

Regional Housing Strategy: 2023 Monitoring Report



Puget Sound Regional Council



November 2023

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Background

The Regional Housing Strategy is a playbook of regional and local actions to preserve, improve and expand housing stock

The aim is to make a range of affordable, accessible, healthy and safe housing choices available to every resident and to promote fair and equal access to housing for all people.

The strategy calls for **PSRC to track performance and outcomes over time and identify challenges** or barriers in consultation with jurisdictions and other stakeholders. The **2023 monitoring report follows the 2022 report** and the 2021 Regional Housing Needs Assessment.

PSRC will continue to review these measures annually and periodically, depending on data type and source. Monitoring provides a snapshot of key housing measures in the region and captures longer-term trends. It helps focus regional housing assistance and local work, with an emphasis on eliminating racial disparities in access to housing.





\$160,000

Annual income needed to purchase a median priced home – **the highest ever in our region***

* King, Pierce, and Snohomish Counties

Housing in our region continues to cost too much.

The sharp mortgage rate hikes over the past year resulted in the highest median household income ever needed to purchase a median priced home.

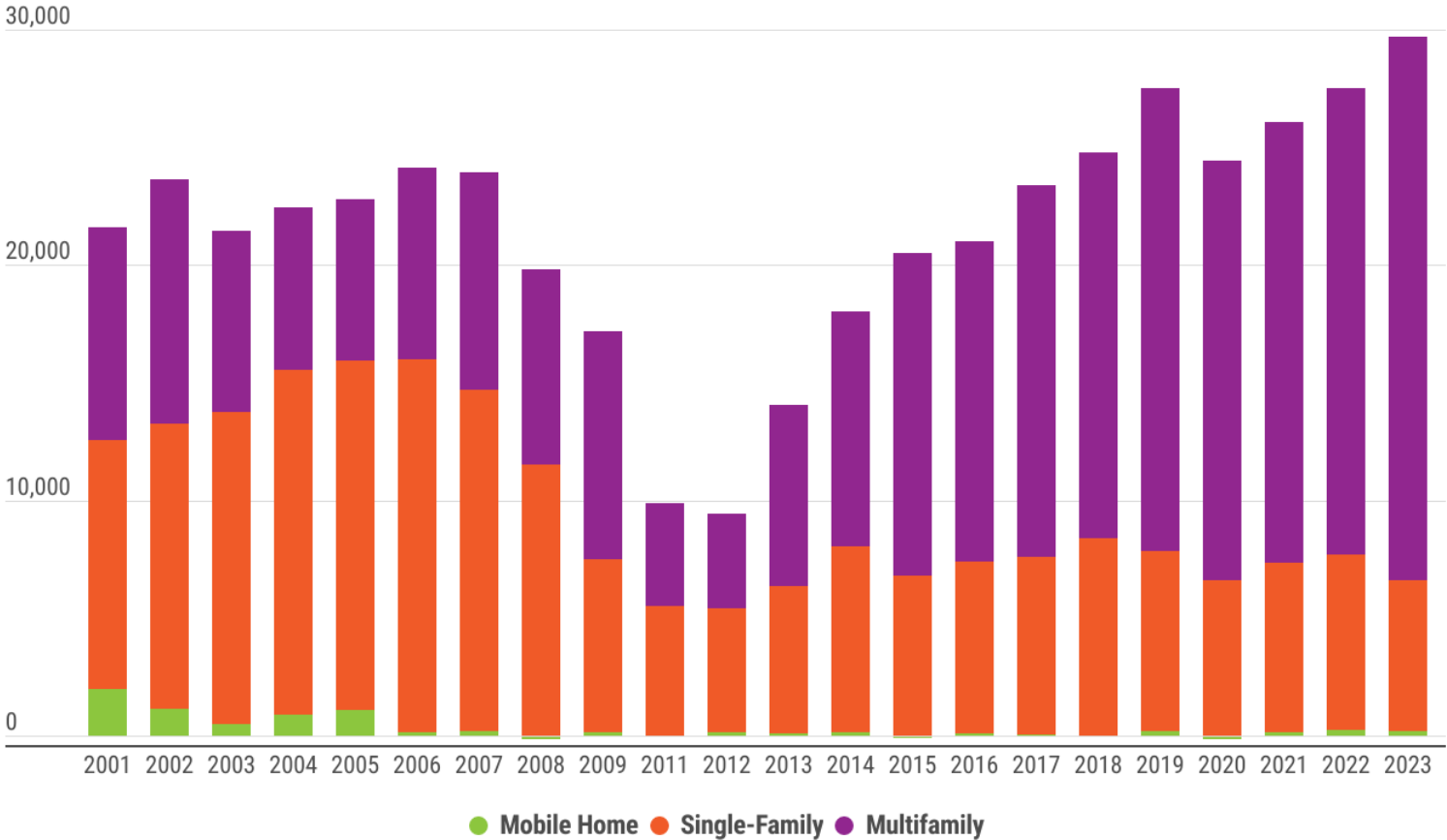
Rising costs have also exacerbated the gap between renting and owning, **pushing homeownership out of reach for renters** at a time when millennial households are at prime homebuying ages and as homeownership disparities between white households and those of color continue.

Although jurisdictions do not typically build or finance housing, zoning and development regulations play a significant role in whether and how much housing is built as the construction industry responds to growth.

The **Regional Housing Strategy calls for local jurisdictions to increase densities, reduce minimum lot sizes, and reduce or eliminate parking requirements.** These approaches have the potential to significantly reduce construction costs and open up ownership opportunities to moderate income households.



Annual Housing Production by Type



Housing production is at a 20-year high, putting more homes on the market and creating new housing opportunities.

However, the vast majority of housing produced over the last decade is multifamily, predominantly comprised of rental housing and smaller units.

Rising rents and home prices indicate this production has not been enough to meet the demand pressures of the region’s households and not at the price points needed to alleviate the region’s affordability crisis.

More lower-cost housing is clearly needed, which will **require both zoning reform and greater public intervention** to incentivize and subsidize housing for lower income households.

Source: WA State Office of Financial Management, April 1 Population Estimates – 2000–2010 & 2010–2020 Intercensal & 2023 Postcensal



Legislature's "Year of Housing"



2023 was Washington state's "Year of Housing", which saw the passage of several significant bills aimed at addressing the state's housing crisis.

HB 1110, the "Middle Housing Act," requires many cities in the region to allow up to fourplexes, townhouses, and cottage housing on single-family lots by June 2025. It may significantly increase the supply of housing and lower the barrier to homeownership as middle housing types are often more affordable than single-family homes.

HB 1337, the "Accessory Dwelling Unit Act," makes it easier for homeowners to build accessory dwelling units (ADUs) on their property. ADUs can provide affordable housing options while maintaining the character of existing neighborhoods.

Other important State housing reforms:

- **\$1 Billion allocated to housing**, with \$400 million to the Housing Trust Fund
- Conversion of commercial buildings to housing ([HB 1042](#))
- Permit review reform ([HB 1293](#))
- Homeownership for those harmed by systemic discrimination ([HB 1474](#))
- Utility connection fee waiver ([HB 1326](#))
- Surplus property for affordable homeownership ([HB 1695](#))
- Condo reform ([SB 5258](#))



Looking Ahead



State, regional, countywide, and local housing efforts are underway at an unprecedented scale.

The **2024 major periodic updates to local comprehensive plans are a once in a decade opportunity** to move the region closer to the VISION 2050 goal of providing a range of affordable, accessible, healthy and safe housing choices to every resident.

This report shows that much is being done to address housing access and affordability and that the region needs to do even more. Historic investments and changes are needed to make housing accessible for all.

Key findings in this report are centered around general affordability measures and the three Ss of the Regional Housing Strategy: **Supply**, **Stability** and **Subsidy**.



General Affordability Measures



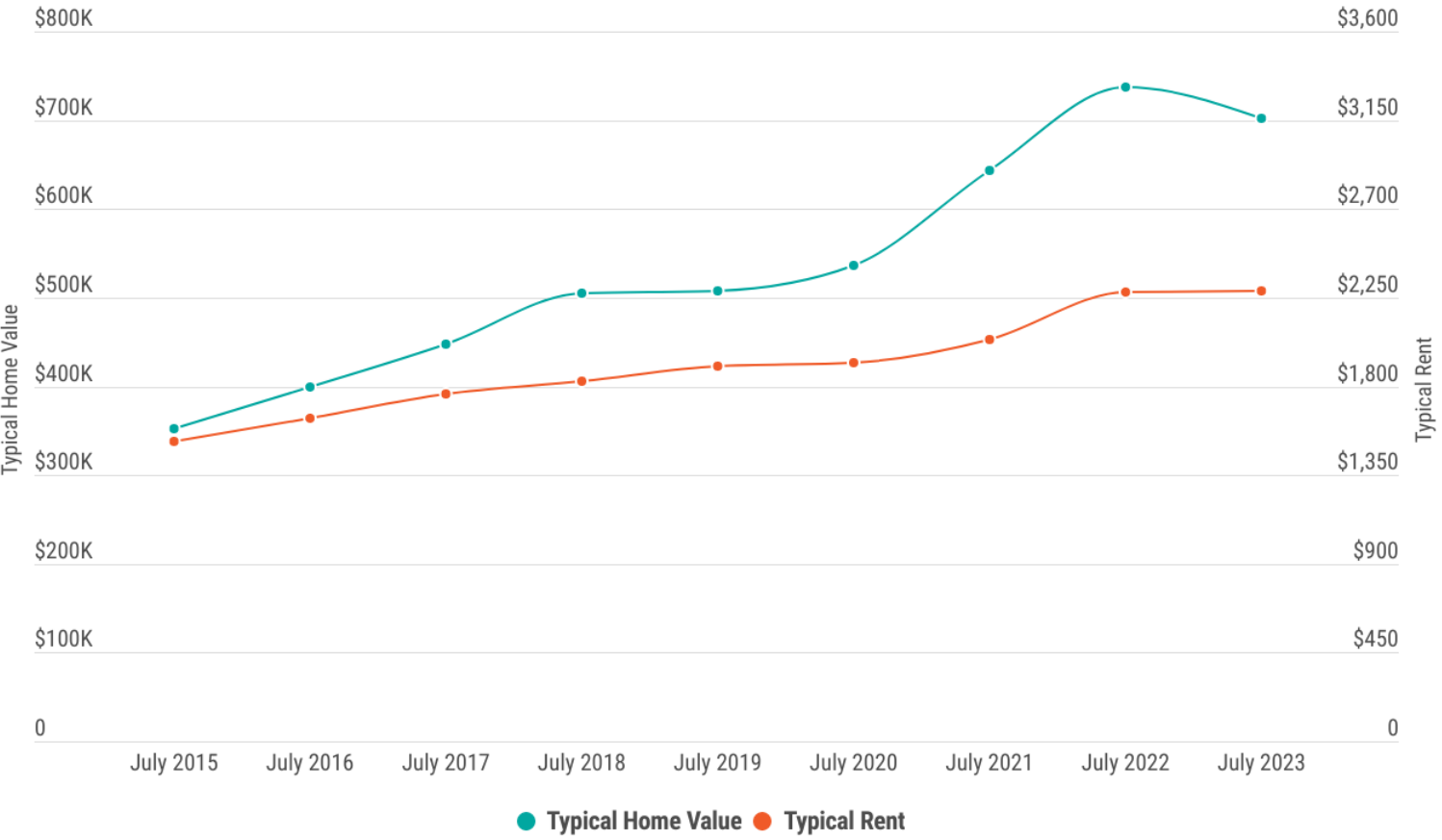
Recent data shows that **households in the central Puget Sound region still struggle to find housing that fits their income** in an increasingly competitive and expensive market.

Rents and home values have largely moderated since 2022, however the **spike in mortgage rates has continued to keep ownership out of reach for many households**. Home ownership is less likely for Black and Hispanic/Latinx households.

Middle density housing, which is often more affordable than other housing forms, is hard to find.



Metro Area Home Values and Rent



Rent and home values continue to increase, with some stabilization.

Housing prices have risen at an unprecedented rate over the past decade and have outpaced increases in income for most households.

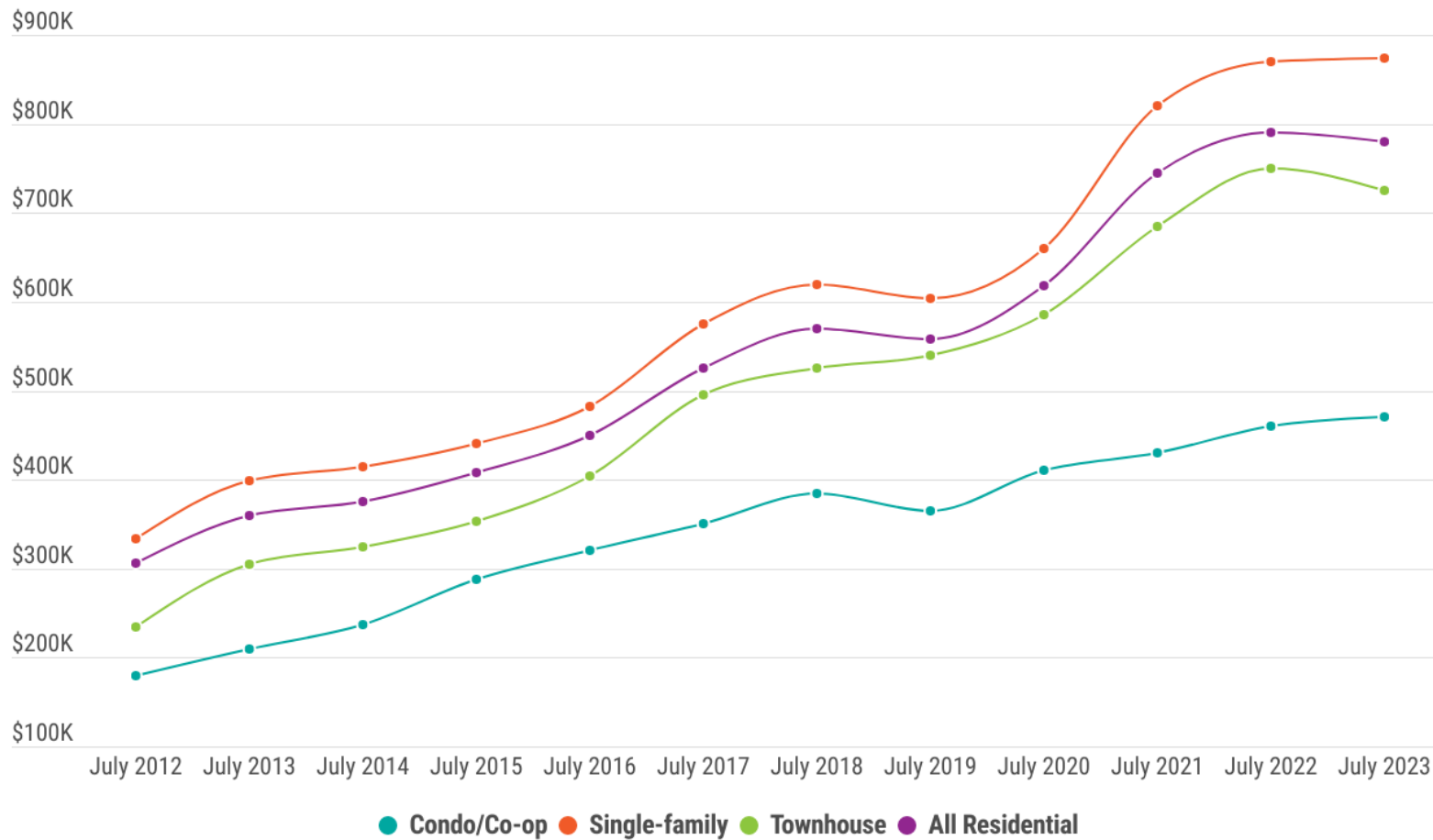
The median **rent rose 50%** from \$1,519 in July 2015 to \$2,285 in July 2023. The typical **home value essentially doubled, increasing 98%** from \$353,000 in July 2015 to \$700,000 in July 2023.

Rising rents not only keep many from home ownership, but also contribute to housing instability and in some cases being unhoused.

Source: Zillow, Home Value Index, Observed Rent Index
 Note: Data for the Seattle-Tacoma-Bellevue metropolitan statistical area representing King, Pierce, & Snohomish counties



Median Home Price by Housing Type



Middle density housing continues to provide less costly ownership opportunities.

Median sale prices show **the cost of a detached single-family home (\$870,000) is substantially higher than townhomes (\$725,000) and condominiums (\$470,000).**

The implementation of HB 1110 which allows **middle density housing** in predominantly single-family neighborhoods, **has the potential to provide less costly ownership options, improve walkability, and reduce greenhouse gas emissions** in communities across the region.

Note: Home price includes the sale price only and excludes additional fees such as monthly HOA dues.

Source: Redfin, Monthly Housing Market Database

Note: Data are for the Seattle metropolitan division which represents King and Snohomish counties



Mortgage Rate Impact on Housing Affordability

	June 2021	June 2023	Percent Change
Mortgage Rate	2.99%	6.79%	127%
Median Home Price	\$635,000	\$695,000	9%
Monthly Mortgage Payment	\$2,700	\$4,200	56%
Required Household Income	\$105,000	\$164,000	56%

Rising mortgage rates have worsened our housing affordability challenges.

From June 2021 to June 2023, mortgage rates on a 30-year, fixed rate mortgage have more than doubled.

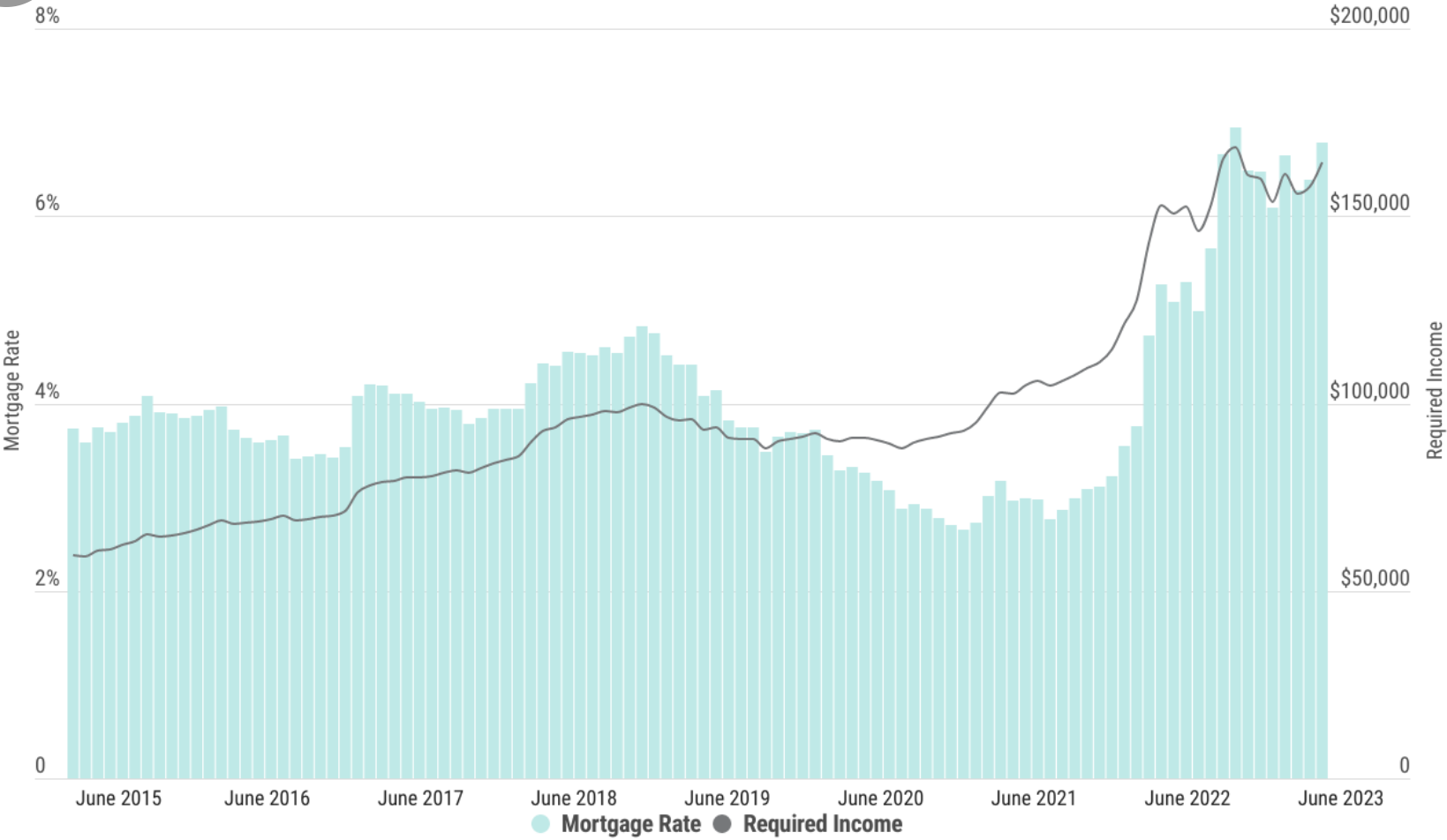
Rising mortgage rates, combined with high housing prices, has **increased a typical mortgage payment by over \$1500 per month, a 56% increase.**

A household purchasing the typical home in 2023 needs to earn about \$60,000 more than was required in 2021 to afford the *same* home.

Source: Zillow, Home Value Index; Freddie Mac, Primary Mortgage Market Survey; calculated by PSRC
 Note: Data are for the Seattle-Tacoma-Bellevue metropolitan statistical area which represents King, Pierce, and Snohomish counties. Assumes a 31% debt-to-income ratio, 30-year fixed rate mortgage, 20% down payment, 1% property tax, and 0.35% property insurance rate.



Mortgage Rate Impact on Housing Affordability



Household income needed to purchase a home spiked in early 2022.

The combination of higher mortgage rates and high prices has pushed up the household income required to make these new mortgage payments.

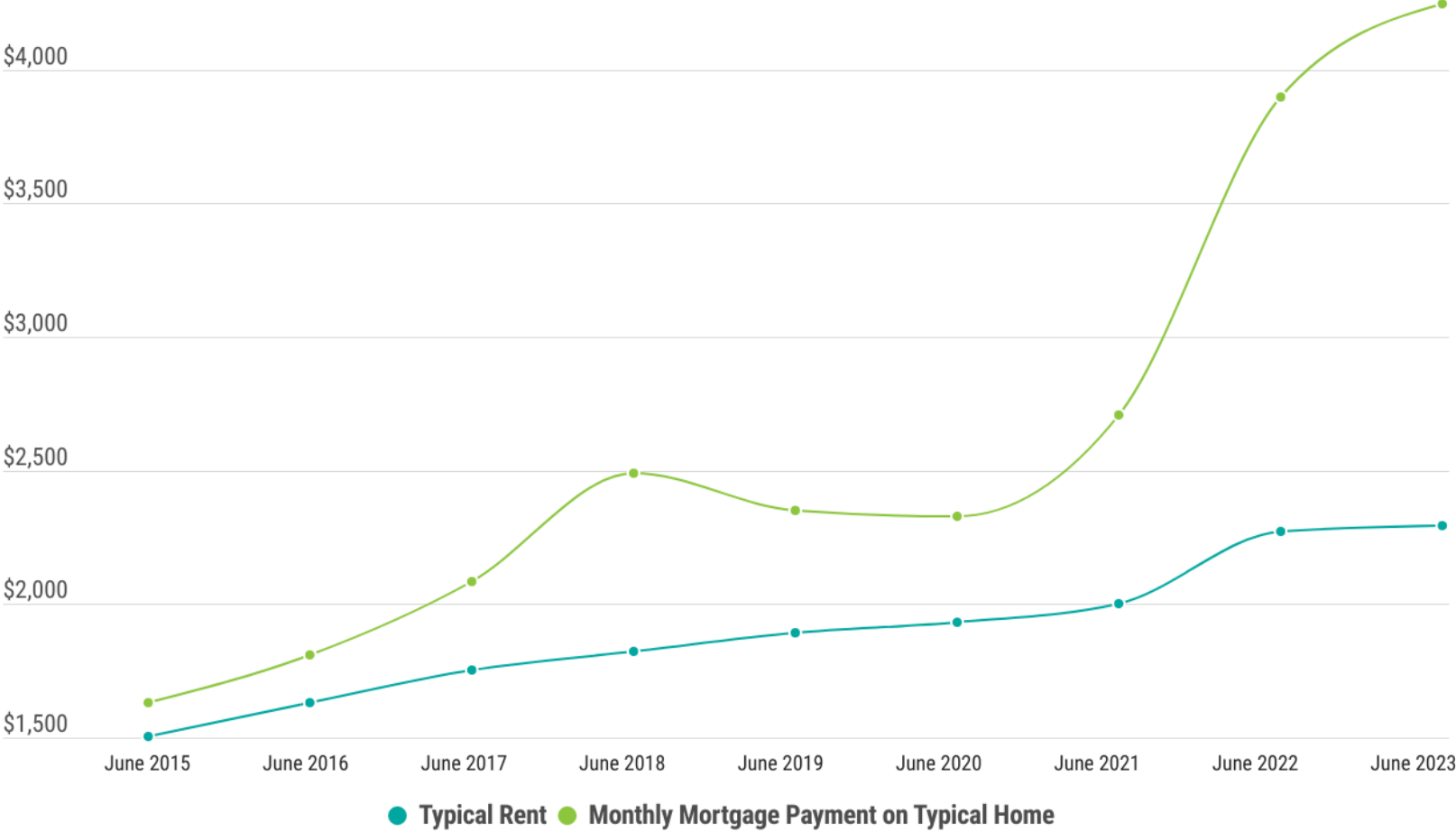
In June 2015, a household earning \$60,000 could afford the mortgage on a typical home. By June 2023, this has risen to well over \$160,000.

We assume a 20 percent down payment, a considerable challenge for many prospective buyers.

Source: Zillow, Home Value Index; Freddie Mac, Primary Mortgage Market Survey; calculated by PSRC
 Note: Data are for the Seattle-Tacoma-Bellevue metropolitan statistical area which represents King, Pierce, and Snohomish counties.
 Assumes a 31% debt-to-income ratio, 30-year fixed rate mortgage, 20% down payment, 1% property tax, and 0.35% property insurance rate.



Growing Gap Between Typical Rent and a Typical Mortgage Payment



It's getting much harder for prospective first-time buyers to own a home.

Renters looking to purchase face the widest affordability gap in years.

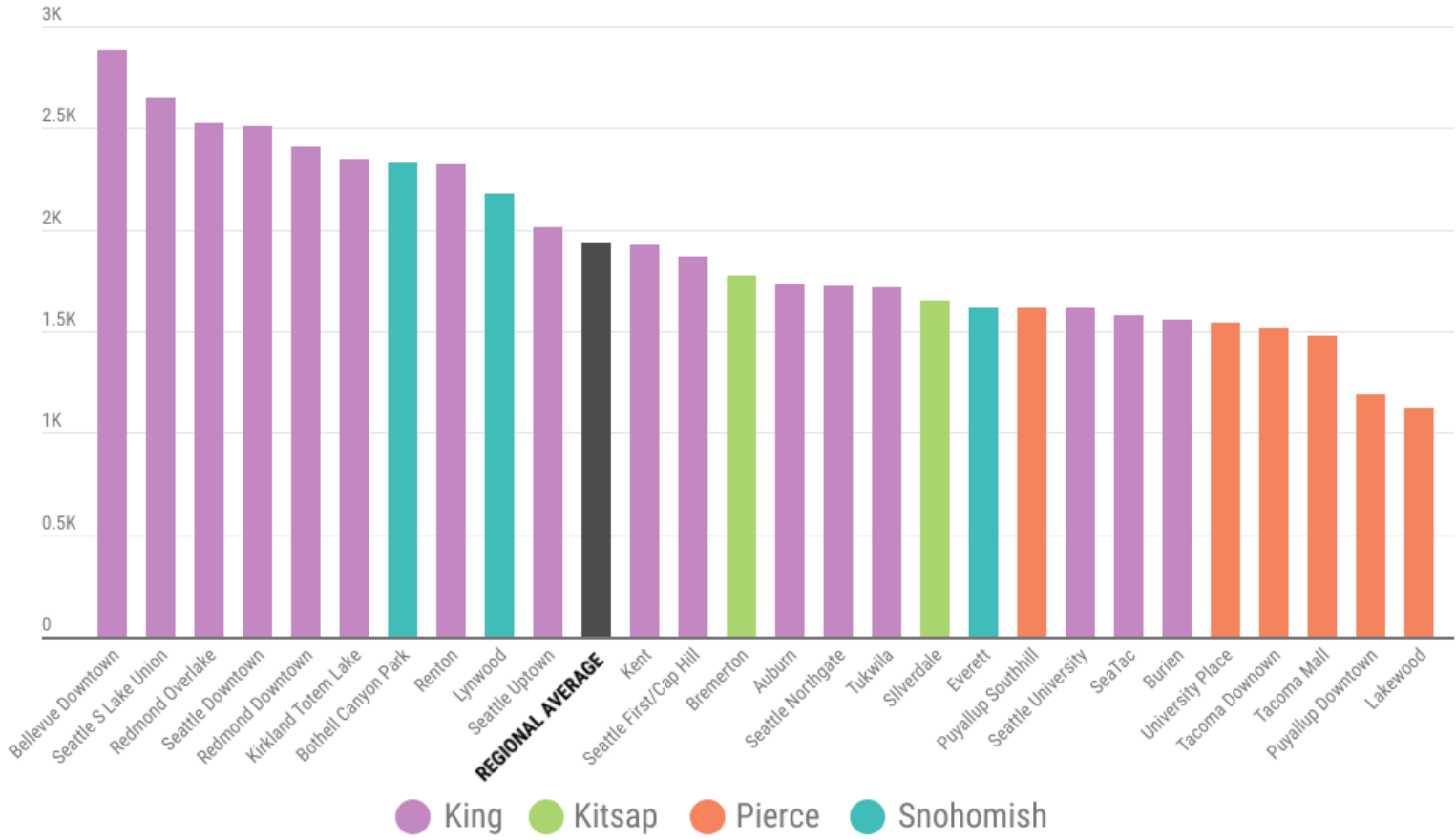
As recently as 2015, the gap between renting and owning represented just a \$100 difference in monthly housing costs (assuming one has saved a 20% down payment).

By 2023, that gap widened to over \$2,000 per month.

Source: Zillow, Home Value Index; Freddie Mac, Primary Mortgage Market Survey; calculated by PSRC
 Note: Data are for the Seattle-Tacoma-Bellevue metropolitan statistical area which represents King, Pierce, and Snohomish counties.
 Assumes a 31% debt-to-income ratio, 30-year fixed rate mortgage, 20% down payment, 1% property tax, and 0.35% property insurance rate.



Average Asking Rent in Regional Growth Centers



Rents vary widely across regional growth centers. Some centers offer rents lower than the regional average while also being well-served by transit.

Regional growth centers in Kitsap and Pierce Counties offer rents well below the regional average, while rents in King and Snohomish County centers vary.

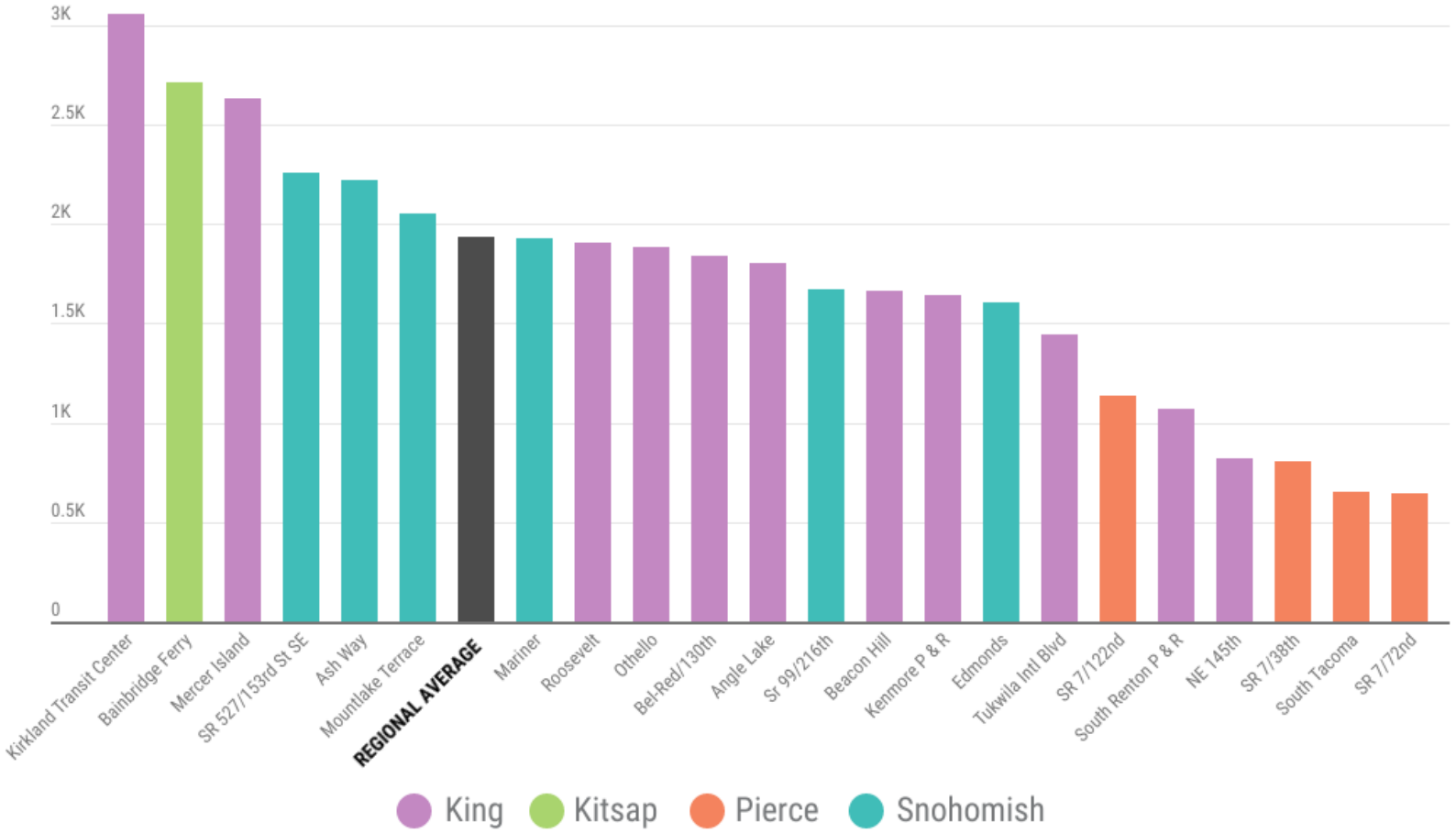
Increasing ownership and rental housing in regional growth centers can reduce auto dependency, increase walkability, and support local businesses.

Note: Regional growth centers are regionally designated places characterized by compact, pedestrian friendly places with a mix of uses. While relatively small geographically, centers are home to a large share of the region's population and employment growth.

Source: CoStar, Properties Database
 Note: Data represent first quarter (Q1) 2023 average asking rent for market-rate rental properties. Data not available for Federal Way and Issaquah regional growth centers.



Average Rent near High-Capacity Transit



There is significant variability in rents near high-capacity transit.

Except for the Bainbridge Ferry terminal in Kitsap County, **King and Snohomish County station areas have the highest average rent.** Pierce County station areas have the lowest average rent.

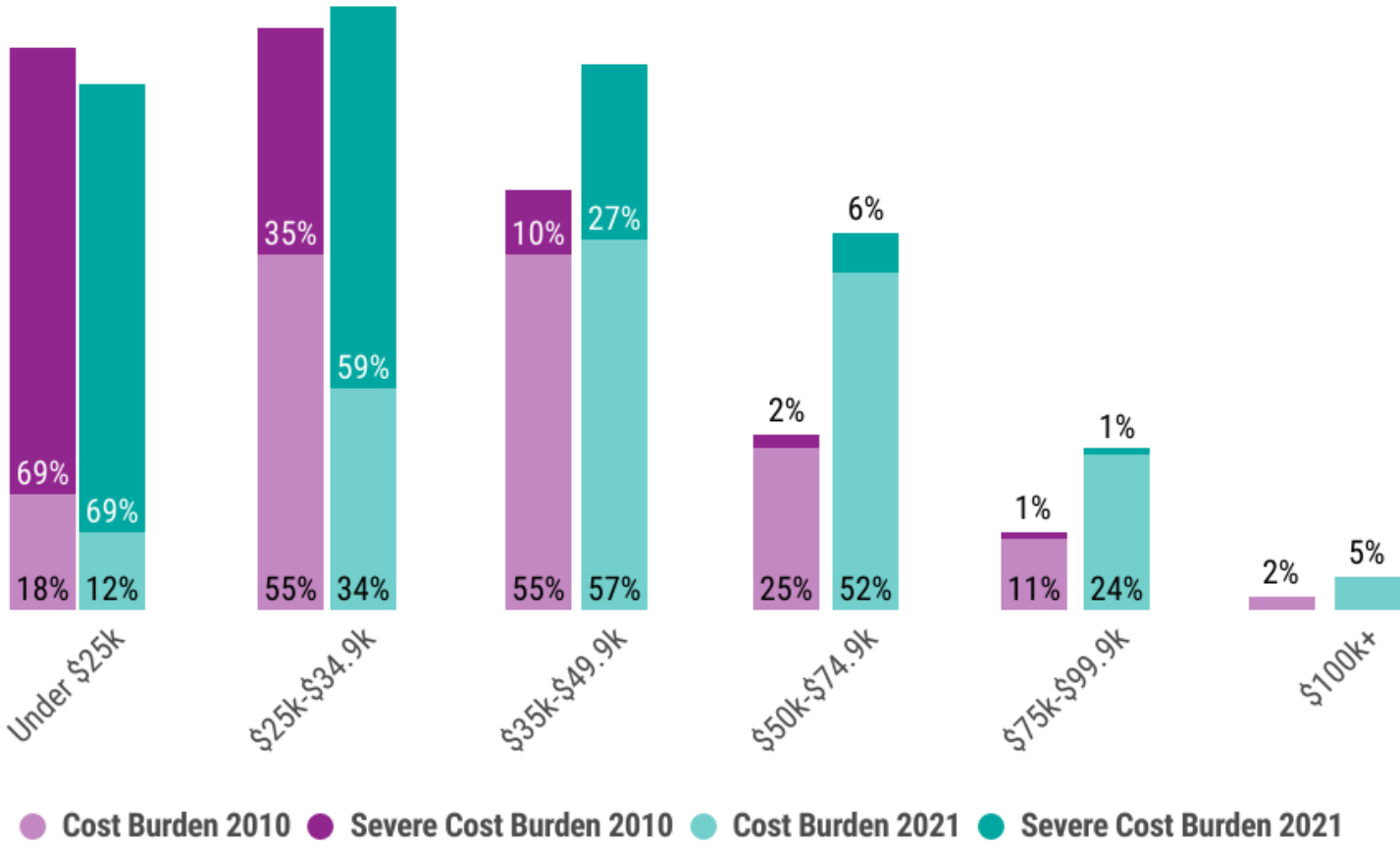
Newer and future station areas with lower rents can provide opportunities for jurisdictions to preserve affordability where it exists today.

Note: Some of the HCT areas are new or not yet served by transit. Rents will likely fluctuate as transit service increases. We will continue to monitor these areas.

Source: CoStar, CoStar Properties Database
 Note: Data represent first quarter (Q1) 2023 average asking rent for market-rate rental properties. Data not available for Poulsbo, Port Orchard, Fife, and NE 185th high-capacity transit areas.



Renter Cost Burden by Income



The majority of renter households earning less than \$75,000 per year are cost-burdened, spending more than 30% of their income on housing.

Steep increases in rents over the past decade have resulted in a serious housing cost burden for many of the region’s renters, especially low-income households.

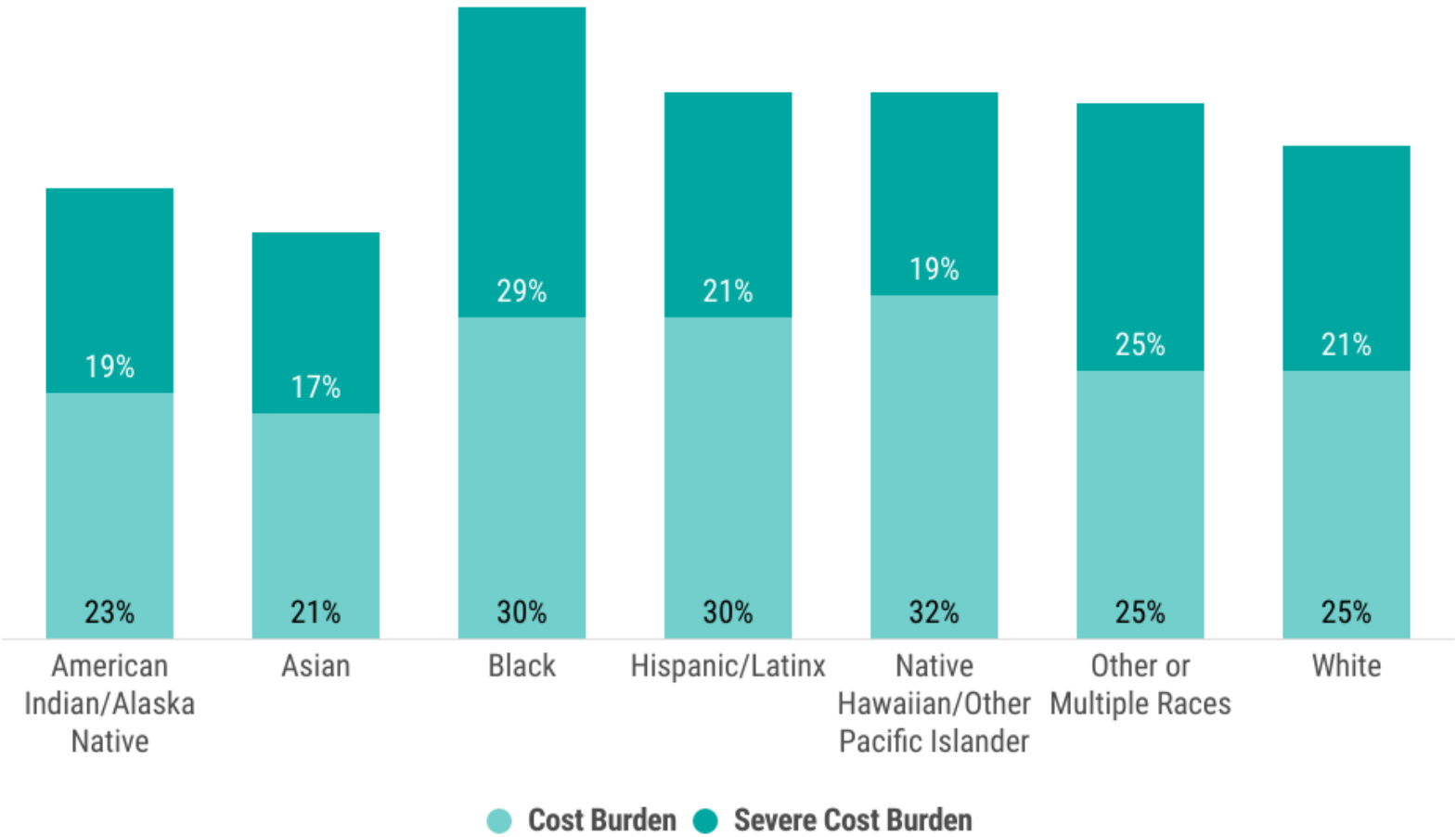
Increasingly, housing cost burden is affecting moderate and even middle income households too. As of 2021, one-quarter of renter households earning between \$75,000-\$100,000 are cost burdened.

Cost burden leaves little income to cover other basic needs such as food, transportation and medical care or unexpected expenses, increasing the risk of homelessness.

Source: U.S. Census Bureau, American Community Survey, 2010 and 2021 5-Year Public Use Microdata Sample



Renter Cost Burden by Race/Ethnicity



BIPOC (Black, Indigenous, and People of Color) households pay a greater share of their income on housing than white households.

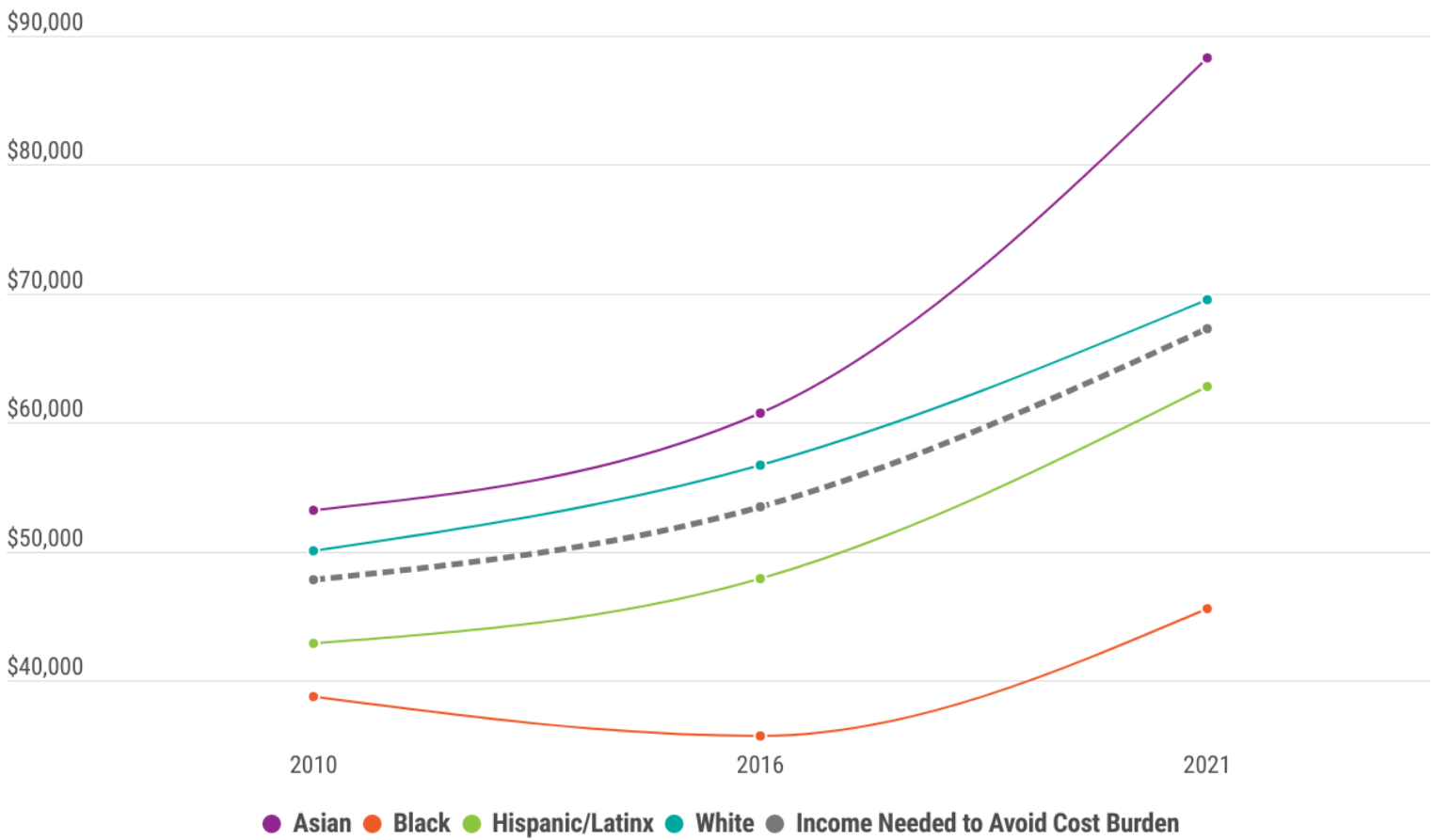
Cost burden varies by the race and ethnicity of households, underscoring current and historic inequities in income, wealth, and access to housing.

The majority of Black, Hispanic/Latinx and Native Hawaiian/Other Pacific Islander renter households pay more than 30% of their incomes on housing.

Source: U.S. Census Bureau, American Community Survey, 2021 5-Year Public Use Microdata Sample



Change in Renter Household Income by Race/Ethnicity



Many renter households have seen their incomes rise over the last decade, however racial disparities have continued to grow.

Black and Hispanic/Latinx renter households have consistently earned less than their white and Asian counterparts. The typical renter in these two communities still does not earn enough to afford median rent without being cost burdened.

The typical Black renter household would need to earn \$22,000 more each year to comfortably afford median rent in the PSRC region.

Source: U.S. Census Bureau, American Community Survey, 2010, 2016, and 2021 5-Year Public Use Microdata Sample
 Note: All income values in 2021 dollars. "Income needed to avoid cost burden" calculated by PSRC and assumes no more than 30 percent of gross income spent on housing costs.



Supply



The region needs more housing of varied types in all communities. There is already a backlog of about 50,000 units required to address current housing gaps.

The central Puget Sound **region needs over 800,000 new units to accommodate needs** through the year 2050.

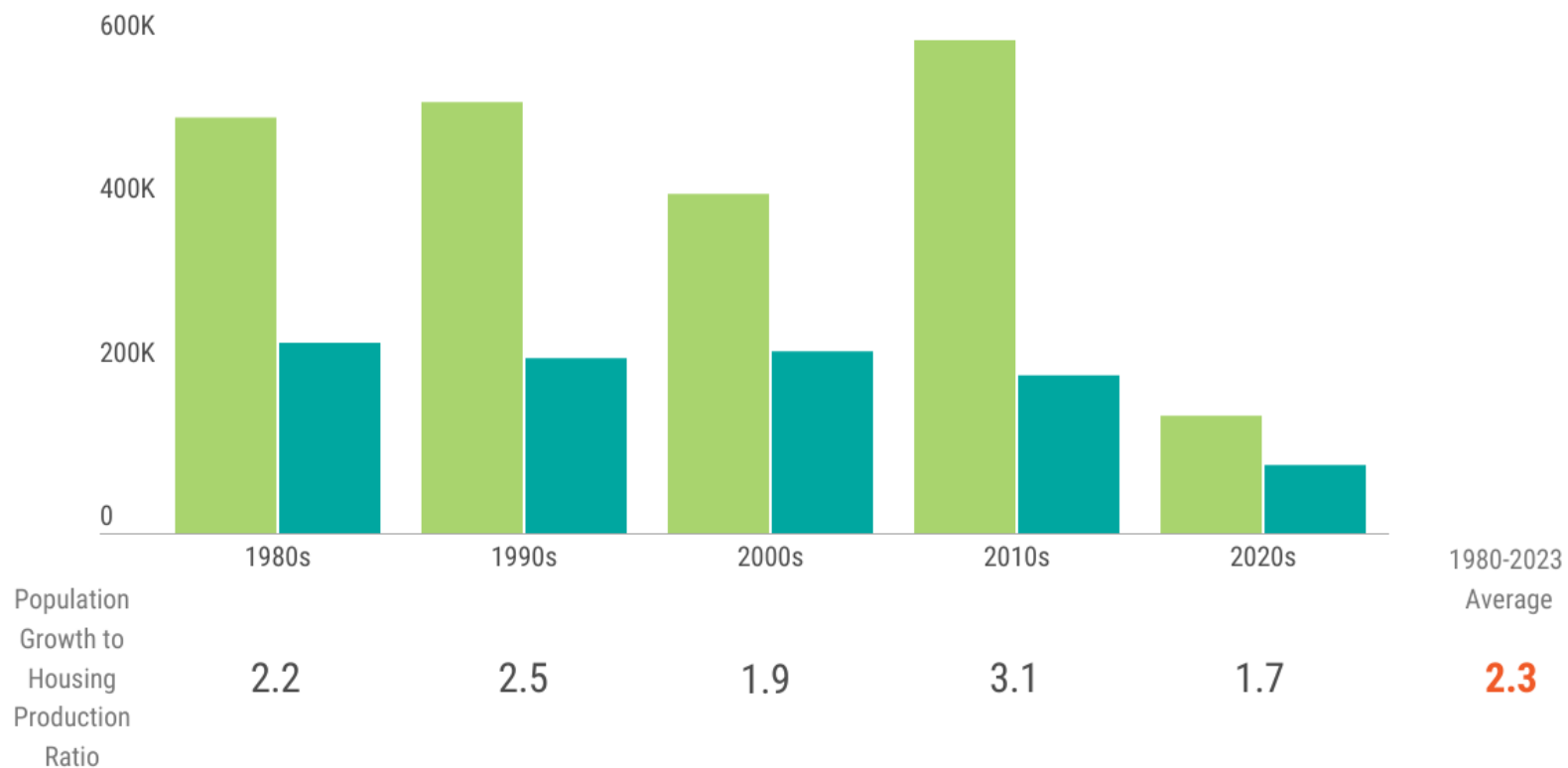
Tackling both the backlog and future need can reduce future spikes in home prices and rents.





Population Growth versus Housing Production by Decade

● Population Growth ● Housing Production



During the 2010s, the region experienced significant population growth but did not build enough housing for all its new residents. The ratio of population growth to housing production was 3.1 for the last decade compared to 2.3 over the last four decades, suggesting a substantial underproduction of housing.

Since 2020 housing production has begun to catch up with population growth. While it is encouraging to see a correction of underproduction from the last decade, housing prices and other indicators suggest additional supply is needed.

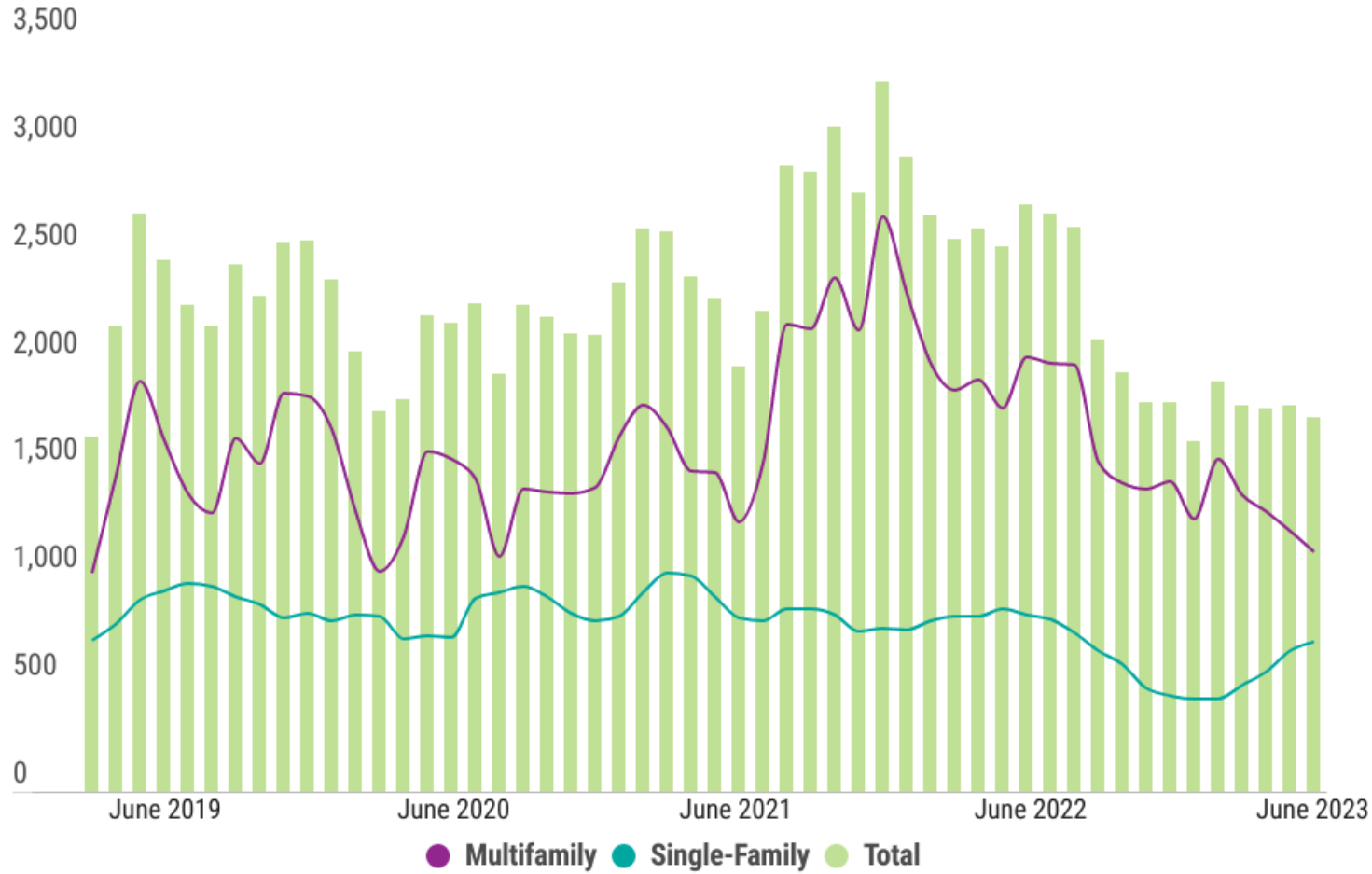
With trends toward building smaller multifamily units, an even greater number of units will be needed to serve the region’s growing population.

Source: U.S. Census Bureau, Decennial Census; WA Office of Financial Management, April 1 Population and Housing Estimates – 2023 Postcensal





Permitted Housing Units



The number of permitted housing units has been in decline since late 2021, especially in multifamily construction.

Many more units are needed throughout the region to correct for the existing underproduction, let alone address future housing needs.

The Regional Housing Strategy estimates **the region will need to produce 810,000 units – 2,250 units per month** on average – to meet the housing needs of forecast population growth through 2050.

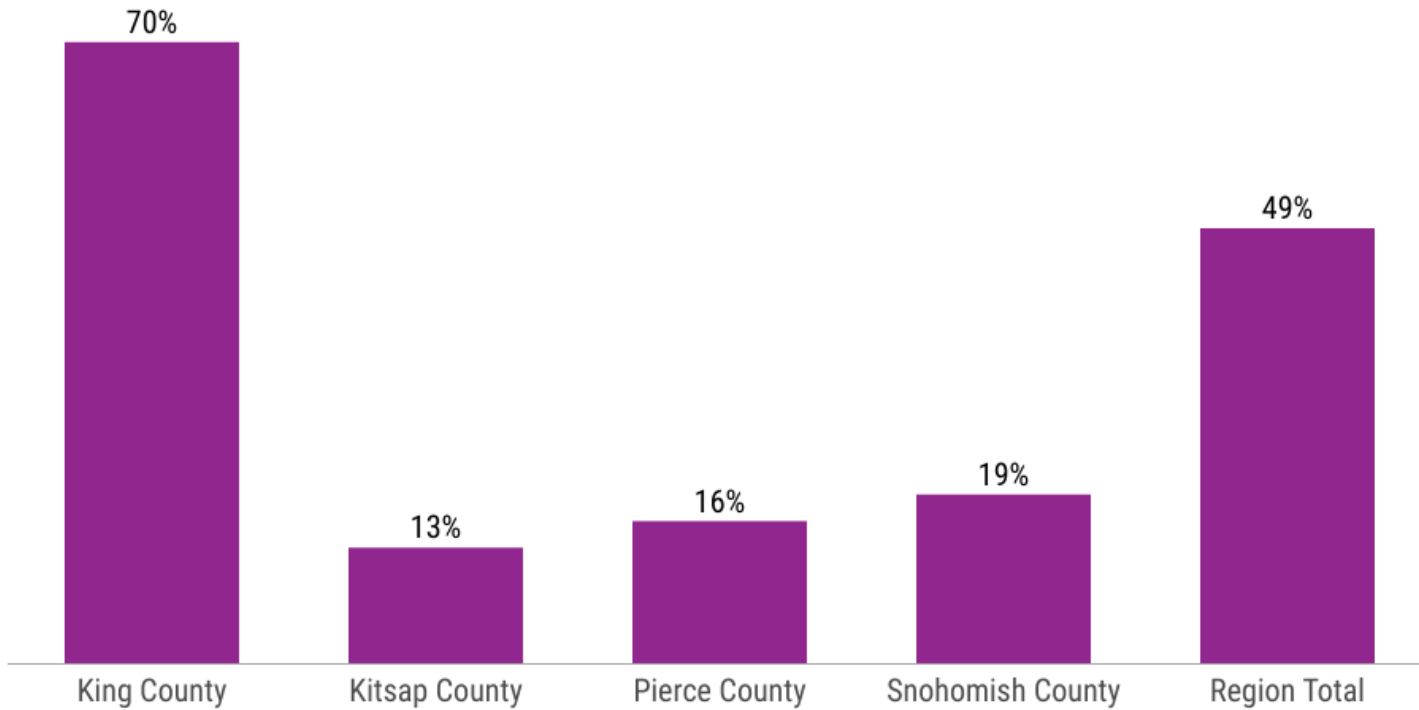
Allowing increased densities, smaller lots, and reducing or eliminating parking requirements has the potential to significantly reduce per unit construction costs and open up ownership opportunities to moderate income households.

Source: U.S. Census Bureau, Building Permits Survey
Note: Data represent rolling 3-month averages for January 2019 to June 2023





Housing Development in Centers & Near Transit, 2010–2022



There is opportunity for future housing production near transit.

The Regional Housing Strategy encourages more multifamily housing choices near transit to meet the **VISION 2050 Regional Growth Strategy goal of 65% of residential growth near high-capacity transit stations**. Roughly half the region’s housing production between 2010 and 2022 occurred in areas that are well-served by light rail, commuter rail, streetcars, ferries and bus rapid transit.

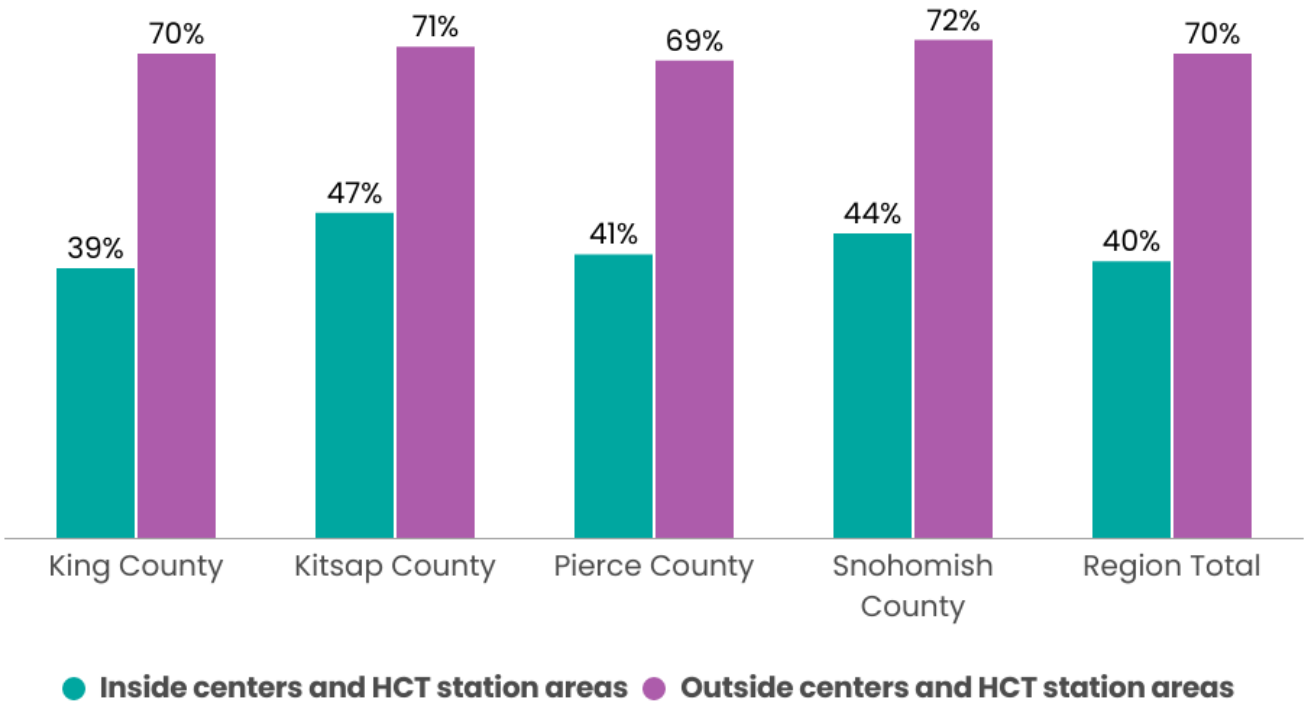
Housing production in King County (70%) is responsible for a significant share of the regional total. **Much of this new housing development is characterized by higher-density apartments and condominiums**, which tend to be occupied by smaller households, so the share of new population absorbed by these communities was closer to one-third of overall growth during the same time period.

Source: WA Office of Financial Management, Small Area Estimates Program; PSRC, Parcel Estimates Program





Ownership Housing in Centers & Near Transit



Fewer opportunities for homeownership exist near transit, jobs, and services.

It's critical to **provide housing of different types and sizes near transit, in both the rental and ownership markets.** Moderately priced ownership opportunities near transit are especially important. Home ownership can be a tool for mitigating residential displacement in areas at higher risk of displacement, often areas with current or planned high-capacity transit.

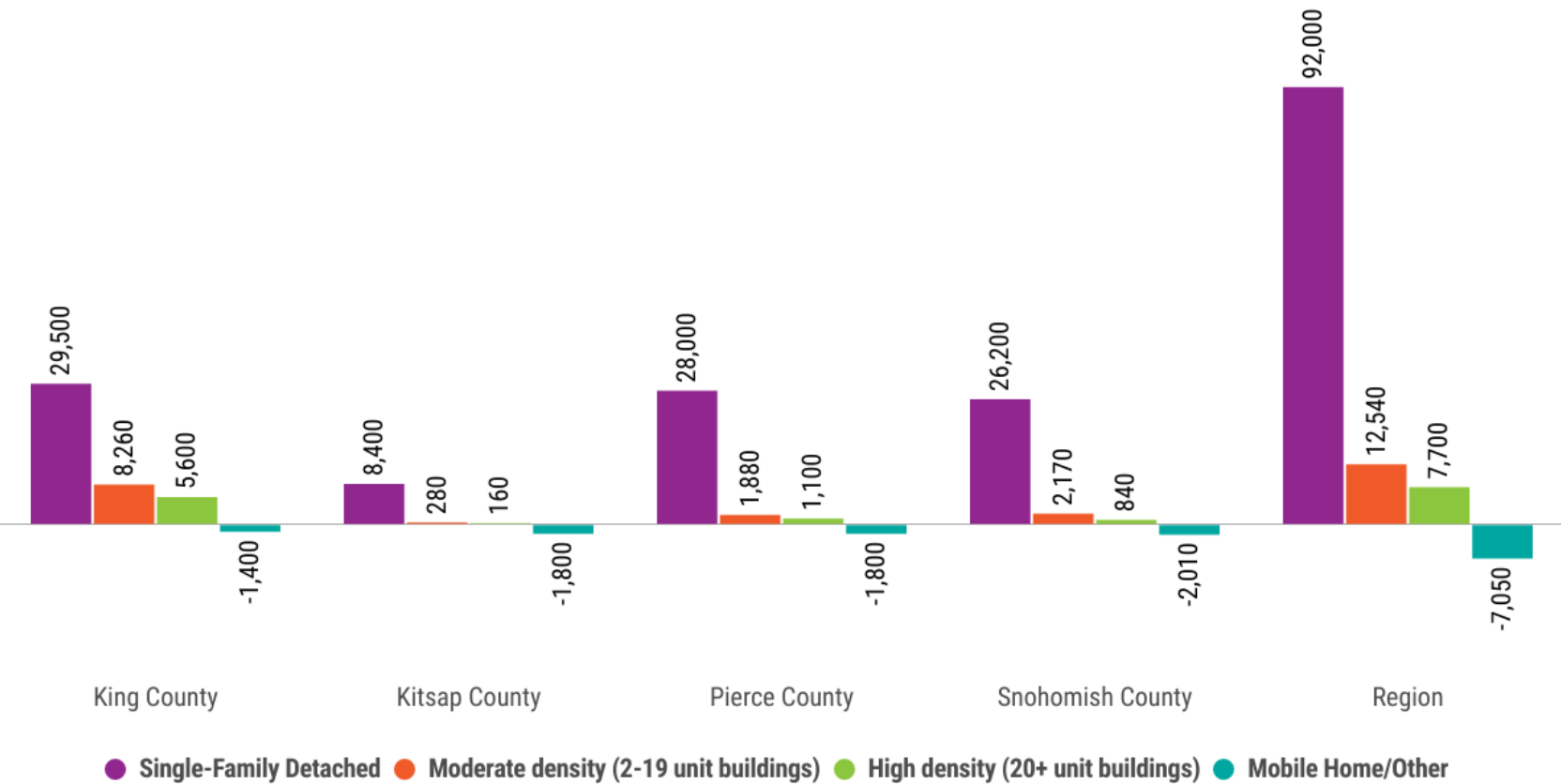
Housing stock within the regional growth centers and high-capacity transit station areas is comprised much more heavily of rentals than ownership units compared to the region at large. Only four out of every ten housing units in centers and near transit are ownership units, compared to six out of every ten on average. Outside of centers and transit station areas, seven in ten units are available for homeownership, indicating more ownership options in less dense areas that are less connected to transit.

Source: U.S. Census Bureau, American Community Survey, 2021 5-Year Estimates; PSRC, Parcel Estimates Program





Change Ownership Housing by Structure Type



The region’s **ownership housing stock is predominantly detached single-family homes, one of the most expensive housing types.** The Regional Housing Strategy encourages more housing choices within single-family zones to provide more options and affordable ownership possibilities.

The region has seen **slow progress in expanding its stock** of more affordably priced moderate-density homeownership options, with the majority occurring in King County.

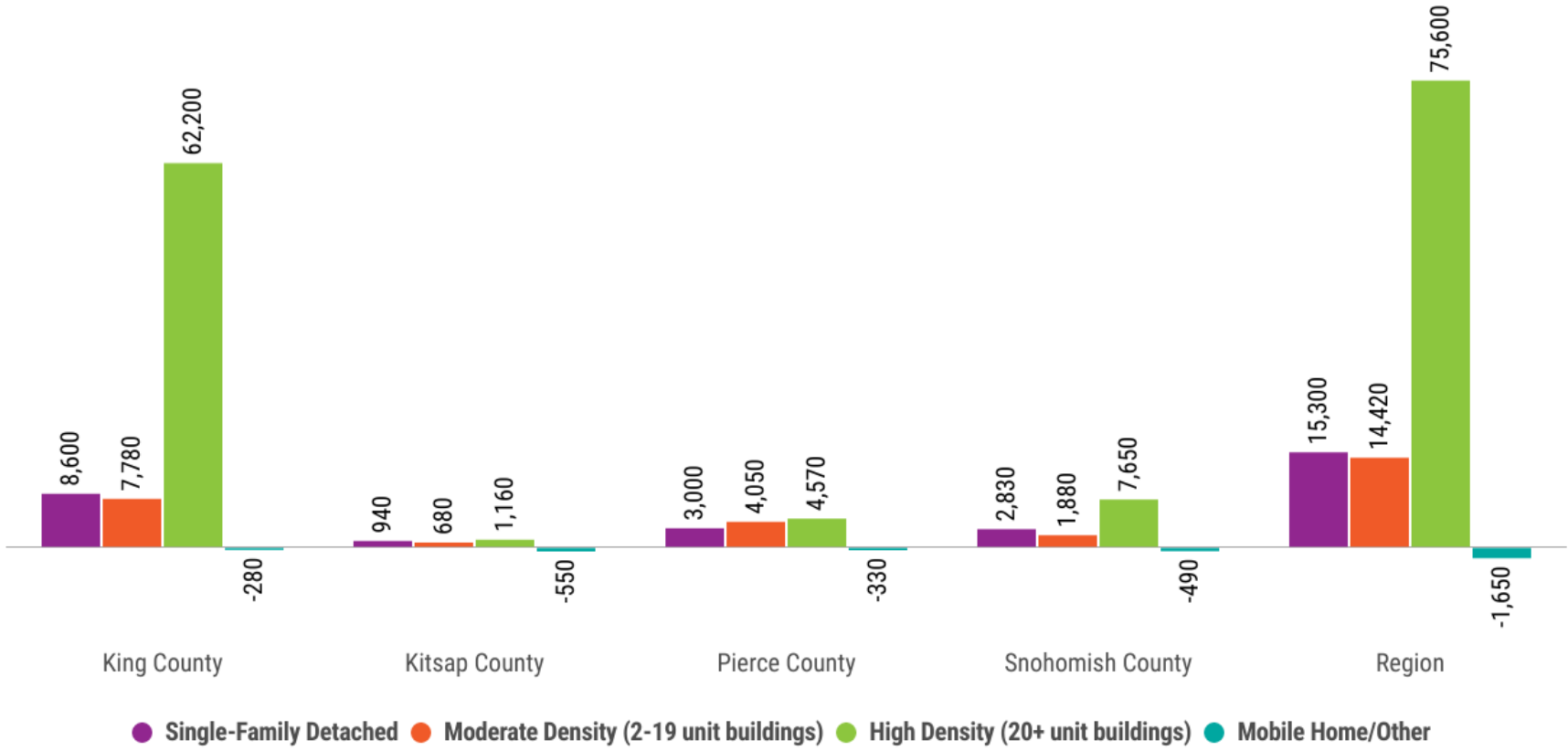
Across the region, we have seen a significant loss of mobile homes. This loss could **contribute to the spread of housing insecurity** as mobile homes are often the lowest cost ownership opportunity.

Source: U.S. Census Bureau, American Community Survey, 2010 and 2021 5-Year Estimates





Change in Rental Housing by Structure Type



Large, multifamily buildings continue to dominate the rental market.

These units are often smaller in size – studio and one-bedroom units which may not meet the needs of all household types.

Source: U.S. Census Bureau, American Community Survey, 2010 and 2021 5-Year Estimates



Affordable Housing Developer Outreach

PSRC conducted a questionnaire and focus groups with 27 affordable housing developers from the across the region to discuss barriers to affordable housing. Participants represented a wide swath of the developer community: for-profit and non-profit, rental and ownership, various levels of affordability requirements, etc.

What is the biggest barrier to building more housing?

Across nearly all participants, **restrictive zoning, requirements for parking, open space, and commercial uses** were listed as the biggest barriers to development.

Strategies that support affordable housing:

- **By-right development**, not requiring a rezone or a comp plan amendment
- Zoning more land for **moderate and high density**
- **Expedite the permitting** process
- Allow for **flexibility in design standards**
- Reduce or **eliminate parking requirements** near transit



“Homebuilders respond to demand for housing, we do not create it. We cannot meet this demand without working in partnership with cities.”



Stability



The rising cost of housing threatens the ability of people to remain in their communities. The housing market has experienced great highs and lows. This has benefitted some, while creating and exacerbating hardship and inequalities for others.

There are substantial disparities in housing access between white and person of color households, underscoring the ongoing effects of systemic racism in housing.





Income-Restricted Housing Units by AMI

	King	Kitsap	Pierce	Snohomish	Total
0-30% AMI	16,460	770	1,770	1,050	20,040
31-50% AMI	12,860	1,010	2,770	3,360	19,990
51-80% AMI	35,360	1,760	5,620	10,710	53,440
81-100% AMI	840	-	25	-	870
100-120% AMI	660	-	-	-	660
Unknown AMI	30	-	25	2	55
Total	66,210	3,540	10,200	15,120	95,070
New in 2021	2,330	-	240	840	3,410

Source: PSRC, Income-Restricted Housing Database; King County, King County Income-Restricted Housing Database
 Note: Data are for income-restricted properties in service as of December 2021.

Greater public intervention is needed to create and preserve affordable housing.

The private market alone can't provide housing for all residents. To address this, the Regional Housing Strategy recommends local jurisdictions leverage new growth to incentivize the creation and preservation of long-term affordable housing.

Income-restricted units are made possible with federal, state, and local funding and incentives ensuring long-term rent or income restrictions. Rent restrictions are typically capped at 30% of the household's income.

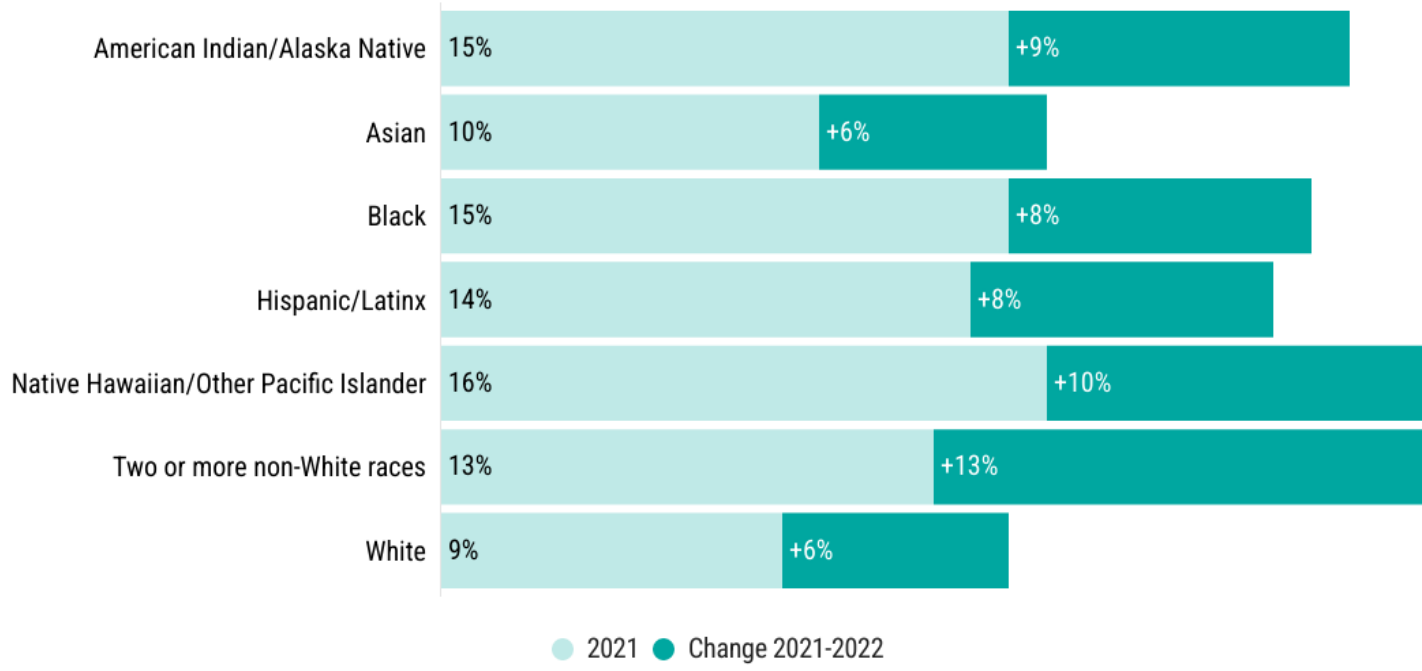
A recently updated inventory of income-restricted units tallied over 95,000 units, with **3,400 new units coming online during 2021.**

The Regional Housing Needs Assessment found the region will need 430,000 units affordable to households under 80% of area median income (AMI) by 2050.





Mortgage Loan Denial Rates by Race/Ethnicity



Mortgage loan denial rates have increased substantially since 2021, and racial disparities persist. **Excluding Asian applicants, people of color are still less likely to get a home loan than white applicants.**

Homeownership is one strategy to provide opportunities for residents to stay in their community and build equity and intergenerational wealth.

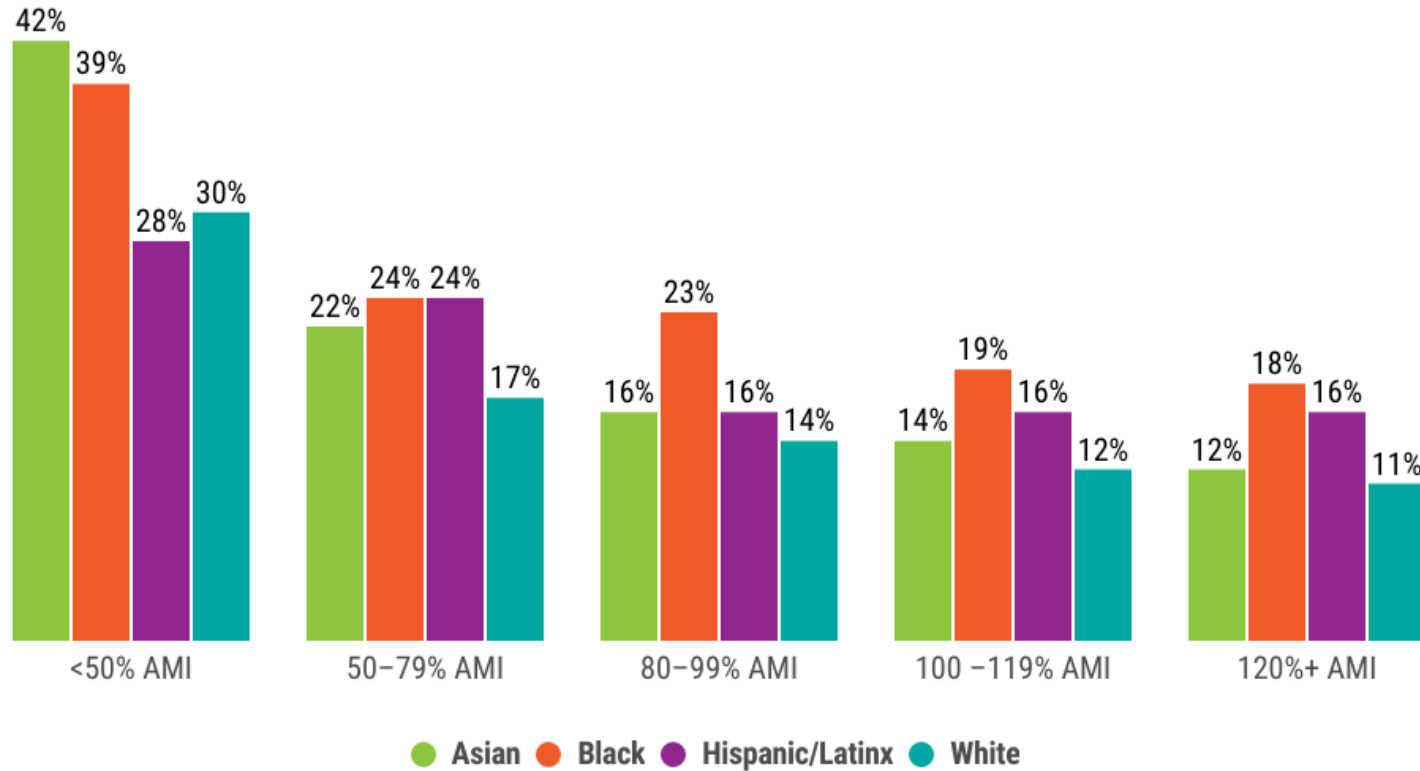
This is especially impactful for **people of color, who still face the effects of systemic racism and generational wealth disparities.** For this reason, the Regional Housing Strategy calls for increasing access to homeownership.

Source: Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act Database
 Note: Race/ethnicity of applicant was self-reported or reported by loan officer based on visual observation or surname





Mortgage Loan Denial Rates by Race/Ethnicity and Income



Even when controlling for income, Black and Hispanic/Latinx mortgage applicants are still more likely to be denied a loan compared to their white and Asian counterparts.

This confirms that **factors other than income are causing differential access to mortgage financing.**

The one exception is loan denial rates for Asian applicants; they remained on par with white applicants by 2023.

Source: Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act Database
 Note: Race/ethnicity of applicant was self-reported or reported by loan officer based on visual observation or surname



Subsidy



The region can't fully address affordability until the housing needs of extremely low-income (less than 30% of AMI) households are met. Addressing the needs of the lowest-income households will cause a chain reaction, freeing up more moderately priced housing units that are more affordable for households at higher income thresholds.

The current housing crisis is not something that we can build our way out of with market-rate housing alone. It will require significant incentives, subsidies and funding as the private market cannot produce housing affordable to these households without public intervention.

The Regional Housing Strategy calls for advocacy for substantial federal and state funding to address affordability for very low-income households.





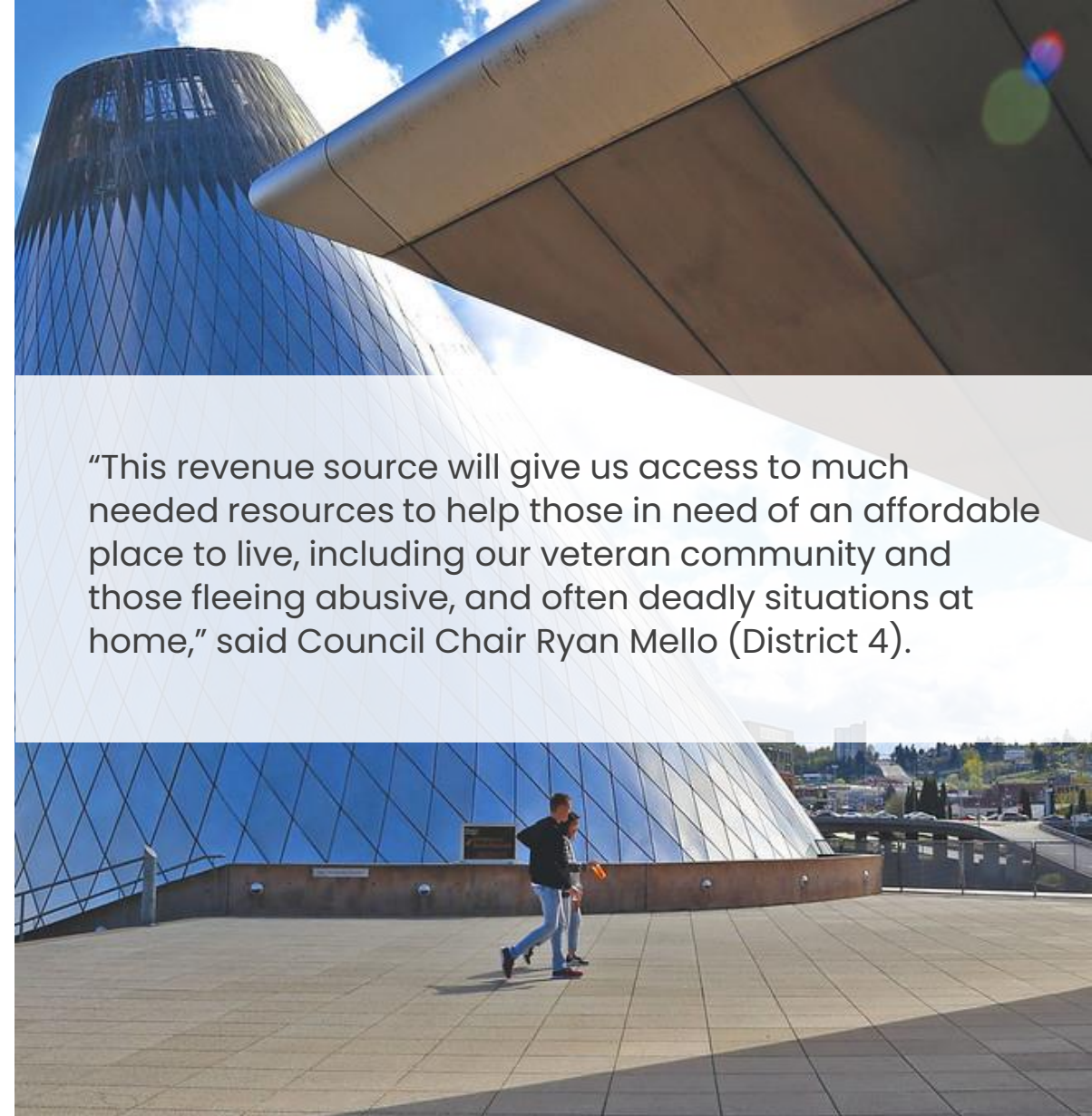
Case Study: Pierce County Council Approves Affordable Housing Act

On March 21, 2023, the **Pierce County Council** voted in favor of the **Maureen Howard Affordable Housing Act** (Ordinance 2022-81s).

The act will implement a countywide one-tenth of one percent **sales tax increase for affordable housing and related services in Pierce County**, which is expected to generate \$20 million in revenue a year.

The funding will primarily be used for programs and projects for people at or below 60% of the Area Median Income of Pierce County and have behavioral health conditions, are veterans or senior citizens, persons who are homeless or at-risk of becoming homeless, unaccompanied homeless youth or young adults, persons with disabilities, or are domestic violence survivors.

This Act will help build and preserve 600 – 800 affordable housing units every year in Pierce County.



“This revenue source will give us access to much needed resources to help those in need of an affordable place to live, including our veteran community and those fleeing abusive, and often deadly situations at home,” said Council Chair Ryan Mello (District 4).



A lot of progress was made in 2023, but there's much more to do

Changes made in the 2023 State Legislative Session's "year of housing" along with local efforts like the Maureen Howard Affordable Housing Act, push us closer to our housing goals.

Even with this progress, a concerted **response from local governments is urgently needed**, as they possess the regulatory control over land use and development. PSRC will continue to support jurisdictions who are committed to doing this work.

Our goal is to **ensure all people have a range of safe and affordable housing choices** to create a healthy and prosperous future for the region, which includes **eliminating racial disparities in access to housing**.

Forward Progress



PSRC Resources



Driven by the Regional Housing Strategy, PSRC has several resource to help jurisdictions make progress on housing

The Housing Innovations Program provides information on 50 housing strategies that can be implemented locally and the Housing Opportunities by Place helps identify what strategies might work best at the local level.



Next Steps



PSRC's efforts to track and interpret housing trends does not stop here. Alongside the Regional Housing Strategy, PSRC is exploring other components of the housing puzzle, such as access to jobs, commercial displacement, social equity and growth targets. These important issues will be more fully addressed in other coordinated and complementary VISION 2050 implementation projects.

PSRC will publish an annual update on housing data monitoring efforts. Looking ahead, some data measures may be updated more or less frequently based on the availability of new data. Check out our [Housing Page](#) for more information.

After the 2024 major periodic update to local comprehensive plans, PSRC will work with stakeholders to develop a periodic review and update to the Regional Housing Strategy based on the results of the monitoring program, as well as gaps and opportunities identified through regional and local work.



Thank you!

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