RESEARCH BRIEF
HOUSING MARKET

FIRST QUARTER 2022

Prices Climb for Both For-Sale and For-Rent Housing

Home prices up, despite a slowdown in buying. The nation's median home price reached $382,200 in February, topping the year-earlier figure by 15.4 percent. Adding to the financial challenges for would-be buyers, the average rate for a 30-year mortgage breached 4 percent in March, hitting that level for the first time since 2019. The rising mortgage rate followed the Fed's first interest rate hike in over four years. With purchase expense rising at the same time that available product inventory has dropped for seven straight months, the number of existing homes sold trended downward again in February, dropping for a fifth consecutive month. The gap between mortgage and rent payments in most metros is helping support apartment demand.

Apartment rent gains catching up to home price growth. Preliminary estimates for the first quarter of 2022 show a 16.8 percent lift in average effective apartment rents for move-in leases. The strong price hikes reflect product shortages in most areas. National rental vacancy is estimated at just 2.4 percent for March 2022, almost 200 basis points below the level recorded in 2019. Metros across the Sun Belt are recording the steepest rent climbs relative to home price growth. The six largest Florida markets, along with Charlotte and Atlanta, each had 2021 average effective rent jumps that were 1.5 times faster than their respective upturns in median home prices. Young adults are moving to these markets in waves, fueling especially robust apartment demand.

Single-family rentals not the lead cause of high prices. More REITs and corporate capital sources are exploring single-family homes as an investment option. These new investors often outbid individuals and private buyers for limited available product, contributing to rising prices. Still, with fewer than 2 percent of single-family rentals owned by major institutional groups, the overall shortage of housing – rather than the current buyer profile – plays the biggest role in the aggressive jump in home prices.

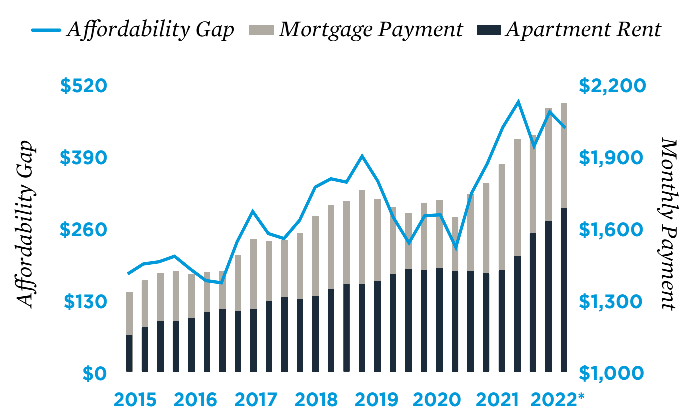
Developing Trends

Interest rate hike expedites mortgage rate ascent. The 30-year mortgage rate has been steadily climbing, and the Fed's mid-March announcement of an increase to the benchmark rate sped up the pace of growth. Messaging from the Fed implies that several aggressive rate hikes are in store as the year progresses, and these increases could move mortgage rates past the 2010-2019 peak of 5.1 percent. This would likely cool single-family home purchases further, beginning to alleviate the supply-demand imbalance that has been so pronounced in recent times.

Permit activity indicates some additional relief. The single-family sector has been starved for development over the course of the health crisis, as inventories plummeted amid robust buying activity. Soaring material costs, supply chain disruption to the availability of materials and shortages in construction labor further impeded project timelines. These headwinds remain in force, but recent permit activity does signal some rise in future completions. Single-family permits in February were up 5.2 percent year-over-year, while project starts advanced 13.7 percent.

-2.8%	*Year-over-Year Change in Total Residential Completions*	**22.3%**	*Year-over-Year Change in Total Residential Project Starts*

Mortgage to Rent Margin Still Very Wide



** 2022 Q1 figures are preliminary estimates*
Sources: IPA Research Services; Capital Economics; Freddie Mac; Moody's Analytics; Mortgage Bankers Association; National Association of Home Builders; National Association of Realtors; RealPage, Inc.; U.S. Bureau of Labor Statistics; U.S. Census Bureau; Wells Fargo