

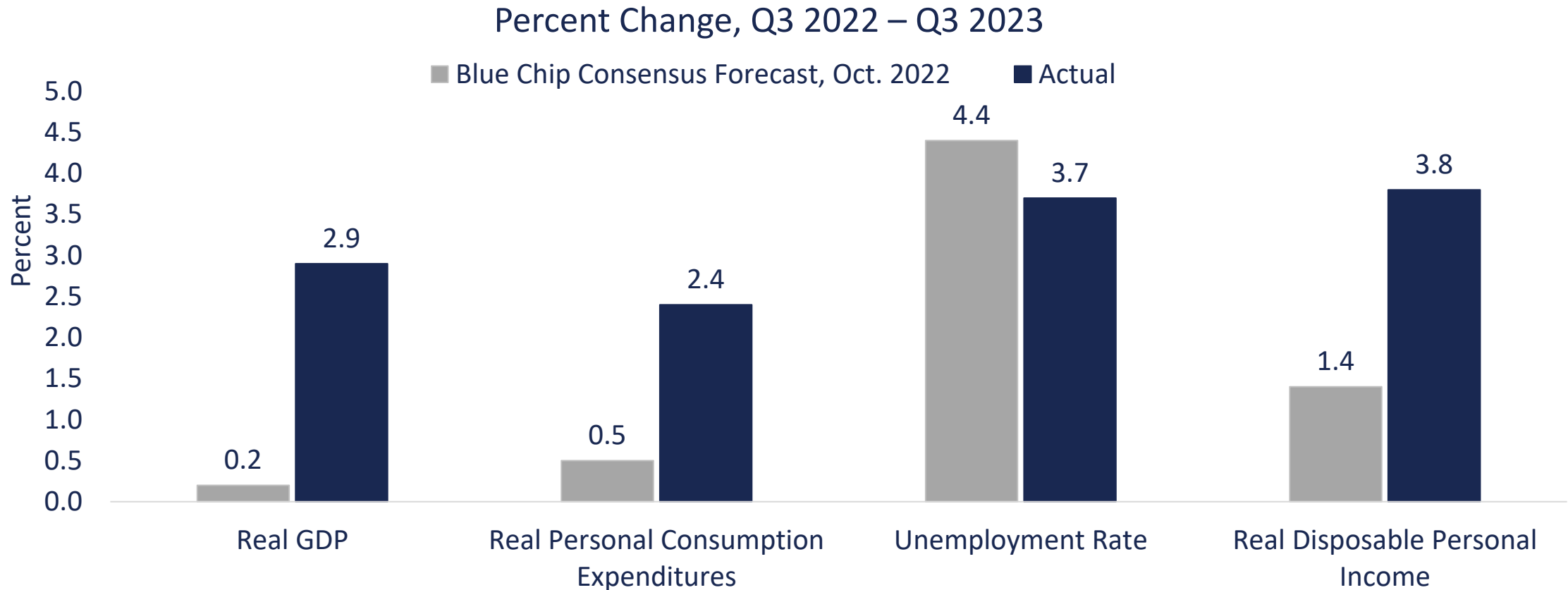
The Post-Pandemic Economy and Housing Market

Looking Ahead to 2024

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November 7, 2023



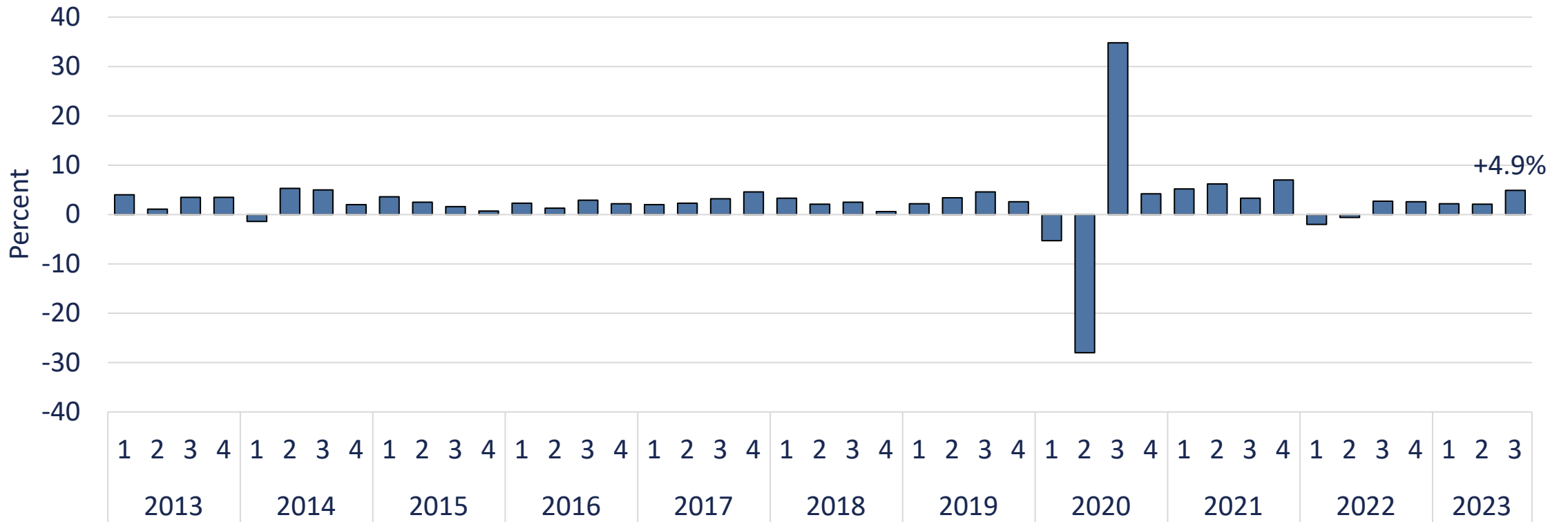
The U.S. economy has been outperforming expectations



Source: Council of Economic Advisors

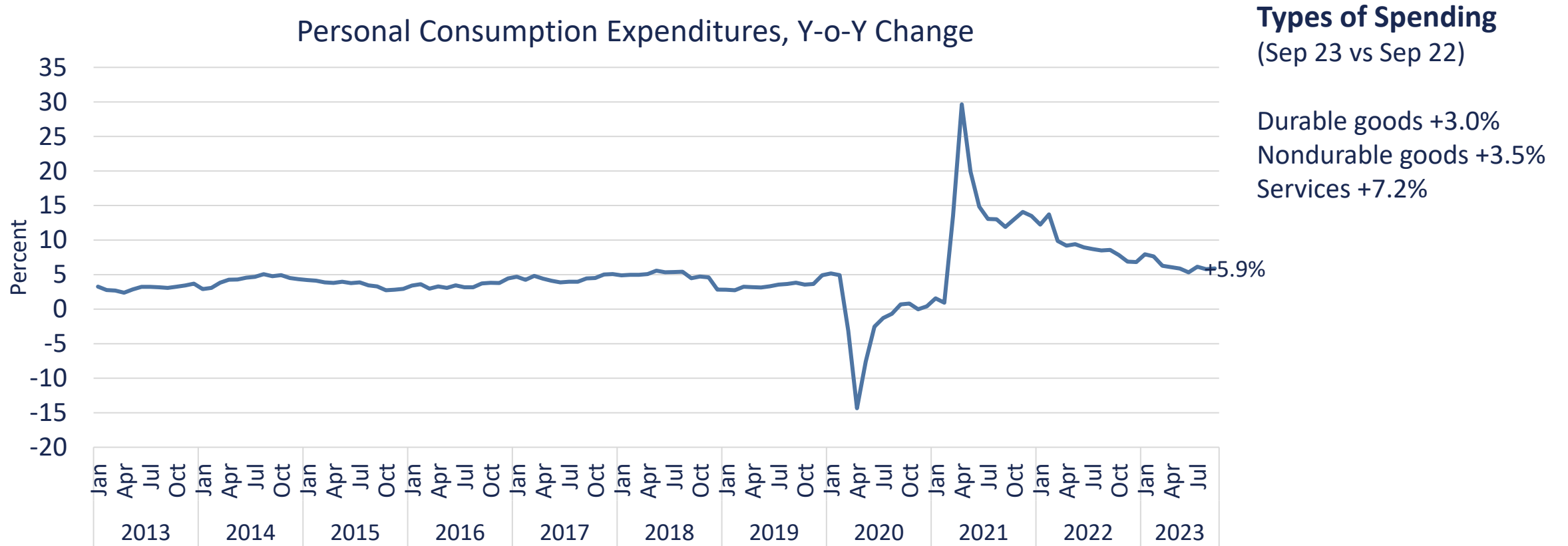
Economic growth has been robust despite headwinds

Gross Domestic Product, Quarterly Change



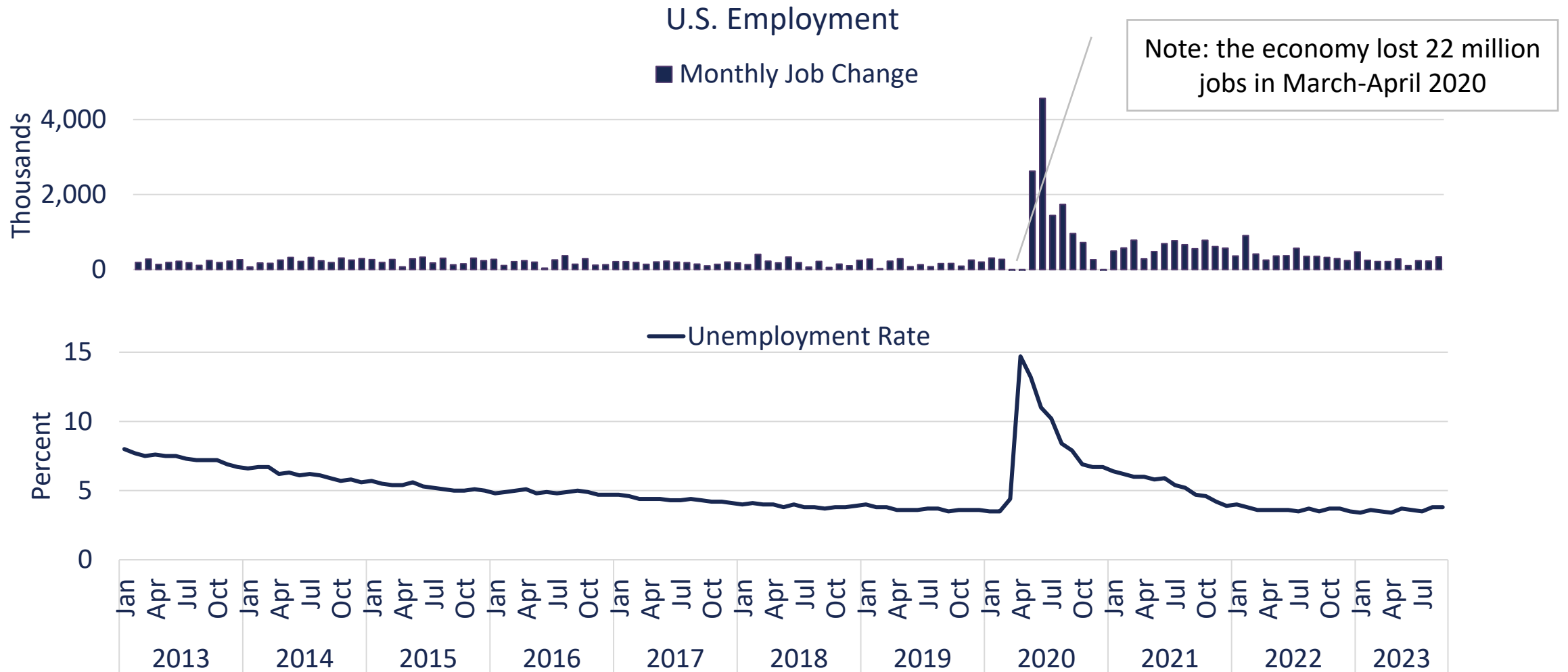
Source: U.S. BEA

Consumer spending has been the driver of the economy



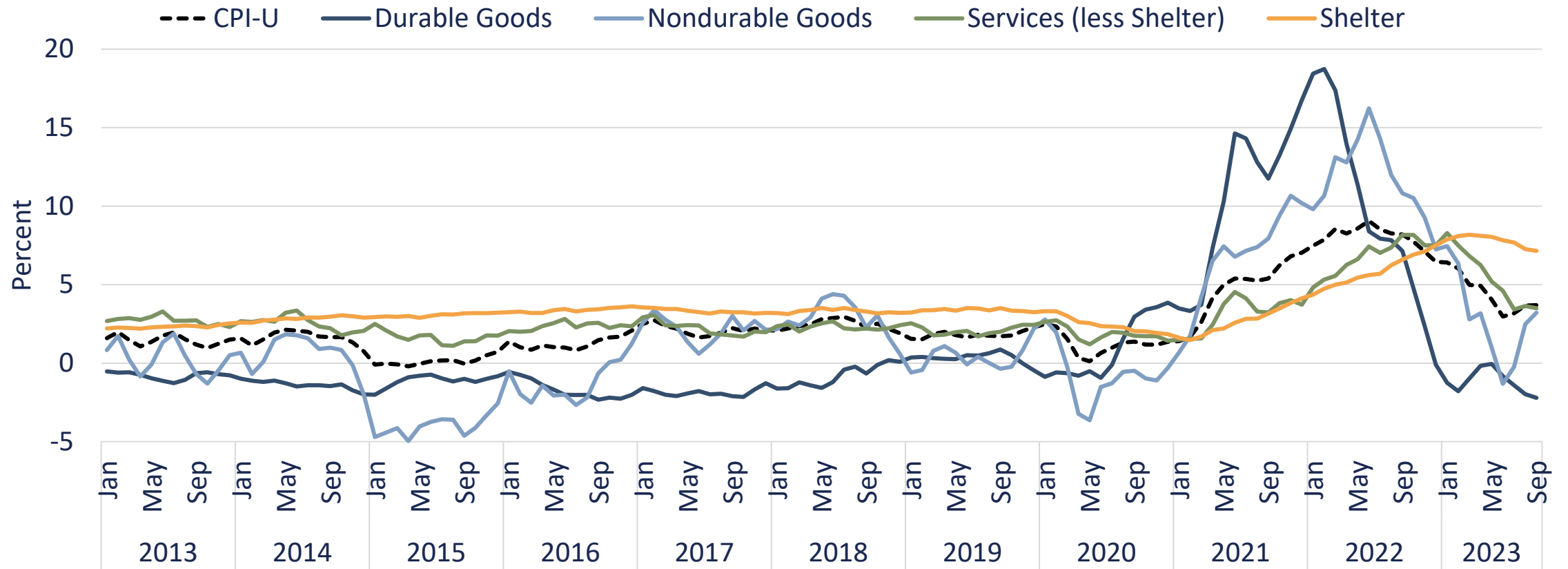
Source: U.S. BEA

The labor market has remained resilient



Inflation is still elevated, housing is a major reason

Consumer Price Index, Y-o-Y Change



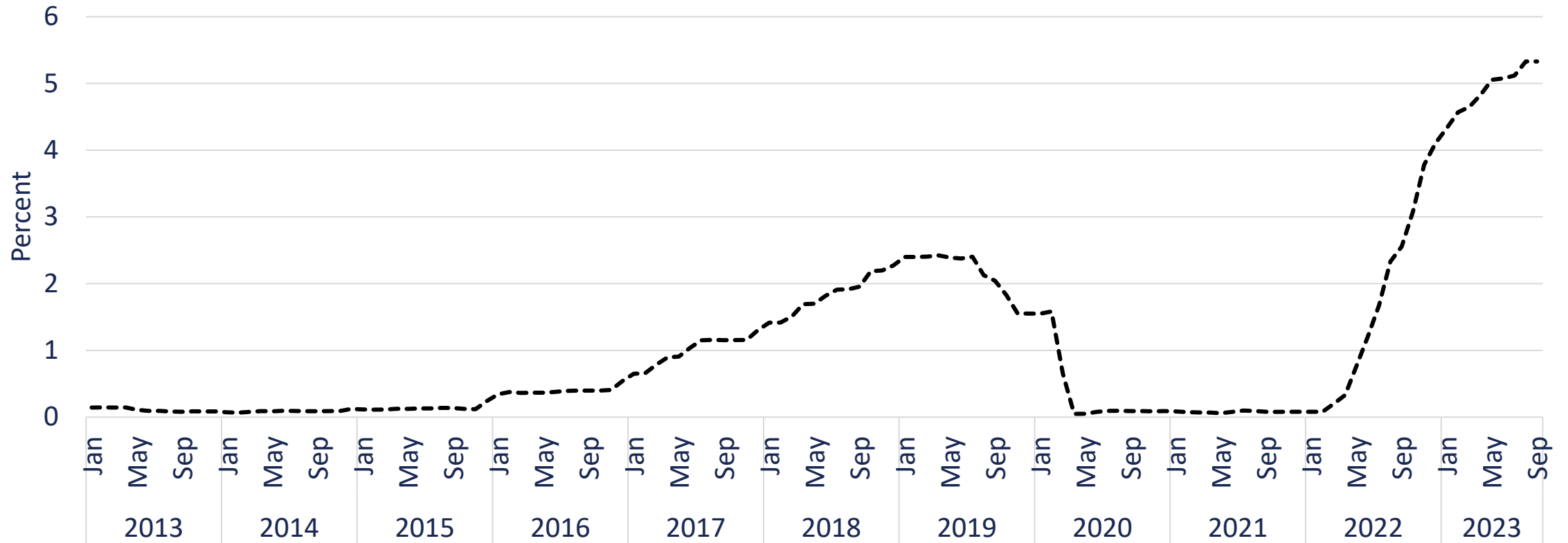
Source: U.S. BLS

The Fed has raised interest rates 11 times since March 2022

Pausing rate hikes since July

Interest Rates

--- Federal Funds Rate

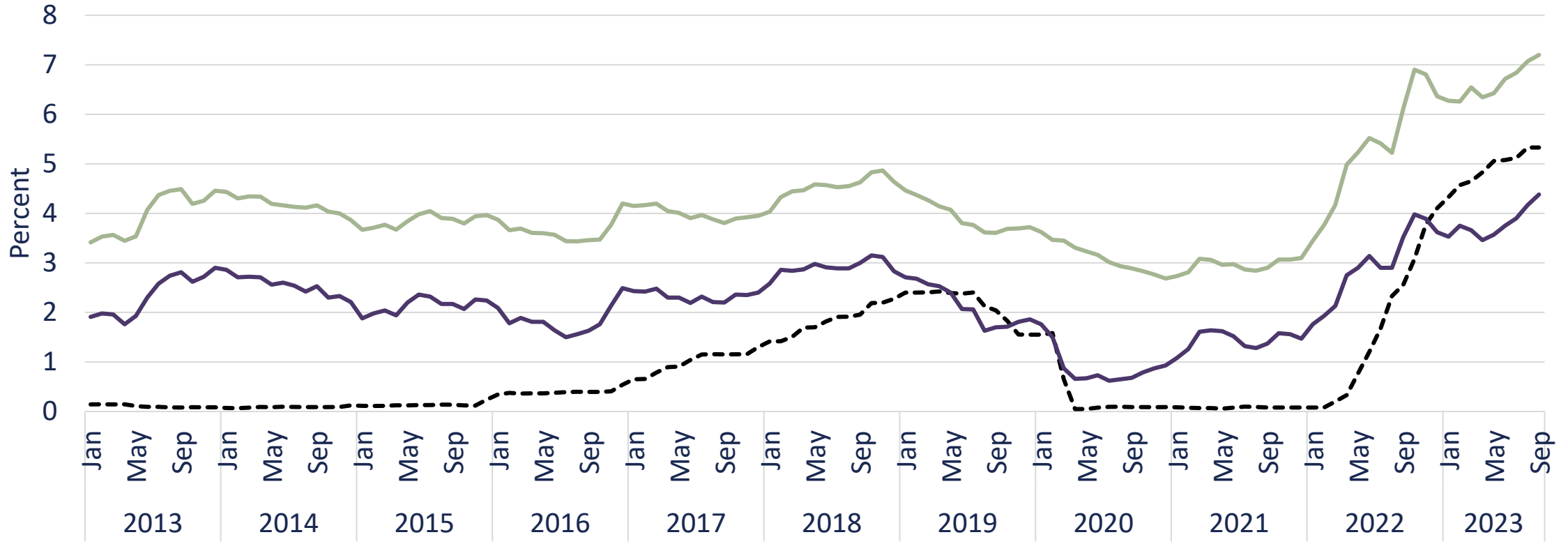


Source: Federal Reserve

Treasury yields and mortgage rates continue to rise

Interest Rates

--- Federal Funds Rate — 10-Yr Treasury Yield — 30-Yr FRM



Source: Federal Reserve, Freddie Mac

A Look Ahead to 2024



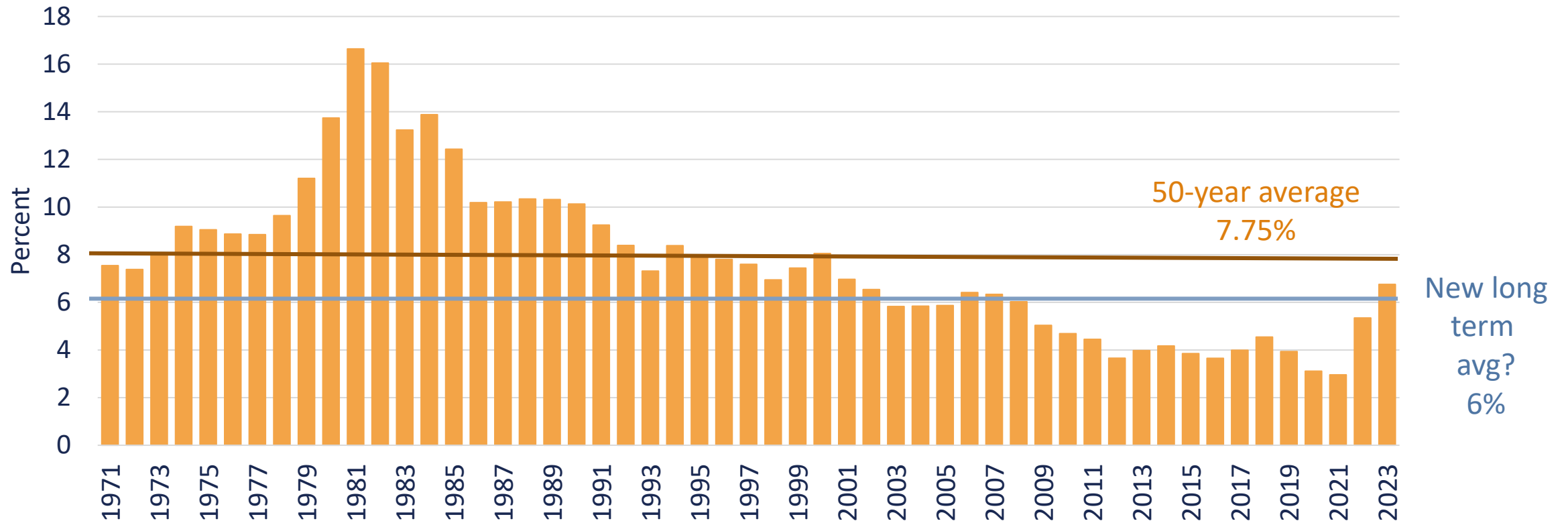
2024

Interest Rates	Demographics
Inequality	Local Factors
Affordability	Wild Cards

Outlook for Interest Rates

Higher for Longer

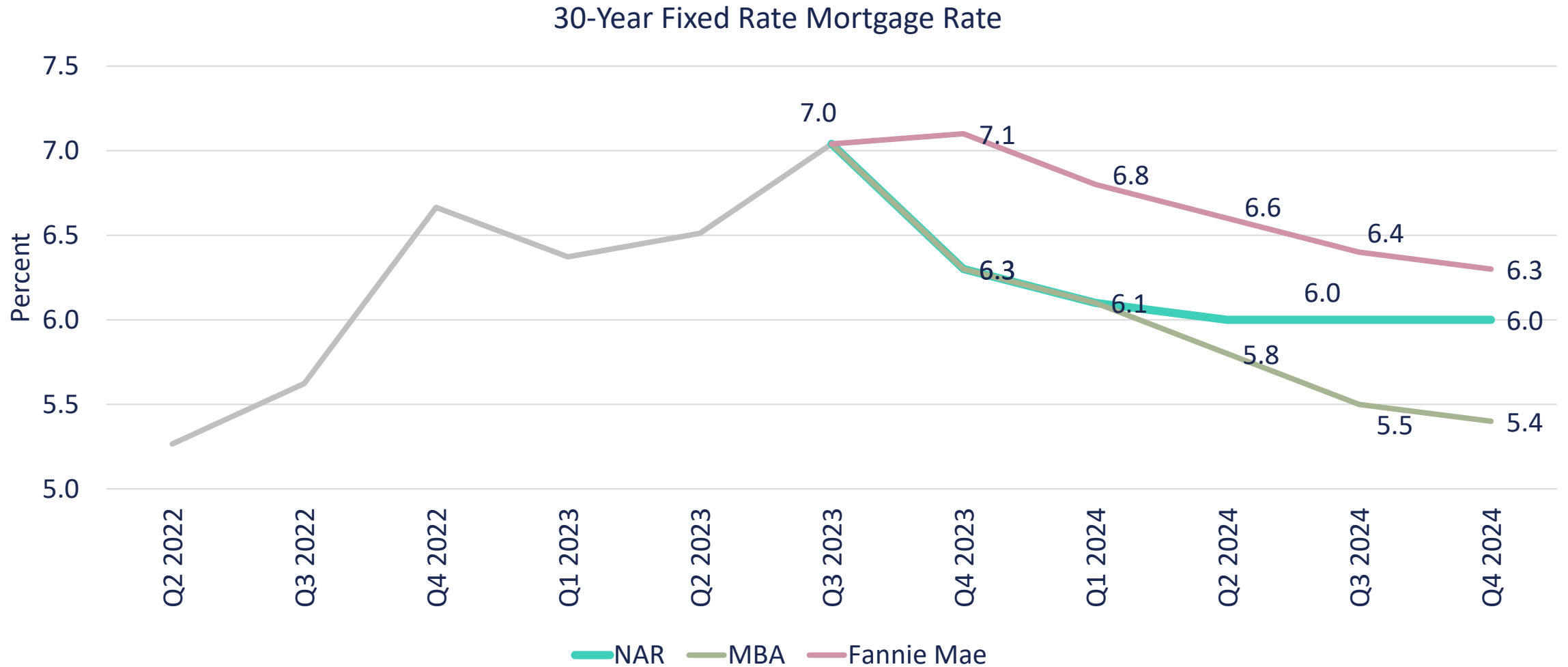
30-Year Fixed Rate Mortgage, Average Rate



Source: Freddie Mac

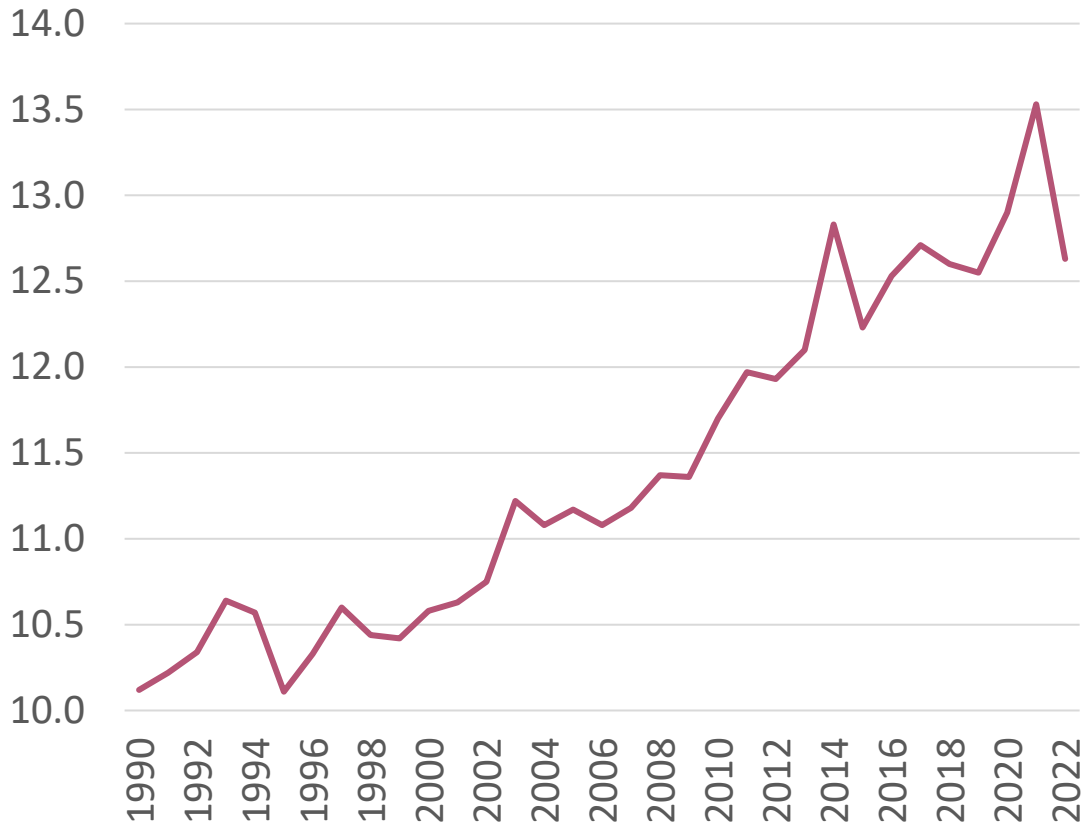
Outlook for Mortgage Rates

Higher for longer

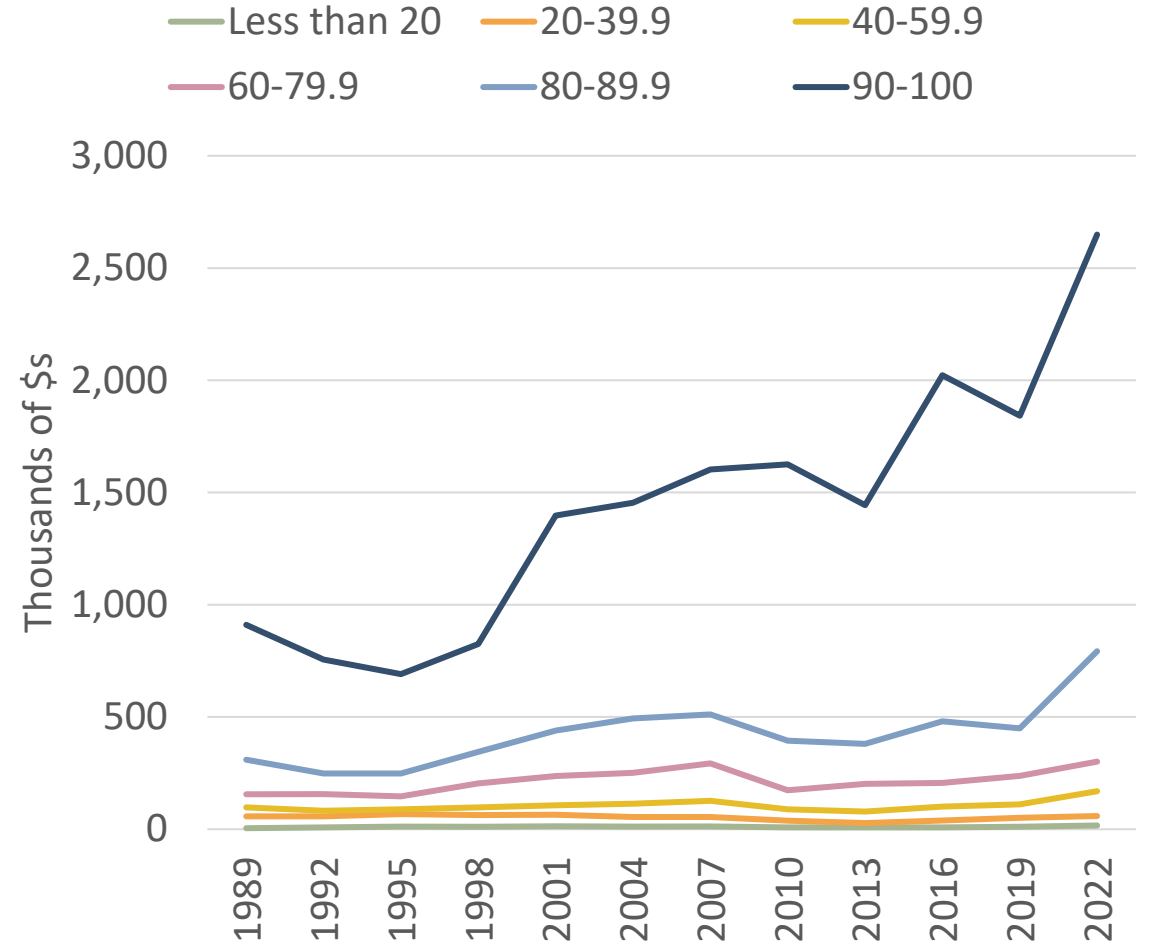


Income and wealth inequality has worsened

Household Income Ratio
90th percentile / 10th percentile

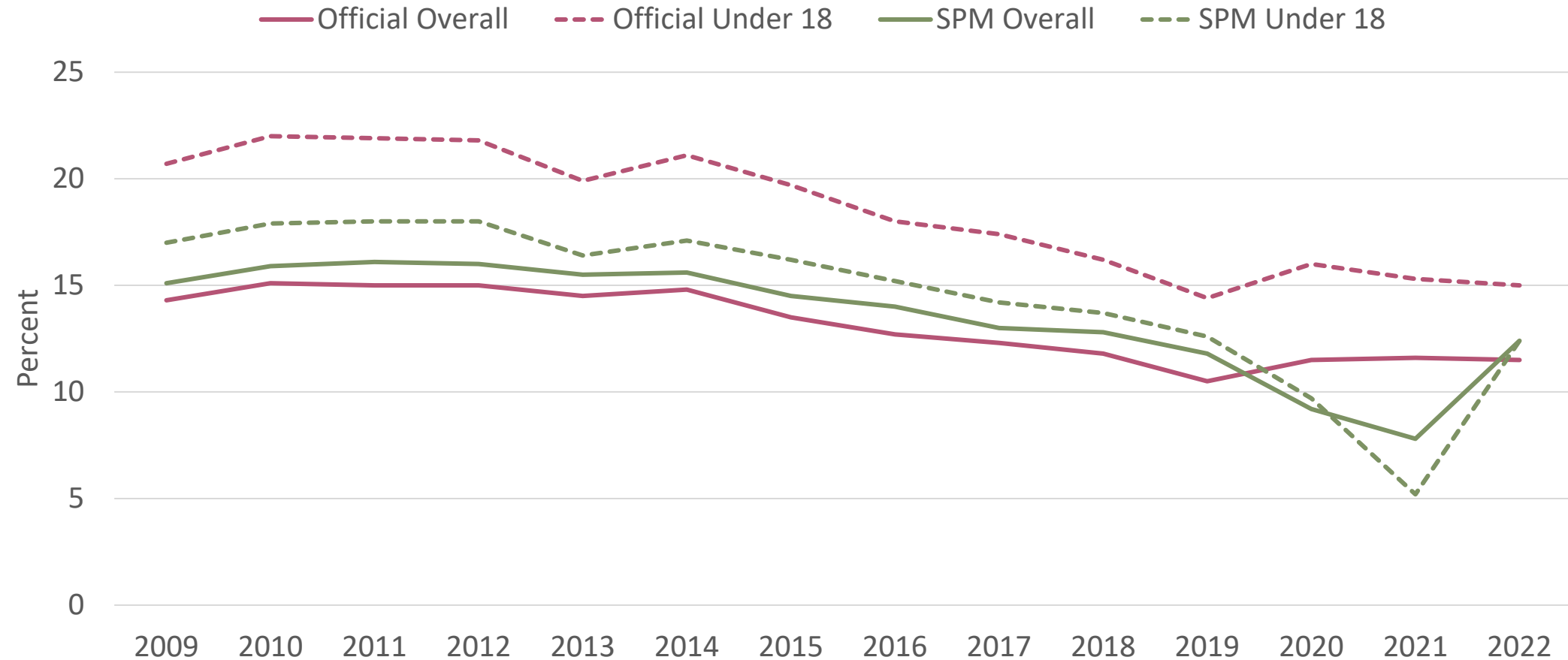


Net Assets by Household Income Percentile



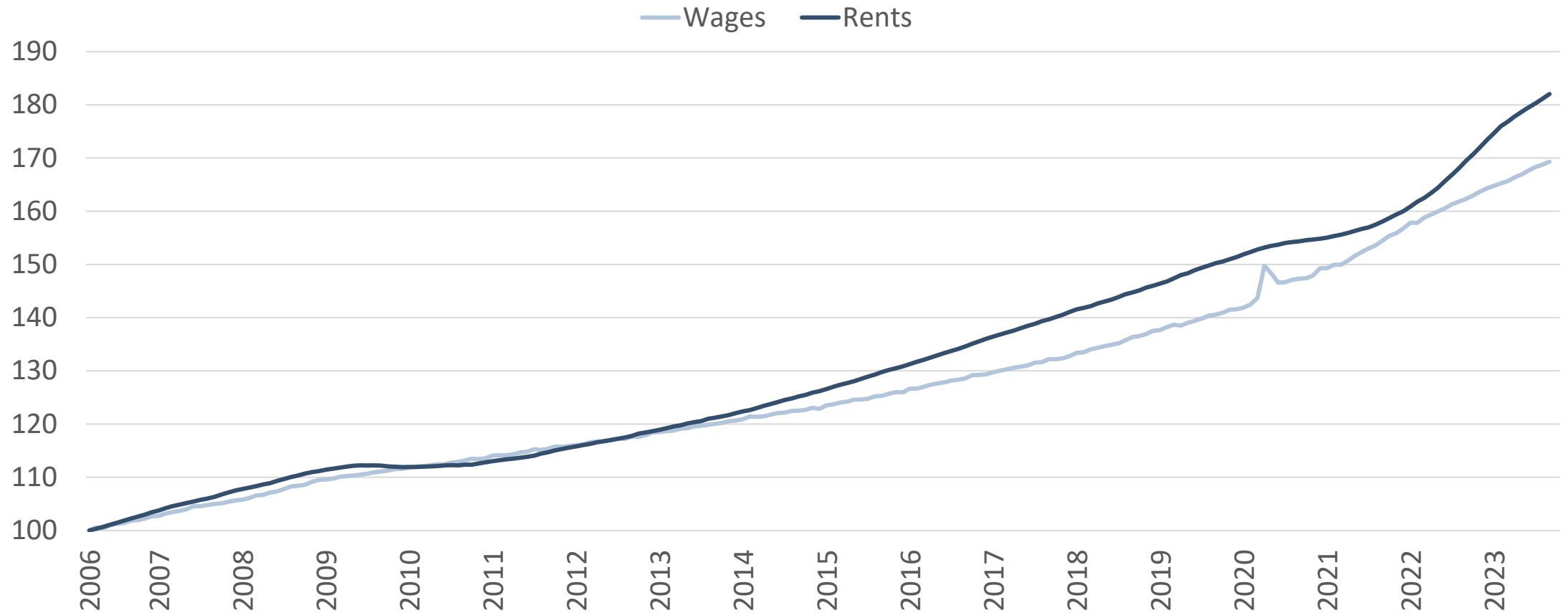
Poverty rates improved in 2021

Ending of pandemic-era assistance led to higher poverty in 2022



Source: U.S. Census Bureau

Since 2022, there has been greater divergence in wage and rent growth



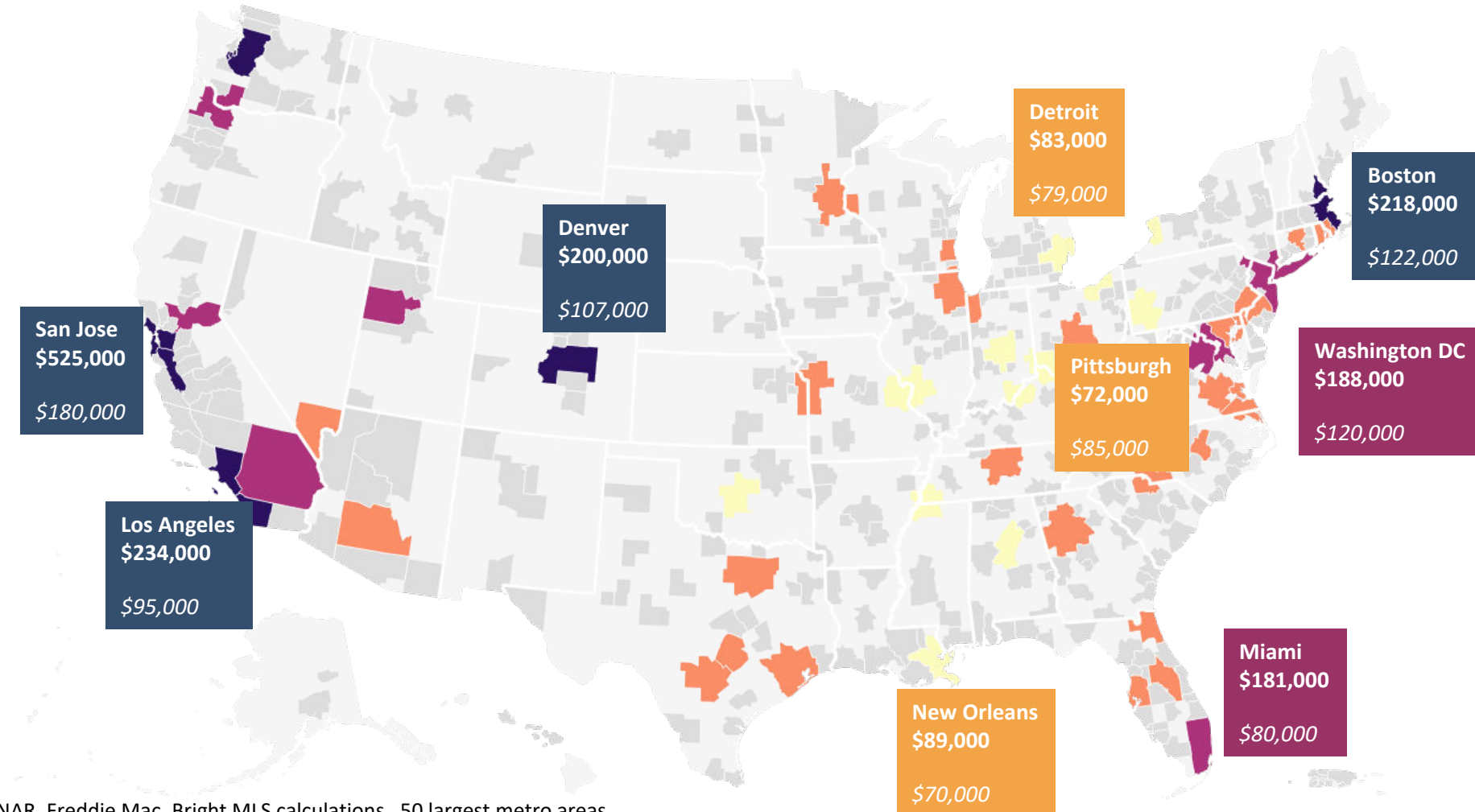
Source: U.S. Bureau of Labor Statistics

Household Income Needed to Afford the Median-Priced Single-Family Home (Q2 2023)

\$ Thousands



Median household income (ages 25 to 44) in italics



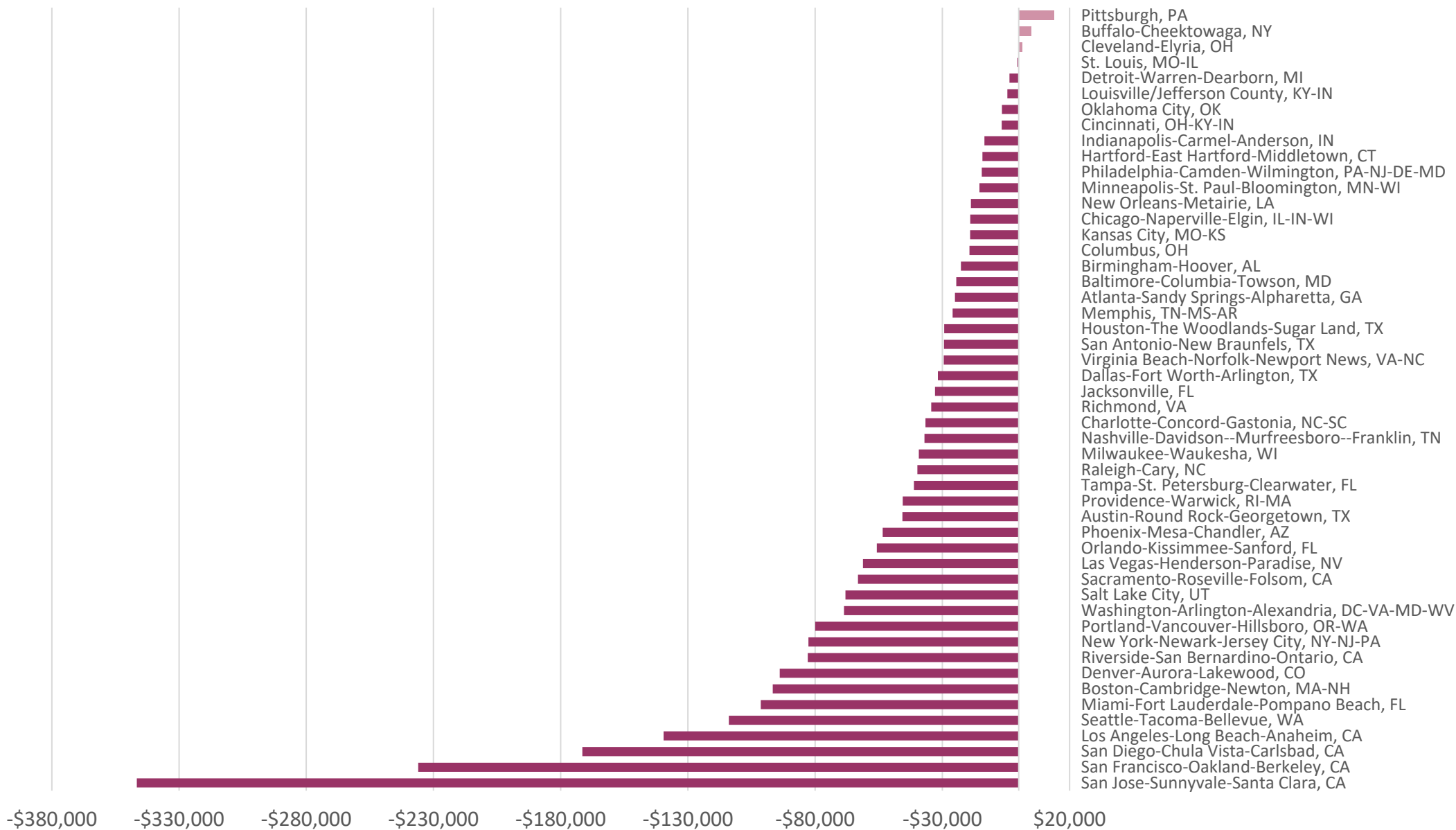
Sources: U.S. Census Bureau, NAR, Freddie Mac, Bright MLS calculations. 50 largest metro areas.

Calculations assume 10% downpayments and a 30-year fixed rate mortgage. Monthly payments include estimates of property taxes and homeowners' insurance.

Income needed calculations assume monthly payment is no more than 28% of a household's income.

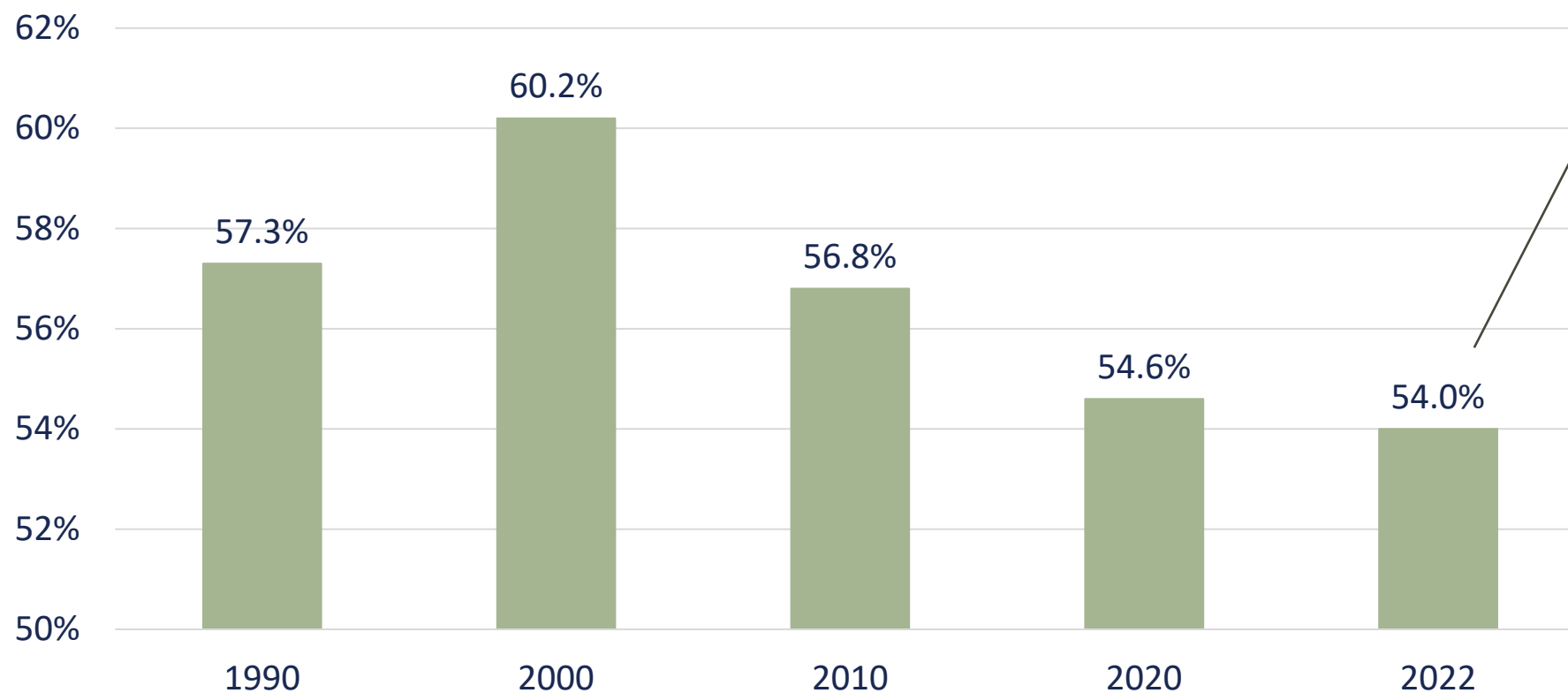
Affordability Gap

Difference between the income needed to purchase the median-priced home and the median household income of 25-to-44 year olds



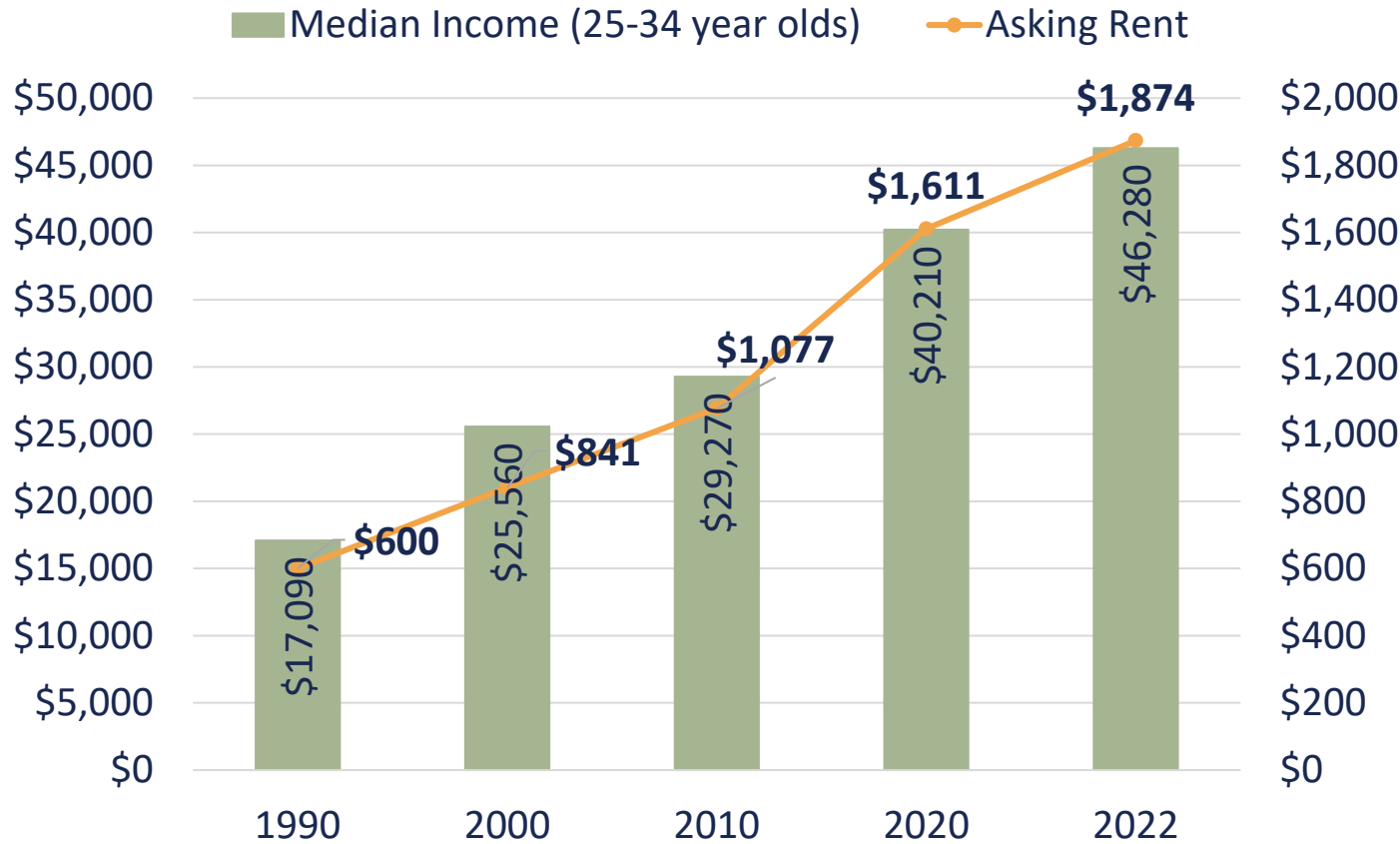
There is still pent-up homeownership demand

U.S. Homeownership Rates, 30-to-40 year olds



There would be 740,000 more homeowners if the homeownership rate matched the 1990 level.

Pressure on the rental market will be on the rise



Between 2020 and 2022

Incomes ▲ 15%
(age 25 to 34)

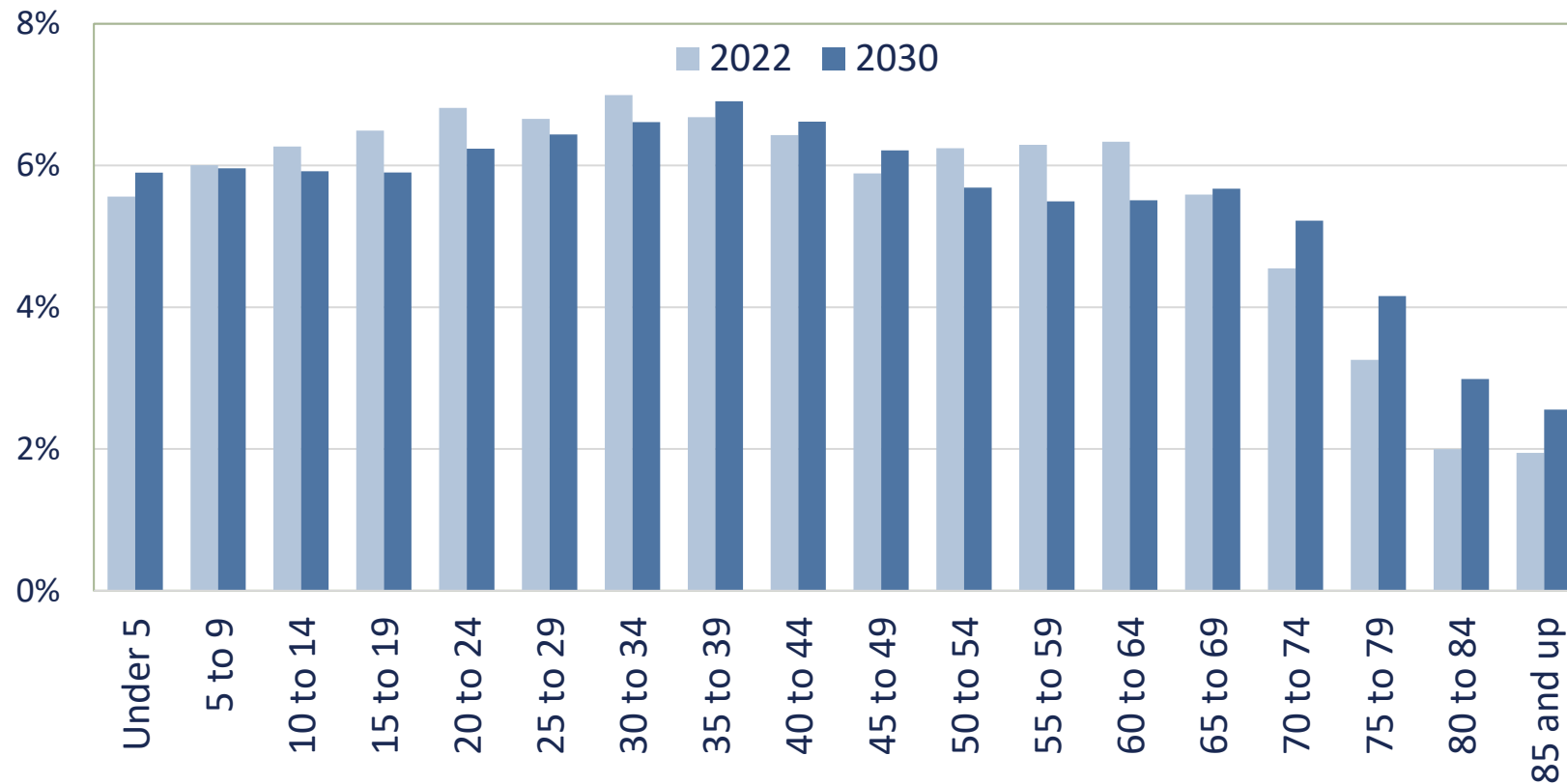
Rents ▲ 16%

In the majority of markets,
it is a better deal to rent than
buy

Source: U.S. Census Bureau

Older adult population growing much faster than the rest

Age Distribution



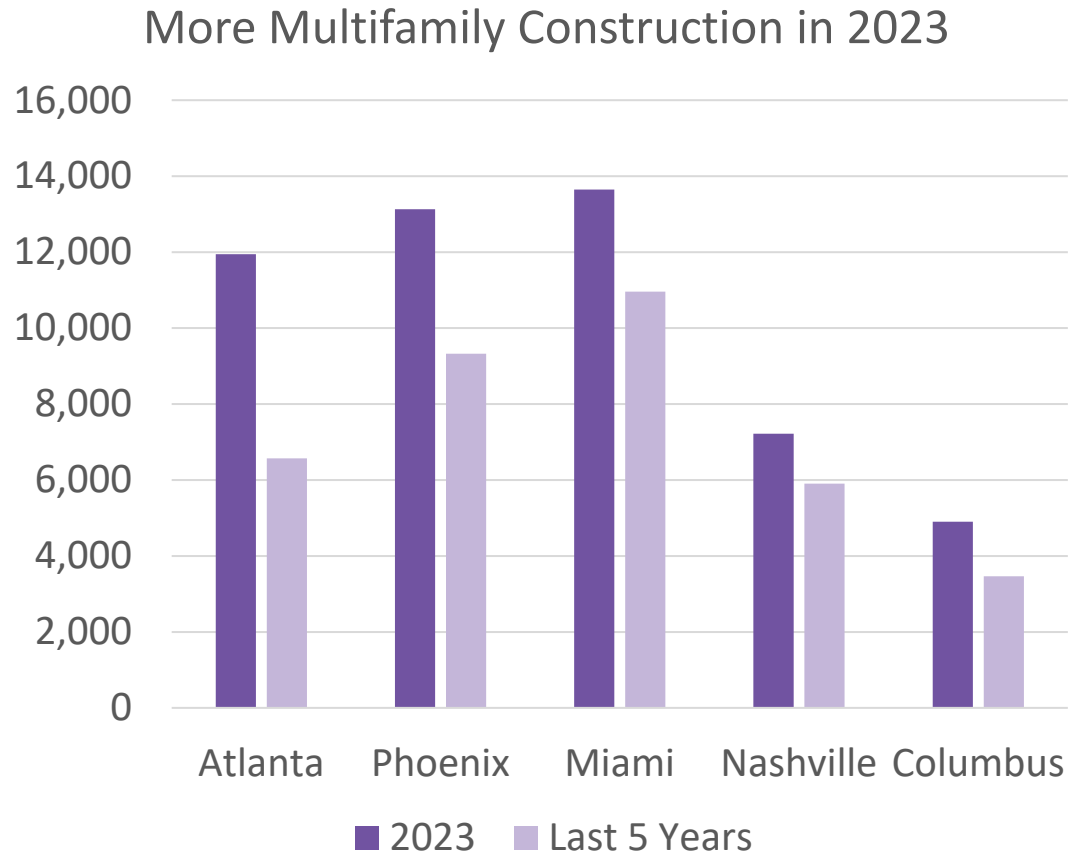
Between 2022 and 2030

Pop age 65+ ▲ 40%

Pop age 25-34 ▲ 2%

Source: U.S. Census Bureau

Record new apartment construction in some places



Source: U.S. Census Bureau
Permits issued for the construction of buildings with 5+ units

Wildcards

COVID

Presidential Election

Geopolitical Risks

Worse-than-expected
Recession

Forecasting housing needs in 2024

- Rates “higher for longer”
- Mild recession in H1 2024
- More renters in the market
- Less apartment construction
- Income growth slowing
- Increased demand for senior housing



Thank you

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