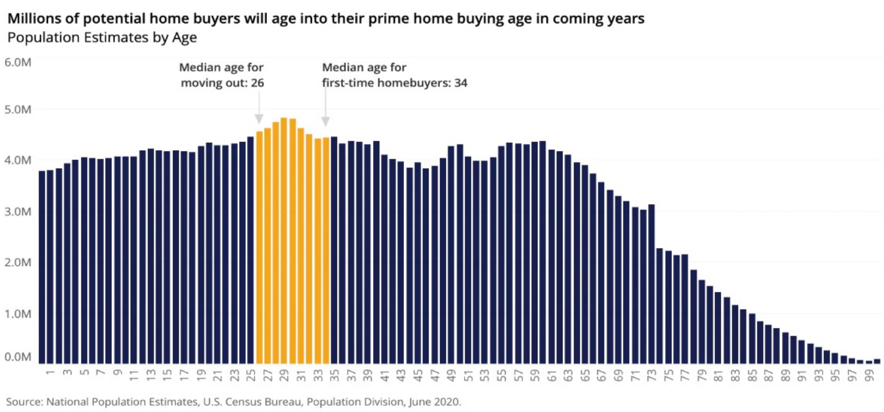
Remote Work Apparently Not Killing Cities

As the result of a Local Employment Dynamics Webinar held earlier this year, the Census Bureau has paired up with Zillow, using their combined data to show some of the **impact of the pandemic on housing market trends.** Census Bureau analyst Earlene K.P. Dowell wrote of the results in an article published on the Bureau's website.

Dowell says that the housing market came to a screeching halt in March 2020, when much of the nation shut down in response to the COVID-19 pandemic. But, by summer the rebound, once many lockdown measures were lifted, was "big and fast and revealed new homebuying patterns." Americans had quickly adapted to the remote workstyle and began buying homes outside of some cities and traditional job centers. This isn't exactly breaking news, but the report has some interesting details.

Even before COVID-19 arrived 2020 was expected to be a strong homebuying year, largely because more than 72 million Millennials had reached their 40s, the prime age to buy a home. Then, **suddenly, many of them found themselves working from home and so did many renters.** Zillow's data shows that nearly two million of the latter found they could afford to buy because, given they no longer needed to commute to work, they could move further out from metro centers to less expensive suburbs.

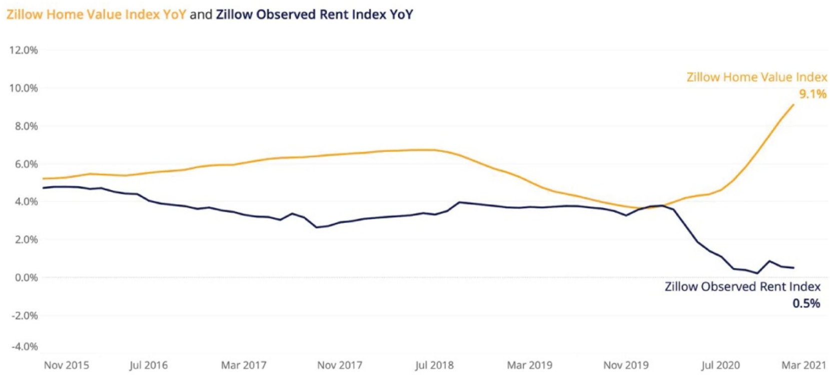


As more renters became homebuyers, home and rental prices diverged. While sales rebounded by about 20 percent from May 2020 through the end of the year, new for-sale housing inventory which had improved during the summer of 2020 failed to keep up with sales growth. In 2020, there were fewer houses for sale than in 2019, which created a home buying market with hyper-competitive conditions.

Demand for rentals declined as more renters bought, but the pandemic brought other disruptions. Lower-income households who were more likely to rent were also more likely to have experienced job loss in hard-hit industries, such as retail trade, hospitality, and food services. Zillow's research shows that those facing financial pressures turned to alternatives, including "doubling up" or moving back in with their families. That shift, in turn, added to a decline in rental demand.

Jason Wood
Mortgage Advisor & VA Loan Specialist, VA Loan Guy
www.valoanguyusa.com
P: (760) 350-3989
M: (760) 217-0820
2714 Loker Ave. W.
Carlsbad CA 92010___
317293

Home values and rents diverging



Source: Zillow Home Value Index.

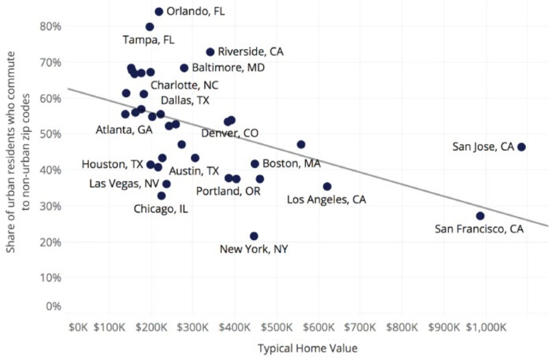
The data from the two sources also shows that, despite some concerns that COVID-19 could provoke a mass exodus from cities, metropolitan areas are still very much alive. In some, in fact, the housing market has grown. Census data does not recognize the suburbs, so Zillow used ZIP codes to classify areas as urban, rural, or suburban and then integrated Census Bureau variables, such as population density, age of housing stock and other factors.

Research showed that cities in the Northeast and West regions like New York and San Francisco, home value growth trailed the suburbs. Dowell says it appears that people in larger, more expensive metros were not willing to pay premium prices for proximity to amenities such as restaurants, museums, and theaters that were no longer available during the pandemic. However, the opposite happened in markets in the Midwest. For example, home values surged in the Kansas City and Cleveland metro areas, where urban prices were relatively affordable.

Zillow has found that most people are willing to undertake a 30 minute one-way commute to work and place a lot of importance on living close to their place of employment. However, they also found that before the pandemic over half of urban workers in 20 of the top 35 markets were reverse commuters. More than 70 percent of urban residents work outside of urban areas in markets like Orlando, Tampa, and Riverside. It was cities that had a large share of reverse commuters in 2017 that had higher growth during the pandemic. Zillow says the share of residents who are willing and able to pay for and keep urban amenities could be a signal as to **how a city might fare during the next pandemic.** The data also shows that the willingness to reverse commute is not specific to any one generation. Both older and younger workers have remained in metro areas.

Some urban dwellers commute to suburban and rural zip codes for work

LODES data shows reverse commuters tend to be more common in less-expensive markets



Source: U.S. Census Bureau, LEHD Origin-Destination Employment Statistics.

Zillow says that most home buyers make decisions about location based on affordability, amenities, and major life events such as a new job, growing family, or older kids moving out. But the mass shift to working remotely, even part-time, is now factoring in as well.

Early in the pandemic, a Zillow survey found that 75 percent of respondents who were working from home wanted to continue to do so at least half time after work restrictions were lifted. **Two-thirds said they would consider moving if remote work seemed a long-term possibility.**

Finally, the report looked at those stories about teleworkers transporting themselves to vacation towns and found that has happened. American Community Survey (ACS) data, they confirmed that they are at least thinking about it. They identified vacation towns that have drawn remote workers attention by looking at page views, "likes" and URL saves and found this kind of dream shopping was up by 50 percent in August 2020 compared to August 2012. This was in line with 66 percent growth in pending home sales in vacation towns. Apparently, some buyers were turning dreams into reality.