

# Nationwide's Health of Housing Markets (HoHM) Report

*Nationwide Economics*

2015 Q2

Data as of 2015 Q1



## HoHM Report Executive Summary:

- The national LIHHM\* remains near its peak at a level well over the break-even of 100, suggesting that the U.S. housing market is healthy with little chance of a national housing downturn over the next year.
- Regionally, the LIHHM performance rankings show that the housing markets in the vast majority of metropolitan statistical areas (MSAs) and divisions are healthy. This suggests that expansion in most local housing markets is sustainable in the near term.
- Only three of the housing markets in the nation's largest 40 metro areas have negative or neutral performance rankings, all of which are in Texas. The healthiest major housing markets in the nation are in Cincinnati, Cleveland, and Chicago.
- Eight MSAs across the country are in negative territory, including Bismarck, New Orleans, and Dallas - none of which are seriously negative.

\* Leading Index of Healthy Housing Markets (LIHHM): A data-driven view of the near-term performance of housing markets based upon current health indicators for the national housing market and 400 metropolitan statistical areas (MSAs) and divisions across the country.



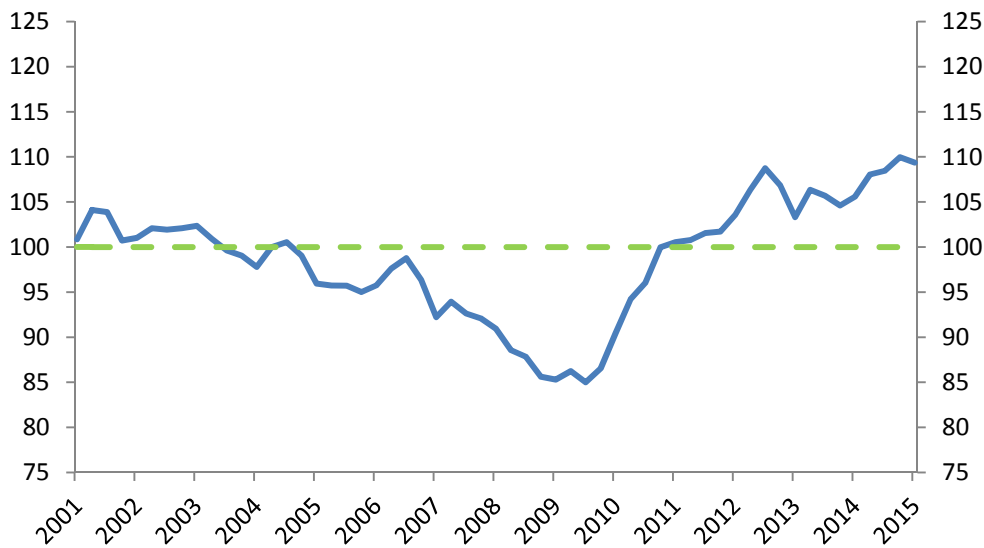
**Nationwide®**  
is on your side

See more at [www.InTheNation.com/housing](http://www.InTheNation.com/housing)

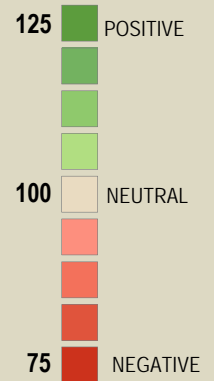
**The national LIHHM is above the break-even of 100, suggesting a healthy U.S. housing market**

The current value for the national LIHHM is 109.4, only slightly below last quarter's record level (data back to 2001). An index value over 100 suggests that the national housing market is healthy, with lower chances of a housing downturn over the next year as the index moves increasingly above the 100 break-even value. The employment, household, mortgage market, and house price components of the national LIHHM remained positive with the latest available data. Housing affordability at a national level is neither undervalued nor overvalued with little sign of a national house price bubble. Regionally, the LIHHM performance rankings show that the vast majority of metro areas across the country are healthy, indicating that few regional housing markets are vulnerable to a housing downturn in the near term.

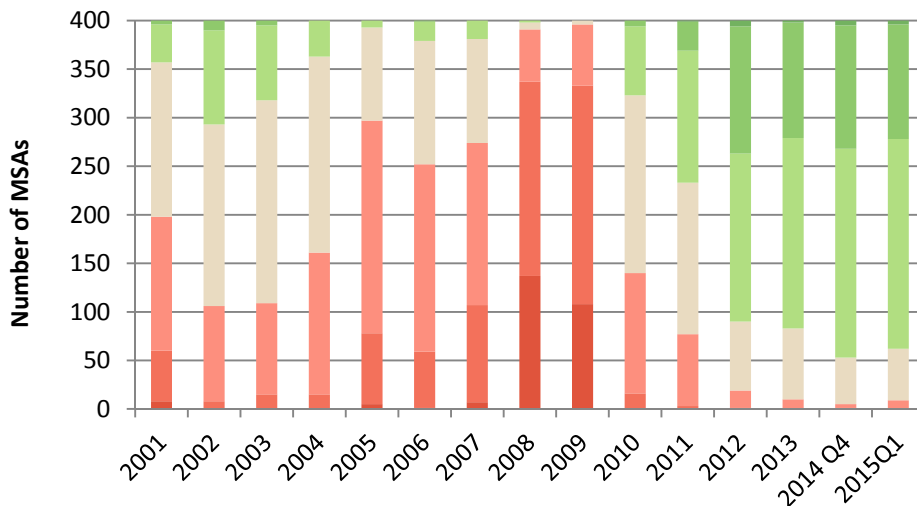
**National LIHHM**



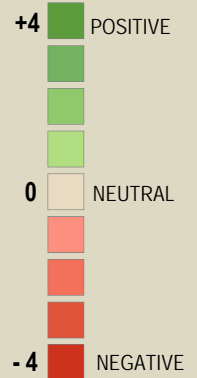
LIHHM Scores\*



**MSA LIHHM Performance Rankings**



Performance Rankings\*

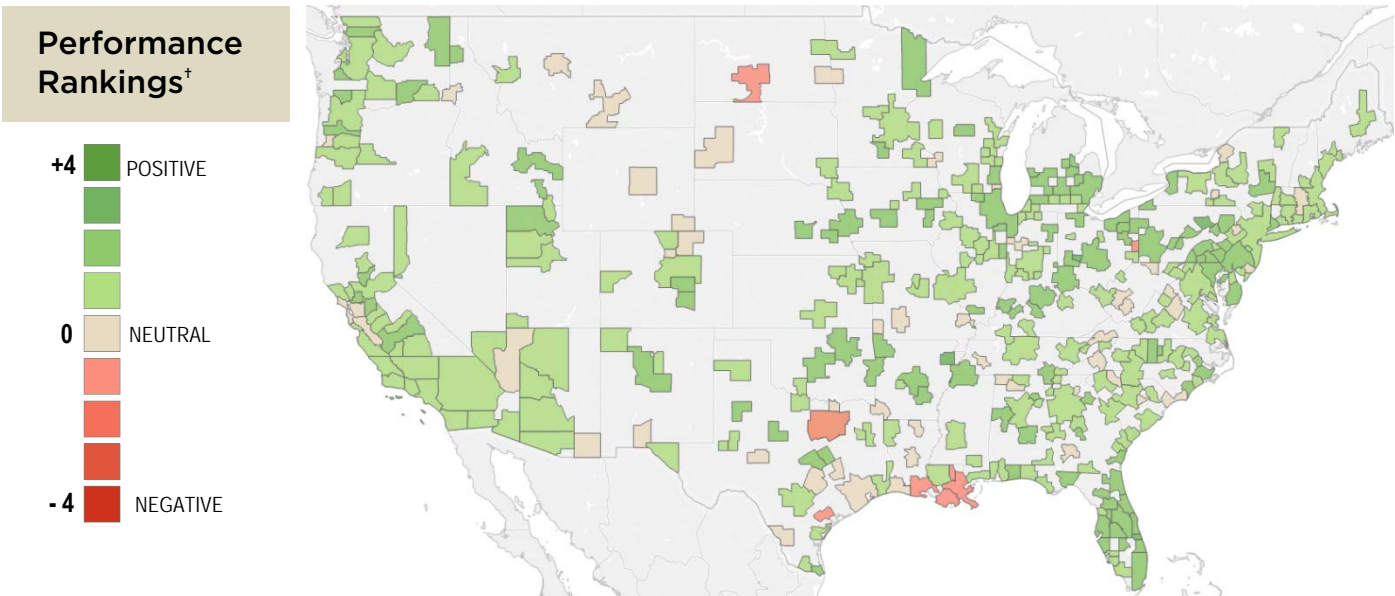


\* See appendix for full descriptions

See more at [www.InTheNation.com/housing](http://www.InTheNation.com/housing)

**The regional LIHHM rankings show that the vast majority of local housing markets are healthy**

- Four MSAs have a +3 ranking with more than 118 in the +2 ranking, meaning that about 30 percent of MSAs have very healthy housing markets. Eight MSAs have negative readings (but none seriously) while about 13 percent are neutral, indicating only a modest risk of a near-term downturn in these areas.
- While the list of bottom 10 MSAs is consistent with last quarter's, most of the top 10 list has changed. This is due to the small variation in scores amongst the top 50 MSAs, which are all highly positive.
- The LIHHM rankings are generally highest in the Midwest and Southeast (particularly in Florida), indicating that these are the regions with the healthiest housing fundamentals.



**Top 10 MSAs**

Rank	Metropolitan Statistical Area
1	Williamsport PA
2	Springfield OH
3	Jonesboro AR
4	Sebastian-Vero Beach FL
5	Little Rock-Conway AR
6	Dayton OH
7	Cincinnati OH-KY
8	Danville IL
9	Fort Smith AR-OK
10	Greensboro-High Point NC

**Bottom 10 MSAs**

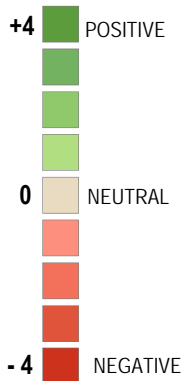
Rank	Metropolitan Statistical Area
400	Hammond LA
399	Bismarck ND
398	Victoria TX
397	New Orleans-Metairie LA
396	Lafayette LA
395	Weirton-Steubenville WV-OH
394	Dallas-Plano-Irving TX
393	Houma-Thibodaux LA
392	Gainesville GA
391	Watertown-Fort Drum NY

† Data as of 2015 Q1

Only one of the top 40\* MSAs has a LIHHM performance ranking that is negative (and only slightly), and two more are neutral, suggesting that most of the major U.S. housing markets are healthy with little chance of a downturn in the near term.

**MSAs by size (Top 40), with corresponding performance rankings**

Performance Rankings:



	Metropolitan Statistical Area	Performance Rankings		
		Current <sup>†</sup>	Prior Qtr	Prior Year
1	New York-Jersey City-White Plains NY-NJ	1	1	1
2	Los Angeles-Long Beach-Glendale CA	1	1	1
3	Chicago-Naperville-Arlington Heights IL	2	2	1
4	Houston-The Woodlands-Sugar Land TX	0	0	0
5	Atlanta-Sandy Springs-Roswell GA	1	1	1
6	Washington-Arlington-Alexandria DC-VA	1	0	1
7	Phoenix-Mesa-Scottsdale AZ	1	0	1
8	Dallas-Plano-Irving TX	-1	0	0
9	Minneapolis-St. Paul-Bloomington MN-WI	1	2	2
10	Riverside-San Bernardino-Ontario CA	1	1	0
11	Tampa-St. Petersburg-Clearwater FL	2	1	2
12	San Diego-Carlsbad CA	1	1	1
13	Seattle-Bellevue-Everett WA	1	1	1
14	St Louis MO-IL	1	2	1
15	Denver-Aurora-Lakewood CO	1	1	1
16	Baltimore-Columbia-Towson MD	2	1	2
17	Anaheim-Santa Ana-Irvine CA	1	1	0
18	Warren-Troy-Farmington Hills MI	1	1	0
19	Pittsburgh PA	2	2	2
20	Oakland-Hayward-Berkeley CA	1	1	1
21	Portland-Vancouver-Hillsboro OR-WA	1	1	1
22	Nassau County-Suffolk County NY	1	1	1
23	Charlotte-Concord-Gastonia NC-SC	1	2	2
24	Miami-Miami Beach-Kendall FL	2	2	1
25	Orlando-Kissimmee-Sanford FL	2	2	2
26	Cambridge-Newton-Framingham MA	2	2	2
27	Newark NJ-PA	1	2	2
28	Fort Worth-Arlington TX	1	1	1
29	Cleveland-Elyria OH	2	3	2
30	Cincinnati OH-KY-IN	2	2	2
31	San Antonio-New Braunfels TX	1	1	1
32	Sacramento-Roseville-Arden-Arcade CA	1	1	1
33	Philadelphia PA	2	2	2
34	Kansas City MO-KS	1	1	1
35	Columbus OH	2	2	1
36	Las Vegas-Henderson-Paradise NV	1	1	1
37	Indianapolis-Carmel-Anderson IN	1	1	2
38	Boston MA	1	2	2
39	Fort Lauderdale-Pompano Beach-FL	2	2	2
40	Austin-Round Rock TX	0	0	0

<sup>†</sup> Data as of 2015 Q1

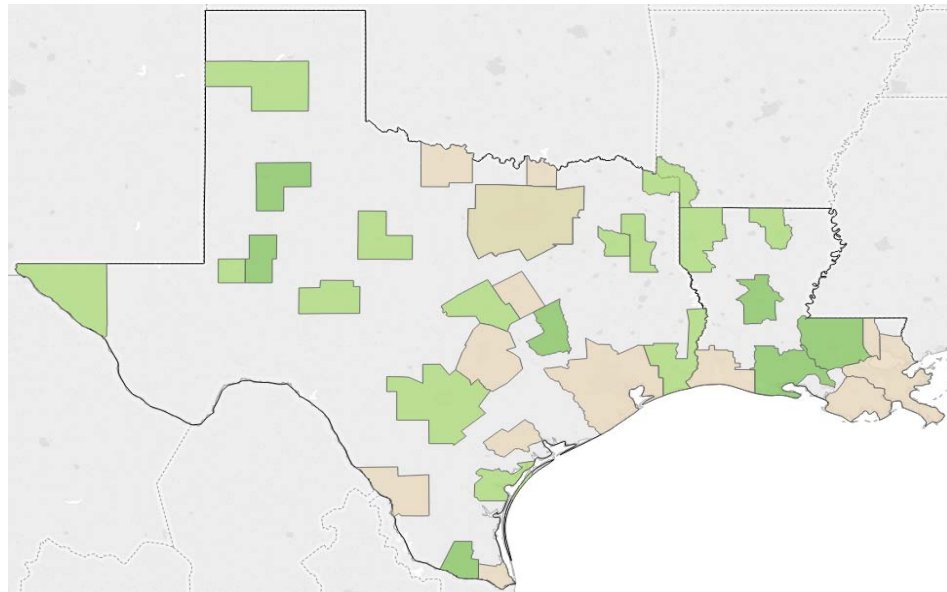
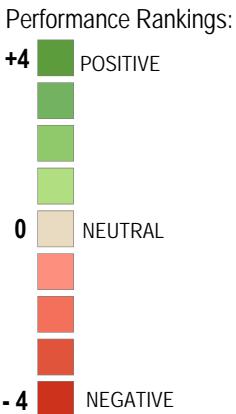
\* Largest 40 determined by number of households

**Many of the MSAs with the lowest LIHHM rankings are concentrated in Louisiana and Texas**

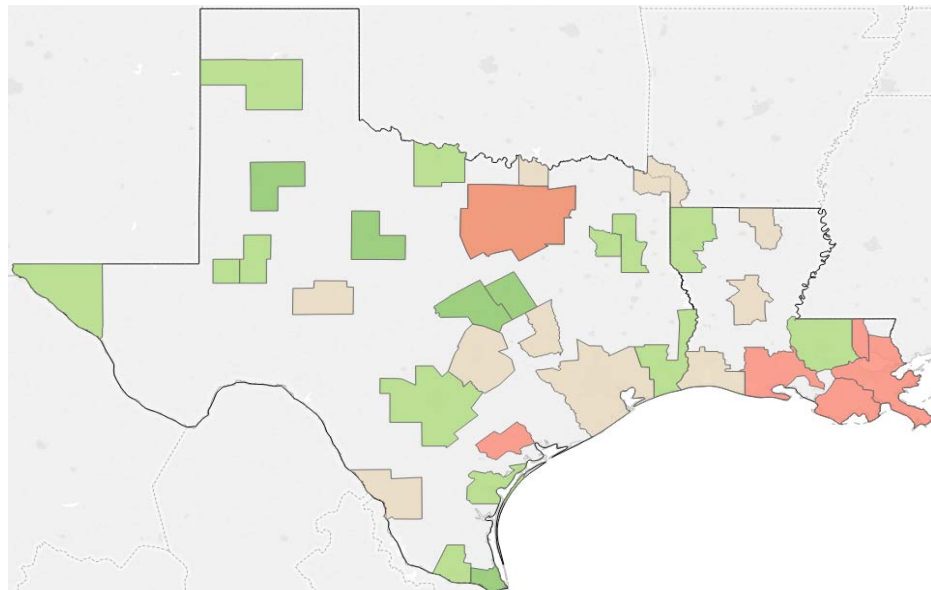
Seventy-five percent of the negatively-ranked MSAs in the country are in either Louisiana or Texas, with a number of neutral-ranked metro areas in those states as well. The reasons for these lower readings are different, however, with Texas metro areas down primarily because of overheated markets and Louisiana metros down because of the impact of the sharp drop in oil prices on jobs and income growth.

- *Texas:* Perhaps surprisingly, the oil price drop has not had a significant impact on job growth or the housing outlook for Texas MSAs to this point. Several years of very strong house price increases have reduced affordability to unhealthy levels, however, particularly in Dallas and Houston - lowering the LIHHM rankings in these MSAs.
- *Louisiana:* The employment situation in many of the MSAs in Louisiana has deteriorated significantly in the past few quarters, likely connected to the sharp drop in oil prices. This has hit the demand for housing, leading to house price declines in several metro areas and resulting in lower LIHHM rankings.

Data as of 2014 Q1

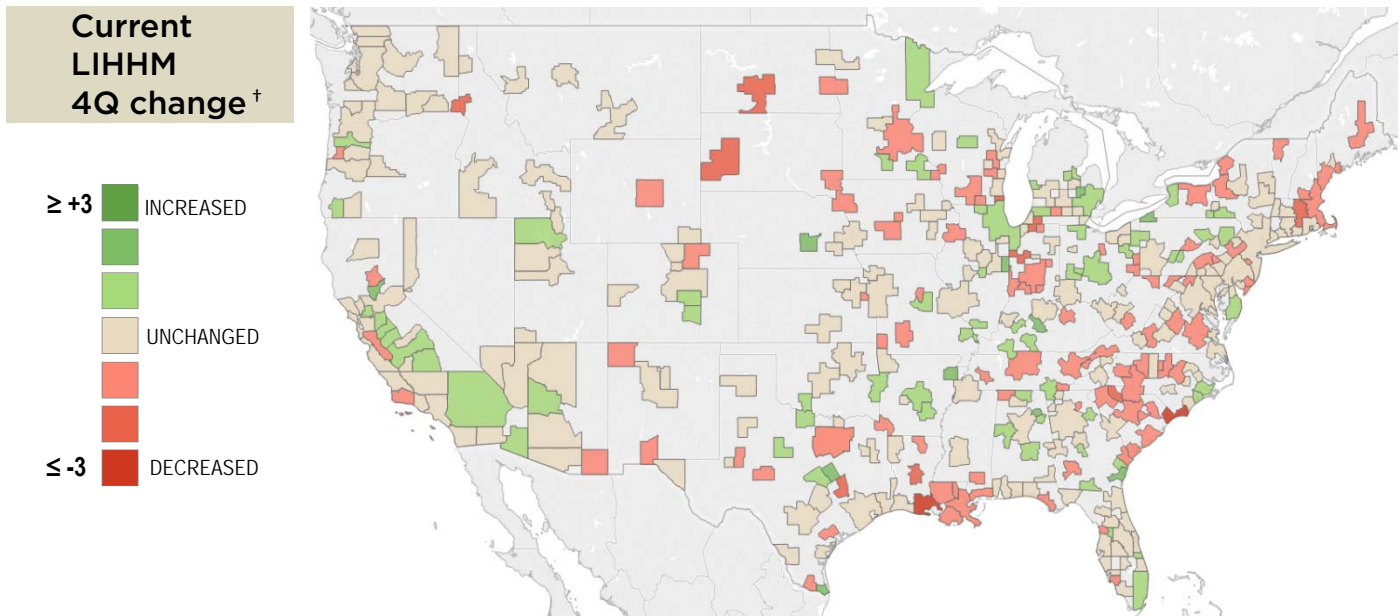


Data as of 2015 Q1



**While the vast majority of local housing markets are healthy, the LIHHM rankings for about 30 percent worsened over the past year**

- The best measure of the near-term health of housing markets is the current LIHHM (page 3), but looking at movements in the LIHHM over the course of a year can give useful information as well.
- Since the majority of the MSAs were also positive a year ago, more than 50 percent of the performance rankings for MSAs have not changed over the past year. This is reflective of the continued strength and positive outlook for local housing markets across much of the country.
- About 21 percent of regional housing markets improved over the past year, although this is the first time since 2009 that more MSAs worsened than improved.



**Largest Increase**

Rank	Metropolitan Statistical Area
1	Danville IL
2	Grand Island NE
3	Erie PA
4	Flint MI
5	Brownsville-Harlingen TX
6	Waco TX
7	Elizabethtown-Fort Knox KY
8	Yuba City CA
9	Brunswick GA
10	Lake County-Kenosha County IL-WI

**Largest Decrease**

Rank	Metropolitan Statistical Area
400	Lafayette LA
399	Myrtle Beach-Conway SC-NC
398	Spartanburg SC
397	Bismarck ND
396	Alexandria LA
395	Racine WI
394	Rapid City SD
393	Lafayette-West Lafayette IN
392	Lewiston ID-WA
391	South Bend-Mishawaka IN-MI

† Change in performance ranking; Data as of 2015 Q1

## Appendix

### Leading Index of Healthy Housing Markets (LIHHM)

Nationwide's LIHHM is a data-driven view of the near-term performance of housing markets based upon current health indicators for the national housing market and 400 metropolitan statistical areas (MSAs\*) and divisions across the country. For each MSA, the LIHHM uses local-level data to incorporate the idiosyncratic characteristics of regional housing markets. The focus of the LIHHM is on the entire housing market, rather than merely a projection of house prices or home sales.

#### Nationwide Economics LIHHM methodology

The LIHHM is calculated using a number of variables that describe many of the drivers of the housing market for each MSA. In order to provide the best indicator of housing health, the included variables and corresponding weights for each provide the optimal leading perspective on future housing markets for each MSA. The drivers can be grouped into the following categories:

1. **Employment**
2. **Demographics**
3. **Mortgage Market**
4. **House Prices**

As an illustration, if job growth increases in an MSA, then the resulting rise in incomes creates additional housing demand. Consumers have a greater ability to earn and save for home purchases, increasing sales and pushing up house prices. The LIHHM measures the movements in the included employment, demographic, mortgage market, and house price variables versus the long-term trends within each MSA.

These drivers are used to derive an overall LIHHM score on a scale from 75 to 125 centered around a neutral value of 100. These values are placed into performance rankings to allow for better comparisons across MSAs. These performance rankings are the key metric in comparing the MSAs both to each other and across time. Raw LIHHM values are used for calculation purposes only and will only be shown on the national level as the national score is standalone and is not compared to other areas.

\* MSA: Geographical region with high population density and close economic ties throughout the nearby area, capturing 85-90% of the U.S. population

---

Authored by Nationwide Economics



**DAVID BERSON, PhD**  
*Senior Vice President, Chief Economist*

David holds a doctorate in Economics and a master's degree in Public Policy from the University of Michigan. Prior to Nationwide, David served as Chief Economist, Strategist and Head of Risk Analytics for The PMI Group, Inc., and Vice President and Chief Economist for Fannie Mae. David has also served as Chief Financial Economist at Wharton Econometrics and visiting scholar at the Federal Reserve Bank of Kansas City. His government experience has included roles with the President's Council of Economic Advisors, U.S. Treasury Department and the Office of Special Trade Representative. He is a past President of the National Association for Business Economics.



**BRYAN JORDAN, CFA**  
*Deputy Chief Economist*

Bryan is a frequent author and knowledgeable source on economic topics, and has been featured in The Wall Street Journal and New York Times. Bryan holds degrees in Economics and Political Science from Miami University and has earned the Chartered Financial Analyst designation. He currently serves as Chairman of the Ohio Council on Economic Education and is a member of the Ohio Governor's Council of Economic Advisors, the National Association for Business Economics, and the Bloomberg monthly economic forecasting panel.



**BEN AYERS, MS**  
*Senior Economist*

Ben authors periodic economic analyses from the Nationwide Economics team, as well as commentary on key economic topics. Ben is also responsible for understanding and analyzing the enterprise business drivers to assist the strategic planning process. He holds a Master of Science in Economics from the Ohio State University, specializing in applied economic analysis, and a BSBA from the Fisher College of Business at the Ohio State University, with a focus on economics and international business.

Additional contributors: Chrissy Charters, Michael Groom, Ankit Gupta, Steve Hall, Francine Murzynski, and Matt Workman

This material is provided by Nationwide Economics and is general in nature. It is not intended as investment or economic advice, or a recommendation to buy or sell any security or adopt any investment strategy. Additionally, it does not take into account the specific investment objectives, tax and financial condition or particular needs of any specific person. We encourage you to seek the advice of an investment professional who can tailor a financial plan to meet your specific needs.

The economic and market forecasts in this report reflect our opinion as of the date of this presentation/review and are subject to change without notice. These forecasts show a broad range of possible outcomes. Because they are subject to high levels of uncertainty, they may not reflect actual performance. Case studies and examples are for illustrative purposes only. We obtained certain information from sources deemed reliable, but we do not guarantee its accuracy, completeness or fairness.

Nationwide, the Nationwide N and Eagle and Nationwide is on your side are service marks of Nationwide Mutual Insurance Company.

NFM-13575AO.1