May 2022

The housing market is showing signs of distress. Pending home sales have posted the 5th straight month of declines as of March of this year; with the recent price hike by the Federal Reserve and more to come, we will begin to see the impact of rapidly rising mortgage rates over the course of the next several months.

While it may feel that investors and their cash are buying up your neighborhood, 80% of home purchases are financed and are largely individual home owners.

The increase from 3.25% for a 30 year fixed mortgage, available less than a year ago, to 5.25% for the same mortgage would mean that the price of the home being purchased would have to drop roughly 20% in order to equal the same payment. This should start to put the brakes on the torrid pace of home sales … unless inventory continues to remain low. The challenges posed by supply chain shortages continue to plague the housing market as average time for a new build has dragged from six months to 14 months over the course of the past two years. Increasing mortgage rates may also result in current homeowners staying where they are as availability and higher rates make changing homes very challenging and now, with the 30 year mortgage touching 6% this week – much more expensive.