



# U.S. Housing Market Outlook Summer 2018

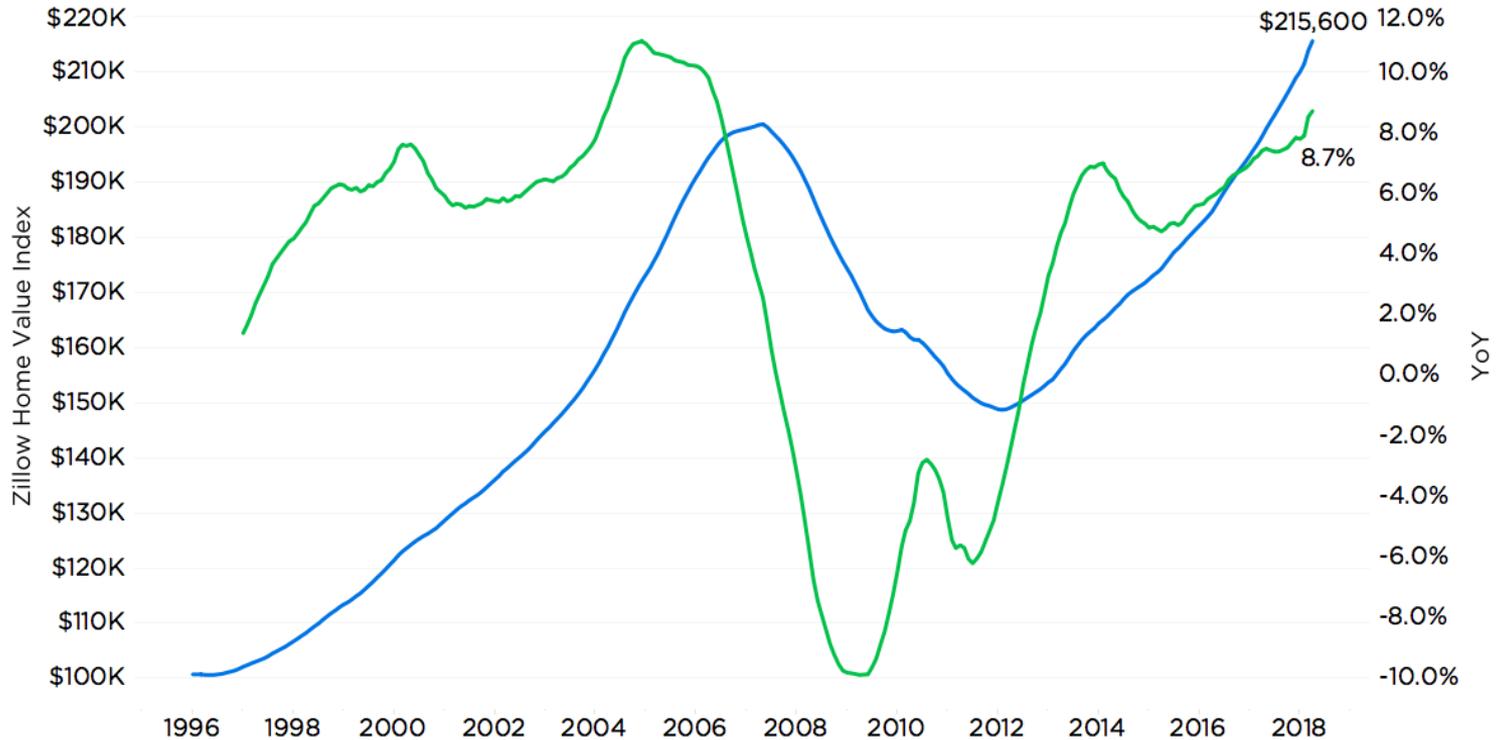
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Aaron Terrazas

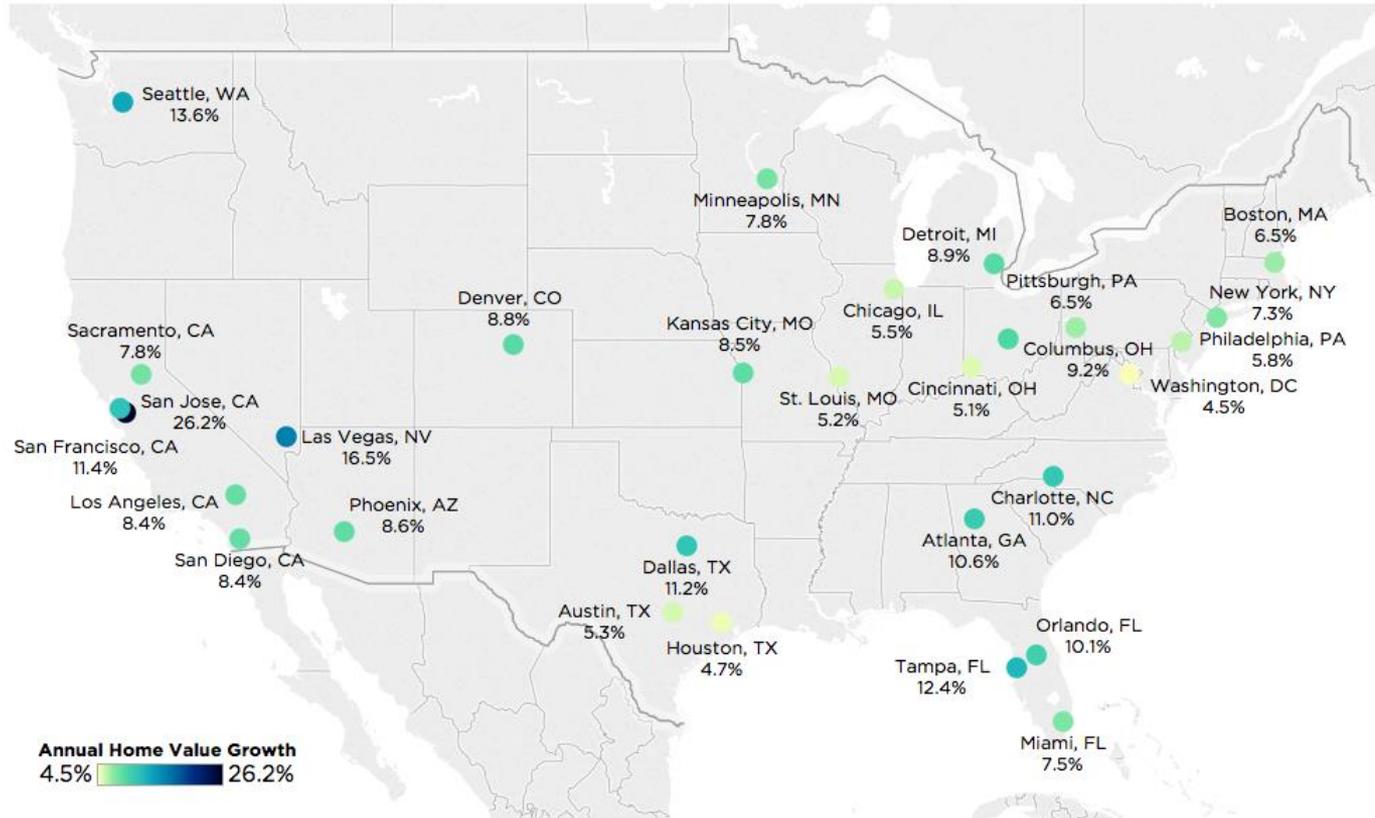
*Senior Economist, Zillow Research*

# Part I: Price Trends

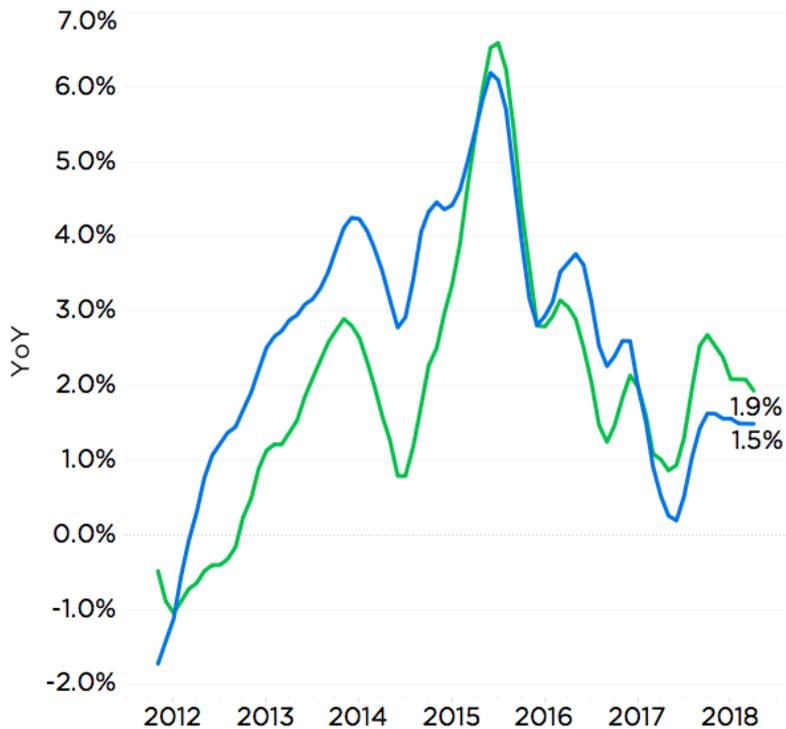
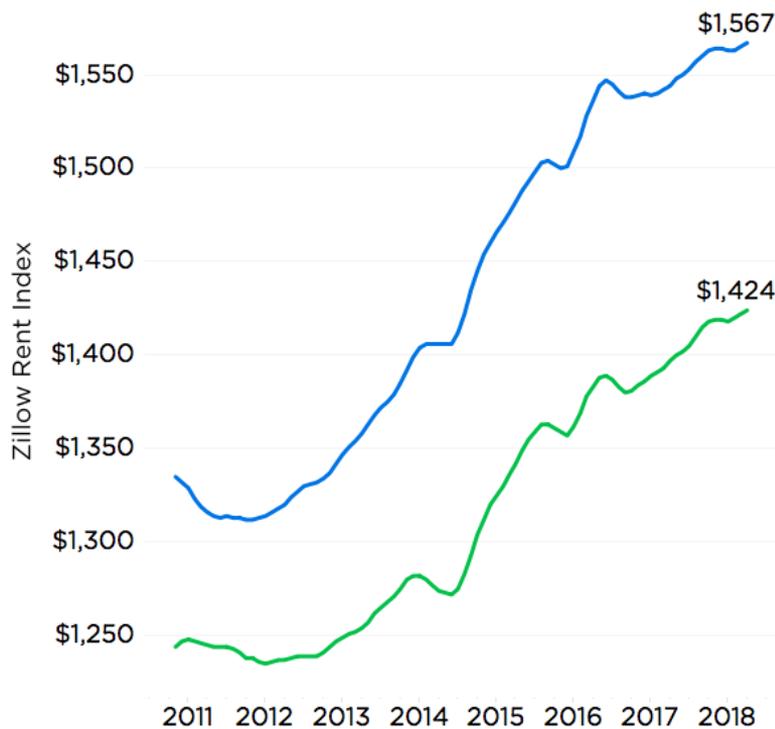
# Home value growth accelerating to fastest pace since 2006



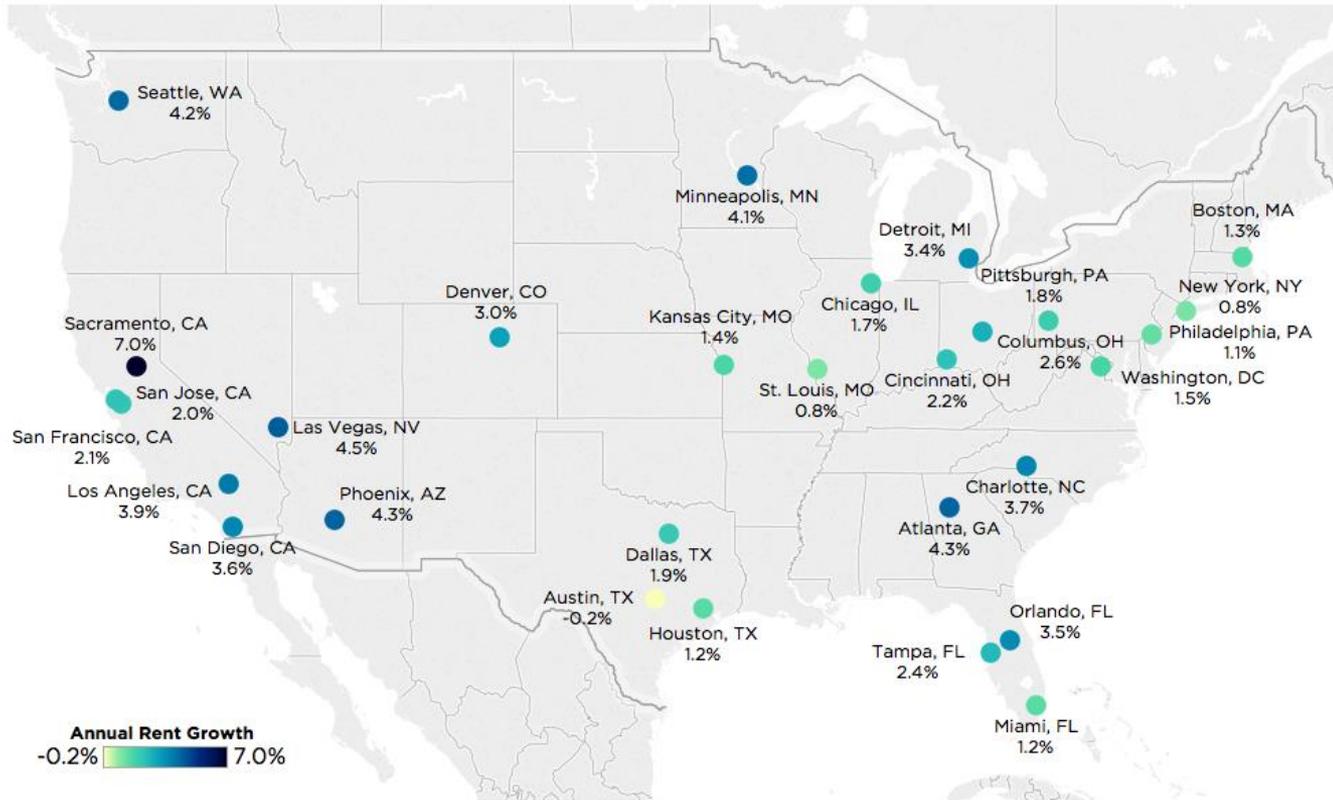
# Appreciation is strongest in pricey coastal markets



# Rents growth has slowed but SFR rents have outpaced the apartment sector for almost a year and a half

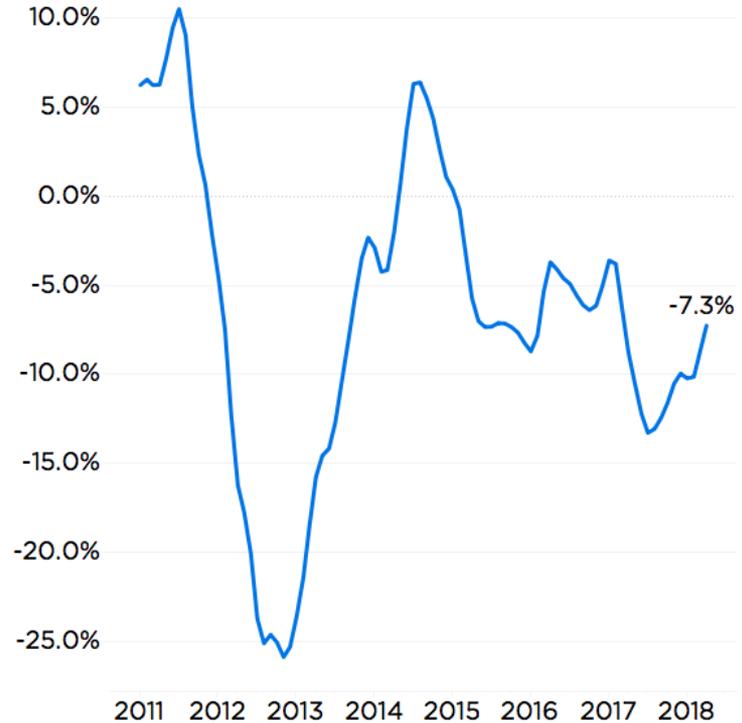
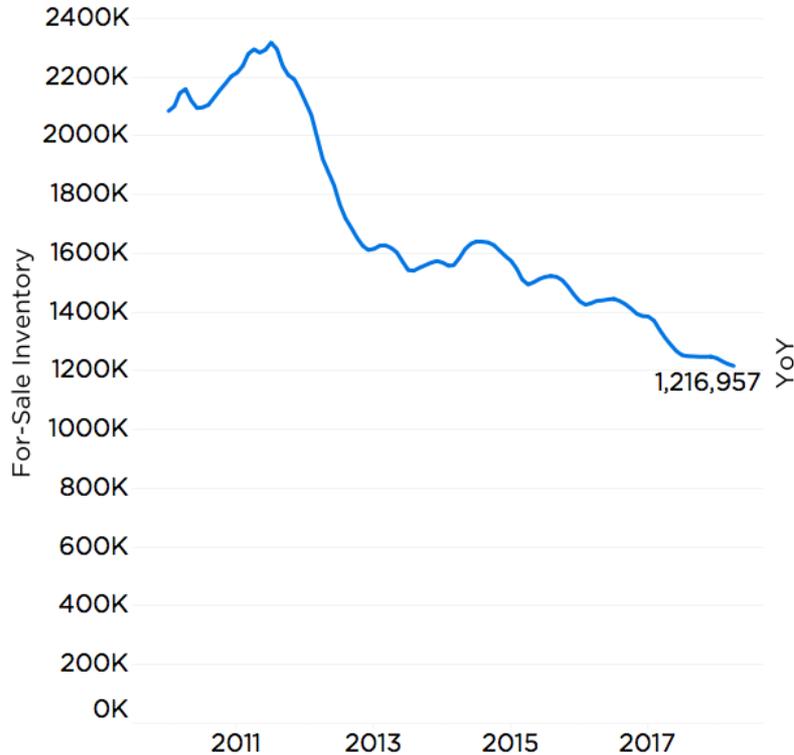


# Rent growth remains strong in inland West Coast markets

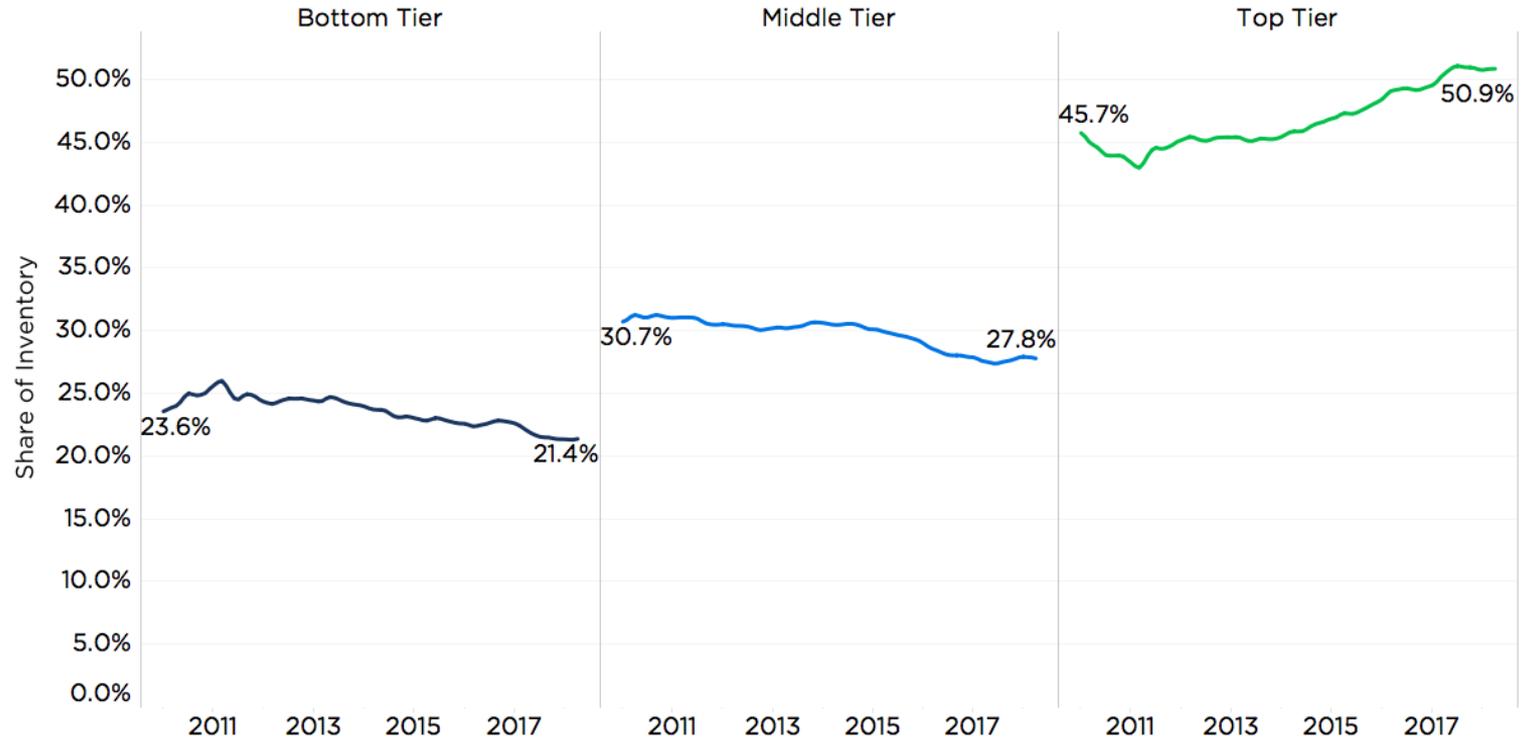


# Part II: Supply-Side Factors

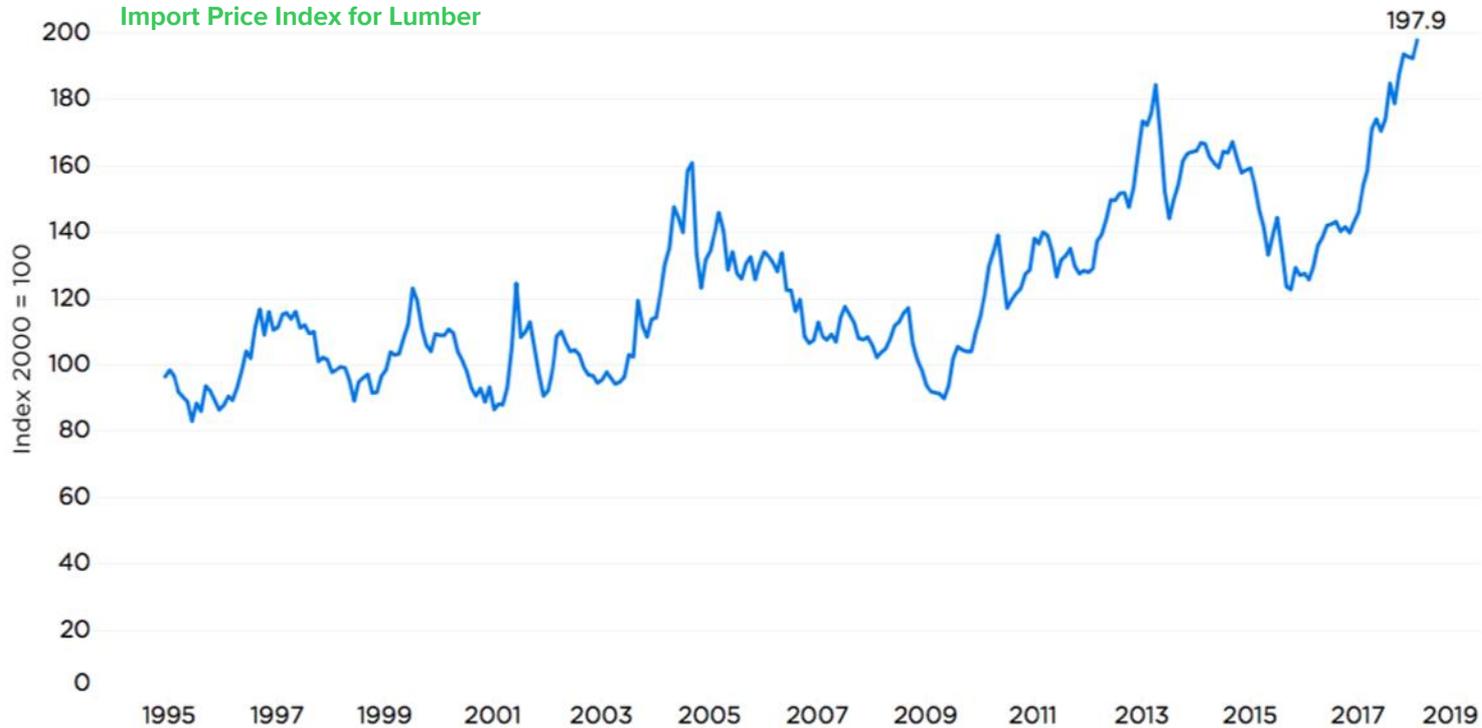
# Tight inventory has been part of what's driving price gains



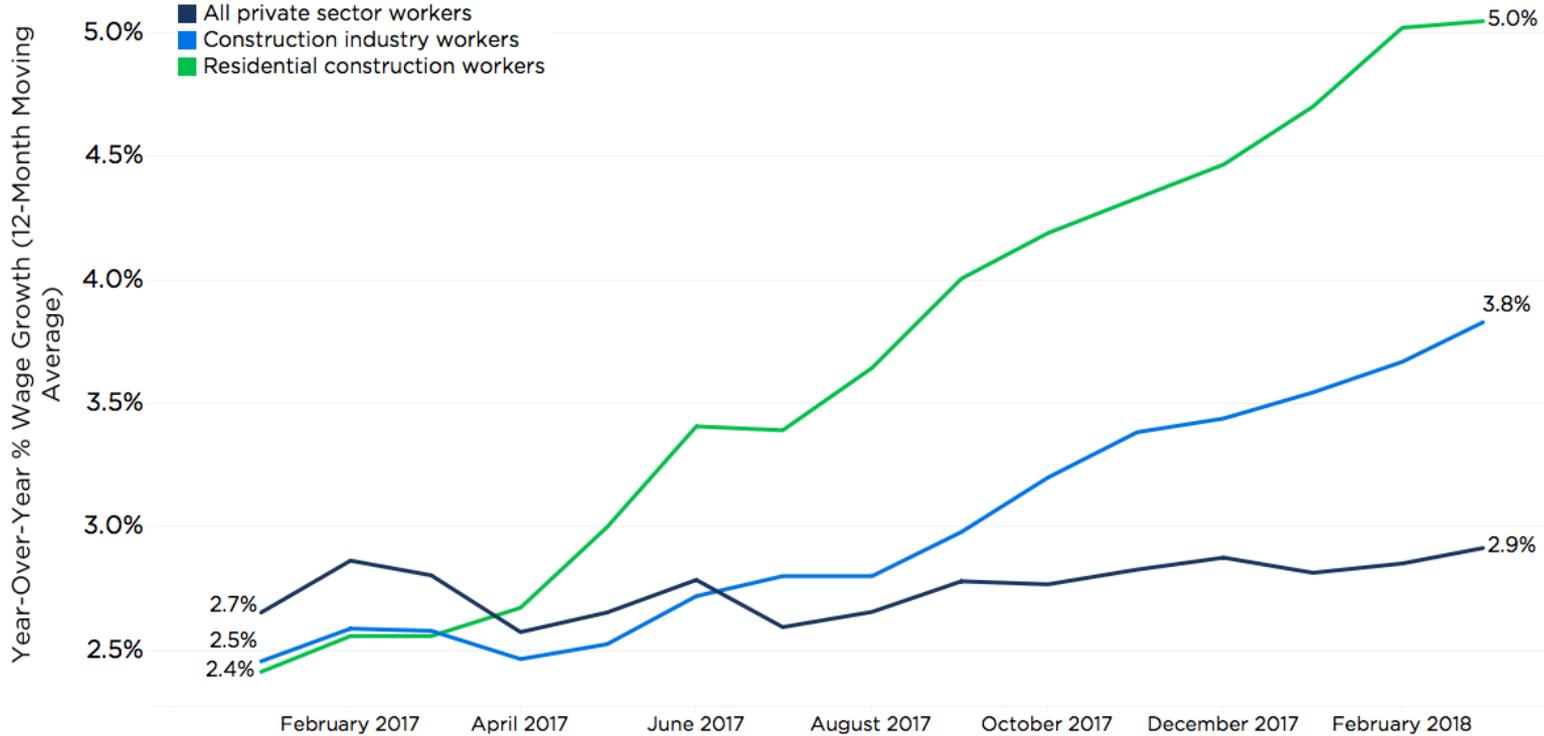
# On-market inventory skewing toward the top of the market



# New construction isn't going to rescue the for-sale market



# Strong cost headwinds for home builders...

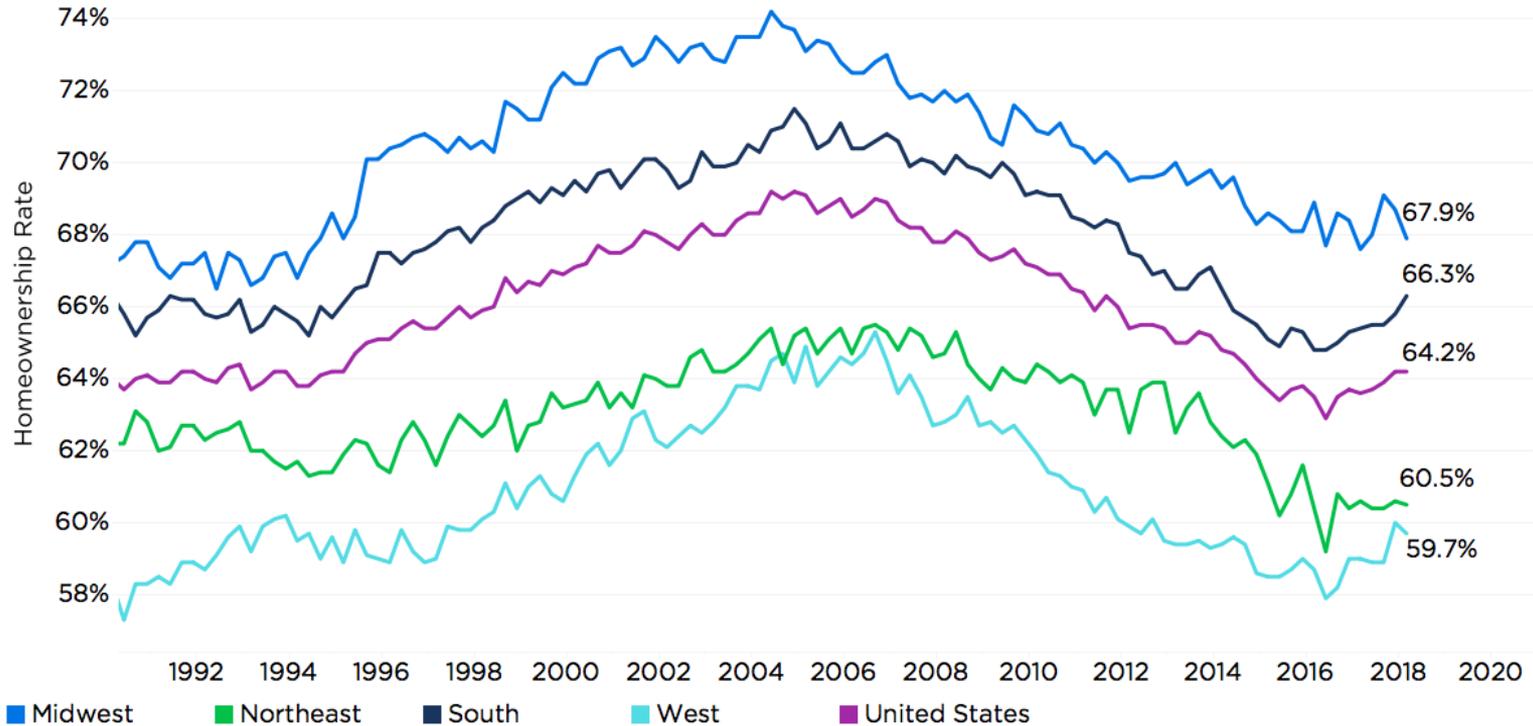


# ...Which is one reason they are targeting upscale



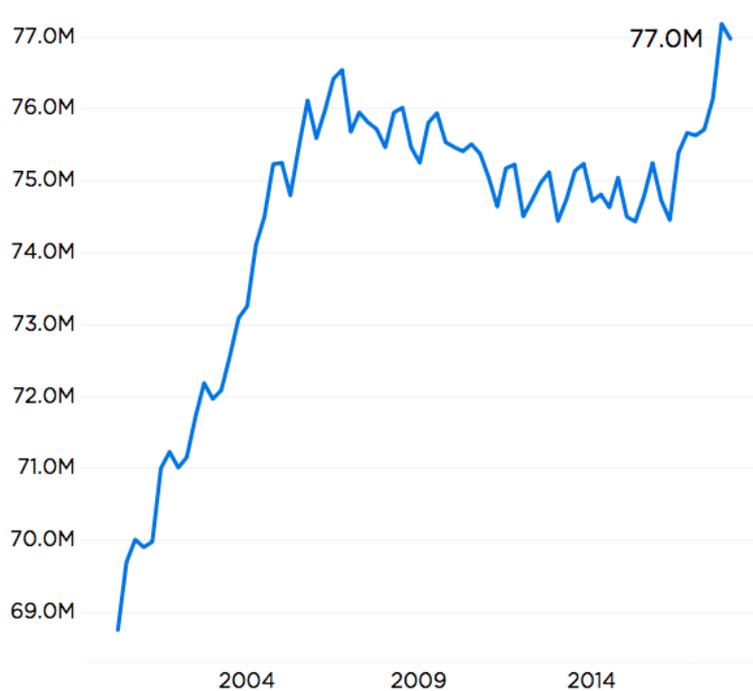
# Part III: Demand-Side Factors

# Homeownership rate still low by historic standards

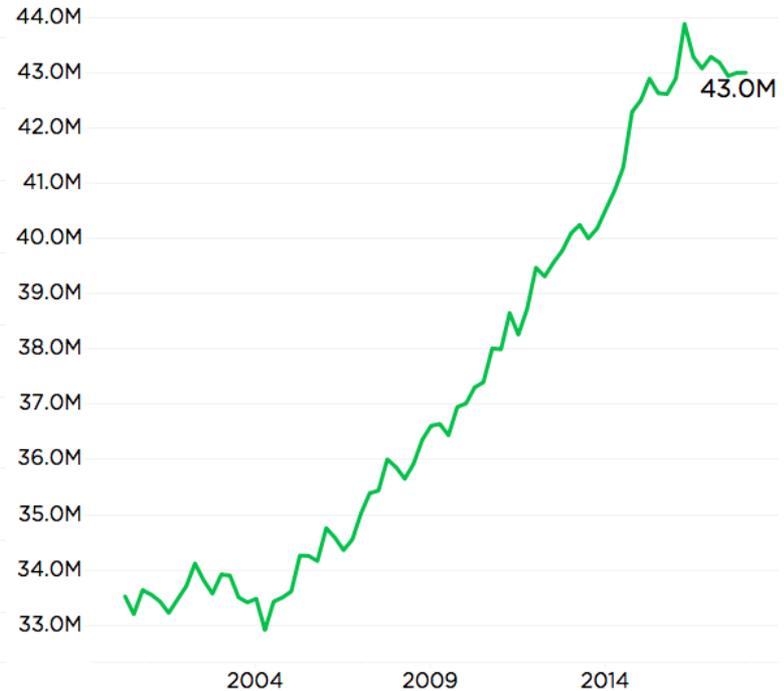


# Household formation has shifted recently toward owners...

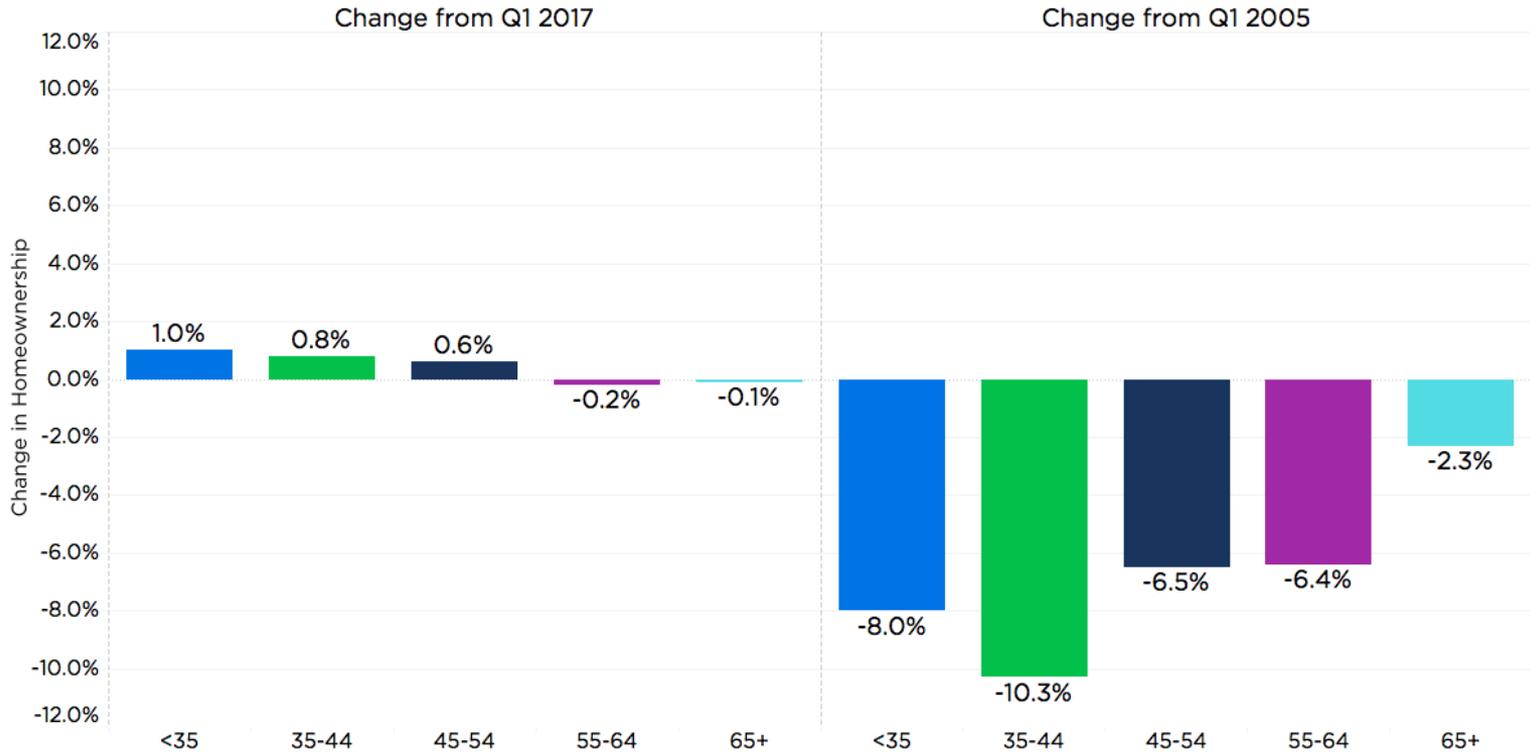
**Owner Housholds**



**Renter Households**

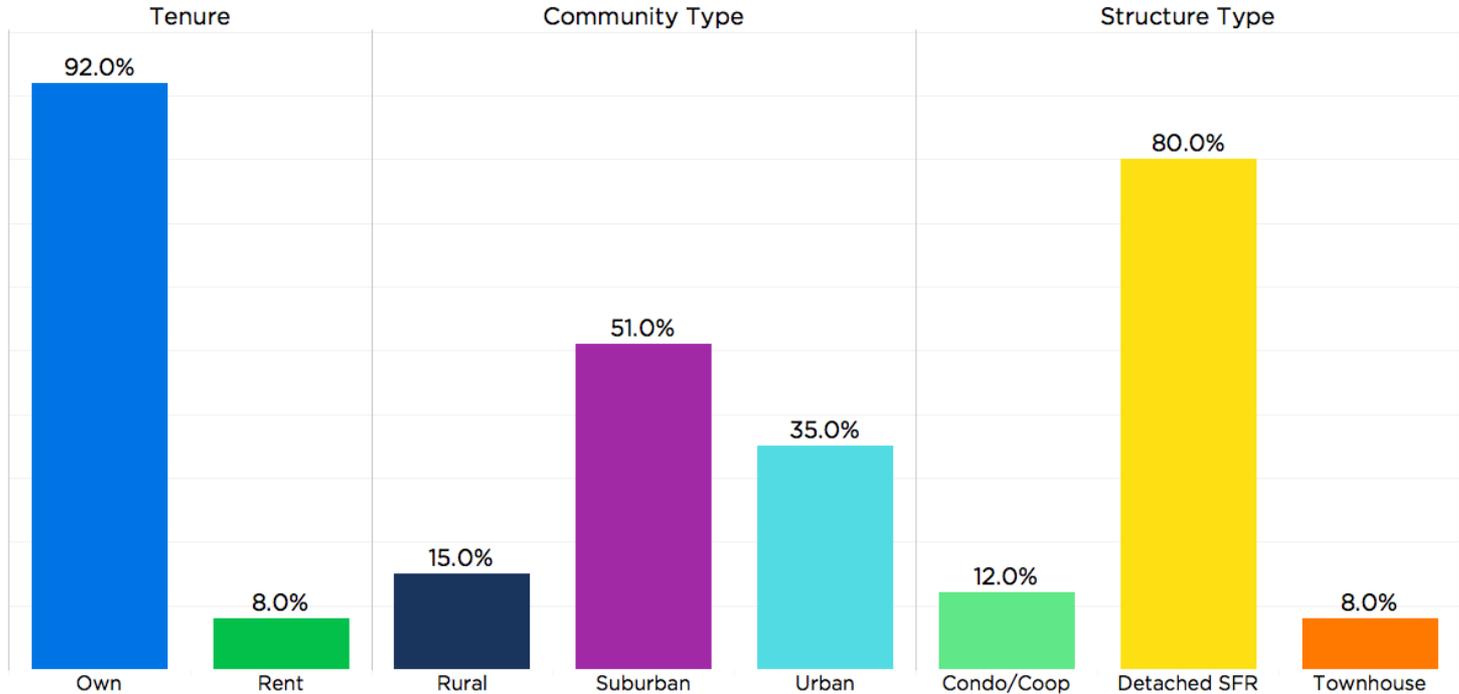


# ...Driven by millennials, but there's a long way to go still

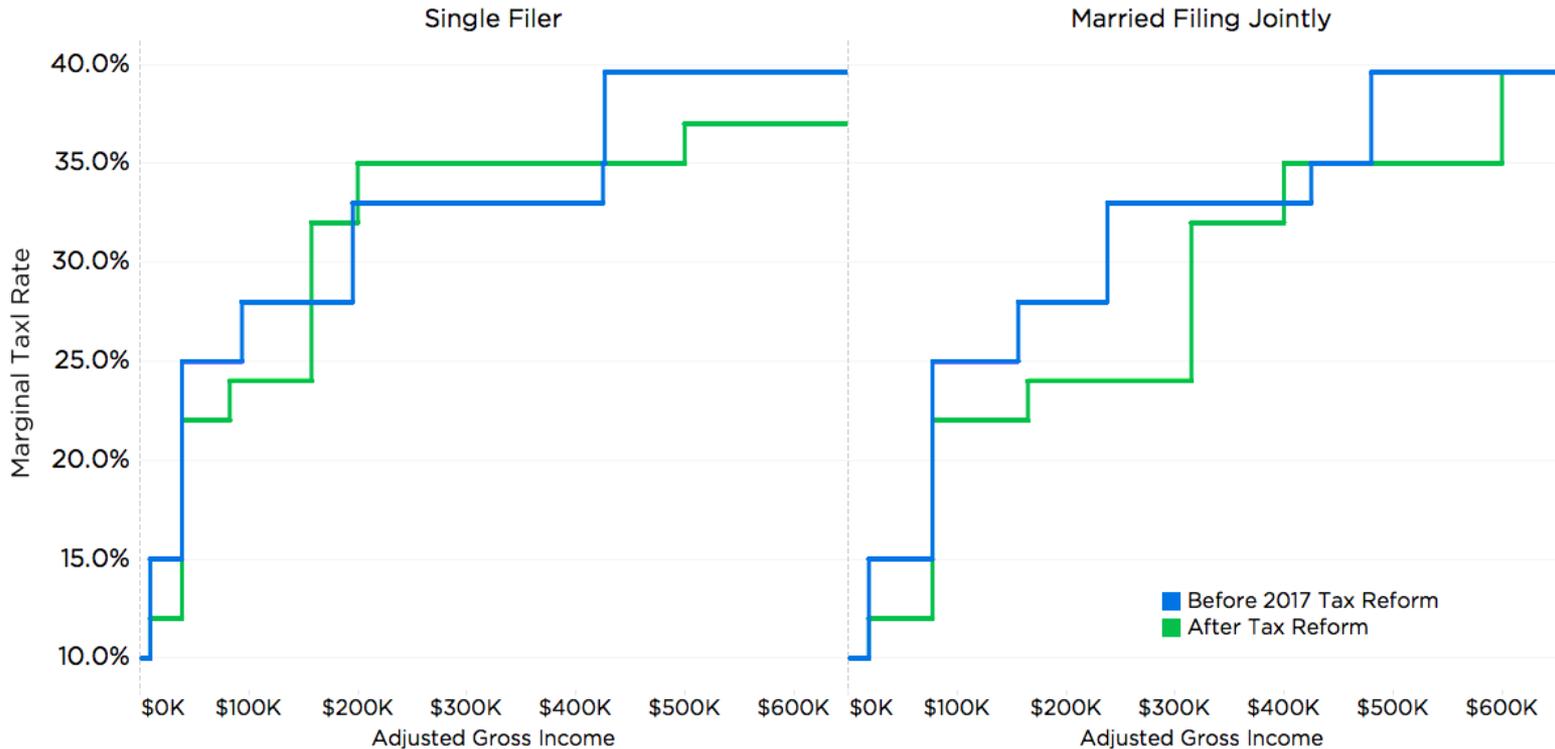


# What millennials want versus what they can afford

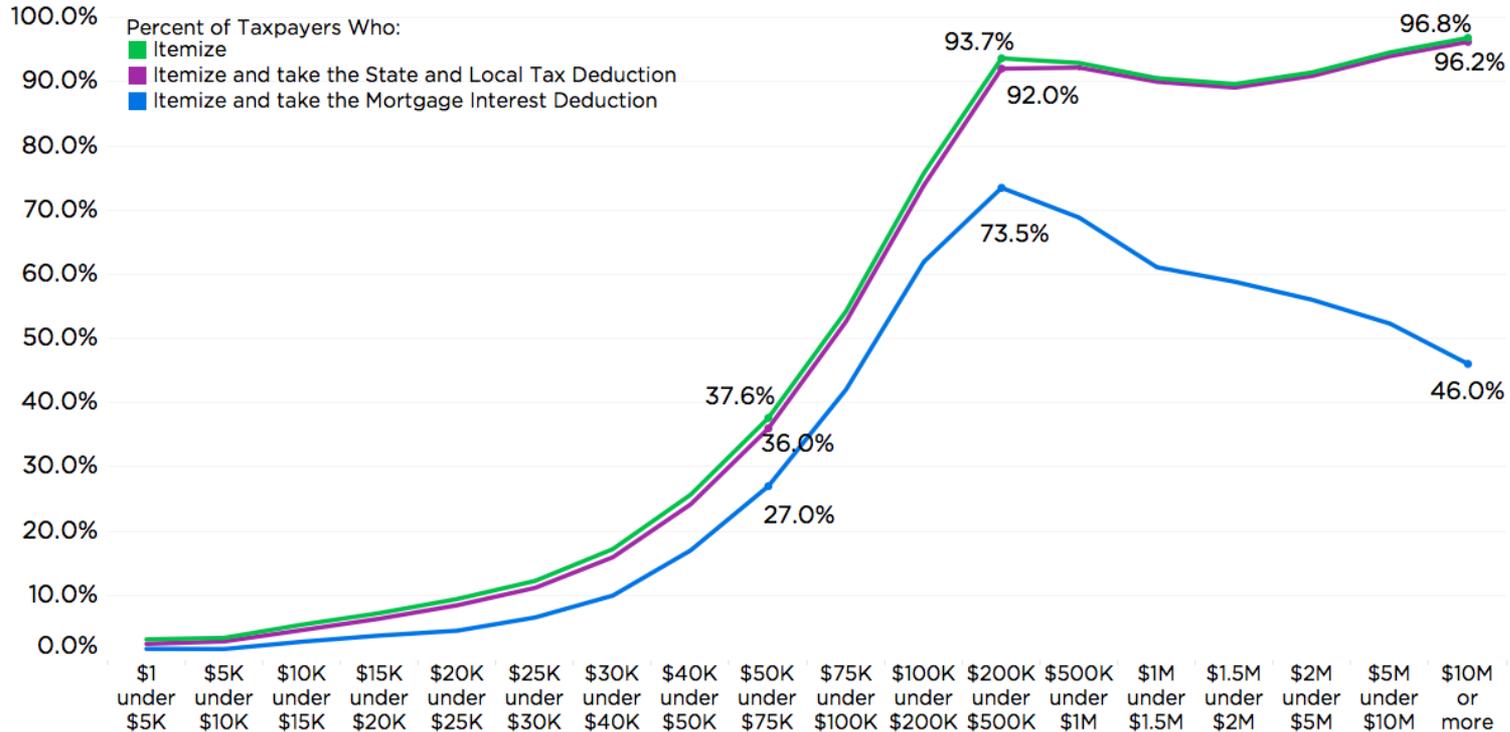
## Describe your ideal home (age 24-34)



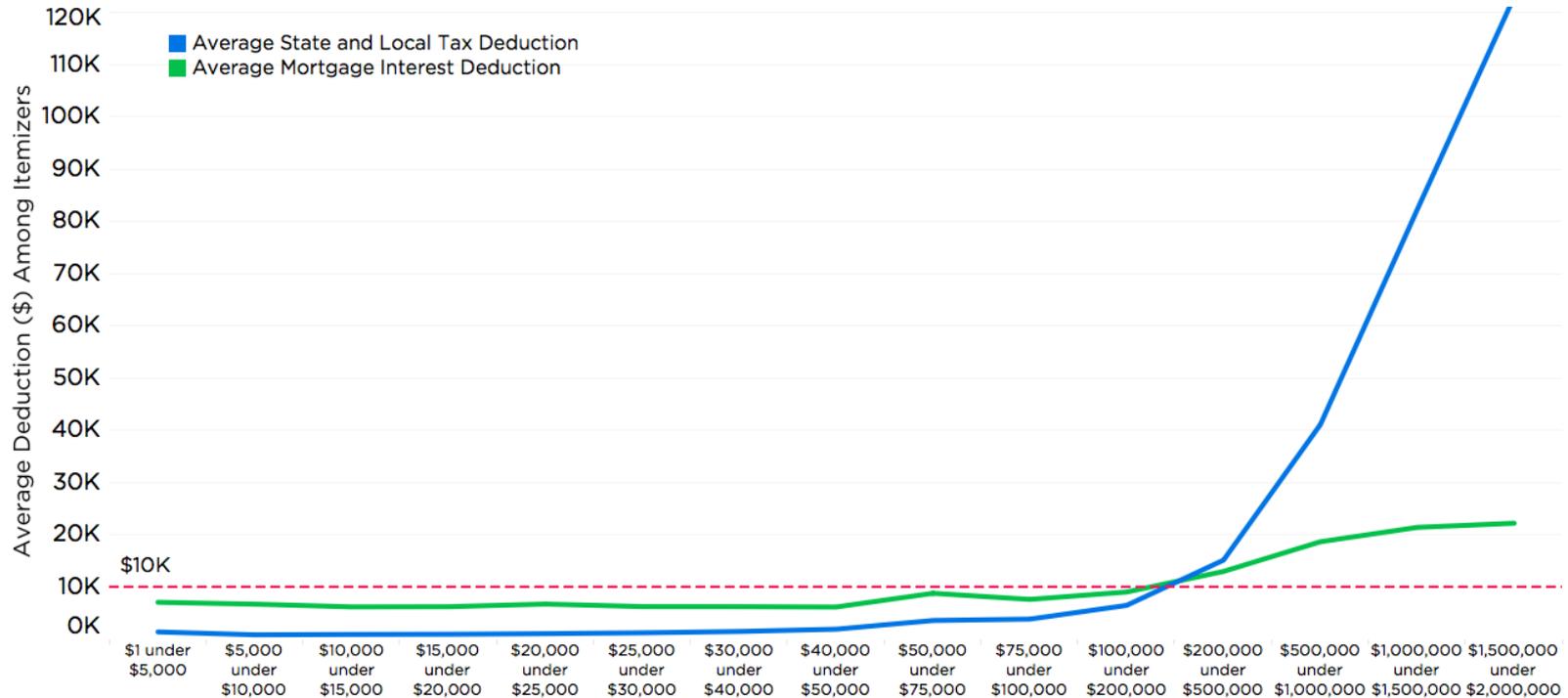
# Marginal rates will fall for most taxpayers under Tax Reform



# Most itemizers take the State and Local Tax deduction; fewer take the Mortgage Interest Deduction

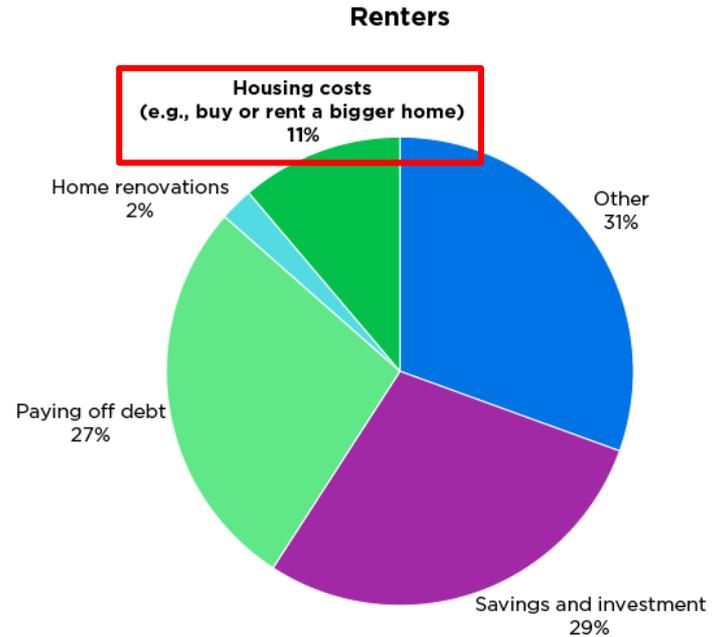
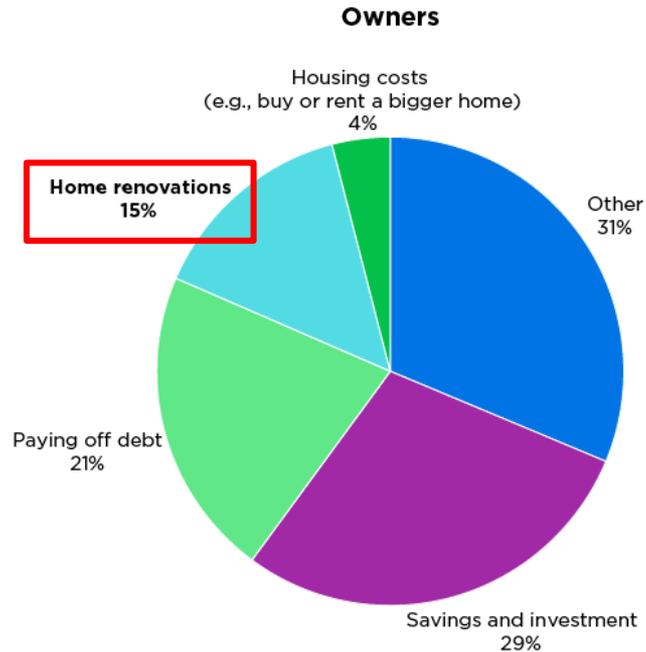


# Higher earners will take a bigger hit from the State and Local Tax cap than from the MID limits



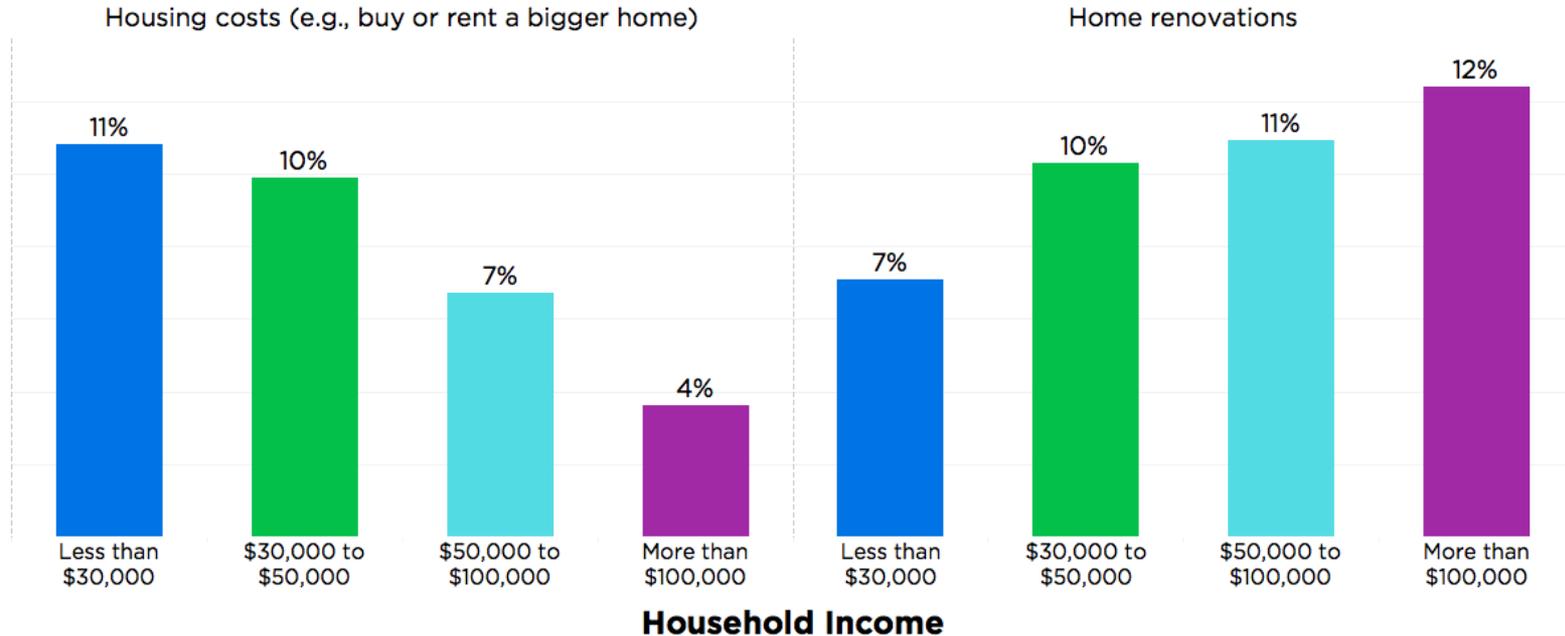
# Tax cuts will spur some renters to upgrade

*If you were to receive a 4% raise, how much of this money, if any, would you spend on... ?*

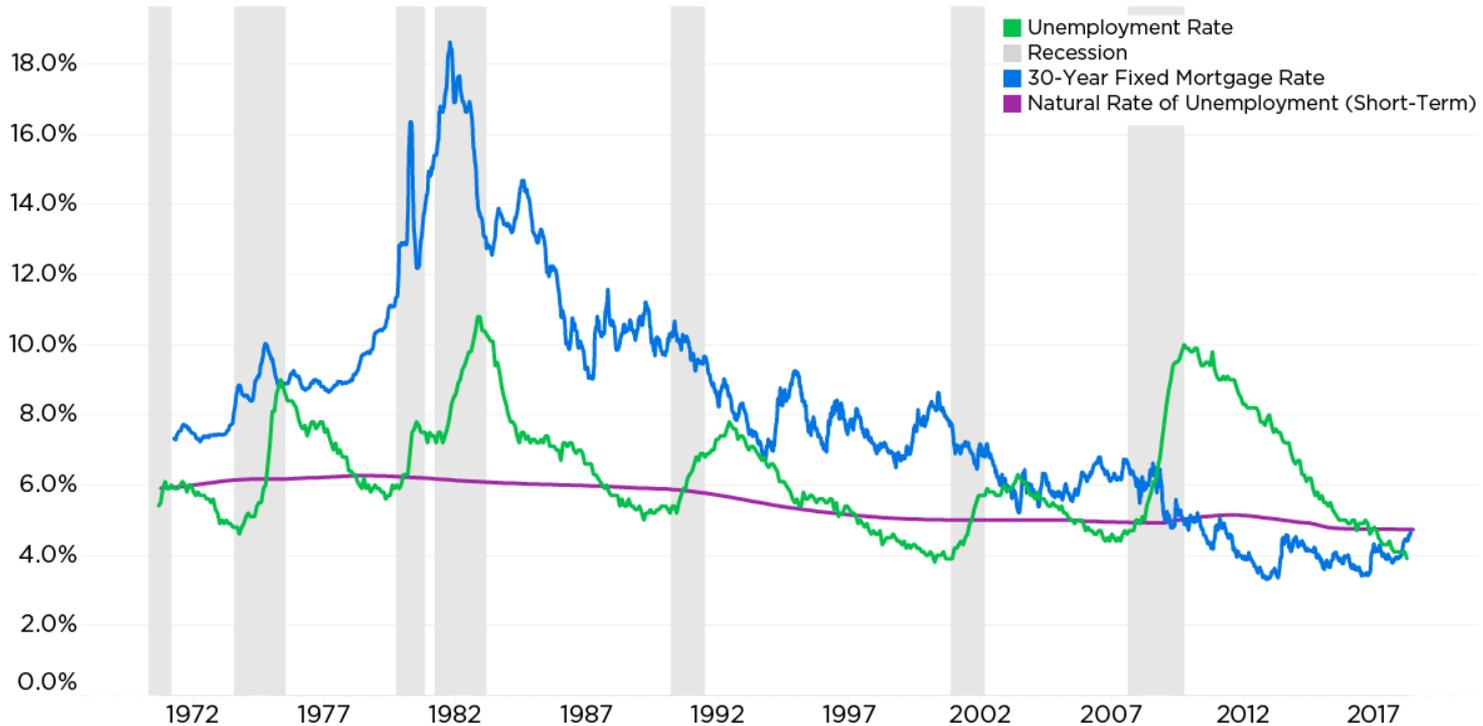


# Particularly lower-income renters, who probably won't buy

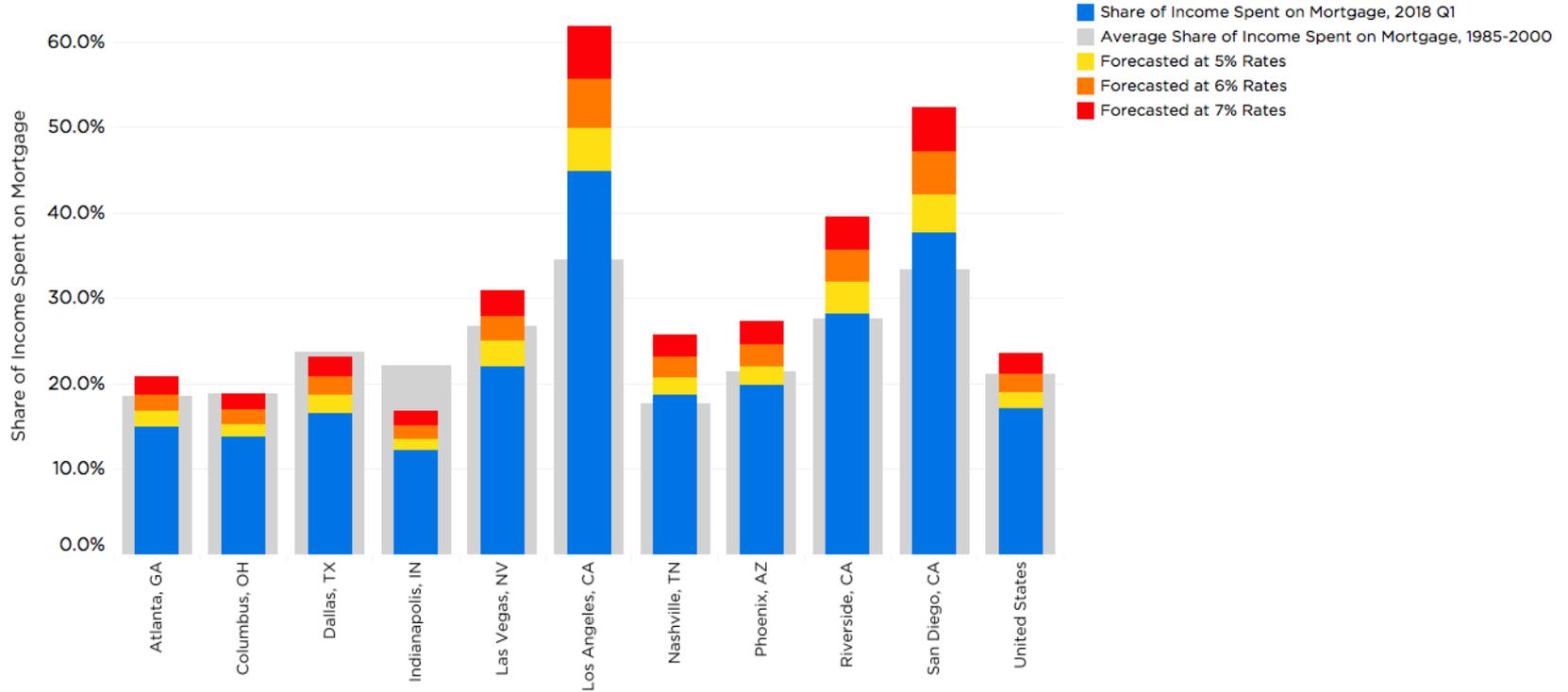
*If you were to receive a 4% raise, how much of this money, if any, would you spend on... ?*



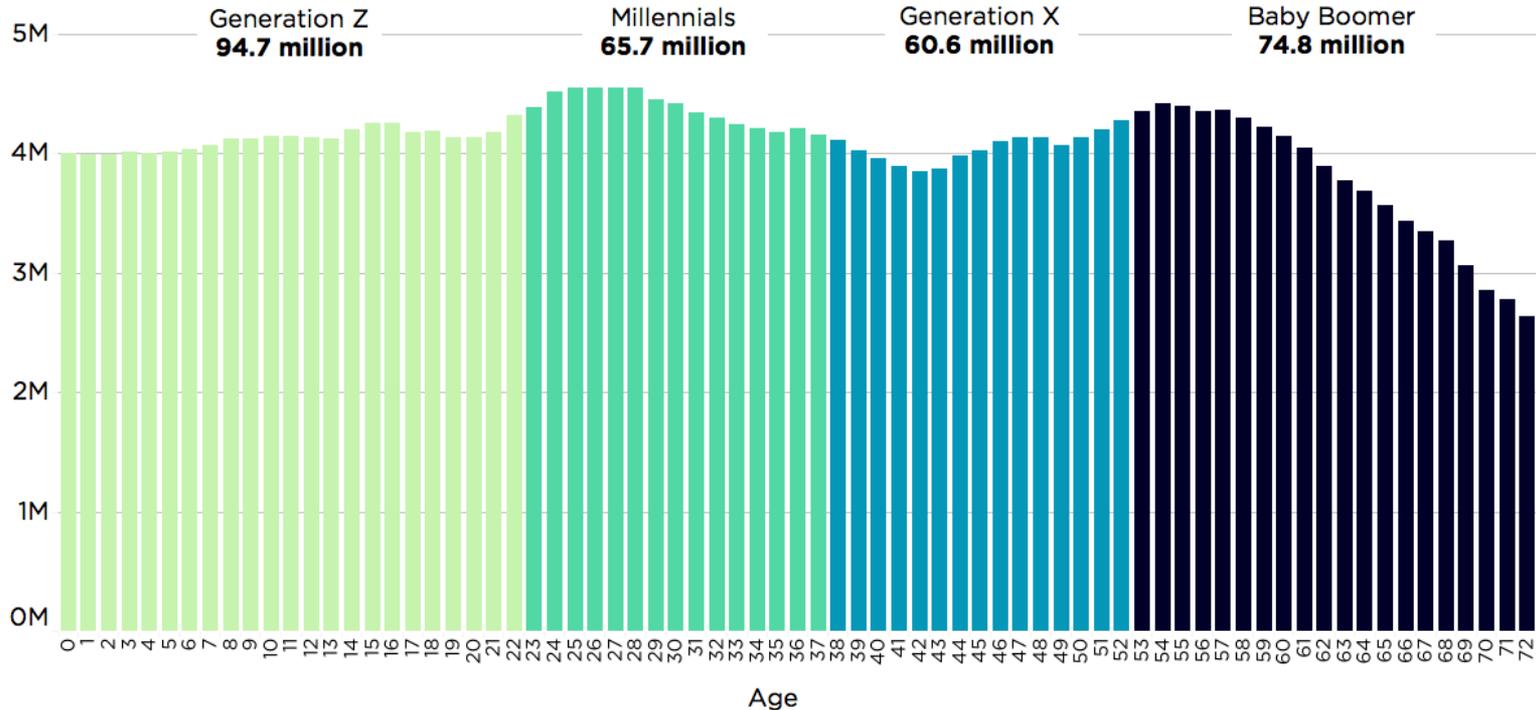
# The last time the labor market was this strong, mortgage rates were above 8 percent



# Sooner or later, rising mortgage rates will bite buyers



# Gen Z rising: Rental demand not going away



# Generation Z will spend more on rent than any previous generation

A member of **Generation Z** will spend **\$203,902** over the 11 years they are expected to rent.



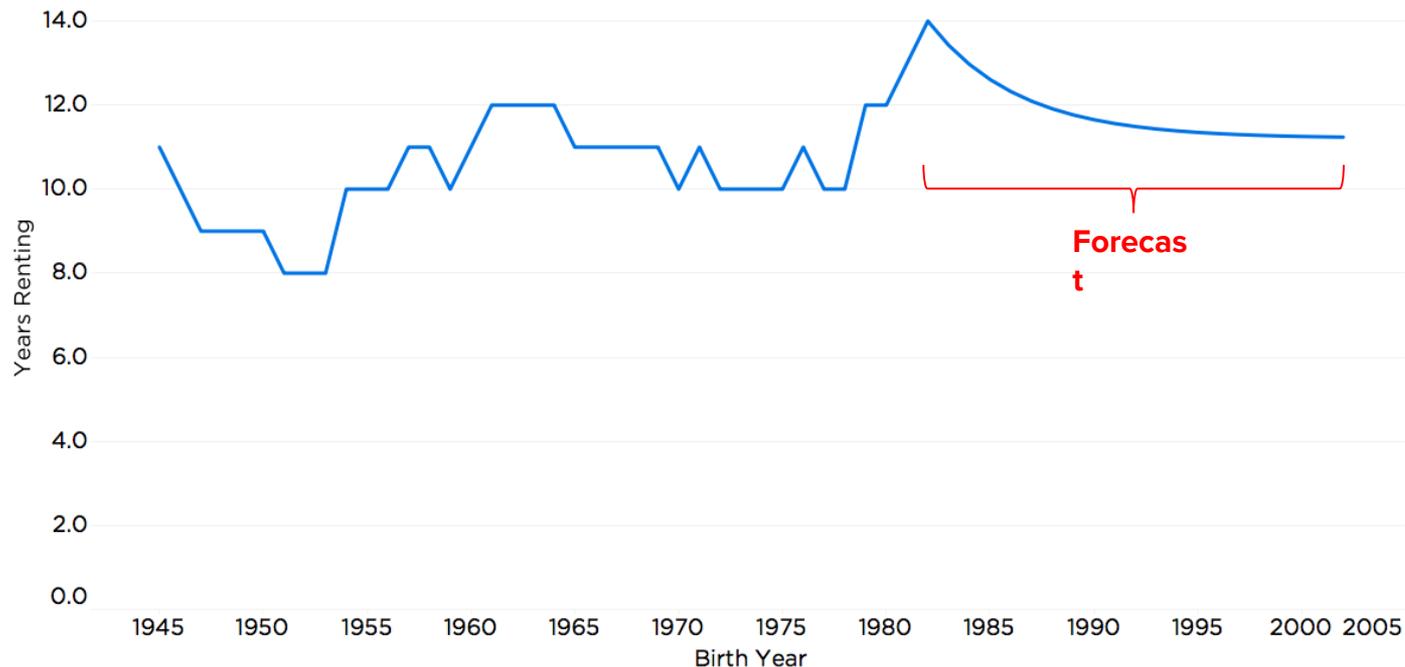
**Millennials** will spend **\$202,013** over the 12 years they are expected to rent.



**Baby Boomers** spent **\$148,879** over the 10 years they were expected to rent.



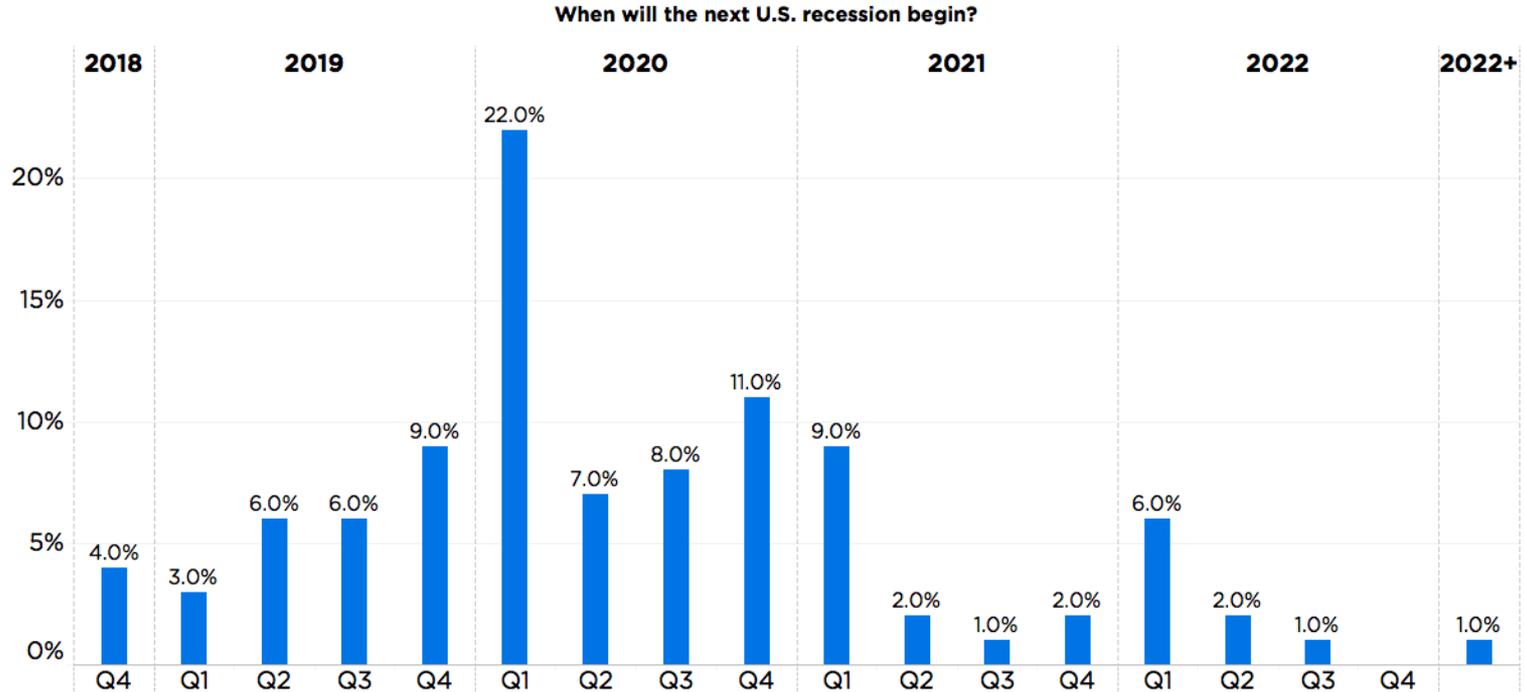
# Years spent renting will ease from recent highs, but continue above historic levels



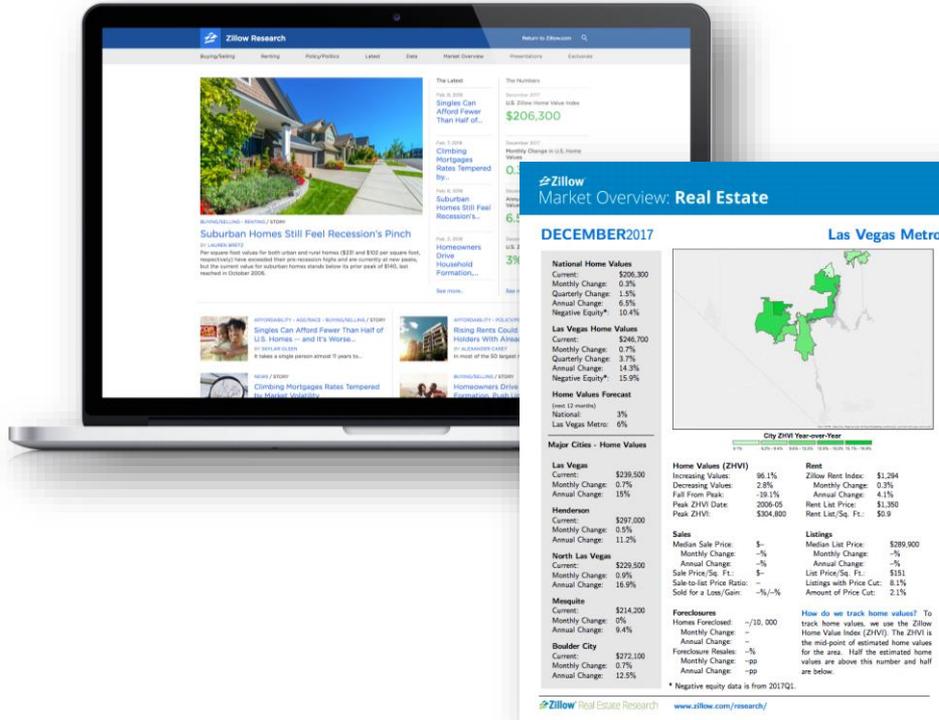
# Part IV: Into the Unknown

# Near-term macro outlook solid, but risks rise toward 2020

Experts Say Recession Could Hit by Early 2020



# More research and data at [www.zillow.com/research](http://www.zillow.com/research)



## Real Estate Metrics Include:

- Zillow Home Value Index
- Zillow Rent Index
- Zillow Home Value Forecast
- Negative equity
- Sale prices
- Rental prices
- Home sales
- \$ value/square foot
- Price-to-income ratios
- Affordability

...and more

