Housing Prices Set to Tumble Nationwide

July 29, 2022 - A memo sent to investors by the chief economist of Pantheon Economics, Ian Shepardson, is warning that US housing prices are set for a collapse. The memo was sent out this past Tuesday and it warns that prices could fall by 20% in the near term. That's a prospect with huge ramifications to recent buyers and to the banks which hold their mortgage notes.

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Last month, overall housing sales nationwide fell by more than 8% when compared to the prior month. The reasons for this have to do with high housing prices and much higher interest rates. Many prospective buyers are finding that they can't qualify for loans that would have been easily attainable just a year ago, due to increased interest rates. It's a bad combination that has led to a glut of available property.

But not all markets are created equally. For instance, Boise, ID has seen more than 40% of sellers reduce their asking price over the past two months. That's considerably worse than the national average and means that the pain of these market adjustments won't be spread across the country equally.

When the housing market fell apart in late 2007 and 2008, a variety of things began to happen rapidly. Credit markets froze up and it became almost impossible to get a home or business loan. This led to people not being able to refinance existing variable rate interest loans, mortgage affordability issues for those owners, mortgage delinquencies, foreclosures, short sales, and on the business side of things, layoffs and bank take-overs by the FED.

Although nobody seems to be thinking that credit markets will freeze this time around, there are other things going on in the economy right now that could lead to a similar scenario. The economic slow-down that the country has been experiencing over the past few months has already caused a number of companies to institute hiring freezes and turn to layoffs. As of yesterday, the country has entered a recession. And anyone with a variable rate home loan who was thinking that they would refinance in the near future is facing the very real prospect of not being able to do so. So it doesn't really matter if the current scenario is the same as we faced 15 years ago. If people can't afford their homes and they need to sell, and if buyers can't get loans to meet the asking price of sellers, the end result will look very similar. Housing prices will have to fall and recent buyers that purchased at the height of the market may very well be in trouble. It is beginning to look like a perfect storm is on the horizon.

If you are personally worried about how this will impact you, then don't wait to do something about it. If you think you are

going to have issues making your mortgage payments a few months from now, the time to start reaching out to your lender is now. Just remember, the bank doesn't want your property. You may find out by talking to them that there are things you can do to reduce your risk of foreclosure.
by Jim Malmberg
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