Athens Homebuilders Association

Presented Domonic D. Purviance, RRE Subject Matter Expert
October 4, 2023
The views expressed in this document are those of the author and do not necessarily reflect the views of the Federal Reserve Bank of Atlanta, the Federal Reserve Board of Governors, or the Federal Reserve System.
Agenda

Economic Trends
- Inflation
- Labor Market
- Employment
- Wage Growth
- Credit Conditions

Housing Trends
- Mortgage rates
- Housing Supply/Demand
- Homeownership Affordability
- Supply Constraints

2023H2: Reading the Tea Leaves
Economic Trends
U.S. Inflation Rates

Source: Bureau of Economic Analysis; Bureau of Labor Statistics; S&R - Risk Analysis Unit
### Inflation Remains above Target

(Consumer Price Index for All Urban Consumers [CPI-U], Year–over–Year Percent Change [YoY%])

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<th>Core</th>
<th>Food &amp; Beverage</th>
<th>Energy</th>
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Source: Bureau of Labor Statistics; Federal Reserve Bank of Atlanta S&R – Risk Analysis Unit
Construction Cost Index

Source: Engineering News Record (ENR) (McGraw-Hill); Federal Reserve Bank of Atlanta S&R – Risk Analysis Unit

Index Components:
*200 hours of common labor
*25 cwt of standard structural steel shapes
*1,128 tons of portland cement
*1,088 board-feet of 2 x 4 lumber
Credit Quality

Data through 2023Q1
Source: Household Debt & Credit Report/Federal Reserve Bank of New York; S&R – Risk Analysis Unit/Federal Reserve Bank of Atlanta
Housing Market Trends
U.S. Home Price to Income Ratio

Source: Federal Reserve Bank of Atlanta S&R – Risk Analysis Unit

Data through 2022
US Total Home Sales

12 week moving average data as of August 6, 2023

Source: National Association of Realtors; Federal Reserve Bank of Atlanta S&R – Risk Analysis Unit
Data through July 2023
Source: Corelogic Repeat Home Prices; S&R – Risk Analysis Unit/Federal Reserve Bank of Atlanta
Georgia Metros Ranked by Median Home Price

Source: Corelogic Repeat Home Prices; S&R – Risk Analysis Unit/Federal Reserve Bank of Atlanta

Data through July 2023
Athens-Clarke County, GA

Share of Median Income Needed to Own Median Priced Home

Athens-Clarke County
Median Income: $64,861
Median Home Price: $354,333
Median Monthly P&I Payment: $2,087
Annual Total Payment Share of Med. Income: 45.7%

Data through July 2023
Source: S&R – Risk Analysis Unit/Federal Reserve Bank of Atlanta
Georgia Metros Ranked by Affordability

Data through July 2023
Source: Corelogic Repeat Home Prices; S&R – Risk Analysis Unit/Federal Reserve Bank of Atlanta
Qualified Income: Income needed for home ownership share of income to = 30 percent
Athens-Clarke County, GA

Active Listings

Data through August 2023
Source: Realtor.com; S&R – Risk Analysis Unit/Federal Reserve Bank of Atlanta
Athens-Clarke County, GA

Data through August 2023
Source: Realtor.com; S&R – Risk Analysis Unit/Federal Reserve Bank of Atlanta
More Than 2 in 5 Home Sellers Are Making Concessions to Buyers, Nearly Double Last Year’s Share
Share of U.S. Outstanding Mortgages by Interest Rate at Origination, 2023Q1

Current 30Y Fixed = 7.48%
(as of 8/21/2023)

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<td>&gt; 6%</td>
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Source: Freddie Mac; Mortgage Daily News; Federal Reserve Bank of Atlanta S&R – Risk Analysis Unit
Nearly One-Third of U.S. For-Sale Homes are New Construction

Source: Redfin; Federal Reserve Bank of Atlanta S&R – Risk Analysis Unit
U.S. New Home Starts by Price Range

Source: Zonda Intelligence; Federal Reserve Bank of Atlanta S&R – Risk Analysis Unit
Home Purchase Sentiment

- Share of Respondents (%)
- Bad Time to Buy, Bad Time to Sell

Source: Fannie Mae, S&R - Risk Analysis Unit

Data through July 2023
Percent of Builders Using Rate Buydowns

Source: John Burns Real Estate Consulting Dec 2022; Federal Reserve Bank of Atlanta S&R – Risk Analysis Unit
Conclusions

- If rates remaining elevated, the large share of homeowners locked-in at low mortgage rates will be disincentivized to sell, keeping housing supply suppressed.

- Higher interest rates, rising home prices, and more moderate wage growth will continue to weigh on homeownership affordability.

- Demand for new home construction should remain strong given the existing home inventory shortage. However, rising costs and declining affordability is a rising concern for homebuilders.
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www.atlantafed.org/research/data-and-tools