



There Goes The Housing Market

Description

USA: Since the Fed is rushing to hike the US into a deep recession just so inflation will (supposedly) slide ahead of the November midterms, in line with Biden's demands, the housing market is eager to comply with Powell's and Biden's handlers' wishes, and is leading the charge into the economic abyss, as we [discussed most recently here](#), and as the latest nationwide survey of new home builders confirms.

Last week, Zillow's [dismal outlook](#) stoked fears that rising mortgage rates would result in the next downturn. On Monday night, Airbnb co-founder and CEO Brian Chesky warned: "this moment feels similar to late 2008 when we started" the online marketplace for lodging.

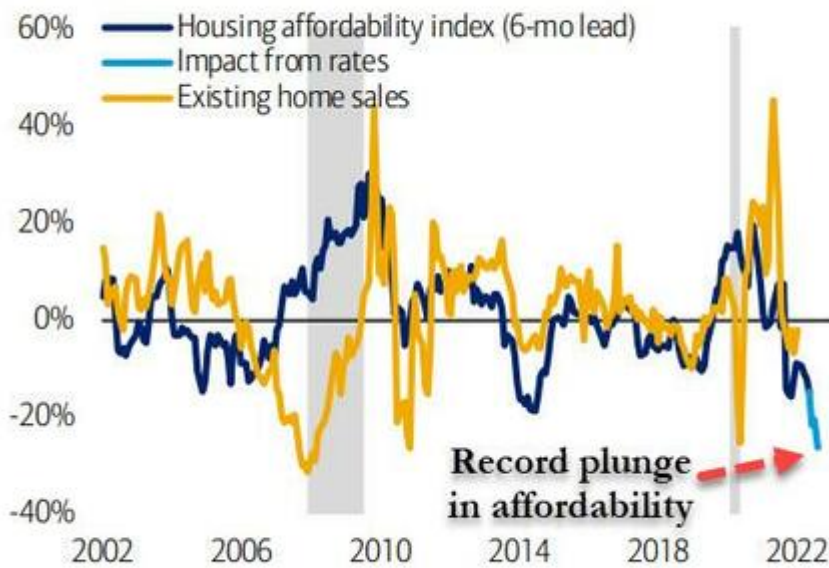
This moment feels similar to late 2008 when we started Airbnb

— Brian Chesky (@bchesky) [May 10, 2022](#)

It should: the surge in mortgage rates means that **housing affordability has crashed to the lowest on record.**

Exhibit 3: Affordability index and sales (% yoy)

Declining affordability argues for a more pronounced impact



Source: BofA Global Research, NAR

BofA GLOBAL RESEARCH

And now there's this: John Burns Real Estate Consulting provides a monthly snapshot of more than 300 builders across the nation. Here are some comments from the builders, according to tweets from the firm's director of research:

1. Demand is slowing, namely entry-level due to payment shock.
2. Investors are pulling back.
3. Ripple effect of rising rates starting to hit move-up market. Market commentary to follow

April homebuilder survey results are here. Top themes: 1) Demand is slowing, namely entry-level due to payment shock. 2) Investors are pulling back. 3) Ripple effect of rising rates starting to hit move-up market. Market commentary to follow...

— Rick Palacios Jr. (@RickPalaciosJr) [May 9, 2022](#)

The regional breakdown is shockingly uniform in just how quickly it got ugly across the entire nation:

- **Dallas builder:** "Interest lists are shrinking or buyers are truly pausing."
- **Houston builder:** "Many first-time buyers simply no longer qualify with the increase in interest rates, as their debt-to-income ratio gets out of whack."
- **San Antonio builder:** "Traffic has been cut in half since the hike in rates."
- **Raleigh builder:** "Investor activity has slowed dramatically."
- **Provo builder:** "Investors are evaluating the investment more critically than in the past."
- **Washington DC builder:** "Traffic half what it was in March. Worried about first time

buyers. Many fewer REAL buyers than number of people collected on interest list last 6 months. Certainly more attempts [from buyers] to negotiate.”

- **Seattle builder:** “Pause by a large population of buyers. To achieve our desired [sales] pace, we had to make price adjustments. Rates starting to knock people out of qualification.”
- **Riverside San Bernardino builder:** “Cancellations are starting to creep up due to loan declines and job losses. Waiting lists are certainly smaller. Saw an immediate change in buyer behavior when rates climbed over 5%.”
- **Los Angeles builder:** “Buyers who are stretching to purchase have become more cautious.”
- **San Diego builder:** “Buyers are definitely a bit more edgy.”
- **Denver builder:** “Sales are slowing due to higher prices and rates. Backlog of buyers have remained but we are seeing new prospects priced out with interest rates and anticipated payments. Conforming loans quoting over 6%.”
- **Boise builder:** “Rising interest rates may have pulled some buyers forward, and we expect to see a slowing of sales in the coming months as a result.”
- **Salt Lake City builder:** “In our lower priced segments, buyers are compromising and reducing options.”
- **Bend builder:** “Our market has slowed and prices are starting to drop.”
- **Atlanta builder:** “Seen a decrease in the number of potential buyers who are participating in best and final offers on homes/homesites.”
- **Knoxville builder:** “Detached 2,000-3,000 square foot product still selling, just not with 3 buyers for every home like a few months ago.”
- **Allentown builder:** “Double hit of higher home prices and higher mortgage interest rates clearly has reduced the number of qualified buyers. Our waiting list is almost zero as of April 30th.”
- **Philadelphia builder:** “Between higher interest rates and higher sales prices, along with high gas prices and a volatile stock market, we’re seeing a pullback in our sales.”
- **Tampa builder:** “We’ve seen a significant shift in buyer behavior in the last 30 days. Florida was on fire and pricing has really come to a high point, and people are not willing to pay the prices anymore.”
- **Indianapolis builder:** “Traffic has significantly declined and people have paused on moving forward with purchases.”
- **Kansas City builder:** “Our lower end product has paused or slowed dramatically.”
- **Columbus builder:** “Higher rates are definitely tempering buyer enthusiasm and traffic.”
- **Baltimore builder:** “Buyers aren’t putting in as many options as they did last year.”
- **Reno builder:** “Cancellation rate last month more than doubled from 6% to 16%. We attribute this to buyers that did not lock interest rates early in purchase process. Also seeing many buyers put buying decision on hold.”
- **Fresno builder:** “Finding an increase in cancellations due to the rate increase. The majority of cancellations are resulting from fear vs non-qualification.”
- **Cleveland builder:** “Once we reach home closings, about 5% of our current customers on the books will be forced to bust out as they originally qualified at a 3.25% rate and won’t be able to stretch beyond this.”
- **Sacramento builder:** “Seeing trouble qualifying for entry-level buyers as they are

priced out by rates.”

- **San Jose builder:** “Quality traffic has significantly decreased.”

This means that still buoyant home**builder** confidence is about to catch down to abysmal home**buyer** sentiment...



... which will immediately mutate into a recession, at which point the Fed will slam the breaks on the hiking cycle and quickly go into reverse. The only question is how long before the market grasps what is now patently obvious.

by Tyler Durden

Category

1. Economy-Business-Fin/Invest
2. Main

Date Created

May 2022