Trends and Factors Affecting Housing

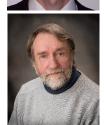
28th Annual Nebraska Data Users Conference, 2:15-3:15 P.M., August 16, 2017

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Housing Terms and Definitions



- Group Quarter Communal living quarters often sharing dining or bathroom/shower areas.
 - Institutionalized cannot leave freely (correctional facilities, nursing homes)
 - Noninstitutionalized can come/go freely (college dorms, military quarters)
- Housing Unit A house, apartment, mobile home or trailer, a group of rooms, or a single room occupied for the purpose of separate living quarters.
 - Usually designed for one family; have separate dining or bathroom/shower areas
- Occupancy/Vacancy Status whether a housing unit is currently being lived in
 - "Usual residences" are considered occupied even if residents are *temporarily* absent (wintering elsewhere, away visiting/caring for relatives, vacations, etc.)
 - Vacant units are classified by type: for rent/sale; rented/sold not yet occupied, seasonal/recreational use; quarters for migrant workers, etc.
- Household an occupied housing unit (and all the people living there)
- <u>Tenure</u> whether occupied units are owned/rented; a key search term



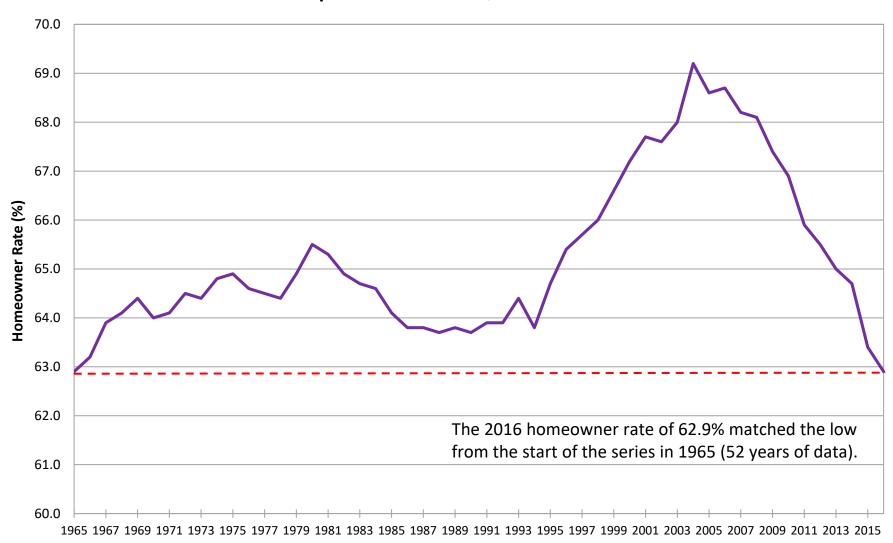
Housing Data Sources



- Decennial Census every 10 years; tenure has been asked since 1890
- <u>American Community Survey</u> annual large survey that provides current information; went national in 2005
- <u>Current Population Survey/Housing Vacancy Survey</u> mostly national data, but very current quarterly updates and goes back to 1965
- <u>American Housing Survey</u> very detailed questionnaire evaluating trends and preferences of homeowners, but done mainly in only the largest metro areas (and occasionally in a metro of Omaha's size)
- Construction Spending, New Residential Construction, New Residential
 Sales national look at monthly housing statistics; often picked up in
 financial media and moves stock market; tradeoff for more current
 data is that it is highly variable/less accurate
- Other governmental HUD, Federal Housing Finance Agency
- <u>Industry insiders</u> National Association of Realtors
- <u>Market research sites (Zillow, Realtor.com, Redfin.com)</u> have a lot of good stuff that's current, local, and packaged ready to use



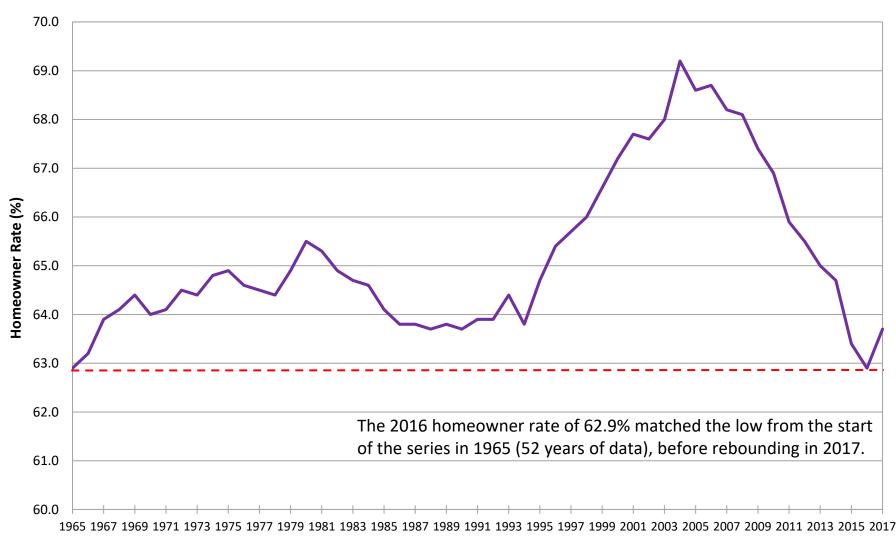
U.S. Homeownership Rate in the 2nd Quarter of Each Year: 1965 to 2016





Homeownership rebounded in 2017 – is this the start of a new trend, or a blip in the overall downtrend? Time and additional data will tell.

U.S. Homeownership Rate in the 2nd Quarter of Each Year: 1965 to 2017





Housing Variables – Summarized on <u>DP04</u>



- Occupancy/Vacancy and Tenure
- Units in Structure (1 attached or detached; duplexes; apartments with various unit sizes; mobile home; boat/RV/van, etc)
- Year built (before 1940; decade groups thereafter)
- Number of Rooms and Bedrooms
- Average size and Occupants per Room
- Year householder (person filling out form) moved into unit
- Vehicles available (social determinant?, no vehicle rates higher among renters and elders)
- Type of heating fuel and utilities costs (gas, electricity, water/sewer)
- Lack of typical items (phone service, complete kitchen, plumbing)
- Mortgage status and <u>self-reported</u> value of owner occupied homes
- Gross owner/renter costs and % of income spent on housing
 - Several categories (and median) but spending more than 30% of income on housing is considered high or a red flag; Nebraska/Midwest rank well on housing affordability
- Detailed tables have <u>key crosstabs</u> by education, income, age, etc.

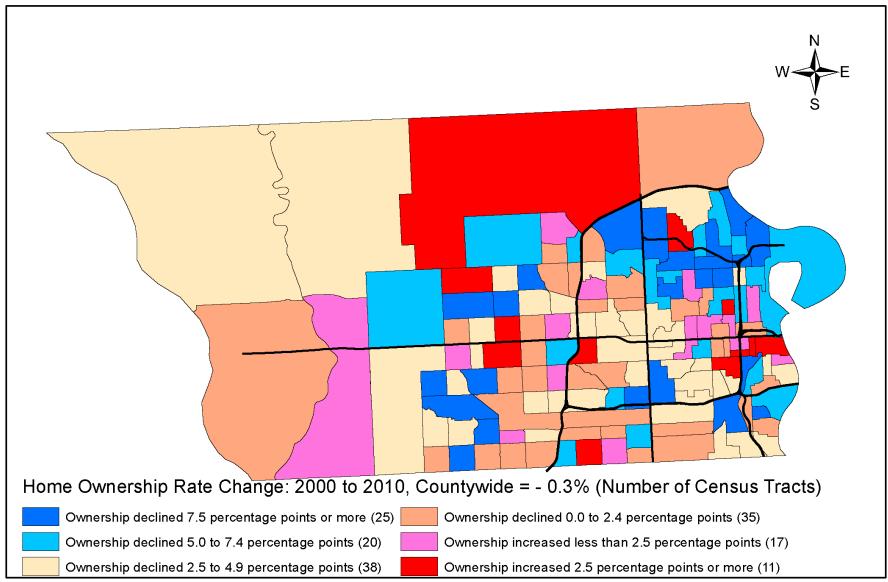


How to Decide Which Data to Use

- How to handle tradeoffs what is most important?
 - Do you want the data to be more timely, or more accurate?
 - The 2010 Census data will be most accurate, but it is pretty dated. ACS or other sources will have more current information (but less accurate)
 - The level of geography being analyzed makes a difference wanting to use small areas like census tracts makes it more important to use a more accurate source like the decennial Census
 - Comparing the 2010 Census to the 2008-12 ACS for Douglas County census tracts, 31 tracts or 20% had a home ownership rate that differed by 5 percentage points or more (even though rates in the county overall differed by only $\frac{1}{2}$ %)
- Are you going to only analyze local data, or compare to other locations
 - If comparing to other places you want a source that compiles data consistently (like Census or Zillow); if only evaluating local data or trends you can use a local source (Omaha Area Board of Realtors)



Change in Home Ownership Rate: 2000 to 2010



Sources: Table H004, 2000 Census (SF1); Table H4, 2010 Census (SF1), U.S. Census Bureau; 2000-based Douglas County Census Tracts Prepared by: David Drozd, Center for Public Affairs Research, University of Nebraska at Omaha: July 5, 2017



Some reasons home ownership is down

- Home ownership is a trailing indicator even though employment and earnings are increasing, it takes a while to be "ready" to move from renting to owning
 - Budgets continue tight; students loans common; rent costs rising all make saving for a down payment difficult
- Low supply/inventory few homes on market are forcing prices higher
 - Mover rates are near historic lows, leading to fewer properties opening up for sale
- Investor owners who bought (distressed) properties and now rent them
 - "Since the recession, the share of American single-family homes that are rented has increased steadily, from 12.7 percent in 2005 to 19.2 percent in 2016. Between 2005 and 2016, the number of owner-occupied single-family homes fell by 680,000, while the number of renter-occupied single-family homes increased by 6.2 million." https://www.zillow.com/research/inventory-people-moving-less-15146/
- Hesitancy to own after seeing impact of the last recession/downturn
- Tighter lending standards

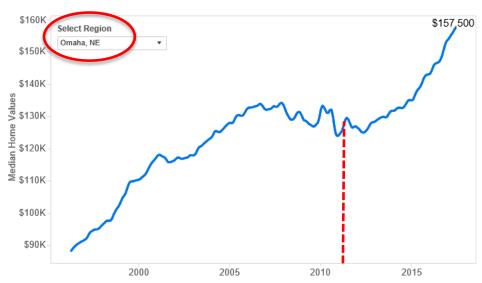


https://www.zillow.com/research/june -2017-market-report-15956/

- * Home prices up 7.4% nationally in the last year (similar in NE metros).
- * Rents in U.S. up only 1.1% (among the slowest increases in last 5 years).
- * Rents fell in 12 of 35 largest metros.

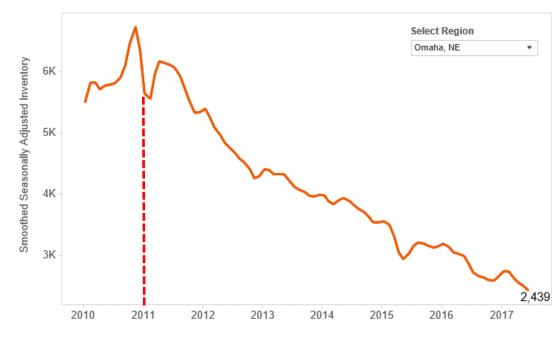
Zillow Home Value Index

Select a region below to view median home values in that metro. The **Omaha**, **NE** median home value is **\$157,500**.



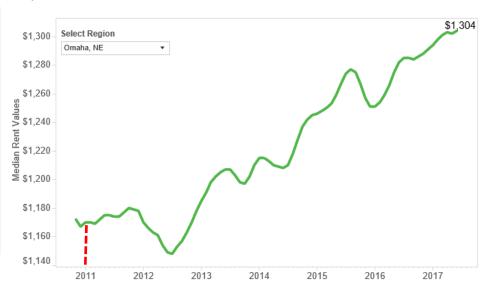
Zillow For-Sale Inventory

Select a region below to view available inventory in that metro. In Omaha, NE there are 2,439 available homes.



Zillow Rent Index

Select a region below to view median rent values in that metro. The **Omaha**, **NE** median monthly rent is **\$1,304**.





Omaha metro homeownership rates are low among minorities, and Omaha ranks relatively low among large metros, so homeowner growth potential exists

	Home- owner	Rank among 100 most populated metros in that	Rate in U.S.
Category	<u>rate</u>	specific racial/ethnic group	metros
Hispanic	46.9%	50th highest/best	45.2%
Black	35.2%	79th highest/best	41.5%
Asian	49.0%	85th highest/best	57.9%
White, non-Hispanic	70.9%	66 th highest/best	70.9%
Overall/all races	65.8%	41st highest/best	62.6%

Source: Table B25003 series, 2011-2015 ACS, U.S. Census Bureau

Question: If Omaha homeownership by race ranks in the bottom half among large metros, and its rates by race are at/below the U.S. average (except Hispanics), how does the metro overall rank in the top half and above the U.S. average?

Answer: Omaha's population composition has relatively more Whites, who have higher homeowner rates. This shows how evaluating totals can be misleading, and that direct red apples to red apples comparisons are better.



A similar pattern is found for the Lincoln metro. Homeowner rates are lower given the "college influence" but many of Lincoln's peer metros also have major colleges

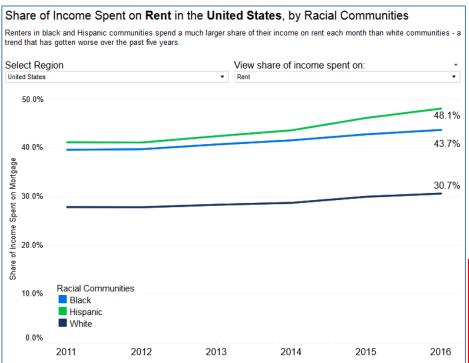
	Home- owner	Rank among 2 nd 100 most populated metros in that	Rate in U.S.
Category	<u>rate</u>	specific racial/ethnic group	metros
Hispanic	35.9%	87th highest/best	45.2%
Black**	16.3%	99th highest/best	41.5%
Asian	46.2%	75th highest/best	57.9%
White, non-Hispanic	63.6%	89 th highest/best	70.9%
Overall/all races	60.0%	74 th highest/best	62.6%

Source: Table B25003 series, 2011-2015 ACS, U.S. Census Bureau

^{**} Lincoln does not quite make the second 100 largest metros for Black households (it is the 218th largest metro among Blacks, so it is 18 spots from being in the 2nd 100). The ranking shows where it would be "if" it were included in the second 100 largest metros.

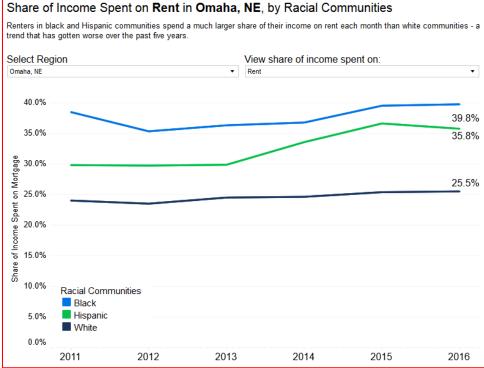


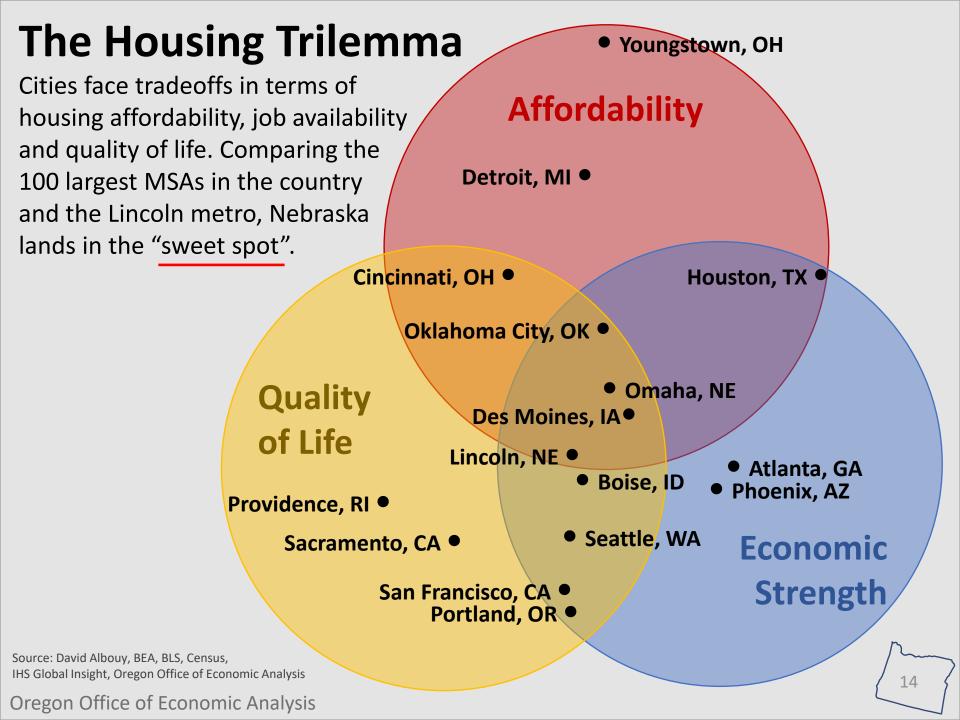
Minority groups spend a larger share of income on rent



https://www.zillow.com/research/housing-affordability-by-race-14670/

* Could get similar data from the ACS, but you'd have to custom calculate it from the PUMS files







demographic **HOW TO SURVIVE AND** PROSPER DURING THE GREAT **DEFLATION OF 2014–2019**

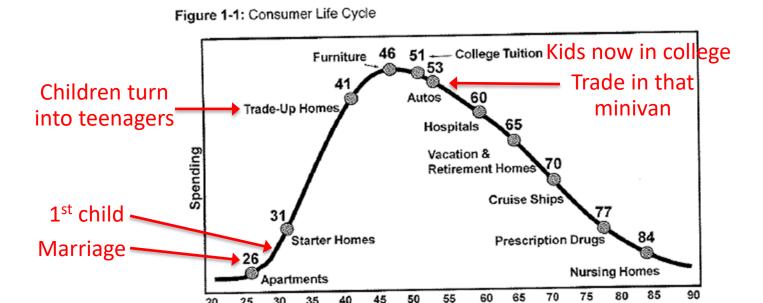
Harry S. Dent, Jr.

Published: 2014 – Available at UNO Library

Summary: "Bestselling author and financial guru Harry Dent shows why we're facing a decade-long "great deflation", and what to do about it. Throughout his long career as an economic forecaster, Harry Dent has relied on demographics - the ultimate tool for predicting both big and small trends, decades in advance. Now he explains what's going to happen to our economy with the accelerating retirements of the Baby Boomers. Inflation wanes when large numbers of older people retire, downsize their homes, and cut their spending. The mass retirement of the Boomers won't just hold back inflation, it will actually cause deflation-with a downturn and periodic crises from 2014 until about 2023. His advice will help readers survive and prosper during the challenging years ahead."



"The Best Leading Indicator – People do predictable things as they age" ~ Demographics drive economic and other trends



Data Source: U.S. Census Bureau, Dent Research

 The Consumer Expenditure Survey tells us how much people spend on certain products

Age

- Can be broken down by age, income, education, etc.
- Peak spending (from Dent pages 11-13):
 - Average family borrows the most when parents are age 41 (step-up home purchase)
 - Most spending on potato chips when head of household is age 42
 - Motorcycles at age 47; Recreational vehicles at age 57
 - Spending peaks at age 46 for average family; 53 for more educated/affluent
 - People save the most at age 54 and have highest net worth at age 64



Where are we at in the housing cycle? (given births & peak age demand) [Graphs from *The Demographic Cliff* by Harry S. Dent, Jr.]



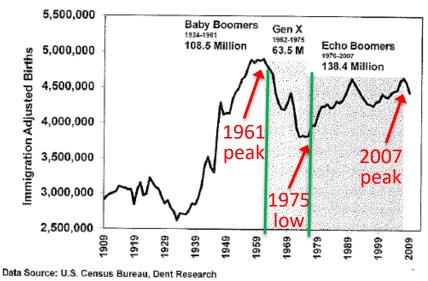


Figure 3-3: Apartments and Shopping Centers, 26 - 27-year Lag

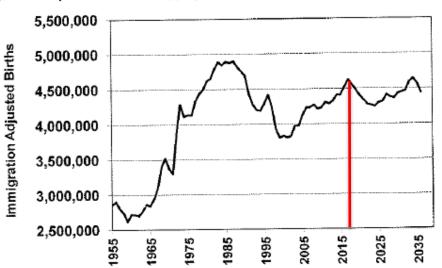
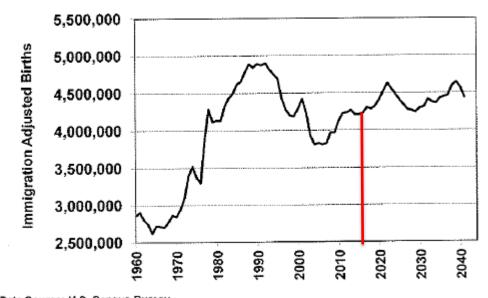
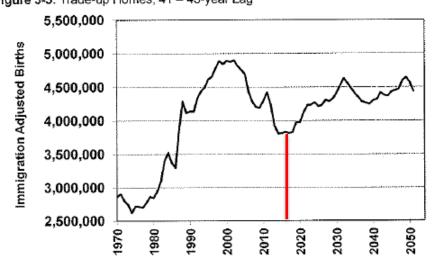


Figure 3-4: Starter Homes, 31 - 32-year Lag



Data Source: U.S. Census Bureau

Figure 3-5: Trade-up Homes, 41 - 43-year Lag



ECONOMY MAY 8, 2017

PRINT

SHARE

Half of Non-Homeowners Expect to Buy Homes in Five Years

NON-HOMEOWNERS LOOKING TO BUY HOME IN NEXT FIVE YEARS

49%

GALLUP, MAR 9-29

by Jeffrey M. Jones

STORY HIGHLIGHTS

- 49% of non-homeowners expect to buy a home in the next five years
- An additional 20% expect to buy a home in the next 10 years
- · One in five homeowners plan to sell in the next five years

- "Gallup recently reported that 61% of Americans expect housing prices in their area to increase in the coming year, the highest percentage making that prediction since 2005."
- "...the market for real estate sales should remain strong. Some of the shortfall in housing supply can be made up by new construction, which might indicate a construction boom is on the horizon, if not already underway."

http://www.gallup.com/poll/2100 08/half-non-homeowners-expectbuy-homes-five-years.aspx





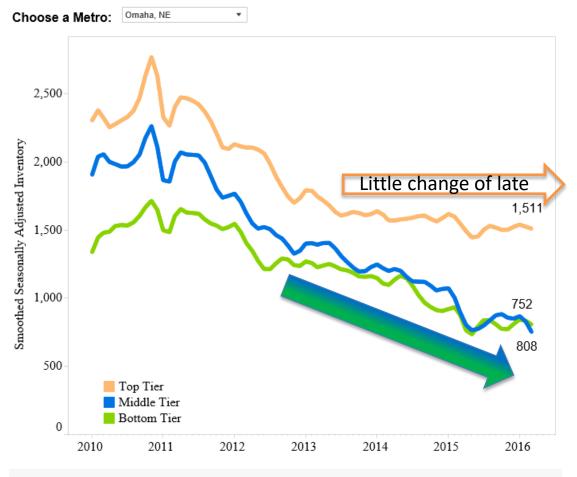
				11 regional	Rest of
	Douglas	Lancaster	Sarpy	centers with	Nebraska
Category	County	County	County	city of 10,000	(rural)
Home owner %	62.9%	61.1%	71.2%	66.8%	74.3%
Householder 15 to 24 years	14.5%	10.6%	17.1%	19.4%	23.9%
Householder 25 to 34 years	45.1%	45.3%	56.1%	49.9%	55.1%
Householder 35 to 44 years	65.1%	65.7%	74.0%	66.1%	70.9%
Householder 45 to 54 years	71.7%	72.3%	81.0%	73.3%	78.9%
Householder 55 to 59 years	75.7%	77.4%	84.1%	79.0%	83.2%
Householder 60 to 64 years	78.7%	79.9%	85.0%	80.4%	84.5%
Householder 65 to 74 years	80.0%	80.6%	84.7%	81.1%	85.6%
Householder 75 to 84 years	75.0%	75.0%	78.0%	75.4%	81.4%
Householder 85 years +	57.4%	54.0%	49.6%	56.2%	65.9%

Leading edge (oldest) Millennials now aging into this category.

Source: 2010 Census (Table H17), U.S. Census Bureau; Calculations by David Drozd, UNO Center for Public Affairs Research



Overall, there were 5.9 percent fewer homes available for sale nationwide at the end of the first quarter than there were a year ago. But the number of homes for sale in the bottom and middle thirds of the U.S. market each fell by 10.4 percent, compared to just 1.9 percent in the top third of the market. The differences in many individual metros were more striking. Select a metro from the dron-down menu below to see tier inventory data in your market



Download

https://www.zillow.com/ research/inventory-bytier-march-12226/

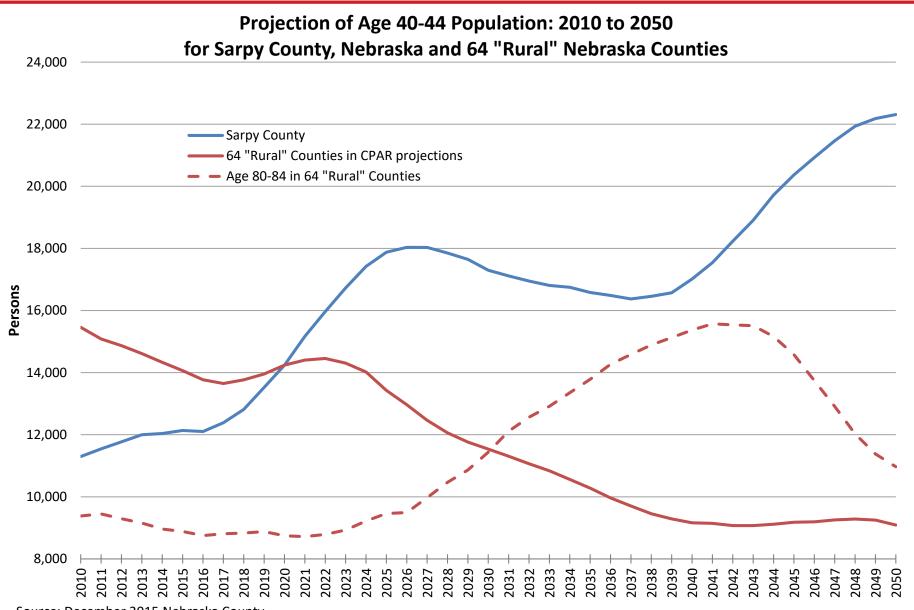
 Housing inventory is down much more in the lower and middle price tiers of the market, where firsttime buyers are likely to be focused.

"In April, (U.S.) homes stayed on the market for just 77 days, the fewest Zillow has ever reported" https://www.zillow.com/research/may-2017-inventory-falls-fastest-15668/



Buyers versus Dyers:

certain areas to have increased demand; other areas have opposite fundamentals





	Home-	Rank among 47	Rate in
	owner	states that have	U.S.
Category	<u>rate</u>	non-metro territory	non-metros
Hispanic	51.3%	15th highest/best	56.3%
Black**	12.9%	47th highest/best	51.9%
Asian**	38.8%	43 rd highest/best	57.0%
White,			
non-Hispanic	72.5%	30 th highest/best	74.4%
Overall/all races	70.3%	24th highest/best	71.3%

Source: Table B25003 series, 2011-2015 ACS, U.S. Census Bureau

^{**} Could these figures be influenced by small populations and small sample sizes? Yes, definitely. However, even though such populations are small, Nebraska's non-metro territory ranks 31st highest for Black households (16 states have smaller non-metro Black populations) and 34th highest for Asian households (13 states have smaller non-metro Asian populations).



Quantity of existing homes available for purchase (n = 1515)

	None available	Not enough	Adequate	More than enough	Don't know	Chi-square (sig.)
<u>Total</u>	4	42	39	7	9	
Community Size						
Less than 500	12	43	29	5	11	
500 - 999	5	46	37	3	10	
1,000 - 4,999	2	45	41	5	7	
5,000 - 9,999	3	33	38	17	10	χ2 = 121.29*
10,000 and up	0	41	43	8	8	(.000)

Source: Nebraska Rural Poll 2016



Quality homes available for purchase (n = 1516)

	None available	Not enough	Adequate	More than enough	Don't know	Chi-square (sig.)
			Percenta	ges		
<u>Total</u>	4	39	40	5	11	
Community Size Less than 500	11	43	30	4	13	
500 - 999	6	49	33	1	12	
1,000 - 4,999	2	41	42	5	10	
5,000 - 9,999	1	41	35	12	12	χ2 = 110.20*
10,000 and up	1	33	49	7	10	(.000)

Source: Nebraska Rural Poll 2016



Ratings of Housing Characteristics in Community

	None Available	Not Enough	Adequate	More than Enough	Don't Know
Construction of new homes	9%	28%	44%	10%	9%
Quantity of existing homes available					
for purchase	4	42	39	7	9
Quantity of apartments available for					
rent	10	43	25	4	18
Quality homes available for rent	7	51	22	3	18
Quality apartments available for rent	10	43	24	4	19

Source: Nebraska Rural Poll



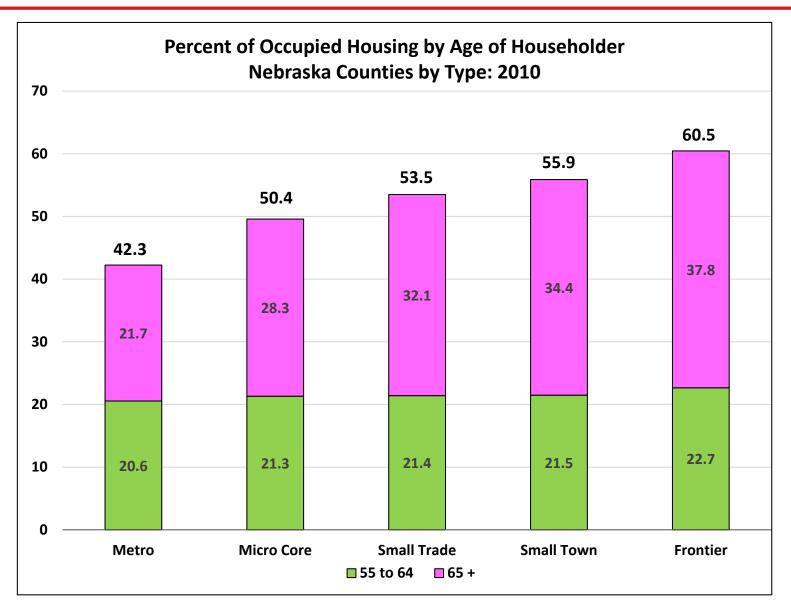
Support for Housing Programs or Priorities in Community

	_	Some-	_		
	Strongly Somewhat			what	Strongly
	Oppose	Oppose	Neither	Support	Support
Offer low interest loans or grants for repair, rehabilitation or home					
improvements	2%	3%	11%	40%	43%
Develop programs to help seniors age in					
current home	2	2	11	43	42
Providing affordable rental					
housing	3	5	15	44	33
Purchasing, rehabilitating and reselling					
vacant housing	4	5	16	44	32
Establishing a local program that would purchase and remove					
dilapidated houses, making lots available for building	4	5	17	41	32
Providing down payment assistance to first-time home buyers	6	10	17	34	32
Offer free lots to people willing to					
build homes	11	15	23	25	27
Provide public assistance for rental or home ownership for persons					
with low incomes or special needs	6	12	22	36	24
Organize volunteer efforts to maintain existing					
housing stock	3	9	38	35	15

Source: Nebraska Rural

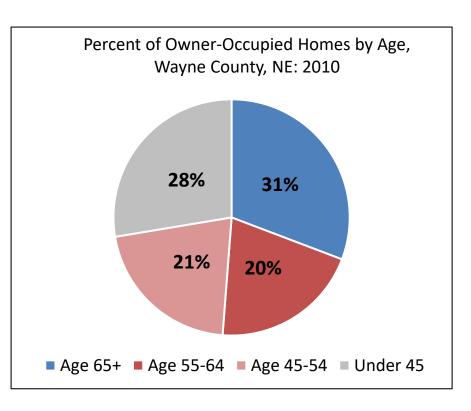
Poll

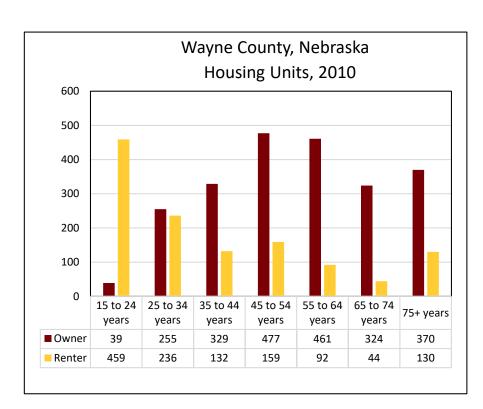




Source: 2010 Census

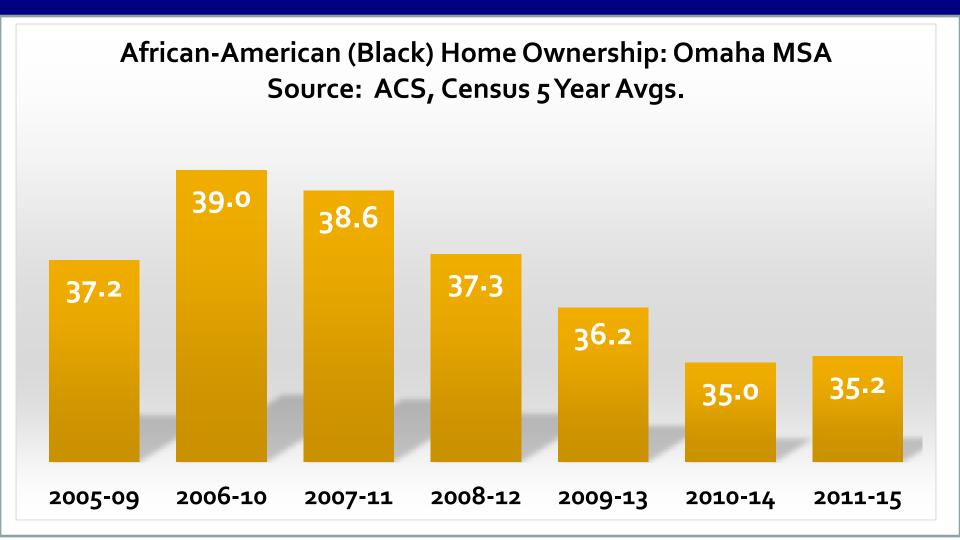




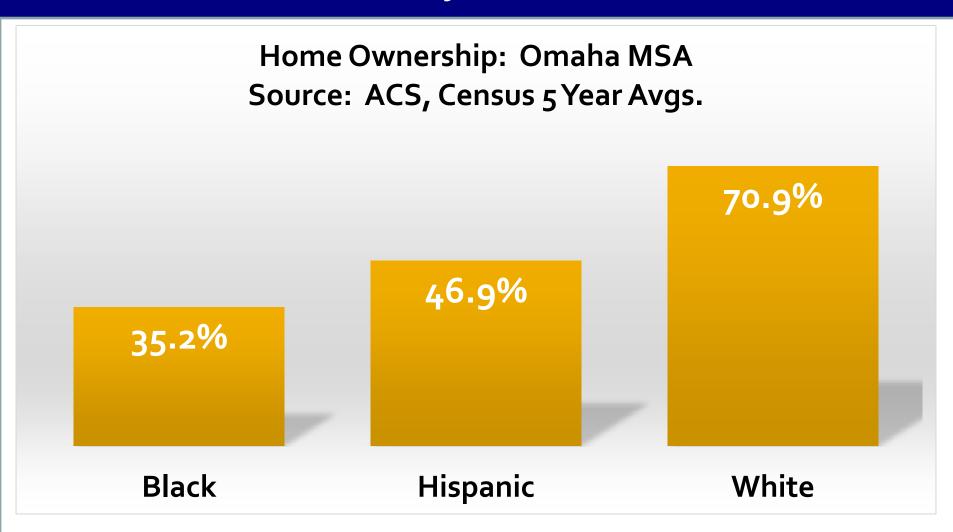


Source: 2010 Census

Home Ownership: African-American Omaha MSA

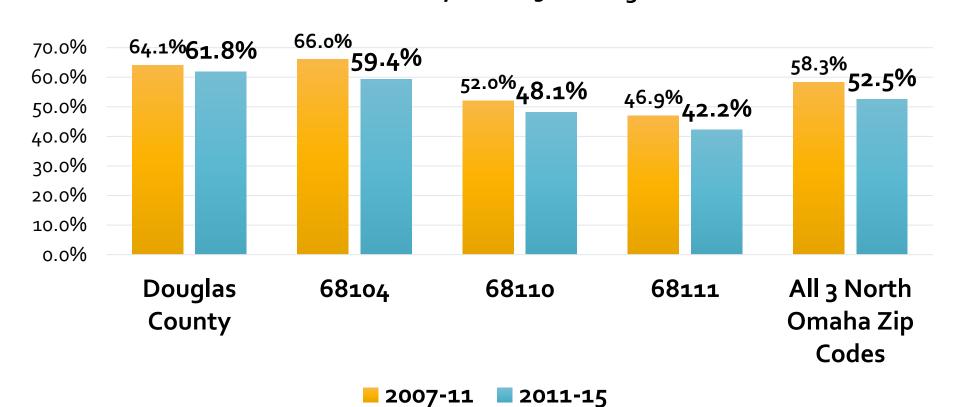


Home Ownership by Race/Ethnicity Omaha MSA



Home Ownership Trend Douglas County vs. North Omaha

Home Ownership Rate: Douglas County vs. North Omaha Zipcodes Source: ACS, Census 5 Year Avgs





- African-Americans migrate from South to North for manufacturing, meatpacking and railroad jobs
- African-Americans concentrated in South Omaha and then North Omaha
- Strong closed-loop African-American economy; businesses, home owners, churches, social clubs
- Jobs shift: automation, suburbs and overseas
- 1st waves of white flight (migration)
- Redlining limits AA movement: Banks, Loans, Real Estate; concentrations in Public Housing
- Joblessness increases; concentrated poverty



- Riots & "Rebellions"
- Another wave of white flight and loss of businesses
- Housing Open Occupancy
- Upwardly mobile AA move; concentrated poverty
- Highways built through AA communities and business districts; 20-30% of housing stock removed
- Some owners become renters
- School desegregation; another wave of white flight
- Public housing shifts to scatter site housing
- Crime, drugs and violence accelerate loss of population



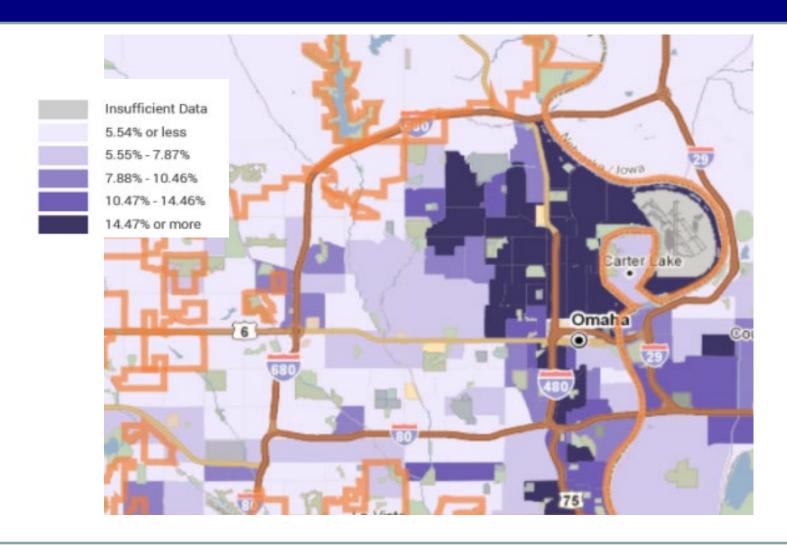
- Home values did not increase in certain areas
- AA can't get loans at the same rate
- AA wage gap; unemployment and underemployment
- AA fear not being able to get their money out of the home if they buy/sell in North Omaha
- Looking for jobs, better schools, safer environment



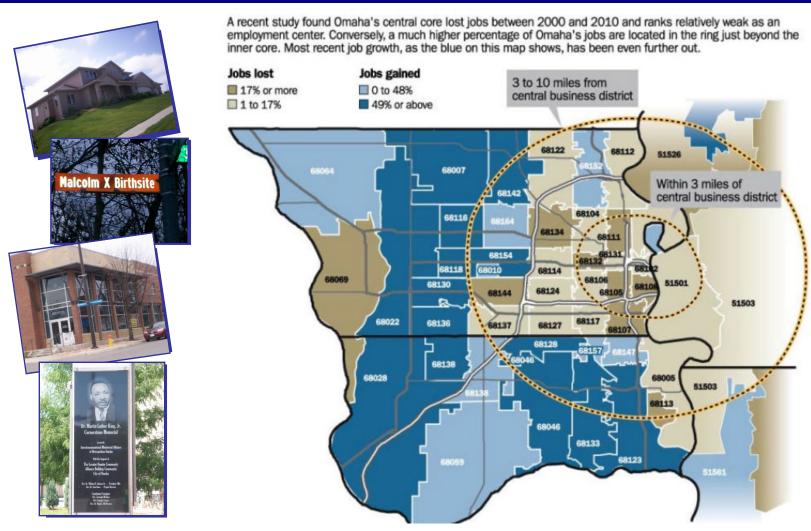
- African-Americans continue to migrate Northwest
- Opportunity neighborhoods further west with jobs and better living conditions
- Section 8 housing/vouchers in apartments Northwest and Southwest Omaha
- African Immigrants counted within AA population;
 large numbers start as renters and then home owners
- AA Professionals and college graduates moving to other cities; not long-term residents, so large numbers live in apartments

Unemployment Rate

Concentrated Unemployment

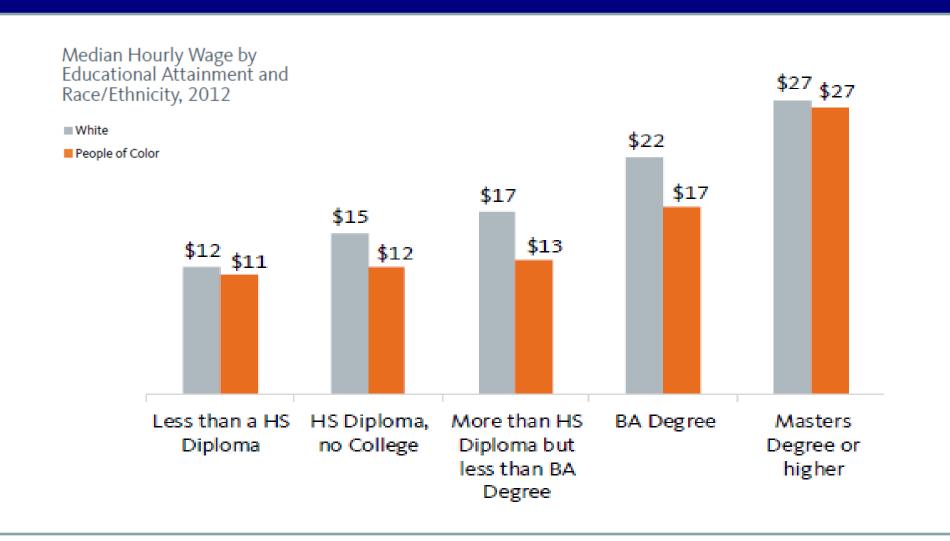


Job Centers have migrated



Data Source: Brookings Institute; Omaha World-Herald - Aug. 2013 – Henry Cordes

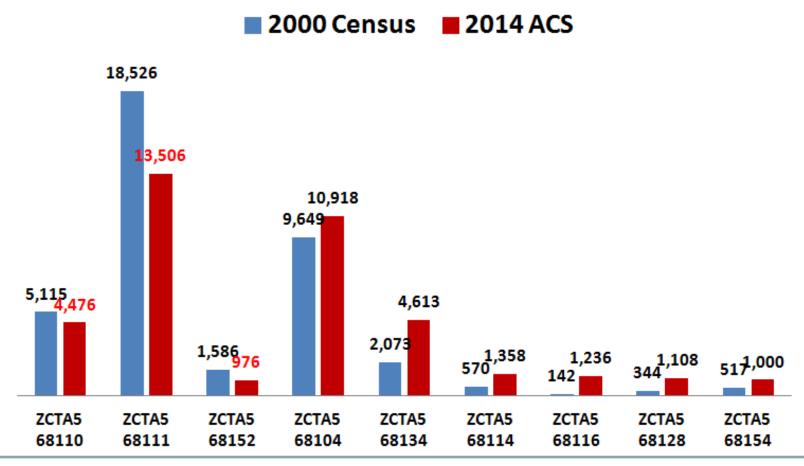
Wage Gap Omaha Region



Source: PolicyLink Equity Profile - 2014

African-American Migration in Omaha

African-American Population Shift in Omaha



Source: 2000 Census; 2010-2014 American Community Survey 5-Year Estimates

Why focus on North Omaha and African-Americans?



In 2006-2008

- High school graduation rate was 64%.
- Below the national avg. for AA's with college degree. (ACS)
- Gun violence was rising to an all time high.
- Very little new home development.
- Few public-private partnerships.
- Unemployment was over 20% in some zip codes. (ACS)
- Low levels of community engagement and involvement in decision-making.

Pew Research Center Strong and Thriving Economies



- 1. Increase Graduation Rate
- 2. Decrease Unemployment
- 3. Reduce Violent Crime
- 4. Create Thriving Arts and Culture
- 5. Improve Access to Credit/Capital: Increase and Business Ownership
- 6. Create Regional Transportation Links
- 7. Reduce Sales Taxes

Source: Omaha 2008 Pew Research Study

Wealth, Ownership and Production

NORTH OMAHA VILLAGE ZONE

Purpose



The purpose was to accelerate the transformation of North Omaha into a great place to live, raise a family, do business, worship, and play.

NORTH OMAHA VILLAGE ZONE

Vision and Action Plan

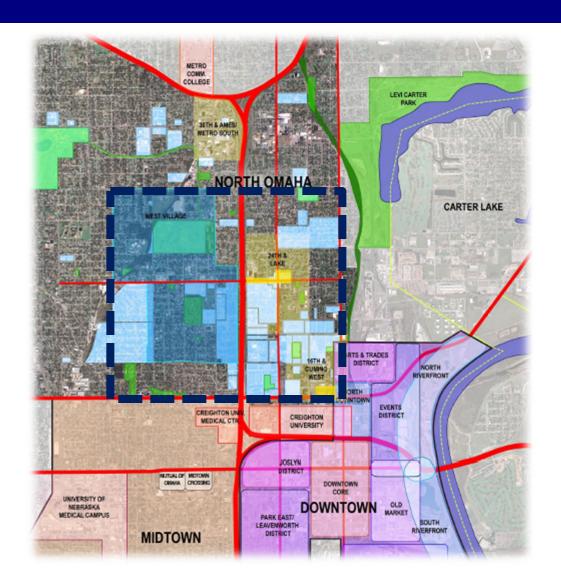


The Village Zone vision and action plan identified <u>iconic</u> and <u>transformational</u> projects that would be catalysts to the revitalization of North Omaha.

NORTH OMAHA VILLAGE ZONE

Build on Community Assets





North Omaha Village Revitalization Plan THE PLAN



Mixed Income Housing

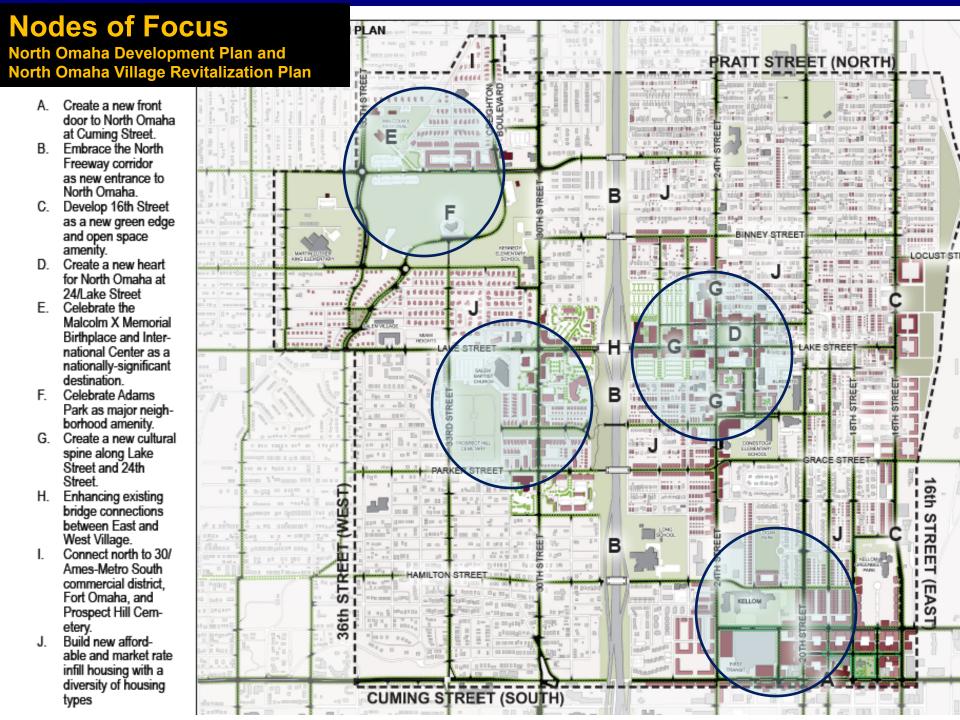
- Single Family
- Multi-Family
- Mixed-Used

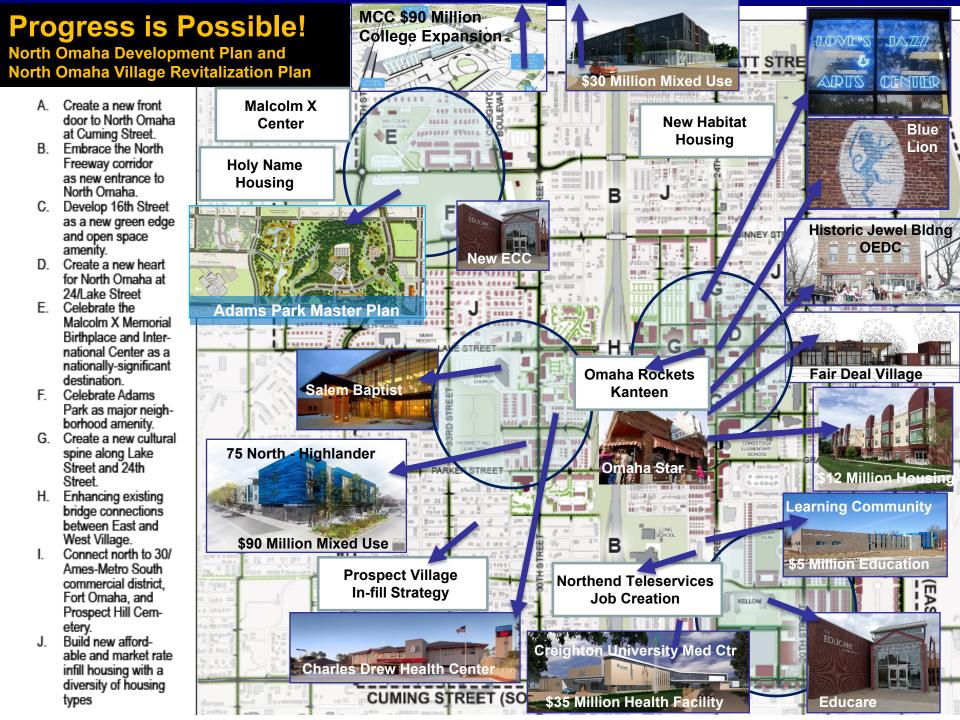
Civic & Recreation

- Music Venues & Attractions
- Arts, Culture, and History
- Major Events, Celebrations, etc.

Commercial

- Business and Employment Centers
- Neighborhood Services
- Grocery & Retail





The Collective Results



In 2016-17...

- The high school graduation rate is 80%. (increased from 64%) (Reading and Math scores are up as much as 30%)
- The percent of the community with a bachelor's degree has increased. (Once below the national avg. for AA is now above the national avg.) ACS
- Gun violence has hit a 13 year low.
- \$700 million in development
- A number of large, public-private partnerships are occurring.
- Unemployment has dropped in North Omaha from 21% to 15% and for African-Americans from 17% to 10.8%. ACS
- The community is actively engaged and deeply involved in decision-making that impacts their neighborhood.

Trends and Factors Affecting Housing

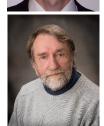
28th Annual Nebraska Data Users Conference, 2:15-3:15 P.M., August 16, 2017

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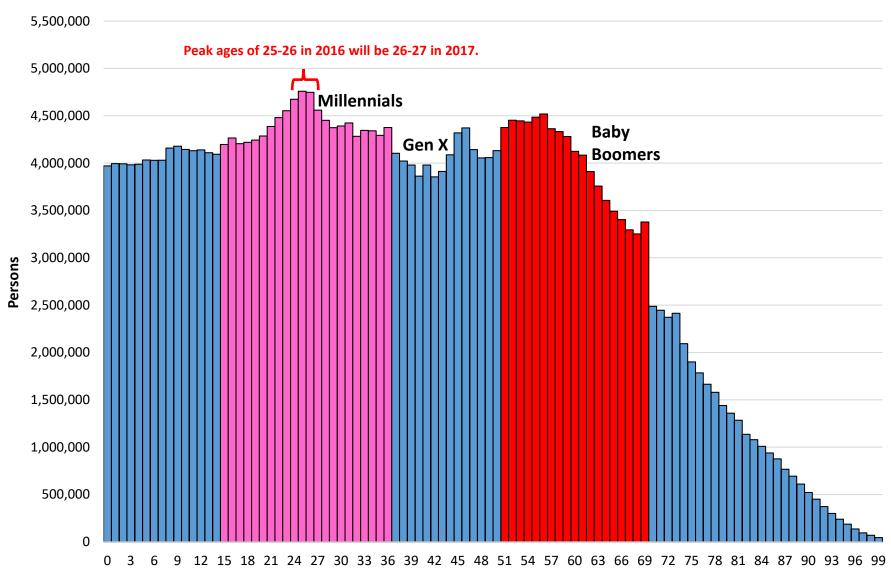






Census Bureau population data confirm that the largest wave of renters for age 26 is now here!!







As shown, the demand for housing should become stronger, but with deaths rising more homes will come onto the market, pressuring prices

Figure 3-8: Japan, Net Housing Demand, 42-year olds-minus 84-year-olds



Japan is further along in their demographic shift than the United States. They are a very "old" country. Note the correlation between home prices and the ages at which home buying and deaths occur.

Data Source: Ministry of Health, Labour and Welfare, Japan, 2013

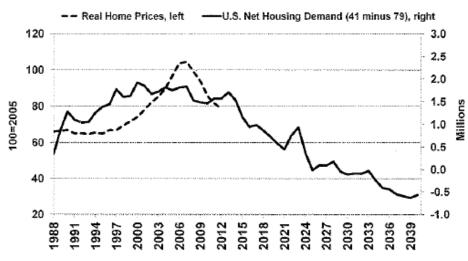
Note that Japan's life expectancy at eighty-four is five years longer than life expectancy in the United States. It's actually the highest of any major country.

The correlation has also been seen in the U.S. It's where the demographics are heading that is a concern.



"Inventory of new homes was also up (in April) which is great news, but the price must be right to cater to the large numbers of millennial buyers entering the market to buy their first home." ~ Svenja Gudell, Zillow's chief economist from tinyurl.com/kg8sheo

Figure 3-10: U.S., Net Housing Demand, 41-year-olds minus 79-year-olds



Data Source: US Census Bureau, Dallas Federal Reserve, 2013



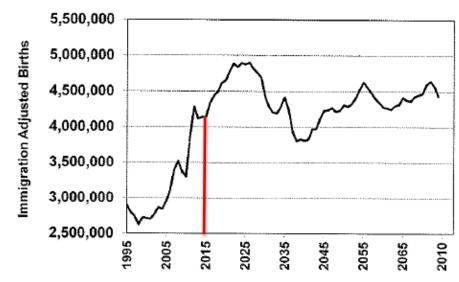
Where are we at in the cycle? (continued)

Were the housing markets in Florida and Arizona destined to comeback after the downturn??

Sure! Demographics foretold that. They have largely recovered and apparently have "more room to run".

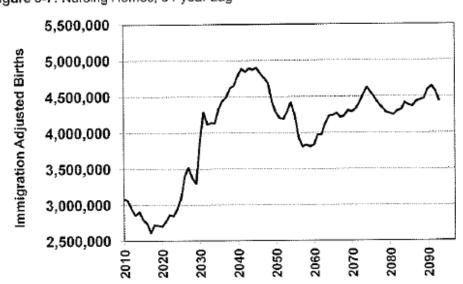
- For years people have been asking about and anticipating the rise in need for nursing homes, assisted living, in home care, etc.
- But those needs weren't imminent then as we had to move through the "Depression cohort" first (low births in the 1930s).
- It'll be several years yet before needs for the "oldest old" will really increase.
 - Some boomers will have needs prior to age 84, so there'll be growth from that.

Figure 3-6: Vacation Homes, 65-year Lag



Data Source: U.S. Census Bureau

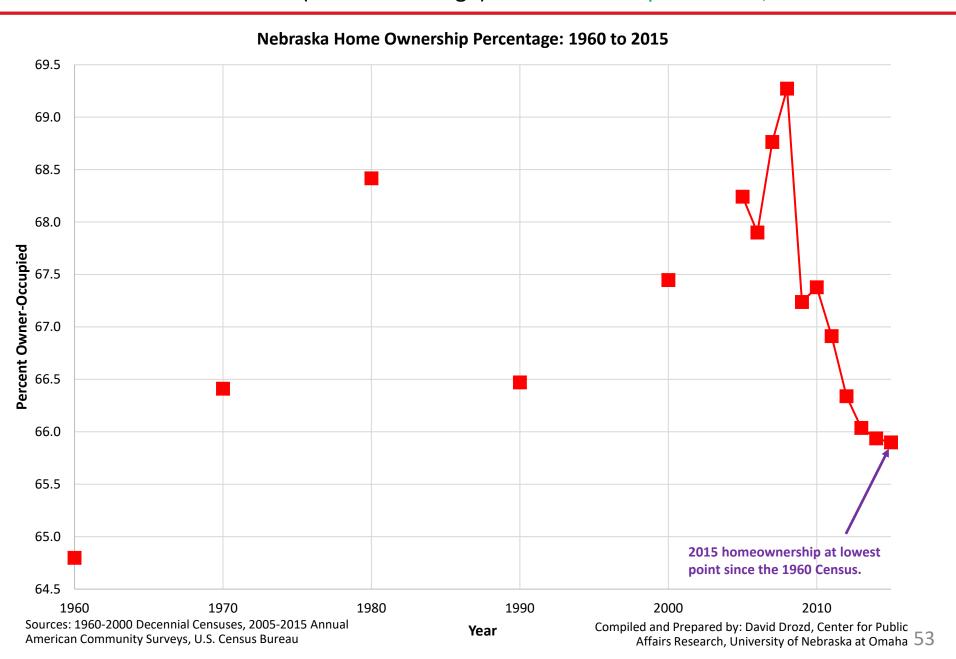
Figure 3-7: Nursing Homes, 84-year Lag





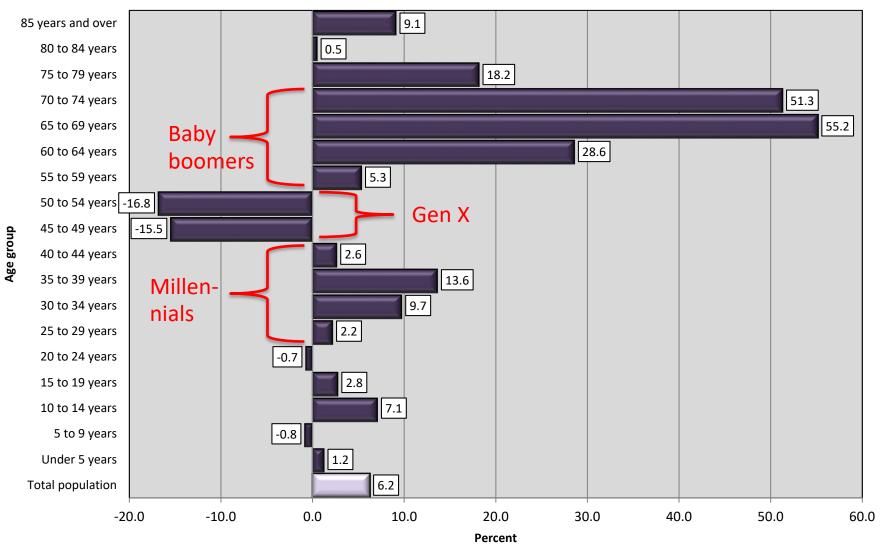
Shift in population structure has impacts:

Homeowner rate (2005-15 average): White non-Hispanics 71%; Minorities 44%



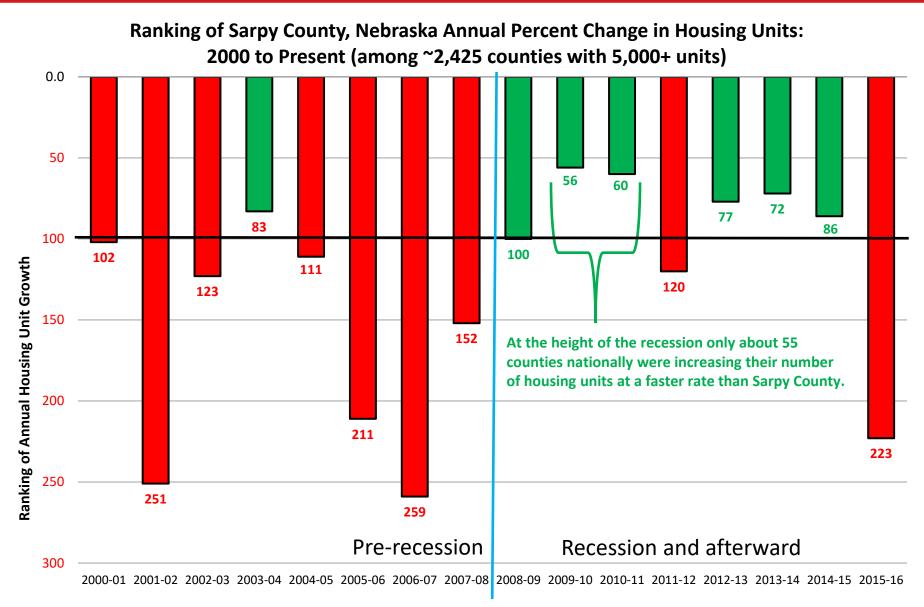
Where the population growth by age will be – what we project for this 2010s decade

Percentage Change in Nebraska Population by 5-year Age Group: 2010-20





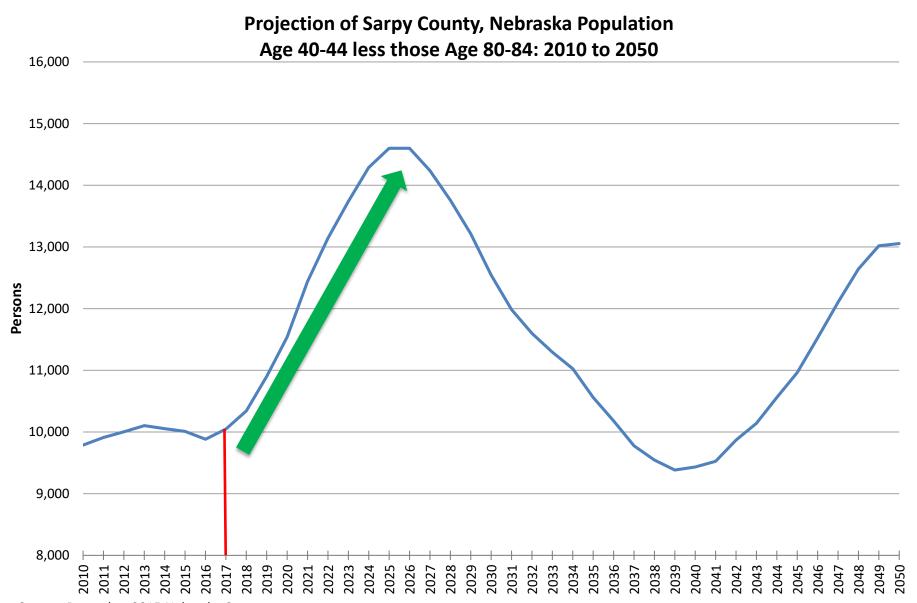
Sarpy County has made the "Top 100" list nationally for rate of increase in the number of housing units for 6 of the past 8 years; only did so once in the prior 8 years





Buyers versus Dyers:

certain areas to have increased demand; other areas have opposite fundamentals



Source: December 2015 Nebraska County Population Projections, CPAR @ UNO

Summary data for all counties: cpar.unomaha.edu/countyprojections