


Monthly Real Estate Statistical Update

Up-to-date data on crucial California real estate trends from **RPI (Realty Publications, Inc.)**

February 2022 • Vol. 12 • Issue 2 • **Mortgage rates jump, depressing real estate pricing in 2022**

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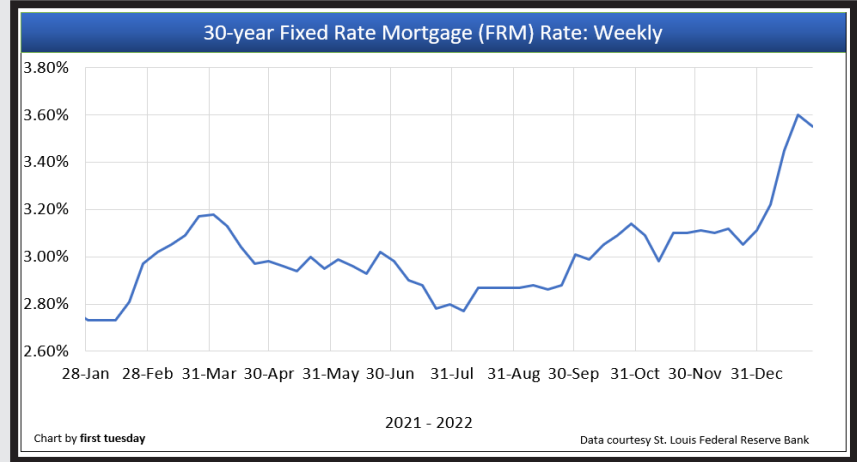
Presented by

Fixed rate mortgage (FRM) rates leaped

This chart shows the average interest rate on a 30-year **fixed rate mortgage (FRM)** for the past 12 months.

The FRM rate increased to 3.55% by the end of January 2022. This is a significant rise from 2.73% a year earlier when mortgage rates were near record lows. The Federal Reserve's (Fed's) intervention produced last year's low mortgage rates to encourage mortgage borrowing and help clear out the **2020 recession hangover**.

Since lower mortgage rates fueled **buyer purchasing power** when inventory was low and FOMO momentum high, sales volume and prices escalated in 2021. Owners quickly felt the added wealth and refinanced. But as the Fed removes further investment in below-market mortgage rates, higher mortgage rates have arrived rapidly. Thus, the pace of home sales will slow and refinancing plummet. Expect falling prices by 2023.

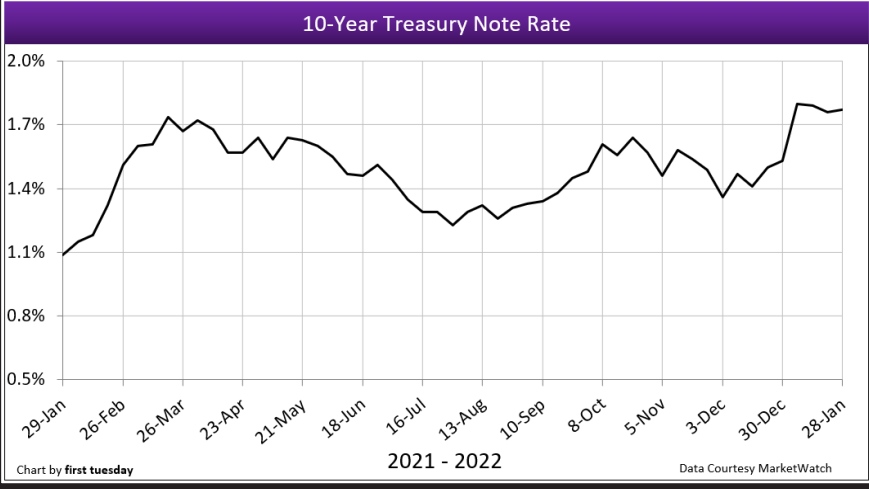


While mortgage rates jump, Treasuries only rise

This chart shows the average **10-year Treasury Note** rate during the past 12 months.

At the end of January 2021, the 10-year T-Note rate averaged 1.77%, up from 1.06% a year earlier. **Mortgage rates** are set by adding a premium spread to the risk-free 10-year T-Note rate, historically around 1.5 percentage points. However, in 2022 this spread for setting mortgage rates jumped to 1.8 points, a figure greater than the pre-pandemic spread, indicating lenders anticipate losses on foreclosures.

Expect the T-Note rate to trend flat-to-down in 2022, as Treasuries become the safe harbor for parking funds. Thus, FRM rates will stay around their present level. Still, the damage to **buyer purchasing power** has reduced the amount of mortgage money available to homebuyers for purchase-assist funds.

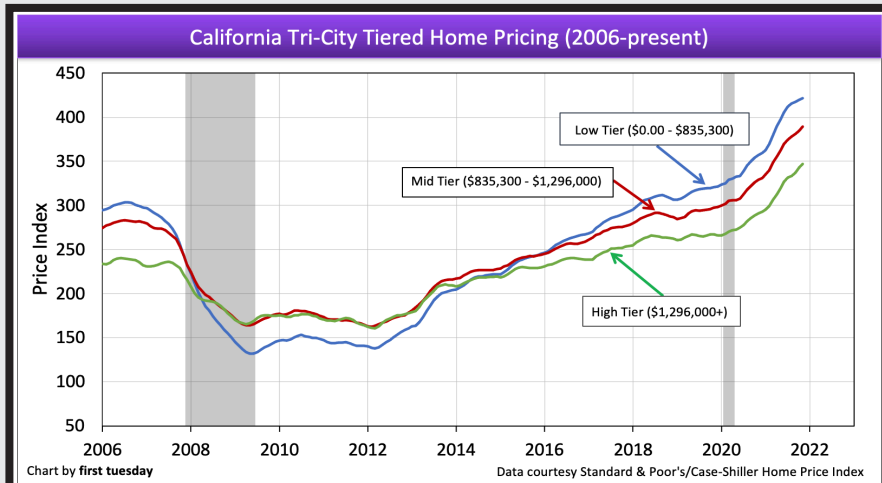


High home prices just lost support

This chart displays California **home price movement** in three price tiers, averaged across its three largest metros: Los Angeles, San Diego and San Francisco. The grey columns are periods of recession.

As of November 2021, our low-tier home prices averaged 18% higher than a year earlier, 19% higher in the mid-tier and 22% higher in the high-tier. Anticipate today's rapid home price increases to reverse course after June 2022.

Real estate pricing support has taken several hits. The recent mortgage rate jump cut buyer purchasing power. **Forbearance exits** are forcing ownership turnover, boosting MLS inventory, and reducing auction pricing. Fiscal and monetary stimulus ended and a full jobs recovery necessary to sustain home prices is years away. As of November 2021, California is 700,000 jobs behind pre-pandemic employment.



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