Global Mobility Insights

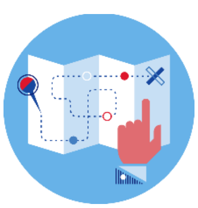
From U.S. Bank

Winter 2022

At U.S. Bank we're committed to supporting the mobility industry. Our quarterly Global Mobility Insights newsletter brings you a mix of data and analysis to help you stay on top of housing market and relocation trends.

In this issue:

- Latest historical numbers and recap of the 2021 year-end housing market
- A look ahead at "hidden gems" of the 2022 housing market
- Perspective on the recent "boom" in home construction
- The elusiveness of affordability in today's housing market
- The latest economic forecast from the Mortgage Bankers Association
- How single-family rent growth varies by type of property



By the numbers

34.8%

Rise in inventory of new homes from Q4 2020 to Q4 2021[1]

-14.2%

Fall in inventory of existing homes from Q4 2020 to Q4 2021[1]

$362k

Median sale price of all housing types in December 2021[2]

$1,781

Median U.S. rent in Dec. 2021[3]

11.5%

Rise in single-family rent from Q4 2020 to Q4 2021[4]

5.6%

U.S. rental vacancy rate in Q4 2021[1]

Highlights and insights

In this section we'll do a deeper dive on data sets, industry trends, and research findings.

The 2022 housing market's "hidden gems"

A white paper from the National Association of Realtors (NAR) has identified the **top 10 undervalued housing markets** in the United States. To qualify, the market must feature a favorable ratio between the median home value and the median family income. The NAR also factored in variables such as wage growth, job growth, population growth, net migration to the area, and access to broadband internet. Here's a sample of the top 10 top markets and highlights of why they made the list:

Fayetteville-Springdale-Rogers, Arkansas-Missouri
Over a three-year period starting in Q3 of 2018, this metro area experienced the highest cumulative job growth of the communities on the list. Fayetteville-Springdale-Rogers also experienced the second highest population growth from 2017 to 2020.

Huntsville, Alabama
In addition to strong job growth, this city in northern Alabama ranks second on the list in terms of access to broadband services to support business growth. With 75.8% of households having broadband, the area is expected to continue to attract businesses and workers in 2022.

Knoxville, Tennessee
In terms of affordable housing Knoxville is one of the most affordable, with a median property value of $228,878.

Palm Bay-Melbourne-Titusville, Florida
This stretch of beach communities that's home to Cape Canaveral experienced the second-highest wage growth of a three-year period (27.2%). The area also has the highest percentage of households with broadband services.

San Antonio-New Braunfels, Texas

This metro area is experiencing population growth while still maintaining affordability. San Antonio-New Braunfels had the second highest net domestic migration in 2020, but the median home value is estimated at $227,684, the second lowest on the list.

What does this mean for mobility managers?

In 2022, mobility managers will continue to see **higher prices** when relocating their employees. Nevertheless, there are up-and-coming communities where there's value and opportunity.

A perspective on the recent "boom" in home construction

In a recent article, Zillow senior economist Jeff Tucker notes that since the 1970s, the mark of a housing boom is 1.5 million residential building permits issued in a 12-month period. More than 1.5 million permits were issued between February 2020 and February 2021.

From August 2020 through August 2021 there were 1,687,300 permits issued, a record number since the Great Recession of 2008.

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Historically speaking, we're in another housing boom. But Tucker cautions against reading too much into these positive numbers.

"The problem is that after permit activity bottomed out in 2009 at the depths of the housing crisis," he writes, "it took more than 11 years to get back to that threshold." Homebuilders are working at a frantic pace to keep up with demand, but there's still a long way to go to erase the deficit caused by a decade of under-building.

According to Zillow there's a 1.35 million deficit in single-family home permits across the top 35 metropolitan areas. But in heavy housing shortage markets like Dallas, Miami, Phoenix, San Francisco, Seattle and the Washington D.C. metro it will be a long time before new housing construction makes up the deficit. Tucker concludes by saying that "the market has not yet even begun a new boom cycle, so much as only just getting back to par following the last bust."

What does this mean for mobility managers?

Regardless of whether the current housing market is defined as a boom or making up for the last bust, the pace of new home construction is expected to stay high for the foreseeable future. In some markets, the best option for transferees may be building new. Consider a bank that can offer single-close construction-to-permanent financing to save on a second round of closing costs and streamline the entire process.

In today's market, affordability can prove elusive

Drawing on local home value data and mover data from Allied Van Lines, Zillow has captured a change in buying habits among interstate movers. Zillow notes that before the pandemic, people who switched Zip codes mostly purchased similarly priced homes. Any savings were marginal. In 2020, however, interstate movers sought out homes that were $29,500 cheaper. In 2021 that savings number increased to $35,800.

Popular relocation markets such as Phoenix, Arizona and Austin, Texas have lost their edge in terms of affordability. In 2020, moving to Austin saved an interstate homebuyer an average of $140,000 on the purchase of their new home. In 2021 they saved less than $25,000. Phoenix tells a similar story, with what Zillow calls "Zip-level price savings" dropping down to $1,700 in 2021 from $48,000 in 2020.

What does this mean for mobility managers?

Everyone in the industry already understands how dynamic the housing market is, but transferees may need to be educated. Consider using this story to illustrate how quickly prices can spike. Transferees may need to be prepared to make a larger down payment, to keep the home inspection process simple, and most of all to get pre-approved and have all relevant paperwork in order.

Looking ahead

In the fall of 2021, we recapped a forecast from the Mortgage Bankers Association (MBA). In this issue we're turning to the MBA's December 2021 Commentary for an updated look at how the U.S. economy will affect the housing market.

In the previous newsletter, we reported the MBA projecting an interest rate hike in 2022 followed by three rate hikes in 2023. As of December, the median Federal Open Market Committee (FOMC) member now predicts three rate hikes in 2022 because of higher inflation and continued economic growth. MBA economists forecast economic growth to be at an "elevated rate" of 4.0 percent.

The MBA is continuing to predict mortgage rate increases in the coming year. The organization is forecasting rates to rise to 4 percent by the end of 2022, based on the Fed backing away from the market as it reduces its role as the largest buyer of Mortgage-Backed Securities. Refinances, which fell in 2021, are expected to continue to fall. But the shortage in housing stock—coupled with interest rates that are still historically low—will continue to keep the housing market strong. The MBA predicts 2022 and 2023 to set records for housing originations.

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Before we go

Here’s where we look beyond the headlines and showcase one of the smaller stories that captured our attention this quarter. In this issue we’re highlighting a study of rental prices from CoreLogic.

As Single-Family Rent Growth Continues, the Type of Rental Can Make a Difference

It comes as no surprise that the recent explosion in home prices has had a ripple effect on rental prices. But a recent article from CoreLogic shows not only how much rents have grown, but also how idiosyncratic the rental market can be.

Using November 2021 as an example, CoreLogic notes a U.S. single-family rent growth increase of 11.5%. According to the CoreLogic Single Family Rent Index (SFRI), which includes both single-family rental homes and condominiums, this is the fastest year-over-year increase in 16 years. But not all rental properties were affected equally. Sorting by type of rental property reveals that the high-price tier increased the most. The high-price tier is defined by properties whose price is greater than 125% of the median rent for a region. This tier saw a 10.4% price gain in November 2021, which is up from an increase of 4% in November 2020. This increase is the fastest increase in the high-price tier in SFRI history.

There was also a difference in rent growth depending on whether the rental property was a single-family home or part of a multi-unit building. CoreLogic found that because of the pandemic, renters found freestanding properties more appealing. Lower density areas were also in higher demand. As a result, annual rent growth for single-family rentals was 12.1% compared for 10.3% for multi-unit rentals in November 2021.

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What does this mean for mobility managers?

Given the ongoing tightness of the housing market, rental prices are both rising and forecasted to continue to rise. Yet this article shows that there are subtleties to the market that mobility managers can take advantage of when renting is the best choice.

[1]Freddie Mac [2]Census Bureau [3]Zillow [4]CoreLogic

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