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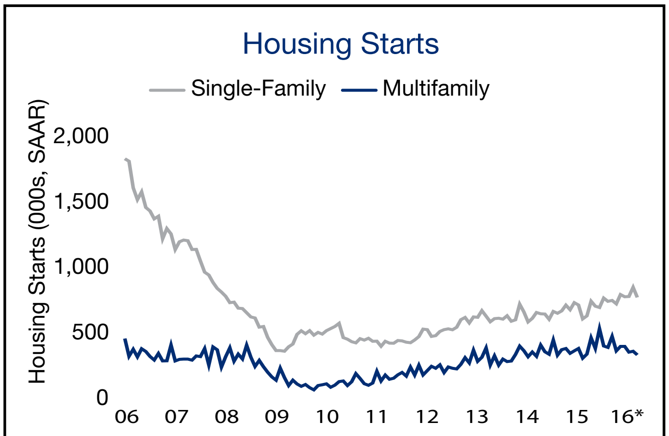
RESEARCH SERVICES

RESEARCH BRIEF: HOUSING SECTOR

Single-Family Home Sales Maintain Momentum; New Homebuilders Strive to Keep Pace

- Housing demand remains elevated as low mortgage rates have helped keep the cost of ownership in check despite steady appreciation. The solid pace of hiring over the last six years and modest but consistent wage growth have helped prospective homeowners repair their balance sheets and re-engage the housing market. One major hurdle homebuyers face, however, is the limited availability of homes for sale in many markets. Although housing construction has stepped up in the last year, homebuilders have been slow to add inventory — particularly in the entry-level category. As a result, the limited supply of available homes has sharply curtailed first-time homebuyers in particular.

- Builders boosted their pace of construction by 14 percent as of March, putting them on track to complete 1.1 million annualized units of housing. Single-family housing starts rose 23 percent as builders sought to leverage positive consumer outlooks and improving mortgage availability. The level of single-family building remains roughly three-fourths of the long-term average, however, and efforts to raise production to the historical norm remain hampered by a shortage of labor in residential specialty construction trades. These establishments hired 135,000 workers over the past year and the migration of workers from oil-and-gas regions could provide additional staffing.



* Through March
Sources: Marcus & Millichap Research Services; U.S. Census Bureau

- Home purchases of previously owned single-family residences rose approximately 3.0 percent over the 12 months ending in March, while the median price advanced 6.0 percent to $232,000, putting it on par with pre-recession peak pricing on a national level. Mortgage applications for purchase also continue to rise, signaling higher sales volume in the coming months. New-home sales, meanwhile, jumped 5.5 percent year over year, and inventory remains tight.

- Although 2016 apartment completions will reach their highest level since the 1980s, multifamily housing starts, encompassing both for-sale units and rentals, fell during the 12 months ending in March with permits also declining. One reason the pipeline is thinning is because lenders remain quite cautious and have tightened construction lending, particularly as Class A vacancy rates creep upward toward 6.0 percent this year. Developers will complete 285,000 rentals this year, with roughly one-third concentrated in a group of five markets, including New York City and Washington, D.C. Elevated completions will contribute to a nominal rise in U.S. apartment vacancy to 4.2 percent in 2016.

- Low mortgage rates and climbing values in numerous metros drove a 9 percent gain in refinance activity over the past year. Potential savings from lower monthly housing payments could be reallocated to other purchases, boosting demand at retail outlets. Retail-space demand remains strong, with new-store openings projected to drive 61 million square feet of net absorption this year. As a result, the U.S. retail-property vacancy rate will fall 30 basis points to 5.8 percent during 2016.

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