

King County new-home prices will reflect sharp rise in near future

By [Elizabeth Rhodes](#)

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If you think today's \$550,000-plus price tags for new houses in East King County are high, just wait.

Because of the increasing cost of buying and developing land, plus growth restrictions limiting the supply of it, "we're looking in the future at housing prices escalating wildly from what they are today," predicts Suzanne Britsch, president of a local real-estate consulting firm, Real Vision Research, that's tracked construction trends for almost two decades.

How high can they go?

Britsch says get ready to see new Eastside homes priced at \$700,000 just 18 months from now. No more bells, no more whistles than today's half-a-million-dollar models, just a more expensive lot.

And the same problem exists in South King County. Within a year and a half, the new house that now sells for about \$250,000 on Kent's East Hill or in Maple Valley could be seeing its clone cost as much as \$350,000, she calculates.

"People don't realize how bad it's getting," says Britsch, who presented her numbers to a recent meeting of the Housing Partnership, a local organization that brings together developers, city officials and others to explore housing issues.

"There are still some houses out there at \$200,000, so people think we'll be OK. But there's so little out there like that, and when it's gone, it can never be replaced again. Within 18 months everything will have gone up significantly."

Britsch's predictions are "right on target," agrees Bill Hurme, vice president of builder services for John L. Scott Real Estate. He, too, points a finger at escalating land costs.

"I honestly don't know where you can find any reasonable, buildable lots on the Eastside under \$150,000," Hurme says. "It's absolutely shocking ... really a problem."

Today's median lot price is more like \$190,000, Britsch reports. That's anywhere on the Eastside.

Driving around the edges of east and southeast King County, where horses still graze in pastures and stands of timber remain undisturbed, it's hard to believe that land is scarce.

Three reasons

But housing developers and Britsch both say buildable land is. They cite three main reasons:

- The state's Growth Management Act, which corrals building growth within boundaries, effectively preserving vast swathes of land for farming, recreation or conservation.

Homebuilder Eric Campbell, president of CamWest Development, views this positively, arguing "if we want to preserve the lifestyle we have, we have to make some sacrifices." Still, Campbell says "there's no question land prices are going up, and will continue to go up, for the simple fact that with the Growth Management Act, people said it's worth preserving open space."

- Some of the land that appears available lacks the infrastructure needed to build on it. And adding that infrastructure can be prohibitive to all but the biggest builders. Frederick Burnstead, president of Burnstead Construction, told Housing Partnership participants that it recently took him five expensive years to guide raw land through planning and permitting to the finished product.

- Redevelopment sites constitute much of the land that is available, particularly within cities, which may not have the building regulations or civic amenities to easily support its redevelopment. Additionally, these parcels generally are not big enough for more than a handful of houses, thus denying builders economies of scale. For these and other reasons, redevelopment land becomes "the most costly," Burnstead says. "That's going to continue to push up prices."

Currently just 2 percent of the new single-family homes on the Eastside sell for \$280,000 or less, pricing out many of the very people who are the backbone of the new-house industry. That's young families with children. They must earn at least \$75,000 to afford that rare \$280,000 house.

For building purposes, Britsch defines the Eastside as Newcastle north to Woodinville. She says there essentially are no new houses being built in North King County areas, such as Shoreline, because there's no land left.

Those who want moderately priced new houses have no choice but to go farther north to Snohomish County. In the Monroe and Smokey Point areas, new houses are available for about \$200,000, requiring a \$56,000 income.

More affordable housing

Or they go south to the string of cities east of Highway 167 where new homes are still under construction. That's Renton, Kent, Auburn, Black Diamond, Algona and other towns. In those parts a \$50,000 annual income will purchase a \$180,000 brand-new house.

But forget about buying new in such towns as Federal Way, Burien and close-in Tukwila. Britsch says they have very few new lots left, and no large parcels of land that would attract a big developer.

Other buyers are migrating to northern Pierce County. Two years ago, builders were finding lots there for \$50,000. Today, identical lots are \$70,000, Hurme says.

"That's an enormous jump in a short period of time. It's made places like Sumner and Bonney Lake suddenly hot."

Indeed, Britsch reports hearing real-estate agents' tales of buyers trading small north Seattle houses for new ones twice as big in Bonney Lake — not necessarily because they wanted that area or its long commute, but because they couldn't find a house that's brand new *and* affordable in Seattle.

That's not going to change.

In all three counties, the number of new houses being built has been steadily dropping, nowhere as much as in King County. Here the number of building permits issued has decreased 19 percent over the last four years. Snohomish County has seen a 12 percent decline, while Pierce is down 7 percent.

Certainly much of the housing demand has been met by the significant growth in attached housing, such as condominiums. But that does little to aid folks determined to fulfill the dream of having their own house on their own lot, picket fence or not.

It isn't a given, however, that everyone agrees the problem is simply one of dwindling land supply.

The Suburban Cities Association of King County has analyzed this issue. Working on the premise that 55 percent of all housing built by 2022 will be single-family homes, it projected some 64,000 houses would need to be built to meet the demand. (By about the same time, King County's population will have grown by half a million persons, according to a state Office of Financial Management forecast.)

The Cities Association also calculated there's enough land available to build 86,000 houses — or 34 percent more than needed.

However the association also pointed out that such factors as household size and income, the price of land and financing costs could alter that projection.

Hurme says there are other factors there, too. One is whether everyone who owns the land figured into those projections will be willing to sell to developers. He doubts it. Additionally, "a lot of these home sites are, shall we say, topographically challenging," which can make them prohibitively expensive to develop.

Because a 6,000-square-foot Eastside lot now carries a median price tag of \$190,000, the finished house built upon it will cost buyers at least \$665,000, Britsch says. That's using the conventional rule of thumb that the lot accounts for about 30 percent of the final home price.

Not practical

Couldn't developers simply get around the affordability problem by building a smaller, cheaper house on that pricey lot?

Not really, Britsch says, because people won't pay \$400,000 for a small, basic rambler, even if it is newly minted. "It doesn't meet their expectations for a new house. People don't see value in land, they see value in what goes into the house."

So rather than buy a small, stripped-down new house, they'll buy a bigger, older one with more amenities, she says, paying about the same for it.

Those attending the Housing Partnership forum said there's no one solution to the looming shortage of affordable single-family houses.

Rather, there are many incremental ones that may help, particularly if governments and the housing industry work together toward solutions.

Among those mentioned: changing zoning to allow smaller lot sizes, speeding up the building-permit process, working to identify more redevelopment sites, stemming the departure of smaller builders who would be the most likely to develop those sites. As lots have become scarcer, they've left the area in droves, Britsch says.

But CamWest's Campbell remains relatively optimistic. He thinks the future isn't necessarily dire "if we have the political will" to solve the problem.

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