

Yun sheds light on housing market

NAR's chief economist highlights speaker list at Region XI Conference

There is a housing shortage nationwide and in Nevada specifically. That has been well publicized in recent months. Markets across the country and in both of Nevada's population centers – Las Vegas and Reno – continue to see shrinkage in inventory.

Lawrence Yun, the Chief Economist for the National Association of REALTORS®, spoke on the issue Thursday when he spoke at the Region XI REALTOR® Conference hosted at The Broadmoor resort in Colorado Springs, CO. Yun said the biggest contributor to the shortage is builders are not keeping up with demand and he pointed to some key reasons.



Yun

"On 'spec homes', builders can find a buyer in less than three months," Yun said. "So why aren't the builders contributing more to the marketplace? There are not enough lots ready for construction. There is a shortage of quality labor. Lending hurdles, fewer community banks are lending to home builders, and lastly, lumber prices are rising."

According to Yun, the number of new home starts has fallen under the national average for eight straight years. That will translate into a continued inventory shortage for the remainder of 2017 and likely well into 2018. He said the only way to relieve the inventory shortage is to build more homes or a second possibility is for investors to start unloading homes they picked up on the cheap during the recession.

Yun pointed out that during the housing binge of a decade ago home building was driven by both the large corporations and the small independent builders. However, that's no longer the case. Yun said tougher regulations from Dodd-Frank legislation have handcuffed community banks, which has in turn led to fewer loans going to



Home starts, like the ones seen here in suburban Reno, have lagged behind demand. NAR Chief Economist Lawrence Yun said part of the reason is because small builders have yet to jump back into the building fray due to strict lending policies.

smaller home builders. If Dodd-Frank is repealed or restrictions are eased, many markets could see a rise in home building from smaller construction firms.

"Ignore the data about homebuilder confidence," Yun said. "Small home builders are stifled and they aren't the ones filling out the surveys. Just look at housing starts. That is the true indicator. If we get more domestic workers going into construction and wages grow that could help, but it will take time."

Nationally, home prices have outpaced income over the past five years. Specifically, homes prices have risen 40 percent in that span while income has jumped only 11 percent. And yet, the demand for housing remains high.

"One has to wonder, how long can this persist?" Yun wondered. "We just don't have enough homes for sale. There are too many people interested in buying ... With home prices outpacing income, how is affordability so high? That's because interest rates are close to four percent. Remember, in 2000, they were close to nine."

In a related issue, Yun illustrated figures that showed home ownership is at a 50-year low. He said 80 percent of Americans still view home ownership as a dream and that 85 percent admit they want to buy a home in the future. Still, if a decline in home ownership continues, Yun believes a housing crisis could eventually ensue.

"If you become a population of renters, then voting habits change," Yun said, elaborating that a public outcry for sweeping rent control policy could follow. "For middle-class voters, their wealth is tied up in their homes and real estate. If the housing market is not healthy, voters want change."

Yun wrapped up his presentation with some positives. He said consumer spirit is improving, noting consumers are more confident after last fall's election. That improved soft economic data could lead to an increase in hard economic data. He also said Nevada is one of the top four states in non-farm job growth, meaning potentially those factors could play out in an improved economy in the second half of the year.