

The Tangible Impact of Higher Rates on **BUYING POWER**



The rate on a 30-year fixed mortgage has more than doubled over the last twelve (12) months. With home prices not dropping at nearly this pace, this increase in the cost to borrow money has had a major impact on affordability and qualification for buyers.

Here are some numbers that might help get a better understanding of how the movement of rates has changed the lending landscape.



On October 1st, 2021 (a year ago), the average JUMBO 30-year fixed rate was **3.10%**. On June 1st of 2022, that average was **4.97%**. Today, the average rate is **6.43%**.



Here is the monthly payment you would see for a **\$1.2M mortgage** on a **\$1.5M home purchase** (i.e. \$300k or 20% down purchase) at these rates...

- **\$1.2M loan** at **3.1%** would be **\$5124** per month payment
- **\$1.2M loan** at **4.97%** would be **\$6420** per month payment (\$1296 monthly increase)
- **\$1.2M loan** at **6.43%** would be **\$7530** per month payment (\$2406 monthly increase)

To give more context, if someone just barely qualified for a \$1.5M purchase with 20% down at a rate of 3.1% in October of last year, they would have only been able to purchase a \$1.315M home in June of this year (at a rate of 4.97%) with that same \$300k down payment. Once you add in the rate now (6.43%), that same person's 'buying power' would be down to \$1.175M. This is effectively a 22% reduction in buying power from a year ago.

The landscape for affordability is changing rapidly. This is having a real effect on buyer's psychology and willingness to put in 'aggressive offers'. Now is the time to understand this and make intelligent decision about how to position your home for sale.



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