

In this week's edition of "Three on Thursday," we examine recent trends in the U.S. housing market. On Tuesday, new data on home prices were released: the Case-Shiller Index rose 0.2% in July, up 5.0% from the previous year and reaching an all-time high. Similarly, the FHFA Index increased by 0.1% in July, up 4.6% year-over-year, also hitting record highs. In spite of continued price increases, could we be seeing early signs of a shift towards more affordability? Mortgage rates have slightly decreased, and although inventories remain historically low, they are beginning to show some growth. For a deeper dive, we've included three informative charts below.

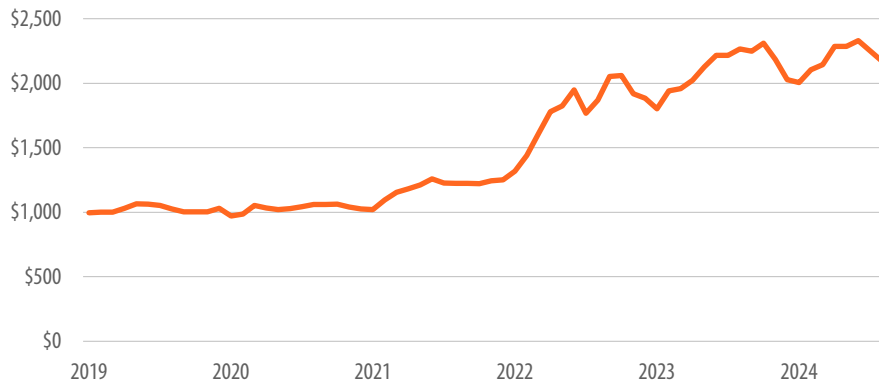
### 30-Year Fixed Rate Mortgage Average in the U.S.



Source: Freddie Mac, First Trust Advisors. Weekly data 01/08/2015 - 09/19/2024.

The dramatic rise in mortgage rates over the past few years has led many potential buyers to hesitate. Will we ever see sub-4% rates again? We don't think so, at least not in the near future. However, rates have been moving lower recently. As of last Thursday, the average 30-year fixed mortgage rate was 6.09%, down 1.70 percentage points from the peak of 7.79% reached on October 26, 2023. This marks the lowest level in two years, offering a modest reprieve for those looking to purchase a home today.

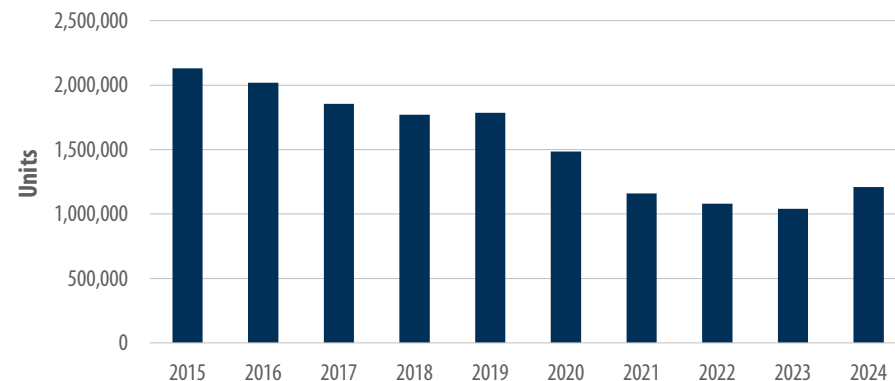
### Median Monthly Payment of U.S. Existing Homes



Source: National Association of Realtors, Bankrate, First Trust Advisors. Monthly data 1/2019 - 8/2024.

From the start of 2019 through August 2024, the median monthly payment for an existing home has surged by 118%, reaching \$2,173.26. Homebuyers have faced a double whammy: median home prices have jumped 67% since the beginning of 2019, while the 30-year fixed mortgage rate has climbed by 56%. The combination of rising prices and higher interest rates has significantly driven up monthly payments.

### Average Inventory of U.S. Existing Homes (January-August)



Source: National Association of Realtors, First Trust Advisors. Year-to-date data 1/2015 - 8/2024.

There's some good news for homebuyers: inventories are beginning to rise again. In the first eight months of 2024, inventory levels averaged 1.21 million units, up 16% from the same period last year. Still a long way to go but improvement, nonetheless. The months' supply of inventory—the time it would take to sell all existing homes at the current sales pace—has averaged 3.6 months this year through August, an improvement from the 2.3-month low over the same period in 2021. However, this remains well below the 5.0-month benchmark set by the National Association of Realtors for a balanced market.

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