



TRANSFORMING U.S. HOUSING MARKET CONDITIONS FOR THE DIGITAL AGE

This edition of the *U.S. Housing Market Conditions* (USHMC) report, marking the 20th year of reviewing annual housing statistics, will be the last to appear as a printable, unified document. As many of our longtime readers are aware, because of budget limitations and adapting to the more modern methods of disseminating information, the U.S. Department of Housing and Urban Development (HUD) Office of Policy Development and Research (PD&R) ceased the printed versions of USHMC last year. The report became entirely web based but was identical to the printed version, although PD&R released data tables on an expedited basis ahead of the rest of the report's content.

Beginning with the 2013 editions, USHMC will change significantly. First and foremost, *U.S. Housing Market Conditions* will no longer refer to a specific publication but to a new website within the larger <http://www.huduser.org> network that is home to all PD&R publications and datasets. The new USHMC website will be home to all the familiar products that our readers have come to expect in the previous print editions: National Data tables and summaries, Historical Data tables, and Regional Activity that includes narrative Regional Reports and Housing Market Profiles. From the new USHMC home page, readers will click directly on a link to any of these sections of interest. In addition, from the USHMC home page, readers will be able to access several other PD&R publications pertaining to regional and local housing market conditions, including the *Comprehensive Housing Market Analysis* (CHMA) and *Market at a Glance* (MAAG) reports. From the new USHMC home page, readers will have the option to search by report type or select a particular geography of interest and see all the available reports for that particular geography. Readers will access the most recently produced reports on the USHMC website and the more dated material from the "Archives" section on the site. The site will provide a one-stop shop for all PD&R materials pertaining to housing market conditions and datasets.

The subsequent sections of this article address the many improvements in the presentation of standard USHMC material that a website format makes possible and discuss details of the new information sources that will be accessible through the USHMC website. The first section presents the history of the USHMC report

from the perspective of Frederick J. Eggers, Deputy Assistant Secretary for Economic Affairs from 1993 to 2000, and the originating editor of USHMC.

History of the USHMC Quarterly Report—Reflections by Fred Eggers, 1994–2000 Editor

"I had the privilege of being the editor of USHMC from its birth in February 1994 until I retired in December 2000. Truth be told, I did not appreciate this honor at first. When, in 1993, Assistant Secretary Michael Stegman told me that Secretary Henry Cisneros wanted HUD to have a quarterly publication that would demonstrate the Department's knowledge and leadership in the housing market, I had two unspoken reactions—'I don't have any experience in producing a periodical,' and 'Where will I find time to do this?' But the role of a bureaucrat is not to reason why.

"Getting USHMC started was an adventure. Secretary Cisneros envisioned a report similar to the report compiled by the regional Federal Reserve banks on overall economic activity in their regions, which is combined and released as the so-called 'Beige Book' by the Federal Reserve Board [(Fed)]. The first step was accompanying the Secretary on a visit to Fed Chairman Alan Greenspan to learn about the Fed's Beige Book. Based on that discussion, we decided to imitate the Fed by calling upon the economists in the 10 HUD regional offices to report on housing markets and to spotlight conditions in an important housing market in each of their regions. This section, organized by Economic and Market Analysis Division Director David Shenk, became a popular feature of USHMC and had valuable benefits beyond the publication. Work on USHMC strengthened the connection between the economists in HUD's central office and those in the field. It also helped standardize techniques used in the field for housing market analysis. Despite the successes derived from the meeting with Chairman Greenspan, my first thought when recalling the meeting is always that it was one of only four occasions when I missed one of my daughter's high school soccer games.

"USHMC provides a handy source of statistics related to housing. The task of deciding what to include and pulling together the historical data fell to Housing and Demographic Analysis Division Director Duane McGough, a respected housing economist of the old school. Duane also volunteered to write the first topical piece, a prediction that rental market construction would be on the upswing. I am not a forecaster, and Duane certainly did not rely on any formal models, but more than once in my career, I had the good sense to rely on Duane's judgment. USHMC's first article accurately foretold the rebound of multifamily construction.

“The final step in launching USHMC was the job of formatting and physically producing the issues. Research Utilization Division Director Katherine O’Leary and her team consistently did a great job on the production end. What sticks in my mind about the print and paper side was a meeting in the assistant secretary’s office before the first edition, when Kathy showed Mike Stegman mockup copies and explained how the color of the masthead and the headers would vary by the season. The May edition would be green, the August edition orange, the November edition red, and the February edition dark blue. Mike, who was on leave from the University of North Carolina, looked at the covers, looked at Kathy, looked back at the covers, and said: ‘You used Duke blue!’ That is why the winter edition of USHMC is Carolina blue.

“Despite my misgiving, USHMC became one of the most enjoyable aspects of my job. Picking out the topics for each issue gave us the opportunity to do some fun things and communicate useful information to HUD’s public. In 1994, a discussion of the differences in homeownership rates by race and income laid the foundation for the Clinton Administration’s homeownership goals. In 1996, we sent Dave Shenk and Chief Market Analyst Bruce Atkinson to Atlanta to see how the forthcoming Olympics had affected the local housing market. In 1999, we used USHMC to put in writing the often misunderstood process of setting Fair Market Rents for the Housing Choice Voucher Program. And, in 2000, USHMC provided the first reliable information on mortgage closing costs based on the data collected in the ubiquitous HUD-1 settlement statement.

“When I think back on my 30 years as a federal government employee, USHMC is one of my proudest accomplishments. Secretary Cisneros complimented me on several occasions about USHMC. The most memorable occurred when the Secretary and I were the only occupants of a HUD elevator. After thanking me once again, the Secretary asked when USHMC would become a monthly. I never figured out whether or not he was pulling my leg but, for the rest of his tenure, I used the stairs to go to and from my eighth-floor office.”

The Future of the USHMC Report

The conversion of the USHMC report from a paper (or virtual paper) format to a website provides a great deal more flexibility in the presentation and organization of content and in the timing of data releases and other content updates. Although all the previous USHMC content will continue, the updated look and feel will make the information easier to access and improve the presentation. The following sections explain how the current USHMC features will evolve to fit the new web format and describe the new sources of information that will come under the USHMC umbrella.

National Data and Historical Data

USHMC will continue to provide quarterly commentary on the housing market, including a snapshot of the 25 to 35 most important housing market indicators, which will be available for download as a short report. The major improvement will come in the timeliness and presentation of the national and historical data. Rather than presenting data in static tables, as the current USHMC publication does, the new website will showcase these data in interactive charts. The interactive charts will enable readers to view trends in the data during any period for which the data are available. Readers will also be able to view and print trend charts for subcategories of housing market indicators, such as permits by type of construction and permits by region. In short, all the national and historical data currently available in USHMC will be available in the new interactive charts. All the data will be updated monthly or quarterly, depending on when the new data become available. In addition, all historical data will be available for readers to download in conveniently formatted spreadsheets.

Regional Reports and Housing Market Profiles

On the USHMC home page, readers will see links to the Regional Reports and Housing Market Profiles that have been part of USHMC since its inception. The design of both narratives is changing, however, to include maps, tables, and figures; the current versions are all text. The new narratives will still include all the information in the existing reports, but the new design will convey this information to readers in a more efficient and lively manner.

The Regional Reports will still appear each quarter for all of HUD’s 10 regions. Each narrative will typically consist of three main sections: Economic Conditions, Sales Market Conditions, and Rental Market Conditions. The Economic Conditions sections will include a table highlighting the total nonfarm payrolls by sector during the current quarter compared with those of the same quarter 1 year earlier. In addition, a map will show the quarterly unemployment rate in each state in the region. The narrative will analyze significant changes by sector and in the unemployment rate or other economic conditions. The Sales Market Conditions section will assess current sales conditions in the region, summarize sales market conditions in selected areas of the region, and analyze trends in relevant variables. A table will highlight home sales and prices for each state (or substate) during the most recent 12-month period compared with sales and prices during the previous 12-month period, and a figure will show the change in single-family building permitting by state during the most recent quarter relative to the same quarter a year earlier. The Rental Market Conditions section will assess regional rental



market conditions, summarize rental market conditions in selected areas of the region, and analyze trends in relevant variables. A table will summarize local rental market conditions for major metropolitan areas within the region. A map will illustrate the percentage change in the current rent levels from a year earlier for the major metropolitan areas. Finally, a table will show the number of multifamily units permitted in the current quarter compared with the number permitted during the same quarter a year earlier for each state.

Under the current USHMC framework, each quarterly issue contains approximately 12 to 17 Housing Market Profile reports. These reports typically focus on the metropolitan level and highlight changes in relevant economic, demographic, and housing trends. One major change with the new USHMC website is that approximately 4 to 6 new profiles will be published each month. The format of these reports, like that of the Regional Reports, is also changing. A version that includes graphs, tables, and figures will replace the current all-text format. The structure of the Housing Market Profiles will be similar to that of the Regional Reports, in that they will contain sections on Economic Conditions, Sales Market Conditions, and Rental Market Conditions. In addition, when appropriate, each report may contain a bonus section pertaining to local items of interest. For example, disaster-impacted areas may have a special section highlighting recovery efforts, or areas in parts of the country affected by increased oil and natural gas exploration may highlight how these changes are affecting the local housing market. In addition to analysis, the Economic Conditions sections will include a table showing nonfarm payrolls by sector during the most recent 3 months compared with nonfarm payrolls by sector during the same 3 months a year earlier. The section will also include a figure showing the change in the 3-month average nonfarm payrolls for the past several years in the metropolitan area and in the state and nation for comparison and context. Finally, the Economic Conditions section will include a table showing the three largest employers in the area. The Sales Market Conditions section will include an assessment of current market conditions and an analysis of trends in relevant variables. Figures will show the 12-month average trends in new and existing home sales and prices for the past several years. Another figure will illustrate the monthly percentage of home loans that are 90 or more days delinquent, are in foreclosure, or transitioned into REO (Real Estate Owned) during the past 3 years for the metropolitan area, state, and nation. Finally, a graph will show single-family permitting activity during the past decade. The Rental Market Conditions section will also include an assessment of current conditions and an analysis of trends in relevant variables. A figure will show quarterly trends in vacancy rates and rents for the past 3 years, and a graph will illustrate the number of multifamily units permitted annually during the past decade.

New Additions to USHMC: CHMA and MAAG

In addition to improving the timeliness and presentation of data and bringing a new look for the Regional Reports and Housing Market Profiles, the USHMC brand will include significant new content covering local housing market conditions. Whereas the USHMC Housing Market Profiles present a middle ground in the depth and timeliness of analysis, CHMA reports provide HUD's most in-depth and thorough analysis, with infrequent updates, and the MAAG web page provides HUD's most current local data and analysis.

CHMA Reports

Since 2002, PD&R has published more than 250 CHMA reports. These reports typically focus on a metropolitan area and analyze housing, demographic, and economic variables during three primary periods of interest: between the two most recent Decennial Census periods, from the most recent Decennial Census to the current date of the report, and from the current date to the forecast date (which is usually 3 years from the current date). A unique element in the CHMA reports is the estimate of demand for sales and rental housing during the 3-year forecast period, broken down by price for sales housing and by rents and number of bedrooms for rental housing. The topical narrative in the fourth quarter 2008 edition of USHMC was an article titled "HUD's Housing Market Analysis: History and Current State," which detailed the methodology PD&R's field economists use to conduct a housing market analysis.

The CHMA reports are generally divided into five primary sections: Summary, Economic Conditions, Population and Households, Housing Market Trends (Sales Market and Rental Market), and Data Profiles. The Summary section defines the housing market area (HMA) and provides a broad summary of current economic, sales market, and rental market conditions. This section includes a table highlighting the estimated demand for new sales and rental housing in the HMA. These demand estimates account for the current vacant units and units under construction and provide readers with the number of units that should be supplied for the market to maintain or achieve balanced conditions by the end of the 3-year forecast period.

The Economic Conditions section usually focuses on trends in total nonfarm payroll jobs and at the sector level. Each report contains a table showing the change in nonfarm payrolls in each sector during the most recent 12-month period from the previous 12-month period. A bar graph highlights the change in nonfarm payrolls during a longer time horizon, and a pie chart shows the current breakdown of total nonfarm payrolls

by sector. A figure in the Economic Conditions section highlights the change in resident employment, the labor force, and the unemployment rate during a long-term horizon and a table lists the major employers in the HMA and the number of employees at each.

The Population and Households section highlights trends in population and household growth during the three major periods and highlights periods of significance. The section includes figures illustrating population and household growth, the components of population change, and the number of households by tenure in the HMA.

In Housing Market Trends, the Sales Market section discusses changes in key variables such as home sales, prices, foreclosures, permits, and current single-family developments. A figure illustrates single-family building permits, and a table breaks down the estimated demand for new sales housing by price range. The Rental Market section focuses on vacancy rates, rent changes, multifamily production (with a breakdown of apartments versus condominiums, where appropriate), and current apartments under construction. A figure shows the number of multifamily units permitted each year during a long-term horizon, and a table shows the demand estimate for new market-rate rental units by the number of bedrooms and rent range. Some reports divide the HMA into submarkets. When the CHMA report analyzes submarkets, each submarket has a separate Sales Market and Rental Market discussion.

At the end of each report, a Data Profile table provides data on demographics, housing units, jobs and employment, and sales and rental vacancy rates. If the report describes submarkets, it includes a separate Data Profile table for each submarket. In addition, a link at the end of each CHMA report directs readers to additional supplemental tables that contain more historical and detailed data on employment and jobs, demographics, housing inventory, building permits, and household and family income.

MAAG Reports

The MAAG reports, which are available for every county, metropolitan area, and HUD region, provide the most up-to-date housing, demographic, and economic data available for every area. In addition, these reports occasionally contain commentary pertaining to local housing market conditions. For example, many markets along the east coast impacted by Hurricane Sandy in 2012 had MAAG reports that contained the most up-to-date information and analysis available.

A figure in the MAAGs shows the year-over-year change in the 3-month average labor force and resident employment and the change in the 3-month average unemployment rate. A separate figure highlights the

change in the 3-month average nonfarm payroll or covered payroll data, depending on the geography selected. A table shows the most recent change in each of these variables relative to conditions a year earlier. In the future, this table will incorporate sector-level changes, as well.

Another table in the MAAG report shows population and household data from the two most recent Decennial Census periods and the three most recent American Community Survey (ACS) periods. Depending on the geography selected, the ACS data will be 1-year, 3-year, or 5-year data. A graph illustrates net natural change and net migration.

Another graph in the MAAGs shows rental vacancy rates from the most recent Decennial Census and the three most recent ACS periods. Figures show single-family and multifamily building permit activity during the most recent decade. Finally, a table incorporates data on the current housing inventory, highlighting the owner-occupied, renter-occupied, and vacant units during the most recent Decennial Census and the three most recent ACS periods.

Topical Articles and Other Features

In addition to providing links to the National Data, Historical Data and to all the reports, the new USHMC website will include links to other items of interest, including webcasts of PD&R's Quarterly Briefings—which contain a quarterly update on housing market conditions around the country—special working papers on housing-related topics or issues, and housing-related analytical maps produced by PD&R staff. Topical articles like this one, which focus on subjects such as new data releases, developments in housing markets, or analytical approaches taken by HUD, will appear on the USHMC website on a less regular basis than quarterly as, the economists might say, “warranted by supply conditions.” Nevertheless, the USHMC website will remain an outlet for such analysis.

The Future of the USHMC Website

The Office of Economic Affairs looks forward to the new design possibilities and information sharing that fully integrating USHMC content into a website will provide. We think the new website will be even more useful to our readers than the printed version. We also look forward to reading comments and suggestions from our readers.