



The Daily Dish

Wither the Housing Market?

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Over the weekend [Speaker of the House Paul Ryan \(R-WI\)](#) stated that he fully expects Congress to pass a major tax reform bill by the end of the year. Speaker Ryan said that the House, the Senate, and the White House are all working together to make tax reform happen but he said they will not be setting an artificial deadline because they are focused on getting tax reform right.

On Saturday the [U.S. confirmed that North Korea](#) launched a projectile but the U.S. Pacific Command stated that they are unsure if the projectile was another ballistic missile. According to the U.S. Pacific Command the projectile made impact closer to Russia than Japan. The launch is just the latest act of aggression by the North Korean government leading the U.S. to call for all nations to pass tougher sanctions on North Korea.

Eakinomics: Wither the Housing Market?

The New York Times weighed in over the weekend with an [article](#) entitled “Real Estate’s New Normal: Homeowners Staying Put.” The central observation was that “median homeowner tenure rose to about eight and a half years last year, up from about three and a half in 2008.” The desire to stay put translates into fewer houses available for sale on the market, increased price competition and steep valuation in desirable markets, and may have reduced the responsiveness of households to opportunities in the U.S. labor market.

That sounds unappealing.

At the same time, however, the Wall Street Journal [reports](#) “First-time buyers are rushing to buy homes after a decade on the sidelines, promising to kick a housing market already flush with luxury sales into higher gear.” What are the foundations of this uptick? “The number of new-owner households was double the number of new-renter households in the first quarter of this year, the share of first-time buyers is creeping back toward the historical average, and mortgages for first-timers are on the rise.”

That sounds promising.

The two observations are, of course, not incompatible. Those same new households may choose to turn over their starter homes at slower rates and after greater intervals than was true in the past. The real question is what will be the typical life cycle of new homes, home sales, and existing home purchases. This will have implications for the demand for furnaces, air conditioners, ovens, stoves, and other manufactured housing complements, and for the economy more broadly. And, of course, the causal arrows go the other direction as well; a stronger economy may permit homeowners to more confidently move to larger footprints.

What will happen? Nobody knows. The trouble is that the dramatic housing bubble/bust in 2003-2009 coincided with the onset of the demographic transition accompanying the aging of the baby-boom generation. The U.S. population will permanently have a higher share of retirement-aged individuals, and may have different housing dynamics as well. It also coincides with the sharp downshift in productivity that has produced the “new normal” of sluggish economic growth.

The issues may be unresolved, but their resolution could not be more important.