

Mortgage Market Watch

Spring 2023 edition



At U.S. Bank, we're committed to supporting your business whether you're a realtor, builder or financial services professional. Mortgage Market Watch brings you a mix of data and analysis to help you stay on top of housing market trends.

In this issue:

- Latest historical numbers for the 2023 housing market
- Inflation's continued impact on rate forecasts
- Millennials continue to hit the homebuying scene

By the numbers

6.27% Lowest rate for a 30-year fixed mortgage in April 2023 ¹	+9.6% Rise in new home sales from Feb. 2023 to Mar. 2023 ²	-2.4% Decline in existing home sales in March 2023 ³
7.6 months Supply of new houses for sale at end of March 2023 at current sales rate ²	-6.5% Decline in single-family housing completions from Mar. 2023 to Apr. 2023 ²	45 million People in the U.S. at prime first-time home-buying age (25-34) ²

¹Freddie Mac ²Census Bureau ³National Association of Realtors. Data as of 5/17/2023.

Inflation's continued impact on rate forecasts

Overall, mortgage rates have continued to trend down during the five-week period between early March and mid-April. While inflation remains above the desired level, Q1 2023 showed signs of deceleration consistent with the easing of inflationary pressures at the close of 2022. Beyond current finance challenges, available home inventory continues to be limited, which has led to big shifts in the annual forecast and some discrepancy over where the 2023 market is headed.

In its [April 2023 forecast](#), the Mortgage Bankers Association (MBA) suggests rates will continue to fall throughout the year to arrive at 5.5% in Q4. Meanwhile, Fannie Mae shifted from less optimistic March projections in its recently released April forecast, projecting now that rates will drop to 5.9% in Q3 and end the year in Q4 at 5.7%.

MBA

2023

Interest rates

30 Year Fixed Rate Mortgage

	Q1	Q2	Q3	Q4
	6.4%	6.2%	5.8%	5.5%

Source: [Mortgage Banking Association April 2023 Forecast](#)

Fannie Mae

2023

Interest rates

30 Year Fixed Rate Mortgage

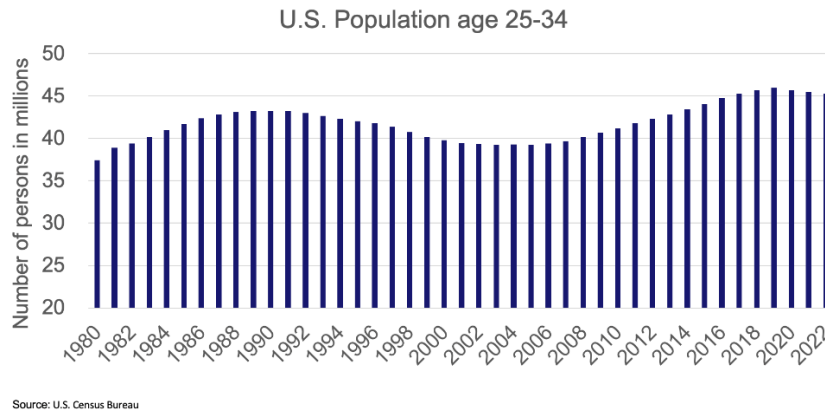
	Q1	Q2	Q3	Q4
	6.4%	6.1%	5.9%	5.7%

Source: [Fannie Mae April 2023 Forecast](#)

While mortgage rates saw a rapid increase in 2022 and only a slight decline in Q1 2023, overall rates are still historically low in a decade-by-decade comparison. This is important to note as, according to the Census Bureau, 45 million people in the U.S. are at prime first-time home-buying age (25-34). Demand is expected to tilt towards this population while existing homeowners hesitate to leave behind their current lower rates.

Millennials continue to hit the homebuying scene

Millennials now make up the largest generational demographic since the Baby Boomers. In terms of the housing market, Millennials made up 43% of homebuyers in 2022, up a staggering 37% from 2021. While not all Millennials have the same homeownership goals, many Millennial buyers are looking for their first homes and could benefit from the latest increase to conforming loan limits.



Young adults that have saved over the pandemic may now be poised to purchase their first homes, and they have shown to rely on real estate agents more than their older counterparts. Offering real estate guidance is of growing importance as younger buyers seek to explore their options amid a volatile rate landscape.

But, regardless of demographics, the best time to buy a home is when the borrower is ready and educated on all their options. U.S. Bank is here to guide them every step of the way and provide a full suite of home lending products to help them work toward their home ownership goals.

Also, continue to advise your clients to get **pre-approved** for a home loan. Ensuring that homebuyers have all approvals and paperwork ready will empower them to better navigate a competitive market.

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