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Consumer Morsel

On the move: Homebuyer insights and the housing challenge

15 May 2024

Key takeaways

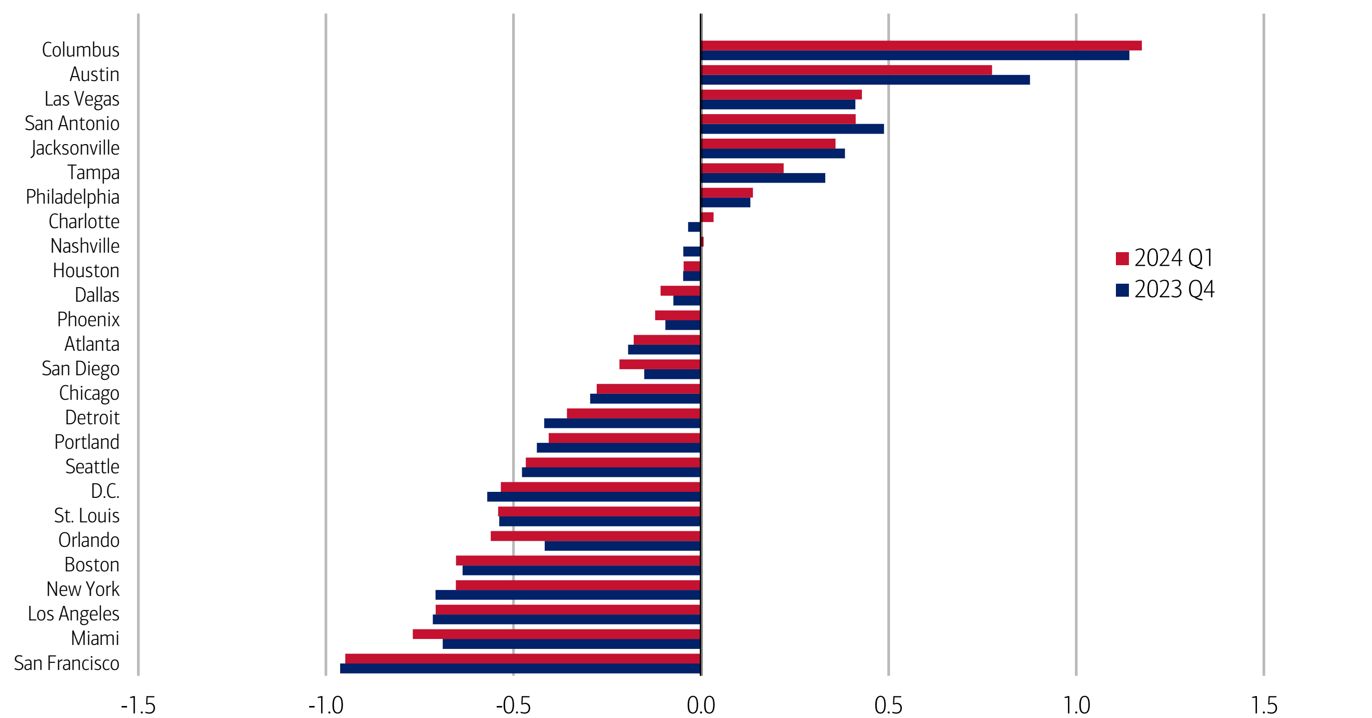
- The 2024 Bank of America Homebuyer Insights Report suggests that current renters could be buyers within five years, posing a particular challenge for housing in local markets where the population is growing.
- According to Bank of America internal data, many cities in the Northeast and West continued to see population net outflows in the first quarter of 2024. In the South, the situation has become more nuanced, with some metropolitan statistical areas (MSAs) continuing to show rising populations, while other areas appear to be retrenching.
- Overall, housing supply has broadly responded to the population movements we have seen in Bank of America internal data. However, it is less clear if the supply of rental properties in the South is sufficient to meet the growing population needs. We also find an increased demand for suburban housing in our data.

Regional differentiation

In our quarterly "On the move" publications we regularly track how populations are changing across major metropolitan statistical areas (MSAs). We do this by using a fixed sample of Bank of America customers who have had an open consumer checking, savings, credit and/or other investment account for every quarter since 4Q 2019, providing a real-time guide to population movements across the US.

Exhibit 1: Northeastern MSAs are continuing to see a net population outflow, but the picture in the South is becoming more mixed

Net population change in major MSAs, according to Bank of America internal data (year-over-year percentage change, positive means net inflow, negative means net outflow)



Source: Bank of America internal data

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Exhibit 1 shows the latest picture. In a continuation of trends since the pandemic, there were large population declines in many northeastern and western MSAs as of the first quarter 2024. In the Northeast, our data showed that New York's population declined by 0.7% year-over-year (YoY), while Boston saw only a slightly smaller decline. In the West, the populations of San Francisco, Los Angeles, Seattle and Portland all dropped significantly YoY.

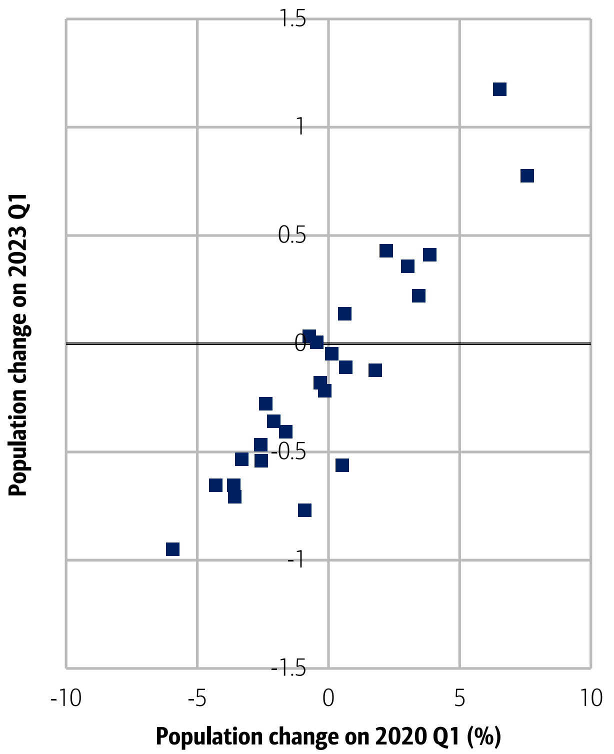
The situation in the South, however, has become more nuanced. While Austin, San Antonio, Jacksonville and Tampa are seeing significant inflows, Miami and Orlando appear to be seeing marked declines in population, which accelerated in both MSAs last quarter.

Exhibit 2 shows that, according to our data, most MSAs with growing populations since the start of the pandemic in the first quarter of 2020, have generally continued to attract new people over the past year – so the directional momentum in many cities remains the same. The exceptions to this appear largely to lie in the South. In Houston, Dallas, Orlando and Miami, inflows are still up on 2020 Q1 but are now showing some reversal over the last year.

It's worth noting that because our data is based on a fixed sample of households it will not capture the impact of international migration. Instead, our analysis is designed to look at how internal migration in the United States is changing. Accordingly, the overall population movements in the official Census Bureau data, which also accounts for international migration, will not necessarily align with our data in some MSAs, though our data should give similar directional signals.

Exhibit 2: Most MSAs where the population has increased since the start of the pandemic have continued to see a rise over the past year

Net population change from 2020 Q1 (%) compared to change from 2023 Q1 (%)



Source: Bank of America internal data

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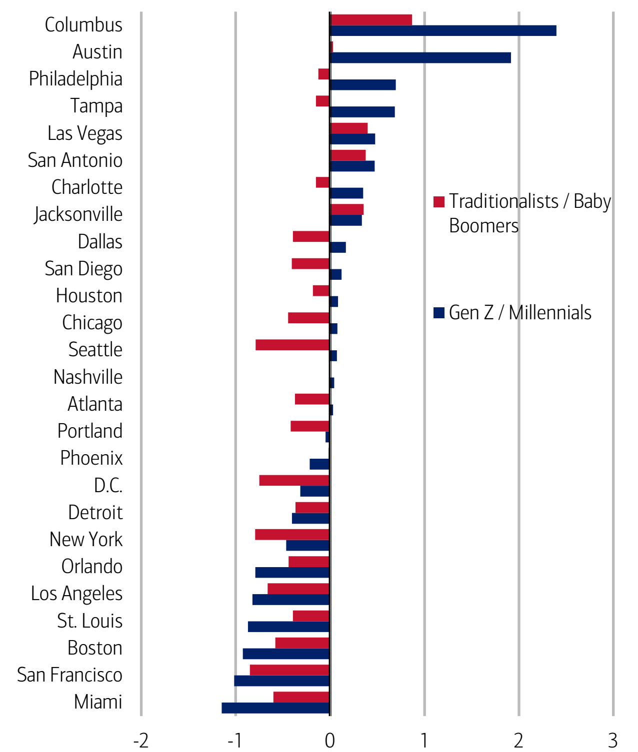
Exhibit 3: Q1 2024 population change is largely driven by the younger generations (Gen Z/Millennials)

Net population change in major MSA by generations (% YoY, 2024 Q1)



Source: Bank of America internal data

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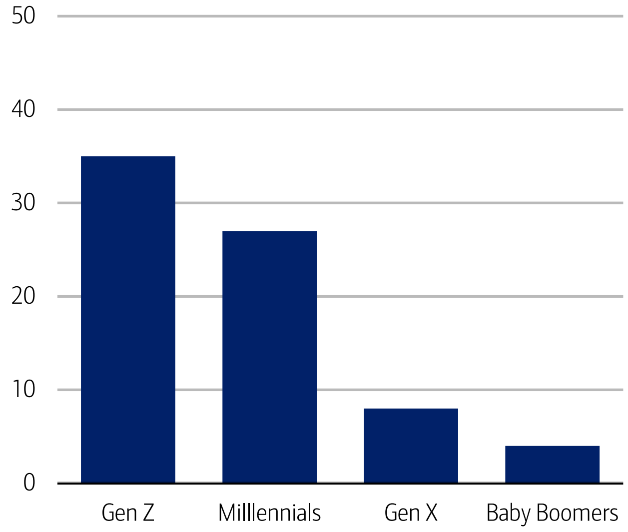
Generationally, as shown in Exhibit 3, Gen Z and Millennials appear to be driving the net population growth in MSAs where this is accelerating, most notably in Columbus and Austin. Interestingly, though, many of the MSAs where populations are shrinking YoY are seeing some significant outflows of older generations (Traditionalists/Baby Boomers), as well as the younger generations. For example, in New York and Washington D.C. the populace is declining faster among these older generations, according to Bank of America internal data.

The 2024 Bank of America Homebuyer Insights Report (HBIR) – a survey conducted in March 2024 of current or prospective homeowners – provides valuable insights into key housing market decisions among respondents. For example, in Exhibit 4 the HBIR suggests that significantly more young people have moved across states in the past year compared to older people – which supports our findings. The HBIR also notes that cost of living is a bigger driver for recent movers from one state to another than for other same-state house movers (Exhibit 5).

Exhibit 4: The HBIR suggests younger generations are driving cross-state migration
Share of those responding that had moved between states in past year



Source: 2024 Bank of America Homebuyer Insights Report

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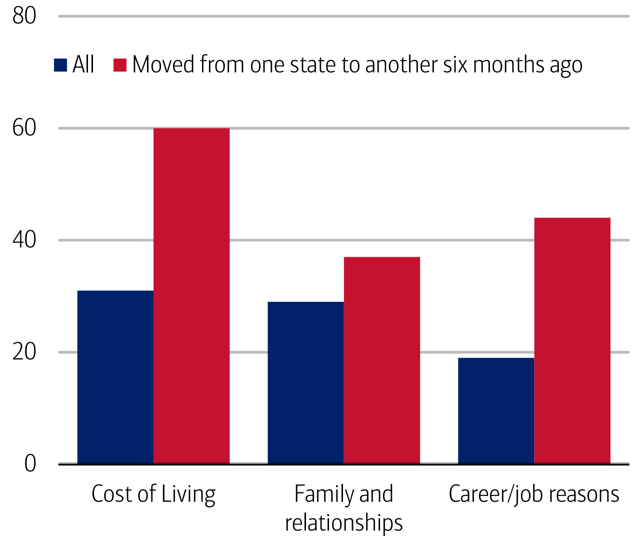
Exhibit 5: The HBIR finds people moving across states are more likely to do so for cost-of-living reasons than other movers
% responses to question 'Why did you move?'



Source: 2024 Bank of America Homebuyer Insights Report

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The housing challenge: Work in progress?

When faced with these shifts in population across the US, mainly driven by younger generations and cost-of-living factors, has the supply of housing risen to the challenge?

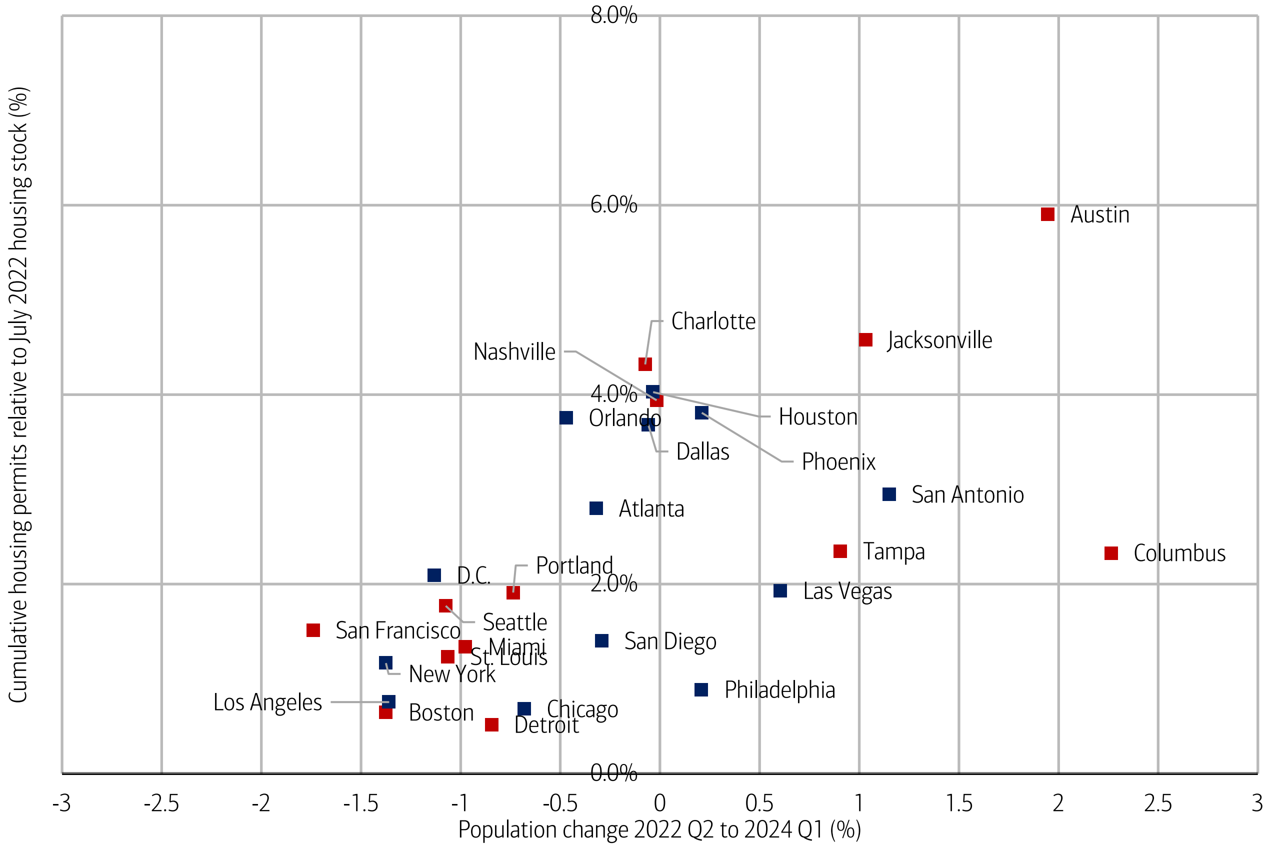
The Census Bureau only publishes MSA-level housing stock estimates up to July 2022, so to explore how supply has evolved since then, we look at cumulative net private permits for new housing since July 2022 for each MSA. While not all permits will have resulted in new construction and housing completions, this is a guide to the extent to which these local housing markets have added to the stock over the past few years in response to population change. We then compare this metric to population changes per Bank of America internal data over a comparable period, from 2022 Q2 to 2024 Q1.

Exhibit 6 shows our findings. Generally, it appears there is a 'good news' story. MSAs where populations have been growing rapidly, have also tended to see relatively strong cumulative housing supply. In Austin and Jacksonville, for example, the housing stock has increased in line with their growing populations.

However, there are a few exceptions. Columbus appears to have relatively low housing supply despite its strong population growth. And there are some MSAs, such as Orlando, where housing supply has increased strongly despite the relatively modest population growth over this period since mid-2022.

Exhibit 6: Generally, MSAs with strong population growth since mid-2022 have responded with increased housing supply

Population growth, 2024 Q1 % YoY, compared to cumulative housing permits issued since 2022 Q2 relative to housing stock as of mid-2022 (%). RED markers: housing stock to population above median in July 2022. BLUE markers: housing stock to population below median in July 2022



Source: Bank of America internal data, Census Bureau

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One explanation for some mismatch between housing supply responses relative to population growth may be the starting point of the housing stock relative to demand. In Exhibit 6, the red markers correspond to MSAs where the initial housing stock relative to population was above the median across all the MSAs as of July 2022, while blue markers correspond to MSAs where this was below the median. Orlando started the period with relatively tight supply, meaning that even if the population didn't increase much, it would still have needed to add to the stock of housing.

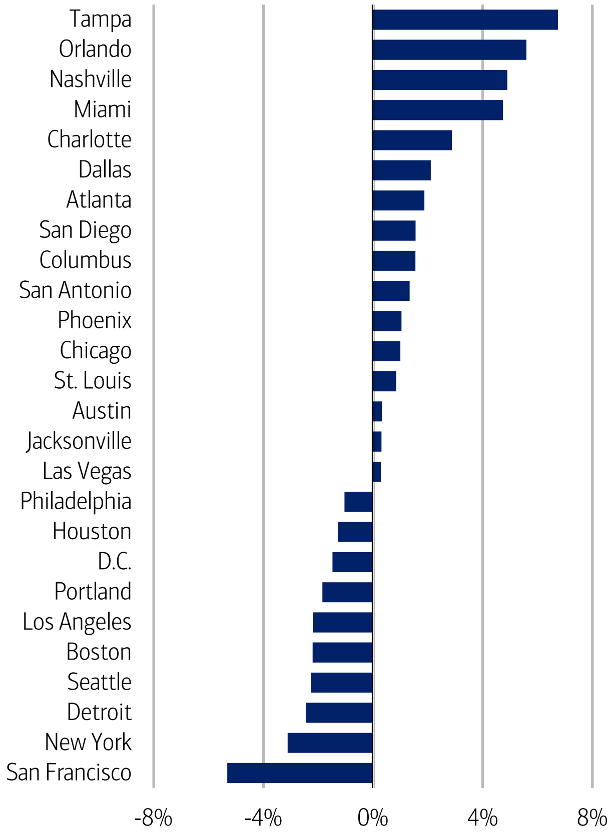
The type of housing also matters….

Of course, the overall supply of housing is only part of the story. Beneath this are other questions: is the supply of properties to rent relative to buy sufficient? And is housing supply coming on stream in the right place?

The skew in migration towards the young illustrated in Exhibit 3 is an important influence on the rent/buy question, particularly in the South. The inflow of the young into many southern MSAs will likely have boosted rental demand relative to owner occupied housing. And it appears that even though many southern MSAs have seen large boosts to overall housing supply, the rental market still appears to have become less affordable.

Exhibit 7 shows how the median monthly rental payments in Bank of America internal data for the MSAs we cover have changed relative to the US median since 2022 Q2. A positive figure indicates that rents in that MSA have risen relative to the national median. In many southern MSAs rental payments have risen faster than the US median, even though many of these cities appear to have had a significant rise in housing supply. For example, Tampa has seen a big net inflow of younger people and while it has had a solid overall housing supply response, this does not appear to have been enough to stop rental affordability from declining. On the other hand, Austin's big housing supply response appears to have been more successful at maintaining relative rental affordability.

Exhibit 7: Rental affordability has deteriorated relative to the US median in some MSAs with a large overall housing supply response
Median rent payment in MSA relative to US median (% change 2022 Q2 to 2024 Q1)



Source: Bank of America internal data

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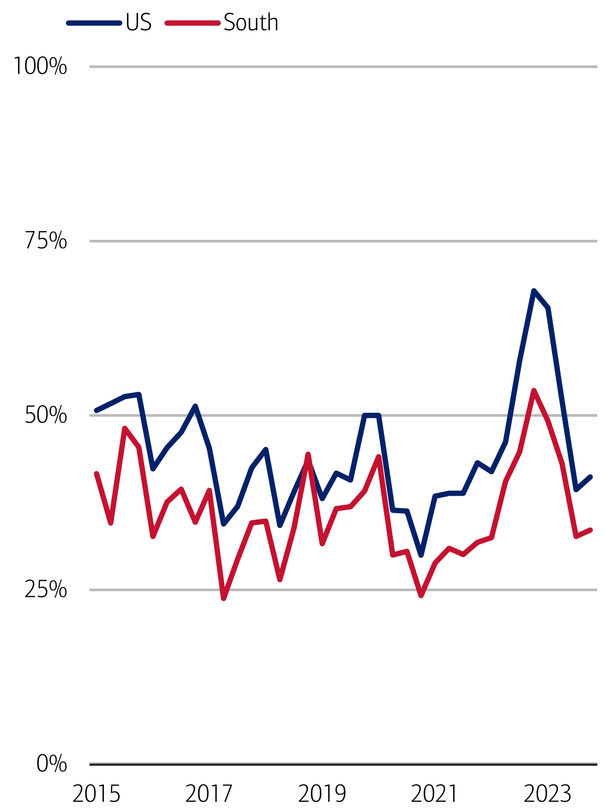
Exhibit 8: Across the South, there has been a sharp rise in starts for housing units available for renters
Total housing starts in buildings with two or more units for rent as a share of overall housing starts (%)



Source: Census Bureau

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Some of the apparent sluggishness in rental supply may come down to timing. Rental properties are often in multi-family apartment blocks, which typically take longer to build than single-family homes. Exhibit 8 shows that, according to Census Bureau data, the share of housing unit starts in multi-unit buildings for rent relative to overall numbers did rise sharply in both the US and South in recent years, and it may be that some of this supply has not yet come on the market.

As new rental supply becomes available it appears that the rents for new leases on apartments is now softening across many cities, including in the South, which may offer some respite on affordability to movers. But even though the South has seen a rise in rental unit starts, its overall share of the total remains lower than for the US as a whole. And the South accounted for less than half of the total starts in buildings with two or more units for rent over 2021-23, despite the region accounting for basically all the population growth in the US over this period. So, in our view, it remains uncertain if this supply of rentals will be sufficient to cap relative rental affordability longer term.

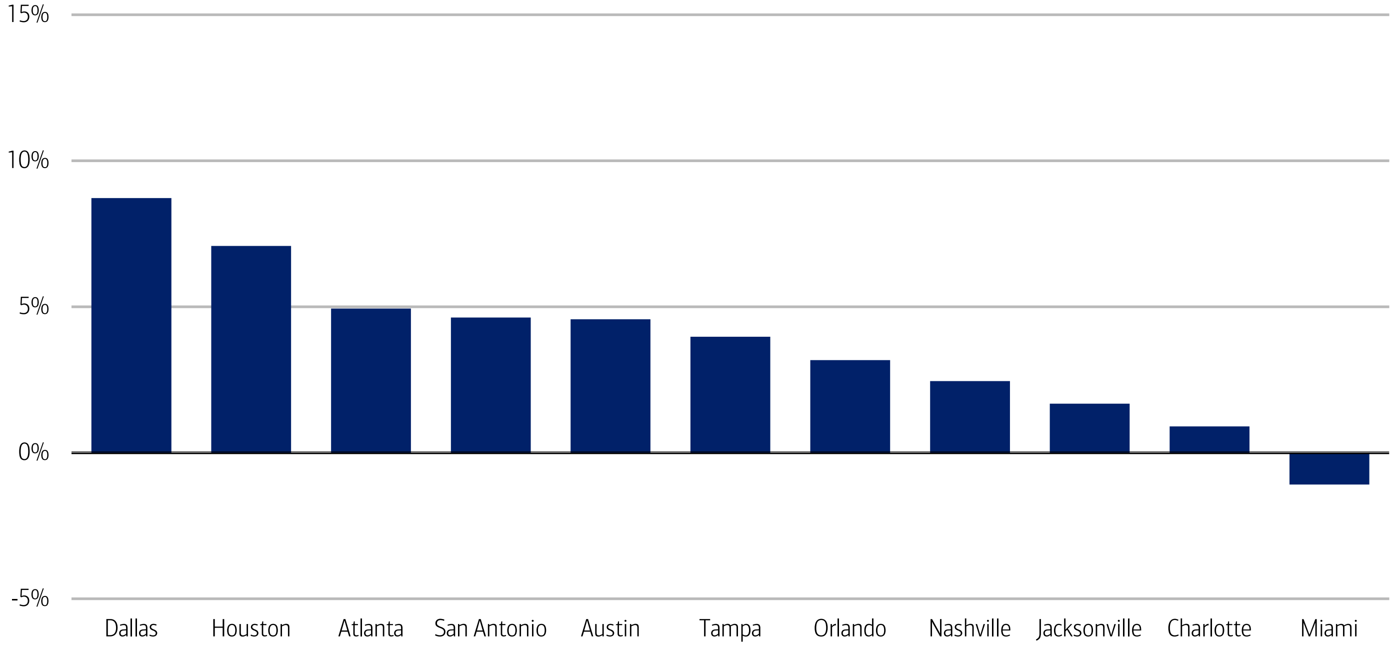
…as well as the location

Another important question is where are people moving *within* MSAs. Census Bureau area information can be used to define areas within MSAs according to their respective population densities, into major urban, urban, suburban and rural areas. Using the fixed sample dataset of Bank of America customers, we can use this information to analyze if there has been a change in where people are moving across MSAs.

Exhibit 9 shows a snapshot of our findings for the South: people flowing into southern MSAs are now more likely to move to suburban and rural areas than they were in 2019. In Dallas, for example, the share of people moving into suburban and rural areas is almost 10 percentage points higher than before than pandemic, according to the Bank of America internal data.

Exhibit 9: Across southern MSAs more people are moving into suburban and rural areas

Change in the share of population moves into MSAs' suburban and rural areas, 2024 Q1 compared to 2019 Q1 (percentage point change)



Source: Bank of America internal data

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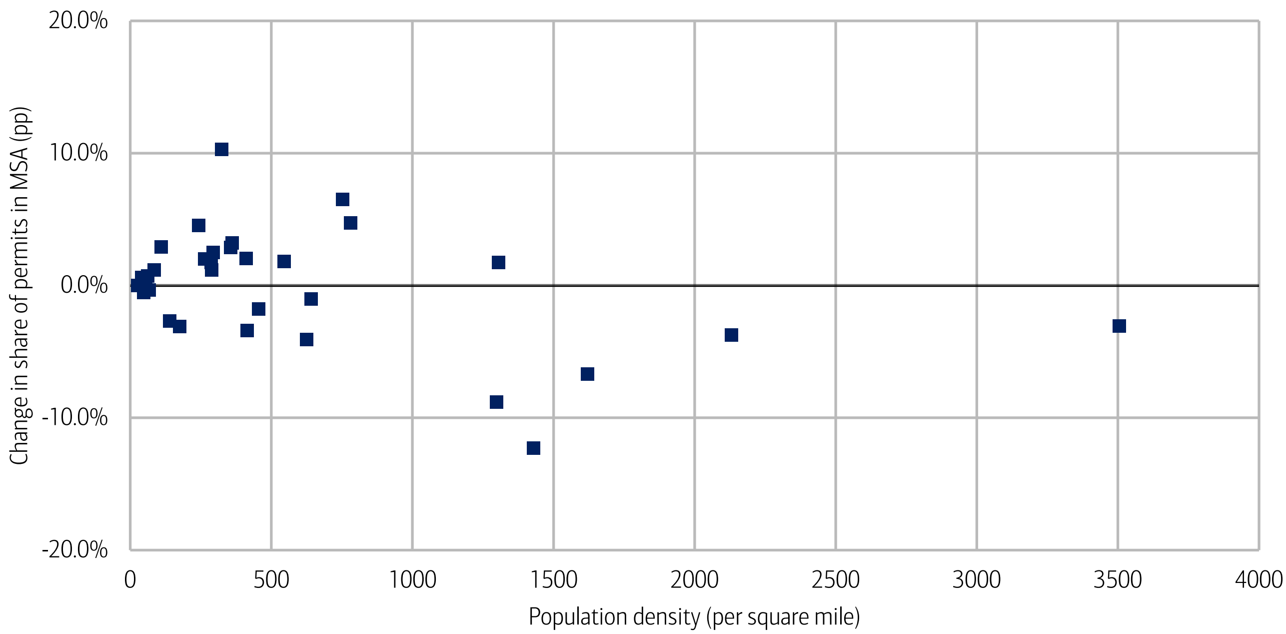
So, is housing supply matching this greater flow into less dense parts of the cities?

We do find some evidence to suggest this is the case. In Exhibit 10 we look at the relationship between population density and the change in housing starts for counties across the southern MSAs where populations are growing YoY. We find counties with the highest population densities have generally seen a significant reduction in their share of housing permits since 2019, though the relationship between permits and lower population densities (below 1,000 per square mile) is more ambiguous.

Exhibit 10: Housing supply has become less dense

Population densities of counties per square mile (as of 2020 Census) within select southern MSAs, compared to the change in the share of the county's housing permits within the MSA between 2019 and 2023 (%)



Source: Bank of America internal data. MSAs covered: Austin, Tampa, San Antonio, Charlotte, Jacksonville

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What's next for housing?

How might the housing market develop from here?

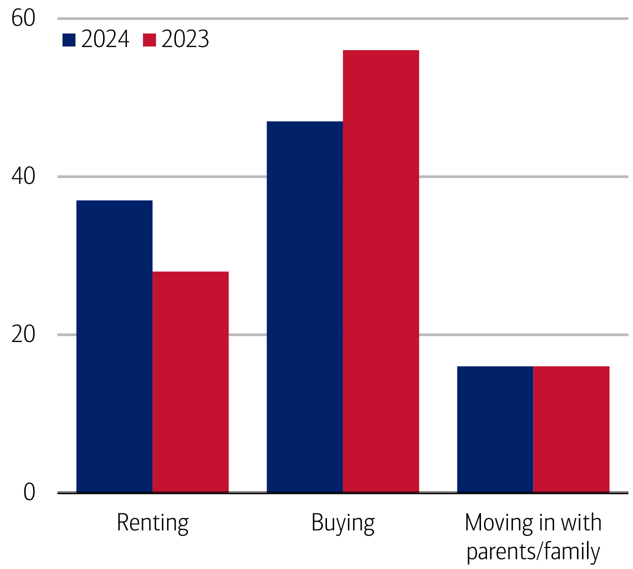
A key consideration will clearly be whether the patterns we have seen in Bank of America internal data – populations falling in the Northeast and West while rising in the South – continue. The signs suggest that the population inflow into the South has become more differentiated but remains significant in parts of Texas and Florida. This means key cities in the South will likely need to find ways to house these growing populations.

Additionally, the growth across MSAs has, to date, tended to skew towards younger people who are typically more likely to rent than buy. But the HBIR illustrates that, even though the share of people favoring renting has increased, purchasing a home remains the most popular choice (Exhibit 11). And the report also suggests that among respondents who are current renters, the younger generations disproportionately said that they intend to buy a house within five years (Exhibit 12).

The insights from this year's HBIR may suggest that, if current trends continue, as the relatively younger population in the South matures, their housing demand will shift away from renting and towards buying. In turn, cities may need to grow and evolve their housing supply strategies to meet this challenge.

Exhibit 11: The percentage of respondents favoring renting has risen relative to last year, but buying remains more popular

% responses to 'Given the current economic conditions, what do you think is the best choice?'



Source: 2024 Bank of America Homebuyer Insights Report

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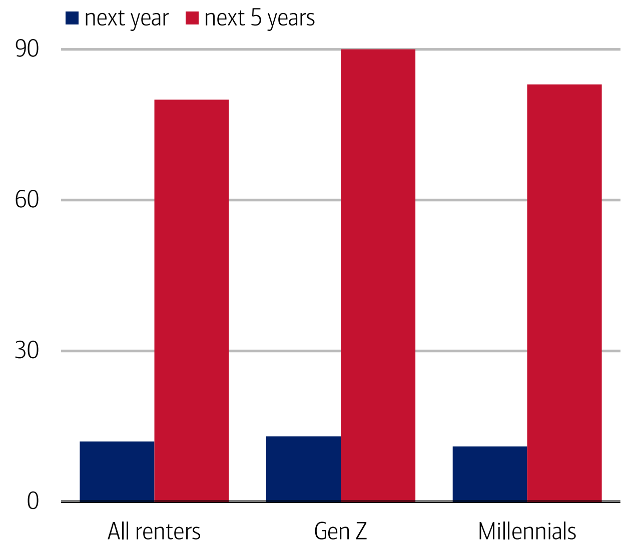
Exhibit 12: A very large proportion of current renters see themselves buying within five years

% of renter responses to 'How long do you see yourself renting before you purchase a home?'



Source: 2024 Bank of America Homebuyer Insights Report

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Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Our analysis for migration pattern is based on the group of Bank of America customers who had an open consumer checking, savings, credit and/or other investment accounts for every quarter between 4Q 2020 and 3Q 2023. Migration pattern is then extracted based on customer home addresses. This methodology yields a fixed sample size of roughly 45 million customers.

Job change is determined if a customer has at least 12 consecutive months of pay via direct deposit but did not receive direct deposit from the same employer in the most recent quarter.

For Bank of America's Homebuyer Insights Report, Sparks Research conducted a national online survey on behalf of Bank of America between March 5th and March 18th, 2024. A total of 2,000 surveys (1000 homeowners / 1000 renters) were completed with adults 18 years old or older, who make or share in household financial decisions, and who currently own a home/previously owned a home or plan to own a home in the future. Survey completions were monitored by gender and age.

Generations, if discussed, are defined as follows: 1. Gen Z, born after 1996; 2. Millennials: born between 1978-1995; 3. Gen Xers: born between 1965-1977; 4. Baby Boomer: 1946-1964

Additional information about the methodology used to aggregate the data is available upon request.

Contributors

David Michael Tinsley

Senior Economist, Bank of America Institute

Sources

Kimberly Warren

Director, Global Risk Analytics

Akshita Jain

Assistant Vice President, Global Risk Analytics

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