

Buck the Hype – Real Estate Opportunities & Predictions

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A Summary of a Presentation by David H Stevens, CMB
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Isn't it amazing how society works? Think of Beanie Babies, Cabbage Patch Kids, or Elmo.....Did I just date myself? Think of more recent must-haves like toilet paper, Taylor Swift tickets, or In-n-Out Burgers. If the majority of society is doing it, or buying it, then we have to, right? We saw that from 2016-2022 in real estate. The historically low interest rates had everyone feeling a now or never urgency. Everyone wanted a home, and they were willing to pay \$20k, \$50k, even \$250 over the asking price. Buyers were even waiving inspections and buying properties "as-is". Some people say we will never see another market like that one, but it could happen again and that is why you should consider buying now.

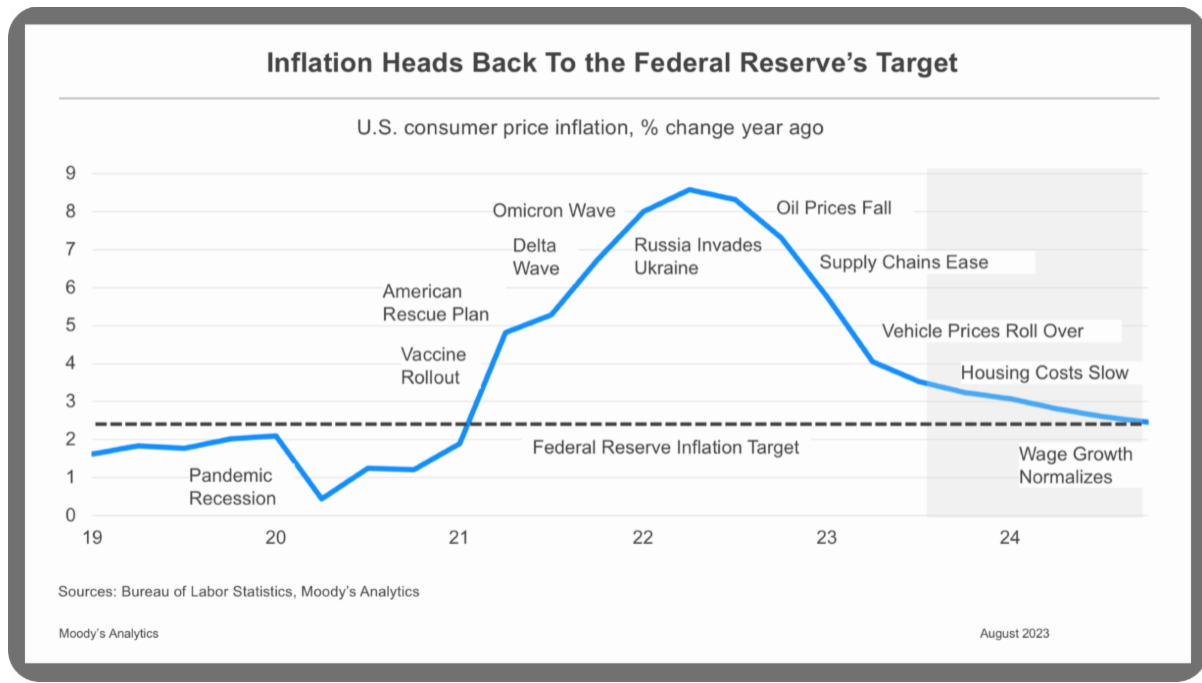
"I buy when no else is buying and I sell when everyone else is buying".
~ A Warren Buffet Philosophy

Yes, the real estate market is tough right now, or is it? There is no question that interest rates are up, and therefore slowing home sales. While those listings in a popular area, or in perfect condition, are selling quickly, the majority of the listings are sitting on the market longer. Right now, a buyer can look for a home and have 24 hours to think about it or even go back two or three times to look at the home before making an offer. A Buyer can negotiate the price, ask for the seller to buy-down the interest rate, and ask for inspection repairs. Sounds pretty great, right?

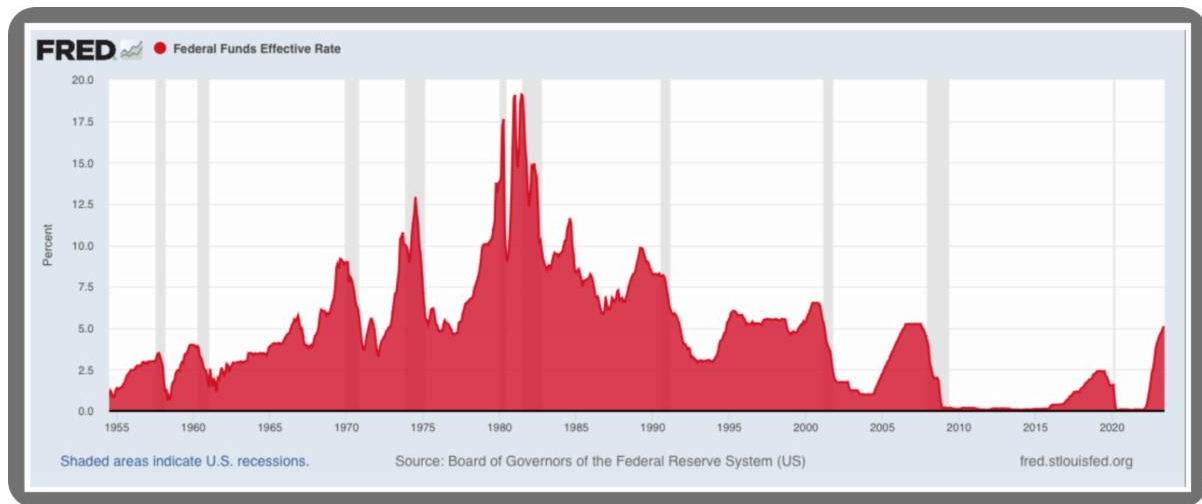
If you are waiting for the bottom to drop out of the market, you might just wait forever. Our housing supply will continue to remain extremely low keeping prices steady. According to a June 2023 Inman article, 92% of all US homeowners have a mortgage rate below 6%. 82.4% have a rate below 5% and 62% are below 4%. The vast majority of those homeowners are not selling, as it doesn't make financial sense in a higher interest rate environment. Those homeowners will renovate, finish the basement, or add on to keep their low interest rates.

If you are waiting for interest rates to improve, think again as this strategy could backfire. The demand for housing has not diminished, it is just paused. There are millions of families who would love to upgrade their home, downsize, or move for countless other reasons, but their current payment is so low that it doesn't make sense. When rates come down, and they will, the pent-up demand for housing will unleash and we could see a repeat of the past.

As you are going to see in next few slides, inflation will steady and interest rates will adjust back down. Factor in that millennials, the largest generation of Buyers in history, are entering the home buying market at a time when builders are building the lowest number of new construction homes since World War II and you will see demand for homes roar back. Get ready, it is going to be an interesting ride in 2024, 2025, and beyond.

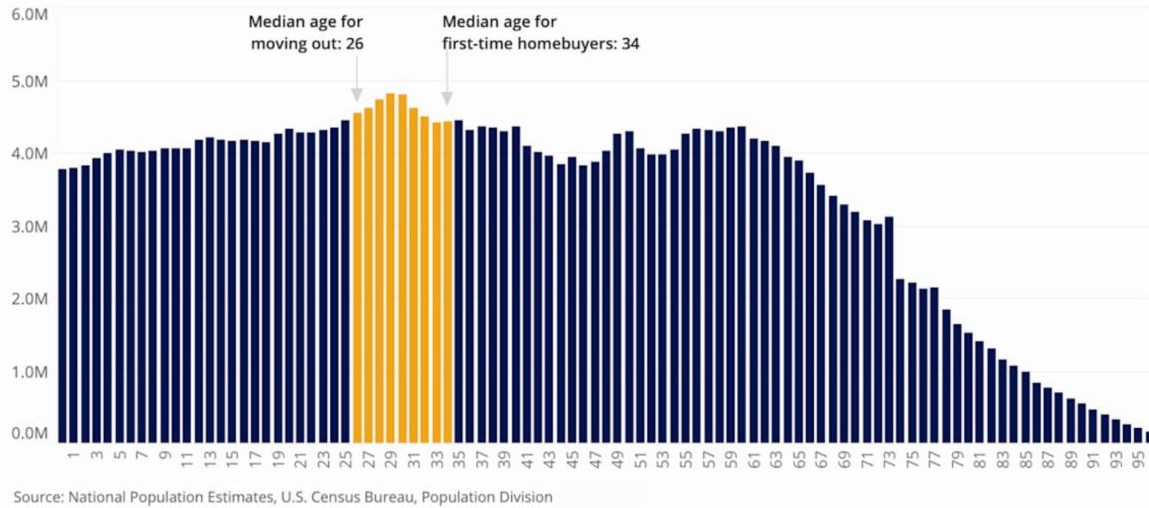


This Blue Line represents Inflation and what is causing the rise or fall of inflation. By mid-2024, inflation should be back down and back to normal levels.



I love this slide! Every recession in the US since 1955 is represented by the dark vertical lines. The red is the Federal Funds Effective Rate, the direct result of inflation. Now look what happened after every recession? The interest rate fell to lower levels. If you purchase now, yes your interest rate is high, but you can refinance that rate in the near future! Rather than spending \$50K over asking price, you should buy now and not overspend on a home. Marry the home, date the rate!

Millions of potential home buyers will age into their prime home buying age in coming years Population Estimates by Age



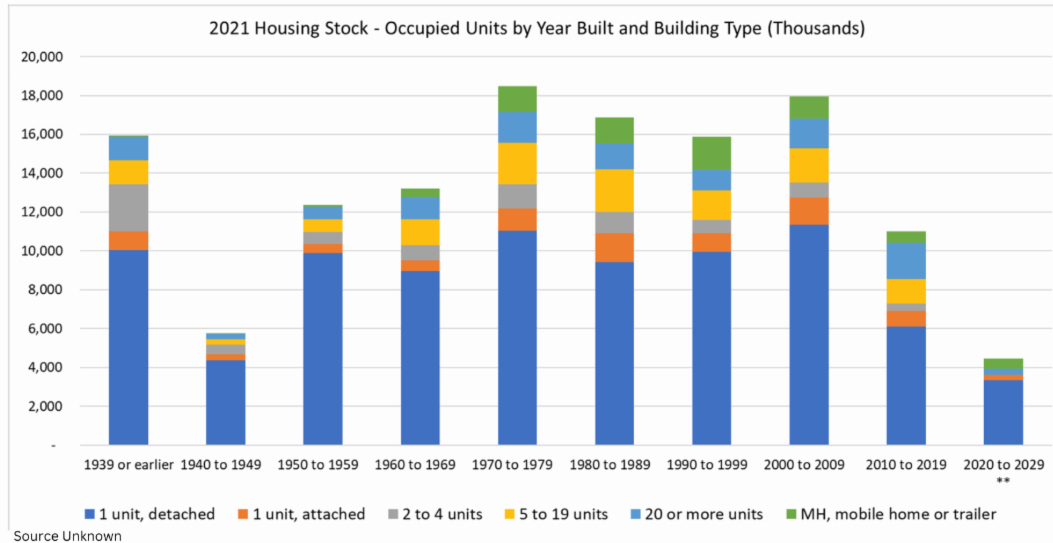
Love them or hate them, the Millennials are coming! This generation is even bigger than the Baby Boomers. The demand for our limited supply of homes is going to continue to increase as this generation ages into their home buying years. The gold lines represent millions of young adults coming into the market. On a side-note, the median move out age is now 26 years old.....can you believe that?

Housing is Seriously Undersupplied



Sources: Census Bureau, Moody's Analytics

Structural Undersupply of Housing



AMERICA IS NOT BUILDING ENOUGH HOMES! The largest generation in history is coming into the market and we are simply not building enough homes. The housing short fall could be as much at 1.6 million homes! If we learned anything over the past 5 years, when you are in a market that is under supplied, what happens to prices? The increased demand with limited supply could cause a total repeat of the pandemic market with Buyers going over asking price, waiving all conditions, and first time home buyers with limited money down, FHA, or VA loans not being able to purchase a home.



Just look at the appreciation in real estate. There have only been a couple of dips in the market, but the trend of appreciation has consistently risen for decades. Purchasing real estate is still one of the best investments you can make for yourself or your family.

We may have our challenges in this market, but this could be a golden opportunity to find the right home now, refinance later, and start changing your financial future for the better.