

# Newsweek

## Housing Market Could Get 4 Million New Potential Buyers This Year

Published May 10, 2024

By Suzanne Blake - Reporter, Consumer & Social Trends

The U.S. housing market could gain 4 million new buyers this year if mortgage rates fall one percentage point, data from the National Association of Home Builders (NAHB) showed this week.

The housing market remains out of reach for many Americans due to high mortgage rates and soaring home prices as inflation stays elevated. But the tide could be turning for Americans looking to buy a home.



*A For Sale sign is posted in front of a home in San Marino, California, on September 6, 2023. Four million new buyers would be able to enter the housing market if mortgage rates fell...*

*FREDERIC J. BROWN/AFP via Getty Images*

While 27.5 million households can afford the median-priced new home at a 7.25 percent mortgage rate, NAHB said an extra 4.5 million would be able to afford buying a home if the rate dropped to 6.25 percent. That would mean 32 million households would be able to afford buying a home.

Housing experts are hopeful that Americans could see a 6.25 percent 30-year mortgage rate by the end of the year, but it depends on how the Federal Reserve acts to contain inflation in the following months.

Based on today's median home prices and interest rates, Americans are facing a shortage of roughly 1.5 million housing units.

"This dynamic is a huge drag on the economy, the home building industry, the real estate field and various sectors of the economy that feed off the housing market," John Boyd, principal of location advisory firm The Boyd Co., told *Newsweek*.

That number could be far lower if cities invested in more affordable housing or the Fed lowered interest rates.

A recent National Housing Survey from Fannie Mae found that only 21 percent of Americans said it was a good time to buy a home. This sentiment arises as home prices skyrocketed 6.38 percent in February, according to the S&P CoreLogic Case-Shiller Home Price Index.

Boyd said in his field of corporate site selection, it's never been more difficult to convince employees to accept a transfer. That's because giving up often 4 percent mortgage rates in favor of the whopping 7.25 percent rate often seems unfathomable in today's economy.

Still, some housing markets that have experienced skyrocketing home prices are starting to see a drop in buyer demand.

Florida saw its median sale price shoot up to \$404,100 in January, an increase of 4.5 percent from the previous year, according to Redfin. Despite this, sales were down in a number of cities. In Jacksonville, home sales were down by more than 27 percent year over year, and Miami saw a drop of roughly 9 percent.

Nationally, median home prices rose or stayed the same in all of the top 50 metros in the four weeks leading up to April 28, and the typical homes remains far out of reach for low-income and middle-class buyers.

While some have suggested the housing market could collapse in the coming months, Boyd doesn't anticipate any meaningful cuts to mortgage rates.

"The best we can hope for is an on-target or lower inflation reading that could bring some relief, but not a game-changing one," Boyd said.

Alan Chang, the founder of Vested Title & Escrow, said the real estate market has not been normal for several years due to artificially low interest rates, then more normalized ones with "overly high" valuations.

"We are now in the typical peak spring/summer season for real estate where weather and school are timed for both buyers and sellers to be able to move freely," Chang told *Newsweek*. "I believe there have been many buyers and sellers on the sidelines since a home seller typically has to become a home buyer as well."

While election years are a gamble, Chang also does not foresee interest rates going down much in 2024.

"Election years can be tricky ones for the economy as there are pressures to make the current administration look good, but there is also the reality that inflation is still at an all-time high, even when the calculations are changed in an attempt to make things look better," Chang said.

"The Fed has been trying to reduce inflation with their interest rate adjustments, but we are still not seeing the much-needed relief. 2025 should see improvement in rates, but that won't help the real estate market now."