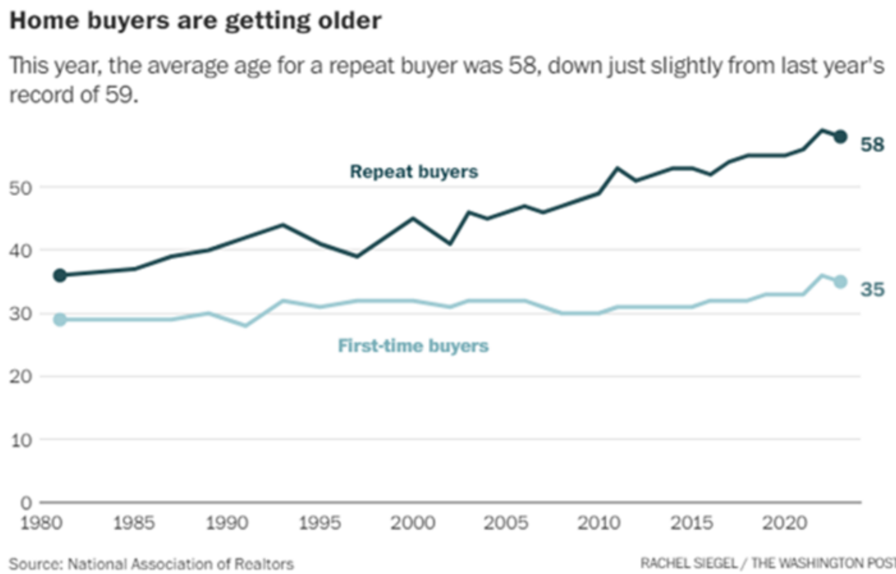
# *Harry's Take*
November 21, 2023

## Average Age for Trade-up Home Buying Rose to 59: Is There a Limit to the Housing Bubble?

Obviously, there is no more important purchase for a household and the economy than buying a home. The average home purchase price has gone up from $75,300 in 1983 to $422,550 today, or by 5.6 times, and that's for the same modest suburban home, in many cases. The average house price has gone up by the same ratio. Has your income gone up 5.6 times since this unprecedented boom started in 1983? The boom now has been extended to 2023, well past what where it naturally should have peaked, from a generational standpoint, back in 2007. The truth is that the annual median income has gone up from $24,580 to $74,580, expanding three times since 1983. So, housing's gone up 1.87 times income!

**I say that's about the limit! We simply can't have our largest purchase and expense outstrip income by that much without feeling poorer and cutting back on most other spending. Current surveys show consumers don't feel like they are keeping up with inflation, because they are not… especially where they feel it most, in housing costs.**

**Housing So Expensive, Trade-Up Buying Now Peaking at Age 58, vs. 37 in 1980**




Source: https://www.washingtonpost.com/business/2023/11/13/housing-market-boomer-buyers-mortgage-rates/ www.hsdent.com

The housing bubble came in two phases, from 2000 to 2006 and from 2013 to 2023. Bear in mind that there are two types of buyers: first time, younger buyers and aging, repeat buyers. The clearest and simplest sign of the strain of this housing bubble is that the age of first-time buyers rose from 29 in 1980 to 36 in 2022; it currently sits at 35. For repeat buyers, the age rose from 36 to a whopping 59 (and is 58 now), as in the chart above.

What? You can't afford your first home until your kids are in grammar school? You can't afford your best home until you are close to retiring? The kids only get to occasionally visit your most treasured abode?  The trade-up home used to be FOR your teen-age kids… so that you each could have more space and not be tripping over each other!

Given that average 30-year mortgage rates rose from 2.65% in January 2021 to 7.79% at the end of October, how could housing not crash even more than it did from 2006 to 2012?

And that's what I am forecasting: a crash of more like 50%, which would take us just back to the 2012 lows, vs. the previous crash at 34%. Recall the pain of the last housing crash and the 2008-2009 recession, and then multiply that by 1.5 times. You still have time to sell whatever real estate you own that is not essential to your life… and you'll be able to buy something better and cheaper just a few years from now.

I'll have more in my December *HS Dent Forecast* newsletter.

Harry

*Got a question or comment? You can contact us at* info@hsdent.com.