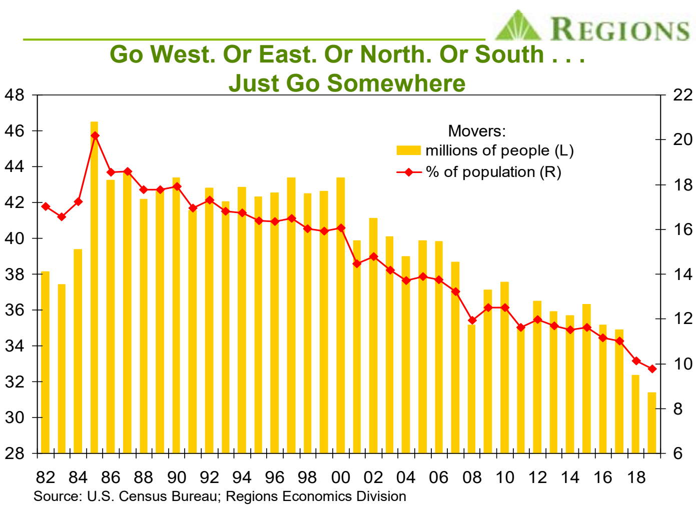
ECONOMIC OUTLOOK
REGIONS
December 2019

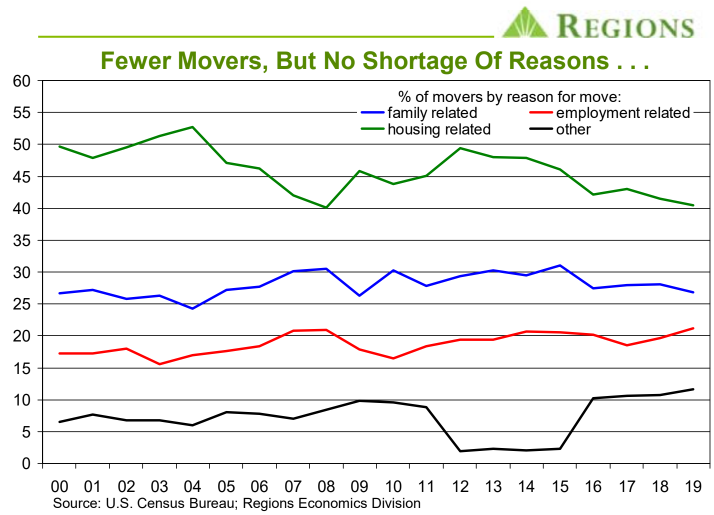
From Movin' On Up To Just Not Moving . . .

Back in the day, having finally got a piece of the pie, George and Louise Jefferson famously moved on up. To the east side. To a deluxe apartment in the sky. Oops, got a bit carried away. In any event, while back in the day moving to a deluxe apartment in the sky on the east side may have been a move worthy of song, less symbolic moves were fairly common. These days, not so much, at least according to recently released data from the U.S. Census Bureau which show 9.8 percent of Americans had moved in the year ending in March, the smallest share on record in data that go back to 1948. This is quite a change for a country that has long been one of the most mobile countries in the developed world.

To a large extent, shifting moving patterns reflect changes in underlying demographic and economic fundamentals. That said, it isn't as though America's moving vans were suddenly put in "park" in 2018. Instead, the moving rate has been steadily declining for many years, with declines across all demographic cuts such as age, educational attainment, and tenure (or, whether a household is renter occupied or owner occupied). That this is the case suggests there are several factors, some of which are clearly related, behind the steady decline in the moving rate. In what follows, we'll discuss not only why people move but also what we think are some likely explanations behind the steadily declining moving rate.



The above chart illustrates our point that the decline in the moving rate is not anything new, though the acceleration in the rate of decline over the past two years certainly stands out. Before, well, moving on, we'll make a couple of points about the data. The data on movers are not reported on a calendar year basis; instead, the years in the Census Bureau data span from April 1 of one year through March 31 of the following year. For instance, what we show in our charts as "2019" covers April 1 2018 through March 31 2019; while we specified "the year ending in March" in our opening paragraph, we'll assume that to be understood going forward. Also, the population base used in the Census survey of movers is not the total U.S. population, as persons less than one year old are excluded. The population base for the survey of movers is the noninstitutionalized population at least one year old living in a household with at least one civilian adult (i.e., at least 15 years old). These conventions have been constant over time, such that moving rates across time are comparable.



The chart above helps account for why people move, broken out by broad categories – there are various options within each broad category shown in the chart. The Census data on reasons for moving do not go back nearly as far as the data on the number of movers, hence the relatively limited history shown above. That said, it is unlikely that the rank ordering would change regardless of how far back in time the data went, with housing-related reasons cited far more frequently than the others. In the 2019 data, 40.41 percent of movers cited housing-related reasons for their move, down from 49.54 percent in 2000, but still easily the most commonly cited reason. Family-related reasons, such as a change in marital status or someone establishing their own household, were cited by 26.76 percent of movers as the primary reason for their move in 2019, employment-related reasons were cited by 21.24 percent of movers, and the always popular "other" category, which here includes reasons such as going to/leaving college, health reasons, change of climate, and natural disasters, accounts for the remaining 11.59 percent of movers in 2019.

The broad housing-related reasons category accounts for factors such as renters moving as they become owners, people moving to find a new or better house or apartment, people wishing to move to a "better" neighborhood, people moving to more affordable housing, and those forced to move due to a foreclosure or an

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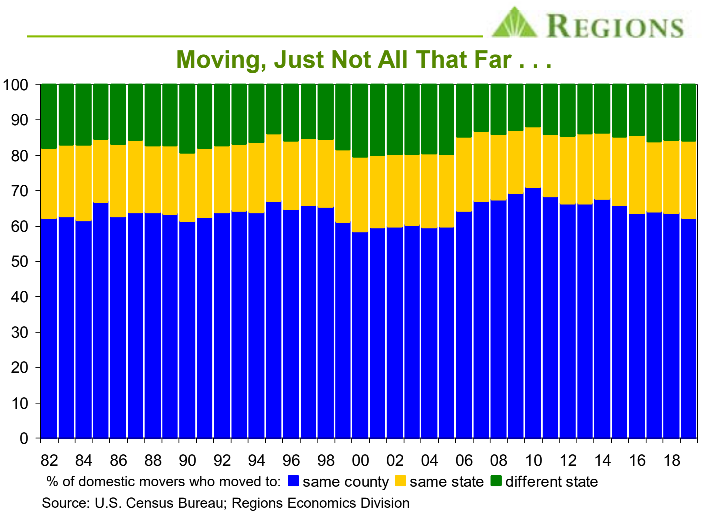
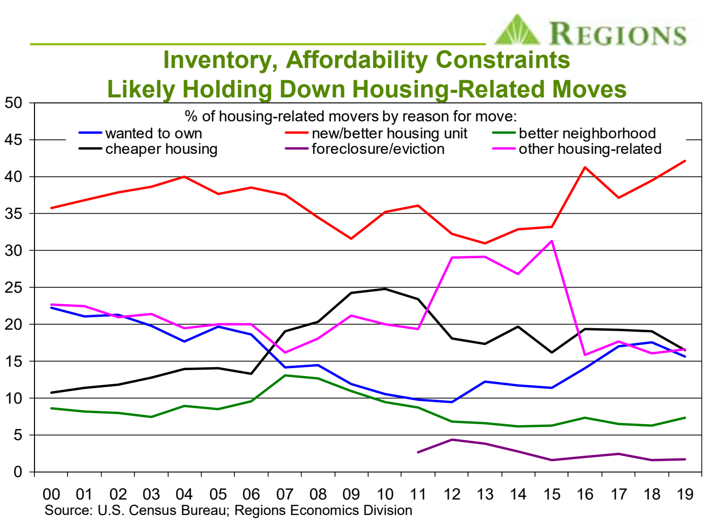
eviction. That housing-related reasons are the most commonly cited reasons for moving helps account for one of the most enduring elements of the data on moving, which is that the majority of moves reflect people moving within the same county.



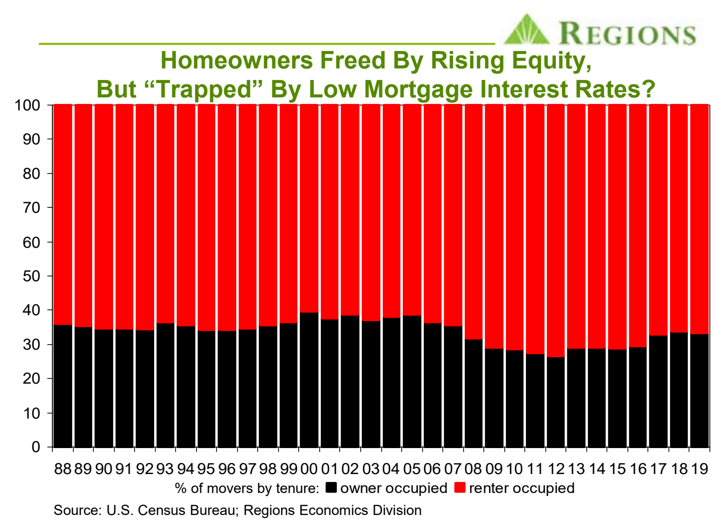
In 2019, 62.29 percent of domestic movers moved within the same county, a share that has been fairly stable over time – the smallest share of intra-county domestic movers on record is 58.89 percent, in 2000. Those moving to a different county within the same state accounted for 22.04 percent of domestic movers in 2019, with 15.67 percent moving to a different state.



Amongst those citing housing-related reasons for their move, the desire to move into a new and/or better housing unit remains the primary factor, cited by 42.11 of housing-related movers in 2019. An additional 16.52 percent of housing-related movers in 2019 cited the desire for cheaper housing as the reason for their move, though it is interesting to note that 2019 is the third straight year in which the share of those citing this reason for their move has declined from the prior year. It could be that what has become an increasingly less affordable housing stock, whether rental or owner occupied, for many households means increasingly smaller numbers of people are actually able to move for this reason, as we'll discuss further below. It is also interesting that the share of housing-related movers citing the desire for cheaper housing rose sharply during the 2007-09 recession and hovered right at 25 percent in 2009 and 2010 and before falling as the current expansion took hold.

Diminished affordability as well as notably lean inventories of homes for sale could help account for the decline in the share of housing-related movers who cited the desire to own a home as the primary reason for their move; again, keep in mind the distinction between the number of people who would like to and the number of people who are actually able to move for this reason. Census added the "foreclosure/eviction" reason to the survey in 2010-11, but after peaking at 4.39 percent in 2012, the share of housing-related movers citing this as the primary reason for their move has declined, standing at 1.70 percent in 2019. This is in keeping with data showing steadily decreasing rates of mortgage delinquency and foreclosure starts.

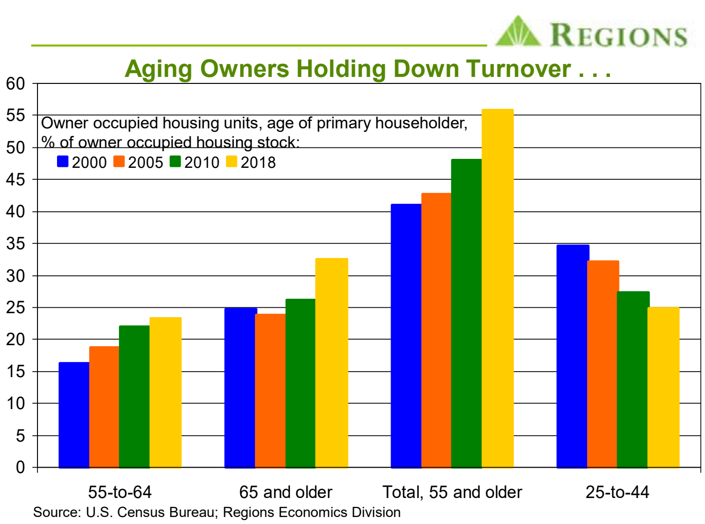
Referring back to the chart on the prior page, while housing-related reasons remain the most common reasons for moving, the share of movers citing housing-related reasons has fallen over the past several years, to the point that only 2008 saw housing-related movers account for a lower share of total movers than the 40.41 percent share in 2019. That raises what we think is an interesting parallel in the data between the 2007-09 recession and its aftermath and what we are seeing in the more recent data, which can best be seen in the data on movers by tenure.



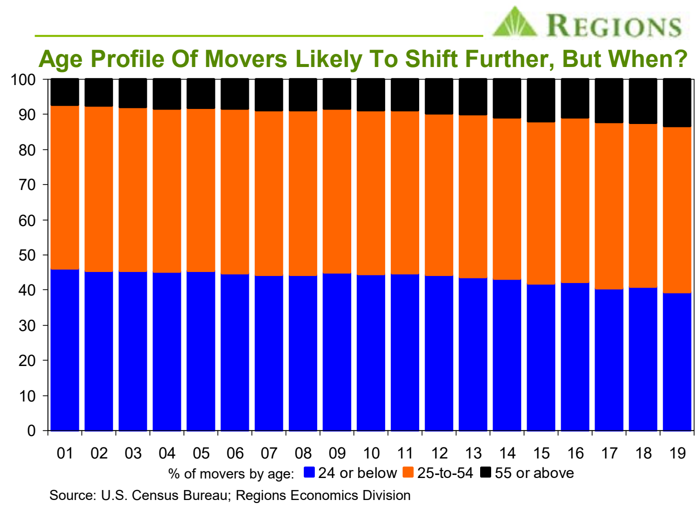
As seen in the chart above, the share of movers residing in owner occupied housing units fell in each year from 2006 through 2012, spanning the housing market bust associated with the 2007-09 recession. Given the precipitous decline in house prices seen during the housing market bust, many homeowners were effectively trapped in their homes due to negative equity, i.e., homeowners who were "underwater" as a result of owing more on their mortgage loan than their house was worth. Those in that circumstance could move, but only if they were able to come up with the funds to make up for their equity shortfall, which significantly limited the mobility of those in this position. On average, from late-2009 through early-2012, roughly one-quarter of all mortgaged housing units were underwater, a share that was more than sufficient to impact the data on mobility. As house prices rebounded, the number of homeowners in negative equity positions fell, freeing up increasing numbers of homeowners to move, which is reflected in the rising share of movers who moved from owner occupied housing units. Still, that share has yet to approach the share seen prior to the housing market bust.

Our sense now is that growing numbers of homeowners are becoming "trapped" in their homes, albeit under decidedly more benign circumstances than those that accompanied the housing bust. It could be that notably low mortgage interest rates are, in conjunction with what in many markets are lofty house prices, effectively keeping homeowners in place. If moving, particularly moves involving "trade-up" home purchases, would mean taking on a mortgage loan with a higher interest rate to buy a home with a considerably higher price, there could simply be fewer and fewer homeowners willing to make this trade. While perhaps not the main factor behind the decline in the share of movers accounted for by those in owner occupied housing units in 2019, we think this will be an increasingly important factor should mortgage interest rates push higher over coming quarters.

True, the overwhelming share of movers come from renter occupied units, but affordability constraints in the rental segment of the housing market are likely acting as a drag on mobility. With a considerable share of renter occupied households already cost burdened as higher rents filter down through the layers of the rental stock (i.e., rents on class B and C units), moving has likely become prohibitive for a larger segment of householders in renter occupied housing. Between increasing affordability constraints and what, in the for-sale segment of the housing market, are becoming increasingly binding inventory constraints, our view is that the number of people who would like to move for housing-related reasons, such as moving to new/better housing units or transitioning to owning from renting, is likely much higher than the number of people who are actually able to do so, which helps account for why the moving rate has declined at a much faster pace over the past two years. If we're correct on this point, the moving rate is likely to be even lower in the 2020 data.



There is a demographic component to the declining share of housing-related movers, which in turn ties into the declining moving rate. As seen in the chart above, households in which the primary householder is 55 or older account for a steadily higher share of the owner occupied housing stock, with this share hitting 55.78 percent in 2018 (the data here come from the American Community Survey conducted each year by the Census Bureau). With people in this age group much less likely to move, what we've seen over the past several years is that the turnover rate on the owner occupied housing stock has fallen significantly. We've noted this factor in our frequent discussions of notably lean inventories of existing homes for sale, and the mobility data are another venue in which this factor appears. At some point, more and more of these homes will turn over, though when and to what degree are difficult to predict – we think it will more closely resemble a steady trickle than a flood. For now, though, this lack of turnover filters down into diminished mobility rates amongst younger adults who would like to either establish their own household or make the transition from renting to owning.



In addition to housing market conditions, labor market conditions are also a factor in the moving rate. There was a time when the manufacturing sector played a much more prominent role in the U.S. economy than has been the case over recent decades, and factories served as magnets for those looking for work or just looking to make a move. Those days are, of course, long gone, but the structural shift in the U.S. economy away from factory jobs has likely played a role in the secular decline in the moving rate.

It can be argued that, while people do still move for jobs, for instance, a first job for someone fresh out of college, the kinds of housing market constraints discussed earlier mean that the number of people willing and/or able to move for a job-related reason is smaller than would otherwise be the case. This would help account for the declining moving rate. Still, it is worth noting that the number of people who moved for job-related reasons hit a trough in the 2010 data (i.e., from April 1, 2009 through March 31, 2010), as the 2007-09 recession was running its course. The early years of the current expansion saw steady increases in the number of people who moved for job-related reasons – during these years, not only was hiring picking back up, but housing was more affordable than has been the case over recent years. It is interesting to note that in the early years of the expansion, the numbers of people who cited "closer to work/easier commute" as the primary reason for their move topped those seen in the years leading up to the recession, when rapidly rising housing costs pushed many people further out into suburban areas.

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The post-recession high in terms of the number of people citing a job-related reason as the primary factor behind their move came in 2015, and while the number remained elevated in 2016, it has fallen more sharply over the past three years. One reason why housing market factors may be holding down job-related moves is that economic activity has become increasingly clustered in larger metro areas, particularly the cores of these metro areas, where housing costs tend to be higher which, for many prospective job seekers, could be prohibitive. It could be that these housing market constraints are one reason the number of open jobs, as relayed in the monthly "JOLTS" data, has remained so high, as firms cannot entice people to move into more costly and more congested metro areas.

It is also possible that with labor market conditions as tight as they have been over recent quarters, there has simply been less incentive for people to move for employment-related reasons. After all, the unemployment rate has been at or below 4.0 percent for 21 consecutive months, while wage growth is not only faster but more broadly based across industry groups and skill levels than had been the case earlier in the current expansion. To be sure, greater confidence in one's job and income prospects could still support intra-county moves, such as people looking to move into a better housing unit or to be closer to their job, but this is where inventory and affordability constraints come back into play.

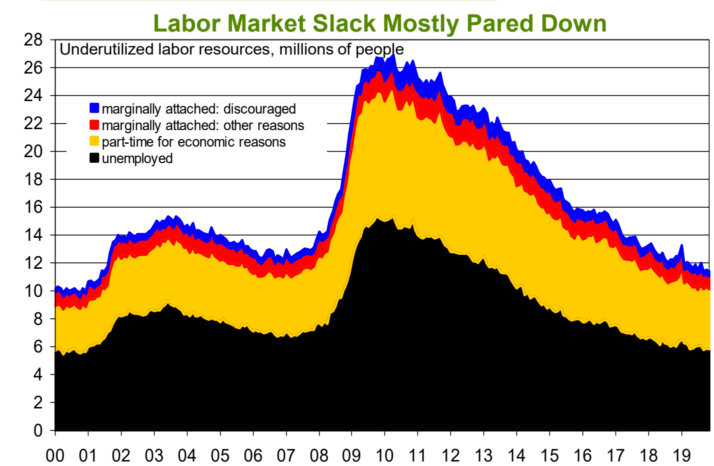
Another labor market trend that is likely holding down the numbers of people moving for job-related reasons, and in turn the overall moving rate, is the increasing incidence of telecommuting. Advances in technology and an increased willingness on the part of firms have led to greater numbers of workers working remotely, typically from their home. As such, in many cases it is possible for someone to change jobs without having to move, or to stay put yet keep their job in the case of a corporate relocation, though going by the number of unfilled job openings, perhaps more firms need to be more flexible on this front. But, to the extent that the incidence of telecommuting continues to rise over coming years, this will act as a drag on the moving rate. If we are correct on this point, there could also be a meaningful decline in the demand for commercial office space.

The extent to which mobility amongst Americans has declined over the past several years is striking, particularly the extent of the decline over the past two years. As the above discussion has hopefully helped make clear, there are a host of reasons, ranging from demographics to housing market conditions to labor market conditions, behind the secular decline in the moving rate. As such, while the decline may abate over coming years, the moving rate is unlikely to increase materially any time soon. While increased housing affordability across much of the U.S. would go a long way toward increasing mobility, that seems an unlikely scenario. If we are correct on this point, firms will have little choice but to become even more flexible when it comes to working arrangements.

November Employment Report

Total nonfarm employment rose by 266,000 jobs in November, making a mockery of forecasts (ours included) of a much smaller increase, while prior estimates of job growth in September and October were revised up by a net 41,000 jobs. The return of striking GM workers, who were not counted as employed in October, added just over 41,000 jobs to November job growth but, even allowing for this, job growth was surprisingly strong. Moreover, job growth was notably broad based in November; the one-month hiring diffusion index, a measure of the breadth of job growth across private sector industries, rose to 61.6 percent in November from 52.7 percent in October. We have long pointed to the hiring diffusion index as one of our favorite leading indicators, and that job growth remains so broad based is a sign that the economic expansion has further to run.

Sure, we like a good number just as much as anyone else, but we nonetheless think measured November job growth to be a bit overstated. As noted above, the return of the striking GM workers boosted the November job count. Additionally, restaurant hiring, at least as reported in the seasonally adjusted data, has been oddly strong over recent months – the Bureau of Labor Statistics (BLS) reports restaurants have added 149,000 jobs over the past four months. We think this is mostly noise in the data, in effect making up for what was atypically weak hiring in this segment earlier this year. Finally, an extra week between the October and November establishment surveys conducted by the BLS essentially added to measured November job growth at the expense of measured job growth in October and, potentially, December.



Still, even if we are right to be a bit suspicious of November's headline job growth number, here's what we are more sure of: the labor market remains quite healthy. There is, at this point, little slack remaining in the labor market. The combined number of people who are unemployed, marginally attached to the labor force, or working part-time for economic reasons stood at 11.379 million as of November, the lowest such total since July 2001. One key behind what has been a rising labor force participation rate is that the participation rate amongst the key 25-to-54 year-old age cohort has risen to a post-recession high and, we think, has further to go. Though the trend rate has slowed, job growth remains notably broad based, the unemployment rate, at 3.5 percent in November, has been at or below 4.0 percent for 21 consecutive months, wage growth has, to the benefit of workers across all skill levels, accelerated across all industry groups, and aggregate wage and salary earnings are growing at a better than 5.0 percent pace, easily outpacing inflation and providing support for growth in consumer spending. This is critical in countering the ongoing weakness in the industrial sector of the economy.

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Q2 '19 (a)	Q3 '19 (p)	Q4 '19 (f)	Q1 '20 (f)	Q2 '20 (f)	Q3 '20 (f)	Q4 '20 (f)	Q1 '21 (f)		2017 (a)	2018 (a)	2019 (f)	2020 (f)	2021 (f)
2.0	2.1	1.9	1.7	1.9	1.6	1.7	1.5	Real GDP[1]	2.4	2.9	2.3	1.8	1.5
4.6	2.9	2.4	2.3	2.2	2.0	1.9	1.9	Real Personal Consumption[1]	2.6	3.0	2.6	2.5	1.9
-1.0	-2.7	-0.1	1.2	2.1	2.1	1.9	2.1	Real Business Fixed Investment[1]	4.4	6.4	2.2	0.7	2.0
0.8	-3.8	1.2	0.6	1.0	1.0	0.9	1.9	Equipment[1]	4.7	6.8	1.6	0.3	1.6
3.6	5.1	4.5	4.0	3.9	3.8	3.7	3.6	Intellectual Property and Software[1]	3.7	7.4	7.7	4.1	3.6
-11.1	-12.0	-11.6	-2.8	1.2	1.6	0.9	-0.5	Structures[1]	4.7	4.1	-4.8	-4.8	-0.1
-3.0	5.1	1.4	1.4	1.2	-0.2	-1.3	-0.8	Real Residential Fixed Investment[1]	3.5	-1.5	-1.8	1.2	-0.5
4.8	1.6	1.8	0.9	1.0	1.4	0.6	1.0	Real Government Expenditures[1]	0.7	1.7	2.3	1.5	0.7
-980.7	-988.3	-953.6	-967.7	-983.3	-997.3	-1,000.2	-1,011.3	Real Net Exports[2]	-849.7	-920.0	-966.6	-987.1	-1,022.8
847	899	918	922	922	914	902	897	Single Family Housing Starts, ths. of units[3]	852	873	882	915	893
409	382	374	377	370	364	355	348	Multi-Family Housing Starts, ths. of units[3]	357	377	379	367	341
17.0	17.0	16.8	16.7	16.7	16.5	16.5	16.3	Vehicle Sales, millions of units[3]	17.1	17.2	16.9	16.6	16.1
3.6	3.6	3.5	3.5	3.4	3.4	3.4	3.5	Unemployment Rate, %[4]	4.4	3.9	3.7	3.4	3.5
1.6	1.5	1.4	1.3	1.4	1.2	0.9	0.8	Non-Farm Employment[5]	1.6	1.7	1.6	1.2	0.5
1.5	2.9	2.0	2.4	1.9	1.7	1.8	2.4	Real Disposable Personal Income[1]	2.9	4.0	3.0	2.1	1.9
1.7	1.7	1.5	1.9	1.7	1.8	2.0	2.0	GDP Price Deflator[5]	1.9	2.4	1.7	1.8	1.9
1.4	1.4	1.3	1.7	1.6	1.7	1.9	1.9	PCE Deflator[5]	1.8	2.1	1.4	1.8	1.9
1.8	1.8	1.9	2.2	2.0	2.1	2.0	2.0	Consumer Price Index[5]	2.1	2.4	1.8	2.1	2.0
1.6	1.7	1.6	1.8	1.9	1.9	2.1	2.1	Core PCE Deflator[5]	1.6	1.9	1.6	1.9	2.1
2.1	2.3	2.3	2.3	2.5	2.3	2.4	2.4	Core Consumer Price Index[5]	1.8	2.1	2.2	2.4	2.3
2.38	2.18	1.70	1.63	1.63	1.63	1.63	1.63	Fed Funds Target Rate Range Mid-Point, %[4]	0.97	1.78	2.16	1.63	1.63
2.33	1.80	1.77	1.81	1.83	1.82	1.76	1.70	10-Year Treasury Note Yield, %[4]	2.33	2.91	2.14	1.81	1.67
4.01	3.66	3.70	3.75	3.77	3.74	3.70	3.67	30-Year Fixed Mortgage, %[4]	3.99	4.54	3.94	3.74	3.64
-2.4	-2.5	-2.6	-2.7	-2.8	-2.9	-2.9	-3.0	Current Account, % of GDP	-2.3	-2.4	-2.5	-2.8	-3.1

a = actual; f = forecast; p = preliminary

Notes:
1 - annualized percentage change
2 - chained 2012 $ billions
3 - annualized rate
4 - quarterly average
5 - year-over-year percentage change

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