

Why is housing so expensive in Bellingham?



There are three main reasons why housing has become less affordable over time, and why prices here have risen even faster than some other places.

1. *There was a lag between population growth and home construction.*

Housing prices are driven by the regional as well as the local economy. Up and down the I-5 corridor, home values have increased as the region attracted high-paying jobs and subsequent population growth. Rents soon followed suit. Bellingham's growth has been no exception – nor is it unique. Since 2010, the state's population has risen by 12.2% and Bellingham's population has risen by 11.4%.

This population growth continued throughout the Great Recession – a period between 2007 and 2013 where the production of new housing slowed drastically. Housing construction fell behind population growth, further increasing demand and driving prices upward. At the same time the population grew by 11.4%, there was only a 9.7% increase in the number of housing units built.

2. *There is a gap between average incomes and housing prices.*

The inventory that is affordable to middle income households is shrinking. Demand is increasing, but wages have not kept pace with housing costs. From 2000 to 2017, the median household income in Bellingham increased by 15% while the median home value increased by 67%. The homes that are being built on the private market continue to serve the needs of higher-income households, but as some buyers are willing to pay more, there are fewer and fewer units available within a price range that is affordable to a median-income family. Our zoning offers only limited areas where more affordable types of homeowner housing (duplexes, condos, and townhomes) are allowed to be built.

3. *This is a nice place to live.*

Bellingham residents are extremely positive about the quality of life in Bellingham. About 92% of respondents in the recent Bellingham Residential Survey rated our city's quality of life either excellent or good. Our high quality of life – including natural beauty, public services and amenities, and good schools – will keep home and land values high and continue to attract new residents. That is a success!

What would a healthy housing market look like?

There are several metrics for success, some of which could include:

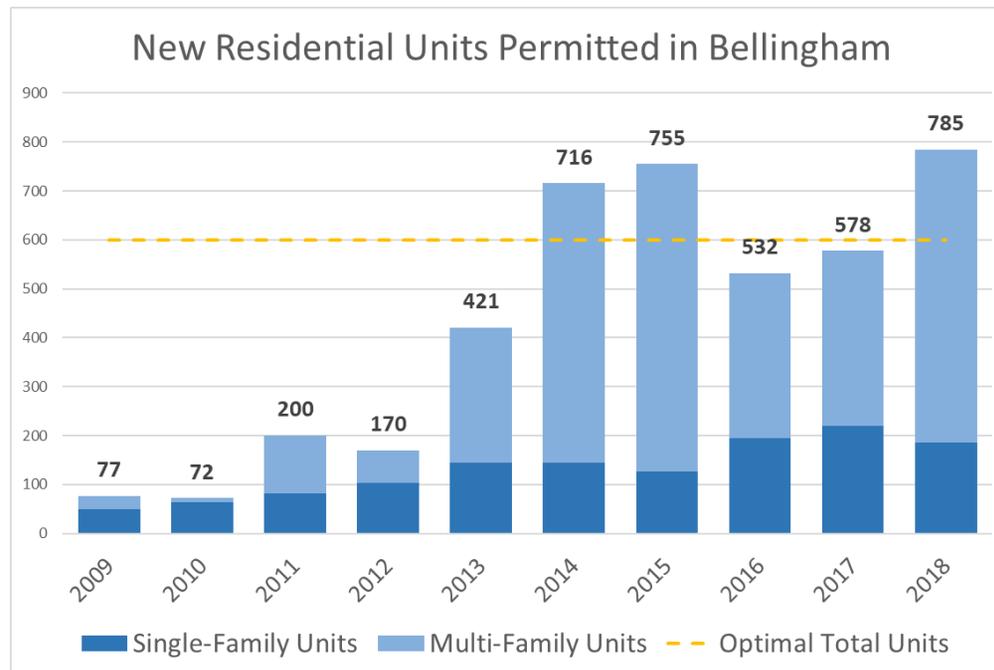
- **The number of units produced is keeping up with population growth**, meaning there are more units on the market available for rent and for sale.
- **A healthy residential vacancy rate** would keep rents from rising too quickly. It is currently around 3% for rentals and around 1% for homeowners. A healthy vacancy rate is 5-7% for rentals and around 2% for homeowners.
- **A balanced proportion of homes are affordable** for homeowners earning the area's median family income. It is estimated that just 33% of the housing stock in Whatcom County is affordable to a household earning median income. A more balanced proportion is around 50%.
- **655 new, subsidized housing units are built** to permanently house low-income residents and homeless families who are on waiting lists for housing. Funding to build these units was secured as part of the 2018 Home Fund levy.

How long will it take to get there?

On average, the city needs about 600 units per year to be built to keep up with expected population growth and stabilize our vacancy rates. A healthy vacancy rate can help to stabilize prices, but it will not lower housing costs. Strong demand will continue to mean that home values will appreciate, and low-income residents will require subsidized housing to continue to live in Bellingham.

Over the past 10 years Bellingham has issued building permits for 4,306 housing units (an average of 430 per year). About a third of these units were single-family homes and two-thirds were multi-family¹ units, which matches the forecast in the previous and current Comprehensive Plan. In recent years the development of new units has steadily increased to its pre-Recession level, and supply is starting to catch up with demand.

There were 785 new units permitted last year, which will be built in the next 1-2 years. The majority of these new units (599) are rental apartments. We expect that once these units become available on the rental market our rental vacancy rate will most likely return to a healthy level, between 5-7%. The homeowner housing market has been slower to catch up. There are 186 single-family units in the pipeline that have been permitted and should be built in the next 1-2 years, but this will not be enough to bring the homeowner vacancy rate to a healthy level.



¹ Multi-family units are anything other than a single-family detached home. For example, this includes apartments, condos, townhomes, and duplexes.

Are we making progress?

There are six **urban village** areas within Bellingham. Both the 2006 and the 2016 Bellingham comprehensive plans allocated about a third of Bellingham's growth to urban villages. The goal of urban villages is to get the most value out of our existing land and infrastructure, to minimize trips, and to create diverse, resilient communities.

Since 2006 a total of 1,515 housing units have been built in Bellingham's urban villages, or about 38% of all housing growth in Bellingham during that time. These areas have also seen more than 450,000 square feet of new commercial space and 50,000 square feet of industrial development since 2006.

Bellingham's **Infill Toolkit** is intended to encourage creative use of smaller vacant lots or underused land, to reduce sprawl, and provide a variety of smaller housing forms (townhomes, cottages, etc.). Since the adoption of the toolkit in 2009, more than 400 housing units have been completed or approved, and an additional 75 are currently in the application phase.