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REAL ESTATE

Inflation, home prices climbing fastest in top migration markets

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Phoenix ranks second for both top migration destination and inflation rate. Image credit: Redfin

By SARAH RAMIREZ

The most popular migration destinations within the U.S. have the highest rates of inflation, according to a new analysis from Redfin.

During the fourth quarter of 2021, the three metro areas with the highest inflation rates were also the among the top 10 migration destinations. Migration patterns are one contributor to climbing costs for consumer goods and services.

"A person moving from New York City to Atlanta will probably enjoy lower housing costs in their new hometown," said Taylor Marr, deputy chief economist at Redfin, in a statement.

"That means they're able to spend more on other things, which in turn means local businesses can charge higher prices," he said. "The new residents are winners because the cost of living is still low compared to where they came from, even with higher inflation."

Redfin evaluated the popularity of migration destination by net inflow, or how many more Redfin.com users were looking to move into a metro area than out of it. Inflation rates were based on the Consumer Price Index.

Trend connections

While the national inflation rate stood at 7 percent year-over-year in December 2021, several metro areas saw inflation higher than average.

Atlanta saw the highest rate of inflation, at 8.9 percent y-o-y, followed by Phoenix at 8.4 percent y-o-y and Tampa, Florida at 8 percent y-o-y. Atlanta was also the tenth most popular migration destination during Q4, while Phoenix and Tampa ranked second and fifth, respectively.

Consumers are leaving markets such as Los Angeles for more affordable metro areas. Image credit: Redfin

All three metro areas also median home-sale prices climb more than 20 percent y-o-y.

With a 28 percent jump y-o-y, Phoenix has the highest median home-sale price of the three metro areas at $435,000. Atlanta saw its median home-sale price climb 22.8 percent to $350,000 while Tampa saw 24.3 percent growth for a median home-sale price of $338,000.

Meanwhile, the metro areas with the highest net outflow have inflation rates below the national average.

In Atlanta and Tampa, the most popular out-of-state origin among newcomers is New York, with an inflation rate of 4.6 percent. The New York metro area has also seen more modest growth in median home-sale price of 8.5 percent y-o-y to $640,000.

Los Angeles is the leading out-of-state origin for Phoenix, with an inflation rate of 6 percent. The median home-sale price in Los Angeles is up 14.4 percent to $835,000.

San Francisco is the metro area with the highest net outflow and ranks 23rd for inflation rate with 4 percent growth in consumer prices. The median home-sale price is up 10.3 percent y-o-y to $1.49 million.

More consumers are leaving San Francisco than other metro areas. Image credit: Redfin

While residents of San Francisco, New York and Los Angeles are moving to more affordable metro areas Seattle, Philadelphia and Phoenix, respectively those cities are generally seeing median home-sale prices climb at higher rates.

In addition to Phoenix's 28 percent price growth, prices increased by 16.9 percent y-o-y in Seattle to $727,000. Philadelphia is an exception, with median home-sale price growth of 7.9 percent to $259,000.

Migration patterns

Migration patterns during the COVID-19 pandemic have impacted everything from inflation to home prices and bricks-and-mortar retail.

Most luxury real estate agents expect "The Great Migration" to continue into 2022, according to global real estate membership platform Realm.

Per Realm's 2022 Economic Forecast Survey, nearly 85 percent of respondents believe high-net-worth clients will continue diversifying their real estate portfolios by purchasing larger properties with outdoor amenities. Members expect inventory issues to continue, however, pushing up home prices (see story).

As consumers change their home addresses, these migration patterns will also influence where and how brands can reach them.

Companies are cutting back on their commercial office space, recognizing that many employees now prefer and even expect to work remotely. However, as employees continue to opt out of the in-office work model, daily routines will shift and ultimately impact brands and retailers that rely on the physical business from commuter employees (see story).

"Residents moving away and less demand for goods and services is one reason why inflation is lower in places like New York and Los Angeles," said Redfin's Mr. Marr. "Over time, higher inflation in Phoenix than Los Angeles, for example, will diminish the financial advantage of living in Phoenix.

"The flow of people moving from traditionally expensive cities to more affordable areas will slow down because, quite simply, prices are rising so fast that those places won't be as affordable anymore."