

ECONOMIC RESEARCH SERIES

Where We Stand

What the data says about market valuations, housing costs, real wages, the generational cycle, and the AI displacement timeline — and what it means for business owners over the next five years.

JUNE 2026 · [SMB-SC.COM](https://smb-sc.com)

LIVING DOCUMENT · AI DISPLACEMENT TIMELINE UPDATED AS SIGNALS ARRIVE · LAST UPDATED: JUNE 22, 2026

OVERVIEW

Five Data Sets. One Coherent Picture.

This report synthesizes five distinct data sets — equity valuations, housing costs, real wages, the generational cycle, and the AI displacement timeline — into a single picture of where the US economy stands and where it is heading.

Each dataset is notable on its own. Together, they describe something more structural than a typical business cycle correction. The S&P 500 forward P/E sits 28% above its 38-year mean. Home prices have risen 233% since 2000 while median income is up 16%. Monthly mortgage payments are 154% higher than five years ago. Real wages have grown just 10% over 25 years while real home prices rose 117% and real rent rose 53%.

Viewed through the Fourth Turning framework, these conditions are interconnected data points in a pattern history has produced before — and resolved before. The current Fourth Turning began in 2008. Historical pattern places the resolution window between 2026 and 2032. AI is the technology inflection running through this crisis, and its displacement timeline — which this report treats as a living read, not a fixed prediction — is the critical variable for the decade ahead.

21.2× FORWARD P/E VS 16.5× MEAN	+154% MORTGAGE PAYMENT INCREASE SINCE 2020	+117% REAL HOME PRICE GAIN VS +10% REAL WAGES	~2030 PHYSICAL AUTOMATION CRITICAL MASS - CURRENT READ
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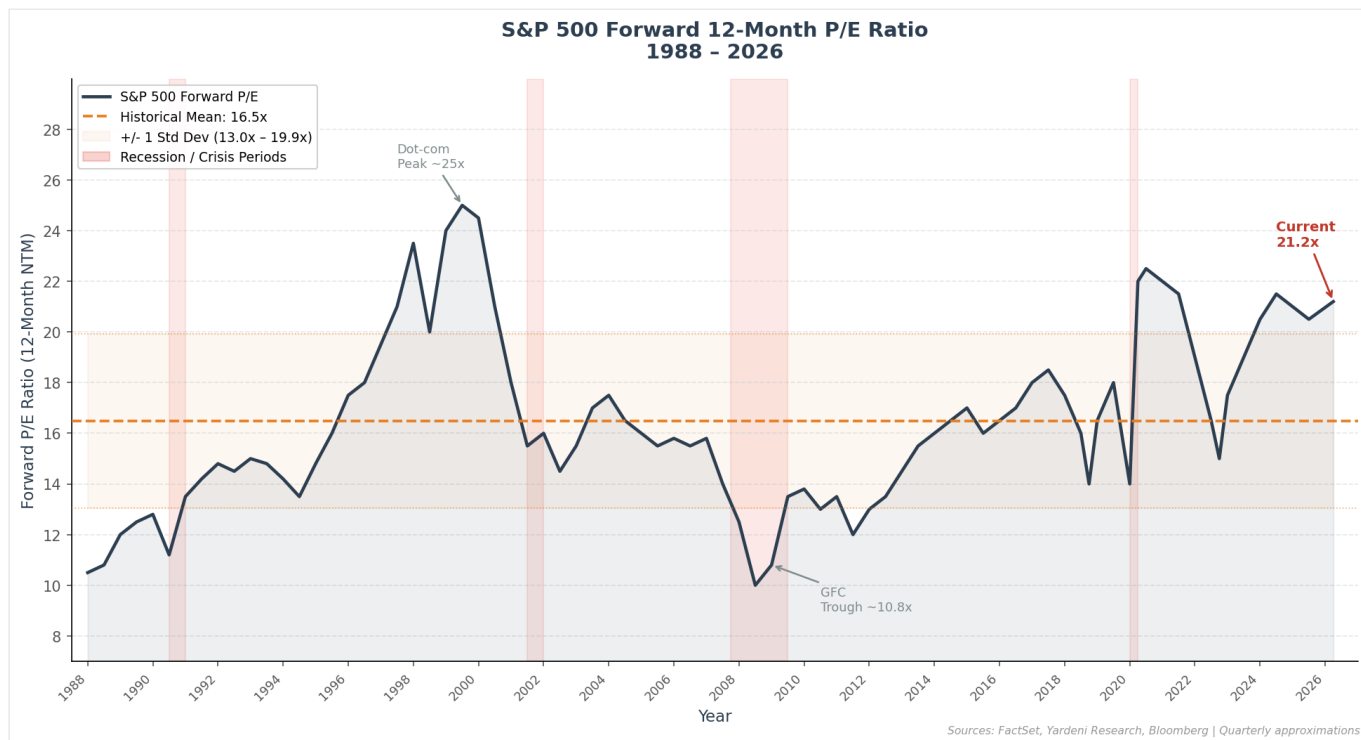
These are not separate problems. They are the same conditions viewed from different angles — and the historical record shows clearly how periods like this resolve, and what role transformative technology plays in what comes after.

The following sections examine each data set in detail before concluding with the strategic implications for business owners navigating the current environment.

S&P 500 FORWARD P/E · 1988-2026

Markets Are Priced for Perfection

The forward P/E ratio measures what investors pay today per dollar of expected future earnings. At 21.2x, the current reading is 28% above the 38-year mean of 16.5x and above the upper bound of the normal range.



S&P 500 FORWARD P/E RATIO, 1988-2026 · SOURCES: FACTSET, BLOOMBERG, FEDERAL RESERVE

The current premium is notable not because elevated valuations are rare — they occur — but because of the context. The Dot-com peak reached ~25x in 2000, followed by a 78% market decline. The GFC trough was 10.8x. The prior expansion occurred against falling rates, QE, and expanding margins. None of those tailwinds are intact today.

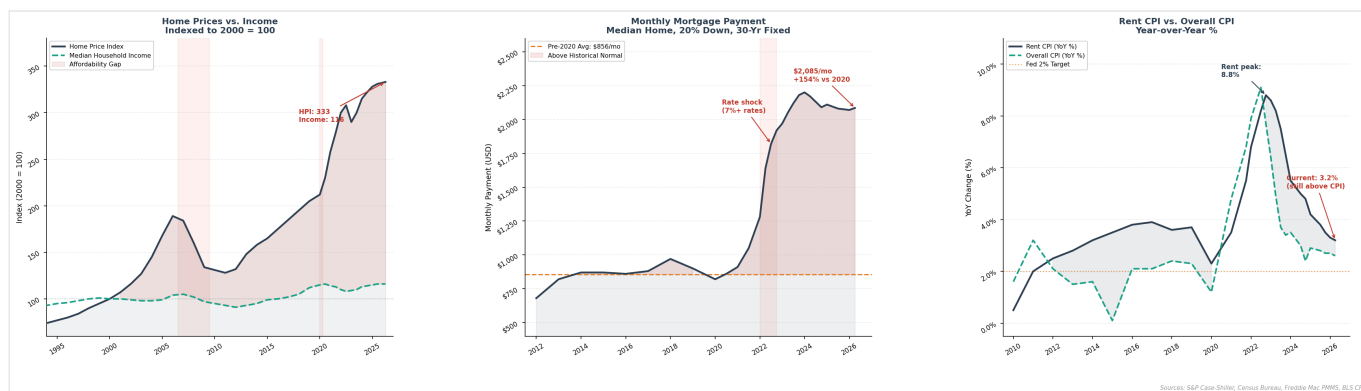
To revert to mean: prices fall ~22% with flat earnings, or earnings grow ~28% with flat prices. The current macro environment makes the earnings-growth path difficult.

For business owners: valuations often track equity multiples. If you are planning an exit or carrying equity-heavy assets, the risk/reward calculus has shifted. Assumptions built on 2020—2024 returns are unlikely to hold for the next decade.

HOME PRICES · MORTGAGE COSTS · RENT INFLATION

Housing Has Repriced Into a Different Asset Class

Over 25 years, home prices have compounded at a rate that has no relationship to income growth. The 2020—2022 rate cycle transformed an existing affordability problem into an acute structural crisis.



HOME PRICES VS. INCOME · MONTHLY PAYMENT · RENT VS. CPI · SOURCES: S&P CASE-SHILLER, CENSUS BUREAU, FREDDIE MAC PMMS, BLS

The Case-Shiller Index is up 233% since 2000; median household income is up 16%. The monthly payment on a median-priced home with 20% down went from \$820 in early 2020 to \$2,085 today — a 154% increase in five years. Both home prices were elevated AND 30-year rates moved from 3% to 7%+ simultaneously, with the payment absorbing both shocks at once.

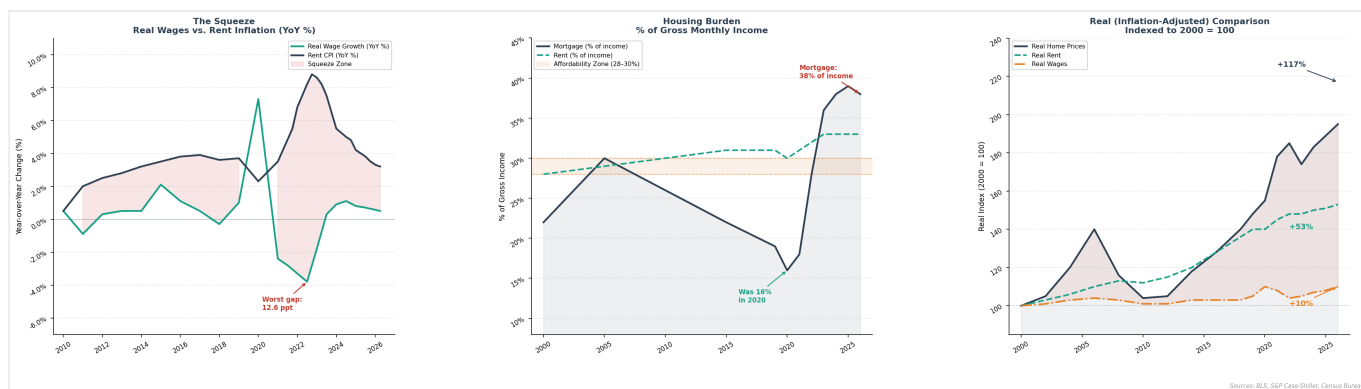
Rent CPI peaked at 8.8% — still running at 3.2%, above overall CPI. Shelter's 35% weight in CPI is why the Fed cannot cut rates aggressively enough to restore mortgage affordability.

The rate-lock effect creates an additional floor: homeowners who locked 3% mortgages in 2020—21 have no financial incentive to sell. Inventory stays near historic lows. Demand softening does not produce price correction when there is nothing to buy.

PURCHASING POWER · HOUSING BURDEN · 25-YEAR GAP

Workers Have Been Running in Place for a Generation

Nominal wages have risen. Real wages — adjusted for inflation — have not. When housing costs are measured against actual purchasing power, the gap explains structural shifts in consumer debt, household formation, and workforce behavior.



REAL WAGES VS. RENT INFLATION · HOUSING BURDEN % · REAL INDEXED COMPARISON 2000–2026 · SOURCES: BLS, CASE-SHILLER, CENSUS BUREAU

In 2022, real wages fell to -3.8% YoY while rent CPI peaked at +8.8% — a 12.6 percentage point gap at the worst point. Workers were simultaneously earning less in real terms and paying dramatically more for shelter. Today, buying a median home consumes 38% of gross monthly income; renting consumes 33%. Both exceed the 28–30% affordability threshold. Buying was only 16% of gross income in 2020.

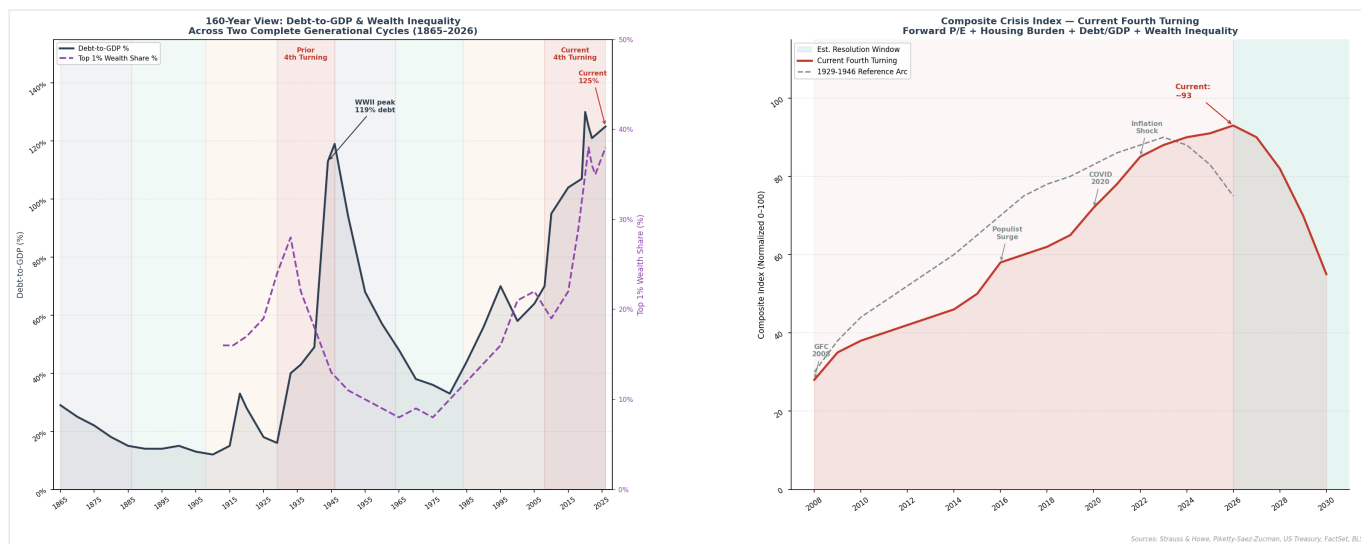
Real home prices +117%. Real rent +53%. Real wages +10%. Over the same 25 years. That gap in a single sentence is the entire affordability story.

This is not a cycle. It is a structural divergence with no near-term mechanism for reversal — which has direct implications for consumer spending, talent retention, and pricing power for service businesses.

STRAUSS & HOWE · FOURTH TURNING FRAMEWORK

We Have Been Here Before. The Outcomes Were Decisive.

History moves in approximately 80–100 year cycles, each containing four turnings of roughly 20 years. The Fourth Turning is always a crisis period in which the old civic order breaks under accumulated pressure and a new one is built from the result.



FOURTH TURNING 1865–2026 · COMPOSITE CRISIS INDEX 2008–PRESENT · SOURCES: STRAUSS & HOWE, PIKETTY-SAEZ-ZUCMAN, US TREASURY, FACTSET, BLS

The 160-year view shows two consistent patterns: debt-to-GDP spikes in every Fourth Turning, and wealth inequality peaks going in and compresses coming out. The top 1%'s wealth share hit 44% before the 1929 crash; it compressed to 22% by 1978. Today it sits at 38% — not yet compressed. That compression is historically how Fourth Turnings resolve: through inflation, taxation, debt restructuring, or some combination.

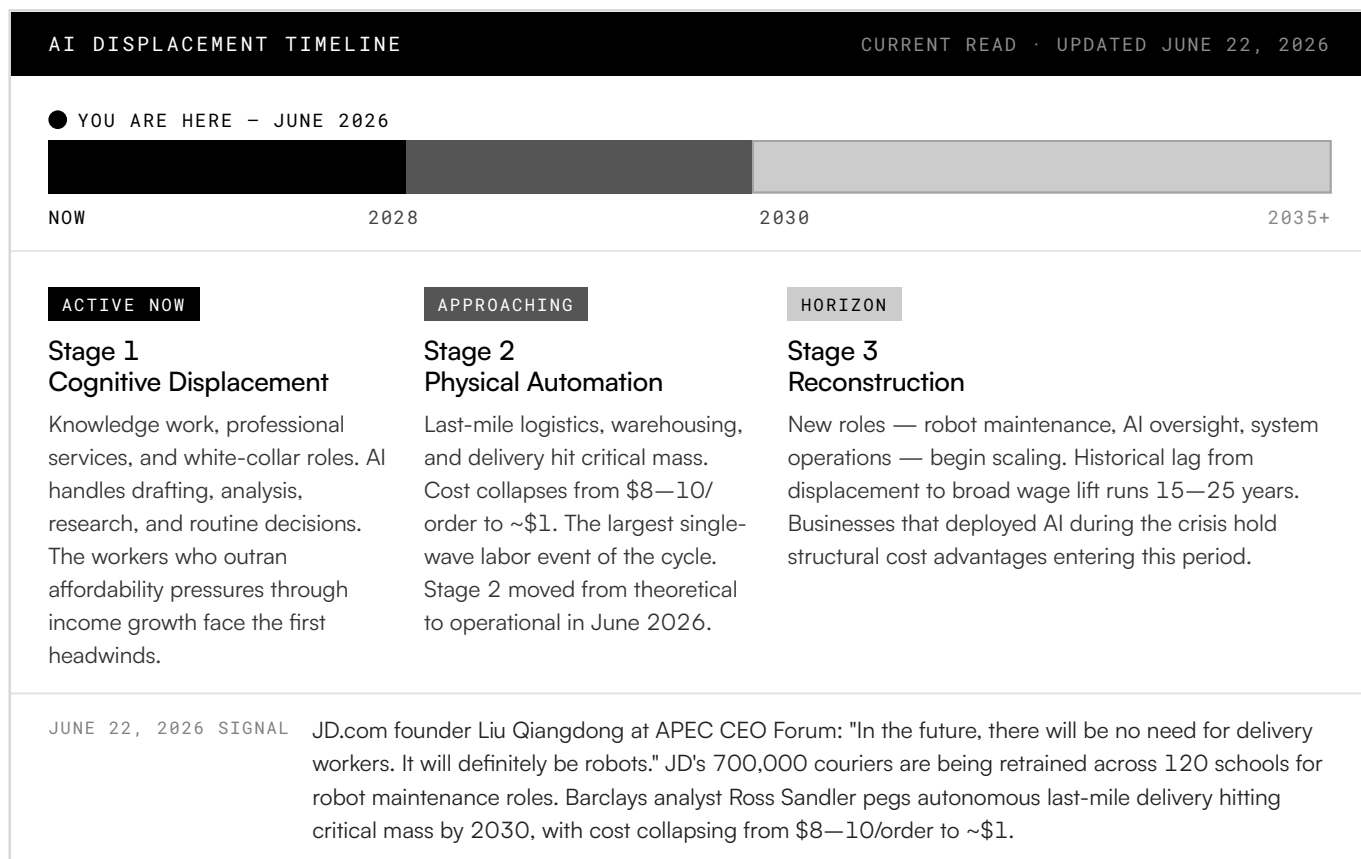
The composite crisis index tracks above the 1929–1946 reference arc. The estimated resolution window is 2026–2032. Resolution does not mean easy — it means the old order breaks and a new one forms.

Every Fourth Turning has coincided with a major technology inflection. The question is not whether AI plays a role in this one. It is whether the productivity gains arrive in time to fund the reconstruction — and who captures them when they do.

TECHNOLOGY DISPLACEMENT · LIVING TIMELINE · CURRENT READ: JUNE 2026

AI Displacement Is Not a Date. It Is a Moving Target We Track.

Every Fourth Turning produced a transformative technology that funded the reconstruction that followed. AI fits this pattern. What is different now: the displacement is visible in real time, and our read on the timeline updates as signals arrive.



WAGES	INFLATION	WEALTH
Deflationary for cognitive labor first Displacement is already in progress. Historical lag to broad wage lift: 15–25 years — recovery does not arrive until the late 2030s at the earliest.	Infrastructure up, services down Data center and chip fab buildout drives near-term inflation. But AI is structurally deflationary on services — the stickiest CPI component — and that effect compounds through the decade.	Gains currently flowing to capital Fourth Turning resolution has always involved wealth compression. If AI productivity stays concentrated in capital, it would be historically unprecedented — and would make the eventual compression more disorderly.

For business owners: service firms that use AI to cut the cost of delivery while maintaining quality enter the reconstruction with structural margin advantages. The window to redeploy your team into higher-value work is open — and it closes as the cost curve bends.

STRATEGIC CONTEXT

What This Means If You Run a Business

Economic analysis is useful only when it connects to decisions. The following translates the preceding data directly into the operating environment that owner-led service businesses are navigating right now.

SIGNAL	WHAT IT MEANS FOR YOUR BUSINESS
Equity overvaluation P/E 28% above mean	Business valuations often track equity multiples. If you are considering a sale, or if equity represents your retirement plan, a mean reversion in multiples changes the math materially.
Housing affordability 38% of income for a mortgage	Consumer discretionary spend is under structural pressure. Clients allocating 38% of income to shelter have less for services. Pricing power for non-essential offerings is compressed in this environment.
Real wage stagnation +10% real wages over 25 years	Talent retention is more complex than salary surveys suggest. Employees managing a personal cost-of-living crisis weigh benefits, flexibility, and mission more heavily than in lower-burden environments.
AI displacement — current read Cognitive: now. Physical: ~2030.	The timeline is moving. Knowledge-work roles face wage pressure now. Physical and logistics automation hits critical mass around 2030. The window to redeploy your team into higher-value work is open and narrows as the cost curve bends.
Fourth Turning window Est. resolution 2026—2032	Resolution periods bring rapid institutional change — new regulations, shifting tax structures, capital reallocation. Lean, efficient businesses with genuine client value are most resilient.

The historical record is consistent: businesses that understood what was happening, reduced complexity, and focused on delivering real value to a clearly defined audience survived transition periods and absorbed capacity from less-prepared competitors.

SMB STRATEGY CONSULTANTS · NEXT STEP

Understand How This Cycle Affects Your Business Specifically

This report presents the macro picture. The more important question is how your business's cost structure, pricing, team, and AI readiness sit against this backdrop — and what the right moves are given where you are today.



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