

By Michael Chamernik, Associate Editor

HOUSING MARKET

CITIES THAT NEED HOUSING STARTS

One key reason for rising housing costs is the lack of available inventory. And some cities need new stock more than others, according to a report from the National Association of Realtors (NAR), which says that 80 percent of U.S. metros do not have enough homes for

buyers, despite steady job creation.

The report examines the amount of new-home construction relative to the number of new jobs added to 171 metro areas between 2013 and 2015. For four-fifths of metro areas, employment growth to single-family housing start ratios were higher than 1.6, which indicates that there's inadequate new construction in most of the country. The average for the areas examined was 3.4.

NAR then took each area's jobs-to-permits ratio and calculated the number of permits needed to get the ratio back down to 1.6. With 218,541 permits needed to attain a 1.6 ratio, New York City was found to be most starved for

new construction. Dallas (132,482 permits required), San Francisco (127,412), and Miami (118,937) also needed more than 100,000 starts.

In descending order, Chicago, Atlanta, Seattle, San Jose, Calif., Denver, and San Diego all needed more than 50,000 starts. The crunch in these metros is compounded by strong job markets that attract more residents, and house values that are outpacing income growth.

NAR said that new building is starting to realign the out-of-whack ratios, but that issues with financing, permit delays, regulatory and labor costs, and shortages of skilled workers will prevent a rebound for at least a few more years.



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“Recent NAR survey data show an overwhelming consumer preference toward single-family homes, including among millennials, who are increasingly buying them in suburban areas,” NAR chief economist Lawrence Yun said in a statement. “A mix of new starter homes for first-time buyers and larger homes for families looking to trade up is needed at this moment to ensure homeownership opportunities remain in reach to qualified prospective buyers at all ages and income levels.”

Pensacola, Fla., Columbia, S.C., and Virginia Beach, Va., are among the metros that have housing start rates adequate to match local job growth.

HOUSE DESIGN

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Fewer kids today will know the struggles of sharing a room with a sibling. Or, from another perspective, more child-free adults will have sufficient space for their home spas and man caves. The reason: larger homes.

According to data from the U.S. Census Survey of Construction and analysis from the NAHB, 36 percent of U.S. single-family homes started in 2015 have four bedrooms, and 11 percent have five or more—sharp increases from previous rates of 29 percent and 6 percent, respectively, in 2009.

It’s possible for houses to have four or five bedrooms because, on average, homes have been getting larger. According to the Census Bureau, the median square footage of homes completed in 2015 was 2,540, up from 2,159 square feet in 2009. NAHB speculates that the increase in floor space and number of bedrooms is the result of builders opt-

ing for higher-end, larger homes during the post-recession period.

Three-bedroom homes are still the most common, but their prevalence

declined from 54 percent in 2009 to 43 percent last year. Homes with two or fewer bedrooms made up 10 percent of starts last year.

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[MARKET UPDATE]

If you divvy up homes started last year by location, 57 percent of homes in the Pacific region, 55 percent of homes in the South Atlantic region, and 51 percent of homes in the Middle

Atlantic region contain four or more bedrooms. But only one-third of homes built in East South Central, East North Central, and New England had four or more bedrooms.

REAL ESTATE

OUTSIDERS LOVE THESE MARKETS

Denver, San Francisco, and Seattle are hot and trendy, but more potential buyers have their eye on Palm Springs, Calif.

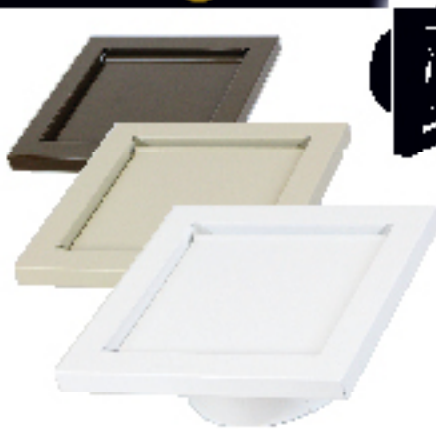
The resort city 100 miles east of Los Angeles was found to have the most external views per home listing on Zillow, an online real estate database. Using page-view data on for-sale and unlisted homes in June 2016, Zillow identified 10 markets with the most interest from outsiders—and 10 markets with the highest rates of people looking to move elsewhere.

Along with Palm Springs, several California metros including San Diego, Sacramento, San Francisco, and Fresno are on the list of markets with the most external views. Zillow said the data may be skewed by California residents who are looking at other markets nearby within the state. Other markets in the top 10 include popular cities such as Austin, Texas; Denver; Portland, Ore.; and Seattle. Jacksonville, Fla., came in seventh.

Zillow also found the markets that have the most home-page views for other areas. San Antonio tops that list, with 54 percent of home views on Zillow from within San Antonio's boundaries being directed at homes in other cities. The rate is driven by the large military population—people who may consider moving back to their home towns after active duty. The other markets on the list were New Orleans, Washington, D.C., Nashville, Tenn., Charlotte, N.C., Raleigh, N.C., and Miami. San Diego, San Francisco, and Austin, Texas, are on both lists.

Of course, the Zillow analysis encapsulates more than just serious buyers. View counts may be inflated by people who are just curious about housing in a far-off city, and even by users looking up past homes or the houses of friends and family. **PB**

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