



# A RETURN TO 'NORMAL'?

## THE STATE OF REAL ESTATE IN 2022

---

Last year was one for the real estate history books. The pandemic helped usher in a buying frenzy that caused home prices to soar nationwide by a record 19.9% between August 2020 and August 2021.<sup>1</sup>

However, there were signs in the fourth quarter that the red-hot housing market was beginning to simmer down. In the month of October, only 60.3% of sales involved a bidding war—down from a high of 74.5% in April.<sup>2</sup> While this trend could be attributed to seasonality, it could also be a signal that the real estate run-up may have passed its peak.

So what's ahead for the U.S. housing market in 2022? Here's where industry experts predict the market is headed in the coming year.

**"...HOME PRICES ROSE AN ESTIMATED 16.8% IN 2021, BUT THE AVERAGE RATE OF APPRECIATION IS EXPECTED TO SLOW DOWN IN 2022."**

## MORTGAGE RATES WILL CREEP UP

Economists expect to see mortgage rates gradually rise this year after hitting record lows in late 2020 and early 2021.<sup>3</sup> Freddie Mac forecasts the 30-year fixed-rate mortgage will average 3.5% in 2022, up from around 3% in 2021, while the Mortgage Bankers Association predicts that rates will tick up to 4% by the end of the year.<sup>4,5</sup> However, even a 4% mortgage rate is low when compared to historical standards, which, between 1971 and 2020, averaged 7.89%.<sup>6</sup>

**What does it mean for you?** Low mortgage rates can reduce your monthly payment and make homeownership more affordable. Fortunately, there's still time to lock in a historically-low rate. Whether you're hoping to purchase a new home or refinance an existing mortgage, act soon before rates go up any further. We'd be happy to connect you with a trusted lending professional in our network.

## THE MARKET WILL BECOME MORE BALANCED

In 2021, we experienced one of the most competitive real estate markets ever. But price reductions are on the rise, and the time it takes to sell a home has been creeping up since June.<sup>7</sup> What's causing this change in market dynamics? Economists suspect a fundamental shift in supply and demand. National Association of Realtors Chief Economist Lawrence Yun points to increased supply from an uptick in new construction and an end to the mortgage forbearance program.<sup>8</sup> Demand is also predicted to soften as rising mortgage rates and record-high prices make homeownership unaffordable for a growing number of Americans.<sup>9</sup>

**What does it mean for you?** If you struggled to buy a home last year, increased supply and declining demand could make it easier to finally secure the home of your dreams. And if you're a seller, it's still a great time to cash out your big equity gains! Reach out for a free consultation so we can discuss your specific needs and goals.

## HOME PRICES LIKELY TO KEEP CLIMBING, BUT AT A SLOWER PACE

Nationally, home prices rose an estimated 16.8% in 2021, but the average rate of appreciation is expected to slow down in 2022.<sup>8</sup> Goldman Sachs predicts that home prices will rise by 13.5% this year, while Fannie Mae and the National Association of Realtors forecast a 7.9% and 2.8% rate of appreciation, respectively.<sup>2,10</sup> However, not all analysts are as bullish. The Mortgage Bankers Association expects the average home price to decrease by 2.5% by the end of the year.<sup>1</sup>

**What does it mean for you?** If you're a buyer who has been waiting on the sidelines for home prices to drop, you may be out of luck. The good news is that decreased competition means more choice and less likelihood of a bidding war. We can help you get the most for your money in today's market.

## RENTS WILL CONTINUE TO RISE

According to CoreLogic, in September, rents for single-family homes were up 10.2% nationally year over year.<sup>11</sup> And economists at Realtor.com expect them to climb another 7.1% in 2022.<sup>12</sup> Experts caution that rent is less predictable than a mortgage payment—and more likely to rise along with inflation.<sup>13</sup>

**What does it mean for you?** Both property and rent prices are expected to continue rising. But when you purchase a home with a fixed-rate mortgage, you can rest assured knowing that your monthly mortgage payment is locked in for the next 15 or 30 years. Whether you're a first-time homebuyer or a real estate investor, we can help you make the most of today's real estate market.

Sources: 1. Fortune 2. Fortune 3. Freddie Mac 4. Freddie Mac 5. Mortgage Bankers Association  
6. The Mortgage Reports 7. Realtor.com 8. National Association of Realtors 9. Reuters  
10. Yahoo! News 11. CNBC 12. Realtor.com 13. CNBC

## WE'RE HERE TO GUIDE YOU

While national real estate numbers and predictions can provide a "big picture" outlook for the year, real estate is local. We can guide you through the ins and outs of our market and the local issues that are likely to drive home values in your particular neighborhood. If you're considering buying or selling a home in 2022, contact us now to schedule a free consultation. We'll work with you to develop an action plan to meet your real estate goals this year.

Hadley and Josh Ott, REALTORS  
Discover Realty Group  
(720) 253-9495 direct/text  
HadleyOtt@gmail.com  
www.DiscoverRealtyGroup.com