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Headline: US Housing Market Crash Turns Not-So-Sweet 16

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Tweet: A @GoldmanSachs analysis expects housing price growth to be positive in 2023 and 2024, as there is a low supply of existing homes that is expected to persist due to the mortgage lock-in effect. They don't see conditions at all analogous to 2006-2010.

Summary: Regardless of current credit standards, affordability remains challenging for the incremental home buyer. Exhibit 13 stacks up the median sale price of an existing home vs. a theoretically 'affordable' home price. This affordable home is calculated by assuming a borrower spends 25% of gross household income on a mortgage payment, uses a 15% down payment, and borrows the remainder with a 30-year fixed rate mortgage. Now that interest rates have reversed course and are now far higher, affordability for the incremental home buyer is more challenged than during the 2004-07 period. But, the limited supply of homes for sale remains very low and most of the mortgage market has mortgage rates far below current levels (Exhibit 14). As a result, we continue to expect home prices to rise at a slow pace over the medium term. Related: The "New Normal" Mortgage Rate Range and Could 6% to 7% 30-Year Mortgage Rates be the "New Normal"? and What Have We Learned About the Neutral Rate?

Primary Topic: Housing

Topics: Business Cycle, GDP, Housing, Other Source

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