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## What Will the 2022 Housing Market Look Like?



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# What Will the 2022 Housing Market Look Like?

January 2022



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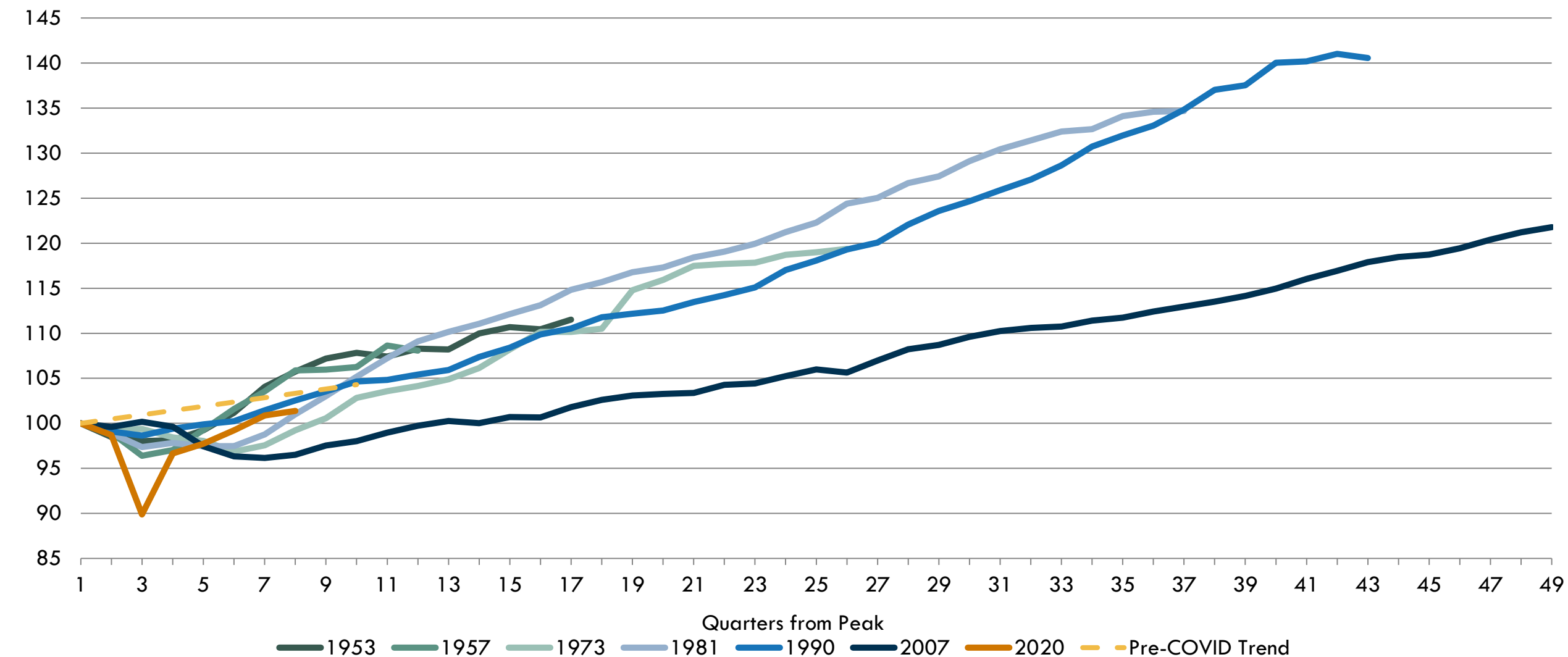
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# Measuring the Business Cycle- Recession, Expansion and Duration

Real Quarterly GDP (SA, %, Pre-Recession Peak = 100)



Source: BEA, FRED, Q3 2021



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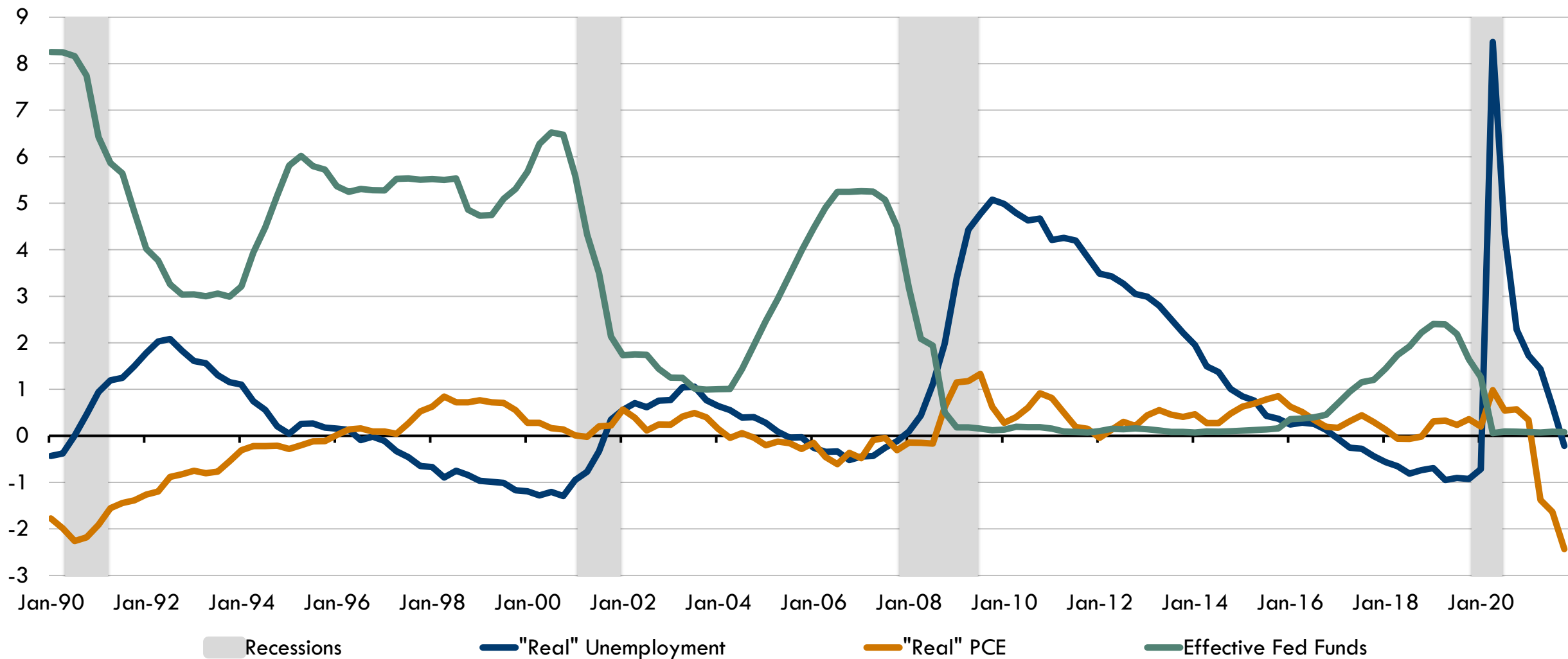


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# Fed Monetary Policy - Too Hot, Too Cold or Just Right

"Real" Unemployment & Inflation (Adjusted for Fed Targets)



Source: BLS, CBO, BEA, Fed Board of Governors, FRED, Q4 2021

\*Partial data for Q4 2021 Inflation



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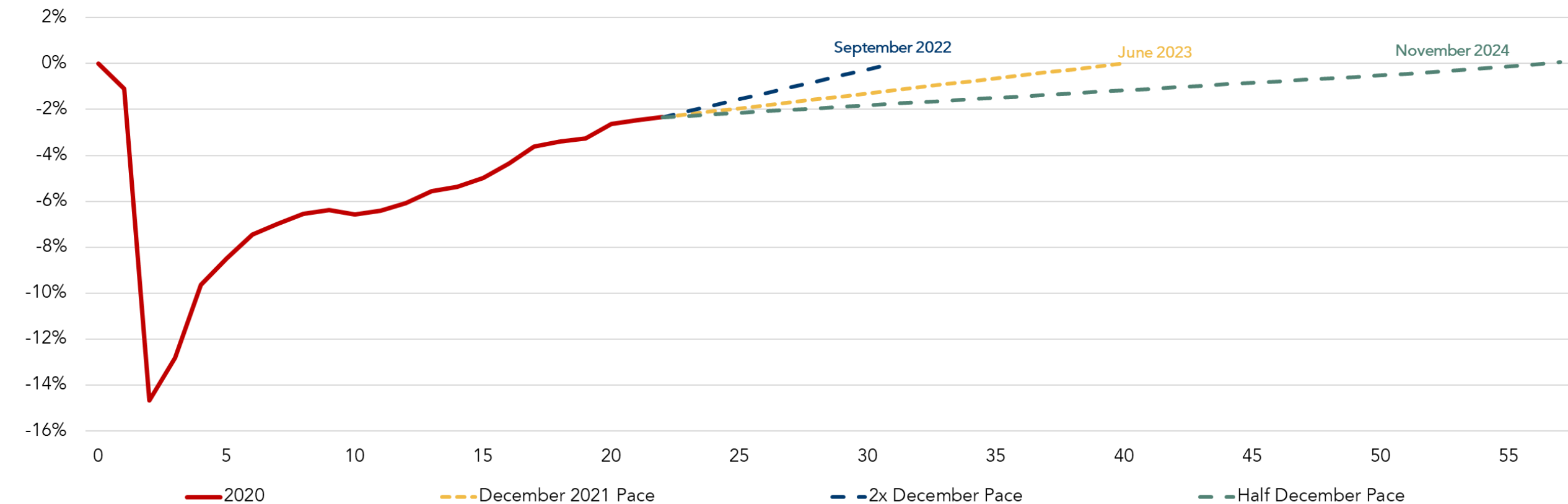


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## Paths to Pre-Recession Peak

Percent Job Losses Relative to Peak Employment Month and Number of Months After Peak Employment

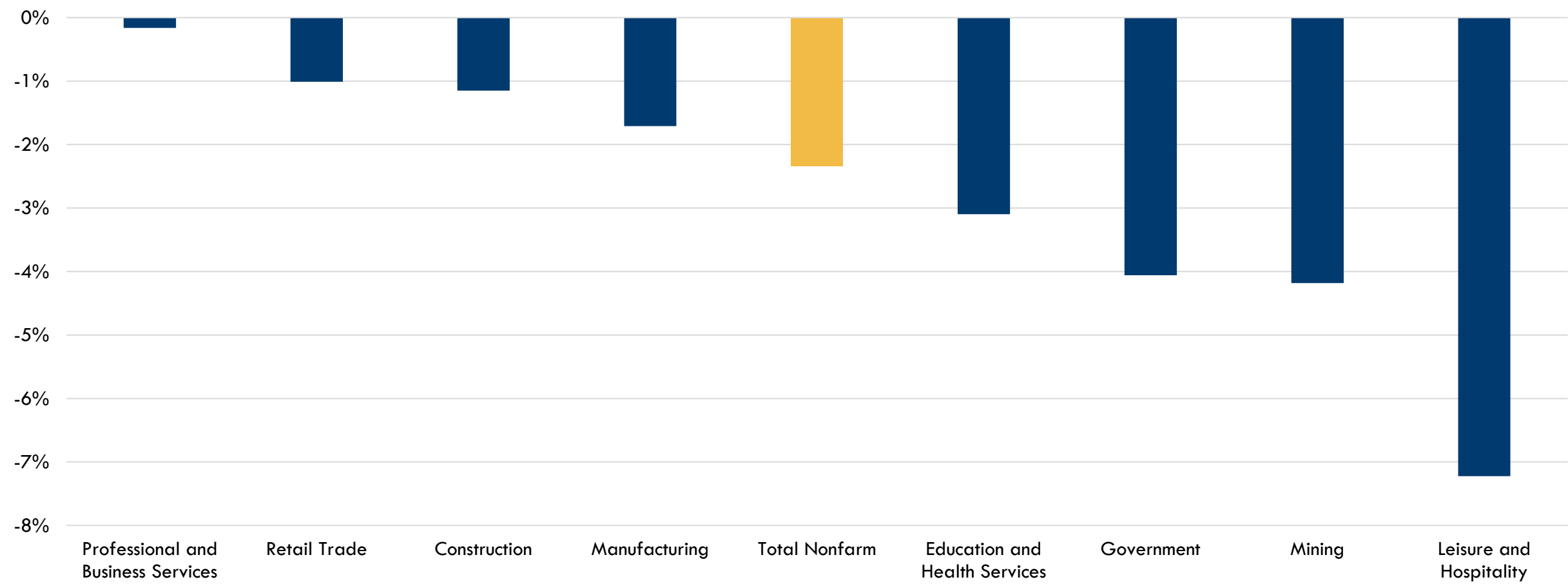


Source: BLS FRED, First American Calculations, Dec. 2021



# Returning to Work- What One Does for Work Matters

Feb. 2020- Dec. 2021 Percent Change

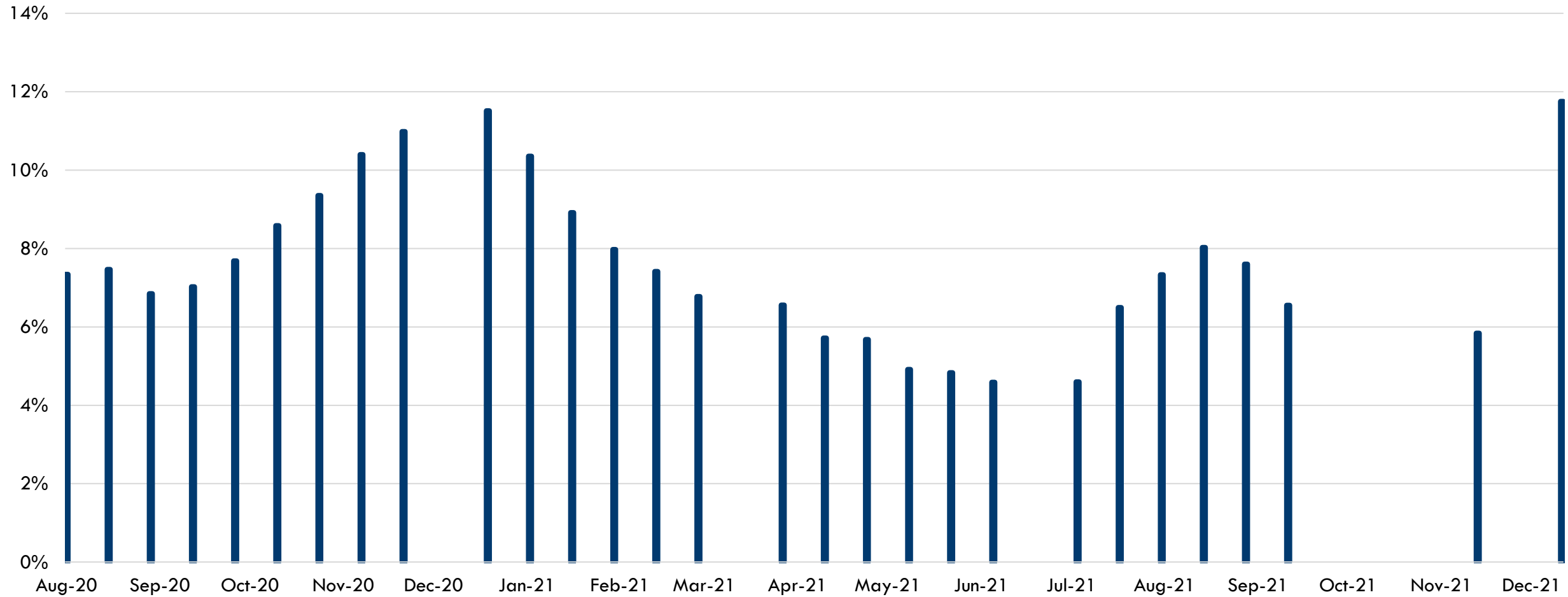


Source: Bureau of Labor Statistics, Dec. 2021



# Coronavirus Infections Surging Again

Share of adults whose main reason for not working in the last 7 days was being sick with, caring for someone sick with, or concerned with getting or spreading the coronavirus



Source: First American Calculations, Census Household Pulse Survey, Weeks 13-41



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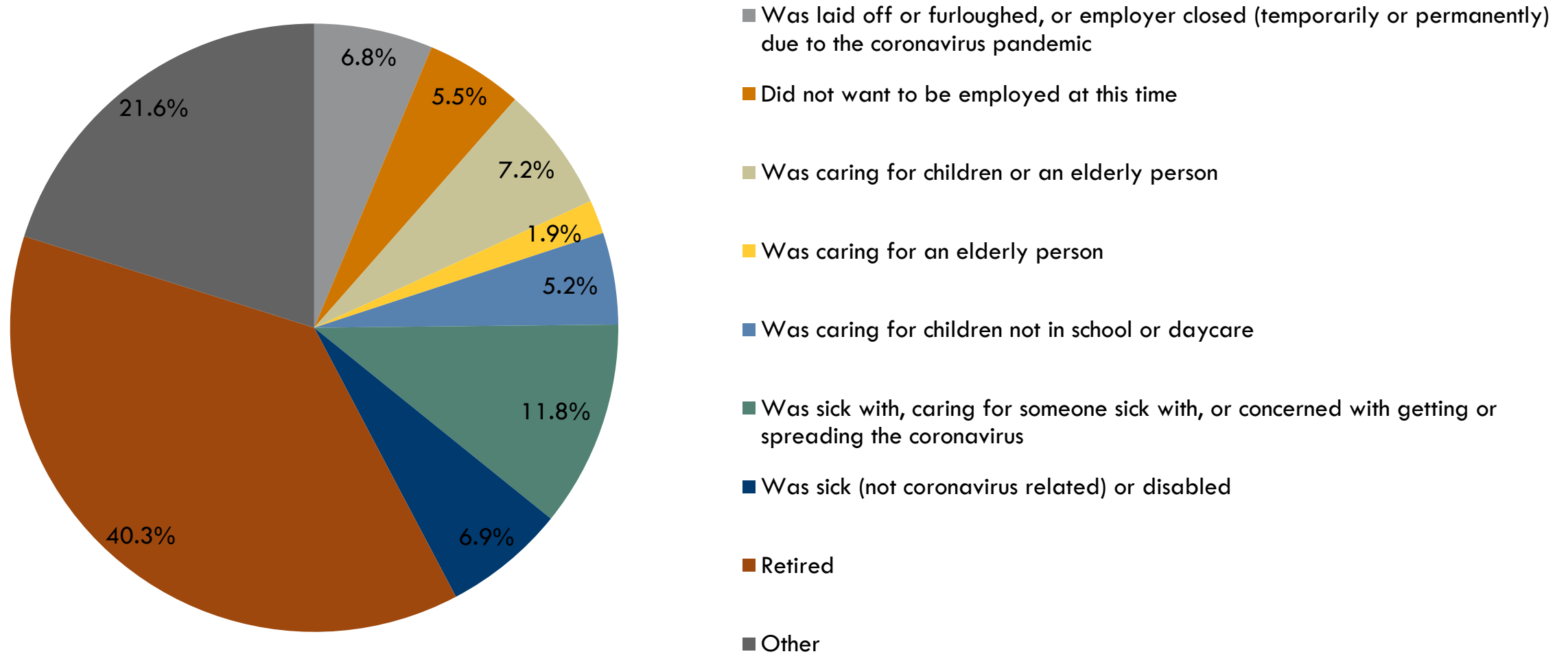


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# Main Reason for Not Working

Share of adults by main reason for not working in the last 7 days



Source: First American Calculations, Census Household Pulse Survey, Week 41: December 29, 2021 - January 10, 2022



The background of the slide features a dark blue gradient with faint, semi-transparent financial charts. At the top, there is a candlestick chart with green and red bars. Below it, a line chart with a light blue line is visible. The text 'The Demographic Tailwind' is centered in a white box.

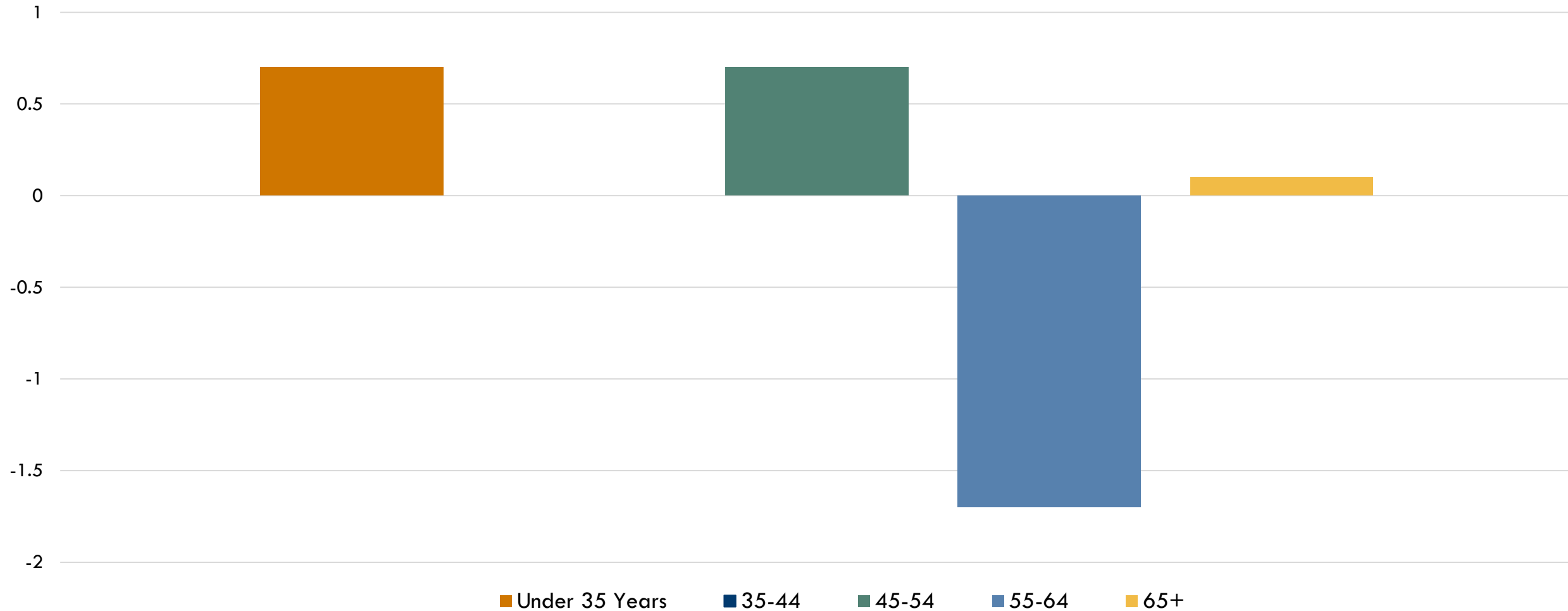
# The Demographic Tailwind





# Young Households Lead

Homeownership Rate by Age Cohort (Quarterly Growth, Percentage Points)



Source: U.S. Census Bureau, Q3 2021



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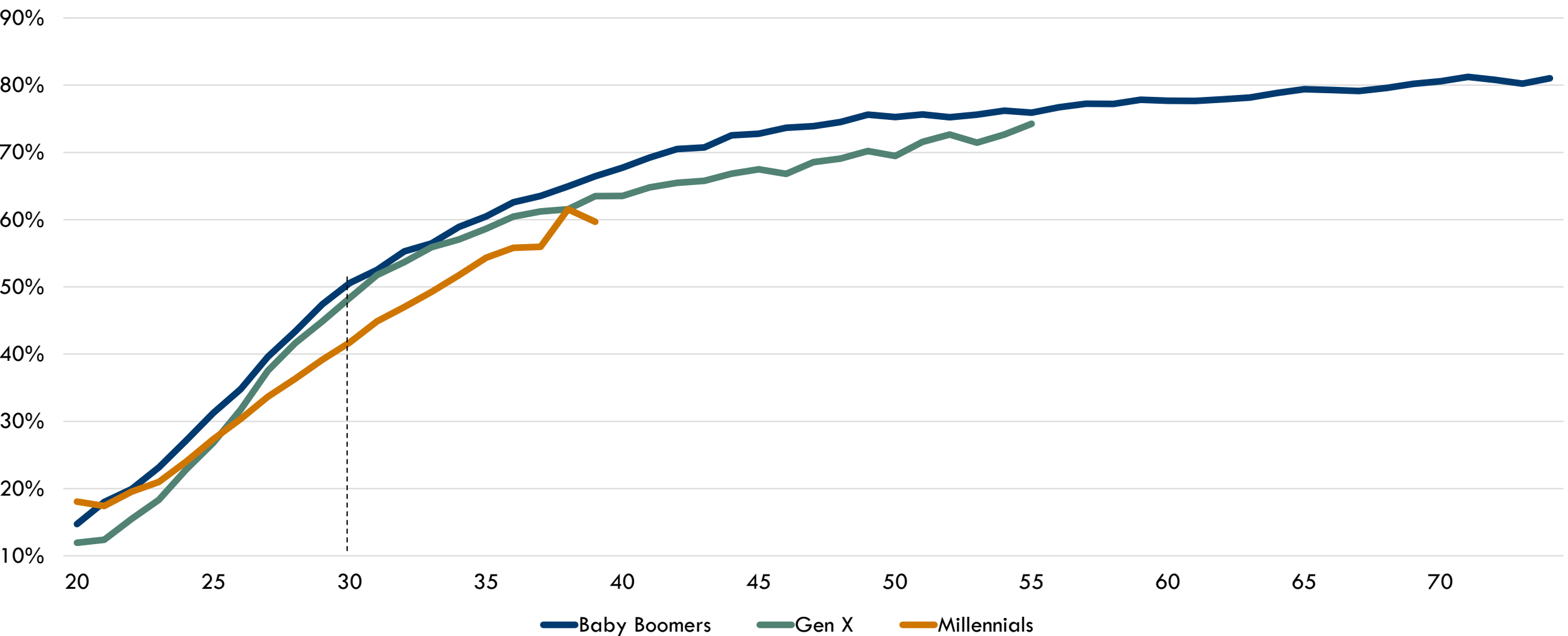


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# Millennials Playing Catchup

Homeownership Rate by Generation

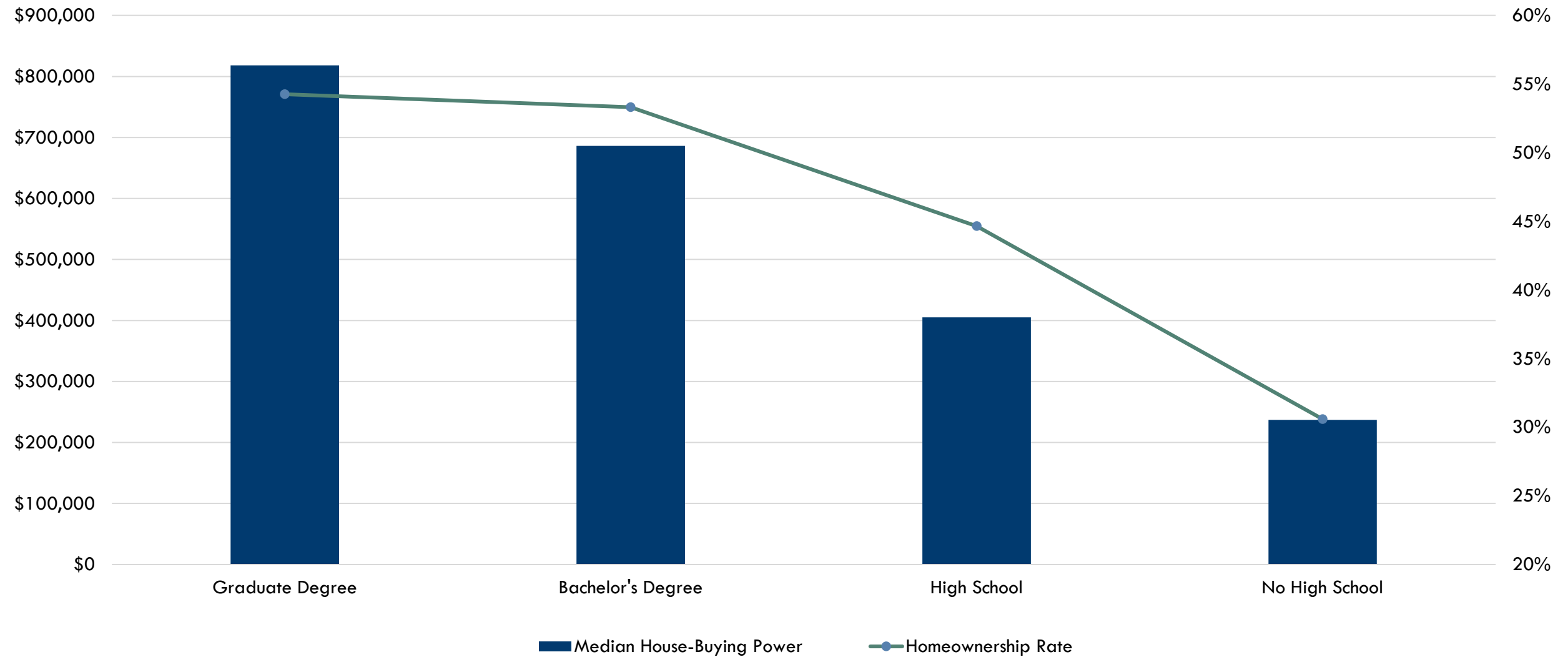


Source: IPUMS CPS, First American Calculations, 2020



# Education Pays Off

Median House-Buying Power (\$) and Homeownership Rate of Millennials in 2020 by Educational Attainment



Source: First American Calculations, Freddie Mac, IPUMS CPS, 2021



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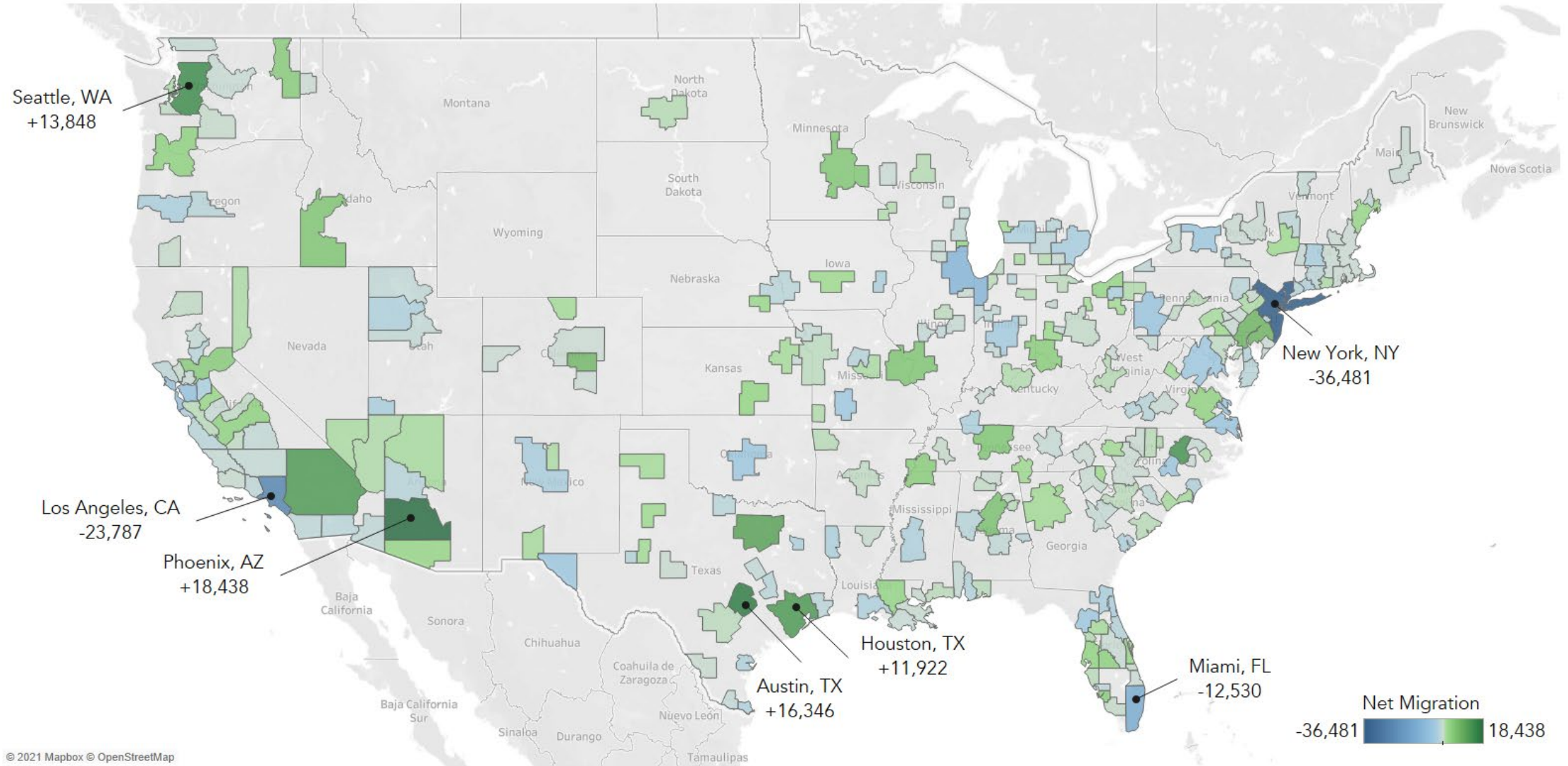


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## Where Young Adults Are Moving in 2019

Annual Net Migration of Residents 25 to 34



© 2021 Mapbox © OpenStreetMap

Source: First American Calculations, IPUMS ACS, 2019



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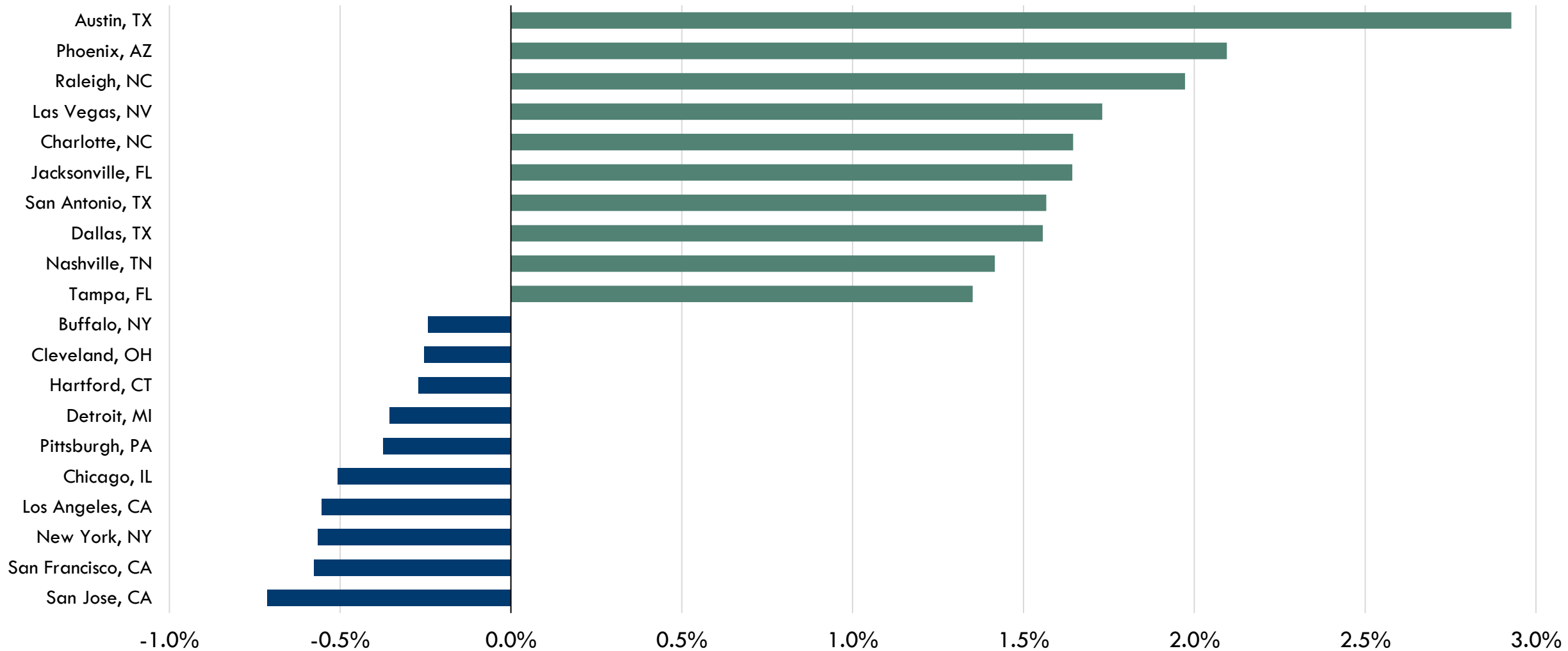


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# Which Cities Grew and Which Cities Shrank the Most?

Top 10 and Bottom 10 Metropolitan Areas by Percent Change in Population (2019-2020)

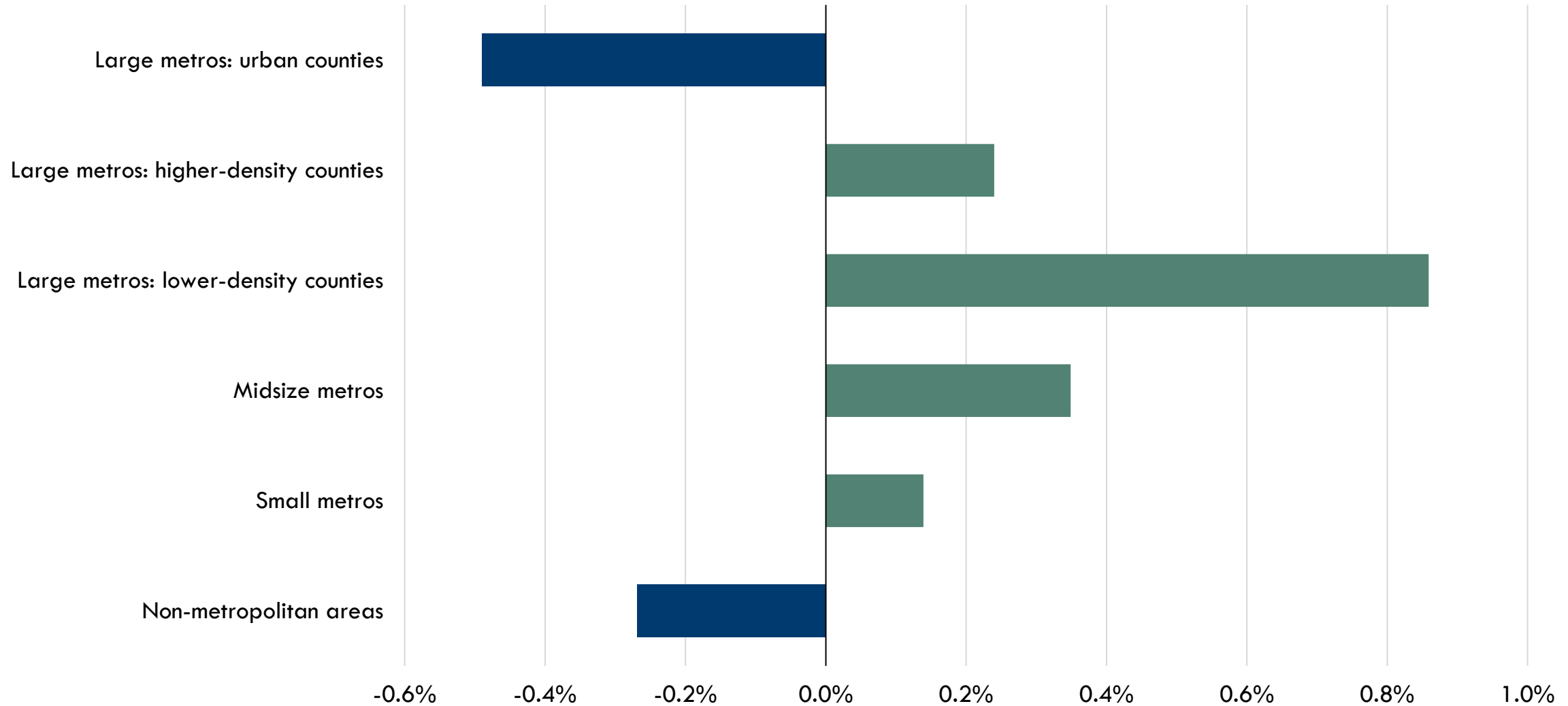


Source: Census Bureau, 2020



# Lower-Density Counties in Large Metros Grew Fastest in 2020

Annual Percent Change in Population by County Type



Source: Census Bureau, 2020



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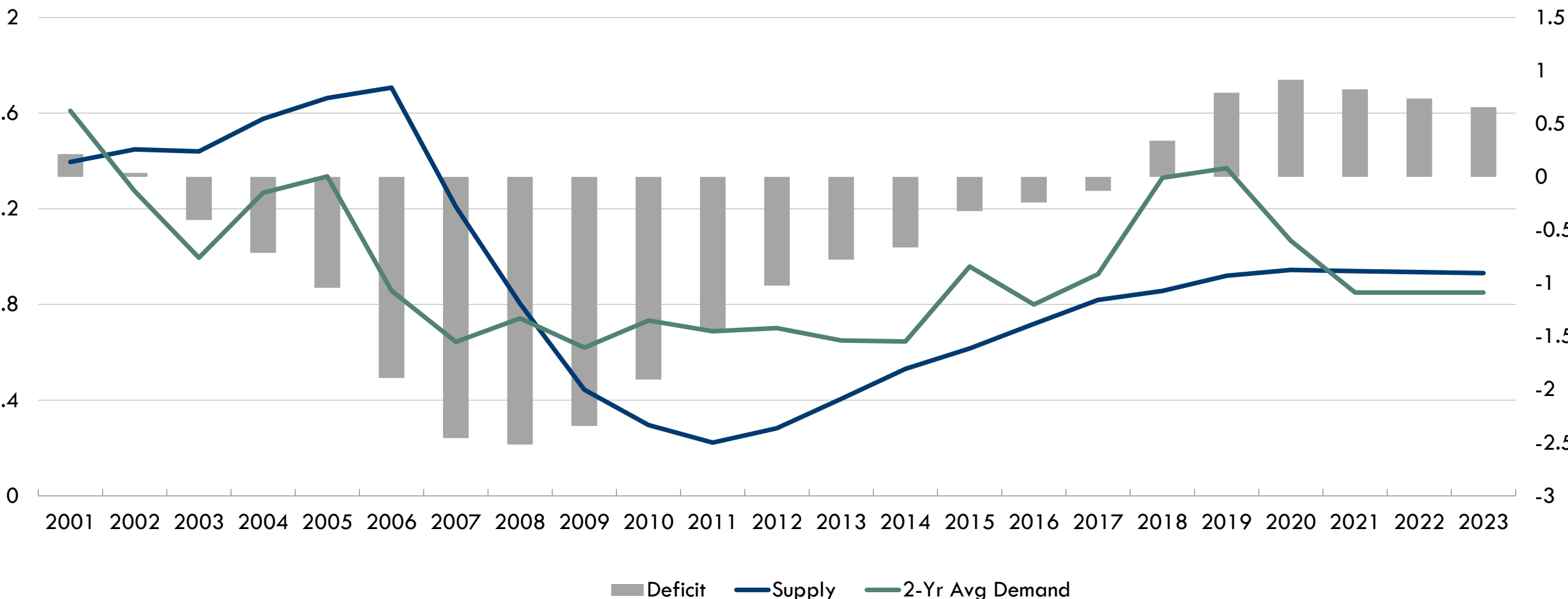
You Can't Buy What's Not For Sale





# Keeping Up With Increasing Demand

New Housing Units and Households (Year-Over-Year, Millions, LHS), Supply Shortage (Millions, RHS)

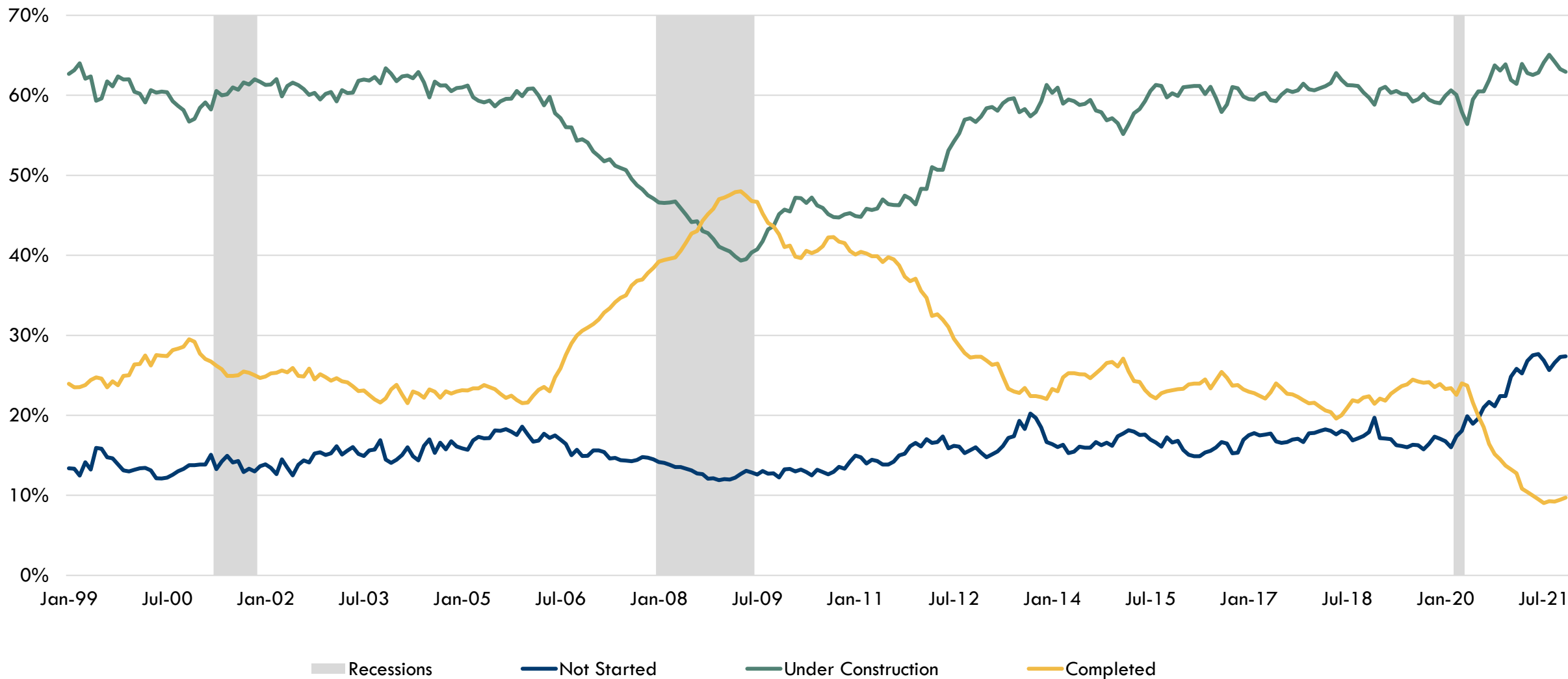


Source: Census Bureau, HUD (obsolescence rate of 0.31% of existing stock), 2020



# New Single-Family Home Inventory

The Share of New Houses For Sale by Stage of Construction, SA



Source: U.S. Census Bureau, Nov. 2021



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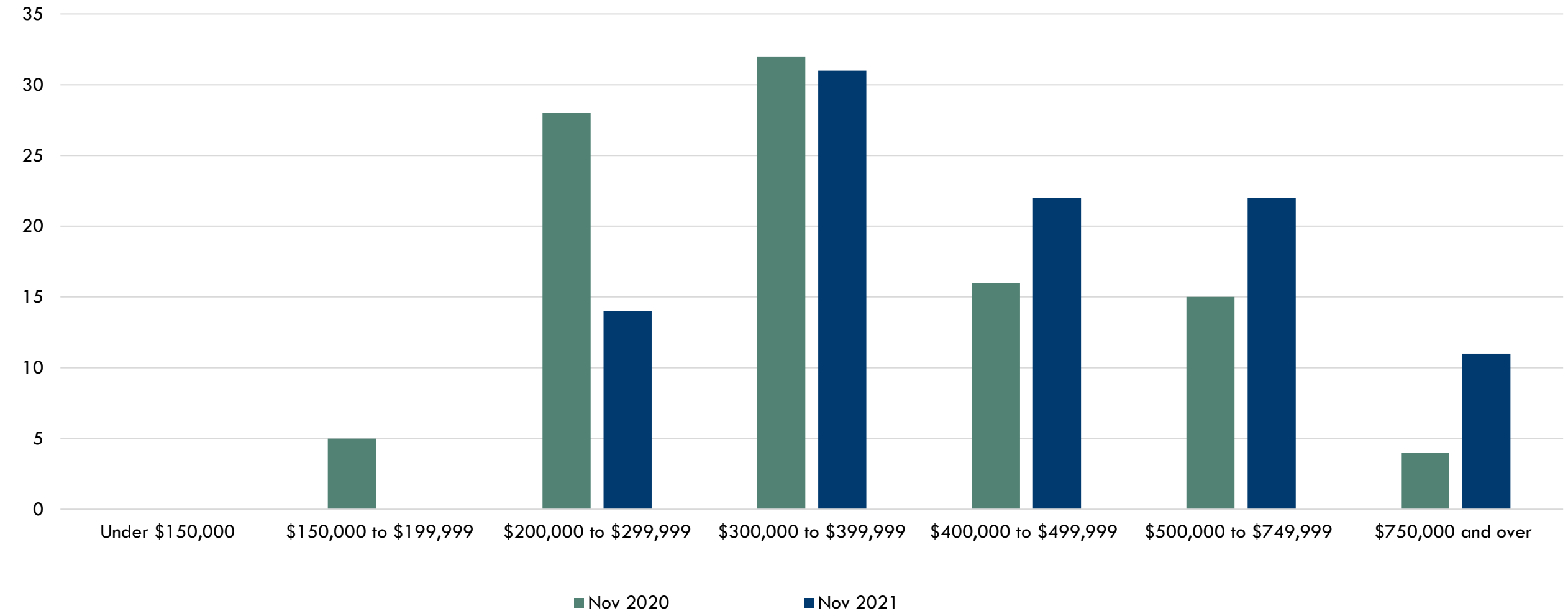


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# Entry-Level Supply is Limited

Share of New Houses Sold by Sales Price, %



Source: U.S. Census Bureau, First American Calculations, Nov. 2021



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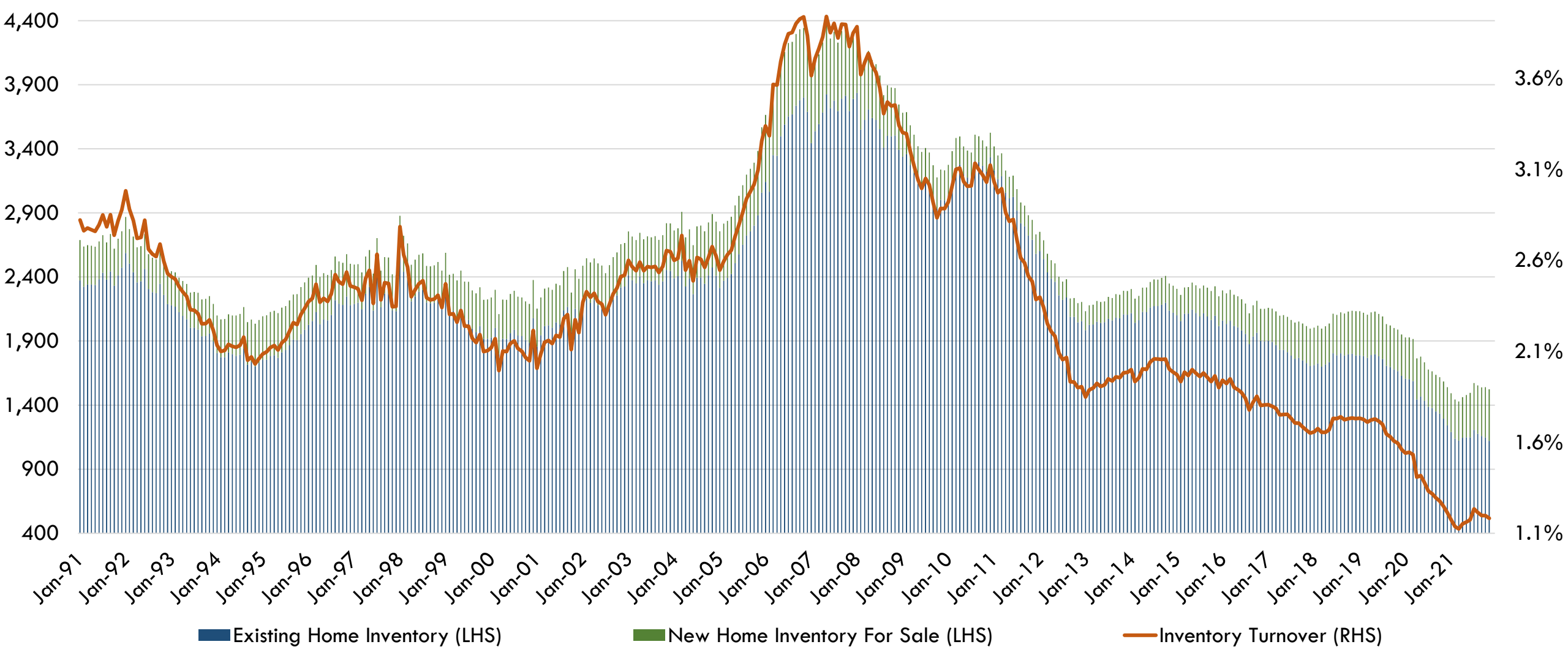


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# Inventory Remains Low

New and Existing Inventory for Sale (Thousands, SA, % of Households)



Source: NAR, Census, FRB St. Louis, First American Calculations, Nov. 2021



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# House Prices & Affordability

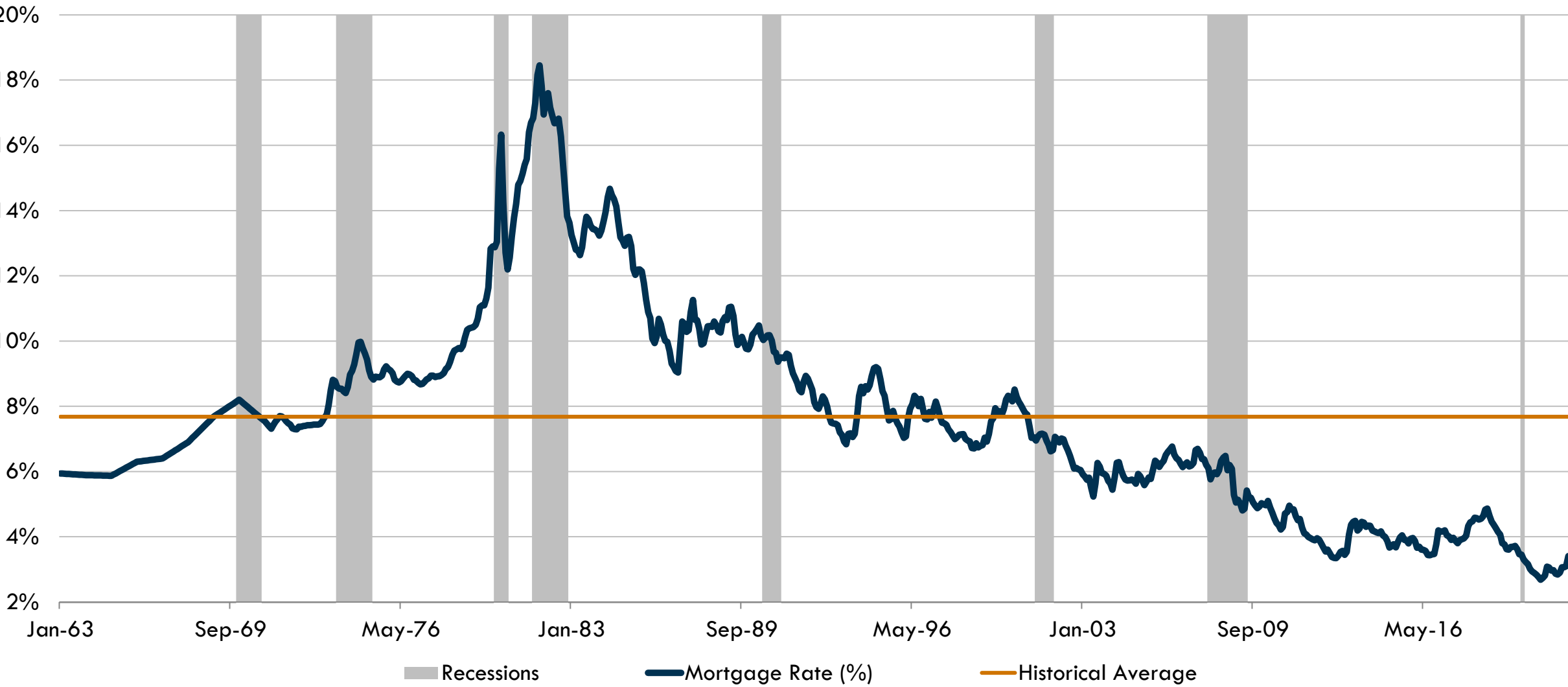


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# When Will Housing's 40-Year Tailwind Turns Into A Headwind

30-Year Fixed Rate (LHS), % NSA



Source: Freddie Mac , FRED, Jan. 2022

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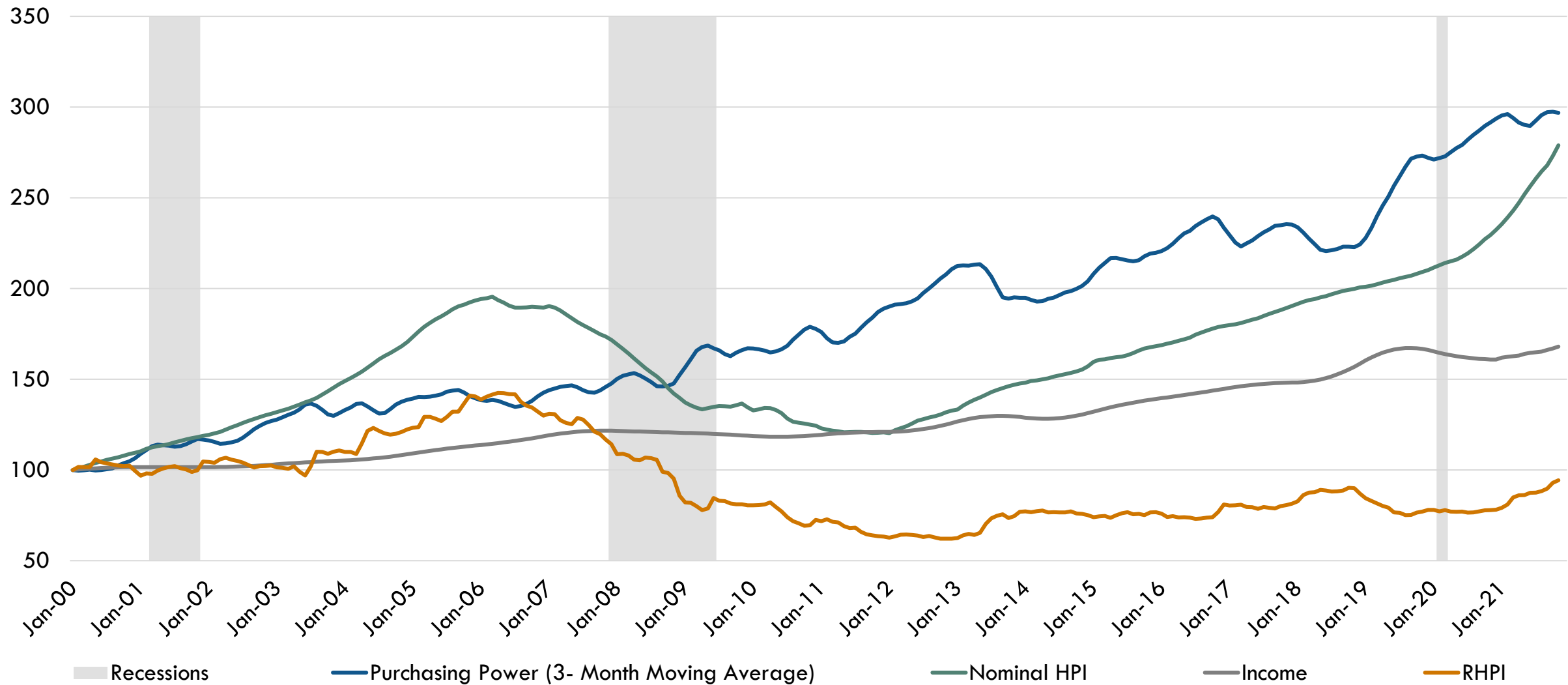


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# Decomposing the Real House Price Index (RHPI)

Index= 100, Jan. 2000

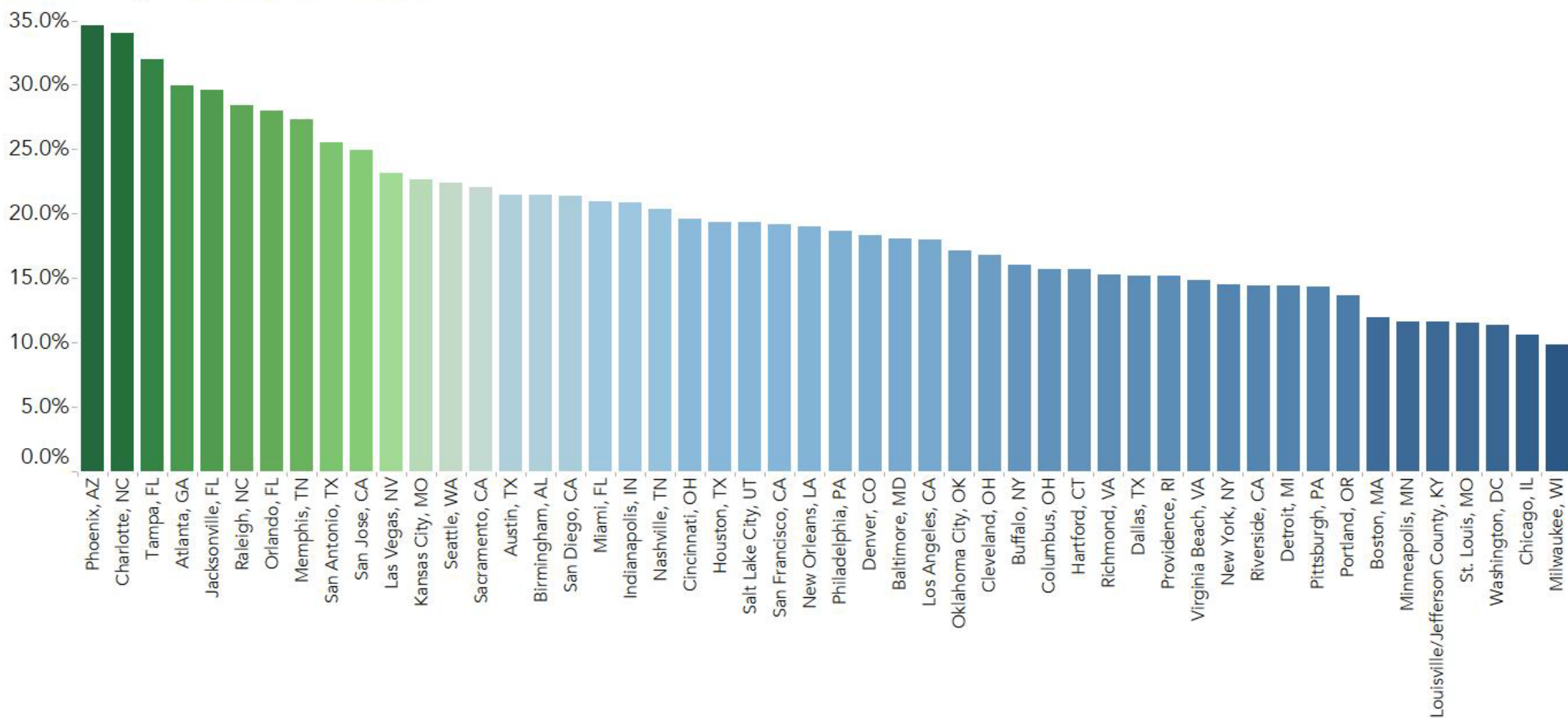


Source: First American Calculations, First American Data & Analytics, Standard & Poors, BLS, Census, Nov. 2021



## Where is Affordability Declining the Most?

Real House Price Growth (Year-Over-Year, %)



Source: First American Data & Analytics, First American Calculations, U.S. Census Bureau, Freddie Mac, Nov. 2021



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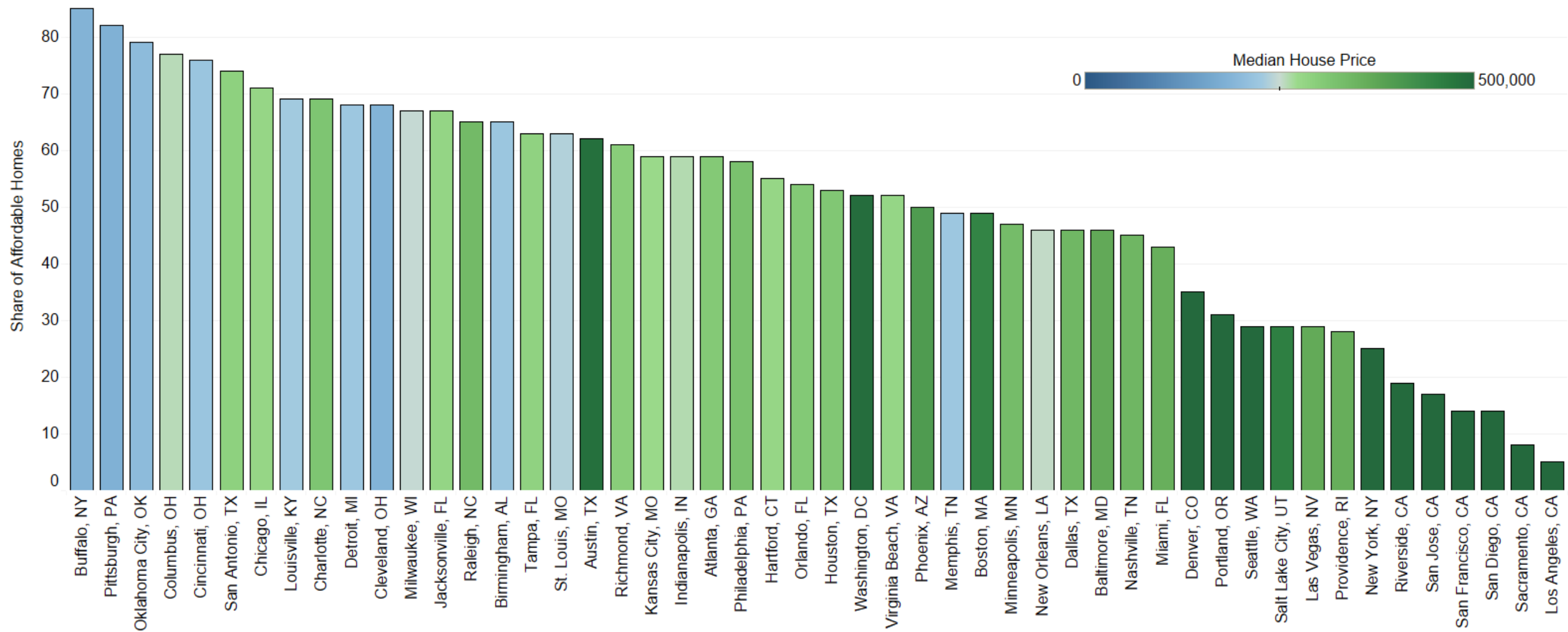


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# Where Can Renters Find the Largest Supply of Affordable Homes for Sale?

Share of Affordable Homes for the Median Renter



Source: First American Data & Analytics, Freddie Mac, Census, IPUMS CPS, Q3 2021



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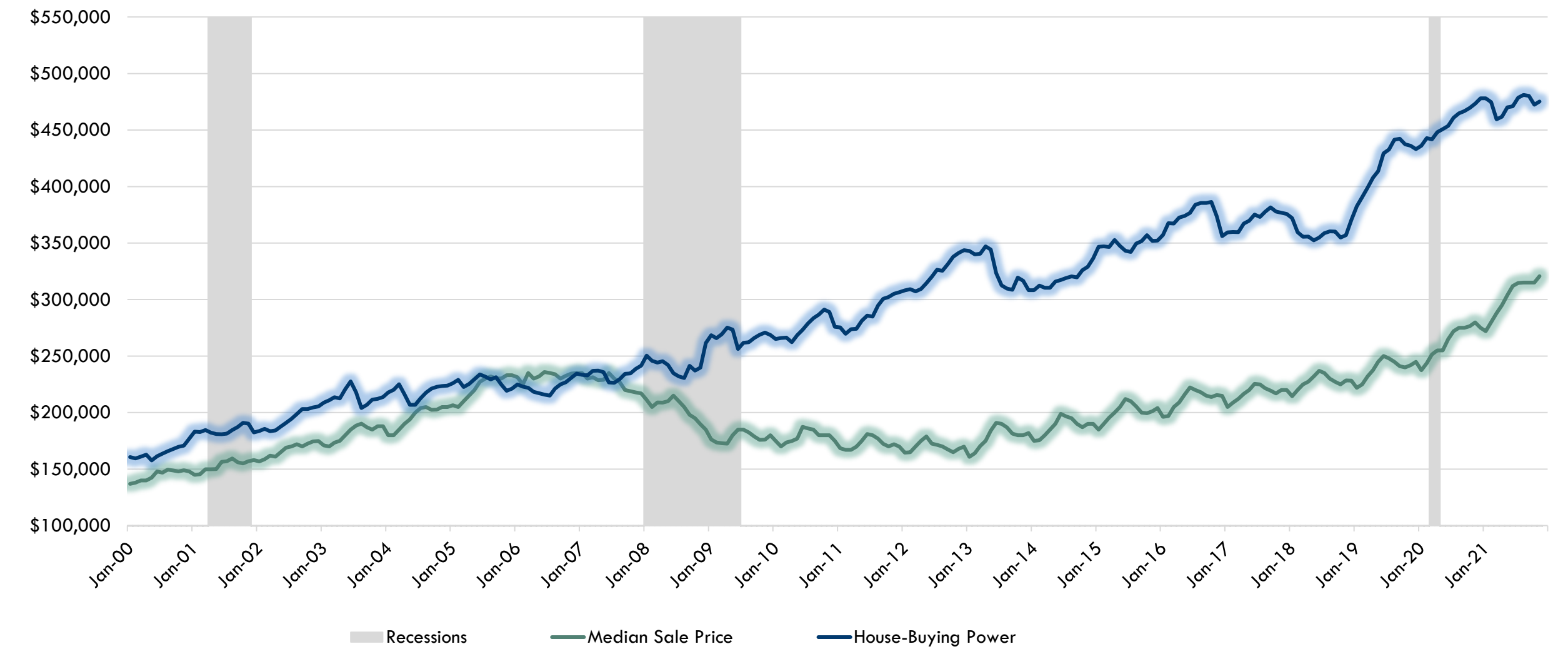
# The Housing Impact





# Housing is Not Overvalued

Median Sale Price and House-Buying Power (LHS), Gap (RHS)

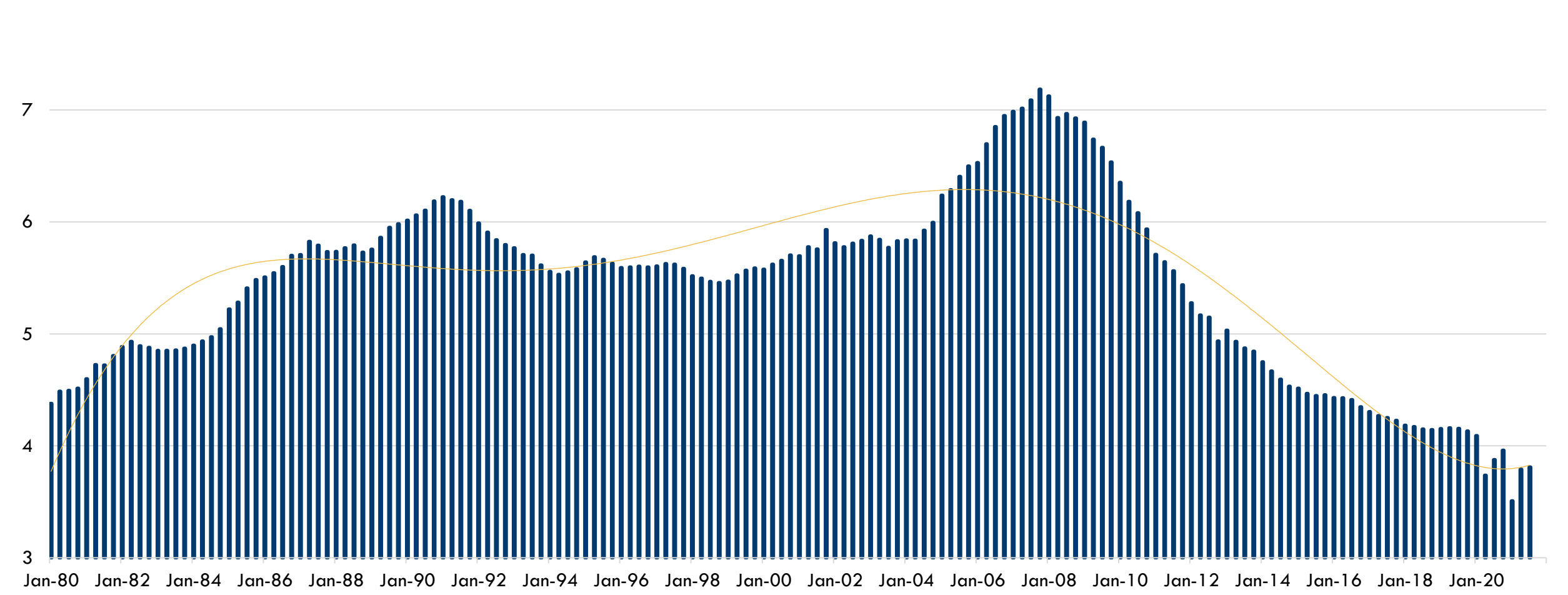


Source: DataTree by First American, IPUMS CPS, BLS, Nov. 2021




# Mortgage Debt at Near Historic Low

Mortgage Debt Service Payments as a % of Disposable Personal Income



Source: Board of Governors of the Federal Reserve System, FRED, Q3 2021

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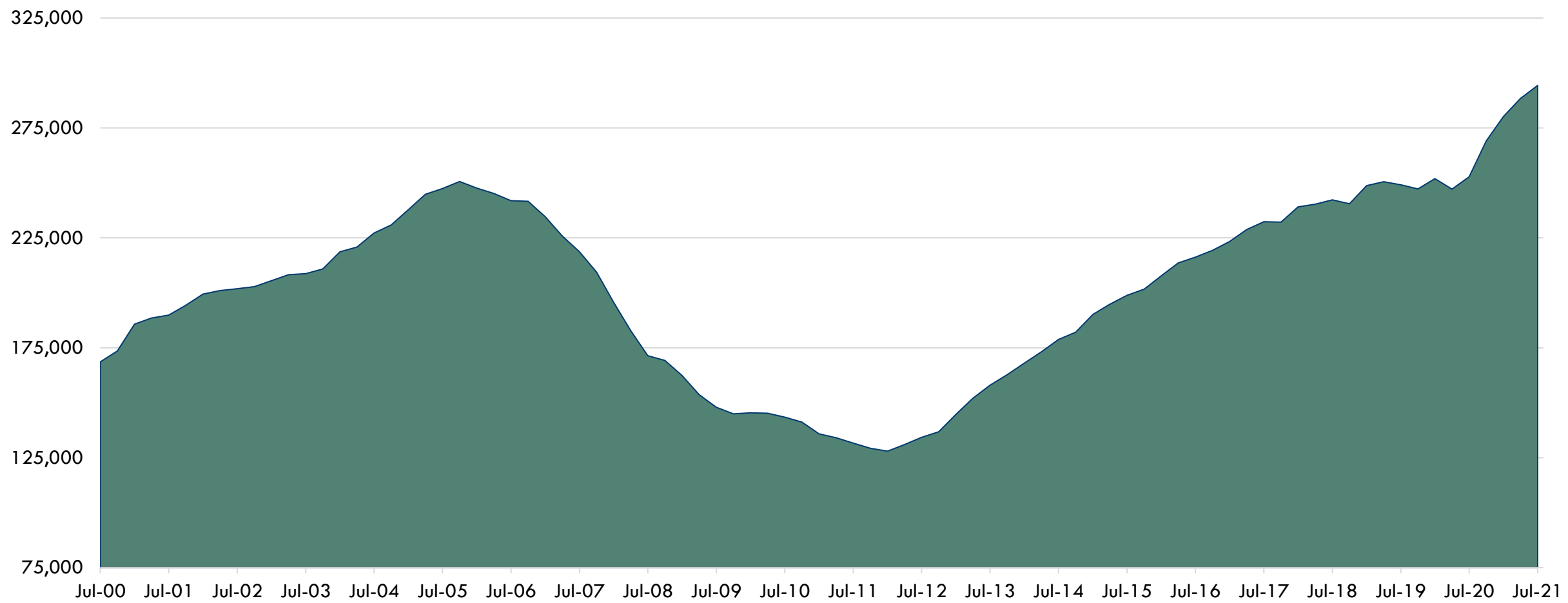
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# Homeowners Have an Average of \$294k in Equity

2020 Inflation-Adjusted Homeowner Equity per Owned Household

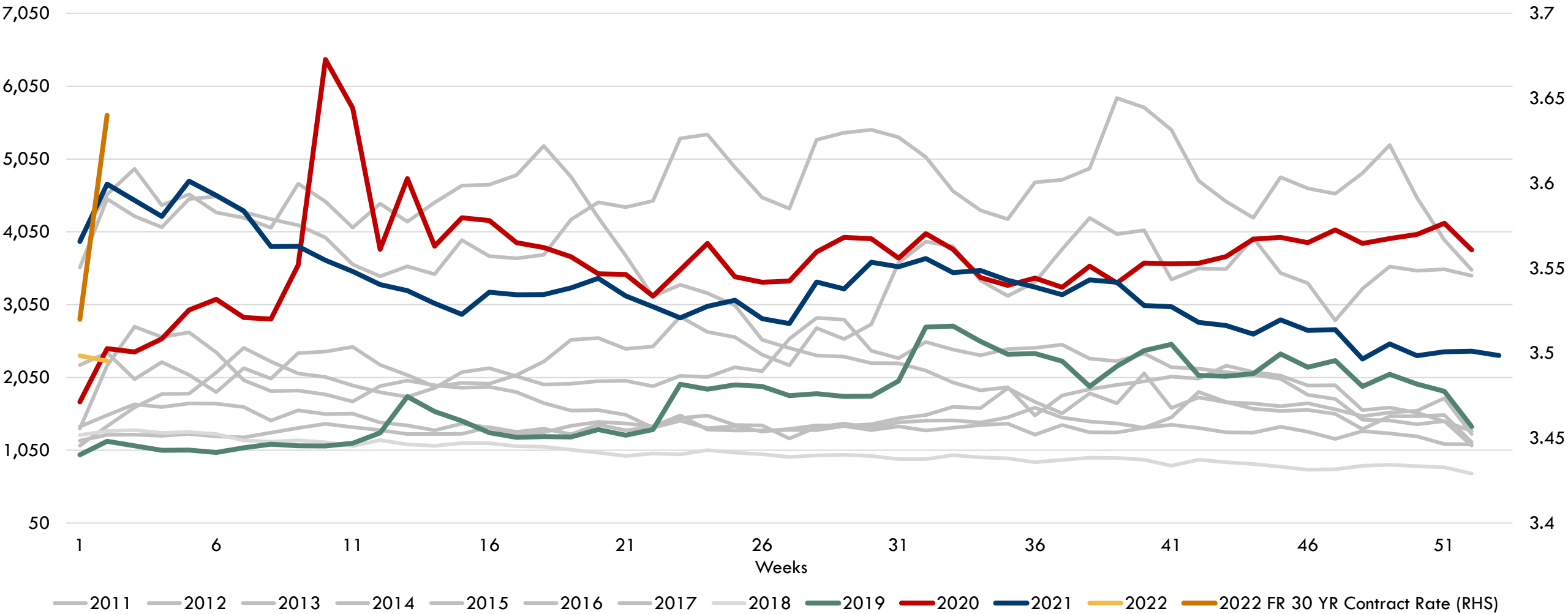


Source: First American Calculations, Board of Governors of the Federal Reserve System, Q3 2021



# Refinance Demand Trends Downward

MBA: Volume Index: Mortgage Loan Applications for Refinance (SA, Mar-16-90=100)

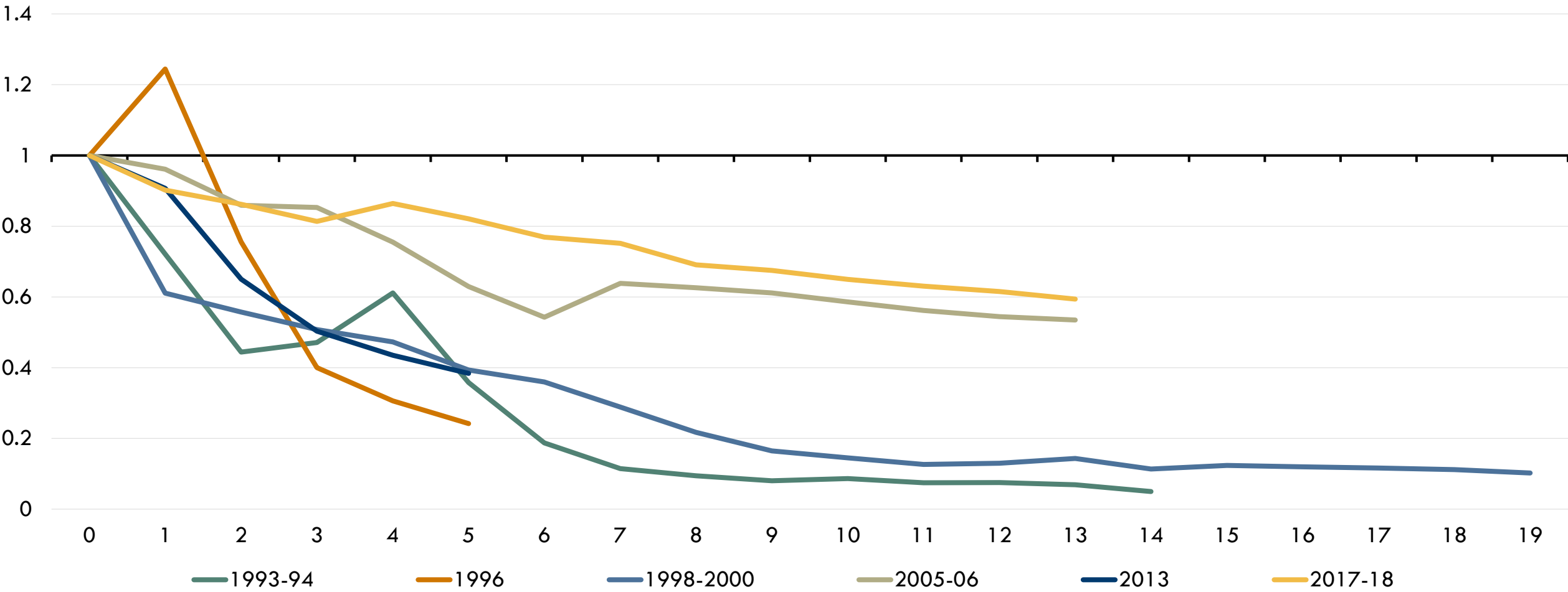


Source: MBA, Jan. 2022



# Refinance Applications When Mortgage Rates Rise

Monthly Change in SA Refinance Applications (% , Index=1 in Beginning Period of Rising Rates)

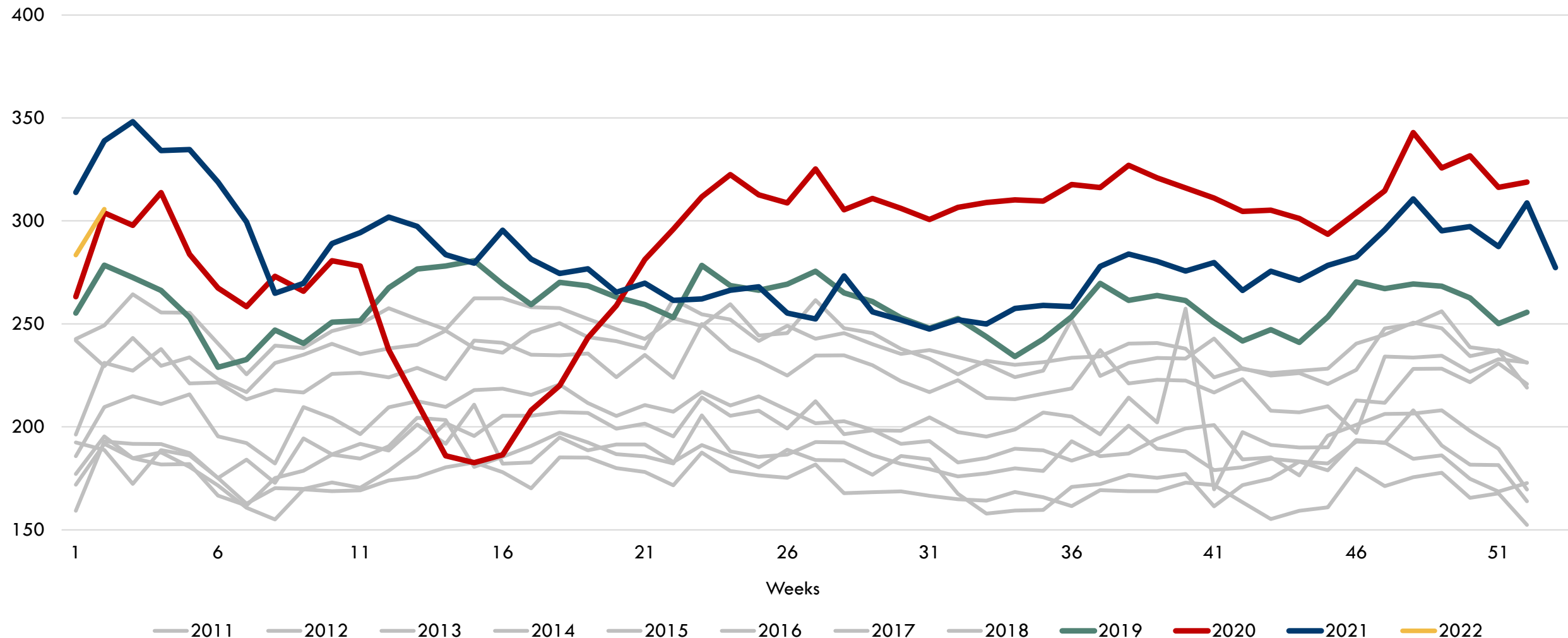


Source: MBA, First American Calculations



# Purchase Applications Start The Year Strong

MBA: Volume Index: Mortgage Loan Applications for Purchase (SA, Mar-16-90=100)



Source: MBA, Jan. 2022



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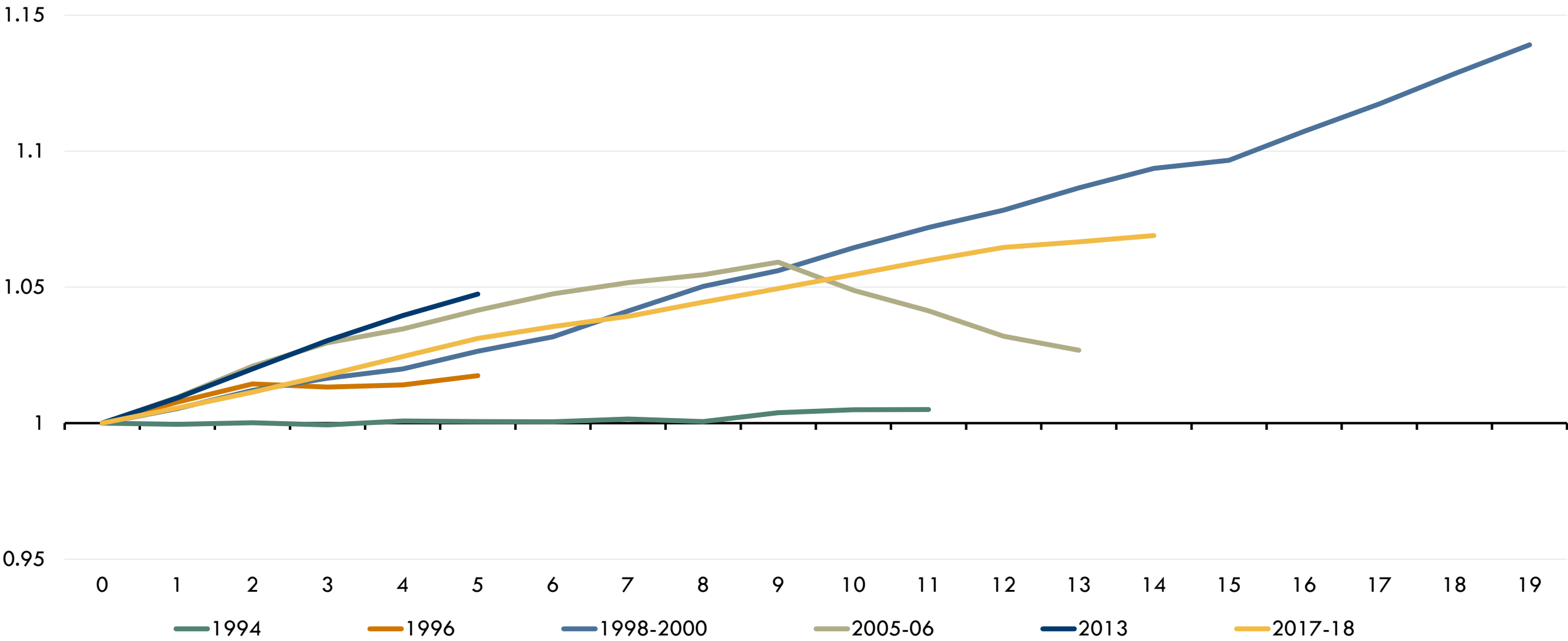


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# Nominal House Prices When Mortgage Rates Rise

Monthly Change in HPI (% , Index=1 in Beginning Period of Rising Rates)



Source: First American Data & Analytics, First American Calculations, Freddie Mac



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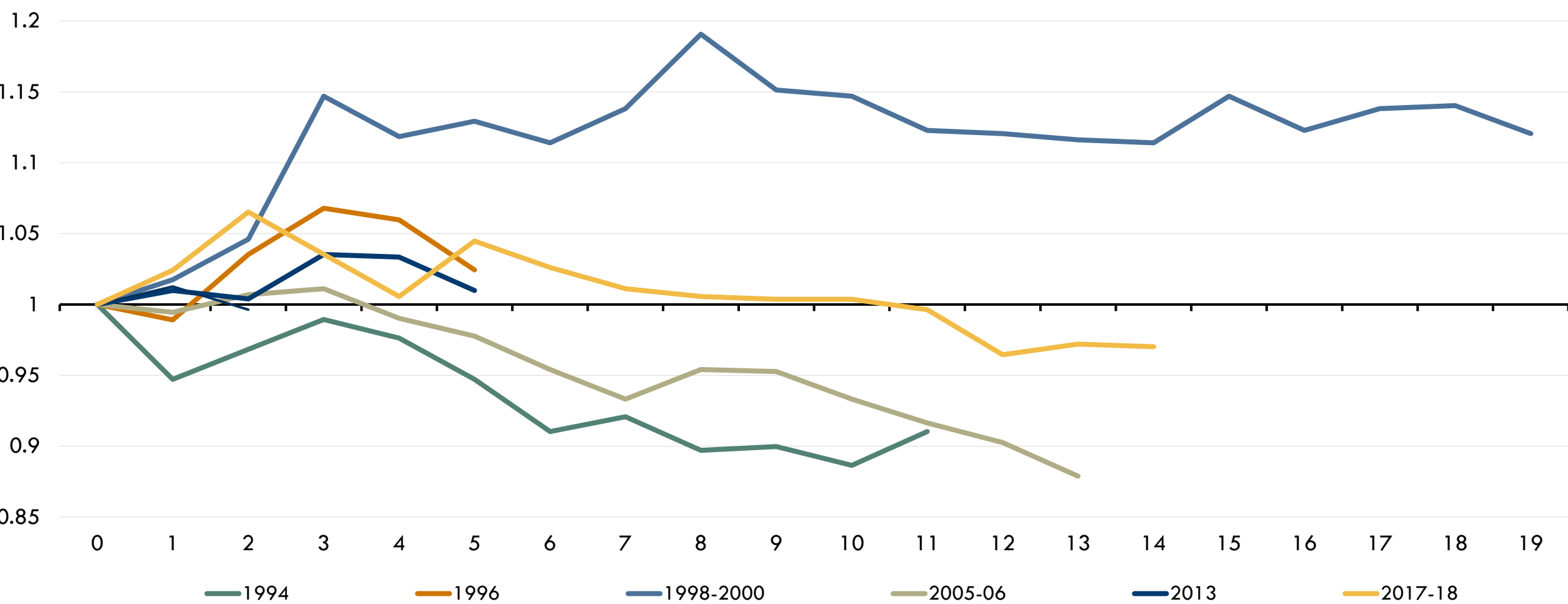


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# Existing-Home Sales When Mortgage Rates Rise

Monthly Change in EHS (%), Index=1 in Beginning Period of Rising Rates



Source: First American Data & Analytics, First American Calculations, NAR, Freddie Mac



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# What Will the 2022 Housing Market Look Like?

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**Dr. Jessica Lautz**  
**VP, Demographics and Behavioral Insights**



# 1. Seller's Are Happy




# National Housing Inventory

Strong demand: race to lock in low rates



All-time low of 920,000 units for sale



All-time low 1.8 months supply—(real supply is lower)



# National Housing Prices

14.6% increase in home prices



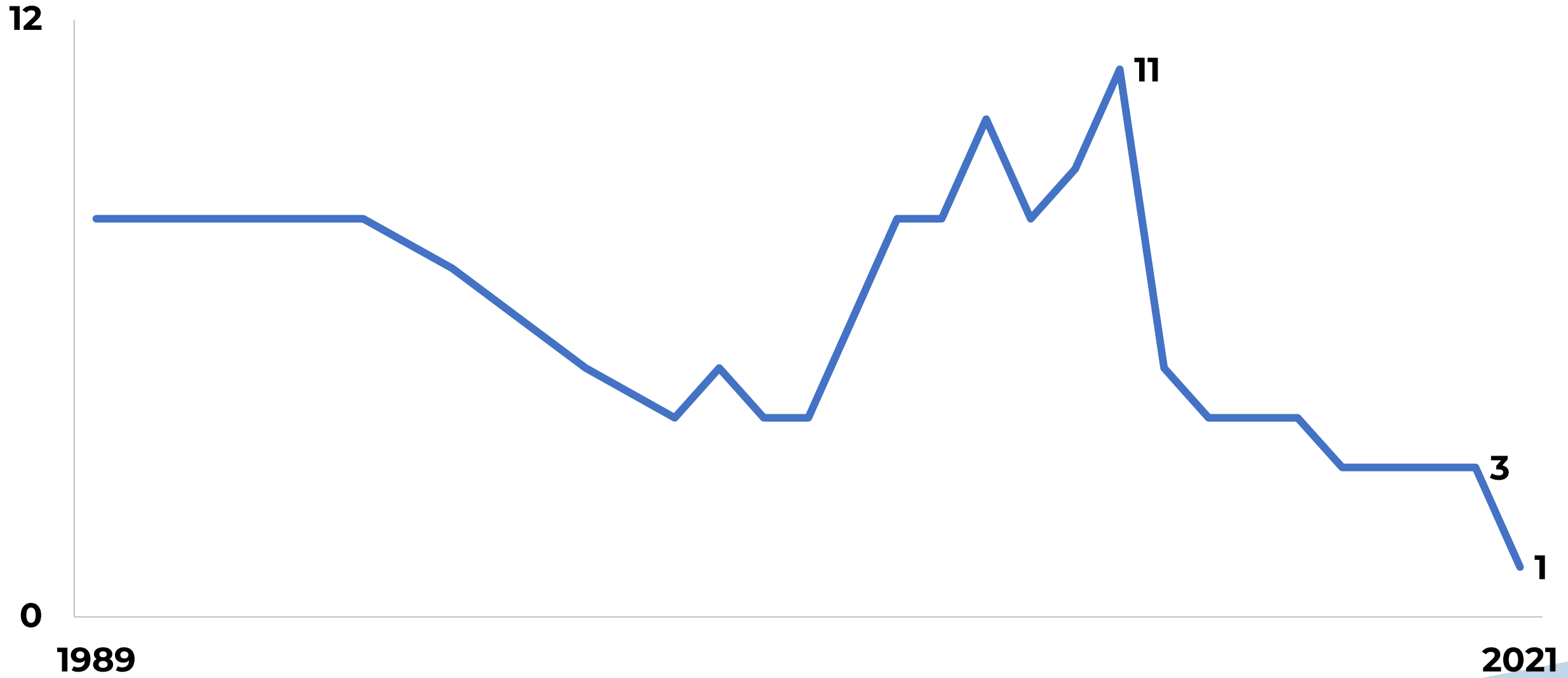
Yr-over-yr price increases in 99% 180+ MSAs tracked



118 months of yr-over-yr price gains



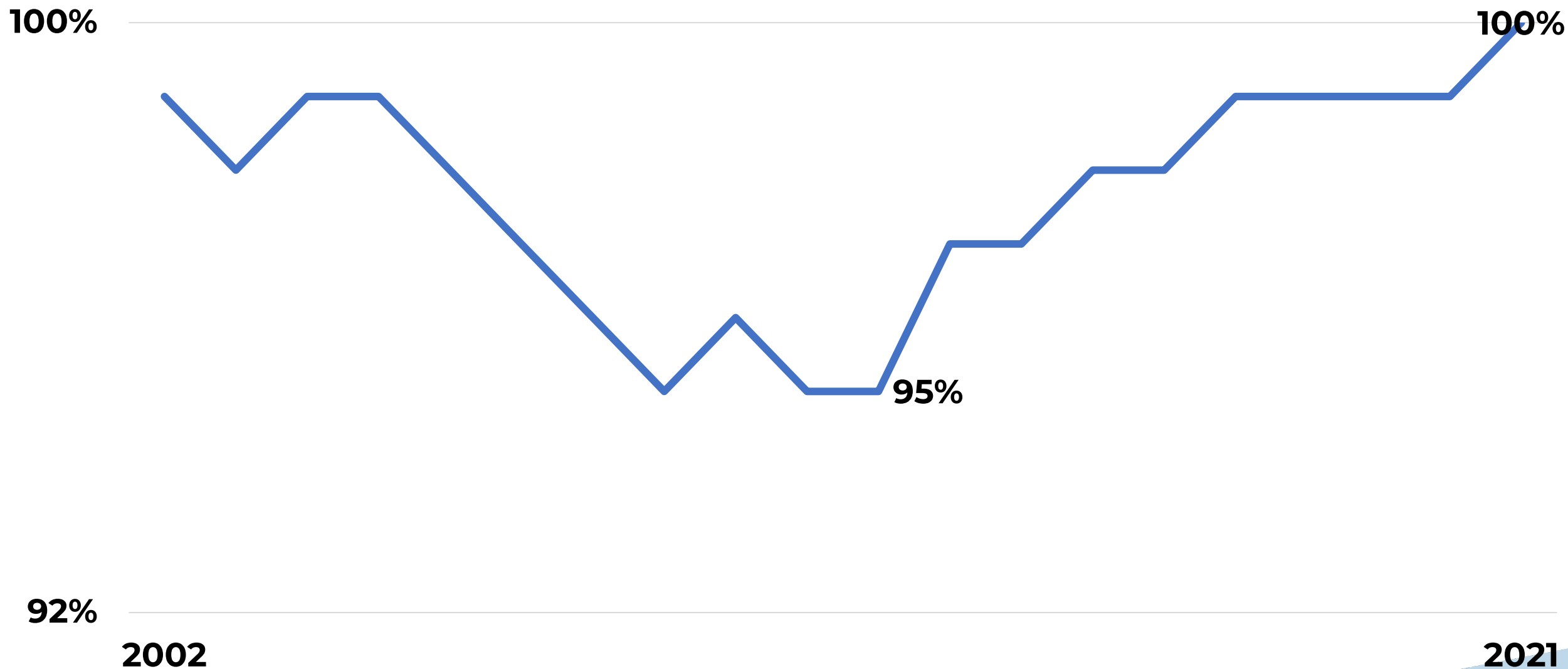
# Number of Weeks Home Sold Was on Market



Source: NAR *Profile of Home Buyers and Sellers*



## Sales Price as a Percent of Listing Price (median)



Source: NAR *Profile of Home Buyers and Sellers*

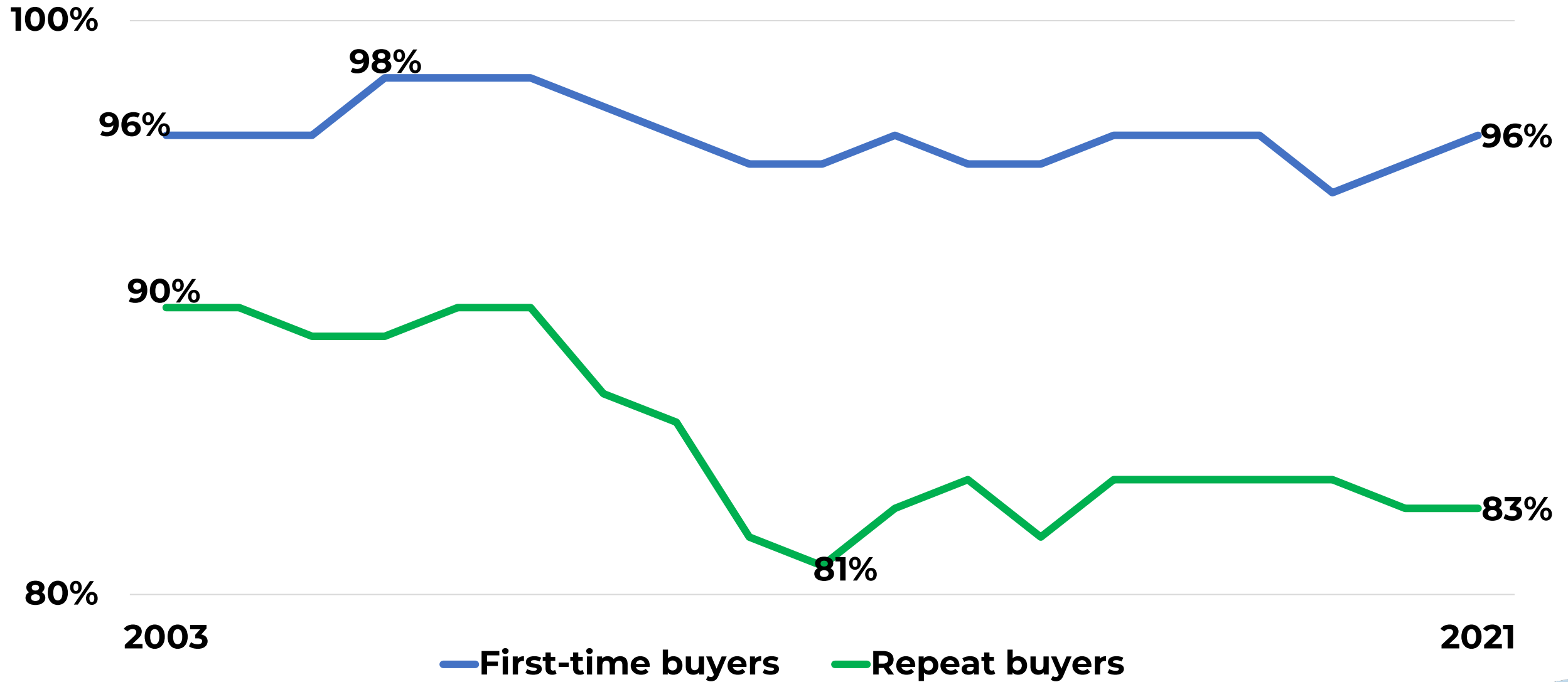


## 2. Cash is King





# Buyers Who Financed Their Purchase



Source: NAR Profile of Home Buyers and Sellers





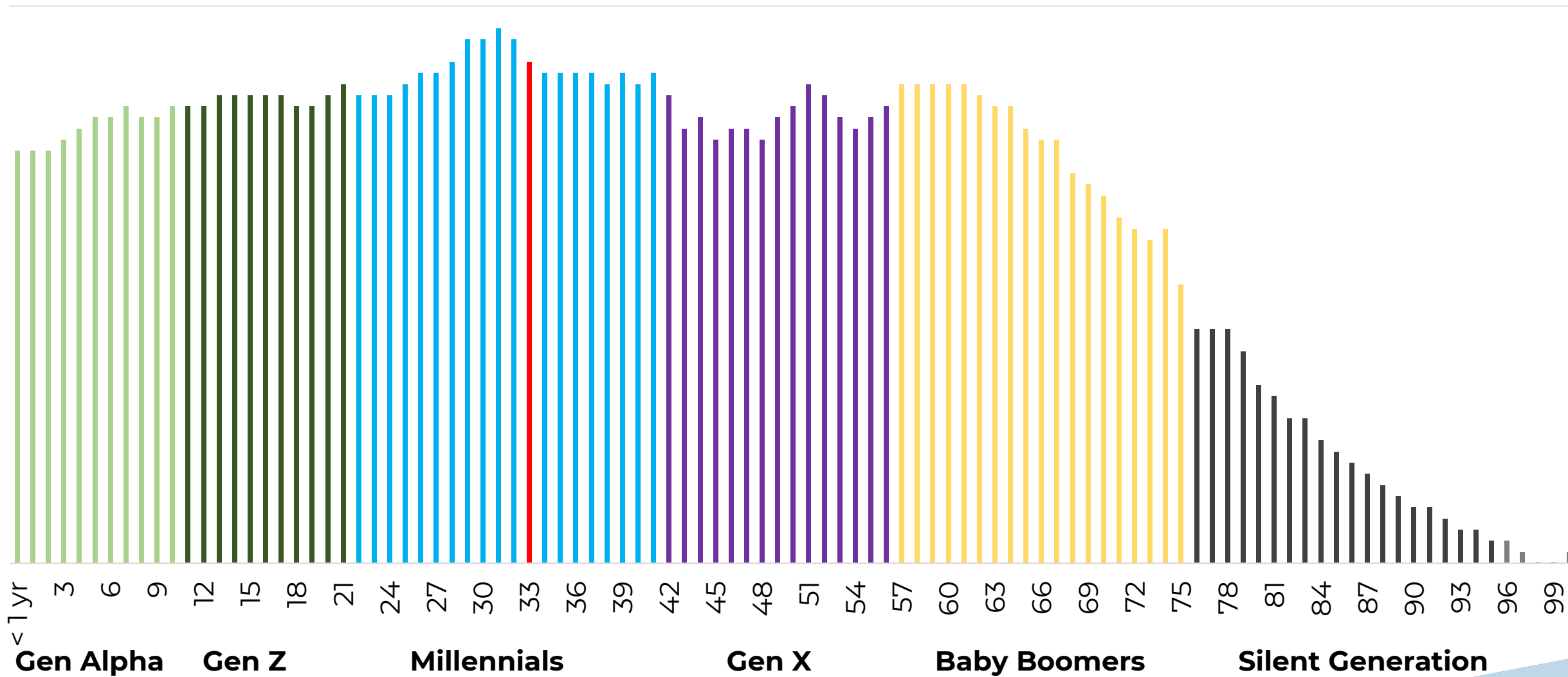
### **3. Millennials & First-time Buyers**



# U.S. Population by Age (in millions)

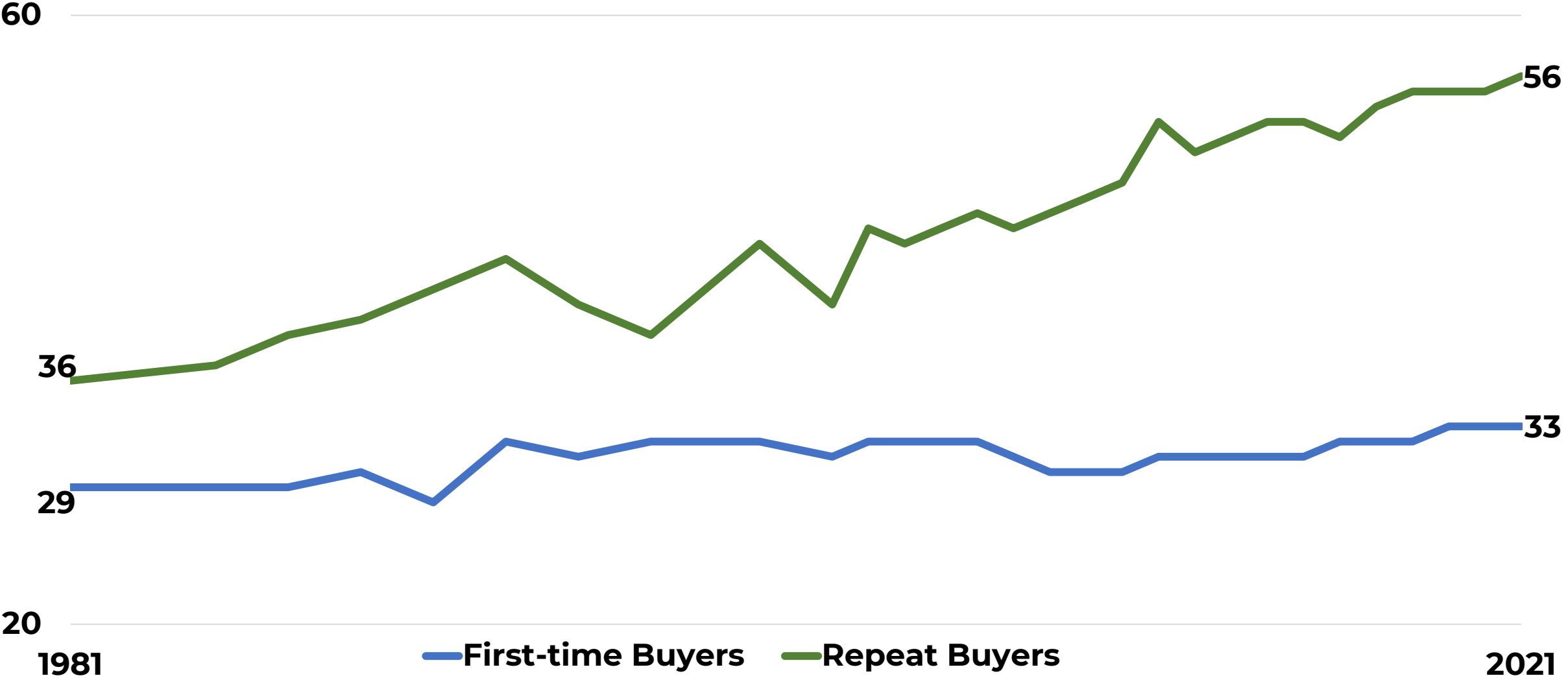
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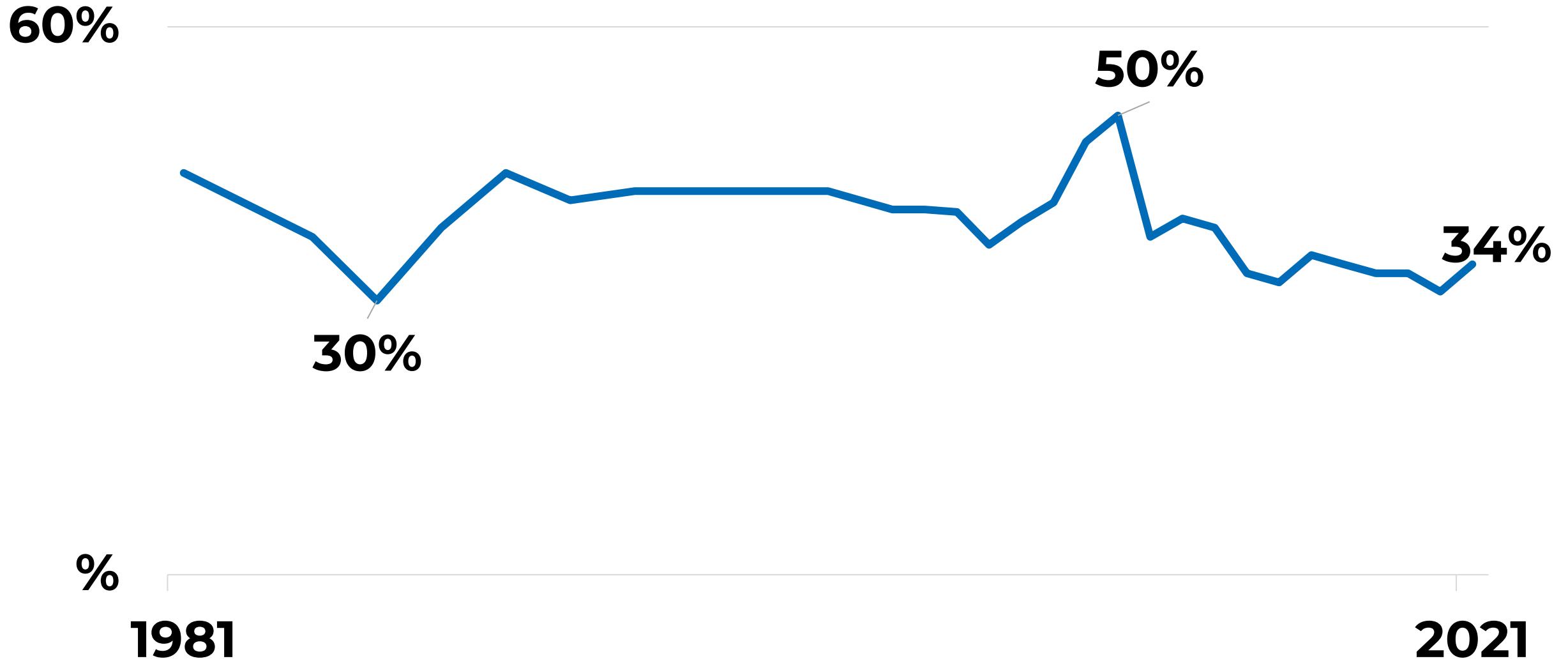


# Median Age of Home Buyers





# First-time Buyers Uptick



Source: NAR 2021 Profile of Home Buyers and Sellers

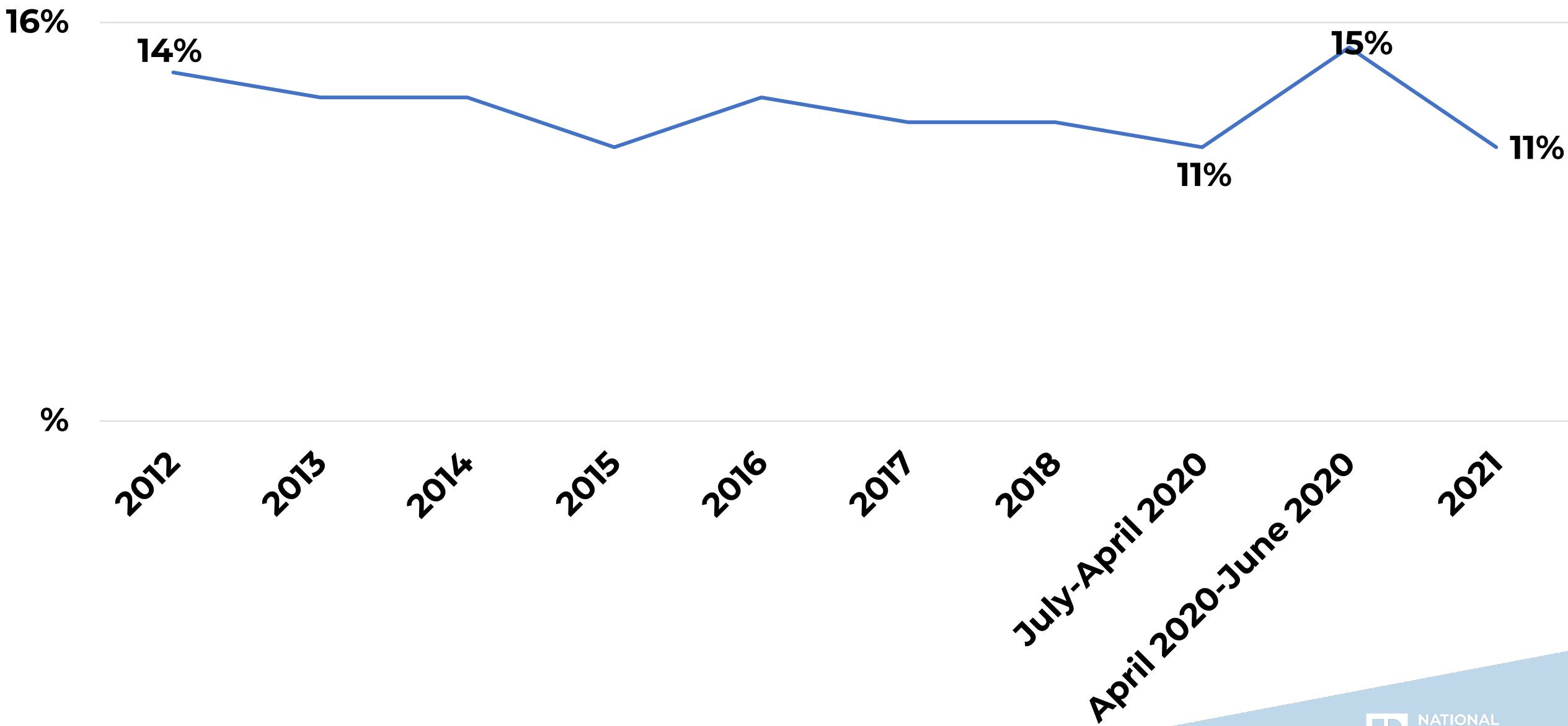




## 4. Demographic Changes

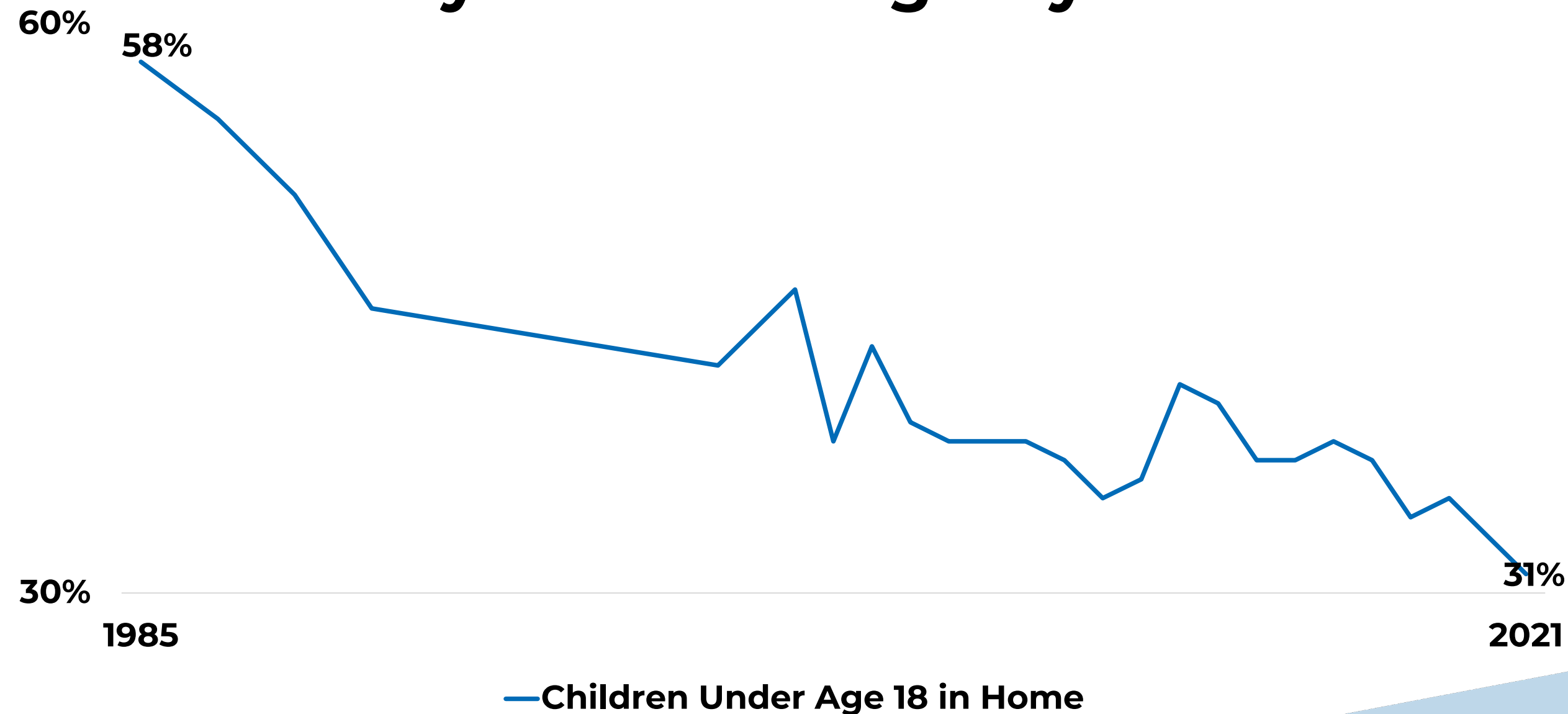


# Multi-Generational Home Buyers Revert to Norm



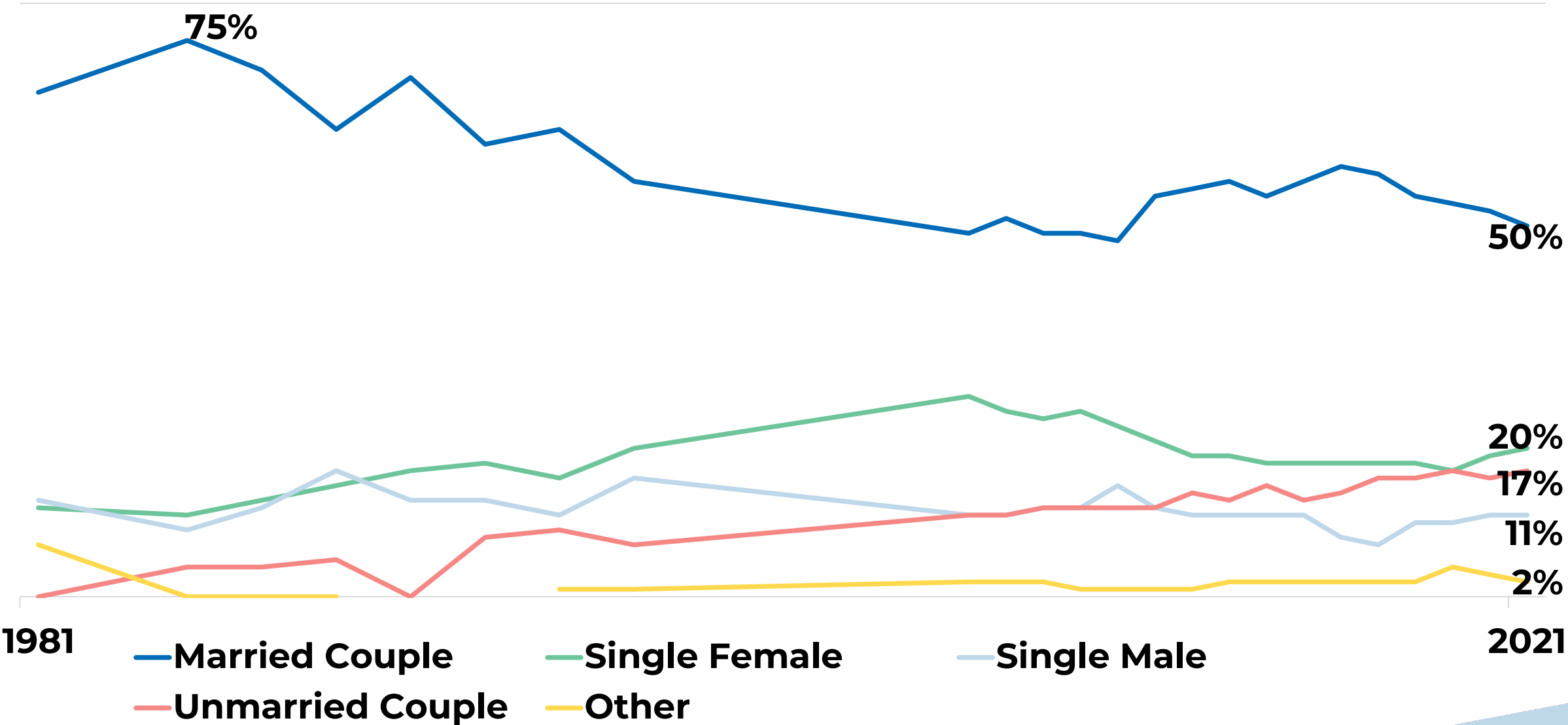


# Baby Bust Among Buyers





# First-time Buyers: Household Composition



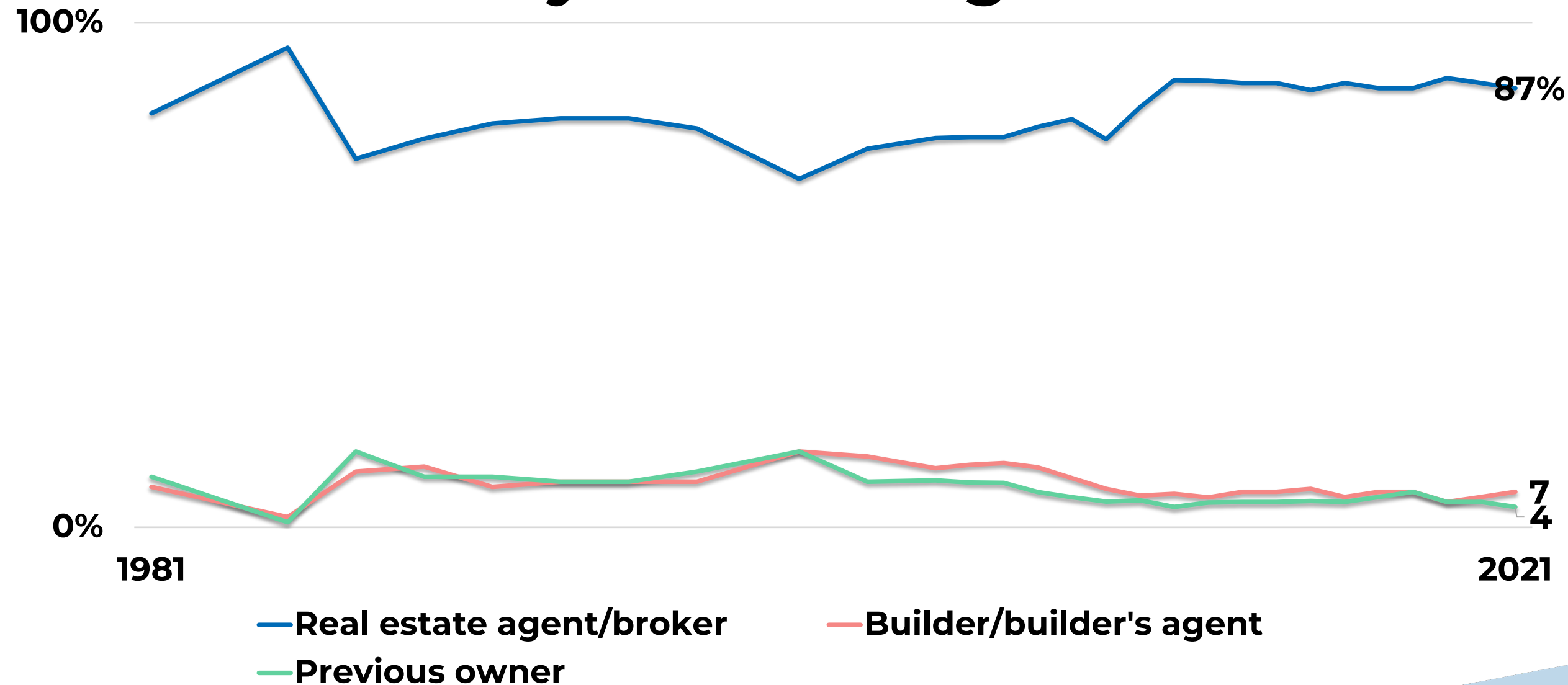




**6. Agent Use is  
TRUSTED**

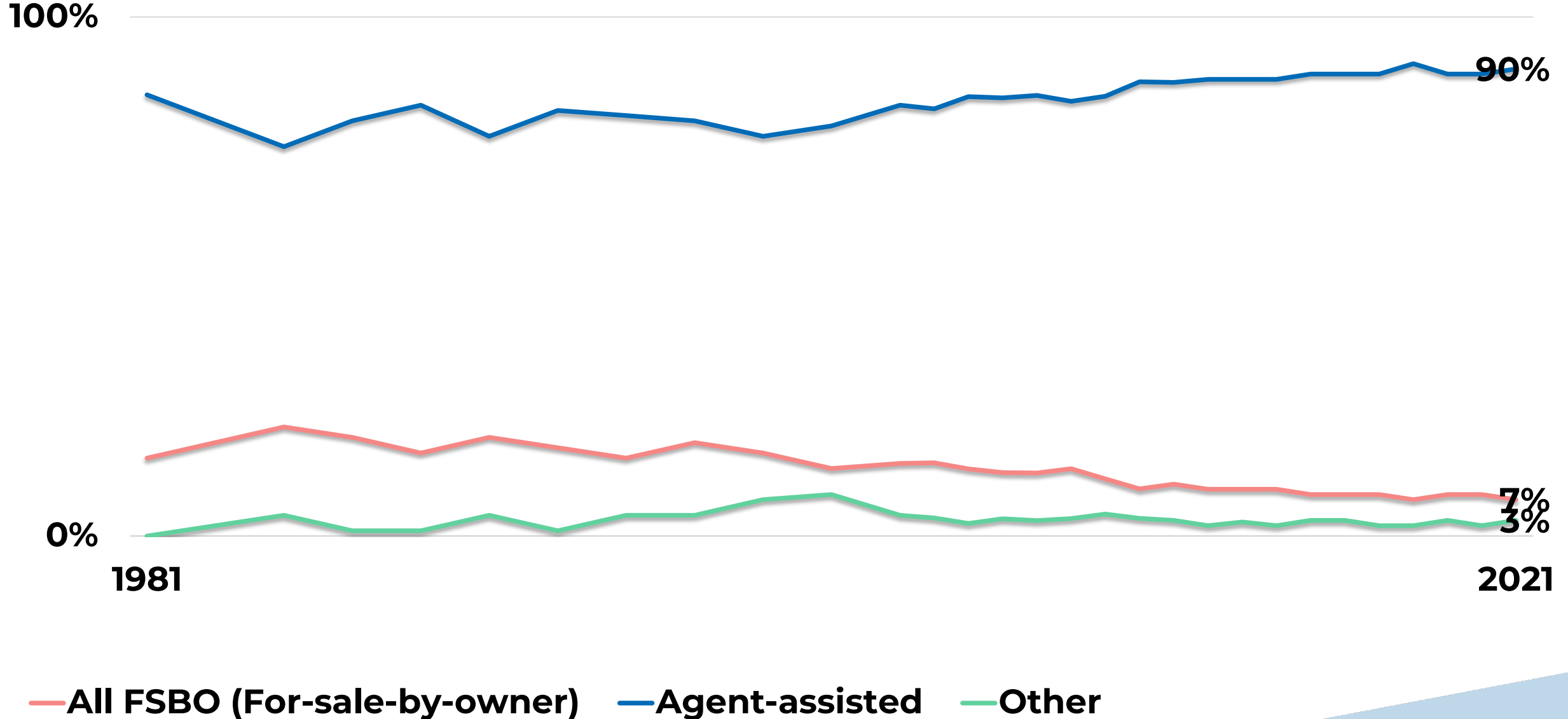


# Buyer Use of Agents





# Sellers Want A Full Service Agent





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