



Transcript: When Will Home Prices Come Down?

Jul 21, 2022 04:55 pm • Updated 5 months ago



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okay. The ones white hot U. S. Housing market is cooling fast this summer as buyers are discouraged by rising mortgage rates and skyrocketing home prices. The median price of an existing home sold in June set another record at \$416,000. That's an increase of over 13% compared to last year. While the number of Americans applying for mortgages down roughly 50% compared to 2021. Joining us now to make sense of the current housing market meg Epstein, founder and Ceo of C. A. South, a real estate development and investment firm meg when prices get too high, it slows demand which should in turn force prices down. And this isn't happening currently. Why is that? It's because home prices are Not going down because there's a big supply problem. So this has started in 2008 when housing construction essentially halted for several years coupled with inflation and construction costs. The number of homes going being built is not being increased at a rate fast enough to meet demand. So supply is still very high. Um The reason you're getting less applications for mortgages is because music stopping. And so anyone that has a chair or a fixed rate mortgage is not going to be moving out of their homes. So they're staying put. So



and it's a really tough comparable especially when you think about a year ago rates for around 2.8% and the Fed is poised to announce another interest rate hike this month. We're expecting anywhere between 75 basis points and some also believe it could be a full percentage point. So how will this impact those mortgage rates moving forward? And do you think they're ever going to come down again? I don't think we'll ever be back at the pandemic recovery stimulus period rates. So I do hope that they do level out in the next um several financial quarters, but I don't anticipate them going back down to where they were. Alright. And we know higher rates also mean people can't afford the same home as they could have a year ago. Can you break that down for our audience? Okay. Sure. Essentially people buy homes based on the monthly rate, same same as buying a car. And so if you're spending more money on the interest payment and not the principal, then the same house that you could buy for a million dollars is now 700,000 Or 600 down to 400,000. So all that's going to do is displace the demand for higher, higher priced homes. But it's still going to cause a housing shortage for people that need need to move into a home and don't have a choice. Let's talk about some of those choices right now. It seems like you either pony up for the extra money that it costs to purchase a house right now or you're looking in a less desirable area or you're just not even entering the market at all. Um How are you seeing the reaction from americans right now? Um And what's your advice given the landscape that you're witnessing? Sure. I think that people that don't have to move aren't going to because they are set in their mortgage rate. I think that if you are considering moving or need to find a home um now is probably not a great time. I would, I would hit pause at the moment and do your own rent versus buy analysis in your, in your area. I'm in Nashville right now, it is much cheaper to rent a million dollar home um for \$3000 a month versus what your mortgage would be at \$4500 a month. So I do think it's market specific, but anyone can do a rent versus buy analysis and gauge their monthly payment to see if they should move into the housing market. But I imagine more and more people will be, will be putting pause on buying homes for the next couple of quarters until things settle out. It's really good insight and as people may be more reluctant to not purchase a home right now, those that really have their heart set on it, especially as we know, rental rates are also increasing alongside these mortgage rates. Unfortunately, what advice do you have if they're really trying to stay in this really volatile market? I think? Um I don't think interest rates are going to be dropping drastically anytime soon, so if they can pause at the moment, I do think that if the recession settles in, that that's going to create a lot more buying opportunity and demand will go down considering all the other economic factors that go into a recession and so, you know, to put it in short, I don't think right now is a great time to buy at home so if you can rent or put it off, I would I would do that to see how the economy settles out. Alright, fair enough. That's Meg Epstein, founder and Ceo of C. A. South. Thank you so much for joining us.

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