

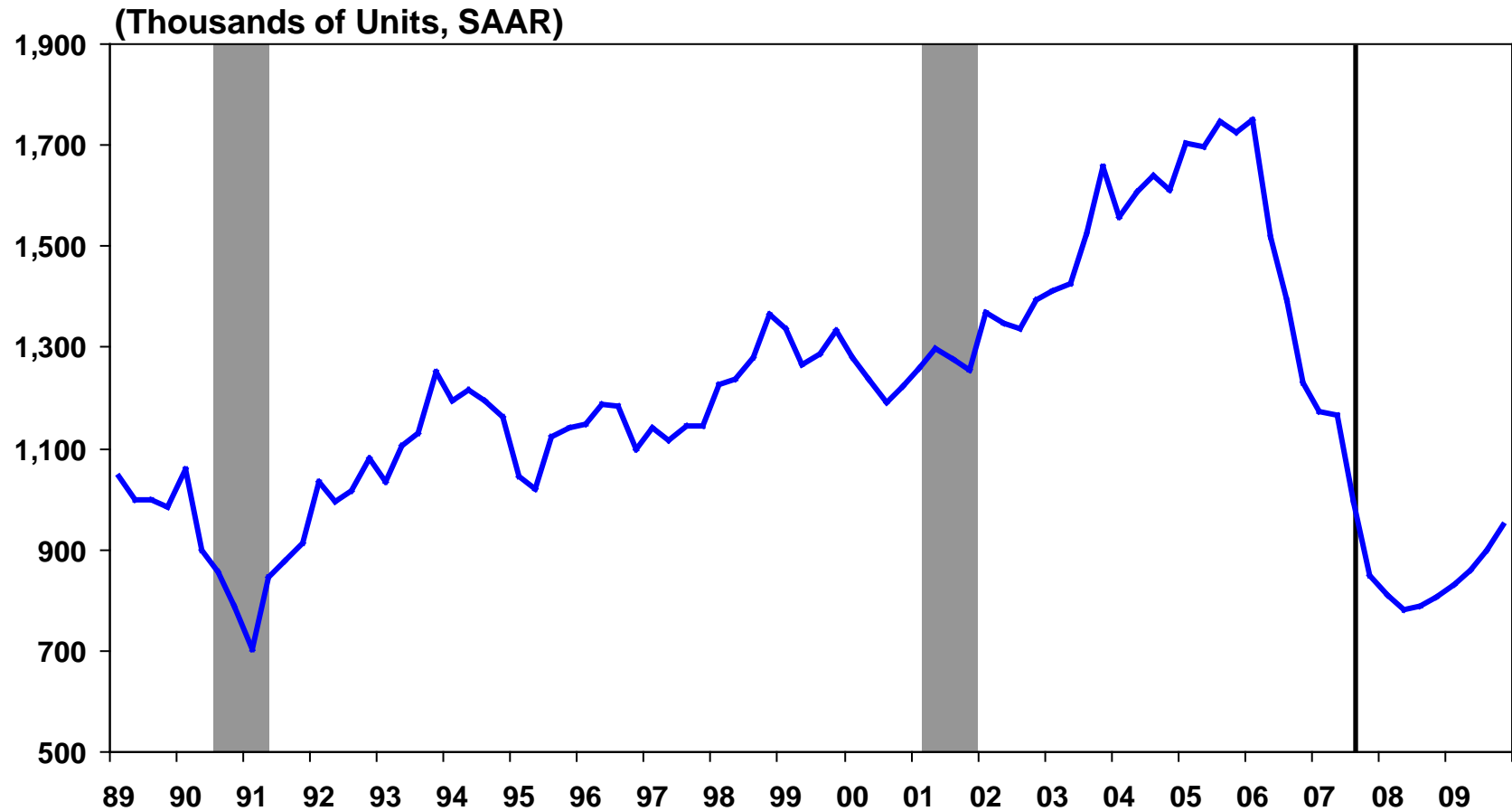
HOUSING TRENDS, FACTORS, AND FORCES



By: Andy Carswell,
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February 26, 2008

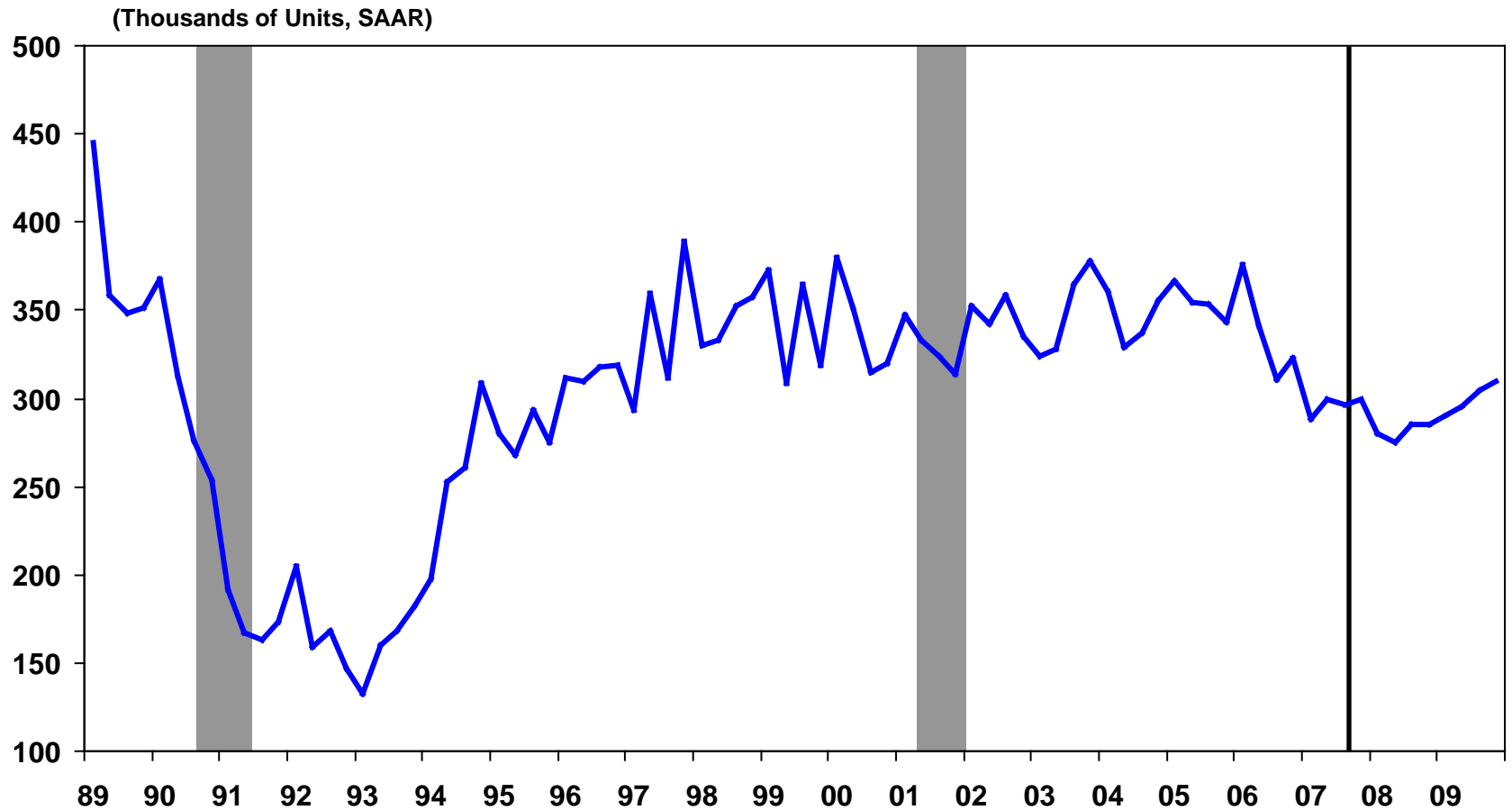


Single-Family Housing Starts



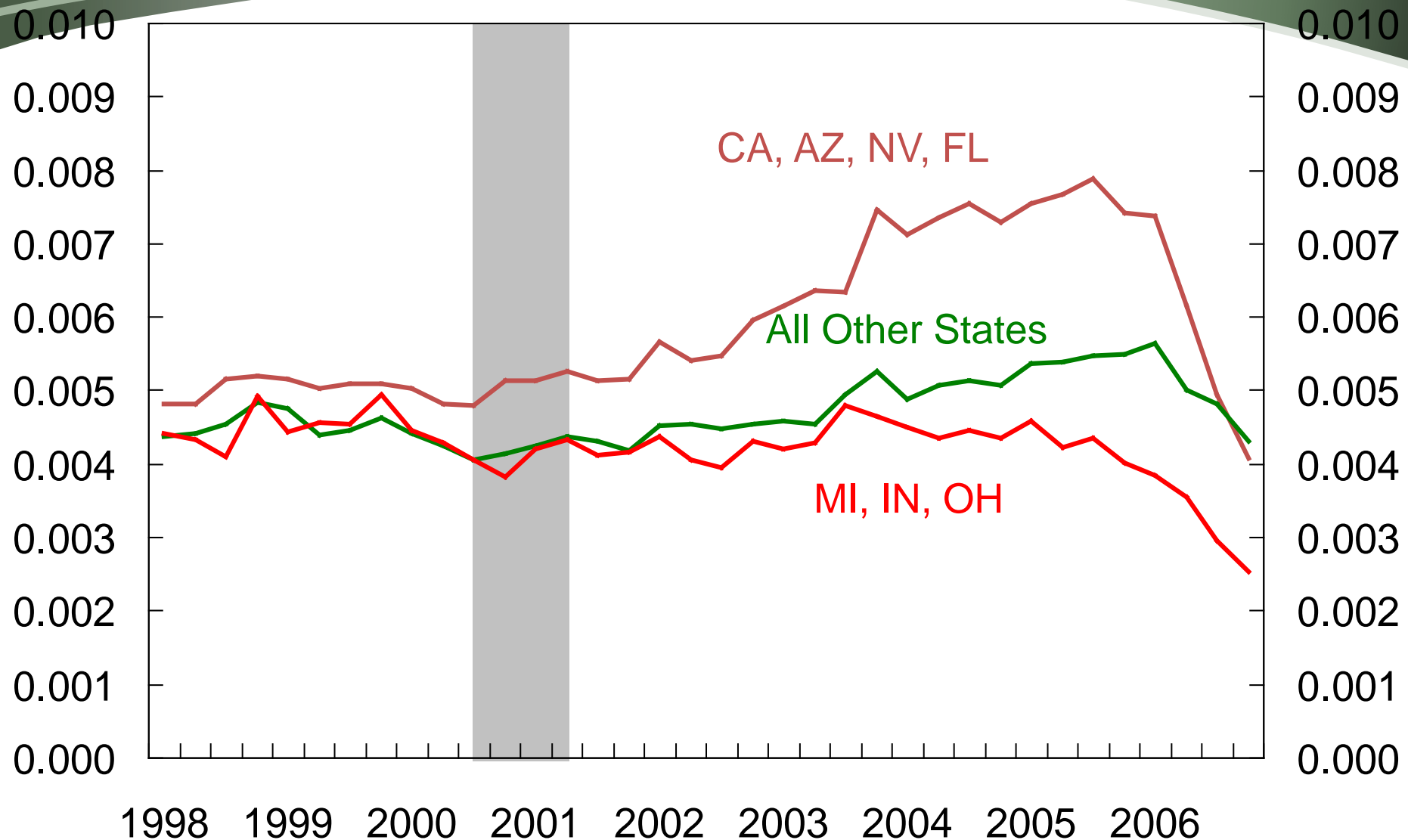
Source: NAHB

Multifamily Housing Starts



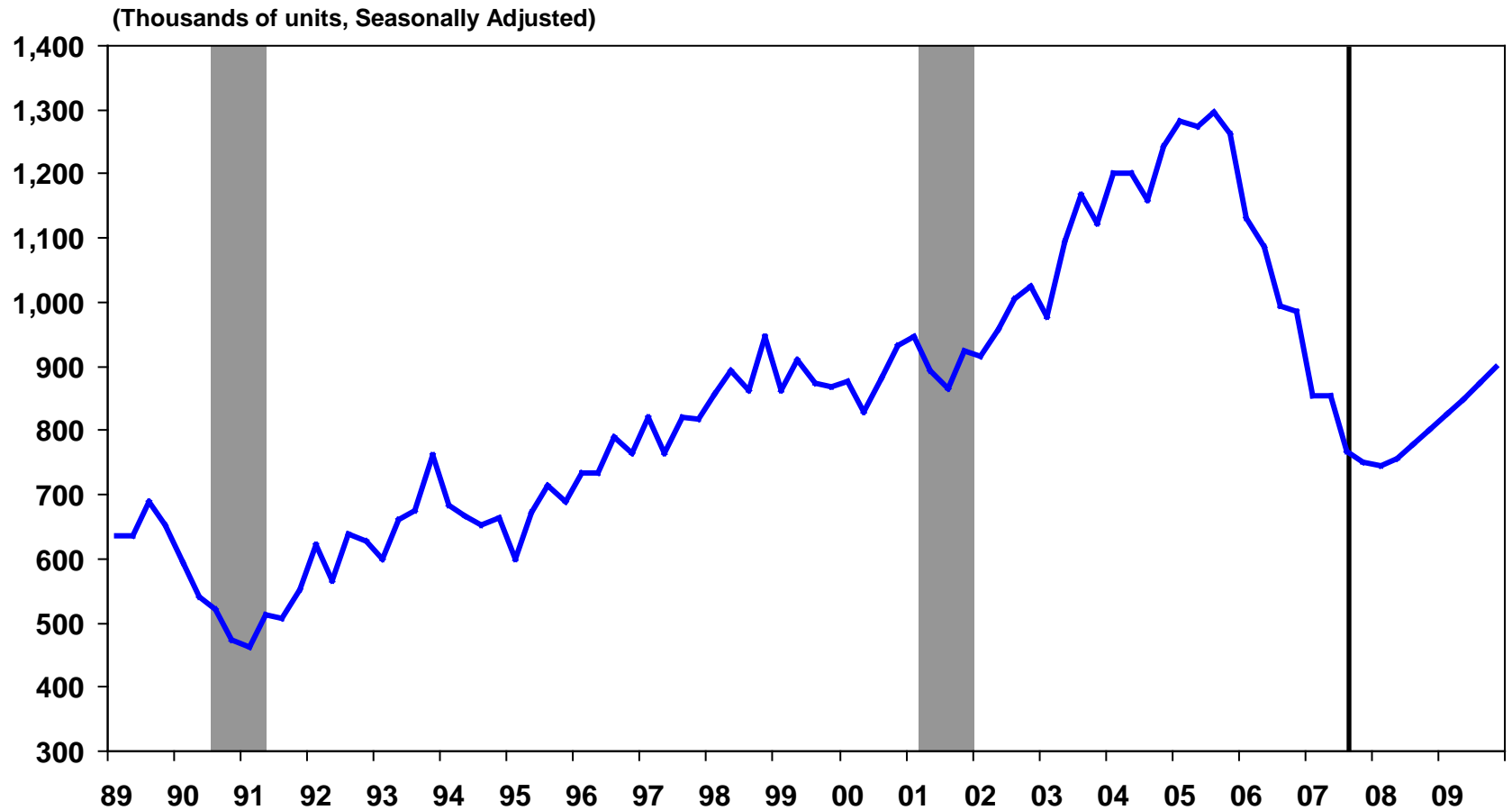
Source: NAHB

Housing Starts Per Capita



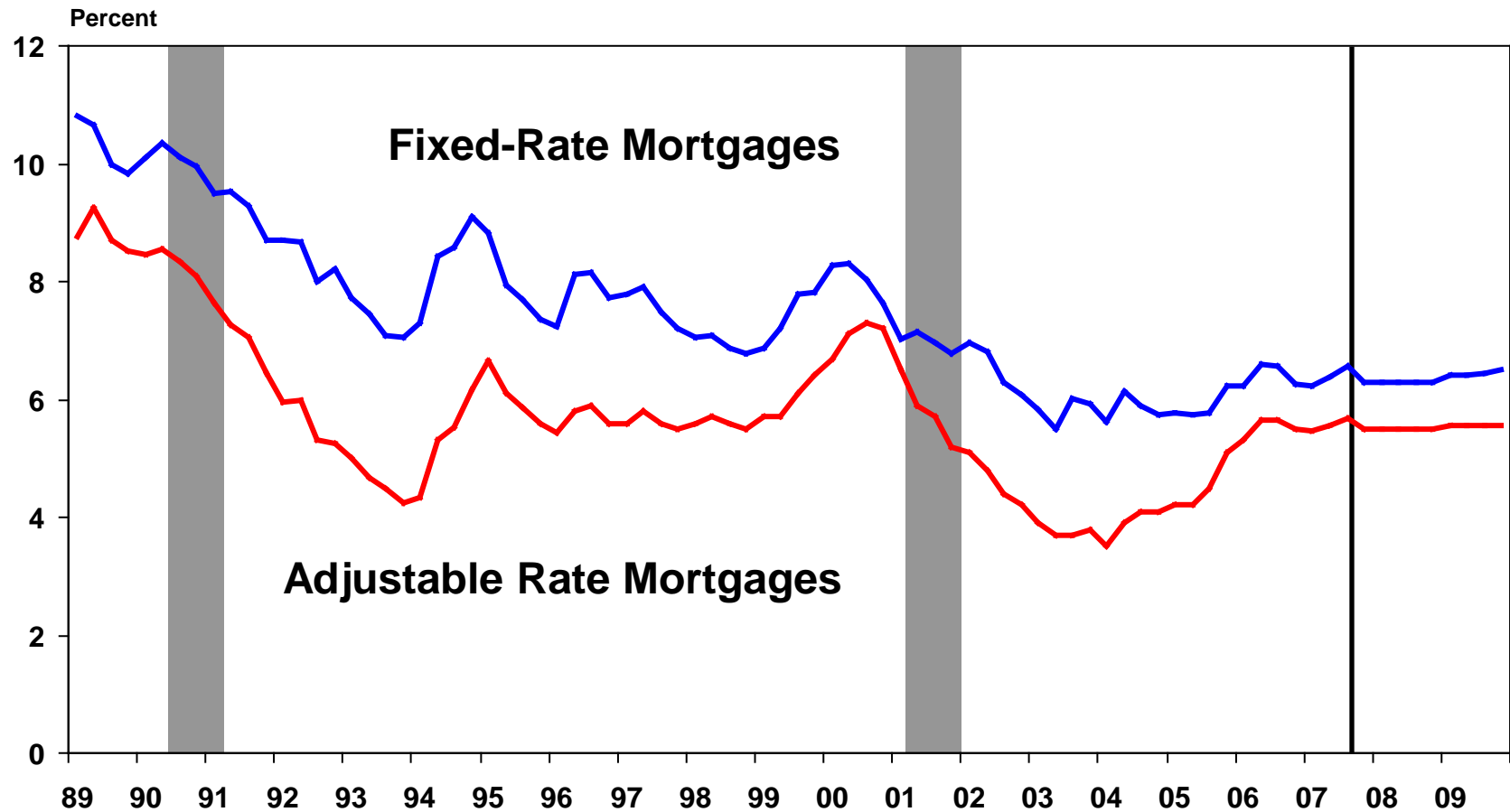
Source: New York Federal Reserve, Economy.com, Mortgage Bankers Association of America

New Home Sales



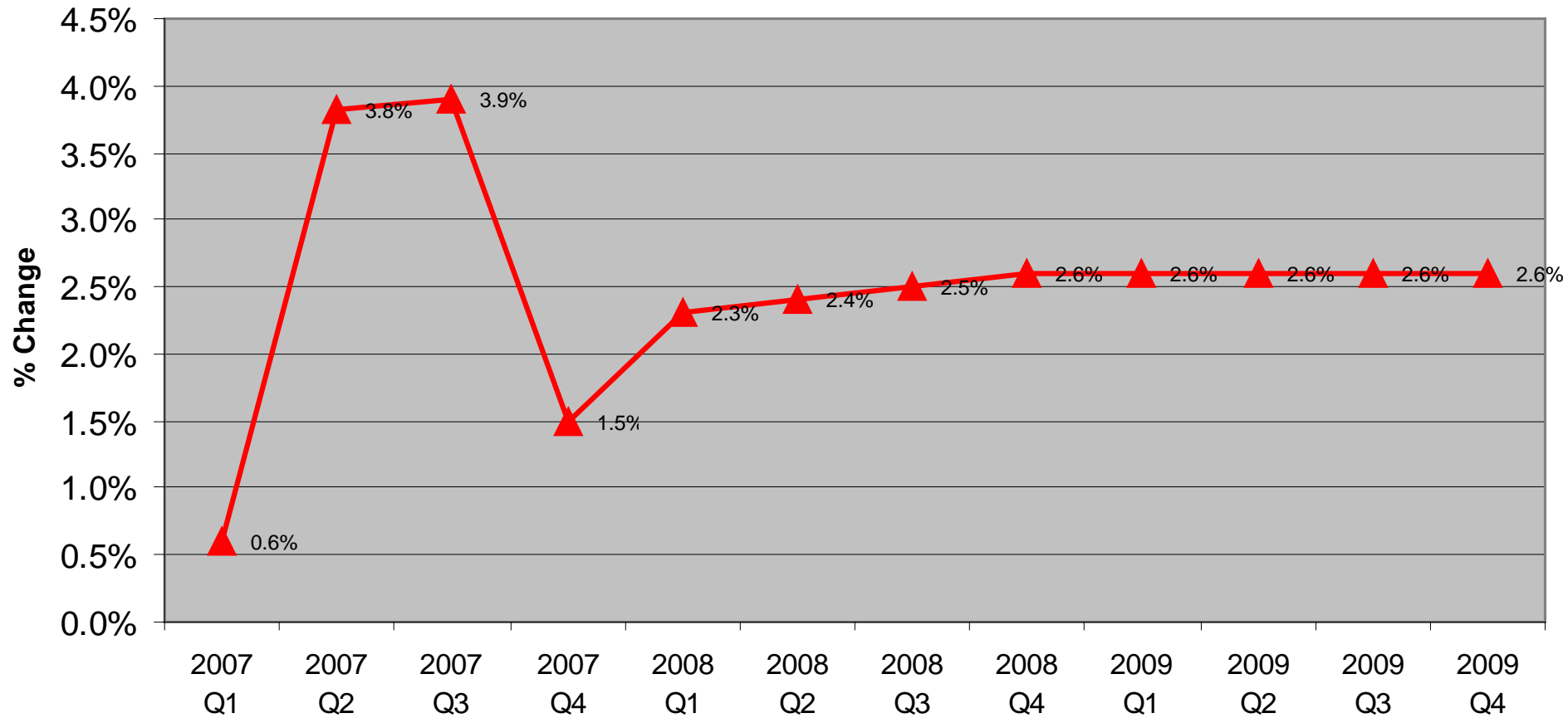
Source: NAHB

Prime Conventional Conforming Home Mortgage Rates



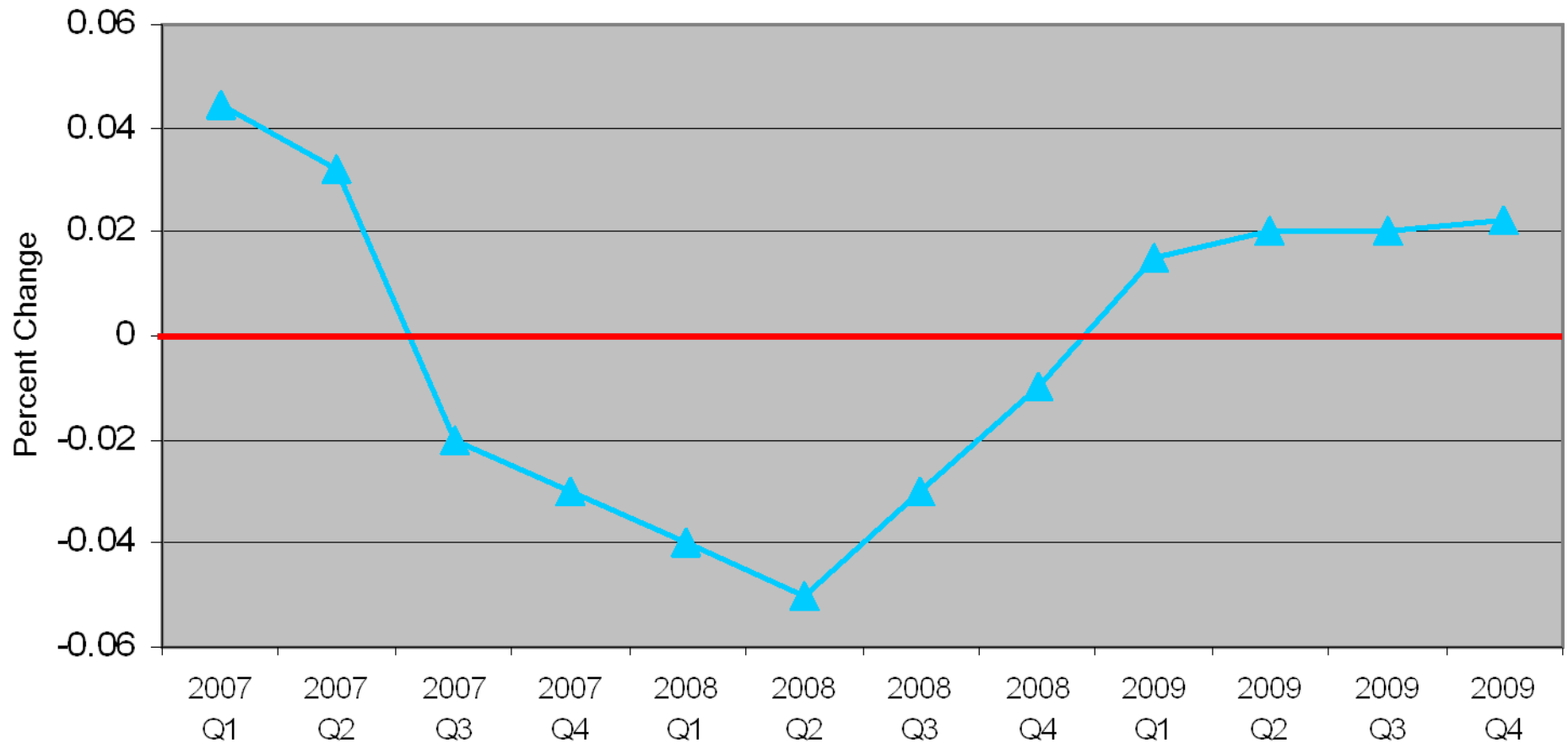
Source: NAHB

Real GDP Forecast



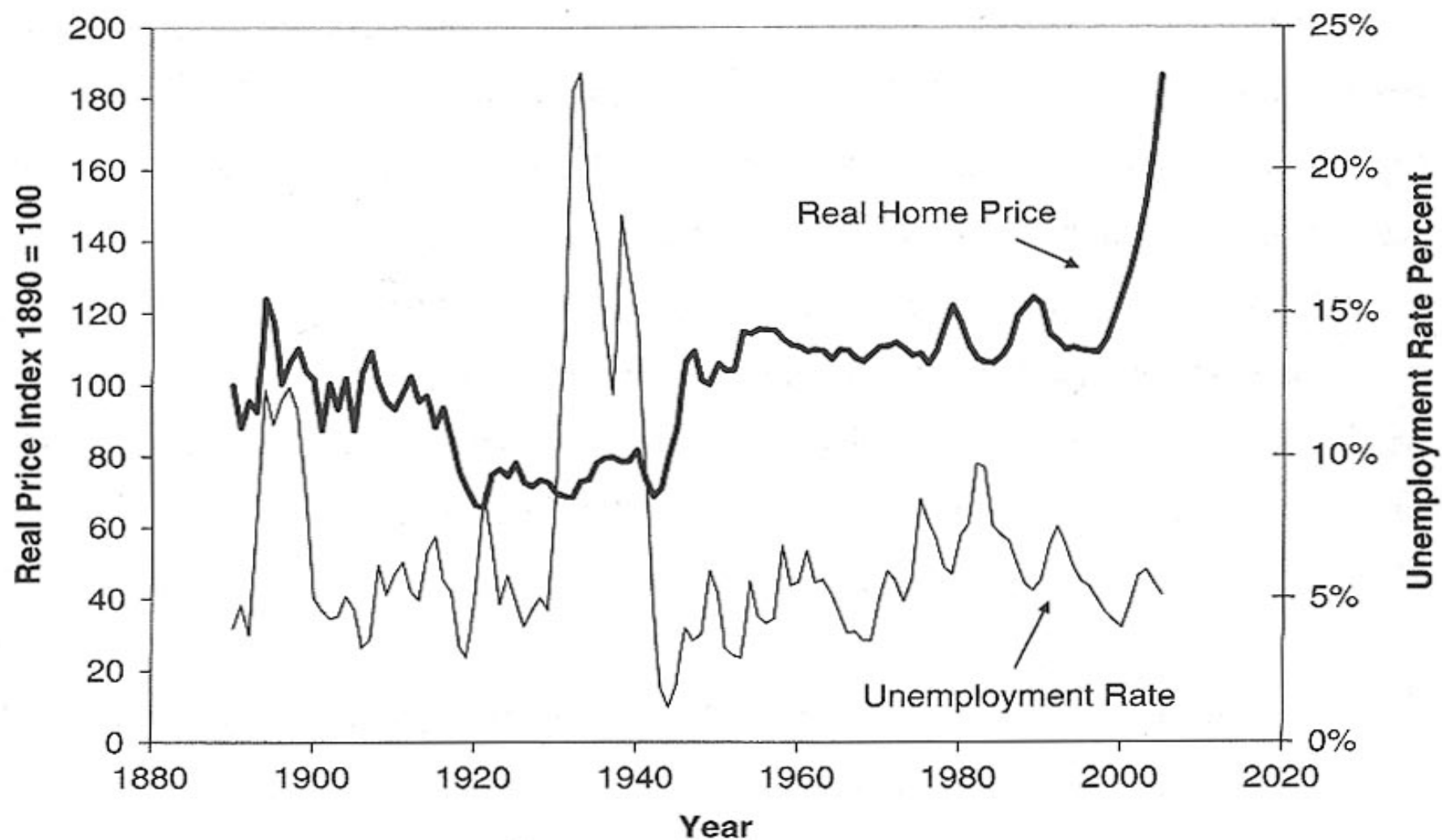
Source: NAHB

Predicted House Price Changes



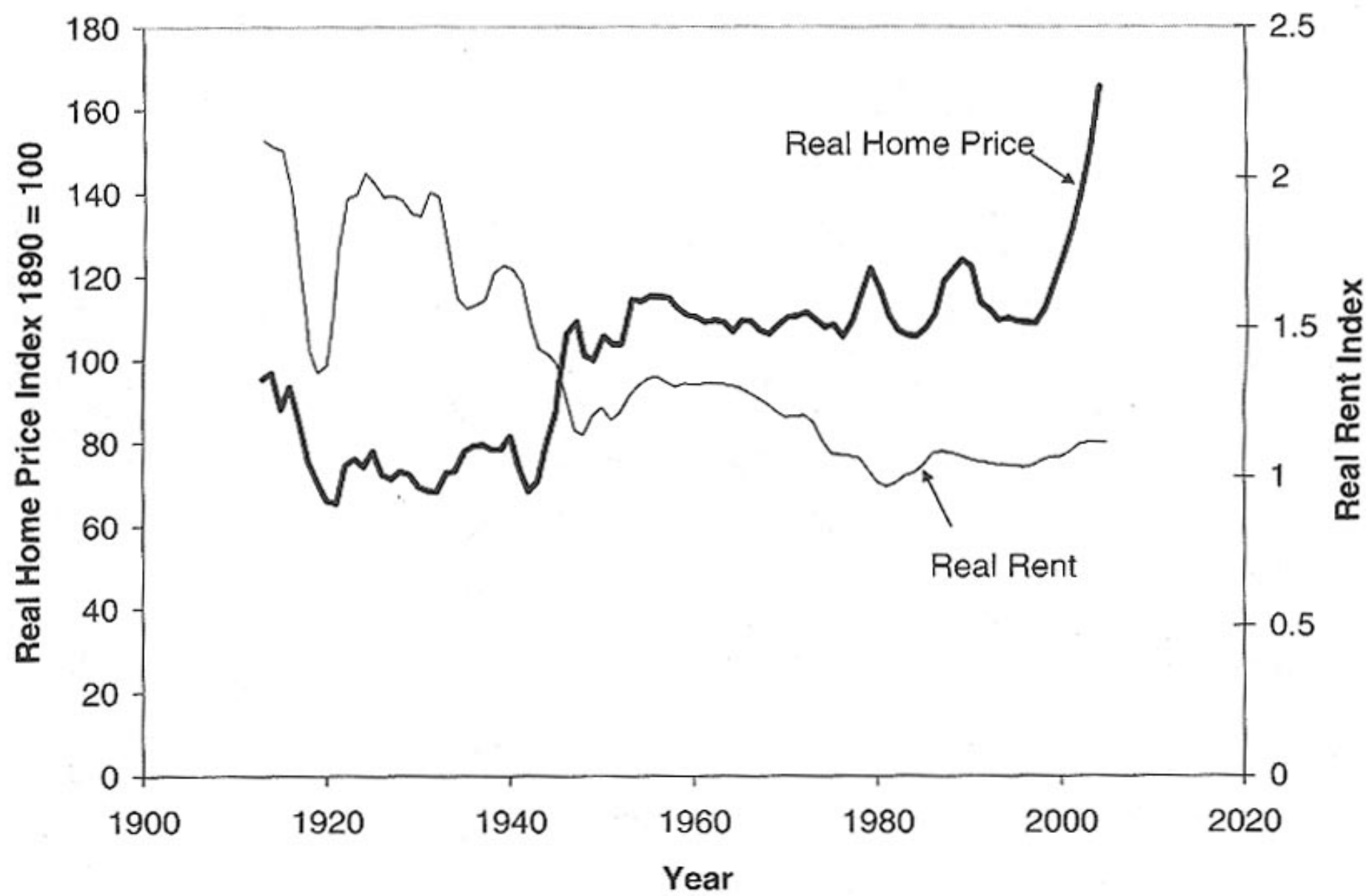
Source: OFHEO

U.S. Real Home Price Index 1890–2005 (Shiller 2005, updated) and
U.S. Unemployment Rate 1890–1930

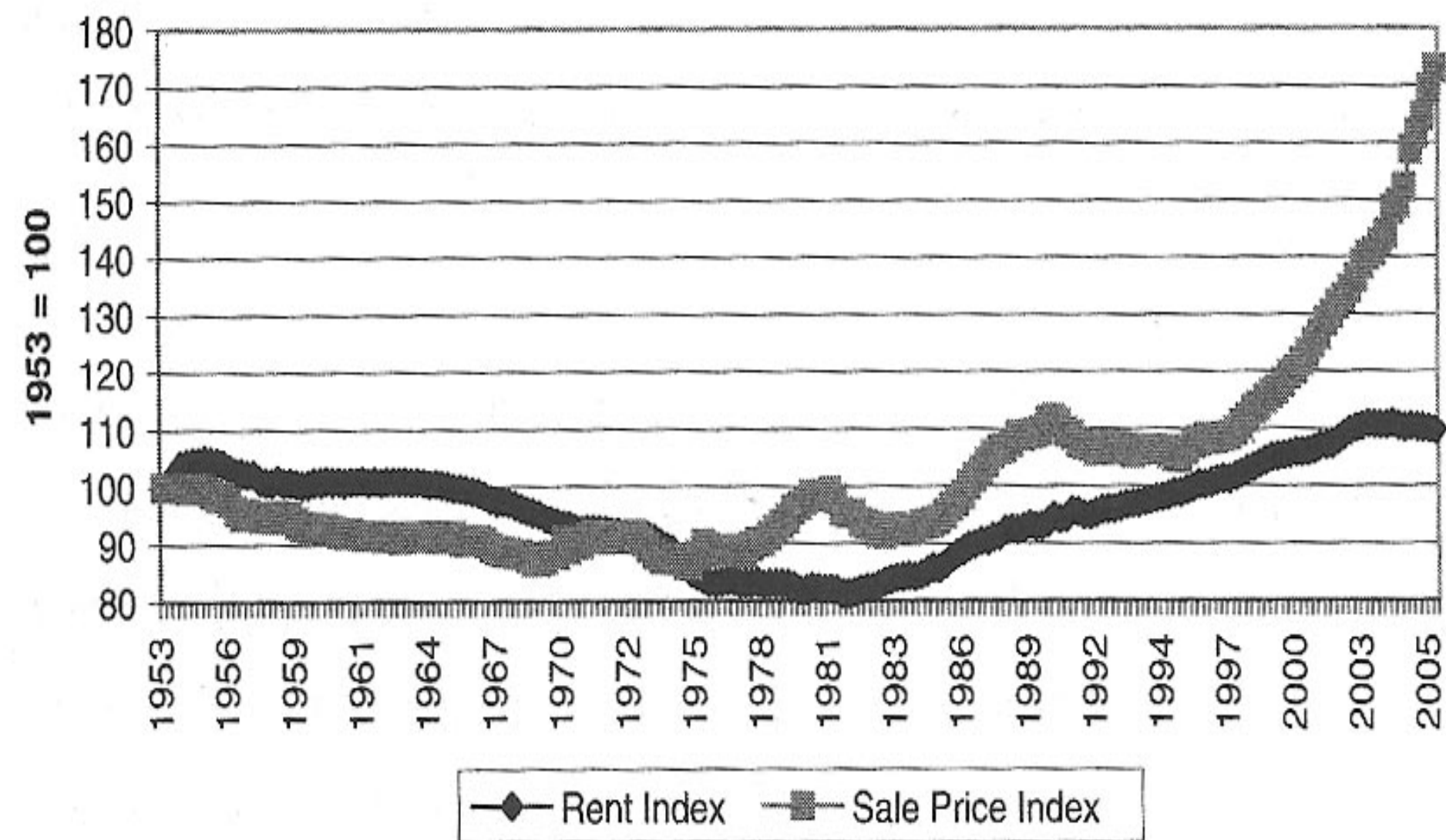


Source: Bureau of Labor Statistics, Current Population Survey, and, before 1930, Romer (1986).

U.S. Real Rent of Primary Residence, January, 1913–2005 (Bureau of Labor Statistics) and Real Home Price, 1913–2005 (Shiller 2005)

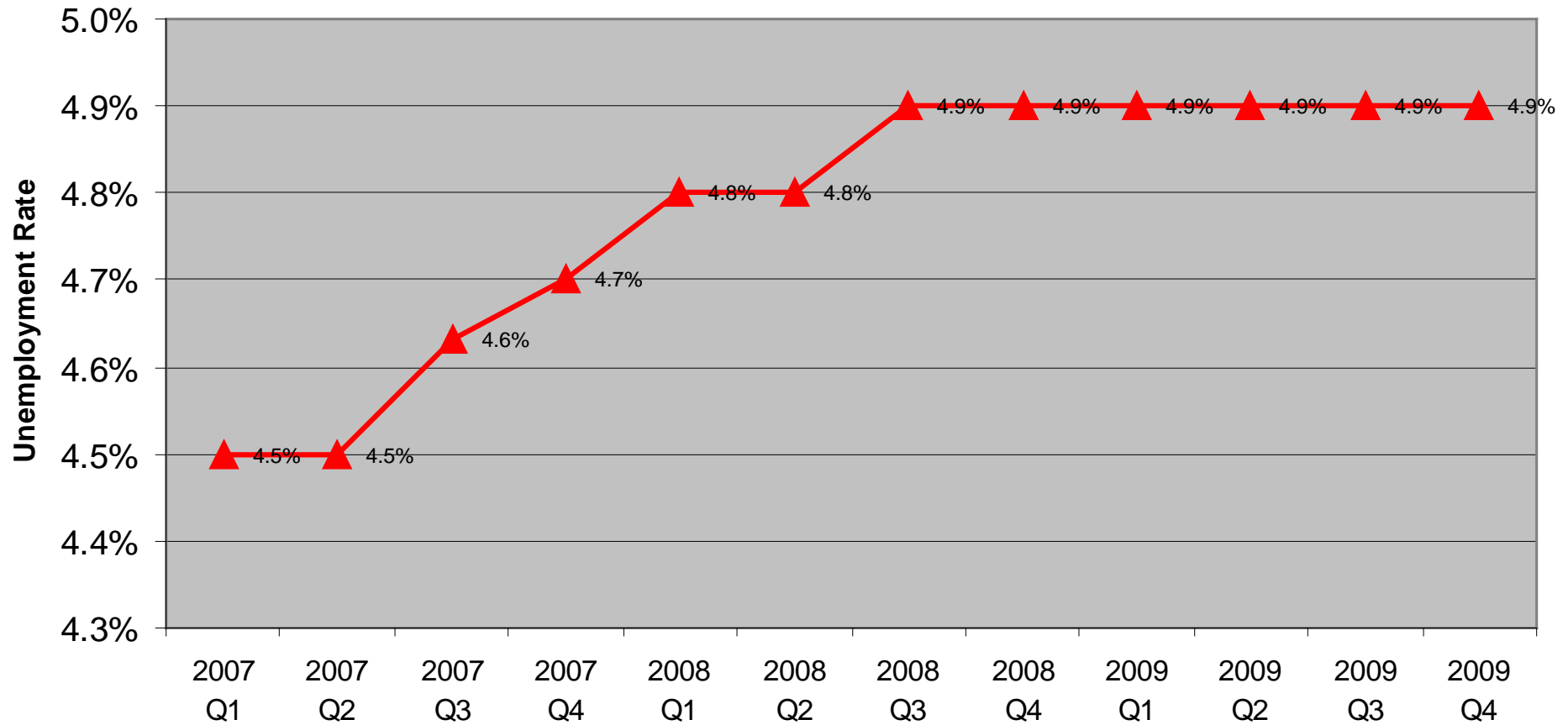


Home Sale Prices and Rents (Inflation Adjusted)



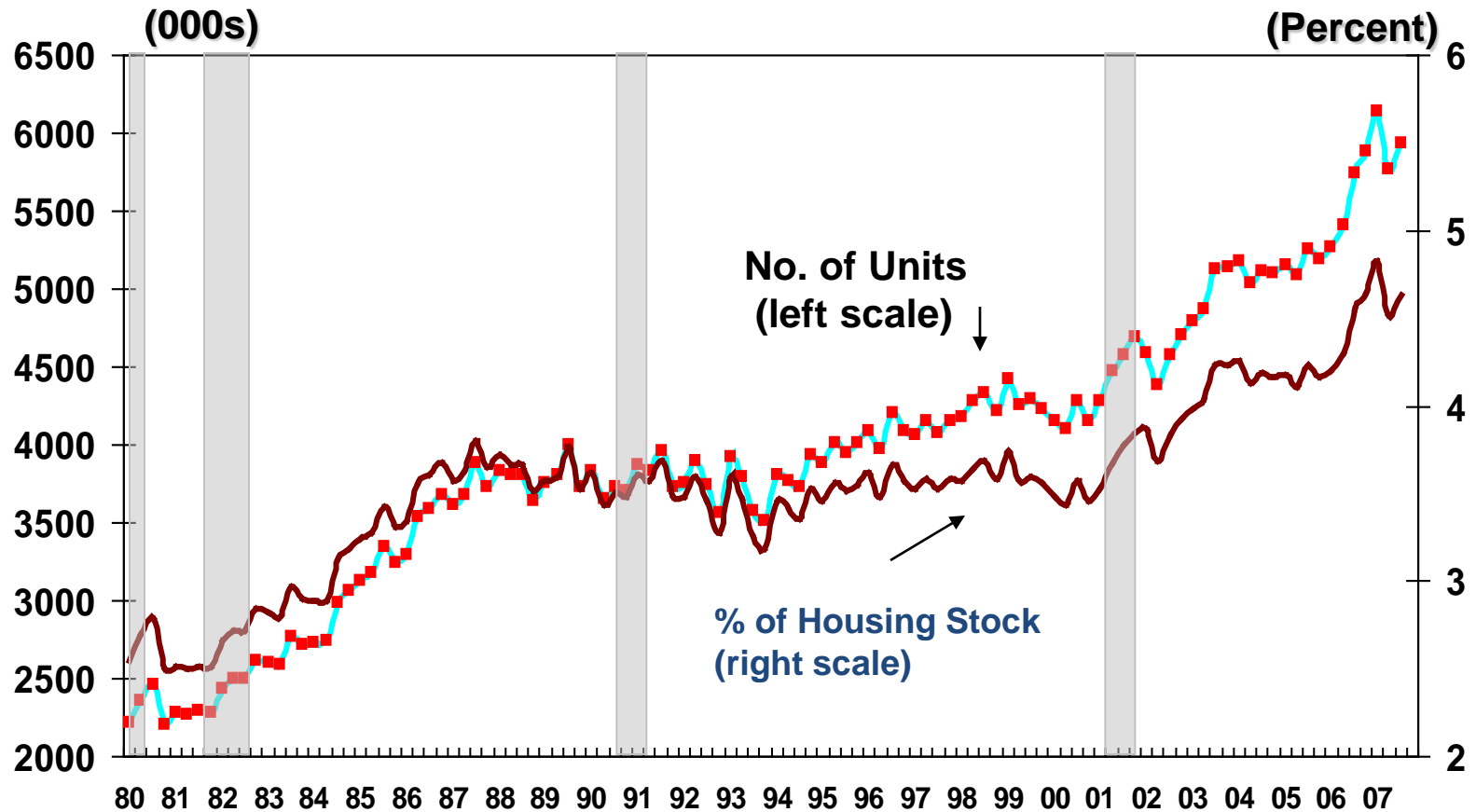
Source: BLS, BEA, and OFHEO.*

Unemployment Forecast



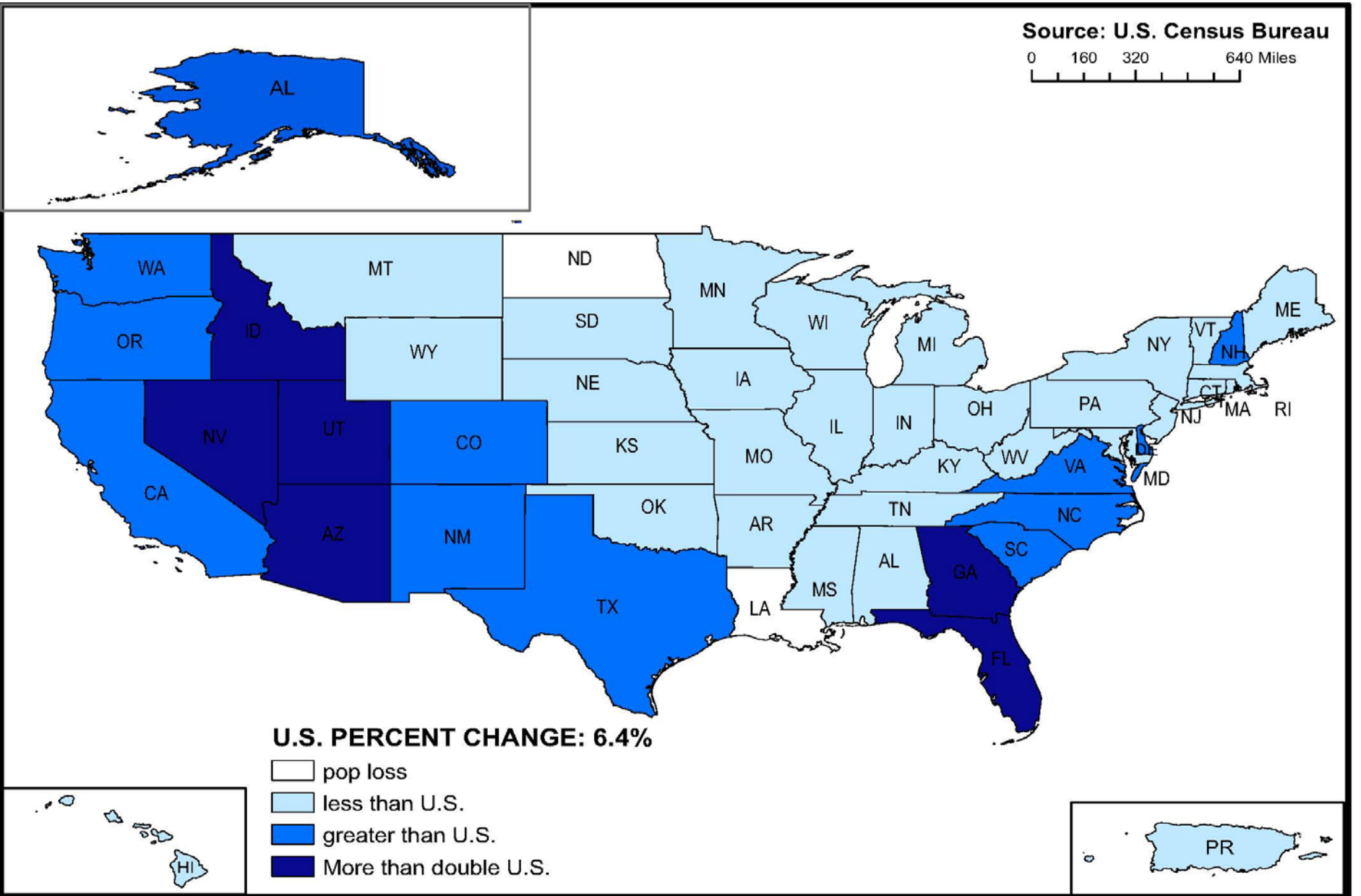
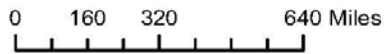
Source: NAHB

Vacant Year-Round Housing Units on the Market



POPULATION PERCENT CHANGE IN THE UNITED STATES, DISTRICT OF COLUMBIA, AND PUERTO RICO: 2000-2006

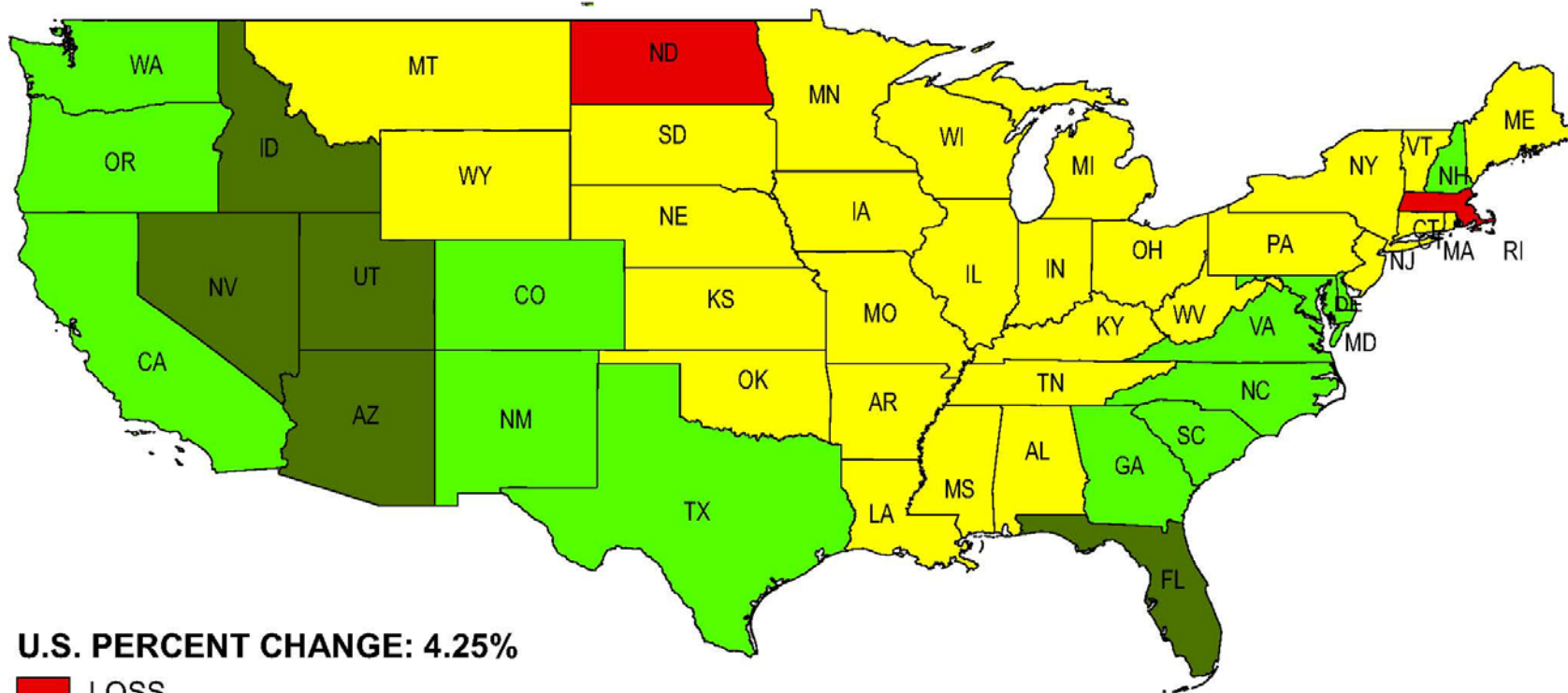
Source: U.S. Census Bureau



PROJECTED HOUSEHOLD GROWTH IN THE UNITED STATES: 2007-2012

Source: U.S. Census Bureau

0 160 320 640 Miles



Georgia and Projected Household Growth

Top 5 Counties

- Chattahoochee (+58%)
- Barrow (+32%)
- Newton (+31%)
- Paulding (+30%)
- Forsyth (+29%)

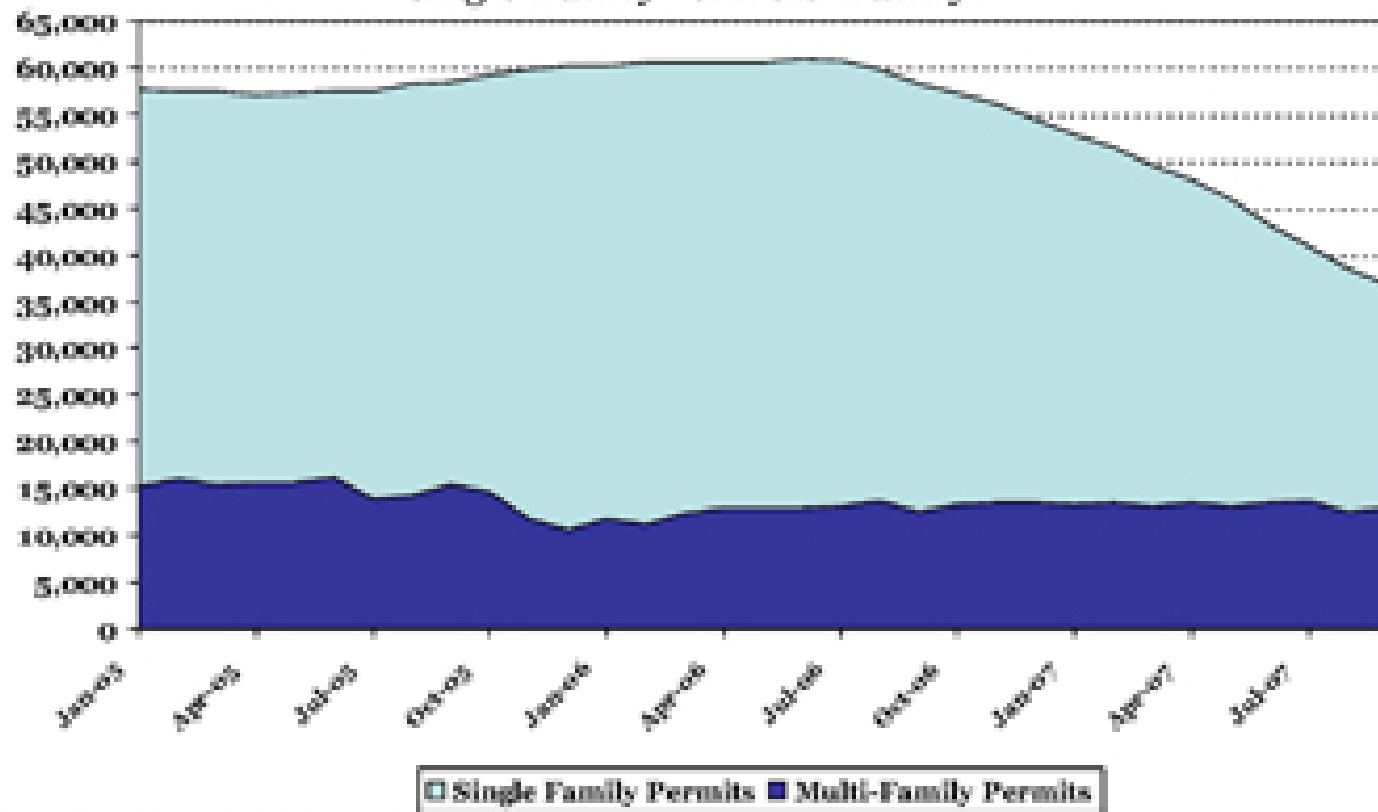


Bottom 5 Counties

- Butts (-30%)
- DeKalb (-19%)
- Liberty (-18%)
- Taliaferro (-13%)
- Ware (-13%)

Atlanta Permits

Single-Family vs. Multi-Family

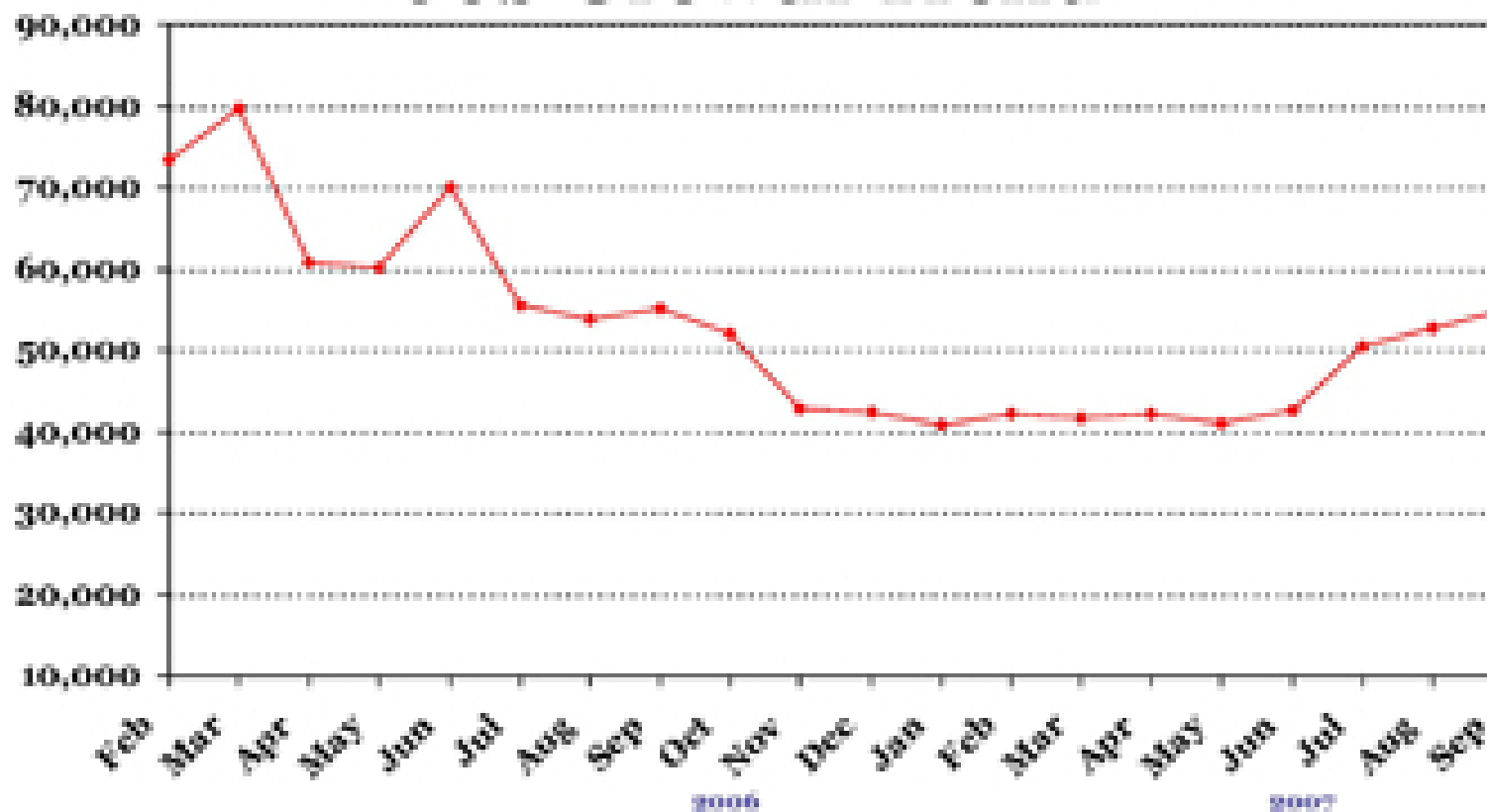


Graph Information: As of 9/07

-Updated monthly - Based off Trailing 12 month numbers.

-Based Atlanta MSA (See MSA Definition at end).

Job Growth Trend



Graph Information: As of 9/07

- Monthly numbers represent annual change from previous year's month
- Previous month information is typically adjusted the following month
- Based off Atlanta MSA (See MSA Definition at end)

Percent of Defaults Due to Non-Owner Occupied Loans

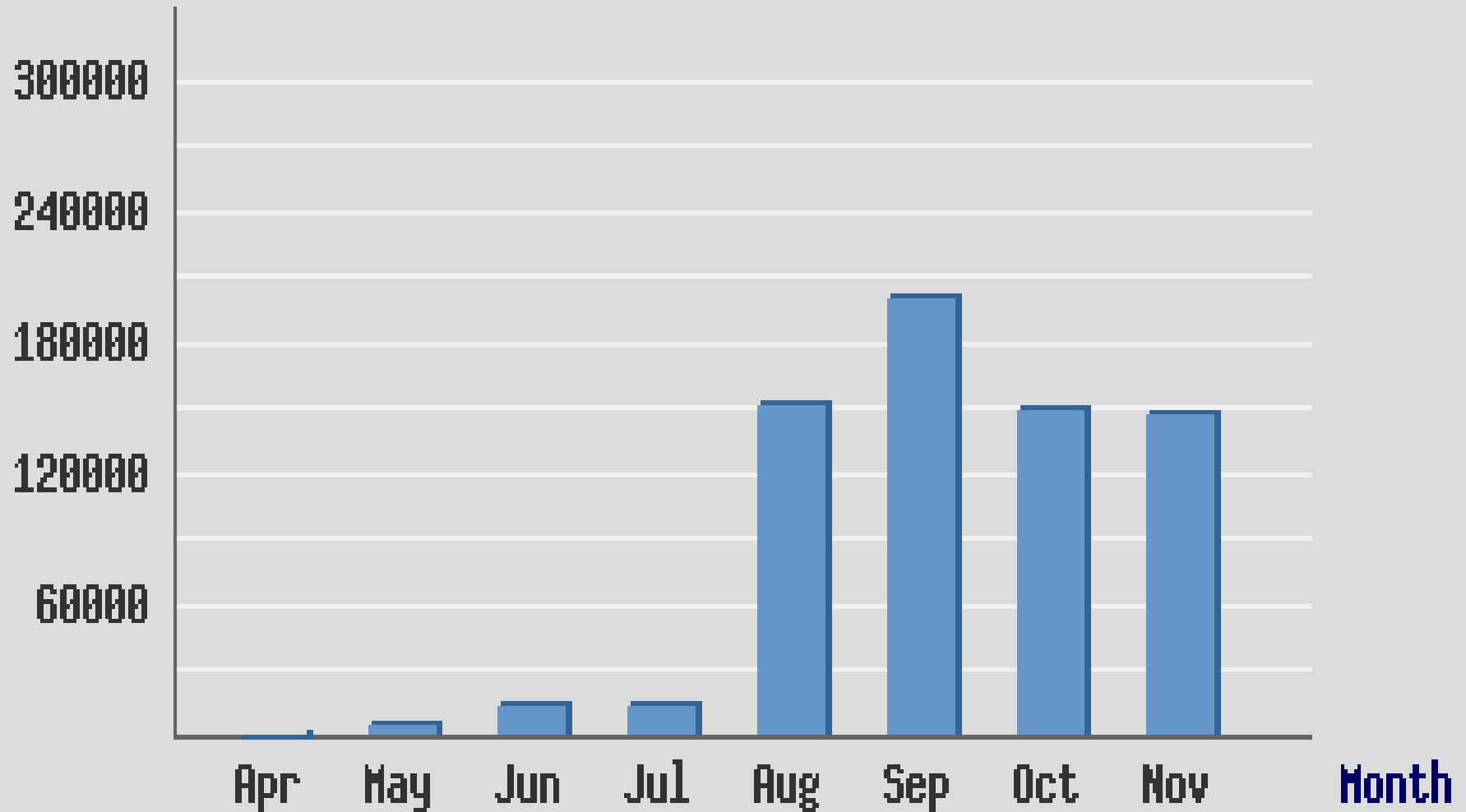
Prime Loans		
	Percent of prime defaults due to non-owner occupied loans as of June 30, 2007	Share of prime home purchase loan originations for non-owner occupied properties in 2005, based on HMDA
Nevada	32%	29%
Arizona	26%	29%
Florida	25%	32%
California	21%	14%
All other states	13%	15%
Total US	16%	17%

Subprime Loans		
	Percent of subprime defaults due to non-owner occupied loans as of June 30, 2007	Share of subprime home purchase loan originations for non-owner occupied properties in 2005, based on HMDA
Nevada	24%	14%
Arizona	18%	14%
Florida	14%	15%
California	15%	7%
All other states	11%	10%
Total US	12%	10%

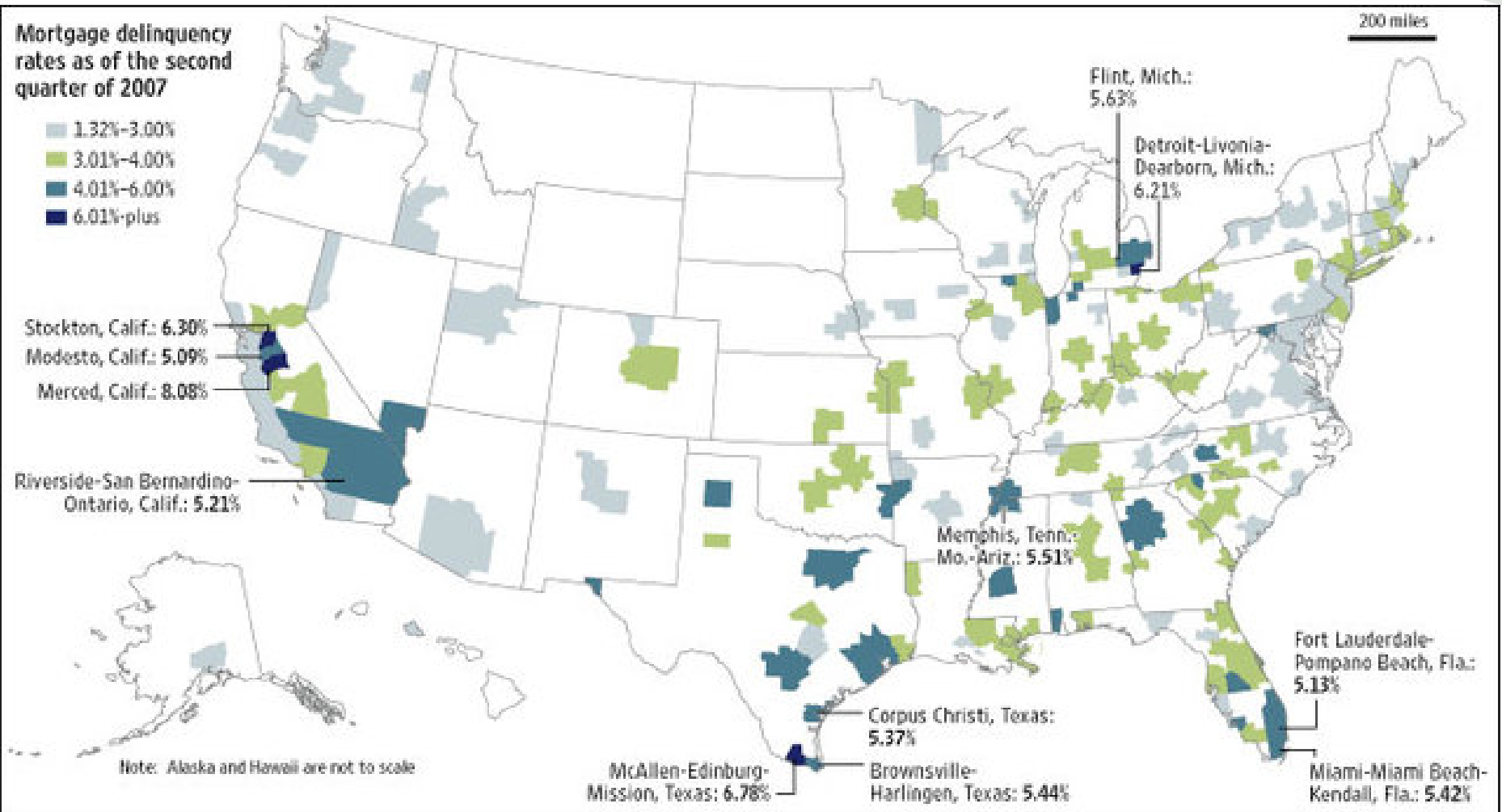
Source: MBA, Home Mortgage Disclosure Act 2005 Report

New Foreclosures

Properties



Mortgage Delinquency Data

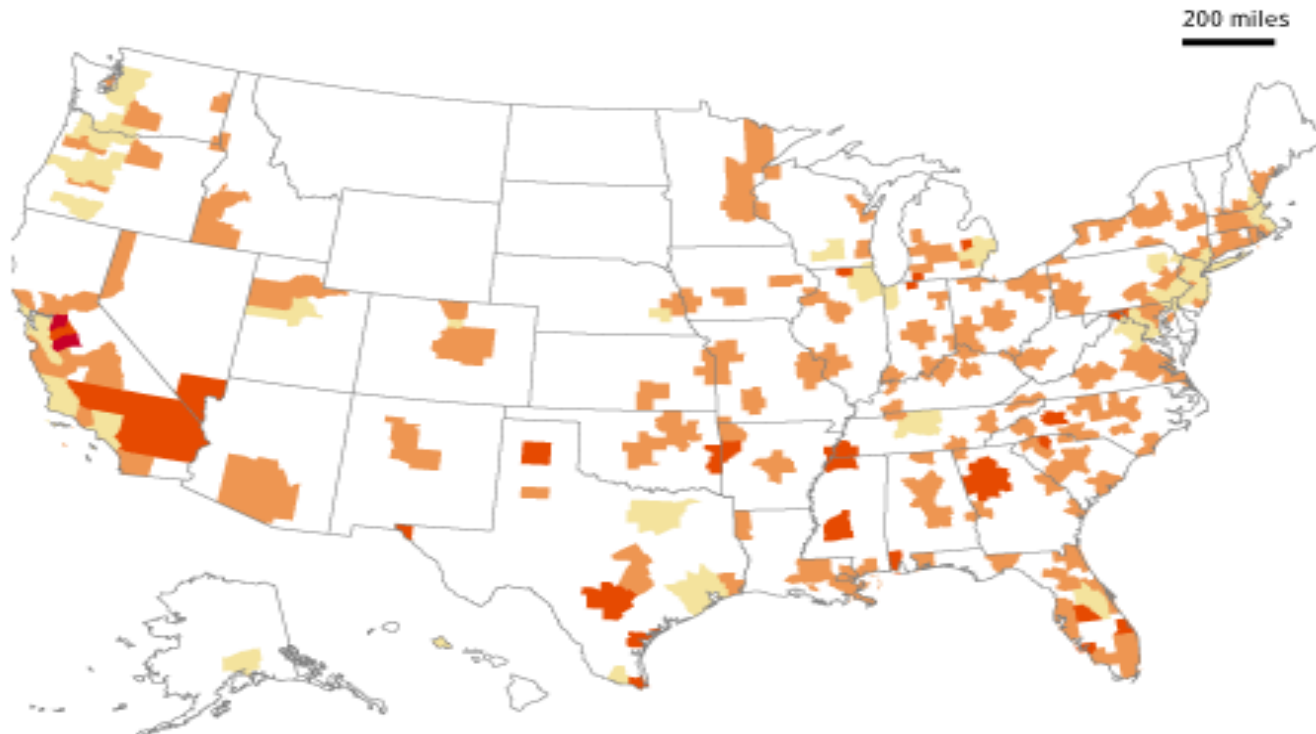


Historical Data Patterns

...And Where They've Increased the Most

Rise in delinquency rate from the fourth quarter of 2005 through the second quarter of 2007, in percentage points

1.32–2.00 2.01–4.00 4.01–6.00 6.01–8.08

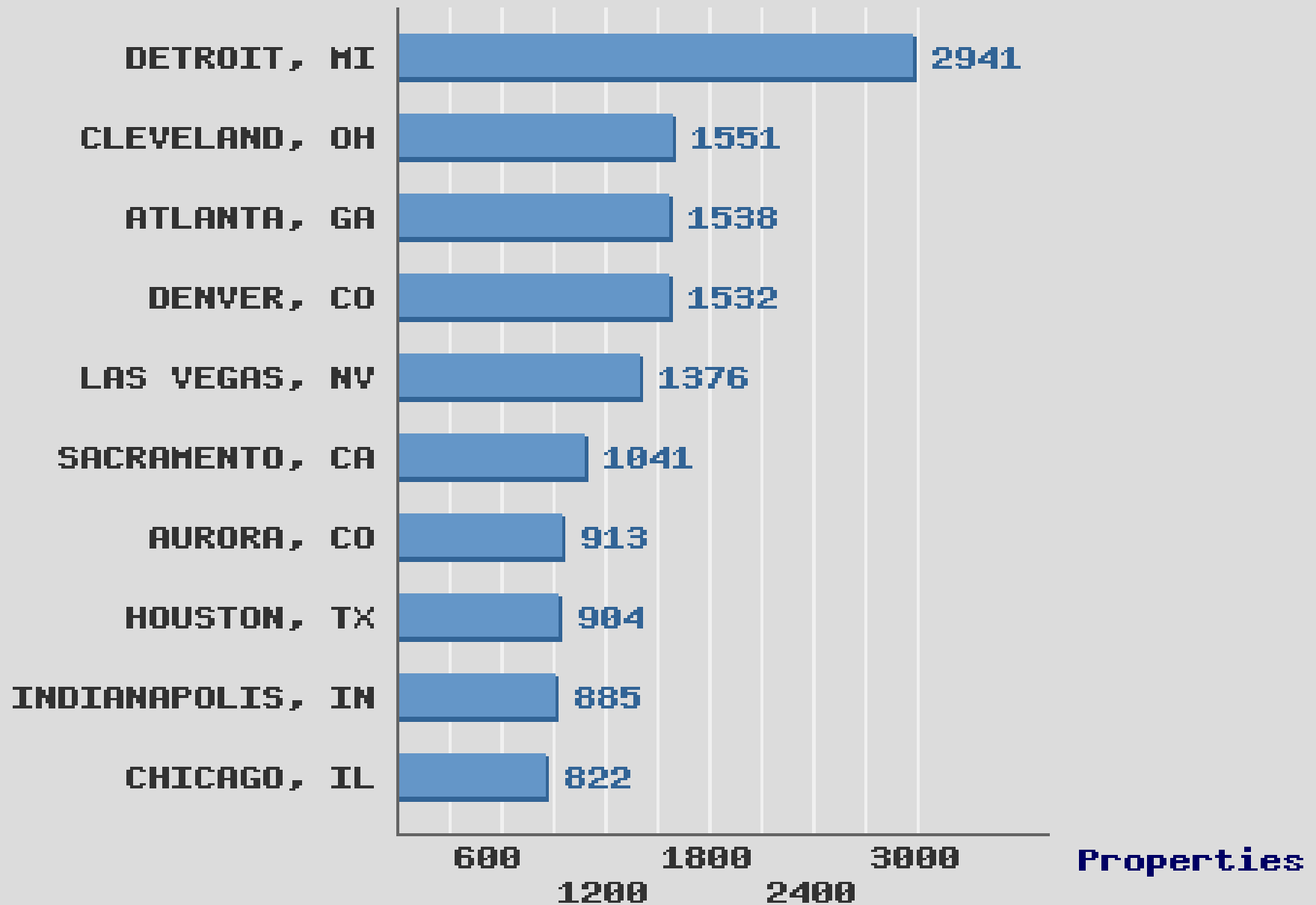


Note: Alaska and Hawaii are not to scale

Source: Equifax/Moody's Economy.com

New Foreclosures by City - November

City



Industry and Market Determinants of Foreclosure

- LTV Ratios (+)
- House Price Appreciation (-)
- Sub-Prime Lender (+)
- Mortgage Type → Non-FRM (+)
- Savings Rate (-)
- Servicing by Primary Lender (-)
- Interest Rates (+)



Human/Individual Factors Associated with Foreclosure

- Divorce (+)
- Health Care Exps. (+)
- Unemployment (+)
- Seasonal Nature of Job (+)
- # of Dependents (+)
- Non-Housing Wealth (-)
- FTHB Status (+)
- Gambling (+)



Pre-purchase Homeownership Counseling's Effects on Default and Foreclosure

- Positive effect overall as a risk mitigator
- Little in the way of follow-up procedures
- Questionable purchasing behavior of FTHB
- More vulnerable to predatory lenders *after* origination than before



Community Costs of Foreclosure



- Fire Risks
- Increasing Crime
- Administrative/Municipal Costs
- Property Value Effects

Foreclosure and Mortgage Fraud



- Fraud-for-property schemes vs. fraud-for-profit schemes
- Clustering effect
- Adverse community effects
- Difficulty in researching fraud effects on foreclosure

Mortgage Fraud – Case Study

Table 6: *Mortgage Fraud Indicators – State-by-State Breakdown*

	African-American	Unemployment Rate	Poverty Rate	Vacancy Rate	Median House Price
Ohio					
Fraud Census Tracts	41.61%	8.35%	20.42%	10.89%	\$108,851
Non-Fraud Census Tracts	23.85%	6.59%	14.32%	7.69%	\$192,496
Georgia					
Fraud Census Tracts	55.18%	9.27%	16.31%	7.13%	\$189,349
Non-Fraud Census Tracts	56.97%	11.74%	22.68%	8.89%	\$157,263
Missouri					
Fraud Census Tracts	53.50%	9.49%	20.80%	53.46%	\$ 67,701
Non-Fraud Census Tracts	24.50%	7.37%	12.82%	24.51%	\$105,249

Concentration of Mortgage Fraud

Table 7: *Mortgage Fraud Indicators by Severity of Mortgage Fraud*

Census Tract	African-American	Unemployment Rate	Poverty Rate	Vacancy Rate	Median House Price
No Fraud	26.01%	7.08%	14.47%	11.73%	\$115,920
Moderate Fraud (1-8 occurrences)	47.74%	8.61%	19.18%	20.69%	\$112,618
Heavy Fraud (over 8 occurrences)	60.08%	11.47%	20.85%	47.16%	\$100,944

So, Who's To Blame for the Affordability Problem?

- Land as a finite resource
- Government infatuated with homeownership
- Liberalized financing of mortgages
- Building codes
- Mortgage fraud
- Suburbanization
- Housing norms
- Inflexible nature of market rents
- Lack of availability of Section 8
- Growth of subprimes
- The dominance of the “stick-built” market

Possible Solutions to Affordability Problem

- Solid, yet realistic, homeownership counseling programs
- Reducing the stigma of manufactured housing
- Reducing the influence of the sub-prime market
- Living wage campaigns
- Land trusts
- Housing trust funds



Other Housing Items Dominating My World

- Predatory lending and anti-fraud legislation
- Rise of gated communities
- Rise of New Urbanism
- Effects of foreclosure laws on bankruptcy behavior
- Housing (in)equality
- Appraisals, assessments, and proper valuation
- Residential property management
- Employer-assisted housing

Any Questions?

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