TRAPPED

MOBILITY AMONG HOMEOWNERS SLOWS

BY ANDREW SCOGGIN

HERE'S THE BLUEPRINT.

GET MARRIED: BUY A HOUSE. HAVE A FEW KIDS: GET A BIGGER HOUSE. WATCH KIDS LEAVE: MOVE INTO A SMALLER PLACE AND MAYBE RETIRE IN THE PROCESS.

Matt Torricelli, 51, followed that timeline, like so many others did and even more hope to do. He married his wife, Tiliana, and shortly thereafter bought his first house. Then they moved from Pasadena, Calif., to northern Los Angeles County to raise their two children.

With their children now 23 and 17, Torricelli is looking to downsize from a four-bedroom, three-bath home to something smaller.

Just one caveat — he hasn't found a buyer since putting the house on the market in early November.

"It's bad timing for us," Torricelli said. "We've already had to drop the price a couple times. We're not getting a lot of showings."

Torricelli joins an increasing number of people staying put, whether they're underwater or simply waiting for the housing market to recover. But these Americans, specifically repeat buyers, make up a much bigger portion of the home-purchasing populace than do first-time purchasers.

Problem is, housing policy hasn't really addressed repeat buyers, according to Geoff Smith, executive director of the housing institute at DePaul University.

"If you're talking about strategies to help the market recover, that'll be one aspect of the broader market," Smith said. "At some point, you also have to look at the demand side, and I think right now demand is being driven by first-time homebuyers."

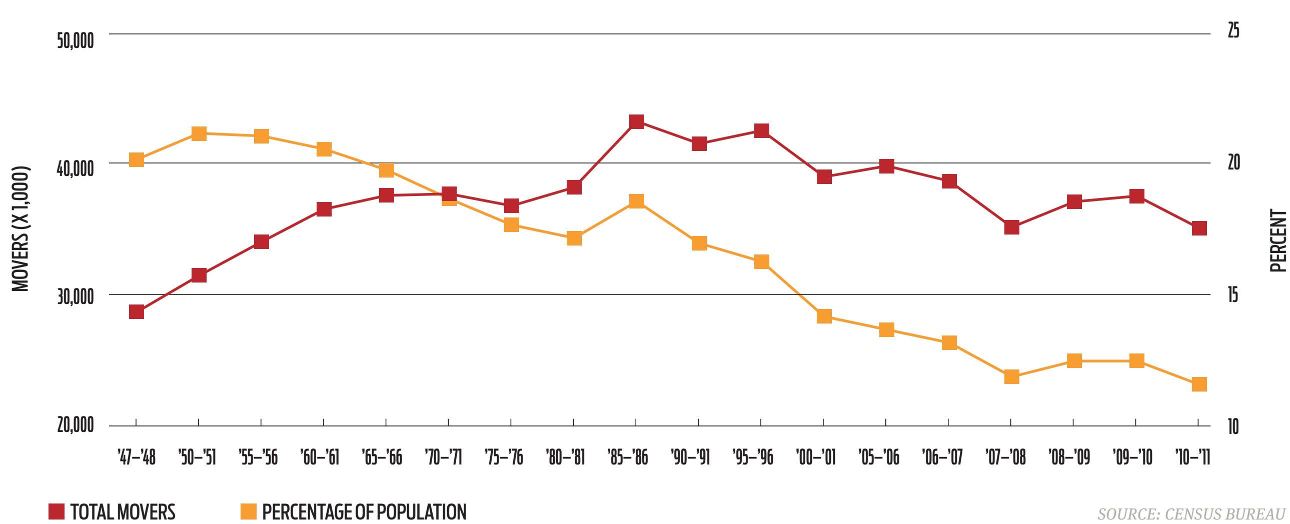
THE REPEAT BUYER

Of the 78% of home sales considered primary residences from July 2010 to June 2011, repeat buyers made up 63%, according to the National Association of Realtors. Spokesman Walt Molony said that level remains consistent since 2003, aside from the tax-credit surge of first-time homebuyers in 2009 and 2010.

The best way to identify move-up or repeat buyers focuses on where they are in their life cycle, Smith said, rather than trying to identify by price level. He said this "housing arc" links with that common thread of family size and aging, a broad brush of the typical middle-class experience.

But much of the attention, especially

U.S. GEOGRAPHIC MOBILITY



SOURCE: CENSUS BUREAU

regarding federal and state policy, mostly ignores these people caught in the middle of that process, DePaul's Smith said. Too much focus is put on the supply side of the housing equation, particularly how to best deal with a continued influx of distressed and real estate owned properties. That includes any discussions involving REO-to-rental programs.

NEW COMPLICATIONS

Repeat buyers who already have a home have a trickier time getting back on the market. The next home purchase is now a step complicated by real estate realities, according to Los Angeles real estate broker Stephen Shapiro. Formerly, homeowners assumed the built-up equity and subsequent sale of a property would allow another, more expensive purchase.

"Unless you bought your house a long time ago, it's not worth more than what you paid 2005 onward," Shapiro said.

What's not appreciated "is the extent to which people are going to hold onto their homes longer," said Gary Painter, a real estate professor at the University of Southern California. Lower inventory levels reflect as much, which he said further limits housing choices for repeat buyers, who unlikely to purchase foreclosed properties.

"I think a lot of people are just waiting to see how the market will recover," Painter said.

Other evidence shows Americans are becoming increasingly immobile, and it has nothing to do with their exercise habits.

Fewer people moved last year than since the U.S. Census Bureau started measuring geographic mobility after World War II. Just 11.6% of U.S. citizens changed residences in 2011, with the 35 million movers at levels seen in the early 1960s.

William Frey, a senior fellow at the Brookings Institution, said this trend continues a long-term decline in mobility caused by an aging population, as he said younger people, mostly those 18 to 25, make up roughly 40% of the mobile population.

But Frey, also a professor in population studies at the University of Michigan, said the housing and economic crises exacerbated the slowdown, with people drowning in debt. Underwater homeowners — numbering about 11.1 million in the fourth quarter — account for nearly 23% of all mortgaged properties, according to CoreLogic.

"People aren't able to finance a home where they're able to find a job," Frey said. "It's not easy for them to move. It's not easy to buy a home later."

The housing bubble that's trapped so many homeowners also drove migration patterns in certain areas, Frey said. Huge population growth in places like Las Vegas and Phoenix, motivated in part by housing availability, helped to drive the local economy. The population of those two metropolitan areas rose 24.8% and 28.9%, respectively, from 2000 to 2010, according to census data.

The subsequent housing collapse continued to affect mobility nationally, albeit in a different way. The historic rise in foreclosures likely contributed to a slight uptick in the number of people who moved, Frey said. It hit a previous low of 11.9% of the population in 2008 before climbing to 12.5% in both 2009 and 2010.

Neal Weichel, a real estate agent outside Los Angeles, said when clients come to him to sell a house, 90% of the time it's based on necessity or a strong desire to leave.

"Either they really, really want to move, or they have to move," Weichel said. "It's not the people who say, 'A bigger house would be nice.'

PROSPECTIVE BUYERS

Lenders, it would seem, are looking to better identify potential movers, a sort of targeted marketing more associated with social media companies and huge search engines.

Researchers at San Diego-based DataQuick are working on a new measure to figure out when someone might look to upgrade, or downsize, from their current

"ANYTHING YOU CAN DO TO GET THINGS GOING AND MOVE THINGS ALONG FASTER, THE BETTER OFF WE'RE GOING TO BE."

– RANDY WUSSLER

home. Randy Wussler, a vice president at the data firm who heads many of its projects, said the company always looks for new trends and ways to make their database more digestible.

He said client demand drove the new project.

"What they're looking for is, what are those tipping points?" Wussler said. "Every time we've gotten into this conversation, it's for business development. They're looking for leads."

Many triggers could push someone to make a move, Wussler said, as well as different combinations of those events. A newborn baby could elicit a home purchase, though hindrances like bad credit and loan-to-value ratios could also prevent one.

Wussler said he'd like to tell clients which households, by the number of bedrooms and baths, to target for an upcoming move. But DataQuick's property database can't do all the work required, he said.

"It's a good place to start, but we can't do it on our own," Wussler said. "We've got to go beyond what we do normally."

That includes partnering with demographic databases and consumer credit companies to parse out people unqualified under tightened lending standards. Wussler said DataQuick finalized an agreement with credit bureau TransUnion, but not yet with any demographic firms.

The new measure was in its preliminary stages in late February, with a target launch sometime this spring.

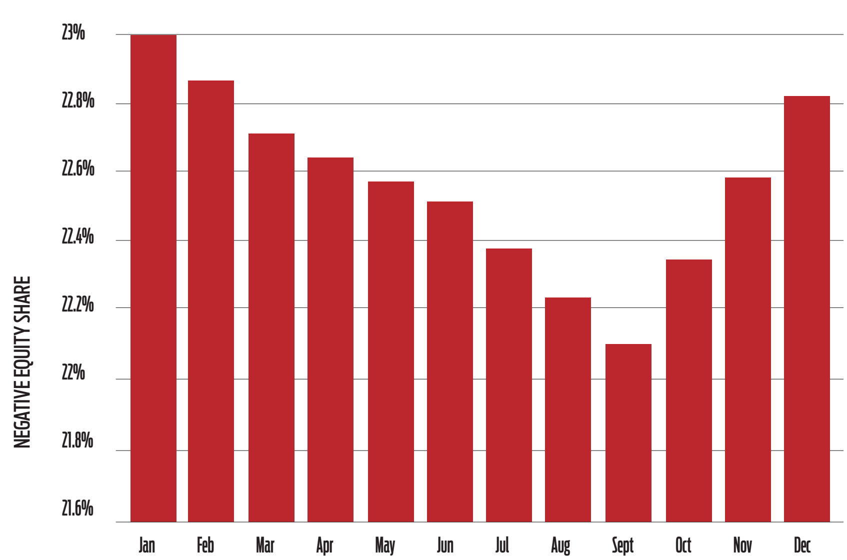
"Anything you can do to get things going and move things along faster, the better off we're going to be," Wussler said. "The fact that we're not there … maybe the folks that have the ability to move up don't have the inclination."

ANOTHER OPTION

Instead, some homeowners redirect that inclination toward their current dwelling.

In late 2011, a home-remodeling index compiled by Buildfax hit the highest point since its inception seven years earlier. Joe Emison, vice president of research and development, said Buildfax gathers permit data from major metropolitan areas.

MORTGAGED PROPERTIES IN NEGATIVE EQUITY



SOURCE: CORE LOGIC

Not all projects get permits, and some states require multiple permits for one project, Emison said, so instead the company tracks the number of projects under way.

Emison cautions the Buildfax index isn't macroeconomic, but as people stay in their homes for longer, more seem to be making renovations to their current home instead of leaving for a new property.

"That avenue (to move) has really shut down for many people," Emison said. "What we see with the rise in remodeling, we see our economy is starting to recover."

People aren't spending quite as much as during the housing bubble, Emison said, despite the increase in projects. The average spending amount on these undertakings has fallen to roughly $11,000 from a high of $12,600 in 2006.

The composition of remodeling projects changed as well. Bathroom projects nearly doubled as percentage of all projects, to 16% from 8.1%, since 2006, with a similar uptick in garage remodeling to 15.5% from 8.9%.

There's a baseline of remodeling that naturally has to happen as a house ages, Emison said, regardless of any economic downturns. "People need to do that type of repair, and they do find the money to do that," he said.

Emison said some look to the Buildfax index as a predictor of sorts for home improvement stocks, such as Home Depot and Lowe's. The two companies' stocks have risen 29% and 10%, respectively, over the past 12 months. Profit at the companies rose 32% and 13% in the fourth quarter.

WHEN'S THE TURNAROUND?

A lack of confidence, inaccessibility to credit and depreciated home prices don't mean people have changed their minds about homeownership, DePaul's Smith said.

"That path is still the goal for most people," Smith said. "I'm not so convinced that there's a huge cultural shift."

Instead people are stuck in their respective place in the housing lifecycle or have opted out of it for now. Young adults, uncertain of their resale options, might decide to rent instead of buying their first home, Smith said.

Eventually, USC's Painter said some homeowners will simply move and take their losses on their present home.

That's Torricelli, the down-on-his-luck seller, who already cut the sale price on his home to $650,000, below the $680,000 he paid just two years earlier. He thinks he'll eventually get a buyer, but he and his family may need to wait it out a bit longer.

"I don't even want to think about if I've got to lower it again," Torricelli said. "I just want to get the thing sold and get out of there."

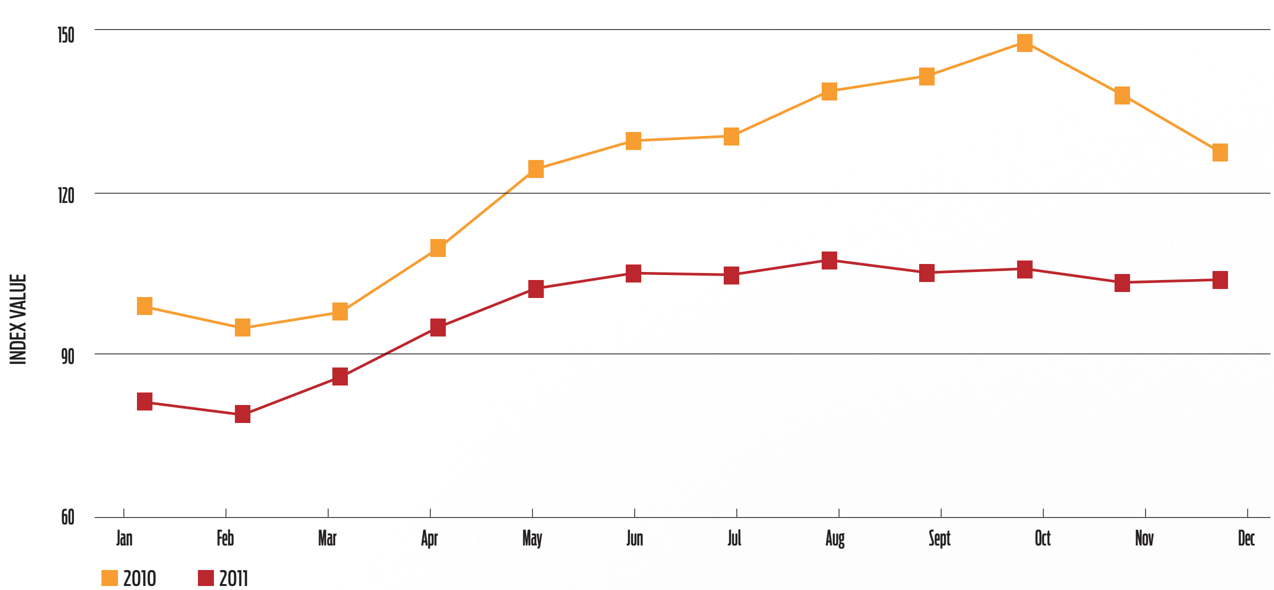
Continued job growth could also trigger people to move, Painter said. When people move longer distances, most commonly it's because of newfound employment, according to the Census Bureau.

"Once that happens, you'll start to see the market churn a little bit more," Painter said.

Frey said as the financial industry and job market clear up, that'll likely open the door to more movement. The all-time-low geographic mobility rates don't signal the end of American migration, Frey said.

"We have a history of being a mobile country," Frey said. "That's still part of making your way in the world is moving, and I think that's going to happen again." ■

REMODELING INDEX



SOURCE: BUILDFAX