

Four Real Estate Trends for 2022

Low interest rates designed to prop up the economy amid the COVID-19 pandemic are starting to inch up again, along with concerns of inflation. This means that 2022 may cool off the white-hot housing market just a little, but demand will still outpace supply. Keep reading more insights about the real estate market in 2022 from the Motley Fool.

RATES GOING UP

Economists say the Fed will have to respond to rising inflation, which recently clocked in at close to 7% in November, the highest rate since 1982. As the economy recovers from the pandemic, the Fed will taper off purchases of assets intended to stimulate the economy. Borrowing rates will rise more than previously thought; Bank of America predicts two rate hikes in 2022 and three more in 2023 and 2024. Mortgage



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REAL ESTATE 101

Freddie Mac Mortgage Market Survey

Freddie Mac predicts that, despite rising interest rates and supply issues, first-time homebuyers will continue to push the real estate purchase market. Read the current primary mortgage market survey here: freddiemac.com/pmms.

rates will average 3.3% for well-qualified buyers in 2022, Fannie Mae forecasts, and the Mortgage Bankers Association is predicting a 4% rate on 30-year fixed loans.

ORIGINATIONS GOING DOWN

The rise in rates mean mortgage lenders will see an inevi-

table slump in business. The MBA says total loan originations will drop 33% next year from 2021, mainly targeting refinances, which the association says will decline 62% as rates continue to go up.

HOMEBUILDERS STILL BOOMING

Despite rising rates, home

supply still won't be able to catch demand. Goldman Sachs tells the Motley Fool that the housing shortage might last the longest of all the shortages affecting the U.S. as the market struggles to recover from the lowest supply of available houses since the 1970s.

An expected deregulation of

land usage should help boost construction activity and push net supply up 1.4 million units, but the market will remain held back by supply constraints and labor shortages. More than 55% of homebuilders surveyed by the National Association of Home Builders said that they had trouble finding labor in 2021, while 90% of remodelers reported a shortage of subcontractors.

Supply chain problems will continue to plague builders as well. NAHB says October 2021 already saw a decline in housing starts. During that month, more than 150,000 homes that were authorized to be constructed were unable to be built because of material shortages.

HOME PRICES INCH UP

Home prices won't rocket any more, but they won't fall, either, experts say. From August 2020 to August 2021, home prices rose nearly 20%, a record increase. Demand will still push prices, but not at the same rate. Goldman Sachs forecasts a price increase of 16% from October 2021 to December 2022, while Fannie Mae and Freddie Mac are more conservative, predicting price increase of less than 10%. MBA goes farther and predicts a decline in prices of nearly 3%.



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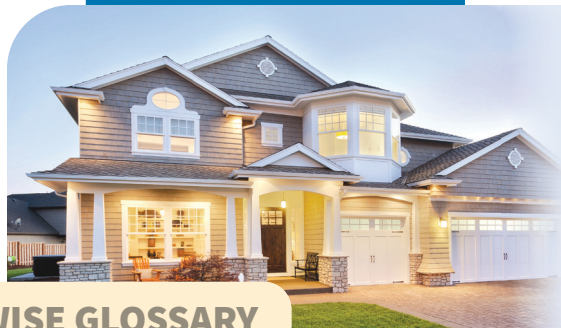
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HOMEWISSE GLOSSARY

Conventional Loan or Conventional Mortgage: A real estate loan that is not insured by the government agency FHA nor guaranteed by the Veterans Administration. These loans are subject to the terms of their particular institution. The conditions of the loan may be more flexible because the lender is not required to follow federal guidelines, instead looking at the credit of the borrower and the security of the property to insure the payment of the debt. **SOURCE:** MLS.com

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