

HOUSING FORECAST 2022



A whirlwind year for buyers is ahead—especially first-timers

Homebuyers will have a better chance to find a home in 2022, but fierce competition and affordability continue to be a challenge.

Suburbs still the place to be

The pandemic continues to shift what Americans look for in a home.

1-in-5 homeowners looking to sell and move no longer need to live near the office.

Millennials are ready to make moves

45M in homebuyer sweetspot

A growing group of buyers

Hispanics make up a large share of the market, comprising more than **1 out of 10** recent homebuyers.

Affordability remains a challenge

Home prices set more records
2.9%↑

Rents outpace home prices
7.1%

Mortgage rates are on the rise
3.6% by year end

SOLD!



A whirlwind year for buyers is ahead—especially first-timers

Homebuyers will have a better chance to find a home in 2022, but fierce competition and affordability continue to be a challenge.

Americans will have a better chance to find a home in 2022 but will face a competitive seller's market as first-time buyer demand outmatches the inventory recovery. Additionally, with listing prices, rents, and mortgage rates all expected to climb while incomes rise, 2022 will present a mixed bag of housing affordability challenges and opportunities. Whether the pandemic delayed plans or created new opportunities to make a move, Americans are poised for a whirlwind year of home buying in 2022. With more sellers expected to enter the market as buyer competition remains fierce, we anticipate strong home sales growth. Affordability will increasingly be a challenge as interest rates and prices rise, but remote work may expand search areas and enable younger buyers to find their first homes sooner than they might have otherwise. Below you'll find our forecast and housing market predictions on key trends that will shape the year ahead.

REALTOR.COM® 2022 FORECAST FOR KEY HOUSING INDICATORS

Realtor.com® 2022 Forecast for Key Housing Indicators		
Housing Indicator	2022 Realtor.com® Forecast	2021 Realtor.com® Housing Data Expectations
Existing Home Median Sales Price Appreciation	Up 2.9%	Up 12%
Existing Home Sales	Up 6.6%	6.0 million
Existing Home For-Sale Inventory	Up 0.3%	Down 18%
Mortgage Rates	Average 3.3% throughout the year, 3.6% by end of year	Average 3.0%, 3.2% by end of year
Single-Family Home Housing Starts	Up 5%	Up 15%
Homeownership Rate	65.80%	65.50%

HOME SALES: HIT 16-YEAR HIGHS

At a national level, this means we expect to see continued home sales growth in 2022 of 6.6% which will mean 16-year highs for sales nationwide and in many metro areas. With more than 45 million millennials in the prime first-time home buying ages of 26 to 35 in 2022, demand for housing is expected to remain strong. A growing economy and declining unemployment, as discussed in our economic outlook, also propels income growth of 3.3% by the end of the year, keeping sales levels high despite climbing mortgage interest rates. In most metro markets, our model suggests that home sales will follow the national trend and increase in 2022. While some markets are expected to see home sales declines, these declines are likely to be modest. In fact, for many areas forecasted to see declines, 2022 is expected to have the 2nd highest sales level in the last 15 years, bested only by 2021.

HOME PRICES: ADVANCE AT A MORE MODERATE PACE, BUT CONTINUE TO SET RECORDS

Home sales prices are set to continue to increase which will mean notching a decade-long streak of year-over-year increases early in 2022. The rise in home prices, which began in 2012, has proceeded consistently if unevenly. Following the pick-up from post-recession lows, home prices logged more than a year of double-digit growth in 2013, but since that time the pace of increase has been a more modest 4% to 7% per year. This changed in 2020. The pandemic ignited a frenzy in the housing market. A decade's long shortage which meant the market was already 5.2 million single-family homes short was met with an unprecedented surge in demand just as many were expecting the opposite response to the pandemic uncertainty. While builders worked to adjust, the market balanced high demand and short supply by pushing prices higher. August 2020 kicked off a year-long streak of double-digit home price growth. Looking ahead, with economic growth expected to sustain the purchasing power of eager homebuyers, we expect the median home sales price to continue to increase, rising 2.9% in 2022, a notably more moderate pace. As builders ramp up production to meet demand, home buyers will grapple with higher monthly costs due to rising prices and rising mortgage rates. Affordability challenges will keep prices from advancing at the same pace we saw in 2021 even as ongoing supply-demand dynamics mean prices continue to grow nationwide.

ARETSI

ALL REAL ESTATE TITLE SOLUTIONS

TITLE PROCESSING

- Concierge Experience
- 100% Bilingual Staff
- Closings in English & Spanish
- Proactive Communications
- Exceptional Treatment
- *Check Entire Chain of Title*
- Check & Clear Liens
- Arrange Payoffs
- Conduct Closings
- Record New Title & Docs
- *Title Search*



CONTINUING EDUCATION

To succeed you must always be learning

We conduct seminars and webinars to keep you current with the industry and new sales and marketing techniques that are working for agents throughout the country.



MARKETING CONSULTING

Everyone can improve their marketing!

Expert marketing consulting covering the following:

- * Creation of a Presence
- * Branding
- * Lead Generation
- * Follow up
- * Marketing Tools

Programs are provided on a case by case basis for individuals or groups.

FOR-SALE INVENTORY: BEGINS TO TURN AROUND

With homes selling and continuing to do so quickly, inventory will remain limited, but we expect to see the market rebound from 2021 lows. Inventory is expected to grow 0.3% on average in 2022. While buyers have been eager in the last 2 years, sellers have been on and off. A rising share of homeowners this fall reported planning to sell a home in the next 12 months could signal an improvement in this trend that has been a major challenge for the housing market. With 28% of homeowners choosing not to sell indicating that the reason for doing so is because they can't find a new home to buy, a pick-up in inventory could be self-reinforcing, drawing out other potential sellers as they find homes to buy. Rising new construction will eventually feed into this positive trend as well, but first, builders' pipelines catch up to the usual balance of already-completed vs. under construction vs. not yet started homes. Completed new homes have recently made up half their usual share of all new homes for sale while homes not yet started are twice as prevalent as usual. In other words, new homes are in many recent cases only a viable option if you can wait for the construction process to finish

RENTS: EXPECTED TO OUTPACE HOME PRICE GROWTH

Like home prices, rents grew slower than is typical in the early part of the pandemic. In larger metropolitan areas with many jobs that remained remote, below-average growth continued into 2021. At the same time, many secondary markets saw rents surge as remote workers took advantage of their flexibility to relocate and save on monthly housing costs. Nationwide, rent growth went from minimal to double-digit pace in 2021 as the U.S. made substantial progress against the pandemic. With the rental vacancy rate continuing near its historic lows during the pandemic, in which just 5.7% to 6.8% of rental housing units are vacant at any point in time compared to 7% or more, historically, renters are also contending with limited supply and excess demand that leads to upward pressure on rents. In 2022, we expect this trend will continue and fuel rent growth. At a national level, we forecast rent growth of 7.1% in the next 12 months, somewhat ahead of home price growth as rents continue to rebound from slower growth earlier in the pandemic.

KEY 2022 HOUSING TRENDS & DEMOGRAPHICS

STILL PREFERRING THE SUBURBS

As we highlighted early in the pandemic, the unexpected and unprecedented demands that the pandemic placed on home shifted shopper preferences toward space and versatility and drove a boom in homebuyers and renters shifting to suburban areas and less-dense metros. Our recently updated urbanicity trends data suggest that these trends largely continue. This means that while urban areas continue to be pricier and fast-paced, the advantage of shifting to the suburbs to get a better bang for the buck and face a less competitive market has eroded. Nevertheless, with affordability likely to be even more top of mind for buyers in the face of rising home prices and rising mortgage rates, the suburbs are likely to maintain their recent cachet.

REMOTE, IN-OFFICE, OR HYBRID? THE FUTURE OF WORK BRINGS FLEXIBILITY FOR WORKERS

In addition to affordability, one of the reasons suburbs are likely to remain popular is increased workplace flexibility. Many companies shifted to remote work during the pandemic out of necessity, and this period has demonstrated that work is possible in a remote environment. Additionally, surveys show that many workers prefer working remotely, at least several days per week. Even as many companies are calling workers back to offices, others have shifted in the opposite direction, granting workers ongoing flexibility to work remotely. This may prove to be a smart recruiting move in a competitive labor market and even possibly a boon to productivity as some studies show that employees who weren't commuting during the pandemic spent the time saved working. It may also be a retention tool. While a majority of recent homebuyers who didn't have firm return to work plans report that they would simply return to the office or try to arrange a hybrid schedule in the event they were called back, nearly 1 in 4 reports that they'd find a new job if asked to return. This has an impact on home searching and preferences. Previously, many workers focused on a home's location relative to work as a central consideration. Sorting homes by commute length is still a filter option available for home searchers to use on sites like Realtor.com. With average commute times growing and nearly 20% of recent homebuyers reporting one-way commute times over an hour, regular remote work enables homebuyers to broaden their search parameters or in some cases pick up and relocate to a city where homes are more affordable, as many have done in the last year.

SEARCHERS DREAM BIG, BUT BUDGET REALITIES AND FOR-SALE AVAILABILITY MIGHT MEAN SMALLER HOMES PREVAIL

With the suburbs still popular and at least occasional remote work likely an option, homebuyers are likely to continue to prefer larger homes that provide space for working at home from time to time as well as versatility. At the same time, rising affordability challenges may cause some homebuyers to decide to sacrifice space to make a home purchase work with their budget. Notably, newly constructed single-family homes have begun to get larger after declining over the last few years. However, the typical active single-family home for sale has trended smaller in recent months.

HISPANIC HOMEBUYERS ARE A GROWING DEMOGRAPHIC

Hispanic homebuyers are already a sizable share of the housing market, comprising more than 1 in 10 recent homebuyers, yet still under-represented relative to their roughly 1 in 5 shares of the U.S. population. Despite gains in the most recent quarter of data, the Hispanic homeownership rate remains just shy of a majority. With a growing share of the population and the potential for a rising homeownership rate, this demographic group is expected to play a growing role in the homebuying market. Notably, recently successful Hispanic homebuyers were younger than the population of recent homebuyers at large and a majority were first-time homebuyers.

FIRST-TIME HOMEBUYERS FACE AN UPHILL JOURNEY

First-time homebuyers will need to be successful in the 2022 housing market if we are going to see the homeownership rate begin to climb again. In many respects, it will be an uphill journey given the slightly better but still-limited for-sale inventory environment, high and rising prices, and rising mortgage rates all pushing monthly costs higher. A competitive labor market, however, should help offset some of these higher costs in the form of higher paychecks. Additionally, extended workplace flexibility may enable first-time buyers to explore more affordable housing markets that wouldn't be an option if a daily commute was expected. The sheer size of the population at or near typical first-time homebuyer age will mean plenty of potential from this group to impact the market in 2022

HOUSING MARKET PERSPECTIVES

WHAT WILL 2022 BE LIKE FOR HOMEBUYERS, ESPECIALLY FIRST-TIME HOMEBUYERS?

Homebuyers have much to look forward to in 2022. After years of declining, the inventory of homes for sale is finally expected to rebound from all-time lows. Still, the housing market will remain competitive for buyers, particularly those looking for homes in entry-level price tiers. With more than 45 million millennials in the prime first-time home buying ages of 26 to 35 in 2022, entry-level buyers are likely to have a lot of companies. Plenty of buyers means rising home prices and when combined with rising mortgage rates buyers will face higher monthly payments. On top of this, homes are expected to continue to sell quickly, meaning buyers will need to make quick decisions to win offers.

HOW CAN HOMEBUYERS PREPARE?

To navigate these challenges, buyers will want to carefully consider their budget before embarking on their home search. Buyers can use online tools like the affordability calculator found in home listings on Realtor.com to get a sense of how much they can afford, and once they've set a price point, rate-proof that home purchase budget by running the numbers to see how higher mortgage rates could affect the monthly payment. The bottom line for buyers: no matter what the calculator says, make sure it feels comfortable to you! Additionally, honing a list of must-haves vs. nice-to-haves can help shoppers keep their search focused. And buyers can also use personalization tools so that their online search is similarly dialed-in on homes that are the best fit. Here's a great "how-to" on personalizing-your-home search on Realtor.com.

WHAT WILL 2022 BE LIKE FOR HOME SELLERS?

Homeowners who are ready to sell in 2022 are in a good position. Home prices are likely to notch a decade-long streak of annual gains early in the year, and the value of homes is at a record \$34.9 trillion according to Fed data as of mid-2021, and likely to continue higher with next week's release of new data.

Even as for-sale inventory begins to grow, meaning some sellers will face competition, well-priced homes in good condition will continue to sell quickly in many markets. And for sellers who have owned their homes for a while, this will likely mean that they walk away from the transaction with a healthy amount of cash. While surveys show that many sellers recognize the advantage they hold in the current housing market, other data show that it's the challenge of buying that is holding some back—more than 1 in 4 homeowners choosing not to sell reported this in our recent survey. The sellers most poised to take advantage of this market are those who don't also need to buy immediately—those ready to sell second or vacation homes, but with some offices opening back up even as other companies shift to indefinite remote work policies, homeowners in vacation markets may find a notably cooler market than prevailed in these areas in 2021 when vacation home sales surged and surfaced unexpected vacation towns.

HOW CAN SELLERS PREPARE?

The first step for sellers will be to explore their options for selling. Whether it's a first home sale or you've done this before but it's been a while, you may be surprised to find out that there are more ways to sell your home than you'd imagined. Online tools like the Realtor.com seller's marketplace, will let you explore your options so that you can choose the one that's right for you. For many sellers, this is going to be listing their home with a real estate agent who can showcase your home on the market to a wide range of potential buyers, getting you the highest price.

WHAT WILL 2022 BE LIKE FOR RENTERS?

Renters will see increasing rents in 2022. As home prices will keep rising in 2022, a great proportion of the population who cannot compete for a new home is likely to continue renting. In addition, higher home costs due to mortgage rates, which are expected to rise, could accelerate this pattern, rising demand for rental homes. Already in 2021 rising home prices and mortgage rates pushed housing costs to high-levels relative to incomes nationwide and in several large metros.

On top of these trends, given the substantial improvement against the pandemic, those who moved to live with families may plan to move out and live alone again, forming what economists refer to as a new household. These new households will further boost rental demand and speed up rent growth. On the supply side, in addition to materials shortages and higher labor costs, which will hamper the construction of new rental homes, the termination of various eviction protection laws may give landlords a chance to recoup losses by raising the rents. Conversely, these landlords could decide to exit the rental business altogether, recouping their losses by selling their rental homes. This move could potentially benefit homebuyers, who may be able to snag these former rentals, but this could reduce the supply of homes for renter households. Whether these houses flip to become owner-occupied or remain rental homes will depend on investor appetite for rental properties.

WHAT WILL 2022 BE LIKE FOR INVESTORS?

In 2022, investors will continue to see solid returns from their investments in the housing market. With home prices expected to rise, existing owners are in a good position, and rising rents are likely to entice investor buyers to continue to purchase homes even as rising mortgage rates challenge potential returns. After an unusual 2020, in which more investors were sellers than buyers, 2021 saw investors buying homes at a greater rate than selling them in the spring, and this investor surge continued into the summer. If these homes are held for rent, 2022 will be an excellent opportunity to receive high yields given the solid demand and projected rising rental prices. Most pandemic-related eviction protections have expired and the few remaining areas with limits in place have expiration dates in 2021 or early 2022. With protections expiring, and many renters still behind on rent payments, an increasing share of landlords reports considering eviction. Whether these landlords continue to hold and rent these homes or decide instead to get out of the investment business by selling their investment home remains to be seen. We're watching New York, Los Angeles, and Chicago metro areas, in particular, where the share of landlords who are missing rent is 15%, 12%, and 18% according to recent data from our Realtor.com network partner, Avail.

By Danielle Hale
George Ratiu
Sabrina Speianu
Jiayi Xu
Hannah Jones

Source: <https://www.realtor.com/research/2022-national-housing-forecast/>

ARETSI

ALL REAL ESTATE TITLE SOLUTIONS



1430 W BUSCH BLVD. SUITE
D TAMPA, FL 33612.
(813) 876-4373

@ARETSIFL

