

The Housing Affordability Crunch and 2022 Market

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Outline

Housing prices and hot markets

- How secondary Sunbelt markets will steal the show in 2022
- Affordability concerns of hot 2021 Sunbelt markets might lead to a turning point
 - Following NYC as an example

Buyers are still searching for affordability

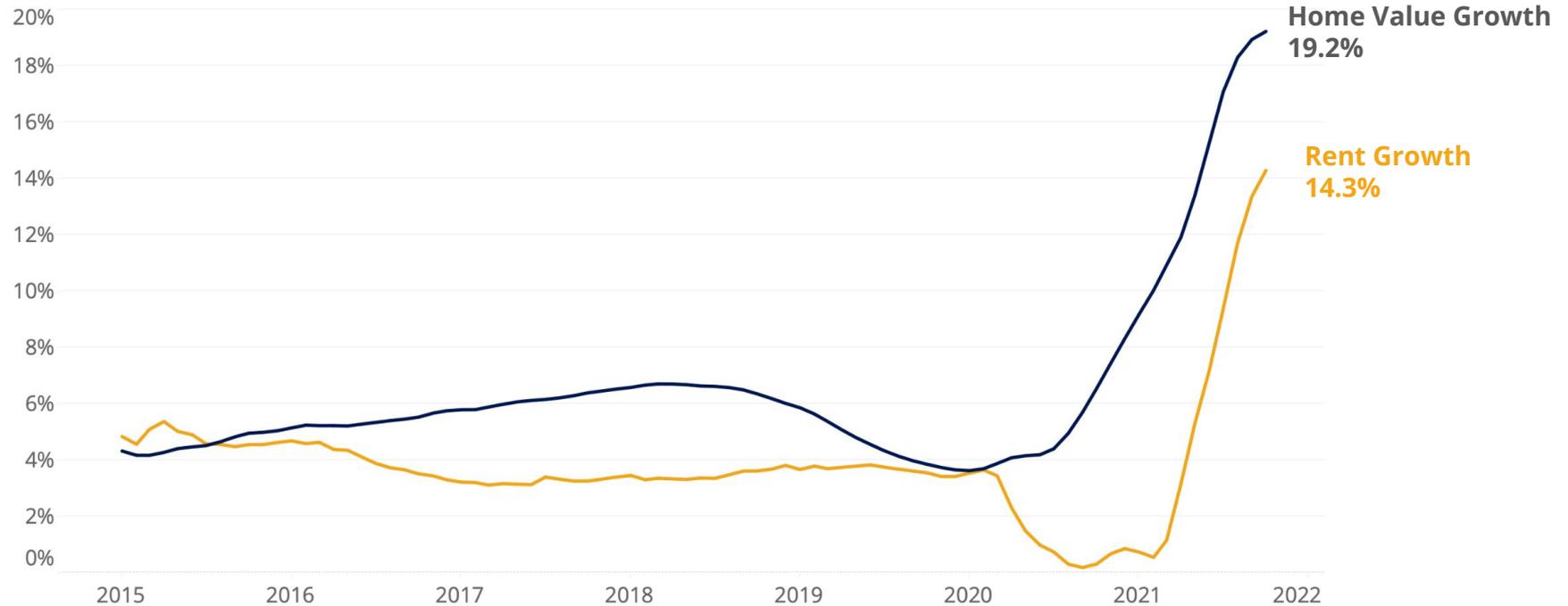
- How the workplace will be influencing the 2022 housing market

Demand for single-family homes stays high

- Renters want to get in on the single-family craze too

Record-fast price and rent appreciation

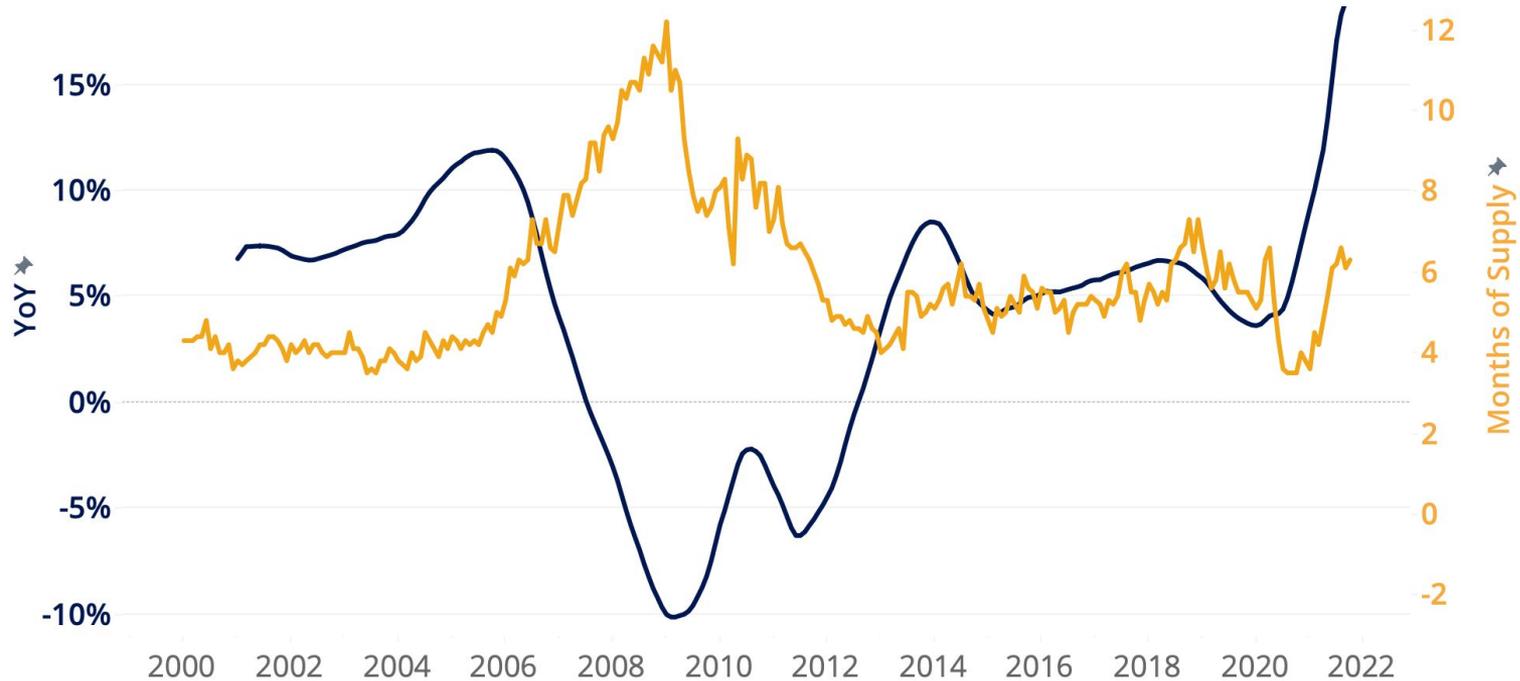
Zillow Home Value Index YoY and Zillow Observed Rent Index YoY



Source: Zillow Home Value Index, Zillow Observed Rent Index, October 2021.

Prices rise when supply is low. And supply is LOW.

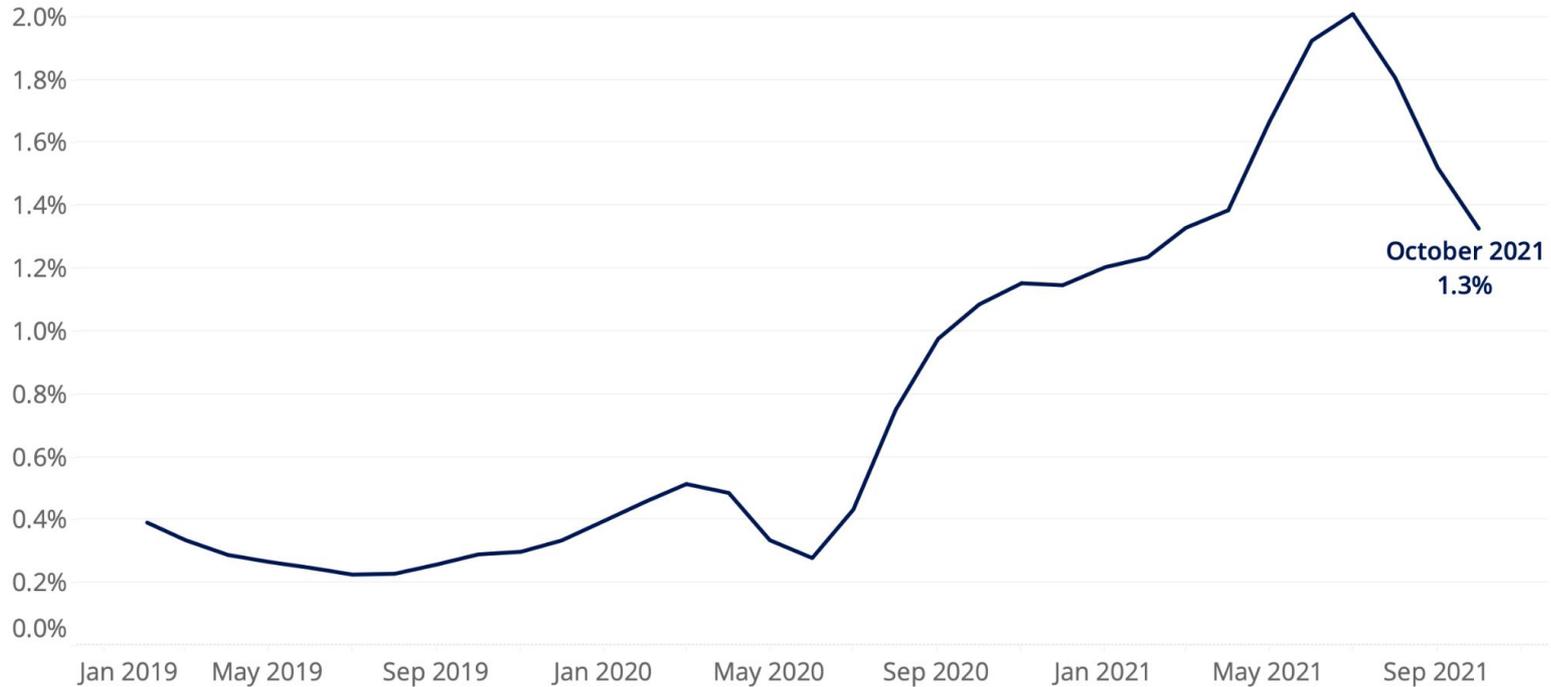
Zillow Home Value Index YoY (Home Value Growth) vs Months of Supply of Existing Homes



Source: Zillow Home Value Index and NAR Months supply of existing homes on market, October 2021.

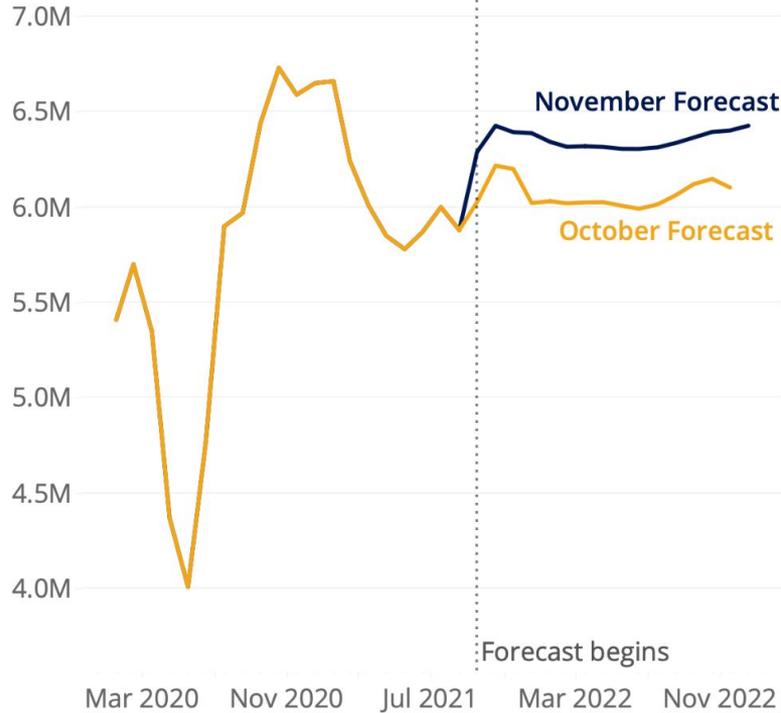
...but there were signs of prices cooling this summer

Zillow Home Value Index, Month-Over-Month

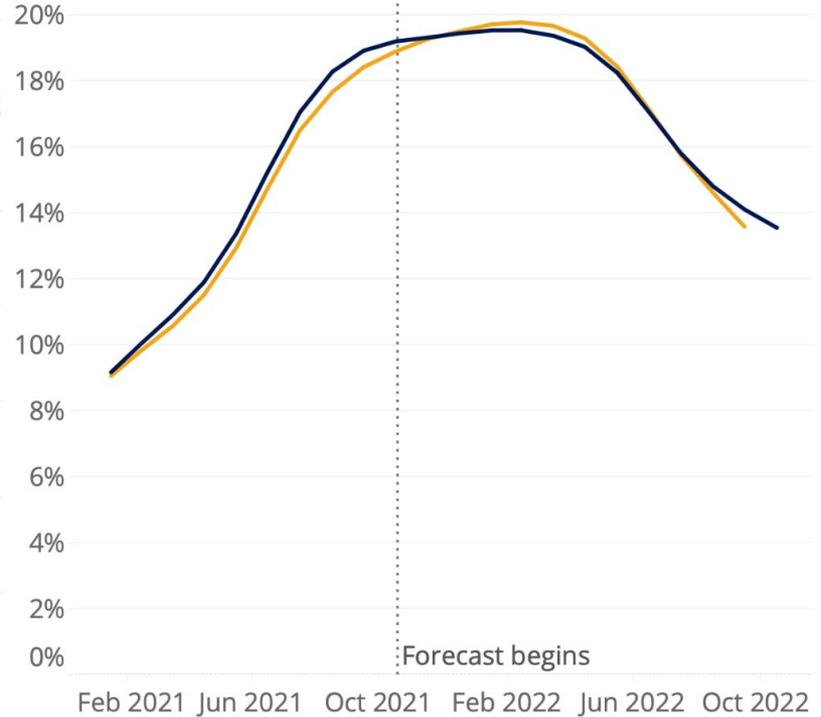


From a record year to a slow descent towards normalcy

Home Sales SAAR

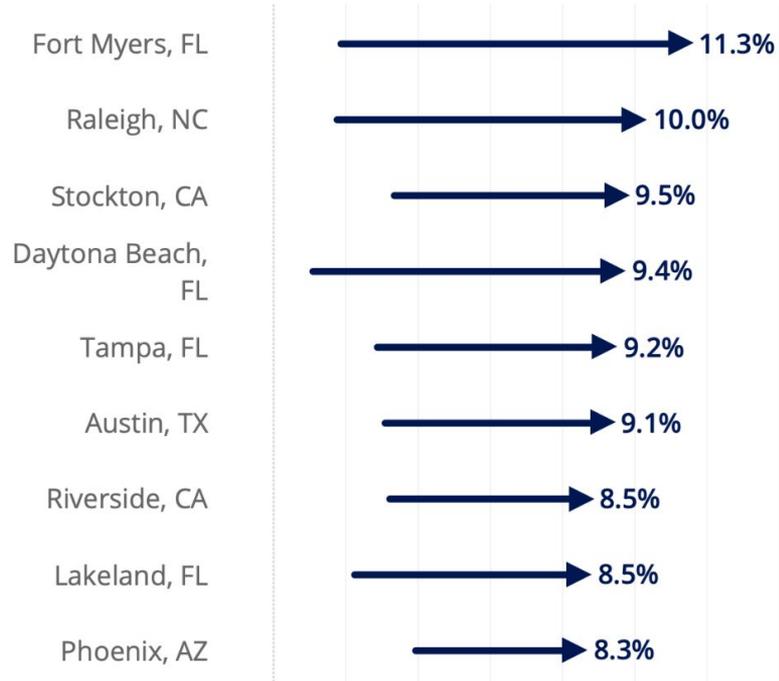


ZHVI Year-Over-Year

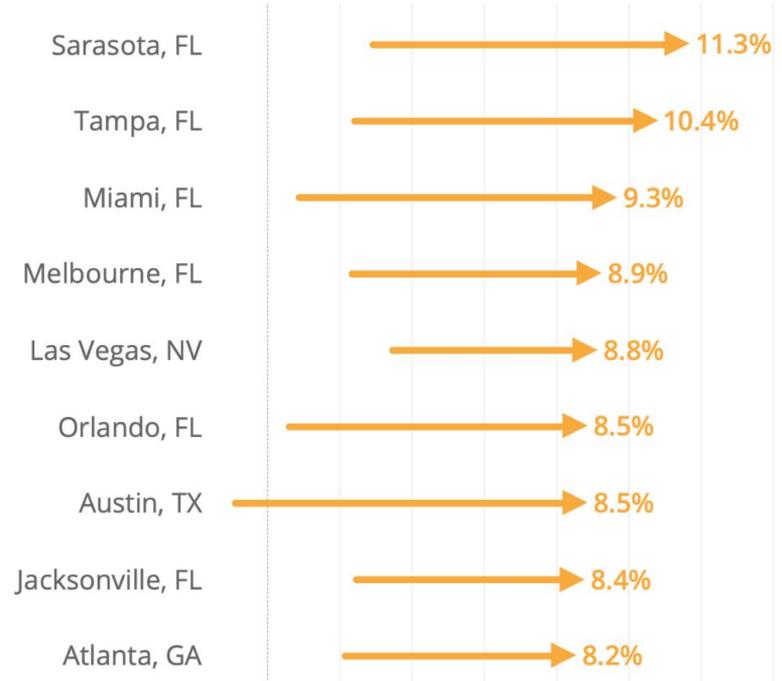


Rise of secondary cities

Zillow Home Value Index Oct QoQ (Home Value Growth)



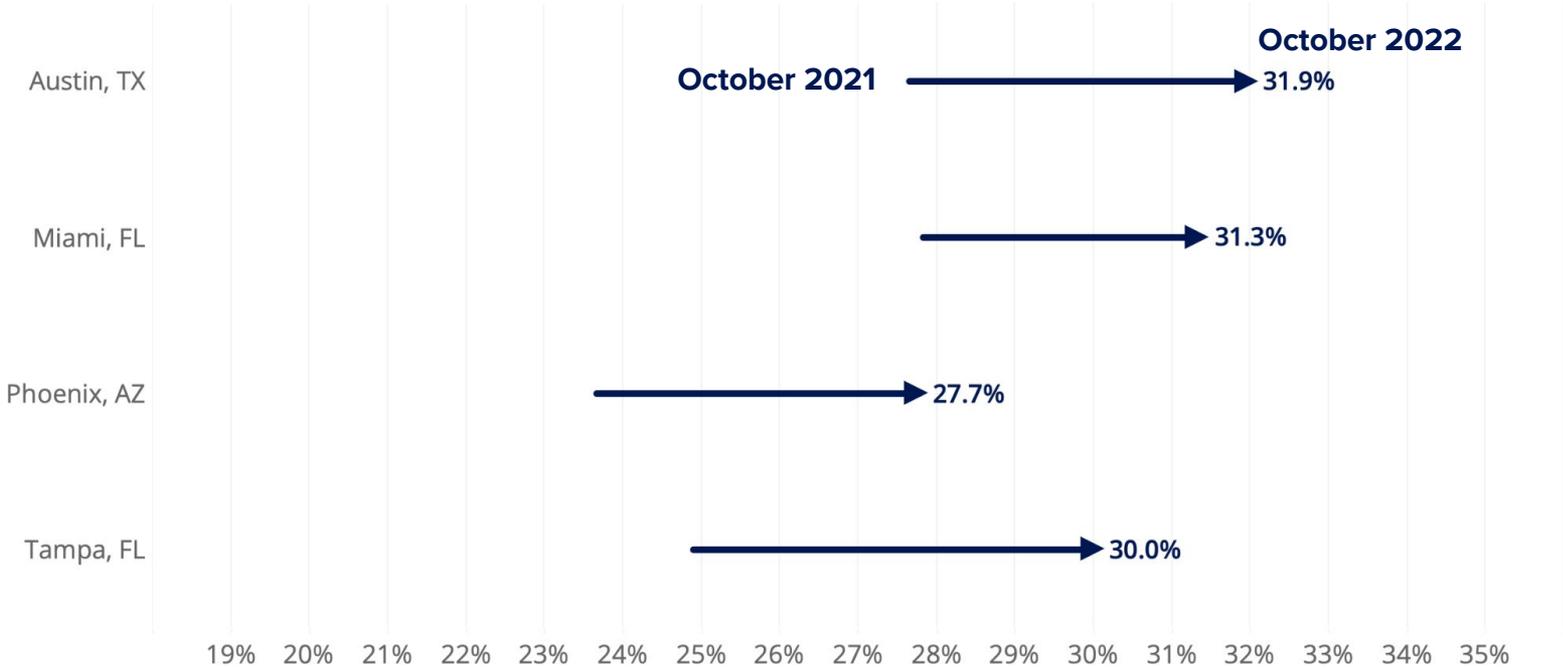
Zillow Observed Rent Index Oct QoQ (Rent Growth)



Affordability to change for the worse for 2021 superstars

Affordability Change 2021 - 2022

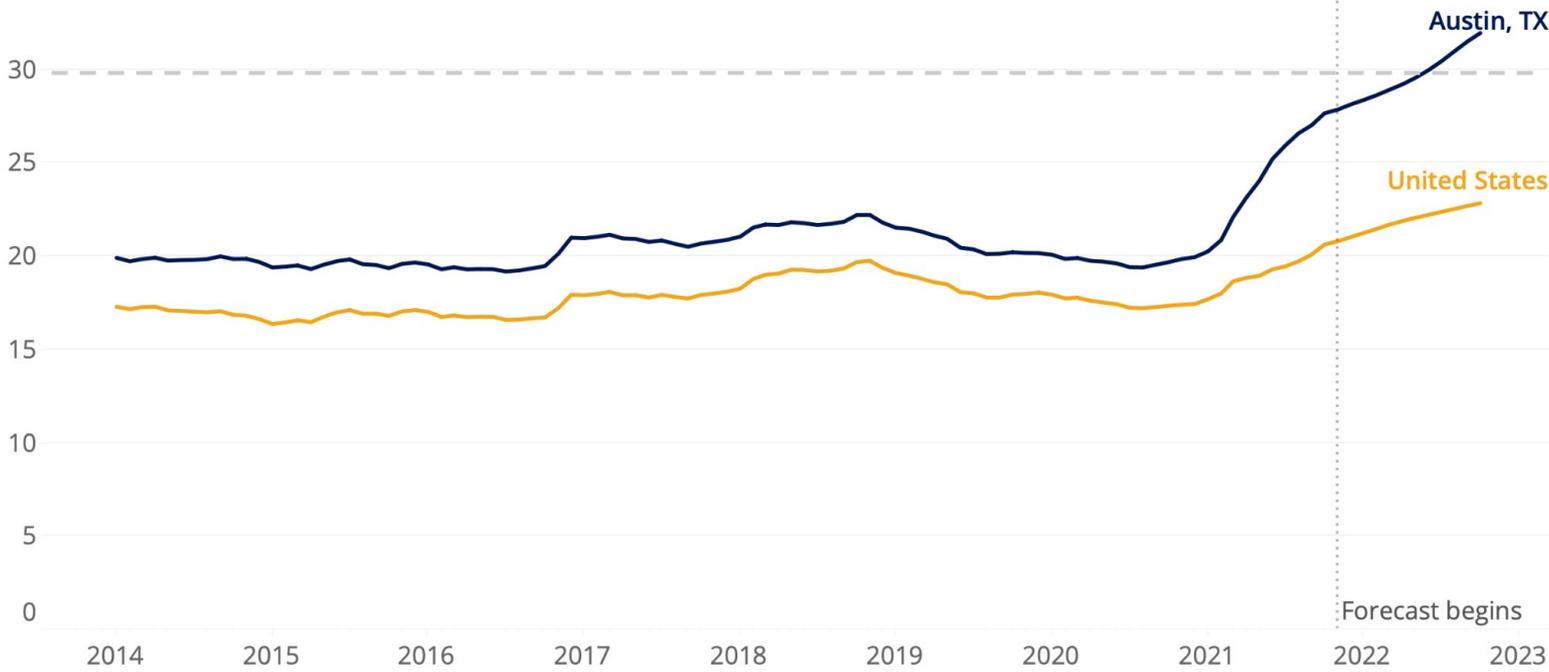
Share of income spent on mortgage*



Austin's affordability challenge might creep over to secondary cities

Austin Affordability

Share of income spent on mortgage*

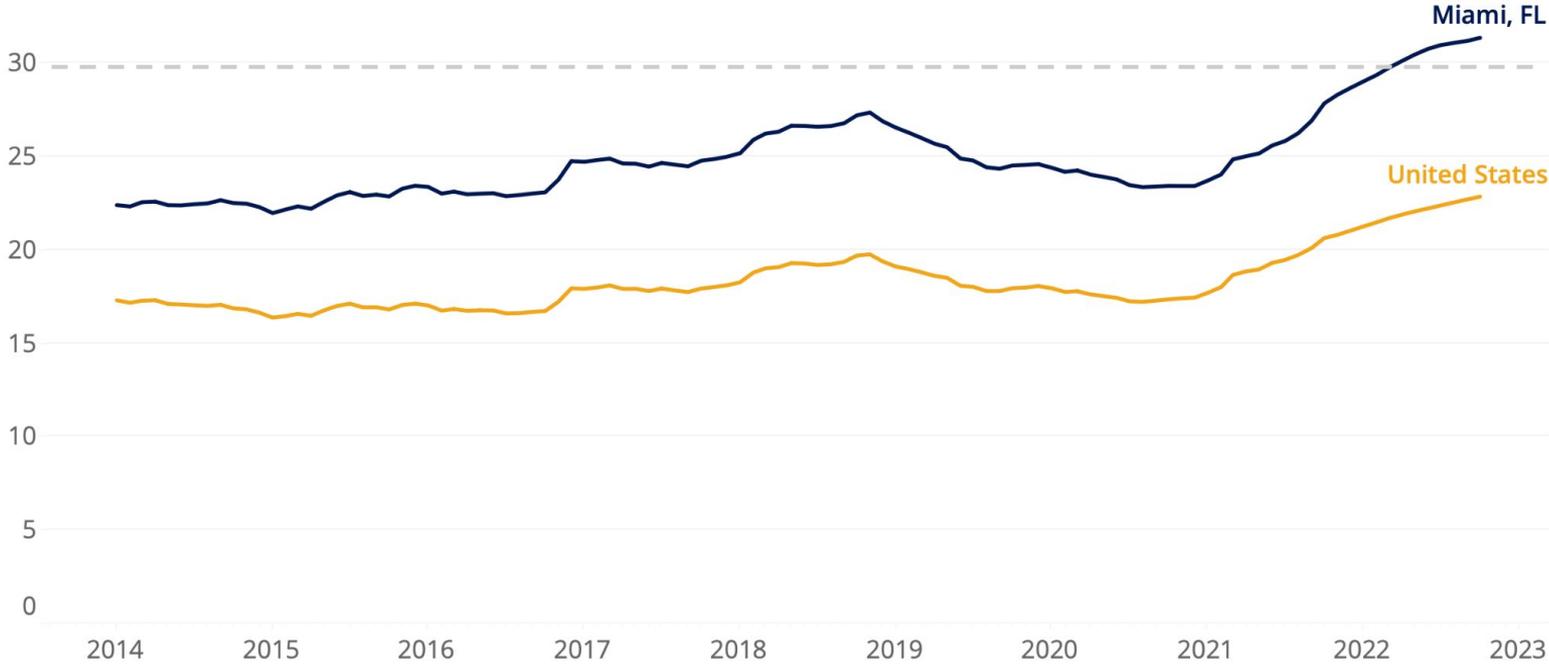


*assuming interest rates remain unchanged

Miami affordability

Miami Affordability

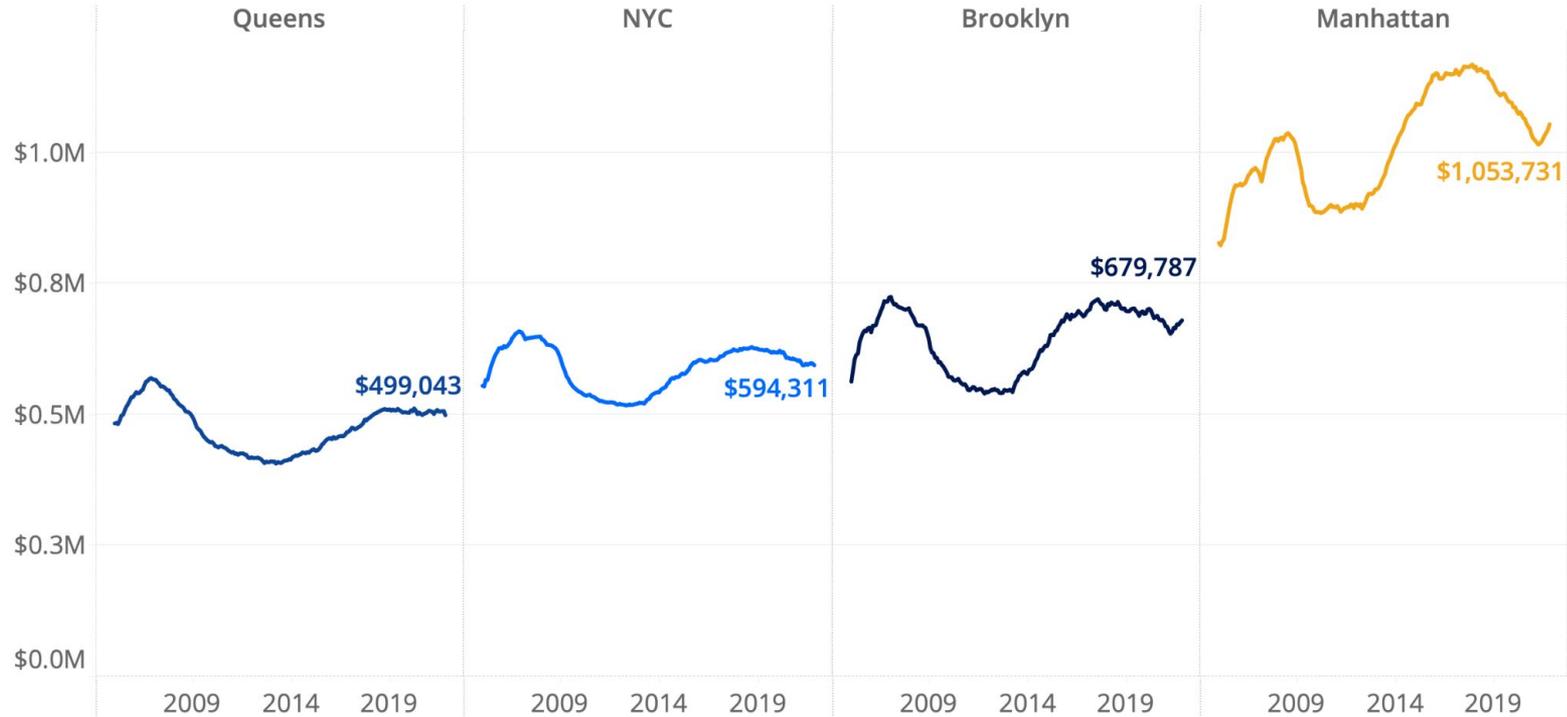
Share of income spent on mortgage*



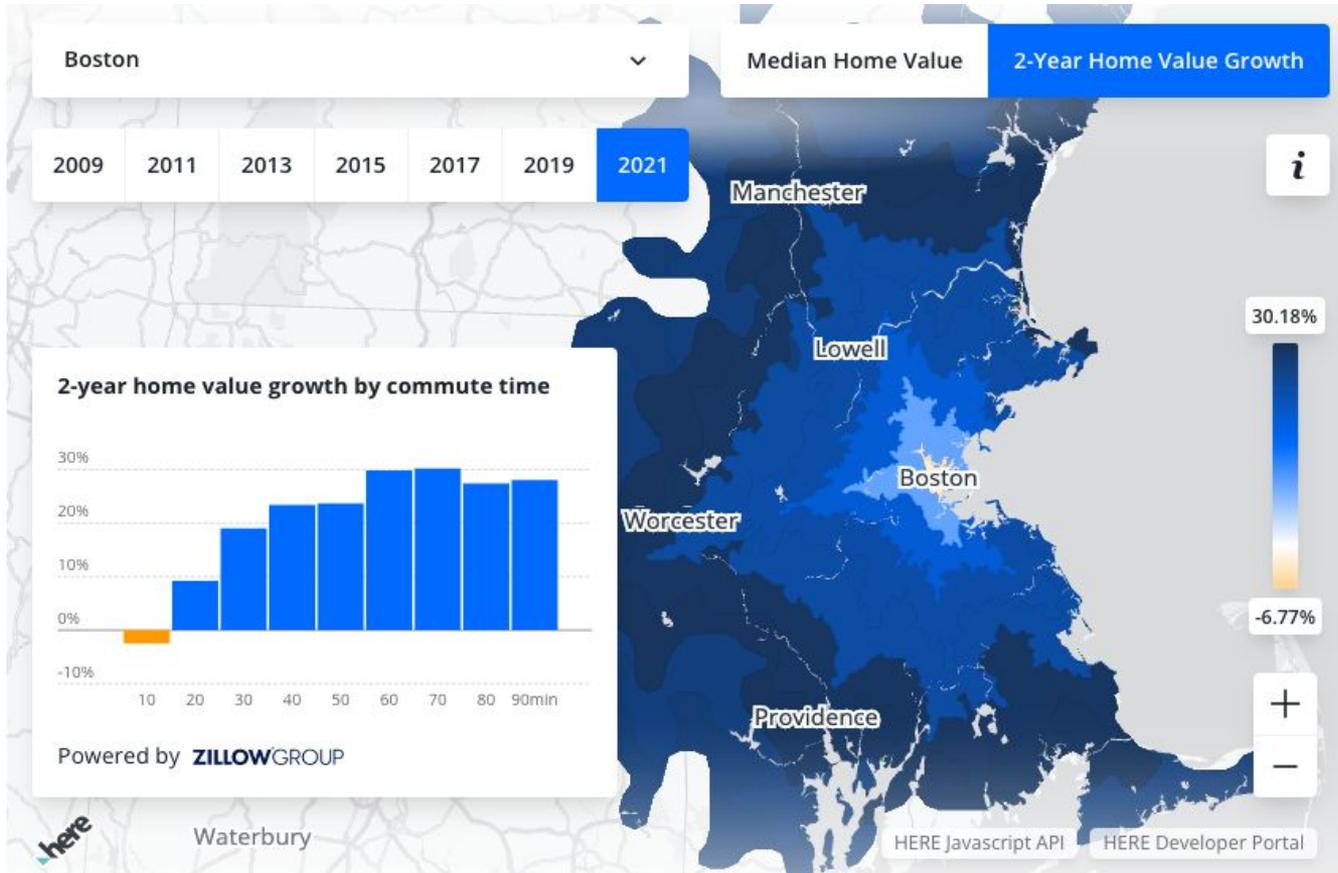
*assuming interest rates remain unchanged

NYC as an example

Zillow Home Value Index, October 2021

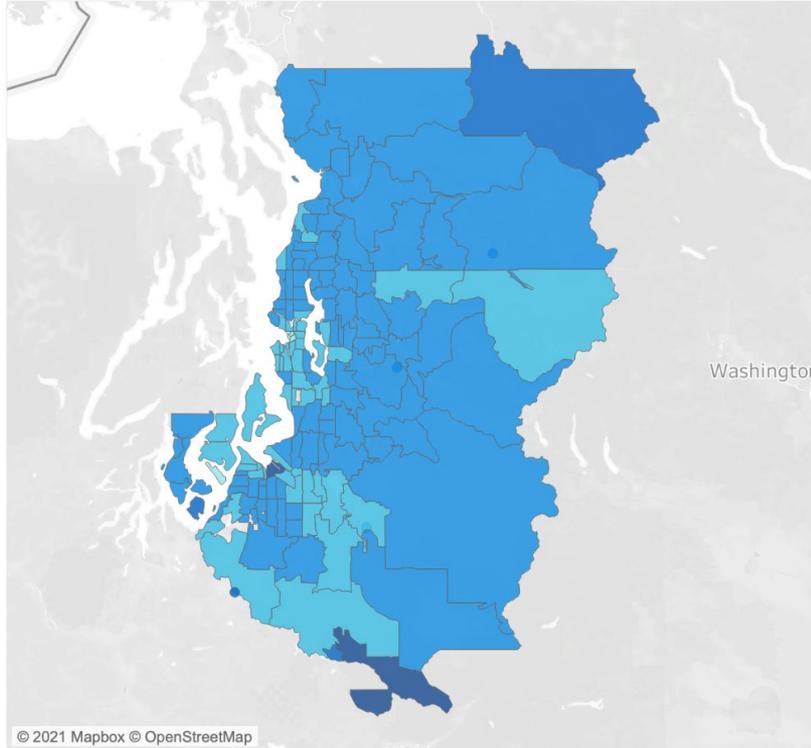


The new work life balance - affordability will continue to influence workers

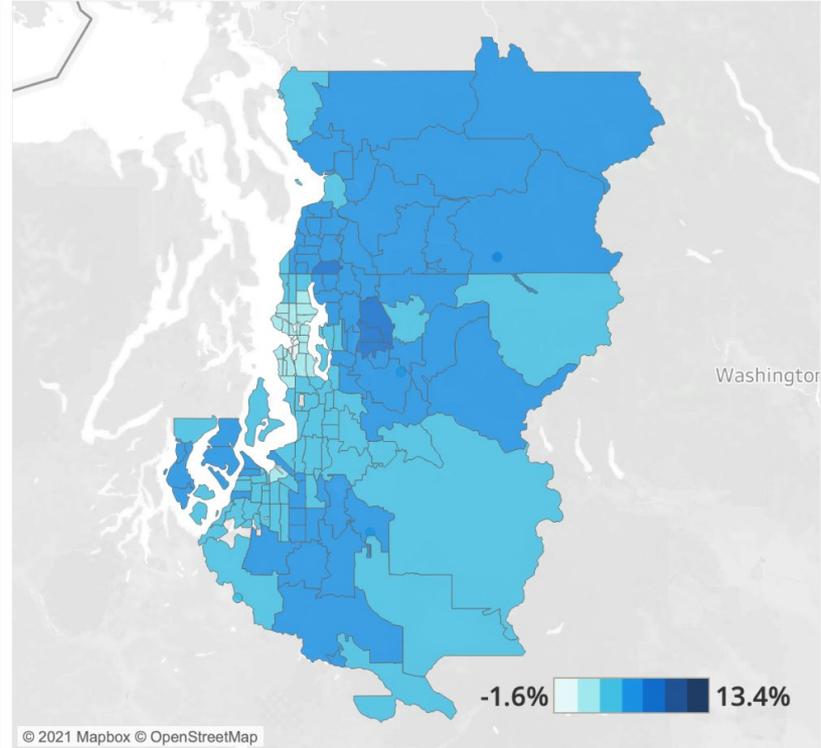


Some expensive metros will likely see a reversal of this trend

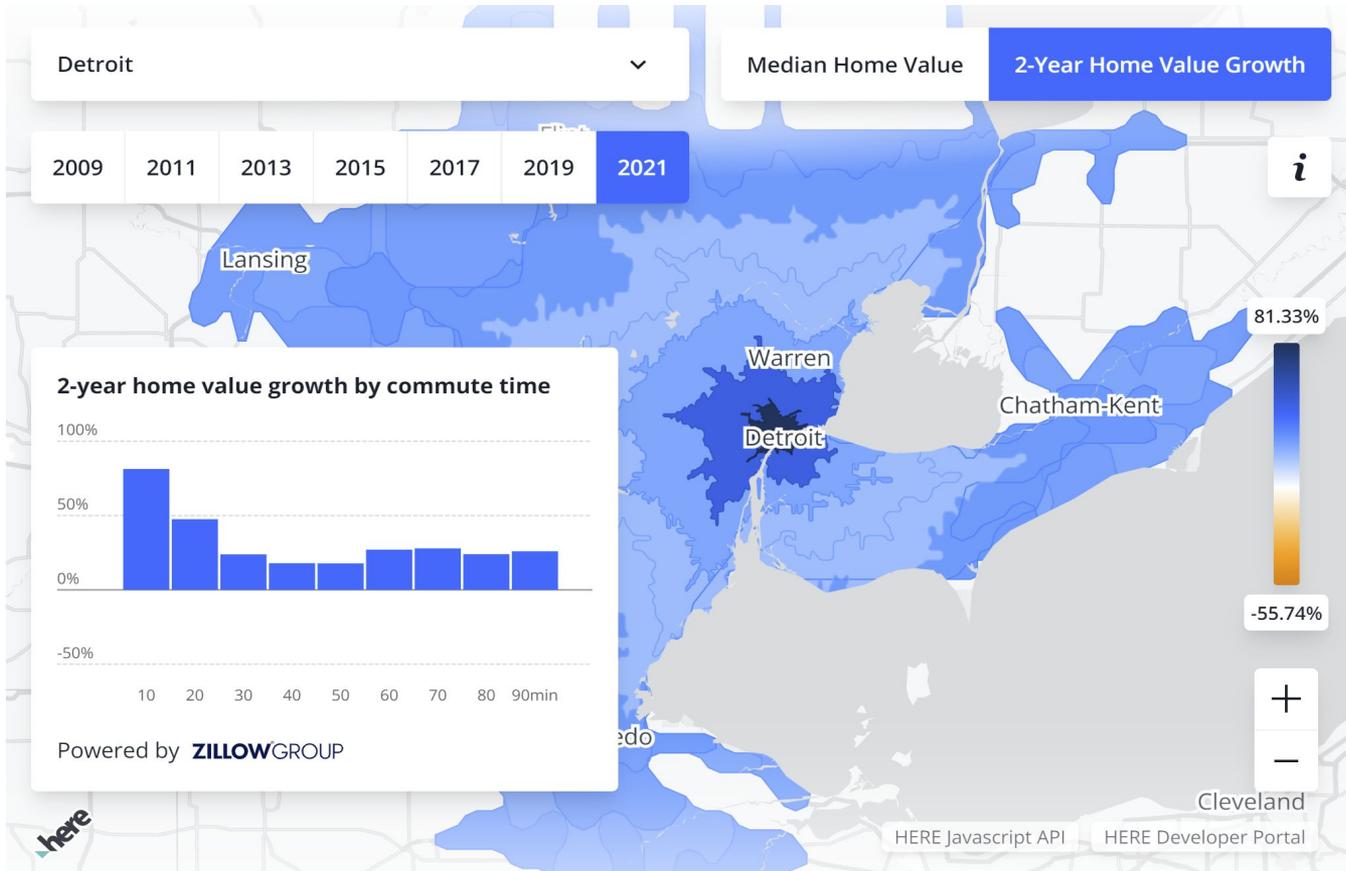
QoQ Growth, October 2020



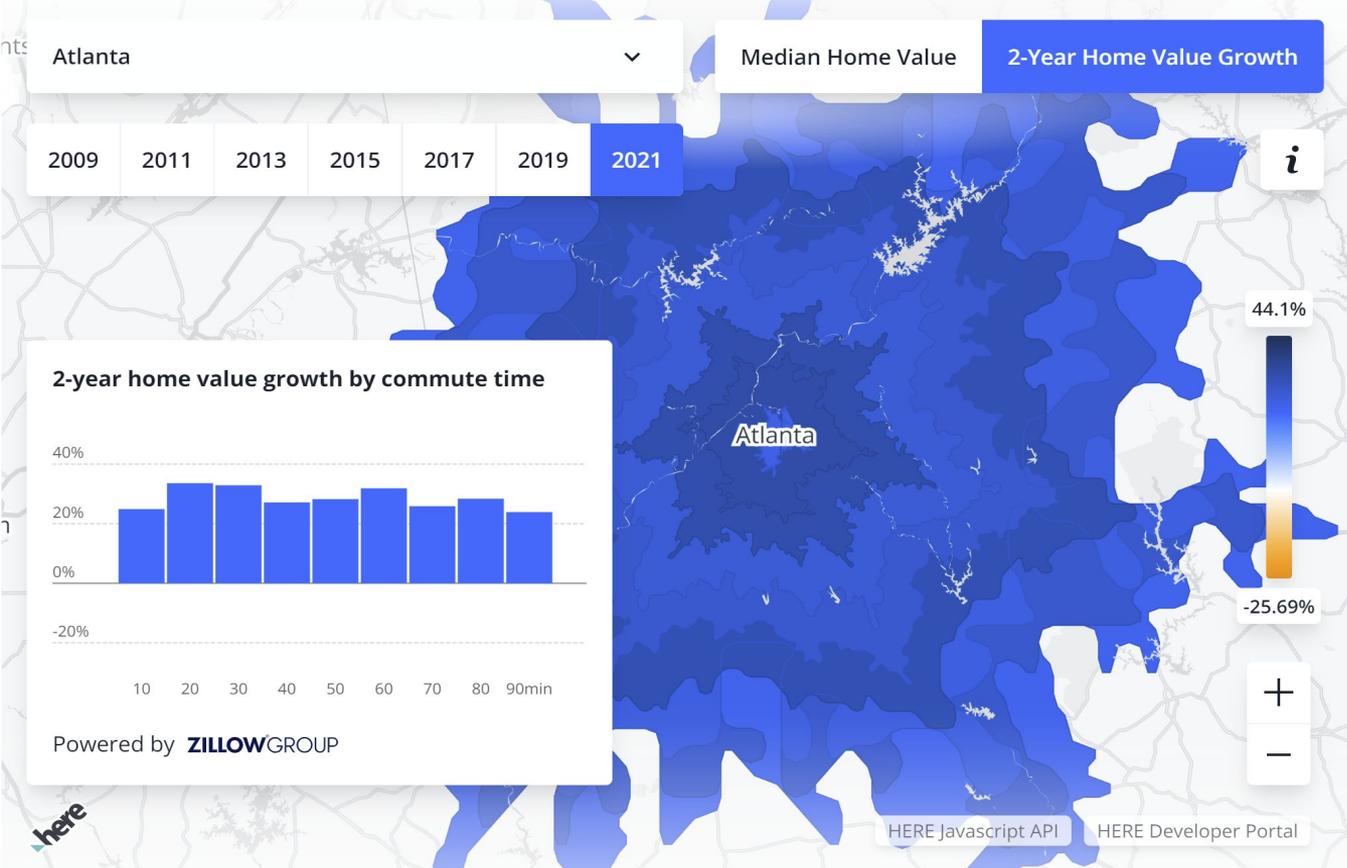
QoQ Growth, October 2021



The Midwest saw the complete opposite

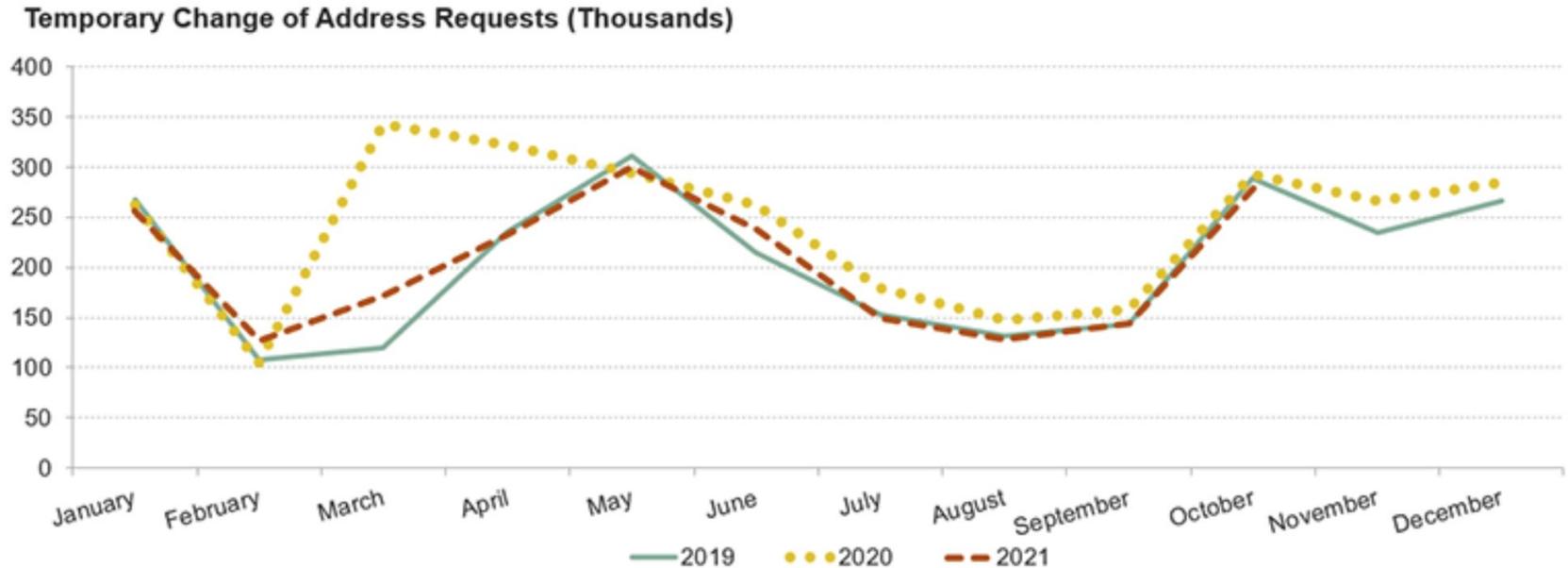


And many Sunbelt metros are seeing growth everywhere

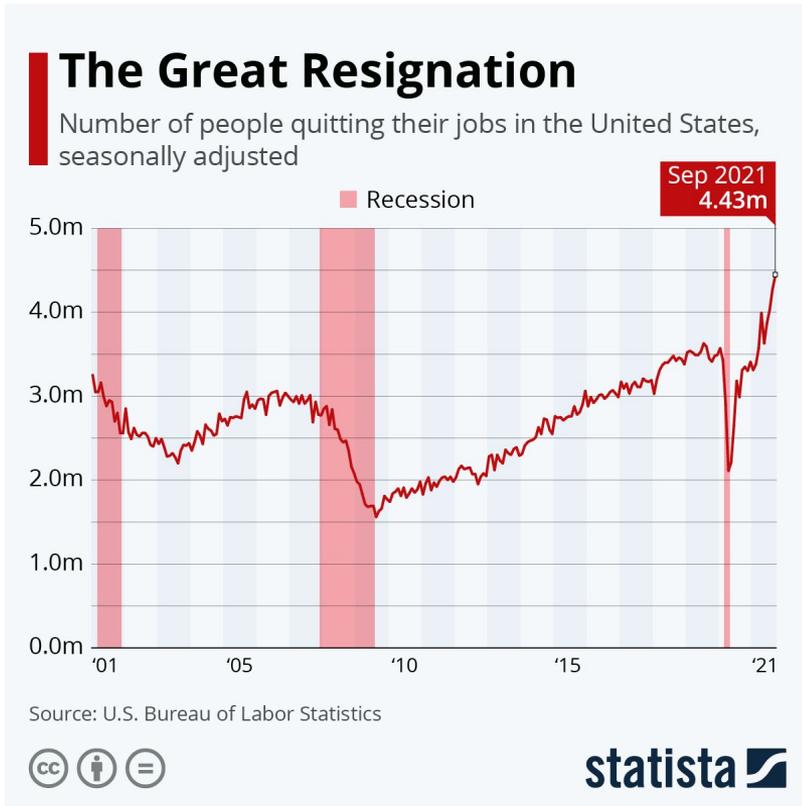


The new work life balance - remote work trends in 2022

FIGURE 2. TEMPORARY MOVES SPIKED EARLY IN THE PANDEMIC AND REMAINED ELEVATED UNTIL MID-2021

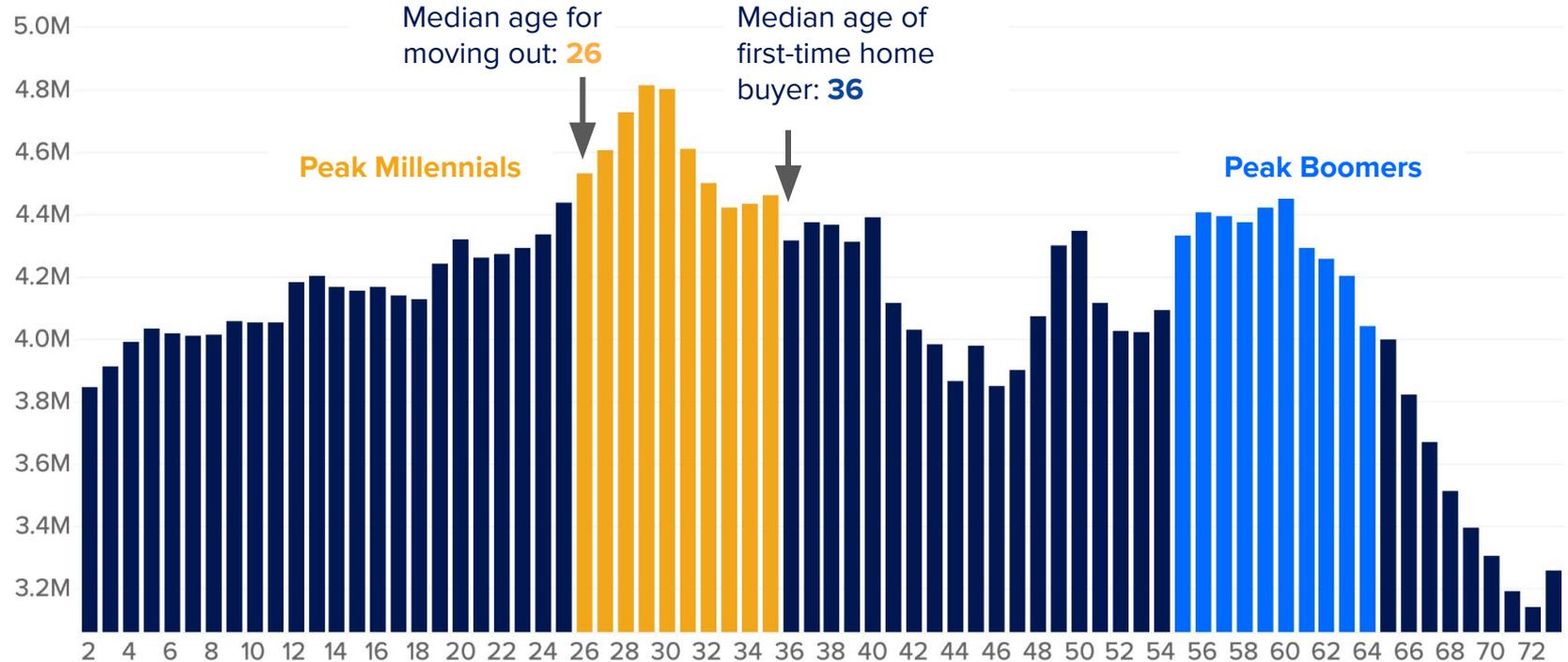


The new work life balance - the Great Resignation



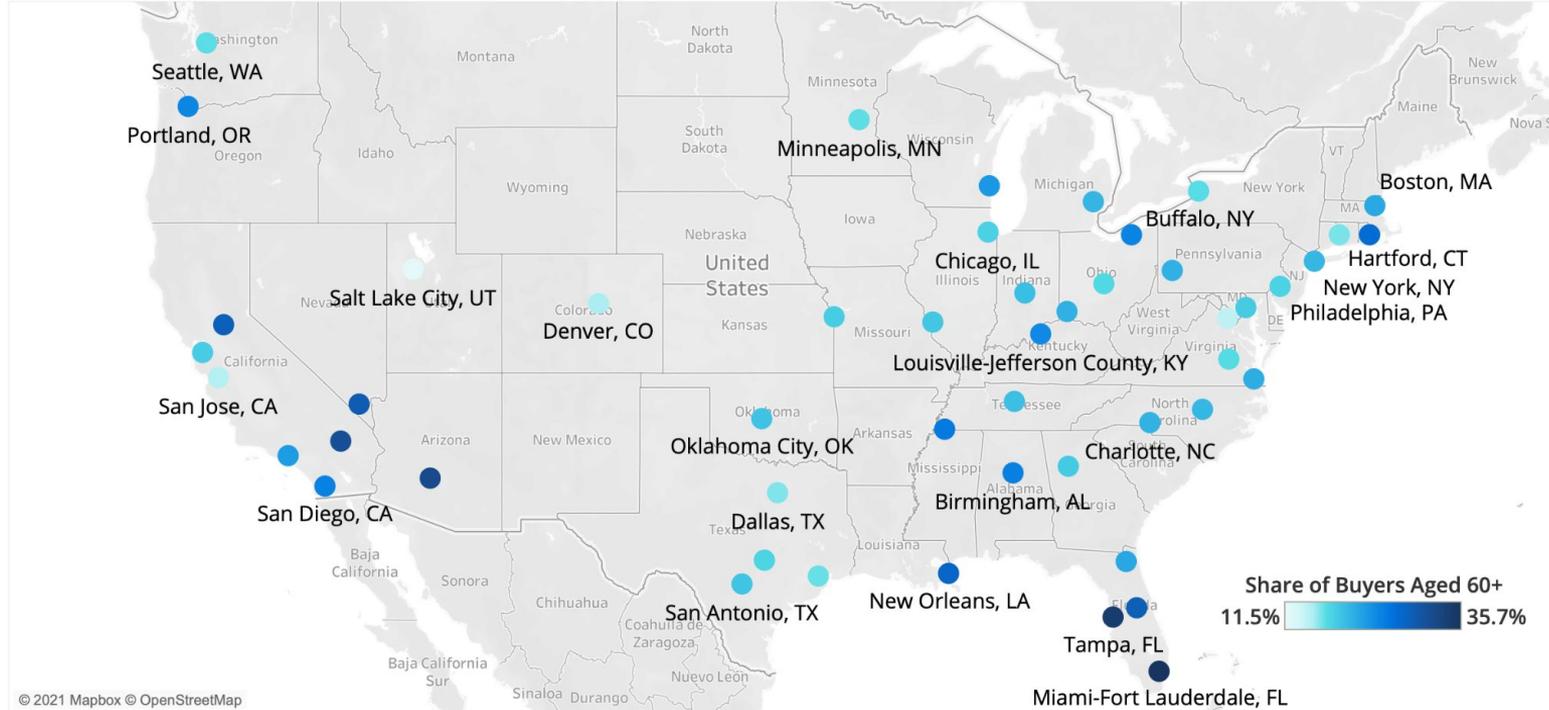
The new work life balance - a retirement boom

Age distribution for the United States in 2020



Baby boomers are more likely to buy in the Sunbelt

Share of Buyers Aged 60+



Renovation boom

Leading Indicator of Remodeling Activity – Second Quarter 2021



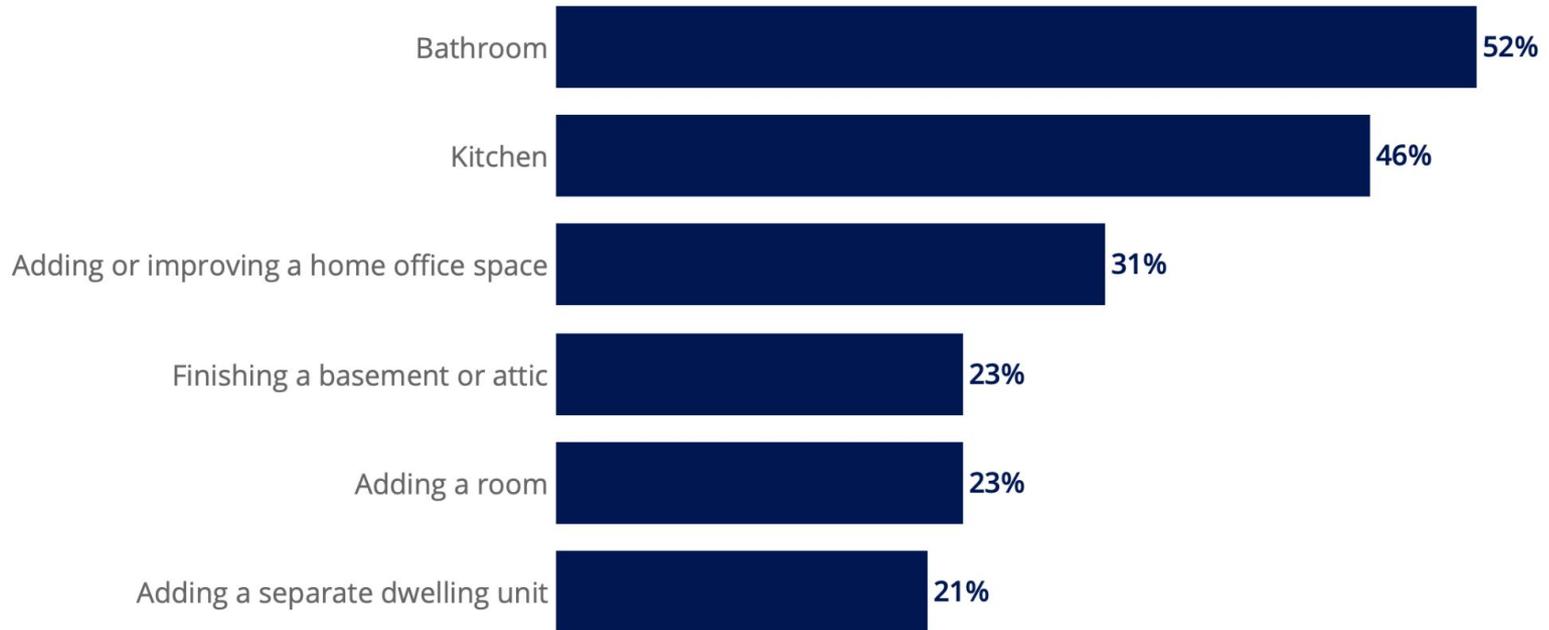
Notes: Improvements include remodels, replacements, additions, and structural alterations that increase the value of homes. Routine maintenance and repairs preserve the current quality of homes. Historical estimates since 2019 are produced using the LIRA model until American Housing Survey benchmark data become available.

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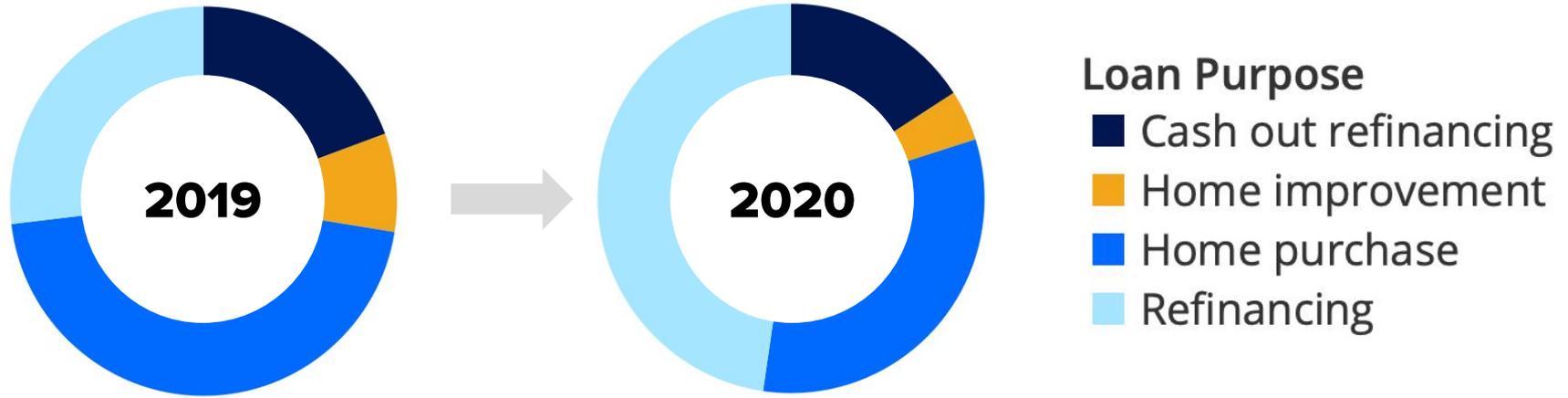
Joint Center for Housing Studies of Harvard University JCHS

Renovation boom

Top Home Improvement Projects for Surveyed Homeowners

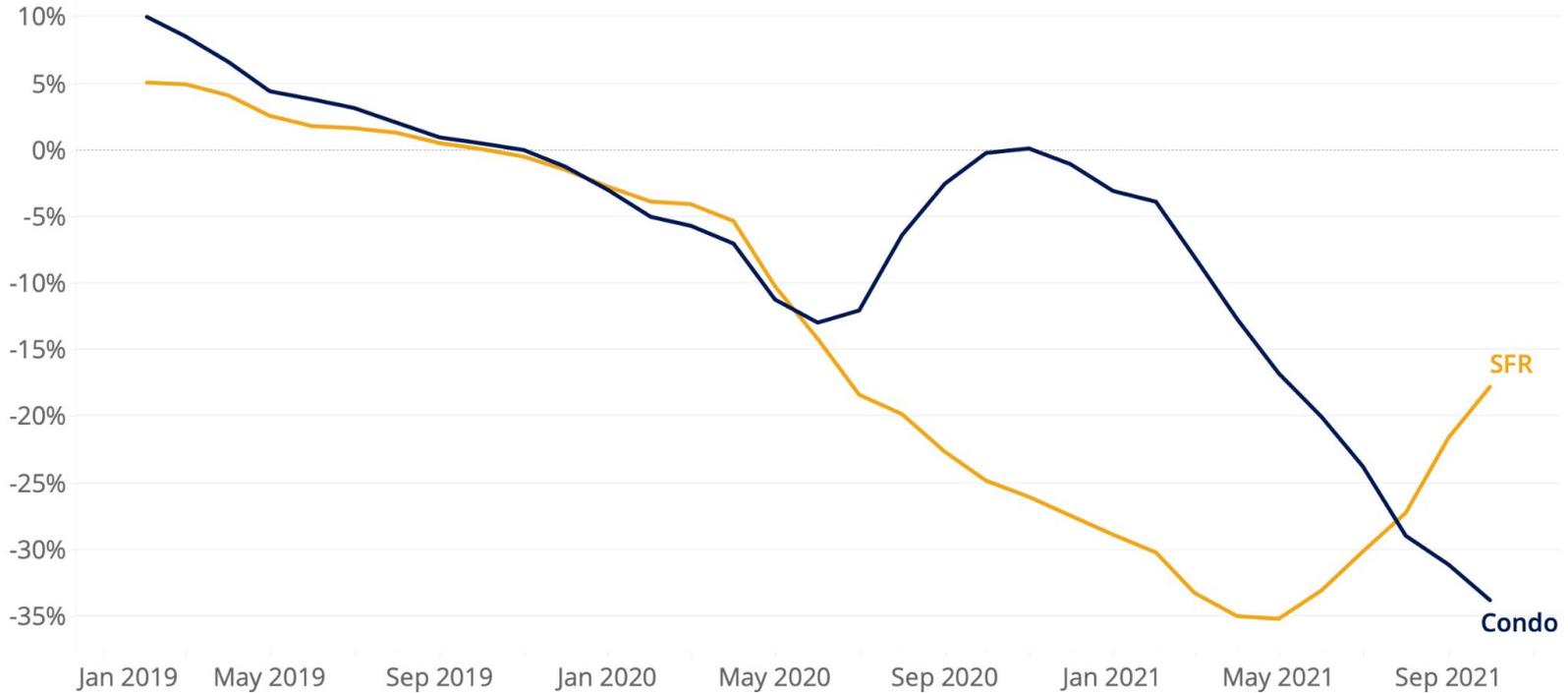


Renovation boom - refinances



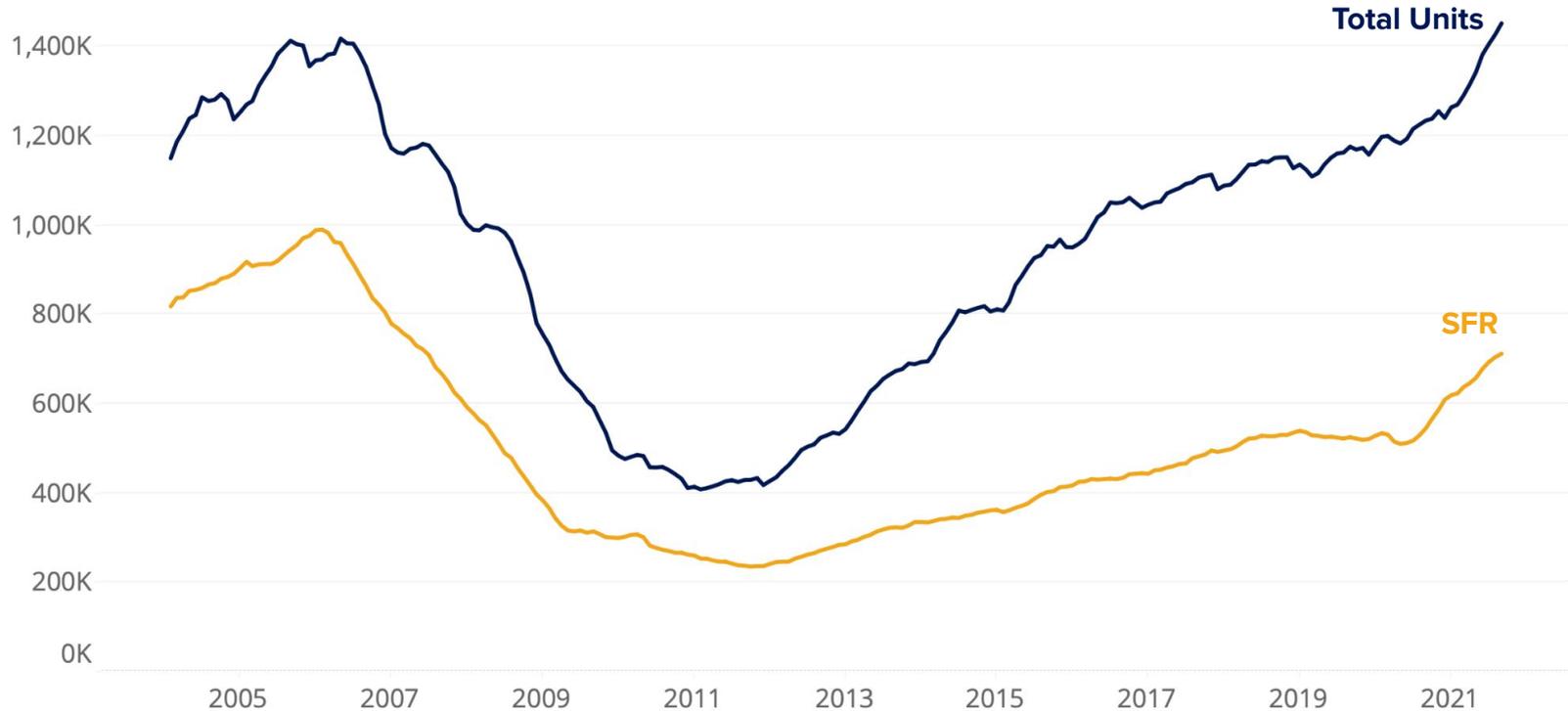
Inventory shortage starkest for single-family homes

Inventory Year-Over-Year



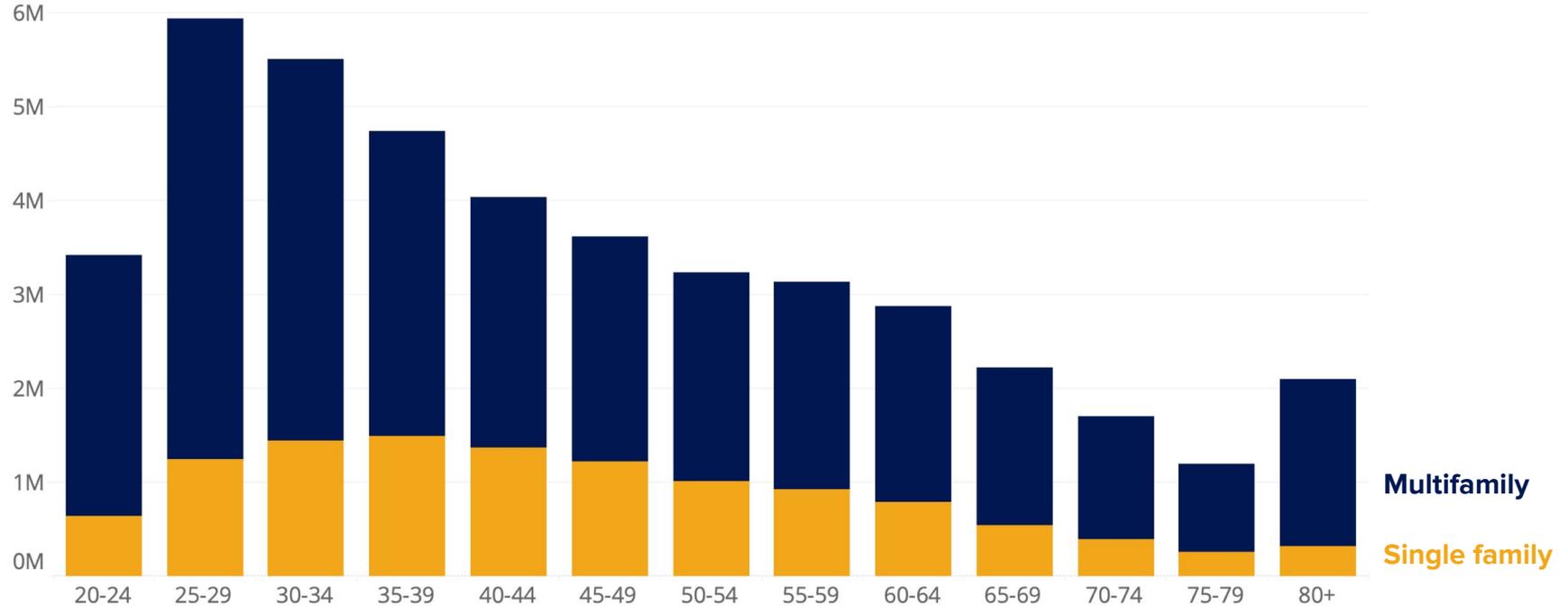
Construction backlog less extreme for single-family homes

New Privately-Owned Homes Under Construction



Single-family rentals will be in high demand

2019 Renter-Occupied Households by Age of Household Head



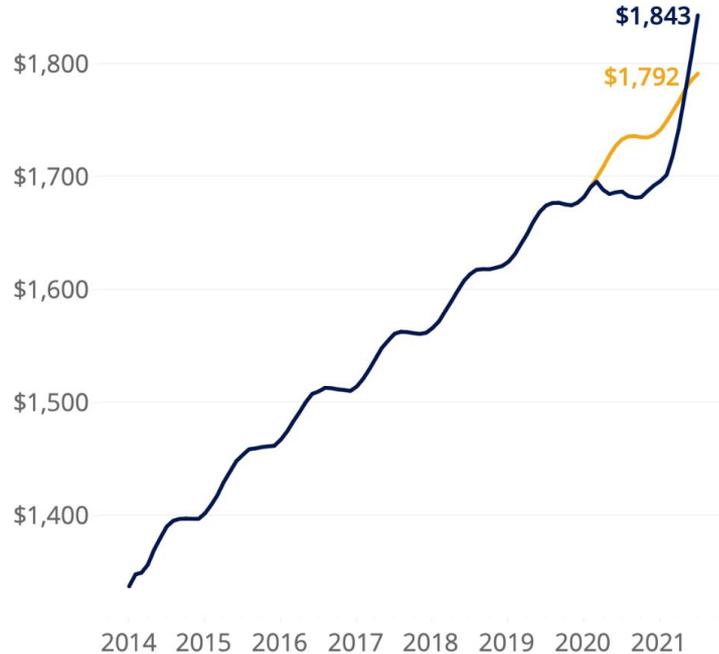
Rent prices have far surpassed pre-pandemic trends

Zillow Observed Rent Index, July 2021

Level

ZORI

Projected ZORI

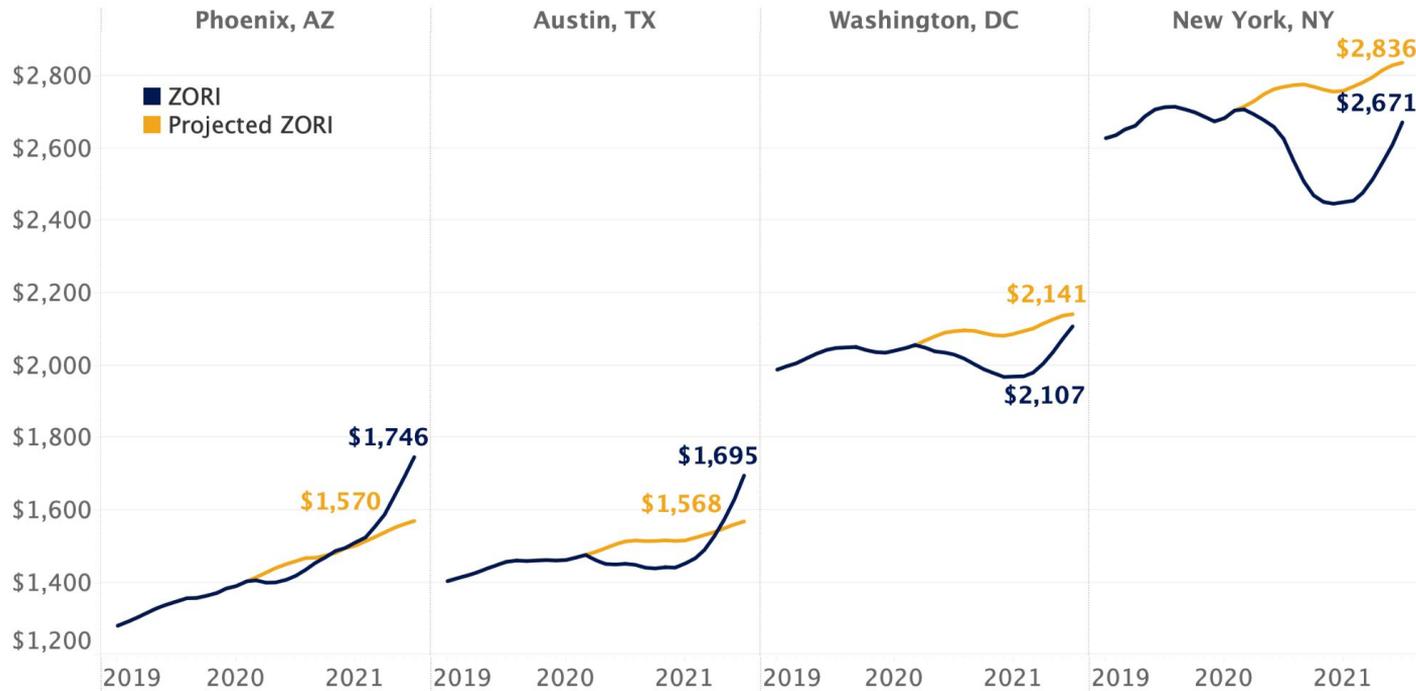


Year-over-year



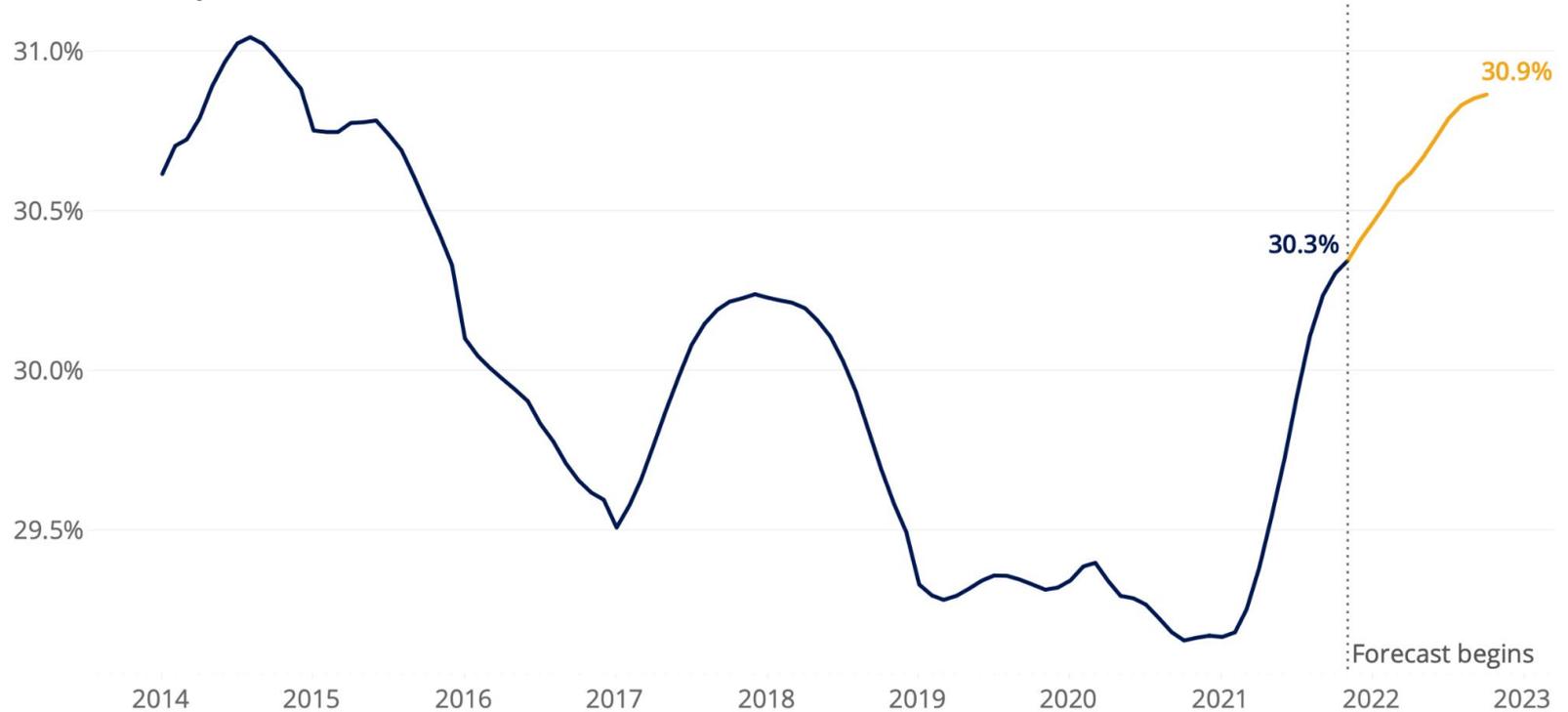
Rent slowdown not uniform, but rebound widespread

Zillow Observed Rent Index, Actual vs Projected



Rent affordability is worsening

Rent Affordability Forecast, United States



Las Vegas rent affordability is heading off the charts

Rent Affordability Forecast, Las Vegas



There are some places where affordability will likely improve

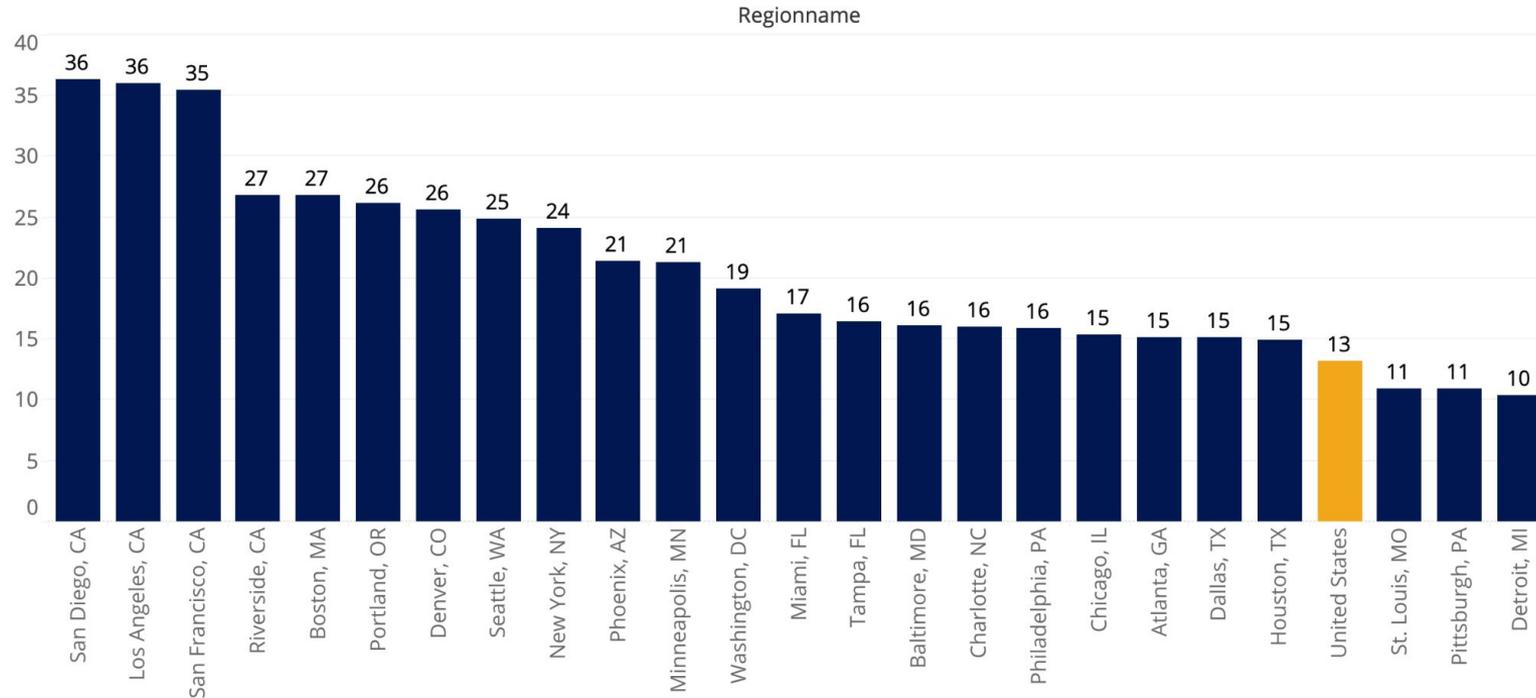
Rent Affordability Forecast, Cleveland



It will take much longer for renters to save for a down payment

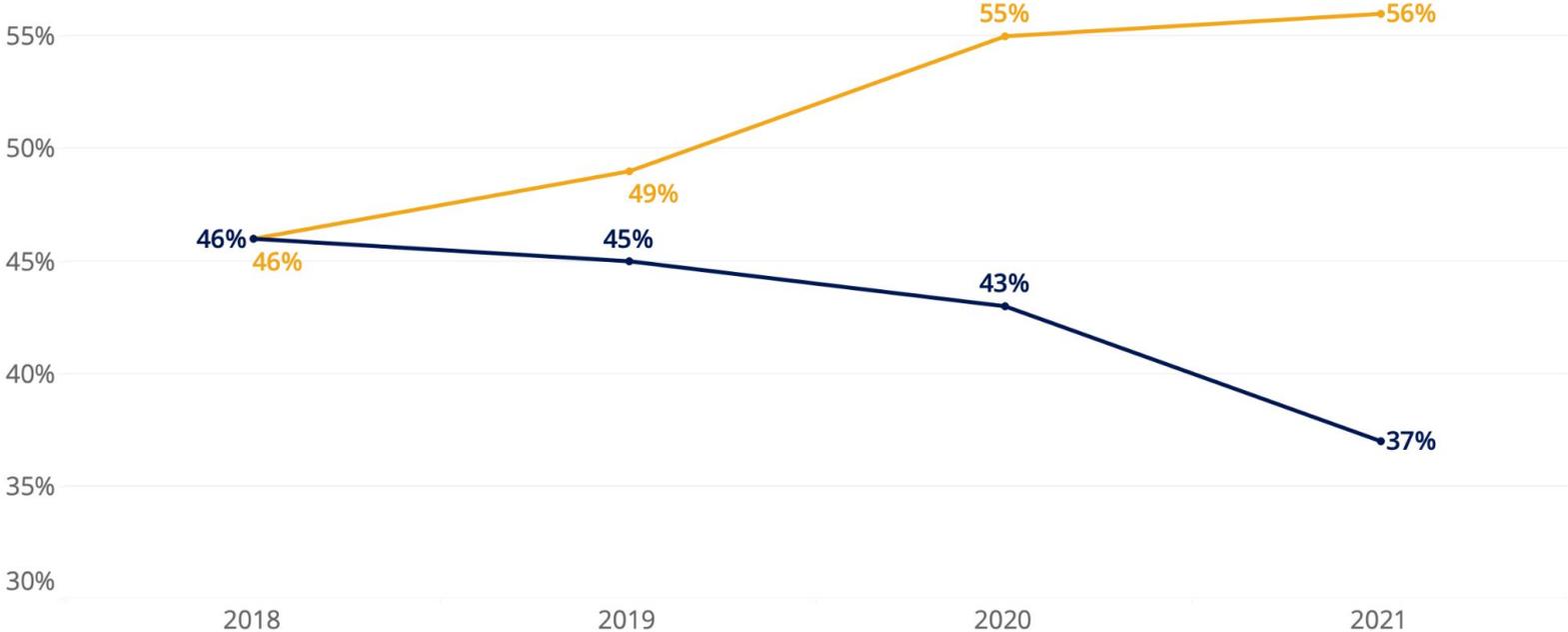
Years it takes the typical renter to save for a down payment

10% down payment, Saving 2.4% of income



More renters considering buying, but finding it harder

Share of Renters that Considered Buying and Share of Buyers that Bought For the First Time



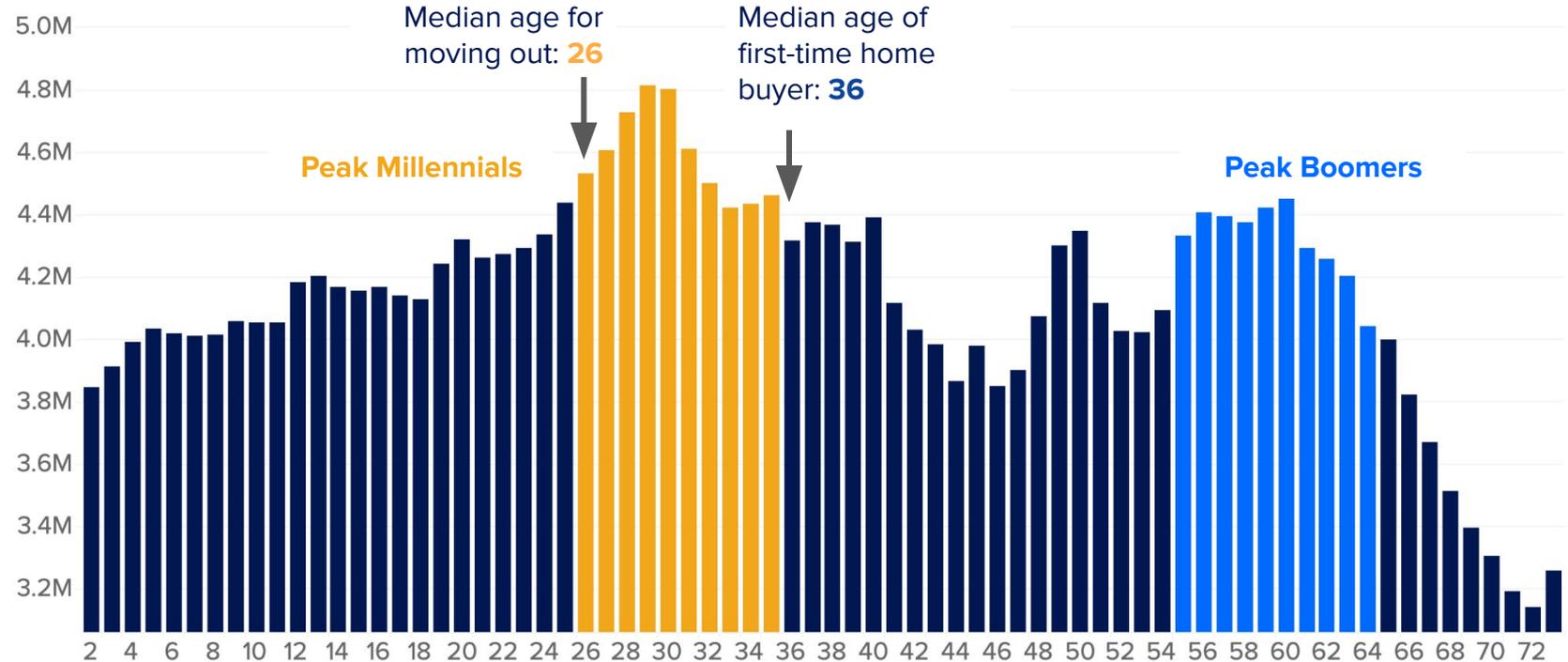
Younger generations are intentional about future housing plans



Of Millennials and Gen Z say they will use money saved during the pandemic towards a down payment

Many millennials can't afford a home as they approach home buying age

Age distribution for the United States in 2020



Thank you

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zillow.com/data for downloadable data