Long-Term Vacant Housing in the United States

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The analysis and conclusions set forth are those of the author and do not indicate concurrence by other members of the research staff or the Board of Governors.

Introduction

- Unintended vacancy reflects an imbalance between supply and demand in the housing market.
- Some amount of vacancy is normal as residents change. And some houses are intended to be vacant for parts of the year.
- Unintended vacancy reflects underutilization of the housing stock.
- When structures stand vacant for a long time, there could be adverse consequences for house prices and neighborhood quality.
- In aggregate, the vacancy rate rose sharply during the housing market contraction and has yet to return to pre-crisis levels.

Aggregate Vacancy Rate



Aggregate Vacancy Rate



Source. Housing Vacancy Survey.

Introduction

Goal of this project is to learn more about the vacant stock:

- What fraction of the aggregate rise in vacancy reflects imbalances between supply and demand?
- What types of locations have large imbalances between supply and demand?
- Measure imbalances between supply and demand using units that have been vacant for a long time.
 - Short periods of vacancy could be due to normal turnover of residents.
 - Long periods of vacancy are more likely to be associated with adverse effects on the neighborhood.

Agenda

Aggregate statistics

- "Long-term vacancy" = units that have been vacant for an unusually long period of time
- What fraction of the rise in aggregate vacancy is due to long-term vacancy?
- Neighborhood-level statistics
 - Distribution of long-term vacancy across neighborhoods.
 - Characteristics of neighborhoods with large shares of long-term vacant housing.

- American Housing Survey
 - Biennial panel dataset of housing units 1985 to 2011
 - Categorizes 6 reasons for vacancy:
 - For sale
 - For rent
 - Seasonal
 - Usual Residence Elsewhere (URE)
 - Rented/sold but awaiting occupancy
 - Other
 - Length of vacancy
 - Detailed property characteristics

Exclude seasonal, Usual-Residence-Elsewhere and rented/sold.

Length of Vacancy, 1985 to 2003

	For Rent	For Sale	Other
Percent of housing units vacant:			
Less than 1 month	35.7	13.3	8.8
1 to 2 months	13.3	6.8	4.4
2 to 6 months	26.7	27.9	16.5
6 to 12 months	8.8	16.9	10.9
1 to 2 years	5.6	12.1	13.4
2 years or more	7.4	14.1	42.7
Never occupied	2.6	8.9	3.2
Percent of all vacant housing units	22.8	8.7	16.3

- □ 77% of units for sale vacant 12 months or less.
- □ 76% of units for rent vacant 6 months or less.
- □ 41% of "other" units vacant 12 months or less.

Reasons for "Other" Vacancy in the 2012 Housing Vacancy Survey

	Percent of Other Vacant Stock
Personal/family reasons	19.7
Foreclosure	11.7
Legal proceedings	5.9
Possibly abandoned/to be demolished/condemned	6.7
Intended for year-round occupancy but vacant 6+ months	5.8
Being prepared to rent/sell	6.6
Needs repairs	13.9
Being repaired	9.3
Held for furniture storage	7.4
Held for Specific Use	1.0
Other/Don't know	11.3

Owners that intend to leave a property vacant are more likely to maintain it, so units left vacant unintentionally are more likely to be in a state of disrepair.

Presence of 19 physical characteristics associated with deterioration:

- Cracks in floors, walls or ceilings
- Broken windows
- Holes in roof
- Incomplete plumbing
- No heating equipment

Presence of Negative Physical Characteristics by Length of Vacancy for "Other" Vacant Units, 2001-2011

	At least 1	At least 3	At least 5
Fraction of housing units vacant:			
Less than 3 months	30.8	11.1	6.1
4 to 11 months	41.7	20.9	11.5
1 to 2 years	55.3	29.0	16.4
2 to 3 years	62.7	35.4	21.8
3 to 5 years	74.6	48.1	32.7
5 years or more	77.9	58.3	42.6

- Define long-term vacancy as:
 - Units for rent for more than 6 months
 - Units for sale for more than 1 year
 - Other vacant units that have been vacant for more than 2 years



Long-term Vacant Units Over Time

- Vacant stock rose from 12.9 million units in 2001 to 17.5 million units in 2011
- Increase = 4.6 million units, of which:
 - Seasonal/occasionally occupied = 2.0 million units
 - Long-term vacant = 1.1 million units
 - For rent < 6 months = 0.7 million units
 - "Other" vacant < 2 years = 0.6 million units

For sale < 2 years

= 0.2 million units

- □ Long-term vacancy is not a large fraction of the housing stock and accounted for only ¼ of the rise in vacancy since 2001.
- But implications for some neighborhoods could be substantial if the stock is concentrated in relatively few locations.
- Neighborhood-level data from US Postal Service
 - Postal carriers report an address as vacant if mail has not been collected for at least 90 days.
 - For each Census tract, HUD reports total number of vacant residential addresses by length of vacancy
 - Tract = geographic area with population size between 1,200 and 8,000; "optimum" size of 4,000.
 - Define long-term vacancy as vacant 2+ years
 - Sample restrictions:
 - Exclude tracts with a large share of seasonal housing (2010 Census)
 - Exclude tracts with a number of housing units or a vacancy rate in 2010 that are not close to estimates in the 2010 Census.

- Final USPS sample is 52,000 tracts = roughly ¾ of tracts and housing units in the US
- In the USPS data, 4 percent of addresses in 2013 had been vacant for at least 2 years. This fraction is higher than the measure of long-term vacancy in the American Housing Survey (AHS) because:
 - Some vacant addresses may be seasonal
 - AHS excludes housing units that have fallen into a state of severe disrepair.

Most metropolitan areas have a stock of long-term vacant units that is roughly proportional to the stock of occupied housing units.



□ Long-term vacancy varies much more by neighborhood.



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Distribution by metropolitan area is much more symmetric.



- Characteristics of tracts can shed light on possible causes of longterm vacancy.
- Merge USPS data with tract characteristics from 2008-2012 American Community Survey and the Census of 1990, 2000, and 2010.
- Use principal component analysis to categorize tracts with a high long-term vacancy rate into groups with similar characteristics.
- Analysis generates 4 groups.

- "Poor Inner-City" tracts:
 - Close to metropolitan area center
 - High density
 - High % multifamily housing
 - Low % owner-occupied housing
 - Low median income; high unemployment and poverty rate; high fraction of residents without a high school degree
 - Net population decline 1990-2010
 - High vacancy rate in 1990

- "Housing Boom" tracts:
 - Large % housing units built 2000-2009
 - High population growth 1990 to 2010
 - Far from metropolitan area center
 - Low density
 - High % owner-occupied housing

- "Outlying" tracts:
 - Far from metropolitan area center
 - Large fraction of tracts in rural or micropolitan areas
 - Low density
 - % housing units built 2000-2009 not higher than average
 - Unemployment and poverty rates not that different from the typical tract

- "Dense Suburban" tracts:
 - Average distance to metropolitan area center
 - Denser than the typical tract with less single-family and owner-occupied housing
 - Average population growth 1990-2010
 - Median income, poverty, and unemployment same as the typical tract, but a larger-than-normal fraction of college-educated residents
 - Vacancy rate in 1990 and 2000 not much higher than in the typical tract
 - Median house values and rents slightly higher than average.

- Four groups have very different characteristics, so there is probably not a single cause of long-term vacancy.
- "Poor Inner-City": characteristics of the population suggest that longterm vacancy is related to poor economic conditions.
- "Housing boom": vacancy may be partly due to over-building during the past 10 years.
- "Dense suburban": population characteristics not consistent with poverty or urban decline, and not much evidence of overbuilding vacancy may be related to the severe economic recession.

- Exact groupings of tracts depend on tract characteristics included, method of analysis, cutoff used to define a high long-term vacancy rate.
- In most cases, analysis identifies a "housing boom" group, an "innercity" group, and at least one "suburban" group.

High Long-Term Vacancy Tracts by Metropolitan Area



"Poor Inner-City" Tracts by Metropolitan Area



"Housing Boom" Tracts by Metropolitan Area



"Outlying" Tracts by Metropolitan Area



"Dense Suburban" Tracts by Metropolitan Area



Summary

- Long-term vacancy is not a large fraction of the aggregate housing stock. Nor is it responsible for much of the increase in the aggregate vacancy rate since 2001.
- But long-term vacancy is concentrated in a small number of neighborhoods with very high vacancy rates.
- These neighborhoods are not concentrated in only a few types of metropolitan areas.
- The characteristics of these neighborhoods not all the same.
 - Some are locations on the edges of MSAs with a lot of construction during the housing boom.
 - Others are inner-city locations with poor economic fundamentals—i.e. low income and high poverty/unemployment.
 - And others are in dense suburban areas.

Implications for today's housing market

- In most neighborhoods, it is doubtful that a large stock of long-term vacant housing is holding back the recovery in prices or new construction.
- But most metropolitan areas have at least a few neighborhoods with a high long-term vacancy rate.
- Because the neighborhoods that have high long-term vacancy rates have diverse characteristics, the effectiveness of policies aimed at reducing the long-term vacant stock will depend on the type of neighborhood and metropolitan area being considered.

Thank You

Gross Vacancy Rates Over Time



Year-Round Vacancy Rates Over Time



	Fraction of High Long-Term Vacancy Tracts
Poor Inner City	35
Housing Boom	22
Outlying	20
Dense Suburban	18
Other	5