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SMALL BUSINESS

Analysts Forecast Rebound in First-Time Home Buyers

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The housing market is expected to return to pre-pandemic, 2019 norms — at least in terms of inventory and the share of purchases made by first-time home buyers — by

2024 according to a panel of housing market experts polled in the latest Zillow [Home Price Expectations Survey](#).

The dwindling supply of homes for sale has been a key driver of the recent explosion in U.S. home values, which have risen 32% in the past two years. Total inventory has fallen from a monthly average of 1.6 million units in 2018 and 2019 to just over 1 million in 2021, and monthly figures in 2022 are lower still.

Inventory should return to a monthly average of 1.5 million units or higher in 2024, according to the largest group (38%) of respondents to Zillow's survey. But many are more optimistic — the second-largest group (36%) believes supply will bounce back to pre-pandemic levels in 2023, while 2025 earned the third-highest share of votes with 12%.

“Inventory and mortgage rates will determine how far and how fast home prices will rise this year and beyond,” said Zillow senior economist Jeff Tucker. “We are seeing new listings returning to the market, slowly, as we enter the hottest selling season of the year, but this supply deficit is going to take a long time to fill.”

Return of the first-time home buyer

The pandemic ushered in record-breaking price growth alongside rent hikes that made saving for down payments even more difficult. As a result, the share of first-time home buyers dropped from 45% in 2019 to 37% in 2021, according to a [Zillow survey of recent buyers](#).

First-time buyers should regain their pre-pandemic share of the market in a couple of years, according to the majority of experts polled, with 26% pointing to 2024, and 25% liking 2025. Eighteen percent of the experts polled did not believe the share of first-time buyers will rise above 45% until after 2030, despite millennials — the largest U.S. generation ever — aging well into their prime home-buying years before that time.

Inflation considerations

Inflation has already begun eroding the bottom lines of American households, with the [Bureau of Labor Statistics noting](#) rising costs for energy, housing and food as prime factors driving it to a four-decade high.

Of the six categories considered, survey participants expect energy prices to increase the most over the course of 2022, followed by house prices, residential rents and food

costs. Employee wages and stock prices were ranked fifth and sixth, respectively, rounding out the list.

Price growth projections

Pulsenomics founder Terry Loeb said the panel's average projections for home price growth in 2022 have been revised upward, from 6.6% three months ago to 9% in this survey.

“Against the backdrop of tightening Fed policy and increasing mortgage rates, this more bullish outlook for home values suggests that home inventory shortages will remain the dominant price driver this year,” Loeb said. “If price increases this year for homes, rents, energy, and food each exceed wage growth – as the panel expects – home affordability challenges will intensify further, especially for low- and moderate-income renters.”

Zillow economists forecast a 16.3% rise in typical home values from February through December.

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