

Metro SFR Sales Price Trends 2000 – 2011

How are housing and location preferences changing over time in the Portland Metro area?

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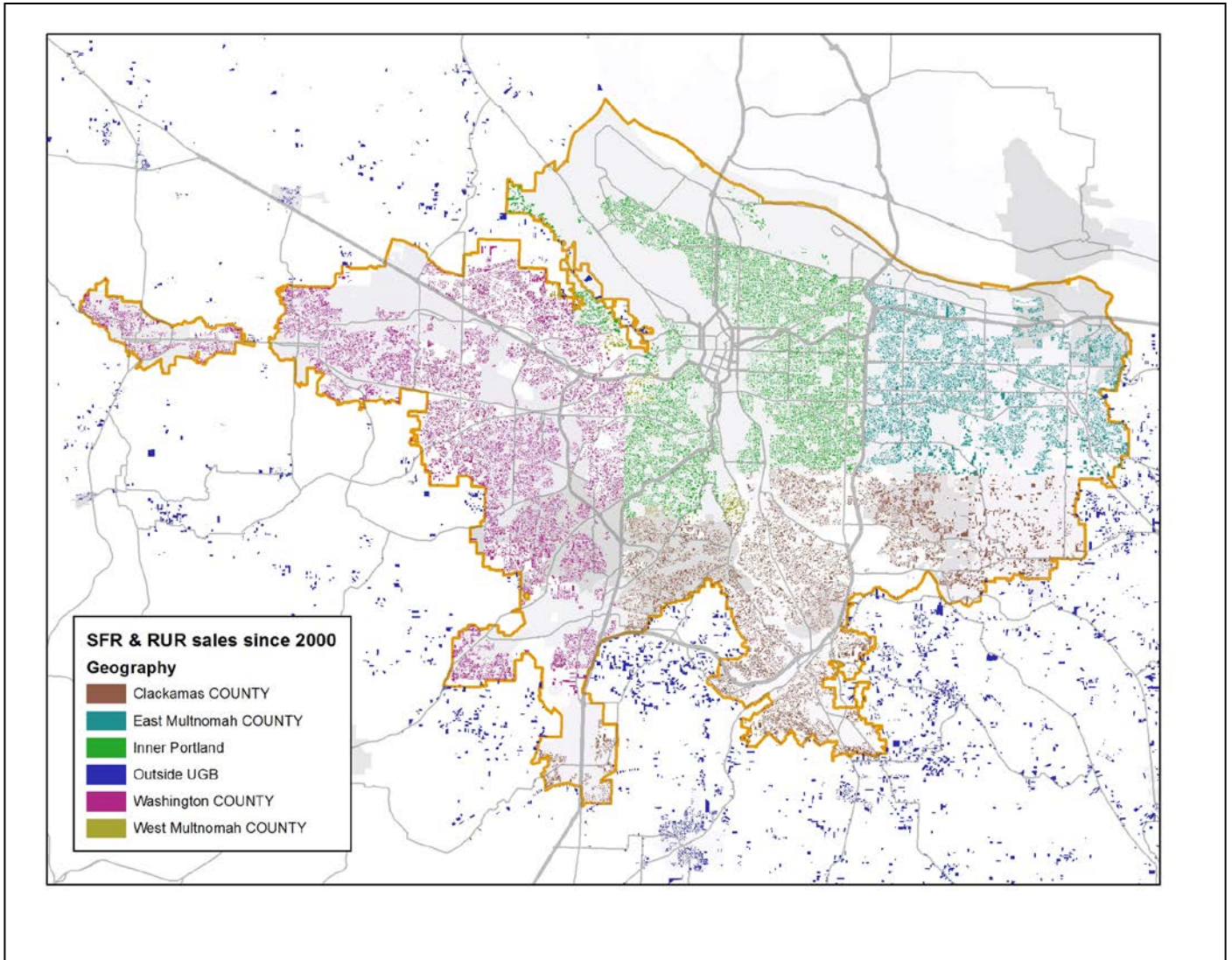
In December 2011, Metro’s Economic and Land Use Forecasting (ELF) within Metro’s Research Center distributed a Brookings Institution Newsletter (“Death of the Fringe Suburbs”) that used Zillow¹ sales data to point out that national single family residential (SFR) prices have made a relative shift from the urban fringe back to the urban core areas. Data that ELF staff have been analyzing locally since 1997 illustrate the increasing value of older, inner-city homes on small lots relative to new large houses on moderate to large lots in suburban areas in the region, such as Happy Valley. Shifts in relative prices provide a measureable indicator of shifts in public preference for housing types and locations over time. Quoting a National Home Builders survey, the author of the Brookings reports states “Over all, only 12 percent of future homebuyers want the drivable suburban-fringe houses that are in such oversupply.” This contrasts with 1990’s preference data that indicated roughly a third of homebuyers preferred the suburban fringe.

In 2008 a Metro study noted the increasing preference for central city locations and traditional neighborhood design², however, our data only extended to 2006. Given the Brookings report, there was interest in updating comparable data to 2011 and to see how regional price trends have differentiated during the housing price downturn from 2007 through 2011. Accordingly, we made use of the extensive Metro Regional Land Information System (RLIS) database to investigate over 190,000 SFR sales during the period 2000 – 2011 in the three Metro Counties. Figure 1 below shows the map of recorded home sales and the selected geographies.

¹ Zillow, Inc. manages a national residential real estate database and other online real estate services. See www.zillow.com for more information.

² “The balance of consumer preference is shifting toward the house and neighborhood design most frequent in the pre 1950 housing stock cohort.” K. Hohndel, *et. al. Housing Price Study – SFR Sales in the 3 County Area 2000 – 2006*, DRC-ELF, Metro. 2008, page 7.

Figure 1: Map of SFR Sales 2000 – 2011 and Selected Geographies



As indicated in Figure 1, SFR sales are being tracked by six different geographies by year starting in 2000 and extending through the year 2011. Figure 2 below shows the price trends in dollars per square foot of house over that period.

Figure 2: Inner Portland Geography has Highest Values per Sq. Ft. and the Gap Widens.

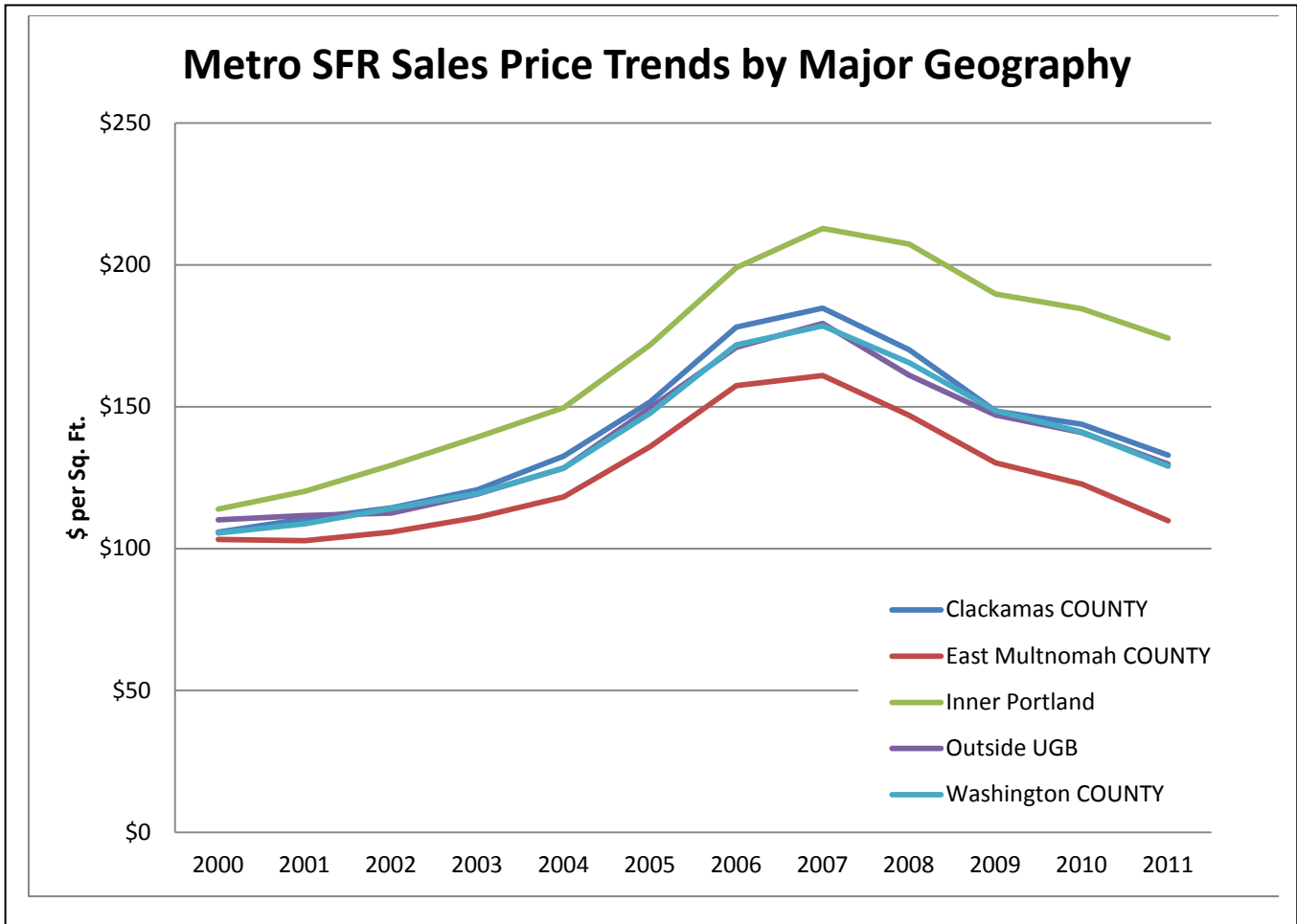
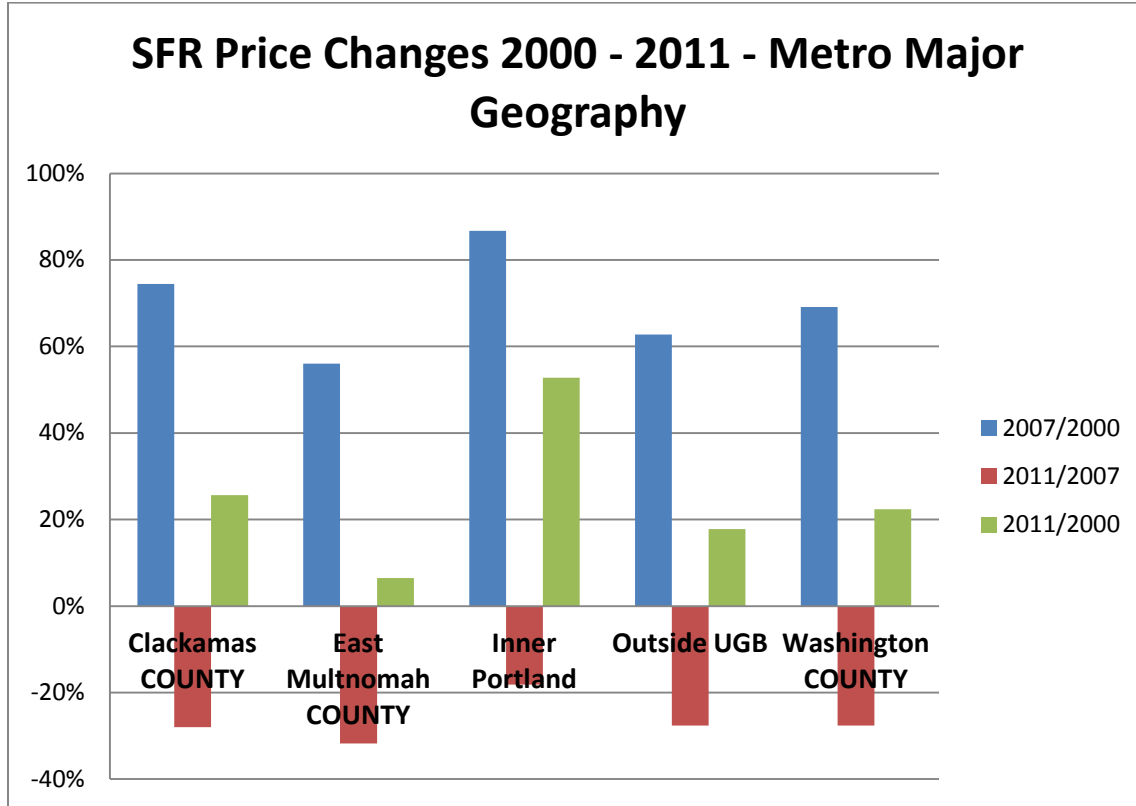


Figure 2 clearly shows that Inner-Portland retains the highest SFR sales values per sq. ft. and that the gap between the other fringe and older suburban geographies continues to widen.

Figure 3 breaks the 2000 – 2011 trend data into three components; percentage increase from 2000 to 2007 shown in blue; percentage decrease from 2007 through 2011 in red; and overall change from 2000 through 2011 in green.

Figure 3: Inner-Portland Consistently Outperforms the Region for SFR Sales Value.



Consistent with other results, the Inner-Portland Geography displays the attributes of what in consumption theory we label a “superior good”. During times of price increases it increases the most; during times of price decreases it decreases the least and overall it records the largest value gains.³

Data were also arrayed by the year-built time period. The housing age cohorts are divided into pre 1900, 1900 – 1950, 1950 – 1970, 1970 – 1980, 1980 – 1990, 1990 – 2000 and 2000 – 2011. Figure 4 below depicts the resulting time trends.

³ For more nuanced technical readers, the usual hedonic statistical analysis was performed by holding constant age, year of sale, building size, lot size and geography. As the graphical data attest, statistical data indicated for the 2000 – 2011 period a 14 – 15% price premium for Inner Portland over Washington and Clackamas Counties and a 25% price premium over rural and East Multnomah locations.

Figure 4: Housing and Neighborhoods Built Prior to 1950 Dominate SFR Sales Values

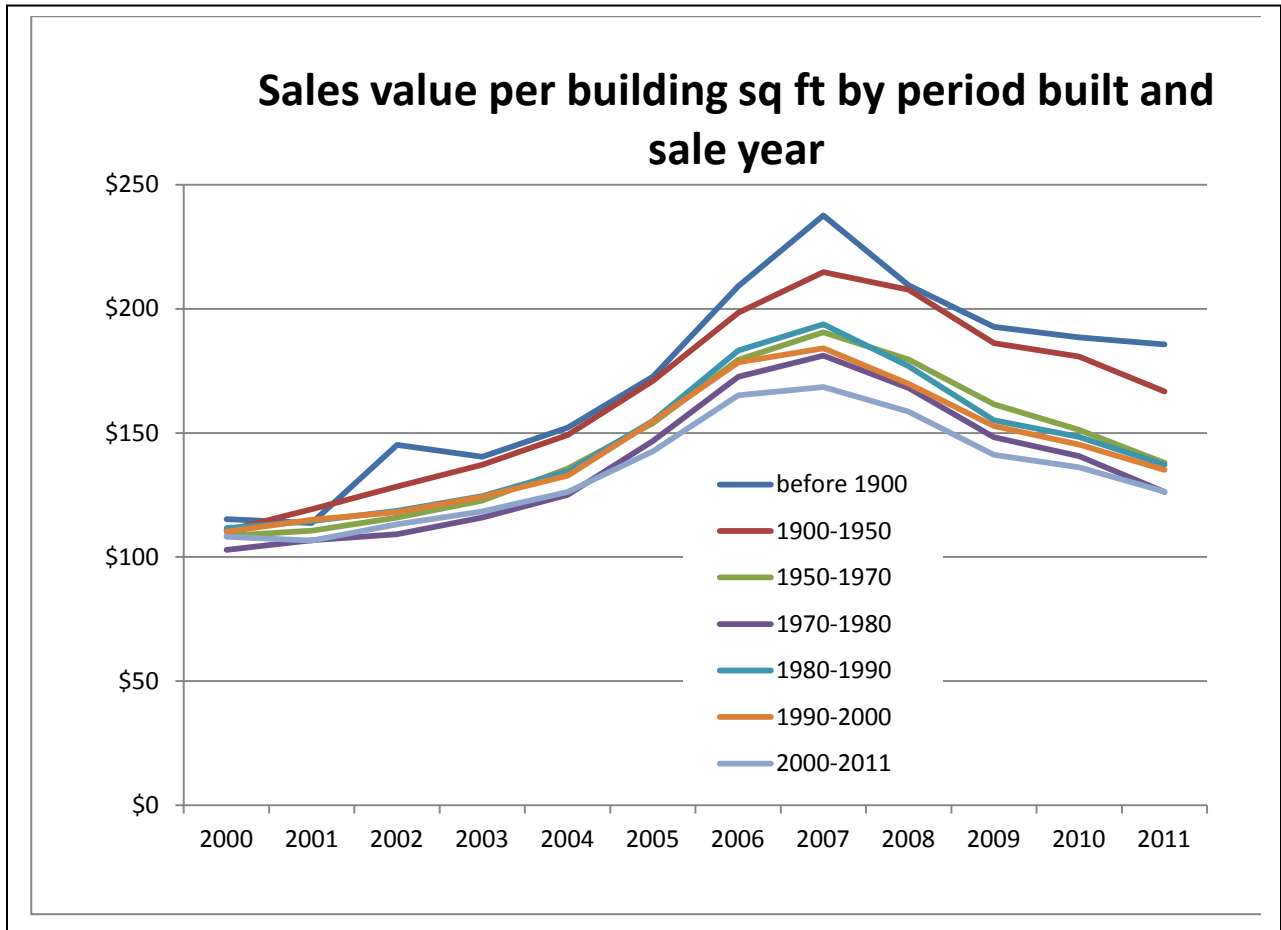


Figure 4 echoes the pattern discerned in the 2008 study that the housing and neighborhoods constructed prior to 1950 command much higher sales values in the market. Again we note that over time this pattern has strengthened and the downturn of the housing market has appeared to increase the gap.

Implications

So, has the 30% suburban fringe preference shrunk to 12%? Nothing in the data above provides an insight into the exact or even general market shares. The data reveal the preference for suburban fringe development today is decidedly smaller than the 30% share noted in 1995. Whether it is 10%, 15%, or 20%, is not presently known⁴, but the direction of the trend is certainly helpful to a policy effort directed at maintaining the smallest urban form that is economically feasible.

⁴ We hope to conduct a “Stated Preference” survey that will assist us in better understanding the market segmentation changes underlying the SFR price trends we have been observing since 1995.