Climate change and housing costs

Introduction and California / Woolsey Fire section

Research draft excerpt. This copy reproduces the available introduction and California section. The Arizona, Georgia, Colorado, Florida and Washington sections mentioned in the introduction are not included in this source. Figures and references remain those of the source draft and have not been fully checked for publication.

Introduction

Climate change is often referred to as an environmental problem.

The conversation tends to revolve around rising temperatures, stronger hurricanes, longer droughts, and increasingly destructive wildfires. Politicians debate emissions targets. Scientists publish climate projections. News coverage focuses on burning forests, flooded neighborhoods, and shrinking reservoirs. When climate change enters public discussion, it is almost always framed as a question of what it is doing to the planet.

Far less attention is paid to what it is doing to people’s finances. Yet for many Americans, that may be where its effects are becoming most tangible. Not decades from now. Not in some distant future. Today.

Across the United States, climate change is quickly reshaping one of the most important markets in everyday life: housing. It influences how much homeowners pay to insure their properties, how expensive it becomes to rebuild after disasters, where new housing developments can be constructed, and ultimately how much families pay to rent or buy a home.

The connection is easy to miss because climate-related costs rarely arrive all at once. They are usually hidden inside other expenses. A homeowner opens an insurance renewal notice and assumes the increase is simply another consequence of inflation. A renter sees prices rise and blames a shortage of available housing. A first-time buyer struggles to find an affordable home and points to interest rates. While none of those explanations are wrong, they are incomplete.

In every part of the country, climate change has become part of the housing equation. A wildfire destroys homes, reducing supply and placing additional pressure on local housing markets. A hurricane causes billions of dollars in damage, leading insurers to recalculate risk and raise premiums. A prolonged drought limits access to water, making future housing development more difficult. Although the environmental disaster itself may last days or weeks, its economic consequences often persist for years.

This shift represents a change in how climate change affects everyday life. For decades, climate risks were largely discussed as environmental concerns. Today, they are increasingly becoming financial concerns as well. The costs do not appear only in scientific reports or government studies. They appear in insurance bills, construction expenses, rental prices, mortgage payments, and household budgets.

The six states examined in this article—California, Arizona, Georgia, Colorado, Florida, and Washington—face very different climate challenges. Some contend with wildfires, while others face hurricanes, droughts, flooding,

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or water shortages. The disasters themselves vary dramatically, but their economic effects follow a remarkably similar pattern. Housing becomes more expensive.

For most American families, housing is the largest monthly cost they face and often the largest investment they will ever make. When climate change influences housing markets, it doesn't just affect property values or insurance premiums. It affects household wealth, financial security, and long-term affordability.

The story of climate change is still, in many ways, an environmental story. But it is not only an environmental story. It is increasingly an economic one. And for millions of Americans, the first place they encounter its consequences may not be in a forest, along a coastline, or in a scientific report.

It may be in the monthly cost of a place many call home.

California:

Most fires end when the flames go out. Ironically, California's 2018 wildfires did the opposite. Even though the physical fire lasted for two weeks, the financial fire is still burning. Climate disasters often behave like debt. The initial damage is concentrated, but the costs rarely stay there. They move outward through insurance premiums, rebuilding expenses, housing shortages, and rising rents, eventually reaching people who never saw a flame. Someone pays first; everyone else pays later.

On November 8, 2018, the Woolsey Fire ignited near the Santa Susana Field Laboratory above Simi Valley. Fueled by powerful Santa Ana winds, it crossed the 101 Freeway within hours and swept through Los Angeles and Ventura Counties. By the time it was contained, nearly 97,000 acres had burned, more than 1,600 structures had been destroyed, and hundreds of thousands of residents had evacuated. According to the National Park Service, it became the largest fire in the recorded history of the Santa Monica Mountains National Recreation Area.

The destruction was visible immediately. Homes disappeared, families were displaced, and entire neighborhoods faced years of rebuilding. However, what was less obvious was how the fire would continue influencing California's housing market long after the smoke cleared.

Before the Woolsey Fire, Malibu's median home price was approximately $2.39 million. In the short term, uncertainty surrounding rebuilding costs, insurance availability, and future wildfire risk placed downward pressure on home values. By 2020, Malibu's median home price was approximately $2.35 million, slightly below pre-fire levels. However, the decline did not translate into affordability. Thousands of displaced residents still needed housing, rebuilding costs continued to rise, and the region's housing supply remained constrained.

The rebuilding process stretched far longer than many homeowners expected. Contractors became harder to find, material costs increased, and permits took time. Some families spent years navigating insurance claims and reconstruction efforts. For many, the financial challenge was not simply replacing a home—it was maintaining the ability to live in the same community at all.

The effects did not stop with rebuilding. Insurance companies faced billions of dollars in wildfire-related losses across California and began reassessing the risks of operating in fire-prone areas. Premiums increased, coverage became more difficult to obtain, and homeowners increasingly found themselves paying for climate risk whether their property had burned or not.

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Over the longer term, California's chronic housing shortage pushed prices upward once again. By 2021-2026, typical Malibu home values had risen to approximately $2.67 million, while some market reports showed median sale prices exceeding $3.48 million.Yet the most important change was not the price of the house itself. It was the growing cost of owning one. Insurance premiums increased, rebuilding expenses climbed, and wildfire risk became a permanent part of the financial calculation.

The Woolsey Fire is often remembered for the land it burned and the homes it destroyed. Its broader significance lies elsewhere. It demonstrated how a climate disaster can evolve into a housing issue, an insurance issue, and ultimately a cost-of-living issue. The Woolsey Fire lasted about two weeks, but its influence on California's housing market is still being felt years later. What began as a wildfire ultimately became a housing issue, an insurance issue, and a cost-of-living issue—demonstrating how climate change can affect far more than the environment.

Housing Market Timeline

Period	Housing Prices
Before Fire (Nov. 2018)	~$2.39 million median home price in Malibu
During / Immediate Aftermath (2018–2019)	~$2.30–2.55 million
Short-Term Impact (2020)	~$2.35 million median home price (-11%)
Long-Term Impact (2021-2026)	~$2.67–3.48 million depending on market measure

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