

# Housing Market Outlook

## 2019 Lakewood Developers Forum



**ANNIE RADECKI**

(971) 279-7379

[aradecki@realestateconsulting.com](mailto:aradecki@realestateconsulting.com)

Presented June 13, 2019

JOHN  BURNS  
REAL ESTATE CONSULTING



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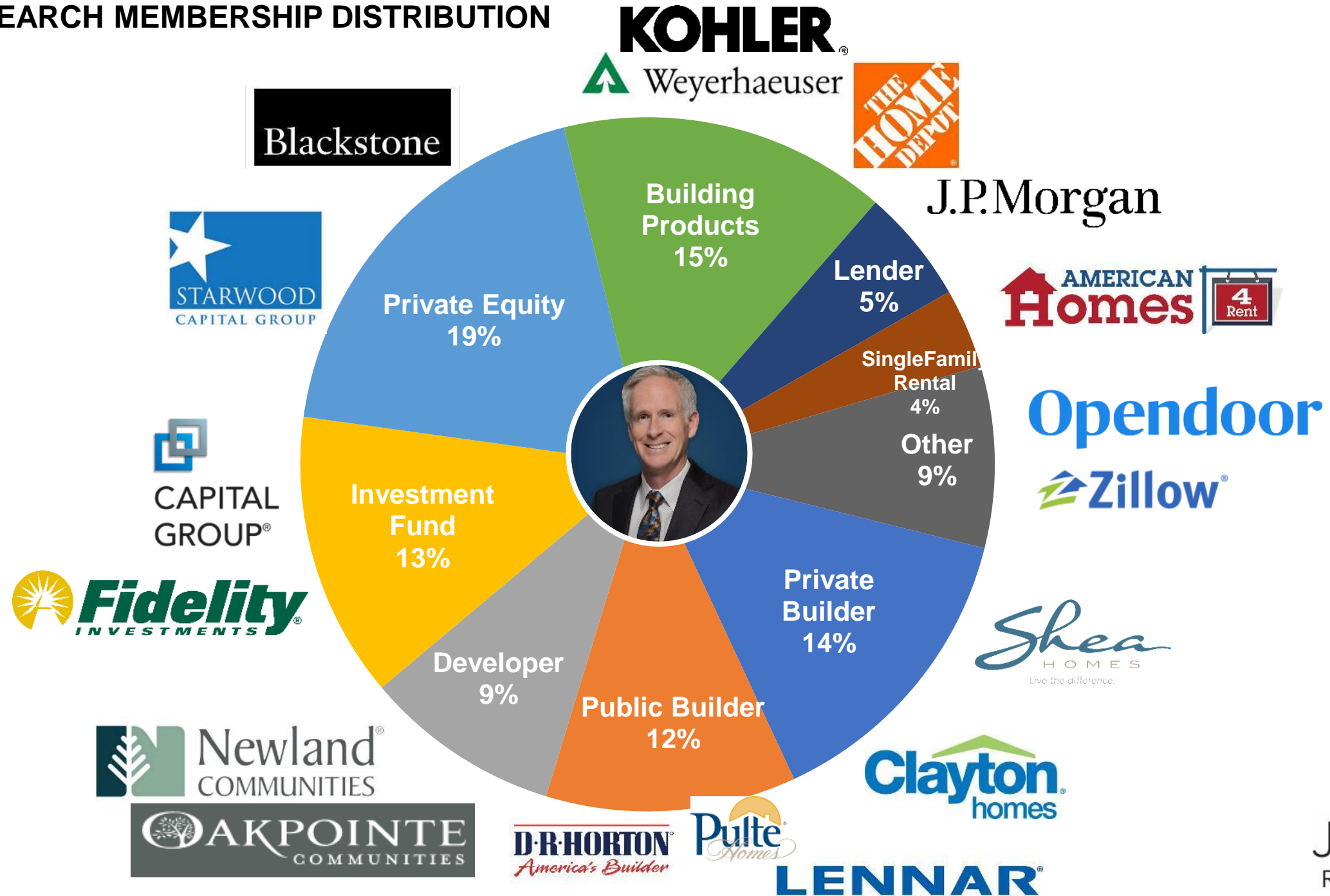
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# Goal: Clarity



A New View on Generations



Huge Demographic Shifts



Effect on the Housing Market

# What Do These People Have in Common?



HELLO  
i'm a  
**Boomer**



**72-year-old**

**58-year-old**





# What Do These People Have in Common?



HELLO  
i'm a  
**Millennia**

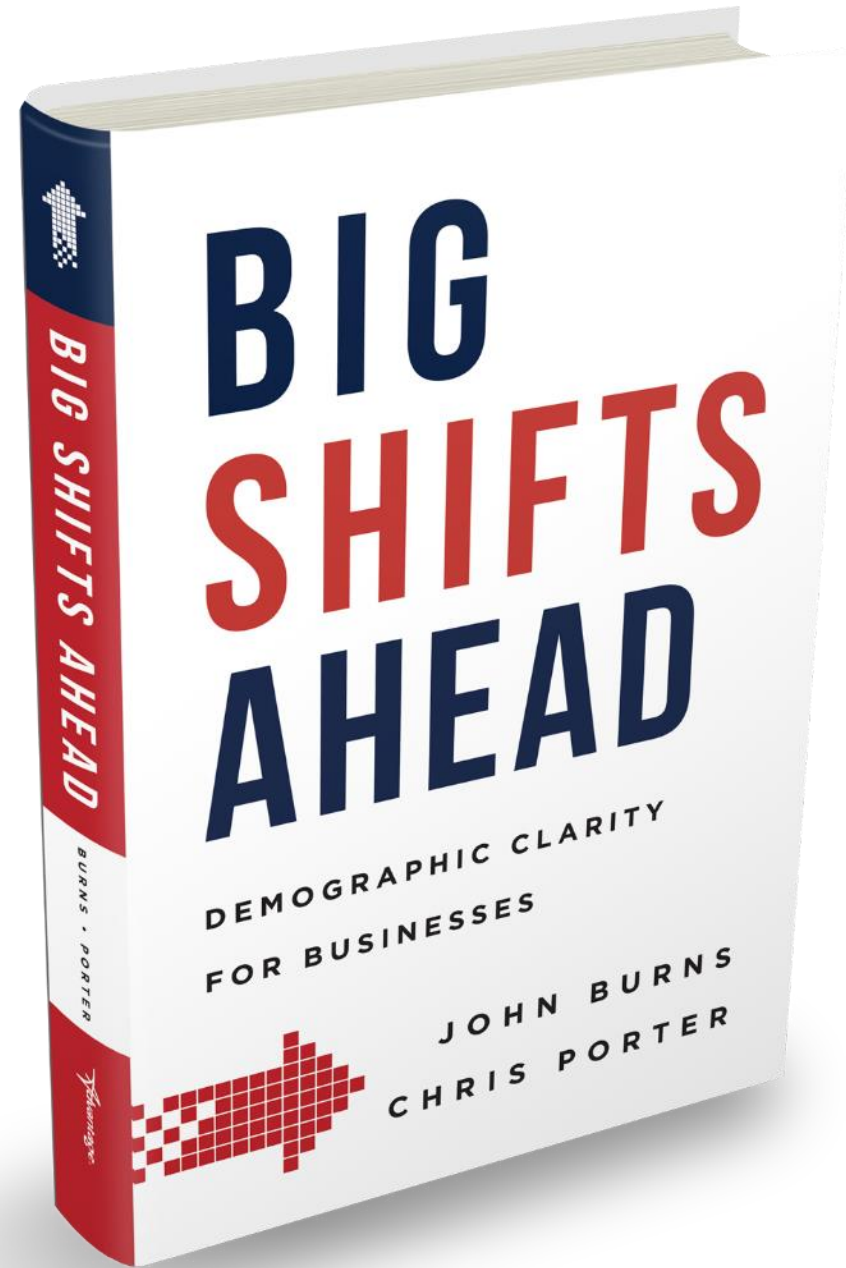


**38-year-old**

**19-year-old**



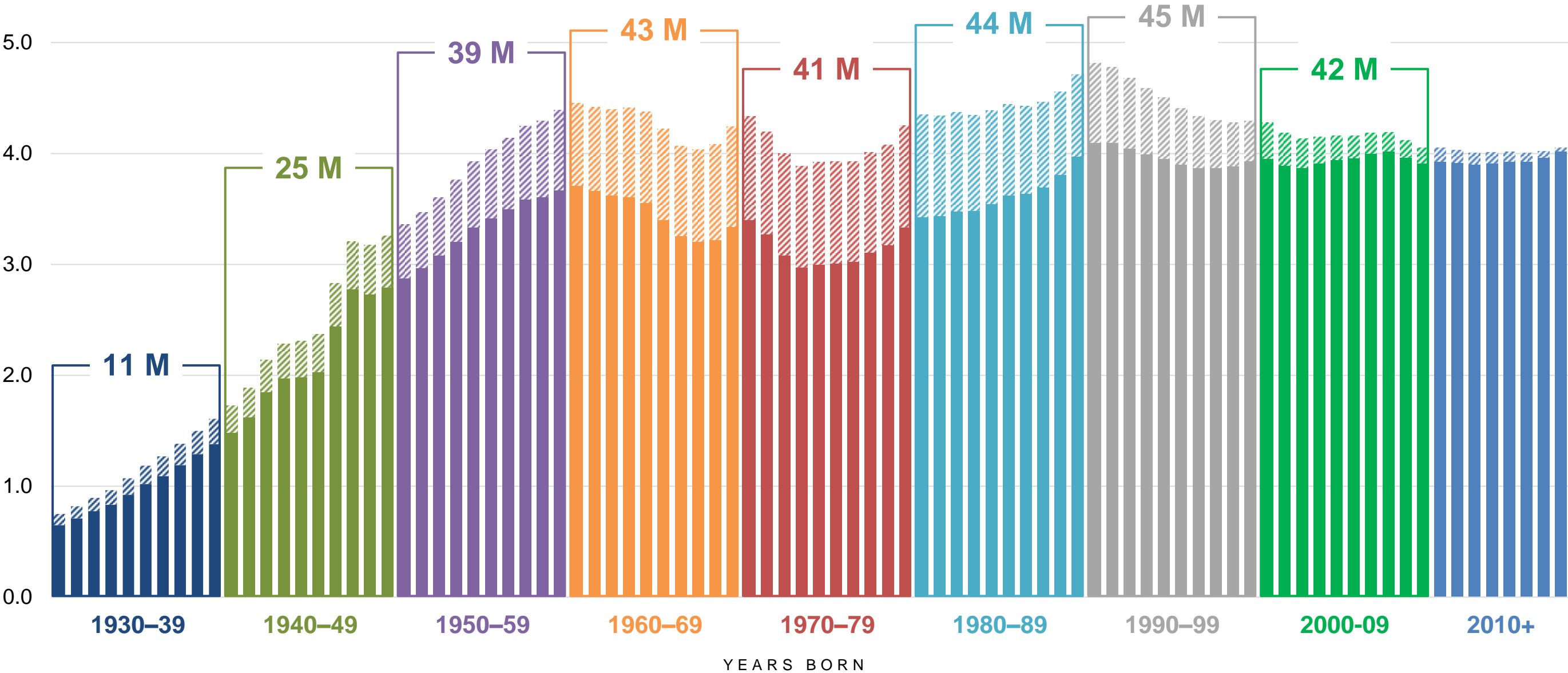
# The Solution: More Clarity



# Define the Generations by Decade Born to Simplify Your Decision Making

2018 US POPULATION

● US Born    ▨ Foreign Born



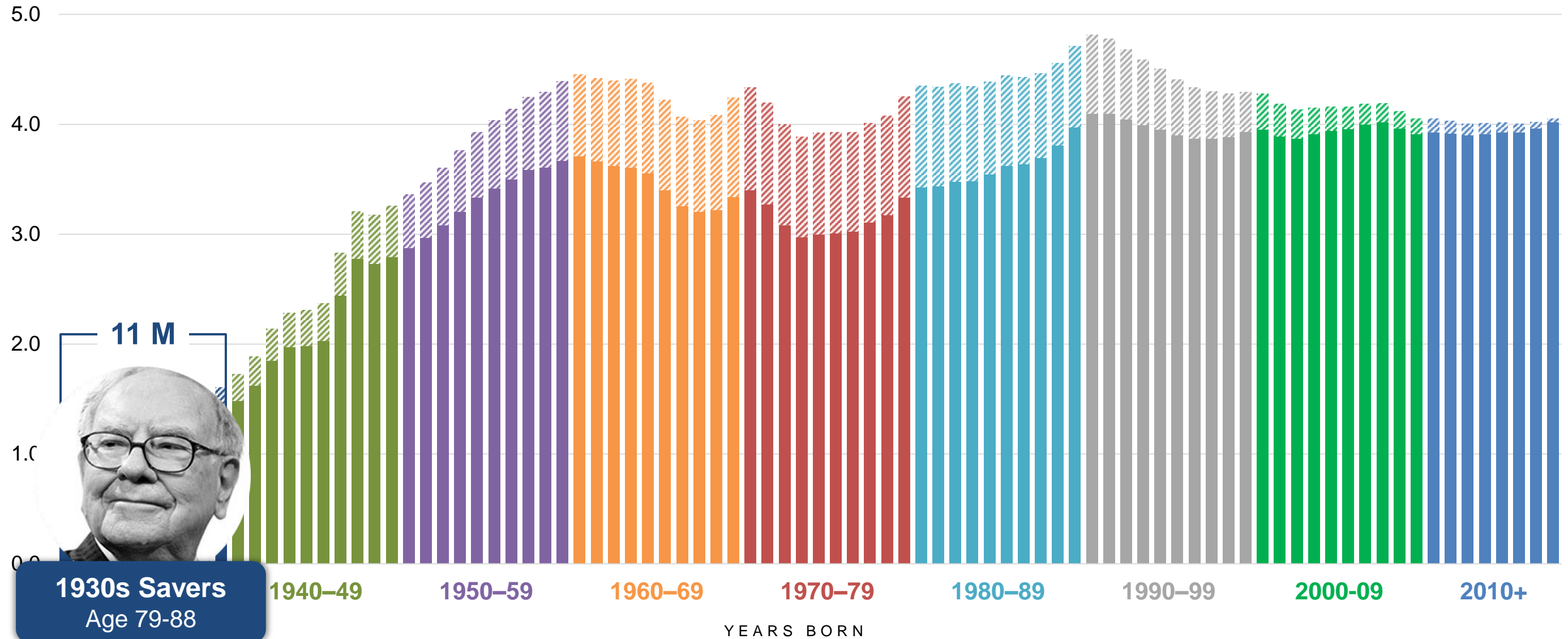
Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections



# Those Born in the 1930s Learned to Save Early in Life

2018 US POPULATION

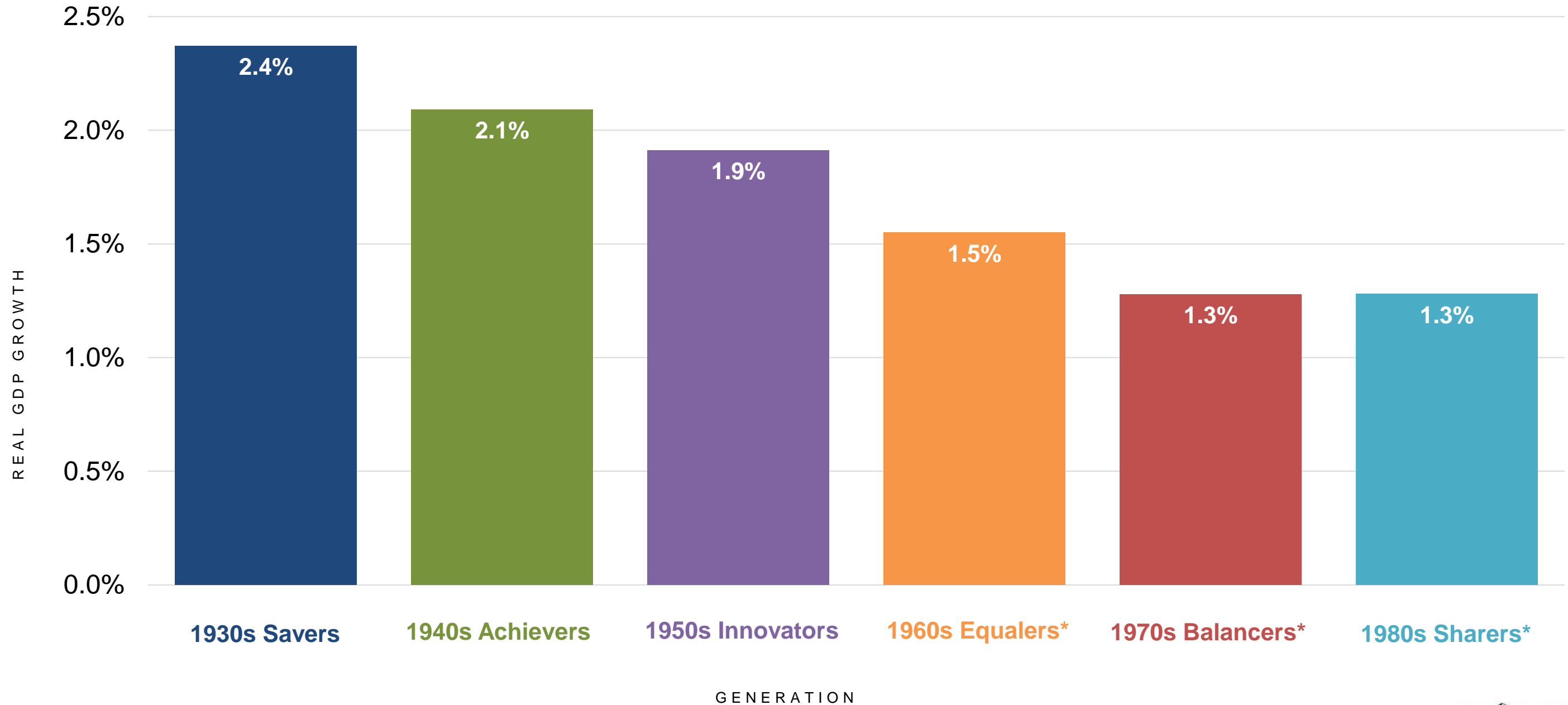
● US Born    ▨ Foreign Born



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections

# Retirees Had Double the Economic Growth That Their Children Have Had

AVERAGE GDP GROWTH PER PERSON— PRIME WORKING YEARS (25-54)

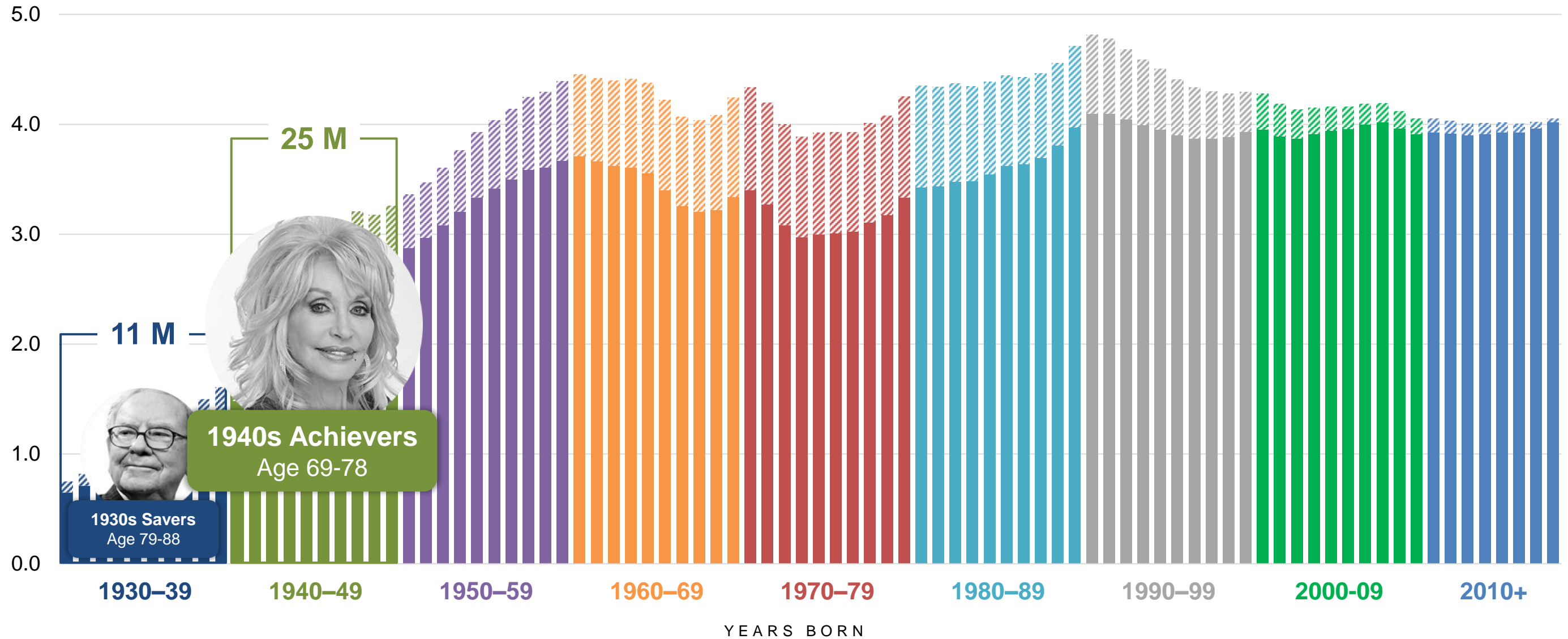


Source: John Burns Real Estate Consulting, LLC calculations of Bureau of Economic Analysis data  
\*Prime working years not yet complete

# The High-Achieving Earliest Boomers Have Retired

2018 US POPULATION

● US Born    ▨ Foreign Born

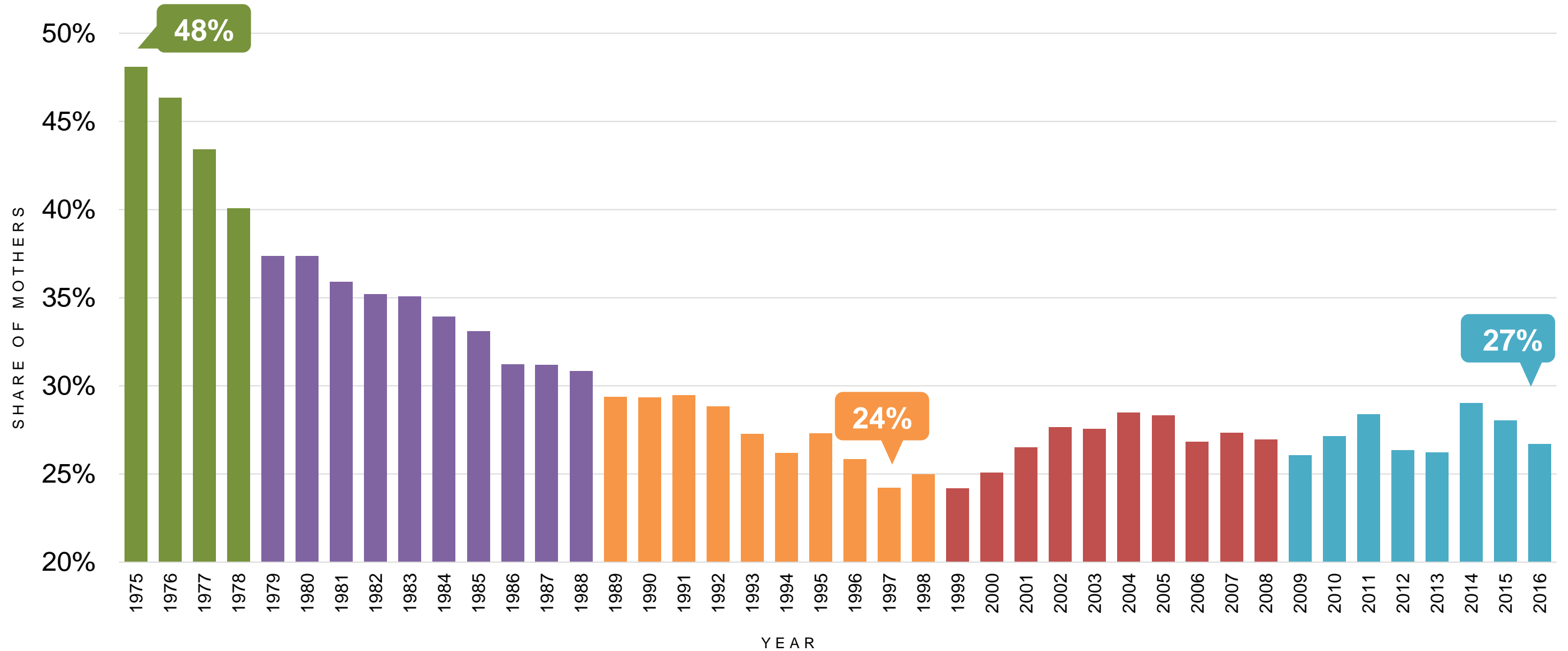


Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections



# The Achievers Led the Decline in Stay-at-Home Moms

SHARE OF MOMS AGED 25-34 WHO STAY AT HOME FULL-TIME

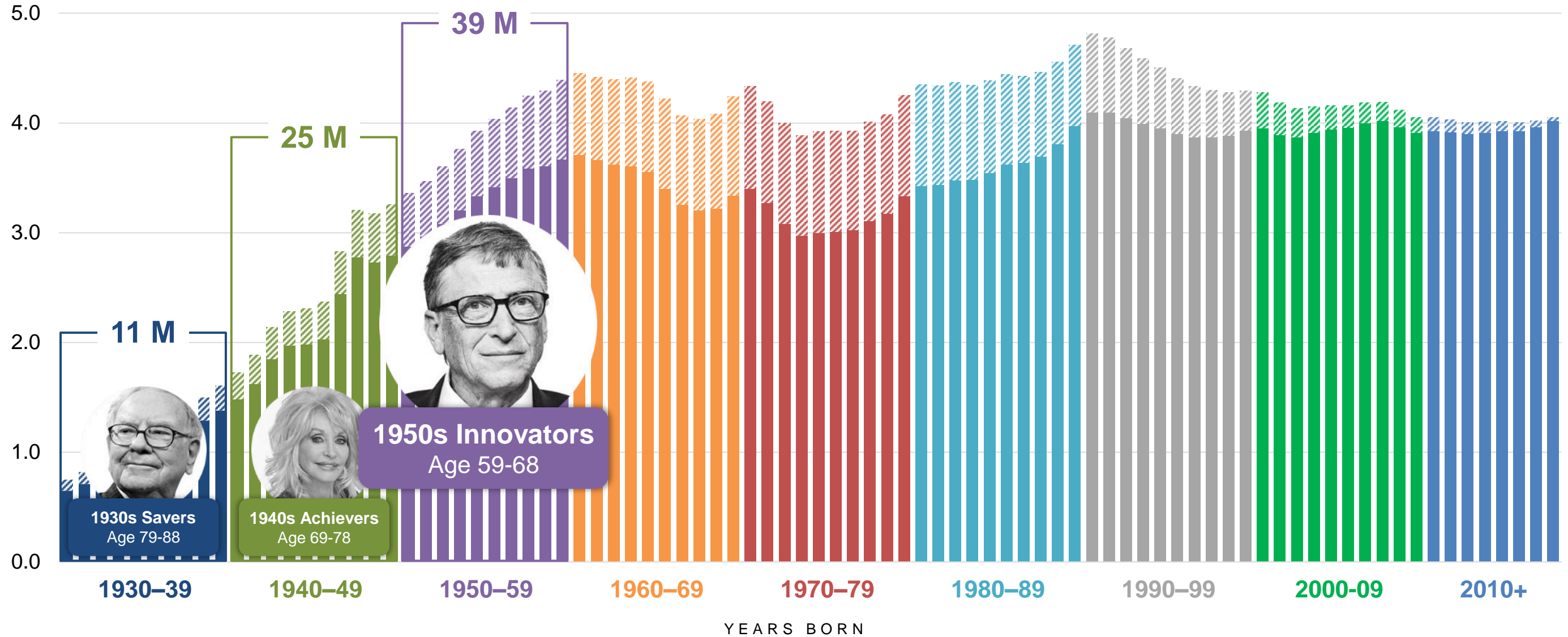


Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau, Current Population Survey, Annual Social and Economic Supplements via IPUMS-CPS; colors based on a 30-year-old mother

# The Innovative Boomers Are Now Retiring in Drove

2018 US POPULATION

● US Born    ▨ Foreign Born

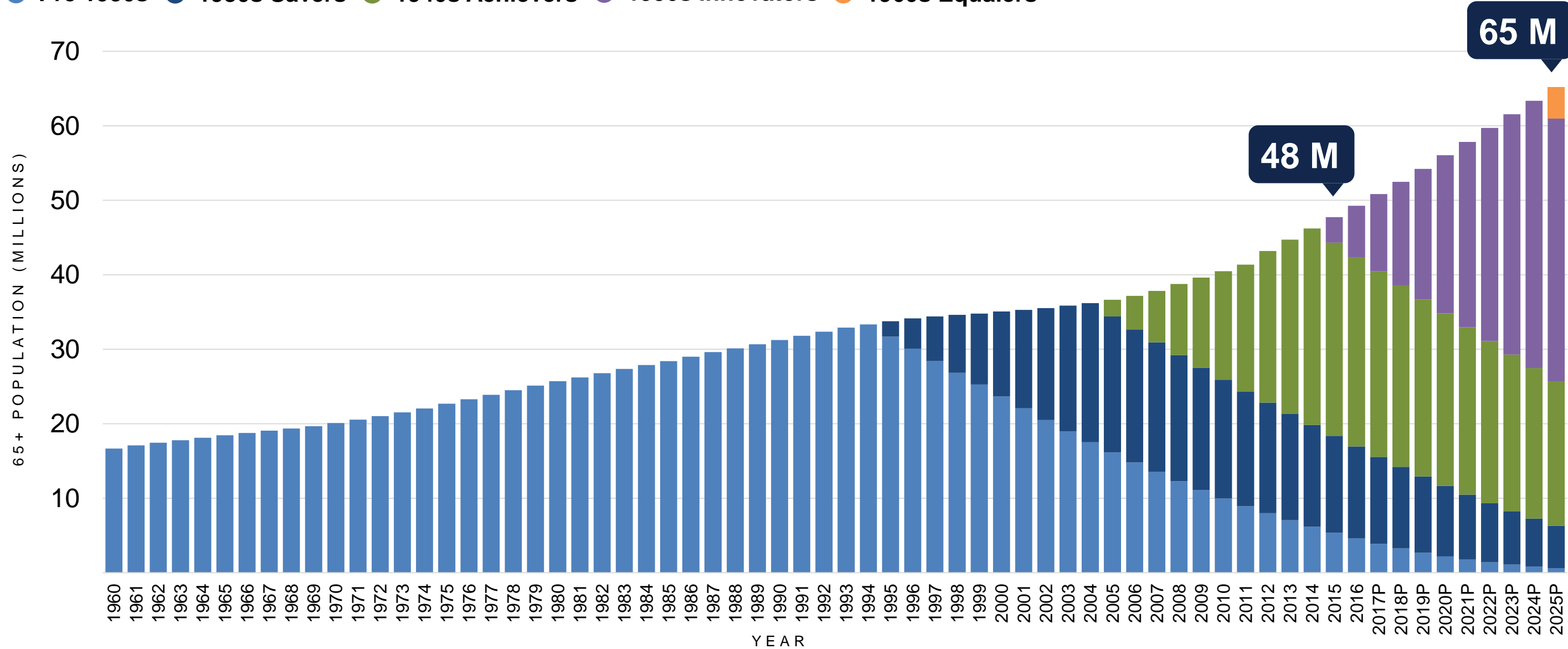


Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections

# Surging Retirement Will Slow Economy and Create New Types of Home Demand

## 65+ POPULATION BY DECADE OF BIRTH

● Pre 1930s ● 1930s Savers ● 1940s Achievers ● 1950s Innovators ● 1960s Equalers

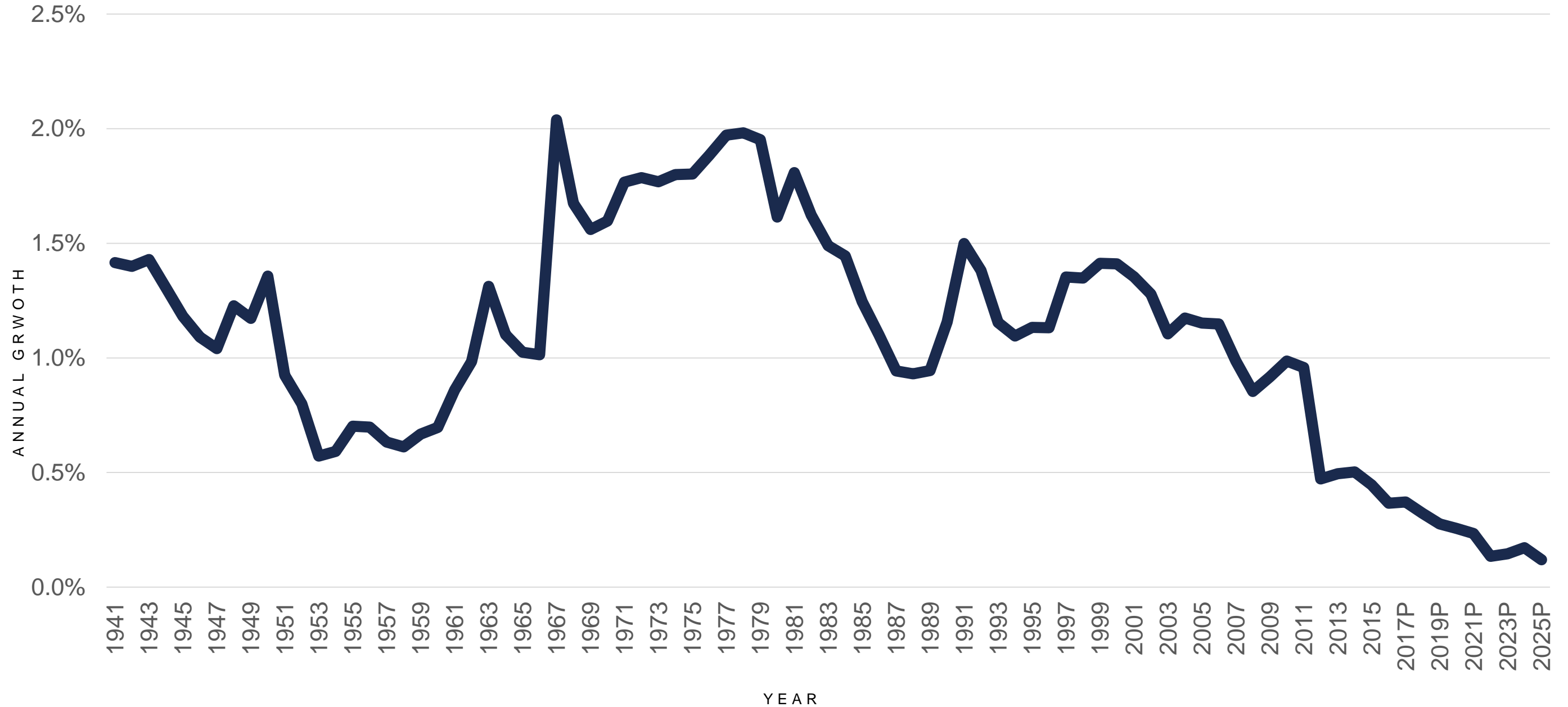


Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau Population Estimates and 2014 National Projections



# Retirement Surge Will Lead to Slower Rate of Job Creation, Higher Incomes

GROWTH OF US RESIDENT POPULATION AGES 20-64

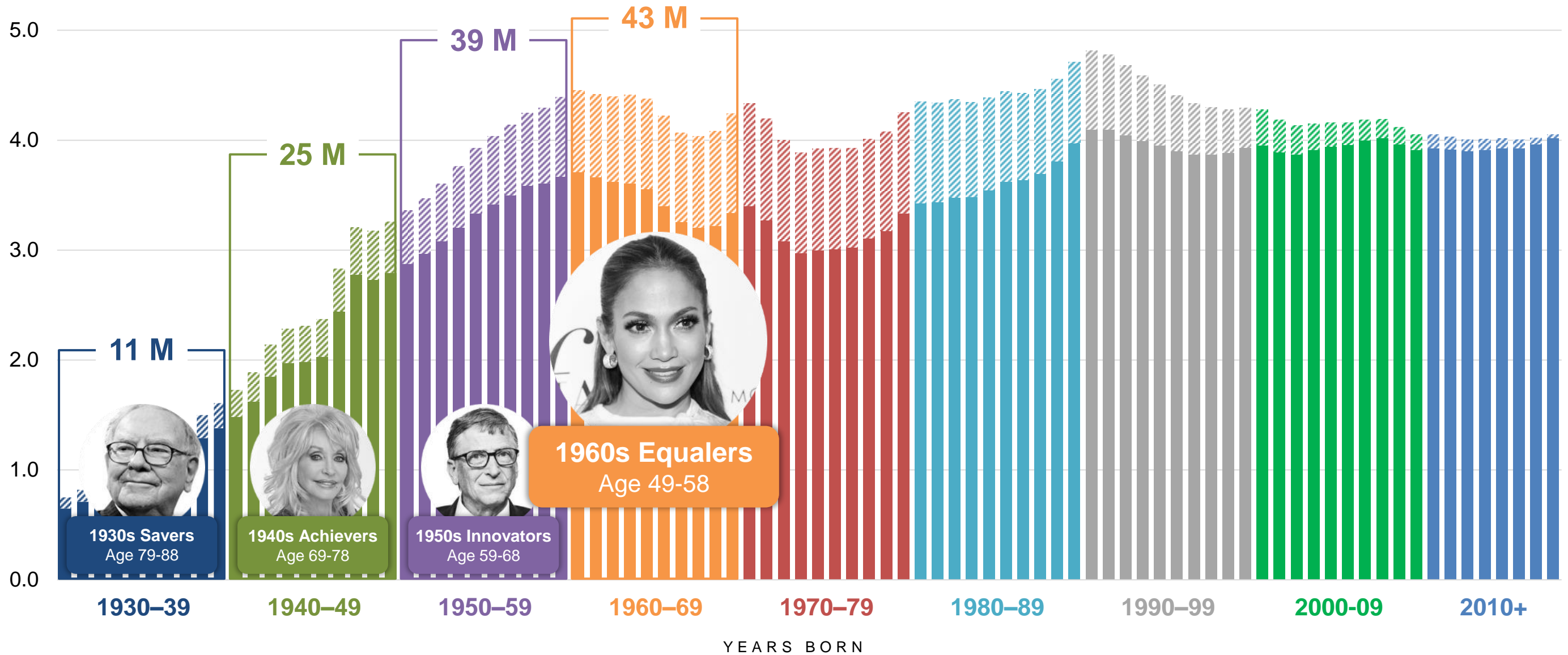


Source: John Burns Real Estate Consulting LLC calculations using US Census Bureau population estimates (1981–2016) and 2018 national projections (2017–2025)

# More 1960s-Born Women Graduated College Than Men

2018 US POPULATION

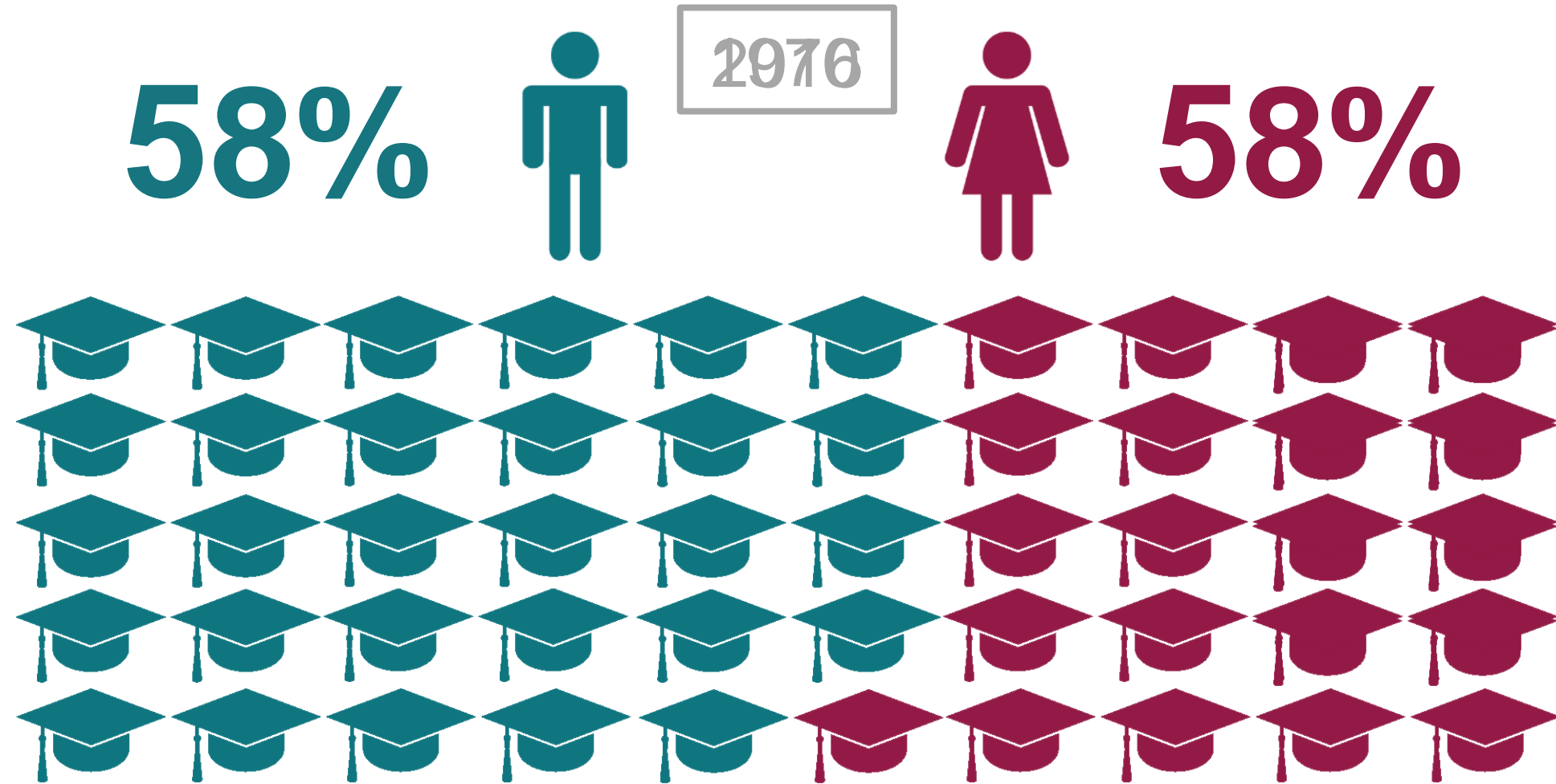
● US Born    ▨ Foreign Born



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections

# Women Earn 58% of All College Degrees Today

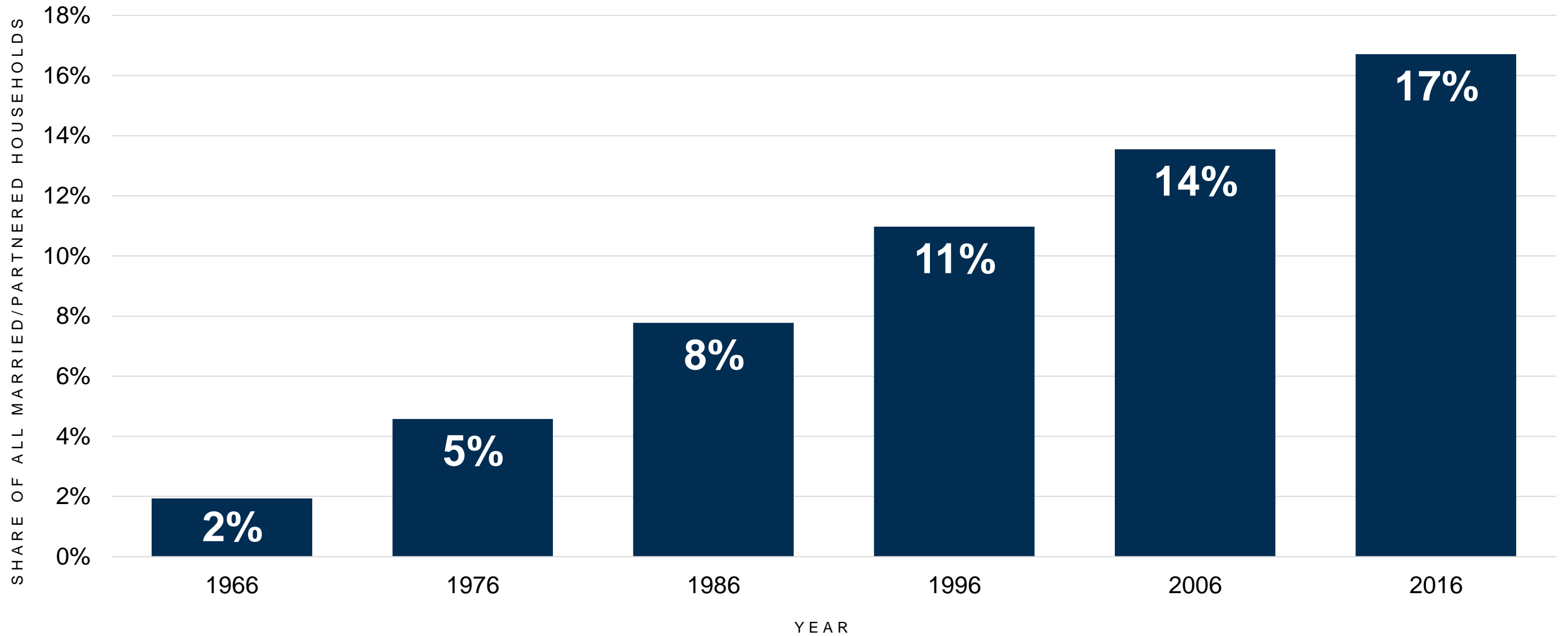
PERCENT OF ALL BACHELOR'S AND MASTER'S DEGREES CONFERRED





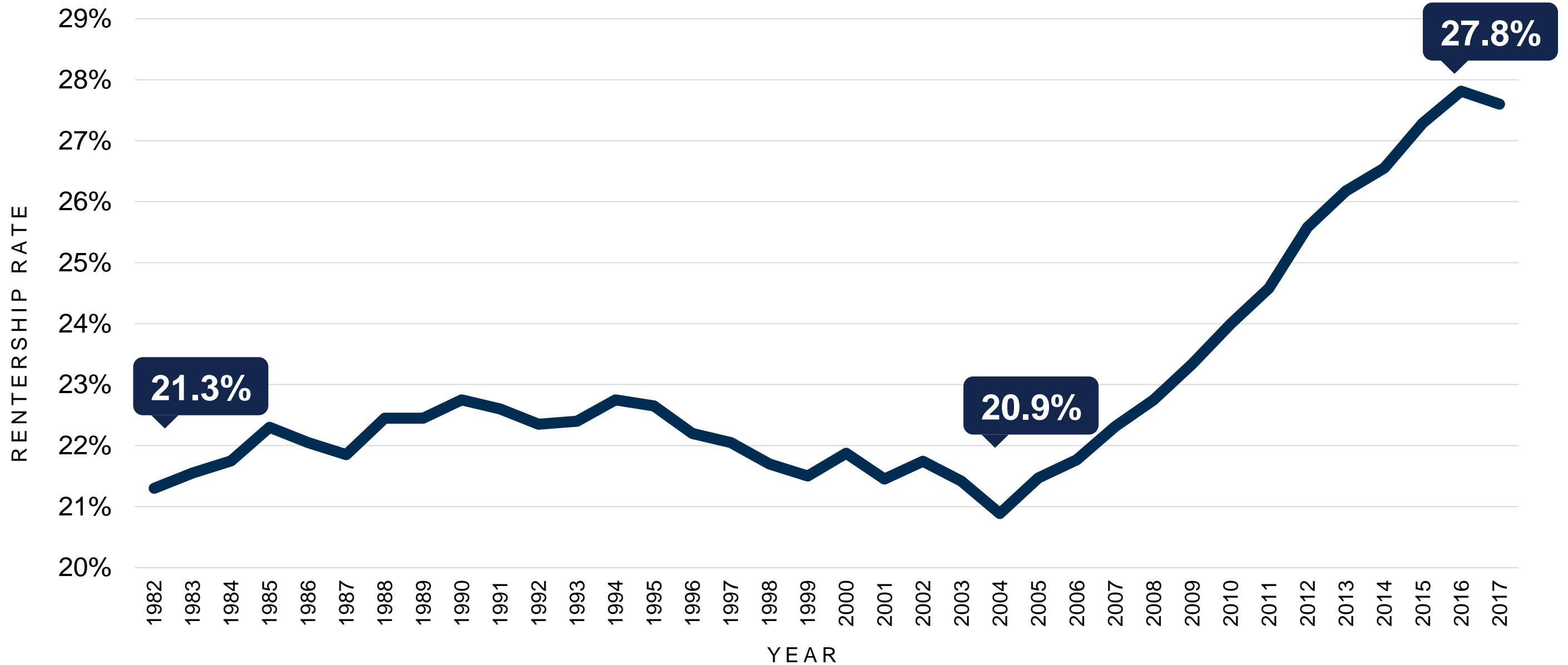
# Rising DICE – Dual-Income, College Educated

DICE SHARE OF ALL MARRIED/PARTNERED HOUSEHOLDS



# Surprising Societal Shift: Rising Renters for Empty Nesters

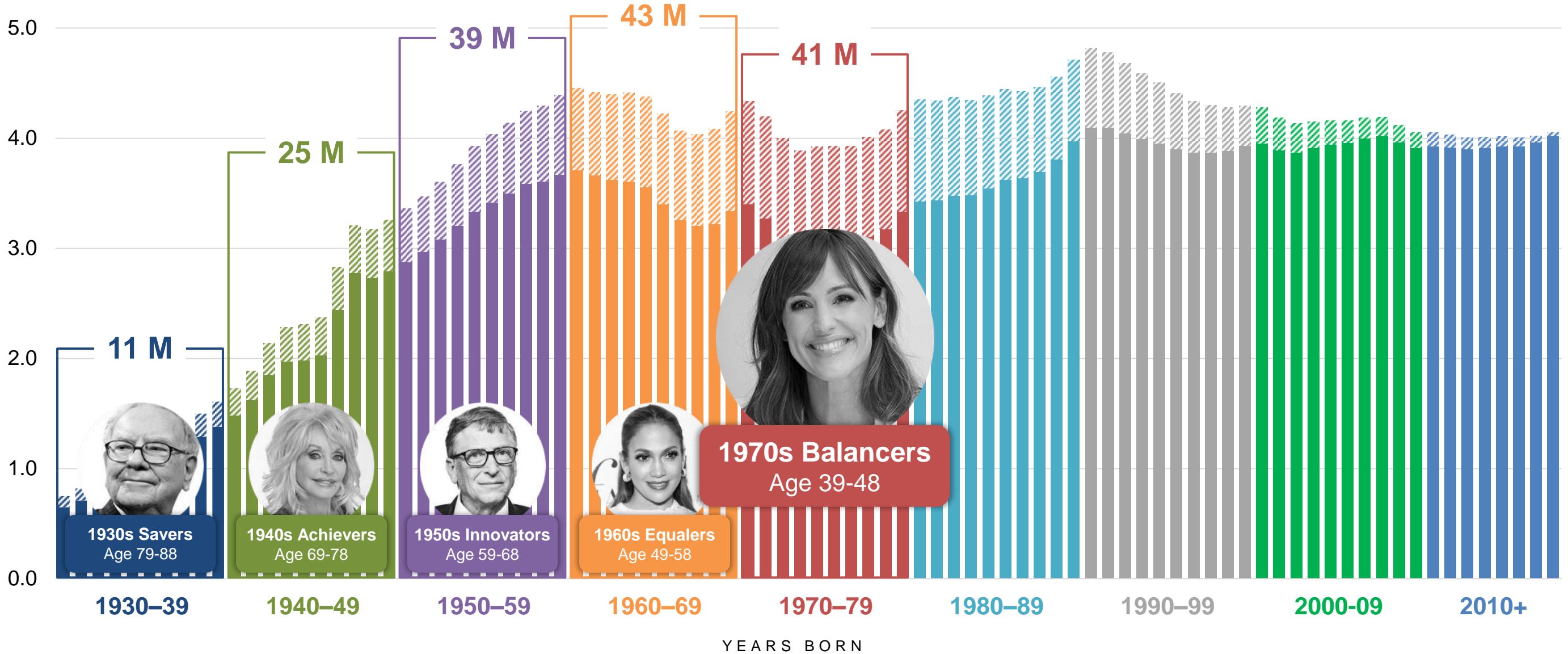
RENTERSHIP RATE BY AGE, 45-64



# 1970s Balancers Shifted the Definition of Success to Include Success at Home

2018 US POPULATION

● US Born    ▨ Foreign Born

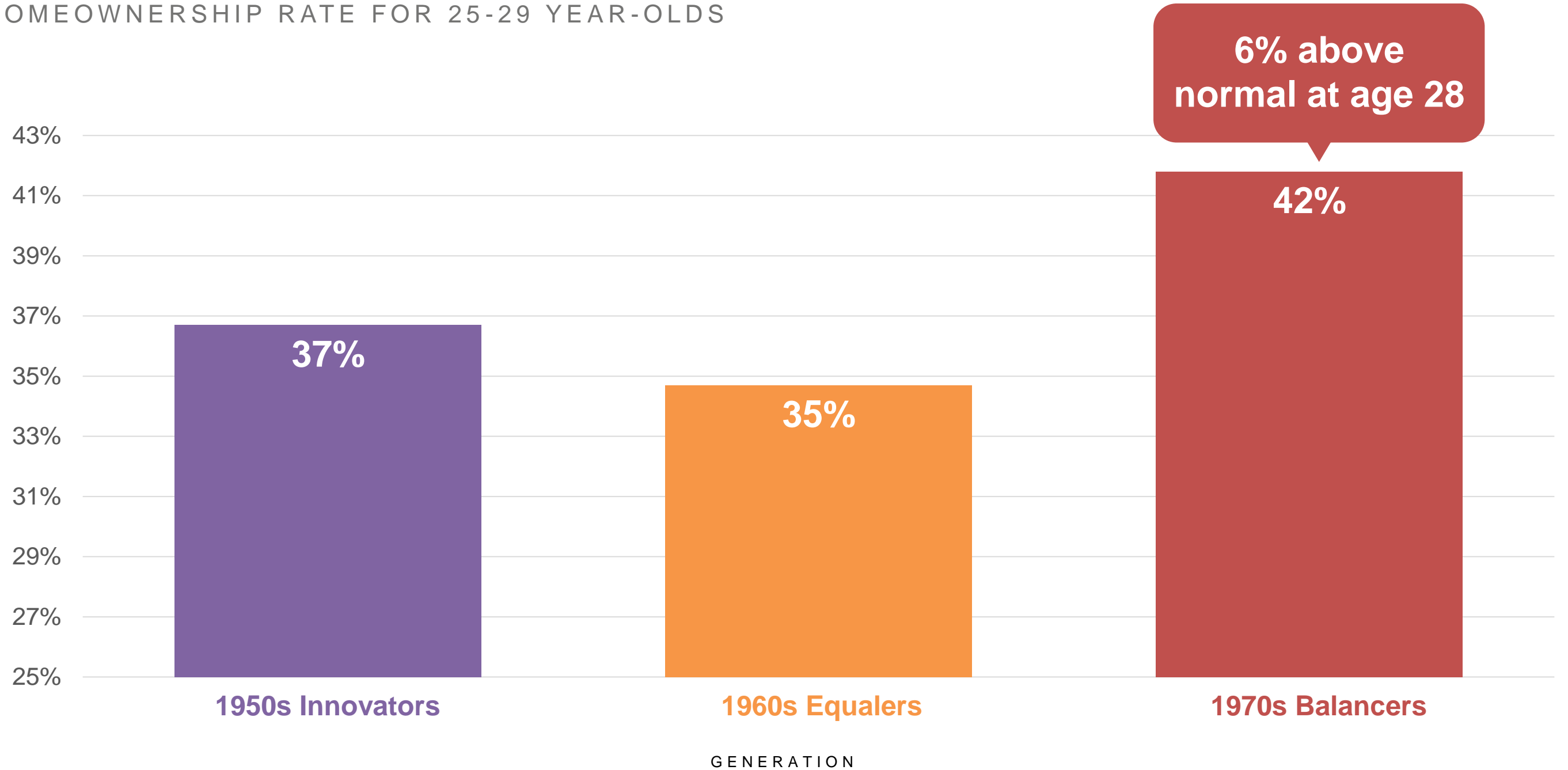


Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections



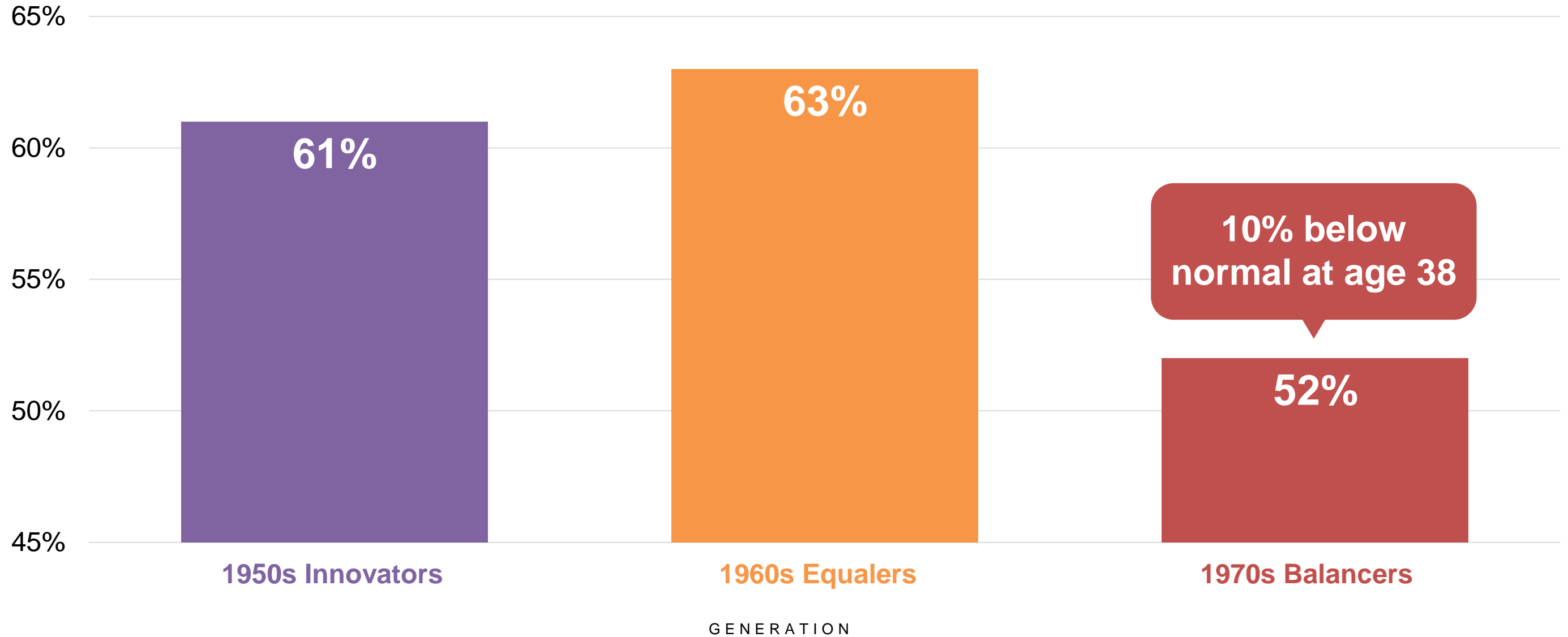
# 1970s Balancer Homeownership at Their 10-Year High School Reunion

HOMEOWNERSHIP RATE FOR 25-29 YEAR-OLDS



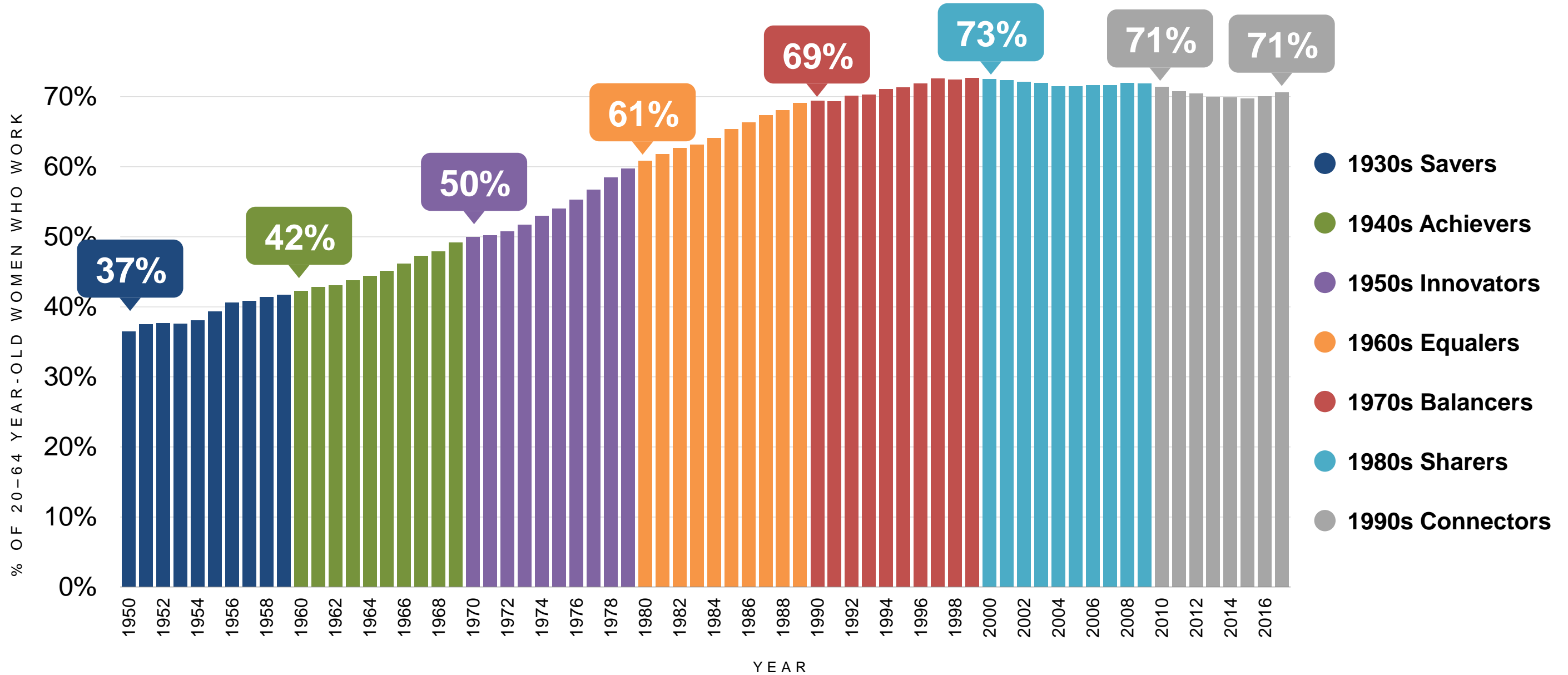
# 1970s Balancer Homeownership at Their 20-Year High School Reunion

HOMEOWNERSHIP RATE FOR 35-39 YEAR-OLDS



# Dual-Income Households Peaked in 2000

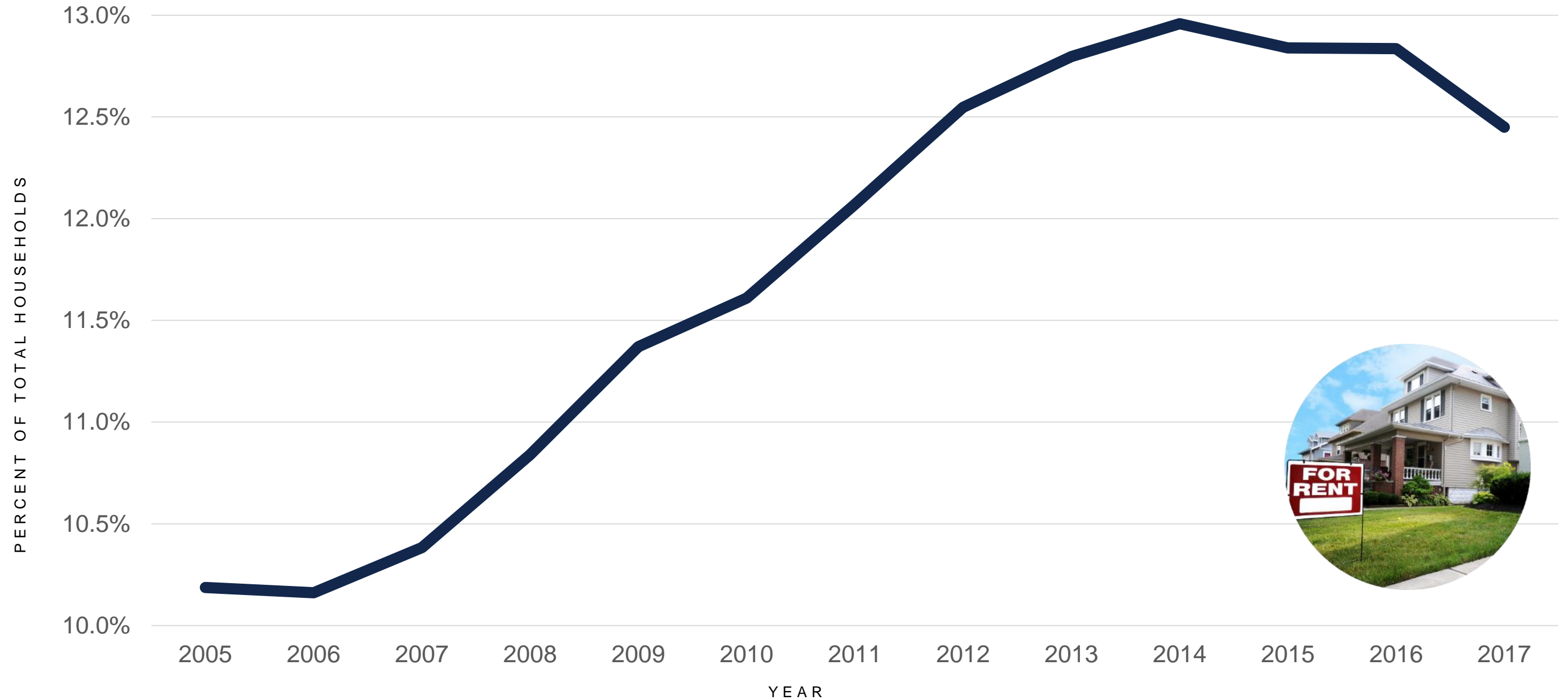
FEMALE LABOR FORCE PARTICIPATION RATE, AGES 20-64



Source: John Burns Real Estate Consulting, LLC calculations of Bureau of Labor Statistics data; color-coded based on the year a generation turns 20

# Almost 13% of America Now Rents a Single-Family Home

SINGLE-FAMILY RENTAL HOMES AS A PERCENT OF TOTAL HOUSEHOLDS



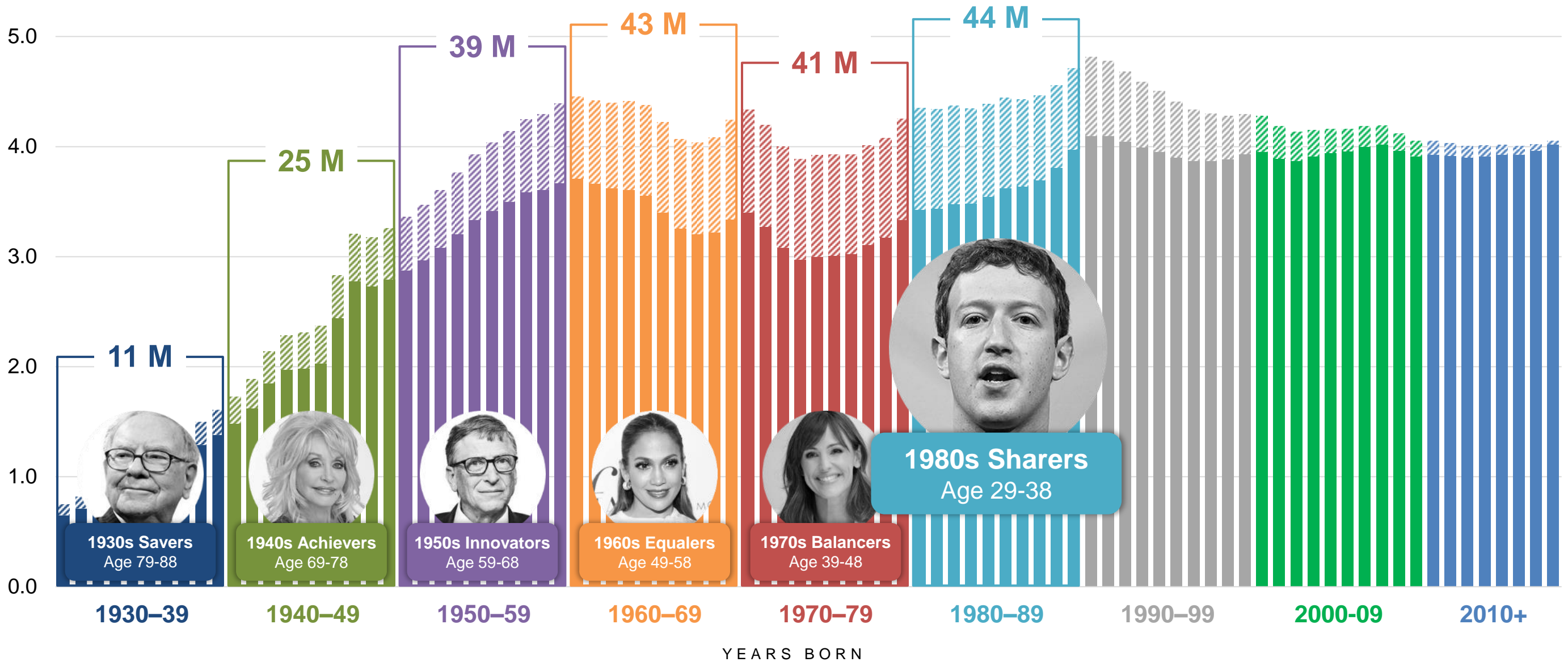
Source: John Burns Real Estate Consulting, LLC based on US Census Bureau data from American Community Survey; years are based on Q3



# 1980s Sharers Have Led the Disruptive Shift to a Sharing Economy

2018 US POPULATION

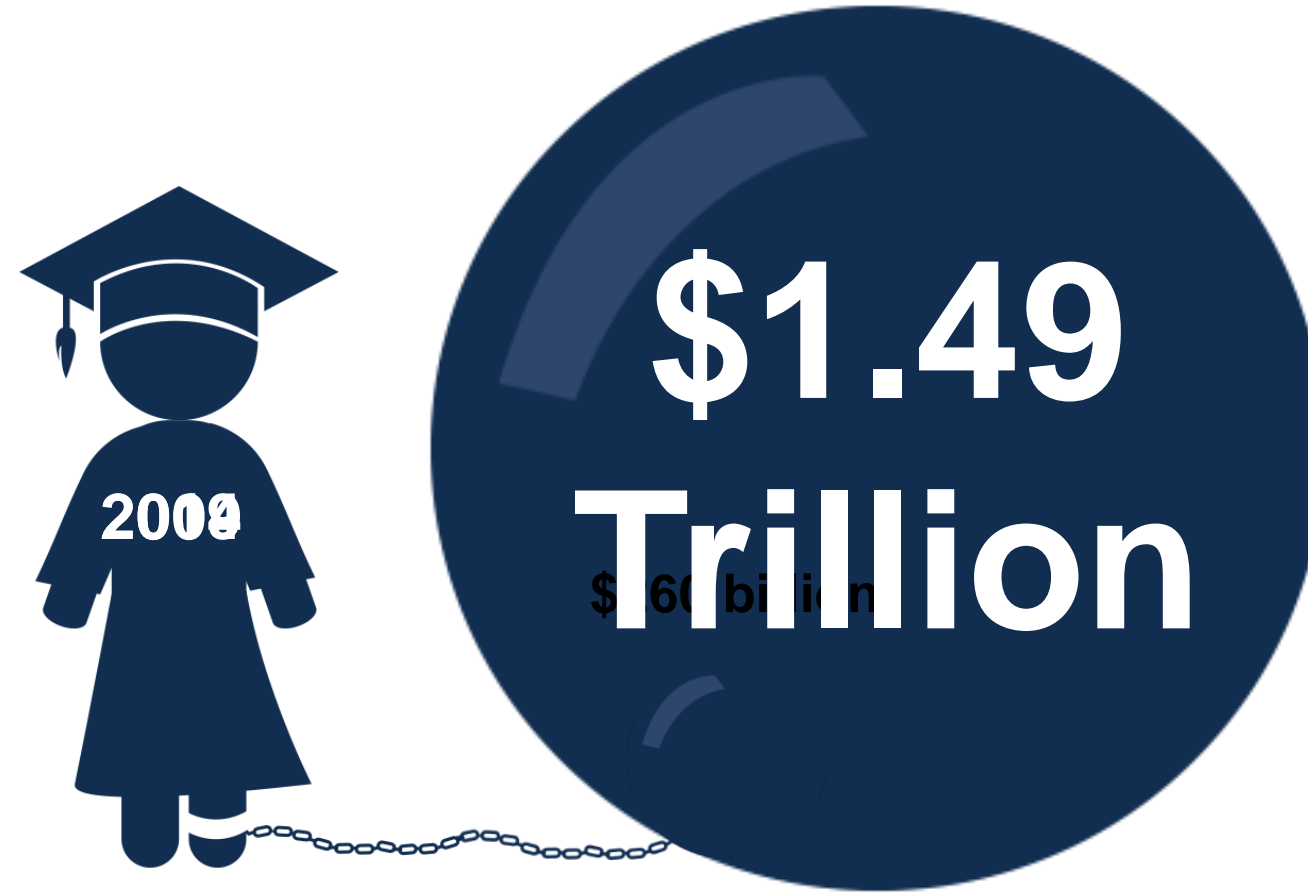
● US Born    ▨ Foreign Born



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections

# The 1980s Sharers Have Quintupled Student Debt Since 2004

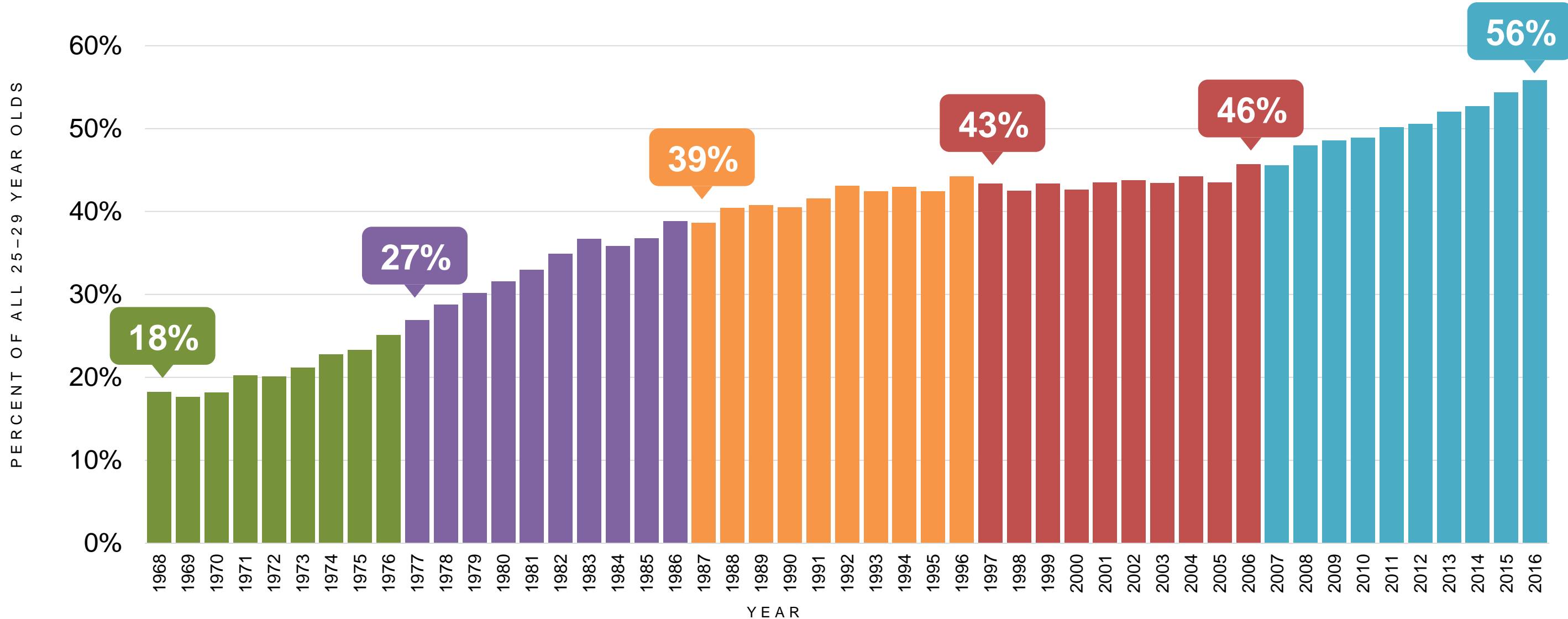
STUDENT LOANS OUTSTANDING (TRILLIONS)



# Marriage and Kids Continue to Happen Later in Life

PERCENT OF 25-29 YEAR-OLDS SINGLE AND WITHOUT CHILDREN

● 1940s Achievers ● 1950s Innovators ● 1960s Equalers ● 1970s Balancers ● 1980s Sharers

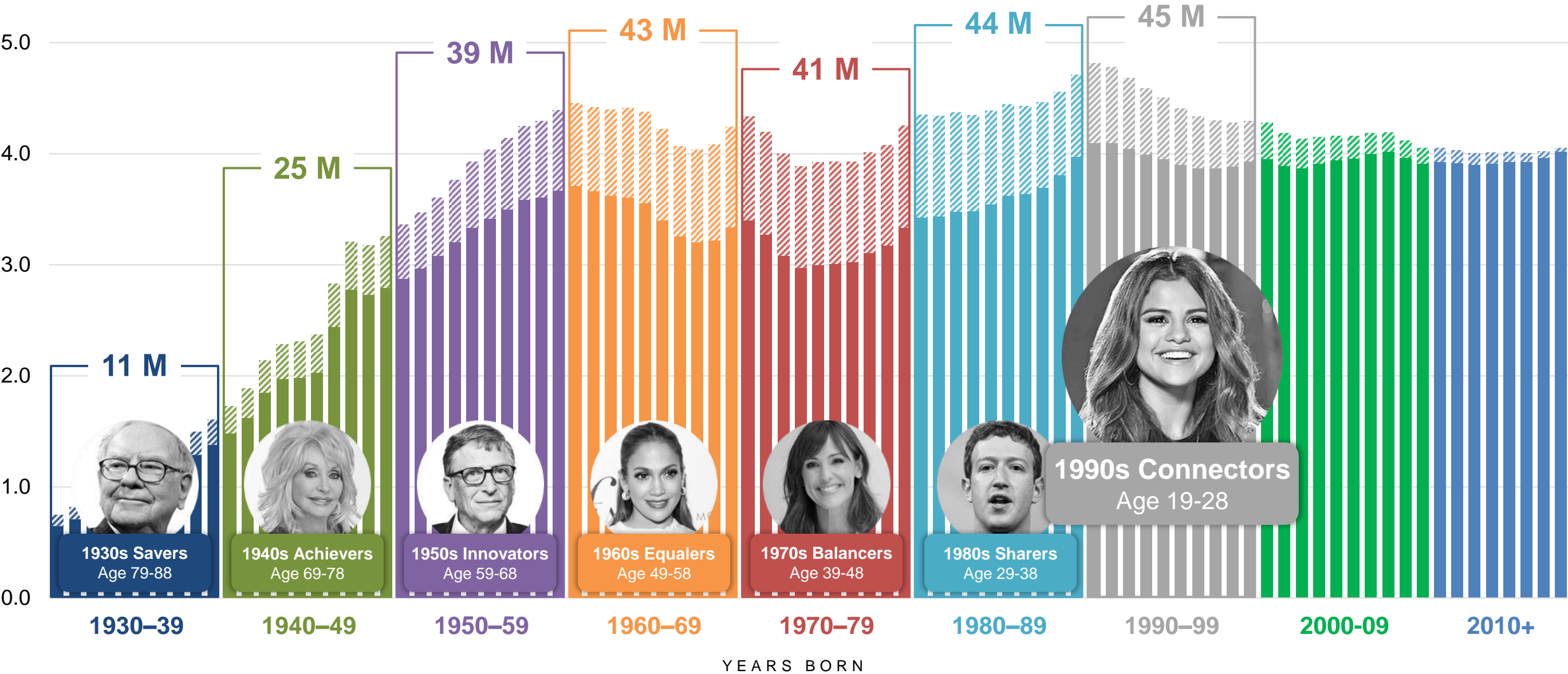


Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau, Current Population Survey, Annual Social and Economic Supplements via IPUMS-CPS

# 1990s Connectors Use Their Phones Whenever Possible

2018 US POPULATION

● US Born    ▨ Foreign Born

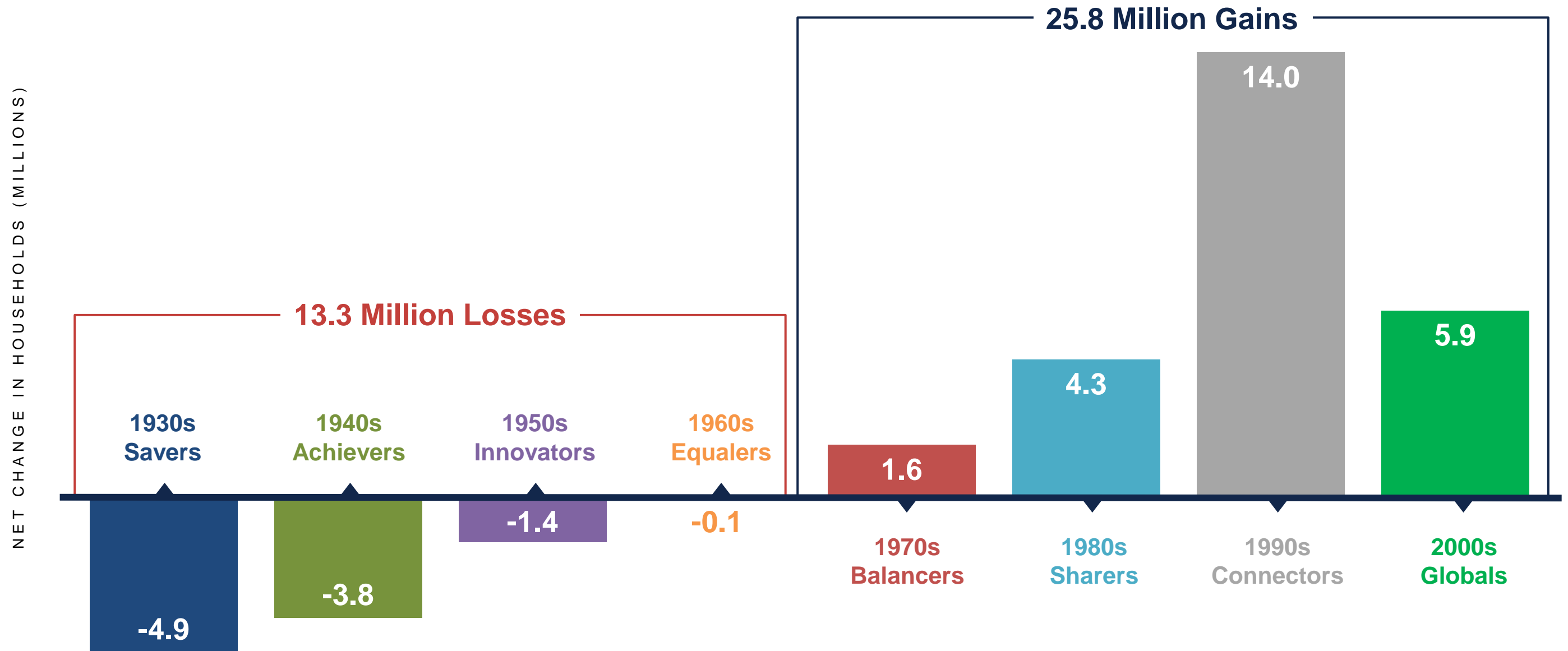


Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections



# Demographics Easily Support 12.5 Million More Households Over 10 Years

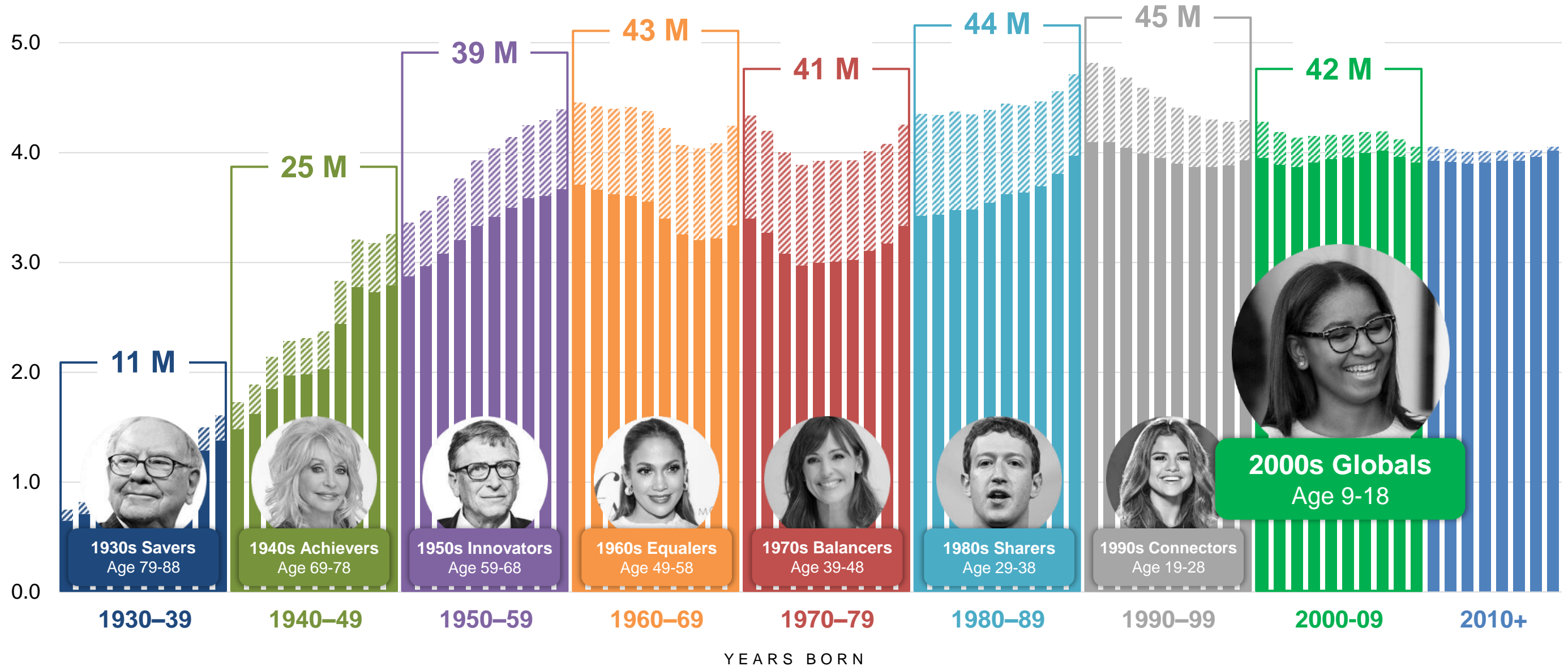
NET CHANGE IN HOUSEHOLDS BY DECADE BORN, 2016–2025 (MILLIONS)



# The Oldest 2000s Globals are Just Entering Adulthood

2018 US POPULATION

● US Born    ▨ Foreign Born



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 National Projections

# 4

## THE 4 BIG INFLUENCERS



Government Policies



Economic Conditions



Tech Advancements



Societal Shifts

# 5

## DURING 5 MAIN LIFE STAGES

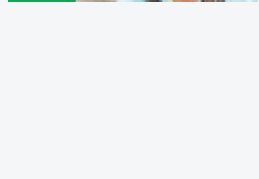
Childhood

Early Career

Family Formation

Late Career

Retirement



# 6

## HELP ANSWER THE 6 KEY HOUSING DEMAND QUESTIONS





# The Economy Impacts Each Life Stage Differently



Childhood



Early Career



Family Formation



Late Career



Retirement





# Technologies Impact Each Generation Differently Too



# New Tech (and also Labor Constraints) are Advancing Construction Methods



# Goal: Clarity



A New View on Generations



Huge Demographic Shifts

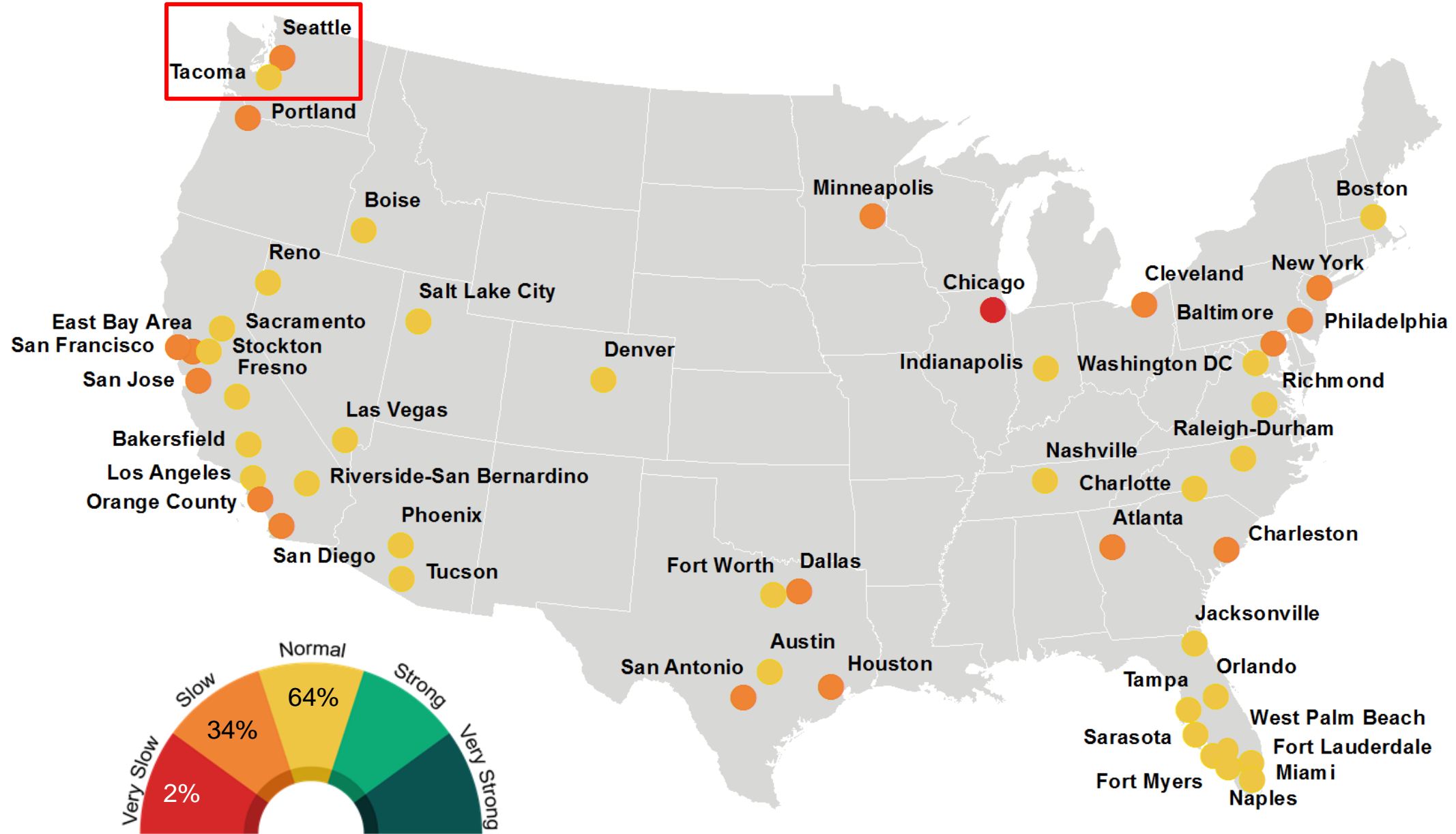


Effect on the Housing Market



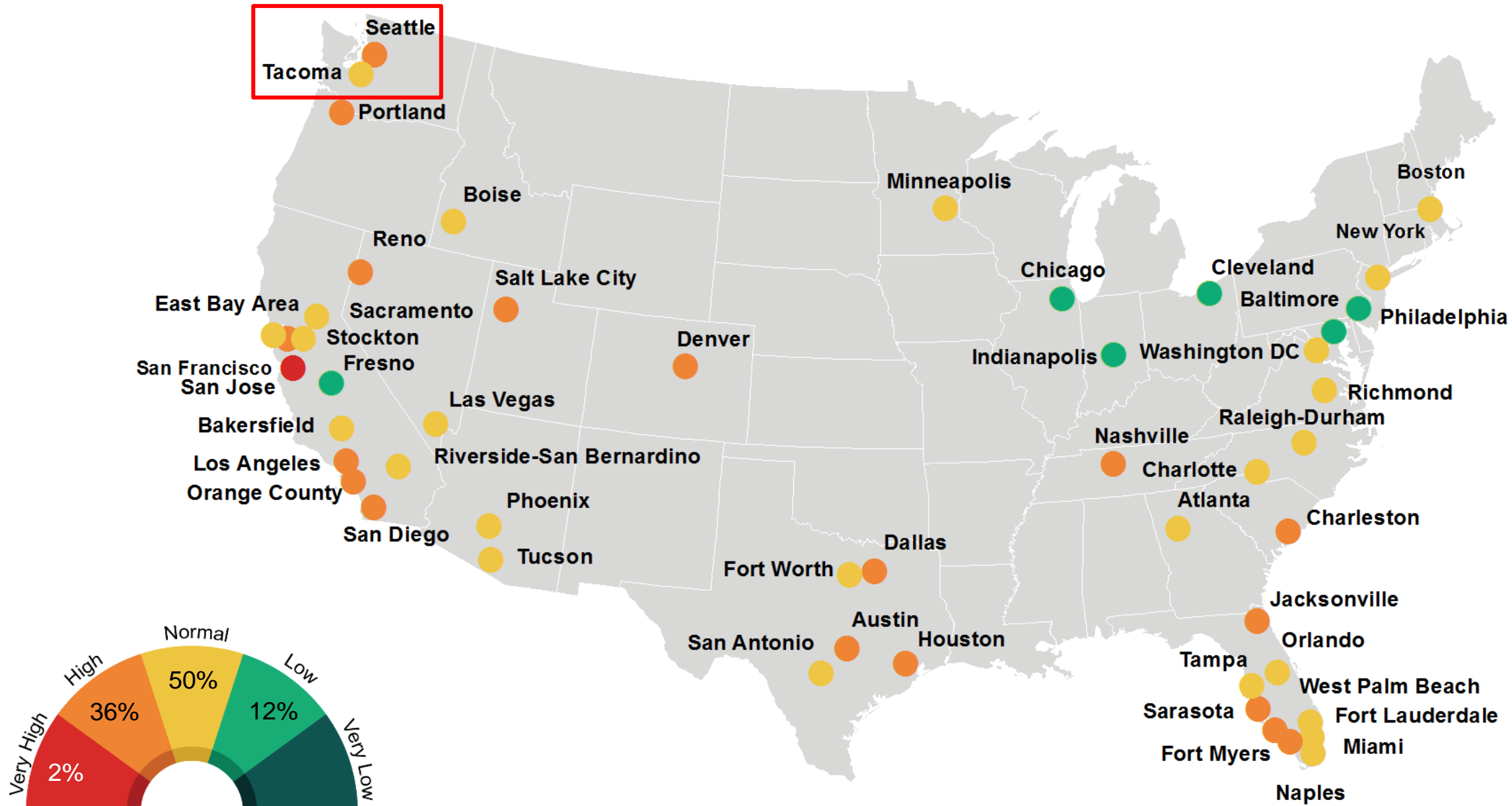
# Short-Term Outlook: Most Remain Normal

JBREC SALES CONDITIONS RATING FOR 50 LARGEST MARKETS



# HCRI Medium-Term Outlook: Most Normal Risk

JBREC HOUSING CYCLE RISK INDEX™ FOR 50 LARGEST MARKETS

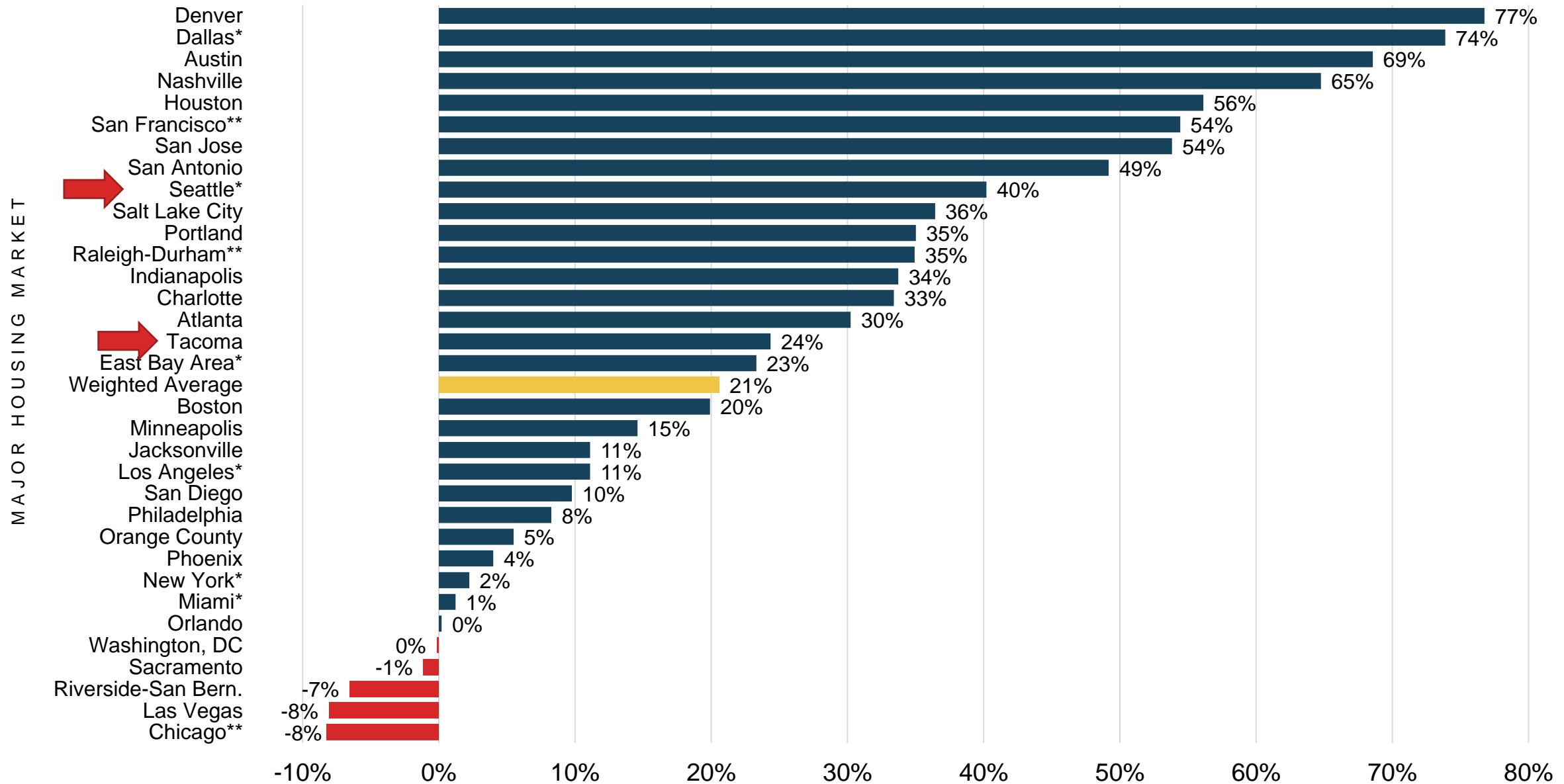


\*Our Housing Cycle Risk Index measures the health of the underlying market fundamentals (demand, supply, and affordability) and is a valuable tool for gauging medium-term investment risk within a housing market.



# Seattle and Tacoma Near the Top of Total Price Appreciation

BURNS HOME VALUE INDEX™ PERCENT ABOVE/BELOW PEAK

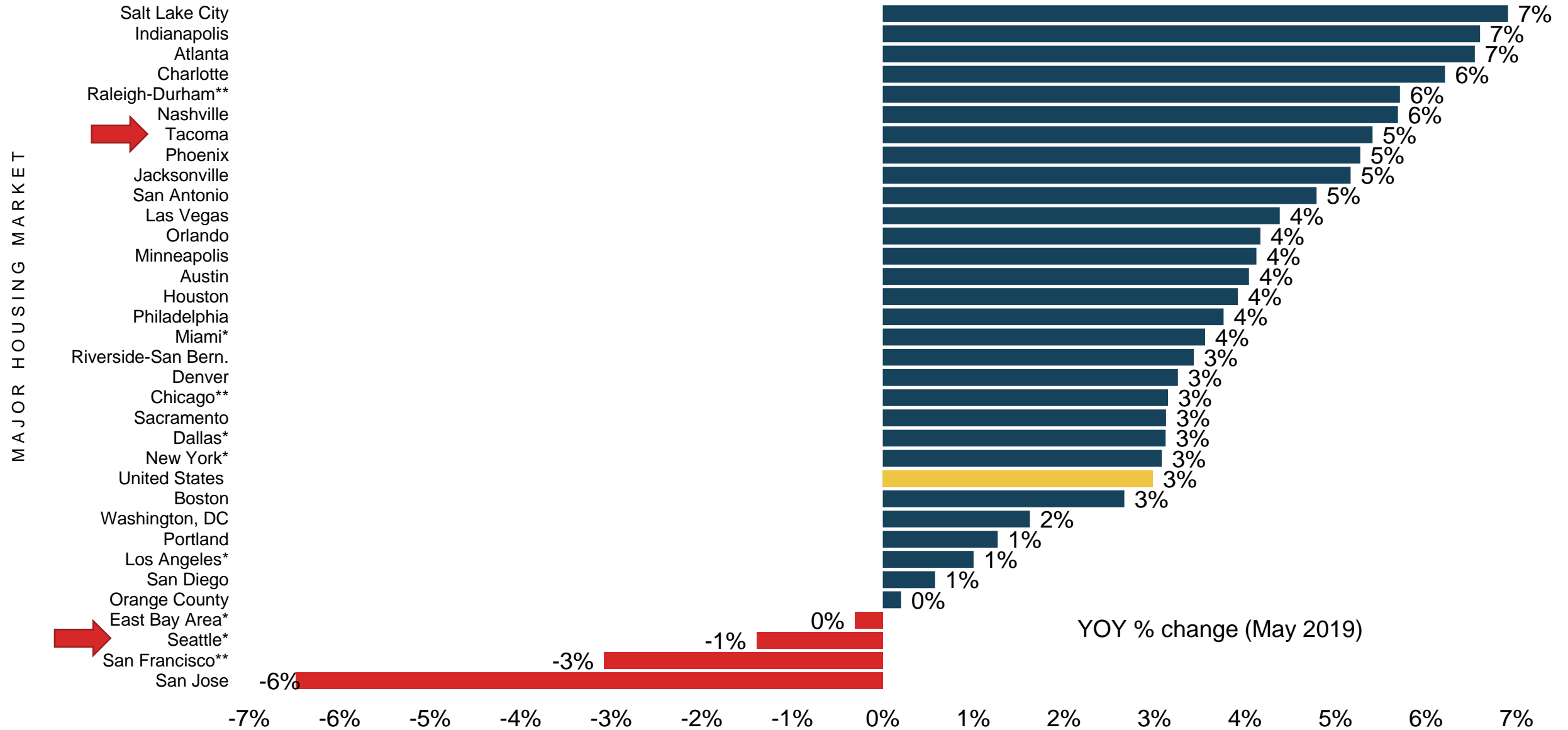


1. Peak BHVI values from 2002–2008 2. Bay Area, CA is composed of San Francisco and San Jose MSAs.

\*Metro division \*\*Combination of metro divisions.

# Markets with Lower Priced Homes Still Appreciating

BURNS HOME VALUE INDEX (YOY CHANGE)



\*Metro division \*\*Combination of metro divisions (except Raleigh-Durham, which is a combination of metros)  
 Source: John Burns Real Estate Consulting, LLC (Data: May-19, Pub: Jun-19)

# Tacoma is a Top Secondary Single Family Rental Market

MARKET RANKING OF 63 SECONDARY MARKETS

**JBREC Current Metro Ranking Matrix**

Rank	Market	Employment Growth YOY % Mar-19		Burns Single-Family Rent Index™ YOY Growth % Mar-19		Burns Home Value Index™ YOY Growth % Apr-19	
1	Tacoma*	2.1%	(10)	5.5%	(2)	6.1%	(2)
2	Tucson	1.4%	(19)	6.3%	(1)	6.4%	(1)
3	Reno	5.8%	(1)	4.6%	(8)	4.4%	(12)
4	Fresno	3.9%	(2)	3.6%	(18)	5.6%	(4)
5	Fort Worth*	1.9%	(11)	3.7%	(17)	5.8%	(3)
6	Bakersfield	2.3%	(8)	3.5%	(20)	5.1%	(6)
7	Sacramento	2.8%	(4)	4.5%	(9)	3.0%	(20)
8	Birmingham	1.7%	(13)	3.3%	(23)	4.6%	(9)
9	West Palm Beach*	2.5%	(7)	2.6%	(29)	3.5%	(15)
10	Minneapolis	0.0%	(43)	5.1%	(5)	5.1%	(7)

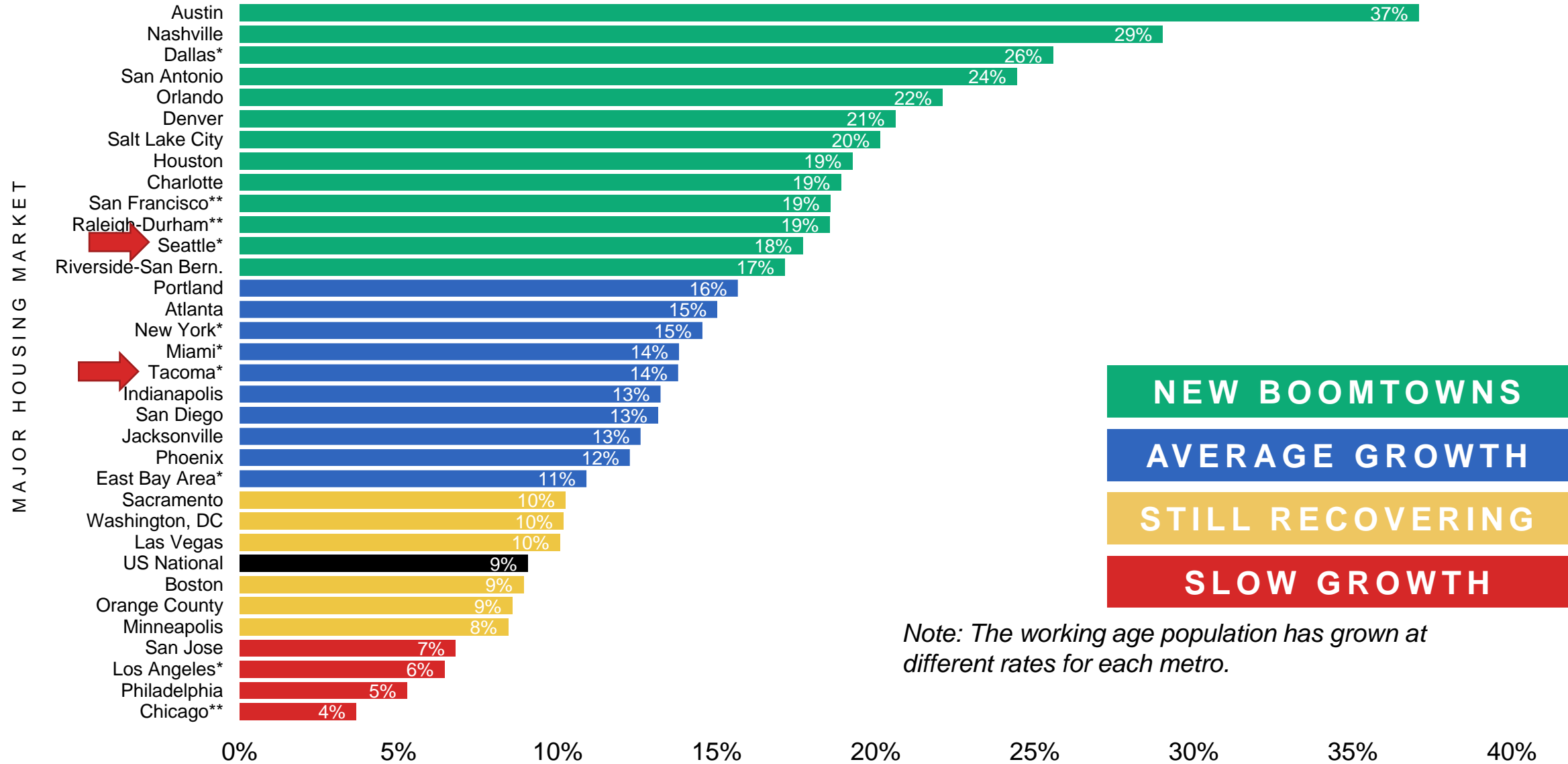
**JBREC Future Metro Ranking Matrix**

Rank	Market	Burns Home Value Index™ Annual Average Forecasted Growth 2019P–2022P		Single-Family Rent Annual Average Forecasted Growth 2019P–2022P	
1	Minneapolis	1.3%	(5)	2.8%	(5)
2	Fort Worth*	1.5%	(3)	2.7%	(8)
3	Modesto	0.6%	(12)	2.9%	(3)
4	Reno	0.2%	(22)	3.2%	(1)
5	Sacramento	0.2%	(20)	2.7%	(7)
6	Tucson	-0.1%	(28)	2.9%	(2)
7	Vallejo-Fairfield	0.0%	(25)	2.8%	(4)
8	Boston	1.0%	(7)	2.2%	(18)
9	Tacoma*	0.4%	(16)	2.5%	(13)
10	Wash. DC (MSA)	1.8%	(1)	2.0%	(23)

\*Metropolitan division \*\*Combination of metropolitan divisions

# Job Growth Lags the New Tech Boomtowns

CURRENT JOBS IN EXCESS OF PRE-RECESSION PEAK



Note: The working age population has grown at different rates for each metro.

Note: This chart displays the most recent month vs. the same month in peak years.  
Sources: BLS; John Burns Real Estate Consulting, LLC (Data: Mar-19, Pub: May-19)

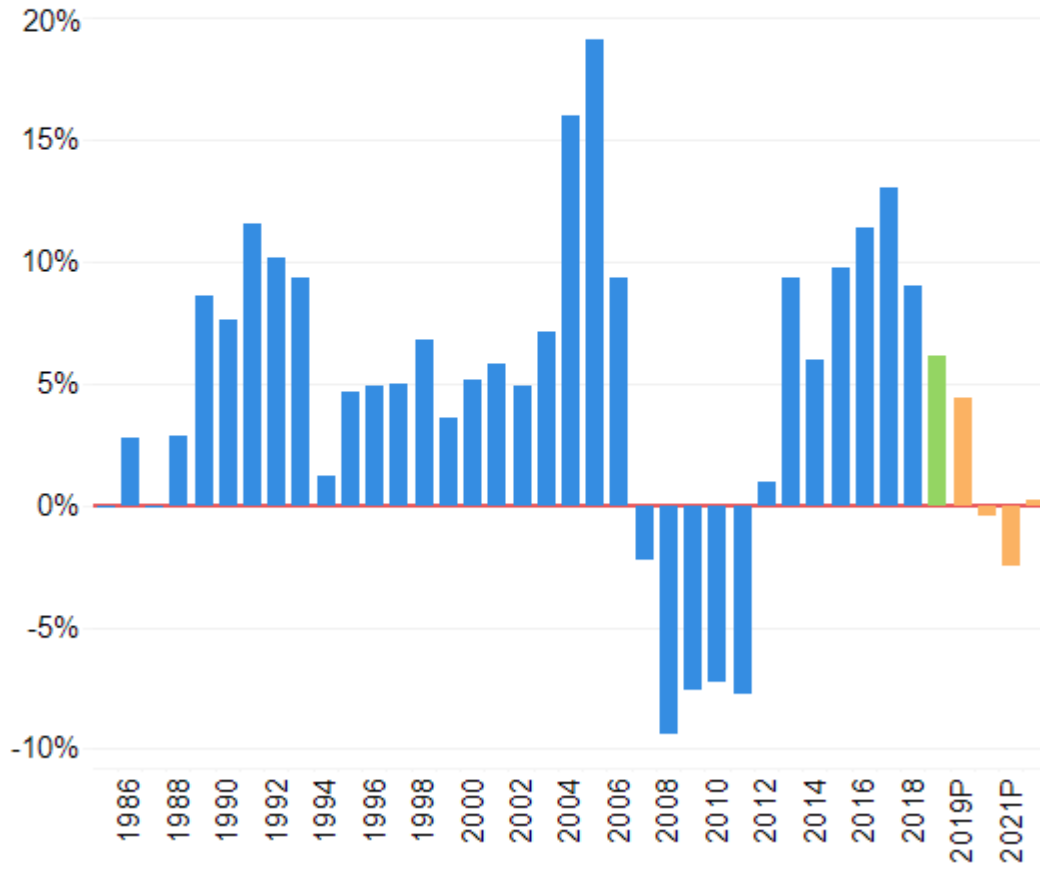
\*Metro division \*\*Combination of metro divisions (except Raleigh-Durham, which is a combination of metros)

# Tacoma Price Appreciation to Slow

BURNS HOME VALUE INDEX™

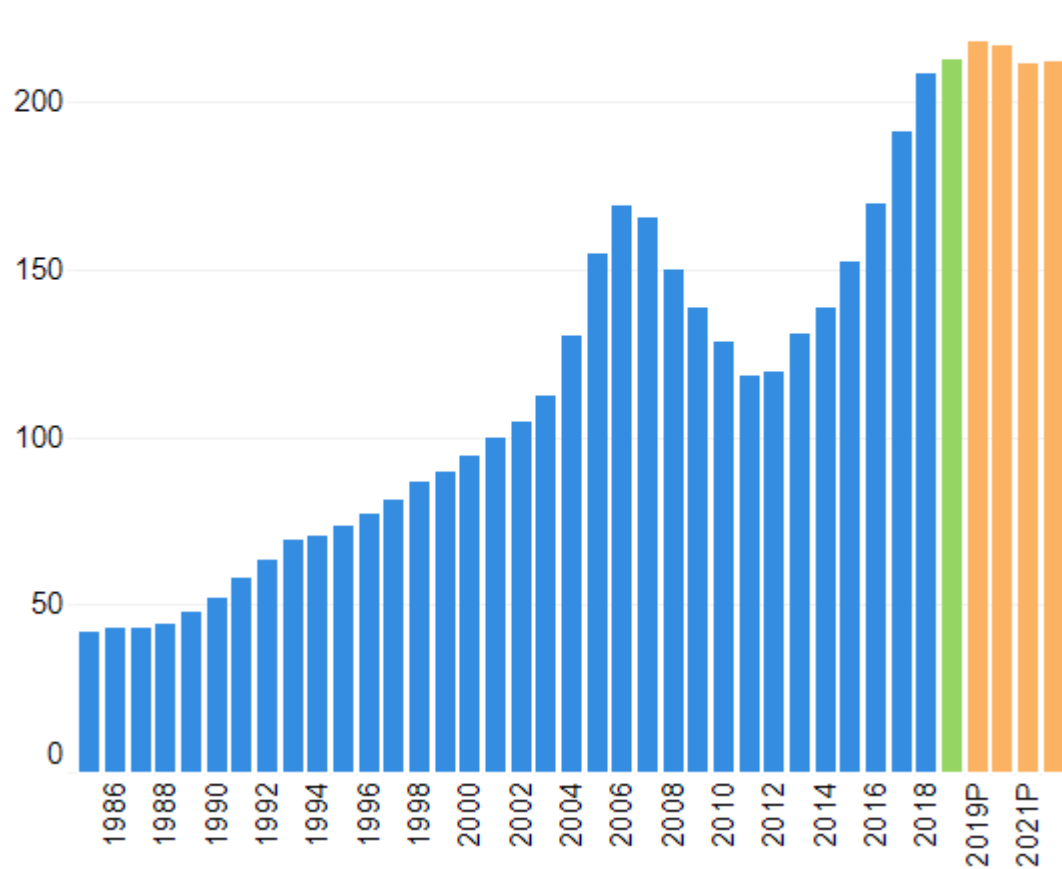
Year Ago	Current	2019P	2020P	2021P	2022P	Hist Avg	Vs. Peak
13.0%	6.1%	4.4%	-0.4%	-2.5%	0.2%	4.9%	26%

Burns Home Value Index (YOY % Change)



Annual BHVI data is the December value.

Burns Home Value Index



Source: John Burns Real Estate Consulting, LLC (Data: Apr-19, Pub: May-19)

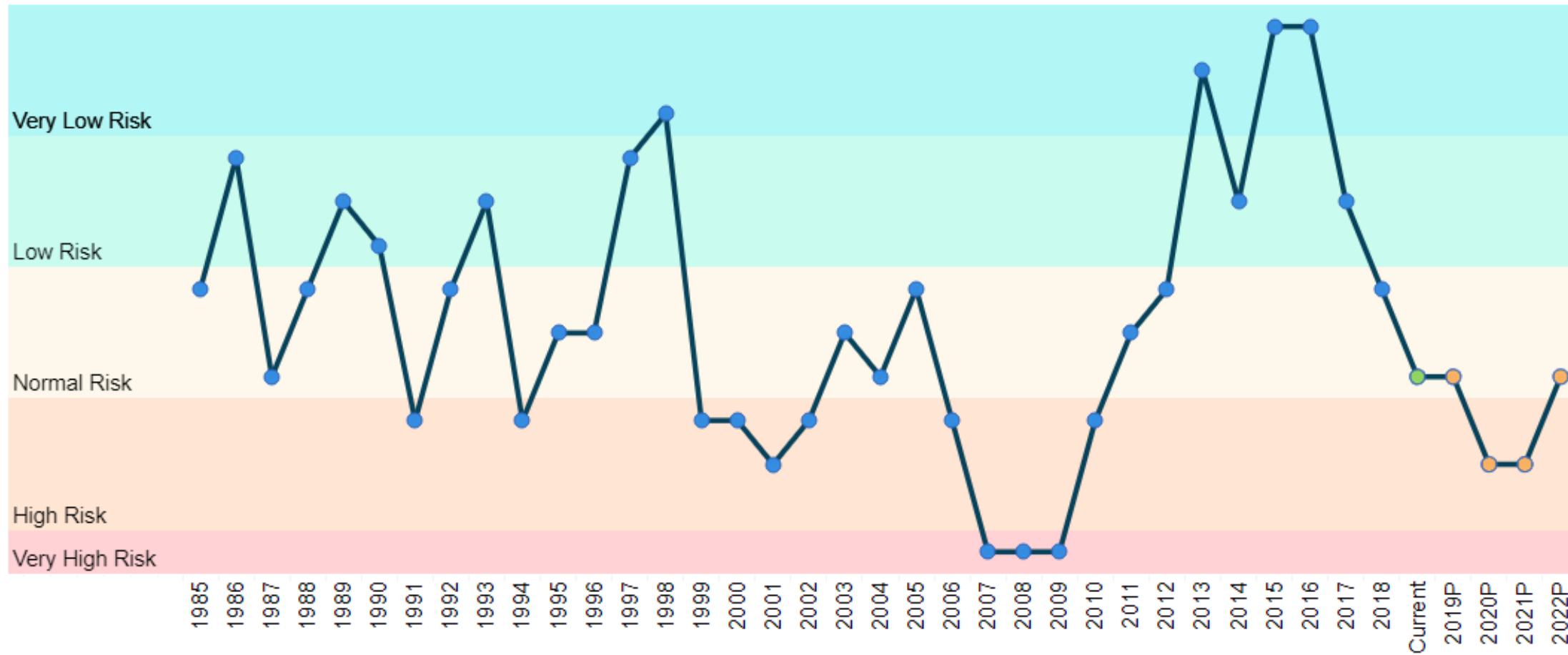


# Tacoma Market Risk Normal, but Rising

JBREC HOUSING CYCLE RISK INDEX™

2016	2017	2018	Current	2019P	2020P	2021P	2022P
Very Low Risk	Low Risk	Normal Risk	Normal Risk	Normal Risk	High Risk	High Risk	Normal Risk

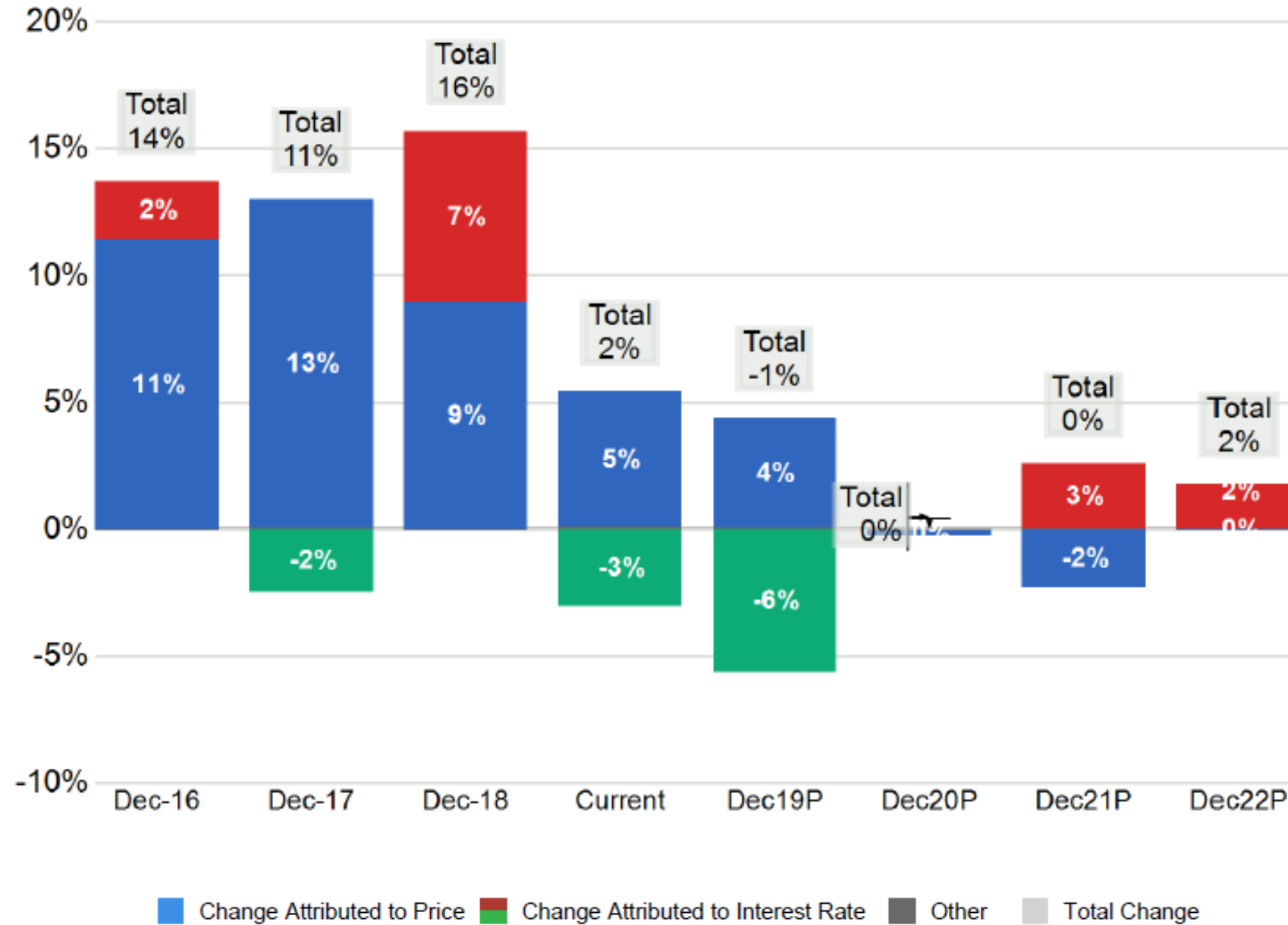
Housing Cycle Risk Index



Source: John Burns Real Estate Consulting, LLC (Data: Apr-19, Pub: May-19)

# Lower Interest Rates Help Affordability

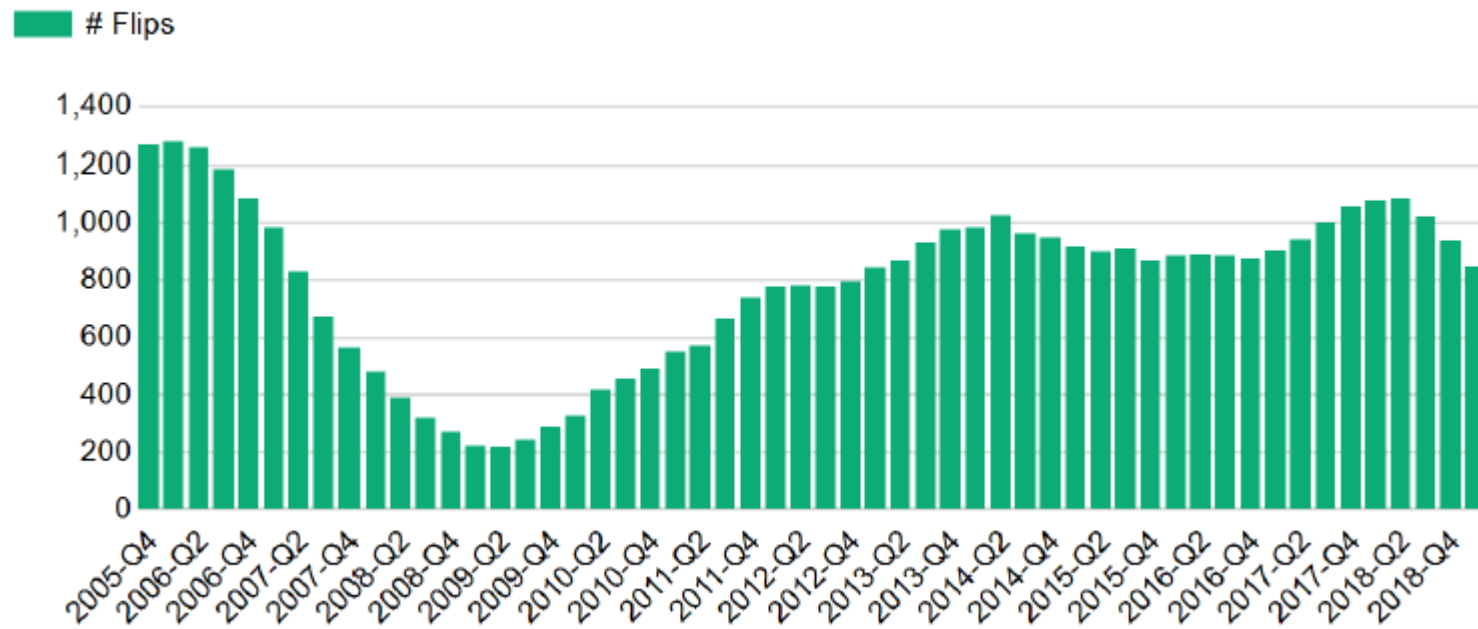
YOY PAYMENT CHANGE: TACOMA ENTRY LEVEL HOME



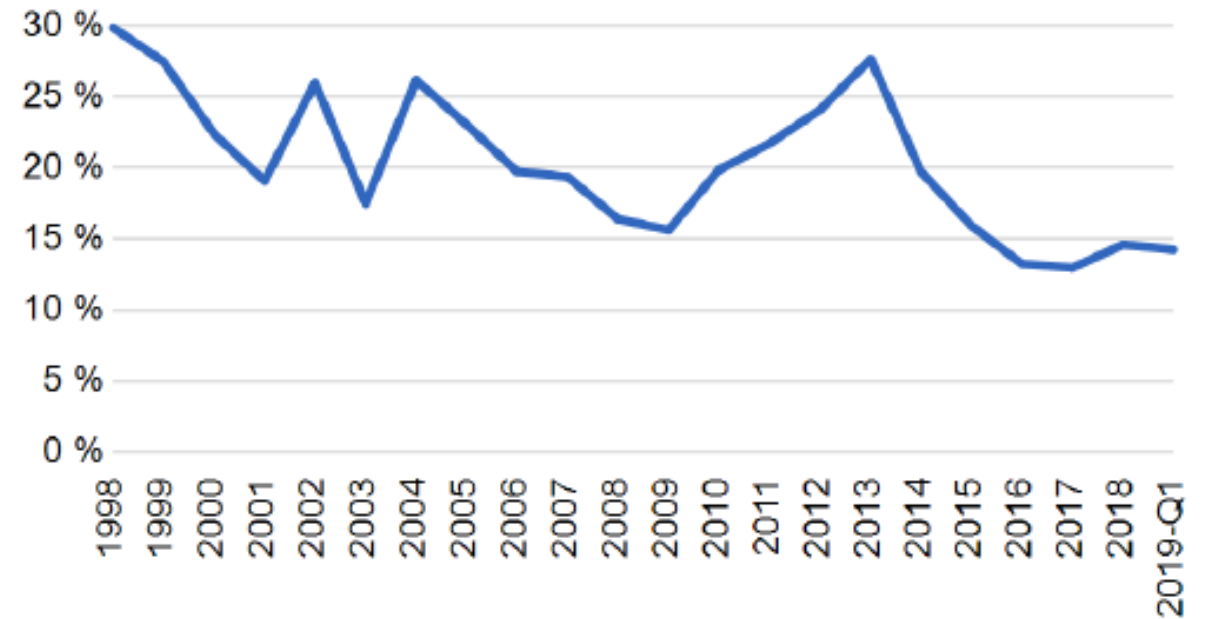
# Fewer Investors are in the Market

INVESTOR PURCHASES AND TRANSACTIONS BY “FLIPPERS”

### Flipped Home Transactions (Twelve Month Trailing Totals)



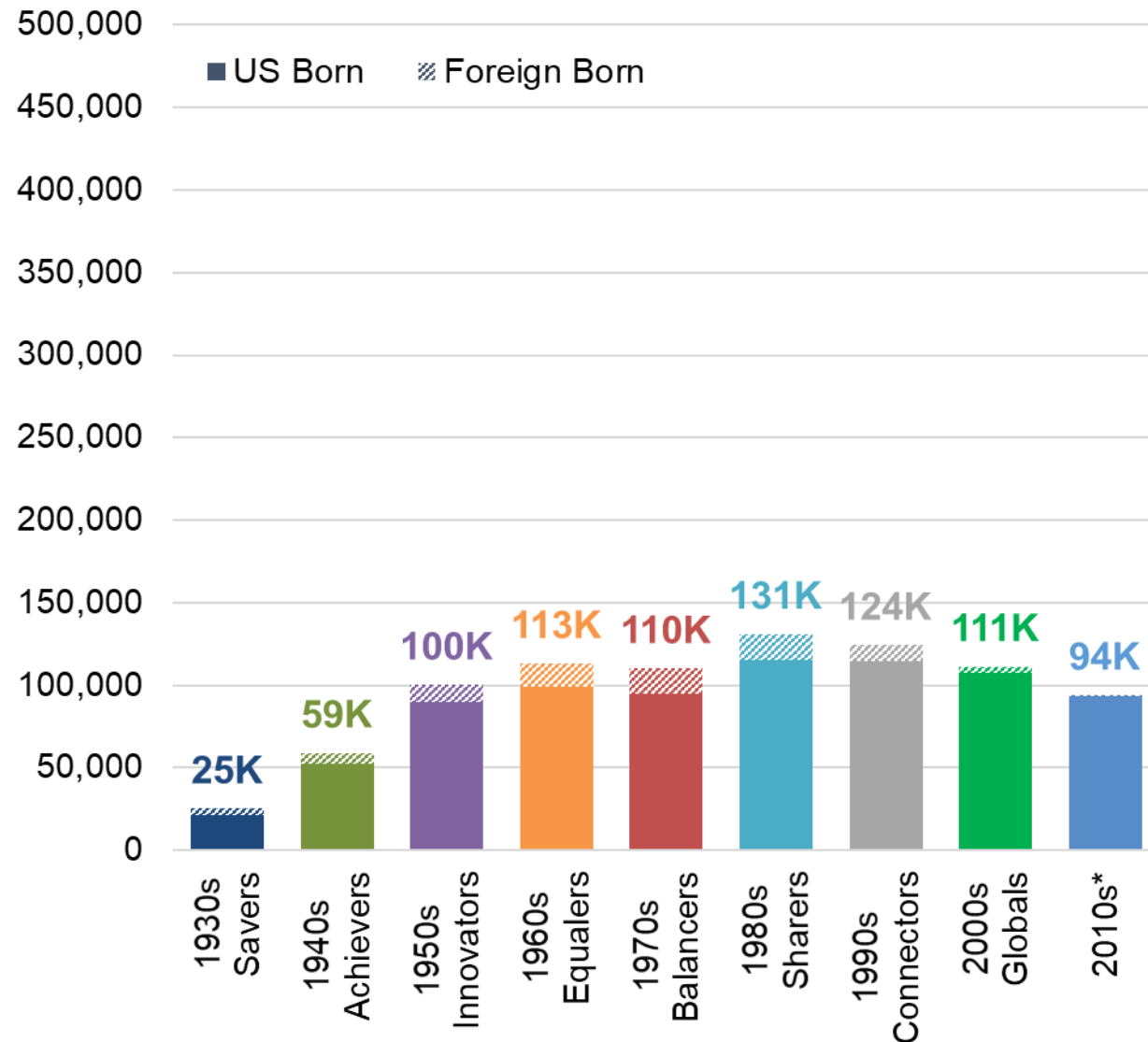
### ANNUAL % OF INVESTOR PURCHASES TO TOTAL PURCHASES



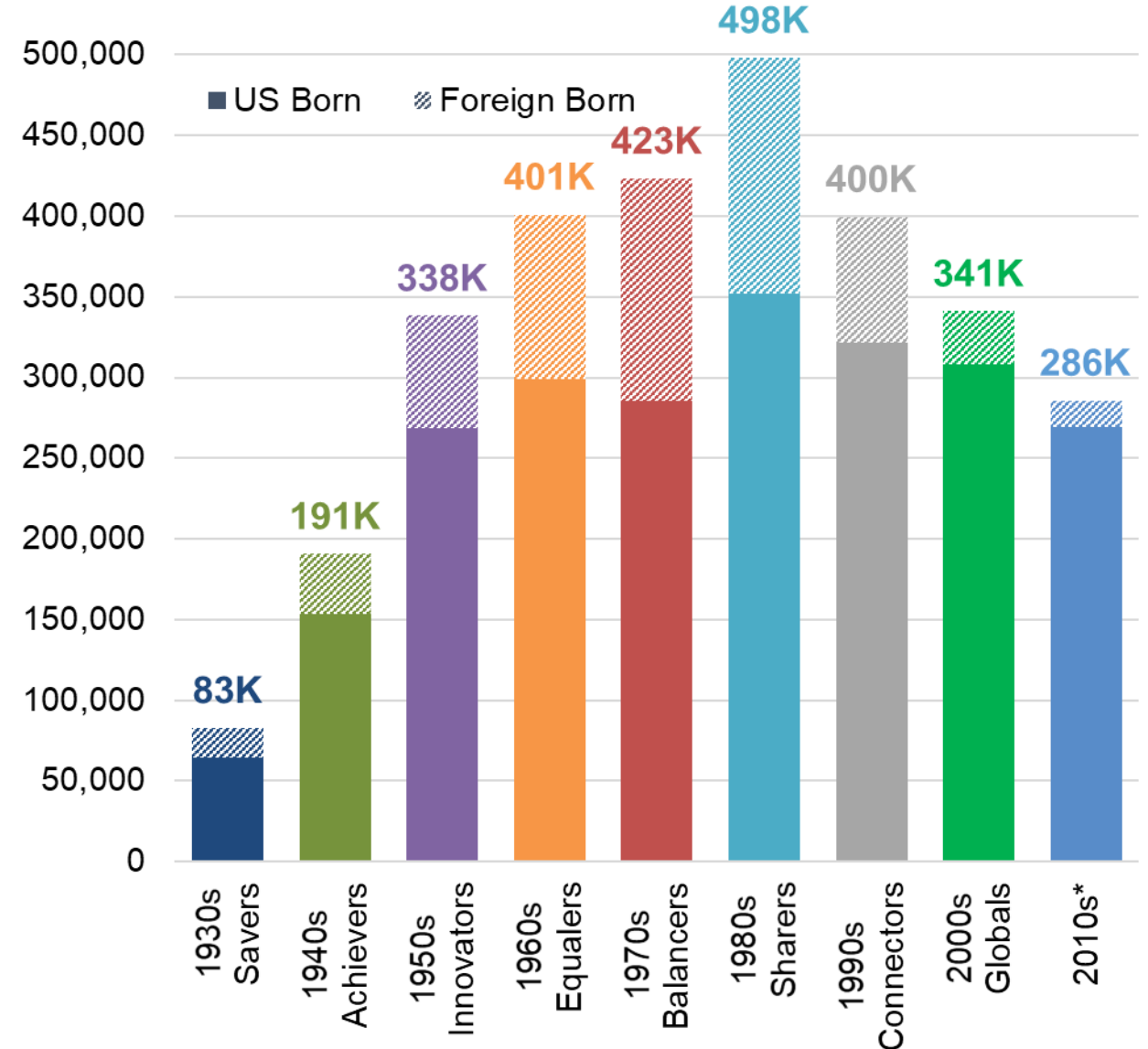
# Seattle and Tacoma are Relatively Young

## POPULATION BY DECADE BORN

### Tacoma Metro Division (Pierce County)



### Seattle Metro Division (King and Snohomish Counties)

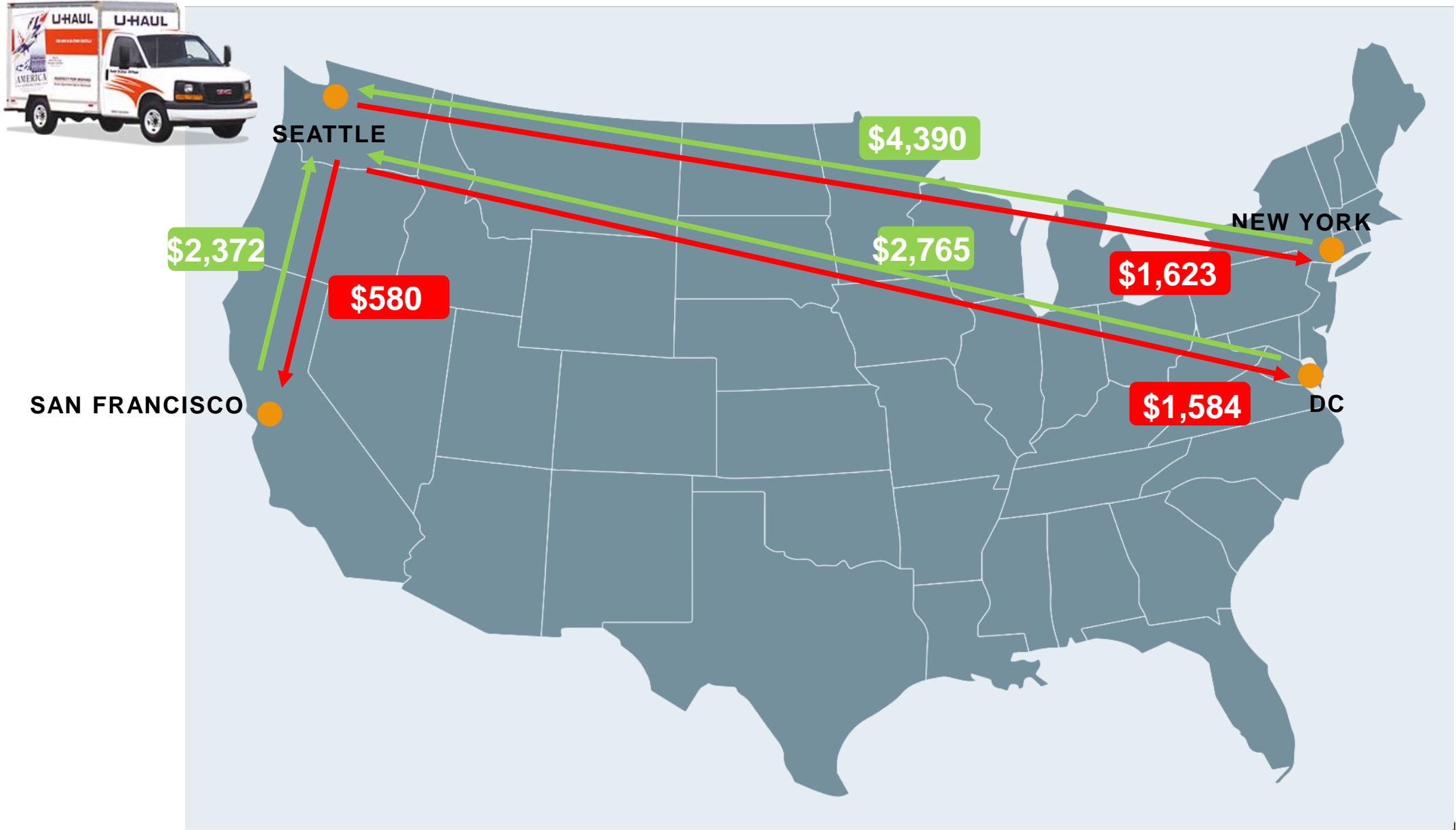


Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau 2017 Population Estimates

\* 2010s represents population born from 2010-2017 only

# Where are People Coming From?

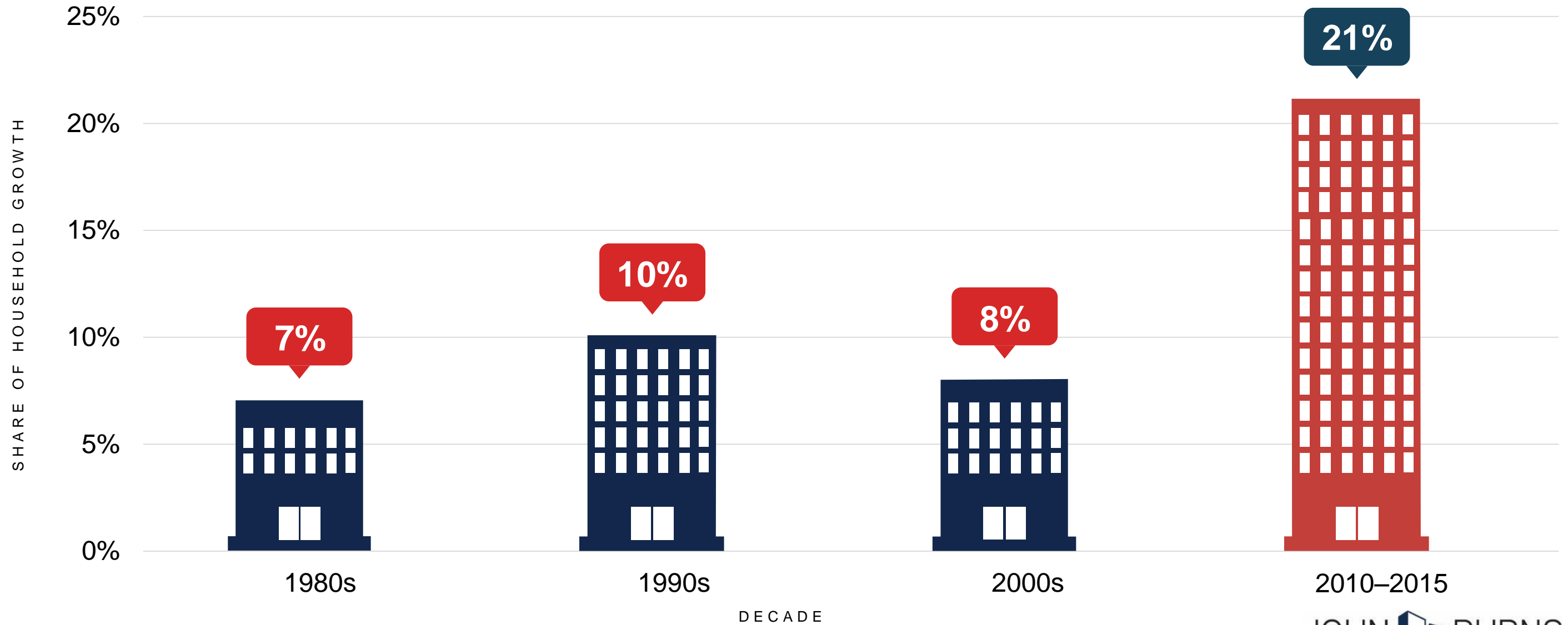
UHAUL RENTAL PRICES





# Being Single has Allowed 1980s Sharers to Live Urban

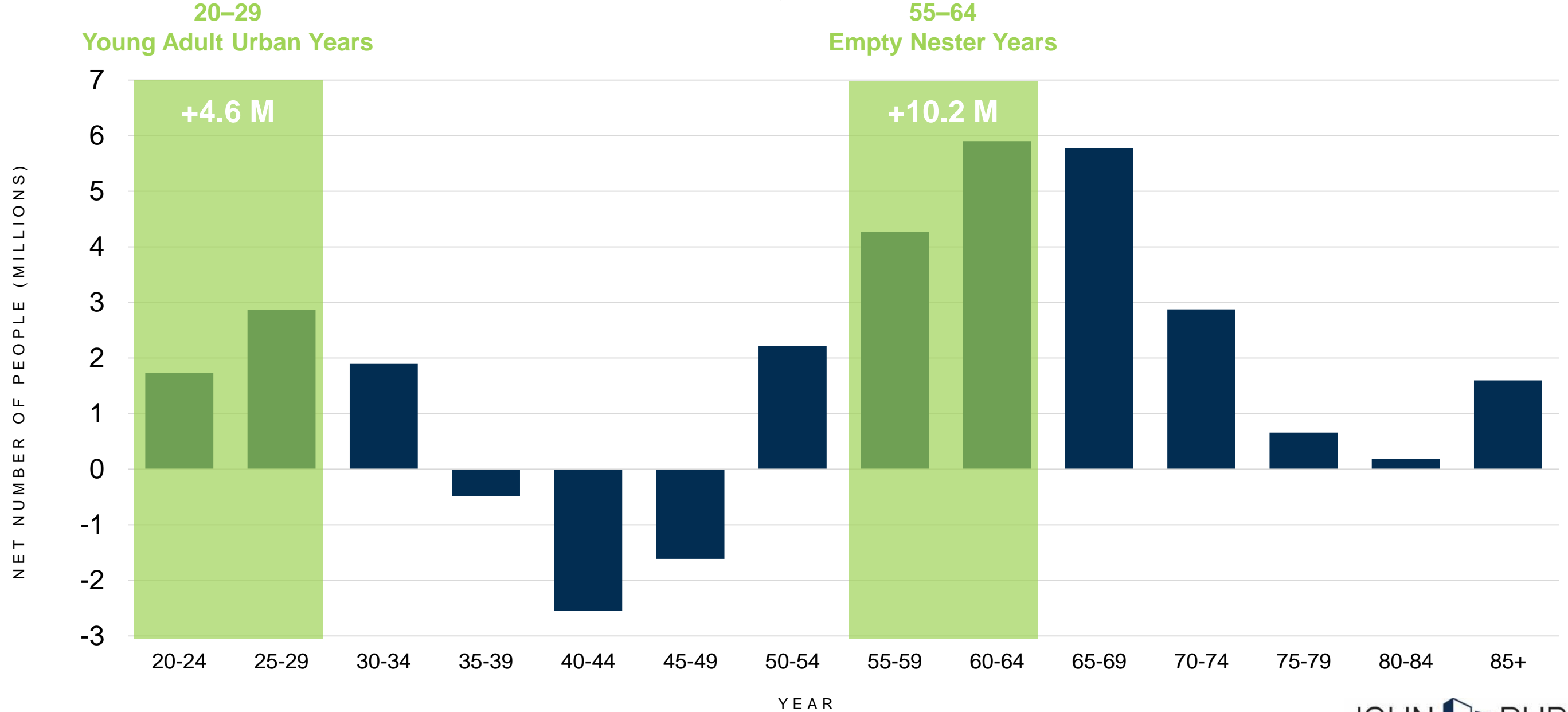
URBAN SHARE OF HOUSEHOLD GROWTH



Source: John Burns Real Estate Consulting, LLC based on US Census Bureau data

# Urban Demand Surged as Young Adult and Empty Nesters Population Grew

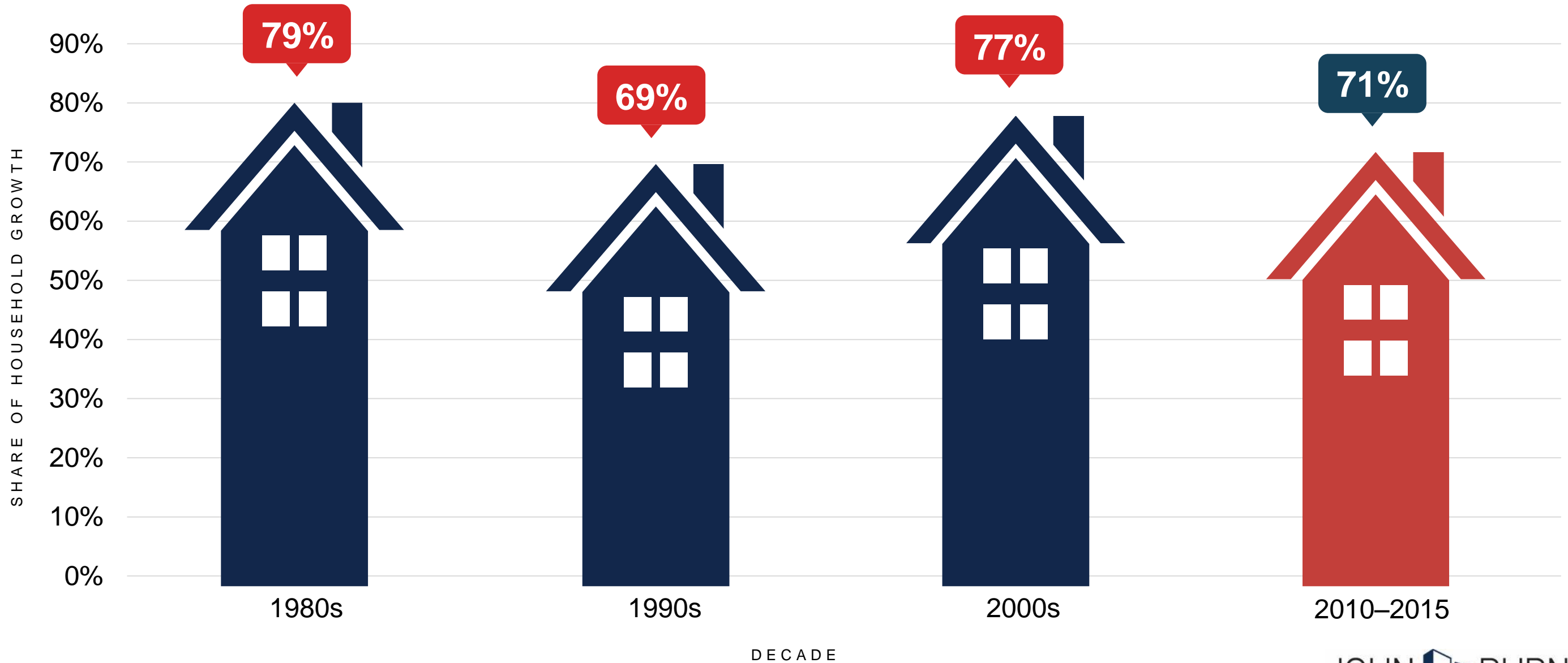
RECENT CHANGE IN ADULT POPULATION BY AGE, 2005–2015



Source: John Burns Real Estate Consulting, LLC calculations of US Census Bureau Population Estimates and 2017 National Projections

# But the Suburbs Still Capture Most of the Growth

SUBURBAN SHARE OF HOUSEHOLD GROWTH



Source: John Burns Real Estate Consulting, LLC based on US Census Bureau data

# 64% of Americans live Suburban

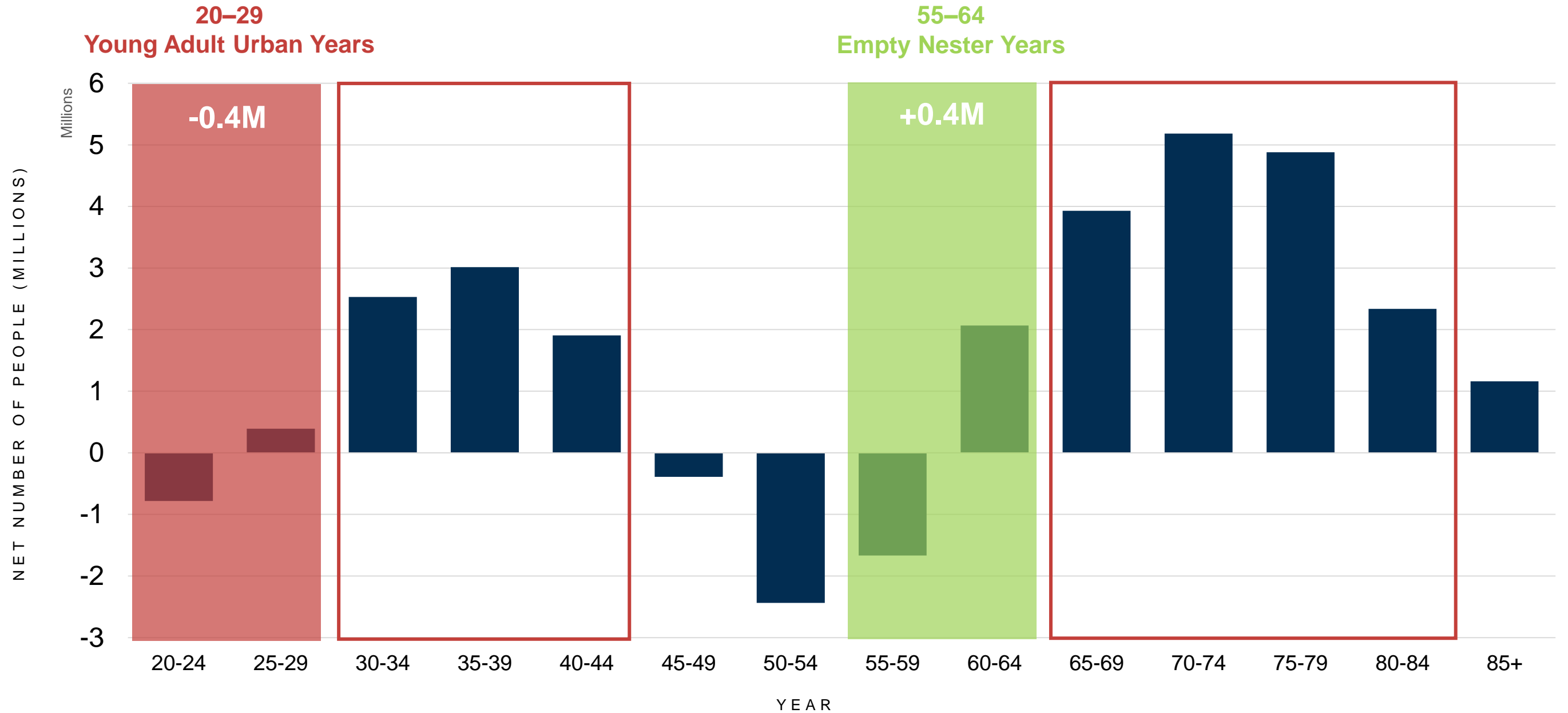
Most live in small, suburban cities

## Suburban



# Urban is Slowing as Demand Shifts to Family and Retirement Years

FUTURE CHANGE IN ADULT POPULATION BY AGE 2015–2025



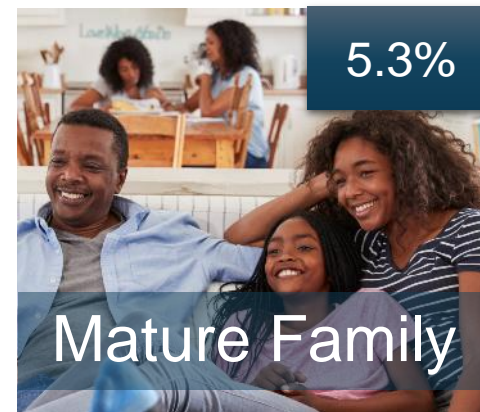
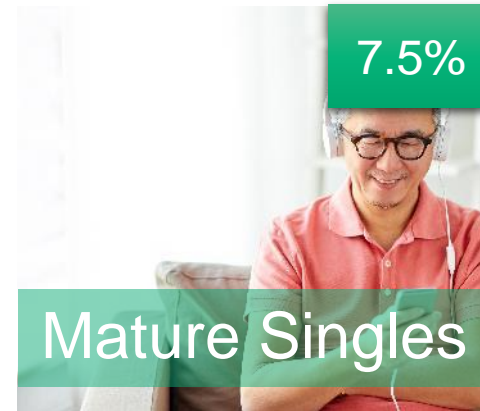
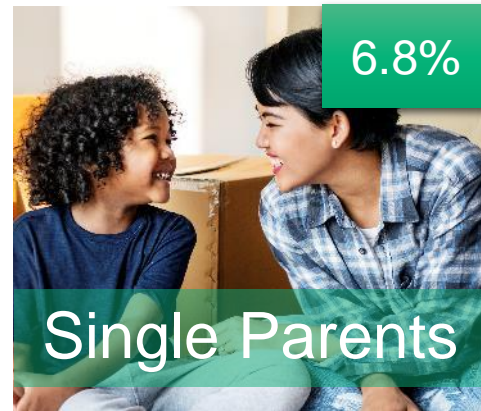
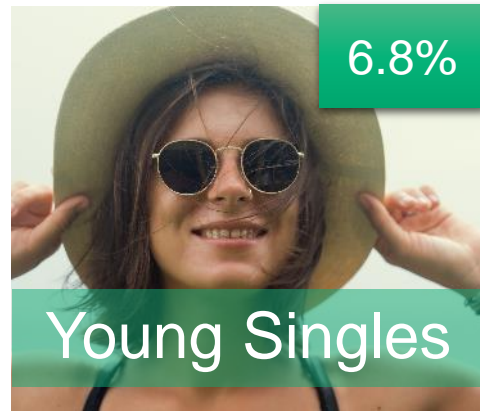


# Prepare for a Shift to High-Density

- **(many) Cities want it**
  - Efficient use of land
  - More taxable income with more residents/acre
- **Consumers want it**
  - Proximity to everything (experiences / employment)
  - Better affordability in a desirable location
- **Builders and developers want it**
  - Less risk in a desirable location
  - More homes/acre means higher revenue/acre



# Seattle-Tacoma Residents by Life Stage



JBREC built a Life Stage system based on answers from the Consumer Insights survey.

The Life Stages of consumers have unique characteristics that speak to the different needs, wants, and lifestyles through which individuals pass over the course of their lives.



# Density Solutions for Young Singles



**Centerhouse  
by Trumark Homes**  
DesignLens™ Feature  
February 2019  
Ontario, CA

- Designed to be attainable and charming.
- Smaller homes with square footage in all the right places
- Small yards and covered decks



Source:

**DESIGN**LENS  
by John Burns Real Estate Consulting



# Density Solutions for Young Couples



## Perch by Trumark Homes DesignLens™ Feature December 2018 Dublin, CA

- Modern architecture
- 22 units/acre
- 1,521-1,758 square feet
- Private spaces on roof decks
- Community parks



## Avid Townhomes by Intracorp Bellevue, WA

- Modern homes
- ~25 units/acre
- Shared courtyards create community space



# Density Solutions for Young Families



Young Family



**Roshambo**  
by **Garman Homes**  
DesignLens™ Feature  
January 2019  
Wendell Falls Master Plan,  
Raleigh, NC

- Simple architecture (farmhouse style)
- Small yards
- 1,516 to 1,820 square feet



**Sakura Heights by Ichijo USA**  
DesignLens™ Feature Sept 2016  
Kent, WA

- Modern homes
- Start at 1,928 square feet
- Homes have enhanced green features



# Density Solutions: Empty Nesters

## COTTAGE HOMES



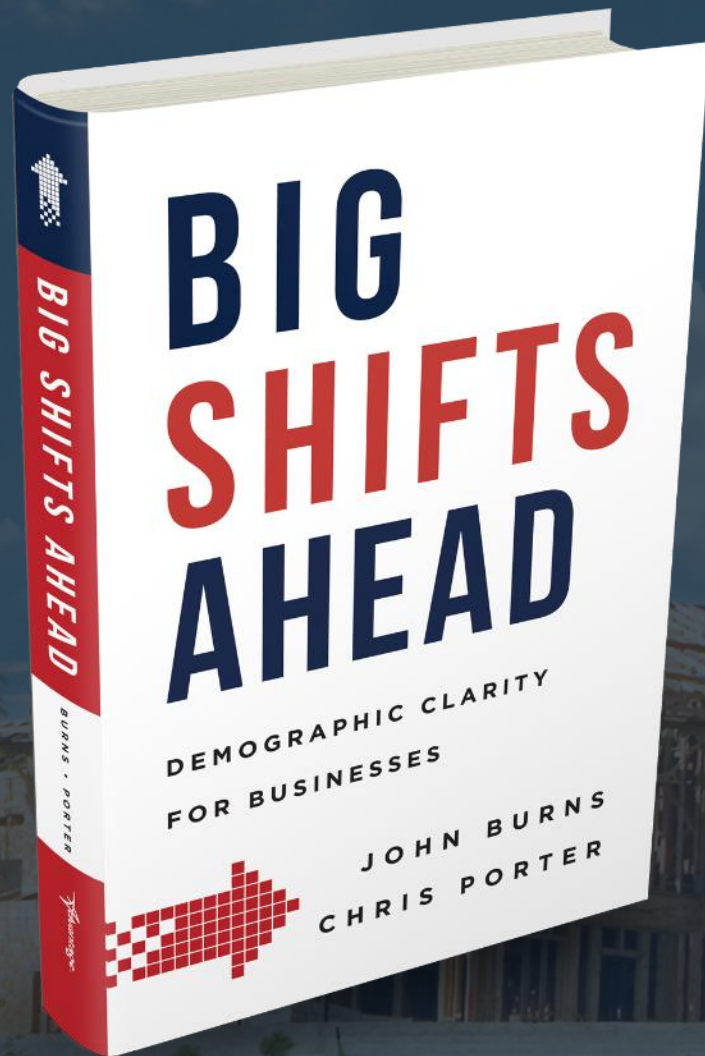
Empty Nesters

**Spring Valley**  
Port Townsend, WA

- Small Cottage homes centered around a courtyard with a small gathering space.







**ANNIE RADECKI**

(971) 279-7379

[aradecki@realestateconsulting.com](mailto:aradecki@realestateconsulting.com)

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**JOHN  BURNS**  
REAL ESTATE CONSULTING