September 11, 2026

The Housing Market's Demographic Reckoning (With Ivy Zelman)

LIZ ANN SONDERS: I'm Liz Ann Sonders.

COLLIN MARTIN: And I'm Collin Martin.

LIZ ANN: And this is *On Investing*, an original podcast from Charles Schwab. Every week we analyze what's happening in the markets and discuss how it might affect your investments.

COLLIN: Well, hi, Liz Ann. We're back again. I hope you had a nice long weekend.

LIZ ANN: I did.

COLLIN: I know I did. We had some nice, yeah, we had some great weather in the northeast.

LIZ ANN: Yeah. Yeah, it was beautiful.

COLLIN: And you know, lots going on in the markets, but I wanted to start out with, you know, something you recently mentioned on social media. And we'll get to a markets discussion, but you mentioned that you're hitting the 40-year mark in your career on Wall Street. So congratulations on that milestone. That's very impressive.

LIZ ANN: Thank you, thank you.

COLLIN: In addition to you mentioning it on social media, you published an article that, I think, you've discussed in this podcast in the past, and there are a lot of great lessons in that article, and we'll link to that in the show notes. And we don't have time to go through the whole thing, but for our listeners who are mostly long-term, buy-and-hold individual investors, can you share some lessons maybe about long-term trends that that you've learned and that you've included in this article over your 40 years on the job?

LIZ ANN: Well, I sure can, and thank you for that tee up. Yeah, it was actually a piece that I wrote initially five years ago when I hit the 35-year mark, and hitting 40 this year, right about now, I think my first job was at Zweig/Avatar, co-run by the late great Marty Zweig. And I decided at the 40-year point I would update it relative to what I had written five years ago. And one of the things I do in the article is cite some of the quotes or things that I have heard some of these folks say that really have resonated with me. And I mentioned Marty Zweig, and one of the quotes that he was not maybe as well known for as things like "Don't fight the Fed" and "The trend is your friend," though both of those he coined. But one of the things I like that Marty said was, "I measure what's going on, and I adapt to it. I try to get my ego out of the way. The market is smarter than I am, so I bend." And I think that's such a valuable lesson because it ties into, you know, "Don't confuse brains with a bull market." I don't remember who said that, but, you know, not much that's truer than that. And we find when you're in roaring bull markets that hubris can kick in and too much confidence. So that was one from Marty. And then I …

COLLIN: I want to highlight another one. And as I read this when you published it, one really stood out to me as well. I think it's really important. You know, we always want to have humility, right? And so one of the quotes that you have from Marty is, "It's OK to be wrong. It's unforgivable to stay wrong." That one really resonated to me … so that we can, you know, you're never going to be right all the time.

LIZ ANN: Right. But you can't dig your heels in. Yeah.

COLLIN: Yeah, exactly. So sorry, I wanted to share that because that one I thought was really, really good.

LIZ ANN: Great. So then I mentioned some of the quintessential investing books that I'm sure, Collin, you have read some or maybe all over the years. And some of these are a bit dog-eared. I pull them off my shelf from time to time, and they're probably familiar names to a lot of our listeners. You've got *A Random Walk Down Wall Street* by Burton Malkiel. That was first published in 1973. *The Intelligent Investor* by Benjamin Graham, that was first published in 1949. *The Money Game* by Adam Smith, which was actually a pseudonym for the author George Goodman, that was first published in 1976.

One of my favorites, *Extraordinary Popular Delusions and the Madness of Crowds* by Charles McKay. That was first published in 1841. And then *Against the Gods* by Peter L. Bernstein back in 1996. So I just want to just mention one quote from each of those books that I think, in particular, resonate with me in this current environment, especially given another area of focus for us that we have talked about a lot on the pod here, Collin, is the blurring of lines that's happened between investing and gambling and us as a firm wanting to really be a loud voice on that subject. And what Malkiel wrote in the book is "It's not hard to make money in the market. What is hard to avoid is the alluring temptation to throw your money away on short, get-rich-quick, speculative binges. It's an obvious lesson, but one frequently ignored."

And that to me is so important to heed in an environment like this. Benjamin Graham, one of my favorites of his, was "The investor's chief problem and even his worst enemy is likely to be himself." That goes back to the whole notion of overconfidence and hubris. I love this Adam Smith, or George Goodman, if we're going to use his real name, quote, "If you don't know who you are, this is an expensive place to find out," talking about the markets.

Charles McKay, "Let us not in the pride of our superior knowledge turn with contempt from the follies of our predecessors. The study of the errors into which great minds have fallen in the pursuit of truth can never be uninstructive." And then lastly, Peter L. Bernstein, love this one, couldn't be more simple, so relevant. I talk about this all the time when we talk about the beautiful discipline that is rebalancing. And Peter said, "You never get poor by taking a profit."

So I'll toss it over to you, Collin, for some pearls, and then maybe we'll just talk about the other stuff going on in markets.

COLLIN: You know, one thing you didn't bring up, Liz Ann, and I know you mentioned it early in the article, you say this all the time, so I'm just going to repeat your line that "Bull markets are born on pessimism. They grow on skepticism. They mature on optimism. And they die on euphoria." I wanted to reiterate that because I know that's something that you don't just talk about in this article; it's something that you talk about pretty often.
LIZ ANN: Oh yeah. I think that is probably my favorite quote ever said about the market. And that was the late great Sir John Templeton, who I had the pleasure of meeting actually on *Wall Street Week*. And I love it because it really just spells out what a market cycle looks like and feels like without the use of anything that we all talk about nonstop during the day, whether it's valuations or earnings, what the next Fed meeting is going to bring. It really is just about the emotional side. So I'm glad you mentioned that I did put that in the piece, too.
COLLIN: And I'll put one bow on this. You know, another thing you mentioned, this resonates with me, so you asked kind of what nuggets I have. And you mentioned that when you first did *Wall Street Week* with Lou Rukeyser, you know, he said to, you know … well he asked you if your parents were financial folks.

LIZ ANN: Yes.

COLLIN: You said no. And he said, "Think about that when you're out here. Try to get the audience to understand." And that's something that I always try to do with our clients here at Schwab, because before anyone wants to listen to us or wants to, you know, follow our outlooks or the guidance we're providing, they need to understand what this is all about. And that's especially true with the bond market. You know, I think there tends to be a knowledge gap with investors with the bond market. So it's a real passion of mine to have those sort of discussions and conversations with our clients about what they are and how they can help you reach your goals. So that's something that I'd add there.

LIZ ANN: You do a magnificent job of getting everybody to understand without dumbing it down, and that is a tough kind of row to hoe, at times, but you do a great job. So what else is on your mind, Collin?

COLLIN: Yeah, let's talk markets a little bit. What's on my mind? Always thinking about the bond market. And it's, you know, it's been exciting for me, I have to I have to admit, you know, we're … bond market's in the news. I hear from a lot more friends and family these days. One thing that we're going to be looking at right now, and we'll probably have answers by the time this this episode comes out, but we haven't seen it yet as we're recording, is what the size of the Treasury's liquidity buyback operations will be.

This is something that's been top-of-mind for a handful of weeks. So as a quick refresher, kind of in the middle of August, there was an update from Treasury Secretary Scott Bessent that they will at least double the size of their liquidity management buyback operations. So they were $2 billion per operation. So the assumption is there'll be at least 4. Bessent has said at least double. So there's kind of questions to see how big will these be? Will they only be 4? Will they be 5, 6, 7 billion? We'll see. Now the liquidity buyback operations, in theory, they're meant to just help liquidity with off-the-run Treasuries. So after a Treasury gets issued, and as it gets further away from its issue date, it becomes a little bit less liquid because investors, large institutional investors, tend to prefer the new-issue Treasury. So it … the buyback operations were meant to just improve liquidity if there were investors, institutional investors, dealers looking to kind of clean up their books.

But it seems like Scott Bessent is doing it to kind of manage the level of long-term yields a little bit. And by buying back Treasuries, and maybe, you know, funding those buybacks with shorter-term issuance, that takes some supply from the long end of the curve. And if there's less supply there, that can bring long-term yields down. So we're going to be paying attention to what the size of these operations are. The bigger the operation, you know, the bigger impact it could have over the short run. But we're still not really sure how much of a long run impact it'll have, because the level of Treasury yields is not something that necessarily needs to be fixed right now.

Now when I say that, doesn't mean our fiscal situation is not something that needs to be fixed. I'm not endorsing our amount of debt outstanding or our deficits, but you know, a 4.8% 10-year Treasury or a 5.25% 30-year yield are kind of just representative of the economic environment that we're currently in right now with strong growth, a Fed kind of at neutral or maybe below neutral, and sticky inflation. So that's what I'm thinking about. Now, Liz Ann, you actually shared something on X this morning, kind of looking at … I think it was a ratio of earnings yields to bond yields, is that … if my memory serves me right. What's your thinking on that?

LIZ ANN: Yeah, so I think part of the story here with the move up in in yields, but also related to that, Collin, the significant increase in issuance by corporate America, particularly in the tech area and AI-related. And so there's just a bit more competition in terms of investor dollars and a shift in some ways away from traditional large-cap equities.

In fact, another thing that I posted on the X feed this morning was weekly ETF flows, exchange-traded-fund flows, and a big outflow this past week out of U.S. large-cap equities, with an increased interest in bond categories. So I think that there is this sort of valuation differential, and there's a lot of money that is looking for maybe shiny, newer objects outside of just the traditional large-cap tech and tech-related space. So that's another force going on that is connecting the dots between what's going on in the bond market, the move up in yields, and how equities are reacting to that.

COLLIN: So on the topic of, you know, we're talking about long-term bond yields, and that can have an impact on mortgage rates and the housing market. And that ties in a little bit with the guest we have this week. So can you tell us about this week's guest?

LIZ ANN: Sure. So we're thrilled to have back Ivy Zelman. She was last on the show over a year ago. She is a trailblazer, just a legend in the world of housing and housing research. Ivy is the executive vice president and co-founder of Zelman & Associates, and she has more than 30 years' experience guiding investors and corporate executives toward business success.
It was in 2007 that Ivy co-founded Zelman & Associates, which is the leading housing research firm nationwide. It serves institutional and private equity investors, corporate executives from the home building, building products, real estate, mortgage finance, and rental sectors, etc. She is a frequent guest on CNBC, Fox Business, Yahoo Finance. Ivy was actually inducted into the *Institutional Investor*'s America Research Team's inaugural hall of fame in 2012.
And in 2020, Ivy was included in *Barron's* Top 100 Women in Finance.

Well, Ivy, thanks so much for coming back. It's always great when we have repeat visitors, and it's testament to what you shared last time that you're back by popular demand. So thanks for joining.

IVY ZELMAN: Well, thanks for having me. Pleasure.

LIZ ANN: Let me start, I guess, with the ultimate big-picture question as it relates to real estate. And you've often talked about housing as a recession indicator, and there's not much out there that is an expression of concern about the economy. So I won't ask "Is housing suggesting a recession?" but maybe a broader question. When you look at the housing market, what does it say to you about where we are in the economic cycle?

IVY: Well, overall, I think the housing market is struggling, continuing to struggle after three and a half years. I think the fact that rates are moving up doesn't help. But we did see green shoots earlier in the year when rates were approaching 6%, predominantly in the for-sale existing home market. And as rates moved higher and more of the conflict in the Middle East continued, I think that there's a lack of consumer sentiment that housing could be a positive thing.

I'd say that the brokers we speak to, you know, anecdotally will say it's just that people don't feel confident that they can refinance, where they might've a few years ago, and if they're stretching to get to that monthly payment, they're not confident rates are going to be lower. So it's really consumer behavior that's creating more hesitancy. I don't see us really going directionally down further if rates were to continue to move higher, or we had real job losses, but I think the housing market, I'd say, is just continuing in this slow grind.

LIZ ANN: And that's obviously a comment on aggregate housing market. Where are you seeing the greatest amount of strength and/or weakness in terms of regions of the country or metro areas?

IVY: Well, really the market continues to be bifurcated with what we've called the tale of two geographies. The Sun Belt, which got overbuilt during COVID across different shelter types, so multifamily for-rent and for-sale new construction saw significant development, and those markets are still, as well as build-for-rent, are still working through that supply. So we're seeing the correlation that supply is pushing pricing lower, as opposed to the Midwest and coastal markets that had less new construction that seemed to be faring better. I'd say the for-sale signs, the number of listings, is also a measure that determines directionally where pricing's going. And we've seen some improvement in some markets. For example, Miami right now is standing out as a market that's seeing more green shoots, and inventories are down nearly 20% year-over-year. That could be, I call it the Mamdani effect, more people migrating into Florida. We've actually just got the first-quarter census data on migration, and what we're seeing is that migration had been normalizing but fell below call it pre-COVID levels in Miami. Are now we're seeing Florida tick back up, and if that is indicative of what's to come, it usually would be correlated to improvement in price. So that seems to be an area that we're seeing some improvement.

So struggling in the Sunbelt, continue to be more acceleration on the coastal markets like the Bay Area, probably the hottest market in the country right now on the for-sale side, more urban. But really it's a lack of supply that's keeping markets performing better. I don't know that those consumers in those markets feel all that great because it's hard to find a home. There's a deficit of availability, but generally pricing is still moving higher, or stable.

LIZ ANN: And is the limited availability, and I'm assuming you're talking about on the existing-home side, how much of that is still a function of the lock-in effect and the number of homeowners that locked in their low-rate mortgages when interest rates were on the low end? I mean, at some point, time works against that being an impediment to increased supply, but I'm guessing we're not quite there yet.

IVY: Well, if you go back to, you know, 2021, prior to rate surging, we had about 90% of homeowners were locked in below 5%. By the end of next year, we'll be in the 57% range, based on assuming rates are staying where roughly where they are. But interestingly, even though that stuck factor is an impediment, it's not a stuck factor in the Sunbelt because that's where we saw inventories really accelerating. So just an example, if you go into Austin, Texas, and you look at how many listings there are today relative to where we were pre-COVID, we're probably 40% to 50% higher than we were in pre-COVID. So people weren't afraid to sell their house because they made a ton of money with home price appreciation surging there more so than the Midwest or the coastal markets. But clearly in markets where there's not alternative supply, you go into markets where I live in Cleveland, for example, and there's no new construction to barely speak of, and really choices. I think people just don't have anywhere to go. So yes, they want to keep their low rate, but if there was something really appealing and a good value, I think they would move.

LIZ ANN: What are the impediments to additional supply? What is holding builders back in this environment?
IVY: Well, in the markets where they are incrementally adding supply, I think that it's a combination of lot prices. In some cases they have a difficult time underwriting to get to a point where they can make a decent return. There's significant cost of development. I'd say that that is probably what they'll point to the most, but they

also don't want to go into markets where they don't feel that they're really pro-business. You know, you hear from developers, whether they're building rental or for sale, you know, going into blue states makes it very challenging, and there are significant impediments from the regulatory environmental costs that are incremental. But overall I'd say that land prices, which have finally flattened out, lot prices, which really didn't abate in terms of inflation since the GFC,[1] post-GFC. We've seen steady rising lot prices, call it roughly high-single, low-double-digit lot prices, really up until more recently where they've now flattened out. I'd say overall, the cost of lots is really the biggest impediment for more acceleration in supply today.

LIZ ANN: What about the cost of building and maybe wrap in tariffs with that, since that's obviously back in the zeitgeist after a bit of a lull? How does that come into play? Where are the cost pressures most significant, and is there any sign of life on the horizon?

IVY: Well, the good news was that for most of '25, despite tariff noise and now halfway … more than halfway through '26, the input costs, labor and materials have been good guys. Historically, we'd say stick and bricks, labor all in is somewhere between call it 3% to 5% trend line. And we had large builders actually seeing overall input costs declining in '25. Big builders like Lennar and Horton have massive scale. Or just call it even low for private builders, and those that are not as efficient or have the scale, call it 0% to 2%.

What's recently changed, however, is that we're now hearing about inflation in some materials, but even more so labor constraints: deportation, we heard about raids, we heard about, you know, builders having lost all their crews and trades because they got scared, but they were really after only one guy, one felon, and then they would be gone. The raids have picked up, and there's been more of a negative impact on labor availability, and we're seeing labor inflation that had not been prevalent for the last few years.

LIZ ANN: You know, I'm glad you mentioned the constraints from an immigration standpoint, but talk a little bit more broadly about the implications of this compression of immigration. You talked about in the context of labor supply, labor availability, but what about the housing demand side? How is that very different environment in the past year relative to years past changed the demand environment?

IVY: You know, interestingly, we haven't really seen a significant impact. Where we hear about it, the impacting occupancy is predominantly in class B, class C rental projects where you hear about it. And that's pretty typical, is that you don't really see immigration looking to form households immediately upon entry of the country. It takes some time, and they're usually doubling up and living with family or friends. So it takes a few years.

But we have seen, no question, slowing household formation. And that's really a bigger trend that I'd like to talk about. But that is very troubling and disconcerting what we're seeing, let alone that we're, you know, not feeling the negative impact from deportation, self-deportation, legal immigration under pressure. I think it's going to be problematic going forward.

LIZ ANN: Yeah, so talk a little bit more about that, about household formation and how you think about that longer term from a secular standpoint as it relates to your bailiwick.

IVY: You know, we have been in the camp—and recently published a report called "A Decade Divided"—that we are fairly in balance as a nation right now. So the rhetoric around that we have a housing shortage, 3 million, 5 million, depending on who you're talking to, we don't hear as much rhetoric when you have empty houses and empty apartments that they're having difficulty, you know, filling up right now. But clearly what we've seen, and what the work we've done, is that we are seeing significant population deceleration.

So you have three inputs. Birth rates are below replacement right now. Immigration's come to pretty much a screeching halt. And we have unfortunately death rates—not death rates, absolute deaths—accelerating as we see the Boomers that are now on average 80 years old, the oldest. So those three variables drive population growth. And population growth ultimately drives household growth. And while household growth has been slowing, during COVID, we saw a decoupling of young adults leaving their parents with stimulus dollars, rates at all-time lows, and a desire for space and distance.

Well, when rates started moving up in '22, that reversed again and started ticking back higher. So as you think about young adults, it's a big variable that goes into determining household formation. And when I was 18, you know, millions of years ago, everybody left when they were 18 or wanted to get out. But now when you go back and say, "OK, the 20 to 39 cohort, what percent lived in the '80s and '90s at home with their parents?" Call it 15%, 16%. Fast forward to 2020, we were approaching 24%. And as COVID unwound some of that, we saw it dip to the low 21%. It's ticking back up again. So for every 100-basis-point change, directionally either way, what can be a variable of a half a million households are either formed or not formed. So if you're an economist and you're just assuming that it's going to go back to normal someday, then you could say, "Yeah, we have a shortage because all these people are living at home, and they shouldn't be living at home." But we think it's a secular issue, Liz. We think that this is not going to change. Not only because affordability is stretched, because we've made it much nicer for our young Millennial and Gen Zs to live at home and now Alpha.

I mean, I can tell you from my own, you know, personal experience, my 26-year-old finally moved out in June because I bought a car that was too big for the garage for us to both have our cars side by side. So I said, "Well, you can have … you can still live here, honey, but it's pretty cold in the winter in Cleveland, so it's up to you." And it was the catalyst to get her to leave. So you know, I just think it's a secular issue, not a cyclical one completely explained by a lack of affordability.

LIZ ANN: Let me pull on that thread a little bit too and use an anecdote. I also have a 26-year-old. She's my youngest, and I have a 30-year-old. And just this past long weekend, my 26-year-old daughter and her boyfriend were visiting, as well as my 22-year-old niece and four of her friends from her brand-new job at JP Morgan. And we were talking about the desire to buy a home, so not just household formation, but I feel like there's another demographic shift, and it's that young people, in some cases, in asking them these questions over the weekend, it was "It's not on my radar yet." In other cases, they don't want the weight of owning a home. They want that flexibility, the whole shift to a bias toward experiences to a greater degree maybe than when, you know, we were that age, and that was more about, "OK, you know, here's the order of things: You get out, you get married, you buy a home."

So do you think that that shift in just a desire to want to own is also secular, or that's just a sort of a vestige of things that happened during COVID?

IVY: You know, I think there's a combination because I think we see that young adults today are living differently, and they have more of a focus on work-life balance than maybe we did. So I do think that, today, flexibility is a strong attribute they're looking for, whether it's they want to have six weeks of vacation instead of, you know, they're willing to give up salary or compensation to have more time off, whether it's for experiences.

We've also heard young adults are really more likely to be putting money into the stock market. If you look at the age cohorts, we've seen a steady rise in young adults investing in the market. So rather than put money in a, you know, buy a home today when home prices are doing nothing but either stable to slightly lower, they don't feel good that it's a good investment. So it may be not a good time to be a buyer today—that is cyclical. But then there's the secular aspects of really the cohorts are living differently today and have different priorities. And it's more important to have the latest new iPhone than to save your money for the down payment.

And when you talk to builders, and you ask them, "When you're trying to qualify today's buyers, what are some of the impediments?" And as you may know, builders are buying … nearly 80% of all of the new construction homes that were sold in '25, 80% are using a mortgage-rate buy down. It's pretty significant. And they're getting them to the monthly payment by offering a 4.99% or even lower for 30 years. So the rate is not the impediment because they're getting them back to what would be, I guess, the affordability trend line. However, they have debt that's pretty extended, debt-to-income ratios, back-end ratios are high, and they don't necessarily have the down payment. But then that gets into the wealth transfer that we think is benefiting the market today, already benefiting, as roughly 20% of FHA mortgages have down-payment assistance, which has been fairly consistent.

Similarly for conventional, it hasn't really changed very much, which is surprising from our perspective. Where you talk to Fannie, Freddie, they're kind of in the mid-teens with support from down-payment assistance. But then you look at the cash purchases, Liz, and those have accelerated significantly versus long-term, from a historical perspective. So I think the wealth transfer is definitely helping, and more parents or grandparents are supporting their young adults with down-payment assistance. But anyway, just off the tangent, but I do think that's an important element.

LIZ ANN: Yeah, speaking of wealth, when you look at overall household net worth, which is at a record, where are we now in terms of housing's share of that? And I often think about the fact that, in terms of household financial assets, a record share is in the equity market. And the circularity of that in terms of, if they're … we know that the strength in the stock market has boosted net worth, boosted the psychology, which is fed into consumption. You're getting that more in terms of stock market wealth than you are probably in housing wealth.

But do you think like I do about sort of the circularity of this? What would it mean if we have a bigger correction in the equity market in terms of consumer spending, and how does that weave into housing's share of net worth, which I don't know off the top of my head where that sits relative to its historical average or range.
IVY: It's definitely the largest of whatever their net worth is comprised of. We're actually hosting our housing summit in two weeks in Boston, and we're working on a section on wealth overall, the wealth transfer. And I think it … I want to say it's at 30% to 40%, but I have to double check. But it's definitely the largest. What's interesting is that people have tremendous amount of equity, but when you look at what really drives demand, it's in a confidence level that you're going to see home prices re-accelerate so that the change, the rate of change, of home prices is more correlated to housing turnover, as well as things like home improvement and home

furnishings. Because we have tons of equity, but people are not spending big-ticket today. They're not spending on their homes like they feel confident that they're going to continue to rise in value. So I think when we look at, big picture, where the equity for the net worth, how much it gives you confidence, I think it's the piggy bank that no one's using today because HELOCs**[2]** are too expensive, but it's there.

If the stock market corrects, we'll see an immediate pullback in the move up to luxury price points. Right now, that first-time-buyer market is struggling the most, and you don't see it as tied to the stock market as much as you see it tied to rates. However, when you look at the higher end, which has been more resilient, and frankly, in our K-shaped economy, the luxury is actually very strong in certain markets, I would say …

LIZ ANN: And is that still largely a cash buyer for the ultra-luxury market?

IVY: I think it is more cash buyer absolutely. Tough to say what they'd buy when … after the fact, but it's more competitive to use cash in markets where you have bidders that don't have cash. But no question there's a bifurcation in the market, and the stock market would be a significant catalyst for those luxury buyers or, you know, significant-move-up buyers to pull back. And we saw that when rates were moving up, but it wasn't just rates, as I mentioned the green shoots earlier in the year. I think it was just the turmoil in the Middle East that really caused the slowing.

And that's continued through into August, that we see a real malaise in the market, no improvement in sight, people just hesitant. And I maybe attributed that to the volatility in the stock market and just what's happening on the ground in the Middle East.

LIZ ANN: And are we seeing a lessening of investor interest in buying up houses and then putting them back on the rental market? There certainly … it's become a little bit of a political hot potato at times, and just general sensitivity to "Why would I want this big behemoth, you know, financial-services company buying up houses and then putting them on the market?" So where does where do we sit on that trend relative to recent history?

IVY: Well, given legislation was just passed, the ROAD to 21st Century Housing Act, we definitely saw while that was, you know, I guess yet to be signed and approved, significant pullback by investors, in terms of uncertainty on directionally what the legislation would come to fruition. Since that was passed—and although the president didn't sign it, it went into law—we have seen a little bit of improvement, especially on the build-for-rent side, because now there's not the seven-year, you have to sell after seven years.

But now there's noise that state legislation might come to fruition to curtail investors buying off the MLS.[3] So there's still tweaking and noise about what negative impediments might become prevalent. And so I'd say that it's not returned to the full extent, and it's still sort of hovering at low levels, with the exception of build-for-rent.

LIZ ANN: Let's shift a little bit more toward the commercial space. And seems to be a lessening of concerns that this is some major accident waiting to happen. And admittedly, when you look at various segments within commercial real estate, there is a big divergence. But what are you saying to and writing to clients now about the health of the commercial real estate where the pockets of strength and weakness, particularly weakness, still exist?

IVY: Well, in our framework and our ecosystem we focus more on the resy[4] side of the business. You know, we do cover multifamily, which is commercial and single-family rental. You know, our lens doesn't extend that much into the, you know, projects on the ground, but you know, the data center infrastructure projects have been still pretty hot. There's lots of controversy now with the electricity use and opposition at local level by legislators trying to ban it or at least keep it more moderate, but that has been a factor for the resy builders because it's making the lot prices much more competitive. So the data center strength and overall infrastructure, industrial infrastructure, has been more positive, but bigger picture, I'm not really an expert enough to talk about the rest of the commercial market.

LIZ ANN: Well, let me pull on the data center thread because it is very top-of-mind. What is that doing to the housing markets in those areas like Loudoun County in Virginia? There's obviously an uproar by local residents, that being kind of a prime example because of how dense the population of data centers is. Are we actually seeing noticeable movement in terms of people saying, "I'm not going to live here. I'm putting my house on the market?" And/or buyers that are stepping away because they don't want to live with a data center either literally or figuratively in their backyard?

IVY: It's a little early to point to that as a factor, and especially in markets, you mentioned Loudoun County, you know, we haven't seen a lot of volatility there to suggest that that could be attributed to, you know, what might be slowing the market. I do think that we've heard that are more of those that are now building data centers are also trying to provide housing, which is a positive, and I, off the top of my head, I can't give, but there's at least a half a dozen examples that they're not only building data centers, but they're bringing housing to those markets. So that might be the way to negotiate with local municipalities to offset some of the concern. But it hasn't shown up or we haven't heard enough yet from our brokers and our builders and our industry contacts that there is a pullback on demand. But I do think that that's probably a little bit early to detect yet.

LIZ ANN: All right, one final specific question, and then I'm going to ask you a really final longer-term question. So what are the hottest places in the country from a residential real estate perspective, and maybe what are the coldest? And I don't mean that from a weather standpoint. What are the hottest markets right now? What are the weakest markets right now?

IVY: Well, if price is our scorecard, which I think is the right way to look at it, I definitely would say the Bay Area is the strongest market in the country. We have seen, no question, the Northeast continue to fare well, and I think if that's again a lack of inventory that is driving that market. I think there are some markets like Hartford, Connecticut, Syracuse, New York. These are markets that are seeing very strong pricing. Chicago, which is not usually considered to be a great housing market, is at least on the scorecard of price, doing better than others, Cleveland doing better than others. But that's where we're starting to see a little bit of turn. Miami, I'd like to highlight again, is in a market that seems to be improving, which is a good sign.

The coldest markets, I'd say Austin is still up there as a cold market.

LIZ ANN: Because it had boomed before?

IVY: I think because it's still working through the challenges of not only the oversupply of inventory, but the affordability there is much more stretched. When you go into individual markets, and you look at where the home prices accelerated the most, or maybe where investors were most prevalent, there's a lot of Sunbelt markets within Texas and parts of Florida that are still really struggling. I know that in Denver, Denver's a market that I would say is probably cold right now with resy real estate. There are markets that are, you know, feeling as if they've hit bottom and not are not going to get worse. You know, we heard for example, Austin, but then the summer malaise came in, and it's hot pretty hot in Texas right now. So builders aren't feeling all that good about where rates are and optimistic and they're not seeing really the type of sequential improvement that they'd like to see. So those are some that come to mind.

LIZ ANN: All right. So one final question. One of the things I often do in my role is think about narratives, longer-term narratives, and what investors might be missing about what is likely to happen or what we might be talking about or what's in the zeitgeist or over, you know, multi-year period of time, what's not in the general conversation right now. Is there anything you think about as it relates to housing longer-term that you feel like you're focusing a little bit more on, but the public is not yet thinking about?

IVY: Well, I would say yes, and it has to do with the concerns I have around what the household growth is going to look like in this country. You know, I look at the cohorts broken down, and when you look at the just population of, let's say, kindergartners, you know, I don't know if there's been some recent press about it, but it's troubling. There are cities where kindergarten enrollment is plunging, and it might be because they moved to the suburbs, but there's no question that the decline in our youngest generation is going to really bite us in, call it, 20 years. And I don't think people are thinking about it. I mean if you look at the trajectory, I hear a lot of management teams, I even ask them, "Do you talk about this in your boardrooms?" And most of them are not changing their playbooks or not looking at it. And I think we're going to have some real divergence in what our needs are going to be for supply.

And then that has ripple effects for the overall economy because housing starts have been historically 70% correlated to consumer spending. And so if housing is going to pull back substantially, and we'll need a lot less supply, that has broader implications. So I'd say, you know, I really am … I don't want to be the boy who cried wolf, and everybody is going to say this is, you know, too big, it's too far away. By 2030, we'll have more people in this country dying than are born. And so when you think about what are we going to look like by 2040, I think it's going to be really troubling, and I don't think these management teams that are in my ecosystem are really focused on it or at least willing to discuss it.

LIZ ANN: Well, I find that to be the same thing when I talk about some of these longer-term secular trends where everybody's very much in the moment and there's short-termism and kind of a myopia and time horizons measured in nanoseconds. So it's interesting to hear that that's maybe applicable to what you live, eat, and breathe every day.

IVY: And I do think that we are already, in many ways, following Europe's lead by having an increase in multi-generational living where you can live with your parents and your grandparents, and there are builders that are offering homes that will accommodate those people's desires to live that way. So that incrementally adds to the challenge if we're not going to have families that are decoupling on top of a slower population/household growth. That's another factor to contemplate.

LIZ ANN: Well, as always, this has been great.

IVY: Thank you.

LIZ ANN: You're really good at this podcast thing.

IVY: So are you.

LIZ ANN: Oh, thank you. But we love having you on, so really appreciate you taking the time again. Thanks, Ivy.

IVY: Great. Thanks so much, guys.

COLLIN: So Liz Ann, let's look ahead to next week, we do have a Fed meeting—or the Federal Open Market Committee meeting—which is going to be pretty important, and we are going to cover that in a little bit more detail during next week's podcast. So aside from that, what's on your radar for the next week?

LIZ ANN: Well, maybe in keeping, Collin, with the guest today in Ivy Zelman, we do get mortgage applications. Not always a widely watched number, but I think given the move up in in rates, that's maybe worth putting on the radar. We've got retail sales, that's obviously important. Also within housing, we get the NAHB, which is National Association of Home Builders. It's their builders' index. It's basically a confidence measure for home builders.

We get home sales and building permits. So there is a lot of housing-related data. We also get industrial production and capacity utilization. Those are very key coincident indicators. And although it hasn't worked very well, I still do keep at least a side eye on the index of Leading Economic Indicators, and that's out next week too. How about you?

COLLIN: You hit the nail on the head on the main releases that I'll be focusing on, too. So it really does come down to the Fed. So a quick preview, I guess, is what I'll provide here because the potential for a rate hike has increased recently. It increased following last week's jobs report, which came in a little bit hotter than expected. And the decision for a hike or hold next week kind of hinges on this Friday's Consumer Price Index report, which will be released on Friday, so after we're recording here. If we get a stronger-than-expected print, and how much stronger I think is up for debate, that could result in a rate hike as soon as next week, but we acknowledge whether it's next week or later this year, we've been acknowledging that the risks have increased lately, especially with Kevin Warsh, the chair of the Board of Governors and the FOMC, his kind of hawkish speech in Jackson Hole. It seems like the tide's shifting a little bit towards a hike, but this Friday's CPI report will be pretty important.

Next week, again, we'll be covering it, but things to pay attention to when the meeting ends. We'll also not just get a decision, but we'll get updated summary of economic projections and the dot plot, where officials project where they see the fed funds rate being over the next few years. So that can give us some clues into, you know, how officials, how their views have evolved since the June meeting, which was the last time we got updated economic projections and the dot plot.

I think that's it for this week, Liz Ann. So as always, everyone, thanks for listening. As a reminder, you can always keep up with us in real time on social media. I'm @CollinMartinCS on X and LinkedIn, and that's Collin with two Ls. And the CS is for Charles Schwab.

LIZ ANN: And I'm @LizAnnSonders on X and LinkedIn, still with lots of imposters. So please make sure you're following the real me. And you can find all of our written reports, not just mine and Collin's, but Collin's team and my team and lots of other brilliant writers, and they always have lots of visuals, charts and graphs and tables. So for those visually minded, check them out at schwab.com/learn.