

# Monthly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from **RPI (Realty Publications, Inc.)**  
June 2022 • Vol. 12 • Issue 6 • **Higher mortgage rates drain purchasing power, sink sales volume**

Presented by

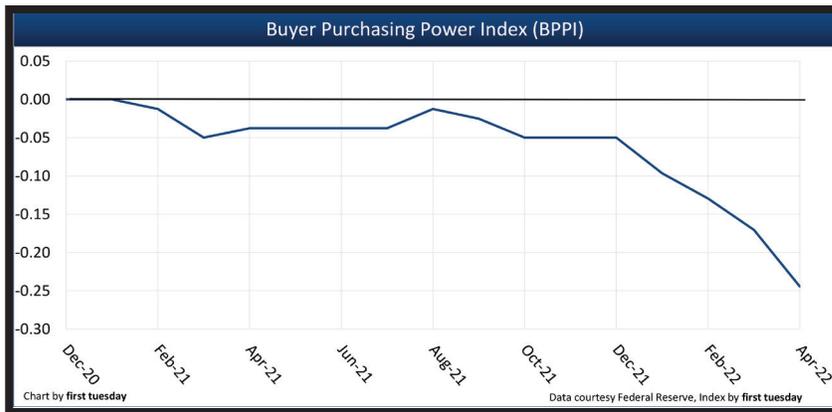
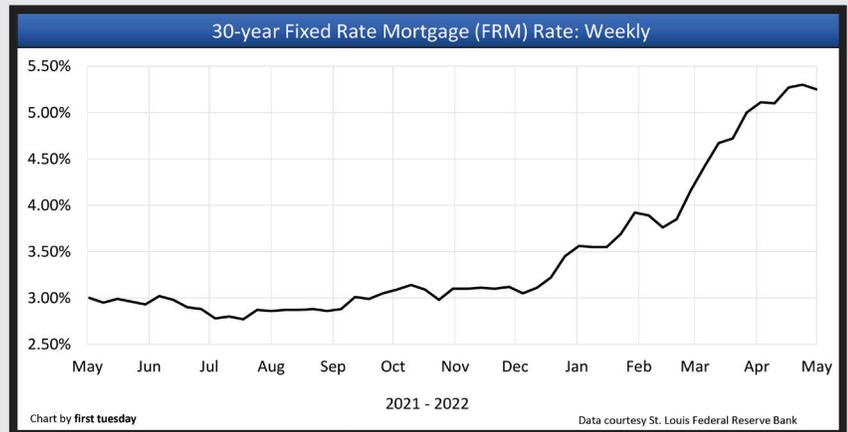
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## Rates show buyers and sellers no mercy

This chart shows the average 30-year **fixed rate mortgage (FRM)** rate on a weekly basis.

The 30-year FRM rate was unleashed in the first half of 2022, jumping to 5.25% at the end of May 2022. This is up over two percentage points from 2.95% a year earlier.

The historic low interest rates reached during the pandemic of 2020-2021 are now fully behind us. To rid the economy of the pandemic inflation and reposition of asset prices, the **Federal Reserve (the Fed)** continues to increase its benchmark interest rate and sell off its mortgage backed bond (MBB) holdings. Fed action and anticipated losses from mortgage defaults will cause FRM rates to trend further up in 2022-2023, a growing disadvantage for sellers as prices fall back.



## Mortgage rates devastate purchase-assist financing

This chart shows **firsttuesday's Buyer Purchasing Power Index (BPPI)**, calculated using the average 30-year FRM rate and California's median income.

The BPPI figure declined to -21.5 in April 2022 and falling. Thus, a homebuyer with the same income borrows 21.5% less **mortgage money** than a year earlier when mortgage interest rates were coming off historic lows. This seriously negative BPPI figure reflects a quickly worsening situation that confronts sellers when their buyers are reliant on financing to close.

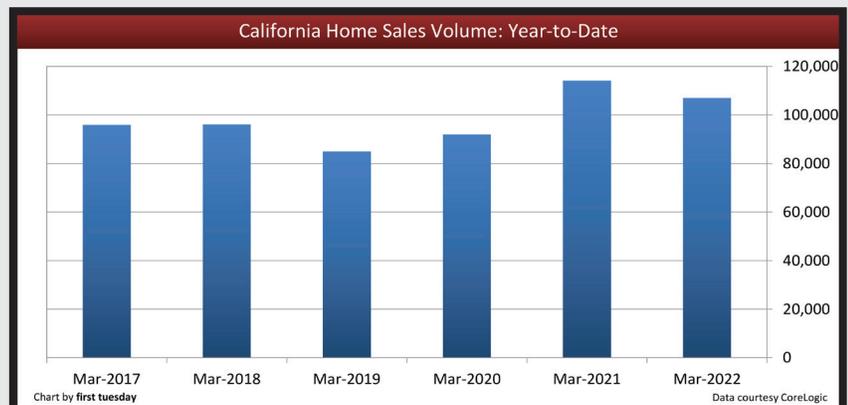
Going forward, as mortgage rates continue to rise, the BPPI will drop further — along with support for sellers and property prices. In the present half cycle of rising mortgage rates, the ability of mortgaged **homebuyers** to participate in the home sales market continues to worsen.

## The seller's home sales volume cascade has begun

The chart shows the number of homes sold in **California** year-to-date (YTD).

107,000 homes have closed escrow this year in California as of March. This YTD total is down 6% from a year earlier. During 2020-2021, **record-low mortgage rates** and pandemic stimulus fueled California's rapid pace of property sales volume and prices. Now with stimulus and low mortgage rates behind us, sales volume has returned to its cyclical decline which the pandemic response interrupted.

The housing market and broader economy are marching toward the **next recession**, anticipated to officially arrive going into 2023. Expect home sales volume to slide in 2022-2024, with home prices declining to hit bottom in 2025.



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