

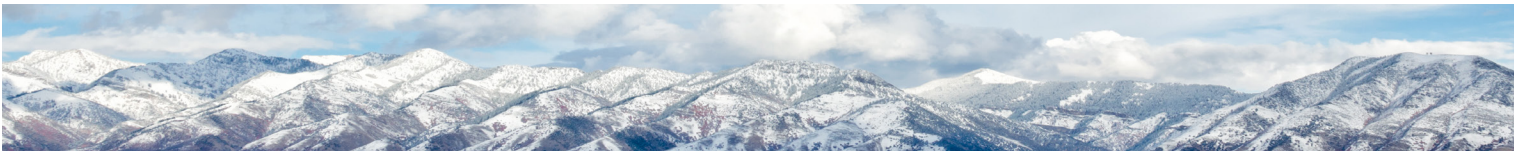


2024

HOUSING FORECAST

E X E C U T I V E R E P O R T





Salt Lake Housing Forecast Report: A Review and Forecast for the Salt Lake County Residential Real Estate Market

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Despite experiencing the steepest two-year surge in housing prices on record from 2020 to 2022, Salt Lake County’s housing market displayed a remarkable resilience against even modest declines, maintaining stable prices despite a decrease in home sales.

I. PRICES SURPRISE IN 2023

With the highest mortgage rates since 2002 and worries about a recession, 2023 was bound to be a tough year for the housing market. How severe would the housing correction be? Mark Zandi, a highly respected economist at Moody Analytics, predicted housing prices would fall 15% to 20% in “overvalued” markets. Salt Lake qualified as an overvalued market with the median sales price increasing by 40% in two years; jumping from \$380,000 in 2020 to \$530,000 in 2022, Table 1.

Table 1

Median Sales Price of a Home in Salt Lake County

YEAR	MEDIAN SALES PRICE*	% CHANGE
2017	\$293,000	10.6%
2018	\$320,000	9.2%
2019	\$343,500	7.3%
2020	\$380,000	10.6%
2021	\$465,000	22.4%
2022	\$530,000	14.0%
2023	\$515,000	-2.8%

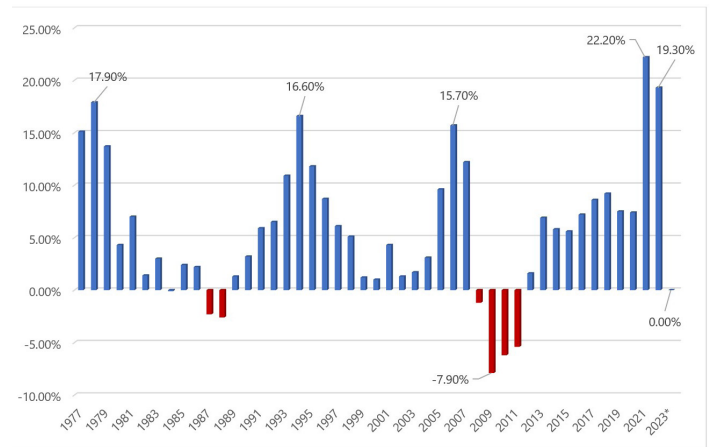
**Includes single-family homes, condos, townhomes and twin homes.*

Source: UtahRealEstate.com

Despite the most rapid two-year rise in housing prices ever (2020 to 2022), prices in Salt Lake County were surprisingly resistant to even a modest decline.

Last year, prices declined by only 2.8%, falling from \$530,00 in 2022 to \$515,000 in 2023. A look at past price declines helps explain the stubborn price resistance in 2023. In the past 50 years of price history there have been only two periods of price declines, the 1980s and Great Recession (2008-2011), Figure 1.

Figure 1
Percent Change in Housing Price Index for Utah

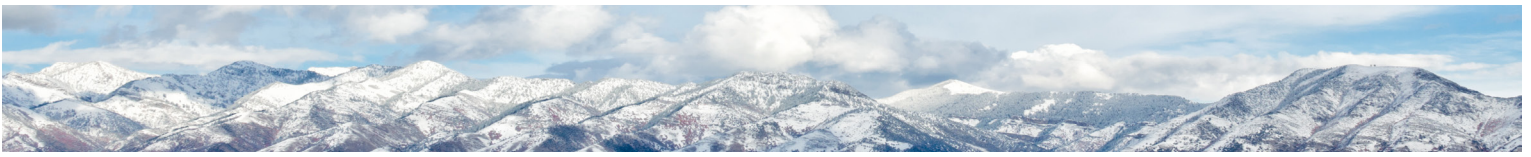


**2023, year-over comparison through three quarters.*

Source: Federal Housing Finance Agency, all transactions index, estimated using sales price and appraisal data.

Both periods were marked by high rates of unemployment, above 6%, and either job losses or meager rates of job growth, less than 1%. A far cry from job conditions in 2023. The 2023 unemployment rate in Salt Lake County was 2.57%, the second lowest annual estimate ever; only 2022 was lower. In 2023 the number of jobs in the county hit 800,000, up 2.4%, an increase of 19,000 jobs from the previous year. A strong increase of 5% in the average wage was also recorded in 2023, pushing the average wage in Salt Lake County to \$70,175. This wage gain followed the record-breaking increase of 6.3% in 2022.

Positive labor market conditions in 2022-2023 protected the residential real estate market from short sales and foreclosures, the main causes of falling housing prices in the Great Recession. For example, in 2009, the number of jobs in Salt Lake County declined by over 6%, a loss of 35,000 jobs, which in turn meant



a loss of income and default on mortgage payments for some households. During the Great Recession, foreclosures and short sales accounted for 18% of home sales, over 2,000 of the 11,000 residential sales in 2011. This record level of foreclosures and short sales, driven by a shocking level of job loss and reduced household income during the Great Recession, caused housing prices to fall for 16 consecutive quarters. No such downward pressure exists in today’s housing market. In 2023, only 57 of the 11,194 sales in Salt Lake County, about one-half of one percent, were foreclosures or short sales. Hence, Utah and Salt Lake County’s strong employment conditions helped prevent housing prices from any serious declines in 2023.

“In 2024, the median sales price for all types of homes will increase by 3% to \$530,500 from \$515,000 in 2023, while the median price of a single-family home will increase by 2.4% to \$600,000. Condominiums, townhomes, and twin homes will see a 5% increase to \$436,000.”

II. INCREASING LIKELIHOOD OF MODEST PRICE INCREASE IN 2024

A comparison of prices on a year-over monthly basis indicates an uptick in the median sales price in 2024 is likely. Over the last six months of 2023, the monthly price data show slight increases over prices in the same

month of the previous year, Table 2. Partial monthly data for January 2024 show a continuation of the upward trend in the median sales price. Although prices look to be ticking up, it will be many months before the monthly median sales price exceeds the May 2022 peak price of \$565,300.

**Table 2
Year-Over Comparison of Monthly Median Price of Home*Salt Lake County**

MONTH	2022	2023	% CHG.
JANUARY	\$501,000	\$495,000	-1.2%
FEBRUARY	\$520,000	\$500,000	-3.8%
MARCH	\$540,000	\$520,000	-3.7%
APRIL	\$560,000	\$500,000	-10.7%
MAY (PEAK MONTHLY PRICE)	\$565,300	\$535,000	-5.4%
JUNE	\$545,000	\$525,000	-3.7%
JULY	\$526,000	\$539,000	2.5%
AUGUST	\$525,000	\$525,000	0.0%
SEPTEMBER	\$523,750	\$525,000	0.2%
OCTOBER	\$522,947	\$530,000	1.3%
NOVEMBER	\$504,500	\$510,000	1.1%
DECEMBER	\$485,000	\$495,000	2.1%

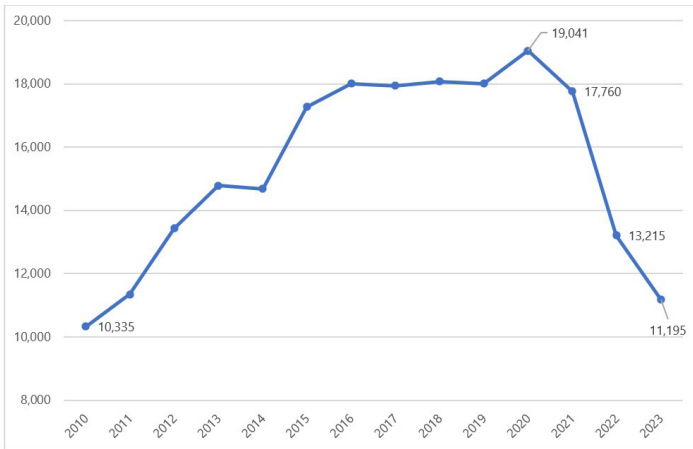
**2023, year-over comparison through three quarters.
Source: Federal Housing Finance Agency, all transactions index, estimated using sales price and appraisal data.*

III. SALES CONTINUE TO SLUMP

While prices held firm in 2023, sales slumped to their lowest level since 2010. Residential real estate sales totaled 11,195 homes last year, down 15% from 2022 and 41% below the all-time high of 19,041 in 2020, Figure 2. The impact of higher mortgage rates took the greatest toll on sales in 2022, as rates increased from 3% to over 7% in less than 12 months. The rapid rise in rates caused residential sales to fall by 26%, 4,500 fewer sales than the previous year. In 2023, rates fluctuated in a narrower range, from 6% in February to a high of 7.8% in the last week of October. By year-end 2023 rates dropped to 7% and drifted even lower to 6.6% in January 2024.



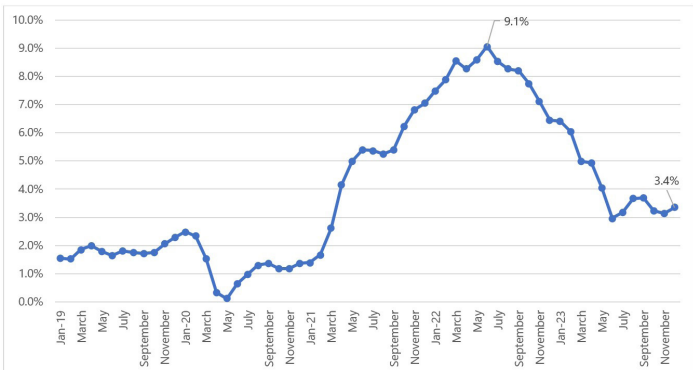
Figure 2
Residential Real Estate Sales in Salt Lake County



*Source: UtahRealEstate.com

The decline in rates follows positive news on inflation. The rate of inflation peaked in June 2022 at 9.1%, Figure 3. At the time many economists predicted high rates of inflation would persist over the next few years. They were wrong. Inflation has fallen much faster than expected while avoiding a spike in unemployment and loss of jobs, again surprising many experts. The rate of inflation was below 4% from June to December. Consequently, the Federal Reserve has signaled rate reductions are likely in 2024. The core inflation rate (excluding energy and food) fell primarily due to lower prices for goods (autos, apparel, appliances, household furnishing, etc.). In addition, falling gasoline prices, the deceleration in rent increases, and relief from supply chain bottlenecks have contributed to lower rates of inflation.

Figure 3
Year-Over Monthly Percent Change in the Consumer Price Index (U.S. city average, all urban consumers)



Source: U.S. Bureau of Labor Statistics

Residential real estate sales have been much more sensitive to rising rates than prices. And with rates expected to move lower in 2024, further declines in sales are unlikely thus leaving the 11,195 home sales in 2023 as the low point in sales for the current price cycle. Mortgage rate forecasts for 2024 show rates trending toward 6% and dropping below 6% in 2025, which will help support higher levels of sales.

Table 3
Mortgage Rate Forecasts

	YEAR-END 2024	2025
Fannie Mae	6.5%	6.2%
Mortgage Bankers Association	6.1%	5.5%
National Association of Realtors	6.3%	---
National Association of Homebuilders	6.7%	5.8%
Wells Fargo	6.4%	5.8%
Realtor.com	6.5%	---

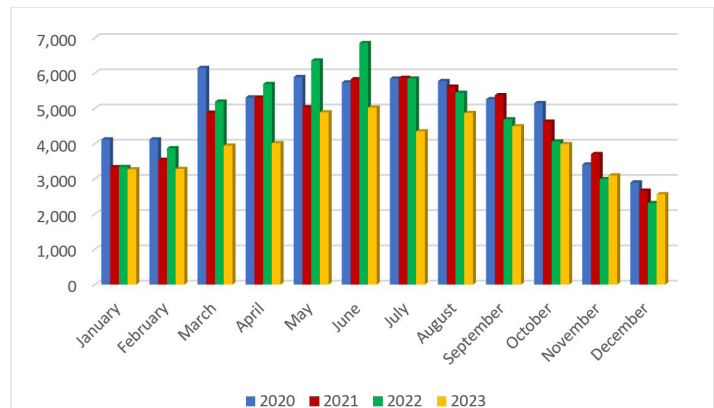
Source: U.S. News and World Report, January 8, 2024.

IV. FEWER LISTINGS CONTRIBUTE TO SLUMPING SALES

Sales in 2023 were lower, not only due to higher mortgage rates, but also to fewer listings entered. Notice the yellow bars representing new listings entered in 2023, Figure 4. In the first 10 months of 2023, listings entered were lower than the previous three years. However, in November and December of 2023, when mortgage rates declined, listings increased, exceeding November and December of 2022.

On a monthly average the number of listings entered statewide in 4,745 in 2020; 4,444 in 2021; 4,513 in 2022; and falling to 3,830 in 2023.

Figure 4
Number of Listings Entered in Utah by Month



Source: UtahRealEstate.com

V. AN OFFSETTING FACTOR: HOUSING AFFORDABILITY

While the housing market will benefit in 2024 from lower mortgage rates and increased listings, affordability will continue to be an offsetting factor preventing a sales recovery to the pre-pandemic level of 18,000 sales (2016-2020). An often-used measure of severity of housing affordability is the median multiple, which is a price-to-income ratio; the median house price divided by the median household income. Table 4 shows the affordability rating of the median multiple for Salt Lake County. From 2013 to 2016 the median multiple in Salt Lake County was under 4.0. Housing was moderately unaffordable. But by 2017 the ratio moved up to the 4.1 to 5.0 range, a seriously unaffordable rating. And by 2021, the acceleration in housing prices pushed the median multiple to 5.8 in 2021 and 2022. With the absence of a price increase in 2023 the ratio dropped slightly to 5.4, still a severely unaffordable rating for Salt Lake County, Table 5.

Table 4
Salt Lake County Median Multiple Affordability Rating, 2023

HOUSING AFFORDABILITY RATING	MEDIAN MULTIPLE RATIO
Affordable	≤3.0
Moderately Unaffordable	3.1 to 4.0
Seriously Unaffordable	4.1 to 5.0
Severely Unaffordable	5.1 & over

Source: Demographia International Housing Affordability

Table 5
Median Multiple Rating for Salt Lake County, 2013-2023

YEAR	RATIO	RATING
2013	3.6	MODERATELY UNAFFORDABLE
2014	3.7	
2015	3.8	
2016	3.9	
2017	4.1	SERIOUSLY UNAFFORDABLE
2018	4.3	
2019	4.3	
2020	4.7	
2021	5.8	SEVERELY UNAFFORDABLE
2022	5.8	
2023	5.4	

Source: UtahRealEstate.com and U.S. Census Bureau

“While the housing market will benefit in 2024 from lower mortgage rates and increased listings, affordability will continue to be an offsetting factor preventing a sales recovery to the pre-pandemic level of 18,000 sales (2016-2020).”

Tables 6-7 illustrate the impact of affordability on homeownership opportunities. The income required to finance the median-priced, single-family home in Salt Lake County is \$170,000. Even more, the income required for a more affordable median-priced condominium is \$125,000.

Table 6
Mortgage Payment Calculations for the Median Price Home in Salt Lake County, Q4 2022 and January 2024 (single-family only)

CATEGORY	Q4 2022	JANUARY 2024
Median sales price of home	\$562,250	\$554,750
5% down payment	\$28,110	\$27,735
Amount to finance	\$534,140	\$527,015
Mortgage rate	6.66%	6.63%
Principal and interest payment	\$3,411	\$3,365
Private mortgage insurance 1% of the loan	\$445	\$439
Home Insurance	\$100	\$100
Property tax @0.007% of home value	\$328	\$324
Total mortgage payment	\$4,284	\$4,227
Income Required to Finance Median Priced Home	\$171,360	\$169,080

Source: UtahRealEstate.com and Freddie Mac.

Table 7
Mortgage Payment Calculations for the Median Price Home in Salt Lake County, Q4 2022 and January 2024 (condominium, twin home, townhome)

CATEGORY	Q4 2022	JANUARY 2024
Median sales price of home	\$405,000	\$405,500
5% down payment	\$20,250	\$20,500
Amount to finance	\$384,750	\$385,000
Mortgage rate	6.66%	6.63%
Principal and interest payment	\$2,450	\$2,460
Private mortgage insurance 1% of the loan	\$320	\$320
Home Insurance	\$100	\$100
Property tax @0.007% of home value	\$236	\$237
Total mortgage payment	\$3,106	\$3,117
Income Required to Finance Median Priced Home	\$124,240	\$124,680

Source: UtahRealEstate.com and Freddie Mac.

Of course, half of all homes sold fall below the median. Do these lower priced homes provide a realistic home ownership opportunity for most renters or first-time home buyers? Sales data for Salt Lake County show that 27% of homes sold in 2023 were priced from \$400,000 to \$500,000 and another 15% were priced from \$300,000 to \$400,000. But even these lower priced homes require relatively high household income to qualify for homeownership. At current mortgage rates, a home priced at \$300,000 would require an income of \$90,000 to \$100,000. Daunting income requirements for most first-time homebuyers and renters. Even homes priced well below the median would, in most cases, require two incomes in a household and several years' experience in the job market.

VI. WHAT TO EXPECT IN 2024

ECONOMIC CONDITIONS – Expect slower job growth, but a recession in Utah is unlikely. The employment growth forecast from the Utah Department of Workforce Services for 2024 is 1.8%, an increase of 32,000 jobs. Excluding the pandemic year of 2020, this year will have the slowest rate of job growth since 2010. The labor shortage will continue with a low unemployment rate of 2.9%.

INFLATION – The rate of inflation will continue to decline to an expected 2.2% by year-end 2024.

MORTGAGE RATE – The mortgage rate will range between 6.0% 6.5% and by 2025 dip into the 5.5% to 6.0% range.

HOUSING PRICES – The median sales price for all types of homes (single-family, condominium, townhome and twin home) will increase by 3% to \$530,500 from \$515,000 in 2023, while the median price of a single-family home will increase by 2.4% to \$600,000 and condominiums, townhomes, and twin homes will see a 5% increase to \$436,000, thus benefitting from their affordability.

RESIDENTIAL SALES – Residential sales will increase from this cycle's low point of 11,195 in 2023. More favorable rates, improving consumer sentiment, and increased listings will push sales in Salt Lake County up 16% to around 13,000 homes.

Table 8
Forecast of Economic Indicators for 2024

	2023	2024	% Chg.
Utah Employment (000)	1,727	1,759	1.9%
Utah Unemployment	2.6%	2.9%	---
U.S. Inflation Rate	4.1%	2.8%	---
U.S. Mortgage Rate	6.8%	6.2%	---
Median Sales Price Salt Lake County			
All types of housing*	\$515,000	\$530,500	3.0%
Single-family	\$586,000	\$600,000	2.4%
Multifamily owner	\$415,000	\$436,000	5.0%
Residential Sales Salt Lake County	11,195	13,000	16.1%



2024 HOUSING FORECAST

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