By Kate Carsella, Associate Editor

AFFORDABILITY

Risk Potential

When evaluating housing market strength, affordability concerns currently pose a higher risk than those of supply and demand. Affordability is defined by how accessible for-sale homes are relative to the population of a given metro area, says Kate Seabaugh, manager of research at John Burns Real Estate Consulting. Mortgage rates and price appreciation also figure in when examining affordability.

As high demand spurs home price growth and fierce competition, constraining a supply of affordable homes, experts are watching for potential ramifications, including other, riskier behaviors.

Rising interest rates are expected to encourage more buyers, especially first-timers, into the market to lock in the lowest possible rate. The rate increases may also motivate lending institutions, including banks and non-banks, such as Quicken Loans, to loosen lending requirements as refinance volume dwindles. Indeed, the share of non-banks originating Federal Housing Administration mortgage loans, popular among first-time homebuyers, has soared over the past five years. The potential risk, Seabaugh points out, is less regulation—and risk not kept on the books.

Additionally, low down-payment programs are becoming more popular. Lenders are requiring 3 percent down, Seabaugh explains, adding, "We're starting to see the credit box opening." Individuals with less-than-stellar credit may now be more easily welcomed into the market, further encouraging more risk on buying and lending sides.

RESEARCH

Racial Divide in Homeownership

Homeownership is one of the most common routes for Americans to accumulate wealth and secure financial stability. But new research highlights the wealth gap between black and white Americans when it comes to owning a home.

An Urban Institute study of the 100 U.S. cities with the largest African-American populations reveals that none of those urban centers have closed the gap between black and white homeownership. The regions with the widest gaps are the Northeast and Midwest. Of the five cities with the largest number of black households—Atlanta, Chicago, New York City, Philadelphia, and Washington, D.C.—four are in those regions.

Minneapolis has the biggest ownership gap between blacks and whites (50 percent), and Albany, N.Y., has the lowest black homeownership rate overall (20.1 percent). Charleston, S.C., has the greatest black homeownership rate (53.5 percent), and Killeen, Texas, a city with about 26,000 black households, has the lowest homeownership gap overall, with an African-American homeownership rate of 48.5 percent.

The Urban Institute attributes the homeownership gaps to a variety of factors, including city size, economic and job opportunities, home prices, affordability, and type of housing stock. For example, in examining these metrics for Minneapolis, the study authors

found that income growth has plateaued in the city, while home prices and population growth have been markedly accelerating.

The study's authors conclude that the homeownership gaps between blacks and whites are directly related to black people having less wealth than whites. Less money in savings and retirement funds, less access to educational opportunity, and poorer health outcomes are all part of the wealth gap between African Americans and whites. Such gaps in homeownership and wealth indicate a persistent imbalance of financial security in the nation.

DEMOGRAPHICS

Real-Time View of Gentrification

The crowd-sourced review website Yelp can be useful for locating where to eat and shop, and for homebuyers researching what amenities a housing market has to offer. Now Yelp and other digital platforms are being considered a useful, complementary

data tool for developers, builders, and business owners to use. New research suggests that Yelp can predict which markets are attracting buyers. Such data tracking may help anticipate opportunities for economic growth in a specific neighborhood by locating gentrifying activity in particular areas in real time.

A new working paper from the Harvard Business School, "Nowcasting Gentrification," shows that a burgeoning field of research is dedicated to understanding how digital platform data, including Yelp data, can measure gentrification and potentially anticipate economic trends, financial opportunity, and business-friendly environments.

The paper suggests that Yelp's measures of local business activity, including entries and reviews of new cafés, grocery stores, and bars in a community, provides leading indicators for housing price changes and that, typically, home prices increase with the arrival of such establishments.

The link between higher education levels, higher income levels, and higher housing costs has been established.

The authors assert that individuals in this group tend to be attracted to up-and-coming neighborhoods. They point out that individuals who flock to new and popular community amenities and businesses can be an early sign of up-and-coming neighborhoods.

OUTDOOR
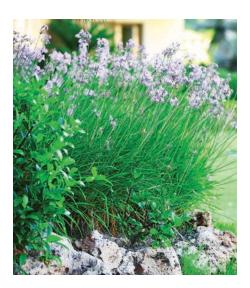
The Landscape of Homeowner Desire

Sustainable and water-wise plantings, flexible-use space, and charging stations are among the outdoor features

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that will attract homeowner interest in the coming year, according to the latest trend survey from the American Society of Landscape Architects. The annual poll of landscape architects from across the U.S. rates the anticipated popularity of a variety of outdoor elements.

Native plants, drought-tolerant plants, and low-maintenance landscapes are all expected to be the most commonly requested features in landscaping. Other sustainable elements expected to be popular this year include permeable pavers, drip and water-efficient irrigation, rainwater harvesting, recycled materials, solar-powered lights, and compost bins.

Though many of the trends from this year's survey showed little had changed compared with 2017, there were some differences. The survey scope this year was broader and included features attractive to those who live in multifamily projects, as well as those in single-family homes. The change in focus highlights a demand for flexible-use space for activities such as outdoor movie and media events and yoga. Charging stations for mobile devices rounded out the list of top 10 features cited.

The most popular outdoor structures for 2018 are expected to be enhanced railing systems, which have glass or cable—a new choice added to the category in this year's survey—as well as pergolas, decks, and fencing. ADA-accessible structures such as ramps, bars, and shelving were also cited as being in increasing demand. Fire pits and fireplaces, lighting, and seating/dining areas remain popular, besting outdoor kitchens. **PB**

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