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# The Real Estate Recovery: Regional Dynamics

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## The US economic expansion will continue

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- Real GDP growth is projected to pick up to 3.0% this year, led by a broadly based acceleration in consumer spending.
- Consumer spending will be supported by gains in employment, real disposable income, and household wealth.
- Homebuilding will rise as household formation recovers as labor markets improve and credit standards ease.
- Real capital spending will increase about 5% annually in 2015–17 as more businesses need to expand capacity.
- Net exports will restrain US economic growth through 2017, largely due to the dollar's appreciation.
- Interest rates will rise through mid-2017.
- Core inflation will stay mild.



## Bottom line for regions

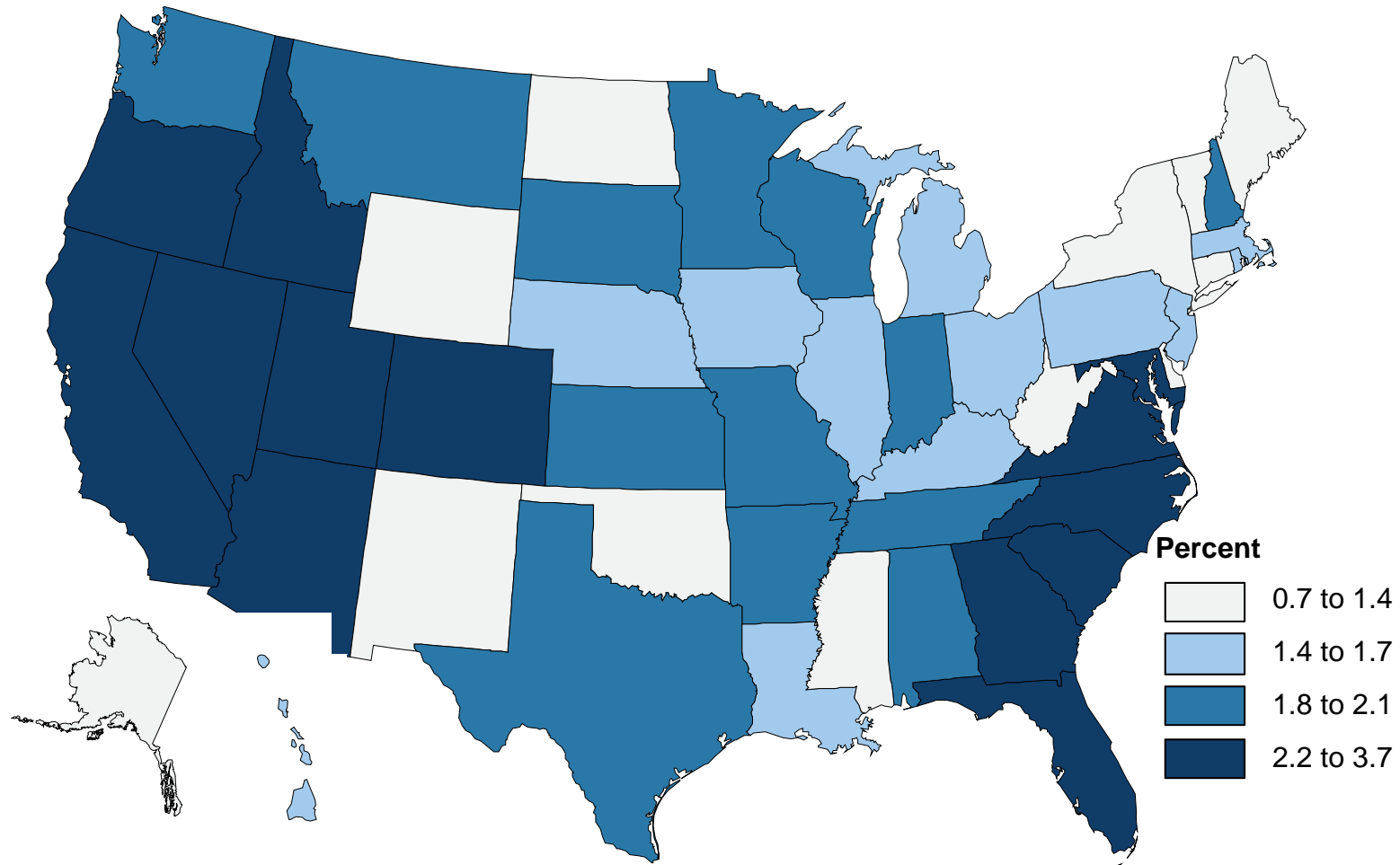
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- Regional economies enter 2015 with a lot of momentum with all states seeing positive employment growth in 2014 for the first time since 1999
- The Sunbelt will perform better than average as housing markets recover
- Strong manufacturing gains will bring improvement in relative performance to the Midwest
- Slow population growth and weaker financial and real estate markets will hamper the Northeast
- Energy and natural resources, especially unconventional oil and gas will be a detriment to large energy producing states over the near term

# Job growth will be strongest in the West and Southeast



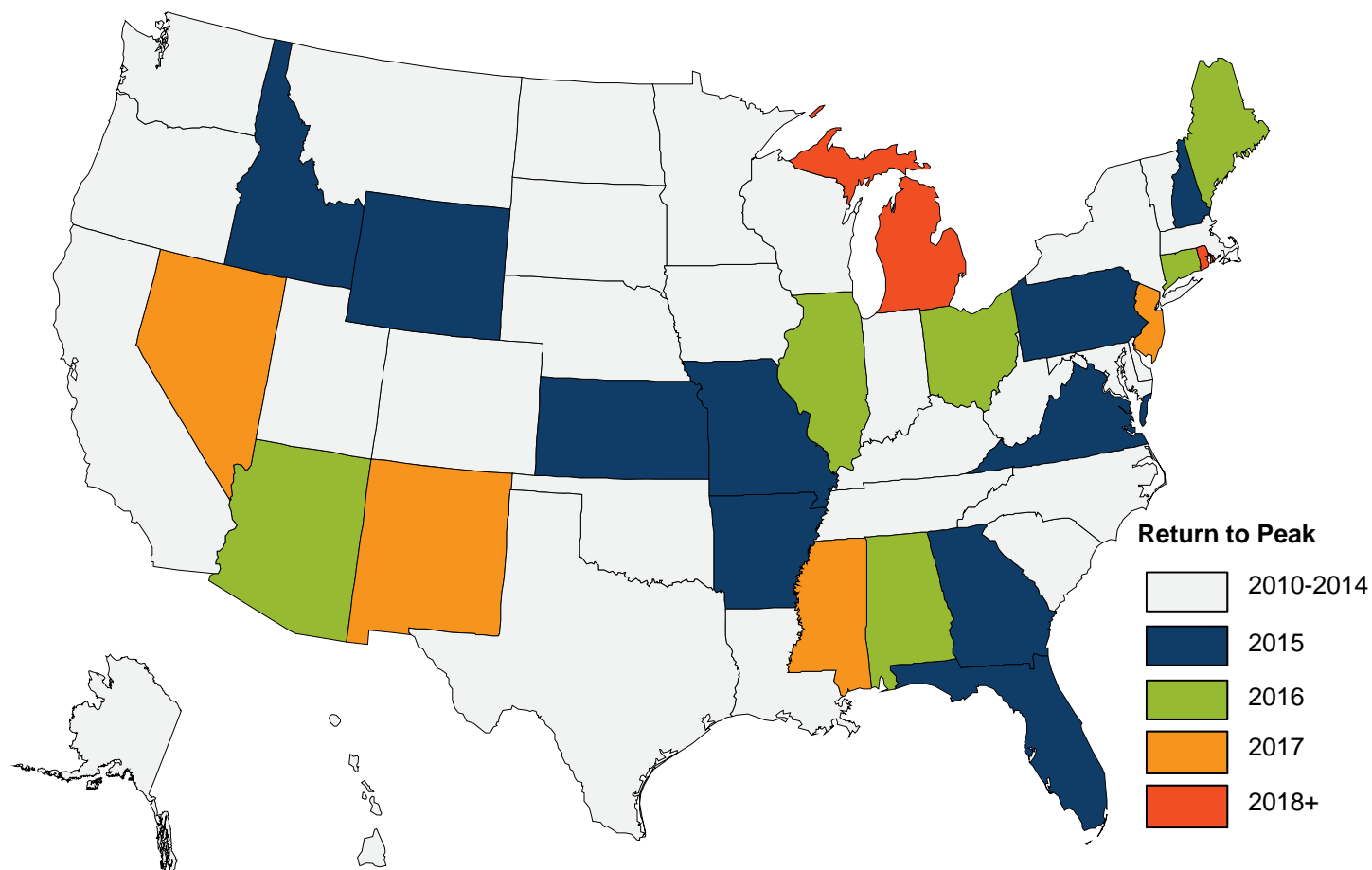
Employment growth, 2015Q4 (percent change vs. year ago)





# The long road to recovery

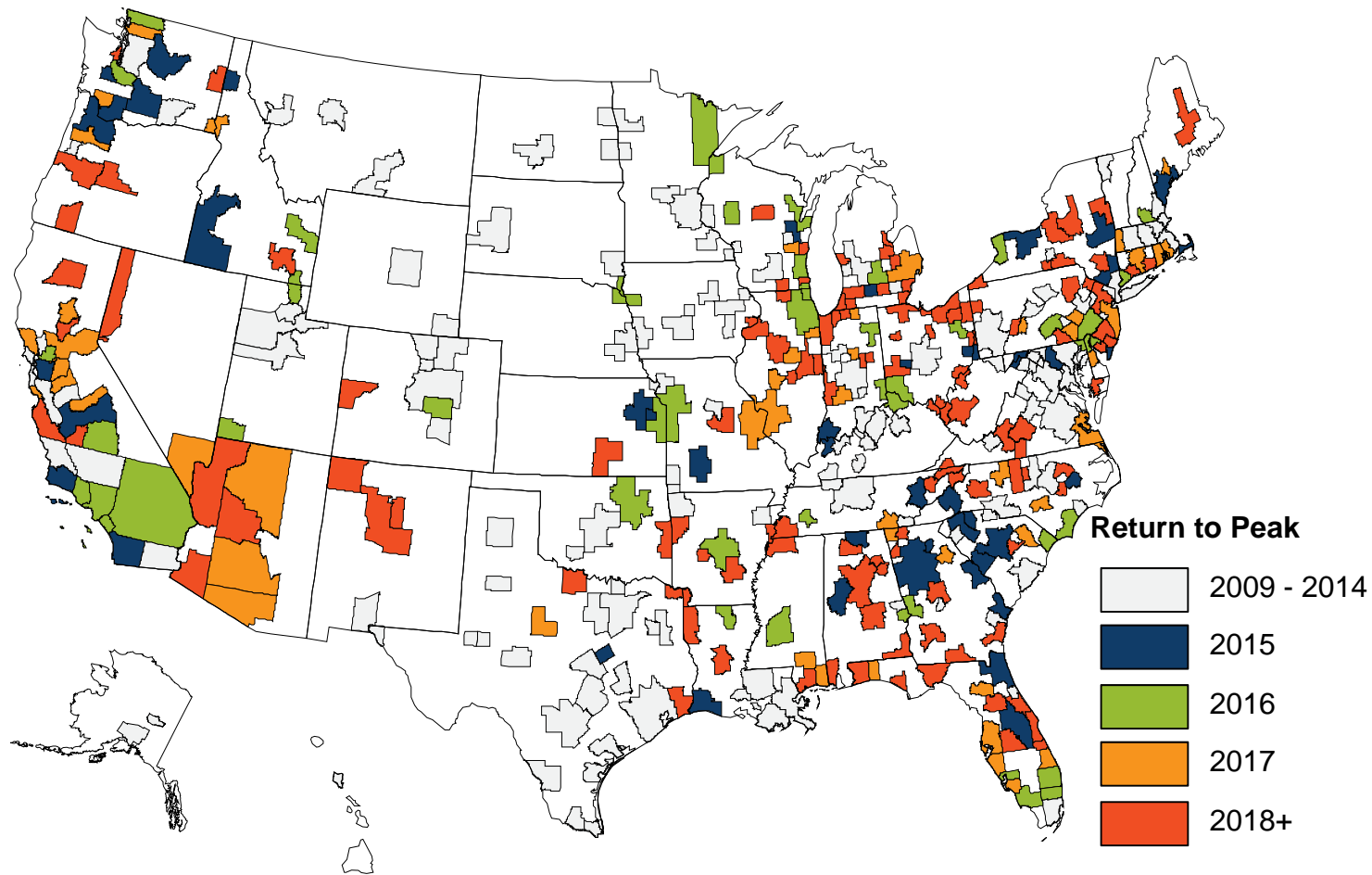
## Year of Return to Peak Employment





# The long road to recovery

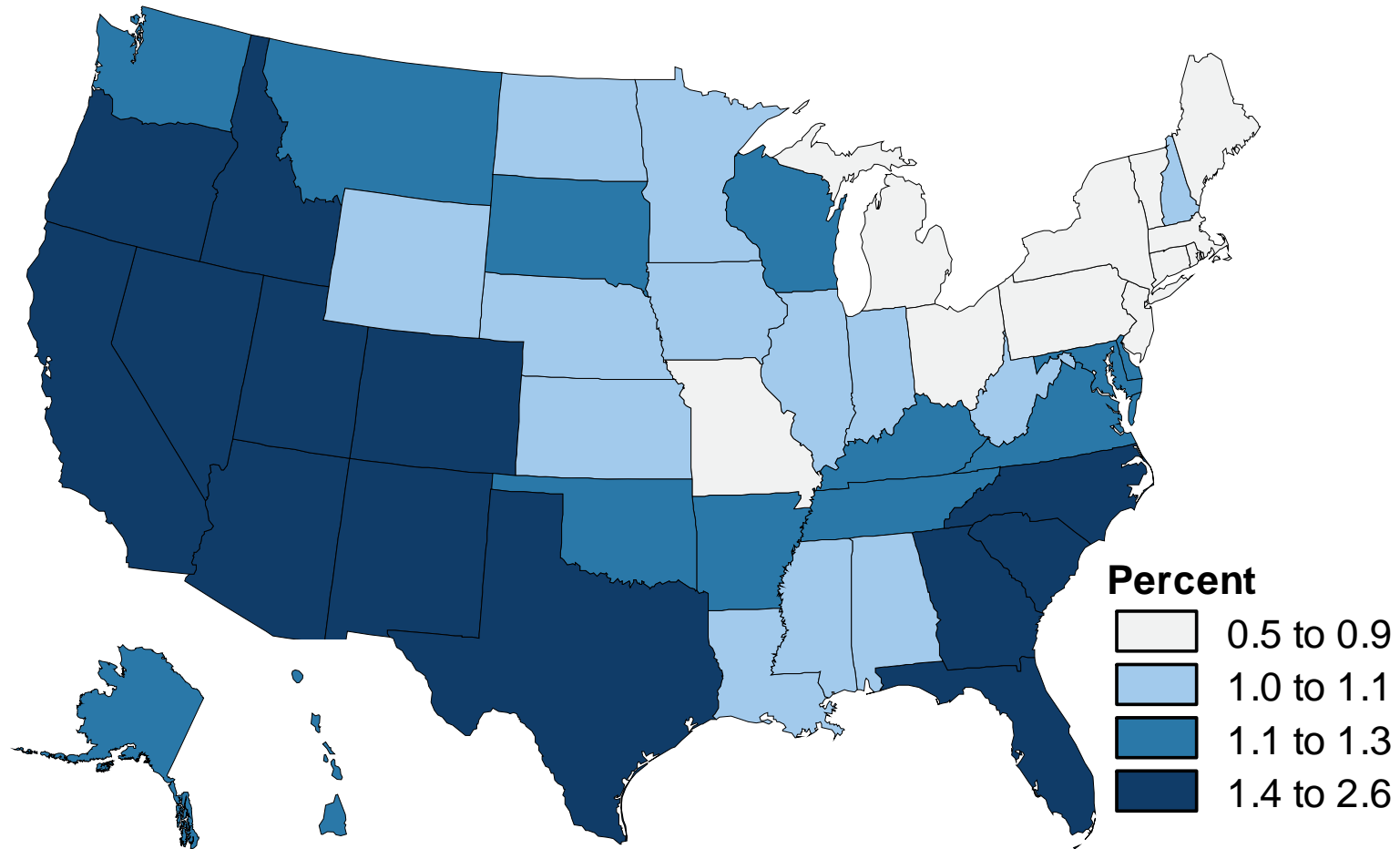
## Year of Return to Peak Employment



# Medium-term outlook: the West and South lead while the Northeast lags



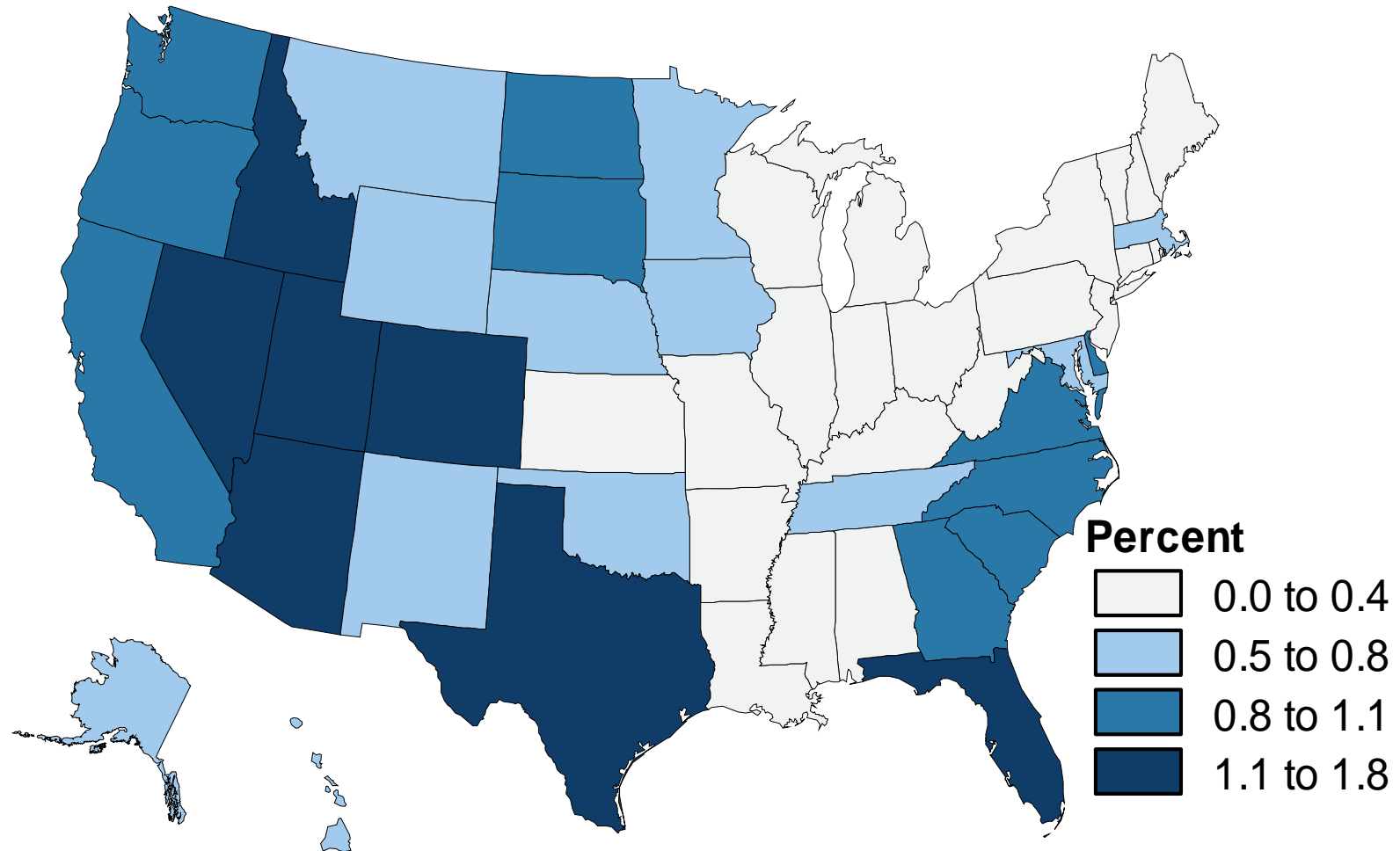
Employment growth, 2015-20





# Population fuels growth

Population growth, 2014-19







## The housing market revival

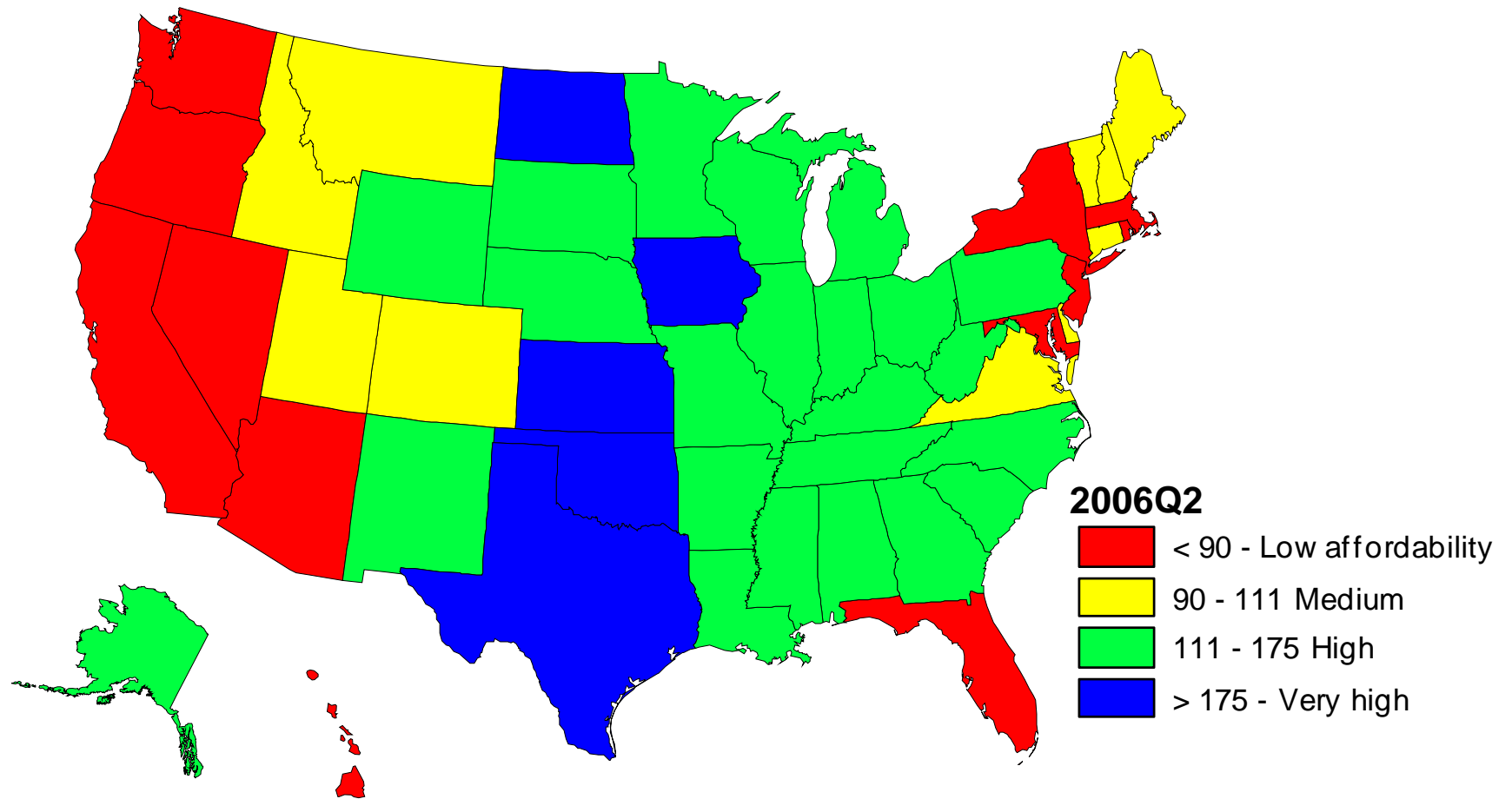
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- Demand is rising thanks to:
  - Steady job growth supporting household formation
  - High affordability
  - Low interest rates
- Contrasting pace of recovery across regions due to:
  - Economic fundamentals
  - Varying degrees of distressed housing
  - Broad range of foreclosure proceedings and durations
  - Different degrees of investor influence



# Affordability then

## Housing Affordability Index, 2006

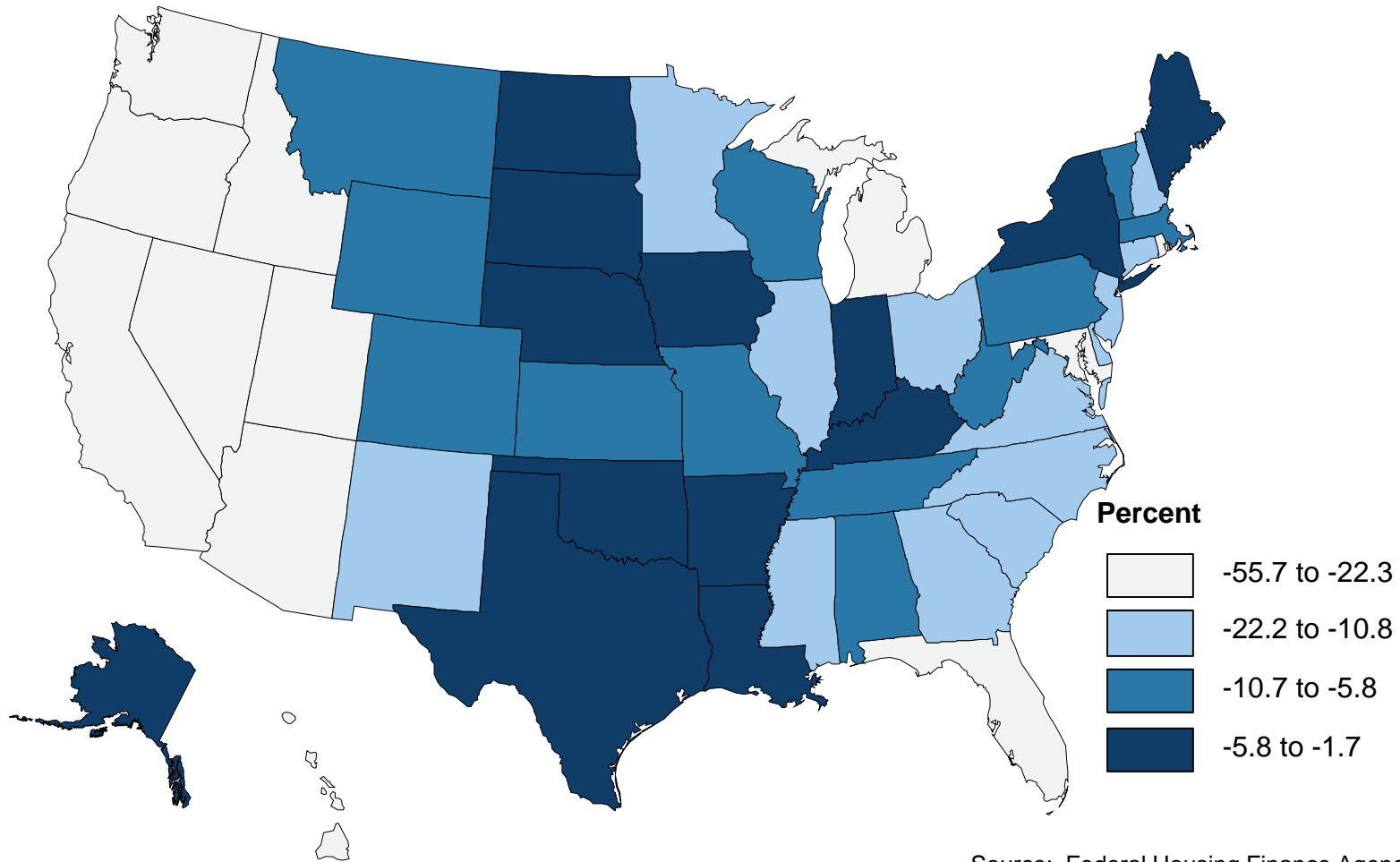


\* A value of 100 indicates that a household earning the median income can afford a median-priced single-family home.

# Least affordable markets were generally hit the hardest during the recession



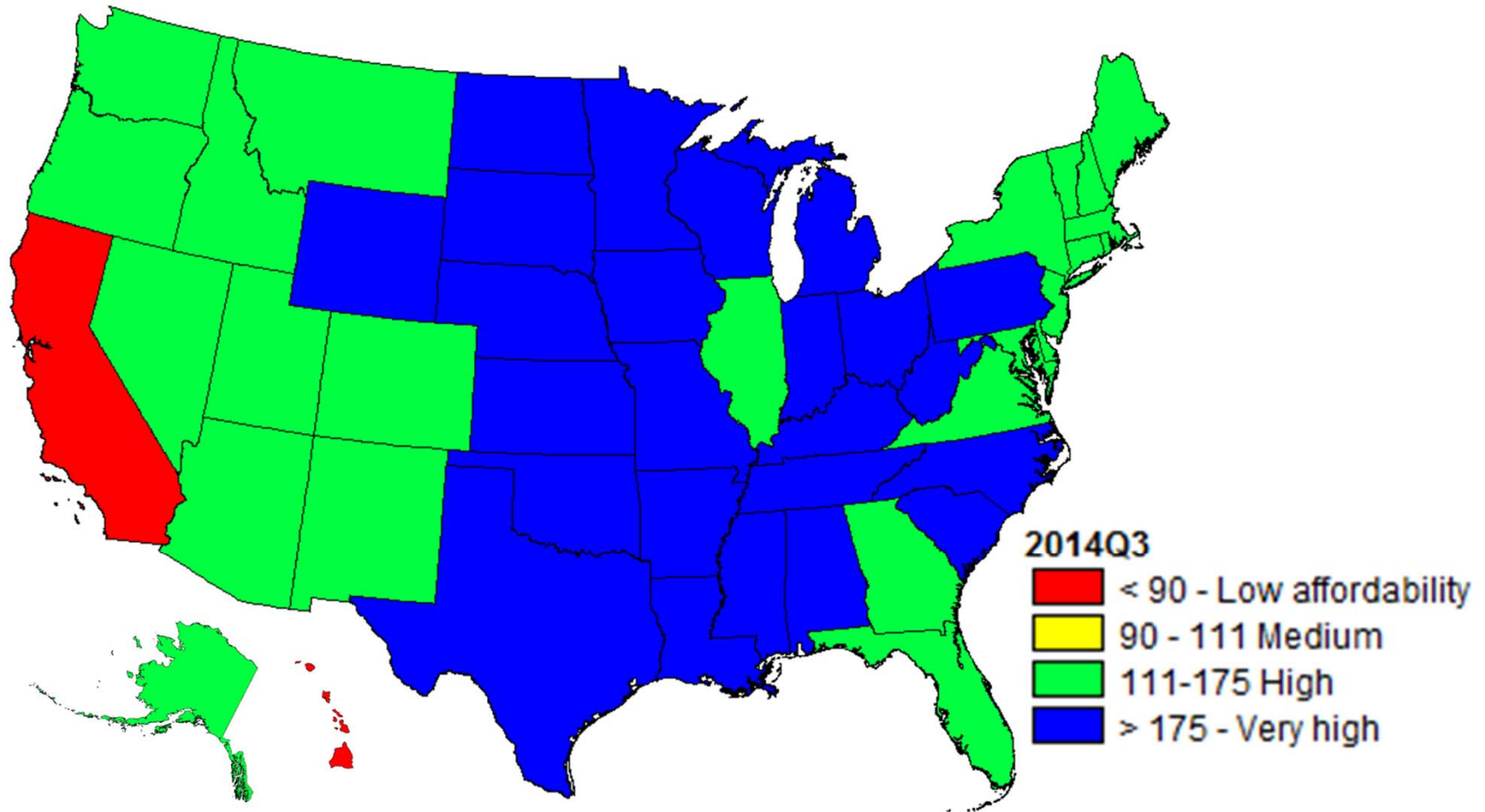
Existing median home prices, peak to trough



Source: Federal Housing Finance Agency

# Affordability now

## Housing Affordability Index, 2014

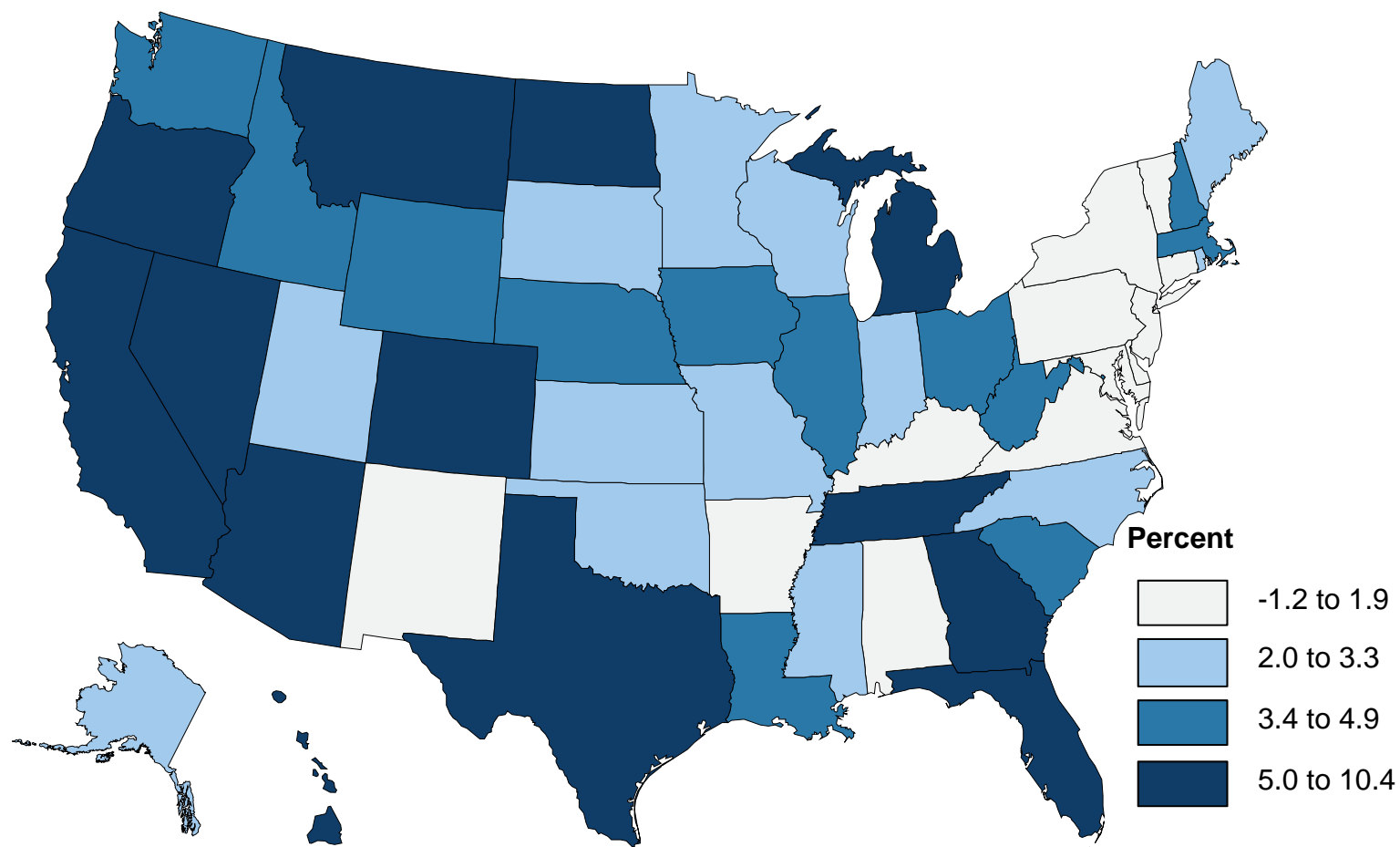


\* A value of 100 indicates that a household earning the median income can afford a median-priced single-family home.



# Recent home price gains have been strong across states

Existing median home price, 2014Q3 (percent change vs. year ago)

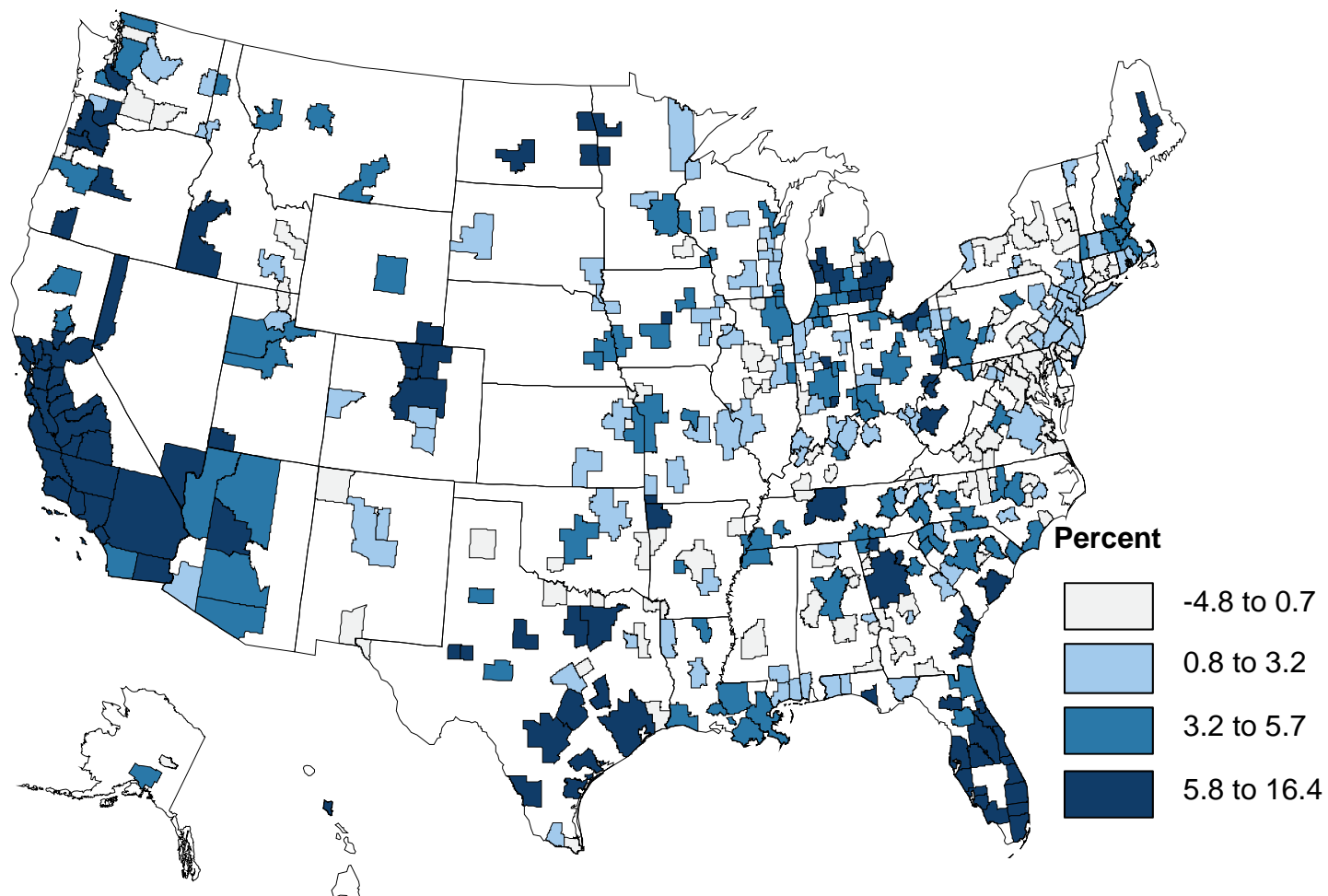


Source: Federal Housing Finance Agency



## Similar story for metros

Existing median home price, 2014Q3 (percent change vs. year ago)

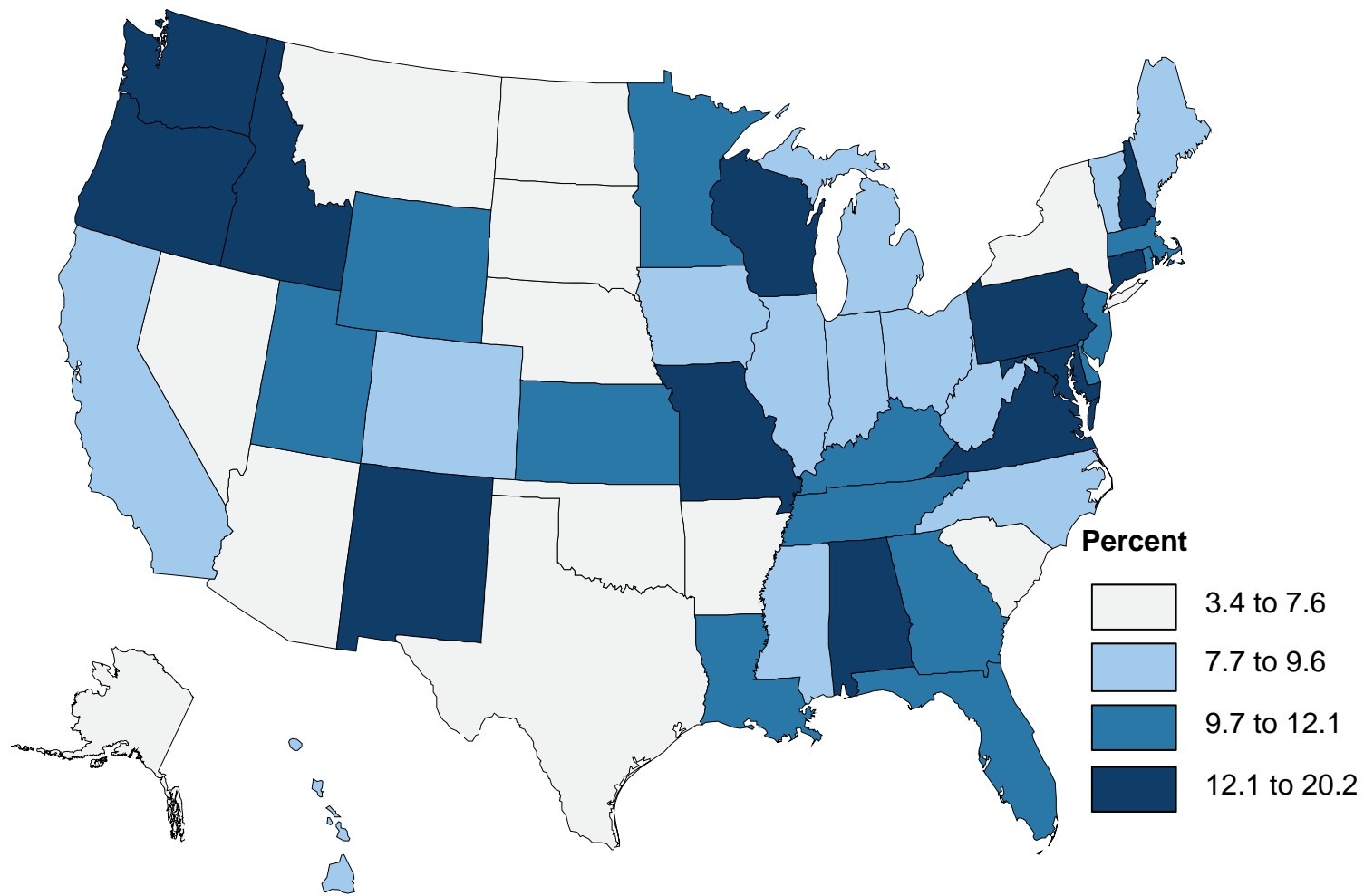


Source: Federal Housing Finance Agency



# Homes sales will climb this year

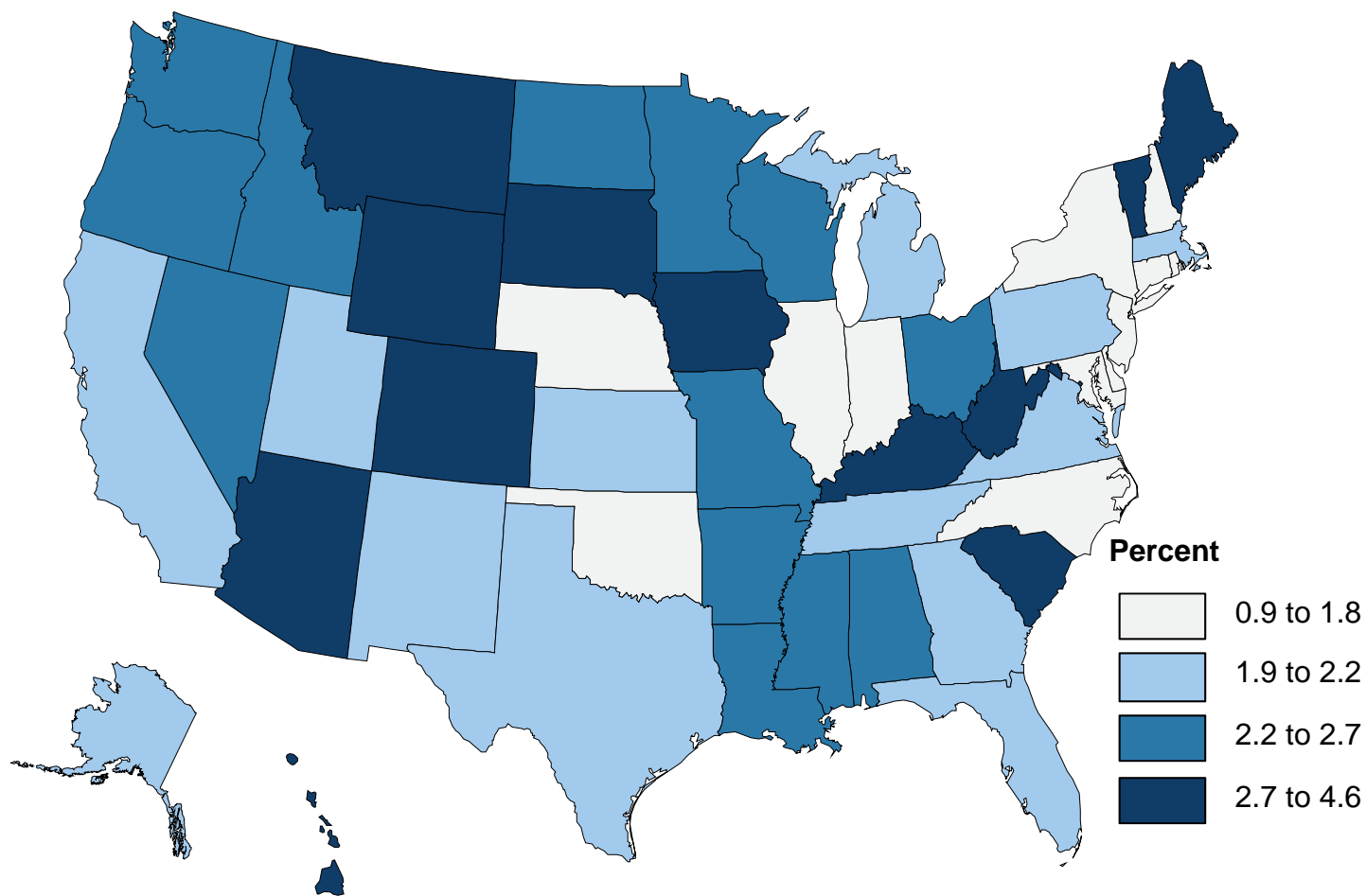
## Existing single family home sales, 2015





# Home price outlook

## Median home price forecast, 2014-2019

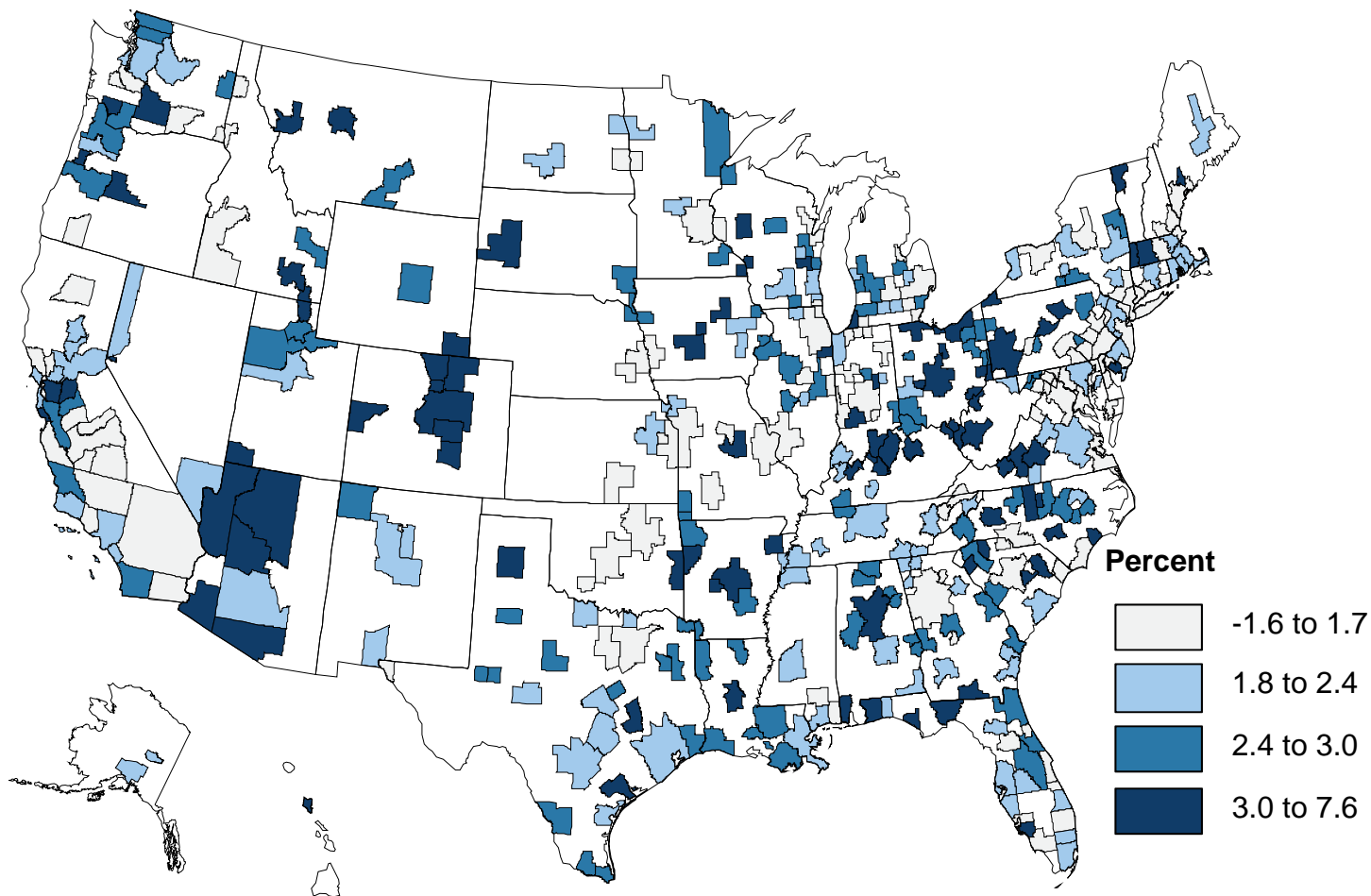






# Home price outlook

## Median home price forecast, 2014-2019





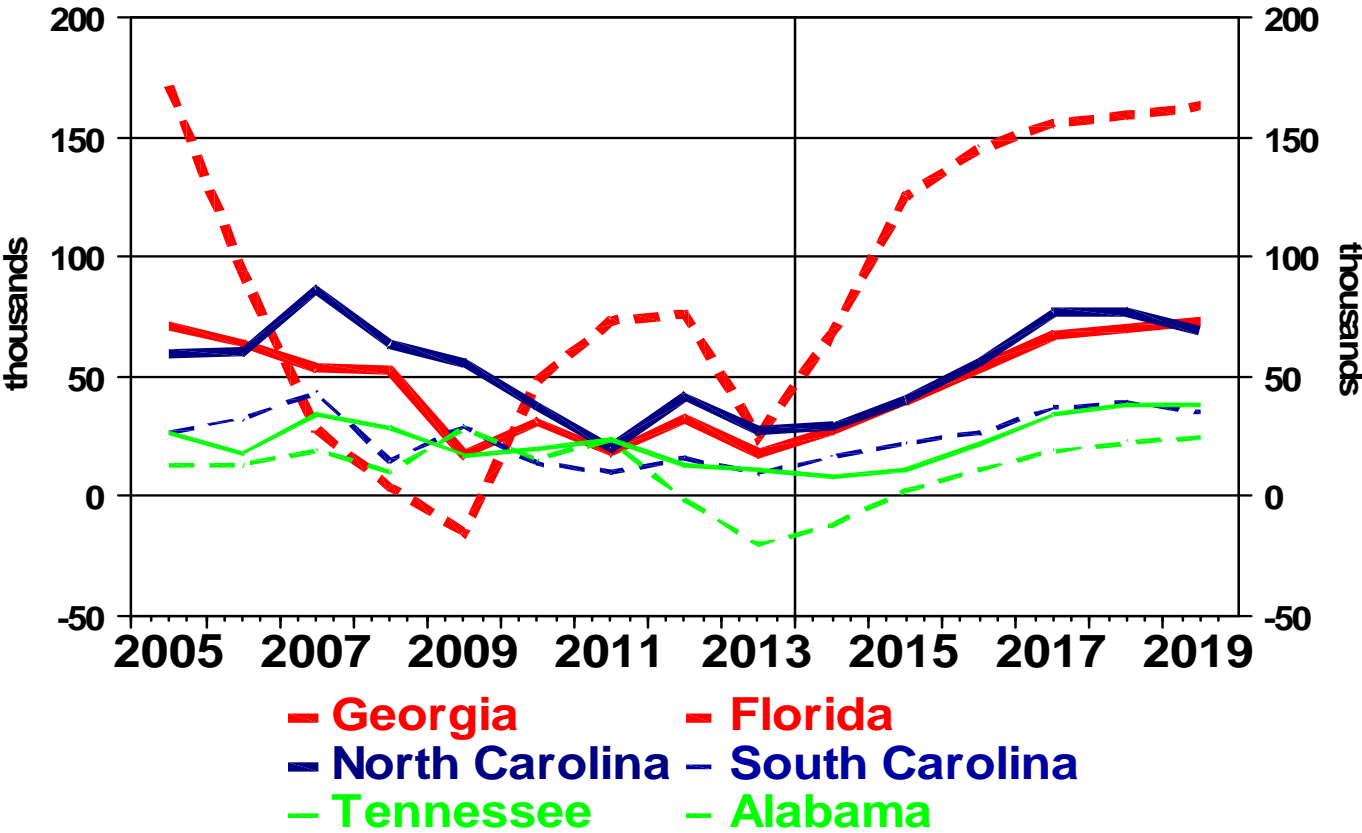
## Regional Real Estate Markets : 2014Q4

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	Subprime Share	Foreclosure Pct	Homeowner Vacancy Rate
Georgia	8.6	1.4	2.2
US	8.6	2.3	1.9
Florida	13.2	5.4	2.8
North Carolina	7.0	1.3	3.0
South Carolina	8.5	2.2	3.0
Tennessee	9.6	1.2	1.9
Alabama	7.0	1.5	3.1

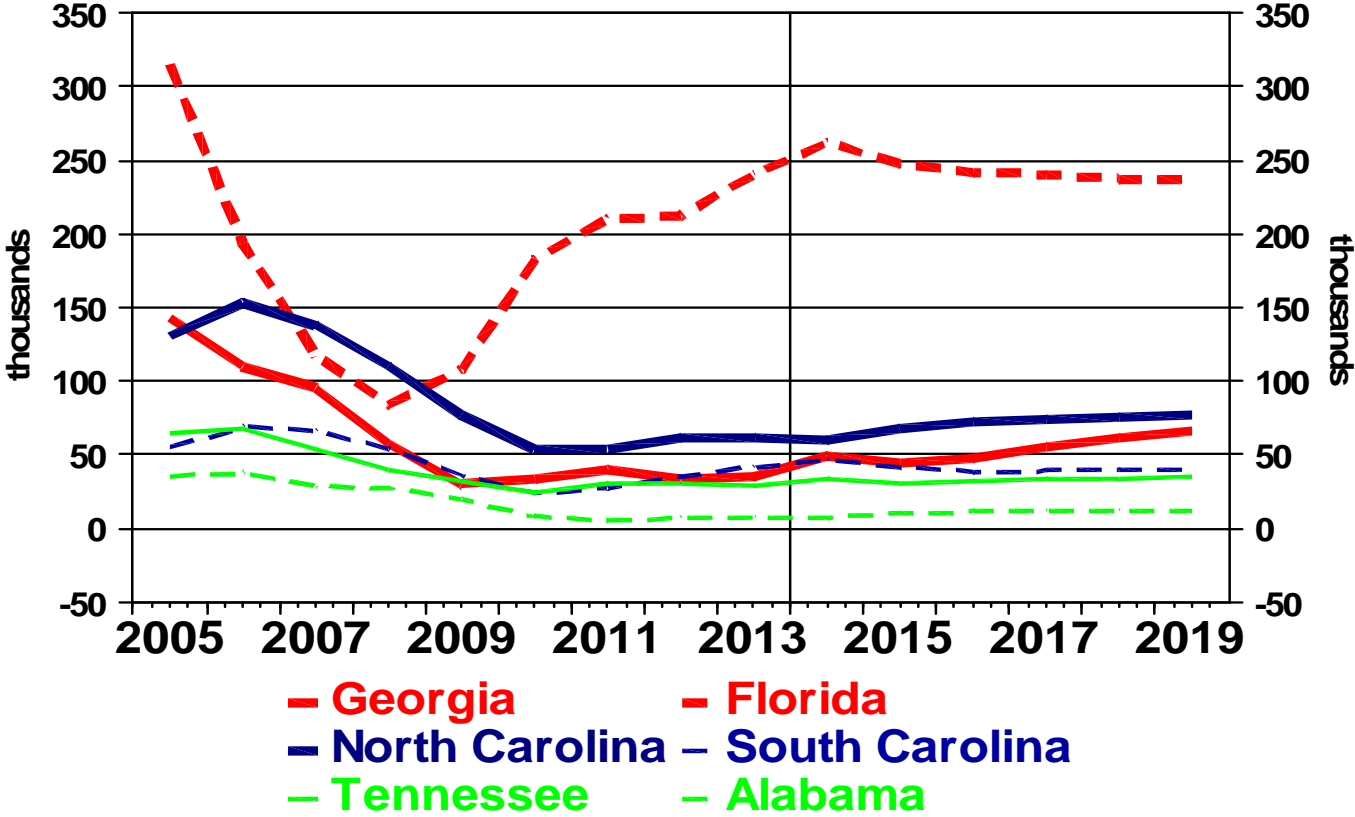


# Household Formation





# Net Migration

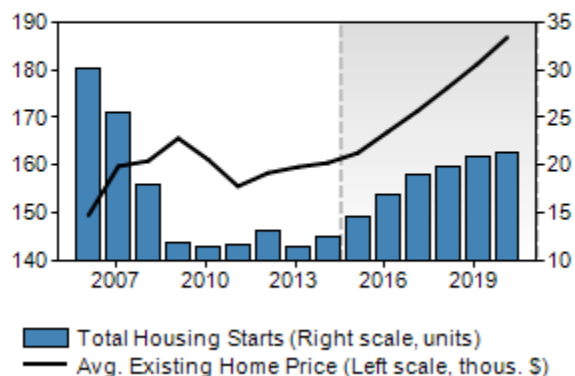




# Forecast : Home Prices v Housing Starts

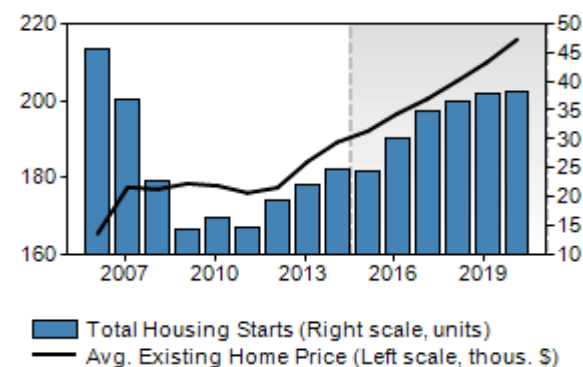
## Alabama

Home Prices vs. Housing Starts  
(Thousands)



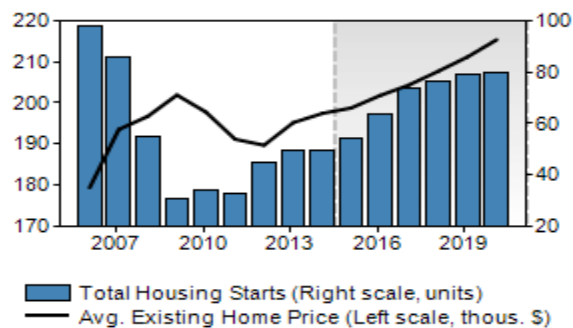
## Tennessee

Home Prices vs. Housing Starts  
(Thousands)



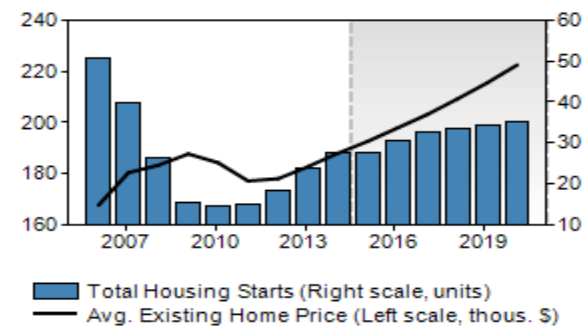
## North Carolina

Home Prices vs. Housing Starts  
(Thousands)



## South Carolina

Home Prices vs. Housing Starts  
(Thousands)

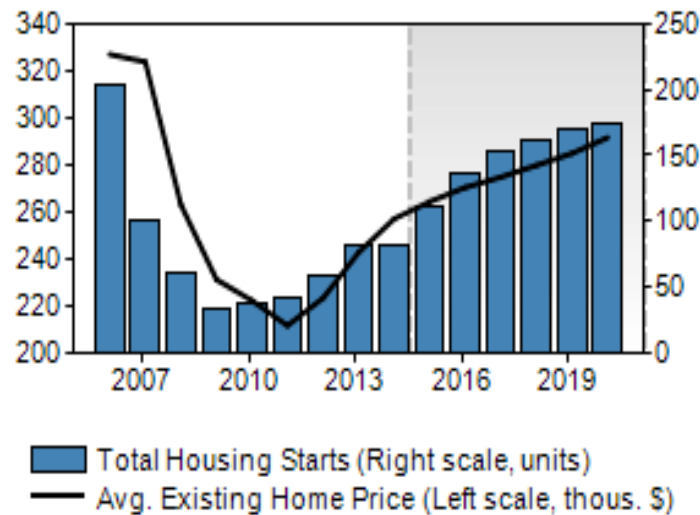




# Forecast : Home Prices v Housing Starts

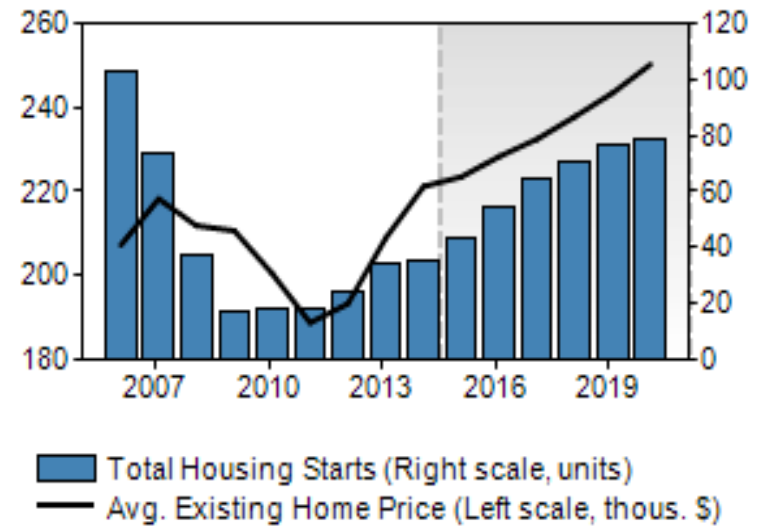
## Florida

Home Prices vs. Housing Starts  
(Thousands)



## Georgia

Home Prices vs. Housing Starts  
(Thousands)



Thank you!

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