



## Episode 27: Housing Stats: Then & Now

Let's be honest – REALTORS® face an ever-changing industry. With emerging tech, growing trends, and a booming market, it's vital to keep up. Join me, Gilbert Gonzalez, CEO for the San Antonio Board of Realtors, as I get real with experts on what REALTORS need to know about this industry. It's time to get real.

Today I'm talking with Dr. Lawrence Yun, Chief Economist for the National Association of REALTORS®. He's here to talk with us today about the outlook for real estate market trends and what we can expect in the coming year. Dr. Yun, thank you for joining us today. Let's jump right in. If we were gonna describe 2021, how would you do so?

LY (00:42):

It was a spectacular year for the housing market. Record high home prices, strongest price appreciation. So, one year jump in price appreciation. The strongest ever, and regarding home sales, the unit sales, the best performance in over a decade. So a, quite a spectacular performance for the housing market.

GG (01:08):

And would you say this is something that everyone predicted or did, Is this completely an anomaly?

LY (01:15):

Well, you know, 2020, the first year of COVID, first, you know, it cost tremendous amount of uncertainty. But one silver lining to the COVID was that people wanted different types of housing. Larger size homes further away from downtown, thinking that they don't have to go back to the downtown office space anymore. So, and, and then also because of COVID the federal reserve lowered the interest rate to the X absolute max lowest possible point enhance that all few the housing market in 2020, and that momentum just carried over to 2021. So in a sense, it was not a total surprise. I would say the surprise was more on the first year of COVID rather than the second year.

GG (02:07):

And did the numbers show that in fact more and more people wanted larger houses because of the remote work and more people moved into the rural neighborhoods, out of the urban?

LY (02:18):

Absolutely. Yeah. Data clearly shows that in the suburbs, or excerpts, meaning that second ring of the suburbs showing a greater sale increases along with the price appreciation. While the downtown areas, now let's remember real estate has been hot throughout, so downtown of, say Washington DC downtown, of any major cities, they're also doing well, historically speaking, it's just that it's been quite remarkable out in the suburbs compared to the downtown areas.

GG (02:53):

So, switching over to 2022, do you expect this to continue?

LY (02:59):

Now we do have one big negative that the housing market has to overcome, which is rising mortgage rates. Housing market always responds to changes and interest rates. If it's a small change, not that meaningful, maybe the job market is more important. So, we have had a 3% mortgage rate or under for the past almost 18 months, past 24 months. Now it's going to be above 3%, possibly hitting 4% sometime this year. I mean, my official forecast is around 3.7% mortgage rate in the fourth quarter. So, it is an increase, and some people will say meaningful increase, but not an alarming increase. So, the key question is, is there enough job creation to compensate for this negative impact of rising interest rates? And my overall guess is that nationwide home sales will come down a bit, very small amount, maybe about 3% nationwide in terms of unit sales, not prices. Prices will continue to march upward because we still have housing shortage.

LY (04:19):

For the state of Texas or San Antonio market, I think you may actually see a positive net gain in sales just because there's a much stronger job creation in Texas and, also San Antonio is located very near the super-hot Austin market. And I think some of the people who are getting priced out of the Austin market, or people who don't have to commute to downtown, you know commuting is a nightmare in Austin, they may say, you know, why not out in the San Antonio suburbs? So, you have that extra benefit of strong job creation and getting some of the positive filtering from the super-hot Austin market.

GG (04:58):

You know, we like to think it's not just the traffic. There's a lot of reasons people prefer San Antonio over Austin, but that's a different conversation, Dr. Yun<laugh>. Now the, the mortgage rates and then the prices are gonna stay the same if I understood in the past. So, when the mortgage rates went up, the prices of houses would come down a little bit. Are you saying that you're projecting that they're probably gonna stay exactly where they're at?

LY (05:20):

So, the mortgage rate will be rising you know, 3% to around 3.7% so last year versus this year, and home sales nationwide will be coming down, I would say around 3%. So, rising rates pull back home sales nationwide. Now, Texas, again, being more unique in terms of faster job creation versus the rest of the country so you may actually see no meaningful change in home sales.

GG (05:48):

How and how about home price?

LY (05:51):

Home price is rising nationwide. I have at about, you know, 4% growth nationwide because we still have a housing shortage. And furthermore, we have this high consumer price inflation, you know, people feel it at the gas station, people see it at the grocery store. But also, the rents are rising. Rising rents are always a good news support for home prices. So even as some of the buyers are not there because of higher mortgage rates, the rising rents will attract some of the investors to say, wow, this is a good opportunity.

GG (06:27):

So, you mentioned rents and I'm gonna also include 'foreclosures'. There's been a lot of policies that have had effects on those two issues. Do you think that if there is any residual outcome or effect that those stays on evictions and foreclosures may have?

LY (06:47):

So, the, the eviction moratorium that is over, the mortgage forbearance program that is slowly winding down, which means that if you cannot pay your rent for the most part, one would have to exit the residents and there are plenty of renters out there wanting to lease. There's an apartment shortage. And you know, what NAR has been advocating for is that if you believe that the renter needs help, provide rental subsidy. It should be done not at the expense of landlords not receiving rents. So, provide the rental subsidy related to the mortgage forbearance. People who cannot pay mortgage, unlike past housing cycles, they were not kicked out of their homes. So, we didn't have any increase in foreclosures. In fact, we had one of the lowest foreclosures ever in 2021 because of the mortgage forbearance program. Now that that is winding down, it means that some people who are unable to find a job may need to be forced to sell their home. Fortunately, given strong price increases, they doesn't have to be foreclosure sell. They just say, okay, I sell my home and I still have some money left over capital gains. So I think foreclosure would not be a problem even as some of the federal support program is winding down.

GG (08:06):

Ah, I gotcha. Perfect. So I, in, in my experience listening to economists talk about the market, they always talk about a 10 year correction there, plus or minus. I don't think we've had a correction since 2009, 2008. What would you say to anyone who's questioning? When is the correction coming?

LY (08:28):

So, you know, if one wants to just look at the timeline you know, without the logic behind it, maybe you know, something external factors that only appear, but I'd like to stick with logic. And the logic says that the 2008 foreclosure crisis, I mean, it was due to the risky mortgages of subprime lending without any income documentation, well, this high housing cycle, we don't have those risky mortgages. People who are getting mortgages, they have to meet sound credit, quality standards. Furthermore, that the, the condition that people are taking a long-term fixed rate mortgage rather than adjustable-rate mortgage means that even as the rates are right, homeowners, they, their monthly mortgage payment is fixed. It's not rising along with it. So, there's another protection. And the one other big difference in this housing cycle versus during the foreclosure crisis was that home builders were building wild, right left, just building everywhere. This time we have a housing shortage, home builders have been under producing. So, in this environment, I just don't see how home prices could decline.

GG (09:45):

Do you think that the supply issues will be relieved anytime soon with regards to the products necessary to build those new homes?

LY (09:55):

So I, I think we are beginning to turn on the inventory. It's not to say we are going to go back to equilibrium quickly. Building a home takes time. It takes several months, especially now with the supply chain disruptions meaning that doorknobs or window frames maybe stuck in some containerships unable to unload. But the builders are reporting high profits, whatever they bill, tech on the cost of the extra delivery costs and so forth. And there are still buyers out there. So, builders have incentive to bill, builders want to bill more. So that's one source of supply. And the second source of is that winding down the mortgage forbearance program means that some people will be forced to sell their home. So

that's another inventory coming onto the market. And there are plenty of buyers, unlike this say 2008, when listing came on the market, there are no buyers. I mean, right now, there are so many buyers just looking for that fresh inventory. But, but I think we are turning the corner in inventory in 2022, at least I'm crossing my fingers and some of the logic is implying that that will be the case.

GG (11:09):

So, you know, we have, everything's looking good for 2022. Would you say this is gonna be my last question for you, Dr. Y is the, is the market normalizing at this point?

LY (11:21):

I like that word normal, normalizing because, you know, we have had extra heat in the marketplace. Multiple offers, intense multiple offers. That's not healthy for the real estate business. You know, people were rushing their decision, you know, when they, people are buying a major house, I mean house home prices 300,000 around San Antonio region to pay, to pay that price. One does not want to be hurried into the decision. But that's what was the case last year? So, this year, I think there will be less occurrences of multiple offers, so people can relax a little more. And also, for practitioners, realtors, anytime there's multiple offers by definition means there are multiple losers. There's only one winner you know, multiple offer. So, one has to redo the paperwork research. So that's a big headache. So I like normalization. We will be moving towards normalization, maybe not total normalization, but definitely not the intense multiple offer competitive environment that we saw last year,

GG (12:28):

Dr. Yun the Chief Economist for the National Association of REALTORS®. Thank you so much for taking some time out of your day to speak with us about the market. And we look forward to keeping an eye on your predictions as we move through 2022.

LY (12:41):

Great, thanks for having me.

GG (12:46):

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