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Dreamscape: The Face of Regional Housing

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Periodic Atlas of the Metroscape

Dreamscape *The Face of Regional Housing*

by Alton Straub

Few things are more central to the “American Dream” than owning your own home. Home ownership provides privacy and security. It binds us to our neighbors and communities, defines our consumption habits, and allows us to express our individuality. In the last few years, however, our homes have become “cash cow” investments that, for some people, substitute for retirement plans and college savings.

The saga of American homeownership plays out across a complex landscape throughout the US and the Portland metropolitan region. It’s filled with many issues: housing supply, neighborhood amenities, population demographics, transportation networks, personal income levels, zoning and property regulations, taxes, and affordability measures (cost versus income). The maps shown here provide a brief summary, using the most recently available estimates for U.S. census tracts (2004 data) of people and homes in the metroscape.

Figure 1 shows total population change from 2000 to 2004. Population has increased dramatically in suburban areas, especially in Clark County, WA and Washington County, where new jobs have been created and farm and forest have been turned into housing developments. While total population (not shown) may still be higher in the dense urban core, the suburbs are obviously a place to grow – greener pastures literally and figuratively. Driving this exodus, at least partly, may be the perception that suburbs are more “family friendly.” Figure 2 shows that the average size of a household is generally larger the farther one is from downtown Portland or Vancouver. And just in case you were looking for a simple explanation for this phenomenon, large households occur in both poor and wealthy census tracts, in both rapidly growing and slowly growing census tracts, and in census tracts with both high and low non-white populations.

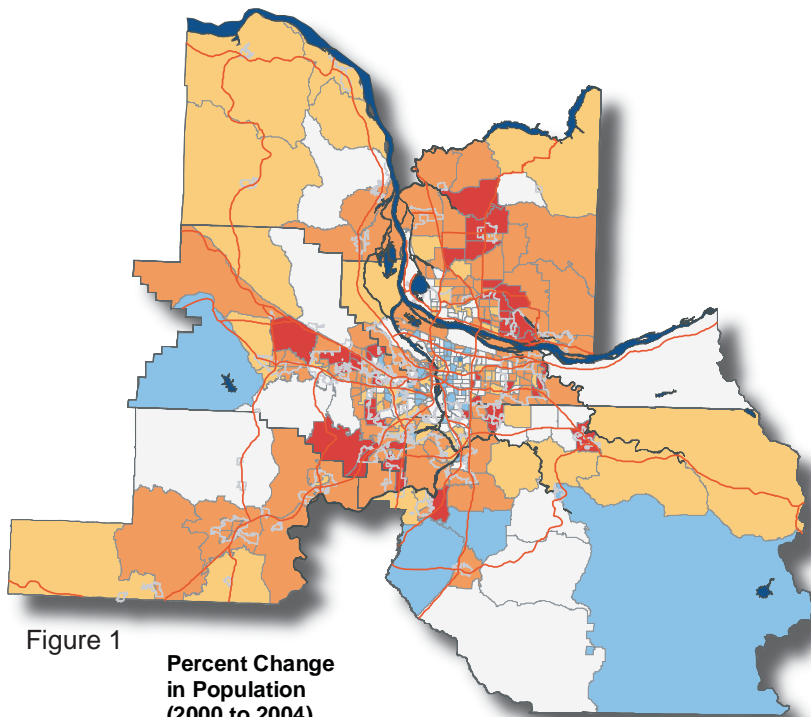
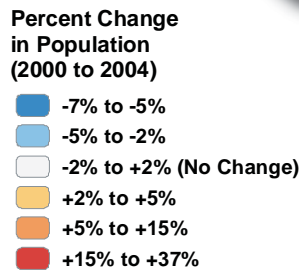


Figure 1



Source: US Census

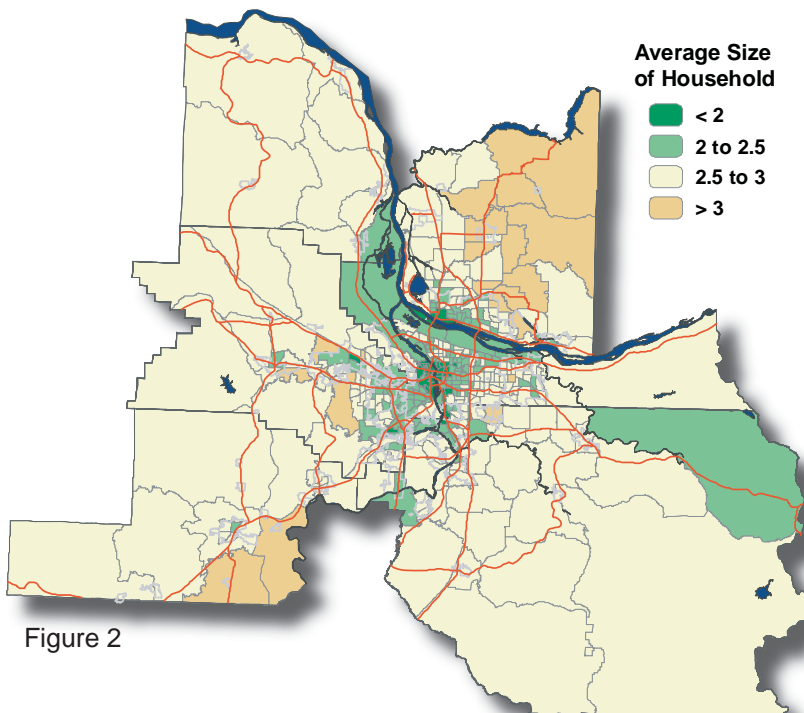
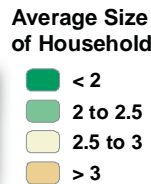


Figure 2



Source: US Census

If You Build It, They Will Buy It

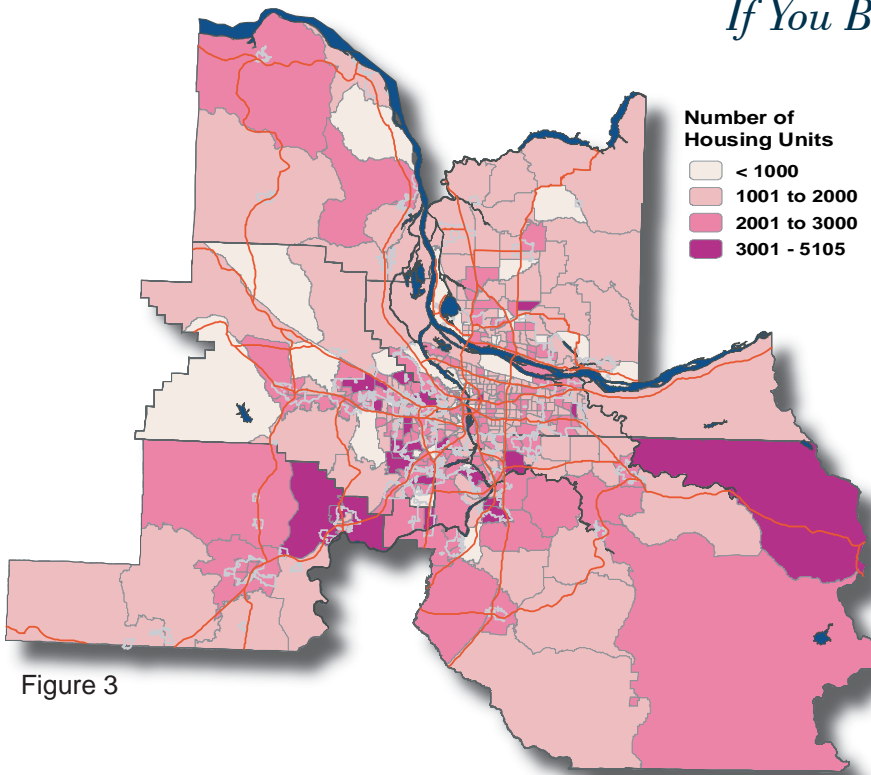


Figure 3

Source: US Census

Figure 3 shows the number of housing units in each census tract. The large number of housing units in mid-sized suburban census tracts reflects the sprawling residential nature of the metroscape's rapidly developing areas. Of course, these raw numbers are not adjusted for the size of the each census tract.

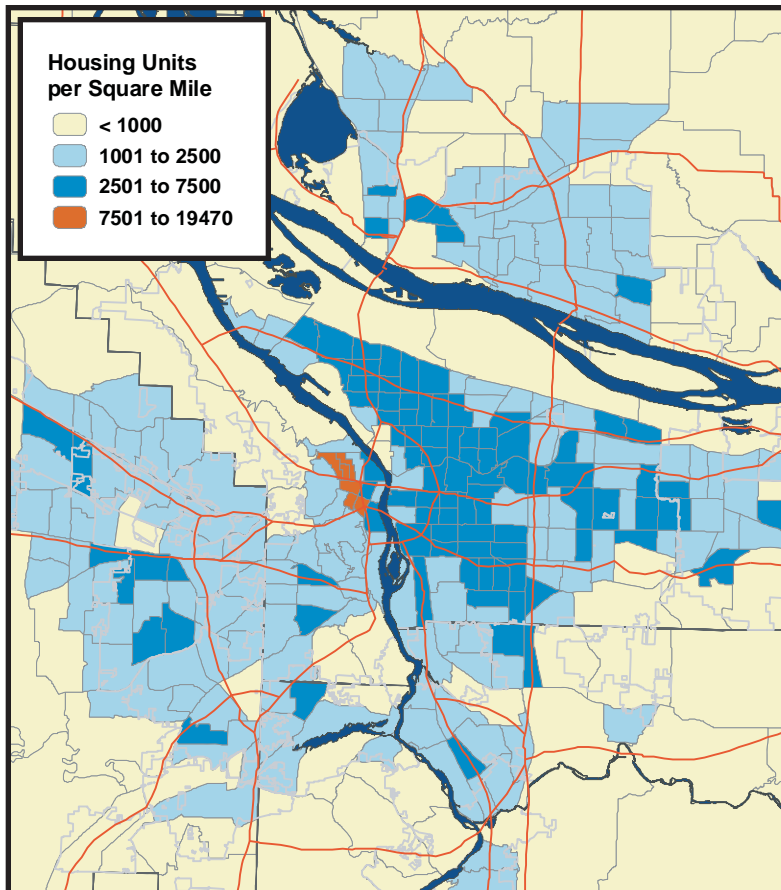


Figure 4

Source: US Census

Figure 4 shows the number of housing units per square mile in areas near downtown Portland and Vancouver. Housing density is greatest just west of downtown Portland (red tracts). Outside of the boundaries of this map, in the rest of the metroscape's 5 counties, only census tracts in McMinnville, Newberg, Canby, and Washougal (WA) have more than 1000 housing units per square mile.

A Sunday drive anywhere in the metroscape reveals new houses being built. One measure of that growth is building permits for residential construction. Figure 5 shows the number of permits issued from January 2000 to September 2005, by county. Each county is then classified according to the percent increase in total housing units. The greatest number of new residences has been built in Washington, Clark and Multnomah counties. However, Yamhill and Clark County have experienced the greatest percentage increase in housing. By that measure, Clackamas, and not Columbia, has the slowest growing housing supply.

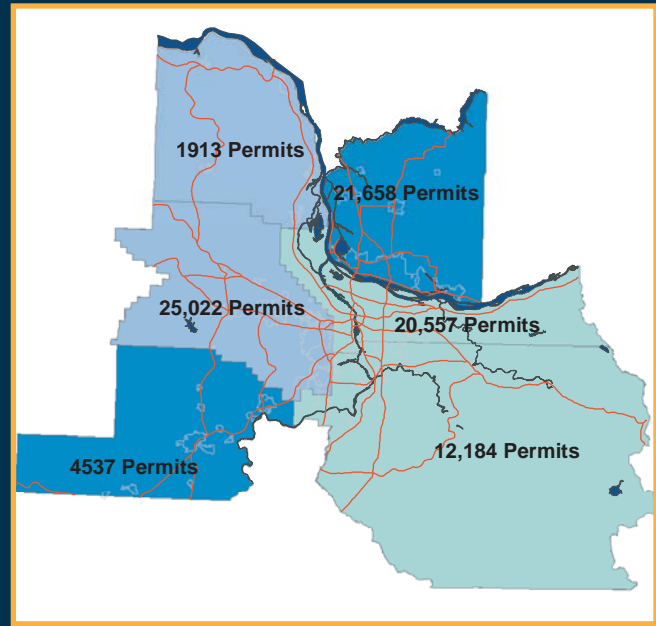


Figure 5

Sources: Clackamas, Clark, Columbia, Multnomah, Washington, and Yamhill Counties

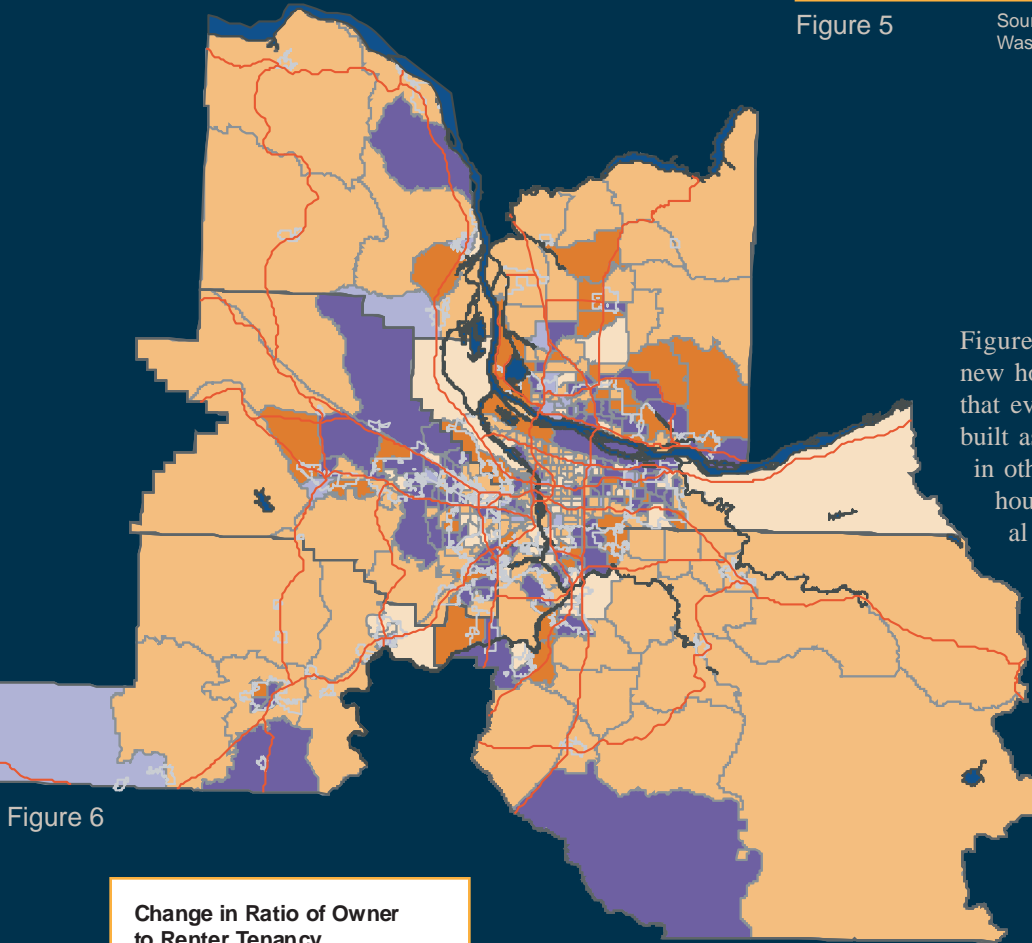
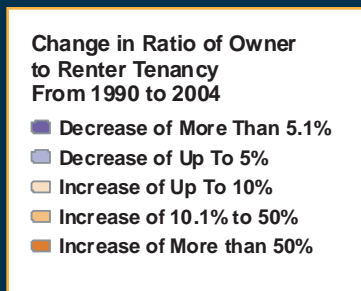


Figure 6



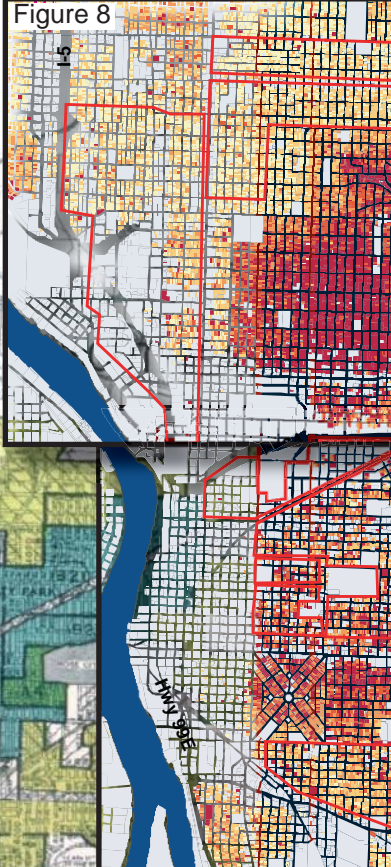
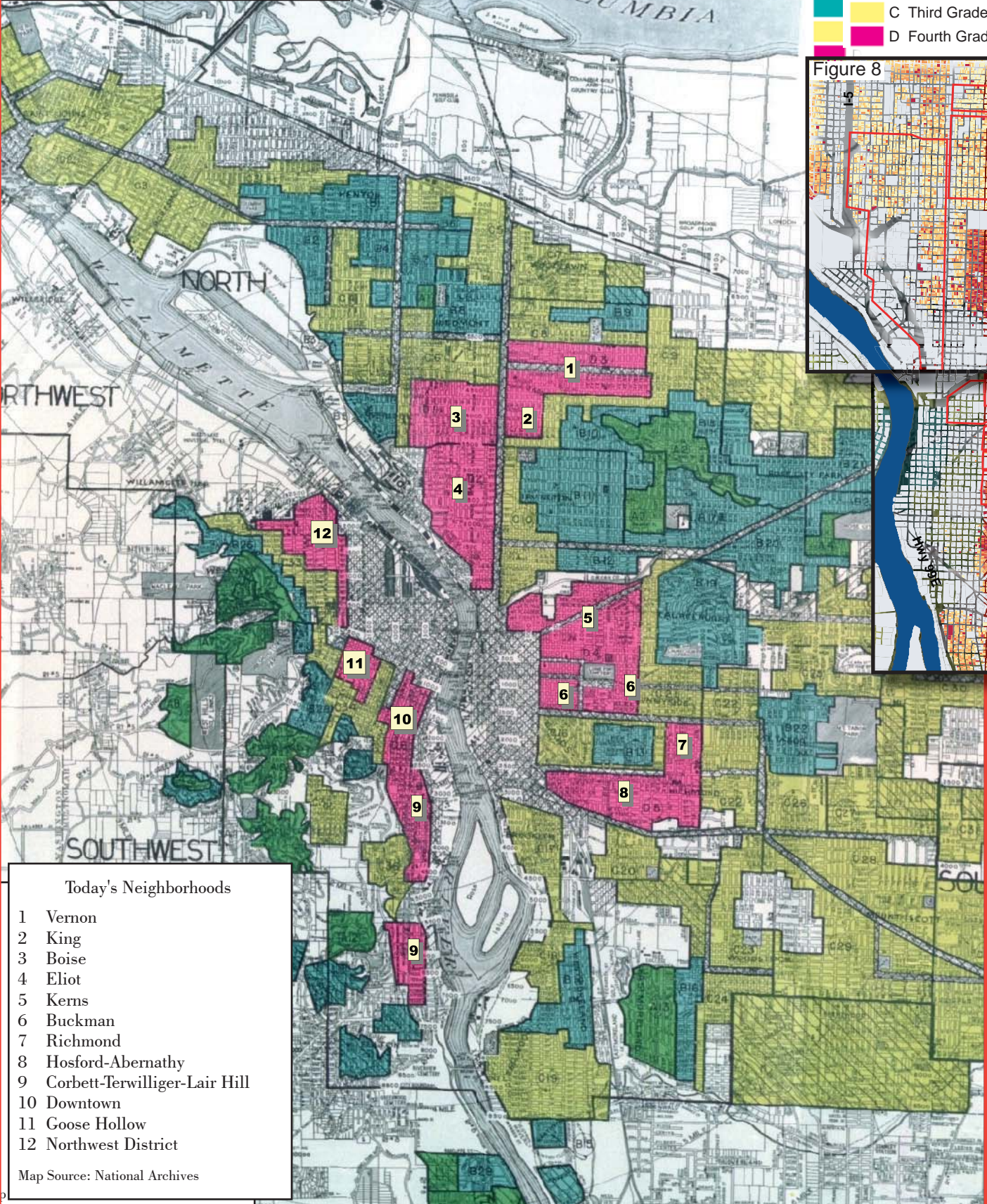
Source: US Census

Figure 6 puts another wrinkle on the picture of new homeownership in the metroscape. It shows that even if new houses are not necessarily being built as quickly in Multnomah County as they are in other counties, the ownership status of the old houses has changed. The ratio of owner to rental occupied housing has increased dramatically in most areas, but nowhere more dramatically than in North and East Portland. A review of ownership rates confirms that suburbanites own most of their homes, as perhaps they always have. However, the much observed shift from rental tenancy to owner occupation, driven by record low interest rates, has not left the urban core behind.

RESIDENTIAL SECURITY MAP 1938

Residential Security Map Legend

Green	A First Grade
Teal	B Second Grade
Yellow	C Third Grade
Pink	D Fourth Grade



- Today's Neighborhoods
- 1 Vernon
 - 2 King
 - 3 Boise
 - 4 Eliot
 - 5 Kerns
 - 6 Buckman
 - 7 Richmond
 - 8 Hosford-Abernathy
 - 9 Corbett-Terwilliger-Lair Hill
 - 10 Downtown
 - 11 Goose Hollow
 - 12 Northwest District
- Map Source: National Archives

Figure 7

The Legacy of Redlining

It does not seem fair to our modern sensibilities, but it has always been more difficult to get a mortgage on a home in certain neighborhoods. While the evaluation of mortgage applications is, debatably, still not ethnically or racially “blind,” it has come a long way from the official policy of “redlining” neighborhoods that began in the 1930s and continued (at least unofficially) for more than 50 years.

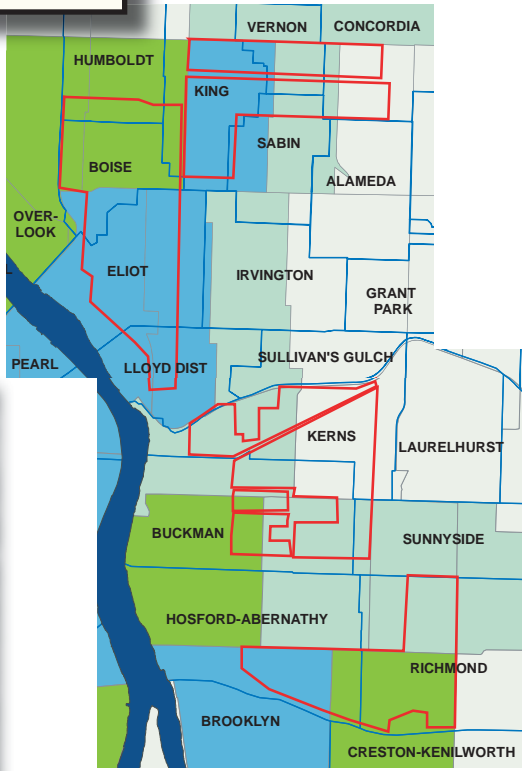
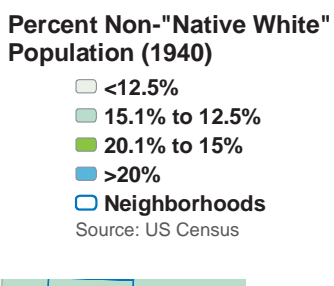
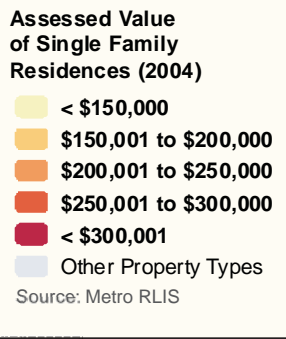
Redlining began as part of Roosevelt’s New Deal legislation. The Home Owners Loan Corporation (HOLC), a federal agency, developed an appraisal and rating system for urban neighborhoods that banks could use to help evaluate loan applications. Neighborhoods were mapped by HOLC contractors (local lenders and real estate agents) on “residential security maps.” Type “A” neighborhoods, outlined in blue, were affluent areas. Type “B” neighborhoods, outlined in yellow, were less affluent than type “A” but were acceptable for lending. Type “C” neighborhoods, outlined in green, were generally parks or sparsely populated areas. Ethnic and low income neighborhoods were typically characterized as Type “D” and considered high risk for lending. Type “D” neighborhoods were outlined in red.

Figure 7 shows Portland’s residential security map of 1938. This map was used to evaluate mortgages and its use had the same effects that similar maps did in other cities. Ethnic and racial minorities became segregated in redlined areas, if they were not living there already, and property values were suppressed in some close-in areas of urban Portland. On the west side of the Willamette, poorer residential neighborhoods in Northwest and Southwest Portland were slowly replaced by industrial and commercial development. Scarce land, gentrification, and the attraction of the core have recently returned some of these areas to residential use. On the eastside, development removed some residents from what are now the Eliot, Lloyd District and Kearns neighborhoods along I-5 and I-84.

Figures 8 and 9 show the 2004 assessed value of single family residential properties in redlined areas of East Portland north and south of I-84. South of I-84 the median value inside redlines was \$203,340. Immediately outside redlines the median value was \$209,170 - a “value gap” of \$5,830 or 2.8%. In 1997, before the current real estate boom, this value gap was larger. The median value inside redlines was \$128,700 and outside redlines it was \$138,700 – a value gap of \$10,000 or 7.2%. In redlined areas north of I-84 the situation is entirely different.

North of I-84 the 2004 median assessed value inside redlines was \$146,560 and outside redlines was \$217,490 – a value gap of \$70,930 or 32.6%. In 1997 the median value inside redlines was \$82,800 and outside redlines was \$119,900 – a value gap of \$37,100 or 30.9%. North of I-84 the legacy of redlining still seems to influence property values, at least for the time-being.

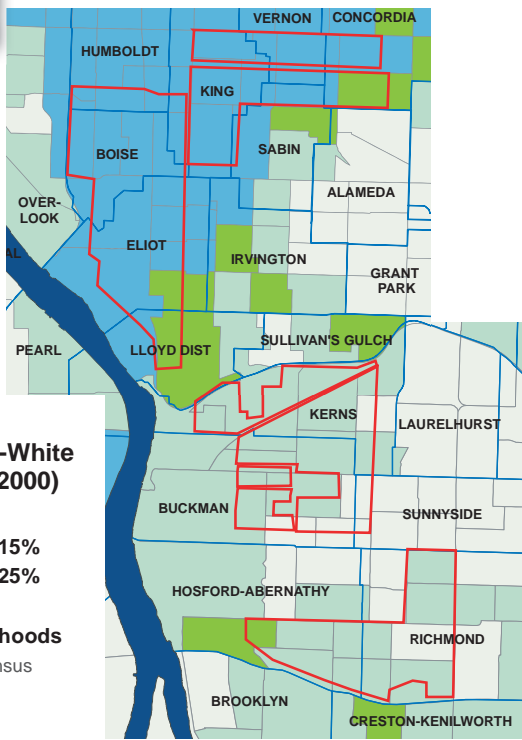
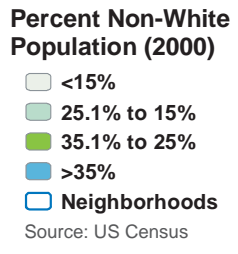
Contrary to assumptions, redlining was not only about race. Redlines were often drawn around ethnically as well as racially segregated areas. In the 1930s, many of these were neighborhoods of recent European immigrants. In fact, the 1940 US Census had the category of “native white,” a status open only to those born in the US. Figures 10 through 13 show the distribution of the non-white population (non-“native white” for 1940) in and around the eastside’s redlined areas in 1940 and 2000. The census blocks have changed shapes and the legend’s scales are different, but redlined areas in map figures 10 and 11 line up roughly with areas of today’s high non-white population (figures 12 and 13).



Figures 10 & 11



Figure 9



Figures 12 & 13

Can You Afford the Castle and Feed the Serfs (or Kids)?

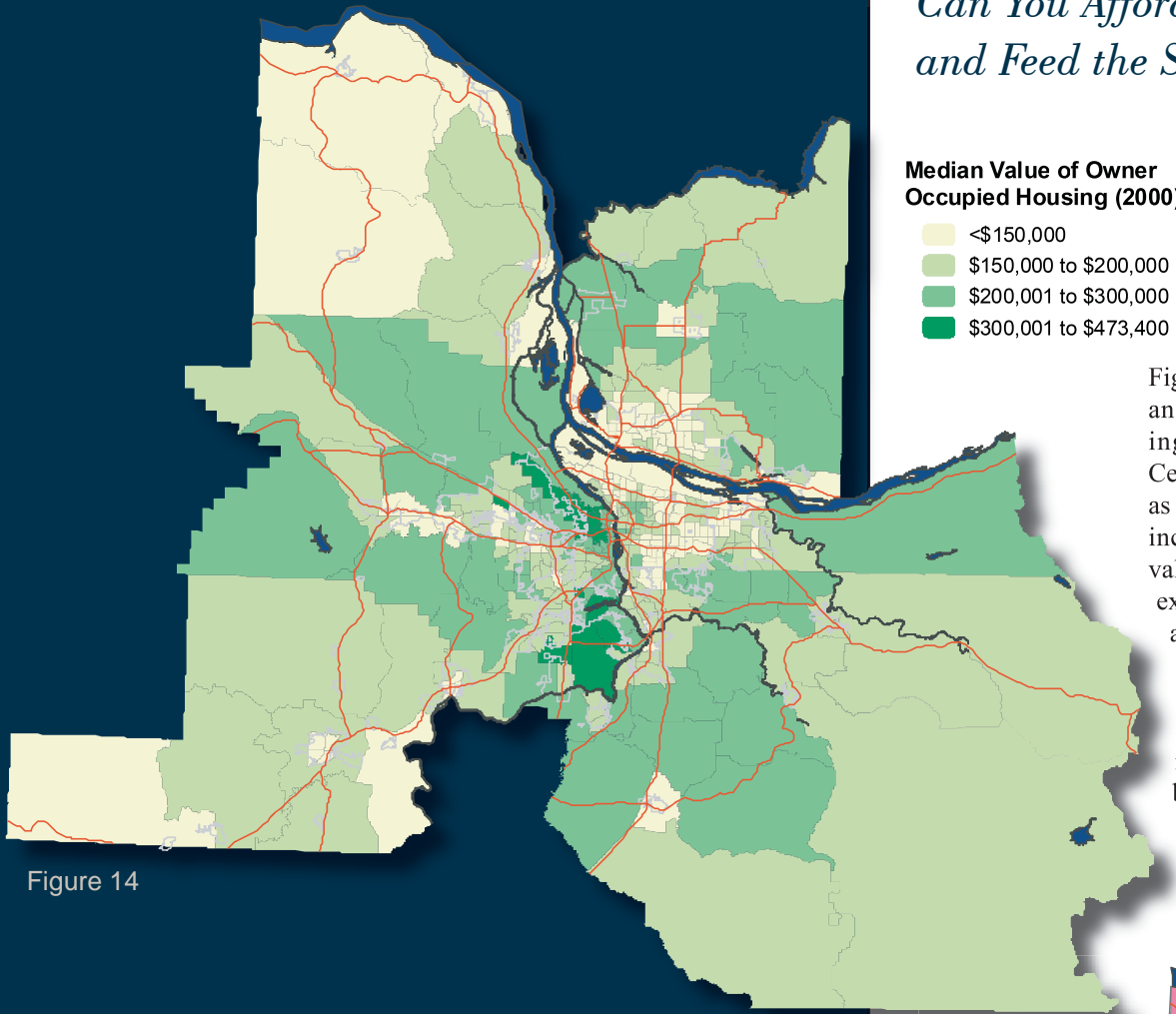


Figure 14

Median Value of Owner Occupied Housing (2000)

- <\$150,000
- \$150,000 to \$200,000
- \$200,001 to \$300,000
- \$300,001 to \$473,400

Figure 15 shows the change in median value of owner-occupied housing between the 1990 and 2000 Censuses. The change is expressed as a percentage of the 1990 value (an increase of 200% is a doubling in value). With only a couple of small exceptions, housing values in every area of the metroscape increased, sometimes dramatically. Homes in places as varied as Northeast Portland and rural Yamhill County more than doubled in value – all before any “housing bubble.”

Of course, whether you can afford a home has as much to do with house-

Whether our residences are truly homes or merely investments, we generally want them to increase in value. However, when it is time to move or trade-up to a larger house, we want affordability – a bargain property in just the right neighborhood. Of course, if you looking to buy your first home, affordability may be all that matters. Figures 14, 15 and 16 explore changes in housing value and affordability in the metroscape.

Figure 14 shows the median owner-reported value of owner occupied housing in the 2000 Census. The hot real estate market of the last few years has undoubtedly changed the housing landscape significantly. But unfortunately, the only comprehensive sample of all home values (not just sale prices) in the metroscape comes from the decennial Census. We will have to wait until 2010 to see the effects of recent increases in value. Figure 14 confirms that the metroscape’s most valuable homes are found in places like the West Hills and Lake Oswego. Gresham, Forest Grove and Vancouver (as well as rural Columbia and Yamhill Counties) obviously contain many homes at the other end of the spectrum.

Source: US Census

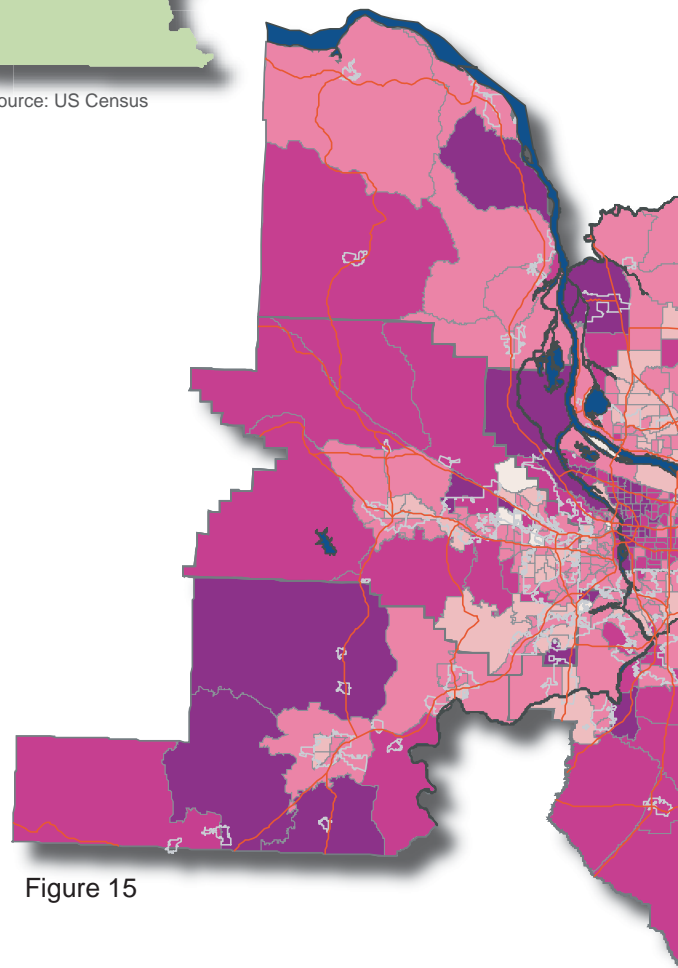


Figure 15

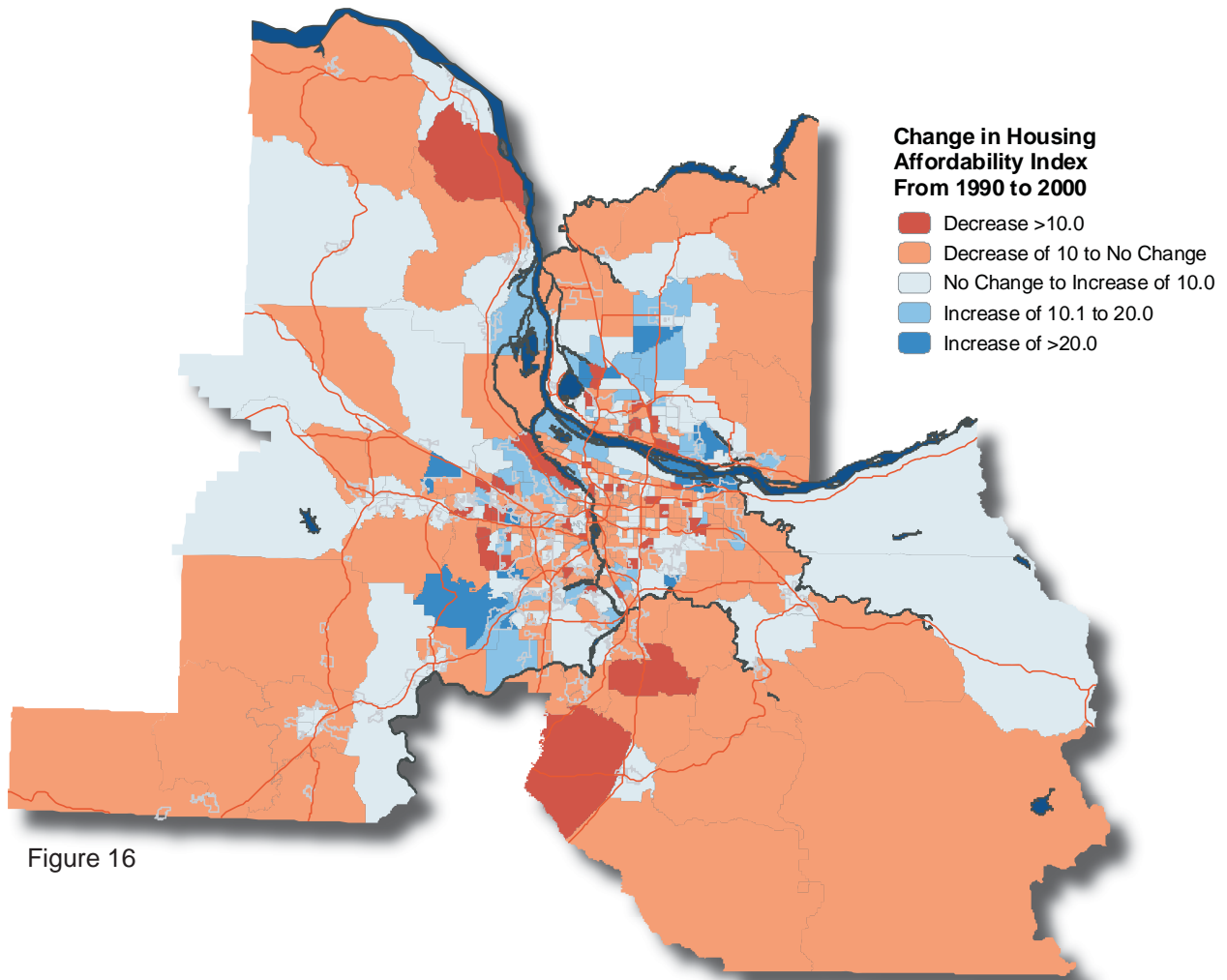
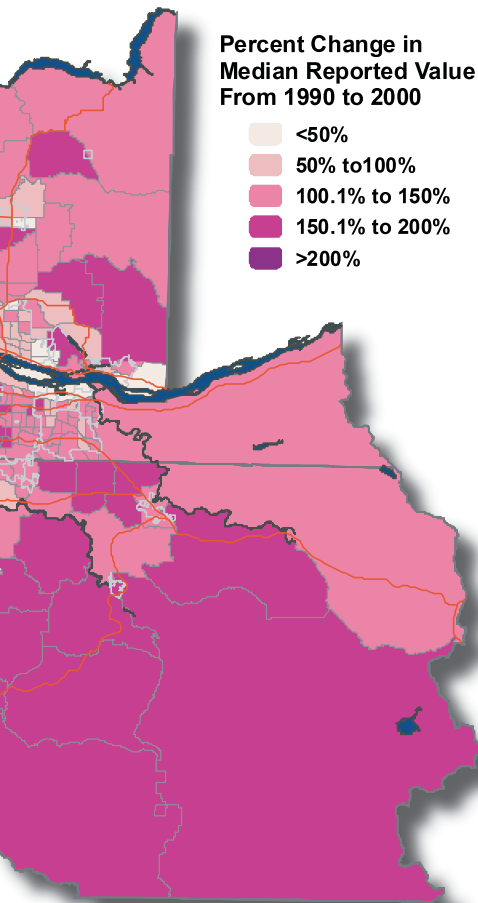


Figure 16

Source: US Census/National Association of Realtors



Source: US Census

hold income as with the price of property. Housing affordability indexes (HAIs) and housing opportunity indexes (HOIs) have been devised to calculate whether a family with a median income can afford to purchase a home of median value, taking into account existing mortgage rates. Figure 16 shows the change in housing affordability between the 1990 and 2000 Censuses. For the map, affordability was calculated using the formula of the National Association of Realtors incorporating the nation's average rates on 30-year fixed mortgages in 1989-90 (10.45%) and 1999-2000 (7.55%). Using this formula, the metro's median HAI in 1990 was around 34 and in 2000 it was around 32.

Several recent analyses have found that, according to 2005 sales data, homes in the Portland-Vancouver-Beaverton metropolitan area remain relatively affordable compared to other West Coast markets. Nationally, we appear to fall nicely into the middle third of all housing markets. That does not, however, mean that you can afford to live exactly where you want. Blue areas of figure 16 are where HAI values have increased and homes have become more affordable to buyers with median incomes. Red areas are where the affordability index has declined and you might have to stretch the budget a little to buy that dream home.

Of course, in the end all housing statistics are simply numbers. They can never really measure the true character, uniqueness and warmth of our homes. One person's shotgun-shack is another's castle. And if you want two turrets on your castle there is probably one out there waiting for you to make the right offer.