VULNERABLE HOUSING MARKETS

By ATTOM Staff

ATTOM, a leading curator of real estate data nationwide for land and property data, released a Special Housing Risk Report spotlighting county-level housing markets around the United States that are more or less vulnerable to declines, based on home affordability, unemployment and other measures in the first quarter of 2022.

The report shows that New Jersey, Illinois, and inland California had the highest concentrations of the most at-risk markets in the first quarter of 2022 — with the biggest clusters in the New York City and Chicago areas. Most southern states were less exposed.

The first-quarter 2022 patterns — based on home affordability, underwater mortgages, foreclosures and unemployment — revealed that New Jersey, Illinois and California had 34 of the 50 counties most vulnerable to the potential declines. The 50 most at-risk included eight counties in the Chicago metropolitan area, six near New York City and 10 sprinkled throughout northern, central and southern California.

Elsewhere, the rest of the top 50 counties were scattered mainly along the East Coast and in the Midwest. They included three each in the Cleveland, OH, and Philadelphia, PA, metropolitan areas, plus two of Delaware's three counties. At the other end of the risk spectrum, the South had the highest concentration of markets considered least vulnerable to falling housing markets.

“While the housing market has been exceptionally strong over the past few years, that doesn’t mean there aren’t areas of potential vulnerability if economic conditions continue to weaken,” said Rick Sharga, executive vice president of market intelligence at ATTOM. “Housing markets with poor affordability and relatively high rates of unemployment, under-water loans, and foreclosure activity could be at risk if we enter a recession or even face a more modest downturn.”

Counties were considered more or less at risk based on the percentage of homes facing possible foreclosure, the portion with mortgage balances that exceeded estimated property values, the percentage of average local wages required to pay for major home ownership expenses on median-priced single-family homes and local unemployment rates.

The conclusions were drawn from an analysis of the most recent home affordability, equity and foreclosure reports prepared by ATTOM. Unemployment rates came from federal government data. Rankings were based on a combination of those four categories in 586 counties around the United States with sufficient data to analyze in the first quarter of 2022. Counties were ranked in each category, from lowest to highest, with the overall conclusion based on a combination of the four ranks.

The wide disparities in risks come at a time when the U.S. housing market remains relatively strong but shows signs that a decade-long boom may be easing.

Home prices have climbed more than 15% in most of the country over the past year, with new highs hit in about half the nation, boosting homeowner equity to record levels.

But as interest rates on 30-year mortgages rates have climbed to 6%, worsening affordability for prospective homebuyers, home sales have declined every month in 2022, and home price appreciation is showing signs of retreating rapidly.

“The housing market has been one of the strongest components of the U.S. economy since the onset of the COVID-19 pandemic,” Sharga noted. “But Federal Reserve actions aimed at bringing inflation down from its 41-year high are having an immediate impact on home affordability, sales, and pricing. Whether the Fed can execute a relatively soft landing, or inadvertently steers the economy into a recession will determine the fate of the housing market over the next 12-18 months.”

Amid that backdrop, the national median home value rose up just 3% from late-2021 through early-2022, seller profits are starting to dip and home affordability is inching downward. Lender foreclosures against delinquent mortgages also are up.