Stagnant homeowners are creating an inventory catch-22

The average American homeowner in 2019 has lived in their home for 13 years — a five-year increase from nearly a decade ago, according to a new Redfin report. Utahans and Texans are staying the longest, with the average homeowner staying in place anywhere from 21 to 23 years.

In a statement, Redfin said current homeowners are staying in place for two reasons: unaffordable housing options and a growing stockpile of equity.

Christopher Dillard

“In Dallas, there are many neighborhoods that were built in the 1950s and 1960s where most of today’s residents are still the original homeowners,” Redfin agent Christopher Dillard said. “Because prices have been going up, and folks are gaining more and more equity, it’s hard to justify selling when there aren’t many, if any, affordable options.”

This trend seems to be strongest among homeowners aged 67 to 85, who have built a healthy amount of equity that can be accessed through reverse mortgages or other financial options, such as a home equity line of credit (HELOC).

Freddie Mac estimates this segment of homeowners’ decision to age in place is exacerbating the inventory and affordable housing crises by keeping 1.6 million homes off the market. Redfin pointed to San Francisco and Salt Lake City as examples of what can happen to a market when would-be sellers are staying put.

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The typical San Franciscan has lived in their home for 14 years, a four -year increase from 2010. During that same time frame, San Francisco’s available inventory shriveled by 50 percent while the median home price doubled to $1.5 million.

Meanwhile, in Salt Lake City, available inventory has declined by a whopping 59 percent from 2010 to 2019 as median home prices ballooned to $403,000.

Daniel Lopez

“I have a client right now in West Valley who wants to move into the city in a more walkable, higher priced neighborhood,” Salt Lake City Redfin agent Daniel Lopez noted. “They would need to sell to

buy, but are worried about making a competitive offer when they still need to sell their current home."

"I rarely see offers with home sale contingencies accepted in Salt Lake City because the market is competitive," Lopez added.

So, what can be done to encourage homeowners to get moving?

In a previous Inman article, Bankrate.com Senior Economic Analyst Mark Hamrick explained that a handful of tax-related policies could be created to incentivize selling. But Hamrick said those theoretical policies would likely fail since personal and familial needs primarily fuel most homeowners' selling decisions.

"The actual forces that compel individuals to decide to sell their homes reflect the prices they can command, how much they clear on the sale and the advantages of moving on to the next home, including whether scaling-up or downsizing and/or opting for lifestyle changes, such as new job, different climate, lower taxes, etc.," Hamrick told Inman.

However, what will work is increased residential building, reduction of building and zoning regulations and pushing for more programs for first-time and under-served buyers.

"One of the dampening forces for housing inventory is the shortage of new homes being built and sold," Hamrick said. "For example, new home sales recently have been running at about half the level of the pre-crisis peak. The cost of starter homes is too high for many aspiring homeowners with the median sales price for new homes at $337,000, in part because of the upward spiraling cost of building materials and labor."

"Local governments should look where they can to provide assistance or actual housing for the under-served," Hamrick added. "The upward move in mortgage interest rates, with further upward moves expected, adds further to the challenges associated with housing affordability."

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