

Area housing market shuts out empty nesters, first-time buyers

Analysts say builders haven't kept pace with population growth.

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LOCAL IN-DEPTH HOUSING

The two largest population cohorts looking to buy homes are increasingly shut out of the metro Atlanta market, according to one of the region's leading experts on housing.

Younger professionals looking to move out of apartments and older boomers aiming to downsize — both groups typically without children — are finding few homes in the area that are modestly priced and modestly sized, said John Hunt, principal in MarketNsight, which tracks and analyzes housing throughout the Southeast.

“We need more housing,” Hunt said Thursday during a conference hosted by the company.

“We needed more before the pandemic, and the pandemic made it worse.”

Housing construction virtually stopped after the burst of Atlanta's housing bubble in 2007 sent the economy into a deep recession.

But the population kept growing, especially when the economy boomed in the next decade.

Metro Atlanta has about 18% more people than in 2007, according to the Census Bureau. Building started to pick up but never made up the difference, Hunt said. “We need 60,000 more homes. That is not my opinion — that is math.”

Intensifying the shortage is the reluctance of many owners to put their homes on the market, even if they would like to move. Though their homes are generally worth much more than when they were purchased, the mortgage rates they would pay in another home are much higher, too.

The average rate for a 30-year mortgage — two years ago less than 3% — is more than double that today. Because that chews away at purchasing power, some potential buyers have decided to wait. But the higher rates also matter to a seller who would turn around and buy something else.

“They don't want to give up the 3% mortgage they have for the 6.8% mortgage that we have today,” Hunt said.

Because so many potential sellers are not selling, the balance of supply and demand is tilted. Experts say the number of homes on the market — inventory — should be equal to at least six months of sales to have a market in which sellers and buyers have roughly equal negotiating power.

“At the end of May, it was 1.6 months,” Hunt said. “That is historically ridiculous.”

Moreover, the scarcity is more acute than just the number of homes: Size matters.

The many large, million-dollar homes are simply not in the calculation for most empty nesters and first-time buyers. Both groups are typically looking for smaller, lower-priced homes, yet both economics and local regulations push builders toward larger, more costly houses.

Some millennials were stymied financially during the Great Recession, but most of them are now in their 30s and many have careers and partners. But for their first purchase, they don't have years of ownership to springboard themselves into a higher-priced “move-up” or even a luxury home.

More than one-third of homebuyers are first-time homebuyers, with the typical age of a firsttime homebuyer in the mid-30s, according to Bankrate, an online financial advice firm.

The supply of homes they can afford has shrunk dramatically, Hunt said. “Have we witnessed the extinction of the starter home in America? Yes.”

It has happened quickly.

Much of it is the rising demand.

But the price of land also forces builders to build expensive homes in order to recoup their costs, while zoning restrictions in many towns prohibit building on small lots that would support more modest homes.

Just two years ago, the top 15 neighborhood markets in metro Atlanta included 10 areas in which the average price of a home was less than \$350,000, but the top 15 now include just one, Hunt said. “And I'm really cheating because Apalachee (in Winder) is \$358,000.”

But housing also responds to changes in the overall economy.

Higher rates — part of the Federal Reserve's campaign to slow the economy — threaten recession, and even a mild downturn could dampen demand for homes, said Rajeev Dhawan, director of the Economic Forecasting Center at Georgia State University, also speaking at the conference.

While job growth overall has continued, many jobs have been cut in the tech world, he said.

“Those white-collar, middle-management, corporate jobs are gone.

They are the lifeblood of singlefamily home sales.”