What's Trending Today with Sam Khater

Duration	00:35:56
Speakers	Corey Aber, Vice President of Mission, Policy & Strategy, Freddie Mac Multifamily Steve Guggenmos, Vice President of Research & Modeling, Freddie Mac Multifamily Sam Khater, Chief Economist, Freddie Mac

Corey Aber [00:00:00] Hey, Steve, I got a number for you.

Steve Guggenmos [00:00:02] All right, what is it?

Corey Aber [00:00:04] Hey, Steve. I got a number for you.

Steve Guggenmos [00:00:06] Yeah, yeah, I know. What is it?

Corey Aber [00:00:08] Hey, Steve, I got a number for you.

Steve Guggenmos [00:00:12] I-I heard you. Yeah. What is the number?

Corey Aber [00:00:15] Really? You haven't guessed it yet. No? All right, let's try, let's try this differently. What number is always the same and constantly changing?

Steve Guggenmos [00:00:27] Well, I guess that one, constantly of interest and always changing for us in commercial real estate – 10-year Treasury.

[bad comedy drum sound]

Corey Aber [00:00:36] Absolutely. You got it. So, all right, not that hard in the end. So, I got one more for you.

Steve Guggenmos [00:00:42] All right.

Corey Aber [00:00:43] What do you get when you put two economists in the room with one talking head?

Steve Guggenmos [00:00:48] I don't know.

Corey Aber [00:00:50] Today's episode of the Freddie Mac Multifamily podcast.

Steve Guggenmos [00:00:59] Hello and welcome to this episode of the Freddie Mac Multifamily podcast. I'm Steve Guggenmos.

Corey Aber [00:01:04] And I'm Corey Aber. There's a lot going on in the market here in early 2023, and in many ways it hasn't been easy. But it's important to take a step back and look at moments like this and some perspective. And there are a lot of market dynamics at play as well as long-term trends and emerging developments. That's why on today's show, we're joined by Freddie Mac Chief Economist Sam Khater. Sam, thanks so much for being here today.

Sam Khater [00:01:26] Thanks for having me.

Steve Guggenmos [00:01:28] Yea Sam, it's great to have you here and I know there's just so many things kind of moving in the economy and the housing market right now. Some of your interesting work recently has been on kind of a connection between rental and ownership, the first-time homebuyer and kind of their contribution to like single-family demand. Maybe we could start with something like that?

Sam Khater [00:01:45] Sure. The first-time homebuyer has been absolutely resilient, even in a down market. When we take a look at the first-time homebuyer share of Freddie Mac's purchase acquisitions in the early to mid-1990s, it was running at about 25%, and then it began to increase at a steady pace into the low- to mid-40s as of 2019 and early 2020. And then when the pandemic hit, their share rose. But more interestingly is that their share rose to near 50% as rates shot up over three and a half to four percentage points in '22. So, you know, the volume was, of course, falling because the entire market contracted, but their share is now essentially double where it was 30 years ago.

Corey Aber [00:02:35] Is that a little bit counterintuitive or at least surprising?

Sam Khater [00:02:39] There are a couple of main reasons for it. A, you've got a large demographic wave of millennials — they're the peak age cohorts are now in their early 30s and they are forming their families and thinking longer term about getting out of rent, the rental market which has gotten more expensive over time. And so there's a kind of a demographic wave that's that's driving this. But then the other part is the repeat buyer, right? So those are the two main components when we, when we create that ratio. And the repeat buyer or trade-up buyer has really shrunk as a share of the market over the last few decades, and the main reason is the lack of inventory that's in the market for trade-up buyers. So that that has led to the share being elevated. So part of the reason the share is elevated is because of the number of first-time homebuyers that are coming into the market, but the other main driver is just the share of repeat buyers has really declined.

Steve Guggenmos [00:03:38] And I think that's really in some ways, like you said, there's multiple drivers and it's kind of, you know, points to, you know, multiple things. But in some ways, I hope that it's comforting to people that folks that, you know, sometimes we think about if people were sitting on the fence and, you know, rates went up as much as they did, that people are completely kind of locked out of the market and it's good to hear that there's folks still out there able to get into homeownership. And and so they are, you know, meeting the threshold to get into a home. Maybe there's folks where affordability has become such an issue just in general as well, though and there would be folks kind of outside of that, like when you look at affordability right now, something that we talk about on the multifamily side a lot in the housing market, how are you seeing affordability these days?

Sam Khater [00:04:23] Yeah, the, if you look at various housing affordability indices, they indicate that the market is as unaffordable as during the mid-2000s and that's why we've had the precipitous decline in sales of about 35% on a year-over-year basis. However, despite the fact that, the market's unaffordable, despite the fact that we've had a substantial decline in sales, home prices are only down 2 to 3% nationally, of course, some markets on the West Coast are down a lot more. But the main reason we have the lack of affordability is the combination of a higher interest rate and elevated home prices. So the higher interest rate now has sort of crested and is moving sideways. Home prices have only come down modestly, so the lack of affordability will remain with us, and I think the main channel and still the main and still largest obstacle, I would say — not just to the housing market but to the economy — is the lack of supply, because when you, typically, when you get a large downdraft in sales, you should have a soft, more of a softening than than what we've seen in, in home prices, which will be the kind of the remedy to the lack of affordability. But that's not happening, and the structural lack of inventory is causing sort of, you know, home prices to remain abnormally high. And so, I feel like this affordability issue will remain with us until the lack of, the lack of supply is solved, which I don't see happening anytime soon.

Corey Aber [00:06:03] Has there been anything that's really exacerbated that in the last year or two or we coming, coming out of some challenges that we saw during the pandemic?

Sam Khater [00:06:11] So, you know, the labor market challenge, if you talk to the homebuilders, they've always mentioned that labor was the biggest constraint on the new construction side, and that became more of an issue during the crisis. And this sits on top of other structural issues, such as the availability of lots. And one that doesn't get as much attention, which is financing for construction and acquisition development and construction financing is fairly more expensive than it is for a, a parcel of land that has a structure. And so that's, that's an issue — one that's much less examined and I think is sort of another major driver is, is that the number of homebuilders has shrunk in the U.S. over the last 15 years. So, coming out of the great financial crisis, if you look at the construction market on the single-family side, it's dominated by small and medium lenders. A lot of them went out of the business during the crisis. Many of them tended to focus on sort of middle-income borrowers. And so, what's, what you're left with is a market that's increasingly dominated by the largest builders who still have access to the capital markets and can still finance themselves, but they are increasingly building to the top tier. And new construction is always built on the more premium end, but, but it's become increasingly so over the last couple decades.

Corey Aber [00:07:44] Are you seeing homeowners and prospective homeowners looking at different markets in markets they would not have looked at maybe five years ago or 10 years ago?

Sam Khater [00:07:52] Absolutely, yes. So we've done quite a bit of migration research over the last couple of years. In fact, the Federal Reserve wrote a paper, really interesting paper, that concluded that the bulk of the run-up in home prices was due to changing migration patterns. Some of them began kind of initiated new trends in the market, but a lot of what's happening from a migration perspective is just cause previous patterns to expand even more.

So let me give you kind of more of an example on that. When we take a look at the top 25 markets and we look at domestic migration, meaning homebuyers — these are owners or first-time home buyers — that are moving across metros and our data about ballpark in the mid-teens in ballpark 15% prior to the pandemic moved across metros. That share rose to the high 20s, almost 30% at the peak. It's now moderated some, but is still in the mid-20s and it's served as a release valve and a way to really, for buyers, to mitigate the lack of affordability in their market by moving to another market. Our research indicates that for a typical homebuyer that's moving from the market they're in to a more affordable market, which is most of the direction that we're seeing they are saving an average of $600 a month on their payment, which is substantial. And what it's doing is it's allowing markets to get sustained and increased demand from these homebuyers that are coming in.

So I'll give you a few examples. The biggest inbound market over the last two or three years has been Riverside. A lot of these homebuyers are coming from the Los Angeles market. You know, you hear a lot of noise and press attention on California buyers moving to Texas and Nevada and Arizona, and yes, that's happening, but the number one market that many coastal Californians are moving to is the Central Valley. So many L.A. residents are moving to Riverside and it's the same is true for San Francisco and San Jose. If we move to the East Coast and Boston, many of them are moving to Worcester, I hope I'm pronouncing that correctly. If you look right here at home, the D.C. market, Baltimore is the number one inbound market, it's much more affordable than, than D.C. Go, go back up to New York, the number one market for New Yorkers leaving is not Miami. That's if you, you know, if you see the press, they all talk about Miami. It's actually Philadelphia in the northern suburbs of Philly. I think the Miami thread became sort of prominent because a few high-net worth individuals up and moved to Miami and so it got a lot of attention. But for your typical homebuyer they’re, they're moving to adjacent markets that are more affordable.

Corey Aber [00:10:43] It's interesting. Back when I used to live in Rhode Island, back in around the turn of the century — I can say that now, actually — and that was, that was sort of the narrative at that time, right? House prices in in Rhode Island and Providence area were going up because New Yorkers or people from Boston moving in, so interesting to see that sort of continue. But when you look at, you know, one of the things you said struck me, so there's, you know, some segment — right in California you said moving to Riverside or San Jose — some segment moving out of state, so that suggests there's some job change going on as well? Are you seeing among people who are moving from one market to another, some sense of, you know, staying in the same jobs, same industry or...?

Sam Khater [00:11:23] We've been trying to look into that. We don't have any conclusions yet. There's very little data on the movers and their jobs. You know, our strong sense is this is due to remote work. There's been some research that shows that about 45% of all jobs can be done remotely. So, I think that's a main driver of the channel, but there's very little data on it, but we are looking into that to see if we can identify if it's driven by certain types of jobs or certain kind of industries. But my strong suspicion is that these folks can do remote work, A. That's one subset. Another subset are sort of pre-retirees. There's been an increase in the number of those in their mid- to late fifties who are moving and they're often, you know, moving to more desirable locales. If we look at the, the job market, the, the composition of the, the job market, particularly for those that are in their late 50s and 60s, their participation rate has fallen some. And I think part of it is because many of them are sort of retired as the market really accelerated up and they were able to get a few years of wealth that they didn't think that they would get. And so they, they went ahead and made that decision. However, I will say I think the run up in inflation has made that a more costly decision and then sort of I think some of them might be coming back into the market. So I think what the one really interesting and open question right now is what happens as the labor market potentially deteriorates some over the next couple of years and you see home prices sag in some of these hot markets. You know, do we see more of a mean to the reversion to pre-pandemic trends in terms of migration? So far, we're not seeing that, but it will be interesting to see if this is a sticky and permanent shift in and change in behavior.

Steve Guggenmos [00:13:12] Yeah, it's definitely interesting to, to see, like you say, there's thess pressures on affordability and then households did adjust, right? They're moving from these, and if people stayed put, I guess, they would have sustained, you know, huge increases in their overall mortgage payment because of those increases in prices on the homes and as in addition to the increases in rates. But when they move out, it's powerful to say that what would have been a meaningful increase in their housing costs actually goes down. And that's certainly reaction and people being able to work from home and, and all of those kind of things.

Sam Khater [00:13:44] Absolutely. It's an arbitrage opportunity for many homeowners. And from a housing market perspective, it's allowed home prices in these markets to continue to increase. If you, and in fact, that when we overlay a migration chart for the U.S., when we do it by the, from a metro perspective versus home prices, they look very similar. So if you look at the places that are seeing the most in-migration, pretty much anywhere in Florida, outside of Miami; the Carolinas, both North Carolina, South Carolina; eastern Tennessee; Texas; east Oklahoma; Central Valley; the Southwest — all seeing very strong home prices. The areas that are seeing large outflows are seeing much weaker home prices. And they tend to be the, the large unaffordable markets on the coasts.

Steve Guggenmos [00:14:31] And I think that the, the work that you guys have done on this is really fantastic to kind of see that move out of those great big areas and into the smaller areas. You know, another, you know, piece of your work and the team's work that I really like is, is when you look at individual households and what we can learn here at Freddie Mac on an individual house somebody might have rented at and then what, the house sold out or vice versa and how you can learn about trends kind of that go beyond kind of the base indicators. Maybe you could speak a little bit about, you know, what you're able to do that way?

Sam Khater [00:15:05] Sure, we're in the early stages here, but, you know, one of the things that we've been trying to emphasize is to use Freddie Mac data in a way that we use Census and other data sets. So there's this trend that's been occurring in, in economic circles over the last decade or so in terms of using more and more administrative data, meaning data that is used not for the purpose of statistical reporting, but still can be very useful.

So for example, with the migration data, when we compare our migration data to Census migration data, even though they are two very different data sets and we are only looking at a slice, there's a high correlation between the trends and it gives us assurance that what we're seeing in our data mimics the Census data. The advantage of our data is that we can look at it in real time. I can look at migration as a week ago versus the Census data, which has about a year and a half lag.

And so as it pertains to some of the kind of more interesting analysis that we've been doing lately, what we've done is used our internal purchase applications data where we can see what the rent was for first-time homebuyer and and then we can take a look at what the AVM (automated valuation model) is for that home and estimate the the the monthly payments. So it gives us a much more pure signal of affordability down at the parcel level, right? So often when you look at affordability data outside of companies like us that have a lot of data, they are using home prices nationally overall and incomes for all households, irrespective of whether they transacted or not, right? So, it's a very kind of high level, abstract data set, and it makes sense to use that because that's the best that you have. And you might be able to look at this by state or maybe even by region.

The power of the big administrative data sets is it allows you to control — so you're looking literally at the same property and seeing what it rented for versus the estimated mortgage amount. And so it gives you a much more refined and a pure signal of affordability. And it really just opens the box on the different types of analysis that you can do. So it's really kind of a fascinating time to be doing this kind of work.

Steve Guggenmos [00:17:14] It's so great. Like, I agree that we often are in a situation where we're looking at aggregate data about affordability. And, you know, there's the economists have like pressures in one way or another. But to get down to that micro decision on a, on a home is just so powerful.

Sam Khater [00:17:29] It really is, and it allows you to look at things in a different way. A lot of the aggregate data by the various statistical government agencies were built at a time when kind of a rising tide lifted all boats. With the increasing dispersion and outcomes for various people, whether it's in the economy or the housing market, this really lets us look at the distributional outcomes. So the, you know, the mean just doesn't matter as much as it used to be for any data point. You really need to know about the distribution of the data around that to get a full sense of the scope. And this allows you to look at it from a distributional and a very hyper, local view. And as we all know, as you know, realtors always say it's all about location, location, location. And in this case, we can isolate it down to the individual unit.

Corey Aber [00:18:13] So, Sam, you mentioned earlier what you can do with the administrative data, looking at, you know, maybe the rent before versus cost of a mortgage or maybe that was what somebody paid for rent before versus when they're buying a home and what their mortgage was or what the home rented for previously and what the mortgage is. So what are you learning from that and how do you look at that?

Sam Khater [00:18:38] Yeah, I think one of the main things that we've learned is that actually the market is not necessarily — it still leads us to the conclusion that the market's unaffordable, but not quite to the same degree as it was in the mid-2000s when we are controlling for the individual parcel. And we've done this in several ways and there's really no right or wrong way with this and so sometimes, we, we try different ways of doing it. So for example, we have both looked at the actual rent payment for a property, let's just call it 123 Main Street, and then we'll take a look at the estimated value of the property using our internal AVM, and then we'll estimate a mortgage amount for that property.

We've also looked at using different sources of data: the, what the home rented for and what it was actually purchased for, right? So with that, there's really no estimation, but it thins down the amount of data that you look at. So sometimes there's a trade off in terms of what you can do versus the depth and breadth of the data. And I think that's one of the challenges always with using these administrative data sets, because it was not always produced with the intent of, you know, full national representation, deep levels of, of data. Sometimes the decisions you make as a researcher are driven by the data availability, but it just allows us a much more, overall, much more nuanced and really local view into some of these markets.

Steve Guggenmos [00:20:06] And yeah, I thought it was really interesting to think about it on the individual property level. And I know that as I worked with your team and talked about affordability when rates were going up so much, right, it gave a very granular feel that a person in an individual household, the cost of that housing was just going up dramatically. And, and I think it made it very real beyond just the overall kind of pressures in the market.

Sam Khater [00:20:32] Yeah. I mean, if you look at just the, you know, the typical estimated monthly mortgage payment, if you just take a house price, assume LTV (loan to value) and, and the mortgage payment, the change in that level of affordability, the increase is much higher than what we actually see in our data. And I think the main reason is you're seeing both migration into more affordable markets, but then also substitution, right? So if the price of steak goes up, then at some point you might, you know, make a switch and buy something that's more affordable. It could be chicken, it could be, you know, salad or whatever. And so there's a substitution that I think you see with our data, because it's all these hyper-local individual decisions that you don't see when you're just aggregating data.

Steve Guggenmos [00:21:16] It's really important to disentangle these things as, as you have the opportunity to do so, because the, because people are making these different choices and you're learning about those micro decisions.

Sam Khater [00:21:27] Yeah, it just it just gives us a much more nuanced view. I mean, I think always as researchers, you sometimes have to abstract away from reality, and this gives you a little bit more of that dose of reality and all these decisions that are being made at a very local level.

Steve Guggenmos [00:21:40] And then maybe to circle back kind of the macro level and housing, I know that as the pandemic hit, there was a lot of concern about house prices and then they started going up so dramatically and then with rates up, there's, you know, kind of a trailing back down. And then there's all these pressures that we've talked about overall. And I know on the, on the multifamily side, you know, after a huge run up in prices, we're seeing prices fall. Maybe you can talk through kind of the path of single-family house prices and, and kind of where we're at right now.

Sam Khater [00:22:10] Sure. So if we rewind back to May and June of '22, that was the peak of the home price cycle and home prices began to soften very rapidly. And in fact, in the initial months of July, August, September, October, home prices began to decelerate at the fastest rate that we've ever seen — and by ever meaning data back to the late 1970s. But it was faster than even during the great financial crisis. And so that gave me a fair amount of concern. I knew the the the end of the story or the landing would be very different than the great financial crisis because there's just much less inventory, but you never know when you're kind of when you're slowing down that fast it can just lead to things that you just don't expect or anticipate. But then after those kind of initial months, which began to, where home prices began to descend very rapidly, it just as quickly stabilized. And then over the last couple of months, home prices have begun to increase on a month-over-month basis, which is remarkable given that sales are down over 35%. And so, you would think that there would be a big, you know, if you just think about any other consumer segment, if you just see the sales of any of that segment down that much, you would expect prices to soften more than a couple percent.

So that's you know, the market is, now is in the process of stabilizing. It'll be very interesting to see what happens going forward. I think the, the threat of inflation is receding. I think the more interesting question is where is the terminal rate of inflation, which helps us think about, you know, monetary policy and where rates will, will end up. But, you know, the main reason that home prices have stabilized is the lack of supply, inventory is now down to about two and a half months. Historically, we look for five and a half to six months for, you know, kind of a normal, stable market in terms of home price growth, you know, 3 to 4%. Basically, you know, about a percentage point above inflation. So the level of inventory after this massive decline in sales is still less than half normal. And so that's why you're still seeing, you know, now not just to stabilize, stabilization, but a modest increase in home prices despite the substantial decline in sales.

Corey Aber [00:24:30] Do we see in the data how long it's taking for transactions?

Sam Khater [00:24:35] We do. It is it is taking longer than how long it took to sell a home or in terms of how long, you know, a home stayed on the market, but it's still well below pre-pandemic times. So, well, you know, one of the interesting things now in terms of economic data is the comparison not just to the pandemic, but to sort of normal times because the pandemic was so abnormal. And so when you compare today's market to pre-COVID times, it's varied. We would be at historic tights in terms of inventory, sales ratios, months supply, how long it takes, it takes to sell, sell a home. So the market remains very tight compared to pre-COVID times.

Steve Guggenmos [00:25:16] So rates have moved up. We talked about the 10-year Treasury at the beginning and that's certainly up, which pushes the mortgage rates up, which hits the affordability that we've been talking about and, and it's, and it creates a situation where potentially the market could be different, right? You know, there's questions that could be asked, did the market get used to super low rates and things will, you know, need to make an adjustment? Would it be like a one-time adjustment to a higher level, or would rates come back down? Or how sensitive do you think the market will be to, you know, rates at little bit higher level going forward?

Sam Khater [00:25:50] The market currently is very hyper, I would say very or hypersensitive to changes in, in rates. It's interesting, I was just at a conference with several mortgage brokers and I asked them, you know, where is the sweet spot for rates? And they all mentioned in the five and a half to five and three quarters you know where we're at close to six and a half and, and flat today. And when we take a look at the purchase applications data that comes out from the MBA (Mortgage Bankers Association) and we track it versus mortgage rates, it's extremely sensitive to changes in rates, which is not a surprise. But despite, you know, all the challenges from a rates perspective and I, and I get and I understand why that gets all the attention — I still think that the main obstacle to more sales is the lack of inventory.

I think what's happening now is as rates have escalated, buyers have become more choosey because now it's, you know, sort of their monthly payment [is] higher, and they’re, and so I think they are looking at the inventory and saying, okay, at this higher rate, I'm not going to, I'm not going to compromise, I'm only going to try and get the home that, that I want. But there's enough of those buyers in the market that sales are happening. In fact, when we take a look at the number of affluent, in air quotes, affluent renters in the market, they've doubled over the last seven or eight years. And so, there's still a large reserve pipeline of first-time homebuyers and they account for, you know, for over 40, 45 to 50% depending on the month of our, of our share. So, so I think, you know, given the fact that you have a lot of entry-level buyers and the lack of supply, it's causing their reaction, them to be very sensitive to changes in rates and that causes also home prices to be very volatile as well.

Steve Guggenmos [00:27:35] That's interesting. And to think about that, you know, homeowners are, you know, looking for exactly the right place, right? They want that specific location and, and the, the type of house and all the amenities that come with that. You know, I think that lots of things that are getting considered new in the market right now are things related to climate and climate risk, and those kind of things. Do you think that kind of consideration, will that change where people buy in the near term, further-out term or — I know that we need to, as a company, we take a look at risks related to that, to climate change and potential, you know, how that affects the risks to the, to the, to the properties and in multifamily is certainly affecting insurance costs and all those kind of things.

Sam Khater [00:28:27] Yeah, it's interesting. If you take a look at, if you just follow what homebuyers are doing, they are moving to more climate risky areas. The biggest risk that they are taking on incrementally in terms of their migration is moving to areas with higher drought and wildfire. And again, with this, what we're doing is we're looking at the purchase applications data and looking where are they moving to and where are they moving from. And we take a look at the climate riskiness of that particular, their current track versus the track that they're moving to. And so incrementally at this point, homebuyers in the market broadly are moving to areas that are drier or have more wildfire exposure. So, this is, a lot of these are in the Southwest, Central Valley, some of the Rocky Mountain states.

A second factor in terms of climate risk is really hurricane risk. So, the other main areas that have been very popular from a migration perspective are the aforementioned Florida and the Carolinas, really more than any other states — and, and Texas to a lesser extent. So, it feels like from the attitudinal data that homebuyers are more aware of the climate risks, but so far they're not really adjusting their behavior, A. B, and neither are builders, because builders are building in these areas as well. So, it's both a supply and demand problem. I think, you know, I think more buyers are becoming aware of it, but it doesn't seem to be incorporated in their decisions quite yet.

Corey Aber [00:29:59] I wonder, and maybe this is too granular to to see, but you have sort of at the macro level, an area that might be more climate risky, but then within those areas you have some, some parts of the market that are maybe less so. I think of, you know, in in Houston, maybe some homes that are just a little bit outside of historical flooded areas, a little bit more elevated.

Sam Khater [00:30:22] We've actually published a couple of studies on this, both in Texas and and Florida. And the main takeaway is that when consumers are aware of the risk due to government mandate, like in a floodplain, they do discount the sale price in that market on the order of about 2 to 3%. So there is a discount mechanism that occurs — after a weather event such as a hurricane that discount doubles, so about 5 or 6%. So there's a, you know, there's an awareness and a discounting mechanism that occurs for the areas where they know where the risk is. What's really interesting is if you look right outside of the floodplain in areas that still have the risk but there's not an awareness by homebuyers because of the lack of disclosure. And in these areas, you see a much bigger adjustment in terms of home prices after a weather event in the order of 8 to 9 to 10 percentage points. So it's substantial.

Corey Aber [00:31:18] Because then they think like, oh, well, the whole area is...

Sam Khater [00:31:20] Correct. Yes. So I think, so when consumers are aware of it, they do discount some. There's a partial discounting of the the the risk. It's hard to say what the total risk is in terms of, if you discount it and and price based, but after anything singular event, that discount doubles. But the real change is in the areas where there's no mandated kind of awareness of the buyer. And so, they don't discount in these, in these properties. If anything, there's actually a premium that they pay after we control for all the factors that we can control. There's actually a premium, and that premium swings down to a negative. So, the full discount becomes about 8 to 10 percentage points.

Corey Aber [00:32:03] Some of the places you mentioned too, or like into parts of the Southwest, that's a long-term trend of people moving right? Into Phoenix area...

Sam Khater [00:32:12] Yeah, what's really interesting about the migration data is that it just accelerated many of the prior trends. So, it turns out that people have been moving to drier and hotter and more wildfire prone places the entire time period. It's just the number and the share of folks moving to these areas just really, really increased. What's, what's new about the migration trends, perhaps the most interesting one, is that the growth in small- to medium-sized markets — and by small- and medium-sized markets, basically any market that's about, has a population of less than 750,000 or so. If they're in the South or Southwest, chances are those markets are growing, and growing at a pretty good clip. And the main reason is affordability. You know, these smaller markets tend to be more affordable, tend to be in areas where there's more supply or it's easier to build and so that's where they've, they've moved to. And so, when we look, when we create a migration map and we look all the, the small- or medium-sized metros that dot the landscape, that's where the bulk of the growth is. And so it's not just markets in the Southeast, for example, like a Charlotte or a Tampa that's growing, but you know, a Chattanooga or a Knoxville, even markets like Nashville have gotten too expensive. And in fact, in our data, we're seeing an outflow. There's a negative net migration in these markets and they're going somewhere else. Austin is another example, it's turned negative, Denver, Salt Lake City, a lot of the sort of the hipster, hip, more hip markets that have a lot of amenities and have a lot of in-migration, that net migration turned negative during the pandemic because they just became too expensive. And so instead of going to Nashville, then you go to a Chattanooga or Knoxville.

Steve Guggenmos [00:33:57] Really interesting stuff. And I mean, this whole conversation Sam has been fantastic. I think that there's, the housing market's been moving so quickly and, you know, your team just makes the most of kind of every piece of data that kind of comes through. And it's it's really like we get an insight into the markets like like nowhere else. So it's interesting to note just like things that are in progress maybe not finished products, what kind of things are you looking at? I think that's informative as well.

Sam Khater [00:34:22] Yeah, so we will continue to produce and publish more migration research, more climate research — we've hired a new climate economist in the last year, so we're ramping up our climate research. We're also looking into the new-construction market and doing a deep dive there. Also looking at consumer credit, you know, we didn't talk about sort of the real, the recent banking issues that are happening and so we're really beginning to look at sort of consumer credit. We're seeing, you know, some fissures there. And subprime autos, subprime credit cards where you're seeing delinquency rates rise. So, these are areas of focus for us, and we've recently acquired individual transaction data for about 270 million credit lines that we can look in, very discreet details, very similar to our data that will really allow us to do a lot of custom analytics that we've never done before. So, I'm really excited about doing that.

Steve Guggenmos [00:35:23] That sounds fantastic.

Corey Aber [00:35:24] A lot of good stuff to cover next time when you're on.

Sam Khater [00:35:26] Absolutely.

Corey Aber [00:35:27] This has been great. Thank you. Thank you so much, Sam, for being with us.

Sam Khater [00:35:31] Thank you for having me.

Corey Aber [00:35:34] The Freddie Mac Multifamily podcast is produced and supported by a team of our Freddie Mac colleagues, including our production leads Jenny Nguyen and Raquel Sands and audio producer Dalton Okolo.

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