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Economist Explains Covid-19's Effect on Utah's Housing Market

■ BY UTAH ASSOCIATION OF REALTORS



Even though COVID-19 has temporarily locked down parts of the economy, the forecast for the real estate market in Utah remains bright. That's according to Lawrence Yun, chief economist of the National Association of Realtors, who participated in a Zoom interview on Wednesday about Utah real estate conditions.

Because of Utah's strong housing market and economy prior to the recession, Yun believes real estate will continue its momentum following the pandemic. He expects area home prices to remain stable in 2020 and increase 10% cumulatively in 2021 and 2022.

"There's a neighborhood-to-neighborhood variation," Yun said. "That's why one has to work with a professional Realtor to really assess. But overall, for the market in Salt Lake City, price growth has been very solid pre-pandemic. 2020 may be a more stable year before ramping up again in 2021 and 2022."

Effect of COVID-19 on the economy

Even though the economy will have some of the ugliest data on record during the second quarter, Yun believes the government's massive stimulus will help the economy re-engage quickly after the temporary pause.

"I'm encouraged by the size of the stimulus package that we could be up and running quite quickly," Yun said.

He emphasized, however, that some industries will be more impacted than others. For real estate, he is optimistic because the housing market was on a solid foundation prior to the pandemic. This is particularly true in Utah, which had strong job growth, low apartment vacancy rates, rising rents and strong home-buying activity.

"We were in a housing shortage before the pandemic, especially so in the Utah market because Utah has been one of the fastest job-creating states in the country, far outpacing the national average," Yun said. "Many residents from other states are moving into Utah, so you're in a great position."

Impact on real estate sales

Despite the pandemic, many are still buying and selling as Realtors use virtual tools and social-distancing measures.

"The good news is there are still some serious buyers and sellers in the market," Yun said. "Depending on the state, one can do a 100% virtual transaction, with electronic signatures and stuff, or people can get the deal done with the right social distancing."

While some have decided to temporarily wait until after the pandemic, survey data shows these buyers and sellers are not permanently out of the market.

"We are seeing many people essentially saying, 'I am postponing my real estate activity for a couple months,' either home buyers or sellers, but they're ready to step back in once the economy reopens," Yun said.



Do I buy now or wait?

While some people may wait to buy, there are advantages for those who act now.

"From a buyer's perspective, [there are] low interest rates, less buyer competition in the current environment and the fact that the housing shortage assures price appreciation is cumulatively positive over the next three years," Yun said.

He cautioned against waiting for a price drop because he thinks that's unlikely to happen.

"Buyers need to recognize there won't be an oversupply situation," Yun said. "That simply will not happen. Buyers should understand there could be other buyer competition and get ready for quite a tough market post-pandemic."

That's because the housing shortage will still exist. There have been fewer listings during the pandemic, foreclosures aren't coming onto the market because of mortgage forbearance and many people who lost their jobs will regain them.

"If all buyers come back at the same time, it could be that in some properties multiple bidding could be the norm again," Yun said. "Salt Lake City had exceptional job-creating performance and hence I think the Utah market is well-situated for further gains in home prices into the future."

To learn more about the housing market in your area, contact a local Realtor. Find one at [MyRealtorStory.com](https://www.MyRealtorStory.com).

