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Consumer Morsel

On the move: Hidden costs and slowing spending

01 August 2024

Key takeaways

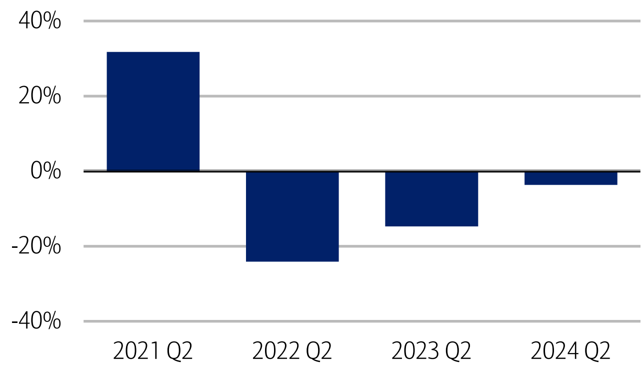
- Bank of America aggregated deposit data suggests that fewer households are moving between cities. In the second quarter of 2024, moves across cities fell 4% year-over-year (YoY) after a 15% YoY decrease this time last year. Those that are moving, however, are skewing towards Gen Z and lower-income households, likely as more households move out of necessity as opposed to choice.
- Some households are likely deferring moves due to increased "hidden" costs of homeownership (e.g., insurance, property taxes). Bank of America aggregated payments data suggests these costs are up significantly YoY, especially in the Sun Belt. And a study by the Federal Reserve Bank of San Francisco suggests that this area is affected by another "hidden" cost: climate change.
- Gen Z and lower-income movers are likely searching for affordability, particularly in the rental market. We find those metropolitan statistical areas (MSAs) with relatively more affordable rents are seeing the fastest population growth in Q2 2024.
- The fewer overall movers and the skew to younger/lower income movers is depressing consumer spending on moving-centric categories such as furniture. But if moving rebounds, we could see a tailwind to these areas of spending.

Households changing cities are stabilizing, but skewing younger and lower income

The number of people moving between cities has fallen relative to the second quarter of last year, but the rate of decline has eased significantly. A larger share of those households who are moving skews younger and/or earn a lower income – groups who may have less choice about making a move. As a result, the direct spending boost to the economy from people moving is currently less than it has been.

In our quarterly "On the move" publications, we track the number of households that have moved to another metropolitan statistical area (MSA) and the changing demographics of this group. 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 accounts for every quarter since the first quarter (Q1) of 2020.

Exhibit 1: The year-over-year (YoY) percentage change in the number of households that changed MSAs stabilized in the second quarter of 2024 after decreasing 15% YoY this quarter last year.
The year over year (YoY) percentage change in the number of households that are moving to another MSA (quarterly, %)



Source: Bank of America internal data

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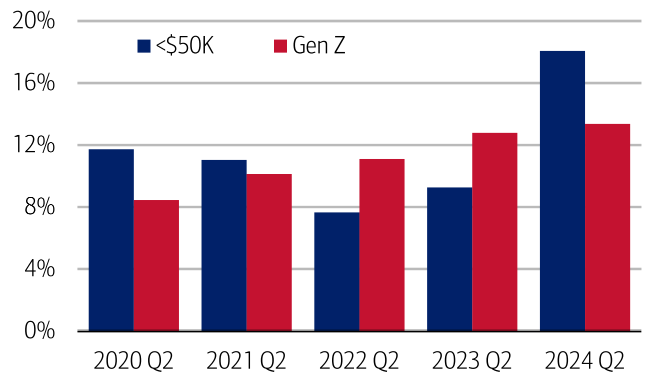
Exhibit 2: The Q2 2024 percentage share of movers that are Gen Z or a household earning <$50K annually increased YoY and compared to Q2 2020
Gen Z and households earning <$50K percentage share of households that changed MSAs (quarterly, %)



Source: Bank of America internal data

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Exhibit 1 shows the number of households that moved to another MSA in Q2 2024 fell 4% year-over-year (YoY). While that is an improvement from the 15% YoY decline in Q2 2023, it is down significantly from June 2021 when moves surged almost 32% YoY as employees, largely working from home, migrated further from their offices.

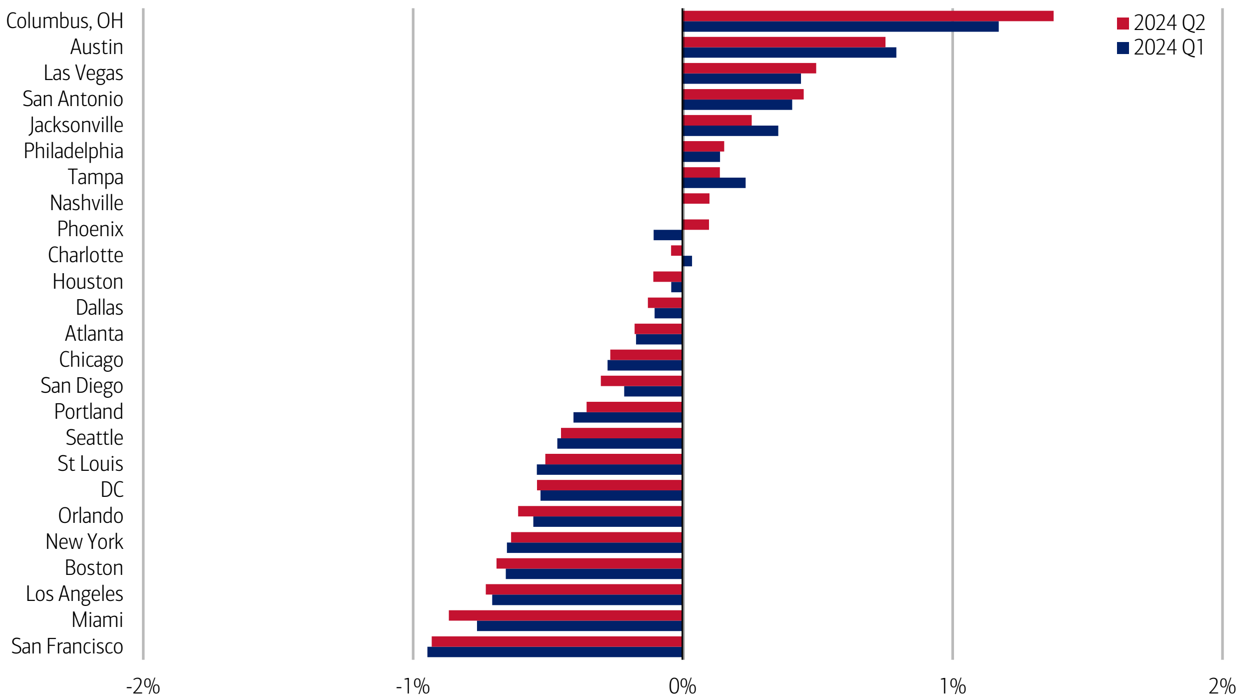
Looking across generations, we see that Gen Z accounted for a larger share of inter-city moves in Q2 2024 compared to previous years. They comprised 13% of movers in June 2024, up from 8% in June 2020 (Exhibit 2). The share of lower-income households relocating is also rising. Households earning <$50K annually accounted for 18% of movers in Q2 2024, up 6 percentage points from Q2 2020 and more than twice the share seen in the second quarter of last year.

‘Great migration’ pattern intact

Looking across cities, we continue to see large population declines in many northeastern and western MSAs as of the second quarter 2024, continuing a long-term trend since the start of the pandemic (Exhibit 3). In the Northeast, New York and Boston continue to see large net population outflows. And in the West, San Francisco, Los Angeles, Seattle and Portland all saw significant YoY declines.

The situation in the South remains mixed with Austin, San Antonio, Jacksonville and Tampa again seeing significant inflows, while Miami, Orlando and DC appear to be having marked declines in population. By contrast, in the Midwest, Columbus continued to see large gains.

Exhibit 3: Northeastern MSAs are continuing to see a net population outflow, but the picture in the South is more mixed
Net population change in major MSAs, according to Bank of America internal data YoY percentage change, positive means net inflow, negative means net outflow)



Source: Bank of America internal data

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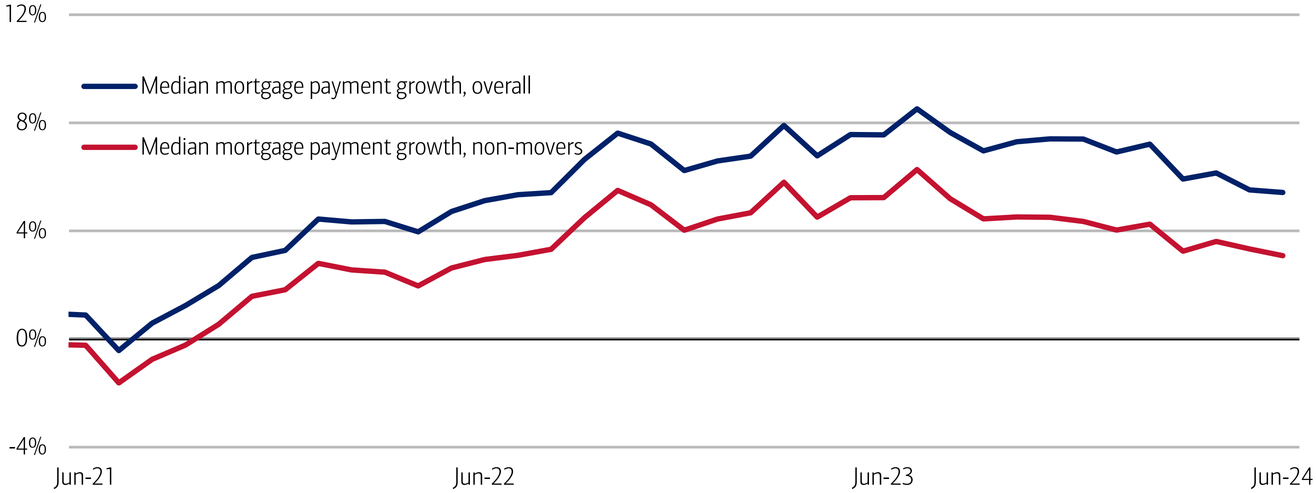
Homeowners face increasing “hidden” costs of homeownership

What’s behind the rising share of Gen Z and lower-income movers? In our view, one explanation is that people are now moving more out of necessity, as opposed to by choice. The rising “hidden” costs of homeownership (e.g., insurance, property tax, climate change) in some regions and a sharp decline in housing affordability are leaving homeowners with less disposable income to fund a move and resulting in fewer relocations by older consumers and higher-income households.

One way to measure these costs is to analyze mortgage payment growth for those who haven’t moved. According to Federal Reserve Bank of St. Louis estimates, 92% of all mortgages in the US are fixed-rate loans. Therefore, homeowners who did not move would likely not have seen a change in their base mortgage (interest and principal repayments) over the last year. However, they are likely paying more to live in their home due to rising property taxes and insurance premiums, which are often bundled with mortgage payments.

Exhibit 4: Customers who have not moved are seeing similar increases in median mortgage payment growth YoY
Monthly median mortgage payment growth YoY% overall, compared to households who have not moved (three-month moving average, %)



Source: Bank of America internal data. Includes payments to both Bank of America and non-Bank of America mortgages.

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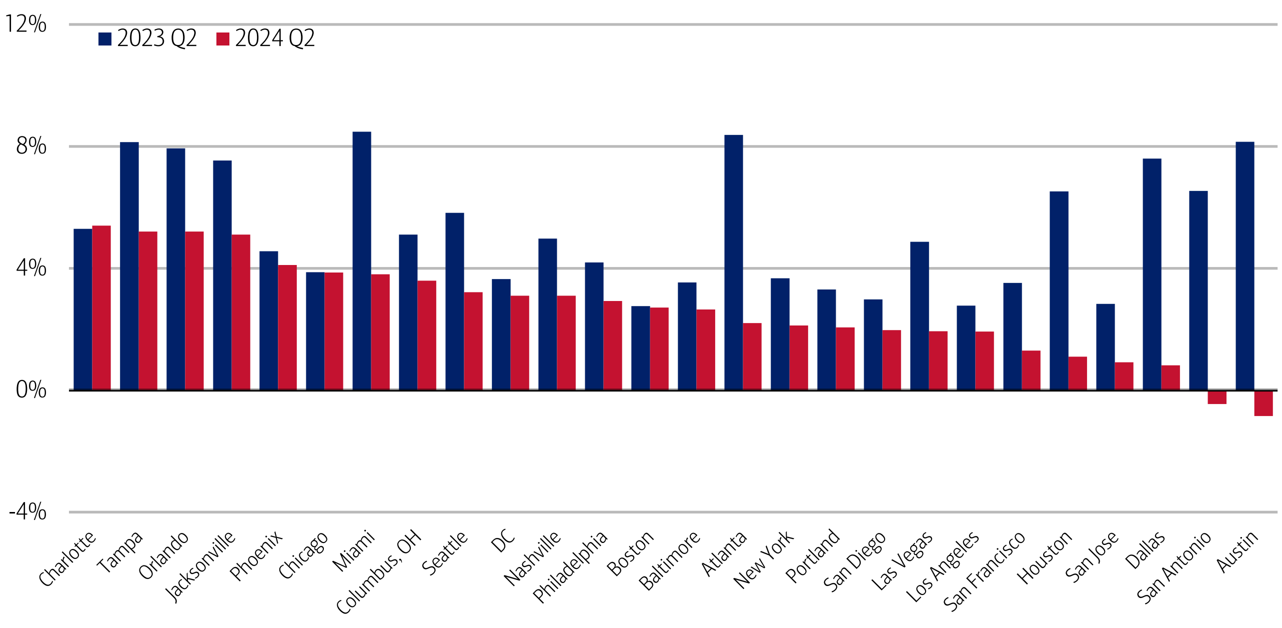
Using Bank of America internal deposit data, Exhibit 4 shows that the median mortgage payment growth YoY for customers who have not moved has been consistently positive over the last three years and is currently running at 3% YoY. That compares to 5% YoY across all customers, including movers.

Importantly, these hidden costs of rising property taxes and insurance premiums are increasing in areas that have been the beneficiaries of higher population growth and, consequently, rising property values (like the Sun Belt). Exhibit 5 shows that the median mortgage payment growth YoY for non-movers was much higher in Sun Belt MSAs in Q2 2023 than all other areas.

More recent activity in Q2 2024 shows that median mortgage growth for non-movers in the South is more mixed. Households that did not move in Charlotte, Tampa, Orlando, Jacksonville, and Phoenix were still experiencing relatively high median mortgage payment growth YoY, while Dallas, San Antonio, and Austin saw smaller growth or even decreases. In all of these cities, however, the level of hidden costs has risen significantly since Q2 2022, even if the rate of increase has slowed in some cases.

Exhibit 5: The Sun Belt saw significant median mortgage payment growth YoY in Q2 2023 for households that did not move, but growth in Q2 2024 was more mixed
Median mortgage payment YoY% growth for households that have not moved (quarterly, %)



Source: Bank of America internal data

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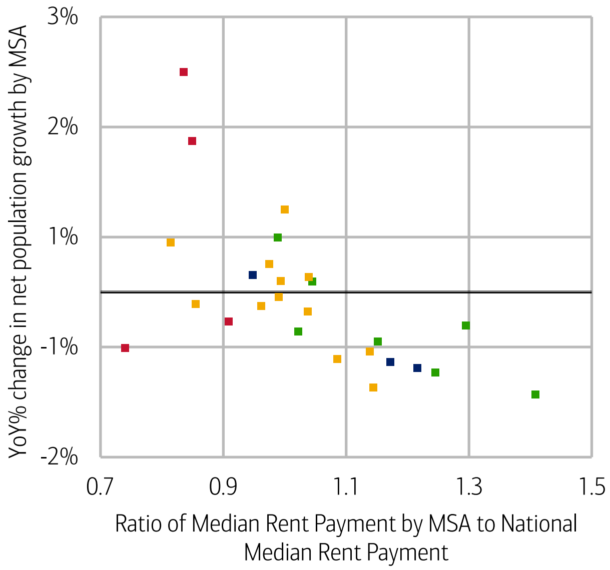
Another hidden cost that may be difficult to quantify is climate change, including its effect on insurance premiums or utility payments (see: Feeling the heat). A working paper from the San Francisco Fed suggests that the long-term trend of domestic migration from cold regions to hot regions is ending, likely as cold regions become milder and warmer regions turn torrid.

Movers migrating to cities with more affordable rents

Affordability and cost of living are likely the key reasons behind increasing moves among younger and lower-income households. The 2024 Bank of America Homebuyer Insights Report (HBIR) found that the cost of living was a key driver for cross-state moves. It's also important to note that it's easier for younger and lower-income households to change addresses because a greater proportion of these consumers are renters rather than homeowners: Census Bureau data shows that the home ownership rate is only 35% for 25–30-year-olds, compared to 66% across all ages.

Using Bank of America deposit account data on customer payments for monthly rents, we calculate a measure of relative rent affordability by dividing the median rent payment per MSA by the national median rent payment. When we compare this ratio to net population growth (also using Bank of America internal data on movers) we see that net population growth was higher in MSAs with more affordable rents in Q2 2024 (Exhibit 6), with growth concentrated in the South and Midwest

Exhibit 6: Positive net population growth appears to be concentrated in more affordable MSAs in the South and Midwest
YoY% change in net population growth by MSA compared to the ratio of median rent payments by MSA divided by national median rent payment (quarterly, ratio) (Red – Midwest, Yellow -South, Green-West, Blue – Northeast)



Source: Bank of America internal data

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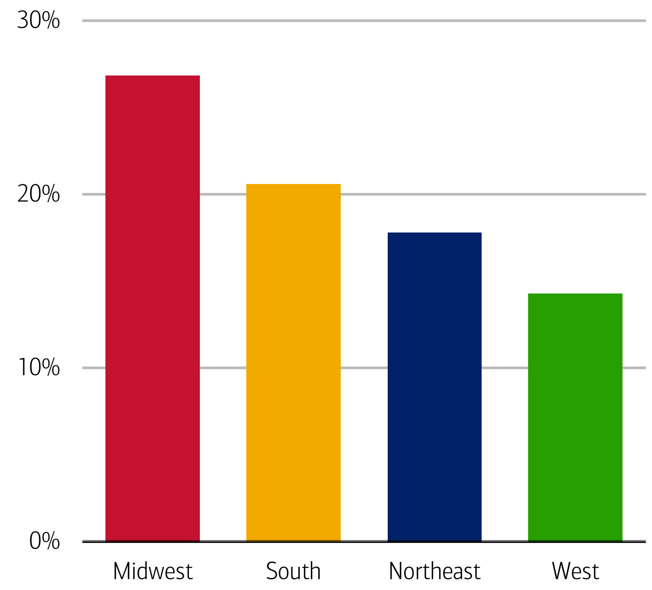
Exhibit 7: The Midwest and South saw a higher share of households earning <$50K moving to non-metro areas in Q2 2024
Percentage share of households earning <$50K that moved to non-metro areas by US Census region (quarterly, %)



Source: Bank of America internal data

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It is not just the metro areas attracting lower income households in the West and South. In fact, Bank of America internal data on movers shows that the Q2 2024 percentage share of lower-income movers was 21% and 27% for non-MSAs in the South and Midwest, respectively (Exhibit 7), with the share in the Midwest nearly double that of the West.

Moving-related spending is declining among lower income and the young

Consumer spending among those that have recently moved is an important source of demand for some parts of the economy, including home furnishings and appliances. Given the relatively low absolute number of moves, this spending is currently restrained relative to historical levels.

Is the skew towards younger/lower income movers also impacting spending? To understand this, we use Bank of America internal card spending data for households that moved in the month of June and compared their spending in the six months leading up to the move to both their spending during the month of their move and in the six months afterwards over several years.

Looking at the six months before a move, Bank of America internal card data shows that the average card spending per household on furniture (the largest moving-related category by spending amount) for the half year period before June 2024 was down 10% YoY (Exhibit 8).

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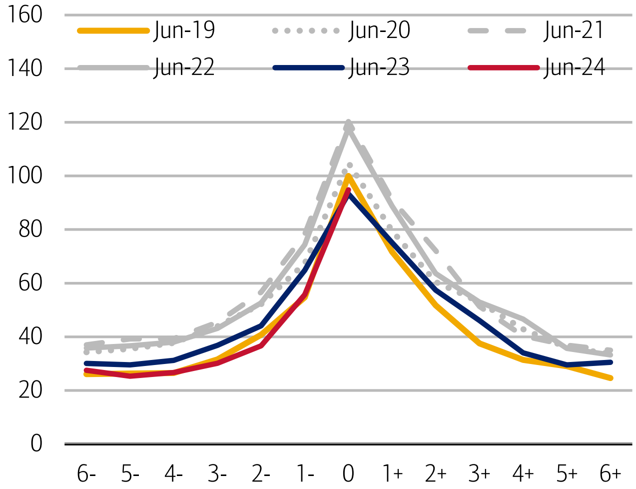
Exhibit 8: June 2024 average household spending on furniture for movers is down 10% YoY for the six-month period leading up a move, but up 2% YoY the month of the move

Average household spending amount on furniture for movers for the six months leading up to a move, the month of the move, and the six months after (monthly, index June 2019 = 100)



Source: Bank of America internal data

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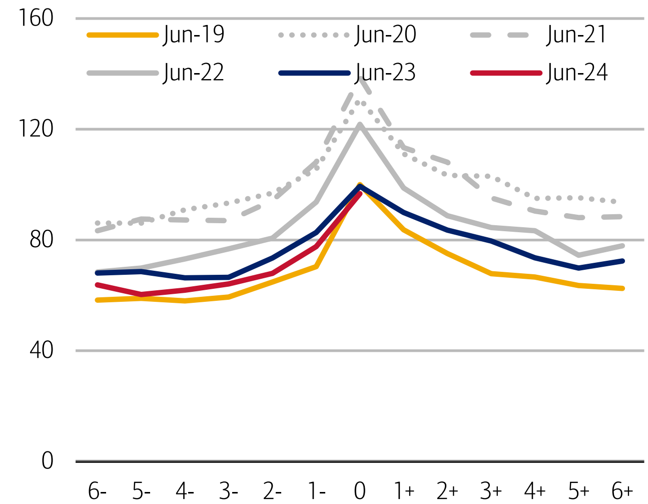
Exhibit 9: June 2024 average household spending on electronics for movers is down 3% YoY in the month of the move

Average household spending amount on electronics for movers for the 6 months leading up to a move, the month of the move, and the 6 months after (monthly, index June 2019 = 100)



Source: Bank of America internal data

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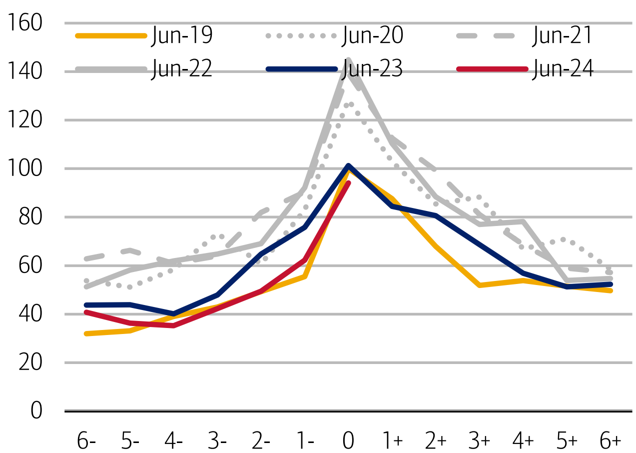
Another factor to consider, however, is that consumers may be making their purchases as needed rather than buying early to circumvent supply chain issues. For example, Bank of America internal card data shows that household spending on furniture follows a similar pattern to 2019 and was up 2% for moves in June 2024 compared to June 2023. It's also possible that monthly spending may be increasing as younger consumers purchase furniture for the first time, a potential tailwind for the largest moving-related spending category if this continues. For now though, the average spend of a mover on furnishings is down from 2021/2022.

Exhibit 10: June 2024 average household spending on appliances for movers is down 7% YoY in the month of the move

Average household spending amount on appliances for movers for the 6 months leading up to a move, the month of the move, and the 6 months after (monthly, index June 2019 = 100)



Source: Bank of America internal data

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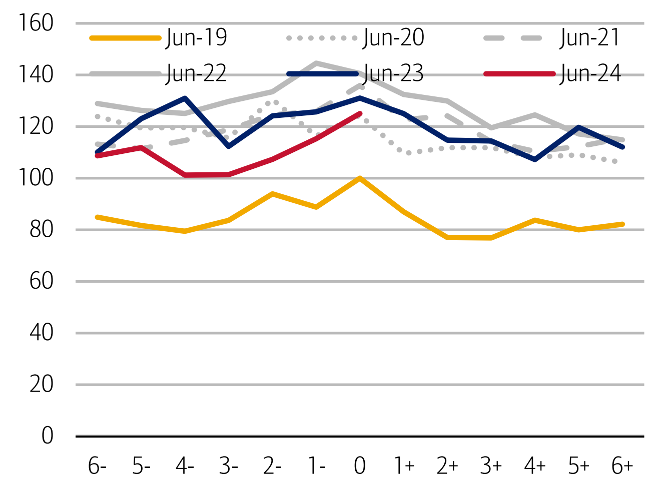
Exhibit 11: June 2024 average household spending on home improvement (HI) for movers is down 5% YoY in the month of the move

Average household spending amount on HI for movers for the 6 months leading up to a move, the month of the move, and the 6 months after (monthly, index June 2019 = 100)



Source: Bank of America internal data

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Other moving related categories are faring worse. Bank of America internal card data shows that average spending per household on electronics was down for the entire six month period leading up to a June 2024 move and still down 3% YoY in the month of the move (Exhibit 9). Spending on appliances follows a similar pattern leading up to a move, but for the month of the move it was down even more, at -7% YoY (Exhibit 10).

Some of these downward pressures on moving-related spending could be due to deflation. Bureau of Labor Statistics (BLS) data shows that furniture and bedding, and appliances prices were down nearly 4.6% and 3.6% YoY respectively in June 2024. But over the run-up and move itself it does appear, in our view, that consumers are purchasing less. A key reason here is likely that current movers in June 2024 have relatively lower spending power due to being younger and/or on lower incomes.

Interestingly, as opposed to the other categories, home improvement spending appears to be significantly higher than 2019 levels (Exhibit 11), likely as consumers pivoted to more “do-it-yourself” activities during the pandemic alongside relatively large price rises in tools and hardware. Home improvement spending also appears less impacted by the timing of a move itself compared to other moving-related categories. Global Research did however previously find that building materials had a more pronounced peak around house moves.

So, what does this all mean? In our view, the current level of inter-city moves is being held back by the “hidden” costs of homeownership, alongside more overt costs such as higher mortgage rates. At the same time, Gen Z and those on lower incomes, particularly renters, are continuing to move. This combination means that the spending boost to the economy from house moves is currently being held back, but should these costs dissipate, there could be a solid tailwind to moving-related spending and the industries that supply them.

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 2Q 2024. Migration pattern is then extracted based on customer home addresses. This methodology yields a fixed sample size of roughly 45 million customers.

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.

These changes in address are also used to identify households that have moved in order to capture the spending on moving-related categories for the six-month period before and after a move. To look at this, we use Bank of America internal credit and debit card spending data for households that moved in June over the period 2021-2024. We then determine the average household spending for the 6 months leading up to the move, denoted as "6-" through "1-", the month of the move, denoted as "0," and for the 6 months after the move.

Median mortgage payments for customers who have not moved as also based on this data and include only customers who have not had a change in address.

Any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash, and checks.

Any **Small Business** payments data represents aggregate spend from Small Business clients with a deposit account or a Small Business credit card. Payroll payments data include channels such as ACH (automated clearing house), bill pay, checks and wire. Bank of America per Small Business client data represents activity spending from active Small Business clients with a deposit account or a Small Business credit card and at least one transaction in each month. Small businesses in this report include business clients within Bank of America and generally defined as under $5mm in annual sales revenue.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

The differences between the total and per household card spending growth rate can be explained by the following reasons:

1. Overall total card spending growth is partially boosted by the growth in the number of active cardholders in our sample. This could be due to an increasing customer base or inactive customers using their cards more frequently.
2. Per household card spending growth only looks at households that complete at least five transactions with Bank of America cards in the month. Per household spending growth isolates impacts from a changing sample size, which could be unrelated to underlying economic momentum, and potential spending volatility from less active users.
3. Overall total card spending includes small business card spending while per household card spending does not.
4. Differences due to using processing dates (total card spending) versus transaction date (per household card spending).
5. Other differences including household formations due to young adults moving in and out of their parent's houses during COVID.

Any household consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level. Whenever median household savings and checking balances are quoted, the data is based on a fixed cohort of households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through the most current month of data shown.

Bank of America aggregated credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards are excluded. Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the

North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

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

Joe Wadford

Economist, Bank of America Institute

David Michael Tinsley

Senior Economist, Bank of America Institute

Sources

Li Wei

Director, Global Risk Analytics

Akshita Jain

Assistant Vice President, Global Risk Analytics

Jon Kaplan

Senior Vice President, Digital and Data

Disclosures