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Real Estate

The next affordable city is already too expensive

Feb. 20, 2022 at 7:00 am | Updated Feb. 20, 2022 at 7:42 am



1 of 6 | An influx of new residents fleeing more expensive cities pushed up home prices 60% in Spokane in the past two years. Shown is an old steam plant that... (Rajah Bose / The New York Times) **More** ▾

By **CONOR DOUGHERTY**

The New York Times

SPOKANE — Maybe it was the date night when he and his wife spent two hours driving 19 miles to dinner, or the homeless encampment down the street, or the fact that homes were so expensive that his children could never afford to live near him.

Whatever the reasons, and there were many, Steve MacDonald decided he was done with Los Angeles. He wanted a city that was smaller and cheaper, big enough that he could find a decent restaurant but not so much that its problems felt unsolvable and every little task like an odyssey. After the pandemic hit and he and his wife went through a grand re-prioritizing, they centered on Spokane, where their son went to college. They had always liked visiting and decided it would be a nice place to move.

Eastern Washington was of course much colder. Until this winter, MacDonald, a native Southern Californian, had never shoveled snow. But their new house is twice as big as their Los Angeles home, cost less than half as much and is a five-minute commute from City Hall, where MacDonald works as Spokane's director of community and economic development.

He arrives each day to tackle a familiar conundrum: how to prevent Spokane from developing the same kinds of problems that people like him are moving there to escape.

“I’m realizing more and more how important the future prosperity of this city is about getting housing right,” he said. “If we don’t, it’s going to track more closely with what happened in Los Angeles.”

MacDonald knows the pattern, and so does everyone else who has been following the U.S. housing market. The story plays out locally but is national in scope. It is the story of people leaving high-cost cities because they've been priced out or become fed up with how impossible the housing problem seems. Then it becomes the story of a city trying to tame prices by building more housing, followed by the story of neighbors fighting to prevent it, followed by the story of less expensive cities being deluged with buyers from more expensive cities, followed by the less expensive cities descending into the same problems and struggling with the same solutions.

It's easier to change where we live than it is to change how we live.

Whether it's Boise, Idaho, or Reno, Nevada, or Portland, Oregon, or Austin, Texas, the American housing market is caught in a vicious cycle of broken expectations that operates like a food chain: The sharks flee New York and Los Angeles and gobble up the housing in Austin and Portland, whose priced-out homebuyers swim to the cheaper feeding grounds of places like Spokane. The cycle brings bitterness and "Don't Move Here" bumper stickers — and in Spokane it has been supercharged during the pandemic and companies' shift to remote work.

No matter how many times it happens, no matter how many cities and states try to blunt it with recommendations to build more housing and provide subsidies for those who can't afford the new stuff, no matter how many zoning battles are fought or homeless camps lamented, no next city, as of yet, seems better prepared than the last one was.

Just a few years ago, a Spokane household that made the median income could afford about two-thirds of the homes on the market, according to Zillow. Now home prices are up 60% over the past two years, pricing out broad swaths of the populace and fomenting an escalating housing crisis marked by resentment, zoning fights and tents.

Being an "it" place was something Spokane's leaders had long hoped for. The city and its metropolitan region have spent decades trying to convince out-of-town professionals and businesses that it would be a great place to move. Now their wish has been granted, and the city is grappling with the consequences.

Growth is never perfect, and Spokane's influx has been accompanied by a booming employment market that has increased wages, turned abandoned warehouses into offices and helped the city recover jobs lost during the pandemic. This is normally called progress. But for people who already lived in and around Spokane or the suburbs

just across the border in north Idaho, the shift from living in a place that was broadly affordable to broadly not has come on with the suddenness of a car crash. Now many workers are wondering what the point of growth is if it only makes it harder to keep a roof over their head.

Even the mayor isn't immune. In an interview, Nadine Woodward, a Republican who was elected in 2019, noted that her son and daughter-in-law, newlyweds who moved home during the pandemic, were living with her and her husband while they figured out where they could afford to settle. They came back to Spokane from Seattle, where they were long ago priced out. Austin was the next city on their list, but then its home prices shot up to about where Seattle's were when they left. At this point, even Spokane is seeming pricey.

"I never thought I'd see the day where my adult children couldn't afford a home in Spokane," Woodward said.

A Between Place

On an overcast afternoon with snow patches on the ground, Steve Silbar, a local real estate agent who has been selling homes for five years, explained Spokane's transformation in terms of a 6-inch screen. When he thinks of a typical buyer, Silbar said, he imagines a couple thousands of miles away, perhaps on a beach, looking at their phones. They're considering moving to a cheaper city, and do a search for homes.

Clients like this are why Silbar invested \$3,000 in a camera that allows him to create three-dimensional tours of his listings, and why the exterior of every home he sells is showcased with an aerial video shot by a drone. In a market that attracts so many outsiders, a virtual walk through the interior and bird's-eye flight over the street can be the nudge buyers need to bid on a home they've never entered, in a city they've never seen.

"I have to assume that the person that is looking at my listing has never been to Spokane, does not know about Spokane, has no clue," Silbar said.





Spokane real estate agent Steve Silbar says he invested thousands of dollars on equipment so he can use virtual methods to help buyers from outside the... (Rajah Bose / The New York Times) **More** ▾

Spokane is the largest city on the road from Seattle to Minneapolis. This fact is frequently cited as the logic behind its economy: It's between things. The city was incorporated in 1881 and grew into a transportation hub for the surrounding mining and logging industries. It remains a hub, only instead of shipping out timber and silver, businesses revolve around Fairchild Air Force Base and a collection of hospitals and universities that draw from the rural towns that stretch from eastern Washington to northern Idaho and into western Montana.

The transition from past to present plays out across a skyline in which the usual collection of anonymous bank and hotel towers is broken up by historic brick buildings that seem to be either in a state of abandonment or rehabilitation or occupied by low-rent tenants while waiting for redevelopment. The current boom has already made its mark in the form of new apartment towers, warehouses-turned-office buildings and an empty lot that will soon contain a 22-story building that will be the city's tallest.

Driving around town, Michael Sharapata, a commercial real estate broker who moved to Spokane from the Bay Area in 2017, gave a staccato accounting of new leases, such as the millions of square feet that Amazon occupies out by the airport, or the satellite offices rented by various regional accounting and building firms.

His family is coming, too. After Sharapata and his wife moved north, they were followed, in rapid succession, by his brother-in-law in Austin, another brother-in-law in the Bay Area and his sister-in-law in Salt Lake City.

“We were looking for an affordable community that had an opportunity to accommodate all of us,” he said.

As in most of urban America, much of the growth in the Spokane area is on the fringes, where heavy equipment and the skeletal outlines of new subdivisions unfold in every direction and into Idaho. Building permits have surged, and the cadre of mostly local builders who had the market more or less to themselves now grumble that the rapid growth has attracted big national builders like D.R. Horton and Toll Brothers.

All of this happened fairly recently. In the years after the Great Recession, when homebuilders were in bankruptcy or hibernation, migration to the Spokane area plunged. That pattern shifted in 2014 when, as if a switch had been flipped, waves of migrants started arriving as already high-cost cities like Seattle and San Francisco saw their housing markets go into a tech-fueled frenzy.

By the end of 2014, migration to the Spokane area had jumped to more than 2,000 net new residents, compared with a net loss the year before, according to Equifax and Moody’s Analytics. Annual growth has only continued, rising further with the pandemic to more than 4,500 net new residents.

Sometimes they come for the chance to buy their first home. Other times it’s a bigger house or some land. Joel Sweeney, an academic adviser at Eastern Washington University, wanted the best of both: a single-family house on a quiet street that was close enough to downtown that he could walk to a good brewery. That sort of Goldilocks urbanity could cost \$1 million in Austin, where he and his wife lived until last year. When they moved to Spokane they paid less than a third of that.

“You could not get a house for \$299,000 in Austin where you could walk to a bunch of different stuff,” he said.

Nurses and Teachers

The white house with the red door sits on a quiet block near Gonzaga University. It has two bedrooms, one bathroom and 1,500 square feet of living space.

Silbar, the real estate agent, has sold it twice in the past three years. The first time, in November 2019, he represented a buyer who offered \$168,000 and got it with zero drama. This year it went back on the market, and Silbar listed it for \$250,000. Fourteen offers and a bidding war later, it closed at \$300,000.

When Silbar got into the business, he said, his clients were “nurses and teachers,” and now they’re corporate managers, engineers and other professionals. “What you can afford in Spokane has completely changed,” he said.

The typical home in the Spokane area is worth \$411,000, according to Zillow. That’s still vastly less expensive than markets like the San Francisco Bay Area (\$1.4 million), Los Angeles (\$878,000), Seattle (\$734,000) and Portland (\$550,000). But it’s dizzying (and enraging) to long-term residents.





Lindsey Simler, a nurse who grew up in Spokane, wants to buy a home in the \$300,000 range, but put her search on pause after a dozen failed offers. (Rajah Bose / The New York Times)

Five years ago, a little over half the homes in the Spokane area sold for less than \$200,000, and about 70% of its employed population could afford to buy a home, according to a recent report commissioned by the Spokane Association of Realtors. Now fewer than 5% of homes — a few dozen a month — sell for less than \$200,000, and less than 15% of the area’s employed population can afford a home. A recent survey by Redfin, the real estate brokerage, showed that homebuyers moving to Spokane in 2021 had a budget 23% higher than what locals had.

One of Silbar’s clients, Lindsey Simler, a 38-year-old nurse who grew up in Spokane, wants to buy a home in the \$300,000 range but keeps losing out because she doesn’t have enough cash to compete. Spokane isn’t so competitive that it’s awash in all-cash offers, as some higher-priced markets are. But prices have shot up so fast that many homes are appraising for less than their sale price, forcing buyers to put up higher down payments to cover the difference.

A dozen failed offers later, Simler has decided to sit out the market for a while because the constant losing is so demoralizing. If prices don’t calm down, she said, she’s thinking about becoming a travel nurse. With the health care workforce so depleted by COVID-19, travel nursing pays much better and, hopefully, will allow her to save more for a down payment.

“I’m not at the point where I want to give up on living in Spokane, because I have family here and it feels like home,” she said. “But travel nursing is going to be my next step if I haven’t been able to land a house.”

‘Positive Activity’

From her seventh-floor office atop the art deco City Hall, Woodward, the mayor, looked out at the Spokane River, where in the warmer months a gondola glides past her window to the Riverfront Park built for the World’s Fair.

Spokane hosted the fair in 1974 as a means of revitalizing its blighted downtown, and during the recent interview Woodward pointed out the window at cranes and construction sites that she calls “positive activity.”

Spokane’s job market is among the strongest in the nation, and the virtuous economic cycle — of people coming for housing, causing businesses to come for people, causing more people to come for jobs — is in full swing. And yet, as in Seattle and California before and increasingly across the nation, the scourge of rising prices, particularly for rent and housing, makes it feel less virtuous than advertised.

The recent Realtors report warned of “significant social implications” if the city doesn’t tackle housing. The issues included young families not being able to buy or taking on excessive debt, small businesses not being able to hire, and difficulty keeping young college graduates in town.

In the dominoes of the housing market, the disappointments of aspiring buyers like Simler get magnified as they move down to lower-income households. With homes so hard to buy, rents have shot up, and the vacancy rate for apartments is close to zero.

All of this has compounded at the lowest end of the market, where the nonprofit Volunteers of America’s Eastern Washington and Northern Idaho affiliate, which runs three shelters and maintains 240 apartments for people who were formerly homeless, said it will lose a quarter of its units in the next fiscal year as more of its funding goes to higher rents.





The Spokane mayor declared a housing emergency in 2021. Shown is a homeless camp in Spokane on Jan. 26, 2022. (Rajah Bose / The New York Times)

In December, as temperatures dropped and shelters filled, advocates and members of the homeless population protested by setting up several dozen tents on the City Hall steps. The encampment was gone two weeks later but has since been reconstructed on a patch of grass on the other side of town. In the winter cold it smells like ash and soot from the open fires burning to keep people warm.

Last year, Woodward declared a housing emergency, and her administration has put in place initiatives that mirror those of housing-troubled cities on the West Coast. The city has built new shelters, is encouraging developers to repurpose commercial buildings into apartments, is making it easier for residents to build backyard units, and is rezoning the city to allow duplexes and other multiunit buildings in single-family neighborhoods.

Woodward pointed to Kendall Yards, one of the developments outside her City Hall window, as an example of what she wanted to see more of. The mixed-density project could be a postcard picture of what economists and planners say is needed to combat the nation's housing shortage and sprawl.

In defiance of the single-family zoning laws that dictate the look of most U.S. neighborhoods, Kendall Yards has houses next to town homes next to apartments, with retail and office mixed in.

People in town seem to love it, but are leery of there being more places like it, especially in their neighborhood.

“I think it’s awesome — I have friends there, and we go down there to the farmers market and walk around,” said John Schram, a co-chair of the neighborhood council in Spokane’s Comstock neighborhood. “That’s just not my vision of what I want for me. My concern is that I move into a neighborhood because of the way that it was designed when I got there, and when somebody else comes in and wants to change that I’m going to be concerned.”

He added: “I have nothing against duplexes and triplexes, just not next to my house.”

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