Sticker Shock Slows Housing Market

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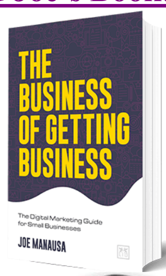

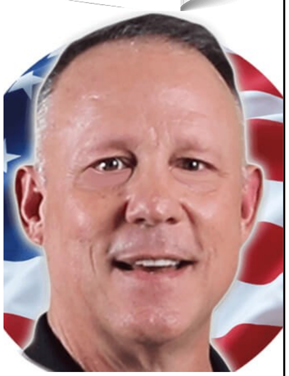

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Changes In Mortgage Interest Rates Impacts Buyers' Payment and/or Loan Amount

	$400,000 Borrowed @ 30 Years		
	Rate	P&I	Vs. Today
Today	7.12%	$2,694	-
	7.62%	$2,830	5%
	8.12%	$2,969	10%
	8.62%	$3,110	15%
	9.12%	$3,253	21%
	9.62%	$3,398	26%
	10.12%	$3,546	32%
	10.62%	$3,695	37%
	11.12%	$3,846	43%
50 yr Avg	7.74%	$2,862	6%

	$400,000 Borrowed @ 30 Years		
	Rate	P&I	Vs. Low
All-Time Low	2.68%	$1,618	-
Current	7.12%	$2,694	66%
	7.62%	$2,830	75%
Current + 1%	8.12%	$2,969	83%
	8.62%	$3,110	92%
Current + 2%	9.12%	$3,253	101%
	9.62%	$3,398	110%
Current + 3%	10.12%	$3,546	119%
	10.62%	$3,695	128%
50 yr Avg	7.74%	$2,863	77%

I'm often asked why home sales in Tallahassee are not as robust as one might expect, given the area's positive economic momentum. The explanation can be best understood through two tables featured in this newsletter.

The table on the upper left has been a staple in our discussions with buyers for approximately two decades. It illustrates how fluctuations in mortgage interest rates affect monthly payments. Using today's Freddie Mac 30-year fixed rate of 7.12% as a baseline, the table shows that a mere 0.5% increase in rates would result in a 5% hike in monthly payments.

The table on the lower right is a new addition, specifically for this edition of the newsletter. It contrasts today's mortgage rates with historical data, including the record-low rate of 2.68% in December 2020. Astonishingly, a mortgage at today's rate demands a payment 66% higher than one at the 2020 low rate. If rates were to escalate by another 2%, the monthly payment would double in comparison to the all-time low.

This rate-induced "sticker shock" keeps many homeowners anchored to their current properties, enjoying their advantageous mortgage rates. Even those considering downsizing are deterred, as they would likely face increased monthly payments unless they applied their entire equity gain towards a lower mortgage amount.

The market is waiting for wage growth to alleviate this rate shock, which will likely take time. Until then, the hesitancy in the housing market is understandable.

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