

TWENTY TWENTY TWO



April

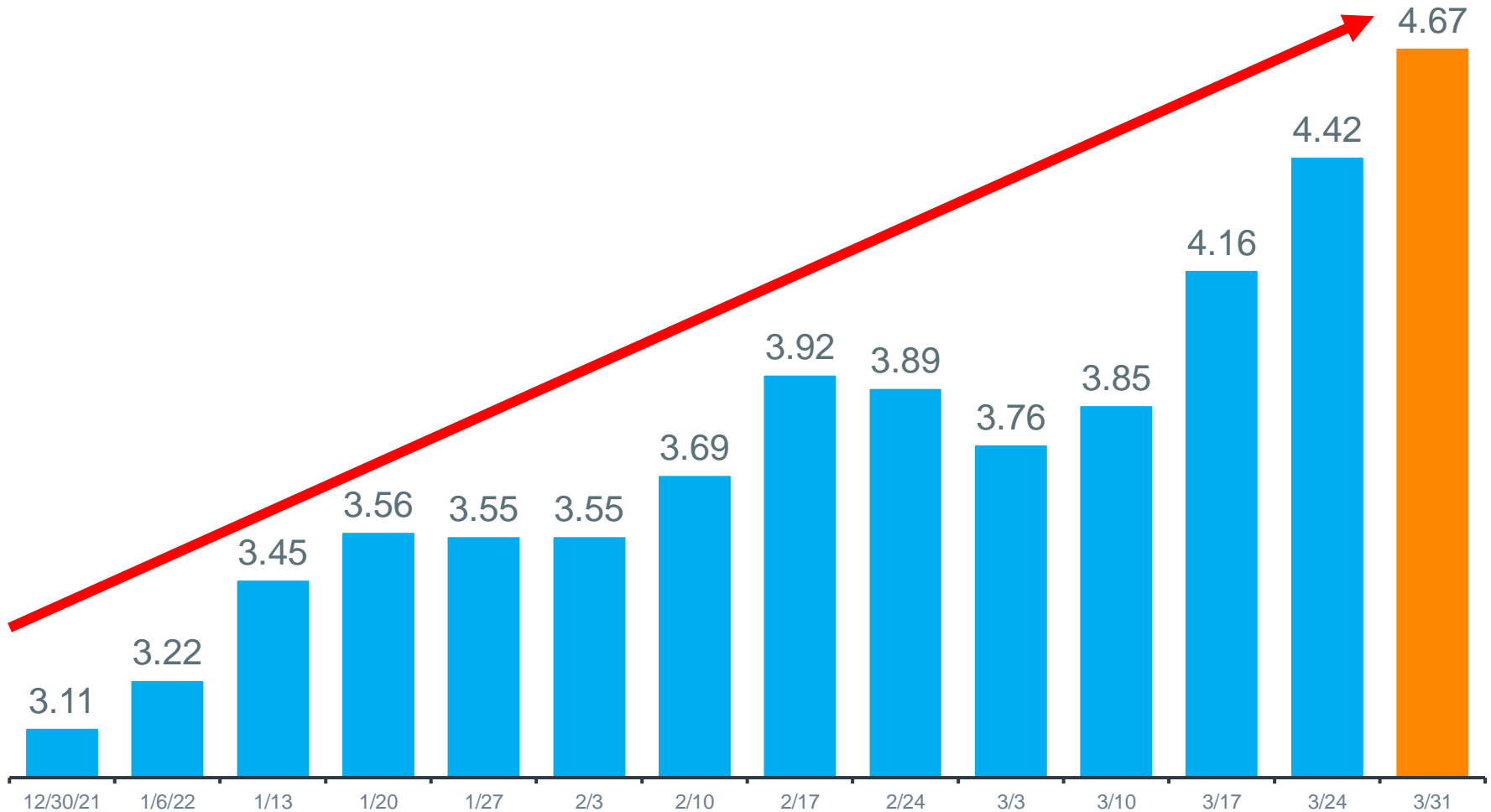
Housing Update



Impact of Rising Mortgage Rates on the Housing Market

Mortgage Rates Rising This Year

Freddie Mac Average 30-Year Fixed Rate: January 2022 – Today





Mortgage rates are likely to continue to move higher throughout the balance of 2022, although the pace of rate increases is likely to moderate. . . . Much of the increase in rates in early 2022 is in anticipation of what will happen later this year, especially with Federal Reserve interest rate policy.

- Len Kiefer, Deputy Chief Economist, Freddie Mac

Impact of Rising Rates on Home Prices

Changes when mortgage rates rise by more than 1%

Start Date	End Date	Months	Increase	Home Prices
Oct 1993	Dec 1994	14	2.38%	+3%
Jan 1996	Sept 1996	8	1.2%	+2%
Oct 1998	May 2000	19	1.81%	+13%
June 2003	June 2004	12	1.06%	+13%
June 2005	July 2006	13	1.18%	+7%
Nov 2012	Dec 2013	13	1.11%	+11%
Average		13	1.46%	+8%

Impact of Rising Rates on Housing

Changes when mortgage rates rise by more than 1%

Start Date	End Date	Months	Increase	Home Prices	Home Sales
Oct 1993	Dec 1994	14	2.38%	+3%	-11%
Jan 1996	Sept 1996	8	1.2%	+2%	-2%
Oct 1998	May 2000	19	1.81%	+13%	-2%
June 2003	June 2004	12	1.06%	+13%	2%
June 2005	July 2006	13	1.18%	+7%	-14%
Nov 2012	Dec 2013	13	1.11%	+11%	-2%
Average		13	1.46%	+8%	-5%

Impact of Rising Rates on Housing

Changes when mortgage rates rise by more than 1%

Dates	Months	Increase	Final Rate	Home Prices	Home Sales
10/93-12/94	14	2.38%	9.2%	+3%	-11%
1/96-9/96	8	1.2%	8.23%	+2%	-2%
10/98-5/2020	19	1.81%	8.52%	+13%	-2%
6/03-6/04	12	1.06%	6.29%	+13%	2%
6/05-7/06	13	1.18%	6.76%	+7%	-14%
11/12-12/13	13	1.11%	4.46%	+11%	-2%
Average	13	1.46%	7.24%	+8%	-5%

Impact of Rising Rates on Housing

Changes when mortgage rates rise by more than 1%

Dates	Months	Increase	Final Rate	Home Prices	Home Sales
1/96-9/96	8	1.2%	8.23%	+2%	-2%
10/98-5/20	19	1.81%	8.52%	+13%	-2%
6/03-6/04	12	1.06%	6.29%	+13%	2%
6/05-7/06	13	1.18%	6.76%	+7%	-14%
11/12-12/13	13	1.11%	4.46%	+11%	-2%
Average	13	1.27%	6.85%	+9%	-4%

Source: Freddie Mac

Impact of Rising Rates on Housing

Changes when mortgage rates rise by more than 1%

Dates	Months	Increase	Final Rate	Home Prices	Home Sales	Months Inventory
1/96-9/96	8	1.2%	8.23%	+2%	-2%	N/A
10/98-5/20	19	1.81%	8.52%	+13%	-2%	N/A
6/03-6/04	12	1.06%	6.29%	+13%	2%	5
6/05-7/06	13	1.18%	6.76%	+7%	-14%	4.5
11/12-12/13	13	1.11%	4.46%	+11%	-2%	4.8
Average	13	1.27%	6.85%	+9%	-4%	4.8

Source: Freddie Mac



While higher short-term interest rates will push up mortgage rates, I expect some of this impact to be mitigated eventually through lower inflation. . . . Thus, **I expect the 30-year fixed mortgage rate to continue to rise, although we aren't likely to see the big jumps that occurred over the past few weeks.**

- Nadia Evangelou, Director of Forecasting, NAR



History suggests that when rates rise, there is an initial bump in home prices as many move quickly to buy a home before rates increase further. But after that period, home prices slow. Freddie Mac analysis shows that a 1% increase in mortgage rates results in home price appreciation that is 4 percentage points lower. For instance, a 1% increase in mortgage rates would change home price growth from 11% to 7%.

- Freddie Mac



With rates rising and expected to rise through 2023, it makes sense to obtain a purchase or refinance mortgage if you are in good standing.

- **Len Kiefer**, Deputy Chief Economist, Freddie Mac



Spring Housing Market Update



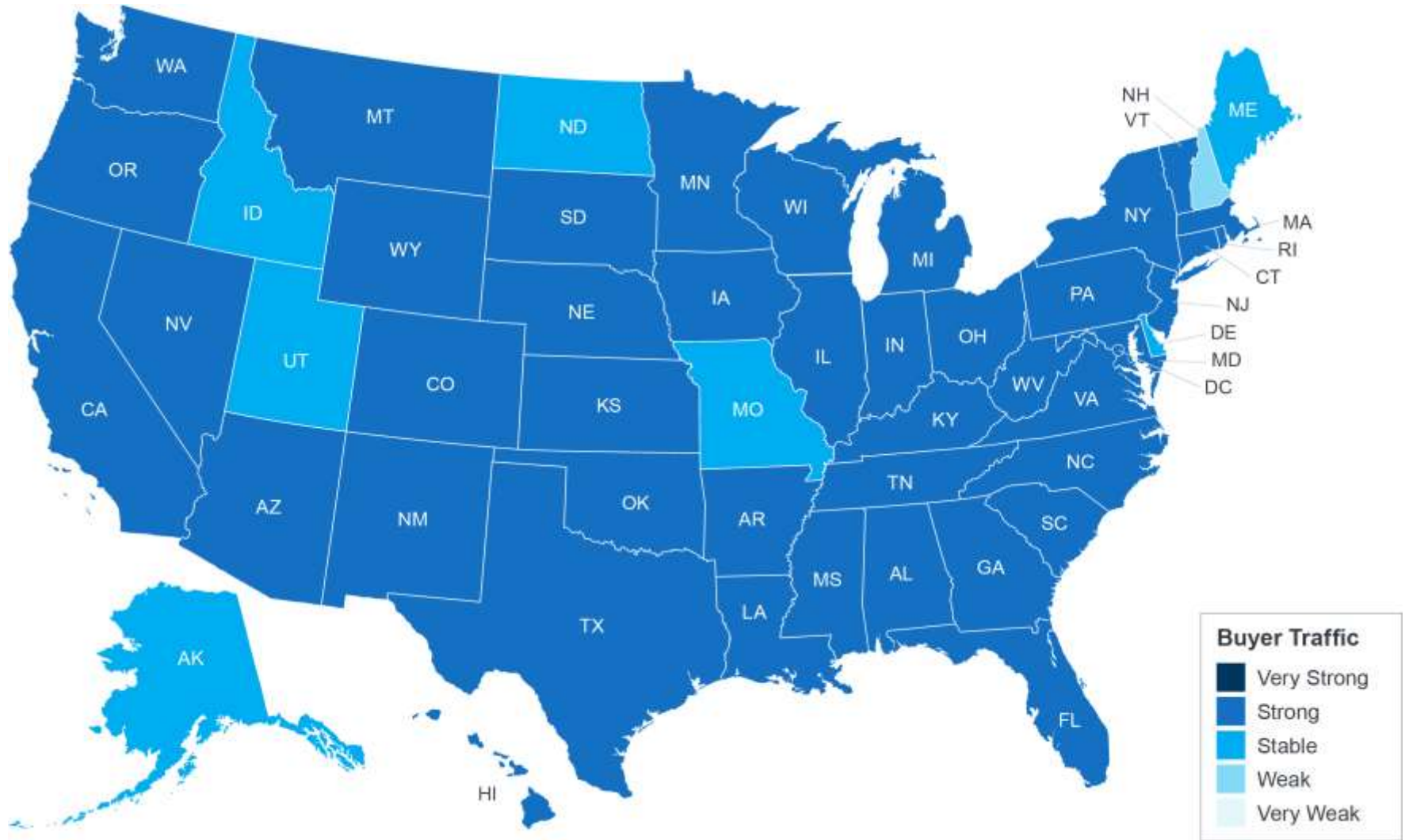


We keep watching for it, . . . but there are absolutely no signs of a market slowdown anywhere in the data. **If anything, we're seeing the market continue to heat up.**

- Altos Research

Buyer Traffic Index

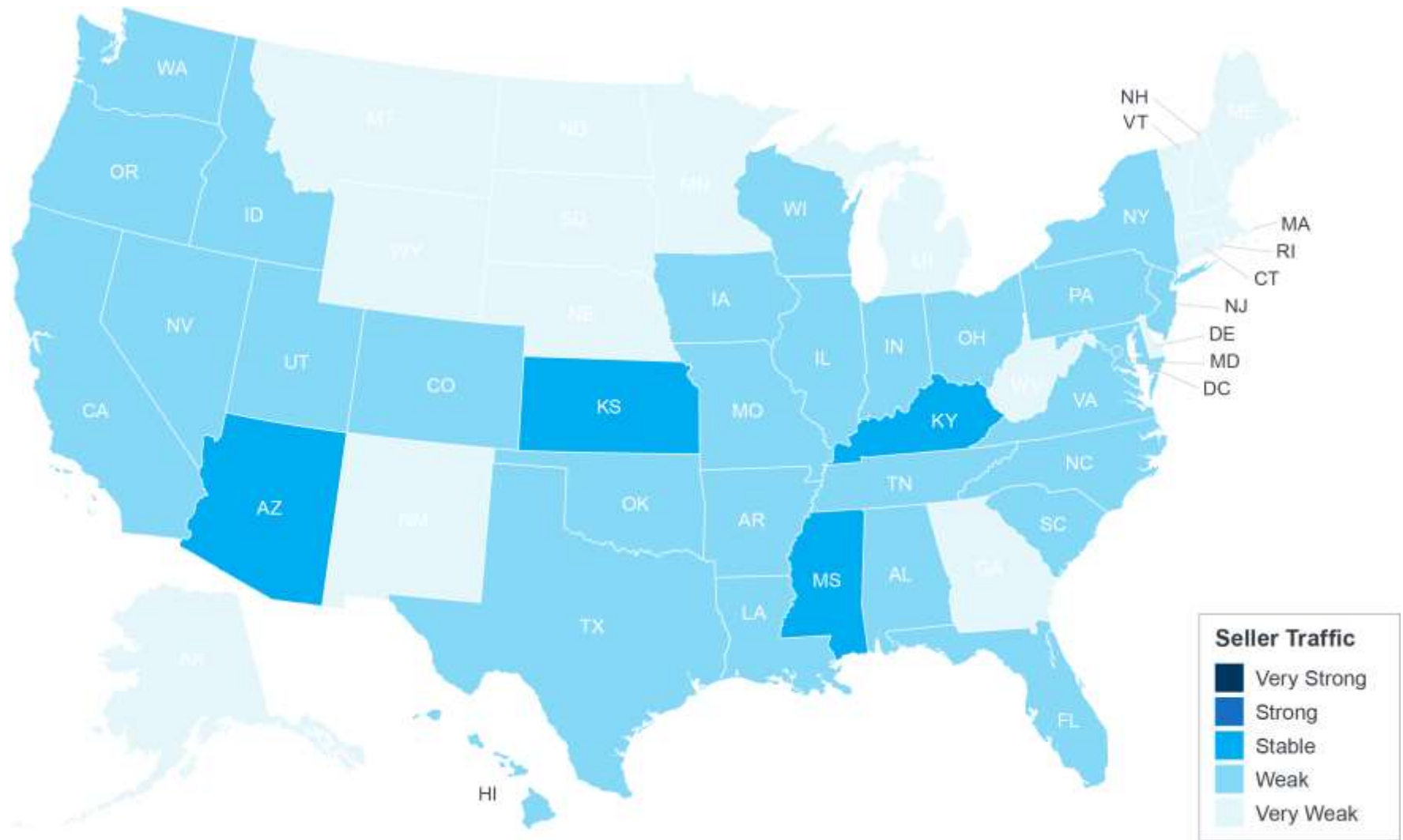
February 2022



Source: NAR

Seller Traffic Index

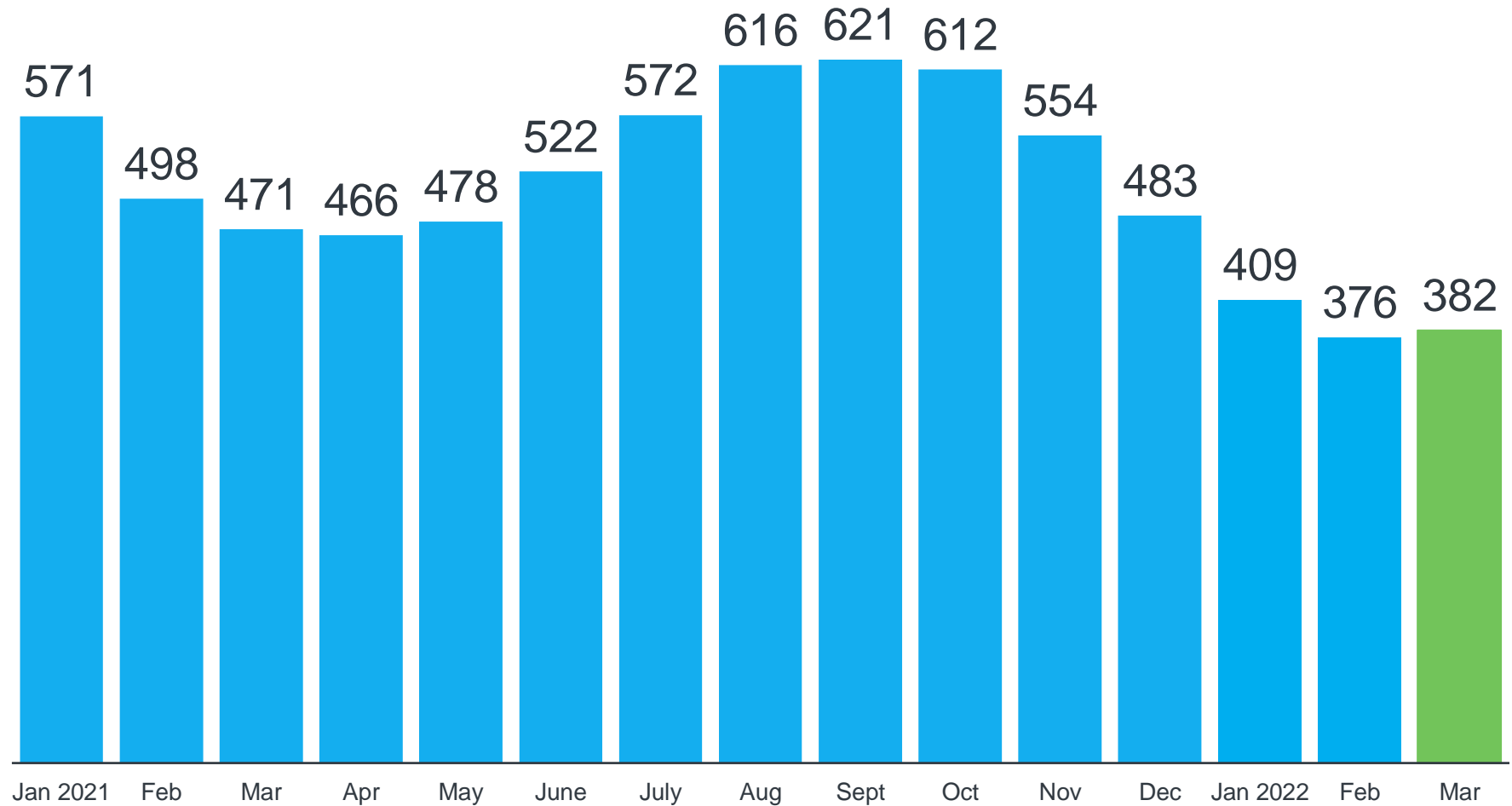
February 2022



Source: NAR

Active Listings Increased for First Time in 6 Months

Active Monthly Listing Counts (in thousands)



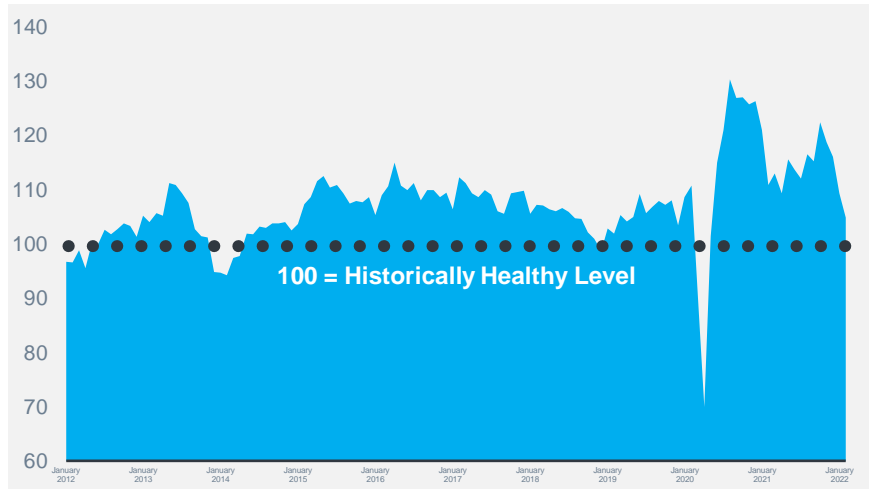


Now, more industry insiders are throwing out their previous forecasts and replacing them with more bullish short-term outlooks. **Indeed, some experts say the 2022 spring housing market might go down as one of the most competitive on record.**

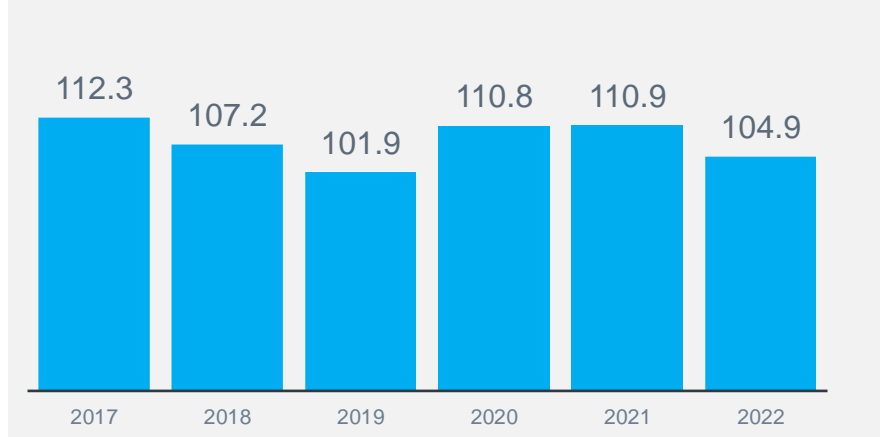
- Lance Lambert, Editorial Director, Fortune

Pending Home Sales

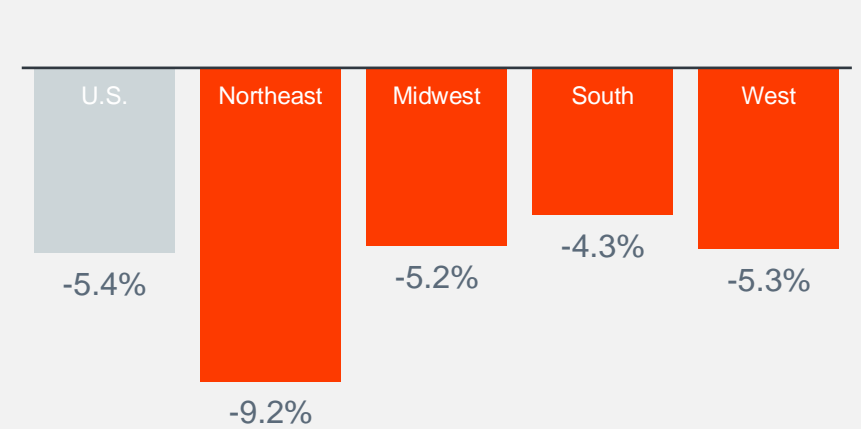
100 = Historically Healthy Level



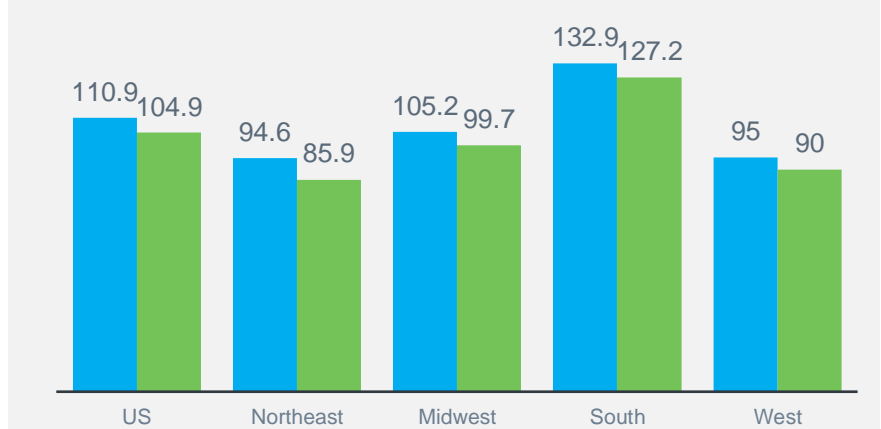
Over the Last 6 Februaries



Year-Over-Year, Seasonally Adjusted Annual Rate

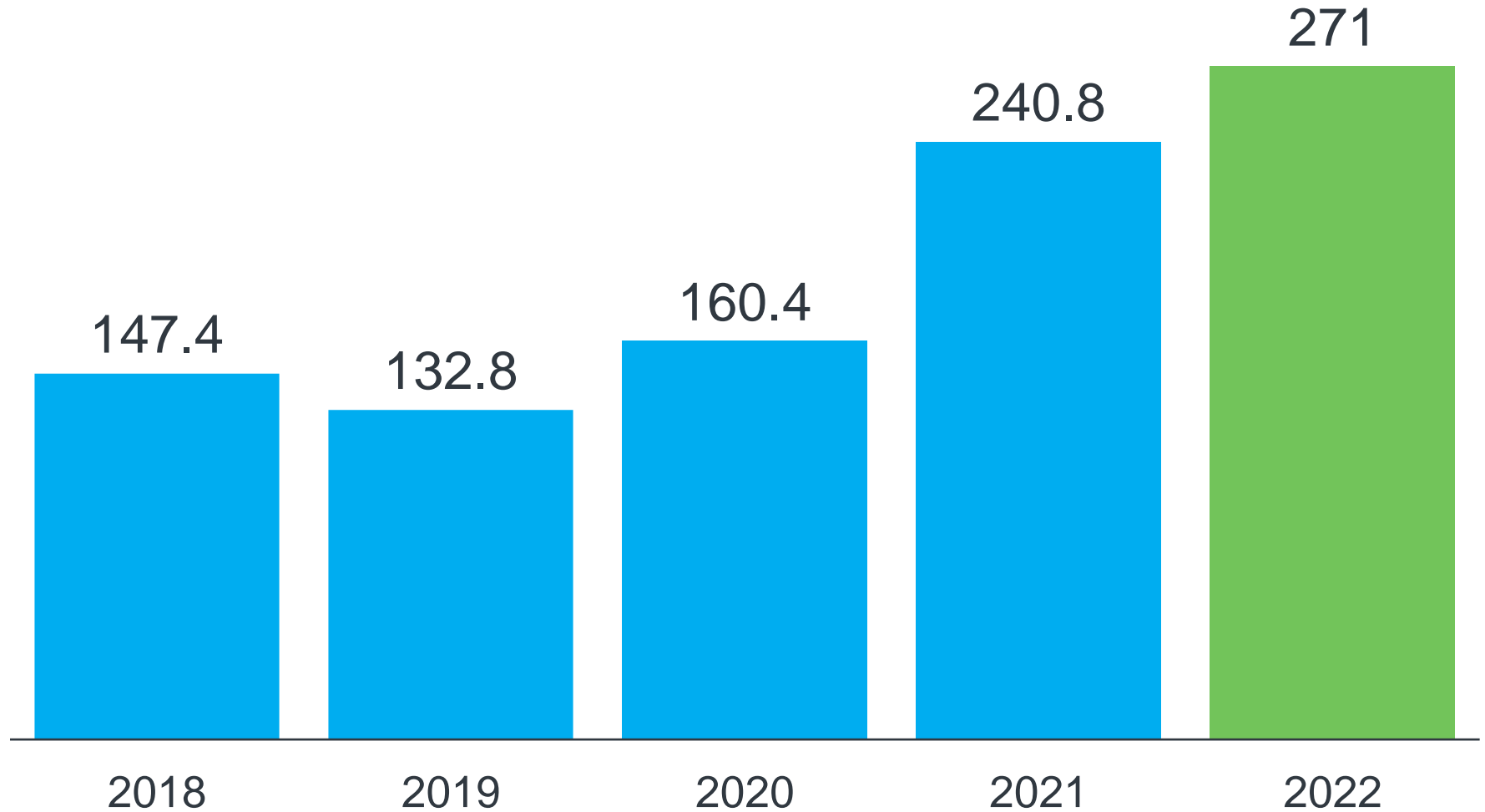


February 2021 February 2022



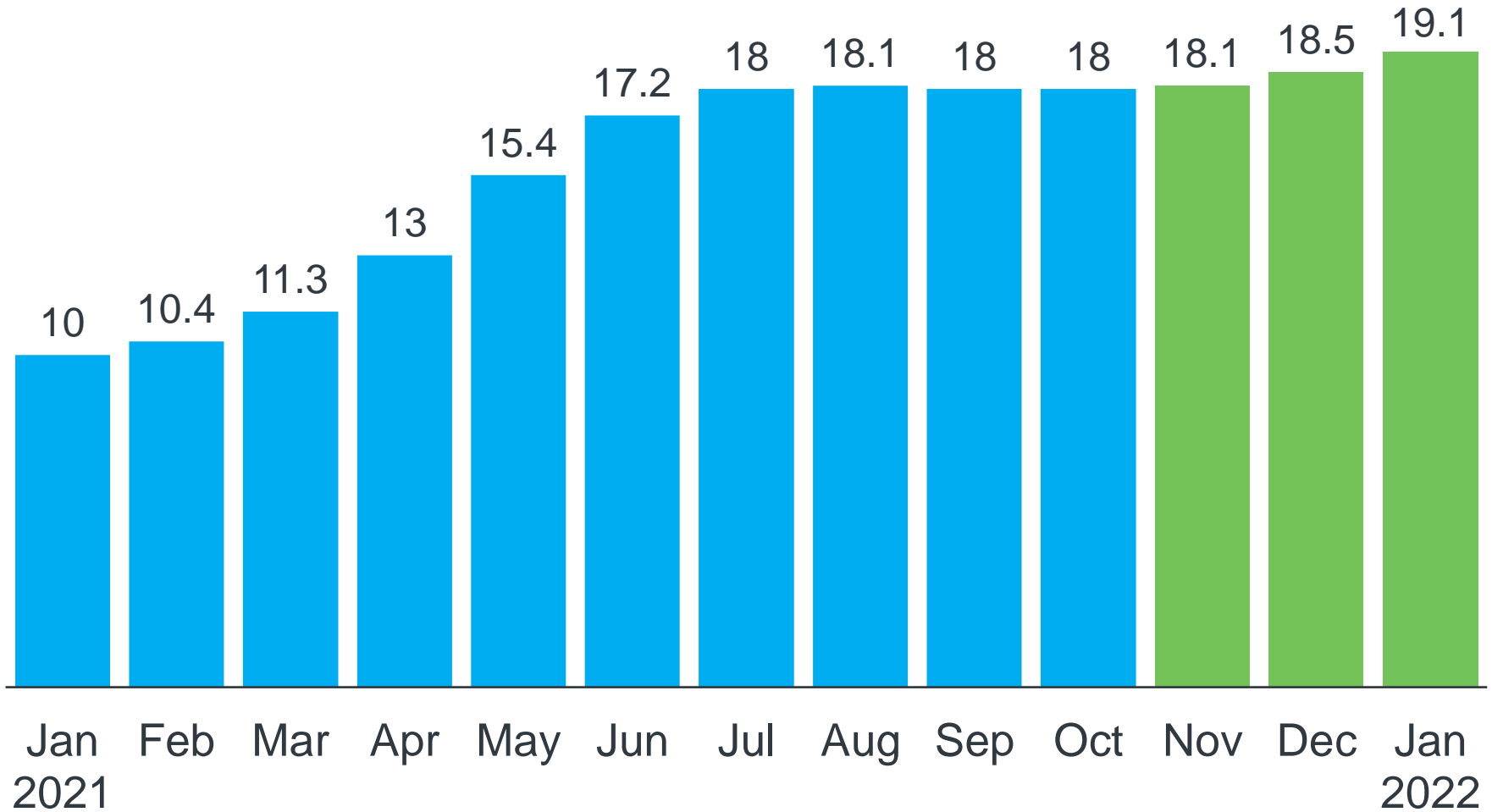
Showings Exceed Pre-Pandemic Numbers

Showing Index over the Last 5 Februarys



Price Appreciation Accelerating

% Year-Over-Year Price Increases (Monthly)





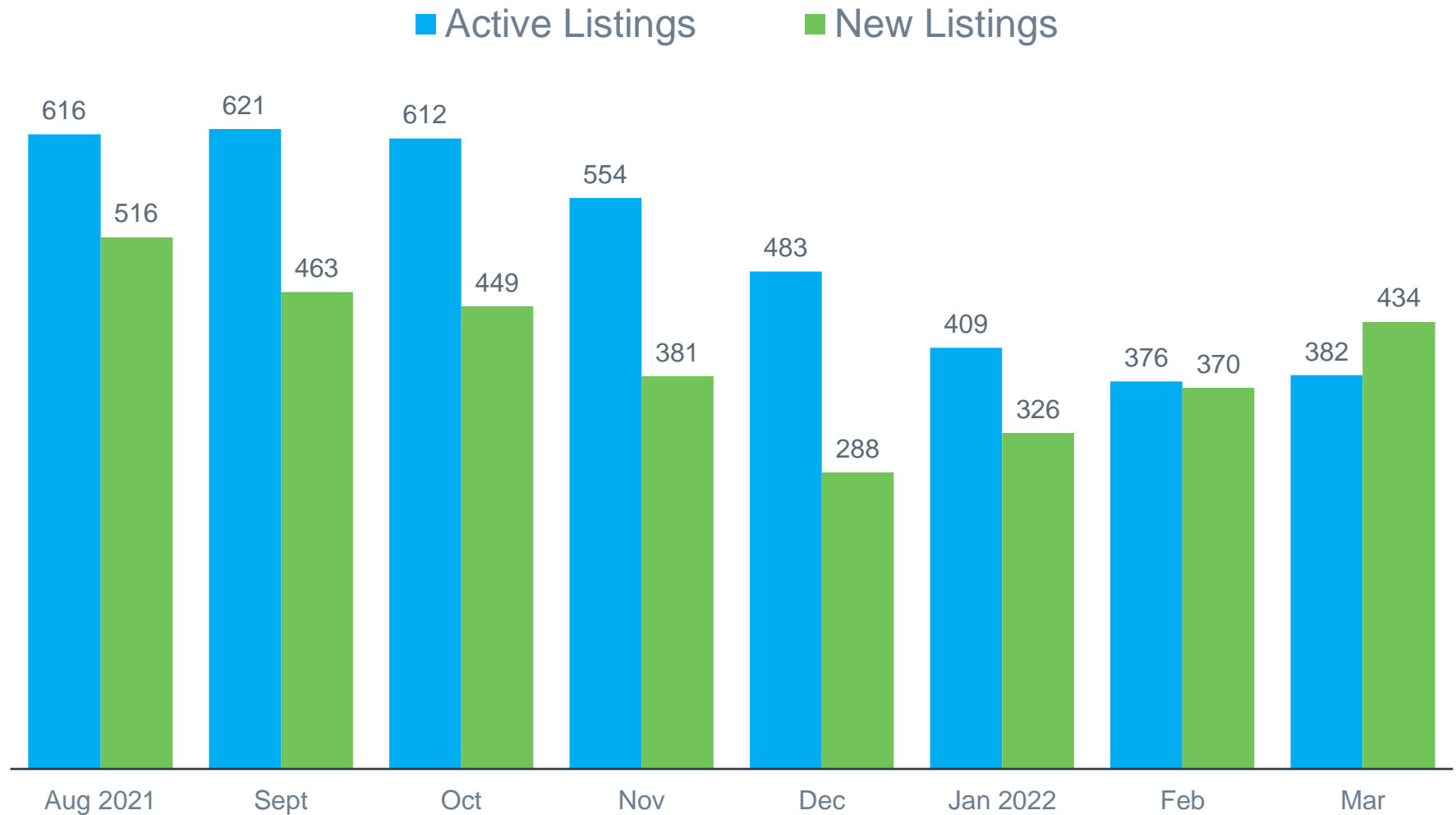
Last fall we observed that home prices, although continuing to rise quite sharply, had begun to decelerate. Even that modest deceleration was on pause in January.

The 19.2% year-over-year change for January was the fourth-largest reading in 35 years of history.

- **Craig J. Lazzara**, Managing Director, S&P DJI

More New Listings than Active Listings

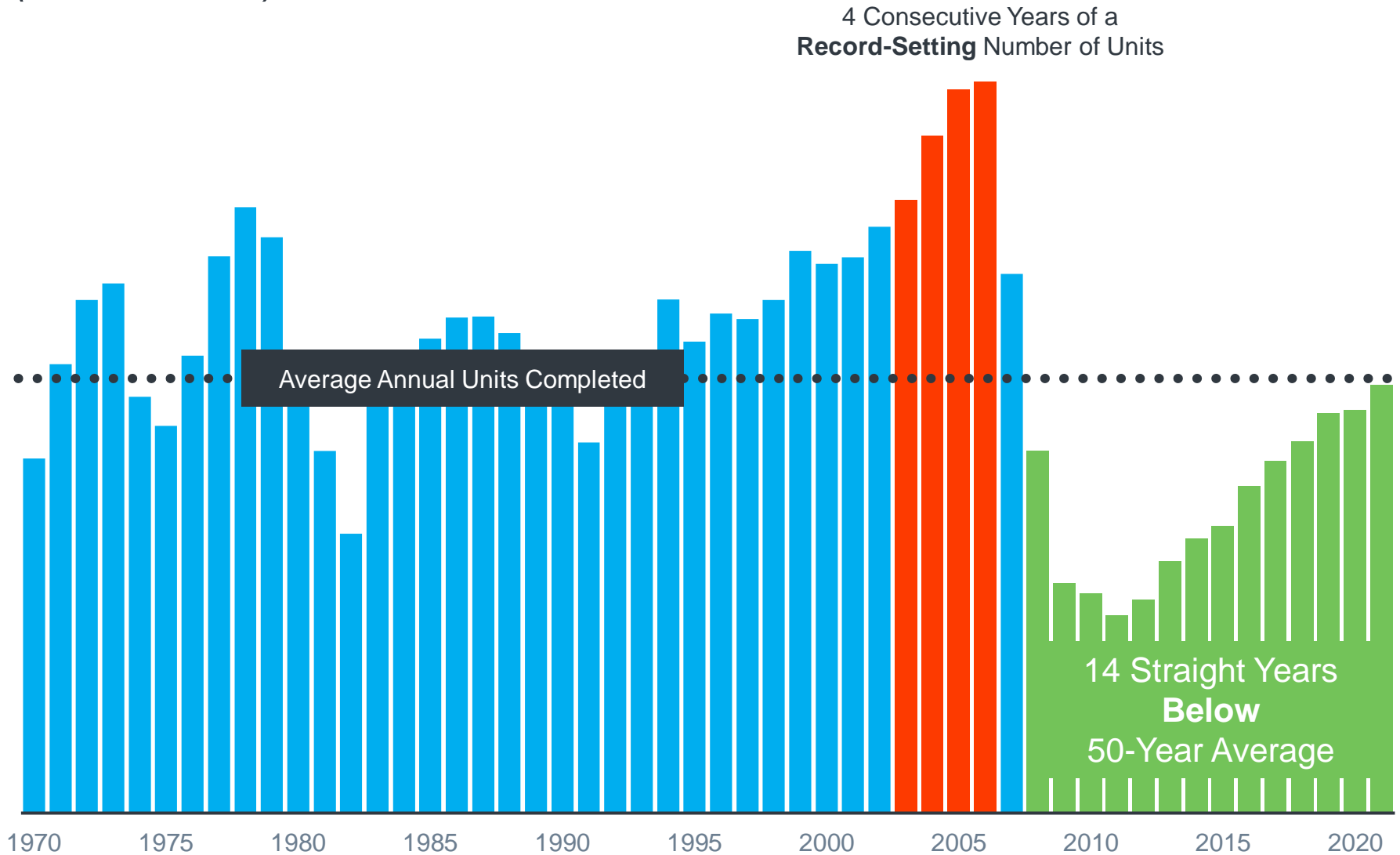
Active and New Listings by Month



Source: realtor.com

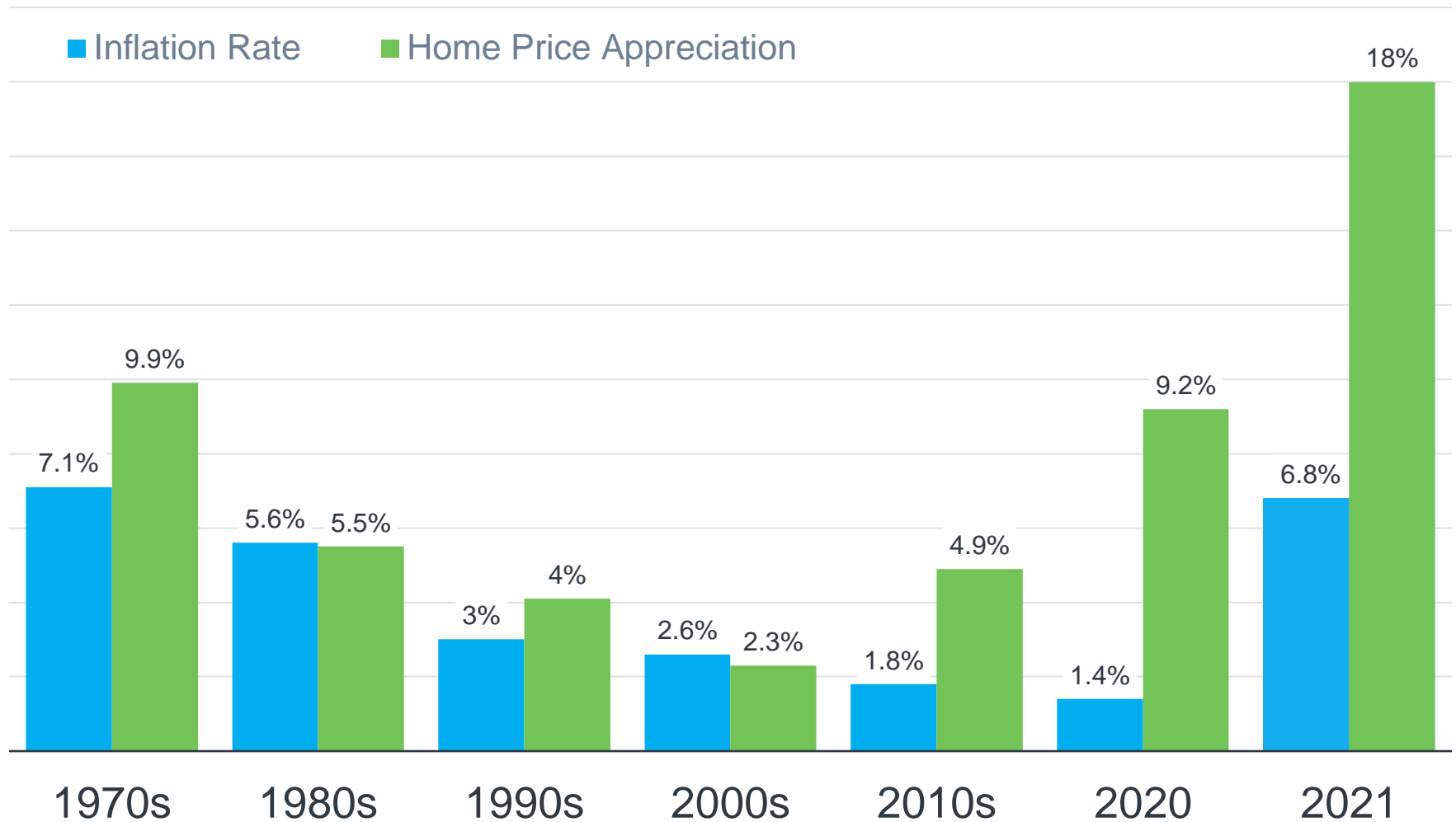
Single-Family Housing Units Completed

(in thousands)



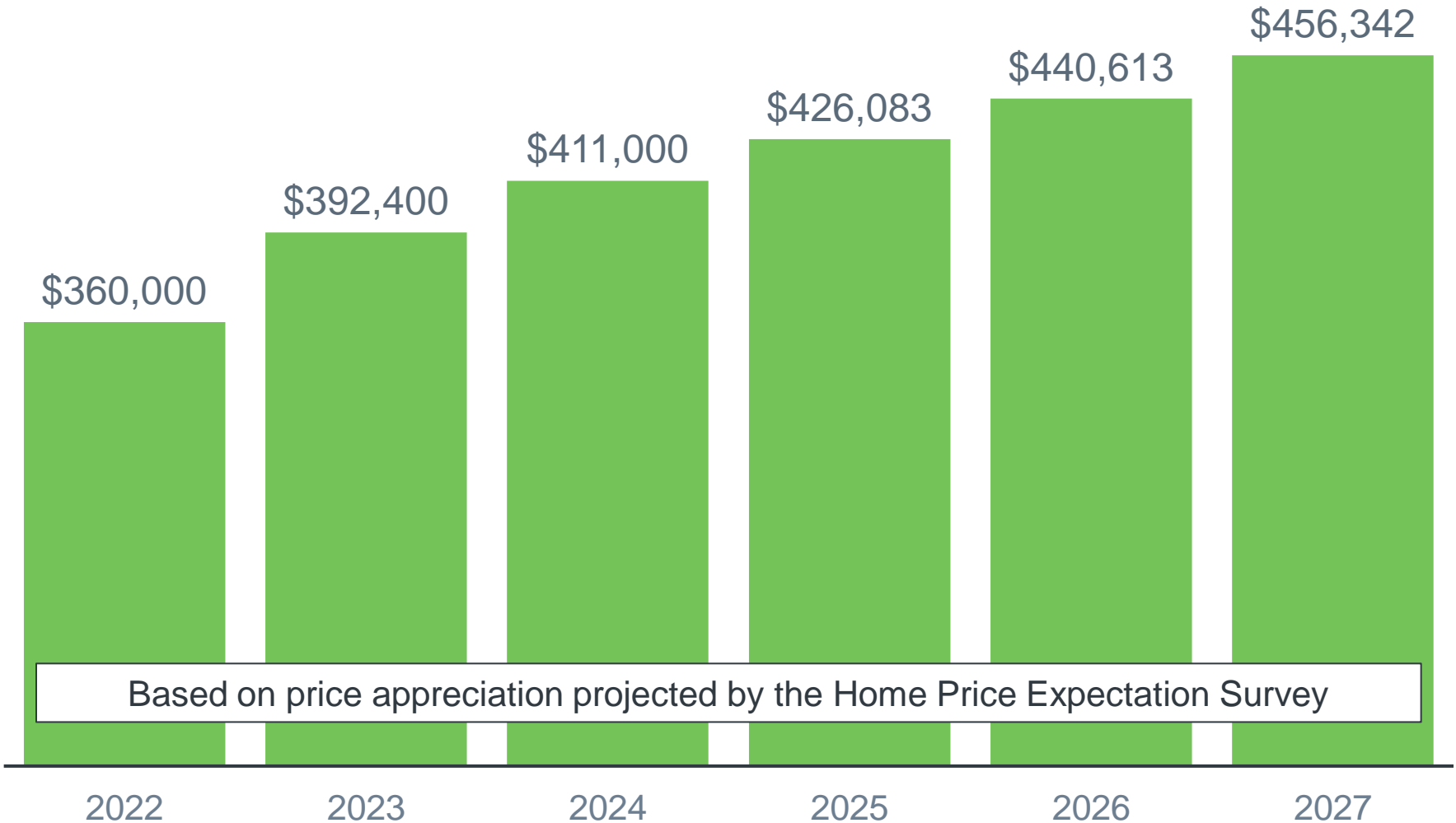
Homeownership: a Hedge Against Inflation

Home Price Appreciation vs. Consumer Price Increases over the Decades

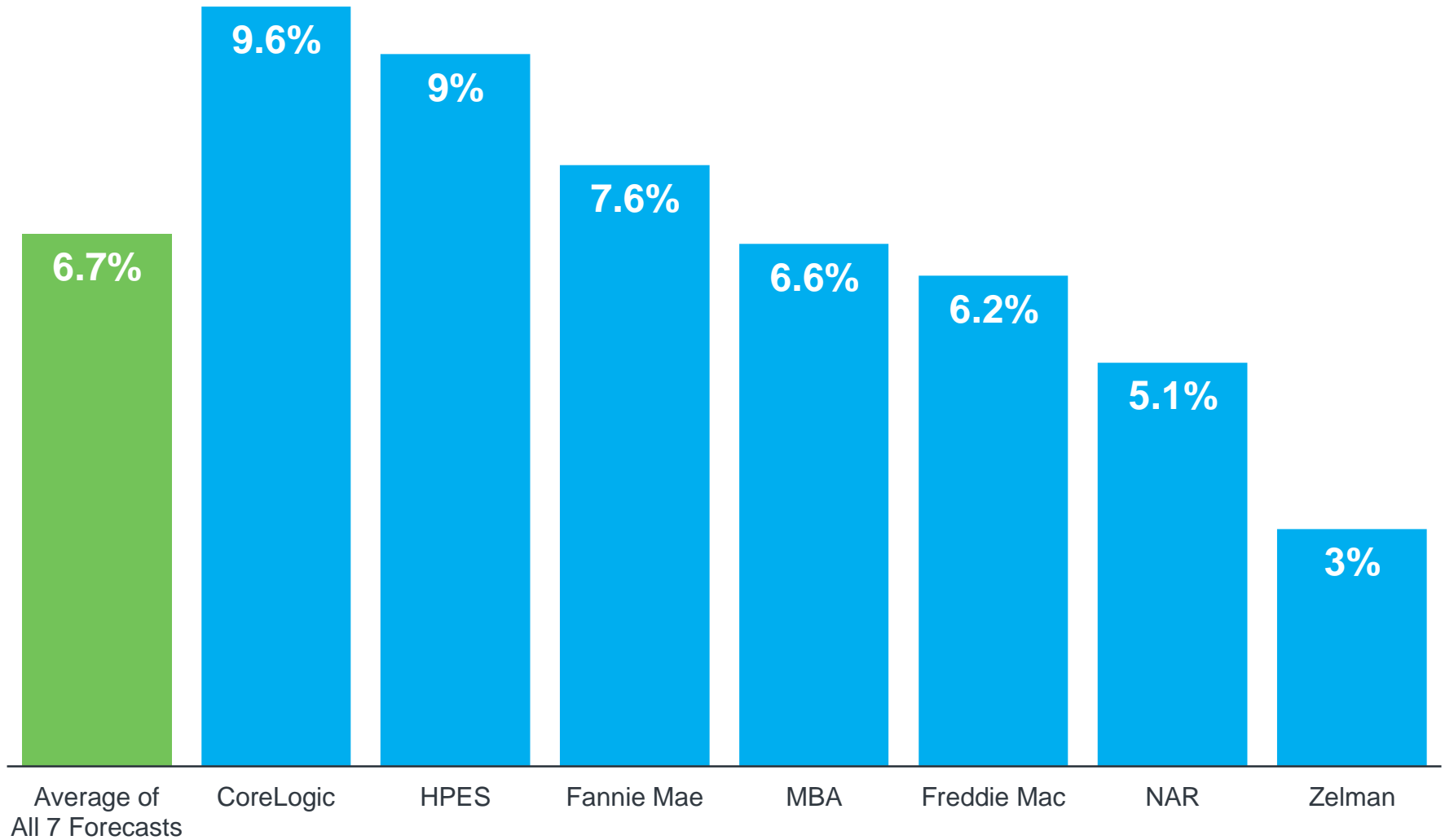


\$96,342

Potential growth in household wealth over the next 5 years based solely on increasing home equity if you purchased a \$360K home in January 2022



Home Price Forecasts for 2022



Resources

Slide(s)	Description	Link(s)
3	Mortgage Rates Rising	https://freddiemac.gcs-web.com/node/24976/pdf http://www.freddiemac.com/pmms/
4	Kiefer Quote	https://www.bankrate.com/mortgages/march-2022-mortgage-rate-outlook/
5-9	Impact of Rising Rates	http://www.freddiemac.com/research/insight/20180223_increasing_mortgage_rates.page
10	Evangelou Quote	https://www.bankrate.com/mortgages/march-2022-mortgage-rate-outlook/
11	Freddie Mac Quote	https://myhome.freddiemac.com/blog/homeownership/what-s-driving-home-price-growth-2022
12	Kiefer Quote	https://www.bankrate.com/mortgages/march-2022-mortgage-rate-outlook/
14	Altos Research Quote	https://twitter.com/AltosResearch/status/1498428094109077508
15-16	Traffic Index Maps	https://www.nar.realtor/research-and-statistics/research-reports/realtors-confidence-index

Resources

Slide(s)	Description	Link(s)
17, 24	Listings	https://www.realtor.com/research/data/
18	Lambert Quote	https://fortune.com/2022/02/07/zillow-our-2022-housing-forecast-is-way-off-home-prices-now-set-to-spike/
19	Pending Home Sales	https://www.nar.realtor/newsroom/pending-home-sales-dwindle-4-1-in-February https://www.nar.realtor/blogs/economists-outlook/pending-home-sales-weaken-4-1-in-february-2022
20	Showings	https://www.showingtime.com/blog/february-2022-showing-index-results/
21	Price Appreciation	https://www.corelogic.com/intelligence/u-s-home-price-insights/
22	Lazzara Quote	https://www.spglobal.com/spdji/en/documents/indexnews/announcements/20220329-1451063/1451063_cshomeprice-release-0329.pdf
25	Single-Family Housing Units Completed	www.census.gov/construction/nrc/xls/co_cust.xls

Resources

Slide(s)	Description	Link(s)
26	Homeownership: Hedge Against Inflation	https://cdn.nar.realtor/sites/default/files/documents/2021-11-12-residential-economic-issues-and-trends-lawrence-yun-presentation-slides-11-12-2021.pdf https://www.bls.gov/news.release/archives/cpi_01132021.pdf https://www.corelogic.com/intelligence/find-stories/home-prices-topple-expectations-surging-at-the-end-of-2020/
27	Equity Gains (HPES)	https://pulsenomics.com/surveys/#home-price-expectations
28	Home Price Forecasts for 2022	https://www.mba.org/news-research-and-resources/research-and-economics/forecasts-and-commentary https://cdn.nar.realtor/sites/default/files/documents/forecast-Q1-2022-us-economic-outlook-01-27-2022.pdf https://www.fanniemae.com/research-and-insights/forecast http://www.freddiemac.com/research/forecast/20220121_quarterly_economic_forecast.page https://pulsenomics.com/surveys/#home-price-expectations https://www.corelogic.com/intelligence/find-stories/corelogic-hpi-posted-record-year-over-year-growth-in-2021/