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Dialogue with the Fed

Trends in U.S. and Midwest Housing Markets

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The views expressed in this document are those of the author and do not necessarily reflect the views of the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, or the Federal Reserve System.

Outline

Recent trends in home prices across the U.S.

Housing affordability

Homebuyer profiles

Housing supply

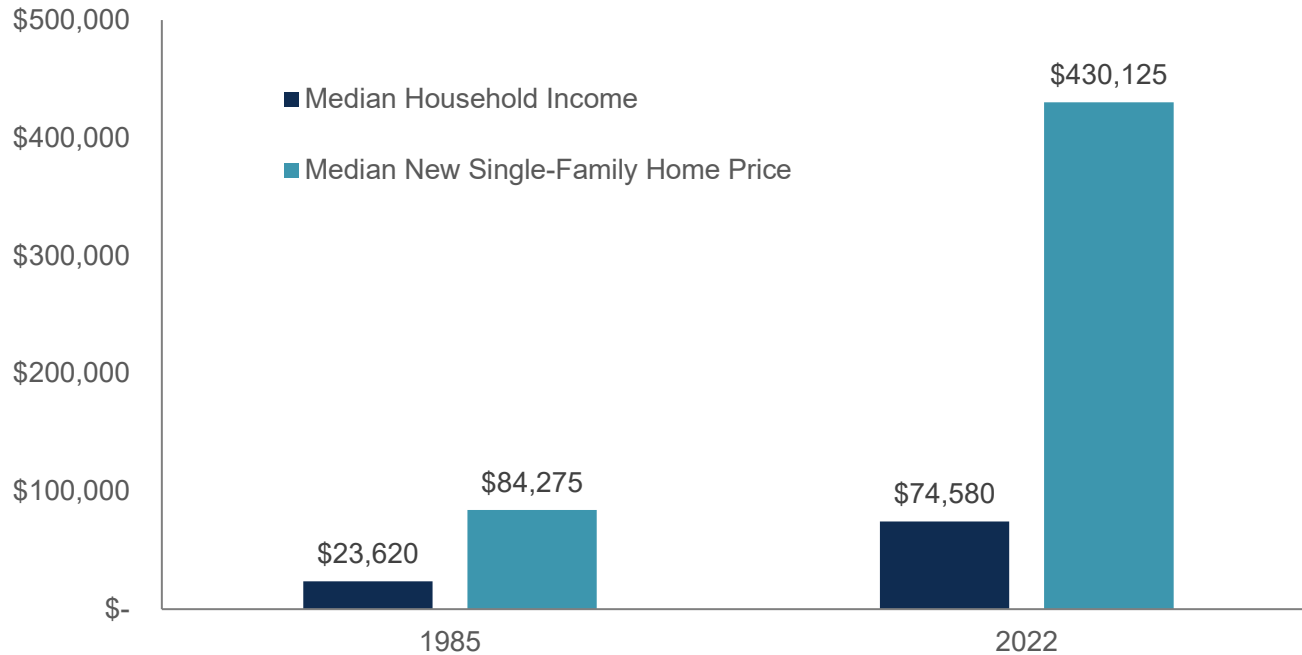
Impact on inflation



Recent Home Price Trends

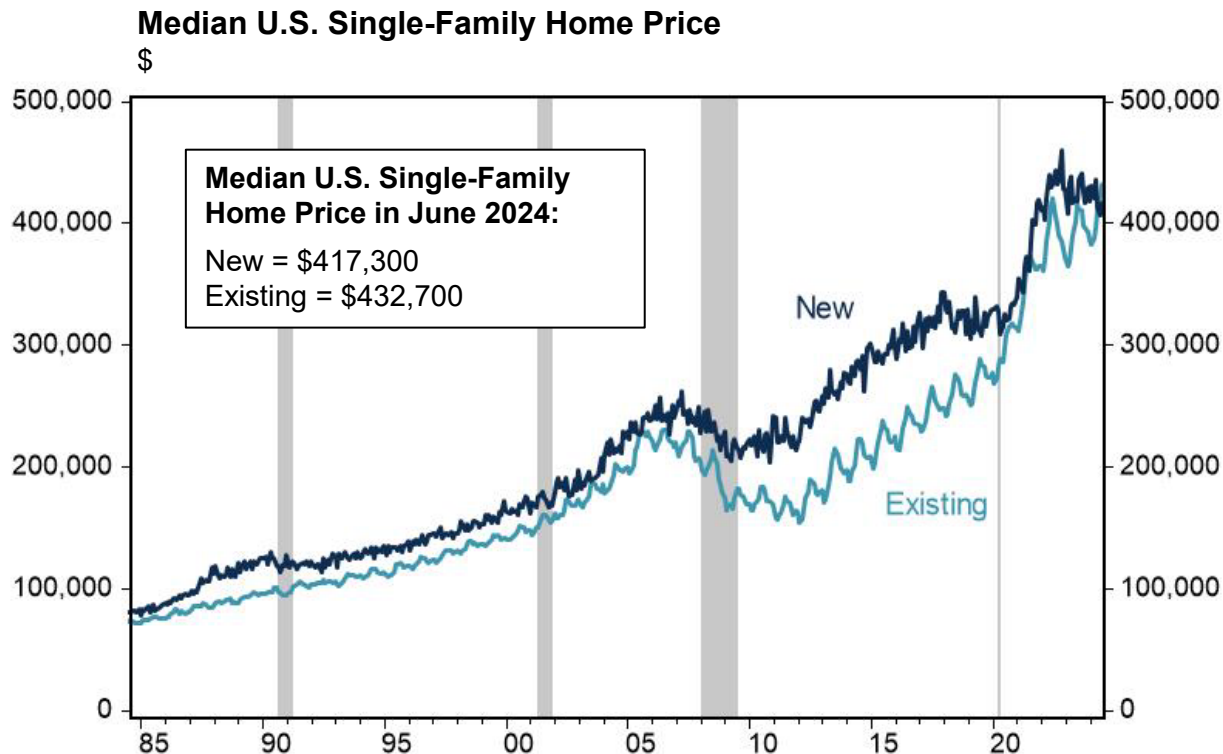
U.S. home prices have grown ~2x as fast as incomes

Median New Home Price vs Median Household Income

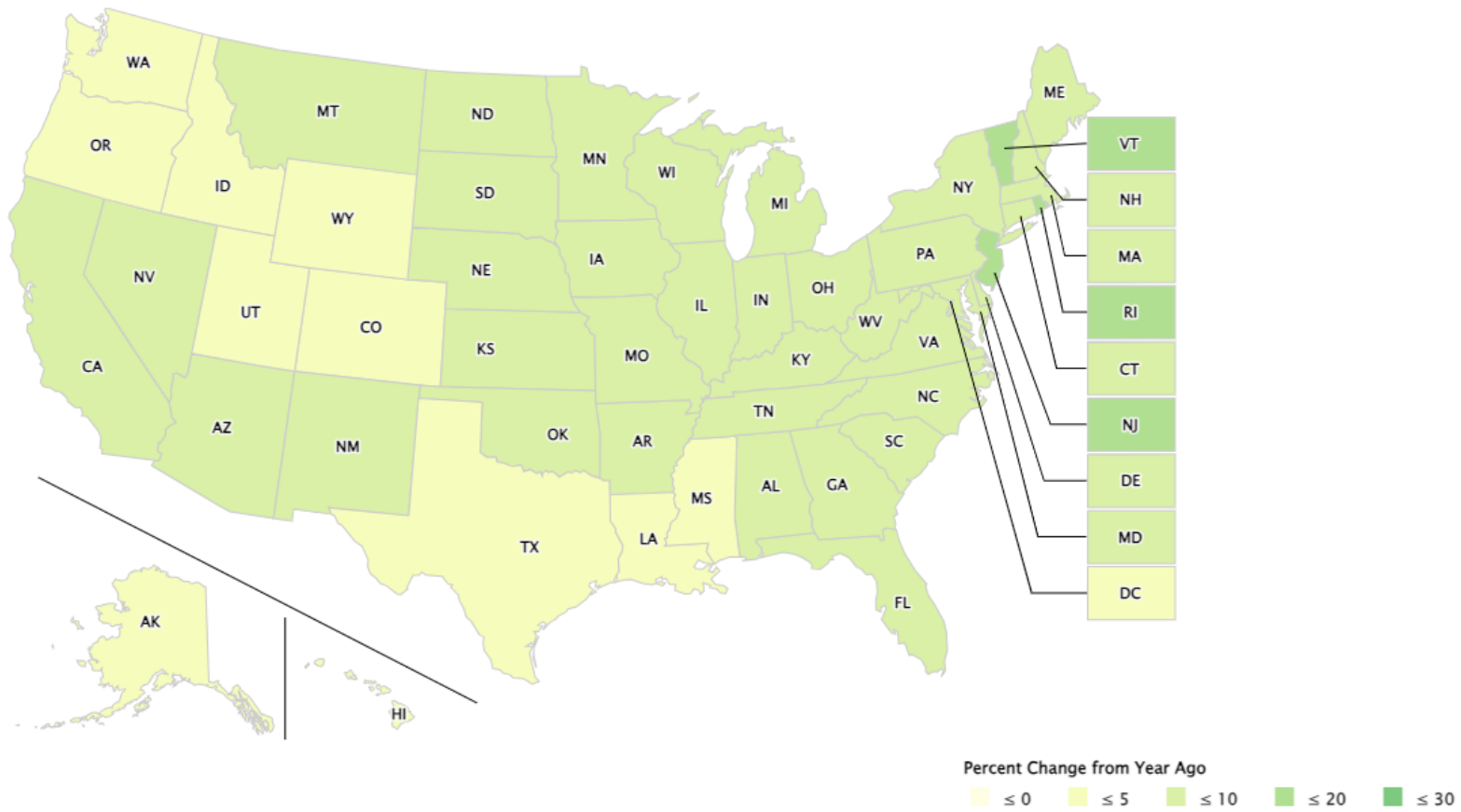


Source: Census Bureau

New home prices vs existing home prices

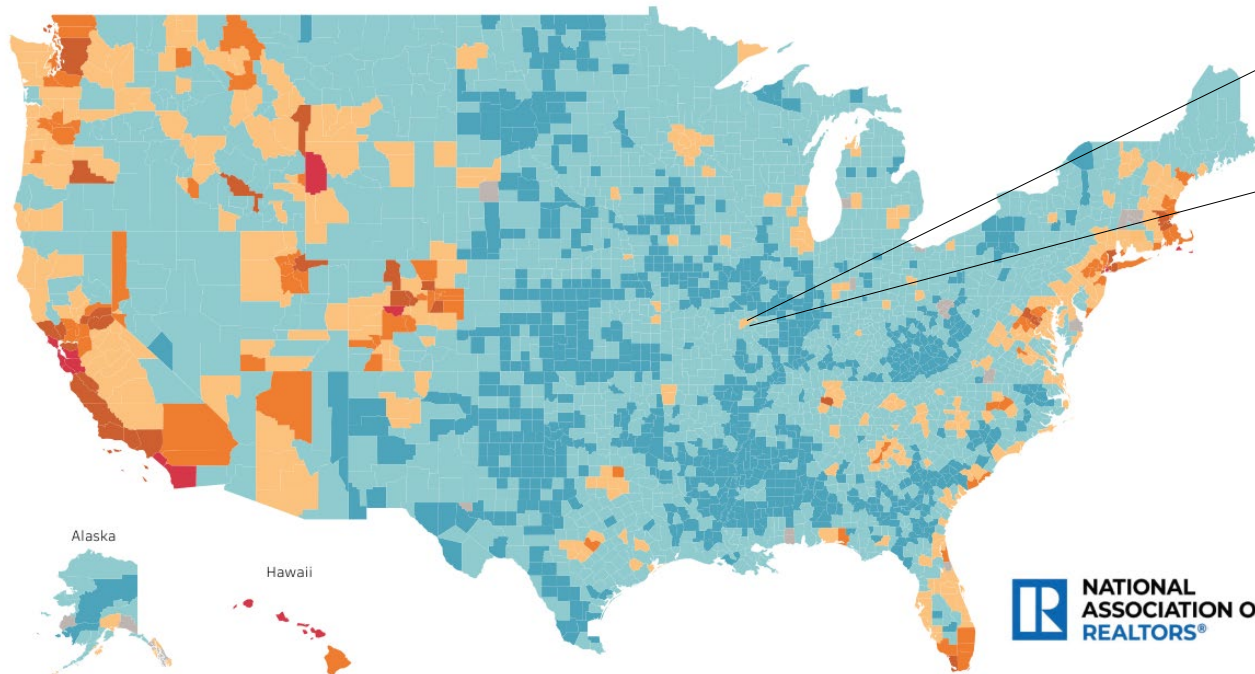


Sources: Census Bureau, National Association of Realtors/Haver Analytics



Source: U.S. Federal Housing Finance Agency

Median Home Prices by County



St. Charles County, Mo.
Median Home Value: \$365,000

St. Louis County, Mo.
Median Home Value: \$321,580



*Click below to download
the map in pdf*

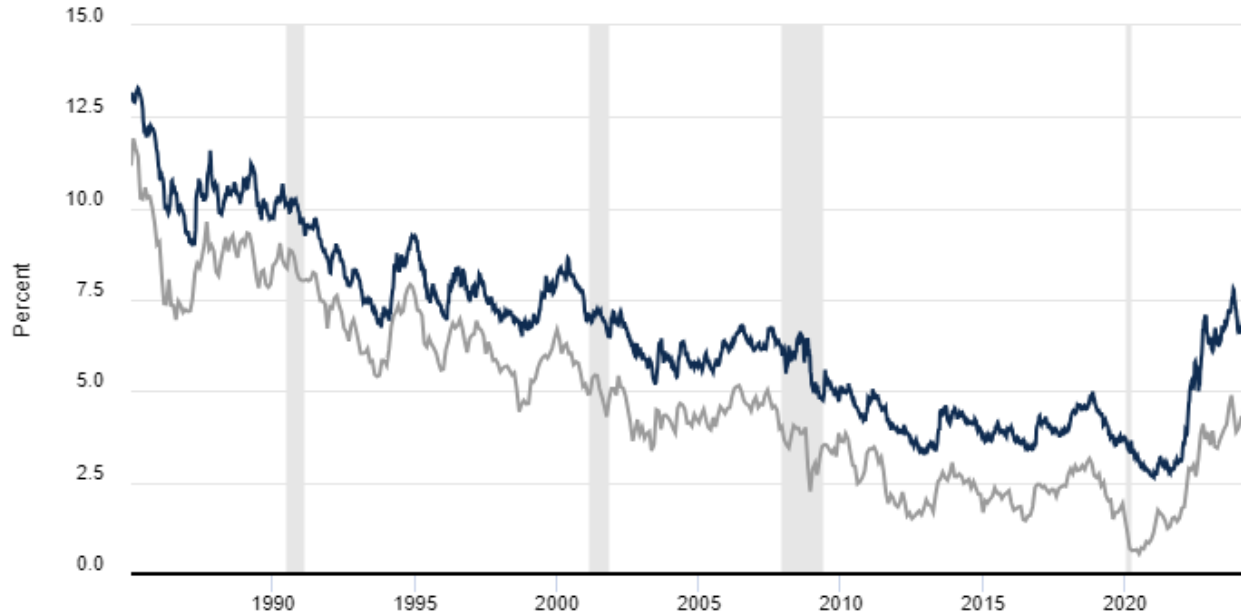
Note: NAR Calculations of American Community Survey data; Federal Housing Finance Agency data.
See Methodology.



Affordability

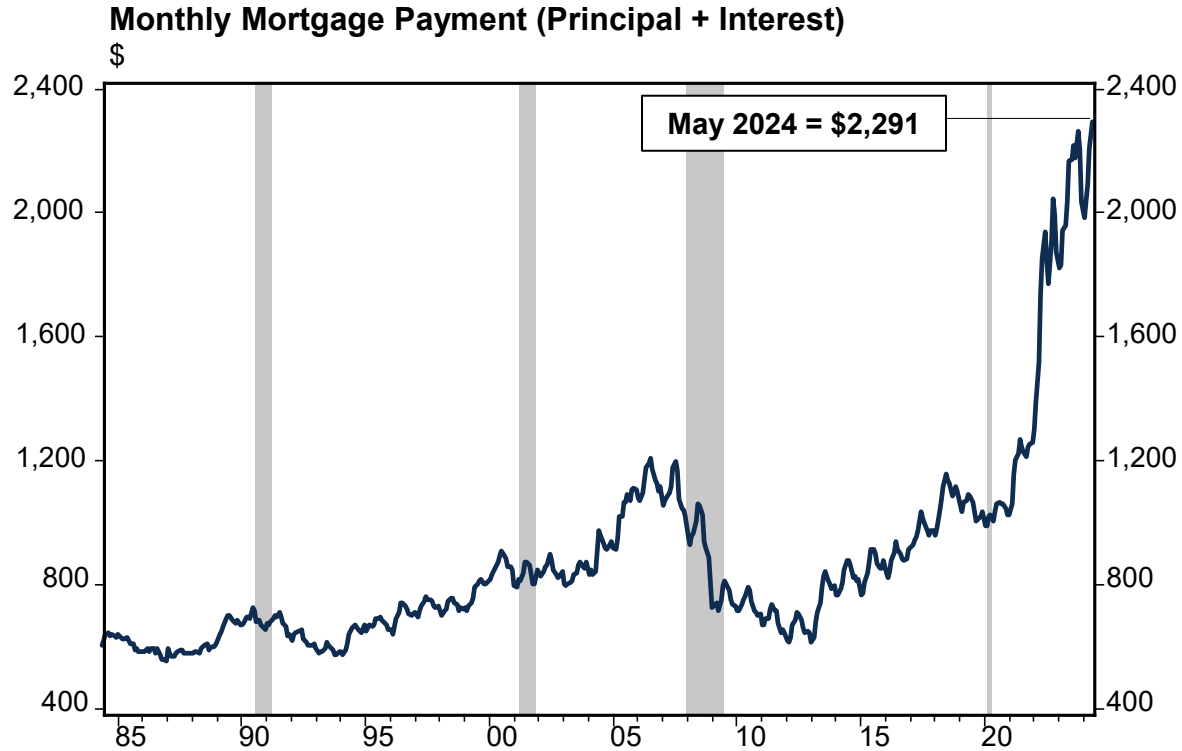
Moves in Treasury yields drive mortgage rates

FRED — Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis
— 30-Year Fixed Rate Mortgage Average in the United States



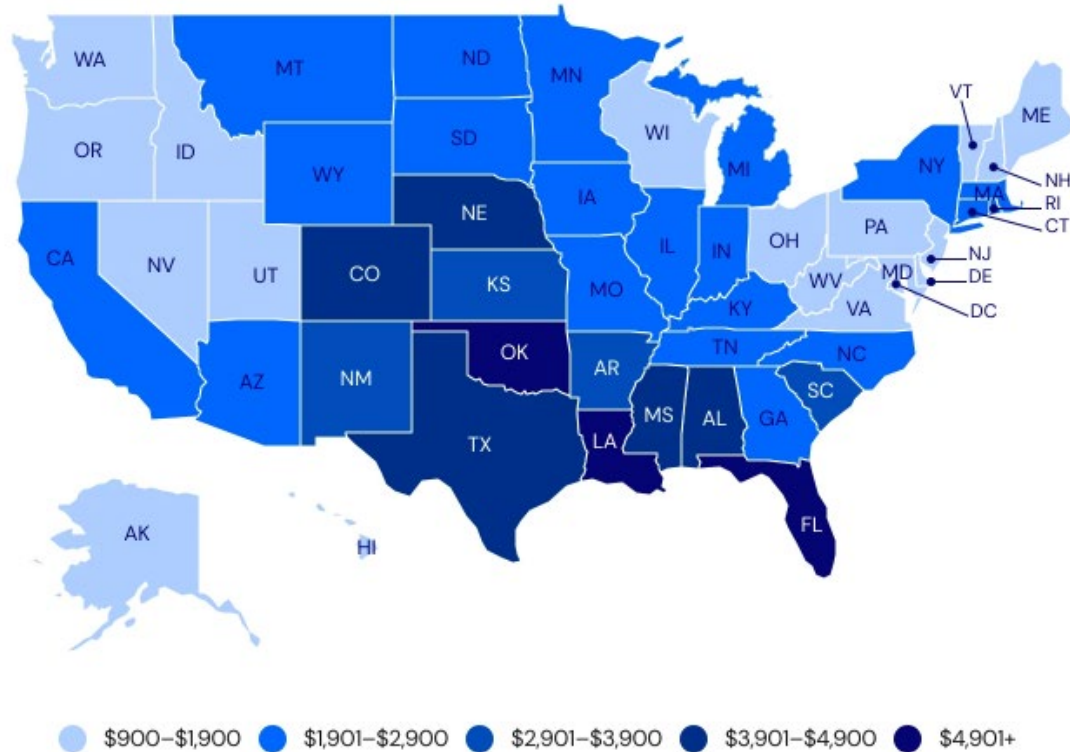
Sources: Board of Governors; FHLMC

Monthly mortgage payments have doubled since 2019



Source: National Association of Realtors/Haver Analytics

Higher insurance premiums are an added burden

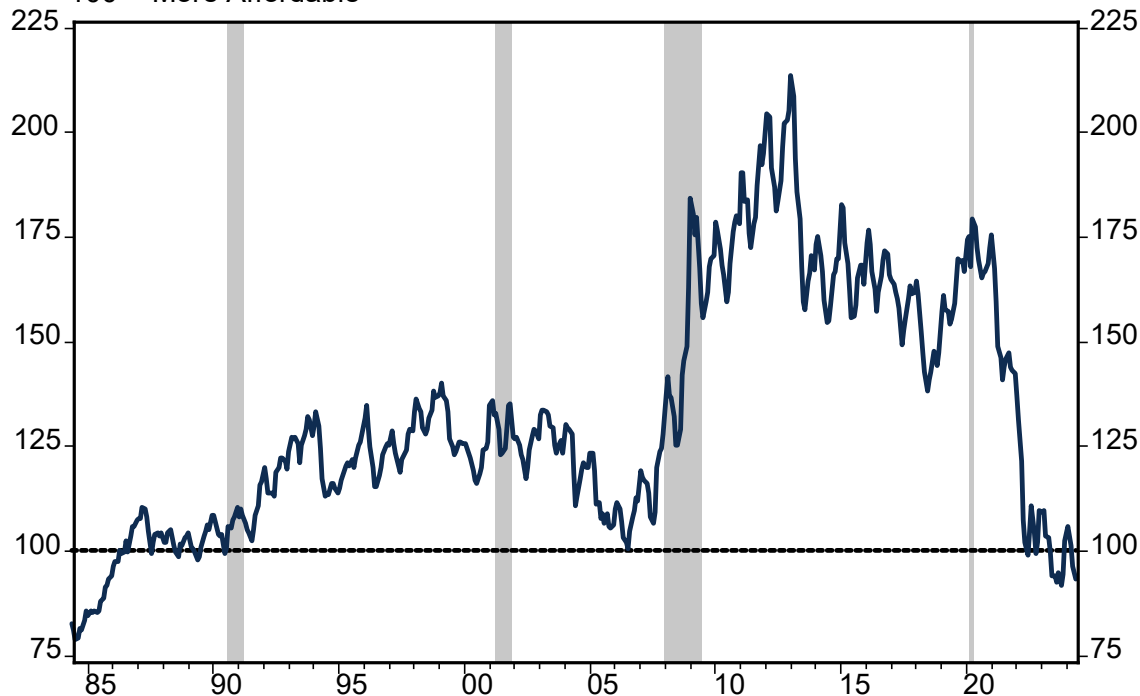


Source: Insurify's 2024 *Insuring the American Homeowner* report

Affordability remains a challenge for homebuyers

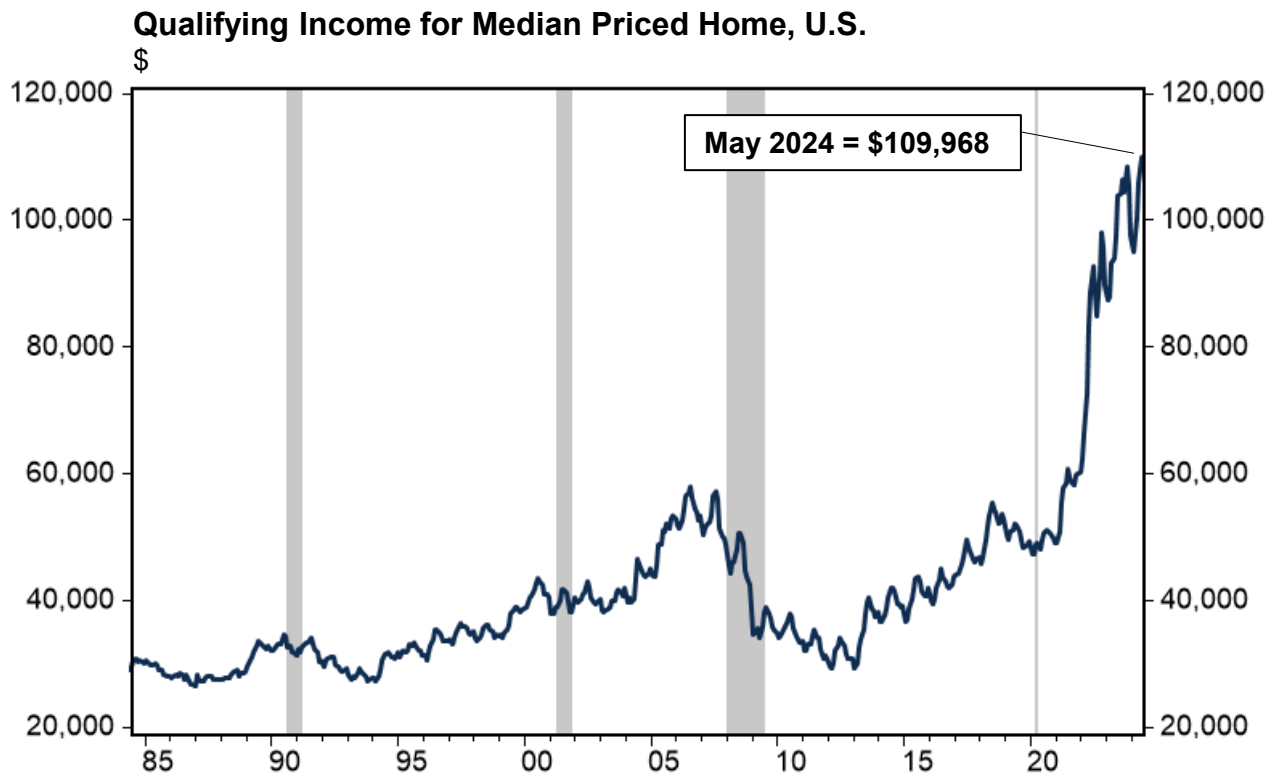
NAR Housing Affordability Index, Fixed Rate Mortgages

100+=More Affordable



Source: National Association of Realtors/Haver Analytics

Affordability remains a challenge for homebuyers



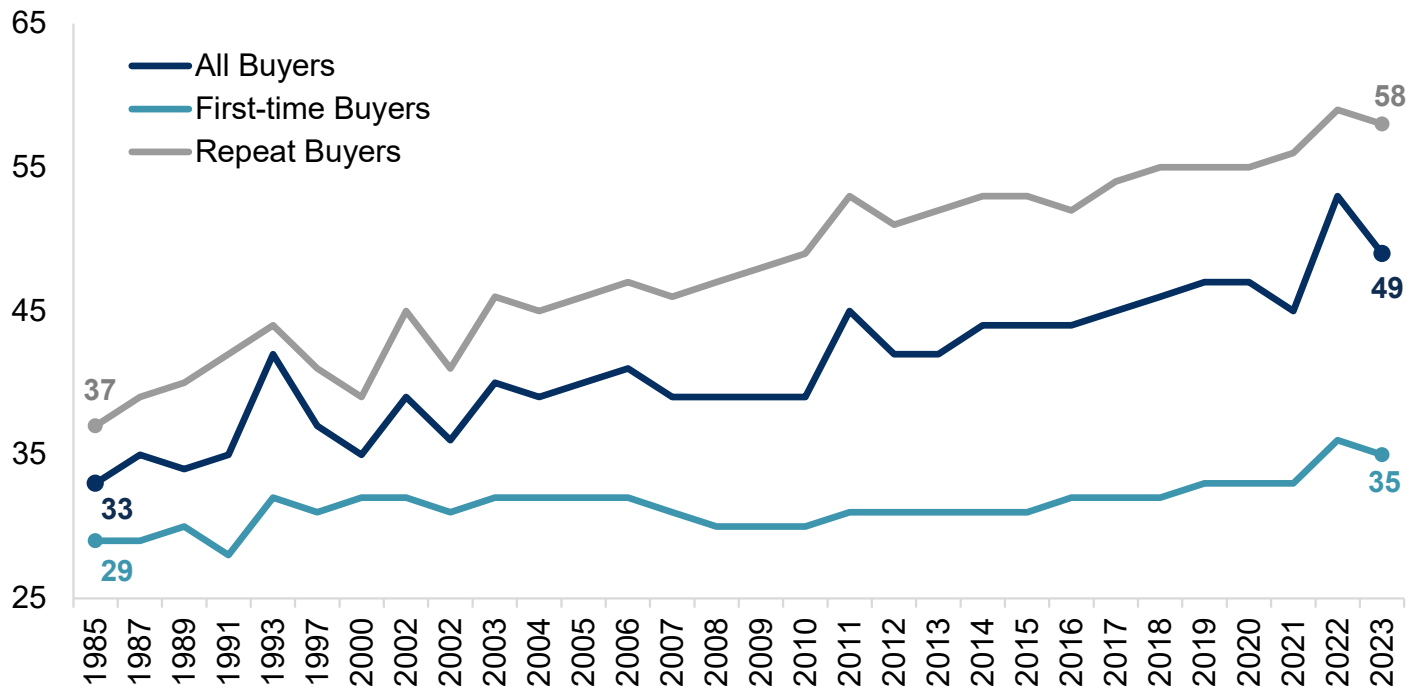
Source: National Association of Realtors/Haver Analytics



Homebuyer Profiles

Median age of homebuyers has moved up

Median Age of Homebuyers, 1985-2023

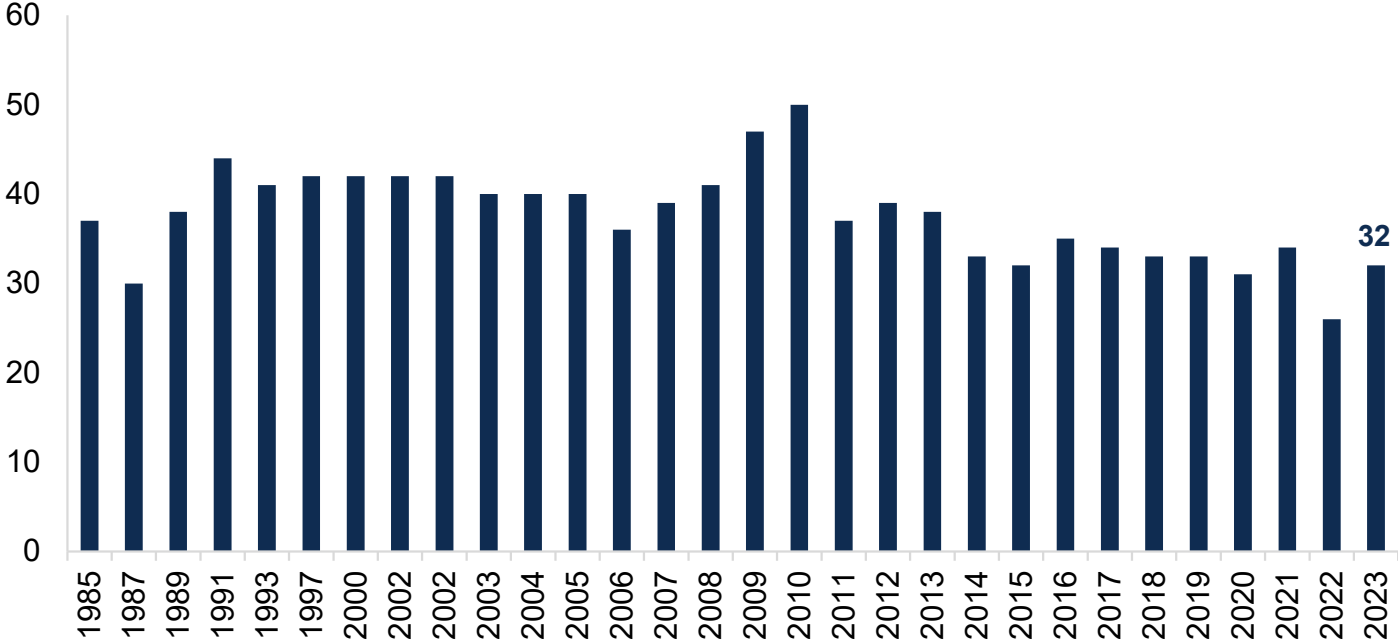


Source: National Association of Realtors' 2023 Profile of Home Buyers & Sellers

Share of first-time homebuyers up from 2022

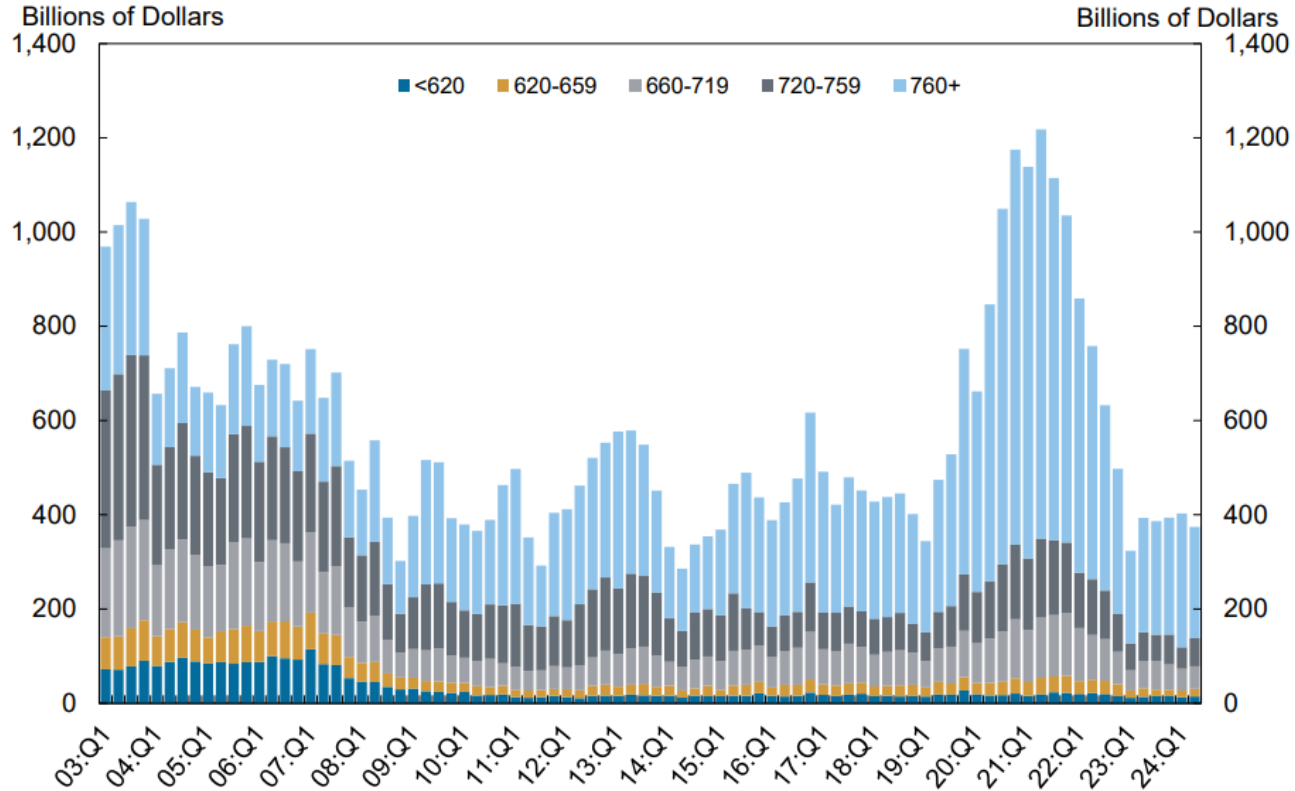
First-Time Homebuyers, 1985-2023

Percent of All Homebuyers



Source: National Association of Realtors' 2023 Profile of Home Buyers & Sellers

Mortgage Originations by Credit Score*



Source: New York Fed Consumer Credit Panel/Equifax

* Credit Score is Equifax Riskscore 3.0

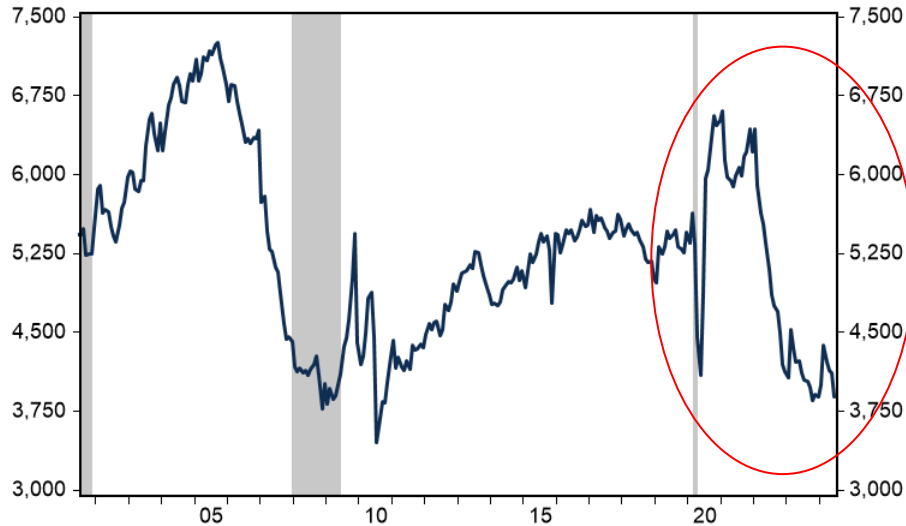


Housing Activity: Sales and Construction

Existing home sales remain depressed across the U.S., including the Midwest

U.S. Total Existing Homes Sales

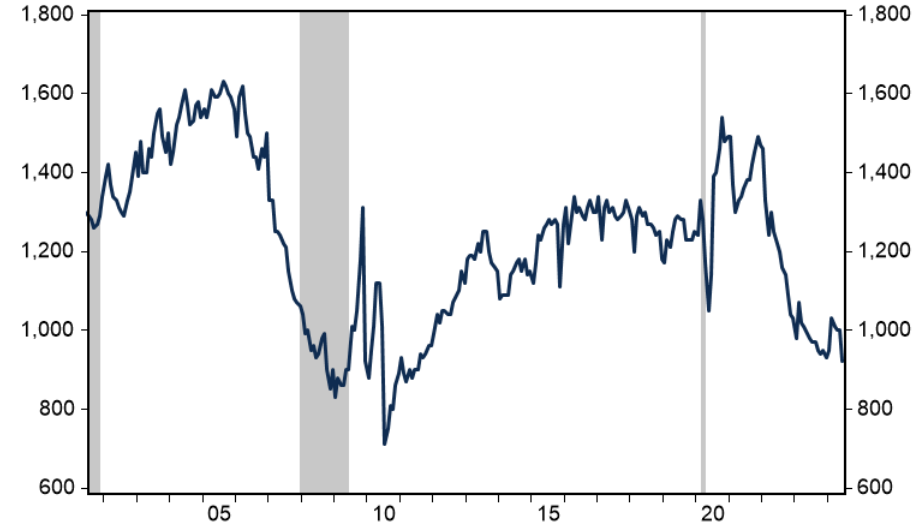
SA, Thousands



Source: National Association of Realtors/Haver Analytics

Midwest Total Existing Homes Sales

SA, Thousands



Source: National Association of Realtors/Haver Analytics

Lack of existing inventory keeps pressure on prices...



Source: National Association of Realtors/Haver Analytics

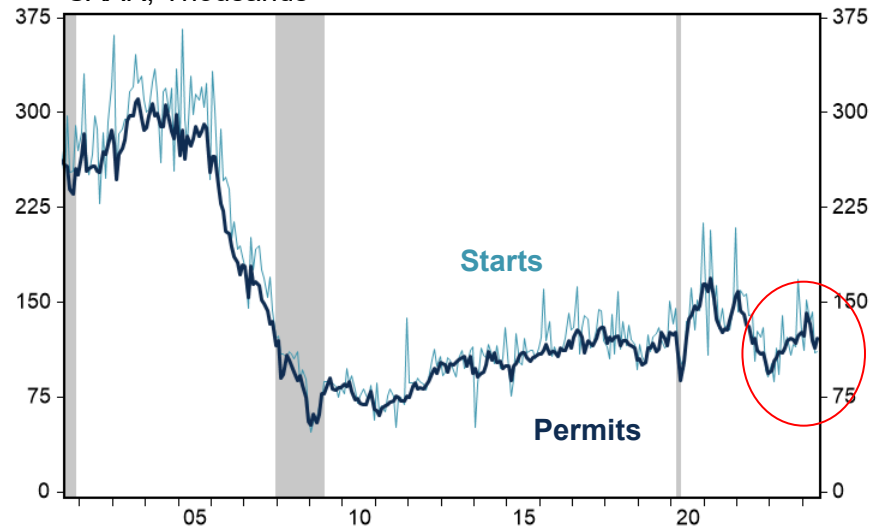
... temporarily boosts single-family construction

U.S. New Privately Owned Single-Family Housing Units
SAAR, Thousands



Source: Census Bureau/Haver Analytics

Midwest New Privately Owned Single-Family Housing Units
SAAR, Thousands



Source: Census Bureau/Haver Analytics

New home sales, while down from pandemic-era housing boom, have fared somewhat better

U.S. Total New Homes Sales

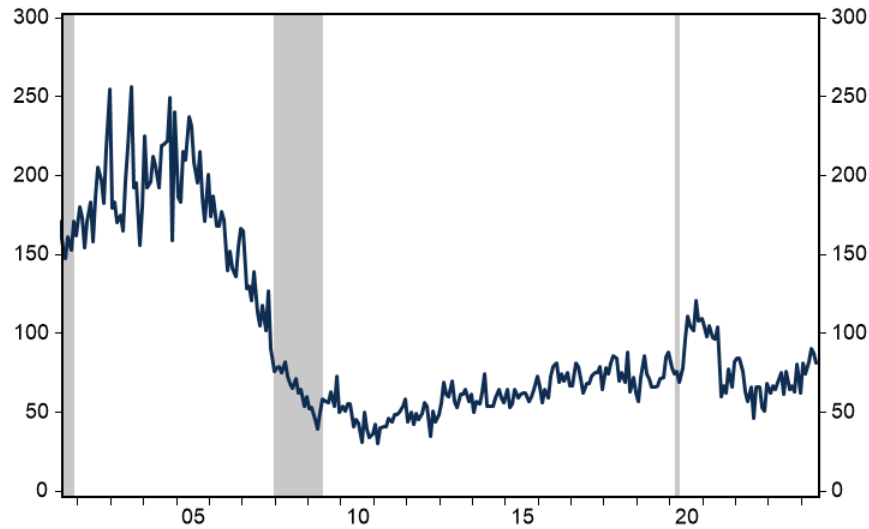
SA, Thousands



Source: Census Bureau/Haver Analytics

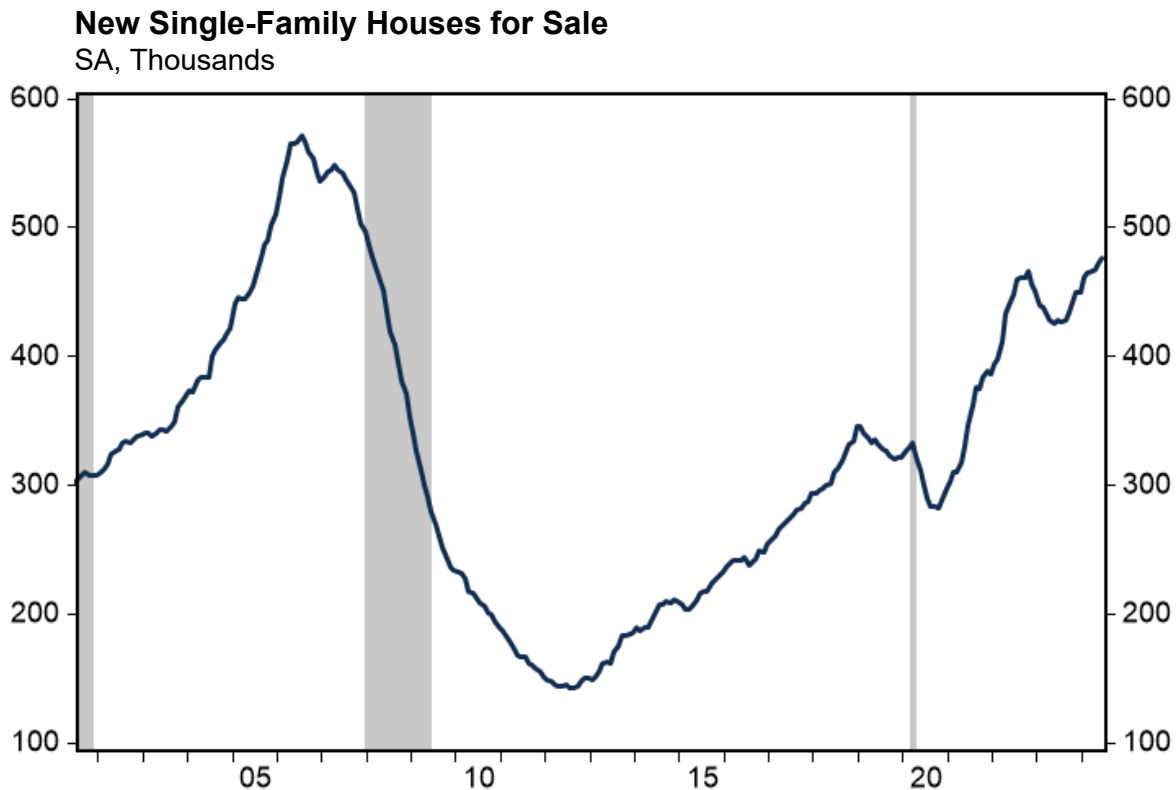
Midwest Total New Homes Sales

SA, Thousands



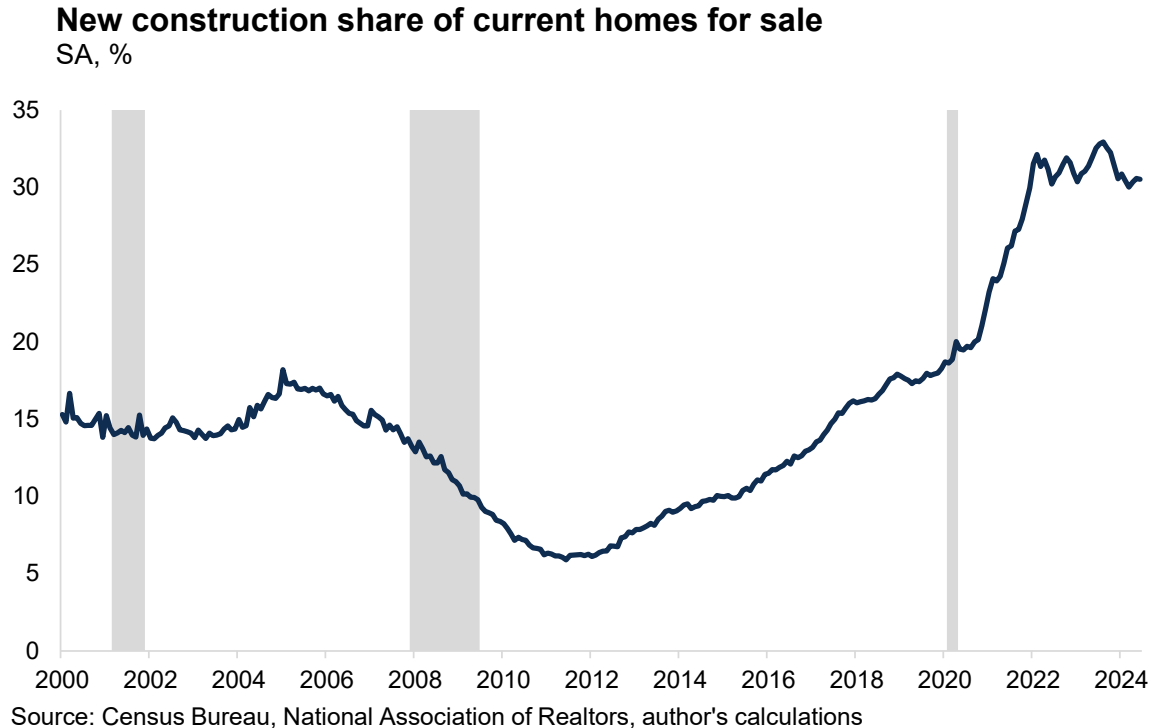
Source: Census Bureau/Haver Analytics

New homes for sale trend higher



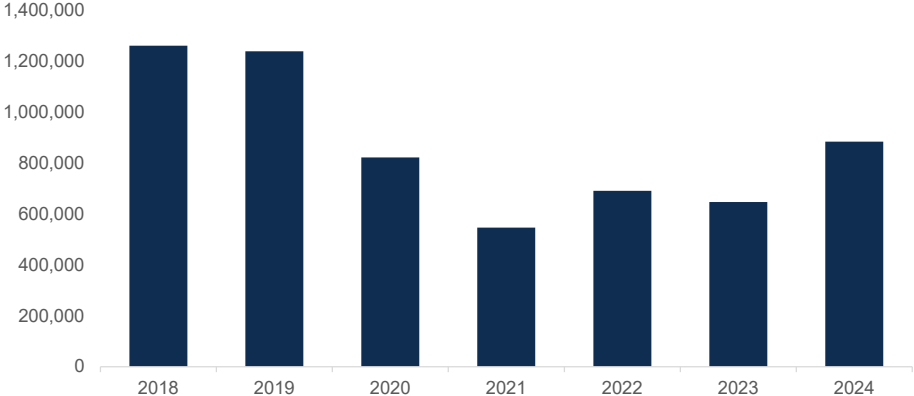
Source: Census Bureau/Haver Analytics

New construction accounts for one-third of current homes on the market



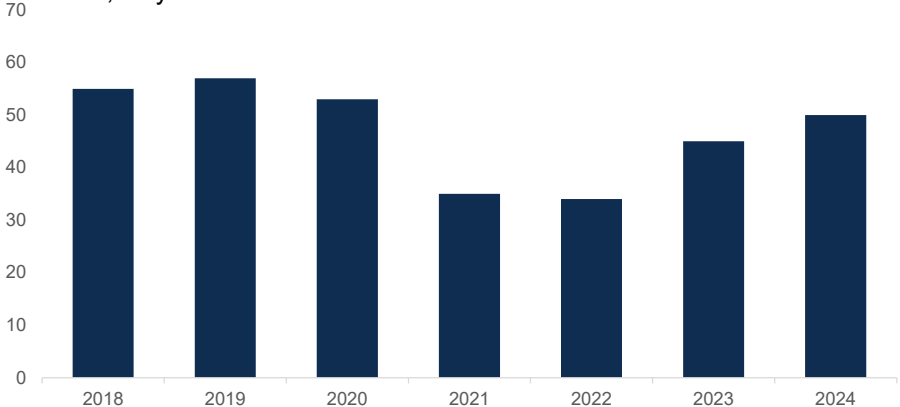
Some U.S. market metrics show hints of normalizing...

Active Listing Count in the U.S.
Monthly level in July



Source: Realtor.com, data pulled from FRED

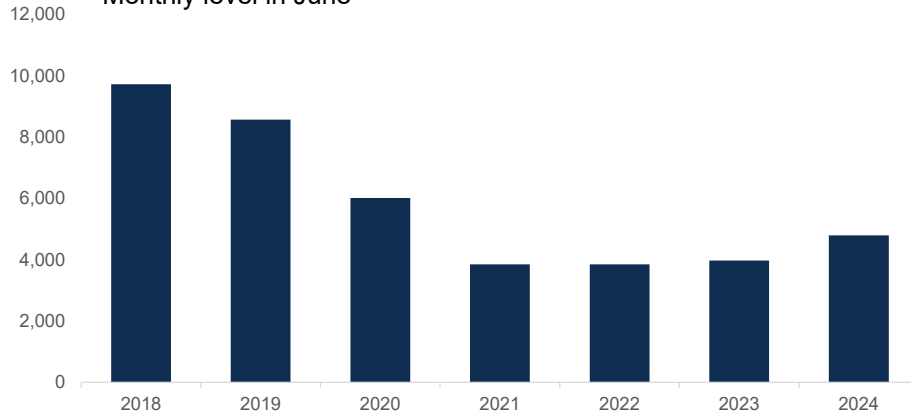
Median Days on Market: U.S.
NSA, July



Source: Realtor.com, data pulled from FRED

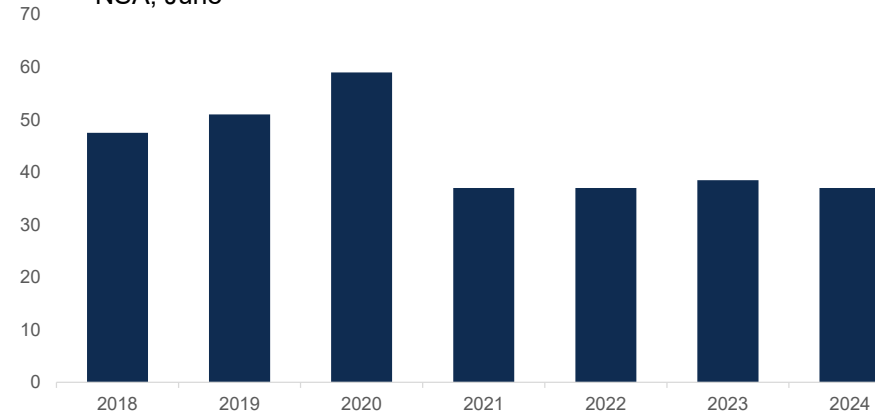
...while St. Louis market remains especially tight

Active Listing Count in St. Louis, MO-IL
Monthly level in June



Source: Realtor.com, data pulled from FRED

Median Days on Market: St. Louis, MO-IL
NSA, June

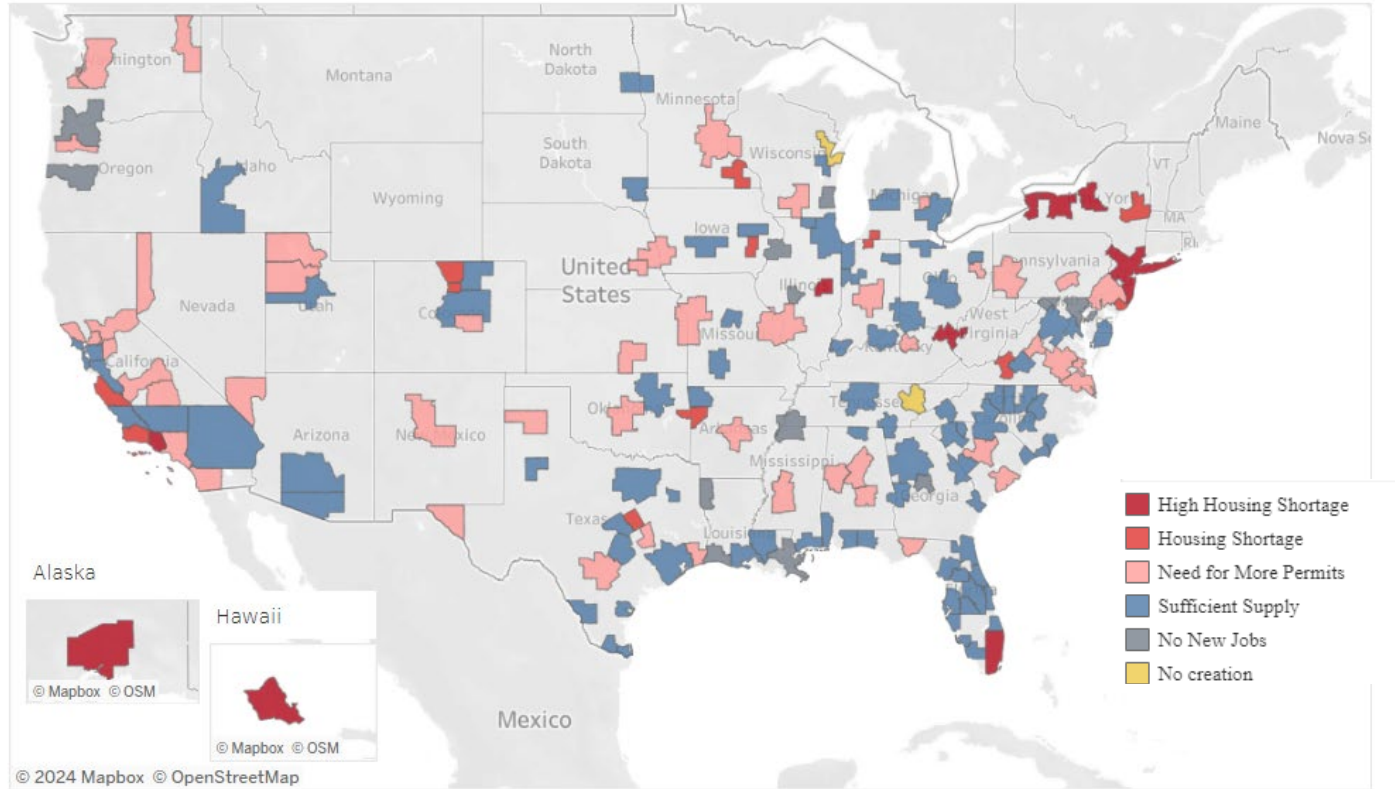


Source: Realtor.com, data pulled from FRED



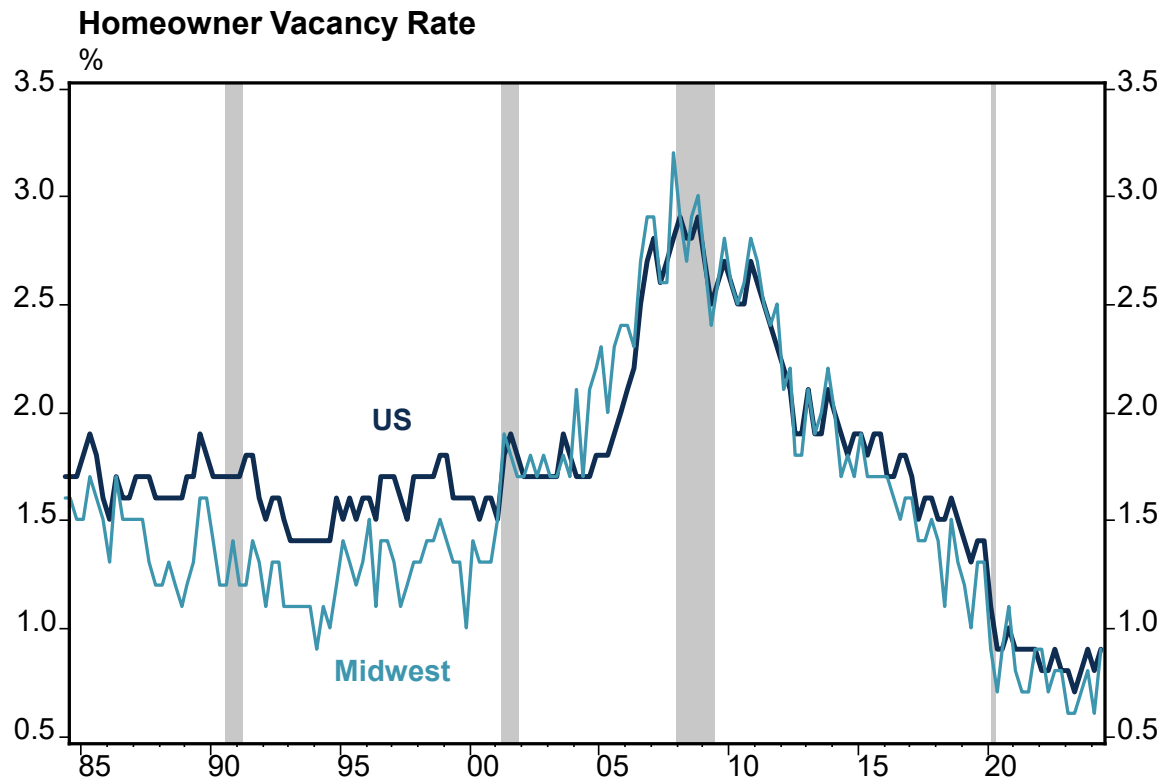
Housing Supply

Housing shortages persist across many U.S. metros



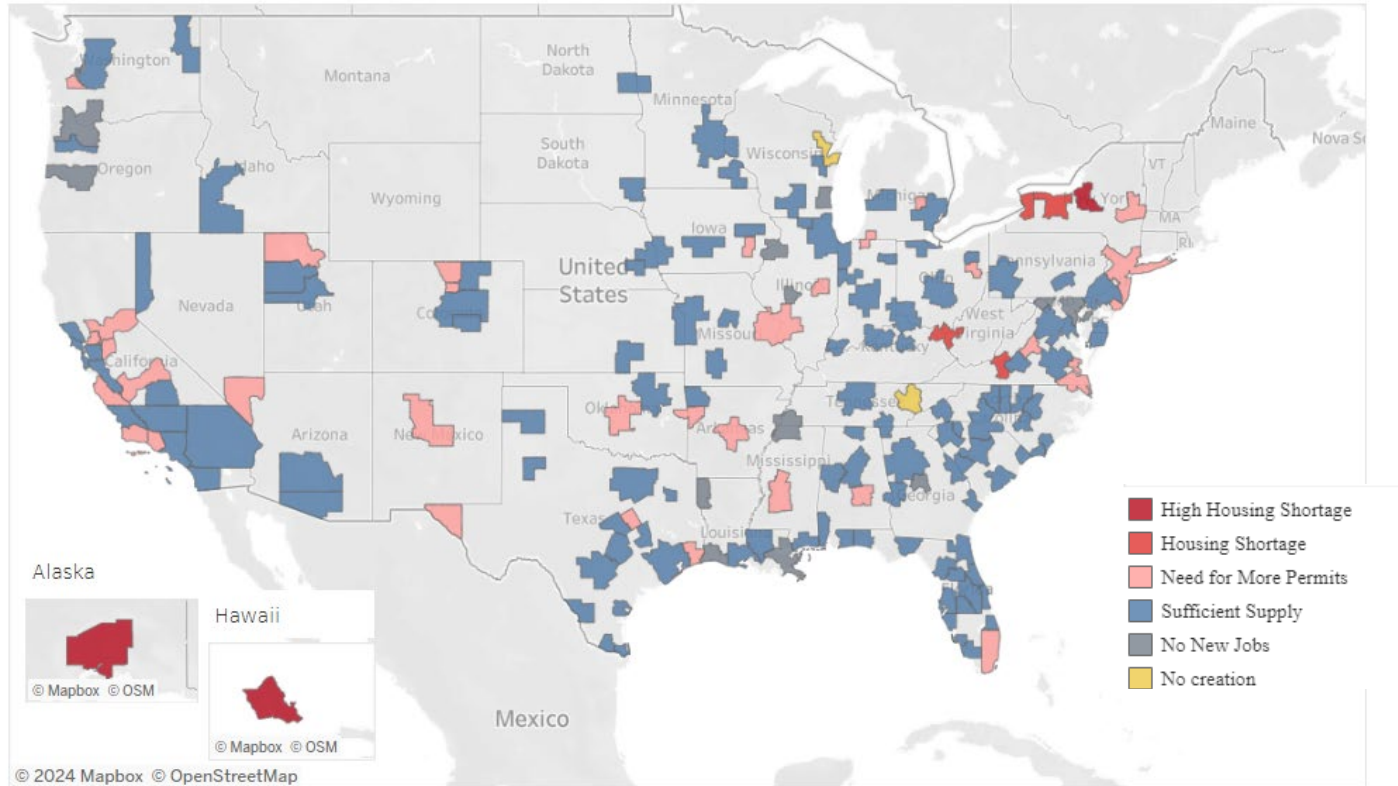
Source: National Association of Realtors' Housing Shortage Tracker, March 2024

Homeowner vacancy rates remain low



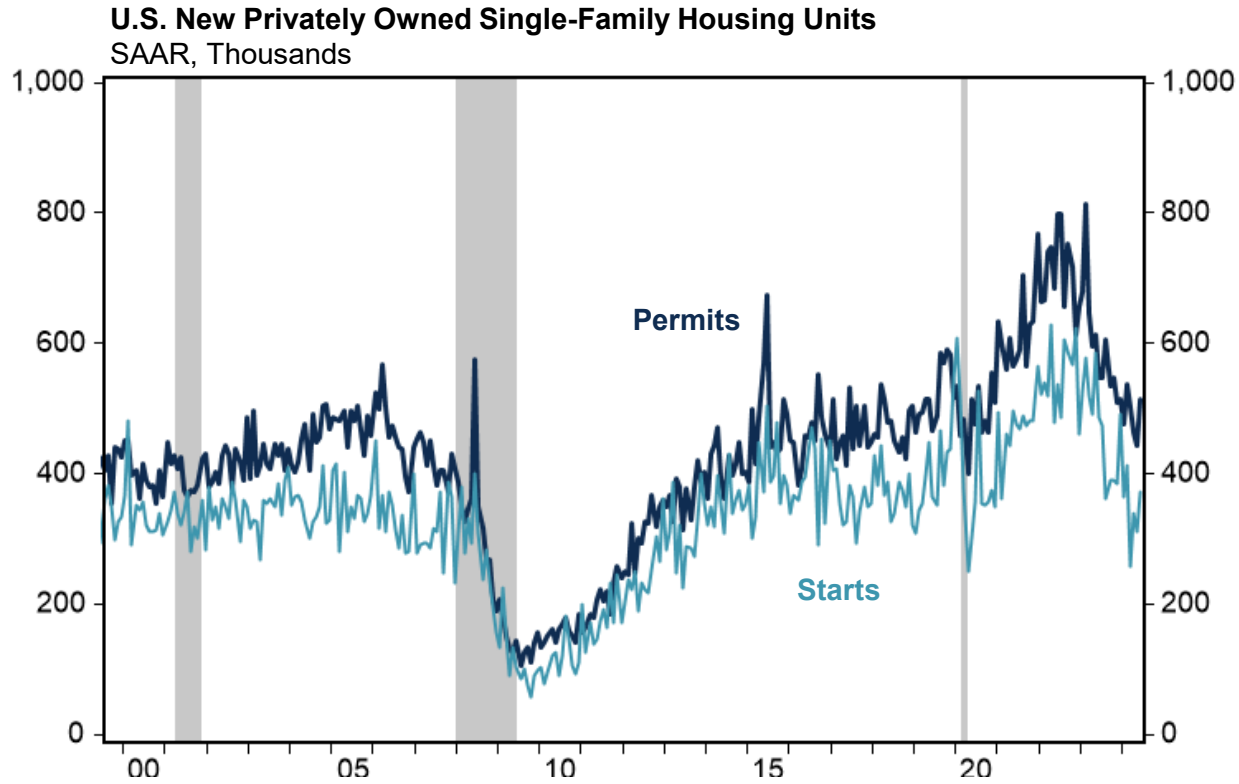
Source: Census Bureau/Haver Analytics

Multifamily helps bridge the gap in some metros



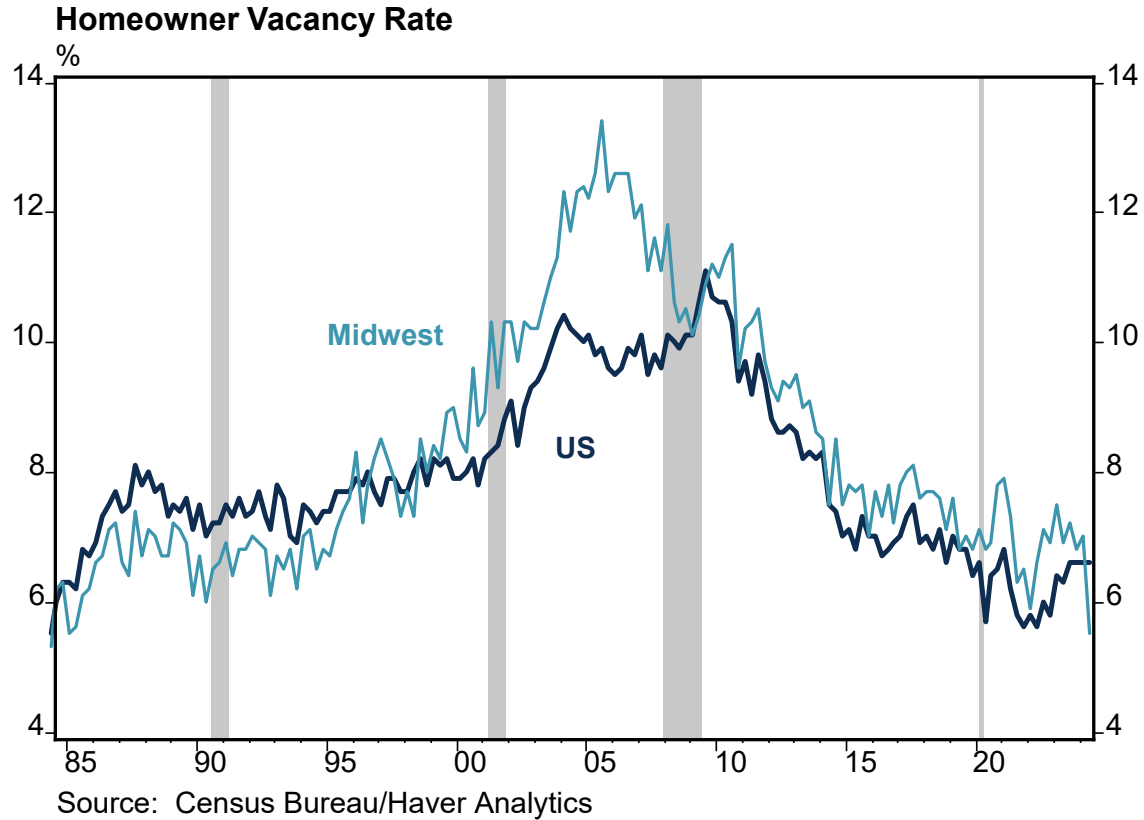
Source: National Association of Realtors' Housing Shortage Tracker, March 2024

Multifamily construction slows following '21-'22 surge



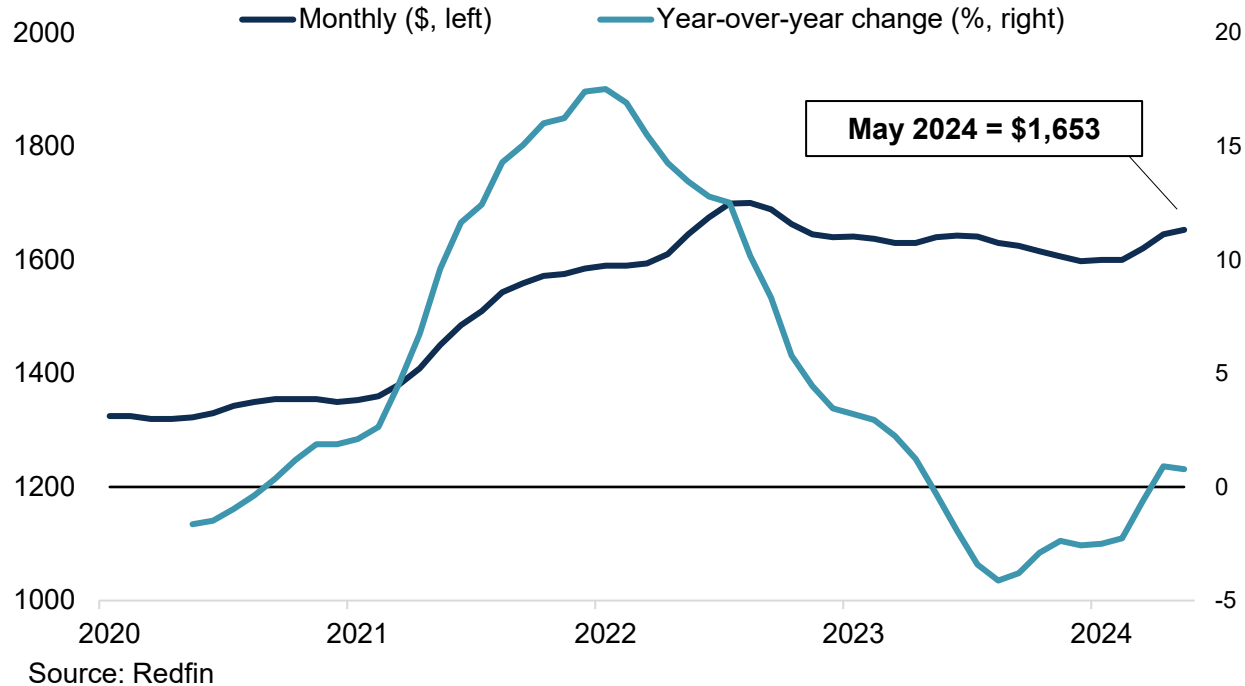
Source: Census Bureau/Haver Analytics

U.S. rental vacancy rates up from 2021 but still low



U.S. rent prices stabilize following 2021-2022 jump

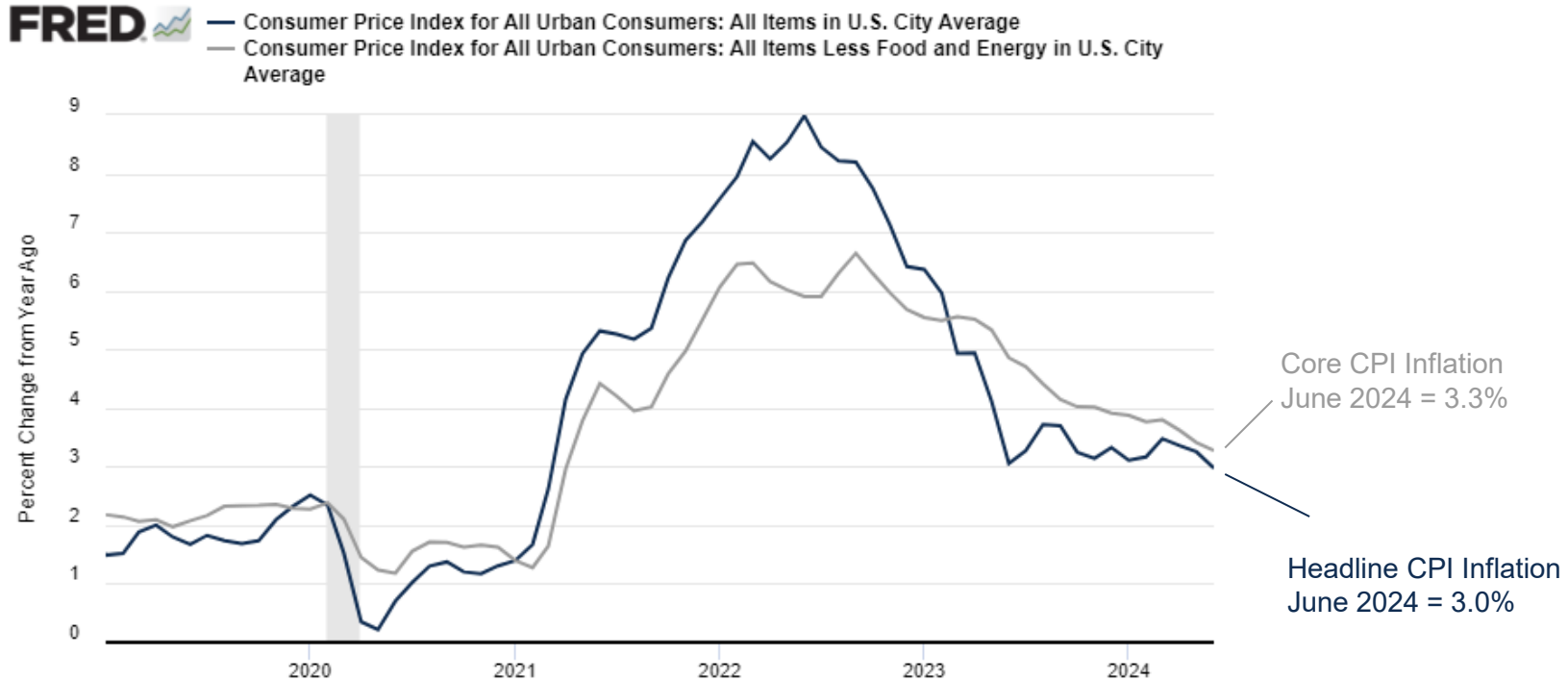
U.S. Median Apartment Asking Rent





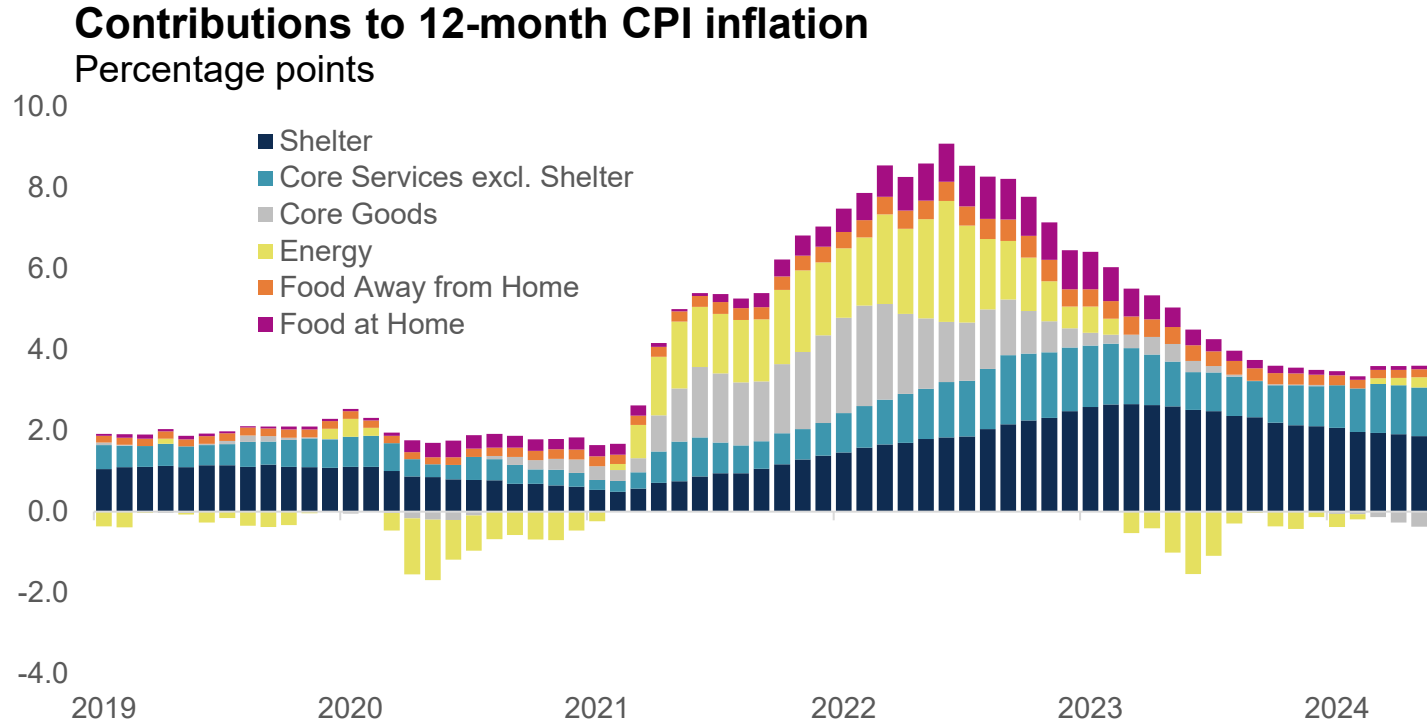
Impact on Inflation

Inflation moderating but remains above target



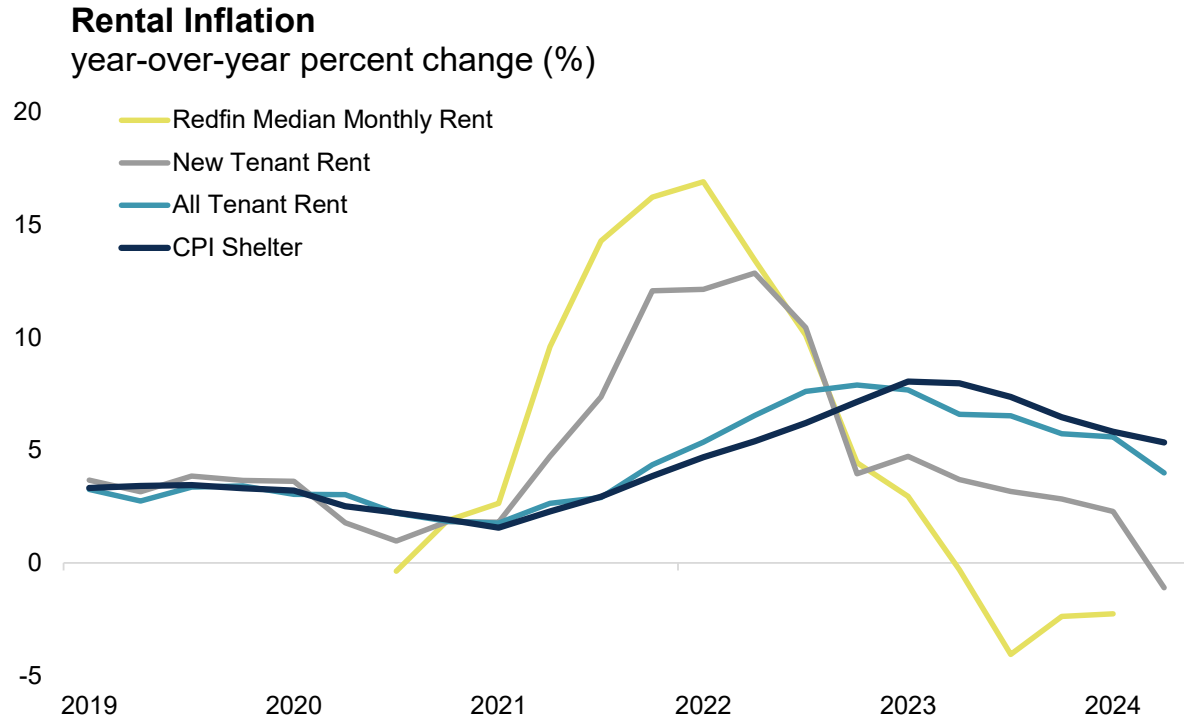
Source: U.S. Bureau of Labor Statistics

Contribution from shelter inflation remains elevated



Source: Bureau of Labor Statistics, Haver Analytics, author's calculations

Rent surge working its way through shelter inflation



Source: Bureau of Labor Statistics, Federal Reserve Bank of Cleveland, Redfin

Key Takeaways

- Higher prices, mortgage rates, and insurance premiums have made housing affordability an ongoing challenge for potential homebuyers.
- Housing demand continues to outpace housing supply, keeping upward pressure on prices even as higher borrowing costs have put downward pressure on activity.
- After robust gains during the pandemic-era housing boom, single-family construction declined sharply in 2022. Construction picked back up in 2023 amid a lack of supply of existing homes for sale before tapering off again this year.
- A recent boom in multifamily construction means more multifamily properties have come onto the market, helping alleviate some rent pressure.
- Nevertheless, a recent surge in rent prices continues to work its way through shelter inflation, a large component of many inflation metrics.

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