

08

RESIDENTIAL MARKET

Ownership Housing Market

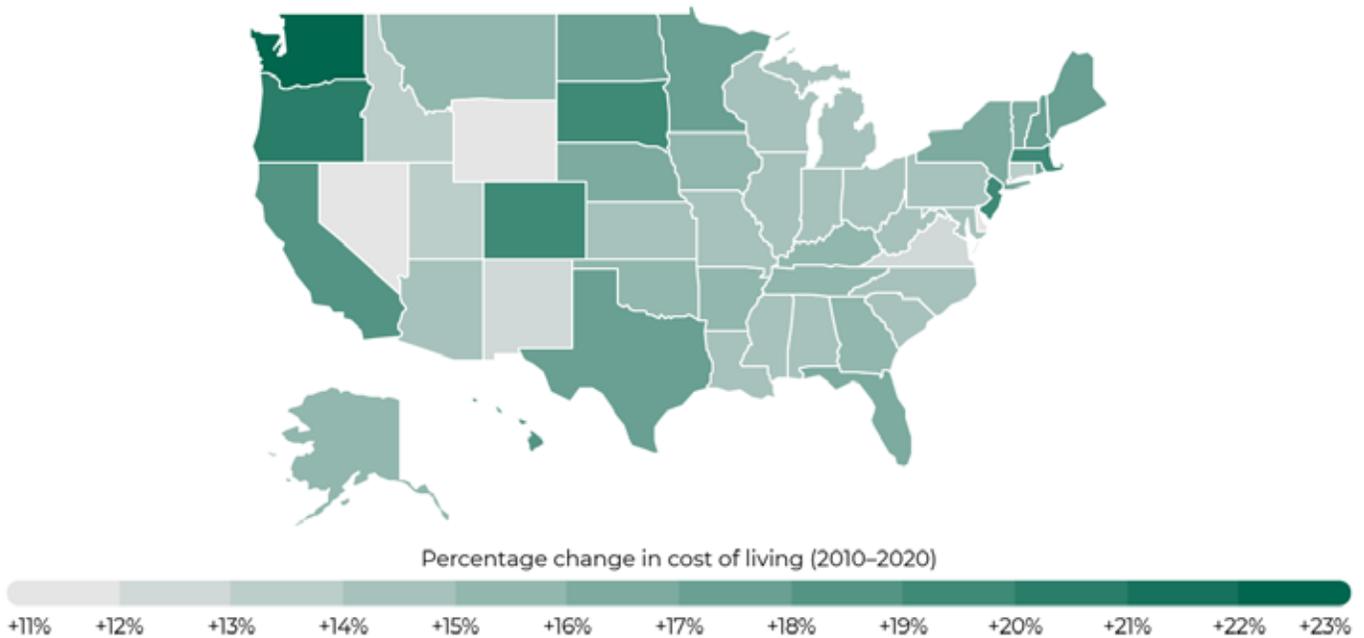
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The cost of living in Portland has significantly increased over the past decade. According to The Filterbuy Report, from 2010 to 2020, Oregon and Washington had the largest housing price increases in the United States. Living costs increased 23% in the Seattle metropolitan area and 22% in the Portland metropolitan area. These were the first and third largest increases in the U.S., respectively. The average cost of living in the past decade increased 5.7% in the city of Portland and 12% in the city of Seattle. During the same period, the cost of housing increased 30.5% in Portland and 52.3% in Seattle.

Residents in Washington & Oregon experienced the largest price increases over the past decade



Source: U.S. Bureau of Economic Analysis Regional Price Parities Dataset

PORTLAND

In January 2021, the Portland metropolitan area’s median sales price was at \$460,000. This increased 11.1% to \$511,000 by January of 2022 after hitting a high in August 2021 of \$524,900. With the increase in median sales price, the number of homes sold in the Portland metro area is decreasing. In June 2021, total sales were at 3,498 compared to 2,616 in December 2022. The number of active listings in July 2021 was at 3,180. This decreased to average listings of 1,554 in December 2022, a 51.1% decline.

The number of active listings in 2021 shows that the inventory in the metro area is not meeting the demands of the increasing population. In December 2019, there were 3,904 active listings, the lowest of any month that year. Today, that number has been cut by more than half. Portland is ranked in the top three cities with the fastest increasing median home price but has less than half of the number of homes for sale compared to 2019. This is making it very difficult for residents to buy or rent a home.

SEATTLE

According to Redfin, the median selling price for homes in Seattle was \$729,500 during in the fourth quarter of 2020. In May 2021, median home prices hit a record high \$816,500, and by the fourth quarter of 2021 prices had decreased to \$765,000, a year-over-year increase of 4.9%. In December 2021, the number of homes sold was 962. This was a 5.7% decrease from a total of 1,020 homes sold in December 2020. The highest number of home sales recorded was in June 2021 at 1,561.

The number of listings in the Seattle area decreased significantly from December 2020 to December 2021. In December of 2020, there was an average of 413 listings each month, according to Norda. In December of 2021, that number decreased 64.7%. This pattern is not just in Seattle and Portland. Redfin reported that due to homeowners taking advantage of low mortgage rates and a lack of construction, the national inventory has hit the lowest level in history. To make matters worse, the population in Seattle increased by 19% since 2010. If the demand for homes doesn't decrease or new supply increase, there is no sign of change in 2022.

HOW BUYERS ARE RESPONDING

With the current lack of inventory, potential homebuyers have two options. One option is to fight and suffer through bidding wars, compete for homes far above market price, or settle for homes they don't imagine themselves living in. The other option is to move to a smaller city with a less competitive market. With where the market stands today, finding a less competitive market seems like the safer and more affordable option. The proliferation of remote working also allows workers flexibility on where they live and has enabled this trend.

Bend has become a very popular city for those who are trying to flee the Portland metropolitan area. In 2010, Bend's population was around 76,700, according to World Population Review. Today, the population is 108,824, reflecting an increase of 42%. This increase in population led to the fourth biggest increase in living costs of small metros in the U.S. The rate of home ownership in

Bend is around 60%, with the majority being married couples. In December 2020, the median sales price was \$540,618. By December 2021, this increased 31.3% to \$710,000. There are now more bidding wars, offers on single-family homes, and less inventory than ever before.

As of 2020, Wenatchee, Washington had a population of 34,741. From 2010 to 2020, it had the third the biggest increase in living costs in small metros. In December 2020, the median cost of single-family homes was \$363,950. By December 2021, the median price increased 21% to \$439,000. This was only an 8.8% increase from 2010, smaller than the increases in larger cities, but still sizeable. According to Redfin, homes in Wenatchee are selling for 4% above listing price.

CONCLUSION

Workers with high paying jobs have shown their preference is to work at home at least some of the time. This incentivizes these people to move to a smaller city with lower demand, more affordable prices, and a higher perceived quality of life. Unfortunately, this has driven up the market in many smaller cities. Home builders are not able to supply enough inventory for the demand on homes and are actually starting to lose business, according to the New York Times.

Small city construction had a 15.7% annual growth rate in 2021, according to the National Association of Home Builders. As people continue to leave, the demand in small cities will continue to rise along with the price of homes. This is great for sellers, who can take advantage of the lack of inventory and sell significantly above market value. In contrast, it has made things very difficult for buyers. Workforces in smaller cities have difficulty competing for scarce housing inventory against households with higher wages, and this can lead to displacement. Many people are still struggling due to the economic effects of the pandemic. If inventory does not increase, many of these people will not become homeowners.

RESOURCES

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