

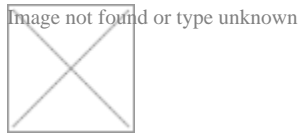


Insight

Where The Housing Recovery Stands

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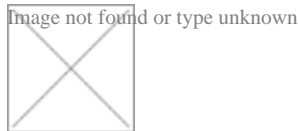
Now years after the worst of the housing crisis, many are left wondering why the housing market appears stuck in neutral. The short answer: wages have not grown and many prospective buyers do not have the incomes or feel economically secure enough to purchase a home. Monthly job gains have finally picked up, but wages have been largely stagnant (See Figure 1). Though many still express a desire to own a home, desires cannot translate into demand without growing wages and stronger economic growth.



While this narrative dominates nationally, the fact is that there is no single national housing market but many. In the maps below we take a look at how housing permits (a forward looking indicator of future home construction), house prices, and jobs vary by state. For each indicator, the monthly average in 2014 is represented as a percentage of the monthly average in the years prior to the recession. Essentially, it shows how far each indicator has recovered.

Three trends should stand out:

1. Prices and permits have had divergent recoveries (See Figure 2). Prices are nearing their pre-recession average in most states while permits are only higher in states with the strongest economic growth.



2. The recovery of multifamily permits (e.g. condo and apartment buildings) in most states far outweighs the recovery of single-family permits. Shown in Figure 2, much of the growth in housing permits over the last few years has been in multifamily housing. Single-family permits in 2014 nationally are 45 percent of their pre-recession average.
3. Total nonfarm payroll jobs in most states equal or surpass their pre-recession average, but the same is not true for construction jobs. Relatedly, energy-producing states like North Dakota and Texas have had job growth and home construction that far outpaces other states.

Source: Freddie Mac

Source: U.S. Census Bureau

Source: Bureau of Labor Statistics

In 2012, the American Action Forum (AAF) [laid out the metrics](#) that would signify a recovery in housing and made three general observations that continue to be true: (1) Housing market stabilization and growth vary by locality—not all housing markets are created equal; (2) [Heavy-handed government interventions](#) to fix housing come too late and are too narrowly targeted to broadly aid housing markets; (3) More than anything else, a pickup in construction would signify recovery and allow housing to more fully contribute to economic growth. Because too few policies to promote strong job and wage growth have been pursued since then, demand remains weak in most states and their “recovery” has yet to be cemented.