

MORTGAGE TRENDS

Will rising rates create a less chaotic housing market?

By Patrick Kearns | April 28, 2022

New data from OJO Labs shows rising rates are causing some buyers to halt their search, which could be a boon for others

In what might be a relief to many homebuying hopefuls, new data from [OJO Labs](#) shows rising mortgage rates have 51% of would-be buyers reconsidering their home search. That slight blow to demand may actually be welcome news for many prospective buyers, who have been facing an era of high competition and historically low inventory.

“Broadly, the pandemic has supercharged homebuying,” said Jerimiah Taylor, the Vice President of Real Estate and Mortgage Services at OJO Labs. “Right now we’re seeing a housing shortage, but rates are going to take a little pressure off that crisis to normalize things. There are still going to be plenty of transactions and homes available, as more homes come to market and there’s incrementally less chaos in the housing market.”

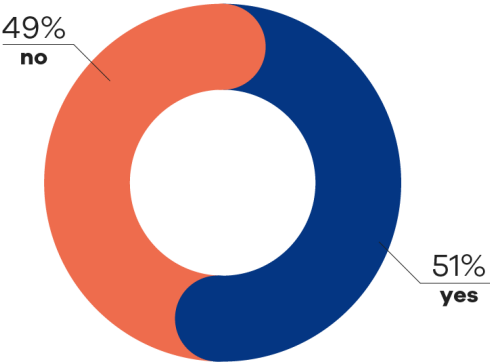
OJO Labs surveyed 1,432 consumers who filled out forms requesting more information on homes over the past month and found that the majority of those prospective buyers are reconsidering their home search due to rising mortgage rates. The respondents were closely split, with the remaining 49% saying they are not reconsidering their home search at this time due to rising mortgage rates.

Buyers have seen unprecedented levels of competition for homes in the past 12 months — [more than half of all homes sold above list price in 20 metro areas in March](#) according to OJO Labs data. Many in the industry are wondering: how high are rates going to go, and what is the inflection point?

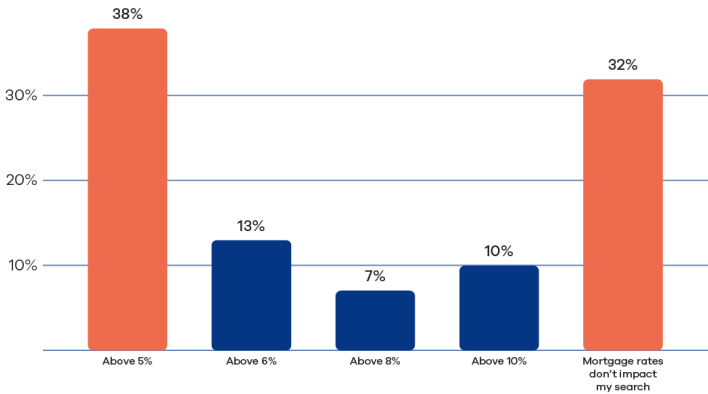
OJO Labs also asked the same respondents: How high would rates have to go for you to stop your search? And unsurprisingly, that 5% mark was the pack leader, with 38% saying rates higher than 5% would cause them to stop their home search.

Of the respondents, 13% said they would stop their home search if rates went above 6%, while 7% said they would stop their home search if rates went above 8%, and finally, 10% of respondents said only rates above 10% would be high enough to stop their home search. The remaining 32% said that mortgage rates aren't impacting their home search.

Do rising mortgage rates have you reconsidering your home search?



How high would rates have to go for you to stop your search?

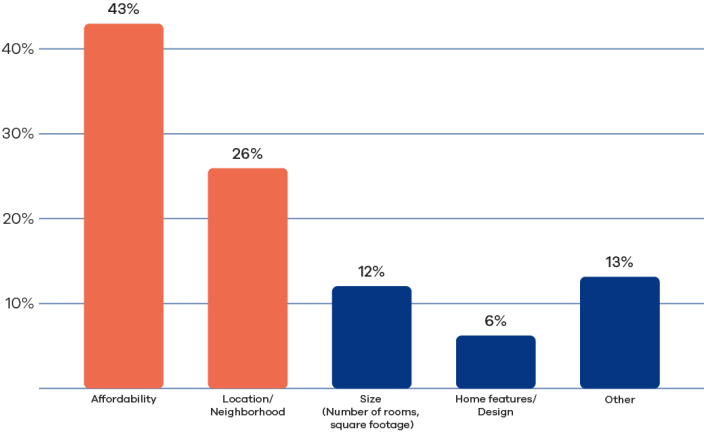


"I always like to remind buyers that they're buying a place to live and raise a family. It's not a commodity and the decision shouldn't be approached in the same manner as you buy a commodity," Taylor added. "Homebuyers need to think long term. The disagreement among whether you should buy a house now or wait for mortgage rates to decrease is a time-horizon disagreement. If you can find the right house for you and can afford the payment, it's probably the right decision to lock the house in now. Chances are that rates will cycle and you'll be able to refinance."

OJO also surveyed the same group to determine the most important factors in their home search. As home prices dominate headlines, it's no surprise that affordability is the leading factor, with 43% of respondents calling it the most important.

Behind affordability, location was the second biggest factor, with 26% selecting it as the most important. 13% of respondents said other unlisted factors were the most important, while 12% said size was the most important factor, and 6% said home features/design was the most important.

What's the most important factor in your home search?



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