

Making Sense

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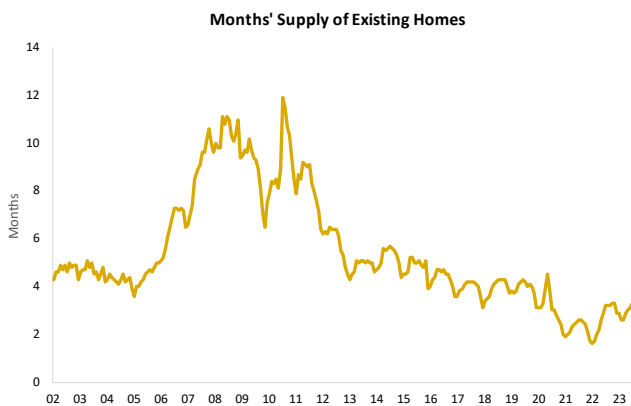
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Tight Supply Keeps Home Prices Steady

In [this month's market update](#), we discussed equity and fixed income markets, the ever-looming path of inflation, and the resilient labor market. In today's note, we want to focus on the U.S. housing market.

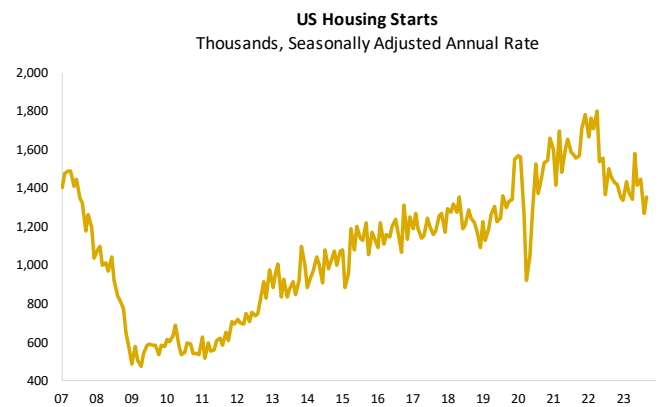
As mortgage rates have skyrocketed over the past 18 months, the housing market has slowed—but in a somewhat surprising way. Homeowners that previously locked-in a low-rate mortgage before the current hiking cycle are now hesitant to list homes on the market, which has led to incredibly tight supply of homes (Figure 1). Not surprisingly, existing home sales are down, but the tight market has driven new home construction. Housing starts, while off their post pandemic high, are currently above their average 2019, pre-pandemic level (Figure 2). Thus, even with high mortgage rates and weak home resales, house prices have remained impressively resilient (Figure 3).

Figure 1:



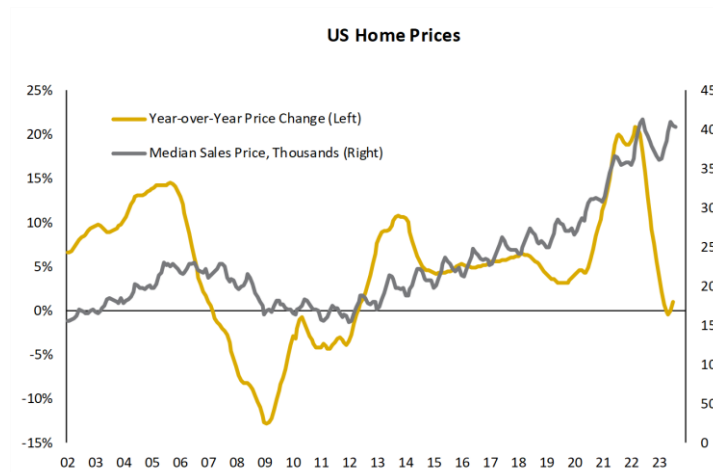
Source: Bloomberg

Figure 2:



Source: Bloomberg

Figure 3:



Source: Bloomberg

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