

Five Years Later: Amazon's Impact on the Local Housing Market



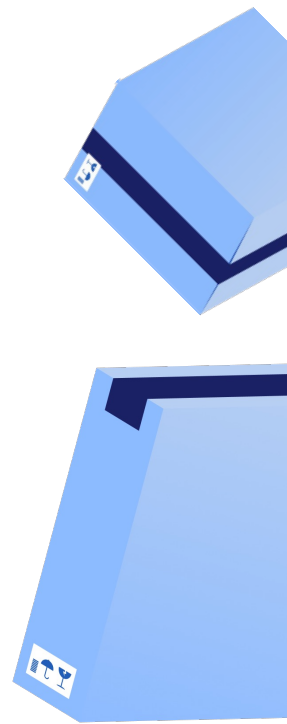
In November 2018, Amazon announced that the Crystal City area of Arlington County, Virginia, would be the location of its second national headquarters. The decision came after a 14-month-long process during which more than 200 communities across the country submitted applications to be considered as the site for the new Amazon office that promised to bring tens of thousands of jobs and accompanying economic development.

Has there been an “Amazon effect” on the local housing market?

The Amazon announcement raised concerns that housing costs in Arlington and the surrounding area would surge as the 25,000 highly -paid workers arrived at the Crystal City headquarters. (The area was later branded “National Landing.”) Arlington County and the Washington, D.C., region were already some of the most expensive markets in the U.S., and Amazon’s decision to locate in Arlington was met with fears that the development would displace lower-income residents unable to afford housing and allow only high-income residents to be able to afford to live there.

It has been difficult to identify the true impact Amazon has had on housing costs—specifically on—home prices in Arlington and the surrounding area. Home prices tend to be high in places close to jobs and amenities. Arlington has an unparalleled location across the river from the District of Columbia. Furthermore, over the past two decades, the county has also pursued land use policies and economic development strategies to make Arlington attractive to young professionals and families.

The story about the relationship between Amazon HQ2 and housing costs got more complicated when COVID-19 hit. The new headquarters was planned pre-pandemic, but the pandemic upended the relationship between work and home, while at the same time government responses to the crisis fueled housing demand.¹



Planned HQ2 Development

Phase 1: 14,000 new jobs

Phase 2: 11,000 new jobs

Amazon HQ2 Timeline

- September 2017** Amazon issues a request for proposals (RFP) to communities asking for tax breaks and other incentives in exchange for locating their second headquarters (HQ2)
- November 13, 2018** New York City and Arlington are selected as the locations for Amazon's new company headquarters
- February 14, 2019** Amazon announces that it was withdrawing NYC's offer, leaving Arlington the sole site for Amazon HQ2
- June 2019** Amazon moves its first employees into rented space in Arlington
- January 2020** Construction begins on the first phase of Amazon HQ2 buildings
- March 2023** A total of 8,000 (out of a planned 14,000) Phase 1 workers have been hired at Amazon HQ2.

Amazon announces that it is delaying Phase 2 of the HQ2 development

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In late 2018, George Mason University (GMU) researchers investigated the potential impacts on the housing market as a result of the arrival of Amazon HQ2. They estimated that only about 10% of new Amazon HQ2 employees would actually live in Arlington, with nearly 60% living in other parts of Northern Virginia, and the remainder in the District of Columbia, Maryland and elsewhere.² As a result, while Arlington might experience an “Amazon effect” on its housing market, other nearby communities would, as well.

Over the past 10 years, home prices have risen at a rate of about 4.5% annually in the Washington, D.C. metro area.³ Since 2019, the pace of home price appreciation escalated, rising at around 7.0% annually between 2019 and 2023. Home prices in the D.C. region—and in Arlington County, in particular—are significantly higher than the national average. In 2023 (through September), the region’s median sale price was \$560,000; in Arlington, the 2023 median sale price was \$655,000. Over the same time period, the national median price was about \$390,000.

Figure 1. Median Home Price Index, Arlington County

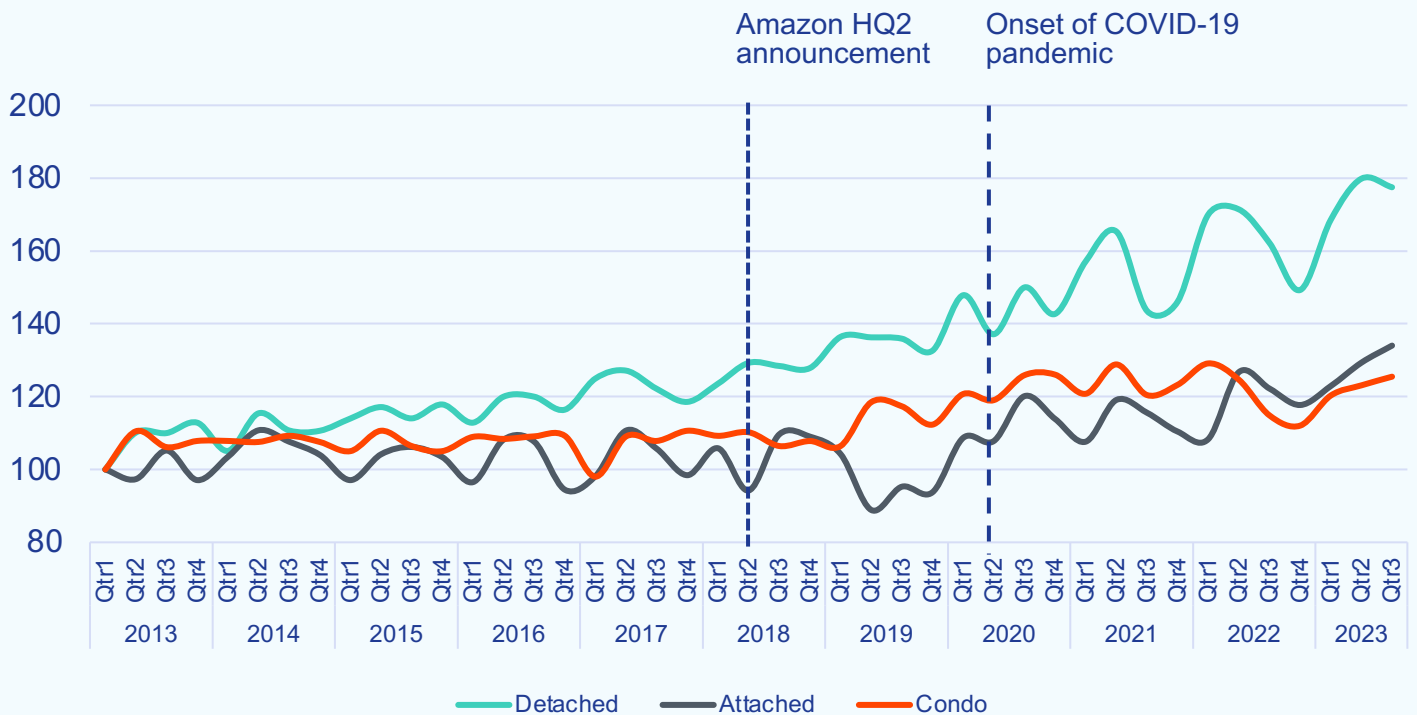
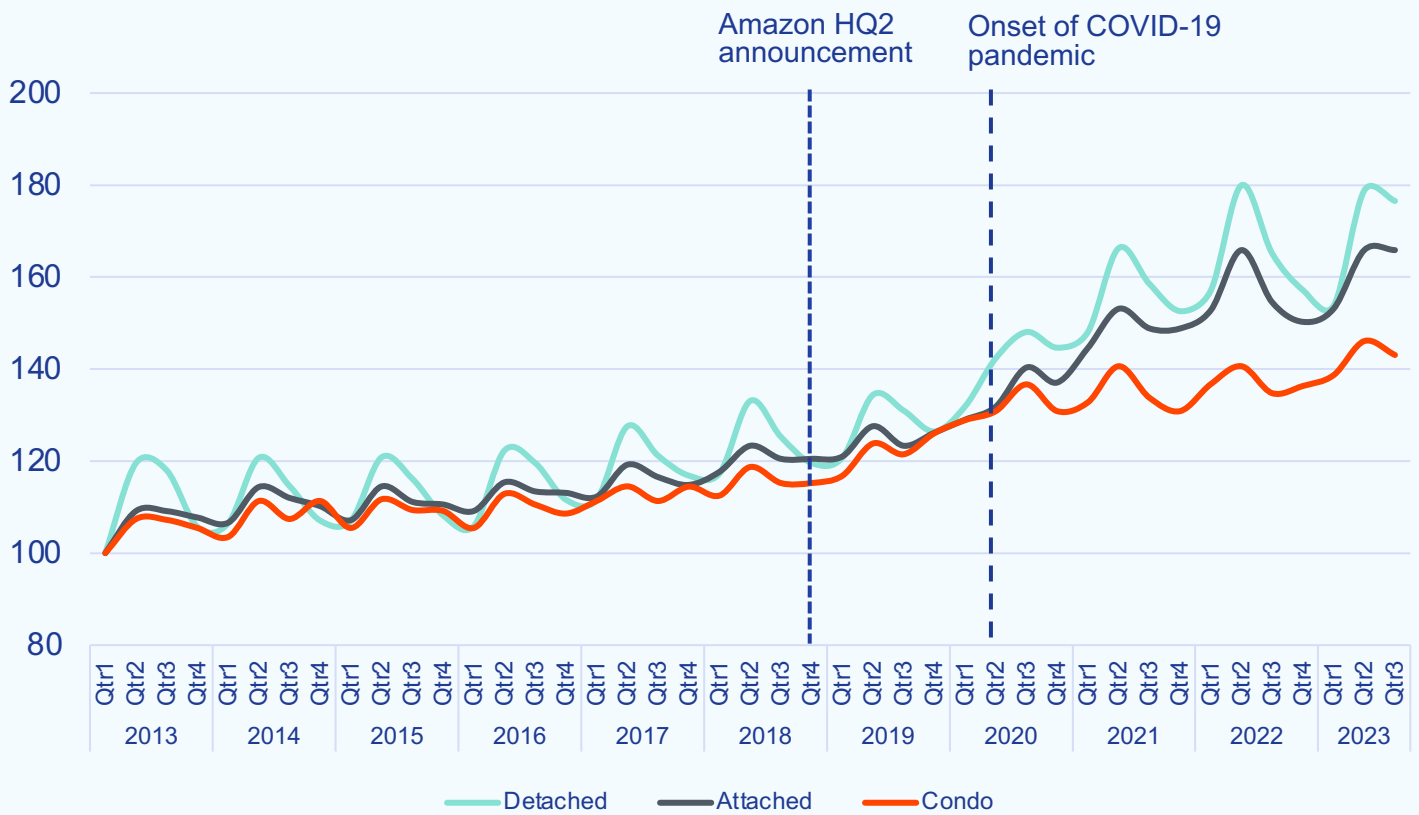


Figure 2. Median Home Price Index, Rest of the Region

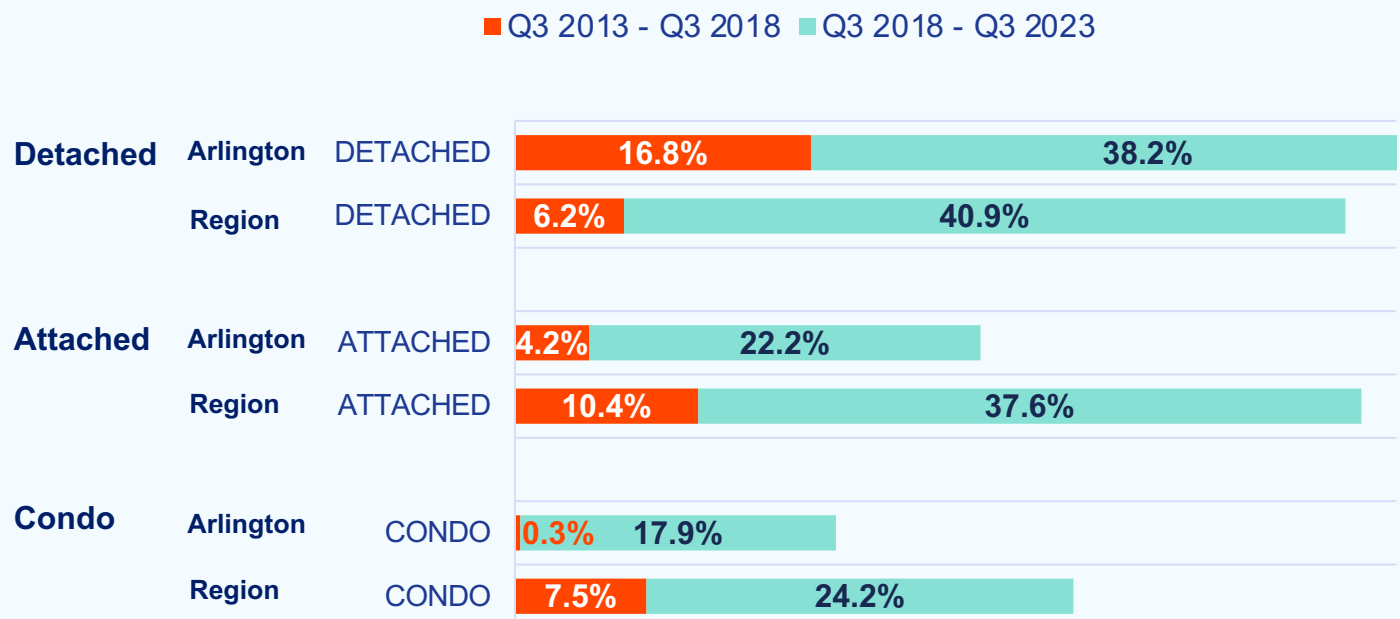


High home prices in the Washington, D.C., region reflect the strong regional economy, high wages, and limited housing stock.

Overall, while Amazon HQ2 had a temporary impact on home prices in Arlington County, particularly in the single-family market, longer-term home price trends have been driven by underlying supply and demand fundamentals and, more recently, the COVID-19 pandemic.

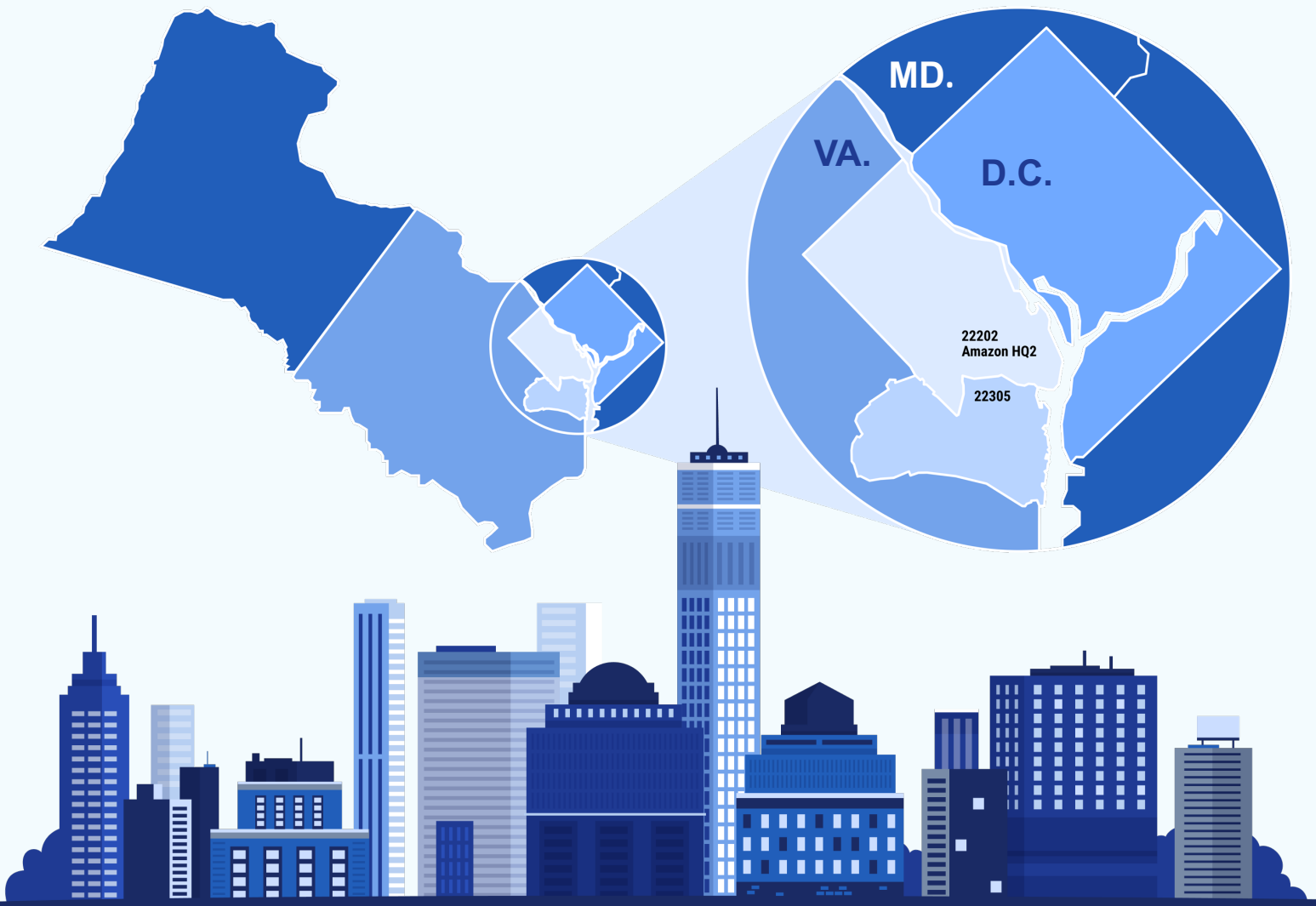
In the five years prior to the Amazon announcement, median sales prices of single-family detached homes in Arlington rose faster than those in the rest of the region, but prices of attached homes/townhomes and condos rose by much less.

Figure 3. Change in Home Sale Prices, Arlington County and the Rest of the Washington, D.C. Region



Something did change in the housing market after the Amazon announcement. Real estate agents began using Amazon HQ2 as a marketing tool. Two out of five single-family detached homes listed in 2019 in the 22202 zip code—the area that includes the Amazon HQ2 headquarters—explicitly mentioned HQ2 in the property description.

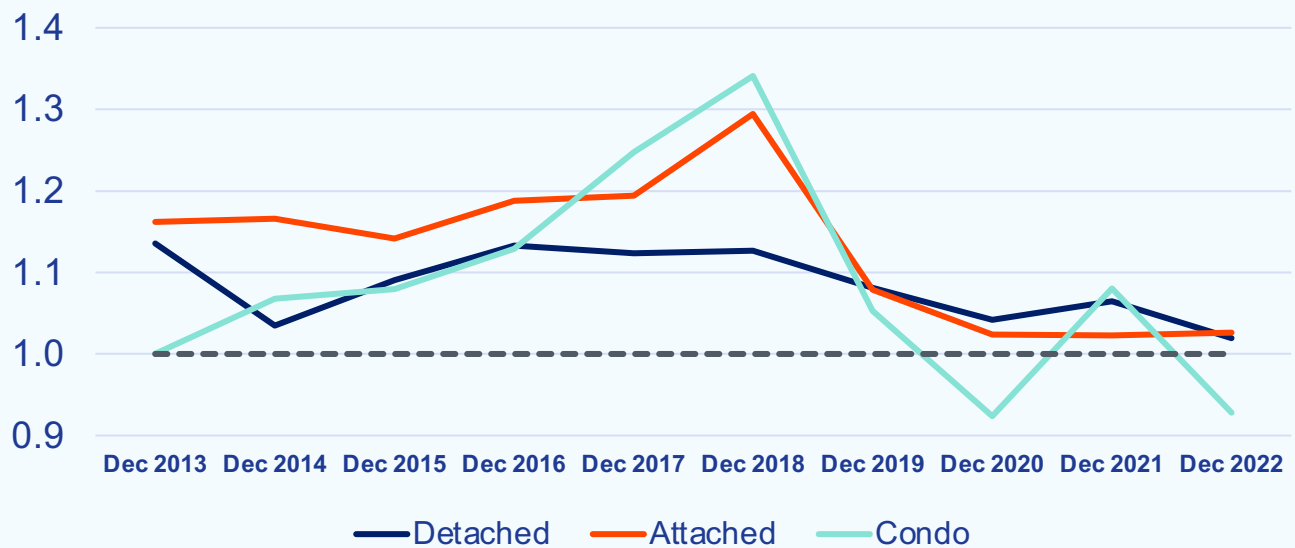
Map of National Landing



And sales did accelerate temporarily in Arlington after the HQ2 announcement. In December 2018, the new pending-to-new listing ratio reached 1.34 for Arlington condo sales, indicating unusually high buyer interest. Pending sales also far exceeded new listings for Arlington attached homes/townhomes during that month.



Figure 4. Ratio of New Pendings to New Listings



In the year and a half between the announcement and the onset of the pandemic (Q4 2018 through Q1 2020), there did appear to be a price premium in Arlington, specifically in the National Landing market, for single-family detached homes. Prices of single-family detached homes increased by an average of 17% annually in the National Landing Market (zip codes 22202 in Arlington and 22305 in Alexandria), while detached home prices were up by more than 10% countywide. Condo sales also appeared to get a bump in Arlington after the HQ2 announcement, but in the National Landing market, perhaps surprisingly, condo prices fell between Q4 2018 and Q1 2020.

Some of the pressures on the single-family market came from investors and traditional buyers looking to purchase an older home, tear it down, and rebuild a new, likely much bigger home. Many of the single-family homes in the National Landing market had been built in the 1940s, and the average age of homes sold was 75 years. In 2019, one out of five single-family listings in the area was sold “as is” or explicitly marketed for the land. This was not a trend limited to the National Landing market but was more prevalent there because single-family home prices were somewhat lower there than in other parts of Arlington and Alexandria.

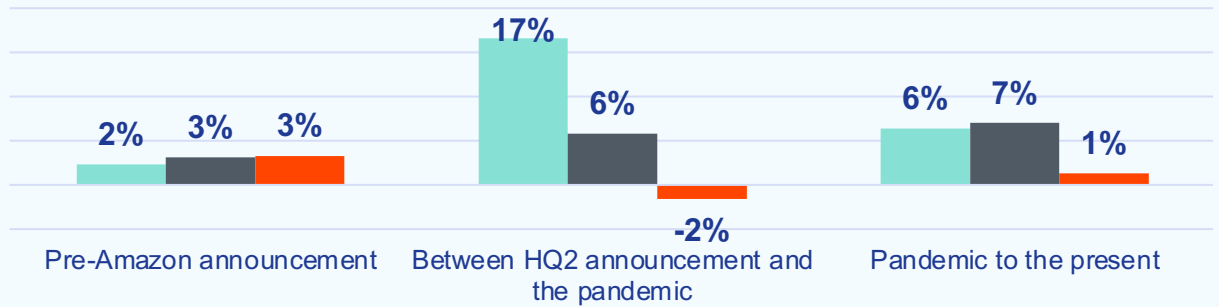
Across the rest of the region, home price appreciation also accelerated in the period between the HQ2 announcement and the onset of the pandemic. The difference appears to be that in Arlington County, particularly in the National Landing area, the fast-rising single-family home prices were relatively fleeting. With the onset of the pandemic in early 2020, home prices began to grow more slowly in Arlington, while single-family price growth remained fairly stable in the rest of the Washington, D.C., region.



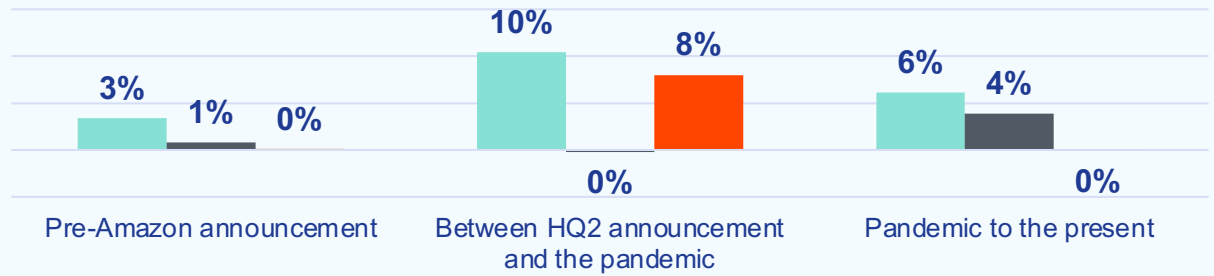
Figure 5. Annual Home Price Appreciation

■ Detached ■ Attached ■ Condo

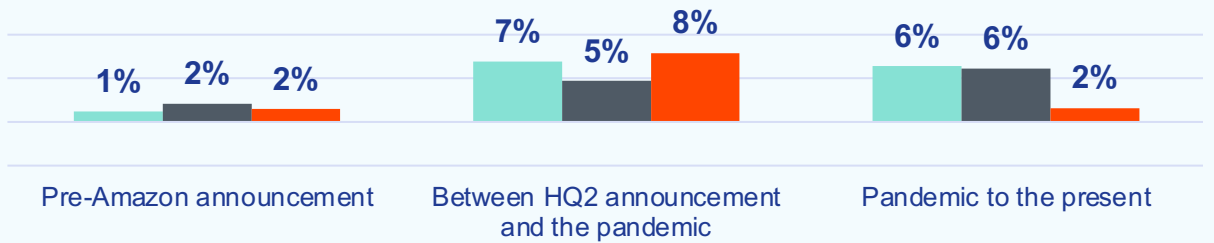
National Landing



Arlington

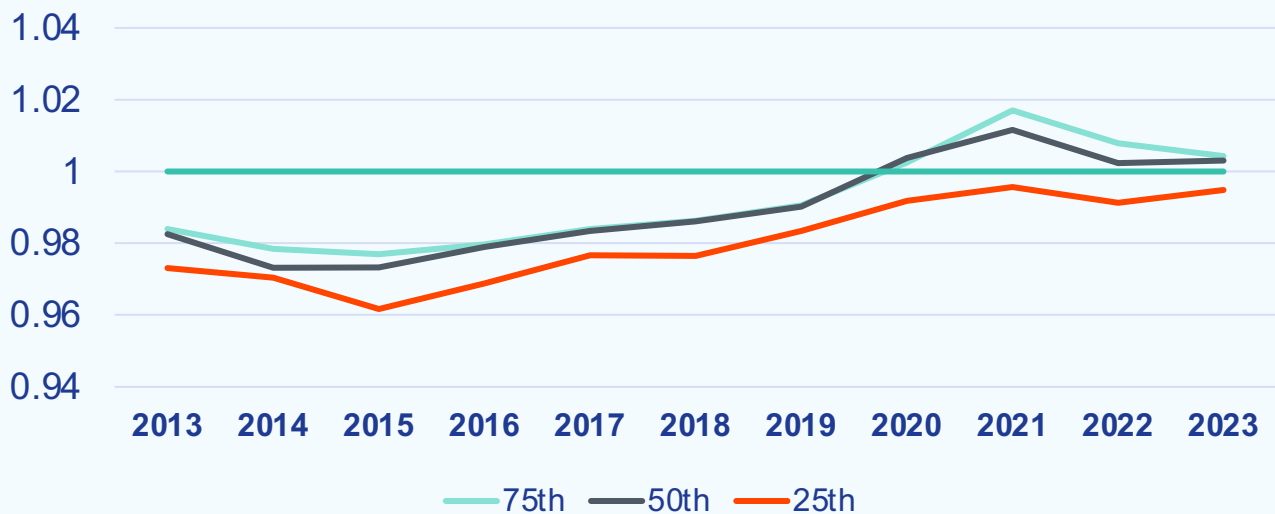


Rest of DC Region



Furthermore, while there was upward pressure on prices across price points, there is no indication that lower-priced homes in Arlington were more at risk of being priced upward. Higher-priced homes were selling very close to list price in 2019 (and the sold-to-list price ratio has actually topped 1.0 since 2020), but lower-priced homes (in the 25th percentile) were still selling below asking.

Figure 6. Sold to List Price Ratio, Arlington County By Home Price Quartile



The Outlook for the Region's Housing Market



Home prices in the Washington, D.C., region are more than 30% higher now than they were prior to the Amazon HQ2 announcement.

While the announcement prompted both elation and anxiety, the effect on the housing market was short-lived as the COVID-19 pandemic and the resulting government and business responses to the pandemic have had a much bigger impact on the housing market.

Amazon HQ2 did have a transitory impact on the housing market and did give home prices a shot in the arm. If there had been no unique post-Amazon / pre-pandemic price uptick in Arlington, and prices had risen at their long-term rates, the median price of a single-family home in the county would now be \$1.2 million instead of \$1.25 million. But it was the speculation about Amazon's impact—and not the actual actions of new Amazon employees in the housing market—that moved the needle. Only 8,000 of the promised 25,000 Amazon employees have been hired at HQ2, with the vast majority living outside of Arlington County.

The primary driver of the housing market is the strength of the Washington D.C., economy, where the median household income is more than 50% higher than the U.S. median household income.

A lack of supply is the primary factor driving the fast growth in the prices of single-family homes; the number of single-family homes available for sale in the Washington, D.C., region is still only about a third of what it was prior to Amazon's announcement.

As we emerge from the pandemic, it is clear that relatively high home prices in Arlington and in the greater Washington, D.C., region are being driven by strong demand and low supply, and not the movement of high-wage employment to the area. The delay of Phase 2 of the Amazon HQ2 project may slow some development activities—but it will not slow the region's housing market. Other factors, including persistently high mortgage rates, growing affordability challenges, and economic uncertainty, will be the primary drivers of housing market activity in the year ahead.



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