



## **RISING MORTGAGE RATES HAVE HALTED PERMIT GROWTH, WHILE HOUSING CONSTRUCTION STILL MAINTAINS A STEADY PACE**

*- Employment Growth Continues to Drive the Demand for Housing  
In most Areas of the Country -*

**IRVINE, CALIF. - (June 21, 2000)** - The Meyers Group has just released the June issue of U.S. Housing Markets, indicating that the housing market growth has indeed stopped, despite a continued strong economy.

According to John Burns, a Principal who leads The Meyers Group's Online Published Research Group, "Employment growth remains healthy. The U.S. now has 129.9 million non-agricultural wage and salary jobs, which is 2.8 million more than a year ago. Over the last year, employment has grown 2.2%. The increase in home prices and mortgage rates, however, has led to affordability problems for potential new home buyers."

The economy has been very strong, with real GDP growing at a 5.4% annual growth rate, and the leading economic indicator and consumer confidence indices remaining strong. The Fed's expected 50 basis point interest rate increase on May 16, 2000 temporarily affected mortgage rates significantly, as the 30-year, conforming, fixed mortgage rate shot up from 8.13% on April 27 to 8.64% on May 18. Since then, rates have settled back down

### ***Investment***

Housing demand (as measured by employment growth) has been improving. The Meyers Group's Investor Hotness Index (IHI) shot up from 1.37 to 1.51 for the nation. The increase occurred because employment growth increased while permits remained relatively flat.

The hottest markets for investment are heavily concentrated in California, Florida and the Northeast, where job growth is strong and permits are low. The hottest housing markets are New York-Long Island, Los Angeles, Riverside-San Bernardino, Sarasota-Bradenton, Tucson, Tampa, Orange County, Calif., Boston, West Palm Beach, and San Francisco, all of which had IHI's of at least 2.18.

### ***New Homes***

According to John Burns, "New home appreciation has essentially stopped, with prices remaining relatively flat over the last year. The April 2000 median new home price is \$161,400, which is only 0.9% greater than the \$160,000 median new home price one year ago. By comparison, appreciation over the previous year was 8.1%."

The appreciation that should have occurred this year went to bankers instead. The mortgage payment on a median-priced home has increased 8% during the last year, thanks to rising mortgage rates.

New home construction has been relatively flat, with 279,508 single-family permits recorded in the first three months of this year in comparison to 279,321 in the first quarter of 1999.

Among the ten fastest growing major housing markets, the growth rate (as measured by comparing our 3/00 and 3/99 Market Hotness indices) has increased in Naples, Raleigh, Austin, Charlotte, Atlanta and Boise, and decreased in Myrtle Beach, Ft. Myers, Las Vegas and Orlando. The biggest slowdown was in Myrtle Beach, where permits decreased from 30.2 per 1,000 people to 26.6.

### ***Multifamily***

The largest multifamily markets in the first quarter were Phoenix (3,863 permits), Atlanta (3,630 permits), Denver CMSA (3,388 permits) and New York-Long Island (3,155 permits).

Multifamily permits were down 6% in the first quarter, although they were up significantly in the major multifamily markets. Atlanta was up 84%, Denver was up 72%, and Phoenix was up 51%. With very strong job growth, and very expensive for-sale housing, permits were also up substantially in North & Central New Jersey (+108%) and Los Angeles (+101%).

### ***Conclusion***

Rising mortgage rates have put a halt to the permit growth that was occurring, although housing construction is not slowing – just maintaining a steady pace.

Employment growth is outstanding, which is increasing the demand for housing in most areas of the country. New home appreciation has slowed, however, as increasing mortgage payments have taken the place of price appreciation.

"We expect the U.S. housing market to remain relatively stable over the summer, which means that builders should continue to enjoy excellent conditions," said John Burns, the study's author.

***Any of the contents of this report may be quoted, with appropriate credit. To receive division or local market data from the USHM 1<sup>st</sup> Quarter journal, which offers a one-page summary of 75 major metropolitan areas throughout the United States, please contact Hunter Robbins. If you would like to download the Full Version of U.S. Housing Markets please visit us at [www.meyersgroup.com](http://www.meyersgroup.com). For subscription information, please contact Mary Patalidis.***

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