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Redfin Reports Price Growth Slows in Wildfire-Struck California Towns

However, home prices continue to rise 21% in fire-ravaged areas compared to 33% growth in areas outside of fire zones

SEATTLE, Oct. 6, 2021 /PRNewswire/ -- (NASDAQ: RDFN) — In the three years following major fires, home prices rise 21% in directly-hit areas on average, according to a new [report](https://www.redfin.com) from Redfin ([redfin.com](https://www.redfin.com)), the technology-powered real estate brokerage. This compares to the 33% growth just outside of fire zones.



In the areas within the fire perimeters, home purchases declined by an average of 38% during the three years after the blazes. That's in part because when homes in a community burn down, there are fewer properties available to sell, said Redfin Chief Economist Daryl Fairweather. By comparison, purchases only declined an average of 3% in areas that surrounded the fires. Home purchases inside the fire perimeters suffered the most during the first year after the fires, plummeting 43%. By year three, that decline had shrunk to 29%, as more homes were rebuilt and memories of the fires grew increasingly distant.

"Like much of the U.S., California is facing an acute housing shortage. That means there are often intense bidding wars for the homes that are for sale—even those in fire-prone areas—which contributes to the rise in prices," Fairweather said. "The wildfires themselves are also making housing more expensive. After a town burns, builders come in and construct new homes, which are typically more expensive. And homeowners who stay frequently invest in making their homes more fireproof, which increases property value."

Cash Purchases Jump 17% in Wildfire-Hit Areas as Investors and Builders Swoop In, Compared With a 5% Drop Outside Fire Zones

In areas directly impacted by the fires Redfin analyzed, there was a 17% average increase in all-cash home purchases during the three years after the fires. By comparison, home purchases paid for with cash declined 5% in areas located just outside of the fire perimeters.

An increase in home and land purchases by investors and homebuilders—who frequently pay with cash—is likely the driving force, said Christopher Anderson, a Redfin real estate agent in Napa, CA, which was hit by the Tubbs Fire in 2017.

"In the Napa Valley, builders show up right after fires happen. Communities want to rebuild, so local authorities tend to fast-track permits and design reviews, and push properties hit by fires to the front of the line," Anderson said. "They build homes in four to six months after fires, whereas normally it can take a year and a half for a builder to get a shovel in the ground."

In the areas Redfin analyzed that were directly impacted by fires, there was a 595% average increase in the number of homes built during the three years after the fires. That compares with a 6% decrease in the areas that fell outside of the fire perimeter. The surge in construction activity after wildfires also contributes to the increase in home prices.

Builders wouldn't be rebuilding homes in high-risk areas if they weren't confident people would move in, and research shows that they're right. More people are moving in than out of areas facing high risk from wildfires and other natural disasters tied to climate change, according to an August Redfin report.

Recovering lost tax revenue is another incentive that drives communities to rebuild quickly after wildfires, Fairweather said. In the areas Redfin analyzed that were directly impacted by fires, property-tax revenue dropped 6% on average in the three years following the fires. By comparison, there was a 12% increase in property-tax revenue in places that weren't directly within the fires' reach.

To view the full report, including charts and methodology, please visit:

<https://www.redfin.com/news/california-wildfire-housing-market-impact>

<https://www.redfin.com/news/climate-migration-real-estate-2021>

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