

The housing market has never been this unaffordable for new buyers



Henrique Westin/Getty Images

- **New home buyers are facing the least affordable market ever, data from the Mortgage Bankers Association shows.**
- **The group's Purchase Applications Payment Index hit a record high, indicating declining affordability.**
- **"For new home buyers, this is the worst situation since the end of the Great Recession."**

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Americans looking for a new home are facing the least affordable market ever, according to data from the Mortgage Bankers Association.

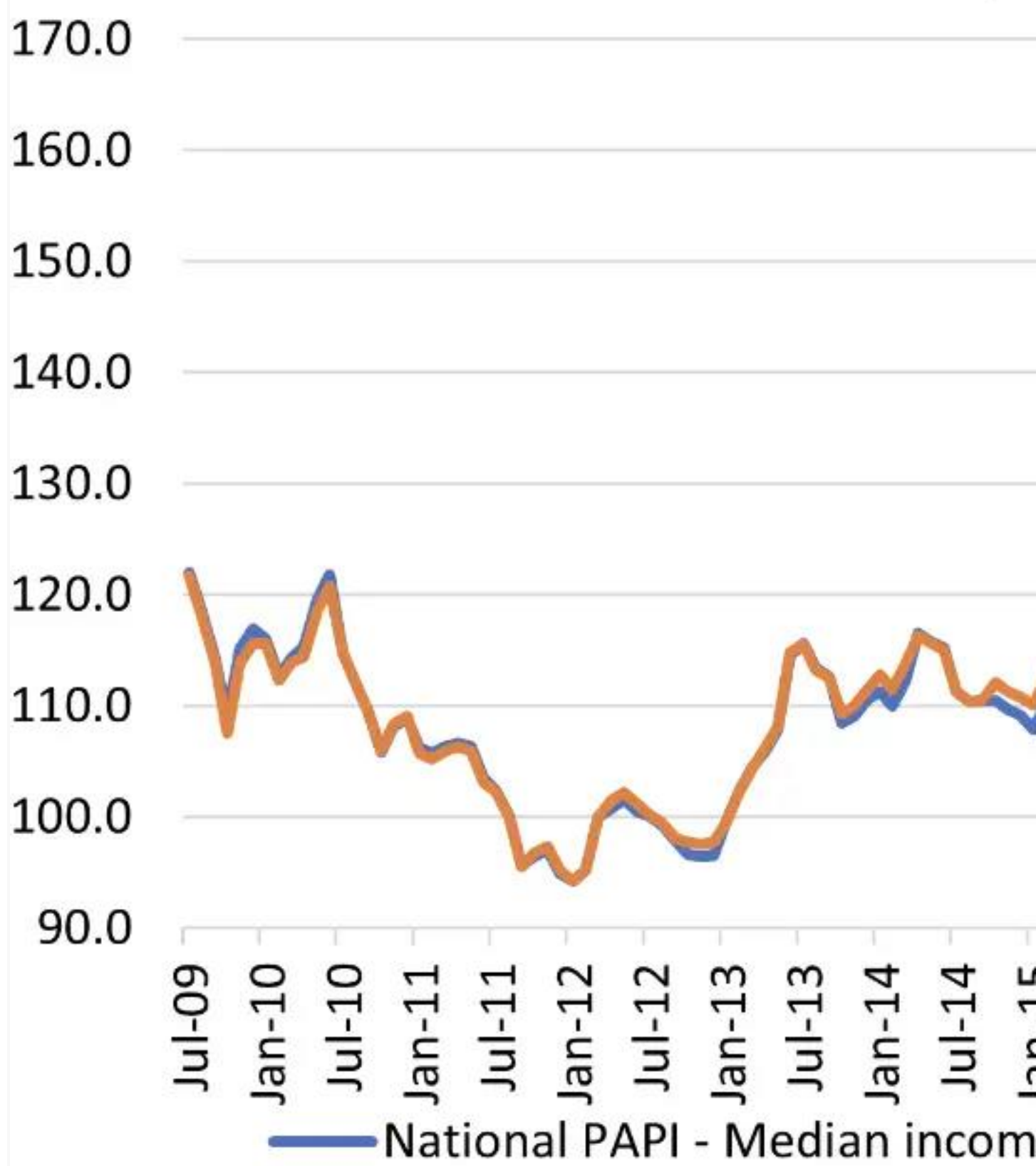
The group's Purchase Applications Payment Index (PAPI) increased 0.5% in April to a record high of 172.3. A higher reading indicates declining borrower affordability conditions, due to either increasing loan amounts, rising mortgage rates, or a decrease in earnings.

"This hit a new record because not only have interest not retreated from the high 6s, but the typical application amount has jumped, all faster than incomes have grown," Edward Seiler, MBA's associate vice president for housing economics, told Insider.

Meanwhile, the national median mortgage payment was \$2,112 in April, up from \$2,093 the prior month, per MBA data.

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Figure 1: Purchase Ap
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Mortgage Bankers Association

The PAPI gauge saw the highest readings in Idaho (255.6), Nevada (246.3), Arizona (226.1), Florida (216.6), and California (213.9).

As the Federal Reserve began raising interest rates in 2022, mortgage rates on 30-year fixed loans more than doubled from 3% to above 7%.

As of now, with the Fed having made 10 consecutive rate hikes and the June meeting looming, mortgage rates are hovering just under 7%.

"For new home buyers, this is the worst situation since the end of the Great Recession," Seiler said. "Current homeowners that were lucky enough to get a 2.75% interest rate in 2022 are in a great position, but for new home buyers looking to buy a first home, or those looking to move to another home, it's a very daunting proposition."

He expects mortgage rates to fall back into the 5% range as tight inventory eases up, but when exactly that happens will depend on how the central bank opts to adjust policy over the coming months.

Demographics, eventually, will play a role in loosening inventory, Seiler explained, because a time will come for millennials looking for their first home to replace baby-boomer owners who have held property for decades.

"We are forecasting that inventories have bottomed out, but the situation for the next couple years will be steadily be better," he said.

MBA's findings on affordability were echoed by a Goldman Sachs note on Wednesday that said there are only four affordable cities in the current housing market.

Out of the 25 largest cities, only St. Louis, Detroit, Chicago, and Baltimore qualify as "affordable," according to Goldman's Housing Affordability Indices. These four metros are where monthly payments on new mortgages are less than 25% of monthly household income.