



## Visible Shock In The Housing Market

### MORTGAGE RATE "SHOCK EFFECT"



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Year-over-year home sales have plunged since the onset of skyrocketing mortgage interest rates late in the first quarter of 2022.

The graph above plots the change in year-over-year home sales in blue (left vertical axis) and the average 30-year fixed mortgage interest rate in red (right vertical axis).

Many of the second-quarter months had buyers who had locked-in lower rates, but as time moved forward, we've seen a mass exodus of the discretionary home buyers in Tallahassee.

Second-quarter home sales fell nearly 10% and third quarter sales were down nearly 30% when compared to the same quarters in 2021.

October sales are only partially reported.

This large decline in home sales is what I refer to as the "shock effect" from rapidly rising mortgage interest rates.

We saw an opposite effect when rates dropped below 3% and the market exploded with a "feeding frenzy" of home buyers empowered by substantial gains in buyer power.

### People Will Still Need To Move

It's very likely that mortgage interest rates will be moving higher over the next year, so I do not see any easing of lower sales. But people will still have to move.

Many nondiscretionary buyers will find themselves priced out of the market and will become tenants and put more pressure on the inventory of homes for rent, so I expect to see rental rates continue on the already-too-high growth rate.