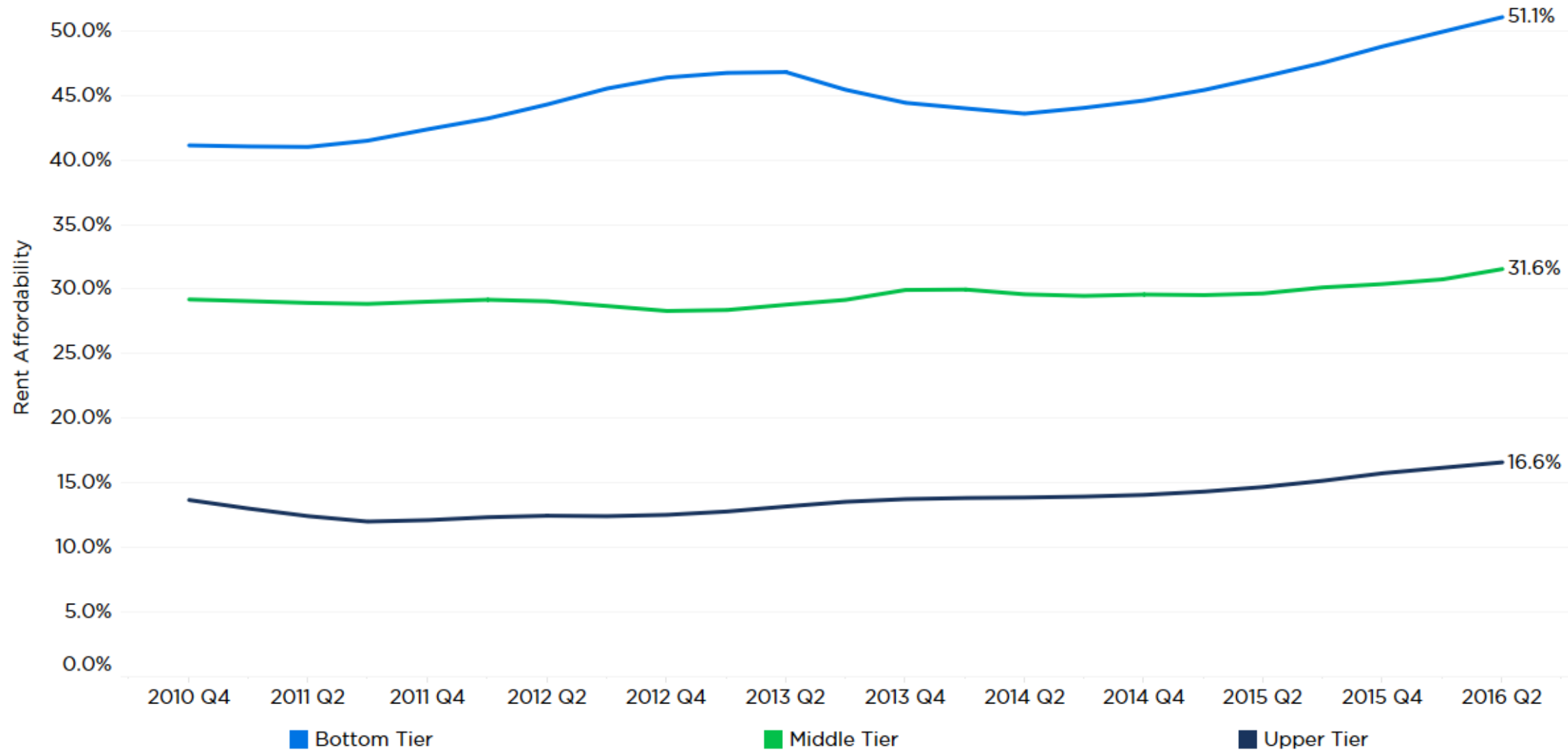
United States Mortgage Affordability



Seattle Mortgage Affordability



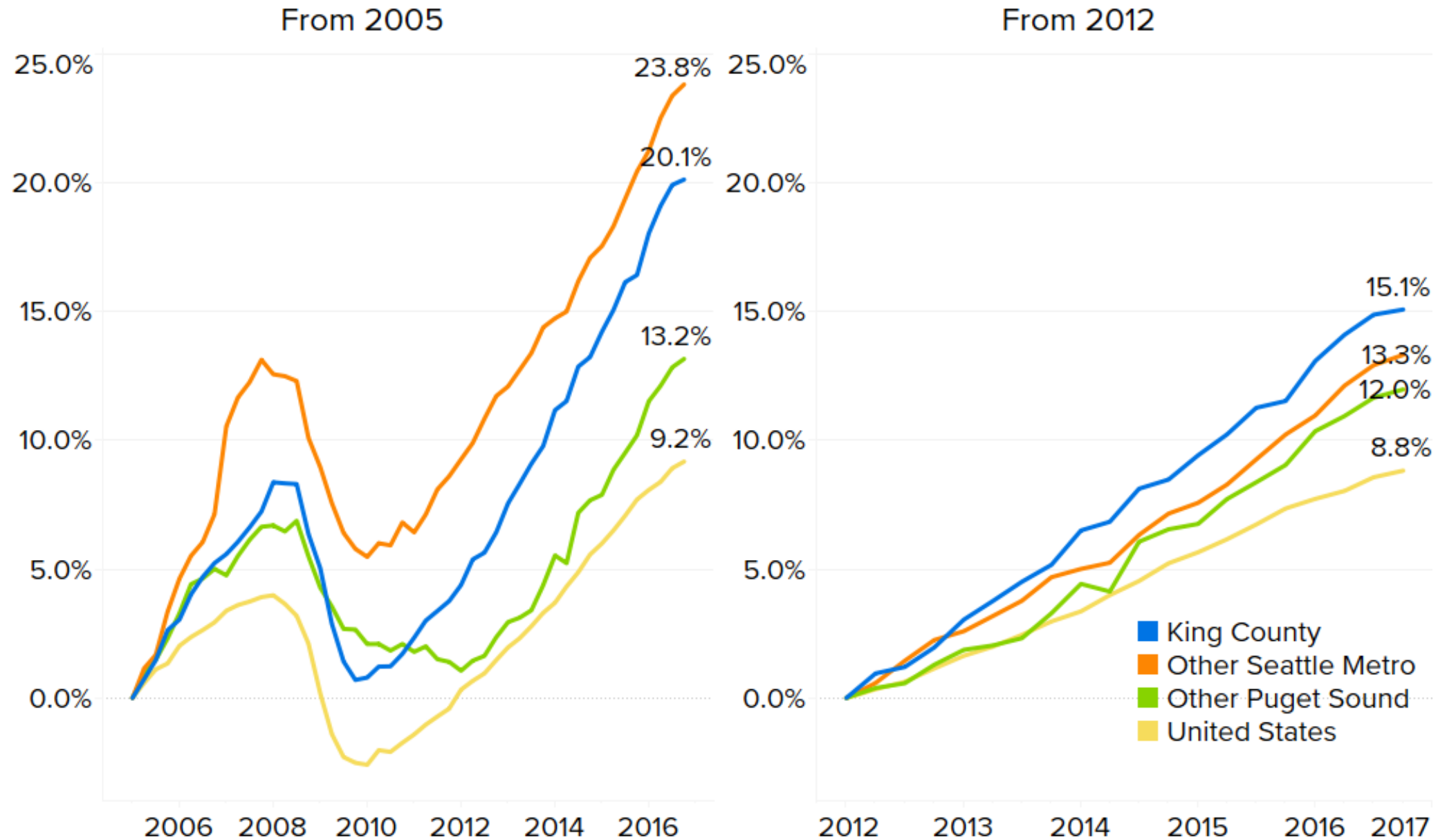
## Seattle Rent Affordability by Market Third





# DEMAND-SIDE DRIVERS

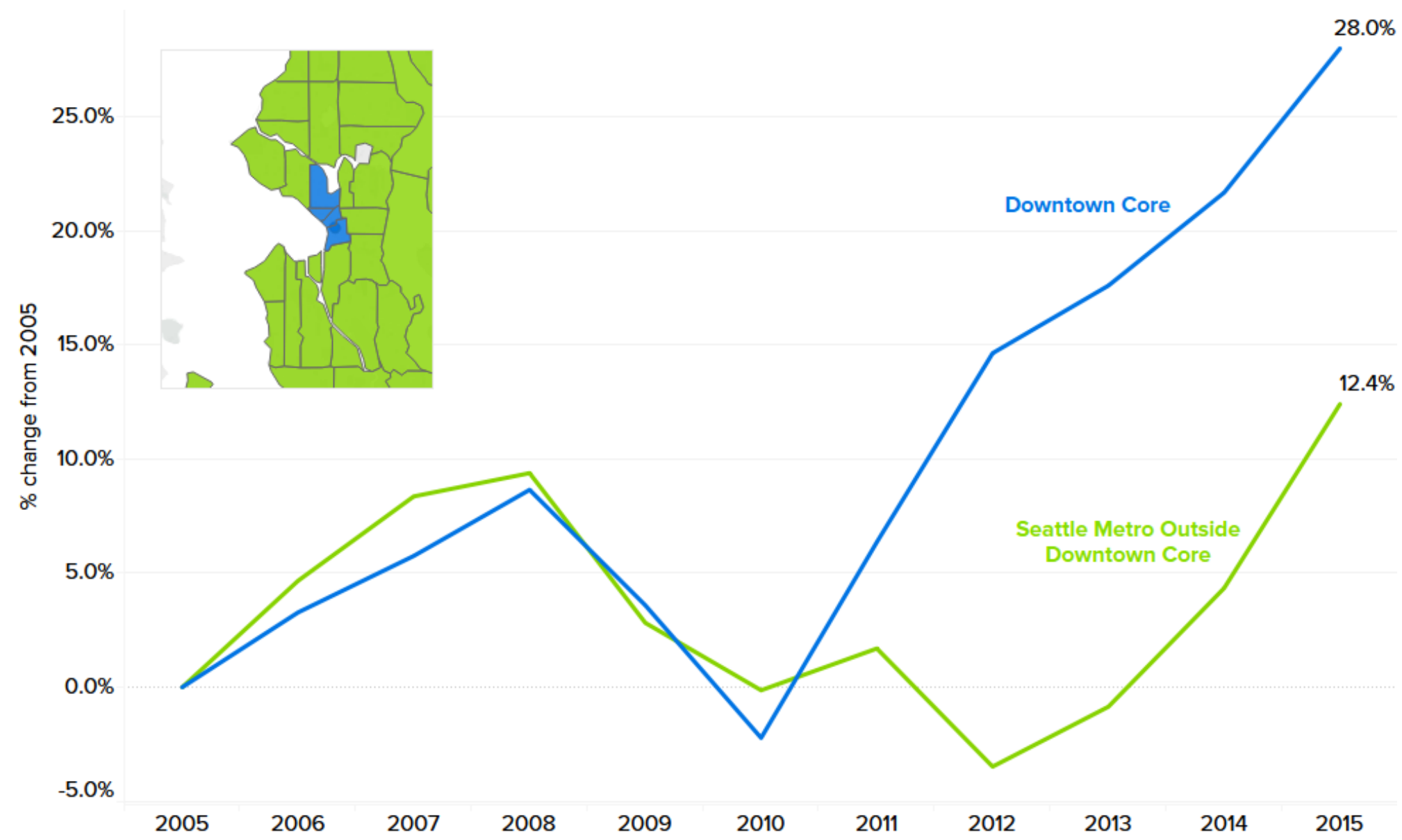
# Employment Growth Widespread, Particularly in King Co. Since 2012



Notes: Other Seattle Metro includes Pierce and Snohomish counties; Other Puget Sound includes Thurston, Mason and Kitsap Counties. Seasonally adjusted.  
Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

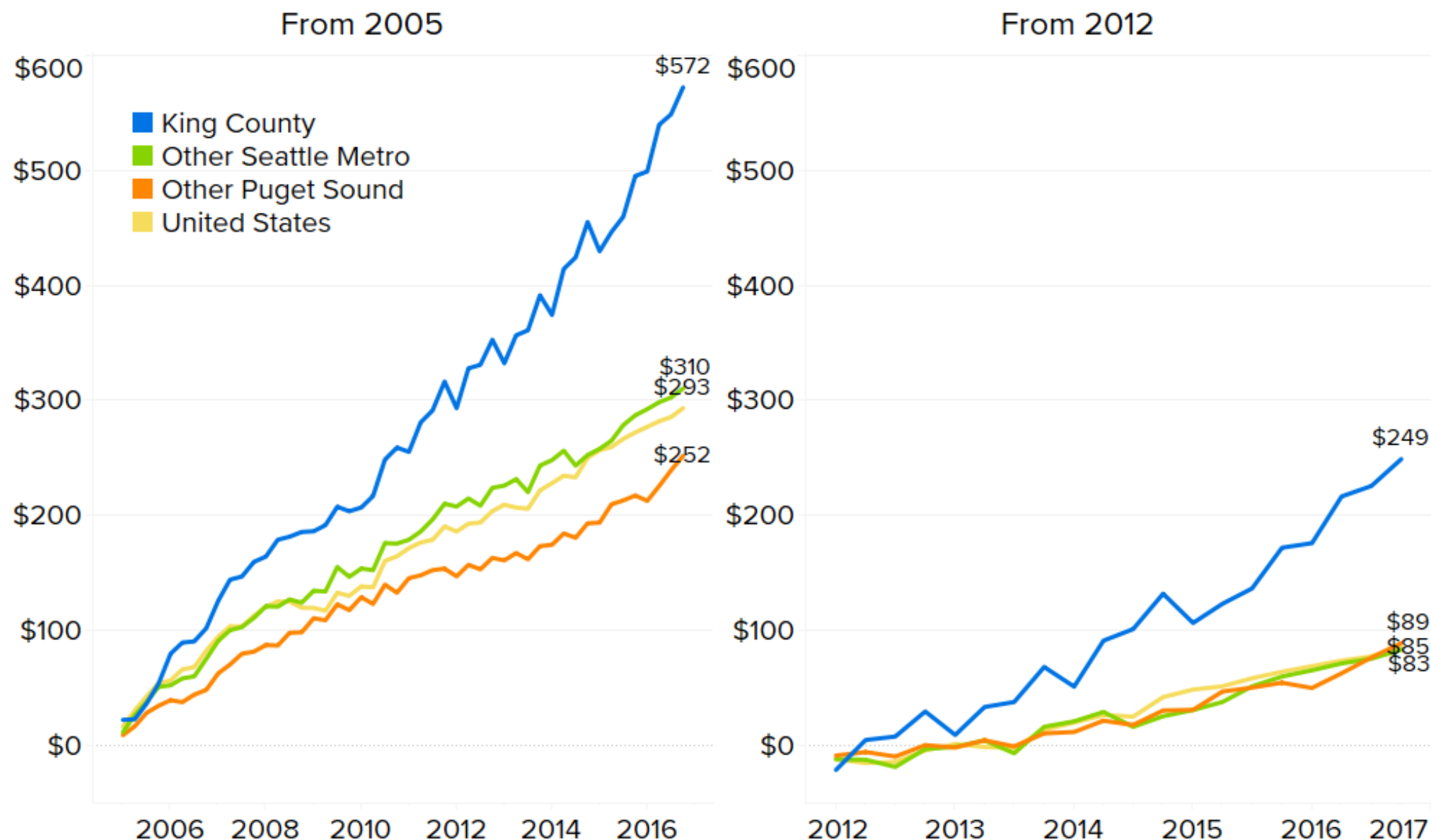


# Within the Seattle Metro, the Downtown Core has Led Job Growth



Notes: Urban Core includes ZIP codes 98121, 98101, 98154, 98104, and 98109.  
Source: U.S. Census Bureau, County Business Patterns data, ZIP Code Employment Statistics, 2005 to 2015.

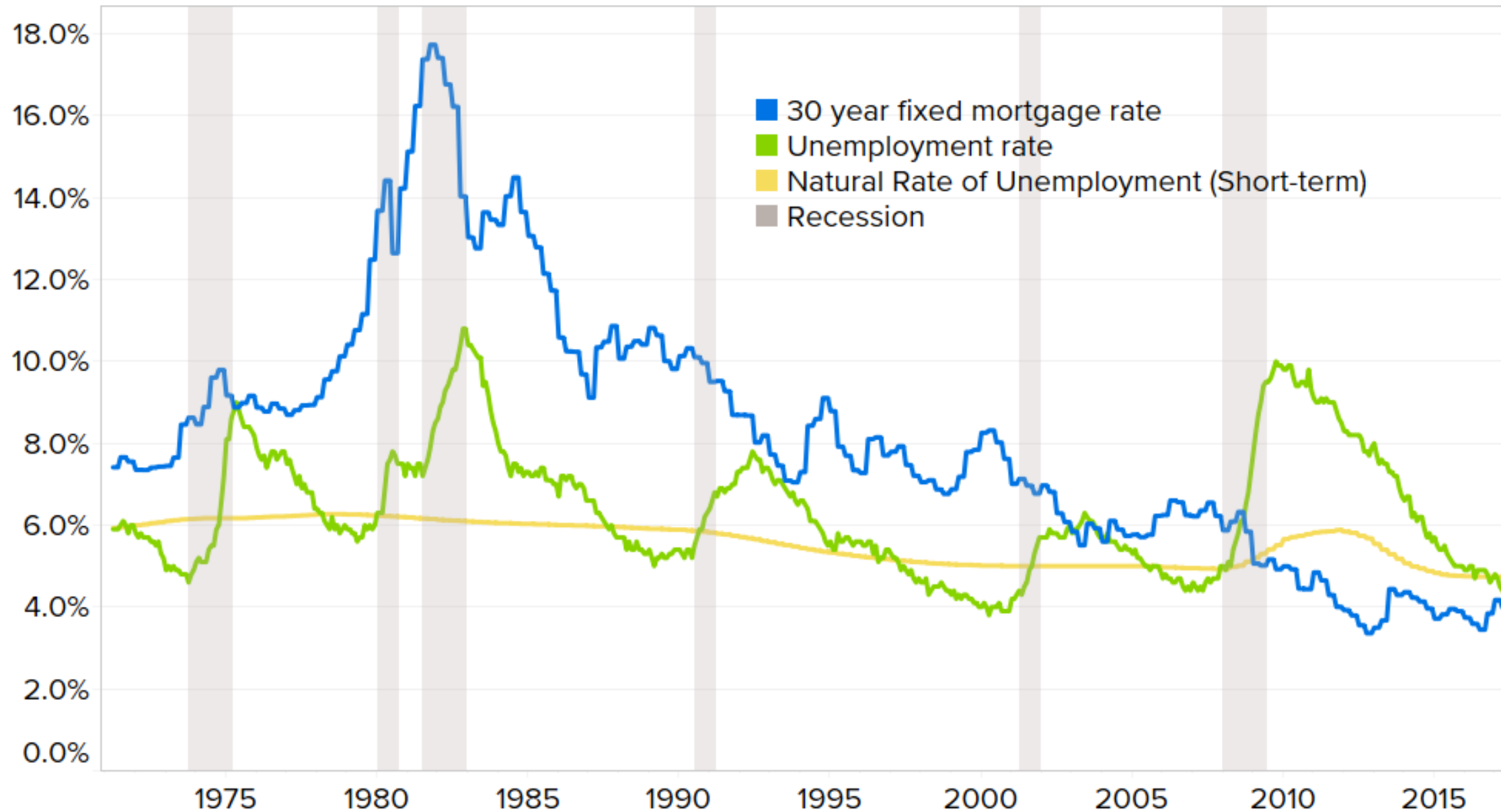
# Average Weekly Wages: Growth from 2005 and 2012



Notes: Other Seattle Metro includes Pierce and Snohomish counties; Other Puget Sound includes Thurston, Mason and Kitsap Counties. 3-quarter moving average.  
 Geography based on employer location.  
 Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.



# Mortgage Rates Still Near Historic Lows Despite a Strong Labor Market

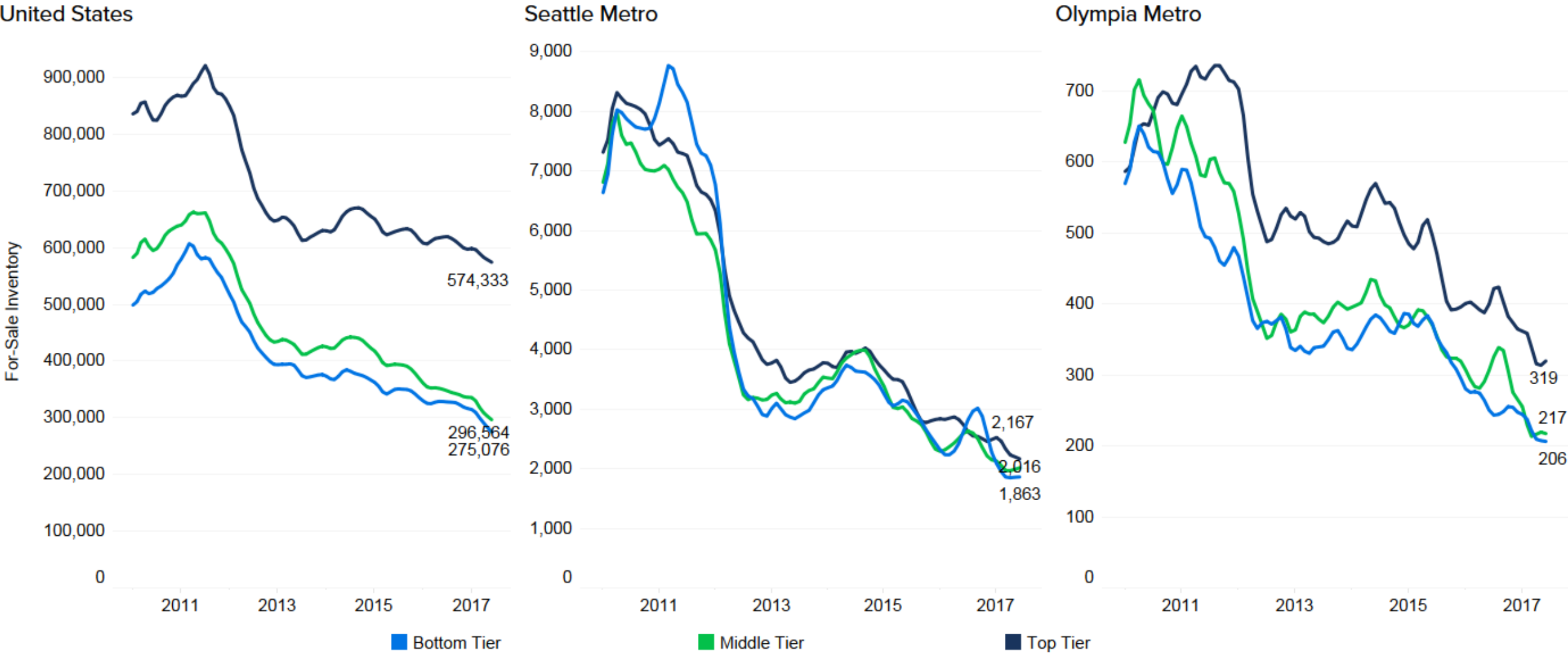


Source: Civilian Unemployment Rate, average 30-year fixed mortgage rate, Natural Rate of Unemployment (short-term), and NBER Recessions made available by the Federal Reserve Bank of St. Louis Economic Data (FRED).

# SUPPLY-SIDE DRIVERS



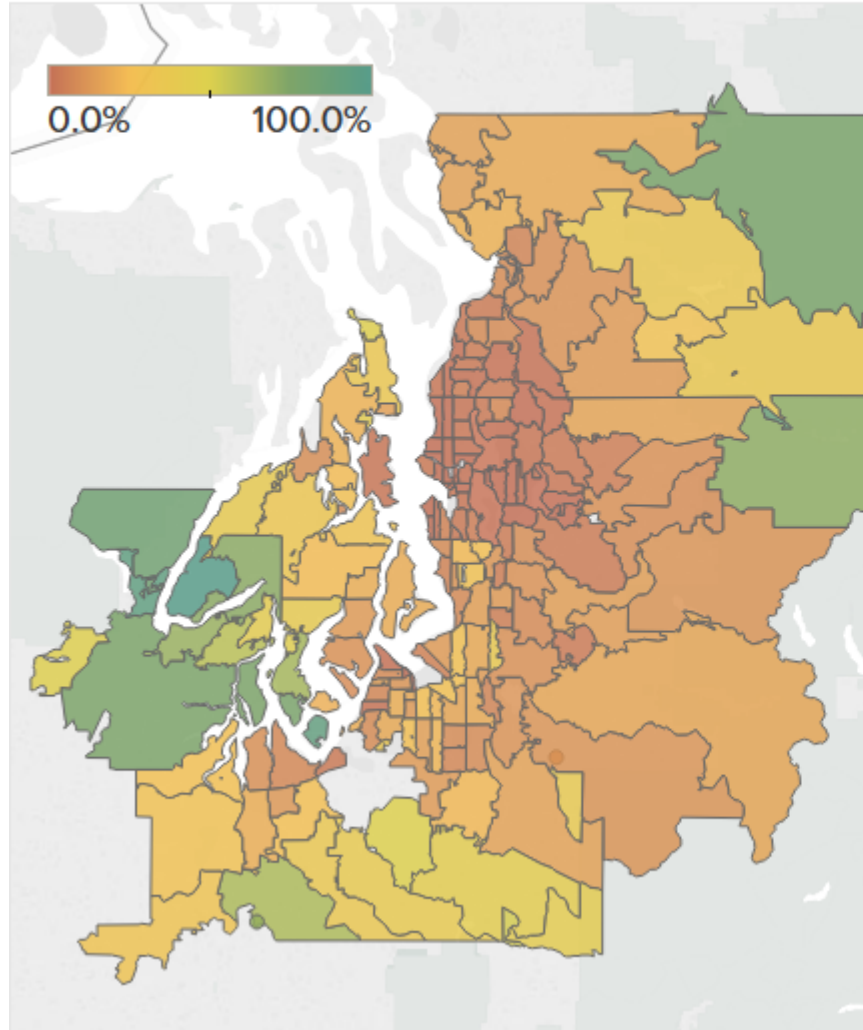
# Nationwide and in the Olympia Area, Inventory is Much Tighter for More Affordable Homes; But the Seattle Market Bucks the Trend



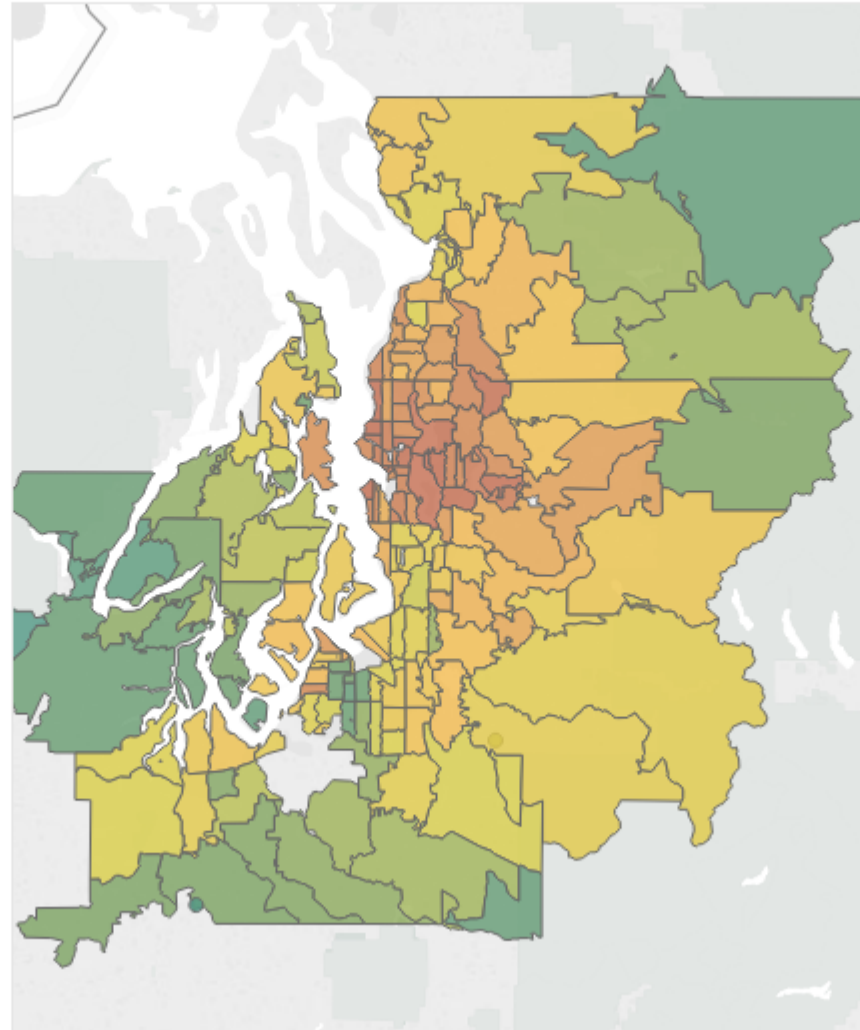
# Very Few Affordable Homes for Sale for Low-Income Households

Share of For-Sale Listings Affordable, 2017-H1

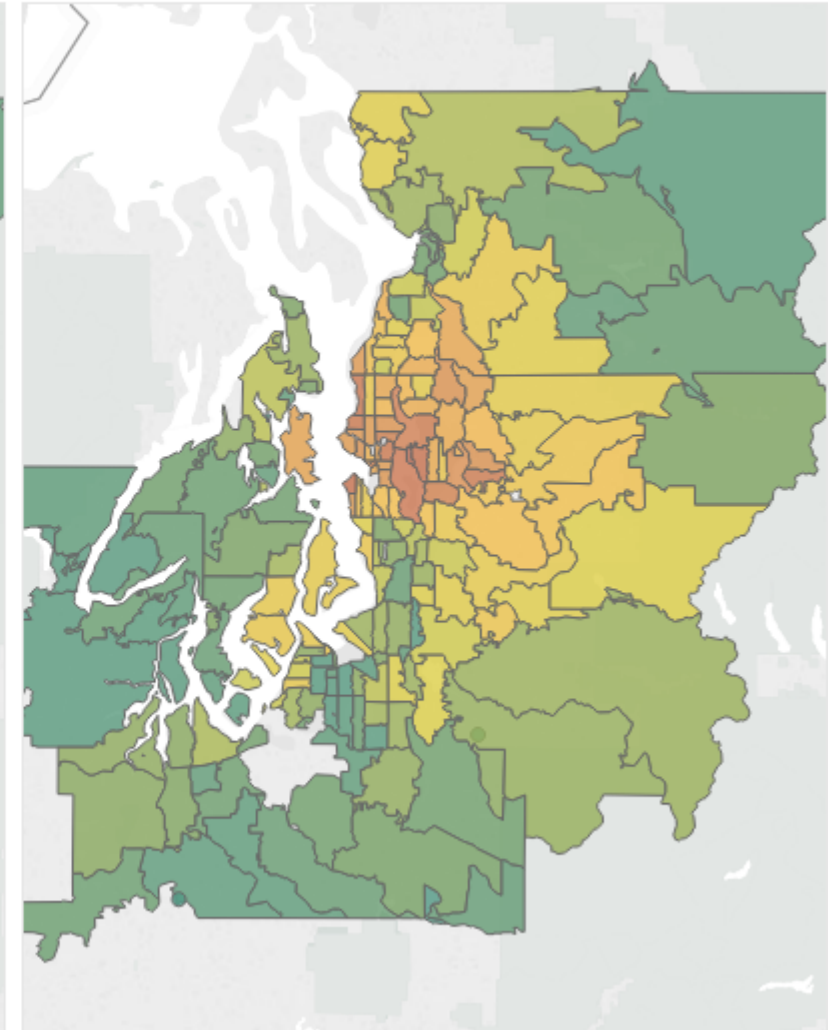
\$30,000 per year



\$55,000 per year



\$80,000 per year



# What is Constraining Supply?

- **New construction.** Nationwide, new construction has lagged. But it has been stronger in the Puget Sound market than elsewhere. New homes have long been more expensive than existing homes and building is naturally pricier in the densest communities which are driving regional demand.
  - Preliminary research on SFR teardowns suggest that teardowns in the Seattle metro tend to be smaller, older homes on large lots, in relatively pricey parts of the metro area
    - Median area of 1,270 square feet for teardowns versus 1,920 square feet for other listings
    - Median year built of 1944 for teardowns versus 1981 for other listings
    - Median lot size of 0.26 acres for teardowns versus 0.20 acres for other listings
    - Median list price per square foot of \$268 for teardowns versus \$207 for other listings
- **The SFR rental boom.** There are nearly 50,000 more single-family home rentals in the Puget Sound region compared to 2000. Growth has been stronger in the South Sound (up 23 percent from 2000) than in the Seattle area (up 4 percent from 2000) – though Seattle still accounts for the bulk of the market.
  - Preliminary research suggests that the for-sale market value of single-family homes listed for rent in the Seattle market tend to be about 14 percent cheaper than other homes in their ZIP code



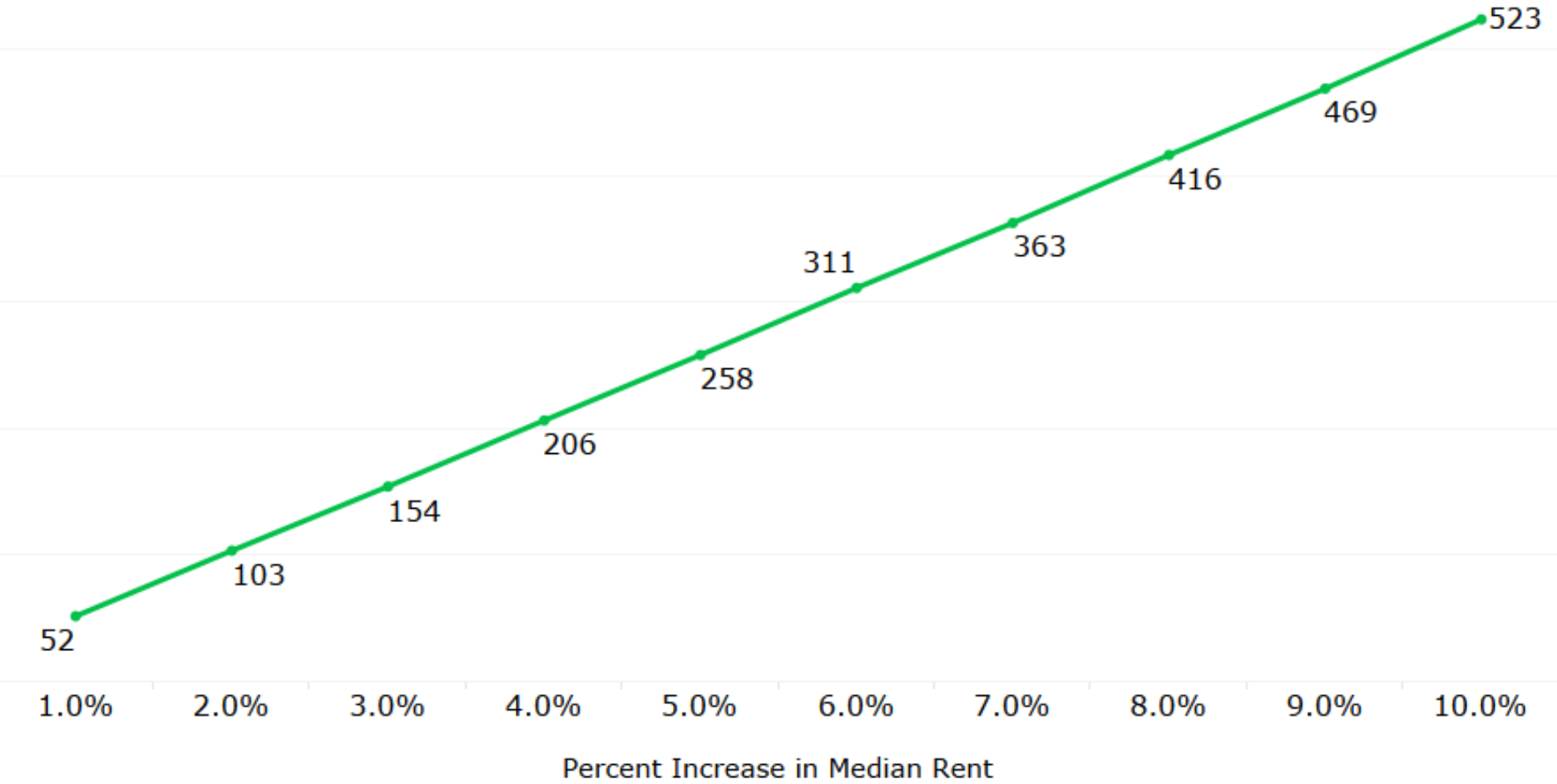
# SPILOVER EFFECTS

# Average Area Rent Increases of Around 5 percent per Year, Push About 258 Seattle Metro Households into Homelessness

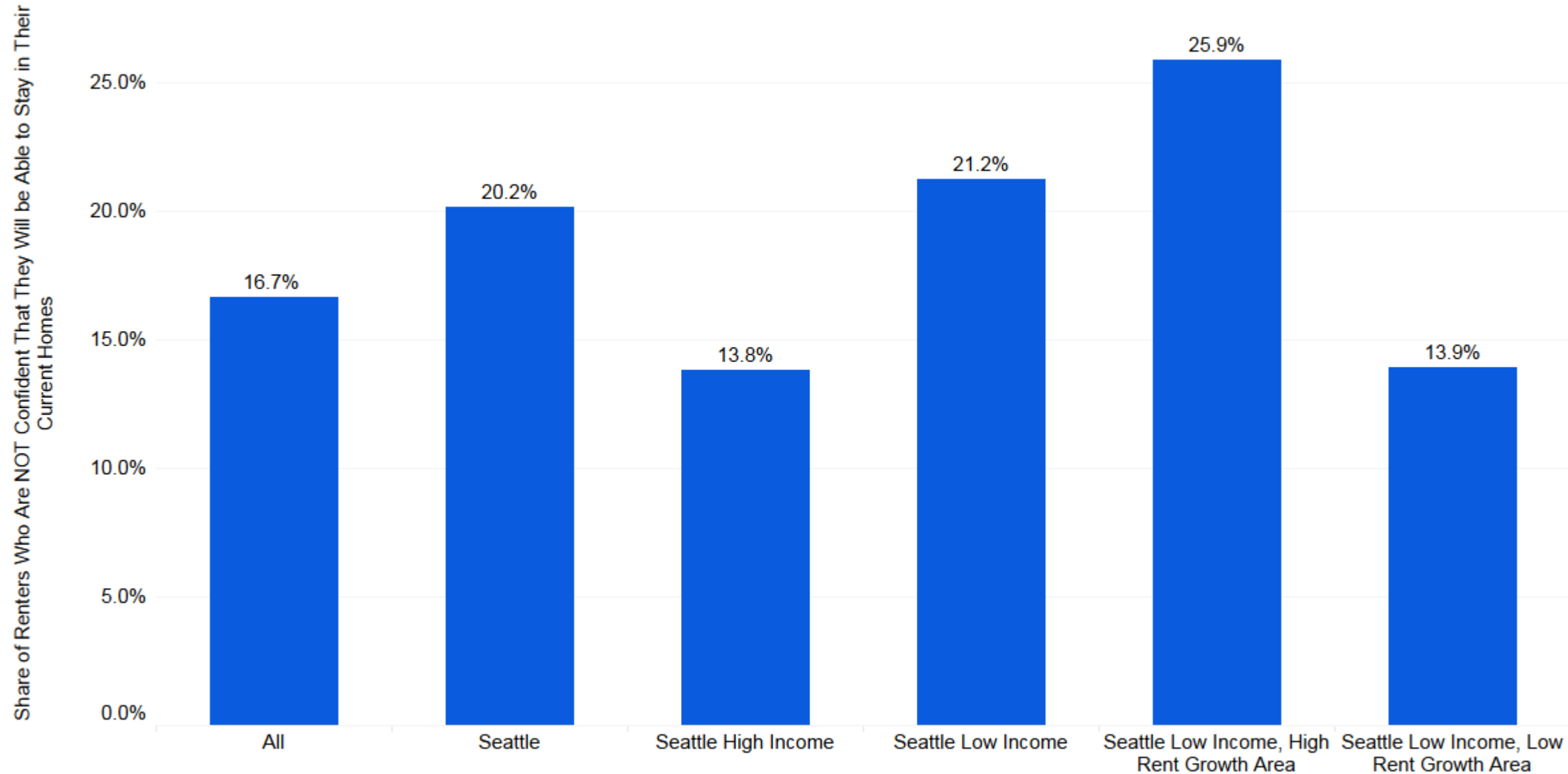
## The Effect of Rising Rents on Homeless Populations

How many more people will experience homelessness if rents rise 1 to 10 percent?  
(Estimates are the expected increase in both the homeless counts and total populations.)

Seattle



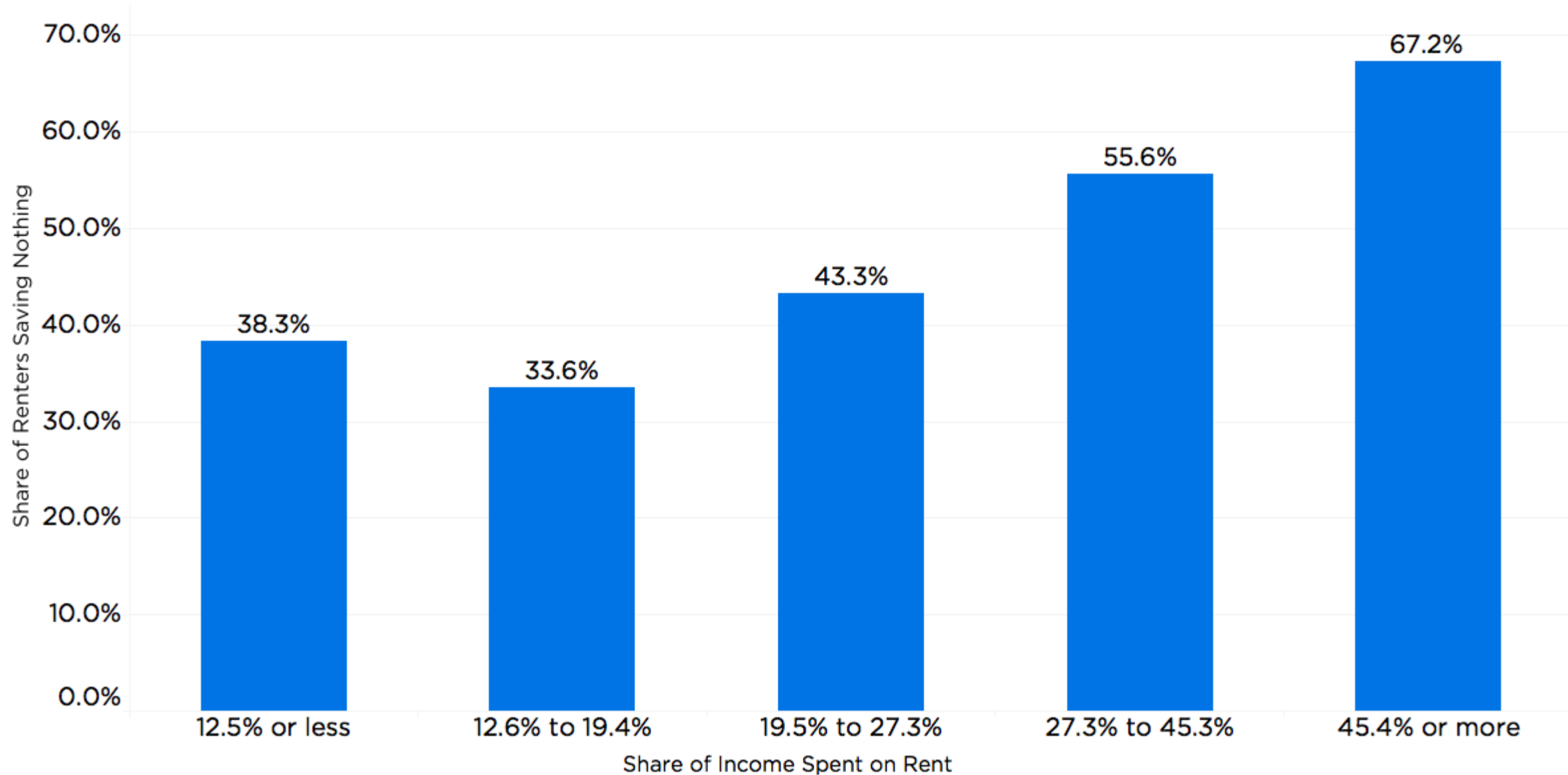
# Low-Income Renters in High Rent Growth ZIP Codes are ~2x Less Secure than Low-Income Renters in Low Rent Growth ZIP Codes



Source: Zillow Homeownership Aspirations Report, March 2017.

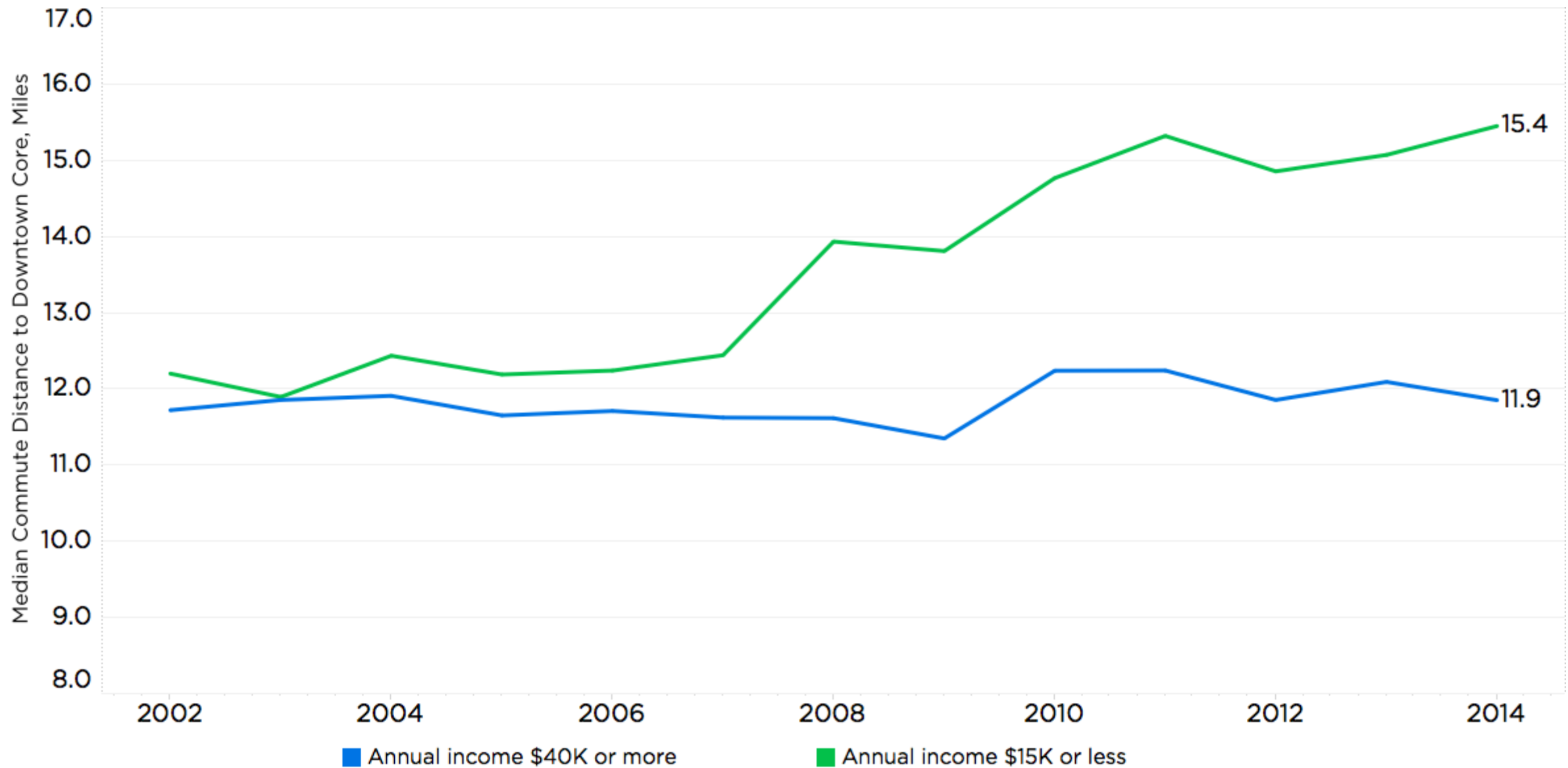


## As the share of income spent on rent rises, households are increasingly unable to save any of their income



Source: Zillow analysis of Federal Reserve Board, Survey of Households Economics and Decision Making, 2015.

# Over the Past Decade, Lower-Income Downtown Seattle Workers Have Seen Average Commutes Jump Sharply



# DISCUSSION