



# 2022 HOUSING OUTLOOK

Our yearly assessment of how  
the market will look in 2022.



# MARKET DRIVERS

## REPORT POINTS & CONSIDERATIONS

The following report aggregates data found across industry leading publications to highlight indicators of future market performance. Contributing factors include -

- Overall Economy
- Housing Starts
- Multifamily / CRE Trends
- Rental Rates & Vacancy
- Conventional Purchase
- Conventional Refinancing
- Non-QM Volume

# THE WHY

## HOW WE GO TO MARKET

The market has been experiencing record breaking growth. Keeping a pulse on indicators that forecast future performance allows us to stay flexible with our product offering. Especially when meeting the array of investment strategies our customers utilize each year.



"Housing in 2022 should be calmer, but don't expect the full return to sanity."

SKYLAR OLSEN, TOMO  
(VIA FORBES.COM)



# ECONOMIC OUTLOOK

MACRO METRICS THAT IMPACT THE HOUSING MARKET



Inflation



Unemployment



Growth



# ECONOMIC OUTLOOK

## INFLATION EXPECTATIONS

2021 closed with a 7% inflation rate.

### INFLATION RATE

GOLDMAN SACHS

**2.9%**

KIPLINGER

**2.7%**

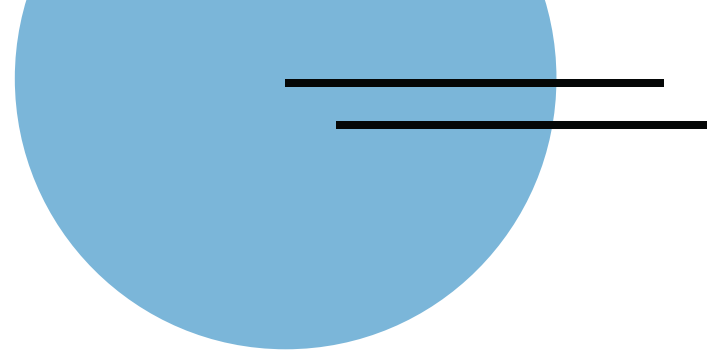
FEDERAL RESERVE

**2.7%**

### AVG INFLATION RATE



Inflation is often tied to real estate prices. The last 20 years – before the pandemic – averaged 2.15% of inflation. 2021's inflation rate skyrocketed to well over 6%, but 2022 looks to return to a more normal rate.



# ECONOMIC OUTLOOK UNEMPLOYMENT FORECAST

2021 closed with a 3.9% unemployment rate.

## UNEMPLOYMENT RATE

GOLDMAN SACHS

**3.9%**

FANNIE MAE

**3.8%**

FEDERAL RESERVE

**3.8%**

STATISTA

**3.5%**

KIPLINGER

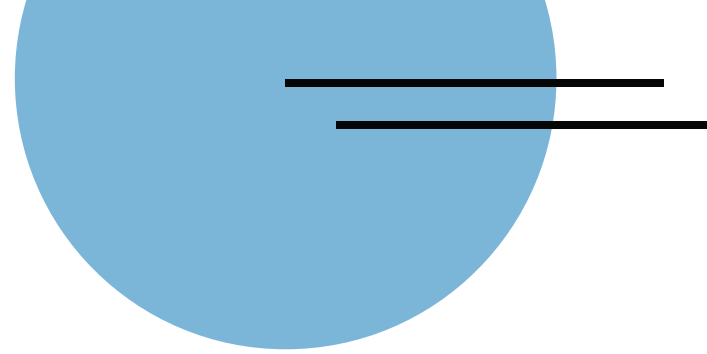
**3.8%**

## AVG FORECAST



A lower unemployment rate generally leads to a busy housing market, with investors acquiring properties with much more frequency than average.

As unemployment rates decrease, expect a surge of mom-and-pop investors in the marketplace.



## ECONOMIC OUTLOOK

# USA ECONOMIC GROWTH

### PERCENTAGE GROWTH

THE CONFERENCE  
BOARD

**3.5%**

JP MORGAN

**3.7%**

FANNIE MAE

**4.0%**

FASTMARKETS

**5.2%**

### AVG GROWTH

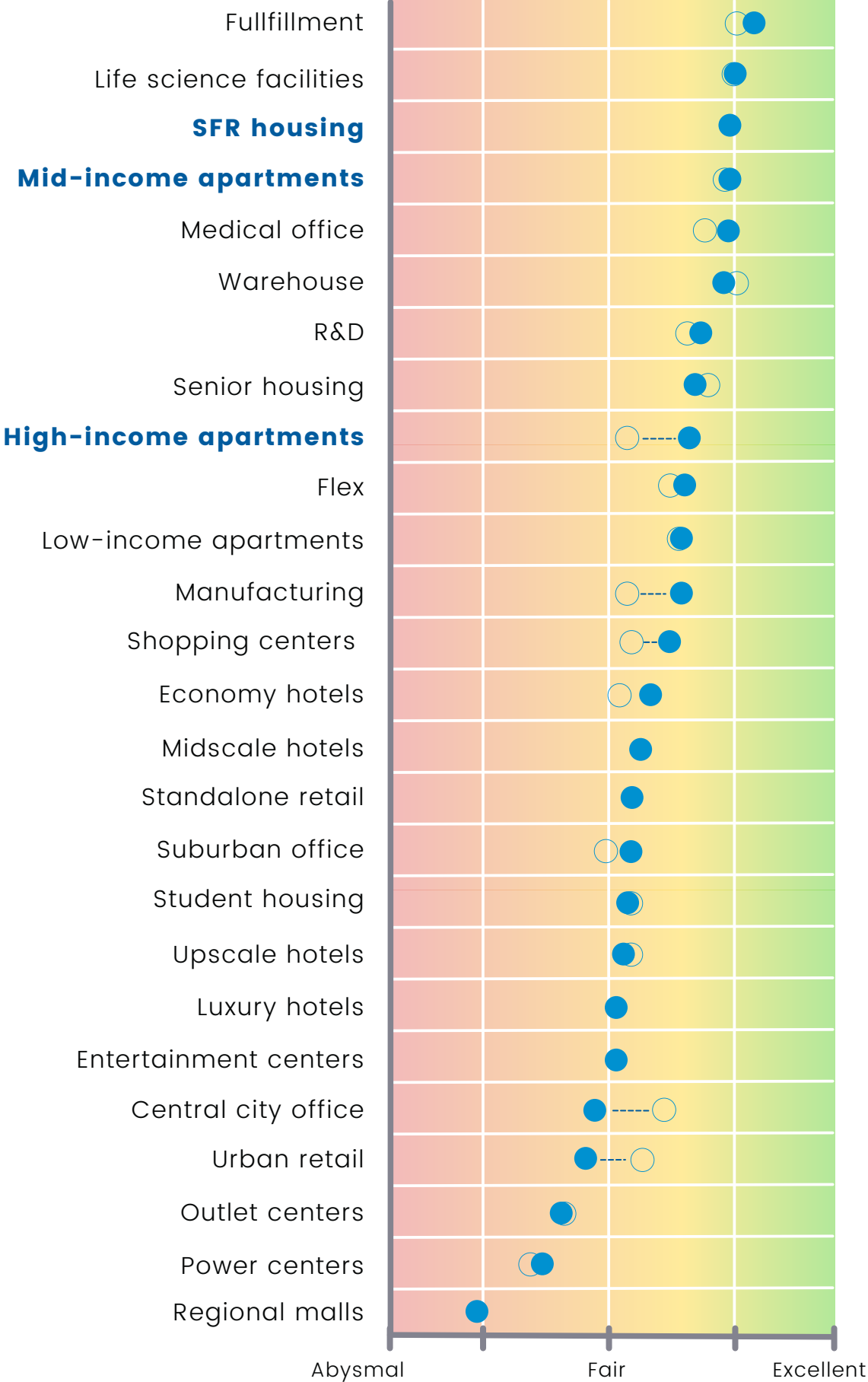


2% of economic growth is considered a normal, healthy market. If the growth percentage is projected to double year-over-year, the real estate investment market will anticipate a surge.

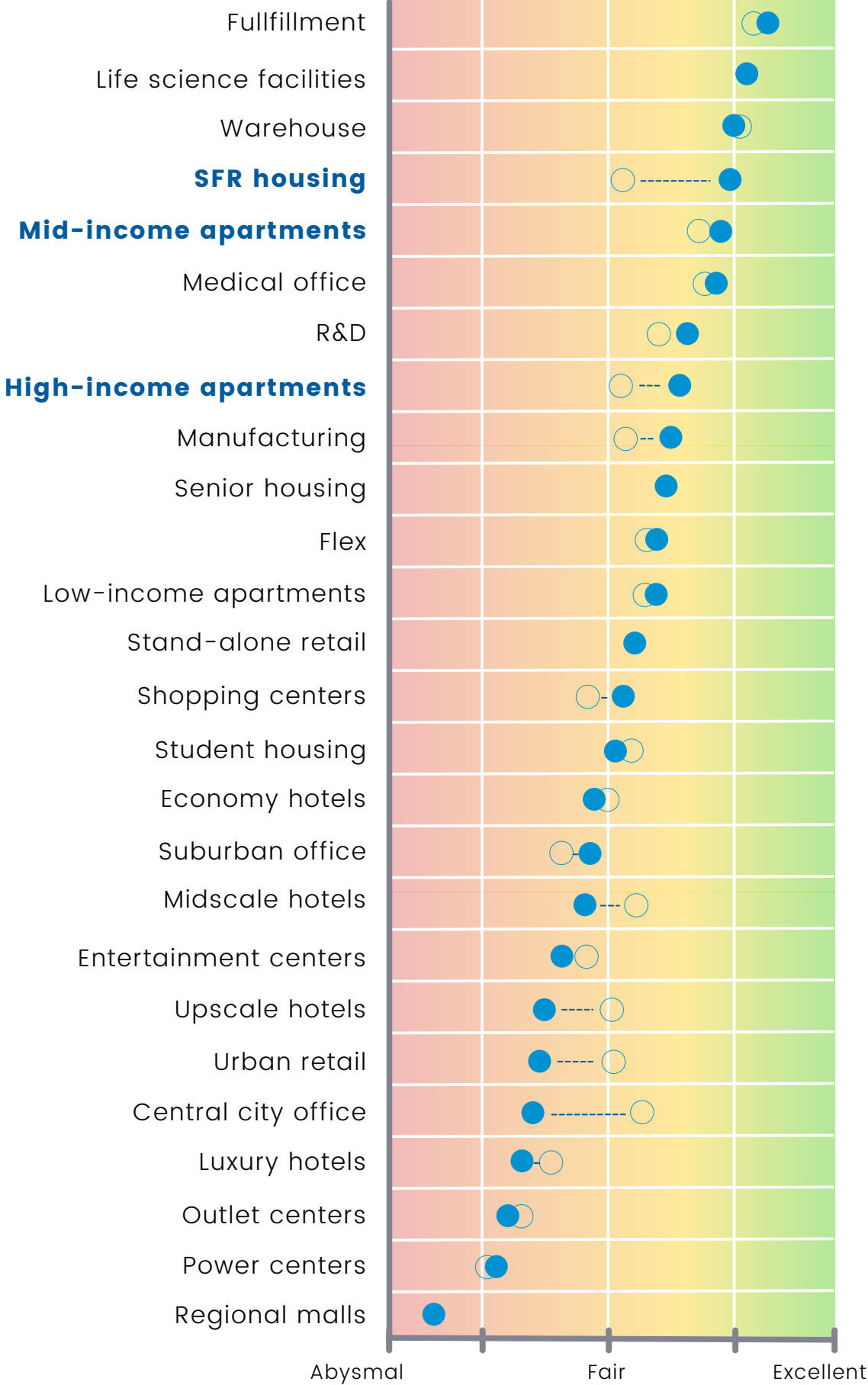


Investment Prospects

○ 2020 ● 2022



Development Prospects



# ECONOMIC OUTLOOK PROPERTY OUTLOOK

SFR has been the highest residential investment prospect for a couple years now, but mid-income apartments are quickly on the rise!

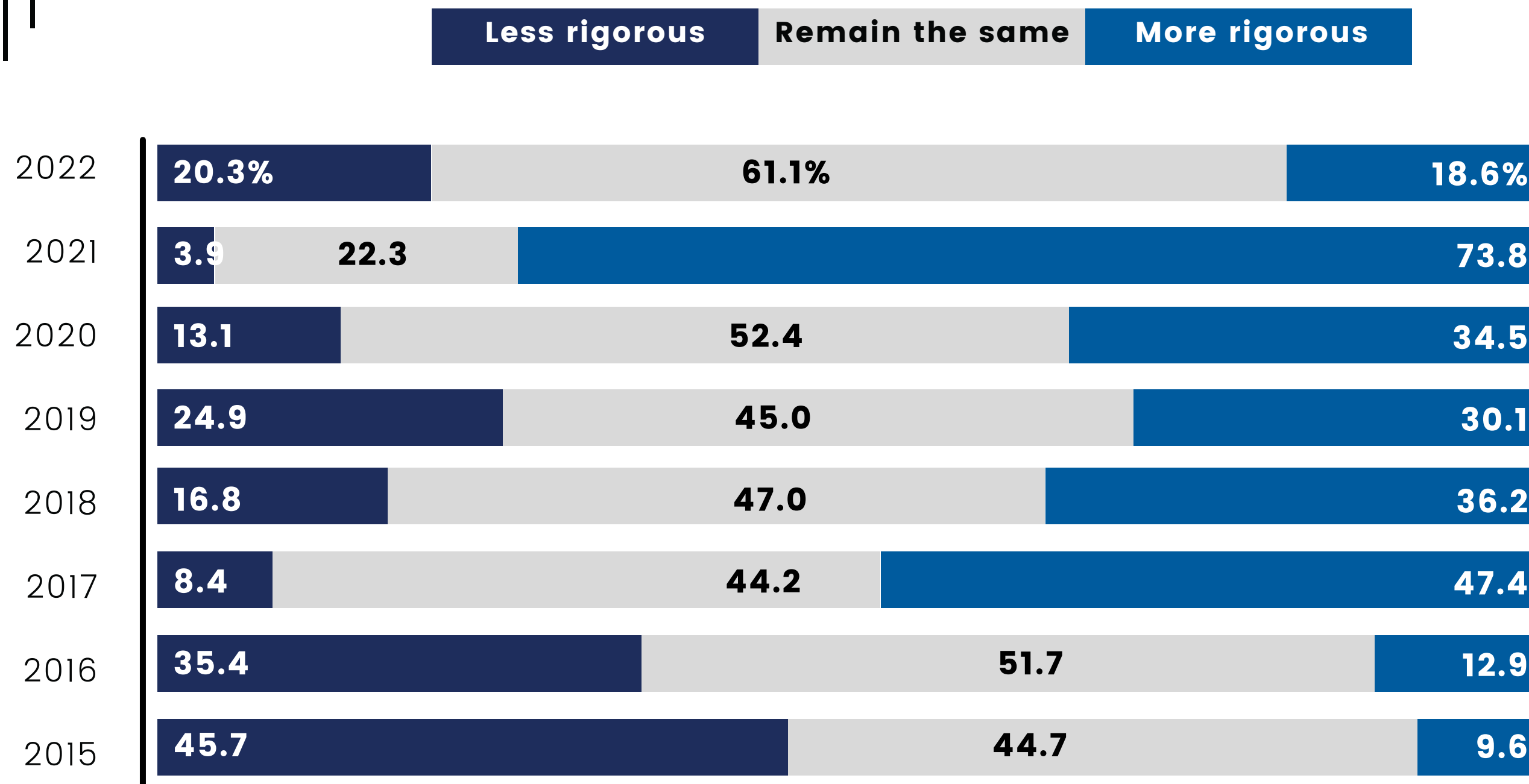
**Investment Prospects**  
The outlook of how well each investment category will perform.

**Development Prospects**  
The projected demand for each category.

Source: PWC 2022 Emerging Trends in Real Estate Survey

# ECONOMIC OUTLOOK

## DEBT UNDERWRITING STANDARDS



The overall underwriting spectrum, throughout the lending industry, is projected to be less rigorous in 2022.

Source: PWC 2022 Emerging Trends in Real Estate Survey

# RENTAL OUTLOOK

## CONSTRUCTION & RENT GROWTH

"Currently, there are about 650,000 units under construction – about 75,000 fewer than prior to the pandemic. This level of construction is lower than the current 12-month net absorption of 741,361 units which means that **vacancy rates will continue to remain tight and rent growth for multifamily units could continue to hover at about 10% in 2022.**"

-- NAR

Multifamily units under construction

741,361

12 month net absorption

725,000

Pre-pandemic

650,000

TODAY

7-10%

2022 National Rent Growth

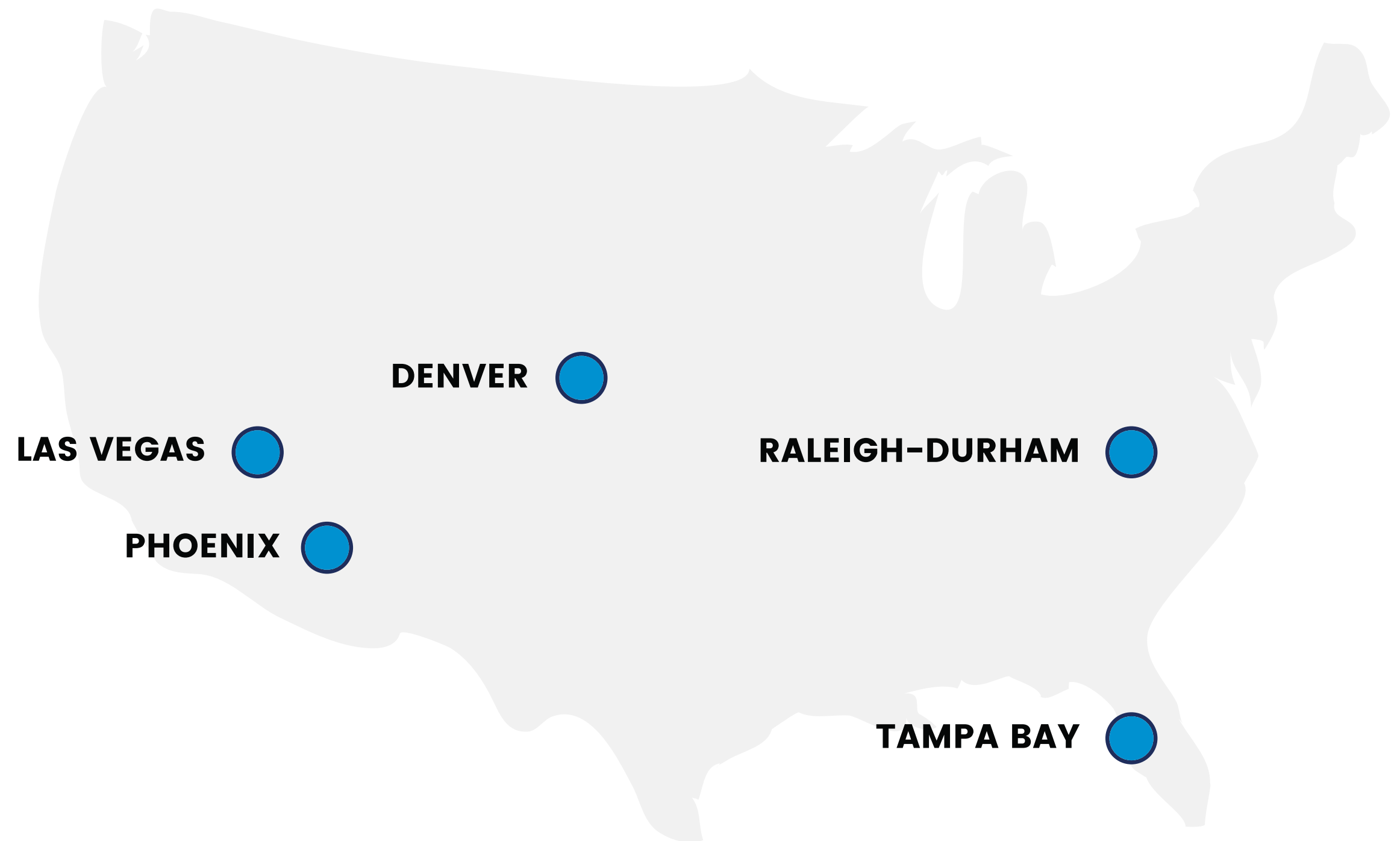
RENTAL OUTLOOK

# RENTAL MARKETS ON FIRE

**30%**

of U.S. markets will  
experience double-digit  
rent increases in 2022.

-NAR



# **APARTMENT AVAILABILITY WILL BE TIGHT.**

**Nationally, the consensus is that vacancy is expected to remain fairly consistent with 2021's historically low 6.2%. Vacancy rates for 2022 are expected to land between 6% - 7%. Many markets will be considerably lower than the average (<4%) – as several areas will remain tight on apartment availability.**

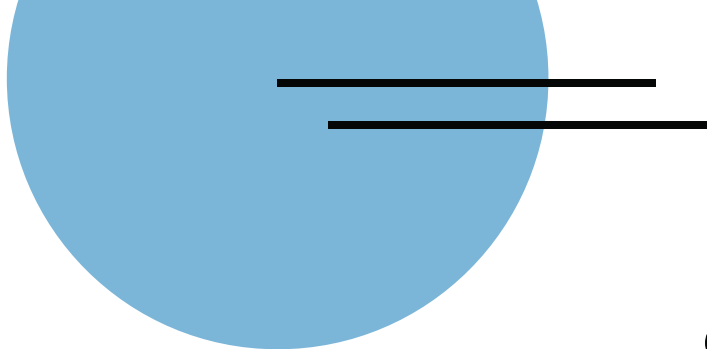


# **6.4%**

**VACANCY PROJECTION**

2022 NATIONAL AVERAGE





# HOUSING STARTS

## SINGLE FAMILY STARTS & SALES



|                      | 2021  | 2022  | YoYΔ   |
|----------------------|-------|-------|--------|
| STARTS               | 1,129 | 1,189 | +5.3%  |
| NEW BUILD HOME SALES | 791   | 901   | +13.9% |
| EXISTING HOME SALES  | 5,798 | 5,853 | +0.9%  |

Even after a skyrocketing 2021, the single-family housing market is projected to increase across both starts and sales.

Numbers represented in thousands (000).

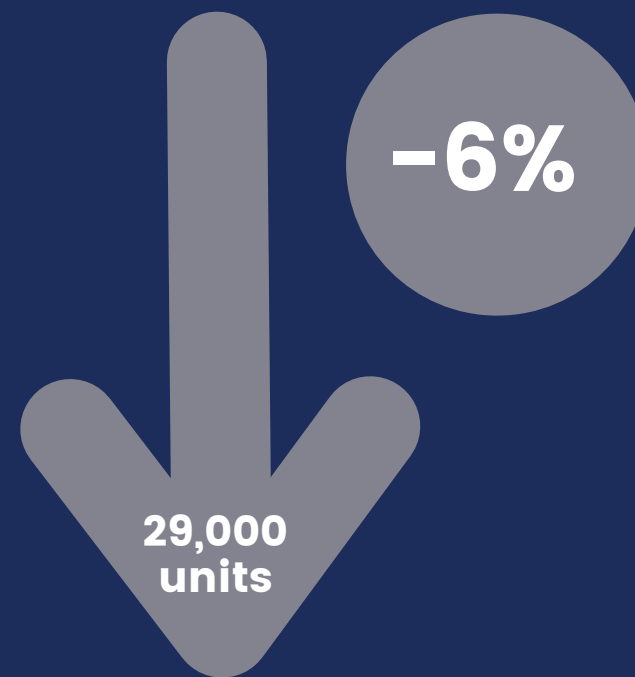
## STARTS PREDICTIONS

Both Fannie Mae and NAHB forecast a drop in Multifamily starts in 2022.

### FANNIE MAE



### NAHB



30,000  
units

### YARDI

forecasts a 8% increase in YOY 2022 completions based off a combination of 2021/2022 starts

+8%

## HOUSING STARTS MULTIFAMILY STATISTICS

**MBA** anticipates total commercial/multifamily lending volume to increase **+3.2%** and the multifamily expectation alone is to increase **+2.9%**.

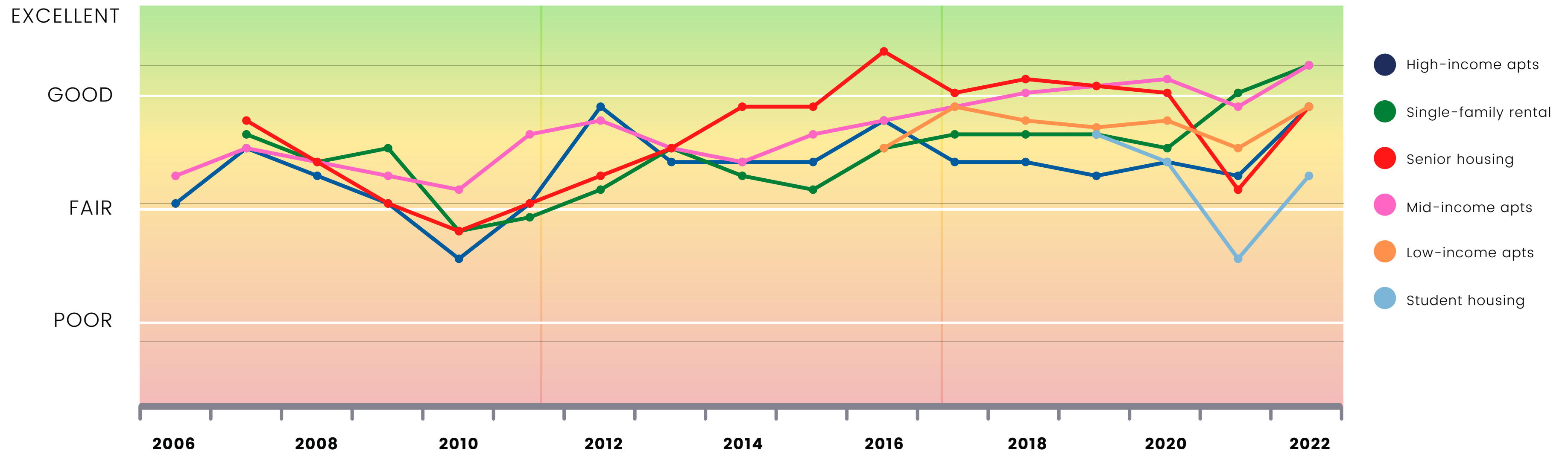
|                    | 2021   | 2022   |
|--------------------|--------|--------|
| CRE LENDING VOLUME | \$578B | \$597B |
| MULTIFAMILY ONLY   | \$409B | \$421B |

# HOUSING OUTLOOK

## MULTIFAMILY PROSPECTS TRENDS

### What do we mean by "prospects"?

The outlook of how well each investment category will perform – the likelihood of success.

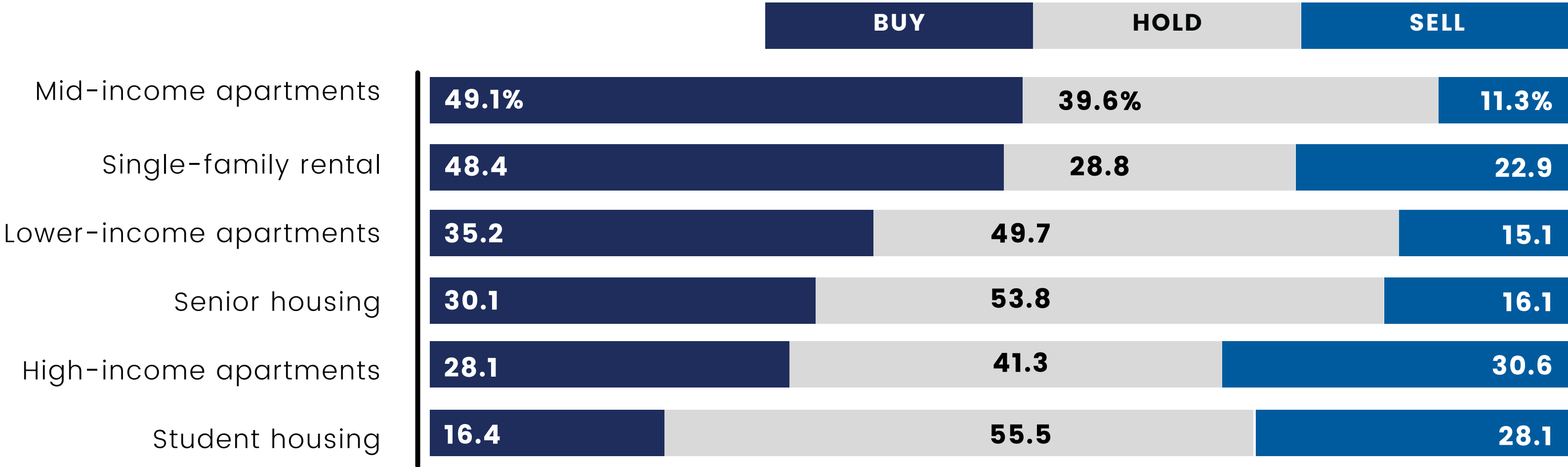


All multifamily housing classes have increased prospects in 2022, making it a great investment across the board in 2022. Senior and student housing are looking to rebound back to pre-COVID performance throughout 2022.

Source: PWC 2022 Emerging Trends in Real Estate Survey

ECONOMIC OUTLOOK

# APARTMENT RECOMMENDATIONS



Source: PWC 2022 Emerging Trends in Real Estate Survey

Although SFR investments have experienced a strong year, mid-income apartments are the latest investment trend, as for-sale housing continues to experience low inventory and become increasingly less affordable.

# CONVENTIONAL OUTLOOK

## PURCHASES AND REFINANCING



Interest Rates



Mortgage Volume



Home Price





# CONVENTIONAL OUTLOOK INTEREST RATE PREDICTIONS

Avg. mortgage rate at the end of December 2021 was 3.11%

[CNN/Freddie Mac]

## INTEREST RATE

FANNIE MAE

3.9%

CORELOGIC

3.8%

FREDDIE MAC

3.8%

MORTGAGE BANKERS  
ASSOCIATION

3.5%

KIPLINGER

3.8%

NATL ASSOCIATION  
OF REALTORS

3.8%

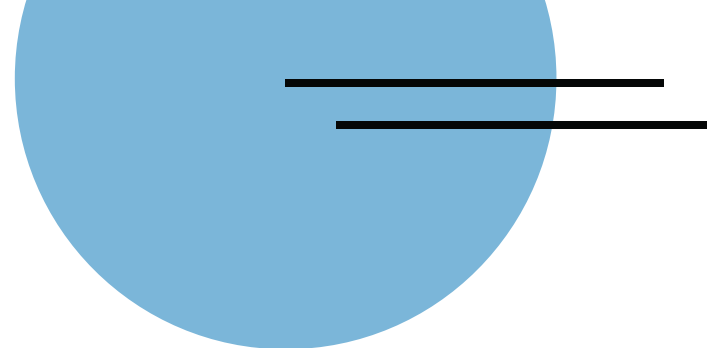
## AVG FORECAST

3.8%

Although conventional interest rates are predicted to increase year-over-year, they may continue to run lower than the historical average, and aren't fully conducive to the non-conforming and short-term markets.

### Data portrays prime rates.

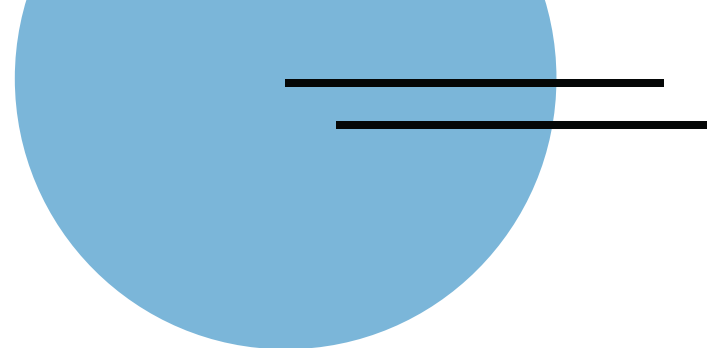
The best rate that banks charge their most credit-worthy customers.



# CONVENTIONAL OUTLOOK MORTGAGE VOLUME

|                              | TOTAL VOLUME | REFINANCES | PURCHASE LOANS |
|------------------------------|--------------|------------|----------------|
| MORTGAGE BANKERS ASSOCIATION | -33%         | -62%       | +9.0%          |
| FREDDIE MAC                  | -38%         | -61.8%     | +10.5%         |
| FANNIE MAE                   | -23%         | -53.3%     | +8.7%          |
| AVG FORECAST                 | -31.3%       | -59%       | +9.4%          |

Forecasts show a drop in mortgage volume due to higher rates and less refinancing, but purchase loans will still increase in both the conforming and non-conforming markets.



## CONVENTIONAL OUTLOOK HOME PRICE GROWTH

### HOME PRICE GROWTH

CORELOGIC

**1.9%**

JOHN BURNS

**4.0%**

FREDDIE MAC

**7.0%**

FANNIE MAE

**7.4%**

ZILLOW

**11.7%**

GOLDMAN SACHS

**16.0%**

### AVG FORECAST\*



\*When removing top and bottom outliers

Several market publications are projecting very healthy home price growth in 2022.

# OVER THE NEXT FEW YEARS, **NON-QM ORIGINATION** IS ESTIMATED TO REACH:

THE INDUSTRY PRODUCED \$25 BILLION OF  
NON-QM IN 2019.

## WHAT IS NON-QM?

Non-QM loans are non-qualified mortgage loans.  
These are the new sub-prime loans, because borrowers  
are not expected to meet standard agency requirements.



UP TO  
**300**  
**BILLION**  
ANNUALLY

# **NON-TRADITIONAL BORROWERS ARE BECOMING INCREASINGLY IMPORTANT.**

**"According to the US Bureau of Labor Statistics, more than 9.6 million people are registered as self-employed in the country, while a report by the International Labor Organization said that the share of gig workers in the US was expected to rise to 43% by 2020, showing that non-traditional borrowers are becoming an increasingly important sector in the country's economy."**

**-MPAMAG**



"The average FICO for our non-QM borrowers is 742 versus a score in the 500s back before 2008. With an average down-payment of over 20%."

HOUSINGWIRE

## MARKET TIDBITS

"Non-QM is expected to receive a lot more attention as originators scramble to replace lost refinance activity."

– MBA

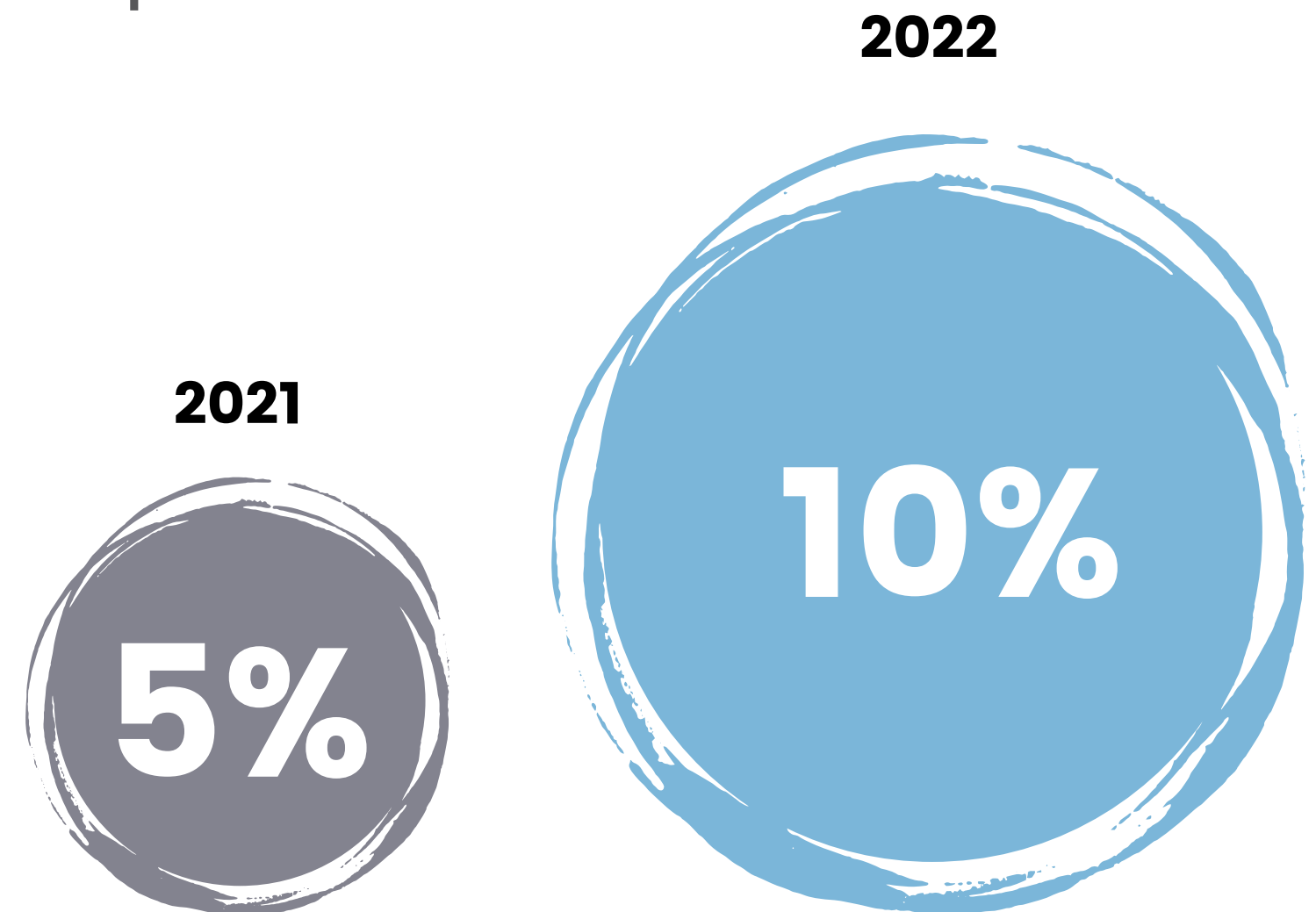
"Demand for non-QM loans looks set to increase generally, due to a combination of changing labor market trends and work practices, which have given rise to the gig economy and an increase in the number of self-employed workers."

– MPAMag

## 2022 PREDICTIONS NON-QM MARKET

"Despite the expected flattening of volume year-over-year, **the non-QM sector is expected to double its market share in 2022**, from about 5% in 2021 to nearly 10%."

–HomeXpress



# NON-QM GUIDELINES CHANGE ON A DAILY BASIS.

"Non-QM guideline changes are occurring on an almost daily basis. For example, three-month bank statement programs are once again available; LTVs and loan limits are rising, credit score minimums are back under 700 and debt service coverage ratios (DSCRs) are approximately .75. Also, lenders are rolling out new non-QM programs to capture near-prime jumbos and address the GSE's pull-back on second homes and investment properties."

—MPAMAG



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# Contact Us

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# Thank you!

LET'S SCALE YOUR BUSINESS.