Housing Market To Crash After a 30-Year Low In Interest Rates, Low Inventory May Keep The Train On The Tracks

US Housing Market To crash After 30-Year Low In Interest Rates, Low Inventory Economists Suggest to Brace For The Worst

NEW YORK, USA, March 15, 2022 /EINPresswire.com/ -- With interest rates expected to go up and house prices taking a 10% increase in 2022, are we set for the housing market to take a big crash this year? We have seen 30-year low-interest rates recently, but it could be low inventory that keeps the train on the tracks.

Investment Buyers vs. First Time Home Buyers
One of the major factors in the housing market's current state has to be investors. According to The Washington Post, investors bought nearly one in seven homes sold in America's top metropolitan areas in 2021. This figure is the highest in at least two decades.

Meanwhile, first-time homebuyers are out there having to compete against these investors. These buyers are seeing wildly escalating prices, so are investors to blame?

They definitely are taking their fair share of the homes purchased, as they bought 15% of all the homes that sold in the 40 markets studied in the final three months of 2021, The Washington Post reported.

These investors usually are large corporations, local companies, or wealthy individuals who don't normally live in the properties they are buying. They tend to flip the house and sell it at higher rates to new buyers or rent it out.

Black neighborhoods are taking a big hit from investors also. According to The Washington Post's study, 30% of home sales in majority-Black neighborhoods were to investors. This is compared to 12% in other zip codes. These investors are buying properties that have historically been purchased by young families or newly married couples that are looking to accrue wealth and pass it down to their children or grandchildren as they venture into homeownership and real estate markets themselves.

Interest Rates and Inflation
As the Federal Reserve keeps hinting at raising interest rates in 2022, that would mean higher mortgage rates will rise making homeownership – especially for those in low- and medium-income households and especially would-be first-time homebuyers, as well. While some experts predict interest rates could reach 4%, Danielle Hale, the chief economist at Realtor.com, said she expects rates to go up about half a percentage point to 3.6% in 2022, which would not be a big enough jump to disrupt the housing market, Forbes reported, but enough of an increase to remind everyone rates are "on the rise".

Hale told Forbes, "We don't expect to see major shocks. Rates have been so low for so long it might be surprising for some, but 3.6% was a record low in 2019."

Those record low-interest rates combined with a low inventory of houses to buy and an increase in demand during the pandemic have led to huge increases in house prices. In 2021, the average house price was up 17%, which is the strongest annual rise in at least two decades, Reuters reported.

It is believed housing prices will continue to rise in 2022, as a poll in Reuters suggested U.S. house prices would rise another 10.3% in 2022. Demand for housing is still high and inventory is still low so the bidding wars will continue.

According to ApartmentLove.com – one of the largest online home and apartment rental marketplaces with rental properties around the world, interest rates may continue going up, as banks may need to respond to the fast-changing economic climate and in response to the current geopolitical environment.

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