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*Fifty years later - is it **Déjà vu?***

Mortgage rate increases in the 1970s and the 2020s have occurred in different economic contexts, accompanied by distinct property value trends and the unique impact of the pandemic. Let's examine each period separately: Mortgage Rate Increases in the 1970s: Sure, you may remember the gas lines or your parents told you about changing license plates on their cars so they could take advantage of the even or odd number plate day. But that was just a part of the Nixon/Ford/Carter years. During the 1970s, the United States experienced a period of significant inflation and economic uncertainty. As a response, the Federal Reserve implemented policies to combat inflation, which led to a significant increase in interest rates. Mortgage rates soared during this decade, reaching historical highs. By the late 1970s and early 1980s, mortgage rates had surged to around 18-20%. Some may recall the devastation in the automobile industry, unemployment and what a Prime Rate of 18% meant for all businesses that needed to borrow for working capital with a float of 2% over Prime.

From the consumer perspective, the impact of mortgage rate increases in the 1970s was substantial. Higher interest rates made borrowing obviously more expensive, leading to declines in housing affordability and dampening the demand for homes. Additionally, property values saw limited growth during this period due to the higher cost of borrowing and a challenging economic environment.

Mortgage Rate Increases in the 2020s: In the 2020s, the economy is far more global and experienced the unprecedented COVID-19 pandemic, which had far-reaching effects on various sectors, including the housing market. Initially, in response to the pandemic-induced economic downturn, the Federal Reserve lowered interest rates to stimulate borrowing and economic activity. However, as the economy recovered and inflationary pressures emerged, there had been speculation about potential interest rate increases. While mortgage rates remained historically low compared to previous decades, we have now seen the rapid ramp by the Fed over the past several months due to the Fed not reacting sooner, thus the need to play catch up in the past 12 months.

Dramatic Property Value Increases: The property value trends during the 1970s and the 2020s have differed significantly. In the 1970s, property values experienced relatively modest growth due to the combination of high inflation and interest rates. The economic uncertainties of the time-constrained housing market growth. On the other hand, the 2020s witnessed dramatic property value increases in many regions. Factors such as limited housing supply, strong demand, low mortgage rates, and shifting preferences for more spacious homes due to the pandemic fueled a surge in property values and work from home flexibility. Some areas experienced double-digit percentage growth rates, creating concerns about housing affordability.

Pandemic Impact: The COVID-19 pandemic had an unexpected and profound impact on the housing market during the 2020s. While initially causing uncertainty and disruptions, it also led to changes in housing needs and preferences. Remote work and lifestyle adjustments increased demand for larger homes, suburban areas, and properties with dedicated workspaces. Government interventions, such as mortgage forbearance programs and moratoriums on evictions, helped mitigate immediate economic shocks. Low mortgage rates implemented to stimulate the economy further supported the housing market. Conclusion: Comparing mortgage rate increases in the 1970s to the 2020s reveals contrasting economic and housing market dynamics. The 1970s were characterized by high inflation, soaring interest rates, limited property value growth, and reduced housing affordability. In contrast, the 2020s saw relatively low mortgage rates, dramatic property value increases, and a unique impact from the COVID-19 pandemic, leading to shifts in housing preferences and increased demand for certain types of properties. The increases have come, so the breaking point is finally forcing a valuation decline in most markets.. While this may begin in geo pockets, we should expect it to eventually become widespread. The Fed balancing act with increases had a pause in June '23, however more increases are expected by year-end. At the time of this writing, I believe that we will see another .5 increase by December and then hold until Spring when there should be modest declines to start the buying season. Heresy? I think not.

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