

Homeownership Trends and Opportunities

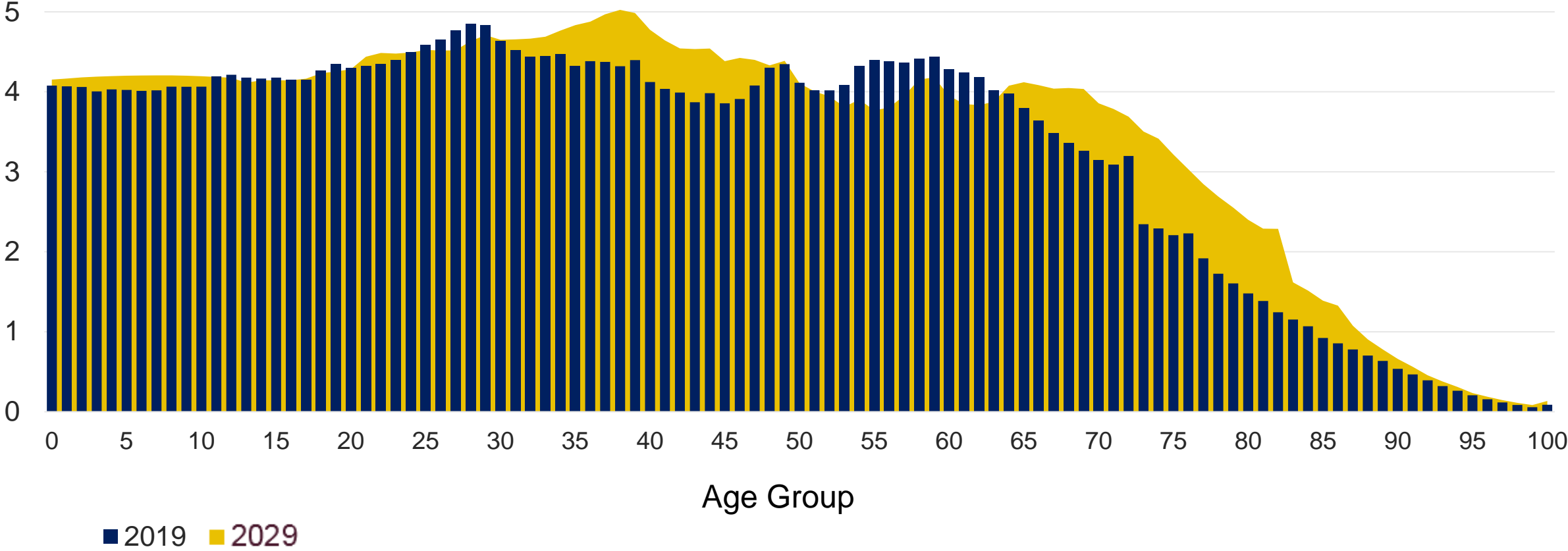
Chris Herbert

NCSHA

February 1, 2021

The Aging of Peak Millennials into Their 30s Was Boosting Demand for Owner-Occupied Homes Even Before the Pandemic Hit

US Population (Millions)

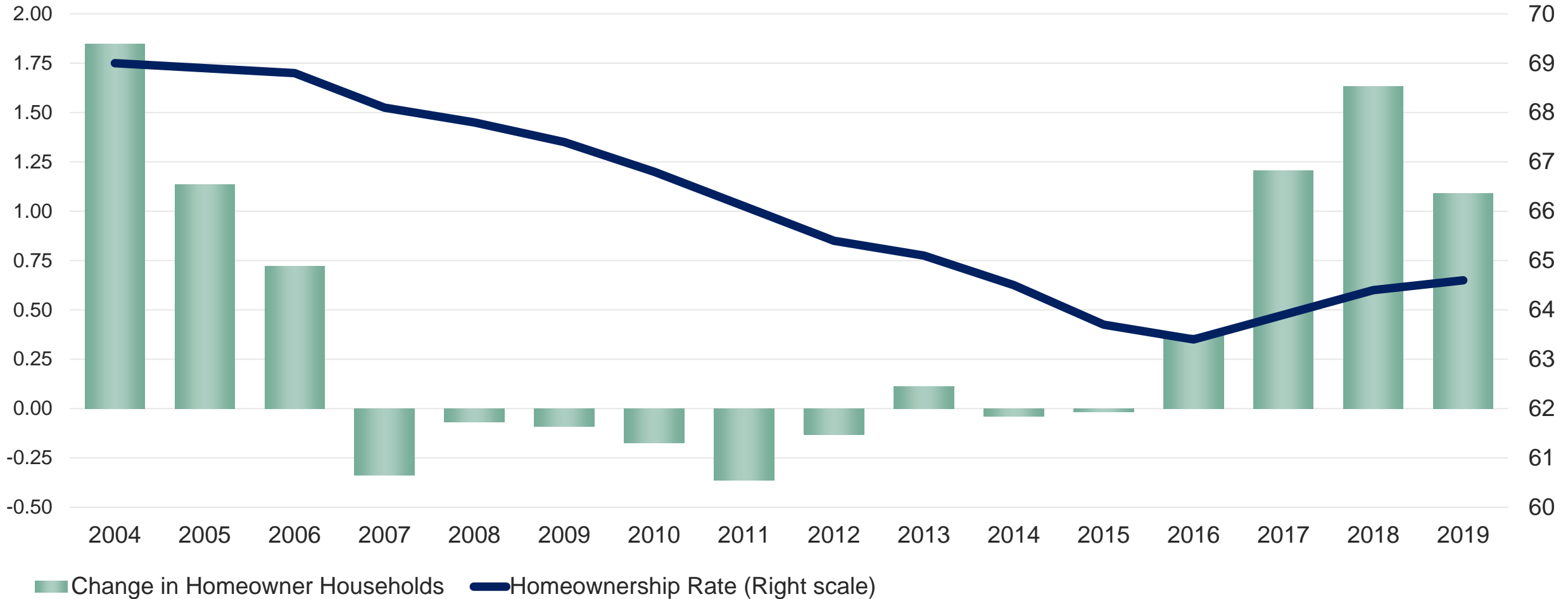


Source: JCHS tabulations of US Census Bureau, 2017 National Population Projections.

The US Homeownership Rate Has Rebound Since 2016 With Solid Growth in the Number of Homeowners

Homeowner Households (Millions)

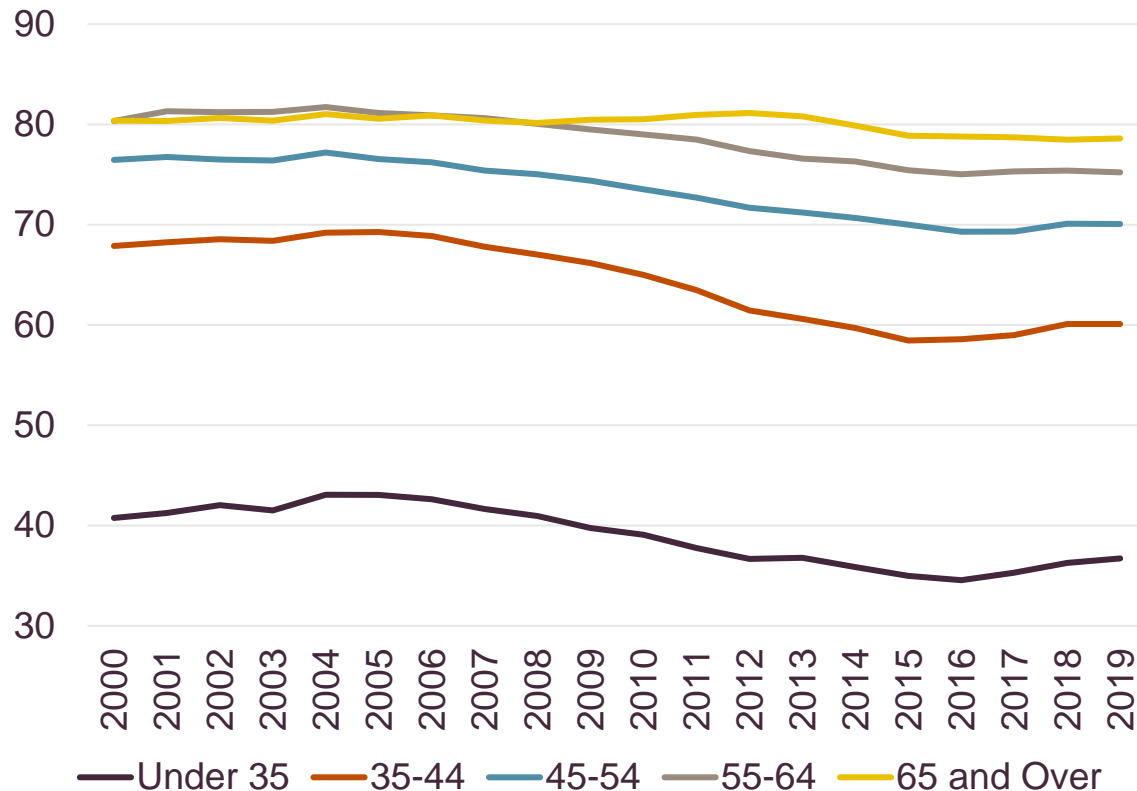
Homeowner Share of All Households (Percent)



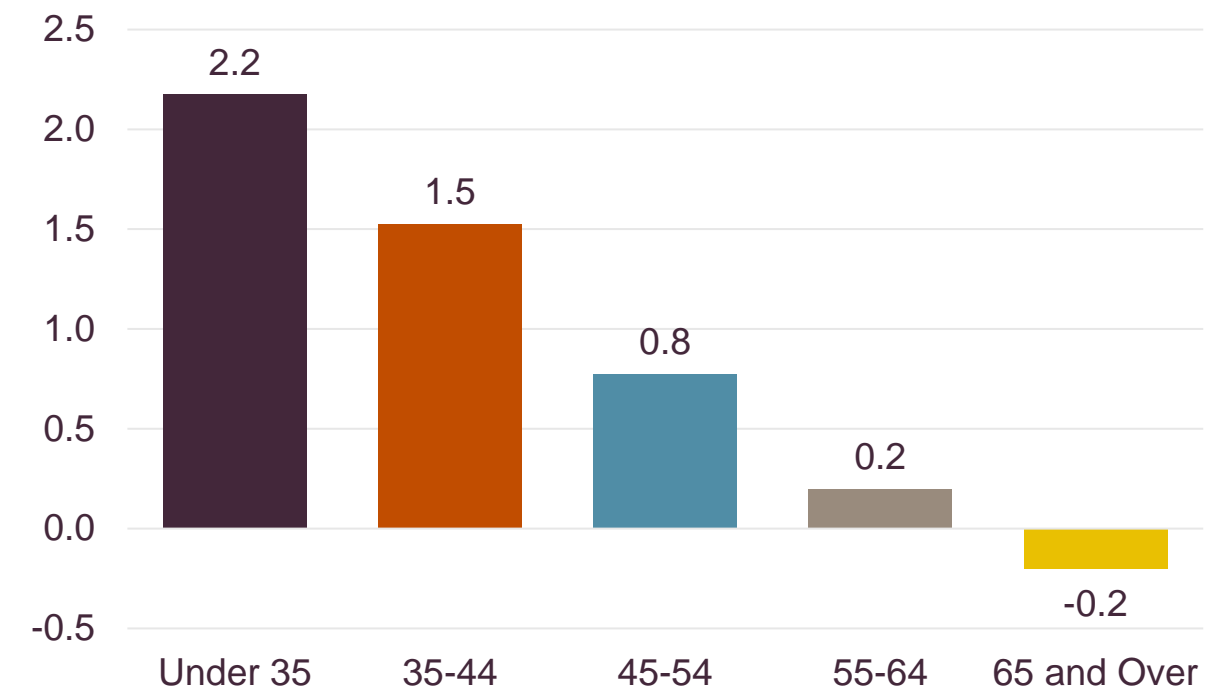
Note: Change in owner households is year-over-year.
 Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

Homeownership Rates Are Rebounding Most for Younger Adults

Homeownership Rate (Percent)



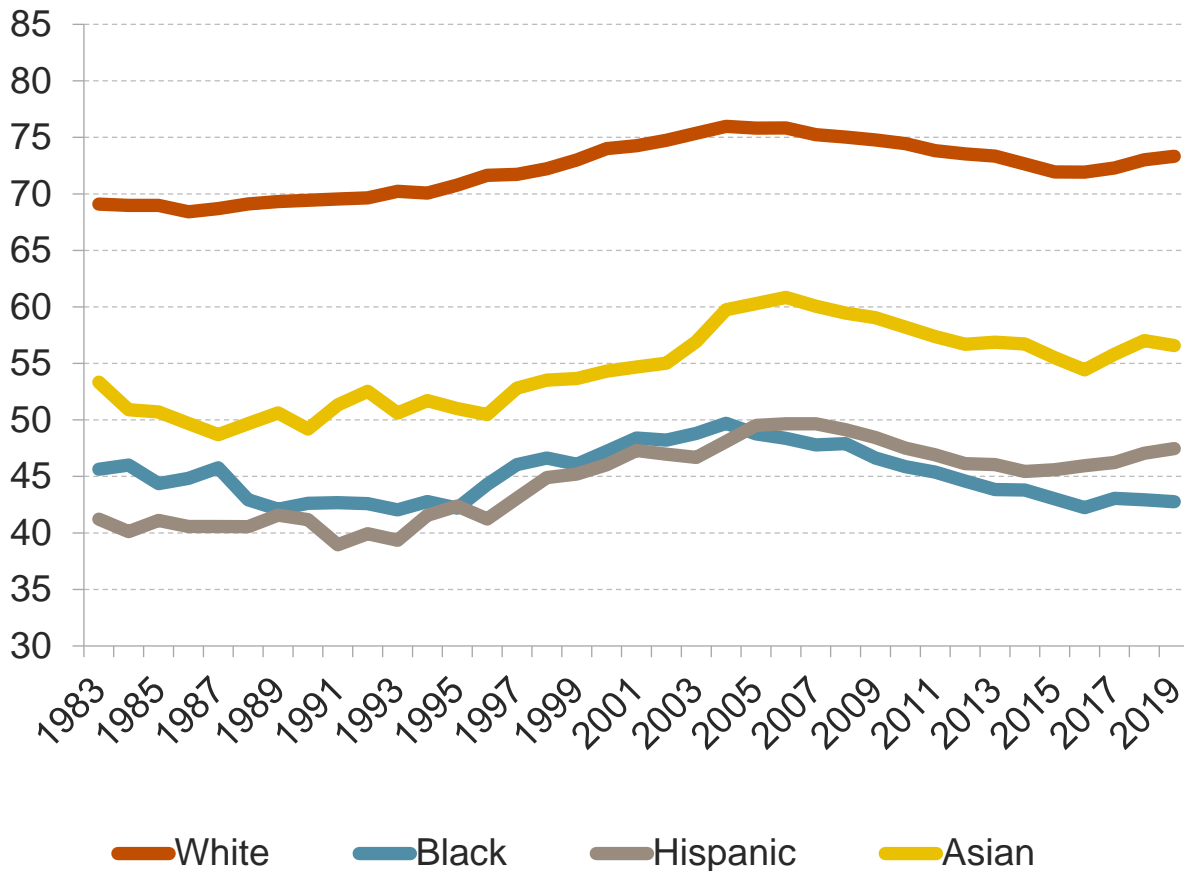
Change in Homeownership Rate, 2016-2019 (Percentage Point)



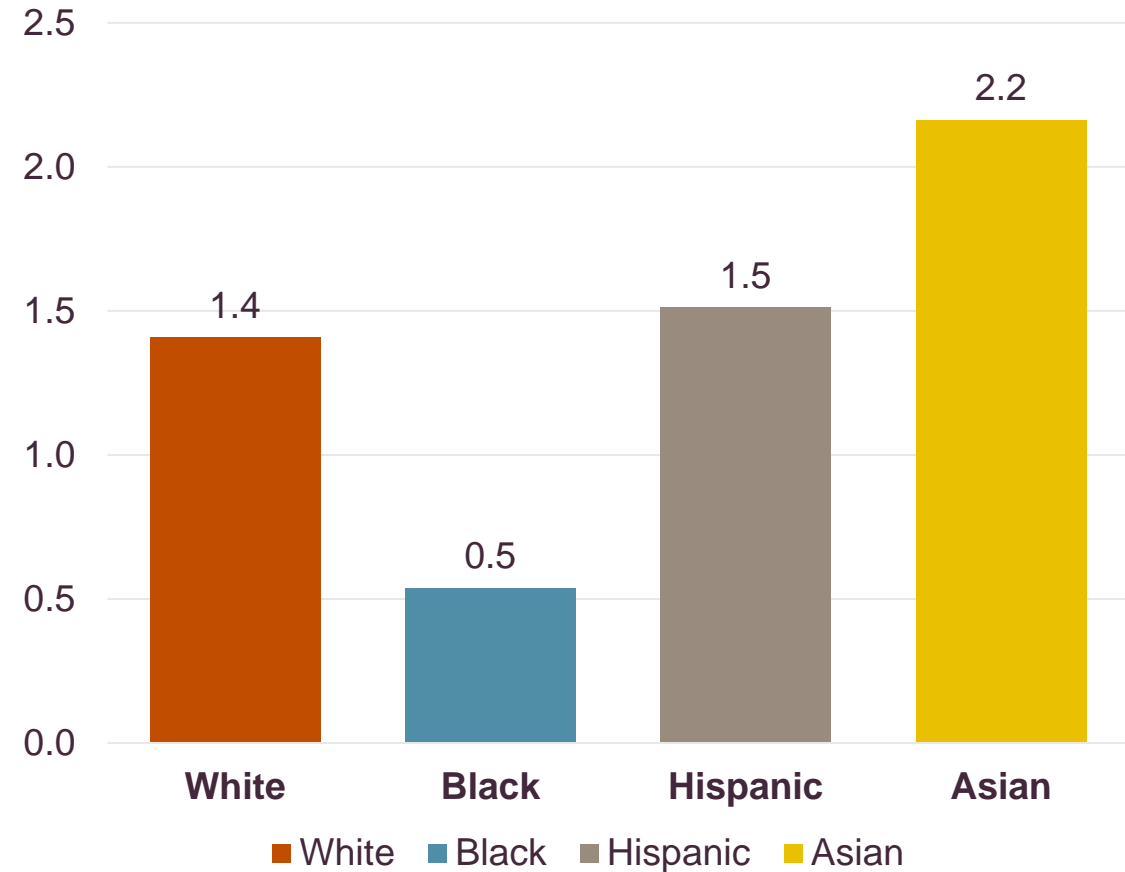
Source: US Census Bureau, Housing Vacancy Surveys.

All Racial Groups Were Experiencing Gains in Homeownership, Although Blacks Are Not Keeping Pace

Homeownership Rate by Age (Percent)



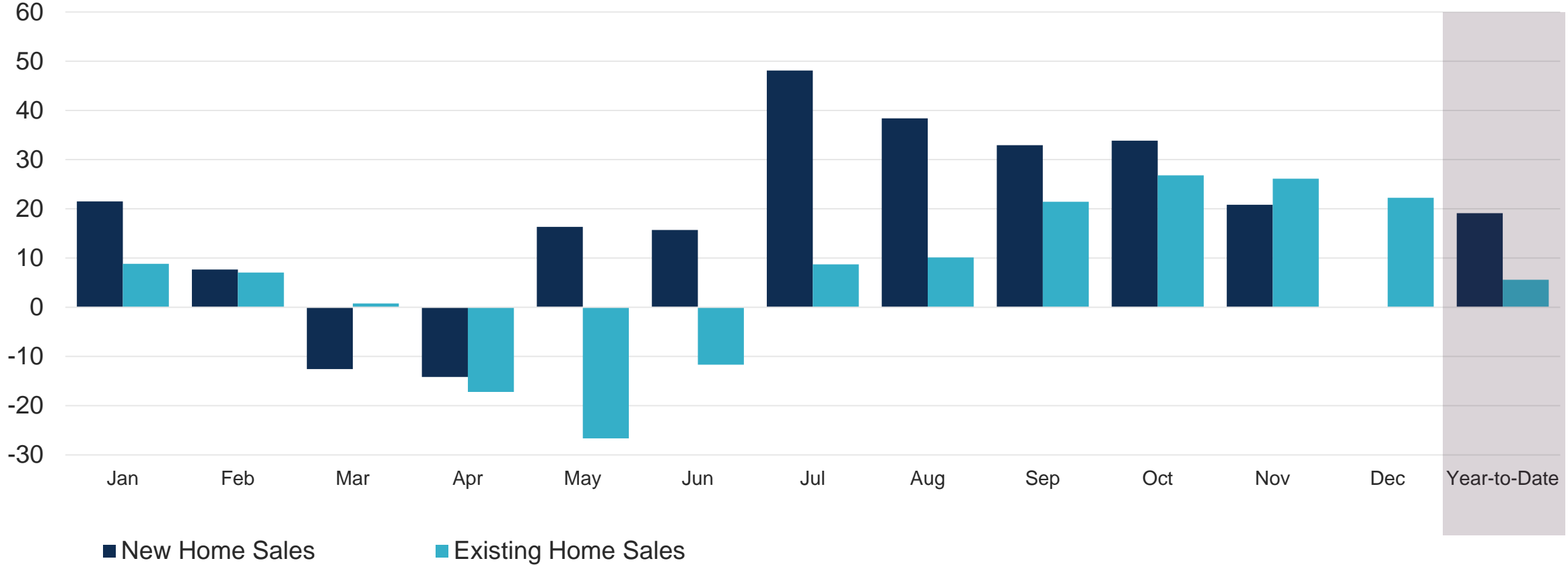
Change in Homeownership Rate 2016-19 (ppt)



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

Surprisingly, The Pandemic Led to a Surge in Home Sales After a Sharp Dive in the Spring

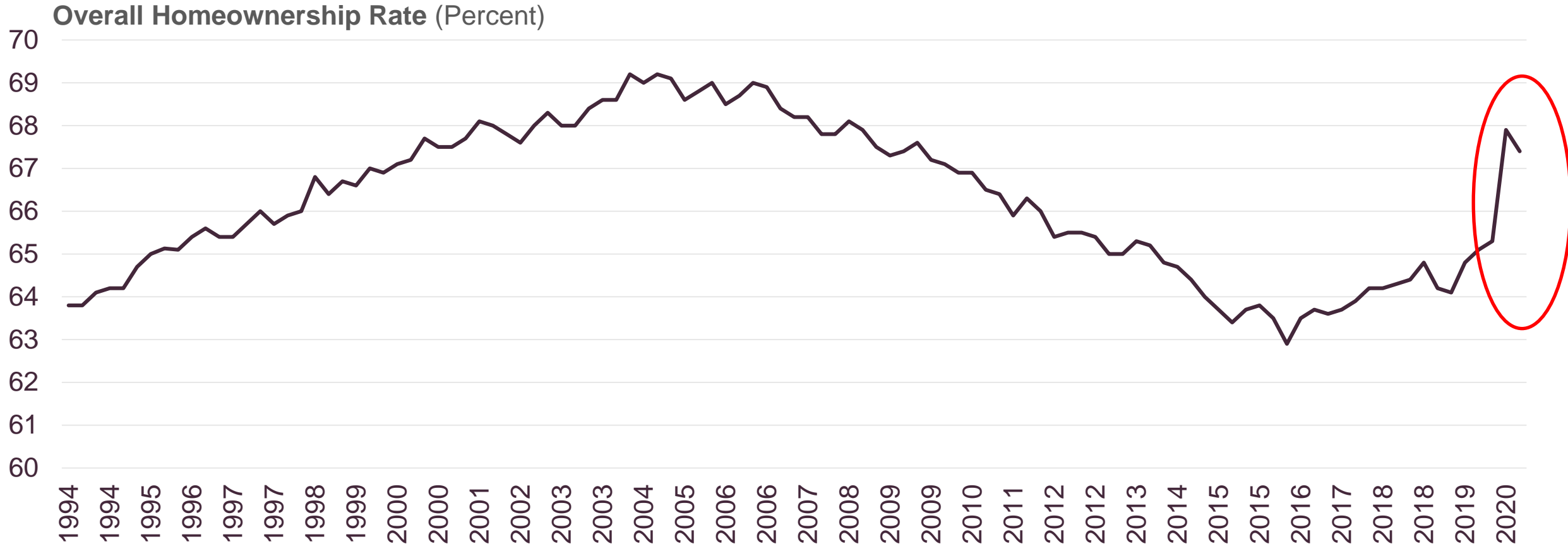
Year-over-Year Change (Percent)



Notes: Year-over-year changes are based on seasonally adjusted data, while the year-to-date changes are not seasonally adjusted. Recent monthly data are subject to revision.

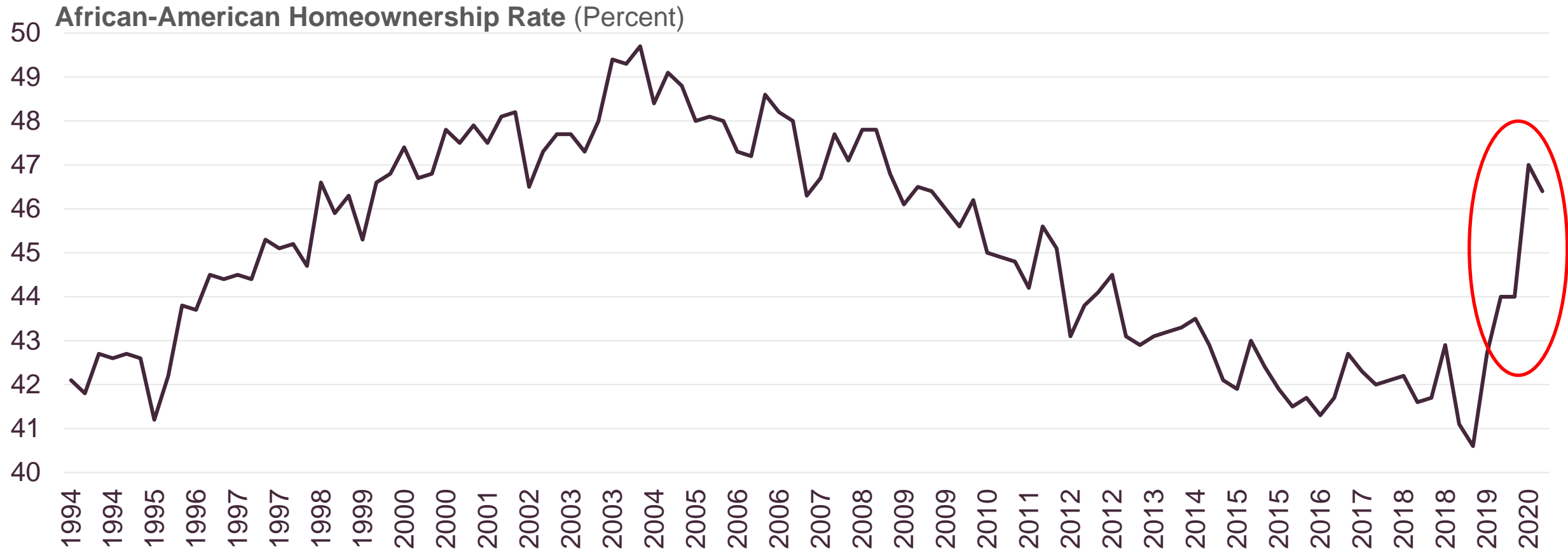
Source: JCHS tabulations of US Census Bureau, New Residential Sales; National Association of Realtors (NAR), Existing Home Sales.

Caution: The Dramatic Increase in Homeownership Reported by the Housing Vacancy Survey for 2020 is Not Credible....



Source: US Census Bureau, Housing Vacancy Survey.

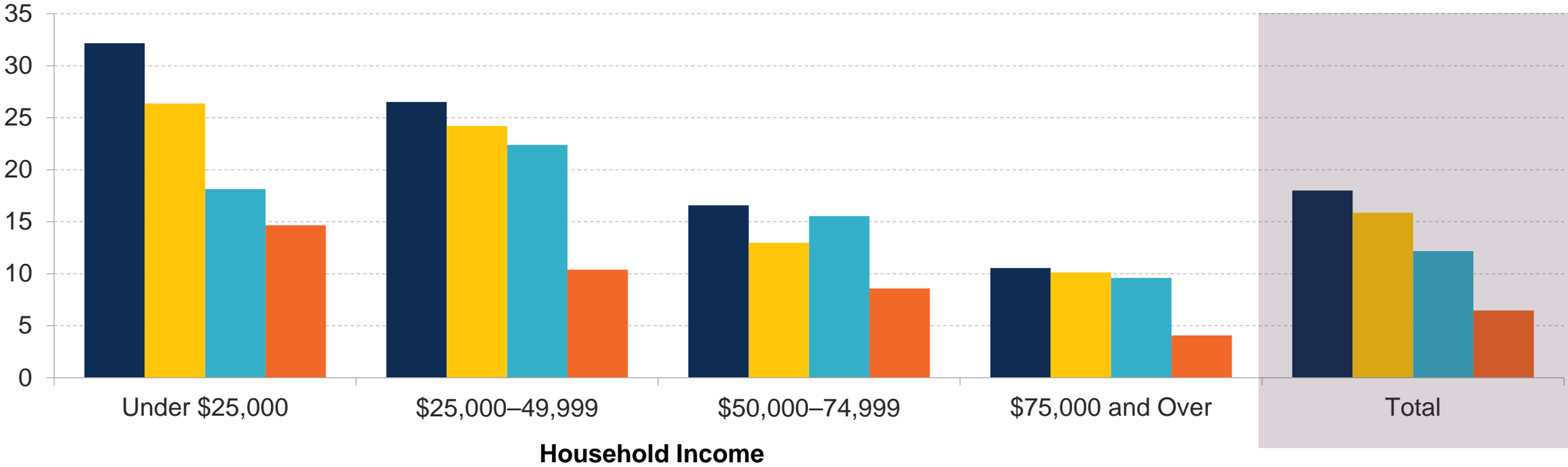
...Particularly for African-Americans Where the Increase in a Few Quarters Has the Share Near Record Levels



Source: US Census Bureau, Housing Vacancy Survey.

Across Income Groups, Homeowners of Color Are More Likely than White Homeowners to Have Fallen Behind on Housing Payments During the Pandemic

Share of Homeowners Behind on Mortgage Payments as of September 2020 (Percent)

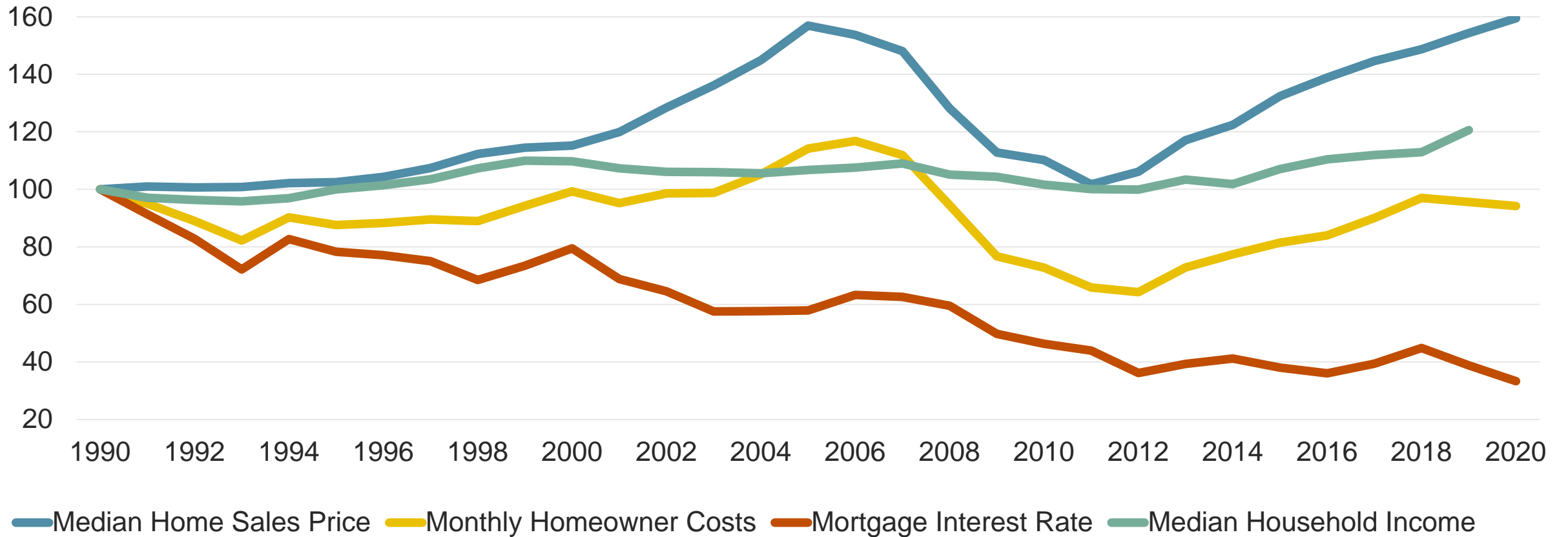


Race/Ethnicity ■ Hispanic ■ Black ■ Asian ■ White

Notes: Homeowners behind on housing payments reported that they were not caught up at the time of survey. White, Black, and Asian households are non-Hispanic. Hispanic households may be of any race. Totals include owners that identify as other races or as multiracial.
 Source: JCHS tabulations of US Census Bureau, Household Pulse Survey, Week 15.

Higher Incomes and Lower Interest Rates Have Offset the Rise in House Prices, Bringing Down the Monthly Cost of Homeownership

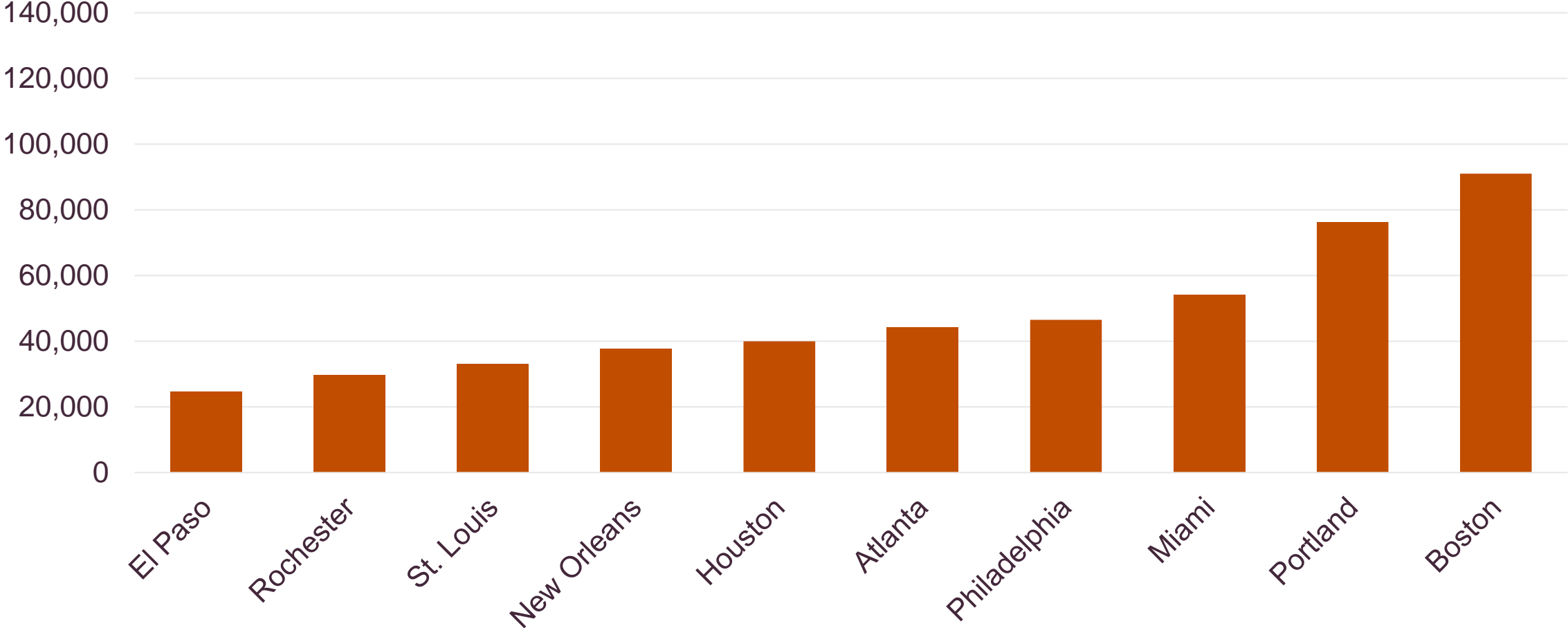
Index



Notes: House prices, household income, and monthly homeowner costs are adjusted to 2020 dollars using the CPI-U for all items less shelter. Monthly homeowner costs assume a 3.5% downpayment on a median-priced, existing single-family home (including condos and coops) with property taxes of 1.15%, property insurance of 0.35%, and mortgage insurance of 0.85%. Household income is adjusted to 2019 dollars using the CPI-U research series. 2020 data is the average from January to June.
 Source: JCHS tabulations of NAR, Existing Home Sales; US Census Bureau, Current Population Surveys; Moody’s Analytics Forecasts; Freddie Mac, Primary Mortgage Survey (PMMS).

With Interest Rates So Low, Fairly Modest Incomes Can Afford the Median Priced Home in Many Metro Areas

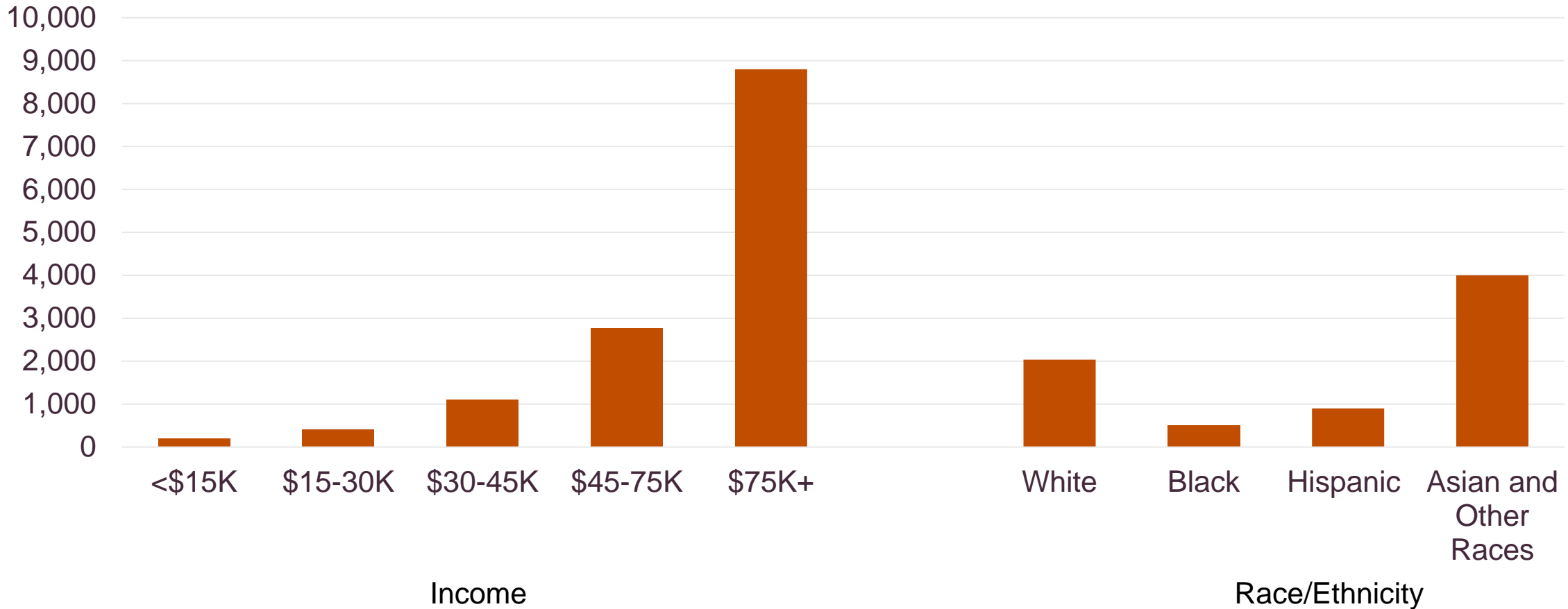
Income Needed to Afford Median Priced Home in Select Major Metros by Price Decile



Note :Assumes 2.75% 30-year mortgage with 28% of income devoted to mortgage payment applied to Zillow median home value for metropolitan area.

Most Renters Have Little Savings for Home Purchase—Making This a More Important Barrier Than The Monthly Payment

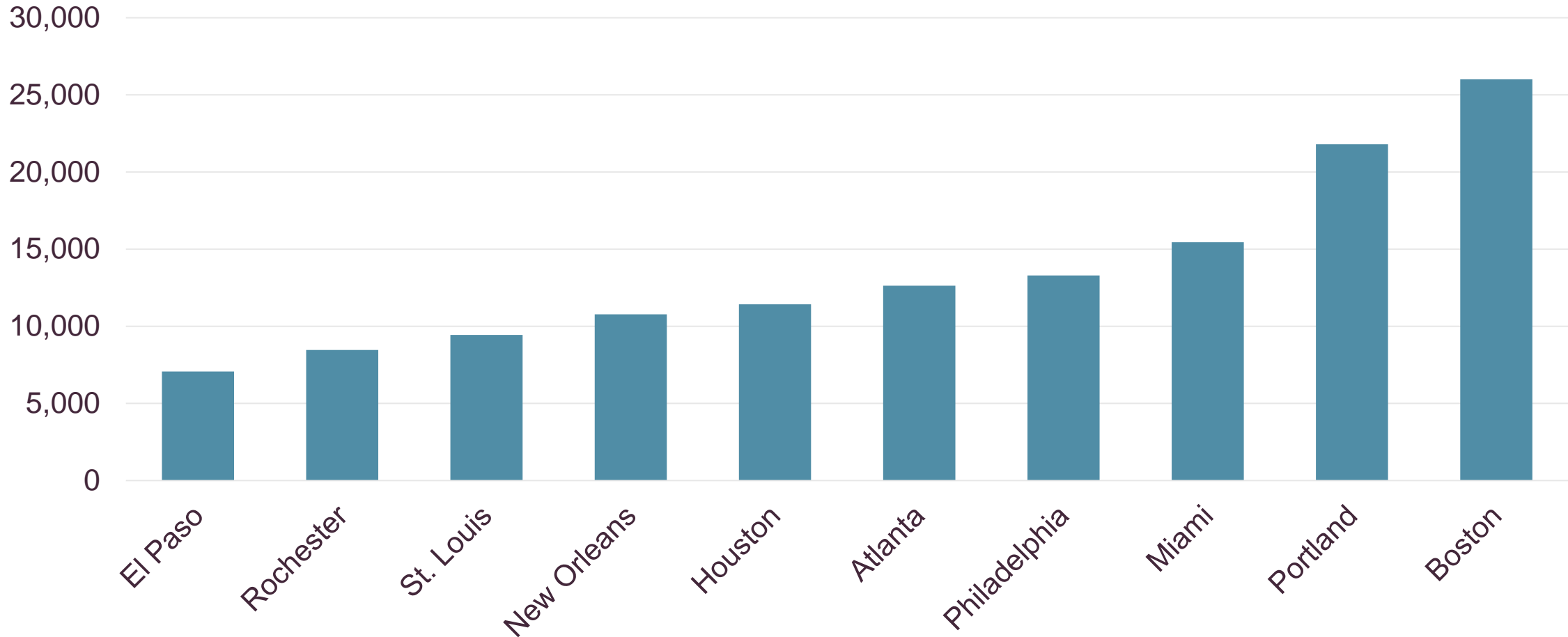
Median Cash Savings for Renters (2019)



Source: : JCHS tabulations of Federal Reserve Survey of Consumer Finance, 2019.

But Even Minimum Downpayments and Closing Costs Require More Savings Than Most Renters Have

Cash Needed for Minimum Downpayment and Closing Costs in Select Major Metros by Price Decile



Note :Assumes 3% downpayment and 2% closing costs on median priced home for metropolitan area from Zillow.

Our latest report including data, figures and interactive graphics are available at:

www.jchs.harvard.edu/state-nations-housing-2020

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America is on the Move... Where is the Inventory?

Dr. Jessica Lautz
VP, Demographics and Behavioral Insights

National Housing Landscape

Highest home sales in 14 years

More than 100 months of yr-over-yr price growth

Record days typical list to contract time: 21 days

1.9 months supply—ALL time low (real supply is lower)

Year-over-year home price growth ALL 181 MSAs tracked

Pandemic Buyers Have Changed

Higher incomes & higher price points



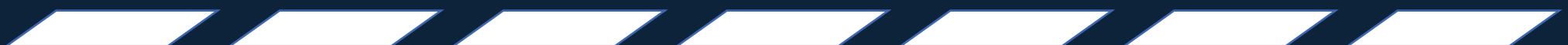
Expected tenure only 10 yrs for pandemic buyers



5% bought sight unseen compared

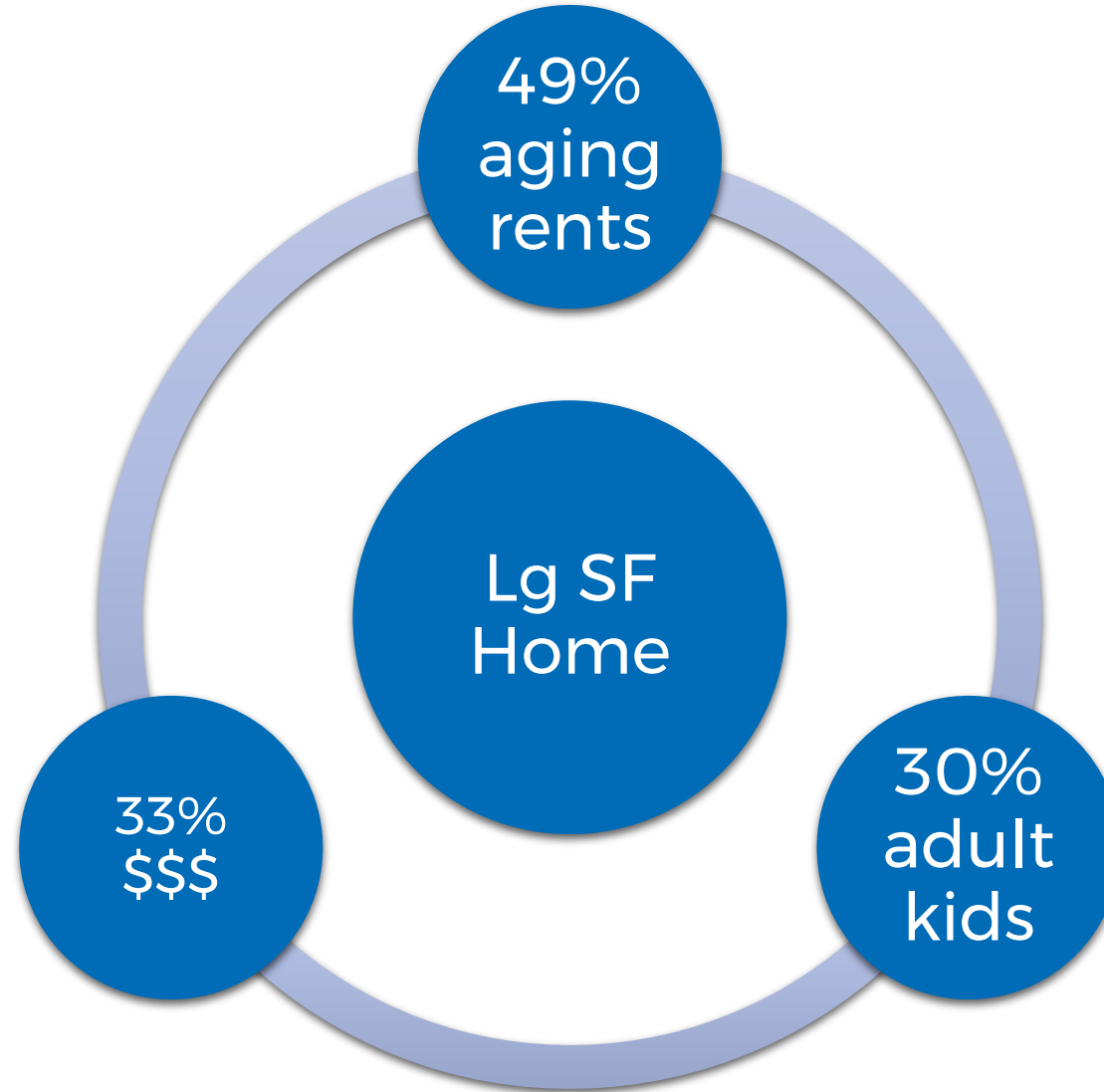


Saw fewer homes in search—share of which online only

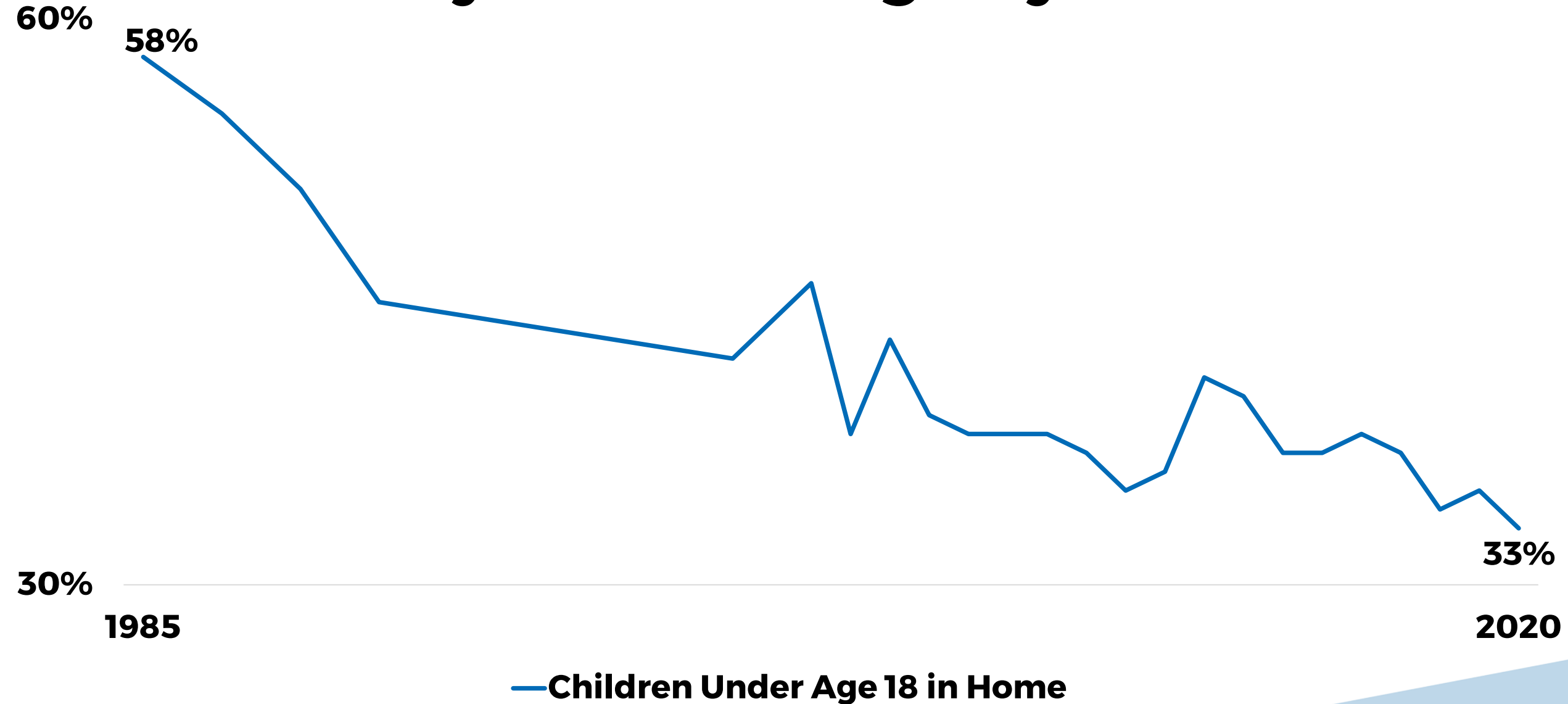


1/6 Buyers During COVID-19 Bought a Multi-Generational Home

VS. 11% Before the Pandemic



Baby Bust Among Buyers



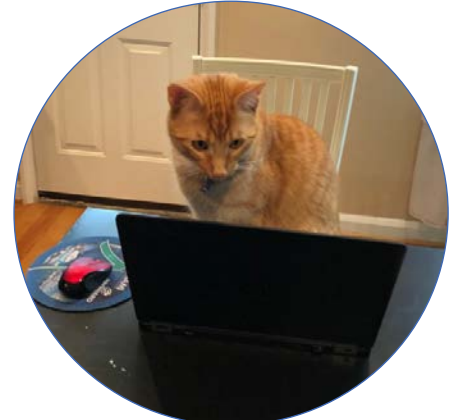
Impact of Clearing of Shelters



For Who:
unmarried
couples & single
females



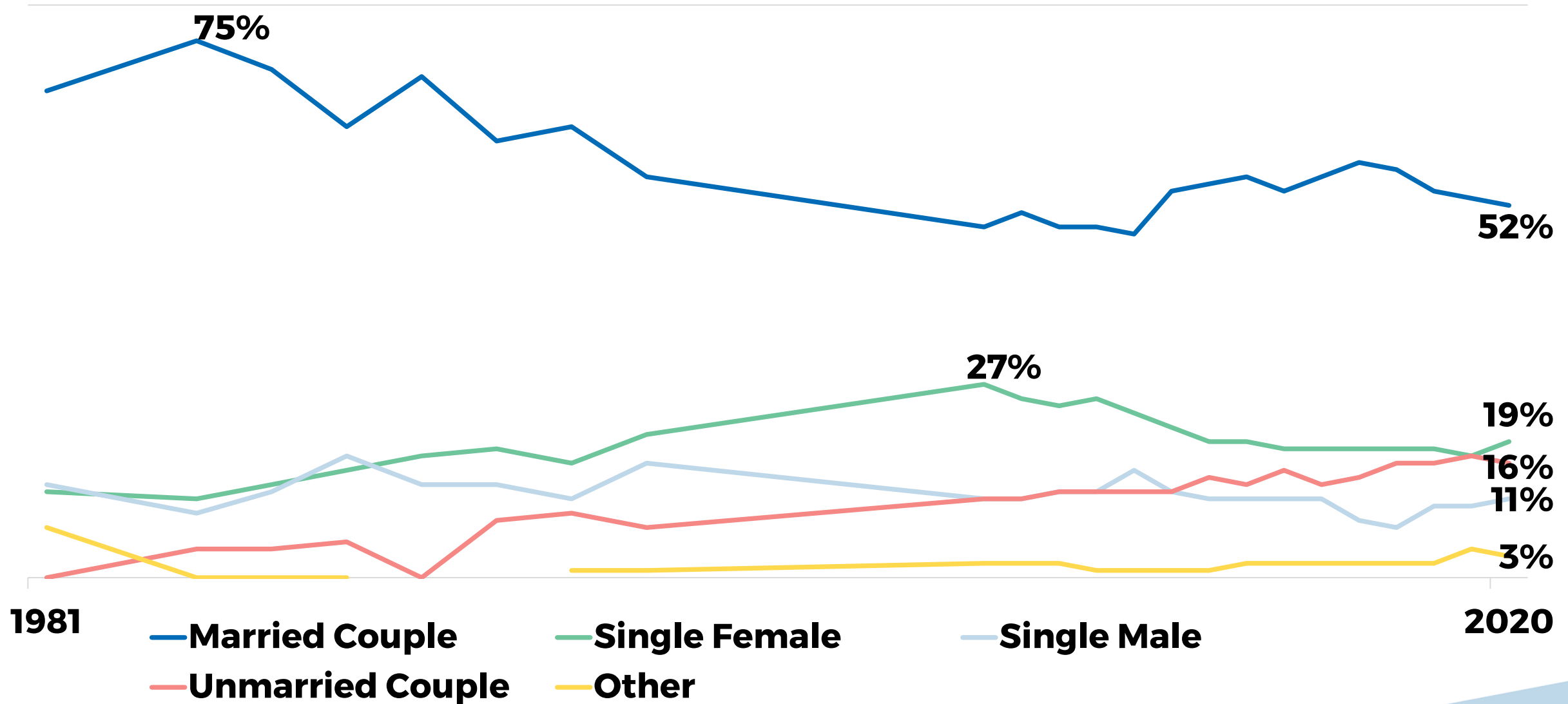
Where Important:
rural & urban
areas



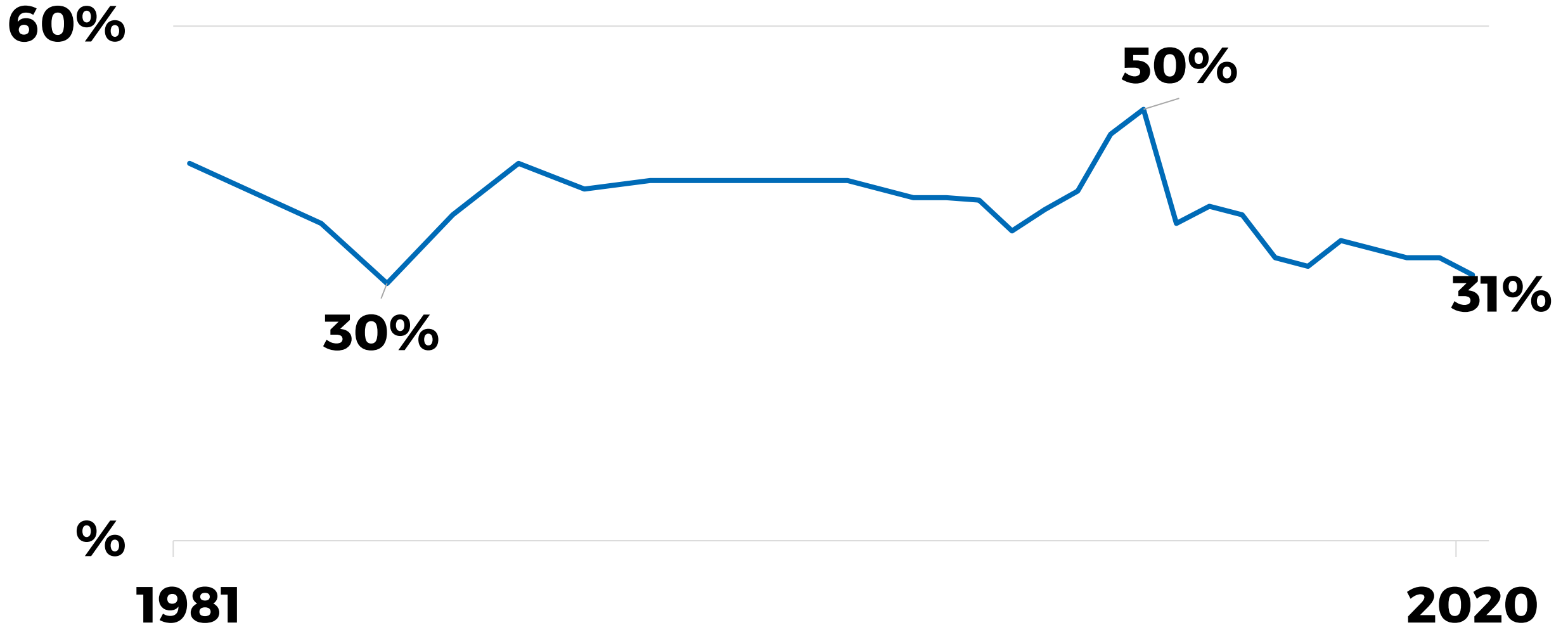
What: decide to
buy &
neighborhood
choice



First-time Buyers: Welcome Singles & Unmarried Couples



First-time Buyers Drop to a 33-Year Low



Source: NAR 2020 Profile of Home Buyers and Sellers

Sellers Are In a Rush

More urgently want to sell



#1 reason to sell: need more space



Incentives for buyers: credit for remodeling & warranties



Willing to make price concessions if needed



Selling at a higher price point, more equity



Free Resources—Find Reports and Follow Us



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@NAR_Research and @JessicaLautz

www.nar.realtor/blogs/economists-outlook



instagram.com/narresearch/

www.nar.realtor/research-and-statistics

FREE Profile Of Home Buyers and Sellers for NAR members:

<https://store.realtor.org/product/guide/2020-nar-profile-home-buyers-and-sellers-download>

THANK YOU.



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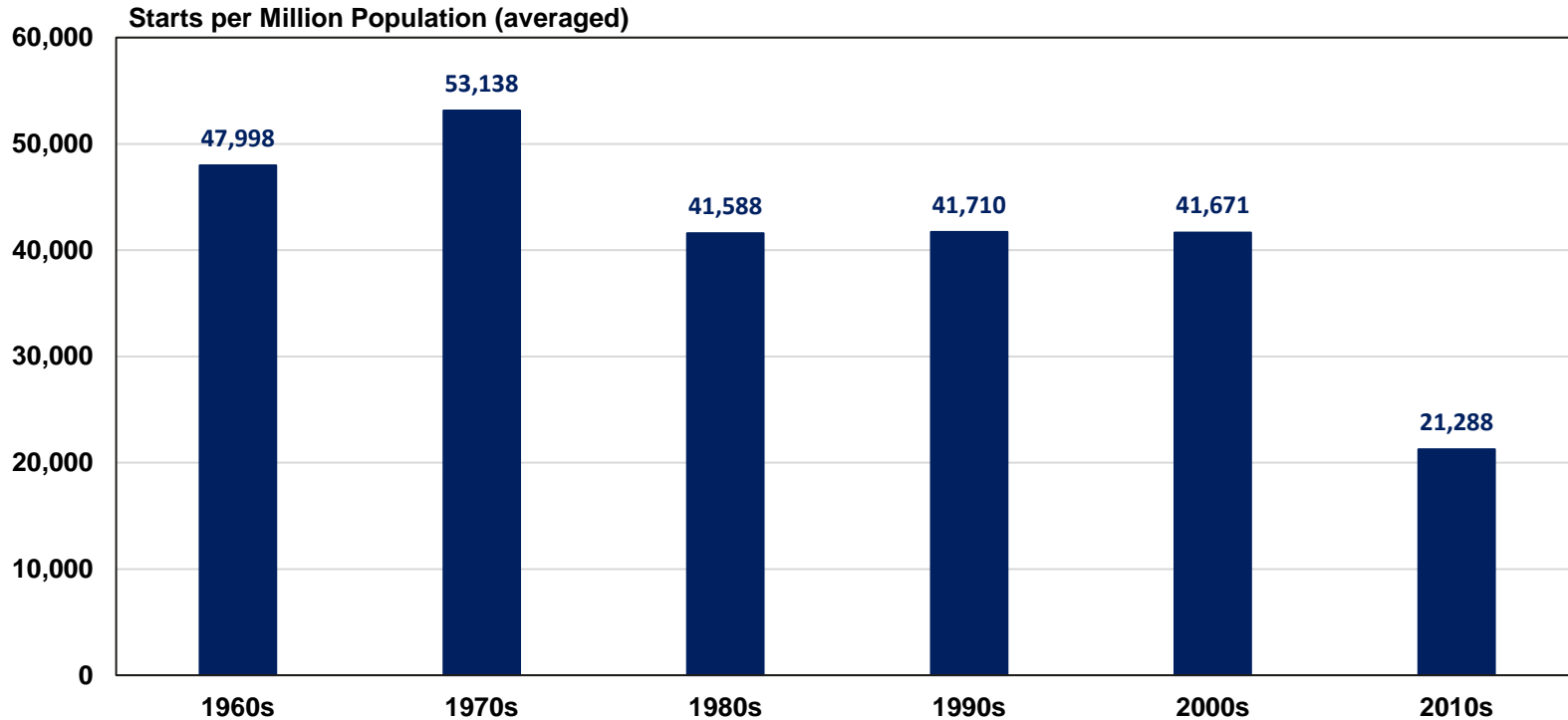
Will Home Building Improve Single-Family Inventory in 2021?

NCSHA
February 1, 2021

Robert Dietz, Ph.D.
NAHB Chief Economist



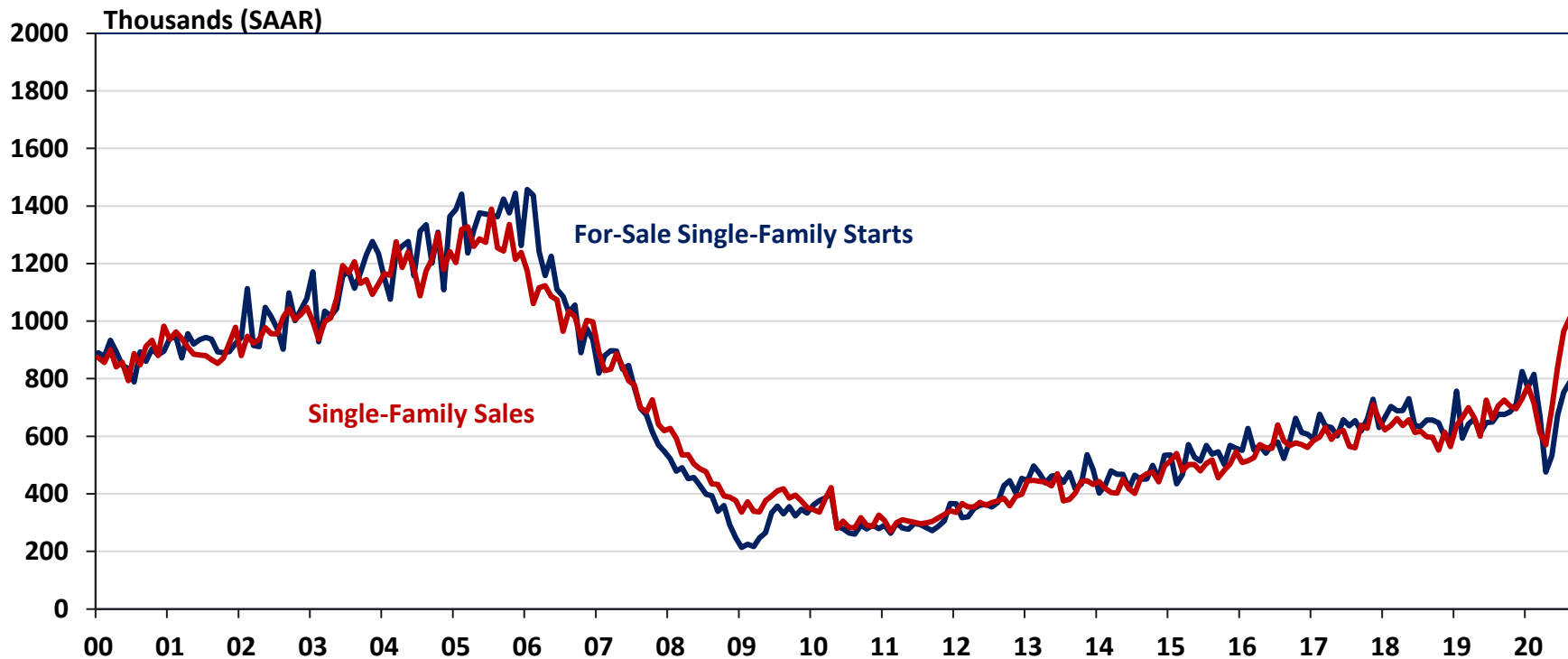
Single-Family Starts by Decade: Population Adjusted



Source: Census Bureau and NAHB analysis

Historic Gap Between Sales and Construction in Fall 2020

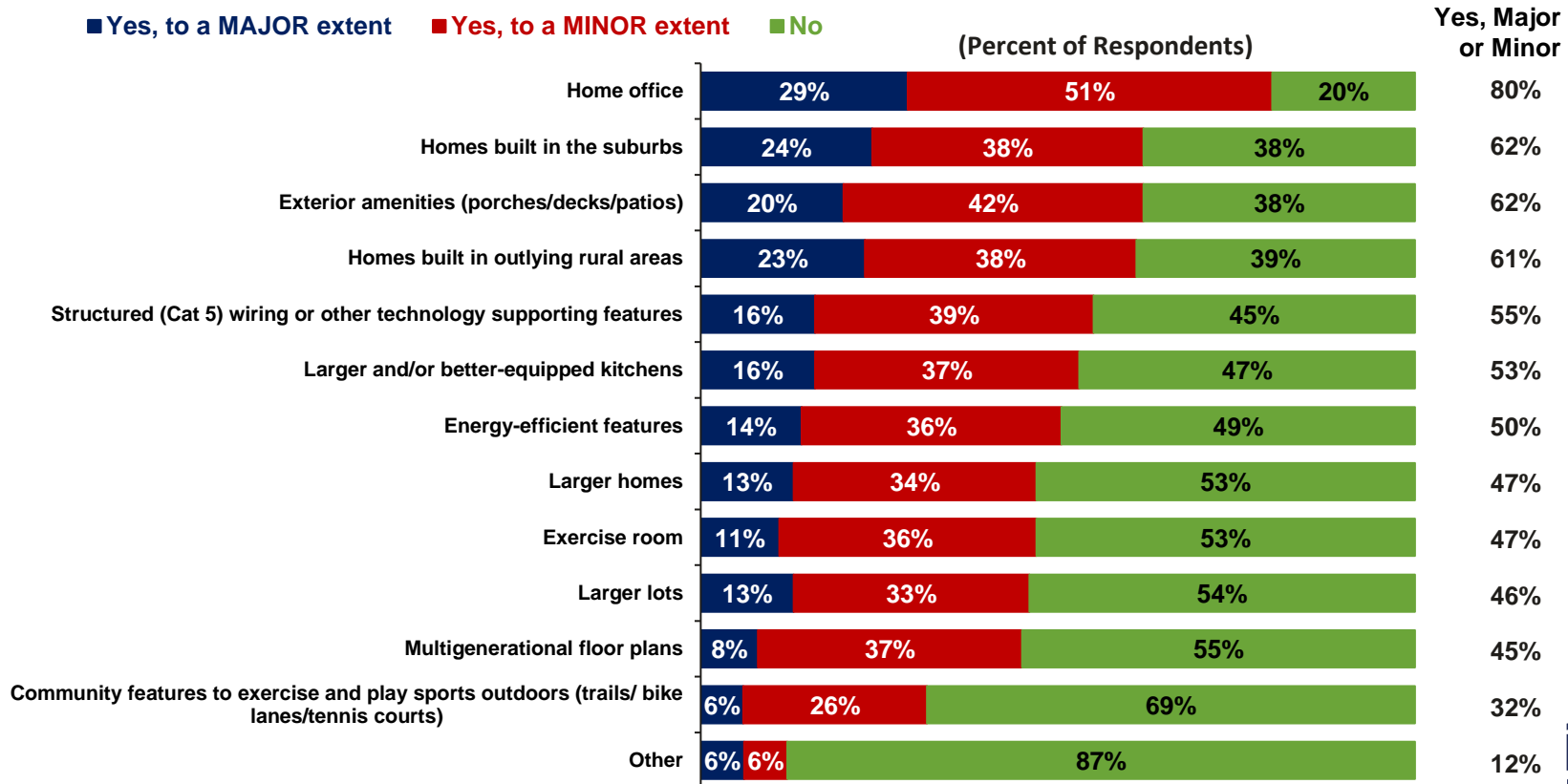
Sales may have to slow to allow building to catch up



Source: NAHB analysis of Census Bureau data

For-sale starts calculated by using quarterly Census data, subtracting for-rent and custom starts, and using reticulated-spline interpolation to transform into seasonally adjusted monthly data

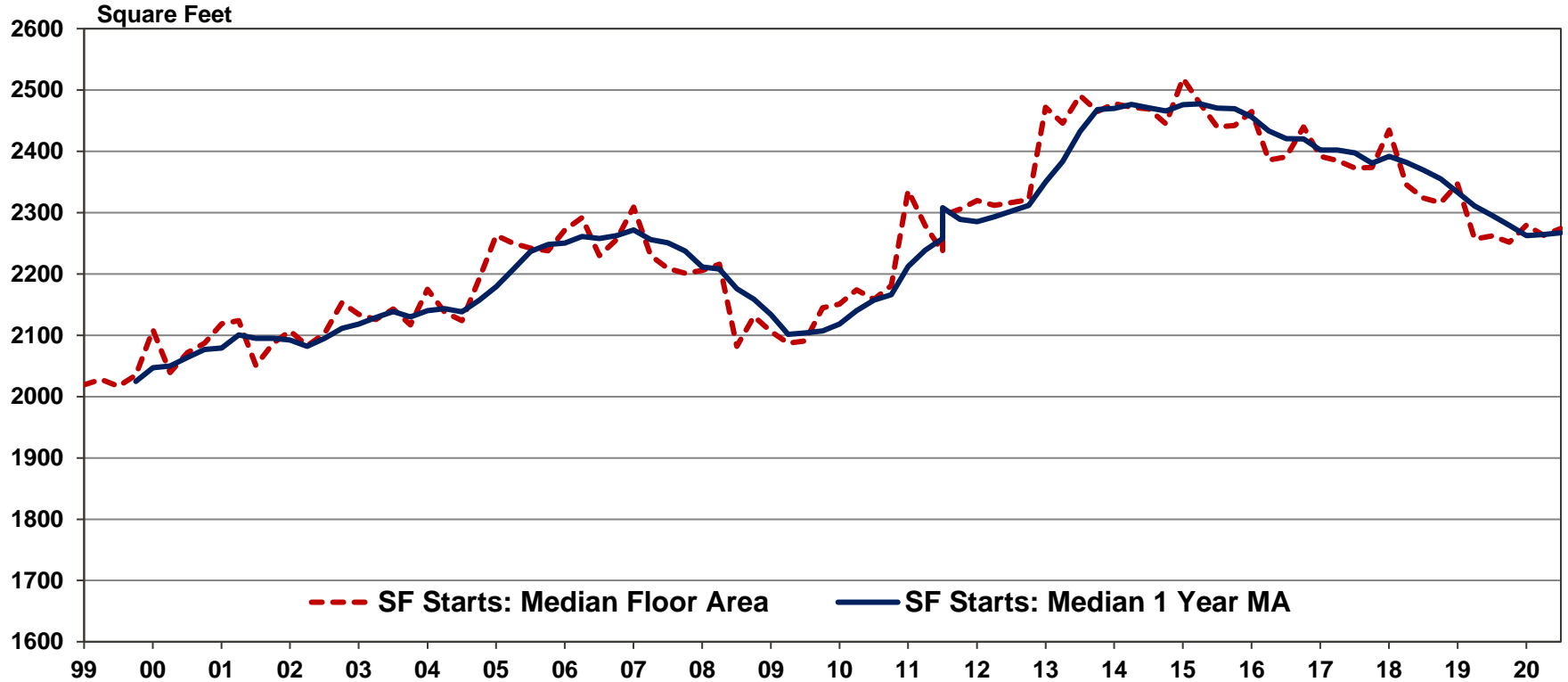
2020 Pandemic Demand Effects as Reported by Builders



Source: NAHB Survey

Typical New Home Size

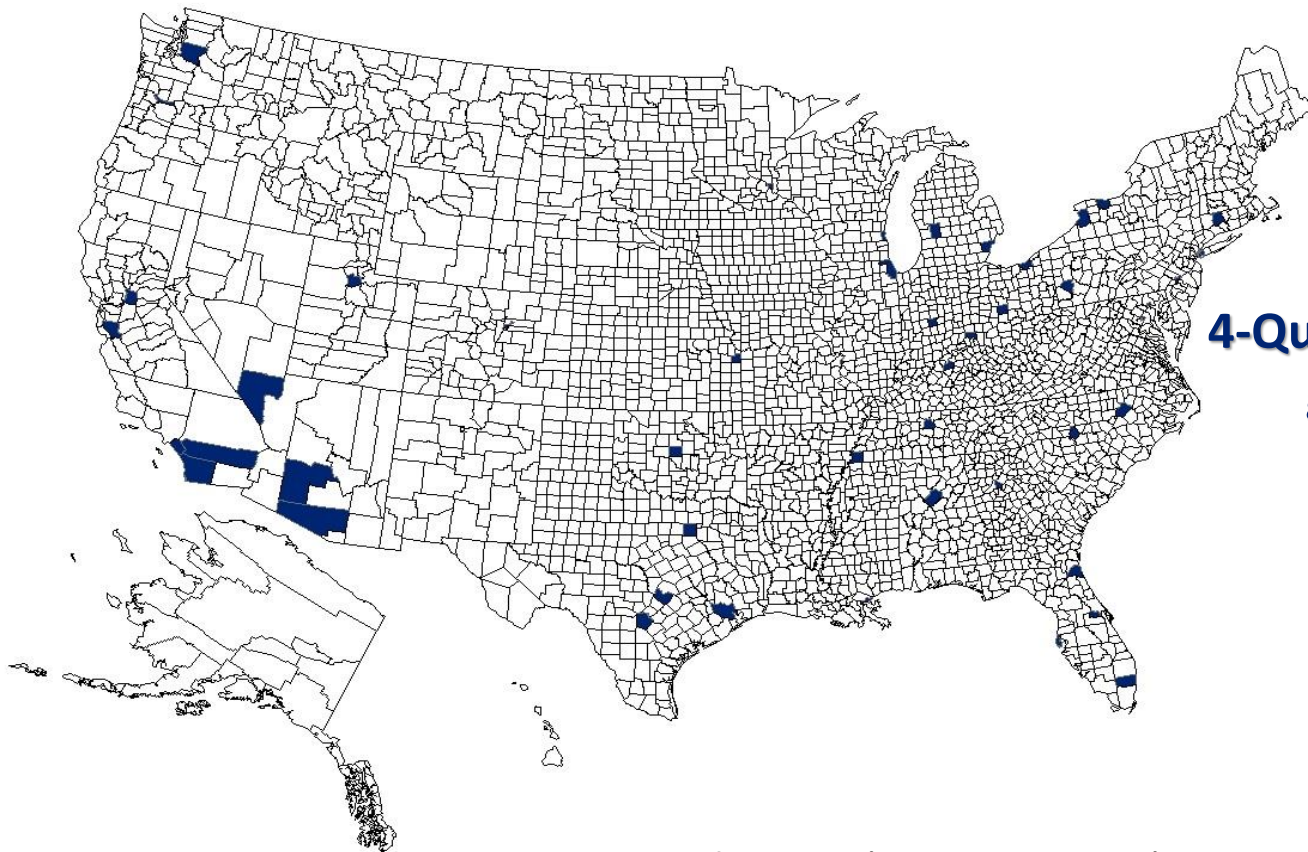
End of declines ahead?



Source: U.S. Census Bureau (BOC)

NAHB Home Building Geography Index

17.2% of single-family construction takes place in Large Metro – Core County

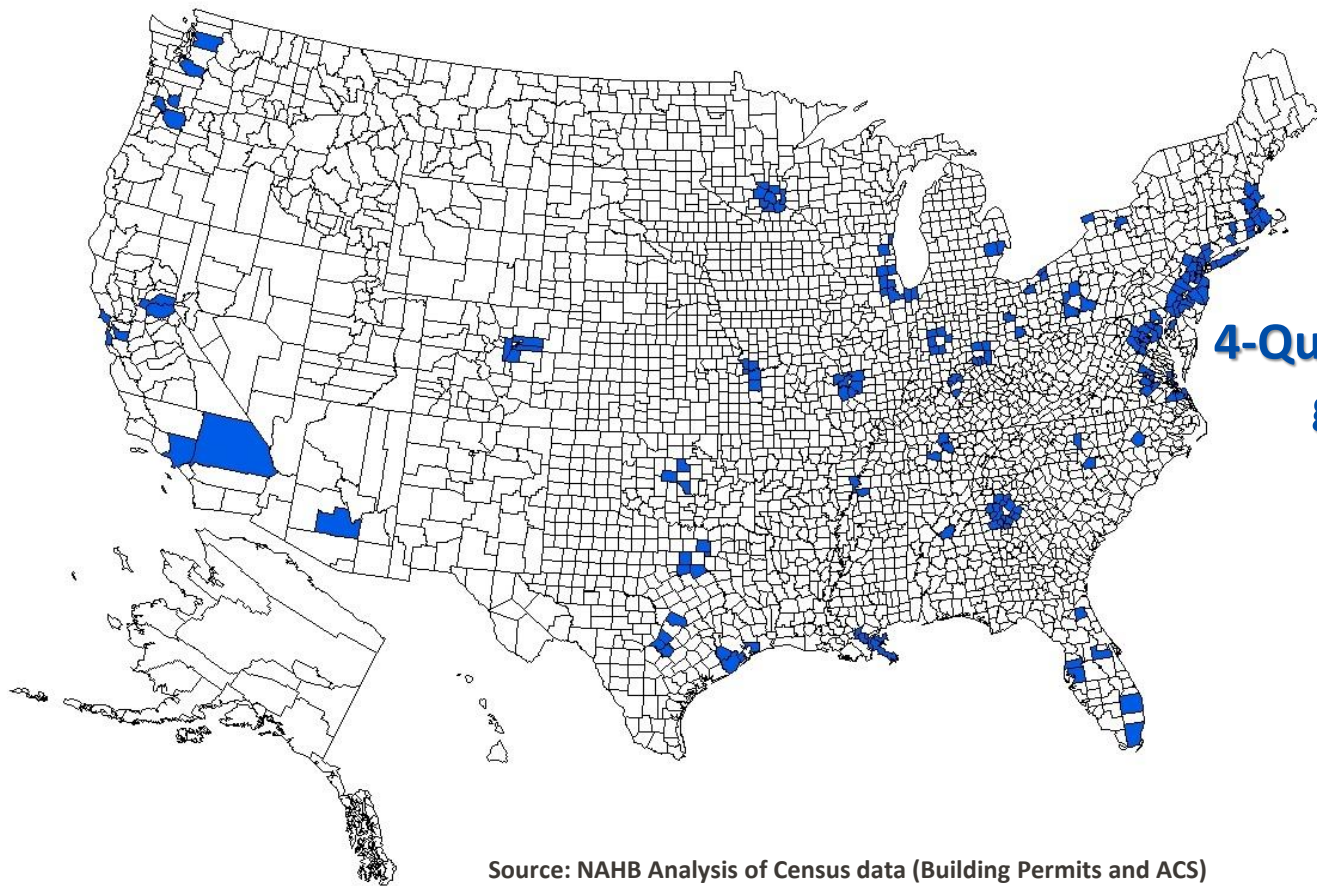


Q3 2020
4-Quarter MA of YoY
growth rate:
5.7%

Source: NAHB Analysis of Census data (Building Permits and ACS)

NAHB Home Building Geography Index

25.5% of single-family construction takes place in Large Metro – Suburban County

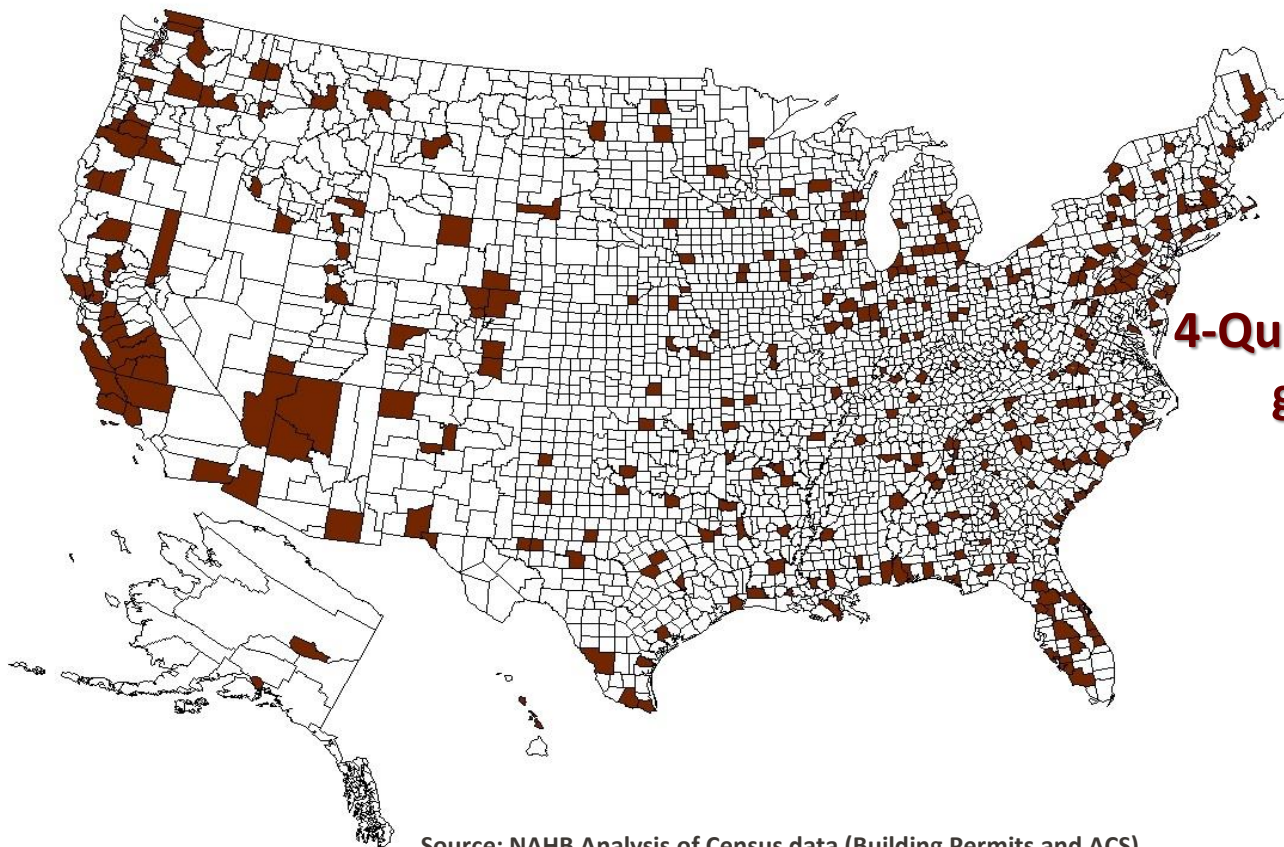


Q3 2020
4-Quarter MA of YoY
growth rate:
10.8%

Source: NAHB Analysis of Census data (Building Permits and ACS)

NAHB Home Building Geography Index

29.4% of single-family construction takes place in **Smaller Metro – Core County**

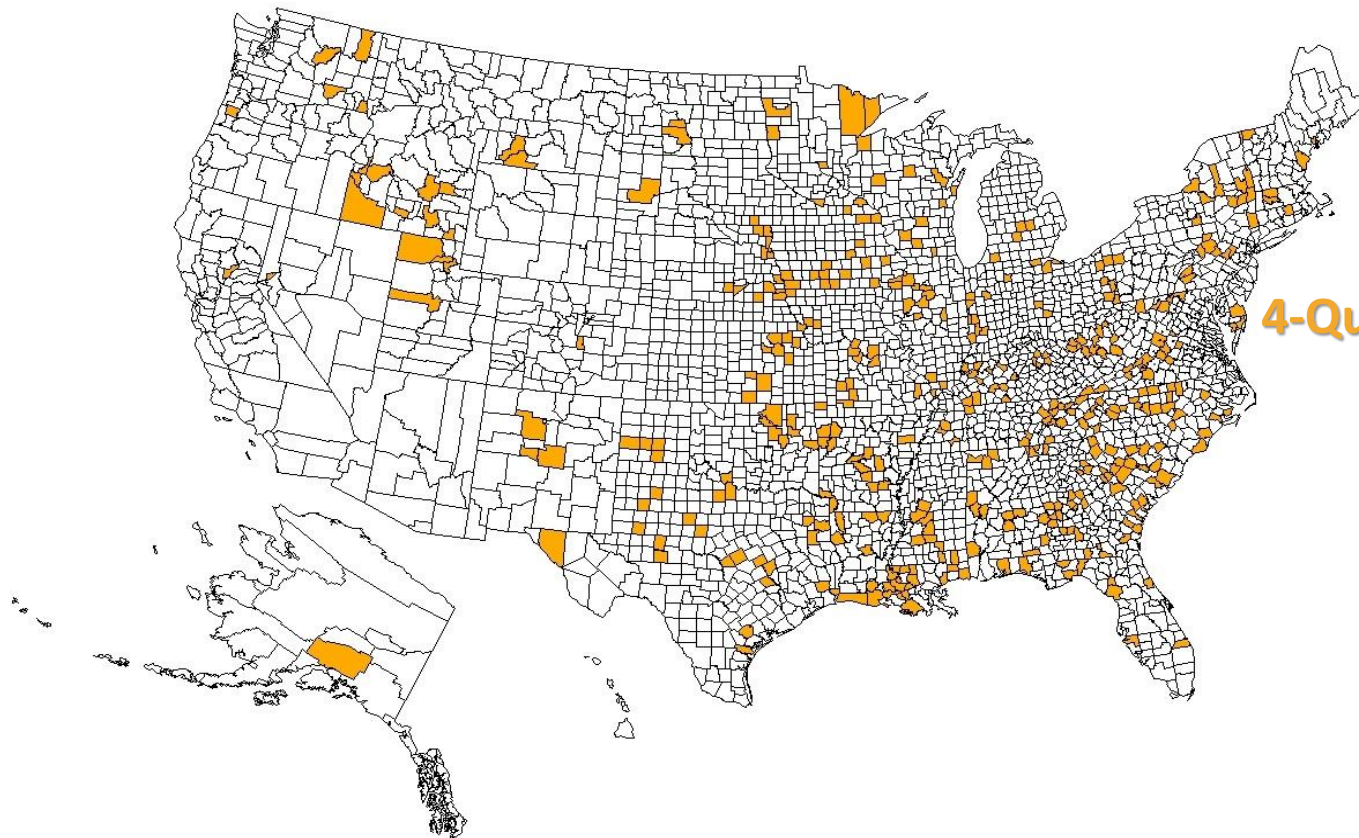


Q3 2020
4-Quarter MA of YoY
growth rate:
12.3%

Source: NAHB Analysis of Census data (Building Permits and ACS)

NAHB Home Building Geography Index

8.9% of single-family construction takes place in **Smaller Metro – Outlying County**

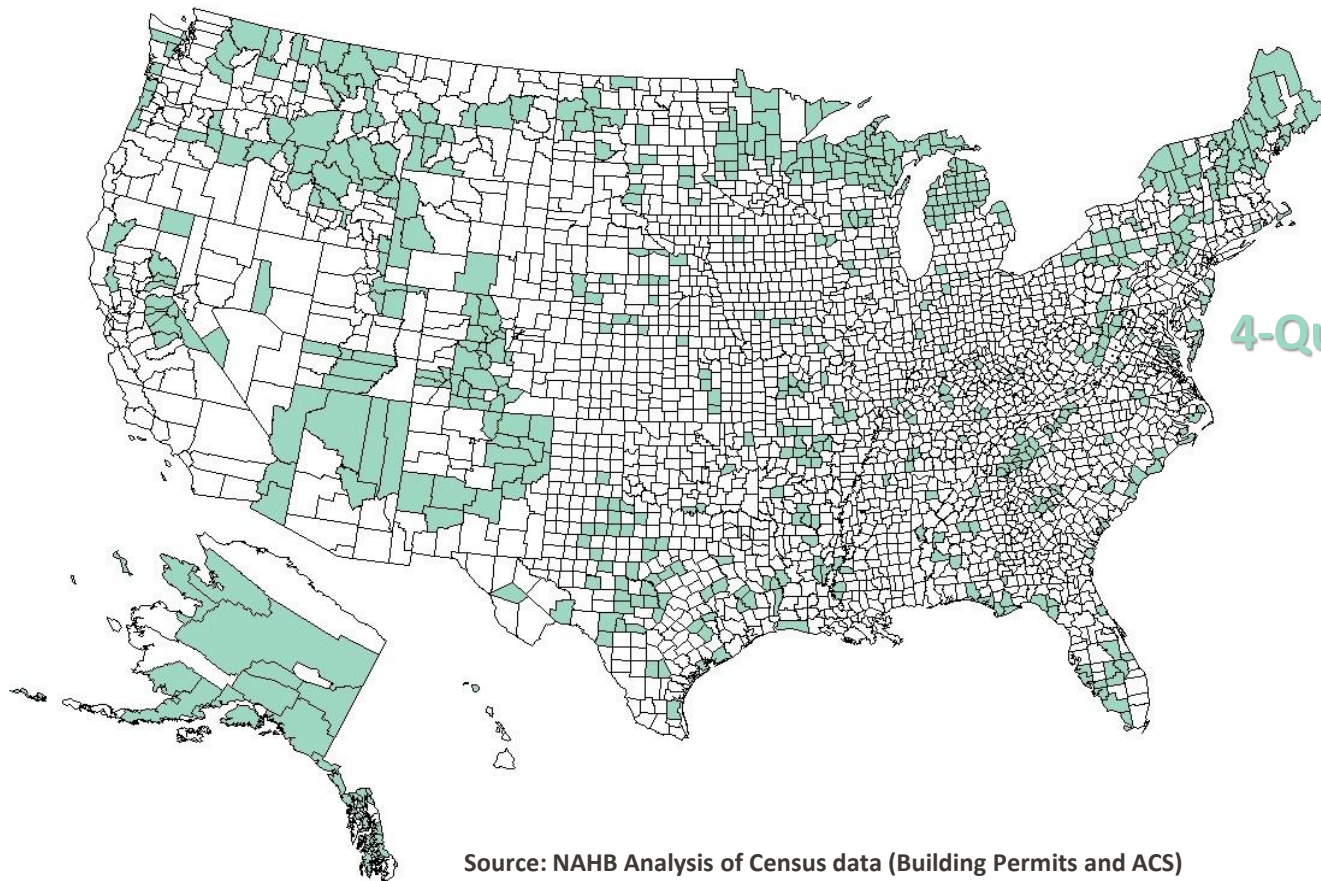


Q3 2020
4-Quarter MA of YoY
growth rate:
15.1%

Source: NAHB Analysis of Census data (Building Permits and ACS)

NAHB Home Building Geography Index

9.9% of single-family construction takes place in **Second Home Counties**

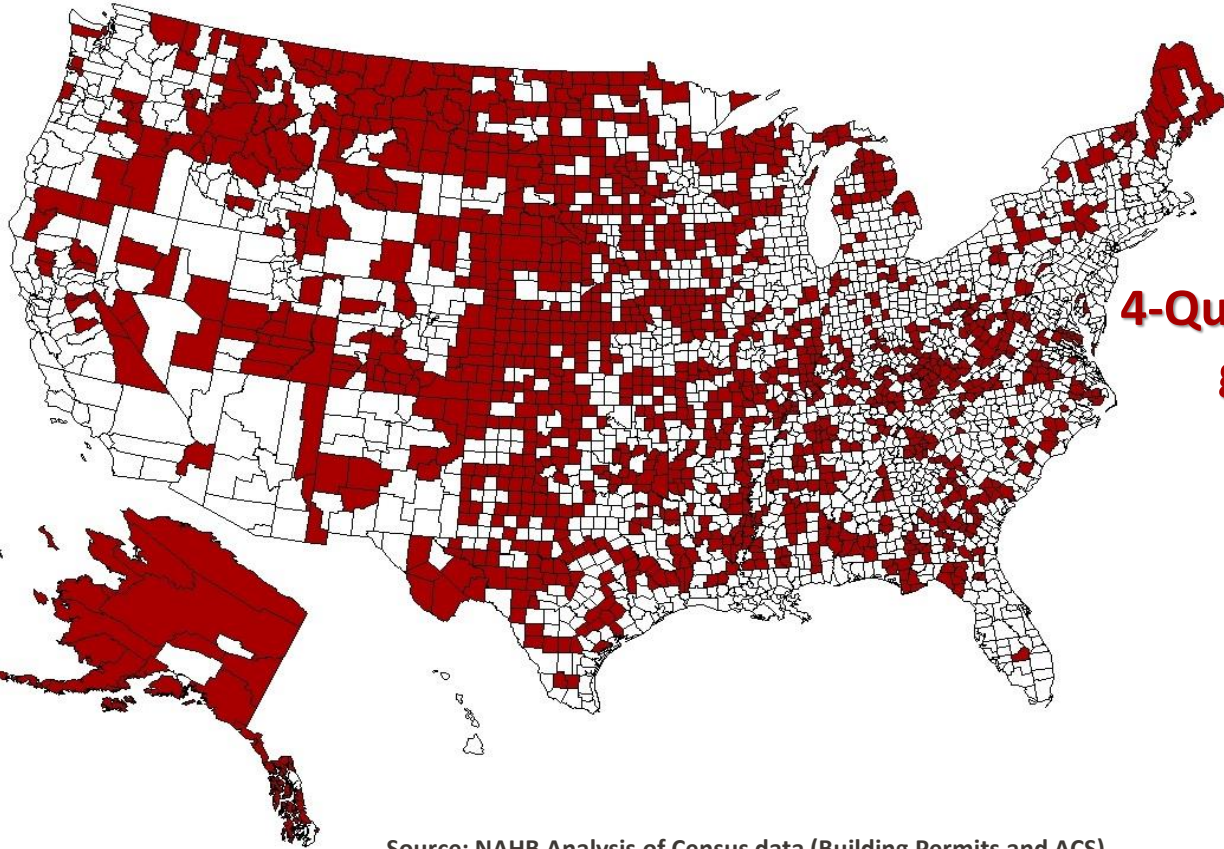


Q3 2020
4-Quarter MA of YoY
growth rate:
13.6%

Source: NAHB Analysis of Census data (Building Permits and ACS)

NAHB Home Building Geography Index

4.1% of single-family construction takes place in **Non Metro/Micro County**

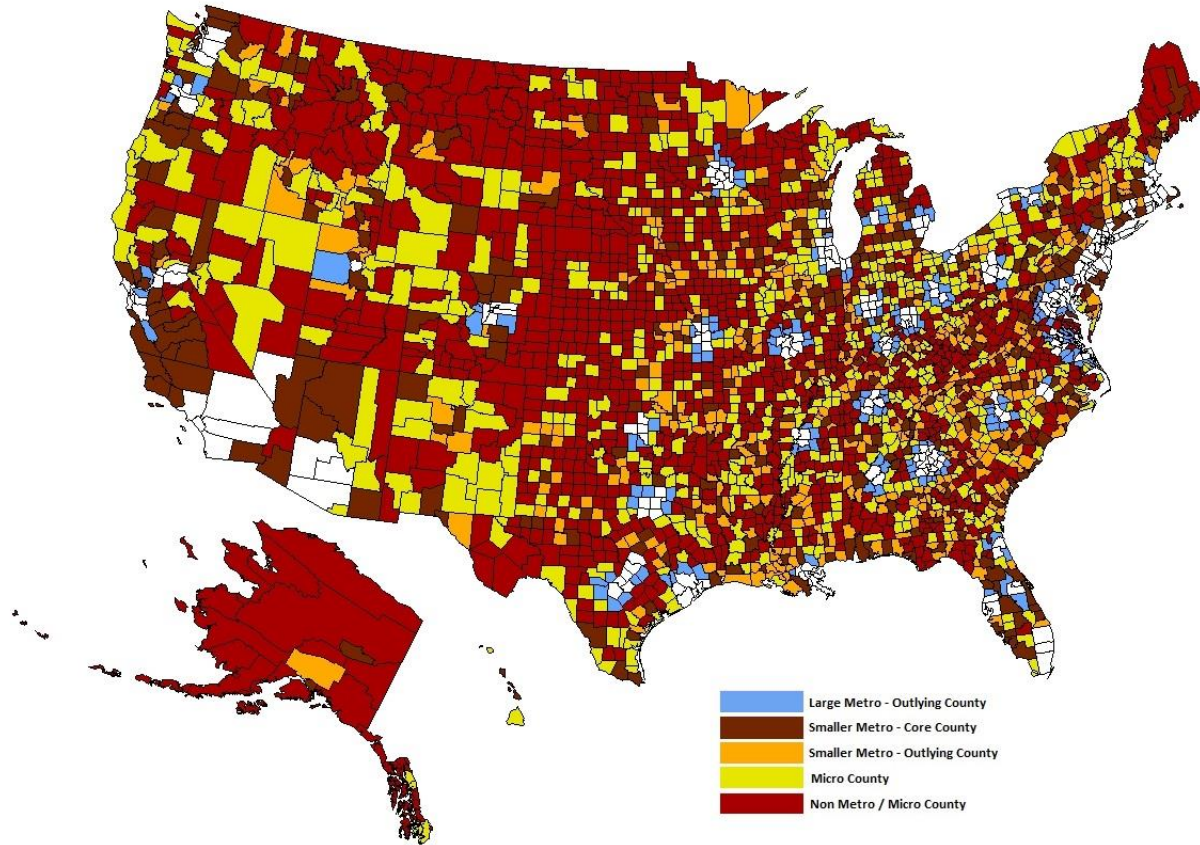


Q3 2020
4-Quarter MA of YoY
growth rate:
10.0%

Source: NAHB Analysis of Census data (Building Permits and ACS)

34% Multifamily Construction in Low Density Markets

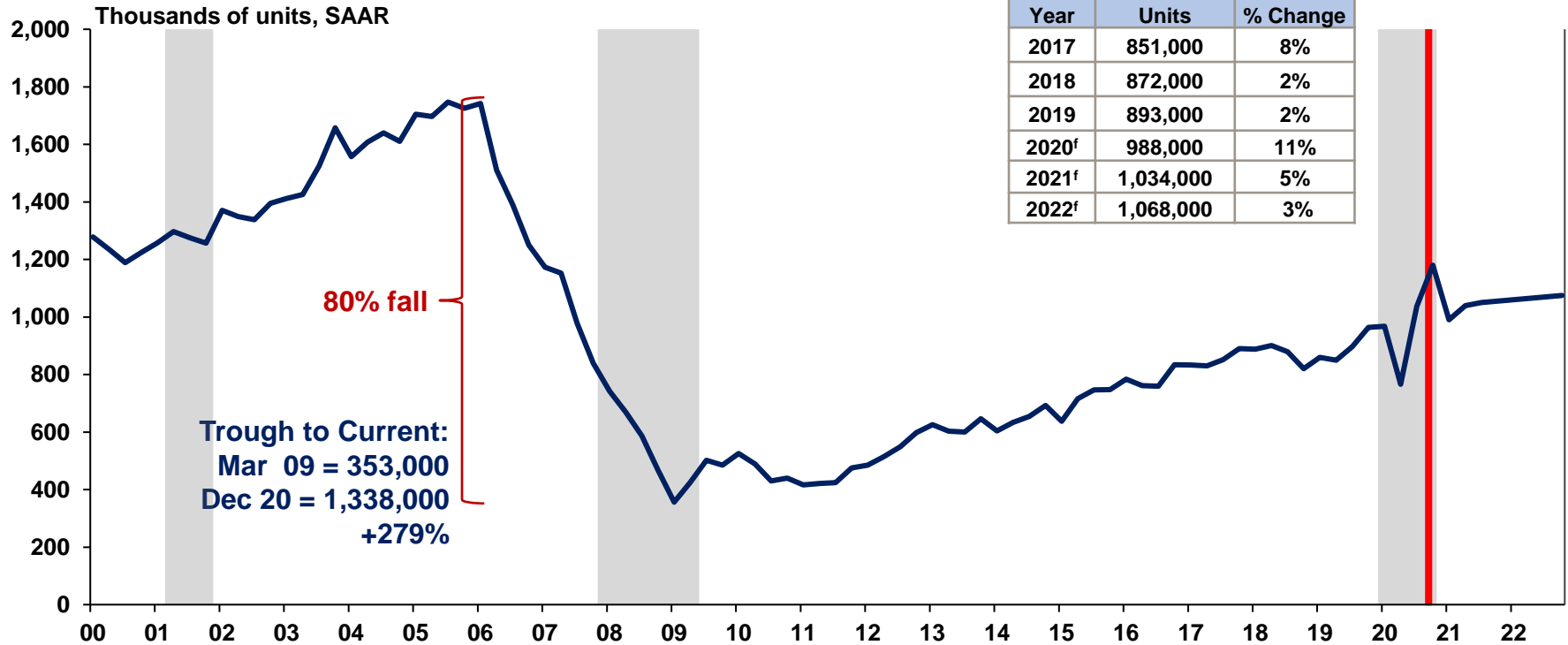
These areas have outpaced higher density markets over the last four quarters



Source: NAHB Analysis of Census data (Building Permits and ACS)

Single-Family Starts

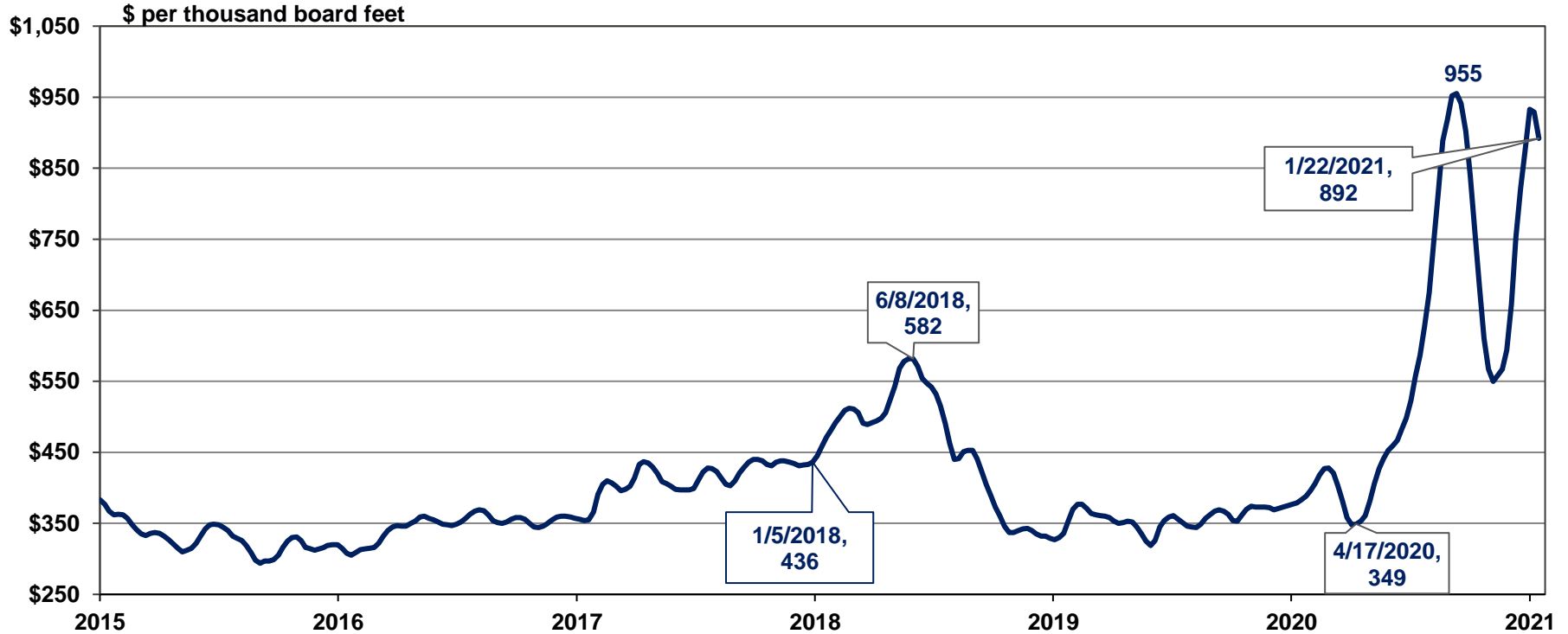
Choppy growth ahead, moving back to long-run trend



Source: U.S. Census Bureau (BOC) and NAHB forecast

Building Materials – Lumber Prices

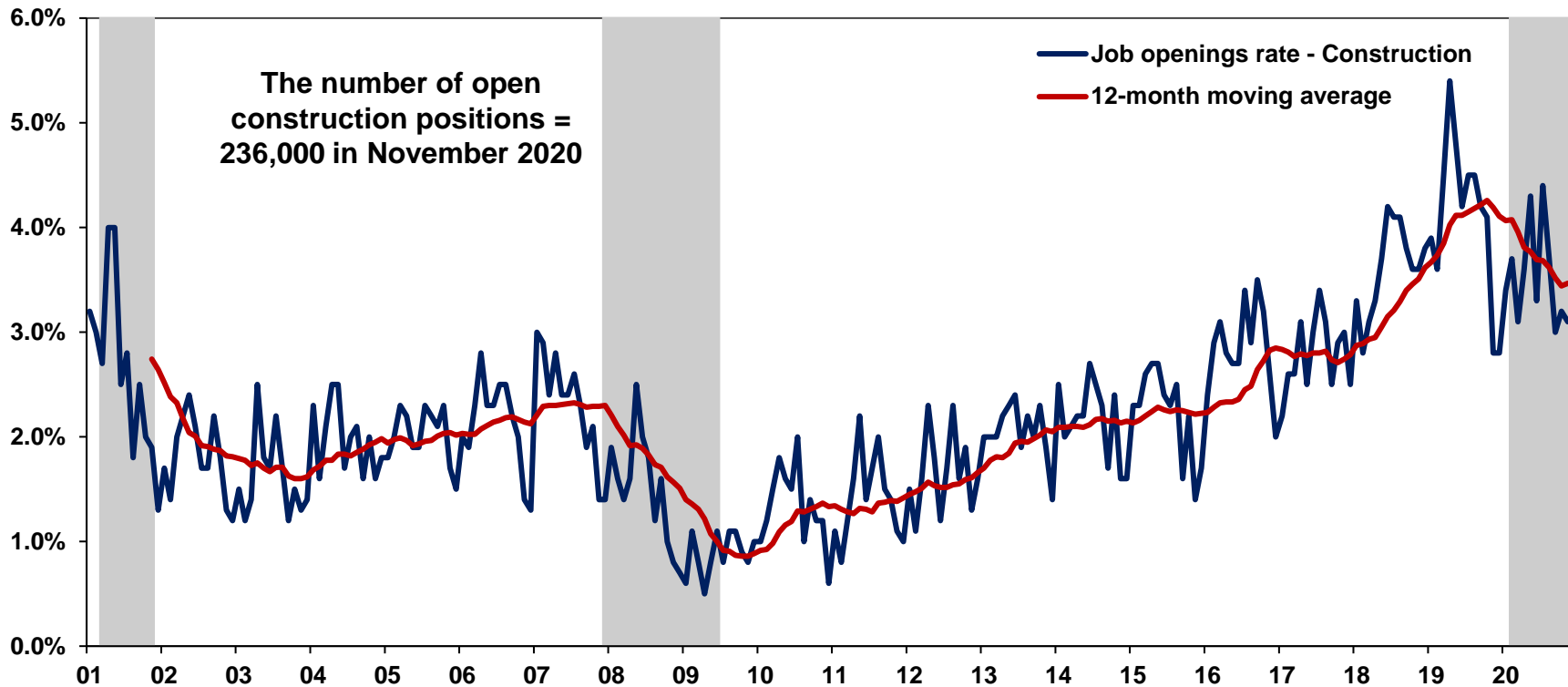
Current January price \$892; up 156% since mid-April but 7% lower than Sept. 18th



Source: NAHB Analysis; Random Lengths Composite Index

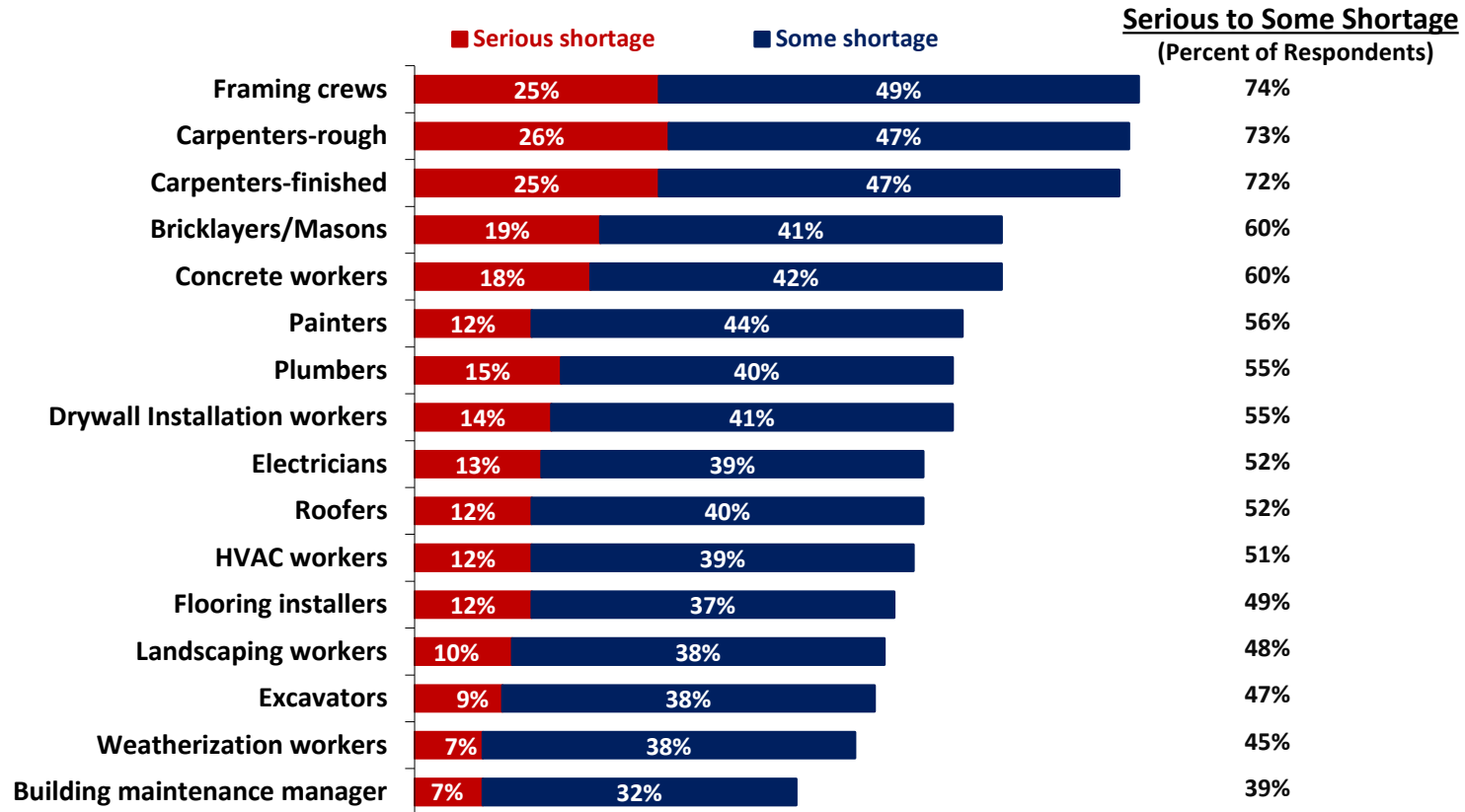
Labor - Construction

Skilled labor shortage persists



Source: U.S. Bureau of Labor Statistics (BLS).

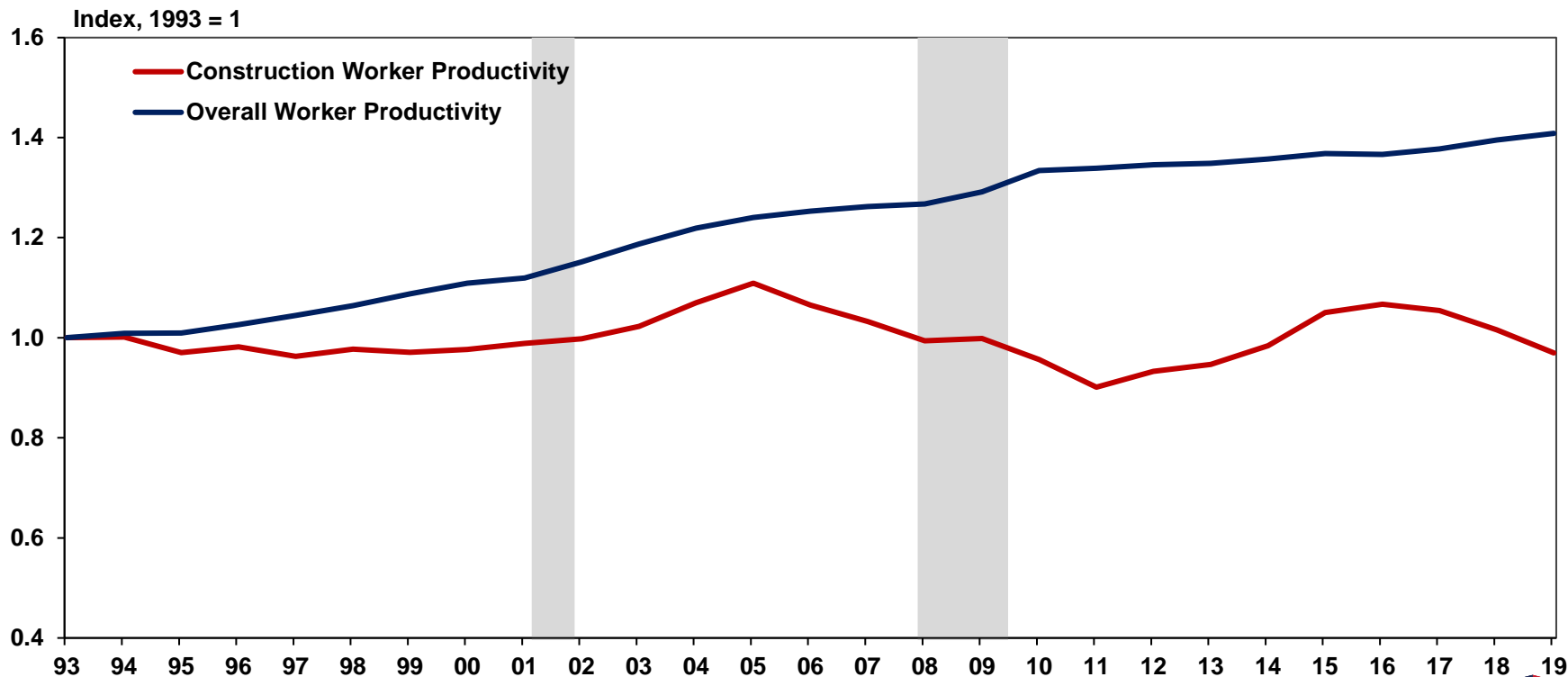
Builders Reporting Shortages of Labor



Source: NAHB/Wells Fargo Housing Market Index (HMI)

Construction Sector Productivity

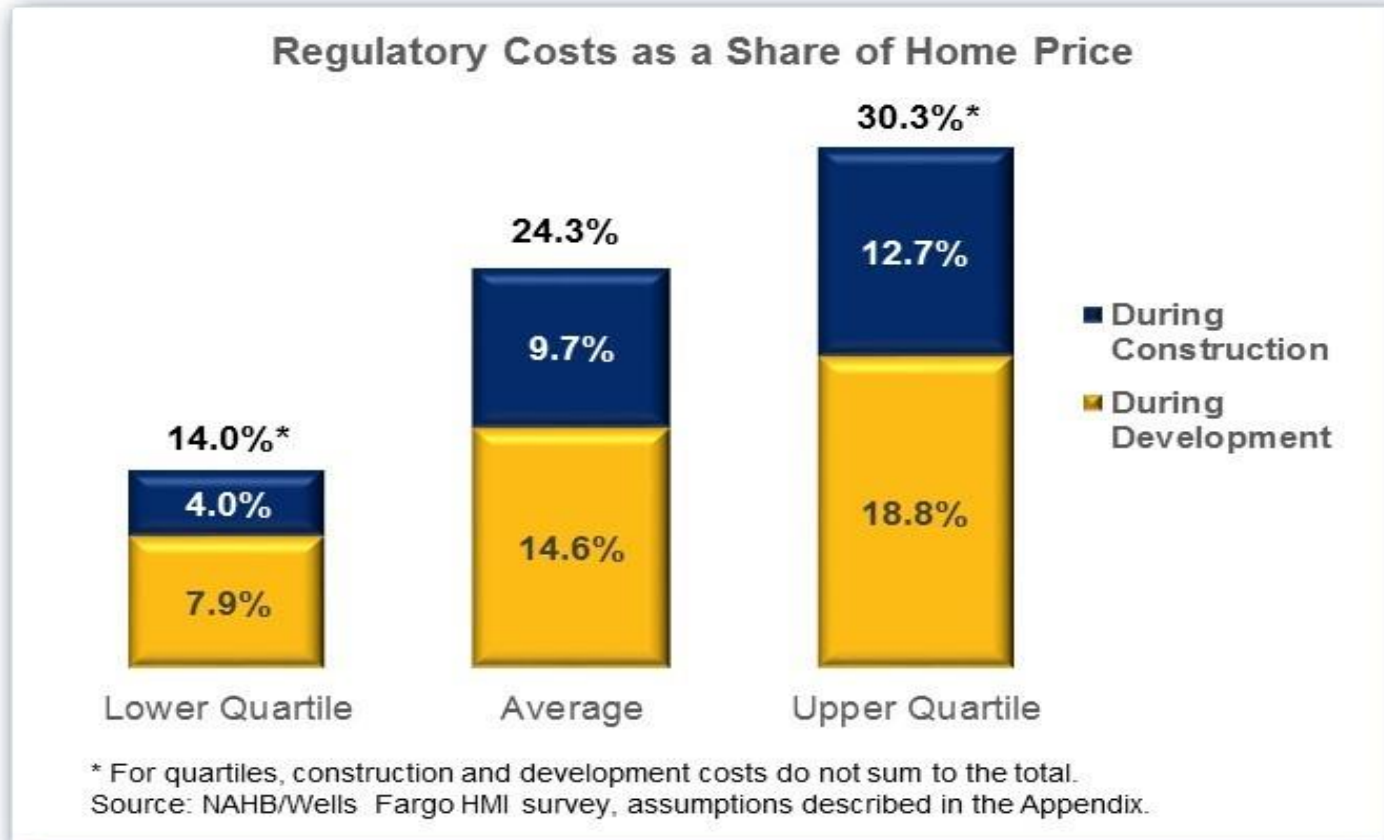
Flat over last 25 years --- need to raise worker productivity



Source: U.S. Bureau of Labor Statistics (BLS).

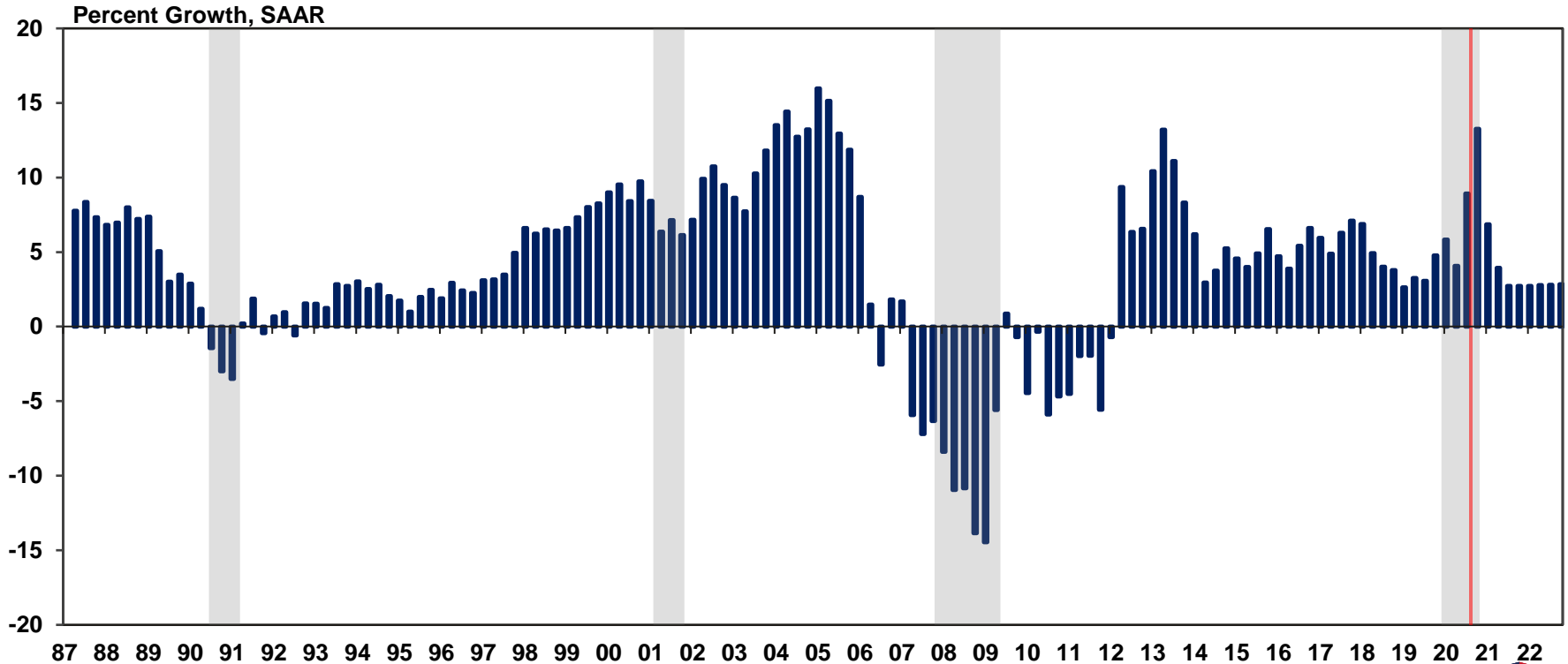
Regulatory Costs Rising – Up 29% Over 2011-2016

Total effect of building codes, land use, environmental and other rules



2020 Price Gains Due to Historically Low Inventory

Every \$1,000 increase in home cost prices out approximately 159,000 households

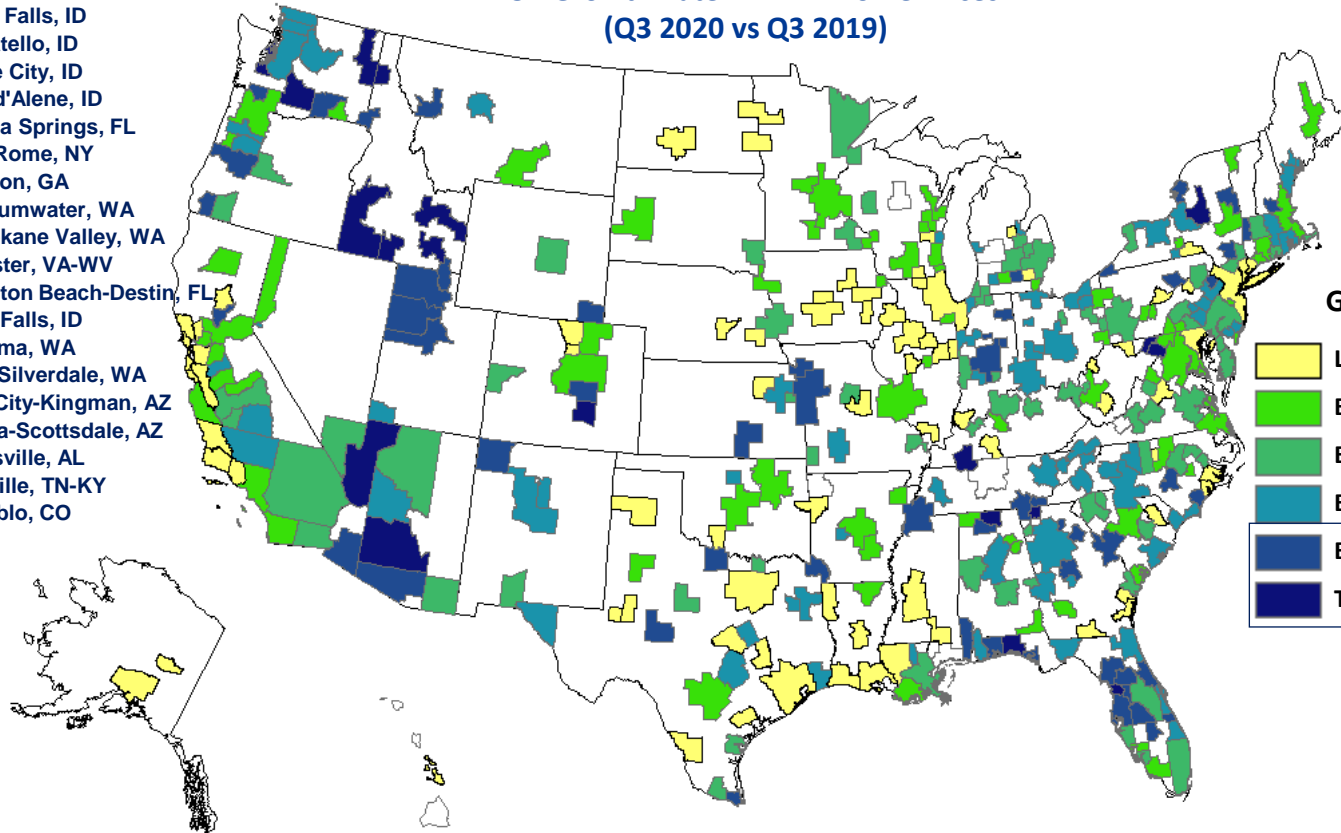


Source: NAHB forecast and S&P Dow Jones Indices LLC; CoreLogic, Inc..

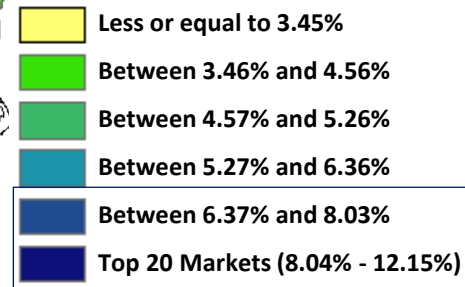
Top 20 Markets for Home Price Growth

YOY Growth Rate in FHFA Home Prices
(Q3 2020 vs Q3 2019)

- Cumberland, MD-WV
- Idaho Falls, ID
- Pocatello, ID
- Boise City, ID
- Coeur d'Alene, ID
- Homosassa Springs, FL
- Utica-Rome, NY
- Dalton, GA
- Olympia-Tumwater, WA
- Spokane-Spokane Valley, WA
- Winchester, VA-WV
- Crestview-Fort Walton Beach-Destin, FL
- Twin Falls, ID
- Yakima, WA
- Bremerton-Silverdale, WA
- Lake Havasu City-Kingman, AZ
- Phoenix-Mesa-Scottsdale, AZ
- Huntsville, AL
- Clarksville, TN-KY
- Pueblo, CO

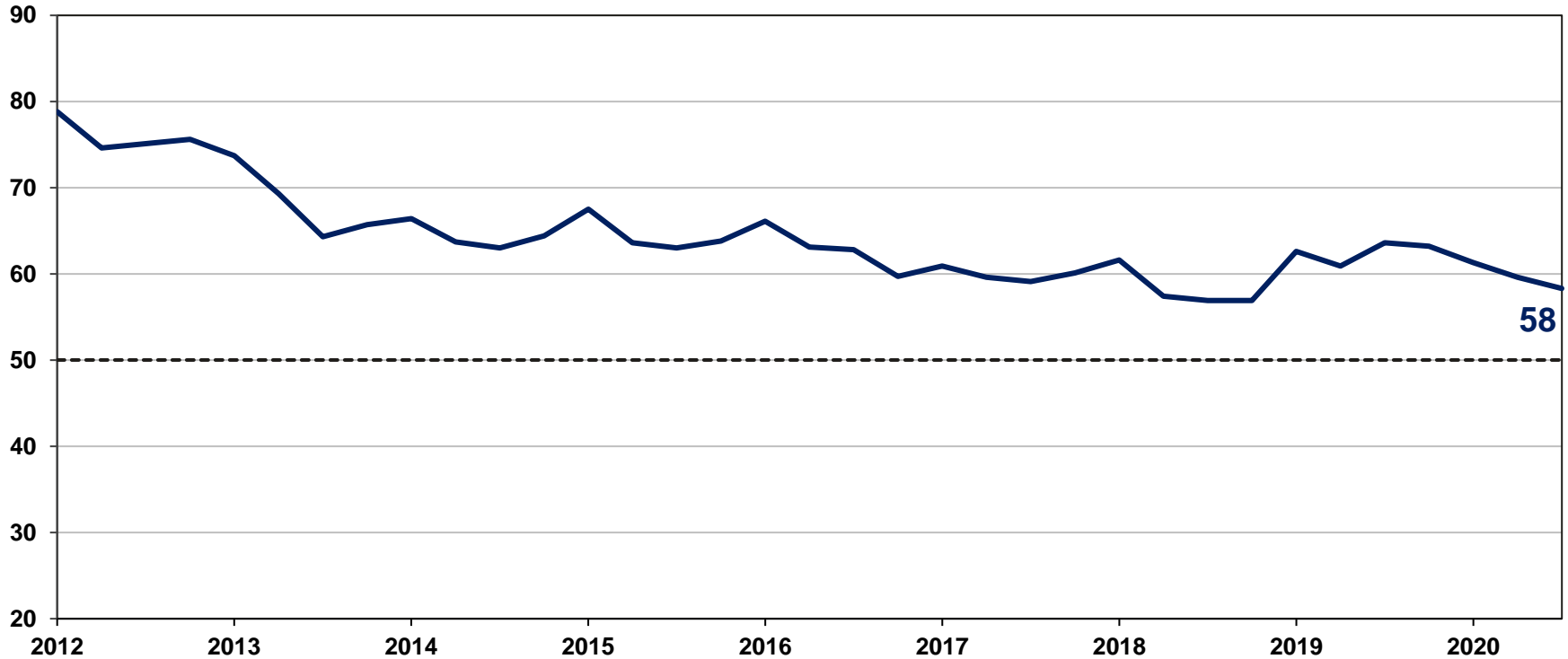


Growth Rate by Quintile



Source: U.S. Census Bureau (BOC)

Housing Affordability – NAHB/Wells Fargo HOI

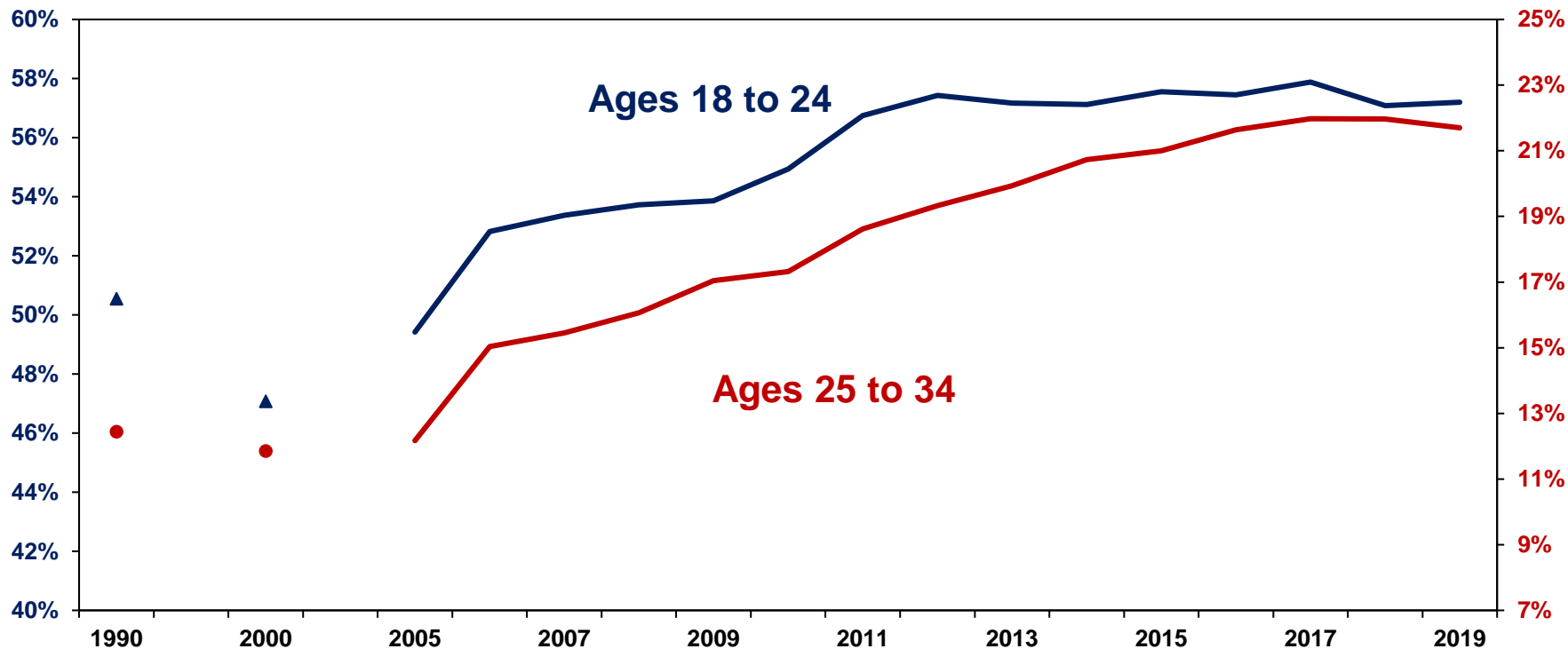


Source: NAHB/Wells Fargo Housing Opportunity Index (HOI).

*The Department of Housing and Urban Development's original estimates of median family income for 2020 were developed prior to the COVID-19 pandemic. To account for the pandemic's effects, the HUD estimates were reduced consistent with NAHB's economic forecast for 2020. As a result, the 2020 median income estimates used in the HOI calculations are 7.1 percent lower than the initial 2020 estimates from HUD.

Share of Young Adults Living with Parents

Almost doubled but was leveling off before 2020 downturn

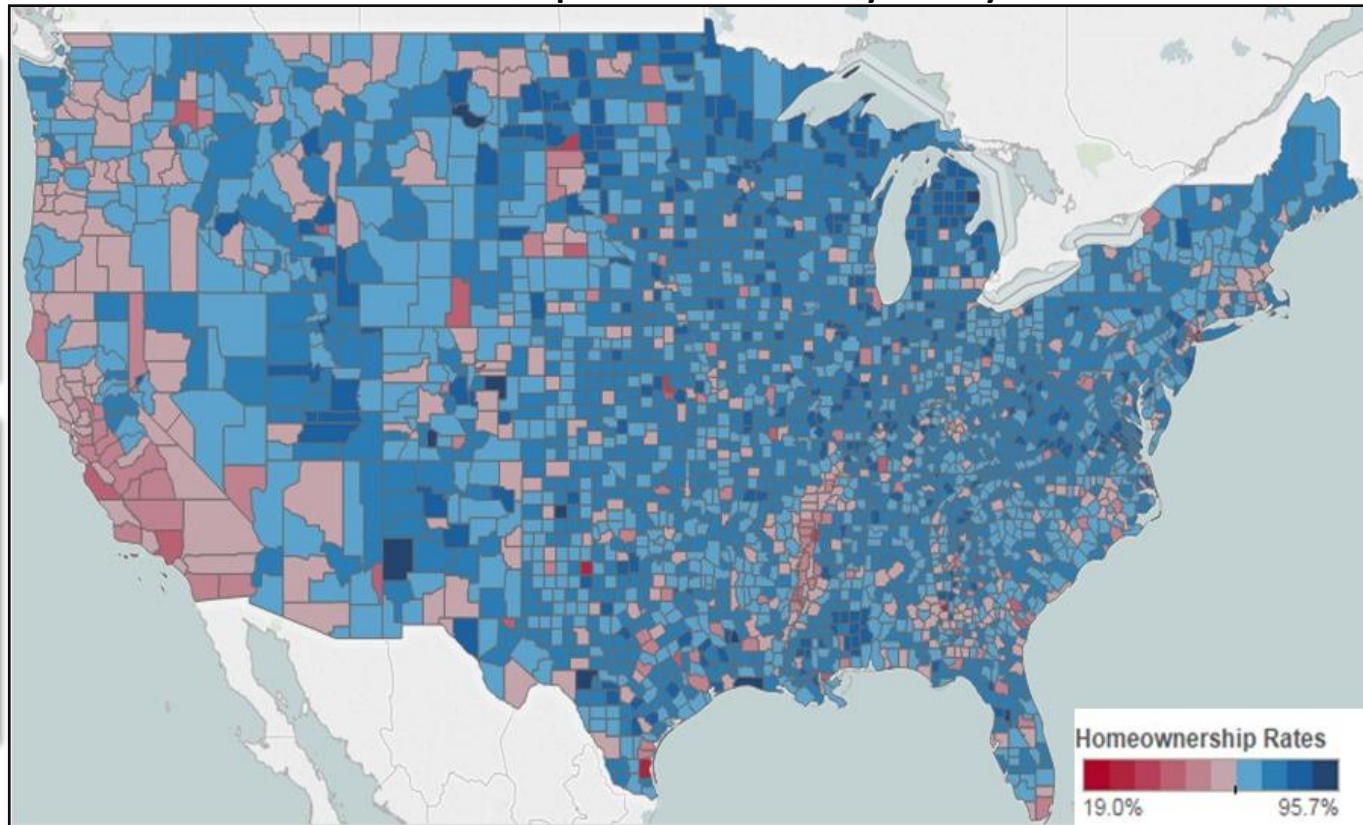
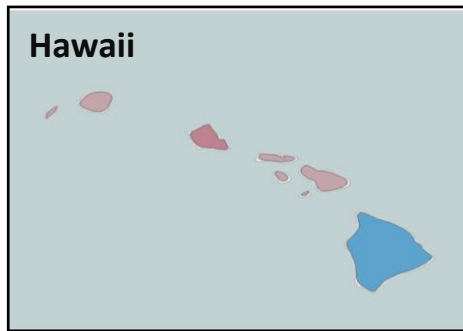
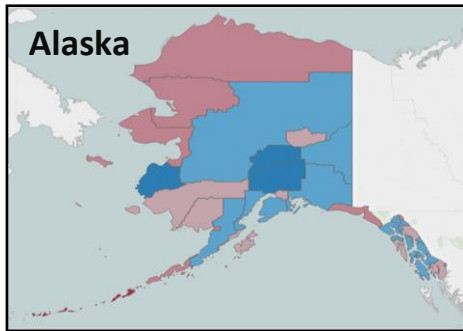


Source: US Census 1990, 2000, PUMS, 2005-2018 ACS, PUMS, and NAHB Estimates

Geography of Homeownership

Large metro markets have challenges

Homeownership Rates in the U.S. by County

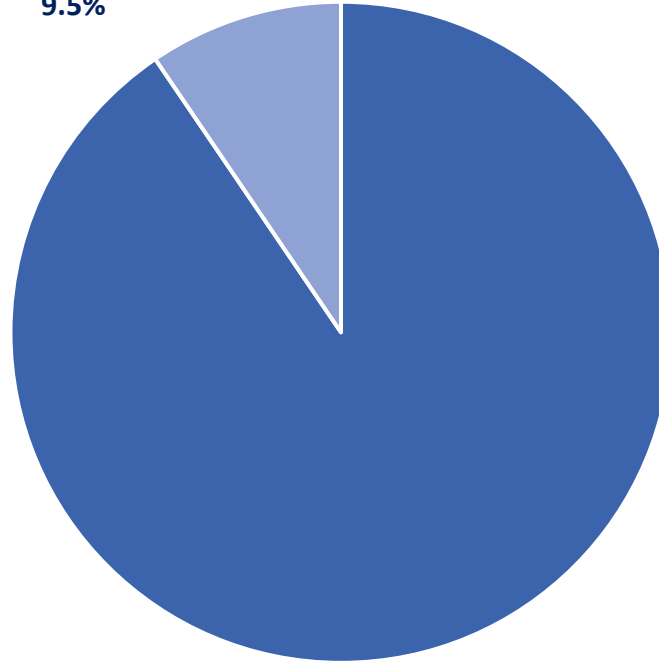


Source: 2013-2017 American Community Survey 5-Year Estimates

Lifetime Homeownership Rates – NAHB Research

A reminder that most households need access to rental and for-sale housing

Share Who Have Never Owned a Home
9.5%



Lifetime Homeownership
Rate
90.5%

Source: The National Longitudinal Survey of Youth and NAHB Analysis.

Thank you

Questions?

rdietz@nahb.org

@dietz_econ



Economic Leadership Sponsor



Home Mortgage

eyeonhousing.org
housingeconomics.com

A nighttime cityscape featuring a dense cluster of illuminated skyscrapers and a complex highway interchange in the foreground. The scene is lit with a mix of warm yellow and cool blue tones, creating a vibrant urban atmosphere.

NCSHA HFA Institute Washington and Market Updates

Florence Zeman, Moody's Investors Service

February 1, 2021

Access is everything™



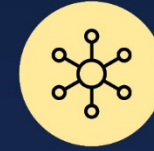
Expertise

A comprehensive view of the global markets through our ratings and research.



Credibility

Over 100 years of experience delivering forward-looking, independent, stable and transparent opinions.



Engagement

Meaningful interactions across multiple channels between our analysts and market participants.



Agenda

1. Market impact on existing portfolio performance
2. Challenges to new loan financings

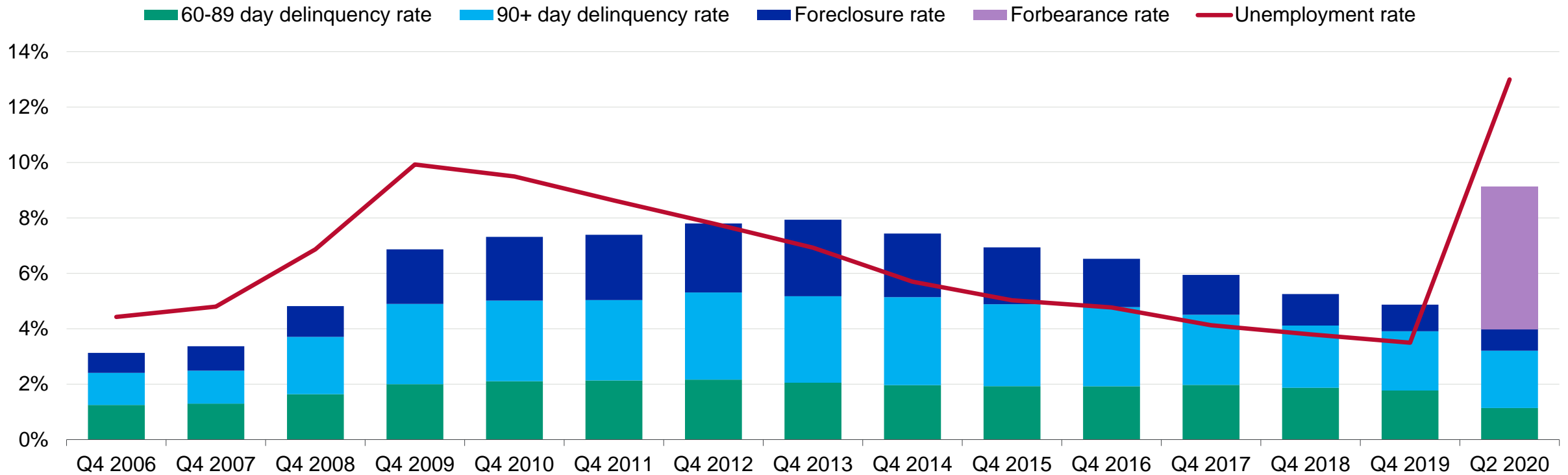
1

Existing portfolio
performance

Unemployment a risk for HFA loan performance

Modifications, foreclosure prevention & foreclosure costs hit bottom line

Loan nonpayment rose substantially in 2020



Note: About 20% of HFAs' whole-loan programs that we rate incorporate loans in forbearance into their delinquency statistics, inflating the delinquency numbers for Q2 2020.

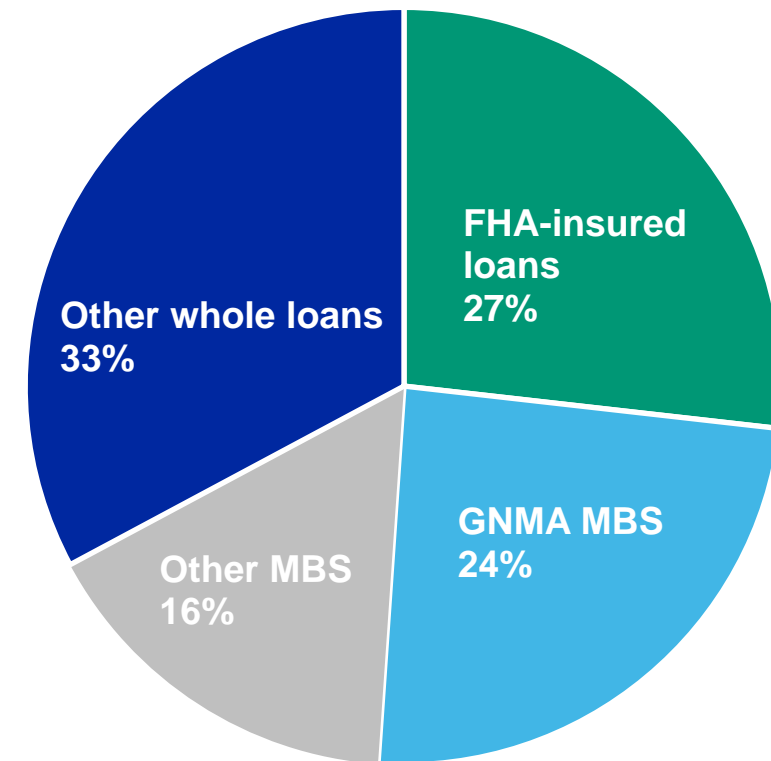
Sources: Moody's HFA Surveys, Moody's Investors Service

HFAs well positioned to deal with delinquencies

This is a health not a housing crisis

- » A flood of foreclosures is not expected to drive down prices dramatically
 - Housing prices are strong -- short sales may be a better option than foreclosures
 - Programs such as FHA Partial Claim program will keep people in their homes
 - There is a playbook
- » HFA portfolios are better protected against loan losses with more MBS and deep levels of FHA insurance
- » Stimulus programs benefit housing

Over half of HFA single family portfolio is MBS or FHA insured



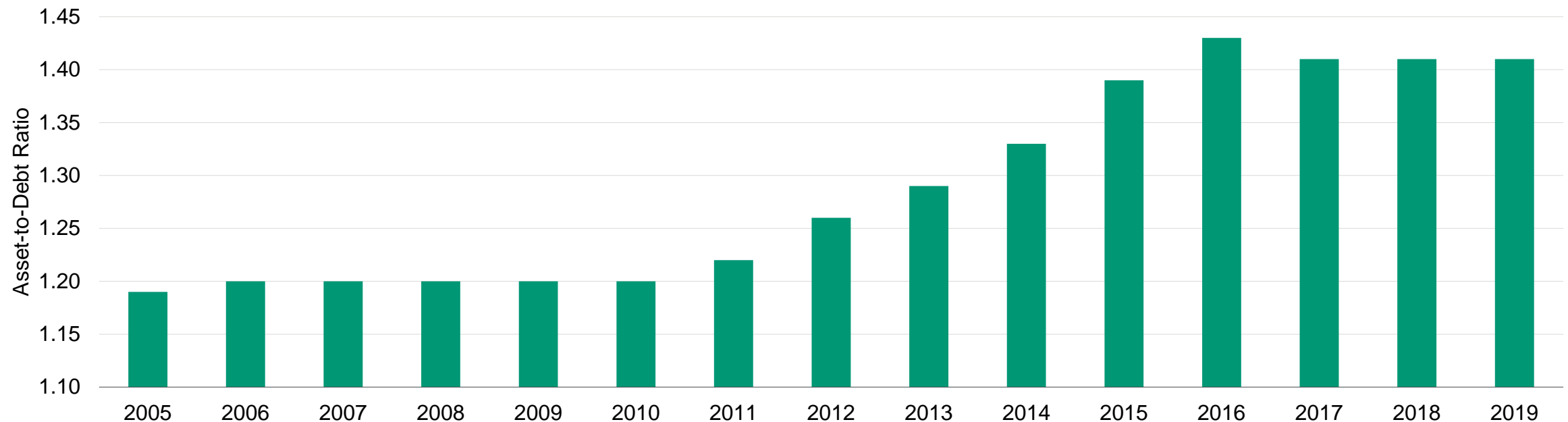
Source: Moody's Investors Service, HFA Surveys

HFAs financial positions can absorb losses

Asset to debt ratio stronger than in the last crisis

- » HFA net asset positions allow them to absorb losses without impairing their credit profile
- » Income from financing new loans offset loan losses

HFA Asset-to-Debt Ratio has grown significantly



Source: Moody's Investors Service

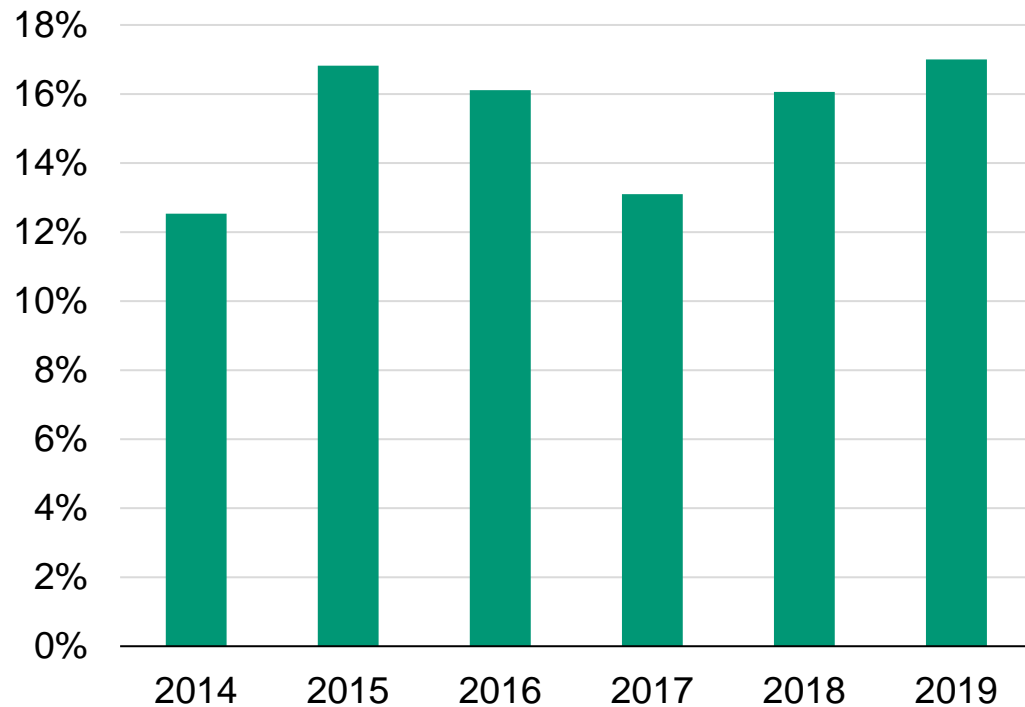
2

New loan financing

New loan financing drives HFA credit profile

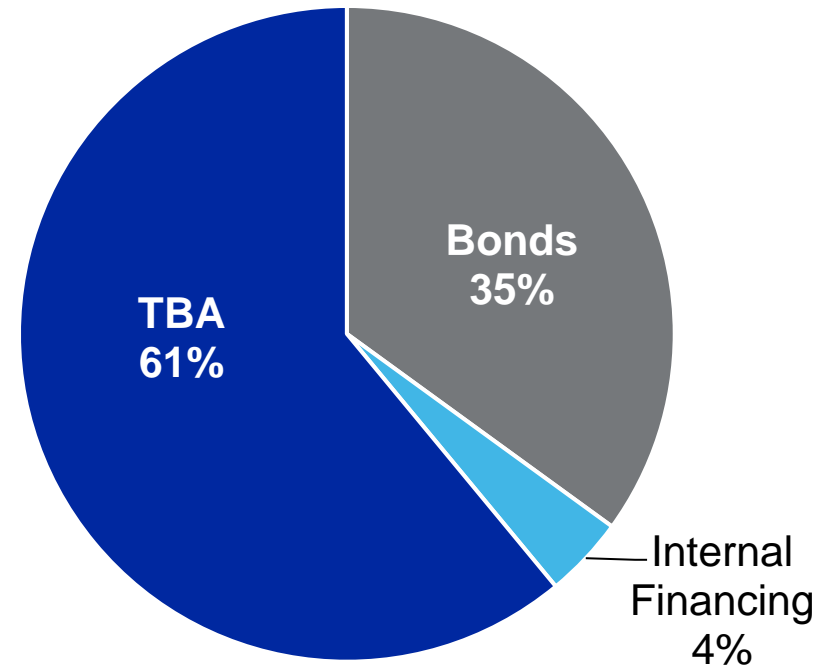
HFA margins grew as HFA expanded their financing options

HFA Margins remain steady



Source: Moody's Investors Service

HFA use a variety of financing tools for loans



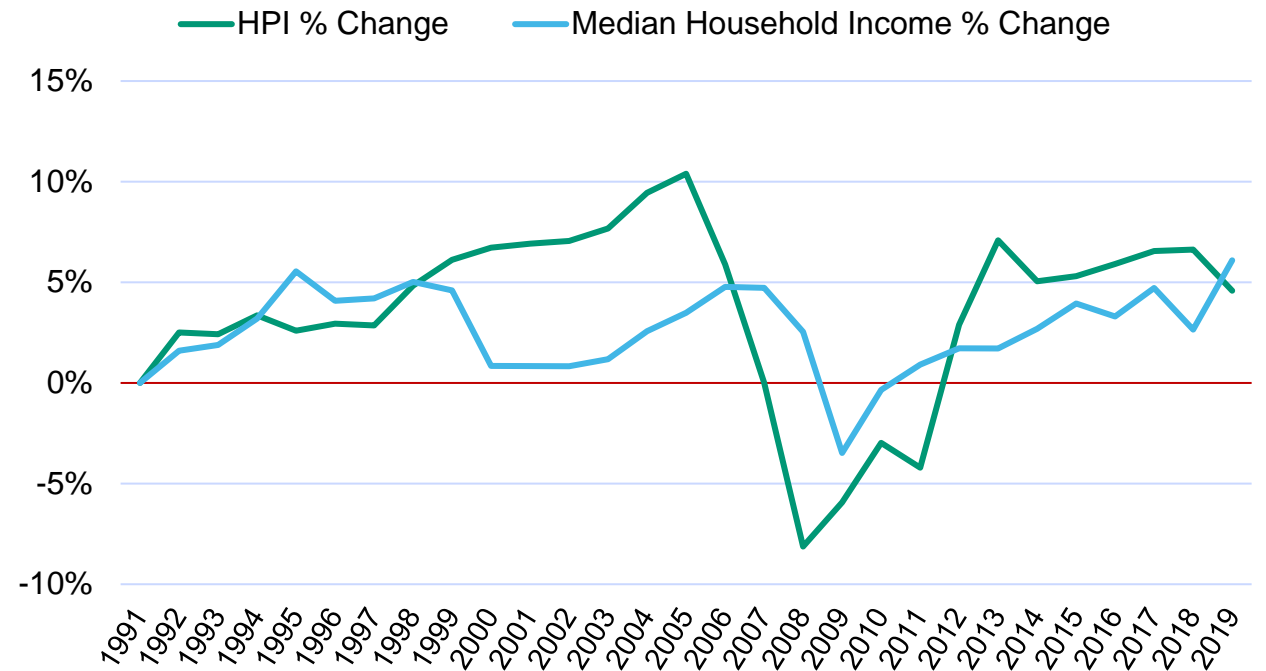
Source: Moody's Investors Service

Strong housing market challenges affordability

Low mortgage rates help but headwinds remain

- » There is a limited supply of affordable single family homes for sale
 - Home prices greatly outpaced median incomes
 - Pandemic further limited available supply
- » Rent delinquencies which impacts credit eligibility is concentrated at lower incomes

The Housing Price Index has increased more rapidly than Median Household Income



Note: Median Household Income is inflation adjusted
Source: Moody's Investors Service, www.census.gov

HFAs are ready to address challenges

HFAs use new and existing tools to further mission

- » HFAs see record levels of loan financing – even through a pandemic
- » The bond market and TBA continue to offer good options for HFA
- » Down payment assistance (DPA) programs along with low rates make monthly payments more affordable
 - Over 75% of HFA loans use DPA
- » HFAs work with federal, state and municipal entities to offer borrowers options

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