

**SALT LAKE
REALTORS®**

2024

HOUSING FORECAST



**SCAN FOR 2024
HOUSING REPORT**



THE LASSIG TEAM
CROSSCOUNTRY MORTGAGE™



Utah Real Estate.com



Woodside
HOMES

**GIFTS
WITH AN
EDGE**
YOUR EDGE IN CLIENT RETENTION



LUNETTA
HOME LOANS

**MESA
MEDIA**
REAL ESTATE PHOTOGRAPHY • VIDEOGRAPHY



one home



ALI WOLF

 **Zonda**
CHIEF ECONOMIST



**SCAN FOR 2024
HOUSING REPORT**

 **SALT LAKE
REALTORS®**

State of the housing market and wider economy



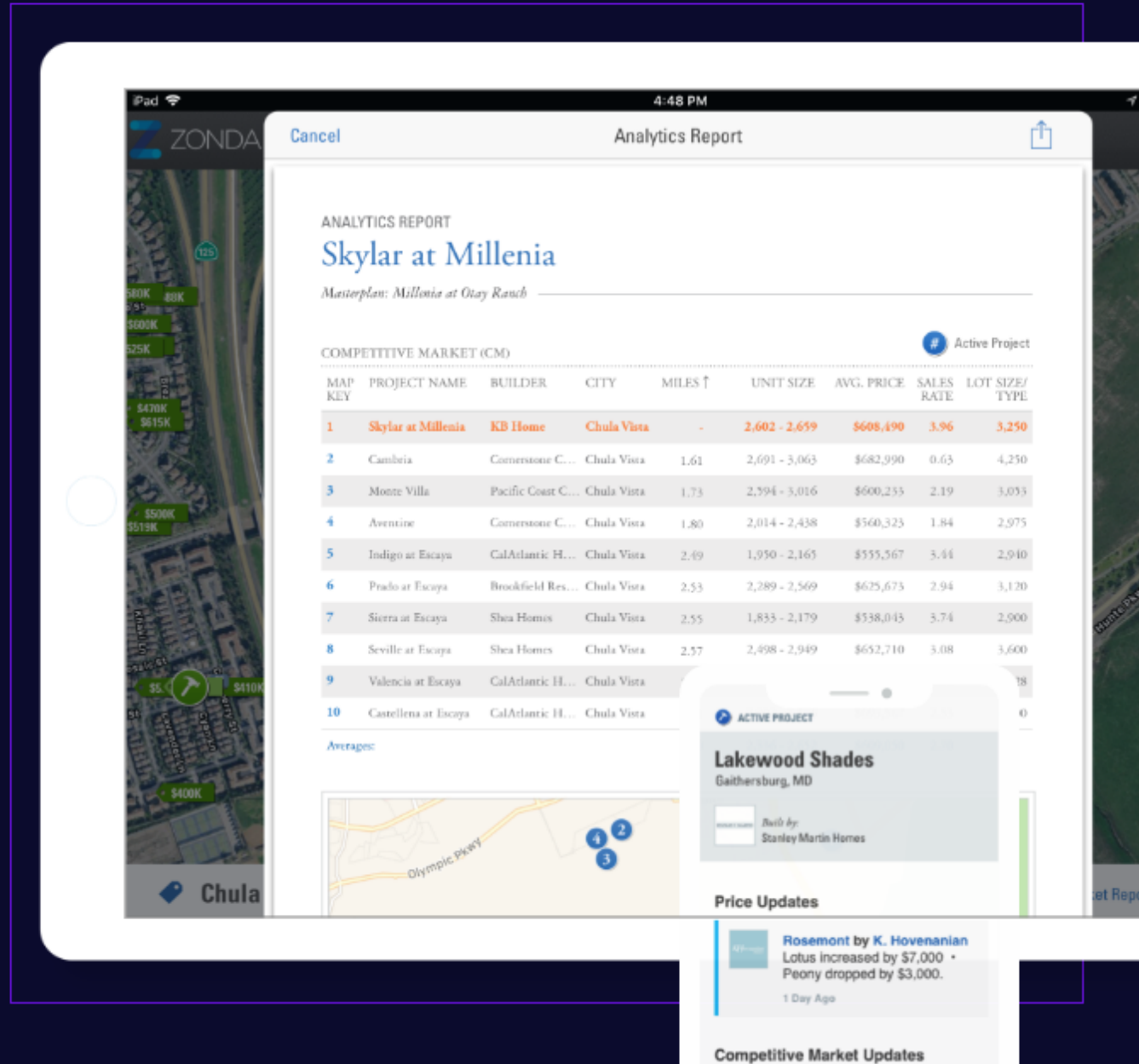
Ali Wolf

Chief Economist

Tracking the entire building lifecycle

Access the housing industry's most comprehensive research platforms

- 500+ housing and economic metrics
- Satellite imagery, sales office visits, in-house research department, surveys, and driving communities
- Curated and insightful market analysis



Today's Agenda

1. Economic backdrop
2. State of the market
3. Homebuyers
4. Housing affordability
5. Forecasts and final thoughts

(Plus 5 things I'm watching closely in SLC)

Economic backdrop

The recession that wasn't in '23

Economic and housing indicators

Data Point	Start of 2023	End of 2023	Note	Change
S&P 500	3,824	4,754	Just below the record high set in 2022	24%
Unemployment rate	3.4%	3.7%	Longest stretch under 4% since 1960s	9%
Total labor force	165.8M	167.5M	2% above pre-pandemic	1%
Labor force participation rate (all ages)	62.4%	62.5%	Prime (25-54) highest since late-2000s at 83%	0%
Wage growth (YOY % change)	4.4%	4.1%	Real wages are positive!	-7%
Inflation (PCE YOY % change)	6.3%	3.1%	Subtracting out "shelter" gets us to a healthy inflation level	-51%
Mortgage rates	6.3%	6.6%	Down from recent high of 8%	5%
Existing home prices	\$ 361,200	\$ 387,600	Helping narrow the spread between new and existing	7%
New home prices	\$ 432,100	\$ 434,700	Flat + incentives	1%

Zonda.

So are we in the clear?


Still watching the long and variable lags of the Fed's 11 increases

Recession? Not So Fast, Say Some

By Kelly Evans and Justin Lahart

May 14, 2008 12:01 am ET



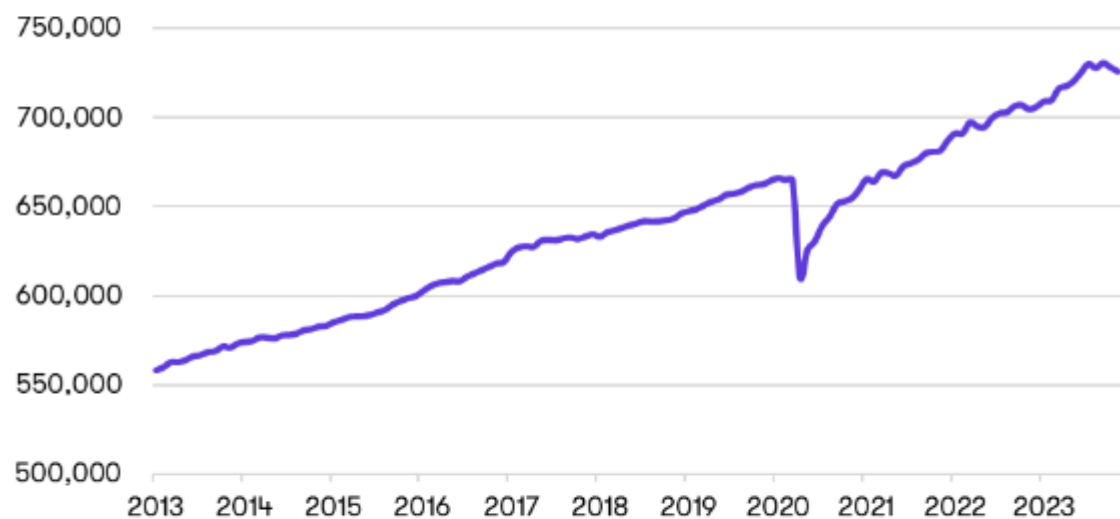
 Gift unlocked article

A funny thing happened to the economy on its way to recession: It's taken a detour.

That, at least, is the view of a growing number of economists -- including some who not long ago were saying a recession was all but inevitable. They note that

SLC: solid economic backdrop

Salt Lake City Employment



Source: BLS; Zonda

Employment above pre-pandemic peak: 6%
 High-income above pre-pandemic peak: 10%

UE Rate: 2.6% SLC | 3.7% national

Employment Data 2022

Rank	Top Markets for Total Employment Growth 2010-2022	% Growth	Top Markets for Share of High Income Jobs 2022	%
1	Austin	58%	San Jose	35%
2	Nashville	46%	San Francisco	33%
3	Riverside/San Bernardino	44%	Washington, DC	31%
4	Dallas	40%	Austin	31%
5	Raleigh	40%	Atlanta	31%
6	Orlando	37%	Denver	30%
7	Charlotte	36%	Boston	30%
8	Phoenix	36%	Tampa	30%
9	Salt Lake City	34%	Raleigh	30%
10	San Jose	33%	Dallas	29%
11	Jacksonville	33%	Charlotte	29%
12	Tampa	33%	Stamford CT	29%
13	Denver	32%	Salt Lake City	28%
14	Las Vegas	32%	New York	28%
15	Atlanta	31%	Phoenix	28%

Source: Moody's; Zonda

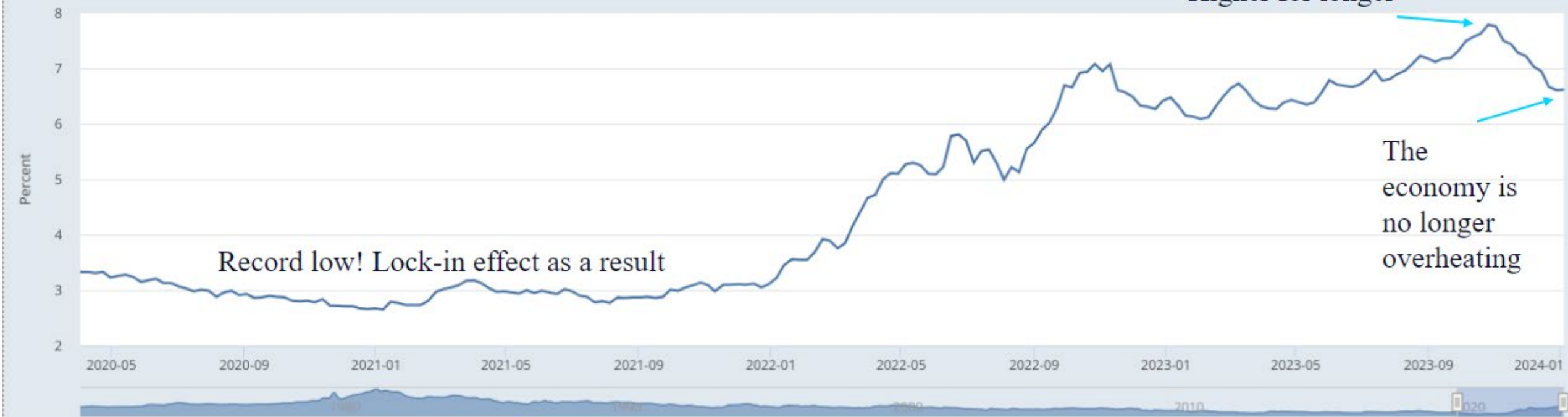
Interconnectivity between the economy and housing market

State of the market

Zonda

2%-8% in three years

FRED — 30-Year Fixed Rate Mortgage Average in the United States



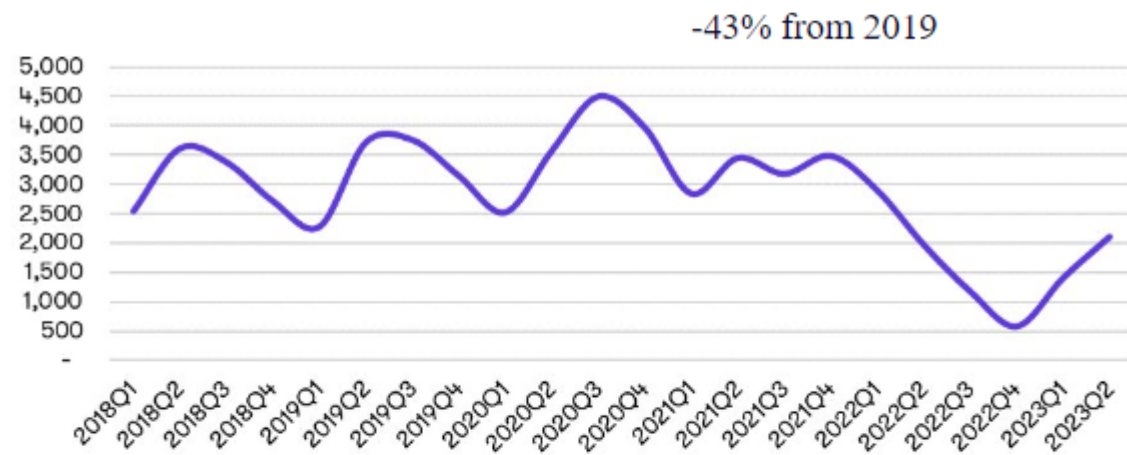
Resale sales are at the lowest level since 1995

Total Existing Home Sales (SAAR)



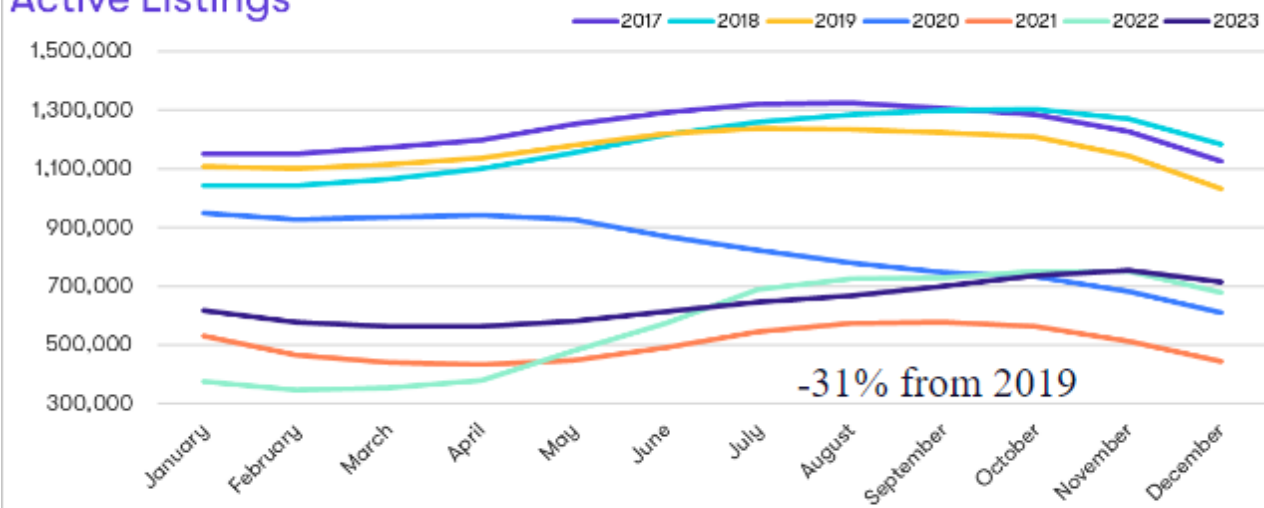
Source: NAR; Zonda

Salt Lake City (NSA, Observed)



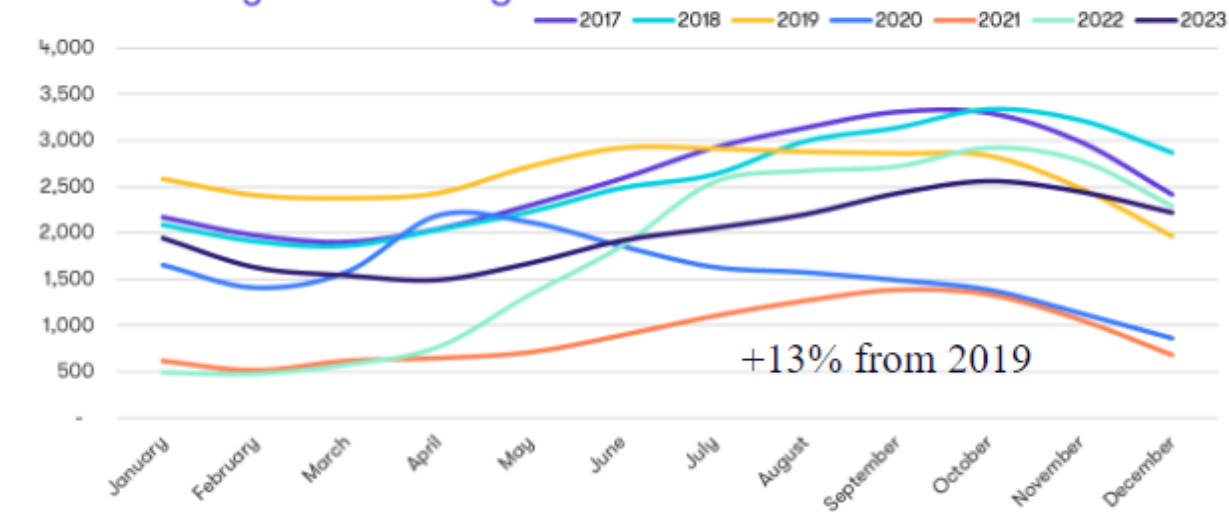
Source: Moody's Analytics; Zonda

Active Listings



Source: Realtor; Zonda

Salt Lake City Active Listings



Source: Realtor; Zonda

Important question: WHO are the sellers?

A key indicator to watch

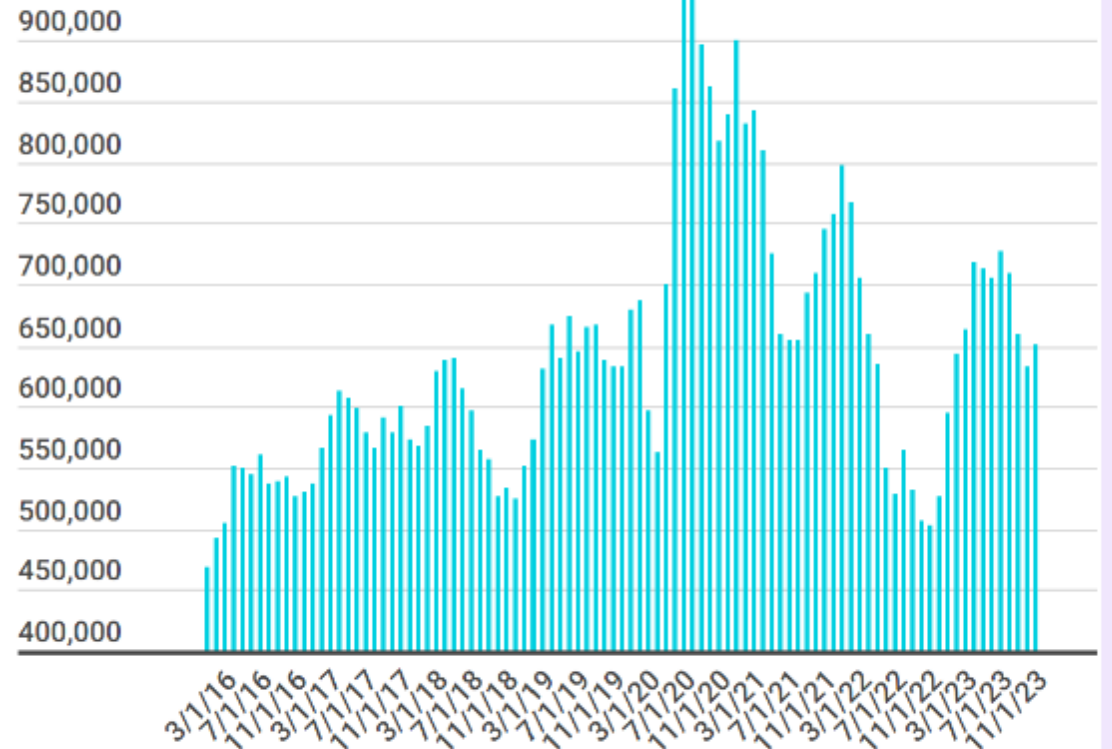
Outperformance in new home sales vs existing

We anticipate the tale of two housing markets to carry on in '24

Big difference? Inventory and incentives!

New Home Sales (SAAR)

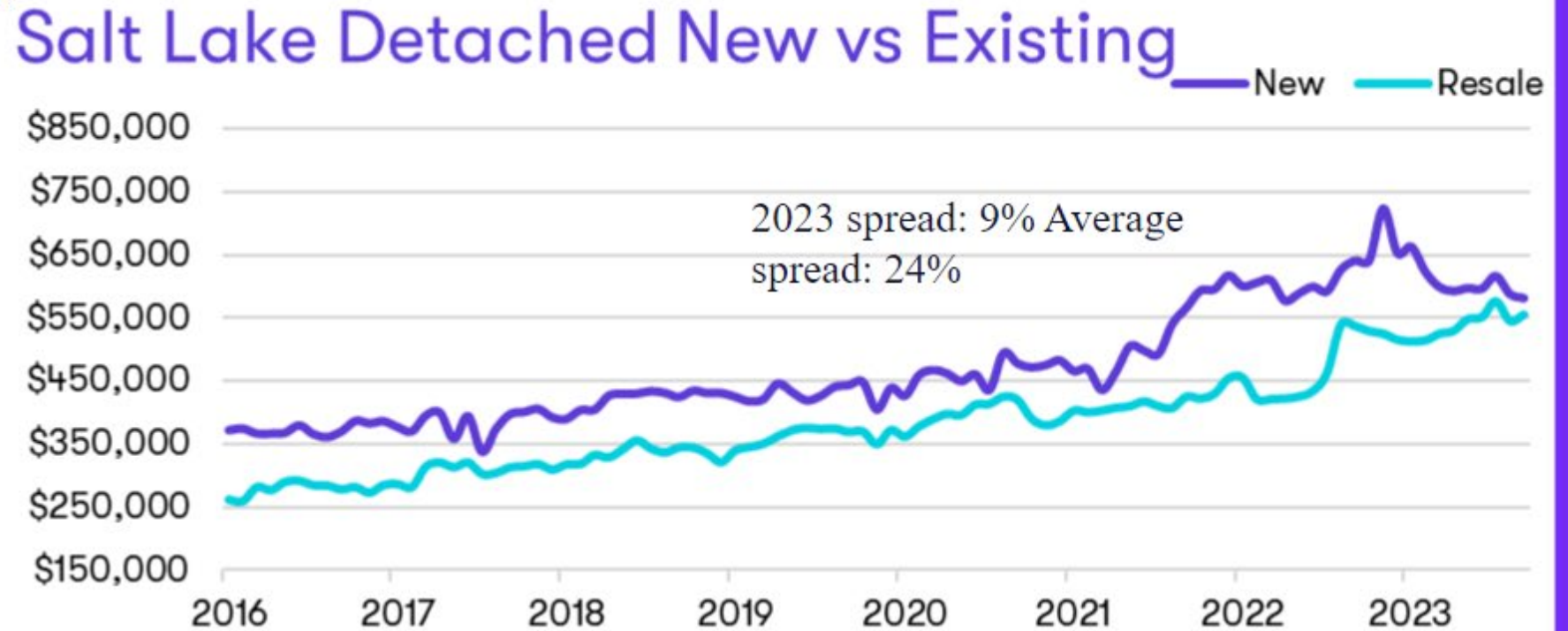
1,000,000 National new home sales finished '23 11% over '22
950,000 SLC total new sales and pace up YOY



Source: Zonda

📊 Zonda

The value proposition of a new home has improved¹



Source: Public Record Data; Zonda

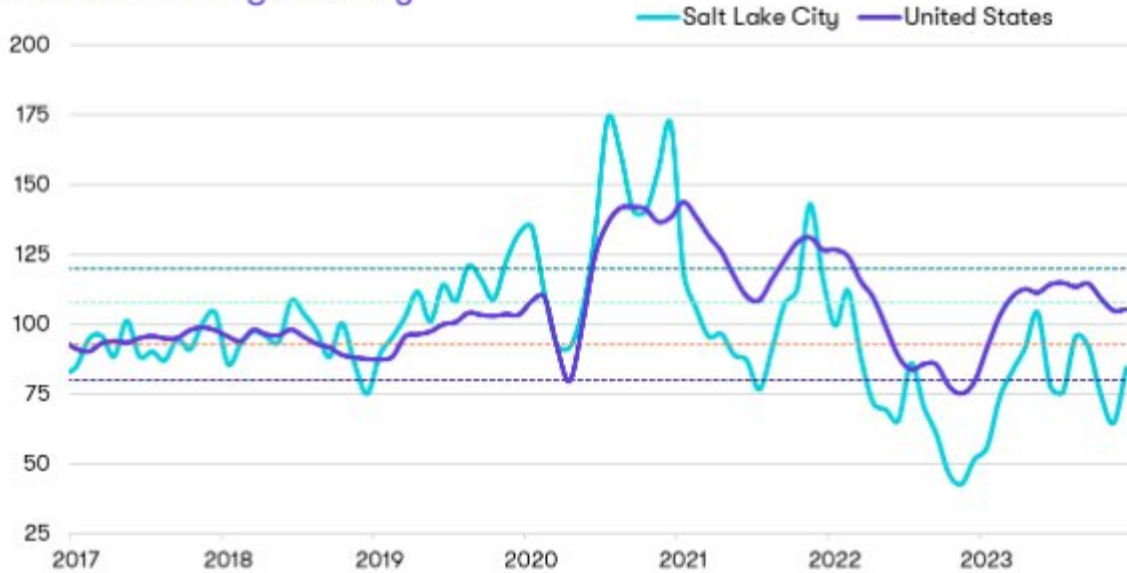
The Zonda Market Ranking (ZMR)

Seasonally adjust sales rate and total sales looking at a baseline by market (including some pre- and post-pandemic dates).
Using the baseline, we can assign a ranking



Average nationally for
December with 37% of top metros
 overperforming

Market Rankings History



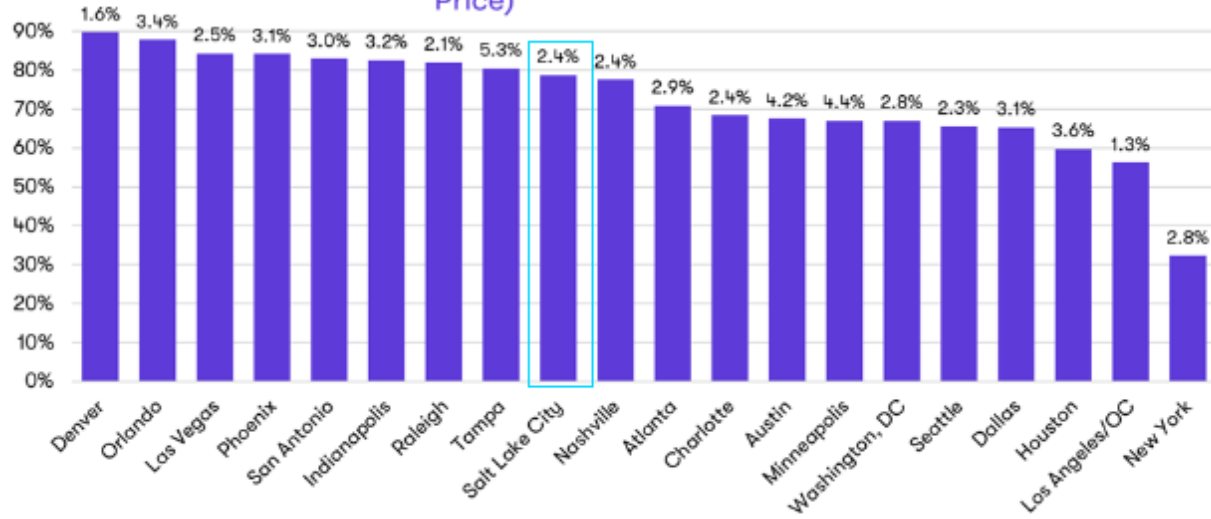
Source: Zonda



Incentives help combat the fears of buying today

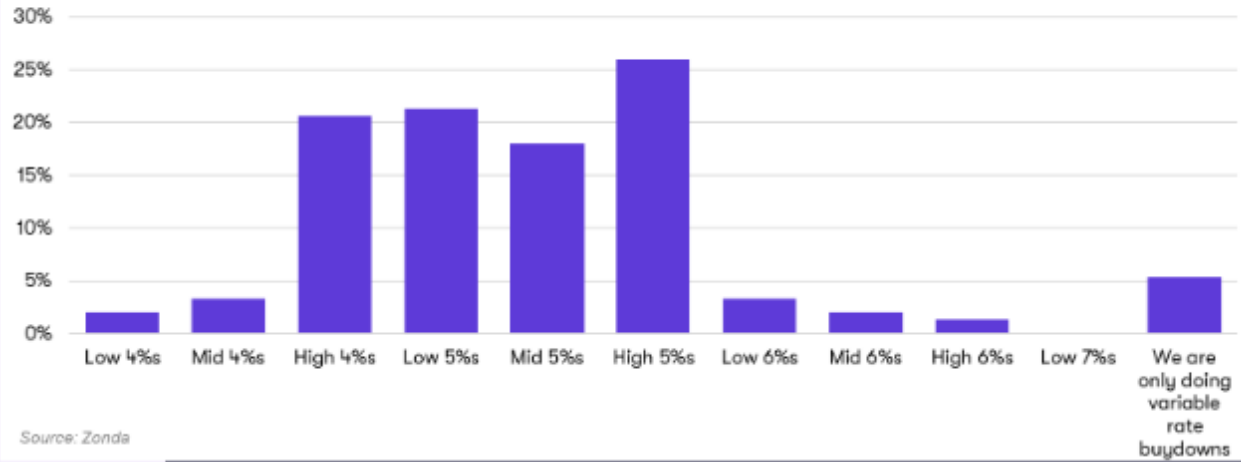
2

Percent of QMI Projects with Some Kind of Incentive (As Percent of List Price)



Source: Zonda

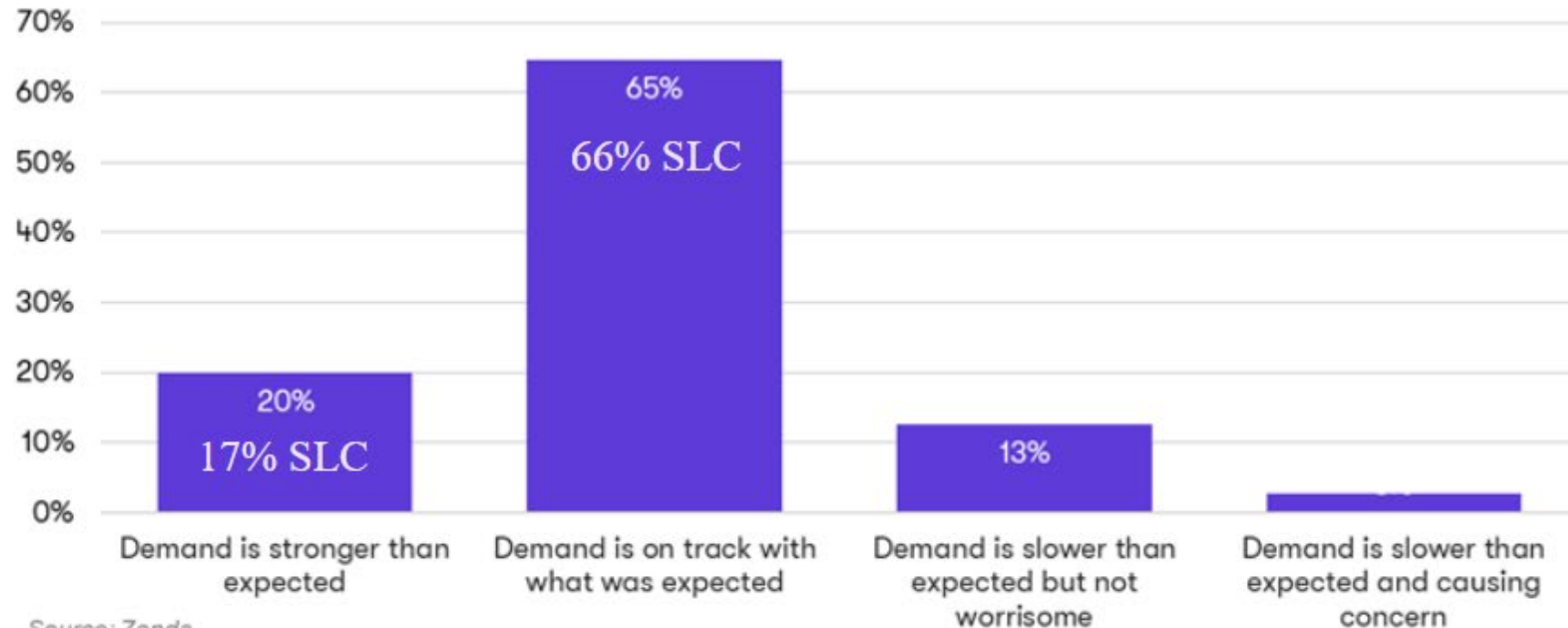
If you are offering mortgage rate buydowns, what rate are you willing to pay for and able to get for FIXED RATES mortgages?
Please select all that apply.



Source: Zonda

Early read on 2024: better than expected

How is January shaping up so far for your local operation in comparison to your expectations?



Source: Zonda

We are seeing the first of the year surge a little earlier than normal

Good traffic, excellent conversion with buying customers

Great January

The market appears to be ready to buy again

Mid-January highlights

Demand is improving but not urgent. Builders mention stability in rates as key

Consumers are searching for deals.

- Optimistic on rates but still nervous on price and looking for **discounts**
- Appreciate the lower interest rates and are **shopping for lowest rate**
- Mortgage rates are lower along with **builder incentives** have given buyers **some motivation to purchase**

“Cautious” commonly used by builders. Concerns about sustainability of demand at today’s price levels



Homebuyers

Life happens!

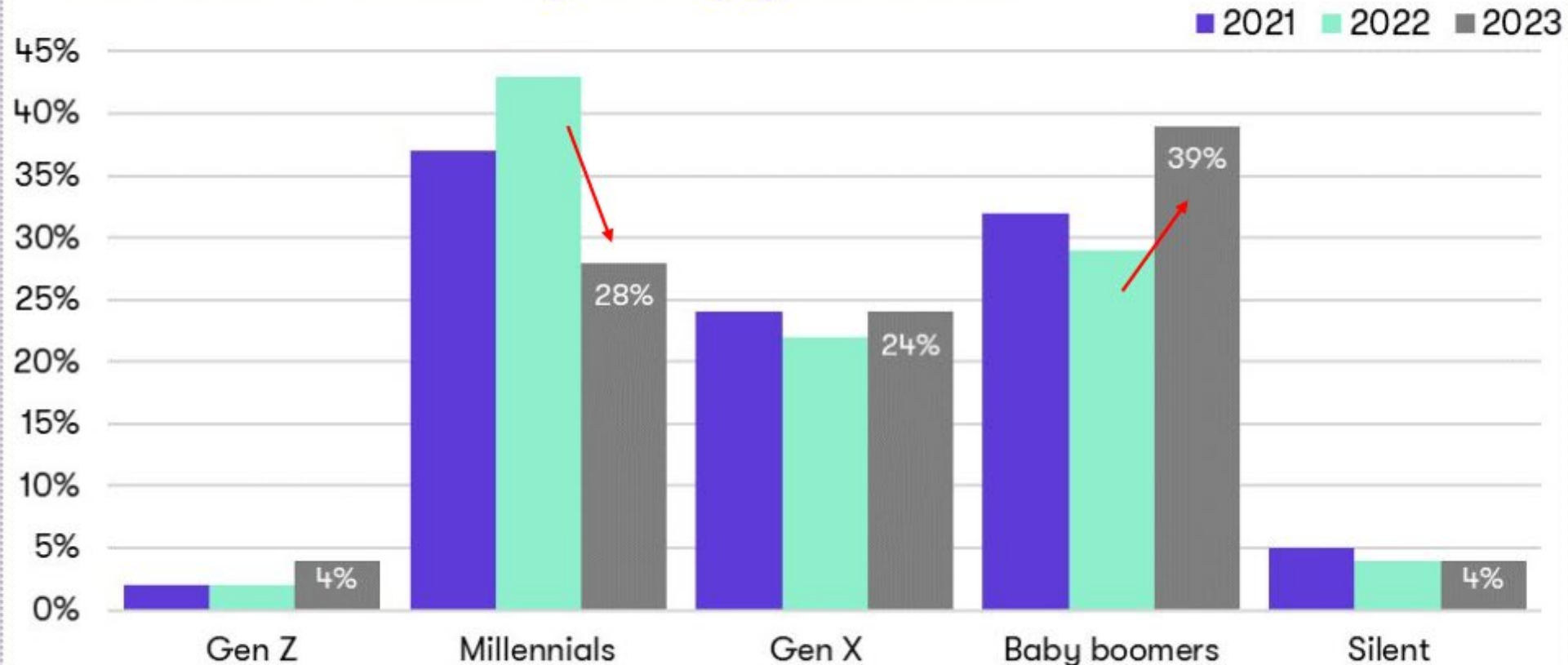
1. Relocating
2. Having children
3. Retirement/downsizing
4. Sick of paying rent
5. Marriage

Source: Zonda

6. Fear of missing out
7. Divorce
8. Opportunistic investors
9. Other
10. Death

A flip in the top buyers

Percent of home buyers by generation



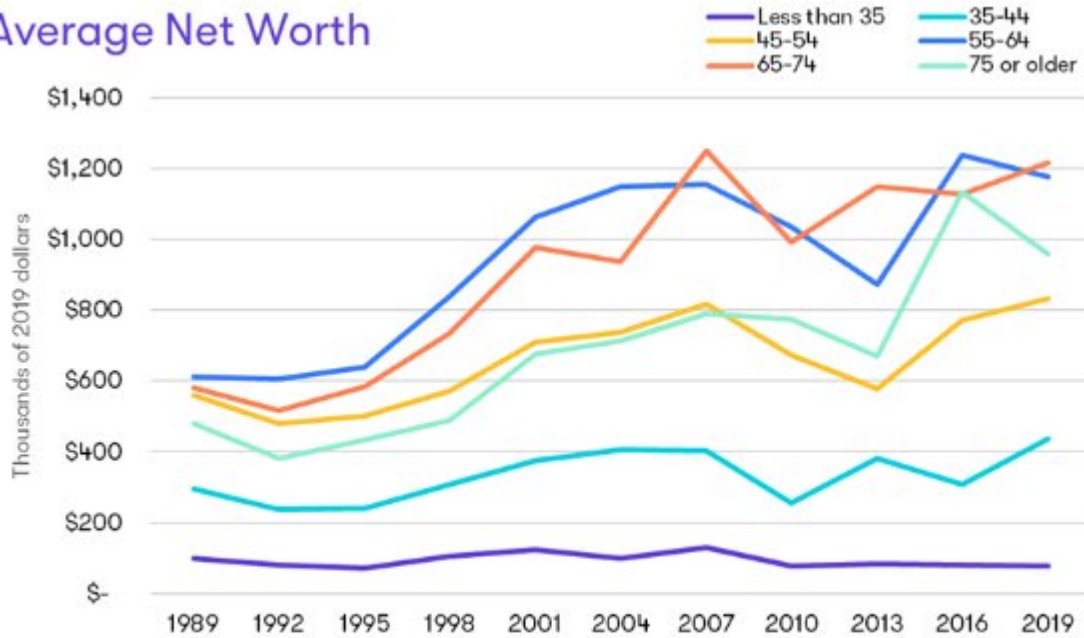
Source: 2023 NAR Home Buyers and Sellers Generational Trends; Zonda

Zonda.

2nd largest living generation, 1st for wealth

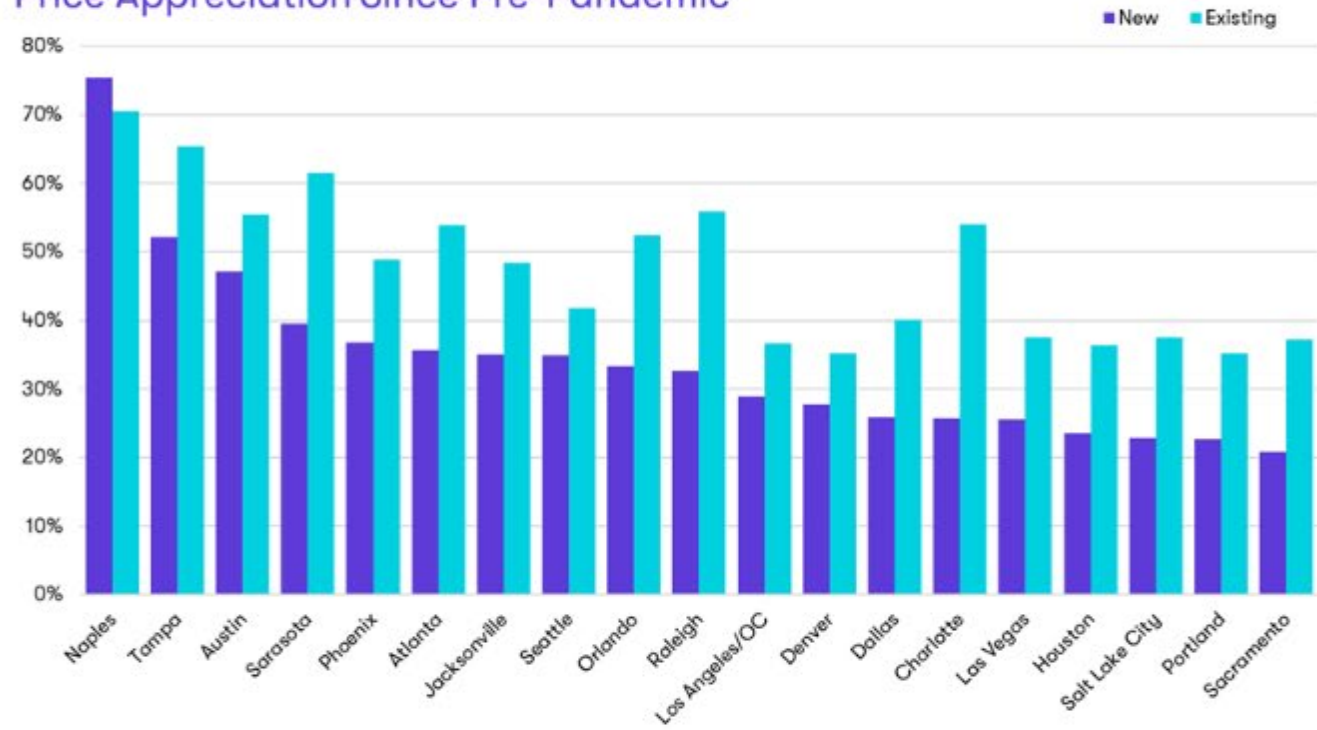
Equities and equity

Average Net Worth



Source: Federal Reserve Survey of Consumer Finances; Zonda

Price Appreciation Since Pre-Pandemic



Source: Zonda

UT still on the radar but overall migration is slowing

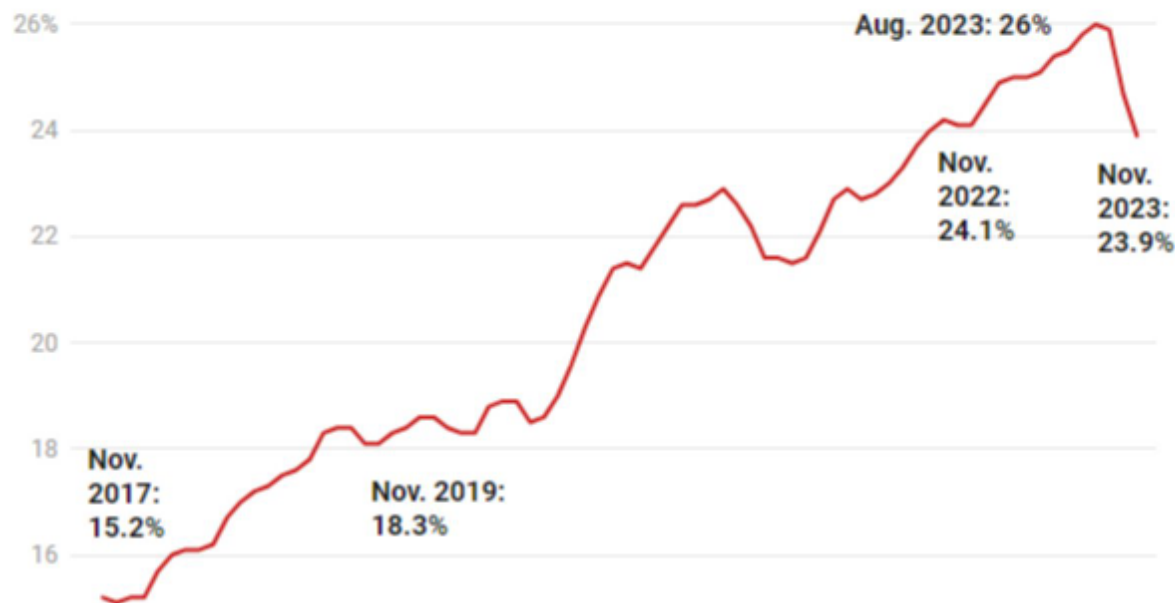
Total population growth

2021		2022		2023		
Rank	State	Growth	State	Growth	State	Growth
1	Idaho	3.6%	Florida	1.9%	South Carolina	1.7%
2	Utah	2.1%	Idaho	1.8%	Florida	1.6%
3	Montana	2.0%	South Carolina	1.7%	Texas	1.6%
4	Arizona	1.6%	Texas	1.6%	Idaho	1.3%
5	Delaware	1.5%	South Dakota	1.5%	North Carolina	1.3%
6	South Carolina	1.5%	Montana	1.5%	Delaware	1.2%
7	Texas	1.4%	Delaware	1.5%	District of Columbia	1.2%
8	Florida	1.4%	Arizona	1.3%	Tennessee	1.1%
9	Nevada	1.4%	Utah	1.3%	Utah	1.1%
10	North Carolina	1.2%	Tennessee	1.2%	Georgia	1.1%

Source: U.S. Census Bureau (data was compiled during the July-June period of the respective years); Zonda

Share of Homebuyers Relocating Starts to Abate

Percent of Redfin.com users searching for a home outside their home metro



Source: Redfin user search data • Created with Datawrapper

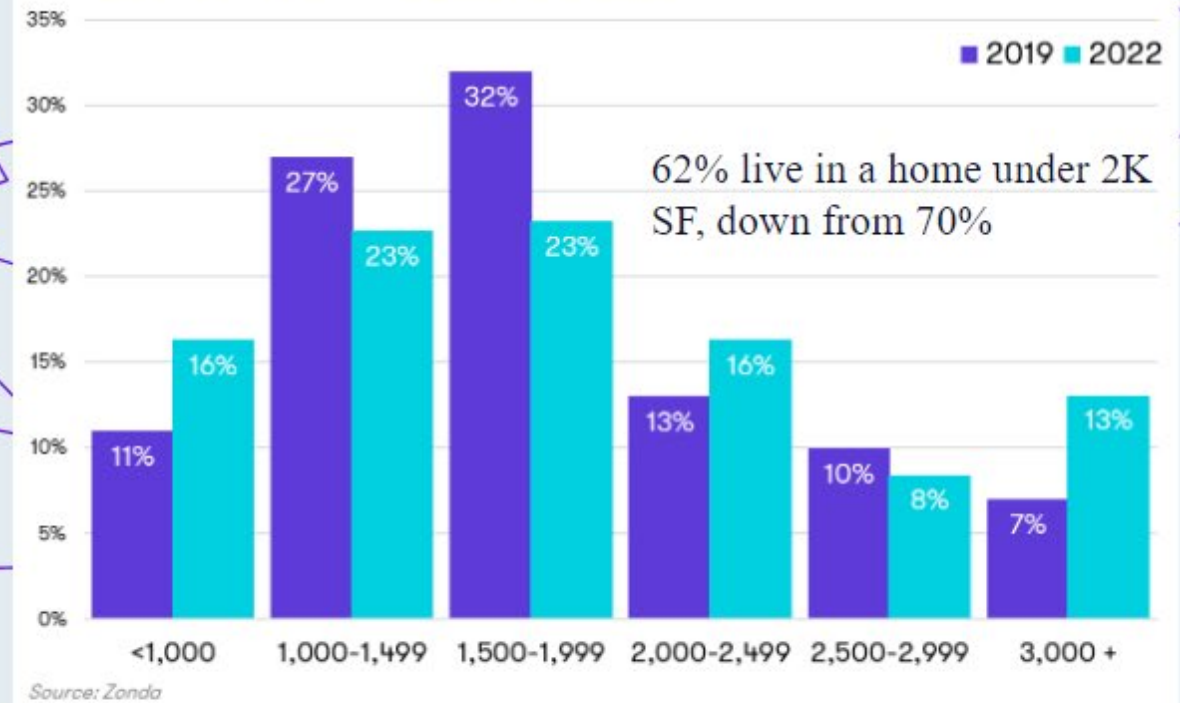
Zonda.

The homeownership rate is 60%+ for those 35-40!

Why did you decide to buy?



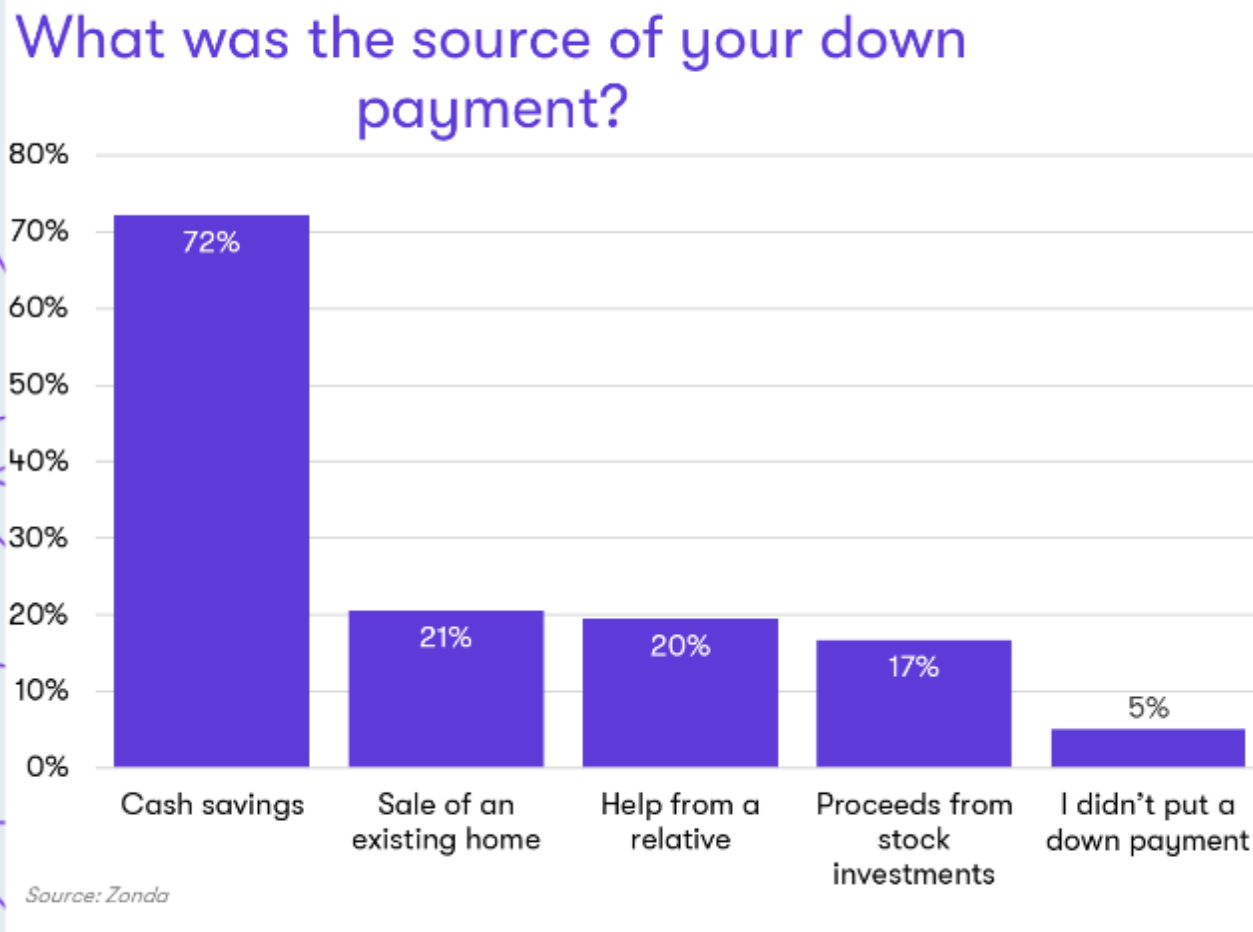
What is the square footage of your current primary residence?



The intersection of the two largest generations

A Merrill Lynch Wealth Management poll that asked about distribution of wealth to heirs found that 65% of those 55+ plan to give away some of their money while they are still living, 27% plan to give it away after passing away, and 8% plan to give it all away while alive

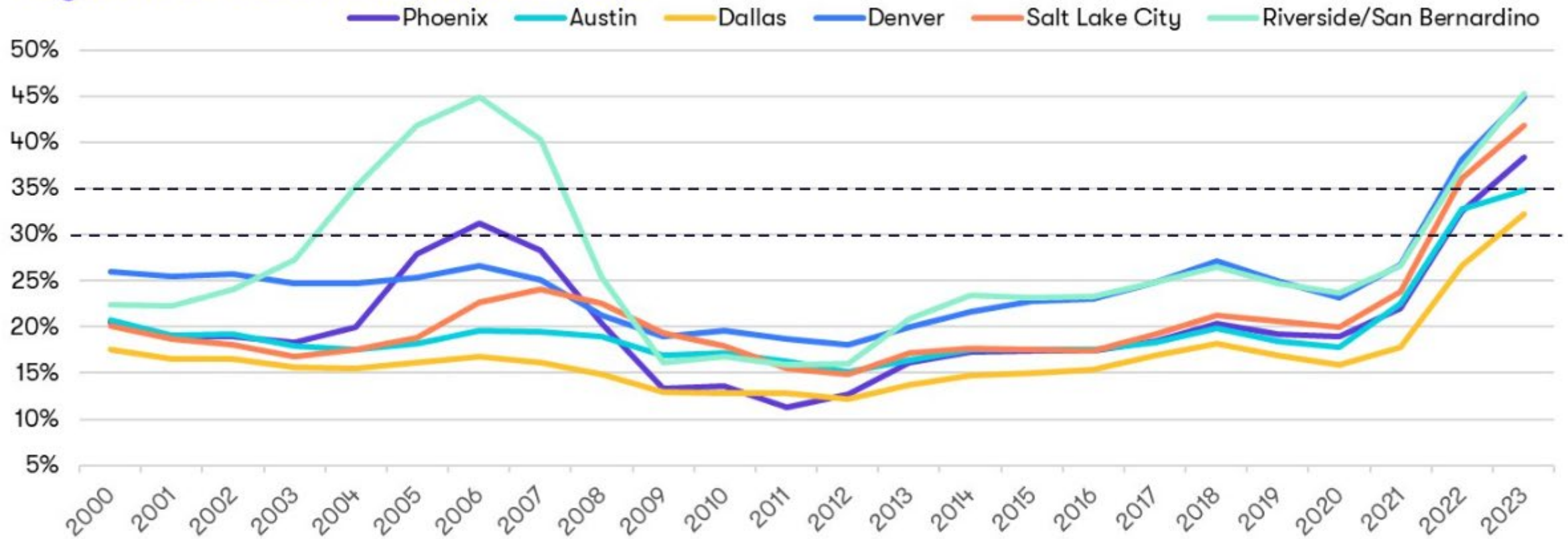
Between now and 2045, multigenerational wealth transfer in the U.S. will total \$84.4 trillion, with \$72.6 trillion in assets going to heirs and \$11.9 trillion donated to charities, according to projections in a new report from Cerulli Associates



Housing affordability

Affordability depends on perspective though

Payment to Household Income Ratio



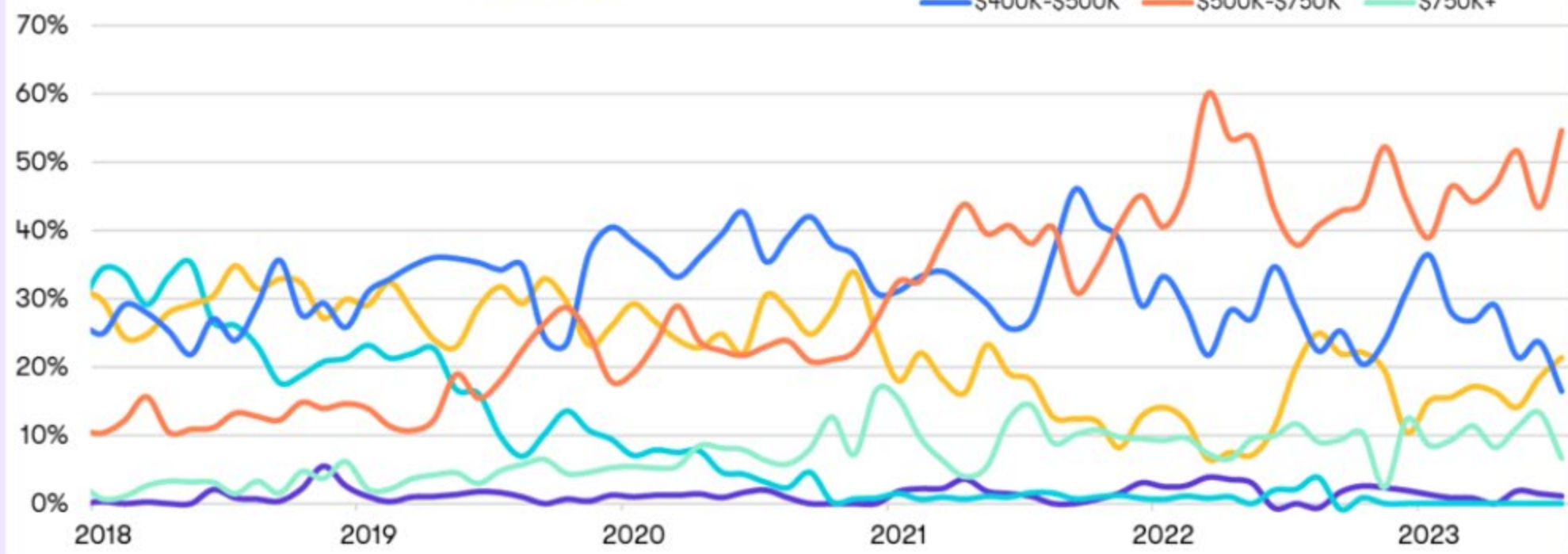
Source: National Association of Realtors; US Census Bureau; Moody's Analytics; Zonda



Buckets	2020	Current
Under \$200K	2%	1%
\$200K-\$300K	3%	0%
\$300K-\$400K	30%	21%
\$400K-\$500K	35%	16%
\$500K-\$750K	23%	55%
\$750K+	6%	7%

\$500-\$750K is the new \$400-\$500K

Salt Lake City Share of Contract Volume by Price Bucket



Source: Zonda

Zonda

SLC's median age is
34.0

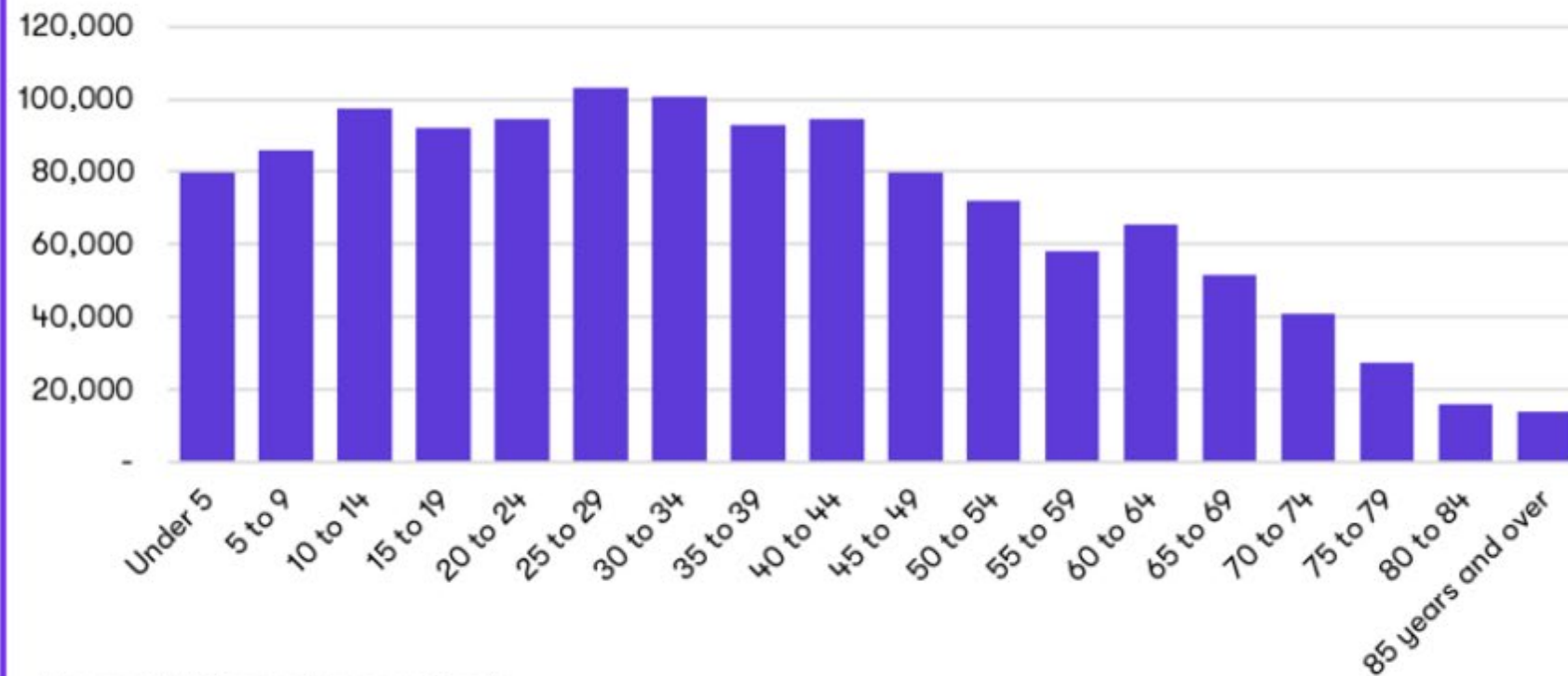
Phoenix: 38.5

Denver: 37.3

Las Vegas: 38.3

Austin: 35.9

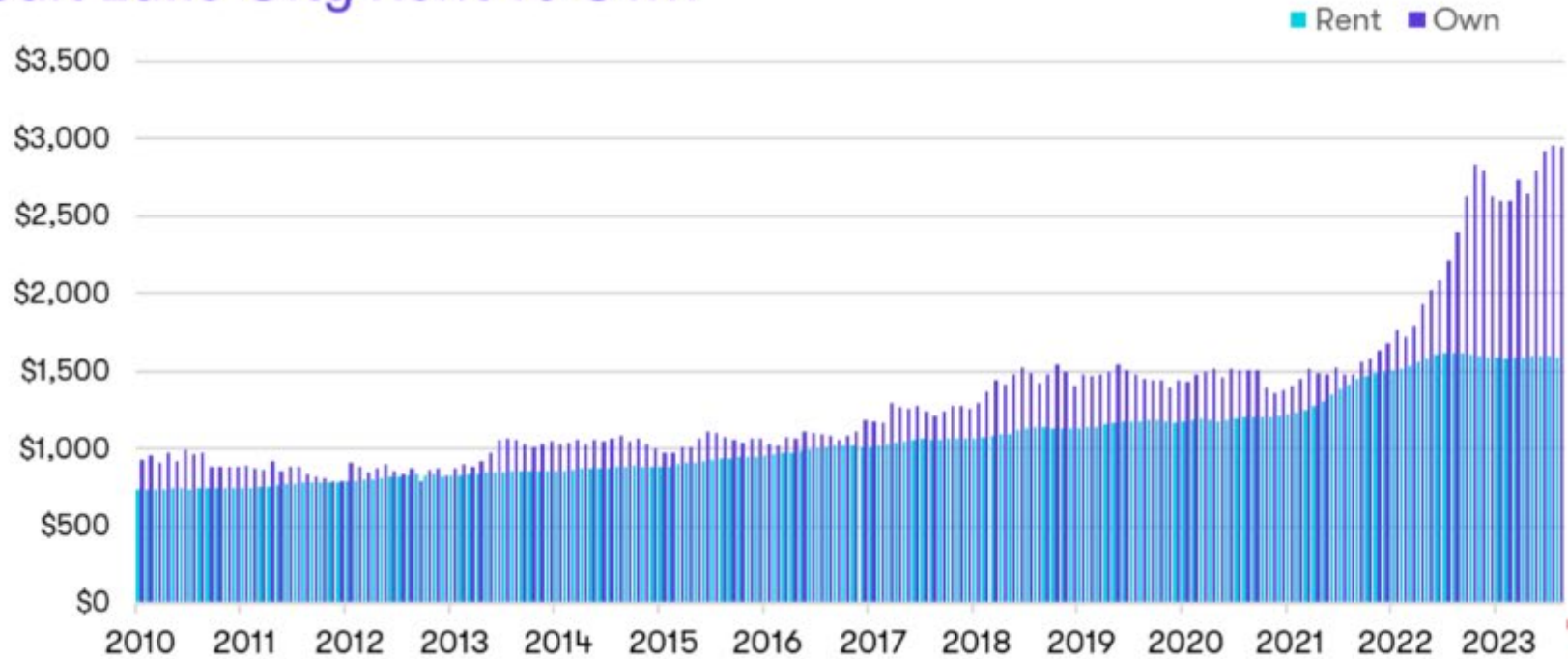
Salt Lake City Population Distribution



Source: US Census Bureau; Zonda

The math favors
renting today

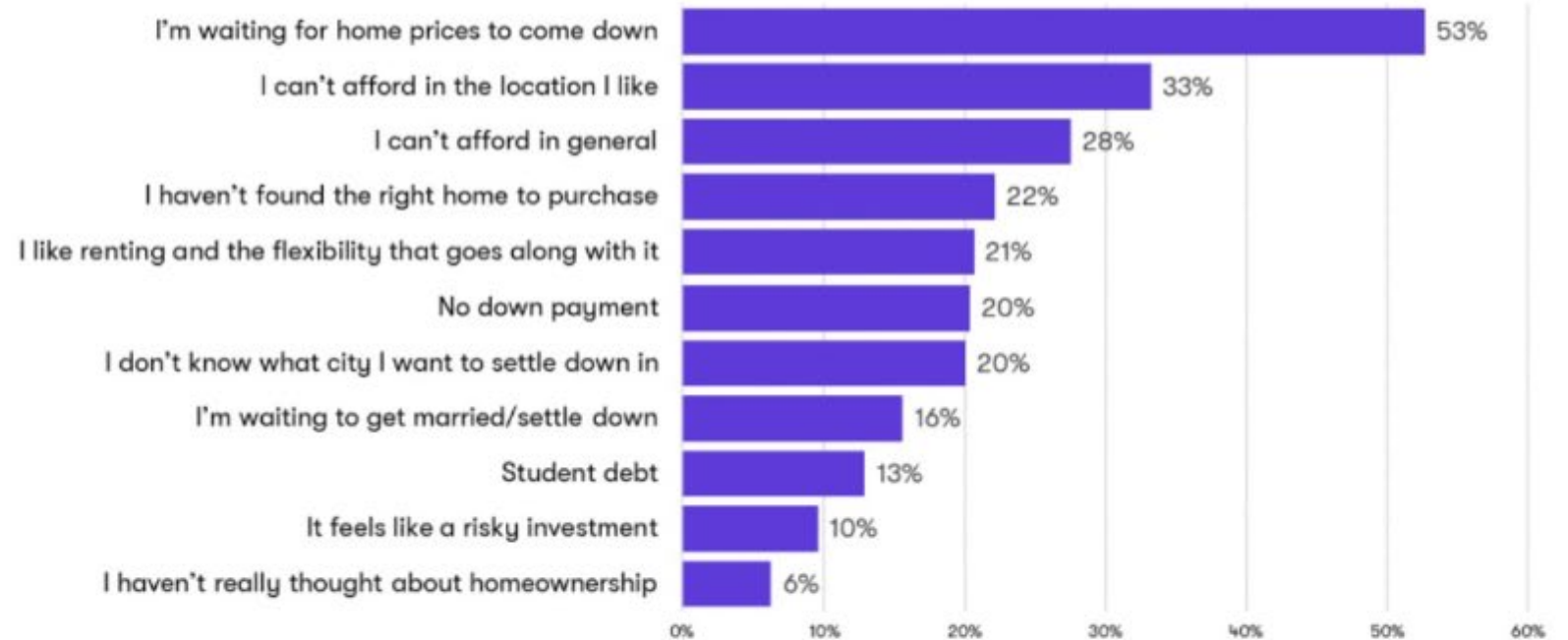
Salt Lake City Rent vs Own



Source: Public Record Data; RealPage; Zonda *includes 20% down mortgage, and property tax estimate

No surprise, for those renting it's all about affordability

What is your main reason for renting?



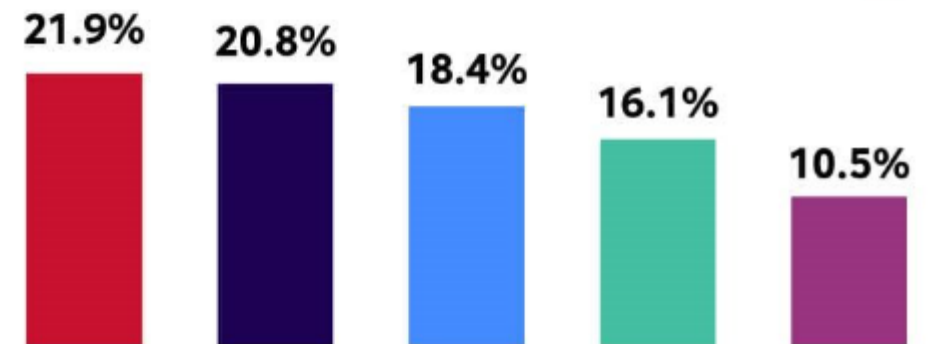
Source: Zonda

Future buyers face the same obstacles as generations before

Of those surveyed, 69.1% are currently saving some amount of money. And within that group, 56.4% are putting money away for their first home (Rocket Mortgage).

Of the 86.2% of Gen Zers who want to purchase a home, *nearly 45% are looking to purchase their first home in the next 5 years* (Realtor.com).

Gen Z's Top 5 Anticipated Obstacles For Home Buying



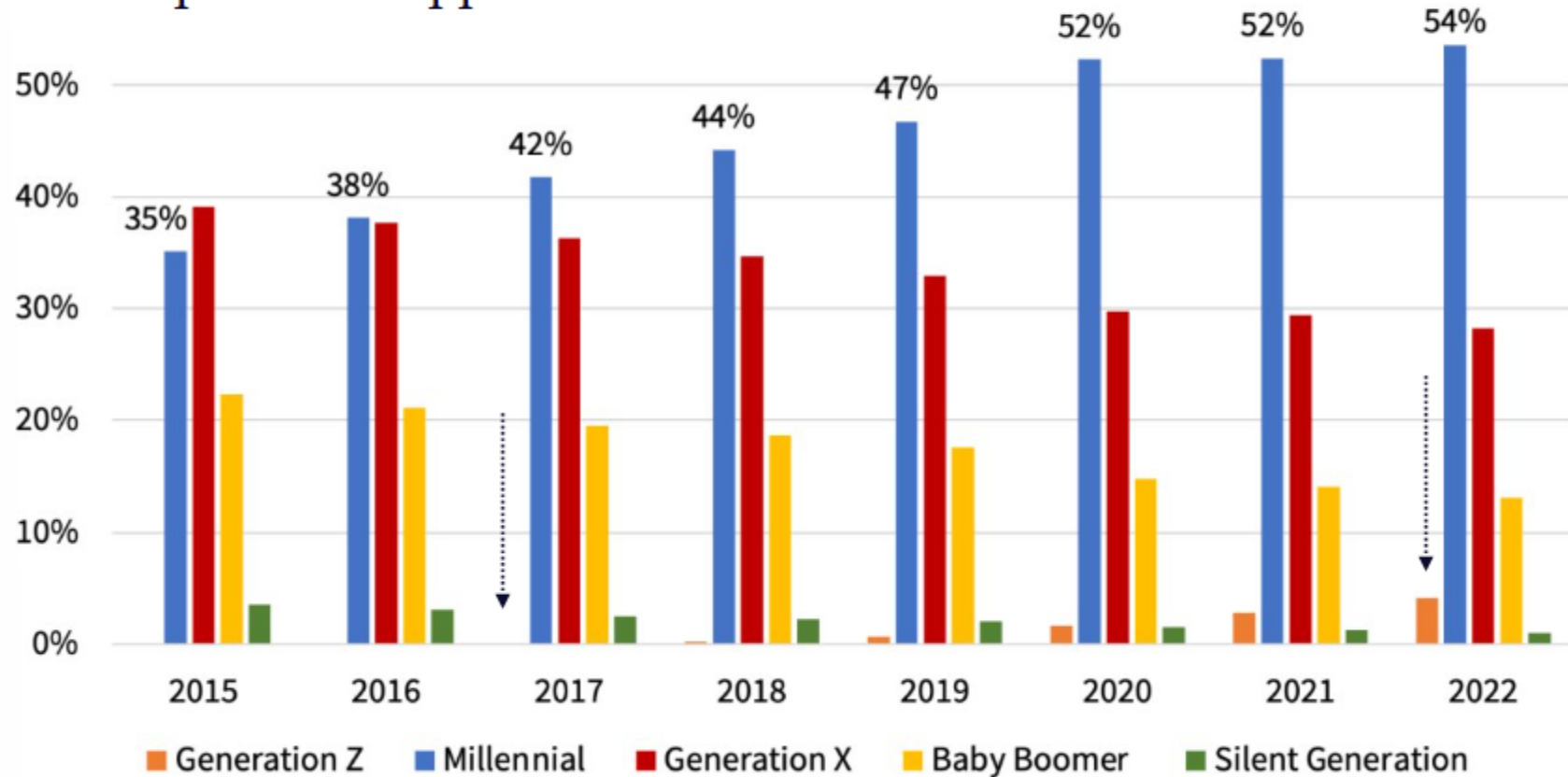
- Having enough savings for a down payment
- Not knowing where to begin
- Finding a home in their price range
- Having good enough credit
- Having too much student loan debt

Source: Rocket Homes® Research

We are no longer waiting for them to be homebuyers

5

Home purchase applications



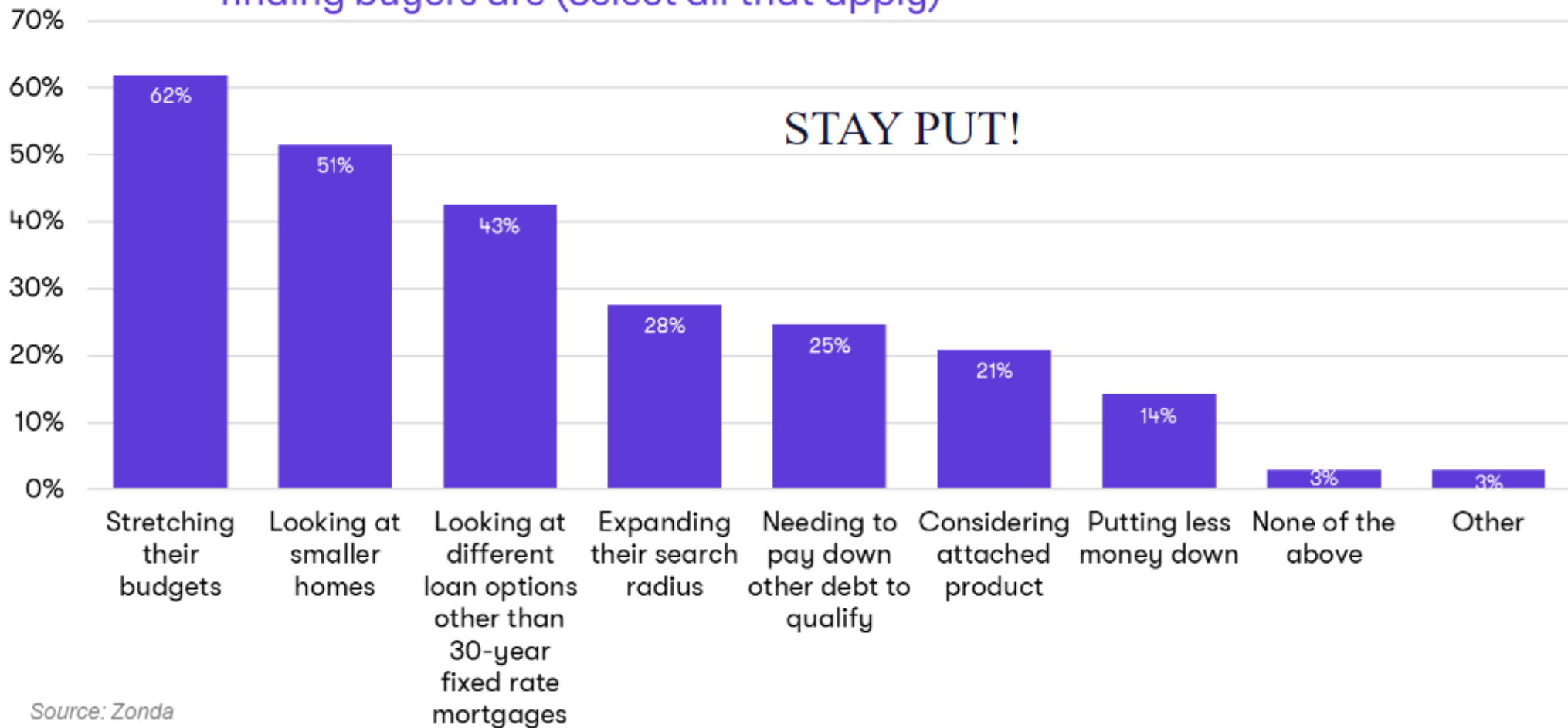
Gen Zers represented 9% of home buyers in 2022

SLC is the #1 Gen Z market based on population distribution

% Zonda

Consumers are willing to compromise to a certain extent

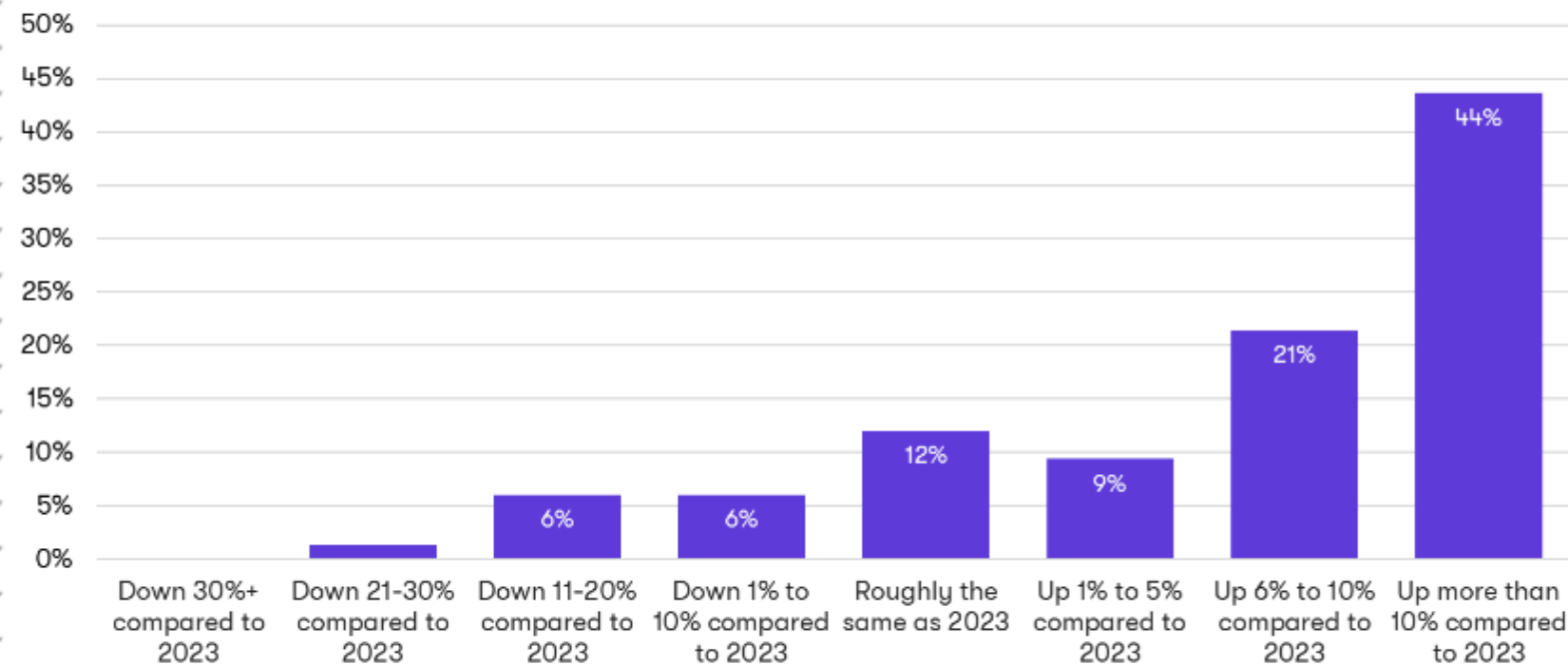
In response to higher mortgage rates and home prices, are you finding buyers are (Select all that apply)



Forecasts and final thoughts

More building could help with affordability and mobility

What is your plan regarding housing starts in 2024?



Source: Zonda

74% of builders nationally anticipate starting more homes this year (all of the builders we've talk to in SLC plan to increase supply)

Assuming demand holds up...

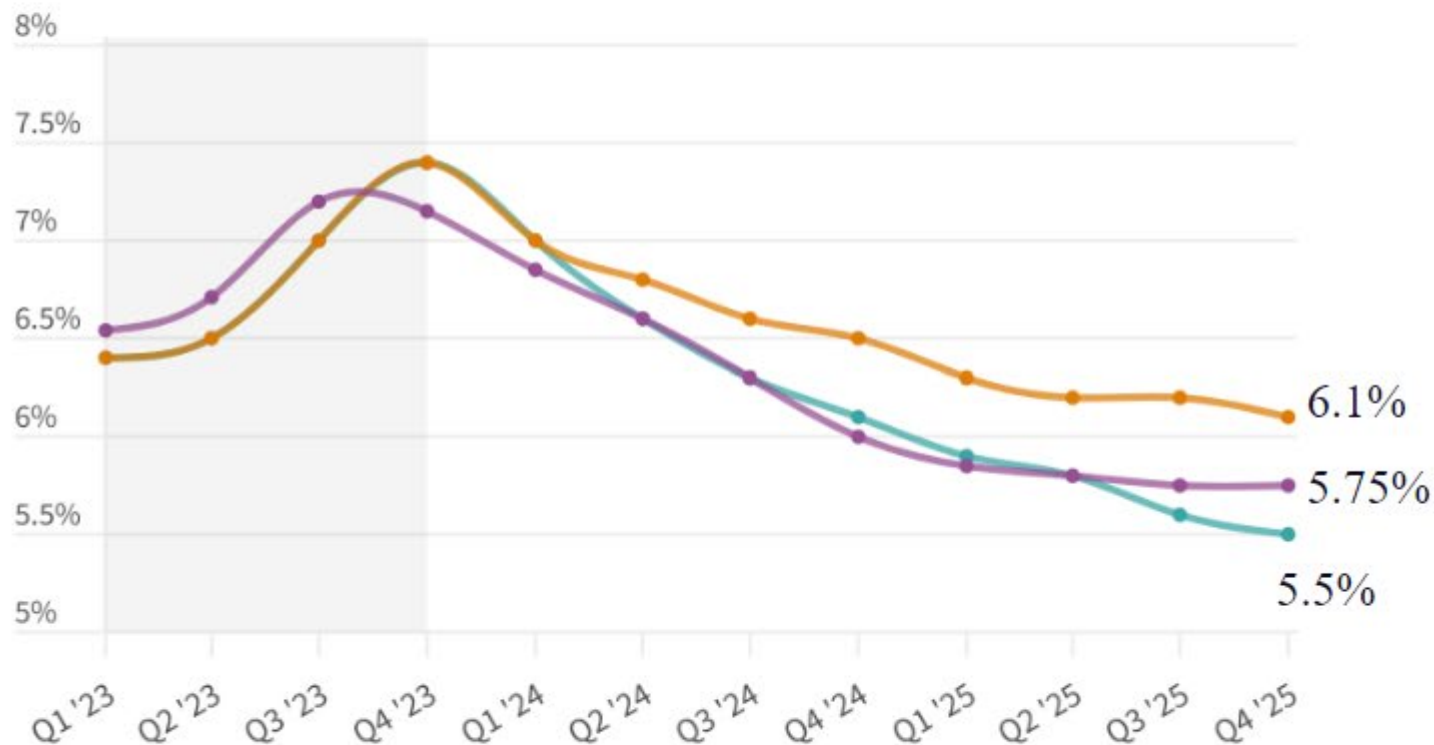
Rates will likely be tricky for a while

Future rate cuts. Mortgage rates are historically already down ~20% from peak at the start of the cuts (with a ~6 month lead time) and then hold relatively flat for the next year

Normalizing of spread. If the spread were to normalize back to the historical average, we would be looking at mortgage rates in the 5s/low 6s

30-Year Fixed Mortgage Rate Forecasts

Fannie Mae, Mortgage Bankers Association, Wells Fargo



Sources: Fannie Mae, MBA, Wells Fargo • Shaded areas represent actuals.



NAHB: 6.4% | Zonda 6.3%

Forecast considerations

Are we too low?

- **Market share.** New home communities continues to gain market share
- **No recession.** Recession is avoided, preventing any vicious cycle.
- **Jobs.** Labor market holds up
- **Rates.** Interest rates come down faster than expected
- **Lots.** Increased lot supply continues to support more building
- **Timing.** Housing slows quicker than the rest of the economy and comes back quicker

We expect total starts to be down 7% YOY

950SF (+2%) | 350MF (-26%) | Range in the market: 880K-1.1M for SF

Are we too high?

- **Rates.** Rates hold at these elevated levels
- **Recession.** U.S. falls into a major recession, including widespread job losses. Long and variable lag!
- **Supply.** Resale supply ticks up (job losses, investors, flippers)
- **Inflation.** Inflation doesn't slow further
- **Margin compression.** Builders can't continue to buydown rates or offer the same kind of incentives
- **Affordability.** Affordability challenges persist and sales soften more
- **Credit conditions.** Credit market conditions tighten notably

Why homeownership?

Educate on:

- Down payment options
- Mortgage rate buydowns
- Funds towards closing costs
- The value of the area you are selling. Is there something unique (school district, limited land, walkability, unique homes, etc.)

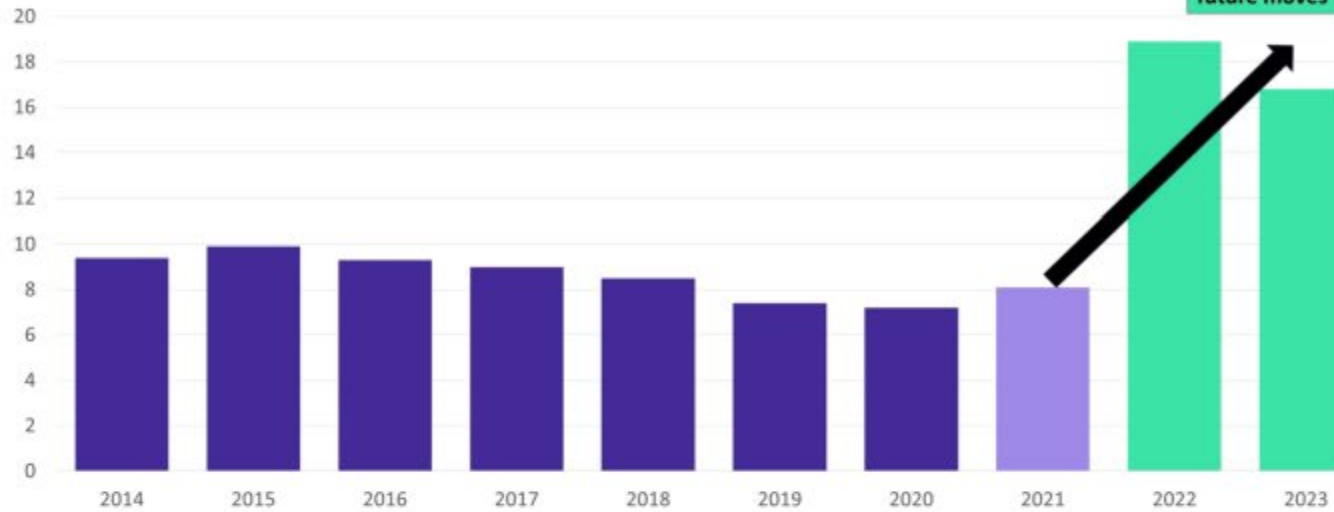
- **Housing as a long-term investment**
- **Paying to yourself**
- **Saving path for retirement**
- **Generational transfer of wealth**
- **Certainty on rates and monthly housing cost**
- **Can always refinance later**
- **How long are you planning to stay?**
- **Don't time the market**

Pent-up demand

Homeowners were forced to buy quickly during the height of the market while competing in bidding wars and waiving inspections. Now people are dissatisfied.

2023 was the lowest year for mobility on record but we expect a positive jump once the market stabilizes

% of Homeowners Planning On Staying < 2 Years in Current Home (Or...moving ASAP)



Source: NY Federal Reserve SCE data (tenure expectations)

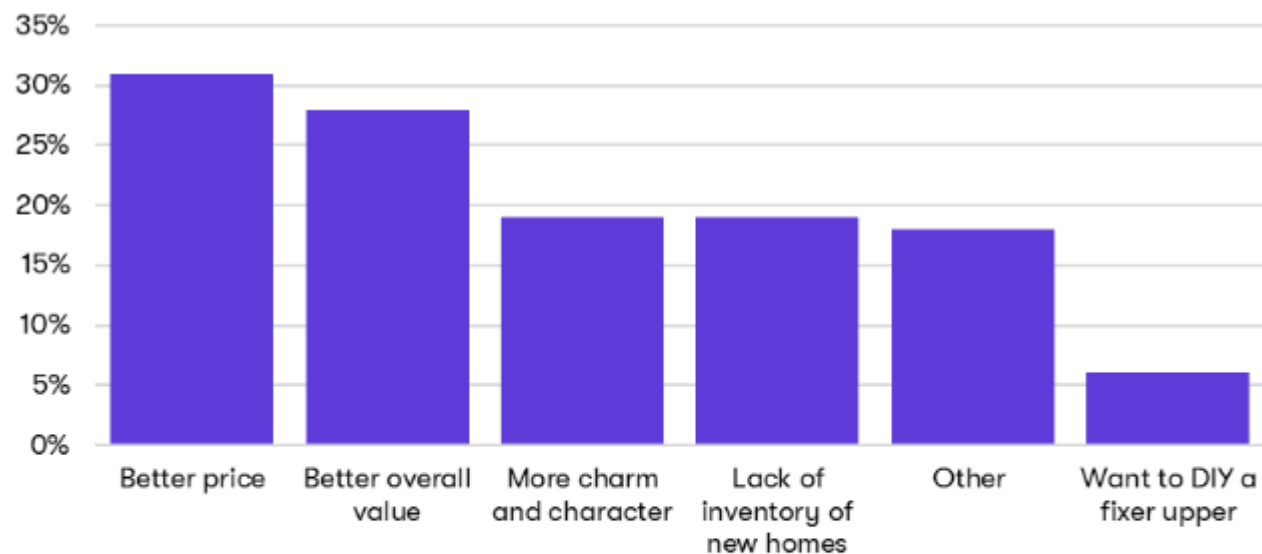


Go back to what matters

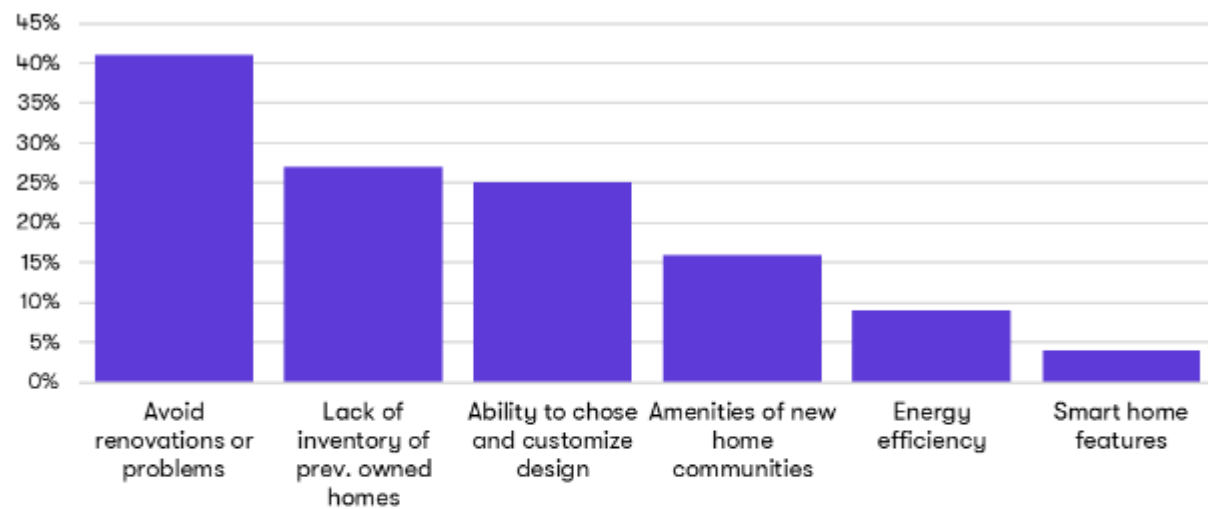
Affordability shock, consumers sidelined, an election year, lingering economic uncertainty

Understanding the buyers today and the drivers of their decisions is key to capture today's "life happens" buyers

Why purchased existing home - all buyers



Why purchased new home - all buyers



Source: 2023 NAR Home Buyers and Sellers Generational Trends; Zonda

Source: 2023 NAR Home Buyers and Sellers Generational Trends; Zonda

Thank you

Ali Wolf

Chief Economist

Zonda

awolf@zondahome.com

**SALT LAKE
REALTORS®**

2024

HOUSING FORECAST



**SCAN FOR 2024
HOUSING REPORT**



THE LASSIG TEAM
CROSSCOUNTRY MORTGAGE™



Utah Real Estate.com



Woodside
HOMES

**GIFTS
WITH AN
EDGE**
YOUR EDGE IN CLIENT RETENTION



LUNETATA
HOME LOANS

**MESA
MEDIA**
REAL ESTATE PHOTOGRAPHY • VIDEOGRAPHY



one home