



HIGHER RATES & SHORT SUPPLY: THE STATE OF REAL ESTATE IN 2022

The last two years caught many of us off guard—and not just because of the pandemic. They also ushered in the hottest housing market on record.¹ And while some had hoped 2022 would bring a return to normalcy, the U.S. real estate market continues to boom, despite rising interest rates and decreasing affordability.

So what's driving this persistent demand? And is there an end in sight?

Here are three factors impacting the real estate market right now. Find out how they could affect you if you're a current homeowner or plan to buy or sell a home this year.

MORTGAGE RATES ARE RISING FASTER THAN EXPECTED

Although mortgage rates were expected to rise this year, few experts predicted that they would go up as quickly as they have. The Mortgage Bankers Association projected that rates would reach 4% by the end of this year.² By mid-April, however, the average 30-year fixed mortgage rate had already hit 5%, up from around 3% just one year prior.³ And since then, mortgage rates have continued on an upward trend.

So what impact are these rising rates having on demand? Ali Wolf, chief economist at housing market research firm Zanda, told Fortune magazine, "Rising mortgage rates are having a counterintuitive effect on the housing market. Home shoppers are actually sprung into action in an attempt to buy a home before mortgage rates rise any higher."⁴

What does it mean for you? Buyers should act fast to secure a good mortgage rate. For sellers, speed is also of the essence. The pool of potential buyers may shrink as mortgages become more expensive. And if you plan to finance your next home, you'll want to act quickly to secure a favorable rate for yourself. Contact us today to discuss your options.

HOME PRICES KEEP CLIMBING

Forecasters expect that home prices will continue to go up throughout 2022, though likely at a slower pace than the 18.8% increase of the last 12 months.⁴ Bank of America predicts that prices will be up approximately 10% by the end of this year, while Fannie Mae estimates 11.2%.^{5,6}

In addition to limited supply and a race to beat rising mortgage rates, home values are also climbing because of positive economic indicators, like low unemployment.⁷ Plus, rents are soaring—up 17% from a year ago—which is

prompting more first-time homebuyers to enter the market.⁸ However, it's not all bad news for prospective homebuyers. Economists expect that as mortgage rates rise, the rate of appreciation will continue to taper.

What does it mean for you? Current labor shortages are leading to higher salaries and better job opportunities for many workers. You may find that your income growth outpaces home prices, making homeownership more affordable for you in the future. For homeowners, the outlook's even brighter. You could find yourself sitting on a nice pile of equity. Contact us for a free home value assessment to find out.

INVENTORY REMAINS EXTREMELY LOW

As noted, one of the largest hurdles to homeownership is a lack of inventory. According to a February 2022 report by Realtor.com, there's an expanding gap between household formation and home construction, which has resulted in a nationwide shortage of 5.8 million housing units.⁹ Many builders have been impacted by labor shortages and rising material costs. Limited land, restrictive zoning, and a shortage of developers are also contributing to the issue.¹⁰

Most homebuying experts agree that this lack of inventory is the primary factor driving rising prices and unprecedented competition for homes. With available housing units near four-decade lows, the end of the current housing boom is not yet in sight.¹¹

What does it mean for you? Prospective buyers should be prepared to compete for a home. You may also need to expand your search parameters. For sellers, the picture is rosier. In this strong market, your home may be worth more than you realize. Contact us to find out how much your home could sell for in today's market.

WE'RE HERE TO GUIDE YOU

While national real estate trends can provide a "big picture" outlook, real estate is local. And as local market experts, we can guide you through the ins and outs of our market and the issues that are driving home values in your particular neighborhood. Contact us to schedule a free consultation. We'll help you make the most of this unique real estate landscape.

Sources: 1. Marketwatch 2. Bankrate 3. CNBC 4. Fortune 5. Fortune
6. Fortune 7. Fortune 8. CNN 9. Realtor.com 10. NPR 11. Fortune

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