

# Staying Put

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The median length of time that households may be expected to live in a home has increased over the past decade. Single-family home owners moved at lower rates in the 1990s than in the middle 1980s. The expected time that a home buyer will remain in a home increased from ten years to fifteen years. This has meant fewer homes sold to trade-up buyers.

## The Evidence

The expected length of time that home buyers will remain in a home can be estimated using data on moves out of homes by owners who have lived in their homes for different periods of time. The procedure is similar to the way health organizations and insurance companies estimate life expectancy based on recent mortality rates for people at different ages. Life expectancies are

calculated by assuming that a baby born today has a chance of dying in its first year equal to death rates for infants in the latest base year (e.g. 1995) and a chance of dying fifty years from now equal to death rates of fifty year-olds in the base year, and so on, and then calculating how many years it will take before half the current cohort of births is gone. Expected tenure was calculated on a similar basis.

**Table 1** Mobility Rates and Survivors, Single-Family Home Owners

Years In House	1985-1987		1987-1989		1989-1991		1991-1993	
	Move Rate	Survivors	Move Rate	Survivors	Move Rate	Survivors	Move Rate	Survivors
0		1000		1000		1000		1000
1	6.2%	938	6.7%	933	6.1%	939	5.2%	948
2	7.5%	867	6.7%	870	6.1%	881	5.8%	893
3	8.3%	795	7.3%	807	6.7%	823	6.2%	838
4	7.3%	737	8.6%	738	5.9%	775	6.7%	782
5	7.8%	680	6.8%	687	6.6%	723	5.5%	738
6	7.6%	628	6.1%	646	5.0%	687	5.3%	699
7	6.8%	585	4.8%	615	5.9%	646	6.0%	658
8	5.5%	553	5.0%	584	5.6%	610	4.8%	626
9	4.3%	530	5.6%	551	4.5%	583	5.2%	594
10	5.7%	499	5.1%	523	4.1%	559	4.8%	566
11	4.4%	477	4.0%	502	3.4%	540	3.4%	546
12	3.4%	461	3.6%	485	3.4%	521	3.9%	525
13	3.3%	446	3.8%	466	3.1%	505	3.8%	505
14	3.2%	432	4.3%	446	3.0%	490	3.4%	488
15	3.5%	417	3.6%	430	2.8%	477	3.0%	473
16	2.9%	405	3.6%	415	2.7%	464	2.3%	463
17	3.0%	392	2.6%	404	2.8%	451	1.6%	455
18	2.0%	385	2.3%	395	2.8%	438	2.3%	445
19	2.5%	375	3.5%	381	2.6%	427	2.0%	436
20	2.4%	366	2.7%	370	3.2%	414	2.5%	425
21	3.2%	354	3.1%	359	2.6%	403	1.2%	420
22	2.4%	346	3.1%	348	2.4%	393	1.9%	412
23	2.2%	338	1.4%	343	2.5%	383	2.6%	401
24	2.7%	329	3.1%	332	2.5%	374	3.4%	387
25	2.1%	322	2.6%	323	2.3%	365	1.8%	381
26	2.4%	315	1.6%	318	1.7%	359	2.3%	372
27	1.0%	311	1.4%	314	3.7%	346	2.4%	363
28	1.1%	308	2.1%	307	1.8%	339	2.2%	355
29	2.7%	300	2.0%	301	1.9%	333	1.9%	348
30	3.1%	290	2.4%	294	2.0%	326	1.6%	343

Source: NAHB tabulations of the American Housing Survey; U.S. Bureau of the Census.

**Table 2 Alternative Measure of Existing Home Sales**

	AHS		NAR	Total Owner HH	CPS	
	Owner Movers	To Existing Homes (1)	Existing Sales (1)		Owner Movers	To Existing Units (2)
1985	4,738	3,088	3,134	55,845	NA	NA
1986			3,474	56,408	NA	NA
1987	4,947	3,232	3,438	58,284	4,705	3,423
1988			3,513	59,419	4,755	3,628
1989	4,585	3,005	3,346	59,846	4,611	3,469
1990			3,211	60,395	4,439	3,364
1991	4,206	2,706	3,220	61,310	4,575	3,645
1992			3,520	62,220	4,938	3,869
1993	4,577	2,983	3,802	62,388	4,612	3,455

Note: AHS data are for year ending October, NAR data for calendar year, CPS mover data for year beginning in March. (1) Excludes mobile homes, residences with commercial uses, and residences on farms. (2) Estimated as owner-units minus units completed during the calendar year, but not for rent.

Source: U.S. Bureau of the Census, Current Population Survey and American Housing Survey; National Association of Realtors.

Data on home owners' moves are available from the American Housing Survey (AHS), which collects data every two years on the same sample of about 55,000 homes. By matching the data collected about each unit in successive surveys, it was possible to see which units had an owner occupant in one survey who had moved out before the next survey. A movement rate was calculated for all single-family homes in which the household head had already lived in the unit for any given number of years at the time of the first survey. Results were divided by two to estimate an annual movement rate.

Movement rates by length of tenure were calculated in this manner for four pairs of survey years for owners of single-family detached homes (Table 1). For instance, the estimated annual movement rate for single-family home owners who lived in their unit one year or less was 6.2 percent between 1985 and 1987, and 5.2 percent between 1991 and 1993. Assuming that the movement rates at different lengths of tenure were constant, it would take slightly less than ten years for half of a group of households to move based on the 1985-1987 rates, and more

than thirteen years based on the 1991-1993 rates.

As shown, move-out rates generally rise to a peak after about three or four years, then gradually decline for owners with longer tenure in their homes. Among 1991 households that had owned their homes for fewer than five years, 10.4 percent to 13.4 percent had moved before the 1993 survey, representing an annual move-out rate of 5.2 percent to 6.7 percent. The share moving out each year was less than 4 percent for those who lived in their homes between eleven and fifteen years, and around 2 percent per year for those who had lived in their homes more than fifteen years.

*The rate of movement was lower for owners in 1991 than for owners in 1987 and 1985.* Among 1985 owners, the movement rate of those living in a unit less than five years was between 6 percent and 8 percent. In 1991, that rate was between 5 percent and 7 percent.

### Existing Home Sales

These results imply that there was some slowing in the turnover of existing units. This conclusion is tentatively supported by other data from each

American Housing Survey measuring the number of home owners who reported that they had moved into their home in the twelve months preceding the survey. Those data show fewer recent movers to existing homes in 1991 and 1993 than in the earlier surveys, even though the number of homes had grown.

Data from the National Association of Realtors (NAR) instead shows a *rising trend* in existing home sales (Table 2), with sales in the 1993 calendar year of 3.8 million, up 21 percent from 3.1 million in 1985. A third measure of turnover, based on the Current Population survey (another Census Bureau data set), gives an intermediate result, with no clear trend toward increases or decreases in the number of movers and a slight decline in the share of owners moving. The Current Population Survey data include owners who moved into new homes, mobile homes, residences with commercial uses, residences on farms, and other units, as well as purchases of existing single-family homes. Even after adjusting for households who moved to new units, however, there was no evidence of an increase in existing home sales over the period.<sup>1</sup>

The NAR and AHS estimates of owner-movers to existing homes are different for a variety of reasons. The NAR annual numbers measure a calendar year, while AHS typically collects information in the late fall, and therefore measures a time frame of roughly October to October. The NAR series is based on an extrapolation from realtor transactions, while the AHS estimates are based on the number of owner households in the survey that reported buying their home in the preceding year. Realtor transactions may include rental and vacant units that are sold, as well as owner-occupied units that are sold. Both measures exclude properties with commercial uses, and those on ten acres or more. The NAR series was benchmarked to the 1980 Census of Housing and special runs on the American Housing Survey during the middle 1980s.<sup>2</sup> The 1985, 1987, and 1989 AHS surveys are benchmarked to the 1980 census, while the 1991 and 1993 surveys are benchmarked to the 1990 census.<sup>3</sup>

The conceptual differences in the AHS and NAR series cannot account for the gap between the two. While the definitions in the two surveys remained constant, the difference between the two grows from an insignificant 46,000 units (1.4 percent) in 1985 to 820,000 units in 1993 (a difference of about 27 percent). This growing gap could have developed because realtor transactions were growing as a share of total home sales, and/or that sales of rental and vacant homes became a larger share of total sales.

NAR data are based on a large number of reports from about 650 local real estate boards, associations, and multiple listing groups covering more than 1 million sales, and the numbers are a unique, timely

measure of current resale activity, but it appears that a bias may have developed over time that overstates the trend in home owner moves.

## Factors in Declining Mobility

The calculation of expected length of tenure assumes that time in the unit determines the rate of movement. Mobility rates also depend on other factors, particularly the age of the home owner. In general, mobility rates are lower for older households.<sup>4</sup> The effects of the change in the age distribution explains only a small part of the apparent decline in turnover.

There is some evidence that home equity and net worth have been declining, making it more difficult to finance a trade-up purchase. According to the Survey of Income and Program Participation, home equity and net worth declined between 1988 and 1991. Between 1991 and 1993, home equity rose, but total net worth was not significantly different. Slowing house price appreciation may have been a factor. The lack of growth in equity may have limited trade-up demand.

The changing movement may also be related to the changing character of the work force. Married couples who own homes are more likely than ever before to be dual-income earners. For example, the share of married-couple home buyers in which the wife worked rose from 53.9 percent in 1985 to 59.0 percent in 1992, and the ratio of female-to-male median earnings also rose. It is more difficult for a couple to move if it means *both* spouses must find a new job.

## Effects of Declining Mobility

Declining household movement for owners of single-family homes means that the trade-up market will

not be as strong as it might otherwise be. Based on demographics alone, the aging of the baby boom implies that an increased share of new home sales should be to trade-up buyers, and that first-time buyers should be a declining share of new home demand. That expected shift does not, however, appear to have occurred. Although data from the AHS are not yet available past 1993, several statistics indicate that trade-up demand has been relatively weak. Median homes sizes are no longer getting bigger. Mortgage loans with low down payments (typical of first-time buyers) have become more common. Additionally, sales in the high-end home market where trade-up buyers predominate have been relatively weak, as another article in this issue discusses.

The evidence of lower owner mobility also implies that the high mortgage prepayment rates experienced in the 1990s are not a result of higher mobility, but of more refinancing and payoffs.

<sup>1</sup>To eliminate movers to new units, we subtracted an estimate of owner-occupied new single-family and multifamily condo units completed and two-thirds of mobile home placements.

<sup>2</sup>Ken Dutton, "Existing Home Survey: Measuring the Market," *Real Estate Outlook*, January 1996, p. 10.

<sup>3</sup>The change to weights based on the 1990 census reduced the estimates for 1991 by about 2.3 percent.

<sup>4</sup>The effect of the changing age distribution of households was isolated by determining the move-out rates by length of tenure separately for different age groups and simulating the effect of changes from 1985 to 1991 in the age distribution for people with equivalent amounts of time in their homes. The effect of the change in the age distribution alone accounted for between one-sixth and one-seventh of the decline that actually occurred, by this analysis.