

# Is the Recovery in US Housing Sustainable?

Richard K Green

University of Southern California

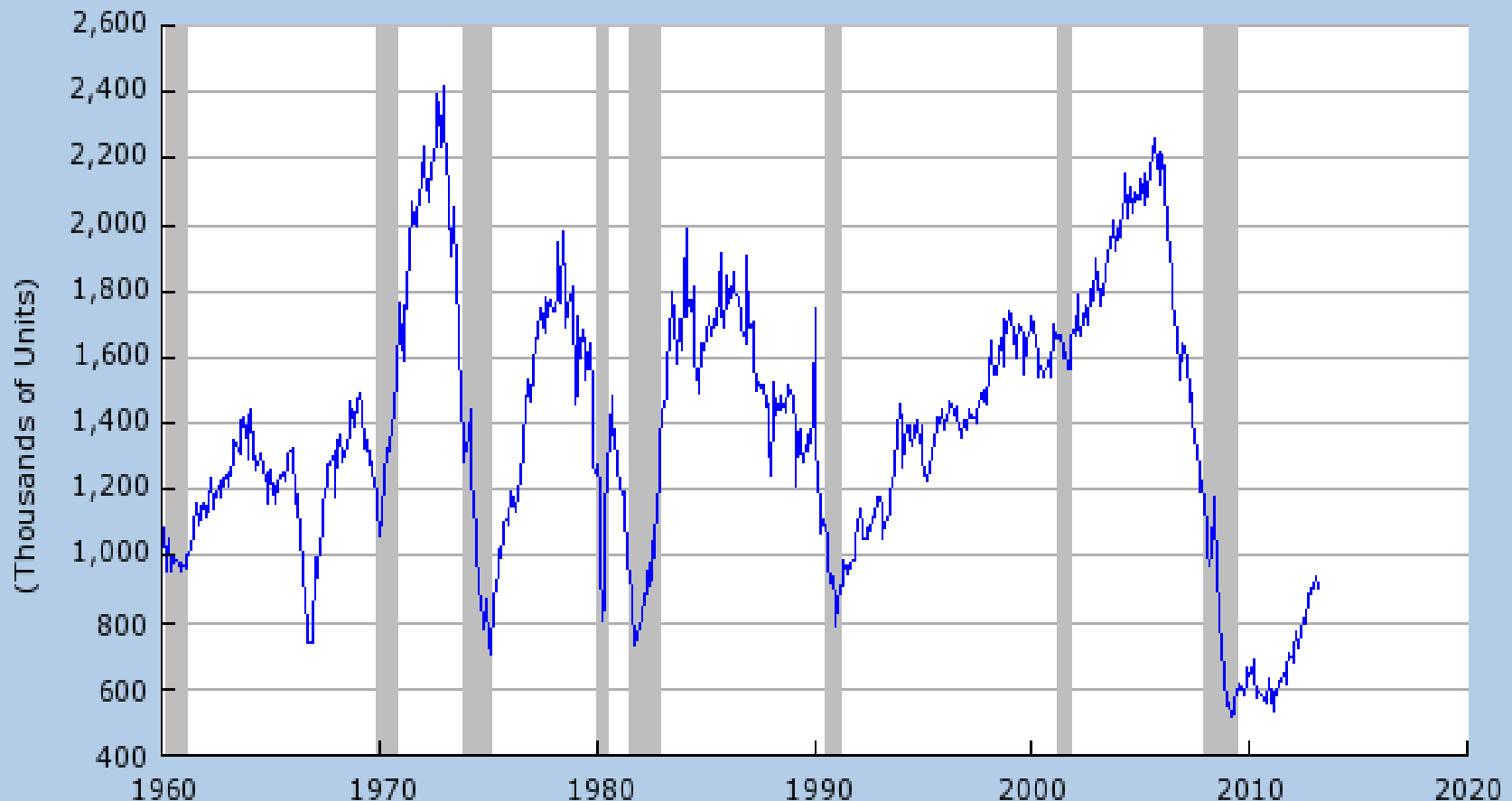
May 7, 2013

# Four Elements

- New Construction
- House Prices
- Homeownership Rate
- Apartments

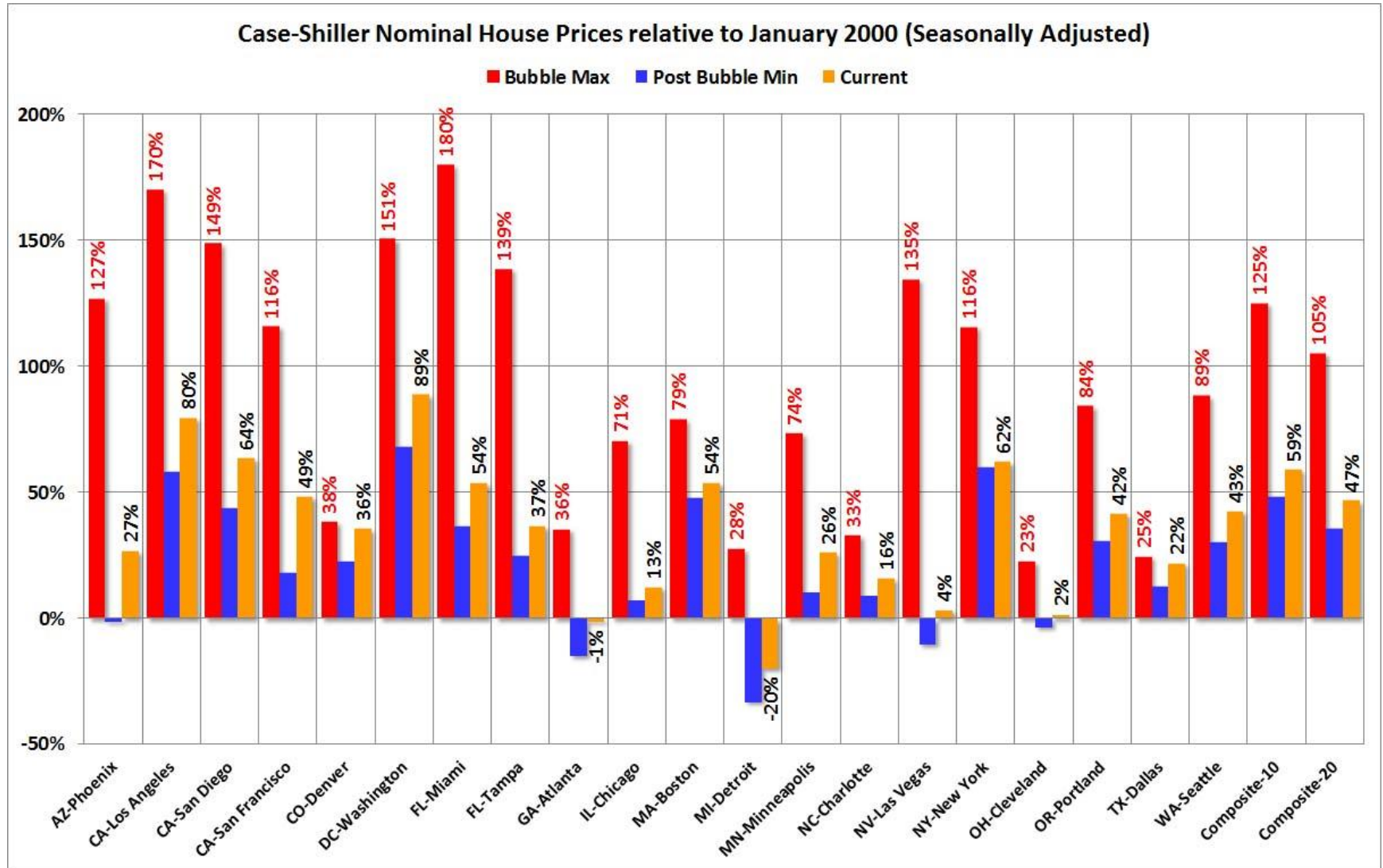
# US Housing Starts (Housing and the Business Cycle)

Source: U.S. Department of Commerce: Census Bureau

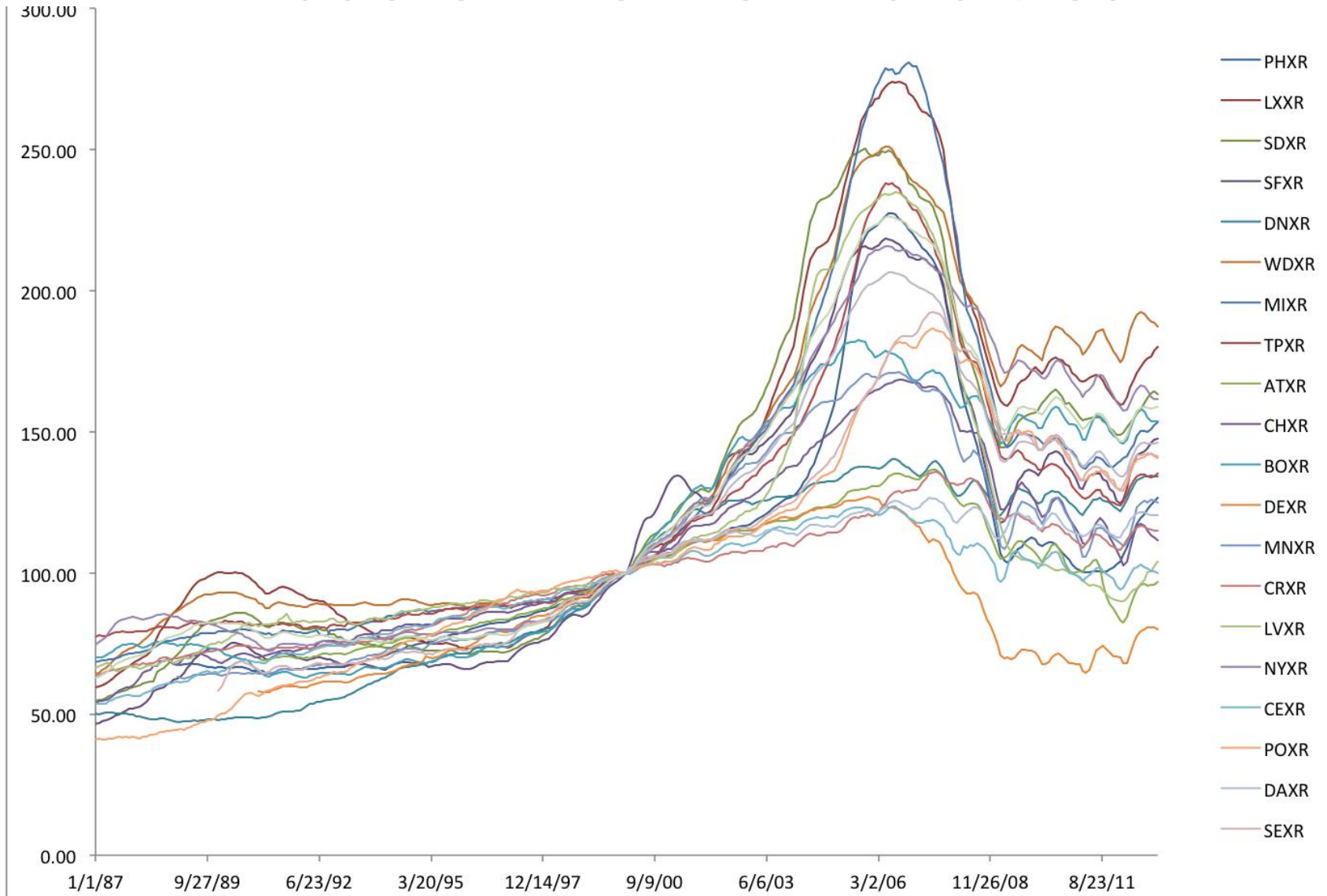


Shaded areas indicate US recessions.  
2013 research.stlouisfed.org

# Case-Shiller Recovery from Trough

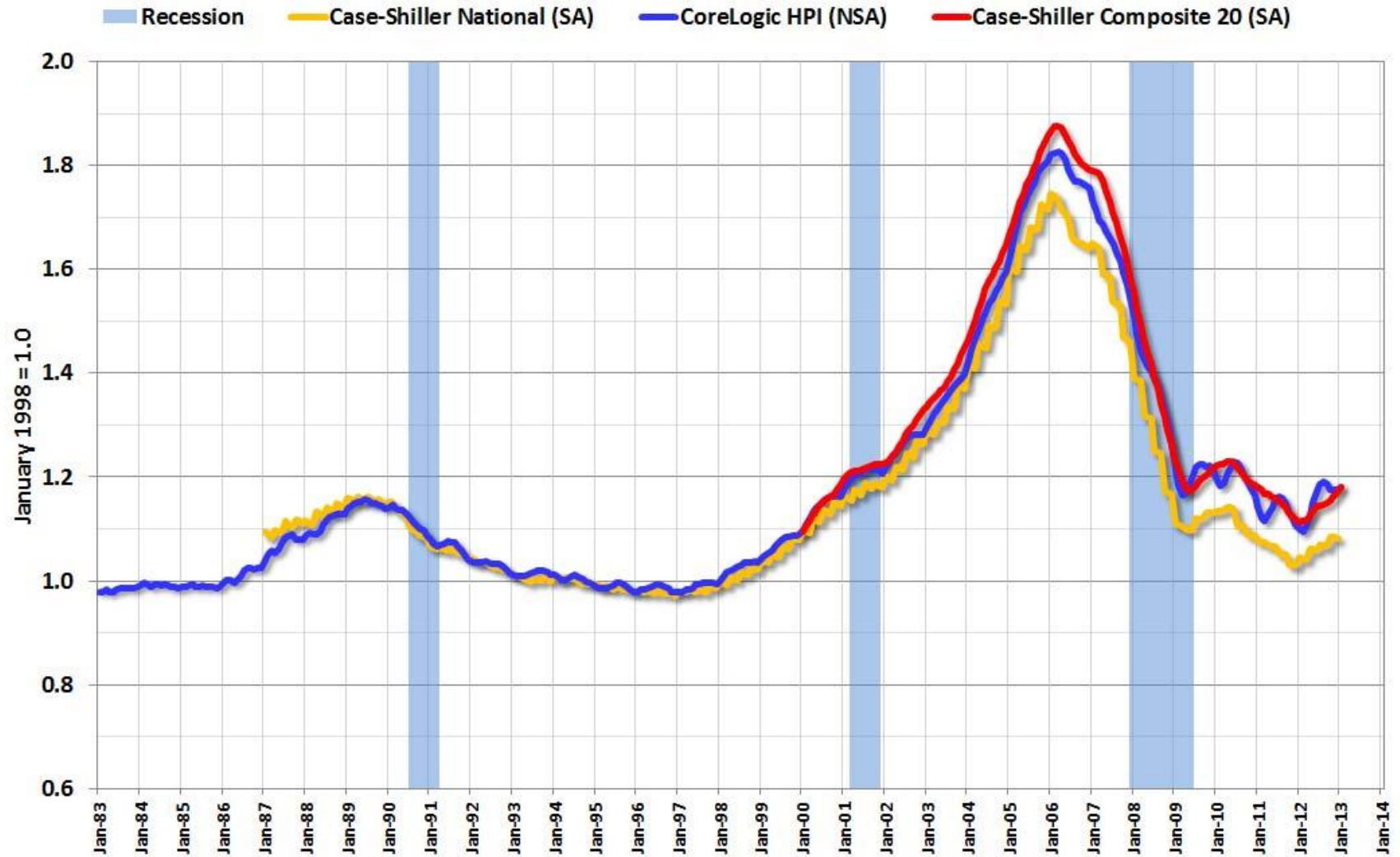


# Case-Shiller for 20 cities



# Various Price Indexes to CPI Rent Ratio

Price-to-Rent: Case-Shiller and CoreLogic House Prices



# America is now Inexpensive

[Numbeo](#) > [Property Prices](#) > [Index by City](#) > [World Map](#)

Index:  Year:

Lowest  Highest



HSTARTS.png

EMRATIO.png

Show all downloads...

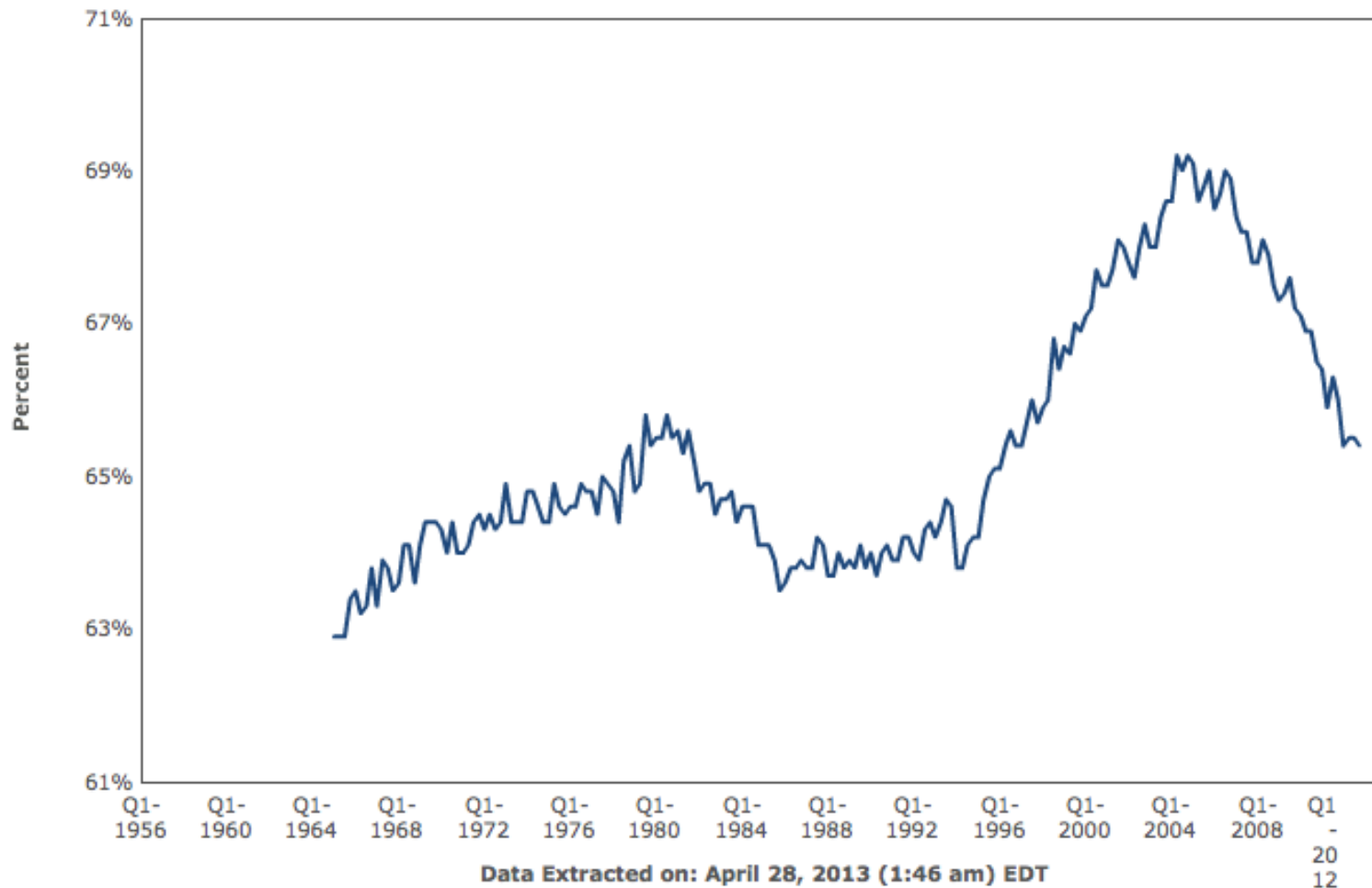
# Do Americans no longer desire homeownership?

- Rate has been dropping
- But is has just now returned to long-term rate
- Life cycle issues
- City-suburb issues



Source: Current Population Survey/Housing Vacancy Survey, Series H-111,  
Bureau of the Census, Washington DC 20233  
Rate: United States  
Q1-1956 to Q4-2...

Not Seasonally Adjusted Homeownership Rate



These data are subject to sampling and nonsampling error. For more information see  
<http://www.census.gov/hhes/www/housing/hvs/qtr112/q112src.html>.

# What about Investor Prices?

- Can low capitalization rates be sustained?
  - Cost of capital is very low
  - Vacancy rates are low
  - Will rent continue to rise?
  - Investor loans tend to have balloon payments

# CAP RATE SURVEY

## Multihousing Infill/Urban | Current Cap Rates

FEBRUARY 2013



	Class A		Class B		Class C		
	Stabilized	Value-Add	Stabilized	Value-Add	Stabilized	Value-Add	
<b>EAST</b>	Atlanta	4.75% - 5.25%	5.25% - 5.75%	5.25% - 5.75%	6.00% - 6.50%	7.00% - 7.50%	8.00% - 8.50%
	Baltimore	4.25% - 4.75%	4.50% - 5.00%	5.50% - 6.00%	5.75% - 6.50%	6.50% - 7.00%	7.25% - 7.75%
	Boston	4.00% - 4.50%	4.00% - 4.75%	4.75% - 5.25%	4.75% - 5.25%	N/A	N/A
	Charlotte	4.50% - 5.00%	5.25% - 5.75%	5.50% - 6.00%	6.00% - 6.50%	7.00% - 7.50%	7.50% +
	Jacksonville	5.20% - 5.40%	5.75% - 6.25%	6.00% - 6.30%	6.75% - 7.00%	6.75% - 7.25%	9.00% - 9.50%
	Manhattan	3.50% - 4.50%	4.00% - 5.00%	4.00% - 5.00%	4.50% - 5.50%	5.25% - 6.25%	5.50% - 6.50%
	Memphis	5.75% - 6.25%	5.75% - 6.25%	6.50% - 7.50%	6.50% - 7.50%	8.00%+	8.00%+
	Miami	4.00% - 4.50%	4.75% - 5.00%	5.00% - 5.25%	5.25% - 5.50%	6.00% - 6.50%	6.25% - 7.00%
	Nashville	5.00% - 5.50%	5.75% - 6.25%	6.00% - 6.50%	6.50% - 7.00%	6.75% - 7.25%	7.25% - 7.75%
	Orlando	4.75% - 5.25%	5.25% - 5.75%	5.75% - 6.25%	6.00% - 6.50%	6.50% - 7.00%	7.00% - 8.25%
	Philadelphia	5.00% - 5.50%	5.00% - 5.50%	6.00% - 6.50%	6.25% - 6.75%	7.00% - 7.50%	7.50% - 8.00%
	Pittsburgh	6.00% - 6.50%	6.50% - 7.00%	6.50% - 7.00%	7.00% - 7.50%	8.00% - 8.50%	8.50% - 9.00%
	Raleigh	4.50% - 5.75%	5.75% - 6.50%	5.50% - 6.50%	6.50% - 7.50%	7.50% - 9.50%	9.50% - 10.50%
	Tampa	5.00% - 5.50%	N/A	5.75% - 6.25%	6.00% - 6.50%	6.25% - 6.75%	6.75% - 7.25%
Washington, DC	4.00% - 4.40%	4.25% - 4.75%	5.25% - 5.75%	5.75% - 6.50%	6.50% - 7.00%	7.25% - 7.75%	
<b>CENTRAL</b>	Austin	4.50% - 5.00%	4.50% - 5.00%	5.25% - 5.75%	5.25% - 5.75%	6.00% - 6.50%	6.00% - 6.50%
	Chicago	4.50% - 5.00%	4.75% - 5.25%	5.00% - 5.25%	5.25% - 5.75%	5.75% - 6.25%	6.25% - 7.00%
	Cincinnati	5.50% - 6.00%	6.25% - 6.75%	6.50% - 7.00%	7.25% - 7.75%	8.00% - 8.50%	9.00% - 9.50%
	Cleveland	7.50% - 8.00%	N/A	8.00% - 8.50%	8.25% - 8.75%	8.50% - 9.00%	10.00% - 10.50%
	Columbus	6.00% - 6.50%	6.25% - 6.75%	7.00% - 7.50%	7.50% - 8.00%	8.25% - 8.75%	8.75% - 9.00%
	Dallas	4.25% - 5.25%	5.75% - 6.25%	6.25% - 6.75%	6.50% - 7.25%	7.25% - 7.75%	7.75% - 8.25%
	Detroit	6.75% - 7.50%	7.50% - 8.50%	7.50% - 8.25%	8.00% - 9.00%	8.75% - 9.50%	9.50% - 11.00%
	Houston	4.50% - 5.00%	5.50% - 6.00%	6.00% - 6.50%	6.25% - 6.75%	7.00% - 7.50%	7.75% - 8.25%
	Indianapolis	5.50% - 6.00%	5.75% - 6.25%	6.00% - 6.50%	6.50% - 7.00%	7.50% - 8.00%	8.00% - 8.50%
	Kansas City	5.25% - 5.75%	N/A	N/A	N/A	N/A	N/A
	Minneapolis	5.25% - 5.50%	5.50% - 5.75%	6.00% - 6.25%	6.50% - 6.75%	7.25% - 7.75%	8.00% - 8.50%
	Oklahoma City	6.00% - 6.50%	N/A	6.50% - 7.00%	6.75% - 7.25%	9.00% - 9.50%	9.50% - 10.00%
	San Antonio	5.25% - 5.75%	N/A	6.25% - 6.75%	6.50% - 7.00%	7.00% - 7.50%	7.50% - 8.00%
St. Louis	5.50% - 6.00%	5.75% - 6.25%	6.10% - 6.75%	6.50% - 6.90%	8.00% - 9.50%	8.25% - 9.50%	
<b>WEST</b>	Albuquerque	5.75% - 6.25%	6.00% - 6.50%	6.25% - 6.75%	6.50% - 7.00%	7.00% - 7.50%	7.50% - 8.00%
	Denver	4.75% - 5.25%	5.50% - 5.75%	5.25% - 5.75%	5.50% - 6.00%	6.50% - 7.00%	6.75% - 7.25%
	Inland Empire	4.75% - 5.25%	5.00% - 5.50%	5.00% - 5.50%	5.25% - 5.75%	6.00% +	6.00% +
	Los Angeles	3.75% - 4.00%	4.50% - 4.75%	4.00% - 4.50%	4.75% - 5.25%	5.00% - 5.50%	5.50% - 6.00%
	Orange County	3.75% - 4.25%	4.00% - 4.50%	4.50% - 4.75%	5.00% - 5.50%	5.50% - 6.00%	6.00% - 6.50%
	Phoenix	4.75% - 5.00%	5.25%	5.25% - 5.75%	5.25% - 5.75%	6.00% - 6.50%	6.00% - 6.50%
	Portland	4.75% - 5.00%	5.00% - 5.25%	5.25% - 5.75%	5.25% - 5.75%	5.75% - 6.25%	6.00% - 6.50%
	Sacramento	5.00% - 5.50%	5.50% - 6.00%	5.25% - 5.75%	5.50% - 6.00%	6.00% - 6.50%	6.50% - 7.00%
	Salt Lake City	5.25% - 5.75%	5.50% - 6.00%	5.75% - 6.00%	6.00% - 6.50%	6.00% - 6.25%	6.50% - 7.00%
	San Diego	3.75% - 4.25%	4.25% - 4.75%	4.50% - 5.00%	5.00% - 5.50%	5.50% - 6.00%	5.50% - 6.00%
	San Francisco	3.50% - 4.00%	4.00% - 4.25%	4.75% - 5.25%	5.25% - 5.75%	5.50% - 6.00%	6.00% - 6.50%
	San Jose	3.75% - 4.25%	4.00% - 4.50%	5.00% - 5.50%	5.75% - 6.25%	5.50% - 6.00%	6.00% - 6.50%
Seattle	3.75% - 4.25%	4.50% - 5.00%	5.00% - 5.50%	5.50% - 6.00%	5.50% - 6.00%	6.25% - 7.25%	

# The US Affordability Problem

## Share of 25<sup>th</sup> Percentile Income to Pay 25<sup>th</sup> Percentile Rent

