Paul Dart's Real Estate Watch

First-time homebuyers 'tiptoe back' as median income tops $100k

With higher home prices and elevated mortgage rates shaping this year's real estate market, homebuyer income hit a rare and daunting milestone.

The median household income for home buyers this year was $107,000, up $19,000 from a year ago, according to the National Association of Realtors, whose newly released Profile of Home Buyers and Sellers contains 142 pages worth of real estate trends from between July 2022 and June 2023.

This is just the second time that the median household income topped $100,000 since 1981, which is when NAR started doing this report, said Jessica Lautz, the association's deputy chief economist.

Despite the erosion of affordability, first-time homebuyers made up 32% of all homebuyers, up from 26% in the 2022 report — but still well below the 38% historical average.

"First-time buyers tiptoed back into the market this year with less competition and fewer multiple-offer scenarios," explained Lautz.

Perhaps surprisingly, these first-time homebuyers were also able to put down a larger down payment. The typical down payment for this group was 8%, the highest since 1997. For repeat buyers, the downpayment averaged 19%, the highest since 2005.

One reason for this uptick for first-time buyers is because more first-timers reported living with family or friends prior to their home purchase, said Brandi Snowden, director of member and consumer survey research at NAR. This year, 23% of first-time buyers lived with family or friends, with 10% not paying rent.

More first-time buyers received help, too: 23% received a gift or loan from a friend or family member, up slightly from 22% in 2022. Snowden noted that being able to live with family and friends, particularly if they could do it rent-free, allowed them to save more for a down payment as well as pay debts and improve their credit score.

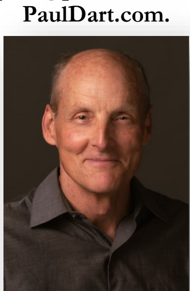
The uptick in first-time home buyers also changed some demographics trends. The percentage of white homebuyers this year was 81%, down from 88% the year before. Black Americans saw a significant increase in market share, rising from 3% to 7% in one year.

"We typically see that minority buyers make up higher shares of first-time buyers," Snowden said.

- The typical first-time buyer was 35 years old, down from last year's all-time high of 36.
- 70% of homebuyers didn't have children under 18, a record high for the survey.
- The newly purchased home was a median 20 miles away, down from 50 miles last year but closer to the previous norm of 15 miles.
- Most buyers paid the asking price, but 25% paid more.
- The typical size for a home purchased was 1,860 square feet, with three bedrooms and two bathrooms.
- Sellers typically lived in their home for 10 years before selling in 2023, which tracks with the average tenure in the past decade.

Dave Gallagher - *Real Estate News* - 2023-11-13

Paul Dart
2425 Canyon Boulevard, Suite 110
Boulder, CO 80302
303-931-5198 direct
paul@pauldart.com
PaulDart.com.



4th Quarter 2023

Since last issue when the market data revealed conflicting stories, the picture has become clearer. 30-year fixed mortgage rates shot up to 8.5%, sending buyers scurrying into the shadows, and showing and offer activity waned. With mortgage rates hovering around 7% based on the latest economic signals, we have seen spurts of market activity.

In the Showing Appointment chart, top left, there is an upward tick to the red line, this year's activity, with showing appointments picking up since the start of November. Note that it is still below any of the previous years. It is an improvement compared to October, but still below what we would consider to be normal. If interest rates continue to hover in the present range it's possible this trend will continue through the end of the year.

The 30-Year Mortgage Rate, top right chart, illustrates the improvement we've seen since mid-October. Almost all mainstream media stories on mortgage rates quote Fannie Mae, whose reports are delayed by a week. However, active buyers are getting the daily updated rate information from their mortgage provider and acting accordingly.

Under Contract, middle left chart, indicates buyer demand, and remains muted but is generally following seasonal patterns. The small uptick in November could be a response to dropping rates. It could be due to the change in the mix of available and under contract reporting done at first of the month. We'll be watching as we get more data points to understand which is driving the change. We will also be watching this chart to see where buyer demand finishes the year, which will be the starting point of the next. How buyer demand and seller supply begin the new year will guide our expectations for the spring market.

While increasing from the historical lows we've seen since 2020, Available Inventory— seller supply— middle right chart, hasn't risen significantly. This number would have to increase dramatically for our market to really experience a substantial change, putting a downward pressure on home prices. So far we are not seeing any evidence of that. Like buyer demand, as we end the year we'll be watching seller supply closely to inform our expectations for the spring 2024 market.

The Percent of Homes Under Contract for all the different cities in Boulder County, bottom left chart, shows all cities reacting the same way. There has been some minor shuffling in the comparative strength between areas, but note the small rise in activity in the spring and then the decline through the rest of the year.

The Annual Sales chart, bottom right, dramatically shows the low number of sales we saw this year. While we don't yet have all of the data, I expect at the end of the year we'll be down 15%-20% from 2022— which itself was a down year. With the low numbers of listings, higher rates, and the time and work involved in moving, many potential sellers are holding back.

2024 will be an interesting year. We're already seeing headwinds, but I don't yet see the local real estate market about to go sailing off the edge. We'll be keeping an eye on mortgage rates, seller supply, buyer demand, and how buyers and sellers will react to unexpected events. My sincere hopes for a wonderful holiday season to you and yours!

Paul