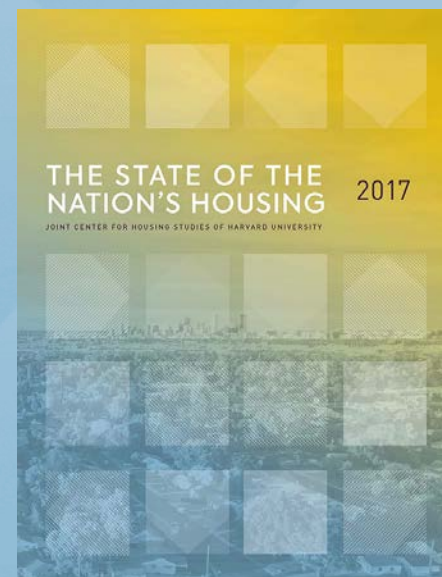


The State of the Nation's Housing Report 2017



**Tennessee Governor's Housing
Conference**
Nashville, Tennessee
September 20, 2017



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The Report's Major Themes

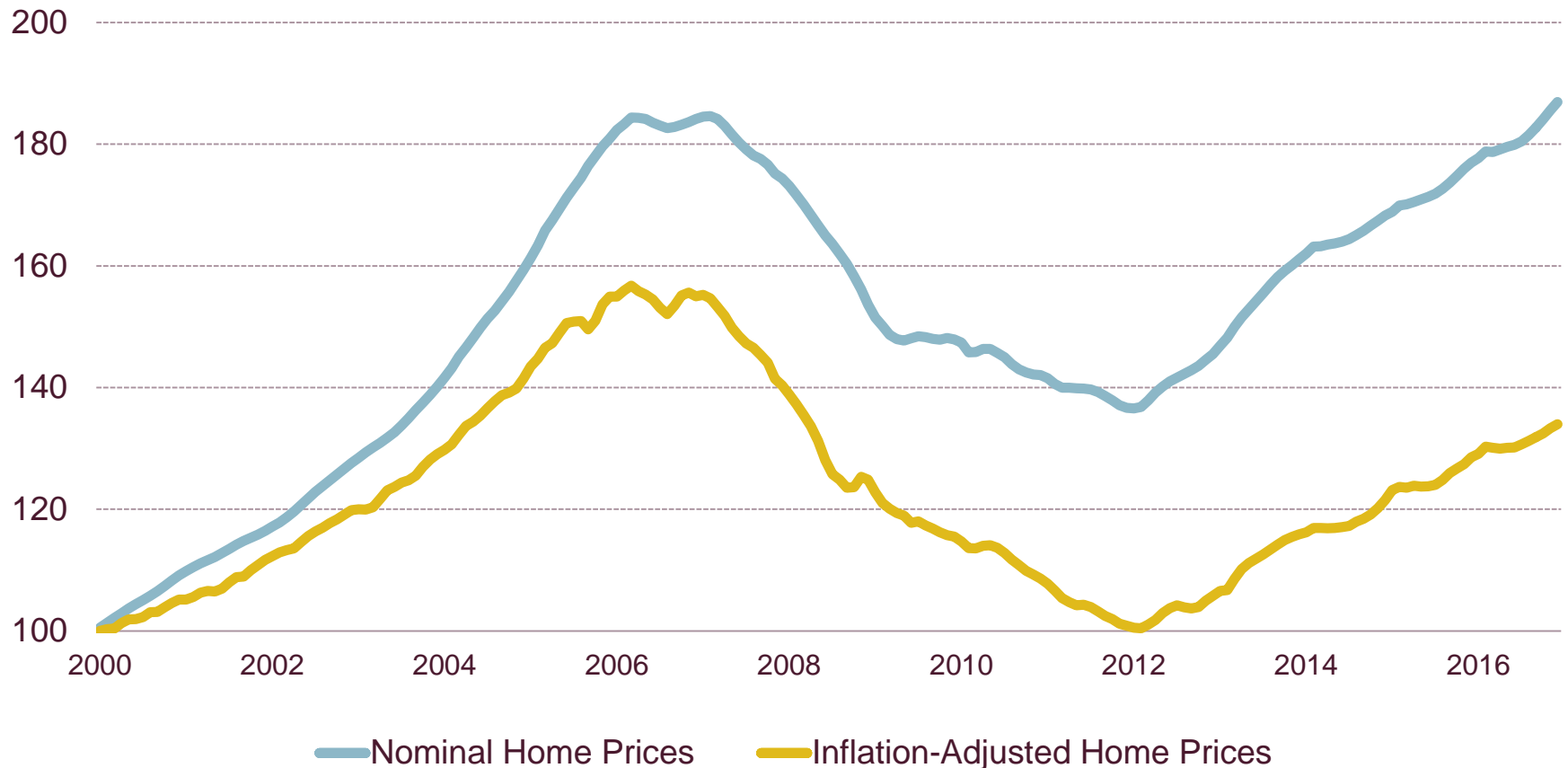
- National home prices have regained their previous peak, but recovery varies across markets and neighborhoods
- Lack of inventory a key factor holding homeownership opportunities
- The national homeownership rate may have found a bottom
- Rental markets may be cresting—at least at the high end
- Housing cost burdens have eased significantly among owners, but remain near record levels among renters
- 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

The report, data sets, interactive maps and exhibits available at:
www.jchs.harvard.edu

National House Prices Have Regained Peak, But Recovery Varies Widely

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

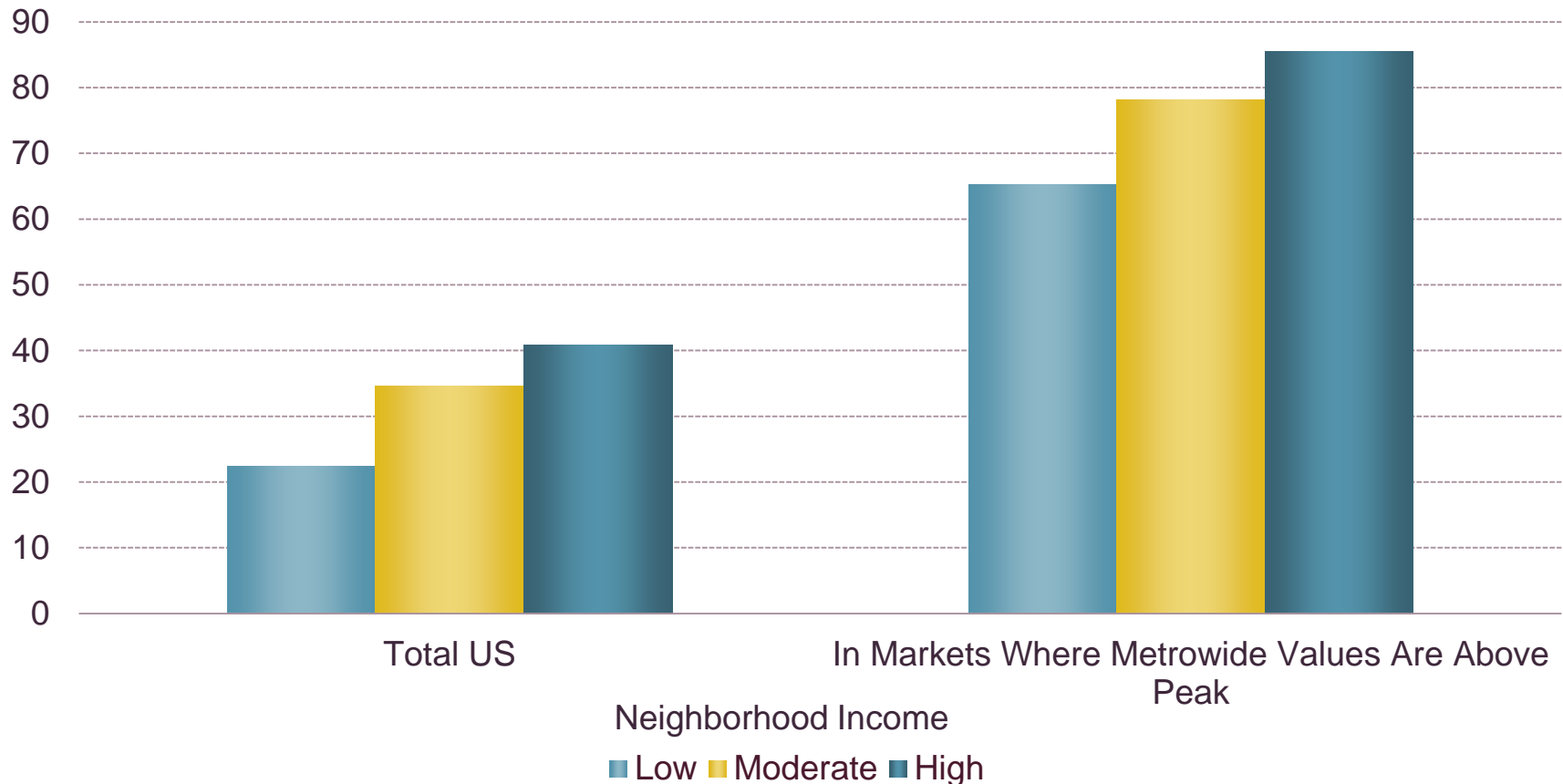
U.S. National Home Price Index



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.

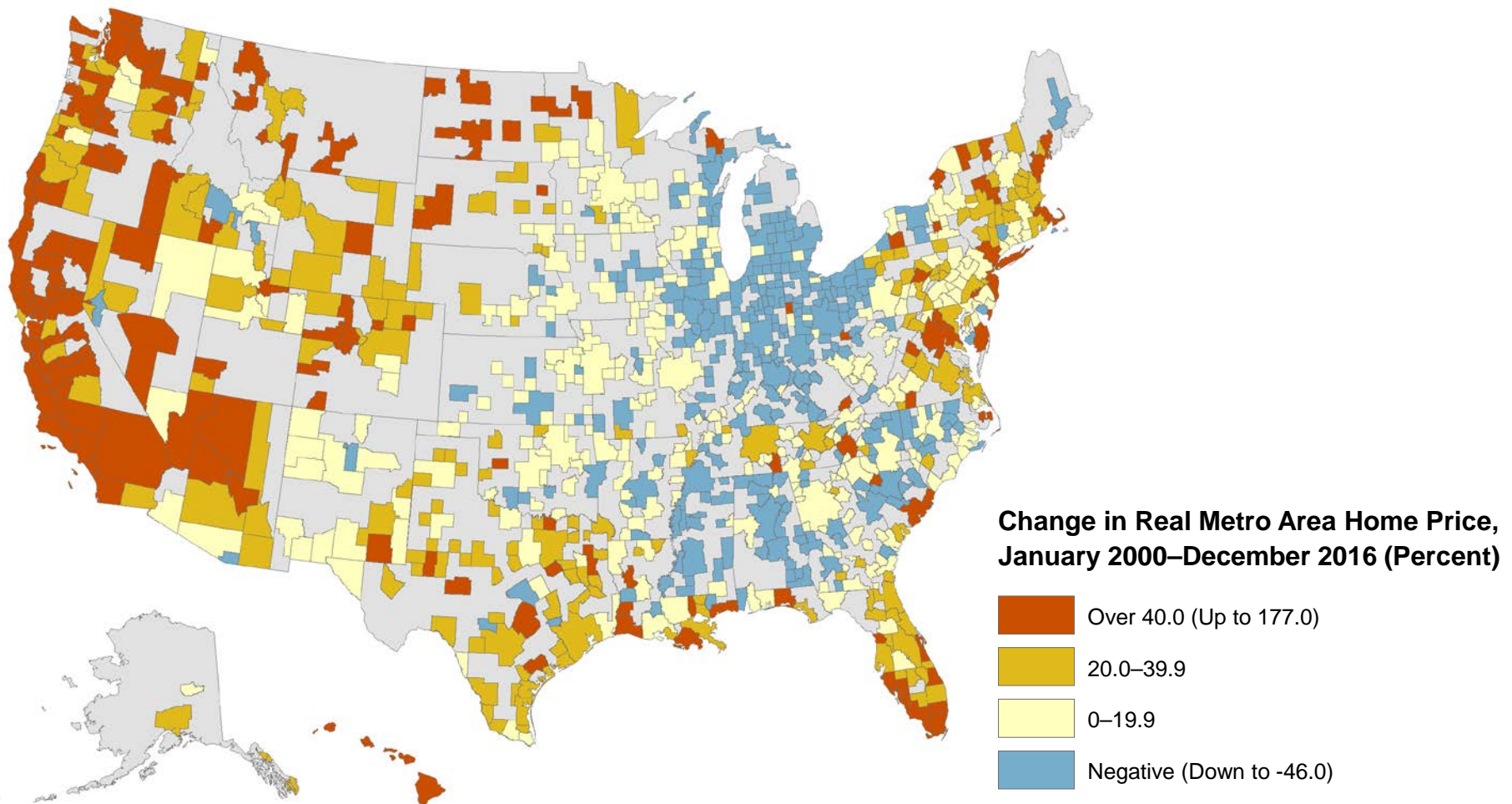
Home Values in Low-Income Neighborhoods Have Been Slow to Recover

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



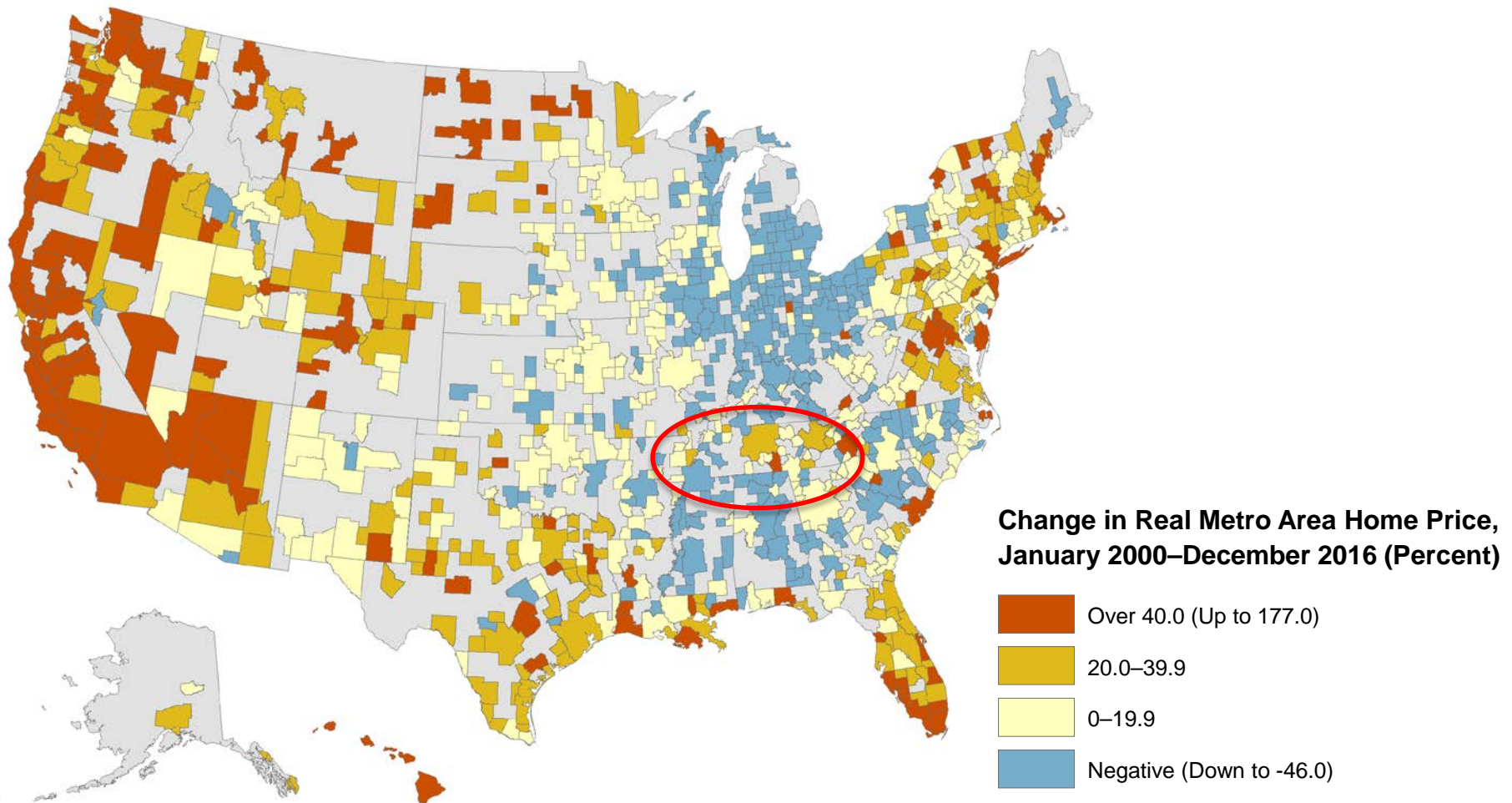
Note: Low-/moderate-/high-income neighborhoods are ZIP codes with median incomes under 80%/80–120%/over 120% of the statewide median income. Source: JCHS tabulations of Zillow median home values and US Census Bureau, 2015 American Community Survey 1-Year Estimates.

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.

Metro Area Home Prices Have Diverged Widely Since 2000



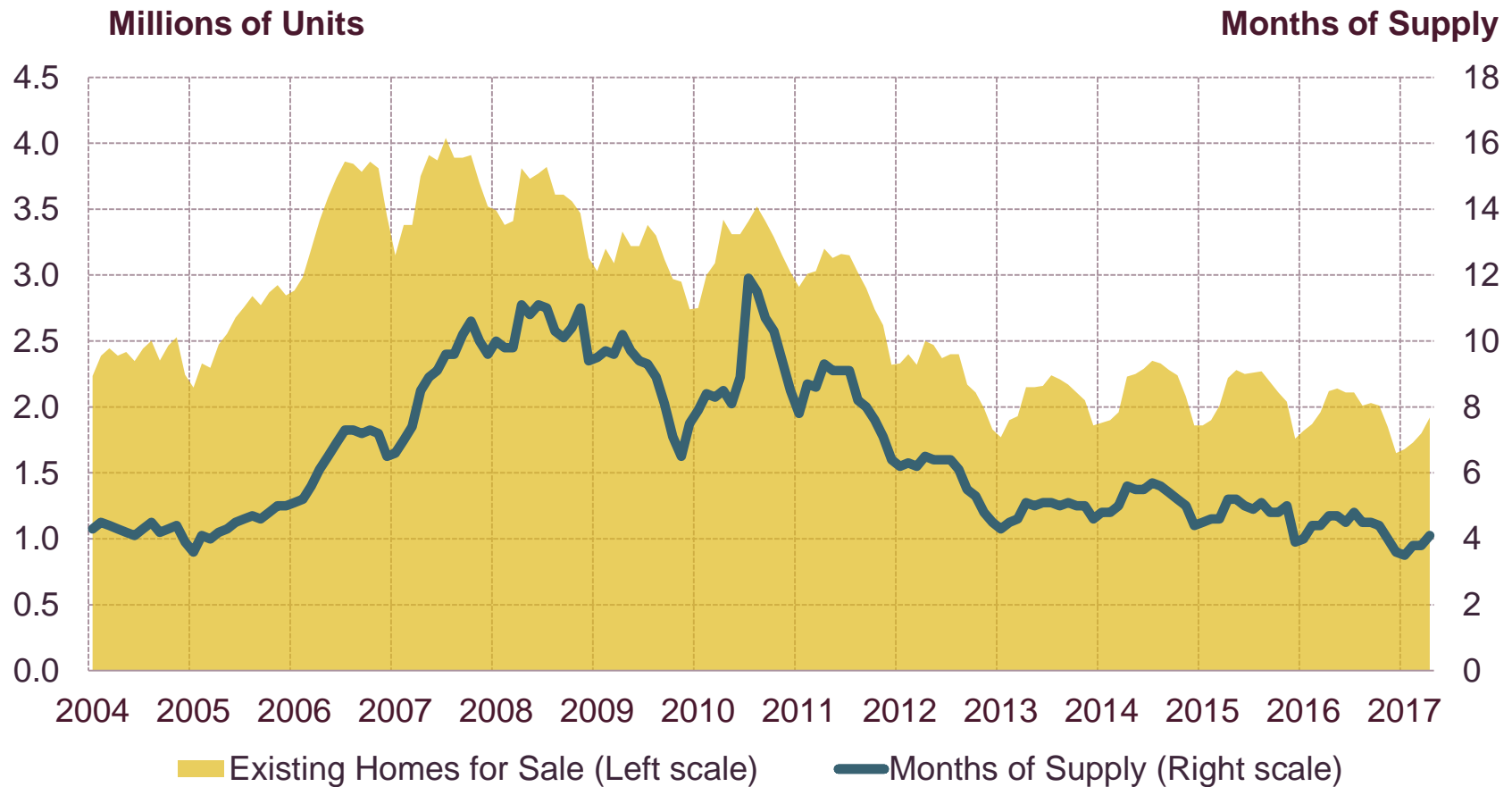
Note: Prices are adjusted for inflation using the CPI-U for All Items less shelter.
Source: JCHS tabulations of CoreLogic Home Price Indices.

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



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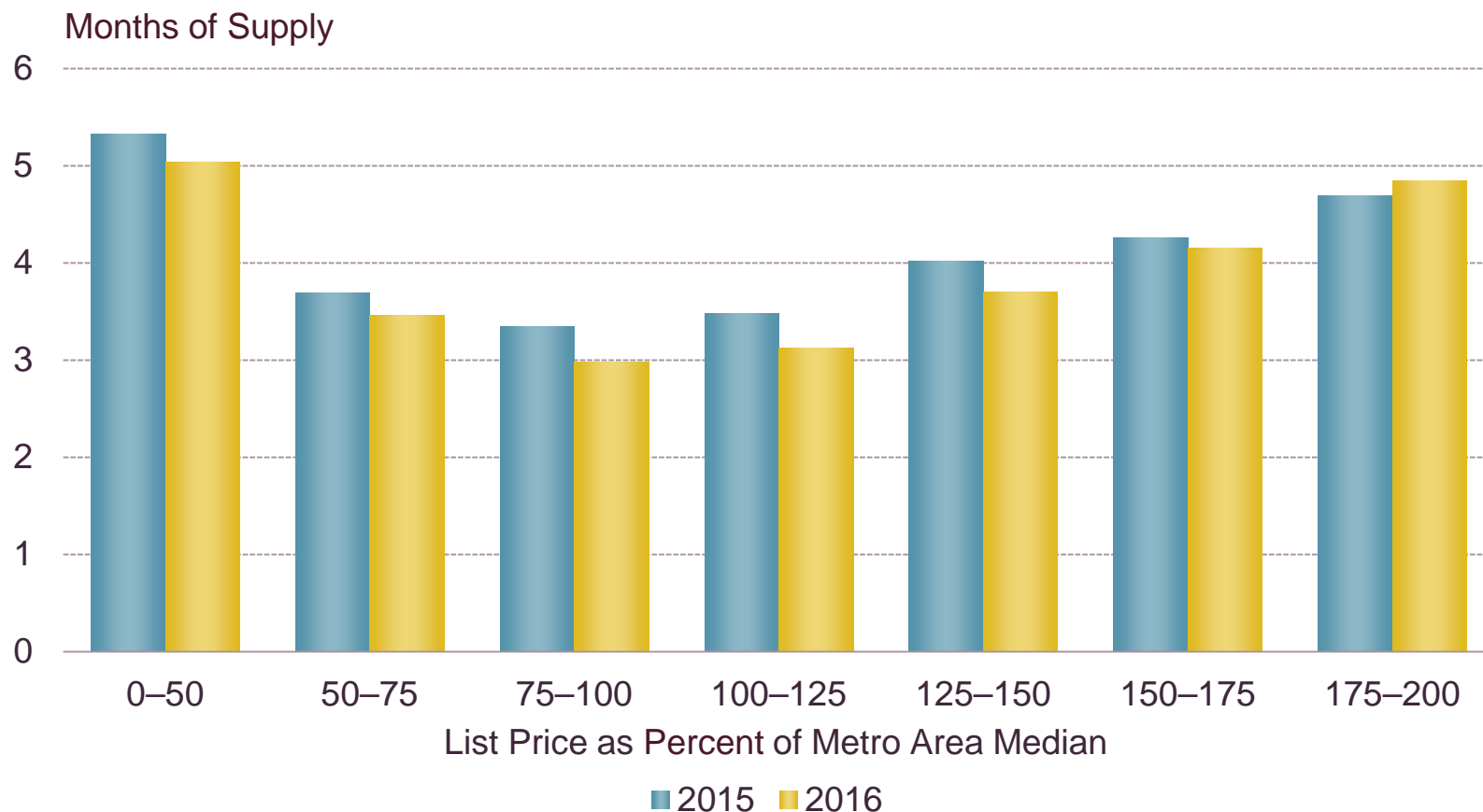
Inventories of Homes for Sale Continue to Shrink...



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

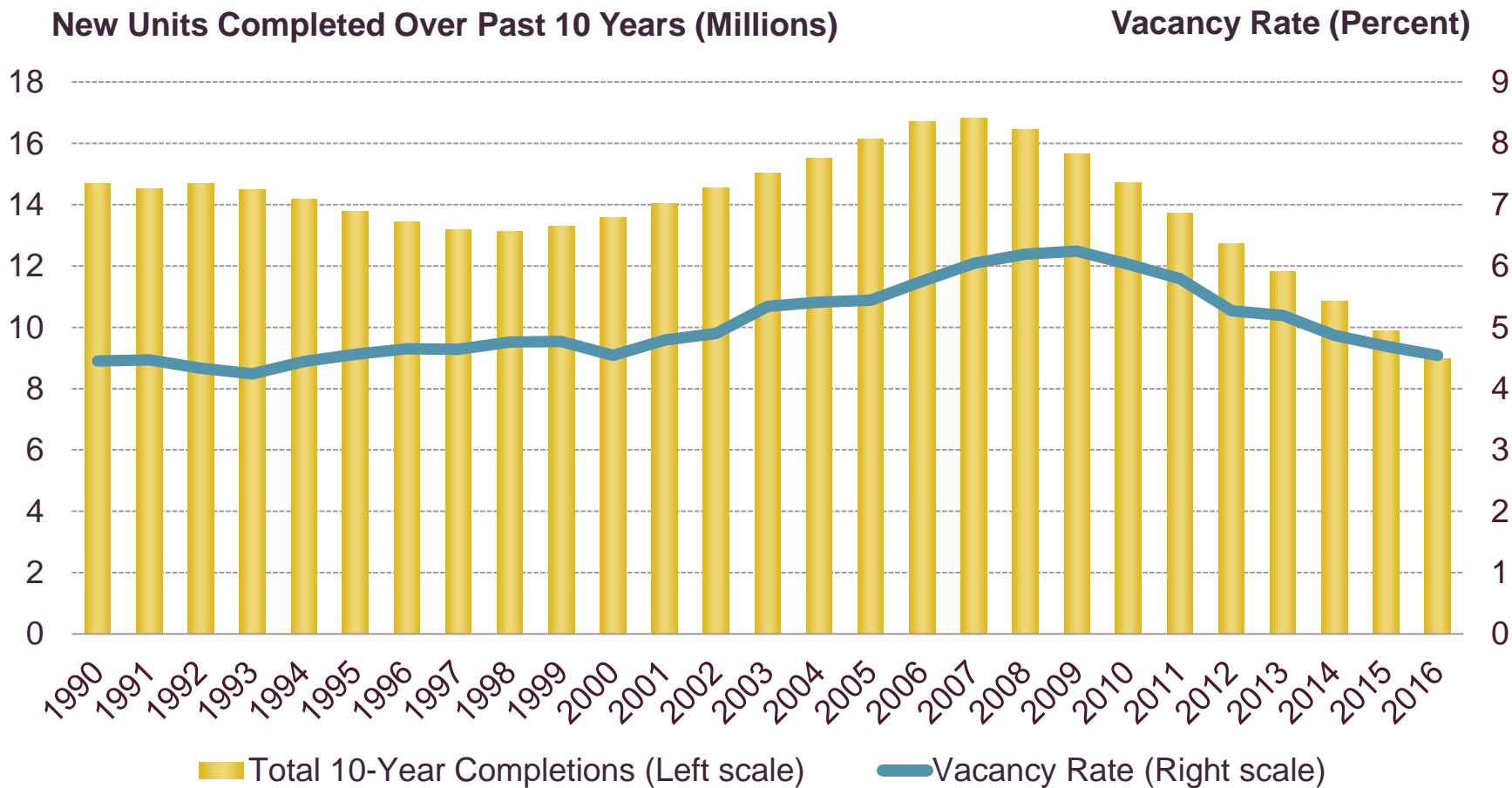
Source: JCHS tabulations of NAR, Existing Home Sales.

...Especially at the Lower End of the Market



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

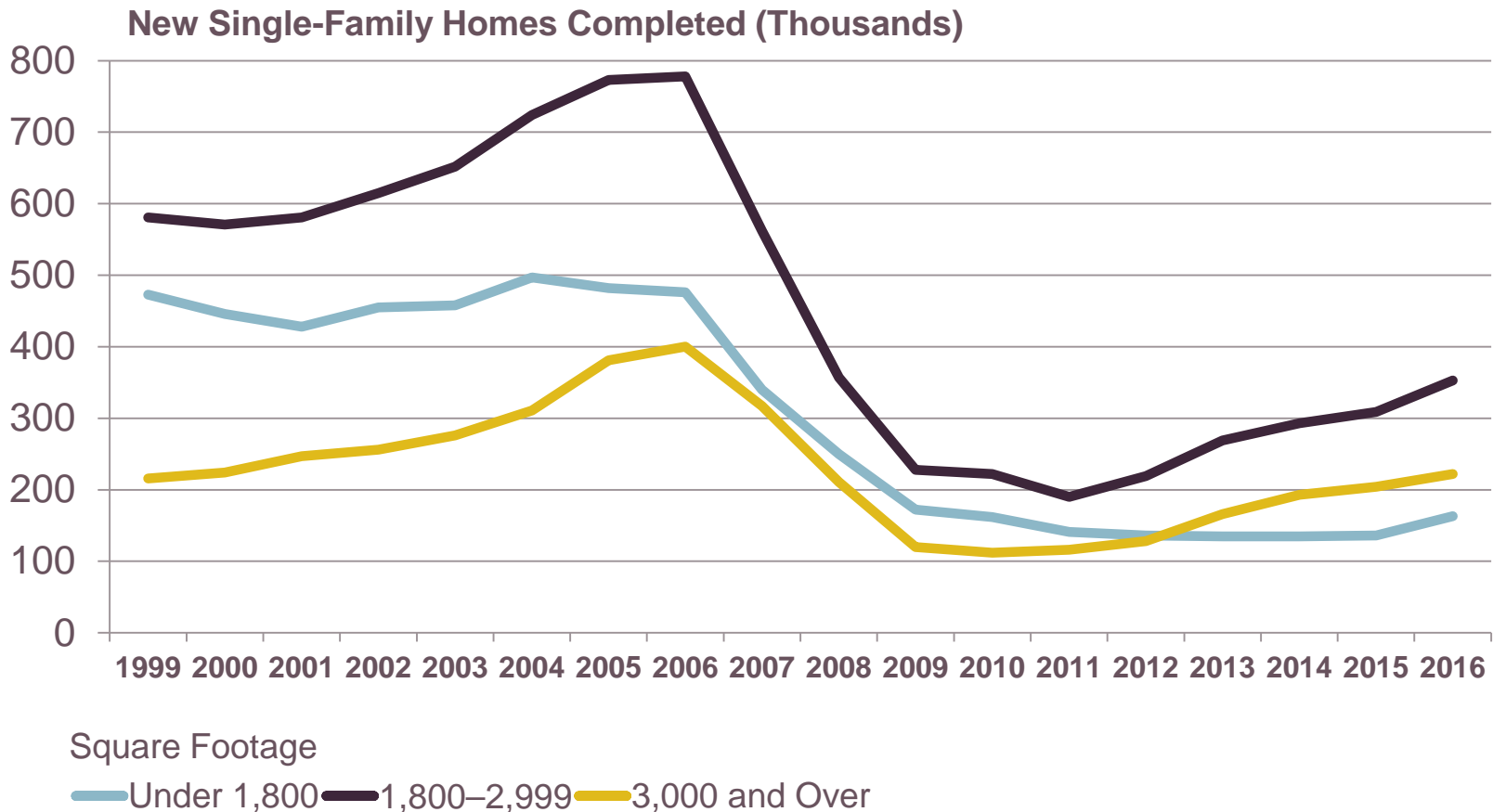
Historically Low Construction Over the Past Decade Has Contributed to Market Tightening



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.

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



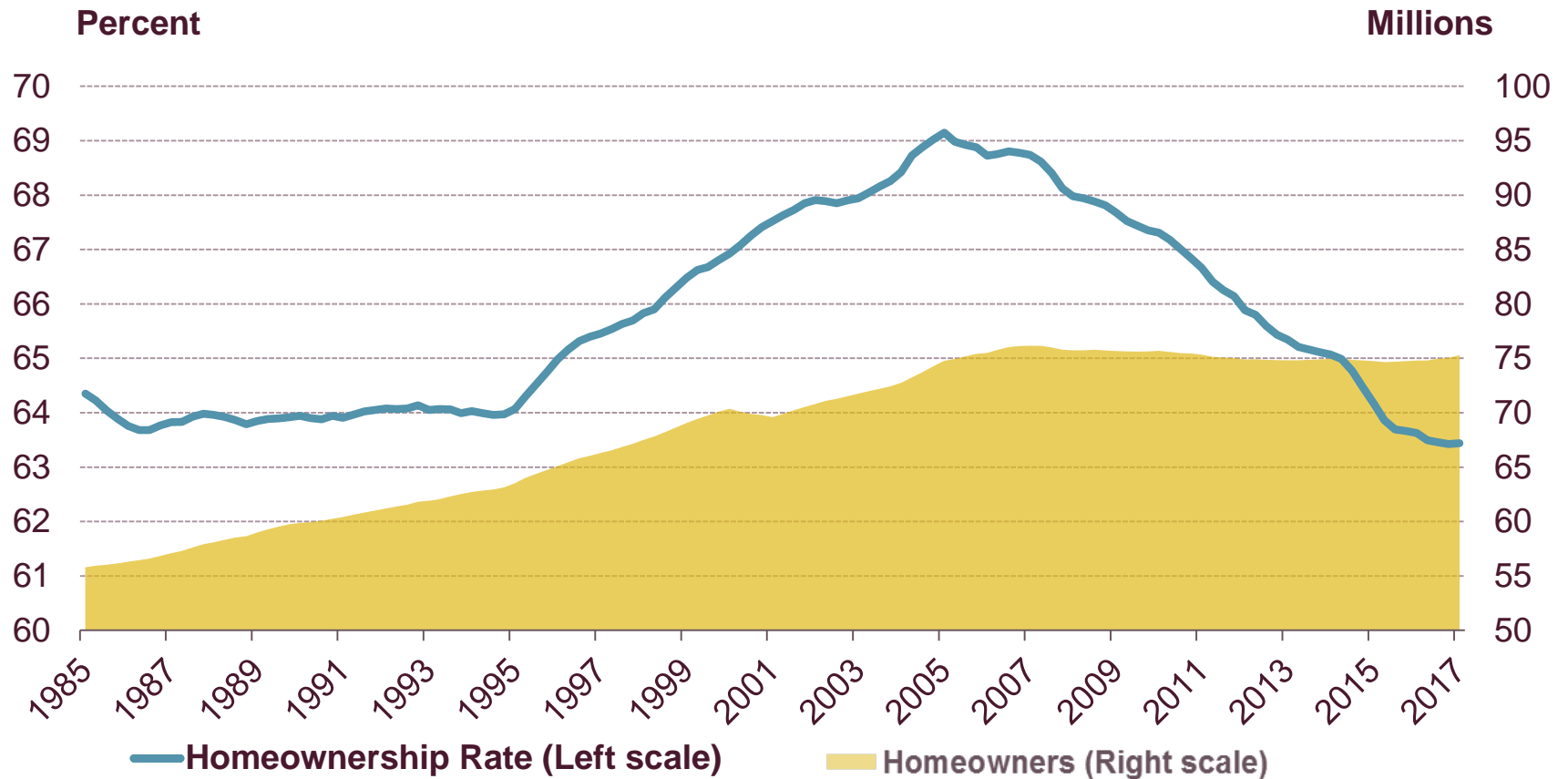
Source: JCHS tabulations of US Census Bureau, New Residential Construction data.

Homeownership Rate May Be Finding a Bottom



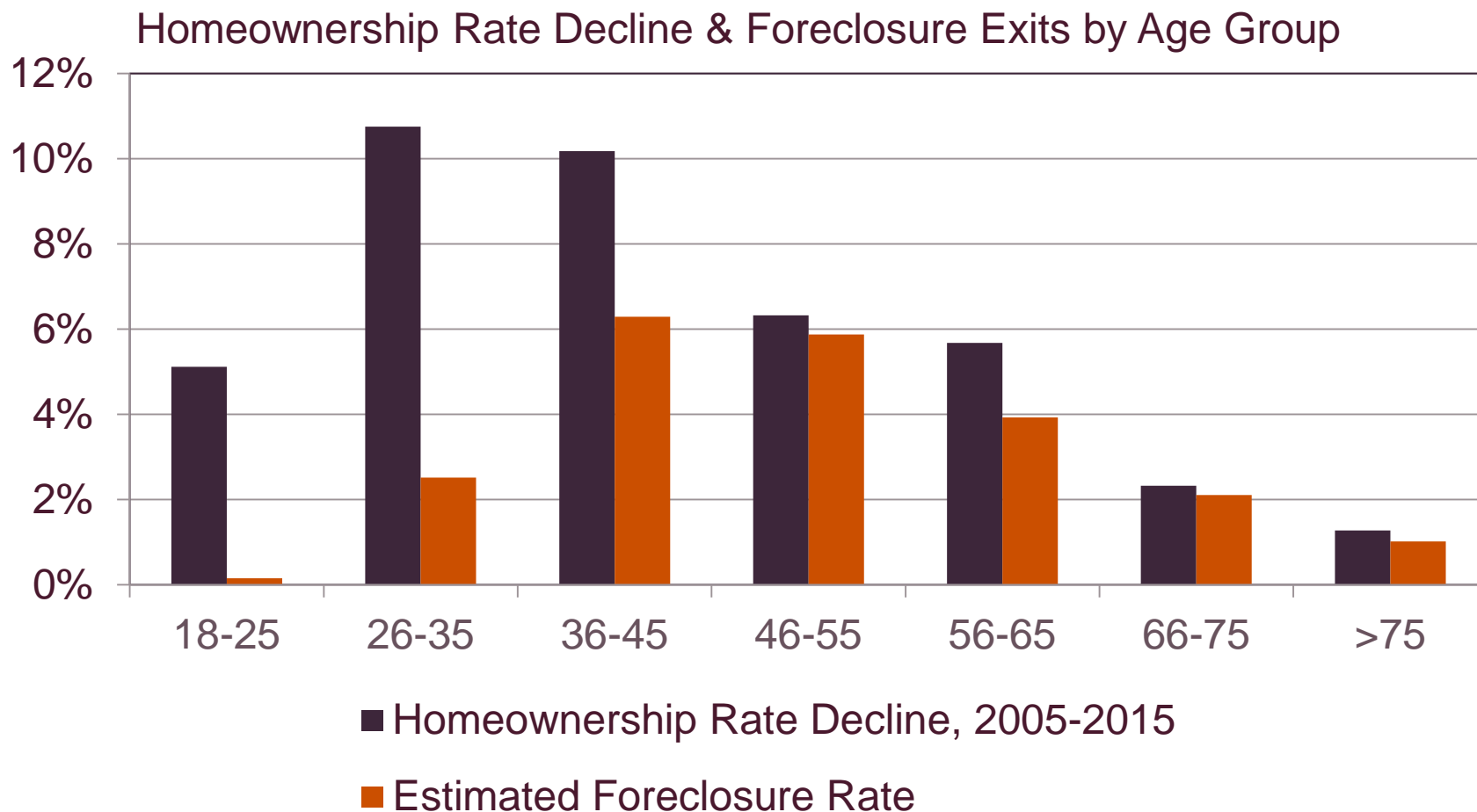
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The National Homeownership Rate Fell Again in 2016, Although it May Be Finding a Bottom



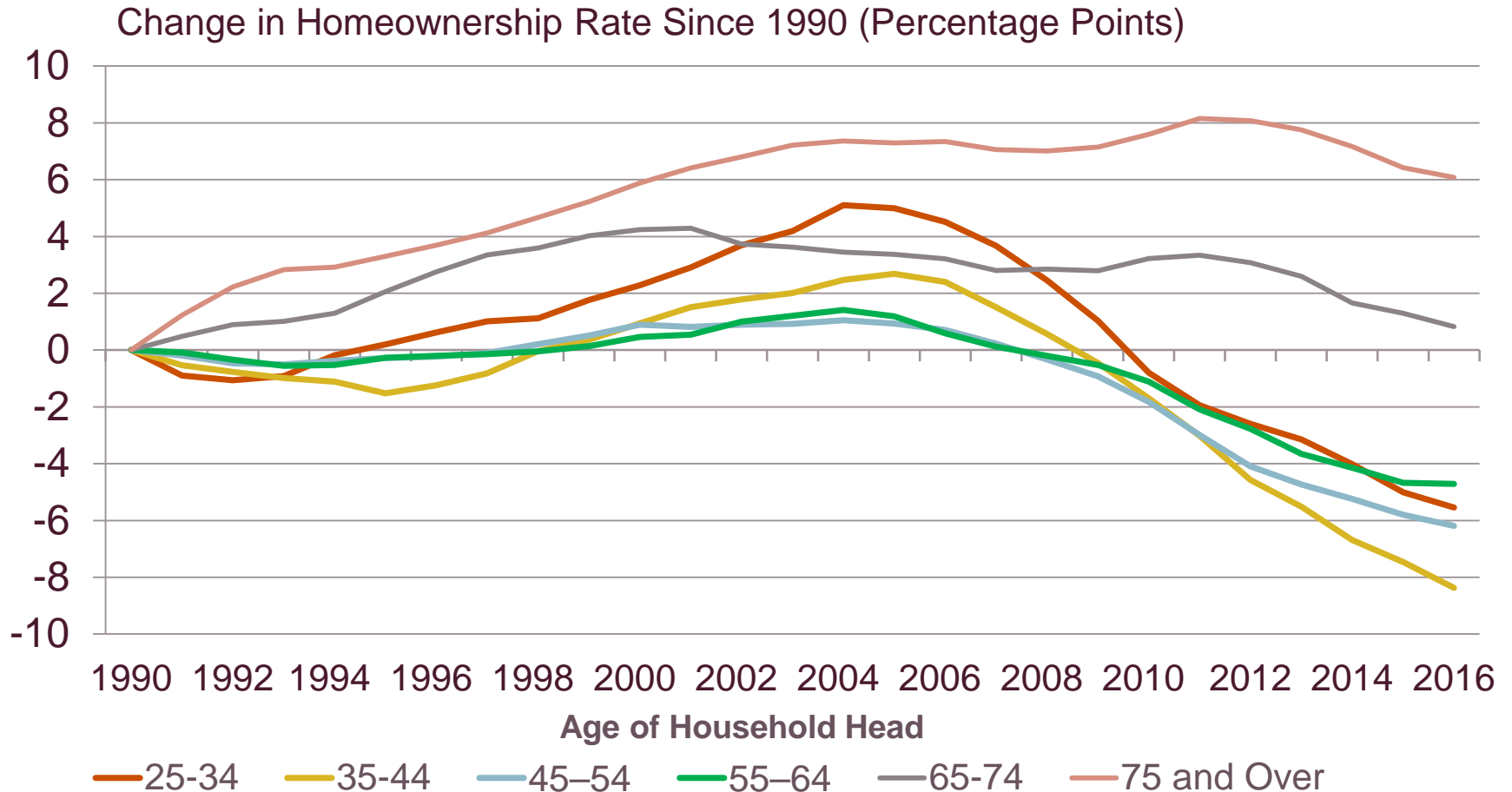
Note: Data are four-quarter rolling averages.
 Source: JCHS tabulations of Housing Vacancy Surveys.

Foreclosure-Related Exits Account for Most of the Decline in Owning Among Older Households



Source: JCHS tabulations of CPS ASEC and CoreLogic data on foreclosure completions.

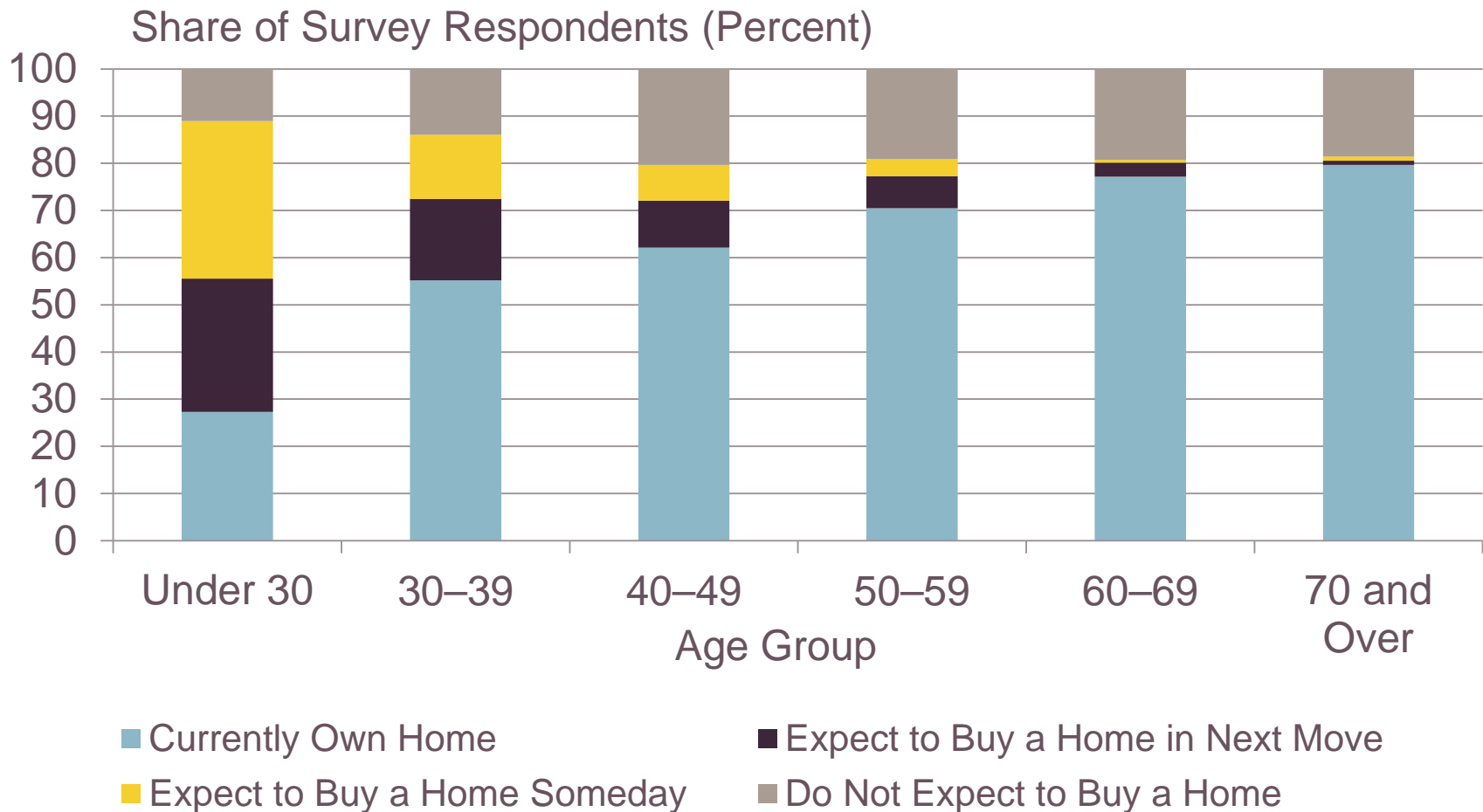
But Rates Have Fallen Well Below Early 1990s Rates for All But Oldest Age Groups



Note: Based on 3-year annual average rates.

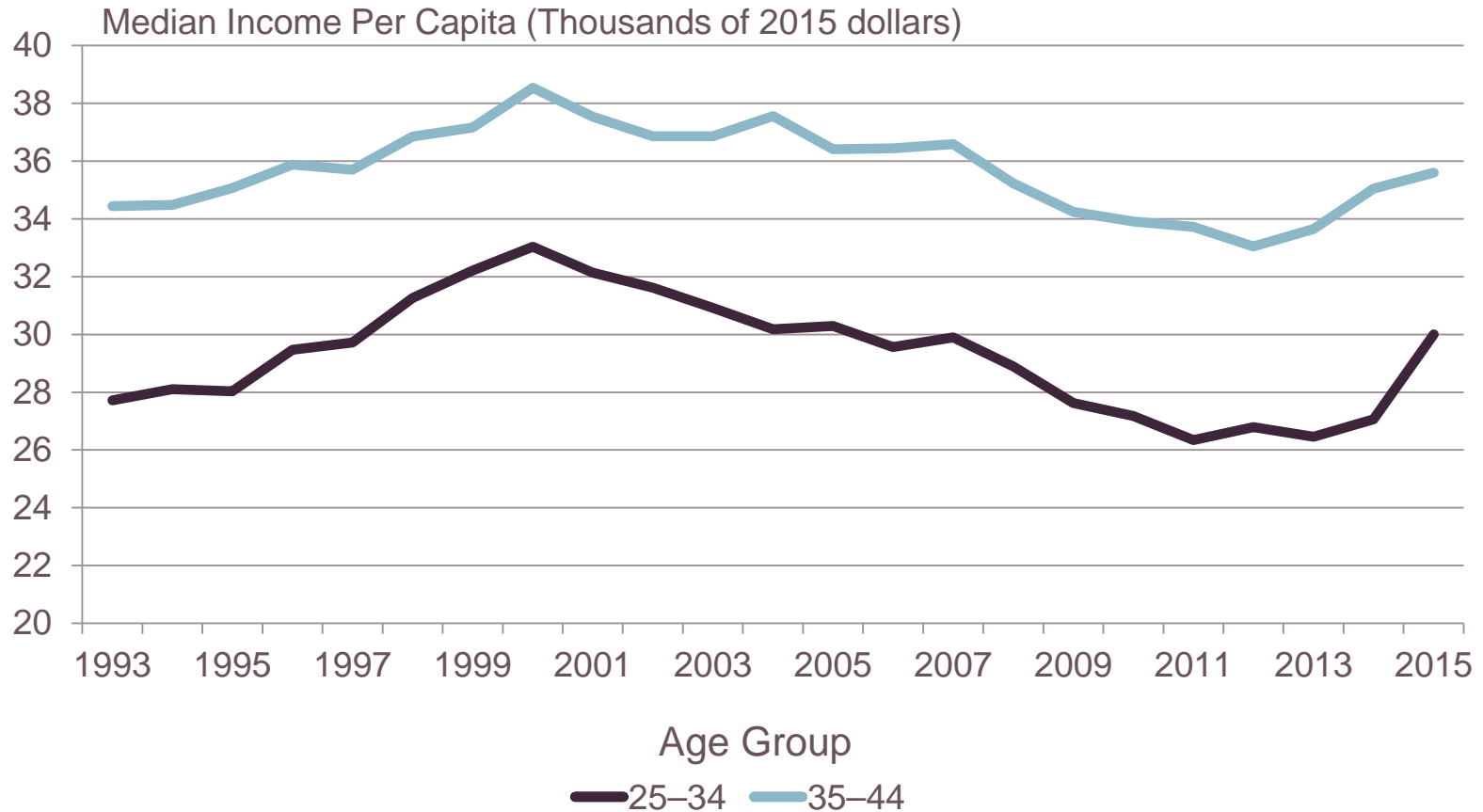
Source: JCHS tabulations of US Census Bureau, Current Population Surveys.

The Vast Majority of Households Either Own Homes or Expect to in the Future



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

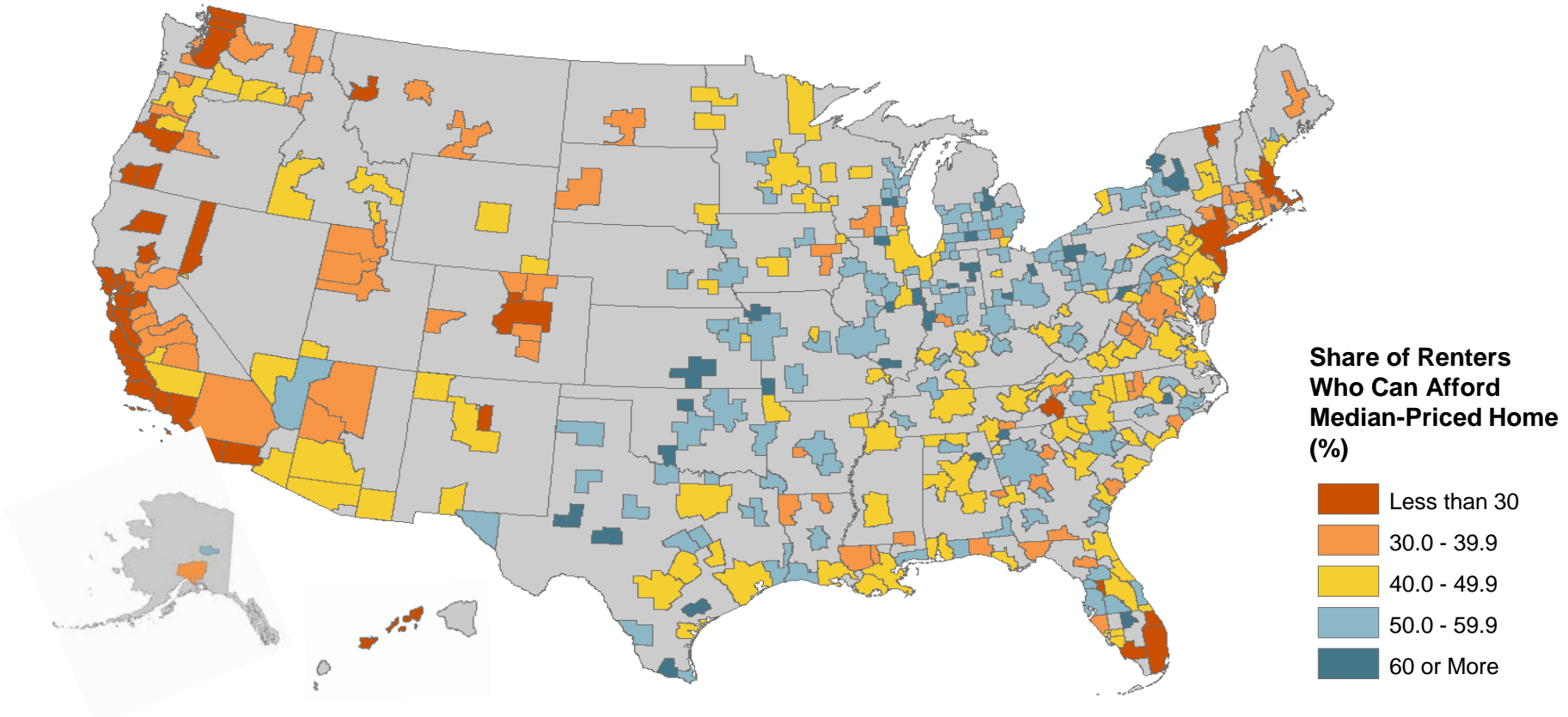
Falling Incomes Among Young Adults Were an Often Overlooked Factor in Homeownership Decline, But Trends Have Now Reversed



Note: Data are for adults age 15 and over.

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

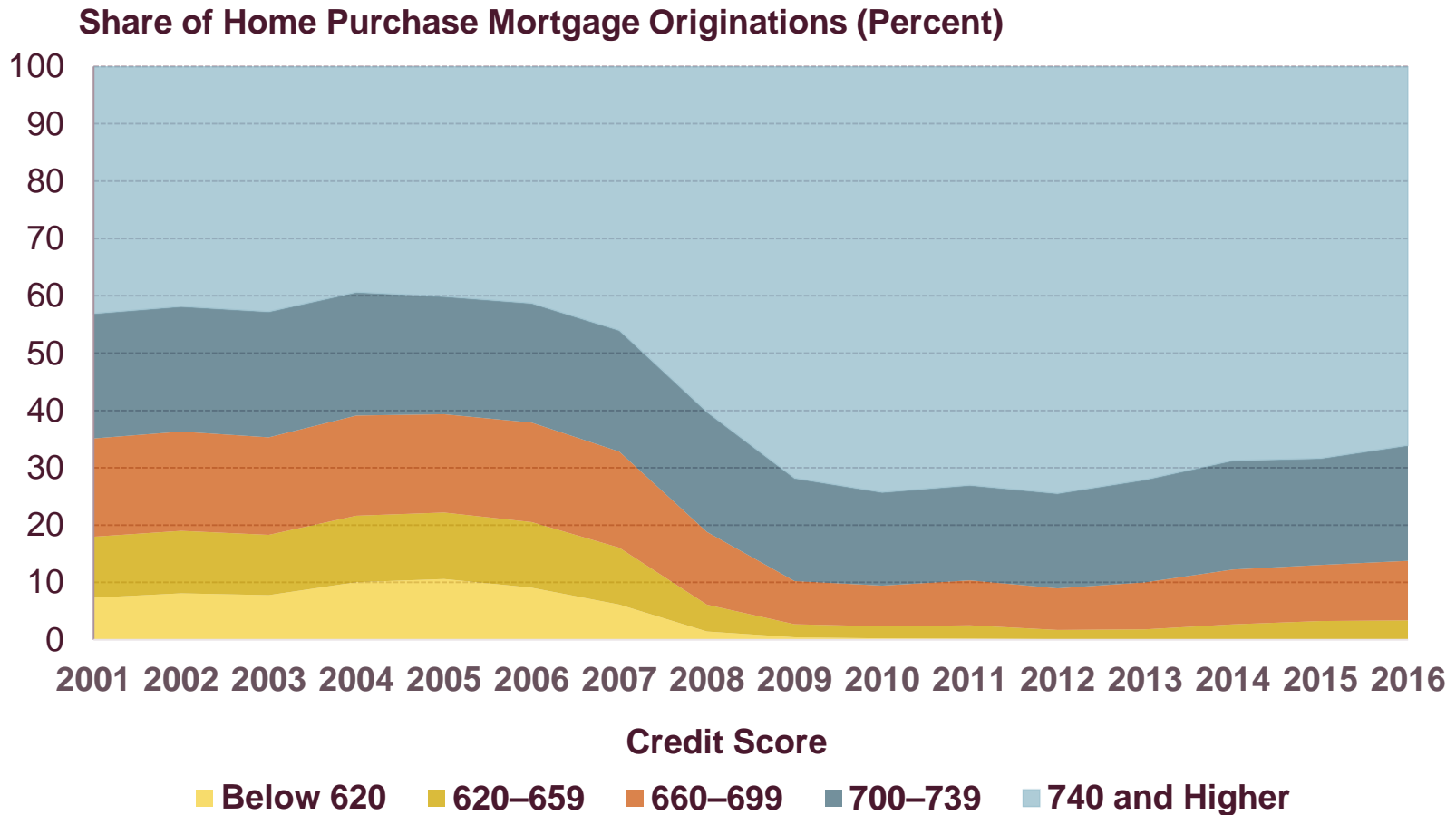
Large Shares of Renters Can Afford the Median-Priced Home in Many Parts of the Country, But Not on the Coasts



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.

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



Note: Data include only conventional first-lien purchase mortgage originations.

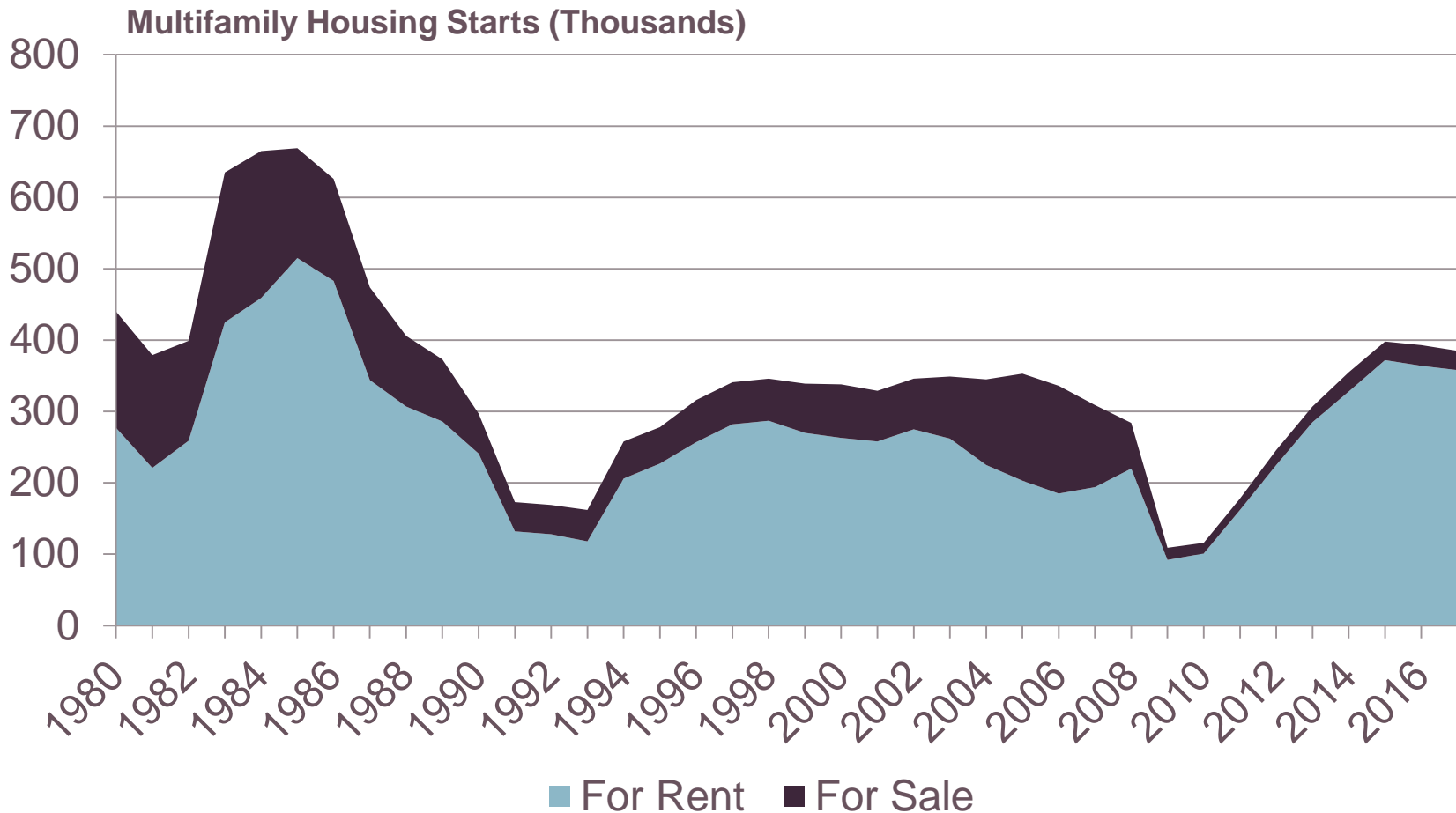
Source: JCHS tabulations of CoreLogic data.

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



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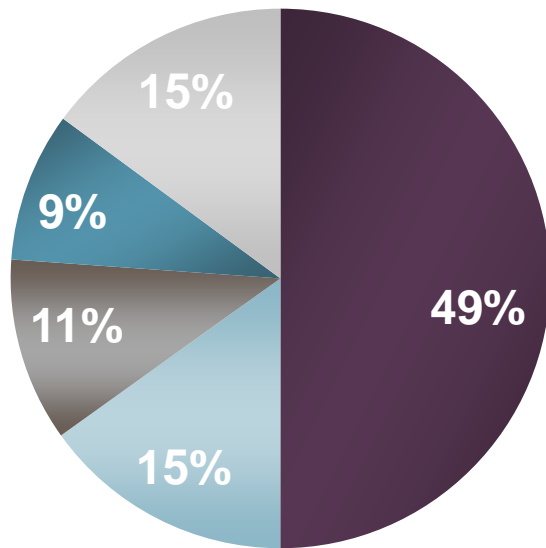
Multifamily Construction Has Been at Highest Levels Since Late 1980s, But Has Likely Crested



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

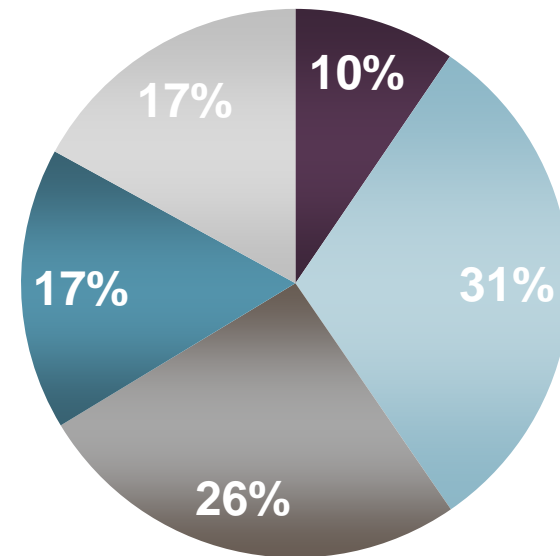
Rents for New Multifamily Units Are Out of Reach for Most Renter Households

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

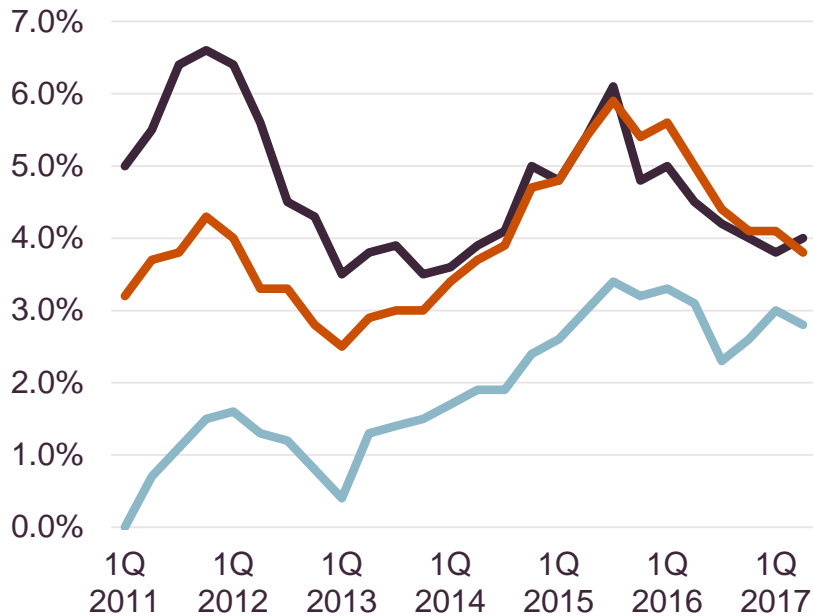


- Under \$850 ■ \$850–1,249
- \$1,250–1,649 ■ \$1,650–2,249
- \$2,250 and Over

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.

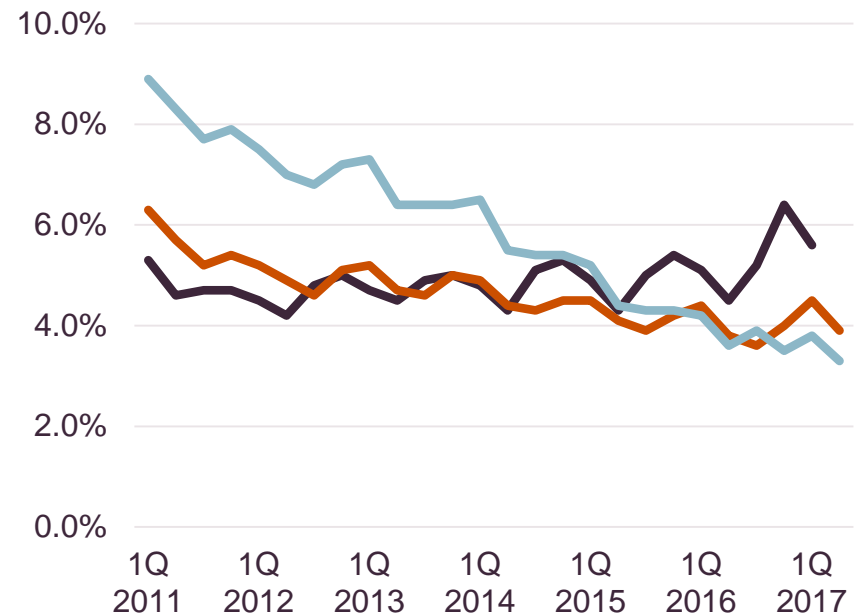
At the High-End, Rent Growth is Slowing and Vacancies Rising, While Class C Segment Continues to Tighten

Annual Same-Store Rent Change (Percent)



— Class A — Class B — Class C

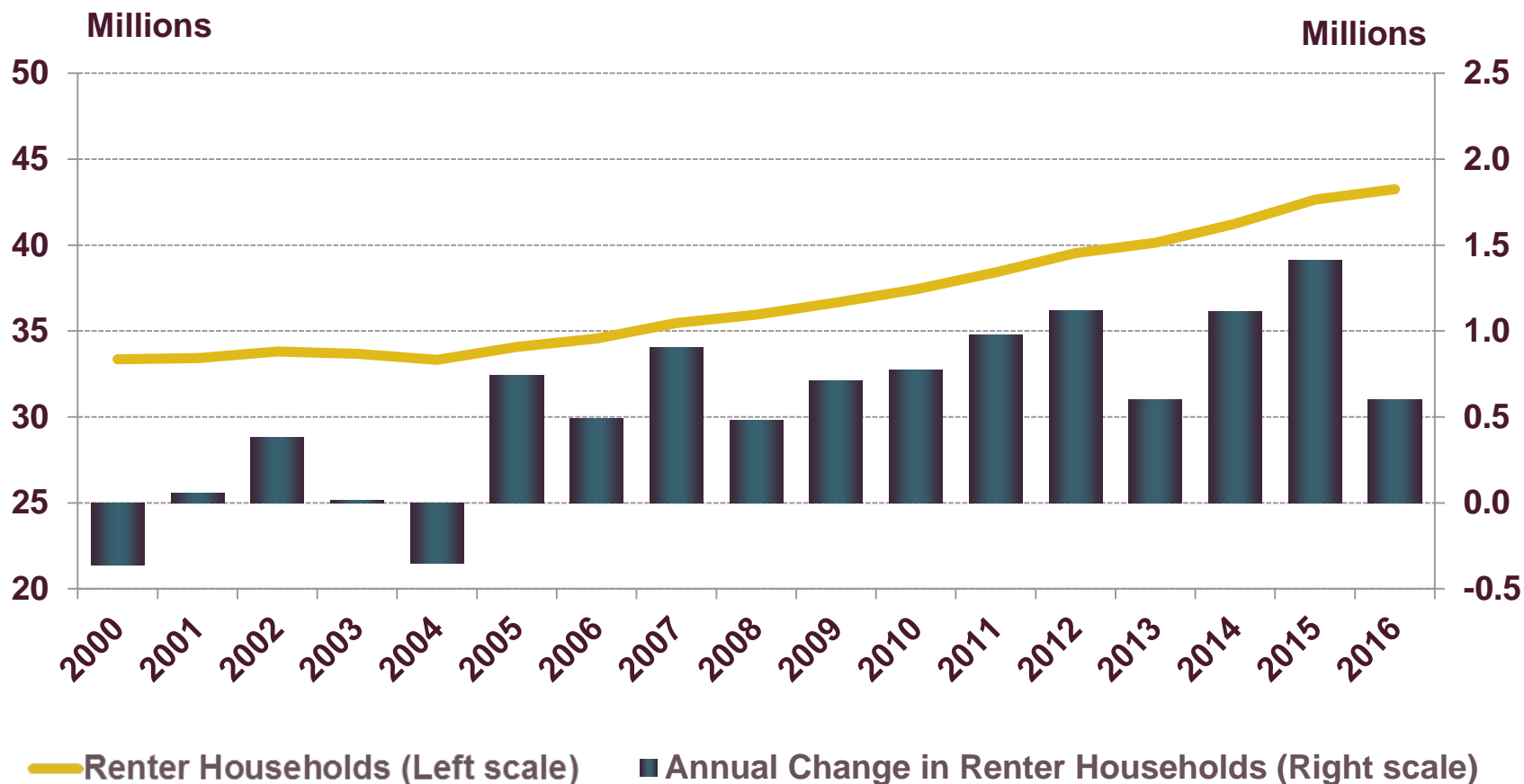
Rental Vacancy Rate (Percent)



— Class A — Class B — Class C

Source: JCHS tabulations of MPF Research.

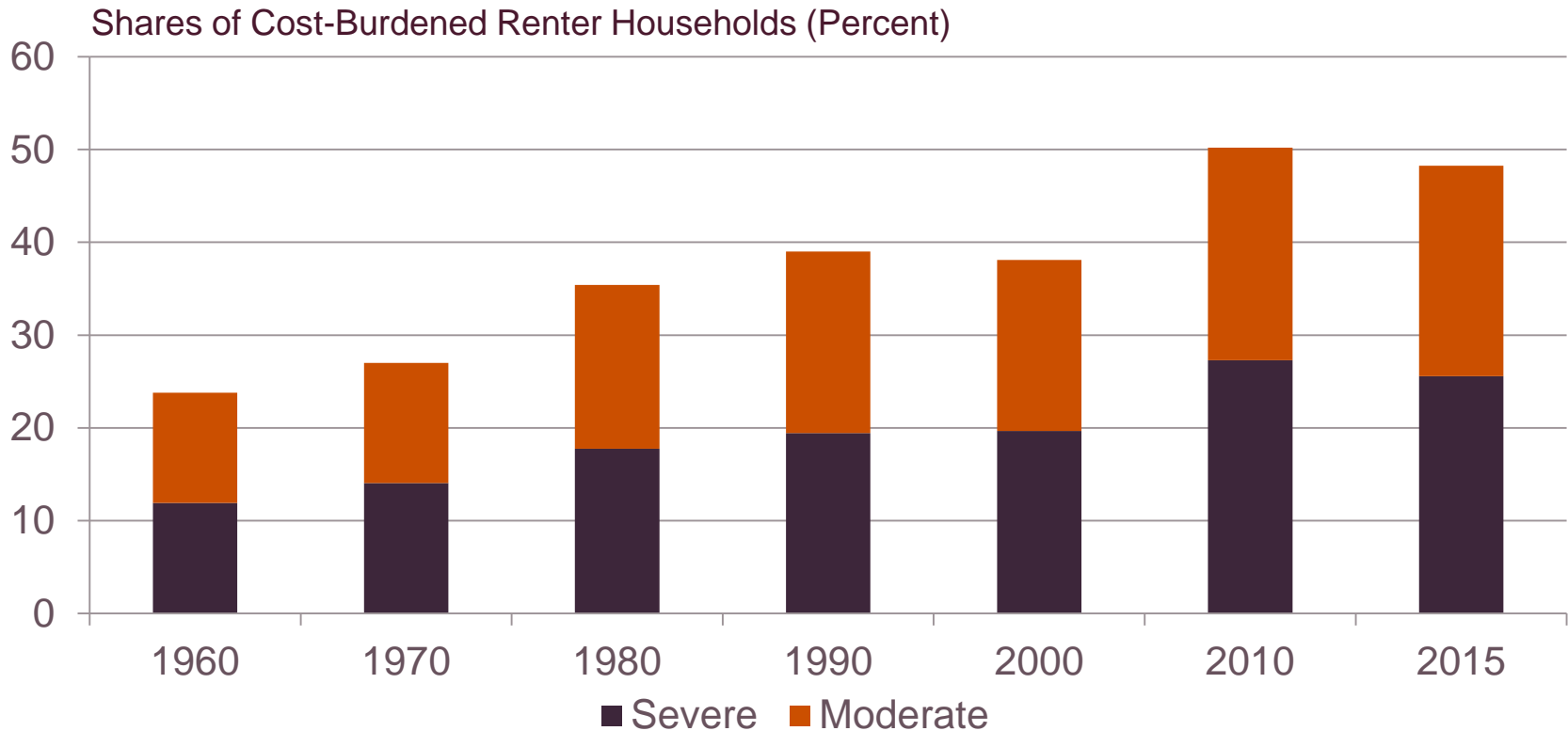
Rental Demand Was Up for the 12th Consecutive Year, Although it May Be Slowing



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

Homeowner Affordability Has Improved Significantly, But Remains Near Record Highs for Renters

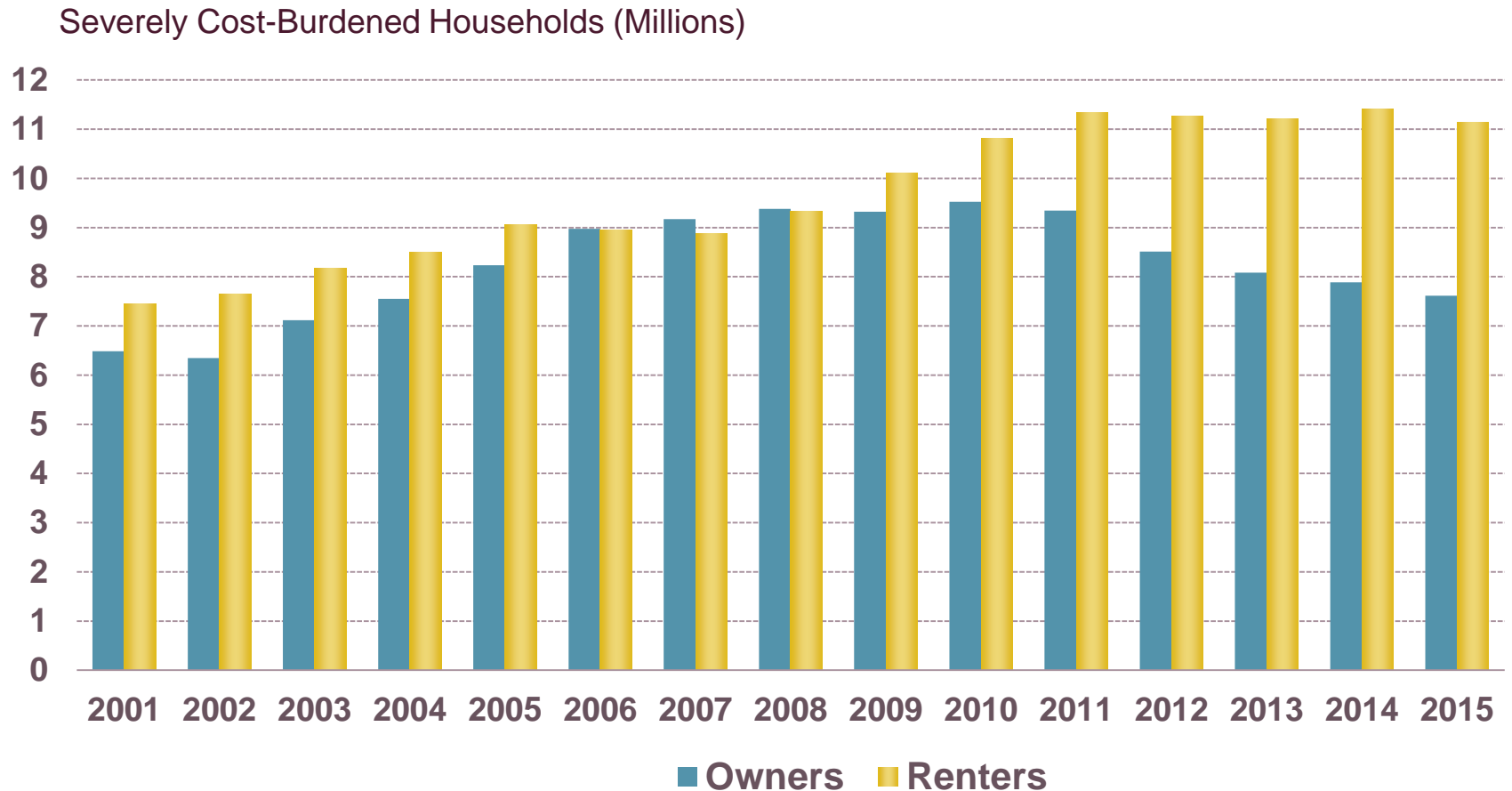
Renter Cost Burdens Spread at an Unprecedented Pace in the 2000s and Have Barely Receded



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.

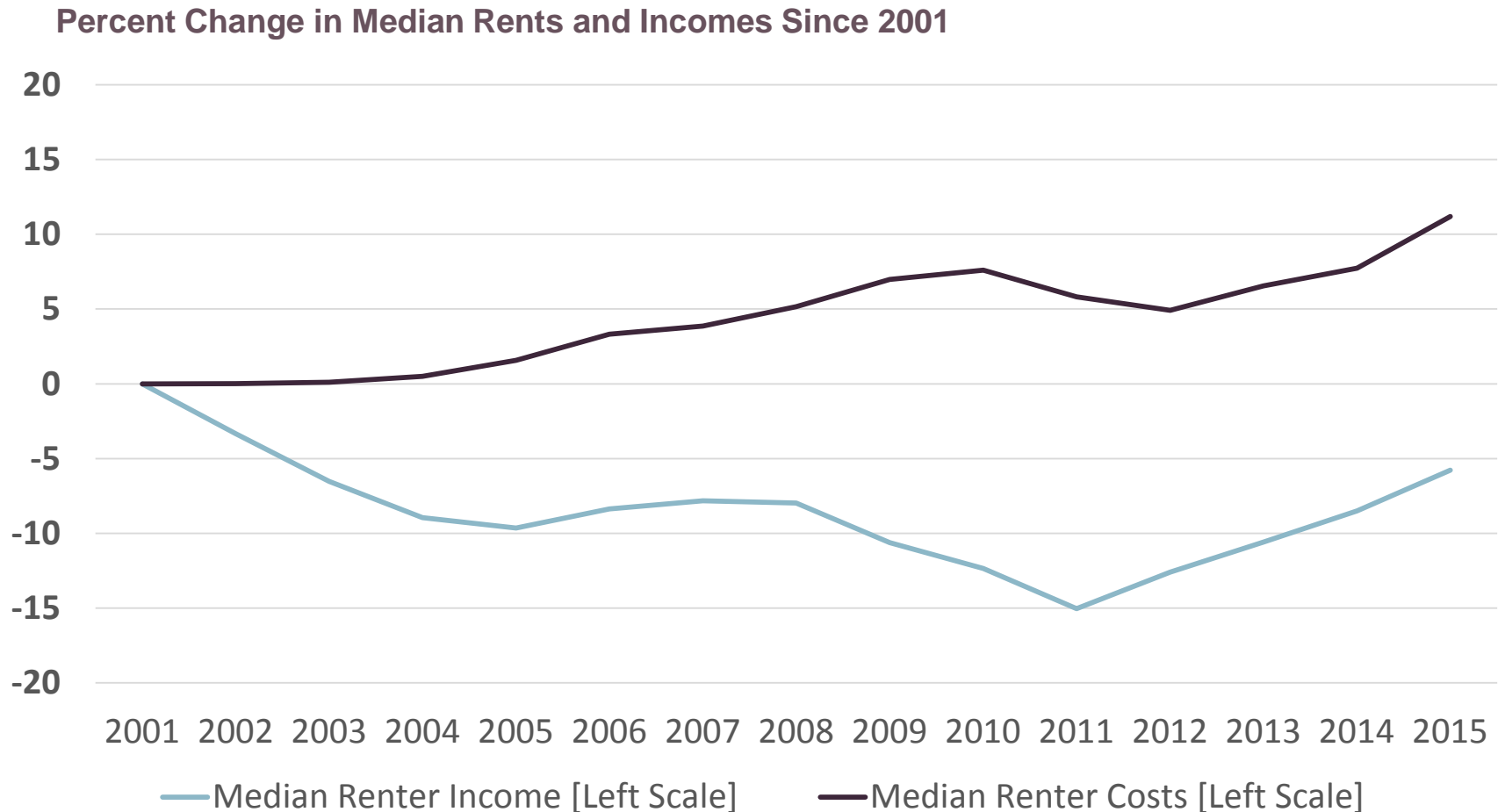
More Than 11 Million Renter Households Pay at Least Half Their Incomes for Housing



Note: Severely cost-burdened households pay more than 50% of income for housing, including utilities.

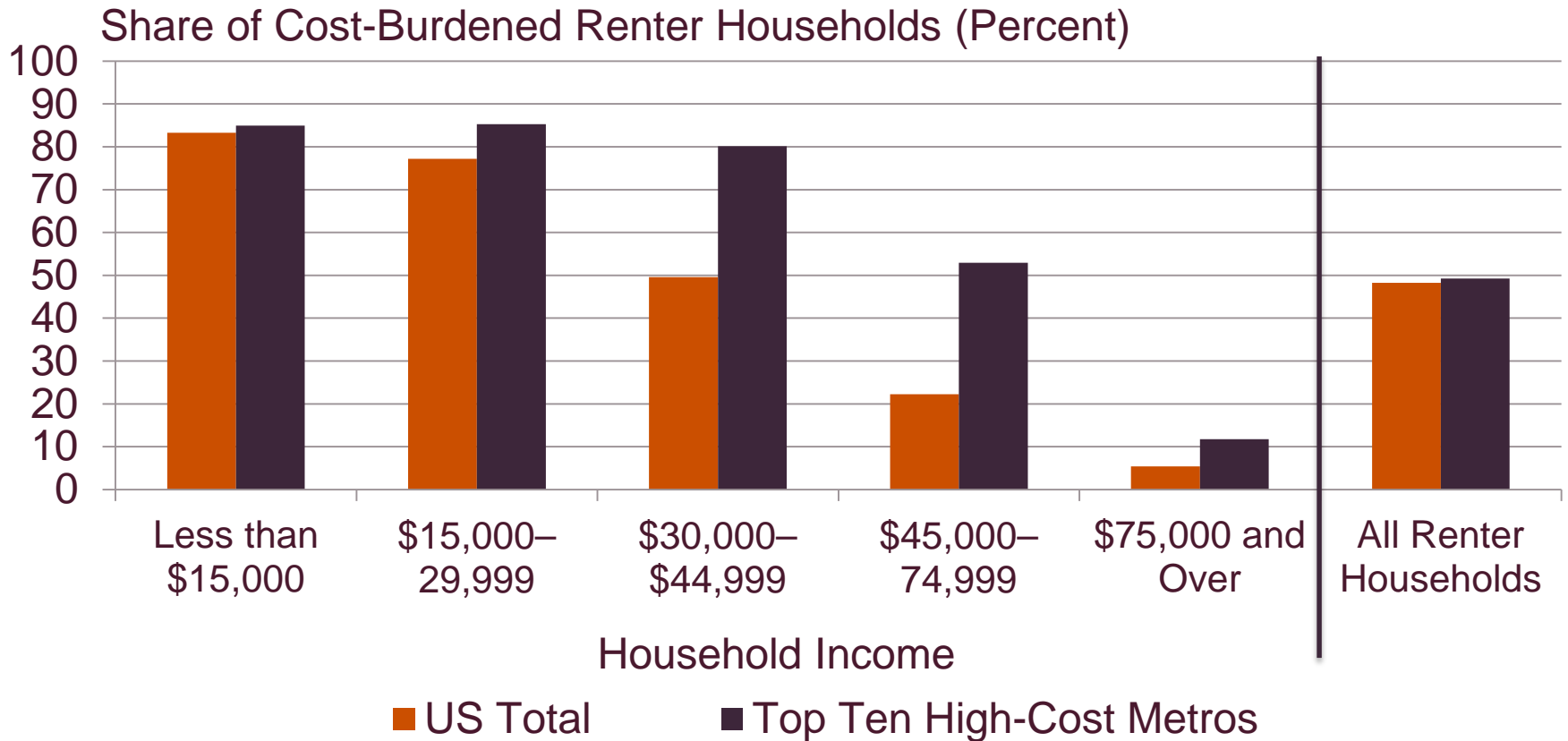
Source: JCHS tabulations of American Community Survey 1-Year Estimates.

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

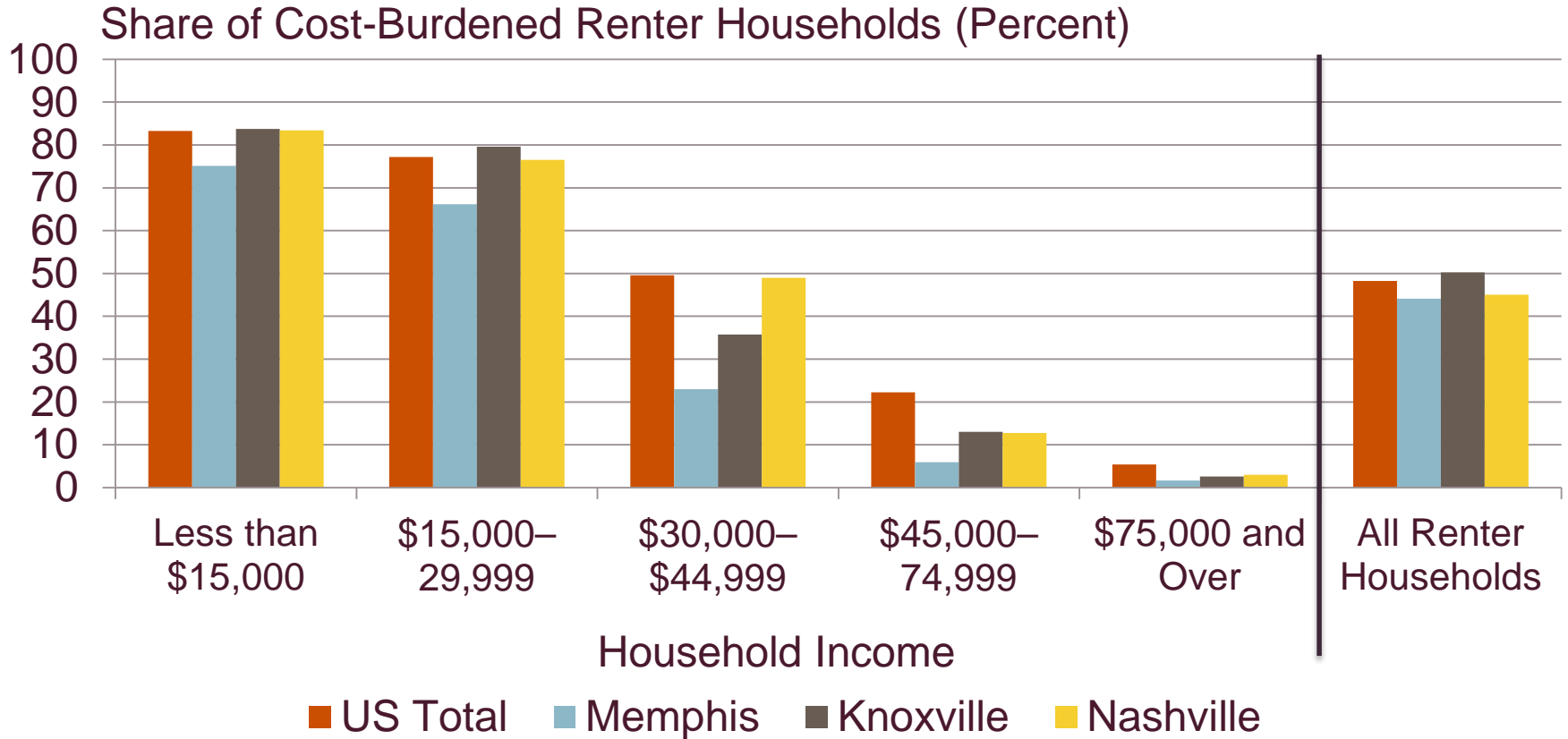
Affordability Challenges Among Moderate Income Renters is Most Pronounced in High-Cost Metros



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.

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.

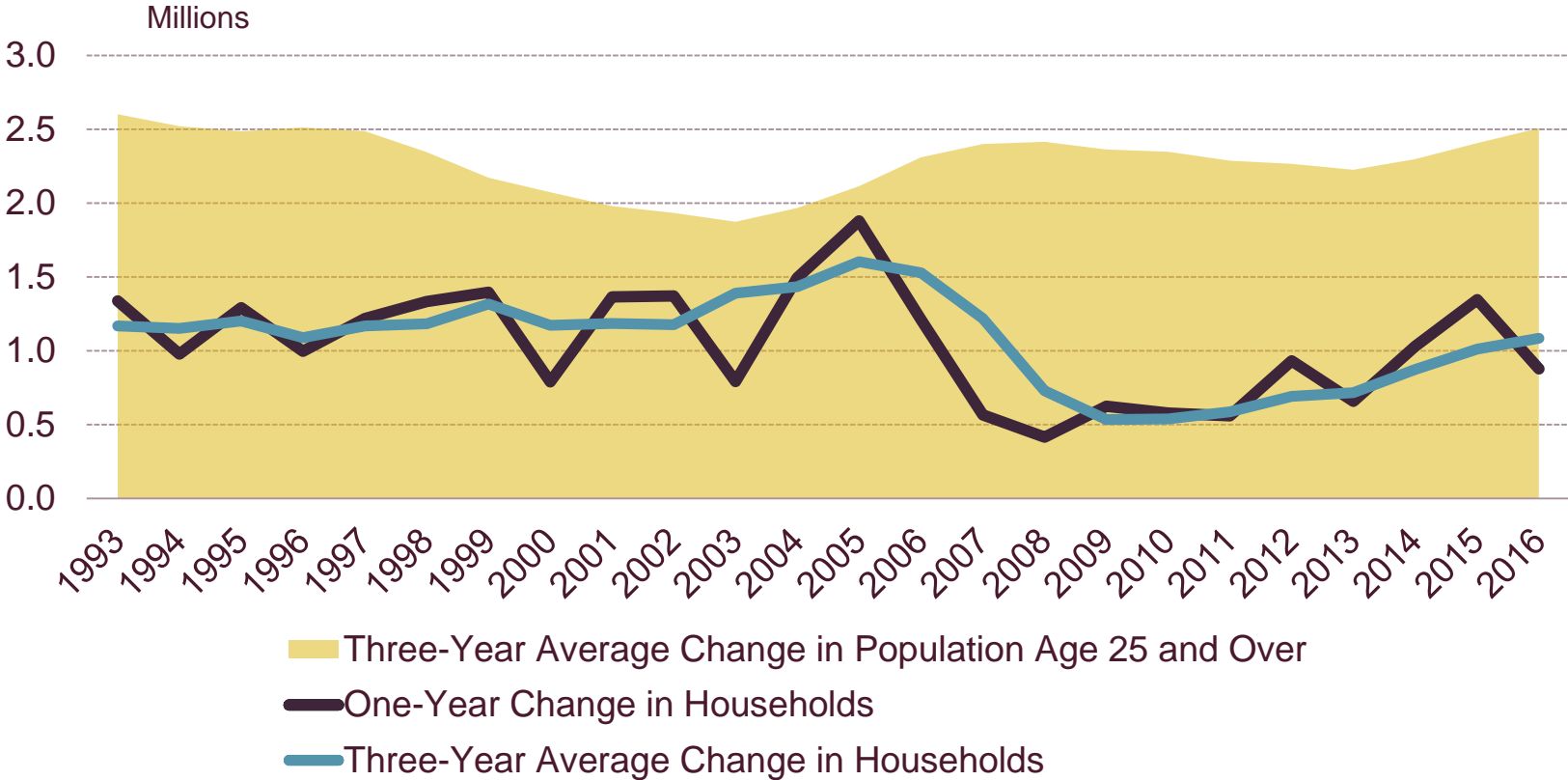
Source: JCHS tabulations of the American Community Survey, 2013.

Strong Household Growth Should Buoy Housing Market Over Coming Decade



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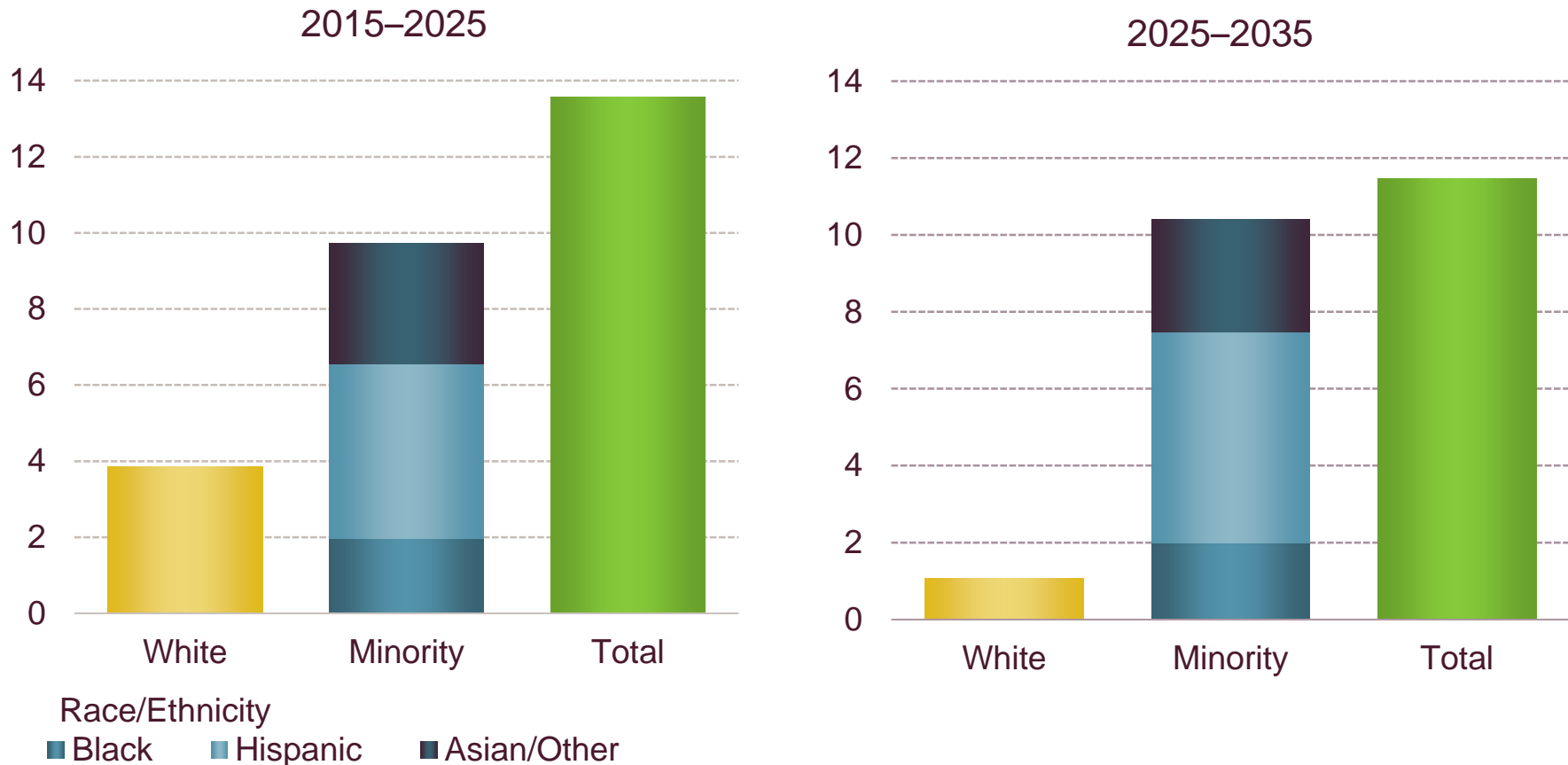
Steady Increases in the Adult Population Are Helping to Lift Household Growth from Post-Recession Lows



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.

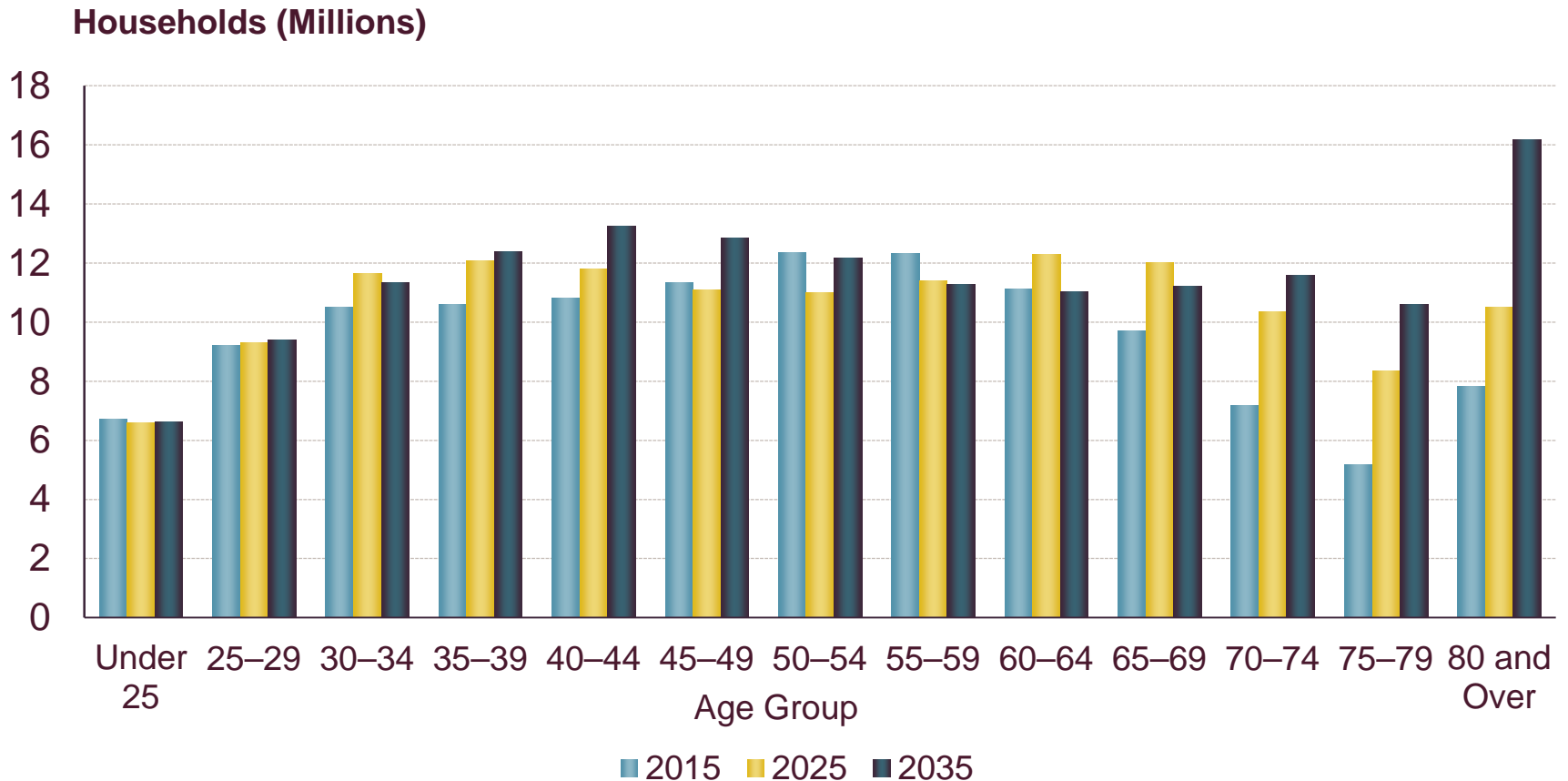
Household Growth Will Be Strong Over Coming Decade, With Minorities Driving Most of the Growth

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.