HOUSING OPPORTUNITY CONFERENCE

Opening Keynote: The State of US Housing Markets

DARYL FAIRWEATHER
REDFIN

DANA SCHOEWE
RCLCO

FEBRUARY 20, 2024

REDFIN

Urban Land Institute
February 2024

Daryl Fairweather
Chief Economist

The Country is Short 4 Million Housing Units

Updated target housing stock

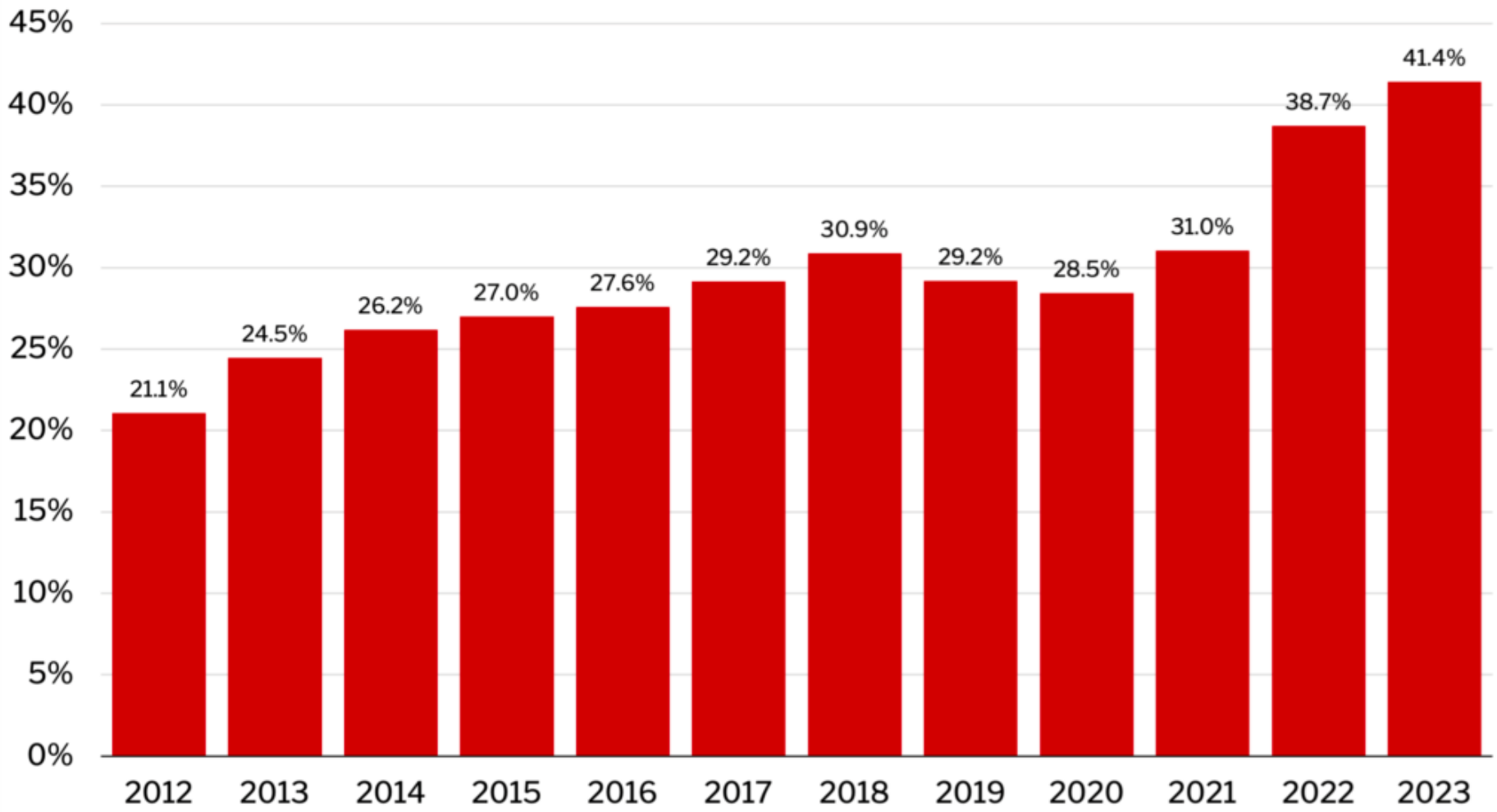
		2018			2020		
	HVS, Millions	Actual	Target	Gap	Actual	Target	Gap
(1)	Households	121.2	122.5	1.3	125.8	126.2	0.4
(2)	Vacant Units	17.0	18.3	1.3	15.4	18.9	3.5
=(1)+(2)	Housing Stock	138.3	140.8	2.5	141.2	145.0	3.8

Source: U.S. Census Bureau Housing Vacancy Survey (HVS).
Note: Totals may not add up due to rounding.

The Freddie Mac analysis estimates the housing shortage not only based on the actual number of households but also considers the latent demand and the number of vacant units. A well-functioning housing market requires some vacant properties for sale and for rent. Estimates are as of 5/7/2021.

Income Needed to Afford Typical Home Hits New High in 2023

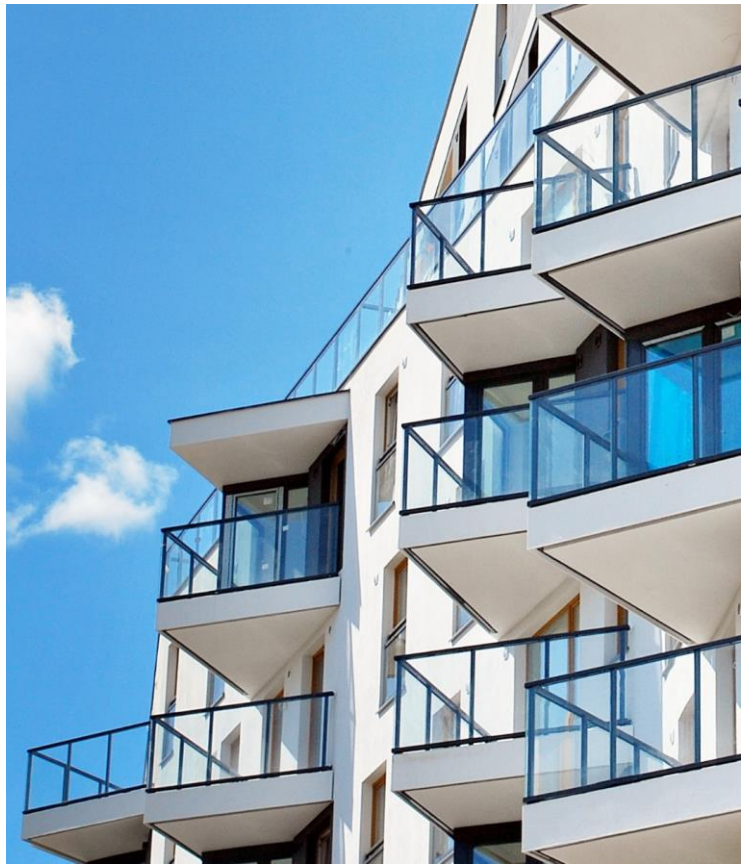
Share of earnings person on median income would need to spend on monthly housing costs to buy median priced home



Sources: MLS data, Freddie Mac PMMS, U.S. Census Bureau, Redfin estimates

REDFIN

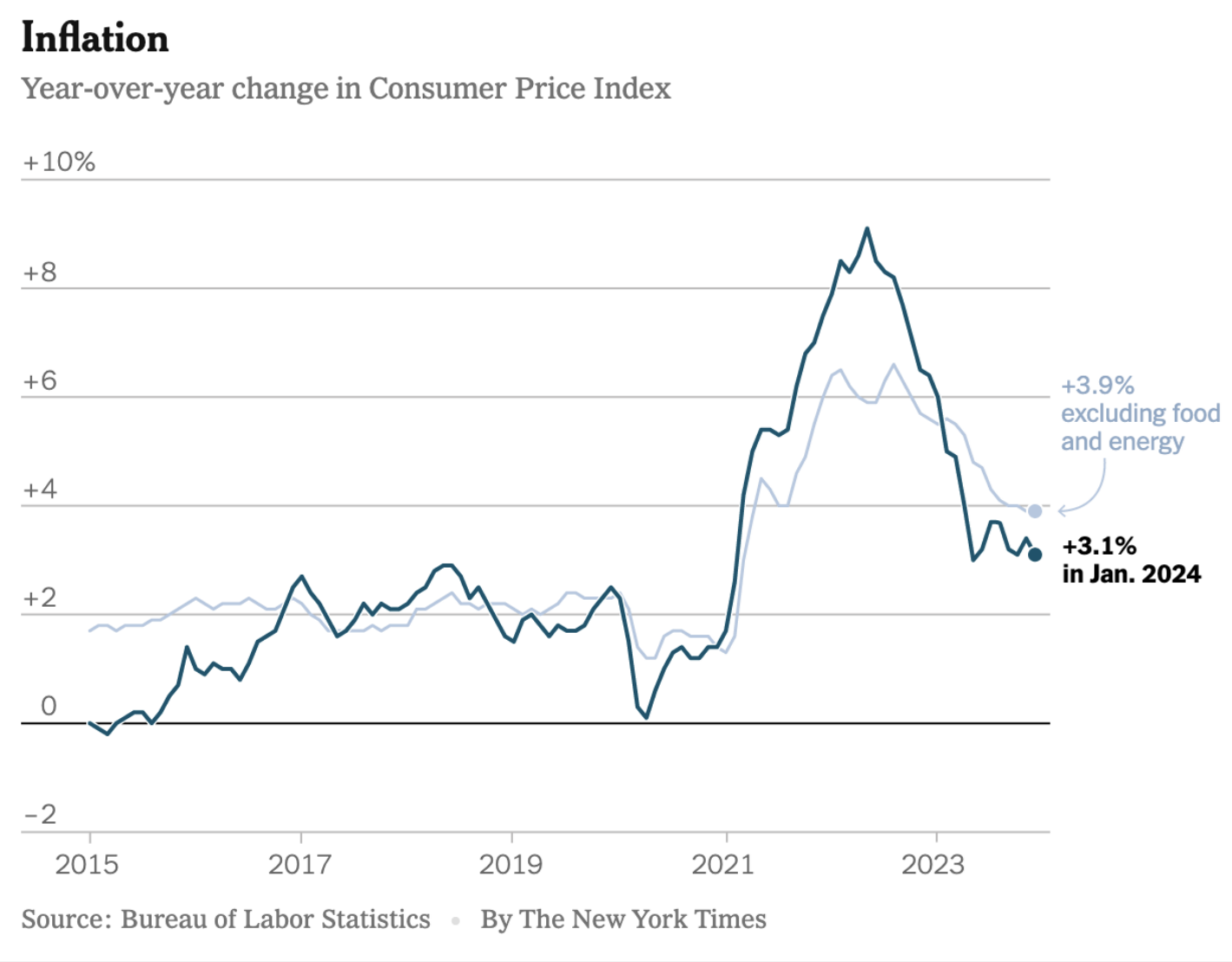
The U.S. Housing Market is Undergoing a Major Transformation



- ❑ Changing economy
- ❑ Changing demographics
- ❑ Changing preferences
- ❑ Changing climate

Changing Economy

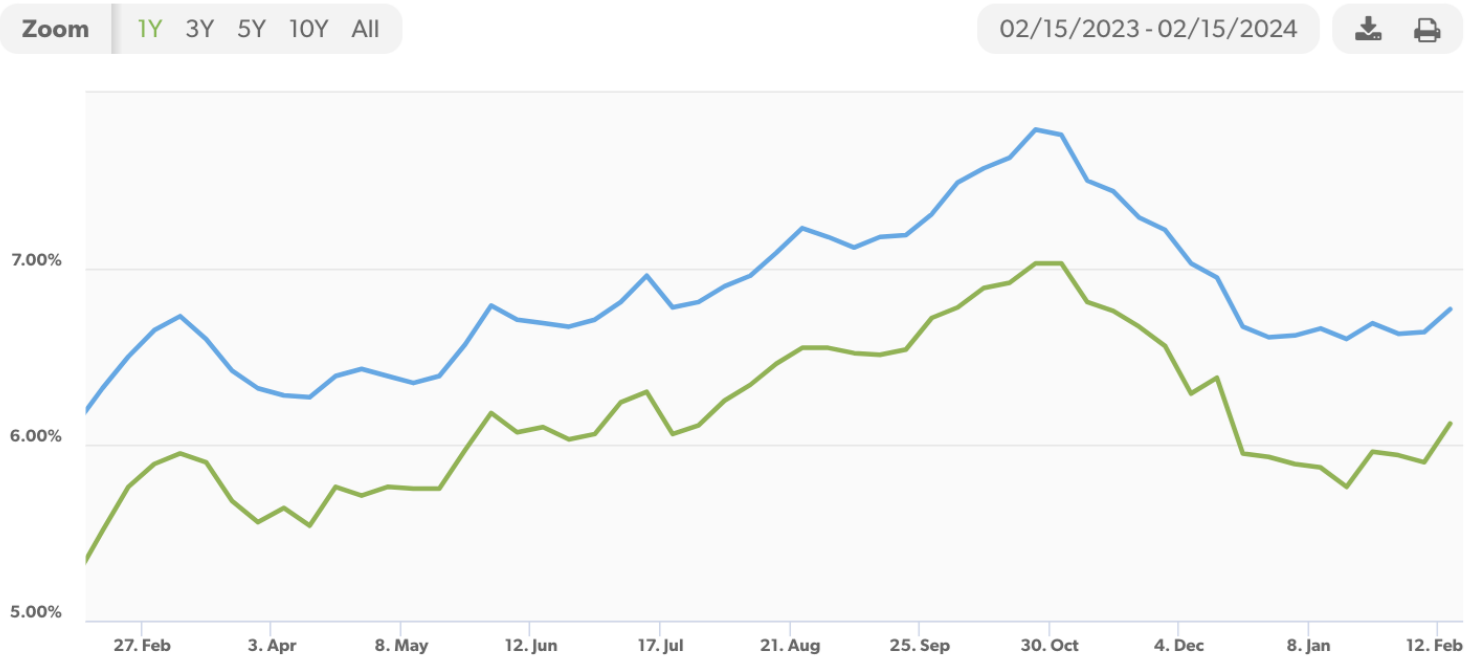
High Inflation



REDFIN

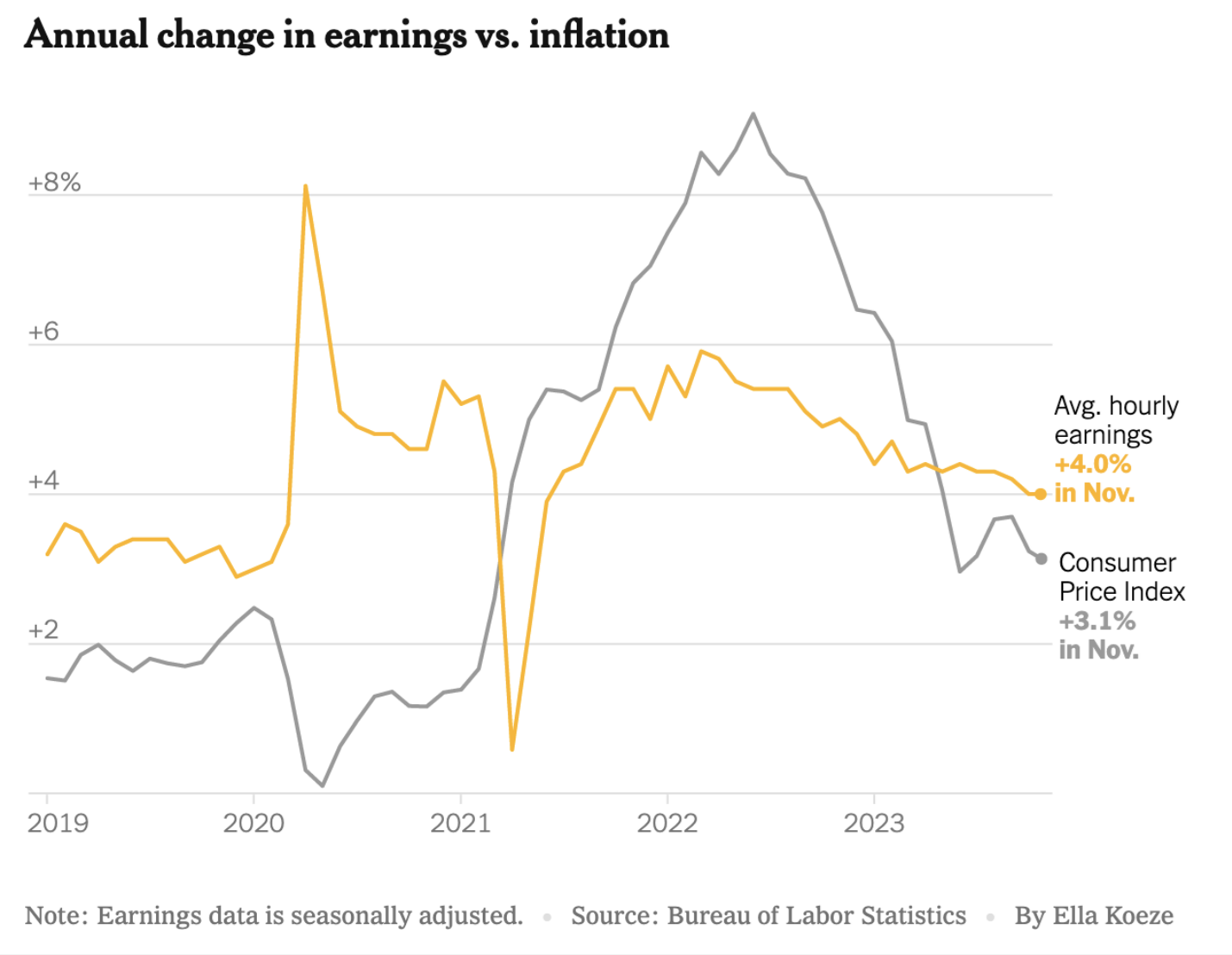
High Mortgage Rates

30-Yr FRM		15-Yr FRM	
6.77%		**6.12%**	
1-Wk change	^0.13	1-Wk change	^0.22
1-Yr change	^0.45	1-Yr change	^0.61
4-Wk avg.	6.68%	4-Wk avg.	5.98%
52-Wk avg.	6.86%	52-Wk avg.	6.19%
52 Week Range	6.27% – 7.79%	52 Week Range	5.54% – 7.03%



REDFIN

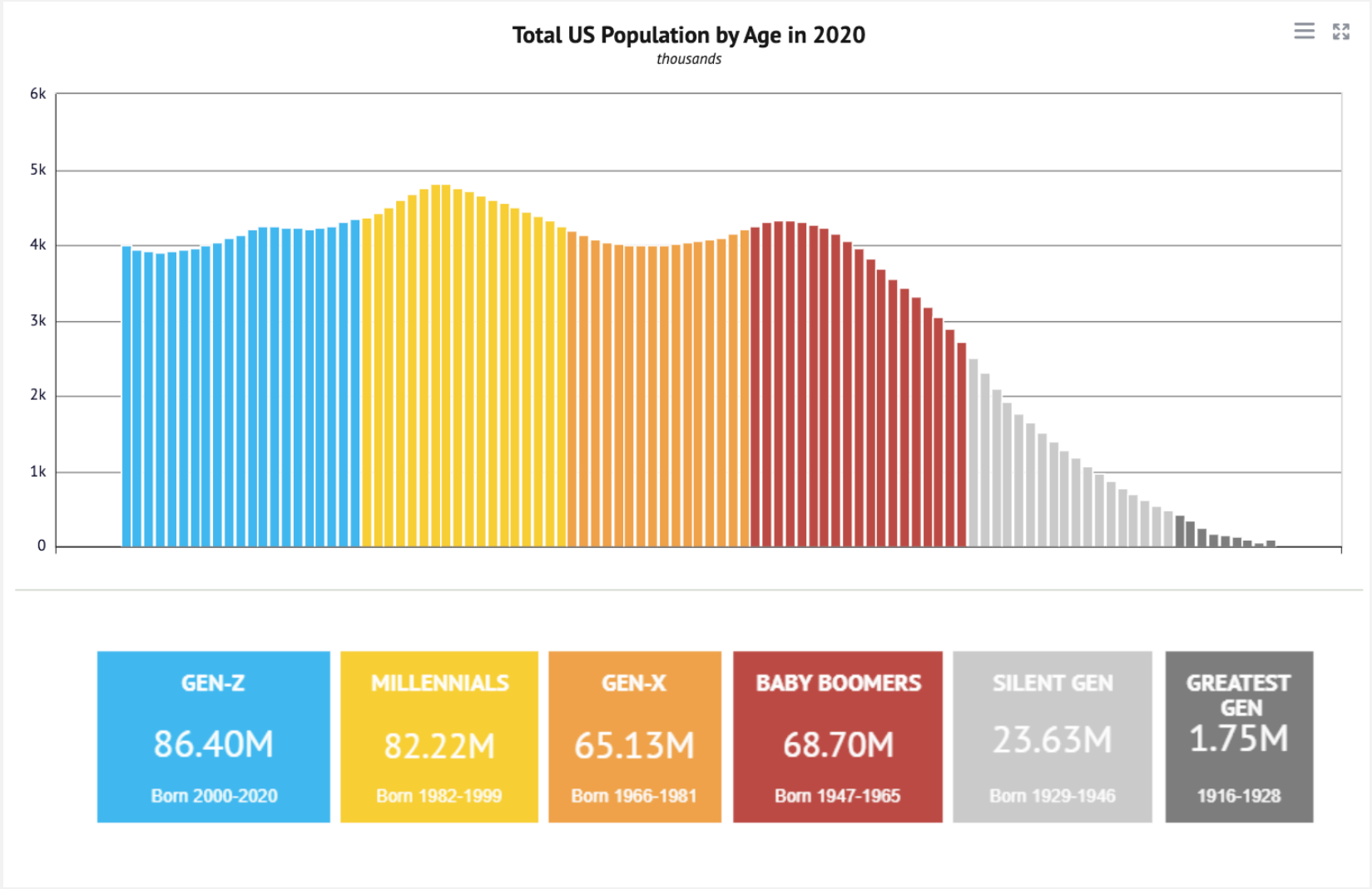
High Incomes



REDFIN

Changing Demographics

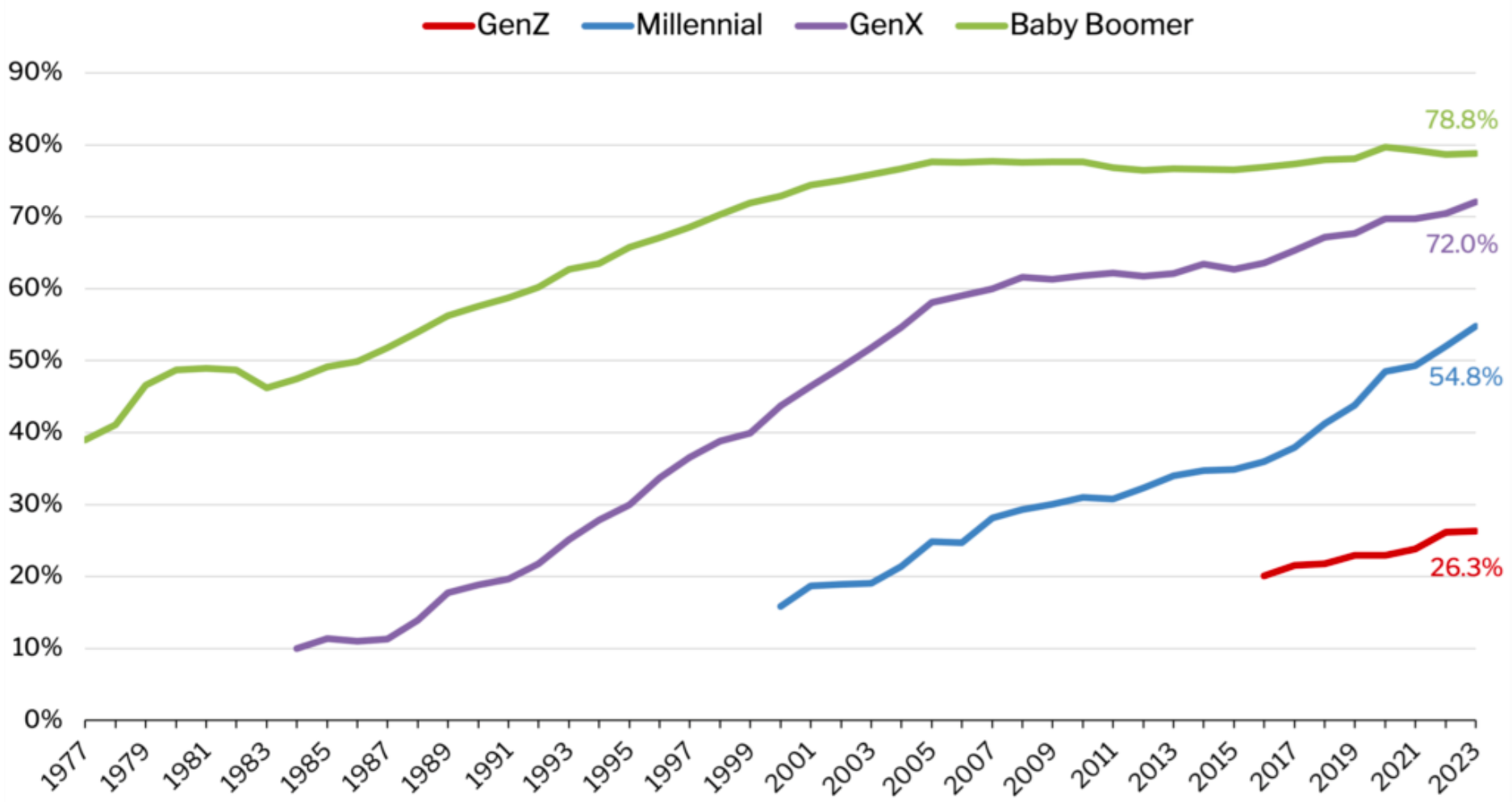
The Changing Population of Homebuying



REDFIN

Roughly 1 in 4 Adult Gen Zers Are Homeowners

U.S. homeownership rate by generation



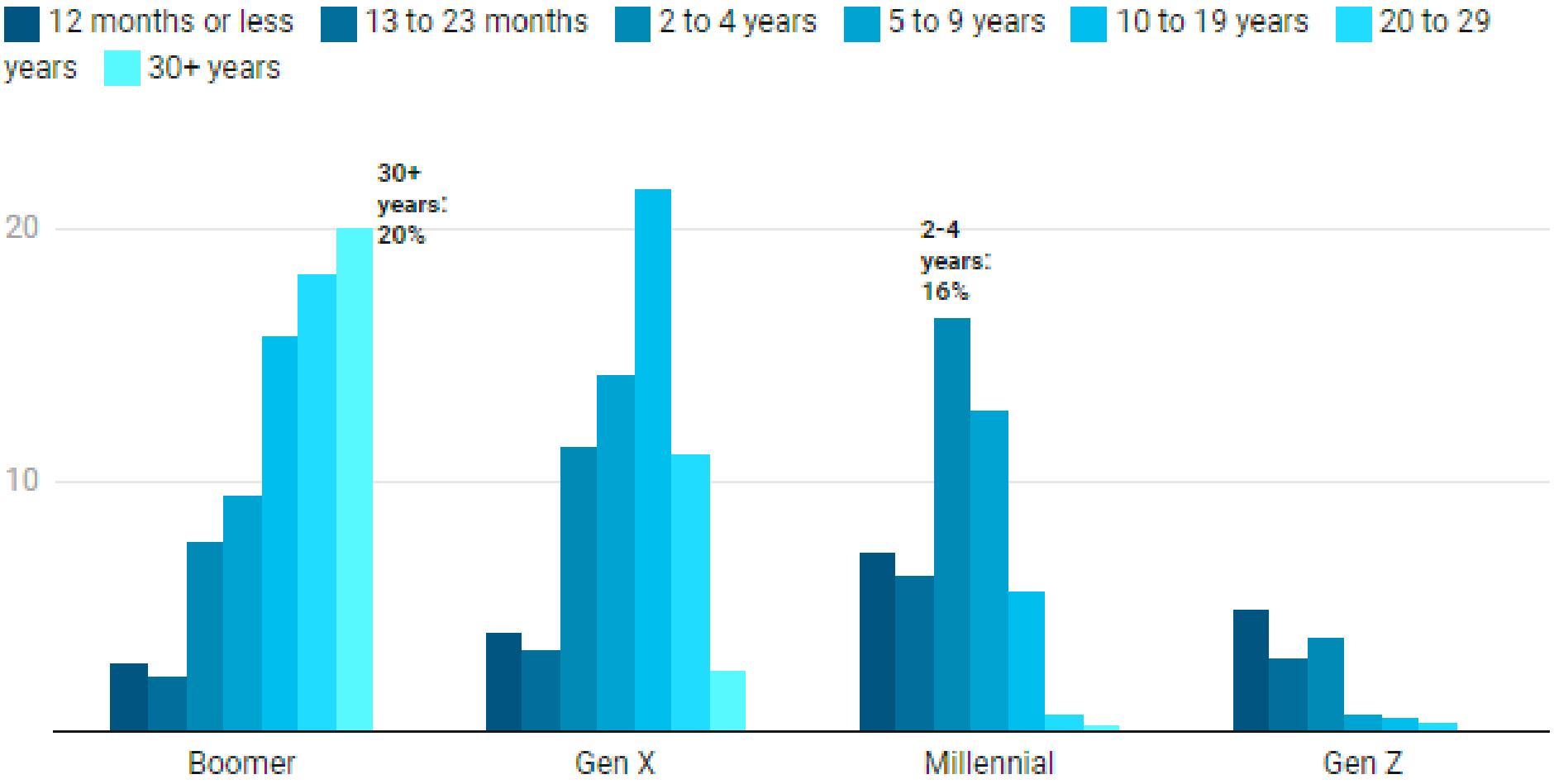
Source: Redfin analysis of Current Population Surveys (ASEC) 1976-2023; data retrieved through IPUMS-CPS
Note: Gen Z category only includes adult Gen Zers (19-26)

REDFIN

REDFIN

2 in 5 Baby Boomers Have Lived in Their Home 20+ Years

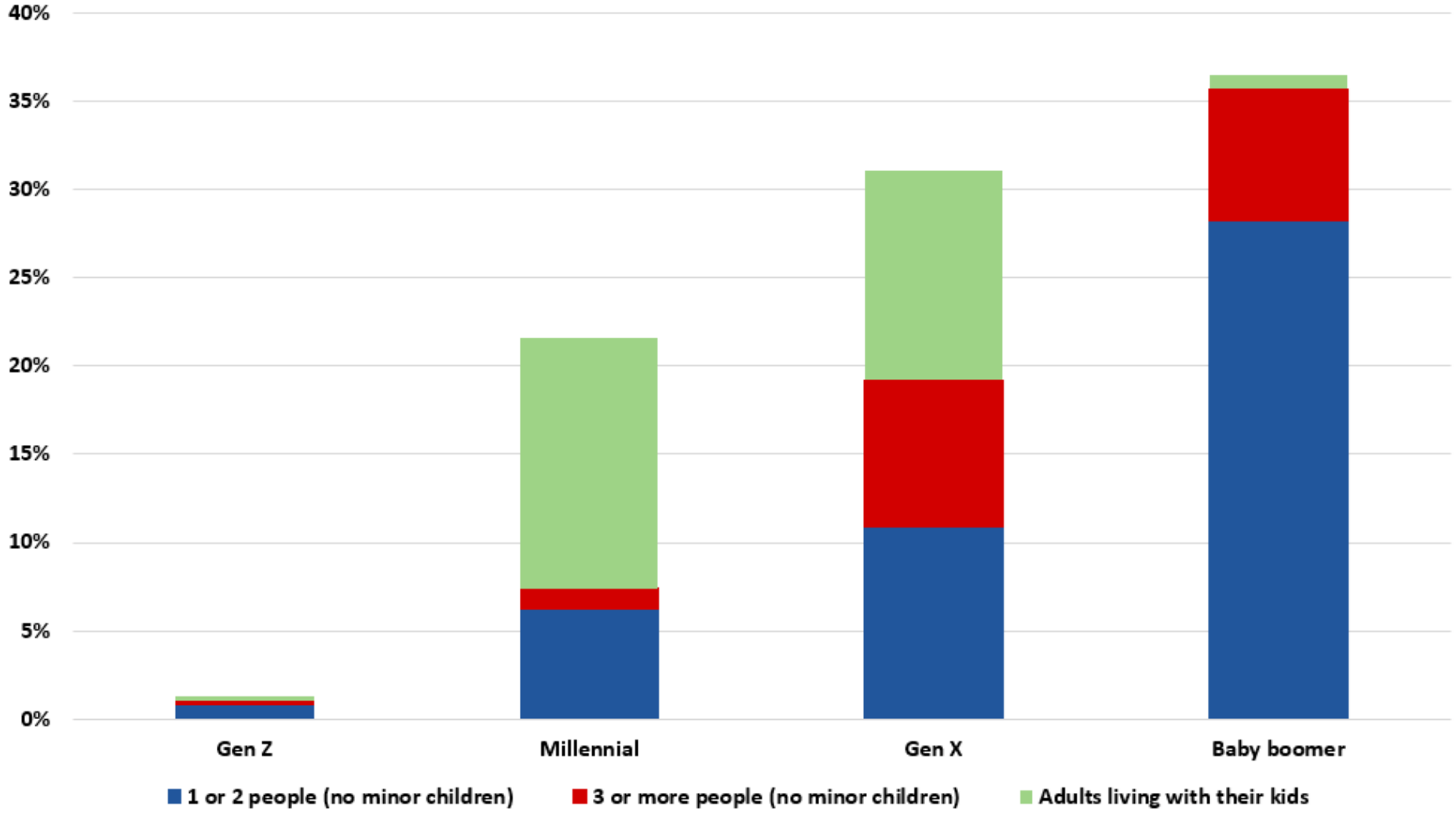
Share of homeowners who have lived in their home for the specified length of time, by generation



Source: Redfin analysis of U.S. Census Bureau data • Created with Datawrapper

Empty Nesters Own 28% of Large Homes; Millennials With Kids Own 14%

Share of 3-bedroom-plus U.S. owner-occupied homes owned by each generation, broken down by household type/size

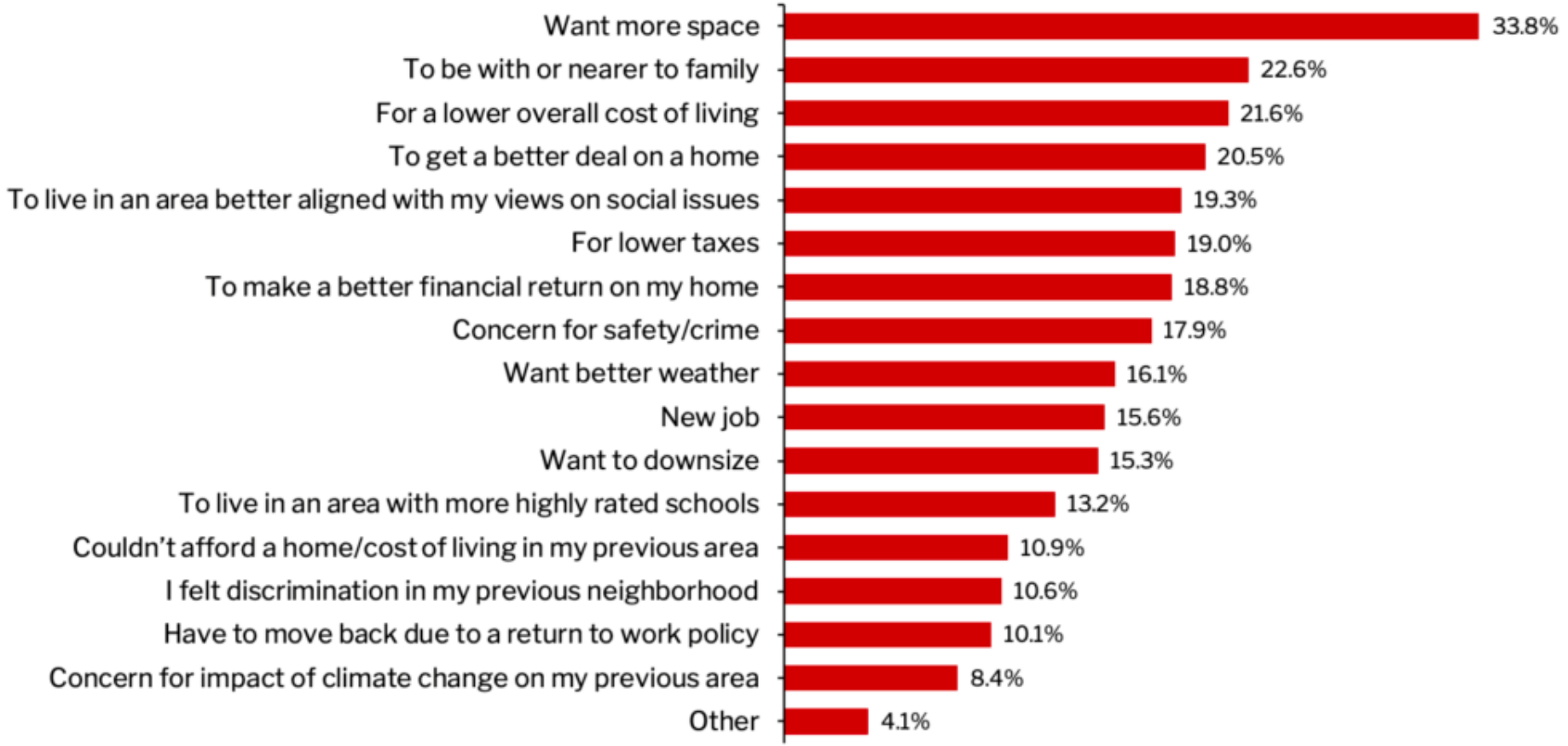


REDFIN

Changing Preferences

Desire for More Space Is Most Common Reason Respondents Cited for Moving

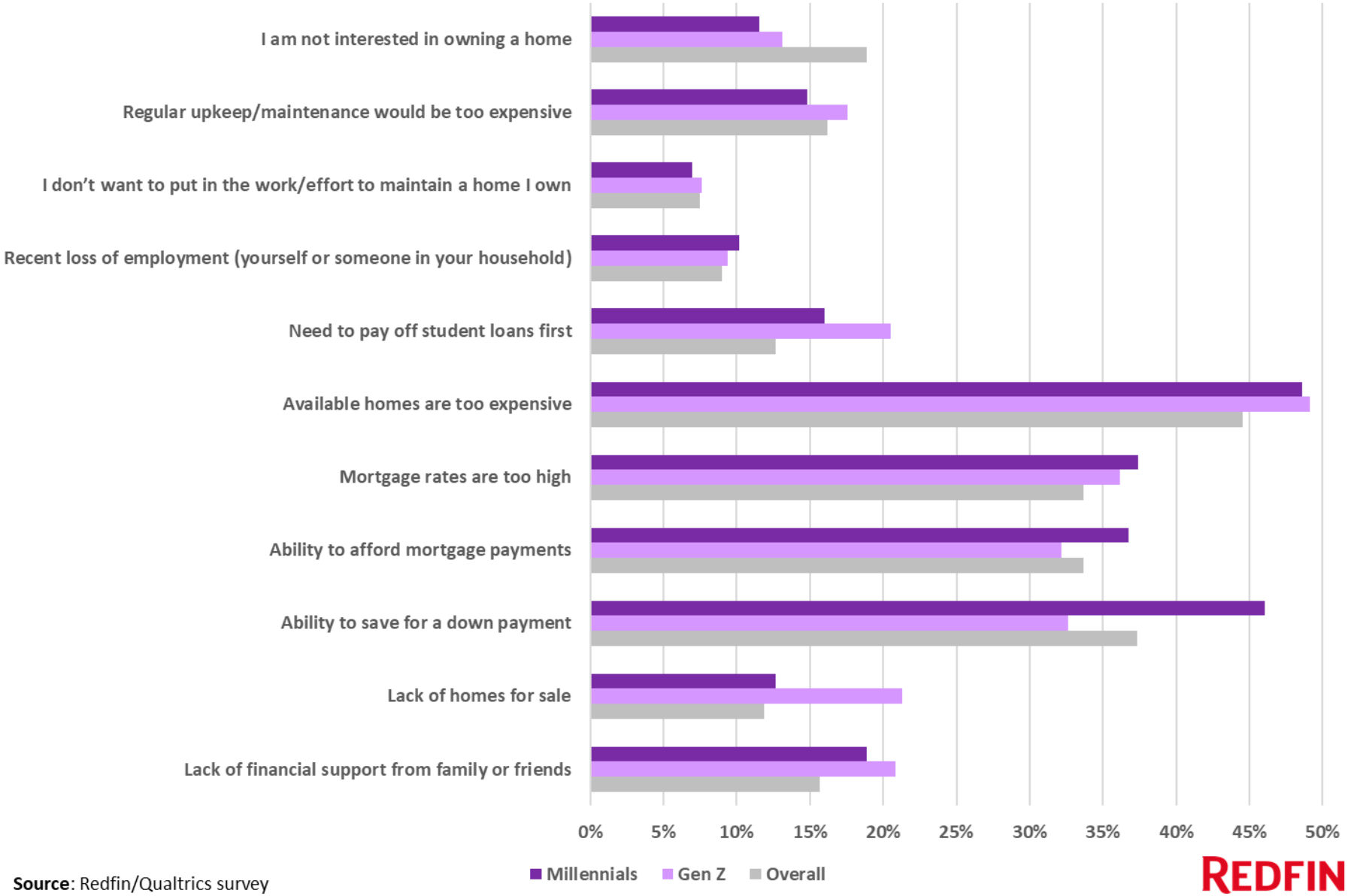
"Which of the following reasons reflect why you are likely to move in the next year? Select all the apply."



Source: Redfin-commissioned survey conducted by Qualtrics in May-June 2023;
includes the 616 respondents who said they're likely to sell a home and move in next year

"Homes Are Too Expensive": Affordability Is the #1 Barrier to Gen Z, Millennial Homeownership

Which of the following are reasons you are not likely to purchase a home in the near future? (Select all that apply)



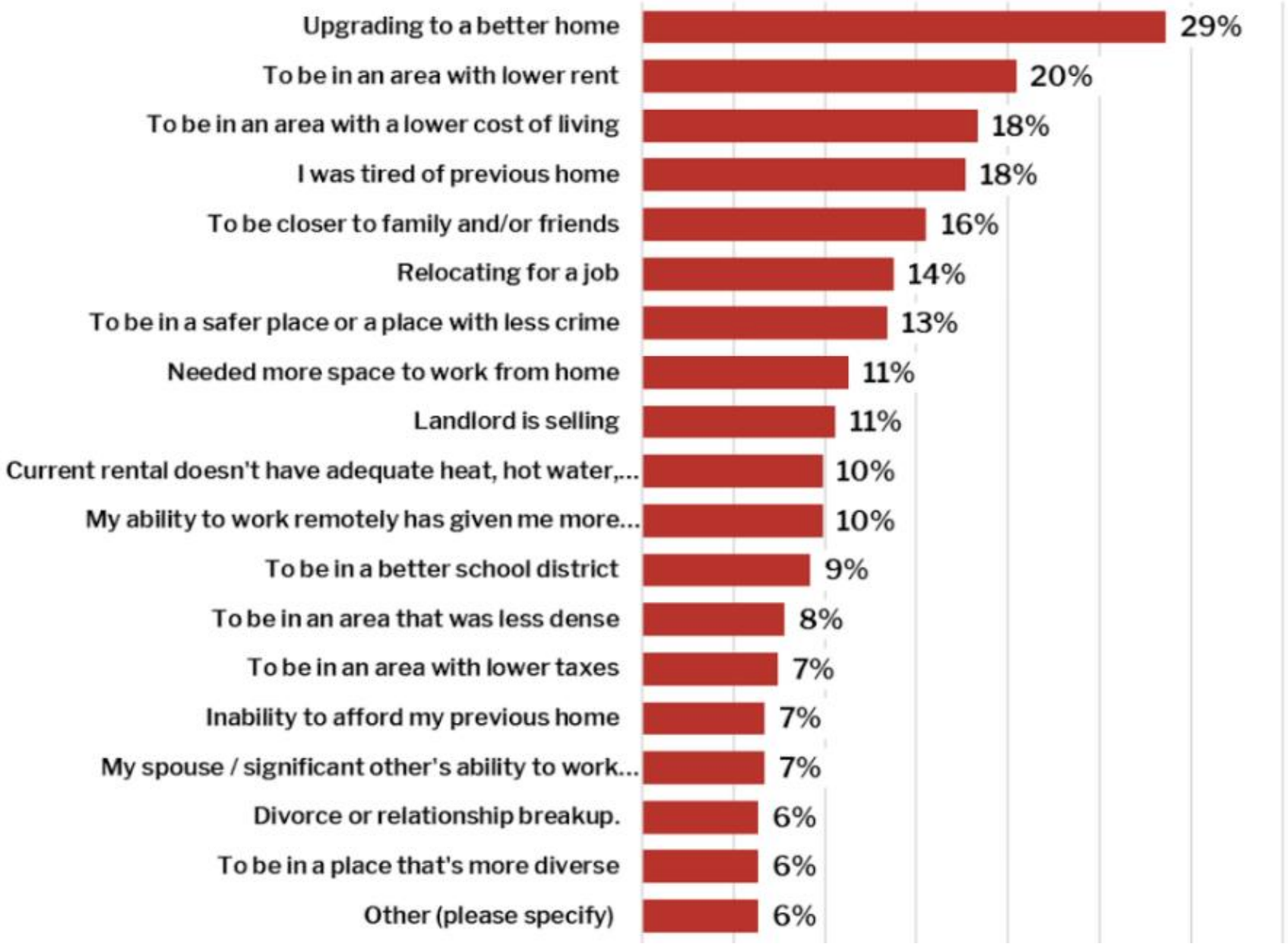
Source: Redfin/Qualtrics survey

REDFIN

REDFIN

1 in 5 Renters Who are Moving Seek Lower Rent

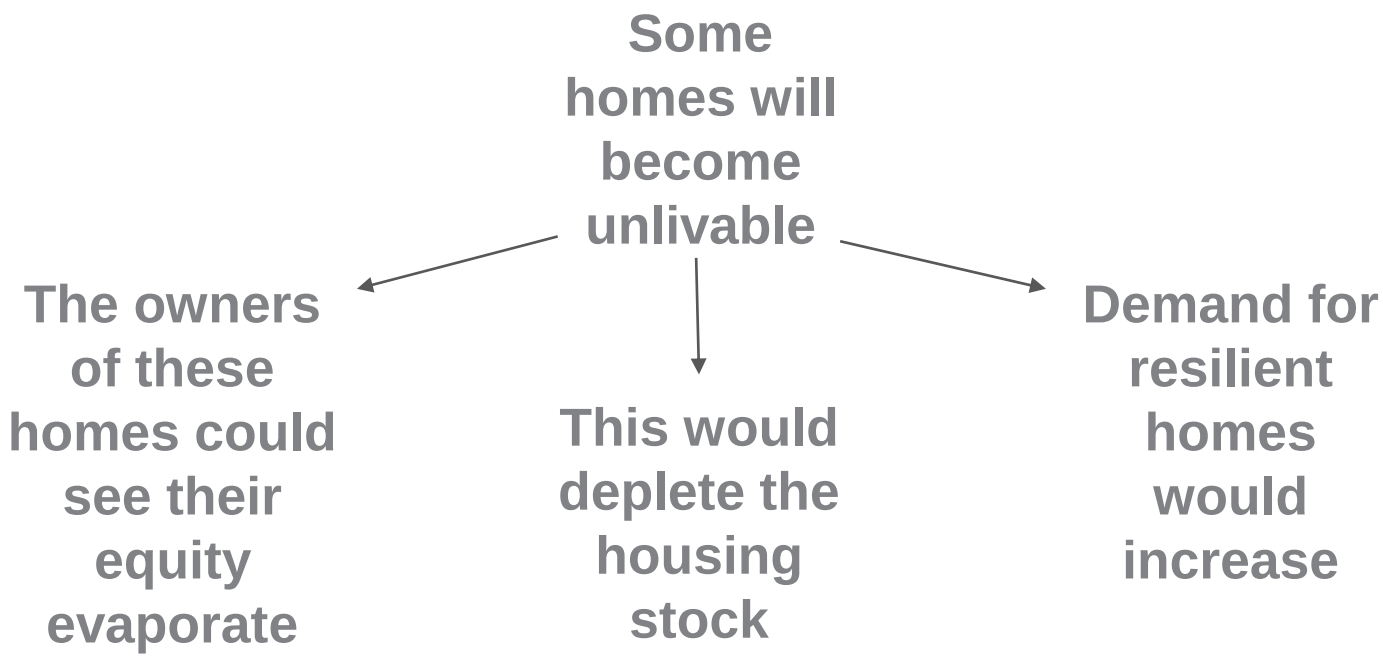
"What are your reasons for planning to move in the next 3 months? Select any that apply."



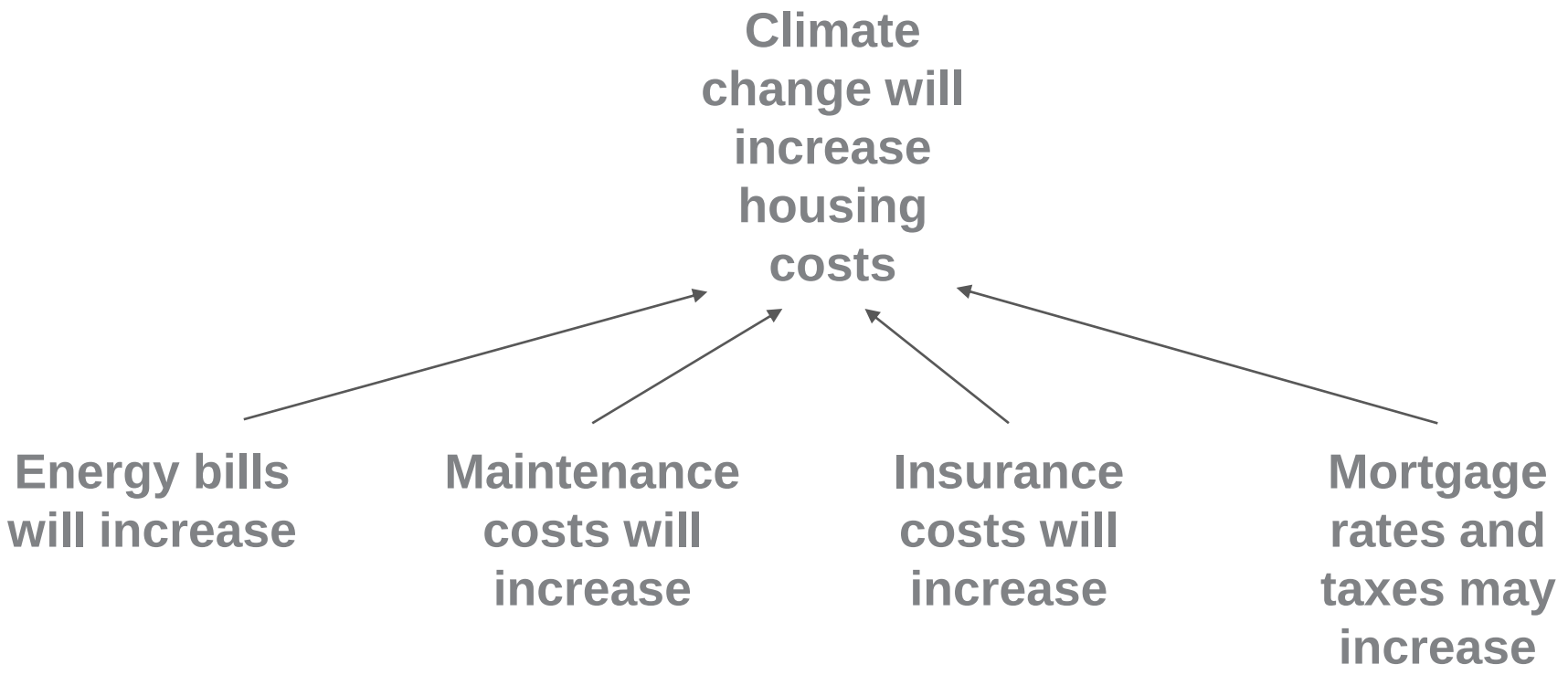
REDFIN

Changing Climate

Climate change will exacerbate the housing shortage

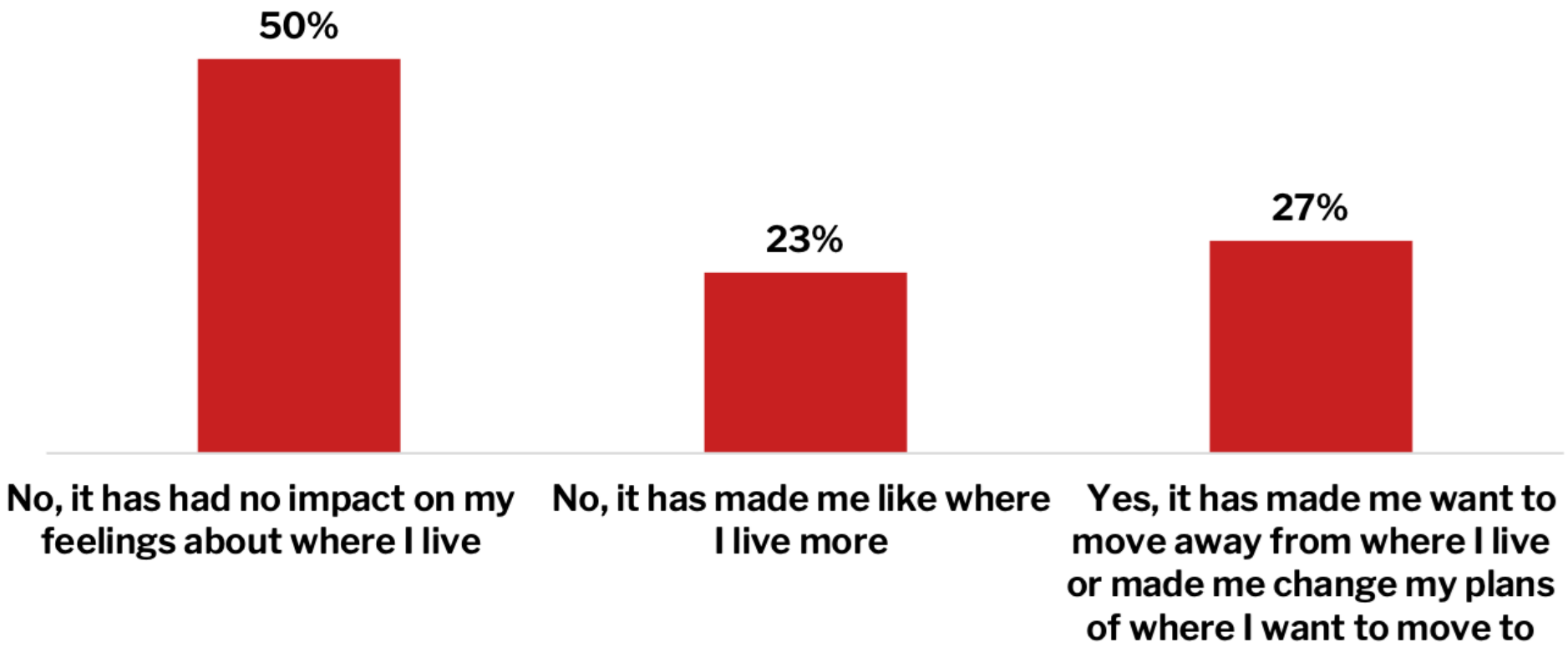


Climate change will make housing even more expensive



27% of Americans Say Natural Disasters Impact Where They Want to Live

"Have recent natural disasters (e.g. fires, floods, storms) changed your opinion of where you want to live?"



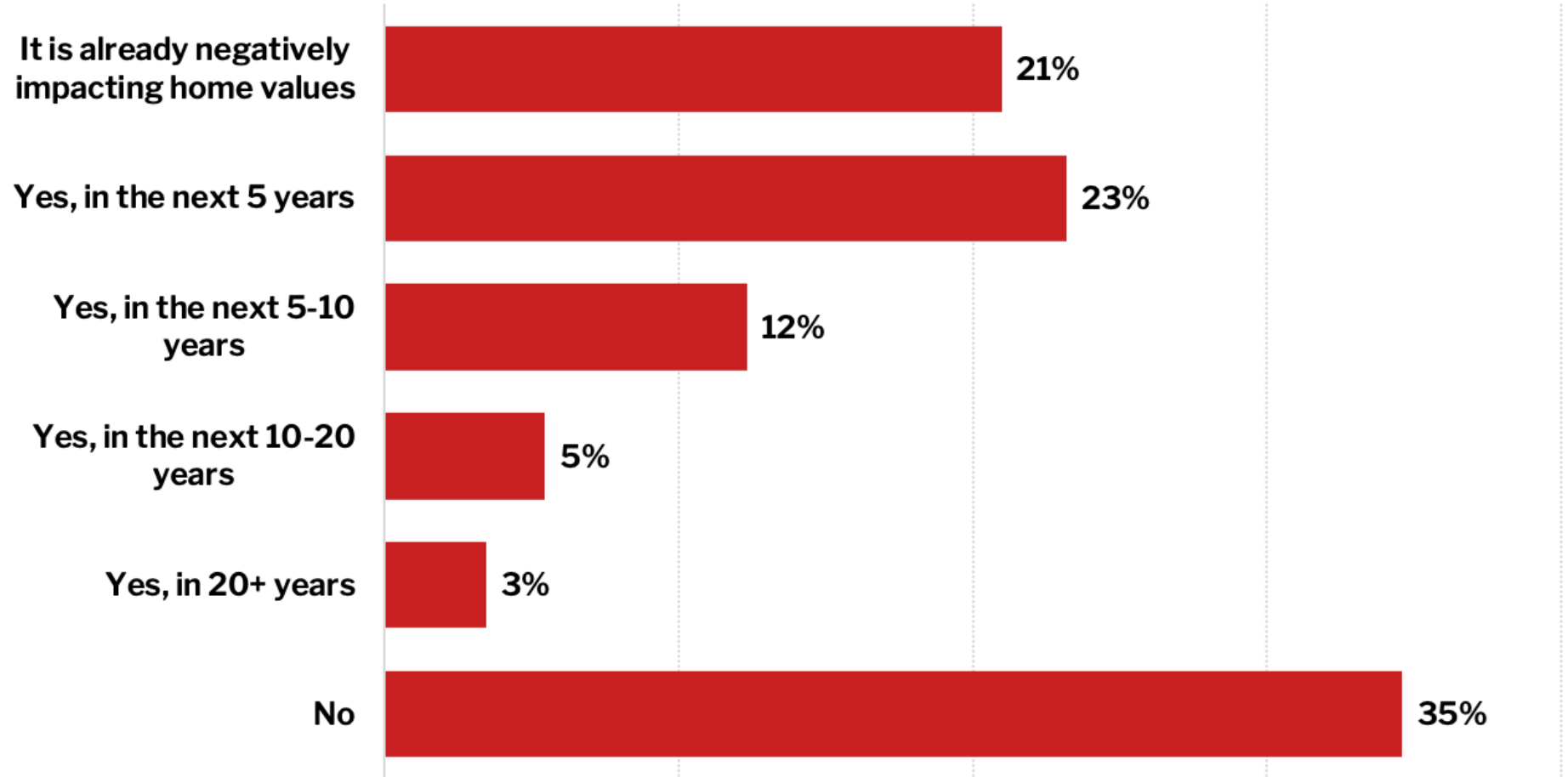
Source: October 2020 Redfin Survey of over 3,000 U.S. Residents aged 18 and up

REDFIN

REDFIN

1 in 5 Americans Believes Climate Change Is Already Impacting Home Values

"Do you believe that the increasing frequency or intensity of natural disasters, extreme temperatures and/or rising sea levels will negatively impact home values in your area? If so, when?"

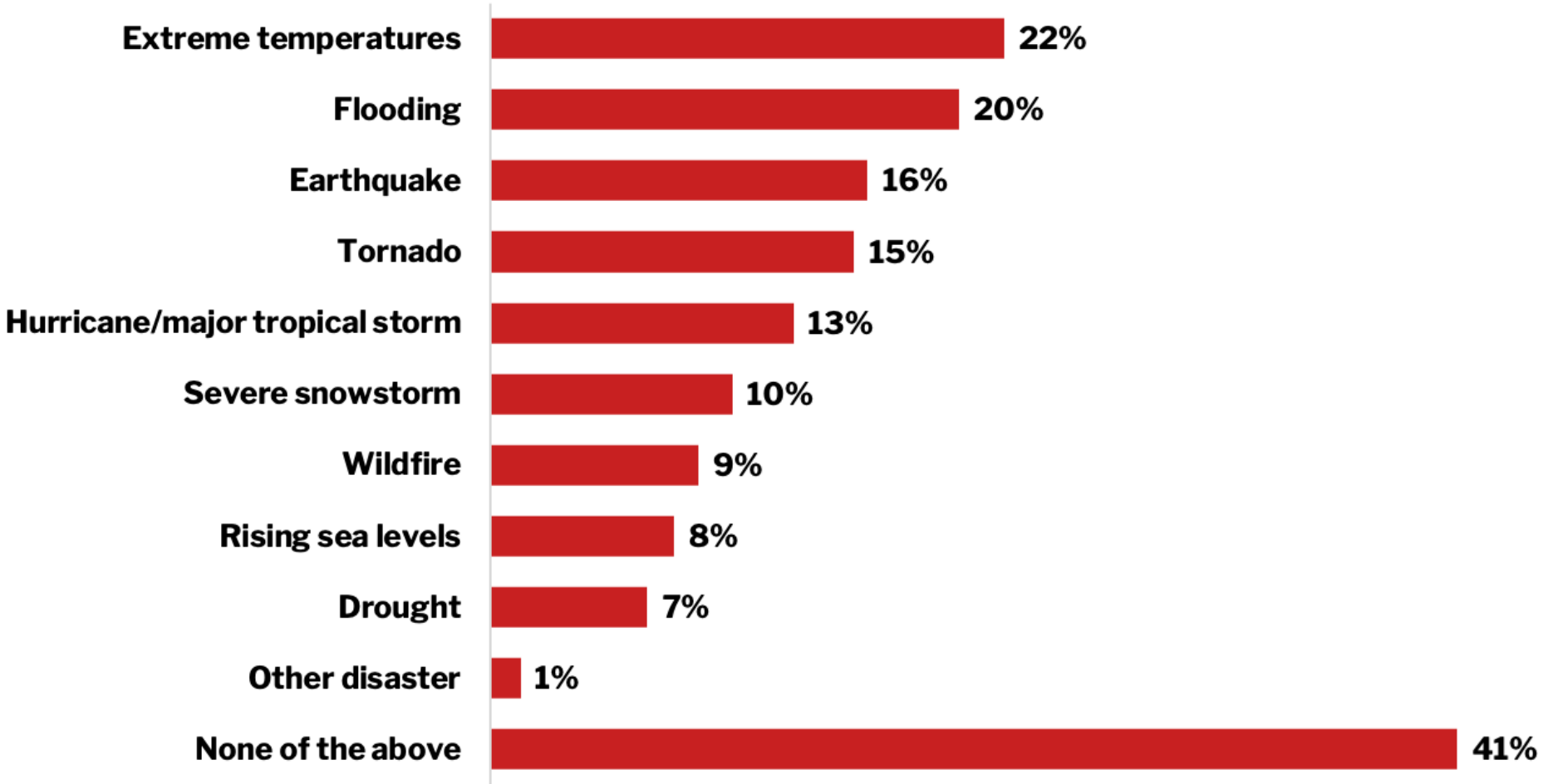


Source: Redfin survey

REDFIN

1 in 5 Homeowners Has Invested to Protect Against Extreme Temperatures, Flooding

"Have you invested money to make your home more resilient to any of the following? Select all that apply"

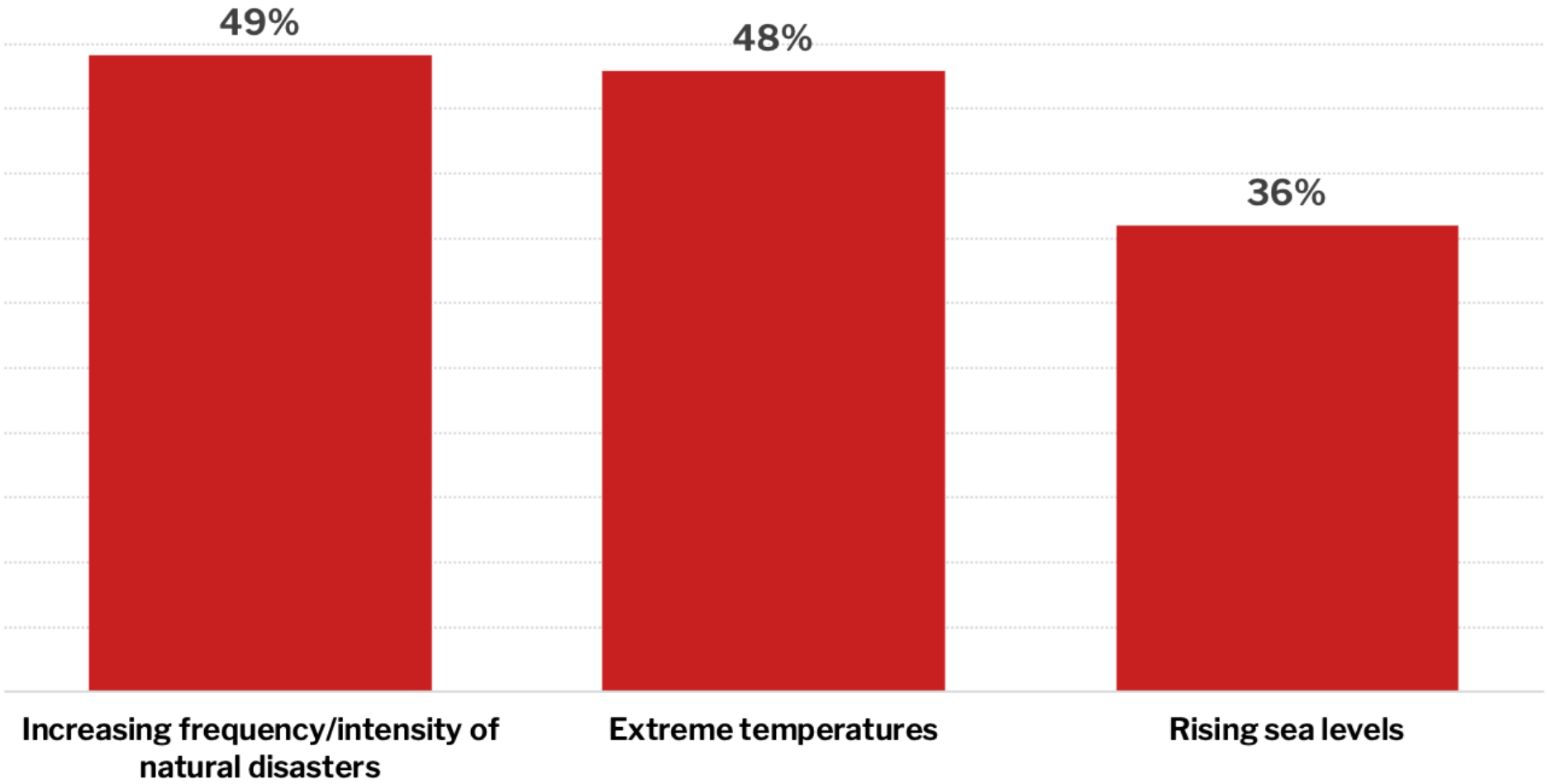


Source: Redfin survey; responses only include participants who said they are homeowners

REDFIN

49% of Americans Who Plan to Move In the Next Year Say Natural Disasters Were a Factor

Share of respondents who answered yes to "Have any of these risks played a role in your decision to move in the next year?"

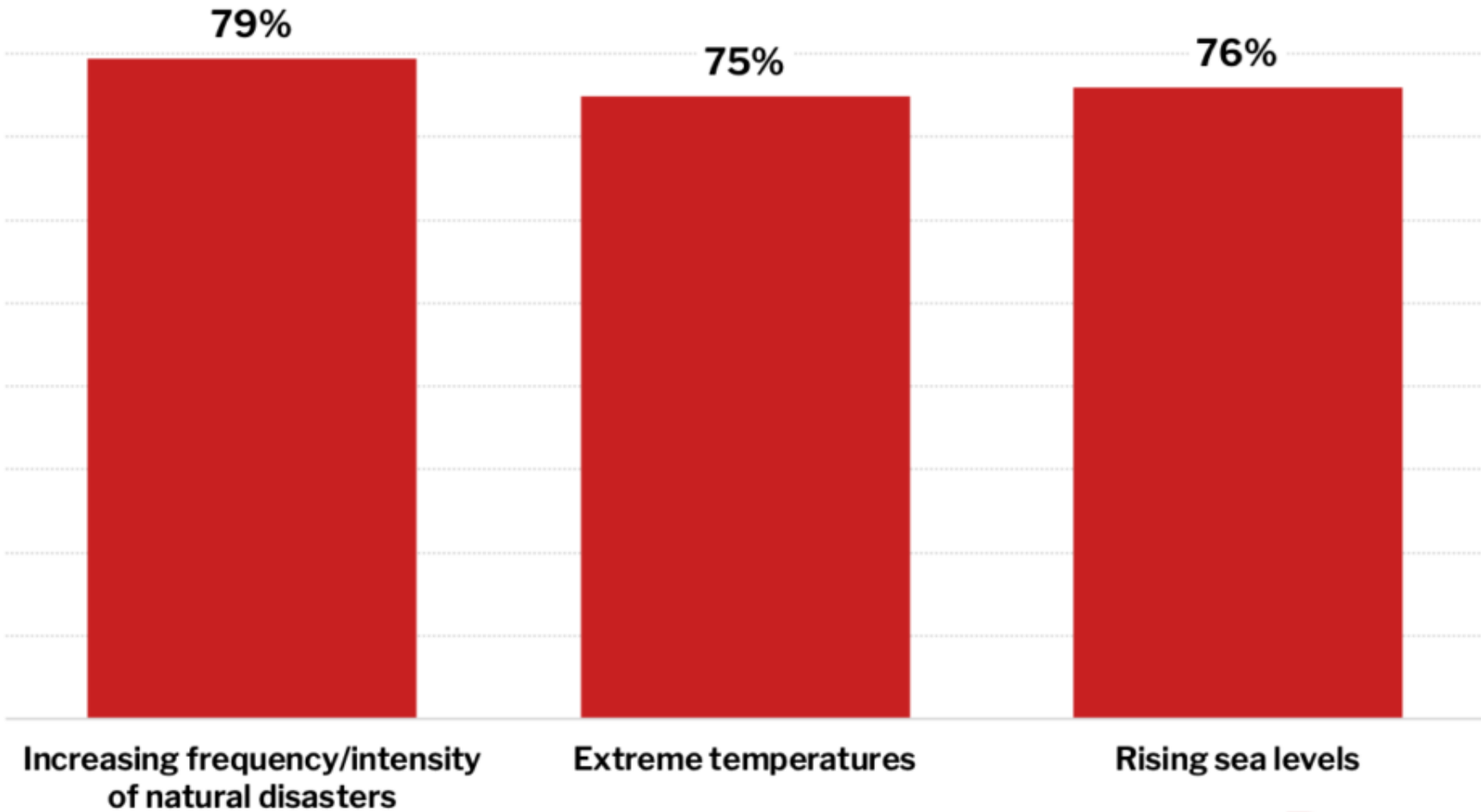


Source: Redfin survey

REDFIN

Three-Quarters of Americans Are Hesitant to Buy Homes In Areas With Climate Risk

Share of respondents who indicated they would be hesitant when asked how the presence of the following risks in an area would affect their decision to buy a home there



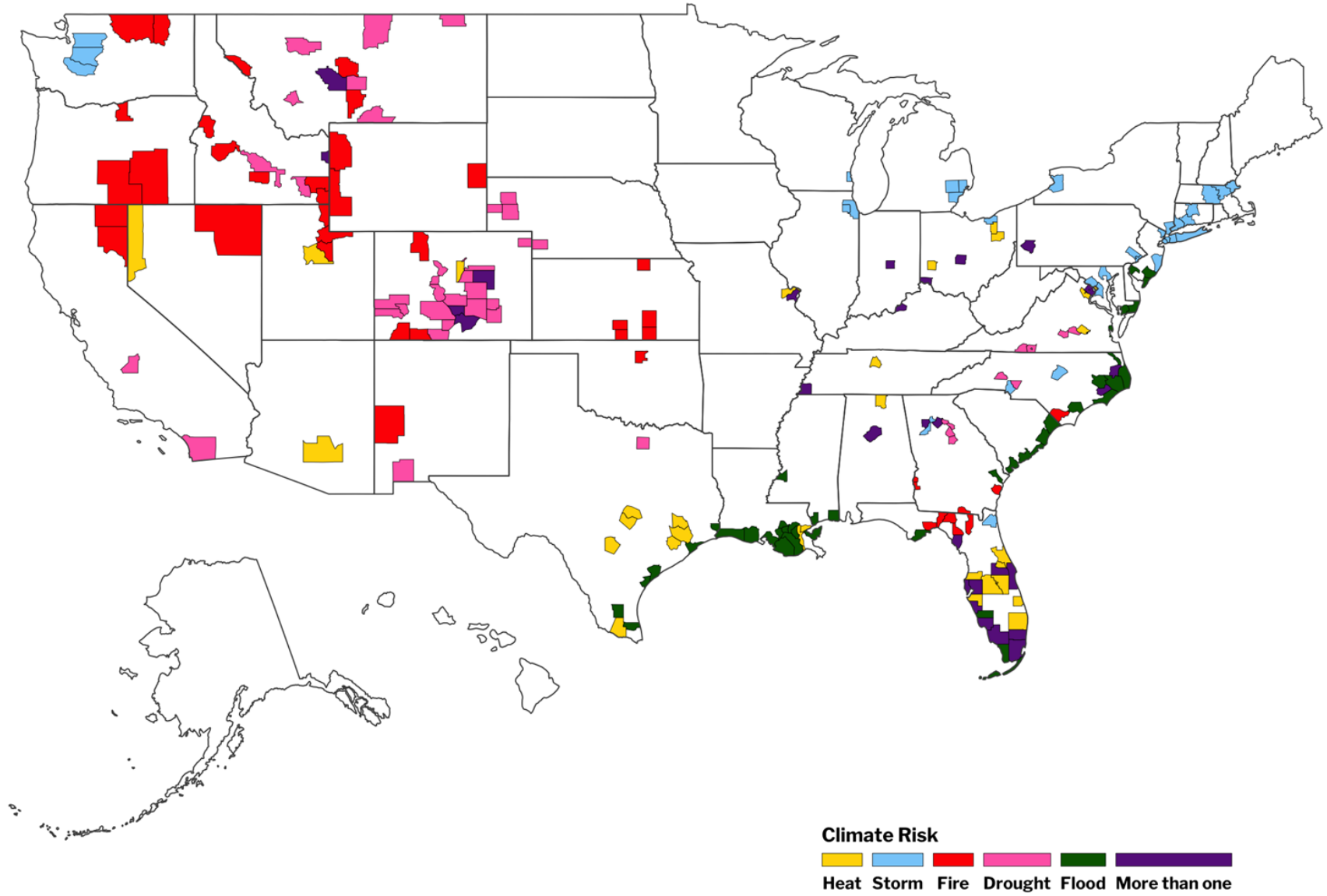
Source: Redfin survey

REDFIN

Climate and Migration

Climate Risk

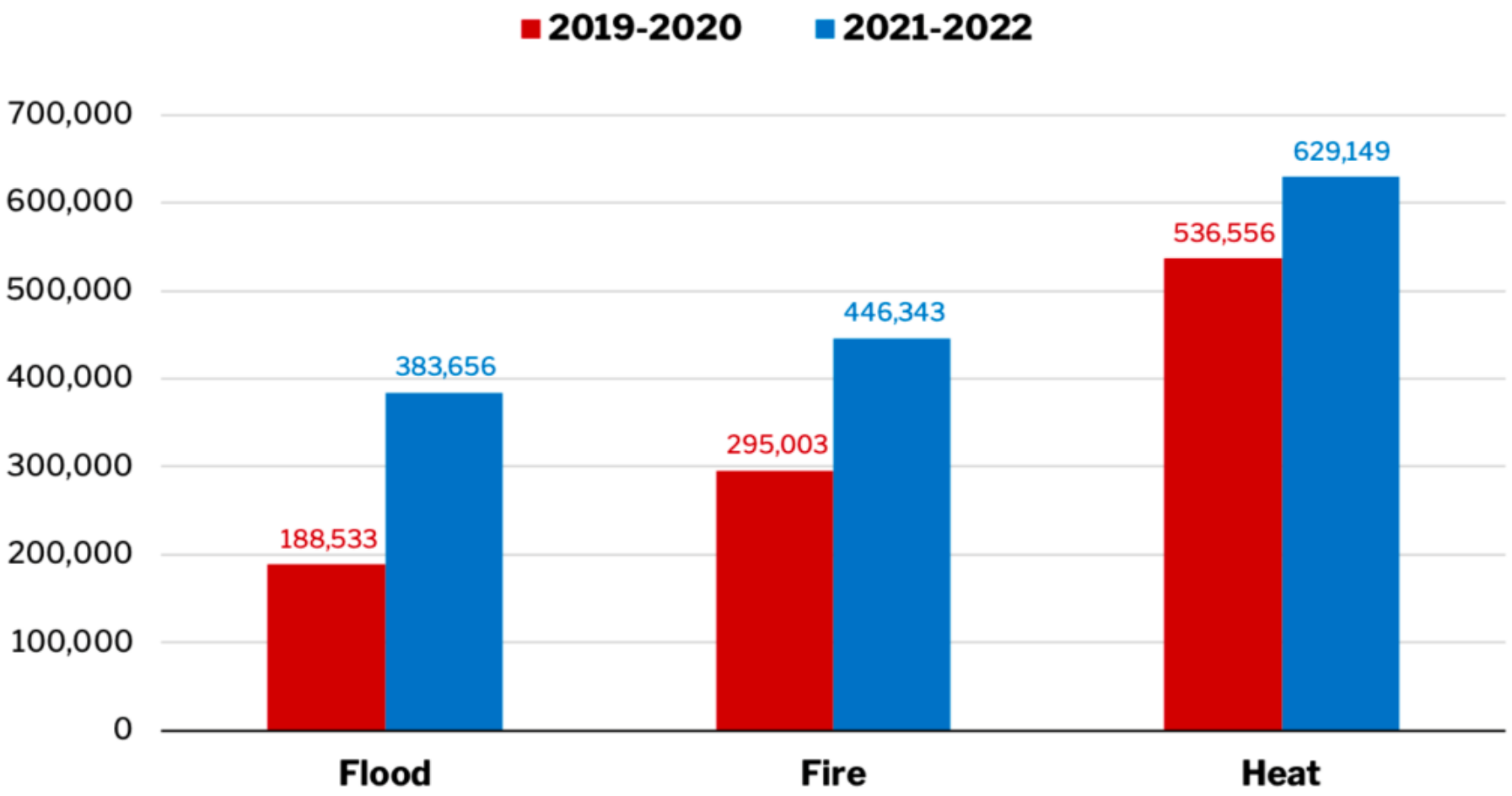
Top counties with highest percentage of properties facing high climate risk



Source: ClimateCheck, county property records, MLS data, and 2020 population estimates from U.S. Census Bureau.
Note: A property is classified as having high climate risk when it faces a high, very high, or extreme climate risk score from ClimateCheck.

More People Are Moving Into Than Out of Disaster-Prone Places

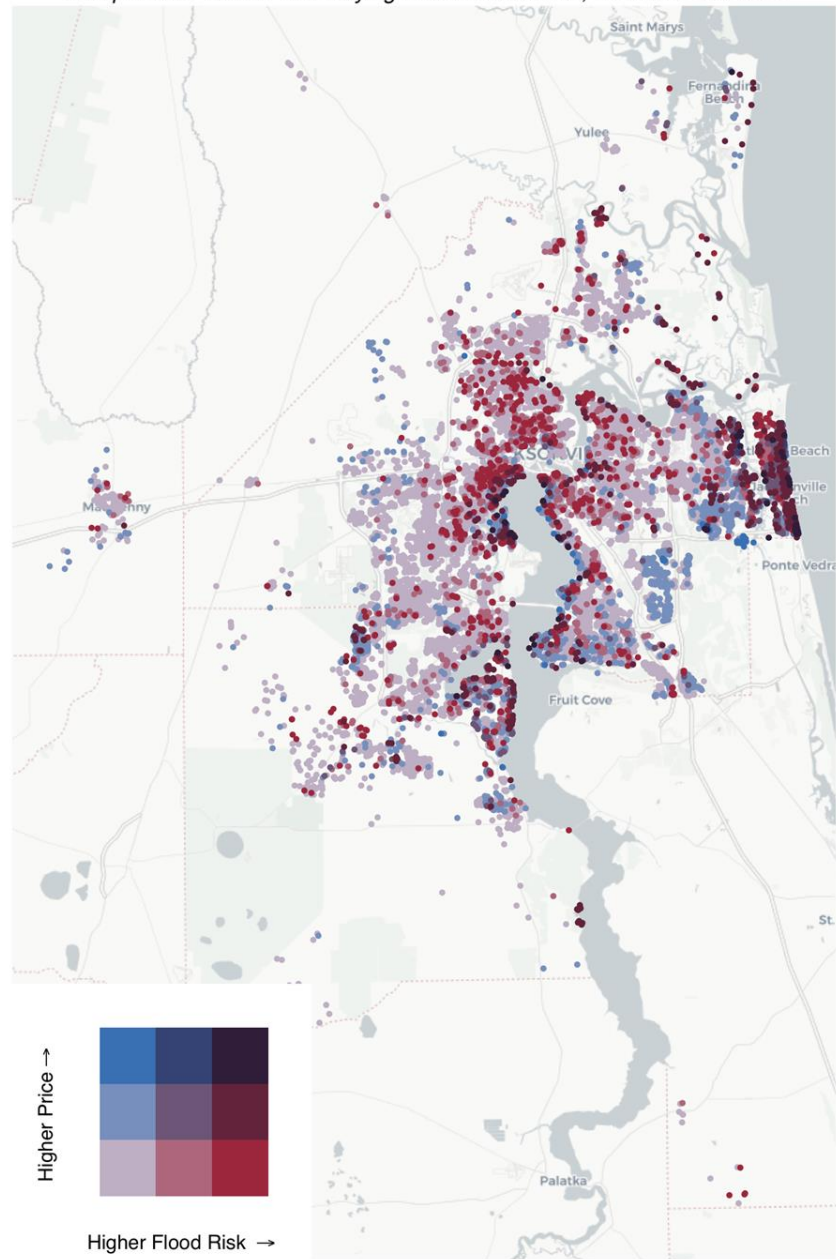
Net inflow to U.S. counties with largest share of homes facing high fire, flood and heat risk



Source: U.S. Census Bureau, First Street Foundation

In Jacksonville, Coastal Homes With High Flood Risk Sell for More

Sale prices of homes with varying levels of flood risk, Q2 2020 - Q1 2021

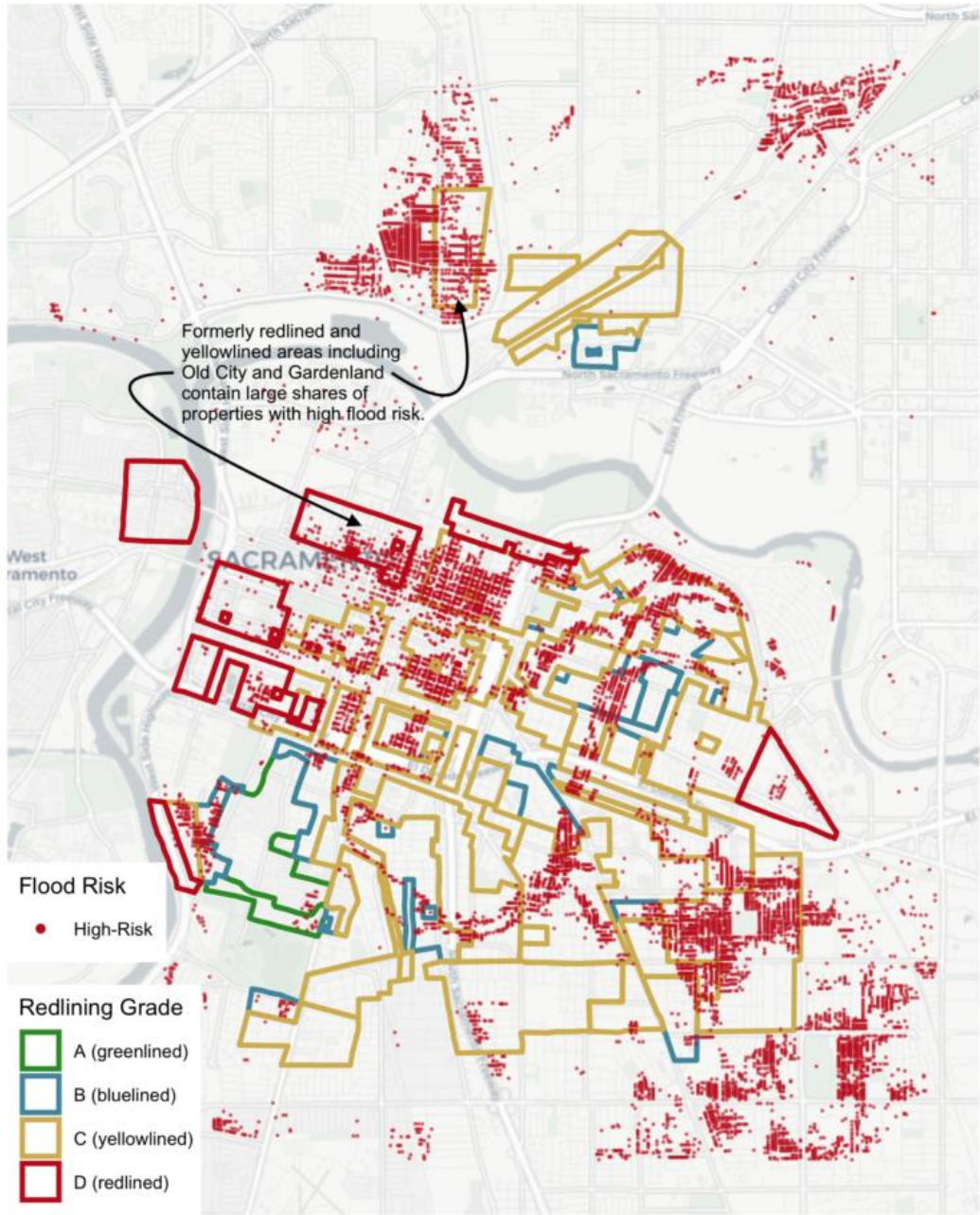


Source: Redfin analysis of MLS data; First Street Foundation's flood risk data.
Background map copyright of OpenStreetMap contributers.

REDFIN

Sacramento's Formerly Redlined and Yellowlined Neighborhoods Face High Flood Risk

Flood risk in Sacramento, CA



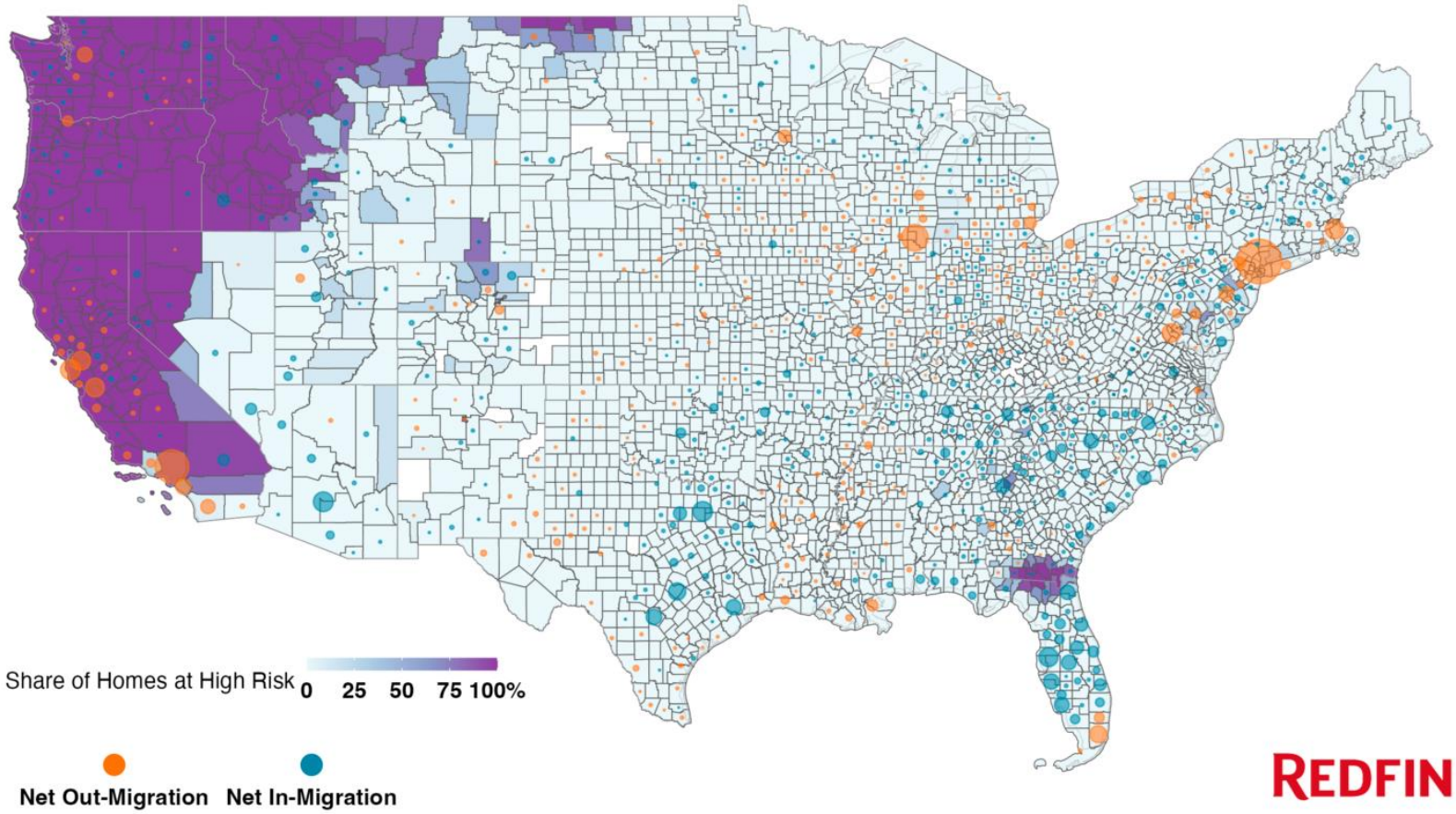
Source: Redfin analysis of First Street Foundation flood risk data and HOLC redlining maps.
Background map copyright OpenStreetMap contributors.

REDFIN

Worsening Air Quality May Motivate More Movers

U.S. West, Facing High Housing Costs and Wildfires, Sees Many Move Out

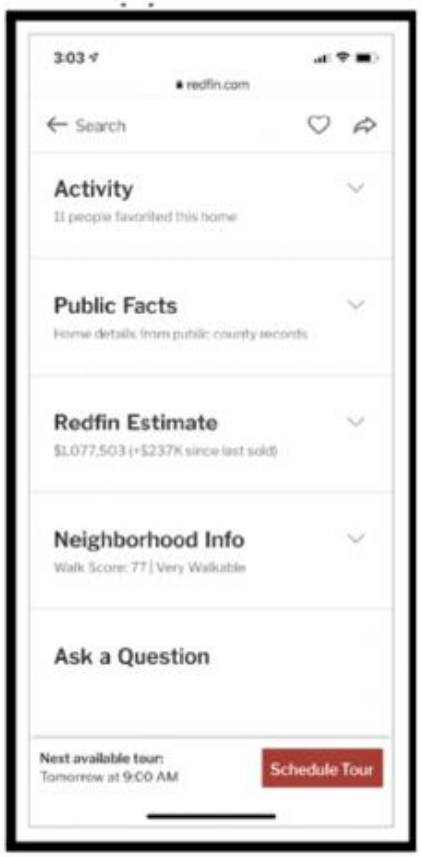
Net in/out migration in metros with varying shares of homes at high risk from poor air quality



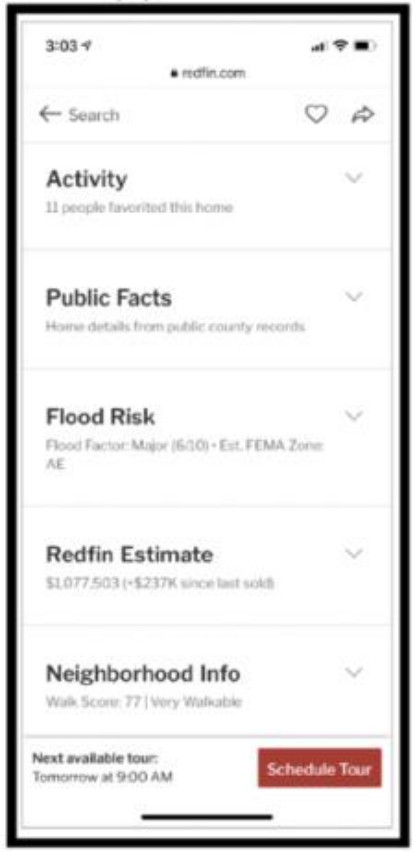
Sources: Redfin analysis of U.S. Census Bureau 2021-2022 migration data, First Street's Air Factor data

Homebuyers With Access to Flood-Risk Data Bid on Lower-Risk Homes

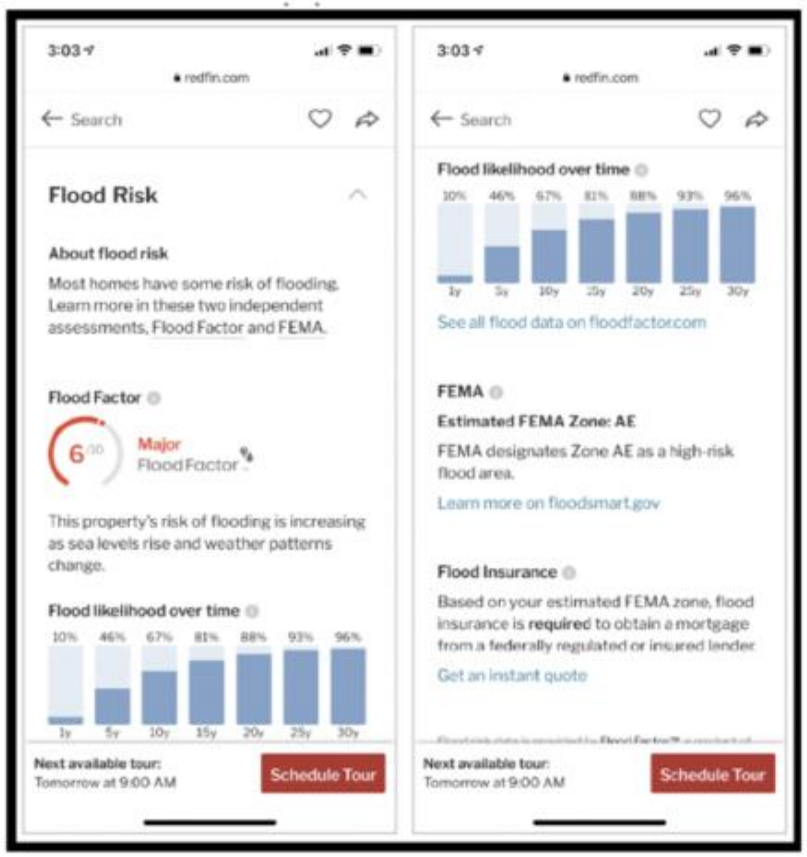
Control View



Treatment View



Expanded Treatment View



REDFIN

Homebuyers With Access to Flood-Risk Data Bid on Lower-Risk Homes

- **Redfin users who viewed homes with severe and/or extreme flood risk** prior to a Redfin experiment proceeded to **bid on homes with 54% less risk** after gaining access to risk data.
- Redfin users in flood-prone **Cape Coral, FL, Houston and Baton Rouge, LA were most likely to click** into the flood-risk section within home listings.
- **Home values in flood-prone areas could drop** as more people become aware of the risks. Authorities should respond by adding denser housing to low-risk cities.

REDFIN

Thank you

HOME ATTAINABILITY INDEX

2024 RELEASE

RCLCO
REAL ESTATE CONSULTING

Dana Schoewe
Principal, RCLCO
dschoewe@rclco.com
February 20, 2024

ULI Terwilliger Center for Housing

ULI HOUSING OPPORTUNITY CONFERENCE

HOME ATTAINABILITY INDEX

ULI AND RCLCO COLLABORATION

GOAL: BRING MORE HOUSING DATA TO PRACTITIONERS

FOUR KEY TOOLS

- “Print”/PDF Report
- Excel Tool
- Interactive Website Narrative (Flourish)
- Interactive Mapping Data Tool (Shiny Web App)

NEXT STEPS: TRACKING DATA CHANGES OVER TIME

NATIONAL THEMES AND CONCLUSIONS

THEMES OF PRODUCTION, MIDDLE-INCOME, EQUITY EXPANDED IN 10 KEY TAKEAWAYS:

- Data confirms what is simple and what we know: production impacts affordability.
- For-sale and rental affordability move in tandem across major markets.
- Large, coastal Established markets remain most unaffordable with the largest share of cost-burdened renter households.
- Large, coastal markets are most disproportionately expensive to buy relative to renting.
- Middle-income households have the most access to buying in Backbone markets such as the Northeast (e.g., Pennsylvania, New York).
- Rentals are most affordable in smaller Midwest and Sunbelt markets (e.g., Texas, North Carolina, Kentucky).
- The least economically polarized markets are an interesting group; these are areas that have seen substantial in-migration recently, predominantly located in the West (Salt Lake, Boise, but also Palm Bay and Deltona, Florida).
- Markets that struggle with racial disparity on a market level struggle with it on a neighborhood level too.
- Backbone markets that have the most for-sale attainability also have the largest racial challenges related to housing access.
- Magnet markets are doing best in terms of racial integration (e.g., Orlando, Austin, Miami, Houston).

BRINGING THE INDEX TO AUSTIN

BUILDING, BUT NOT ENOUGH

HARD TO RENT, HARDER TO OWN IN THE MIDDLE CLASS

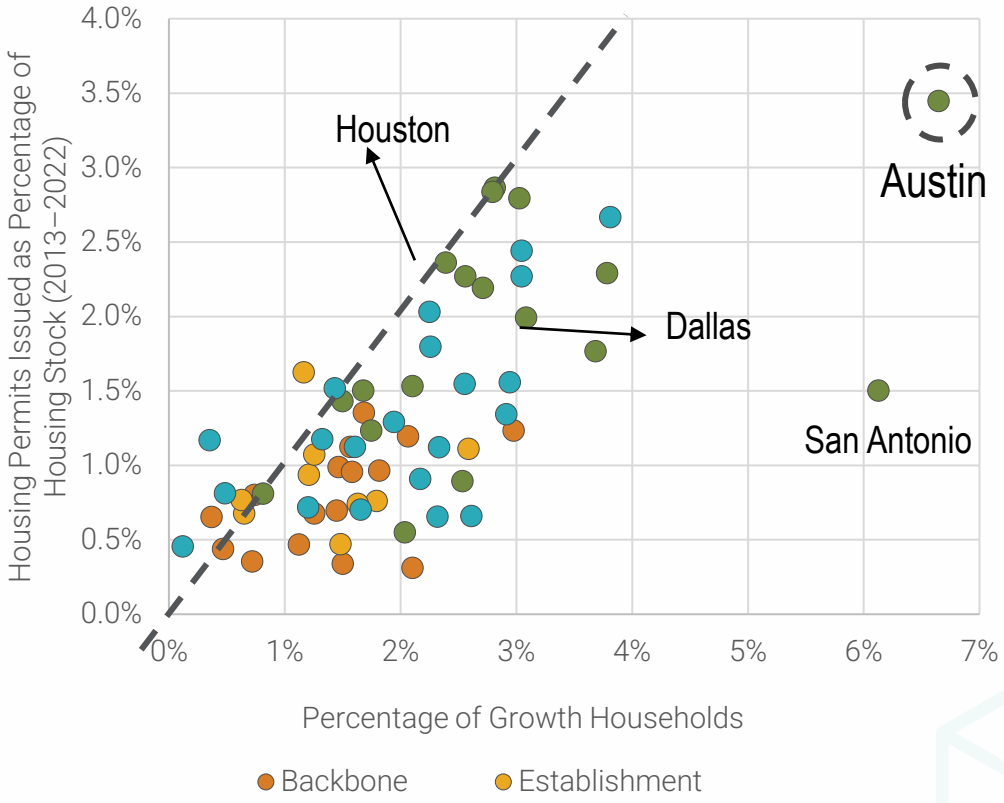
STRONG ECONOMIC AND RACIAL DIVERSITY

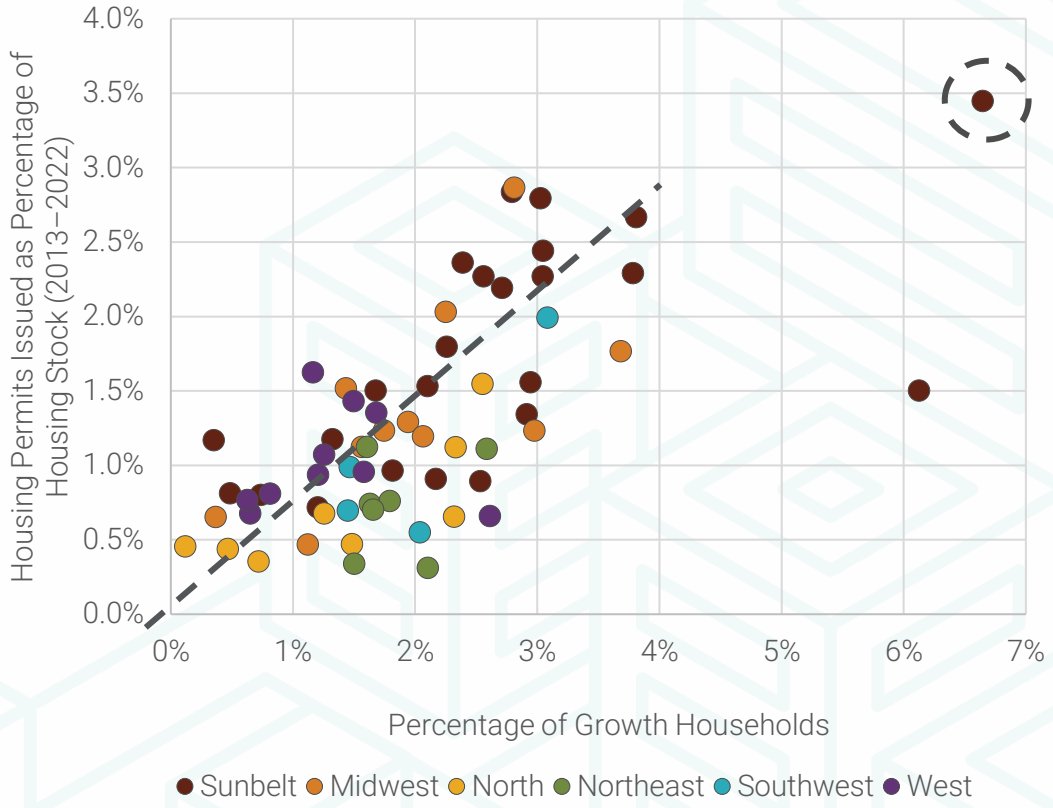
COMMUTING CHALLENGES

HOUSING PRODUCTION

IN MOST MARKETS, PRODUCTION IS NOT KEEPING UP WITH HOUSEHOLD GROWTH BUT PARTICULARLY MAGNETS

Household Growth vs. Housing Production

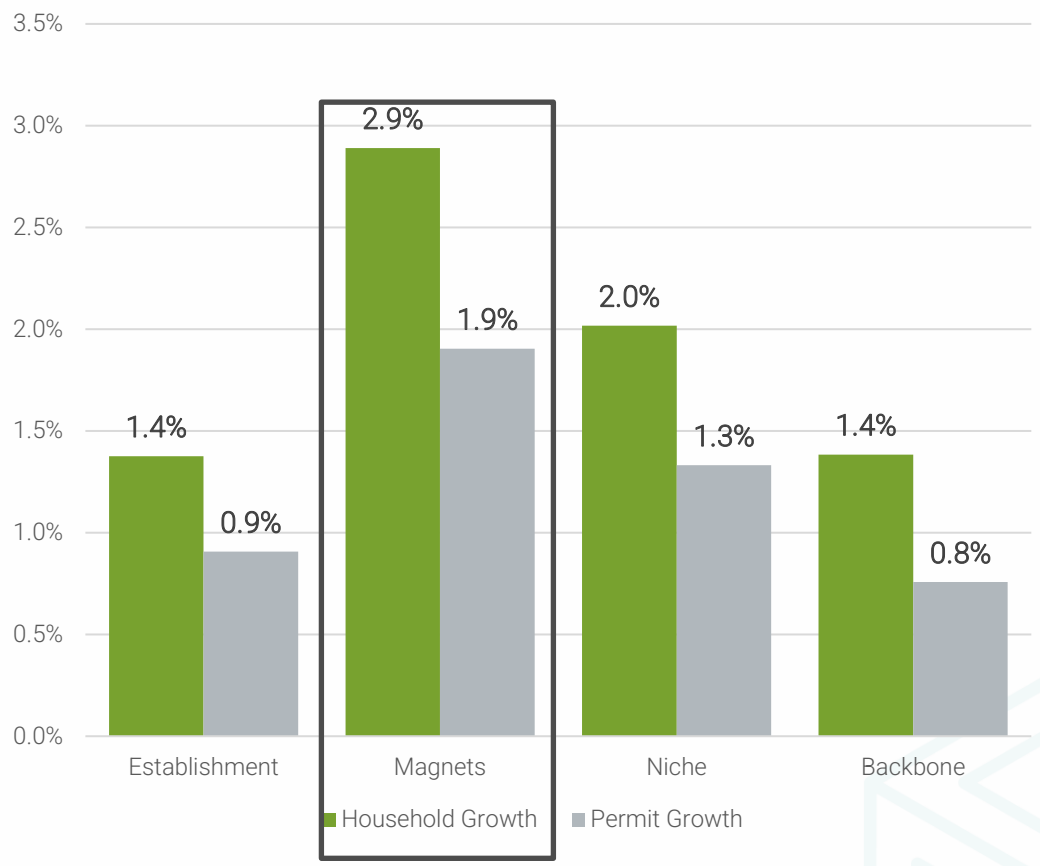


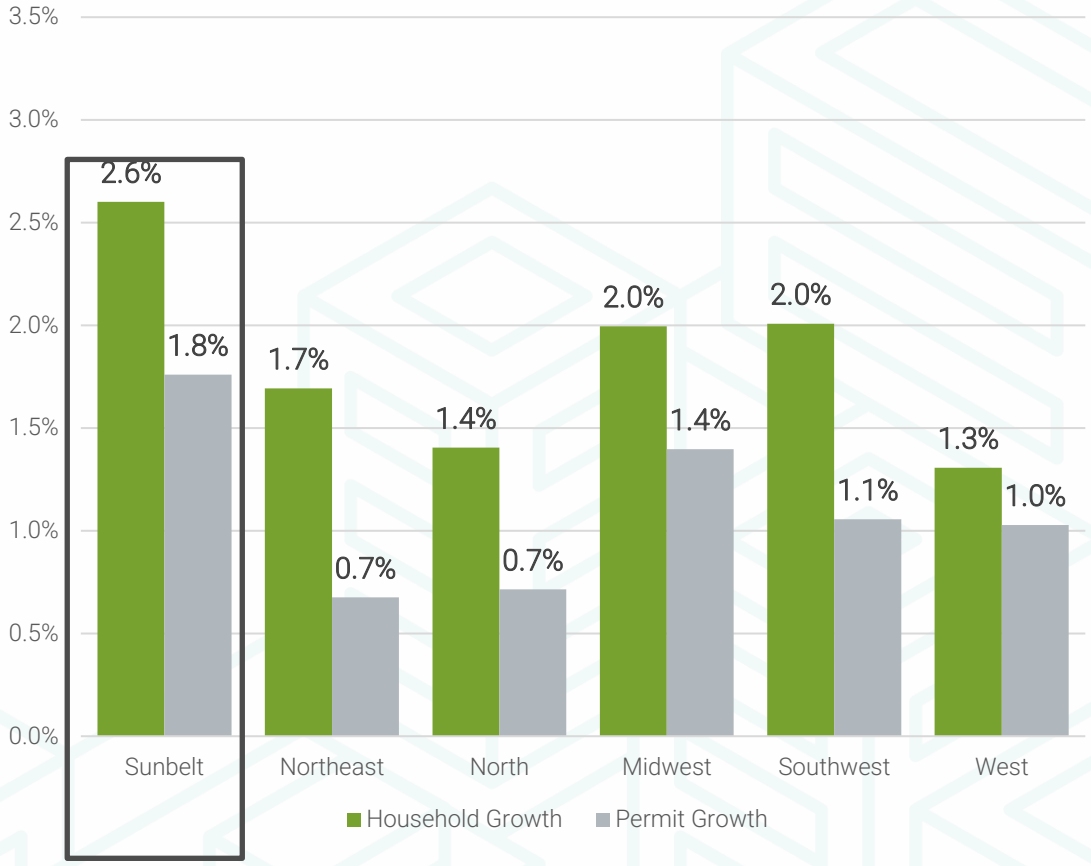


HOUSING PRODUCTION

MAGNETS AND SUNBELT SEES MOST HOUSEHOLD AND PRODUCTION GAINS

Household Growth vs. Housing Production, 2013–2022

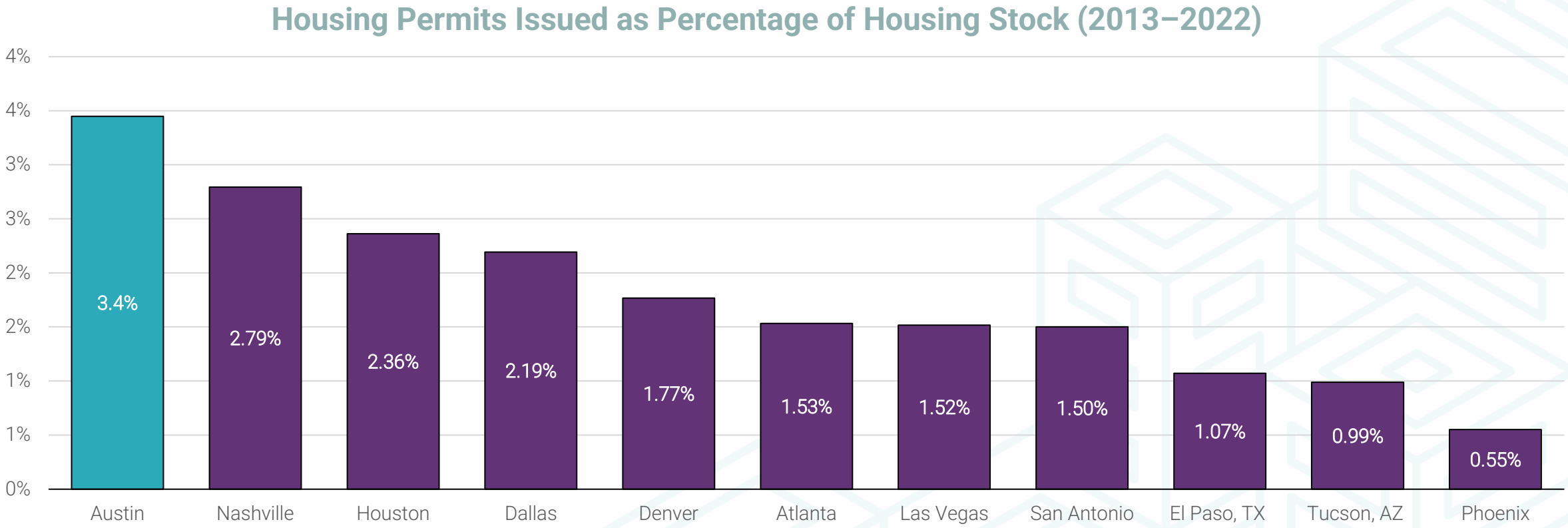




Source: Moody's; Census

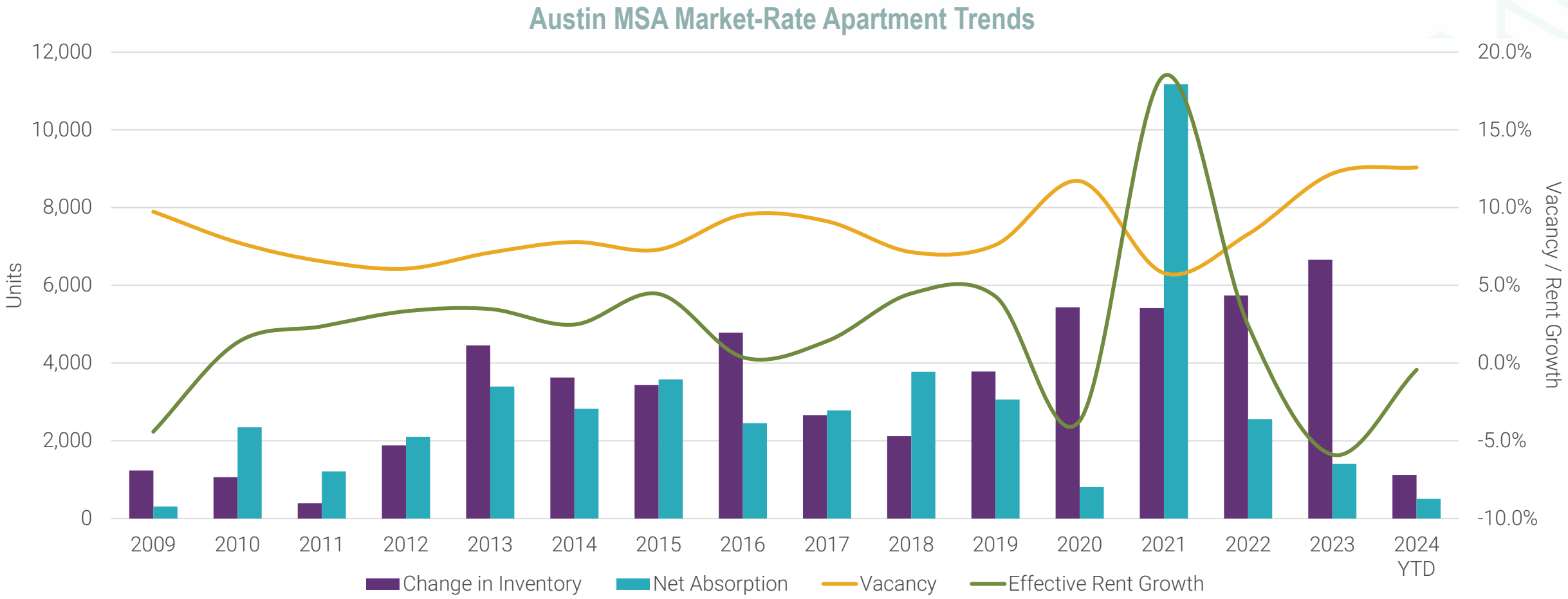
HOUSING PRODUCTION

AUSTIN IS A DEVELOPMENT HOT SPOT, EXPANDING AT A MUCH FASTER RATE THAN COMPARABLE MSAS



AUSTIN MARKET-RATE HOUSING TRENDS

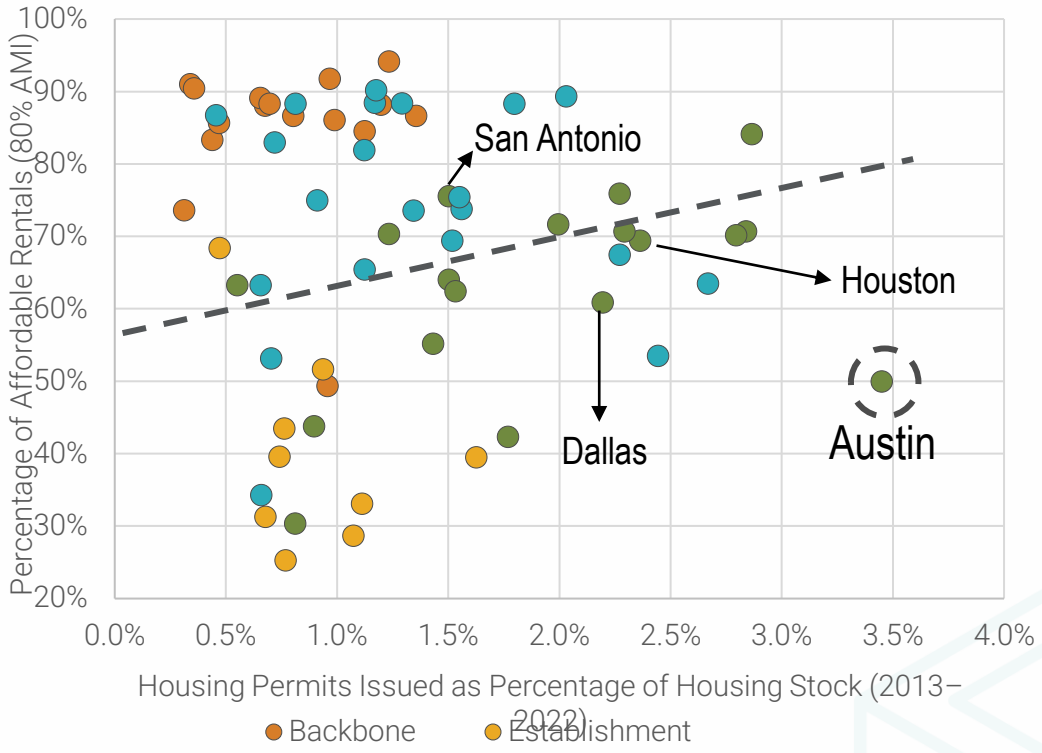
PERIOD FROM 2014-2018 CONTRASTS WITH 2019-2023

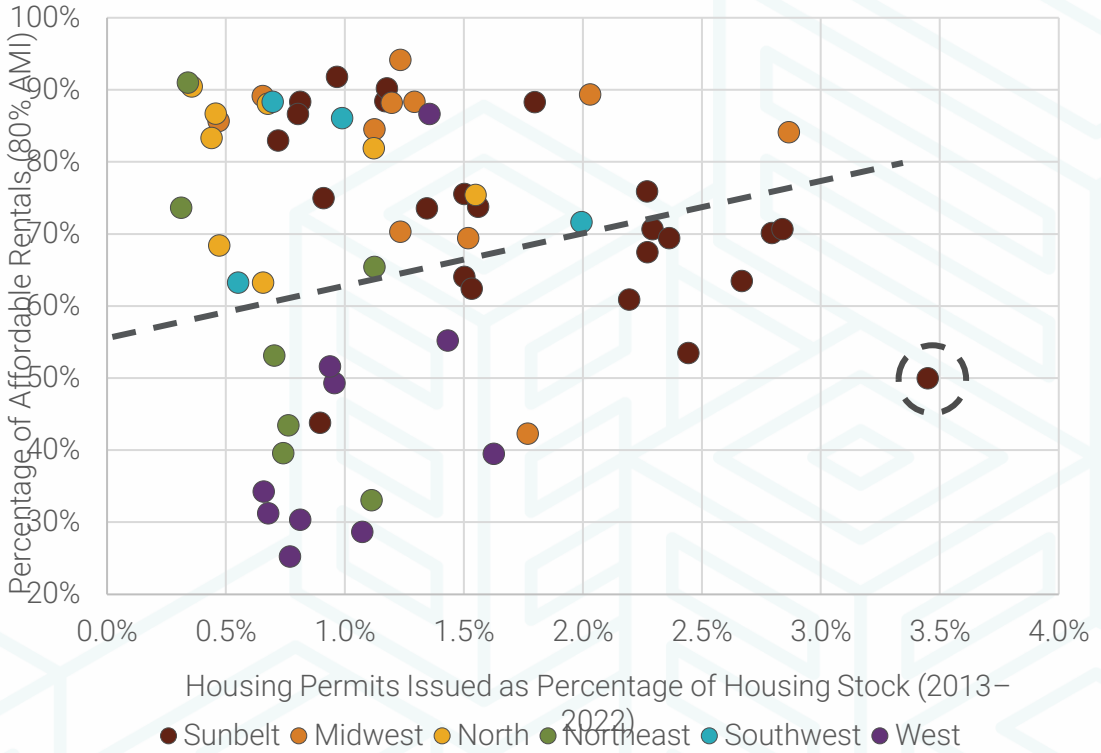


DOES HOUSING PRODUCTION REALLY IMPACT AFFORDABILITY?

HOUSING PRODUCTION IS RELATED TO AFFORDABILITY, AUSTIN A BIT OF AN OUTLIER

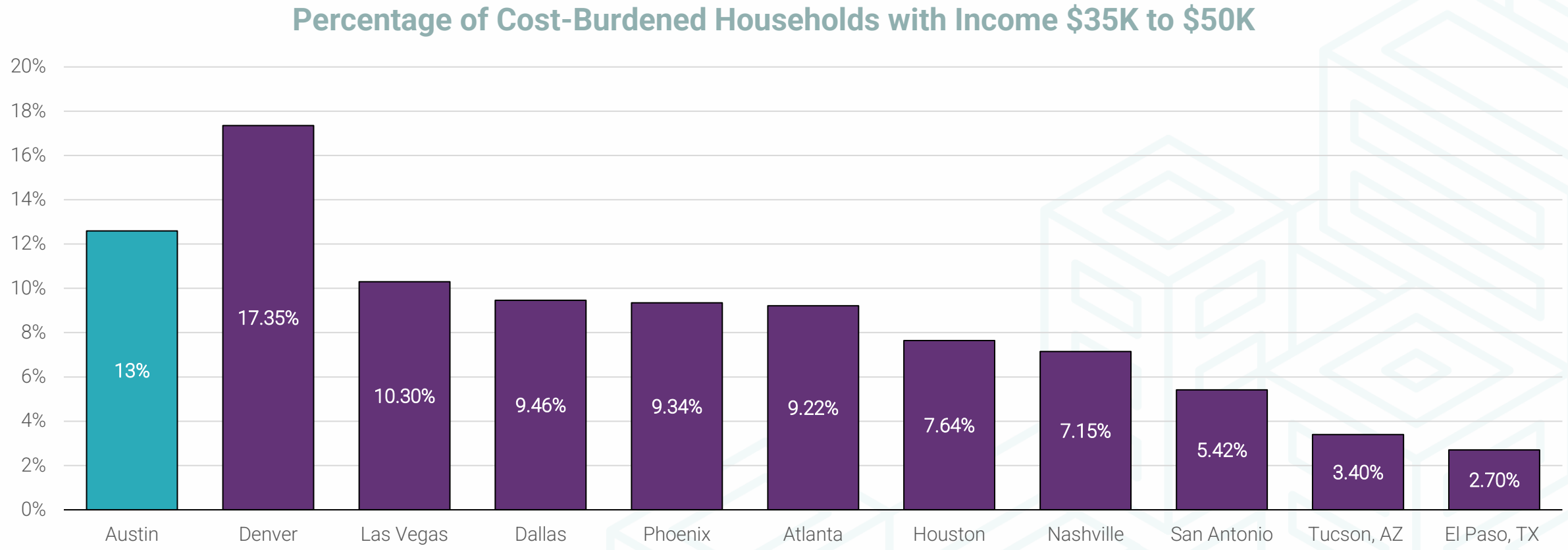
Housing Production vs. Rental Affordability





RENTAL AFFORDABILITY CHALLENGES

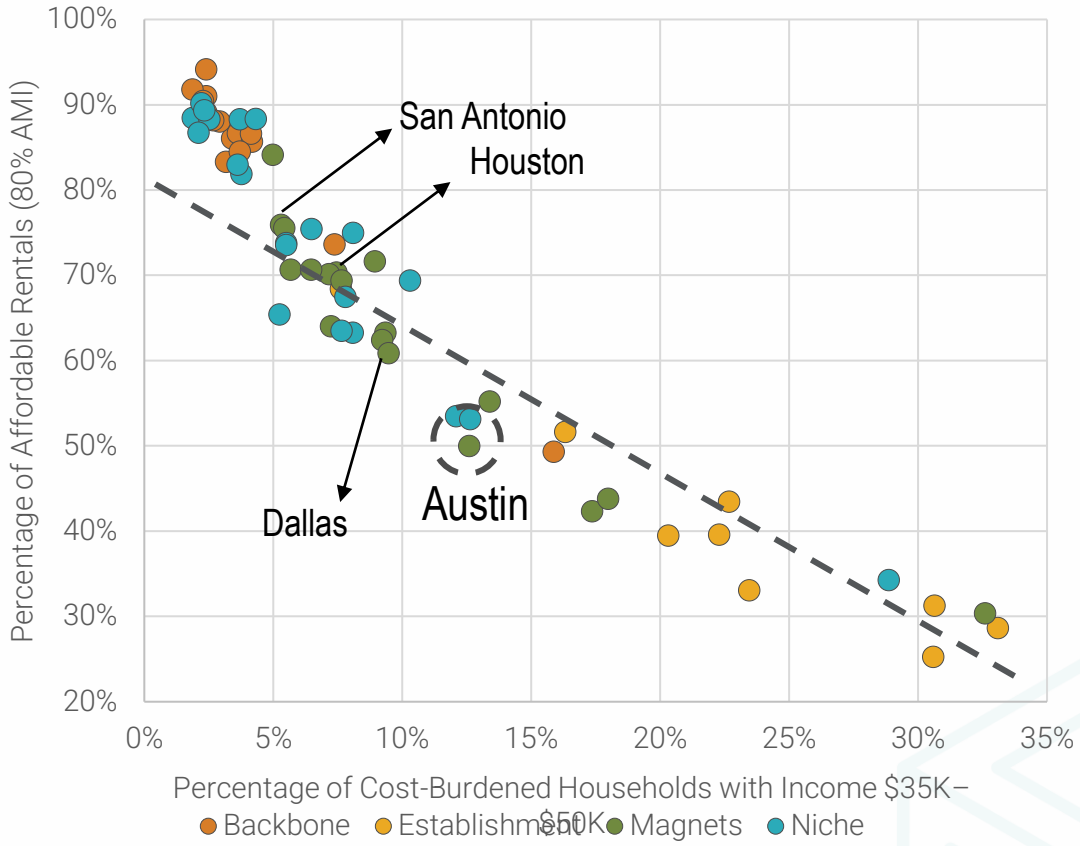
AUSTIN HAS A RELATIVELY HIGH PERCENTAGE OF COST-BURDENED HOUSEHOLDS

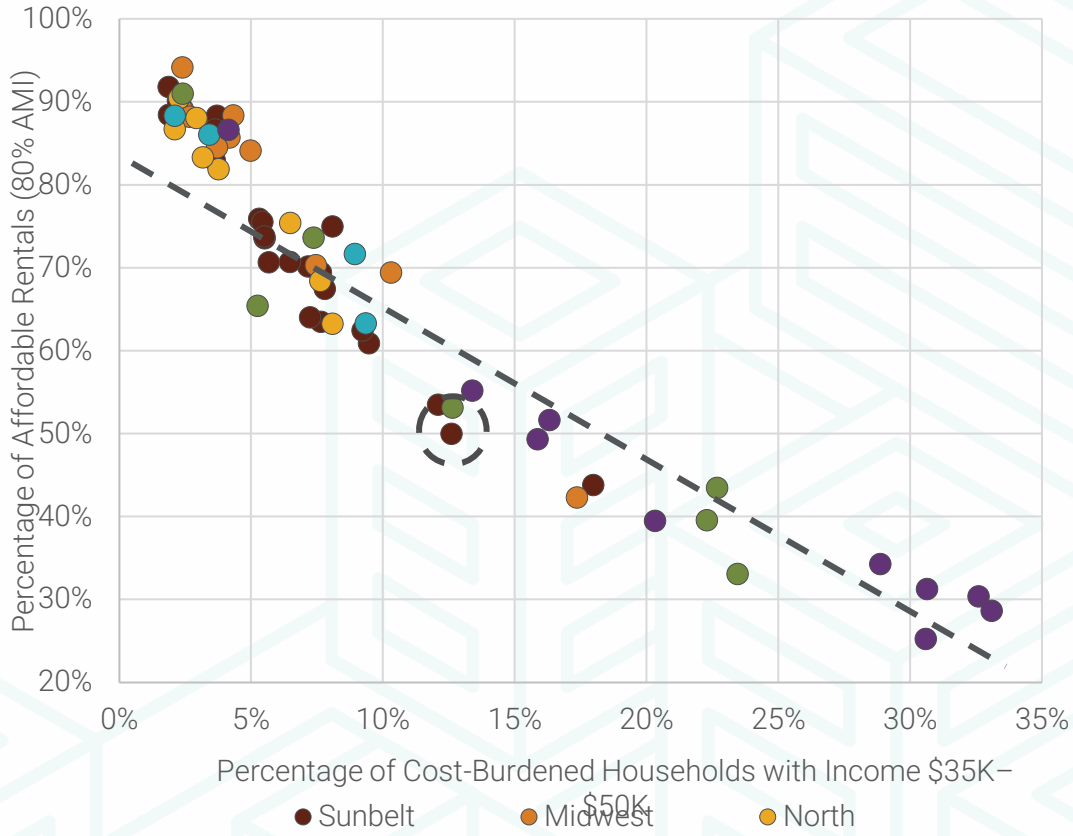


RENTAL AFFORDABILITY

MARKETS THAT ARE EXPENSIVE TO RENT ARE EXPENSIVE ACROSS INCOME LEVELS

Cost-Burdened Households vs. Rentals Affordable

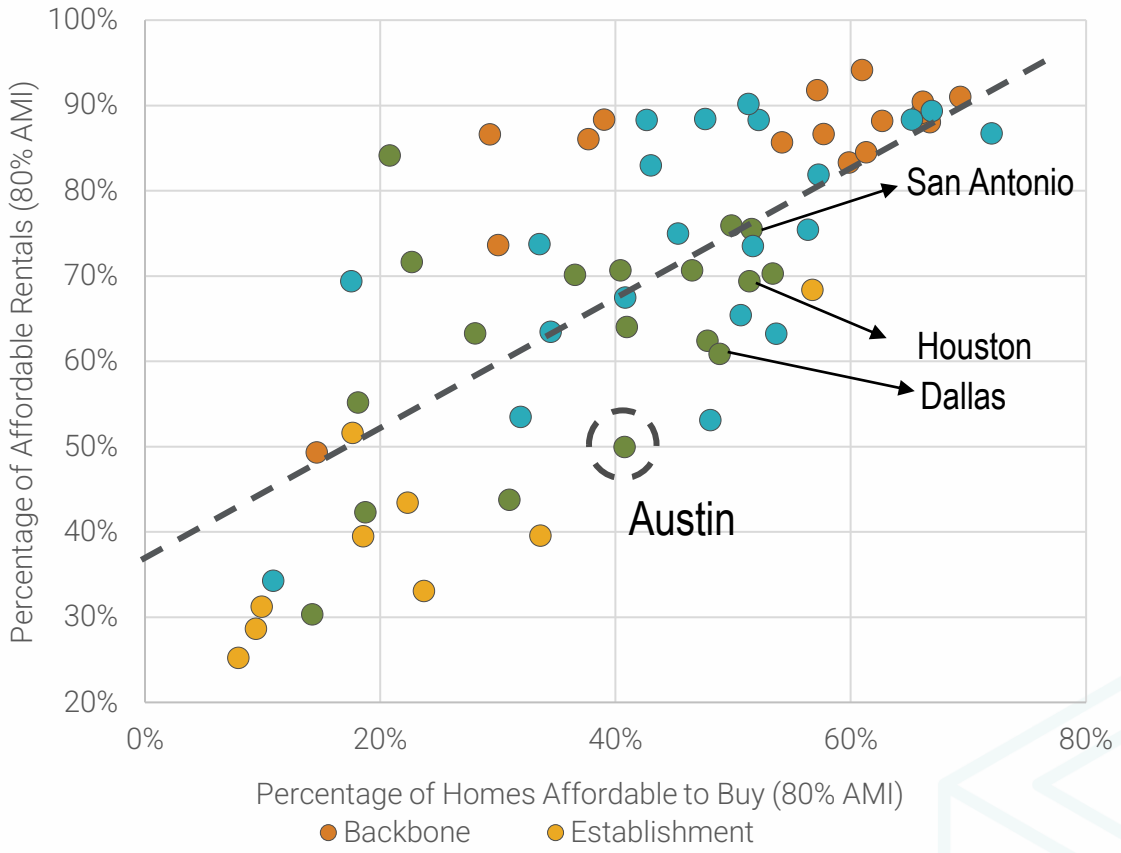


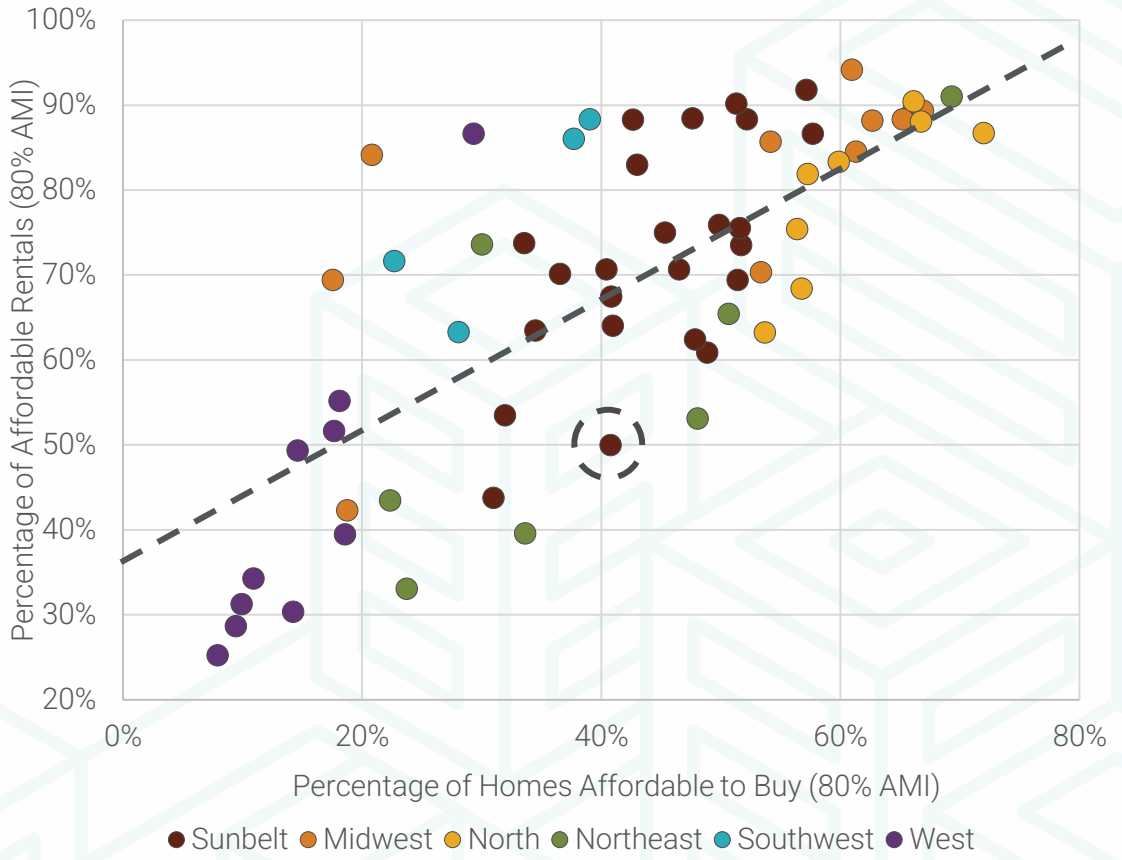


OVERALL AFFORDABILITY

WHERE OWNING IS EXPENSIVE, SO IS RENTING

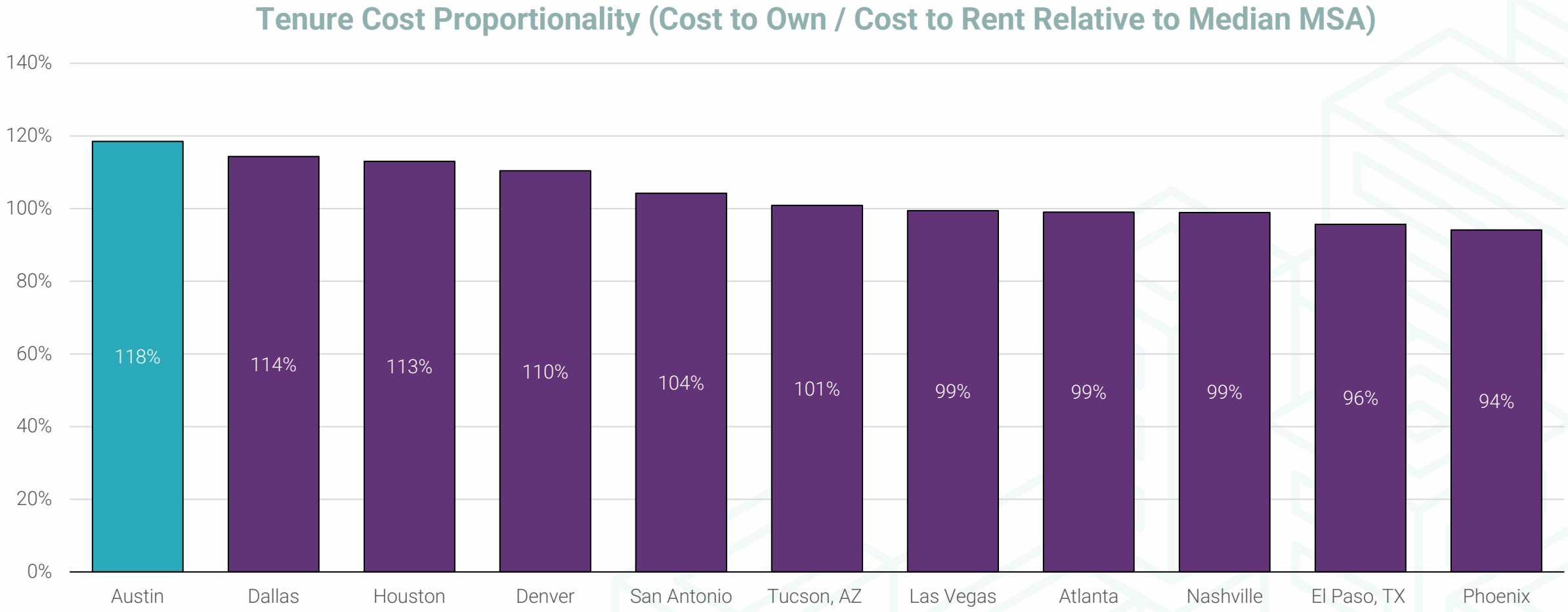
For-Sale vs. Rentals Affordable at 80% AMI





TENURE COST PROPORTIONALITY

AUSTIN IS TOUGHER TO OWN IN RELATIVE TO MOST PEER CITIES

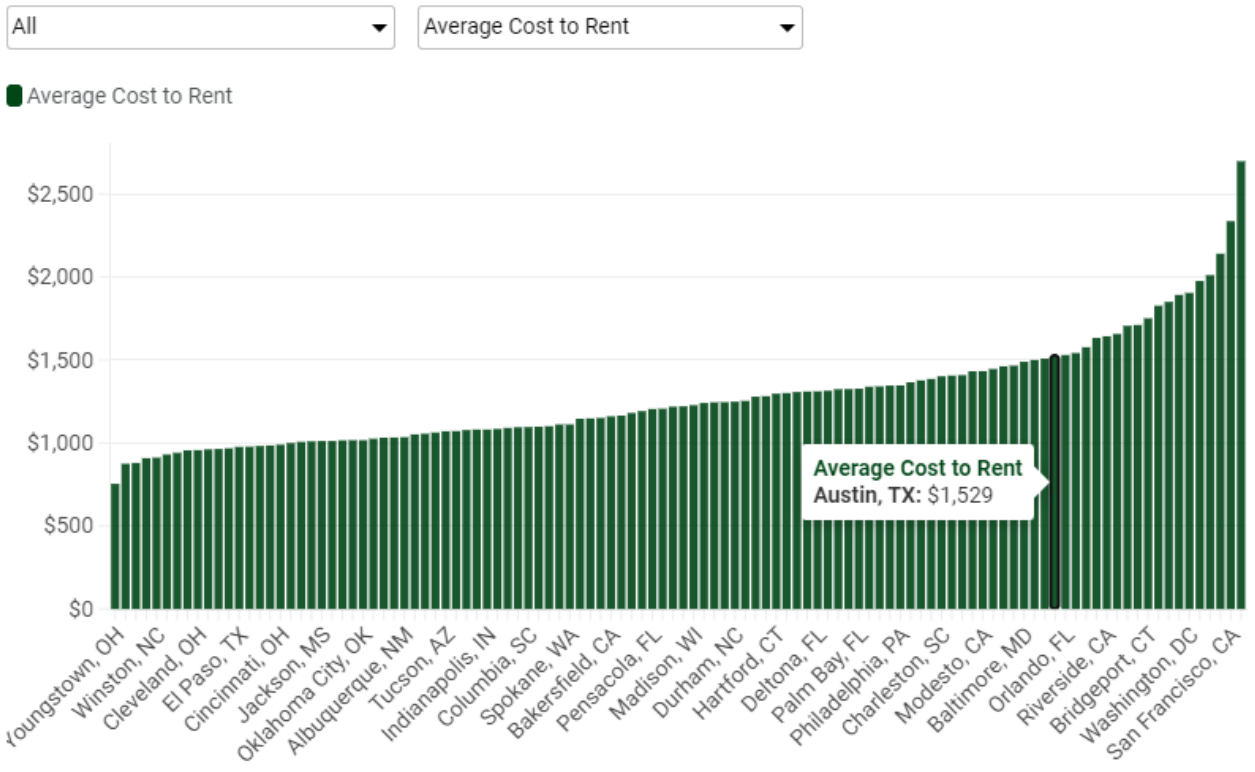


AFFORDABILITY – WEB TOOLS

CAN EXPLORE HOUSING COSTS BY MARKET, COMPARE TO PEERS

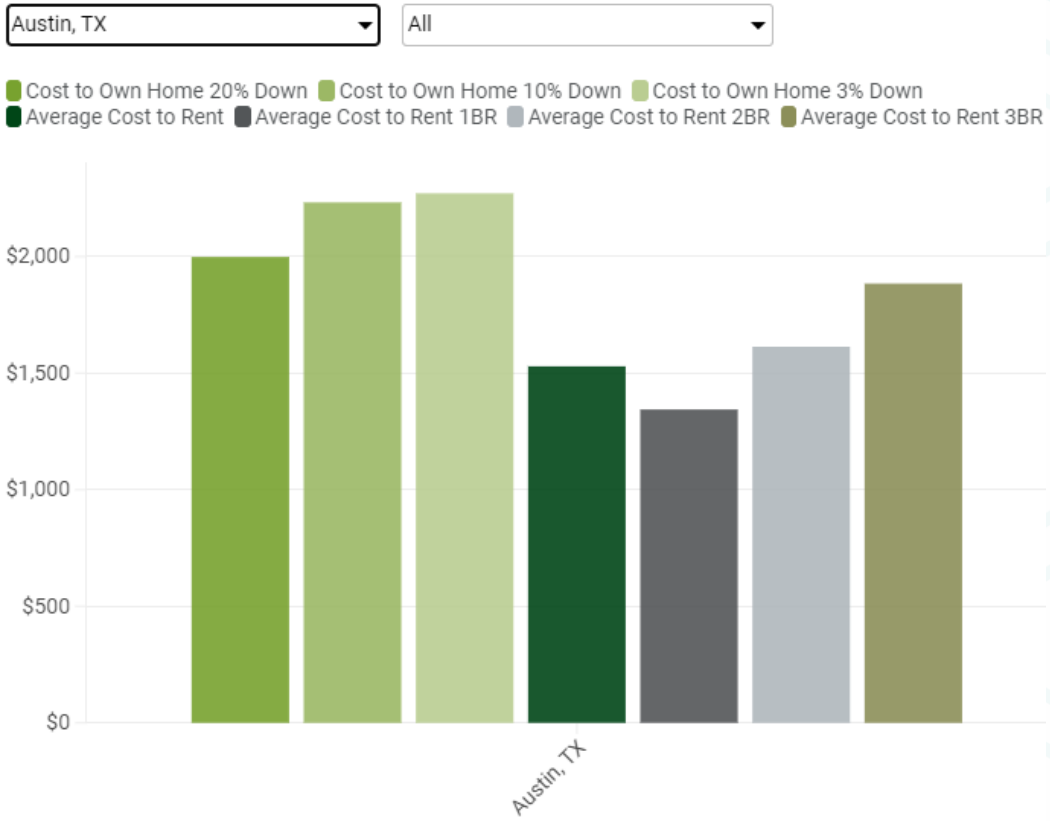
INTERACTIVE HOUSING COSTS BY MARKET

Use the dropdown menu to analyze the cost of renting or owning by market



INTERACTIVE HOUSING COSTS BY MARKET

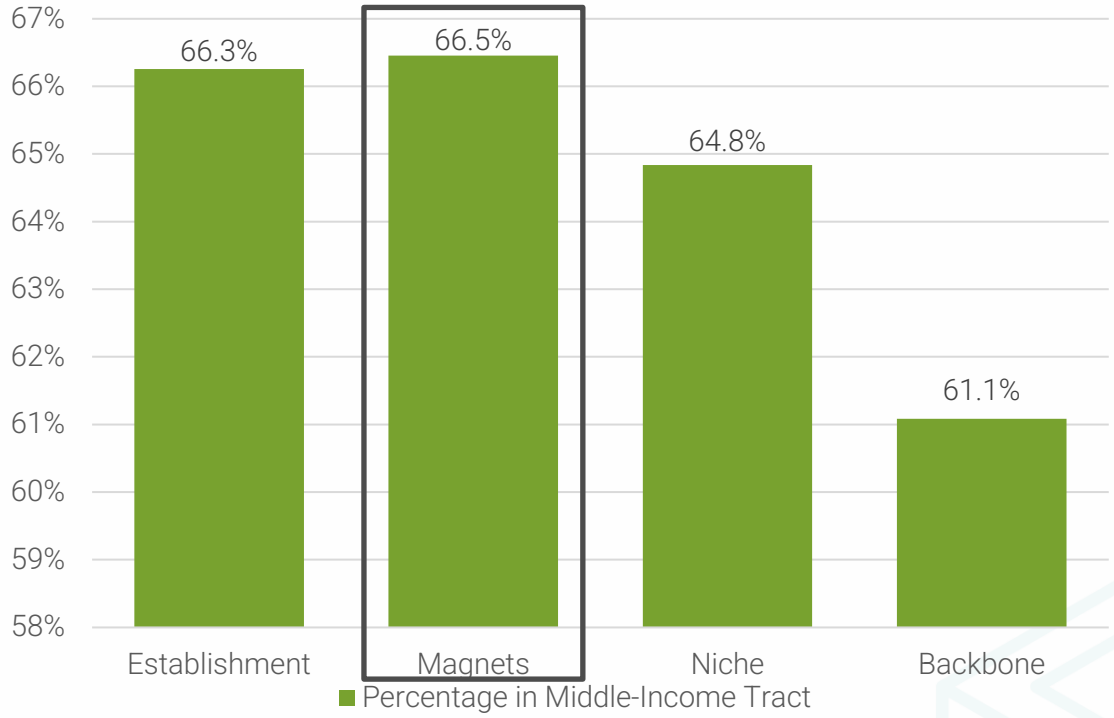
Use the dropdown menu to analyze the cost of renting or owning by market



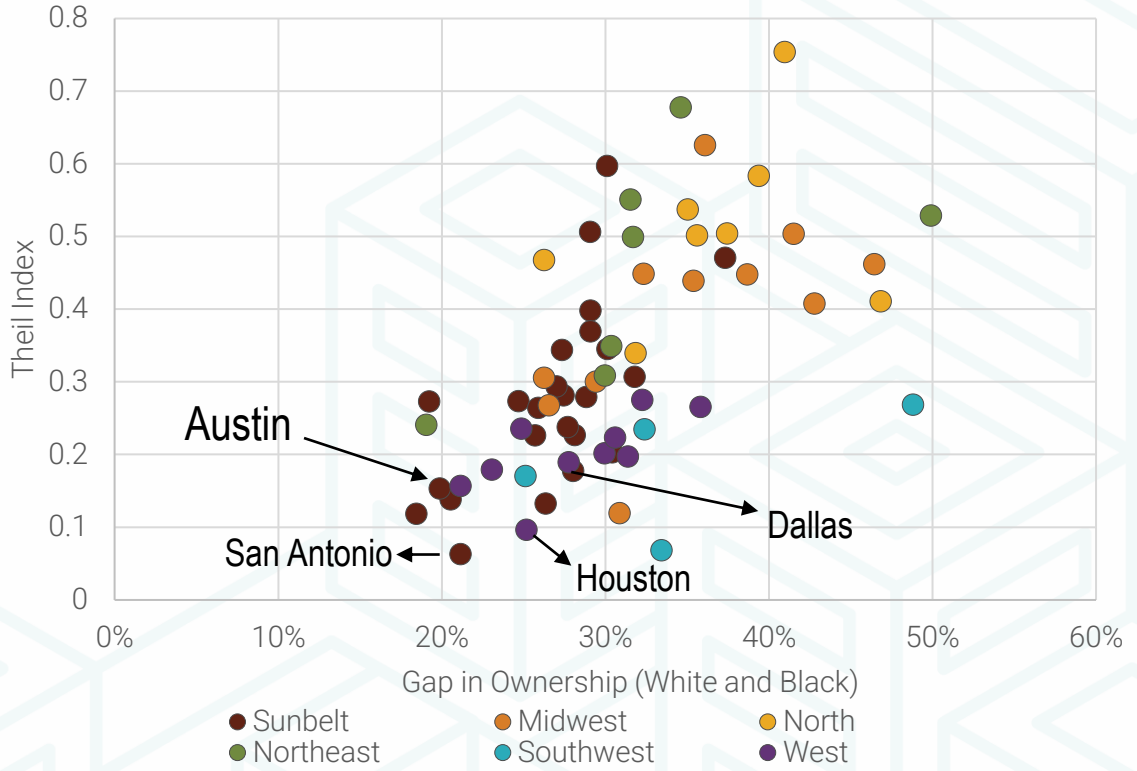
ECONOMIC AND RACIAL INTEGRATION

MARKETS WITH MOST ECONOMIC INTEGRATION TEND TO BE RACIALLY INTEGRATED – AUSTIN IS A TOP-PERFORMER IN TERMS OF EQUITY

Middle-Income Neighborhoods (Percentage of Tracts with Median Income 80–120% AMI)

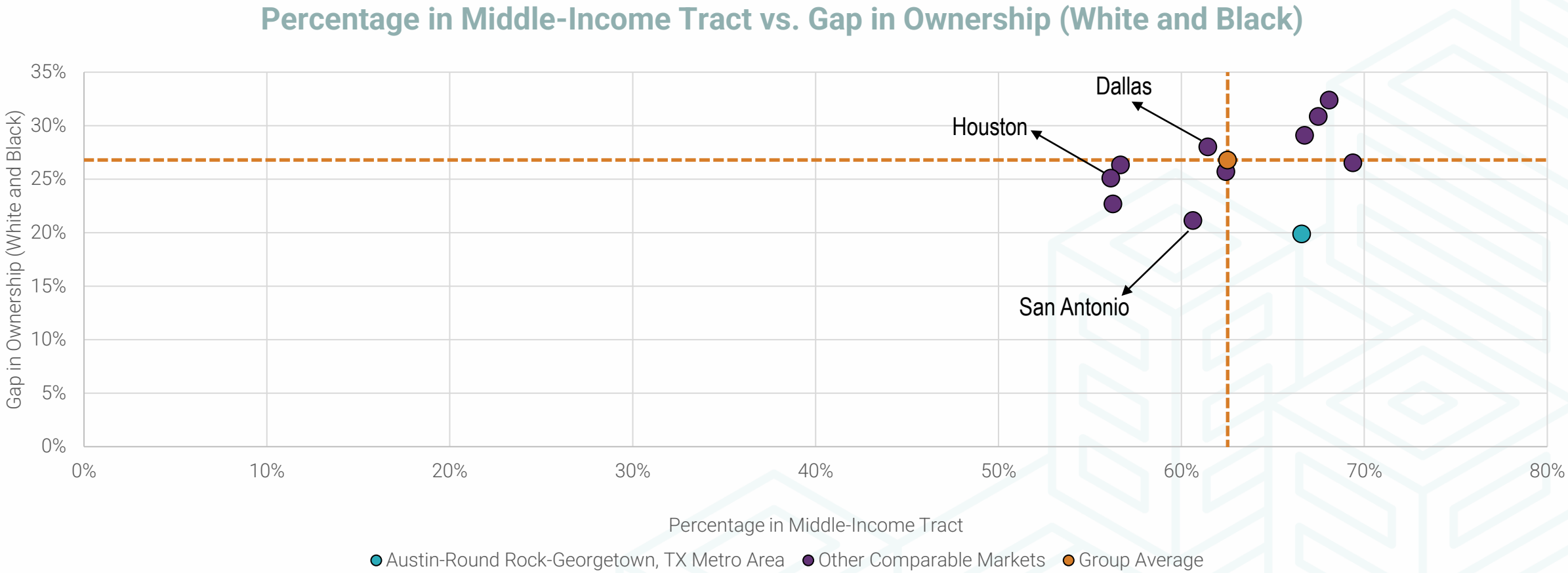


Racial Disparity



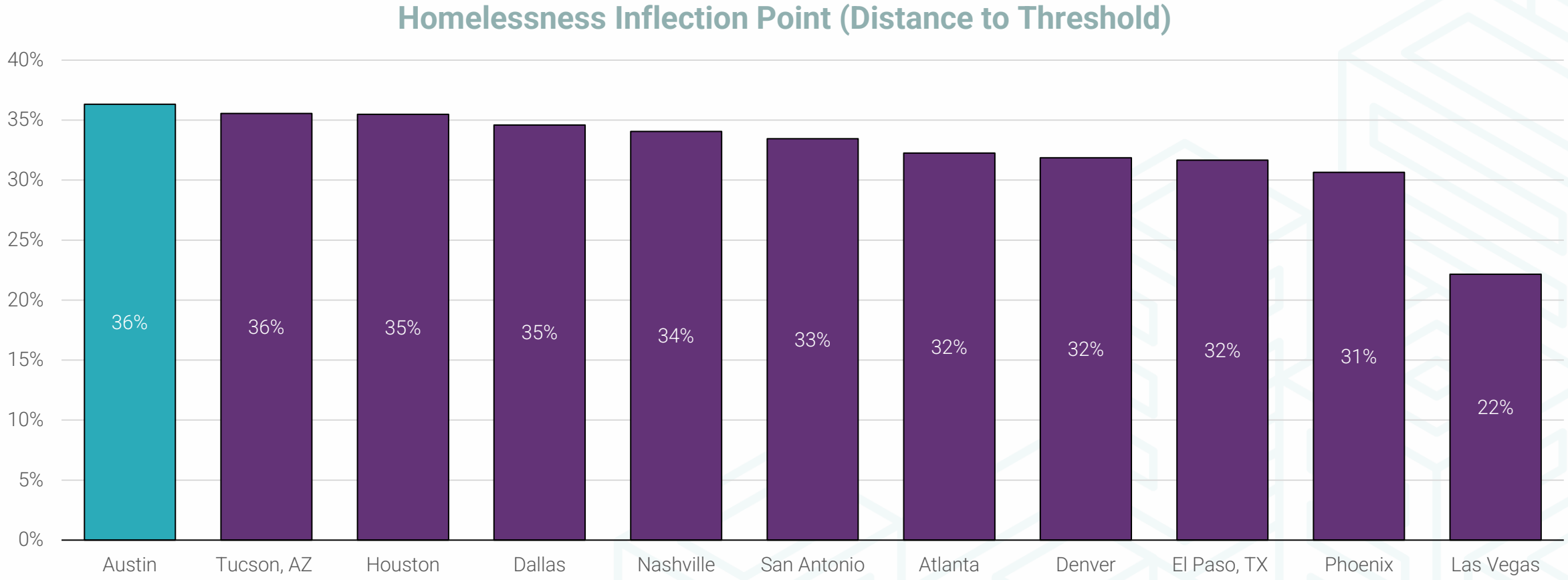
ECONOMIC AND RACIAL INTEGRATION

AUSTIN IS RELATIVELY WELL-INTEGRATED COMPARED TO PEER CITIES



HOMELESSNESS

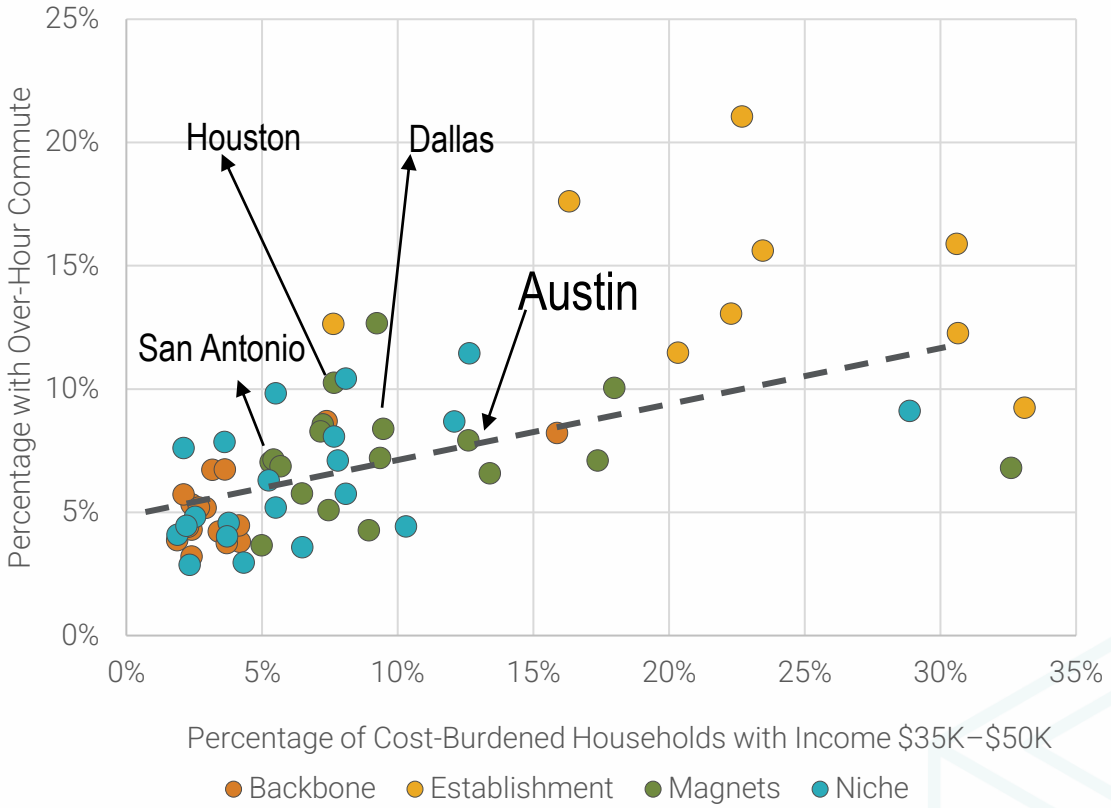
MORE SLACK IN AUSTIN COMPARED TO PEER MARKETS IN TERMS OF RENT TO MEDIAN INCOME RATIOS BEFORE PROJECTED UPTICK IN HOMELESSNESS

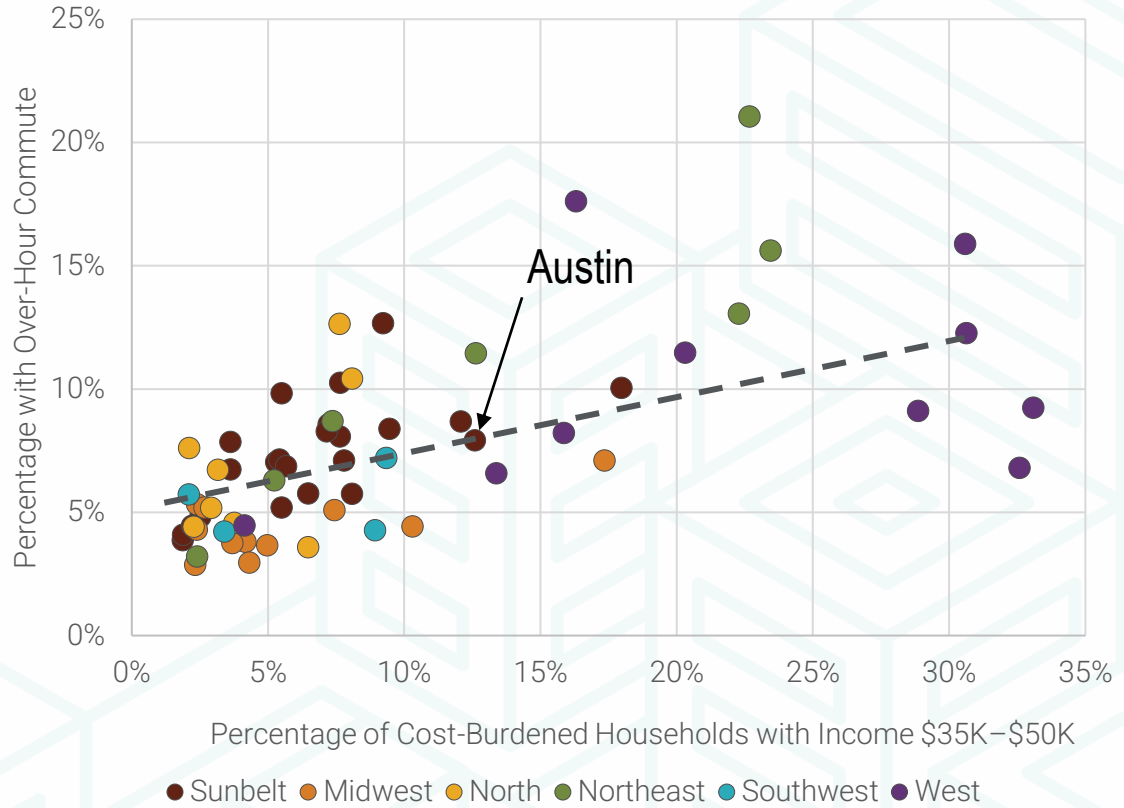


CONNECTIVITY

LARGE, EXPENSIVE MARKETS MEAN WORKERS ARE PUSHED FURTHER FROM THEIR JOBS – AUSTIN IN THE MIX OF MAGNETS

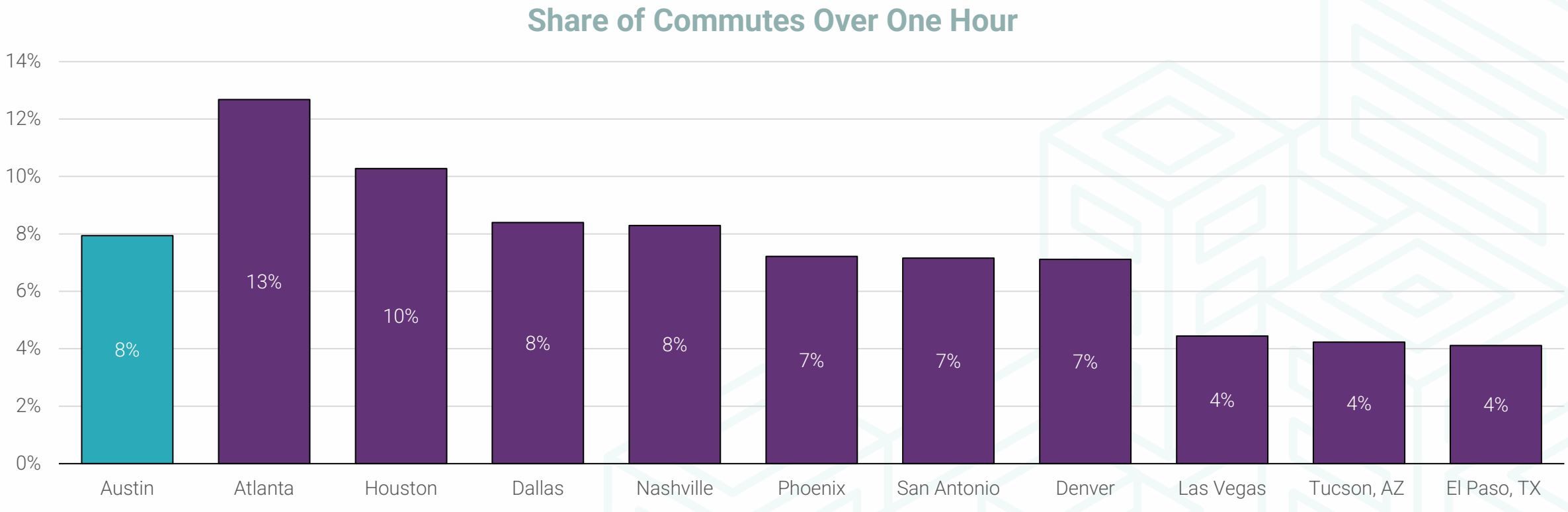
Cost Burdens vs. Long Commutes





LONG COMMUTES

SIMILAR COMMUTING PATTERNS TO PEERS – LESS LONG COMMUTES IN SUNBELT COMPARED TO COASTAL MARKETS, BUT HALF AS MUCH TRANSIT COMMUTERS

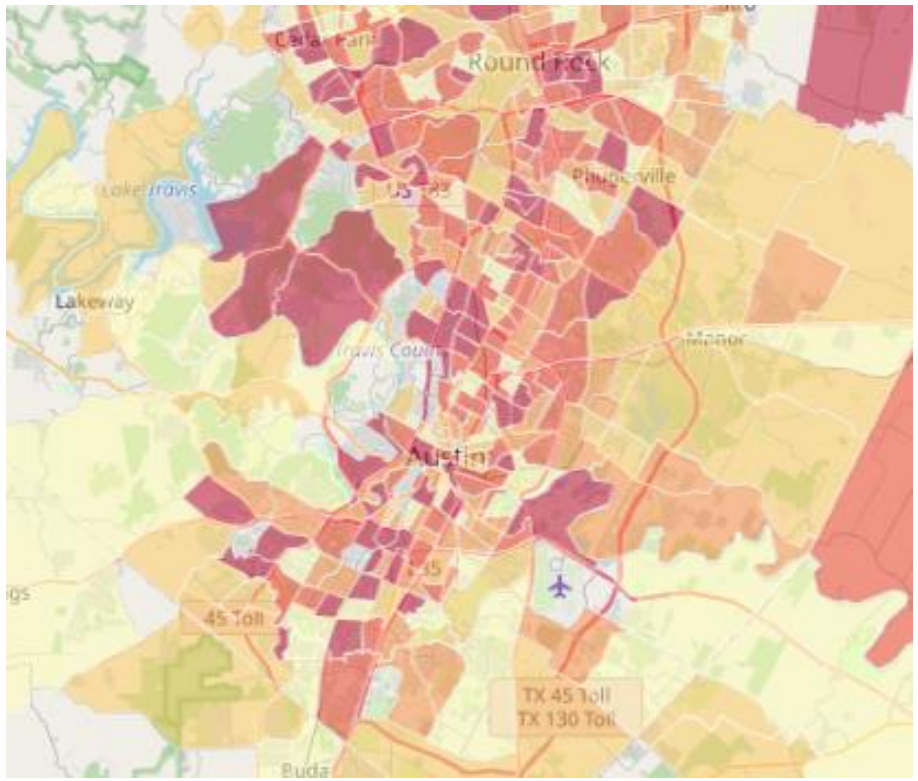


EQUITY & INCLUSION – WEB TOOLS

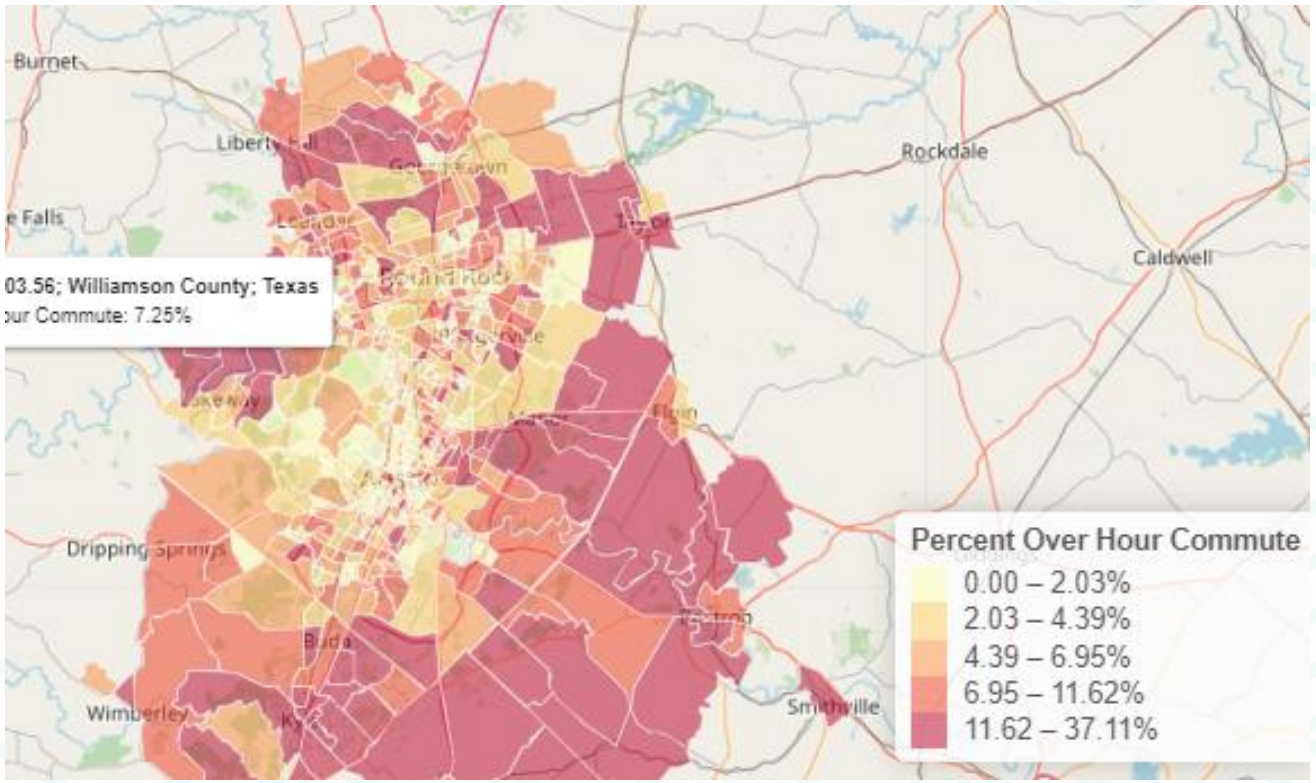
NEIGHBORHOOD-LEVEL EXPLORATION:

HTTPS://RCLCO-CONSULTING.SHINYAPPS.IO/RCLCOULI/

White vs. Black Homeownership Gap



Share of Commutes Over One Hour by Tract



AUSTIN SUMMARY OUTPUT METRICS (EXCEL TOOL)

AUSTIN BOASTS STRONG INTEGRATION, BUT HAS NOT PRODUCED ENOUGH DIVERSITY OF HOUSING TO KEEP UP WITH DEMAND THIS PAST DECADE

Variable Name	Austin-Round Rock-Georgetown, TX Metro Area	Other Comparable Metro Areas	Over 1M	Magnets	Sunbelt	Average - All MSAs
Overall Affordability						
Tenure Cost Proportionality	1.18	1.02	1.12	1.05	0.99	1.09
Percentage of Cost-Burdened Households with Income $35K–$50K	12.6%	7.2%	7.0%	10.5%	6.7%	7.8%
Percentage of Cost-Burdened Households with Income $50K–$75K	1.9%	1.1%	2.0%	2.2%	1.2%	2.0%
Middle Income						
Percentage in Middle-Income Tract	67%	62%	63%	66%	63%	63%
Percentage of Affordable Rentals (80% AMI)	50%	73%	77%	63%	72%	75%
Percentage of Homes Affordable to Buy (80% AMI)	41%	43%	47%	37%	45%	45%
Racial Highlights						
Theil Index	0.15	0.17	0.36	0.24	0.28	0.33
Gap in Ownership (White and Black)	20%	27%	32%	29%	27%	31%
Percentage in Middle-Income Tract	67%	62%	63%	66%	63%	63%
Connectivity						
Percentage Who Drive to Work	93.8%	94.5%	94.1%	93.8%	95.2%	93.2%
Percentage with Over-Hour Commute	7.9%	7.4%	5.6%	7.4%	7.2%	7.2%
Percentage of Cost-Burdened Households with Income $35K–$50K	12.6%	7.2%	7.0%	10.5%	6.7%	7.8%
Housing Growth						
Housing Permits Issued Annually (2013 - 2022)	31,230	24,447	7,290	22,363	16,653	8,976
Percentage of Growth Households	3.4%	1.6%	1.1%	1.9%	1.8%	1.2%
Percentage of Growth Housing Units	5.9%	2.4%	1.5%	2.6%	2.2%	1.4%

Daryl Fairweather
Chief Economist, REDFIN
daryl.fairweather@redfin.com

Dana Schoewe
Principal, RCLCO
dschoewe@rclco.com

ULI HOUSING OPPORTUNITY CONFERENCE