

Public Policy Memo

House prices for first time home buyers in Washington

What exactly is happening?

A common sentiment amongst people looking to buy their first house is of uncertainty and apprehension with a side of hope and excitement. Unfortunately, housing prices just haven't kept up with wages across the nation with Washington being amongst the top states with the most expensive housing costs. Particularly in Washington State more people are moving here with less developed land to go around, and these out-of-state buyers are coming from more expensive cities like San Francisco or New York and usually outbuy local incomes (Katafias, 2023).

As reported by the Tacoma News Tribune, Washington ranks third in the nation for average home prices from March 2021 to March 2023. The average price for a home was around \$562k, increasing \$72k in that time frame (Gendron & Goodwin, 2023). What's more is that wages haven't kept up, especially after the pandemic. From 2010 to 2022, housing prices rose by 98% while wages only rose by 57% in Washington State in comparison to the national average +74% in housing and only +54% in wages (USAFacts, 2023).

What's working?

There are lots of state and federal efforts to help offset the incredible cost of buying a house. To list a few, some programs included are the Home Advantage Program, House Key Opportunities Program, and Mortgage Tax Credit Certificate. While these programs are

beneficial, especially for lower income families, the conditions on receiving the aid can be a barrier as well as the general knowledge of these programs existing. This is not to undermine the impact of these programs but to put a spotlight on possibly expanding these programs to increase the effectiveness.

Another factor that cannot be dismissed is family. About 35% of homeowners had received assistance from their parents, family member, or close friend when it came to the down payment of their current home (Davis, 2023). While not all prospective homebuyers would have that luxury, the fact remains that a high percentage of homeowner today are in their homes because of their familial ties.

What can be done?

The simplest answer is to build more houses to meet and hopefully prices will go down but that is easier said than done. There has been calls nationwide to enact zoning reforms to allow for more homes and increases and expansion in government house assistance programs, especially for first-time and first-generation home buyers (Quinlan, 2024).

In Washington State, some people in need of affordable housing reportedly spend about half, if not more, of their income on their current rent situation (Murphy, 2024), so affordable housing, especially for low-income renters, can be a good first step for future homebuyers to start saving for their first home.

Conclusion

With the aftermath of the pandemic and political climate still affecting house prices, there doesn't look to be a silver bullet to magically solve the current housing issue, but with small, positive steps, hopefully a solution can be made.

References

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