

Housing under COVID-19: U.S. & Atlanta

How is **COVID-19** impacting the economy and housing market?
September 2020

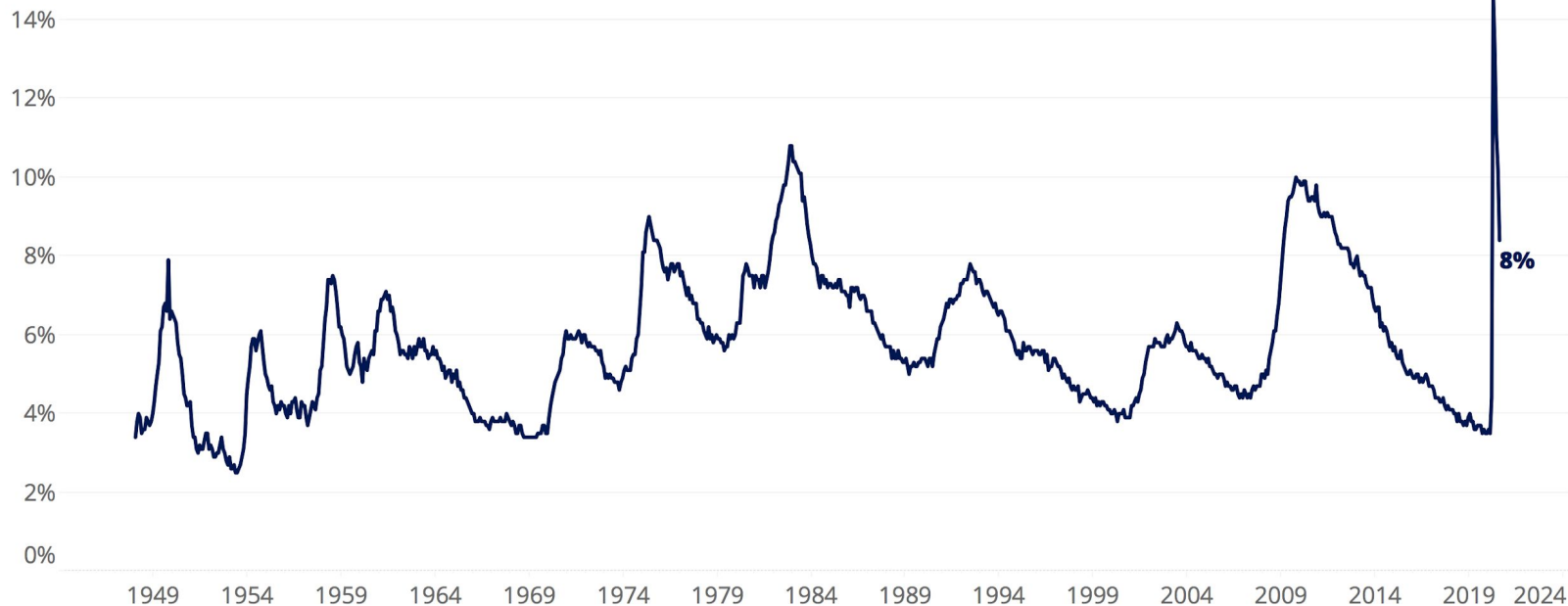
Jeff Tucker
Senior Economist, Zillow



ZILLOWGROUP

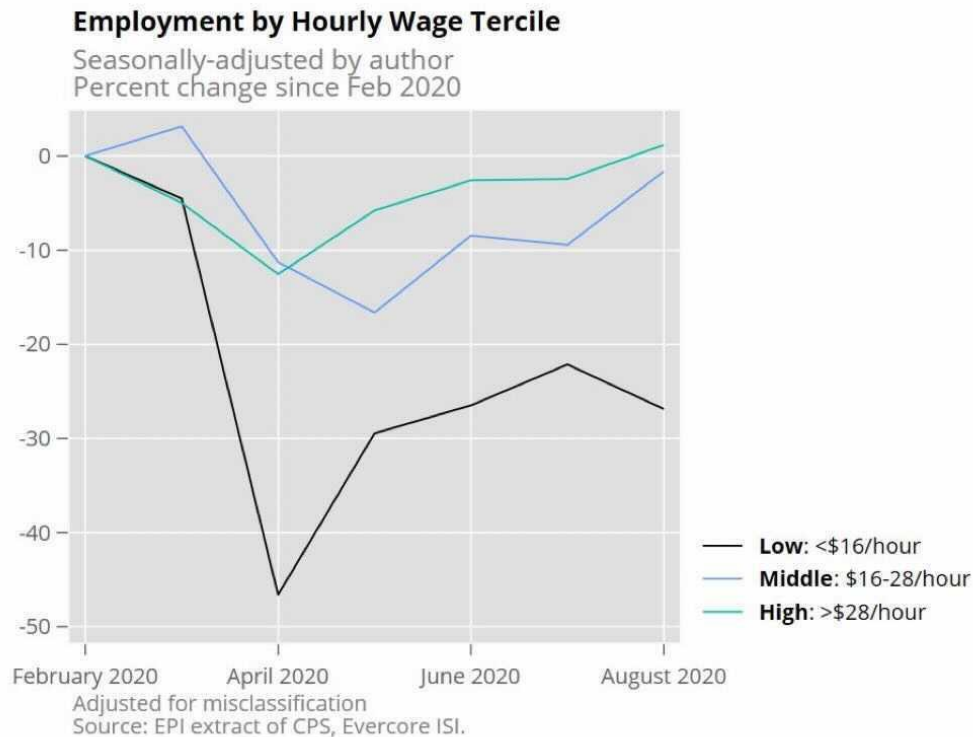
Coronavirus pandemic pushed U.S. into deepest recession since Great Depression

Unemployment rate



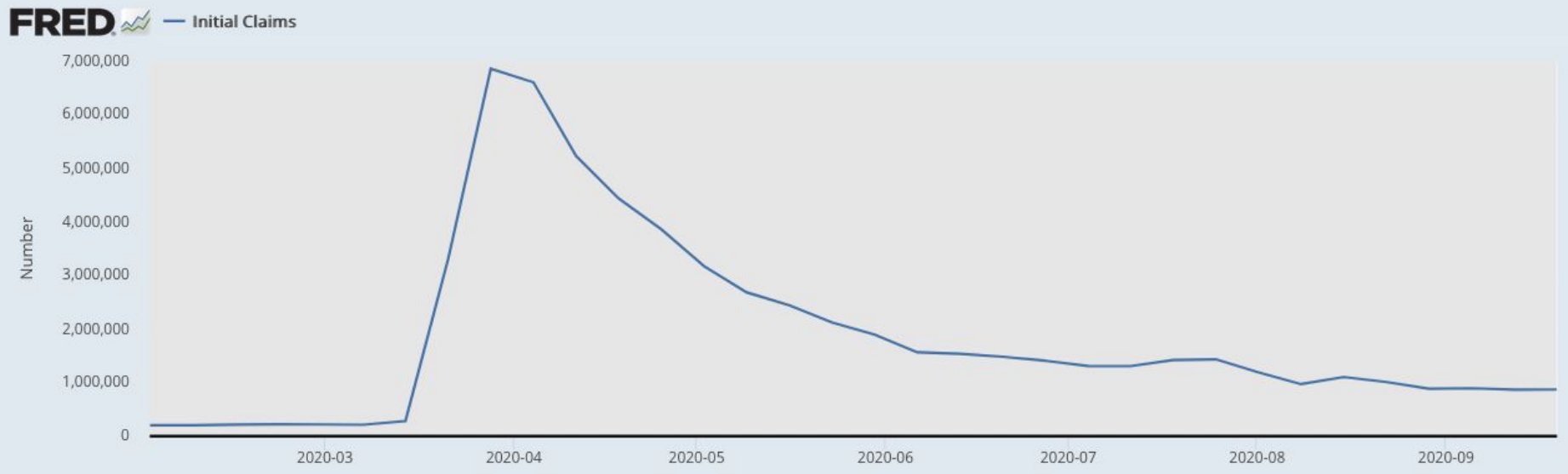
The K-shaped recovery

Lowest-wage workers still suffering, while high-wage employment has rebounded



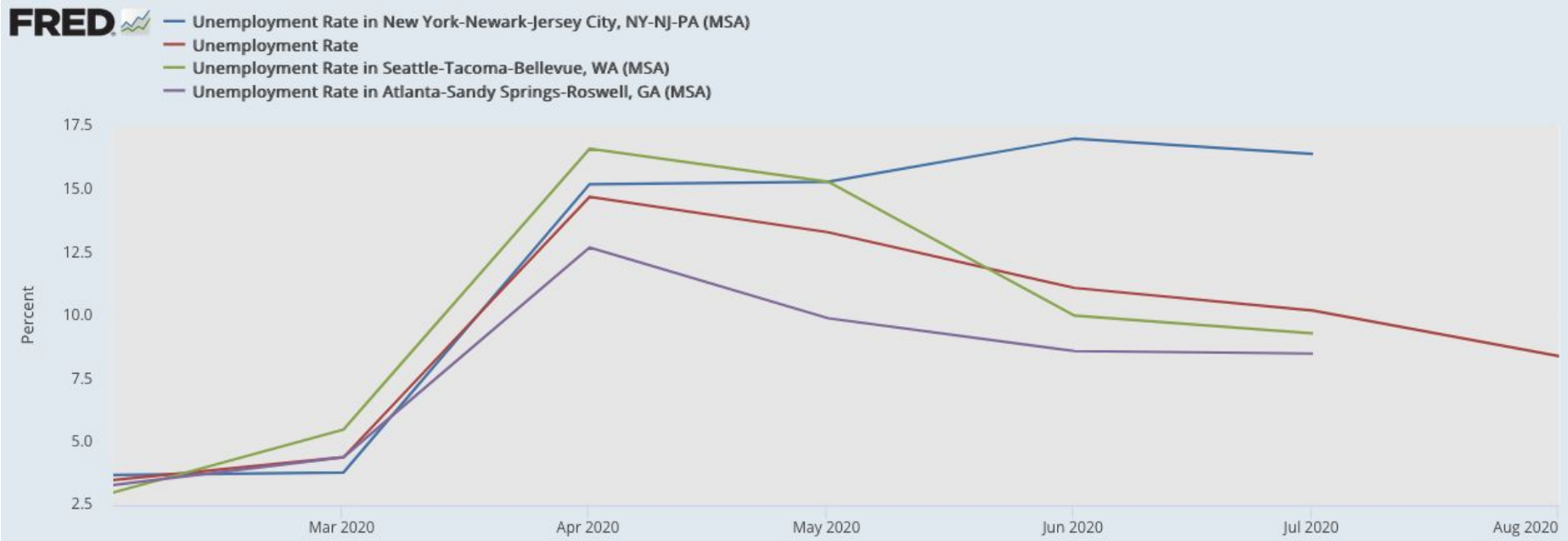
Initial UI claims improvement has stalled

No improvement at all last week



Atlanta is faring relatively well

In July, Atlanta's unemployment rate was *half* of NYC's

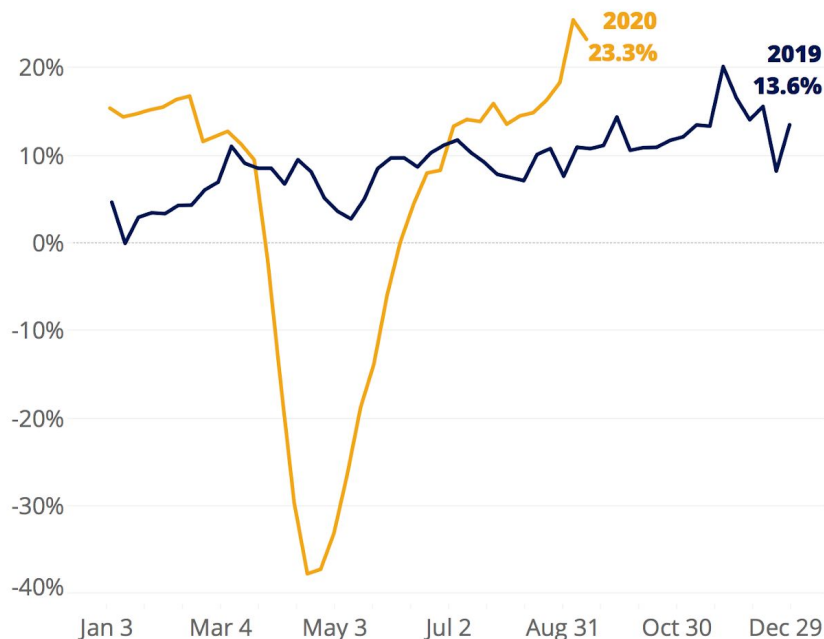


Housing market: Remarkably resilient

Low inventory has kept the heat on prices.

Buyers came back but where are sellers?

Newly Pending Listings

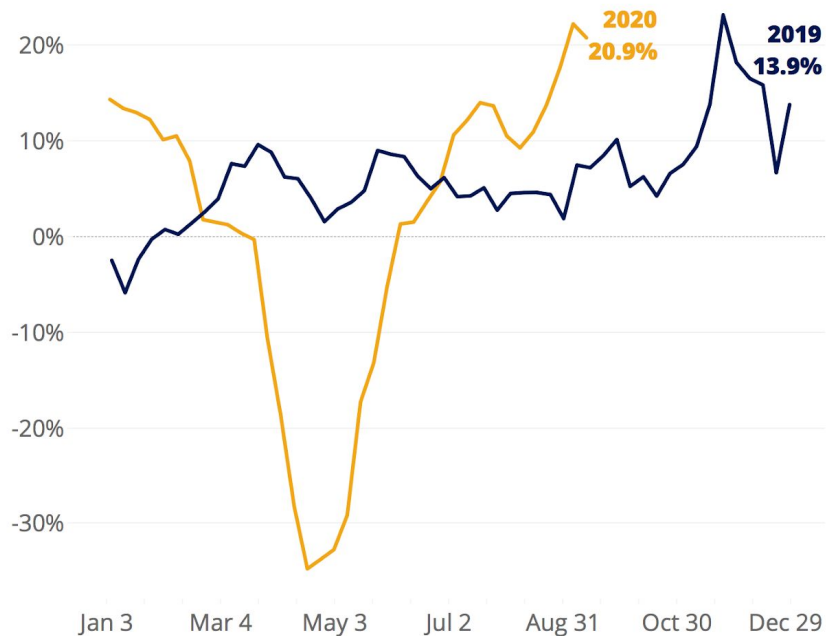


New For-Sale Inventory

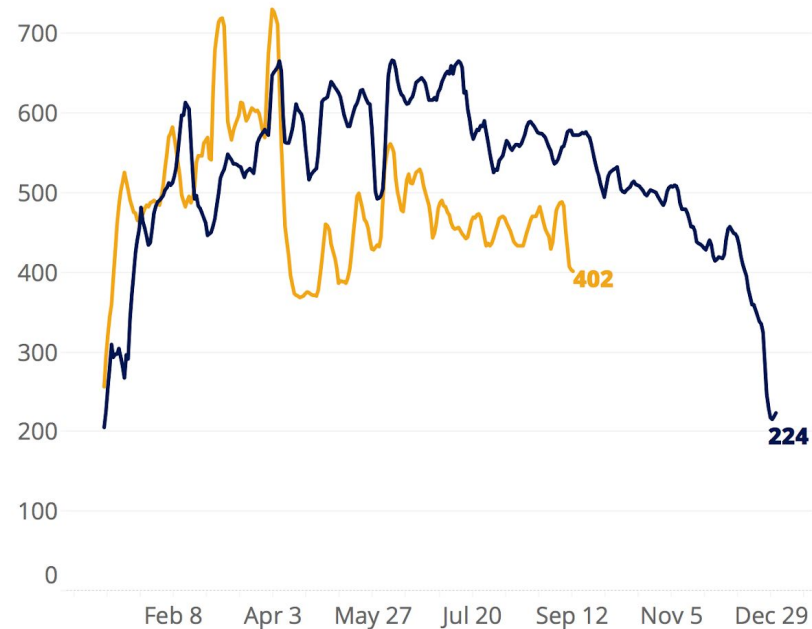


Similar in Atlanta

Newly Pending Listings

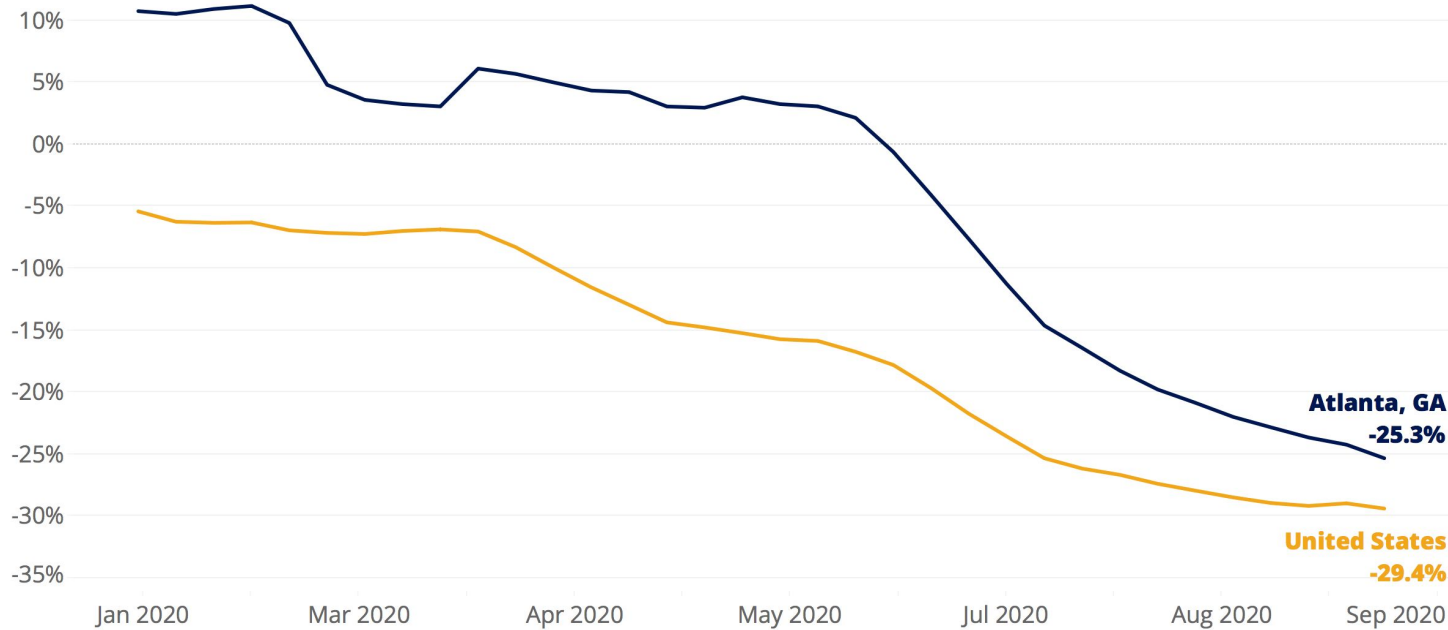


New For-Sale Inventory



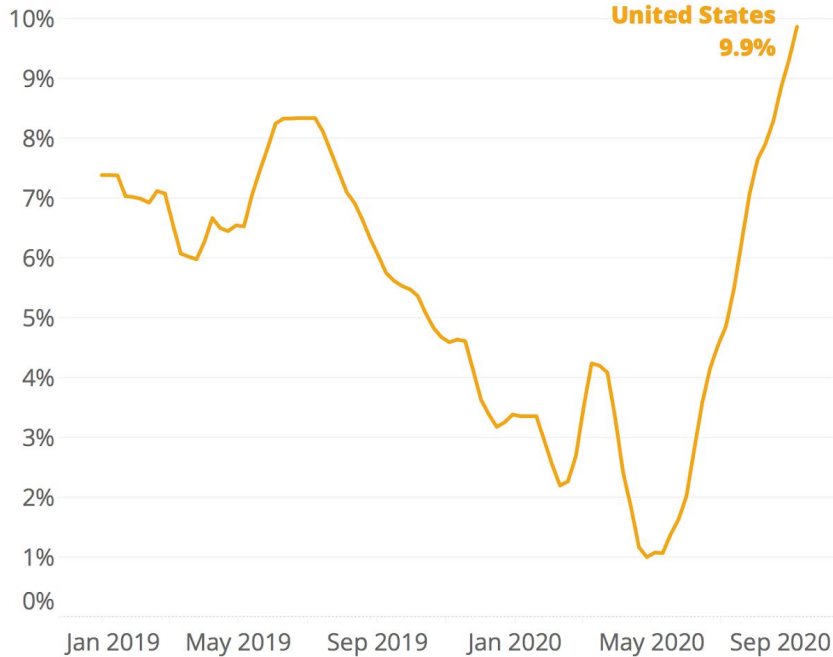
Pullback by sellers is starving the market

For-Sale Inventory

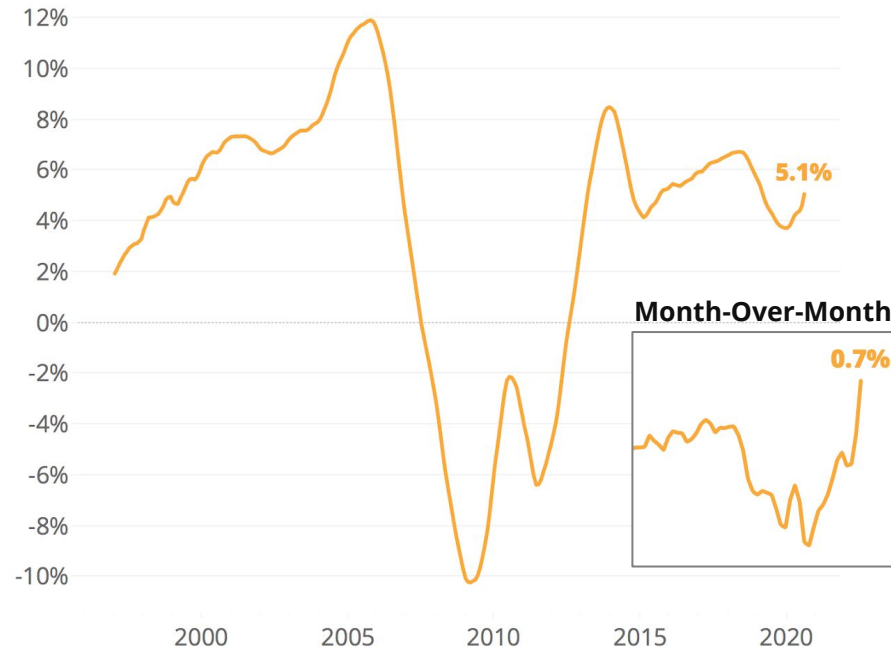


Record-low inventory energizes price rebound

Median List Price

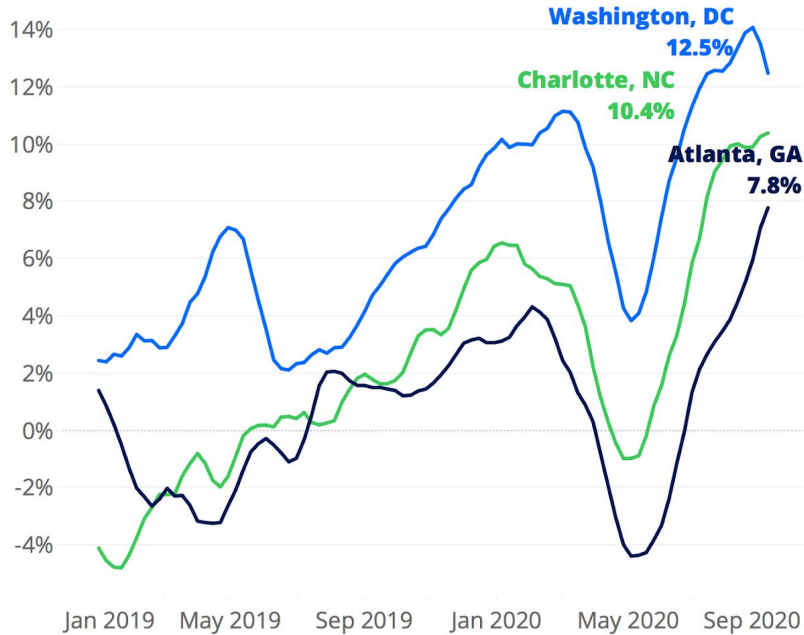


Zillow Home Value Index, YoY

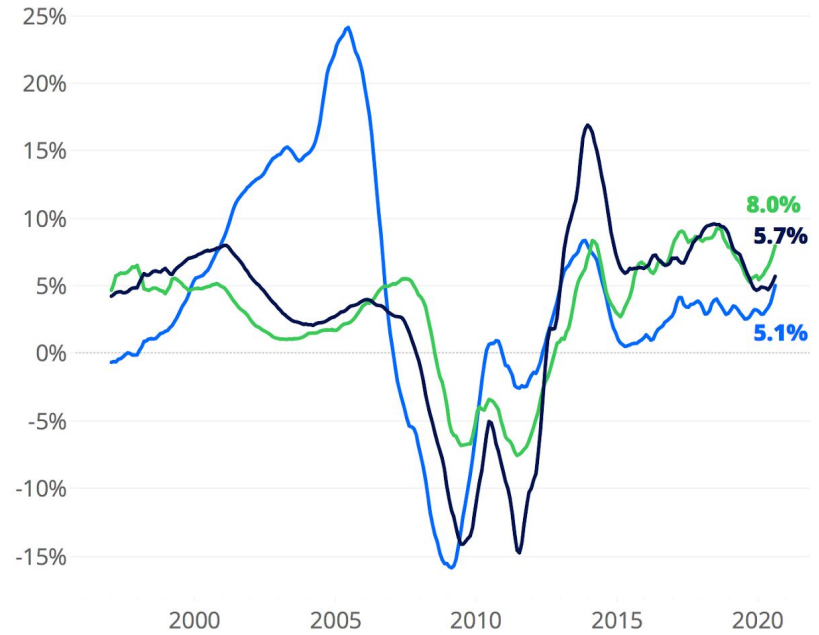


Record-low inventory energizes price rebound: Southeastern metro details

Median List Price

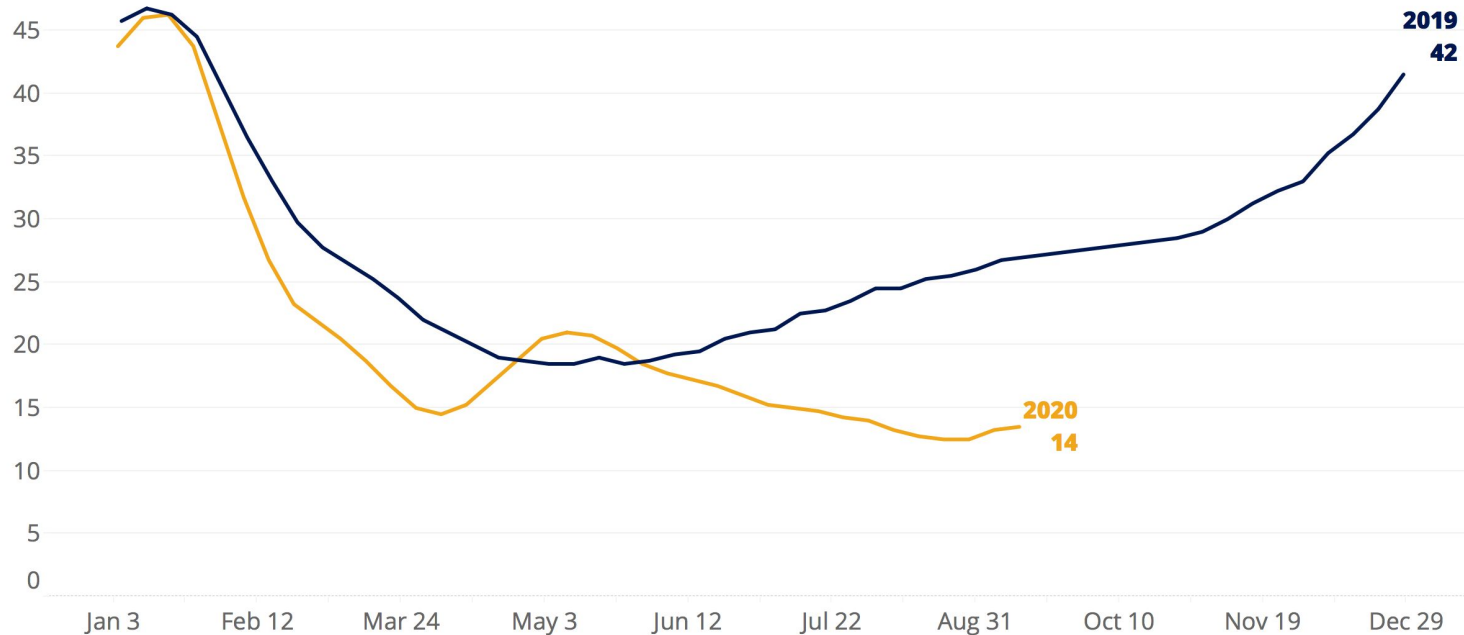


Zillow Home Value Index, YoY



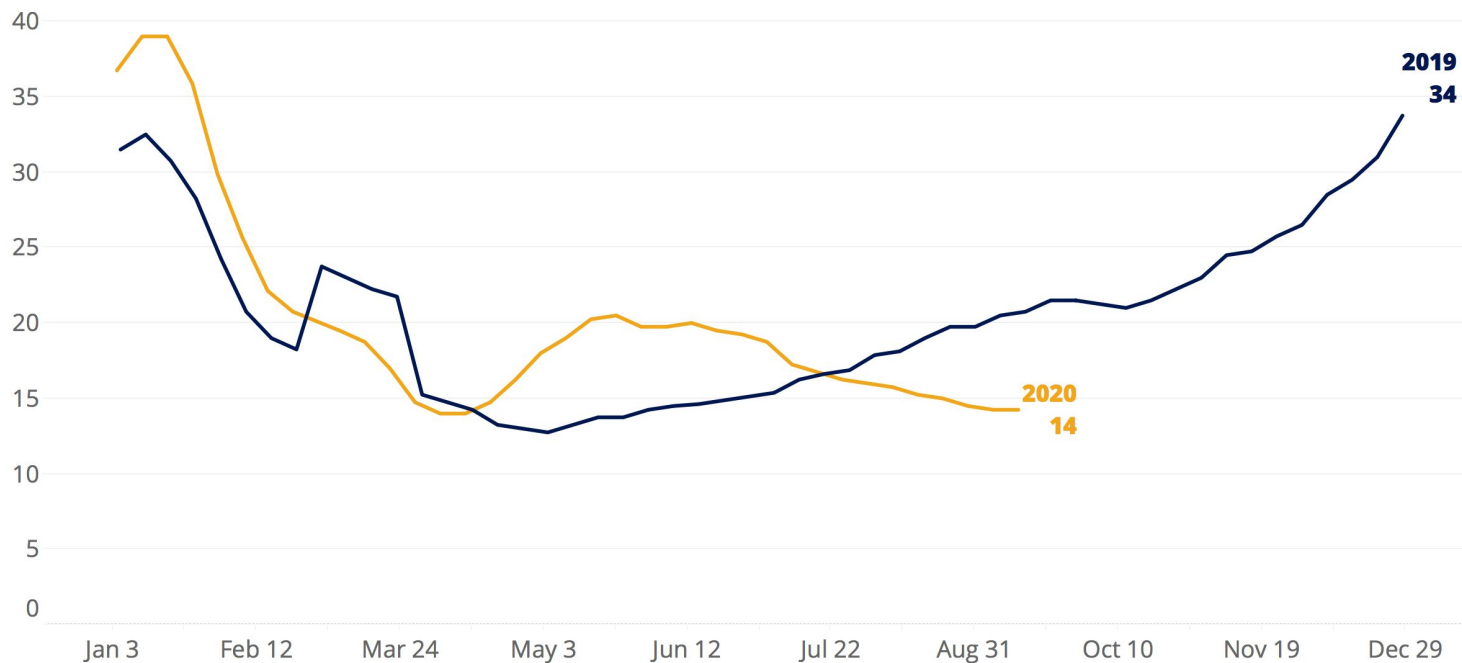
Homes selling more quickly than last August

Days To Pending



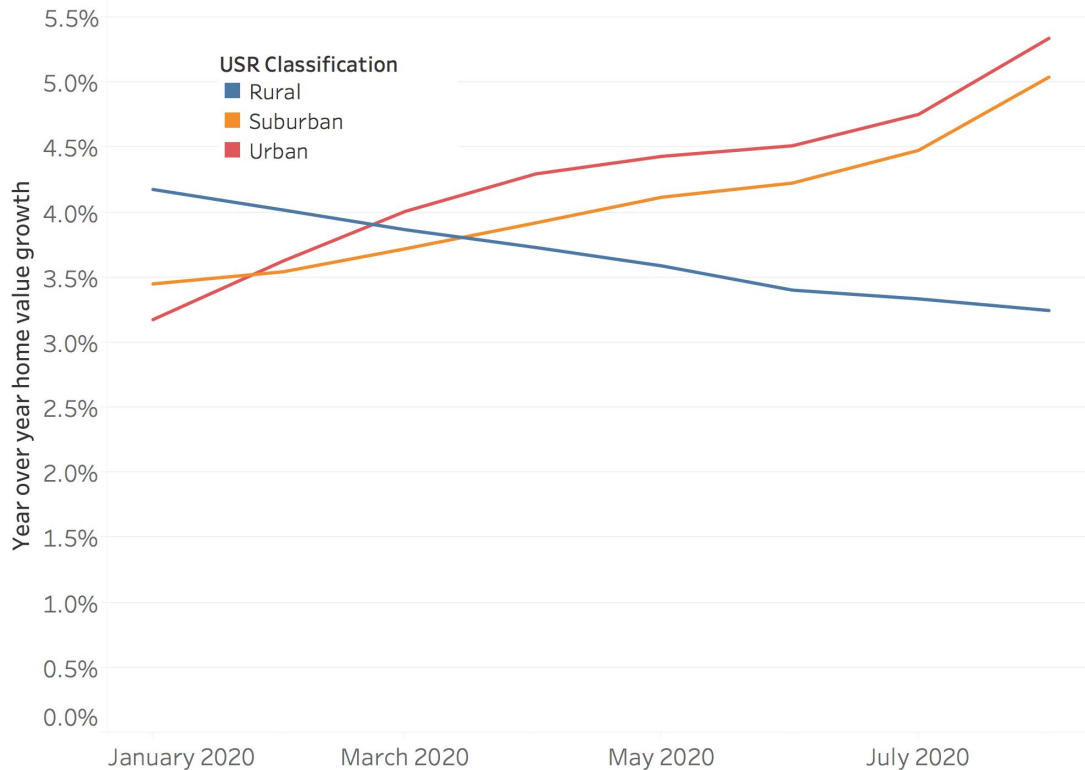
Homes selling more quickly in Atlanta, too

Days To Pending



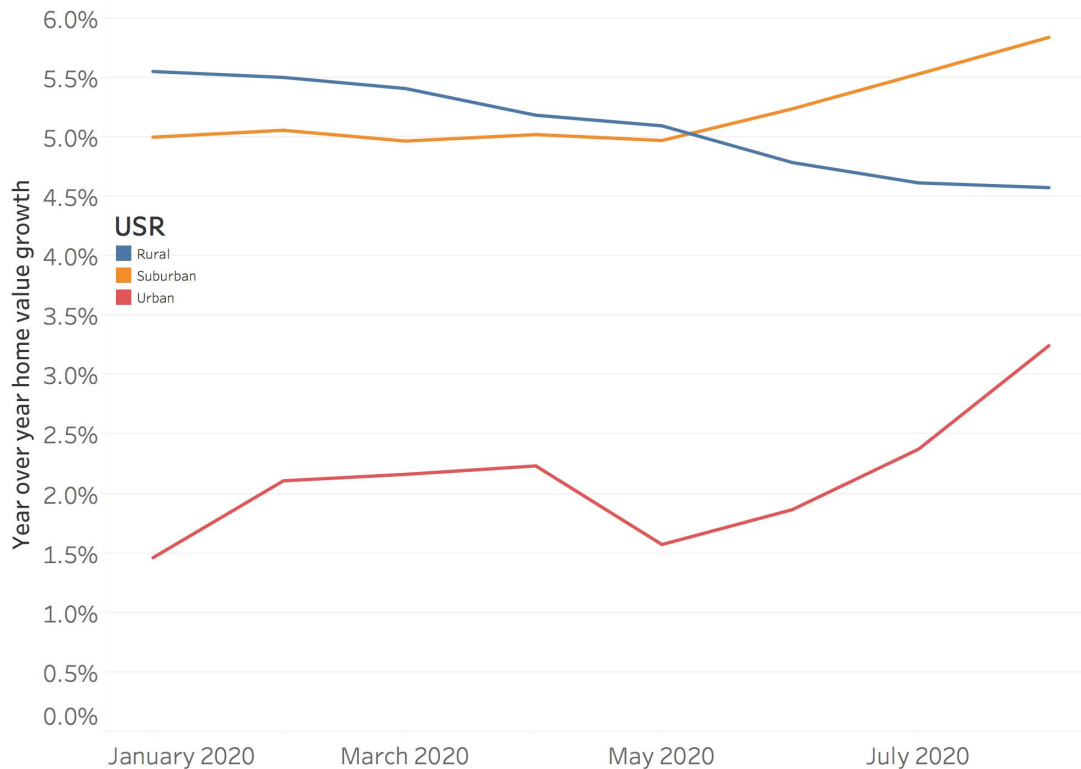
Is everyone leaving cities for suburbs? Not yet...

Nationwide, urban homes are pricier than suburban, and growing slightly faster



But suburban Atlanta is especially strong

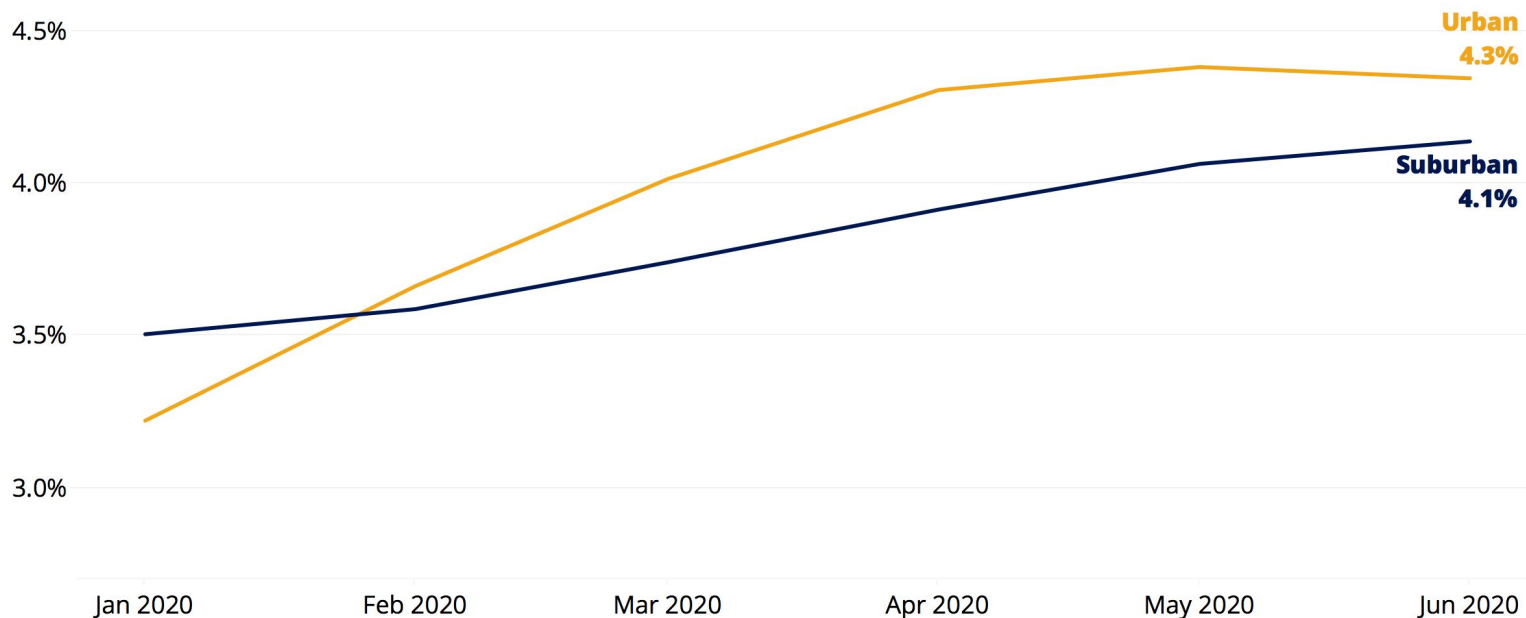
In Atlanta MSA, urban price growth has lagged rural and suburban growth all year



Is everyone leaving cities for suburbs? Not yet...

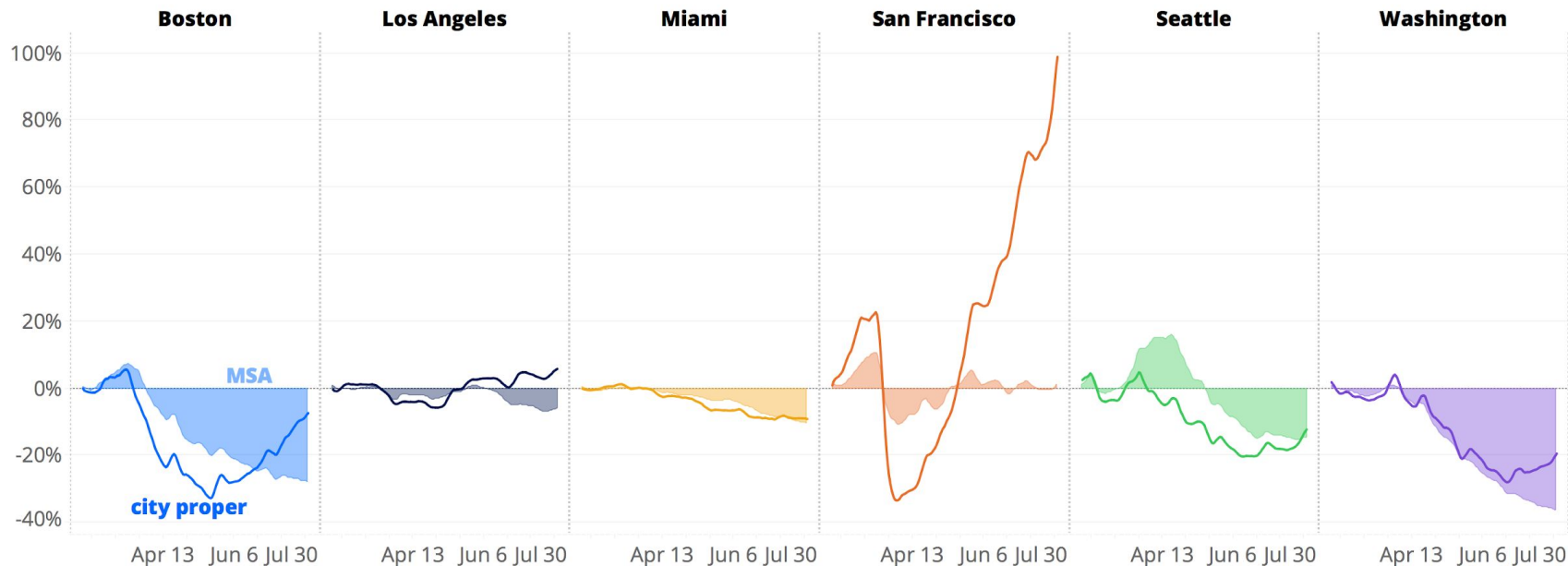
Zillow Home Value Index, Year-Over-Year

Weighted median of **urban** and **suburban** ZIP codes



Only city with inventory surge: San Francisco

Change in YoY Inventory from February 2020, in **MSA** and **city proper**

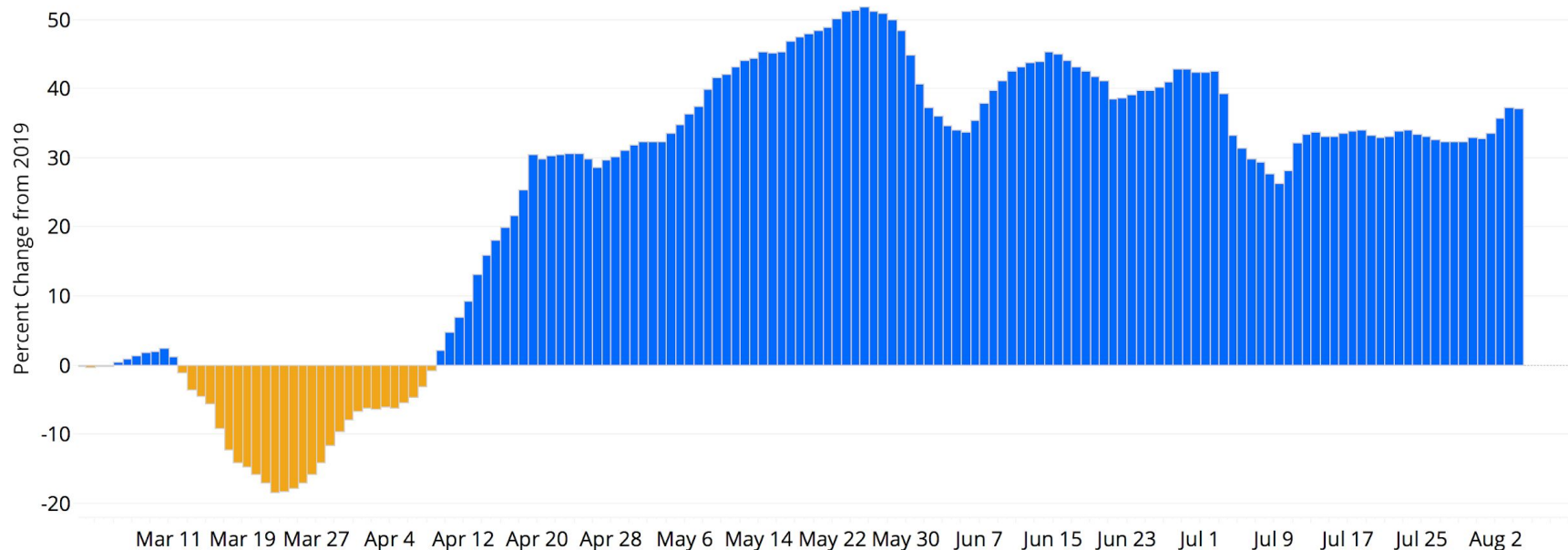


High demand meets low supply

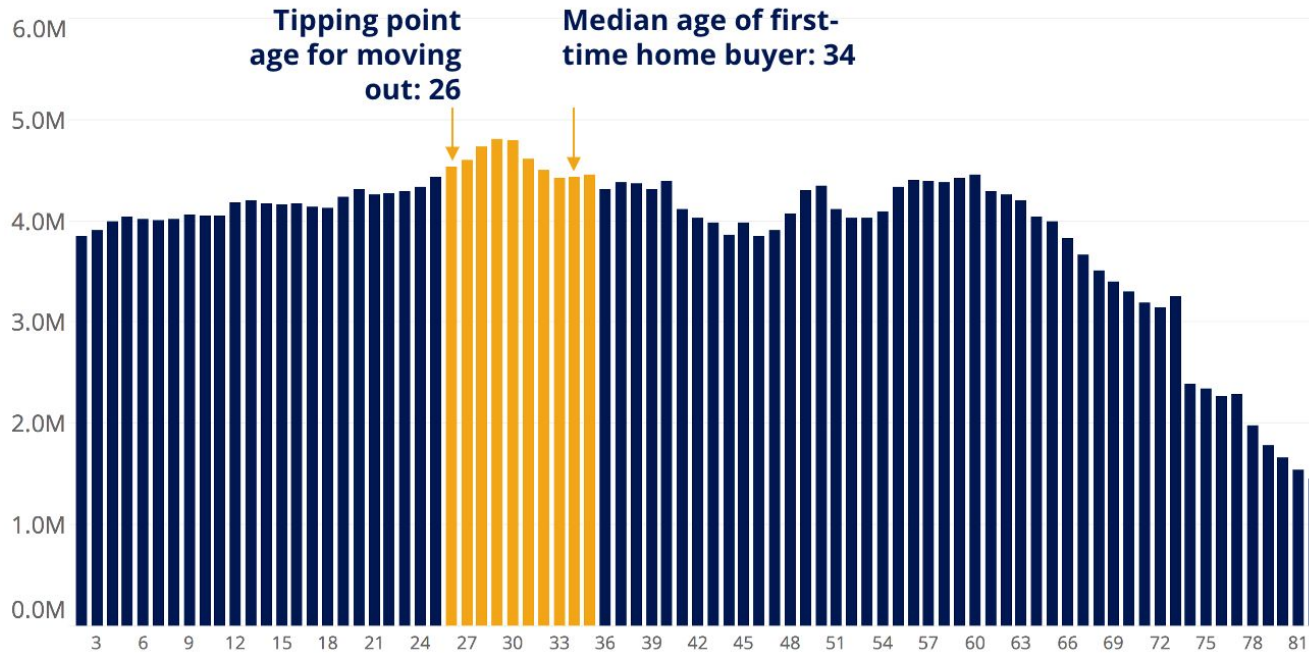
Story of the summer, continuing this fall.

Zillow site/app traffic surged, remains high

7-Day Moving Average Change in Page Views of For-Sale Homes on Zillow: Spring 2020 vs 2019

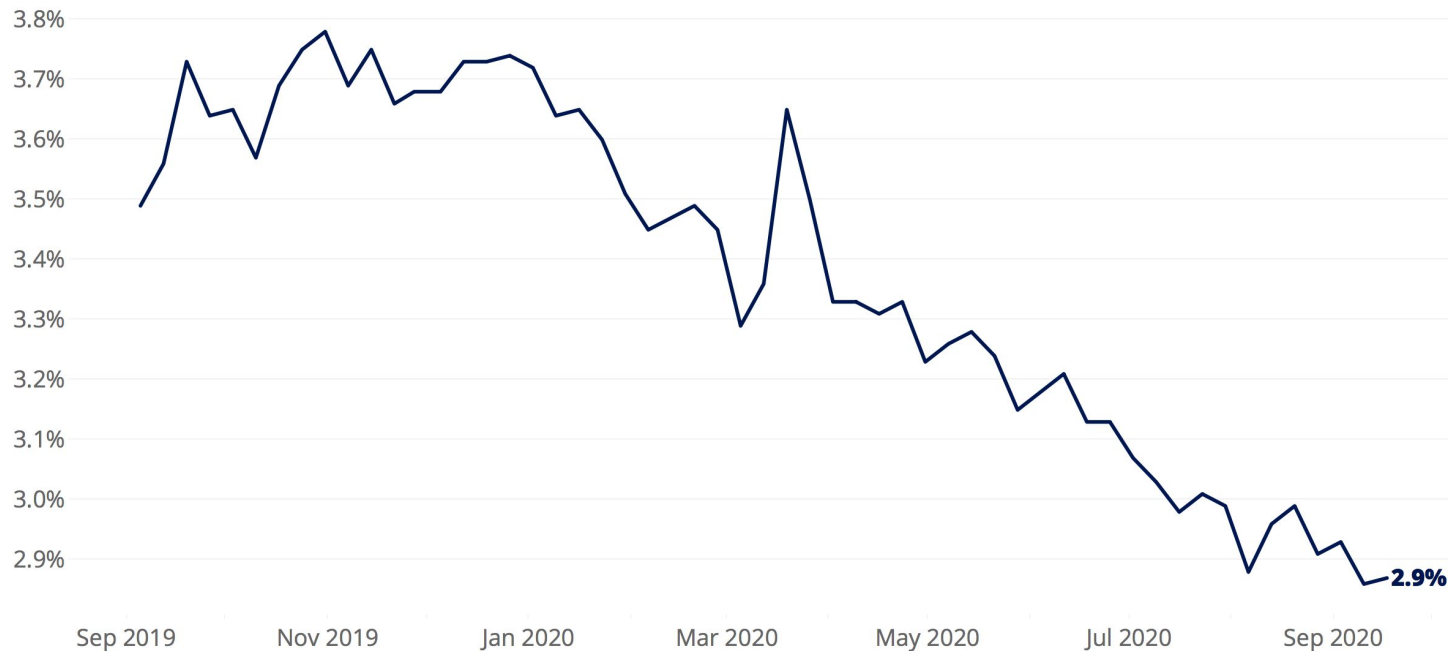


What's buoying demand? Millions of Millennials!



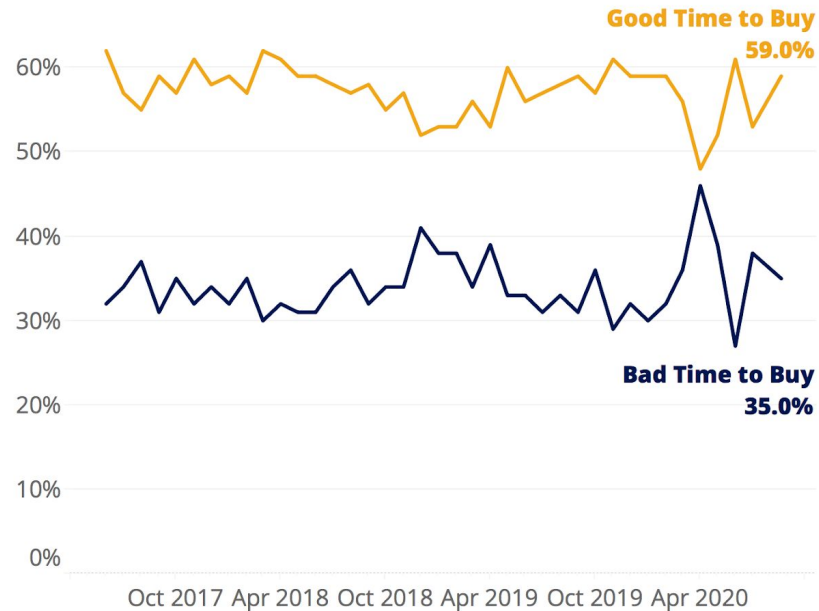
What's buoying demand? Interest rates

30-Year Fixed Rate Mortgage Average in the United States

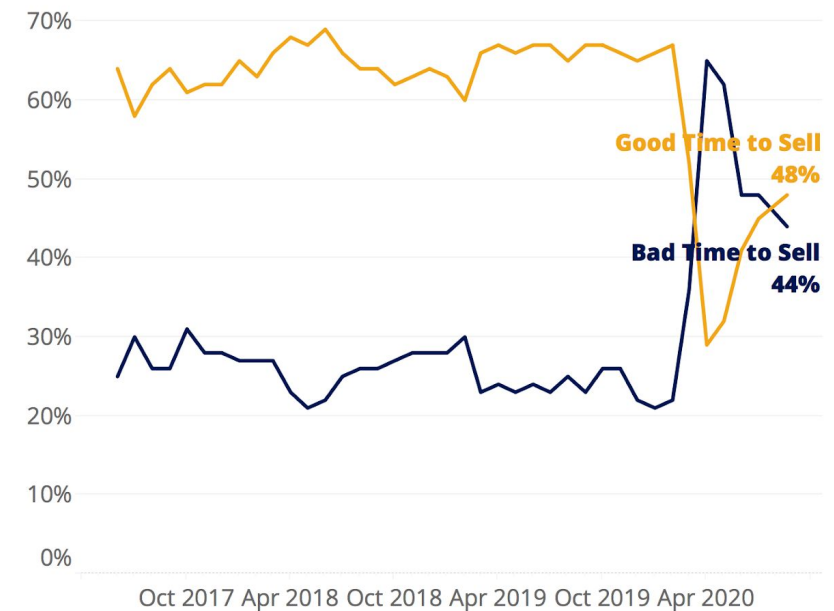


What's discouraging sellers? Sentiment, but why?

Percent of respondents who say it is a good or bad time to buy



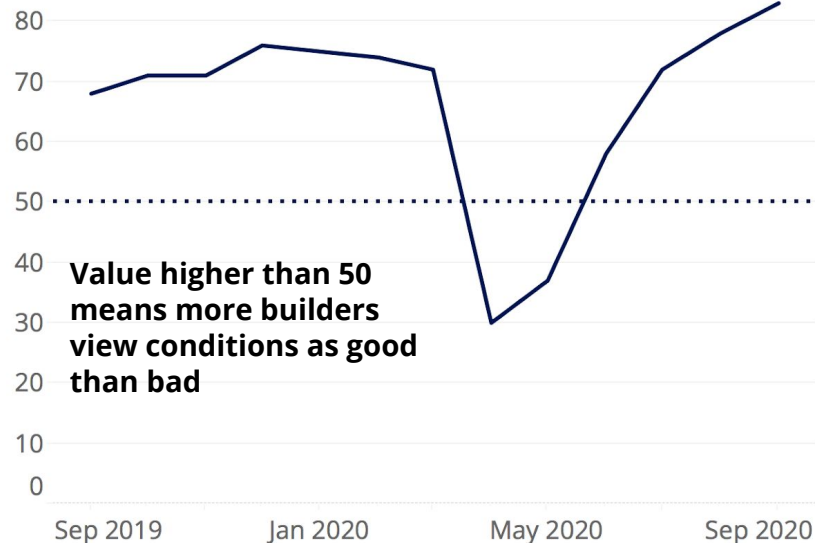
Percent of respondents who say it is a good or bad time to sell



Builder confidence is back to record highs

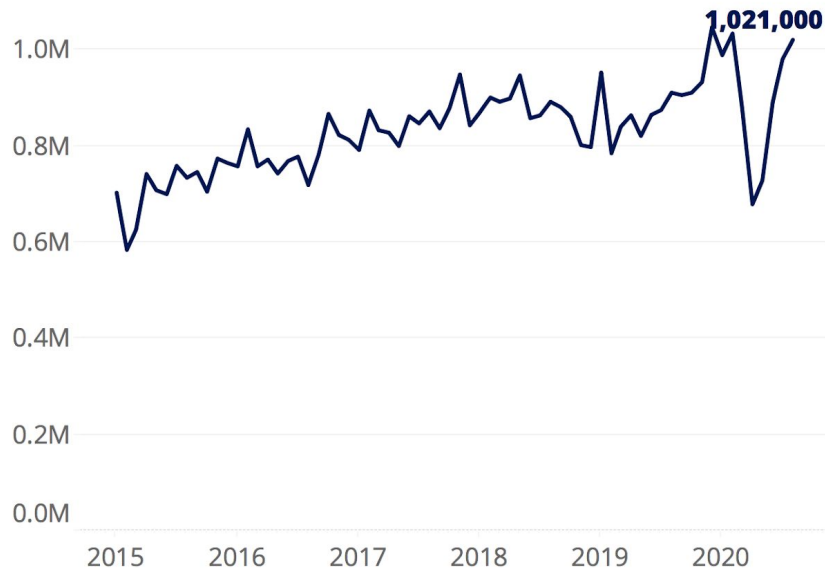
Confidence soaring along with single-family housing starts

NAHB Housing Market Index



Source: National Association of Homebuilders Market Index

Privately Owned Housing Starts: 1-Unit Structures

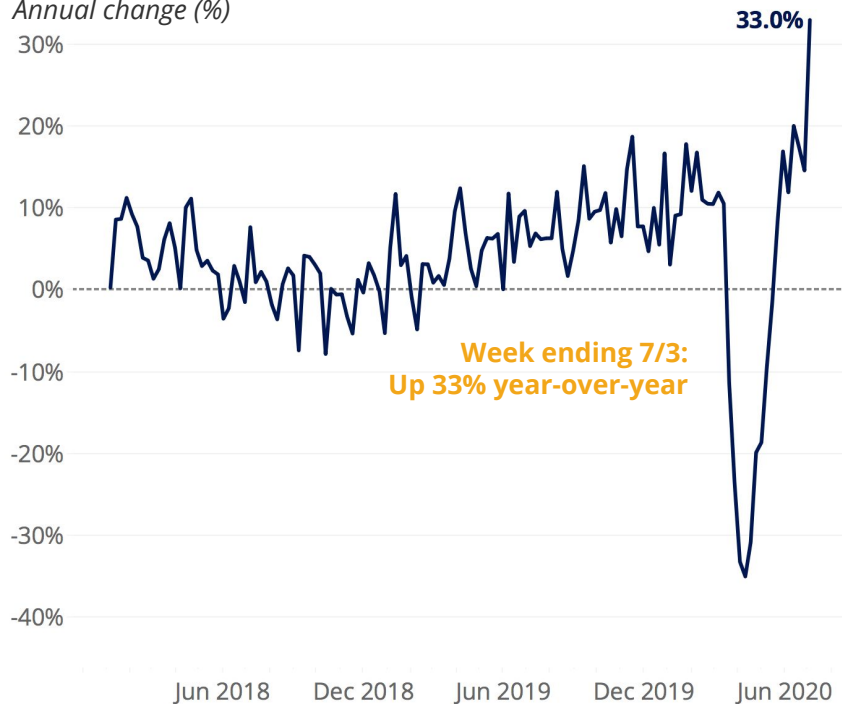


Source: U.S. Census, Survey of New Residential Construction

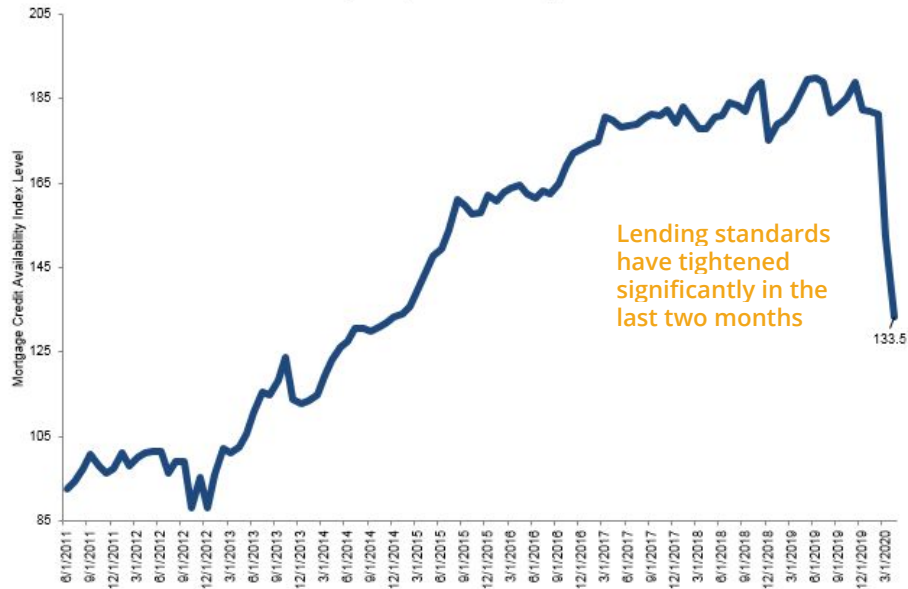
Plenty of applicants running the mortgage gauntlet

For-purchase mortgage applications fell sharply in April but have improved very strongly since

Annual change (%)



Mortgage Credit Availability Index, Index Level by Month
(NSA, 3/2012=100)



Mortgage Credit Availability Index
Measured monthly
Source: Mortgage Bankers Association

MBA Purchase Index (Measure of weekly mortgage application activity), SA
Source: Mortgage Bankers Association Weekly Applications Survey

The government support is record breaking

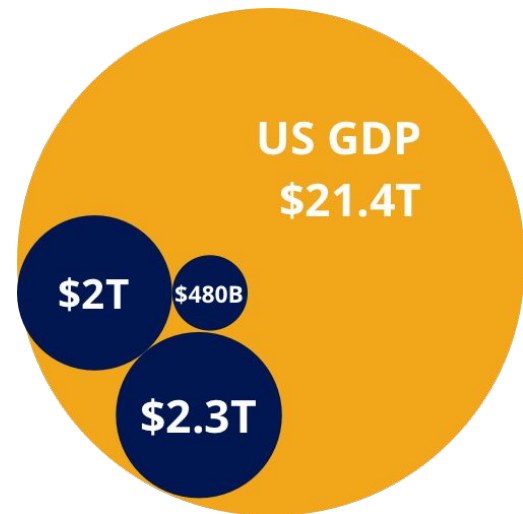
\$2.48 trillion in aid, up to \$2.3 trillion in Fed loans

Mar 27: CARES act providing **\$2T** in aid signed into law

- Direct cash payments (\$1200/adult or \$2400 married + \$500/kid)
- Extra \$600/WEEK of unemployment benefit (39 week max and only available April 1- July 31)
- Small business loans: \$350B (gone in 2 weeks)

Apr 9: Fed announces **\$2.3T** in loans to support recovery

April 23: **\$480B** for small business support, hospitals, and virus testing capabilities

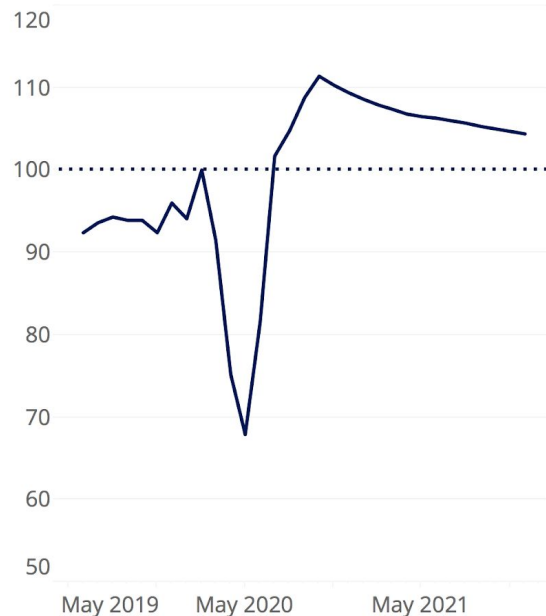


What comes next?

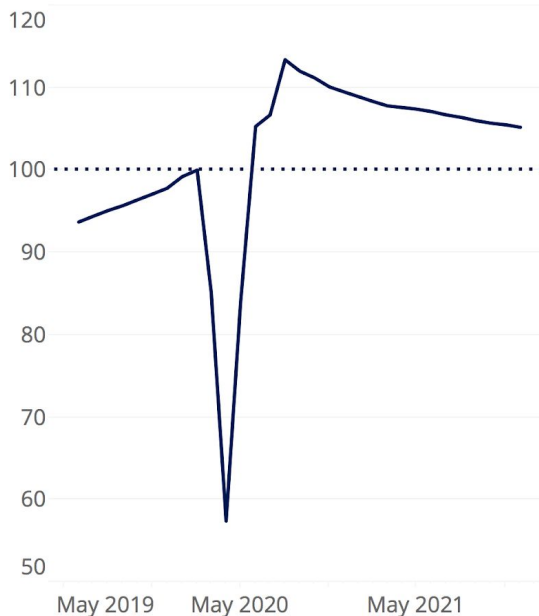
And what do home shoppers want?

August 2021 Forecast: cooling sales, hot prices

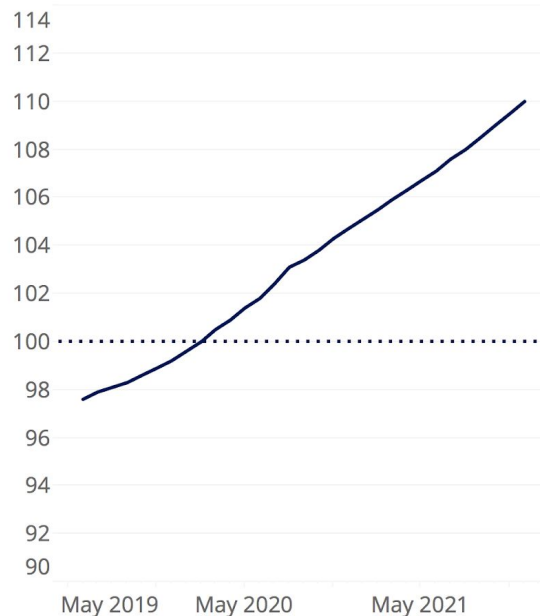
Final sales (Index Feb 2020 = 100)



Newly pending sales (Index Feb 2020 = 100)

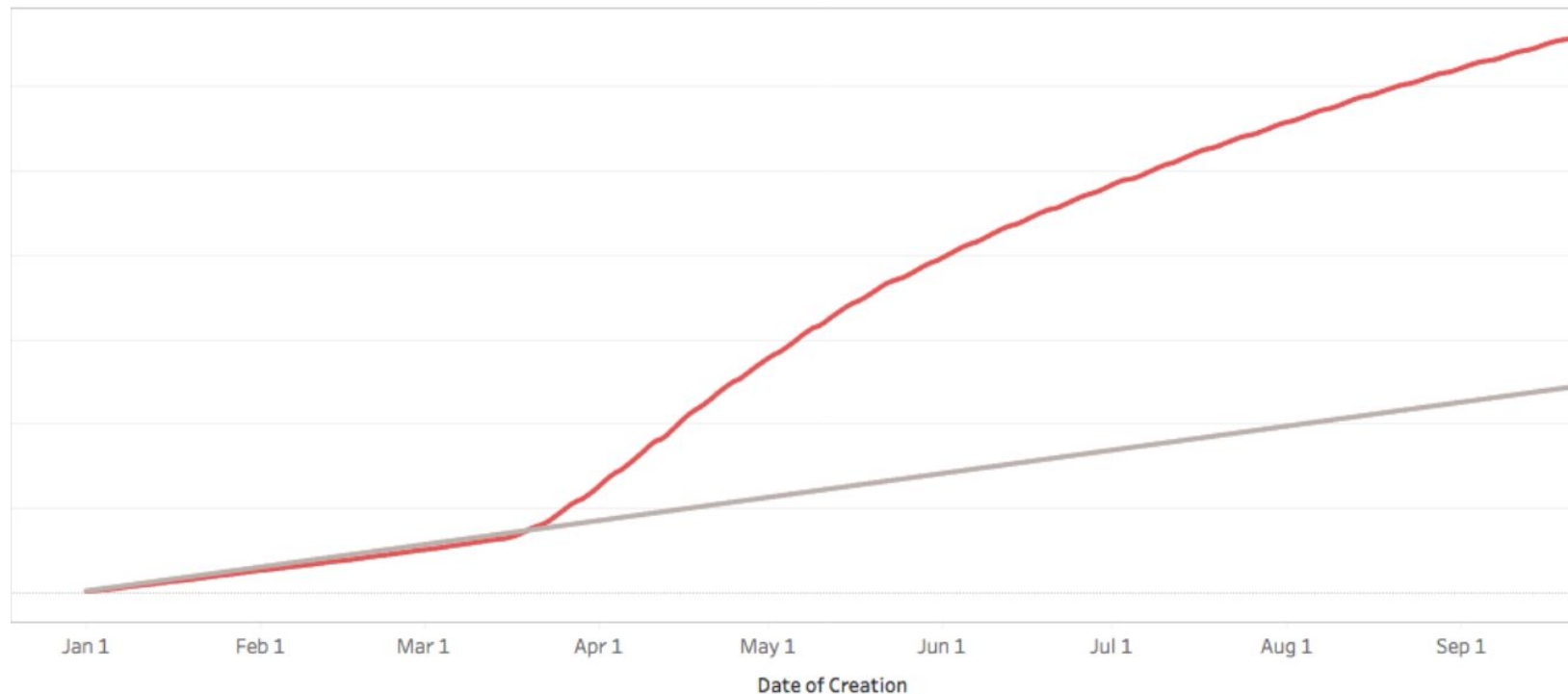


Prices (Index Feb 2020 = 100)

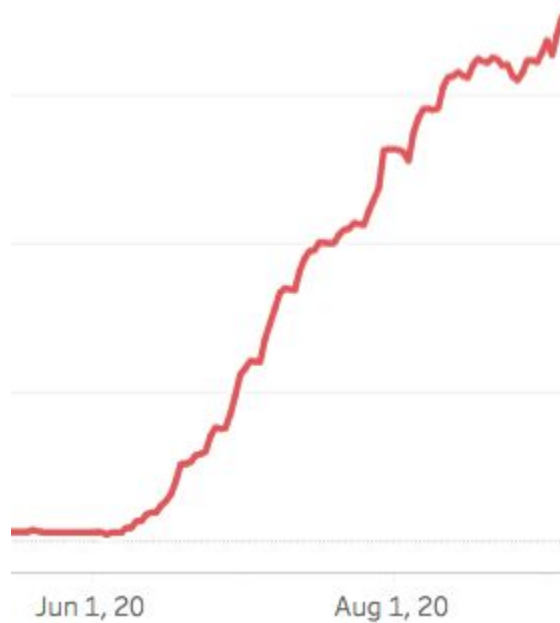


Sneak peek: 3D home tour creation has skyrocketed

Gray was 2020 forecast cumulative, red is actual



Sneak peek: Floor plan feature adoption takes off in Atlanta metro

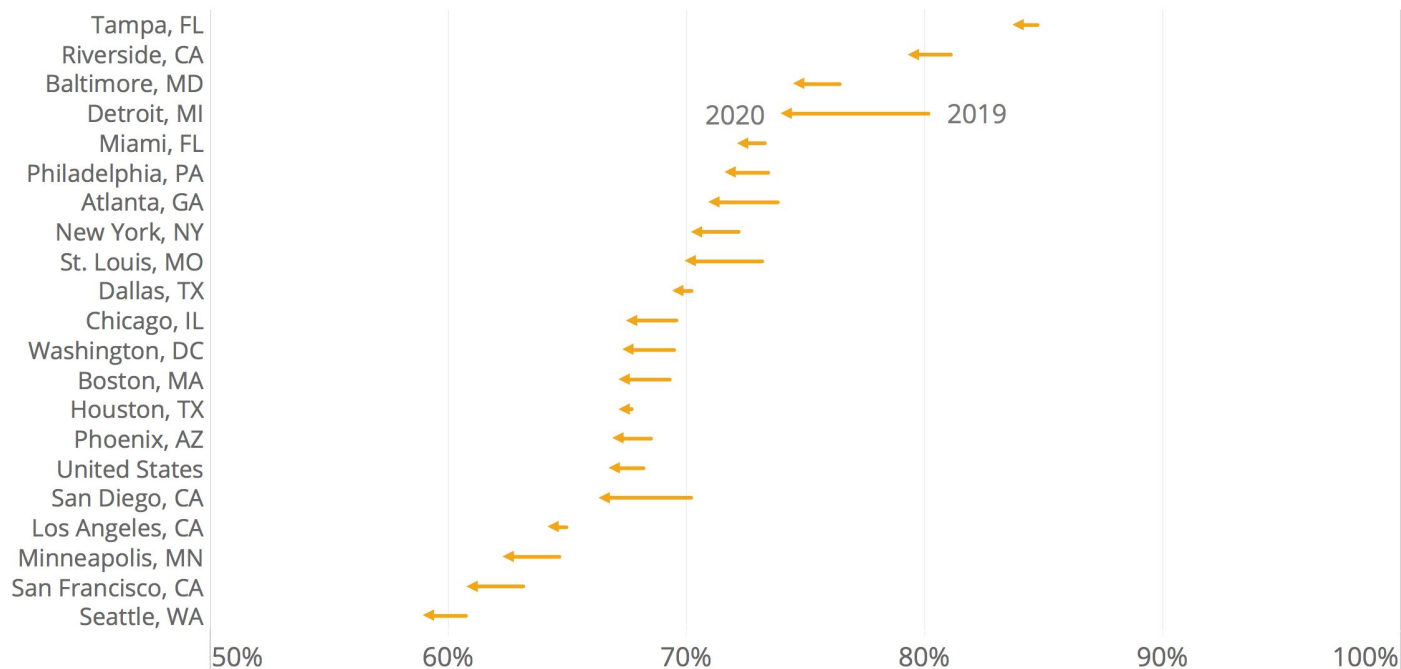


Widespread adoption of remote work could bring many moves in coming years

- About two-thirds of Zillow survey respondents say they're working from a room that's not a dedicated home office.
- Two-thirds say they would consider moving if working from home at least a few days a week in the future
- Listings mentioning a home office have jumped about 10% YOY
- Search on New Construction listings up 73% YOY (All for-sale 42%)

Contrary to popular imagination, share of search heading to the suburbs is shrinking

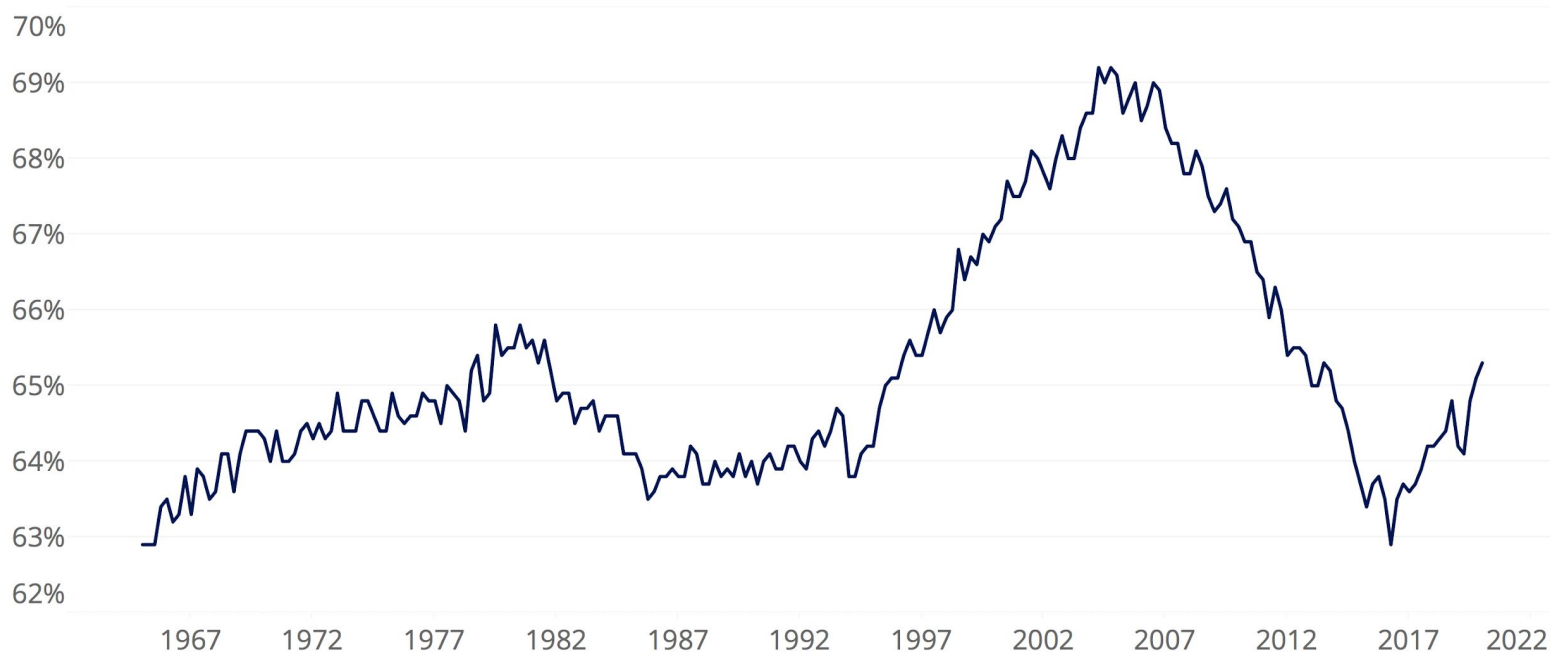
Share of total page views to suburban ZIPs from 2019 to 2020



Homeownership became more exclusive

Tight credit, tight inventory, and prohibitive down payments are major barriers

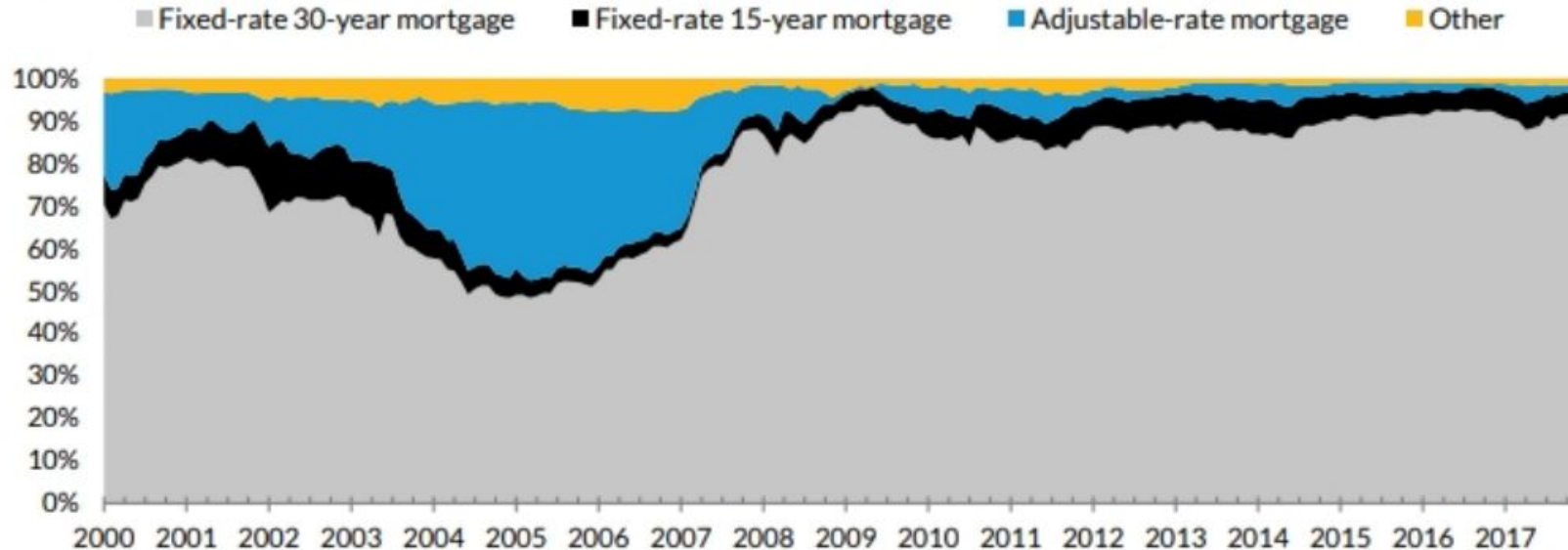
Homeownership rate



Reform after GFC reduced predatory lending

Strong home value appreciation drive by fundamentals, not excess credit.

Figure 7: Purchase Mortgage Originations by Type



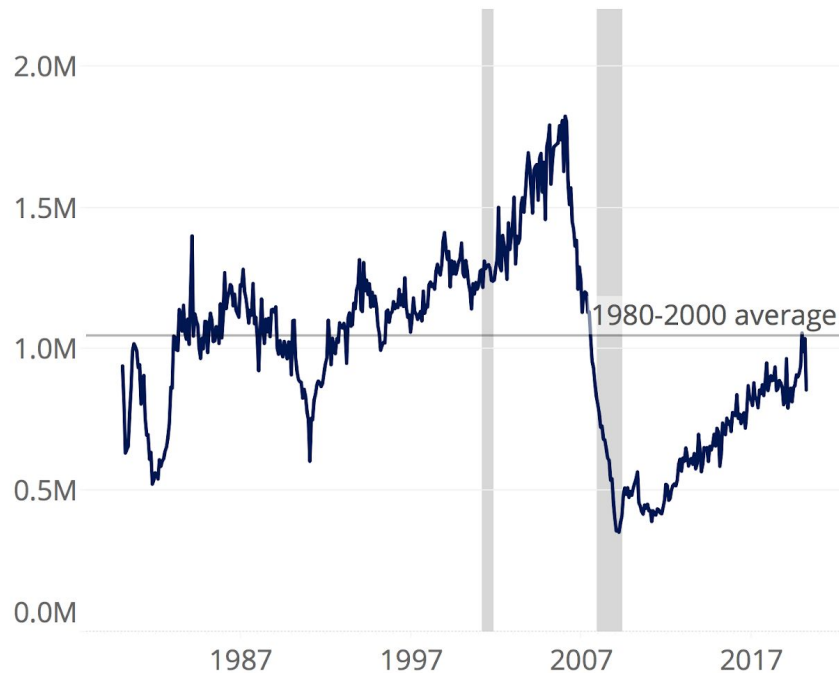
Source: CoreLogic, eMBS, HMDA, SIFMA and Urban Institute.

Last time we had abundant inventory at the start

Leading up to this cycle, inventory was at record lows

Housing starts only JUST recovered to average

Single-family housing starts



Inventory driven down by strong demand + anemic building

For-sale, existing inventory

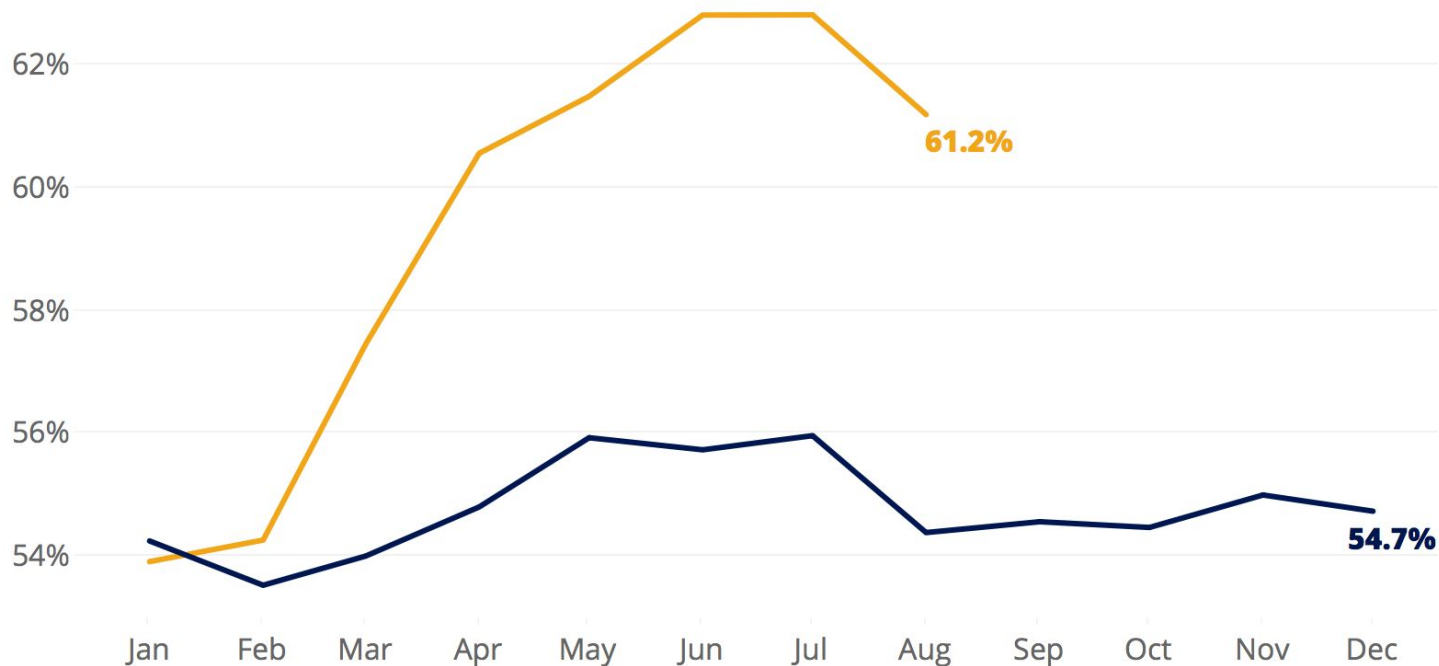


Source: NAR Existing Inventory

Many empty nests didn't stay empty

There are two million more young adults living with parents

Share of 18-25 year olds living with parents in **2019** and **2020**



Trouble in the rental market

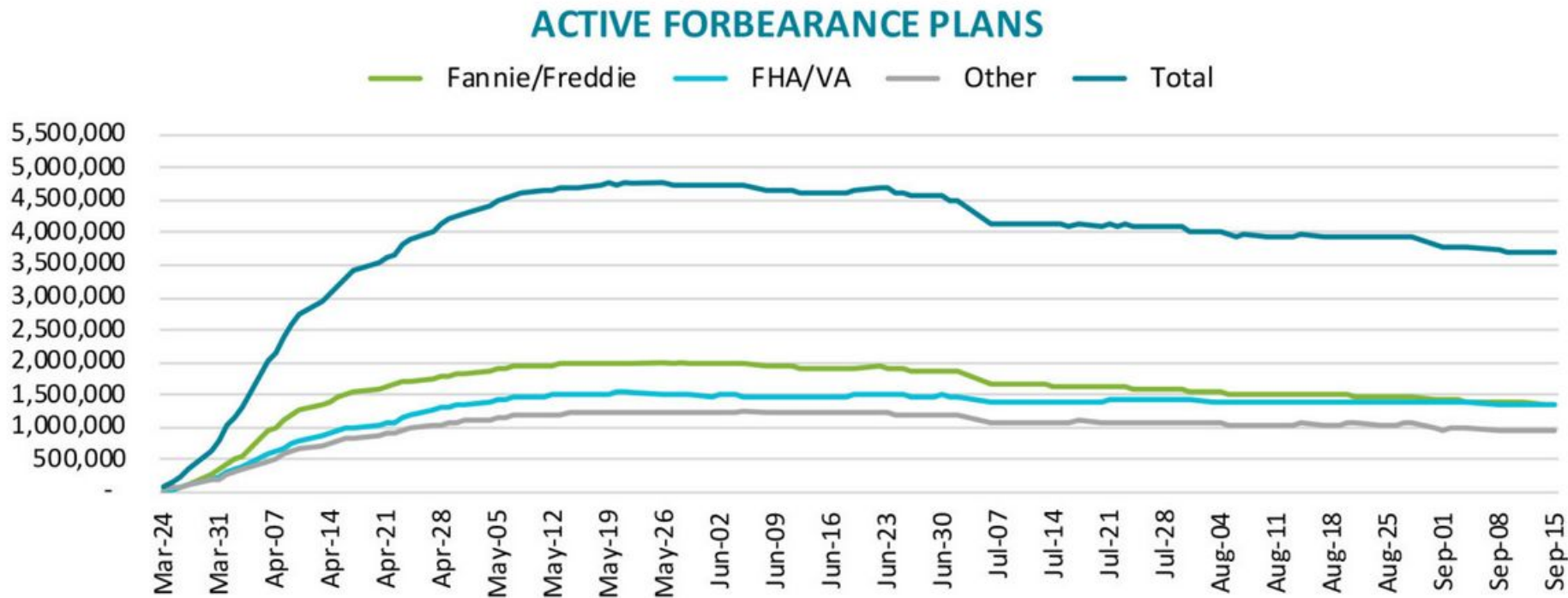
Rent softening reflects vulnerability of renters. Implications for homeowner pipeline.

Zillow Observed Rent Index, YoY



Biggest question mark for 2021: forbearance

Decline in forbearance plans is slowing down (source: Black Knight)



Potential impacts to the rental market expected if recovery slow or aid insufficient

- **Rapid change in renter affordability and/or ability to pay means leads to renters pursuing affordability strategies after the crisis and over the course of the recovery**
 - Doubling, delay in moving out (household formation to fall)
 - Move to smaller and cheaper
 - Move farther out
- **Vacancies rise (especially on the high end, recall absorption data above)**
- **Rent growth softens, mostly on the high end.**
 - Landlords negotiate rent with existing tenants to lower rent and avoid vacancy
 - Offer lower rent and concessions to searching renters
 - In harder cases, back rent forgiveness in exchange for lease release is likely.
- **As demand overwhelms the scarce supply of affordable units, rent growth is bolstered at lower price points.**
- **Long run impacts to rental market:**
 - Investment into apartment buildings in principal cities slows, further depleting the supply of more affordable units in the future

Work Still to Be Done

If you're asking it, the Zillow Economic
Research team is trying to answer it



We are going through something huge.

And that leaves us with so many open questions

- Will the rise of remote work transform the option set of buyers and renters?
 - Premium on core proximity declines?
 - Premium on dense coastal metros declines?
 - A second wind for devastated vacation communities?
- Another roadblock for Millennials on path to homeownership?
 - Will income loss this spring disqualify many first-time mortgage applicants?
 - Will delayed home purchases delay the decline in renter households?
- All about savings:
 - What share of potential buyers held their savings in stock?
 - What share of savings will get burned through during lean time? Can level of saving by metro predict recovery paths?

Thank you!

- Find our work at [Zillow.com/research](https://www.zillow.com/research)
- You can reach out to me with questions directly at jefft@zillow.com

Housing demand powered by demographic waves

Record long expansion: gone. Demographics: still there. Tipping point ages: more delay?

