

# Housing under COVID-19

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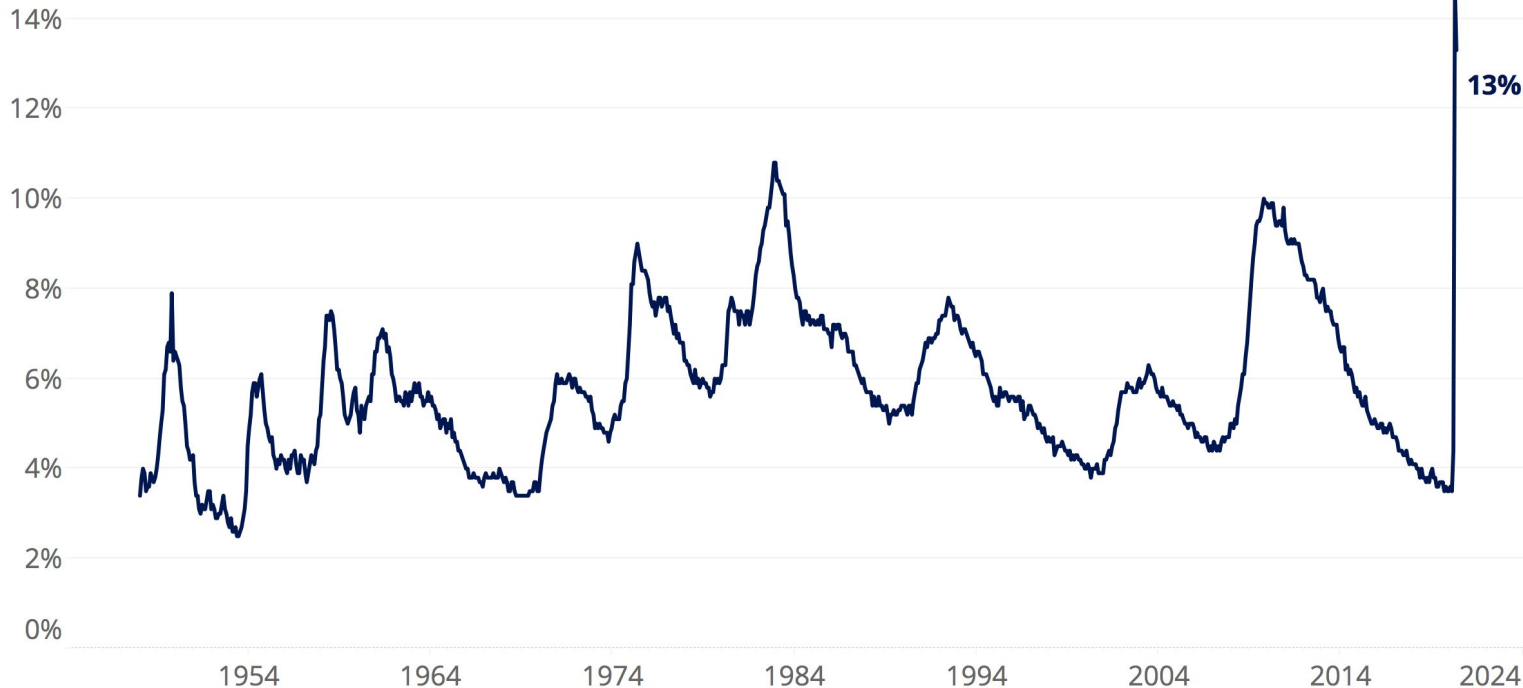
Watching the recovery happen or waiting for the other shoe to drop?  
Unprecedented times bring wild uncertainty and a touch of hope.



**ZILLOW**GROUP

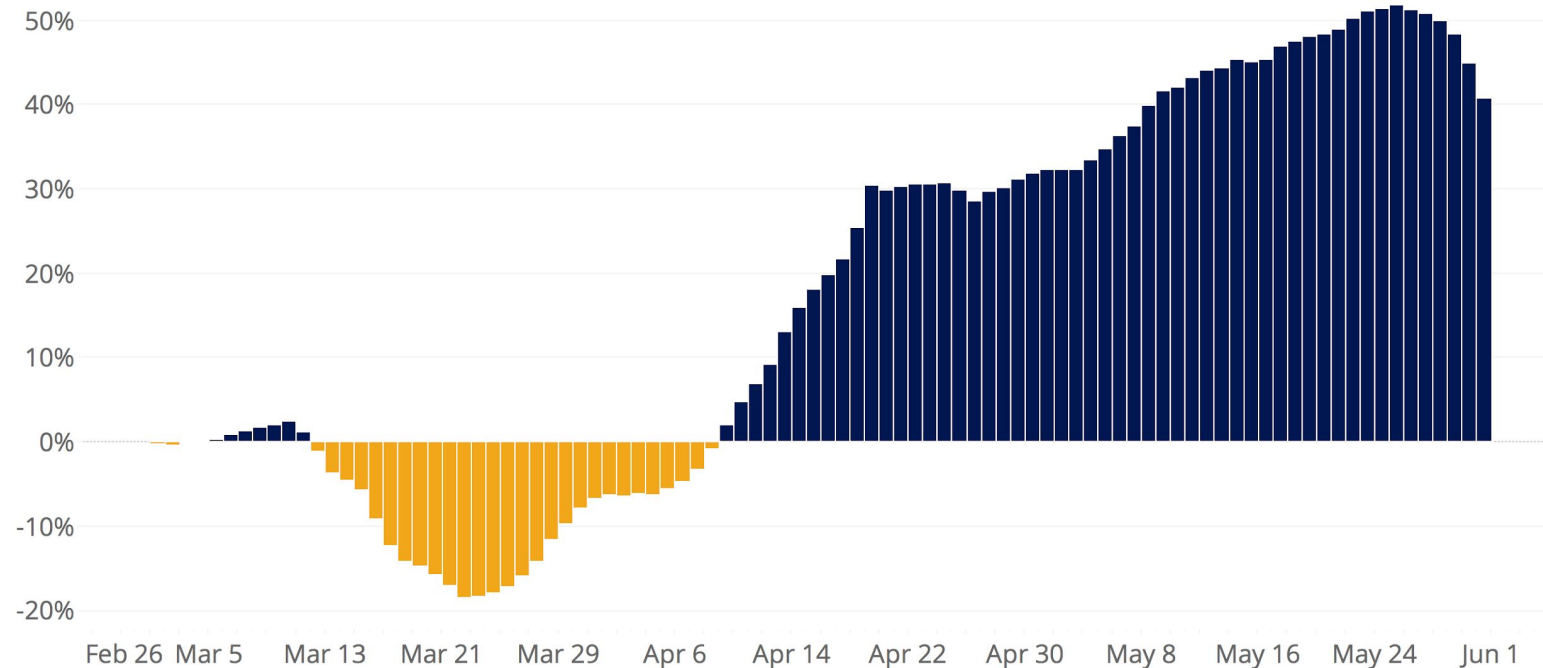
# Coronavirus pandemic pushes U.S. into deepest “recession” since Great Depression

U.S. Nonfarm Unemployment Rate



# Search on Zillow shows housing is top of mind

Zillow.com **FOR-SALE** visits, 7-day moving average versus baseline

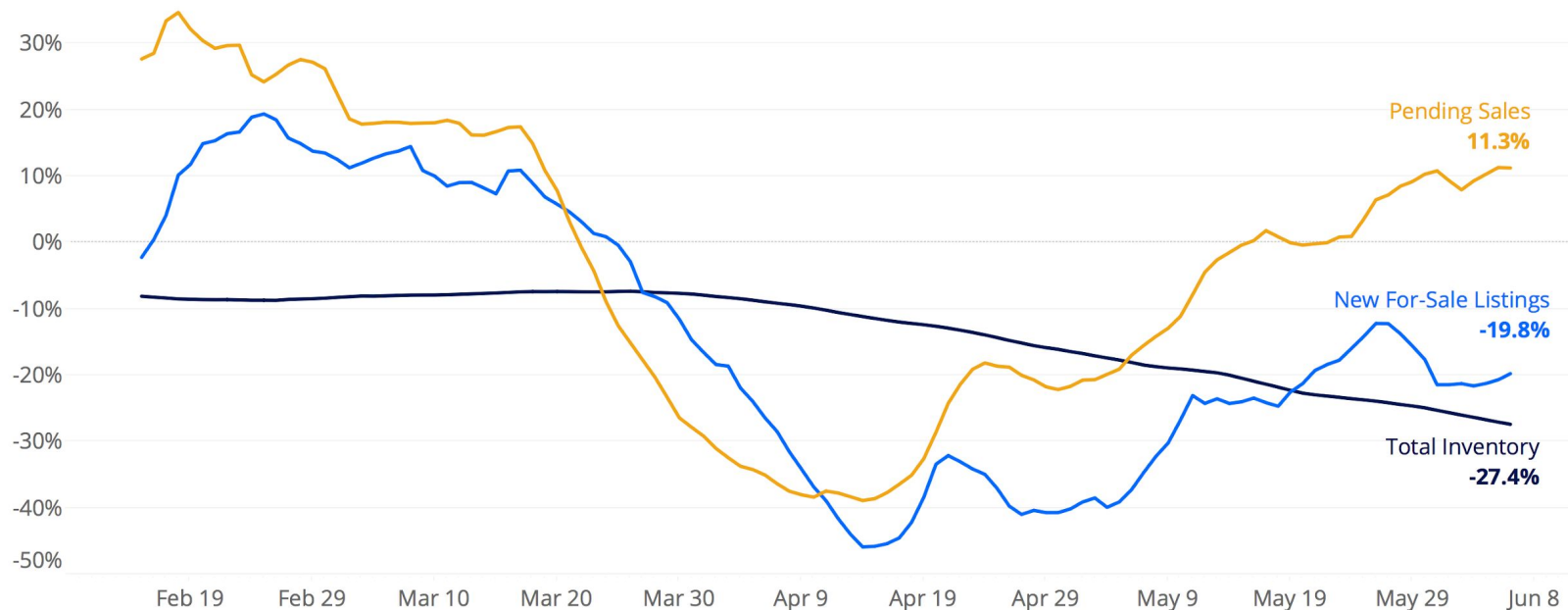


**Unprecedented  
crisis meets  
for-sale market  
is resilience**

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# The pull back was huge, activity returns as we speak

Buyers return faster than sellers, pushing inventory down to historic lows.

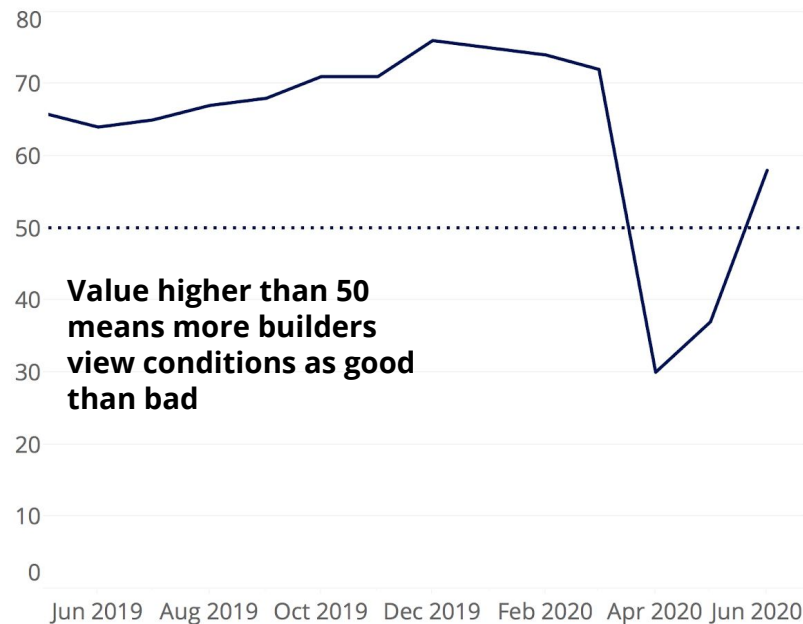


Zillow Economic Research | Source: Zillow Inventory Metrics

# Supply side also walloped

Builder confidence recovers some, but still down significantly from early season highs

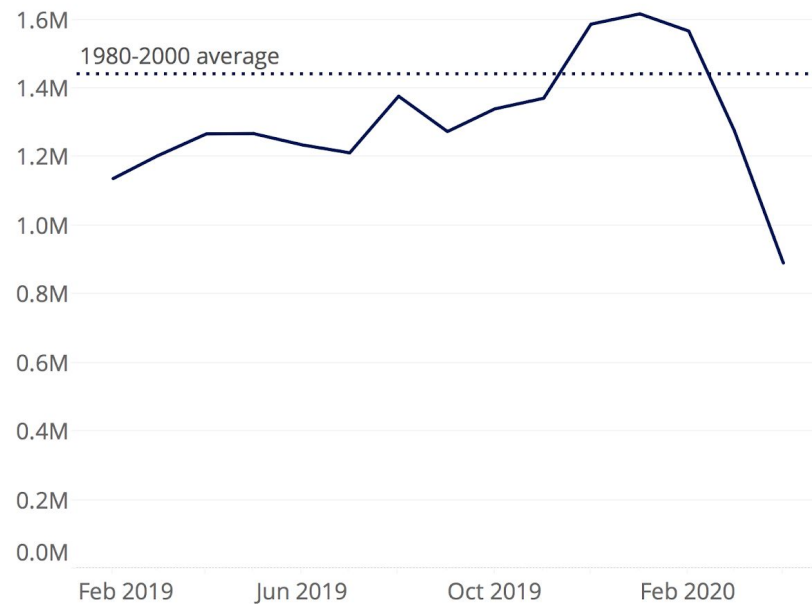
## Homebuilder sentiment more than halved in April



Source: National Association of Homebuilders Market Index

## March housing starts fell 25% from Jan high

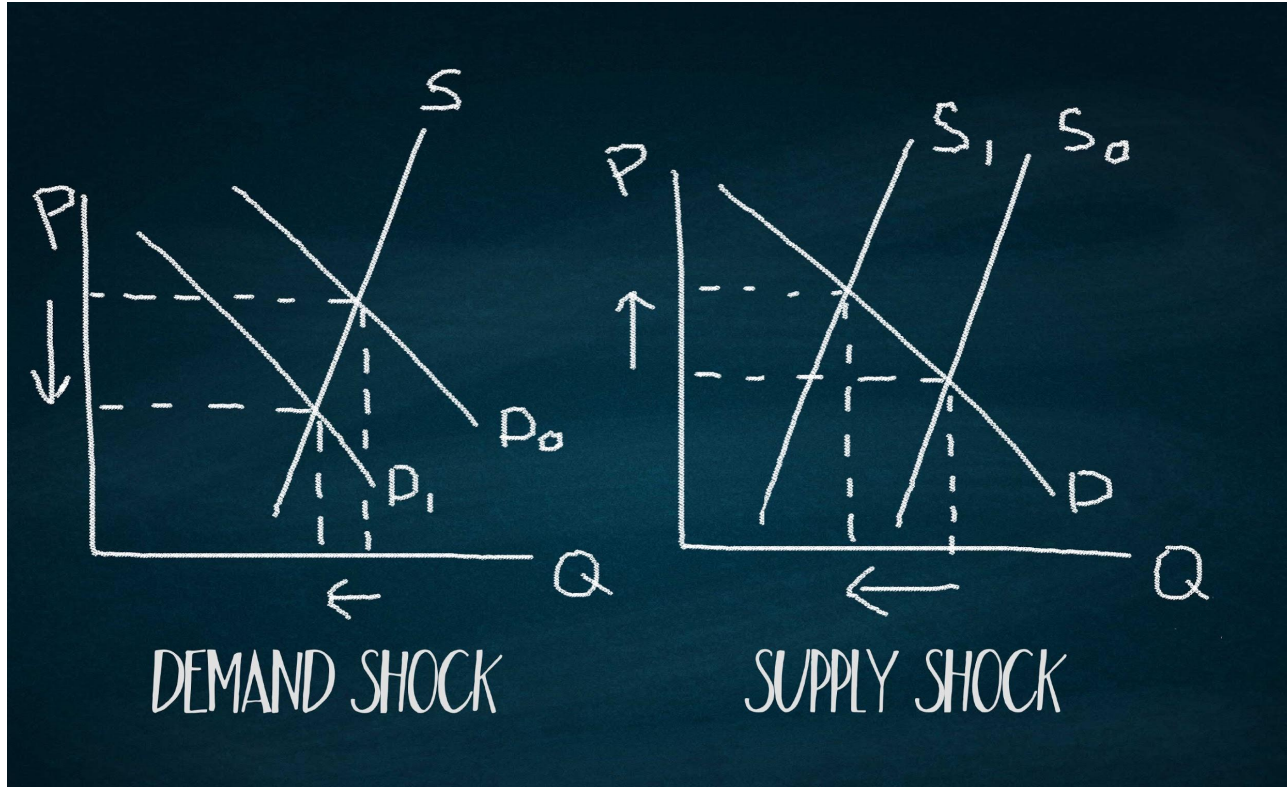
Jan starts numbers reached levels not seen since late 2006 before the Global Financial Crisis



Source: U.S. Census, Survey of New Residential Construction

# Simultaneous supply and demand shock

Opposing effect on prices, reinforcing impact on quantities (leases or sales)



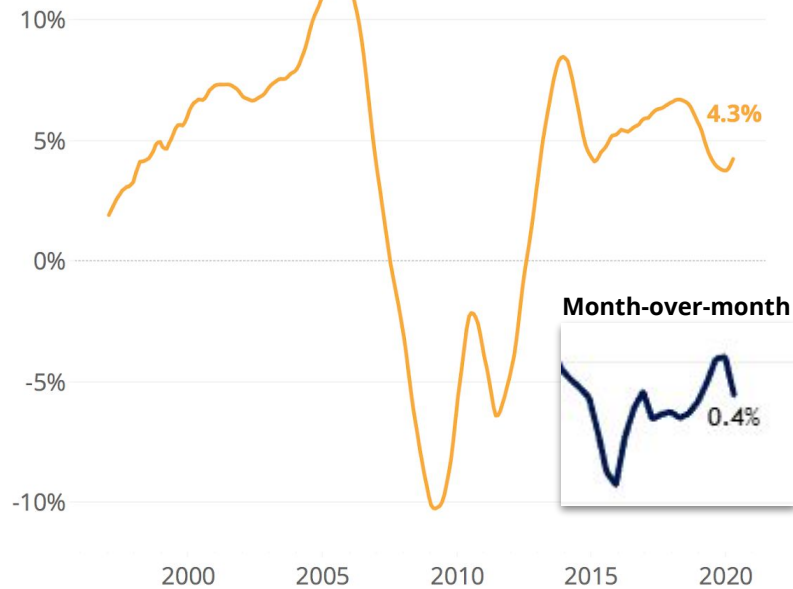
# Inventory loss helps stabilize home prices

Buyers expecting to find a discount aren't finding it. The mortgage rate is the deal.

Median list price, Year-Over-Year



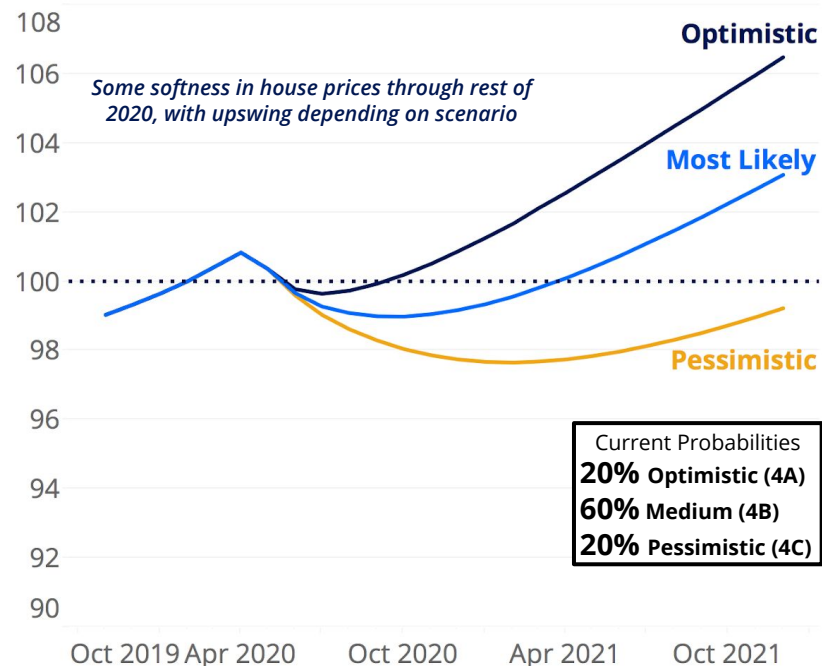
Typical home value, Year-Over-Year





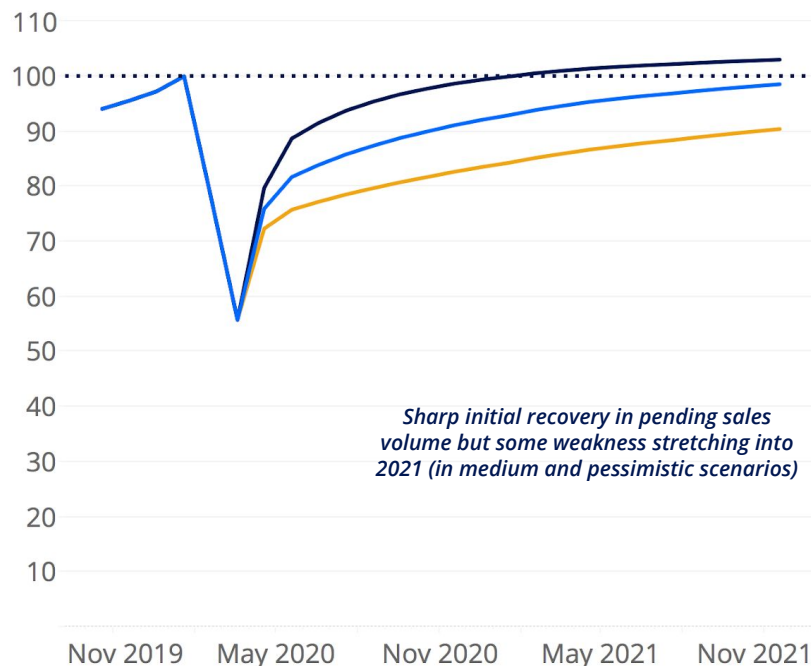
# Zillow's formal home price and sales forecast

Home price change by scenario (Index Feb 2020 = 100)



Estimated Monthly Home Prices, by Scenario (normalized relative to Feb 2020 = 100)  
Source: Zillow Economic Data

Sales volume by scenario (Index Feb 2020 = 100)

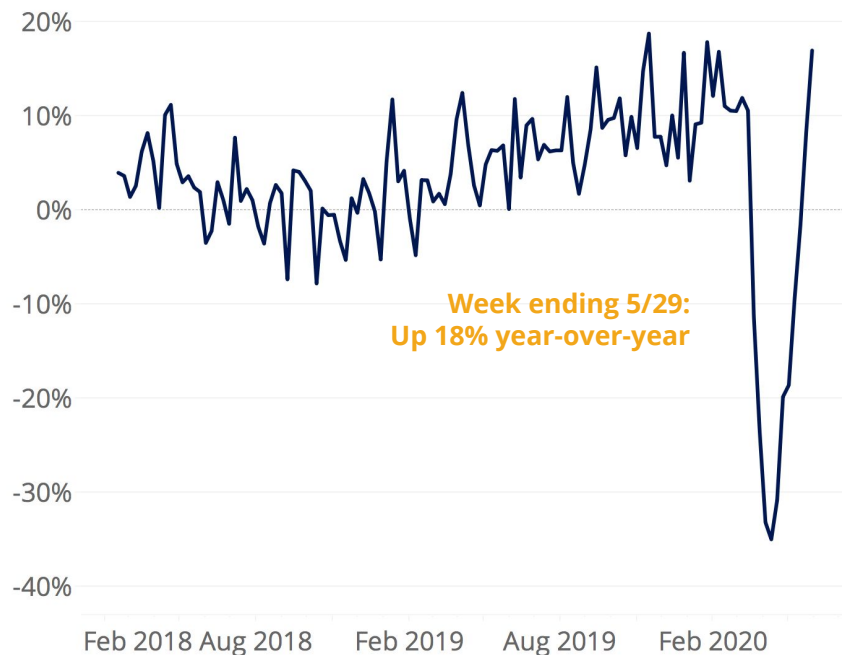


Estimated Pending Sales Volume, by Scenario (normalized relative to Feb 2020 = 100)  
Source: Zillow Economic Data

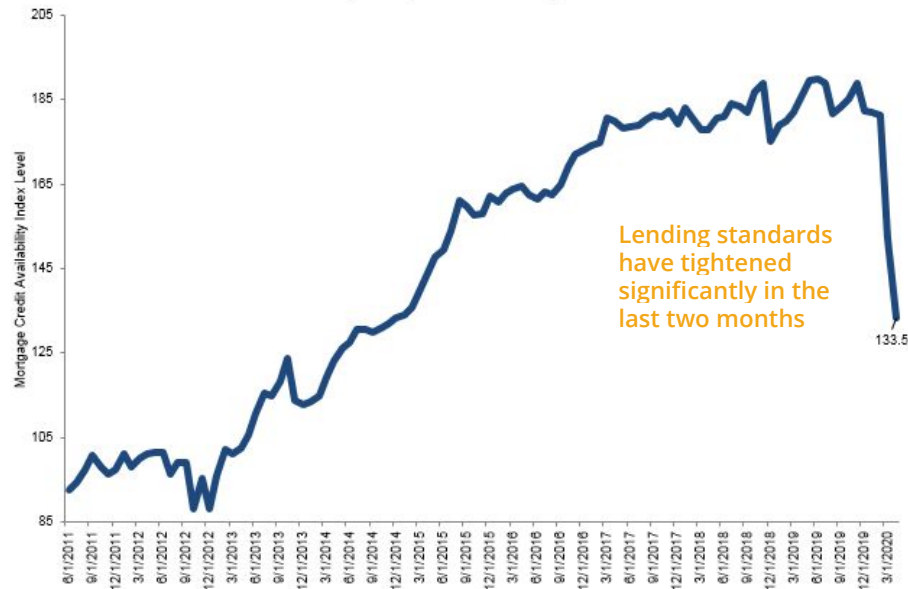
# Tight credit could slow the recovery

For-purchase mortgage applications fell sharply in April but have improved very strongly since

Annual change (%)



Mortgage Credit Availability Index, Index Level by Month  
(NSA, 3/2012=100)



Mortgage Credit Availability Index  
Measured monthly  
Source: Mortgage Bankers Association

MBA Purchase Index (Measure of weekly mortgage application activity), SA  
Source: Mortgage Bankers Association Weekly Applications Survey

# The government support is record breaking

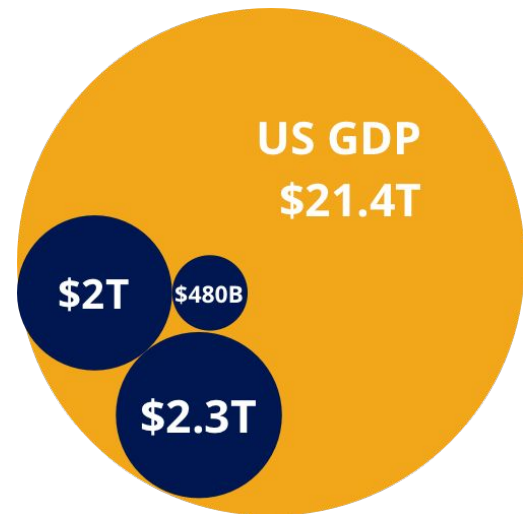
\$2.48 trillion in aid, up to \$2.3 trillion in Fed loans

**Mar 27:** CARES act providing **\$2T** in aid signed into law

- Direct cash payments (\$1200/adult or \$2400 married + \$500/kid)
- Extra \$600/WEEK of unemployment benefit (39 week max and only available April 1- July 31)
- Small business loans: \$350B (gone in 2 weeks)

**Apr 9:** Fed announces **\$2.3T** in loans to support recovery

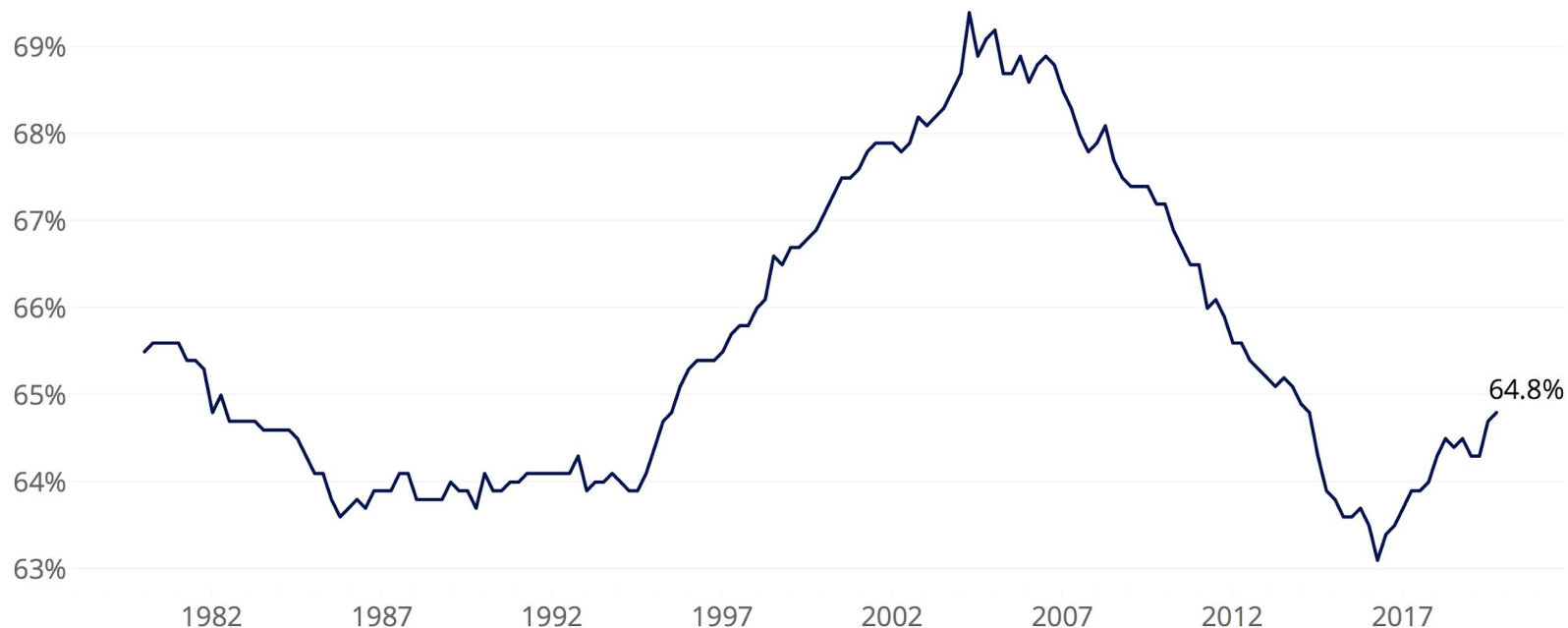
**April 23:** **\$480B** for small business support, hospitals, and virus testing capabilities



# Creditworthiness of recent buyers high

Tight credit, tight inventory, and prohibitive down payments were major barriers

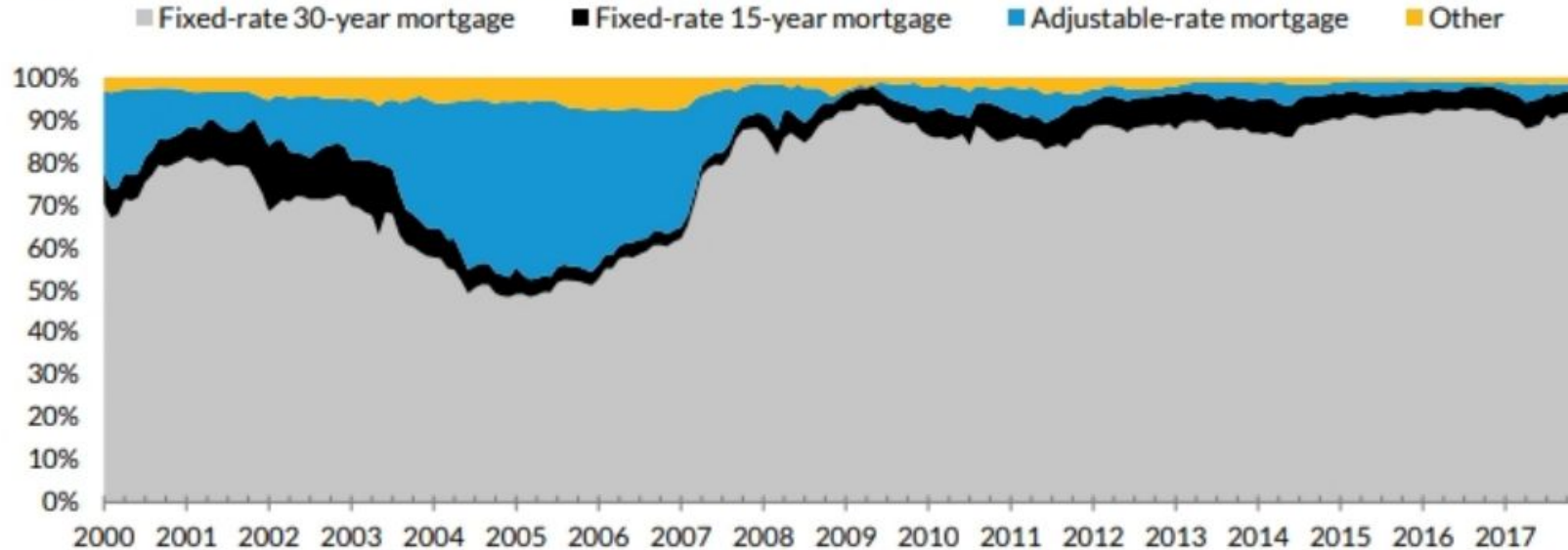
## Homeownership rate



# Reform after GFC reduced predatory lending

Strong home value appreciation drive by fundamentals, not excess credit.

Figure 7: Purchase Mortgage Originations by Type



Source: CoreLogic, eMBS, HMDA, SIFMA and Urban Institute.

# Last time we had too much inventory at the start

Leading up to this cycle, inventory was at record lows

**Housing starts only JUST recovered to average**

*Single-family housing starts*



**Inventory driven down by strong demand + anemic building**

*For-sale, existing inventory*



Source: NAR Existing Inventory

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# Keeping our minds on the future

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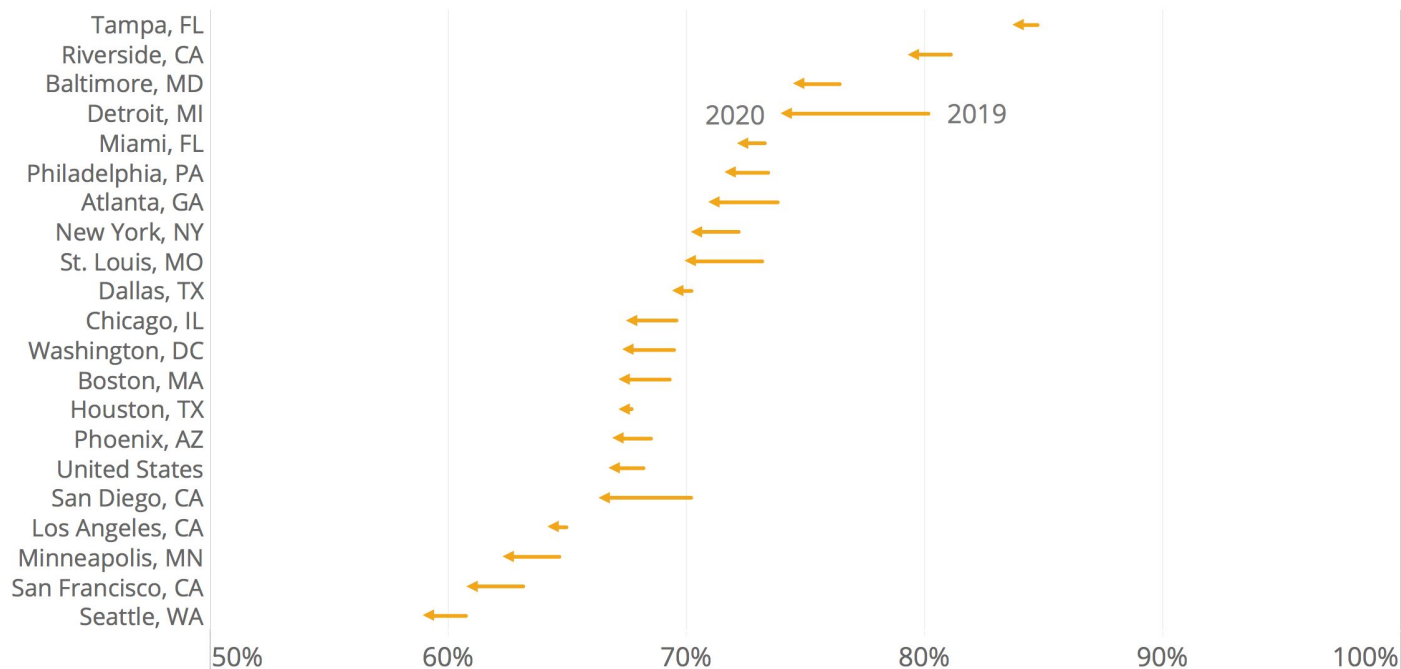
# Widespread adoption of remote work could bring many moves in coming years

- About two-thirds of Zillow survey respondents say they're working from a room that's not a dedicated home office.
- Two-thirds say they would consider moving if working from home at least a few days a week in the future
- Listings mentioning a home office have jumped about 10% YOY
- Search on New Construction listings up 73% YOY (All for-sale 42%)



# Contrary to popular imagination, share of search heading to the suburbs is falling

Share of total page views to suburban ZIPs from 2019 to 2020



# Housing adult children delays downsizing

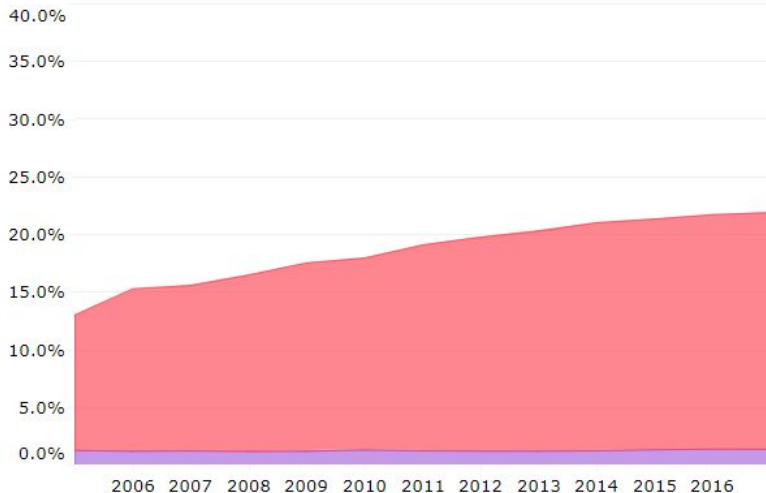
And so was another dynamic we use to explain low inventory pre-crisis. Now....

## More young adults live with mom – in her house

Share of young adults living with mom and share of young adults that have mom living with them

Region Name

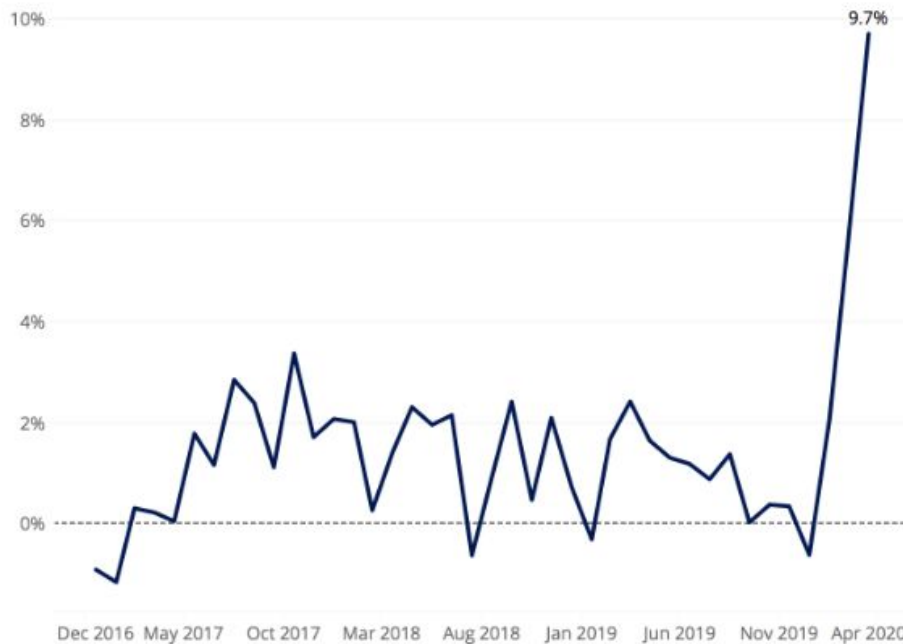
United States



Zillow Economic Research | Source: Zillow analysis of U.S. Census, American Community Survey, 2005-2017, made available by the University of Minnesota, IPUMS-USA.

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The number of adults living with a parent or grandparent is at an all-time high  
Annual change in number of adults living in a parent's or grandparent's home



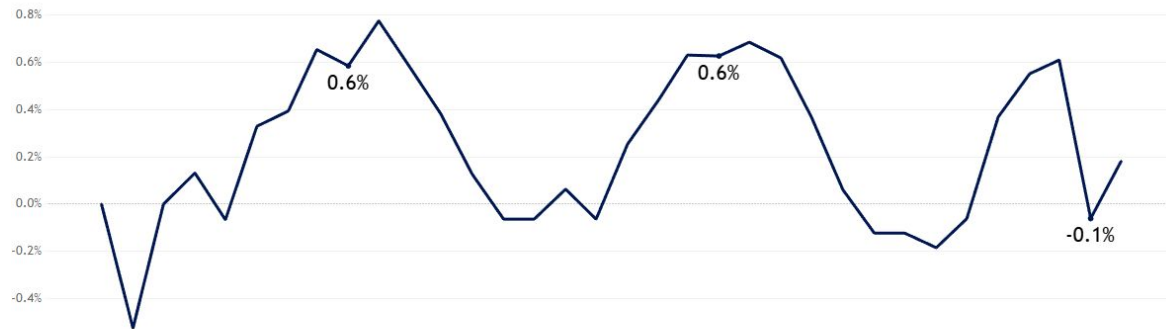
Zillow Economic Research | Source: U.S. Census Bureau, Current Population Survey.

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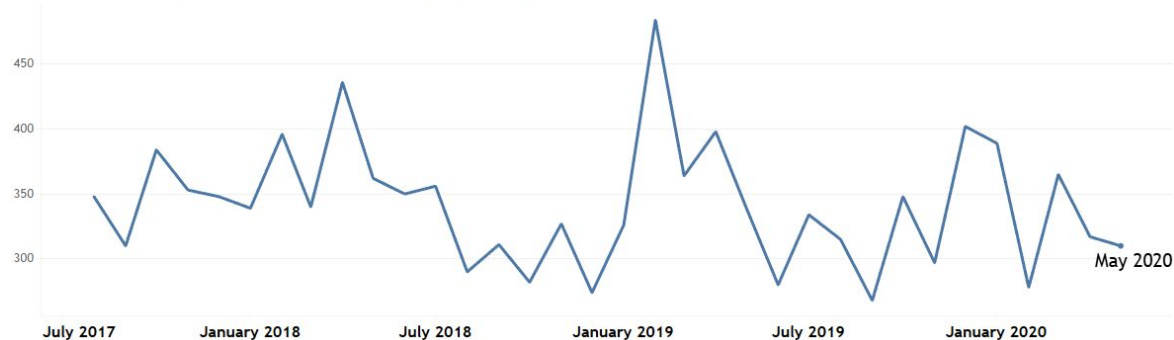
# Trouble in the rental market

Rent softening reflects vulnerability of renters. Implications for homeowner pipeline.

Zillow Observed Rent Index, Month-over-month



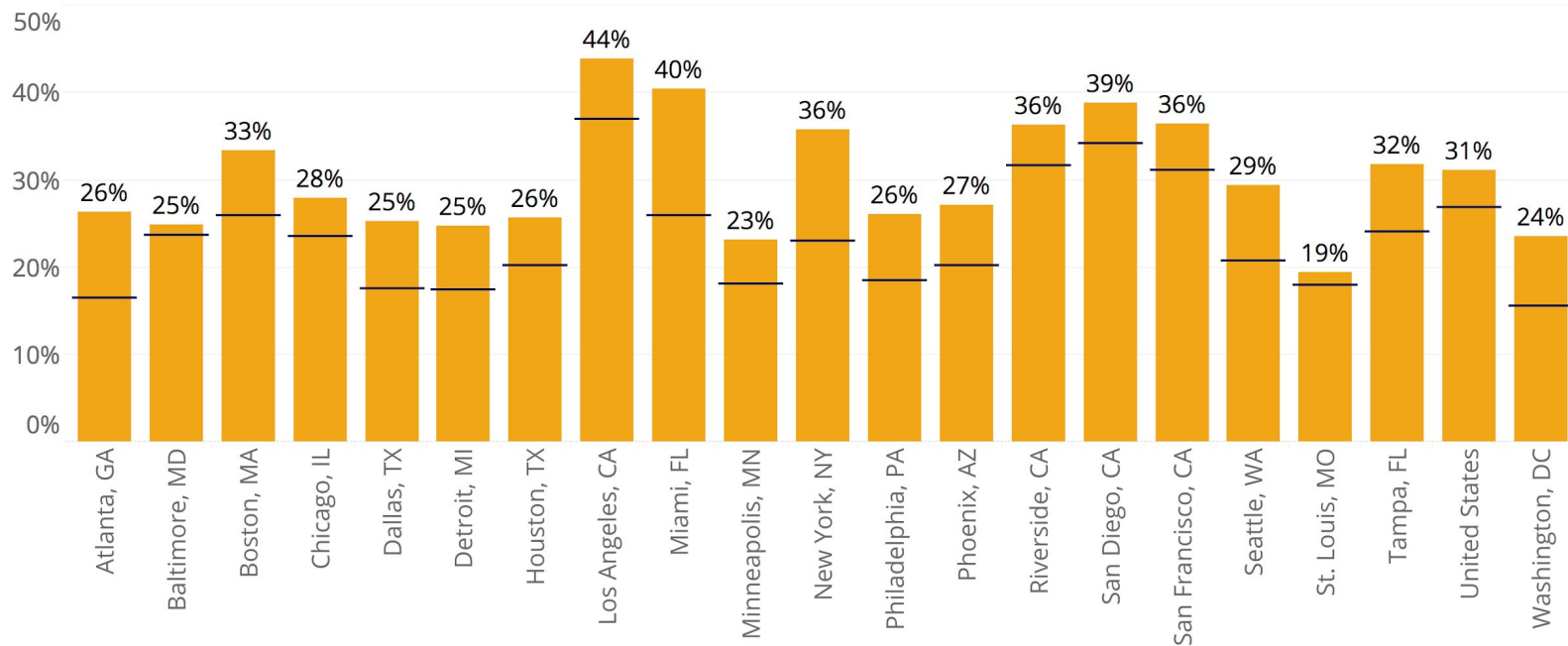
Housing units completed in 5+ unit buildings, seasonally adjusted annualized rate



# Affordability pre-crisis worse for renters

Rent softness means fewer apartment projects. Long-run rent burdens could get worse.

## Share of income spent on rent



# Housing demand powered by demographic waves

Record long expansion: gone. Demographics: still there. Tipping point ages: more delay?

