



EPISODE 33: Behavioral & Demographic Studies

Gilbert (00:01):

Hi there everyone, and welcome to episode 33 of our Get Real podcast. Our guest today is Dr. Jessica Lautz, NAR deputy Chief Economist and Vice President of Research. Dr. Lautz analyzes housing trends and discusses these findings in major media outlets and international presentations. Welcome Jessica. Thank you for joining us.

Jessica (00:38):

Thank you so much. I'm super psyched to be back with you again.

Gilbert (00:41):

I know last time we had you here we were talking about the value of using NAR reports. What are the latest reports you've been working on?

Jessica (00:49):

Yeah, actually I'm super excited and I get to brag on a coworker right now. She just released the newest data looking at USPS change of address data. It's very difficult data to work with. She released a blog post yesterday and she actually was on CBS morning news this morning. So talking about that new data and some of it is actually really positive for Texas.

Gilbert (01:11):

I don't know if people, let me rephrase. I don't know if many realtors know of the value of if it's the research department, but can you tell us a little bit of all the things that you and your department work on?

Jessica (01:24):

Yeah, absolutely. So we are a small but mighty team. We analyze publicly facing data. So whether that's census data whether that's data that we can get from the Department of Labor like the jobs numbers. We take surveys of consumers and a lot of surveys of members. So if you received a survey that's from us thank you for taking it. We also look at how consumers are changing and changing their activity, but then also what they need from a realtor and the value that they're seeing in their real estate agent after

they have a transaction. So a wealth of data that we're putting out truly on a daily basis to understand what's going on in the housing market.

Gilbert (02:07):

If people were gonna ask what is a snapshot? How, what would be the two sentence answer to how is the housing market, cuz that's what every realtor is asked <laugh>. What would you, what would you tell 'em to answer that?

Jessica (02:20):

You know, I would say that we're in a moment of transition. We're already seeing that it's becoming more competitive again. So we had a lull with higher interest rates. Now we're seeing that buyers are coming back into an early spring market. So my concern is the lack of inventory. It's the same concern we've had over the last few years, but that's my concern.

Gilbert (02:38):

Now I have heard that builders are saying on their end, we have plenty of inventory coming, plenty of inventory coming.

Jessica (02:45):

Mm-Hmm. <affirmative>

Gilbert (02:46):

What are you seeing as far as that?

Jessica (02:49):

You know, I think that it could be true in some areas of the country, but I don't know. Every realtor I talk to and every consumer that I hear from the lack of inventory is really hitting affordability quite hard. So if you look at your local area, we know the latest data that I have is q3 and I'm seeing that home prices are going up at a double digit pace still. That's gonna hit a consumer really hard when we saw interest rates peak at 7% now coming back down to 6.1, but still, that's quite high for anyone to lock in that mortgage.

Gilbert (03:19):

And how do you think realtors should be able to decipher all this information when I, right before we got on my question was can we answer specific San Antonio questions? Do we Texas questions, do we do national? And it's like you said, every market is so different. We'd like to think that San Antonio has been fantastic as a housing market because it doesn't have the peaks and valleys. So where do we go to get that information, to answer those questions?

Jessica (03:46):

Yeah, absolutely. Well, I will absolutely plug nar.realtor in the research section of the website. We have a ton of local information, metro market information, state information, but also I would say follow us on social media because we're putting out all of our new content so often we don't have enough time to

dig around on a website, go and find a report and see what's useful to us. So go and see what we're posting on social media. You can follow us along and then if something's interesting, you can click from there. So I would definitely suggest that. We're on Twitter, Instagram and Facebook. So all the places you are, we are

Gilbert (04:18):

Just keep an eye on for that stuff. Get the algorithm to, to feed you the data, right? <Laugh>?

Jessica (04:24):

Yes. Like it, re-share it, post it. You become that brilliant person who is sharing that with your clients.

Gilbert (04:30):

And that's the great thing is that you're making the data available to say, share this and you be the resource.

Jessica (04:36):

Absolutely. Because that's what the consumer wants to know at the end of the day, that you are that trusted expert. You know that your local community, you know what's going on in the local level, but it's also helpful to be able to share that market data in real time with your clients.

Gilbert (04:51):

Do we know right now if the multiple offer world is over?

Jessica (04:57):

Well, I can say March of 2022 is the last time that we saw a very strong multiple offer situation. We had 5.5 offers for every home that was listed. Right now we're at 2.3. That's still actually pretty strong, but that's right at the norm. And that's a good thing. So two offers for every seller that's out there, they'd probably be quite pleased. And we're seeing that the majority are actually moving for asking price. So as long as your realtor is pricing that correctly, that home sale, then we know that that's probably gonna move pretty quickly.

Gilbert (05:30):

And I noticed that in one of y'all's studies, share of distress sales and foreclosure short sales. That was really down. So if you were trying to sell your house, you were gonna be able to sell your house. Is that still gonna be the experience for home sellers?

Jessica (05:45):

Yeah, absolutely. And I think that's one of the big misconceptions that's out there is that we're gonna have this shadow inventory just stress sell sales coming onto the marketplace. I just don't see it. And we're not seeing it right now. It's 1% of all sales right now is distraught sales. So foreclosures and short sales altogether 1% of the market, we just don't see it right now. And the reason why is because home prices have gained so dramatically, especially over the last two years. So homeowners are sitting on quite a bit of housing equity. The typical owner has lived in their home for 10 years and they have \$210,000 in housing equity. That's a lot. So even if something happened in their life that was unusual and really an awful thing that could happen like a job loss or death in the family, we know that they

likely could actually sell their home for a profit and move on into a positive situation, positive equity situation perhaps buying a new home, a smaller property, or even renting temporarily.

Gilbert (06:40):

So that brings to a conversation that we had been having for the last couple of years, which is, my sellers are happy to sell their house and they do have this equity, but right now they can't find something. Even with that equity to buy. Is that still the narrative?

Jessica (06:59):

You know, I think that it's not right at this exact moment as we're speaking in winter of 2023, but I think moving into the spring market, that is going to be the case, that is going to be the narrative is that unfortunately we just don't have that housing inventory. There's a couple reasons why. One, we know that interest rates have been taking down. So if they continue in that positive situation, that's great for home buyers, but it means more home buyers in that marketplace. And two, we really have been under building. We're gonna need several years of catch up. Those home builders will need to bring those products onto market to be able to really support the growing population that we have of young adults who are trying to find their first property at the same time that seniors are aging in place. So we need those properties to come onto market, please. <Laugh>

Gilbert (07:45):

<Laugh>, couple of follow up questions. How has this affected the days on market for the nation?

Jessica (07:53):

So in recent weeks we have seen that days on market has gone up. So we were at an all-time low. If we think about that frenzy, crazy marketplace in the spring, we were at all-time low of 14 days on market. Now we're back up, we're we're hitting closer to high twenties. So that's the typical days on market. I have to say though, historically that's still pretty good. So we have to just, I think, set that context with sellers out there that is not last year's market. Last year's market was not healthy and they would not have wanted to be a seller who needs to find a new home in that marketplace. Cuz as a buyer that was just impossible. But for right now, if your home is priced appropriately, it will move and it likely is going to move within a month.

Gilbert (08:34):

And the, you mentioned briefly that we need those houses. What is that number or what is that? How many years behind on new home construction are we?

Jessica (08:47):

Okay, so <laugh> we're behind more than a decade. So we have a lot of catching up to do. On a nationwide scale, we're short by six and a half million homes. Every local community is different and every local community has reasons why we're short on that new construction. Whether that means because there's density restrictions or because there's funny laws on the books and every local community has these issues that they're grappling with where there's a lot of nimbyism and people don't necessarily want new construction in their backyard. But at the end of the day, we really do need that new construction.

Gilbert (09:19):

You know, and I know if you go into social media apps and there are campaigns of no apartments in my neighborhood anymore or stop that development, that's what we need in order to keep our market sustainable and make leave housing affordable.

Jessica (09:38):

Absolutely. We need affordability for consumers out there. We know that first time home buyers are at an all time low right now. They need an affordable property to move into. And if realtors had those properties on the marketplace, they would have something to sell for those consumers. Cuz obviously that demand is out there if that consumer can find an affordable property.

Gilbert (09:57):

Can you tell us about what the average first time home buyer looks like?

Jessica (10:01):

Yeah. So the, I have to say it's a little sad. I'm not, I'm gonna preface this with, it's a little sadder this year. <Laugh>. Okay. So the typical first time home buyer this year is now 36 years old. It's the highest age we've ever recorded. It's the closer to 40 than they are to 30, unfortunately.

Gilbert (10:16):

What was it in 2019 would you say?

Jessica (10:18):

Yeah, it was 33 years old. Okay. So yeah, really seeing a little bit older, it's taking longer to save for that down payment. We've typically seen that your first time home buyers between 28 and 33, it really doesn't change much. It's pretty tight band. So seeing that age jump really speaks to the hurdles that they're having. Saving for a down payment with rising rents, saving for a down payment with childcare costs, with student loan debt. All of these debts piling up at the end of the day and saving for a down payment just goes to the back burner. If you don't have mom and dad's help now, if you have mom and dad's help, you're golden. We saw that 27% of first time buyers move directly from their family members home into home ownership. So essentially skipping paying rent, 22% of first time buyers had mom and dad's down payment assistance. So directly just that transfer of wealth. So those first time home buyers, they're in a good situation, but for others out there, they're really struggling.

Gilbert (11:12):

So, I saw recently you put out some information about a misconception on down payment. Do people still assume that it's gonna have to be 20%, that there aren't options out there for them? What is the consumer's apprehension about that?

Jessica (11:30):

Consumers just don't know. I think a lot of us get our advice from perhaps our parents and they have perhaps an older idea. Also we have to pay PMI for many mortgages. Not for all, but for some mortgages, if you don't have 20% down, you have to pay pmi. And so people think you need 20% down. Realtors out there, please get the word out. You do not need 20% down for a down payment. Consumers do not know that. And for many first time home buyers, that could mean getting it to a home sooner because right now the typical first time buyer is just putting down six to 7%. So they are

taking advantage of these low down payment for loans. Whether that's a va, an FHA loan, those loans are out there and getting the word out could be really helpful.

Gilbert (12:14):

So you mentioned the first time home buyer. I know last time we spoke everyone was moving to the outer limits of the city. You didn't have to commute anymore. They wanted bigger yards because everyone was locked down. Is that still the case? Like can you tell based on y'all's research?

Jessica (12:31):

It is, it's absolutely still this case. So yesterday this new migration flow report, it really showed that the South Texas second only to Florida in migration flow. The typical miles moved is actually 50 miles for a recent buyer. And for repeat buyers it's 90 miles. So moving a very far distance away. And the top reason why is affordability, the south is more affordable. And a lot of people are saying, I can buy a lot more house. I can have a backyard, I can have this place that I can really call my own. And we know that the job market is good. We know that taxes are favorable and so a lot of people are moving there.

Gilbert (13:08):

How do you know people in San Antonio, like myself who have lived here all our life, know that this is a great place to live and now other people are discovering it. How do you talk to those folks who are afraid, oh my God, all that migration though is going to ruin our affordability and make it harder for first time home buyers?

Jessica (13:28):

Yeah, I mean it certainly has made it harder for people who have lived there their entire lives. They're seeing this in growth of people. What I would challenge and what I would say is that we need more construction than in those areas of the country where we're seeing that migration flow. And so as we see this migration flow into the south, we need more construction to support these individuals moving in. So that affordability is not the issue that we have seen. I also would say for realtors out there who are working with these clients who are moving a longer distance, this doesn't necessarily make your job easier, but it does make it more important because you are the local expert. You can tell them about the community and this buyer is moving a long distance away from where they feel comfortable with, where their home had been. So you're relaying that neighborhood and all of the amenities that that provides in a way that that consumer may not know.

Gilbert (14:19):

Now, one of the things that helps with housing inventory obviously is the construction of new homes. But those folks who transition to their next home, whether it's upgrading downsizing and are people leaving their homes as fast as they were or has that number changed? I always told you should stay in your house at least five years. What are people hearing now and what are people actually doing?

Jessica (14:46):

Yeah, so they're definitely staying put. They're not, they're not budging necessarily. So we're actually seeing that, that people are staying in their homes for about 10 years. Some of that may have to do with a hangover effect from the great recession. We saw a lot of people move quickly, have that housing equity and quickly move on. Some of it has to do too with people just locking on a lower interest rate. The expectation for recent buyers, I have to say, is pretty unusual. We're seeing that they're planning on

staying their home for 15 to 18 years. That's an extremely long period of time. While that could be the expectation though, we always know that something in your life may change a new baby, a new job, marriage or a divorce and all of those things could happen to that homeowner.

Gilbert (15:25):

You know, you mentioned interest rate and there's, that's absolutely a part of the analysis. Oh my gosh, I got this at two point something. It's like they're giving away money, which is not the case. But how many, there's also this reaction from first time home buyers and I don't know if that's why people are waiting longer that say it's at 4%, it's at 5%. That's way too high. And you talk to the folks who have been in the industry and they say, Gilbert, I remember when it was 18% <laugh>. I mean what is that conversation you have with people to tell them this is still a good time to buy that percentage? I mean what is keeping people, is that percentage rate actually keeping people from buying and how would you address that concern?

Jessica (16:10):

So I would say one, it does impact affordability. It impacts how much you can buy at the end of the month. So especially for a first time home buyer who doesn't have that housing equity, it's gonna impact their mortgage. And that's certainly a concern. But we also know over the long term that that is a low interest rate. Especially as we see it ticking down in the low 6% range. That's an incredibly good interest rate if we look at that historically. But I think getting the education out there and going beyond the interest rate of this is how much home you can afford. This is a place that you're gonna be earning equity over the long term. This is a place that you could refinance if you want to, if interest rates ever dip back down. But over the long term you're building wealth and by not doing it, you're missing out on that unfortunately. So if you can't afford to buy, it's better for your long-term future.

Gilbert (16:59):

I'm gonna transition us now to some of the data you have about consumers wanting to work with agents and that process. The demand for a person to need a realtor to get him through that process has stayed the same or increased.

Jessica (17:17):

We're actually seeing that about 9 In 10 buyers and sellers are actually wanting and using a real estate agent in their buying and selling process. I think it's consistent. We're not seeing much change there, honestly. We're seeing it still high. But I would say that the pressures that are put on the agent have changed. They've elevated, we know that buyers and sellers are asking for more. They want help not just finding the right property, but also help in negotiation. Also help telling me the faults and features in the property or the neighborhood because I am moving a long distance away for sellers. It also has changed. We know that sellers, they want a full service agent. They want someone who's gonna help them price their home, stage their home, do all the photos and the virtual tours and all the bells and whistles. Cause that's what they're using when they go to buy a home and then price it competitively. We know it's a changing market. Set those expectations, right? Then pass the closing table. So the list is long of what sellers and buyers are looking for in their agent. But I know that the realtors out there, they are meeting those expectations

Gilbert (18:17):

And that's the value proposition, right? That's why we sell that the resource of this expertise is because it will help you with this transaction.

Jessica (18:28):

Absolutely. And I think also setting the expectation that this market today is different than the market from six months ago, a year ago, 10 years ago, but also moving forward it's gonna be different six months from now. We don't know what it's gonna be necessarily, but having that expertise to actually guide you right now in today's transaction is incredibly important.

Gilbert (18:48):

You know, the experienced realtor who has been here 20 years 10 years. Random question. How long is the average realtor in the real estate business?

Jessica (19:00):

So it's about 10 years. But I have to say it's pretty interesting because we do always constantly see a turn. So we see that people come in and many of them, the vast majority do accelerate and they find their niche and they build their clientele. But there's always a churn in the industry for people who are a couple years in.

Gilbert (19:18):

So that agent who's 10 years and now the new person, the person who has 10 years, has a great value proposition because they have a lot of information on how it works. How does that new agent show the value to these buyers and sellers to make them equally as competitive?

Jessica (19:34):

I think the same way. They're building out their niche. They're building out their clientele. They know their expertise. And I think understanding the market, understanding and educating yourself can be incredibly valuable as a proposition to that buyer and seller.

Gilbert (19:49):

And we're gonna plug our resources and say, Hey, use these podcasts. Find information where you can to make yourself that expert. You mentioned that staging of home and virtual. You also had interesting information about folks who are buying houses site unseen through virtual showings. Is that something that is new and you think will continue?

Jessica (20:15):

If you had asked me this question before the pandemic, I would say no way. People are not doing that. It's a new question that we started asking during the pandemic because we knew that people were doing this, whether it was concern over the virus or it was because of the distance moved and it's something that's stuck around. So it's not 1 in 10 single digits, but we are seeing it bounce around on a monthly basis as high as 11% in a month of consumers who are saying, I'm gonna buy this home site unseen. I'm using the agent in that process though. So that agent is walking through that home. That agent is telling me what that home sounds like, smells like what's behind the door that I can't see in that virtual tour and really relaying that to me. But it is a different transaction I would say than what we had seen before the pandemic. That would've never happened. But I think it's year to stay, honestly. Yeah,

Gilbert (21:03):

That was gonna be my question. Is this a trend that is just kind of holdover cuz people aren't ready to go outside? Or do you think this is, this is kind of like the new normal, especially if people are moving from other parts of the country to a new part of the country?

Jessica (21:18):

I think it's a new normal. I think it started during the pandemic because the concern of the virus. But now the reason why they're doing it is low inventory and long distance moves because if you're moving a long distance, you may not be able to book a flight, jump on a flight over a weekend before that home is under contract in the next week. That's just not possible. Or drive several hundred miles. So you're gonna talk to the realtor who you've been working with, who you have a solid relationship with to tell them, tell me this home, show me this home. This is exactly what I've been searching for. Can you relay this to me? Is this what I need to be and want to be putting a contract on.

Gilbert (21:53):

Thats a lot of trust.

Jessica (21:53):

<laugh> Absolutely. But I do think that realtors jobs have not gotten easier over the last couple of years. I think the value proposition has gotten stronger, but I also think the jobs have gotten a little harder.

Gilbert (22:03):

Yeah. Cuz you know, hey Jessica, is this the house I should buy? You know what I want? I haven't seen it, but can I trust you that it's perfect for my family? I mean, that's a hard question to answer for someone, but that's exactly what's being asked

Jessica (22:17):

<Laugh>. It is, it is. And sometimes the first time that buyer sees that house is really the final walkthrough before the closing table. And that's a lot of pressure on that agent really to make sure that that is the perfect house that they have conveyed to them.

Gilbert (22:31):

You see a lot of data, a lot of reports. What's the interesting stuff you see coming across your inbox or your desk?

Jessica (22:39):

You know, I think it's the change in consumer. All of the changes that we've talked about really do speak to a consumer who's changing. They're older, whether that's a first time buyer or a repeat buyer. Their needs have changed, their wants have changed. How they're going about this transaction has changed except for the use of the agent, which is constant. So I do think this is a very changing market, but one that as long as we understand and keep a pulse on and keep collecting the data on I think realtors have it honestly.

Gilbert (23:08):

So when you talk about the new consumer and then earlier you mentioned folks that are able to first time home buyers transfer from their family home to their new home without needing to rent. You mentioned generational wealth. How is this affecting or what are the studies showing about minorities and their ability to participate in this housing market?

Jessica (23:31):

Yeah, unfortunately that is something that we have studied quite a bit because the divide is stark. We have seen that there's a growing share of white home buyers right now in this housing market. A lot of that has to do with housing affordability. And at the same time we're seeing a lot of home buyers who unfortunately are black home buyers, Hispanic home buyers and Asian home buyers have been declining in the last couple of years. The positive thing that I would say here is that we do see a growing share of Hispanic Latino home buyers really overcoming the affordability concerns that they may have. But when we look at black home buyers, those affordability concerns are really holding them back a lot of the time. They don't have generational wealth to rely on. They have to come up with that down payment savings on their own. Often they're holding higher amounts of student loan debt and then they're also having a very hard time saving for this because they may be a single income household as opposed to a dual income household. And that, that's really hard as well.

Gilbert (24:33):

Do you think that, lemme rephrase. What can realtors locally through the association through the value of advocacy do in order to help with this and contribute to improving generational wealth in our communities?

Jessica (24:52):

Yeah, I think one of the big things to get out there is to talk about the low down payment programs that could be available for consumers that they may not know about. If you don't grow up in a household where your house is owned, you don't know the things that are intrinsically talked about at the dinner table when it comes to home ownership and getting that information out there can be incredibly helpful. When we talk about fair housing issues, I would want to plug or Fairhaven program, which is free to any realtors out there who wanna take it. That is really a simulation that you can go through a little fake community that talks about some of the racial gaps that we really do have in housing and how to address them as a realtor as well.

Gilbert (25:34):

Jessica, I really want to say thank you for taking the time to talk to us and give us a little bit of information on all the research you do. I hope our members will explore those resources if they wanna find them on the website, where do they go?

Jessica (25:51):

Nar.Realtor and the research section is smacked down in the middle so you won't miss it.

Gilbert (25:55):

Thank you so much for this and for everything you do for our association and we look forward to talking to you again soon.

Jessica (26:01):

Thank you so much. This was a great conversation.

Gilbert (26:04):

Thanks for listening to Get Real. Be sure to subscribe for future episodes and share us with your friends on Facebook, Instagram, and Twitter. More information on this episode can be found at sabor.com/getreal. Until next time.