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Comparing Housing Markets

In a recent *Policy Brief (Volume 6, Number 21)*, we pointed out that Allegheny County continues to suffer net outmigration to other area counties and to other states. Clearly, many of the people leaving are workforce age and undoubtedly the population loss affects the County's tax base and economic activity. Logically, homebuilding is one of the sectors where the losses will have a significant impact.

The Census Bureau collects and maintains data on building permits issued for newly constructed, privately owned, single-family homes. The following table below displays single-family building permits for the last two years and first quarter 2006 for Allegheny County, the Pittsburgh metro area and Pennsylvania. Permits are presented on a per 1000 population basis to allow comparison of relative strength of new home construction.

Building Permits per 1000 people

Area	2004	2005	Jan-Mar 2006	Projected 2006
Allegheny County	1.2	1	0.25	1
Pittsburgh Metro	1.8	1.6	0.34	1.4
Pennsylvania	3.1	3	0.67	2.8
U.S.	5.2	5.6	1.25	5

Allegheny County has lagged behind the rate for the state and the nation for a number of years but dramatically so since 2004. Extrapolating the County's rate over the remainder of 2006 would produce a rate of 1 permit per 1000 people, identical to 2005 and a decline from 2004.

Regionally, only Butler and Washington counties, which had rates of 0.87 and 0.75, respectively, in the first three months of 2006 are exhibiting any appreciable strength. In fact, while Butler and Washington account for a combined 16 percent of the metro population, they accounted for 38 percent of the first quarter permits. Bear in mind that the metro area is not growing and that much of the activity in neighboring counties is likely a result of people leaving higher-tax Allegheny County.

Since Allegheny County's population is dropping, why would there be any new home construction? Two plausible explanations. One, some of the limited numbers of people moving into the County want new homes and have the wherewithal to afford them. Likewise, there are some County residents building and buying new homes. Two, Allegheny County's housing stock is very old. There are many houses that have fallen into such decrepitude that it is not economically feasible to rehabilitate them to a livable condition. Thus, there is some demand arising from the need to replace houses that are no longer viable.

To get a picture of the degree to which population change affects housing activity, we examined the permit data for the Charlotte metro area, a fast growing region. The Charlotte metro area population has risen 27 percent since 1990, climbing 14 percent between 2000 and 2004. Housing permits for the region for 2004 and 2005 were 12 and 13 per 1000 population respectively. For the first quarter of 2006, the metro area saw the issuance of 4.4 permits per 1000 people, an annualized rate of 17.6.

The contrast with Allegheny County is astounding. For 2004 and 2005, Charlotte's homebuilding was running at pace 10 times faster than Allegheny County. And in the first quarter of 2006 the rate was 17 times faster.

Building Permits per 1000 People

Area	2004	2005	Jan-Mar 2006	Projected 2006
Charlotte Metro	12	13	4.43	17.6
Allegheny County	1.2	1	0.25	1

Not surprisingly, with Charlotte's pace of homebuilding, the construction of commercial structures has also expanded at a rapid rate. All this without TIFs or other government handouts.

Maybe if property taxes in Allegheny County were not so high and the County had a friendlier business climate it could begin to participate in the prosperity enjoyed in Charlotte and other regions.

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