

APOLLO

US Housing Outlook

Torsten Slok, Rajvi Shah, and Shruti Galwankar
tslok@apollo.com

Apollo Global Management

May 2025

Unless otherwise noted, information as of May 2025

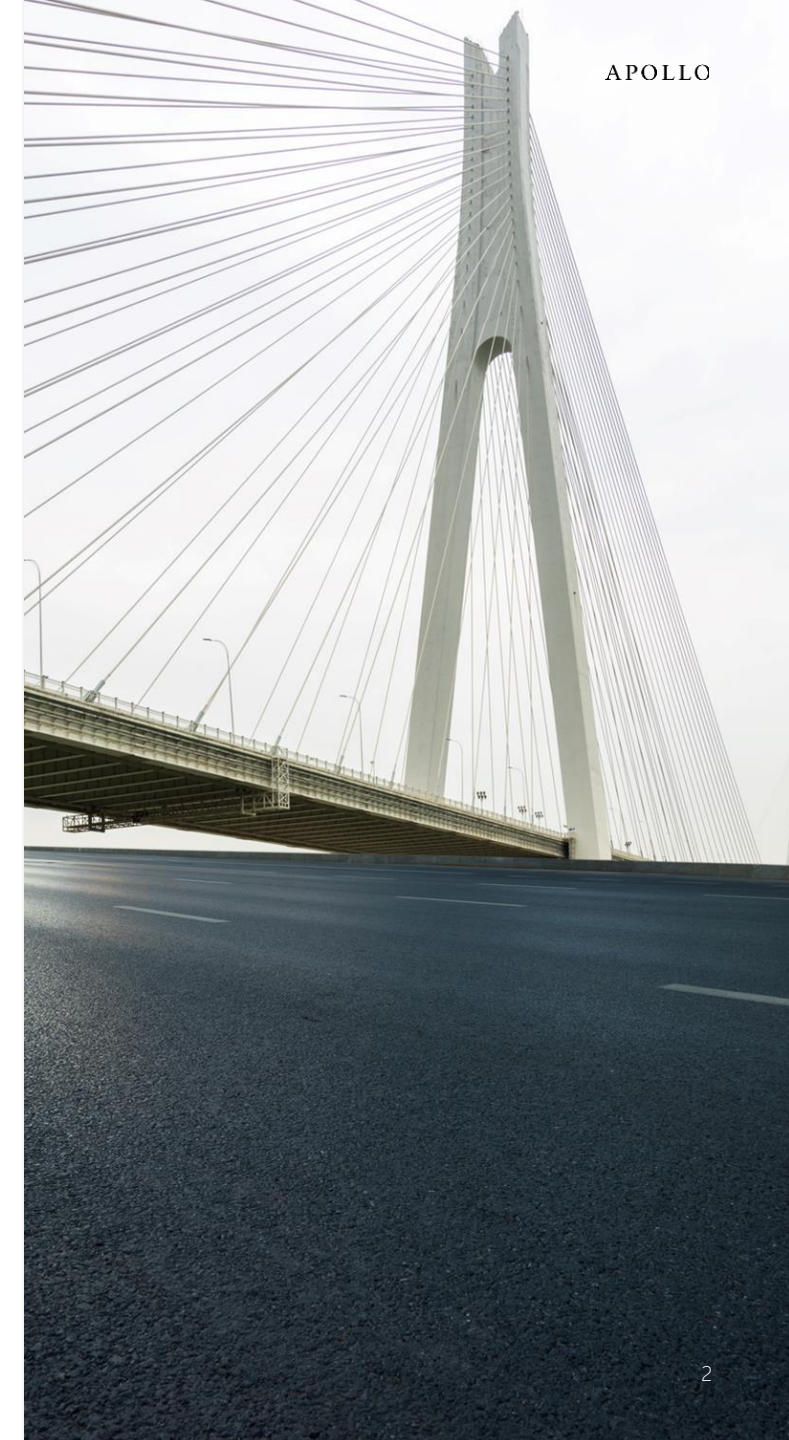
Proprietary – Not for distribution, in whole or in part, without the express written consent of Apollo Global Management, Inc.

Legal Disclaimer

Unless otherwise noted, information included herein is presented as of the dates indicated. Apollo Global Management, Inc. (together with its subsidiaries, "Apollo") makes no representation or warranty, expressed or implied, with respect to the accuracy, reasonableness, or completeness of any of the information contained herein, including, but not limited to, information obtained from third parties. Opinions, estimates and projections constitute the current judgment of the author as of the date indicated. They do not necessarily reflect the views and opinions of Apollo and are subject to change at any time without notice. Apollo does not have any responsibility to update the information to account for such changes. Hyperlinks to third-party websites in these materials are provided for reader convenience only. There can be no assurance that any trends discussed herein will continue.

The information contained herein is not intended to provide, and should not be relied upon for, accounting, legal or tax advice and does not constitute an investment recommendation or investment advice. Investors should make an independent investigation of the information contained herein, including consulting their tax, legal, accounting or other advisors about such information. Apollo does not act for you and is not responsible for providing you with the protections afforded to its clients.

Certain information contained herein may be "forward-looking" in nature. Due to various risks and uncertainties, actual events or results may differ materially from those reflected or contemplated in such forward-looking information. As such, undue reliance should not be placed on such information. Forward-looking statements may be identified by the use of terminology including, but not limited to, "may", "will", "should", "expect", "anticipate", "target", "project", "estimate", "intend", "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology.

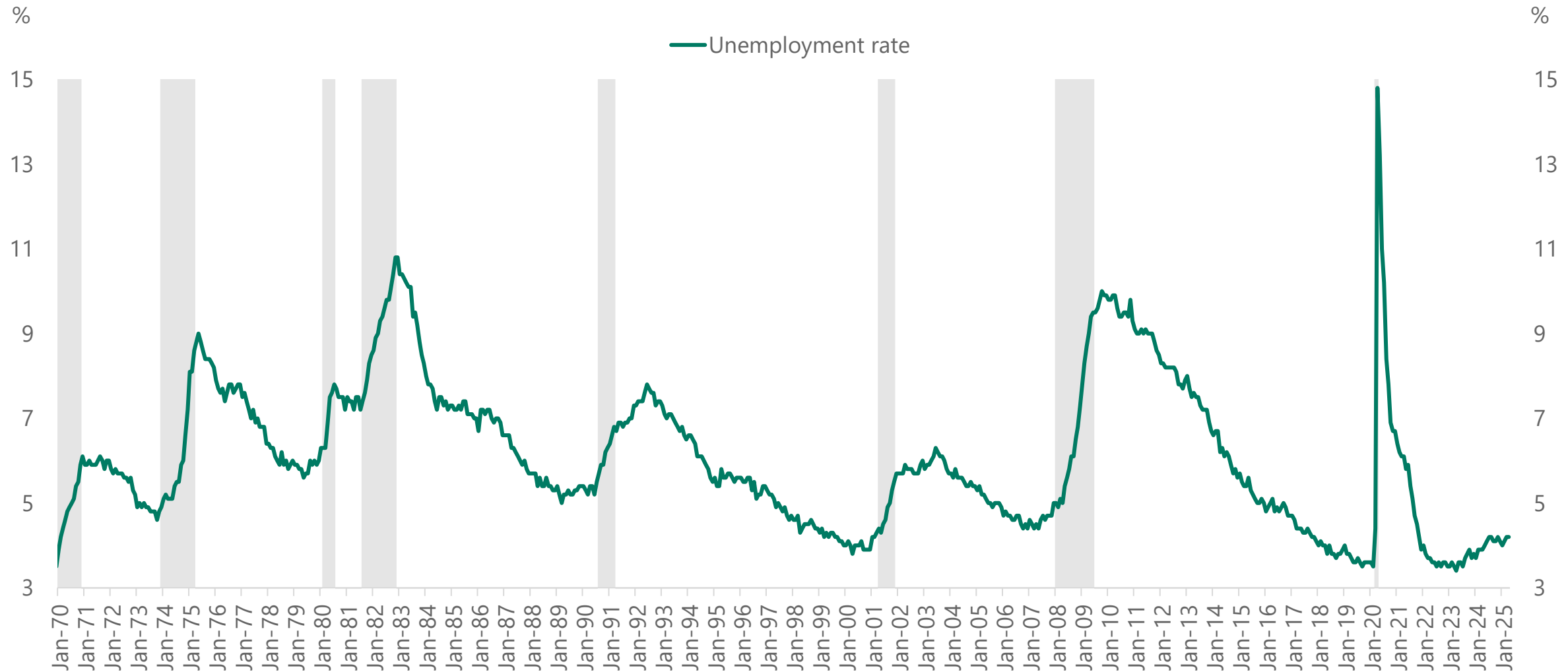


Outline

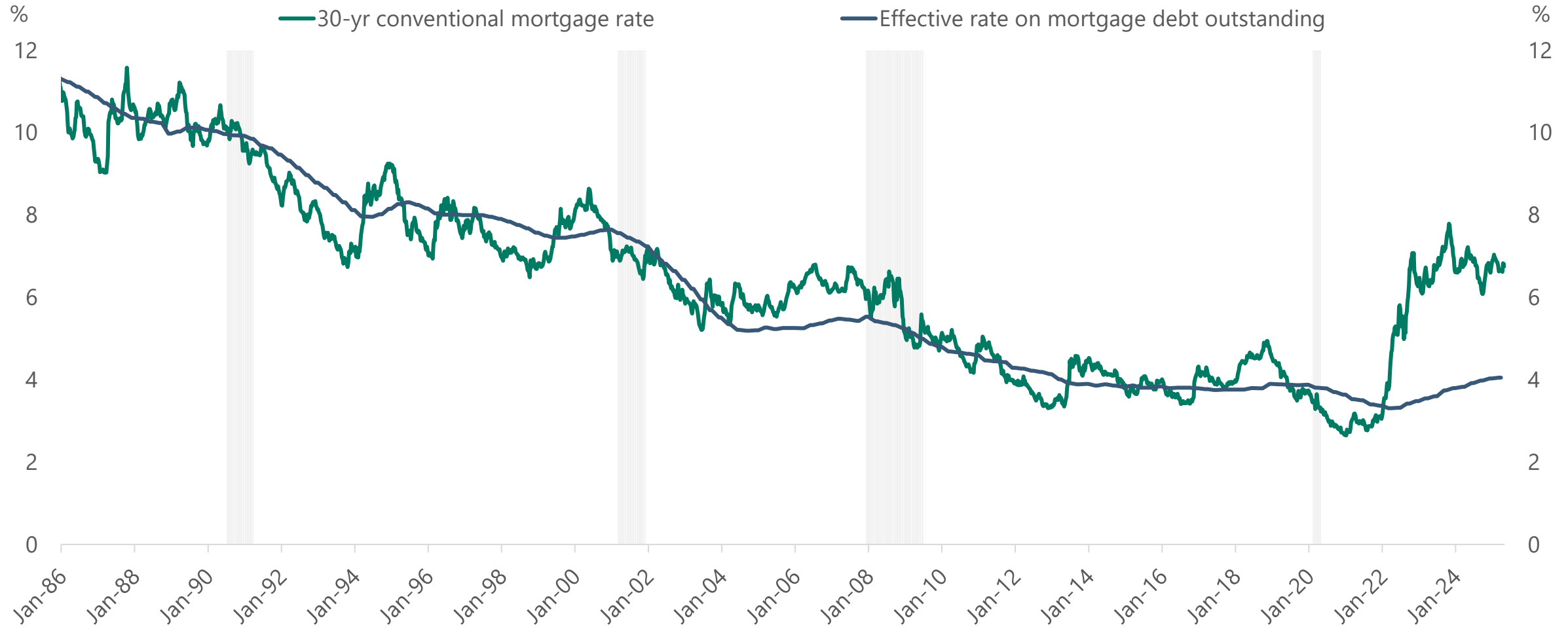
- 1) Housing demand
- 2) Housing supply
- 3) House prices
- 4) Housing outlook

1) Housing demand

The unemployment rate is low, supporting housing demand

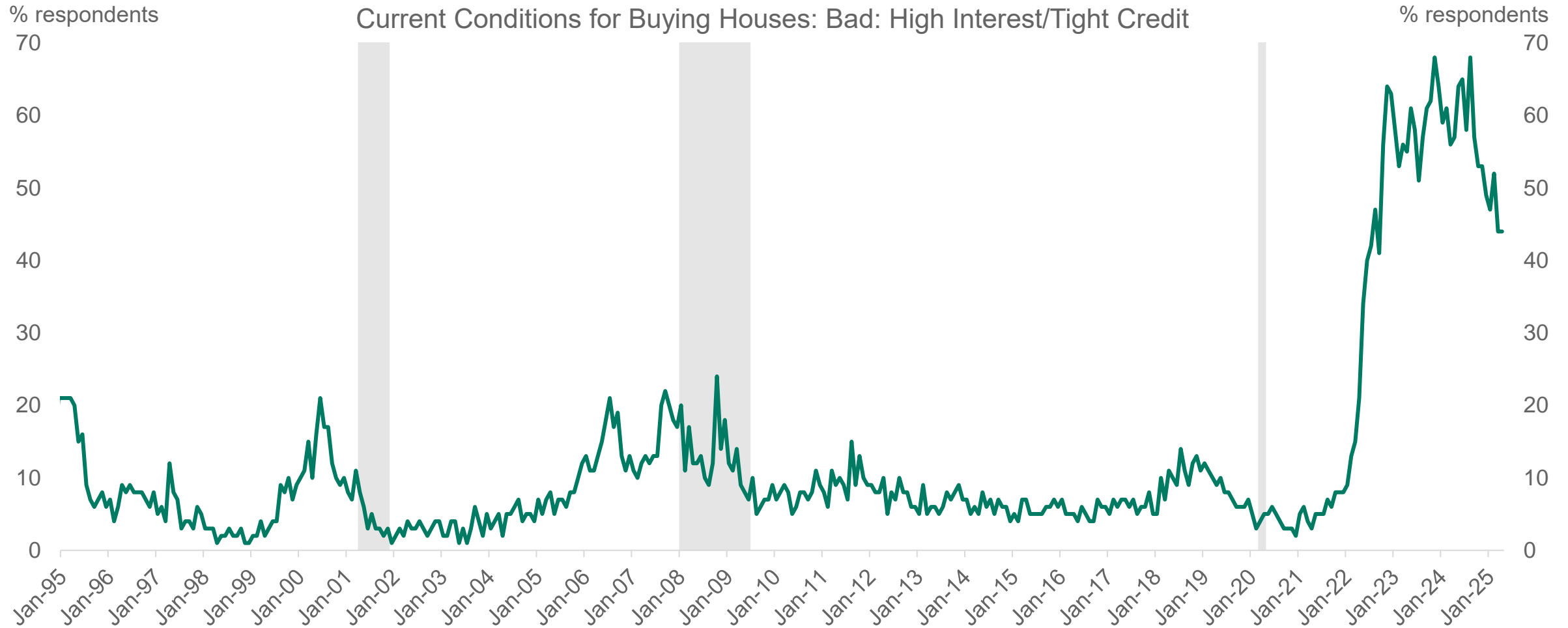


Mortgage rates are high, weighing on housing demand

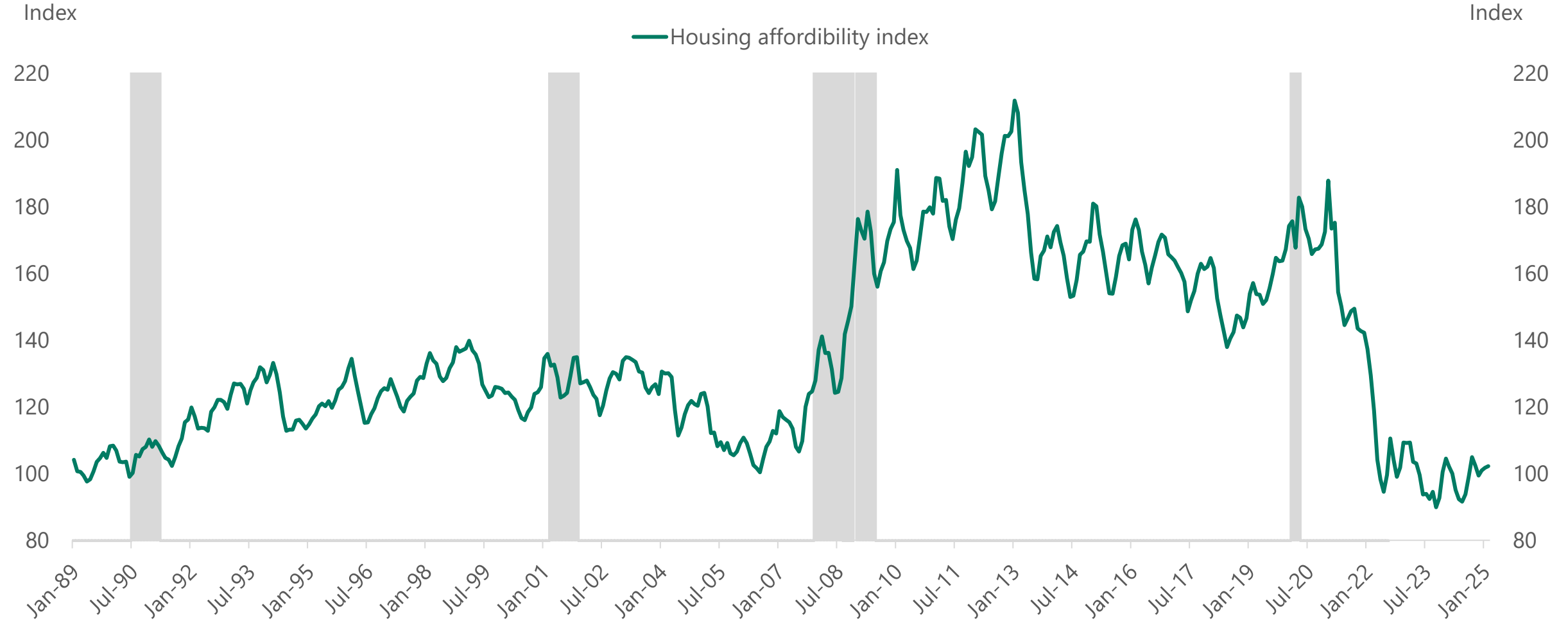


Source: Freddie Mac, BEA, Bloomberg, Apollo Chief Economist. The effective interest rate (%) reflects the amortization of initial fees and charges over a 10-year period, which is the historical assumption of the average life of a mortgage loan.

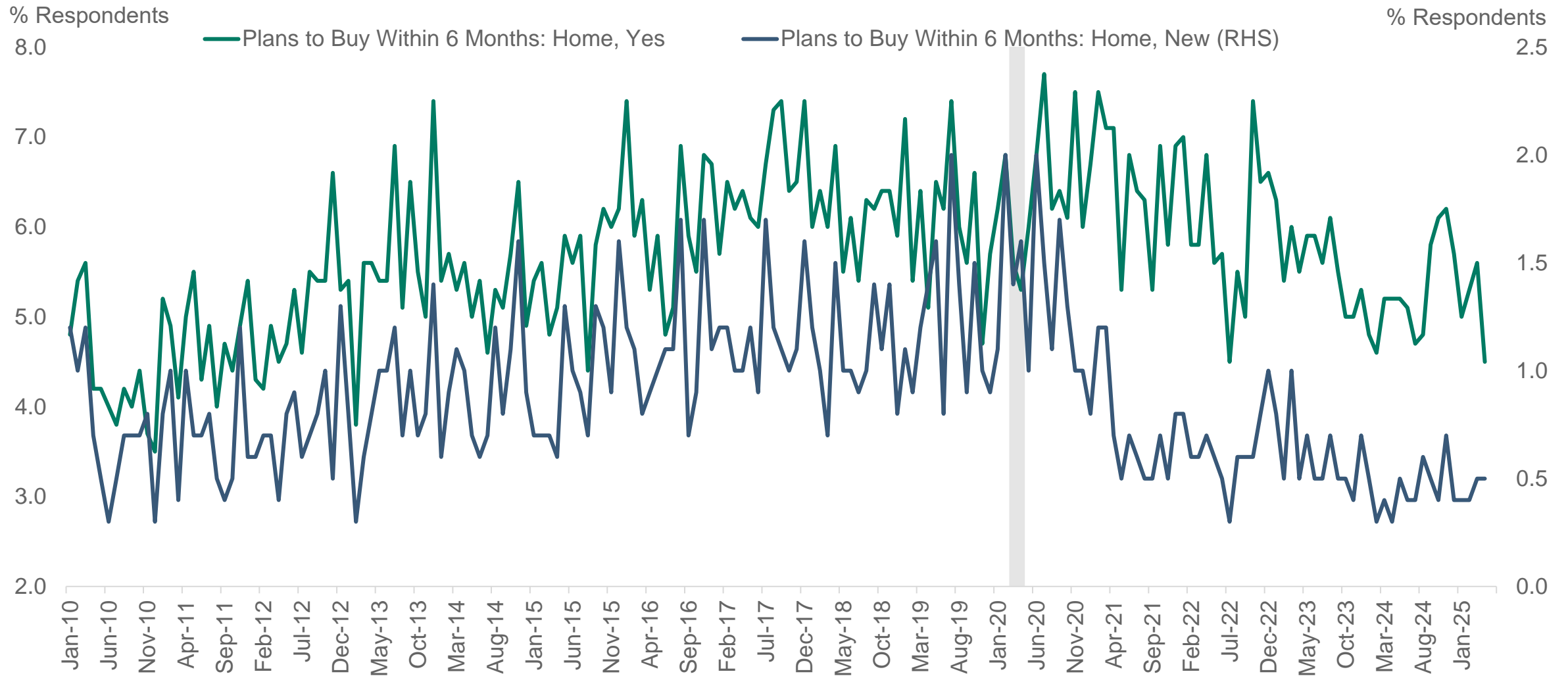
44% of consumers are saying that this is a bad time to buy a house because of high mortgage rates and tight credit



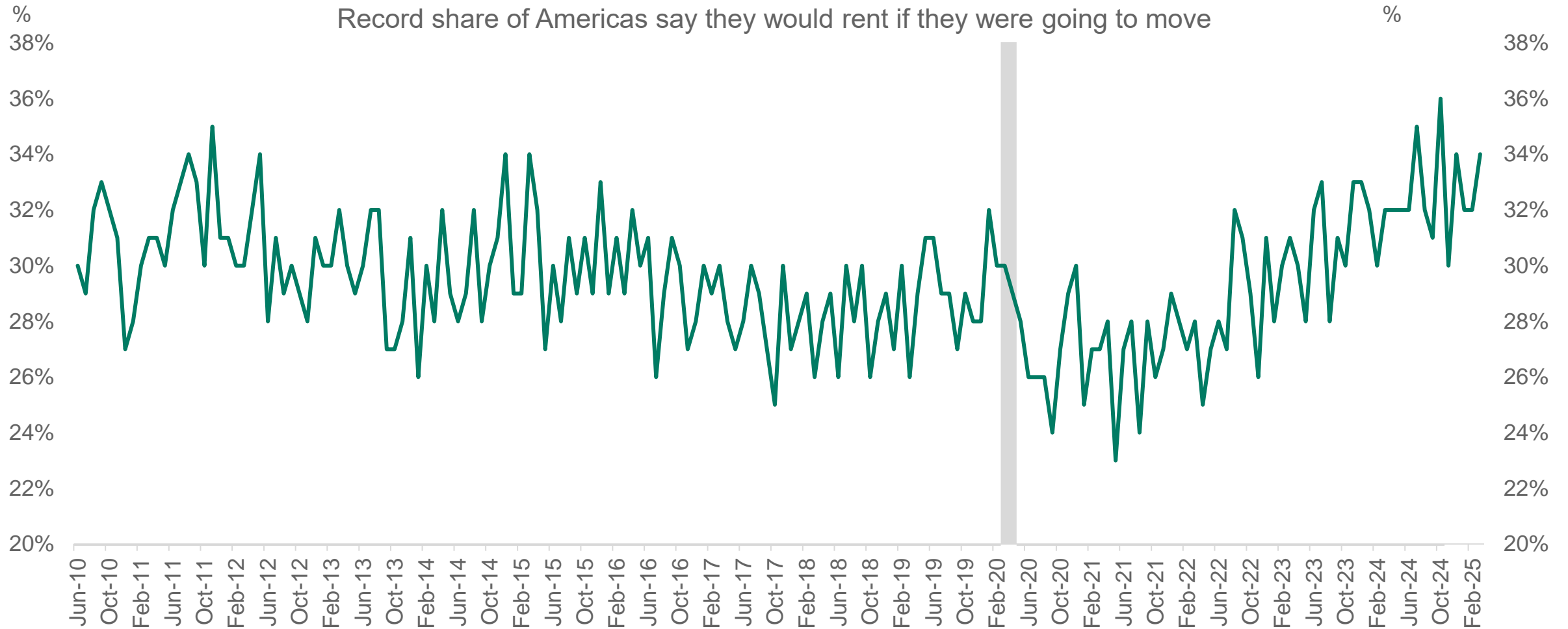
Housing affordability near record lows



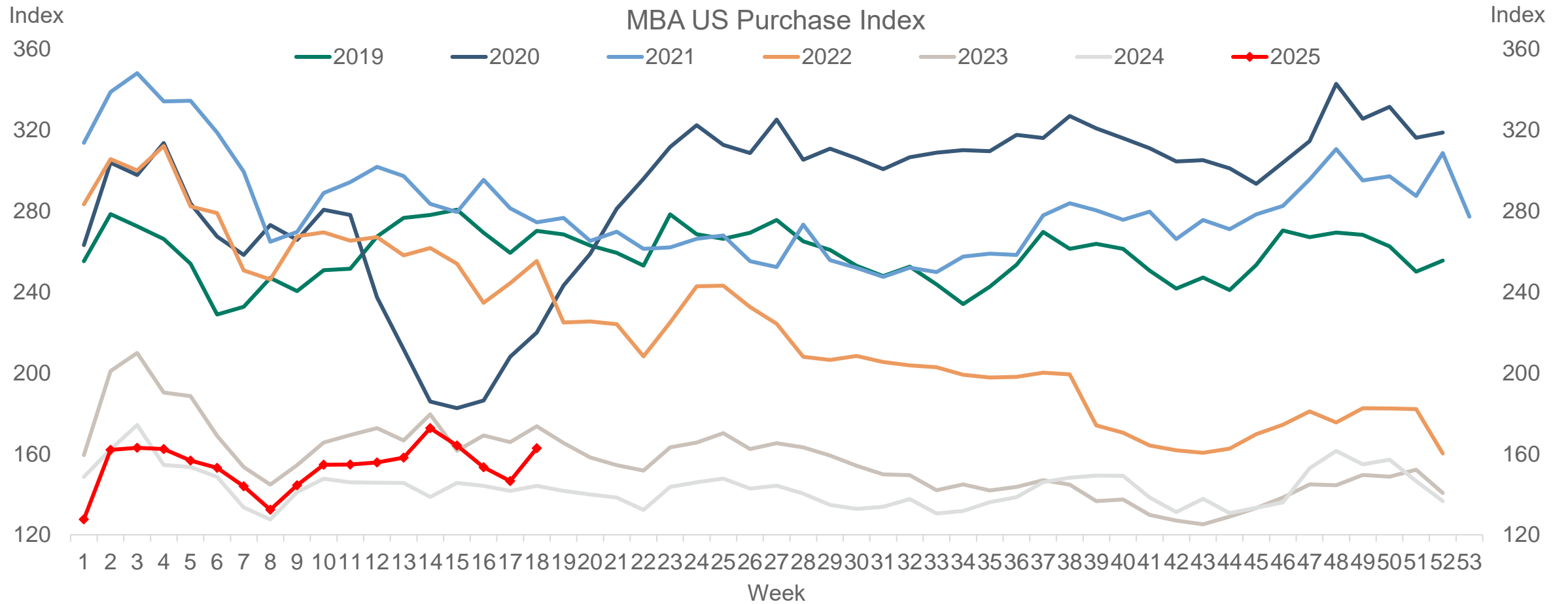
Home buying plans softening



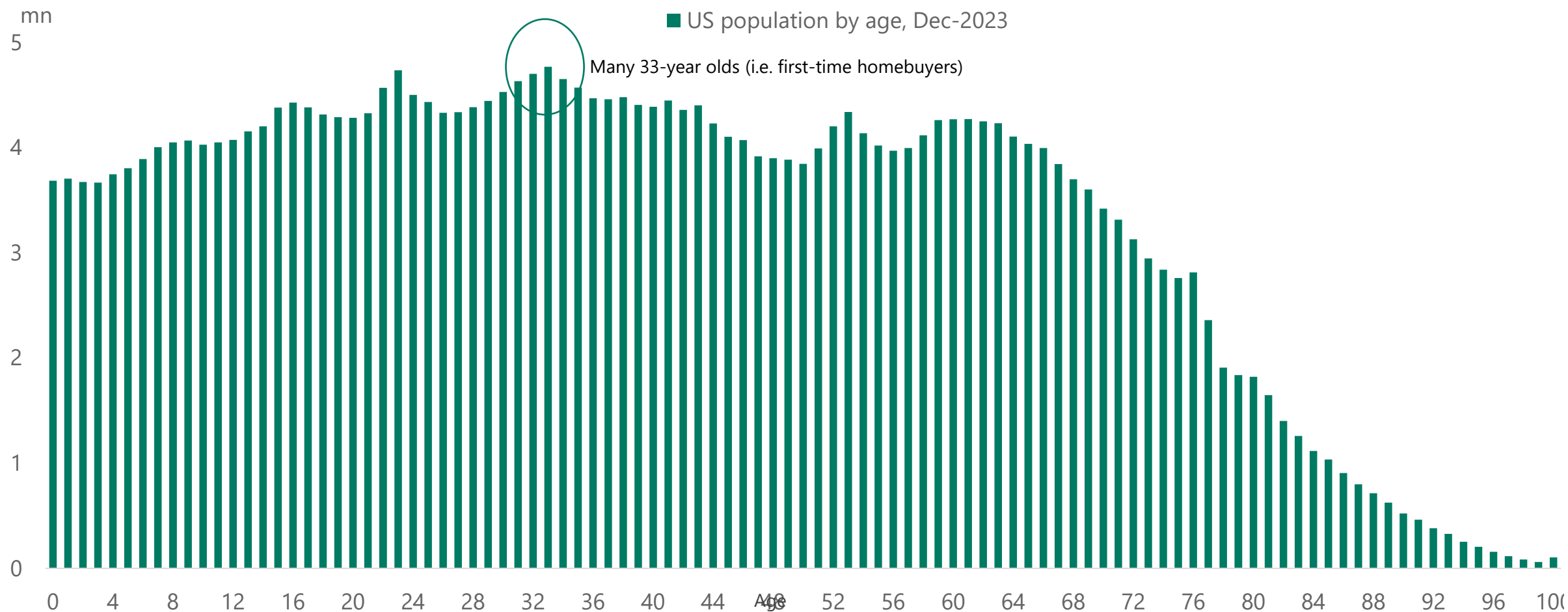
34% of Americans say they would rent if they were going to move



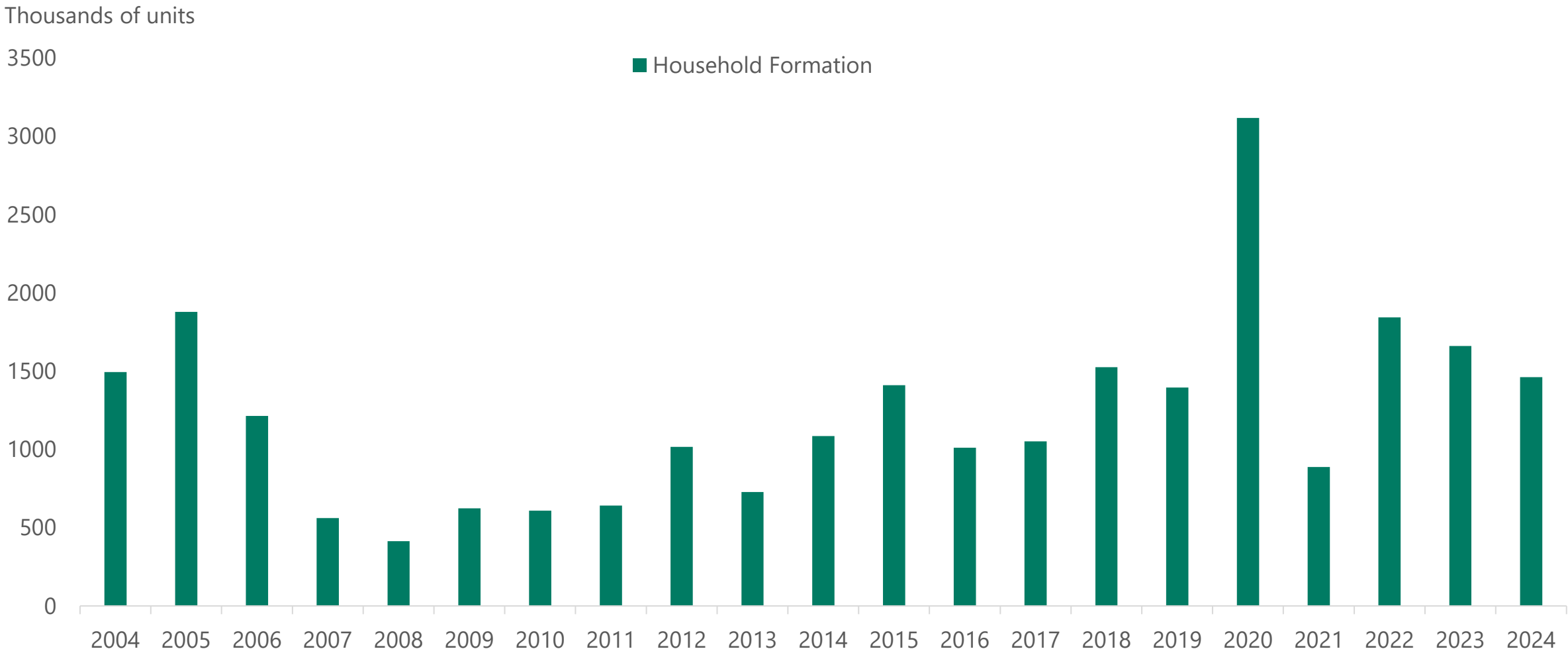
Mortgage purchase applications remain lower than normal



Demographics are a tailwind to housing demand

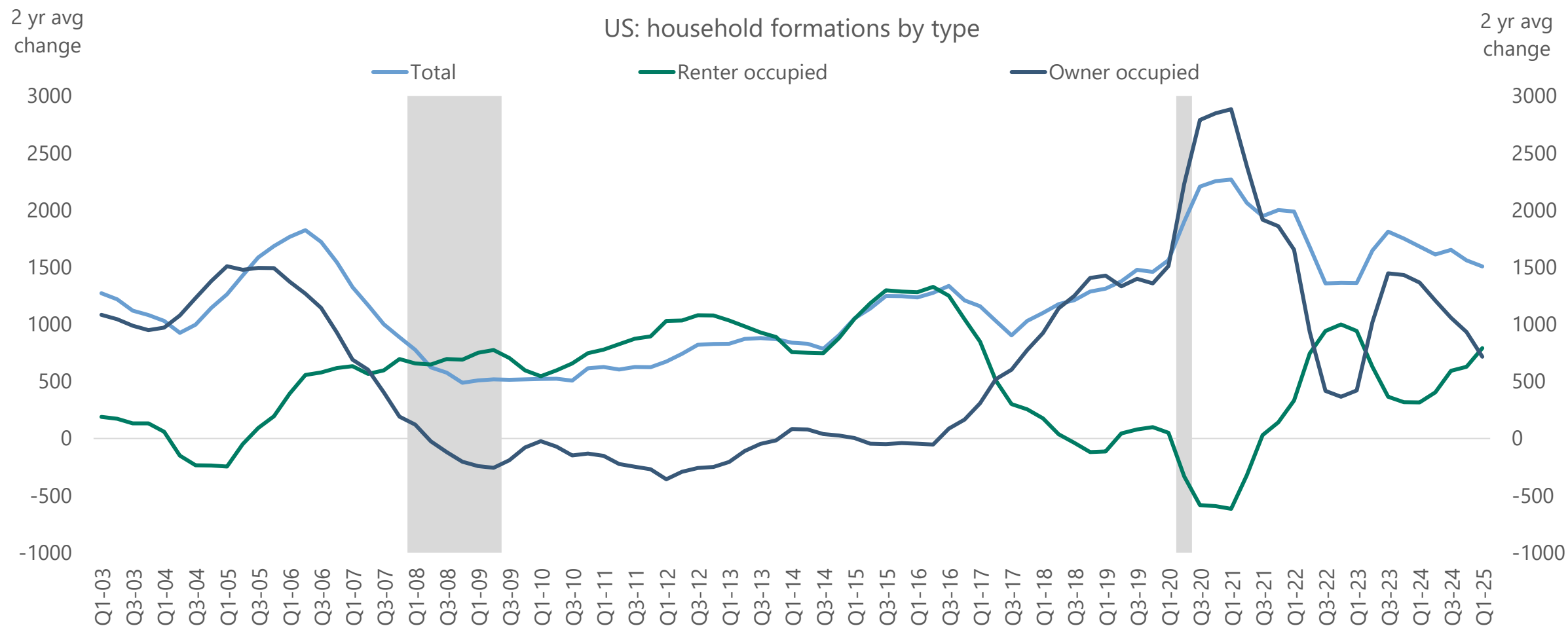


Household formation is a tailwind to housing demand



Source: Census Bureau, Haver, Apollo Chief Economist

US household formations by type

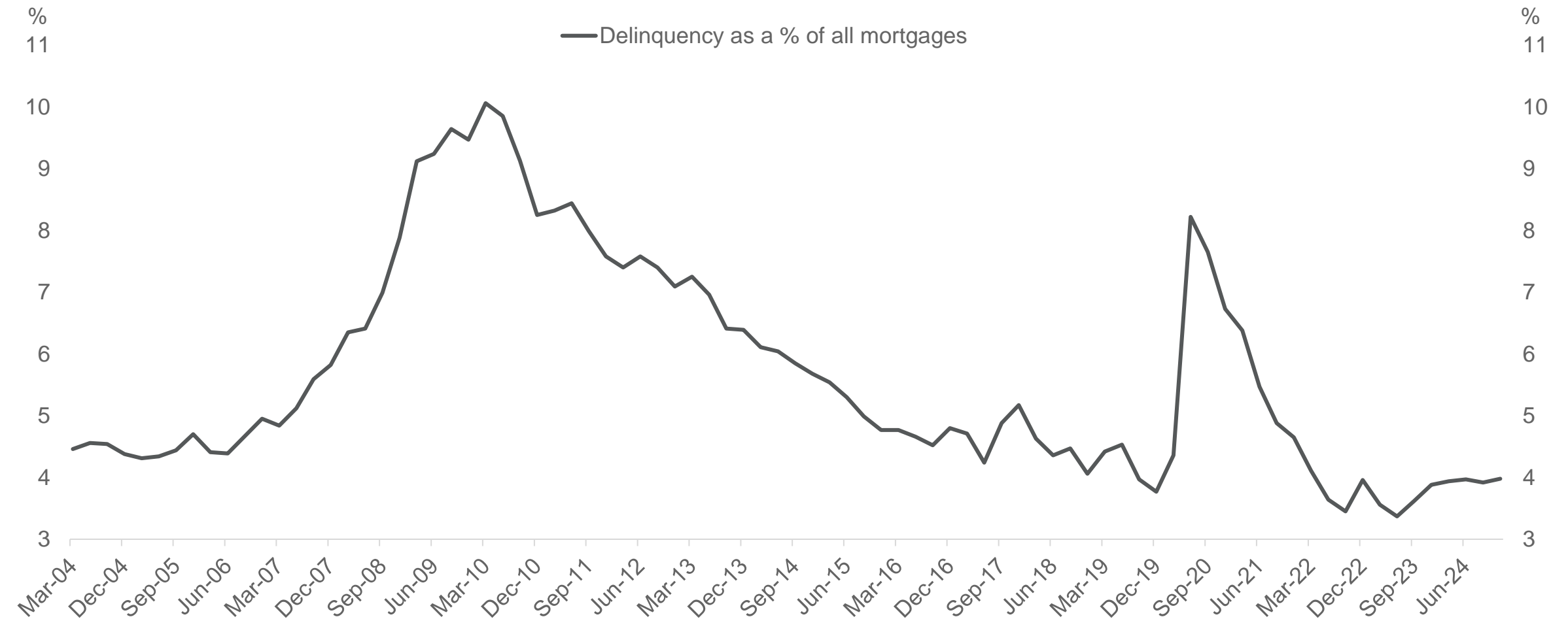


Homeownership rate



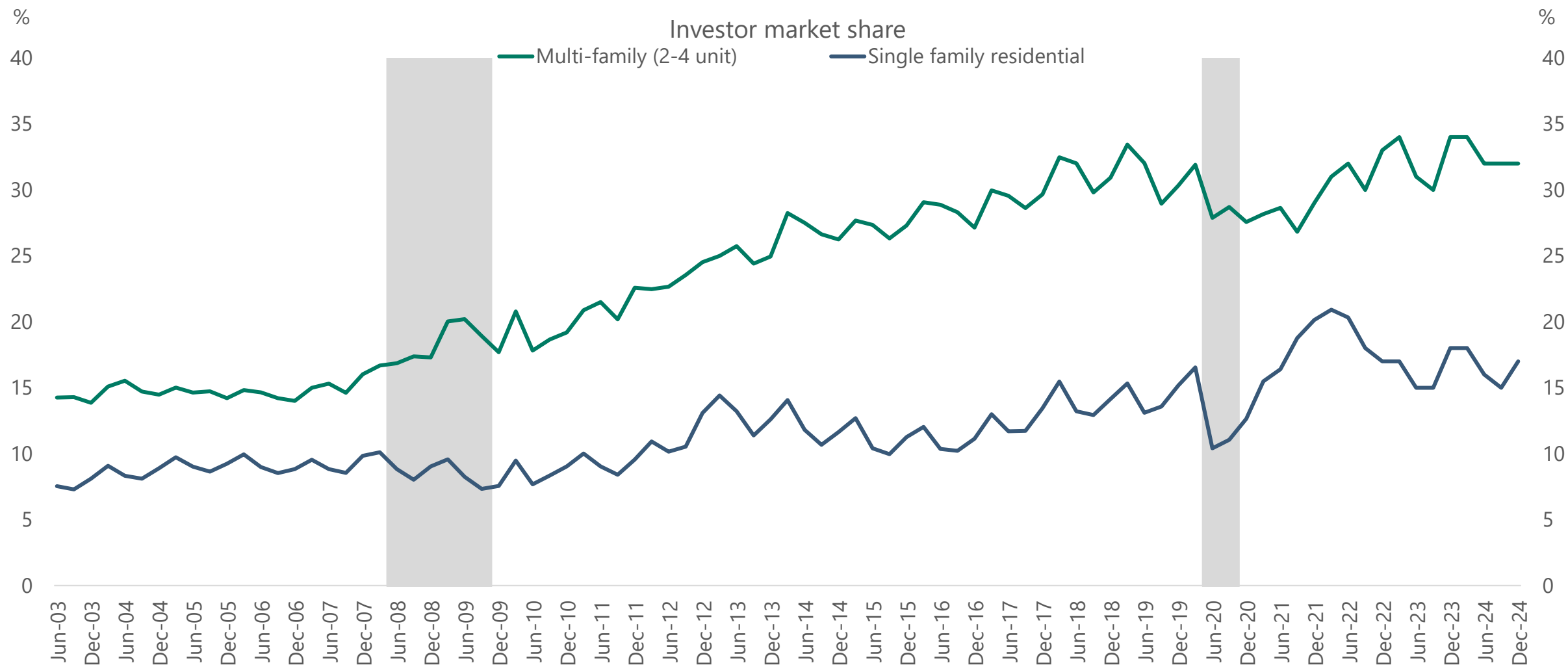
Source: Bloomberg, Apollo Chief Economist

Delinquency rate for mortgages very low

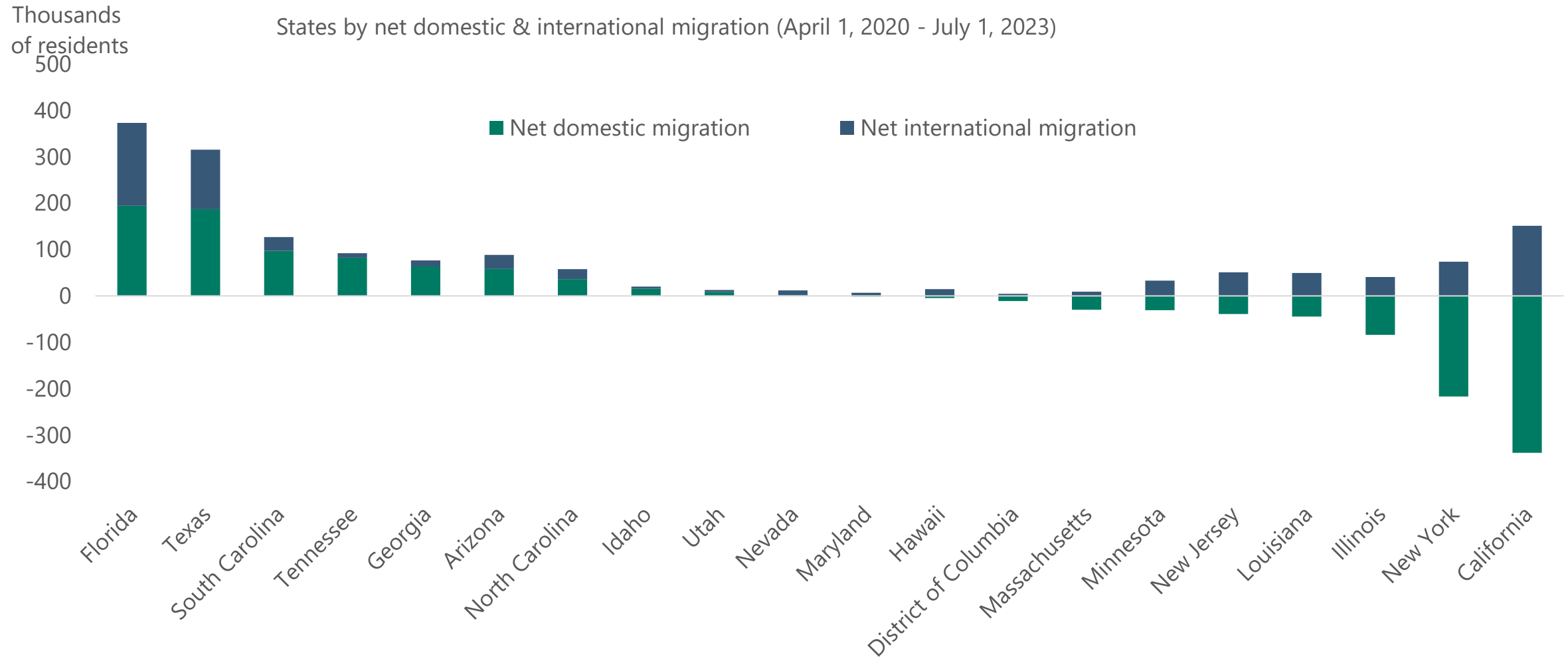


Source: Bloomberg, Apollo Chief Economist

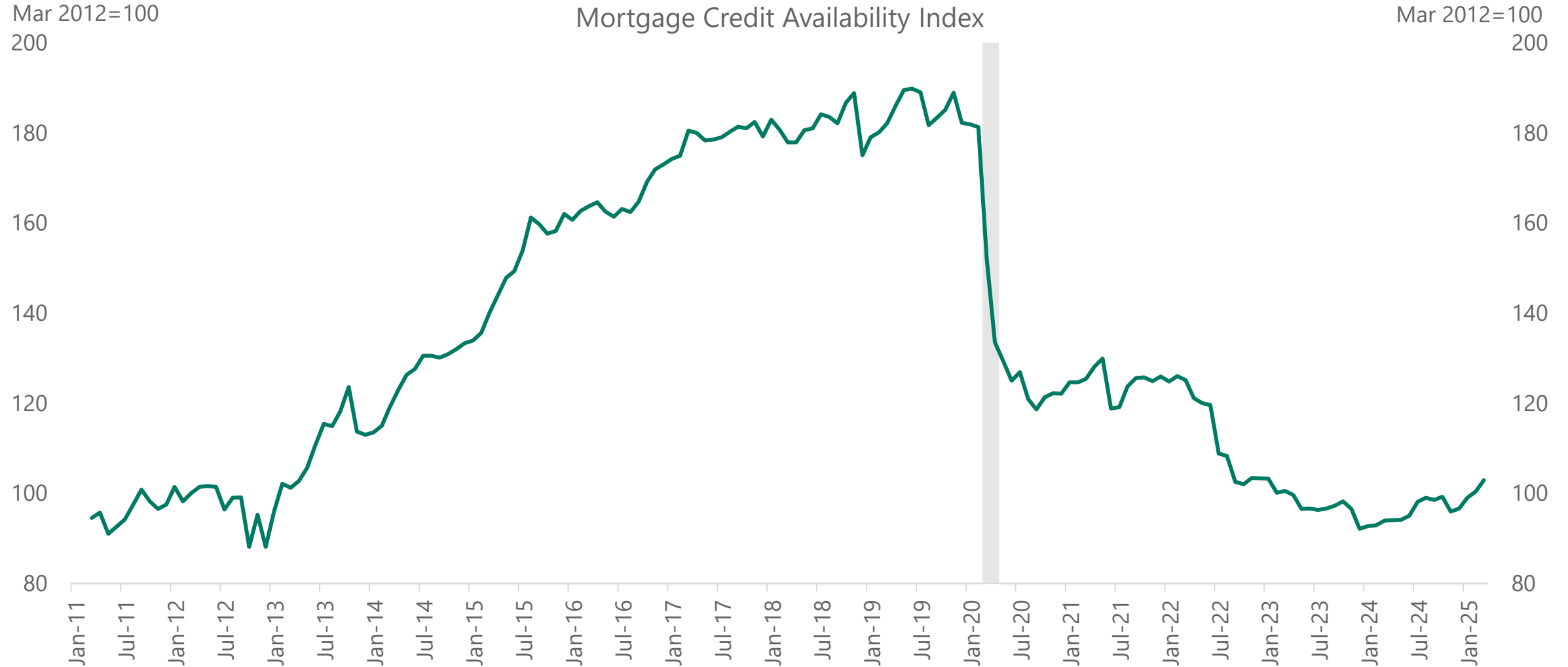
Investor share of single-family is stable



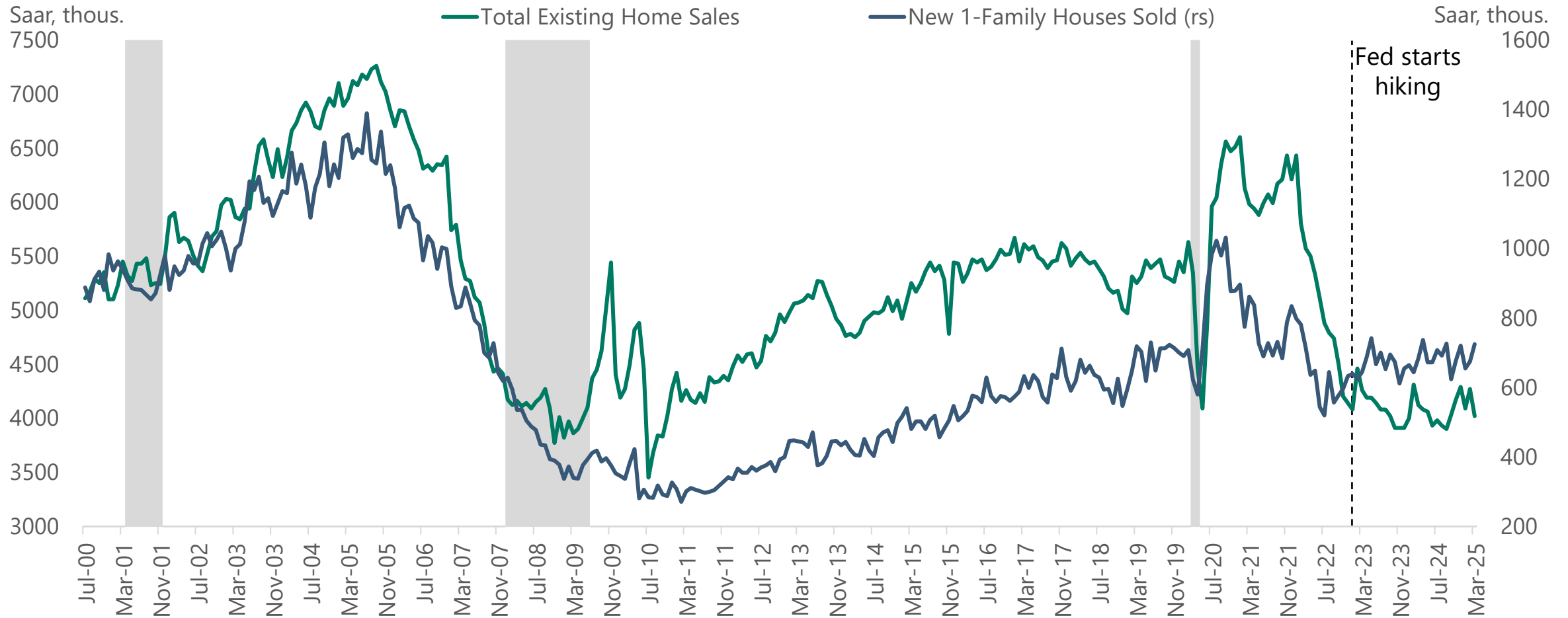
Migration out of California and migration into Florida during the pandemic



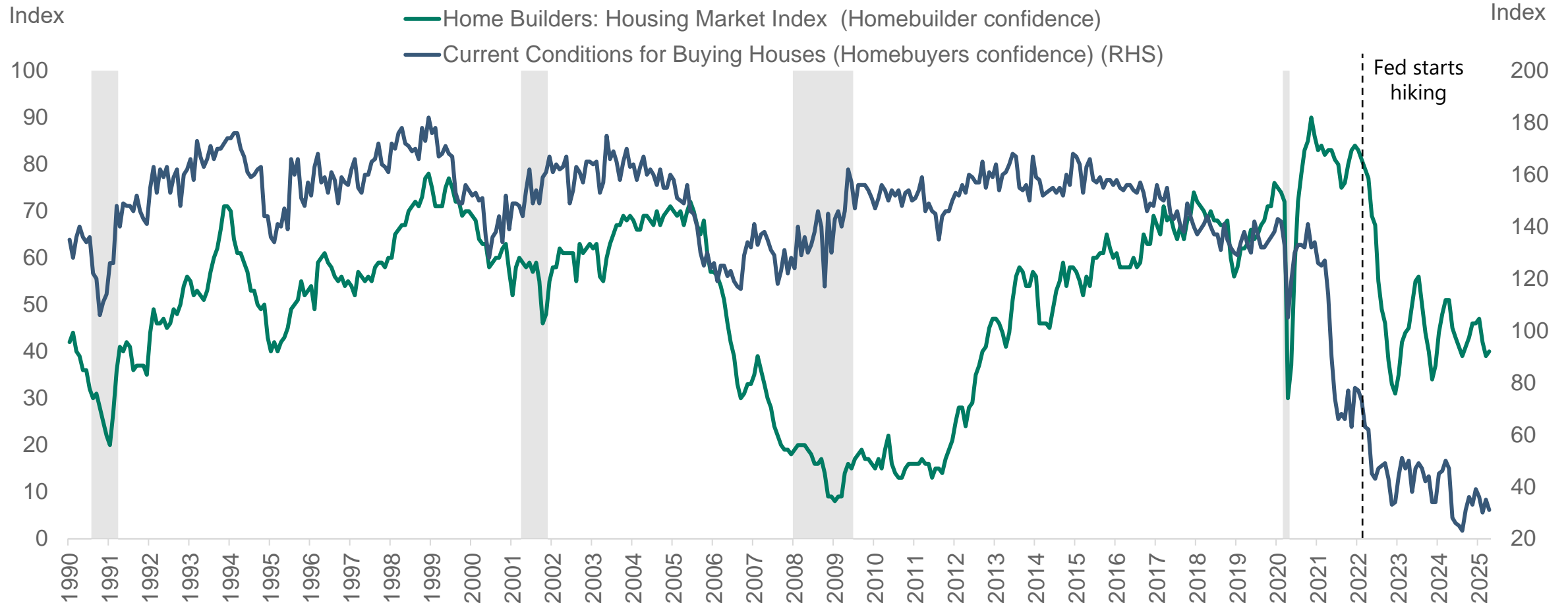
Availability of mortgage credit at tight levels



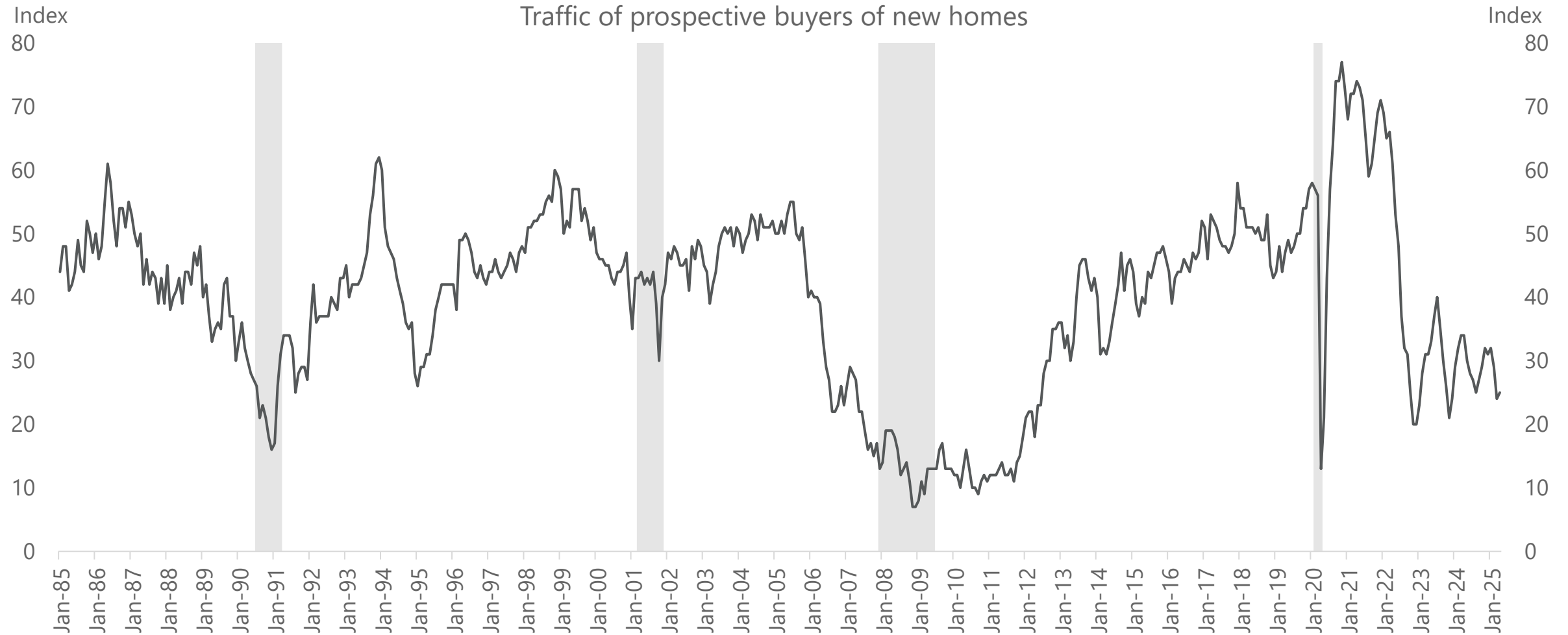
New and existing home sales lower than normal because of affordability and low inventory



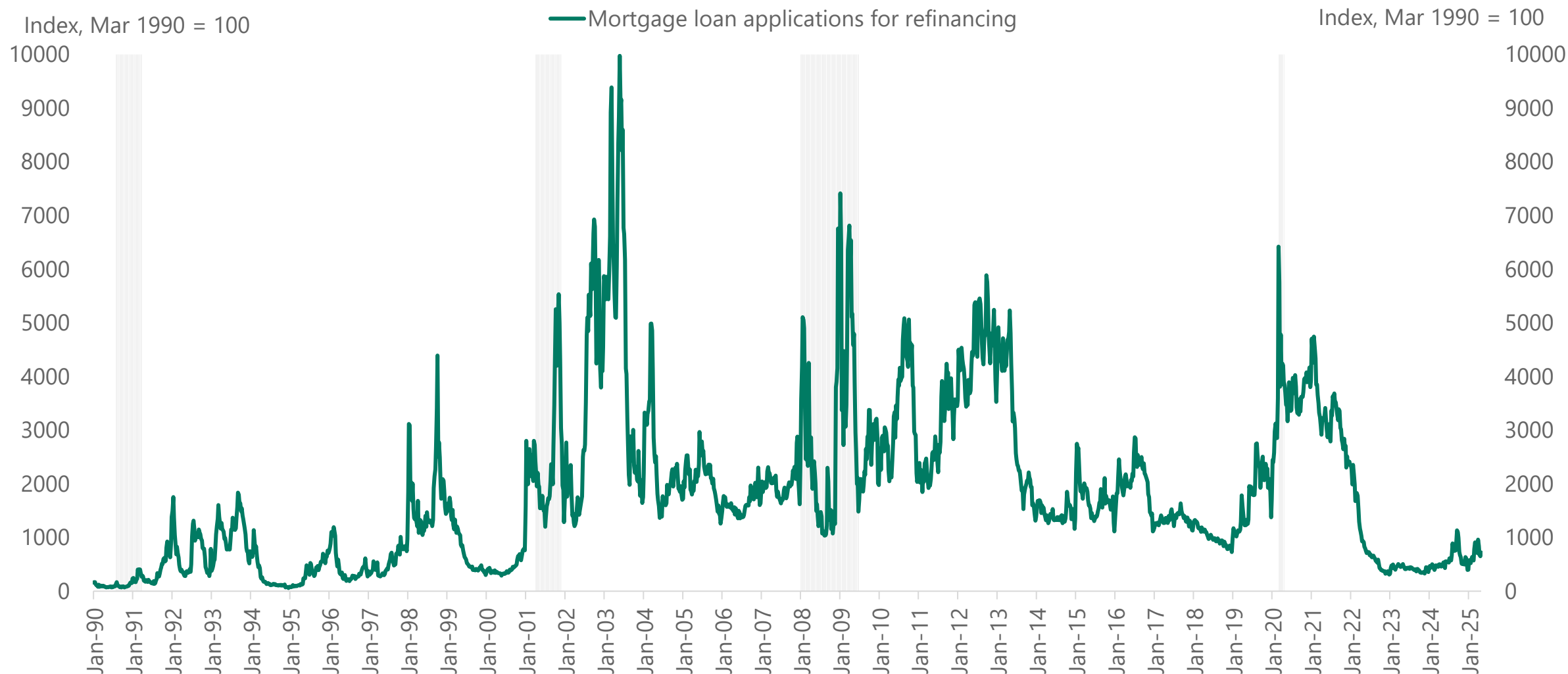
Homebuyer and homebuilder confidence lower because of affordability



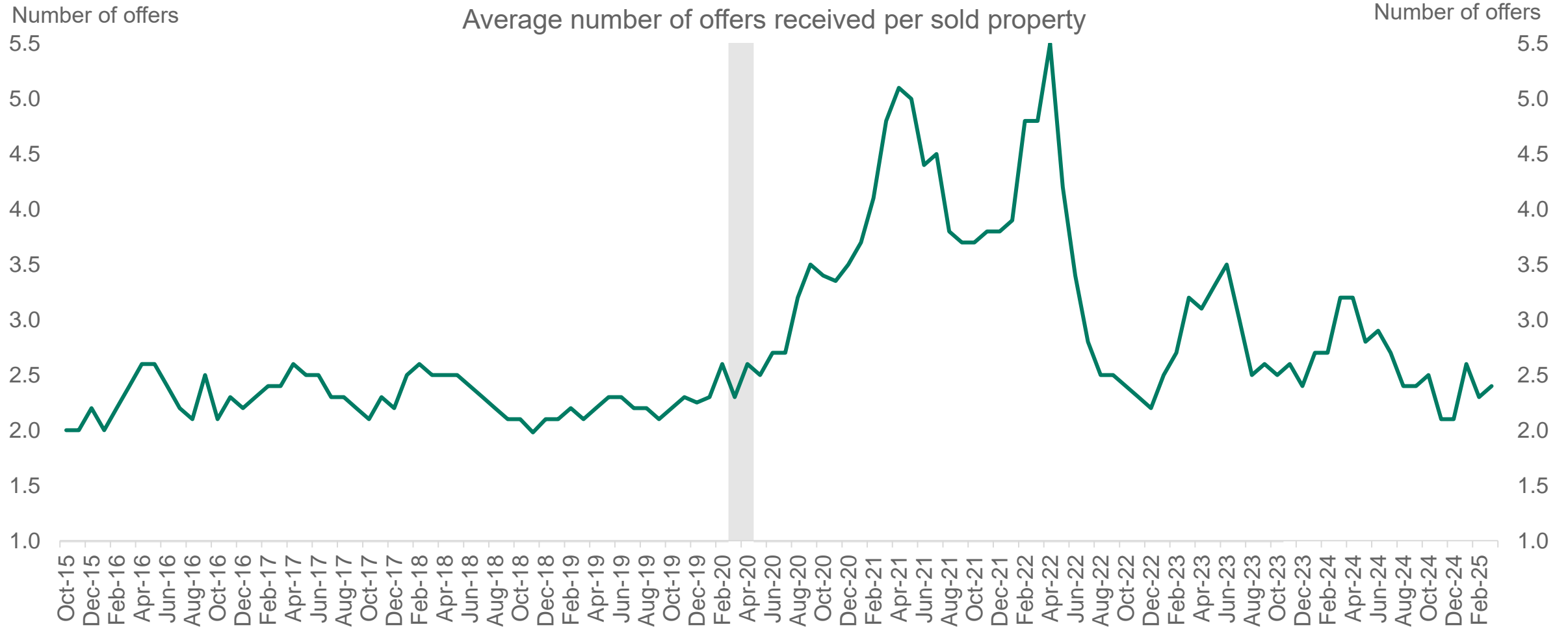
Traffic of prospective homebuyers



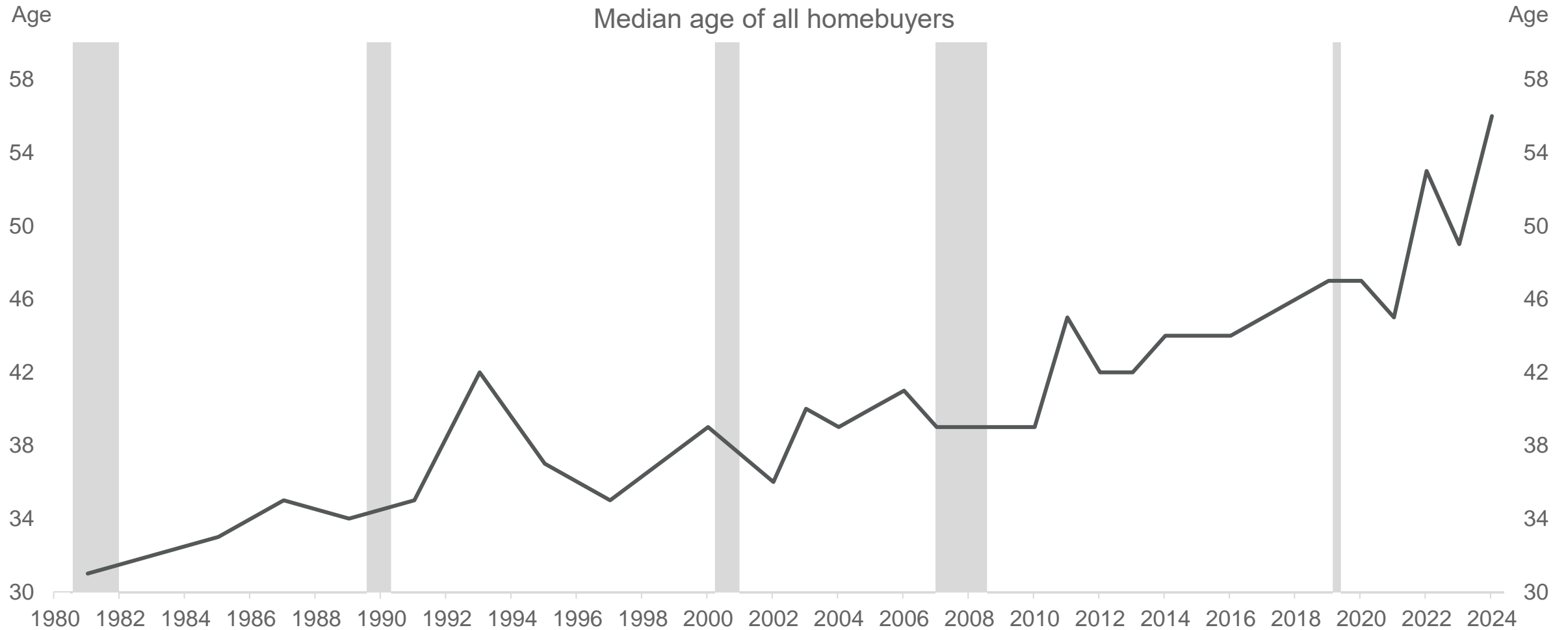
Decline in the number of homeowners who are refinancing their mortgage



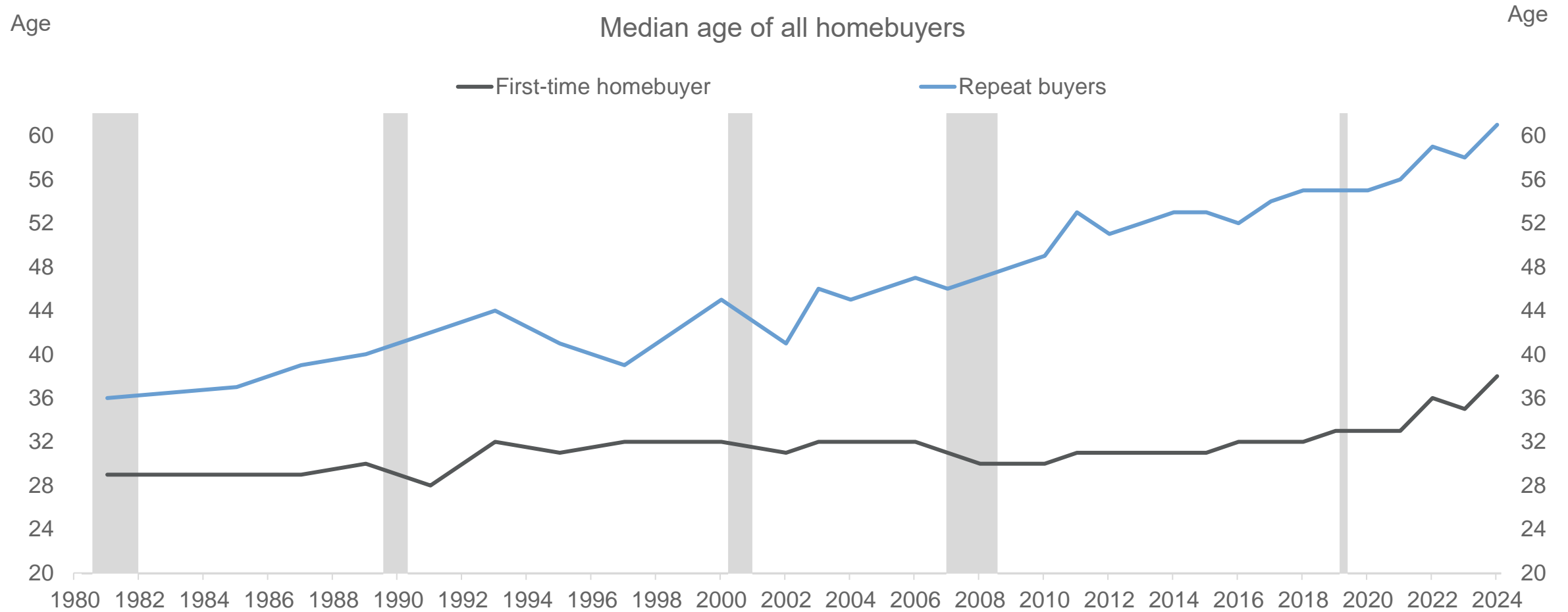
Average number of offers received per sold property



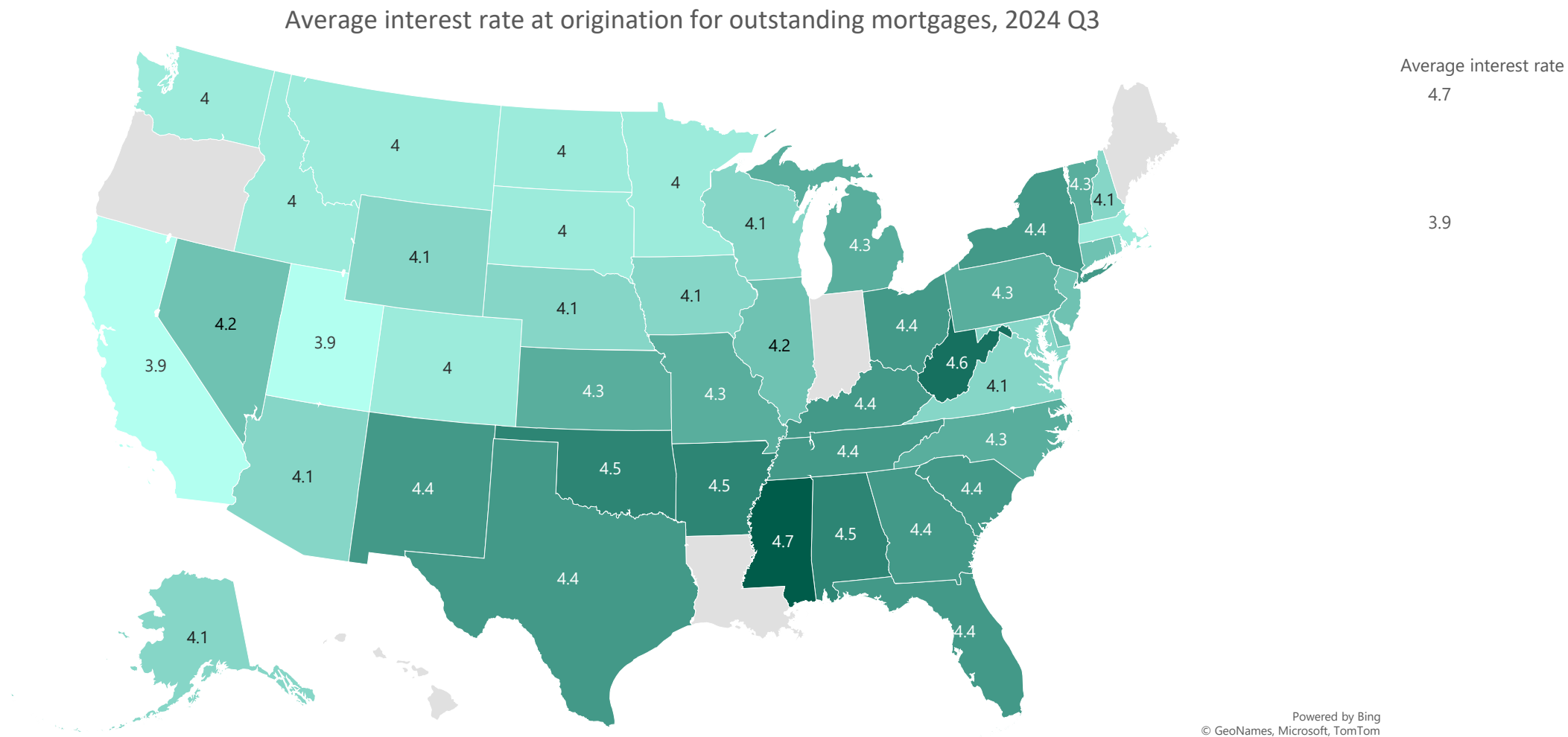
The median age of all homebuyers is now 56 years old, up from 31 in 1981



The median age of first-time homebuyers has increased from 30 in 2008 to 38 today

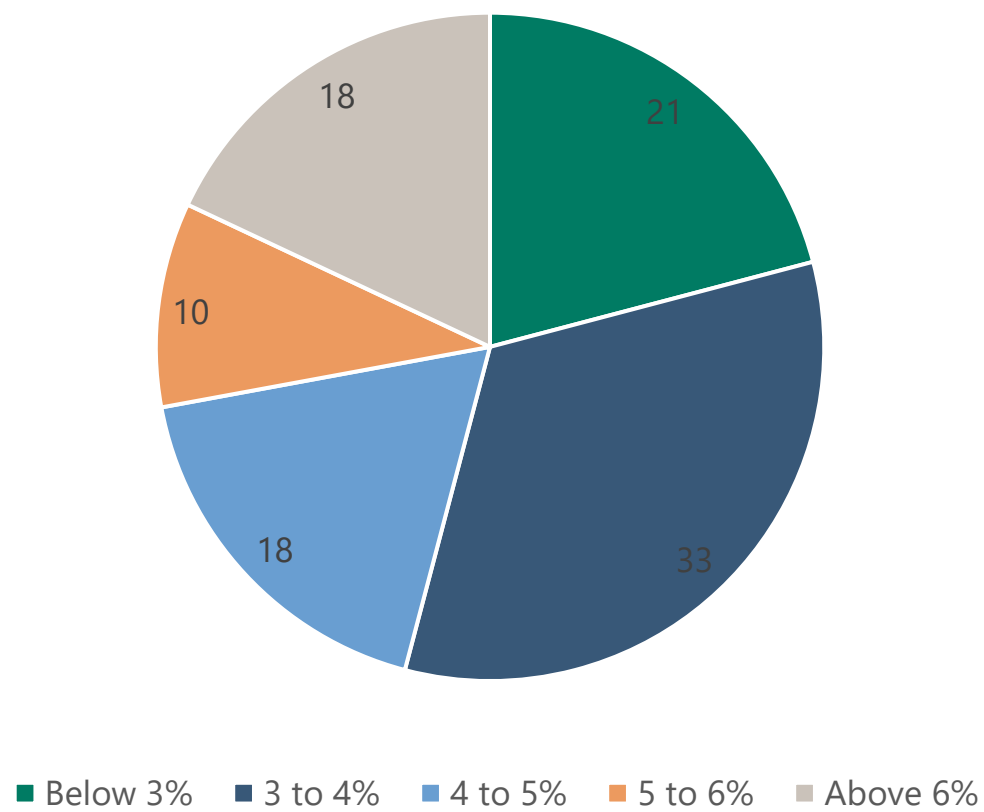


Average interest rate at origination

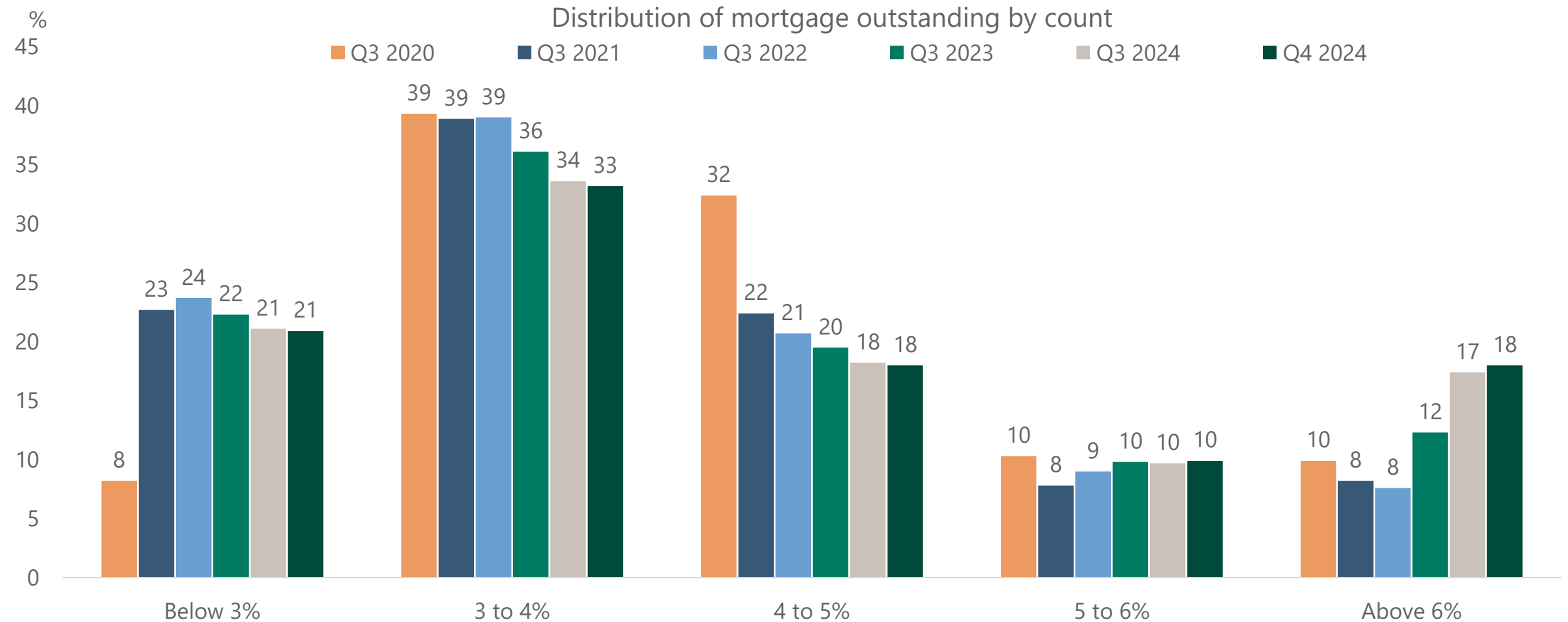


Share of mortgages outstanding by interest rate

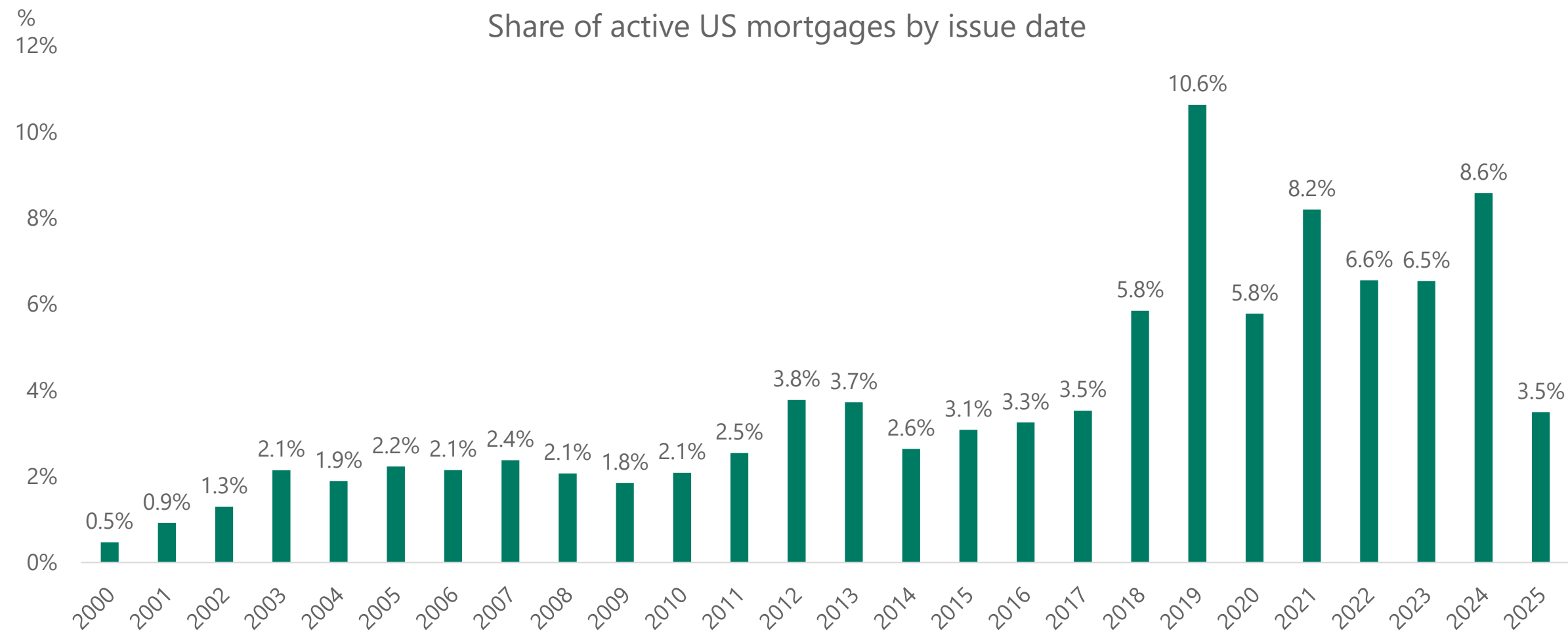
Share of mortgages outstanding by interest rate at origination by count, Q4 2024



Distribution of interest rates on outstanding mortgages

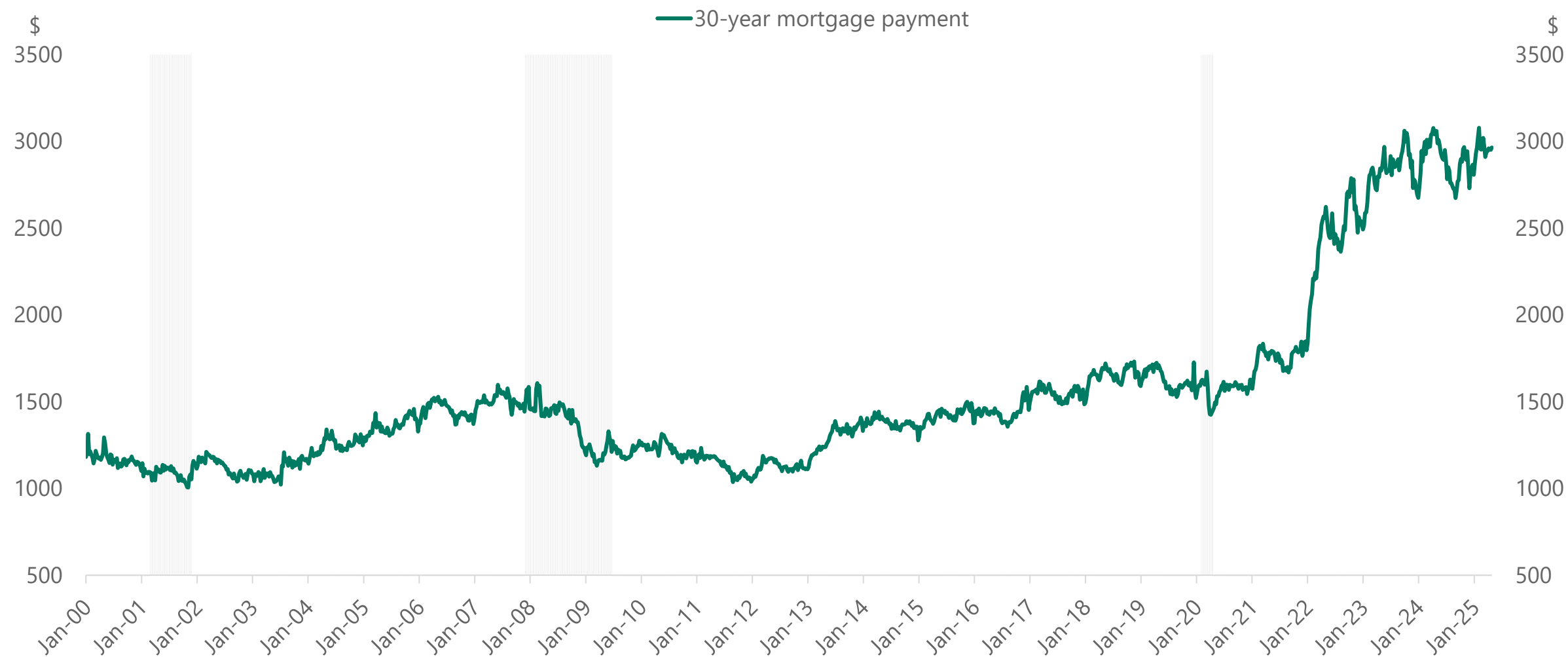


More than 50% of all mortgages outstanding issued since 2018

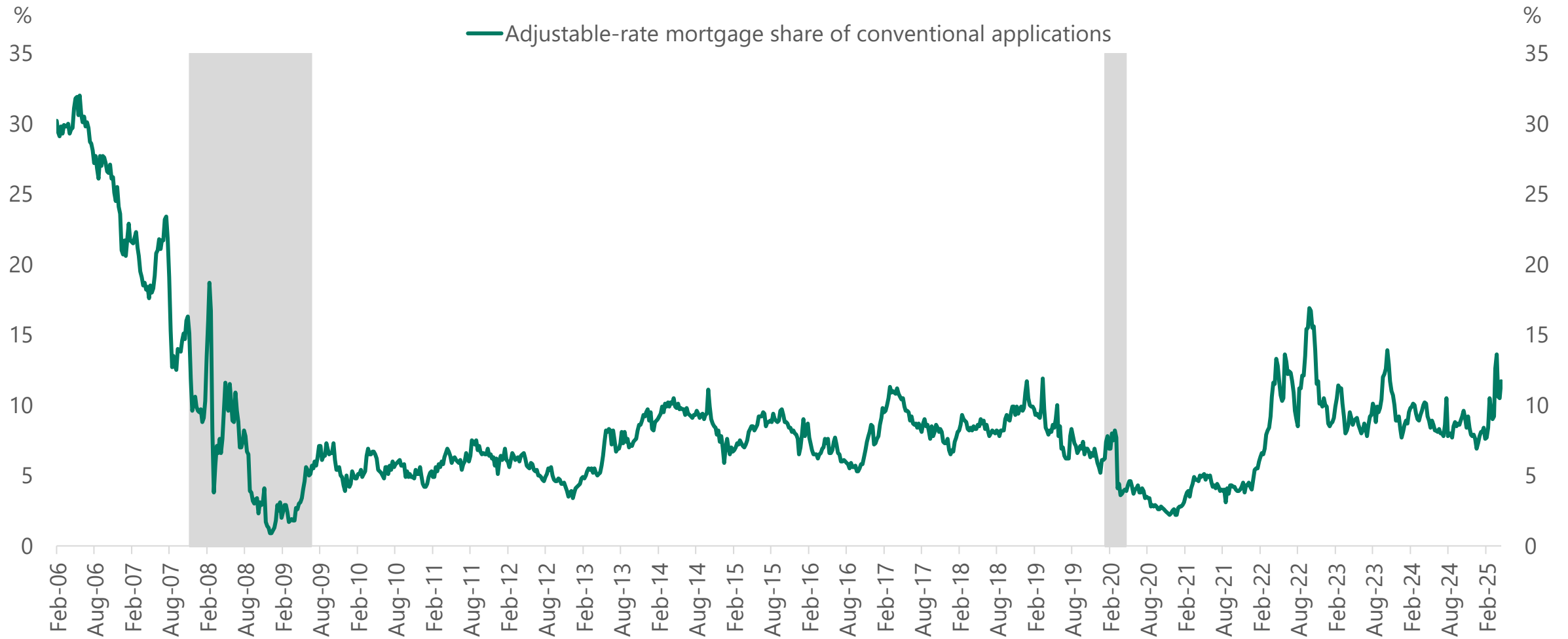


Source: Bloomberg, Apollo Chief Economist. Note: Data comes from MTGS <GO> screen on Bloomberg. Data as of May 8th, 2024

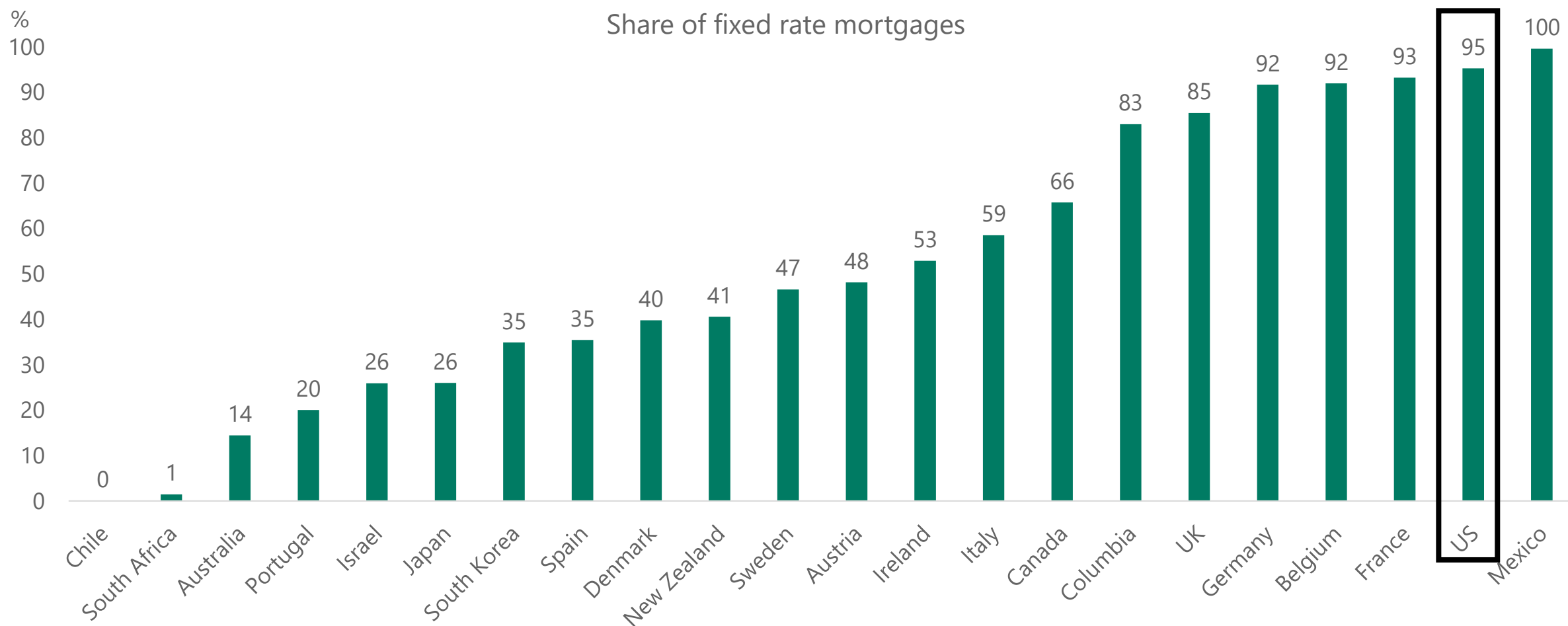
Monthly mortgage payment on a new mortgage currently \$2965



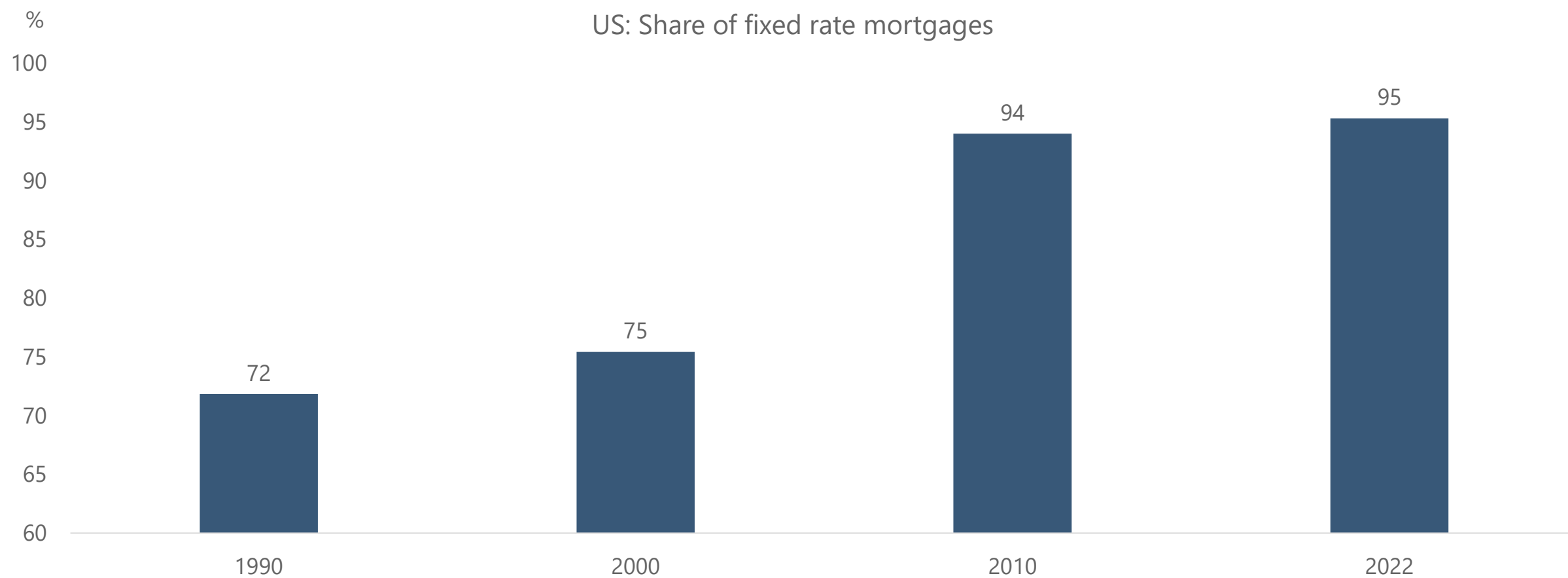
ARM share of total mortgage applications: 12%



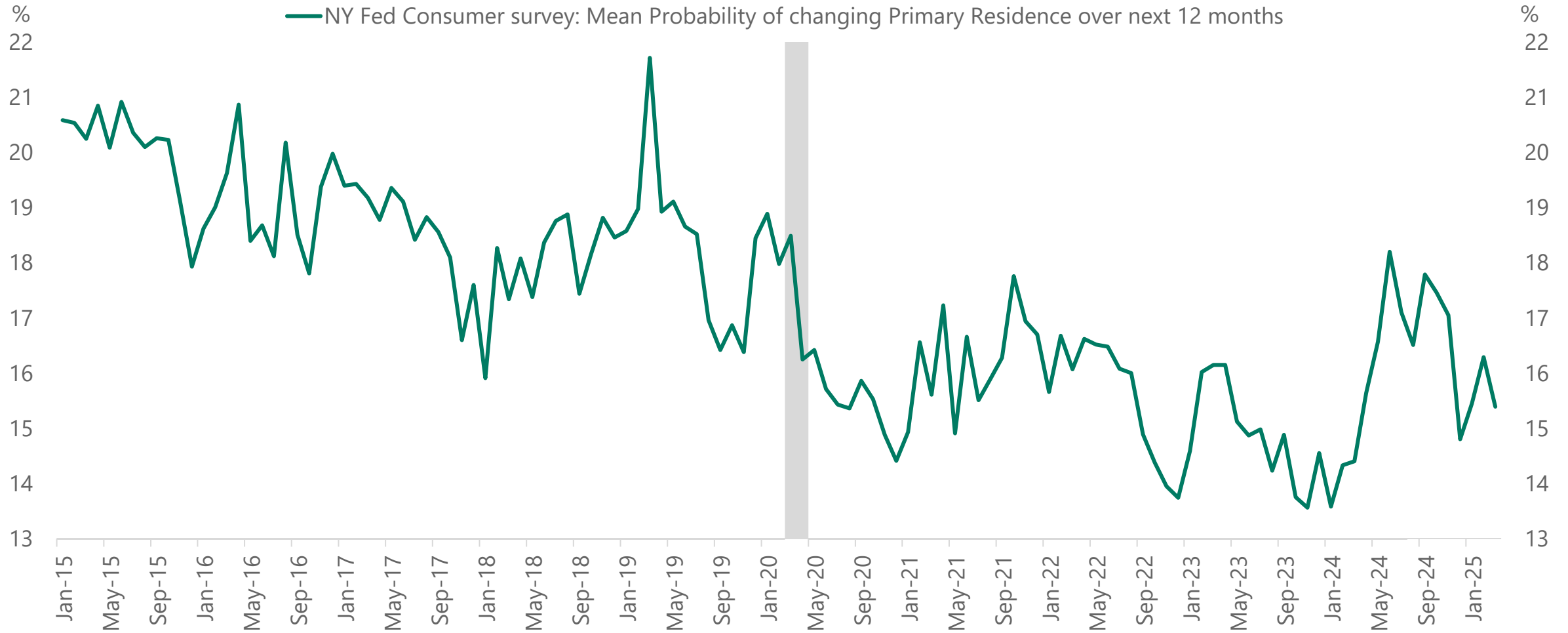
95% of mortgages outstanding are 30-year fixed rate



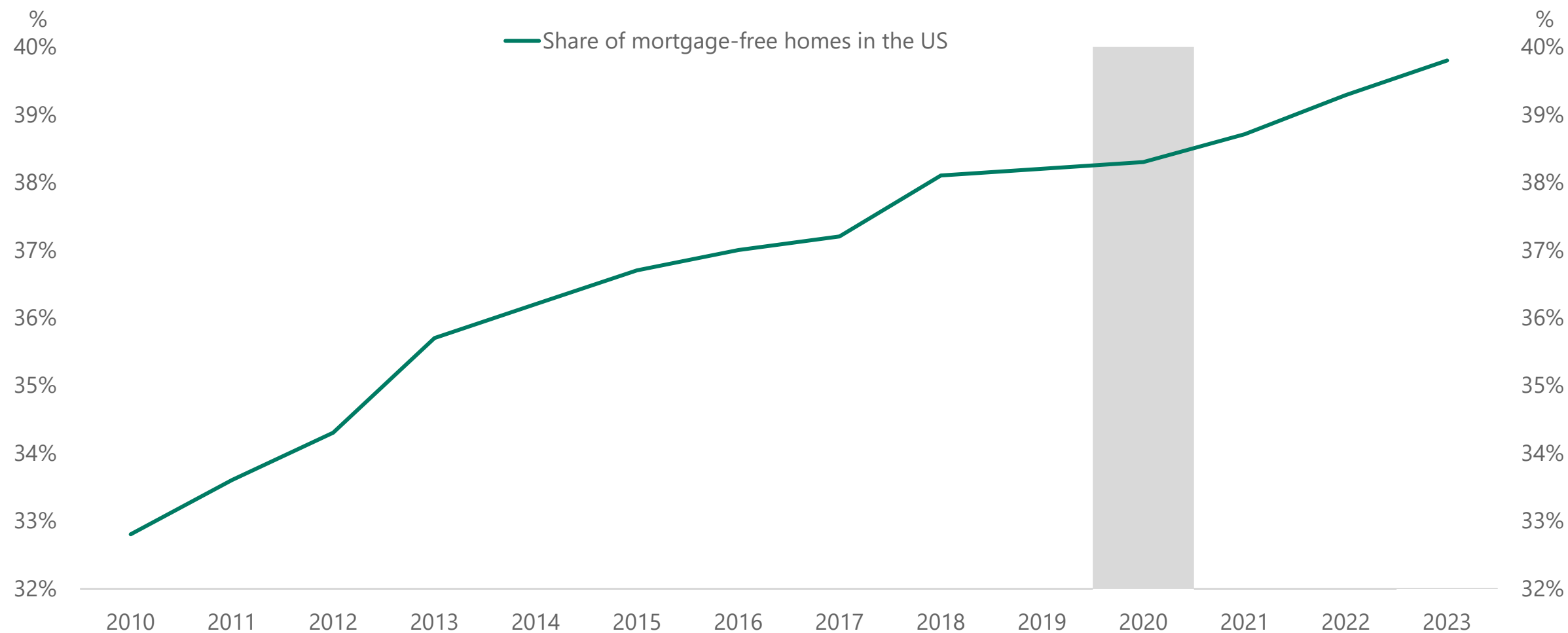
Share of fixed rate mortgages



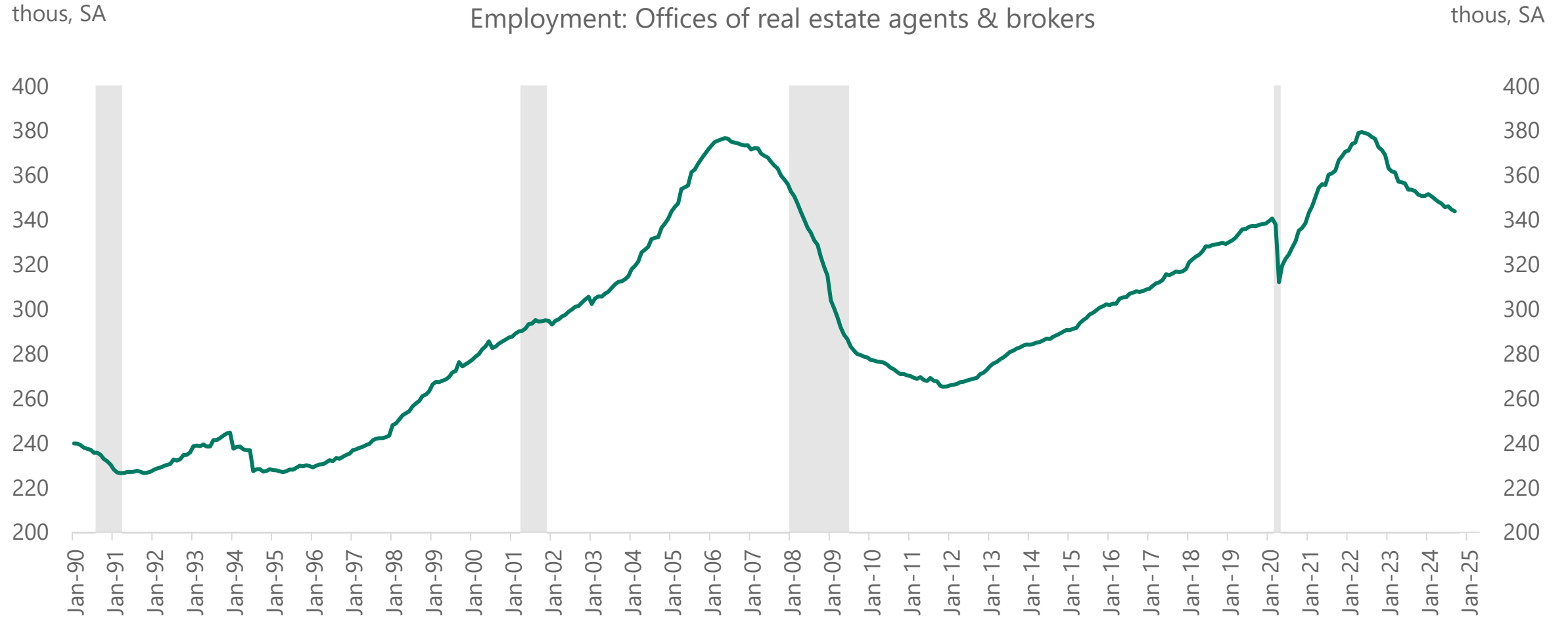
Share of households planning to move over the next 12 months has declined



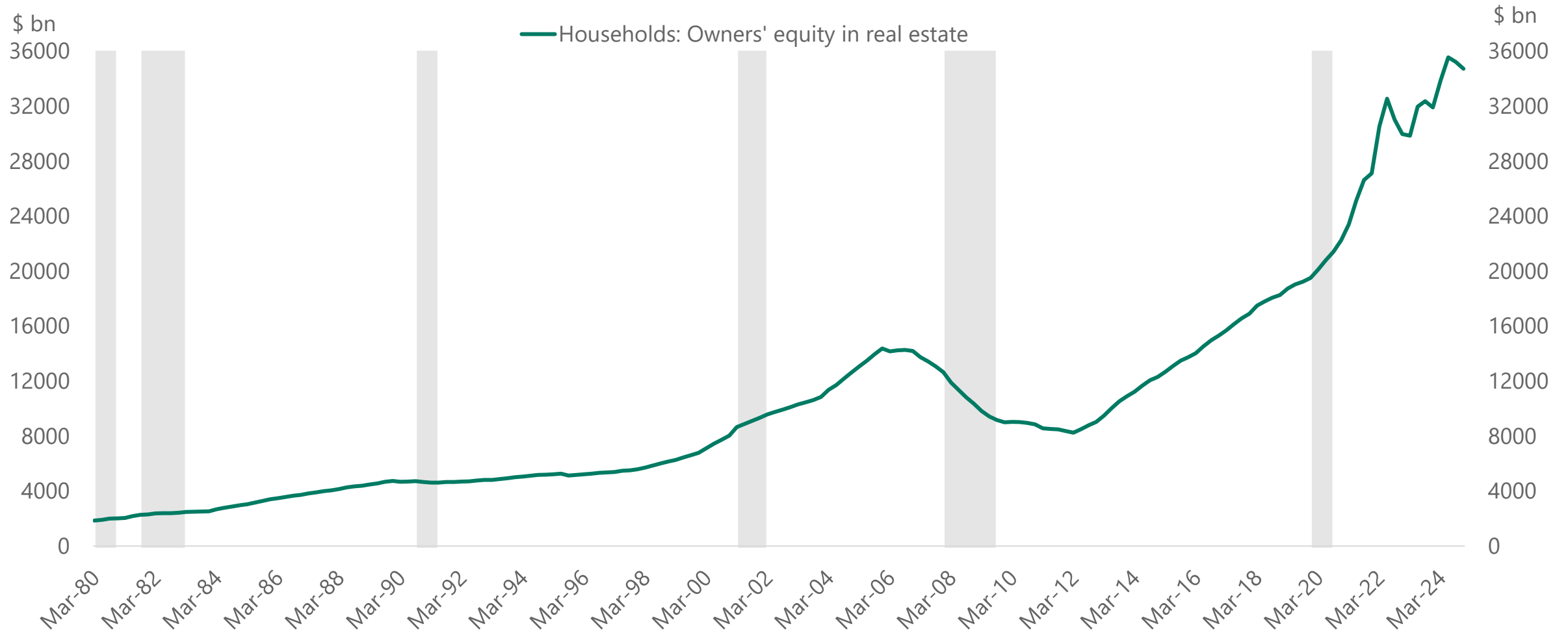
40% of US homes don't have a mortgage



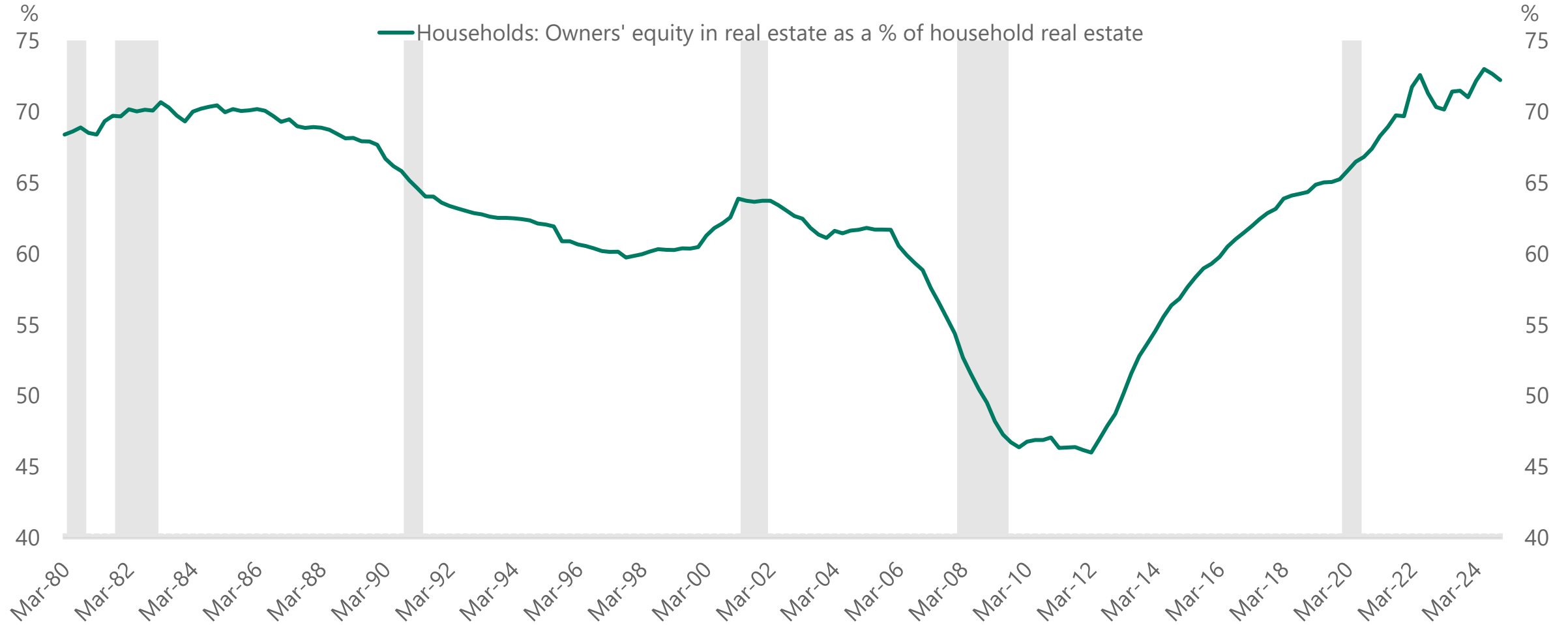
Number of real estate agents & brokers



Households' equity in real estate is around \$35trn

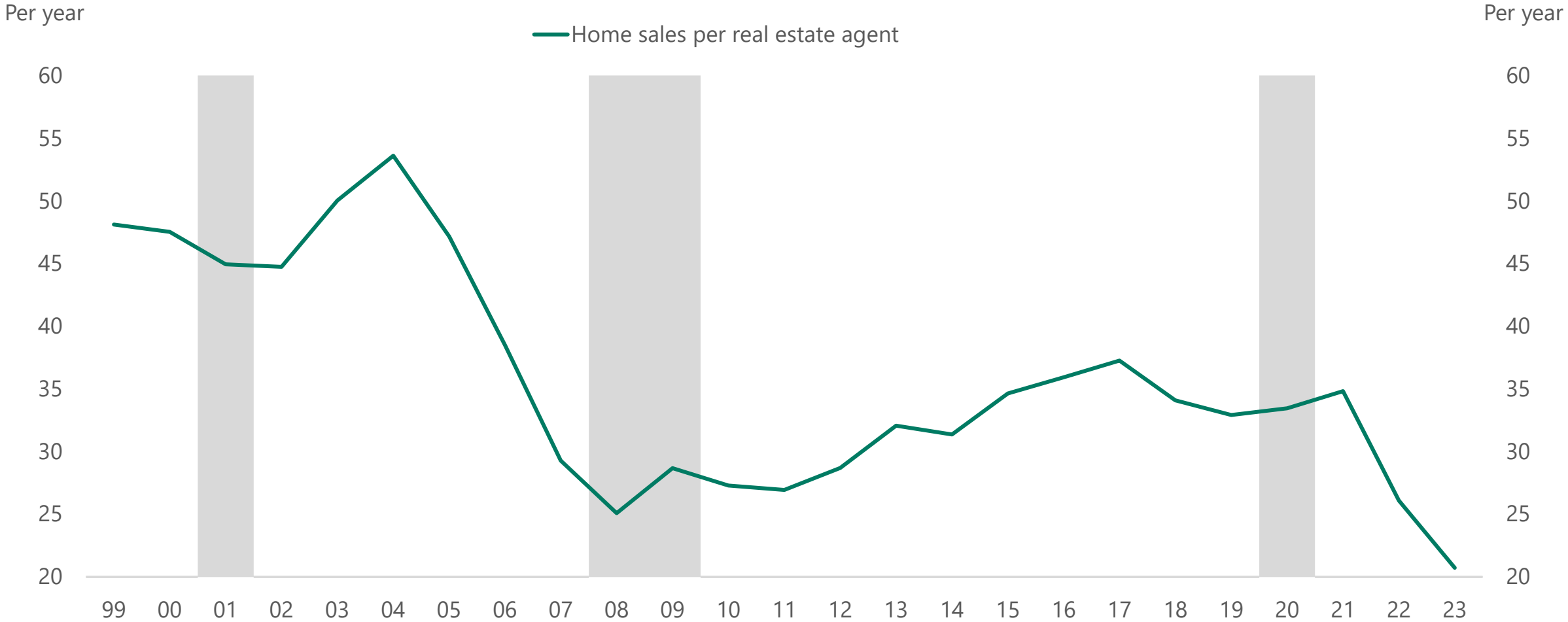


Households' equity share in real estate near all-time high level of 73%



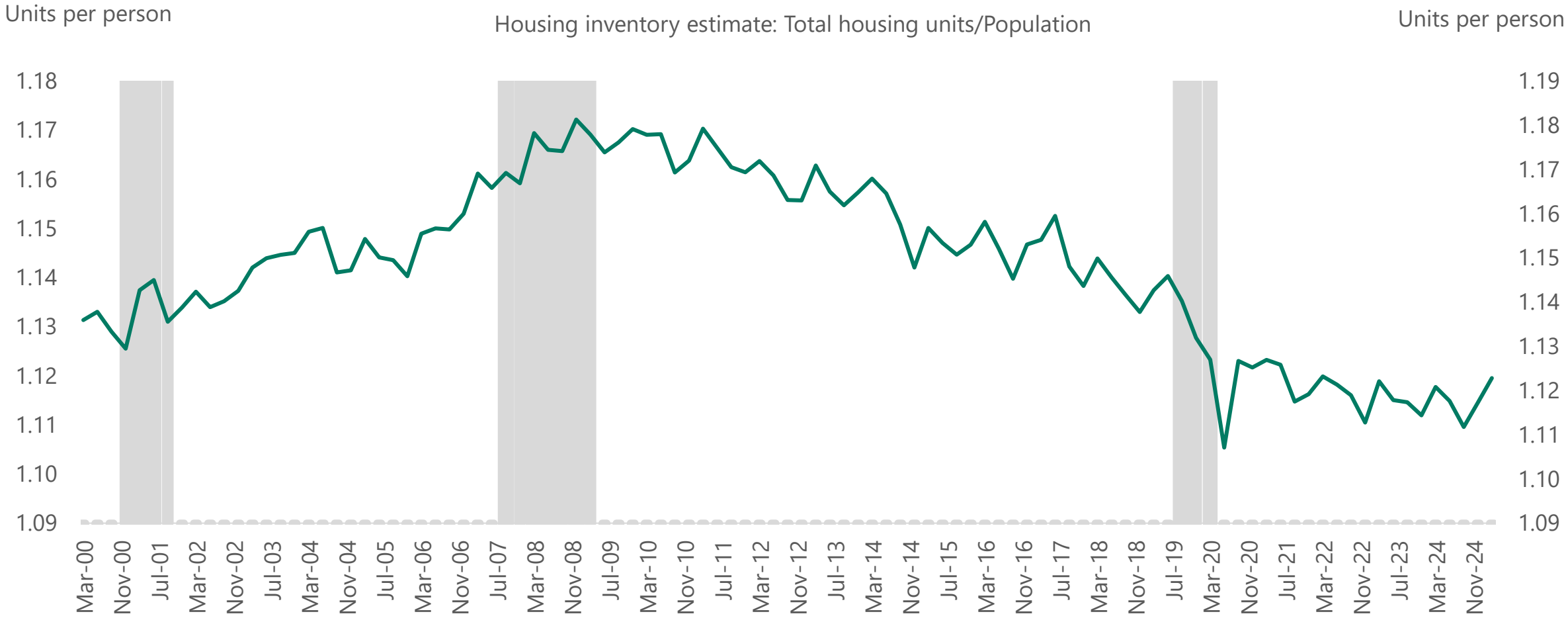
2) Housing Supply

With lower inventory, real estate sales agents selling fewer homes



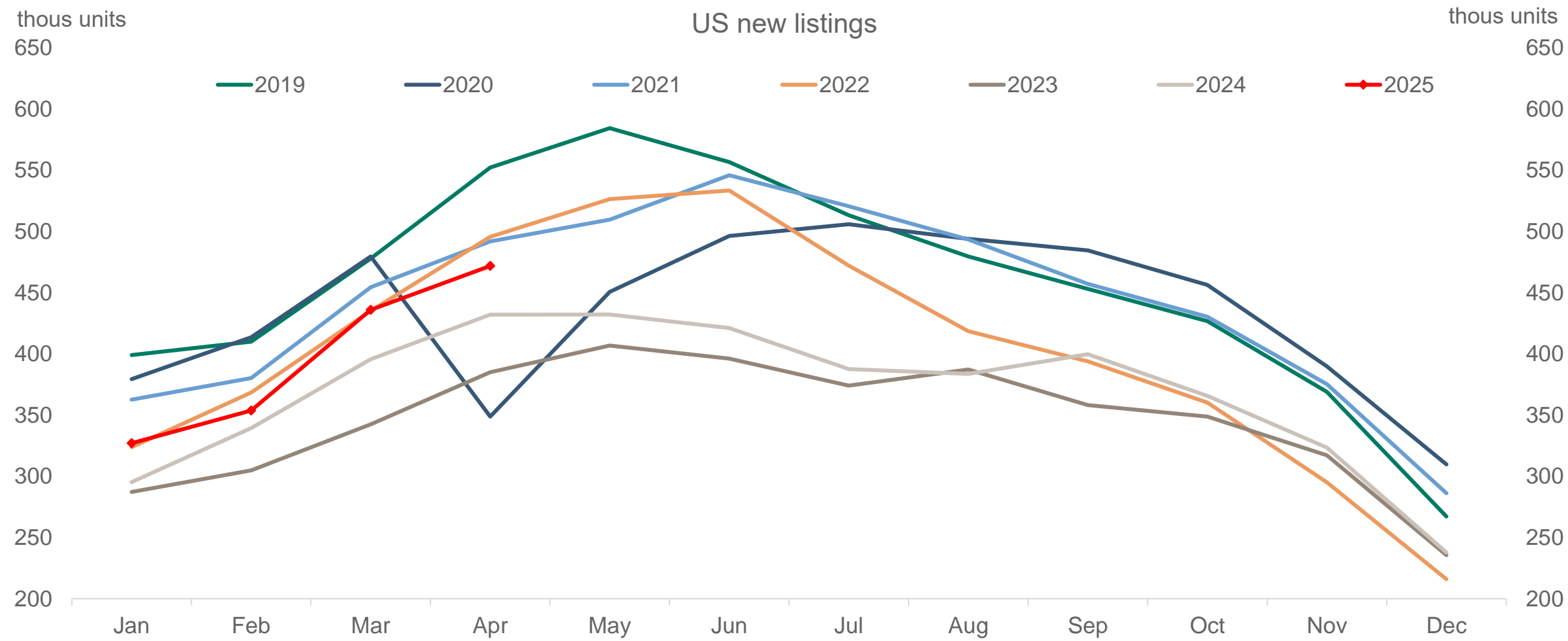
Source: NAR, BLS, Haver Analytics Apollo Chief Economist

Total housing inventory per person is very low

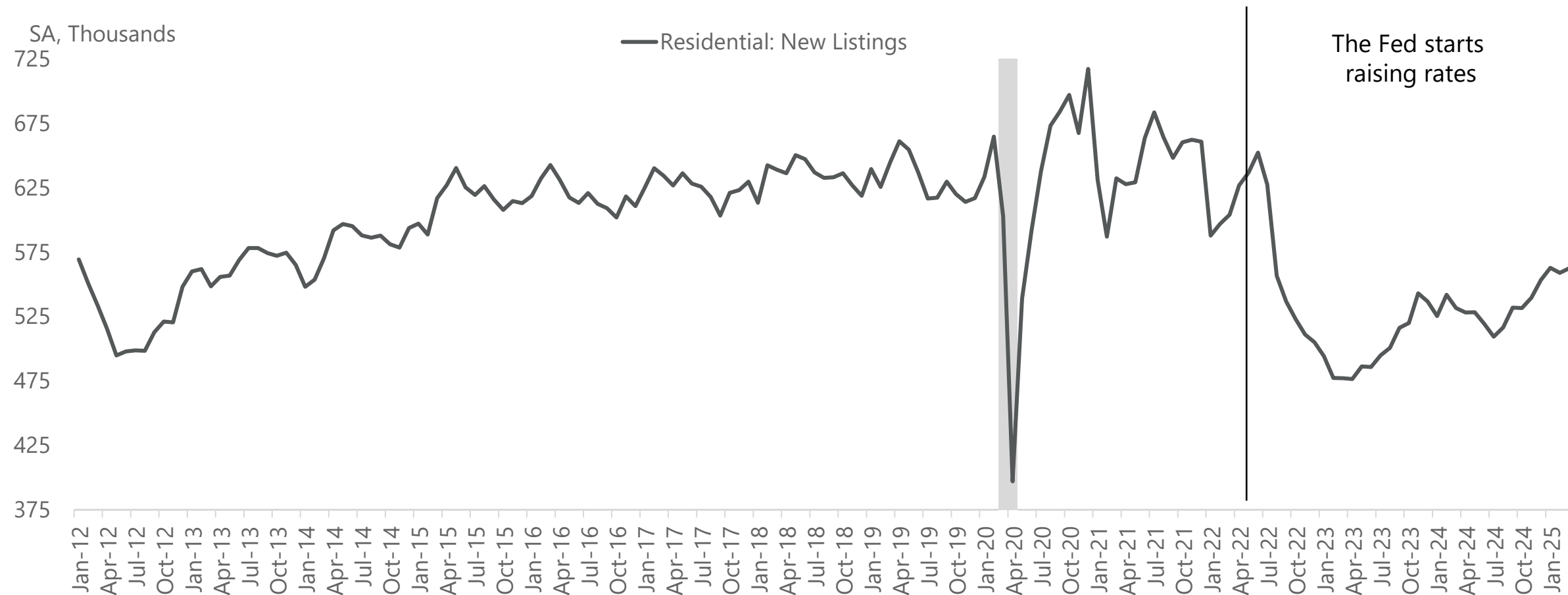


Source: Census Bureau, FRED, Apollo Chief Economist

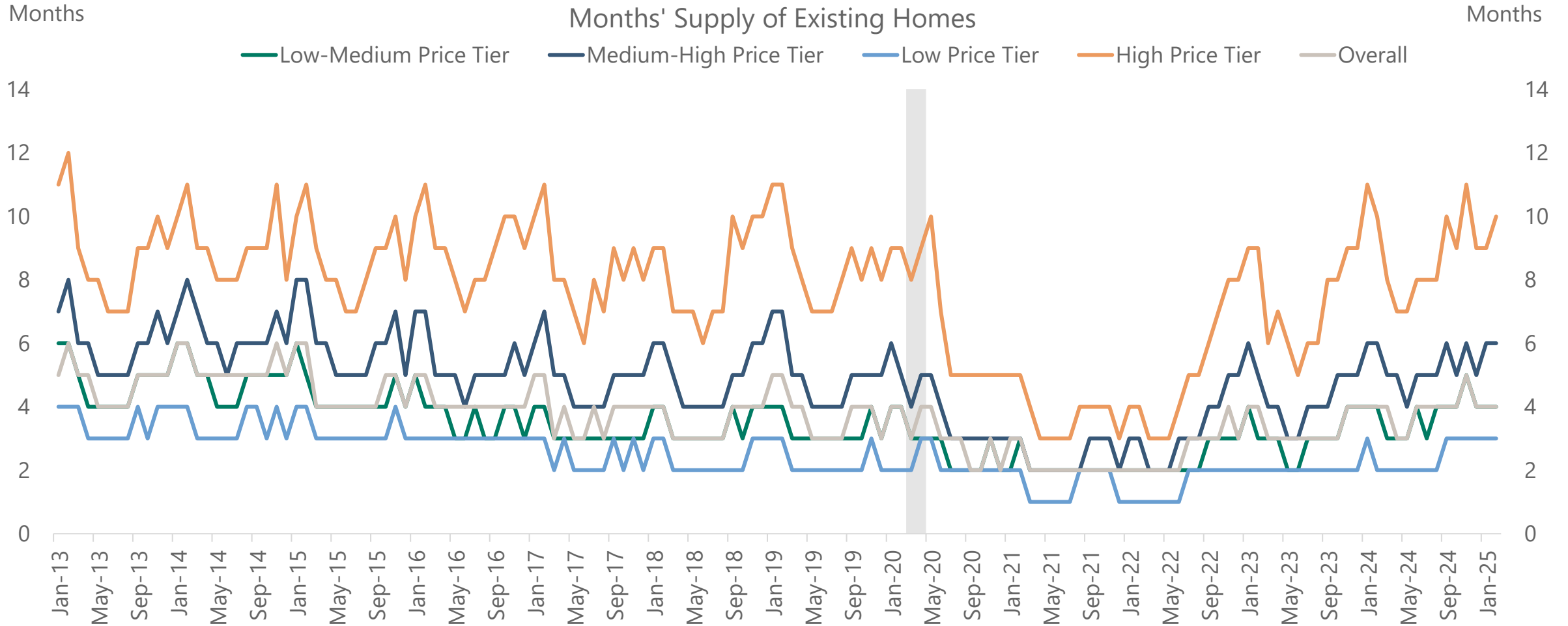
The number of newly listed homes is lower than normal



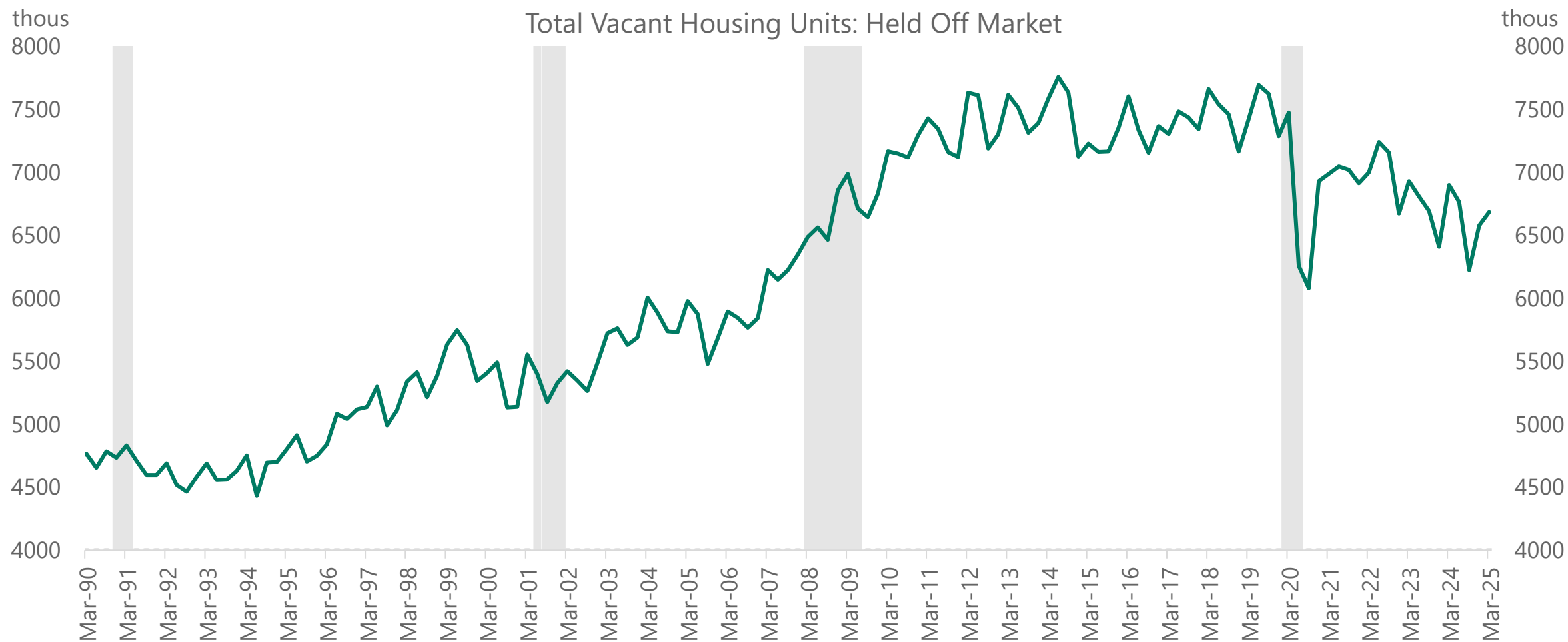
Housing supply is low: Residential new listings remain low



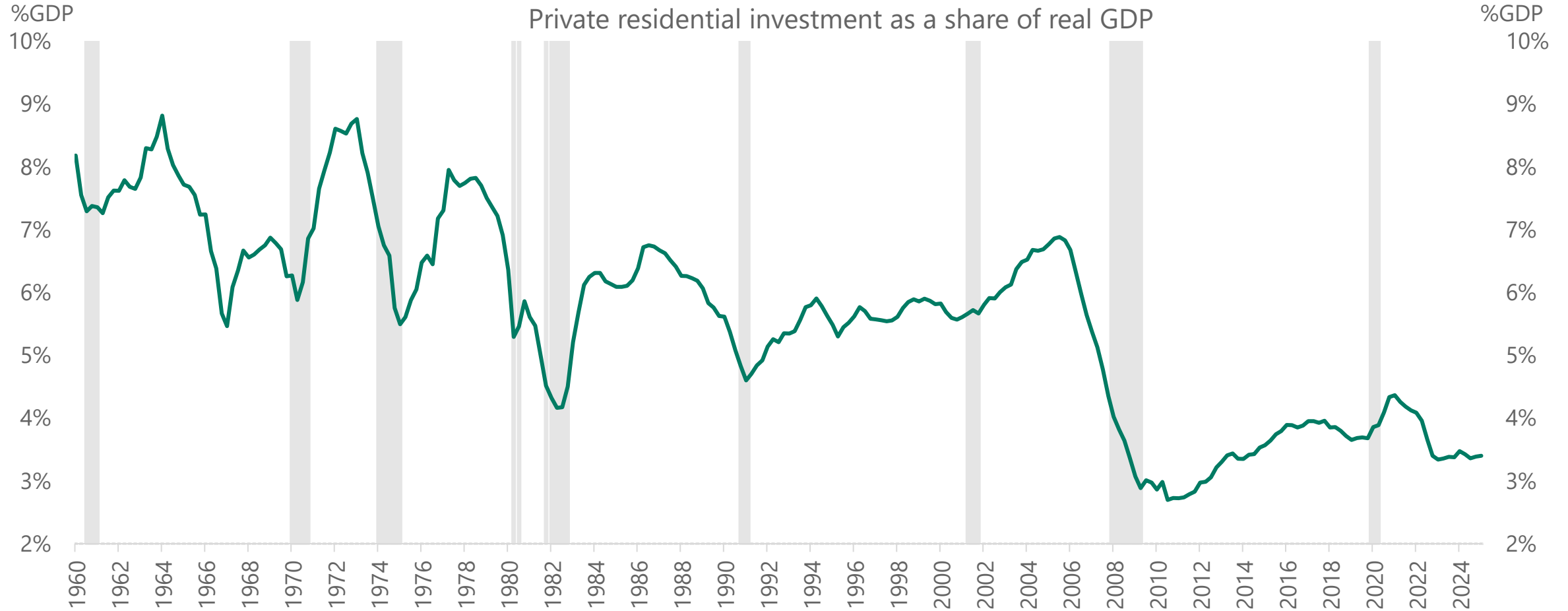
Inventory of existing homes for sale remains low across the price spectrum



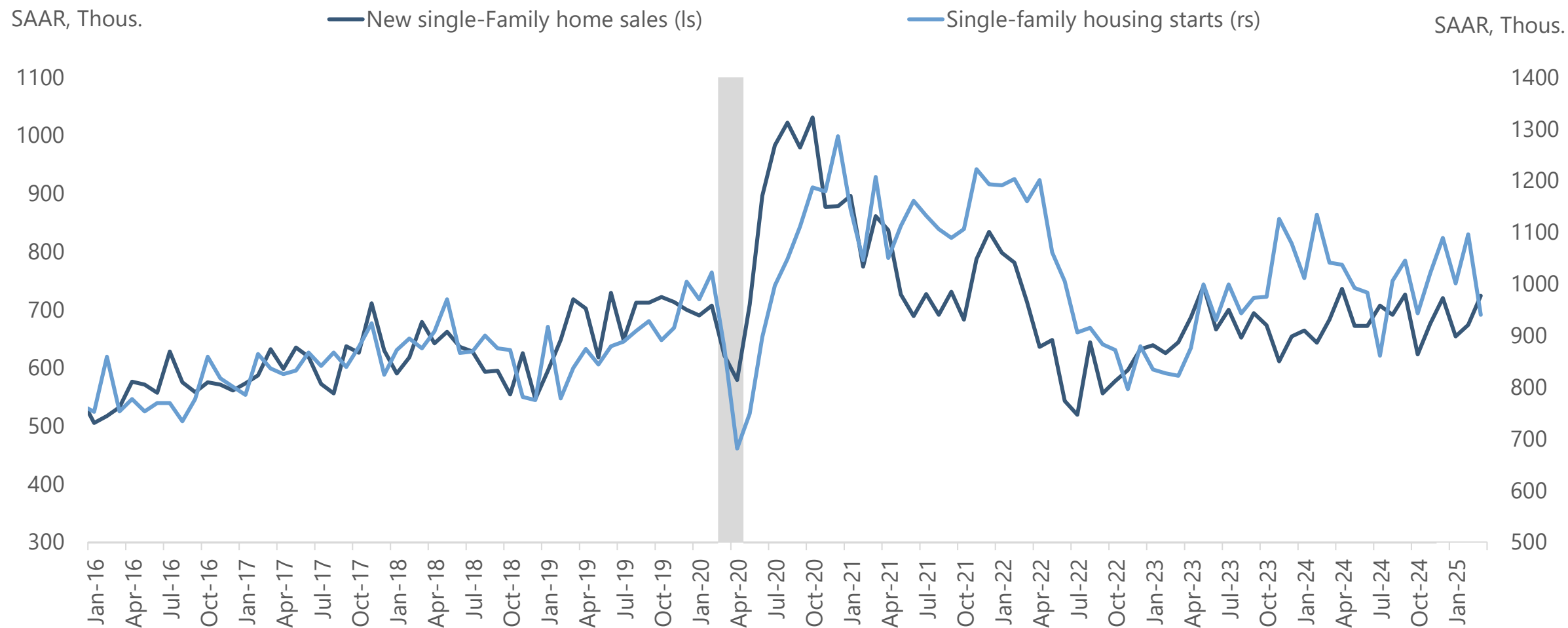
The number of vacant housing units held off market



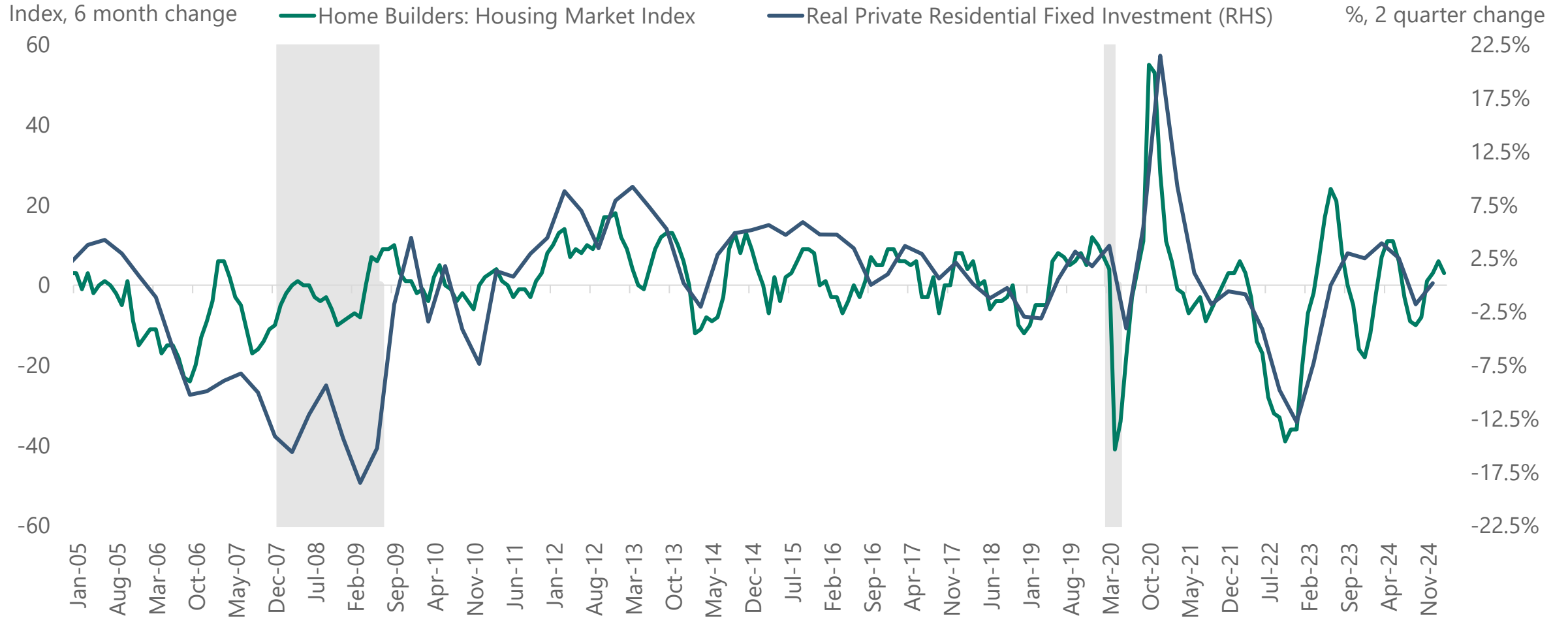
Residential investment as a share of real GDP is close to all-time lows at 3.5%



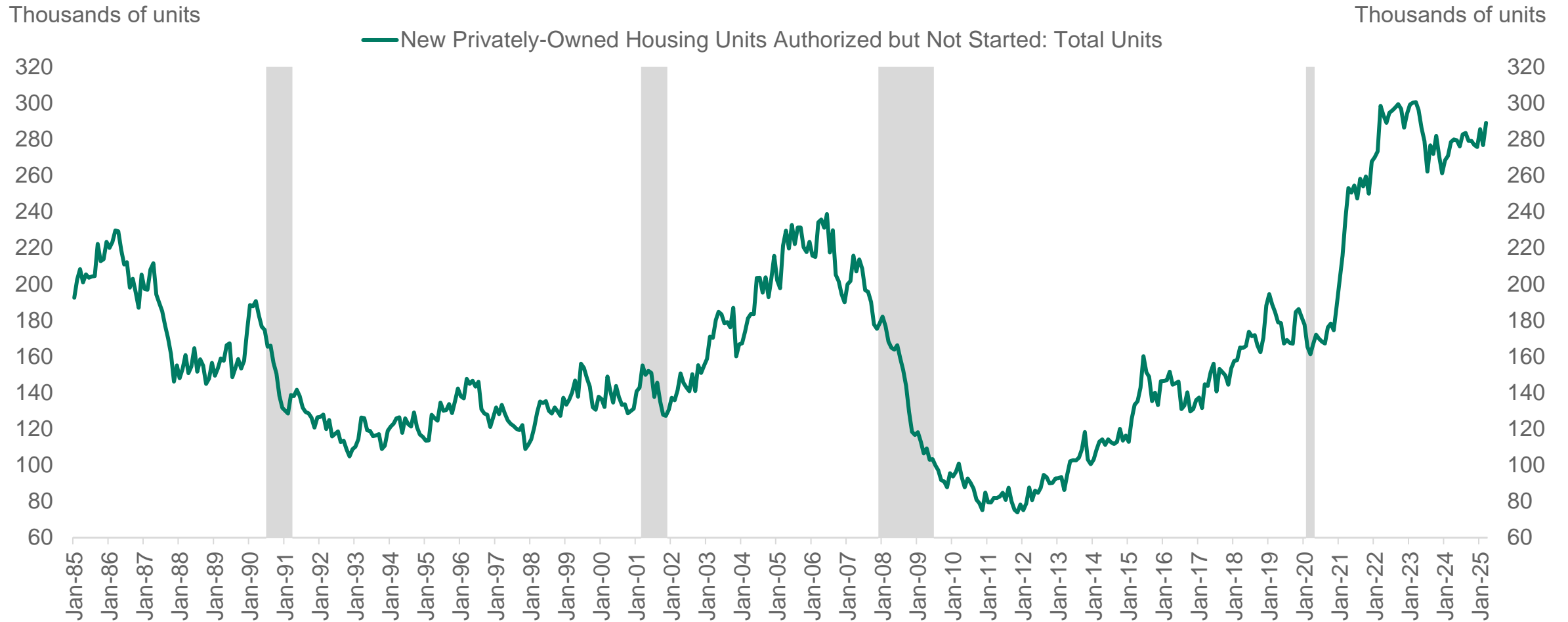
US home construction slows



Homebuilder confidence correlated with residential investment



Very high level of new housing units authorized but not started

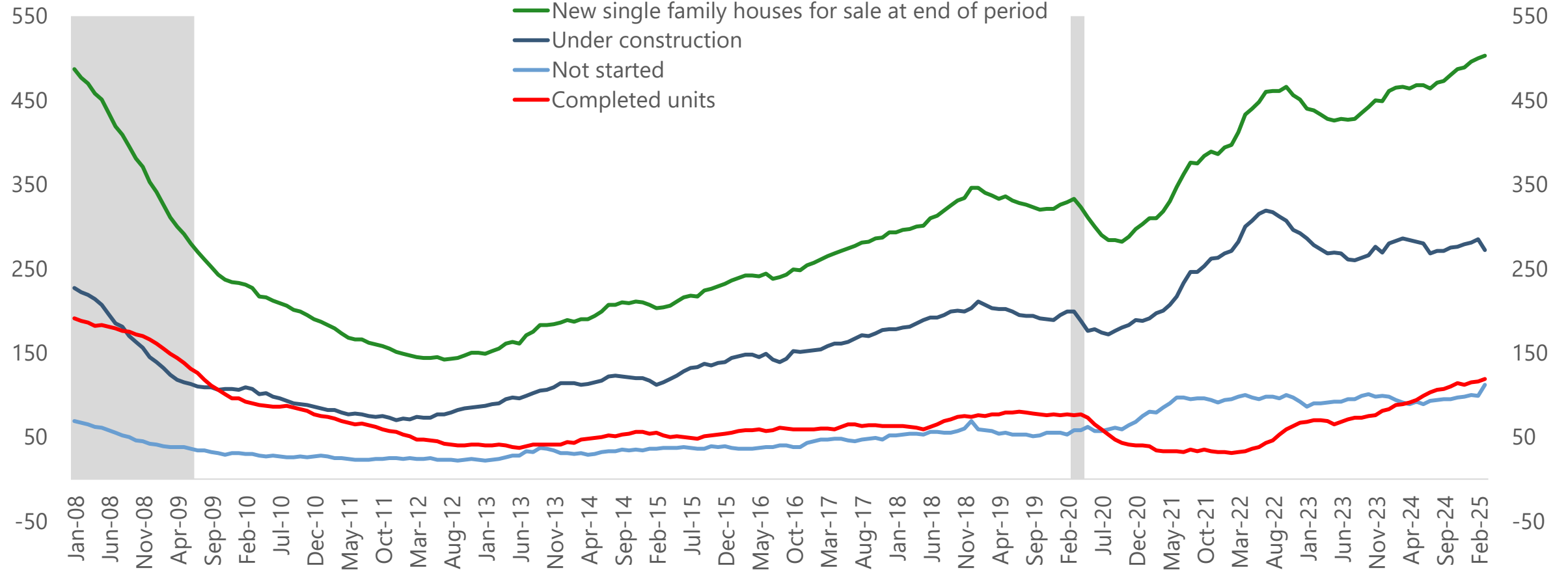


Number of new houses for sale

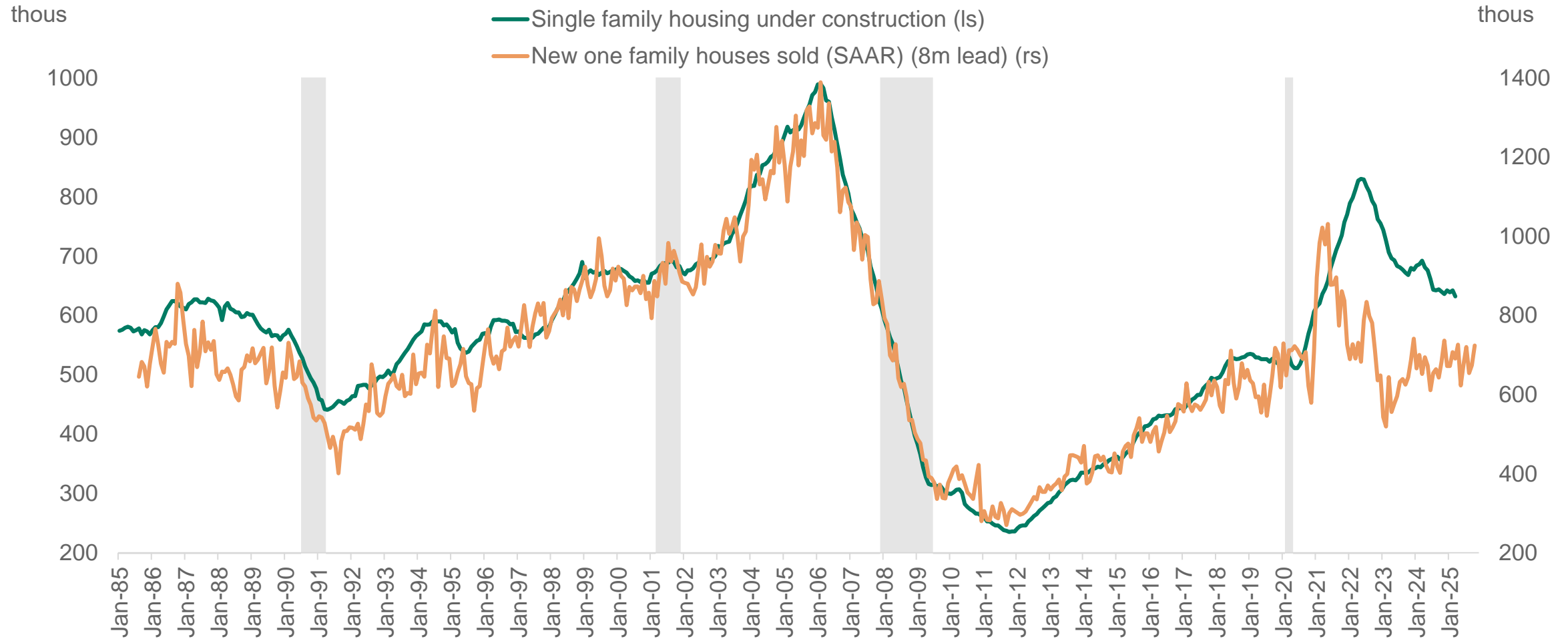
Thousands of units

Number of new houses for sale

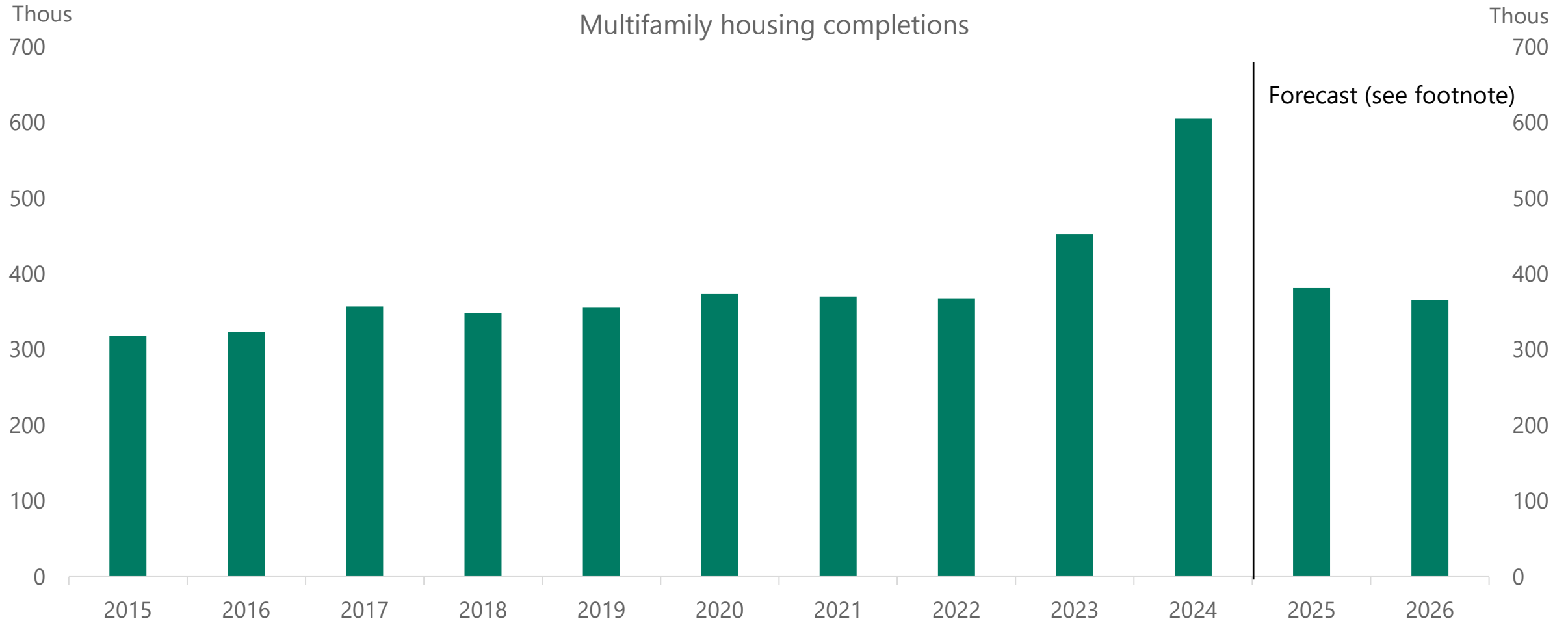
Thousands of units



Some disconnect between housing under construction and new homes sold

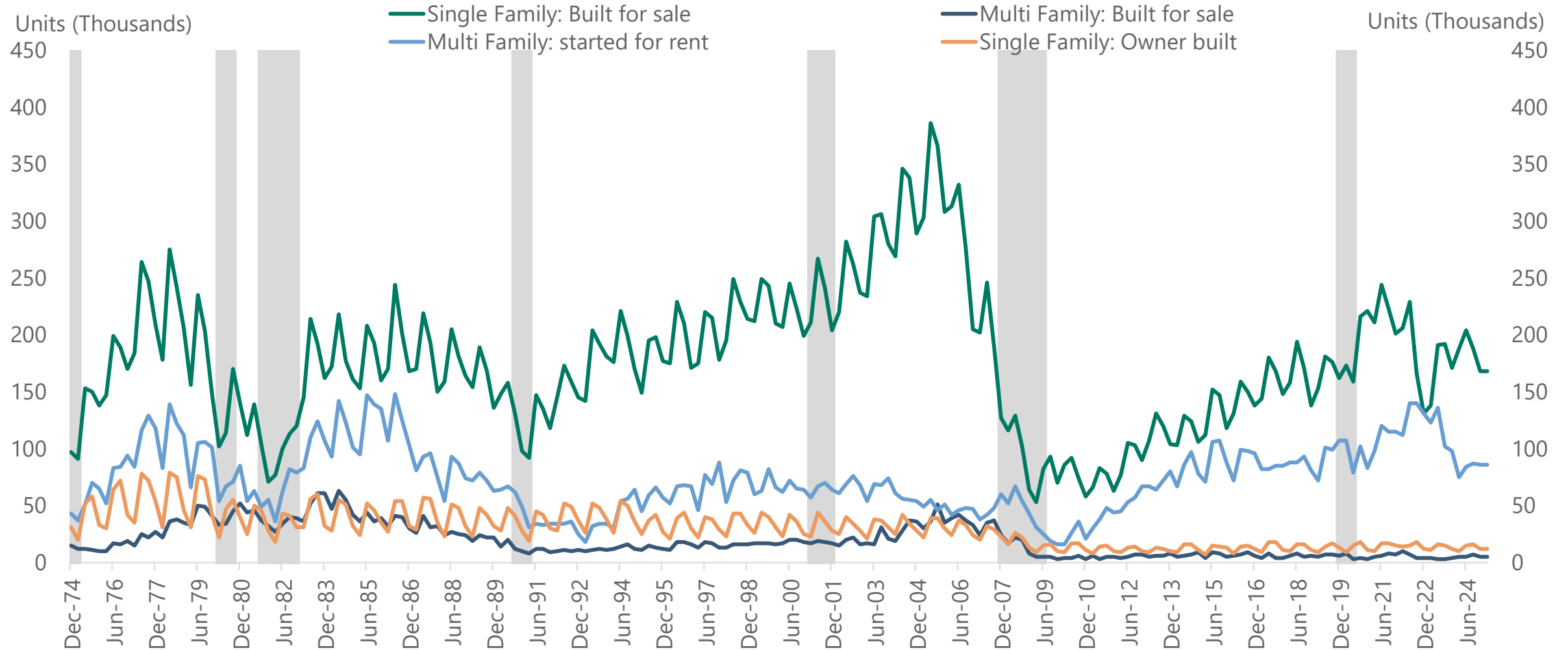


Apartment deliveries about to decline significantly, This will put upward pressure on rents

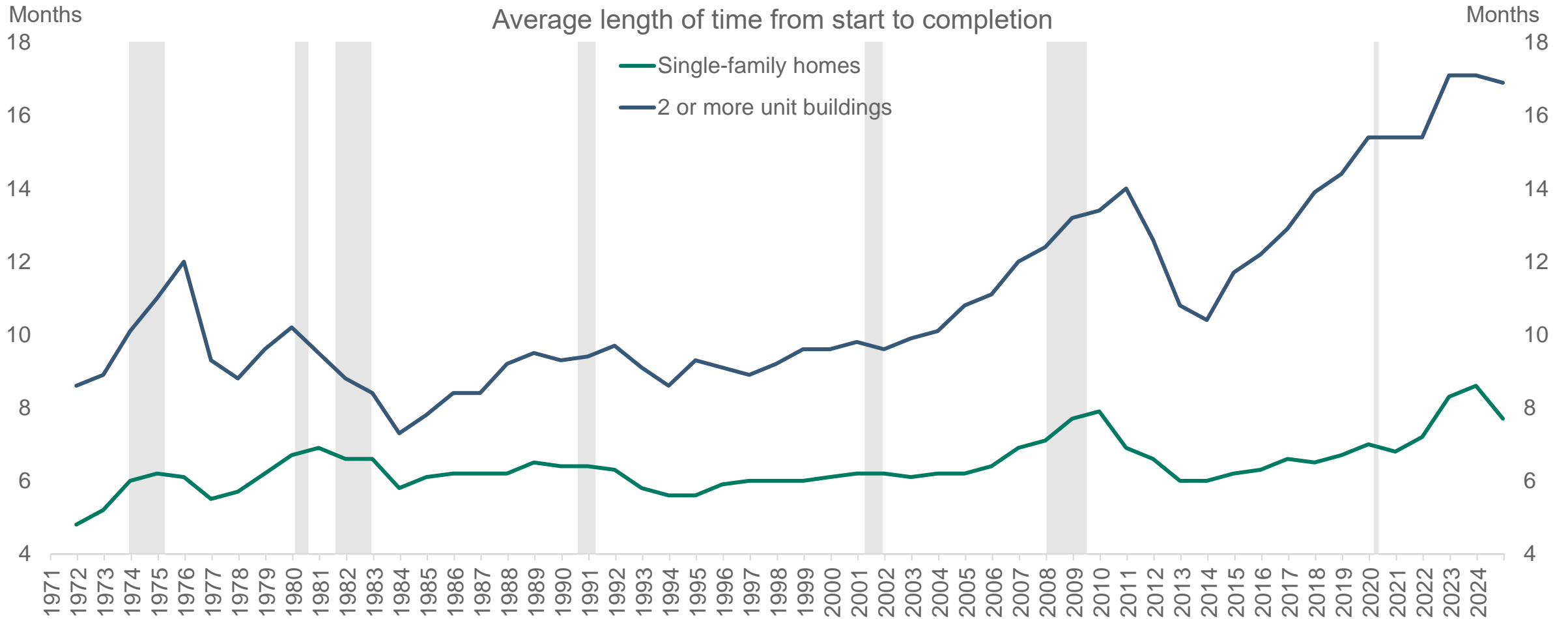


Source: Census Bureau, Haver Analytics, Apollo Chief Economist. Note: 2025 and 2026 forecasts using data for housing starts and average length of time from start to completion. As housing starts have normalized, completed apartments are also normalizing to pre-pandemic levels

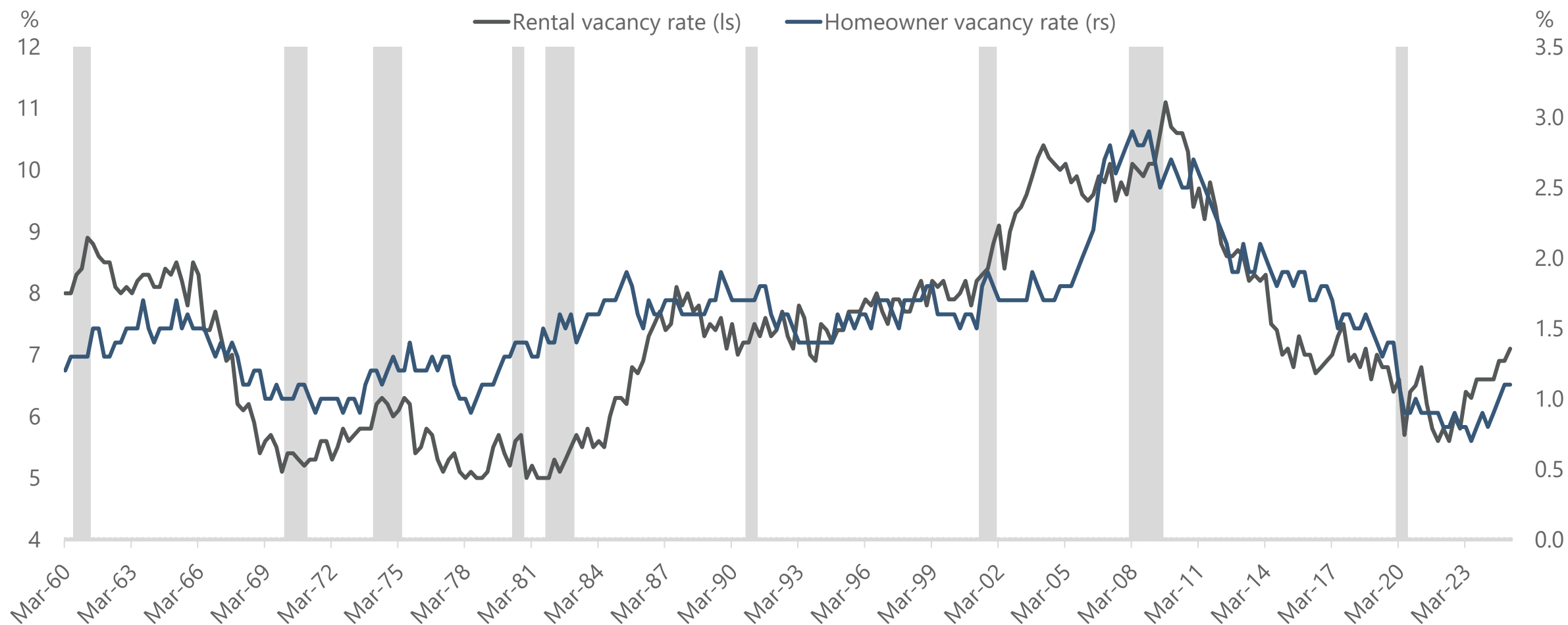
Intent of housing starts: Multi family for rent has declined significantly.



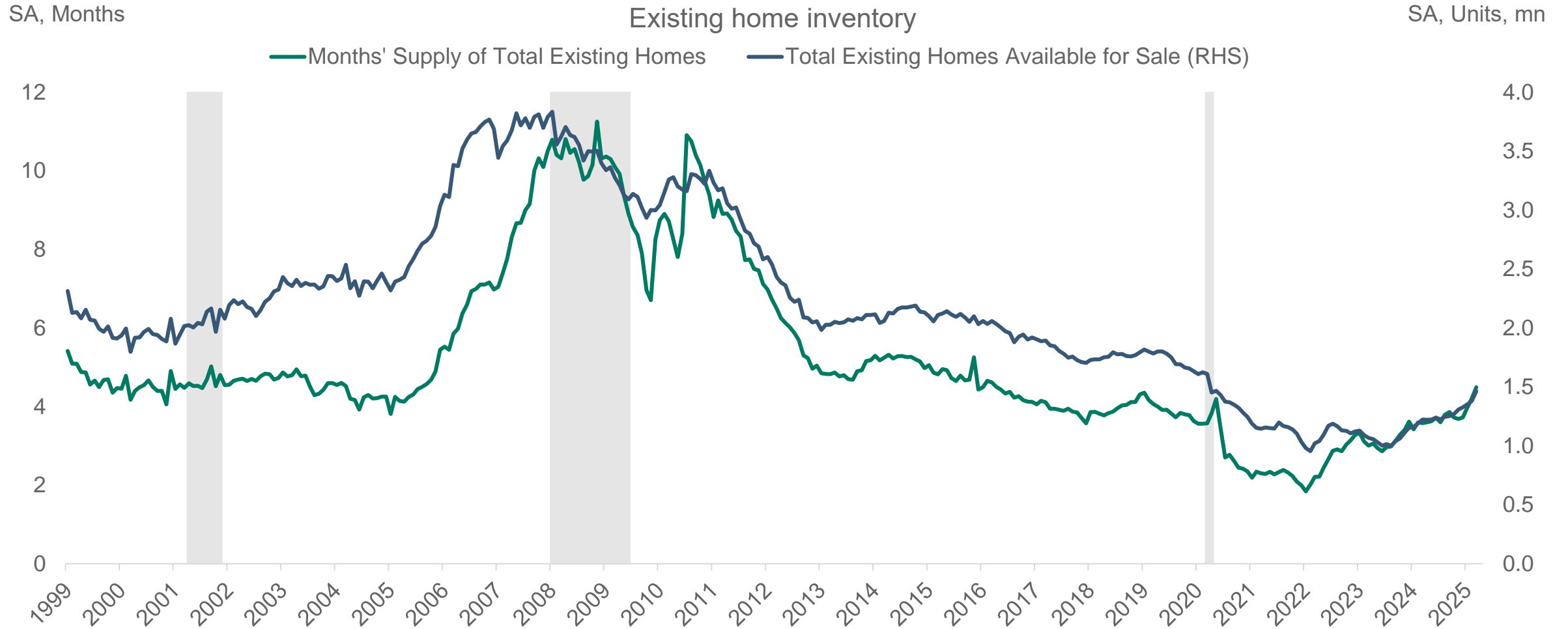
It currently takes 8 months on average to build a single-family house



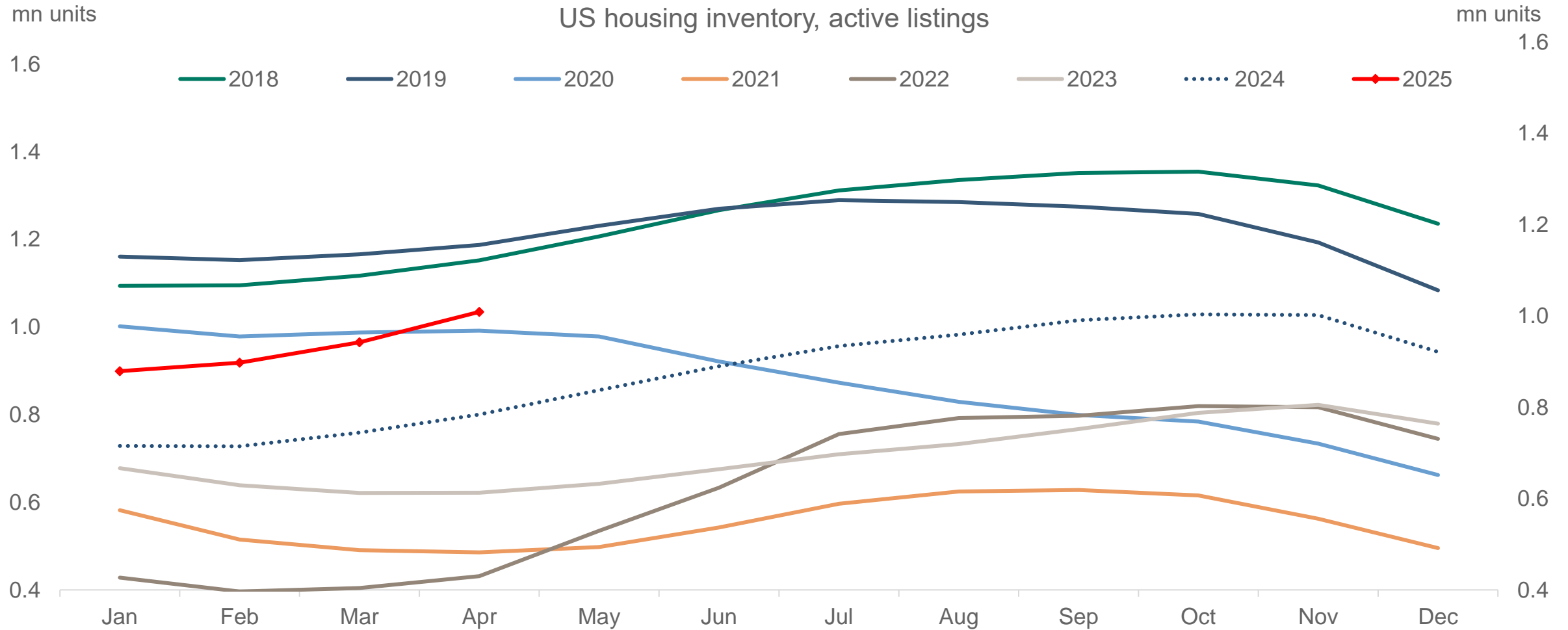
Homeowner vacancy rate and rental vacancy rate at low levels



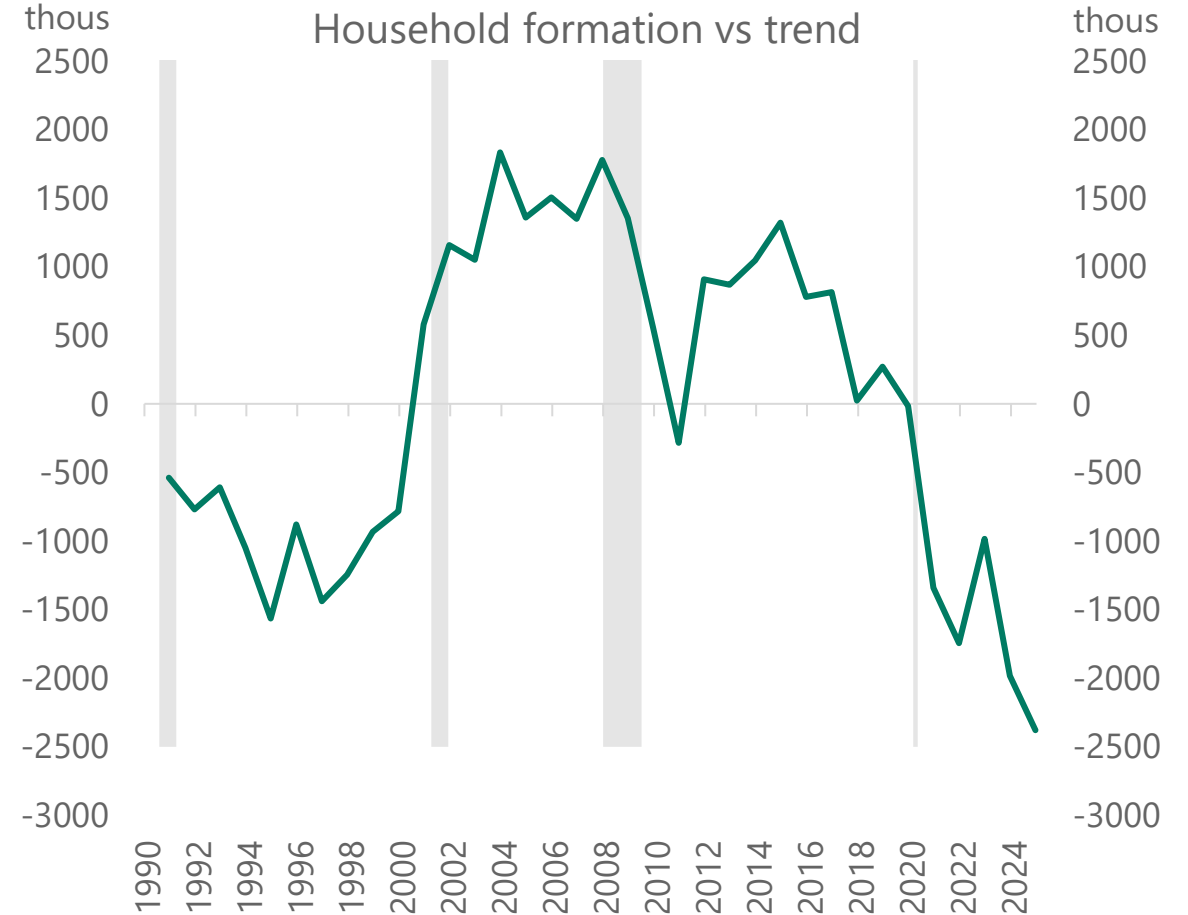
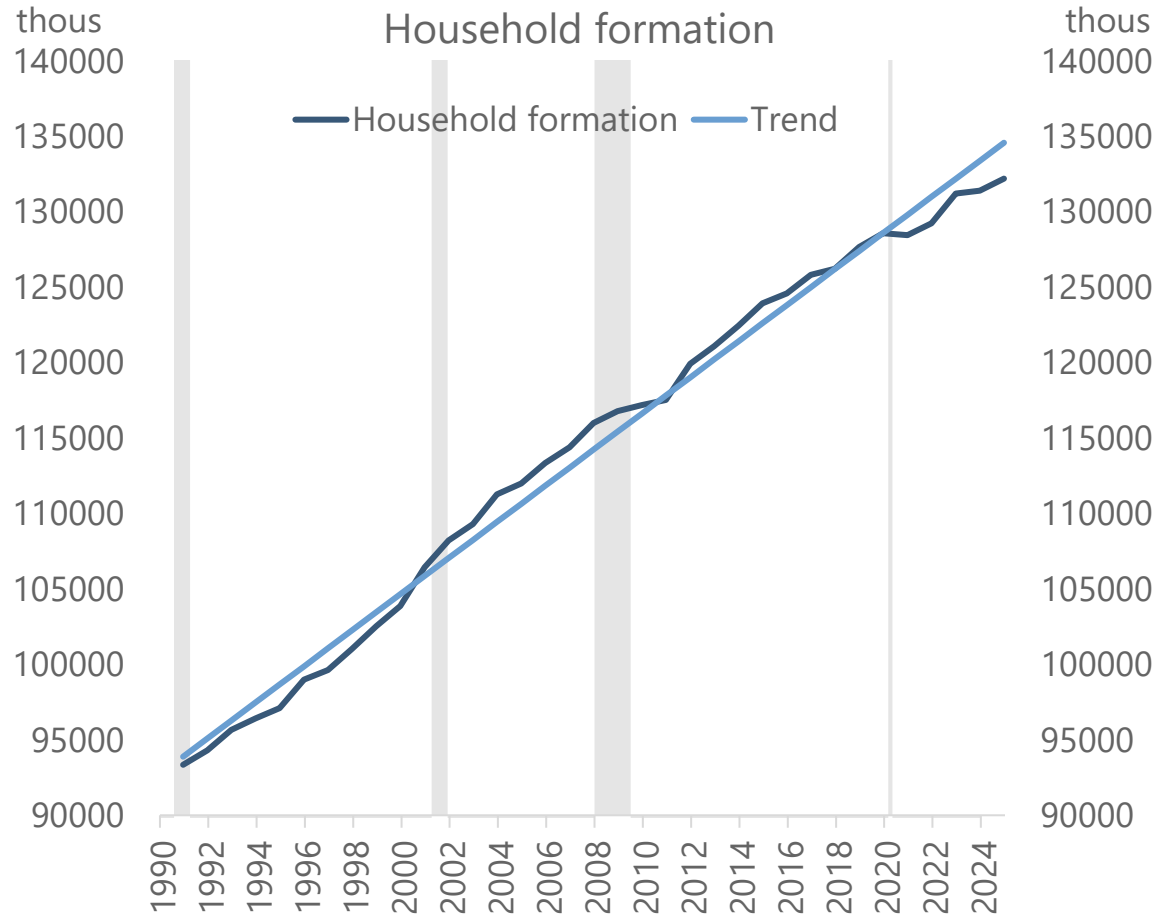
Inventory of existing homes



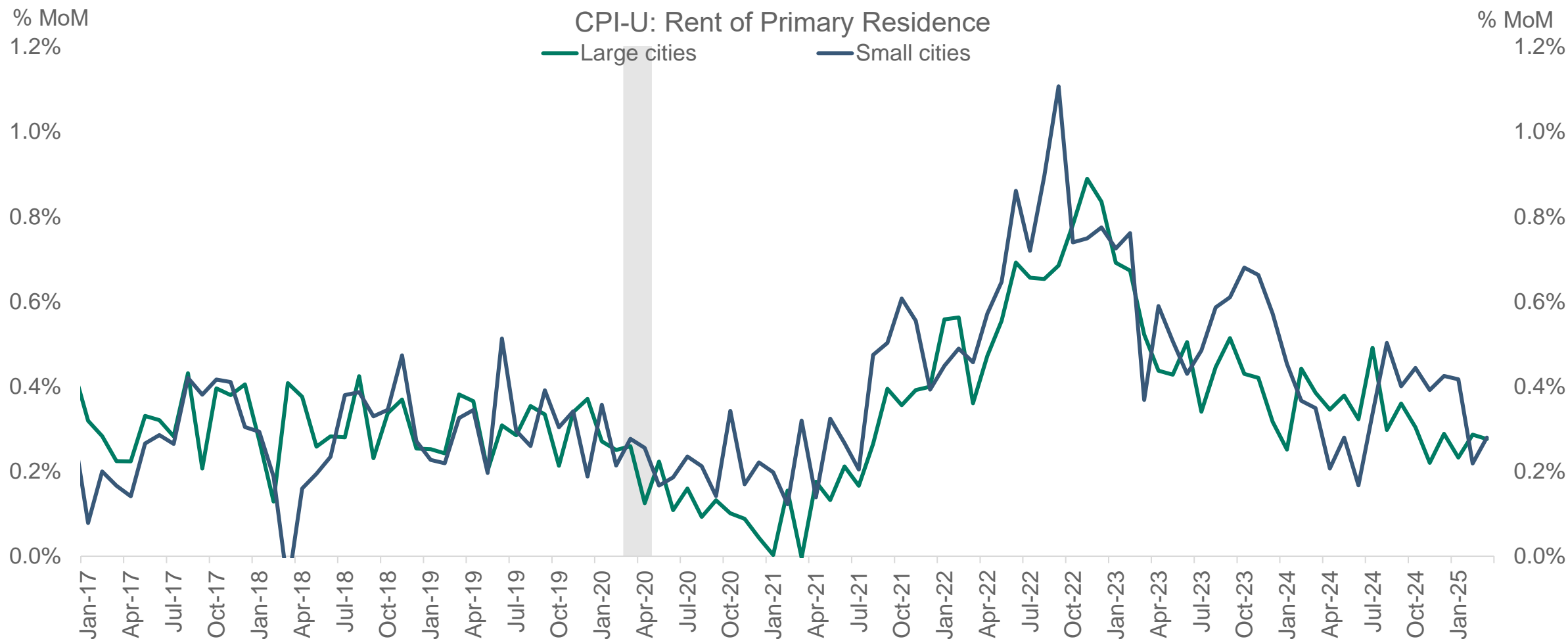
Low inventory of homes for sale



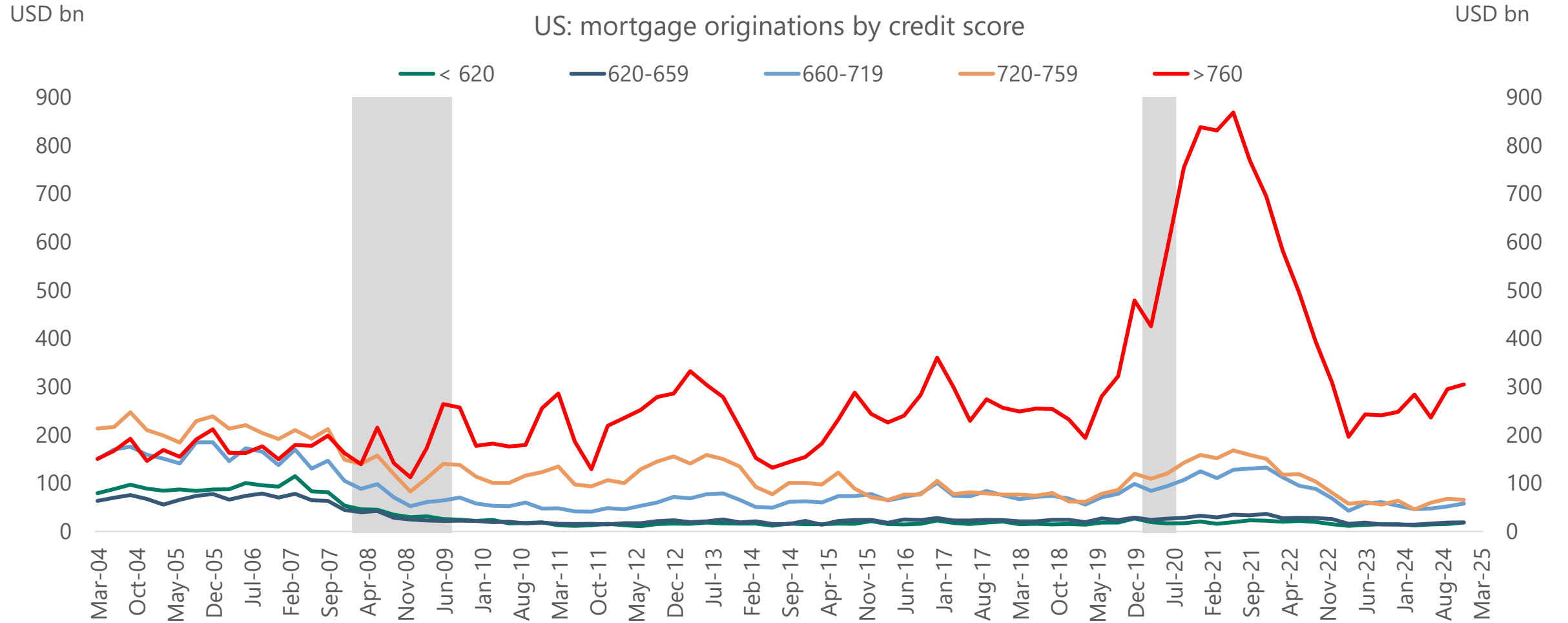
US has an estimated deficit of 2.4mn homes



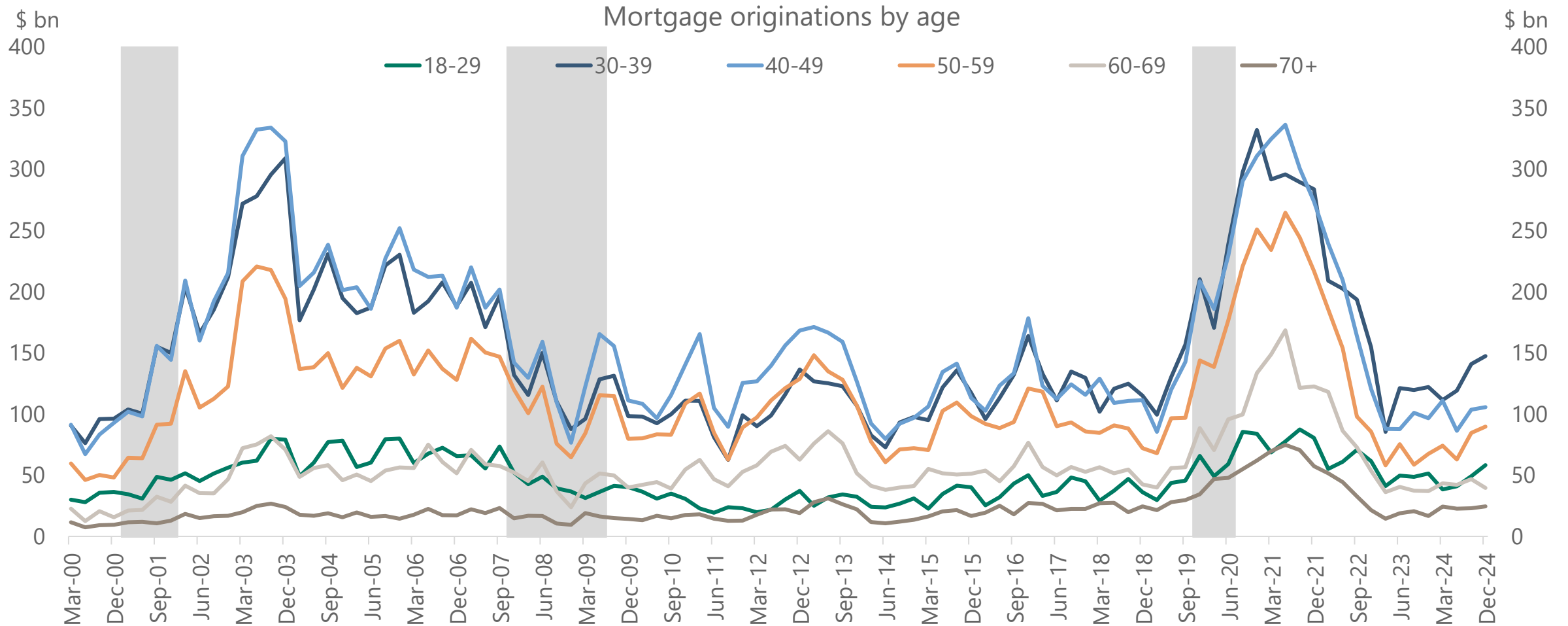
Rent inflation in large and small cities



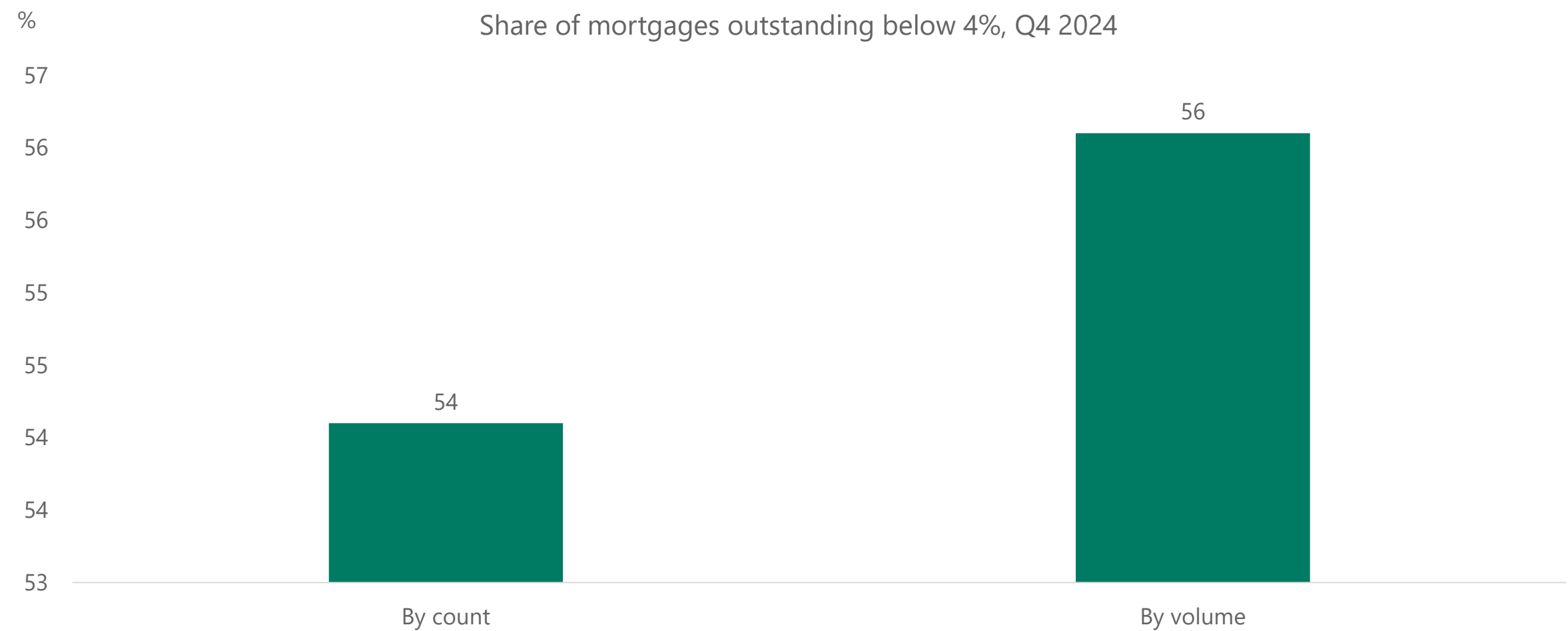
Mortgage originations have normalized for households with high credit scores



Mortgage originations back at pre-pandemic levels. Rising for people in their 30s

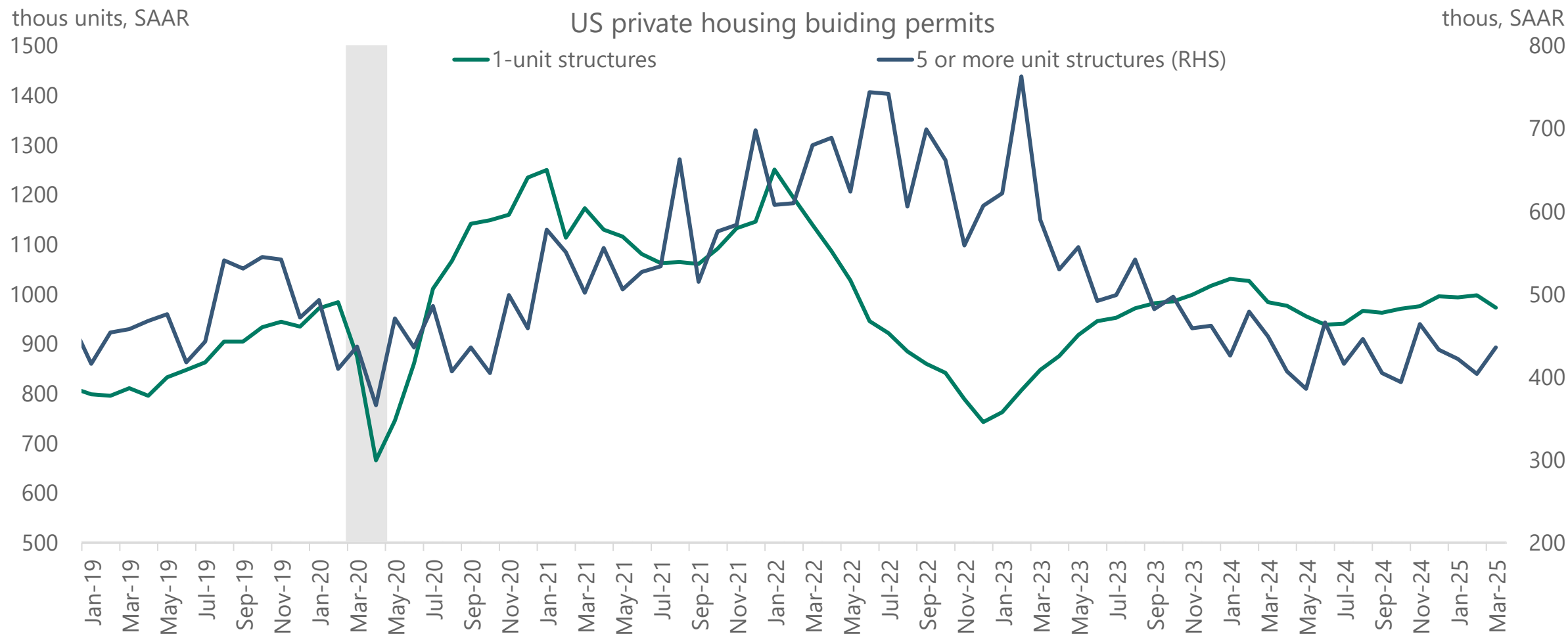


More than half of all mortgages outstanding have an interest rate below 4%

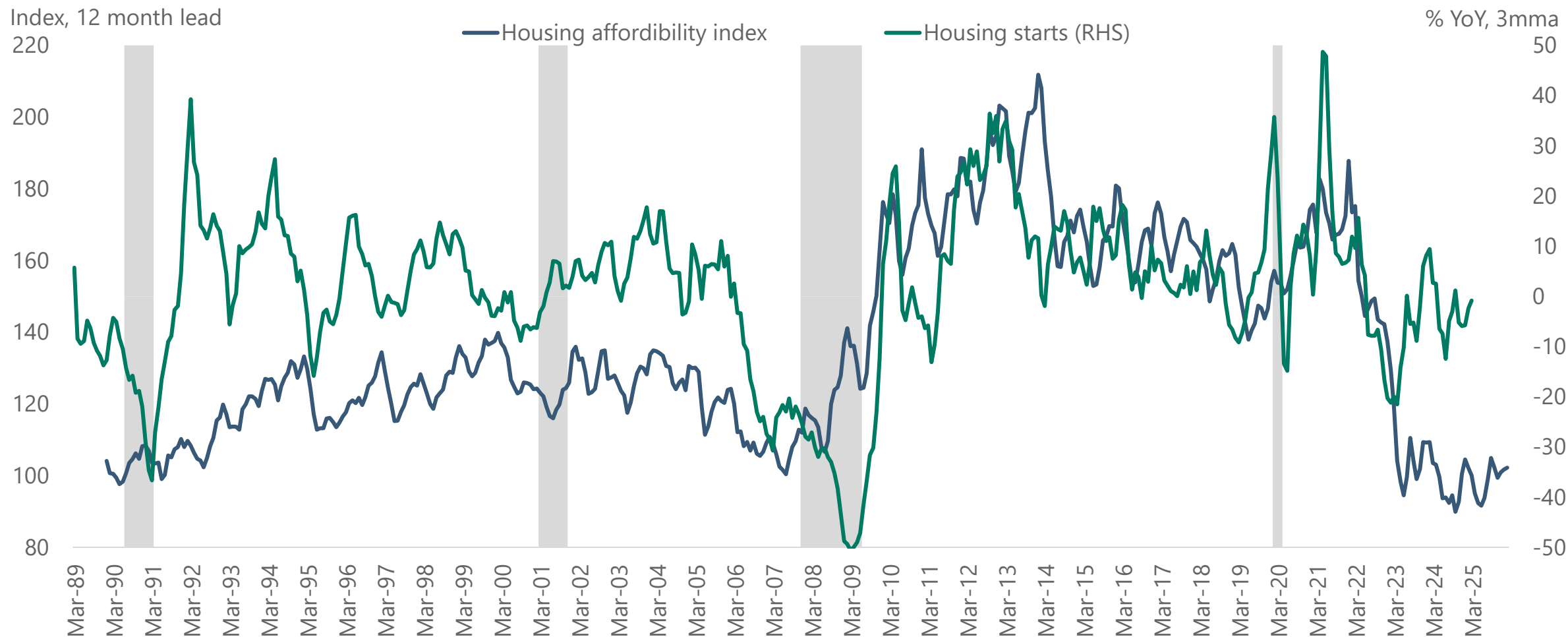




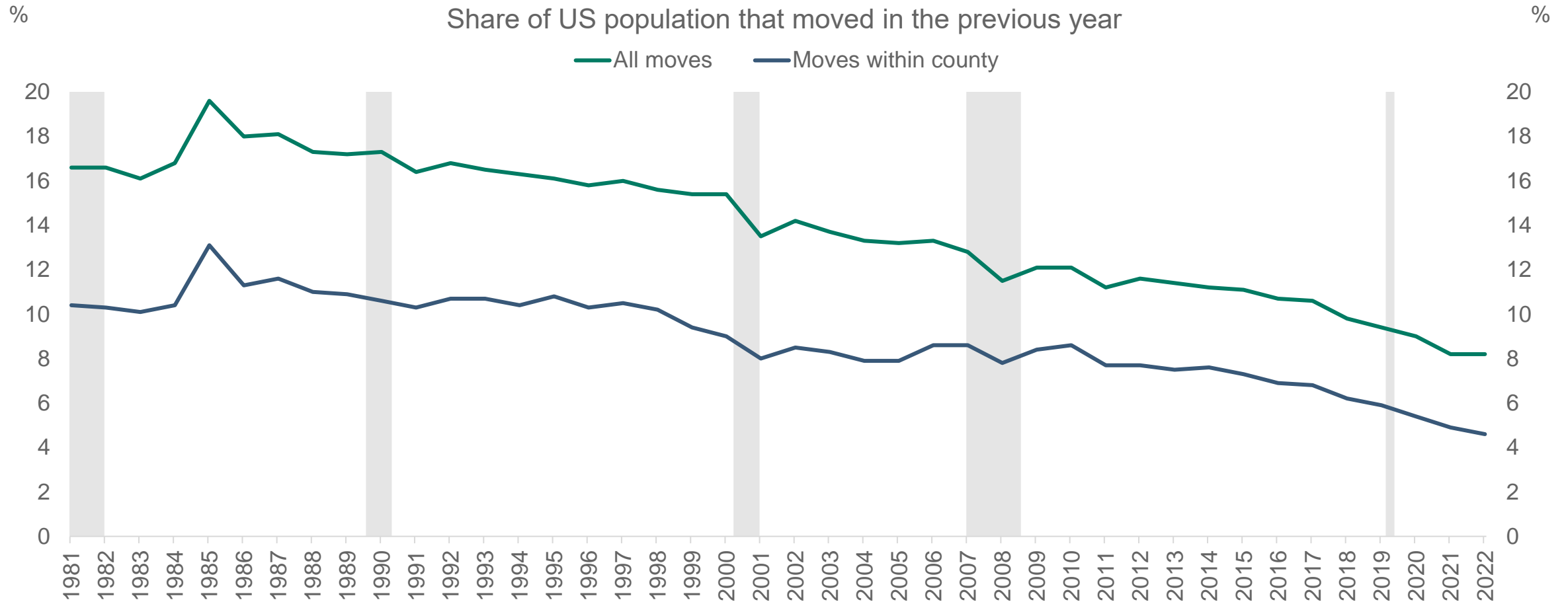
Multi-family and single-family housing units authorized moving sideways



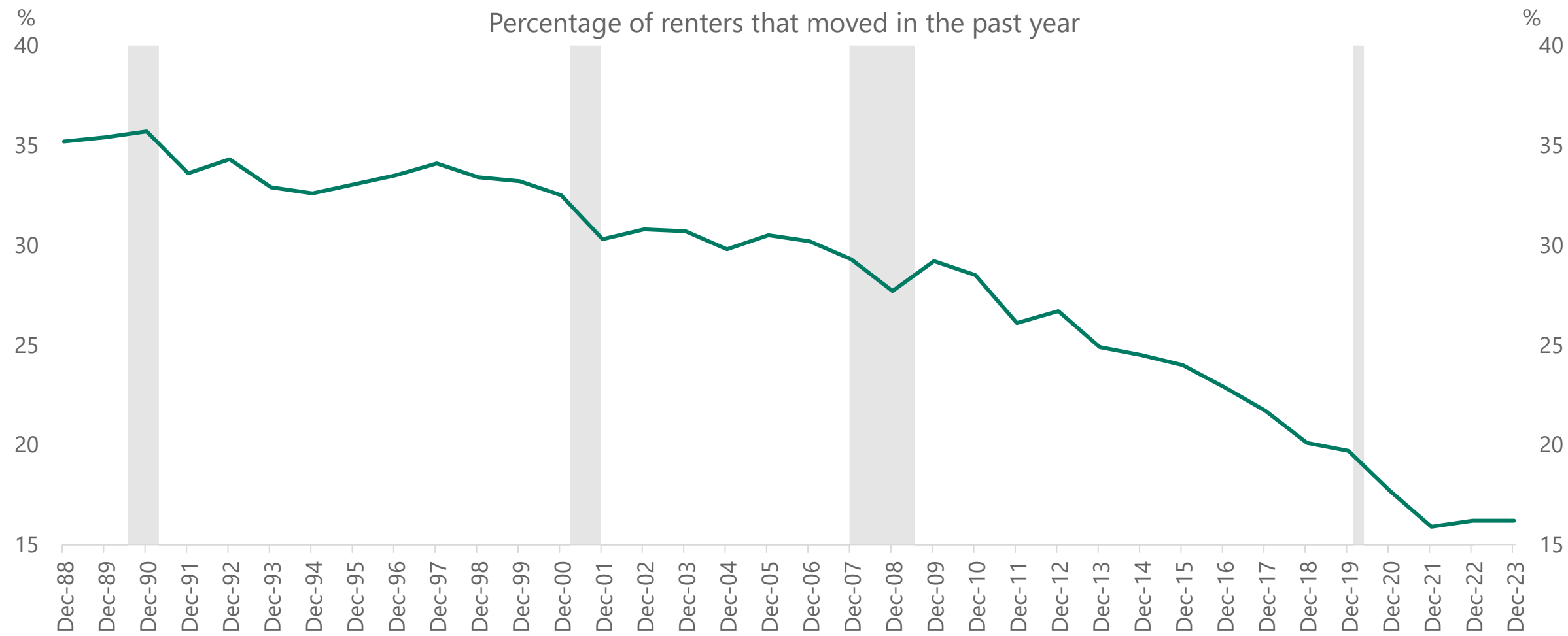
Housing starts high despite low affordability



Structural decline in the share of the US population moving to a new address

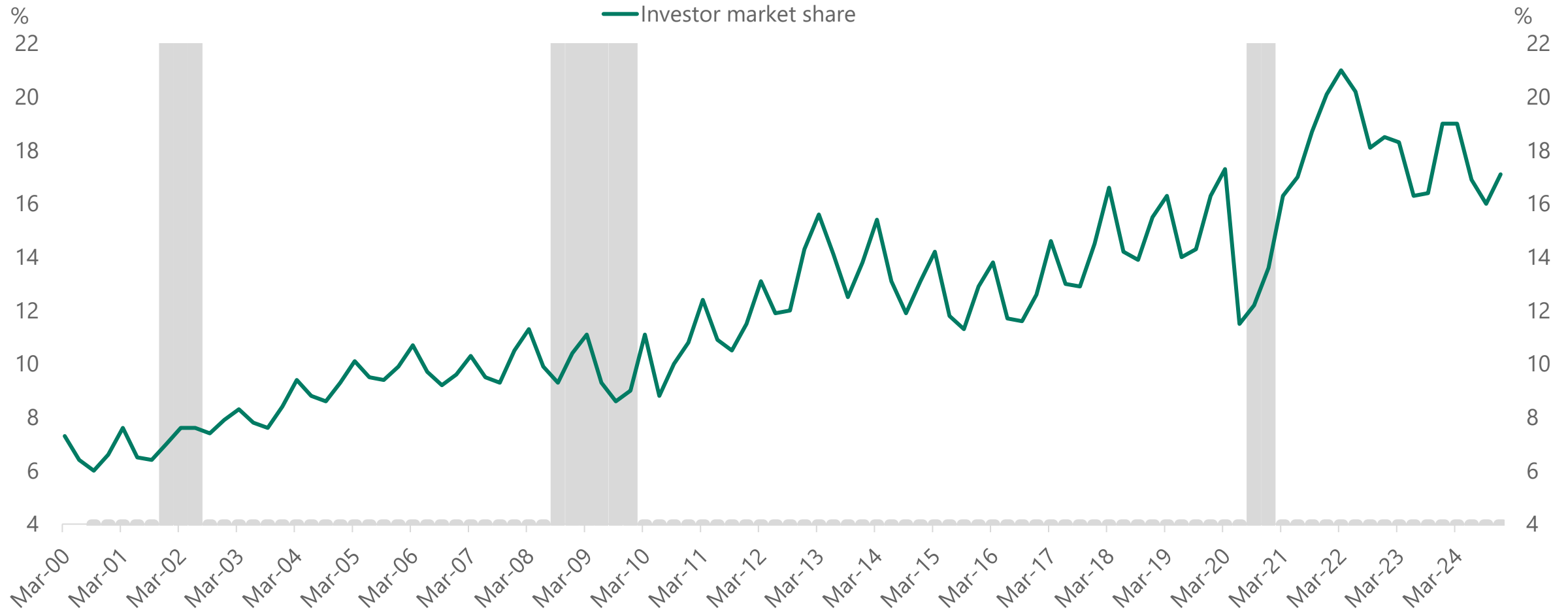


Trend decline in the percentage of renters moving to new apartments or houses



Source: Census Bureau, Apollo Chief Economist

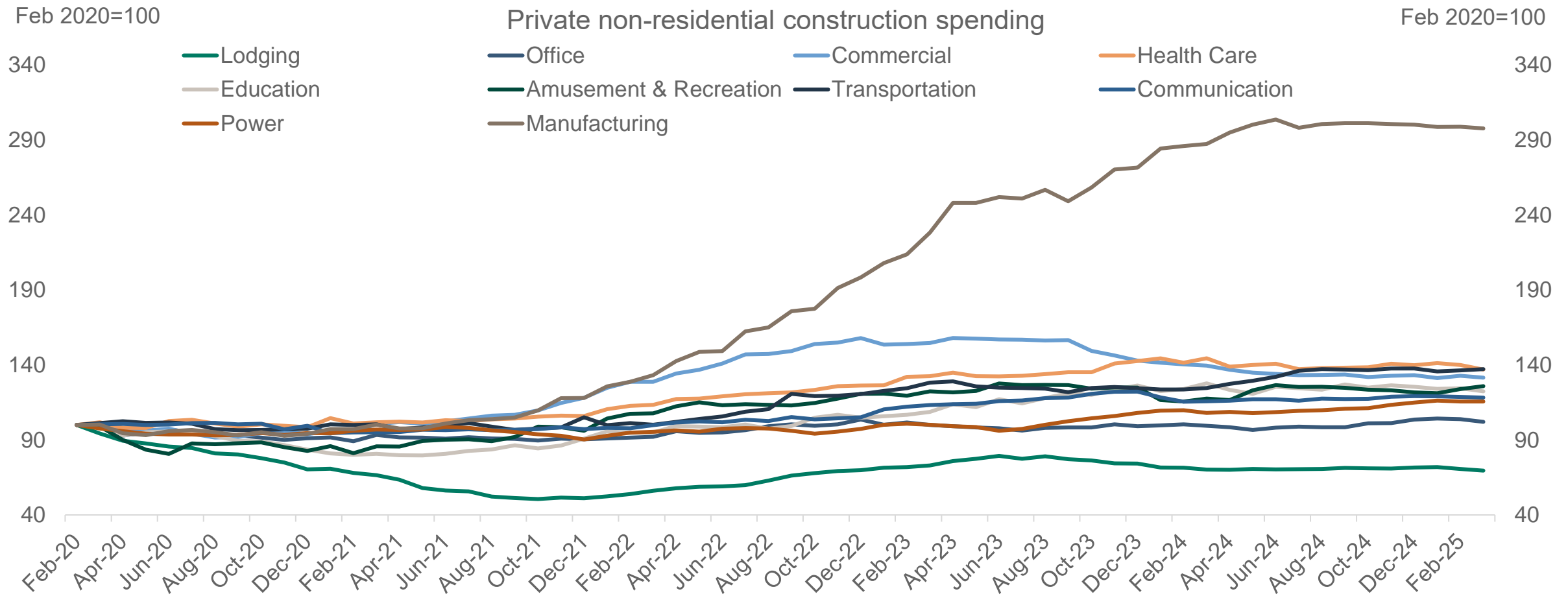
The investor share of home purchases still elevated



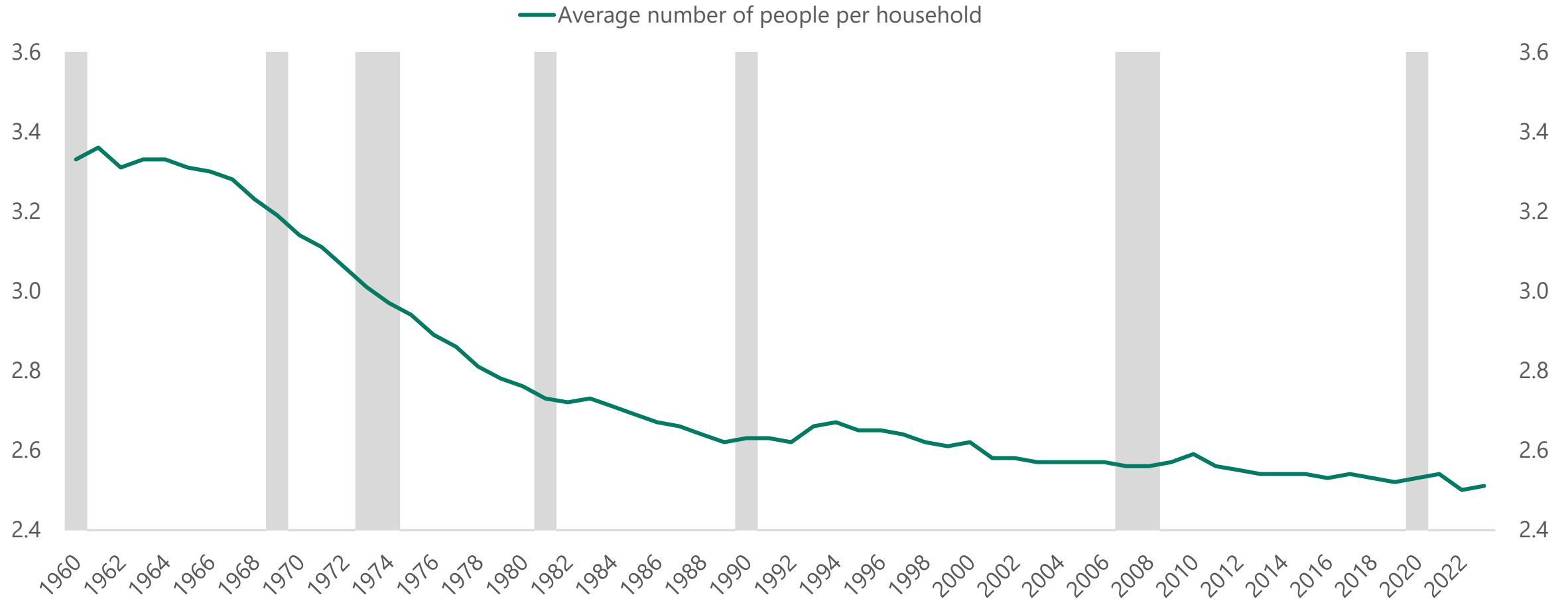
Residential construction job growth slows



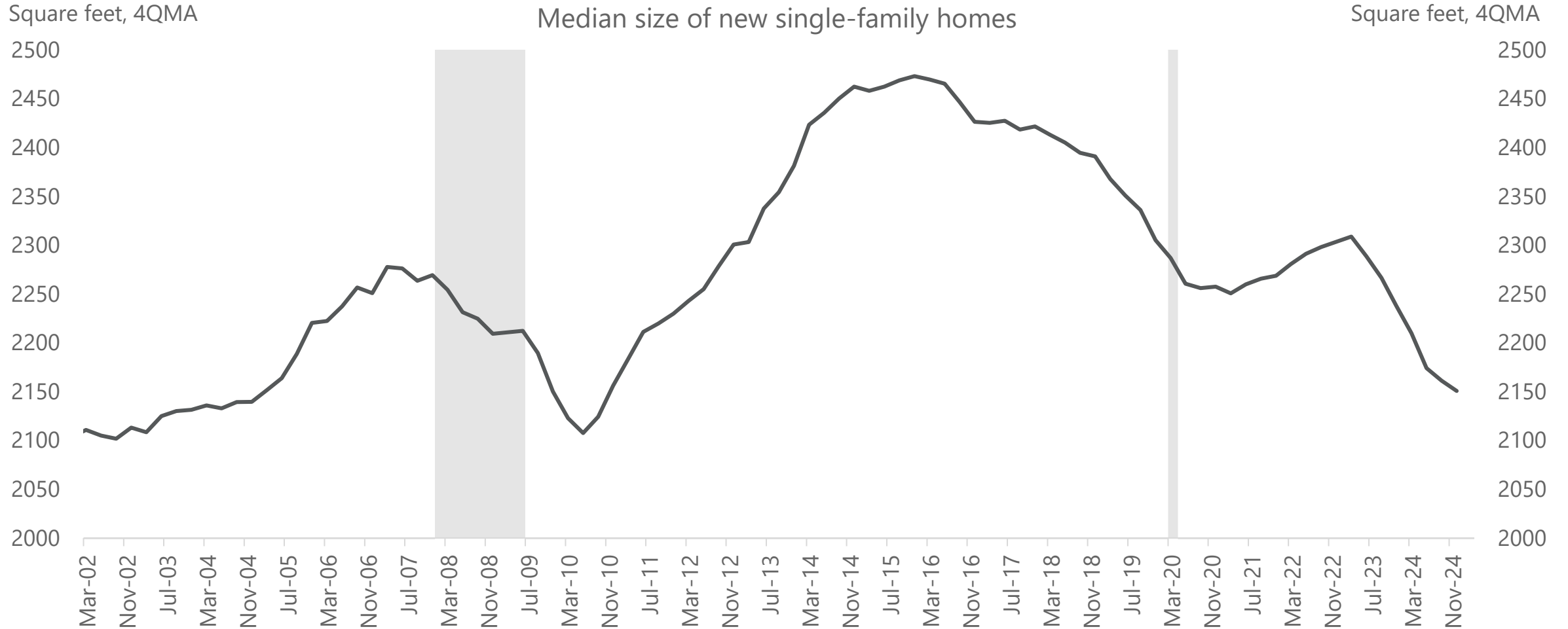
The biggest increase in non-residential construction has been in manufacturing



The average family size in the US has declined from 3.3 in 1960 to 2.5 by 2023

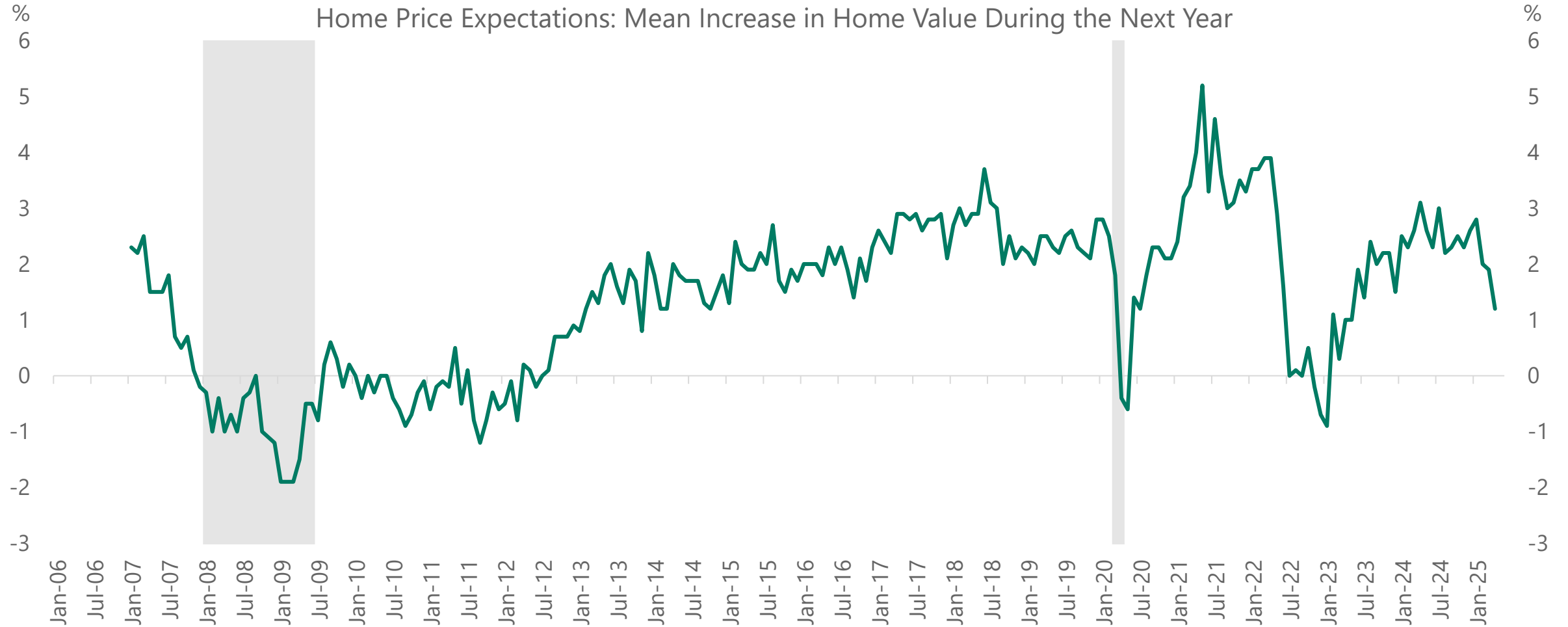


US homes are getting smaller: Median size of new single-family homes declining

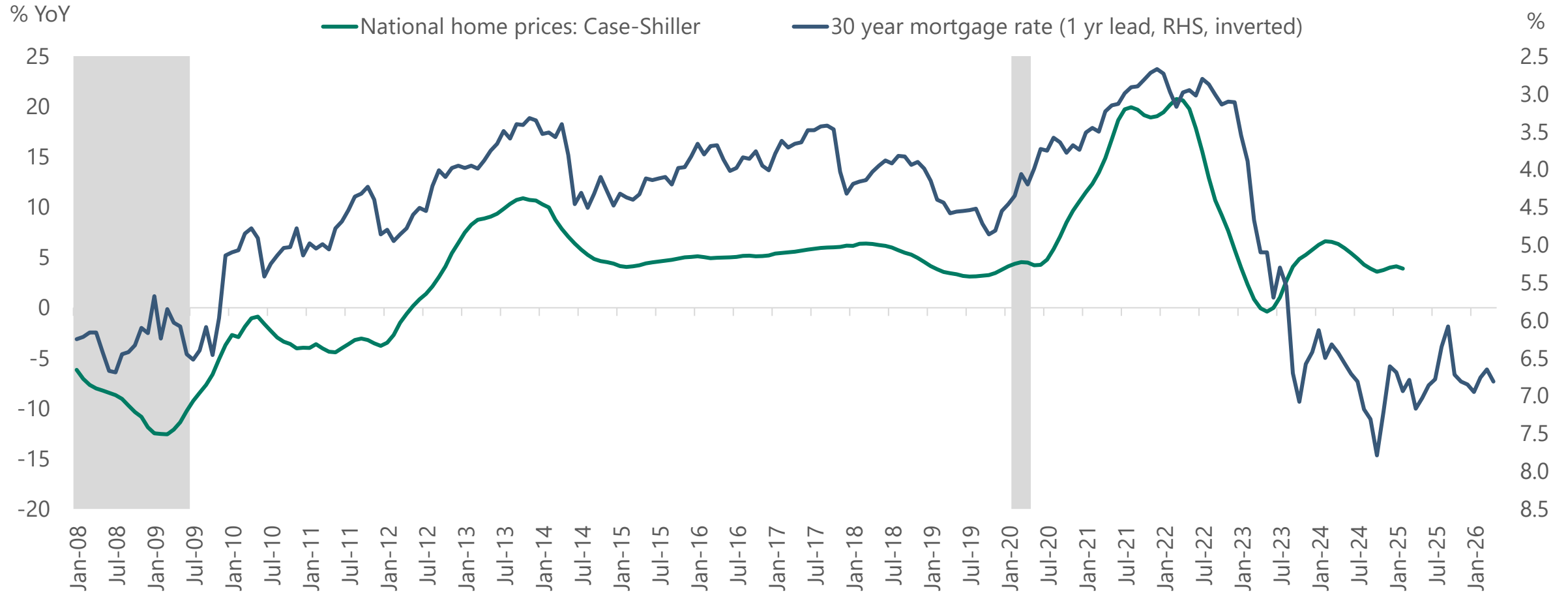


3) House Prices

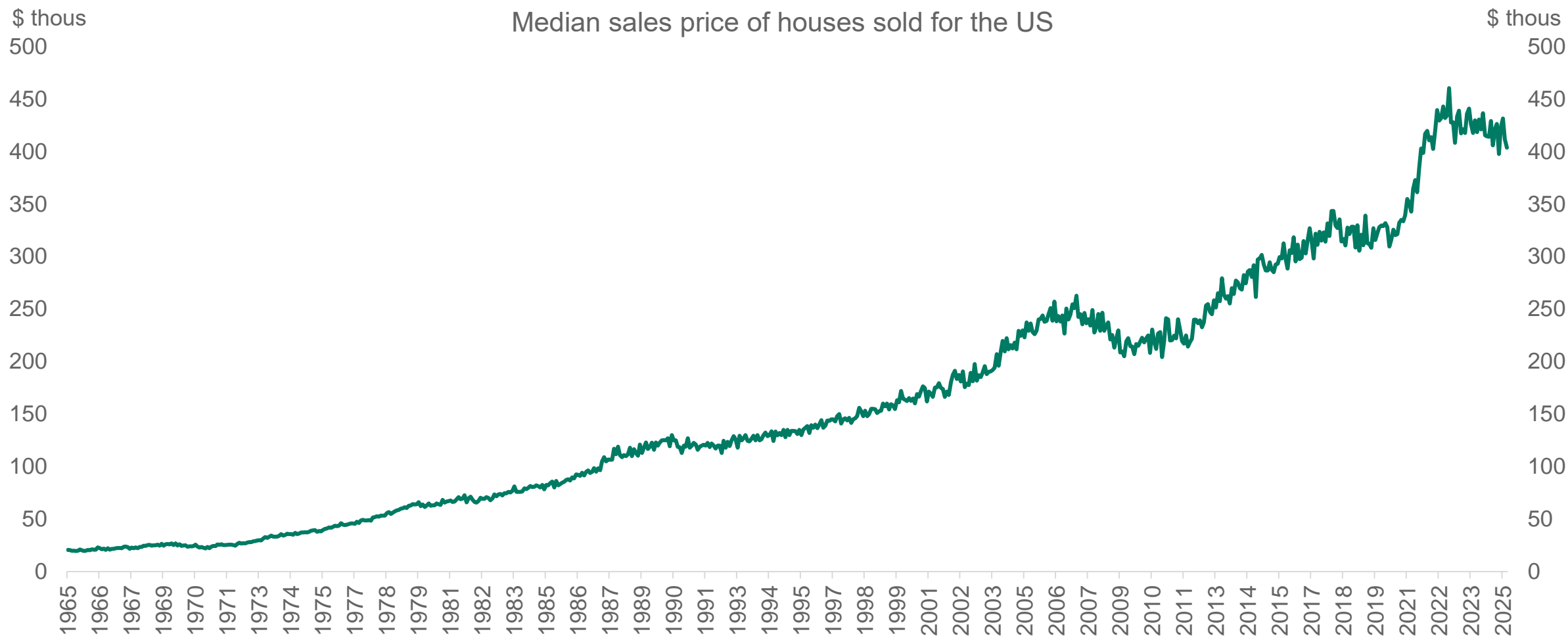
Consumers' expectations to home price inflation



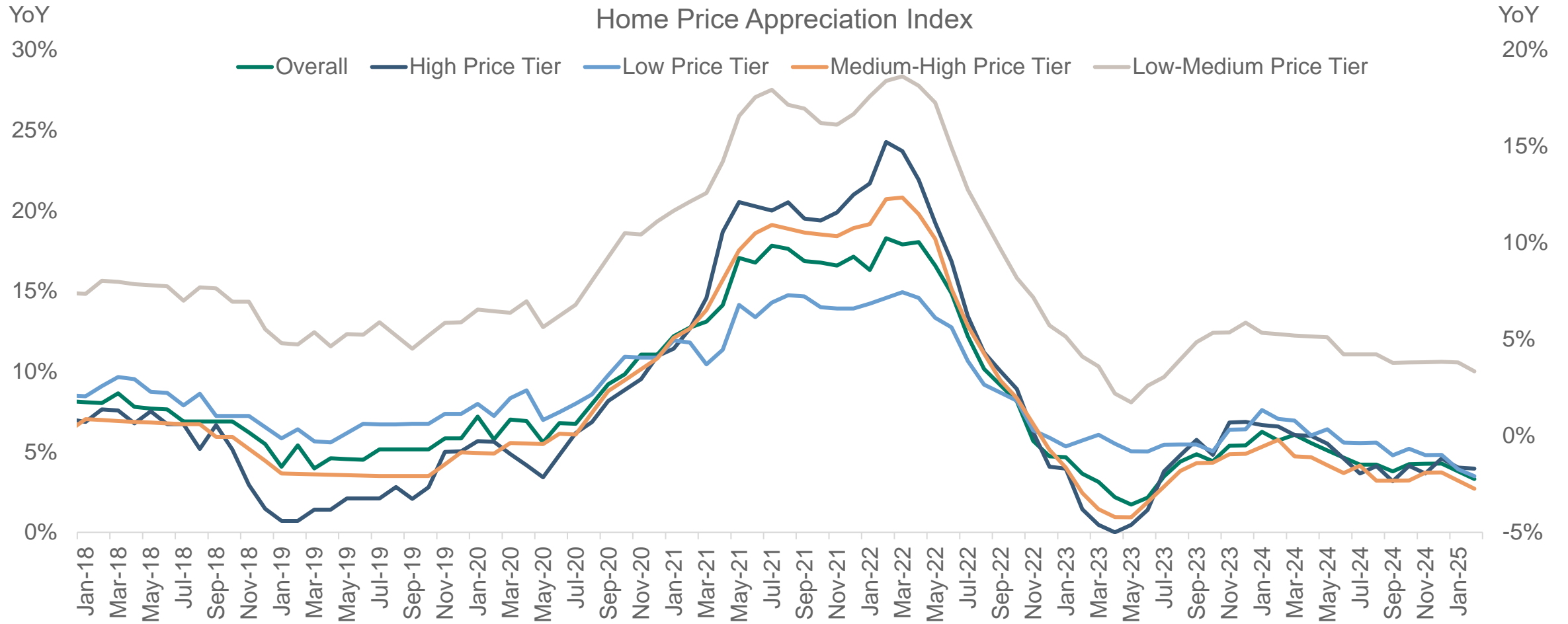
Disconnect between mortgage rates and home prices because of low housing supply



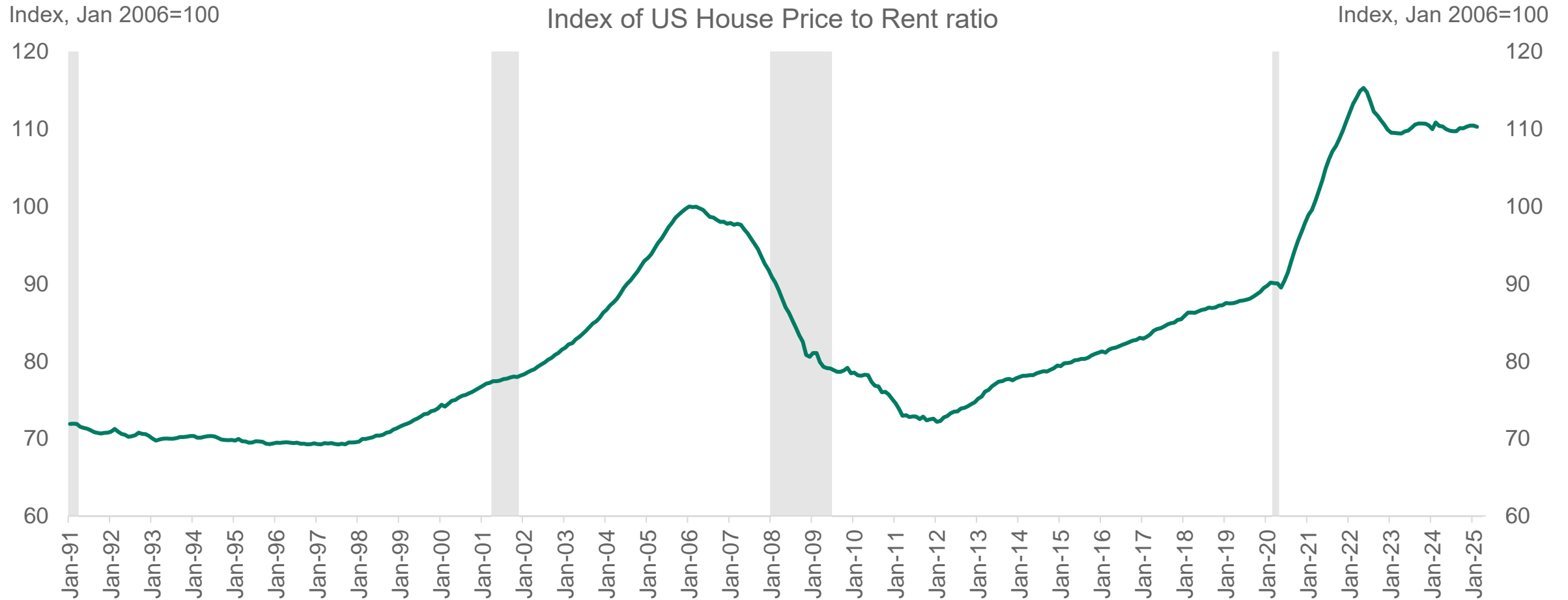
The median home sales price is \$403K



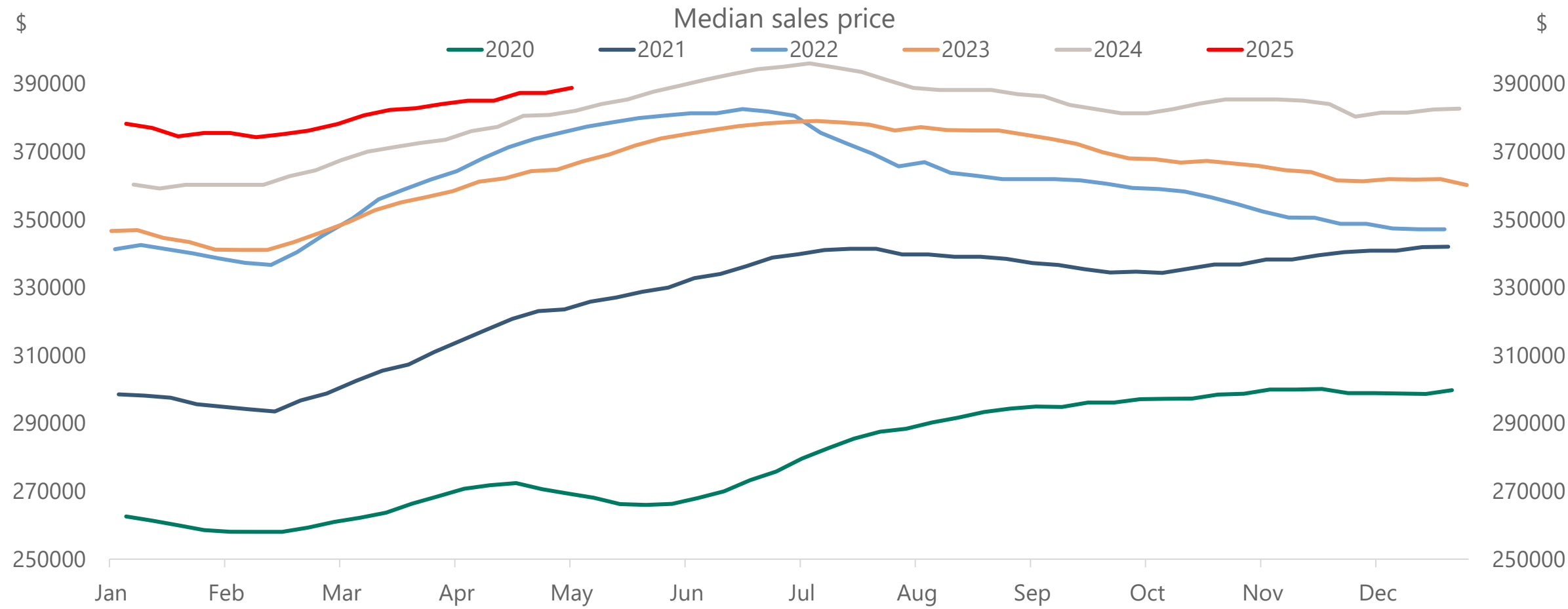
House price inflation eases across price tiers



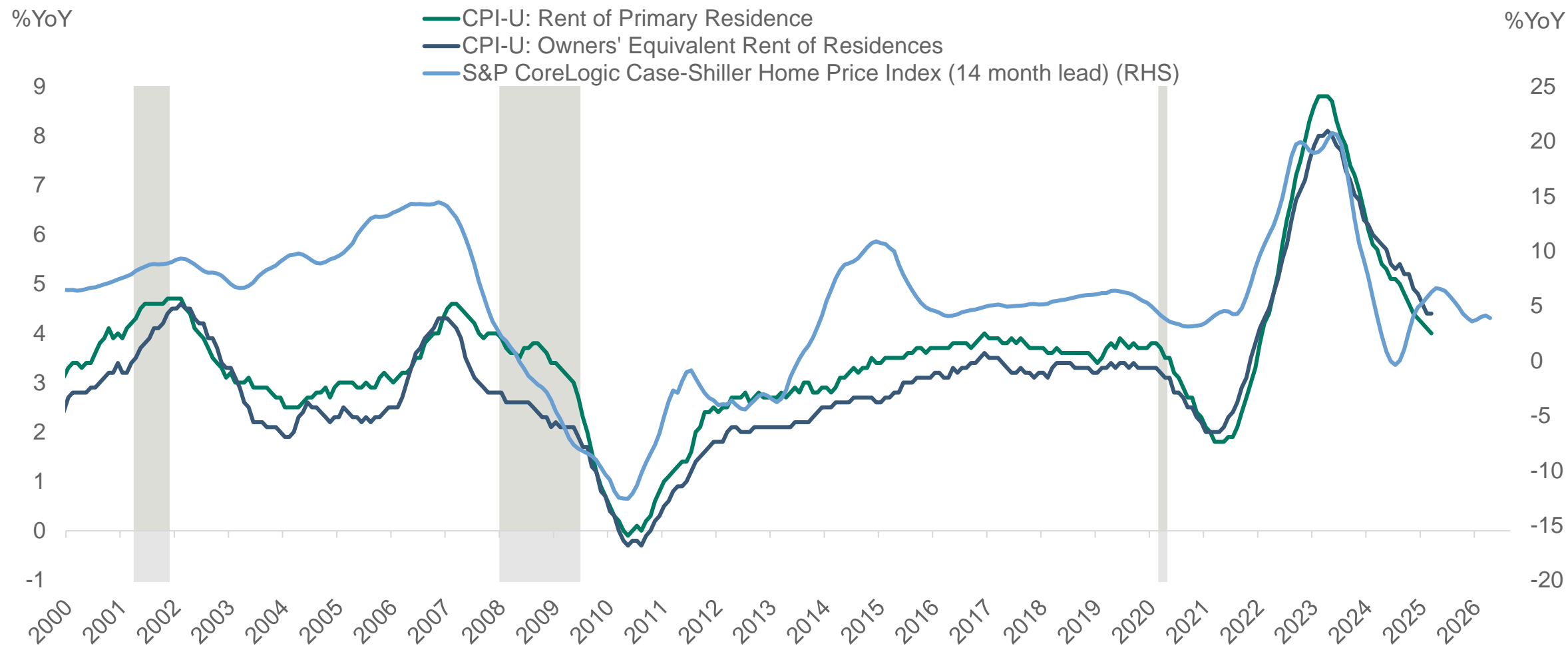
Home price to rent ratio significantly above 2006 levels



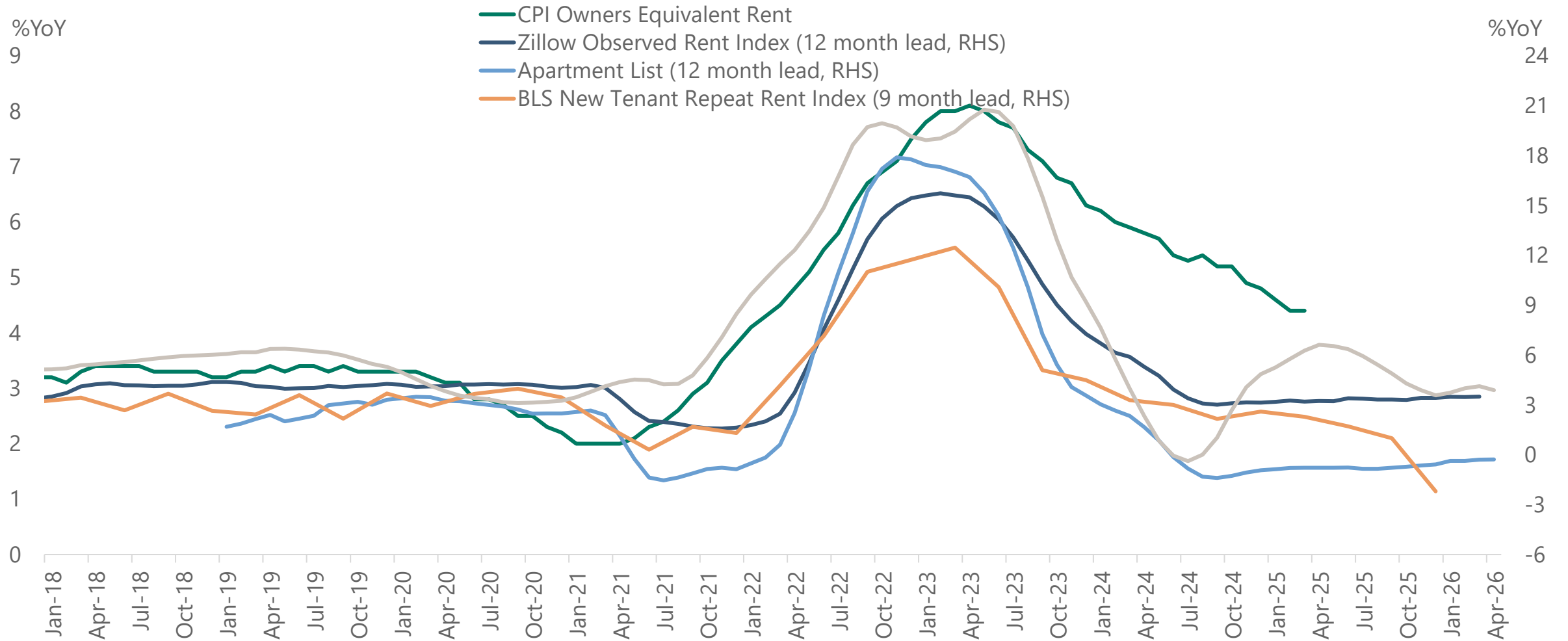
Median sales price well above last year's levels



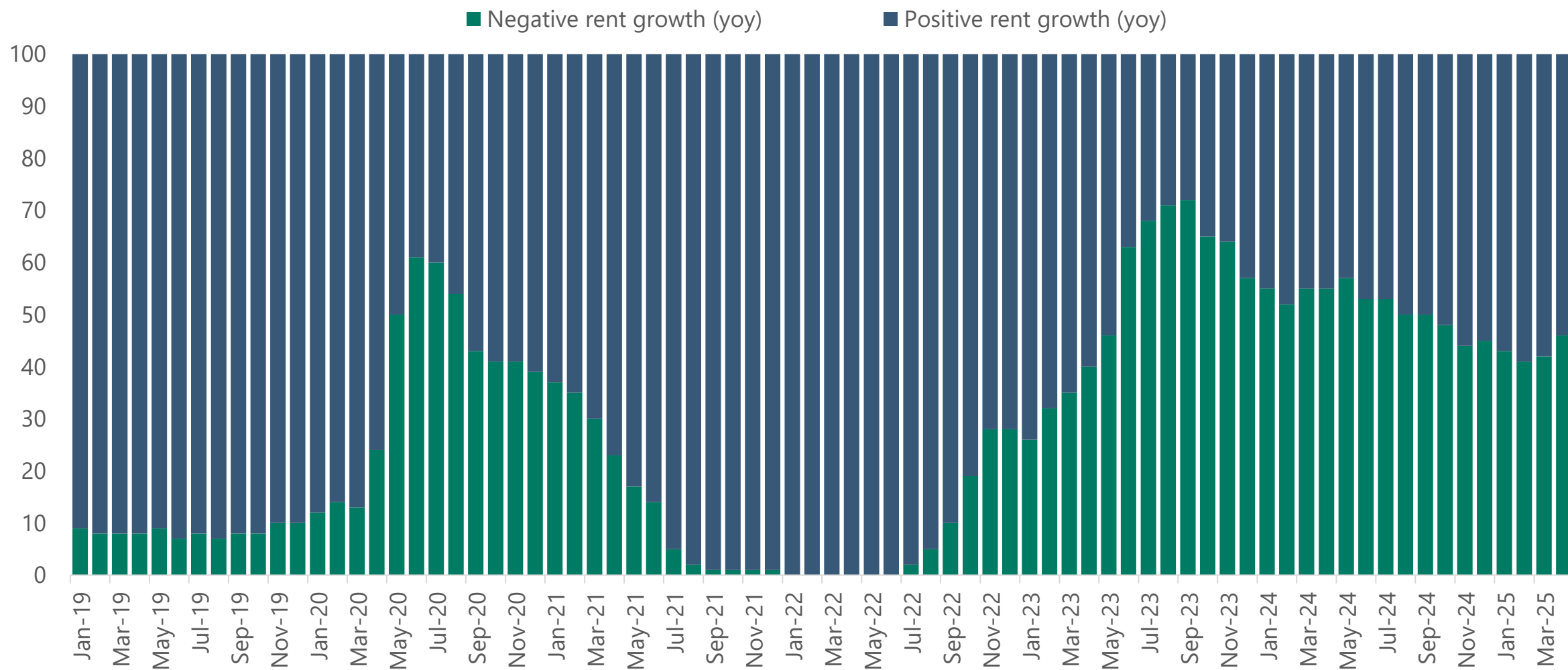
Rebound coming in housing inflation?



OER housing inflation beginning to move sideways?



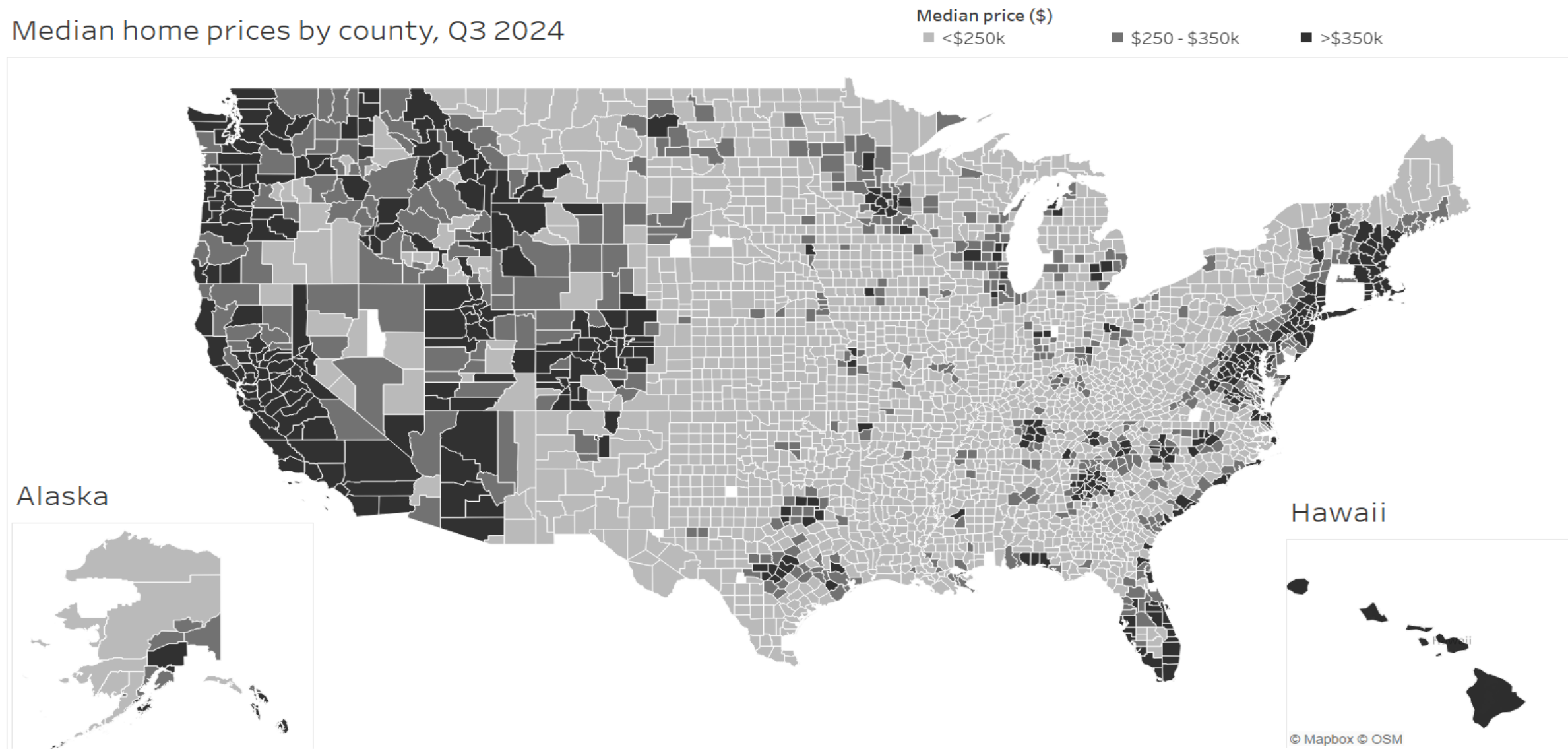
100 largest US cities: Share of cities with positive rent growth: 54%





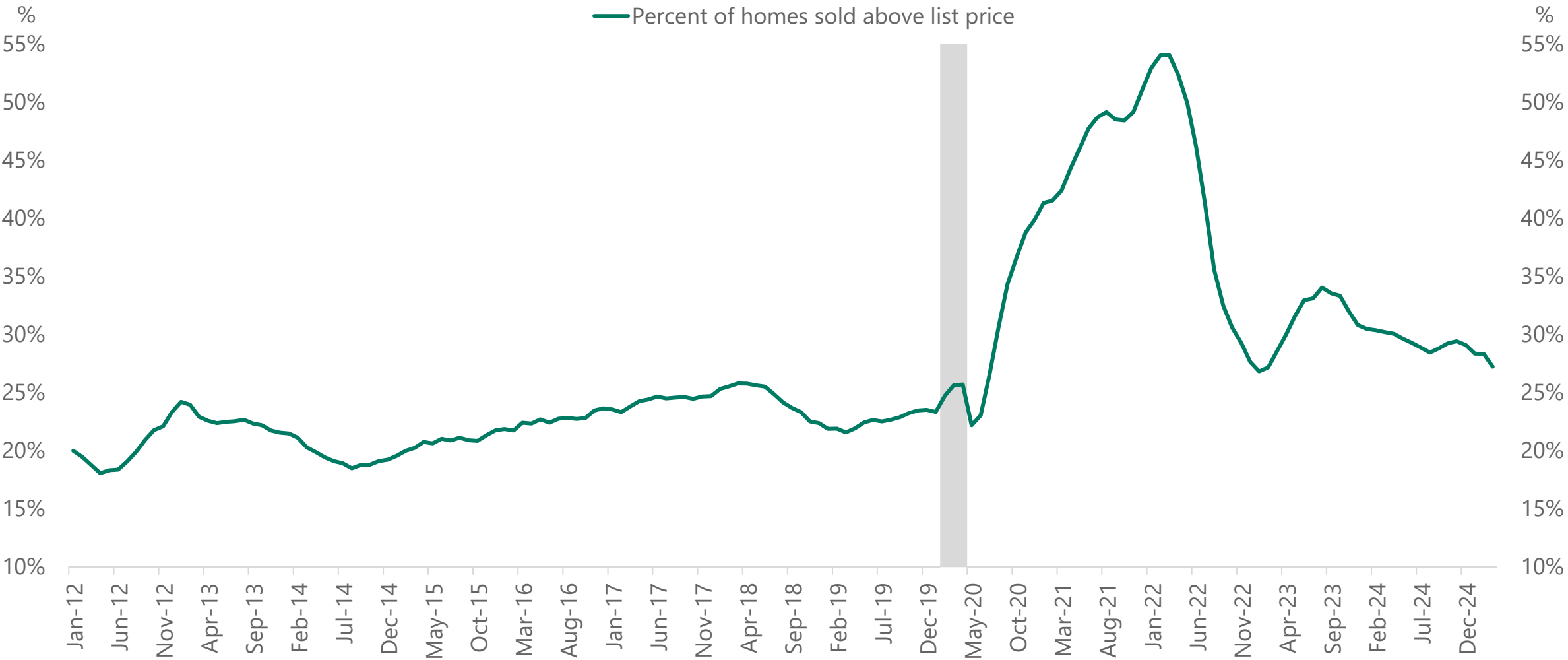
County median home prices

Median home prices by county, Q3 2024



Source: National Association of Realtors, Apollo Chief Economist.

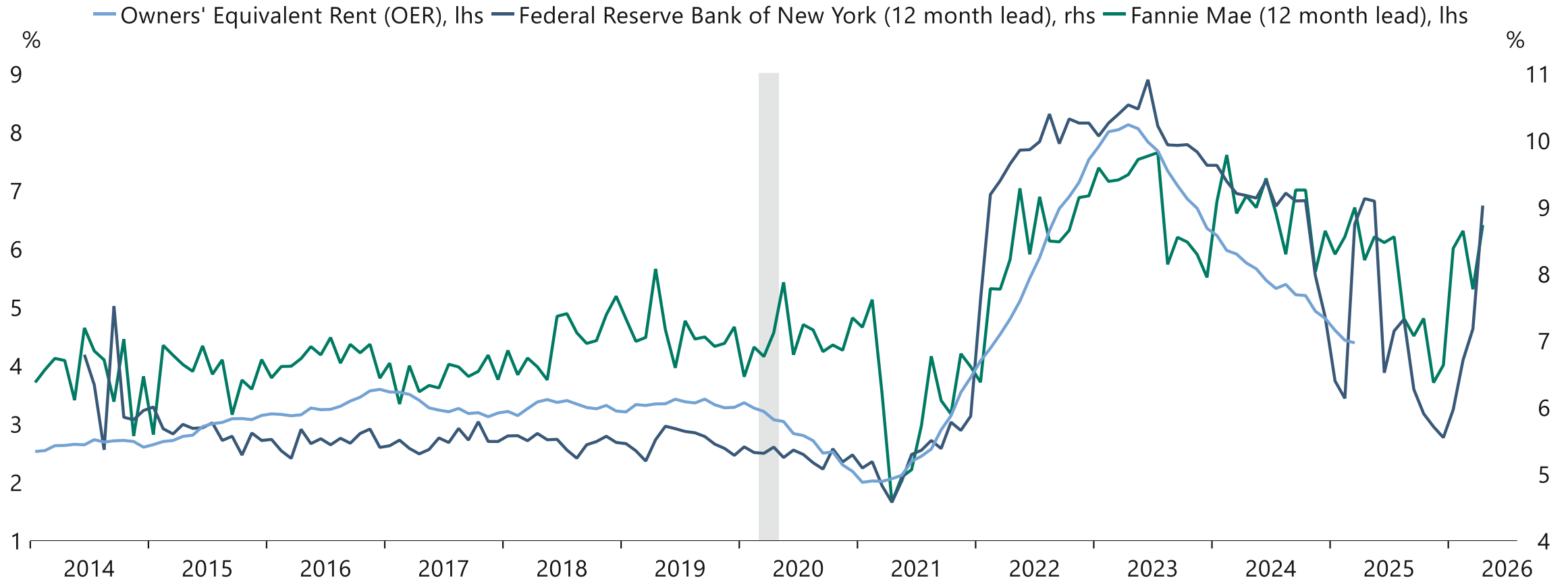
27% of homes selling above their list price



Source: Redfin, Apollo Chief Economist

Consumers expect an increase in rental inflation

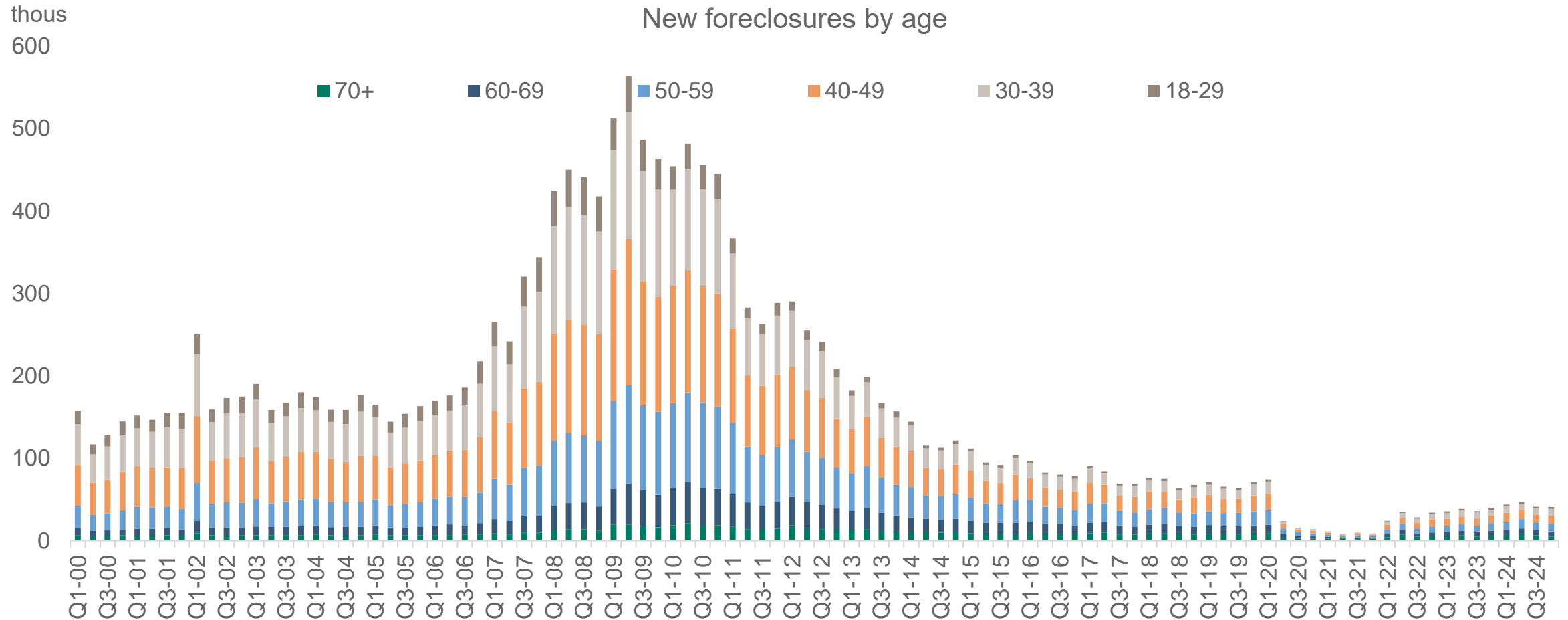
Anticipated rent inflation in the next year



Source: Federal National Mortgage Association (Fannie Mae), Federal Reserve Bank of New York, U.S. Bureau of Labor Statistics (BLS), Macrobond, Apollo Chief Economist

4) Housing Outlook

New foreclosures, by age of homeowner

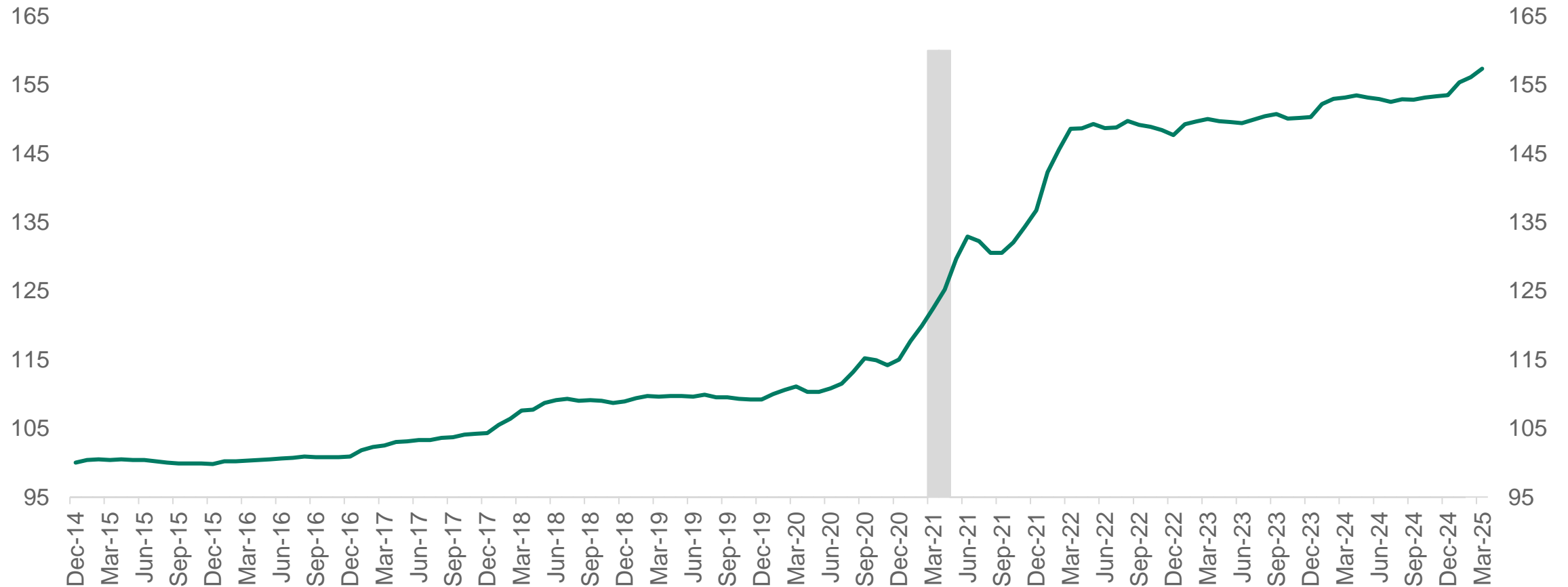


Housing construction costs remain high

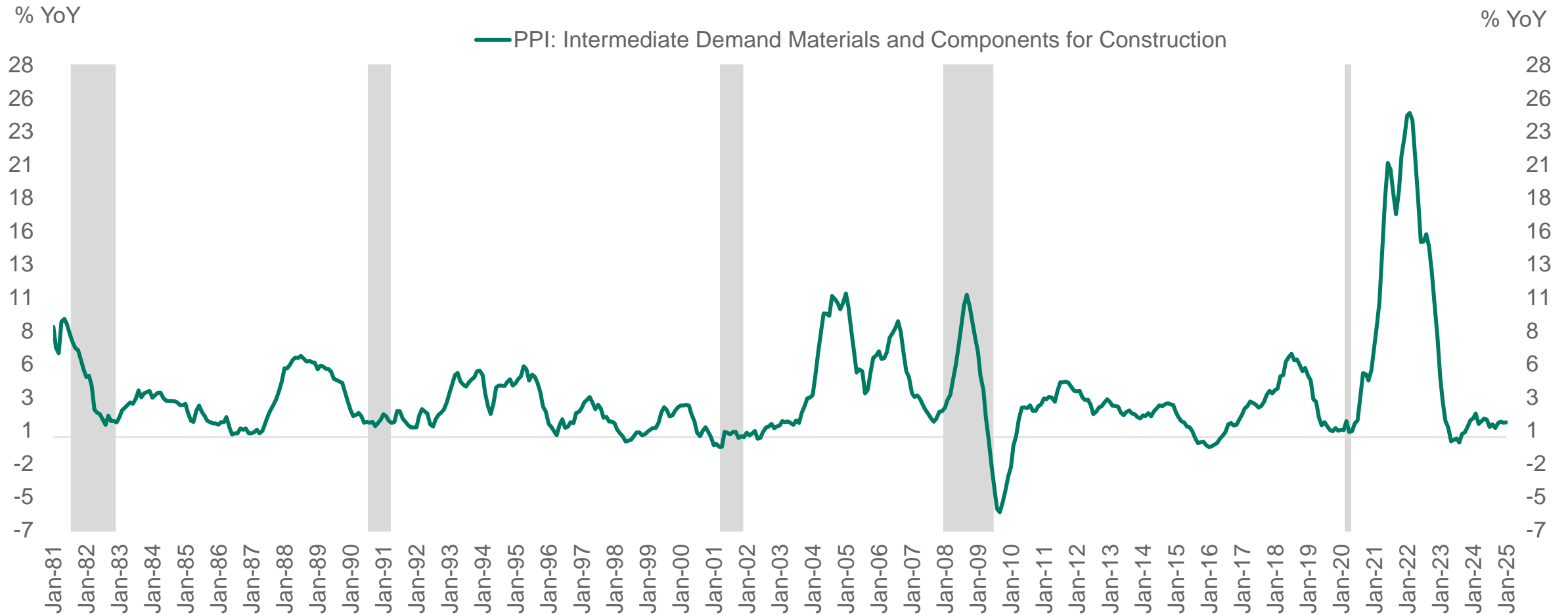
1986 = 100, NSA

PPI: inputs to residential construction, goods less foods & energy inputs

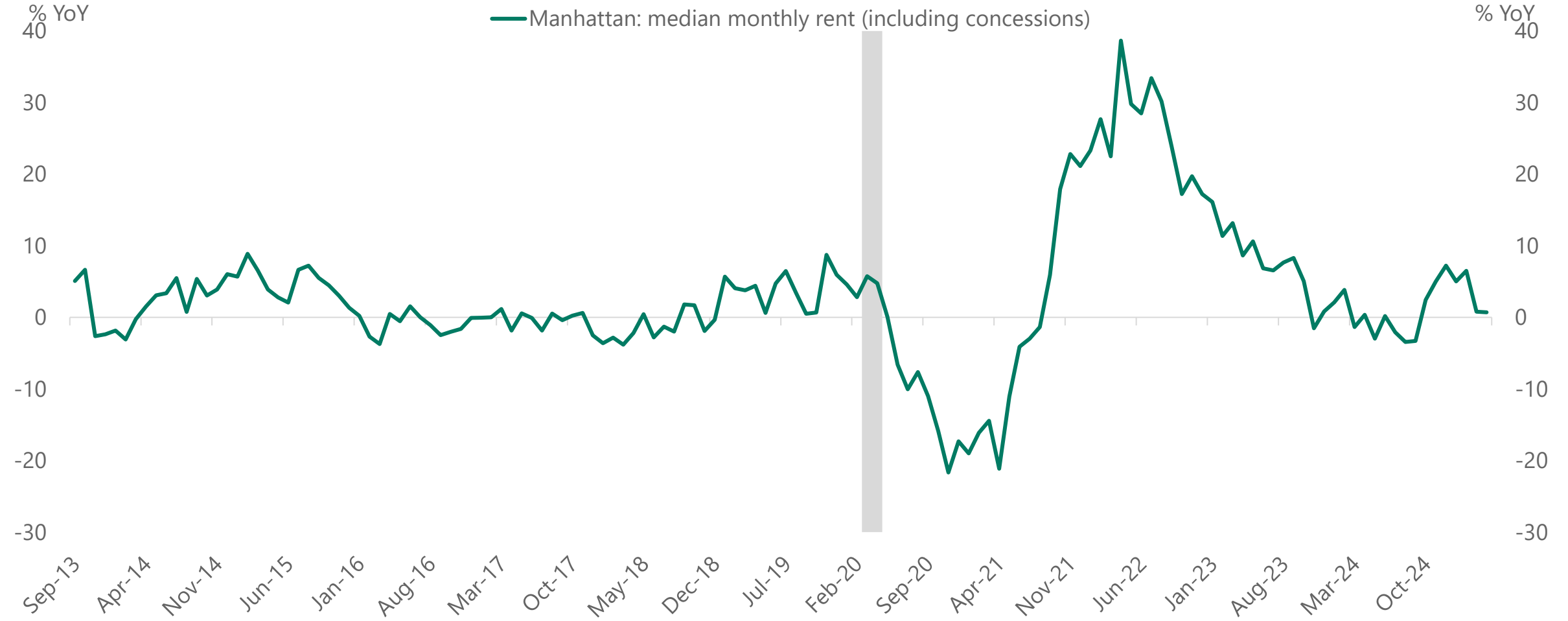
1986 = 100, NSA



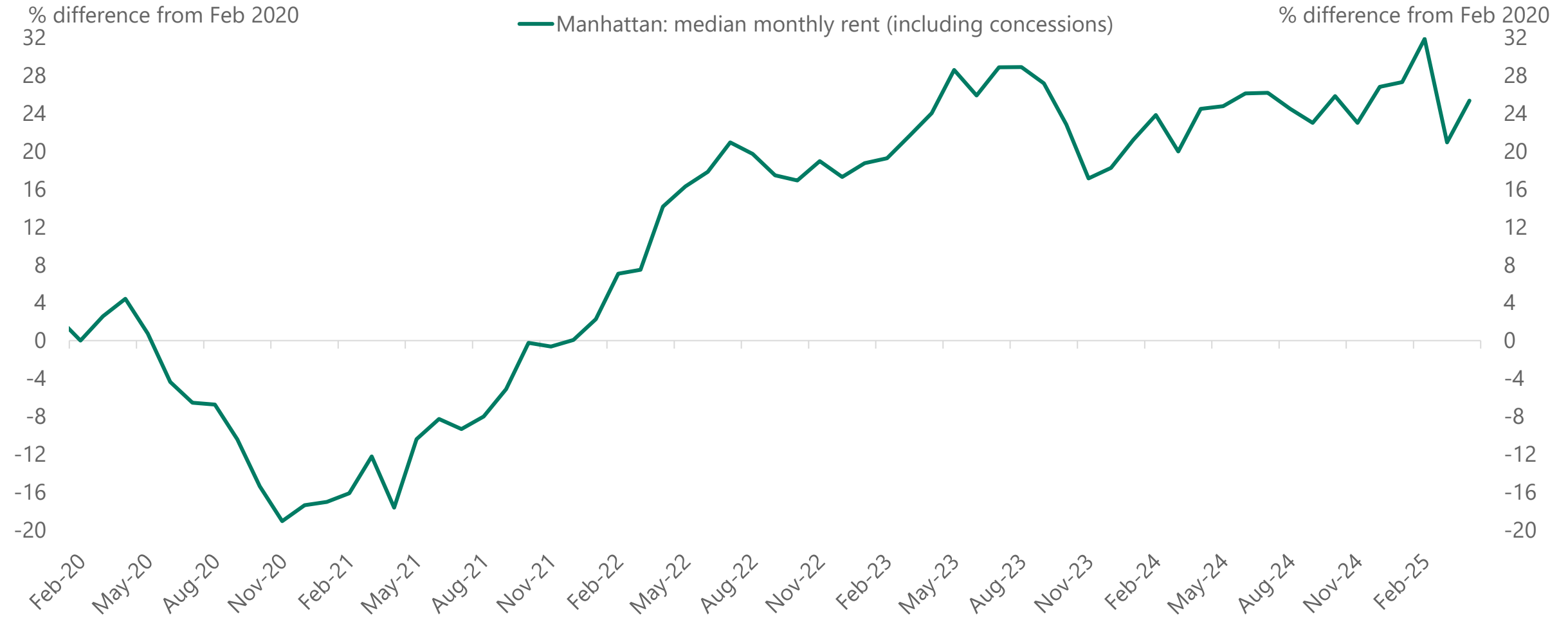
Inflation in input costs for home builders have come down



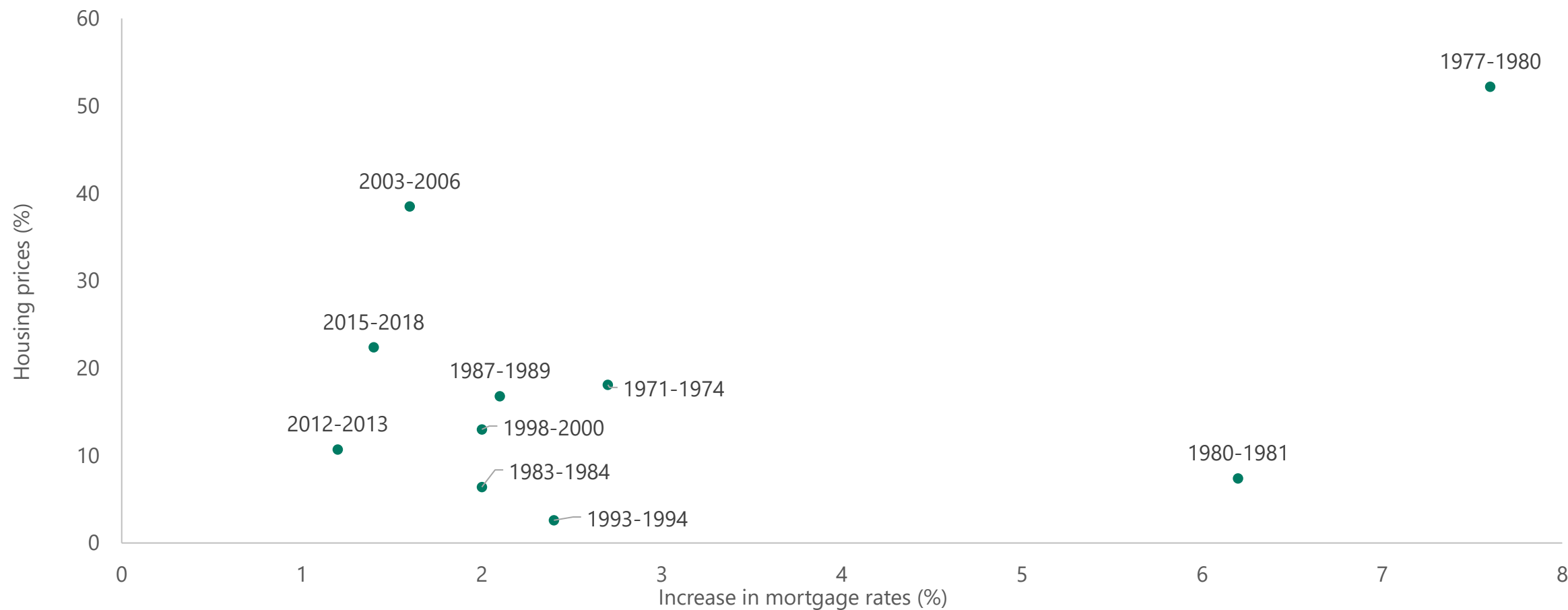
Manhattan median rent rose to \$4250 in April 2025



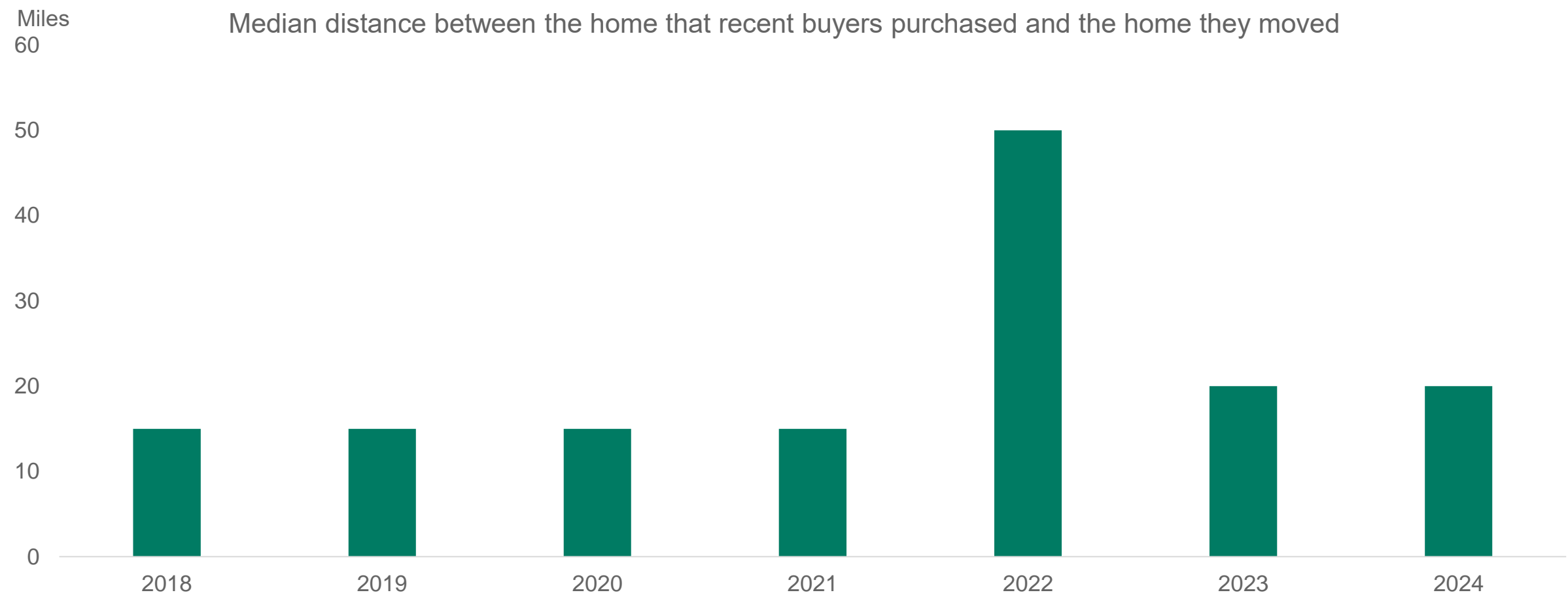
Manhattan rents well above pre-pandemic levels



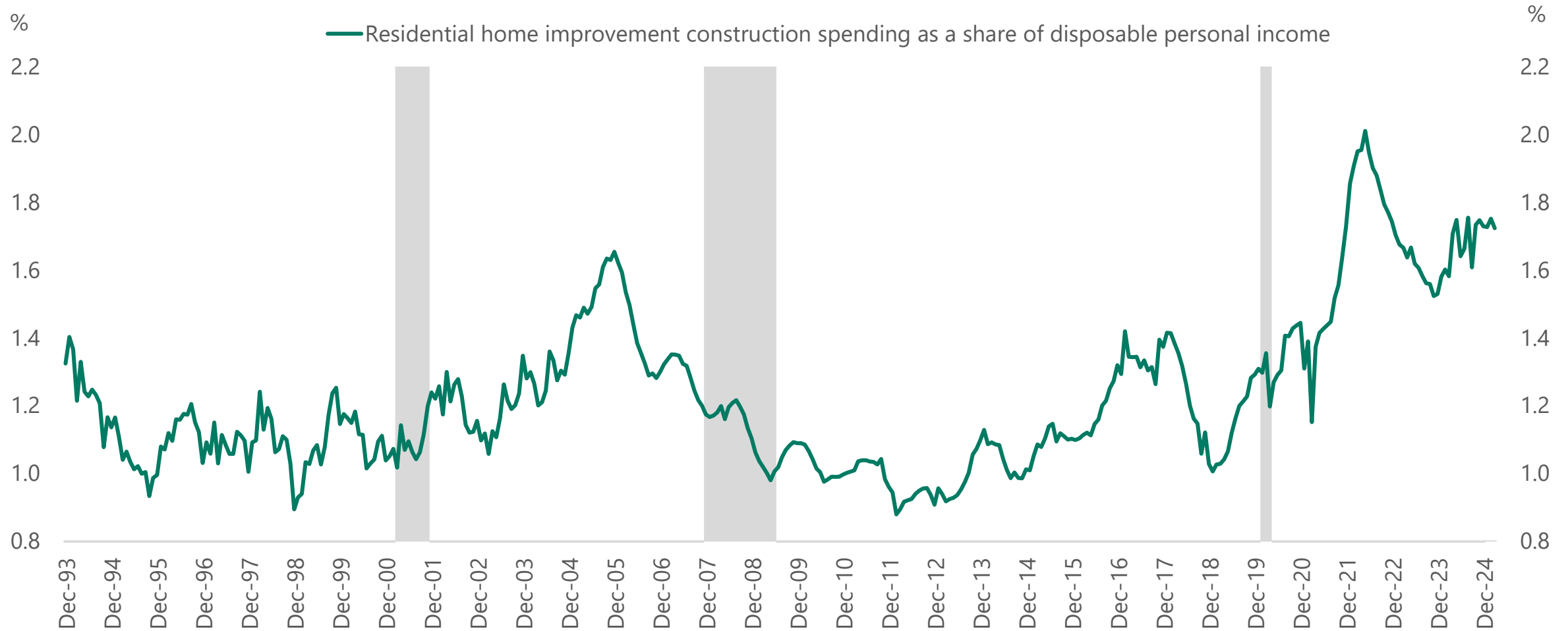
Rising mortgage rates generally associated with lower home price inflation



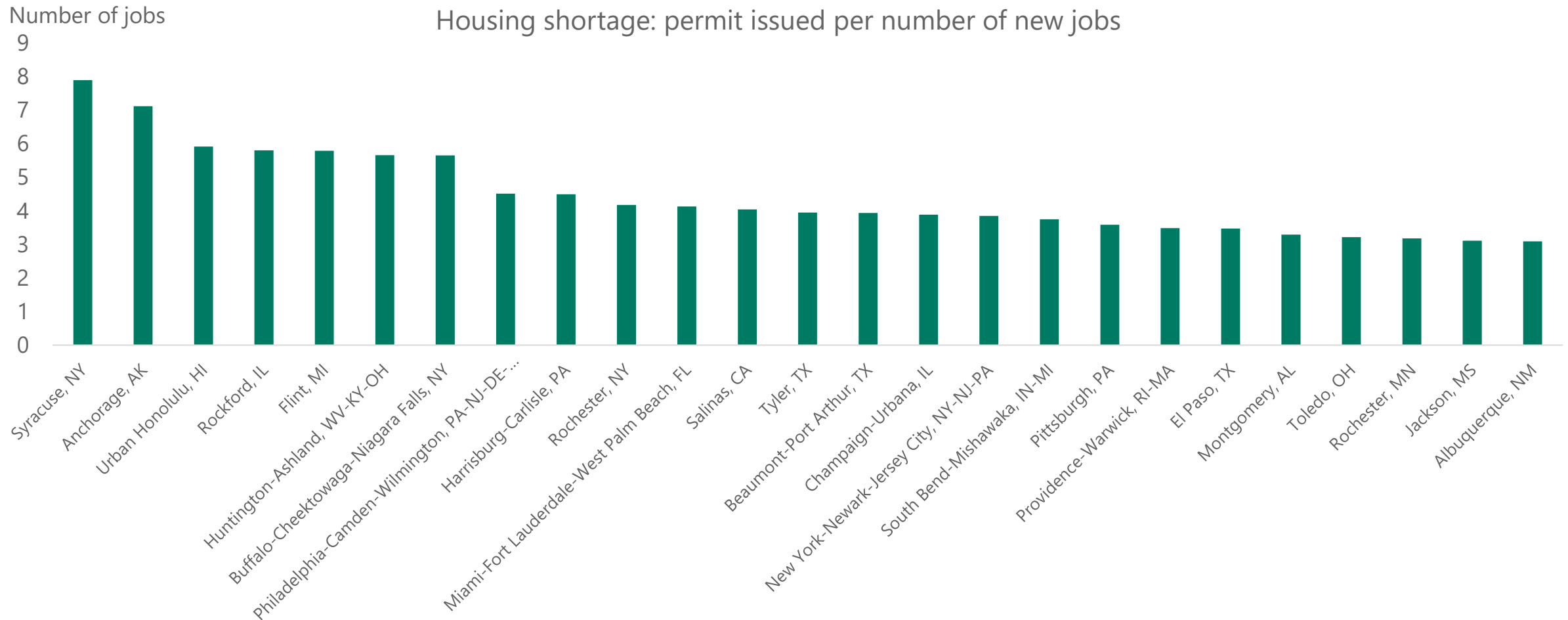
Median distance between the home that recent buyers purchased and the home they moved from at 50 miles in 2022



Home improvement spending as a share of disposable income rising

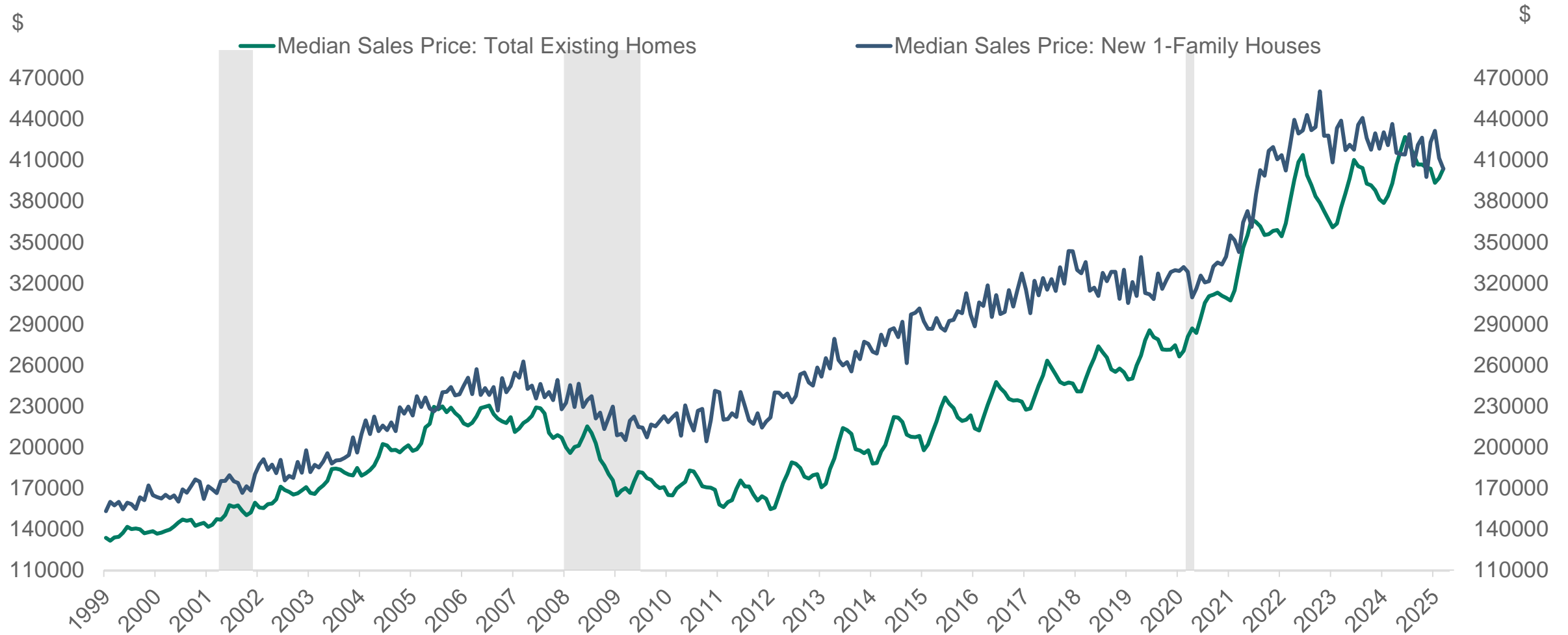


Metropolitan areas that need to build more houses to keep up with the increased demand

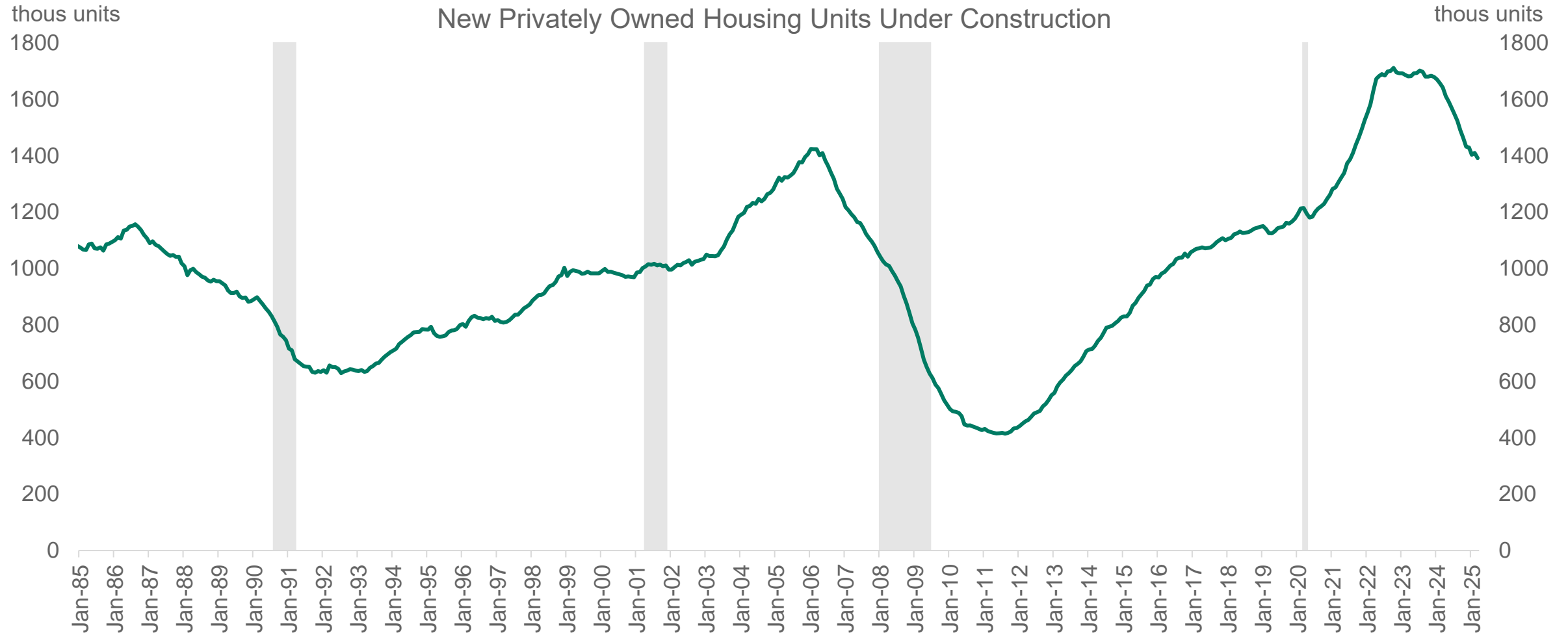


New versus existing homes

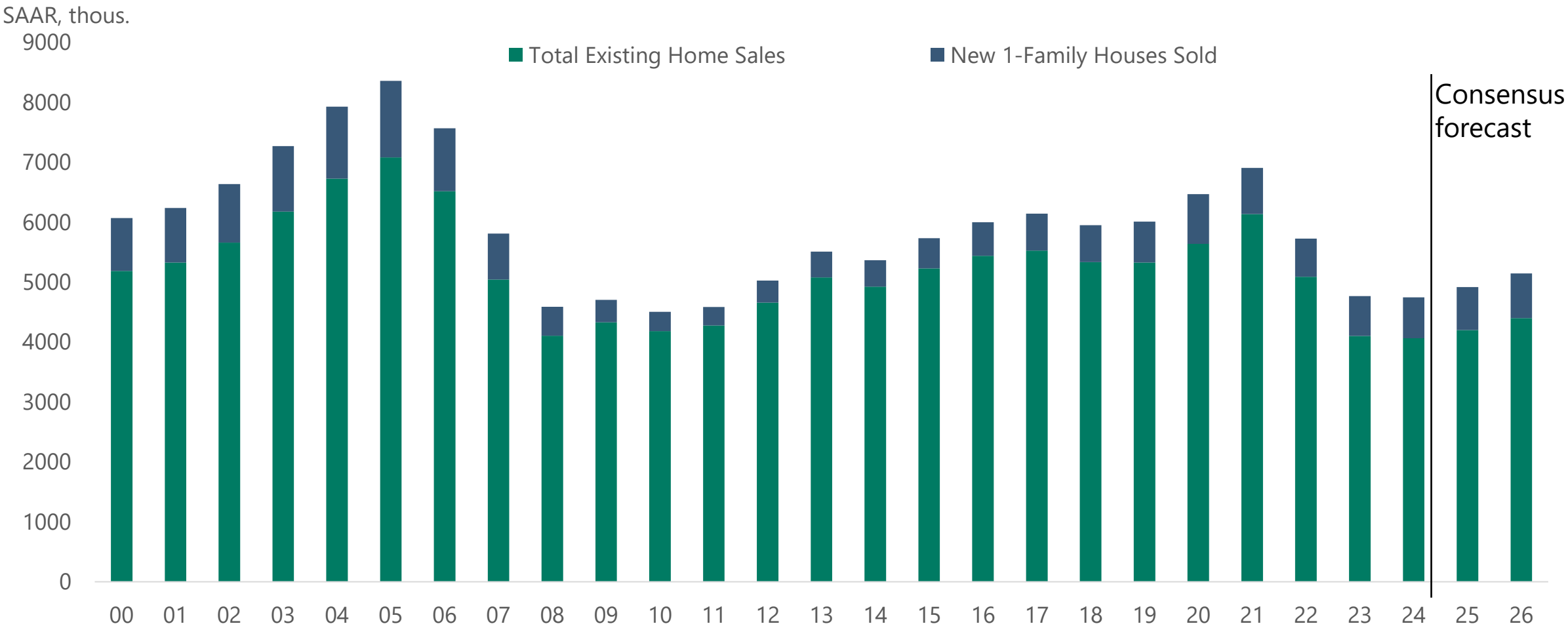
House prices for new homes and existing homes



New privately owned housing units under construction coming down

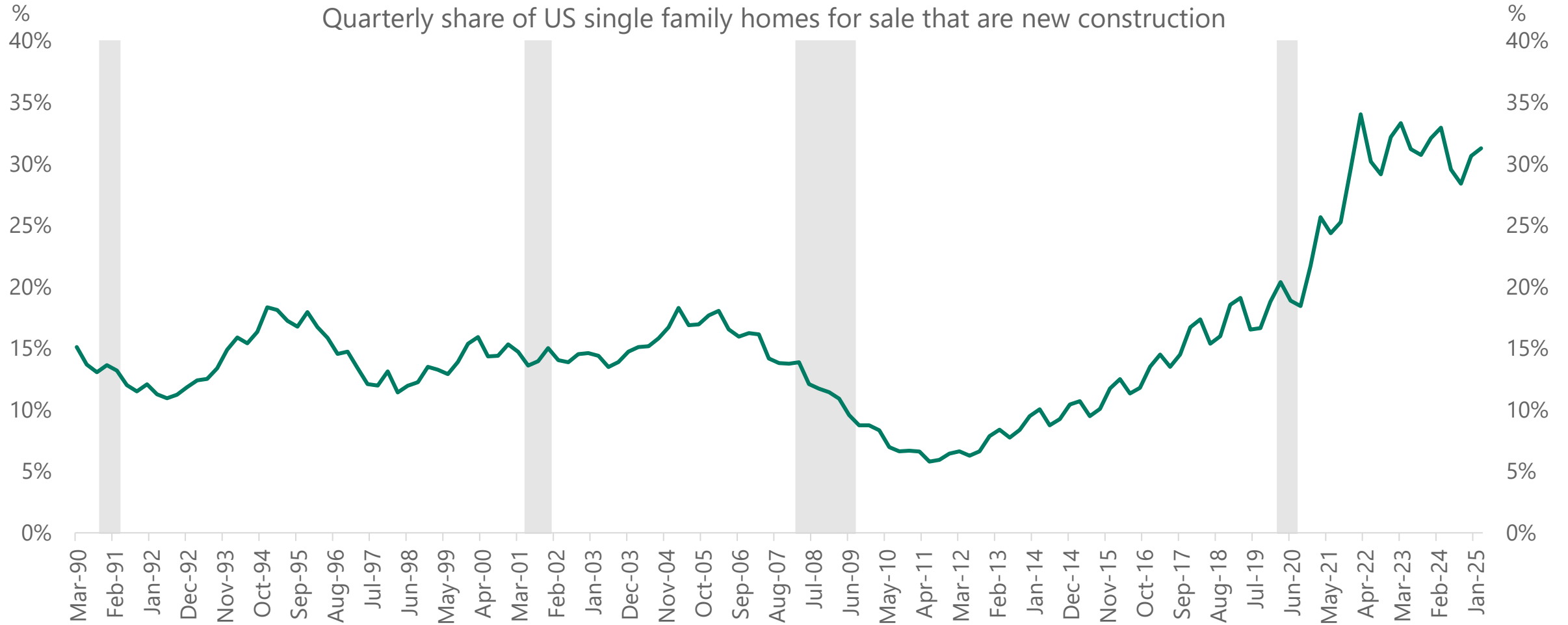


Consensus is forecasting a modest rebound in home sales

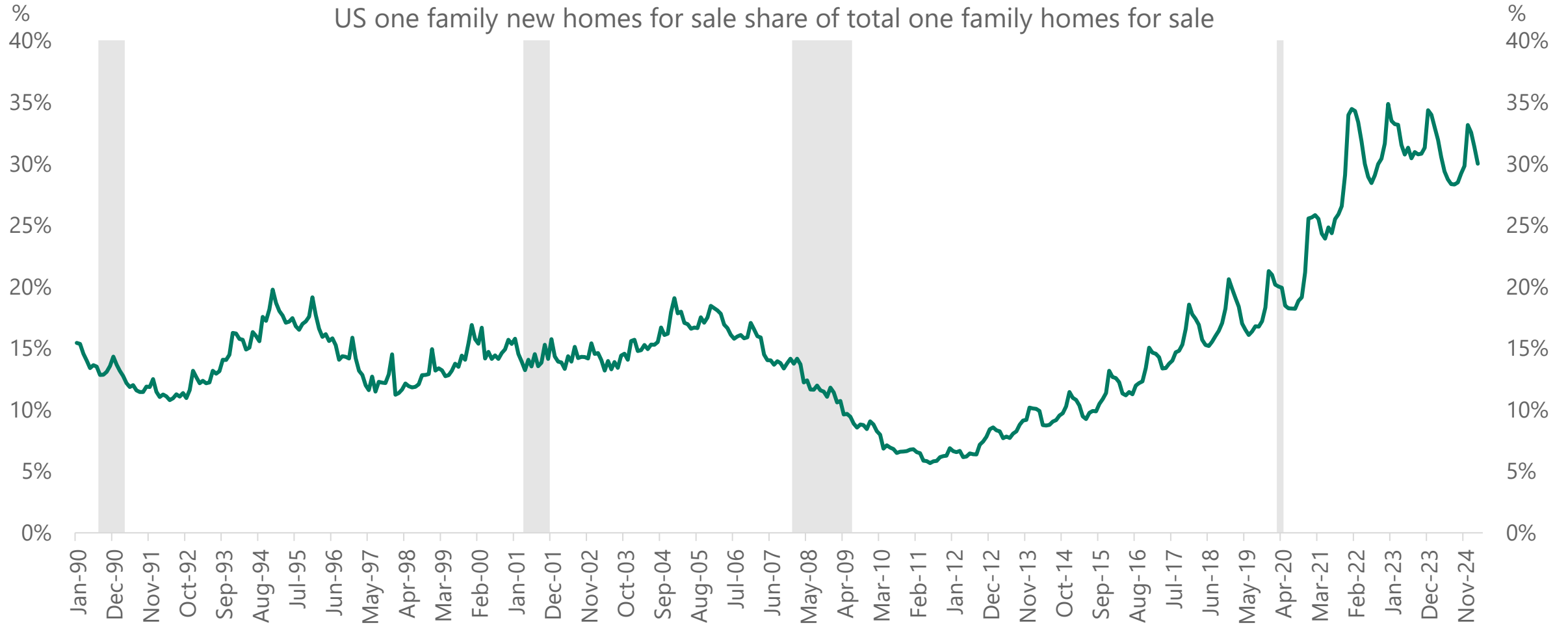


Source: Census Bureau, NAR, Haver, Apollo Chief Economist; Forecast is Bloomberg consensus

Share of newly built homes for sale

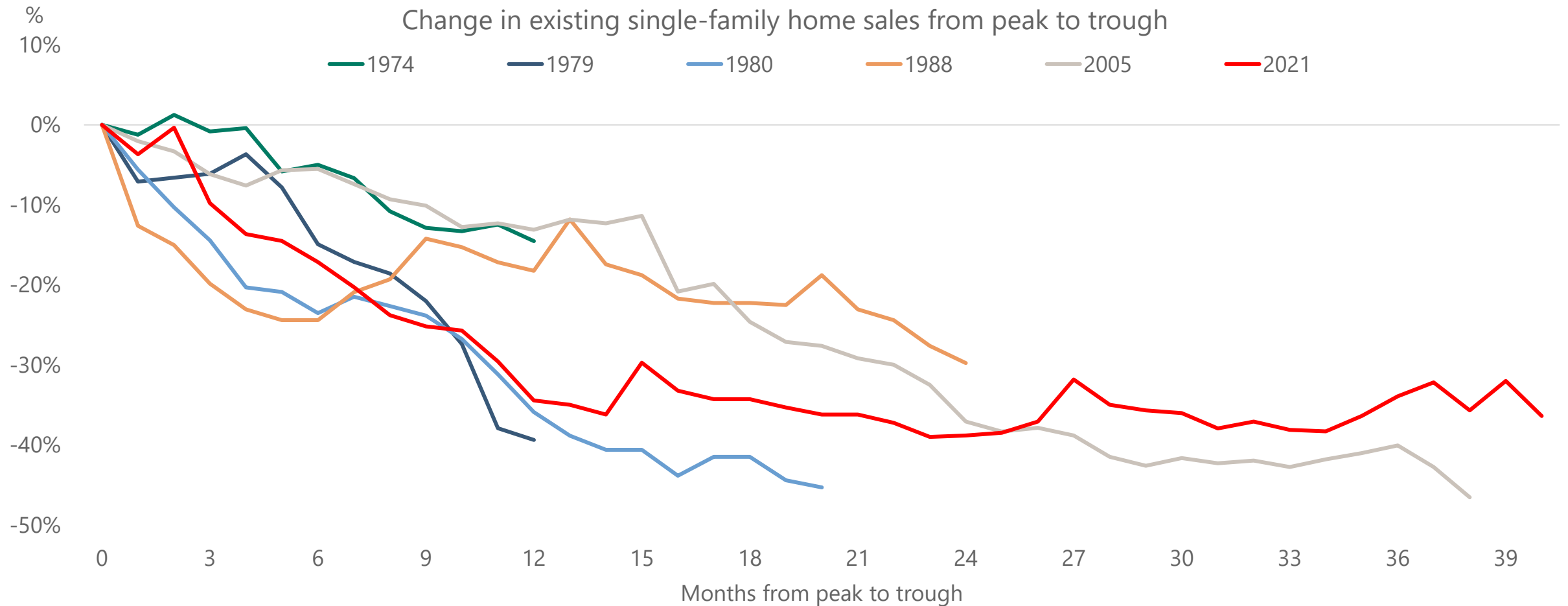


Share of new homes for sale

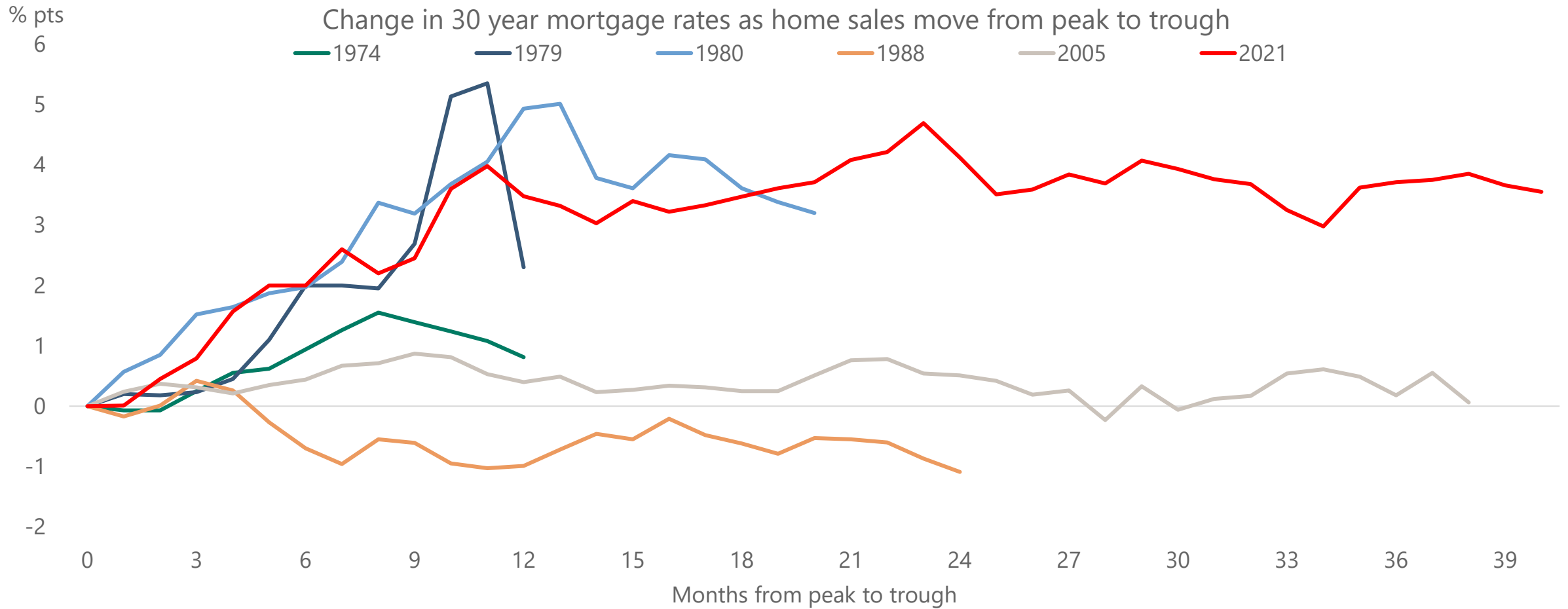


Comparing the current housing slowdown to previous housing slowdowns

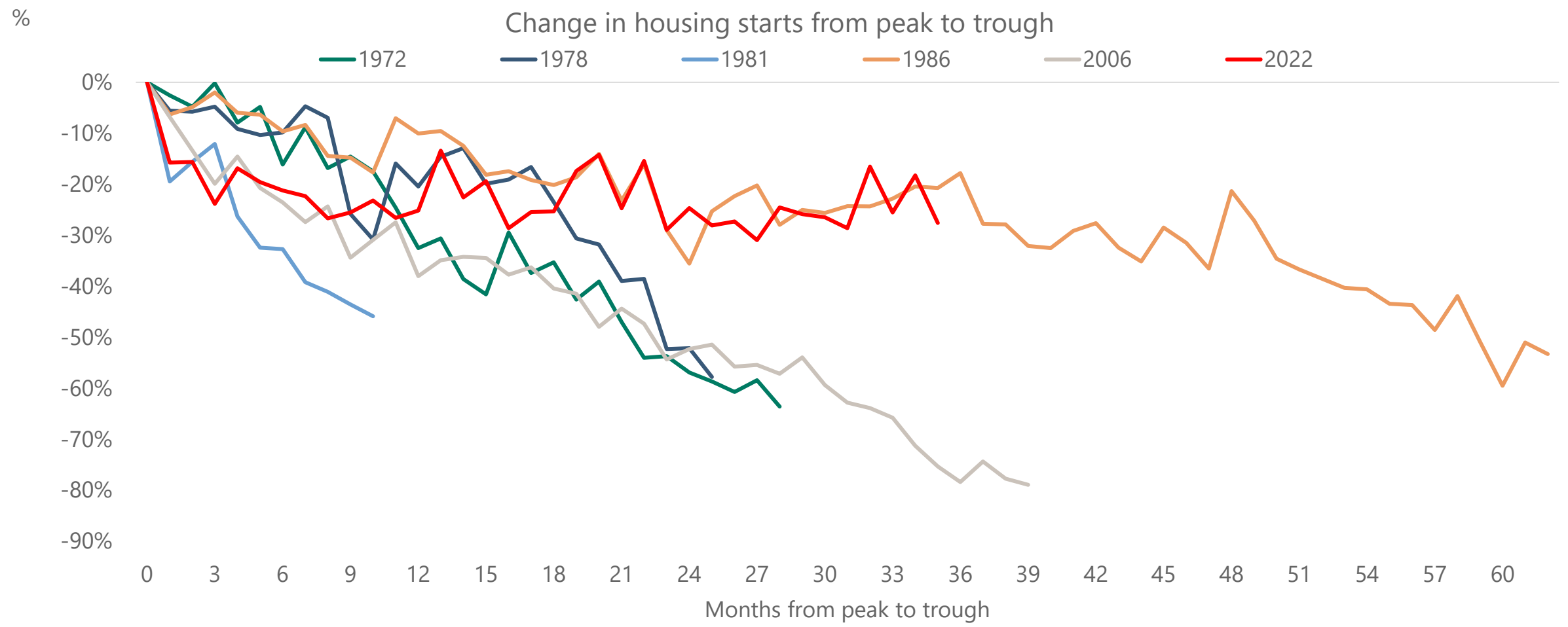
The current decline in existing home sales is in line with previous housing slowdowns



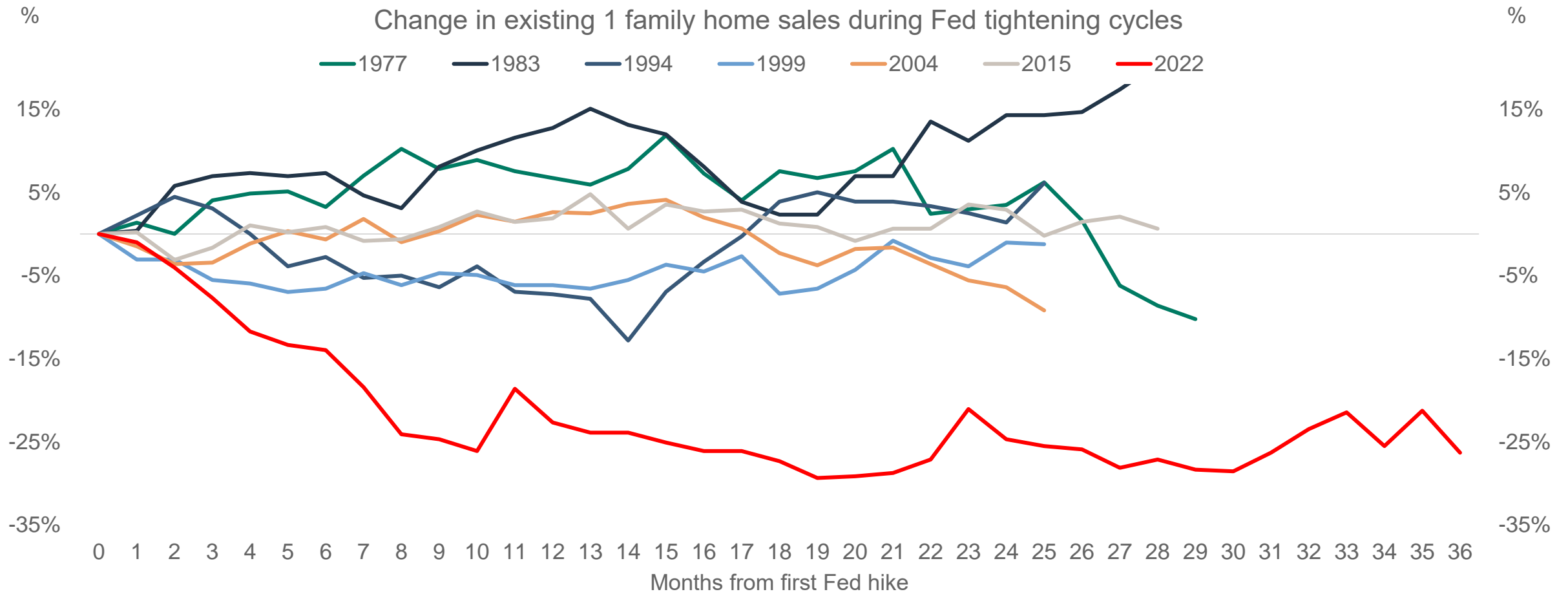
The current rise in mortgage rates is similar to what we saw during the Volcker disinflation



The current decline in housing starts is a bit milder than previous slowdowns



This is the fastest Fed-driven housing slowdown on record

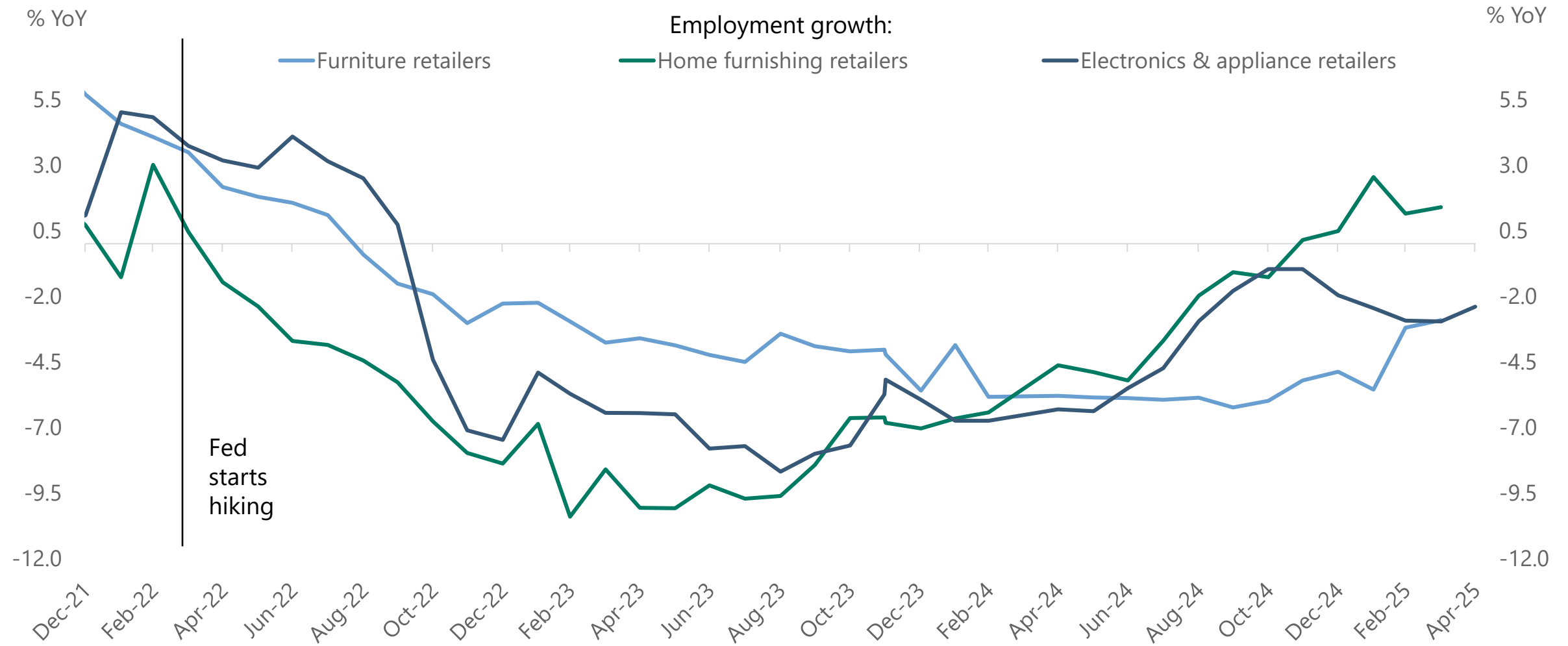


Apartment vacancies above pre-pandemic levels

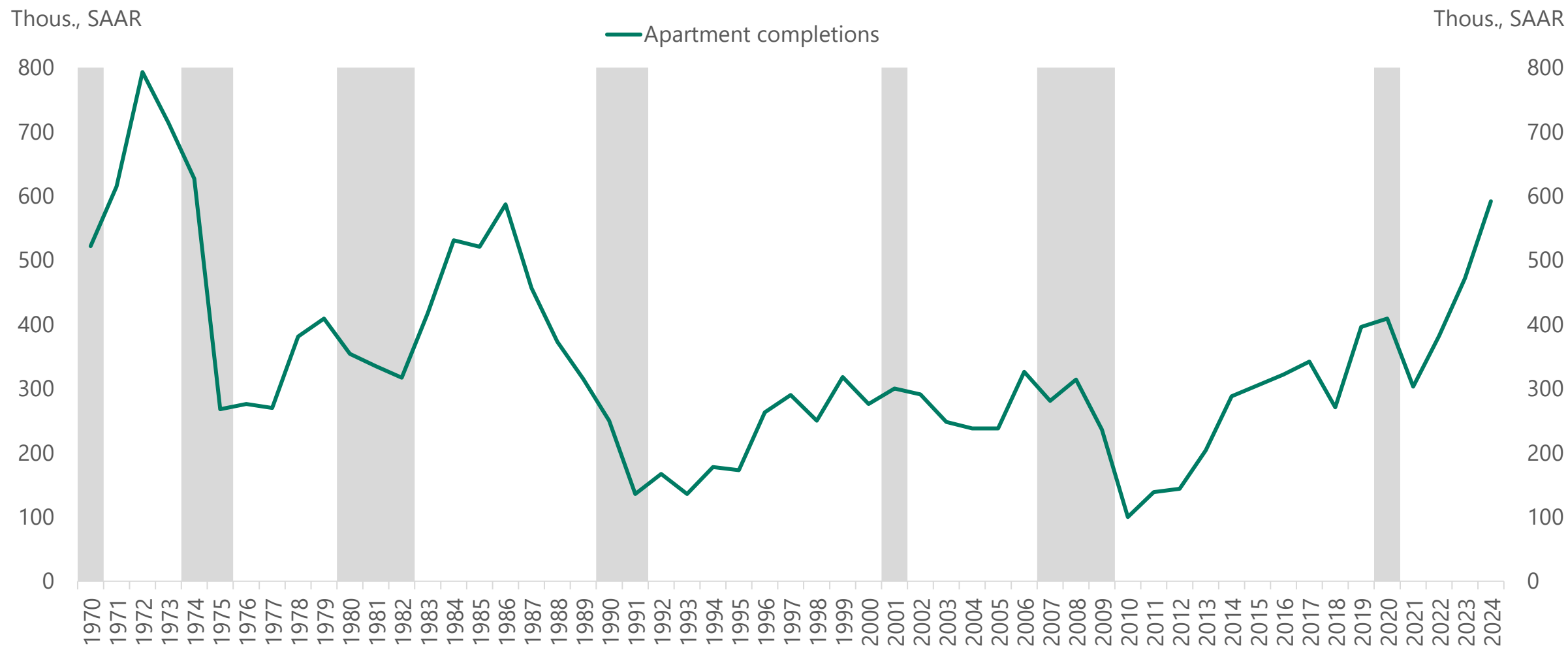


Source: Apartmentlist.com, Apollo Chief Economist

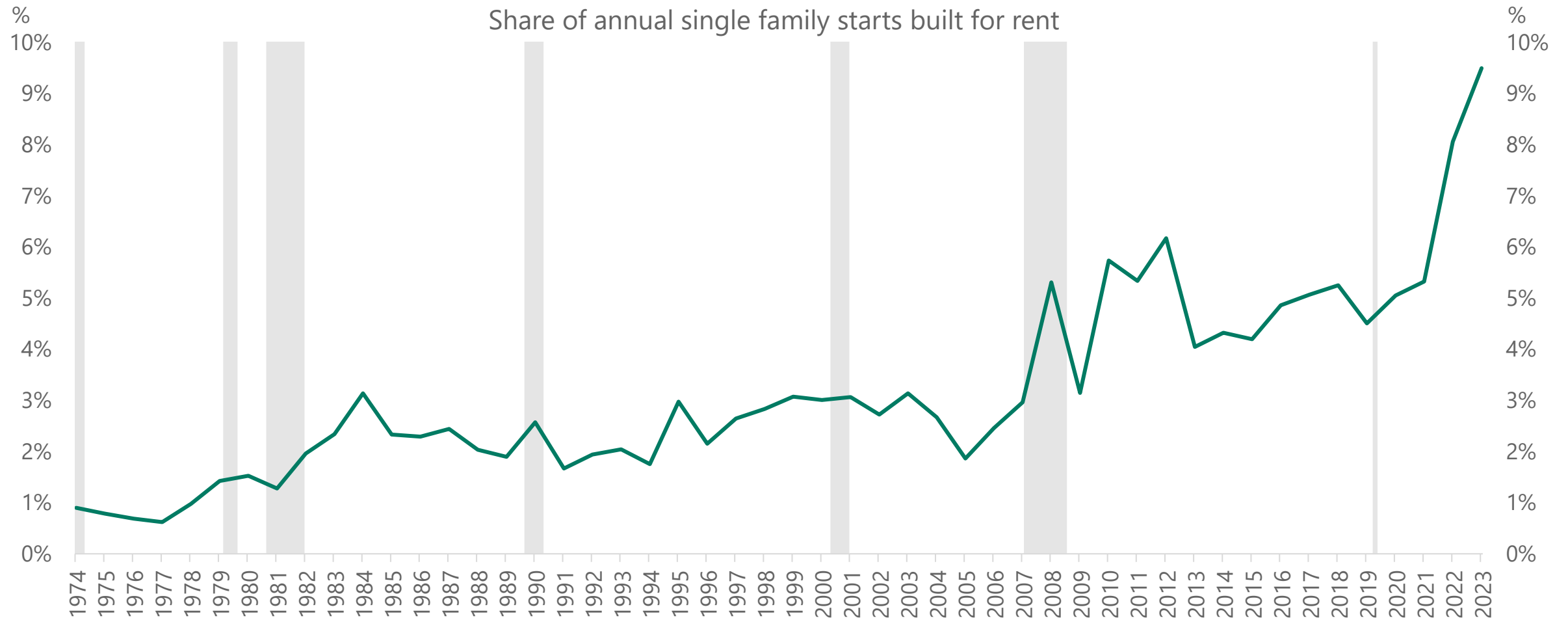
When the Fed raised interest rates, employment in retail trade declined



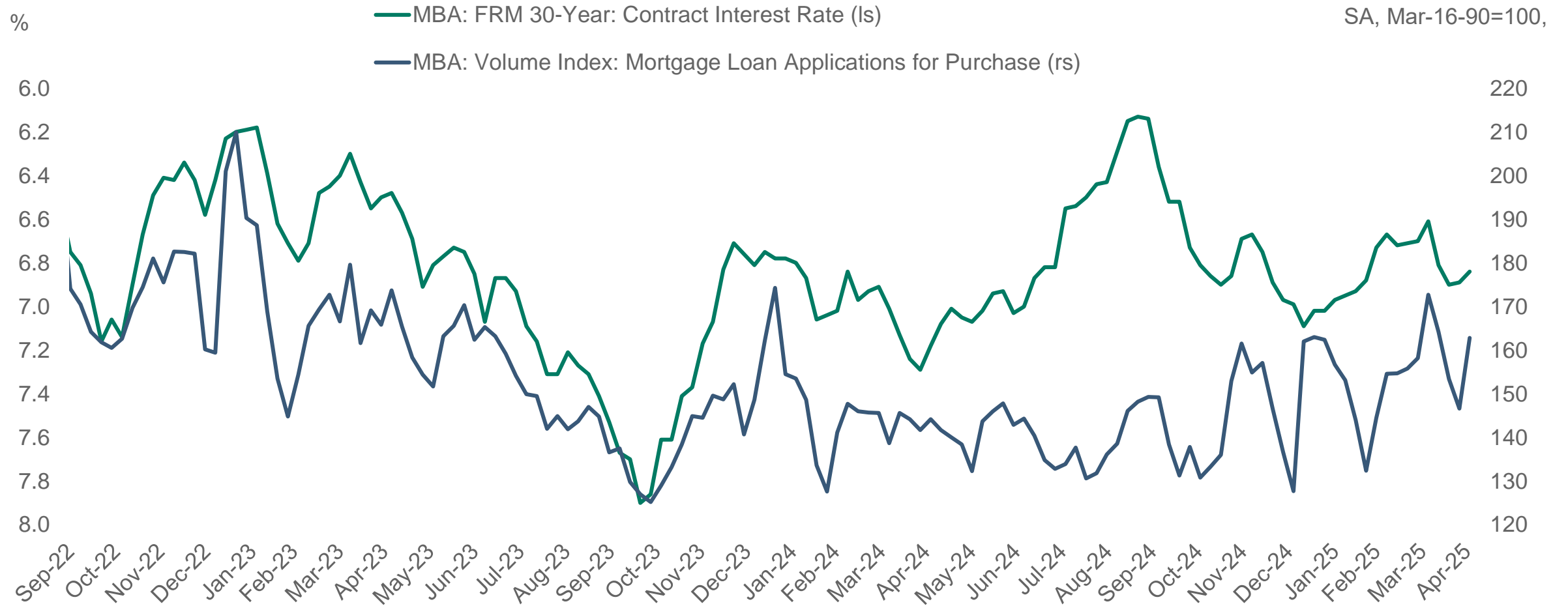
US apartment supply gradually increasing



Share of homes built for rent going up

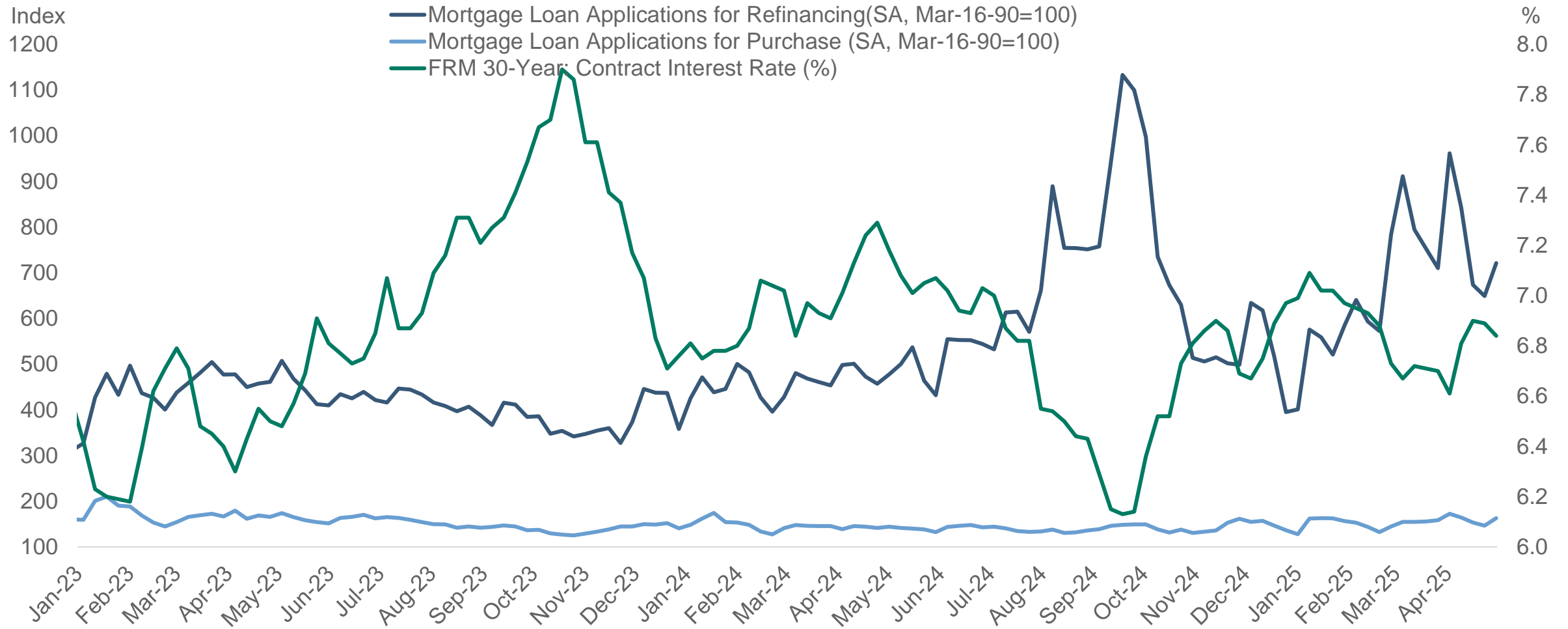


Purchase loan applications remain low

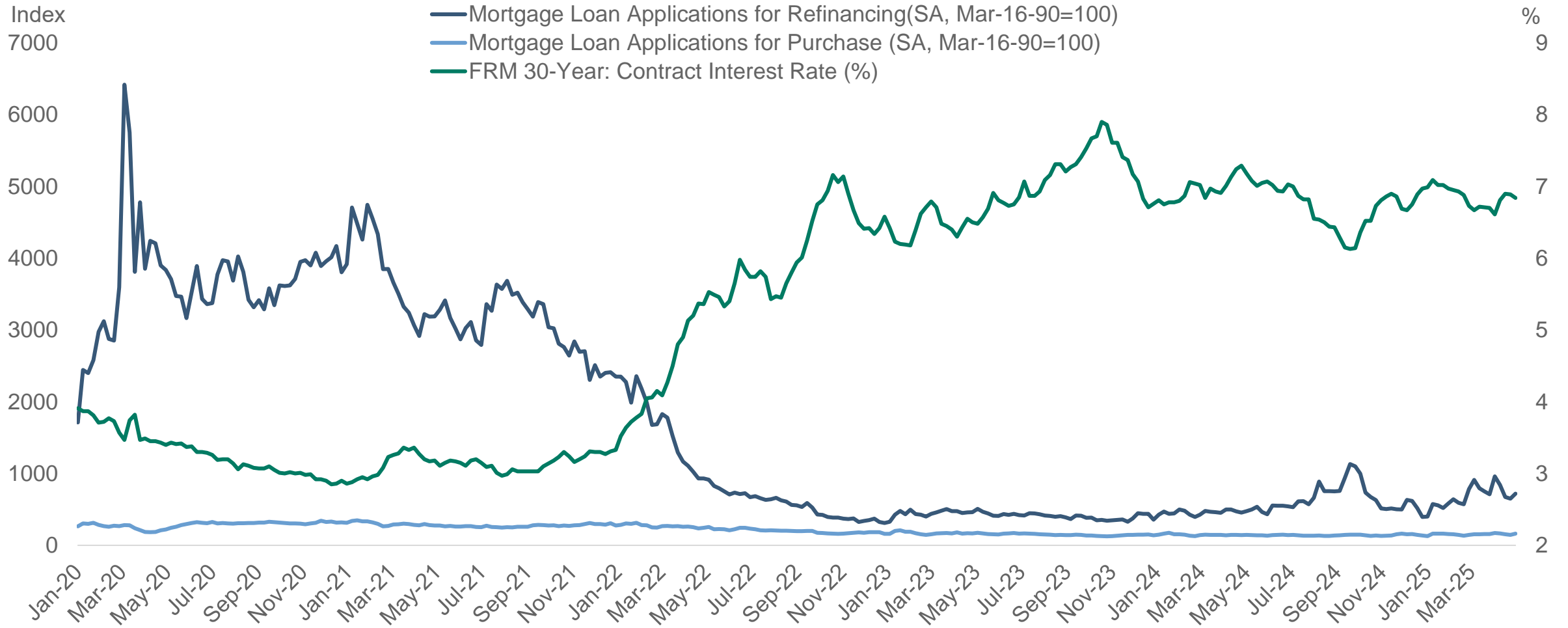


Source: Mortgage Bankers Association, Haver Analytics, Apollo Chief Economist. Note: The left scale (ls) is inverted.

Rising interest rates putting downward pressure on mortgage purchase applications

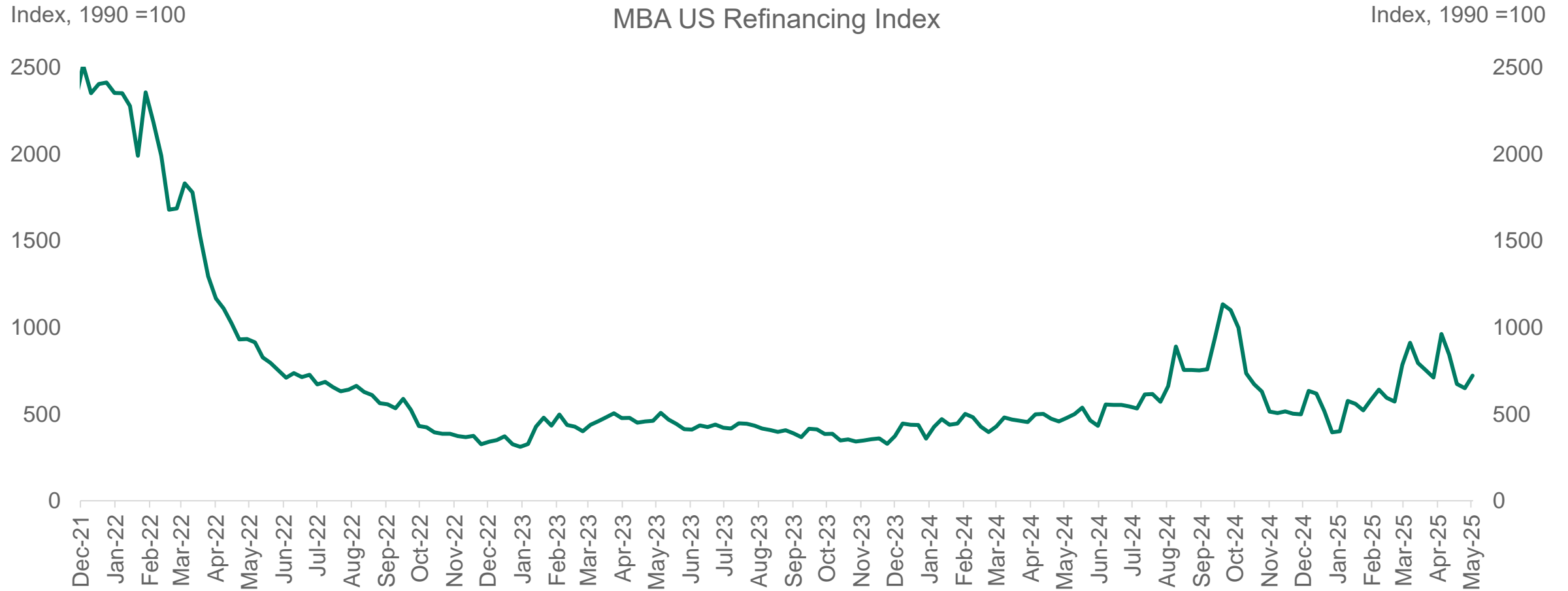


Mortgage applications fall as interest rates rise

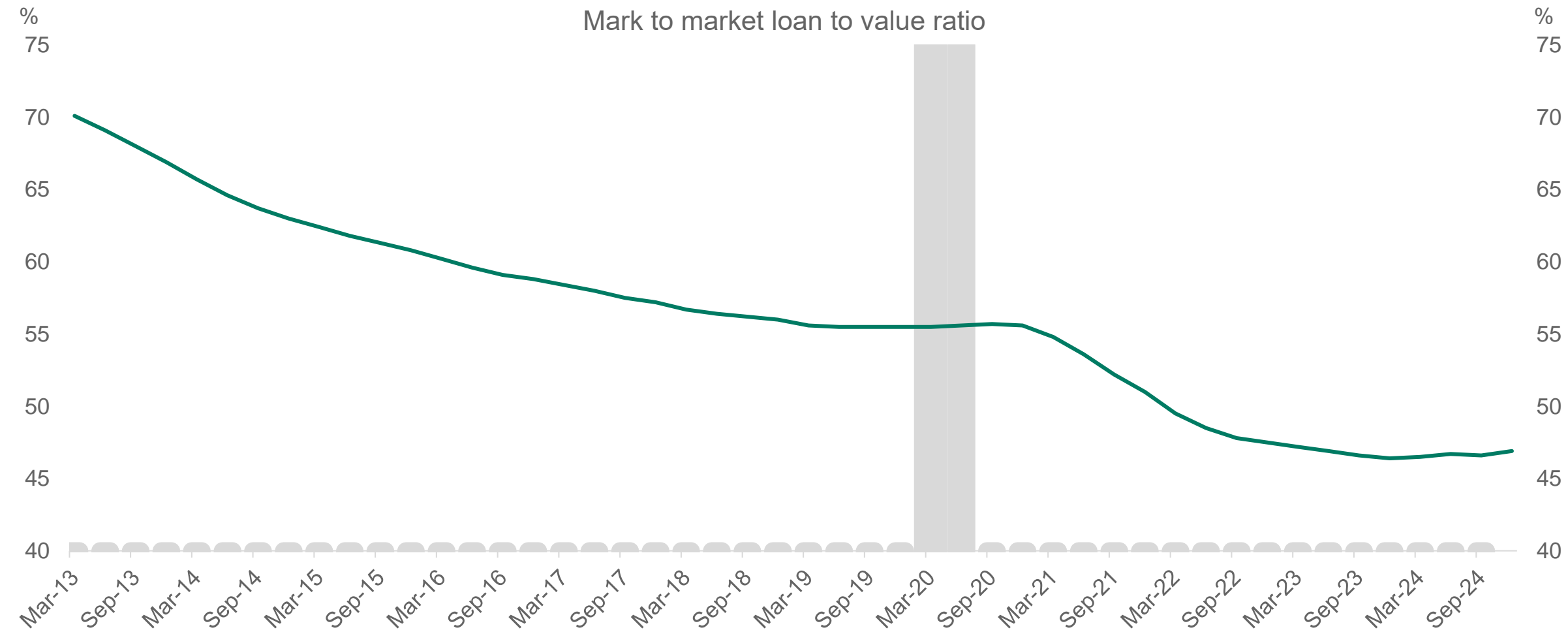


Source: Mortgage Bankers Association, Haver Analytics, Apollo Chief Economist.

Higher mortgage rates has pushed refinancing activity down

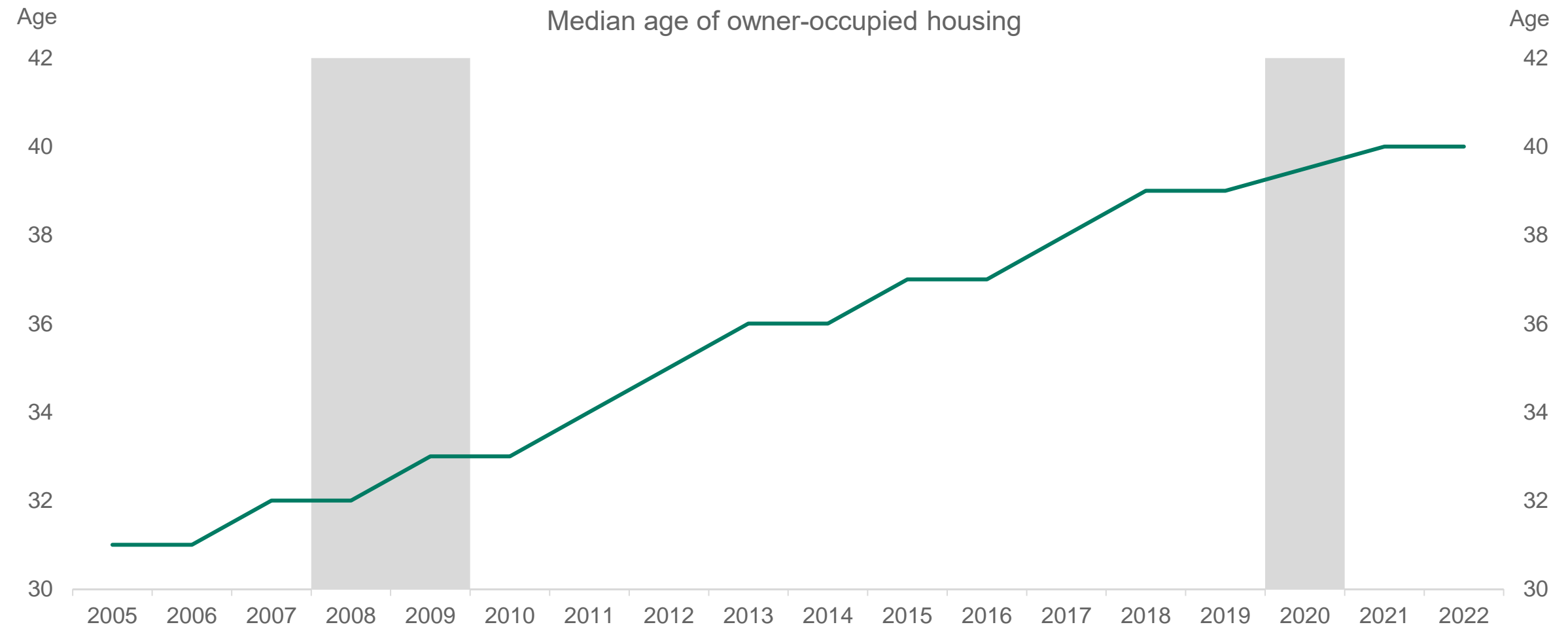


Loan-to-value ratio for US mortgages



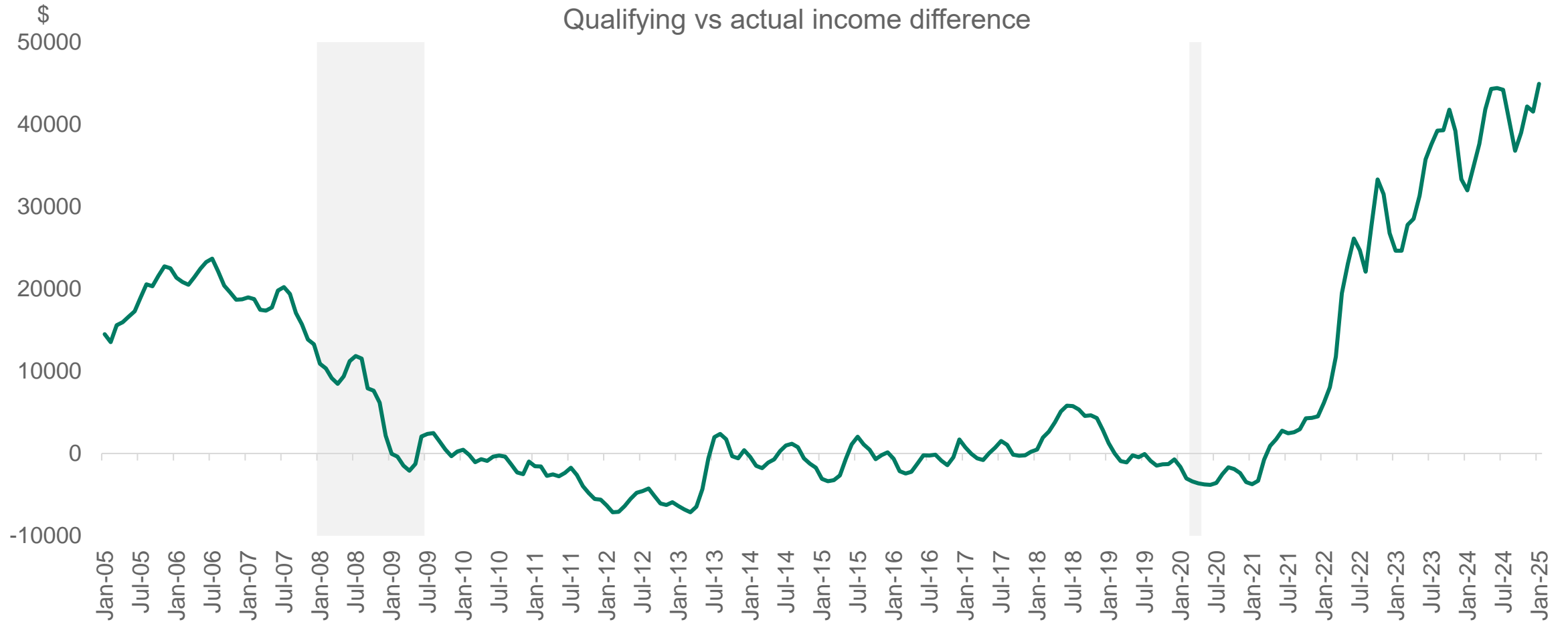
Source: FHFA, Apollo Chief Economist.

Median age of owner-occupied housing is at 40



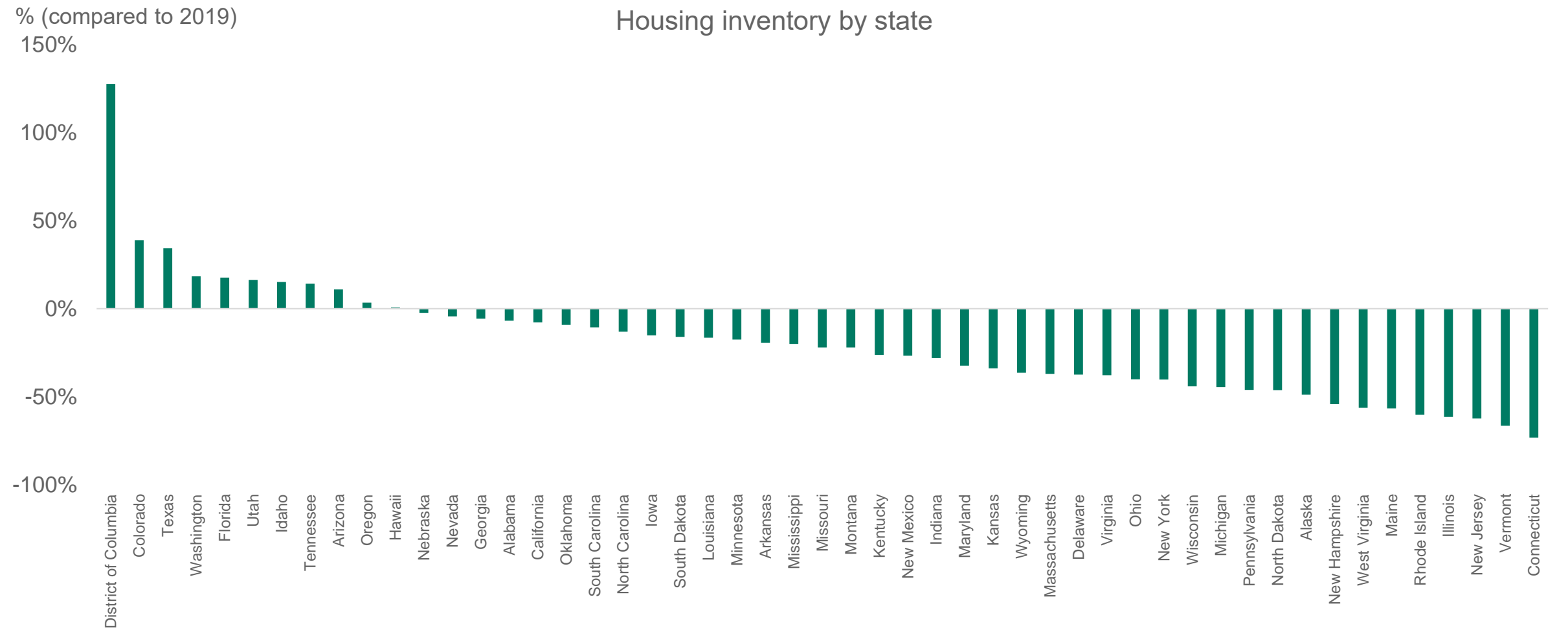
Source: 2005-2019, 2021-2022 American Community Survey Estimates, Apollo Chief Economist.

Home ownership affordability at national level



Source: Federal Reserve Bank of Atlanta, Apollo Chief Economist. Note: The chart shows gap between actual median household income and qualified income. Qualified income is defined as income needed for annual home ownership cost to equal no more than 30 percent of annual income.

Housing inventory yet to recover to 2019 levels



Source: Realtor.com, Apollo Chief Economist. Data as of April 2025 compared to Feb 2019.



Torsten Slok, Ph.D.

Chief Economist

Apollo Global Management

tslok@apollo.com

Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade. Prior to joining Deutsche Bank Mr. Slok worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D in Economics and has studied at the University of Copenhagen and Princeton University.