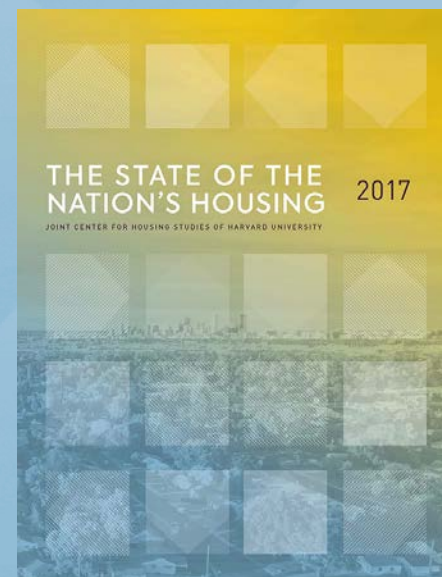


The State of the Nation's Housing 2017



Chris Herbert
FDIC Consumer Research Symposium
Arlington, VA
October 13, 2017



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Summary of Key Points

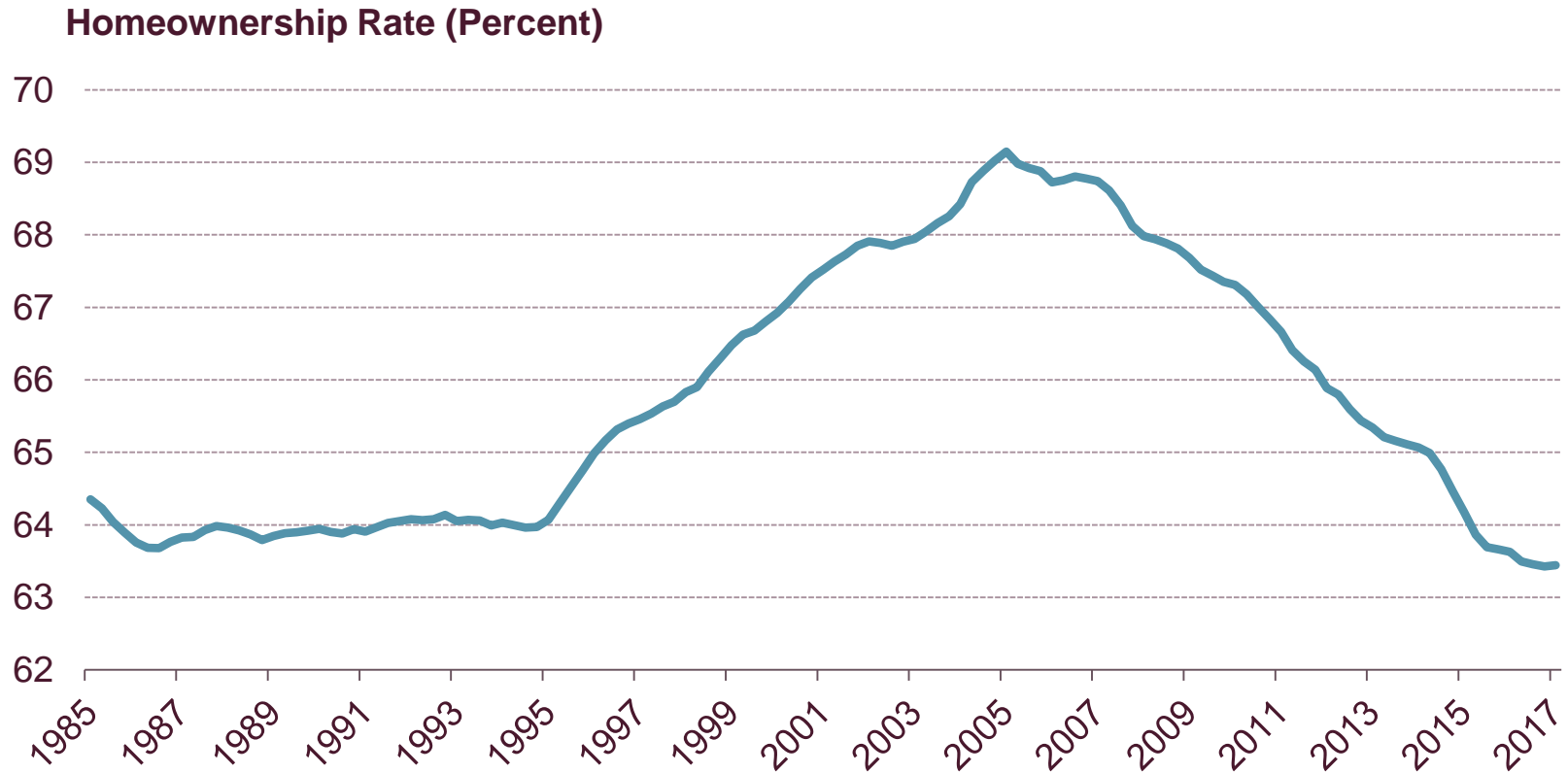
- The national homeownership rate may have found a bottom
- But a variety of obstacles remain to a strong rebound in homeownership
- Rental markets may be cresting—at least at the high end
- Renters with housing cost burdens have declined, but level is likely to remain not far from record levels
- Demographic drivers still point to strong demand over next decade, marked by coming of age of millennials, aging of baby boomers, and growing racial diversity
- Implications of rapid growth in older households for housing

Homeownership Rate May Be Finding a Bottom



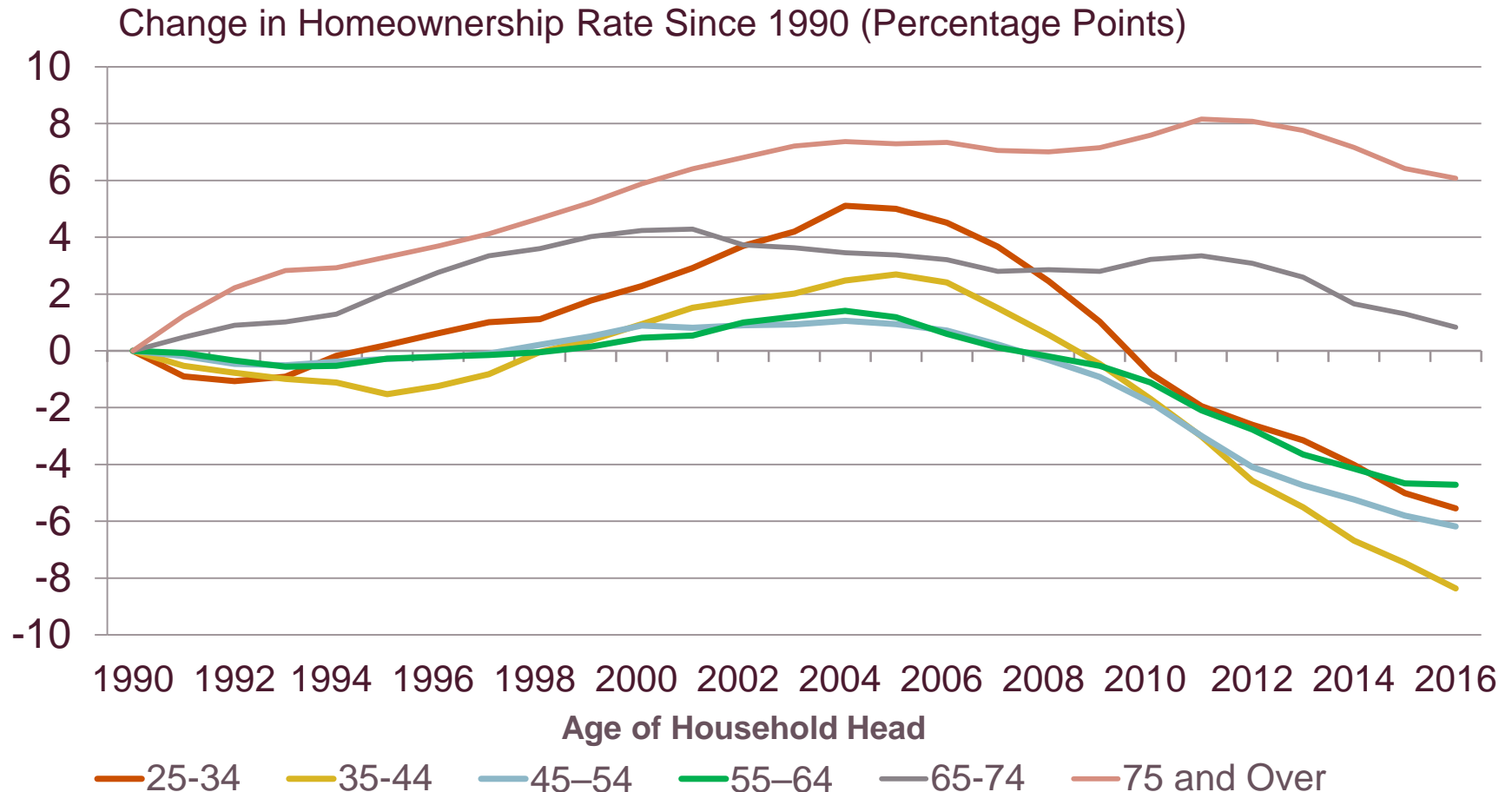
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The National Homeownership Rate May Be Finding a Bottom Near 63.5 Percent



Note: Data are four-quarter rolling averages.
Source: JCHS tabulations of Housing Vacancy Surveys.

But Rates Have Fallen Well Below Early 1990s Rates for All But Oldest Age Groups

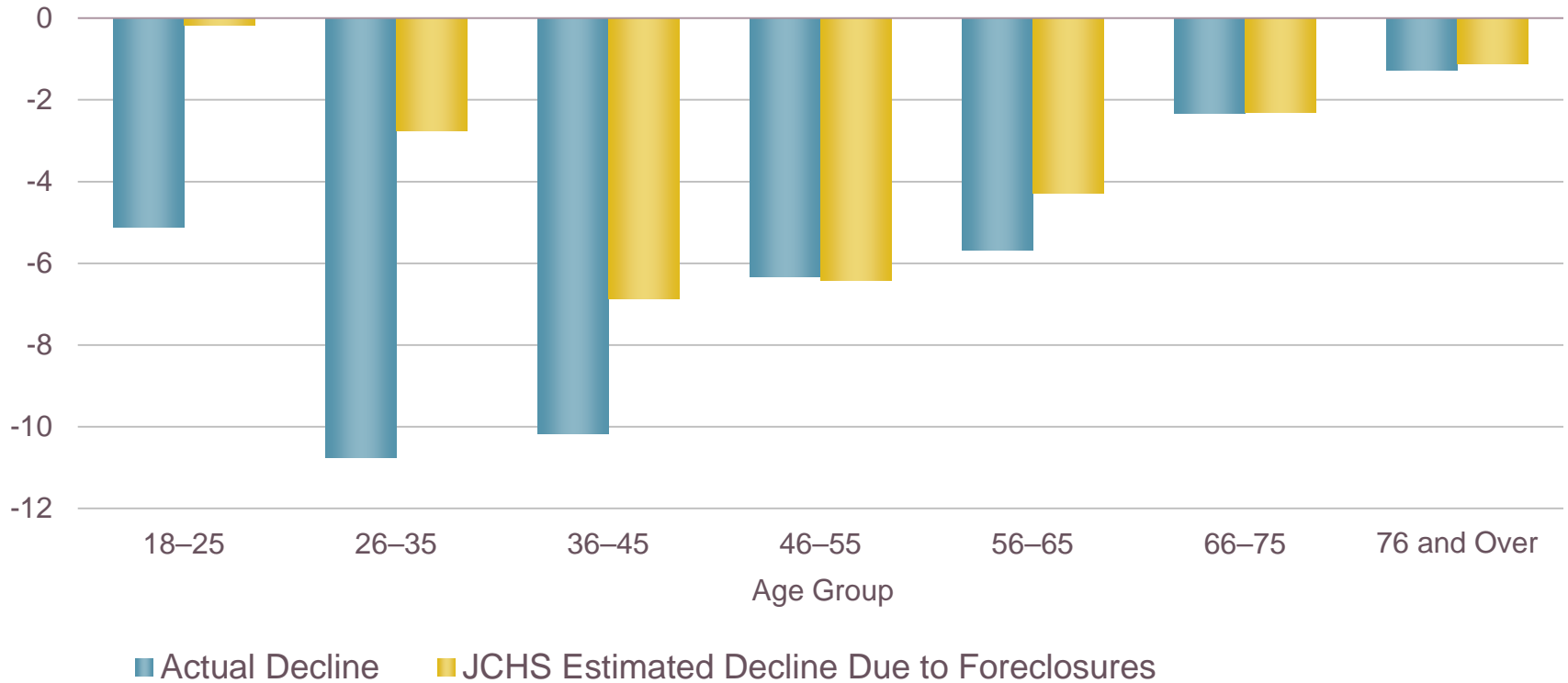


Note: Based on 3-year annual average rates.

Source: JCHS tabulations of US Census Bureau, Current Population Surveys.

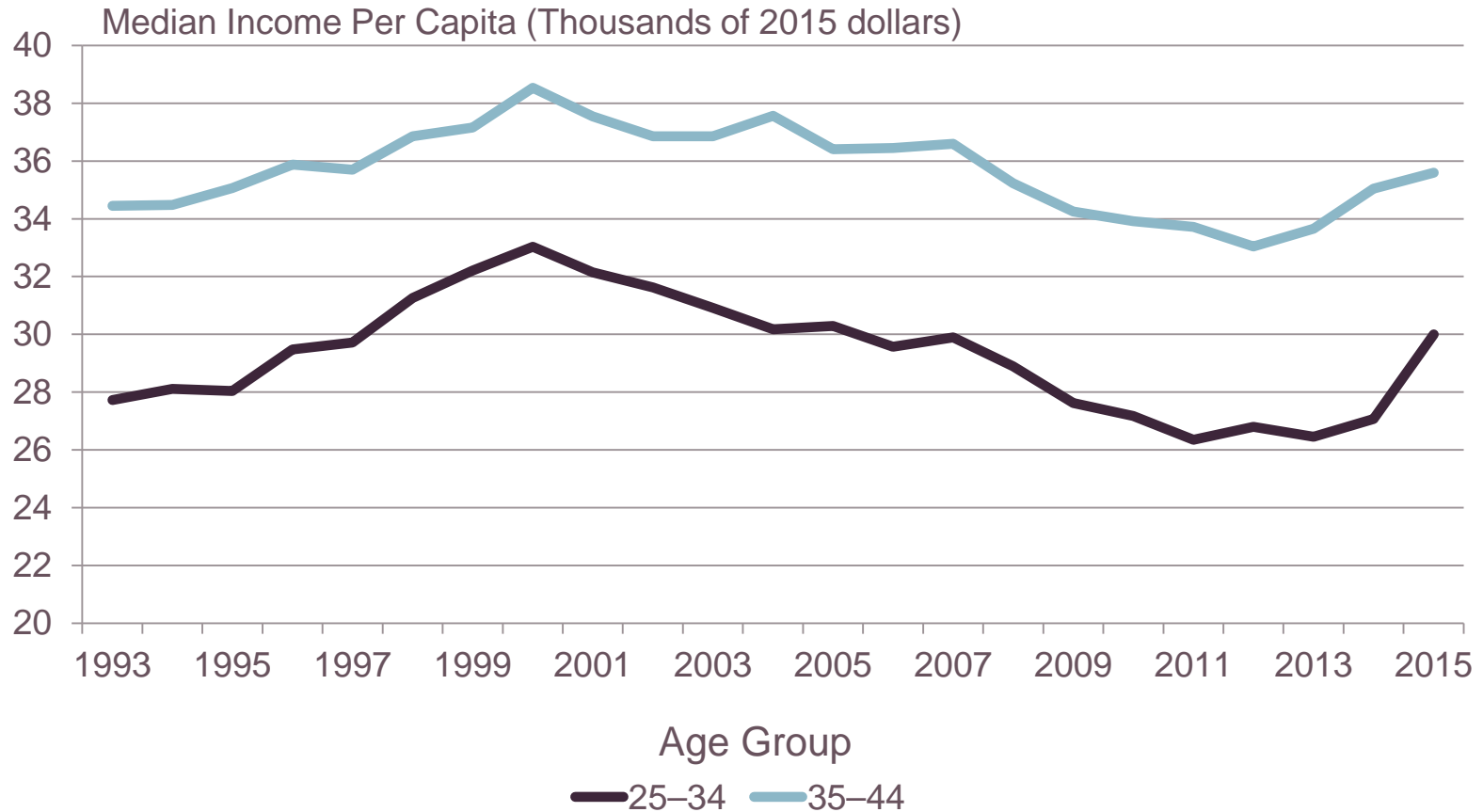
Foreclosures Accounted for Most of the Homeownership Declines Among Older Adults—but not among the Young

Homeownership Rate Decline, 2005–2015 (Percentage Point)



Note: JCHS estimate is the ratio of the number of owner-occupied foreclosure completions to the number of households. The owner-occupant share of all housing units in 2015 (60.3 percent) is used to estimate the owner-occupant share of the 9.6 million foreclosure completions between Q2 2005 and Q1 2015. Source: JCHS tabulations of CPS ASEC and CoreLogic data on foreclosure completions in Spader and Herbert (2016).

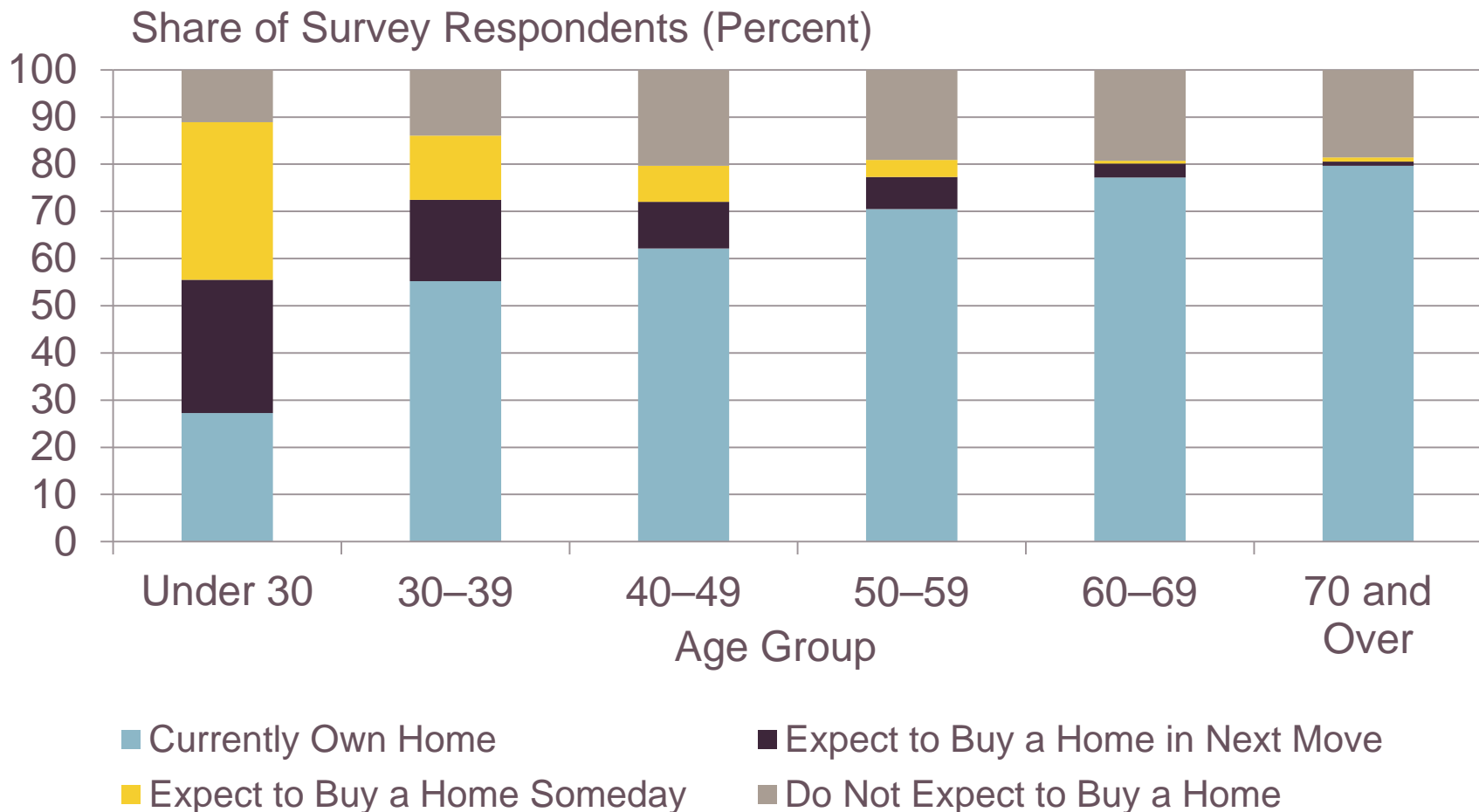
Falling Incomes Among Young Adults Were an Often Overlooked Factor in Homeownership Decline, But Trends Have Now Reversed



Note: Data are for adults age 15 and over.

Source: JCHS tabulations of US Census Bureau, Current Population Surveys.

The Vast Majority of Households—including the Young—Own Homes or Expect to in the Future



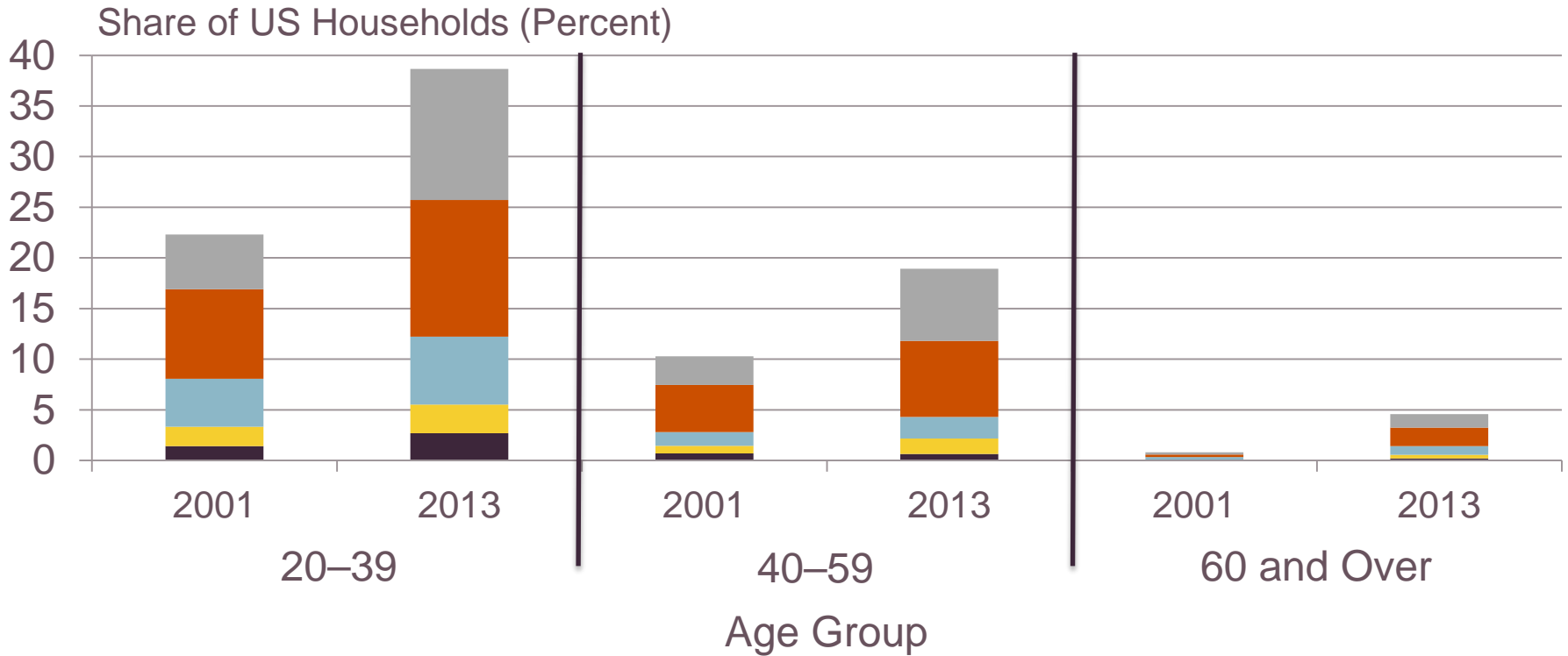
Source: JCHS tabulations of The Demand Institute, 2015 Consumer Housing Survey data.

A Variety of Obstacles Remain to Rebound in Homeowning



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Student Debt Payments Are a Burden for a Growing Share of Younger Households

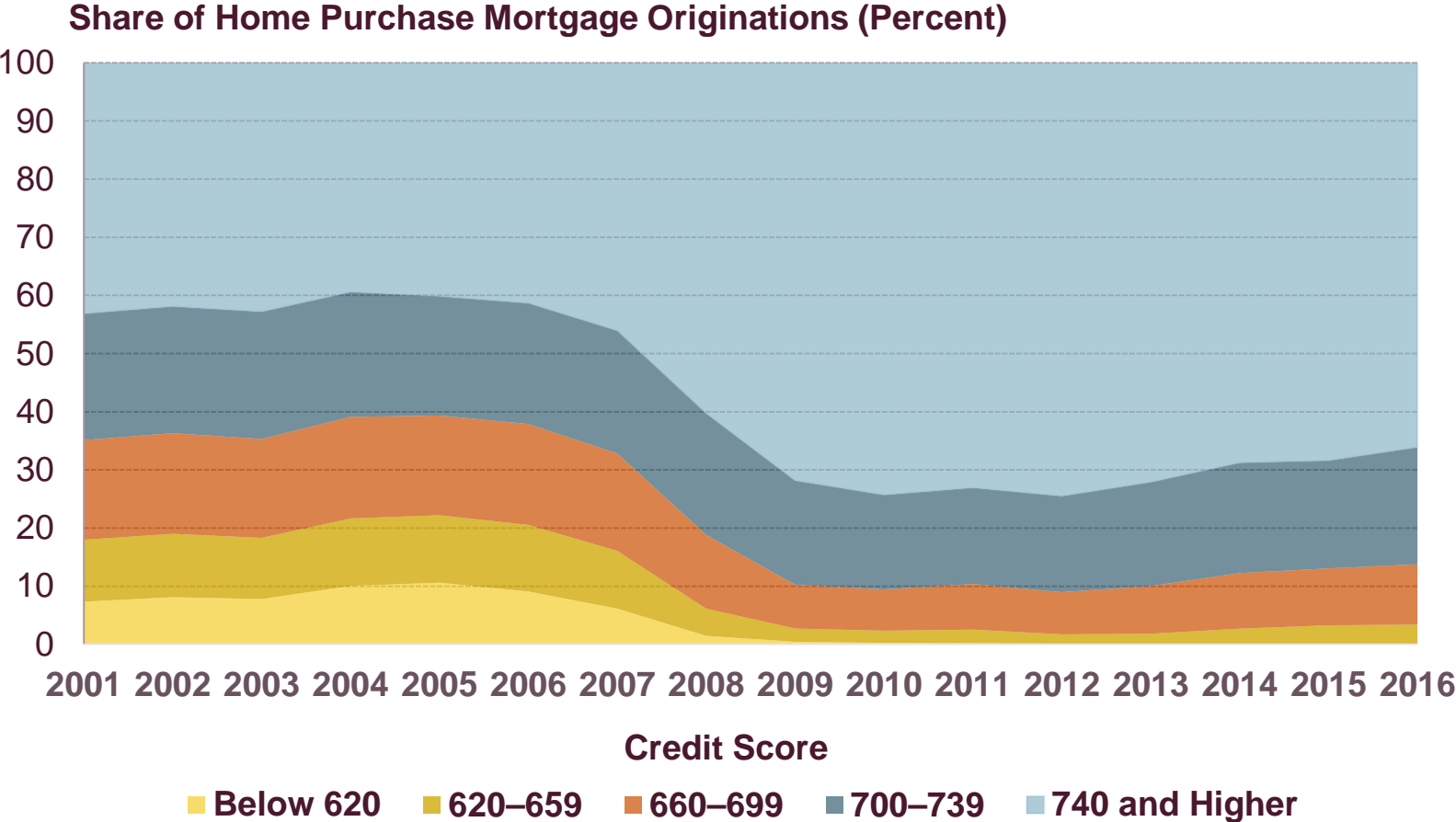


Student Loan Payments as Percent of Income

- 14 and Over
- 8-13
- 4-7
- 3 and Under
- Not Yet in Repayment

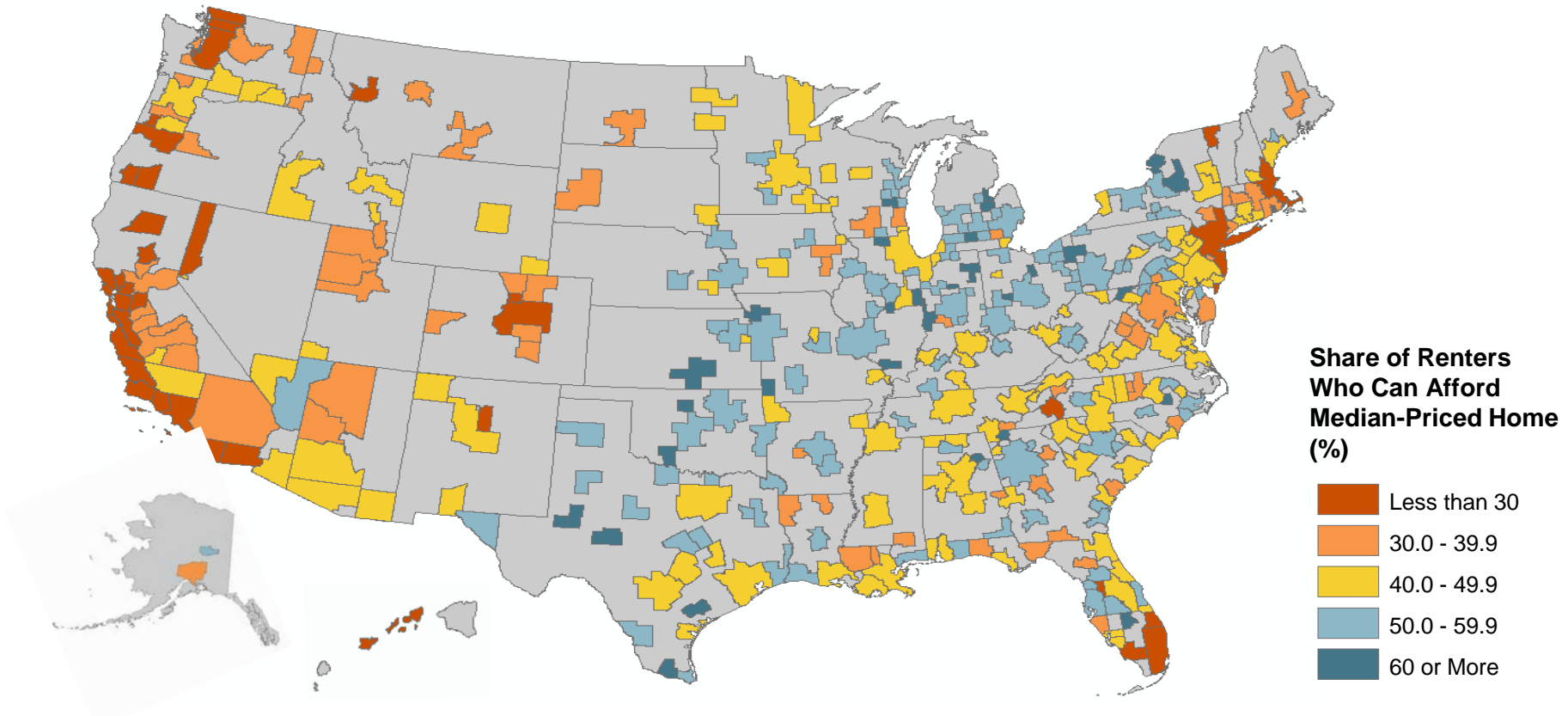
Note: Households not yet in repayment have student loans in deferral due to schooling, military service, emergency hardship, or other reasons.
 Source: JCHS tabulations of Federal Reserve Board of Governors, Surveys of Consumer Finances.

Tight Lending Standards Are Limiting Mortgage Access for Households with Lower Credit Scores



Note: Data include only conventional first-lien purchase mortgage originations.
 Source: JCHS tabulations of CoreLogic data.

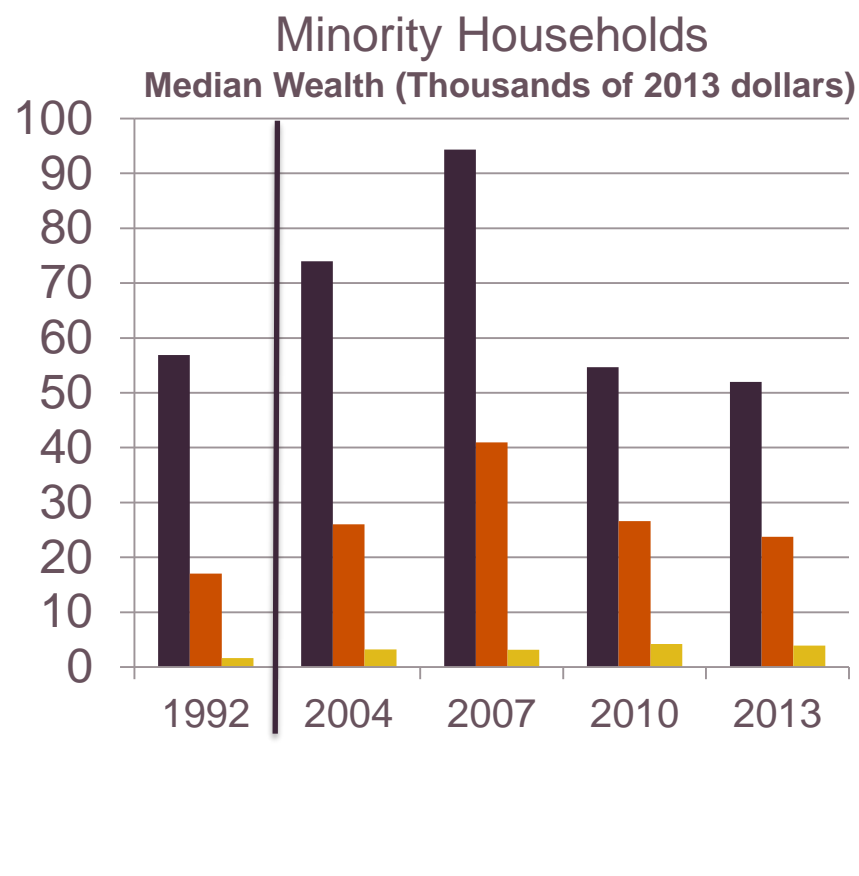
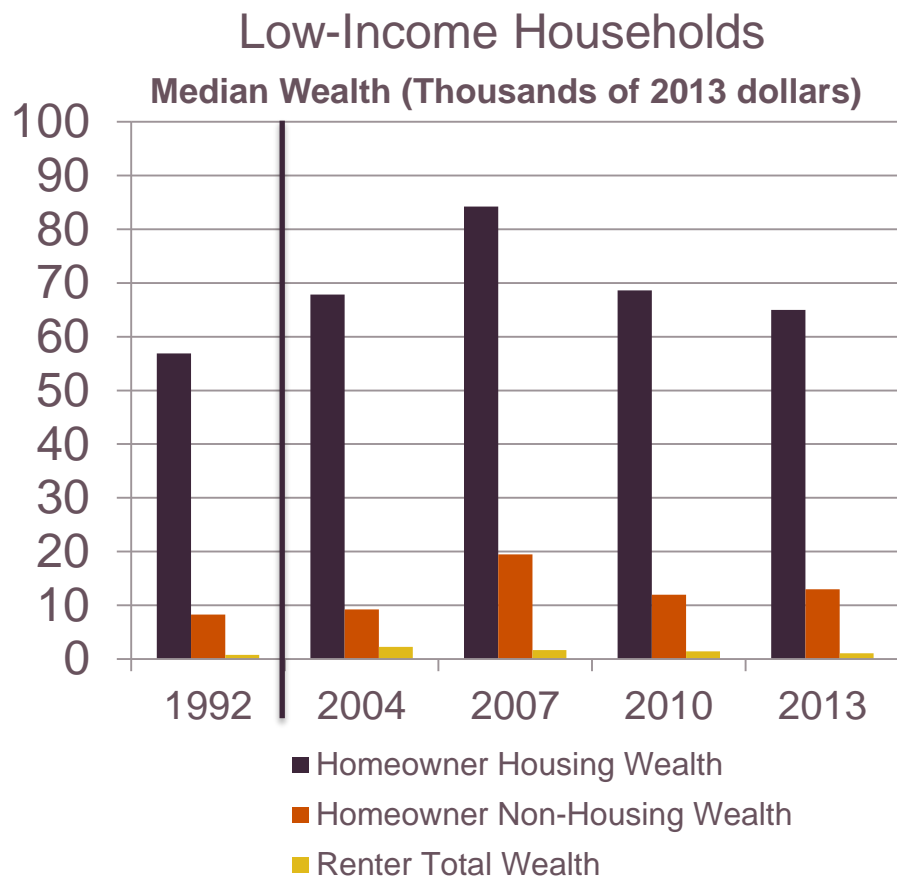
Large Shares of Renters Can Afford the Median-Priced Home in Many Parts of the Country, But Not on the Coasts



Notes: Values are in 2015 dollars. Monthly payment assumes a 5% down payment on the median-priced existing single-family home with property taxes of 1.25%, property insurance of 0.25%, and mortgage insurance of 0.5%. "Affordable" payments cannot exceed 36% of monthly household income (calculated as 1/12 of annual household income) and assumes household can finance down payment and other related home purchase costs.

Source: JCHS tabulations of National Association of Realtors® and Moody's Analytics Forecasted Single-Family Seasonally Adjusted Quarterly Median Home Price, annualized by DataBuffet; US Census Bureau, 2015 American Community Survey 1-Year Estimates and 2015 Population Estimates.

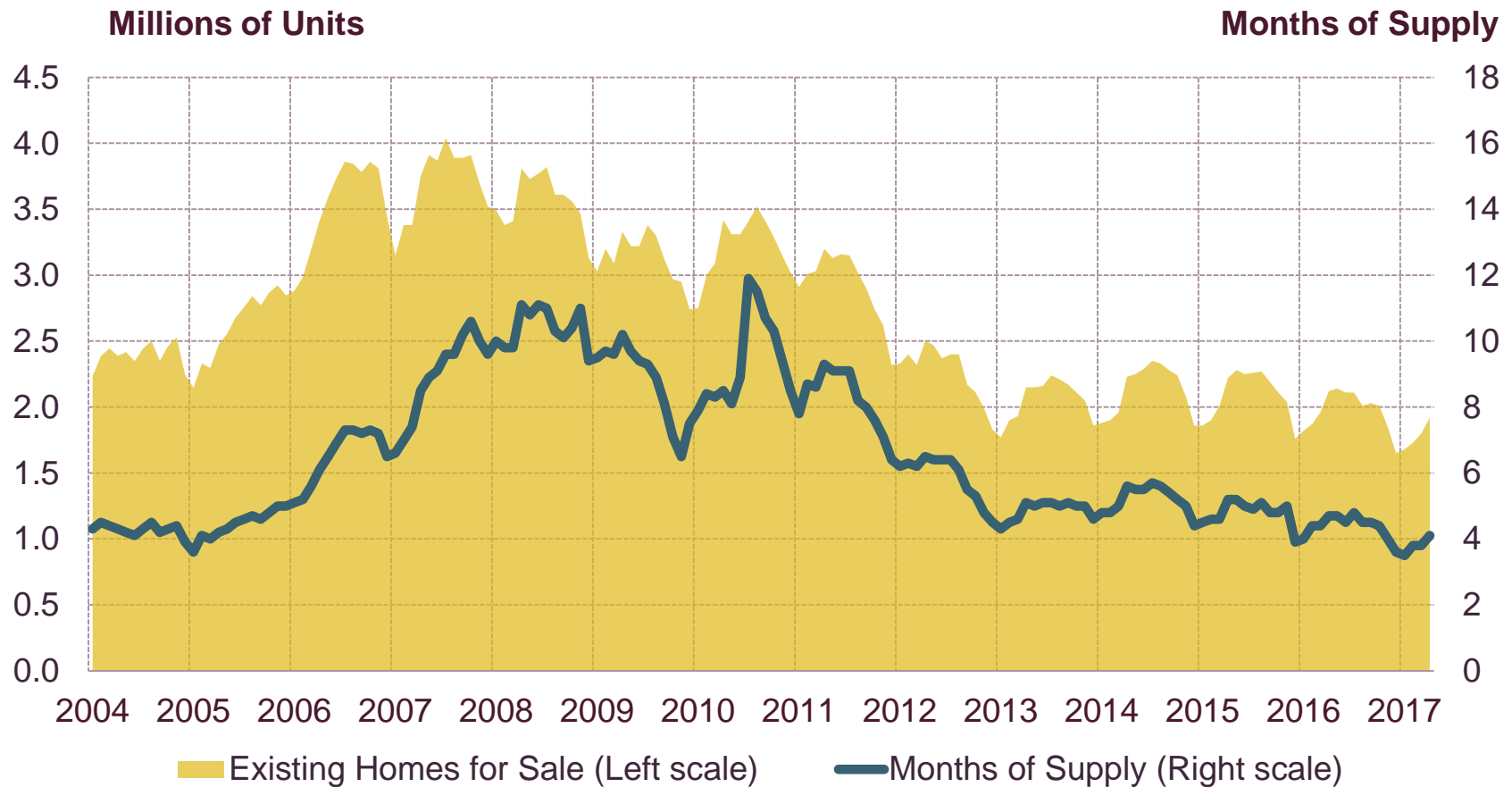
Housing Remains the Primary Form of Wealth for Low-Income and Minority Households, While Most Renters Have Little Savings to Speak Of



Notes: Medians for housing and non-housing wealth are calculated independently of one another and therefore do not sum up to total median net wealth. Non-housing wealth includes cash savings, savings in retirement accounts, stocks and bonds. Values are adjusted for inflation with the CPI-U for All Items. Low income households are in bottom income quartile for each year.

Source: JCHS tabulations of Federal Reserve Board, Survey of Consumer Finances.

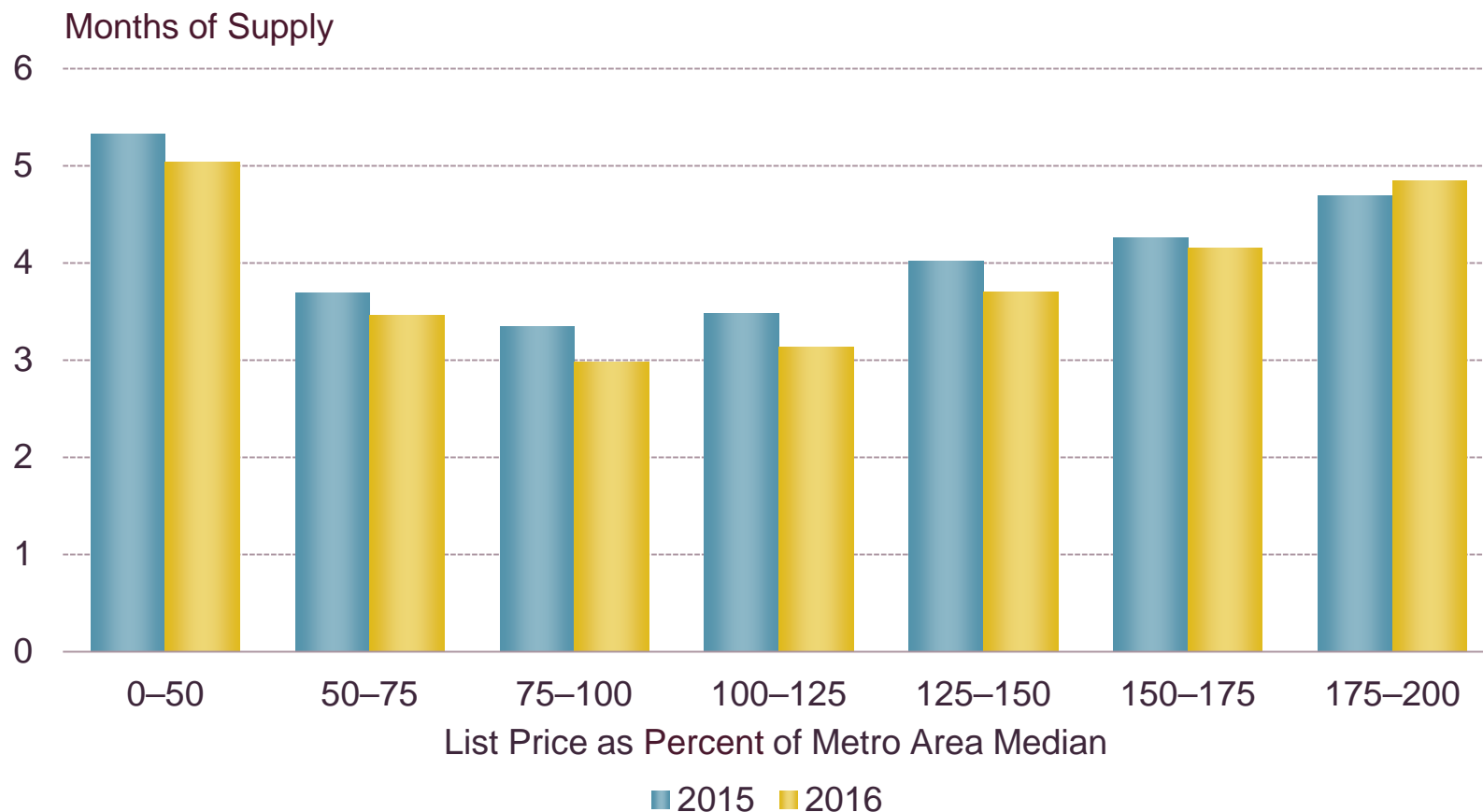
Inventories of Homes for Sale Continue to Shrink...



Note: Months of supply measures how long it would take the inventory of homes on the market to sell at the current sales rate.

Source: JCHS tabulations of NAR, Existing Home Sales.

...Especially at the Lower End of the Market

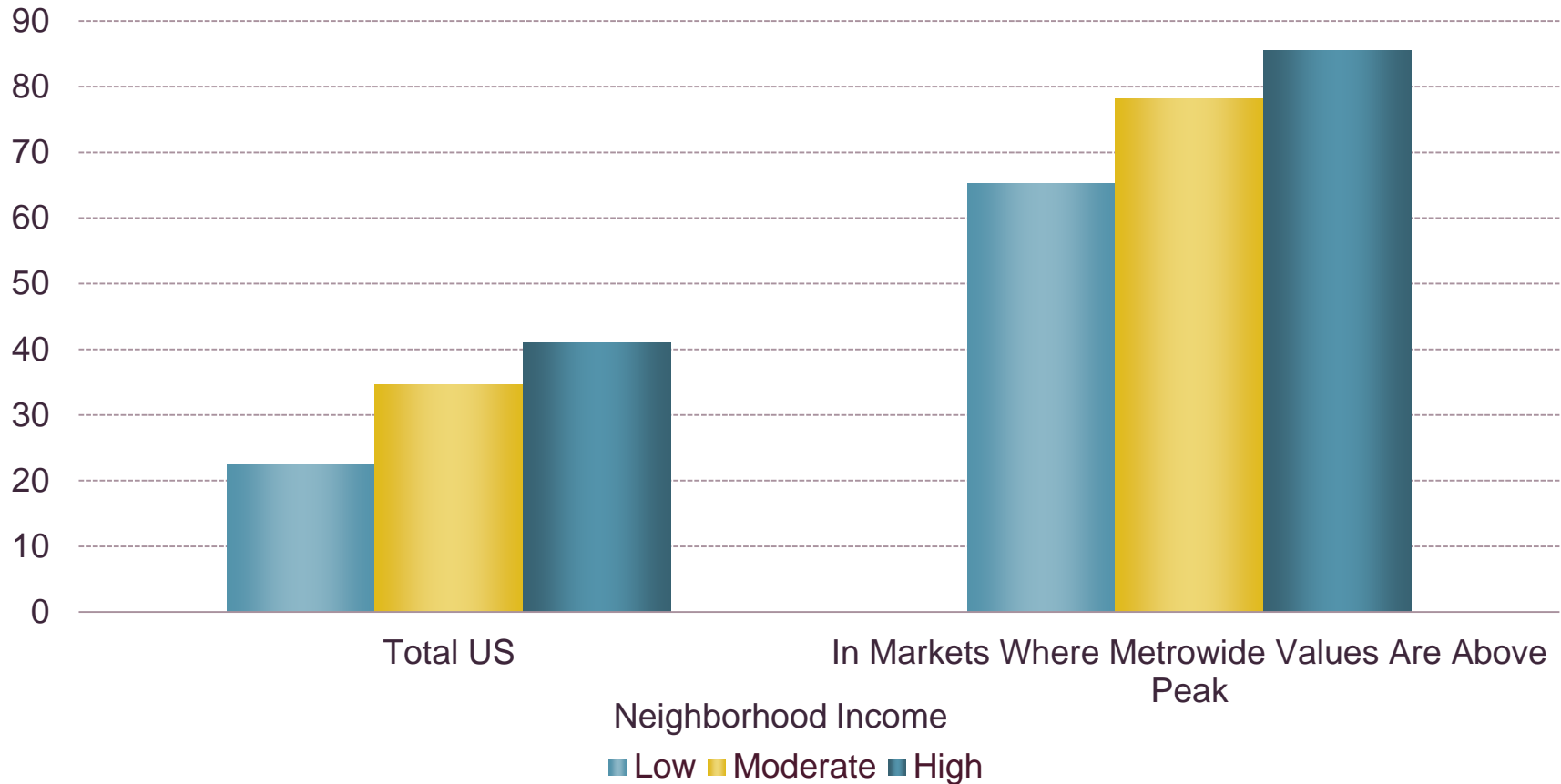


Note: Data are three-month trailing averages as of December of each year.

Source: CoreLogic.

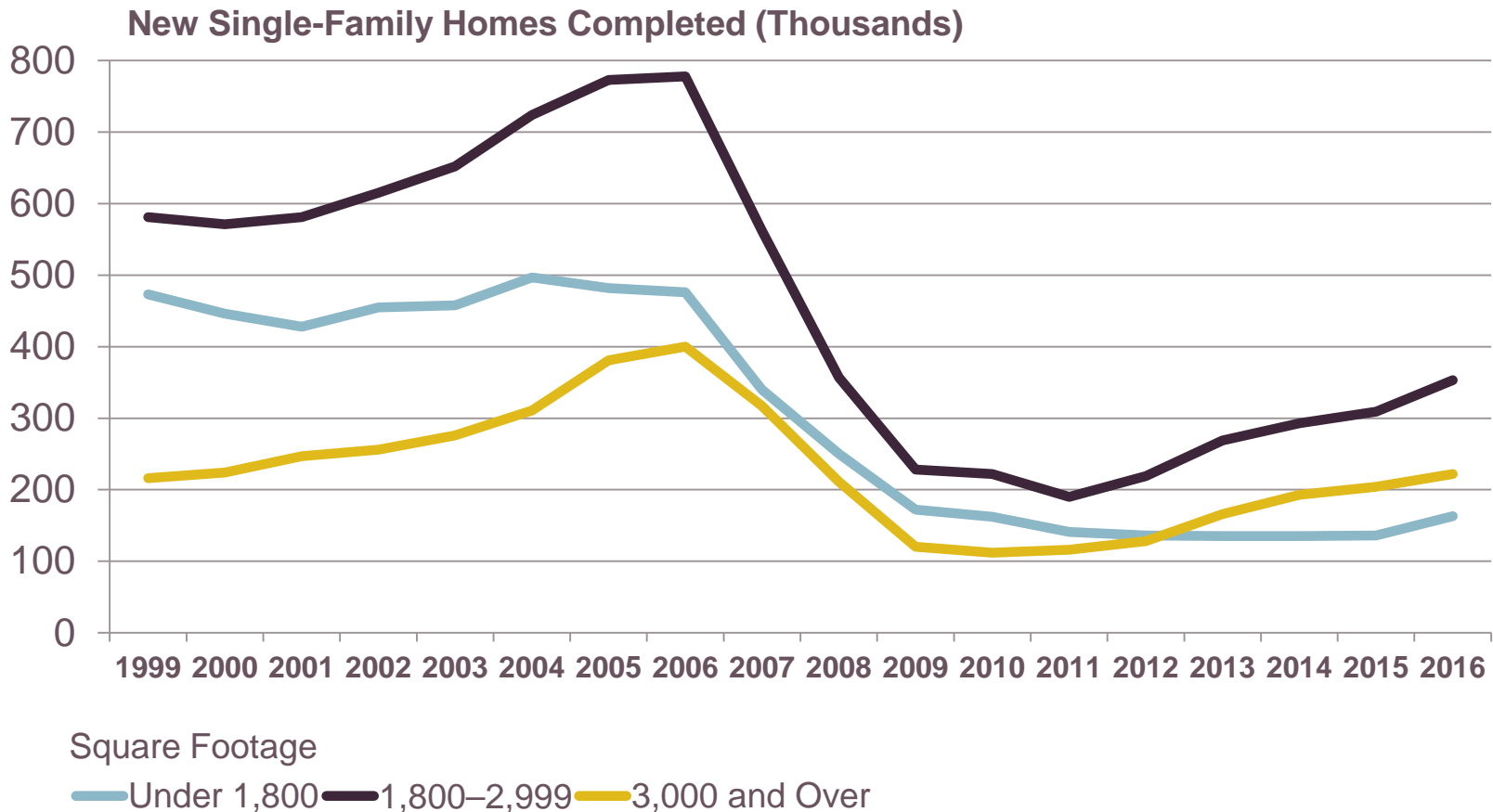
Home Values in Low-Income Neighborhoods Have Been Slow to Recover

Share of Neighborhoods Where Nominal Home Values Exceed Previous Peak (Percent)



Note: Low-/moderate-/high-income neighborhoods are ZIP codes with median incomes under 80%/80–120%/over 120% of the statewide median income. Source: JCHS tabulations of Zillow median home values and US Census Bureau, 2015 American Community Survey 1-Year Estimates.

Construction of Smaller Single-Family Homes Has Been Slow to Recover



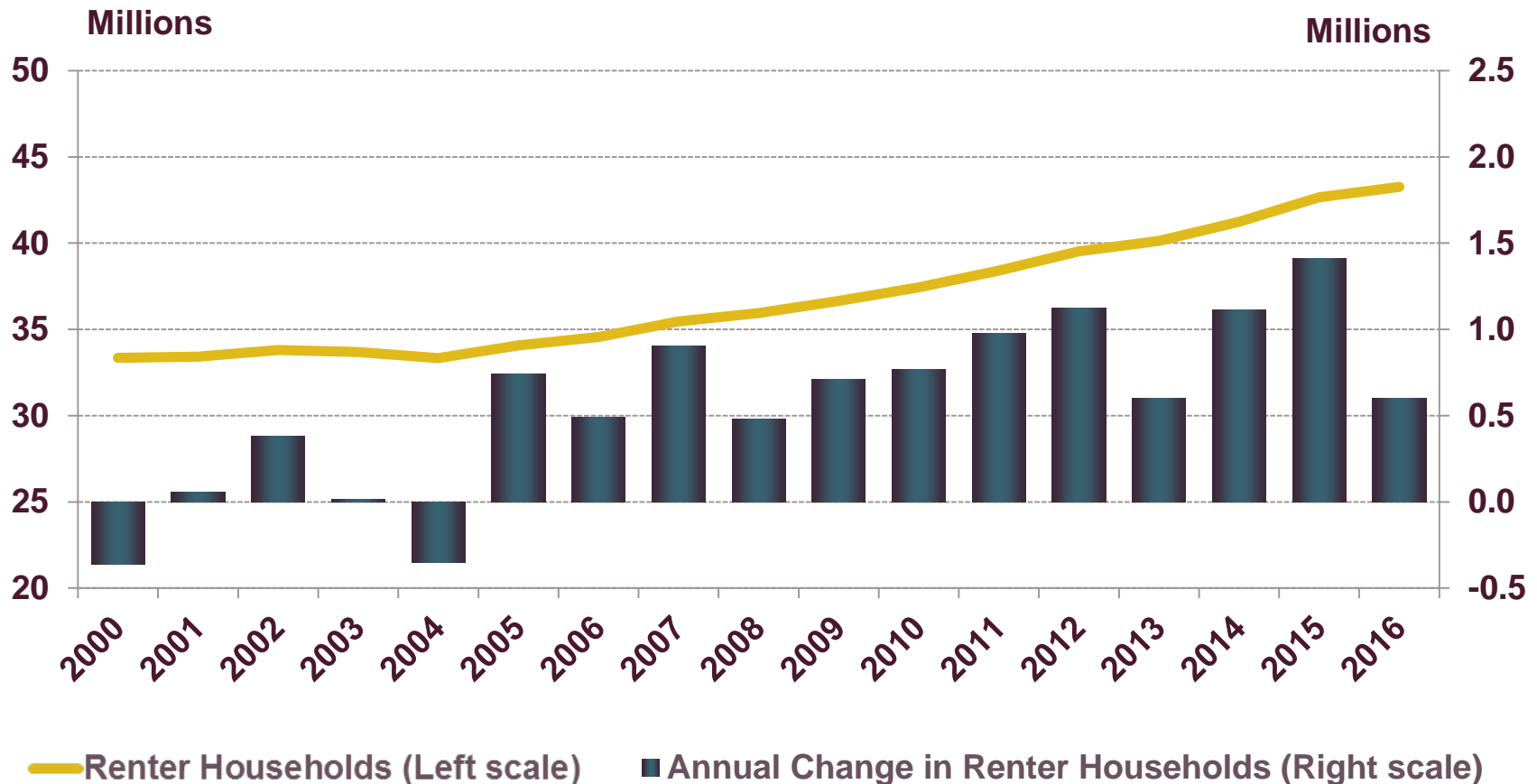
Source: JCHS tabulations of US Census Bureau, New Residential Construction data.

Rental Market May Be Cresting— At Least at High End of the Market



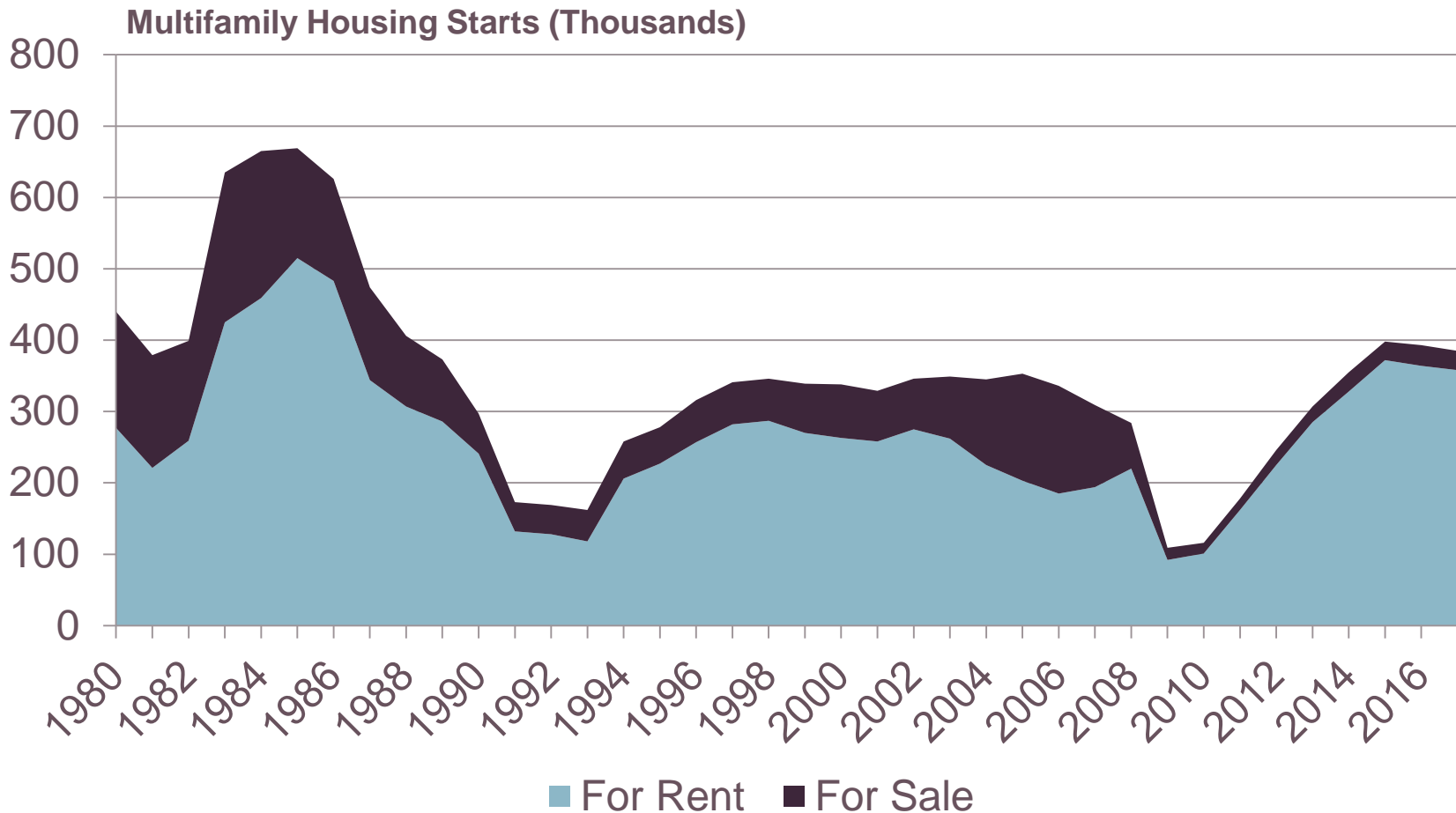
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Rental Demand Was Up for the 12th Consecutive Year in 2016, Although it Appears to Be Slowing



Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

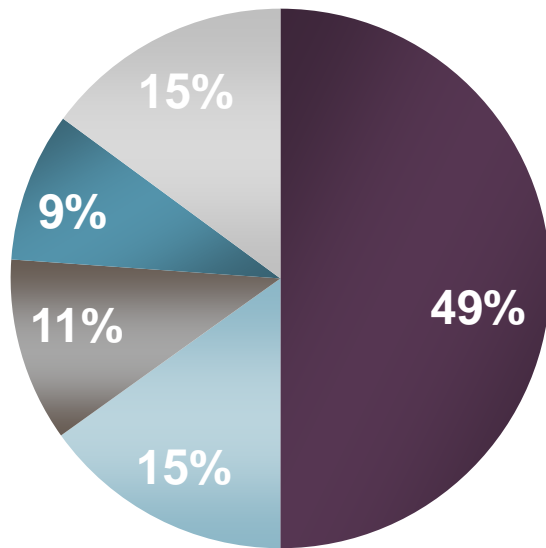
Multifamily Construction Has Been at Highest Levels Since Late 1980s, But Has Likely Crested



Source: JCHS tabulations of US Census Bureau, New Residential Construction data.

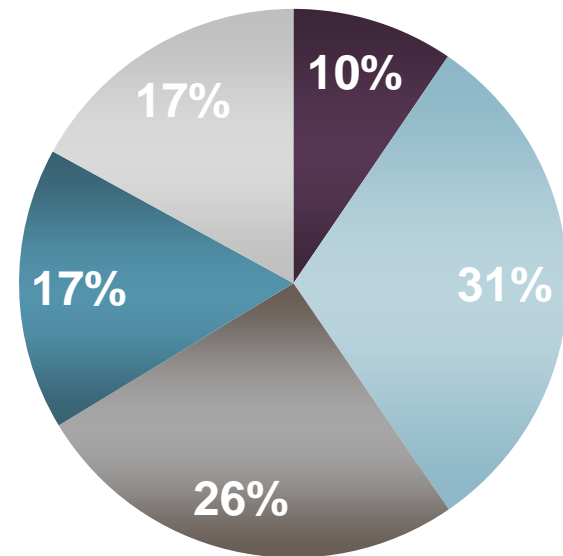
Rents for New Multifamily Units Are Out of Reach for Most Renter Households

Income Distribution of Renter Households



- Under \$35,000 ■ \$35,000–49,999
- \$50,000–64,999 ■ \$65,000–99,999
- \$90,000 and Over

Asking Rent of New Multifamily Units

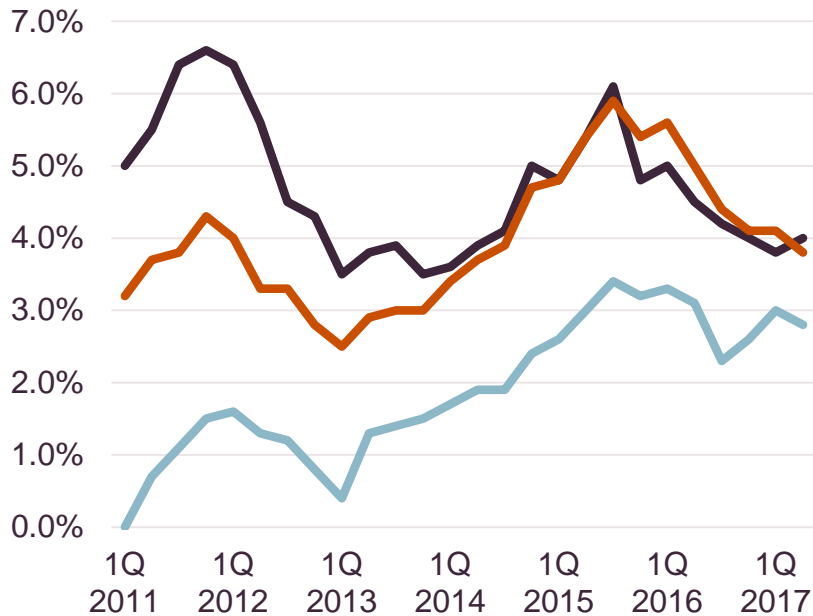


- Under \$850 ■ \$850–1,249
- \$1,250–1,649 ■ \$1,650–2,249
- \$2,250 and Over

Note: Income category cutoffs align with rent category cutoffs at the 30% of income affordability standard.
 Sources: US Census Bureau, 2015 Survey of Market Absorption and 2015 Current Population Survey.

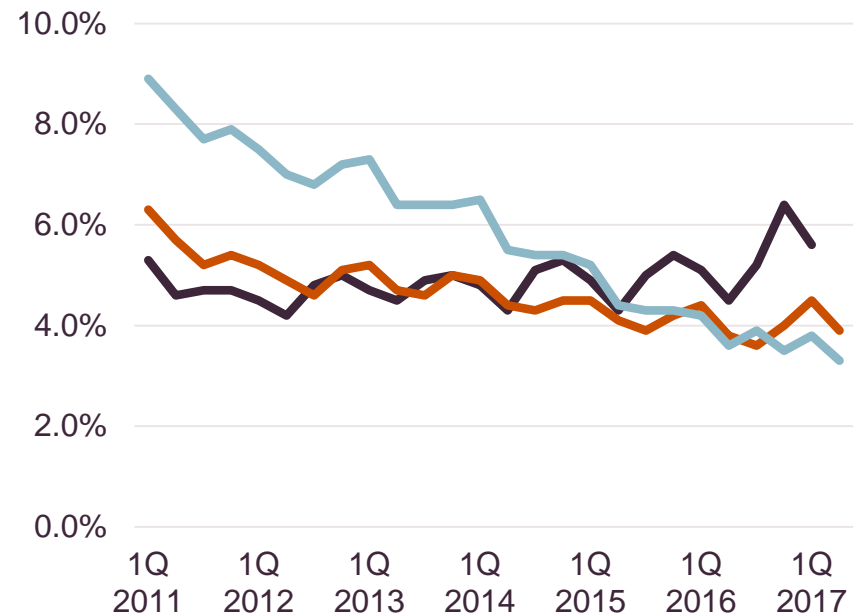
At the High-End, Rent Growth is Slowing and Vacancies Rising, While Class C Segment Continues to Tighten

Annual Same-Store Rent Change (Percent)



— Class A — Class B — Class C

Rental Vacancy Rate (Percent)



— Class A — Class B — Class C

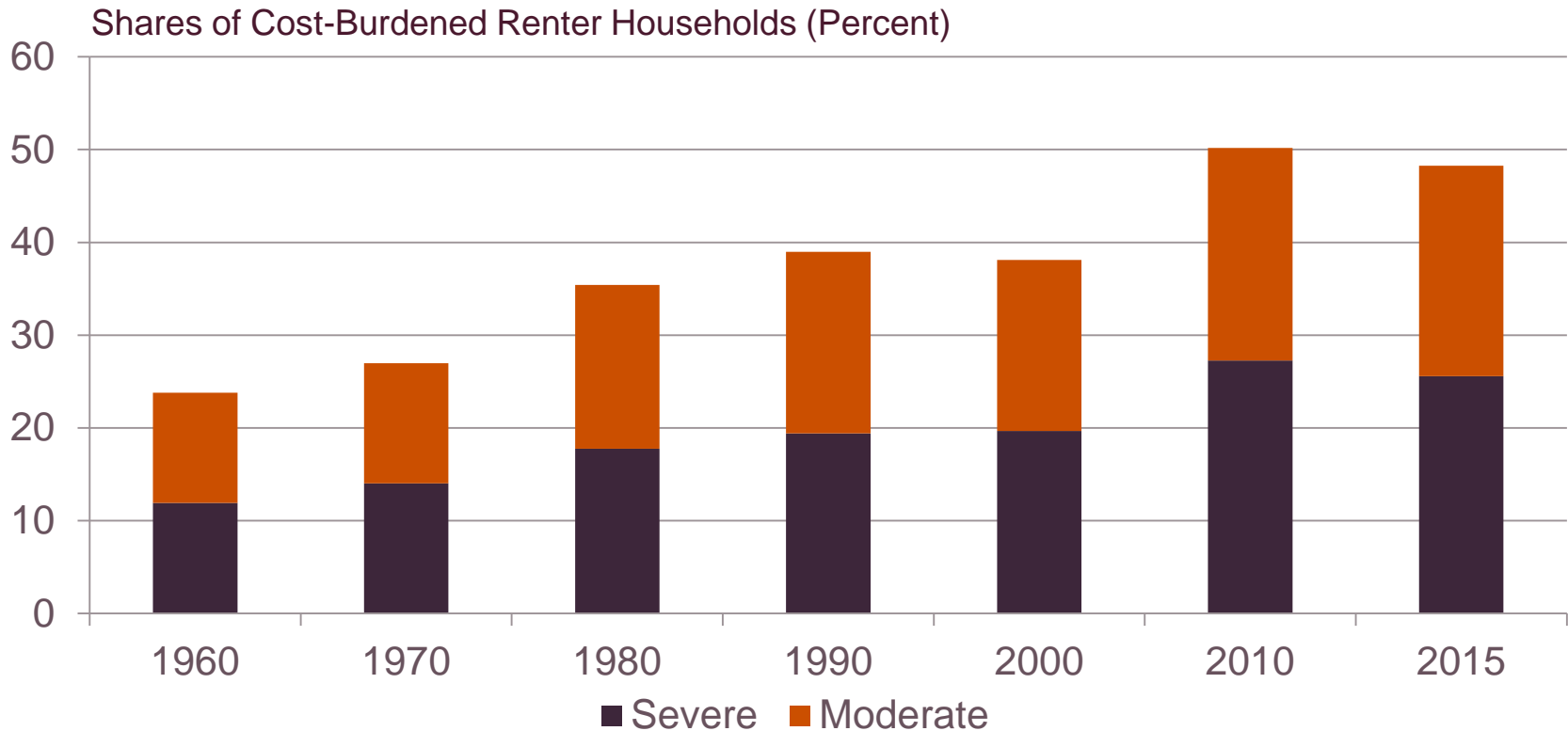
Source: JCHS tabulations of MPF Research.

Rental Affordability Remains Near Record Levels—and Seems Unlikely to Improve Much



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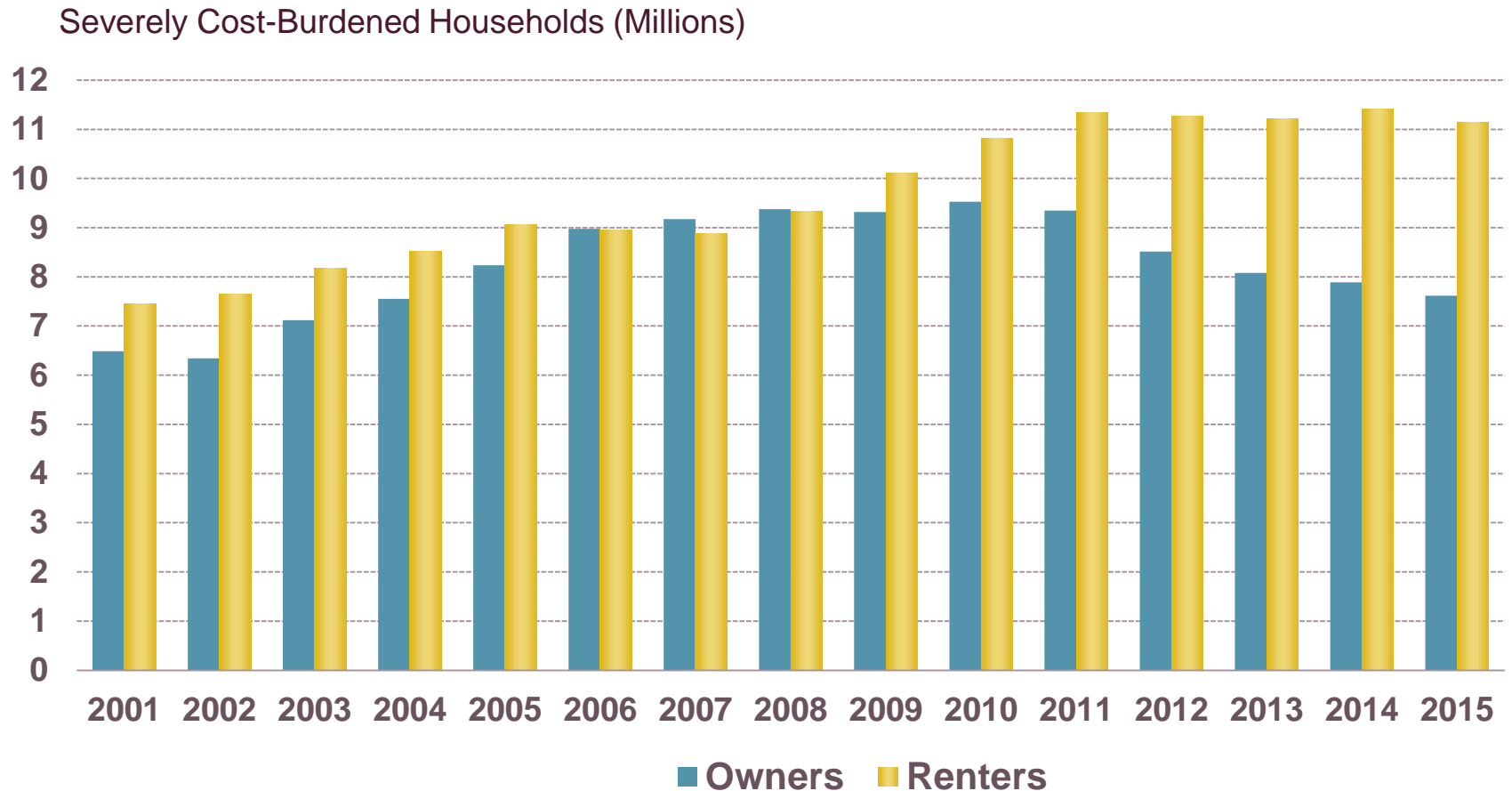
Renter Cost Burdens Spread at an Unprecedented Pace in the 2000s and Have Barely Receded



Notes: Moderate (severe) burdens are defined as housing costs of 30-50% (more than 50%) of household income. Households with zero or negative income are assumed to be severely burdened, while renters not paying cash rent are assumed to be unburdened.

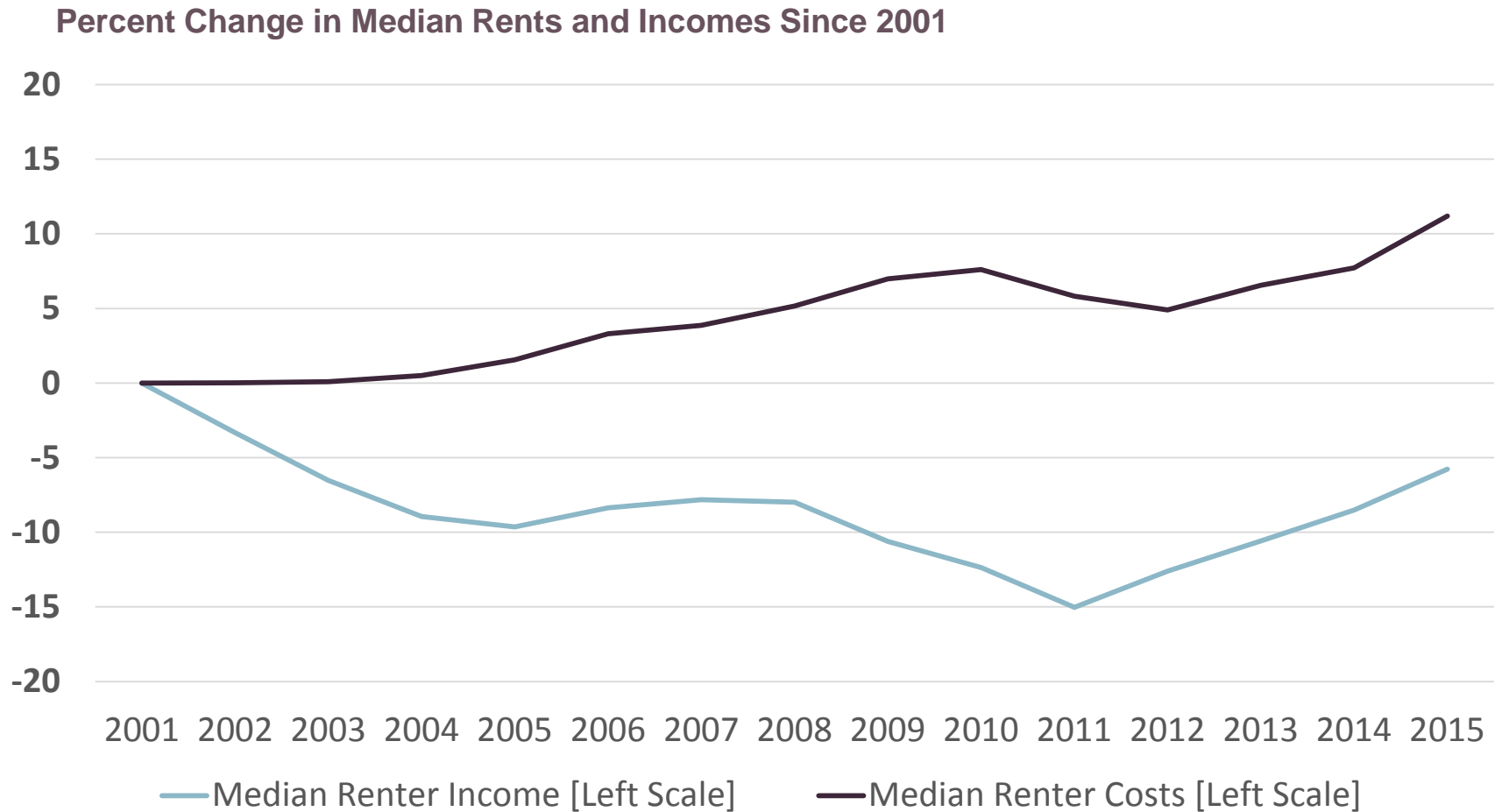
Sources: JCHS tabulations of US Census Bureau, Decennial Census and American Community Surveys.

More Than 11 Million Renter Households Pay at Least Half Their Incomes for Housing



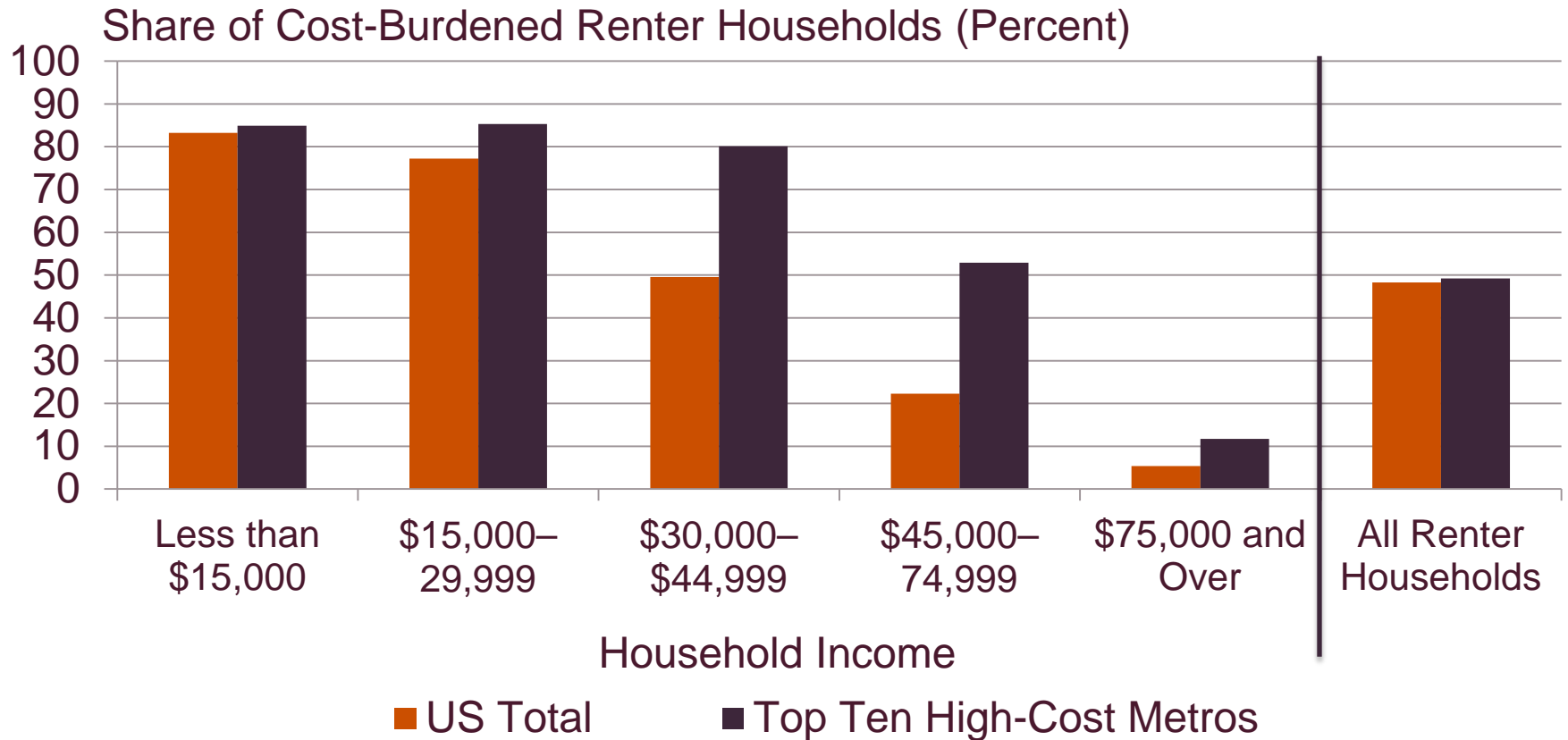
Note: Severely cost-burdened households pay more than 50% of income for housing, including utilities.
Source: JCHS tabulations of American Community Survey 1-Year Estimates.

Sharp Rise in Cost-Burdened in 2000s Reflects Long-term Increases in Housing Costs and Declines in Incomes



Source: JCHS tabulations of US Census Bureau, American Community Surveys

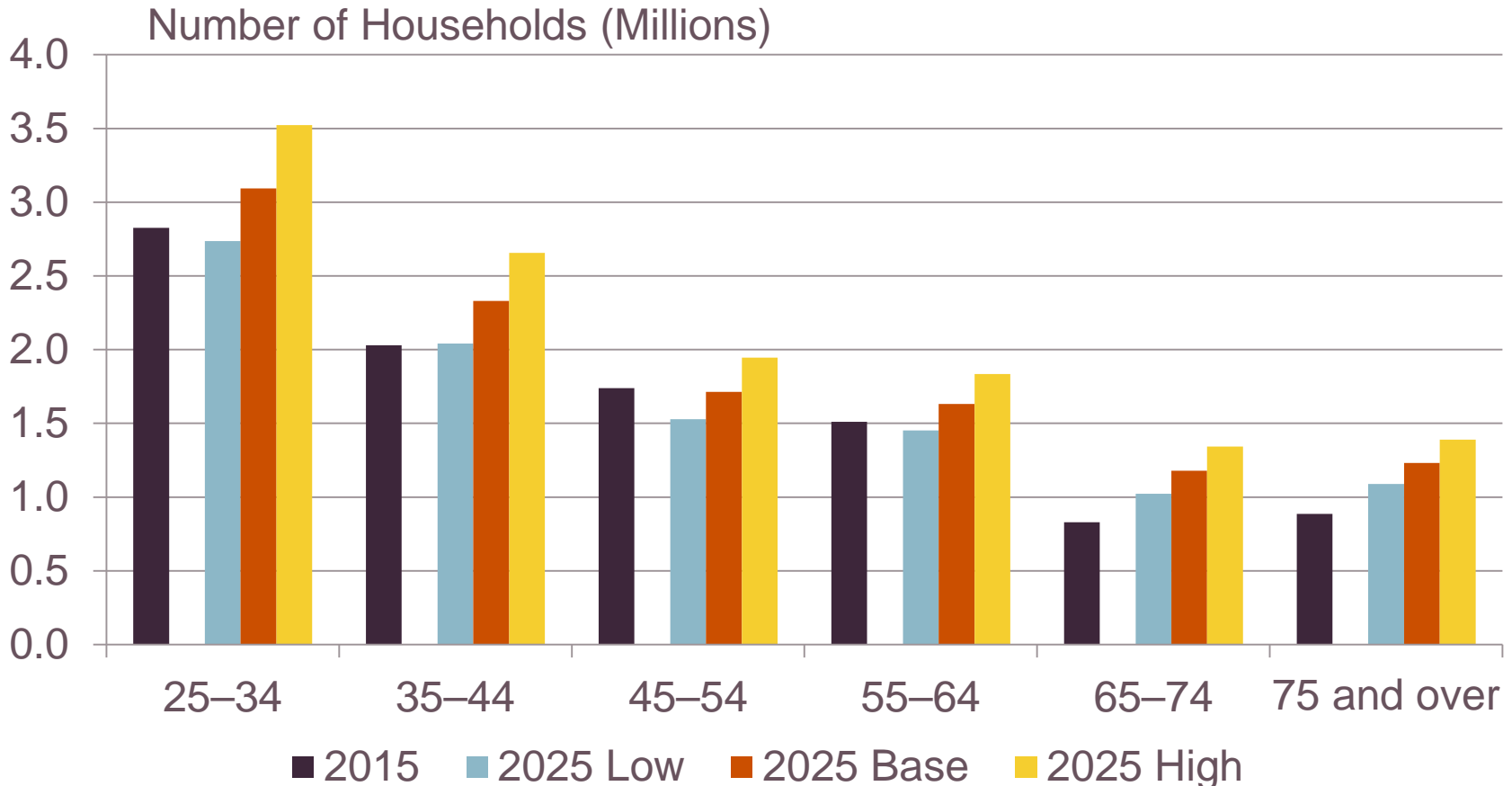
Affordability Challenges Among Moderate Income Renters is Most Pronounced in High-Cost Metros



Notes: Cost burdens are defined as housing costs of more than 30% of household income. The top ten high-cost metros are based on metro rankings by median monthly gross rents.

Source: JCHS tabulations of the American Community Survey, 2013.

The Number of Severely Burdened Renters is Likely to Continue to Rise Over the Next Decade



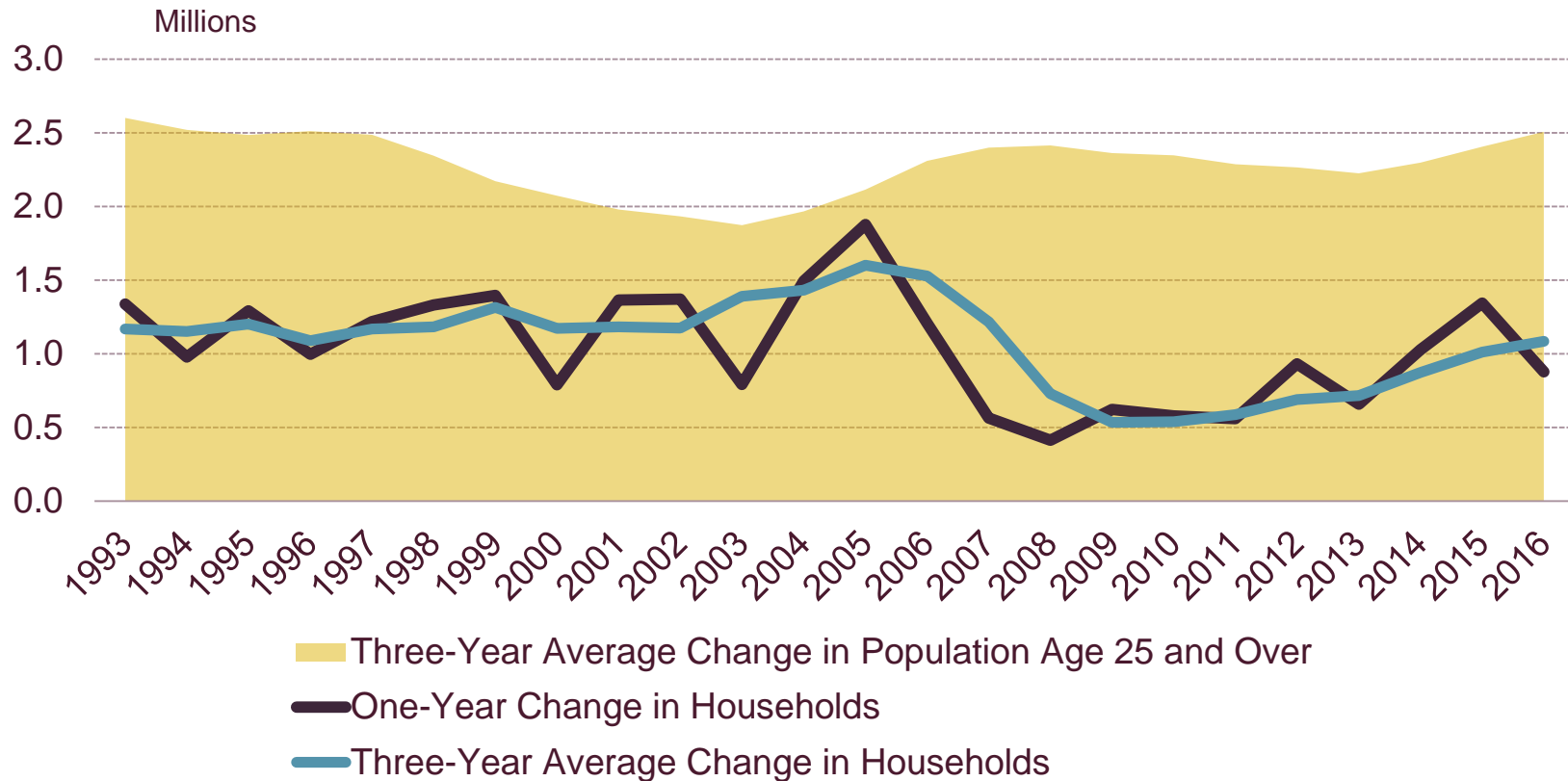
Source: Joint Center for Housing Studies and Enterprise Community Partners:
<http://jchs.harvard.edu/research/publications/projecting-trends-severely-cost-burdened-renters-2015-2025>

Demographics Should Support Strong Household Growth Over Coming Decade



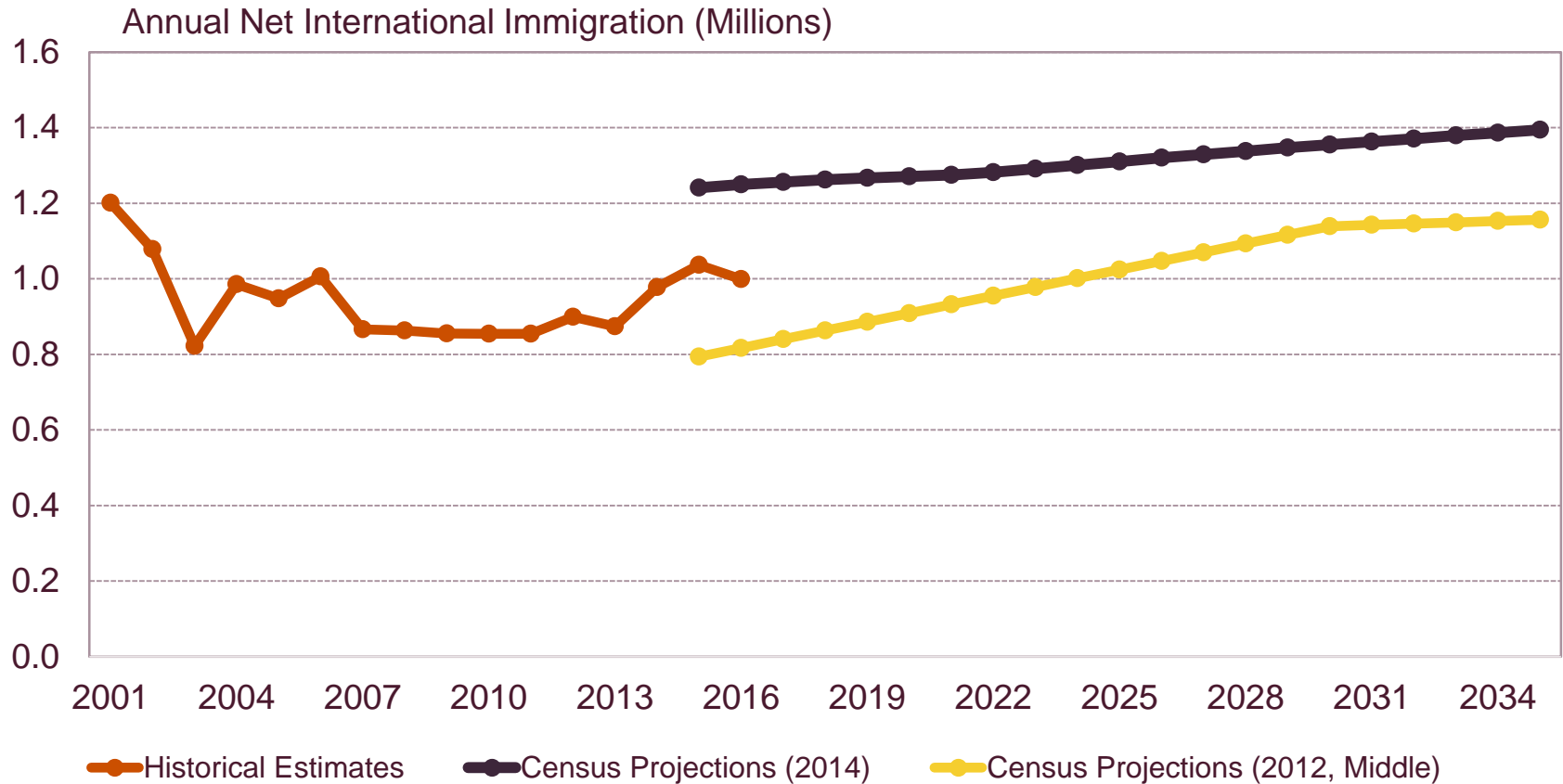
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Steady Increases in the Adult Population Are Helping to Lift Household Growth from Post-Recession Lows



Note: Three-year changes are trailing averages, adjusting for the break in the household series in 2003.
 Source: JCHS tabulations of US Census Bureau, Housing Vacancy Survey and Population Estimates.

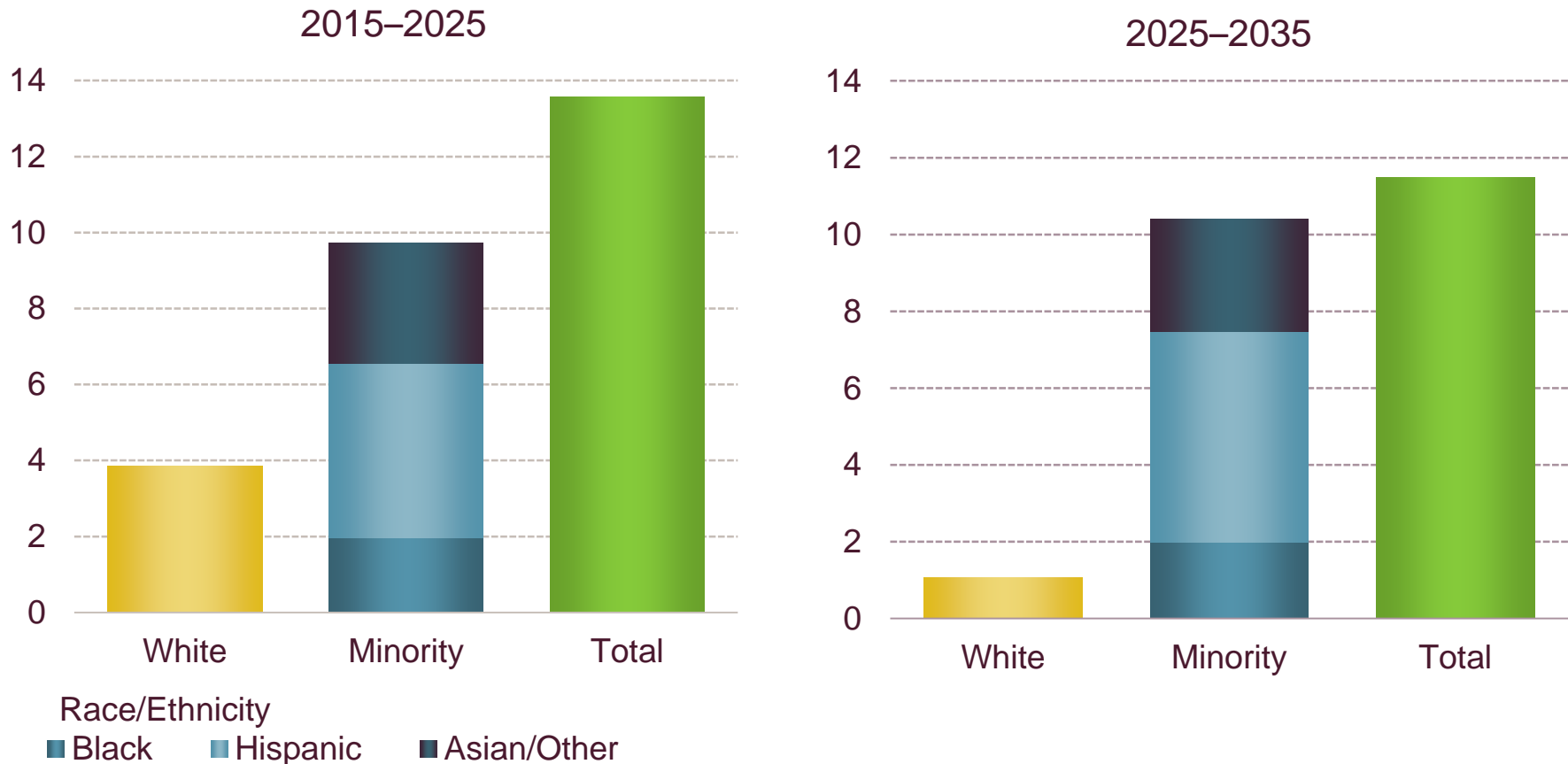
Future Levels of Immigration is Key to Household Projections—But Current Political Climate Introduces a Lot of Uncertainty



Source: JCHS tabulations of US Census Bureau Population Estimates and Population Projections data.

Household Growth Will Be Strong Over Coming Decade, With Minorities Drive Most of the Growth

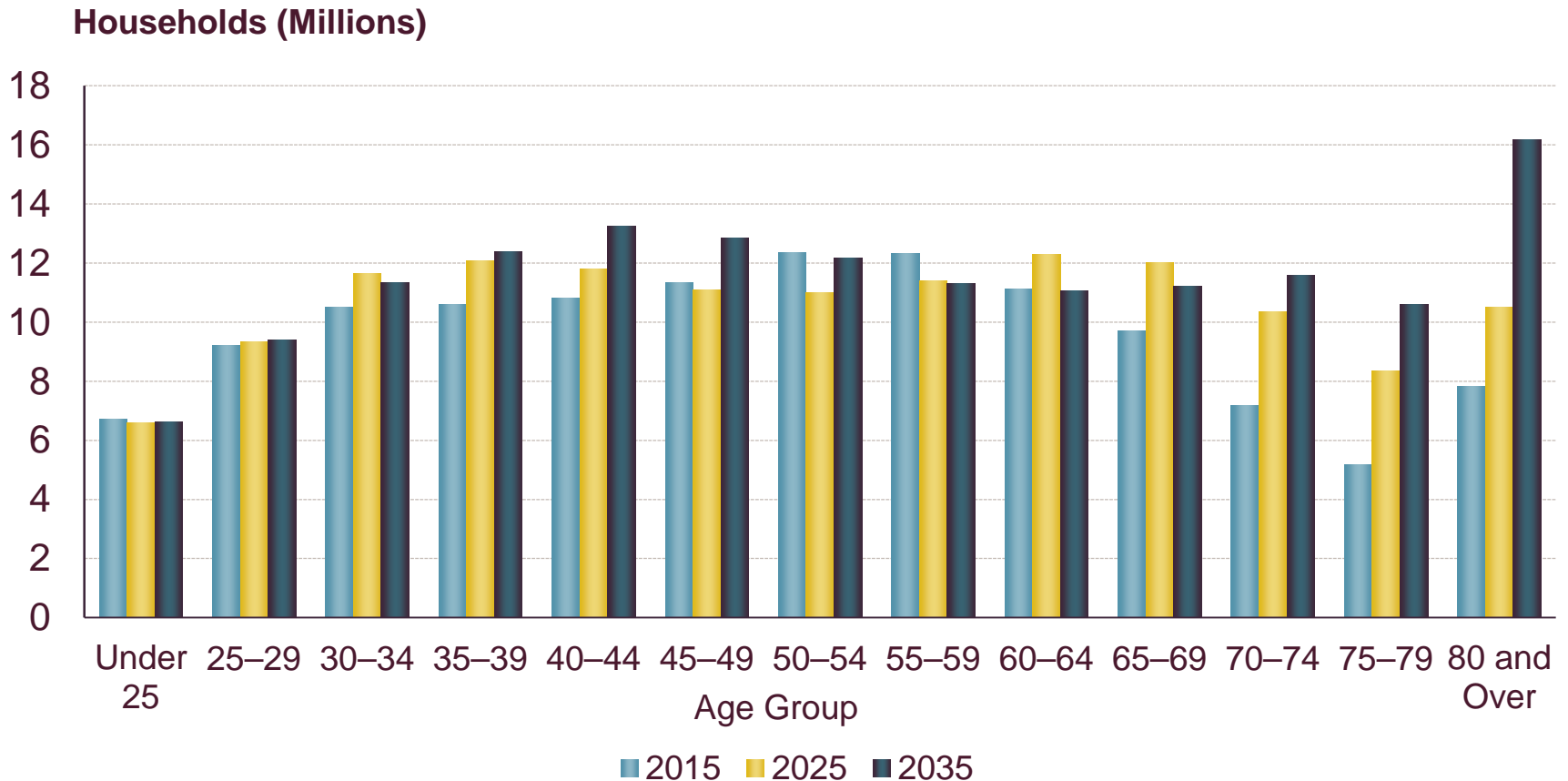
Projected Household Growth (Millions)



Notes: White, black, and Asian/other households are non-Hispanic. Hispanics may be of any race. Asian/other includes all other households.

Source: JCHS 2016 Household Projections.

By 2035, One Out of Every Three Households Will Be Age 65 and Over



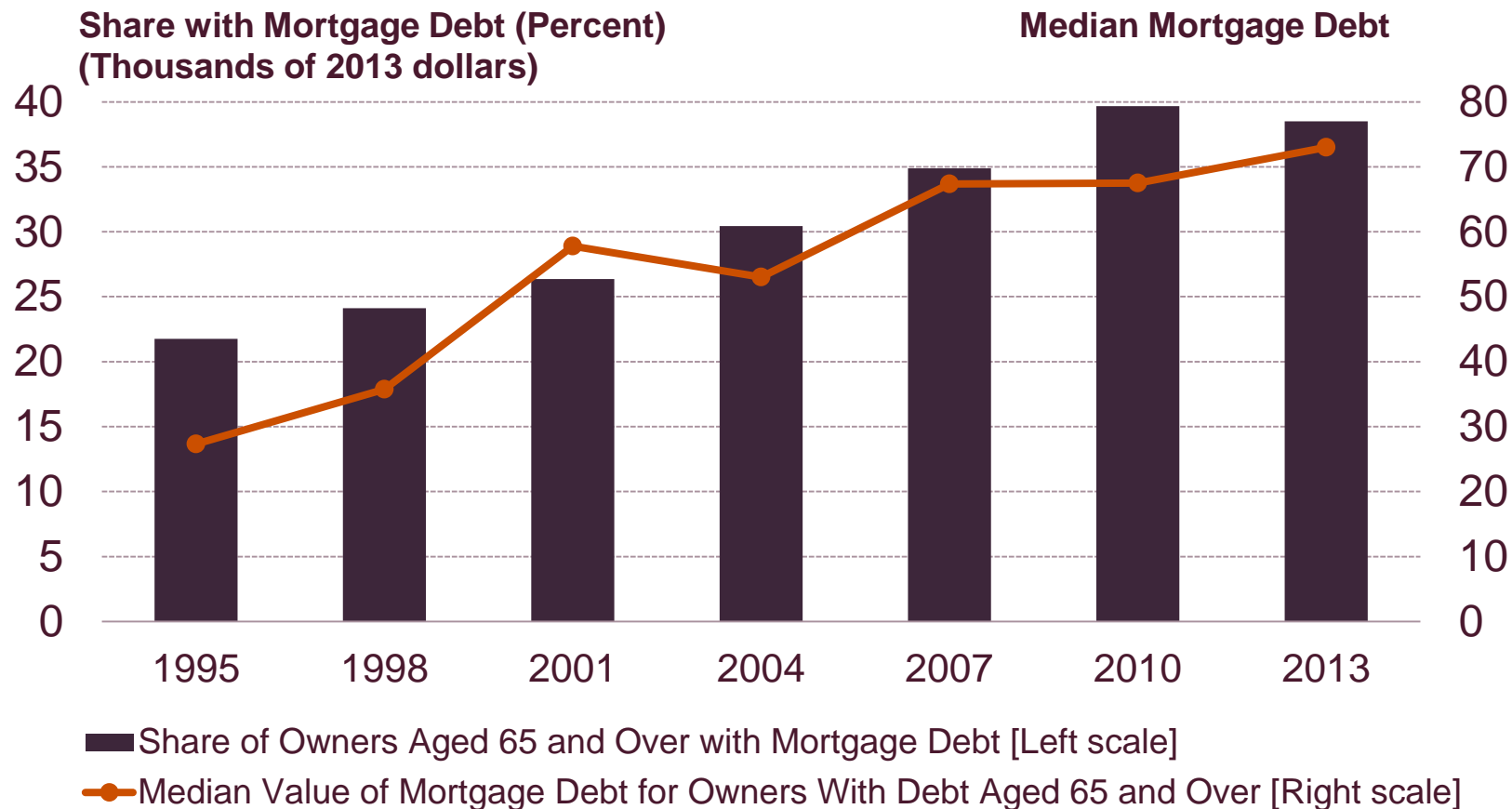
Source: JCHS 2016 Household Projections.

Housing Implications of Rapid Growth in Older Households



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More Older Households are Carrying Higher Amounts of Mortgage Debt into Retirement

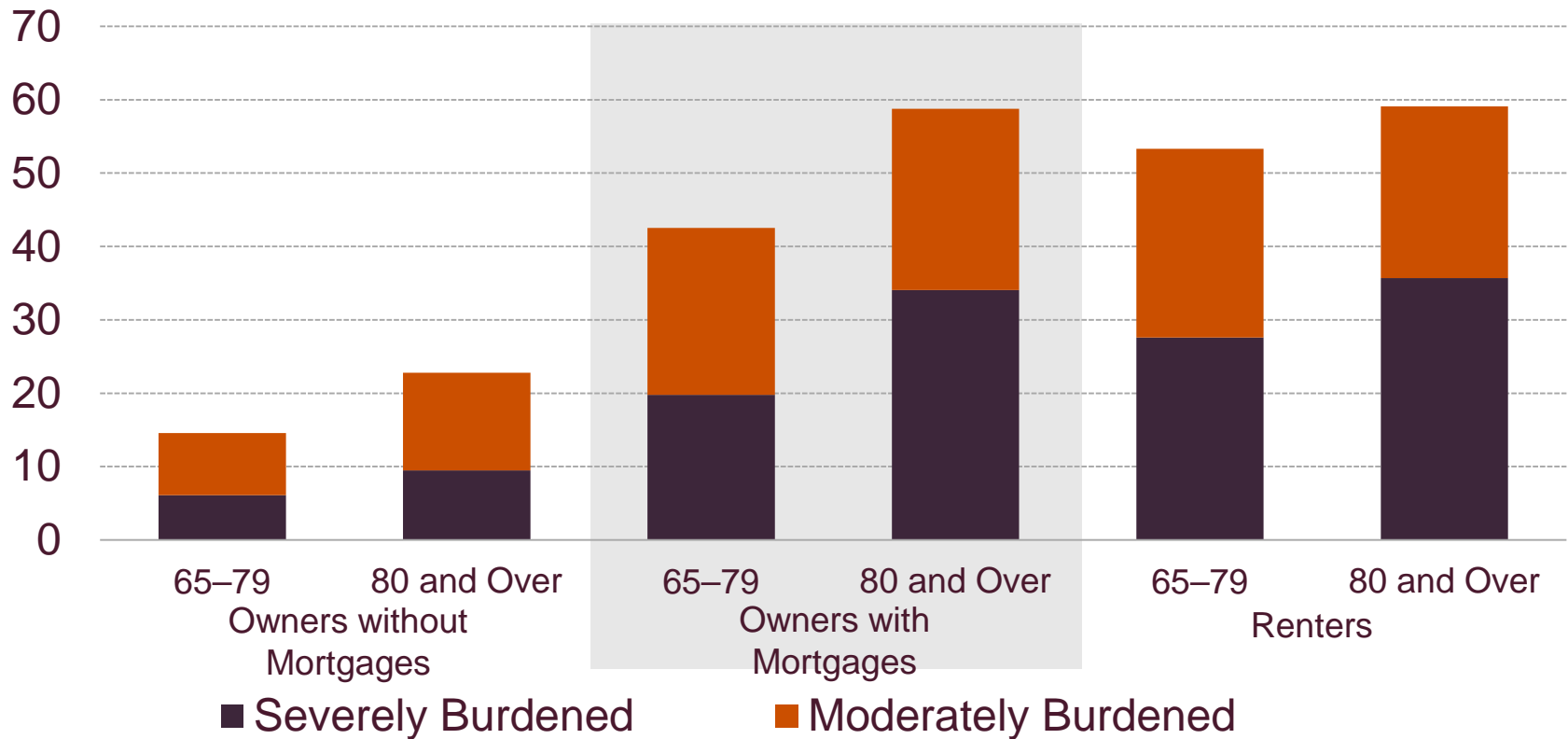


Notes: Mortgage debt is debt on a primary residence. The share with mortgage debt is among owners only. Median value of mortgage debt is among owners with mortgage debt only and in constant 2013 dollars adjusted for inflation using the CPI-U-RS.

Source: JCHS tabulations of US Federal Reserve Board, 2013 Survey of Consumer Finances.

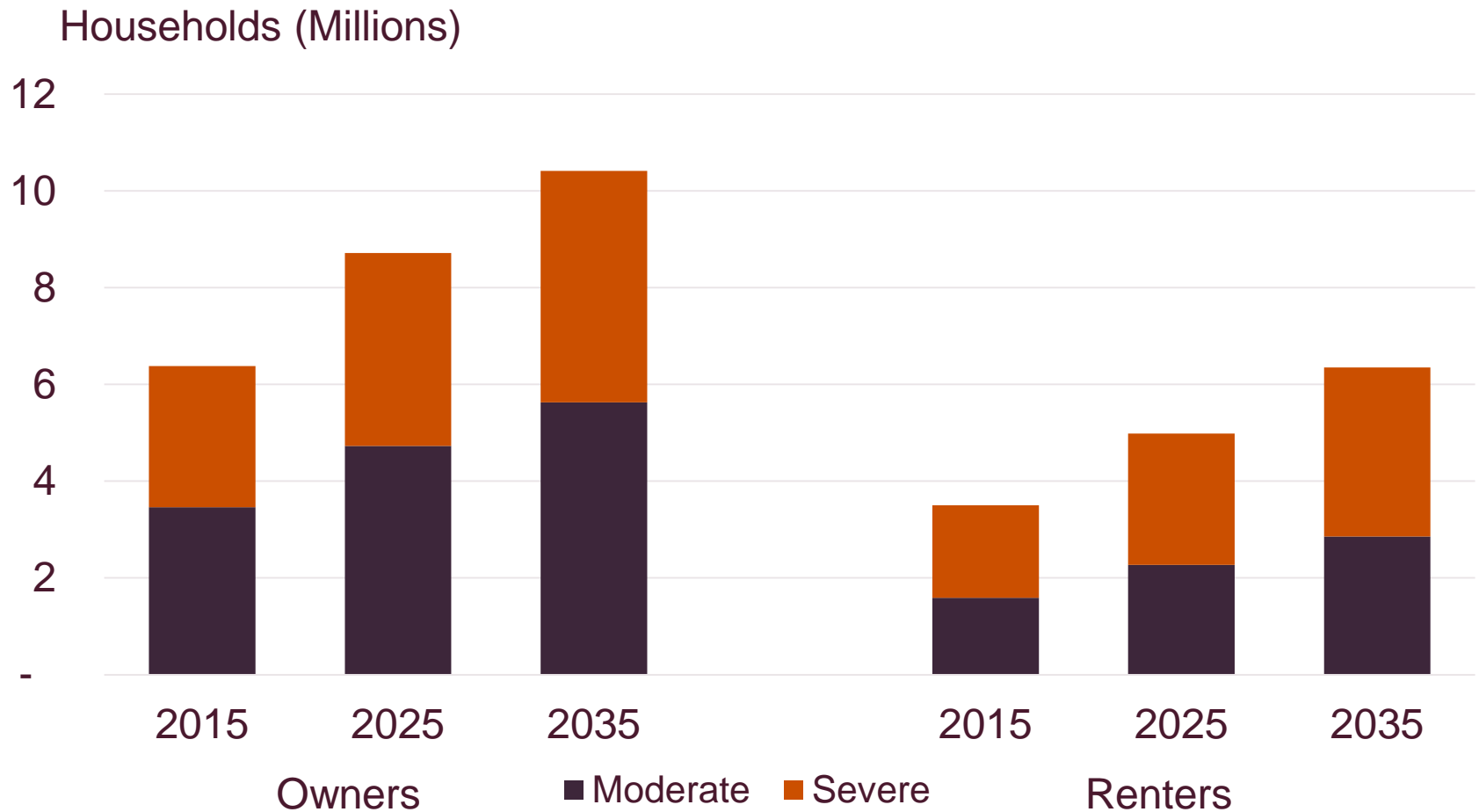
Cost Burdens are Lowest among Owners without Mortgages

Share of Households by Age Group (Percent)



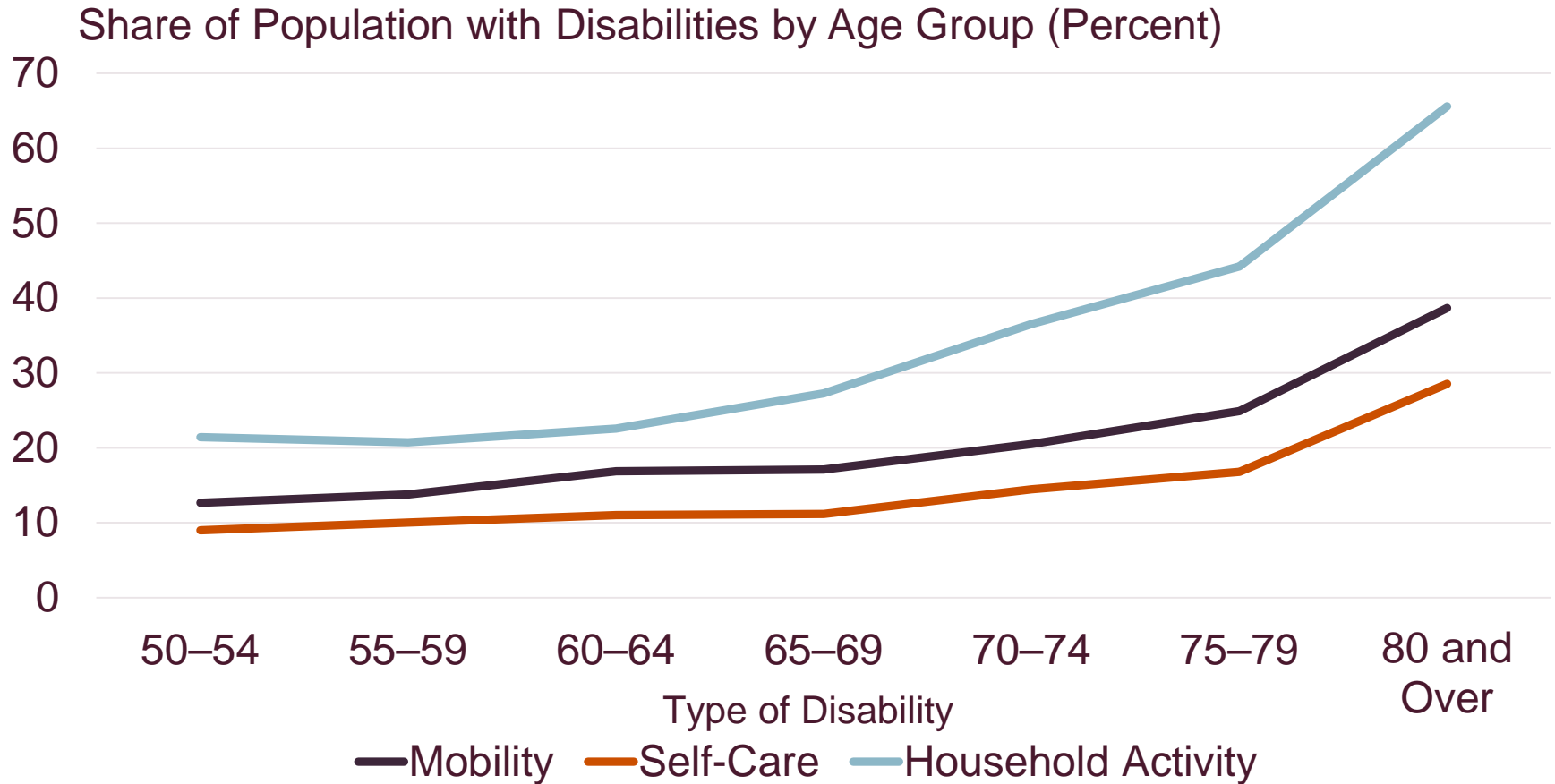
Notes: Moderately / severely cost burdened is defined as paying 30–50% / over 50% of income on housing.
 Source: JCHS tabulations of US Census Bureau, 2014 American Community Survey 1-Year Estimates.

By 2035 17 Million Older Households Will Be Cost Burdened, 8 Million Severely So



Source: JCHS projections.

Disability Prevalence Increases with Age

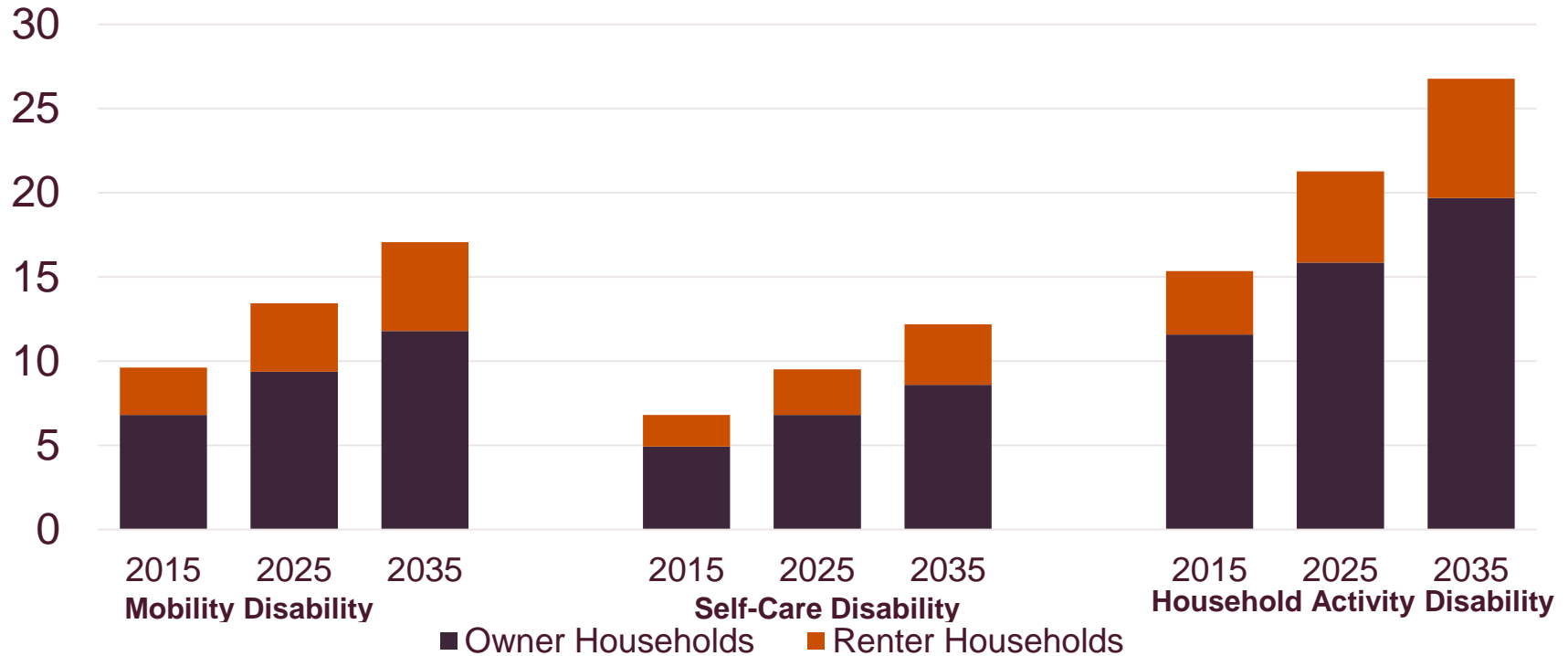


Notes: Mobility disability is defined as difficulty walking, getting in and out of bed, and climbing one flight of stairs; self-care disability as difficulty eating, dressing, toileting, and bathing; and household activity disability as difficulty with meal preparation, food shopping, using the telephone, taking medication, money management, housework, and driving.

Source: JCHS tabulations of University of Michigan, 2014 Health and Retirement Survey.

The Number of Households With a Disability Will Increase Substantially by 2035

Number of Disabled Households Aged 65+ in 2014 and 2035, by Type of Disability (Millions)

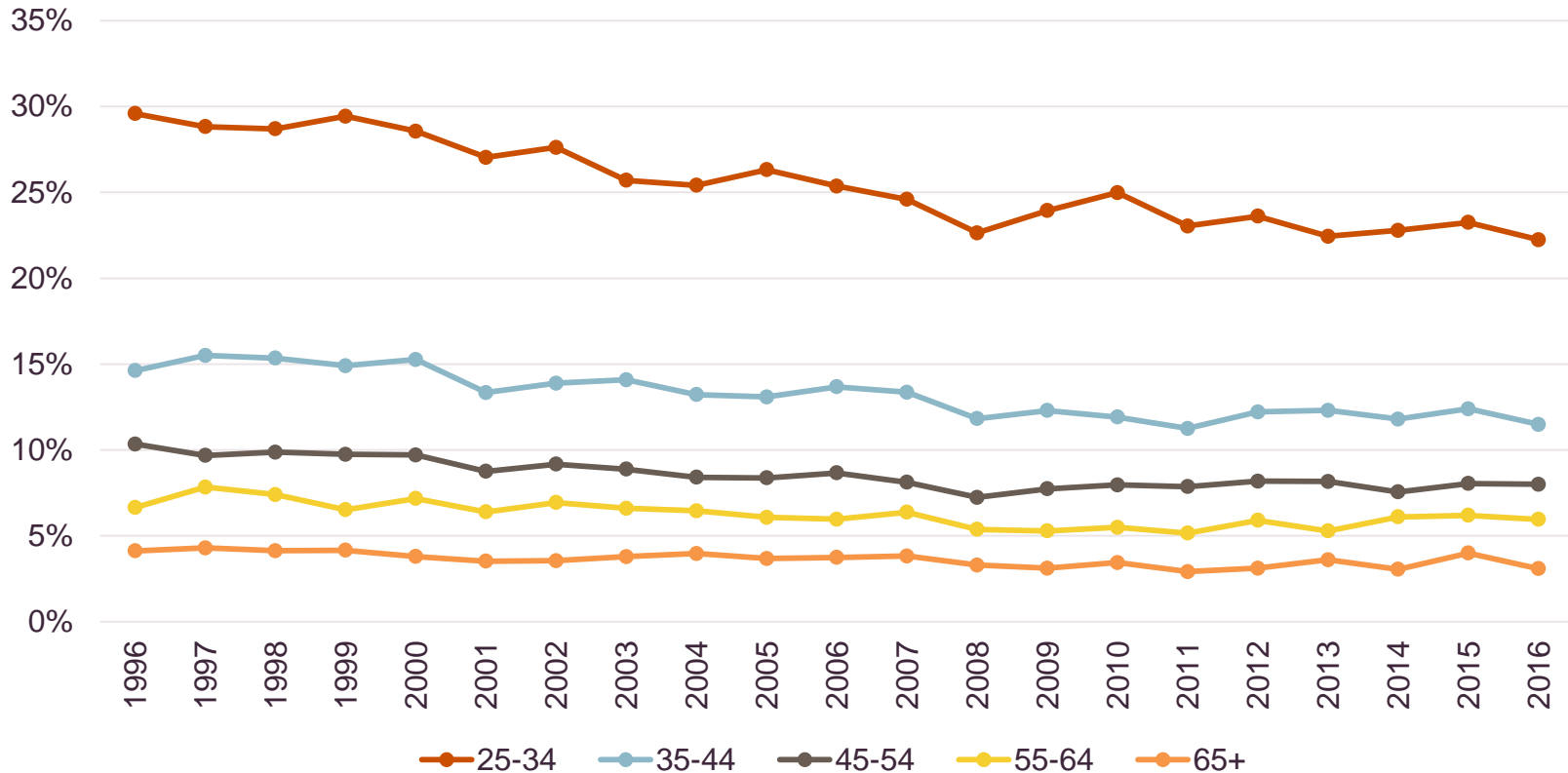


Notes: “Mobility disability” includes difficulty walking, getting in and out of bed, and climbing one flight of stairs. “Self-care disability” includes difficulty eating, dressing, toileting, and bathing. “Household activity disability” includes meal preparation, food shopping, using the telephone, taking medication, money management, housework, and driving.

Source: JCHS tabulations of 2014 Health and Retirement Survey data and JCHS Household and Tenure Projections.

Given Lower Mobility Among Older Households, Aging Households Will Reduce Housing Turnover

Mobility by Age of Householder



Source: US Census Bureau, Current Population Survey (CPS).