

TWENTY TWENTY TWO



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**December**

*Housing Update*



# What's Happening with Mortgage Rates?

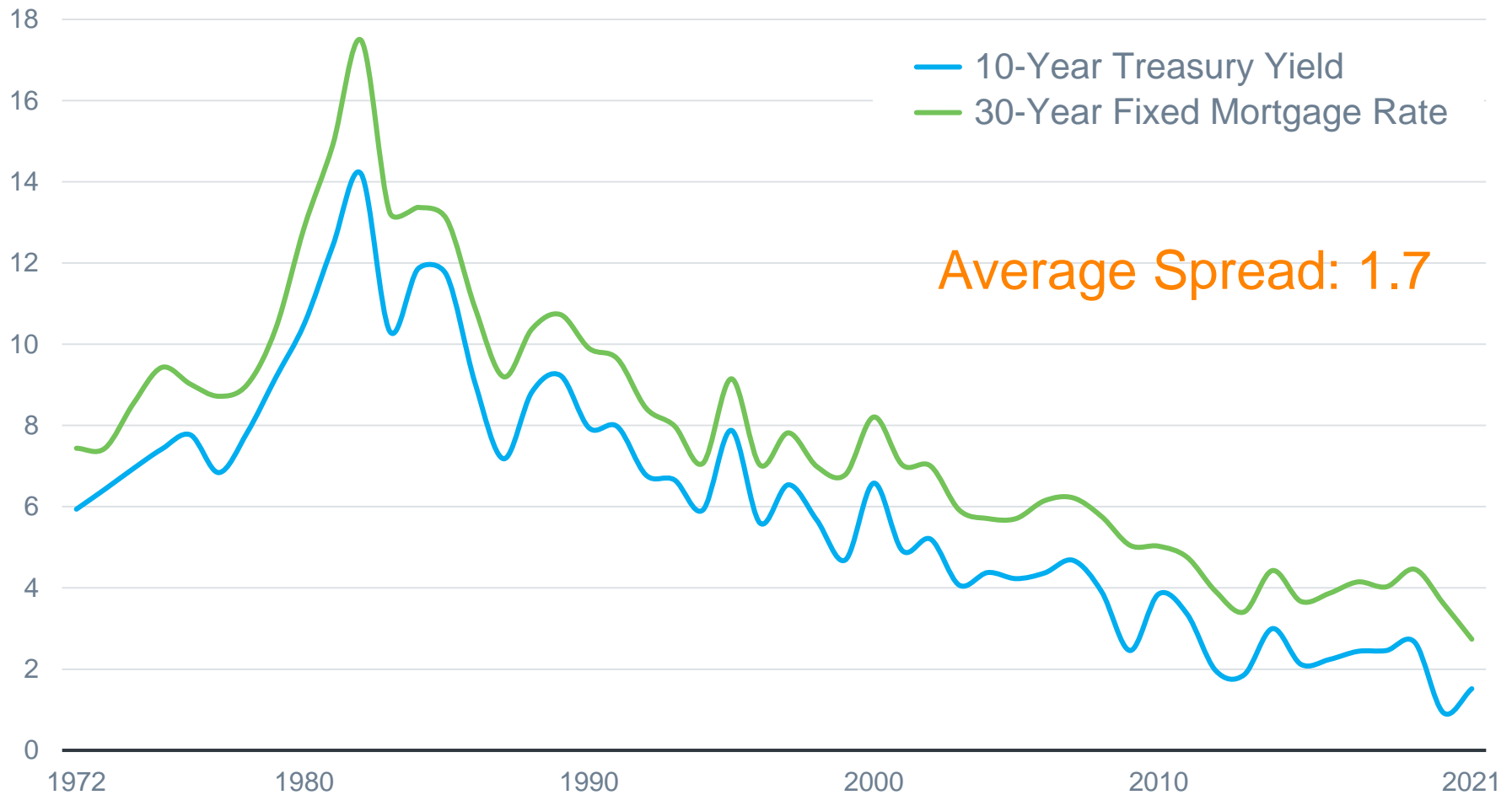




A return to a **normal spread** between the government borrowing rate and the home purchase borrowing rate will bring the 30-year mortgage rates down to around 6%.

- **Lawrence Yun**, Chief Economist, NAR

# For Almost 50 Years, the 30-Year Mortgage Rate Has Moved in Unison with the 10-Year Treasury Yield



# 10-Year Treasury Yield

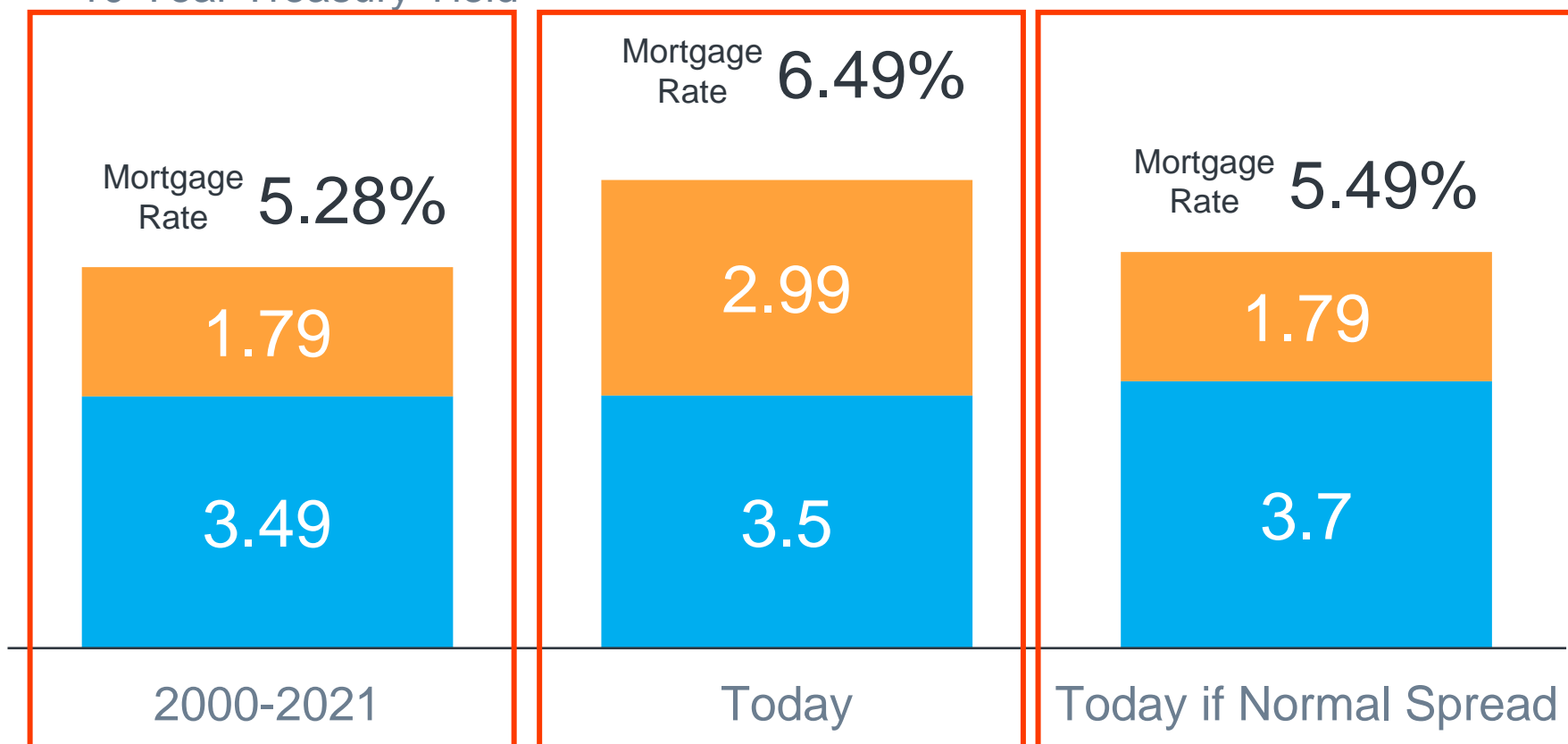




# Why Are Mortgage Rates Not 5.5%?

The Increase in the Spread Above the 10-Year Yield Is Now Dramatic

- Spread (Difference Between the Mortgage Rate and the 10-Year Yield)
- 10-Year Treasury Yield





**The housing market is expected to face continued uncertainty heading into 2023** as consumers, financial markets, and policymakers work through their respective challenges in today's economy.

- **Ali Wolf**, Chief Economist, Zonda



Because we see a slowdown, and we see the inflation comparisons start to become more and more favorable, you'll start to see that inflation number move lower, lower, lower, lower. And as a result, **mortgage rates should move similarly on a downward trajectory—probably giving us around 5%, below 5% within the next six months.**

- Barry Habib, MBS Highway



# Don't Trust the Headlines Without the Proper Context





Diana Olick

@DianaOlick



#Homeowners have lost \$1.5 trillion in equity since May, as home prices drop [cnb.cx/3t9VCCw](https://www.cnbc.com/3t9VCCw)  
[@Black\\_KnightInc](#) #housing #realestateinvesting

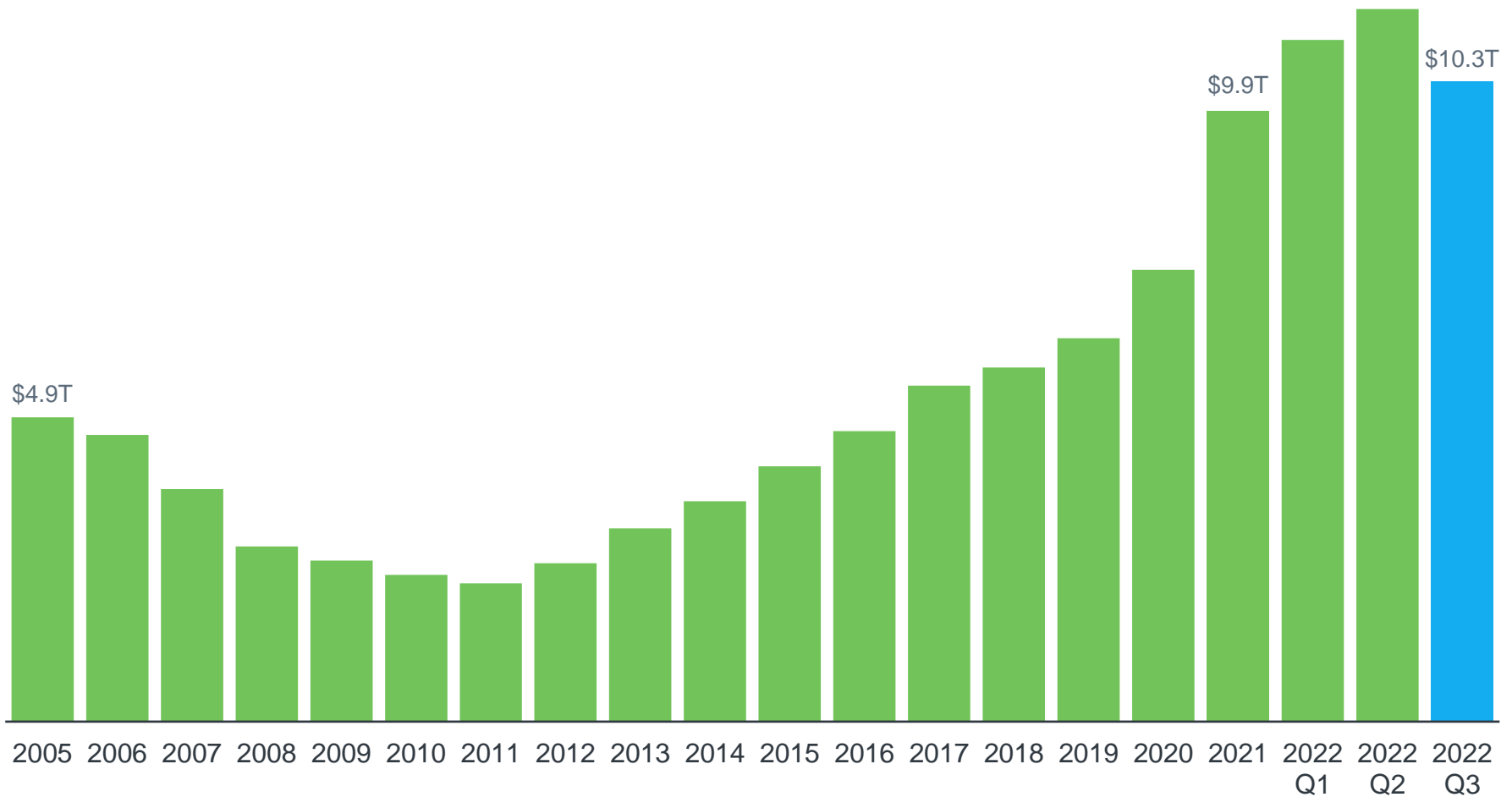


cnbc.com

Homeowners have lost \$1.5 trillion in equity since May, as home prices drop  
As home prices fall, homeowners are losing equity at the fastest pace in over a decade.

# Drop in Tappable Equity Put in Perspective

Amount of equity available for homeowners to access before hitting a maximum 80% combined LTV in trillions still \$400M above last year





Homeowners have very high levels of tappable home equity today, providing a cushion to withstand potential price declines, **but also preventing housing distress from turning into a foreclosure. . . .** the result will likely be more of a foreclosure ‘trickle’ than a ‘tsunami.’

- **Ksenia Potapov**, Economist, First American, 11/15/2022

ECONOMY

# Household debt soars at fastest pace in 15 years as credit card use surges, Fed report says

PUBLISHED TUE, NOV 15 2022-11:00 AM EST | UPDATED TUE, NOV 15 2022-5:37 PM EST



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## KEY POINTS

- Households increased debt at the fastest pace in 15 years due to hefty increases in credit card usage and mortgage balances.
- The credit card balance collectively rose more than 15% from the same period in 2021, the largest annual jump in more than 20 years, according to the New York Fed.
- The increase stems from “a combination of robust consumer demand and higher prices,” a Fed official said.



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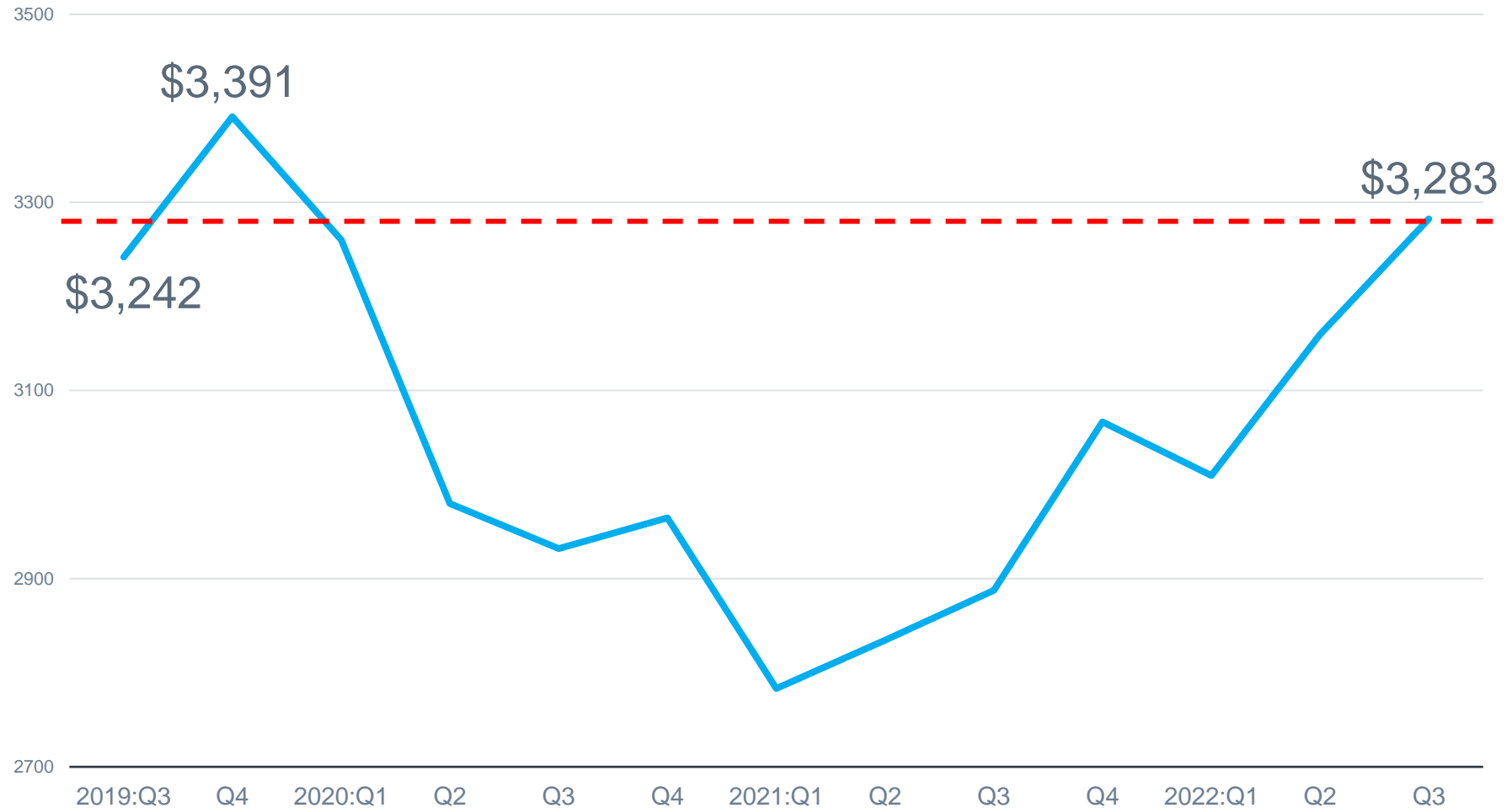
HOW TO OBTAIN  
PROSPECTUS & OTHER  
IMPORTANT INFORMATION





# Credit Card Balances Near 2019 Levels

Average American Credit Card Balance





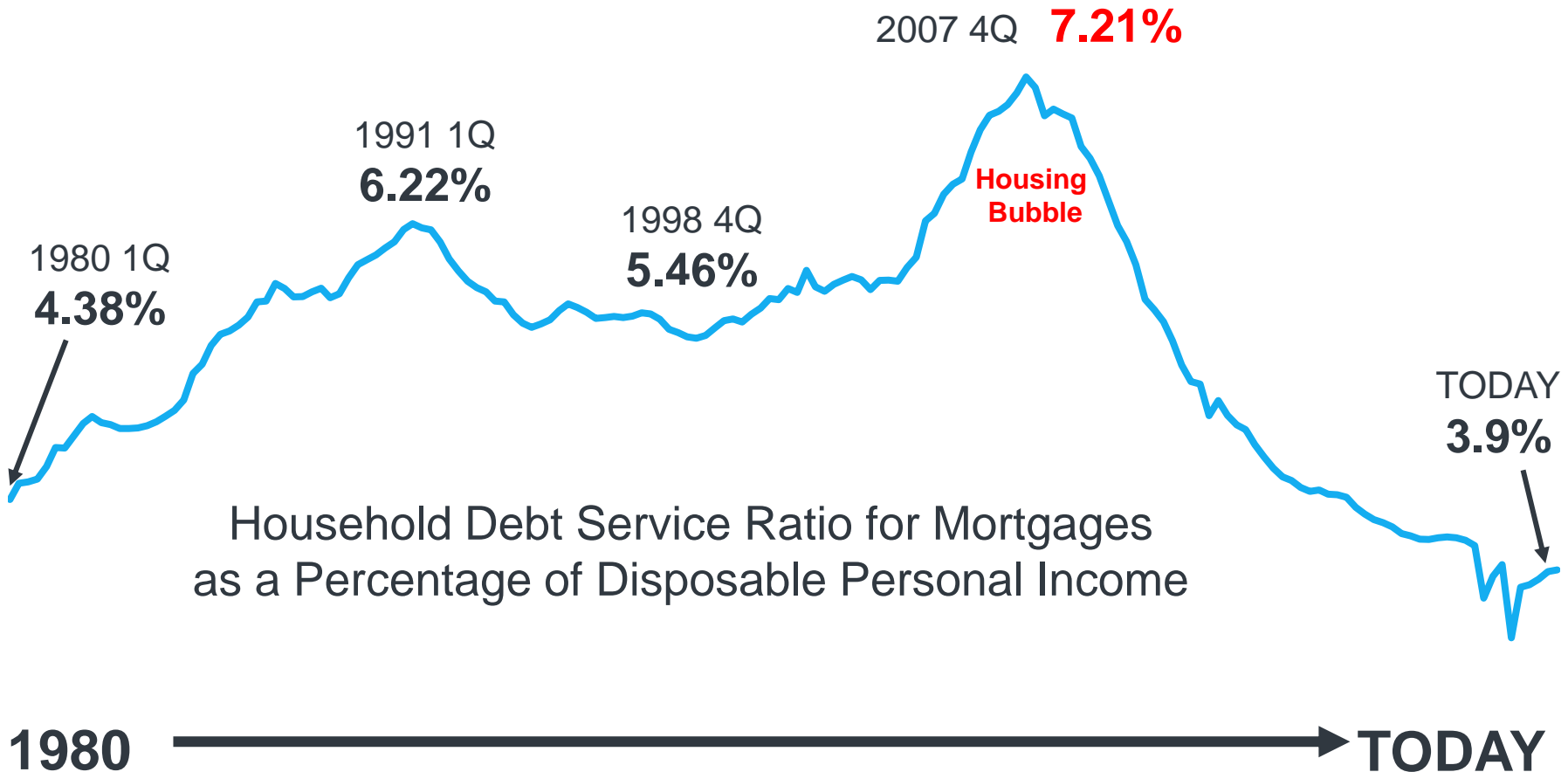
Though delinquency rates are rising they remain low by historical standards and suggest consumers are managing their finances through the period of increasing prices.

- **Liberty Street Economics Blog**, 11/15/2022



# Mortgage Debt-To-Income Ratio near Historic Lows

Total quarterly required mortgage payments divided by total quarterly disposable personal income.



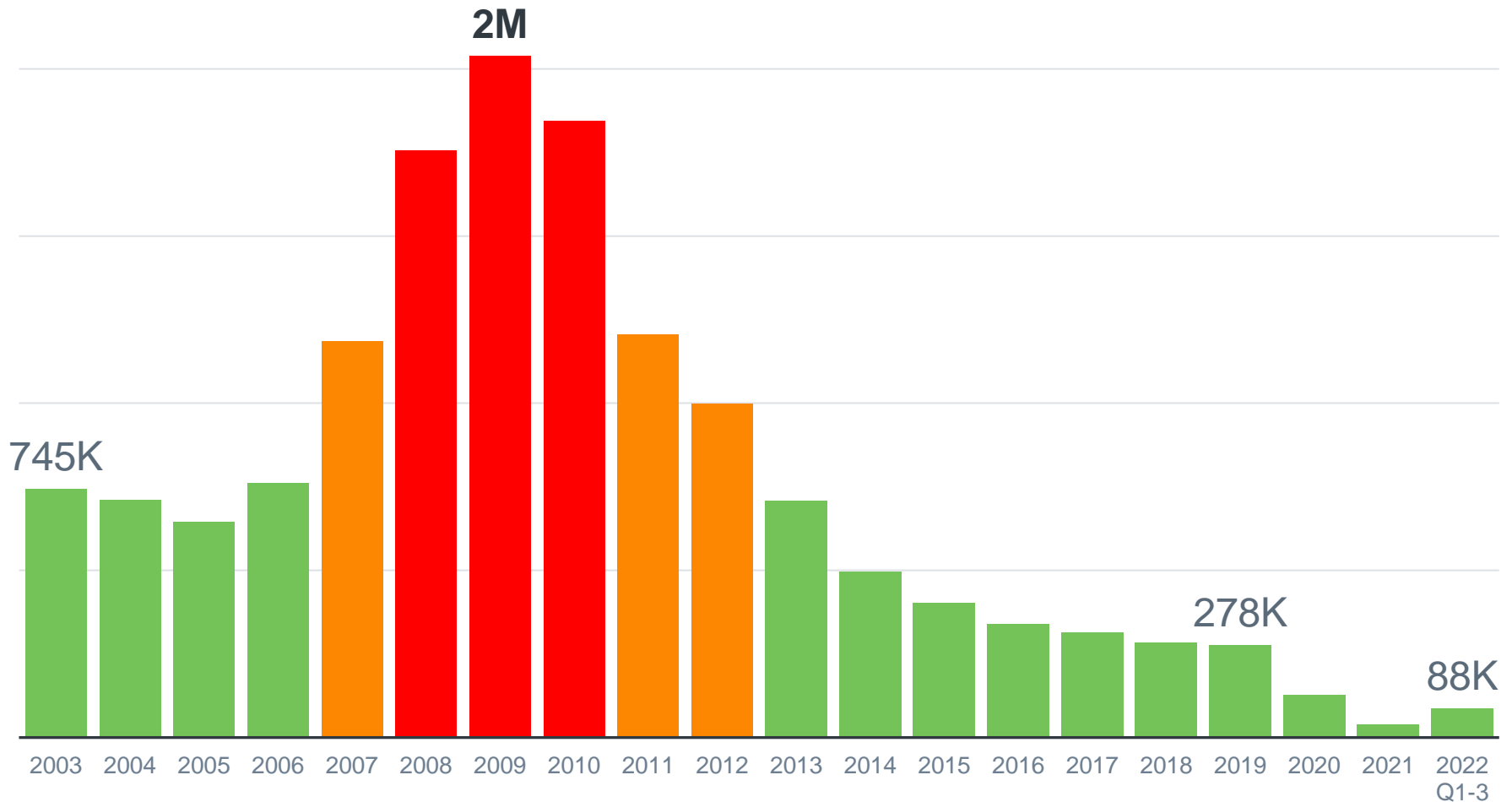


For the second quarter in a row, the mortgage delinquency rate fell to its lowest level since MBA's survey began in 1979 – declining to 3.45%. Foreclosure starts and loans in the process of foreclosure also dropped in the third quarter to levels further below their historical averages.

- **Marina Walsh**, VP of Industry Analysis, MBA, 11/2022

# Foreclosures Up, but near Record Lows

Number of Consumers with New Foreclosures



# 2023 Housing Market Forecast



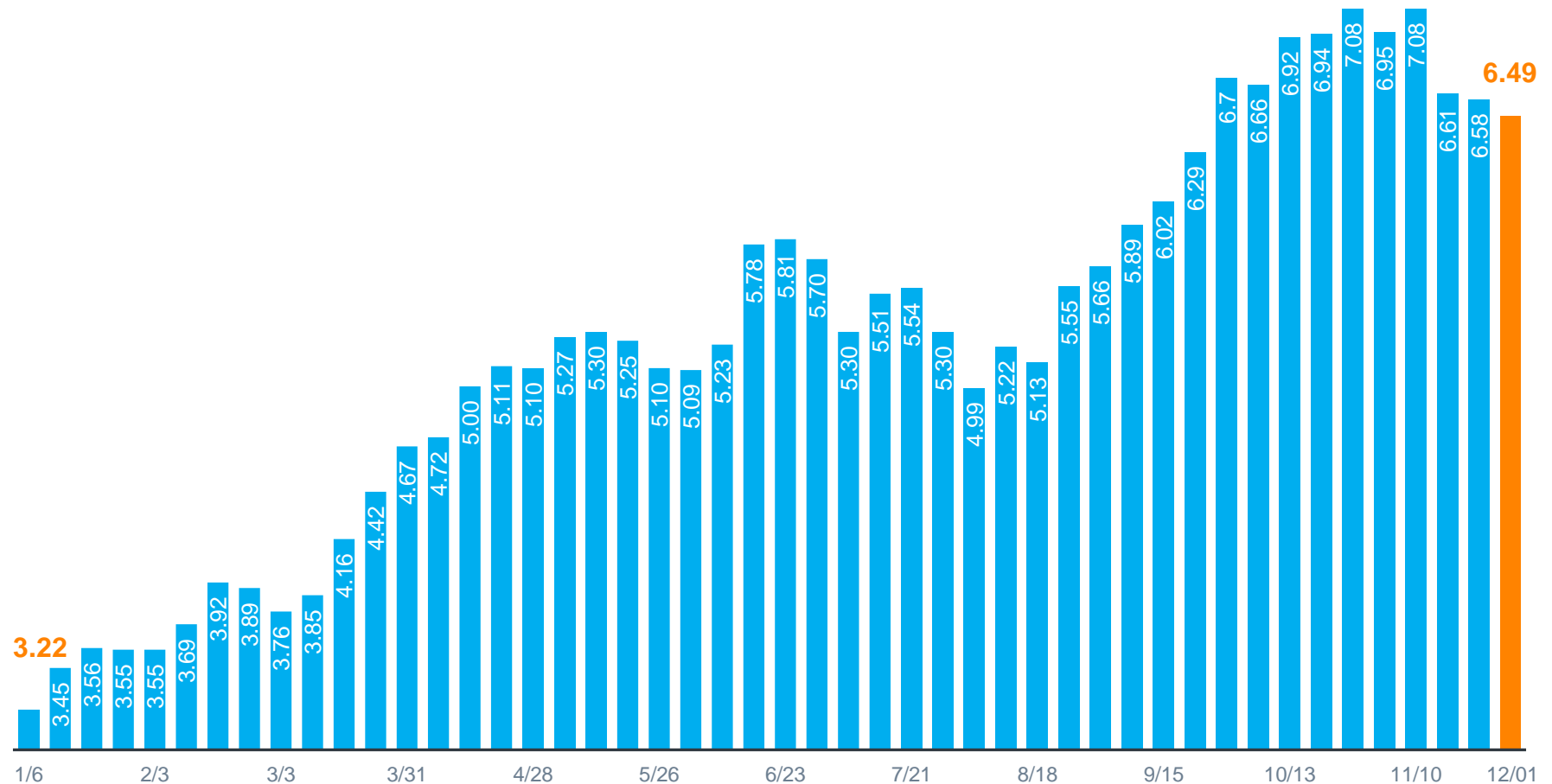


I'd say if you are a homebuyer, somebody or a young person looking to buy a home, you need a bit of a reset. **We need to get back to a place where supply and demand are back together and where inflation is down low again, and mortgage rates are low again.**

- **Jerome Powell**, Chair, Federal Reserve (*Quoted in June of 2022*)

# 2022 Defined by Rising Mortgage Rates

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



# Mortgage Rate Projections

November 2022

Quarter	Freddie Mac	Fannie Mae	MBA	NAR	Average of All Four
2023 Q1	6.60%	7.00%	6.20%	6.50%	6.58%
2023 Q2	6.50%	6.90%	5.60%	6.40%	6.35%
2023 Q3	6.40%	6.70%	5.40%	6.30%	6.20%
2023 Q4	6.20%	6.50%	5.20%	6.10%	6.00%



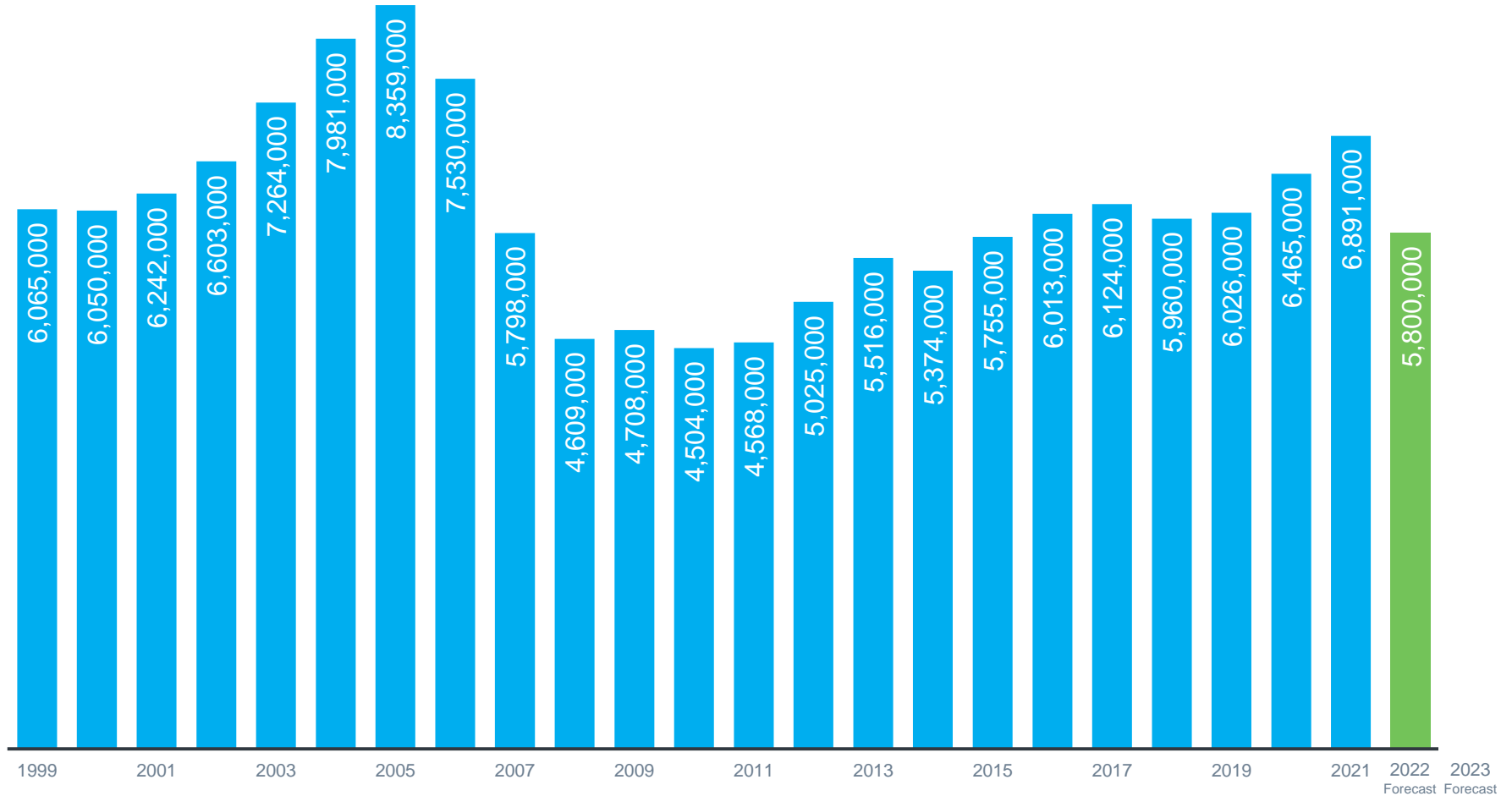


. . . mortgage rates could pull back  
meaningfully next year **if inflation  
pressures ease.**

- **Greg McBride**, Chief Financial Analyst, Bankrate

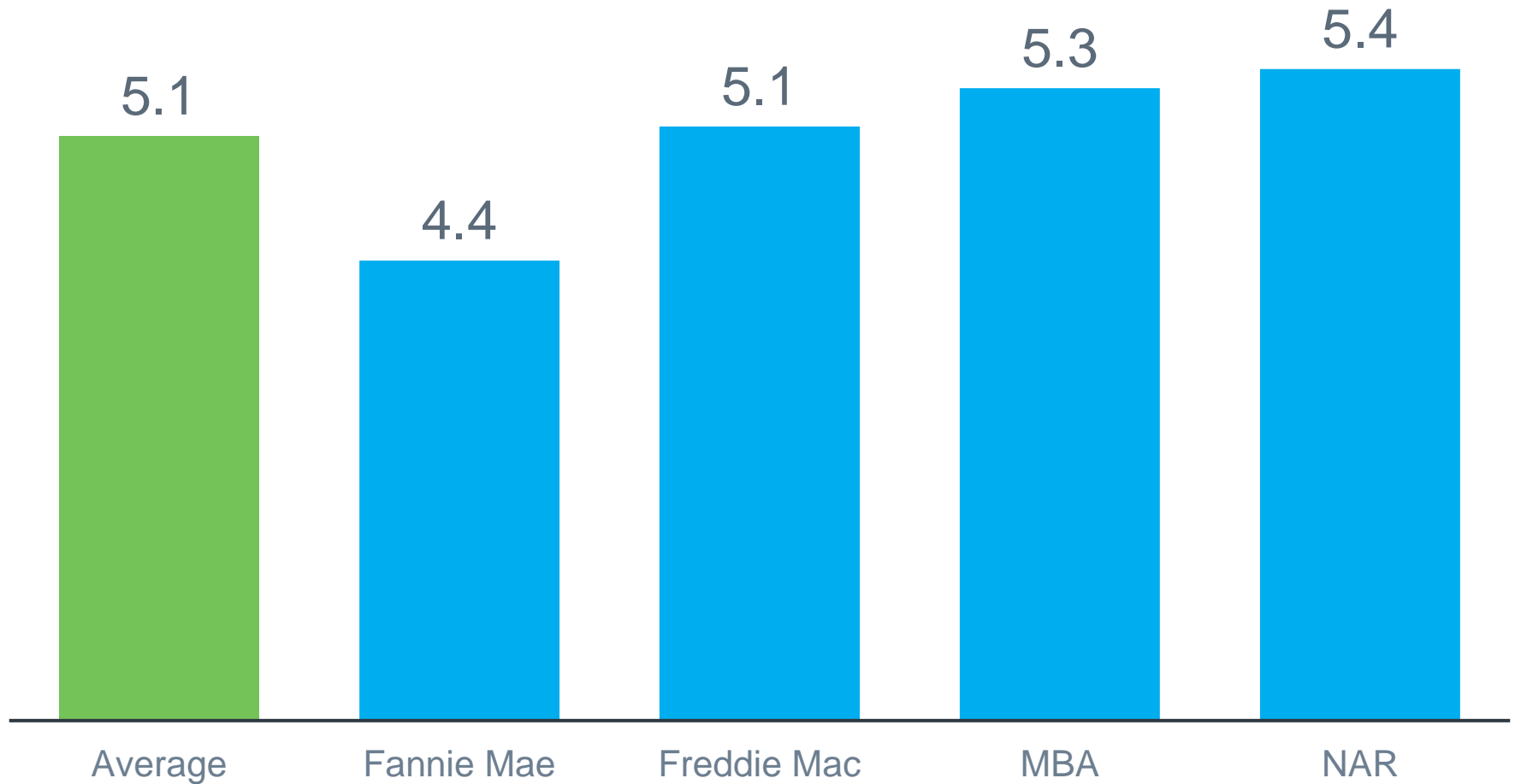
# Total Home Sales

1999 – October 2022



# 2023 Total Home Sales Forecasts

In Millions



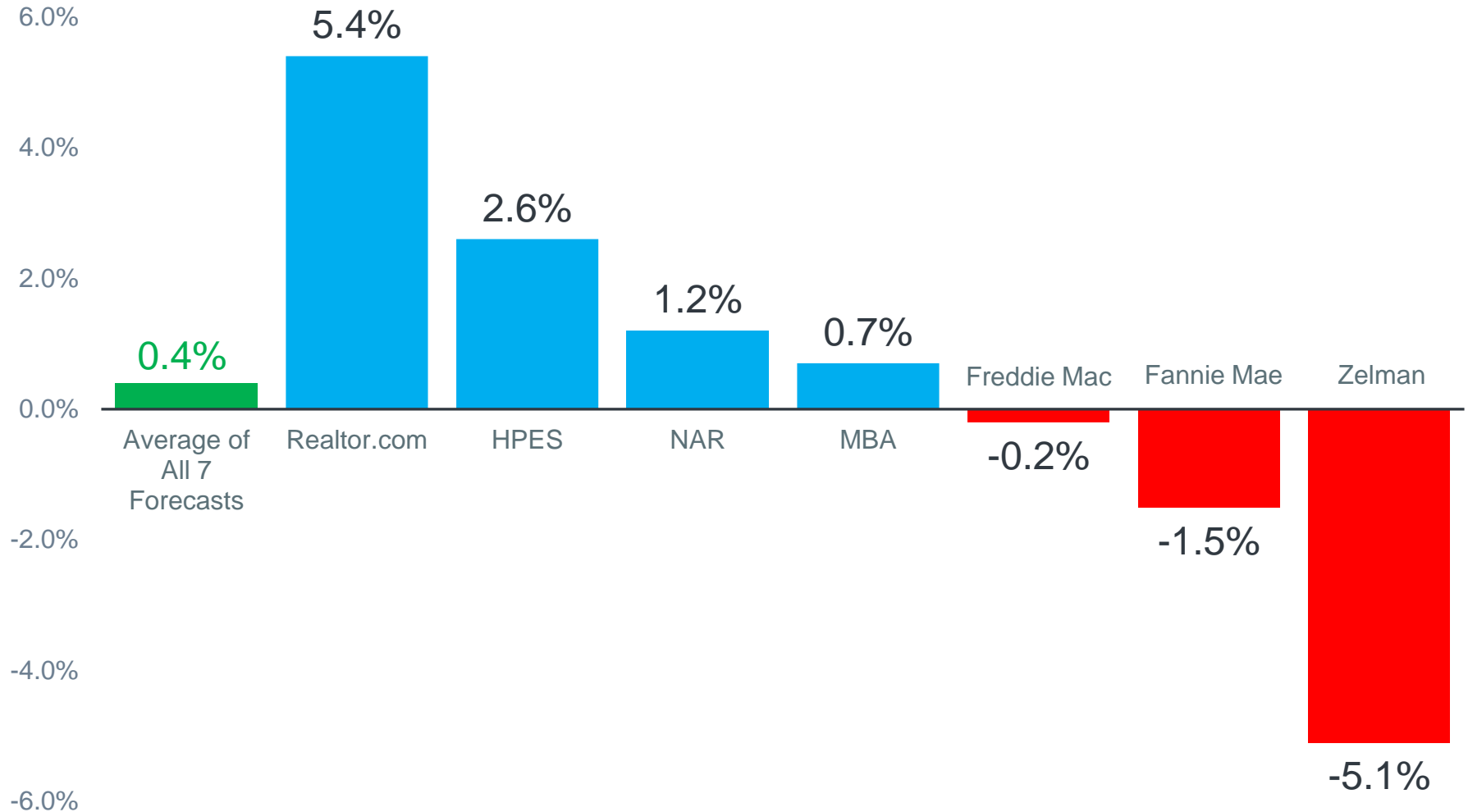


The upcoming months should see a return of buyers, as mortgage rates appear to have already peaked and have been coming down since mid-November.

- **Lawrence Yun**, Chief Economist, NAR

# Home Price Forecasts for 2023

Latest Forecasts from Each Entity





The housing market, once adjusted to the new normal of higher mortgage rates, will benefit from continued strong demographic-driven demand relative to an overall, long-run shortage of supply.

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



From our perspective, the good news is that demographics remain favorable for housing, so the sector appears well-positioned to help lead the economy out of what we expect will be a brief recession.

- **Doug Duncan**, Senior VP and Chief Economist, Fannie Mae



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Things To Consider When  
Selling Your House

WINTER 2022  
EDITION

Should I Sell My House This Winter?

What You Need To Know  
About Home Costs

*Winter 2022*

# Resources

Slide(s)	Description	Link(s)
3	Yun Quote, Rates	<a href="https://www.nar.realtor/newsroom/home-prices-rose-year-over-year-in-98-of-metro-areas-in-third-quarter-of-2022">https://www.nar.realtor/newsroom/home-prices-rose-year-over-year-in-98-of-metro-areas-in-third-quarter-of-2022</a>
4	Rates & 10-Year Treasury Over Time Graph	<a href="https://www.freddiemac.com/pmms/pmms_archives">https://www.freddiemac.com/pmms/pmms_archives</a> <a href="https://www.macrotrends.net/2016/10-year-treasury-bond-rate-yield-chart">https://www.macrotrends.net/2016/10-year-treasury-bond-rate-yield-chart</a>
5	10-Year Treasury Graph	<a href="https://www.wsj.com/market-data/quotes/bond/BX/TMUBMUSD10Y/historical-prices">https://www.wsj.com/market-data/quotes/bond/BX/TMUBMUSD10Y/historical-prices</a>
6	Current Rates & 10-Year Treasury Graph	<a href="https://www.cnbc.com/quotes/US10Y">https://www.cnbc.com/quotes/US10Y</a> <a href="https://www.freddiemac.com/home">https://www.freddiemac.com/home</a>
7	Wolf Quote	<a href="https://www.builderonline.com/data-analysis/a-look-at-the-relationship-between-the-10-year-treasury-and-30-year-mortgage-rate_o">https://www.builderonline.com/data-analysis/a-look-at-the-relationship-between-the-10-year-treasury-and-30-year-mortgage-rate_o</a>
8	Habib Quote	<a href="https://www.mauldineconomics.com/download/global-macro-update-transcript-barry-habib">https://www.mauldineconomics.com/download/global-macro-update-transcript-barry-habib</a>
10	Olick Tweet	<a href="https://twitter.com/DianaOlick/status/1589695349308166145">https://twitter.com/DianaOlick/status/1589695349308166145</a>
11	Tappable Equity Graph	<a href="https://www.blackknightinc.com/wp-content/uploads/2022/11/BKI_MM_Sept2022_Report.pdf">https://www.blackknightinc.com/wp-content/uploads/2022/11/BKI_MM_Sept2022_Report.pdf</a>

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12	Potapov Quote	<a href="https://blog.firstam.com/economics/will-foreclosures-rise-as-the-housing-and-labor-markets-cool">https://blog.firstam.com/economics/will-foreclosures-rise-as-the-housing-and-labor-markets-cool</a>
13	CNBC Headline	<a href="https://www.cnn.com/2022/11/15/household-debt-soars-at-fastest-pace-in-15-years-as-credit-card-use-surges-fed-report-says.html">https://www.cnn.com/2022/11/15/household-debt-soars-at-fastest-pace-in-15-years-as-credit-card-use-surges-fed-report-says.html</a>
14	Credit Card Balances Graph	<a href="https://libertystreeteconomics.newyorkfed.org/2022/11/balances-are-on-the-rise-so-who-is-taking-on-more-credit-card-debt/">https://libertystreeteconomics.newyorkfed.org/2022/11/balances-are-on-the-rise-so-who-is-taking-on-more-credit-card-debt/</a>
15	Liberty Street Economics Quote	<a href="https://libertystreeteconomics.newyorkfed.org/2022/11/balances-are-on-the-rise-so-who-is-taking-on-more-credit-card-debt/">https://libertystreeteconomics.newyorkfed.org/2022/11/balances-are-on-the-rise-so-who-is-taking-on-more-credit-card-debt/</a>
16	Mortgage Debt-To-Income Graph	<a href="https://www.federalreserve.gov/releases/housedebt/default.htm">https://www.federalreserve.gov/releases/housedebt/default.htm</a>

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18	Foreclosures Graph	<a href="https://www.newyorkfed.org/microeconomics/hhdc">https://www.newyorkfed.org/microeconomics/hhdc</a>
20	Powel Quote	<a href="https://fortune.com/2022/06/16/housing-market-reset-federal-reserve-could-see-home-prices-fall/">https://fortune.com/2022/06/16/housing-market-reset-federal-reserve-could-see-home-prices-fall/</a>
21	Mortgage Rates Graph	<a href="https://freddiemac.gcs-web.com/node/26346/pdf">https://freddiemac.gcs-web.com/node/26346/pdf</a> <a href="http://www.freddiemac.com/pmms/">http://www.freddiemac.com/pmms/</a>
22	Mortgage Rates Forecast	<a href="https://www.fanniemae.com/media/45306/display">https://www.fanniemae.com/media/45306/display</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://www.freddiemac.com/research/forecast/20221021-quarterly-forecast-rapidly-rising-rates-declining-demand-driving-housing-market">https://www.freddiemac.com/research/forecast/20221021-quarterly-forecast-rapidly-rising-rates-declining-demand-driving-housing-market</a> <a href="https://www.mba.org/docs/default-source/research-and-forecasts/forecasts/mortgage-finance-forecast-nov-2022.pdf">https://www.mba.org/docs/default-source/research-and-forecasts/forecasts/mortgage-finance-forecast-nov-2022.pdf</a>
23	McBride Quote	<a href="https://www.bankrate.com/real-estate/housing-market-predictions-2023/#home-values">https://www.bankrate.com/real-estate/housing-market-predictions-2023/#home-values</a>

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24	Home Sales Since 1999 Graph	<a href="https://www.nar.realtor/topics/existing-home-sales">https://www.nar.realtor/topics/existing-home-sales</a> <a href="https://cdn.nar.realtor/sites/default/files/documents/ehs-10-2022-overview-2022-11-18.pdf">https://cdn.nar.realtor/sites/default/files/documents/ehs-10-2022-overview-2022-11-18.pdf</a> <a href="https://www.census.gov/construction/nrs/pdf/newressales.pdf">https://www.census.gov/construction/nrs/pdf/newressales.pdf</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>
25	Home Sales Forecasts	<a href="https://www.fanniemae.com/media/45306/display">https://www.fanniemae.com/media/45306/display</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://www.freddiemac.com/research/forecast/20221021-quarterly-forecast-rapidly-rising-rates-declining-demand-driving-housing-market">https://www.freddiemac.com/research/forecast/20221021-quarterly-forecast-rapidly-rising-rates-declining-demand-driving-housing-market</a> <a href="https://www.mba.org/docs/default-source/research-and-forecasts/forecasts/mortgage-finance-forecast-nov-2022.pdf">https://www.mba.org/docs/default-source/research-and-forecasts/forecasts/mortgage-finance-forecast-nov-2022.pdf</a>
26	Yun Quote, Rates Forecast	<a href="https://twitter.com/NAR_Research/status/1597970968298782720?s=20&amp;t=RM8XMxPm_1ZkD0xfSe4N6Q">https://twitter.com/NAR_Research/status/1597970968298782720?s=20&amp;t=RM8XMxPm_1ZkD0xfSe4N6Q</a>

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27	Home Price Forecasts Graph	<a href="https://news.move.com/2022-11-30-Realtor-com-R-Housing-Forecast-Homebuying-Costs-Arent-Coming-Down-in-2023">https://news.move.com/2022-11-30-Realtor-com-R-Housing-Forecast-Homebuying-Costs-Arent-Coming-Down-in-2023</a> <a href="https://www.fanniemae.com/media/44911/display">https://www.fanniemae.com/media/44911/display</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> (by subscription) <a href="https://www.mba.org/docs/default-source/research-and-forecasts/forecasts/mortgage-finance-forecast-oct-2022.pdf?sfvrsn=d32917_1">https://www.mba.org/docs/default-source/research-and-forecasts/forecasts/mortgage-finance-forecast-oct-2022.pdf?sfvrsn=d32917_1</a>
28	Fleming Quote	<a href="https://blog.firstam.com/economics/why-the-housing-market-may-begin-to-stabilize-in-2023">https://blog.firstam.com/economics/why-the-housing-market-may-begin-to-stabilize-in-2023</a>
29	Duncan Quote	<a href="https://www.fanniemae.com/newsroom/fannie-mae-news/economy-still-expected-enter-and-exit-modest-recession-2023">https://www.fanniemae.com/newsroom/fannie-mae-news/economy-still-expected-enter-and-exit-modest-recession-2023</a>