Housing Market Disruptors

Impacts of speculation and sharing

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Perspective

- Housing Information and Referral Center—Hotline
- Fair housing | Access
- Community and Economic Development
- Housing as a Second Language
- Non-traditional partnerships
Balanced ecosystem

- Healthy housing markets create stability
- Housing types, prices should reflect local needs
- Low-cost housing = perpetual wage subsidy*
- Local ownership best reflects community values
- Speculation can undermine community interests
- Housing cost burden affects everyone

*h/t Peter Dreier Ph.D.
Disruptors

Four Horsemen of the Housing Apocalypse

Poverty Flipping Conversion Commodification
1. Poverty/Disparity

Factors
- Labor market/policy
- Household makeup
- Education gap
- Housing choice, social capital
- Nutrition, health, education
- Intergenerational inequality

Hotline observations: 1998-present

- Single-parent households
  - Approx. 25% of U.S. families (mostly women*)
  - Choices: heat/eat? car payment/rent/phone?
- Rental vacancy rates ±1%; Y/Y rents ^4.5%**
- Low wages undermine work incentives
- Long commutes, substandard housing
- Insecurity, instability costs (school, job, civic)
- Persistent credit barriers reduce options

*Source: US Census Living Arrangements of Children: 1960 to present
**Apartment List Rentonomics, 2/28/18
Debt

- Credit card, auto, student loan debt
- Student debt delays millennial home buying*
- Debt limits opportunity

*Source: [realtors.org](http://realtors.org) / [asa.org](http://asa.org) 9/18/17
2. Flippers

- Flipping shows linked to bubble*
- ‘Erodes affordability’ w/o value*
- Focus shifting to secondary markets**
- Investor class led in loan defaults***

The rise in mortgage delinquencies is virtually exclusively accounted for by real estate investors.***

*Source: Matthew Gardner 10/17  Attomdata 9/12/17  ***NBER 8/29/17
3. Conversions increase prices

- Affordability concentrated in legacy properties
- Purchase, refinance, renovation > rent increase

Tough calls for Glenbrook Apartments tenants in Boise, who are being forced to vacate

By Zach Kyle - zkyle@idahostatesman.com
Short-Term Rentals

- Short-term rentals (STRs) + vacation homes
- Valley County >78% / Cascade >55%
- Berlin / Switzerland / Sandpoint / Park City
4. Commodification

“房子是为了生活，而不是投机” — 习近平

Without affordable housing, Vancouver risks becoming an economic ghost town

Ryan Holmes: High housing costs are threatening the future of Silicon Valley North, but that can be changed if Vancouver is willing to grow up
UN report on foreign investment*

- Global real estate: 60% of all global assets $217T
- Residential real estate = $163 trillion or 75%
- More than twice total global GDP.

“...global financial factors have led to greater income inequality, spatial segregation, inadequate housing provision and growing homeless populations.”

*Source: Statement by U.N. Special Rapporteur on the right to adequate housing 3/1/17
Outside investment*

- Undermines democratic governance, local control, community integrity
- Exacerbates inequality and social exclusion
- Detaches housing from community, human dignity and security

*Source: Statement by U.N. Special Rapporteur on the right to adequate housing 3/1/17
Corporate landlords

- Profile: Tom Barrack
- Colony Starwood Homes*
- 30K+ single-family homes
- Mortgage-backed securities
  - JP Morgan Chase > $3.2B
  - Drive-by appraisals
  - Rampant code violations

[Barrack’s] business model is based on a fast-churning cycle of penalty fees and eviction notices. —RevealNews

Source: Reveal News *After the Bubble Burst 6/10/17 > *Sale—now ‘Starwood Waypoint Homes’
Bonus: “...we’re here to help”

- Tax Bill > LIHTC 235K-unit drop over 10yrs*
- Cuts to HUD, USDA, HHS, SNAP, ACA**
- Work requirements***
- Preemptive state laws protects STRs, landlords

Is everyone a Realtor?

*Realtors are everywhere in the West these days — including the seats of power*

M. John Fayhee | March 20, 2006 | From the print edition

High Country News

Sources: *Tax Reform Resource Center 12/19/17 **CBPP 12/14/18 ***CityLab 2/2/18/CBPP
Ripple effects

- Rent inflation

- Cost burden/shift
- 1.289M fewer vacant rentals since Q4 ’09*

*Source: American Fact Finder  (Note: U.S. Households up by 9M in same period)
One bite at a time...
Discussion

Other perspectives?
Anticipated consequences for...
  ...families and individuals?
  ...neighborhoods and communities?
  ...education, health care and societal costs?
  ...workforce/economic development?
Can we compensate for these factors?
Adaptive strategies