

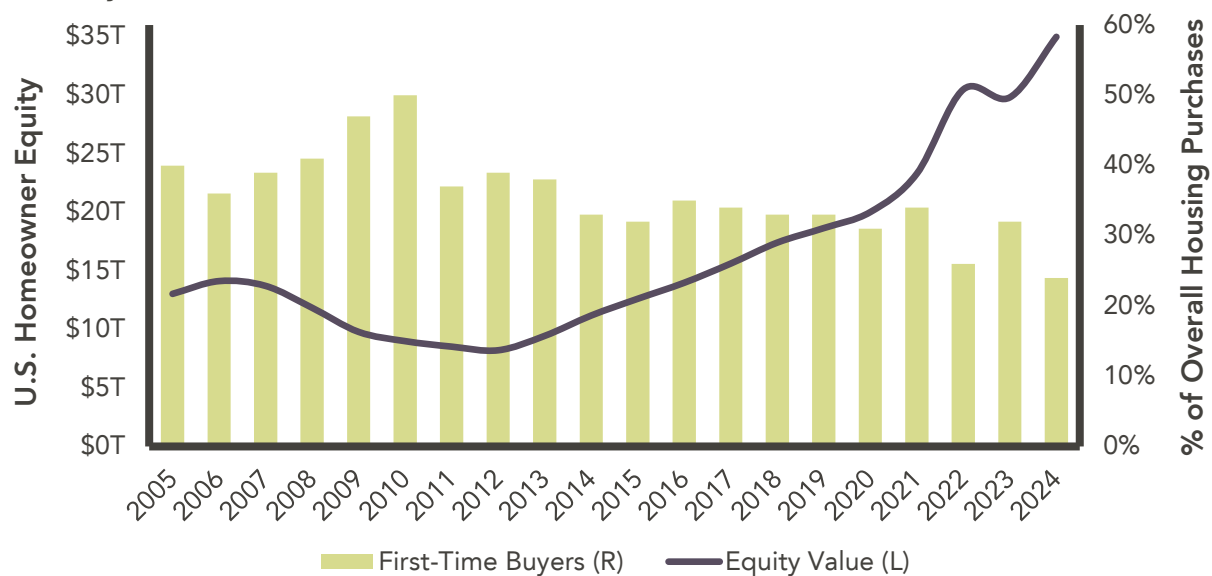
Chart of the Week

November 20, 2024

First-Time Buyer Beware

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▾ Dynamics within the U.S. housing market have led to affordability headwinds for potential first-time homebuyers



Source: Federal Reserve Bank of St. Louis, National Association of Realtors, Wall Street Journal as of November 15, 2024

Over the last 20 years, U.S. homeowners' total home equity value has risen by more than 150% to roughly \$35 trillion. This meteoric rise in home prices has helped many Americans build wealth but has been hazardous for a particular demographic: first-time homebuyers. These higher prices, along with high mortgage rates (the average 30-year fixed-rate loan is around 7.0% as of this writing) and reluctant sellers, have combined to keep potential first-time buyers largely out of the housing market. In 2024, a record low 24% of U.S. home purchases were made by first-time buyers; this figure is down from 50% in 2010. The median age of first-time buyers has also increased to 38, significantly higher than a historical average that is nearly 10 years younger.

With no signs of U.S. housing prices falling, many prospective buyers will be forced to continue to rent. This dynamic should sustain tailwinds for multifamily housing rentals, to which investors can gain exposure via core ODCE funds. Indeed, as of the end of the third quarter, multifamily housing constituted nearly 30% of the NFI-ODCE index. These trends in home affordability have also led institutional investors to increasingly move into the single-family housing market. While some cities have seen a glut of multifamily supply in recent years as investor capital has poured in, broader fundamentals remain sound. ▀

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