

The Effect of Rising Home Cost

New Home Prices & Households 'Priced Out' of the Market by a \$1,000 Price Increase

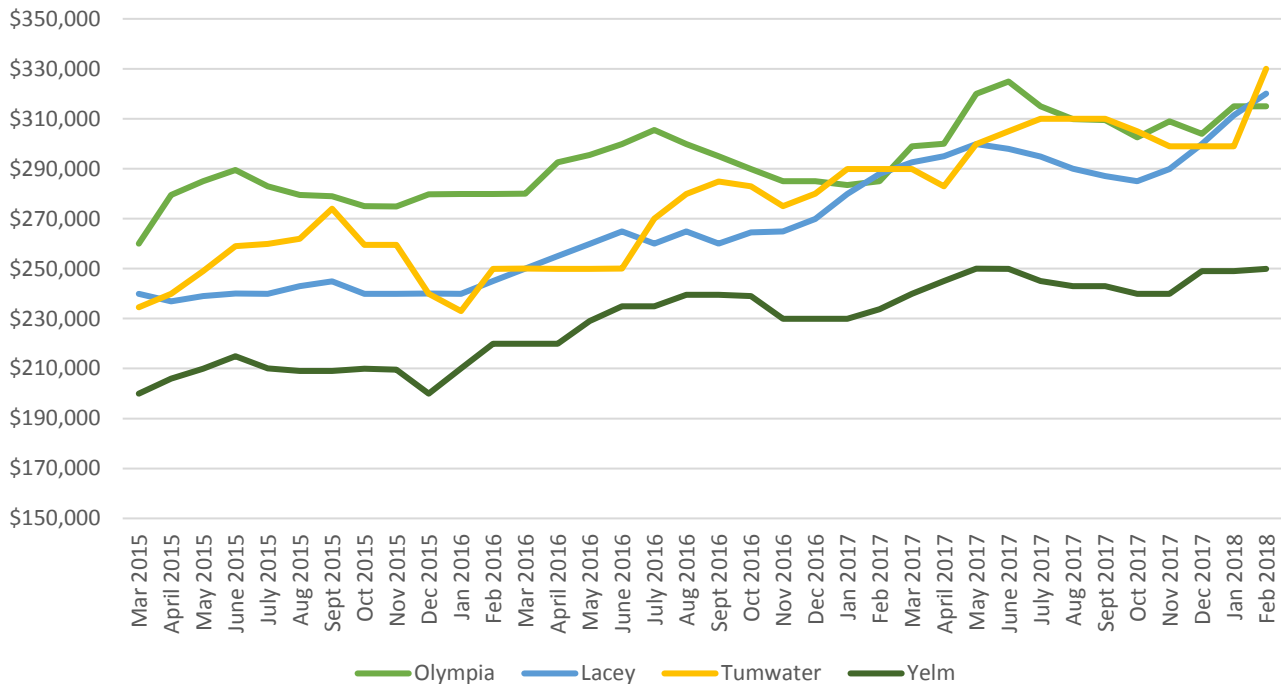
Understanding the relationship between price change and housing affordability is critical, especially when considering the impact of policies that increase the cost of new construction. A straightforward approach used to analyze that relationship is based on mortgage underwriting standards - to calculate the number of households that can qualify for a mortgage before an increase in a median home price, but not afterwards. The difference is the number of households that are 'priced out' of the market for a typical home.

Nationally, for every \$1,000 increase in the price of a home, about 152,903 households are priced out of the market for a median-priced new home. Locally, the effect of a \$1,000 increase in price is considerable:

Households Priced Out of the Market by a \$1,000 Price Increase, 2016			
Washington State		Olympia-Lacey Metro, WA	
Median New Home Price	\$320,728	Median New Home Price	\$283,568
Income Needed to Qualify	\$77,068	Income Needed to Qualify	\$69,324
Total WA Households	2,778,440	Total Area Households	107,032
Households Priced Out	3,858	Households Priced Out	194

Between March 2015 and Feb 2018, the average median listing price of homes in Olympia, Lacey, Tumwater and Yelm rose 30% or \$70,000. Conservatively, we can estimate that over the last 36 months, at least 10,000 households in the Olympia-Lacey Metro Area have been priced out of home ownership.

Median Home Listing Price



Housing affordability means more than just low-income housing. It means having homes that can be afforded by households at all income ranges, especially vital, workforce employees. When house prices rise, medium-income homes are denied access to home ownership.