



Challenger, Gray & Christmas, Inc.
The original outplacement company

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FOR IMMEDIATE RELEASE

Rising Home Prices May Spur Relocations

JOBS AUTHORITY SEES MORE PREVIOUSLY UNDERWATER HOMEOWNERS MOVING FOR NEW OR BETTER JOBS

CHICAGO, February 19, 2013 -- With the recent report on home prices showing the biggest year-over-year gain in more than six years, one employment authority predicts a surge in relocation by job-seeking homeowners in 2013, which could ultimately help to accelerate the decline in unemployment rates.

“One factor that has kept unemployment rates high has been the inability of underwater homeowners to relocate for employment opportunities. With home prices bouncing back, even those who may now simply break even on a home sale might consider moving to a region where jobs are more plentiful. This could spark a more rapid decline in the unemployment rate over the next year,” said John A. Challenger, chief executive officer of Challenger, Gray & Christmas, Inc.

As of December, there were still more than 130 metropolitan areas where the unemployment rate stood at 8.0 percent or higher and nearly 50 where the rate was at or above 10 percent, according to data from the Bureau of Labor Statistics. Meanwhile, there are about 20 metropolitan areas where unemployment is below 4.5 percent.

“It is likely that employers in these low-unemployment regions are actually struggling to find available workers with the skills need to fill job openings,” said Challenger.

Relocation for employment opportunities has been difficult in this recovery due to the collapse in home values. At the end of the third quarter, 22 percent of residential properties remained underwater, according to the latest available data from real estate analytics firm CoreLogic.

However, the percentage of underwater homeowners is likely to have declined since that last reading, based on the fact that December not only marked the tenth consecutive month of increased home prices, but it saw the biggest gain since May 2006, according to CoreLogic.

“As more and more homeowners reach or even exceed the break-even point on their mortgages, they will gain the freedom to explore job opportunities beyond their immediate surroundings. By casting a much wider net, these individuals will significantly reduce the length of the job search,” said Challenger.

According to Challenger, relocation is starting to increase among the job seekers going through the firm’s employment transition programs. Last year, an average of 13.3 percent of those finding new positions each quarter relocated for the opportunity. That was up from an average of 11.7 percent in 2011. In 2009 and 2010, as the recession and housing market hit bottom, the relocation rate dropped to just 10 percent.

“Increased mobility and churn in the housing market, of course, will help the economy in several ways. As mentioned, it could lead to an increase in the number of people leaving high unemployment regions for areas where job openings are going unfilled, thus getting more people back on payrolls,” said Challenger.

It just so happens that some of the states with the biggest gains in home prices are also among those still struggling with high unemployment. Arizona home prices saw the biggest year-over-year increase in home prices at 20.2 percent. The unemployment rate for the state matches the national rate of 7.9 percent, but some metropolitan areas, such as Flagstaff, Lake Havasu City, and Prescott, have unemployment rates above 8.0 percent.

In California, where many cities are still experiencing double-digit unemployment rates, home prices increased 12.6 percent. Nevada home prices were up 15.3 percent, which is good news for the 10.2 percent of the state’s labor force that remains unemployed.

“In addition, increased home buying will ignite more consumer spending on relocation related services, new furniture and appliances, home improvement projects, etc. All of this activity will feed the economy and help create more jobs,” said Challenger.

Indeed, the latest report from the Commerce Department showed a 4.6 percent increase in orders for durable goods, which includes appliances and furniture.

And, at least one company is reaping the benefits from increased home buying; Americo, the parent company of U-Haul International, reported that net earnings for the nine-month period ending December 31, 2012 were up 33 percent from the same period a year earlier.