Macro Roundup Article

Headline: Boomers Buying Houses Had It Bad in the '80s. Millennials Have It Worse

Article Link: https://www.wsj.com/real-estate/boomer-millennials-housing-market-2a32a374

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Publication	Wall Street Journal
Publication Date	August 13, 2024

Tweet: Housing affordability has fallen to levels last seen in the 1980s, driven primarily by high home prices relative to median family income. Mortgage rates around 6.5% remain below the long-term average since 1971.

Summary: The National Association of Realtors' affordability metric incorporates median single-family existing-home prices, mortgage rates and median family incomes. Even though it is roughly the same today as in the mid-1980s, the drivers of the housing market and consumer sentiments are nothing alike. In the mid-1980s, home prices weren't unusually high relative to incomes. It was the mortgage rate, which soared above 18% in 1981 and held above 10% for most of the decade, that frustrated buyers. Mortgage rates currently sit just below 6.5%, according to Freddie Mac, which is more than double where they stood in 2021 but below the long-term average level since 1971. But home prices are much higher, having soared more than 50% since 2019. In January 2021, a family needed income of $49,152 to afford the median-priced single-family home with a 20% down payment, according to NAR's affordability index. In June 2024, the family would need an income of $110,544 to make the same purchase. New-home construction plunged during the financial crisis and took years to recover. Home builders built 1.4 million units last year, compared with 1.7 million units in 1985, according to Census Bureau data. And shipments of manufactured homes, one of the most affordable types of housing, stood just under 90,000 last year, down from more than 280,000 in 1985.

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Primary Topic: Housing

Topics: Business Cycle, Database, GDP, Housing, News article, Politics

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