

# 2017 State of the Nation's Housing Report

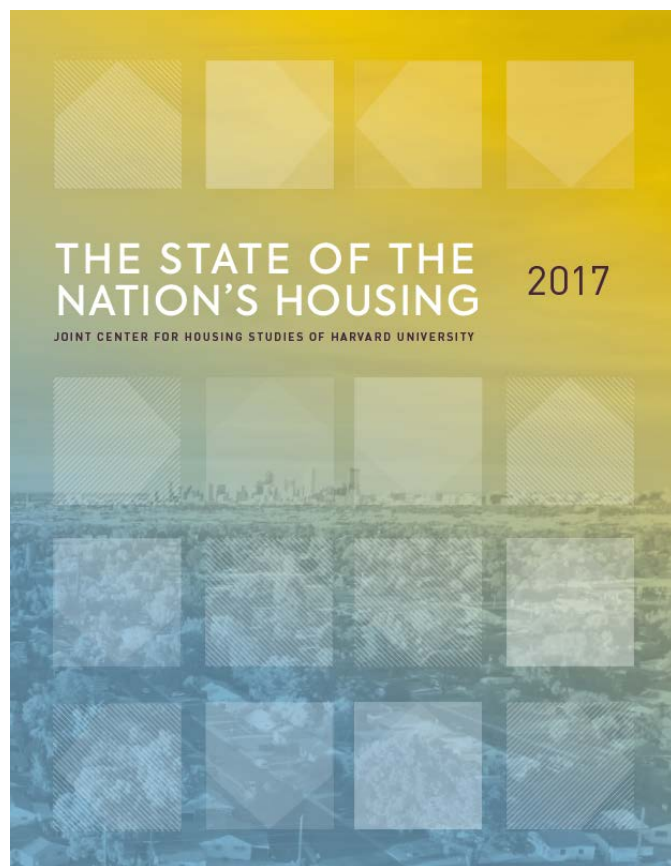
**MCBC Mortgage Lending Committee  
Meeting**

**MHP 160 Federal Street  
September 12, 2017**



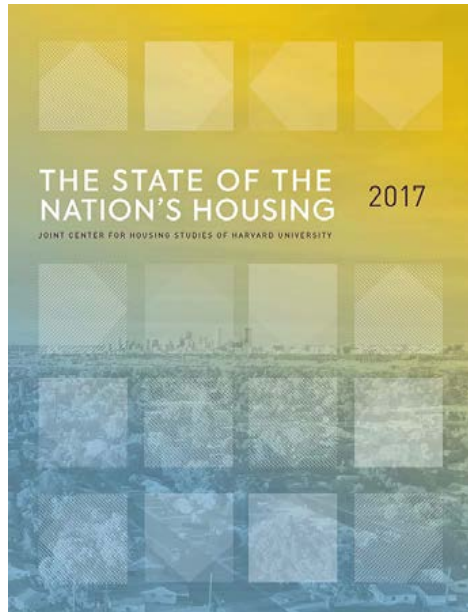
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# The State of the Nation's Housing 2017



- Released annually since 1988
- Broad range of issues covered:
  - Housing market conditions
  - Demographic trends
  - Homeownership and rental housing
  - Affordability
  - Other policy challenges
- The report, data sets, interactive maps and exhibits available at:  
[www.jchs.harvard.edu](http://www.jchs.harvard.edu)

# Major Themes for 2017



- National home prices have finally regained their previous peak, but degree of recovery varies across markets and neighborhoods
- Lack of inventory in both for-sale and for-rent a critical issue.
- Homeownership rate may have found a bottom.
- Rental markets remained hot in past year, but may be cooling.
- Housing cost burdens have eased significantly among owners, but remain near record levels among renters
- Growing disparities in households & neighborhood incomes
- 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

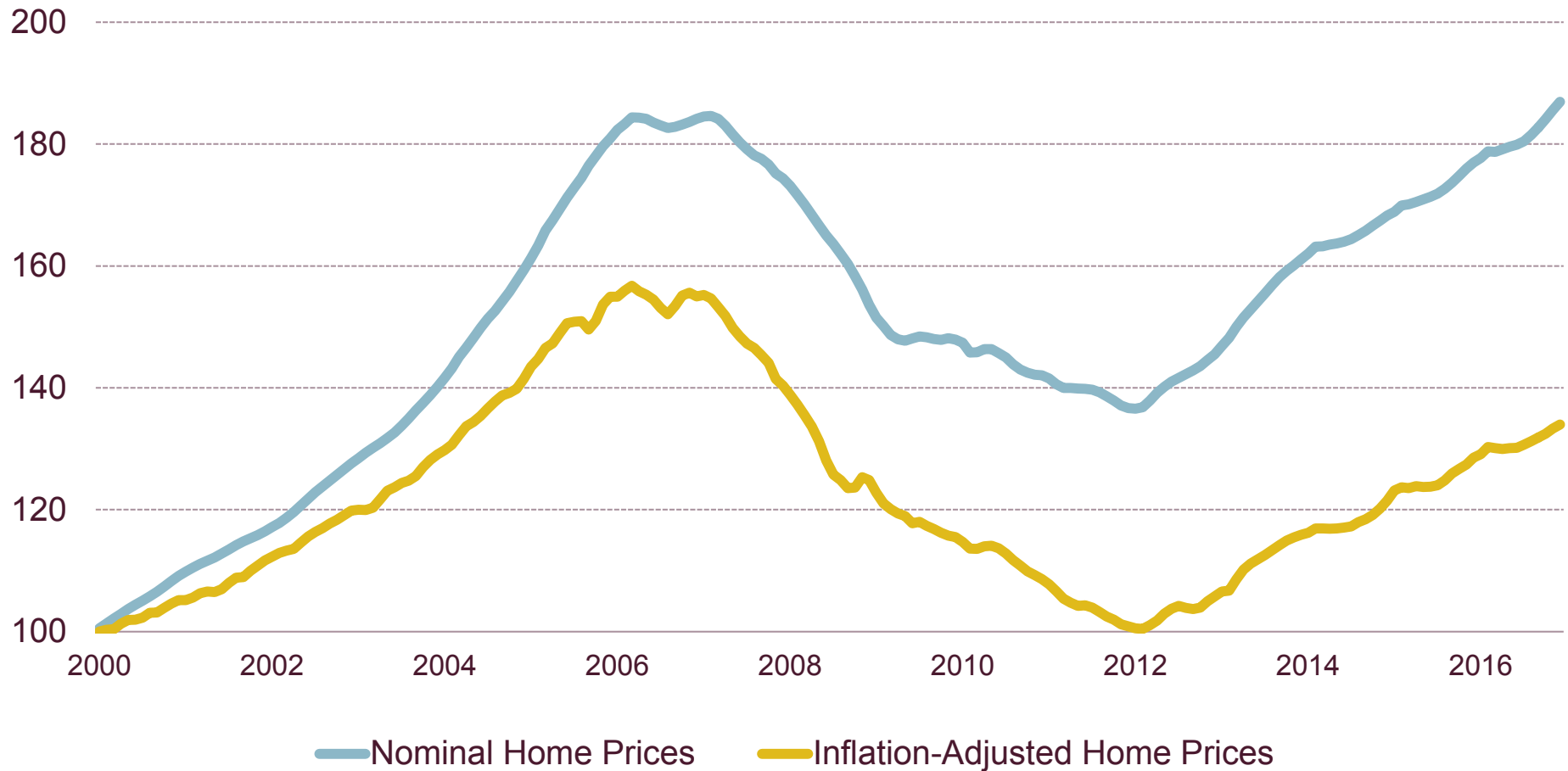
# National House Prices Have Regained Past Peak, but Recovery Varies Widely



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# National Home Prices Now Exceed Their Previous Peak in Nominal Terms, But Not in Real Dollars

U.S. National Home Price Index

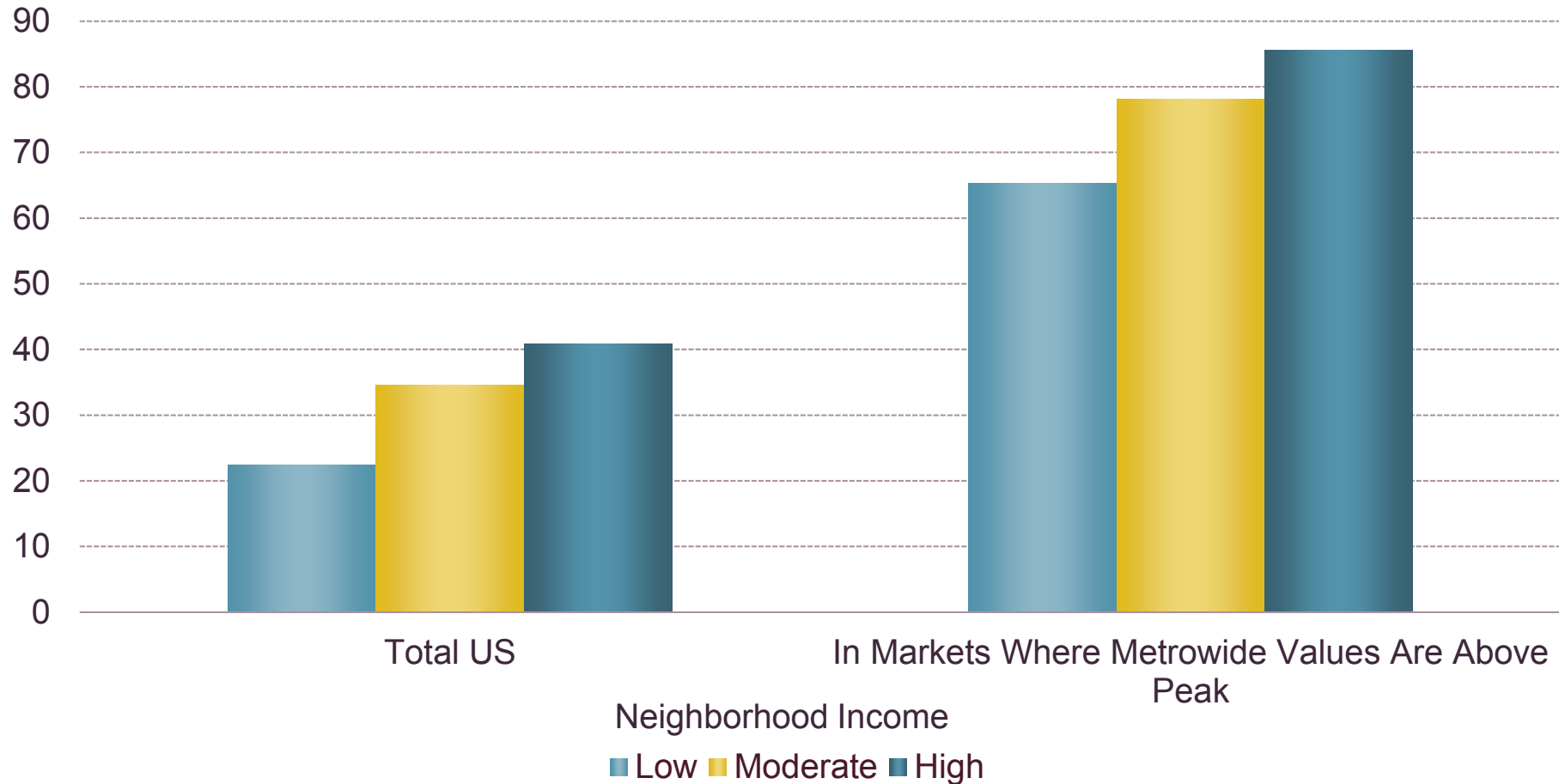


Note: Prices are adjusted for inflation using the CPI-U for All Items less shelter.  
Source: JCHS tabulations of S&P CoreLogic Case-Shiller Home Price Index data.



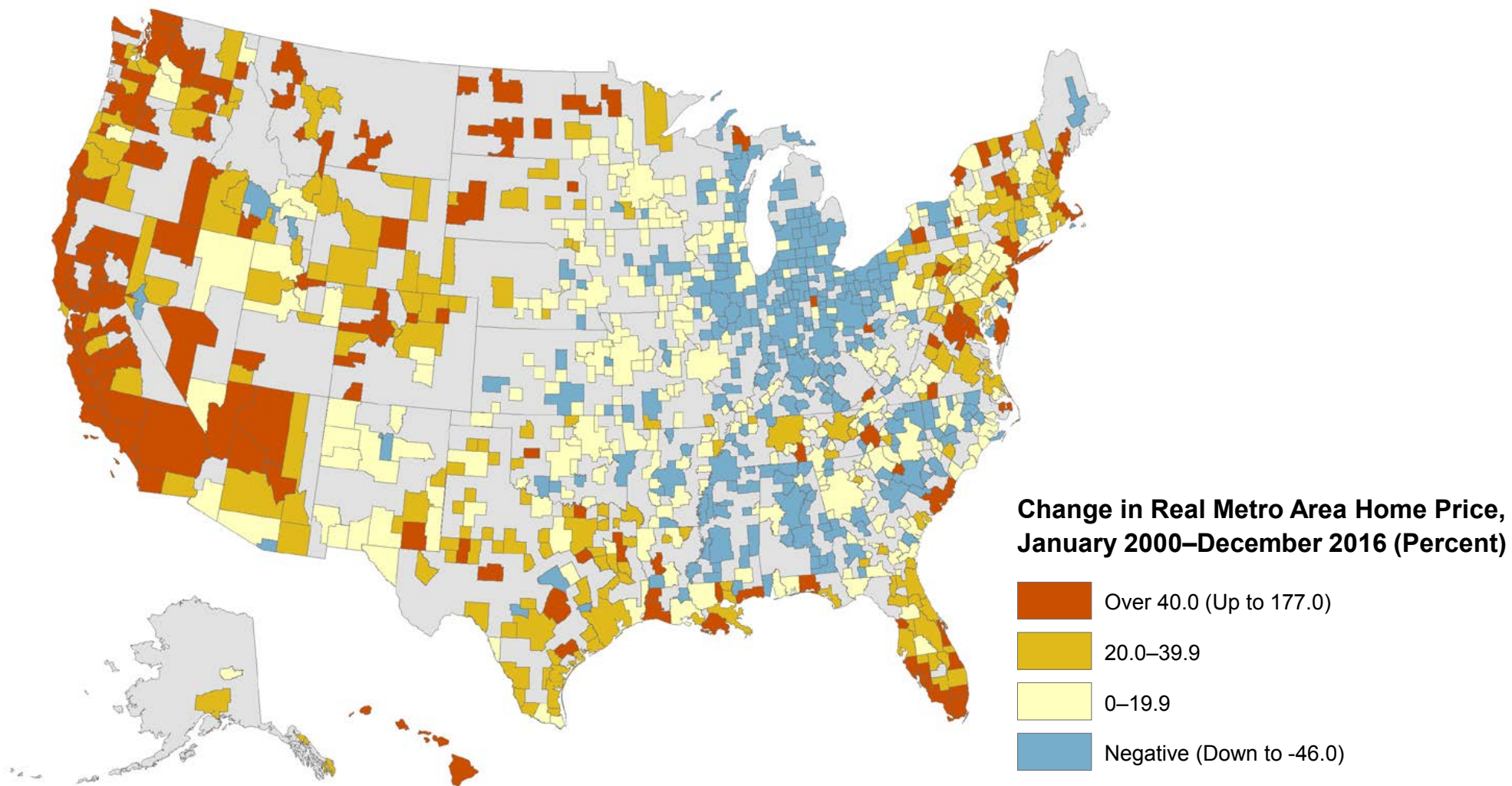
# Home Values in Low-Income Neighborhoods Have Been Slow to Recover

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.

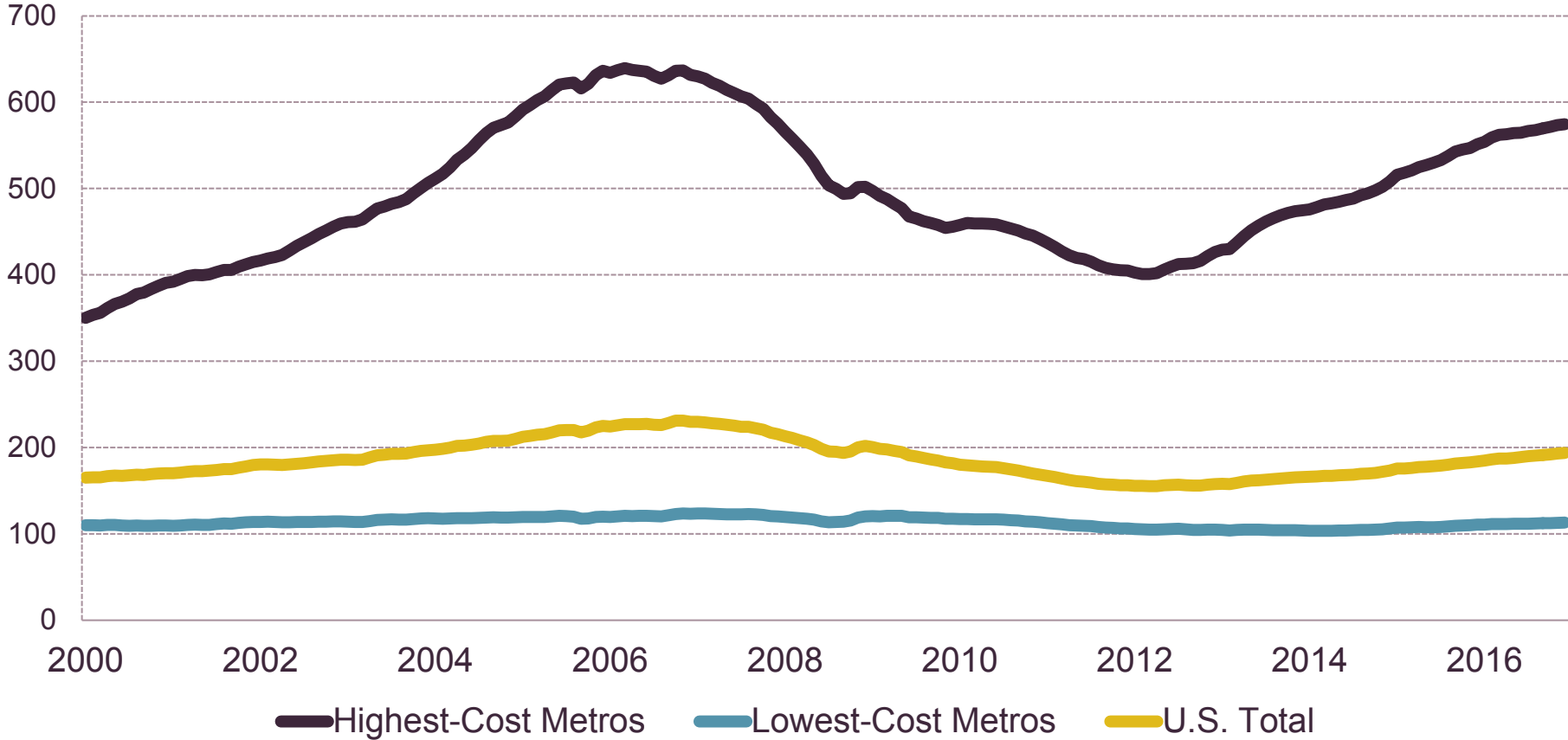
# Metro Area Home Prices Have Diverged Widely Since 2000



Note: Prices are adjusted for inflation using the CPI-U for All Items less shelter.  
Source: JCHS tabulations of CoreLogic Home Price Indices.

# Strong Home Price Appreciation Is Making the Ten Highest-Cost Metros Even Less Affordable

Real Median Home Value (Thousands of 2016 dollars)



Notes: Highest-/lowest-cost metros are the 10 with the highest/lowest median home values in December 2016. Home values are adjusted for inflation using the CPI-U less shelter.  
Source: JCHS tabulations of Zillow median home values.

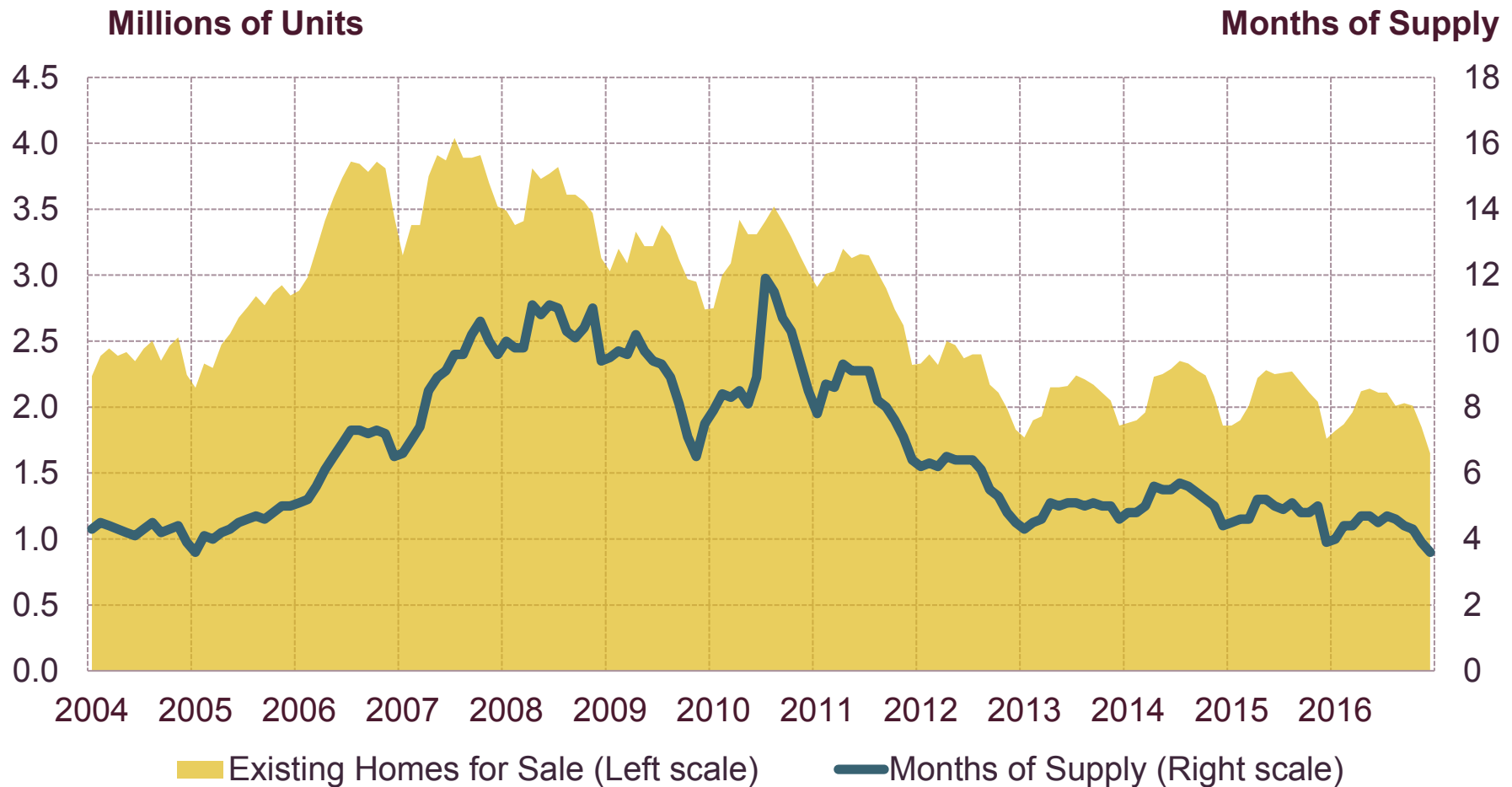


# Lack of Inventory a Key Constraint in both For-Sale and For-Rent Markets



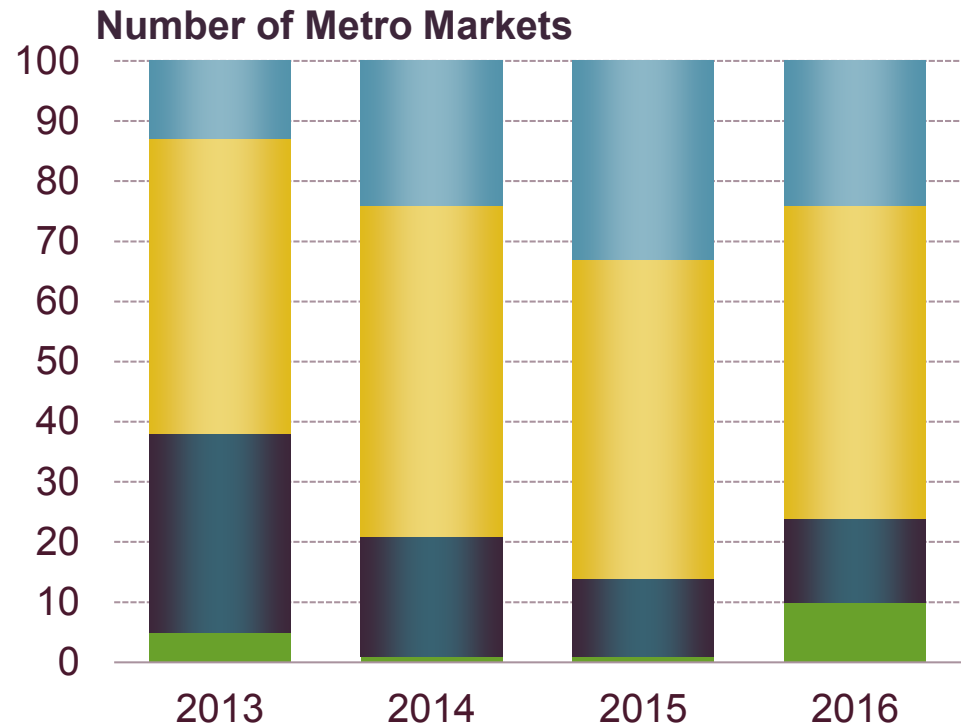
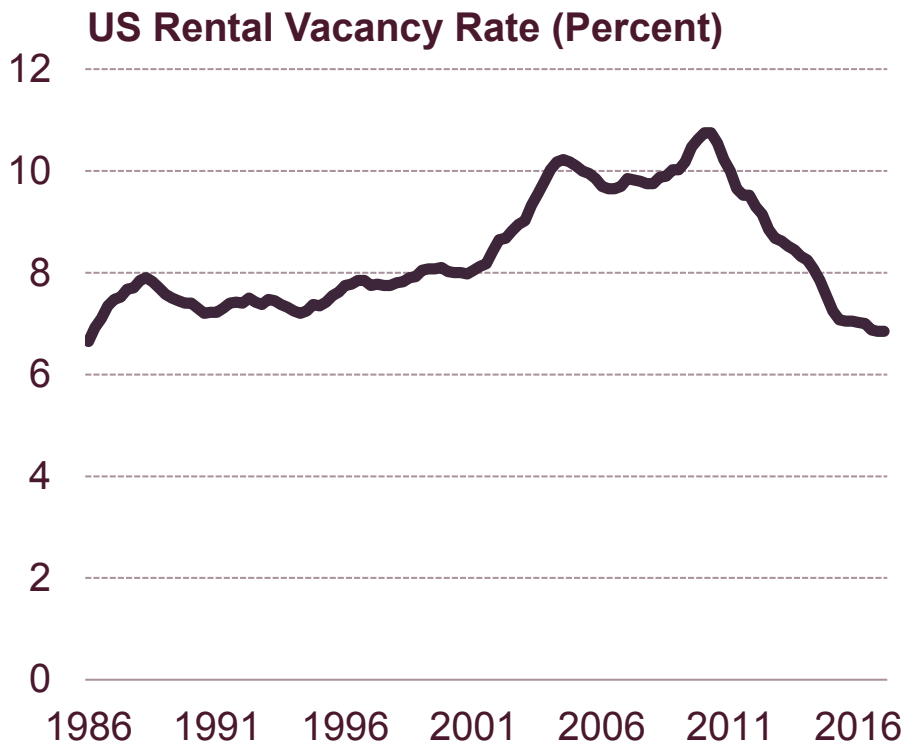
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# Inventories of Homes for Sale Continue to Shrink



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.

# With the National Rental Vacancy Rate at a 30-Year Low, Rents Are Still Increasing in the Majority of Apartment Markets



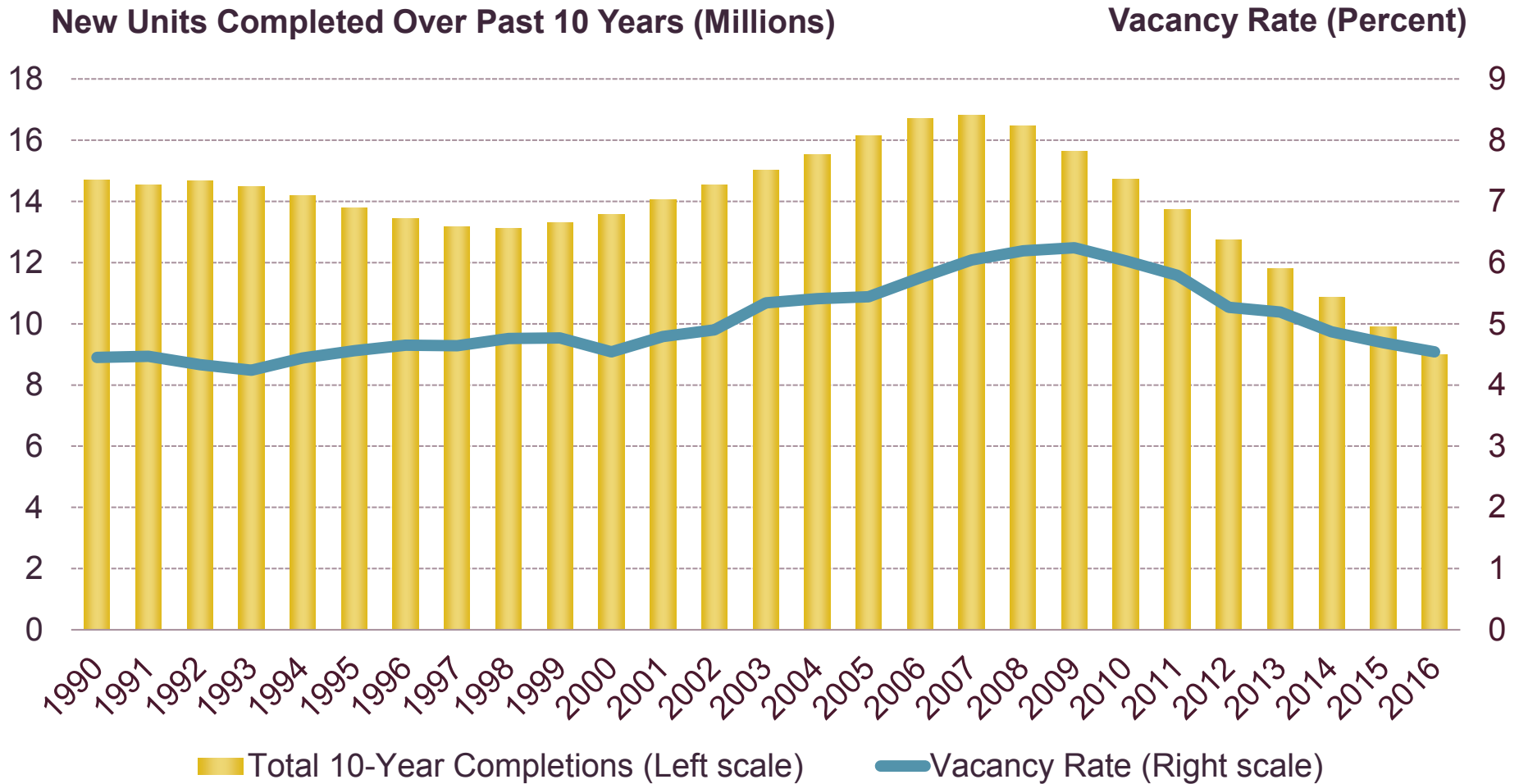
**Annual Change in Rent (Percent)**

■ Negative ■ 0.0–1.9 ■ 2.0–4.9 ■ 5.0 and Over

Notes: US rental vacancy rates are four-quarter rolling averages. Metro data are for professionally managed apartment properties in the 100 market areas tracked by MPF Research.

Source: JCHS tabulations of US Census Bureau, Housing Vacancy Survey and MPF Research data.

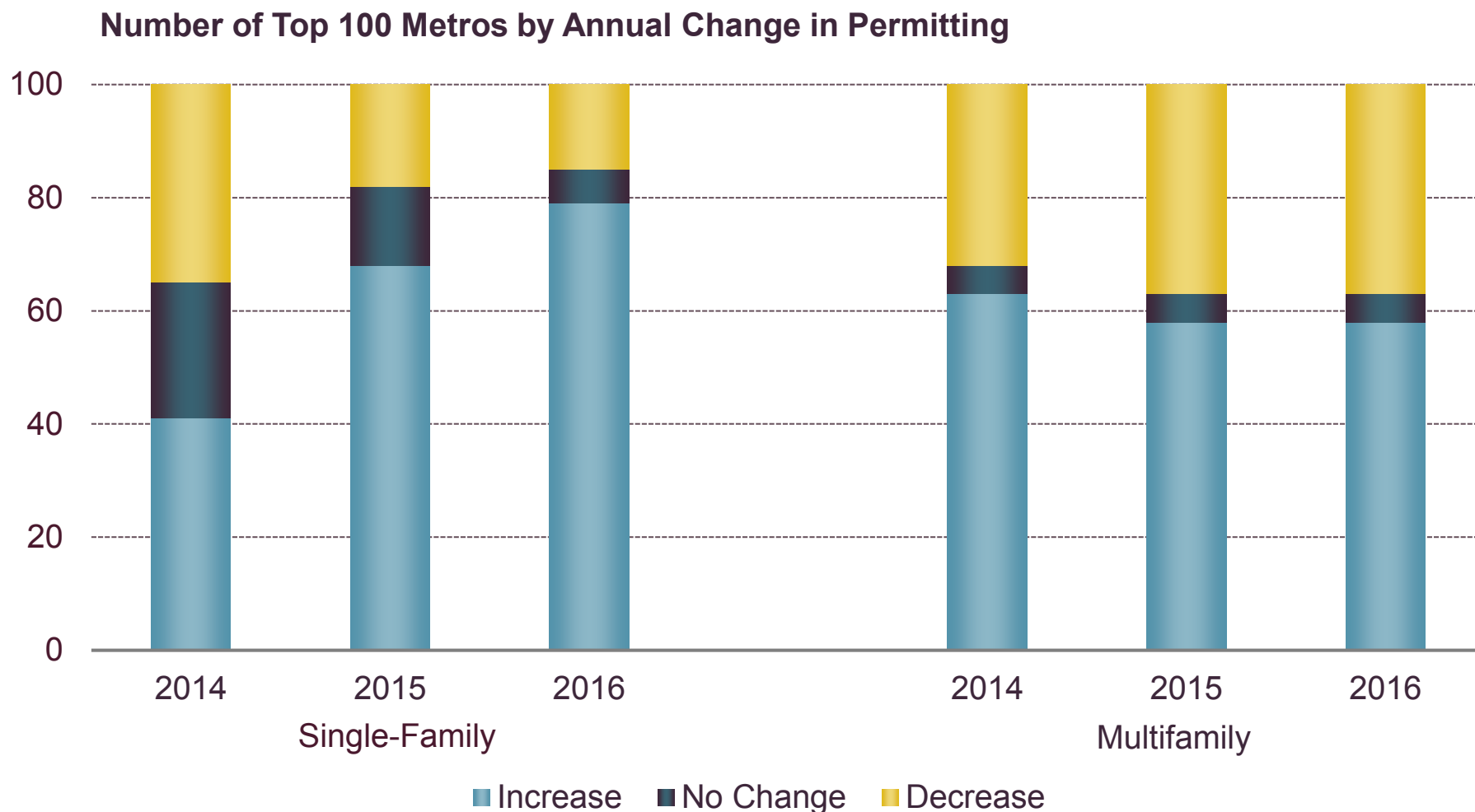
# Historically Low Construction Over the Past Decade Has Contributed to Market Tightening



Notes: The vacancy rate is calculated as the total number of vacant units for-sale, for-rent, and rented or sold but not yet occupied over the total number of units occupied, vacant for-sale or for-rent, and rented or sold but not yet occupied.

Source: JCHS tabulations of US Census Bureau, New Residential Construction data and the Housing Vacancy Survey.

# Single-Family Permitting Has Picked Up in a Growing Number of Large Metro Areas



Notes: Top 100 metros are the largest metro areas by population as defined by the 2015 American Community Survey. No change is defined as an increase or decrease of less than 2% from the previous year.

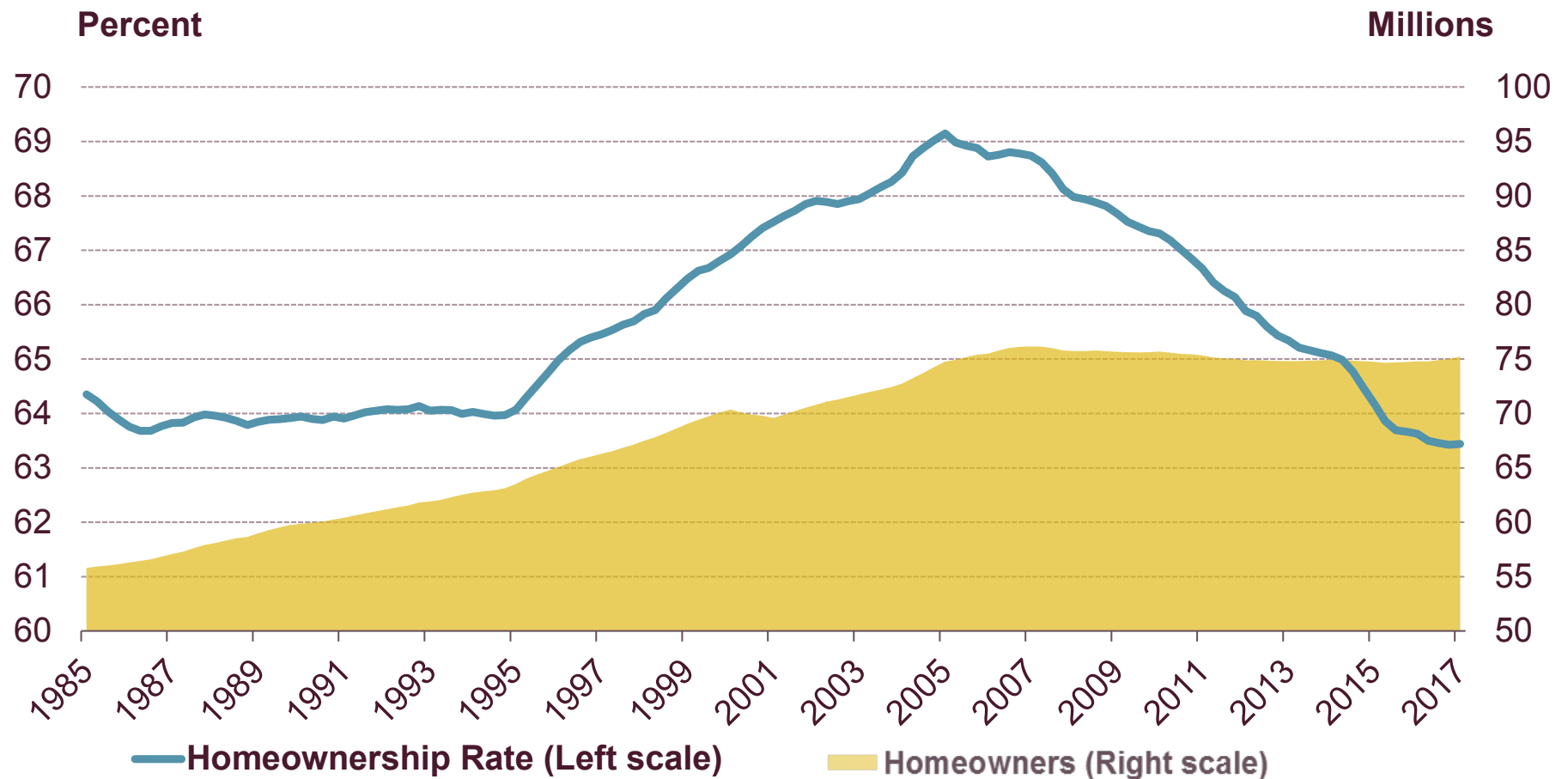
Source: JCHS tabulations of US Census Bureau, Building Permits Survey.

# The 12-Year Decline in the US Homeownership Rate May Be Nearing and End



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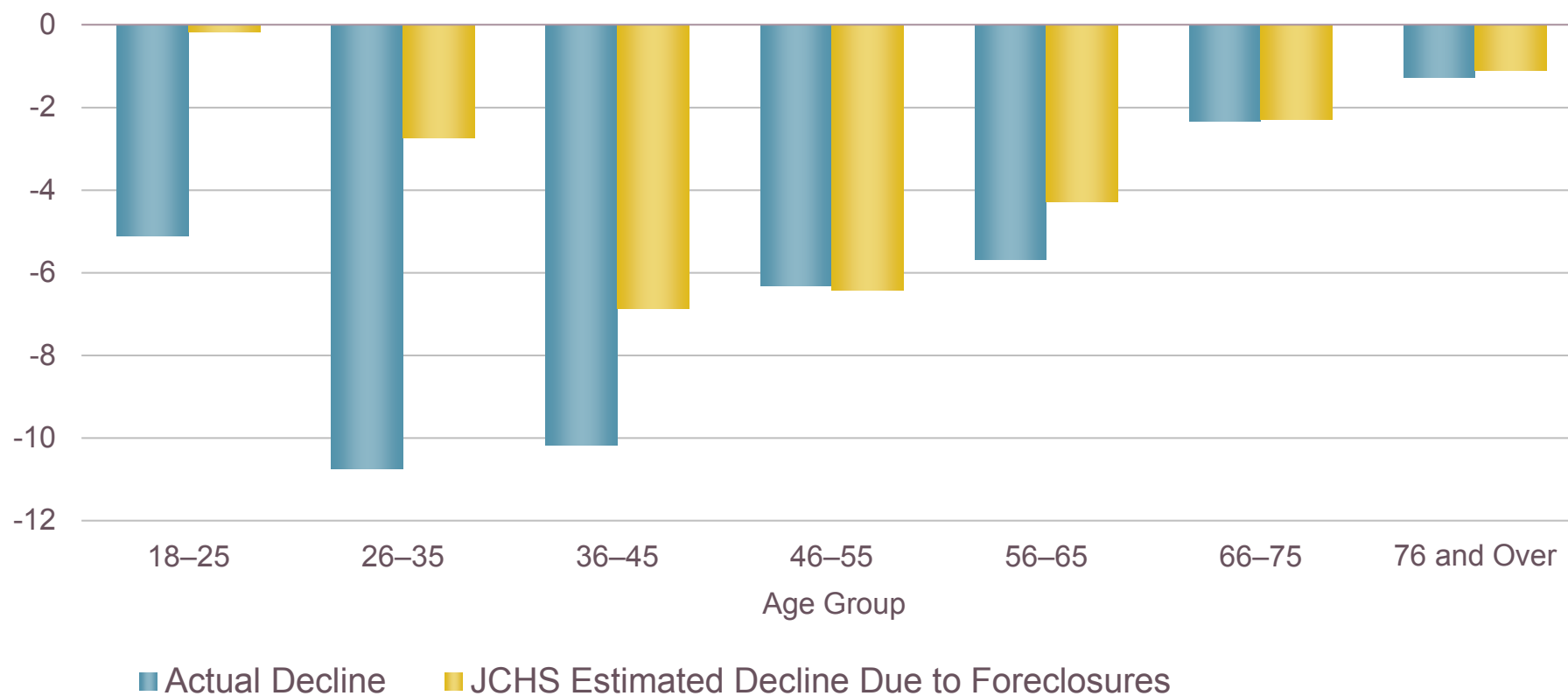
# The National Homeownership Rate Fell Again in 2016, Although it May Be Finding a Bottom



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

# Foreclosures Drove Much of the Homeownership Rate Decline Among Older Households

Homeownership Rate Decline, 2005–2015 (Percentage Point)

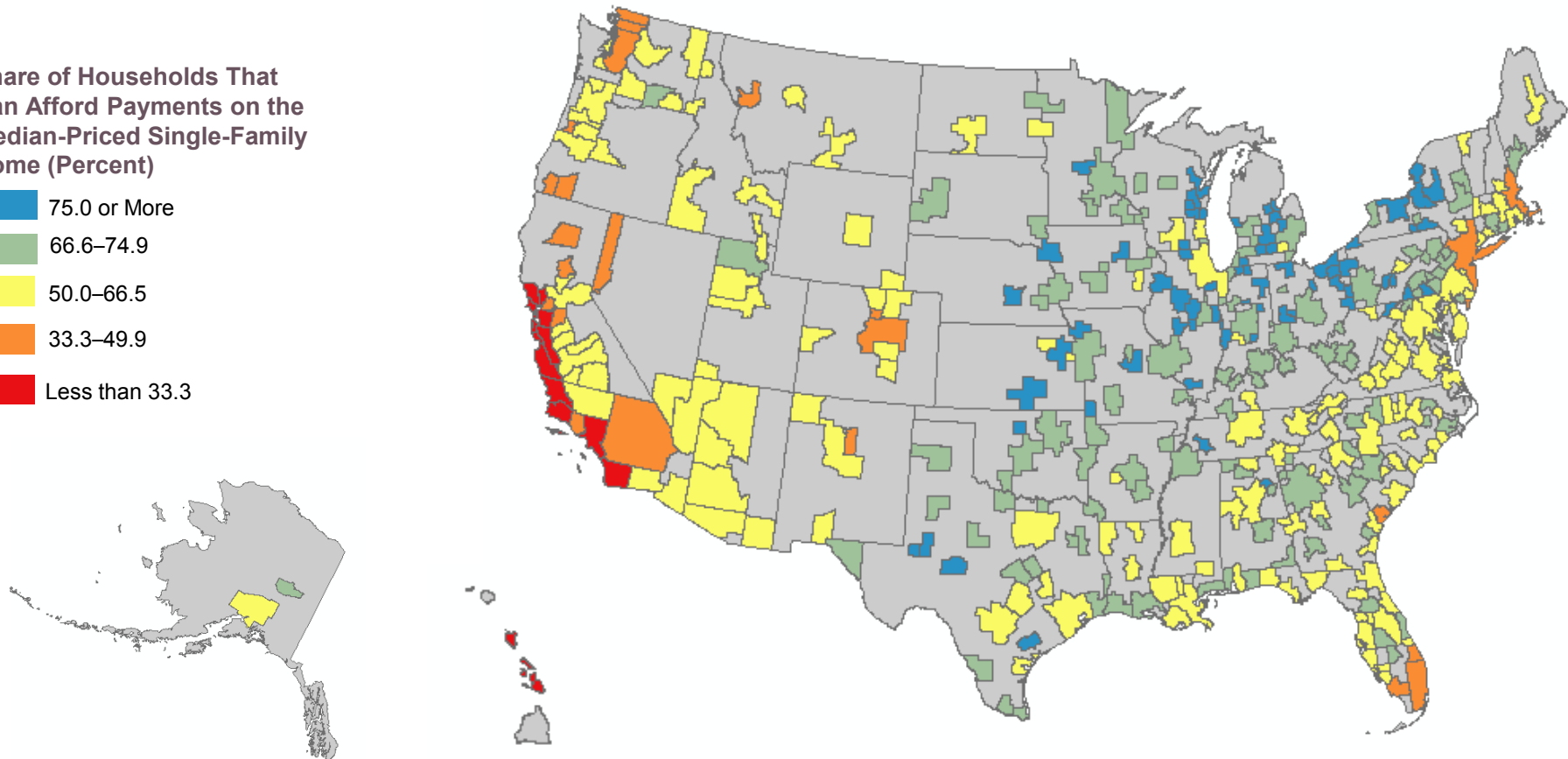
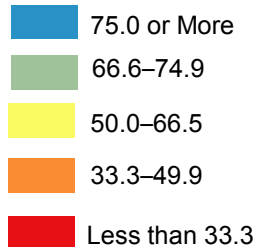


Note: JCHS estimate is the ratio of the number of owner-occupied foreclosure completions to the number of households. The owner-occupant share of all housing units in 2015 (60.3 percent) is used to estimate the owner-occupant share of the 9.6 million foreclosure completions between Q2 2005 and Q1 2015.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



# Homeownership Is Still Affordable for a Majority of Households in All But the Most Expensive Metros

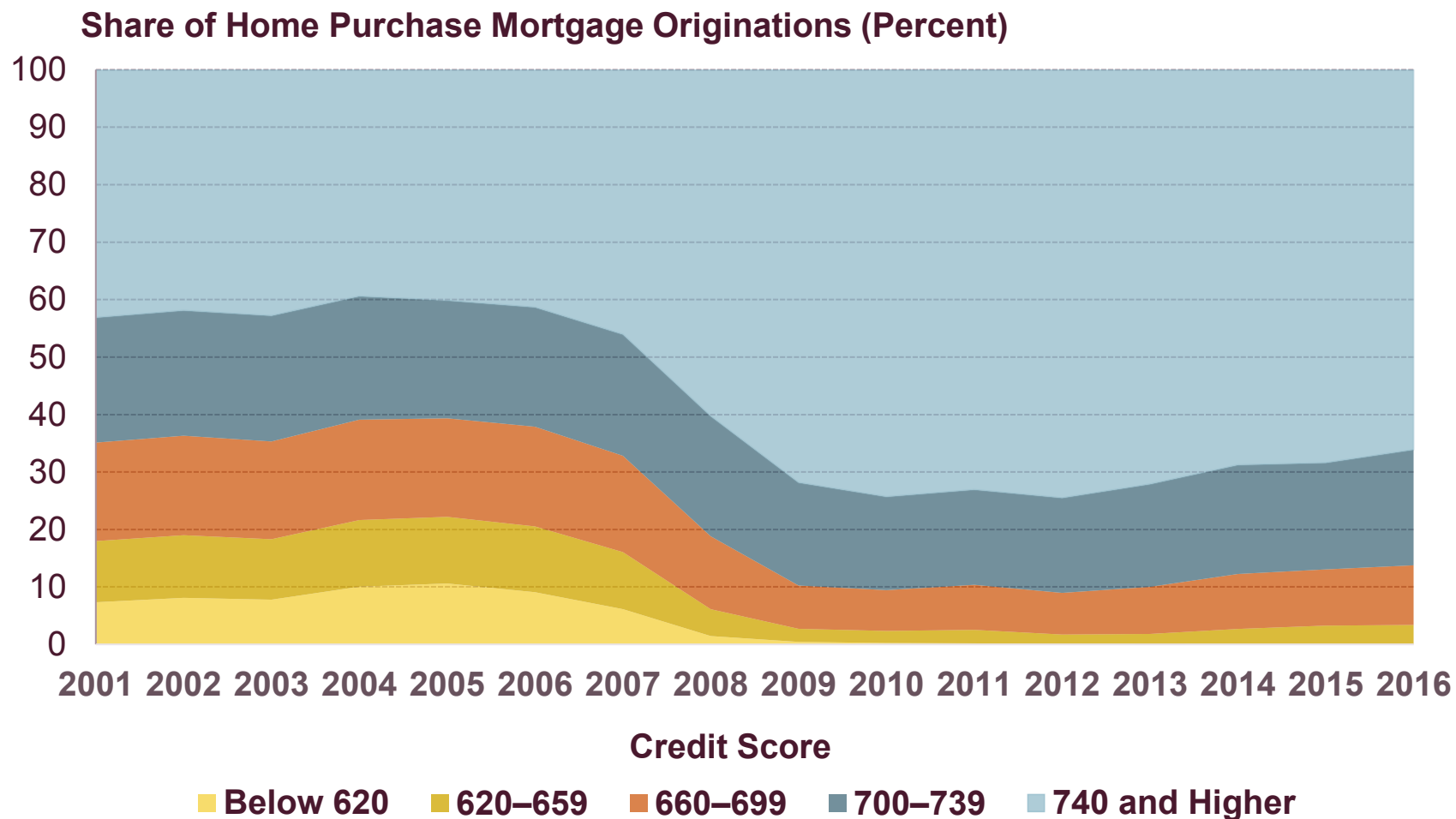
Share of Households That Can Afford Payments on the Median-Priced Single-Family Home (Percent)



Notes: Monthly payment assumes a 5% downpayment on the median-priced existing home with property taxes of 1.25%, property insurance of 0.25%, and mortgage insurance of 0.5%. Income is median household income. Affordable monthly mortgage payments are up to 36% of monthly income.

Source: JCHS tabulations of NAR, Existing Home Sales data via Moody's Economy.com, and US Census Bureau, 2015 American Community Survey 1-Year estimates.

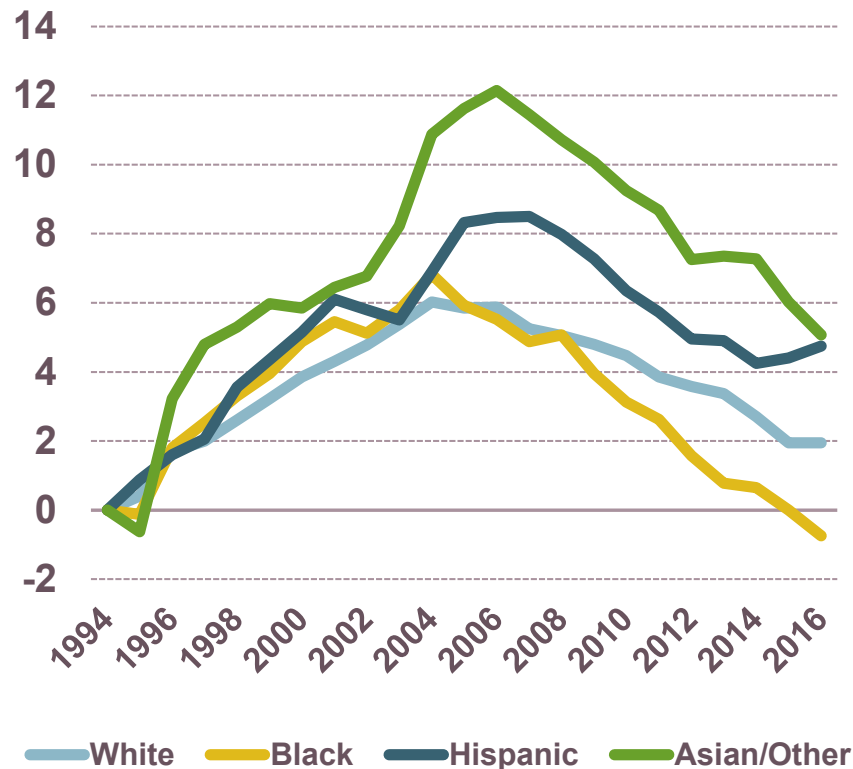
# Tight Lending Standards Limit Mortgage Access for Households with Lower Credit Scores



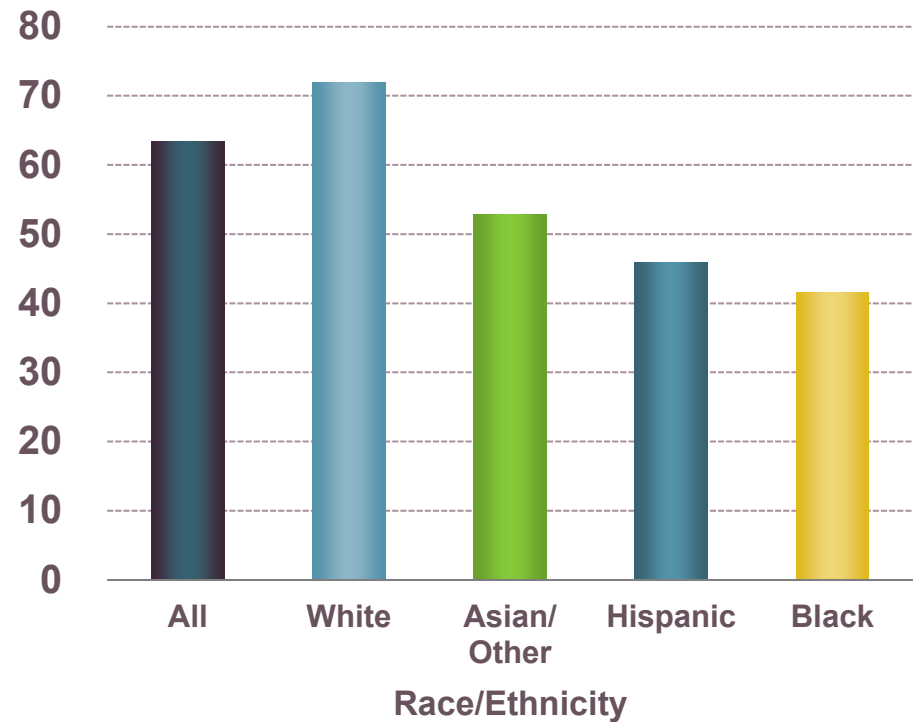
Note: Data include only conventional first-lien purchase mortgage originations.  
Source: JCHS tabulations of CoreLogic data.

# The Homeownership Gap Has Narrowed for Hispanics and Asians, But Widened for Blacks

Cumulative Change in Homeownership Rate (Percentage points)



Homeownership Rate in 2016 (Percent)

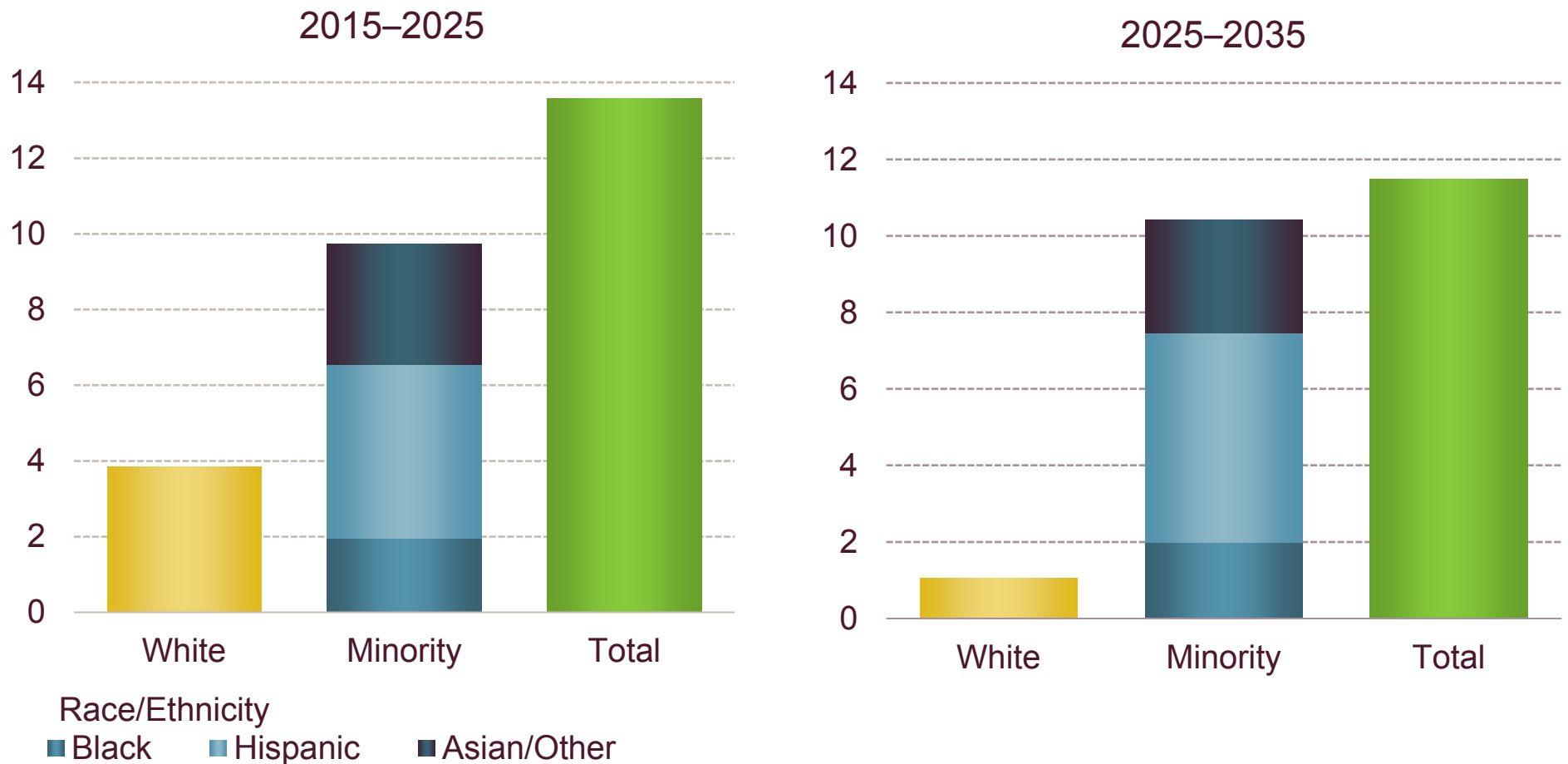


Notes: Hispanic households may be of any race. White, black, and Asian/other households are non-Hispanic and include those reporting a second race until 2003. After 2003, Asian/other includes all other households and those reporting more than one race.

Source: JCHS tabulations of Housing Vacancy Survey.

# 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.

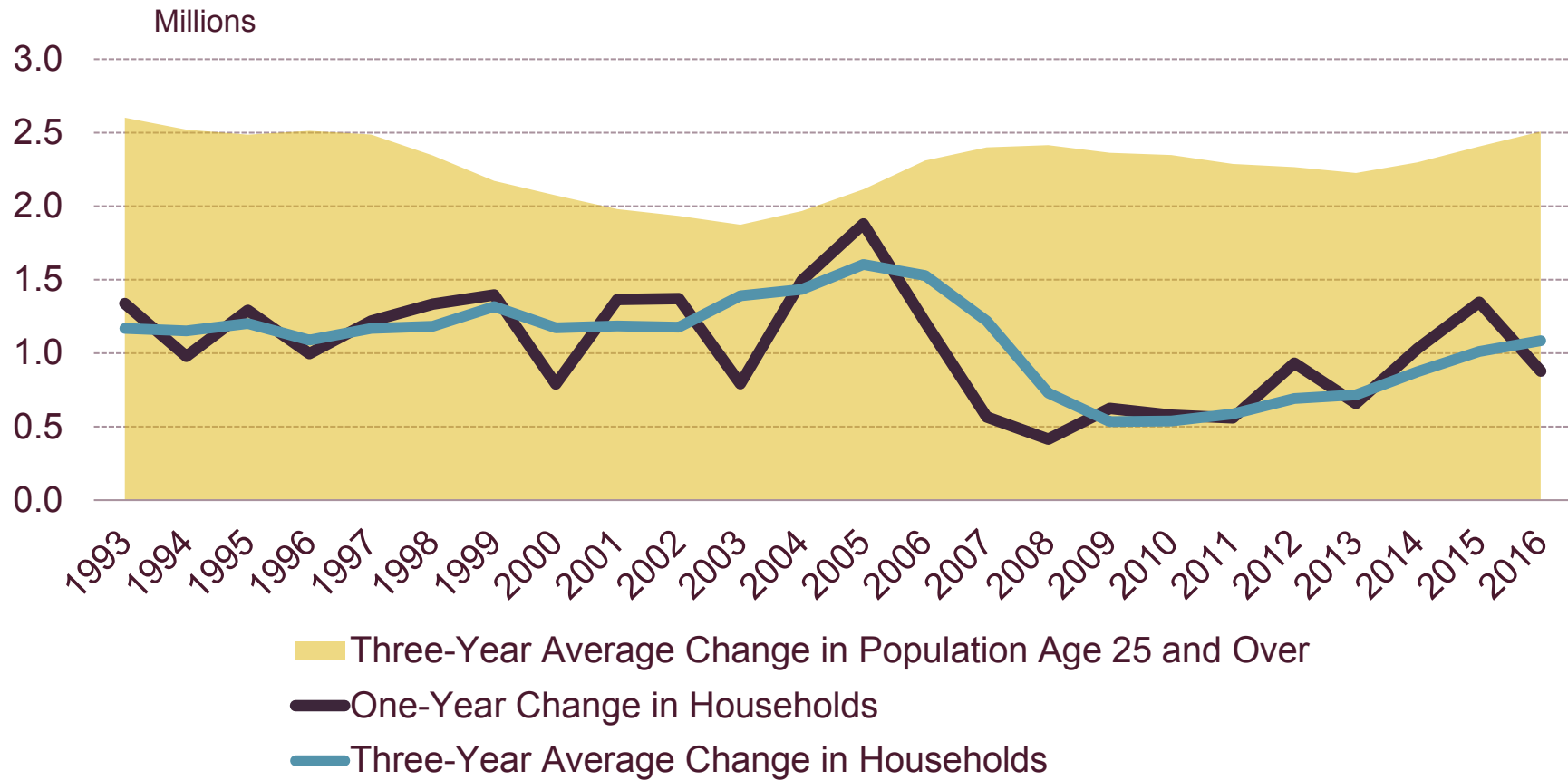


The Outlook—  
Strong Household Growth Should  
Benefit Housing Market Over  
Coming Decade



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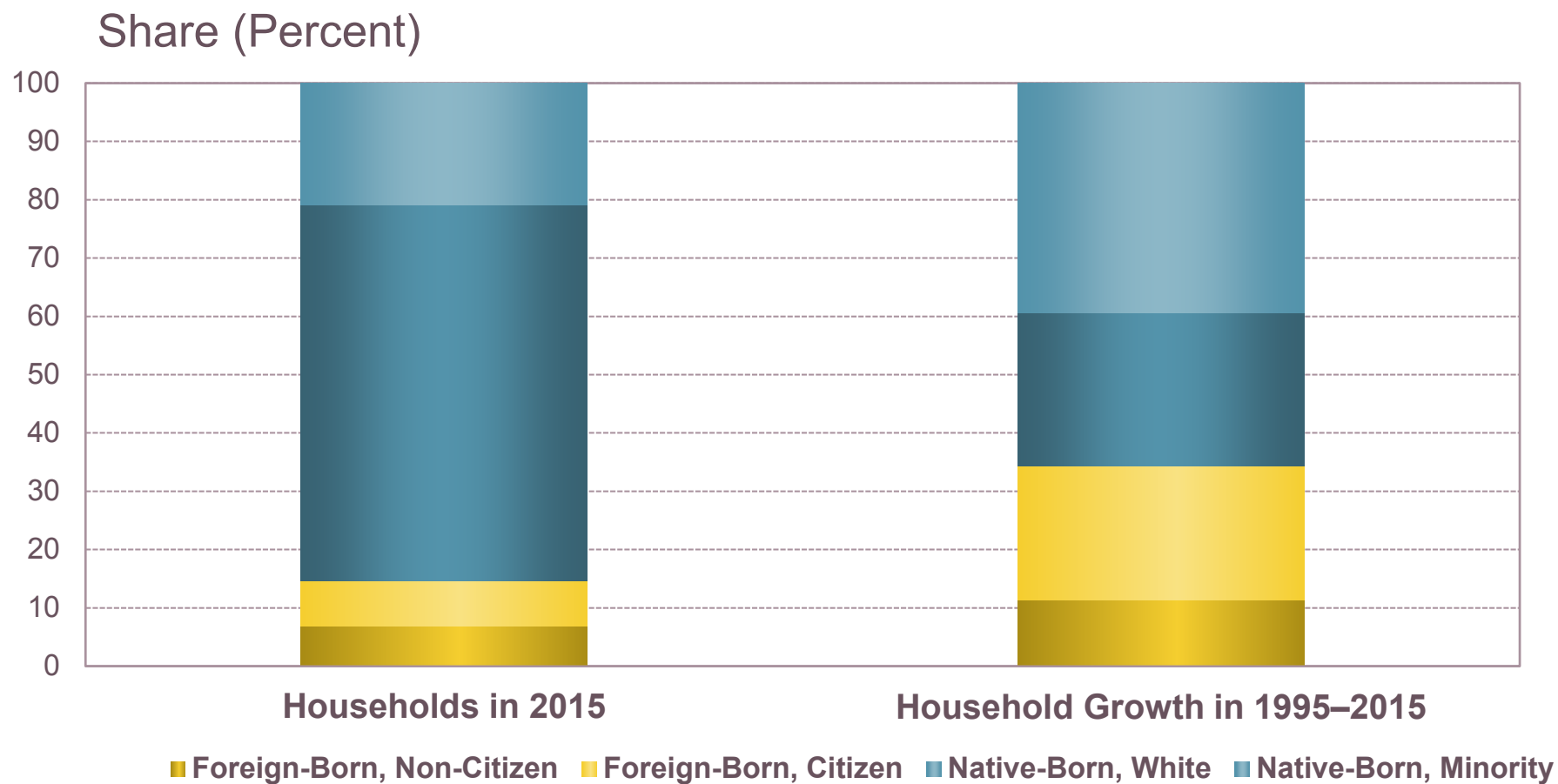
# Steady Increases in the Adult Population Are Helping to Lift Household Growth from Post-Recession Lows



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.

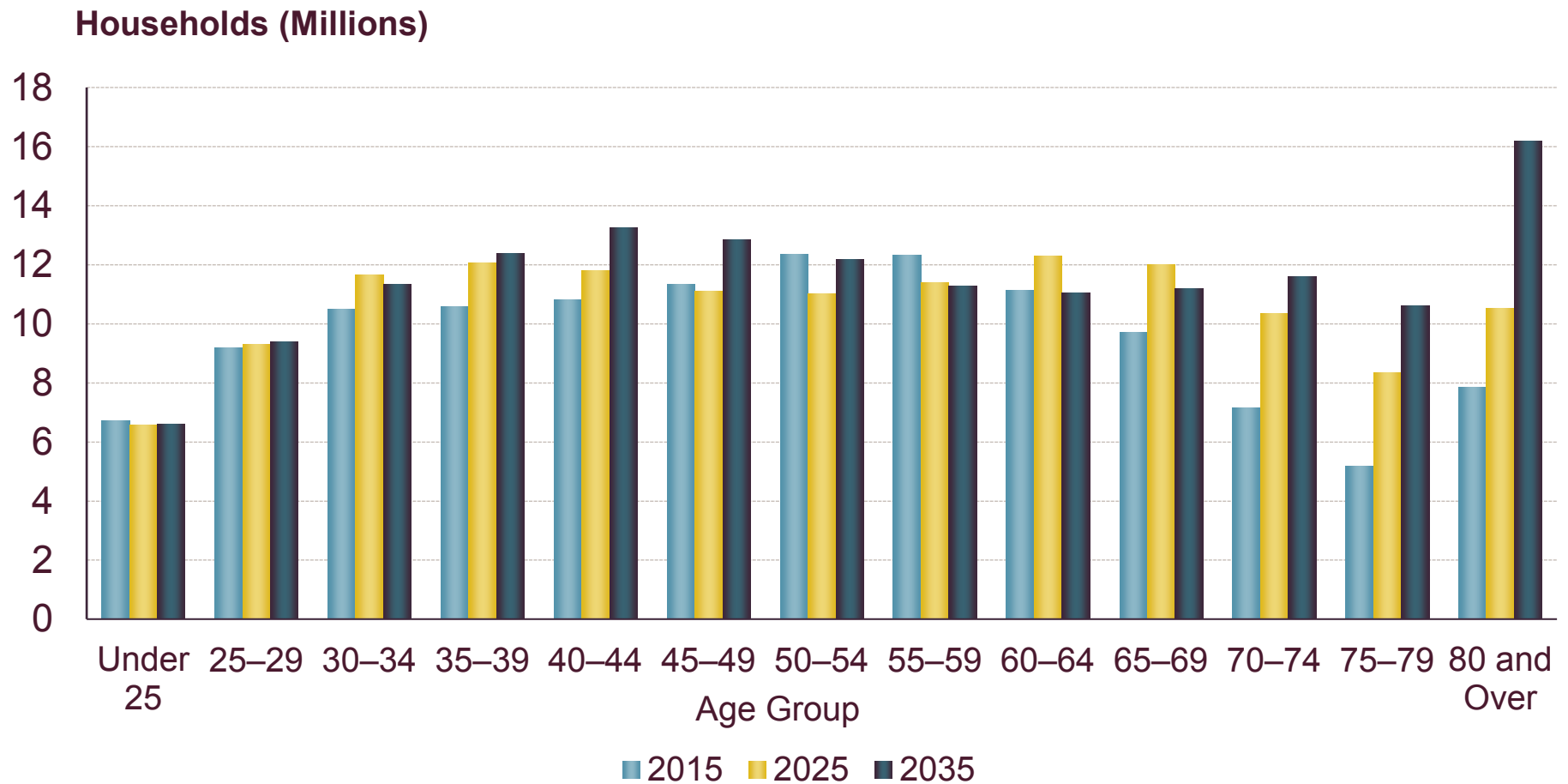


# Immigrants Account for Only a Small Share of Households but a Large Share of Household Growth



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

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



Source: JCHS 2016 Household Projections.



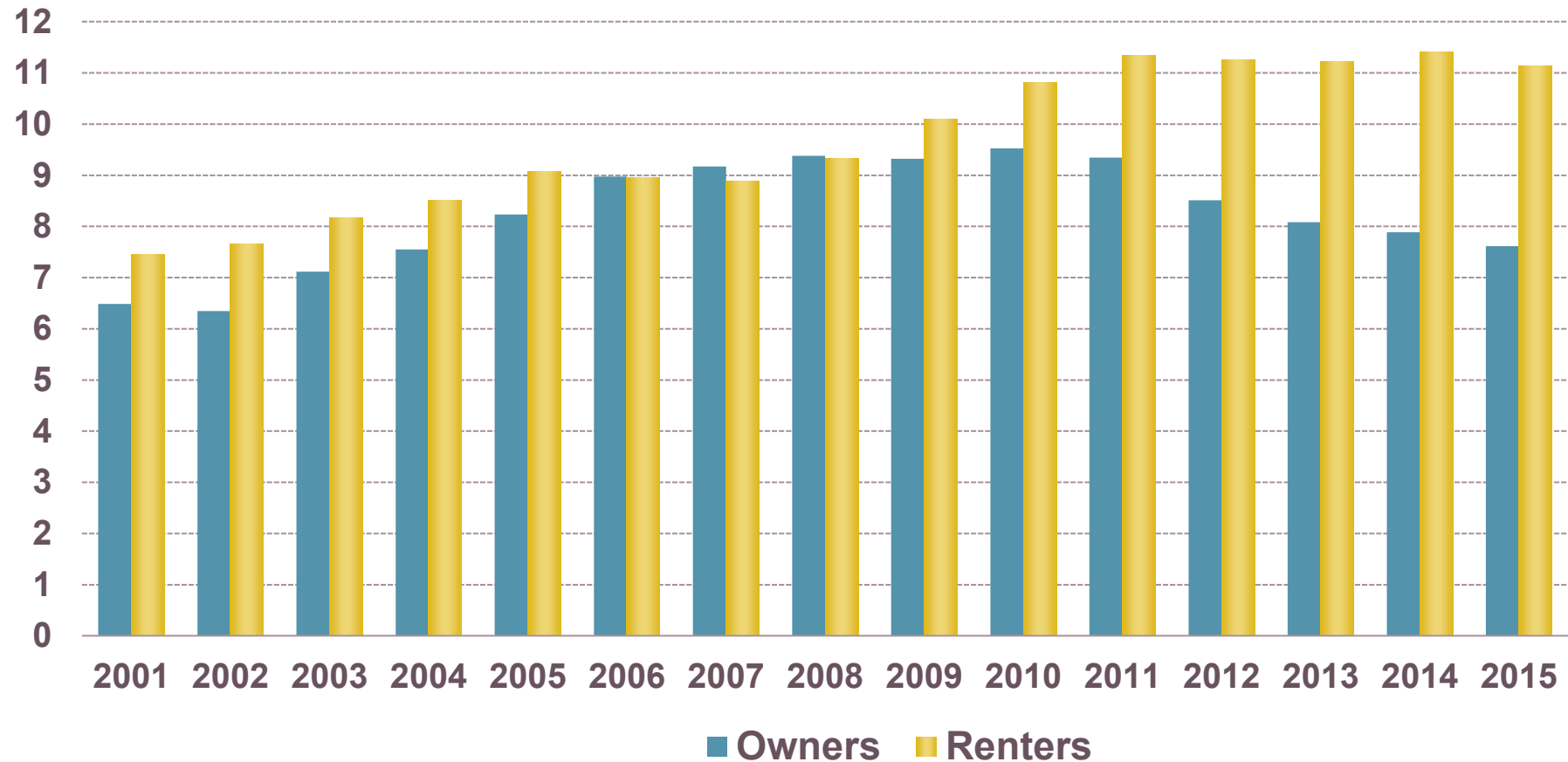
# A Few Additional Challenges Discussed in the Report



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

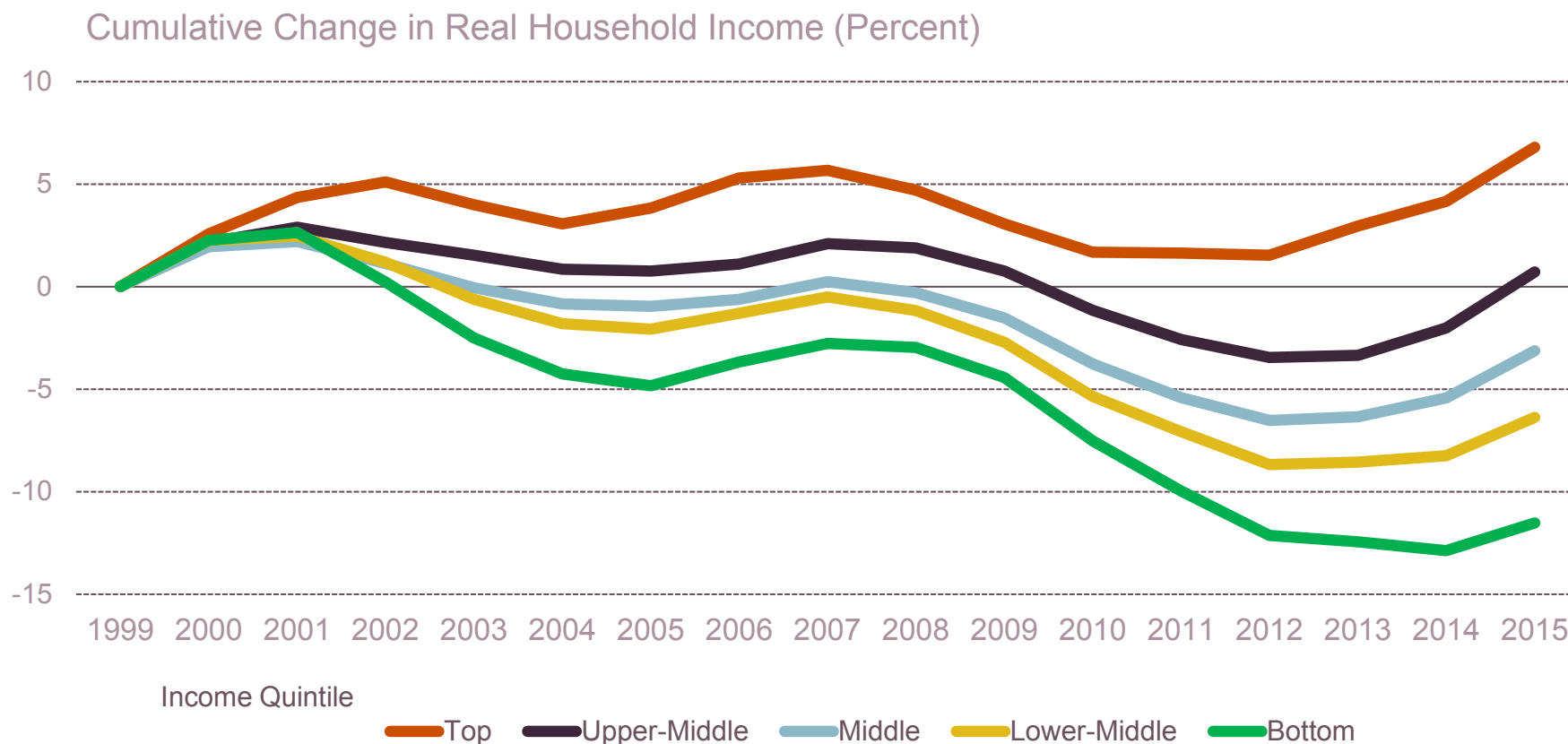
Severely Cost-Burdened Households (Millions)



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.

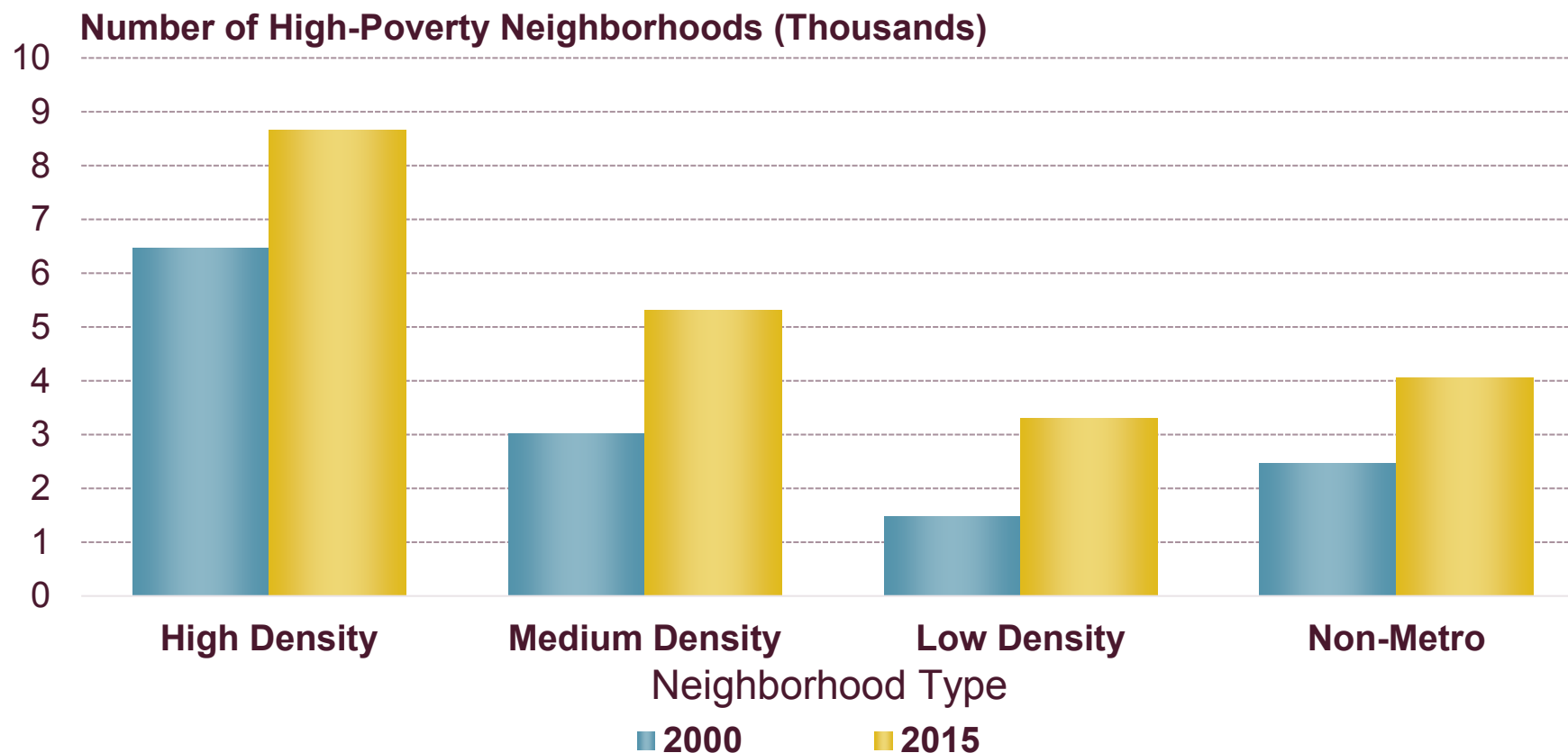
# Incomes are Rising, but Low Income Households Have Much Larger Declines to Recover From



Notes: Data are adjusted for inflation using the CPI-U for All Items. Values are three-year rolling averages to reduce volatility.

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

# Much of the Growth in High-Poverty Neighborhoods Has Been in Suburban and Outlying Areas



Notes: High-poverty neighborhoods have poverty rates of 20 percent or more. Excludes neighborhoods with population less than 500 and neighborhoods where more than 50 percent population is enrolled in college.

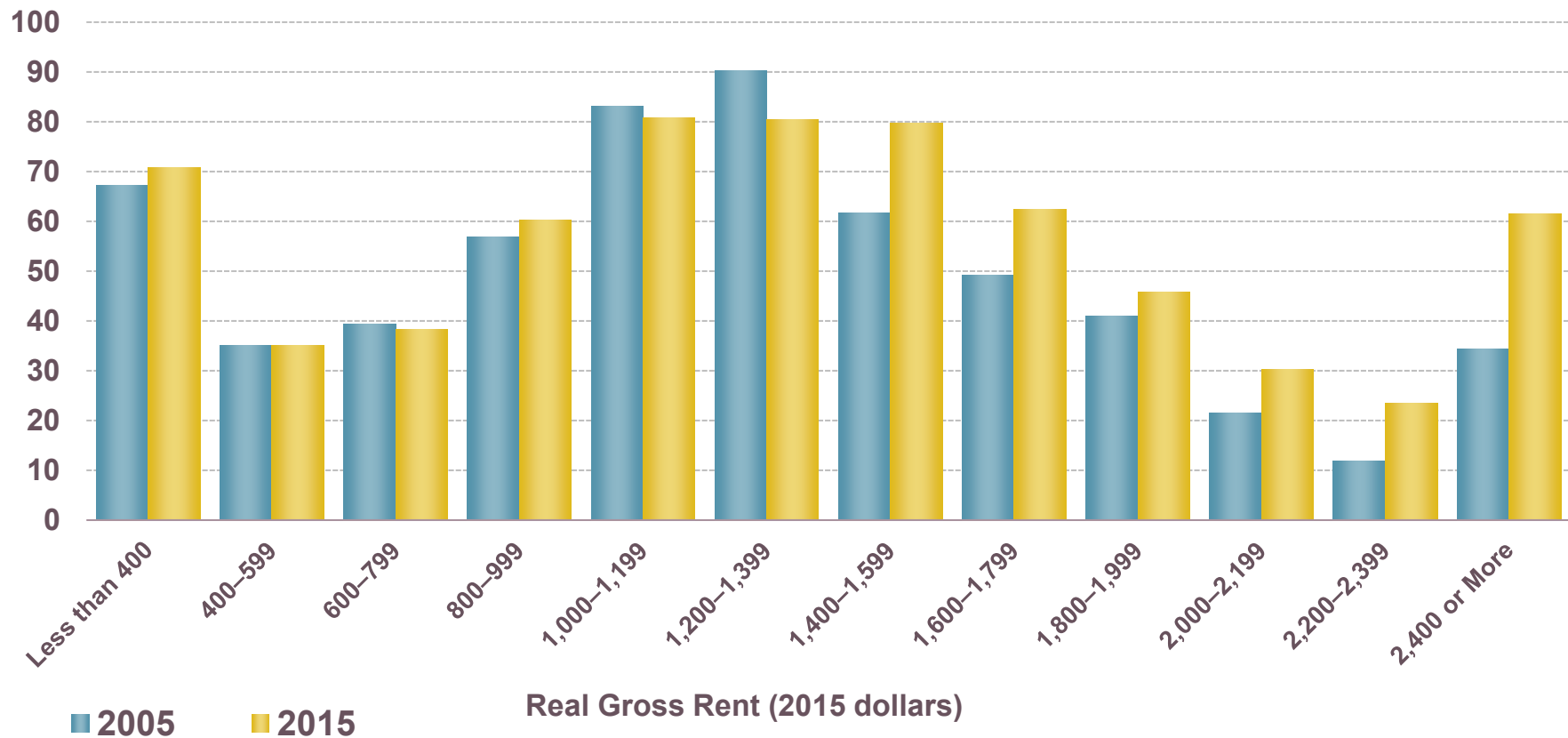
Neighborhood types are based on equal thirds of all metro area tracts ranked by housing density.

Source: JCHS Neighborhood Change Database.

# In Some Markets, the Rental Stock Shift to the High End Has Been Significant

## Boston MSA

Number of Rental Units (Thousands)



Notes: Data exclude rental units occupied without payment of rent. Gross rents are adjusted by the CPI-U for All Items less shelter.  
 Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates,

# Find out More for Yourself— Interactive Maps, Web Tools and Local Data



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# The State of the Nation's Housing 2017

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