
  
**Preparing for change:  
understanding housing market  
trends and dynamics**  
Alan Mallach  
The Brookings Institution



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**The BIG picture**

- How did we get here?
- What does the housing market picture look like today?
- Where is it heading for the next five to ten years?



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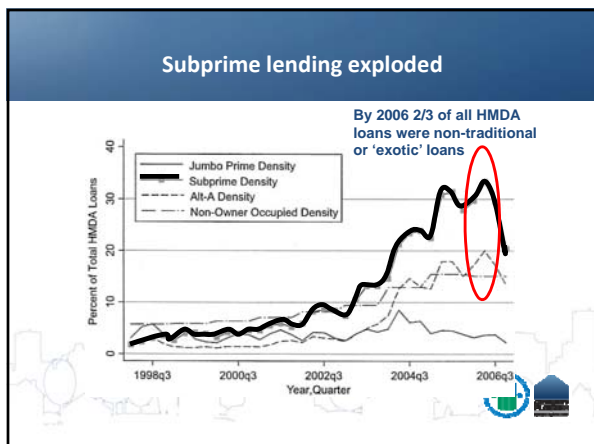
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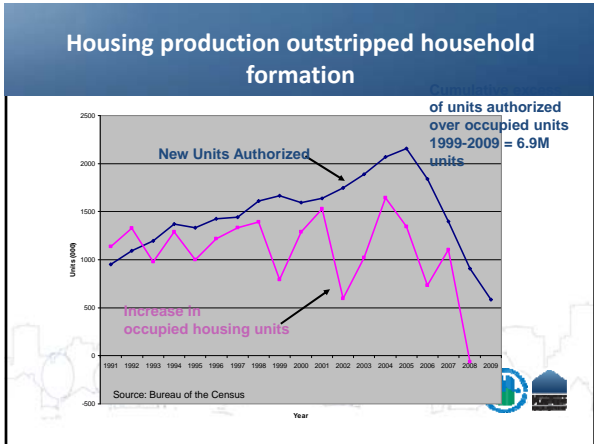
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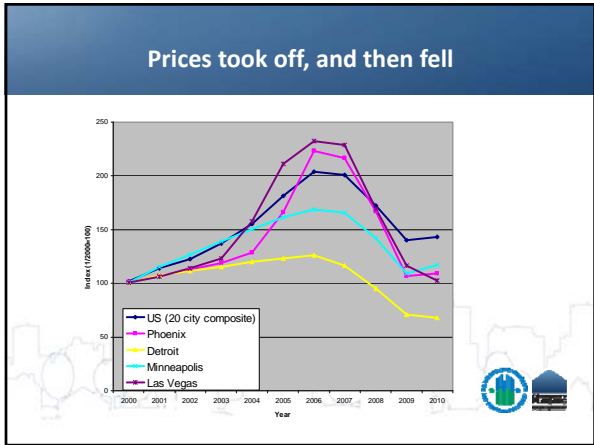
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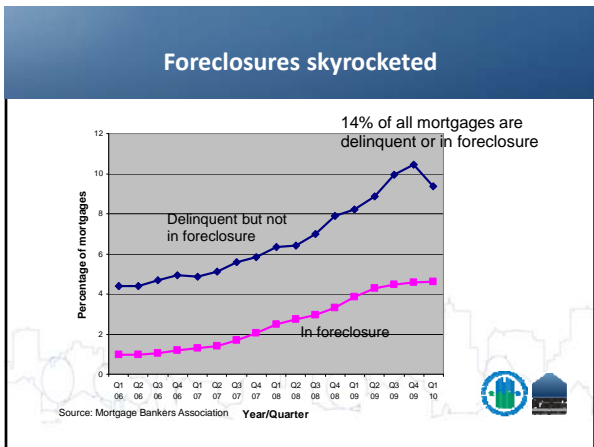
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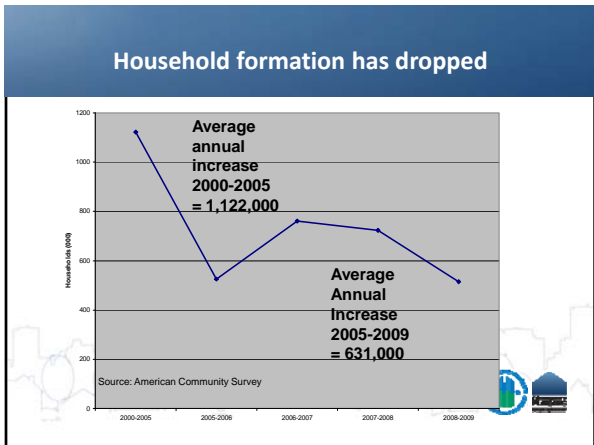
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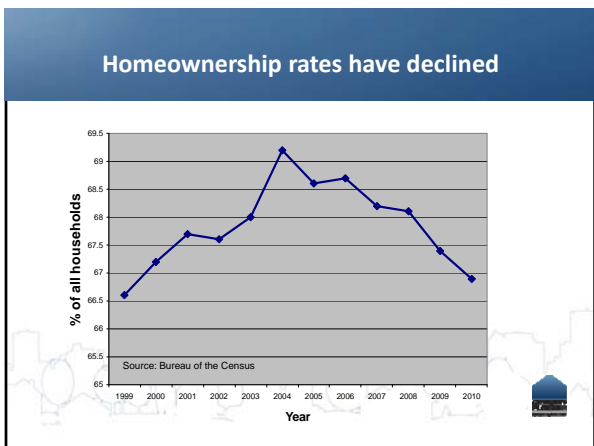
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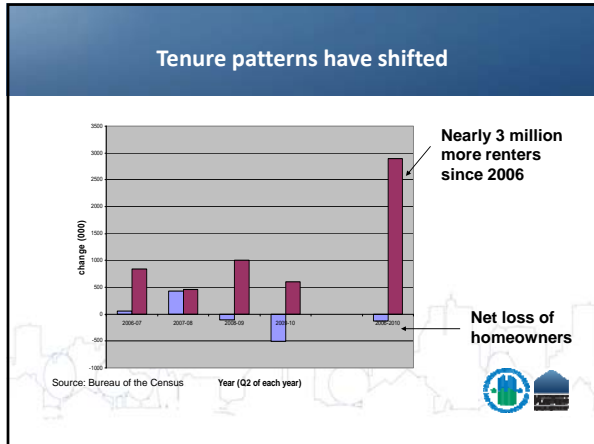
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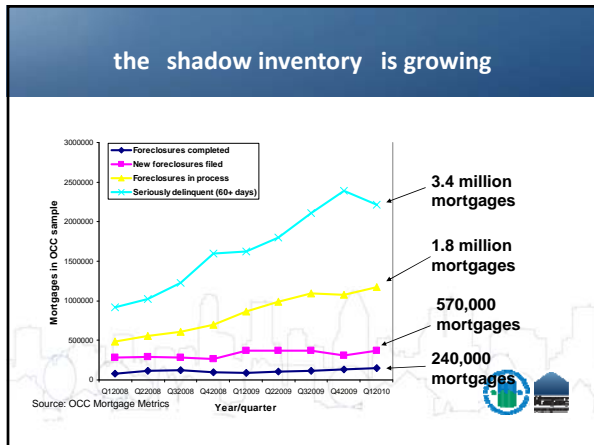
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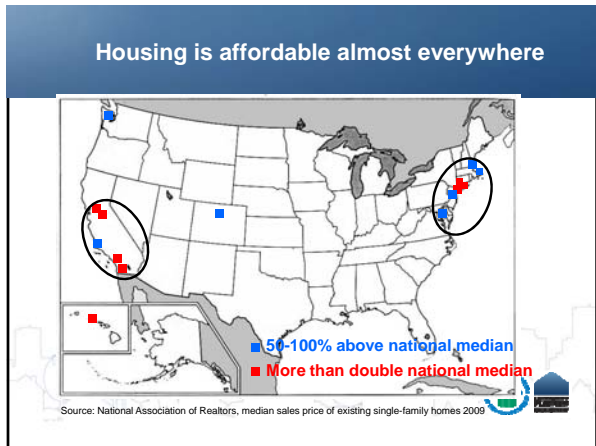
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### Most metros are affordable

	Number of metros
Median house affordable at 80% of AMI*	119
Borderline/uncertain**	17
Median house NOT affordable at 80% of AMI*	15

\*Assuming household spends 33% of income on PITI and makes 5% down payment  
\*\*Depending on level of property taxes in jurisdiction

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### Rents are also affordable in many areas

Affordability of median rental in Dayton, Ohio area

	Inside Dayton	< 1 mile	< 2 miles
1 bedroom	41% AMI	39% AMI	46% AMI
2 bedroom	43% AMI	42% AMI	49% AMI
3 bedroom	51% AMI	46% AMI	50% AMI



Slide 16

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### What will the next few years look like?

- Net household formation will remain at relatively low levels, probably under 1 million households per year through 2015
- High vacancy rates, continuing foreclosures and the large shadow inventory will take years to absorb.
- House prices will appreciate only slowly – areas containing 80% of the nation's population will remain highly affordable to most households



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### The next few years 2

- Home buyers will buy conservatively, while many households will choose to rent instead.
- New construction will remain at low levels, depressed by the combination of housing oversupply and low prices in the existing stock.



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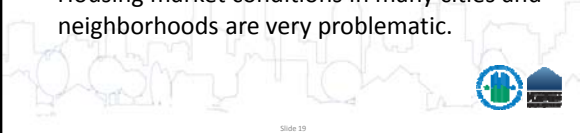
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### The LOCAL picture

- Every metro is made up of many different housing sub-markets
- Housing sub-markets vary from city to city, neighborhood to neighborhood, even block by block
- Housing market conditions in many cities and neighborhoods are very problematic.



Slide 19

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### What are the key questions?

- HOW MANY** people are buying?
- WHO** are buying?
- WHAT** are they paying?
- HOW MANY** homes are empty?




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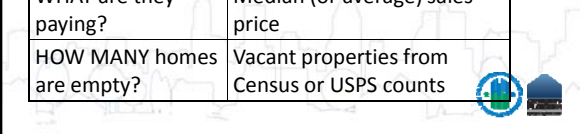
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### Finding answers

QUESTION	MEASURE
HOW MANY people are buying?	Ratio of sales transactions to properties
WHO are buying?	Ratio of sales transactions to mortgages
WHAT are they paying?	Median (or average) sales price
HOW MANY homes are empty?	Vacant properties from Census or USPS counts




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What do the measures mean?

MEASURE	SIGNIFICANCE
Low ratio of sales transactions to properties	Low demand, high vacancies, high risk of abandonment
Low ratio of mortgages to sales transactions	Most buyers likely to be absentee buyers, not homebuyers
Low prices	Low demand for houses in area
High vacancy rate	Low demand, high risk of abandonment

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A little data...

Two census tracts in Saginaw, Michigan

MEASURE	Census Tract 7	Census Tract 21
Sales ratio	1 to 79.2	1 to 12.9
Sales/mortgage ratio	NO MORTGAGES	2.6 to 1
Average sales price	\$16,900	\$66,500
USPS vacancies	31%	5%

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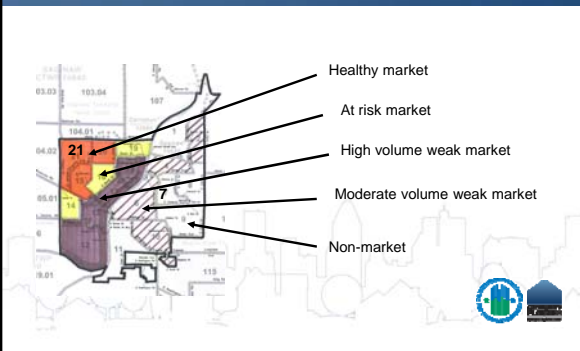
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Looking at Saginaw, Michigan




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**Two principles**

- It's about people, not product
- It's about neighborhoods, not just housing units



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**What does that mean, in practice?**

- Understand the regional housing market – understand the options available to housing consumers.
- Understand neighborhood markets – understand the forces that are destabilizing neighborhoods



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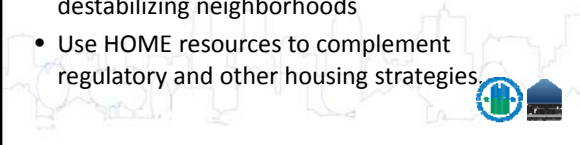
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**What does that mean, in practice?**

- Target HOME resources to upgrade and preserve existing housing stock
- Target HOME resources to fill gaps in market, not compete with market
- Target HOME resources to combat forces destabilizing neighborhoods
- Use HOME resources to complement regulatory and other housing strategies.



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