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US Housing Outlook: Housing recovery has started

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Unless otherwise noted, information as of March 2023.

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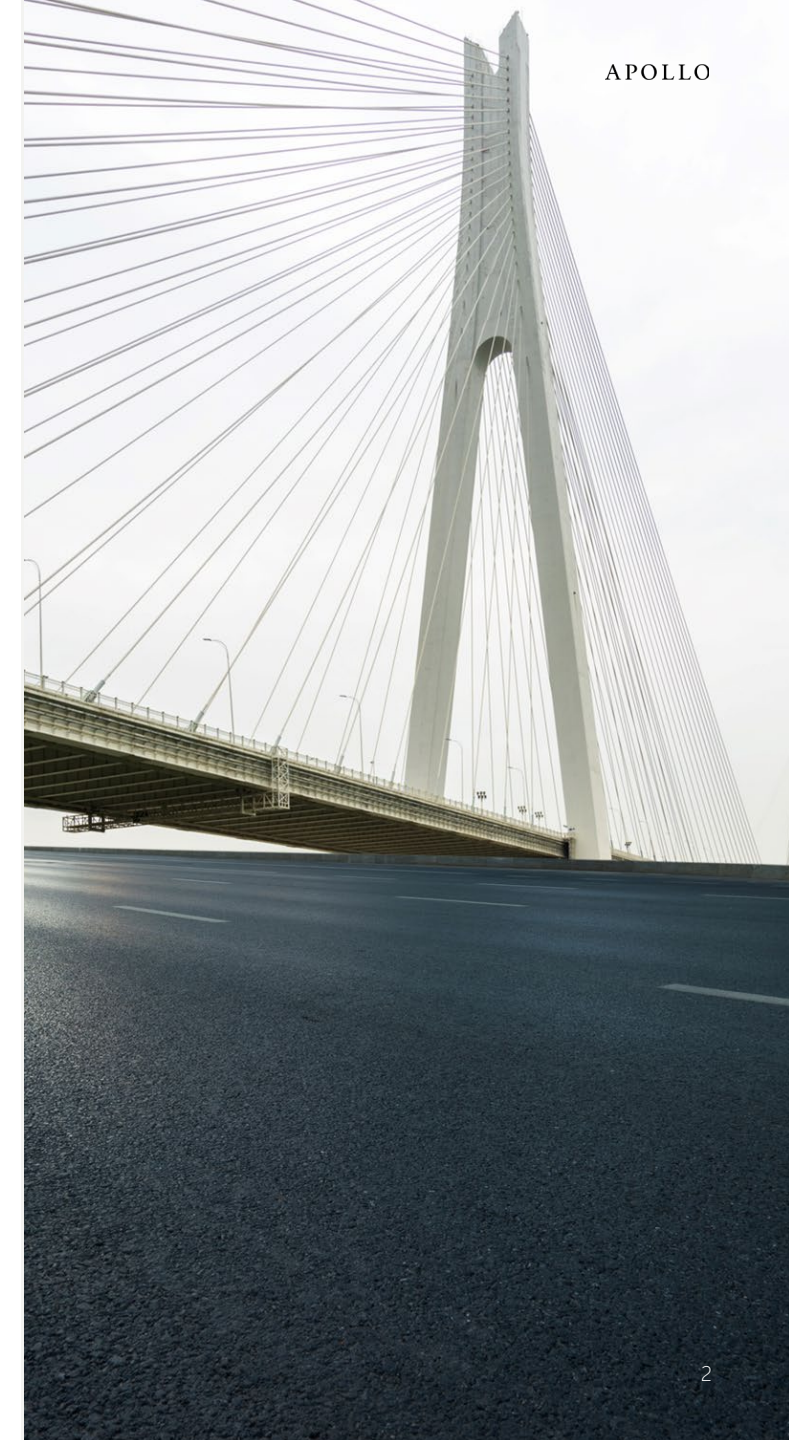
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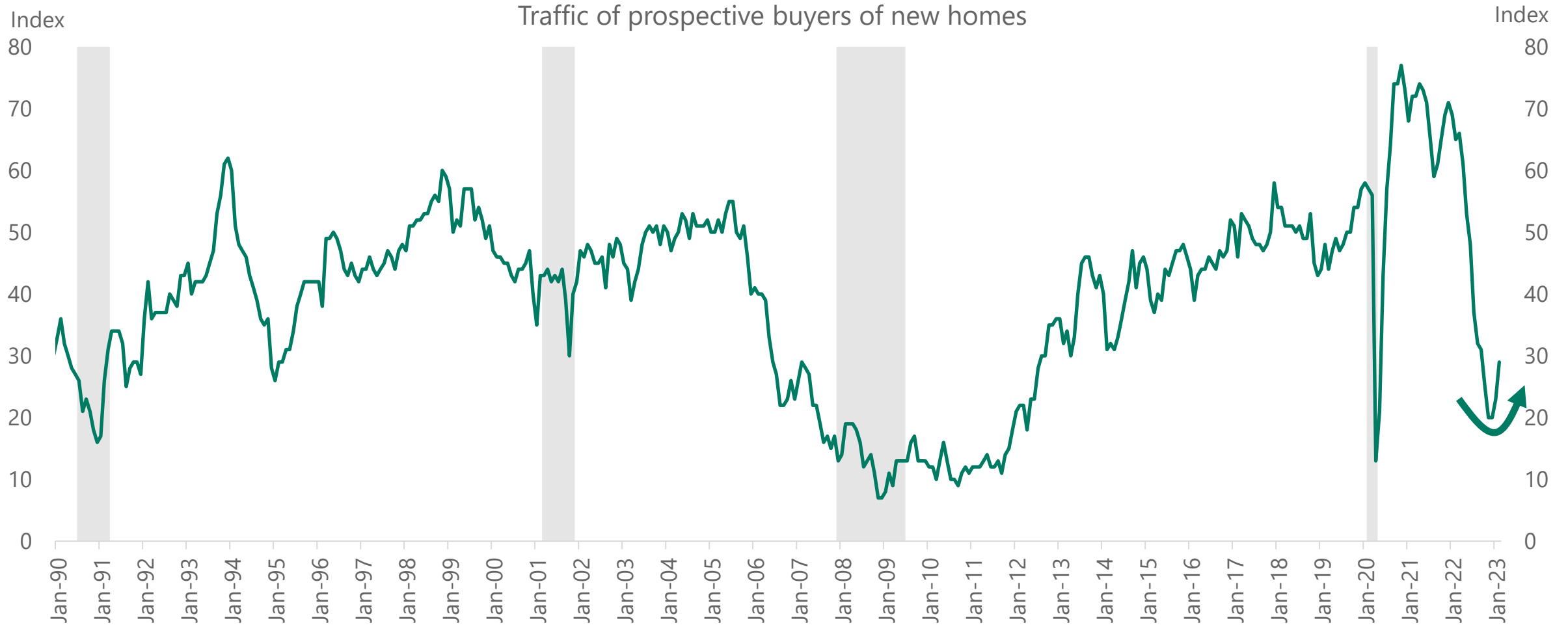
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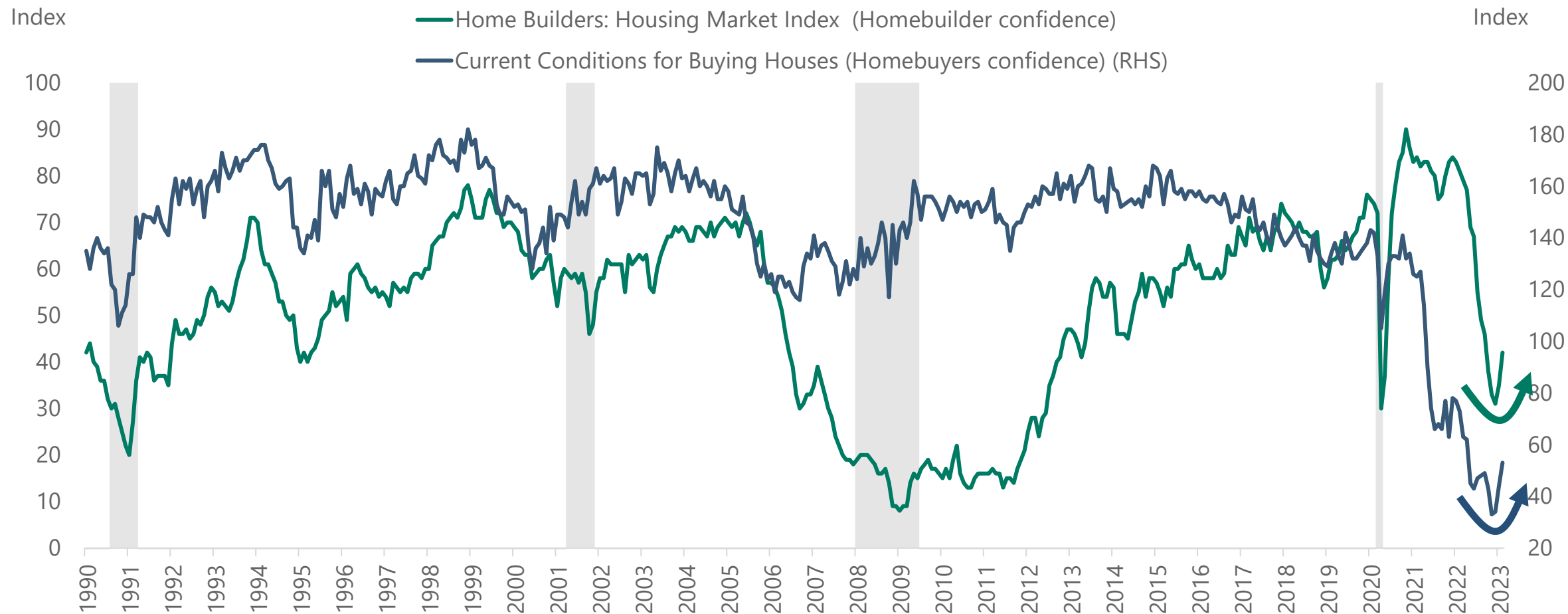


Leading indicators of the housing market

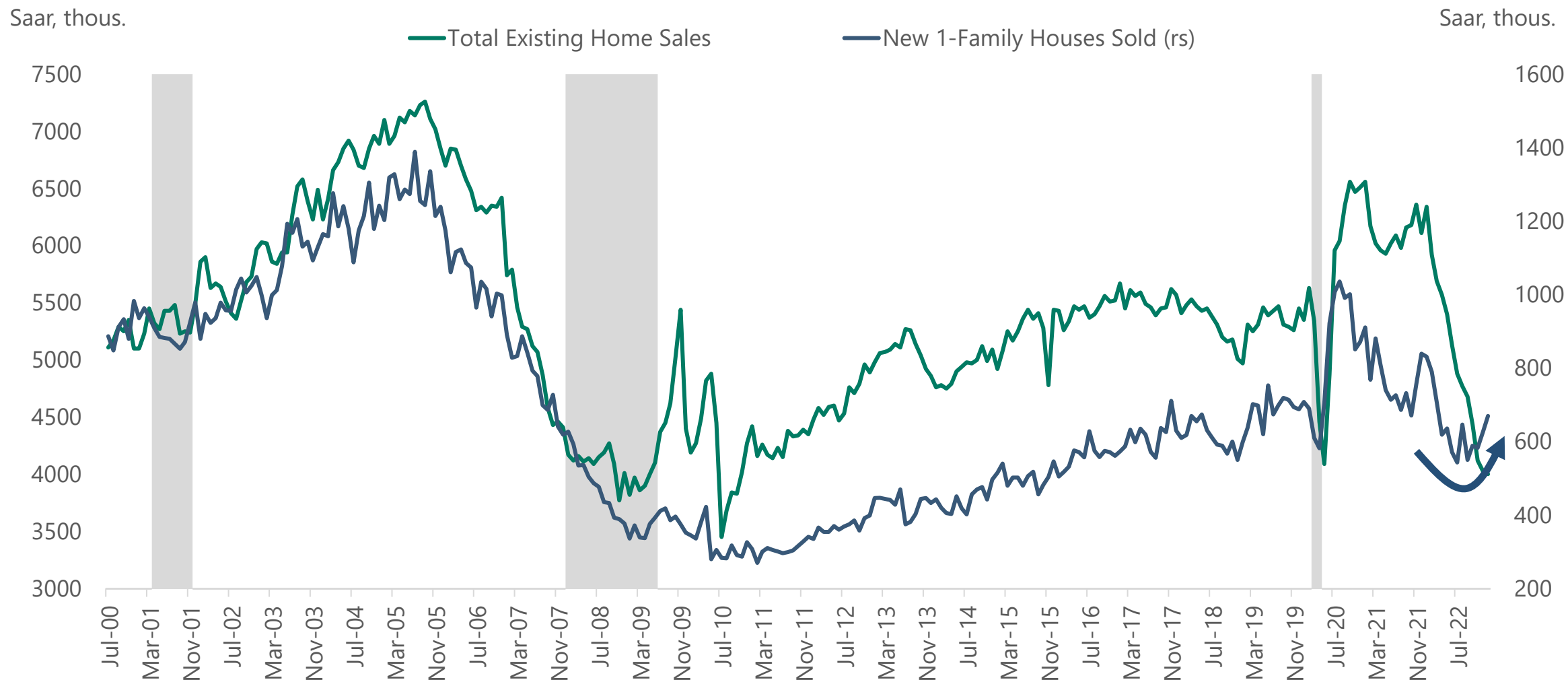
Traffic of prospective homebuyers starting to improve likely driven by strong employment growth, high wage growth, and plenty of excess savings



Confidence improving for homebuyers and homebuilders

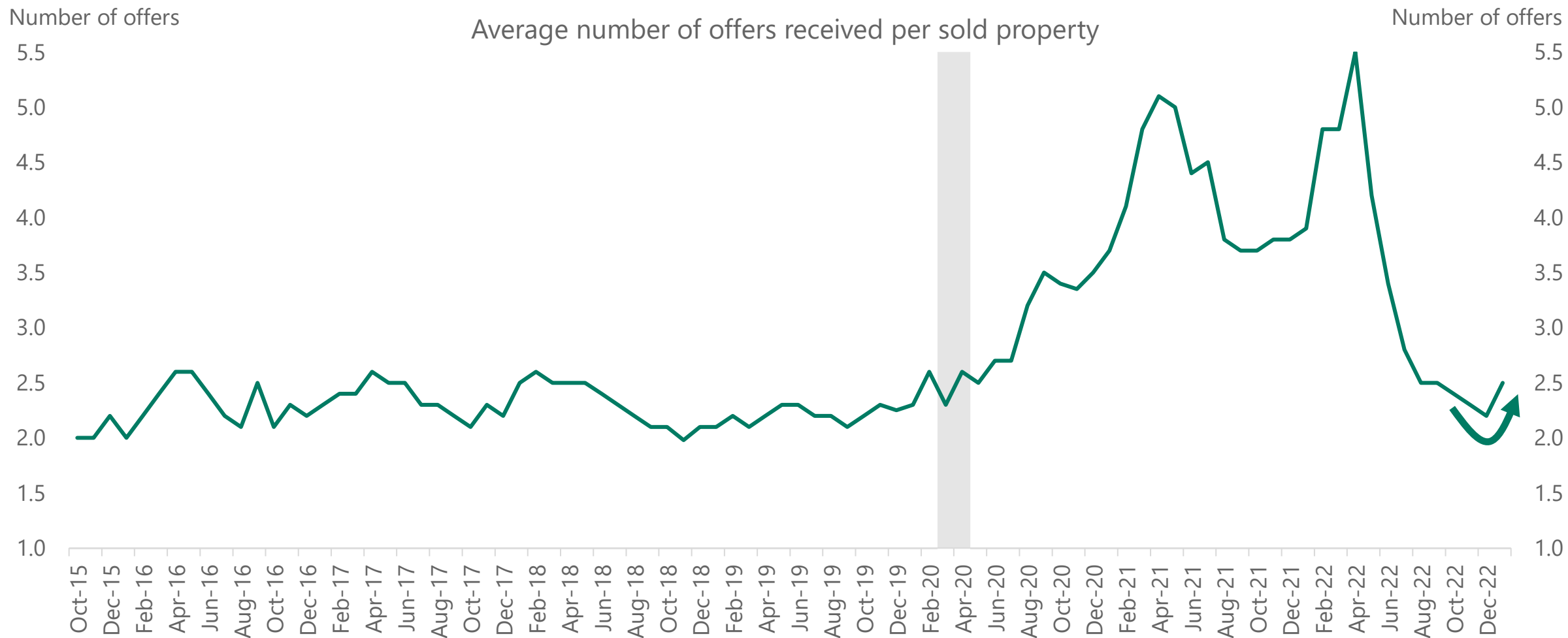


New home sales is starting to recover

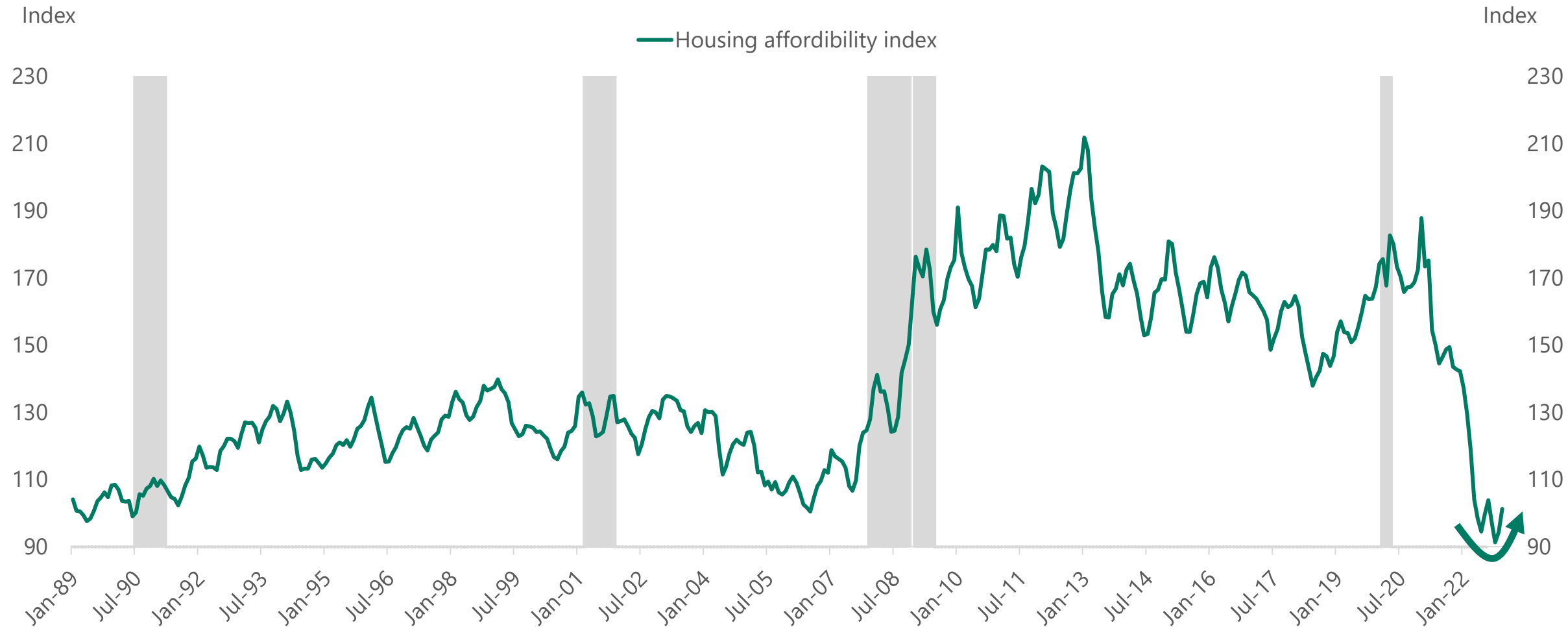


Source: Census Bureau, NAR, Haver, Apollo Chief Economist; Forecast is Bloomberg consensus

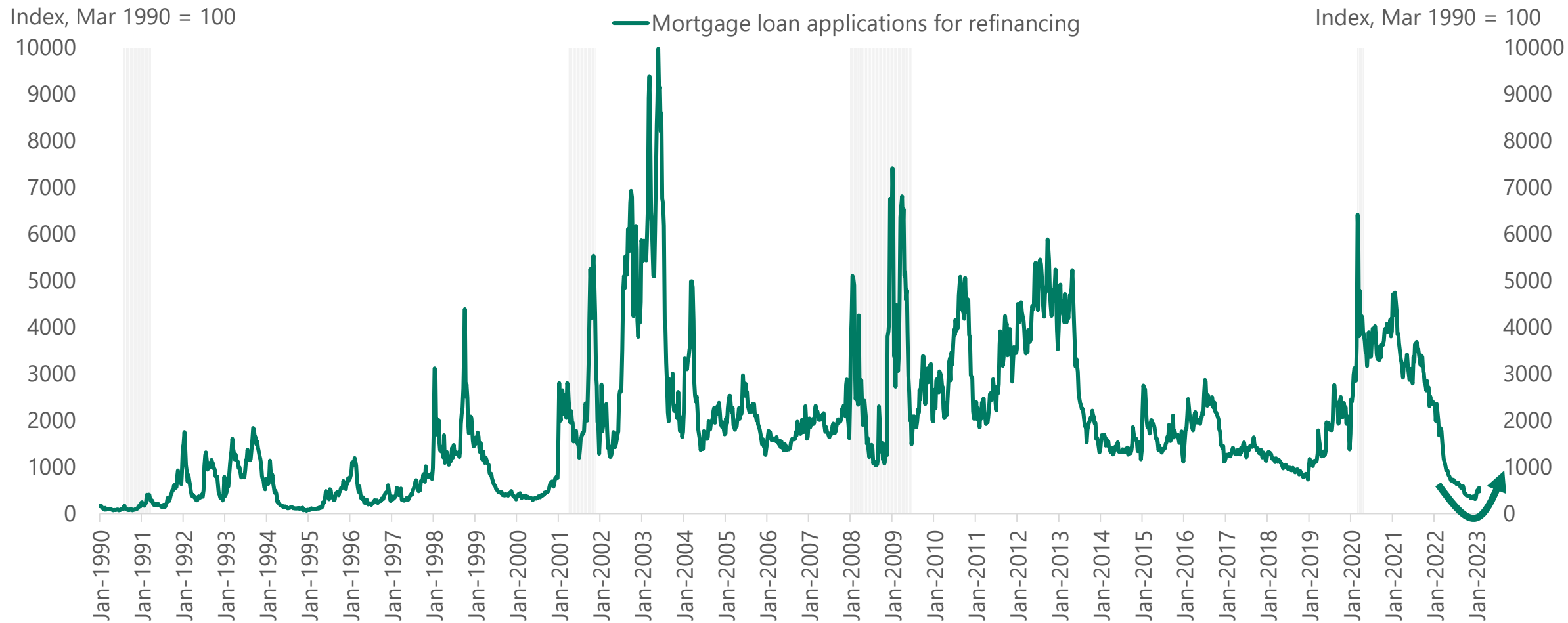
Average number of offers received per sold property is starting to recover



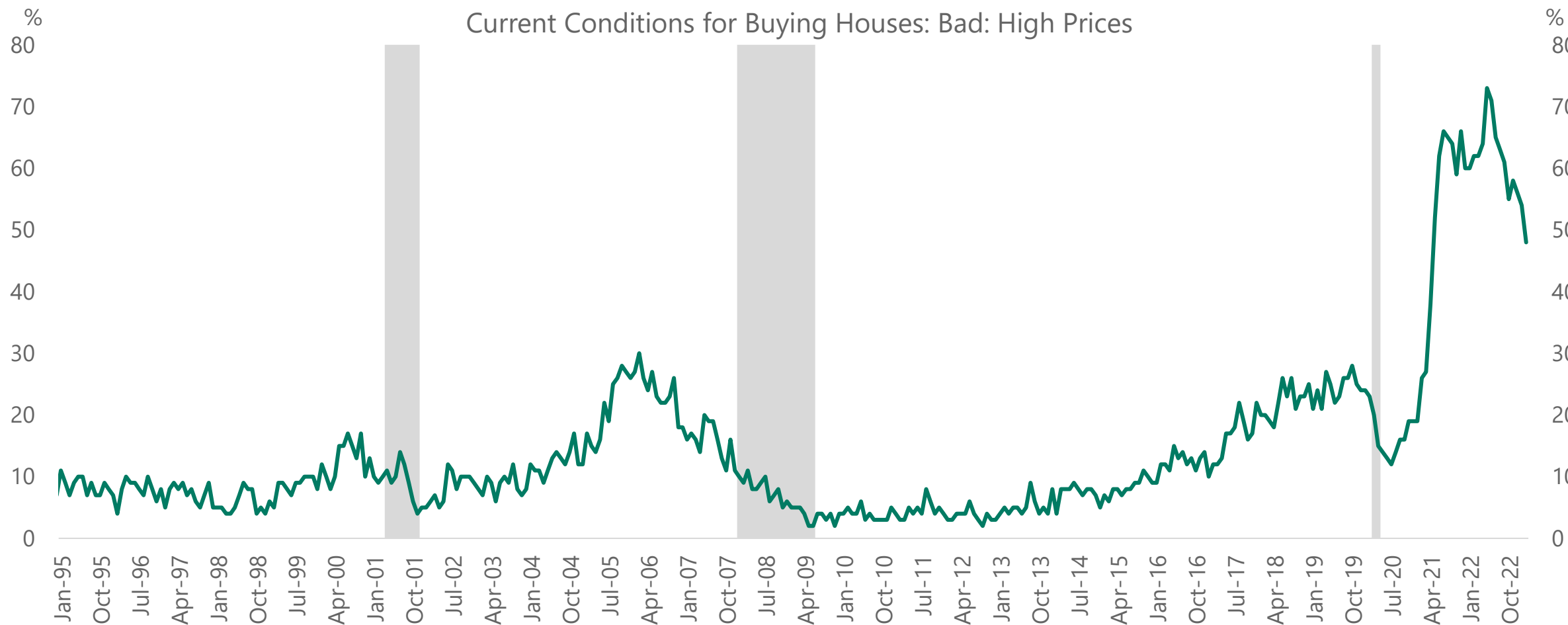
Housing affordability at 2007 levels but starting to bottom because of strong job growth, strong wage growth, and significant excess savings in the household sector



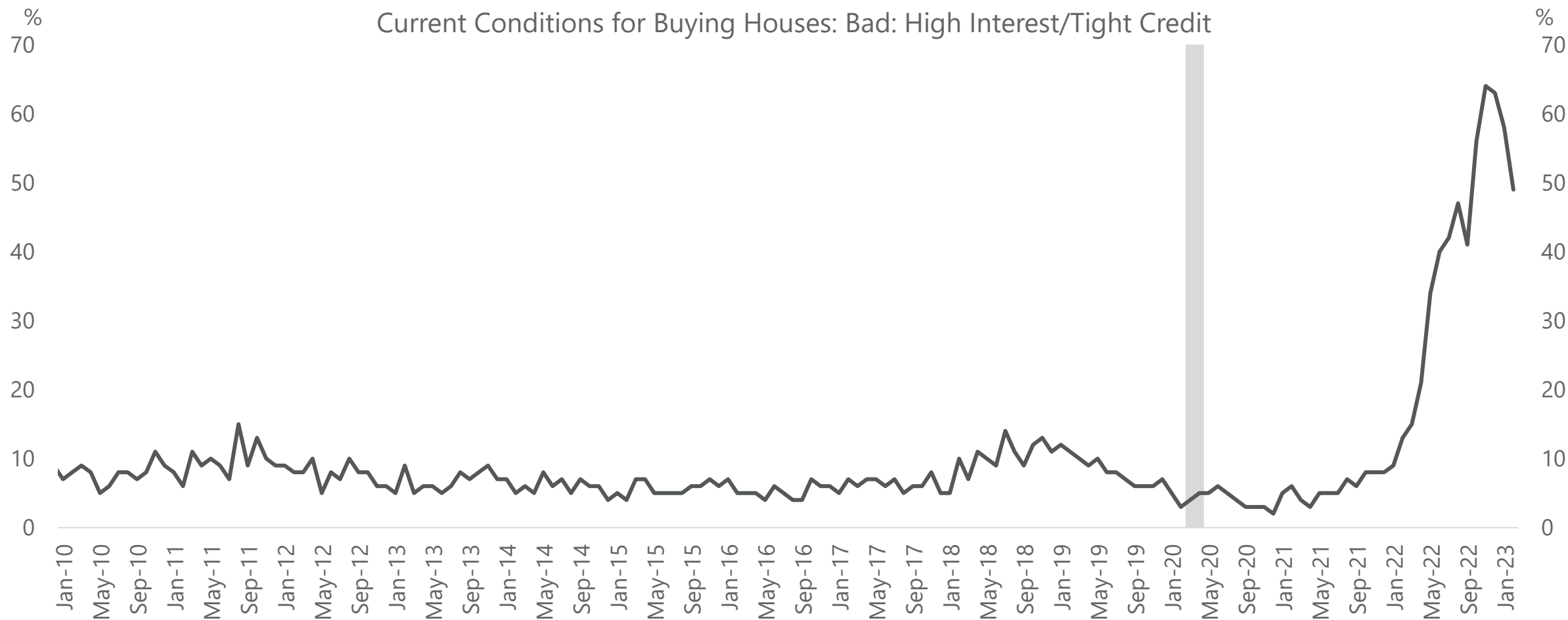
Mortgage refi applications starting to recover



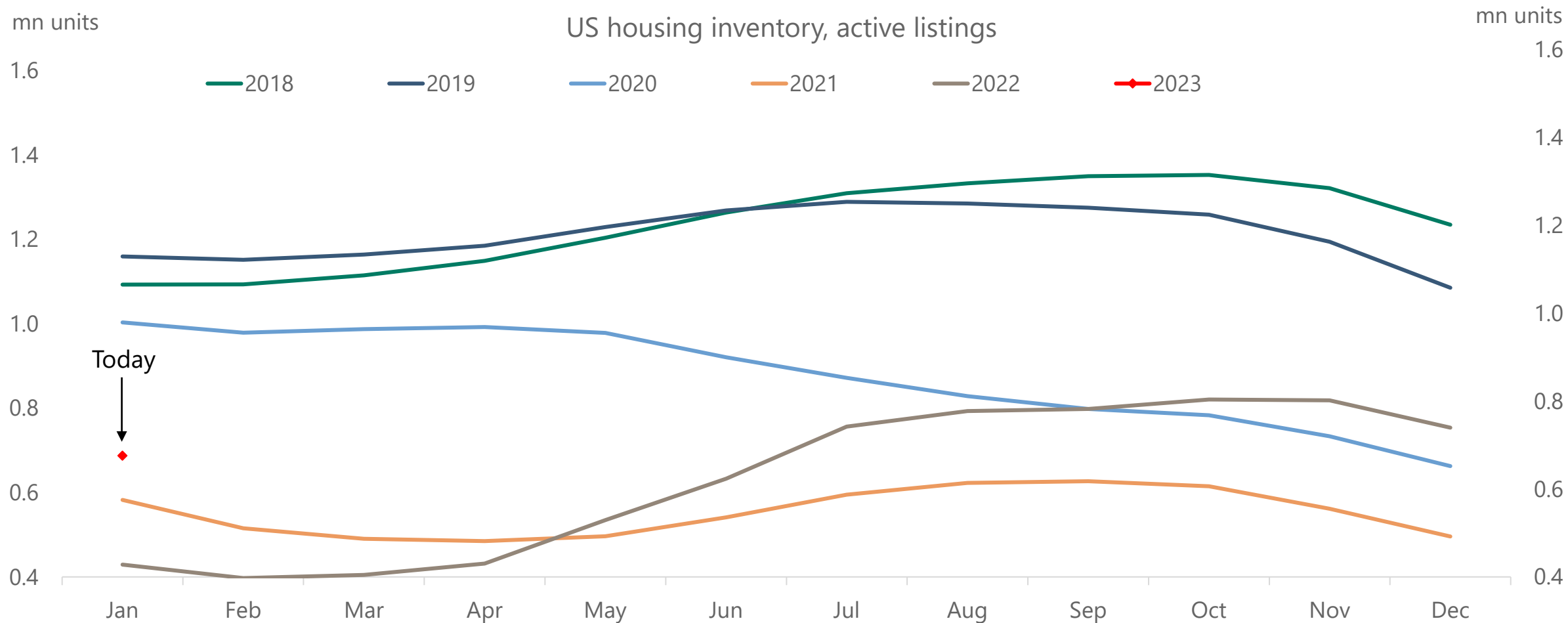
Despite high prices, homebuyer sentiment improving



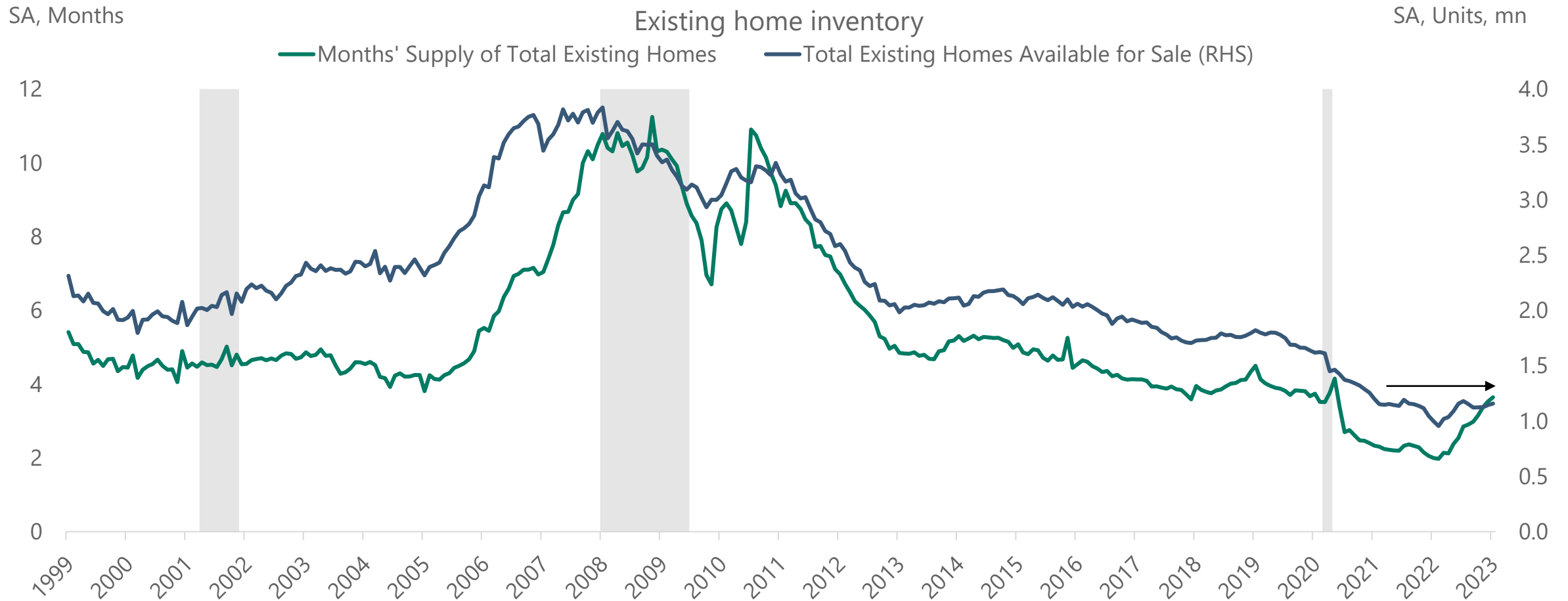
Homebuyer sentiment about mortgage rates and credit conditions getting better



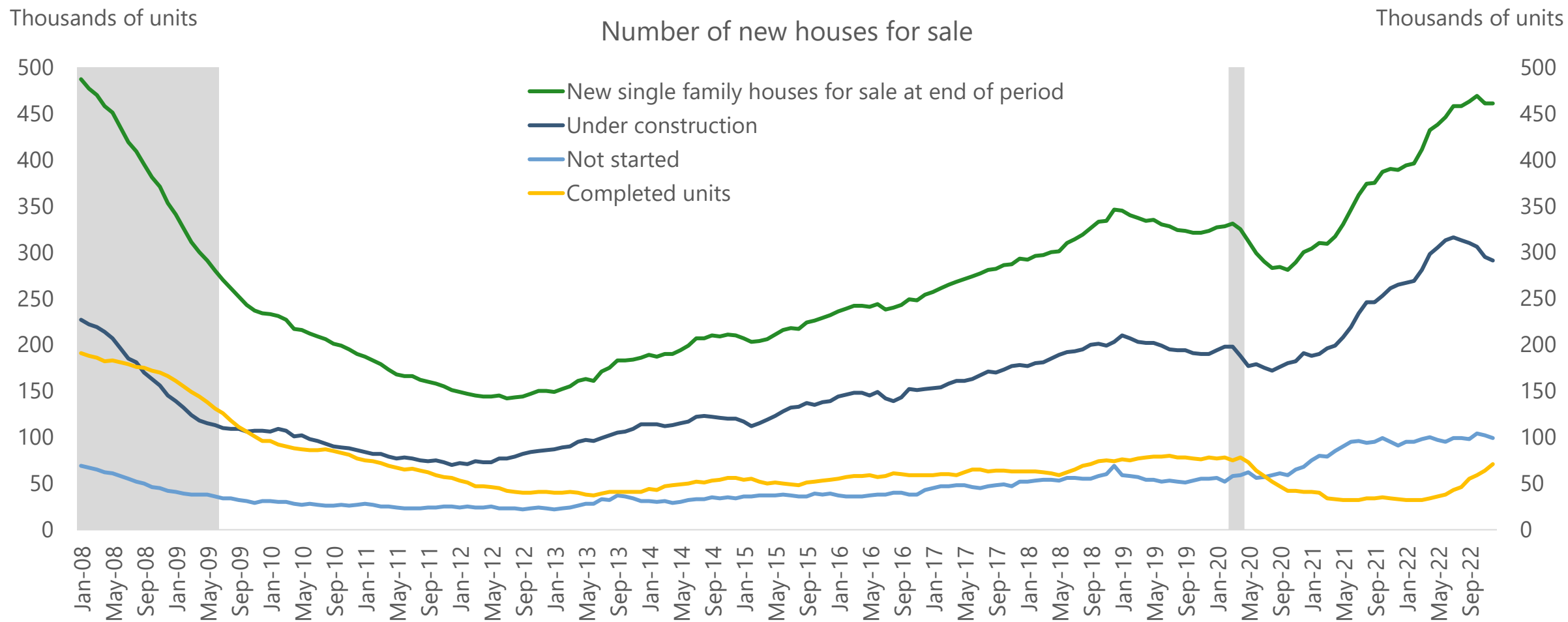
Active listings still at very low levels, very low inventory



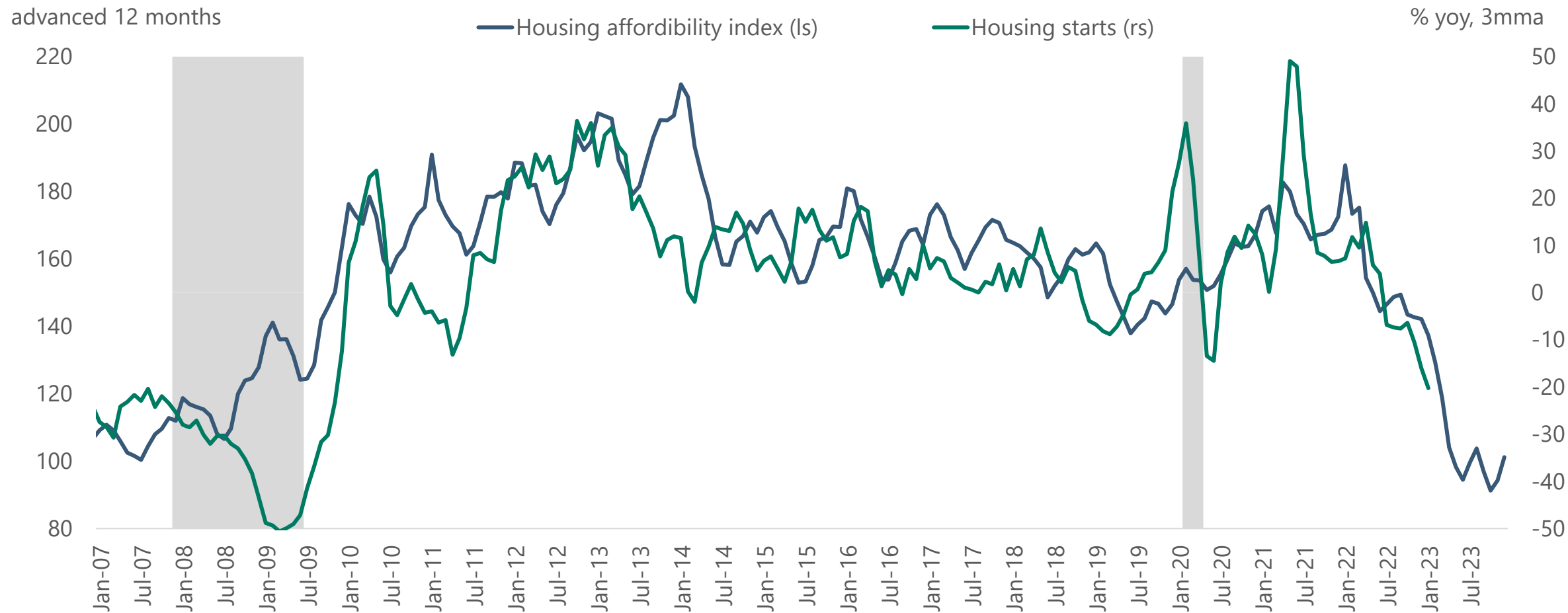
Homesellers don't want to sell their house at a discount: The stock of total existing homes for sale moving sideways



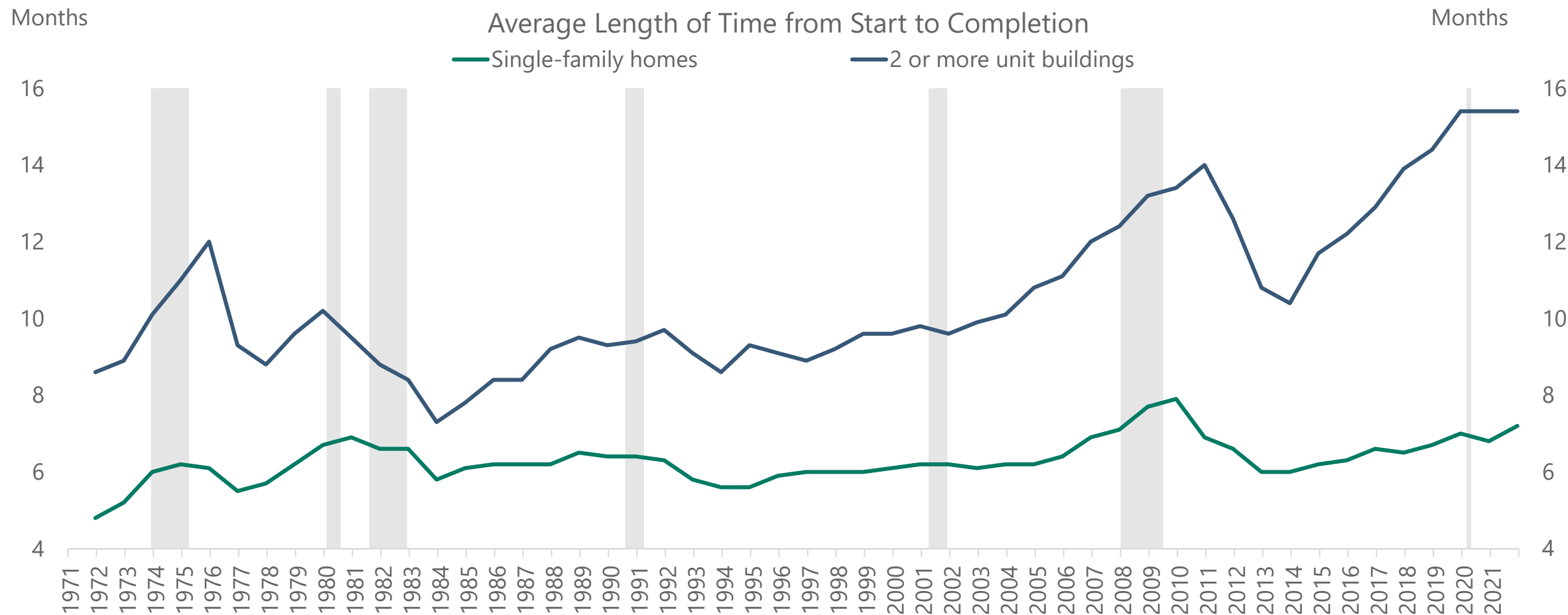
New houses for sale under construction is coming down



Housing starts may also soon bottom

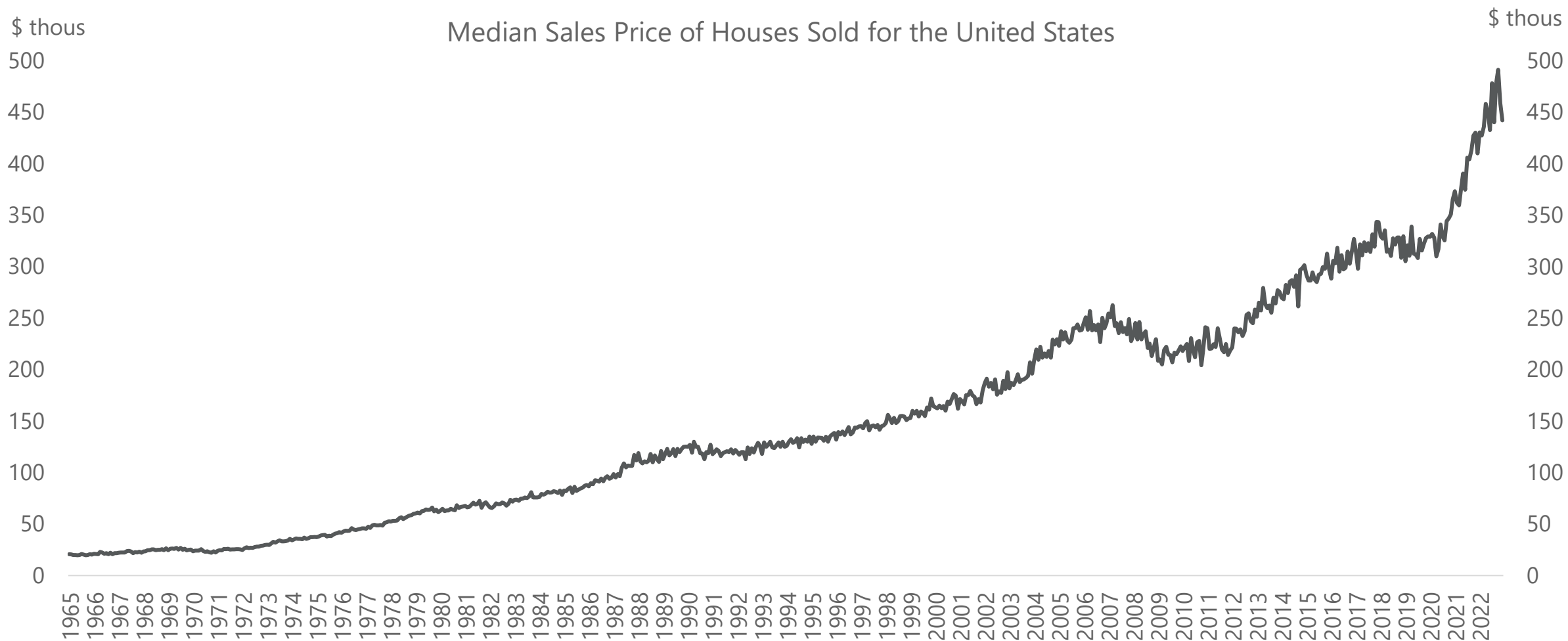


It currently takes 7 months on average to build a single-family house

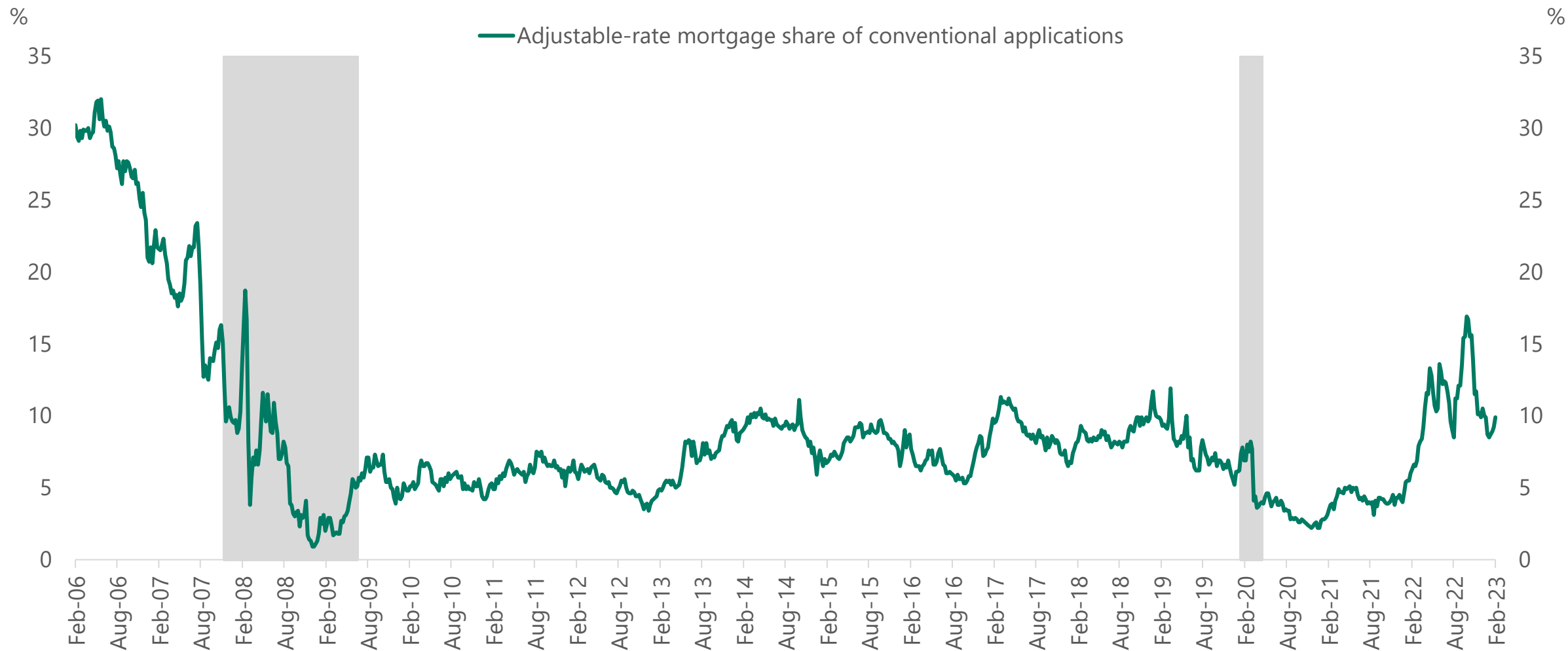


Source: Census, Haver Analytics, Apollo Chief Economist. Note: Single family homes are 1 unit buildings

Median home sales price now \$442K

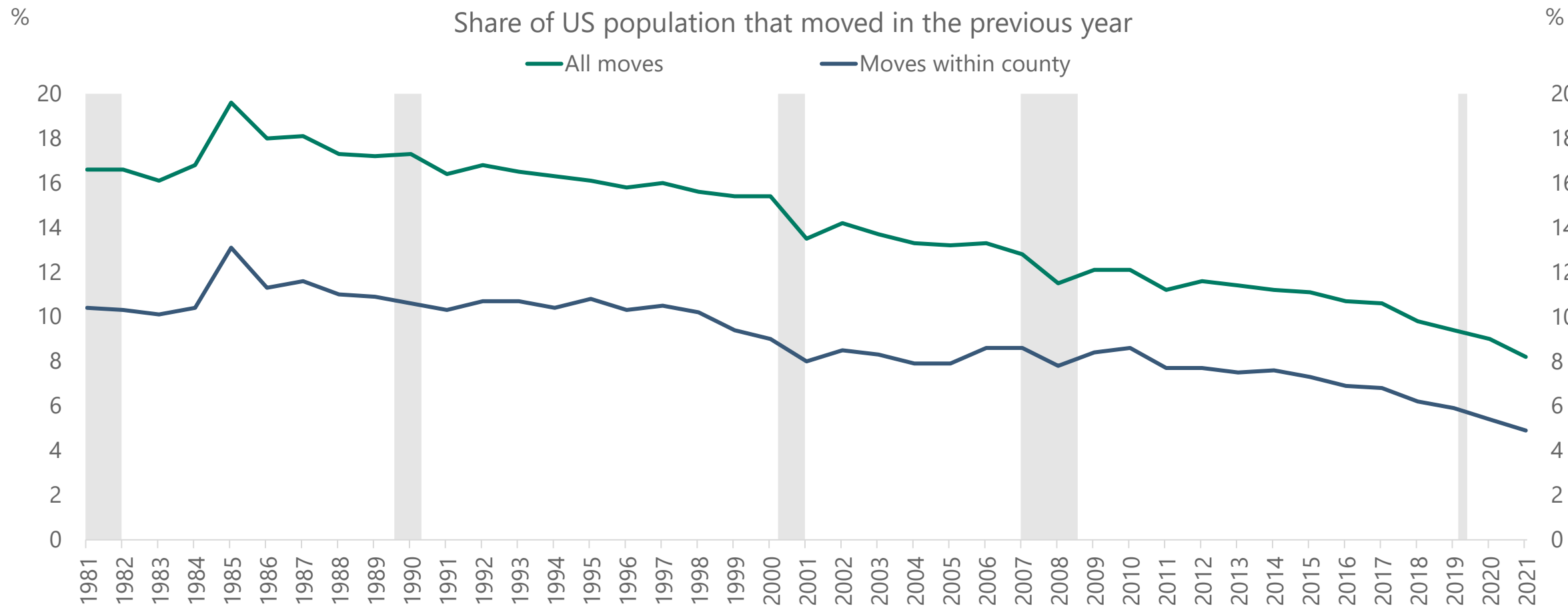


ARM share of total mortgage applications at 10%

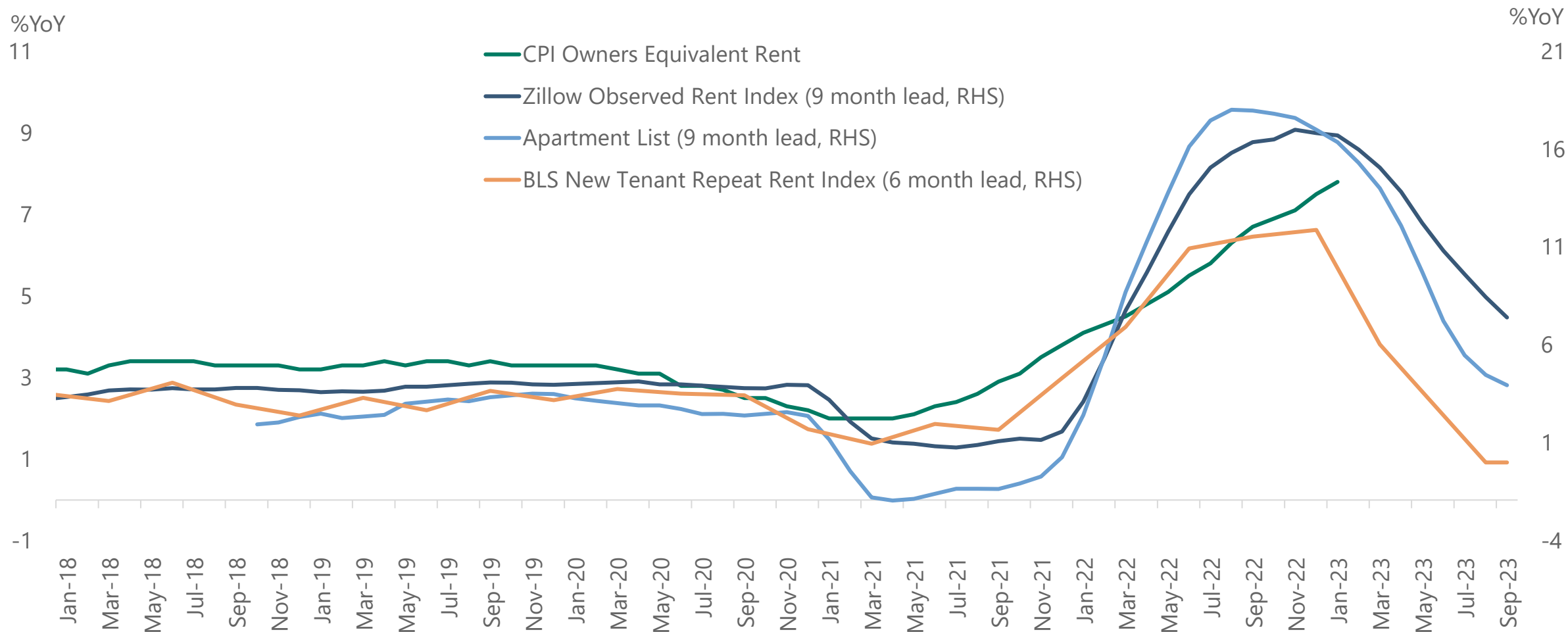


Source: MBA, Bloomberg, Apollo Chief Economist (Note: It is 5-year ARM)

Secular decline in the share of the US population moving to a new address

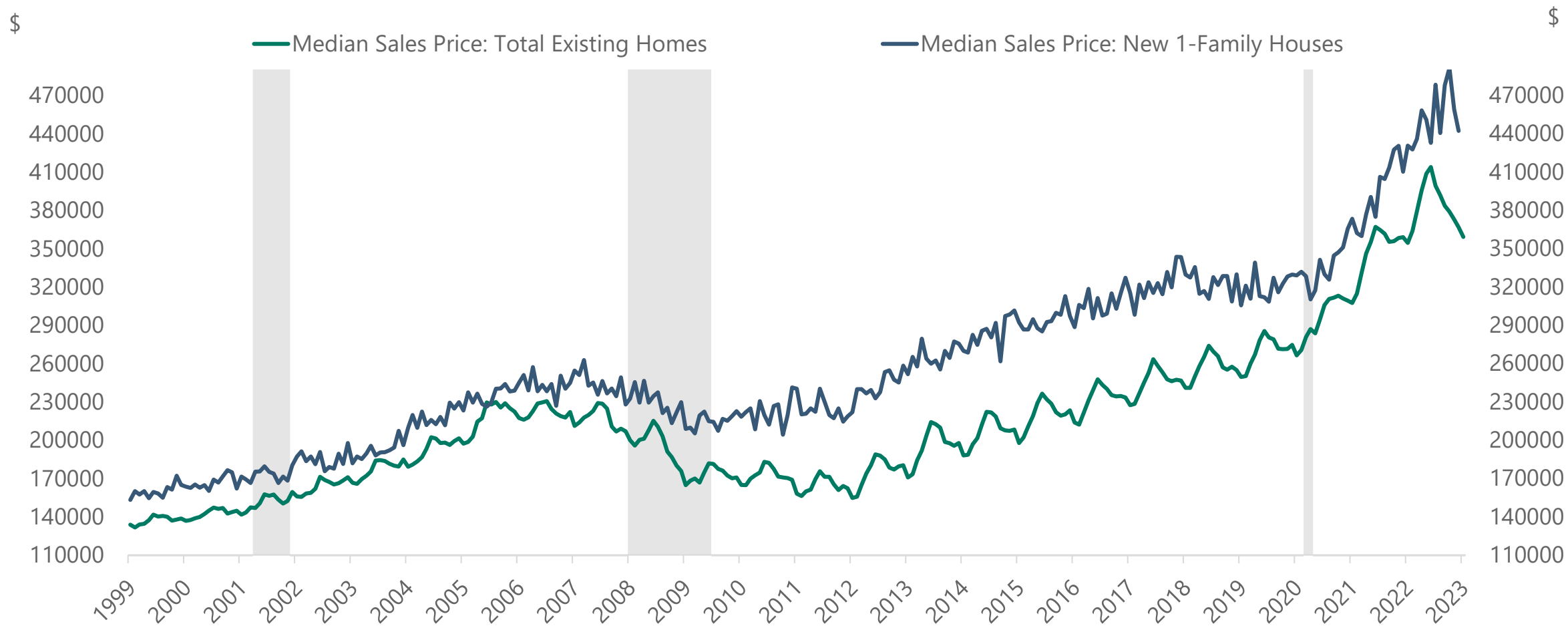


With the housing market recovering, the anticipated strong decline in OER may never happen

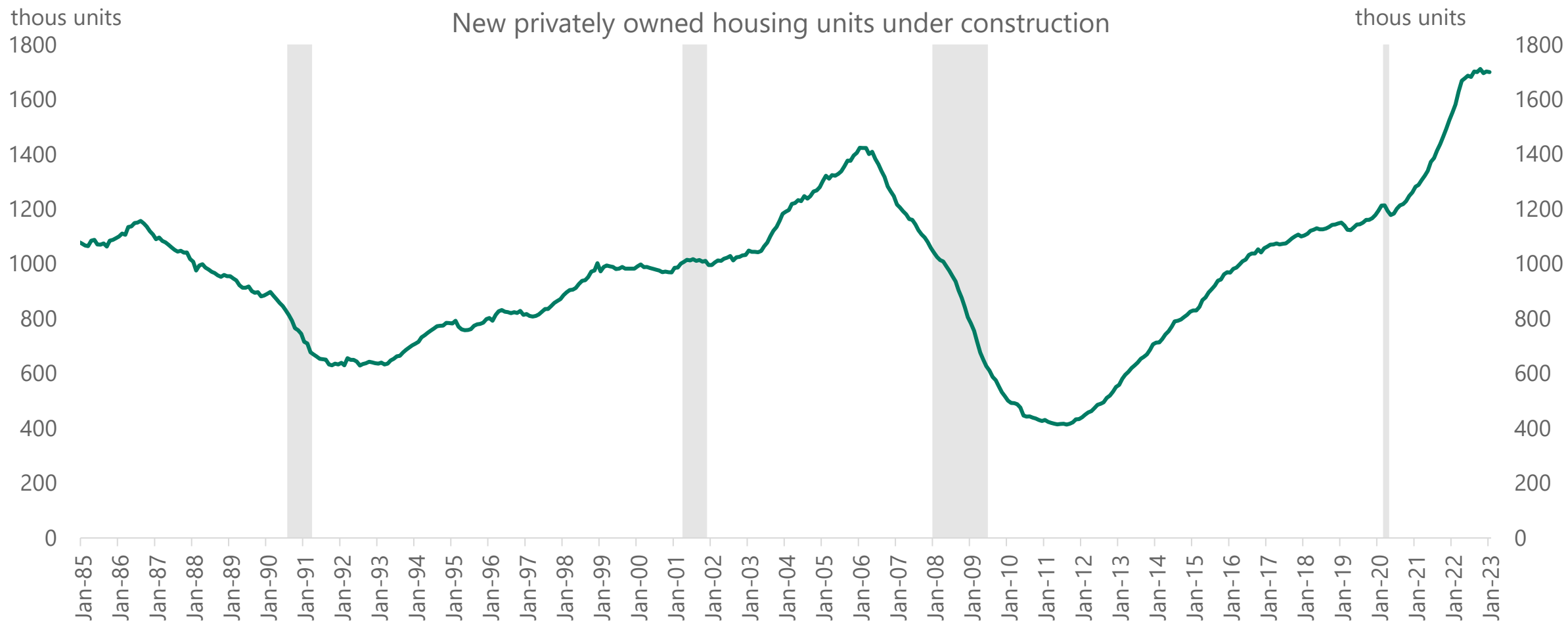


New versus existing homes

House prices are coming down for both new and existing homes



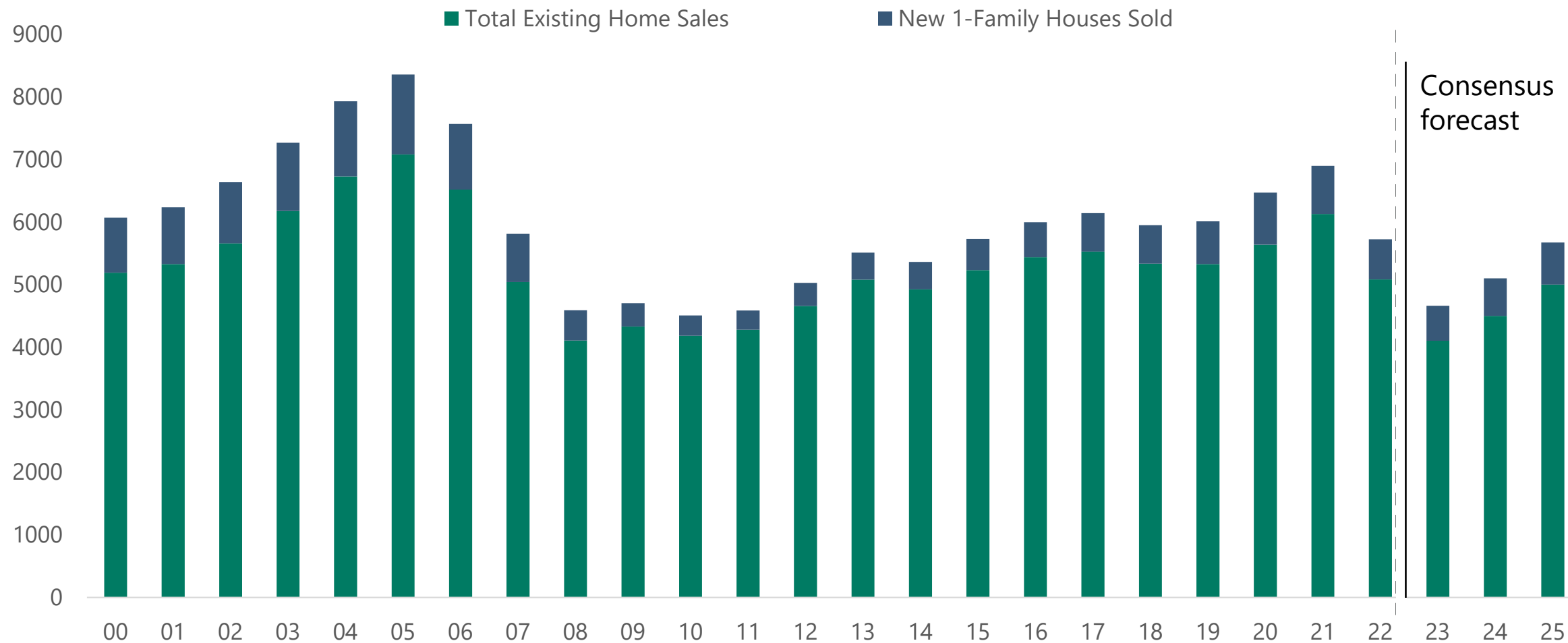
New privately owned housing units under construction starting to peak



Source: Census Bureau, Haver Analytics, Apollo Chief Economist

Consensus is forecasting a soft landing in home sales

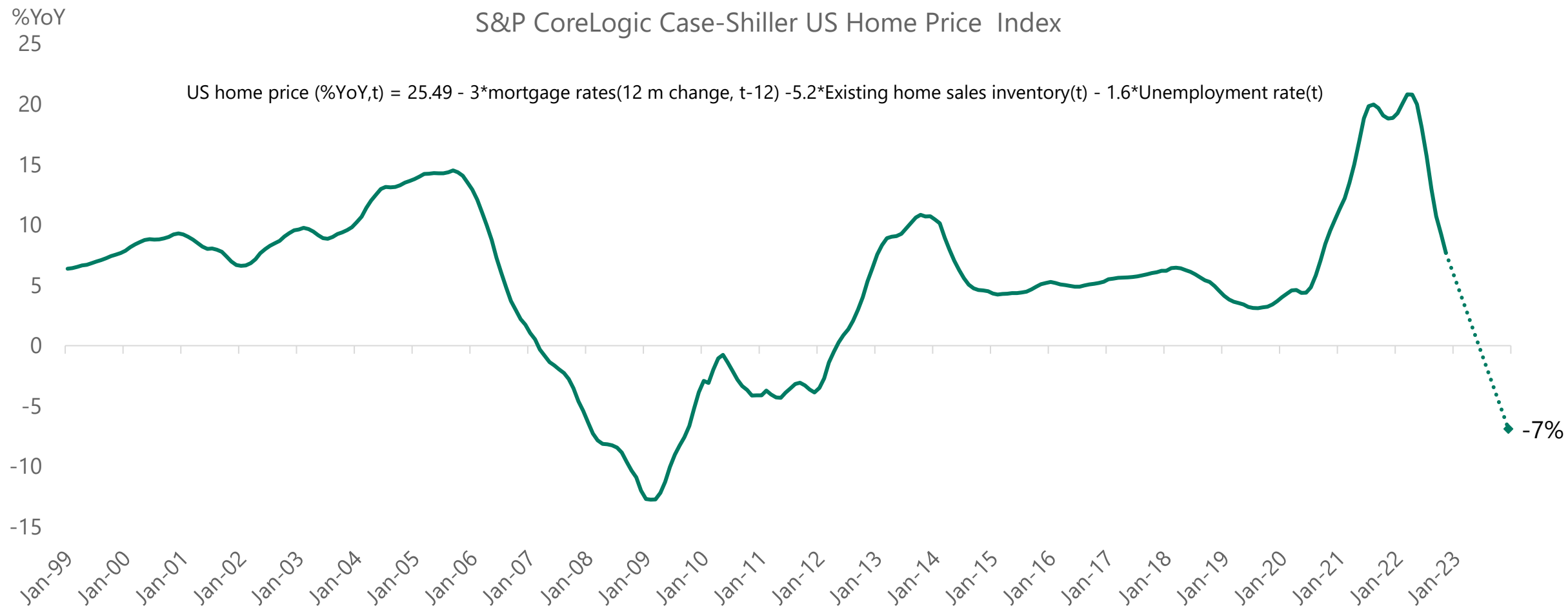
SAAR, thous.



Source: Census Bureau, NAR, Haver, Apollo Chief Economist; Forecast is Bloomberg consensus

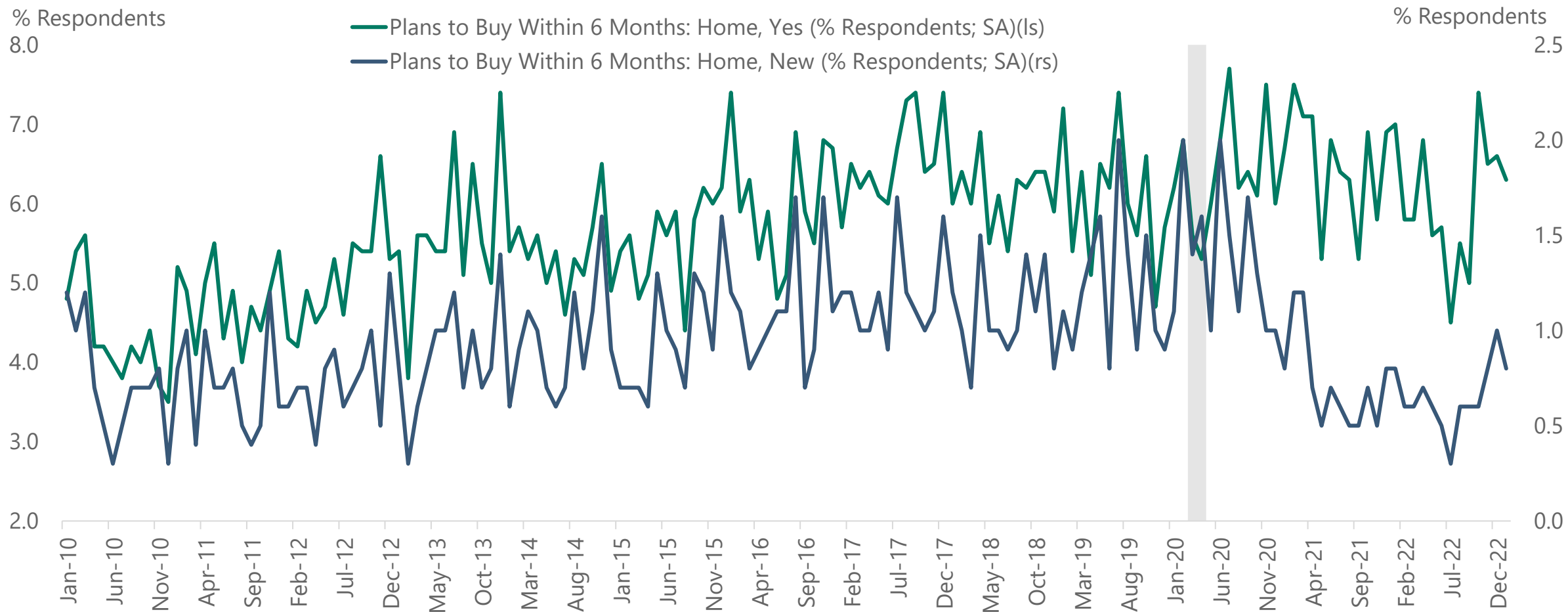
US house price model

US house price model

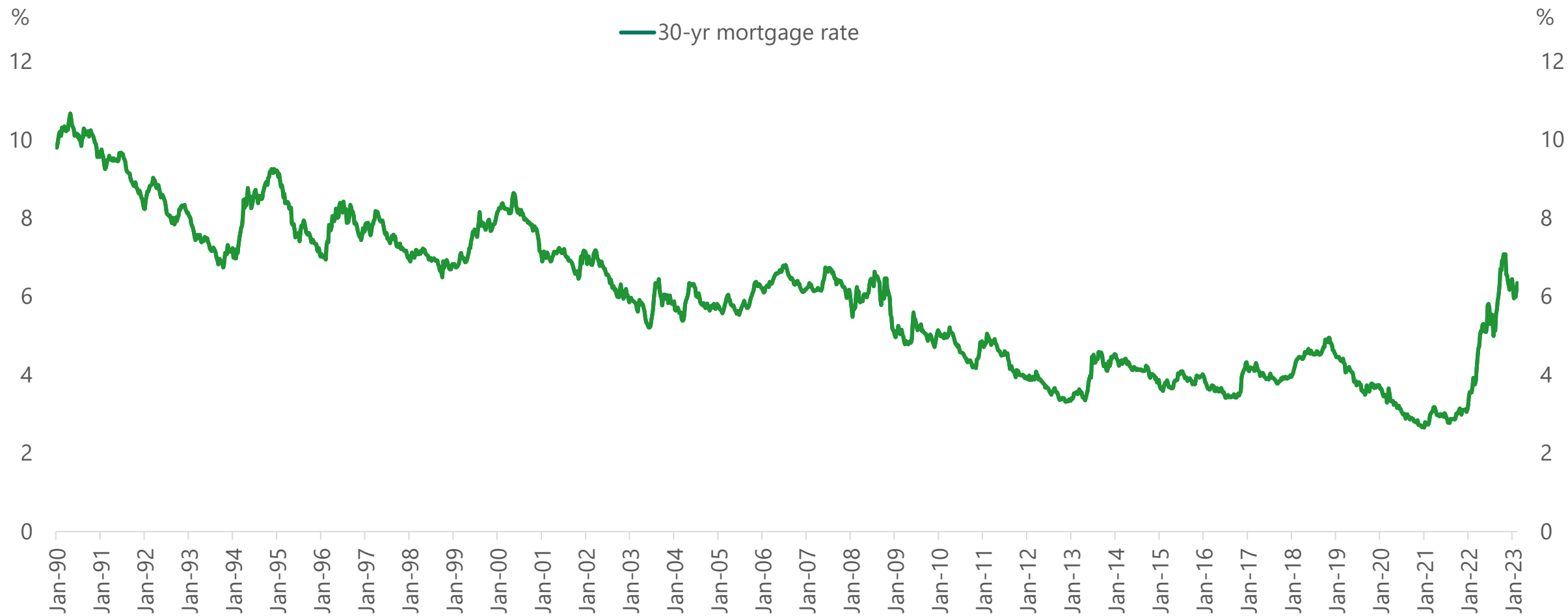


1) Housing Demand: Higher mortgage rates and high home prices slowing demand

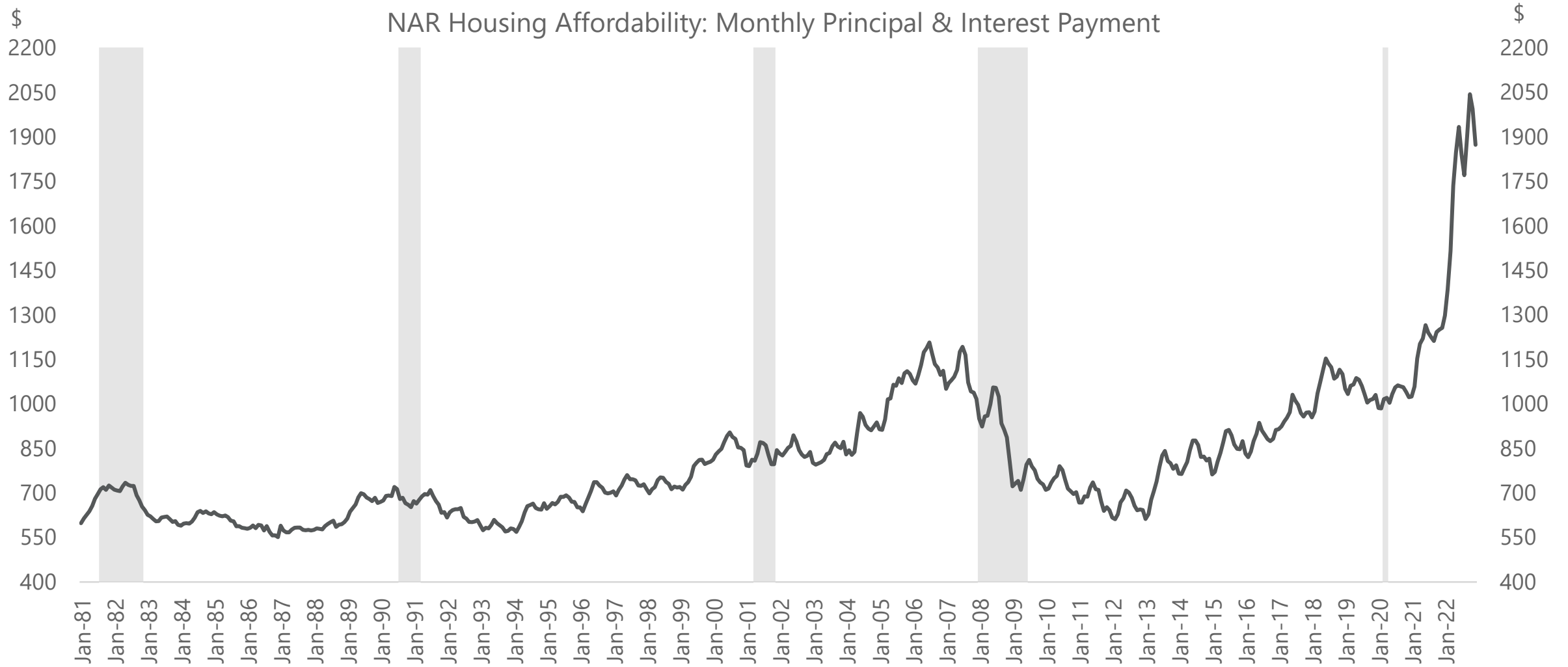
Plans to buy a home softening for new homes



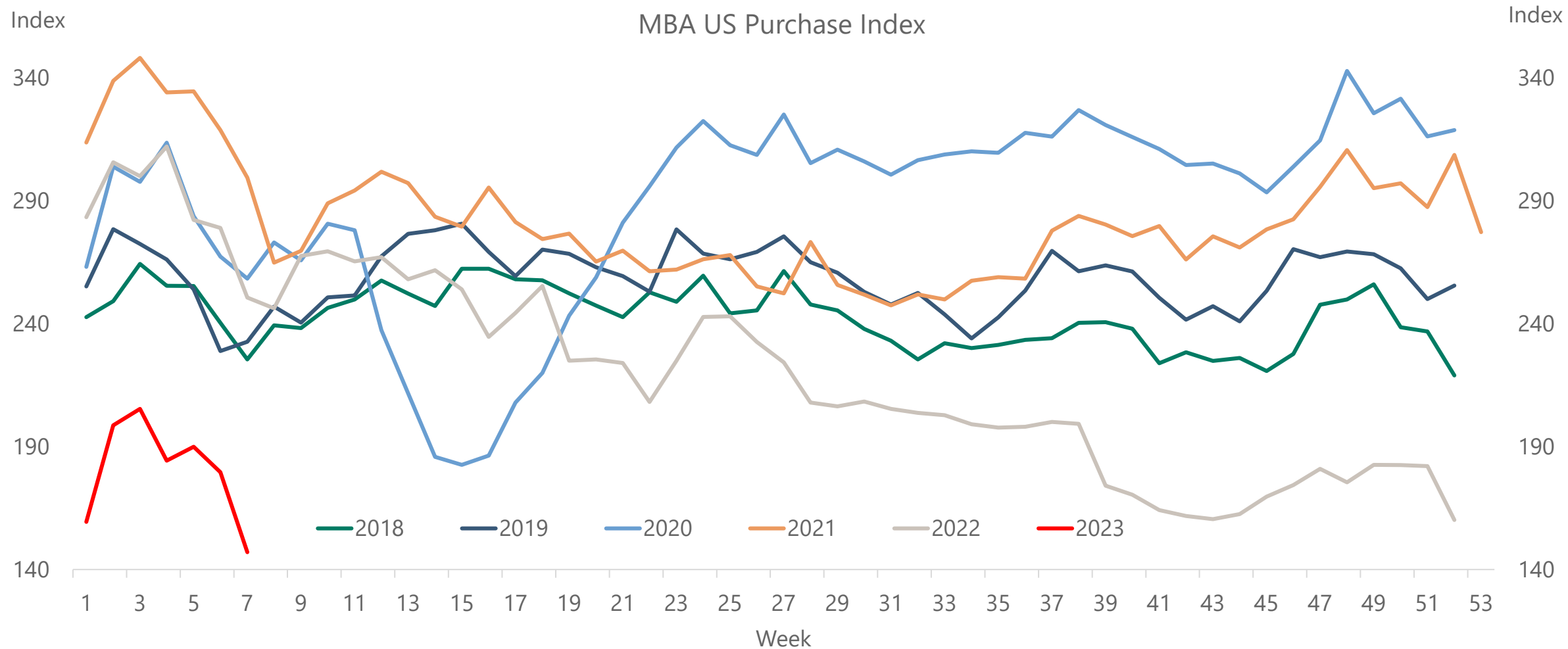
Mortgage rates coming down from peak



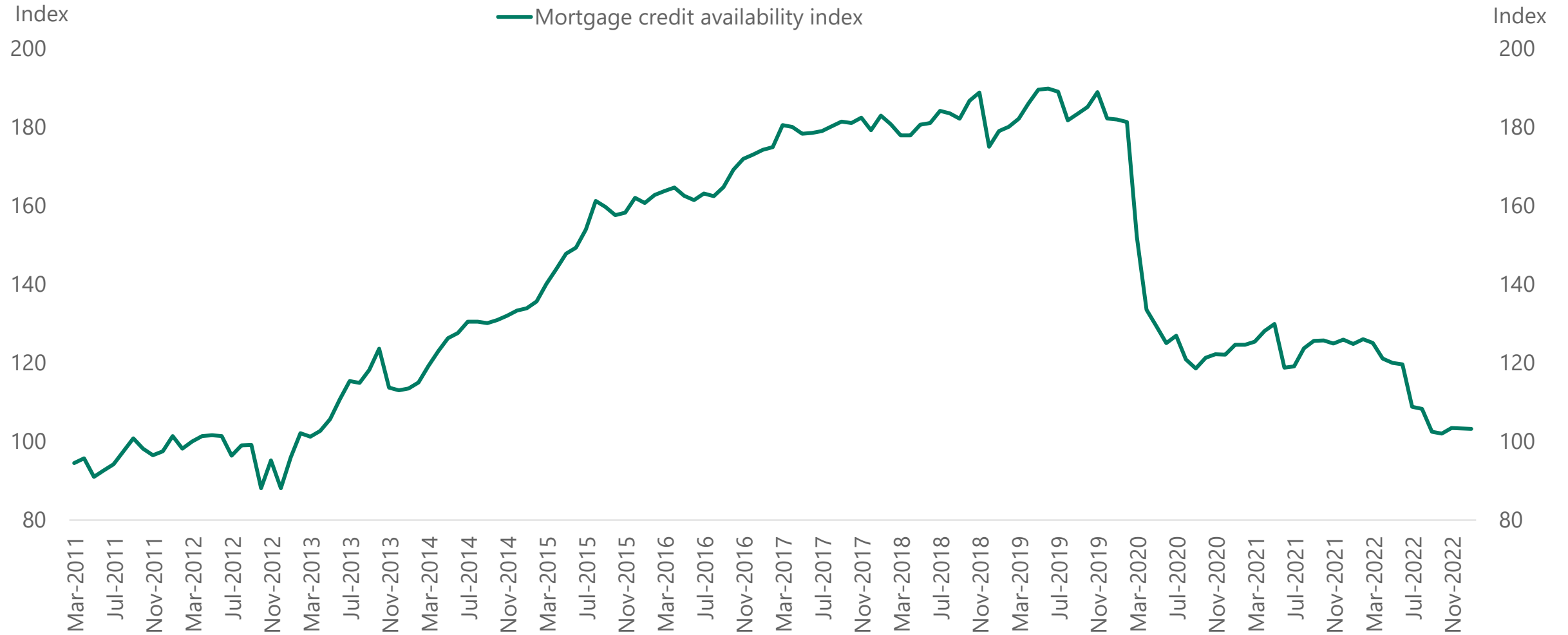
Monthly mortgage payments on new mortgages still very high



Mortgage purchase applications weaker than usual

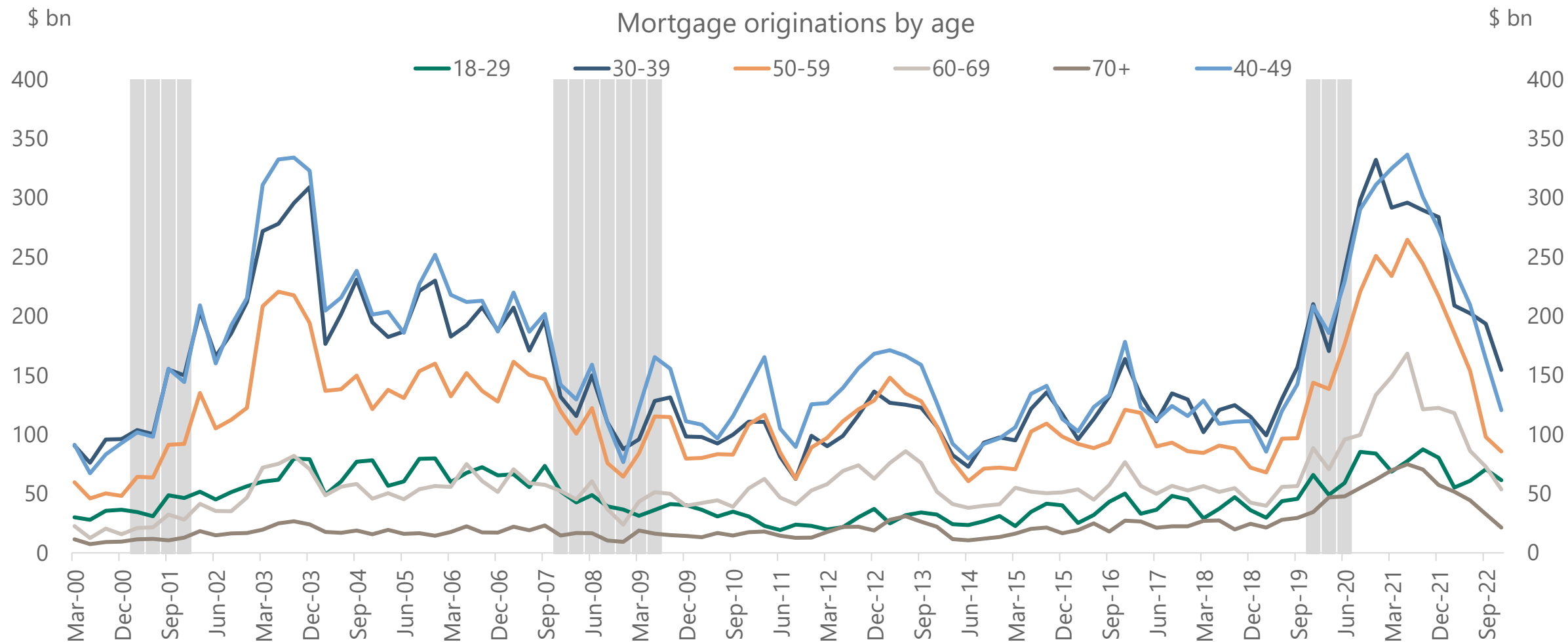


Availability of mortgage credit continues to tighten



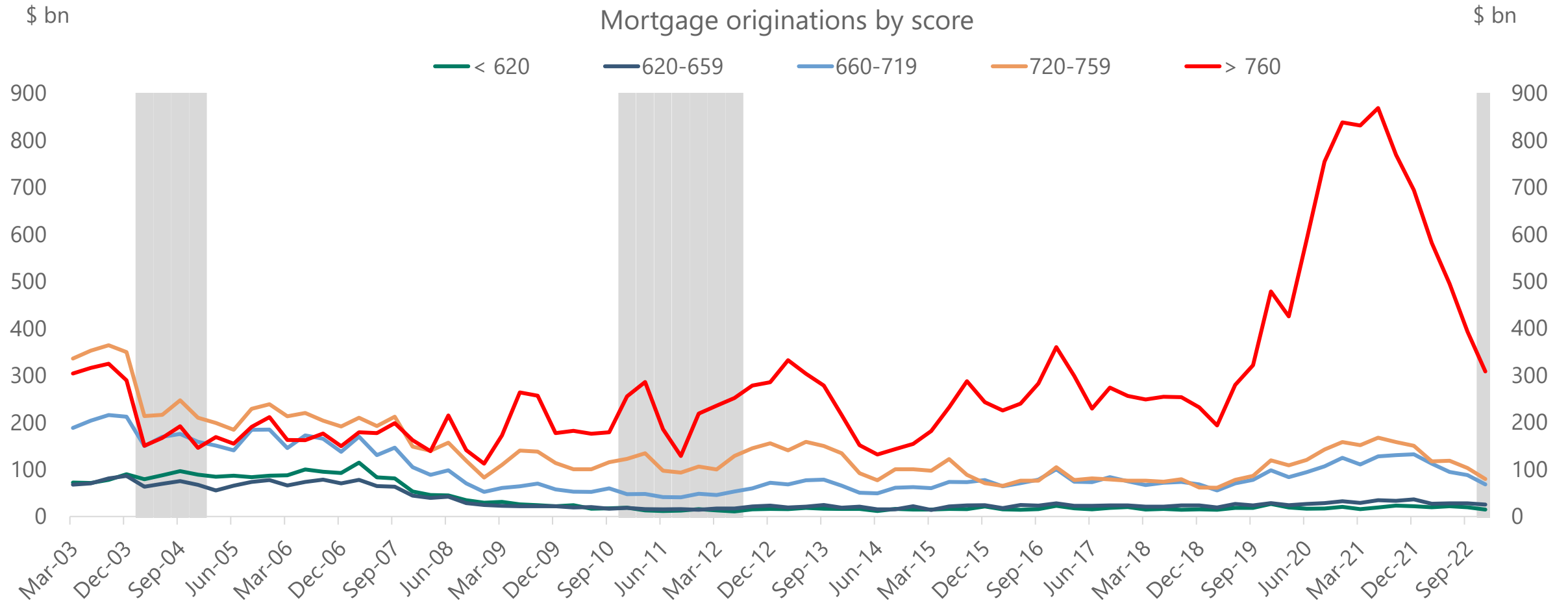
Source: Mortgage Bankers Association, Bloomberg, Apollo Chief Economist

Mortgage originations coming down to pre-pandemic levels



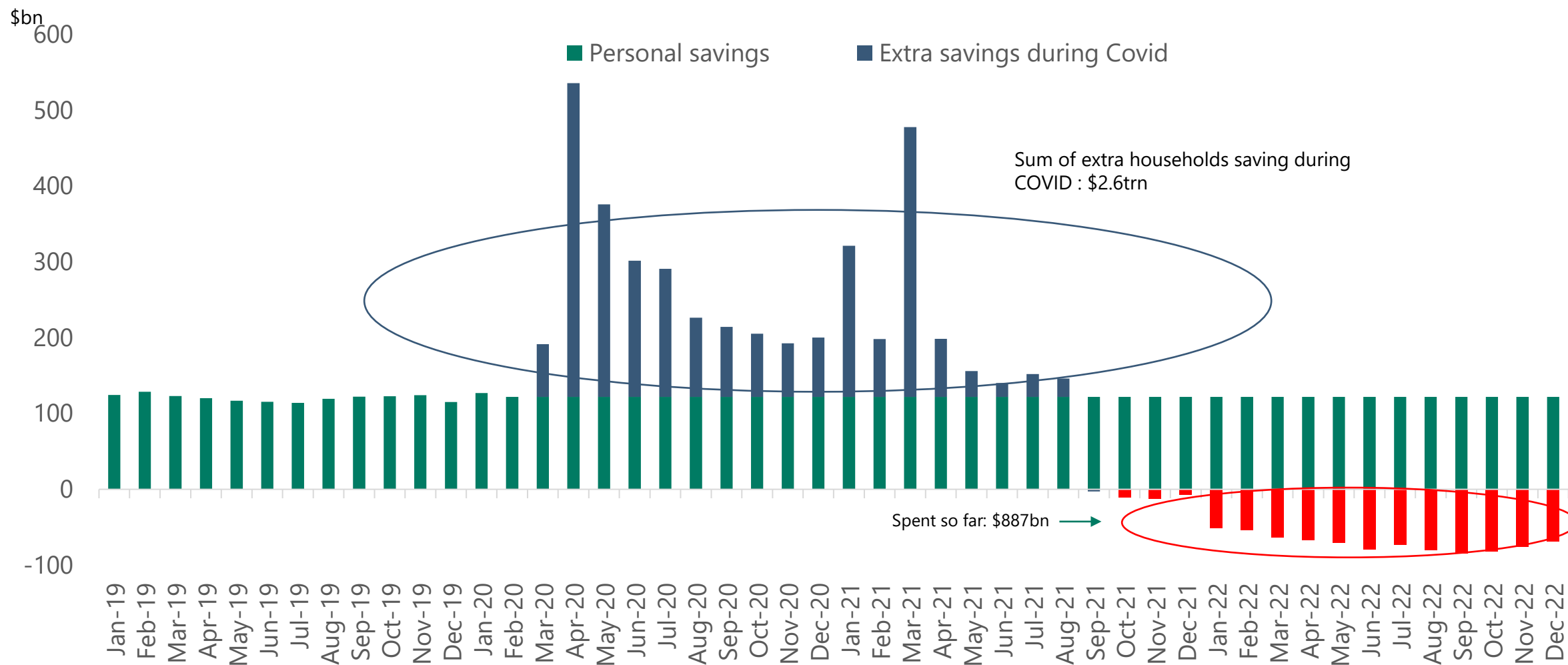
Source: NY Fed, Bloomberg, Apollo Chief Economist

Mortgage originations normalizing for households with high credit scores



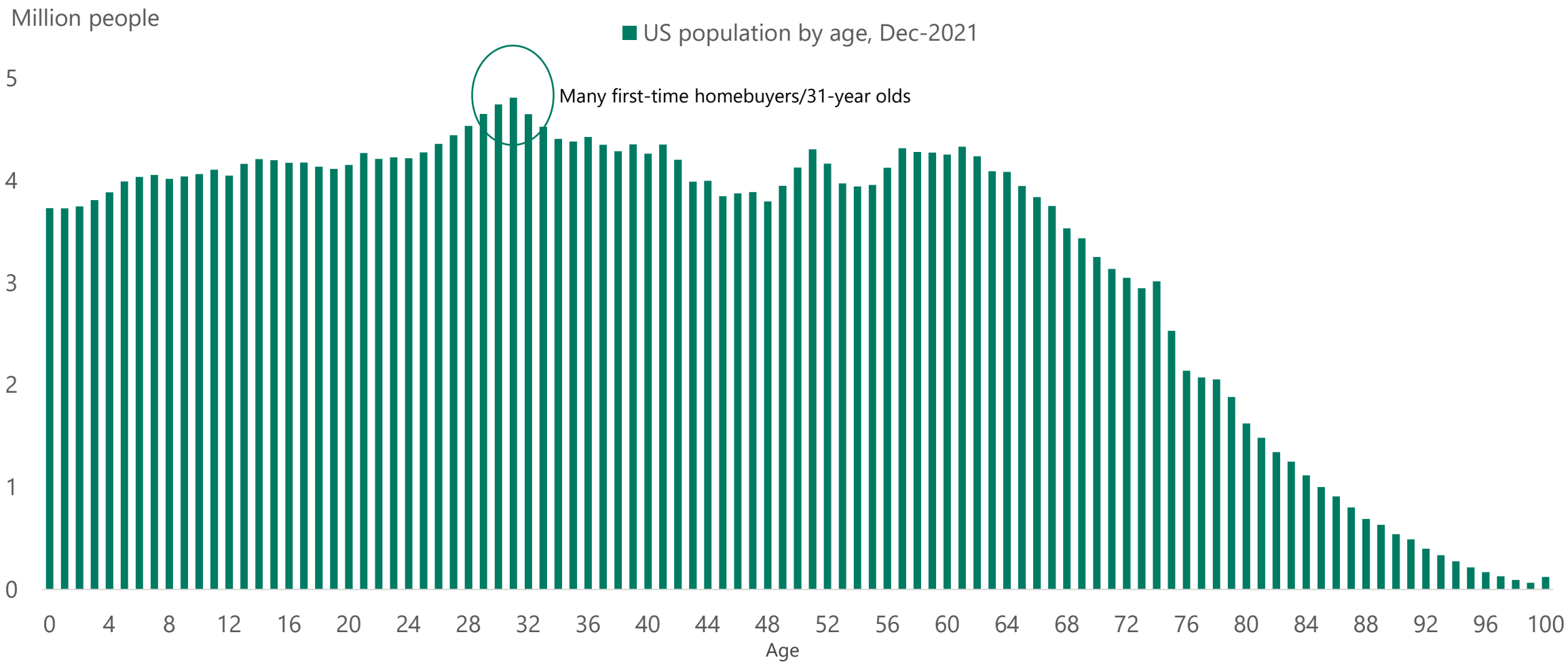
Source: NY Fed, Bloomberg, Apollo Chief Economist

Households are running down their savings, but still about \$1.7trn left



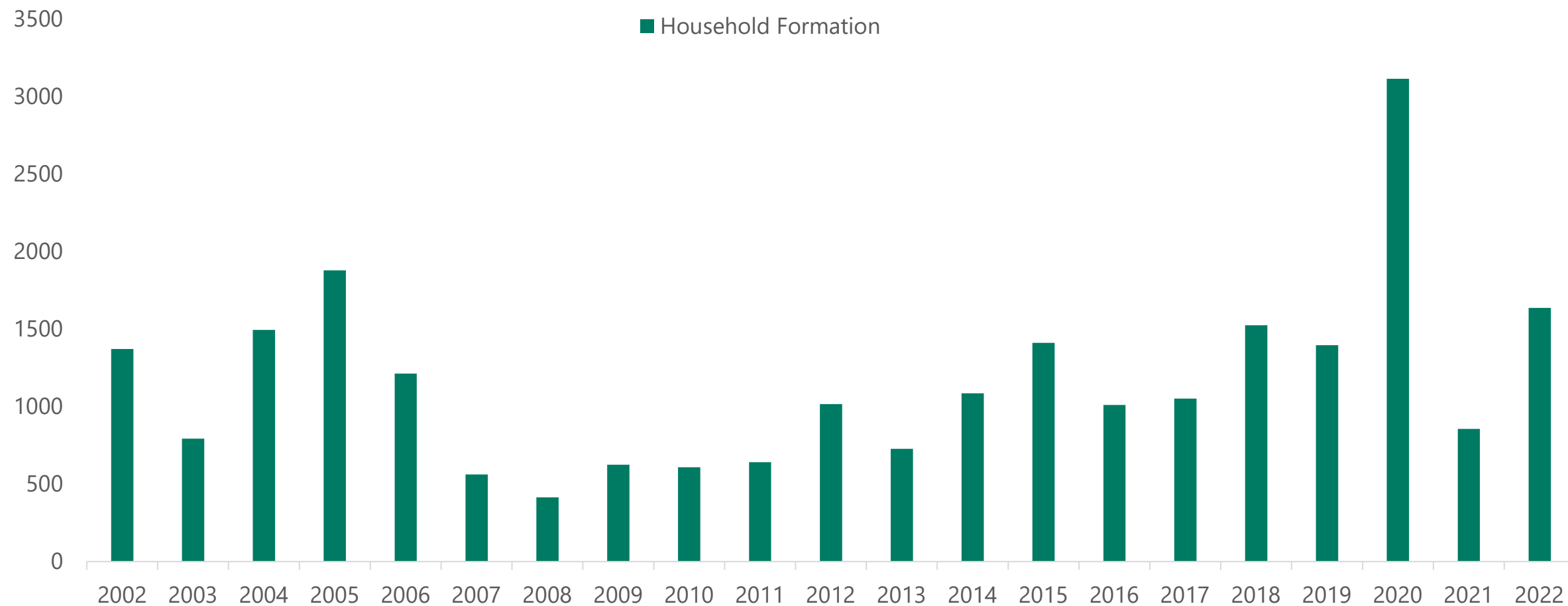
Note: Bloomberg, Apollo Chief Economist

Demographics are a tailwind to housing demand

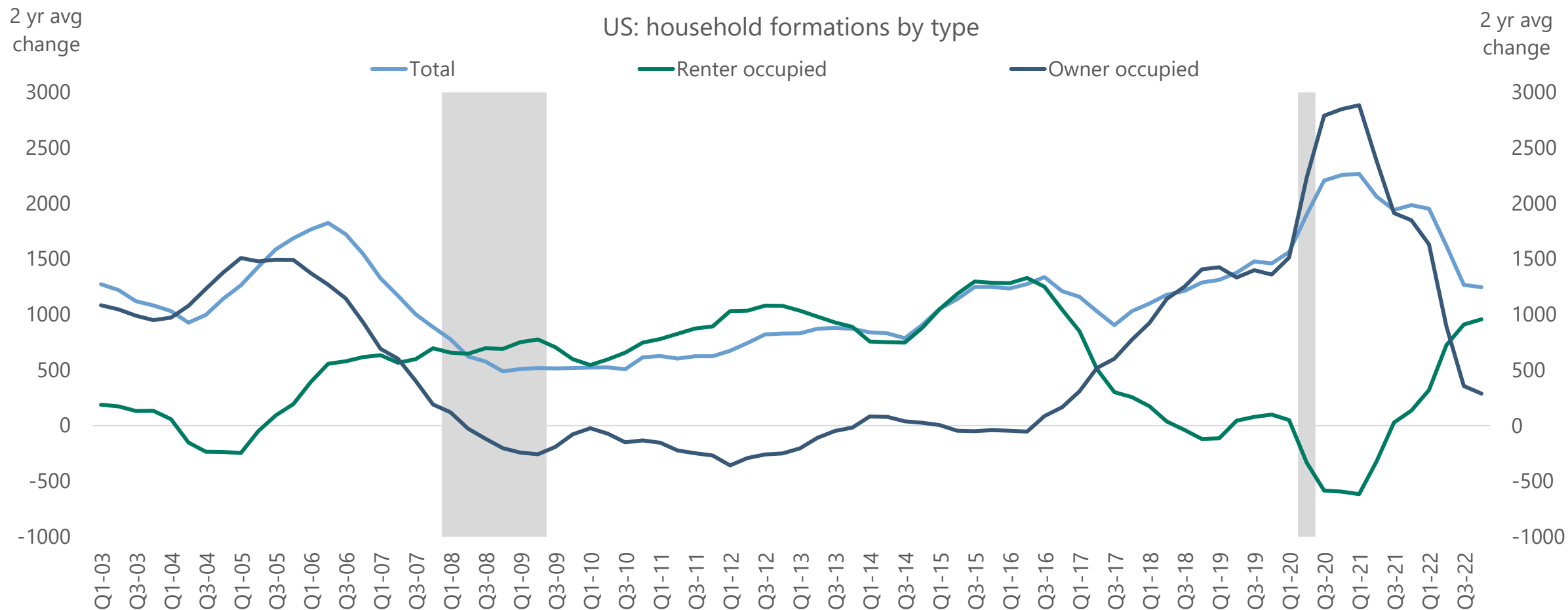


Household formation returning to normal

Thousands of units

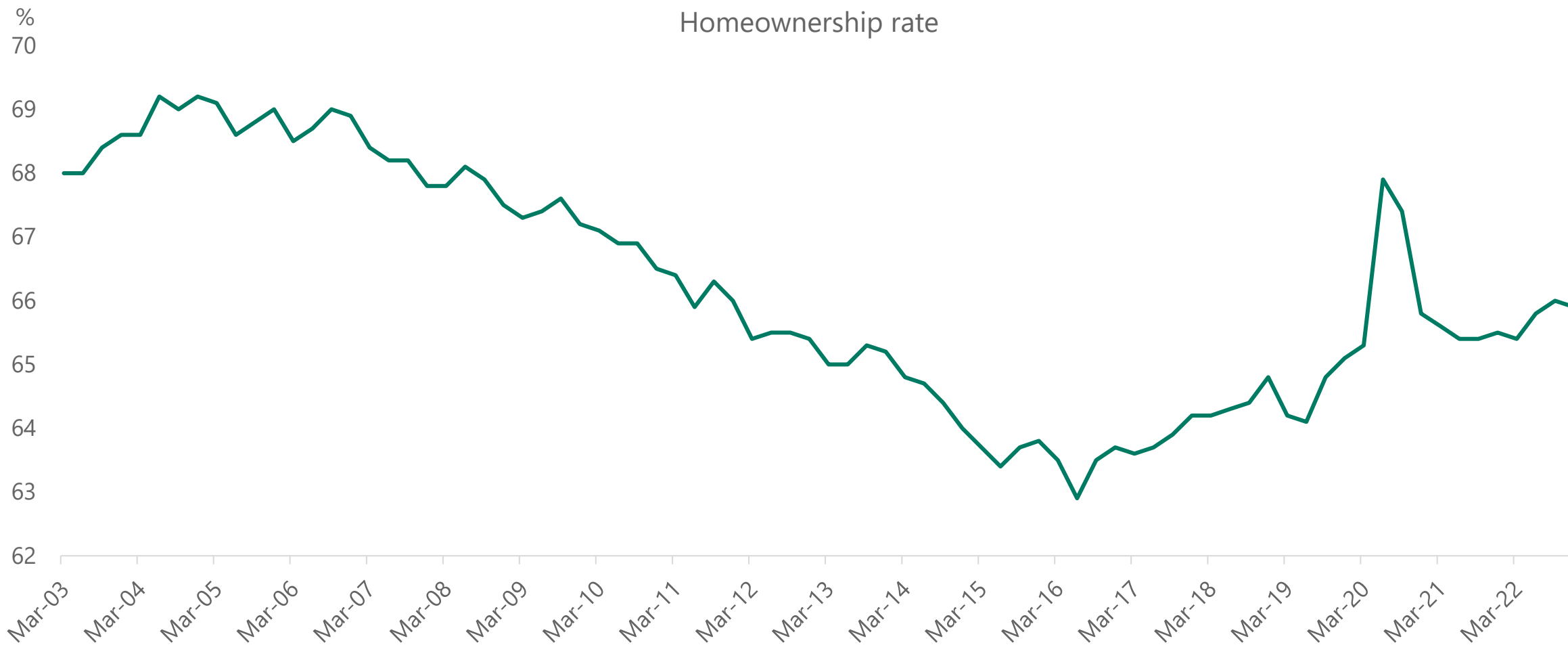


The number of renter occupied housing units has been growing



Source: Census Bureau, Haver, Apollo Chief Economist

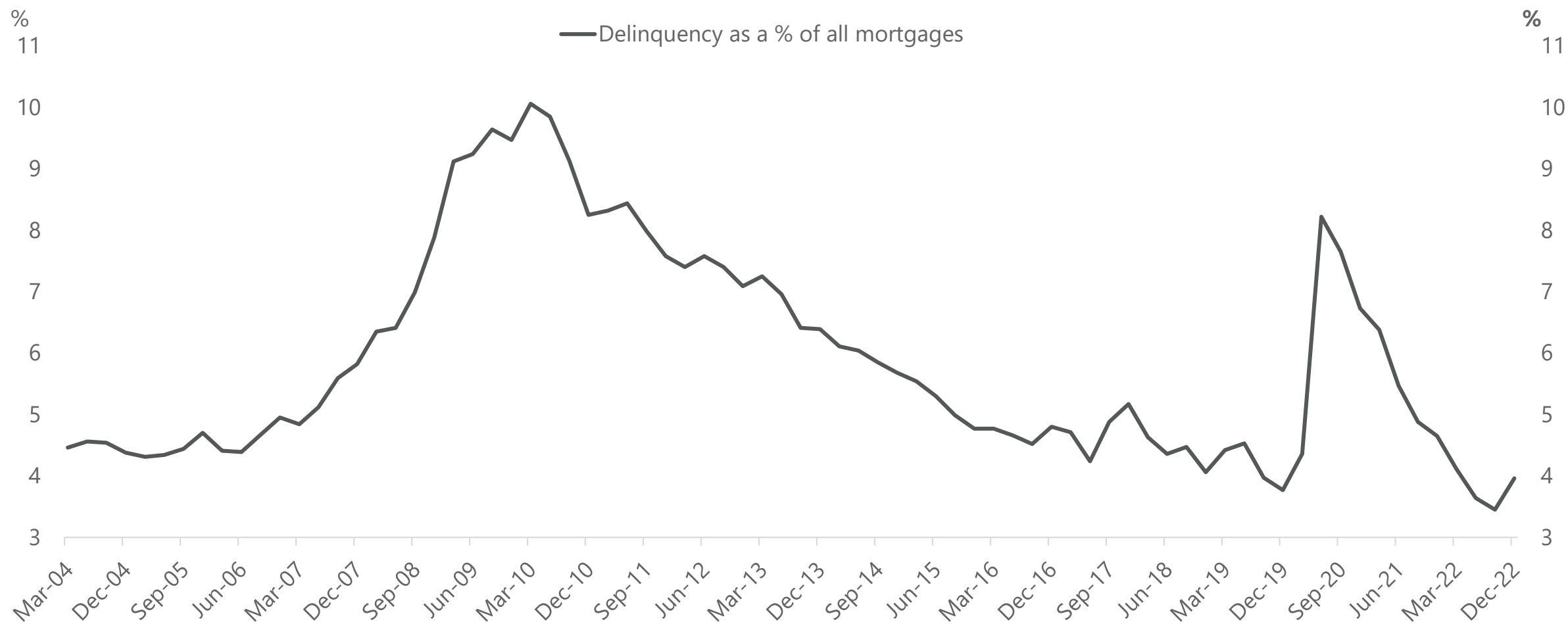
Homeownership rate moving gradually higher



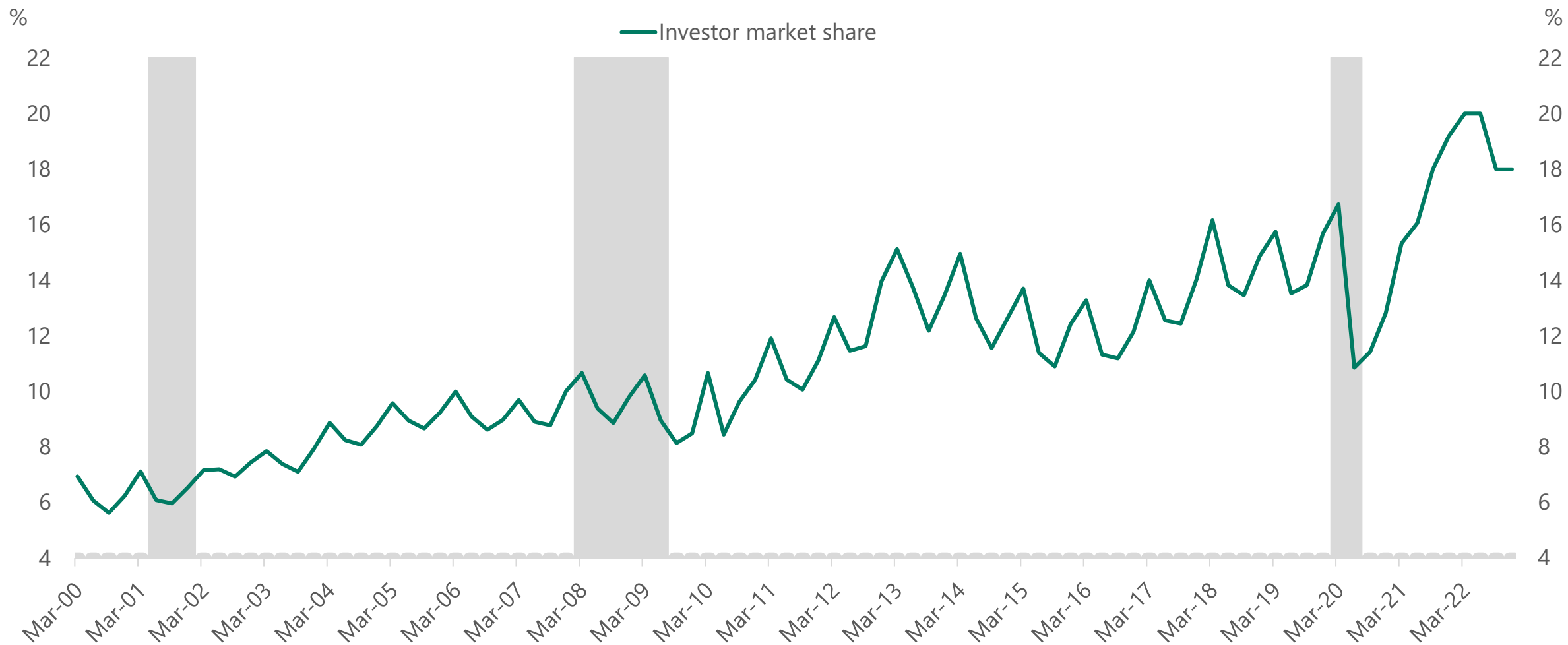
Low unemployment is a significant tailwind to housing demand



Delinquent mortgages still low

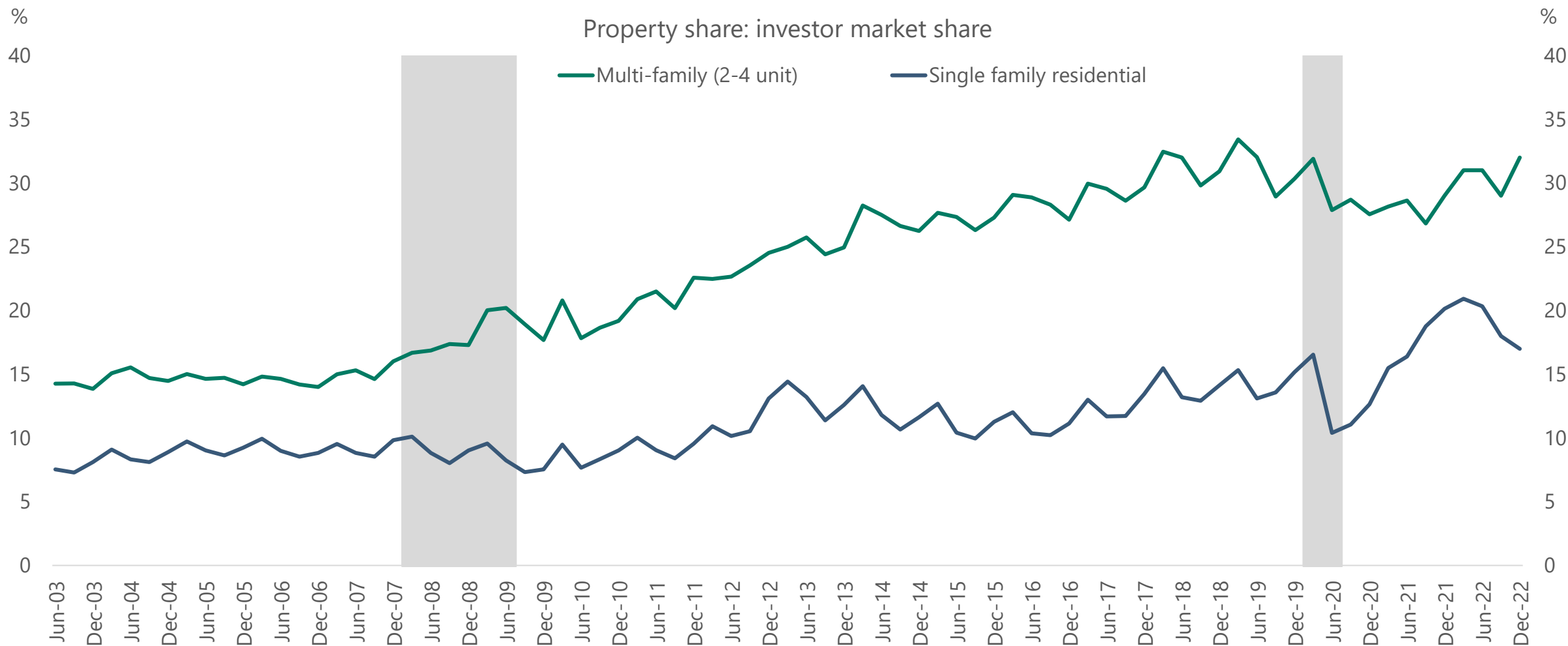


Investors accounting for 18% of all home purchases



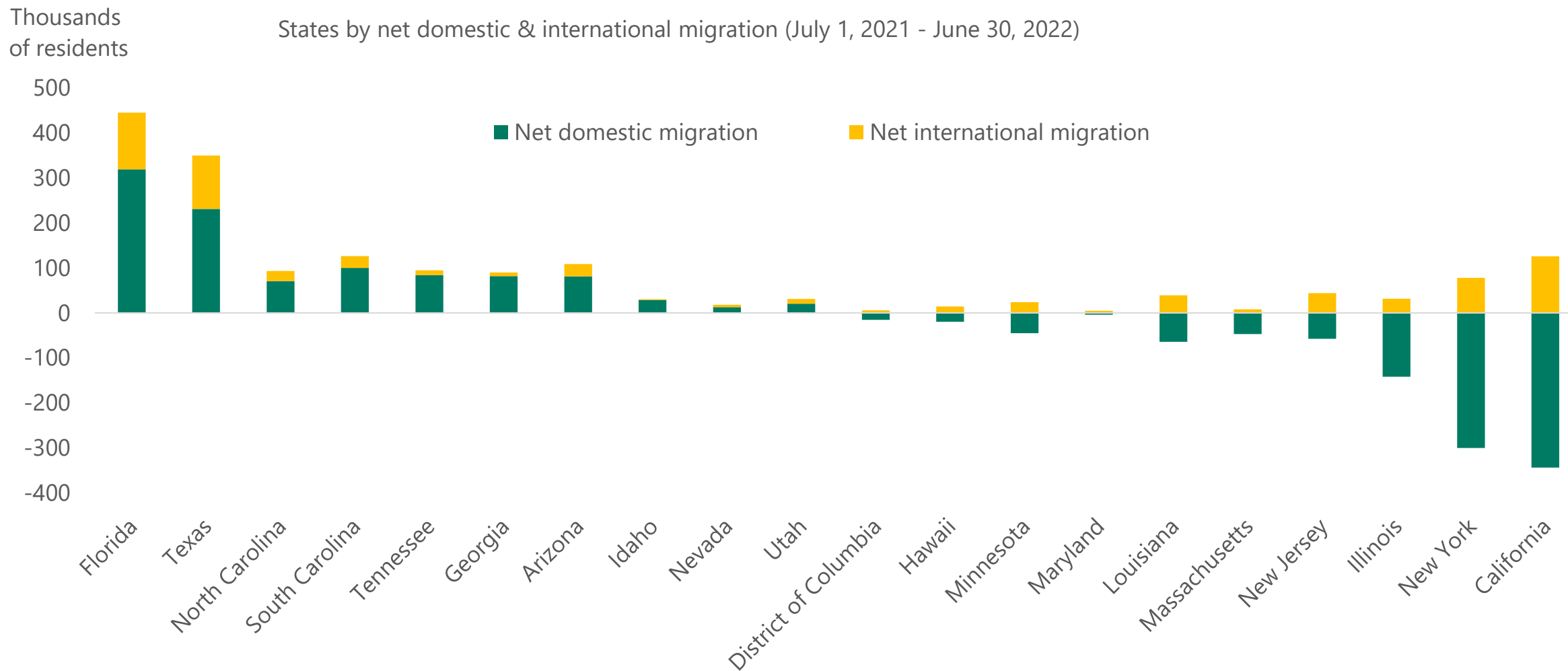
Source: Redfin, Apollo Chief Economist (Definition of Investor market share: the percentage of total home sales in which an investor was the buyer)

Investor share of multi family is rising



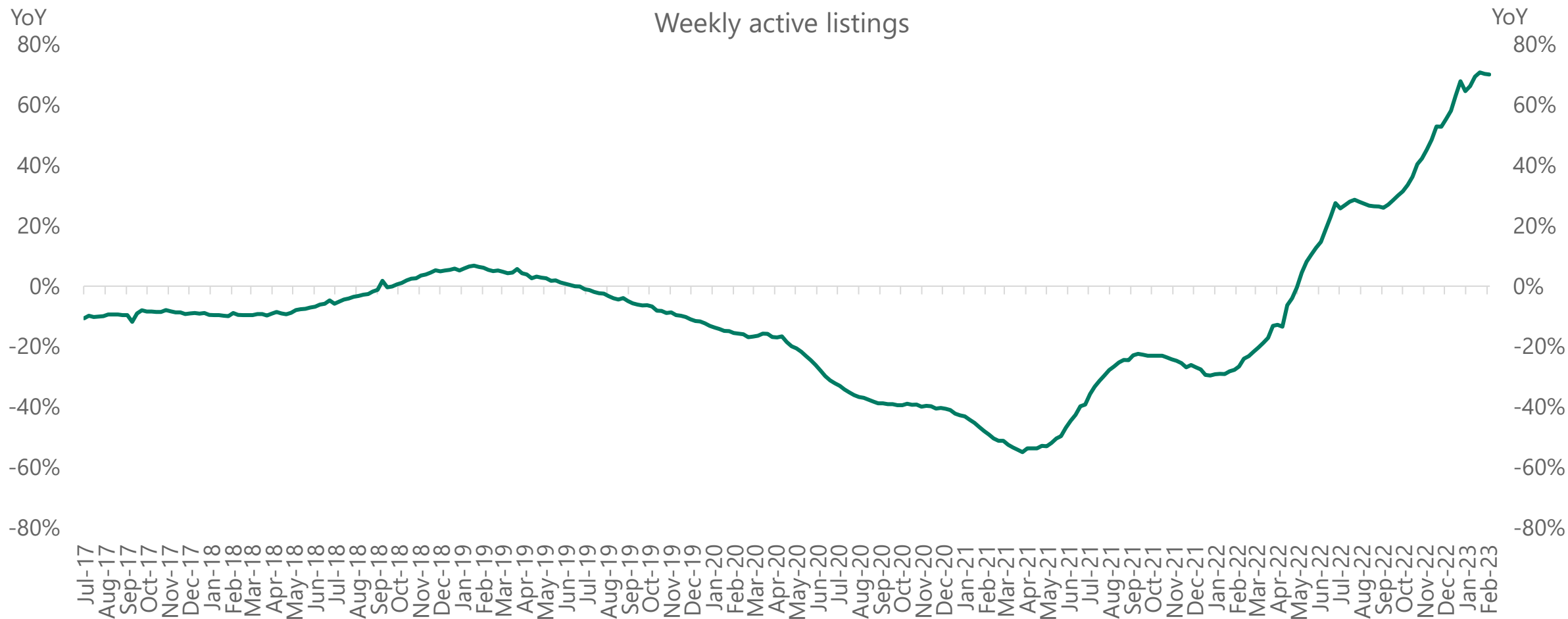
Source: Redfin, Apollo Chief Economist (Definition of Investor market share: the percentage of total home sales in which an investor was the buyer)

Migration out of California and migration into Florida during the pandemic

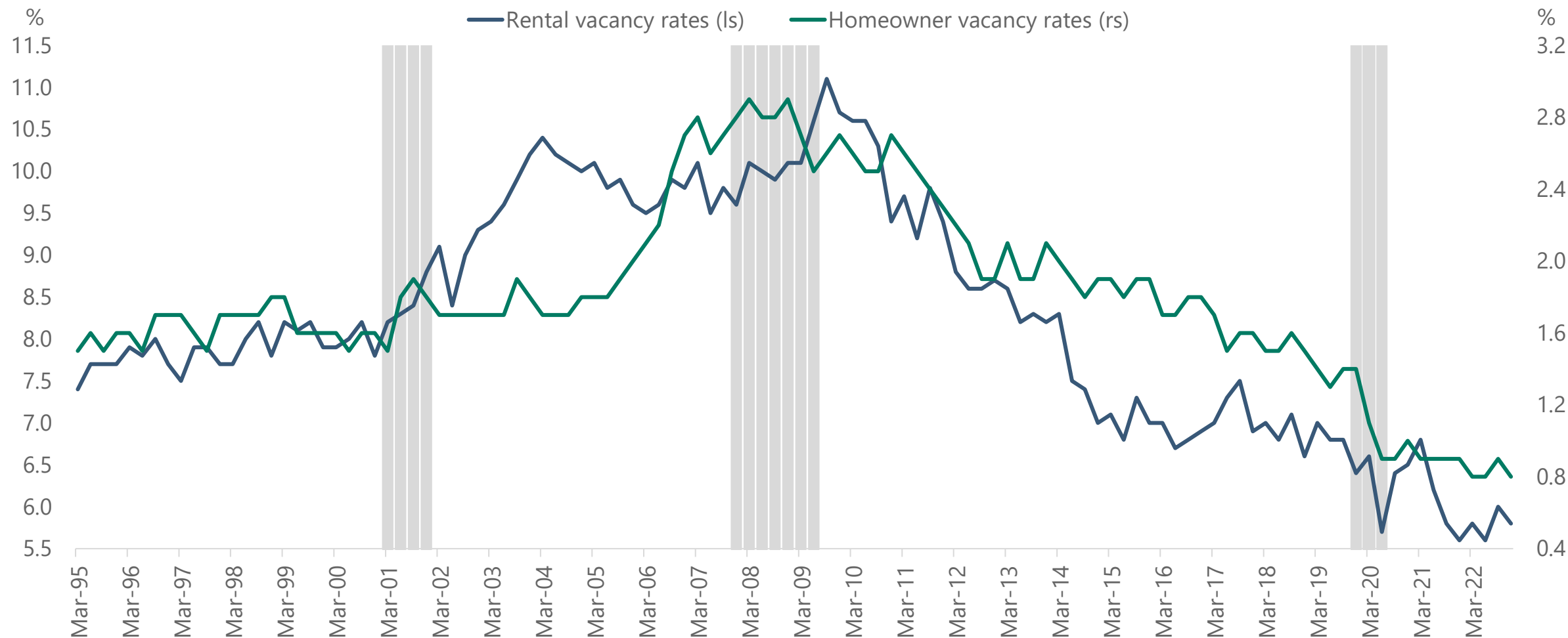


2) Housing Supply: Housing supply is low, construction near record-high levels

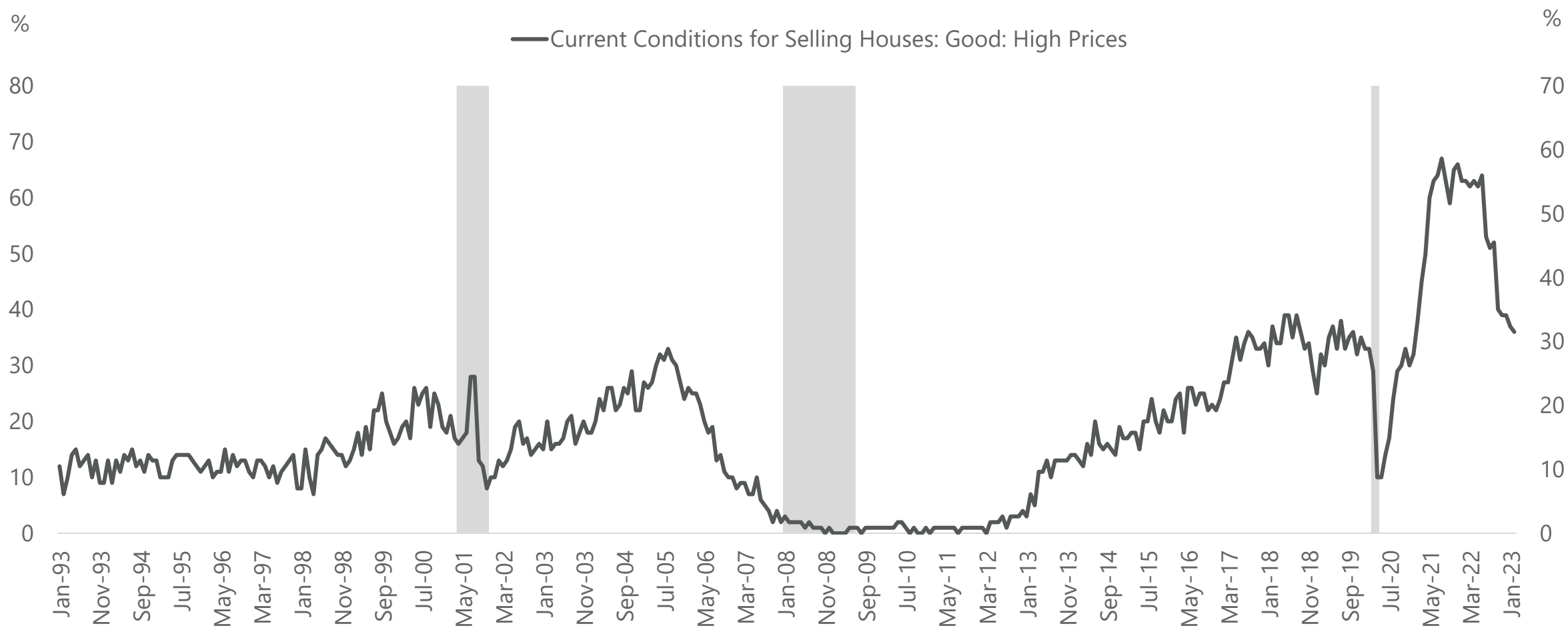
US housing inventory rising from low level



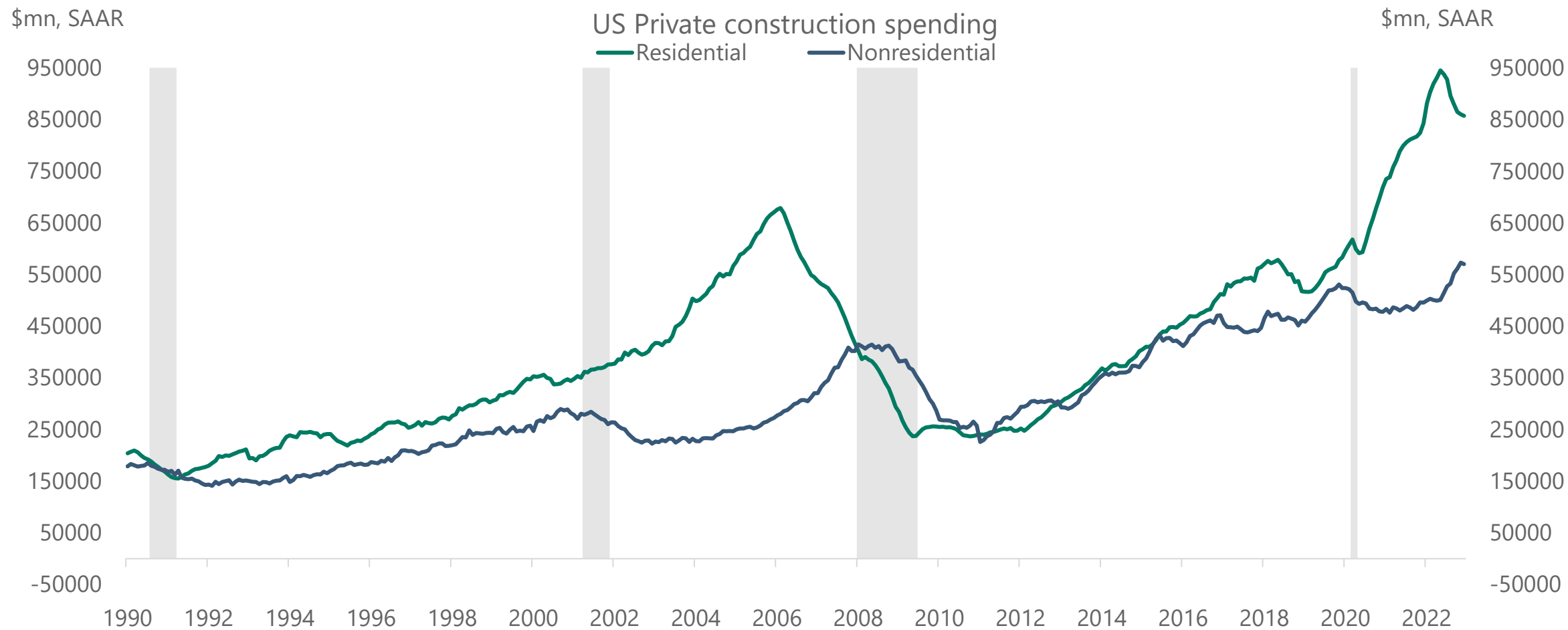
Vacancy rates at record-low levels



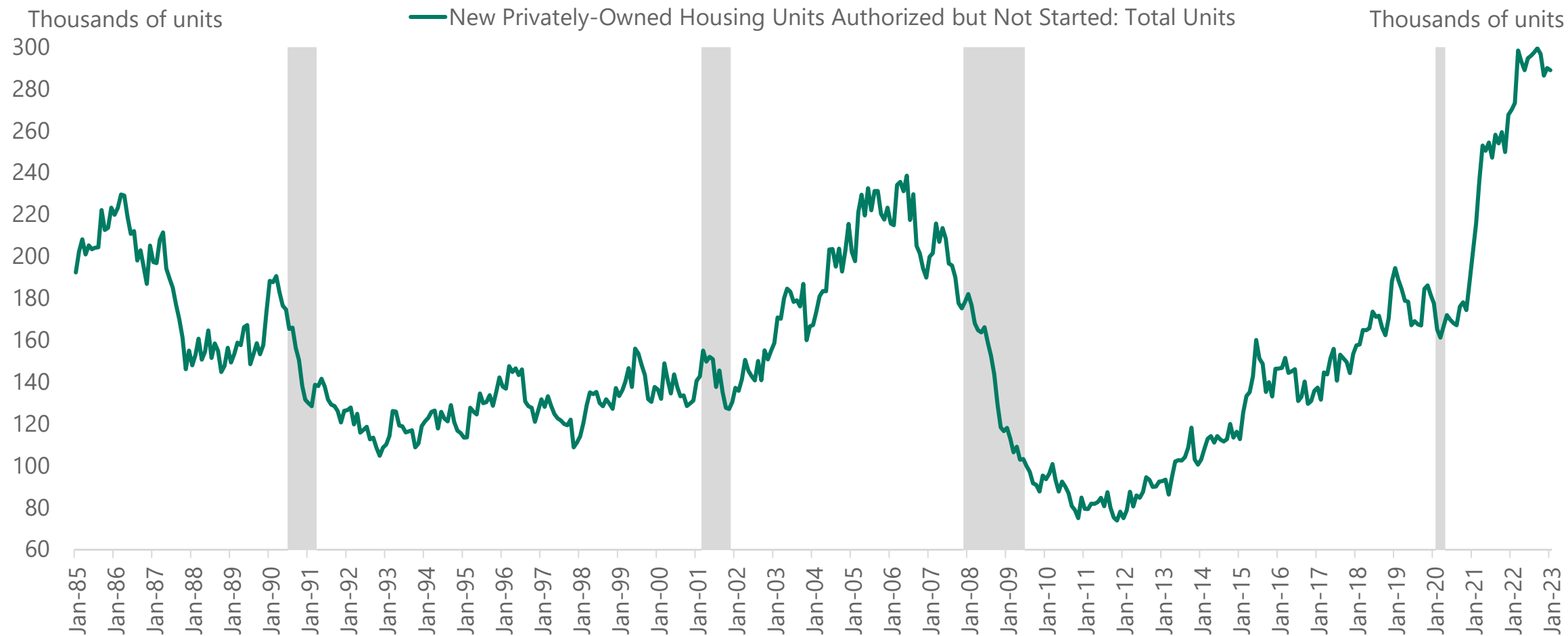
Consumers saying “This is a good time to sell a house” coming down



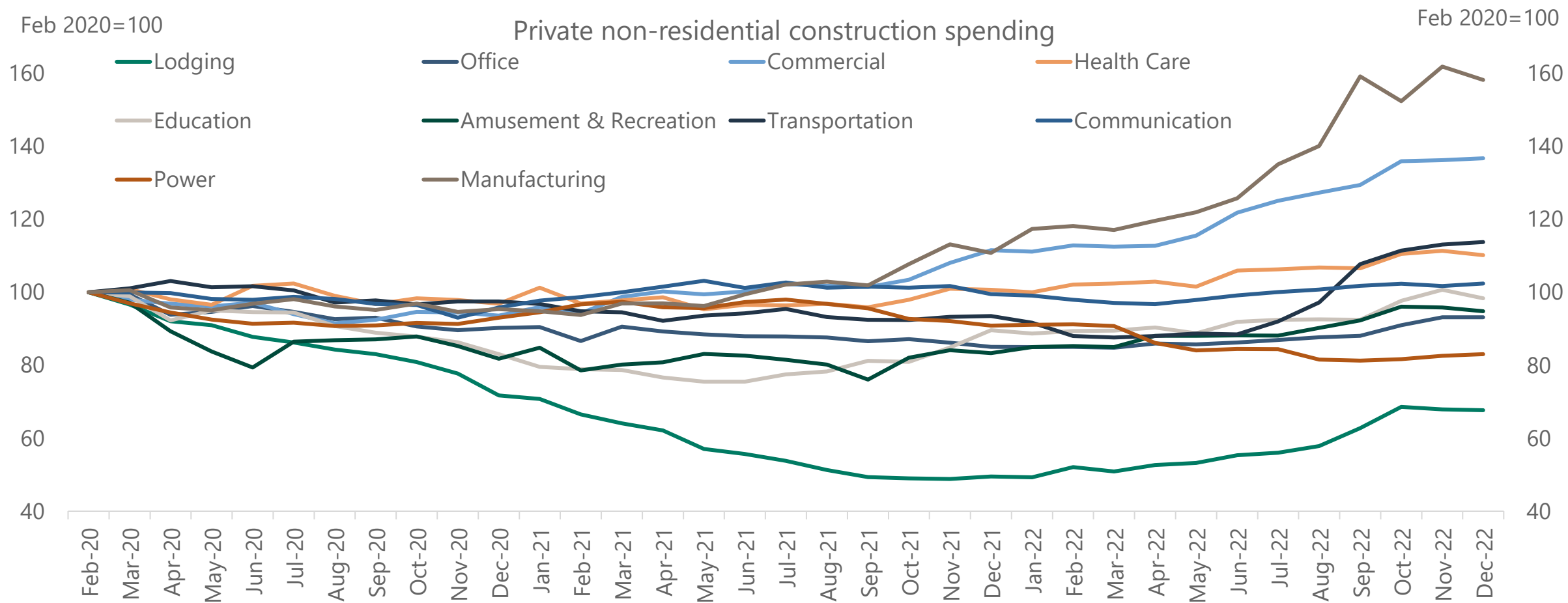
Residential construction spending coming down from recent peak



New housing units authorized

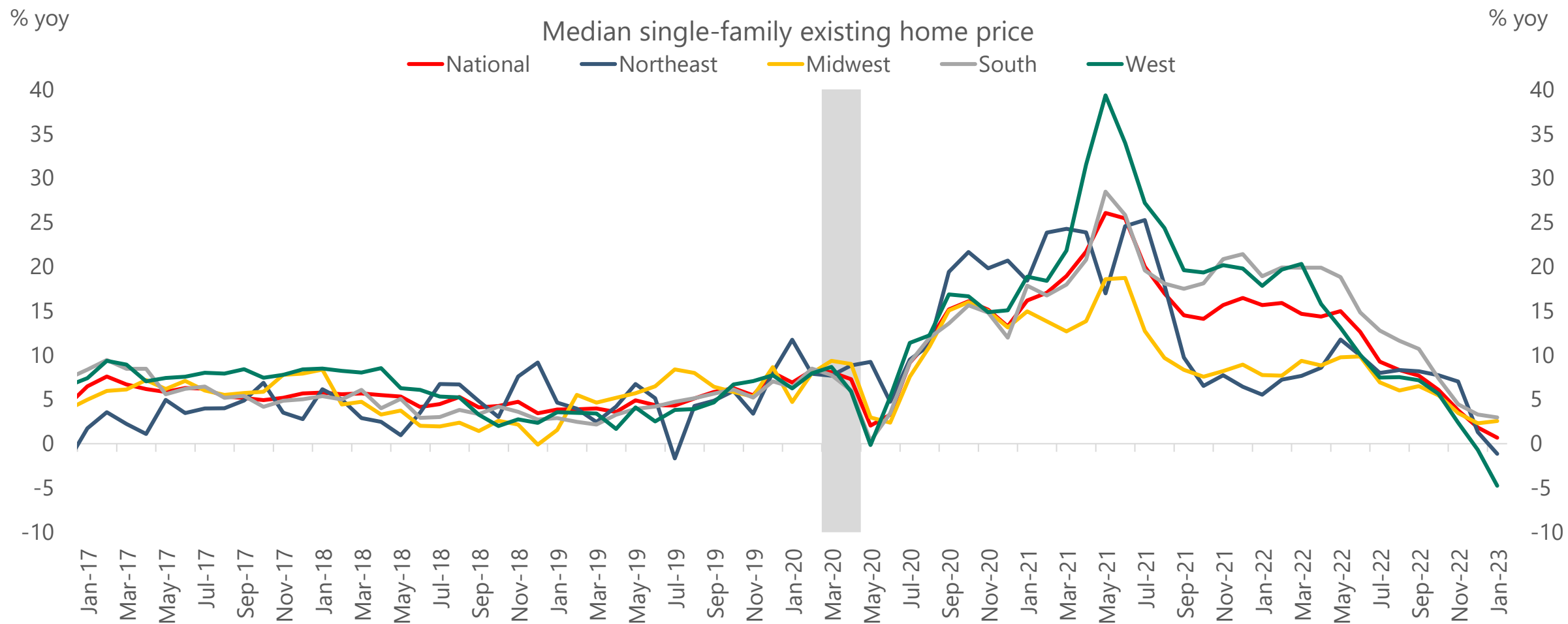


The biggest decline in non-residential construction has been in lodging

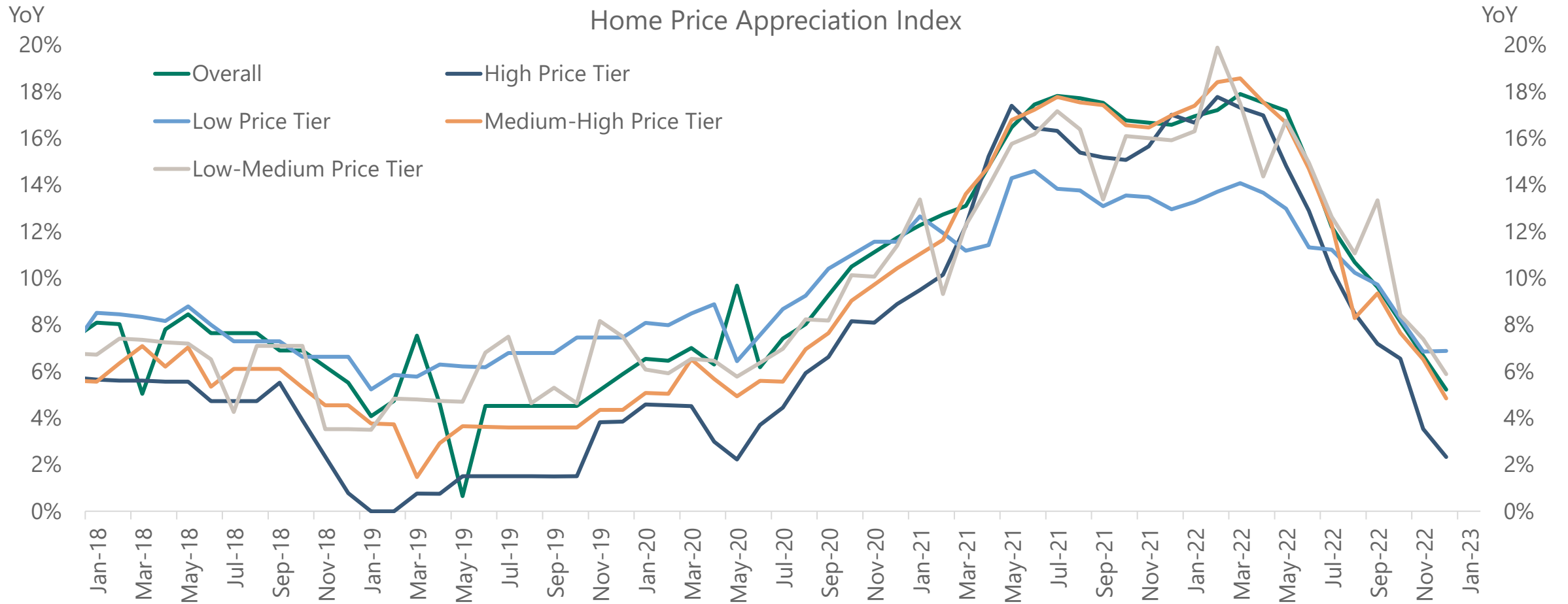


3) House Prices: Home price
inflation slowing down

Home price inflation coming down

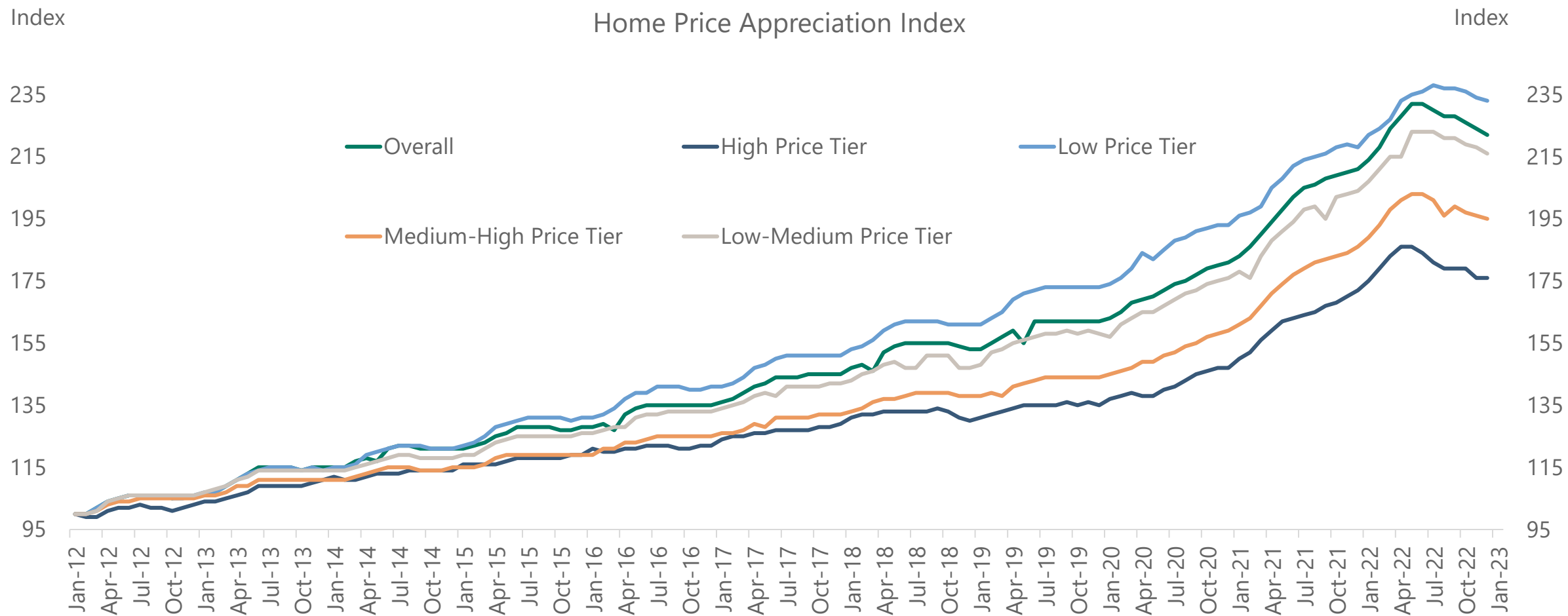


House price inflation slowing across price tiers

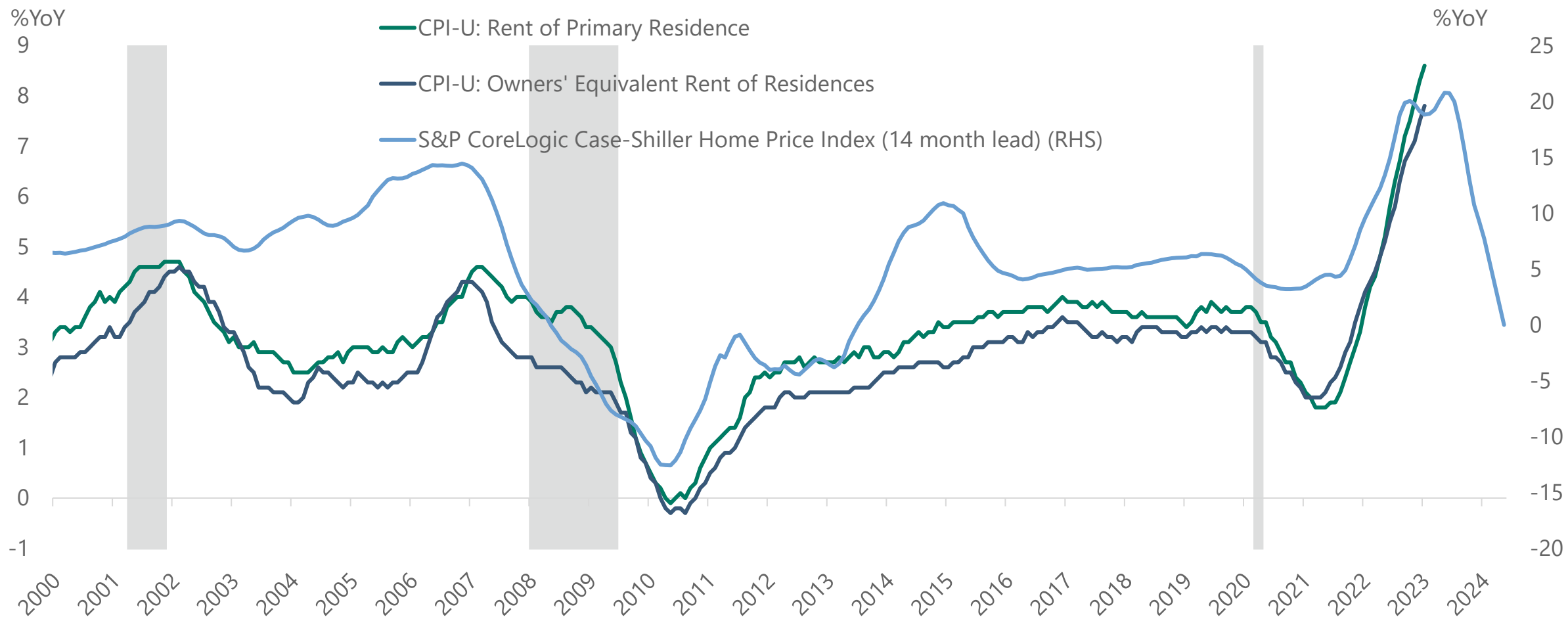


Source: American Enterprise Institute, Haver, Apollo Chief Economist

House price inflation slowing across price tiers

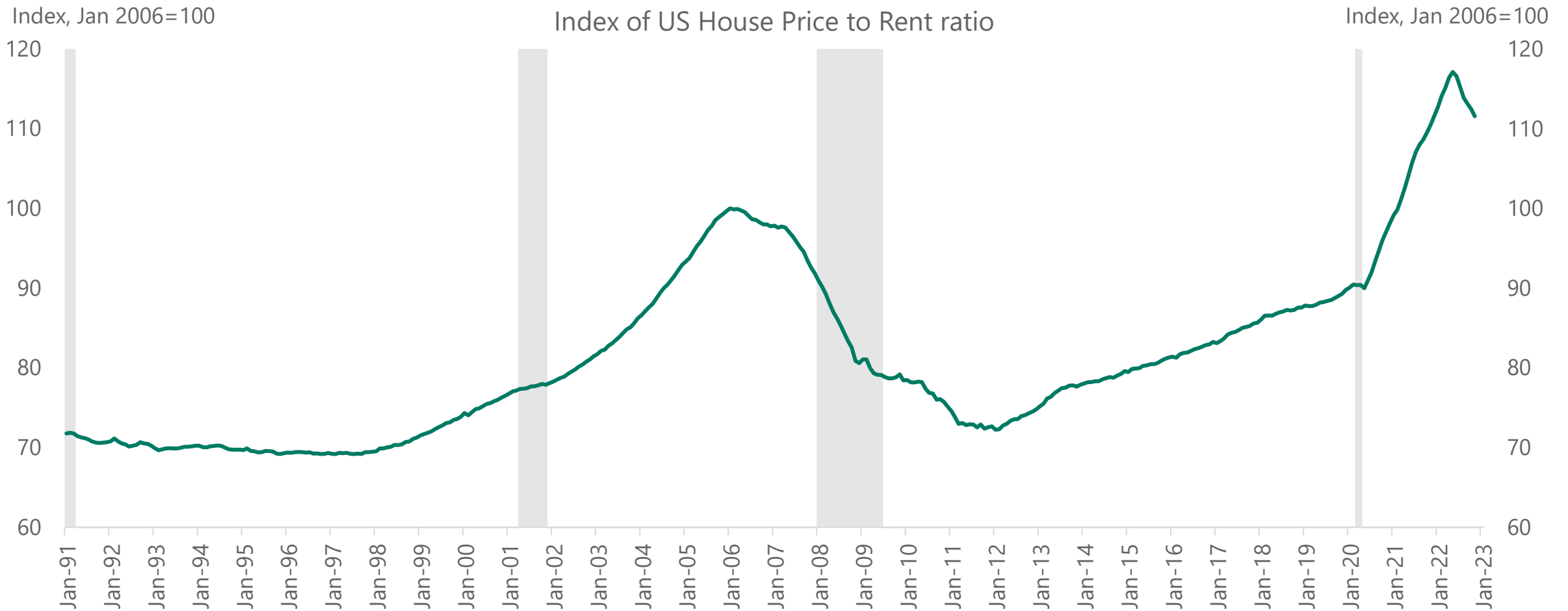


Home price inflation has peaked



Source: Haver Analytics, BLS, S&P, Apollo Chief Economist

Home price to rent ratio significantly above 2006 levels



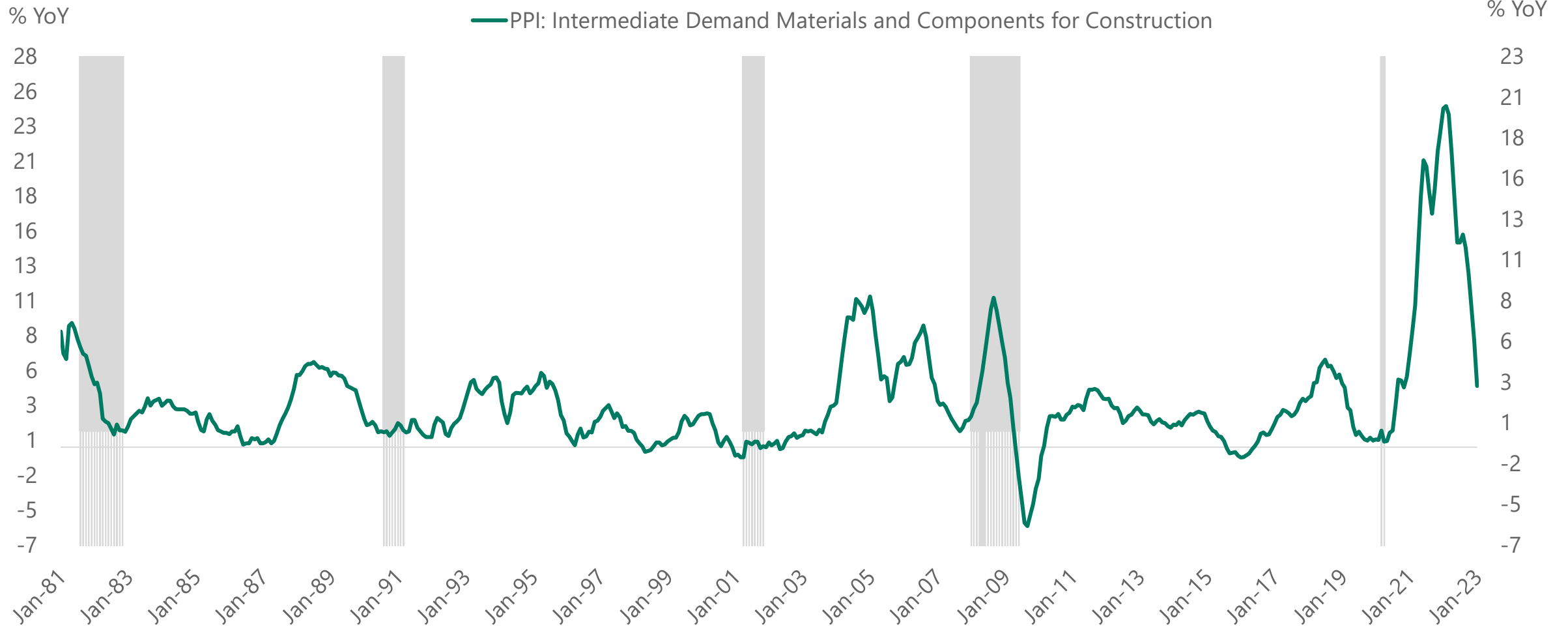
Source: FHFA, BLS, Apollo Chief Economist. Note: the series is indexed ratio of FHFA monthly purchase only house price index divided by the OER component of the CPI.

4) Housing Outlook: Elevated interest rates, high home prices, strong supply pipeline, and high building costs are risks to this housing cycle

Housing construction costs are high

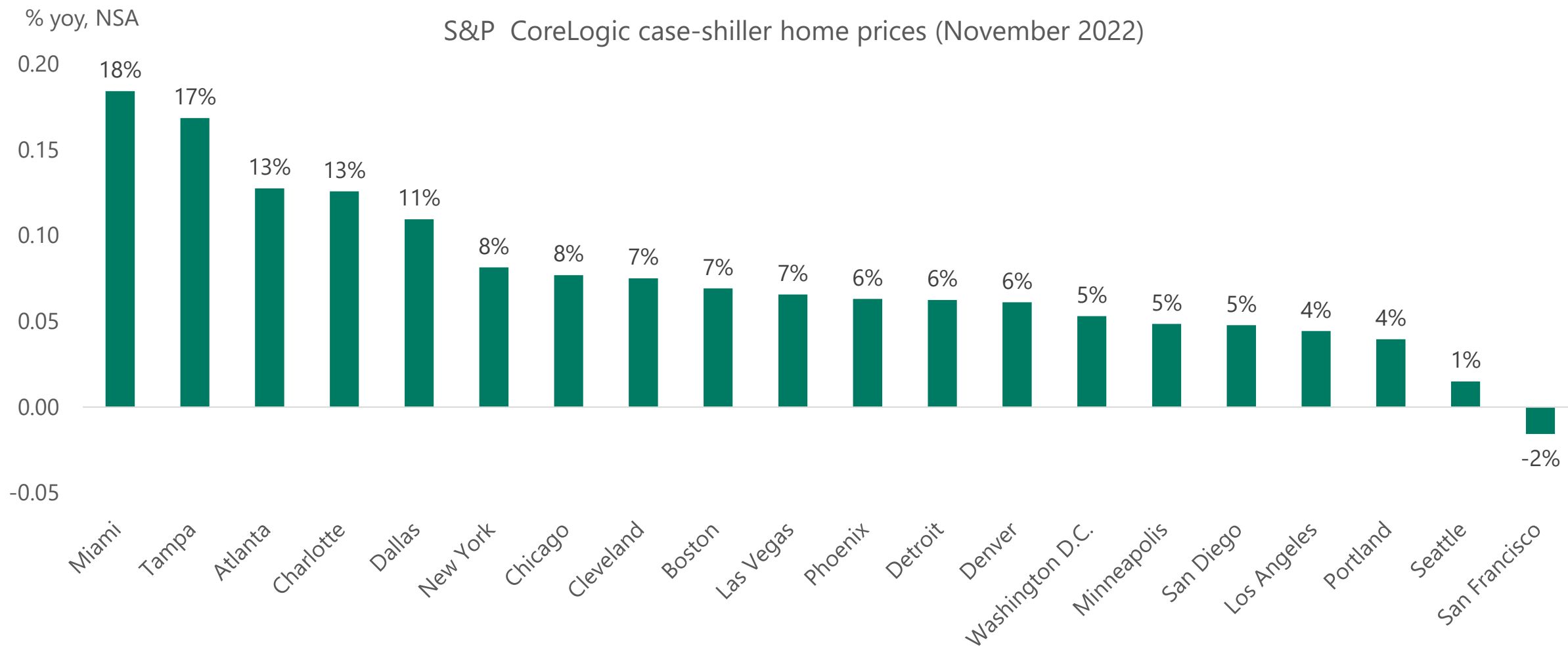


Inflation in input costs for home builders declining sharply

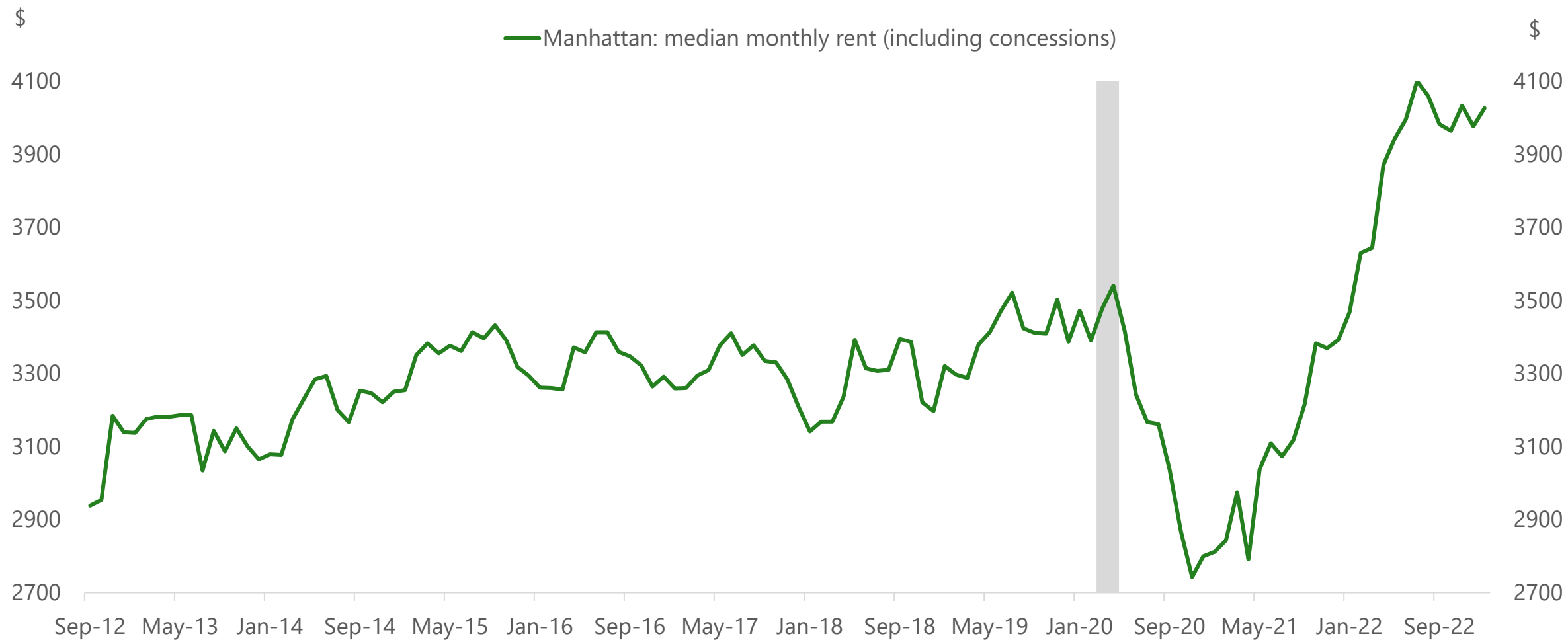


Source: Bureau of Labor Statistics, Apollo Chief Economist

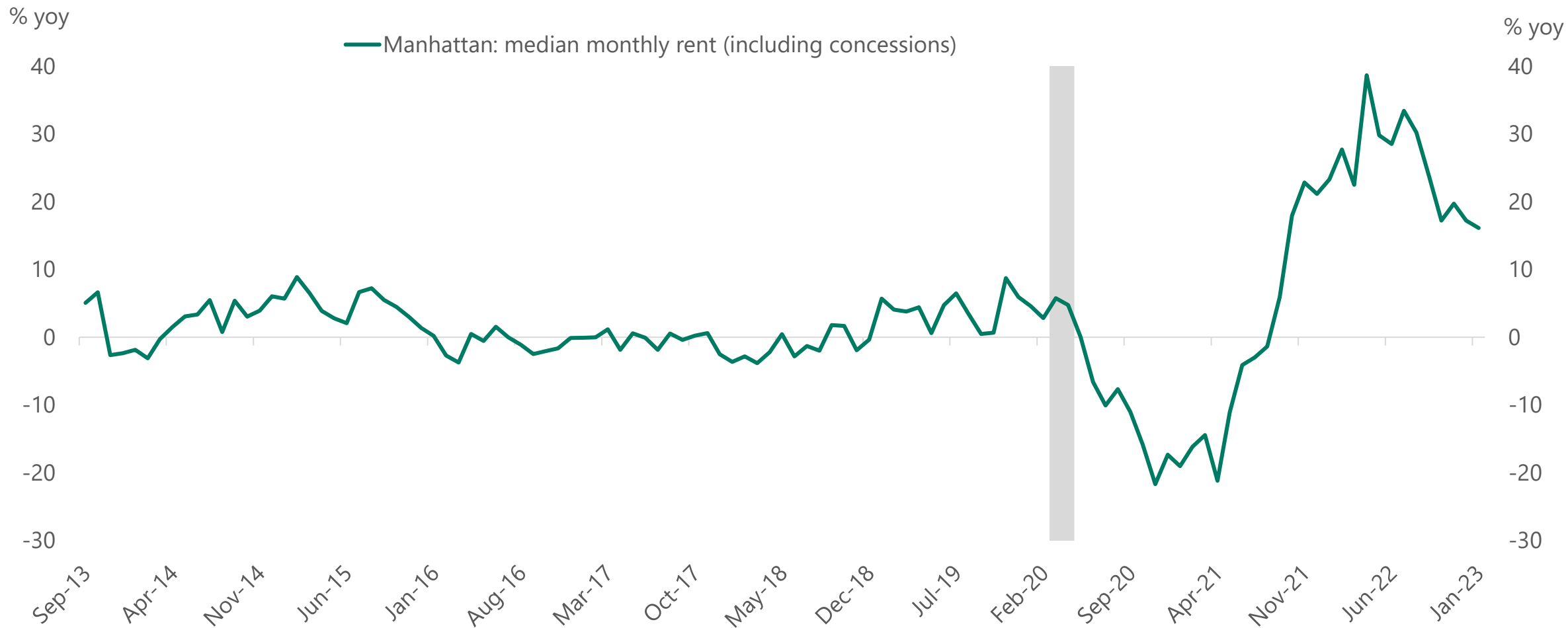
Home prices up 18% in Miami



Manhattan rents starting to flatten out

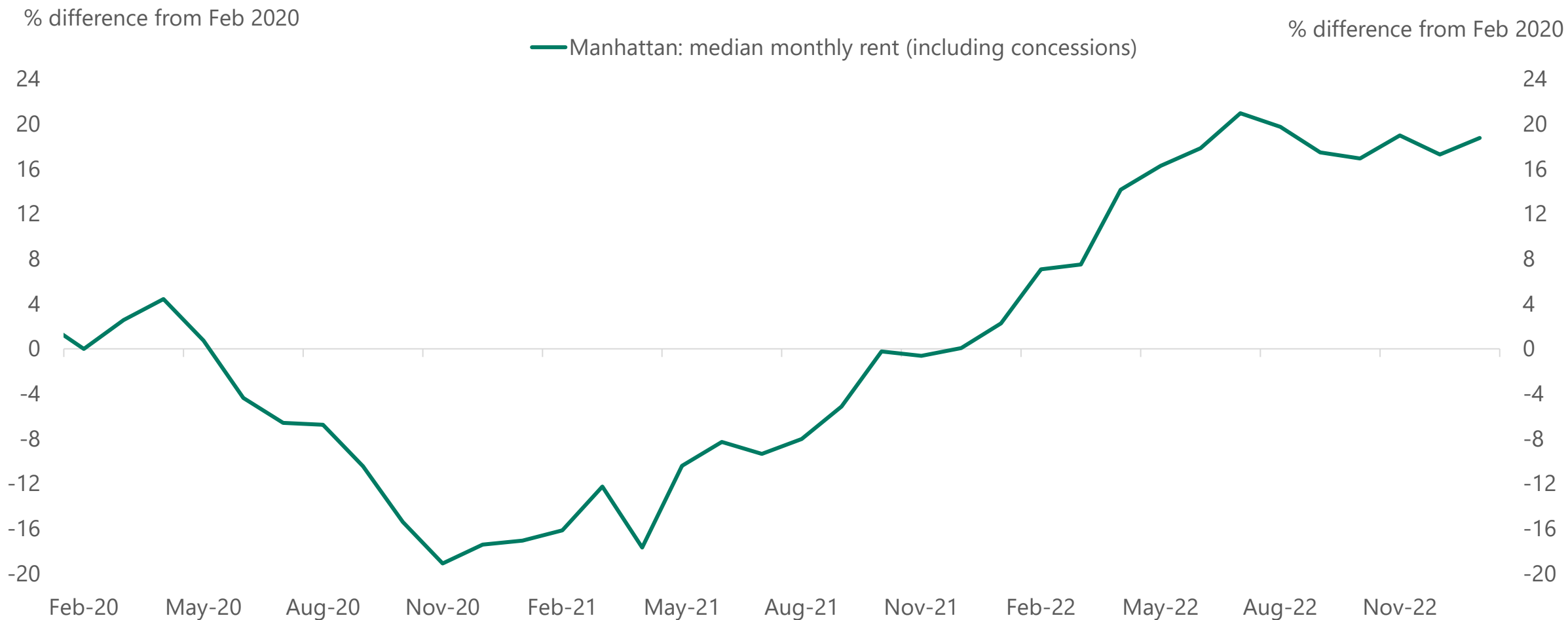


Manhattan rents up 16% year-over-year

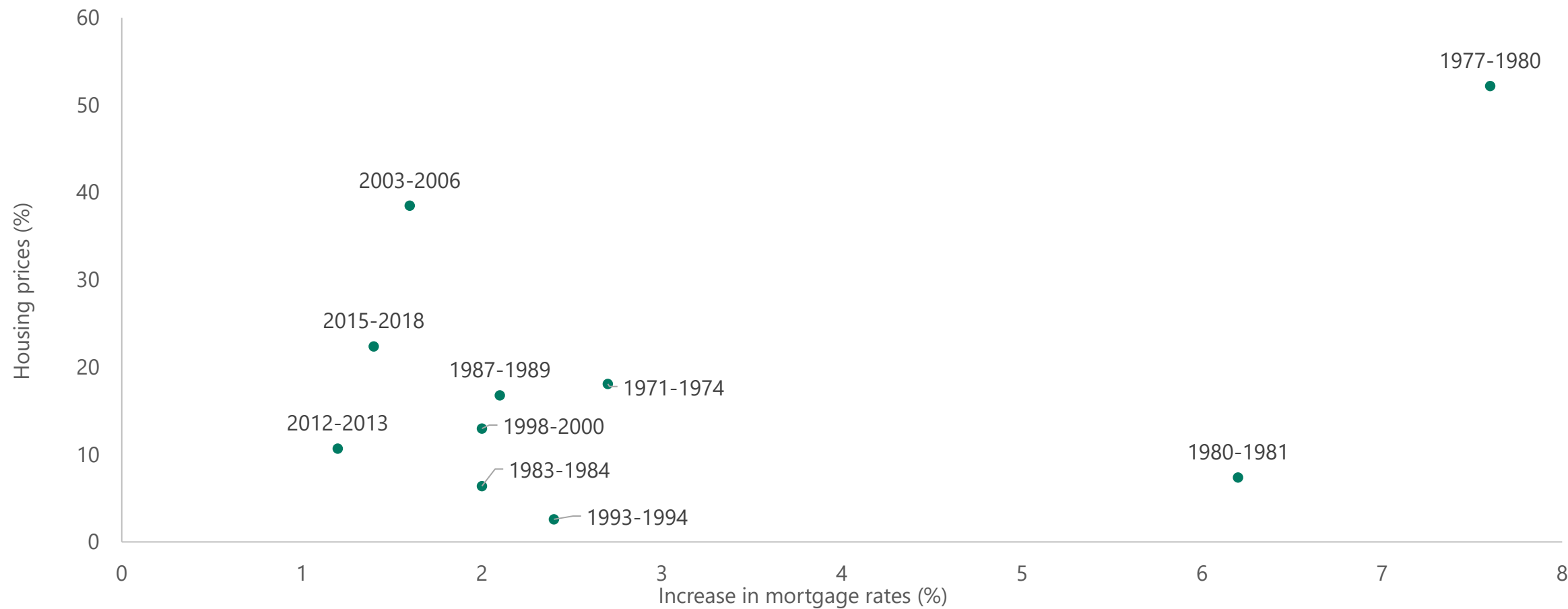


Source: Elliman, Apollo Chief Economist

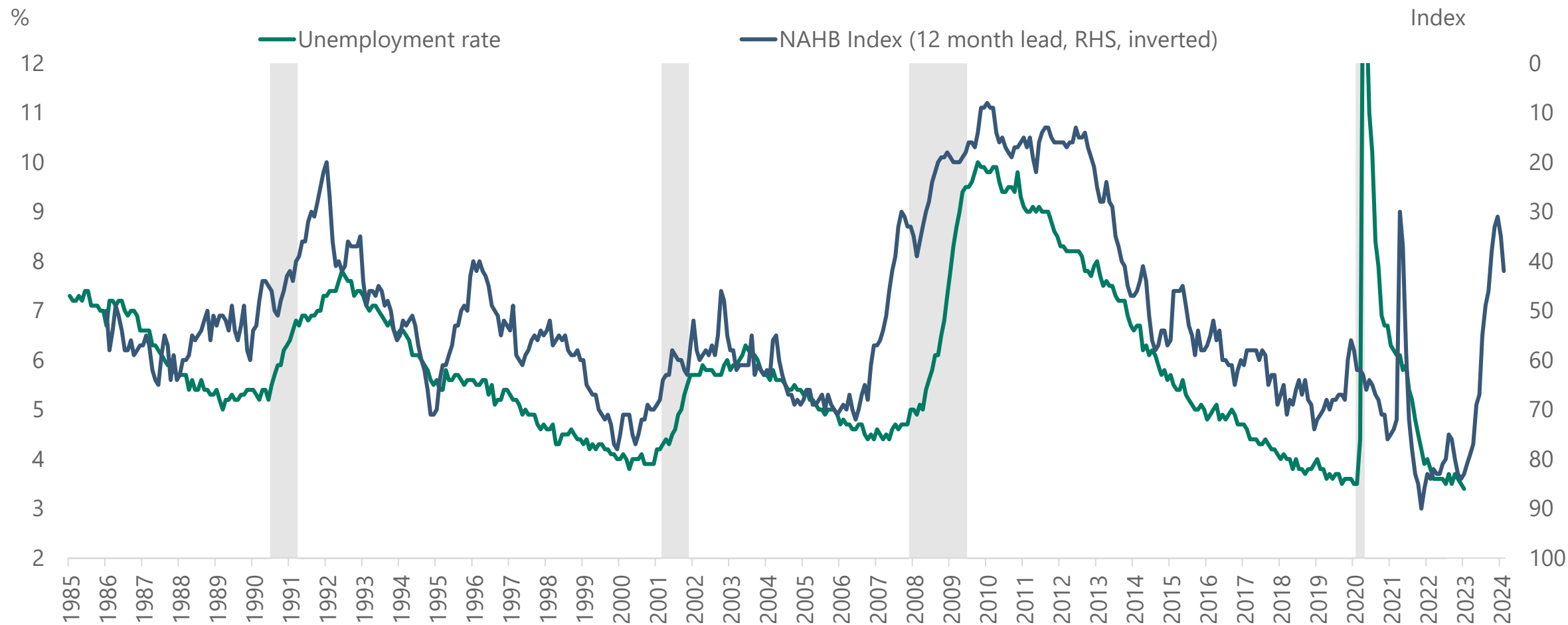
Manhattan rents above pre-pandemic levels



Rising mortgage rates generally associated with lower home price inflation

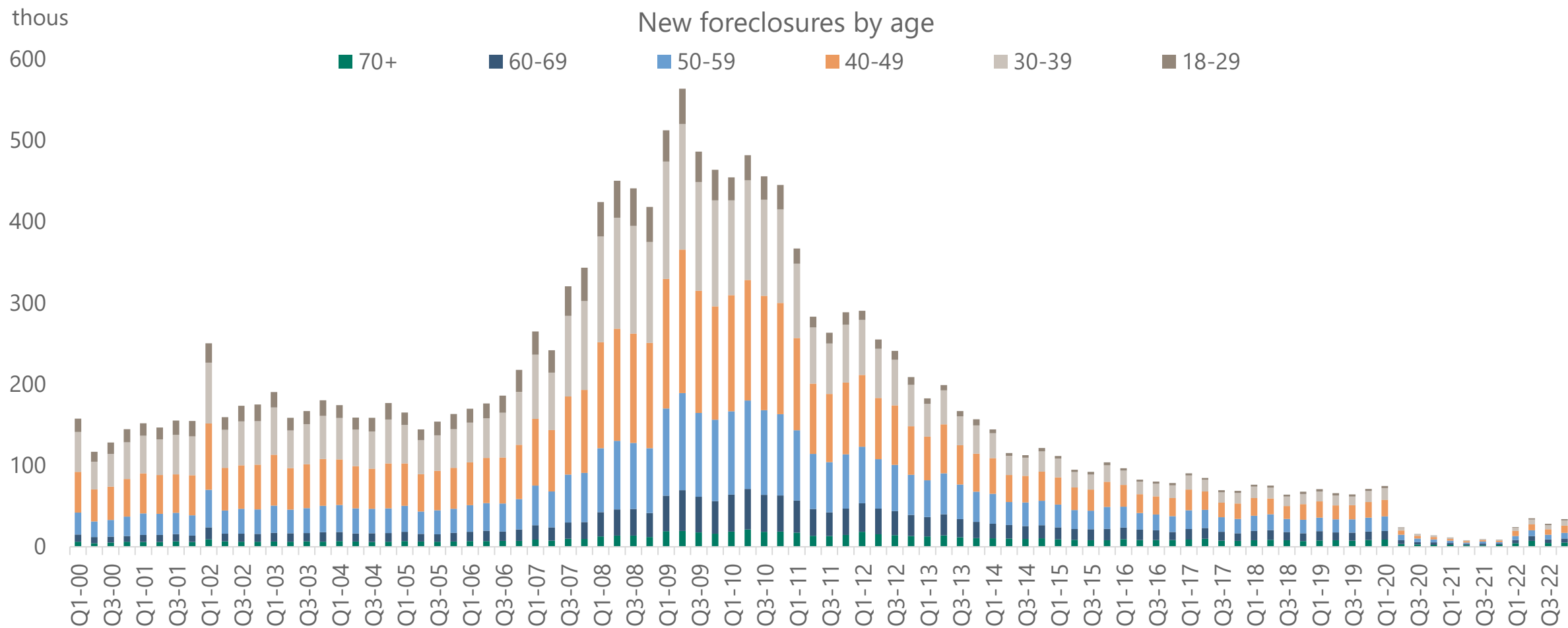


Some upside risks to the unemployment rate as the Fed raises interest rates



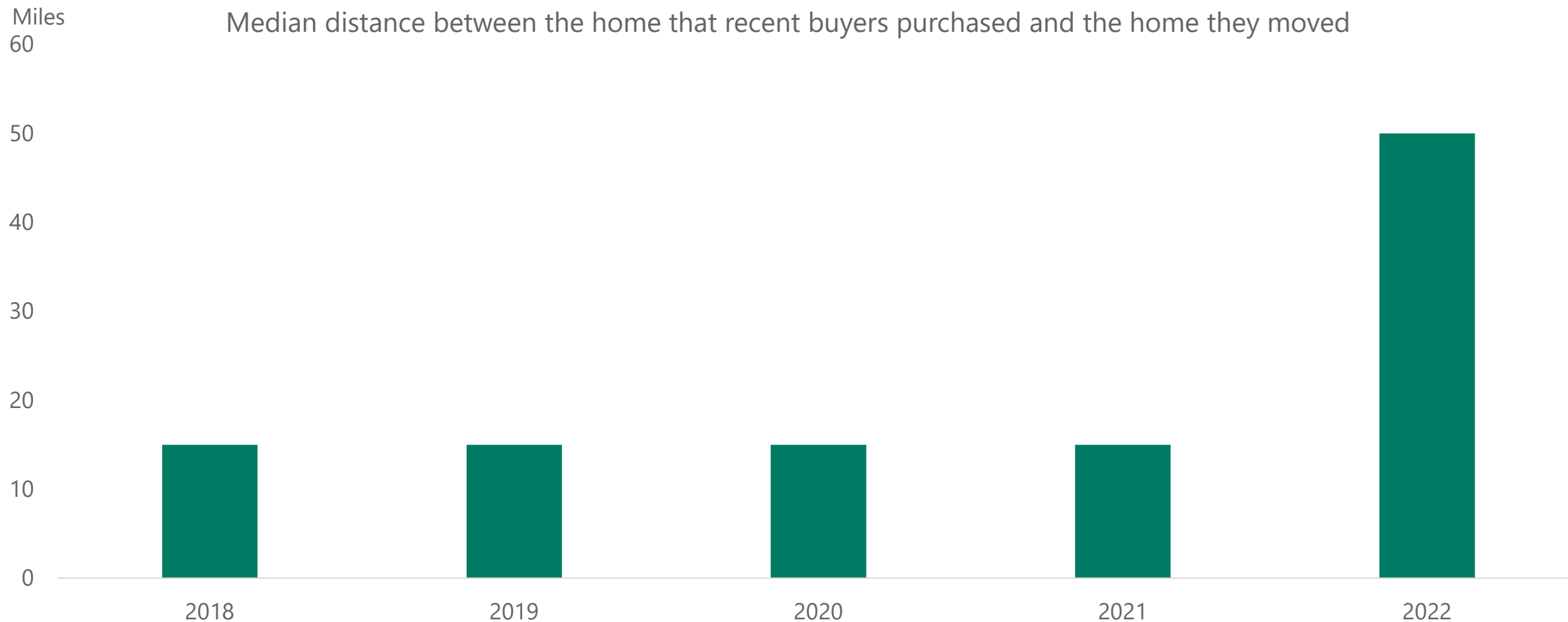
Source: NAHB, BLS, Bloomberg, Apollo Chief Economist

New foreclosures by age

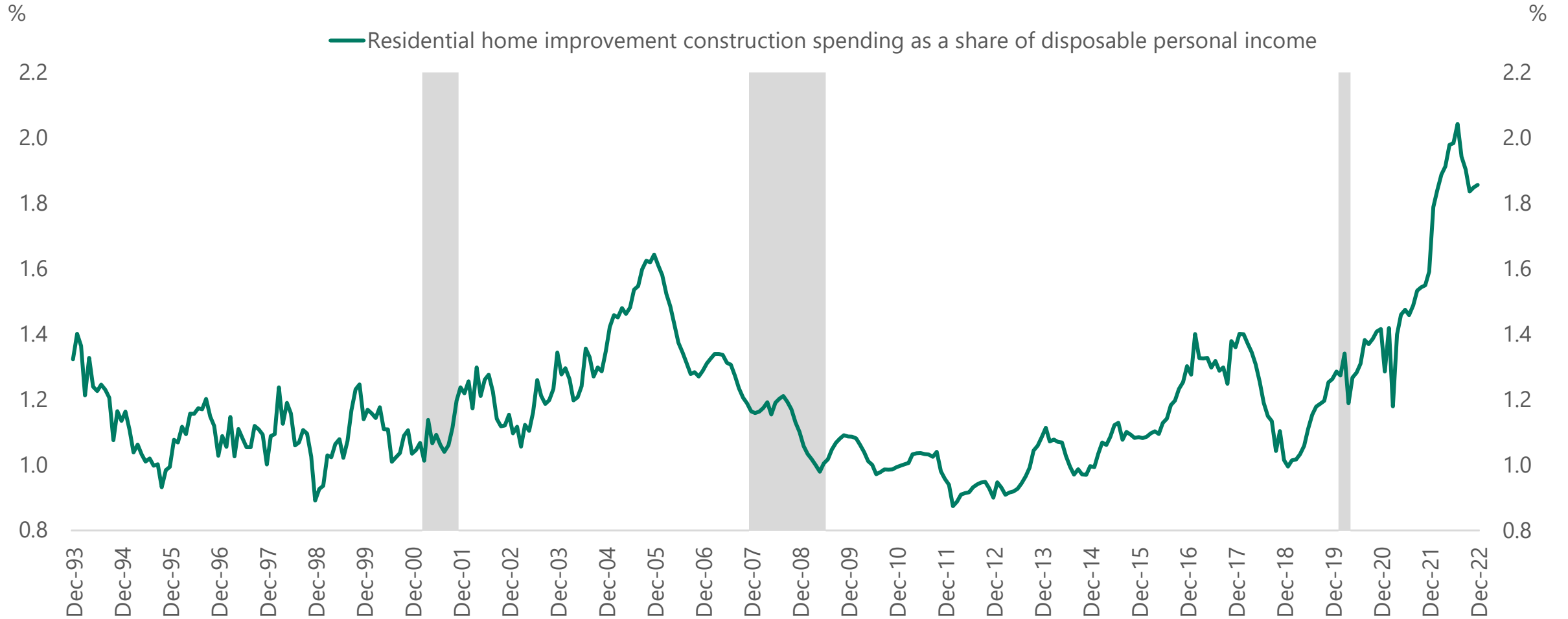


Source: FRBNY Consumer Credit Panel, Equifax, Haver Analytics, Apollo Chief Economist

Median distance between the home that recent buyers purchased and the home they moved from at 50 miles in 2022



Home improvement spending near all-time high levels

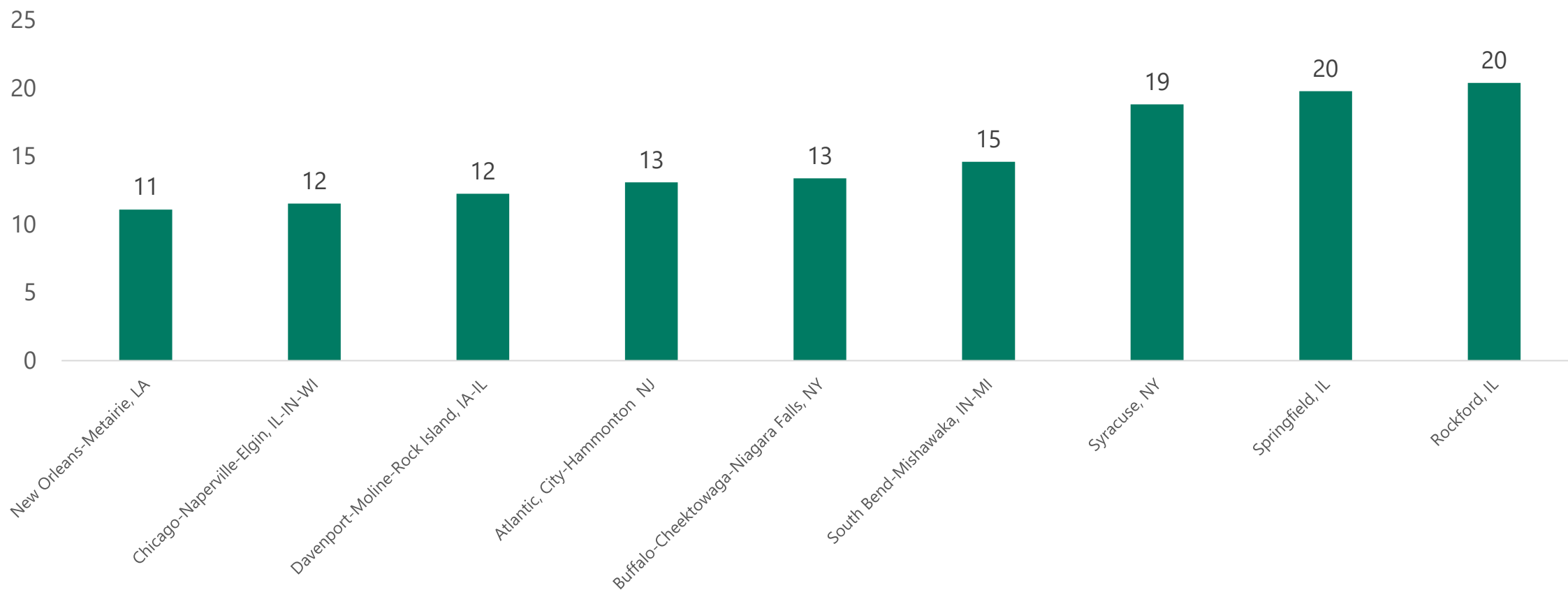


Source: Census Bureau, BEA, Bloomberg, Apollo Chief Economist

Areas that need to build more houses in order to keep up with the increased demand

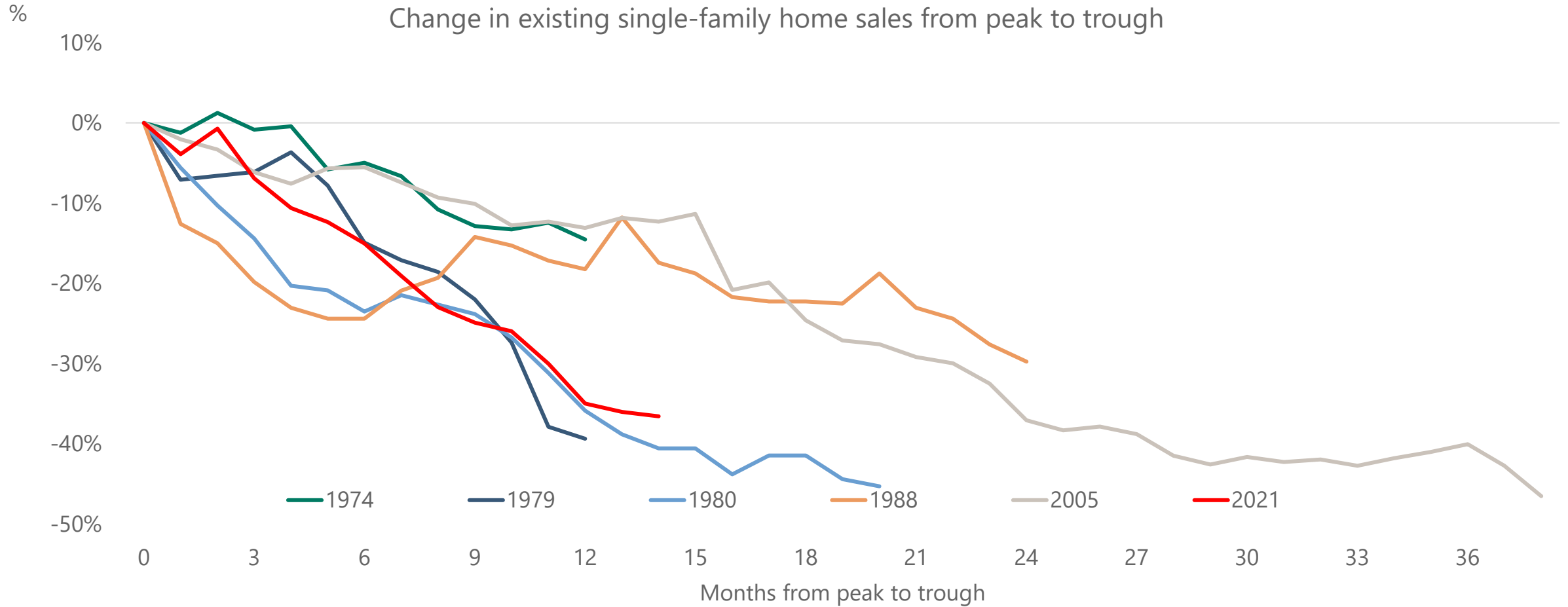
Permit (total units)

High housing shortage

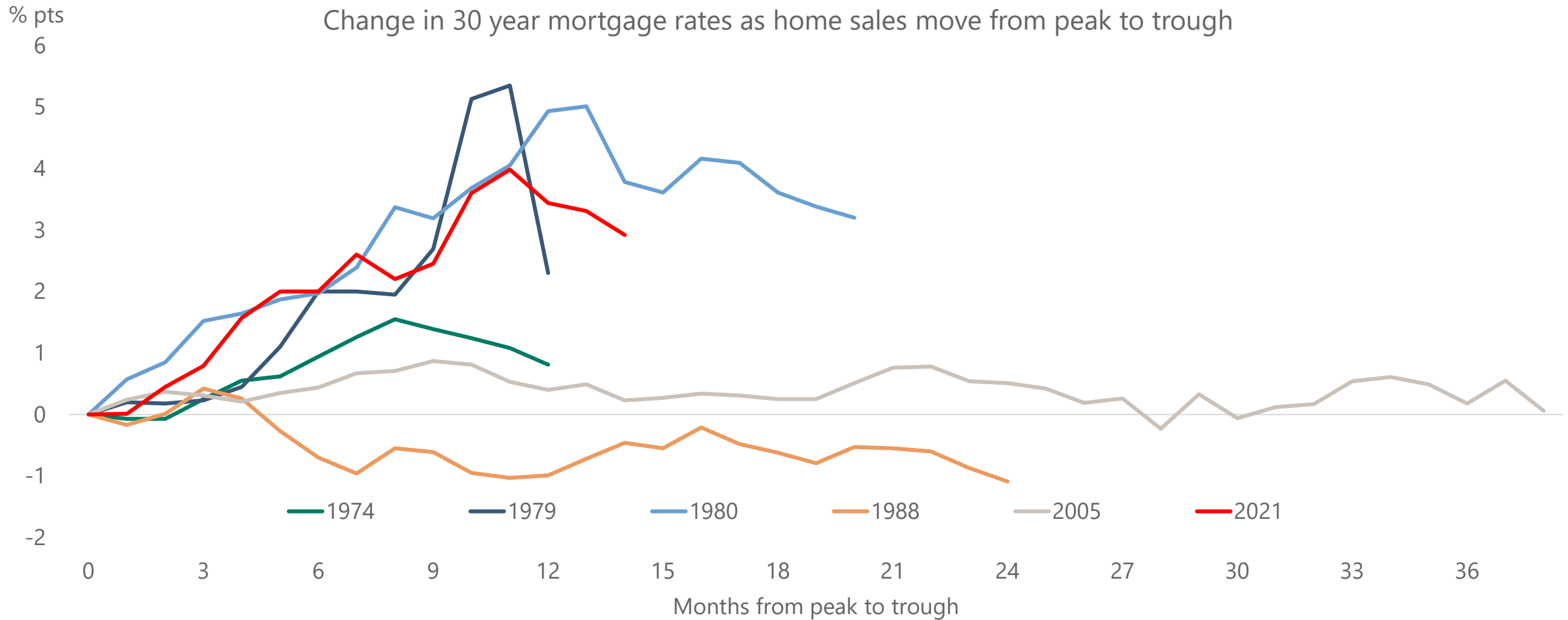


Comparing the current housing slowdown to previous housing slowdowns

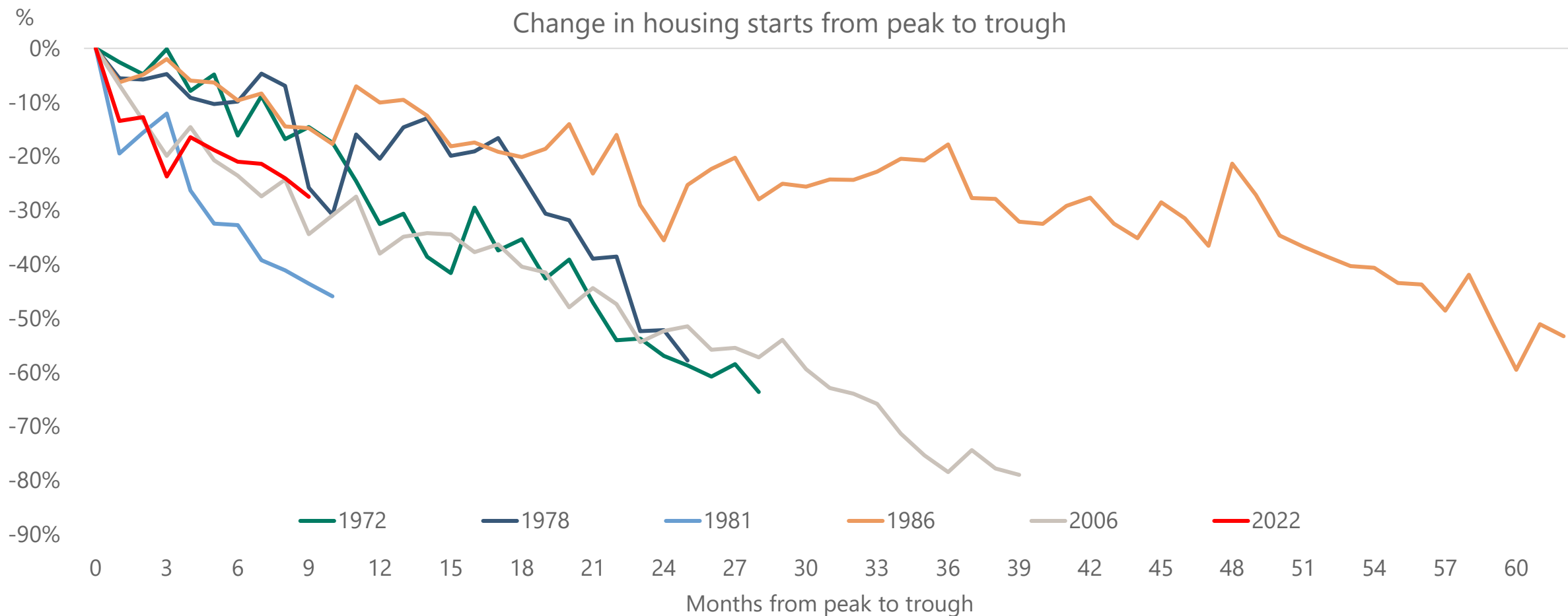
The current decline in existing home sales in line with previous housing slowdowns



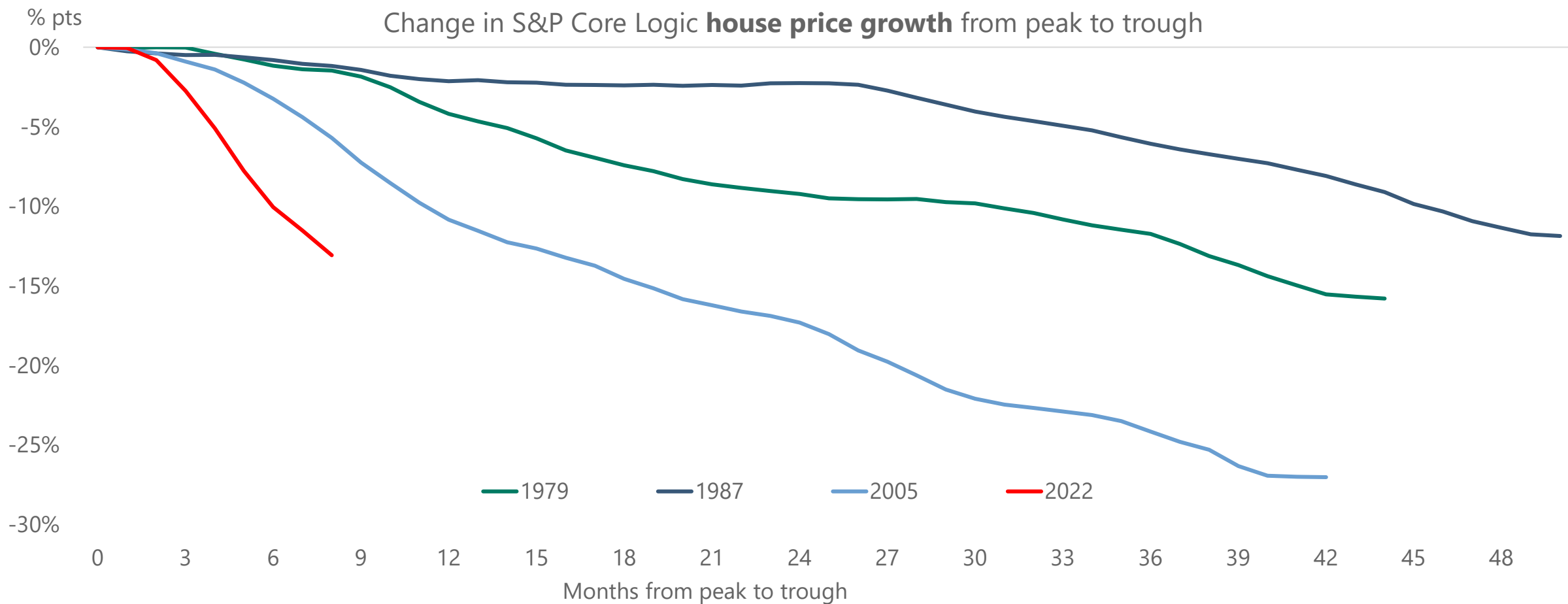
The current rise in mortgage rates is similar to what we saw during the Volcker disinflation



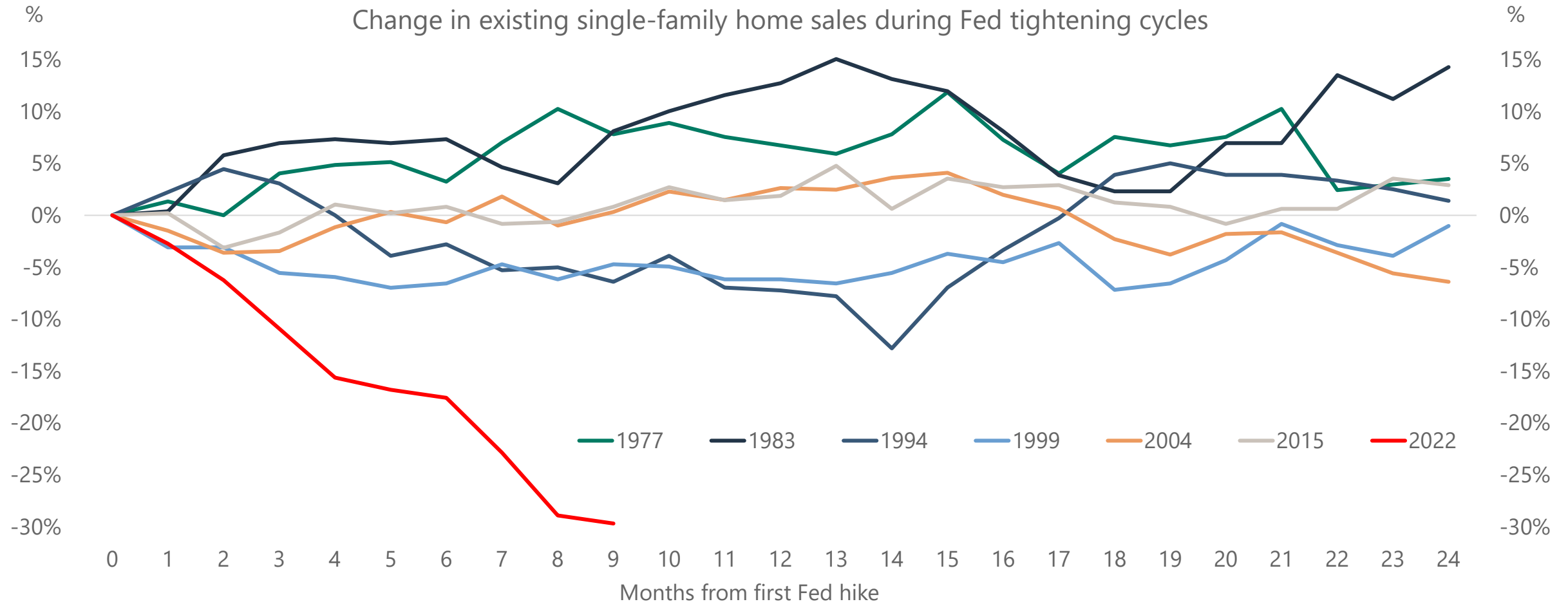
The current decline in housing starts follows pattern of previous slowdowns



The current slowdown in home price inflation is faster than usual



This is the fastest Fed-driven housing slowdown on record





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Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade. Prior to joining Deutsche Bank Mr. Slok worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D in Economics and has studied at the University of Copenhagen and Princeton University.