

Monthly Mortgage Payments Have Skyrocketed This Year

June 30, 2022 - In January of this year, the national median price of a home was around \$390,000 and someone purchasing a house at that price could get a 30-year fixed mortgage with 10% down for less than \$1,500 per month. Today, that same house would be priced at \$430,000 and the mortgage payment would be about \$2,250 monthly. That's an increase of \$750 a month and it is pricing millions of prospective buyers out of the market.

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The numbers above represent the median prices of homes nationally. But many markets across the United States are even worse. In April of this year, the median purchase price of homes in Los Angeles was \$649,500. In New York City, it's \$745,000. In these higher priced markets, anyone earning less than \$120,000 annually simply can't afford a home. And many of the people who do have the money are surprised that even though they can afford the purchase, they won't be getting anything palatial for the amount of money they are spending.

According to the National Association of Realtors, even though the number of home sales has dropped due to mortgage rate increases, an overall drop in sales prices isn't expected. That's because there is a shortage of available homes in many markets according to NAR. But not all markets are created equally, and the laws of economics will eventually overpower any perceived housing shortage.

In the past month, home sellers in several US markets have had to lower their prices. Redfin is reporting that 40% of sellers nationally have lowered their asking price within the last month. Provo, Utah was the market hit the hardest by these price reductions, with nearly 48% of sellers having to go through a price drop.

If mortgage rates continue to increase, and all indications are that they will, we can expect to see these price drops expand to other markets; even those that haven't been impacted to date.

by Jim Malmberg

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