

High Mortgage Rates Scare Away Potential Homebuyers - Housing Market Review

Mortgage rates eclipsed 7% in late October 2022, their highest in over 20 years. This has discouraged countless potential buyers from purchasing a home and instead resorting to renting or staying where they currently live. Exorbitantly high rates are discouraging enough that the probability of individuals changing their primary residence in the next year has fallen to a record low.

A survey conducted by the Federal Reserve Bank of New York highlights this fall in consumers' likelihood of moving homes. In March 2019, nearly 22% of people were likely to change their primary residence over the next year, which coincided with a strong faith in the economy and low mortgage rates of around 4%. However, as the pandemic disrupted this faith and a recessionary environment settled in late 2022, now only 14% of households are expected to change households over the next year.

The Fed continues to deliberate whether to continue increasing interest rates, which have a tremendous effect on mortgage rates, yet now has a plethora of other factors to weigh in. Housing prices saw their first fall in over 10 years in 2022, as fewer buyers wish to pay mortgages at increasingly high rates. Lower spending rates in the housing market could also hint toward a grim economic outlook for 2023.

Sources: Federal Reserve of New York, Rosenberg Research, U.S Census Bureau, Freddie Mac, Federal Reserve Bank of St. Louis

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