

# Migration to 'cheaper' cities lifts home prices

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Migrants – be they remote workers, people moving for a new job or retirees – approach buying a Denver house with a budget of about \$880,000 on average. Locals on average are looking to spend about \$700,000.

Guess who's winning the bidding wars that increasingly erupt in the Mile High City?

That trend is playing out across the country as housing shortages, and the resulting sky-high home prices in California, Boston, New York, Seattle and other areas with strong job and wage growth, send people looking for more affordable homes. They arrive in what once might have been considered secondary cities – Austin, Texas; Boise, Idaho; Atlanta; and Portland, Maine, to name a few – with wads of home equity to invest and a smile on their faces because local prices seem so cheap to them.

Measuring price parameters home shoppers plugged into its website late in 2020, Redfin analyzed homebuying budgets of locals and potential migrants for 34 U.S. cities, and in 31 cases the out-of-towners had notably bigger budgets:

- Nashville, Tennessee: Migrants look to spend \$719,488, 48.2% more than locals.

- Atlanta: Migrants look to spend \$697,922, 33.4% more than locals.

- Austin: Migrants look to spend \$852,276, 32.2% more than locals.

- Charlotte, North Carolina: Migrants look to spend \$553,857, 21.3% more than locals.

- Portland, Oregon: Migrants look to spend \$758,683, 15.2% more than locals.

Only in three California markets did Redfin find the locals preparing to outspend newcomers shopping

for homes in the area: San Francisco, San Jose and Fremont.

Separate research, by Harvard's Joint Center for Housing Studies, found that, over time, paths from high-cost cities to lower-cost ones become so well worn that they become economically linked.

Thus, Phoenix house prices climb when prices rise in Los Angeles. House prices in Portland, Maine, go on the march when prices surge in Boston. Home prices in Tampa, Florida, meanwhile, are propelled by price increases in and around New York City.

The author of the Harvard paper, Gregor Schubert, calculated that a 10% price increase in one group of cities eventually resulted in a 6.3% price increase in another group with these migration links.

## The Boston-Portland connection

Single-family homes in Portland, Maine, recently were selling for an average of \$370,000, or \$287 a square foot. That's a steal compared to Boston, where the average single-family home sale was recently \$2.2 million, or \$884 a square foot.

Portland, a town of 66,000 people, had only 547 home sales in 2020, down from 596 in 2019. Boston, meanwhile, has 693,000 people, so it doesn't take a lot of Bostonians moving north to ignite the Portland market. Prices in Portland have risen 16% over the past year.

In a functioning housing market where local supply reacted swiftly to demand, new housing units in Boston would satisfy more of the local need and fewer people would migrate. But land costs, permitting difficulties and not-in-my-backyard opposition to new housing construction limits supply in many popular U.S. cities.

And with heavy enough migration, prices can rise briskly in places

that don't discourage new home building. Phoenix and Las Vegas, for example, have only moderate barriers to new construction. But they got so much in-migration in the early 2000s from Los Angeles and other West Coast cities that prices rose sharply anyway.

"Phoenix and Las Vegas are not super supply constrained, but they received very large shocks," Schubert said.

Angelenos are still moving to Phoenix and Las Vegas. Single-family home sale prices in Los Angeles have averaged \$1.5 million recently, or \$768 a square foot. In Phoenix, that compares to \$465,000, or \$251 a square foot; in Las Vegas, \$425,000, or \$206 a square foot.

## Exceptions to the rule

Housing prices in some cities are affected less by in-migration. Houston and Dallas, for example, have had rapid population growth, including many migrants from California. But prices have remained restrained there because housing is so easy to build in Texas.

The Harvard study notes that migration from California to Boise has long pushed up prices there. Home prices soared 41% from 2000 to 2007, the prior boom years, in Boise, which got heavy migration from Los Angeles, San Francisco and other high-priced California markets. Boise's population grew by 13% during that period. Four percentage points of Boise's growth came from Los Angeles, San Francisco and San Jose.

Single-family home sales in Boise have recently averaged \$625,000, or \$301 a square foot. But compare that to San Jose: \$1.3 million, or \$768 a square foot.

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