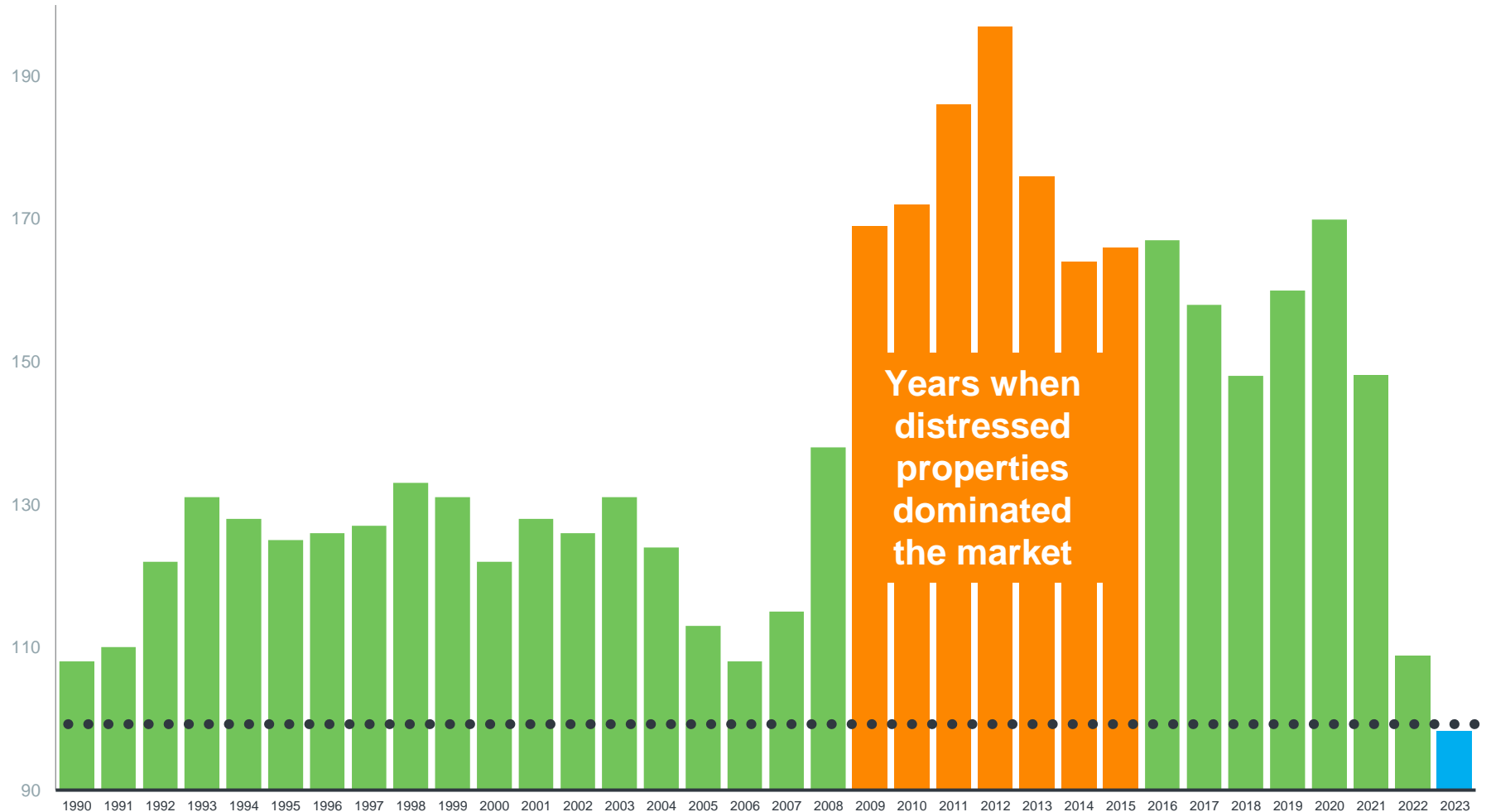


Affordability & Smaller Homes



Affordability at a Historic Low

Housing Affordability Index, 1990–2023



Builders Are Building Smaller Homes



More than a third (38%) of builders say they built smaller homes in 2023, **and more than a quarter (26%) plan to construct even smaller this year.**

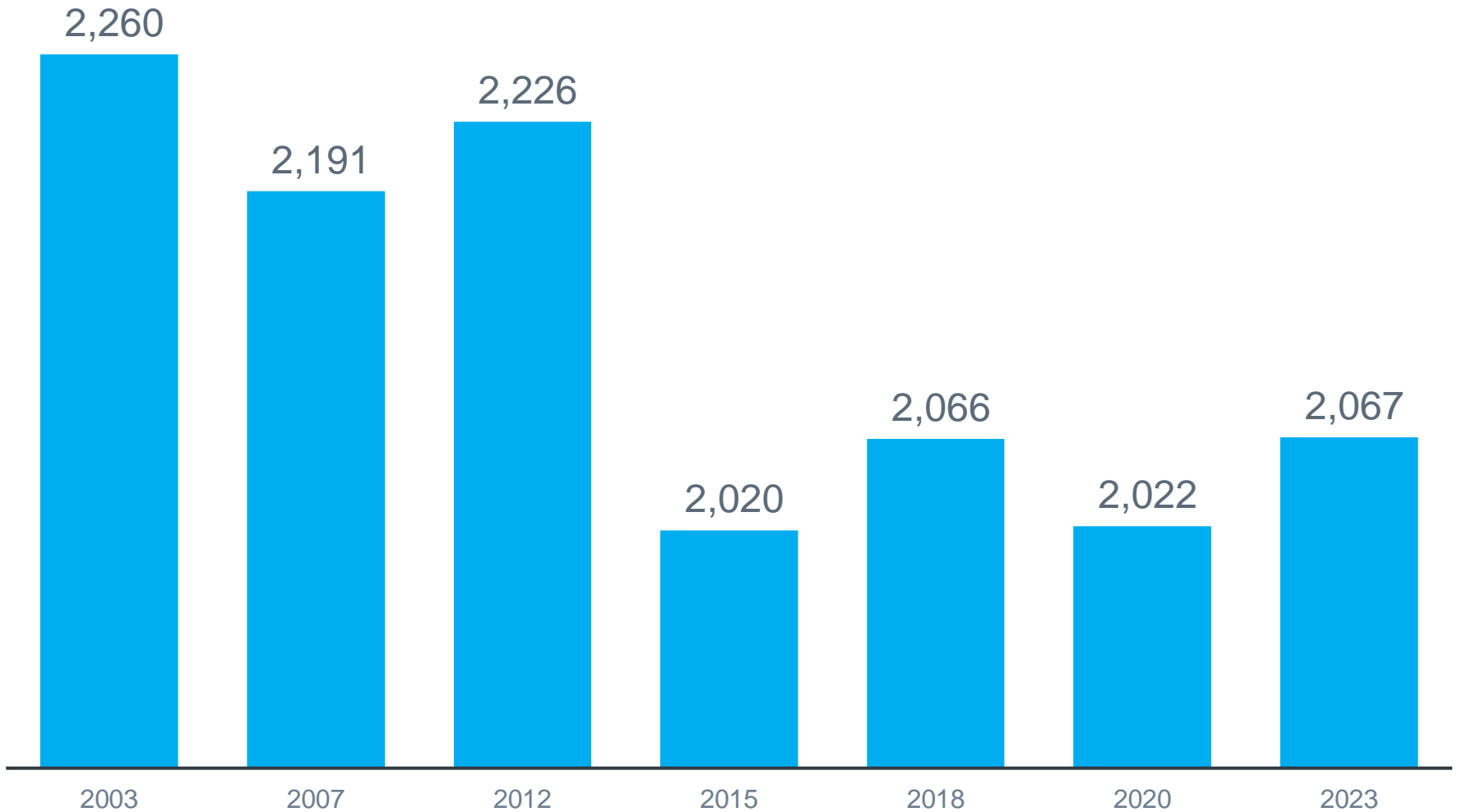


It's related to two factors that are linked. First, we've seen changes in home buyer preferences. Second, housing affordability has worsened in recent years.

- **Rose Quint**, AVP of Survey Research, NAHB

Homebuyers Want Smaller Homes

Median Square Footage of Finished Area Buyers Want



Source: NAHB

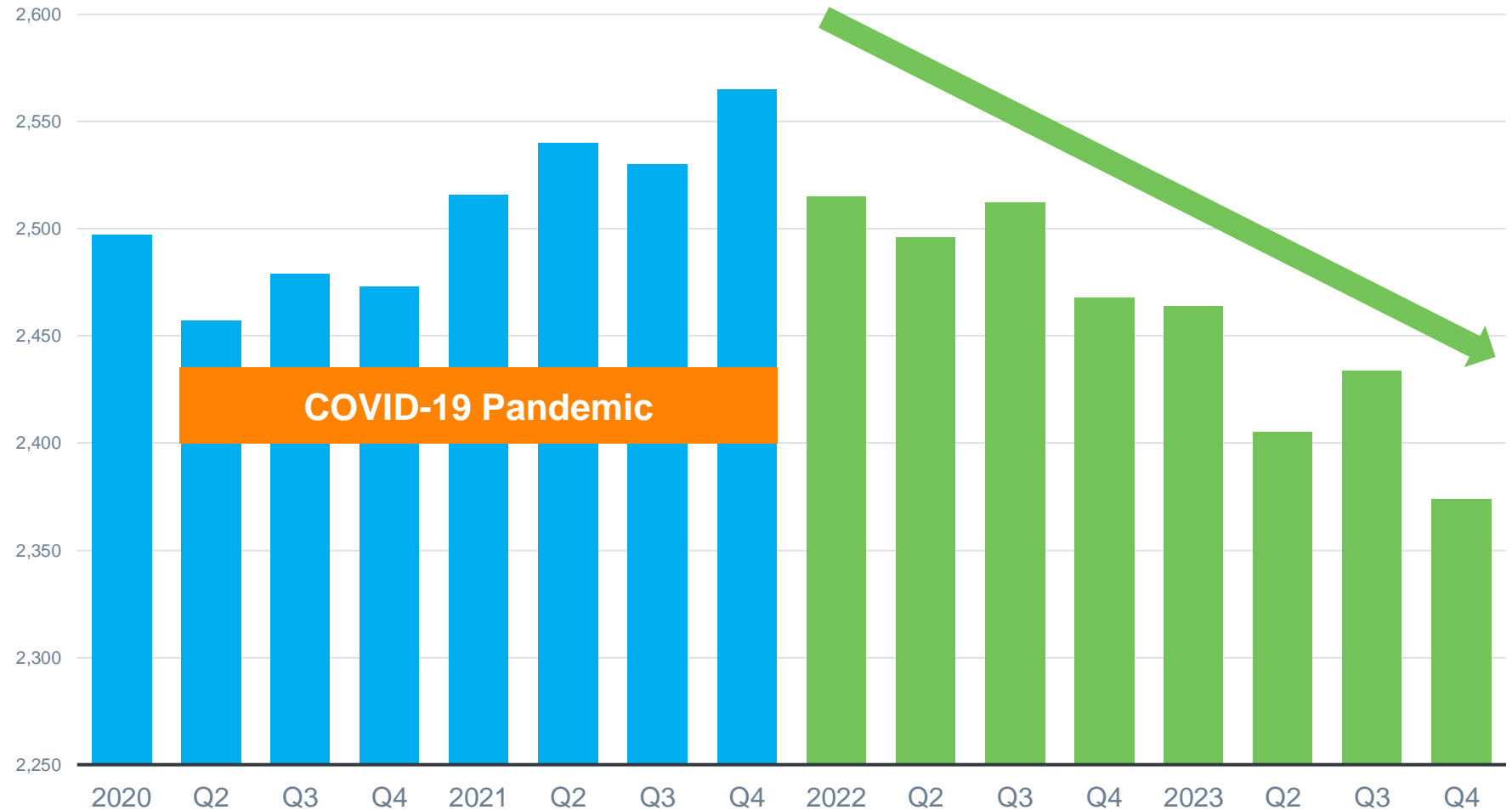


After a brief increase during the post-covid building boom, **home size is trending lower and will likely continue to do so as housing affordability remains constrained.**

- National Association of Home Builders

New Single-Family Homes Are Getting Smaller

Average Square Footage



Source: Census

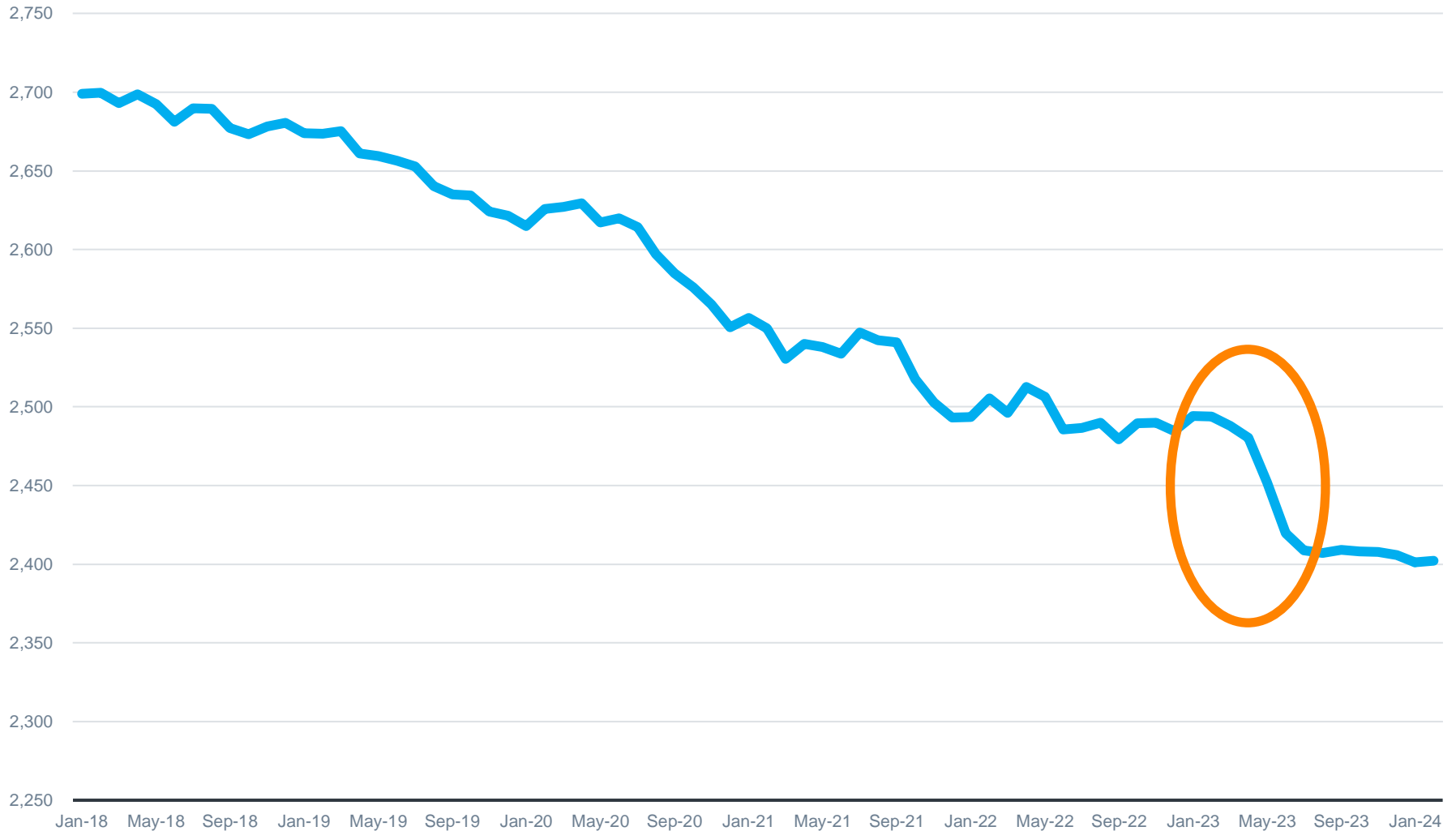


The downsizing accelerated last year, when the interest rate on a 30-year fixed rate mortgage reached a two-decade high, just shy of 8 percent.

- New York Times

Newly Built Homes Are Getting Smaller

Average Size Today of 2,402 Square Feet Is Down 10.3% Since 2018





Homebuilders are adapting to the lowest affordability on record by **building smaller homes and offering more incentives/price cuts.**

- **Charlie Bilello**, Chief Market Strategist, Creative Planning



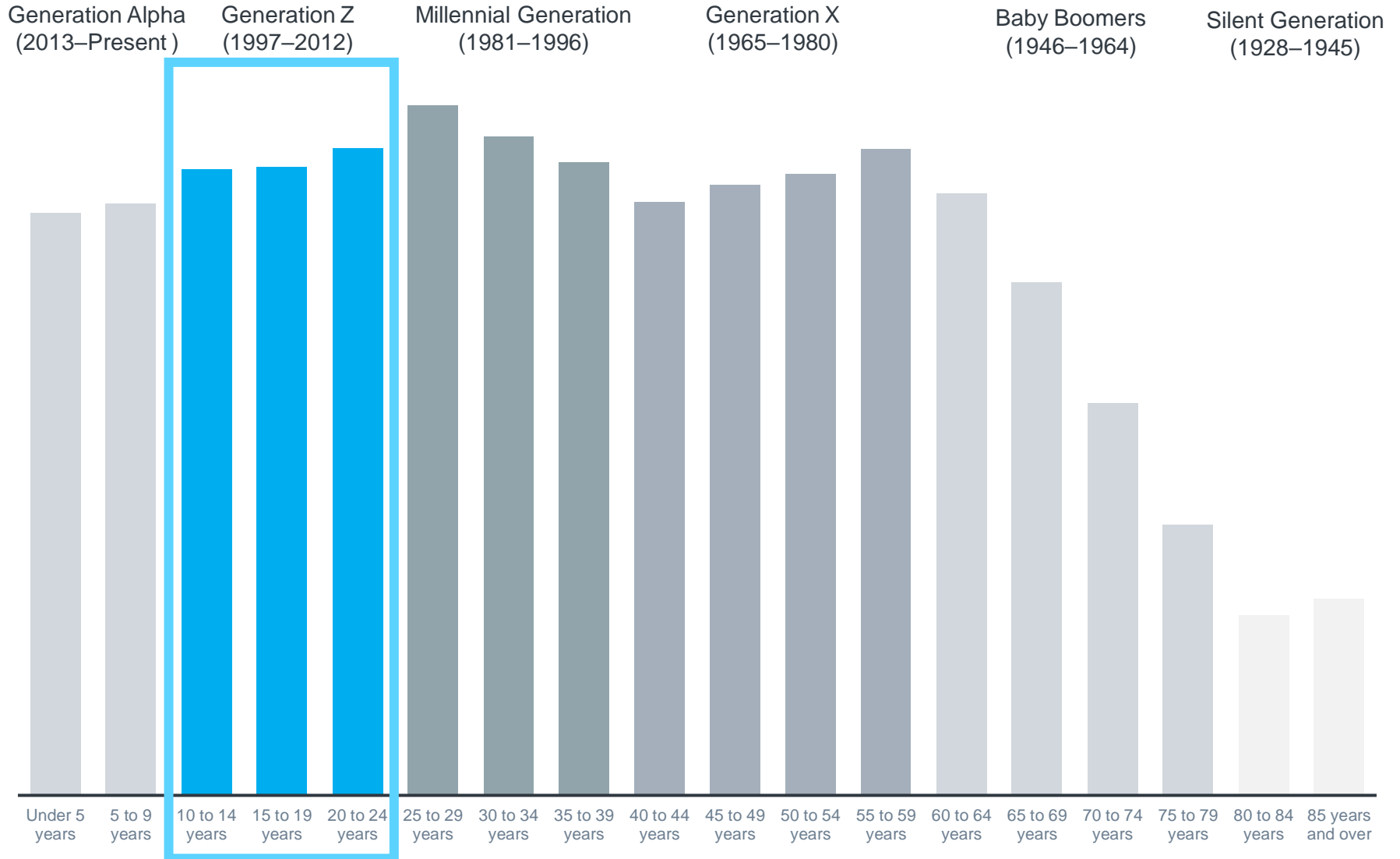
It's not solving the affordability crisis, but it is creating opportunities for people to be able to afford an entry-level home in an area. . . . And if you get that size down, that automatically will make it a more affordable home.

- **Mikaela Arroyo**, VP and Chief of Staff, JBREC

Gen Z: Will I Be Able To Buy a Home



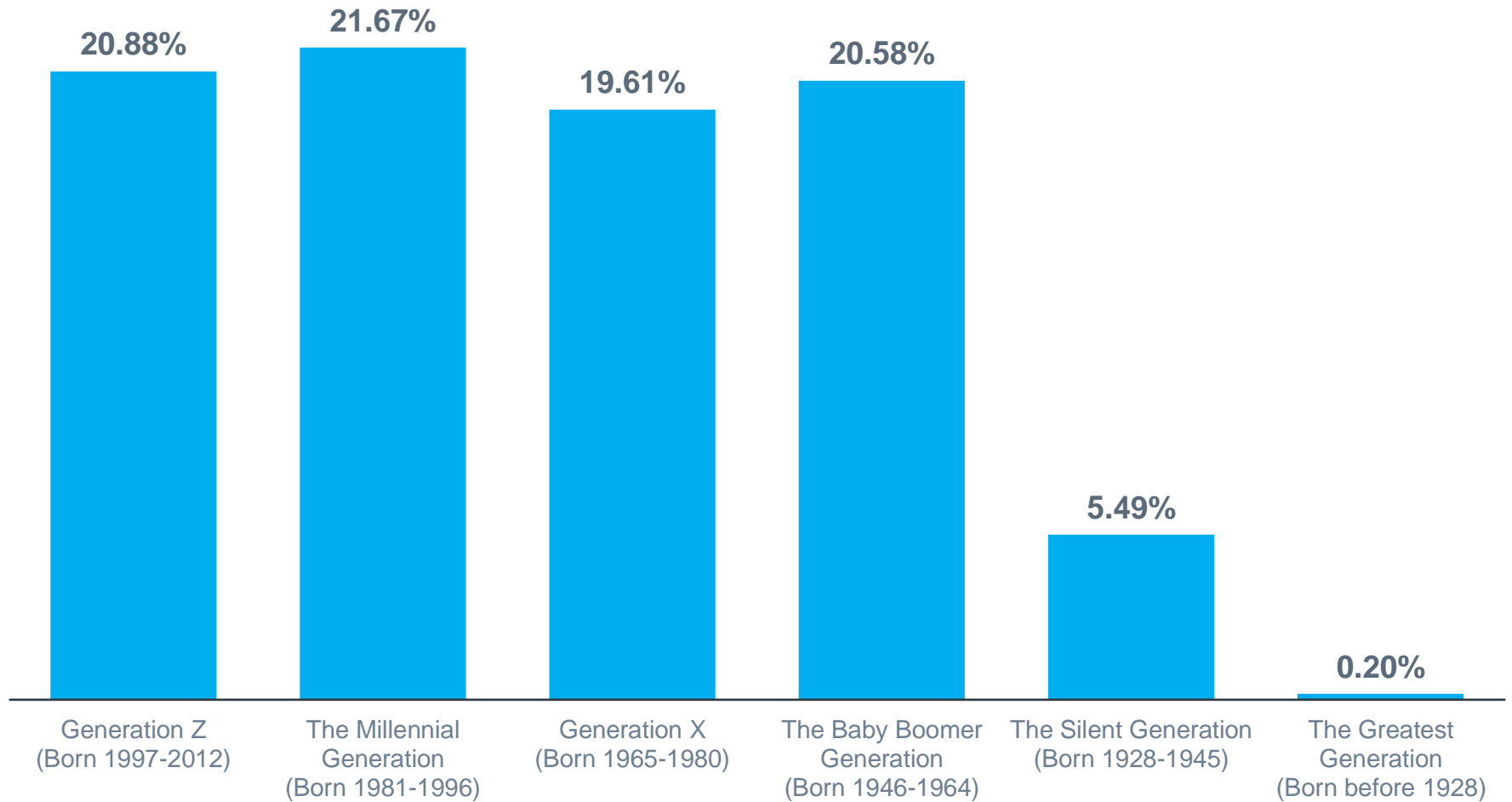
U.S. Population by Generation



Source: Census

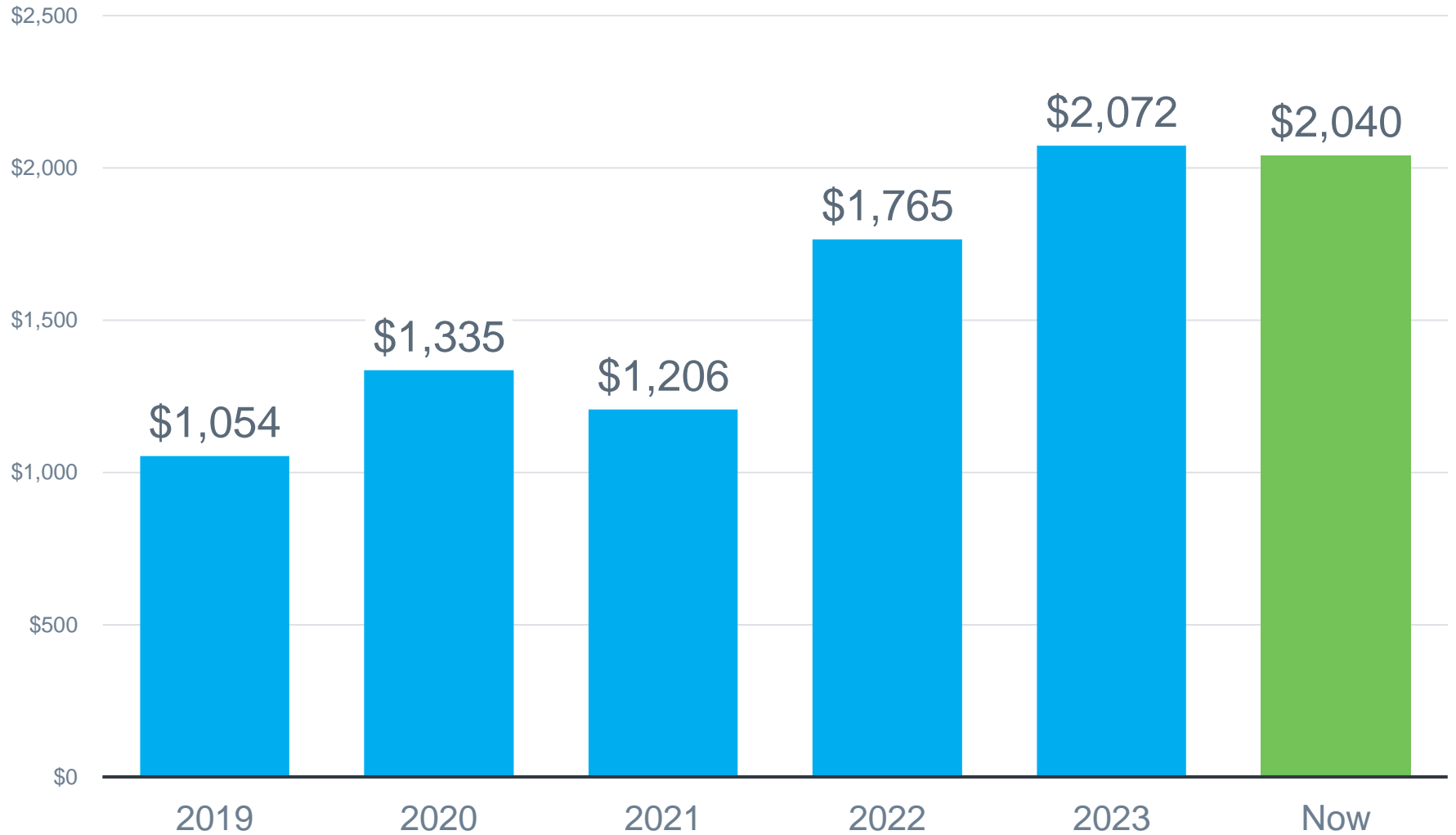
United States Population Distribution

In 2022, by Generation



Annual Monthly Payment

Principal and Interest



Source: NAR



The turbulent economy of the last few years has left more than a few people wondering, “**Will Gen Z be able to afford houses?**” The short answer (and good news) is probably yes — despite some potential trepidations surrounding homeownership, first-time homebuyers who were born between 1997 and 2012 may have cause for optimism.

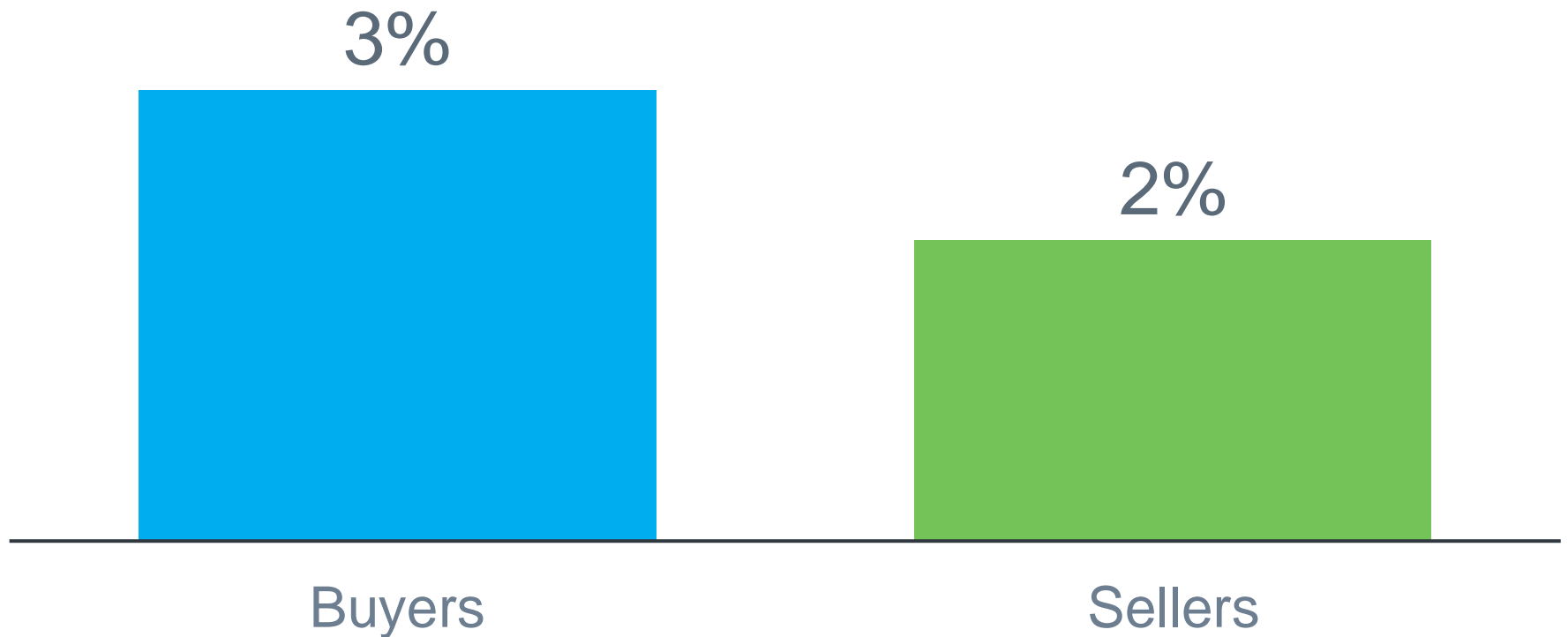
- Chase



The path to Gen Z homeownership may have its own share of challenges, but that's not stopping Gen Z, nicknamed "Zoomers," from buying homes. In fact, some Gen Z real estate trends are pointing in an optimistic direction. **According to a recent study from a major real estate brokerage about 30% of 25-year-olds owned their own homes in 2022, 2-3% ahead of both millennials and Gen X at the same age.**

- Chase

2023 Share of All Buyers and Sellers Who Were Gen Z



Tips for Gen Z Homebuyers



Up Your Financial Literacy

While most people could benefit from a little extra financial know-how, first-time homebuyers, and young people earning their first paychecks may want to hunker down and figure out their money situations.



Try To Start Saving

It's almost never too early to start saving. Having a robust savings account and emergency fund could help when it's time to come up with a down payment, or if something goes wrong with your new home.



Keep an Open Mind

An open-minded approach to house-hunting may be one way for Gen Z homebuyers to maintain some edge. This could mean buying in areas that are less expensive. Differentiating needs vs. wants may help in this area as well.



Do Your Research

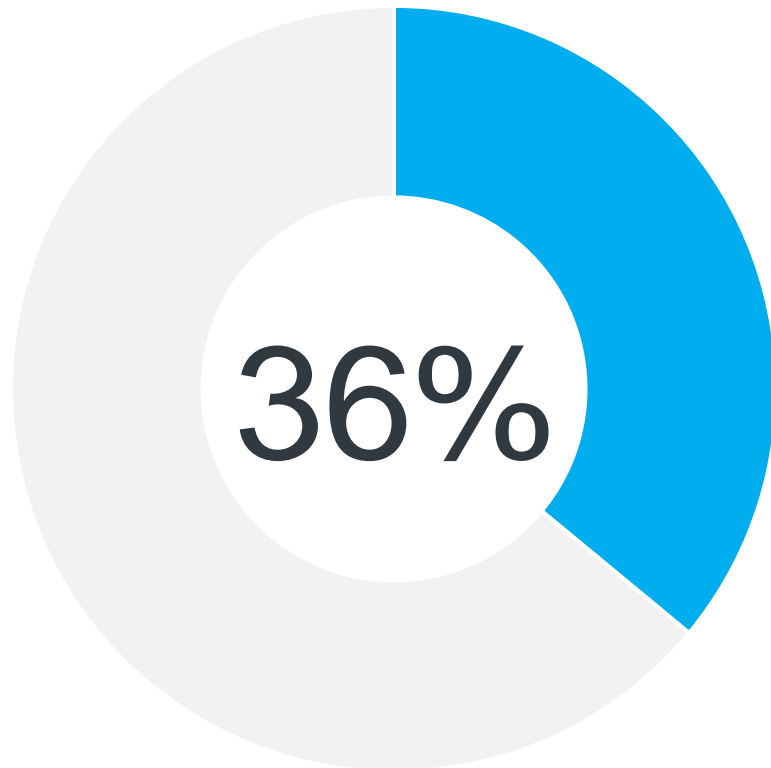
Understanding mortgage options, interest rates and the power of negotiation may prove valuable when it comes to Gen Z home ownership.



The path to homeownership may not be a straightforward one for Gen Z, but it's undoubtedly within reach. **By adopting the right strategies, like exploring down payment assistance programs and sharing living costs with relatives, you can bring your dream of owning a home closer to reality.** Don't forget to engage a reliable mortgage expert to guide you through this exciting journey. Your dream home is closer than you think!

- **Directors Mortgage**

Some Gen Zers Expect To Receive a Cash Gift



More than one-third (36%) of Gen Zers and millennials who plan to buy a home soon expect to receive a cash gift from family to help fund their down payment.

Down Payment Assistance Programs

Down payment assistance programs can be a valuable resource for prospective homebuyers, helping to make homeownership more attainable. [By understanding how these programs work, you can increase your chances of successfully accessing assistance and achieving your goal of owning a home.](#) With careful planning and diligence, the path to homeownership can become a reality.

Available Programs

2,000+



From down payment assistance to affordable 1st mortgages, there are **over 2,000 homeownership programs** available across the country.

Repeat Buyers

39%



You don't have to be a first-time buyer. **Over 39% of all programs are for repeat homebuyers** who have owned a home in the last 3 years.

Down Payment Assistance

75%



Down payment programs make up **75% of all available programs**. They **provide down payment and closing cost assistance** to new homebuyers.



At their core, Gen Z still aspires to homeownership. That will happen later for them because housing affordability is a big challenge.

- **Chris Porter**, Chief Demographer, John Burns

What's the Latest on Mortgage Rates?





The biggest thing when we're looking at mortgage rates right now is **volatility.**

- Nicole Bachaud, Senior Economist, Zillow

Daily Mortgage Rate

Since October 2023



Source: Mortgage News Daily



Every month brings a new set of inflation and labor data that can influence the direction of mortgage rates. **Ongoing inflation deceleration, a slowing economy and even geopolitical uncertainty can contribute to lower mortgage rates.** On the other hand, data that signals upside risk to inflation may result in higher rates.

- **Odetta Kushi**, Deputy Chief Economist, First American



Mortgage rates are influenced by many elements, including the **inflation rate**, the pace of **job creation**, and whether the **economy** is growing or shrinking. The **Federal Reserve's monetary policy** is a factor, too, and is set by the Federal Open Market Committee.



Mortgage rates are indirectly influenced by the Federal Reserve's monetary policy. When the central bank raises the federal funds target rate, as it did throughout 2022 and 2023, that has a knock-on effect by causing short-term interest rates to go up.

- Forbes

The Latest Fed Decision

May 1, 2024



The committee decided to **maintain** the target range for the federal funds rate at 5 ¼ to 5 ½ percent



The Committee's assessments will take into account a wide range of information, including readings on **labor market conditions, inflation pressures and inflation expectations, and financial and international developments.**

- **Federal Reserve, FOMC Statement**



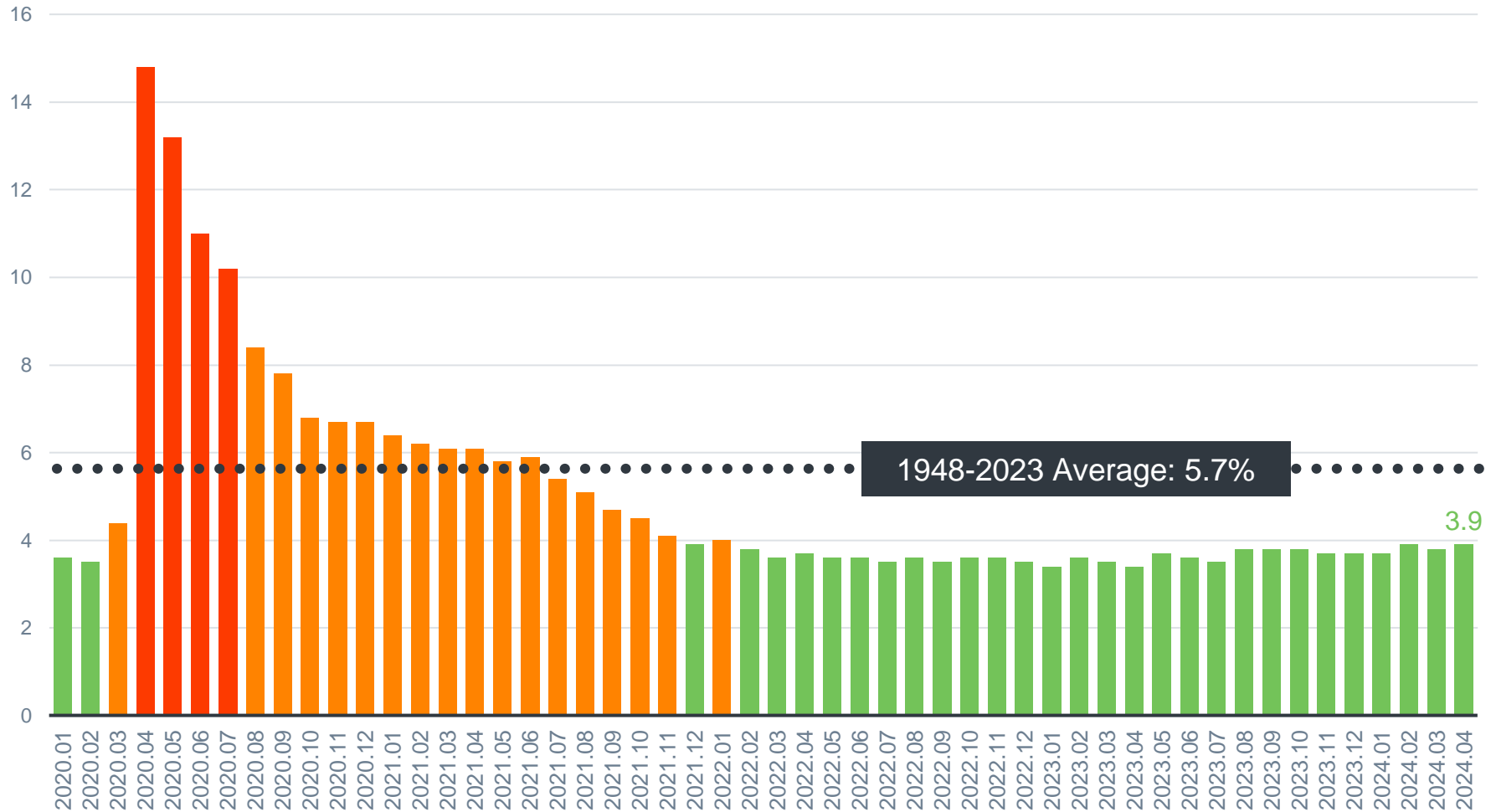
The U.S. economy added fewer jobs than expected in April while the unemployment rate rose, **lifting hopes that the Federal Reserve will be able to cut interest rates in the coming months.**

Nonfarm payrolls increased by 175,000 on the month, below the 240,000 estimate from the Dow Jones consensus . . . **The unemployment rate ticked higher to 3.9% against expectations it would hold steady at 3.8%.**

- CNBC

Unemployment Rate Changed Little in April

The Unemployment Rate Has Remained in a Narrow Range of 3.7% to 3.9% Since August 2023 (Seasonally Adjusted)



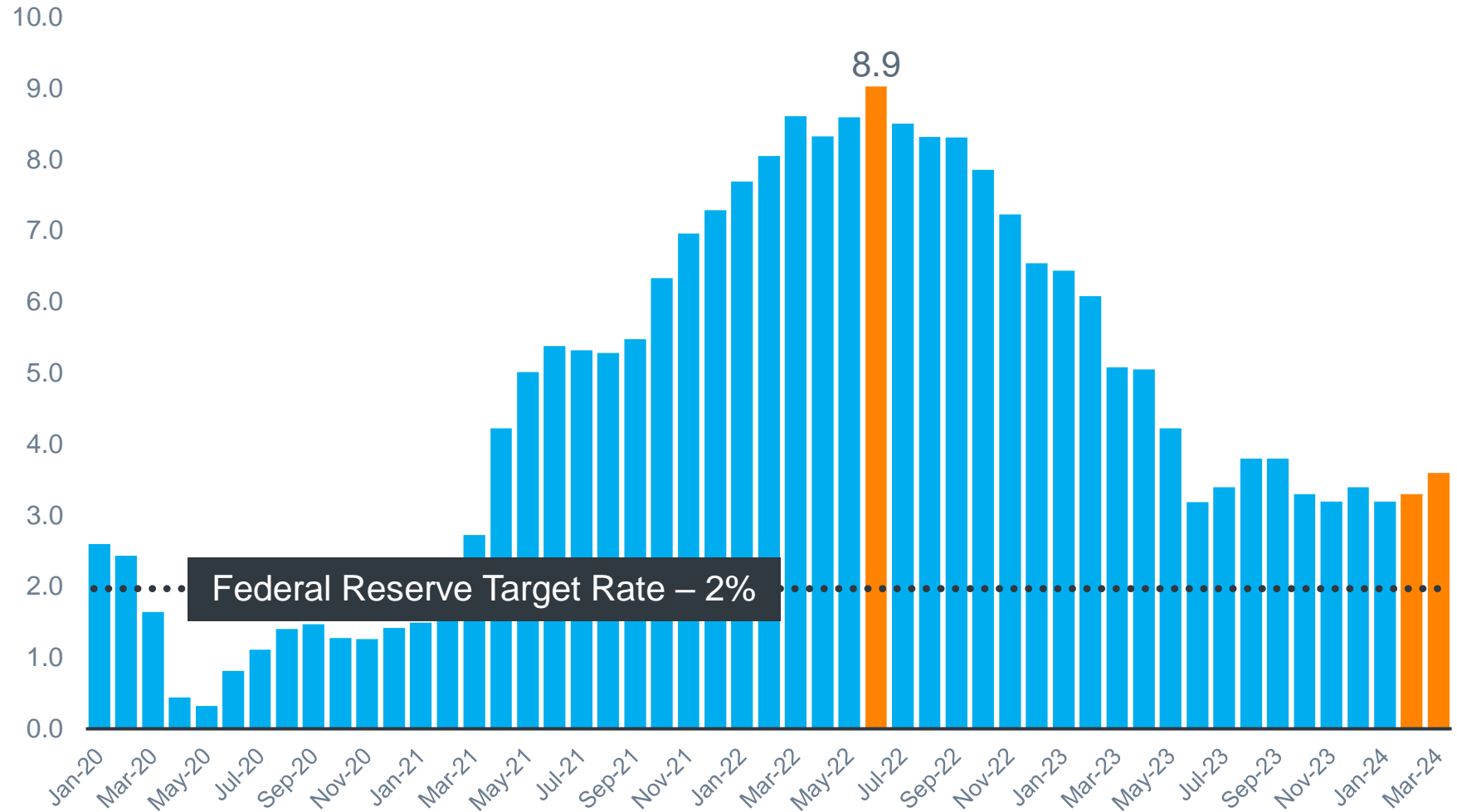


Today's cooler labor market data is a sign that mortgage rate relief could be on the horizon, but that will be dependent on inflation . . . **we may see an unseasonably active summer and fall if inflation improves and mortgage rates drop . . .**

- **Danielle Hale**, Chief Economist, Realtor.com

Inflation Continues To Exceed Target Rate

Consumer Price Index: All Urban Consumers
(Percent Change Year-Over-Year, Seasonally Adjusted)



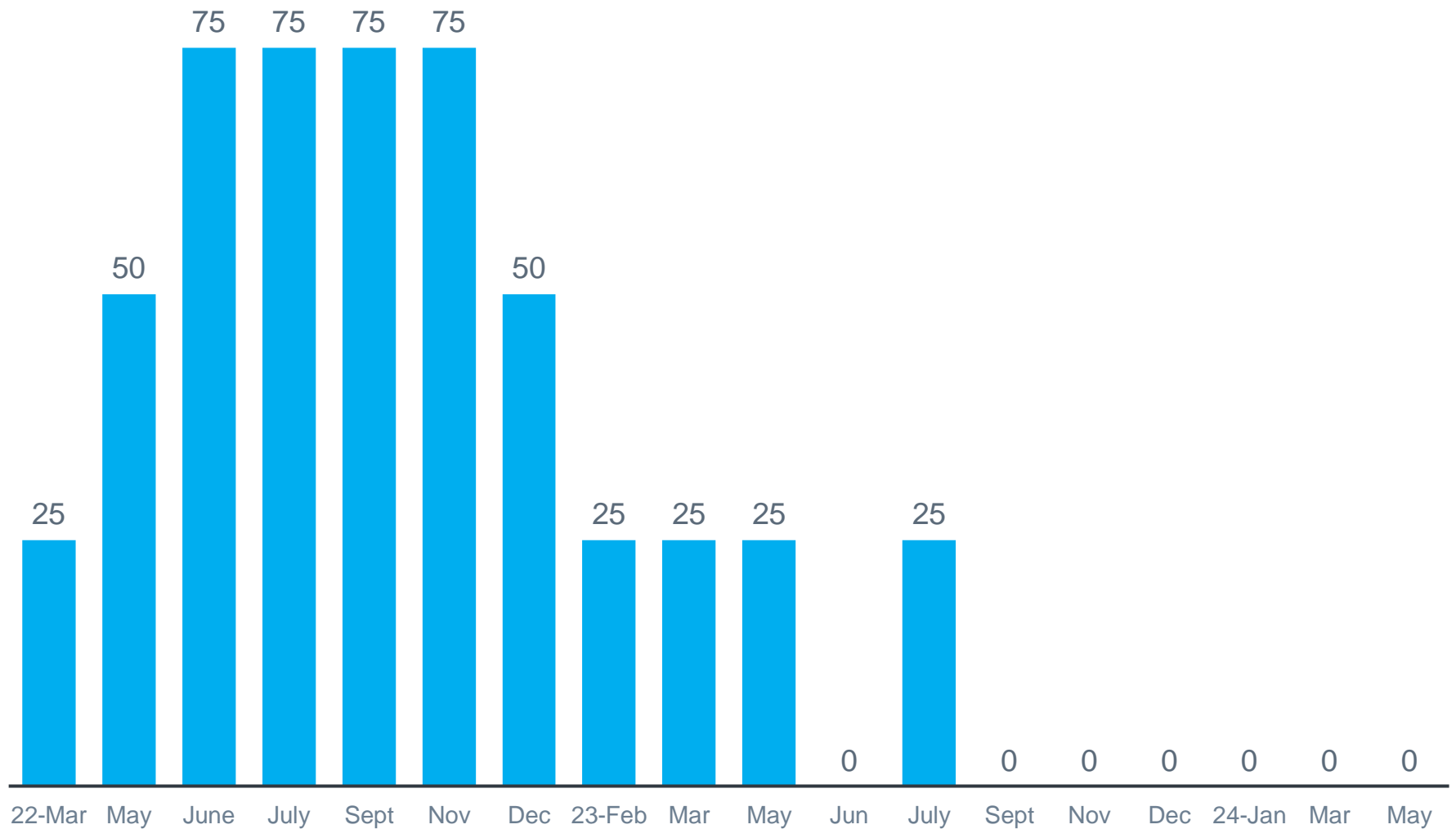


The FOMC did not change the federal funds target at its May meeting, as incoming data regarding the strength of the economy and stubbornly high inflation have resulted in a shift in the timing of a first rate cut. We expect mortgage rates to drop later this year, but not as far or as fast as we previously had predicted.

- **Mike Fratantoni**, Chief Economist, Mortgage Bankers Association

Federal Funds Rate Increases

March 2022–Present, Rate Change in Basis Points



Source: The Fed

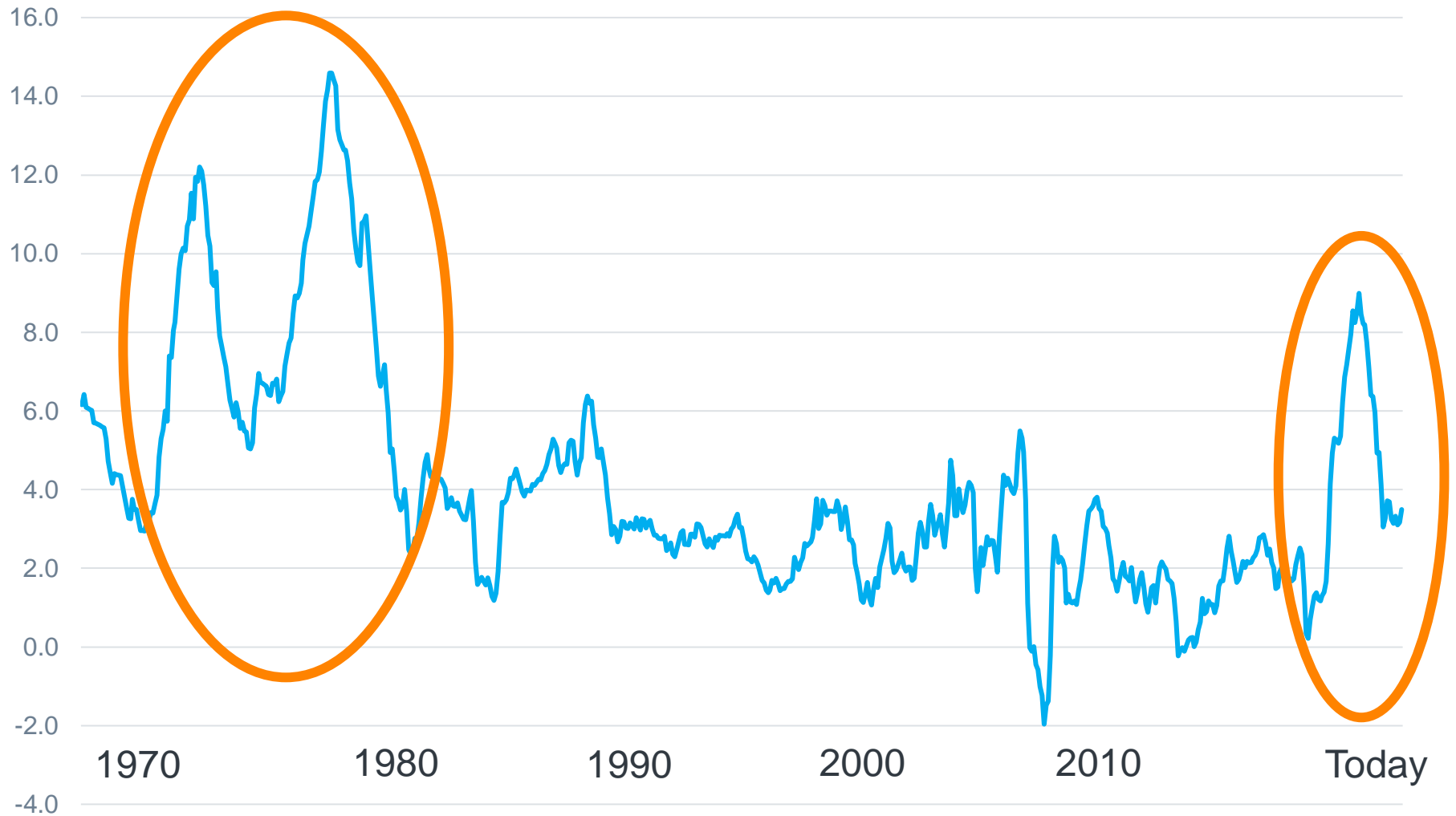


Reducing policy restraint too soon or too much could result in a reversal of progress we have seen in inflation and ultimately require even tighter policy to get inflation back to two percent.

- **Jerome Powell**, Chairman, Federal Reserve

CPI History Pausing Rate Cuts

Core Price Index Challenges in the Late 1970s Informing Decisions Today



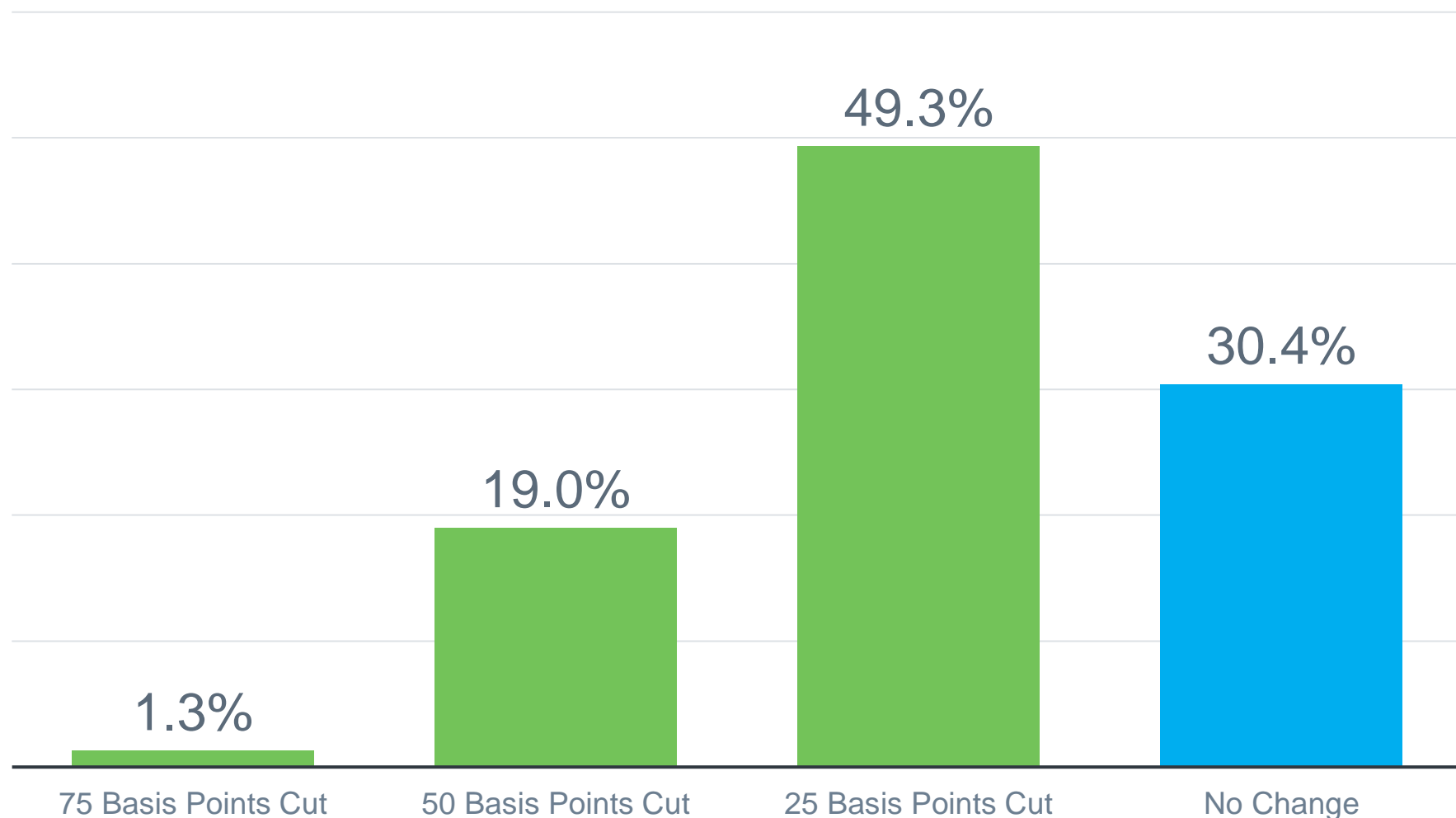


My personal forecast is that we will begin to see further progress on inflation this year. I don't know that it will be sufficient; I don't know that it won't. I think we're going to have to let the data lead us on that.

- **Jerome Powell**, Chairman, Federal Reserve

69.6% Chance Fed Cuts at Sept. Meeting

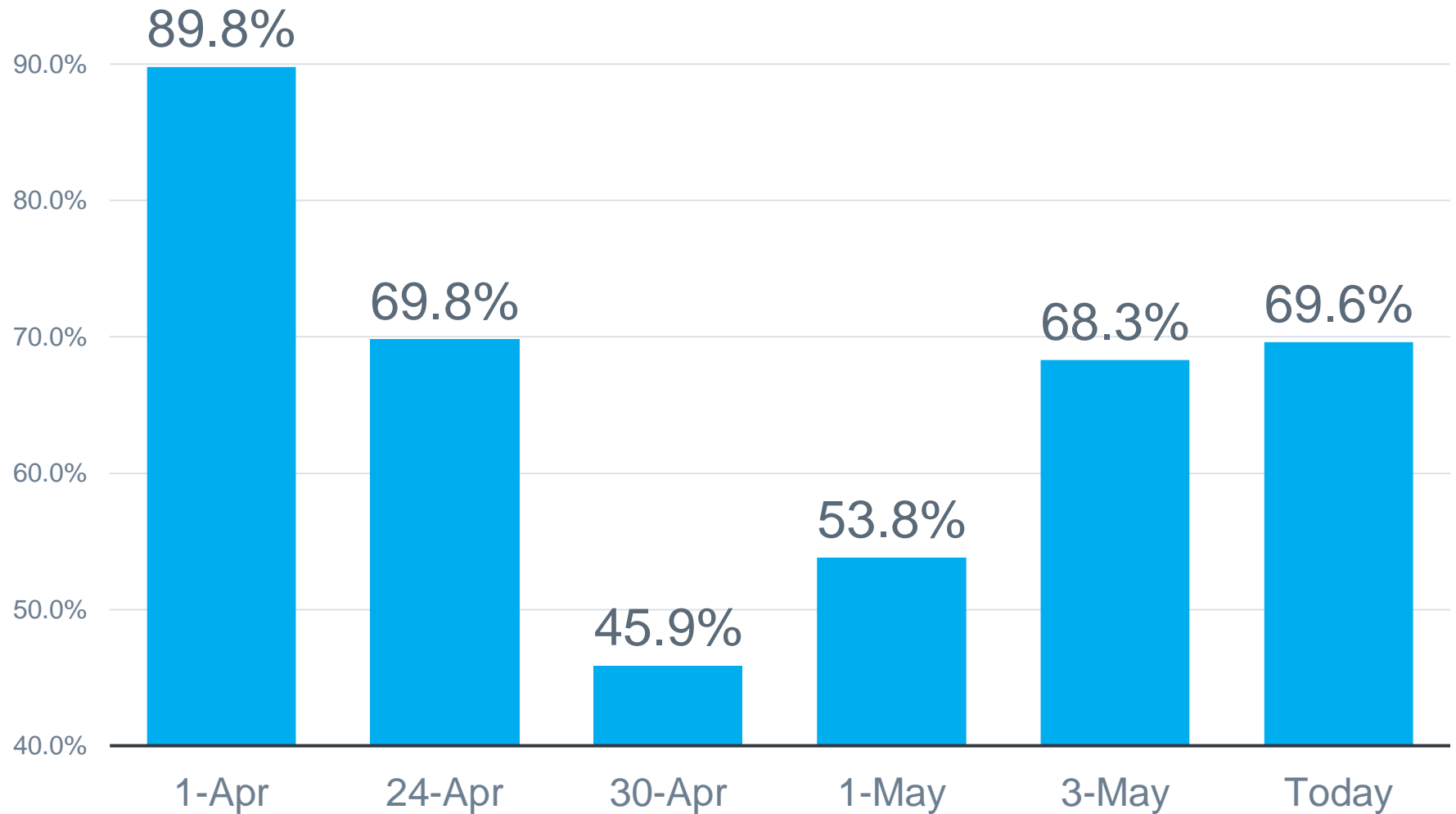
Target Fed Funds Rate Probabilities for Sept. '24 Fed Meeting (as of 5/6)



Source: CME Group

Odds of a September Cut Are Changing

Probability the Fed Will Cut the Fed Funds Rate at the September Meeting



Source: CME Group



I think it's unlikely that the next policy rate move will be a hike.

- **Jerome Powell**, Chairman, Federal Reserve

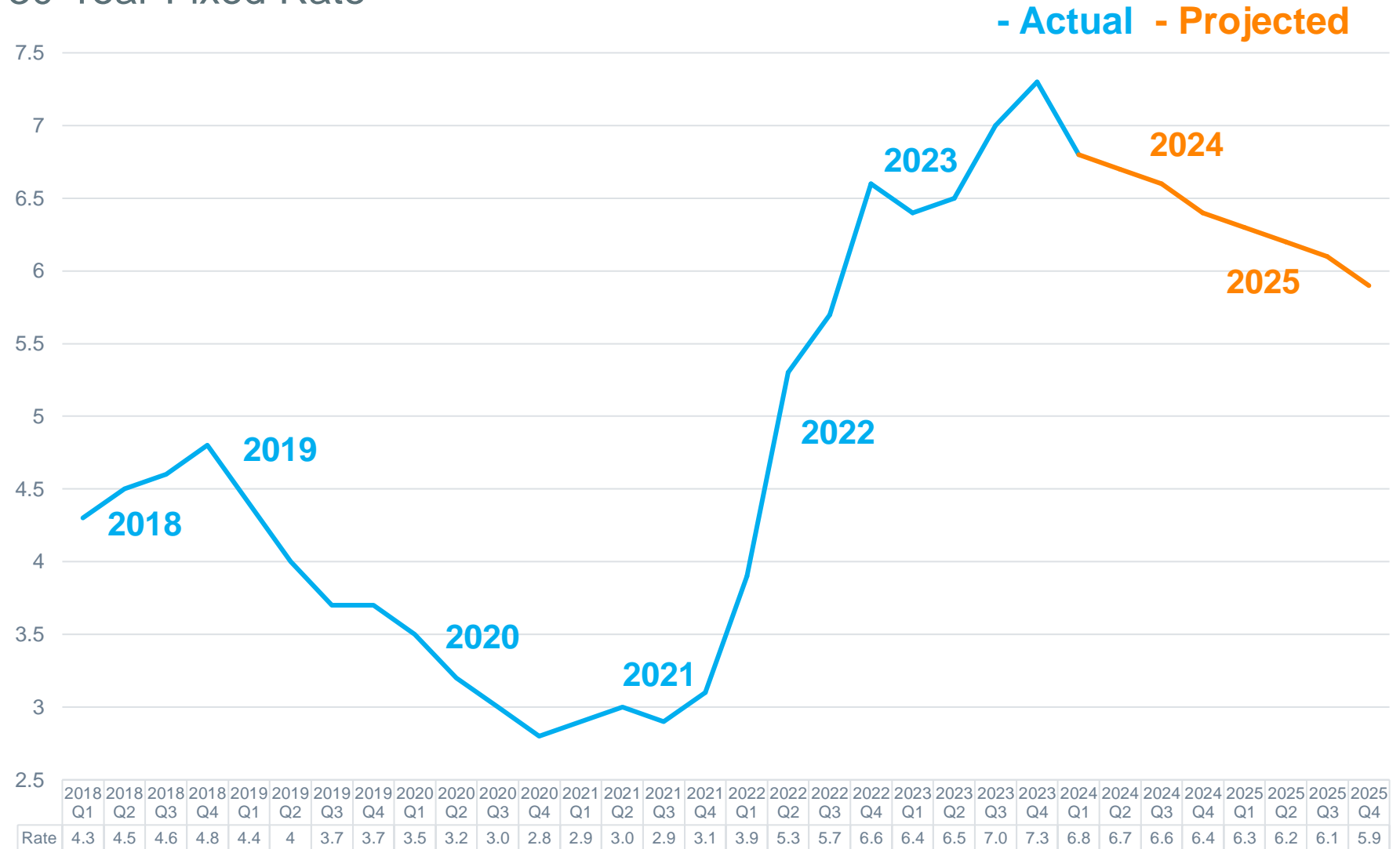
2024 Mortgage Rate Projections

April 2024

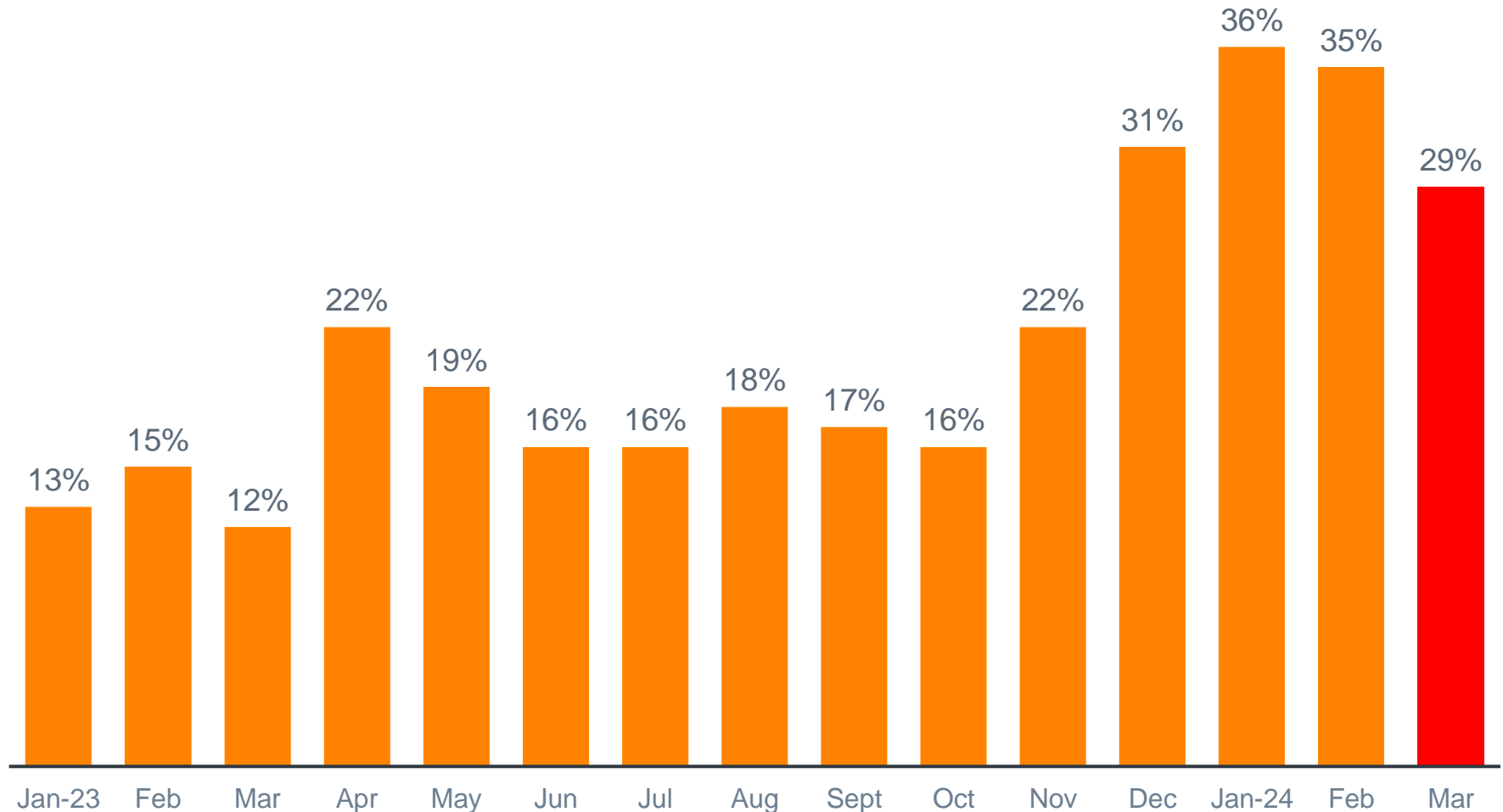
Quarter	Fannie Mae	MBA	NAR	Average of All Three
2024 Q2	6.70%	6.70%	7.10%	6.83%
2024 Q3	6.60%	6.60%	6.70%	6.63%
2024 Q4	6.40%	6.40%	6.50%	6.43%
2025 Q1	6.20%	6.30%	6.30%	6.27%
2025 Q2	6.10%	6.20%	6.20%	6.17%

Mortgage Rates & Projections

30-Year Fixed Rate



Percent of Respondents: Mortgage Rates Will Go Down in the Next 12 Months



Source: Fannie Mae



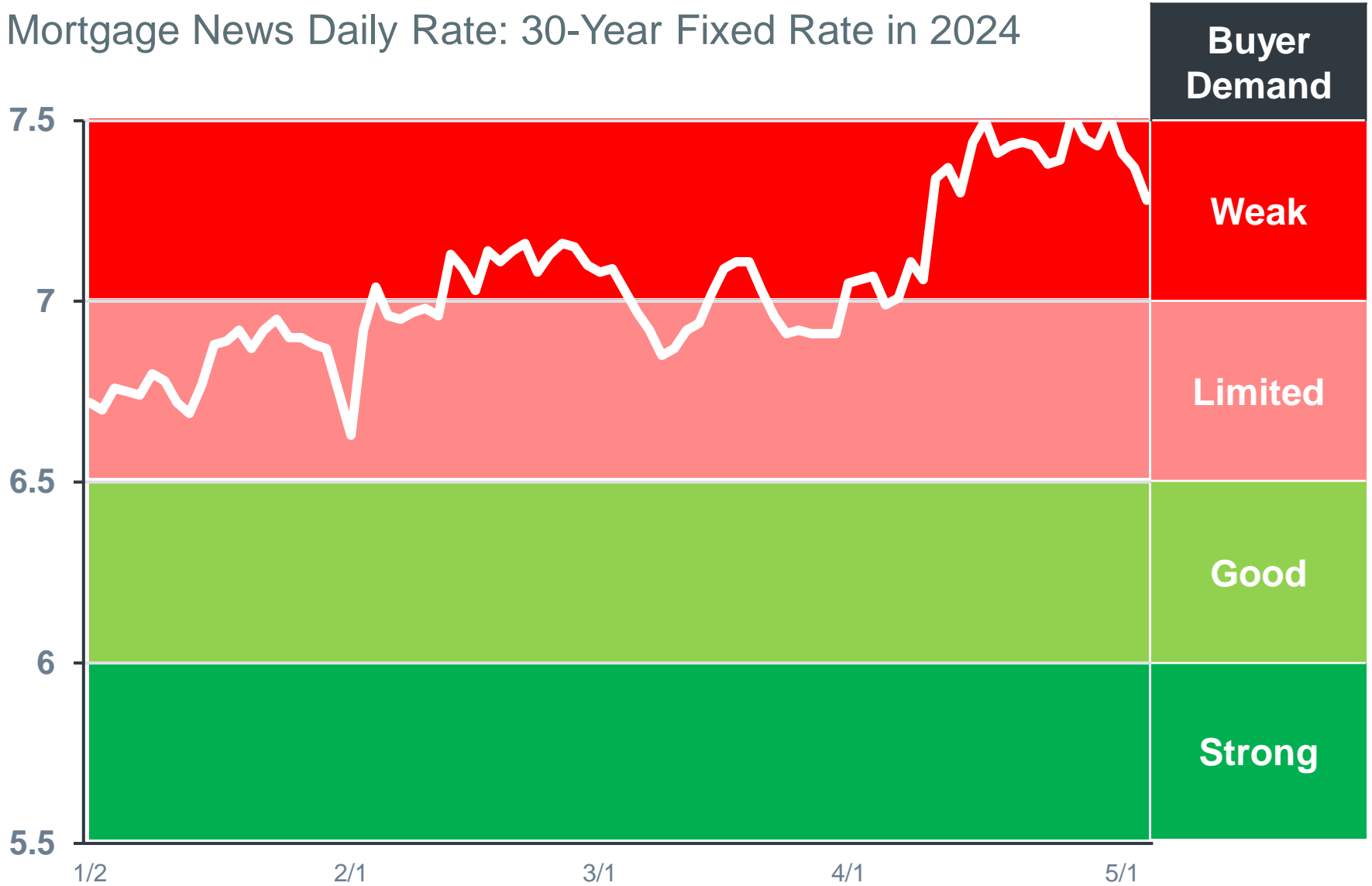
Expect rates to come down in the second half of 2024 but remain above 6% this year.

Even a modest drop in rates will bring both more buyers and more sellers into the market.

- Bright MLS

Demand Based on Rate Environment

Mortgage News Daily Rate: 30-Year Fixed Rate in 2024



Resources

Slide(s)	Description	Link(s)
4	Affordability Graph	https://cdn.nar.realtor/sites/default/files/documents/hai-12-2023-housing-affordability-index-2024-02-08.pdf
5	Building Smaller Homes Statement	https://www.nahb.org/news-and-economics/press-releases/2024/04/home-buyer-preferences-shift-as-affordability-challenges-remain
6	Quint Quote	https://www.nahb.org/news-and-economics/press-releases/2024/02/top-design-trends-for-2024
7	Buyers Want Smaller Homes Graph	https://eyeonhousing.org/2024/03/nahb-releases-what-home-buyers-really-want-study-shows-buyers-want-smaller-homes/
8	NAHB Quote	https://eyeonhousing.org/2024/02/new-single-family-home-size-moves-lower/
9	New Homes Getting Smaller Census Graph	https://www.census.gov/construction/nrc/quarterly.html
10	New York Times Quote	https://www.nytimes.com/2024/02/17/business/economy/the-great-compression.html
11	Newly Built Homes Are Smaller Wolf Graph	https://twitter.com/AlWolfEcon

Resources

Slide(s)	Description	Link(s)
12	Bilello Quote	https://twitter.com/charliebilello/status/1772309207569584355
13	Arroyo Quote	https://www.marketwatch.com/story/the-shrinking-american-home-as-demand-rises-builders-go-smaller-ed2a327c
15	Population by Generation Graph	https://data.census.gov/cedsci/table?q=United%20States&t=Populations%20and%20People&g=0100000US&tid=ACSST5Y2020.S0101
16	U.S. Population Distribution Graph	https://www.statista.com/statistics/296974/us-population-share-by-generation/
17	Annual Monthly Payment Graph	https://www.nar.realtor/research-and-statistics/housing-statistics/housing-affordability-index https://cdn.nar.realtor/sites/default/files/documents/hai-02-2024-housing-affordability-index-2024-04-12.pdf
18, 19	Chase Quotes	https://www.chase.com/personal/mortgage/education/owning-a-home/will-gen-z-be-able-to-afford-houses
20	Gen Z Buyers and Sellers Graph	https://cdn.nar.realtor/sites/default/files/documents/2024-home-buyers-and-sellers-generational-trends-04-03-2024.pdf

Resources

Slide(s)	Description	Link(s)
21	Gen Z Homebuying Tips	https://www.chase.com/personal/mortgage/education/owning-a-home/will-gen-z-be-able-to-afford-houses
22	Directors Mortgage Quote	https://www.directorsmortgage.com/blog/gen-z-homeownership-top-affordable-strategies-for-aspiring-homeowners/
23	Gen Z Cash Gift Pie Chart	https://www.redfin.com/news/gen-z-millennial-down-payment-family-help/
24	Down Payment Assistance Programs	https://downpaymentresource.com/homebuyer-resource/navigating-down-payment-assistance-programs-a-homebuyers-guide/ https://downpaymentresource.com/
25	Porter Quote	https://www.realtor.com/news/trends/generation-z-must-haves-when-buying-homes/
27	Bachaud Quote	https://www.nbcnewyork.com/news/business/money-report/as-home-sellers-buyers-wait-on-a-fed-cut-heres-how-mortgage-rates-have-impacted-the-spring-housing-market/5364826/
28	Daily Mortgage Rate Graph	https://www.mortgagenewsdaily.com/mortgage-rates

Resources

Slide(s)	Description	Link(s)
29	Kushi Quote	https://www.cnet.com/personal-finance/mortgages/mortgage-rates-increase-for-prospective-buyers-todays-mortgage-rates-for-may-3-2024/#will-mortgage-rates-fall-in-
30	NerdWallet Quote	https://www.nerdwallet.com/article/mortgages/fed-mortgage-rates
31	Forbes Quote	https://www.forbes.com/advisor/mortgages/mortgage-rates/
32	Fed Decision	https://www.federalreserve.gov/newsevents/pressreleases/monetary20240501a.htm
33	Federal Reserve Quote	https://www.federalreserve.gov/newsevents/pressreleases/monetary20240501a.htm
34	CNBC Quote	https://www.cNBC.com/2024/05/03/jobs-report-april-2024-us-job-growth-totaled-175000-in-april.html
35	Unemployment Rate Graph	https://www.bls.gov/news.release/empsit.nr0.htm https://data.bls.gov/pdq/SurveyOutputServlet
36	Hale Quote	https://www.realtor.com/research/may-2024-employment-report

Resources

Slide(s)	Description	Link(s)
37	Inflation Exceeds Target Rate Graph	https://www.bls.gov/news.release/cpi.nr0.htm
38	Fratantoni Quote	https://themortgagereports.com/112576/fed-skips-rate-hike-may-2024
39	Federal Funds Rate Graph	https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm
40	Powell Quote	https://www.cnbc.com/2024/04/10/heres-why-the-federal-reserve-is-in-no-rush-to-cut-rates-in-2024.html
41	CPI History Graph	https://fred.stlouisfed.org/graph/?g=rocU#0 https://www.bls.gov/cpi/
42	Powell Quote	https://twitter.com/YahooFinance/status/1785757331395051620
43, 44	Chance of Rates Cut Graphs	https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html
45	Powell Quote	https://www.investopedia.com/us-economy-news-today-may-1-8641676

Resources

Slide(s)	Description	Link(s)
46, 47	Mortgage Rate Projections	https://www.fanniemae.com/media/50986/display https://img03.en25.com/Web/MortgageBankersAssociation/%7B3a3cfd7-a920-4329-8953-167a89666546%7D_Mortgage_Finance_Forecast_Apr_2024.pdf https://cdn.nar.realtor/sites/default/files/documents/forecast-q2-2024-us-economic-outlook-04-25-2024.pdf
48	Percent Saying Mortgage Rates Will Go Down Graph	https://www.fanniemae.com/research-and-insights/surveys-indices/national-housing-survey
49	Bright MLS Quote	https://www.prnewswire.com/news-releases/bright-mls-march-2024-housing-report-mid-atlantic-inventory-increases-for-the-second-month-in-a-row-302113312.html#:~:text=Mortgage%20rates%20will%20stay%20higher,more%20sellers%20into%20the%20market.
50	Demand Based on Rate Environment Graph	https://www.mortgagenewsdaily.com/mortgage-rates



Updates

Resources

Slide(s)	Description	Link(s)
62	Confidence Index	https://www.nar.realtor/research-and-statistics/research-reports/realtors-confidence-index
63-65, 72, 74, 75, 82-85	Existing Home Sales	https://www.nar.realtor/topics/existing-home-sales
66-68	New Home Sales	http://www.census.gov/construction/nrs/pdf/newressales.pdf http://www.census.gov/newhomesales
69	Total Home Sales	http://www.census.gov/construction/nrs/pdf/newressales.pdf https://www.nar.realtor/topics/existing-home-sales
70-71	Pending Home Sales	https://www.nar.realtor/research-and-statistics/housing-statistics/pending-home-sales
76-78	Case Shiller	https://www.spglobal.com/spdji/en/indices/indicators/sp-corelogic-case-shiller-20-city-composite-home-price-nsa-index/#news-research
79	CoreLogic Price Forecast	https://www.corelogic.com/intelligence/u-s-home-price-insights/

Resources

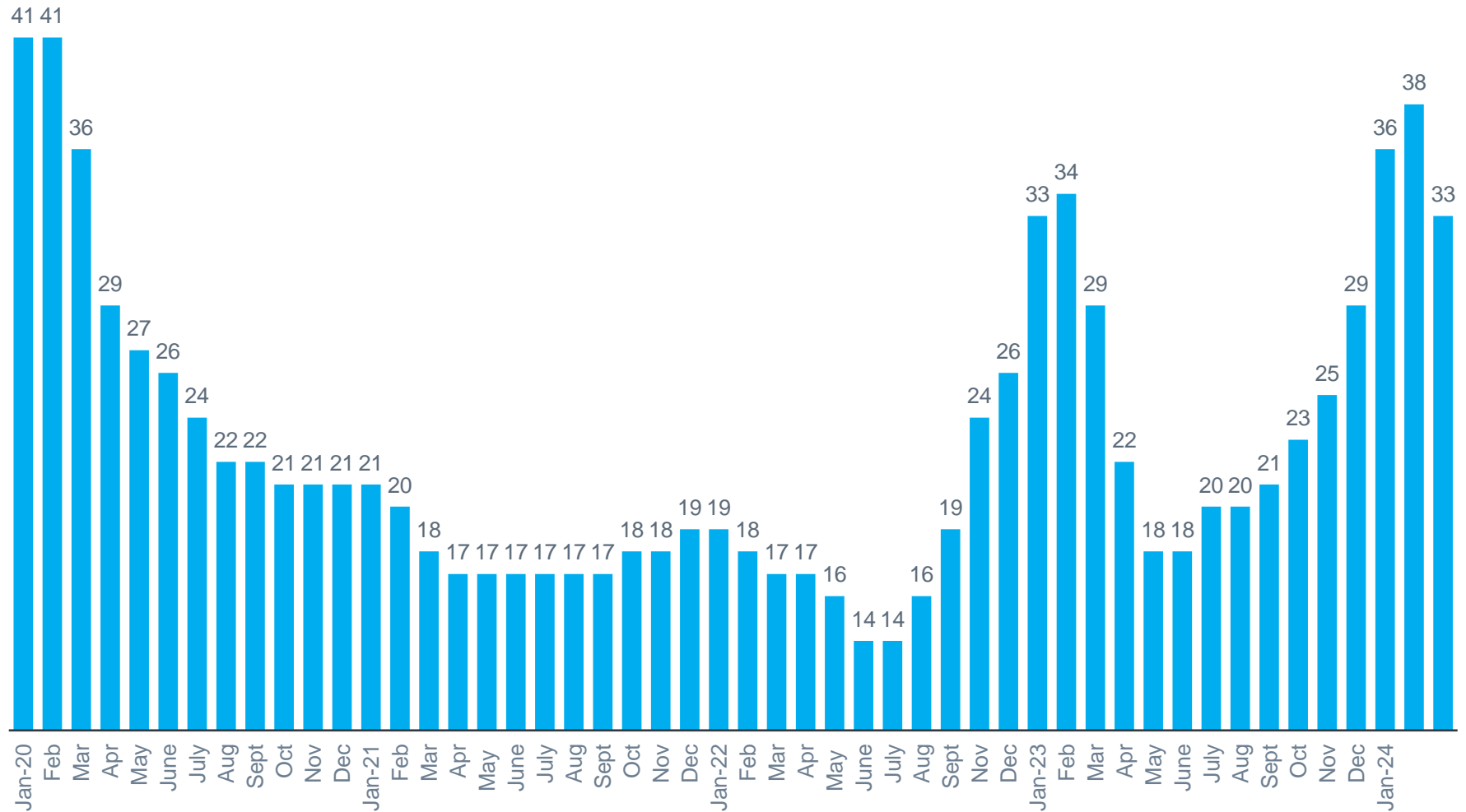
Slide(s)	Description	Link(s)
81-87	Inventory	https://www.nar.realtor/topics/existing-home-sales http://www.census.gov/construction/nrs/pdf/newressales.pdf https://www.realtor.com/research/data/
89	Showing Activity	https://www.showingtime.com/blog/
91, 92, 94, 95	Mortgage Rates	http://www.freddiemac.com/pmms/pmms_archives.html http://www.freddiemac.com/research/forecast/ https://www.mba.org/news-research-and-resources/research-and-economics/forecasts-and-commentary
93	Mortgage Rate Projections	http://www.fanniemae.com/portal/research-insights/forecast.html https://www.mba.org/news-research-and-resources/research-and-economics/forecasts-and-commentary https://www.nar.realtor/research-and-statistics
97, 98	Mortgage Credit Availability	https://www.mba.org/news-research-and-resources/newsroom https://www.mba.org/news-research-and-resources/research-and-economics/single-family-research/mortgage-credit-availability-index



Home Sales

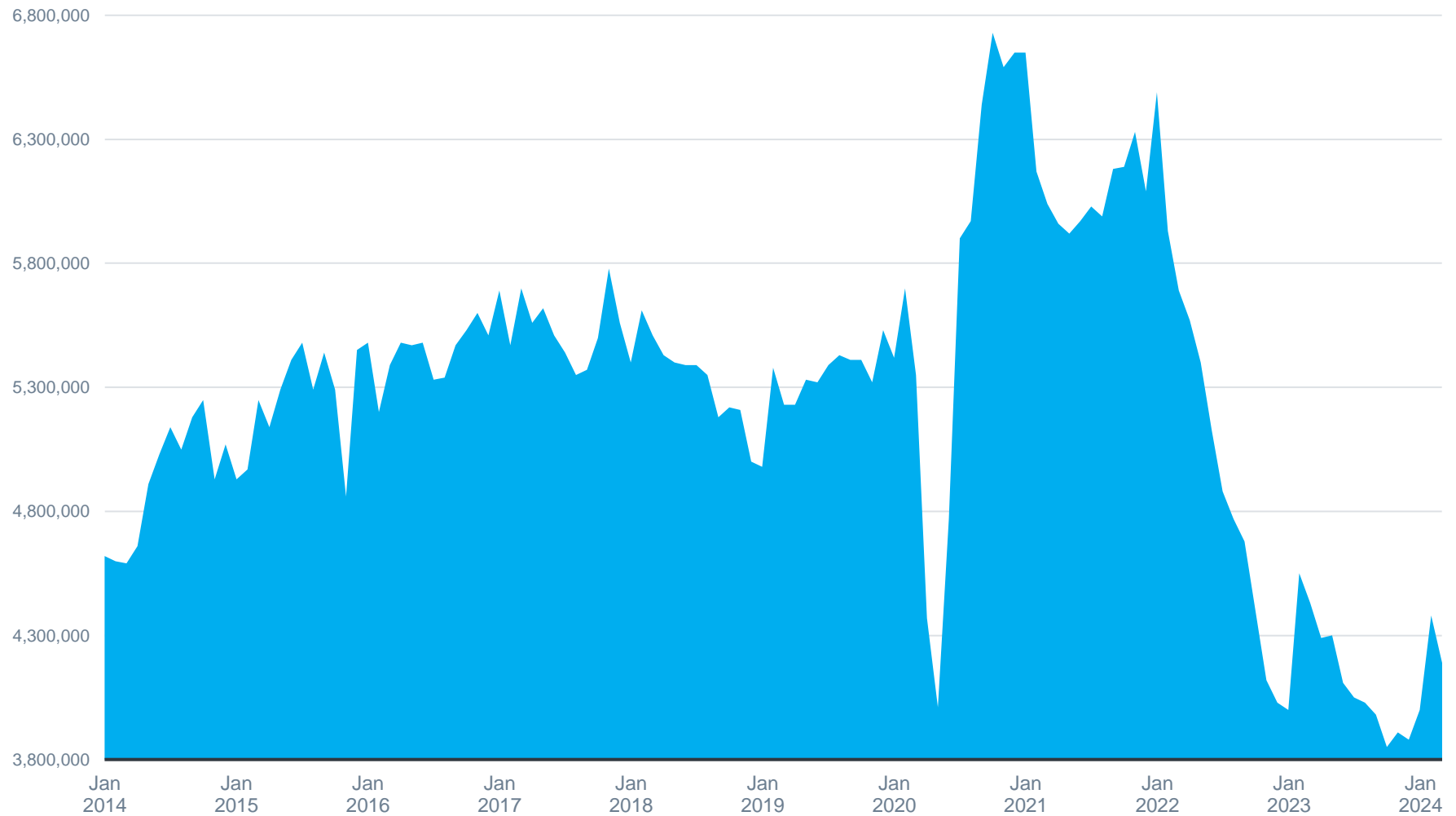
Average Days on the Market

March 2024



Existing Home Sales

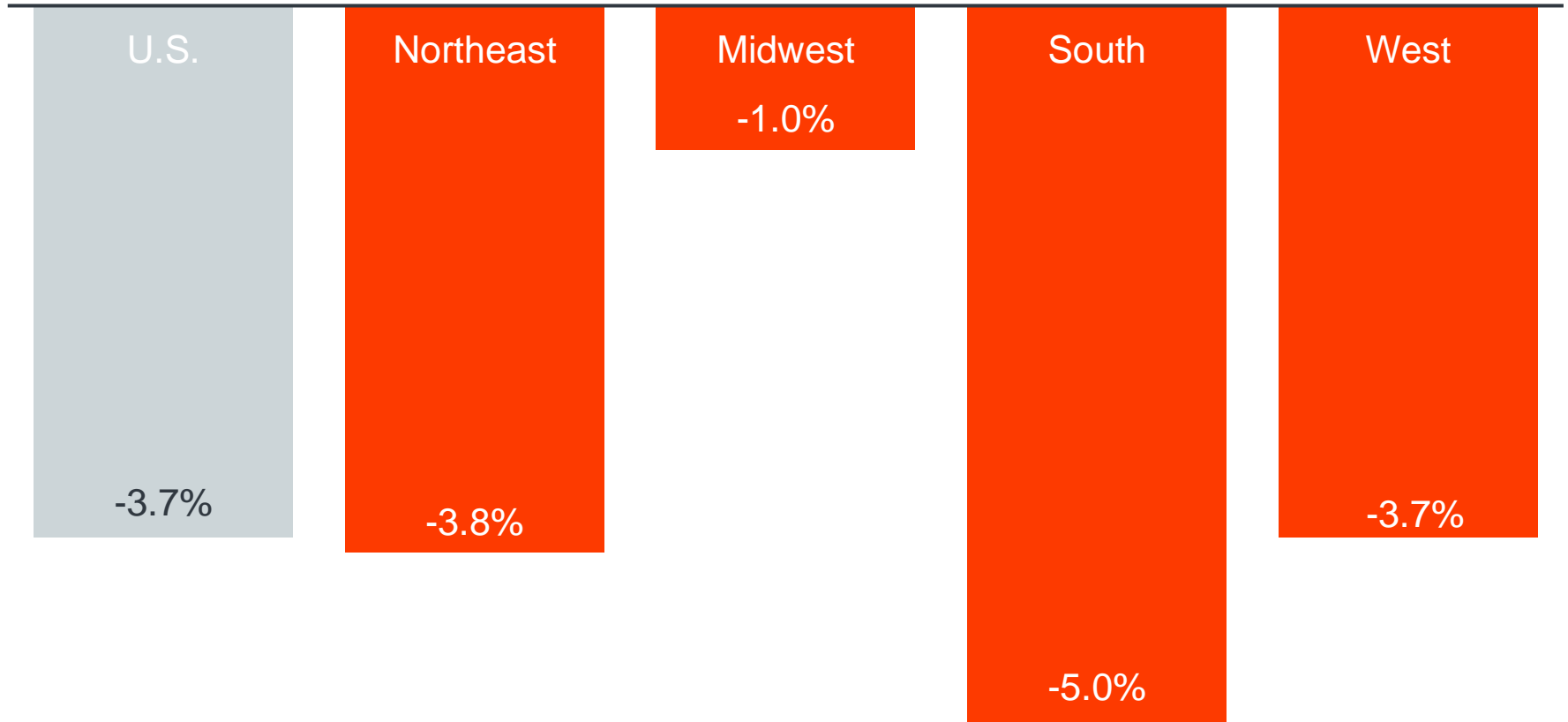
Since January 2014



Source: NAR

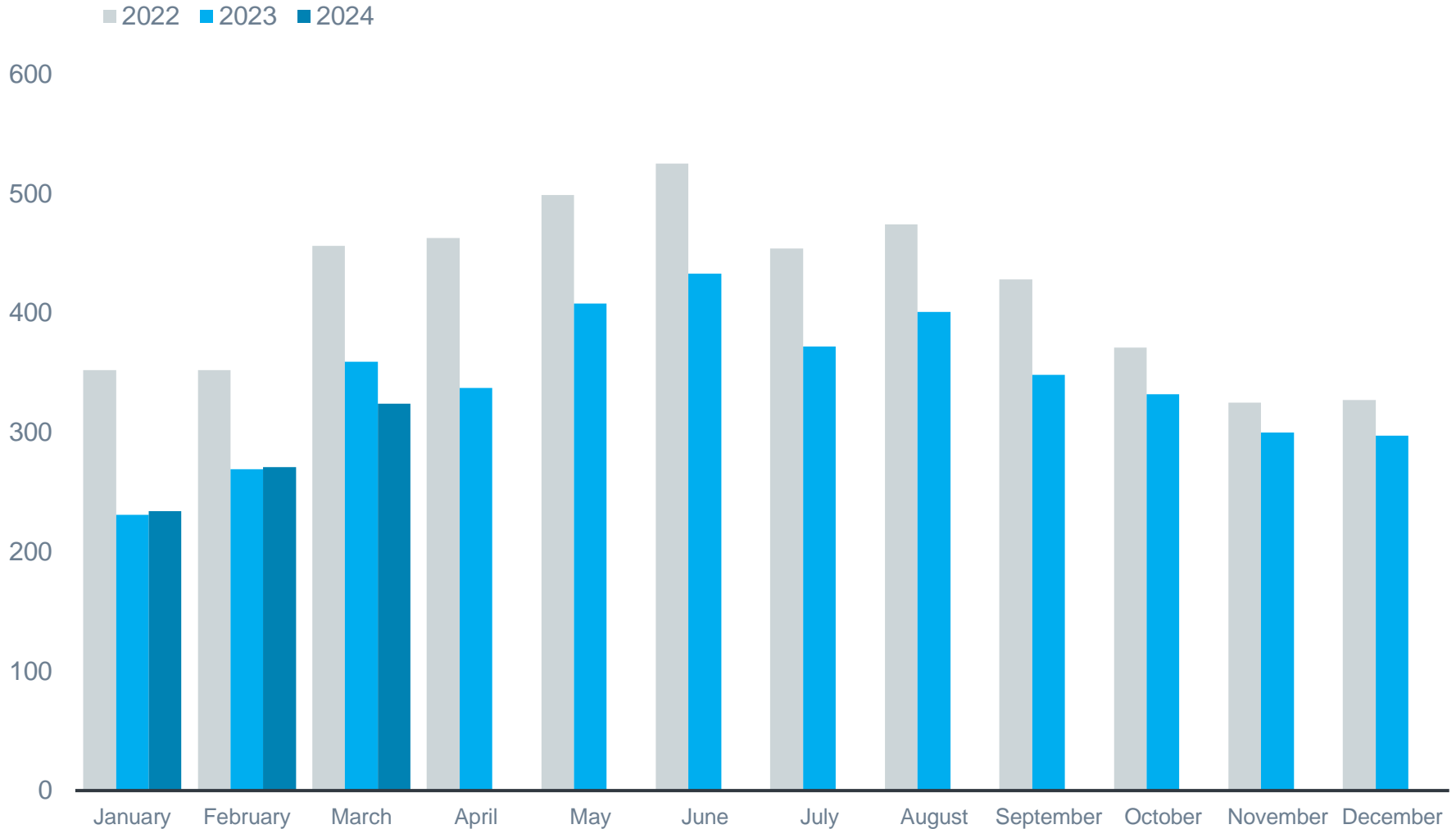
Existing Home Sales

Year-Over-Year, by Region



Existing Home Sales

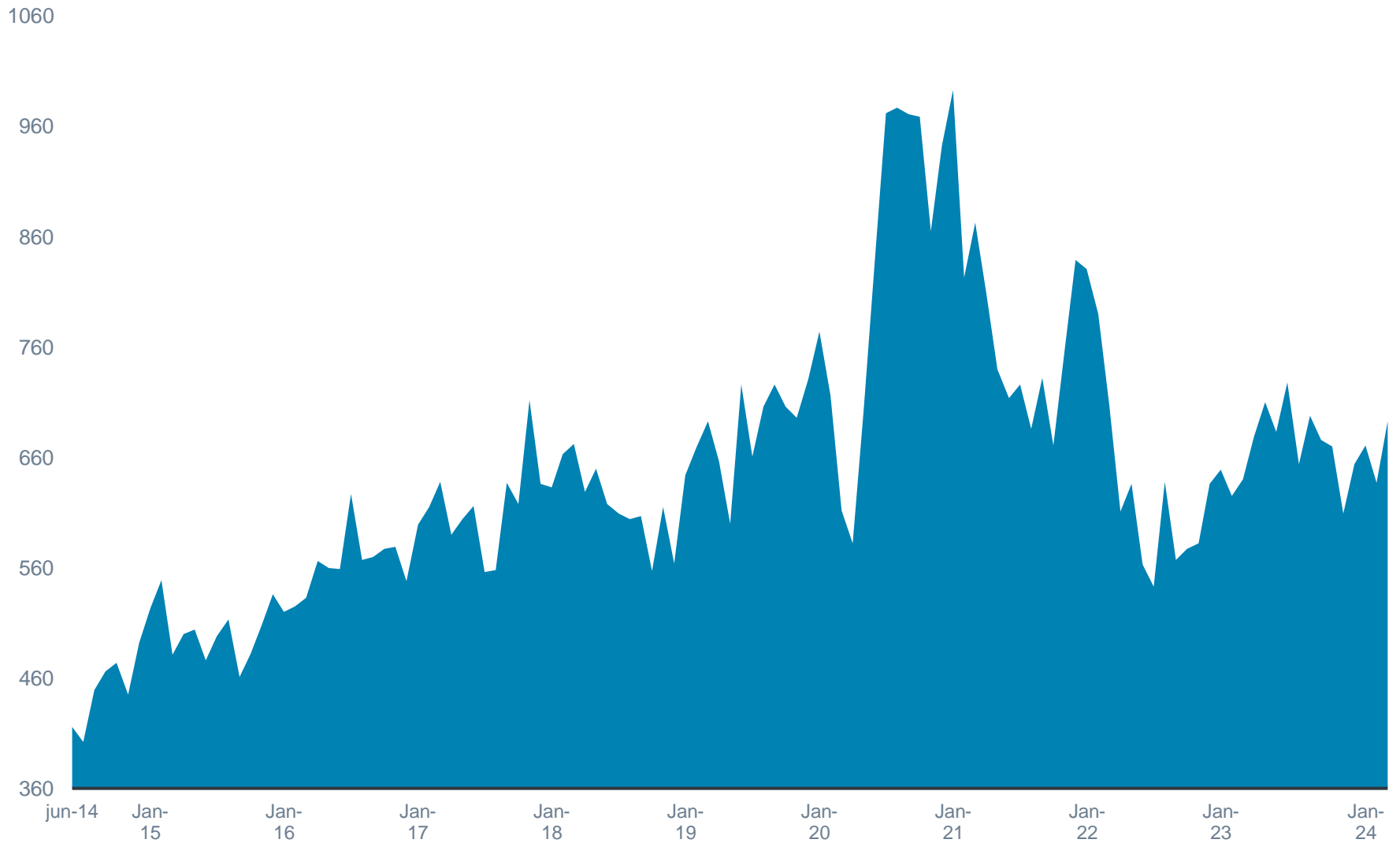
In Thousands



Source: NAR

New Home Sales

Annualized in Thousands

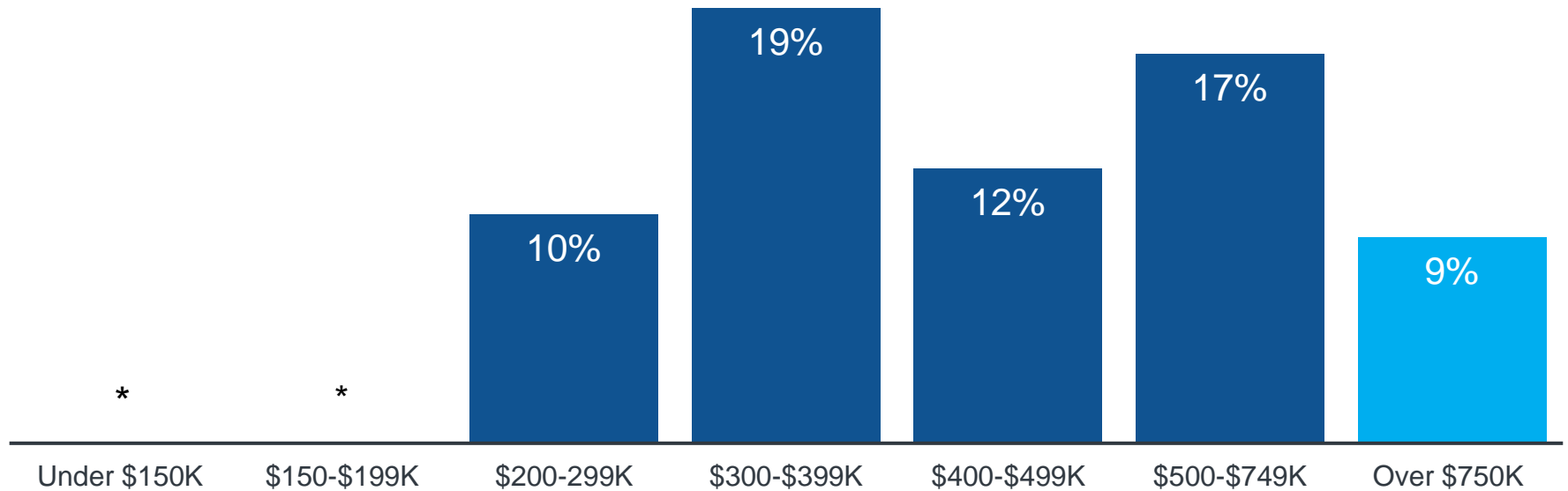


Source: Census

New Home Sales

Percent of Distribution by Price Range

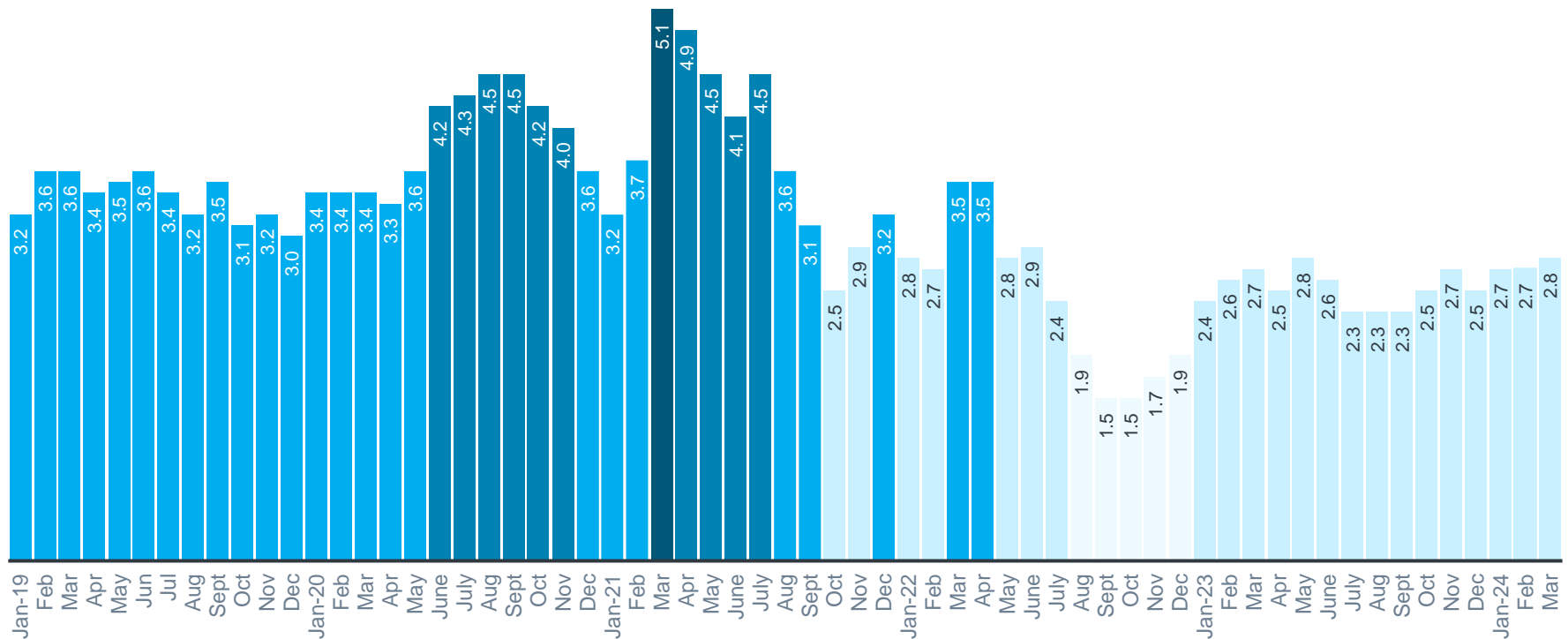
* Less Than 500 Units or Less Than 0.5 Percent



Source: Census

New Homes Selling Fast

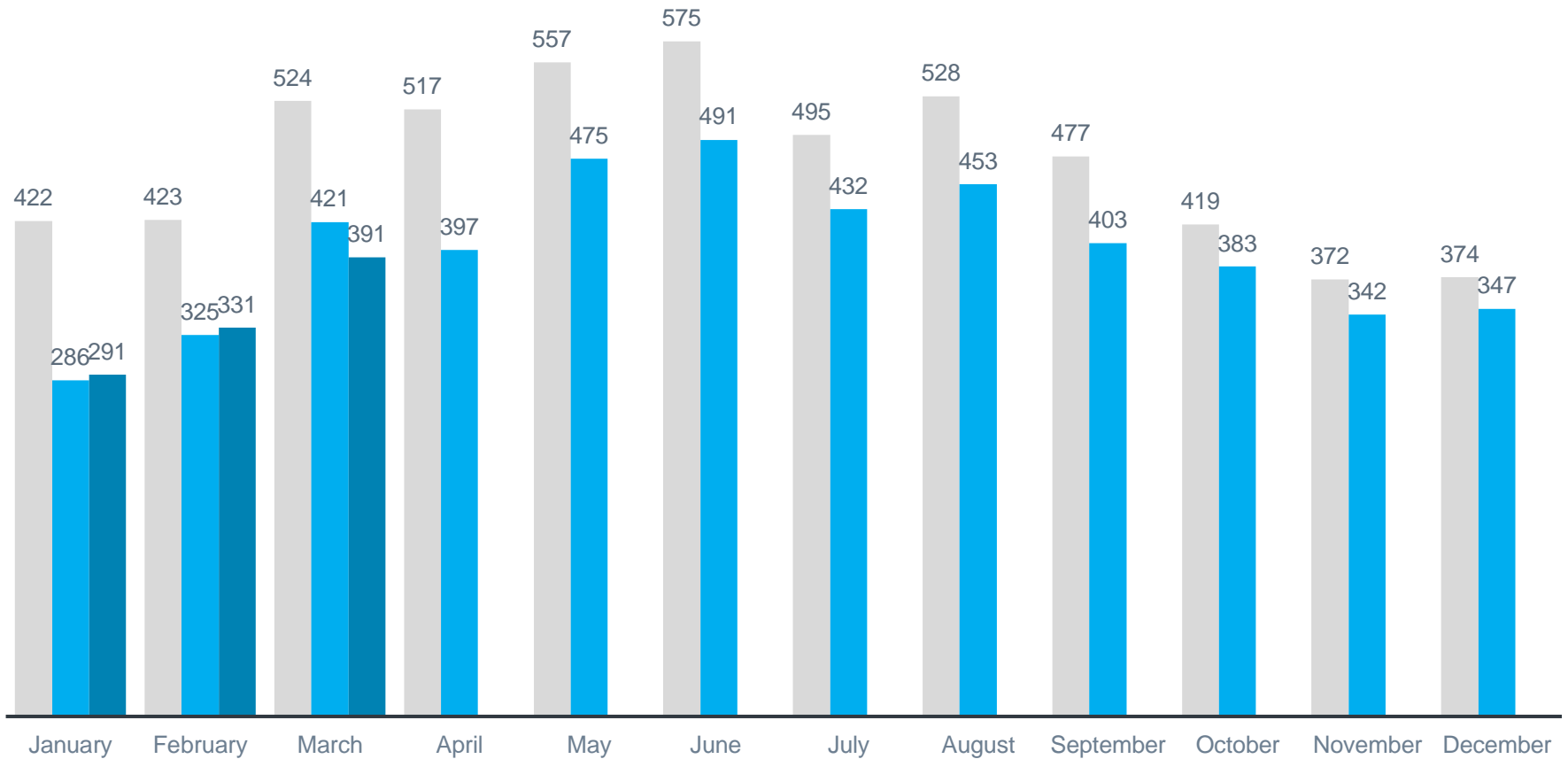
Median Months from Completion to Sold



Total Home Sales

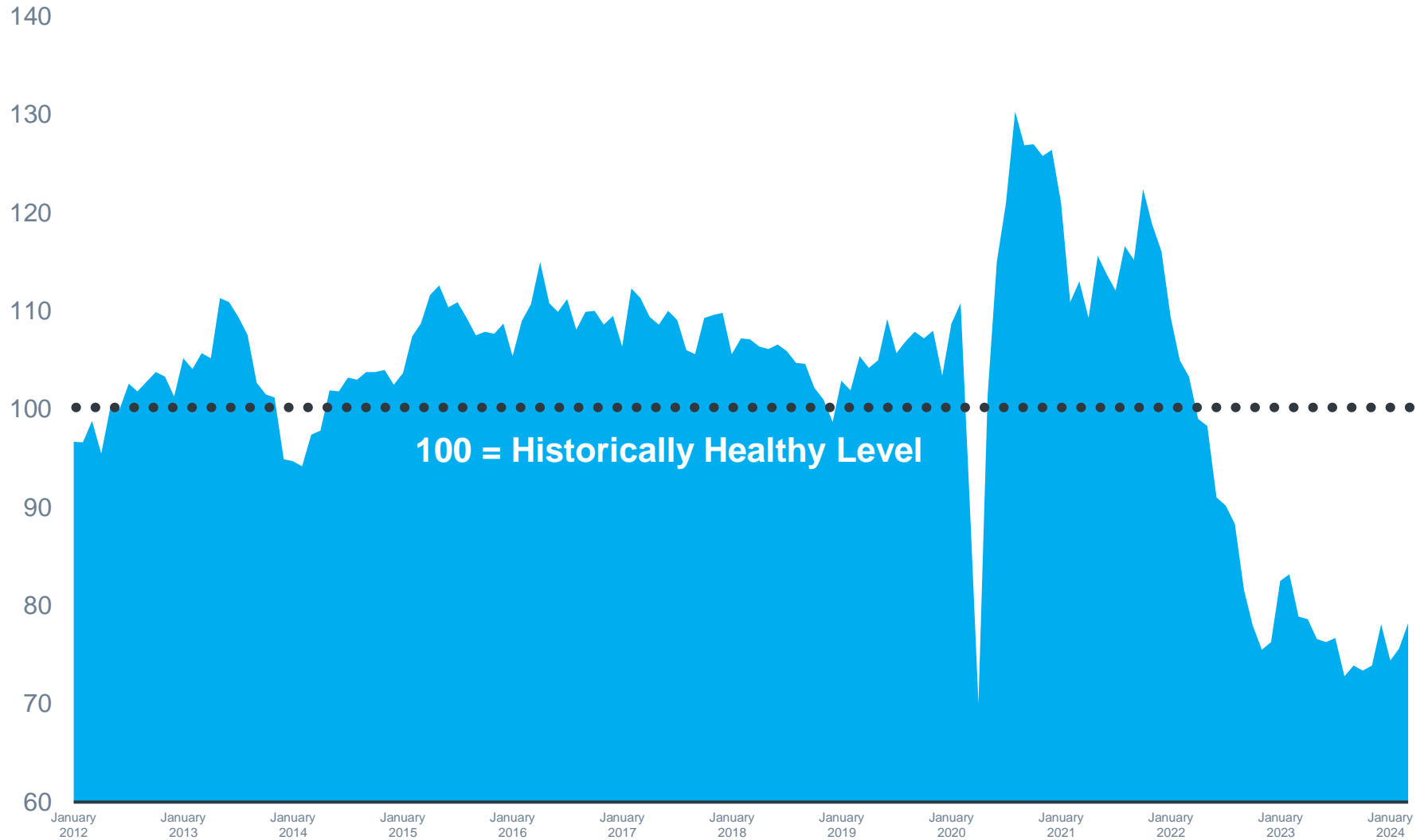
In Thousands

■ 2022 ■ 2023 ■ 2024



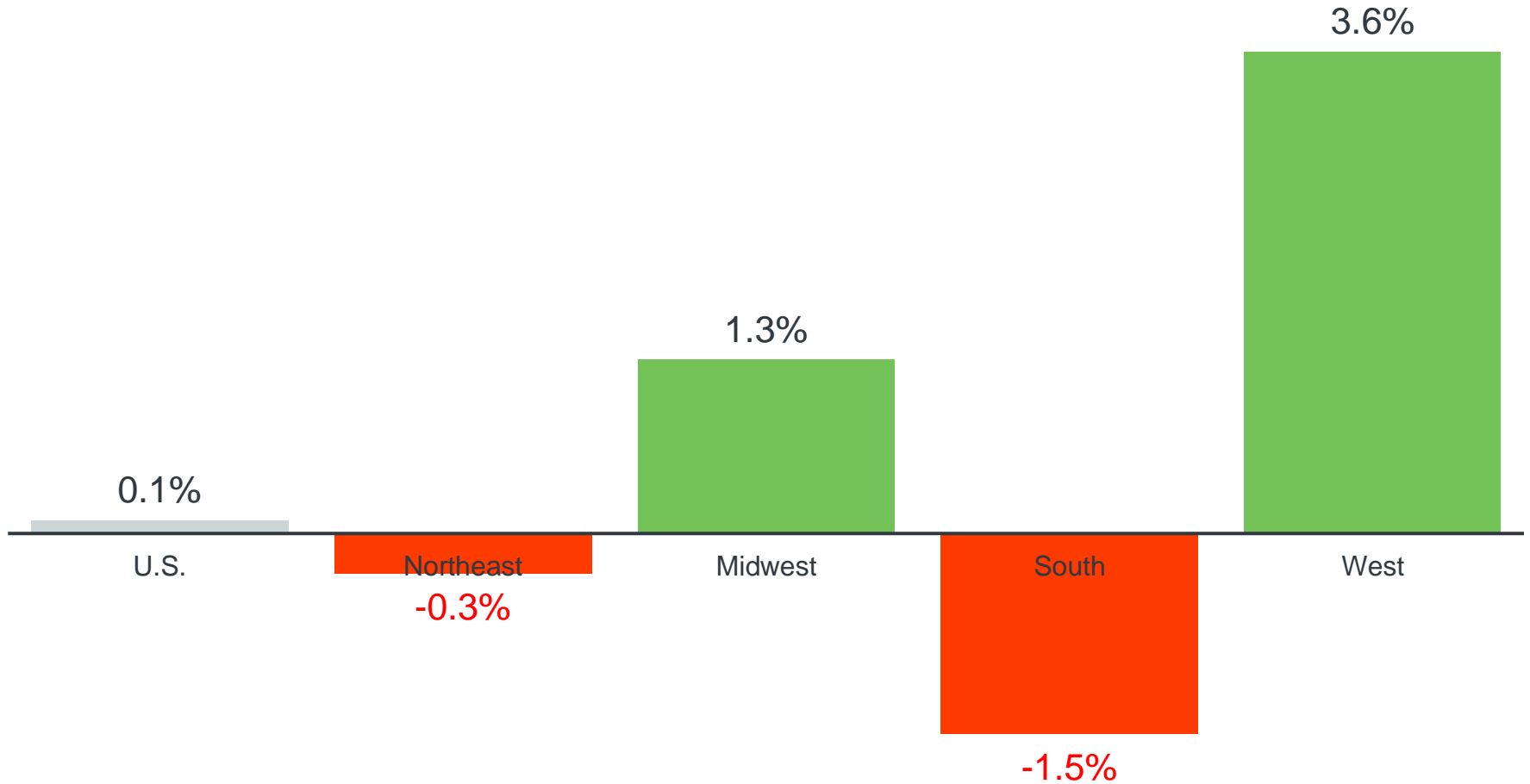
Source: Census

Pending Home Sales



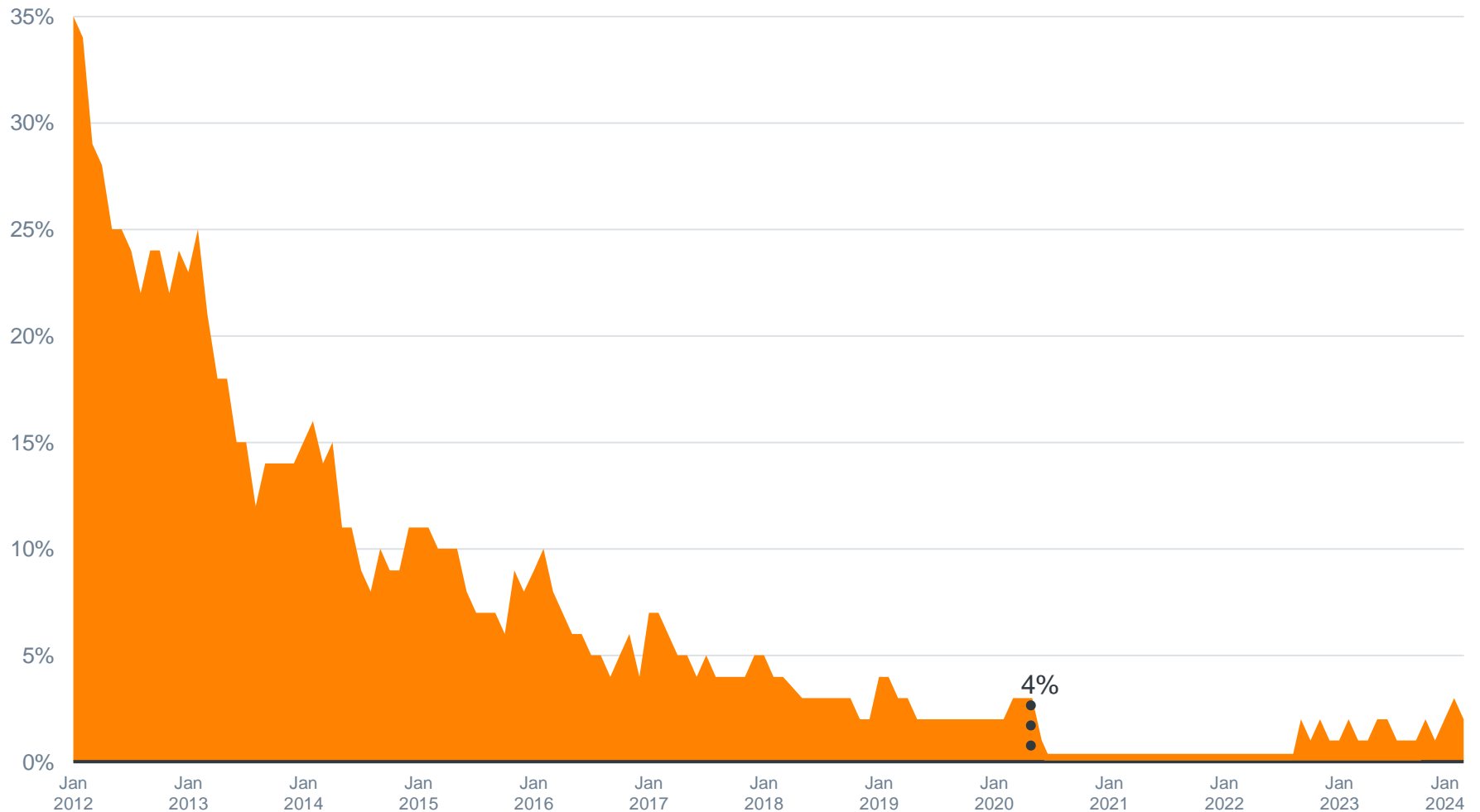
Pending Home Sales

Year-Over-Year by Region



Percentage of Distressed Property Sales

Distressed Sales (Foreclosures and Short Sales) Represented 2% of sales in February.

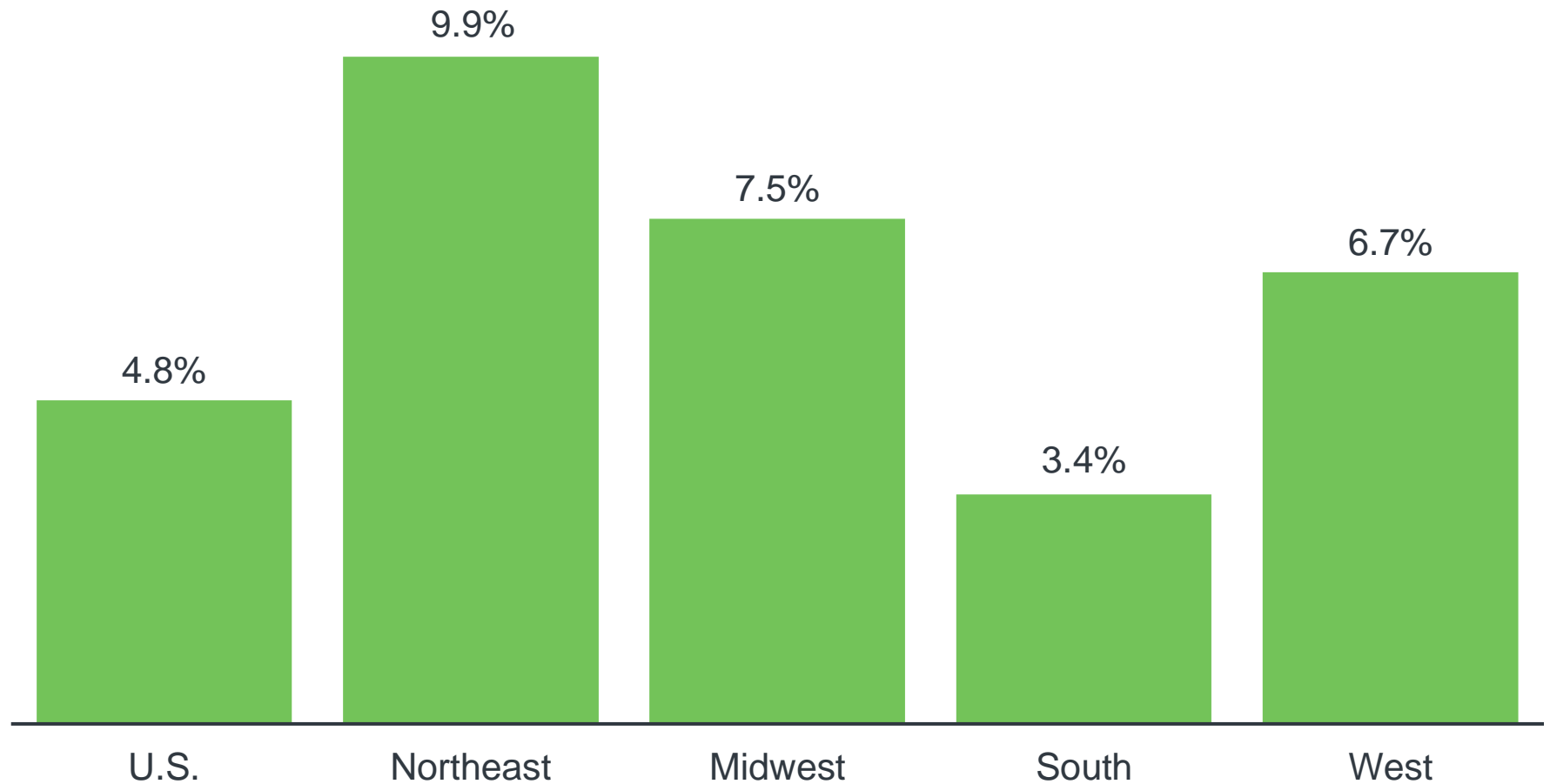




Home Prices

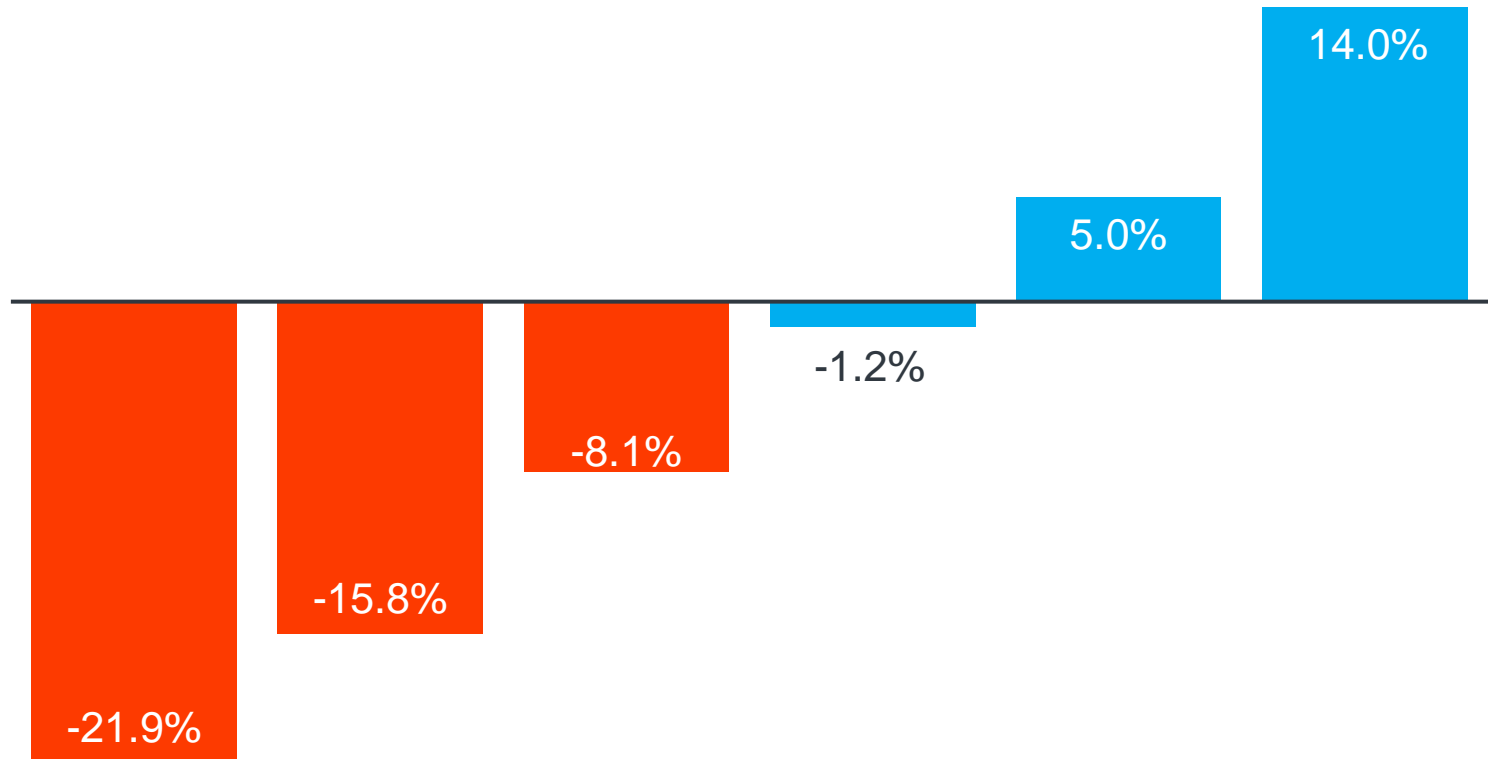
Sales Price of Existing Homes

Year-Over-Year, by Region



% Change in Sales

Year-Over-Year, by Price Range



	\$0-100K	\$100-250K	\$250-500K	\$500-750K	\$750K-1M	\$1M+
% change in sales	-21.9%	-15.8%	-8.1%	-1.2%	5.0%	14.0%

Change in Home Prices

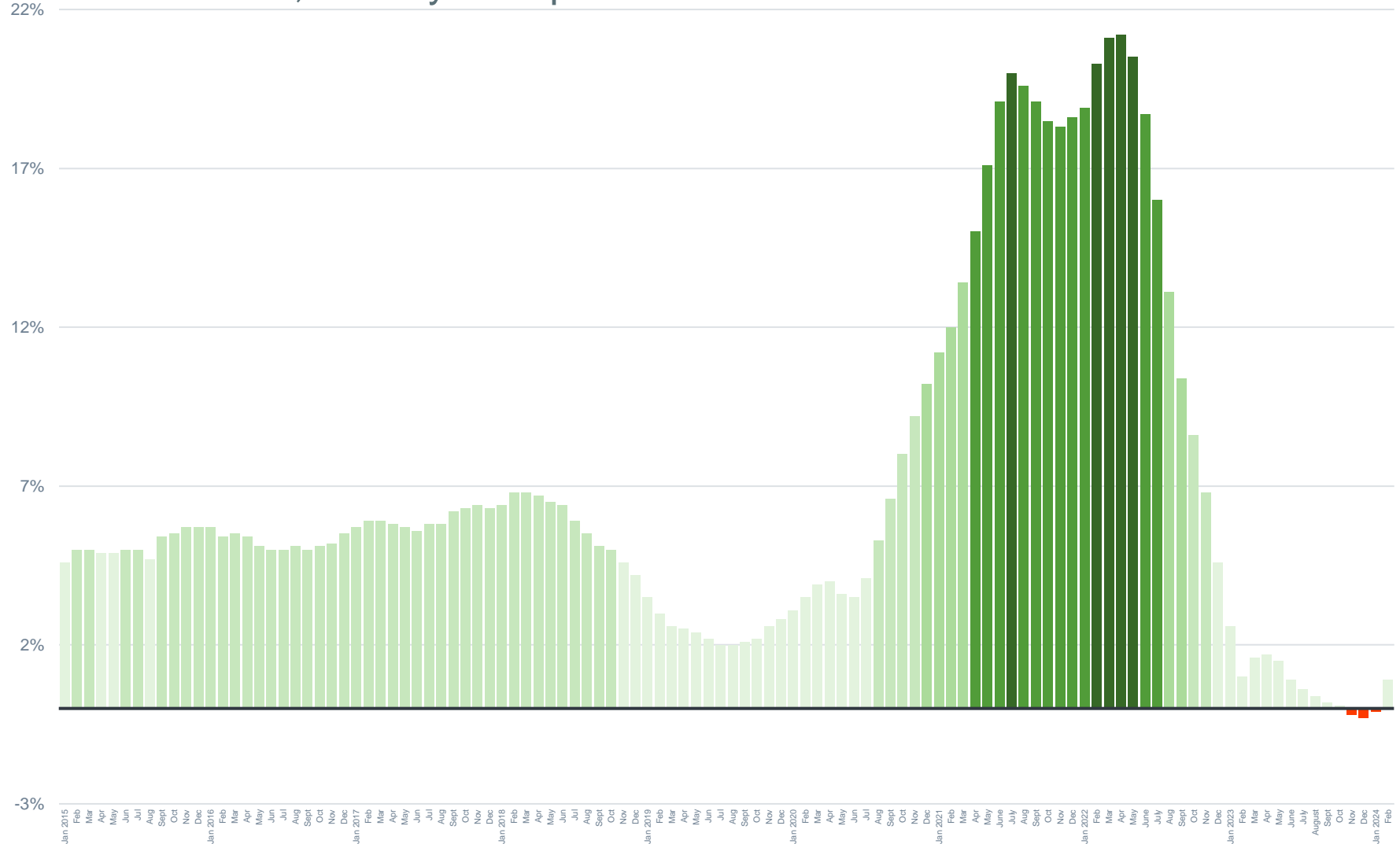
Year-Over-Year



Source: S&P Case-Shiller

Change in Home Prices

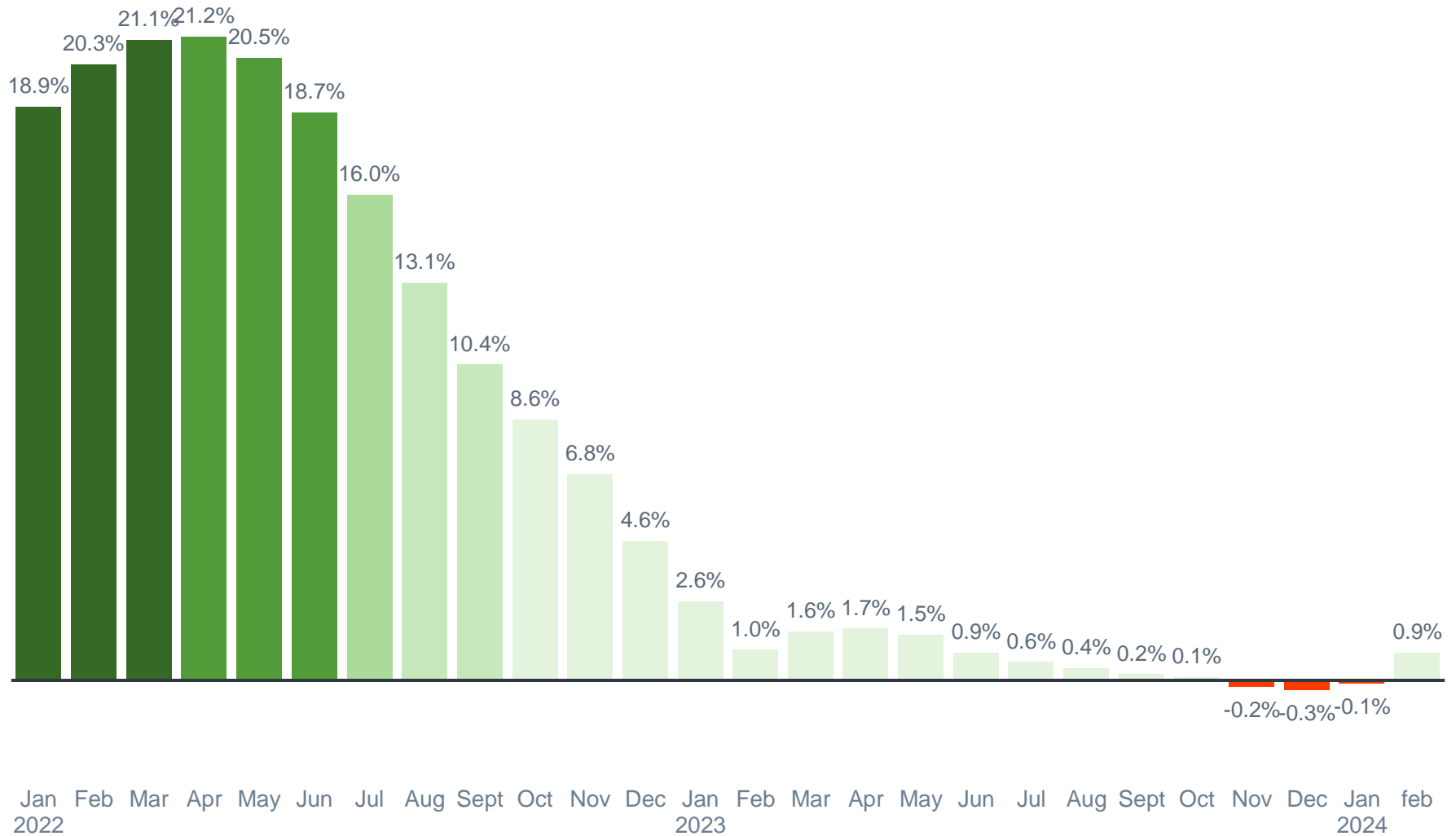
Year-Over-Year, 20 City Composite



Source: S&P Case-Shiller

Change in Home Prices

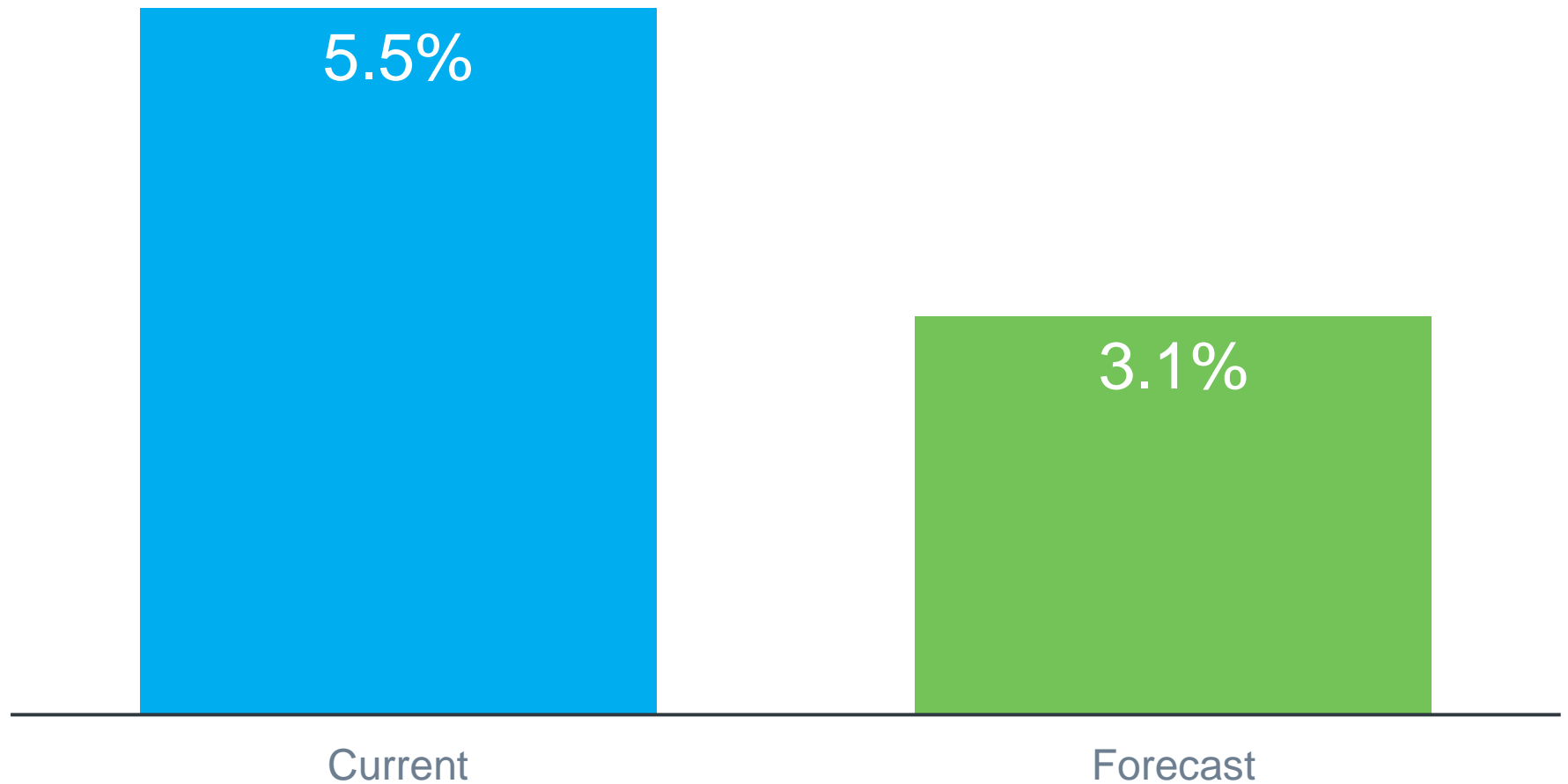
Year-Over-Year, 20 City Composite



Source: S&P Case-Shiller

Year-Over-Year % Change in Price

US Home Price Insights – February 2024

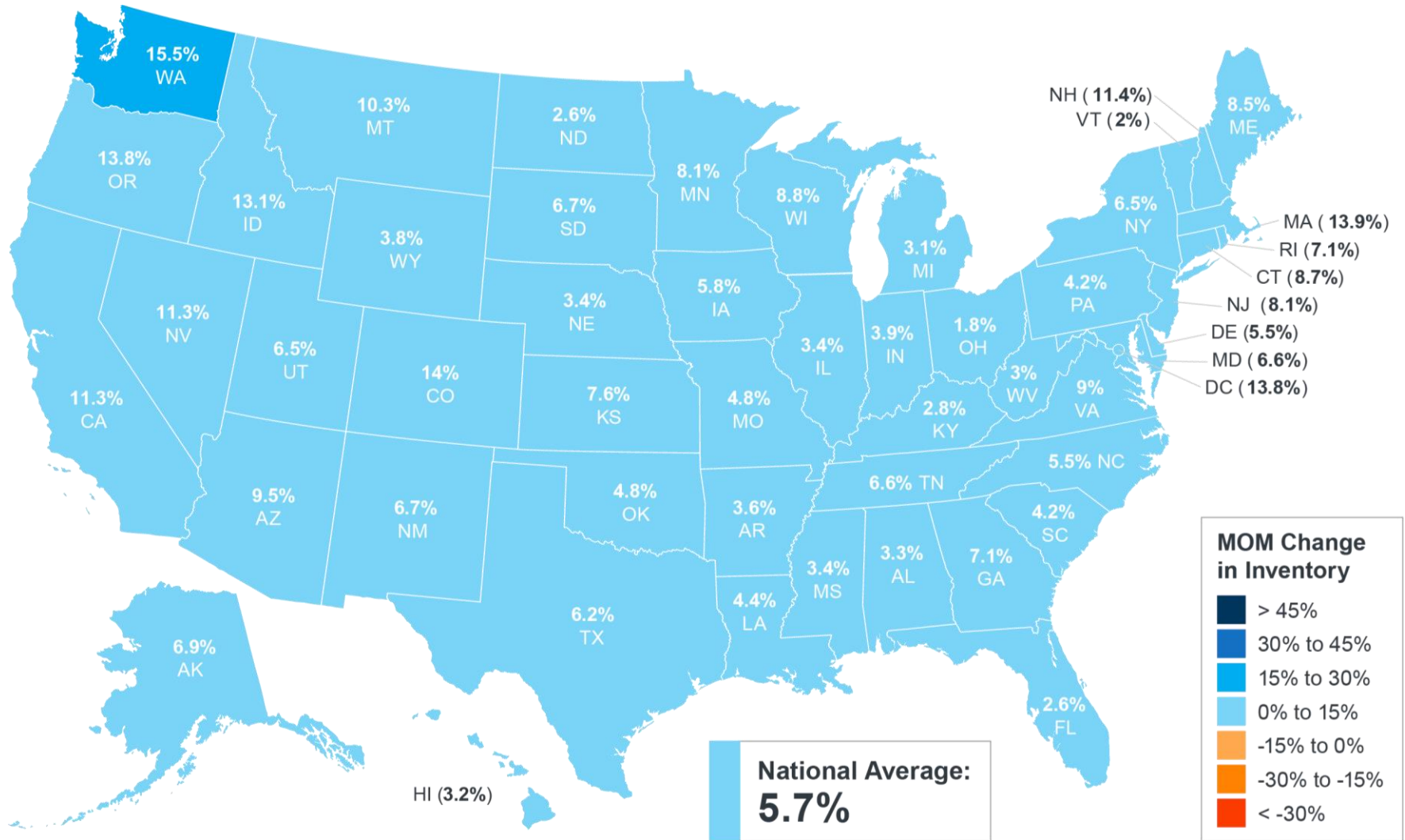




Housing Inventory

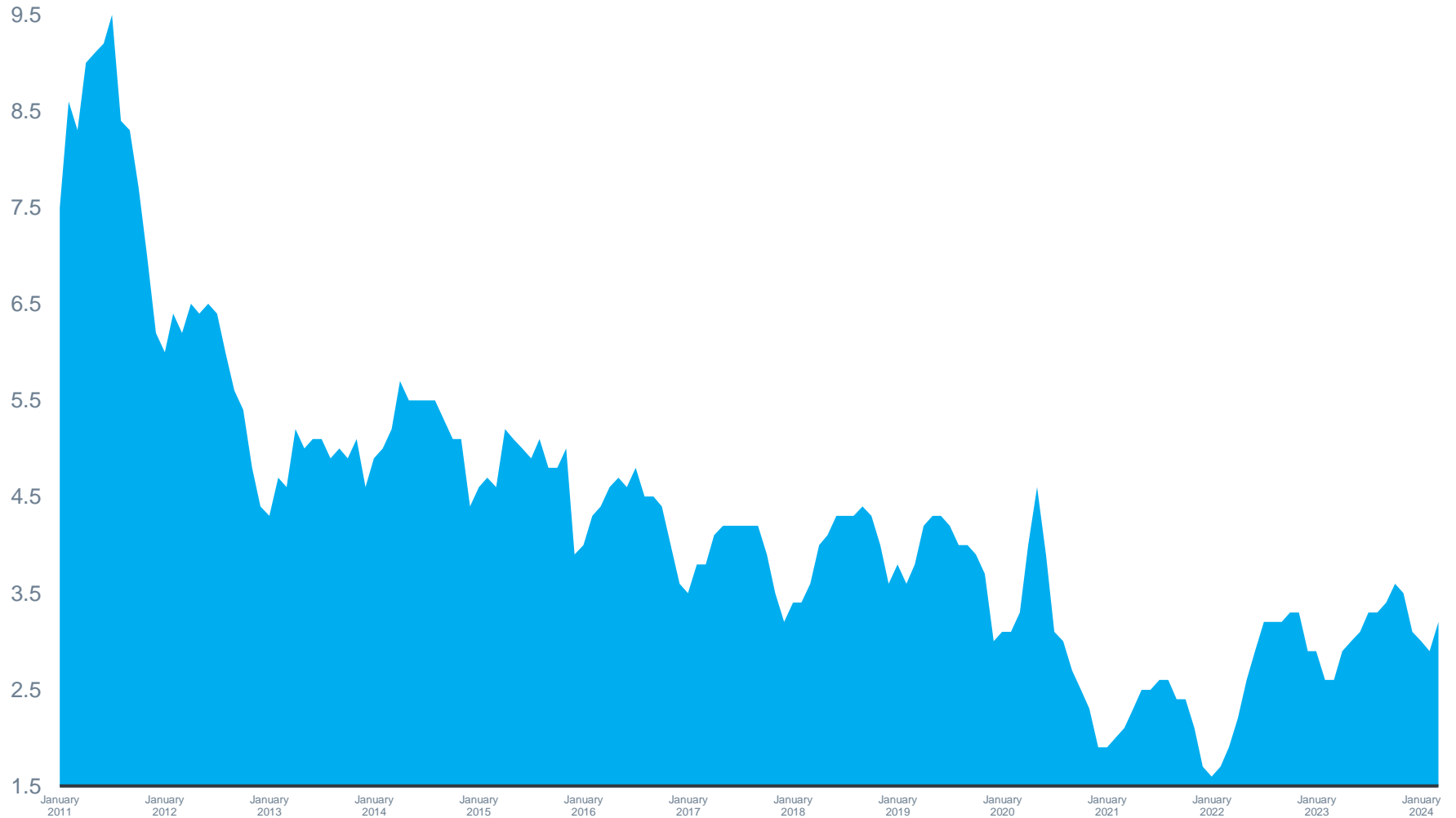
Change in Inventory

Month-Over-Month, April 2024



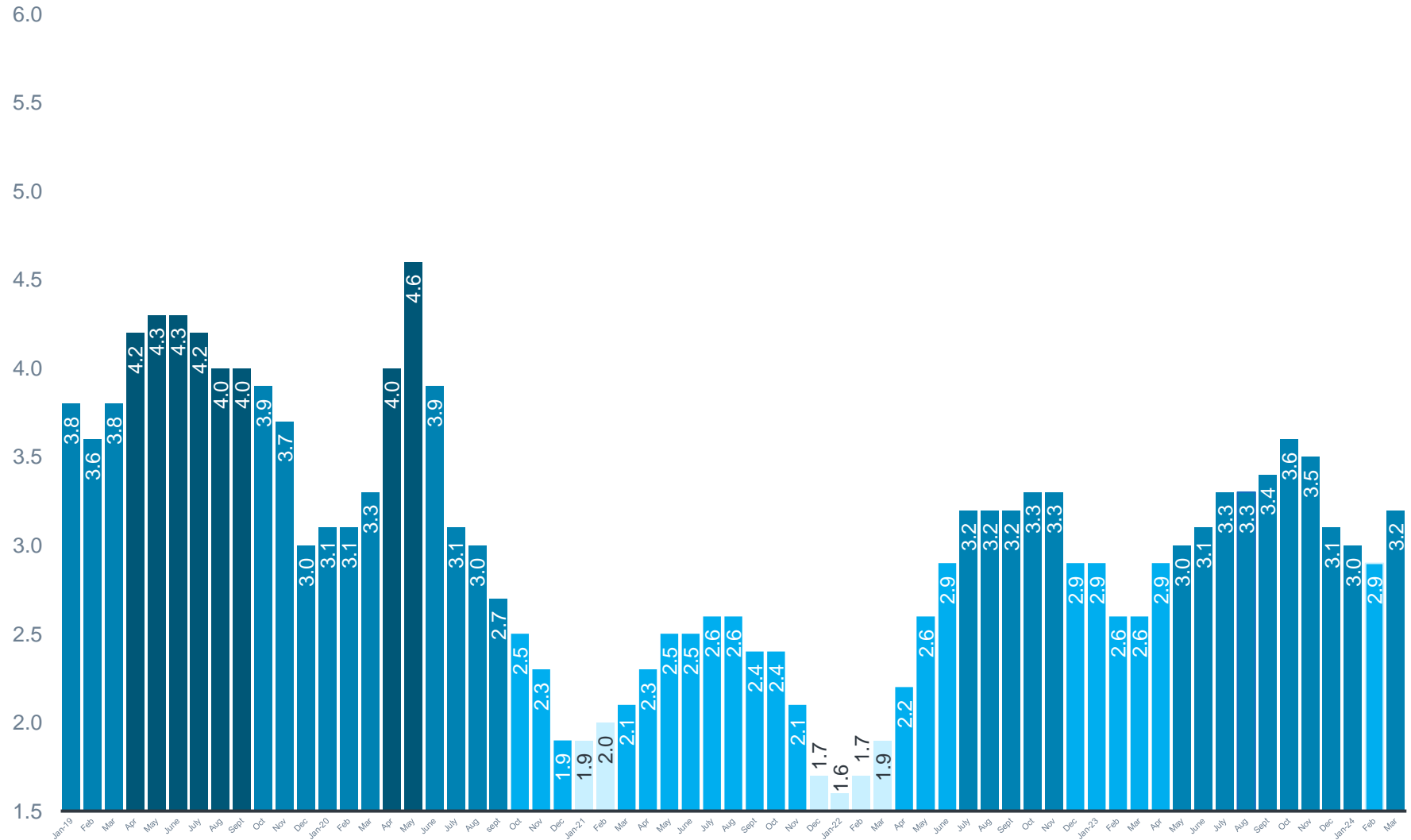
Months Inventory of Homes for Sale

2011 - Today



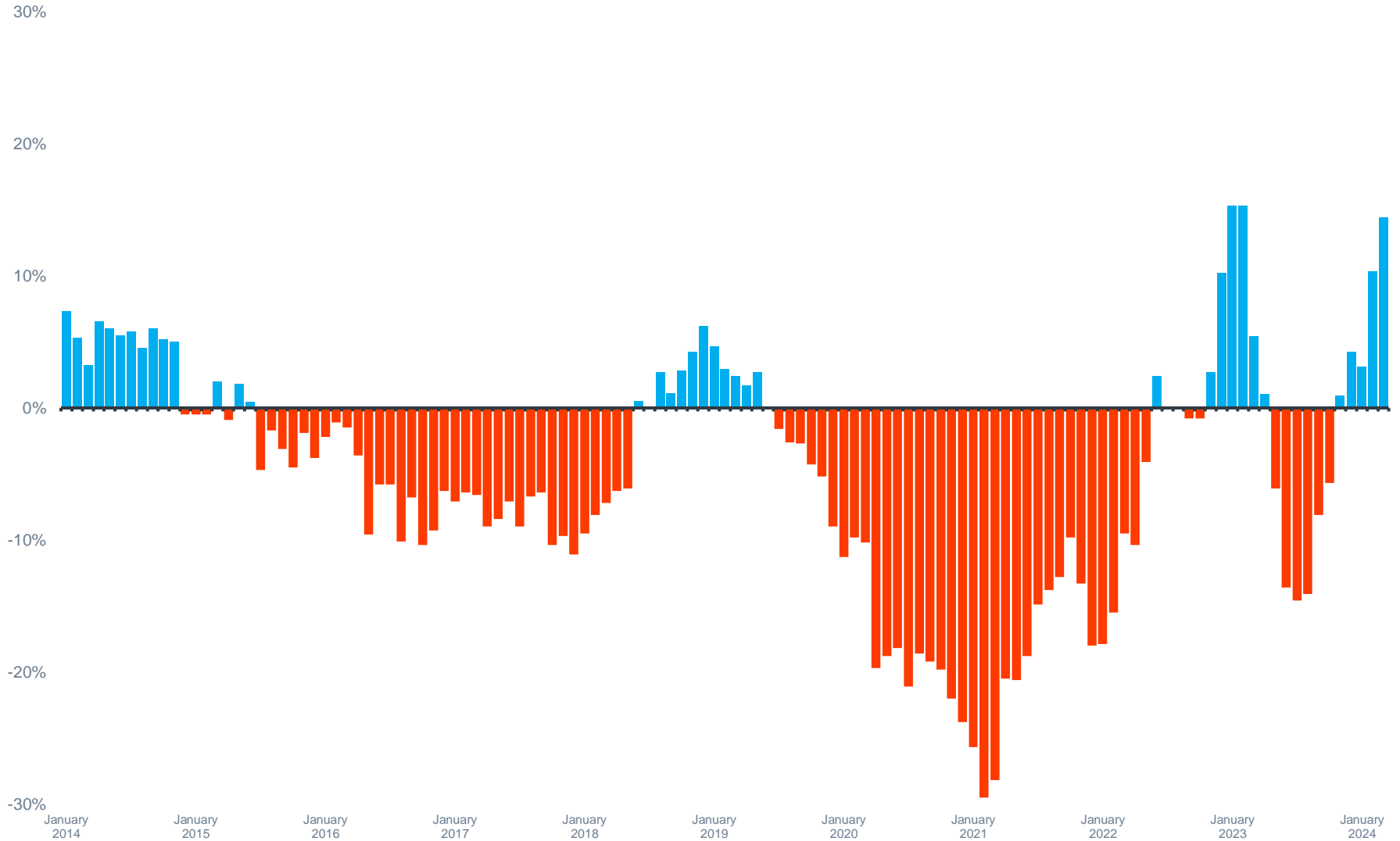
Months Inventory of Homes for Sale

Since 2019



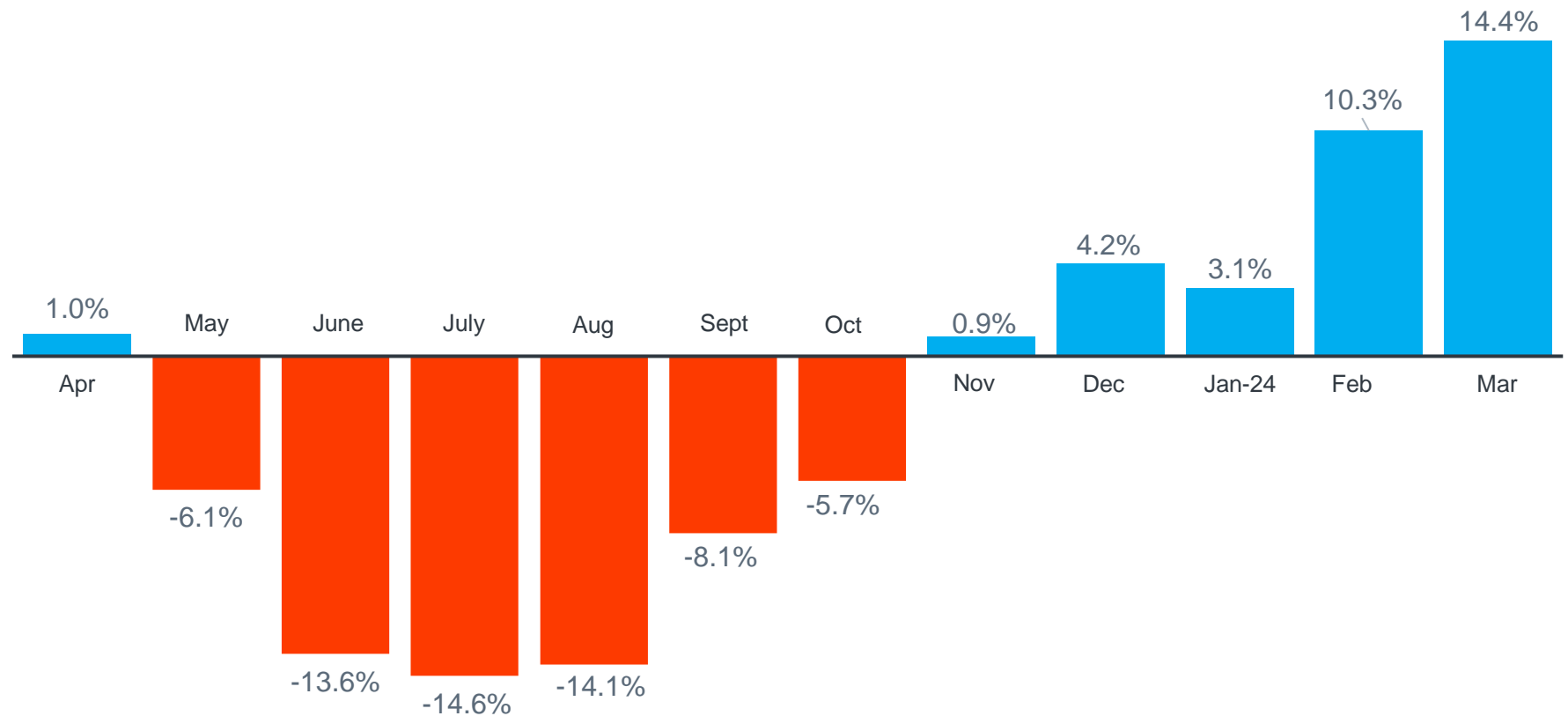
Source: NAR

Year-Over-Year Inventory Levels



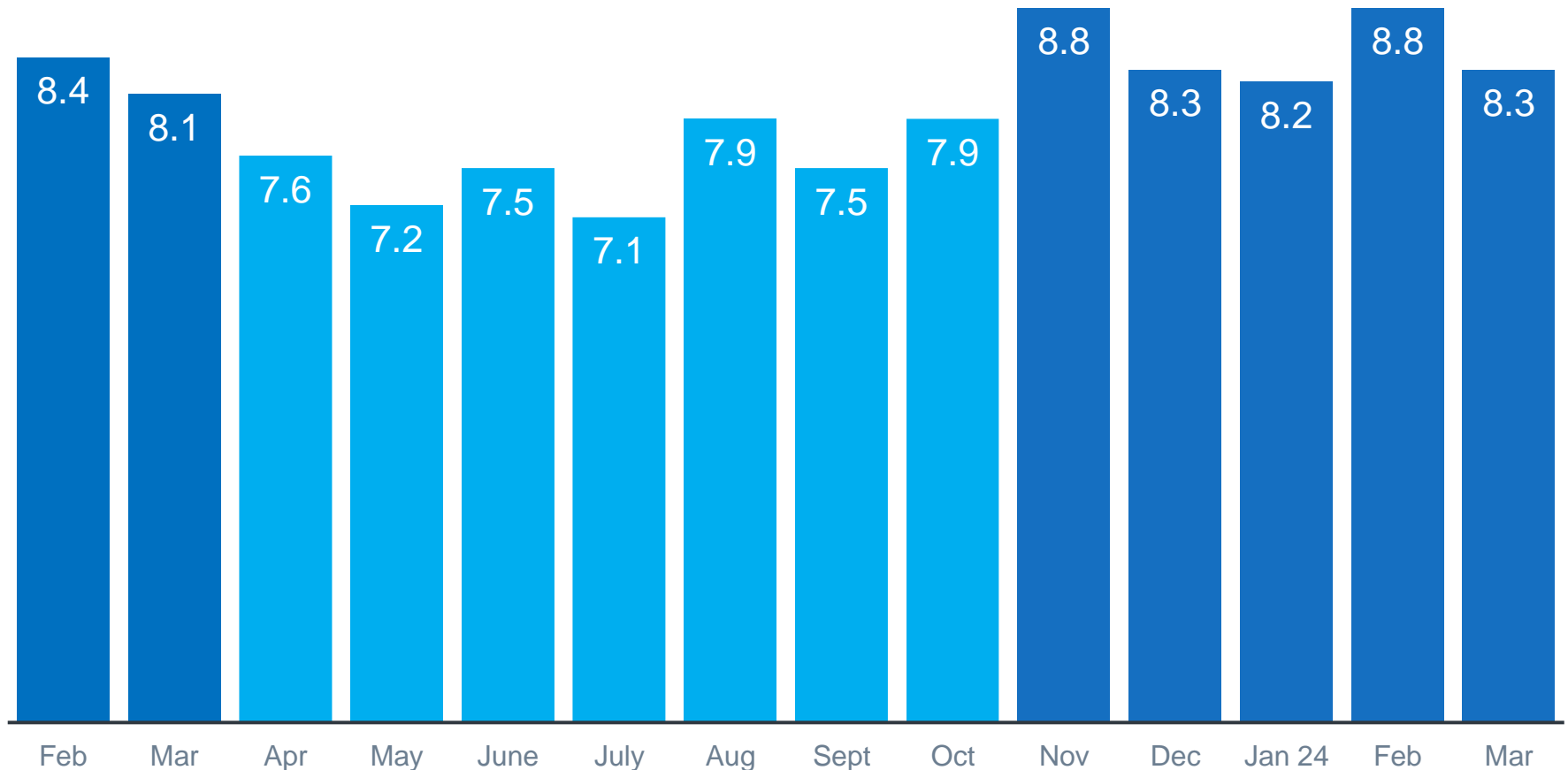
Year-Over-Year Inventory Levels

Last 12 Months



New Home Monthly Inventory

Seasonally Adjusted, Last 13 Months

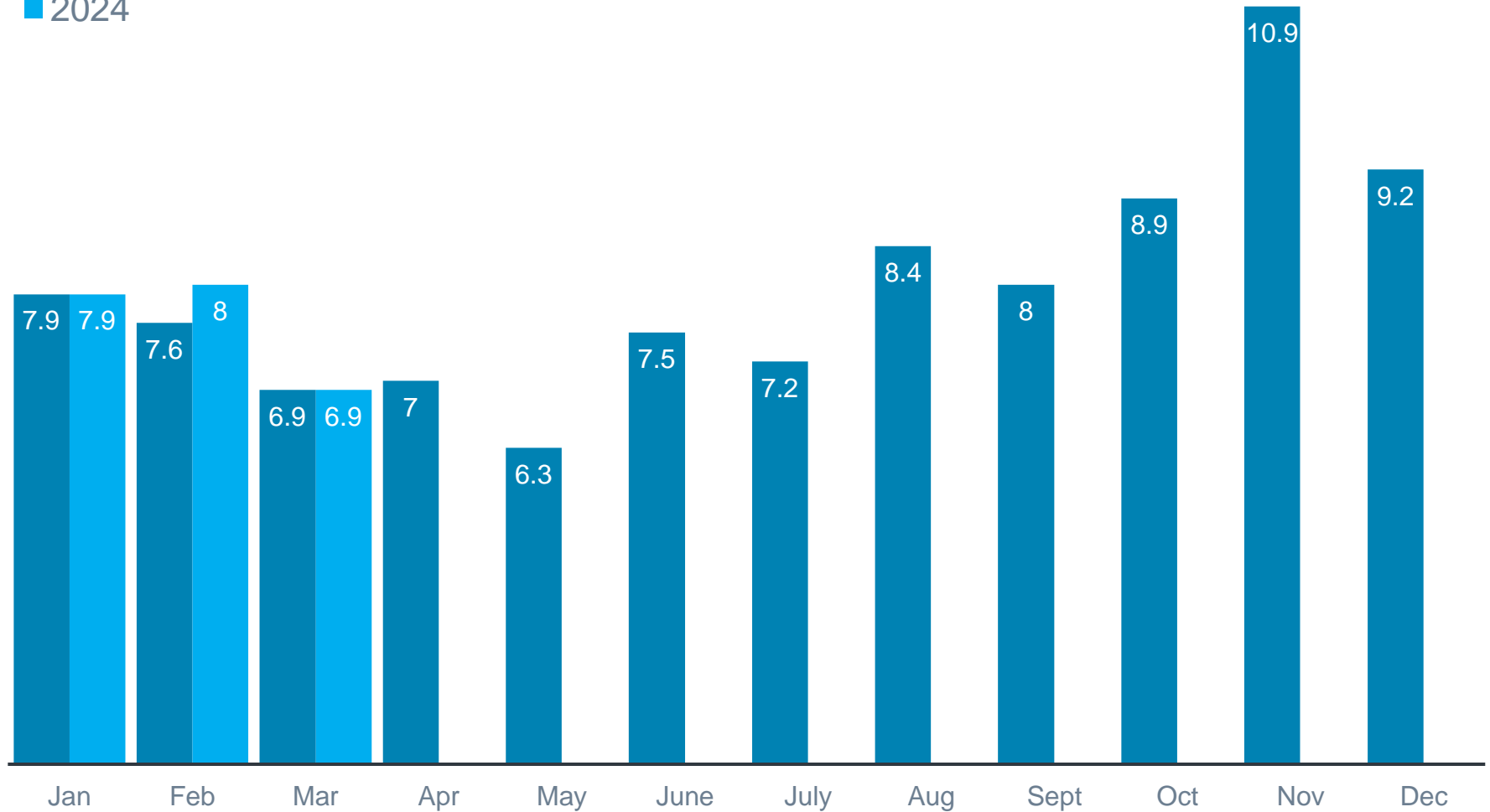


Source: Census

New Home Monthly Inventory

Non-Seasonally Adjusted

■ 2023
■ 2024



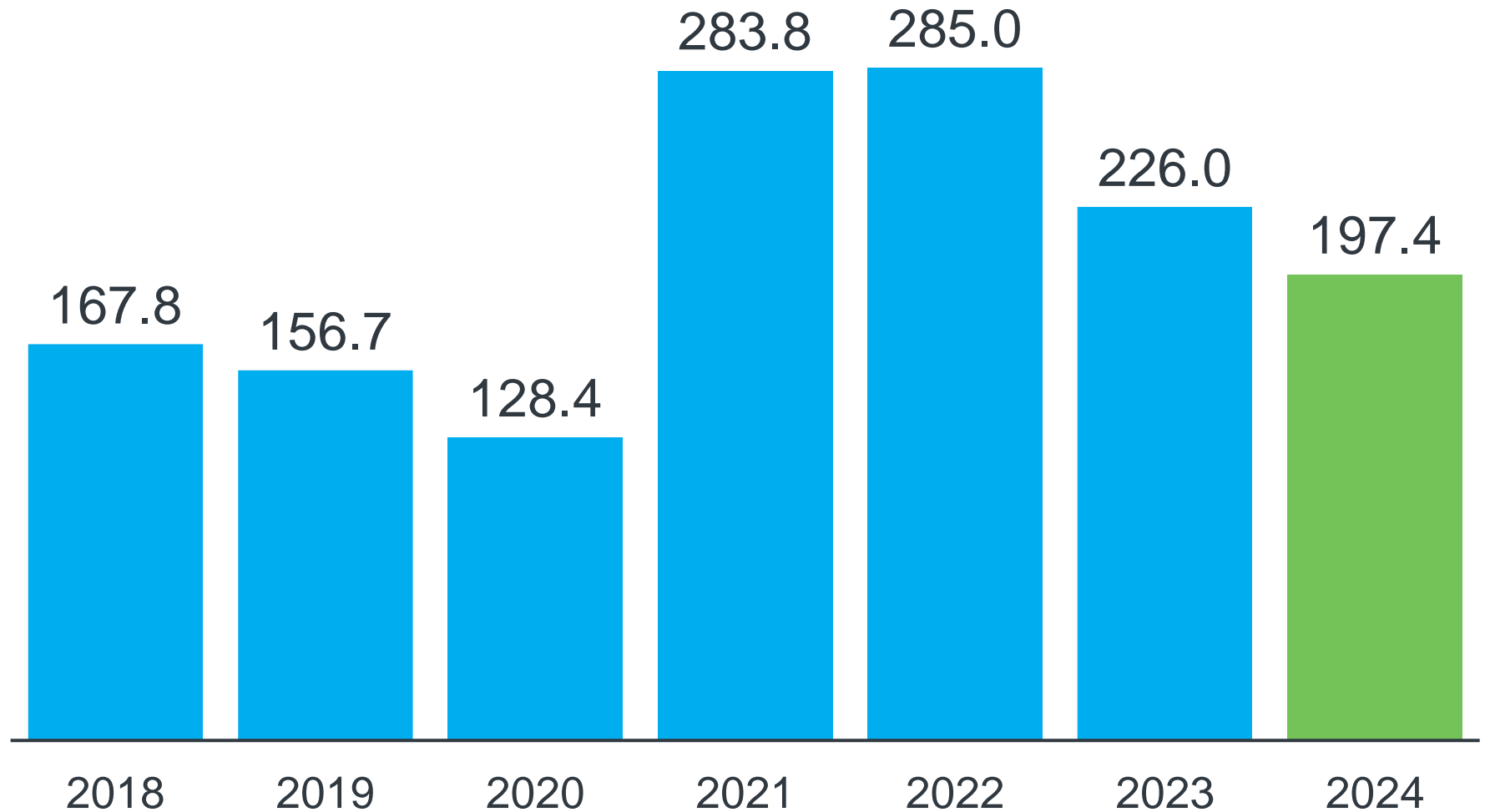
Source: Census



Buyer Demand

Showing Index Still Remain Above Pre-pandemic Levels

Showing Index over Last 7 Marchs

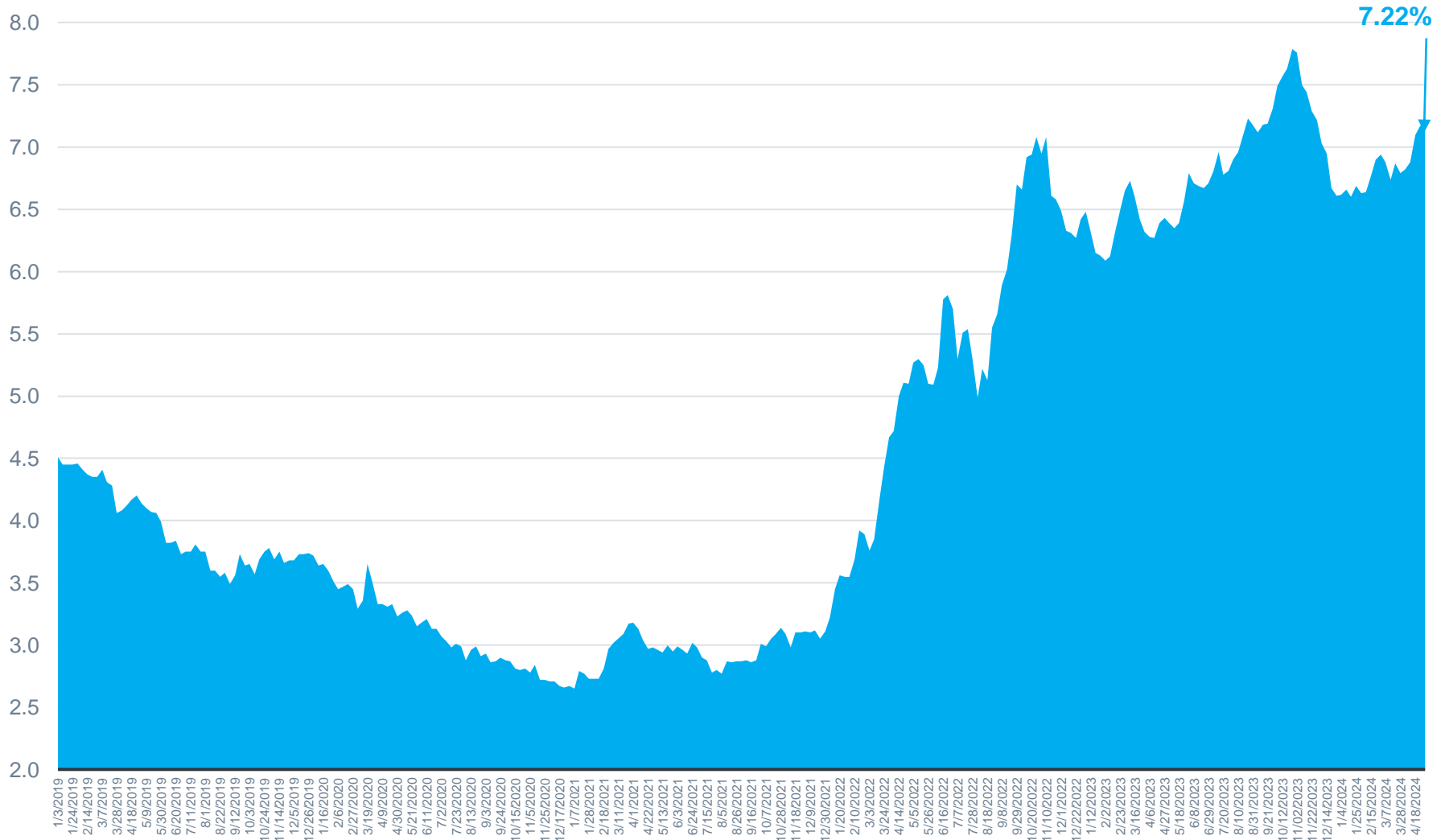




Mortgage Rates

Mortgage Rates

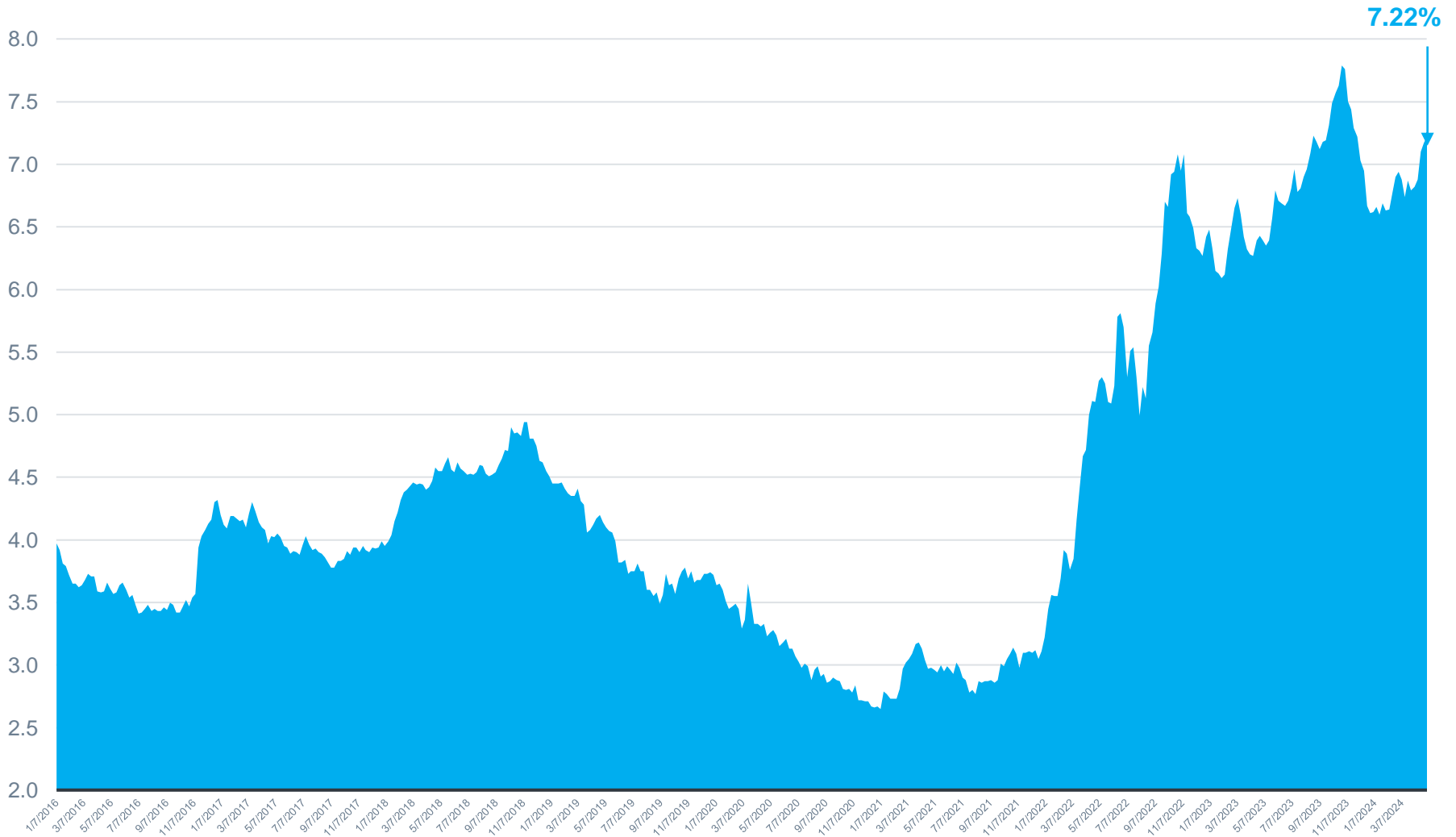
30-Year Fixed Rate, January 2018–Today



Source: Freddie Mac

Mortgage Rates

30-Year Fixed Rate, January 2016–Today



Source: Freddie Mac

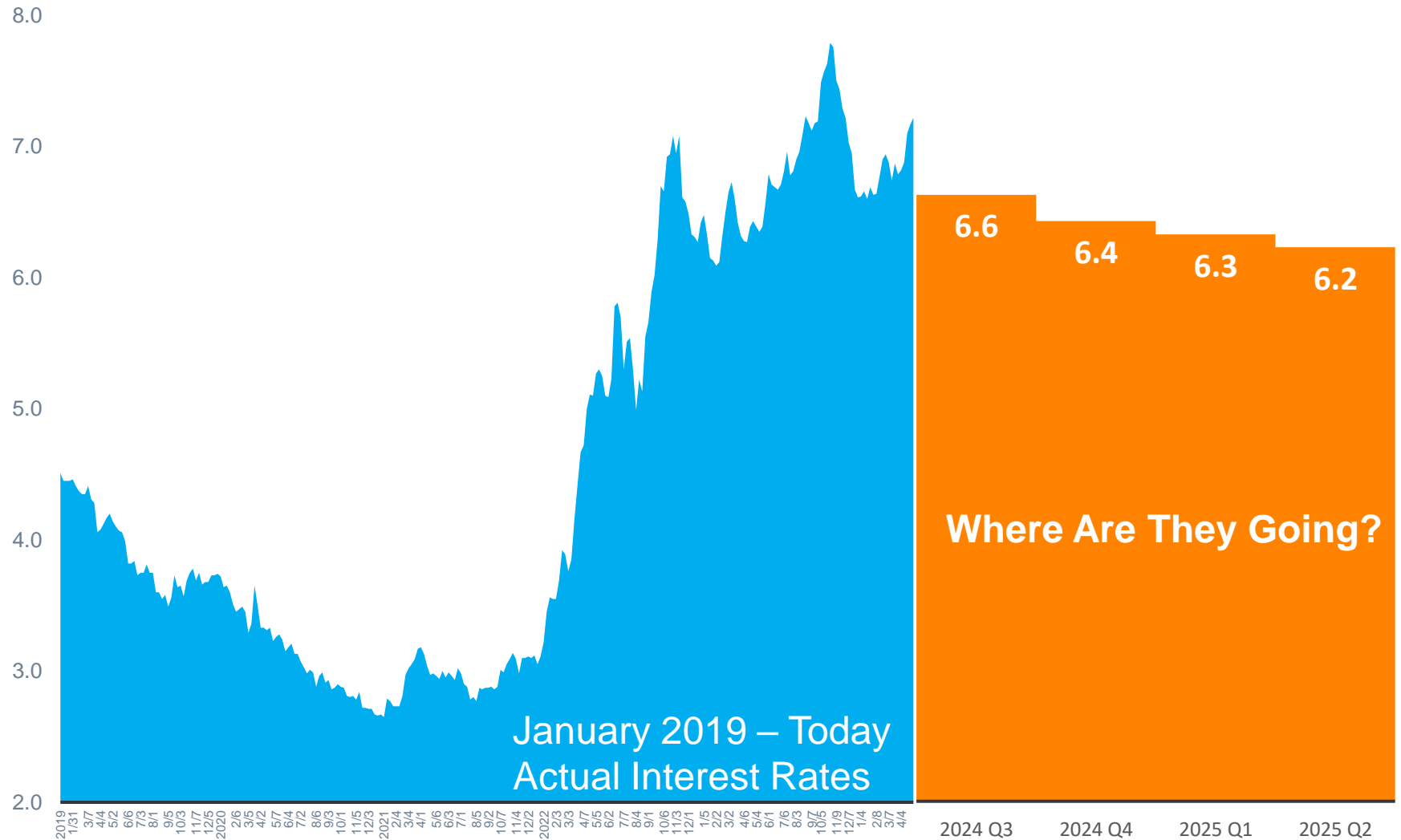
Mortgage Rate Projections

May 2024

Quarter	Fannie Mae	MBA	NAR	Average of All Three
2024 Q3	6.60%	6.60%	6.70%	6.63%
2024 Q4	6.40%	6.40%	6.50%	6.43%
2025 Q1	6.20%	6.30%	6.30%	6.26%
2025 Q2	6.10%	6.20%	6.20%	6.16%

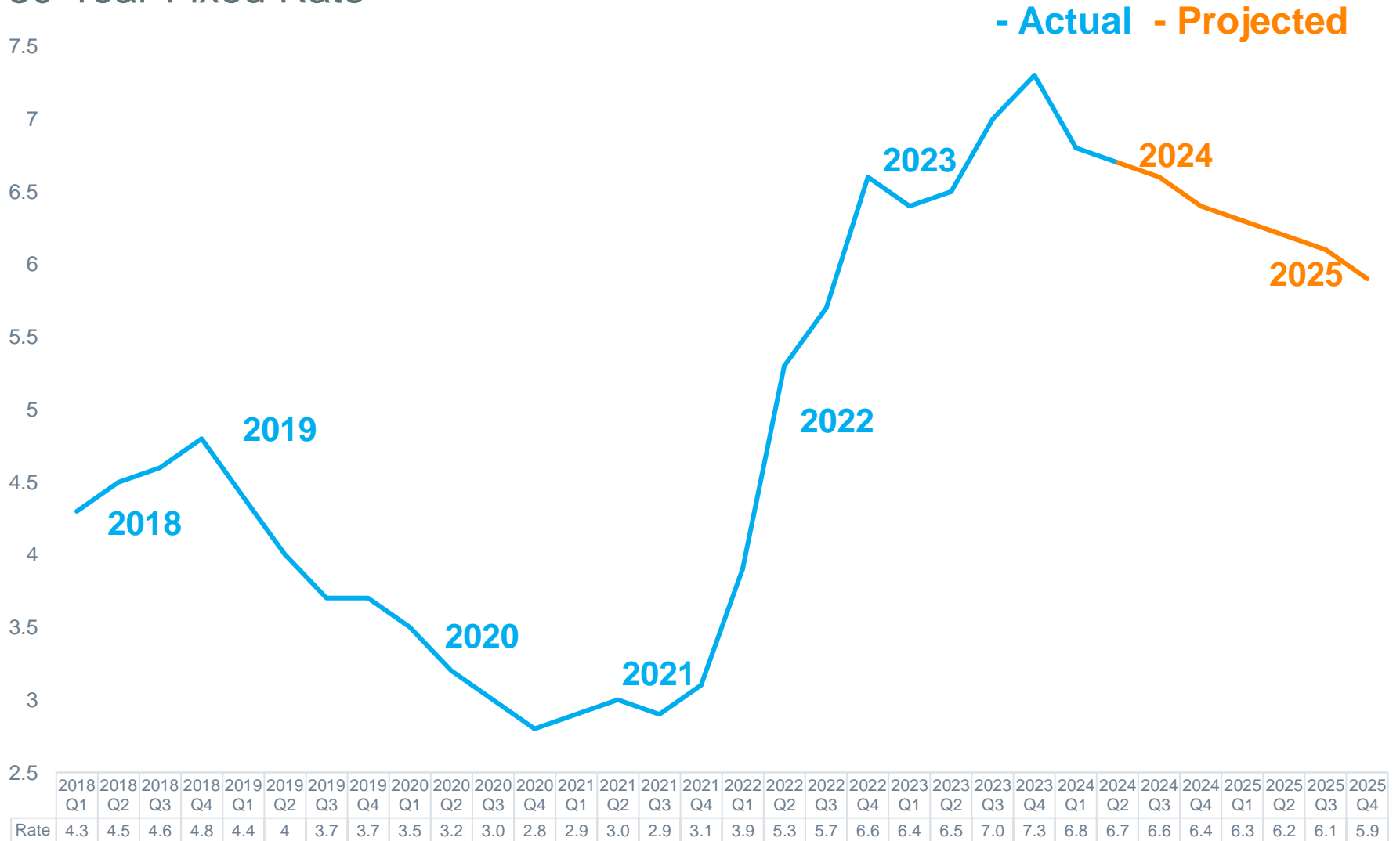
Mortgage Rates

30-Year Fixed Rate



Mortgage Rates

30-Year Fixed Rate

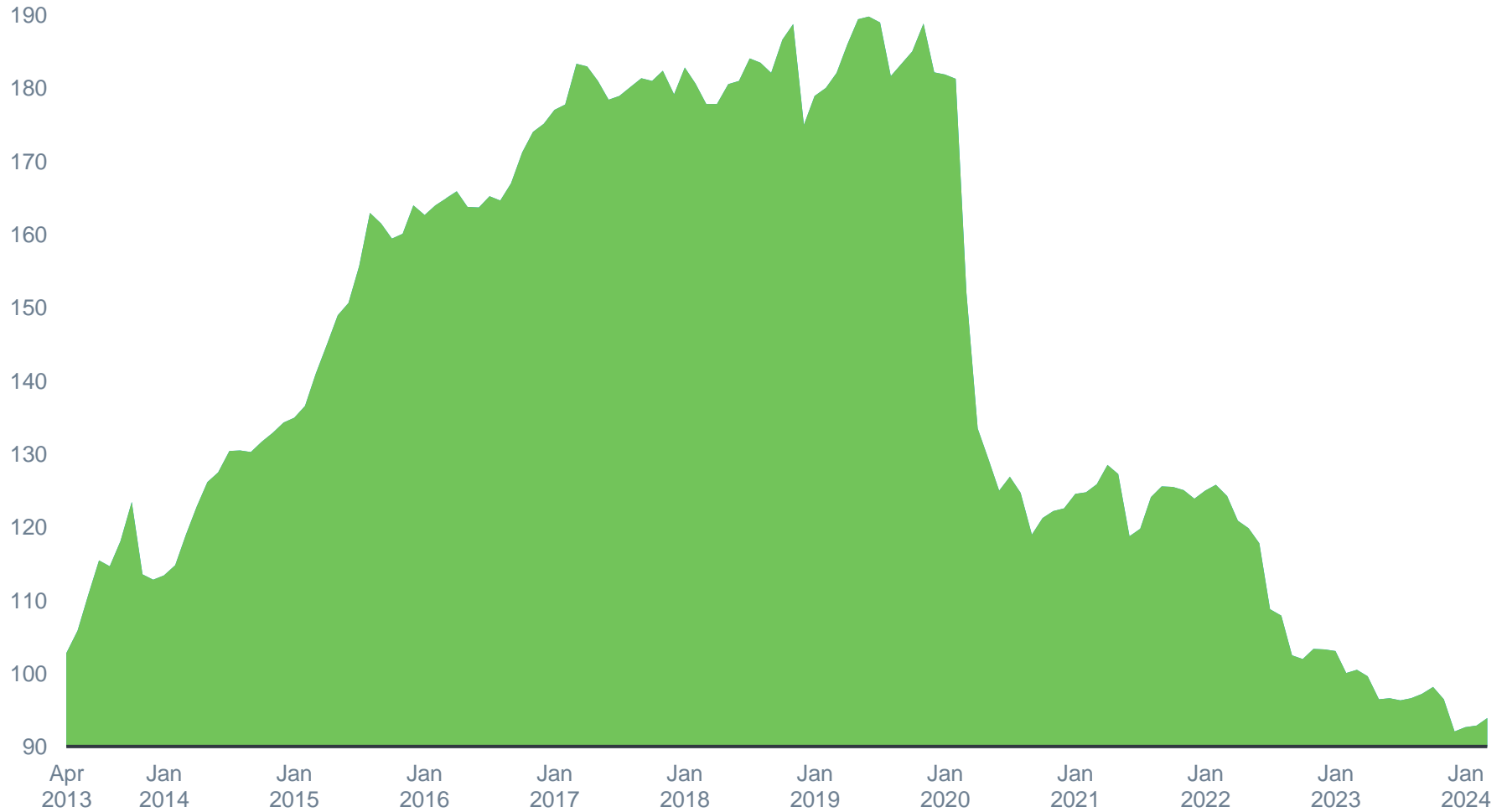




Mortgage Credit Availability

Mortgage Credit Availability Index (MCAI)

March 2024



Source: MBA

Lending Standards Still Under Control

Historic Data for the Mortgage Credit Availability Index (MCAI)

