

Are Houses Truly Unaffordable Right Now? 4 Troubling Statistics That Point to Crisis Mode

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Many people dream of buying their own home, but a confluence of economic and real estate issues is arguably creating an affordability crisis. Just a few years ago, during the height of the pandemic, interest rates were rock bottom and buying demand was red hot. Now, however, elevated interest rates and home prices, among other factors, are straining budgets.

Consider the following four statistics:

1. Prices Are Up 13.5% Over the Last Two Years

From September 2021 to June 2023 — the last available data, according to the S&P CoreLogic Case-Shiller U.S. home price index — home prices have gone up by 13.5%. In some markets, the rise is even more dramatic. In Miami, for example, home prices have soared by 29.8% during that same period, per Zillow.

2. Mortgage Rates Went From Below 3% to Over 7%

Not only have home prices gone up, but the cost to finance a home purchase has also gotten much more expensive, considering higher interest rates. Two years ago, the average 30-year fixed-rate mortgage rate was 2.86%, according to Freddie Mac. As of the week ending September 14, 2023, rates hit 7.18%.

Based on these higher mortgage rates and higher home prices, a home that cost \$500,000 two years ago would have carried a \$1,656 monthly payment, based on a standard down payment, according to Axios. Now, that same home would have nearly double the monthly payment at \$3,077.

3. Housing Starts Fell 11.3% Last Month

From July to August 2023, housing starts fell by 11.3%, according to the U.S. Census Bureau and the U.S. Department of Housing and Urban Development. The law of supply and demand means that if there aren't enough houses for prospective buyers, prices will only get more expensive. Considering that there are millions of millennials entering their prime homebuying years, as Axios reported, low housing construction levels could spell trouble.

4. 36.2% of Homes Sold Above List Price

While not quite as competitive as it was a year or two ago, **over one-third of homes for sale ended up going for more than the listing price** as of August 2023, according to Redfin. Pre-pandemic, that wasn't the case. In September 2019, only 22.7% of homes sold above list price. It can be discouraging to find a home you like for sale, only to find that it gets bid up and out of your price range.

When considered more broadly, these statistics point to an affordability crisis. That's not to say it's impossible to find some good real estate deals in this market, but many would-be homebuyers may have to wait on the sidelines until factors like housing supply, housing prices, and mortgage rates shift in their favor.