



Media Release

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Statistics on Washington's housing market and other useful information are available on WCRER's Web site: www.cbe.wsu.edu/~wcrer. For other information on real estate markets around the State of Washington, or general information about the real estate industry in the state (excluding legal questions), readers can reach the WCRER at 1-800-835-9683.



Income Disparities

A recent article by Alan Berube and Thacher Tiffany, researchers at the Brookings Institution, studied the distribution of household income in 100 of the nation's largest cities between 1979 and 1999 (using Census data from 1980 and 2000). Four communities in this part of the country were included in their analysis—Portland, Seattle, Spokane, and Tacoma.

The authors began by dividing communities into one of six types, depending on the 1999 income profile. Seattle was identified as "balanced," meaning that the income distribution mirrors nationally with roughly 20 percent of households falling into each of the five income groups, and no more than a quarter of households in any one group. Nationally, 13 of 100 cities shared this profile.

A second category was "middle-class" where a clearly larger proportion of households were clustered in the three middle income groups. A total of 29 cities matched this profile, including Portland.

The other large group of cities were characterized as "low-moderate," meaning the lowest income groups was largest with each progressively higher income range representing a small proportion of households. Twenty-nine cities nationally fit this profile, include both Spokane and Tacoma.

No Northwest cities were identified in the three remaining income distribution types—high-end, stressed or divided (u-shaped).

Little has changed in terms of the profile of cities within this region during the last 20 years. The identified groupings for Seattle, Spokane and Tacoma were unchanged. Portland, however, saw improvement in its income profile, moving from "low-moderate" in 1979 to "middle income" in 1999.

Economists and demographers in the last couple of decades have often written about the shrinking middle class and the increased segmentation of households into haves and have nots. This analysis seems to imply those results are somewhat overstated. However, the fact that half of the region's cities are identified as having income profiles with a disproportionate share of households with below-average income is troubling.

The report goes on to examine the suburban areas corresponding to these cities. Not surprisingly, the income distributions in the suburban areas were skewed more heavily to higher income households than the cities themselves. However, both the cities and their suburban counterparts had lower proportions of households classified as "high income" in 1999 than they had 20 years earlier, and higher proportions characterized as "low" or "lower-middle." The changes in the proportions, nationally, were more pronounced in the suburbs than in the central cities. Among the four Northwest cities studied the suburbs of Seattle had a particularly striking 50.5 percent of households in the top two income categories, while in contrast, Spokane's suburbs had only 42.3 percent of households in the higher income groups.

These data have implications for both economic development and housing development. The expansion of lower income groups implies economic development activities need to continue to focus on higher wage jobs. Housing providers need to strategize ways for new development activities to successfully serve the needs of an aging population with a smaller share of households in the higher income categories. Real estate licensees and their clients need to understand the often striking differences in the economic profiles of the markets they serve—the vastly different home prices are only one manifestation of the difference.