

December 2019

Amazon effect on housing prices in Northern Virginia reportedly is even greater than previously thought

BOARD OF DIRECTORS
THOMAS A. LOFTUS, ESQ., CHAIRMAN
COL. JOHN M. RECTOR (USA, RET.),
VICE-CHAIRMAN
MICHAEL J. CLARK, ESQ., TREASURER

ADVISORY COMMITTEE
PROF. PHILIP M. CAUGHRAN
PROF. WILLIAM A. FISCHER
SCOTT LINDLAW, ESQ.
THOMAS B. RESTON, ESQ.

The effects of Amazon’s new headquarters in Northern Virginia on housing prices in that area continue to grow, according to MarketWatch.com, a major, online financial services company. “Initially home prices in Northern Virginia rose 21% following Amazon’s announcement” of that HQ2 in November 2018.¹

A year later, the median listing price in Arlington County is \$863,000 as of October 2019, up 33% year-over-year, according to Realtor.com. The median sales price in Manhattan, meanwhile, has dropped 15% in that same time to \$1.04 million.²

In February, Amazon dropped its plan for an HQ2 in New York City that, like the one in Northern Virginia, was scheduled to have had about 25,000 employees by 2030.³ The housing price increases in Northern Virginia seem consistent with the experience in Amazon’s original home of Seattle, where those prices rose nearly 73% during the five years before it announced its HQ2 plans. And the Amazon effect seems to involve more than just price increases.

there’s also been major shortage of housing across Northern Virginia as people looking to cash in on Amazon’s arrival purchased homes, the [Realtor.com] report suggested. Across the 14 counties in Northern Virginia, the number of homes actively for sale has fallen 26% over the past year.⁴

¹Jacob Passy, *One year after Amazon’s HQ2 announcement, here’s what happened to house prices in Northern Virginia*, MarketWatch.com, Nov 16, 2019.

² *Id.* Realtor.com is operated by a News Corp NWSA, subsidiary (Move Inc.), and MarketWatch is a unit of Dow Jones, which is also a subsidiary of News Corp. *Id.*

³ For more on previous Amazon HQ2 events, please click on [AMAZON HQ2 HOUSING CONCERNS](#) (June 2019), and [AMAZON HQ2’s BRING HOUSING CHALLENGES](#) (Dec. 2018).

⁴ *Id.*

“Homeowners and investors have been holding out on selling, anticipating that prices will only continue to increase further,” according to George Ratiu, senior economist at Realtor.com. That phenomenon “has compounded the area’s inventory shortage and further increased home prices, testing the area’s limits for what buyers are willing to pay,” in his view.⁵

Amazon recently offered \$20 million to the Arlington County Affordable Housing Investment Fund in exchange for being allowed to build a bigger headquarters complex in the county than the current zoning allows. “The money for affordable housing is in addition to Amazon’s previously announced \$3.3 million for homelessness and housing affordability, as well as \$5 million in matching grants for employee donations to local charities this year.”⁶

Overall, Amazon has pledged about \$113 million in recent months toward affordable-housing initiatives—largely in metro areas where it has offices. That amount actually pales in comparison to recent commitments by four other tech-based corporate giants, who have pledged a total of more than \$5 billion for affordable housing production, mostly in cities near their headquarters (such as San Francisco and Seattle). Apple has pledged \$2.5 billion; Facebook, \$1 billion; Google, \$1 billion; and Microsoft \$500 million.⁷

Those commitments may have been too little, too late, however, to stem the exodus of tech workers from those areas, which have had record-setting home prices lately. “Workers are leaving California for cities like Austin, Texas and Charlotte, N.C., where thousands more homes are being built that can be bought for a fraction of the price.”⁸

In Arlington County, listing numbers are half of what they were before Amazon entered the picture. The number of homes that were up for sale in Arlington has dropped by half. Homes now sell in around 28 days, which is 10 days shorter than the period last recorded a year ago.

Id. See also, e.g., Patricia Sullivan, Area residents, not Amazon newcomers, are fueling Northern Virginia real estate frenzy, agents say, Washington Post, August 26, 2019.

⁵ *Id.* An Amazon spokesperson cautioned against implying a direct correlation between Amazon’s hiring and home prices in Arlington and Seattle. She said that prices in Seattle are dropping significantly even as Amazon and other local employers grow, and that the price of housing is a complex issue influenced by factors such as local zoning laws.

⁶ Patricia Sullivan, *Amazon pledges \$20 million for Arlington affordable housing in exchange for more density*, Washington Post, November 25, 2019. *See also, e.g., Antonio Olivo, Homeless facility in Alexandria gets \$300,000 boost from Amazon*, Washington Post, November 18, 2019.

⁷ Jacob Passy, *Apple, Facebook, Google and Amazon are putting billions of dollars toward affordable housing — but that money may be too little, too late*, MarketWatch.com, Nov 11, 2019.

⁸ *Id.*

Even with ample funding, residential developments will not be built if local governments or voters prevent it. That is an all-too-frequent occurrence.⁹

⁹ Margaret O'Mara, *Don't Blame Tech Bros for the Housing Crisis*, New York Times, Nov. 30, 2019.

In 1994, two of the state's largest pension funds announced more than \$340 million in construction loans for affordable development. But 25 years later, distressingly little has changed. California is America's largest economy; but when its politicians have pushed to diversify its housing mix, they have been batted back by homeowners who resist new development in their neighborhoods.

See also, e.g., Liam Dillon, *California lawmakers have tried for 50 years to fix the state's housing crisis. Here's why they've failed*, L.A. Times, June 29, 2017 (despite 87-page housing plan and soaring housing demand, Foster City, CA, hadn't approved any new development projects in the preceding five years).