

Housing Market Enters Spring Thaw as Listings, Sales Gain Momentum

More prospective buyers and sellers coming to terms. The number of existing single-family homes available for purchase swelled to a 40-month high in February 2024, reaching a level not seen since late 2020 and providing prospective buyers with new opportunities. Along with this increase of homes on the market, the pace of sales escalated in February to the strongest measure since the same month of 2023. These improvements occurred despite the persistent obstacles of elevated borrowing costs, with the average 30-year fixed-rate mortgage remaining in the upper-6 percent zone through the second half of March. Over much of the past two years, this environment has discouraged owners with lower rate mortgages from selling homes, while also creating historic affordability barriers for prospective buyers. These roadblocks remain in place going forward; however, recent trends imply that the U.S. housing market is starting to loosen.

All-time high home prices incentivizing sell-side activity.

Amid stronger homebuying trends in February, the median sale price of an existing single-family house in the U.S. also rose to a new record high of \$406,700, up nearly 6 percent year-over-year. This appreciation is contributing to the uptick in home listings, persuading some owners to reconsider selling their property. At the same time, rising values continue to reinforce the affordability challenges first-time homebuyers are facing. The appeal of higher-end apartments, meanwhile, is growing. Based on preliminary data, renewal rates at Class A rental units hit a five-month high in February 2024, while new lease applications at luxury apartments have also been on the rise to start this year.

Despite improvements, home availability trails modern norms.

While the number of existing homes available for purchase surged to its highest mark since November 2020, the measure remained well-short of pre-pandemic years. In February 2024, roughly 1.1 million houses were listed on the market, compared to an average of nearly 2.2 million homes from 2000-2019. This shortfall could keep valuations elevated and counterbalance potential interest rate relief expected over the medium term.

Developing Trends

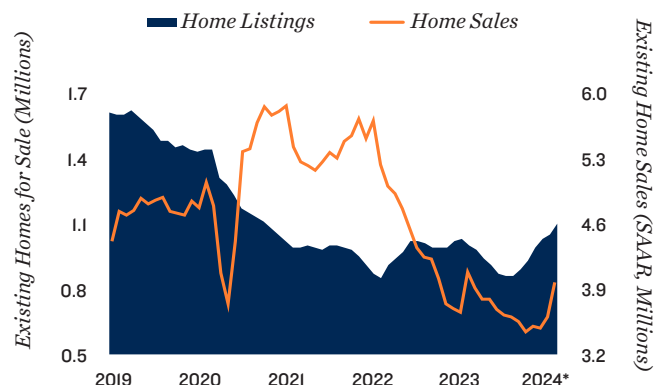
Homebuilder confidence hits eight-month high. The March 2024 national survey of homebuilders reflected the strongest confidence score since July 2023. On a regional basis, the Midwest noted the most substantial improvement, while the Northeast had the highest measure in the country. Respondents showcased greater confidence in both the current traffic of prospective homebuyers and expectations for sales activity to remain healthy over the next six months. This survey aligns with recent construction trends. Single-family project starts rose 35 percent year-over-year in February to reach a 22-month high.

Pace of apartment deliveries nearing peak. Multifamily completions surged to the highest mark since 1987 during February of this year when measured at an annualized rate. This wave of apartment openings will test fundamentals in certain locations near-term; however, the longer-term pipeline is shrinking as these units finalize. Multifamily project starts in February were down 35 percent year-over-year, while permit activity also decreased by more than 28 percent relative to the same month of 2023.

9.7% Year-Over-Year Change in Existing Homes for Sale

5.9% Year-Over-Year Change in New Homes for Sale

Home Listings and Sales Muted, but Rising



* As of February

Sources: Marcus & Millichap Research Services; Capital Economics; Freddie Mac; Moody's Analytics; Mortgage Bankers Association; National Association of Home Builders; National Association of Realtors; RealPage, Inc.; U.S. Bureau of Labor Statistics; U.S. Census Bureau; Wells Fargo



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