2024 Utah Housing Market Forecast

In December, I attended a Utah Housing Market Forecast meeting held in Park City. The keynote speaker was Josh Romney and there was a lot of information shared. I wanted to pass on what I learned because I strongly believe you should be well informed on what is going on in the Real Estate market. "Information is Power" as they say.

Executive Summary:

The biggest issue that Utah faces when it comes to housing is affordability. What you pay for a home is affected by Interest Rates and House Prices. Interest rates are projected to continue to trend downward in 2024 and likely beyond. There is anticipated a .75% decrease in rates in 3 increments, likely starting in Q2-2024. Some things that may affect rates are Inflation numbers and unemployment numbers. As unemployment continues to grow, rates typically fall and as inflation falls, rates fall. Of course, these changes are not immediate and are unpredictable. Exactly when rates will fall is open to many opinions.

In Utah, home prices have come down slightly over the last year but have held up well compared to other states. We have seen a 5-10% decrease throughout the state over the last year after a 41% increase in recent years prior. There is still a shortfall in inventory (50-60,000 units), unlike the market during the recession of 2008. There are doom and groomer's out there saying the market is going to crash. <u>I don't hold to that view</u> partly because we have such an inventory shortage now. We had a surplus in 2008 of nearly the same 50-60K homes and had less demand. The market then and now are not equal. Those waiting for a crash will likely be waiting for a very long time.

Housing prices are expected to increase at a "normal" rate (3 – 5%) in 2024, mainly due to inventory levels and declining rates. As mortgage rates are reduced, you will see demand increase and prices begin to gradually rise. Winter months, historically, see a reduction in demand in Utah. This is tied to snowfall (weather conditions) as well as season. There is also typically less inventory during the winter months in Utah. The combination of these factors leads me to believe that the Q124 pricing will be flat.

Take Away: <u>If you are thinking about buying, a good strategy is to start now.</u> "Marry the home and date the rate" is a wise saying that means, focus on the home purchase, you can refinance in the future. With cold weather setting in and rates beginning to subside, buying now has it's advantages. Buyers are better positioned now to negotiate with Sellers, to buy at a better price, which will have long-term benefits. For Sellers, the lower demand increases the likelihood of getting contingent offers accepted during the next few months. Contingent offers were unheard of in recent years but are now more acceptable. Homes that are priced and show well are getting offers and there are far fewer multiple offer situations than before..

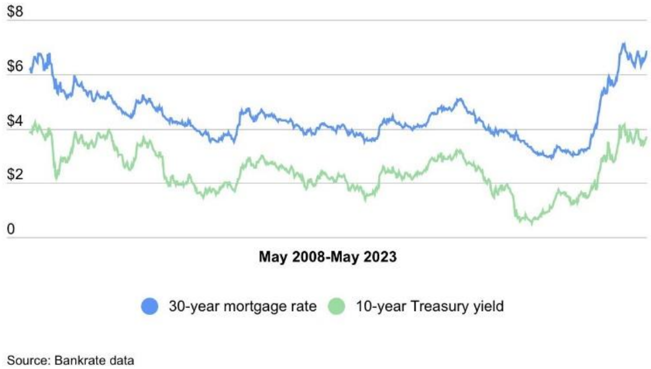
For a more in-depth look at Rates, Utah Pricing and Unemployment, please refer to page 2.

For information regarding your specific goals and needs, please reach out to me. I am here to be of help and to provide you with the information you need to make a well informed decision.

Paul Guidash,

Better Call Paul!

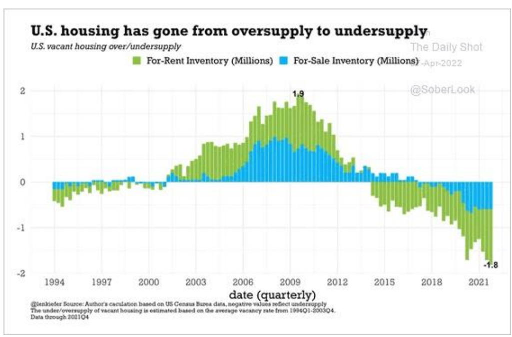
Interest Rates.



Mortgage rates, as you may well know, often mirror the 10-year Treasury Note yield. Fixed mortgage rates and Treasury yields generally move together. Why? As a fixed-rate asset, mortgage-backed securities (MBS) are in direct competition with Treasury instruments for investor money. Typically, the gap between the 10-year Treasury yield and the 30-year fixed mortgage rate spans 1.5 to 2 percentage points (average 1.7%). For much of 2023, that margin has grown to 3 percentage points, making mortgages more expensive. The larger gap is one indicator pointing to a future reduction in Mortgage Rates.

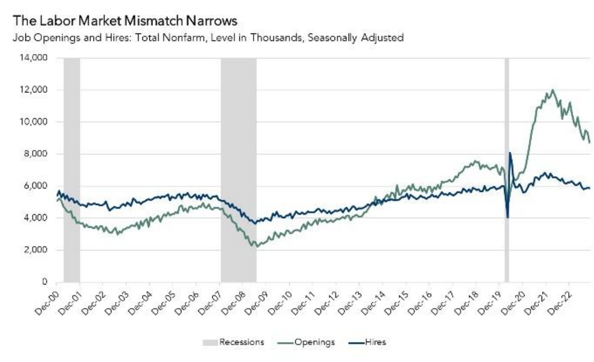
Inflation also affects Interest and Mortgage Rates. Many experts believe that getting inflation to 3% should be fairly easy, but going from 3 to 2% is nearly impossible with continued spending. That being the case, it will be a long time before we see rates, if ever, in the 2 – 4% range. Mortgage rate reductions will likely be introduced slowly.

Housing Supply



Housing Prices: Many have said the market is going to crash and predict it will happen in 2024. Here are some key facts that are not mentioned in these predictions. Since the last market crash, Legislation has been made to protect against a repeat of the market crash in 2008-2009. Dodd-Frank safeguards (no more Stated Income Loans) and Low Inventory are the reasons I believe prices will remain stable for the 1st Quarter and begin to rise slightly in the 2nd.

Things to watch



The key factors for reducing inflation are **Unemployment** and **Spending**. Today, available jobs openings exceeds the number of people looking for jobs. This is driving up wages and contributing to inflation numbers. However, job openings are dropping sharply and if that trend continues, we may see unemployment growth. Recessionary times typically increase joblessness, bring down rates and reduce inflation. Historically, it has taken a year to see the affects of rate increases on unemployment. Because rates increased significantly in a shortest period of time in history, how much job loss and when it will occur is uncertain.