

Still building: Housing shortage will be with us for years to come

The U.S. is short more than 2 million homes as building activity still lags.

Steve Brown, Dallas Morning News - Sep 13, 2019

Nationwide home mortgage rates are near record lows. Employment rates are near record highs. And demand for housing is strong in most U.S. metro areas. You'd think homebuilding would be booming.

But you'd be wrong.

Single-family home construction across the country and in North Texas is nowhere close to reaching the levels we saw before the Great Recession.

And homebuilding is likely to lag demand through the next three years, according to a new report by Zillow.

The real estate marketing firm and Pulsenomics surveyed economists, investment strategists and real estate professionals who said that home construction will remain below historic averages through at least 2022.

Zillow estimates that nationwide homebuilding has lagged by more than 2 million houses during the last decade.

In the Dallas-Fort Worth area, we're short more than 40,000 homes from where we would have been if builders could have kept up with demand.

"Without new homes to meet population growth and replace an aging housing stock, home buying is expected to move further out of reach," Zillow director of economic research Skylar Olsen said in the report.

Zillow's findings are in line with what the National Association of Home Builders has been warning for the last few years — that builders can't produce enough houses.

"Our forecast goes through 2021, and we have single-family starts approaching 900,000 units by the end of the forecast window — so staying under 1 million a year," said Robert Dietz, the association's chief economist. "On a demographic, or potential demand basis, we should be building 1 million to 1.1 million single-family homes a year.

"You need about 300,000 for replacement homes and second homes, and another 800,000 or so for population growth."

Dietz said labor shortages, high land costs, price increases for materials and growing government regulations have hammered housing construction in many markets.

"This has left a deficit for the single-family housing stock, which means home price growth has been outpacing income growth during this expansion," he said.

In North Texas, the country's busiest homebuilding market, production for this cycle may have already peaked. Home starts in the area are down about 2,000 units this year from last year's peak, according to data from Residential Strategies.

While homebuilding activity may catch up a bit, don't expect a D-FW building surge, Residential Strategies principal Ted Wilson said.

"Even with the ultra-low mortgage rates re-stimulating the housing market, we are forecasting a similar flat market through 2020," Wilson said. "While the underlying demographics for D-FW remain very favorable, housing affordability continues to be the primary factor that controls for-sale housing growth." In other words, not enough North Texas buyers can afford the new homes builders are able to construct.

JOB GROWTH 1	Area New Jobs				
	Estimate	1 Mo End 8/31	6 Mo End 8/31	12 Mo End 8/31	
Dallas/Plano/Irving		(1,500)	79,400	101,400	
Fort Worth/Arlington		(4,100)	19,500	24,000	
		(5,600)	98,900	125,400	
INTEREST RATES 2	Rates		END 9/30	Yr. Ago	
	10 Year Treasury		1.68%	3.09%	
	11th District COFI		1.16%	1.02%	
	1 Mo. LIBOR		2.05%	2.23%	
SUPPLY/ DEMAND 3	Units Added/ Absorbed		6 Mo End 9/30	12 Mo End 9/30	24 Mo End 9/30
	<u>Dallas County</u>				
	Added		4,045	11,125	22,739
	Absorbed		5,876	10,155	22,405
	<u>Tarrant County</u>				
	Added		1,437	5,001	13,265
Absorbed		2,377	5,318	11,679	
OCCUPANCY RATES 3	<u>Dallas County</u>		9/30/2019	6 Mo Ago	12 Mo Ago
	2010's		82.6%	78.7%	81.0%
	2000's		93.6%	93.8%	93.4%
	1990's		94.8%	94.7%	94.4%
	1980's		93.0%	93.8%	93.5%
	1970's or Older		93.2%	92.9%	93.2%
	<u>Tarrant County</u>				
	2010's		80.8%	73.6%	73.8%
	2000's		93.7%	94.3%	94.7%
	1990's		94.9%	95.2%	95.2%
	1980's		93.8%	94.4%	94.0%
	1970's or Older		90.8%	91.7%	91.4%
	RENTAL RATES 3	<u>Dallas County</u>		9/30/2019	6 Mo Ago
2010's			\$1,615	\$1,569	\$1,576
2000's			\$1,444	\$1,418	\$1,411
1990's			\$1,349	\$1,335	\$1,308
1980's			\$998	\$975	\$952
1970's or Older			\$955	\$931	\$921
<u>Tarrant County</u>					
2010's			\$1,400	\$1,398	\$1,408
2000's			\$1,263	\$1,255	\$1,246
1990's			\$1,242	\$1,244	\$1,216
1980's			\$971	\$955	\$939
1970's or Older			\$909	\$894	\$881
HISTORICAL JOB GROWTH		Average year change of the combined DFW MSA's			
	2018	102,200	1 Texas Workforce Commission		
	2017	91,700	2 Banxquote.com		
	2016	120,500	3 ALNsys.com - Rental rates are after concessions.		
	2015	98,700	Approximately 25% of 70's or older are all bills paid		
	2014	132,000			
	2013	95,600			
	2012	79,200			

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