

# ALTA **in**SIGHTS

REAL TIME | ON-DEMAND



How COVID Impacted the Housing Market

George Ratiu | realtor.com®  
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# ECONOMIC & HOUSING UPDATE:

2020 Housing in the Time of COVID-19



@GeorgeRatiu  
Senior Economist

June 23, 2020 – American Land Title Association

realtor.com®

# Agenda



- Economic Environment
- Housing Trends
- 2020 Update Outlook
- Q&A

George Ratiu  
Sr. Economist

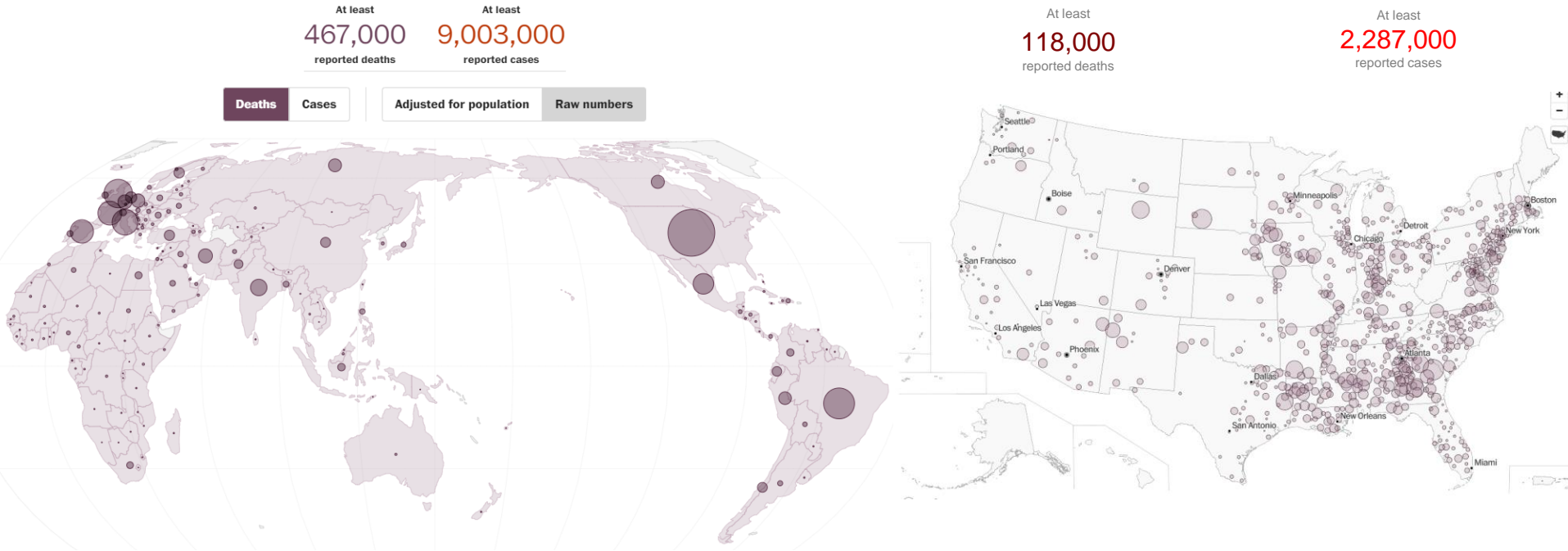


# 2020 – UNEXPECTED STORM



# GLOBAL CORONAVIRUS PANDEMIC

Pandemic left global impact on health, social, economic, political environments



Source: The Washington Post; Figures as of 6/3/2020

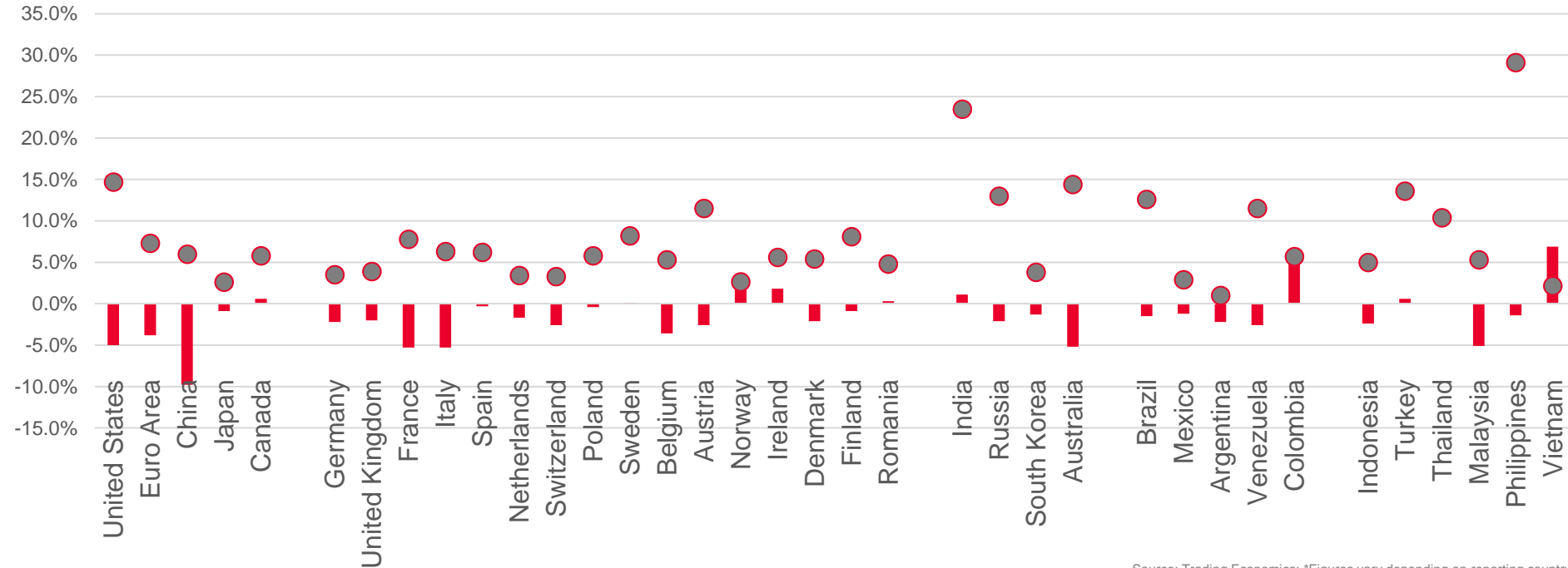


# GLOBAL ECONOMIC RECESSION

Governments push large, interconnected economies into quarantine-induced recessions

## Global Economic Snapshot: 2020\*

■ GDP QoQ    ● Unemployment Rate



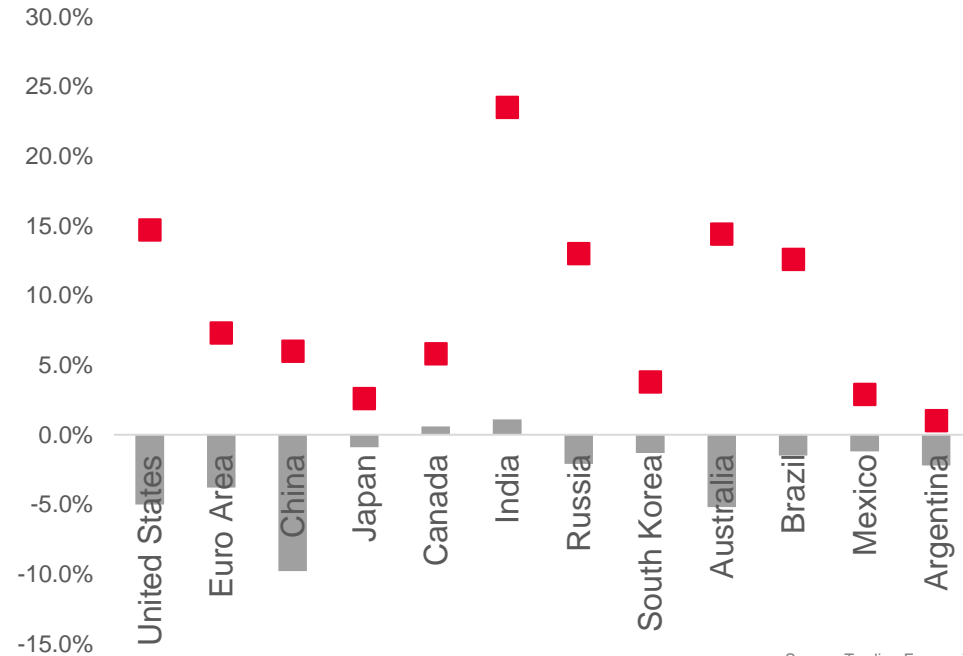
Source: Trading Economics; \*Figures vary depending on reporting country

# GLOBAL ECONOMIC RECESSION

Governments push large, interconnected economies into quarantine-induced recessions

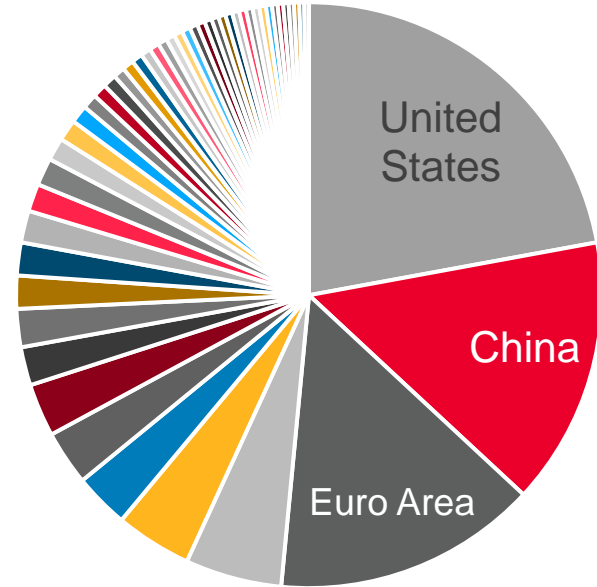
Global Economic Snapshot: 2020.Q1

■ GDP QoQ ■ Jobless rate



Source: Trading Economics

Global Economic Snapshot: Nominal GDP by Country, Top 50



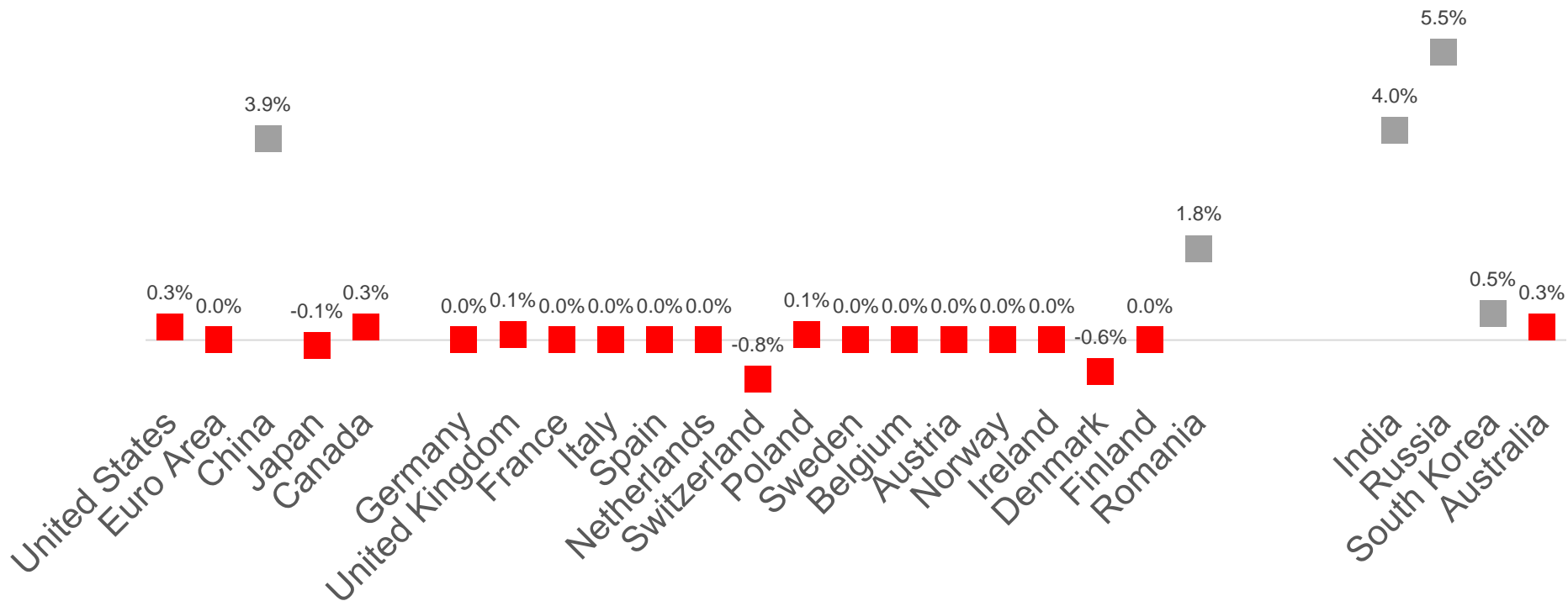
Source: Trading Economics



# MONETARY POLICIES RESPOND

Central banks resort to zero-cost money to ensure financial liquidity

Global Interest Rates

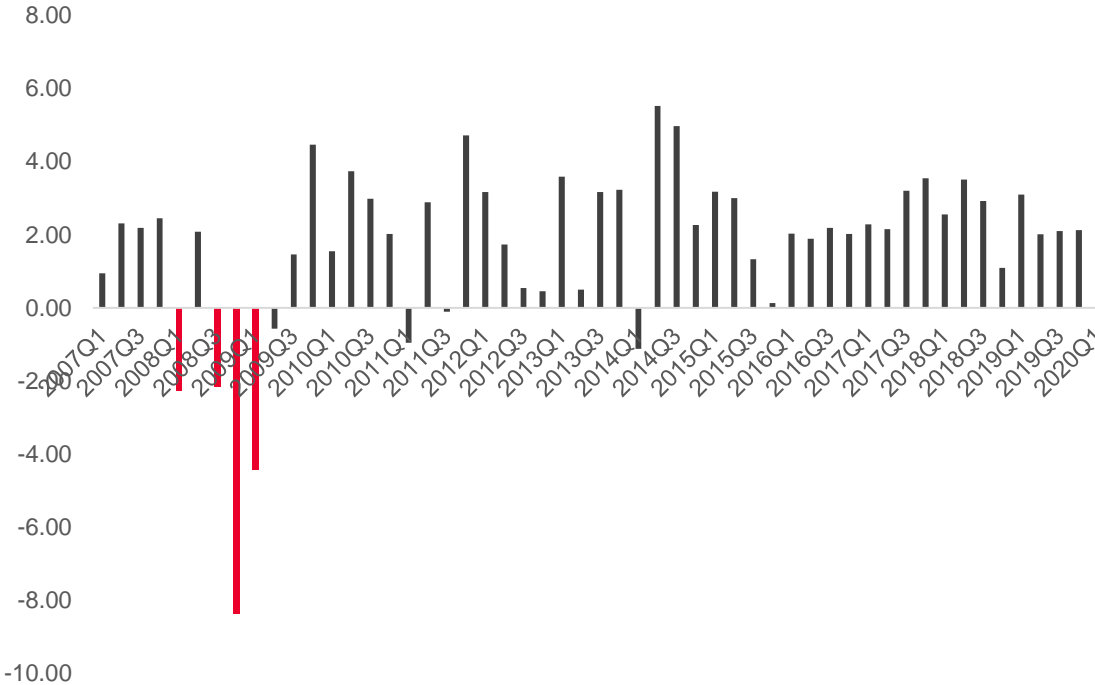


Source: Trading Economics

# GDP DROPS 5.0% IN Q1

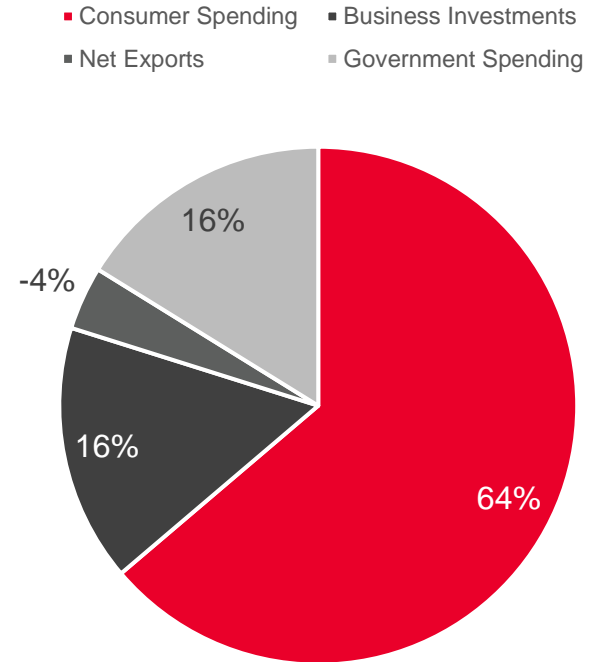
As consumers sheltered at home, spending dropped 7.6%

US GDP (Mil. Ch. 2012 USD, SAAR)



Source: Bureau of Economic Analysis

US GDP 2020.Q1

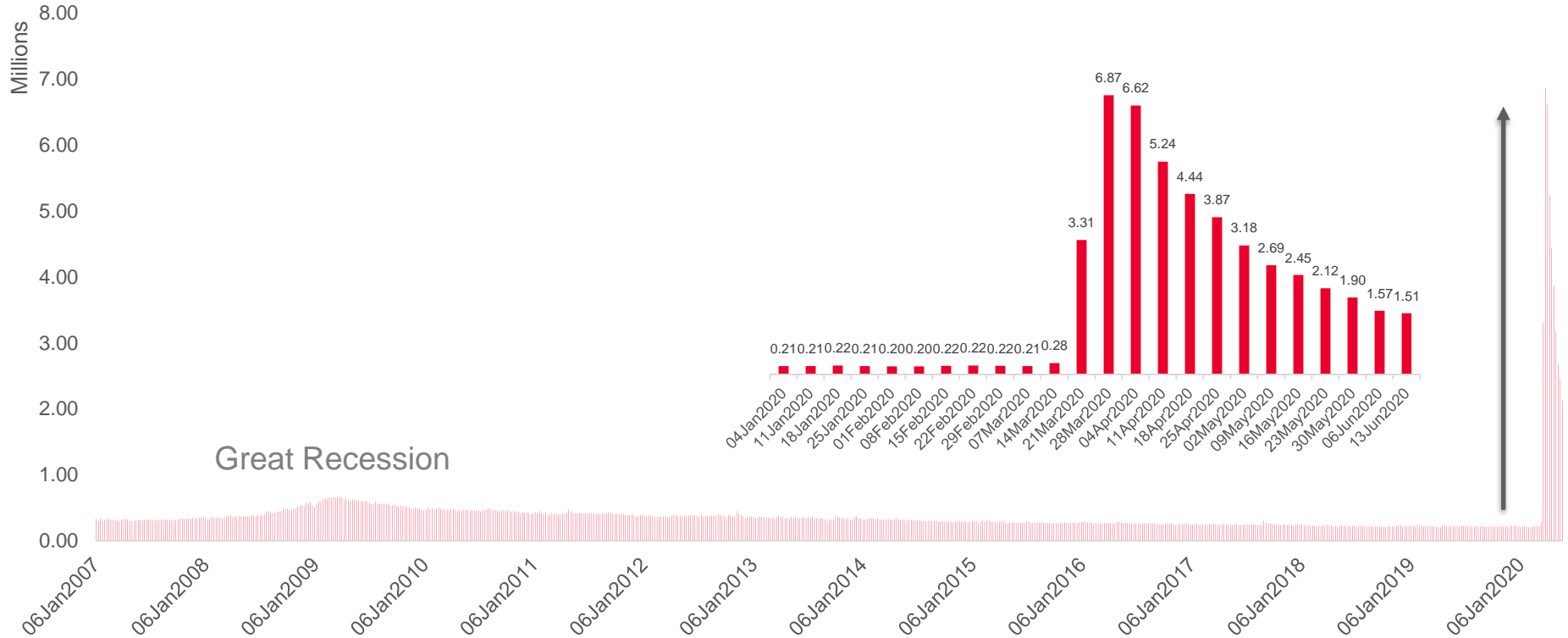


Source: Bureau of Economic Analysis

# JOBLESS CLAIMS REACH RECORDS

13-week total surpasses 46 million

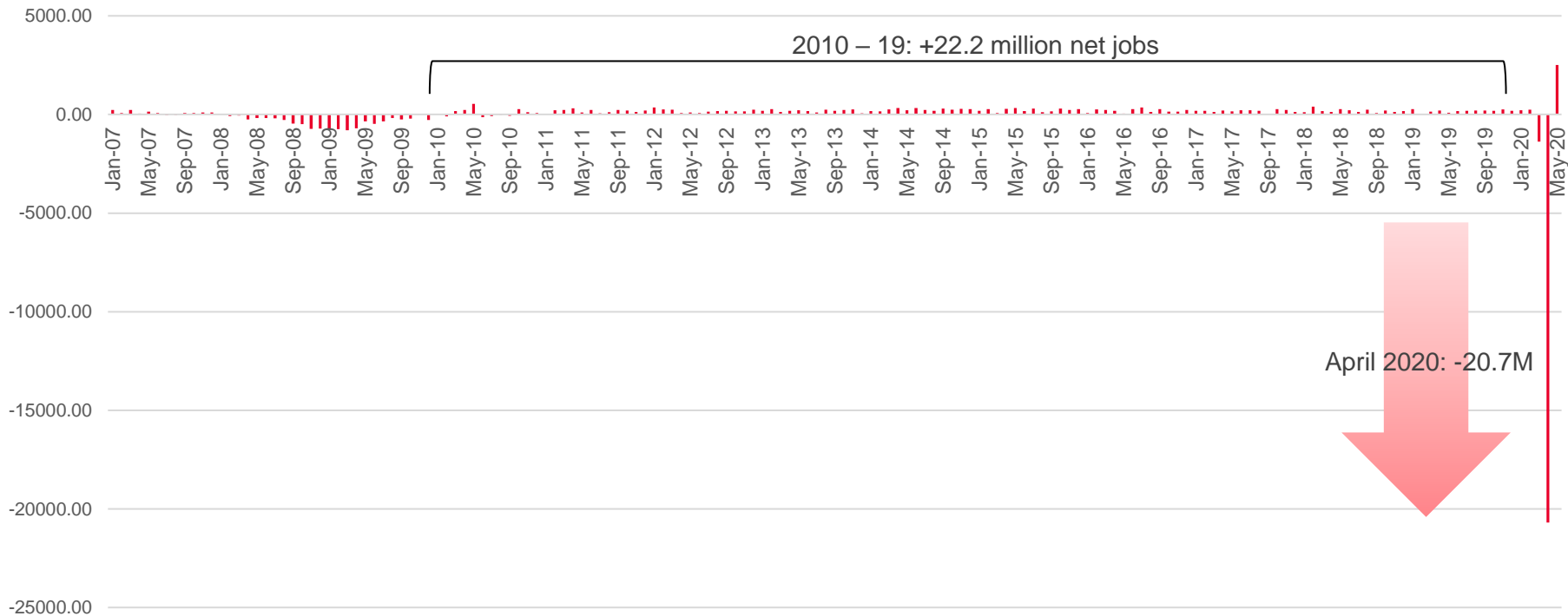
Initial Unemployment Insurance Claims (Mil.)



# JOB LOSSES EXCEED 20 MILLION ... IN APRIL

Economy wipes out 10 years of jobs in just one month, as unemployment rate soars

Employment: Total Nonfarm, (Ths. #, SA)

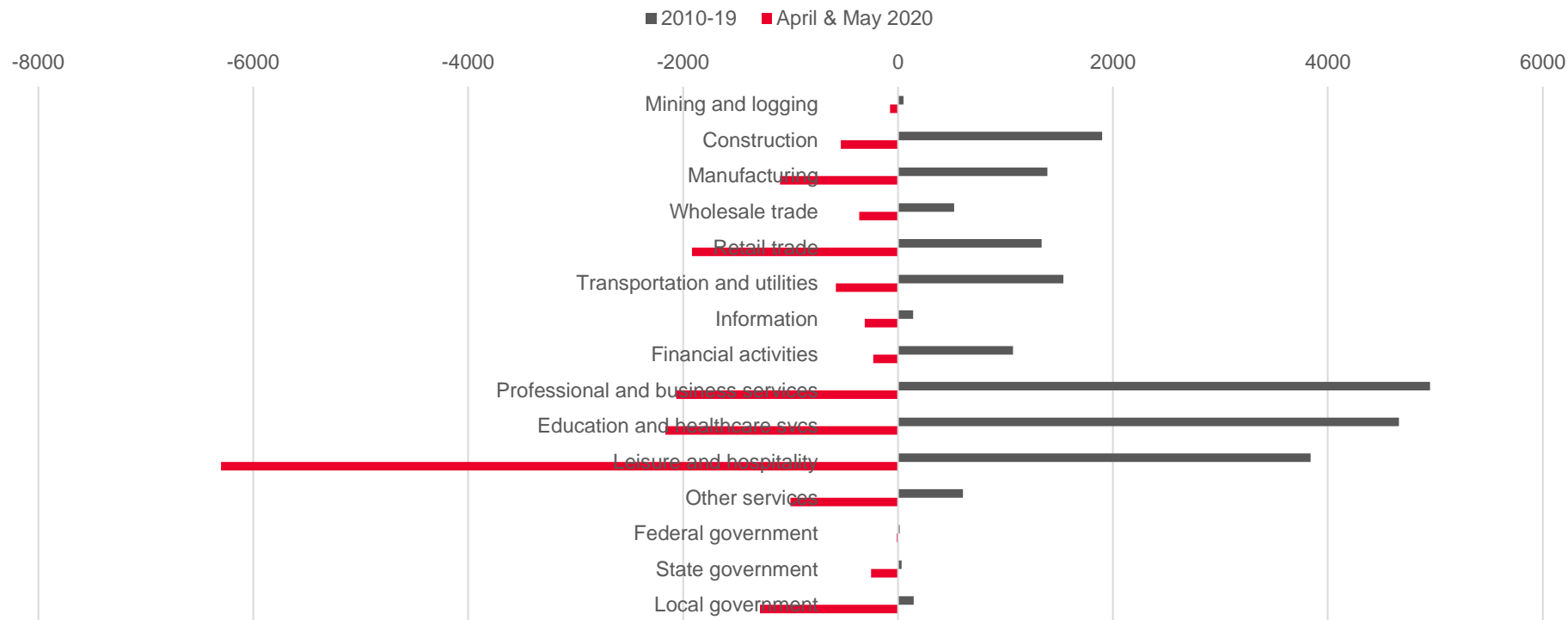


Source: Bureau of Labor Statistics

# JOB LOSSES EXCEED 20 MILLION

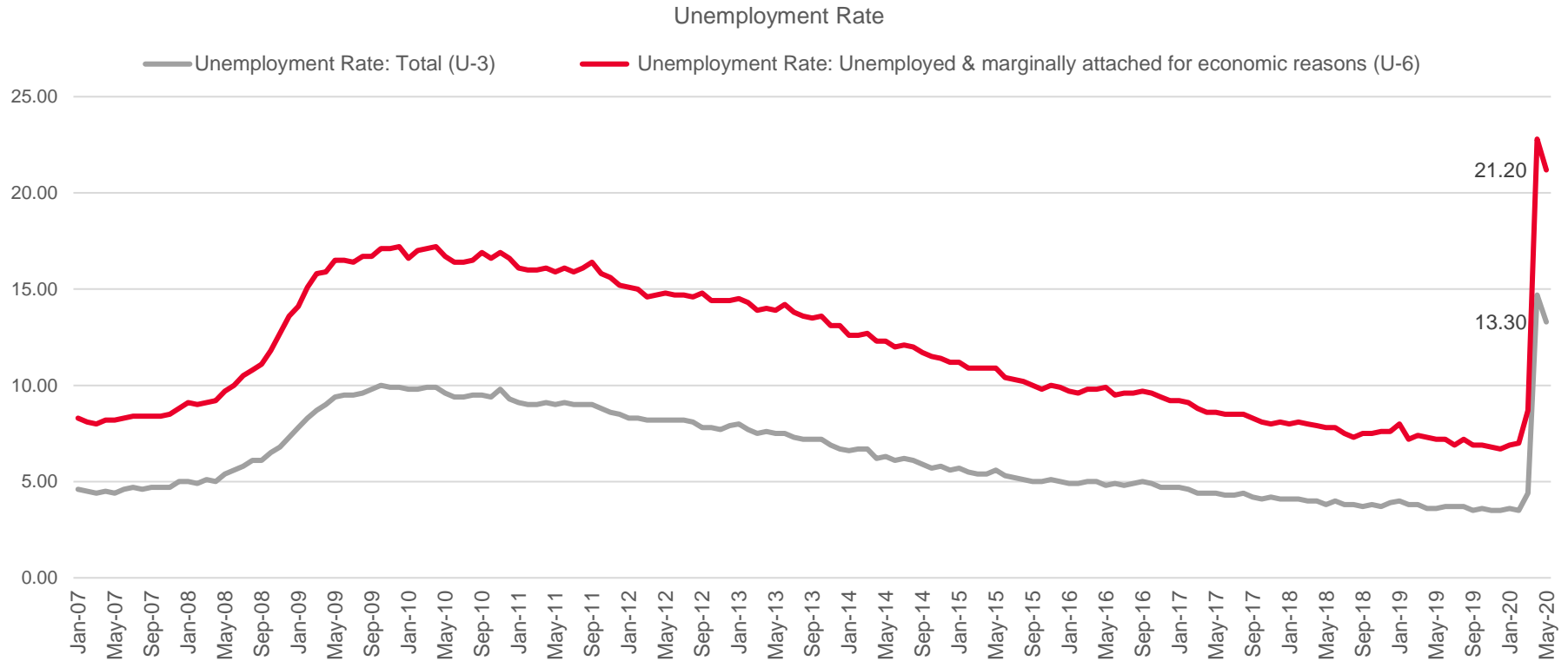
Leisure & hospitality, retail trade, local governments lead job losses

## Change in Payroll Employment by Sector



# UNEMPLOYMENT RATE SOARS

Effects of unemployment likely to linger for longer than expected

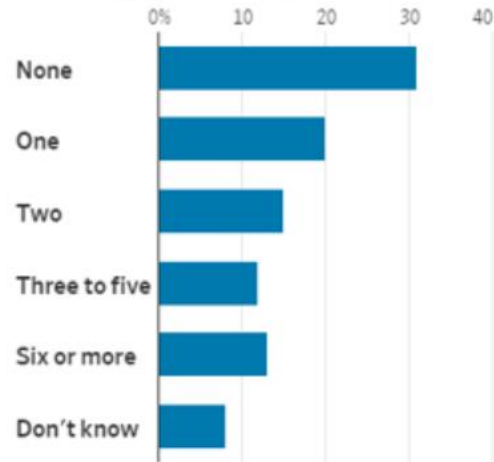


Source: Bureau of Labor Statistics

# CONSUMER FINANCES FEEL THE SQUEEZE

Even with the CARES Act, payments were delayed or not received

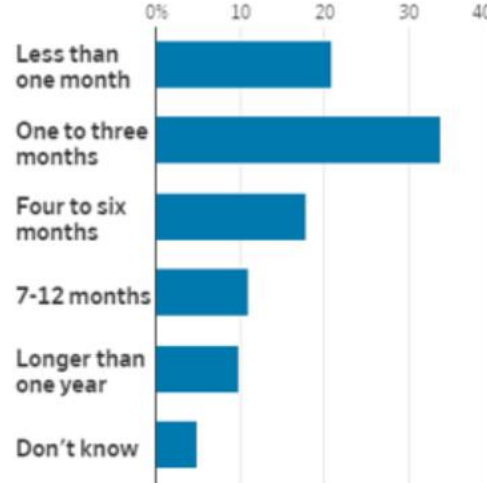
Number of paychecks workers can miss before dipping into savings



Note: Figures don't add to 100% due to missing responses

Source: NORC at the University of Chicago

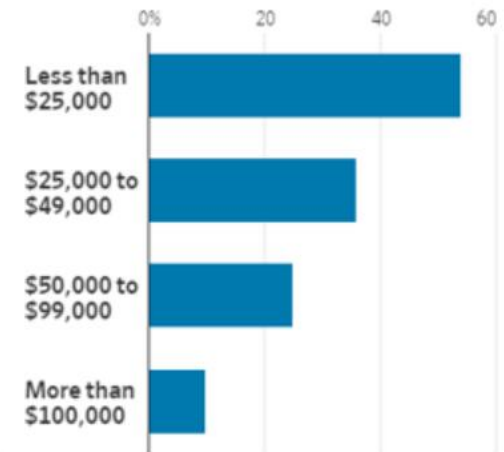
How long small businesses say they would survive if sales stopped completely



Note: Figures don't add to 100% due to rounding

Source: Womply

Share of people who say they could not come up with \$2,000 if an unexpected need arose within the next month, by income



Source: TIAA Institute and George Washington University

Source: The Wall Street Journal, 3/24/2020



# CONSUMER FINANCES FEEL THE SQUEEZE

Dipping into savings accounts will push homeownership farther away for many young buyers



1 month of spent savings = 9 months to recover

JUNE 8, 2020



Nicolas Bedo  
ECONOMIC DATA  
ANALYST

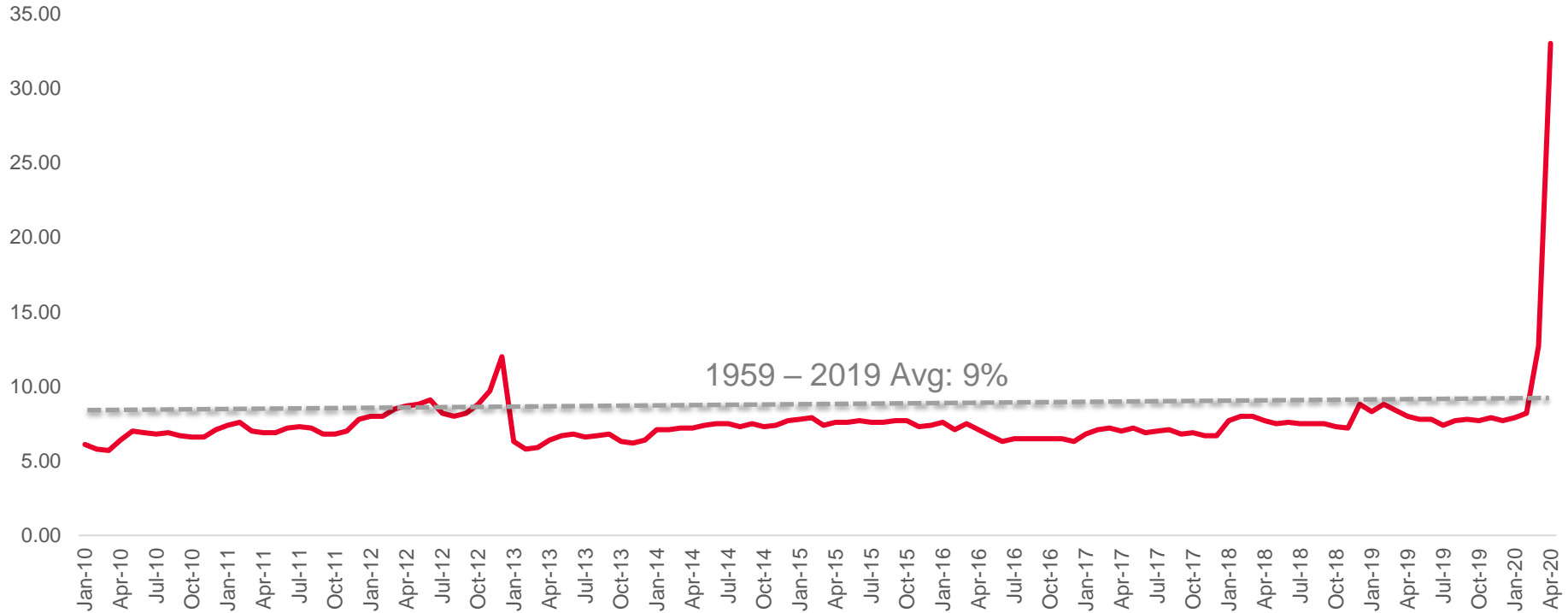
## Millennial Homeownership Could Be Delayed By Years As COVID-19 Eats Into Down Payment Savings

As more people struggle to find their footing amid financial and economic uncertainty around the COVID-19 pandemic, many prospective first time homebuyers could be dipping into their down payment savings to cover their everyday expenses. Because of this, millennials – who make up the majority of all mortgage originations – may find their dreams of homeownership delayed until long after the coronavirus situation is under control. In fact, the average millennial would take 9 months to recoup a single month's expenses that were taken out of their savings. If millennial renters are forced to dip into their down payment savings for several months, their transition to homeownership could be delayed by years.

# CONSUMER SAVINGS JUMP

Savings rate jumped to 33%

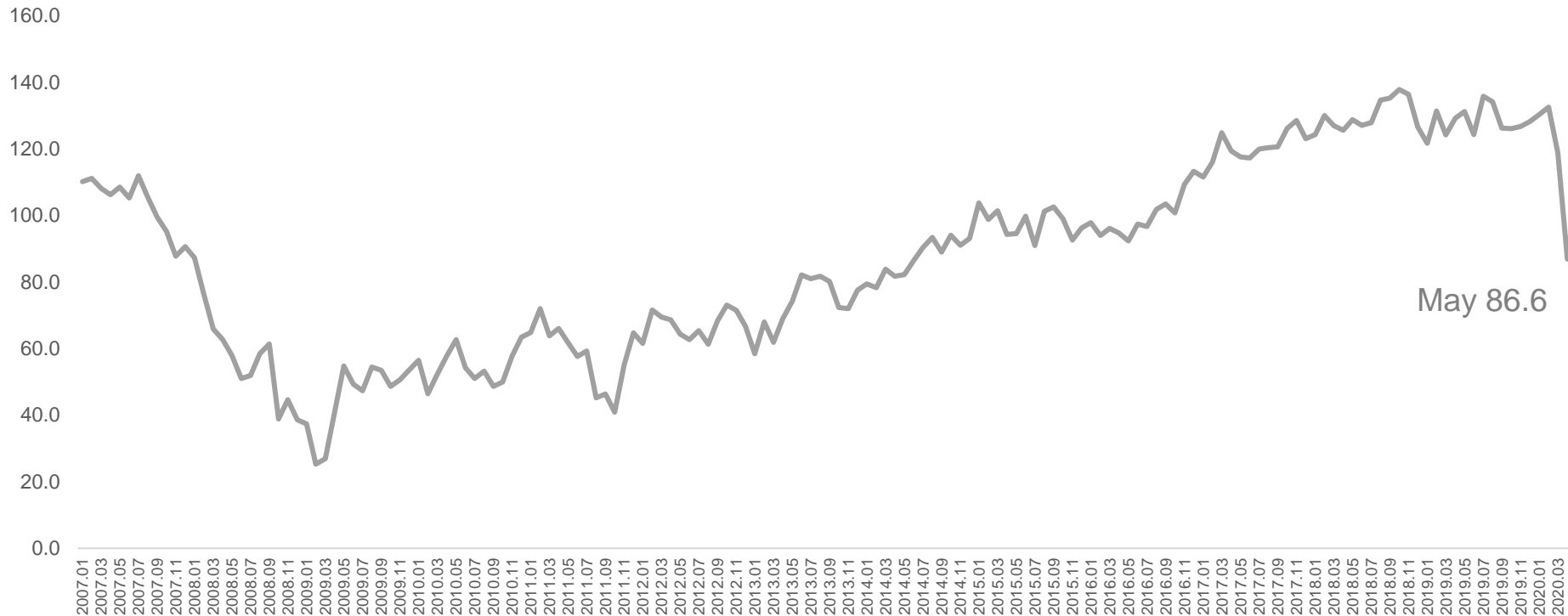
Personal Saving As % of Disposable Income



# CONSUMER CONFIDENCE

Consumers rattled by jump in unemployment

## Consumer Confidence Index



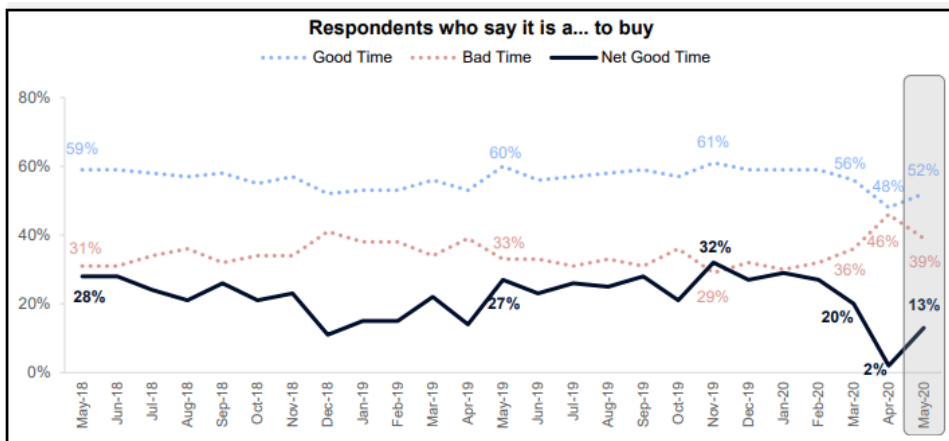
May 86.6

# 2020 – HOUSING TRENDS

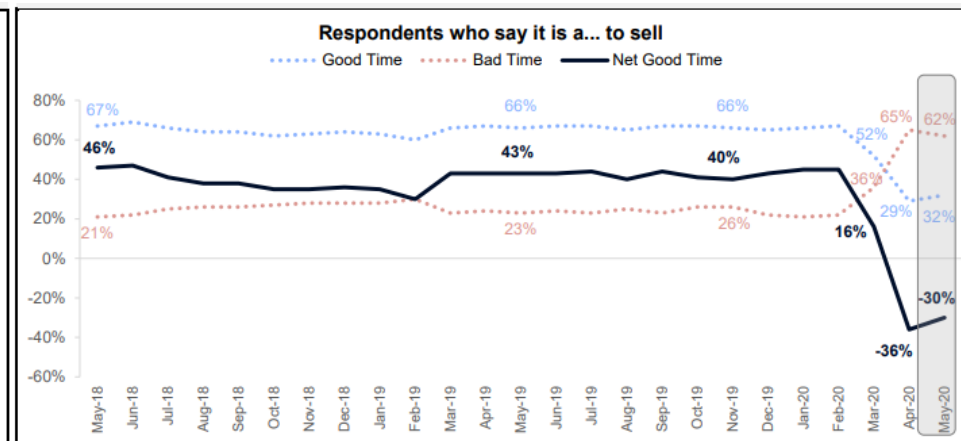


# HOUSING SENTIMENT DECLINES

Home purchase sentiment index hit lowest point since 2011 in April 2020



Good time to BUY? Yes for 52%

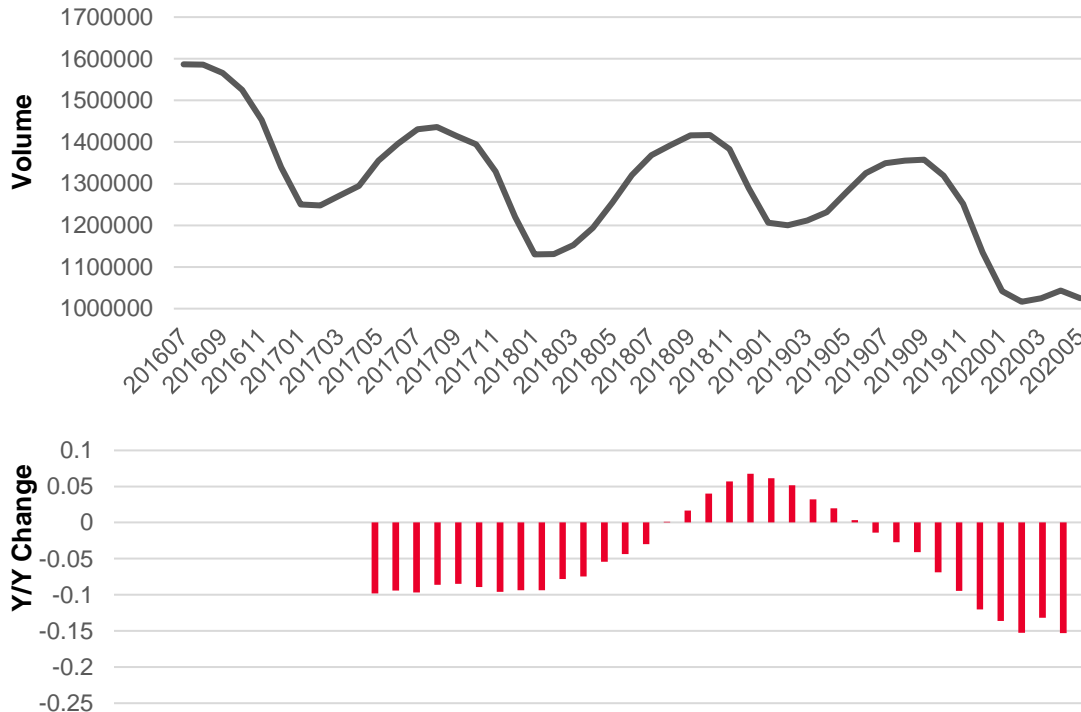


Good time to SELL? Yes for 32%

# ACTIVE LISTING DECLINES ACCELERATE

Available inventory dropping faster due to fewer new listings and more de-listings

Active Listings Count

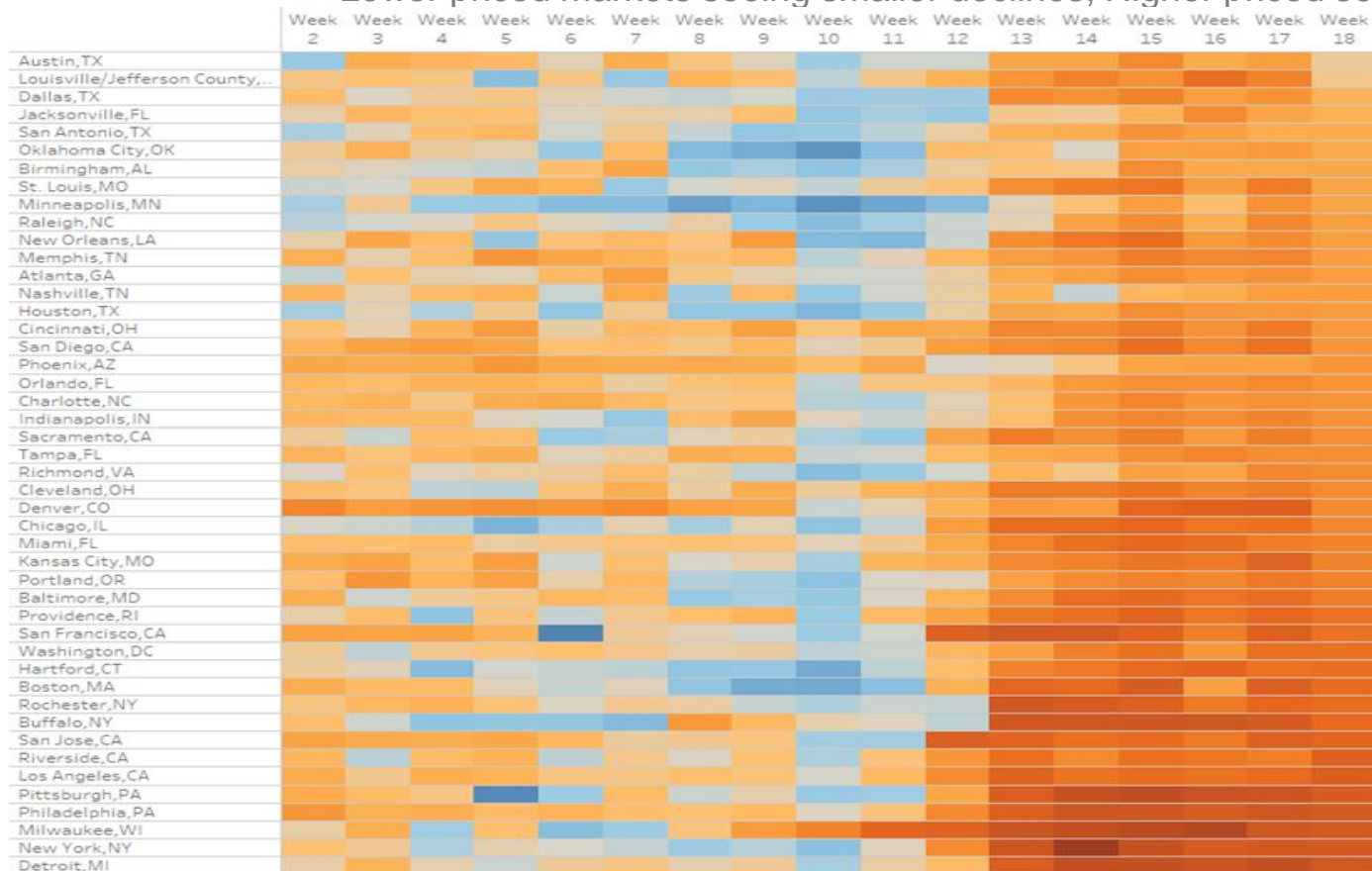


	Week ending 6/13 YOY	First 2 Weeks March YOY
Total Listings	-27%	-16%
Time on Market	16 days slower	-4 days faster
Median Listing Prices	+4.6%	+4.5%
New Listings	-20%	+5%



# NEW LISTINGS DECLINE IN LARGE METROS

Lower priced markets seeing smaller declines, Higher priced seeing larger declines





# NEW LISTINGS DECLINE

Drop in new listings expected to dent sales of existing homes



JUNE 18, 2020



George Ratiu  
Sr. Economist

## Drop in New Listings Projected to Lead to 15 Percent Loss in Home Sales

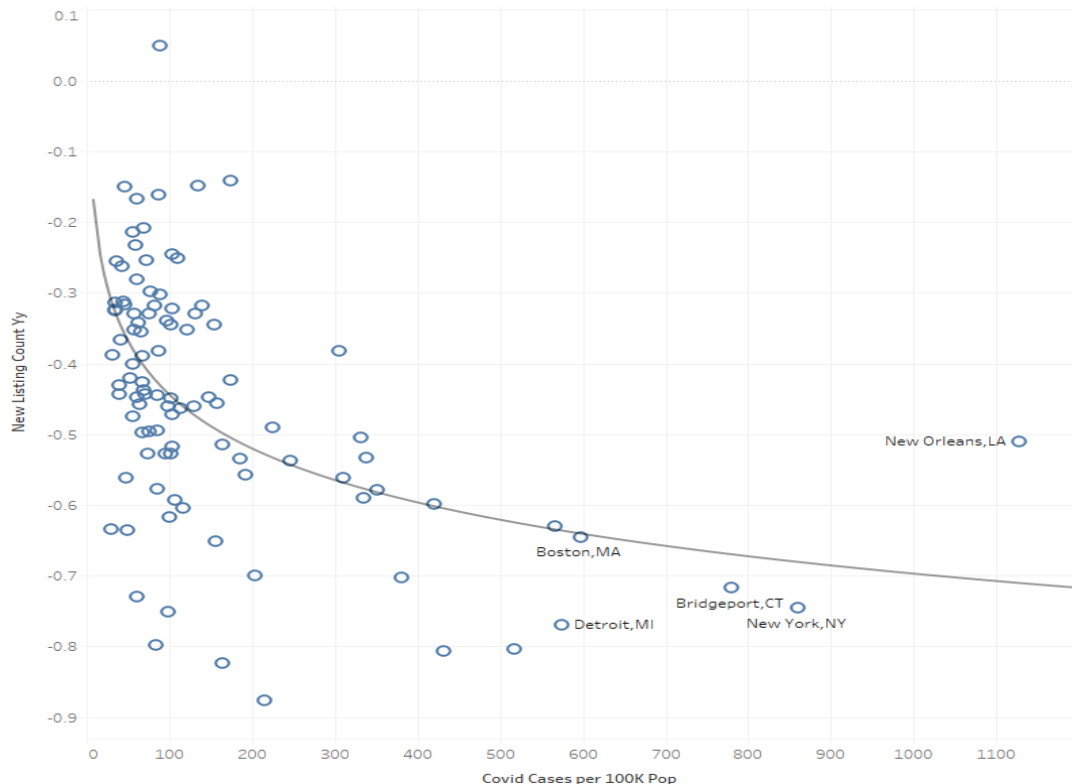
### Why Do New Home Listings Matter?

- March through August period accounts for 56 percent of existing home sales
- New listing counts are highest during the March through May period, peaking in April
- New listings are a significant contributor to existing home sales
- Existing home sales are expected to be 15 percent lower in 2020

# SELLER REACTION LINKED TO COVID PER CAPITA

Markets with higher Covid prevalence more likely to see sharper declines in new listings

New Listings vs Covid Cases Per Capita by Metro (week ending 4/11)



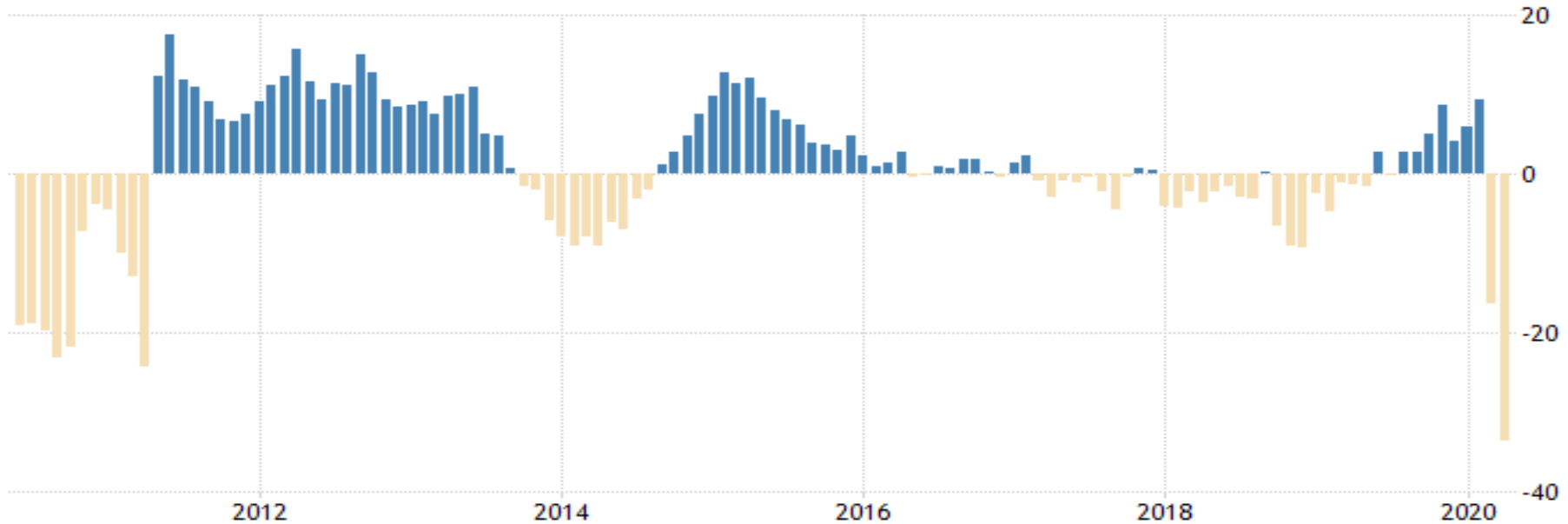
- Top 10 metros with highest Covid-19 cases per capita are seeing new listings down 69% YoY

(decline 1.9x faster vs)

- Top 10 metros with the lowest Covid-19 cases per capita, down 37% YoY

# PENDING HOME SALES

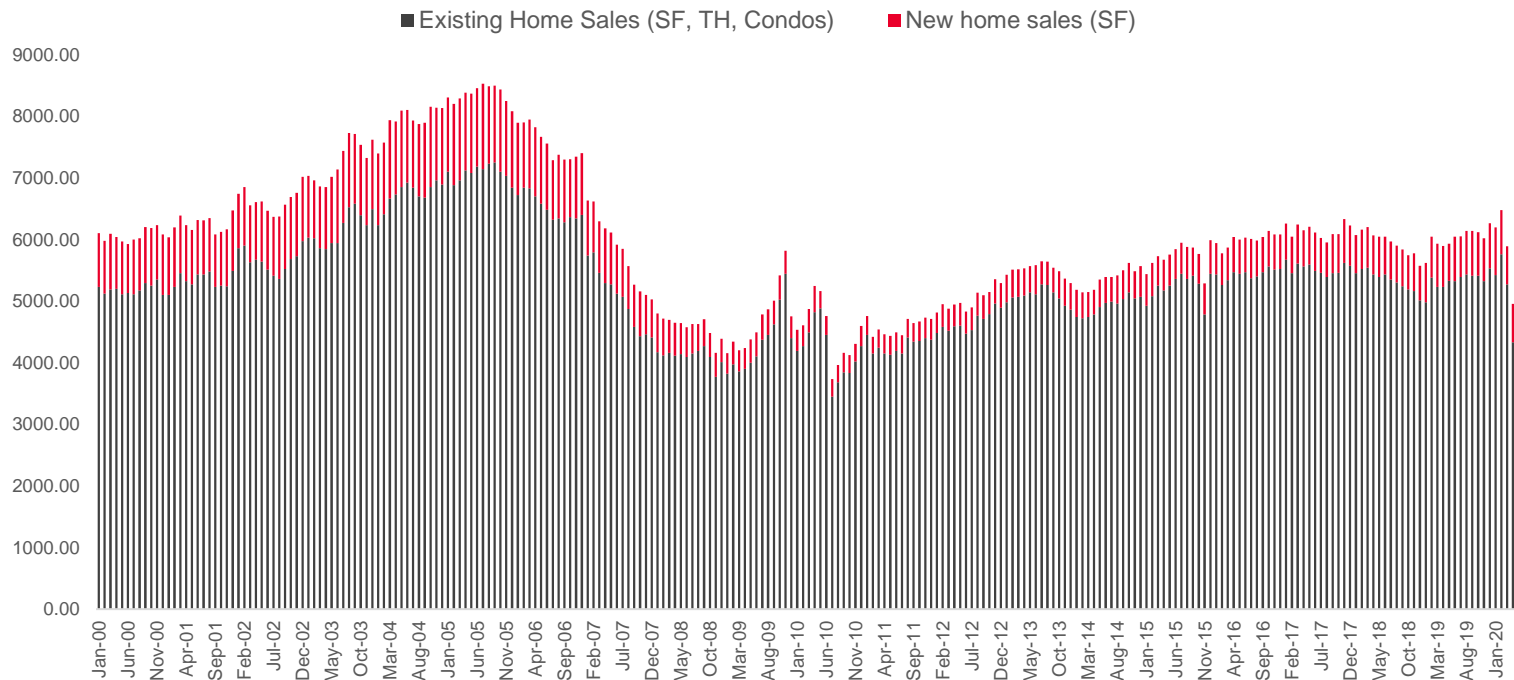
Contract signings drop to lowest index value in NAR history—69—as consumers stay home



# HOME SALES DROP

2020 started on upward trend...then came March

## Home Sales (Ths #, SAAR)



EHS February  
5.76 million SAAR

-8.5%

EHS March  
5.27 million SAAR

-17.8%

EHS April  
4.33 million SAAR

-9.7%

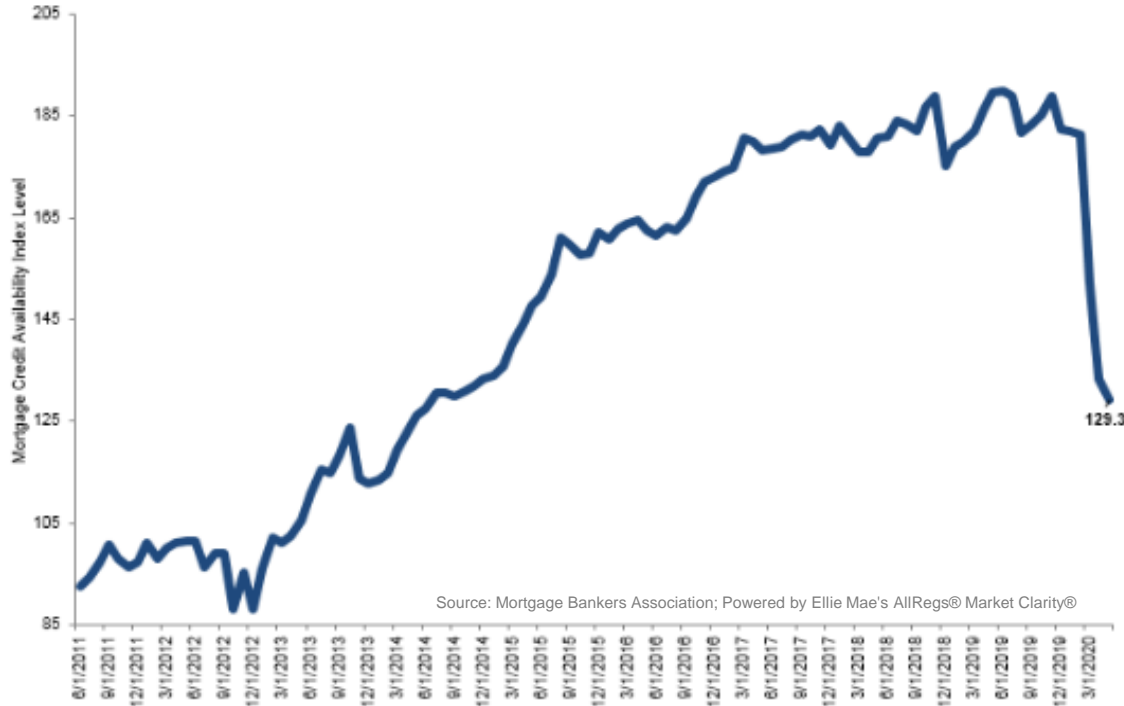
EHS May  
3.91 million SAAR

Sources: National Association of Realtors, US Census Bureau

# CREDIT AVAILABILITY

Lenders raise credit and down payment criteria (Jumbo and ARM in particular)

**Mortgage Credit Availability Index, Index Level by Month  
(NSA, 3/2012=100)**



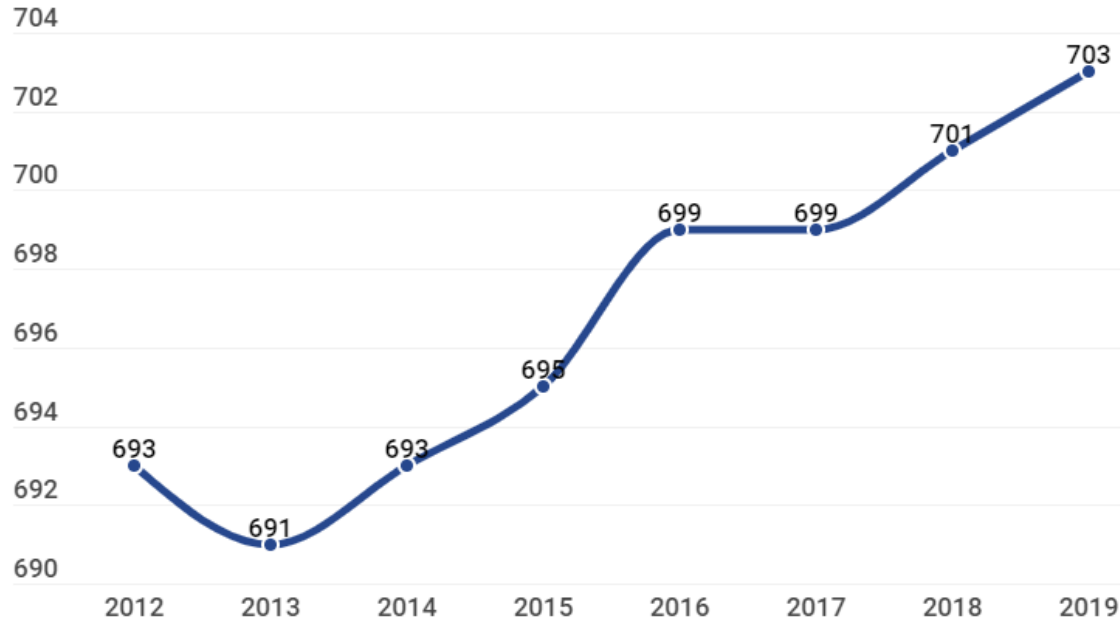
Source: Mortgage Bankers Association; Powered by Ellie Mae's AllRegs® Market Clarity®

PreCovid	680+ (Min Credit Score); 5-10%+ (Min Down payment)
PostCovid	700-720+ (Min Credit Score); 20%+ (Min Down payment)

# FICO SCORES IMPROVE

FICO Scores nationally average around 703

## Average FICO® Score 8



Source: Experian, from the second quarter of each year

## Average FICO® Score 8

	April 2009	April 2019	Increase
Riverside-San Bernardino	660	691	31
San Francisco Bay Area	710	737	27
Los Angeles-Long Beach	682	709	27
Las Vegas Area	660	687	26
Denver Area	696	723	26
Miami Area	652	678	26
Phoenix-Mesa Area	678	704	26
San Diego Area	693	718	25
Dallas Area	669	694	25
Detroit Area	681	706	24
National	687	706	19

Top 10 MSAs with largest increase in average FICO® Score 8

# FICO SCORES VARY BY DEMOGRAPHICS

Younger buyers (Millennials) have average FICO scores below 700



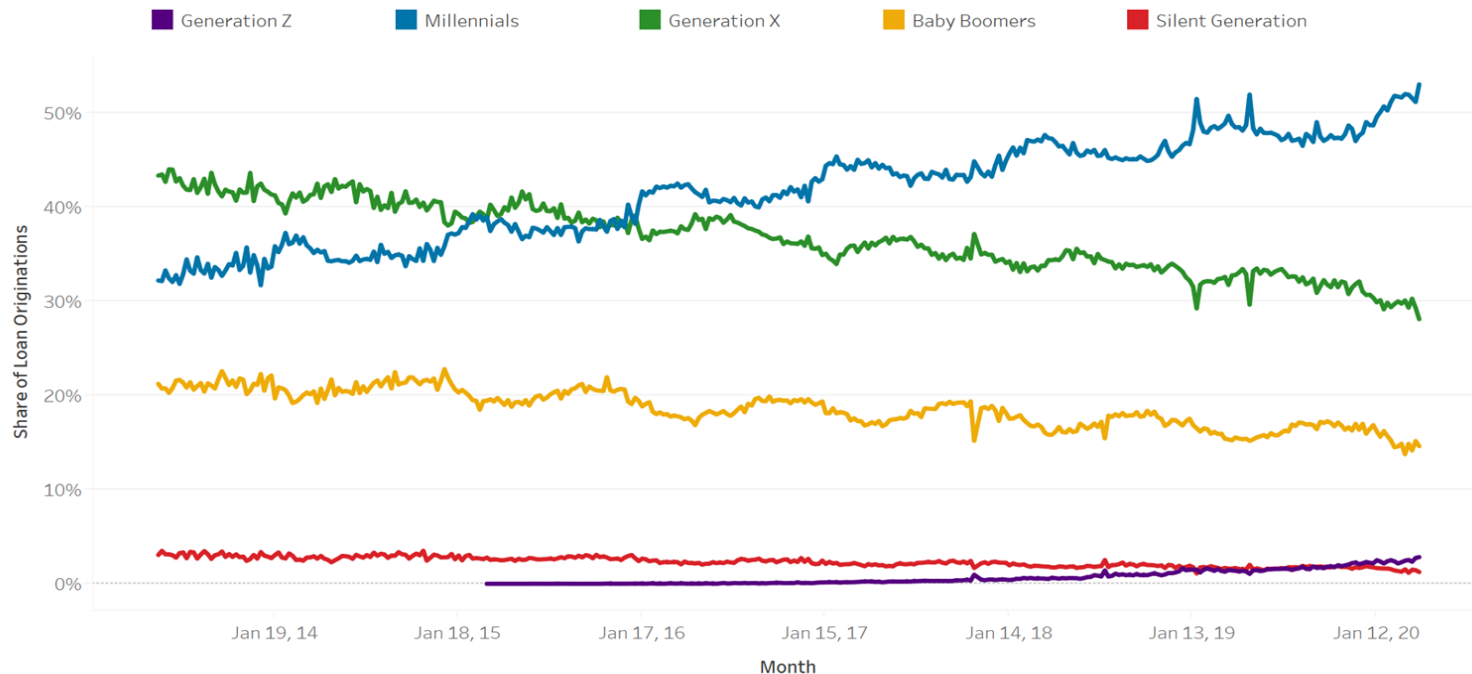
PreCovid	680+ (Min Credit Score); 5-10%+ (Min Down payment)
PostCovid	700-720+ (Min Credit Score); 20%+ (Min Down payment)



# MILLENNIAL COHORT REMAINS DRIVING FORCE

Crisis has not yet shifted mix of loan originations between generation groups

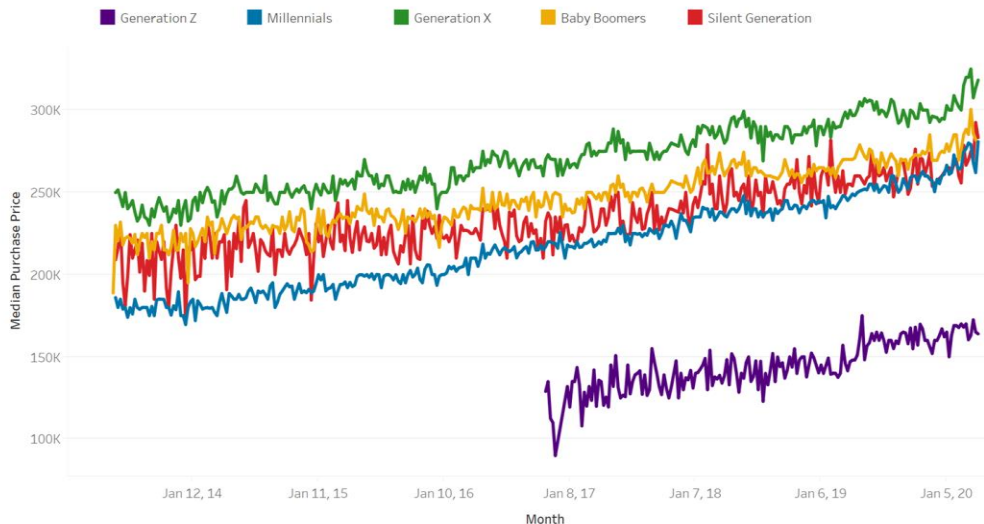
## Share of Mortgage Originations by Generational Group



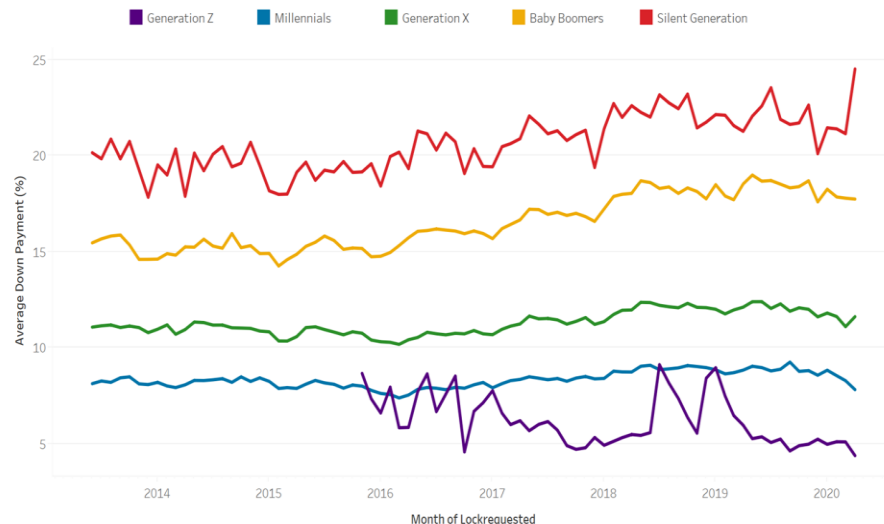
# MILLENNIALS PURCHASE HIGHER PRICED HOMES

Now matching Boomers in median purchase price, while making smaller down payments

## Median Purchase Price



## Average Down Payment (%)



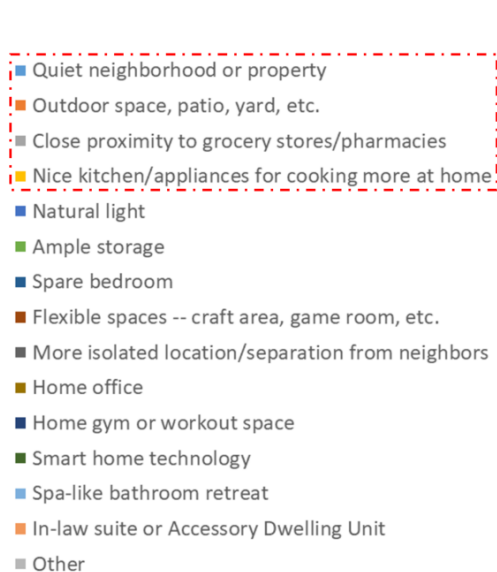
realtor.com® Source: Realtor.com analysis of Optimal Blue mortgage origination data.

realtor.com® Source: Realtor.com analysis of Optimal Blue mortgage origination data.

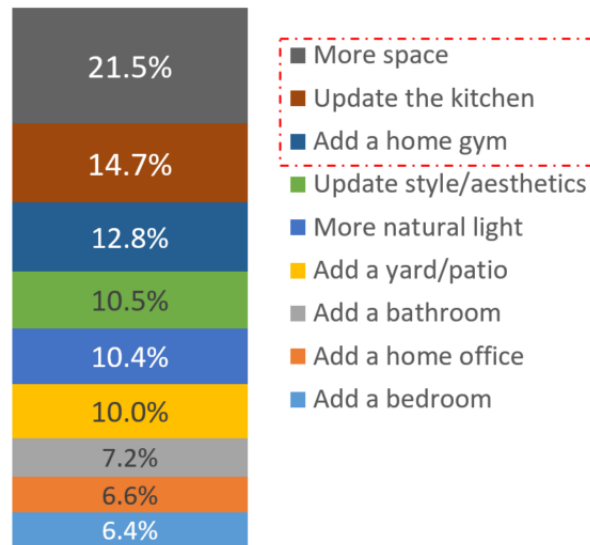
# CONSUMER PREFERENCES SHIFT DURING COVID

As homes become live, work, learn & exercise places, need for space grows

Most important feature in current home



Change current home to make it more livable during COVID-19

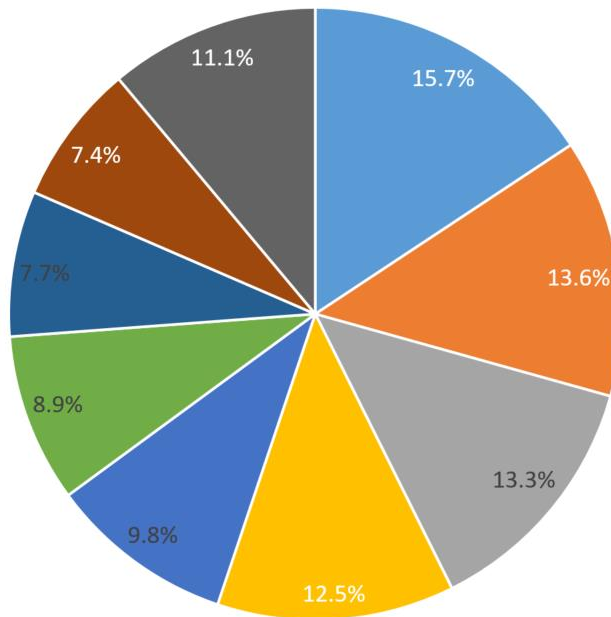


# BIGGER HOMES & MORE OUTDOOR SPACE

Must-haves for next homes focused on space, outdoors and features



Consumer Must-Haves for Next Home



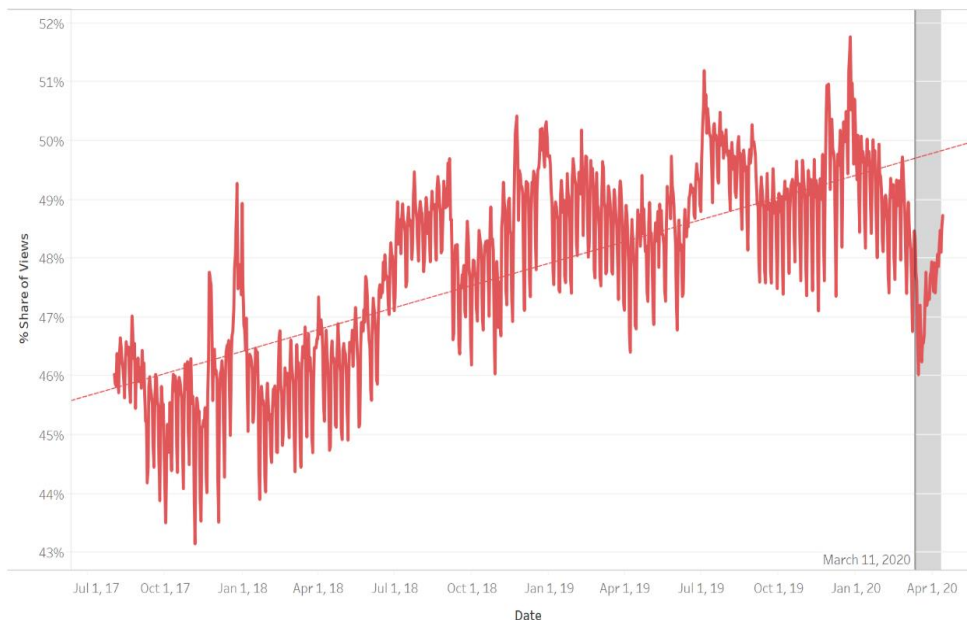
- More space in the house
- More/better outdoor space
- Updated kitchen
- More/better technology (faster WiFi, smart home features, etc.)
- Separation from the neighbors
- More bathrooms
- More separation inside the house (e.g. rooms with doors)
- Better insulation/soundproofing from outdoor noise
- None of these, I'm happy with my home

# MIGRATION TO SUBURBS & SMALLER CITIES?

Initial response to pandemic was to cut back on out-of-metro views, but returning to trend

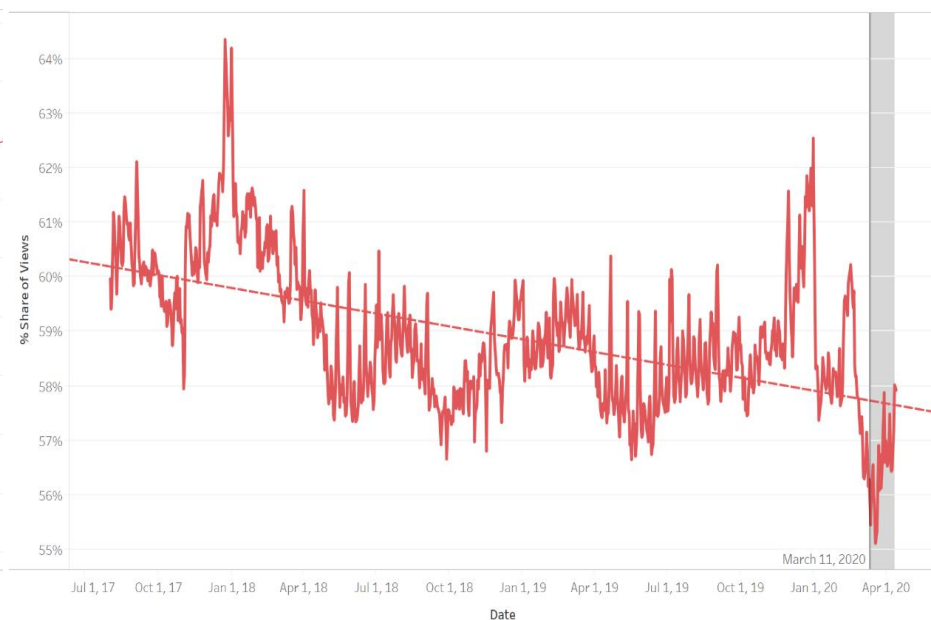
## Largest 100 Metros

Share of Home Shoppers Shopping Outside of Their Home Metros



## Smaller Metros

Share of Home Shoppers Shopping Outside of Their Home Metros

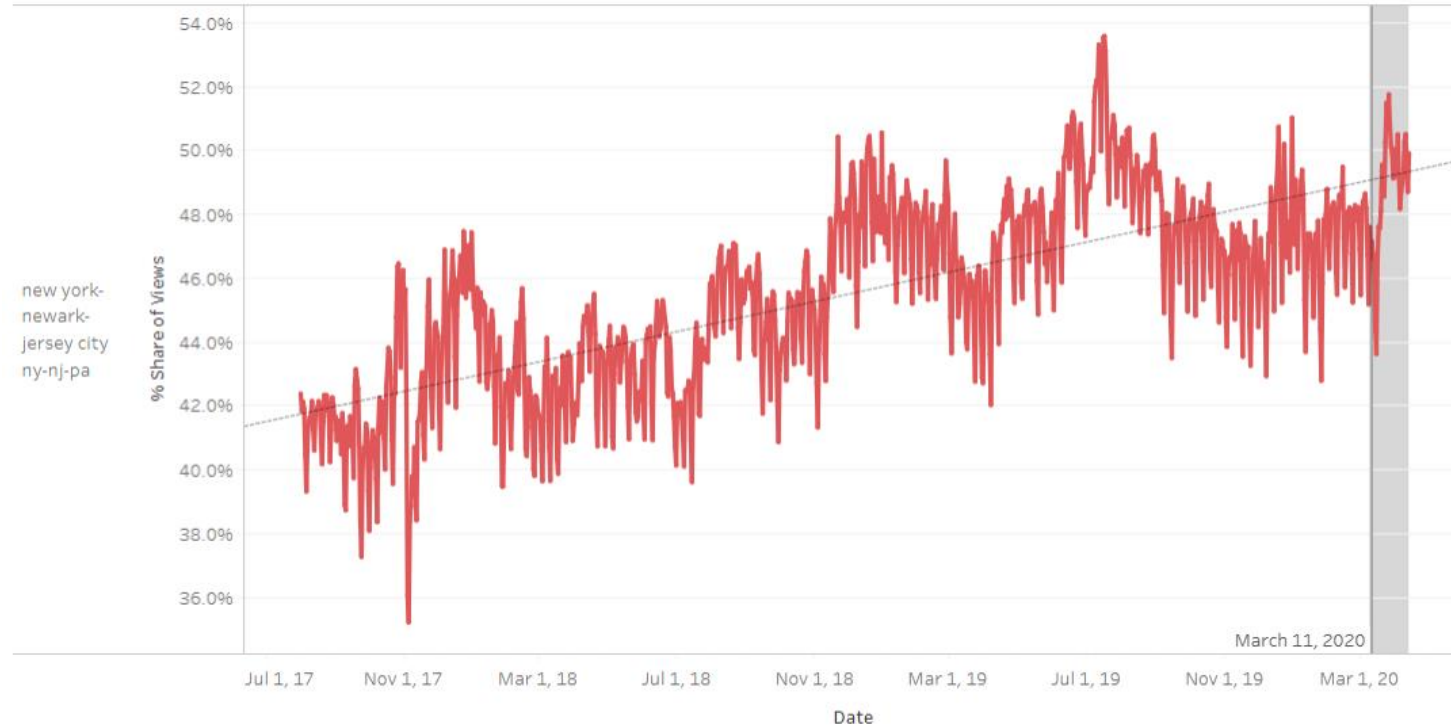


# LEAVING NEW YORK?

Interest in out-of-the-city housing jumped

Metro

new york-newark-jersey city ny-nj-pa





# LEAVING NEW YORK?

Interest remains geographically focused along Eastern seaboard

## Change in Cross-Market View Shares

Post-COVID-10 vs Same Time Last Year

realtor.com®

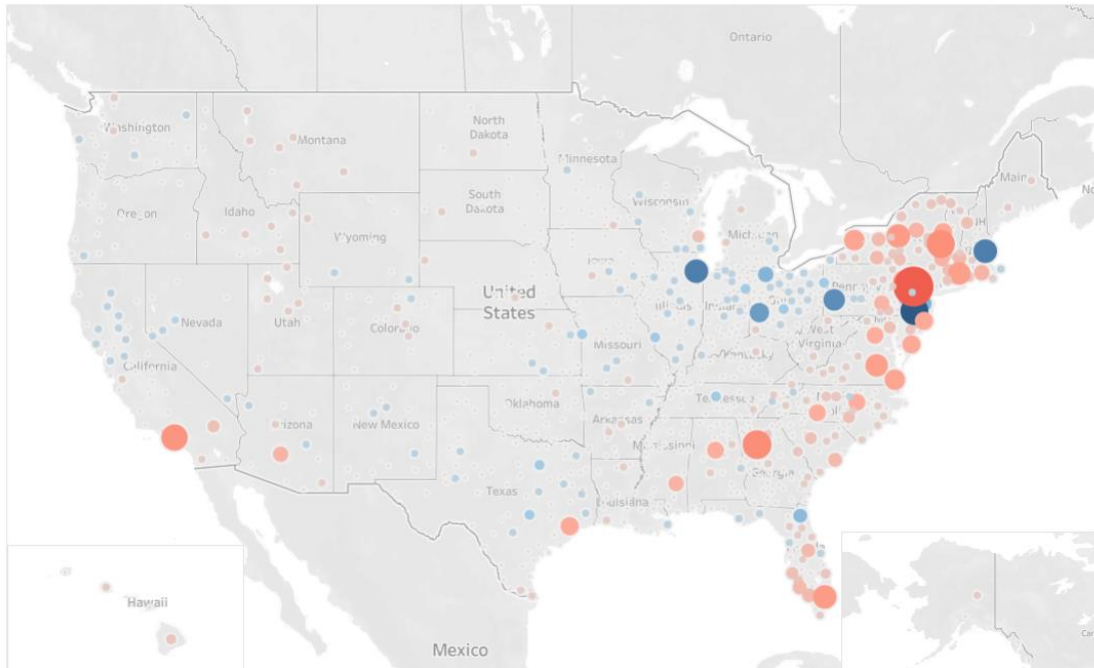
Metropolitan Area

new york-newark-jersey city ny-nj-pa

Difference in Share of Views, Post-COVID-19 vs Same Time Last Year

-0.17%

0.71%



Top 3 Cross-Markets for New York buyers:

1. East Stroudsburg, PA
2. Atlanta-Sandy Springs, GA
3. Albany-Schenectady, NY

realtor.com®

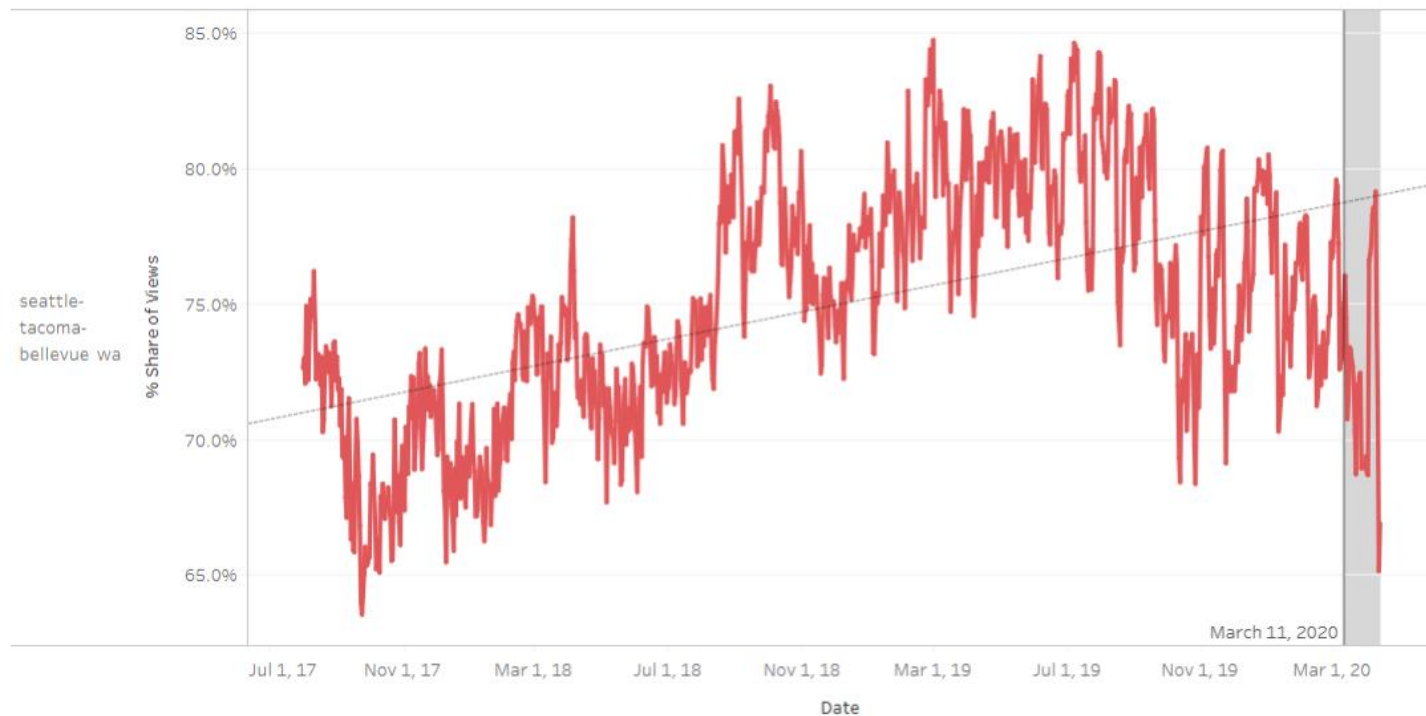


# WHAT'S NOT LOVE ABOUT SEATTLE?

Initial response to pandemic was to cut back on out-of-metro views

Metro

seattle-tacoma-bellevue wa



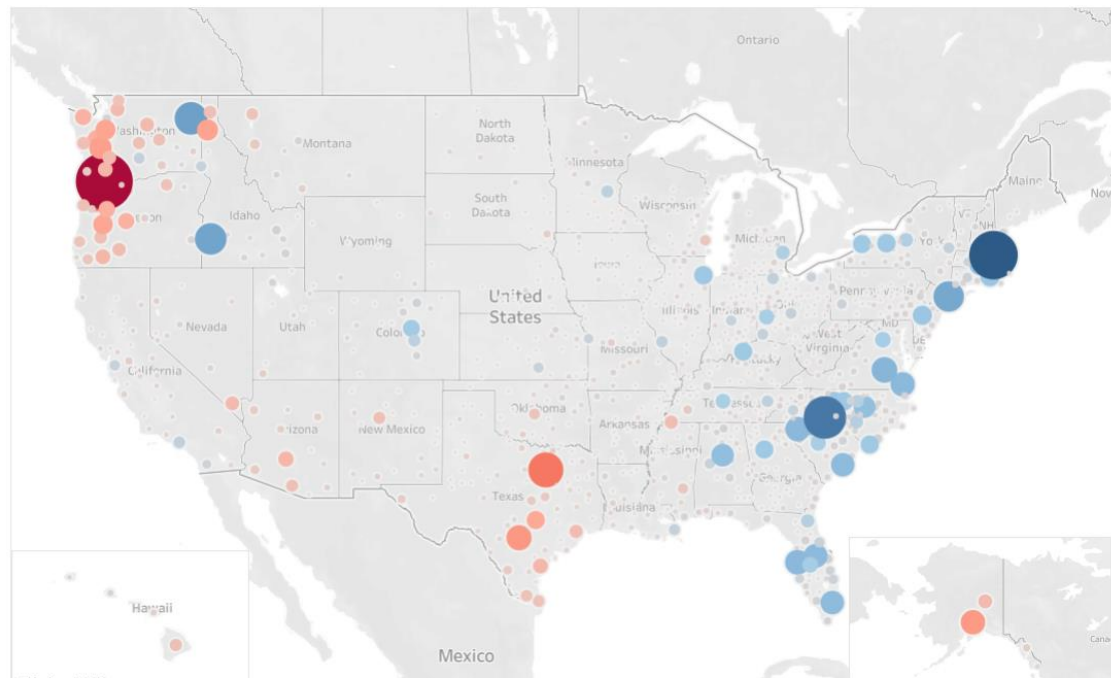
# WHAT'S NOT LOVE ABOUT SEATTLE?

Initial clustered in Northwest region, with pickup in Texas markets

## Change in Cross-Market View Shares

Post-COVID-10 vs Same Time Last Year

realtor.com®



Top 3 Cross-Markets for Seattle buyers:

1. Portland-Vancouver, OR-WA
2. Dallas-Fort Worth, TX
3. Salem, OR

realtor.com®

# HOUSING DEMOGRAPHICS

Millennials and Gen X driving housing market in 2020

## Share of Primary Residence Mortgage Originations by Age

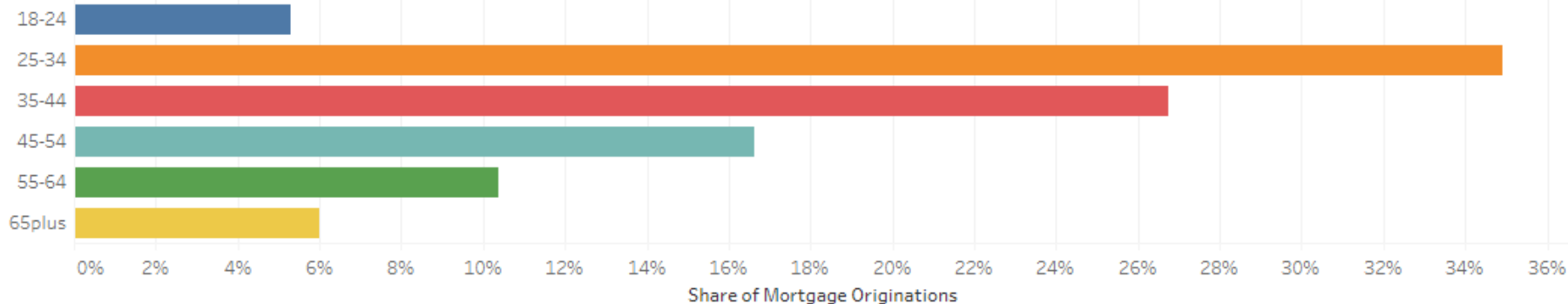
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Quarter

2020 Q1

Metro

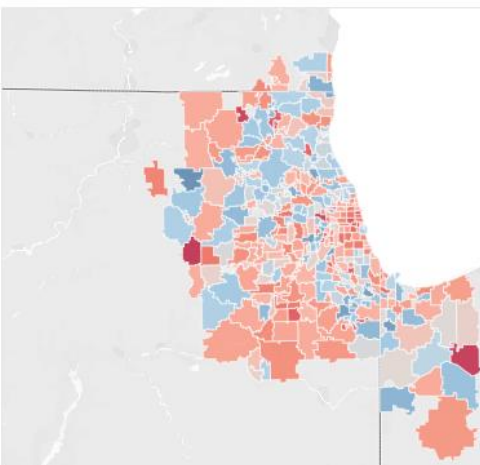
(All)



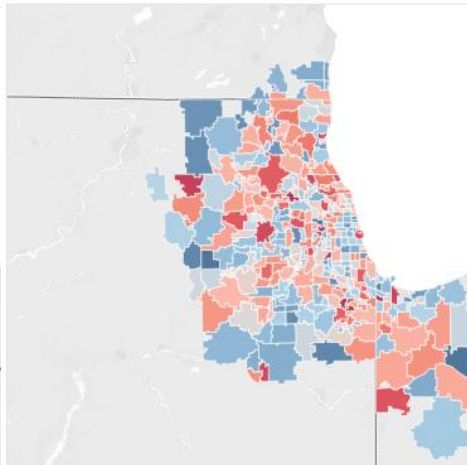
# CHICAGO HOUSING DEMOGRAPHICS

Millennials and Gen X driving housing market in 2020

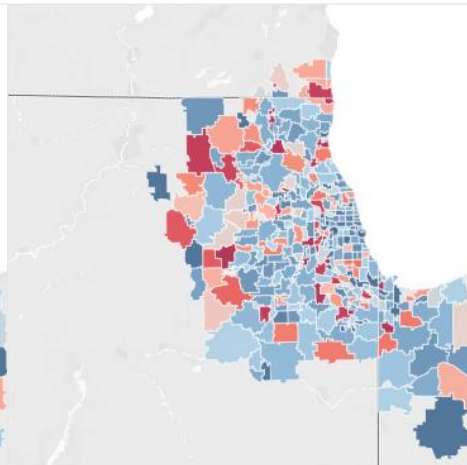
Millennials



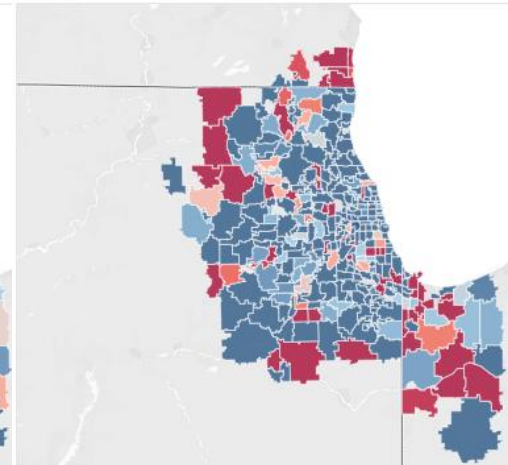
GenX



Boomers



GenZ



# DALLAS-FT WORTH HOUSING DEMOGRAPHICS

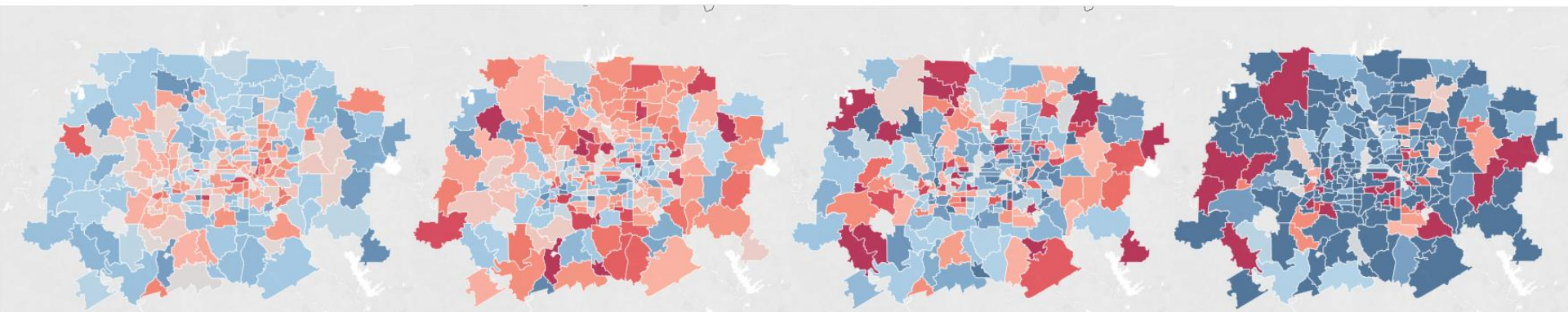
Millennials and Gen X driving housing market in 2020

Millennials

Gen X

Boomers

Gen Z



# 2020 OUTLOOK



# 2020 ECONOMIC OUTLOOK

Economic activity feels downward pressures

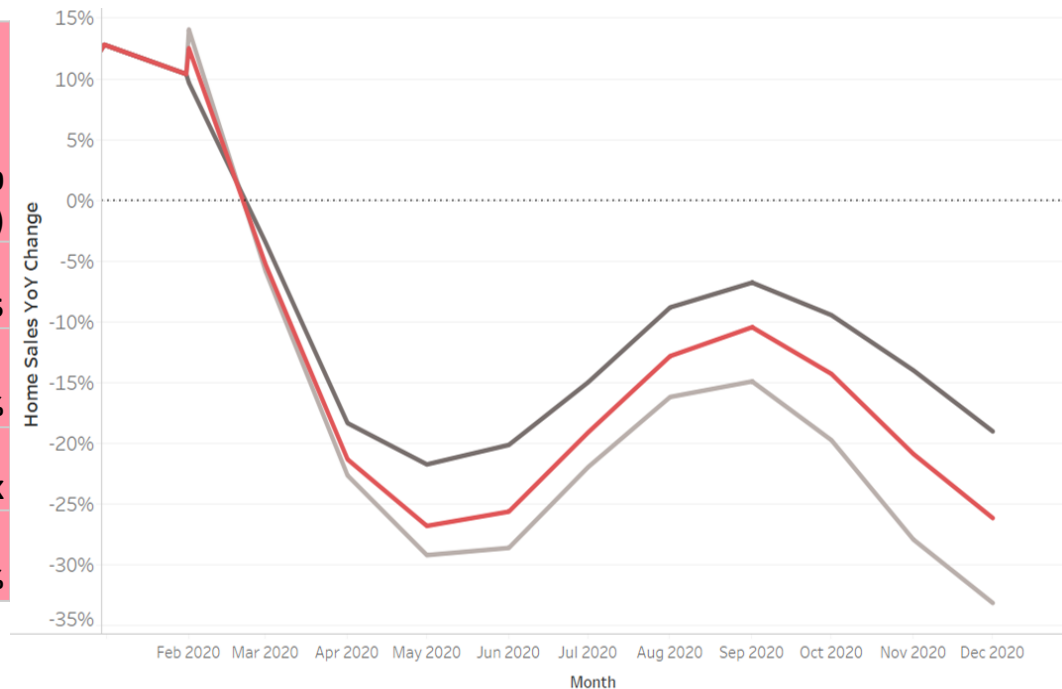
Economic Indicator	2019	2020 (Original)	2020 (Updated)
Unemployment Rate	3.7%	5%	<b>8-10%</b> (Peak 20%)
Single-Family Housing Starts (Mil.)	0.9	1.0 (+10%)	<b>0.79</b> (-11%)
GDP Growth y/y	+2.3%	+1.8%	<b>-3.0%</b>
Household Formation y/y	+1.2%	+1.0%	LOWER
30 yr Fixed Mortgage Rate	3.9%	3.5%	<b>3.2%</b>
Household Income y/y	+2.5%	+1.5%	LOWER

- Unemployment rate set to double
- New construction to be cut
- GDP to decline at historic rate, but bounce back
- Household creation and household income to stall
- 30-year fixed mortgage rate to drop but remain volatile

# 2020 HOUSING OUTLOOK

Sales projected to follow W-shaped recovery, 2020 likely down 15-25%

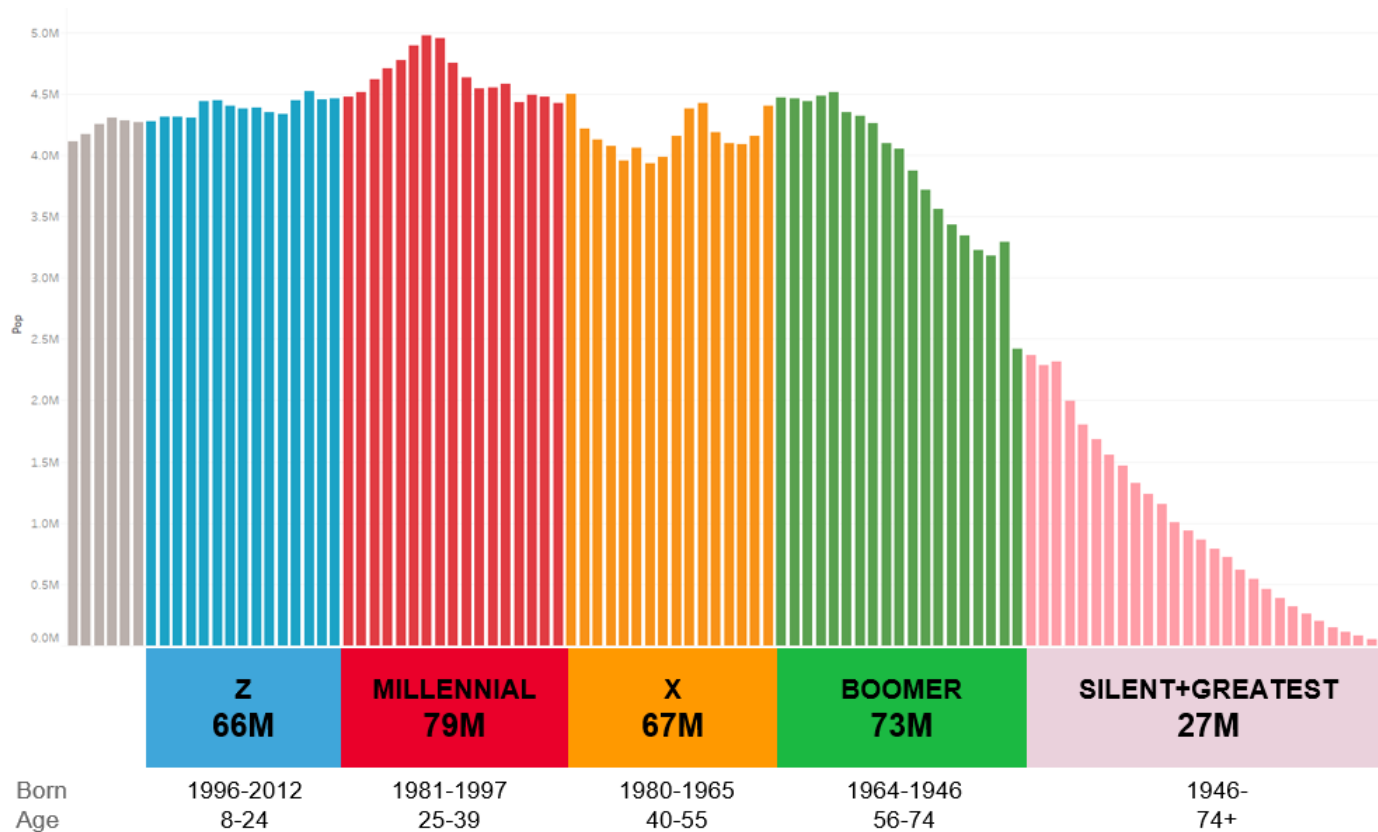
Housing Metric	2019	2020 (Original)	2020 (Updated)
Existing Home Sales (million)	5.34	5.25	4.1 - 4.5
Existing Home Sales Y/Y	0.0%	-1.8%	-15 to -25%
Existing Home Prices	\$272K	\$274K	\$260 - \$275K
Existing Home Prices Y/Y	+3.9%	+0.8%	-1 to +1%





# 2020 & BEYOND - OUTLOOK

Largest generation in U.S. history will continue to dominate by sheer numbers



# LOOKING FOR RESOURCES?

Macroeconomic indicators, housing trends, demographics, metropolitan insights

Research Portal  
[realtor.com/research](https://realtor.com/research)

Data Library  
[realtor.com/research/data](https://realtor.com/research/data)

COVID-19 Resource Page  
[realtor.com/covid-19](https://realtor.com/covid-19)

Twitter Handle  
[@RDC\\_Economics](https://twitter.com/RDC_Economics)

**Market Summary - April 2020**

Enter market name  
United States

April 2020  
View market trends

Median List Prices \$320K 1% YoY	Days on Market 62 Days 2% YoY	Active Listings 1,043,205 1% YoY
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## Latest in Research

**2020 Housing Market Forecast**  
COVID-19 UPDATE | MAY 2020

**Video: Weekly Economic and Housing Market Update**  
May 15, 2020  
To keep up with the rapid changes COVID-19 is having on the economy and housing market, the realtor.com economics team is publishing a weekly video update that will provide concise updates on the market's real estate and economic information. You'll need to click on the link to the housing market if these changes continue.

**2020 Housing Market Forecast**  
COVID-19 UPDATE | MAY 2020

**Weekly Housing Trends View - Data Week May 9, 2020**  
In light of the developing COVID-19 situation affecting the housing market, we want to give readers more insight into weekly updates, trends that the housing market.

**2020 Housing Market Predictions - COVID-19 Update**  
Market scores released 2020 Housing Market Predictions in response to COVID-19. Based on the latest available data, we forecast the housing market.

**Data**

Realtor.com Real Estate Data Library

Data Attribution: Files in the realtor.com real estate data library are free to use. We just ask that you attribute any full or partial use of the data to realtor.com with a link to this page. See specific notes on attribution for each data series under sections below.

How to use the data: Files are structured for database use, and contain multiple metrics for different levels of geography down to zip code level. Current month data shows figures for the latest month available, while the historical data contains monthly series going back in time. The All Residential category includes data on all homes (single family home and condominiums) for the given level of geography. See key remarks for important information regarding data quality and usage.

Key remarks: Data in this realtor.com library is based on the most comprehensive and accurate database of U.S.-listed-for-sale homes in the industry. We aggregate and analyze data from hundreds of sources and produce hundreds of metrics for multiple markets, and create figures and trends where possible for reliability and comparability. However, as we continue to evolve our coverage and fine-tune our definitions, some data points may be too volatile or incompatible over time or across markets. This is particularly true for data in its earlier geographies. It markets with special or changing definitions of active inventory. It markets with limited or partial listing, and it covers markets with limited or partial coverage. Where possible, these cases are annotated for individual metrics (see data dictionaries for more info). Also, every month, we reissue the full historical series, and past data points may change as we improve data breadth and accuracy, and/or re-date the data altogether.

**INVENTORY**

Market trends and monthly statistics on active for sale listings (including median list price, average list price, luxury list price, median days on market, average days on market, total active listings, new listings, price increases, price reductions). Attribution: cite any full or partial use of the data to the realtor.com residential listings database.

Updated on 5/17/2020 with data through December 2019. Next update scheduled for 2020/05/20 with data through January 2020.

CURRENT MONTH DATA					
NATIONAL	STATE	METRO	COUNTY	ZIP	
All Residential	View US Data	View State Data	View Metro Data	View County Data	View Zip Data

HISTORICAL DATA					
NATIONAL	STATE	METRO	COUNTY	ZIP	
All Residential	View US Data	View State Data	View Metro Data	View County Data	View Zip Data

**MARKET HOTNESS**

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