Supply and Demand, Affordability and Access Issues – Do We Have a Crisis?

presented by:
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The Counselors of Real Estate
2017 Midyear Meetings
Housing Panel
Los Angeles, CA
May 22, 2017

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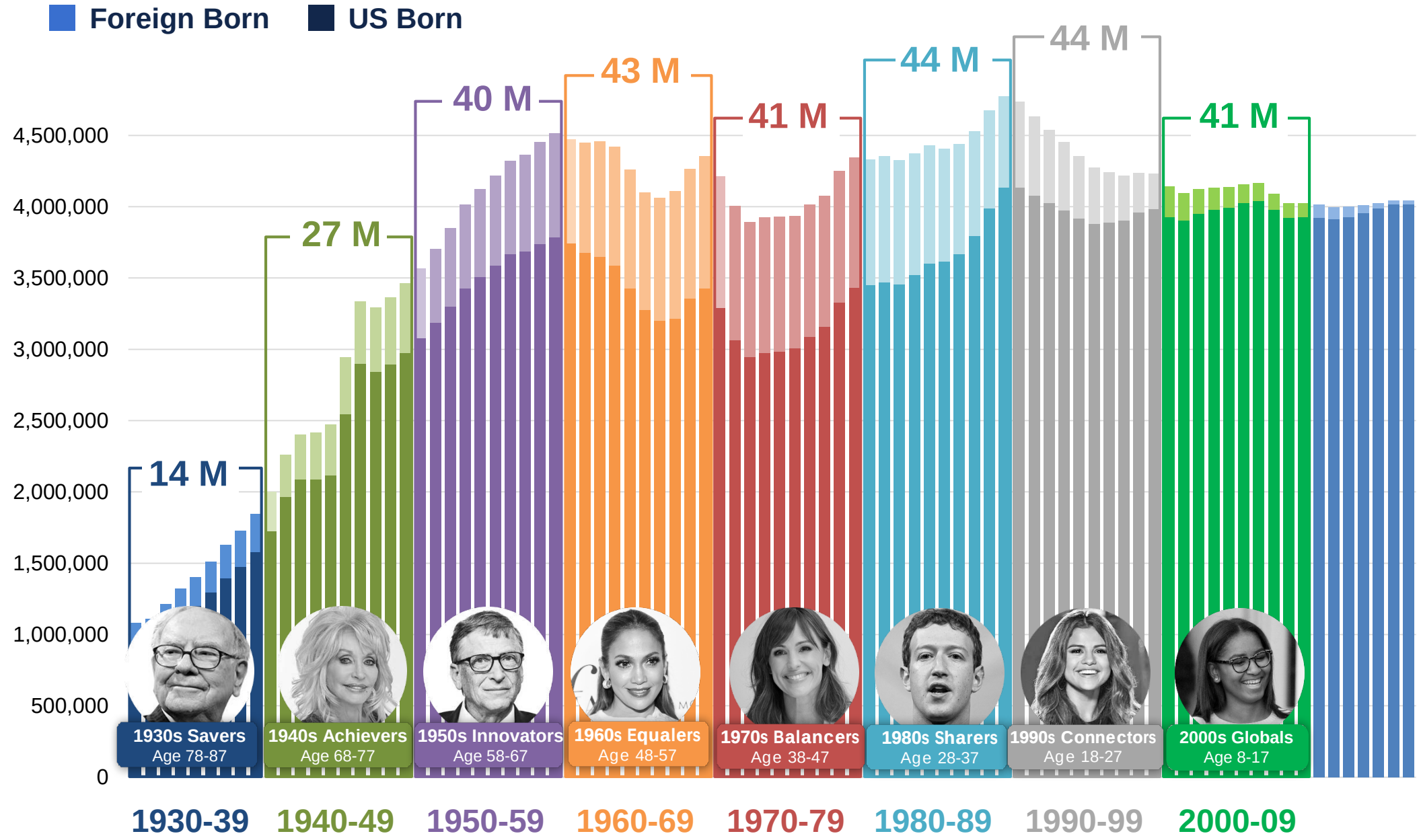
New generational definitions by decade

2015 US POPULATION BY PLACE OF BIRTH



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2014 National Projections

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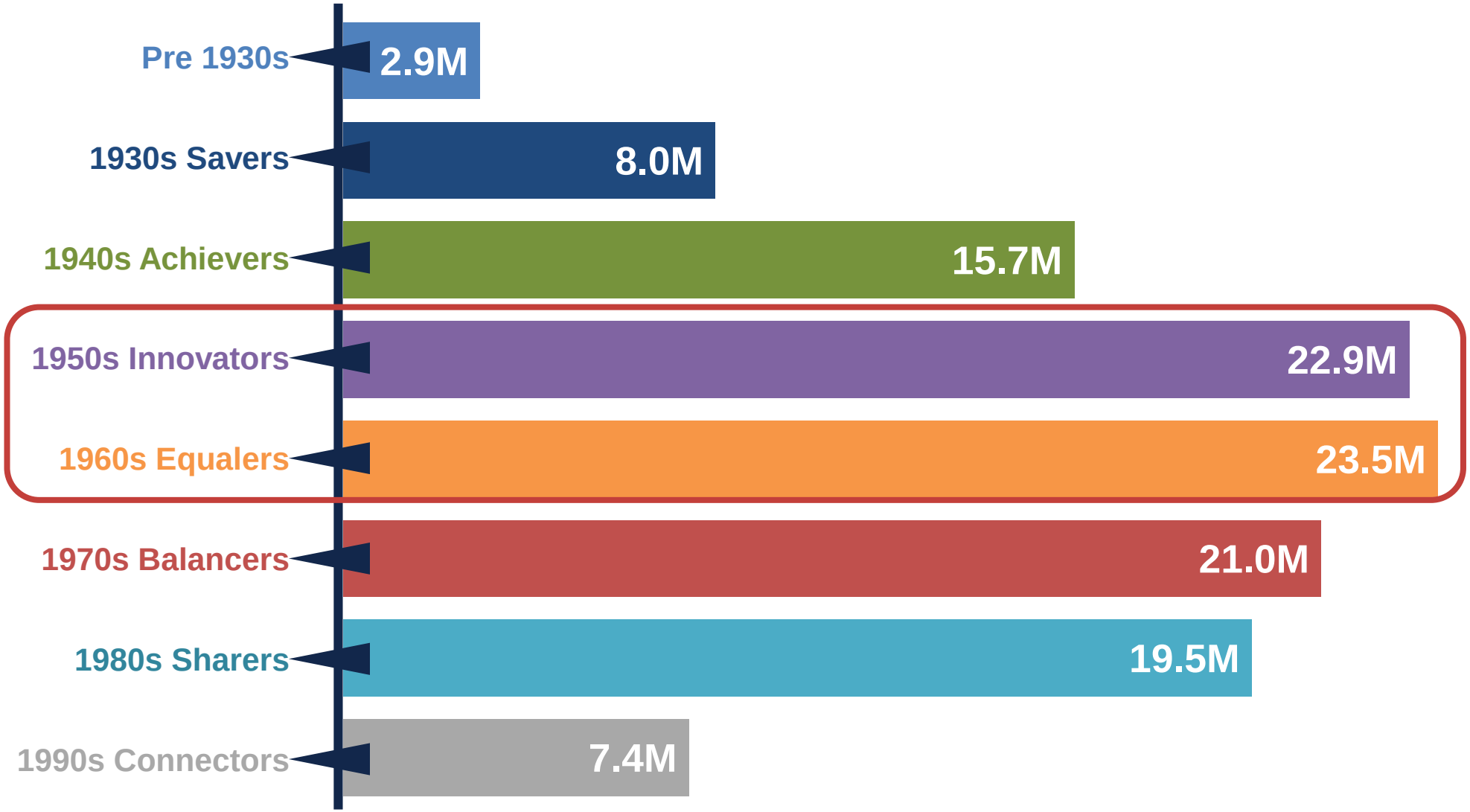
Each generation from 1950 on should form 23 to 24 million households

ESTIMATED 2016 HOUSEHOLDS BY DECADE BORN



Source: John Burns Real Estate Consulting, LLC

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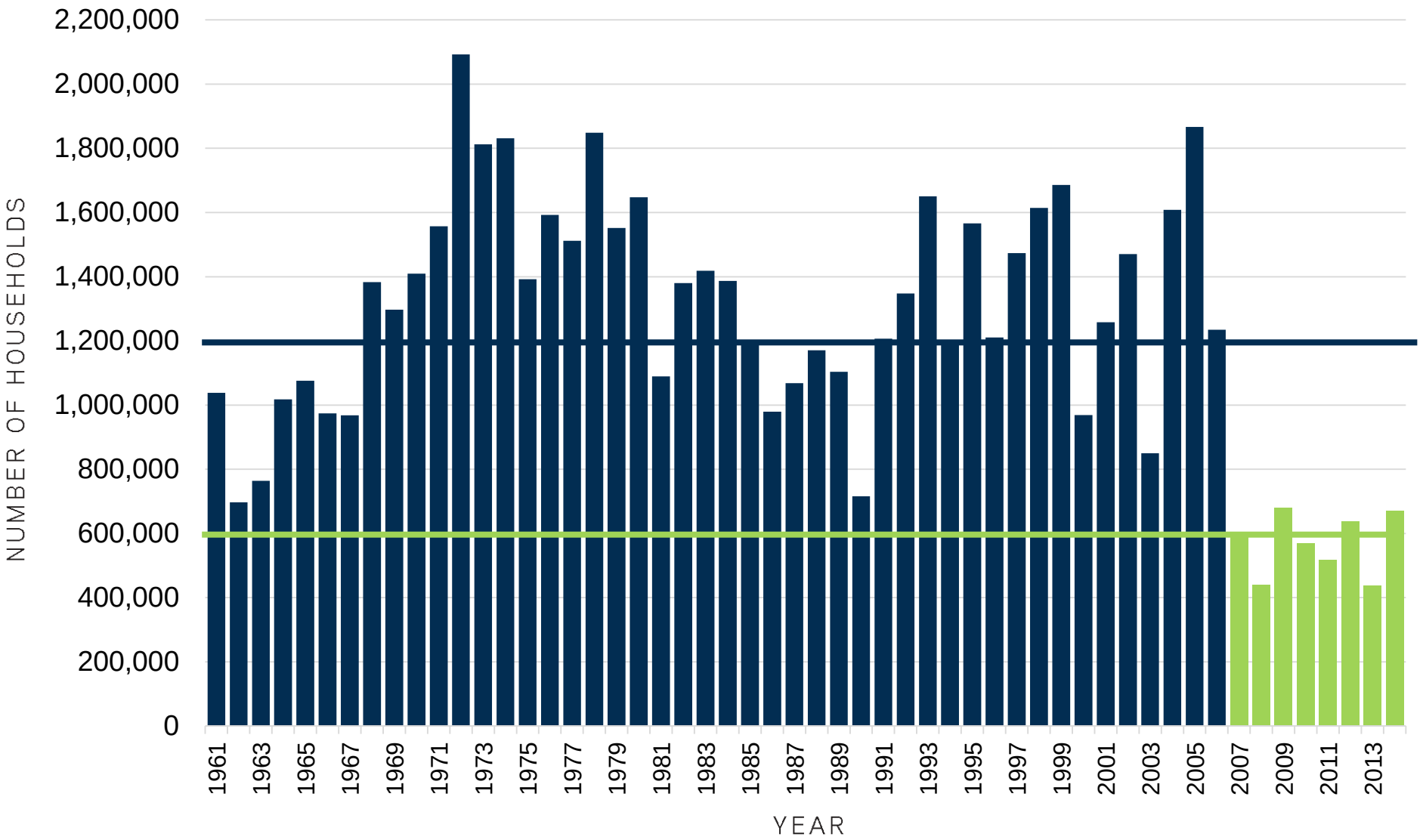
Household formations plunged 50%+ after the Great Recession

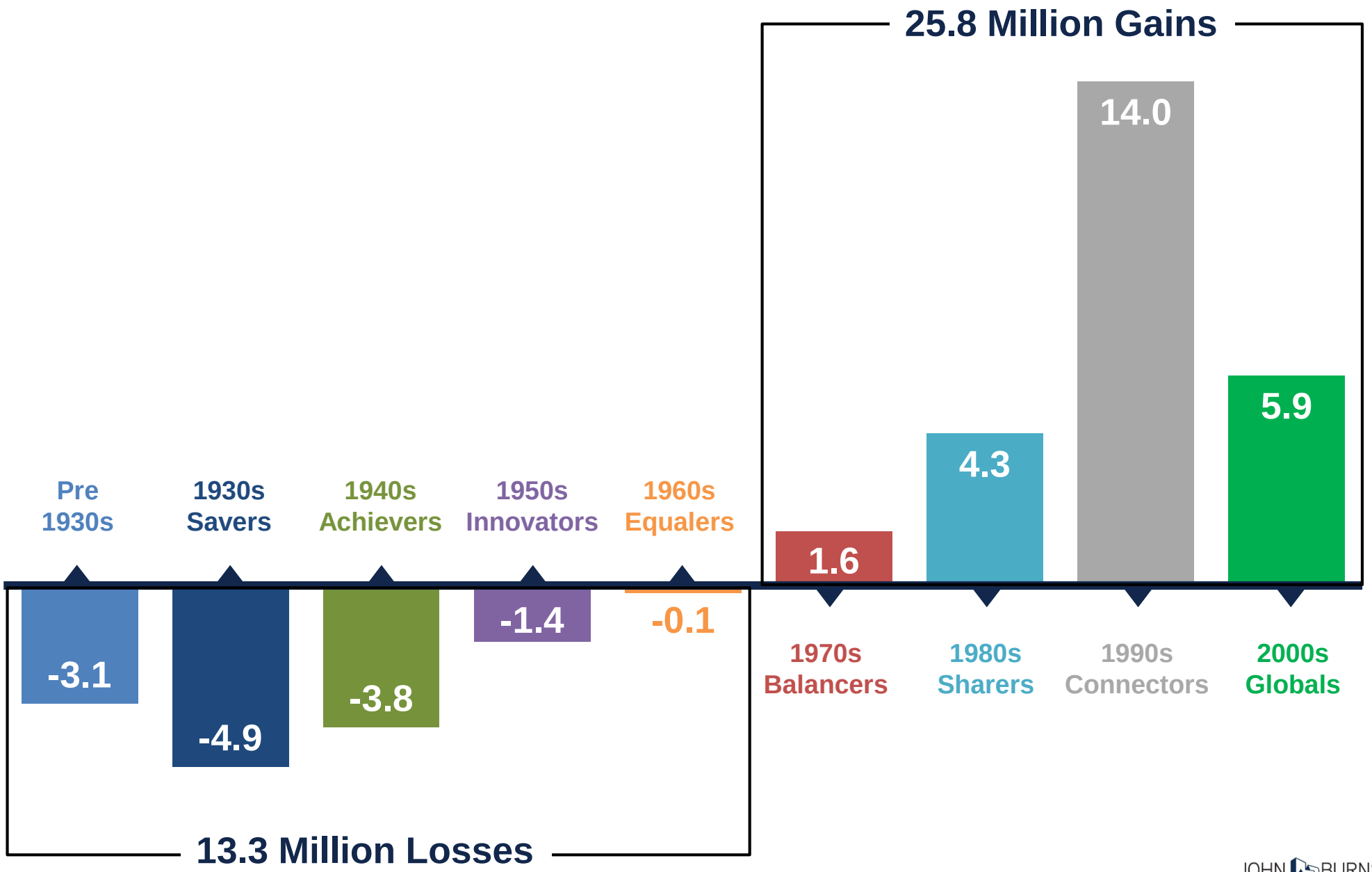
NET HOUSEHOLD FORMATION, 1965–2014



Source: John Burns Real Estate Consulting, LLC based on US Census Bureau data

12.5 million net households to form over 10 years

NET CHANGE IN HOUSEHOLDS BY DECADE BORN, 2016–2025 (MILLIONS)



Source: John Burns Real Estate Consulting, LLC

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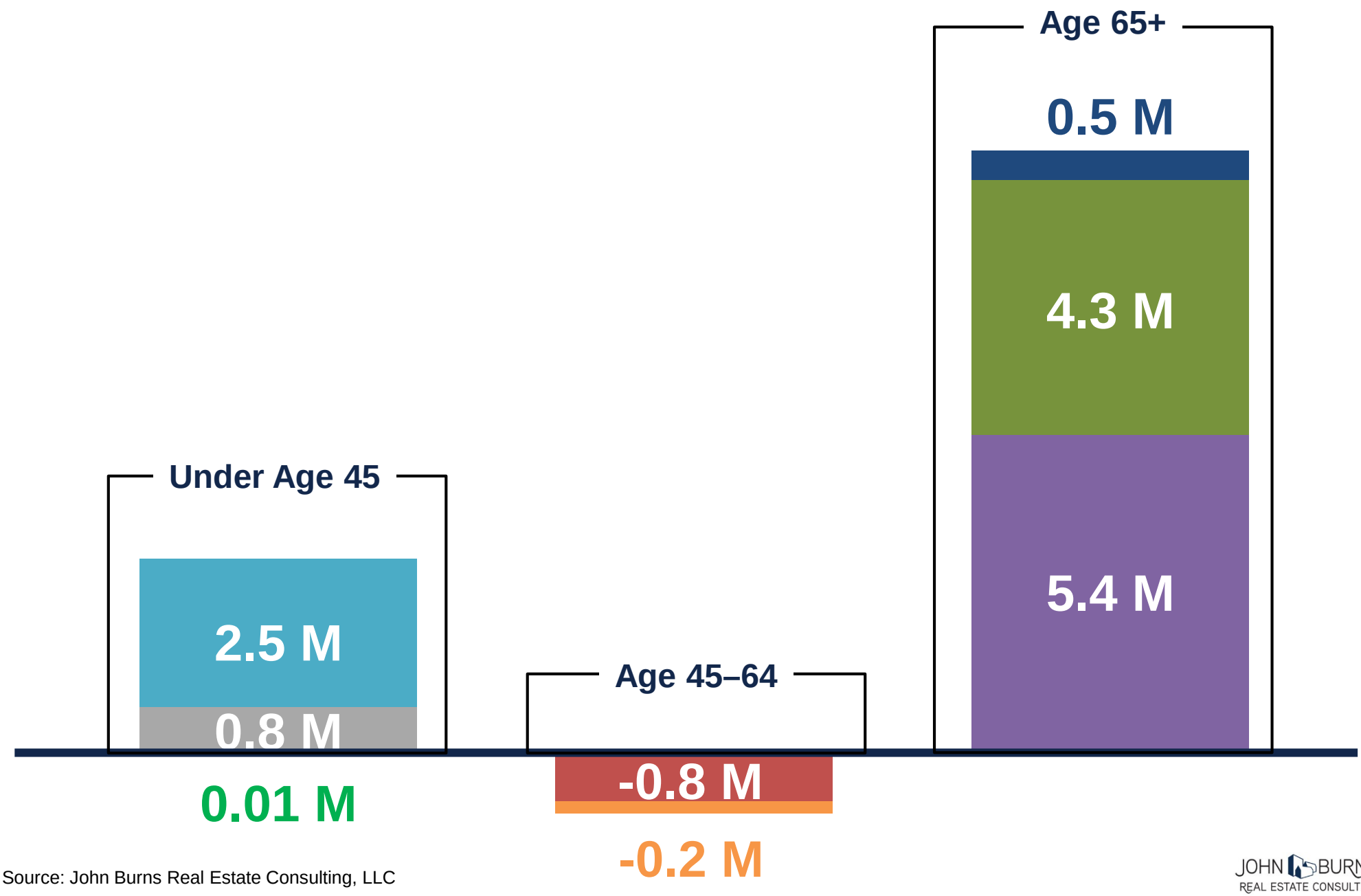
Senior households will see the greatest growth

HOUSEHOLD FORMATION BY AGE GROUP, 2016–2025



Source: John Burns Real Estate Consulting, LLC

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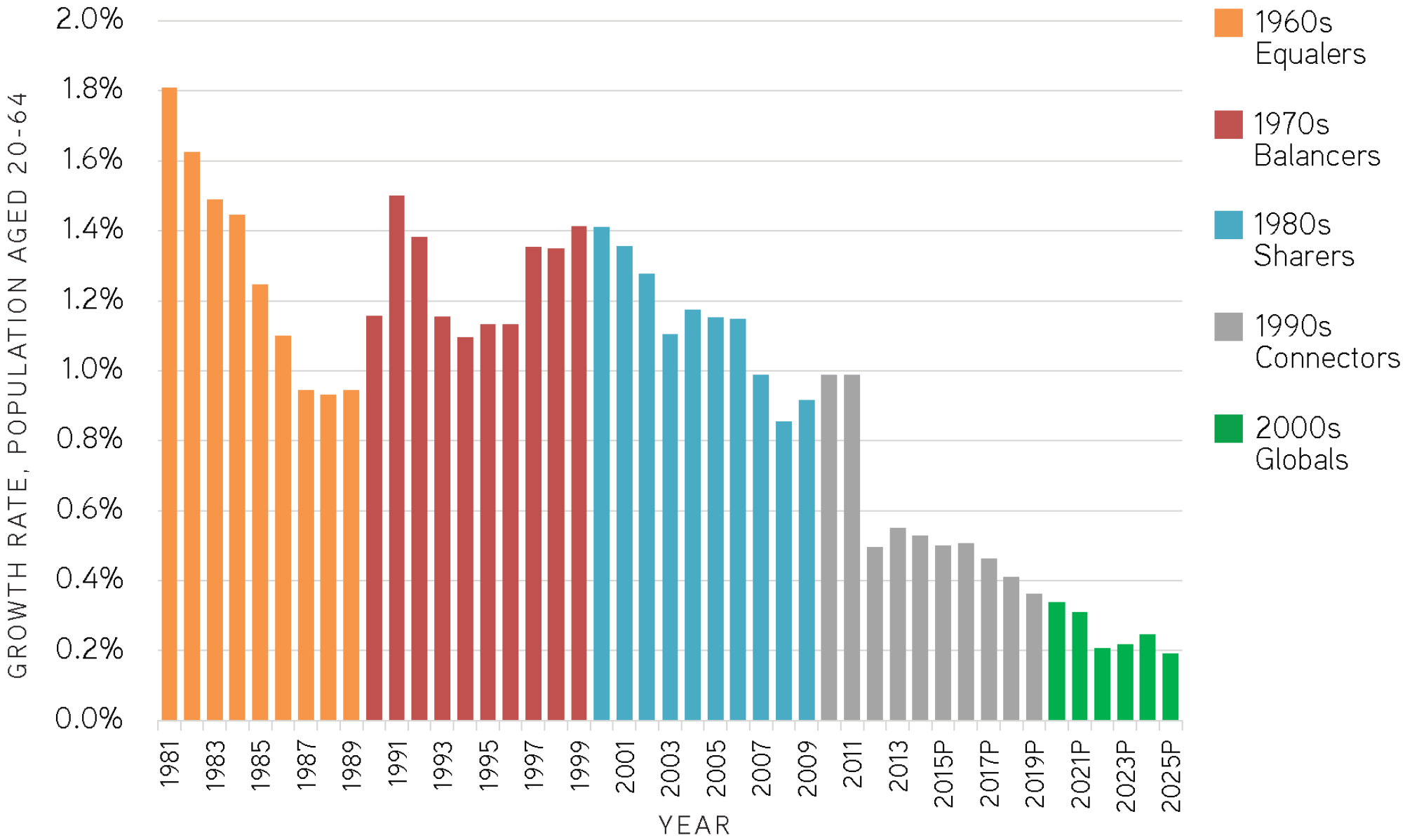
Slower rates of job growth should mean higher incomes

GROWTH RATE OF US RESIDENT POPULATION AGED 20–64



Source: John Burns Real Estate Consulting, LLC calculation of US Census Bureau Population Estimates and 2014 National Projections; includes Census Bureau assumptions of average annual net immigration ~860,000 20-64 year-olds and Census Bureau assumptions for mortality; colors based on the decade of entry (turning 20)

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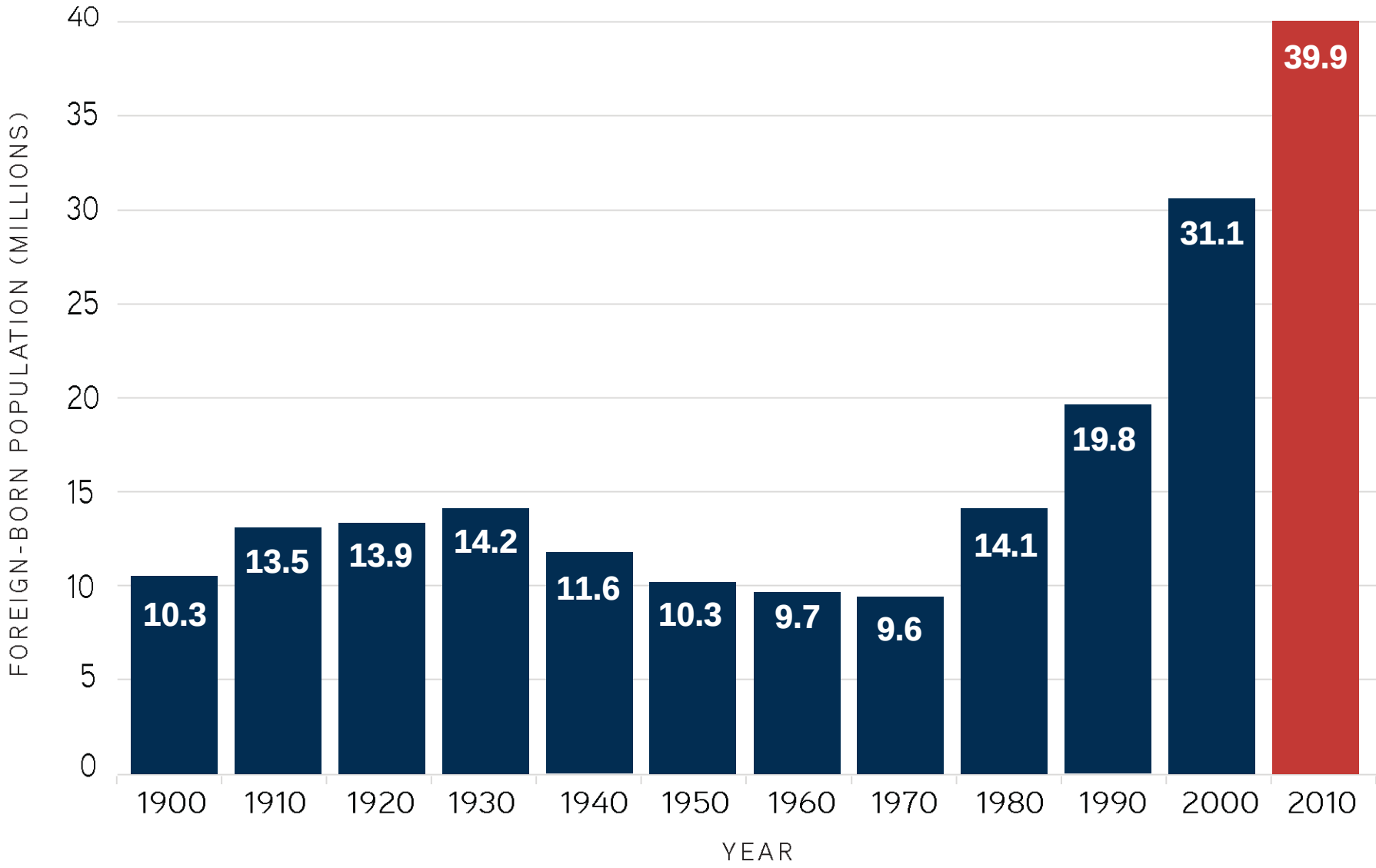
The foreign-born population doubled in 20 years to 40 million people

FOREIGN-BORN POPULATION IN THE UNITED STATES, 1900–2010



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau Decennial Census

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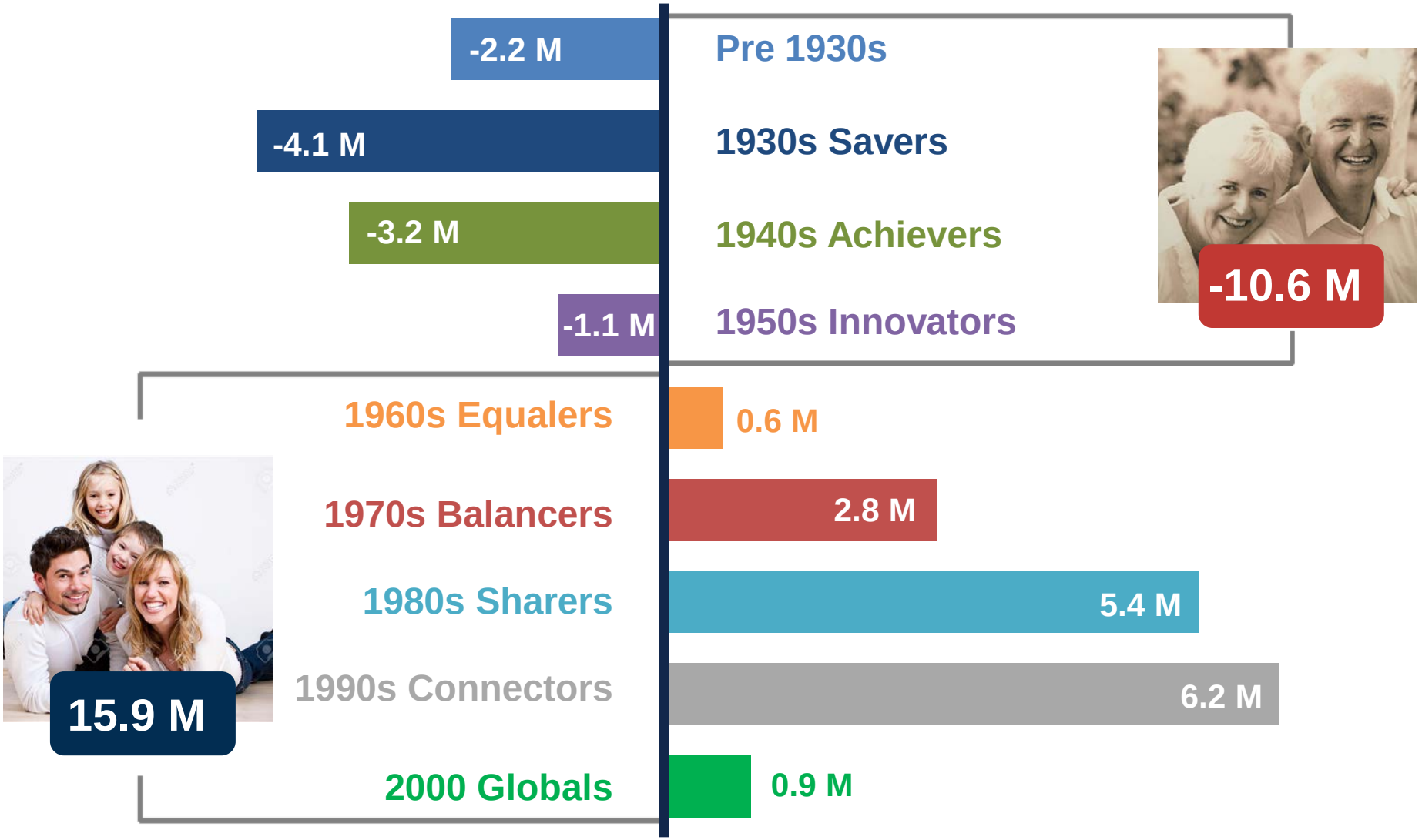
5.3 million net new homeowners over 10 years

HOMEOWNER GROWTH BY GENERATION, 2016–2025



Source: John Burns Real Estate Consulting, LLC

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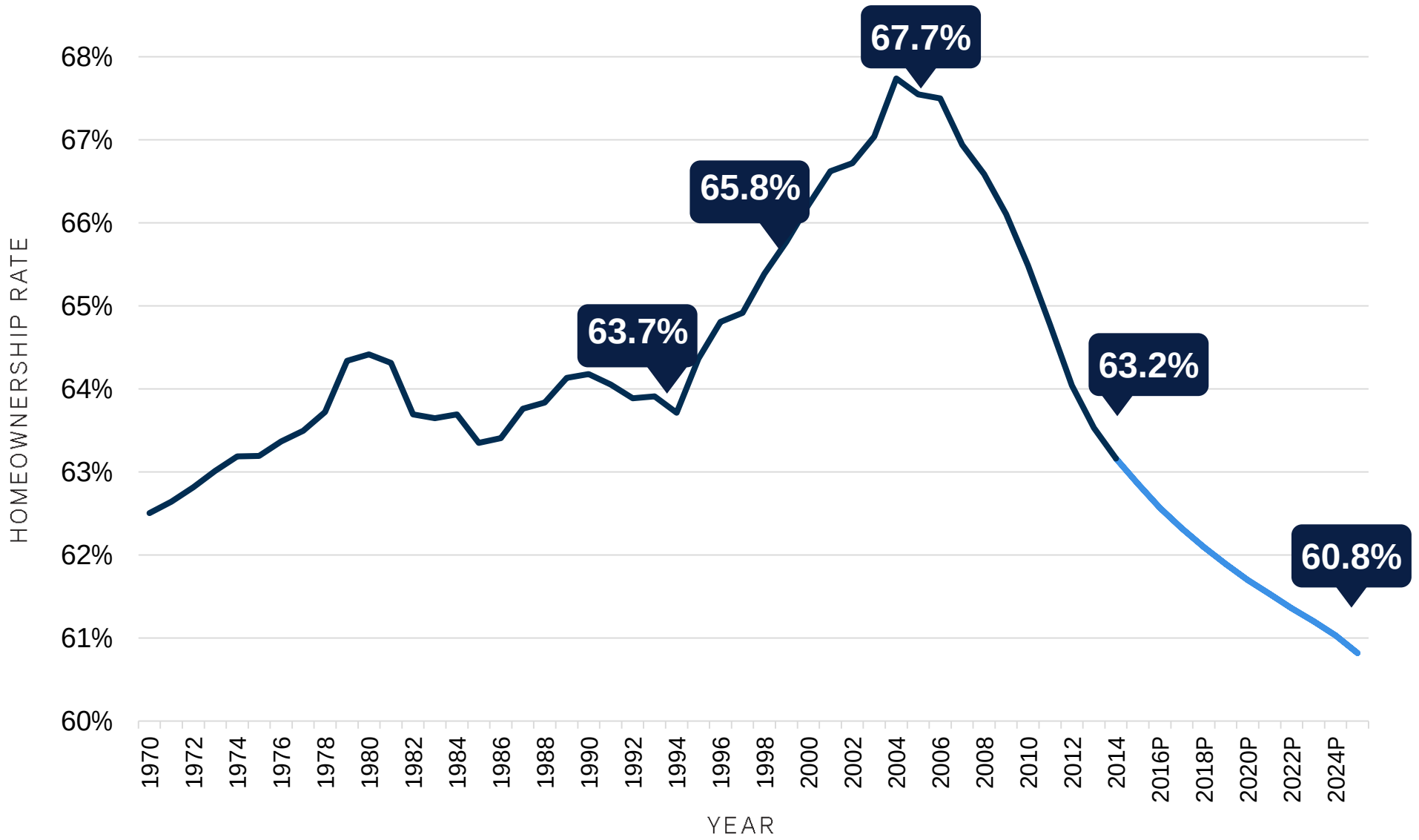
Homeownership should drop below 61% by 2025—the lowest since the 1950s

HOMEOWNERSHIP RATE (ANNUAL AVERAGE)



Source: John Burns Real Estate Consulting, LLC based on US Census Bureau data

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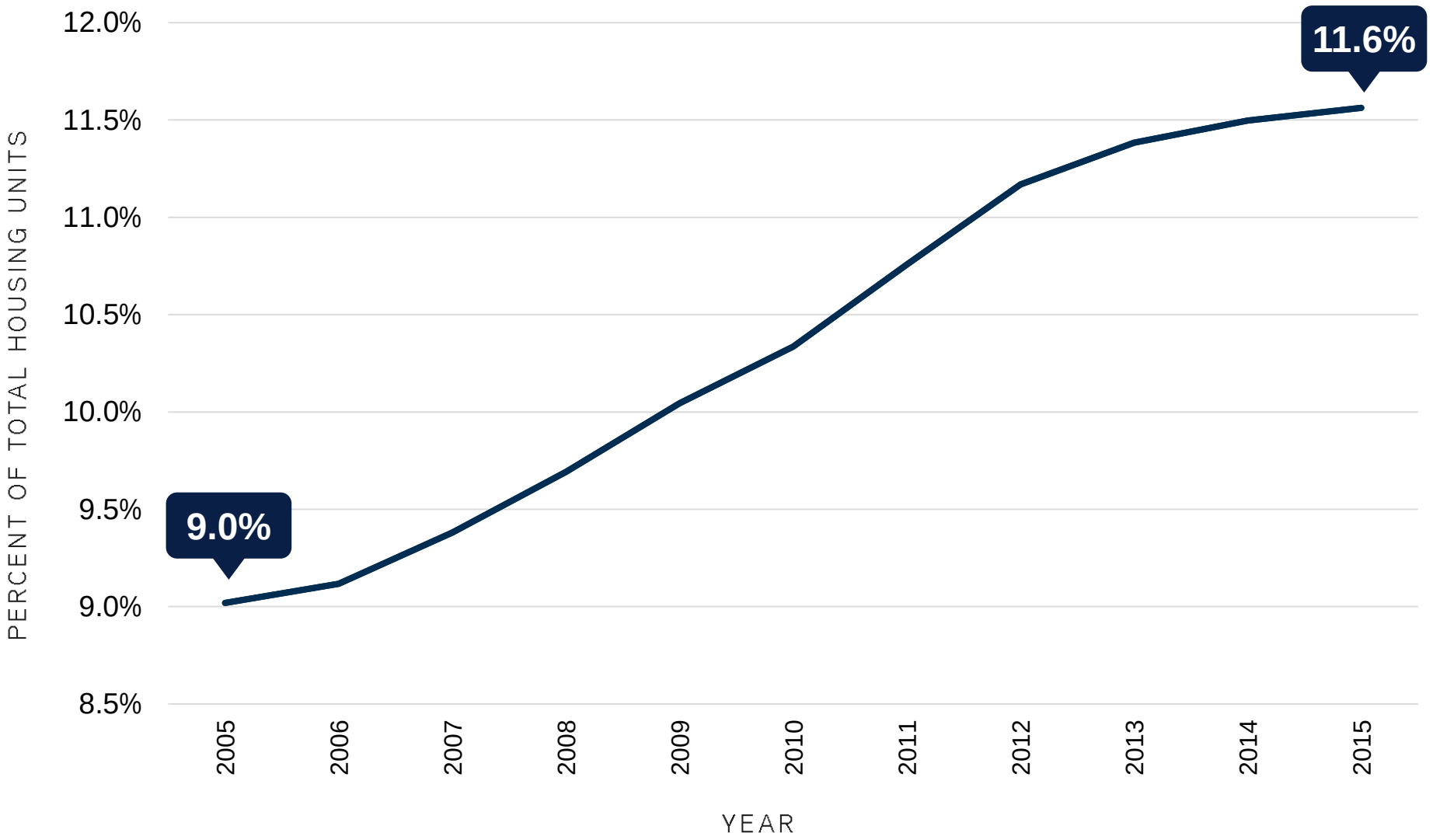
More than 1 in 9 households now rent a single-family home

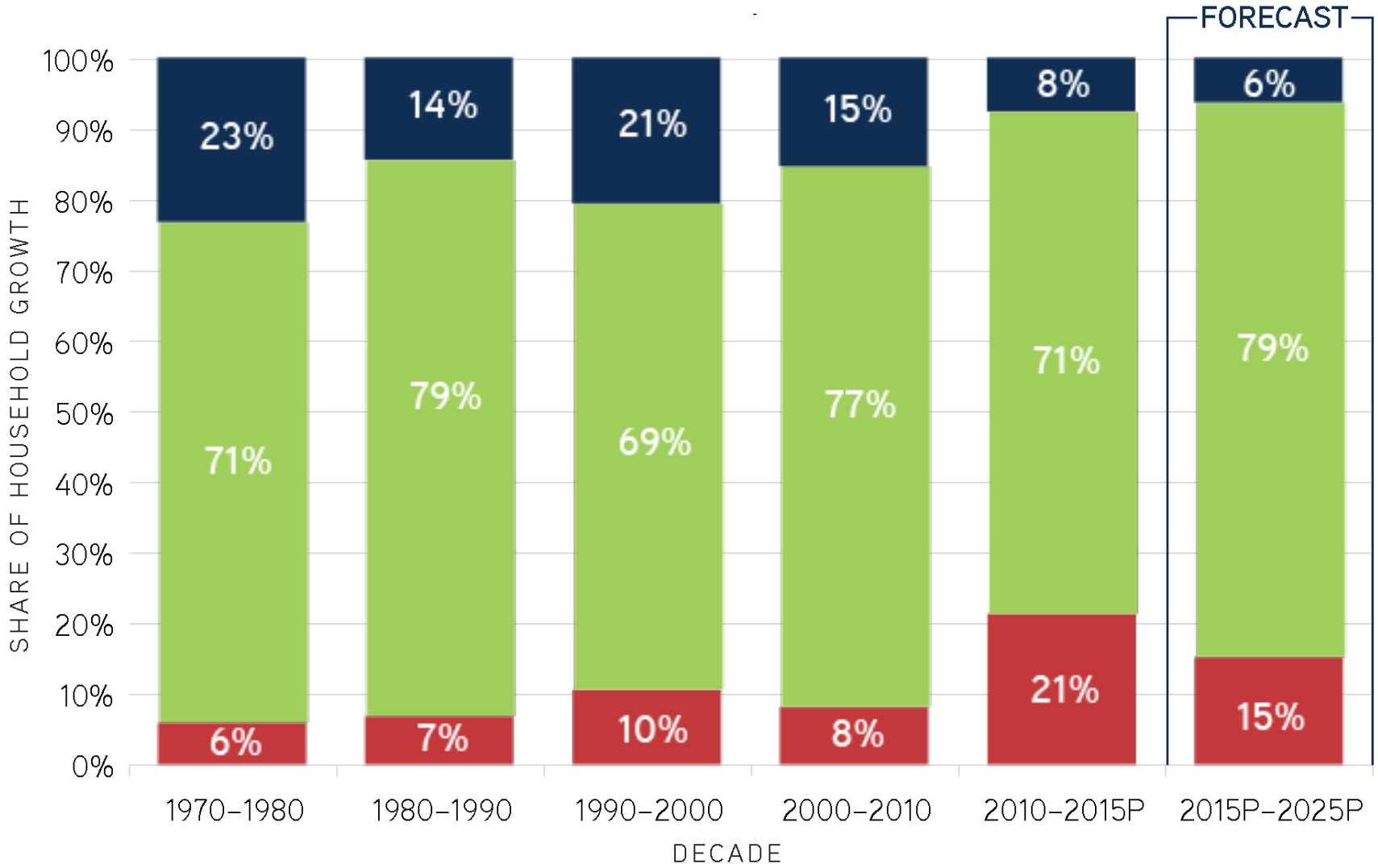
SINGLE-FAMILY RENTAL HOMES AS A PERCENT OF TOTAL HOUSING UNITS



Source: John Burns Real Estate Consulting, LLC based on US Census Bureau data from American Community Survey; years are based on Q3

Urban and suburban will capture a high share of growth

SHARE OF HOUSEHOLD GROWTH BY DECADE



Source: John Burns Real Estate Consulting, LLC based on US Census Bureau data

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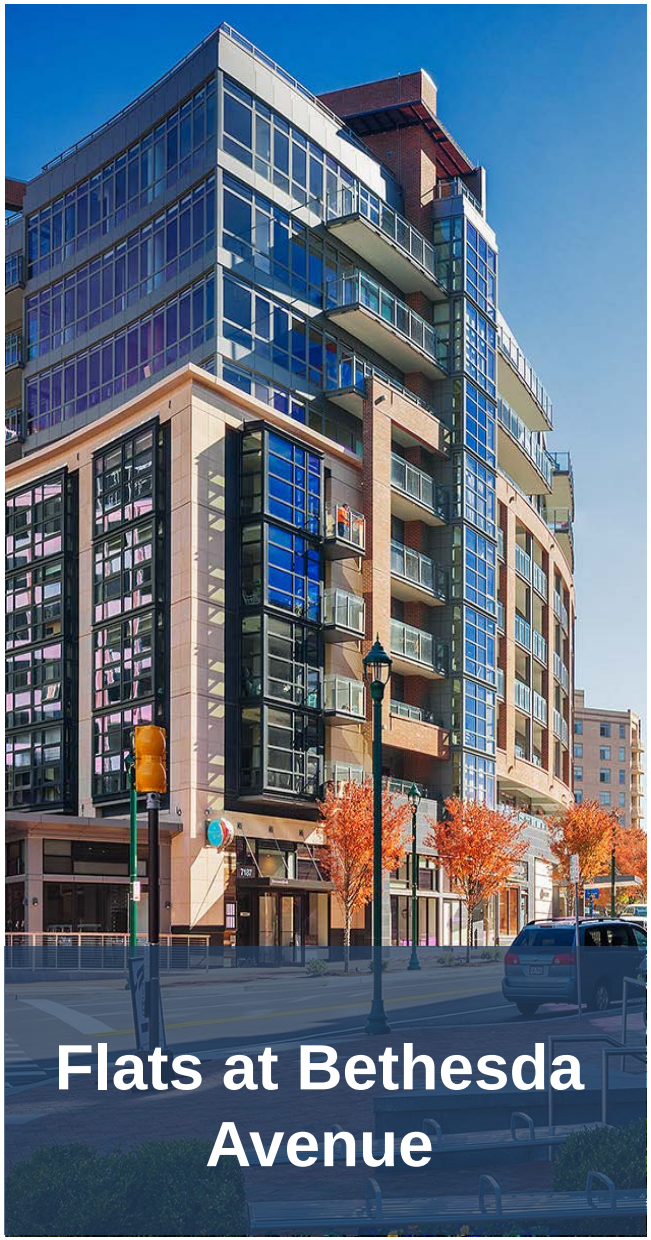
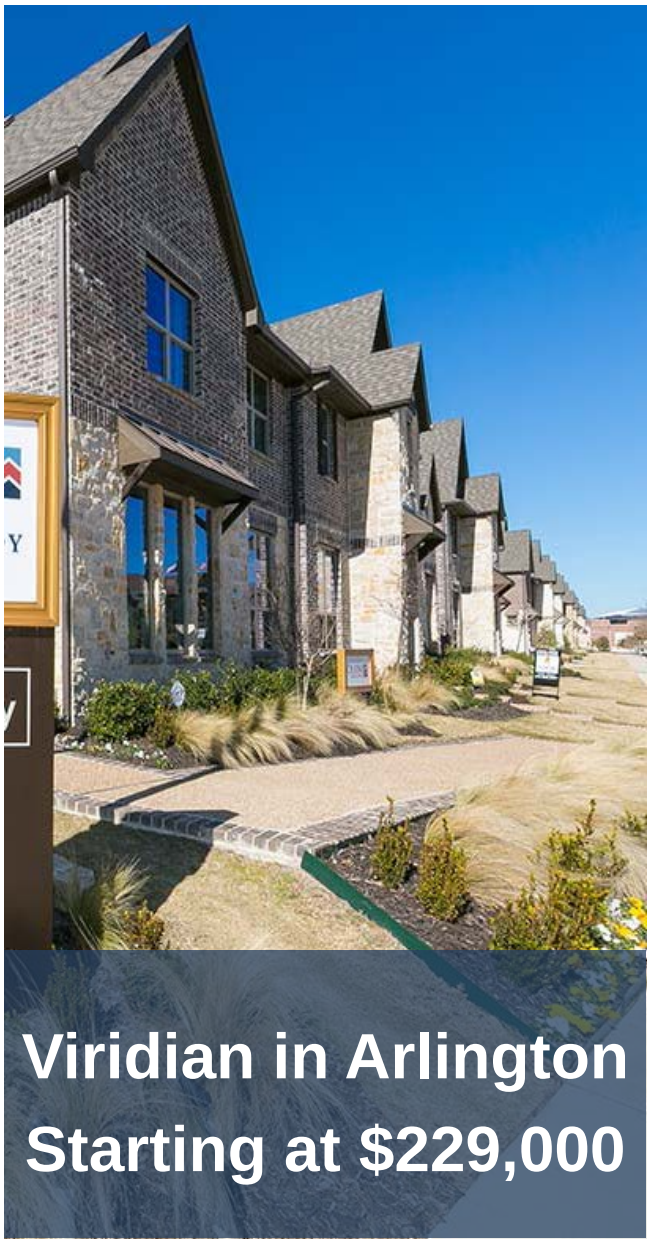
Expect more surban™ homes

Santana Row, San Jose



Flats at Bethesda Avenue



Viridian in Arlington Starting at $229,000

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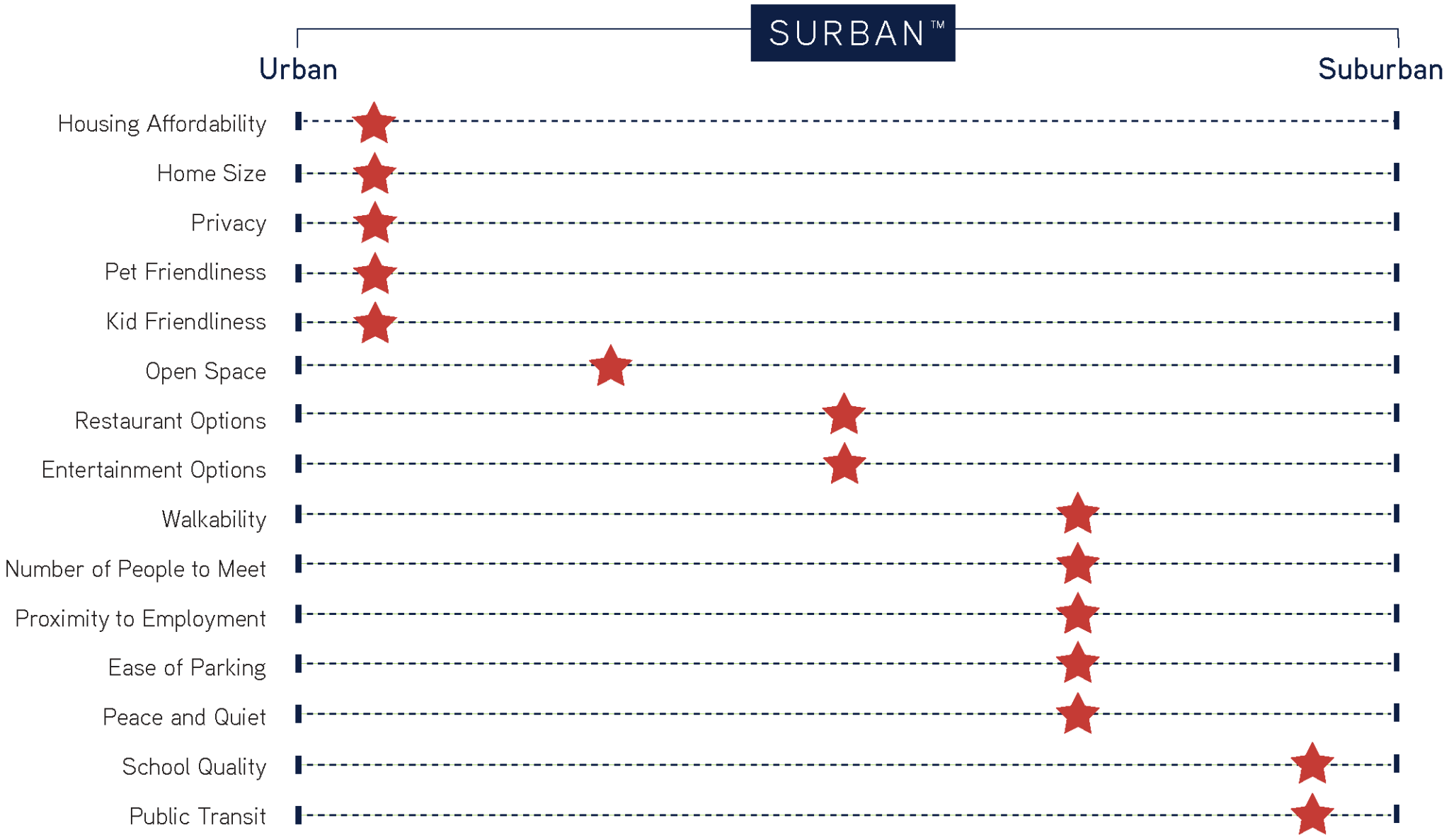
The surban™ lifestyle



Source: John Burns Real Estate Consulting, LLC

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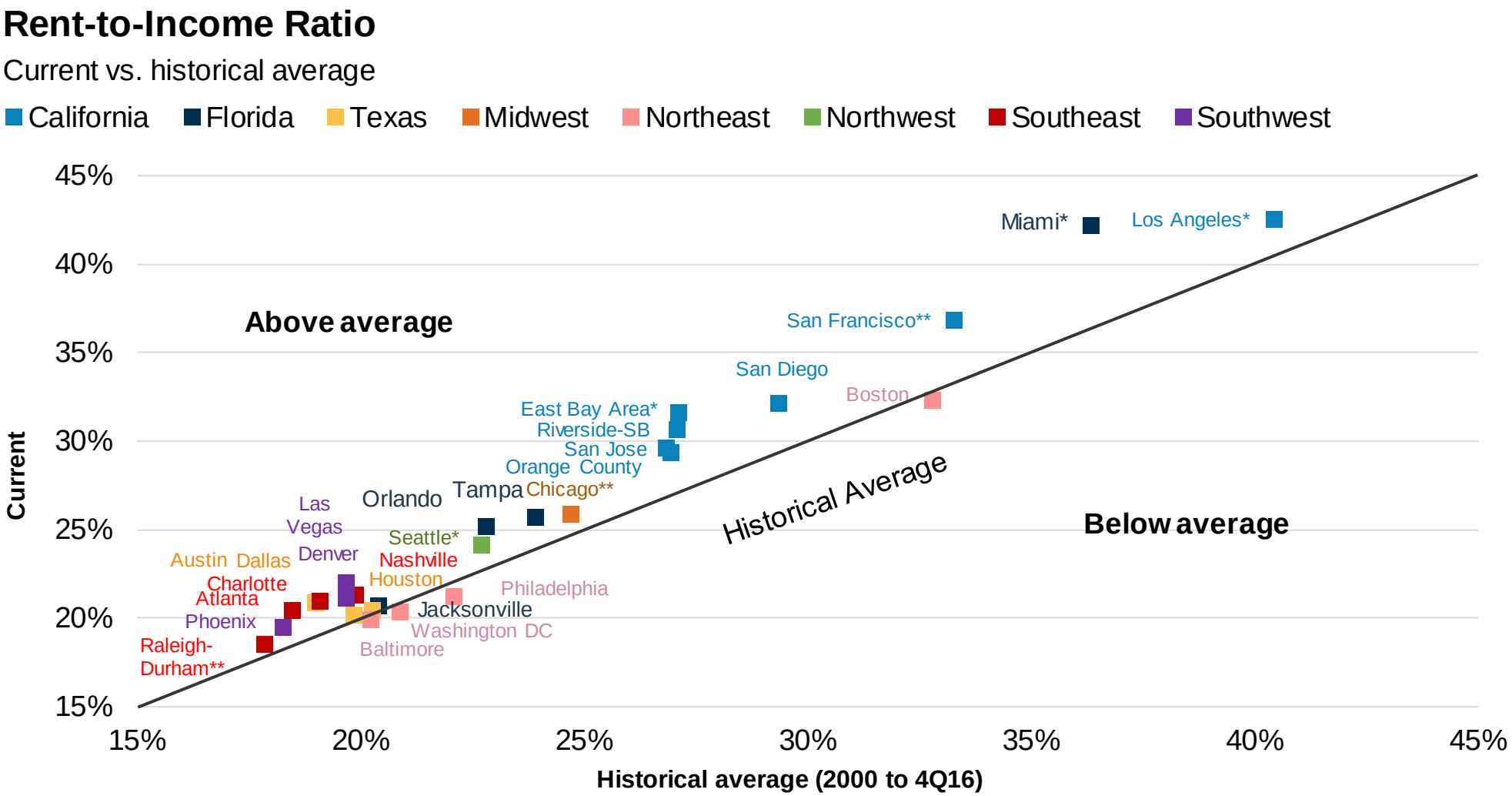
Rent-to-Income Ratios Exceed Historical Averages across Most Apartment Markets and Will Constrain Rent Growth Going Forward

Elevated occupancy rates and a shift to Class A units has caused rent growth to outpace income growth in most markets we track. Some of the greatest disparities exist in **California** and in **Miami.**



Historical average 2000–2015; *Metropolitan division **Combination of metros

Sources: John Burns Real Estate Consulting, LLC; Axiometrics; U.S. Census Bureau (Data: 4Q16, Pub: Mar-17)

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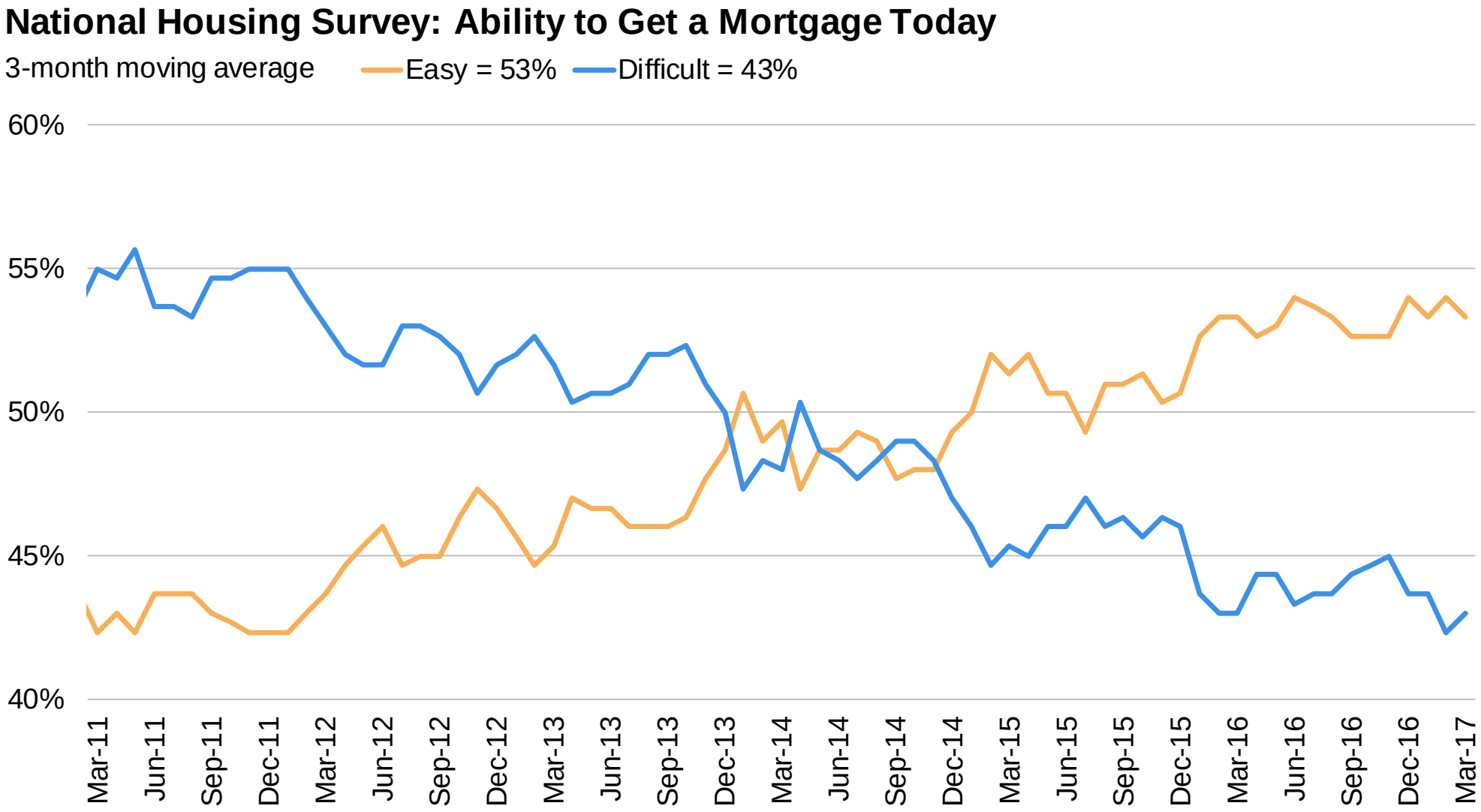
Consumer sentiment on mortgage availability is improving

53% of consumers surveyed in March believe it will be easy to get a mortgage today, compared to 43% of consumers who believe it will be difficult.



Source: Fannie Mae National Housing Survey (Data: Mar-17, Pub: May-17)

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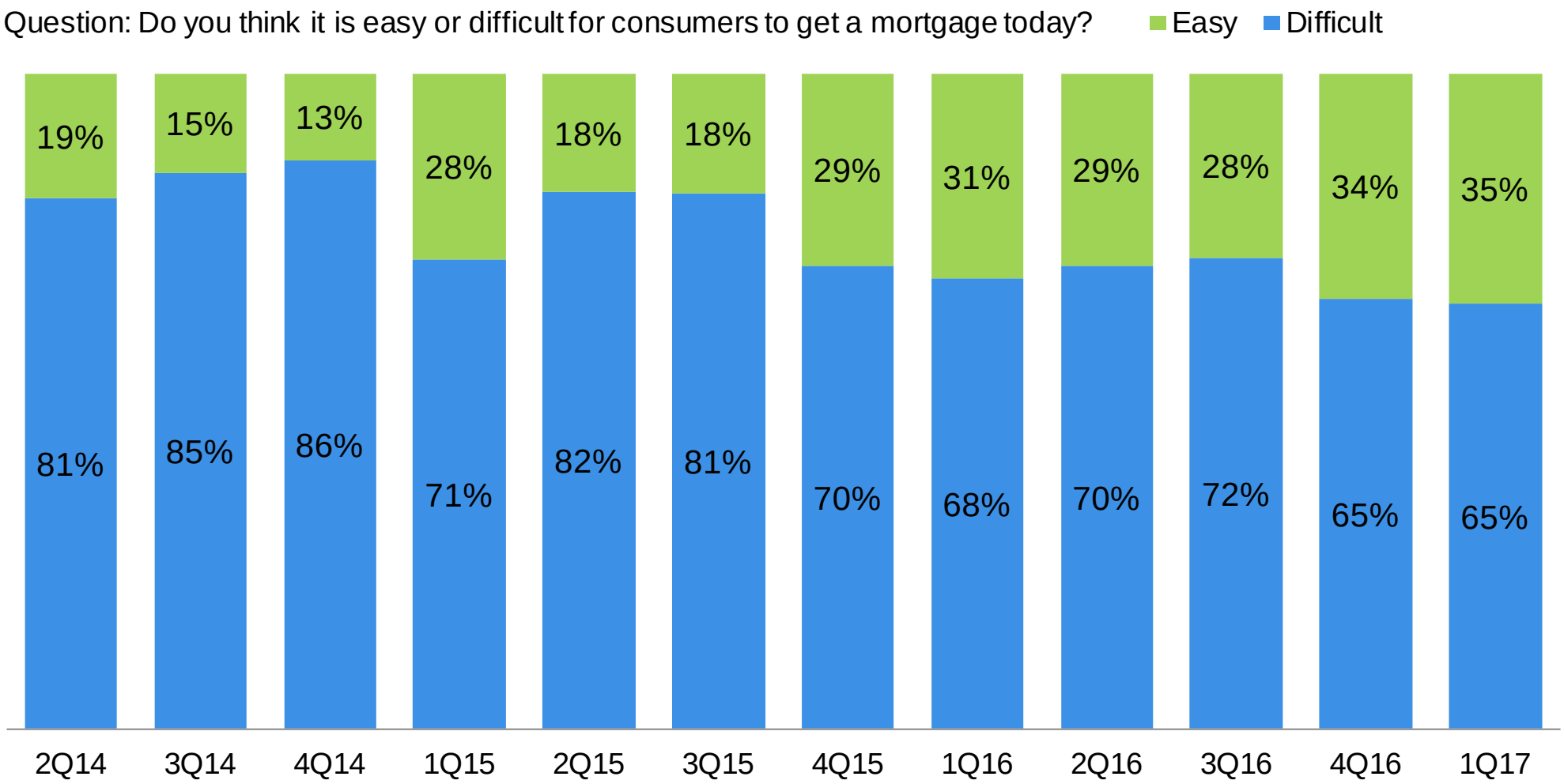
Mortgage lender sentiment more pessimistic, but improving

Senior mortgage executives are more pessimistic about mortgage availability than general consumers. In 1Q17, 35% of executives believe it is easy for consumers to get a mortgage today.

National Housing Survey: Mortgage Lender Sentiment on Mortgage Availability



Note: Rows may not add up to 100% because of rounding and "Don't know" responses that are not included in the chart.

Source: Fannie Mae, Mortgage Lender Sentiment Survey, (Data: 1Q17, Pub: May-17)

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Summary

Demand – Solid demographic fundamentals

Supply – Continued slow recovery

Affordability – Historical median, but weakening

Access – Most indicators are loosening

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