

How Do Recent Wildfires Affect the Housing Market in Northern California?



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The recent onslaught of wildfires has left many communities in Northern California devastated. The effects have been immense as fires have destroyed hundreds of thousands of acres of land, wiped out countless neighborhoods, and even leveled the entire town of Paradise. This destruction has left thousands of people without homes and faced with the burden of trying to rebuild their lives.

For many residents, recovering from this disaster has meant finding temporary housing, rebuilding their homes, or relocating to different communities. While Northern Californians take on the arduous process of recovering, they face the challenges of the aftermath in the form of mental, emotional, and economic struggles. Below are some of the ways in which the wildfires have affected the housing market.

Home values in fire-ravaged areas will temporarily decrease and rents will increase.

According to an article on Multi-Housing News, home values in the areas destroyed by fire will temporarily drop due to a decrease in demand. The destruction of the landscape and views, as

well as the effects on the quality of life, may cause people to be reluctant to purchase homes in these areas, and some residents may choose to avoid living in these communities because of future risk of fire.

But there is hope since home values should eventually bounce back as residents rebuild their homes. Communities affected by wildfires generally experience an immediate drop in home values followed by a return to normal levels in about two to three years after being destroyed by fire.

As families begin the process of recovering from the wildfires, many will move into rentals temporarily. Due to the high demand for rental units to house families that have been displaced, rents will greatly increase.

High insurance costs or lack of insurance will make purchasing homes difficult and drive some residents to other communities.

Insurance companies have been raising rates and declining to sell new policies or renew existing ones for homes in fire-prone areas due to wildfire risks. In some areas, insurance is not available at all, or if it is, the premiums are excessively high, making it difficult for buyers to purchase homes. Some buyers may compensate for higher insurance premiums by spending less money on their homes to offset the additional insurance costs.

These challenges have forced many homeowners to purchase insurance from a surplus carrier or the California FAIR Plan, which is the state's insurer and is suggested only as a last resort because this coverage may cost three times the amount of a traditional homeowner's policy, and policies only cover losses from fire and smoke. According to the California Association of Realtors, if you choose to go this route, you will need to purchase Differences in Conditions (DIC) insurance to cover other issues, such as liability and theft. These insurance rate increases and the inability to find insurance are causing buyers to avoid fire-prone areas and look elsewhere for homes.

Home prices will continue to increase in neighboring communities untouched by the fires.

According to an article on Realtor.com, home prices and rental rates will continue to increase in areas that were untouched by the fires and are located near those communities destroyed by fire. There is a high demand for untouched homes that are close to areas destroyed by fire as families affected by the fires find other places to live, and previously vacant rental units have been filled by those who lost their homes, leaving fewer available rental properties. Many residents flock to these nearby areas so they can remain near their workplaces, schools, friends, and other family members rather than relocating far away from home. This causes a lack of supply in these areas, which leads to higher home prices.

The demand and value of homes will decrease in fire-prone areas, while they will increase in areas with less risk of fire.

Residents are more likely to be drawn to areas with a lower risk of fire, which will lead to higher demand and higher prices for homes in these areas. While areas untouched by the wildfires will see a rise in prices, homes that were spared from the fires, but are located in the midst of communities that were destroyed should see a decrease of 25 to 50 percent, according to Real Estate Appraiser Orell Anderson of Strategic Property Analytics in Laguna Beach. People won't want to purchase these homes because they sit in the middle of scorched areas and are often surrounded by debris and rubble where there used to be homes.

According to the California Association of Realtors, home sales have decreased greatly over the past year in some areas, with a decrease of 24 percent in Tuolumne County, 18 percent in Shasta County, 15 percent in Nevada County, and 10 percent in Placer County.

Power outages will cause difficulties for residents.

High winds may cause utility poles to fall over and potentially bring power lines down onto dry vegetation, which may start fires. As a precautionary move, PG&E began instituting power outages causing blackouts affecting more than one million residents in portions of 17 counties due to the heightened risk of fire. The majority of these homes had power restored within a couple of days, but others went several days without power.

While these preemptive blackouts may decrease the risk of fire, not everyone is happy about them. According to an article in USA Today, Governor Gavin Newsome accused PG&E of greed and mismanagement, and he said that the blackouts caused too much hardship. PG&E has filed for bankruptcy and is being held liable for billions of dollars in damages from wildfires caused by power lines.

Residents have had to adapt to these outages, with many purchasing generators, flashlights, extra batteries, and non-perishable food, but generators are expensive and not an affordable option for everyone. Many schools, universities, and businesses have also had to close to accommodate the outages.

Residents are also seeing the economic impact of these outages through the refrigerated and frozen food they have lost. PG&E has provided a website for outage updates, as well as resource centers with restrooms and charging stations for residents to use during the outages, but there have been complaints about the website crashing, and the resource centers are only open during the daytime, making them inconvenient for many people.

For those who require refrigerated medications, such as insulin, and those who use medical equipment, such as CPAP machines for sleep apnea or nebulizers for breathing problems, these outages may cause serious and even life-threatening problems. If these residents don't have generators, they may try to get to a resource center, but that is not always easy for everyone. PG&E suggests that customers have an emergency plan since there may be extended outages of up to a week with no electricity.

As residents continue to recover from these wildfires, they will face serious ongoing challenges. These fires have caused severe hardship for those who have seen their lives devastated and their neighborhoods destroyed, and many residents have lost their belongings, businesses, and homes. The ramifications from these fires will last for years, but as people work to rebuild their homes and restore their communities, the housing market will eventually return to its normal state.

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