

TWENTY TWENTY TWO



**October**

*Housing Update*



When the **economic uncertainty** dust settles, those buyers and sellers who were on the sideline will jump back in the housing game. Demographic trends support elevated purchase demand in the years to come, so it's a question of when, not if, for the housing market.

- **Mark Fleming**, Chief Economist, First American



*IN TIMES OF UNCERTAINTY  
PEOPLE FOLLOW THE CERTAIN*



# Will Mortgage Rates Keep Rising?



FINANCE • HOUSING

## The U.S. housing market stares down an even bigger economic shock—mortgage rates near 7%

BY LANCE LAMBERT

September 26, 2022 at 5:29 PM EDT

## Mortgage rates reach highest level since 2008



By [Anna Bahney](#), CNN Business

Published 10:24 AM EDT, Thu September 8, 2022

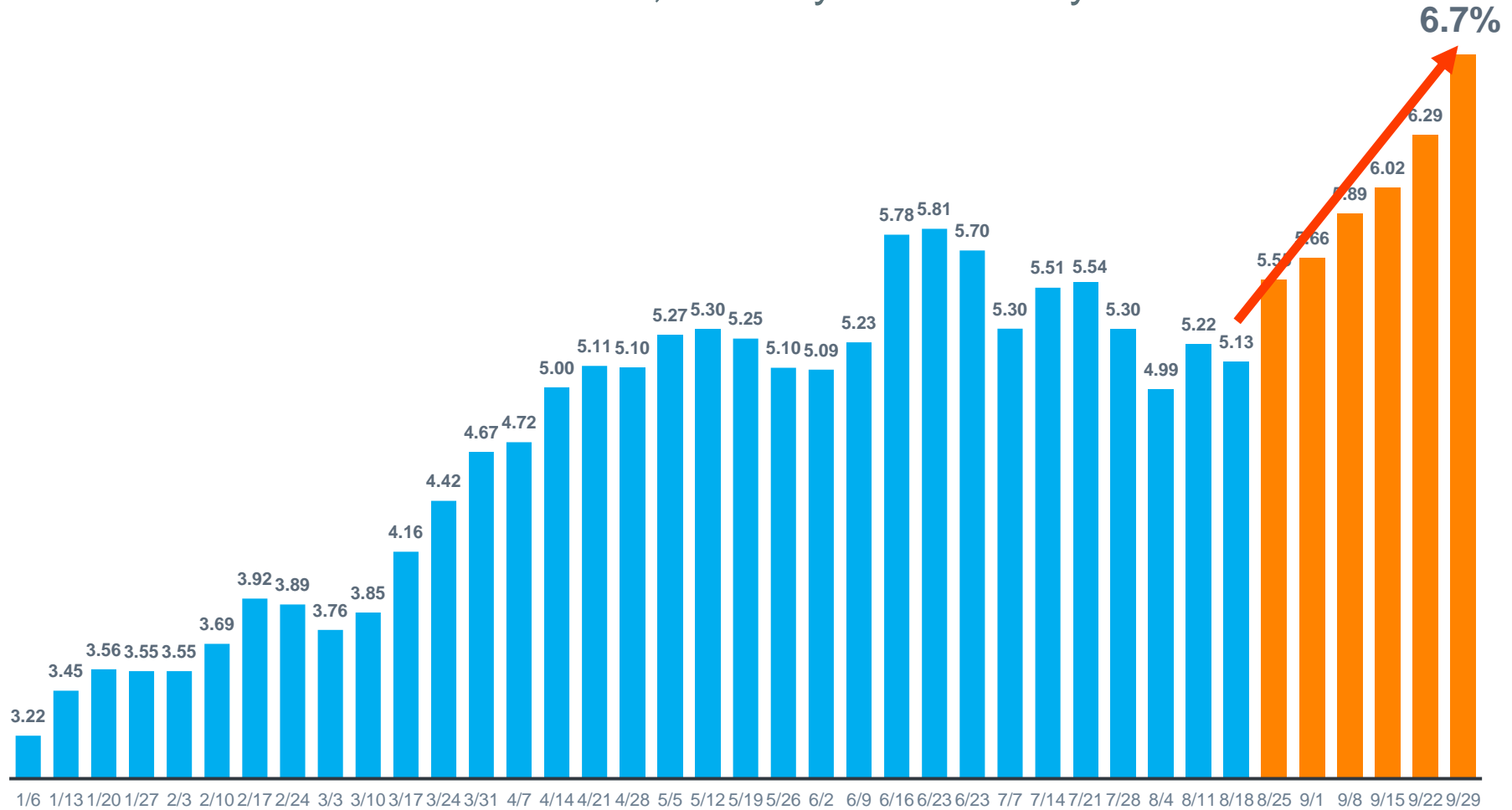
THE EXCHANGE

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## 30-year fixed-rate mortgage jumps over 7 percent

# Mortgage Rates Rise for the 6th Consecutive Week

Freddie Mac 30-Year Fixed Rate, January 2022–Today



# Mortgage Rates Rise for the 6th Consecutive Week

September 29, 2022

Sam Khater, Chief Economist, *Freddie Mac*:

**The uncertainty and volatility in financial markets is heavily impacting mortgage rates.** Our survey indicates that the range of weekly rate quotes for the 30-year fixed-rate mortgage has more than doubled over the last year.

Primary Mortgage Market Survey®					
U.S. Weekly Averages As Of 09/29//2022					
30-Yr FRM		15-Yr FRM		5/1-Yr ARM	
<b>6.70%</b>	^0.41 1-Wk	<b>5.96%</b>	^0.52 1-Wk	<b>5.30%</b>	^0.33 1-Wk
	^3.69 1-yr		^3.68 1-yr		^2.82 1-yr
0.9 Fees/Points		1.3 Fees/Points		0.4 Fees/Points	



**The aim of Fed tightening is to curtail demand in an effort to tame inflation, & when it comes to the housing market, the Fed's actions are working.**

Home sales, both new and existing, are falling, builders have cut back production in response to rapidly declining affordability . . . and annual house price growth has slowed from the peak of nearly 21% in March of this year to 16.7% in July.

- **Odeta Kushi**, Deputy Chief Economist, First American





While even two months ago rates above 7% may have seemed unthinkable, at the current pace, we can expect rates to surpass that level in the next three months.

- **George Ratiu**, Senior Economist, [realtor.com](https://www.realtor.com)



There is no doubt that the increasing mortgage rate will make homebuying even more challenging, . . . **buyers may still find opportunities, as these changes coincide with the time of the year when buyers have historically found the best market conditions to obtain more bargaining power.**

- Jiayi Xu, Economist, [realtor.com](http://realtor.com)



While mortgage rates are expected to continue to drift higher over the coming months, **much of the rapid increase in rates is likely behind us**. . . . Nationally, while month-over-month house prices may decline, **annual house price declines are not expected**, given the ongoing supply-demand imbalance and continued strength in the labor market.

- **Mark Fleming**, Chief Economist, First American

# What's Ahead for Home Prices?



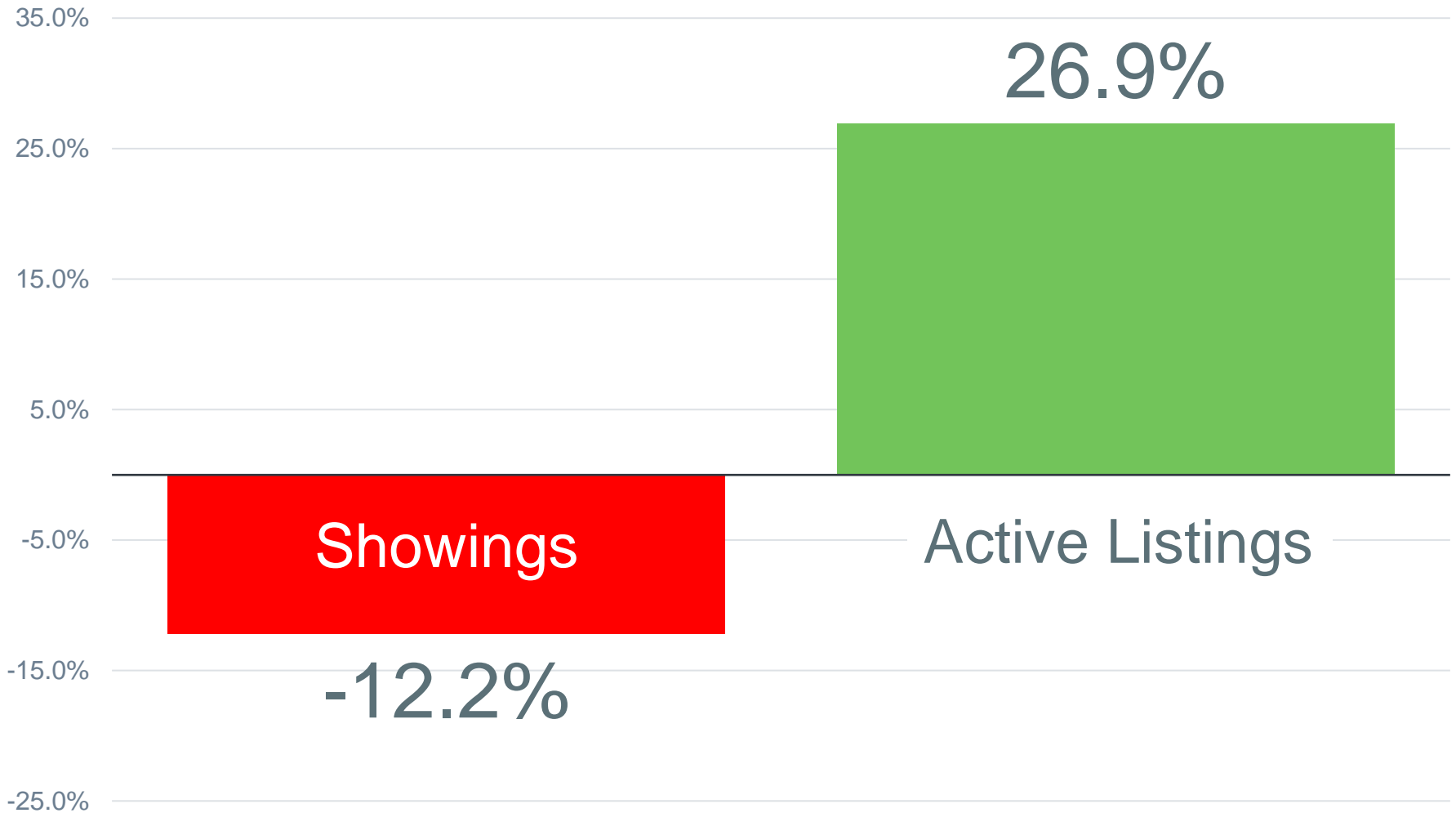


The root issue of what drives house prices almost always is **supply and demand . . .**

- David Ramsey, Personal Finance Personality

# Supply & Demand Ratio Changing Quickly

Year-Over-Year Comparisons



# What Are Experts Saying Right Now?



Ivy Zelman projects U.S. house prices will fall 4% in 2023, and then another 5% decline in 2024.

*(Nationally speaking. The same rules don't apply to Southern California).*

- Ivy Zelman, CEO, Zelman & Associates





Not surprisingly, deals are not getting done, with sales of new and existing homes declining for over half a year. Given that demand is cooling due to high borrowing costs, incomes falling behind inflation and the still-limited supply pipeline, **it is becoming increasingly clear that prices have to decline to restore market liquidity and balance.**

- **George Ratiu**, Senior Economist, [realtor.com](https://www.realtor.com)



While the markets considered overvalued may need to adjust to the not-so-new reality of higher mortgage rates, **housing market fundamentals still support a moderation of annualized house price appreciation rather than a sharp decline.**

- Mark Fleming, Chief Economist, First American



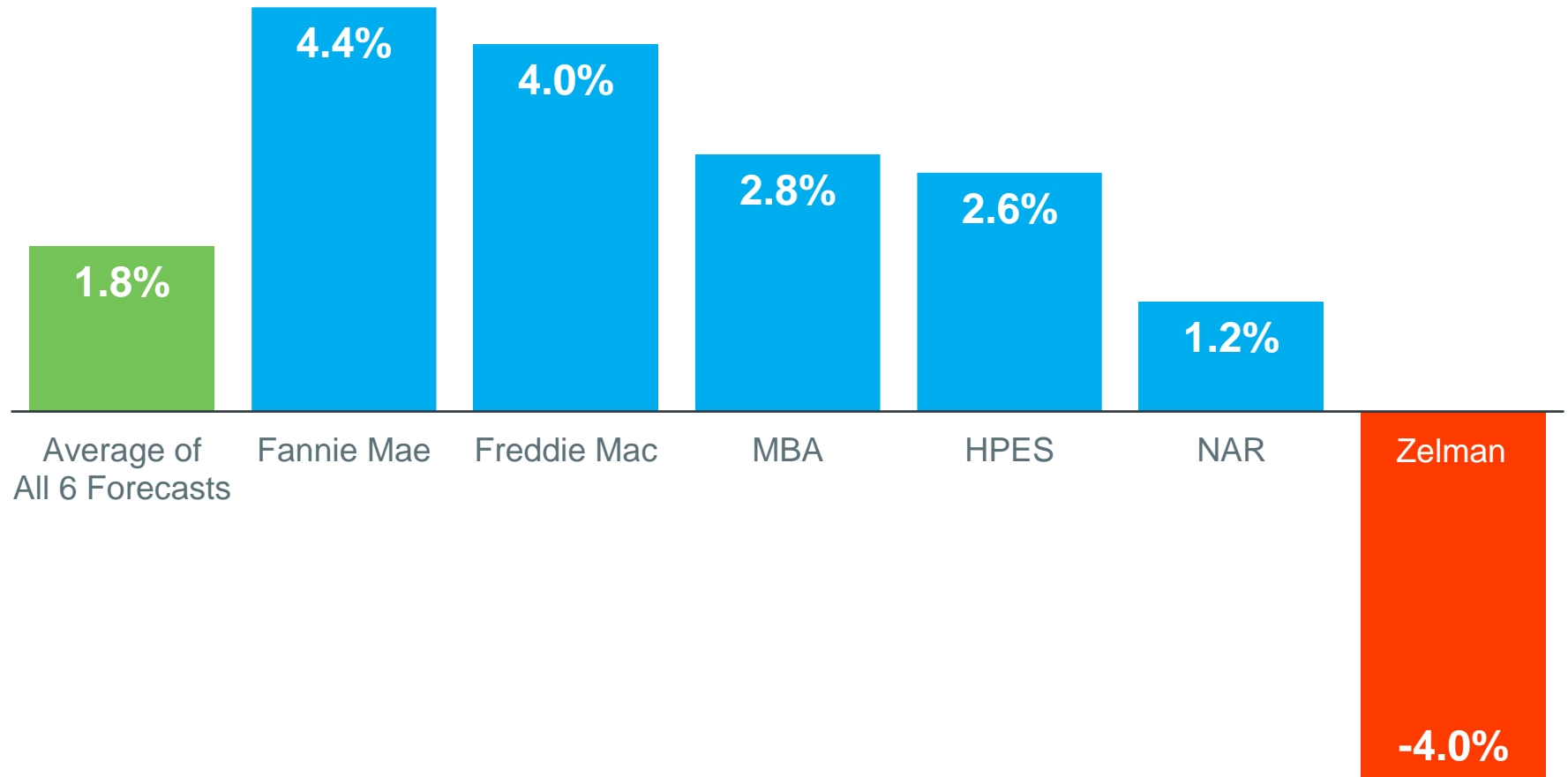
**We're not at risk of a collapse today in the financial system like we were before.** It's true - housing may be a little frothy. So housing prices may come down or they may plateau but not to the extent it happened.

- **John Paulson,**  
Billionaire Hedge Fund Manager Who Called 2008 Crash

# 2023 Home Price Forecast

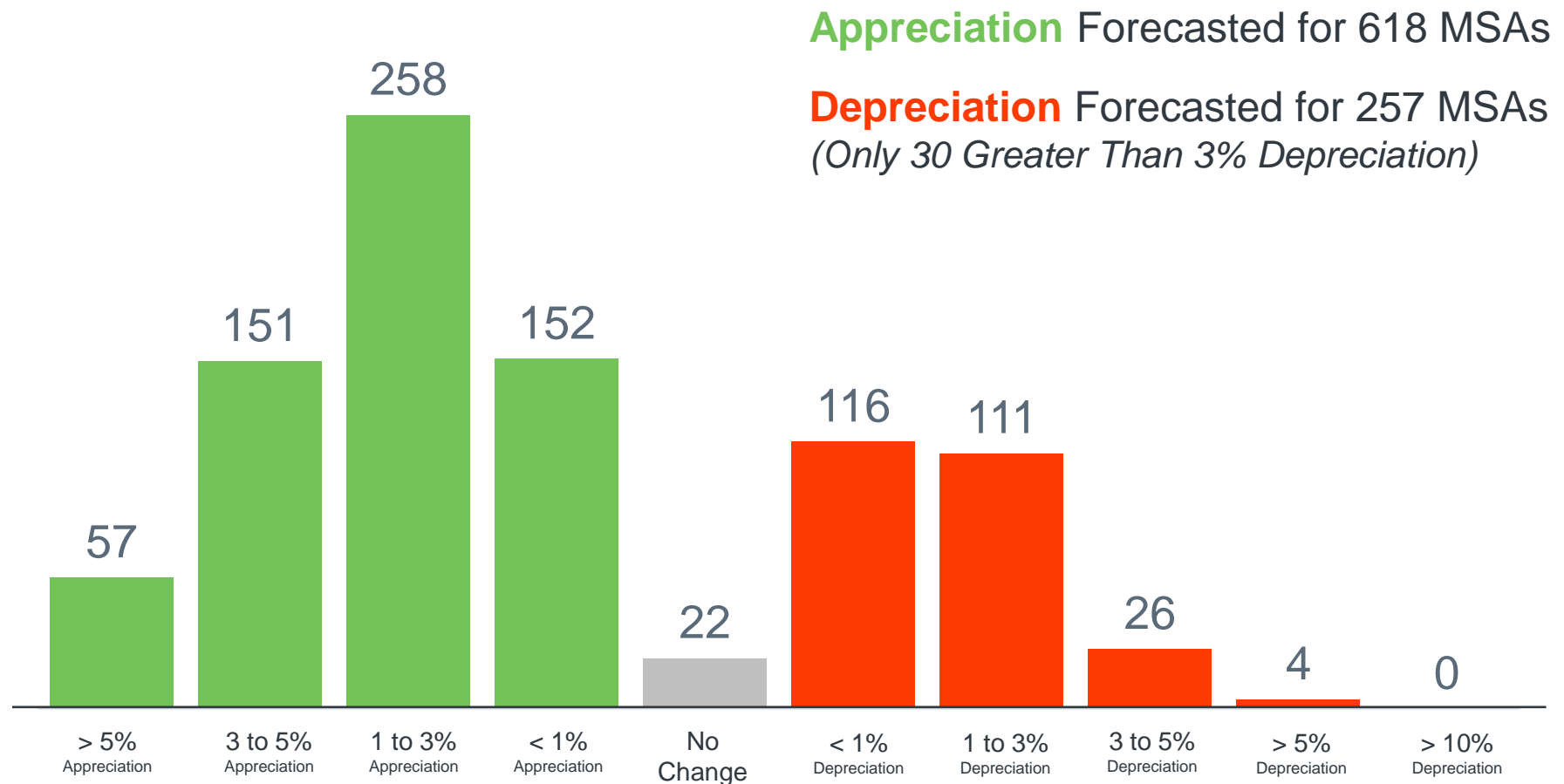
# Home Price Forecasts for 2023

Latest Forecasts from Each Entity



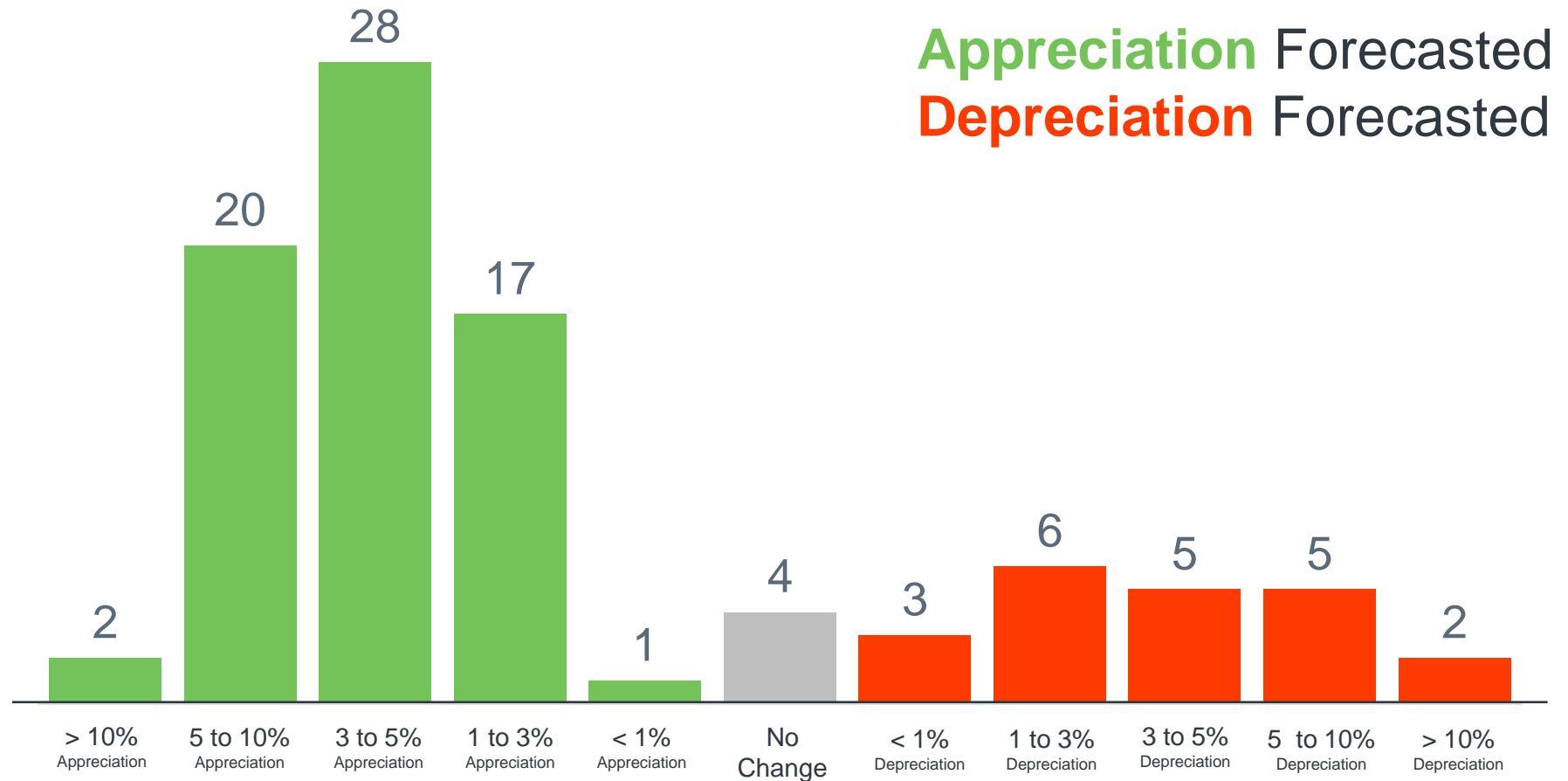
# Appreciation/Depreciation Forecast 8/2023

Number of MSAs Forecast for Levels of Price Change



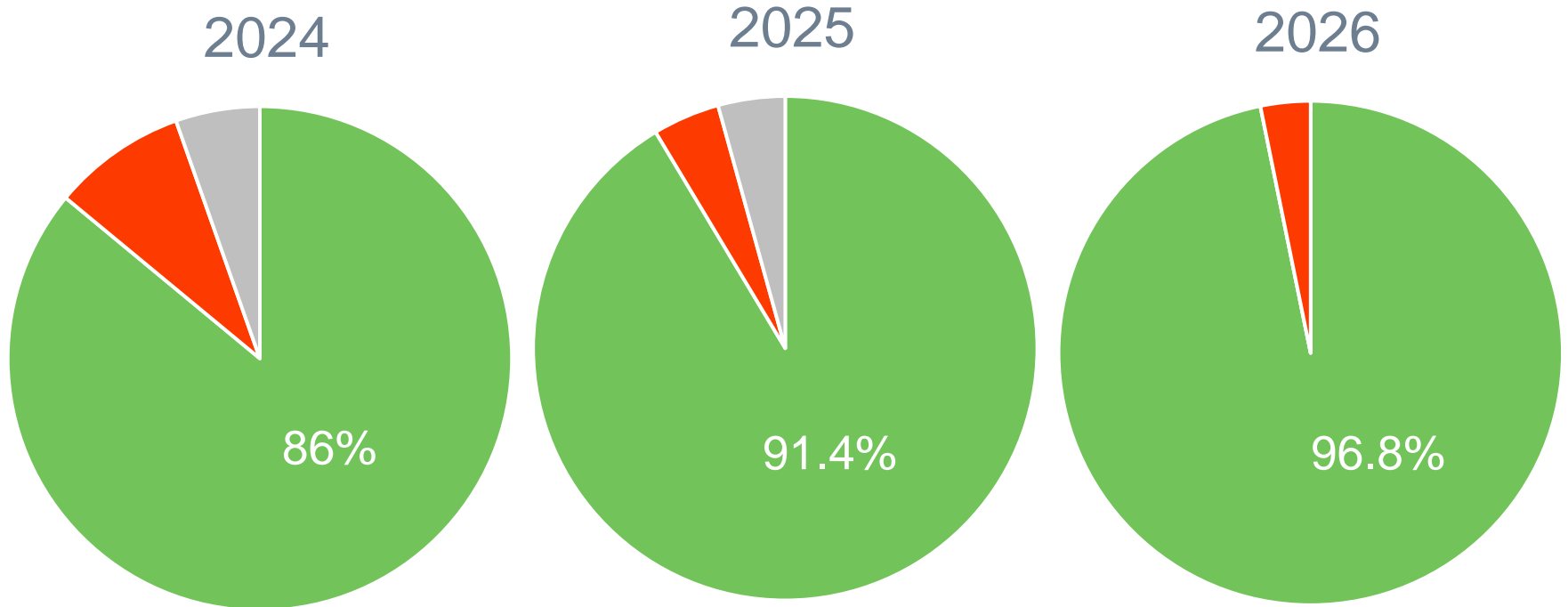
# Appreciation/Depreciation Forecast 2023

Number of Analysts Forecasting Levels of Price Change



# Forecasts 2024 Through 2026

Percent of Analysts Forecasting Appreciation or Depreciation



**Appreciation** Forecasted    **Depreciation** Forecasted    **No Change** Forecasted



What's your story?



# Why Equity Is the Shining Star of the Housing Market





U.S. households own \$41 trillion in owner-occupied real estate, just over \$12 trillion in debt, and the remaining ~\$29 trillion in equity. The national "LTV" in Q2 2022 was 29.5%, the lowest since 1983. . . . **Homeowners had an average of \$320,000 in inflation-adjusted equity in their homes in Q2 2022, an all-time high.**

- **Odetta Kushi**, Deputy Chief Economist, First American

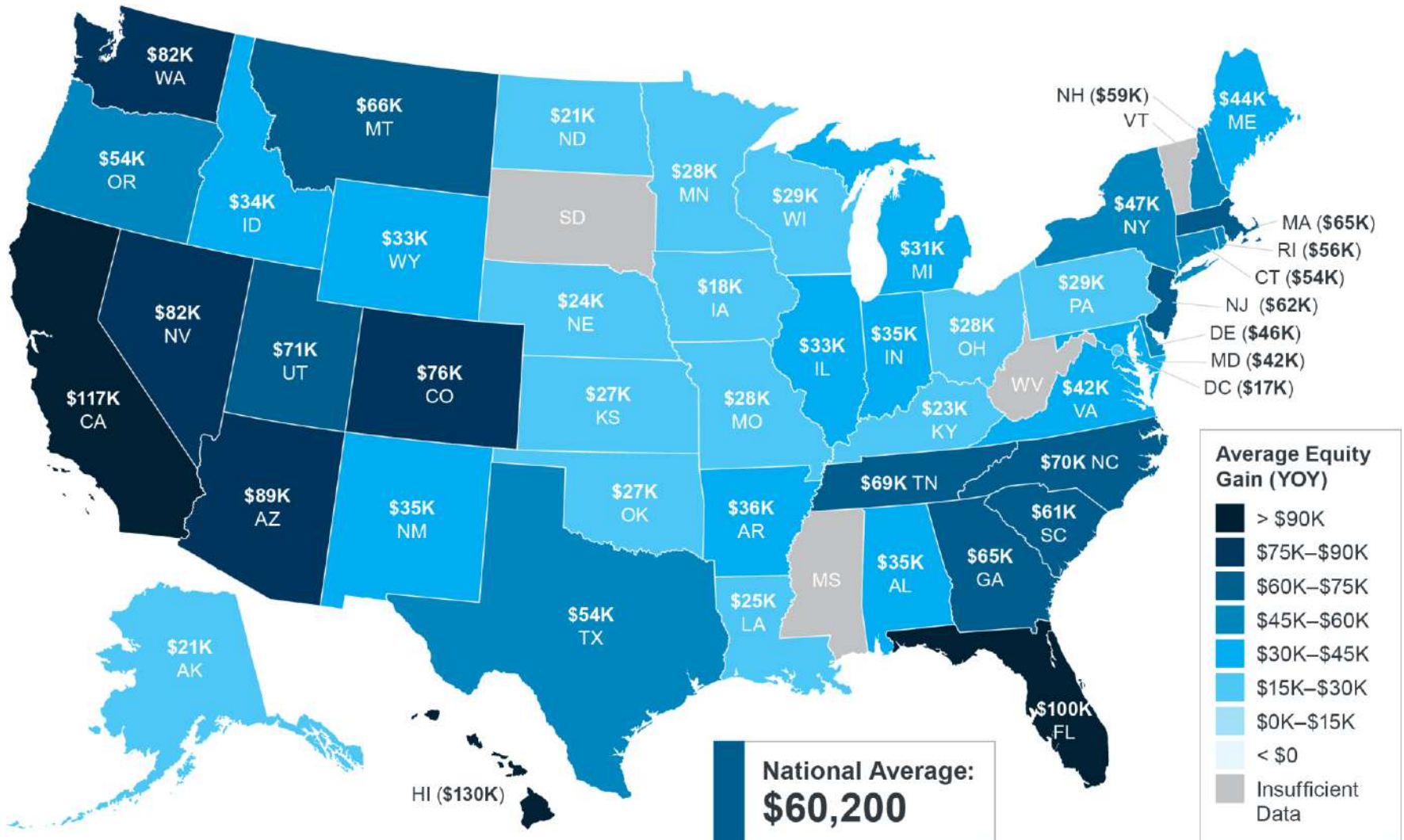


For many households, home equity is the only source of wealth creation. **As a result, recent record gains in equity and record declines in loan-to-value ratios will provide many owners with a financial buffer in case economic conditions worsen.** In addition, record equity continues to provide fuel for housing demand, particularly if households are relocating to more affordable areas.

- **Selma Hepp**,  
Interim Lead of the Office of the Chief Economist, CoreLogic

# Homeowner Equity Gains

Year-Over-Year, Q2 2022



# CoreLogic 2022 Q2 Home Equity Report

\$60.2K

Average equity gain  
for U.S. homeowners  
with mortgages

27.8%

Year-Over-Year percentage  
increase in equity for U.S.  
homeowners with mortgages

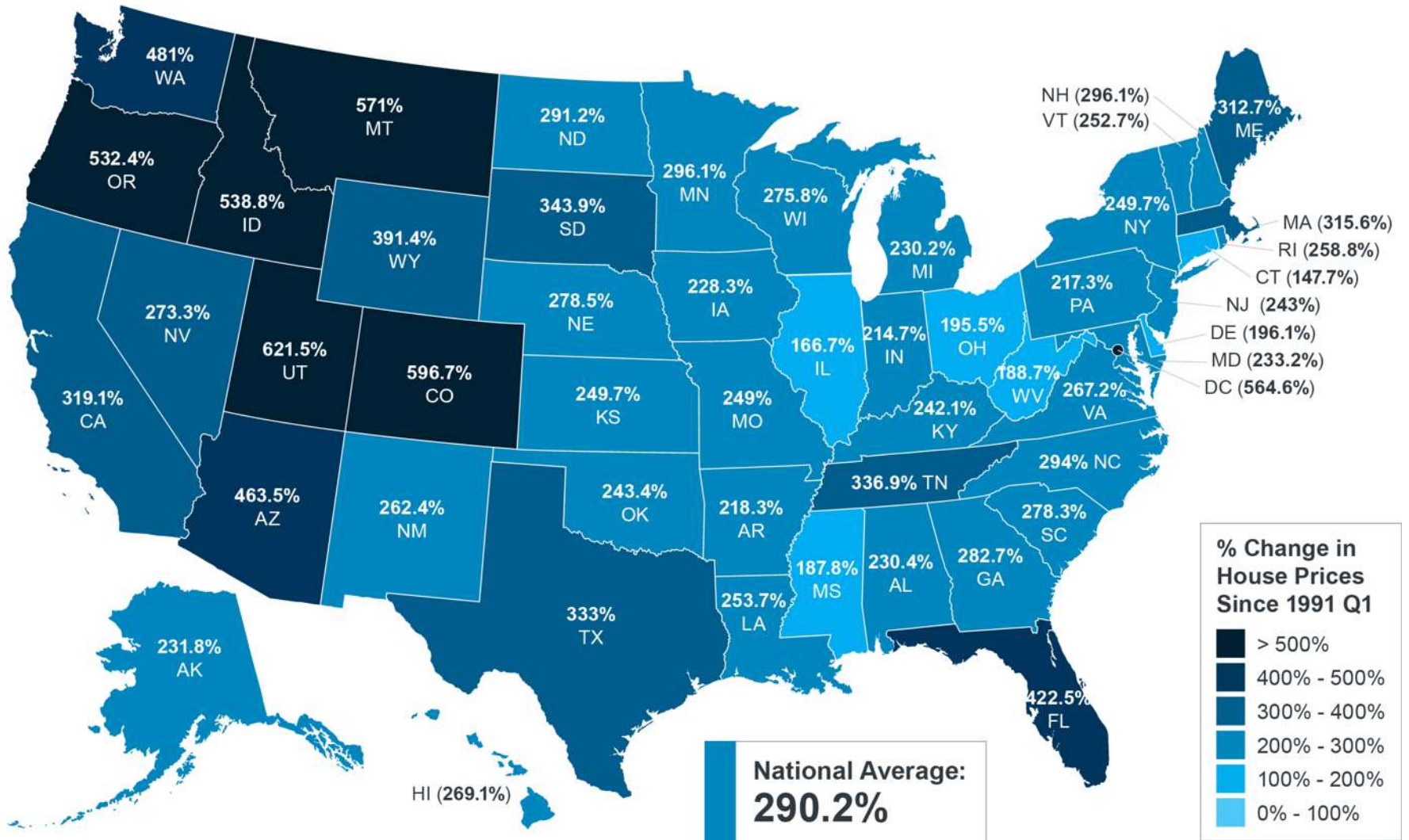
\$3.6T

Year-Over-Year total  
increase in equity for U.S.  
homeowners with mortgages

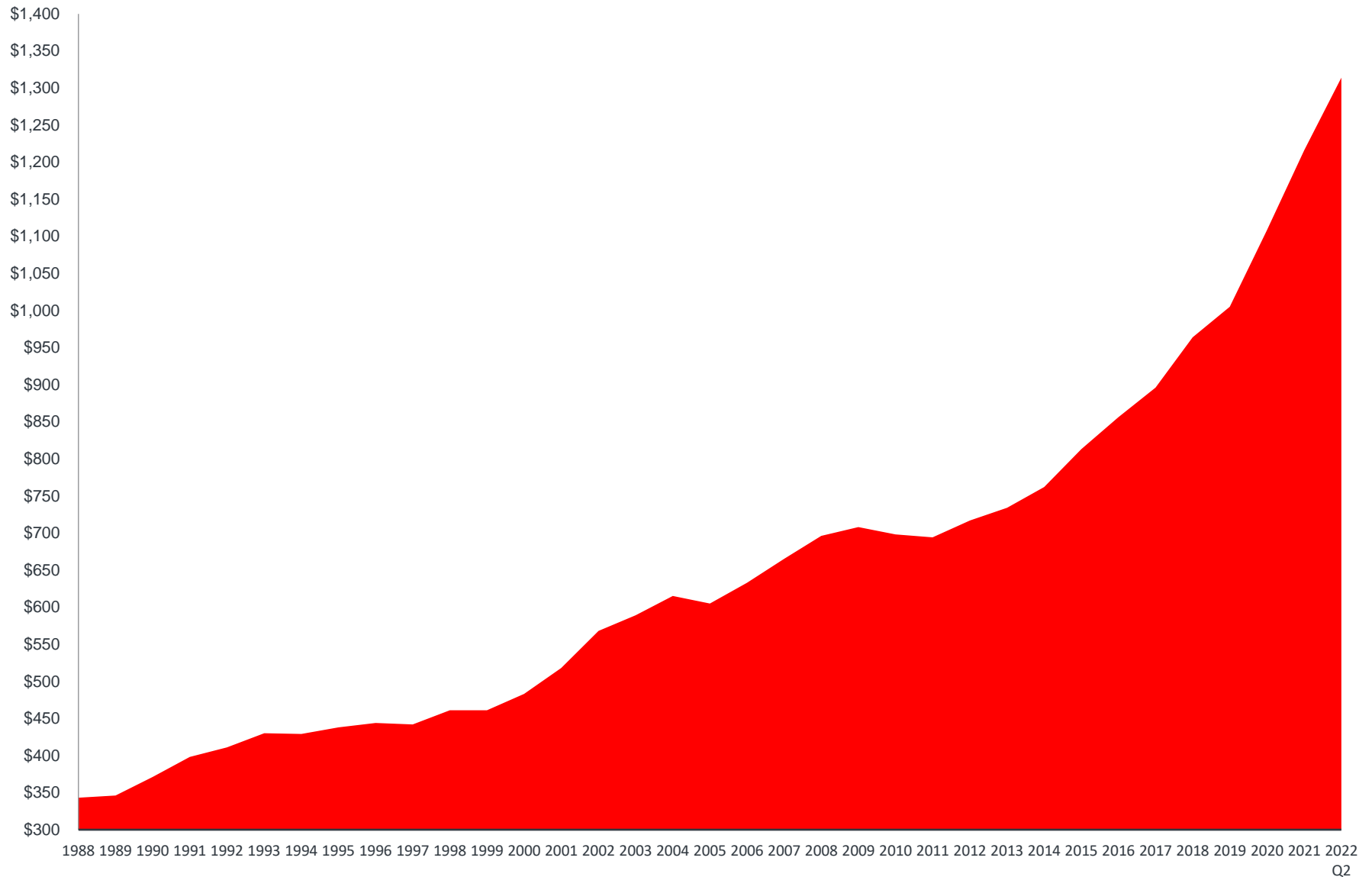
*“The total average equity per borrower has now reached almost **\$300,000**, the highest in the data series.”*

# Percent Change in Home Prices

Since Q1 1991, Q2 2022



# Median Asking Rent Since 1988





# Homeownership Changes Lives



**Security & Stability**



**Privacy**



**Personalization &  
Home Improvements**



**Health Benefits**



**Financial Education**



**Civic Participation**

# Resources

Slide(s)	Description	Link(s)
2	Fleming Quote, Economic Uncertainty	<a href="https://blog.firstam.com/economics/author/mark-fleming">https://blog.firstam.com/economics/author/mark-fleming</a>
5	Headlines	<a href="https://twitter.com/awealthofcs/status/1574742023965446144">https://twitter.com/awealthofcs/status/1574742023965446144</a> <a href="https://fortune.com/2022/09/26/housing-market-real-estate-prices-interest-mortgage-rate-highest-since-2002/">https://fortune.com/2022/09/26/housing-market-real-estate-prices-interest-mortgage-rate-highest-since-2002/</a> <a href="https://www.cnbc.com/video/2022/09/27/30-year-fixed-rate-mortgage-jumps-over-7-percent.html?&amp;qsearchterm=mortgage%20rates">https://www.cnbc.com/video/2022/09/27/30-year-fixed-rate-mortgage-jumps-over-7-percent.html?&amp;qsearchterm=mortgage%20rates</a> <a href="https://www.cnn.com/2022/09/08/homes/mortgage-rates-september-8/index.html">https://www.cnn.com/2022/09/08/homes/mortgage-rates-september-8/index.html</a>
6	Mortgage Rates Graph	<a href="https://freddiemac.gcs-web.com/node/25916/pdf">https://freddiemac.gcs-web.com/node/25916/pdf</a> <a href="http://www.freddiemac.com/pmms/">http://www.freddiemac.com/pmms/</a>
7	Khater Quote	<a href="https://freddiemac.gcs-web.com/node/25961/pdf">https://freddiemac.gcs-web.com/node/25961/pdf</a>
8	Kushi Quote, Housing Market	<a href="https://twitter.com/odetakushi/status/1572651388135669760">https://twitter.com/odetakushi/status/1572651388135669760</a> <a href="https://twitter.com/odetakushi/status/1572651390090248192">https://twitter.com/odetakushi/status/1572651390090248192</a>

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9	Ratiu Quote, Rates	<a href="https://www.cnn.com/2022/09/29/homes/mortgage-rates-september-29/index.html">https://www.cnn.com/2022/09/29/homes/mortgage-rates-september-29/index.html</a>
10	Xu Quote	<a href="https://www.realtor.com/news/trends/column-homebuyers-have-hard-the-bad-news-heres-the-good/">https://www.realtor.com/news/trends/column-homebuyers-have-hard-the-bad-news-heres-the-good/</a>
11	Fleming Quote, Forecasting	<a href="https://www.firstam.com/news/2022/overvalued-markets-increasing-20220927.html">https://www.firstam.com/news/2022/overvalued-markets-increasing-20220927.html</a>
13	Ramsey Quote	<a href="https://www.youtube.com/watch?v=NDDwGqTVAdU">https://www.youtube.com/watch?v=NDDwGqTVAdU</a>
14	Supply & Demand Graph	<a href="https://www.showingtime.com/blog/august-2022-showing-index-results/">https://www.showingtime.com/blog/august-2022-showing-index-results/</a> <a href="https://news.move.com/2022-09-29-Realtor-com-R-September-Housing-Report-Fall-Home-Shoppers-Find-More-Options-Amid-Still-High-Listing-Prices">https://news.move.com/2022-09-29-Realtor-com-R-September-Housing-Report-Fall-Home-Shoppers-Find-More-Options-Amid-Still-High-Listing-Prices</a>
16	Zelman Quote	<a href="https://macrohive.libsyn.com/ivy-zelman-on-the-coming-us-housing-crisis">https://macrohive.libsyn.com/ivy-zelman-on-the-coming-us-housing-crisis</a>
17	Ratiu Quote, Prices	<a href="https://themreport.com/daily-dose/09-27-2022/cost-homeownership-prohibitively-high">https://themreport.com/daily-dose/09-27-2022/cost-homeownership-prohibitively-high</a>

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18	Fleming Quote, Housing Market	<a href="https://blog.firstam.com/economics/where-is-housing-overvalued">https://blog.firstam.com/economics/where-is-housing-overvalued</a>
19	Paulson Quote	<a href="https://twitter.com/NickTimiraos/status/1574458786214948865">https://twitter.com/NickTimiraos/status/1574458786214948865</a>
21	Price Forecasts Graph	<a href="https://www.fanniemae.com/media/44466/display">https://www.fanniemae.com/media/44466/display</a> <a href="https://www.freddiemac.com/research/forecast/20220720-quarterly-forecast-market-slowdown-will-continue-high-rates-and-prices-exacerbate">https://www.freddiemac.com/research/forecast/20220720-quarterly-forecast-market-slowdown-will-continue-high-rates-and-prices-exacerbate</a> <a href="https://cdn.nar.realtor/sites/default/files/documents/forecast-q4-2022-us-economic-outlook-09-28-2022.pdf">https://cdn.nar.realtor/sites/default/files/documents/forecast-q4-2022-us-economic-outlook-09-28-2022.pdf</a> <a href="https://pulsenomics.com/surveys/#home-price-expectations">https://pulsenomics.com/surveys/#home-price-expectations</a> <a href="https://www.zelmanassociates.com/">https://www.zelmanassociates.com/</a> (subscription required) <a href="https://www.mba.org/docs/default-source/research-and-forecasts/forecasts/mortgage-finance-forecast-sep-2022.pdf">https://www.mba.org/docs/default-source/research-and-forecasts/forecasts/mortgage-finance-forecast-sep-2022.pdf</a>
22	Appreciation/Depreciation Forecast Graph, MSA	<a href="https://www.zillow.com/research/data/">https://www.zillow.com/research/data/</a>
23, 24	Appreciation/Depreciation Forecast Graphs	<a href="https://pulsenomics.com/surveys/#home-price-expectations">https://pulsenomics.com/surveys/#home-price-expectations</a>

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27	Kushi Quote, Equity	<a href="https://twitter.com/odetakushi/status/1569338892830265344">https://twitter.com/odetakushi/status/1569338892830265344</a> <a href="https://twitter.com/odetakushi/status/1569338906604359685">https://twitter.com/odetakushi/status/1569338906604359685</a>
28-30	Home Equity Report	<a href="https://www.corelogic.com/intelligence/homeowner-equity-insights/">https://www.corelogic.com/intelligence/homeowner-equity-insights/</a>
31	Change in Home Prices Since 1991 Map	<a href="https://www.fhfa.gov/DataTools/Tools/Pages/House-Price-Index-(HPI).aspx">https://www.fhfa.gov/DataTools/Tools/Pages/House-Price-Index-(HPI).aspx</a>
32	Median Asking Rent Graph	<a href="http://www.census.gov/housing/hvs/files/currenthvspress.pdf">http://www.census.gov/housing/hvs/files/currenthvspress.pdf</a>
33	Homeownership Changes Lives	<a href="https://contentimages.o-prod.unison.com/images/press/2021-Unison-SOTAH-Report.pdf">https://contentimages.o-prod.unison.com/images/press/2021-Unison-SOTAH-Report.pdf</a> <a href="https://www.fortunebuilders.com/benefits-of-homeownership/">https://www.fortunebuilders.com/benefits-of-homeownership/</a>