2022

Home Equity Report

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Introduction

U.S. homeowners currently sit on an unprecedented level of equity in residential real estate, even more so than highlighted a year ago.

▲ 19.5%

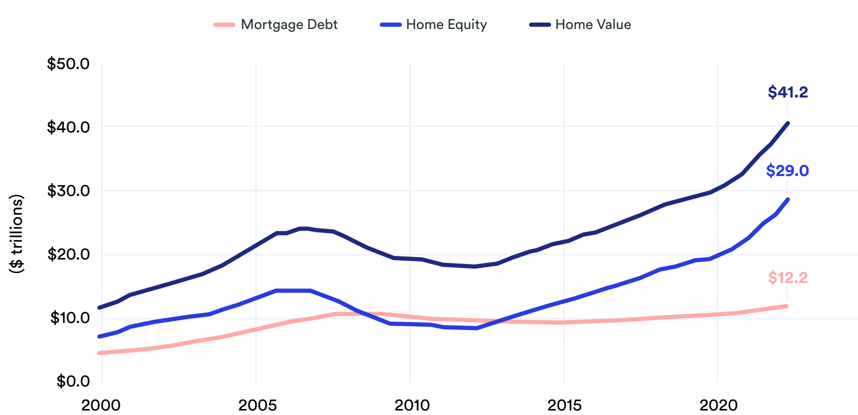
Year-over-year growth rate of U.S. home equity as of Q2 2022

Homeowners hold the well-being of homes–both as shelter and as an investment–near and dear to their hearts. Driven by a combination of rising demand and limited supply in the post-pandemic reality, the soaring real estate market of the past few years has led to record-high levels of wealth creation in the form of home equity. In Q2 2022, the total value of owner-occupied real estate jumped to $41.2 trillion, which outpaced the gradual increase in household mortgage debt. As a result, home equity, namely the difference between the home value and the outstanding mortgage debt, has grown significantly over the last year. Today, U.S. households are sitting on over $29 trillion worth of home equity, growing 19.5% from a year ago and 80% from five years ago.[1]

FIGURE 1

Housing Market Growth

Home Equity is home value minus mortgage debt



While regional and demographic differences exist, homeowners nationwide are sitting on an extraordinary level of equity in residential real estate, more so than at any point in history. **Instead of keeping the wealth locked up in their properties, homeowners may want to consider their homes as an accessible source of liquidity.**

[1] Balance Sheet of Households and Nonprofit Organizations

Geographical Distribution

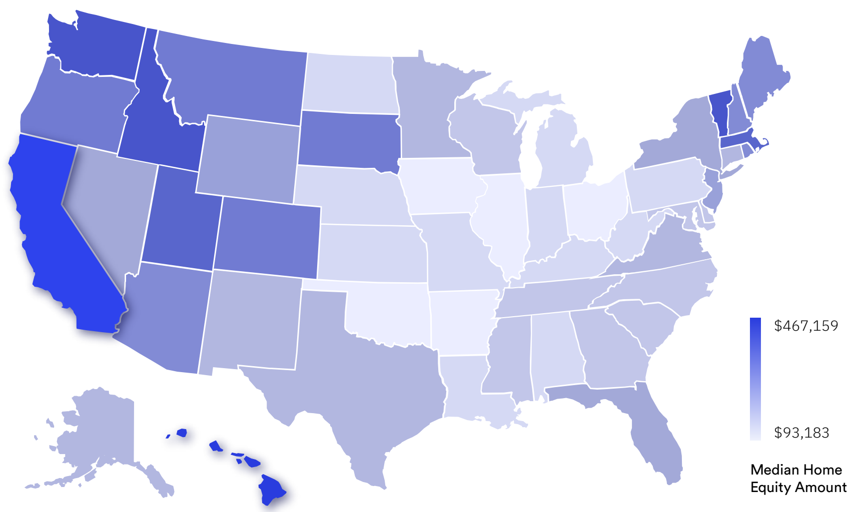
Home equity values vary significantly across the country.

The heat map of median home equity value across 50 states reveals the regional inequality in wealth distribution.[2] The highest median home equity values are seen in Hawaii, California and Idaho, with the lowest in Oklahoma, Iowa and Ohio. The median household in Hawaii and California holds more than $400,000 of home equity while that of Oklahoma owns a bit shy of $100,000.

FIGURE 2

Median Home Equity Value

Home Equity is home value minus mortgage debt



Compared to a year ago, all 50 states saw positive growth in median home equity, 37 of which by more than 10%.[3] Utah, Delaware and Idaho led the country, whereas Nevada, Mississippi and Minnesota were among the slowest movers in terms of year-over-year growth.

[2] Based on CoreLogic data at the state level as of September 2022

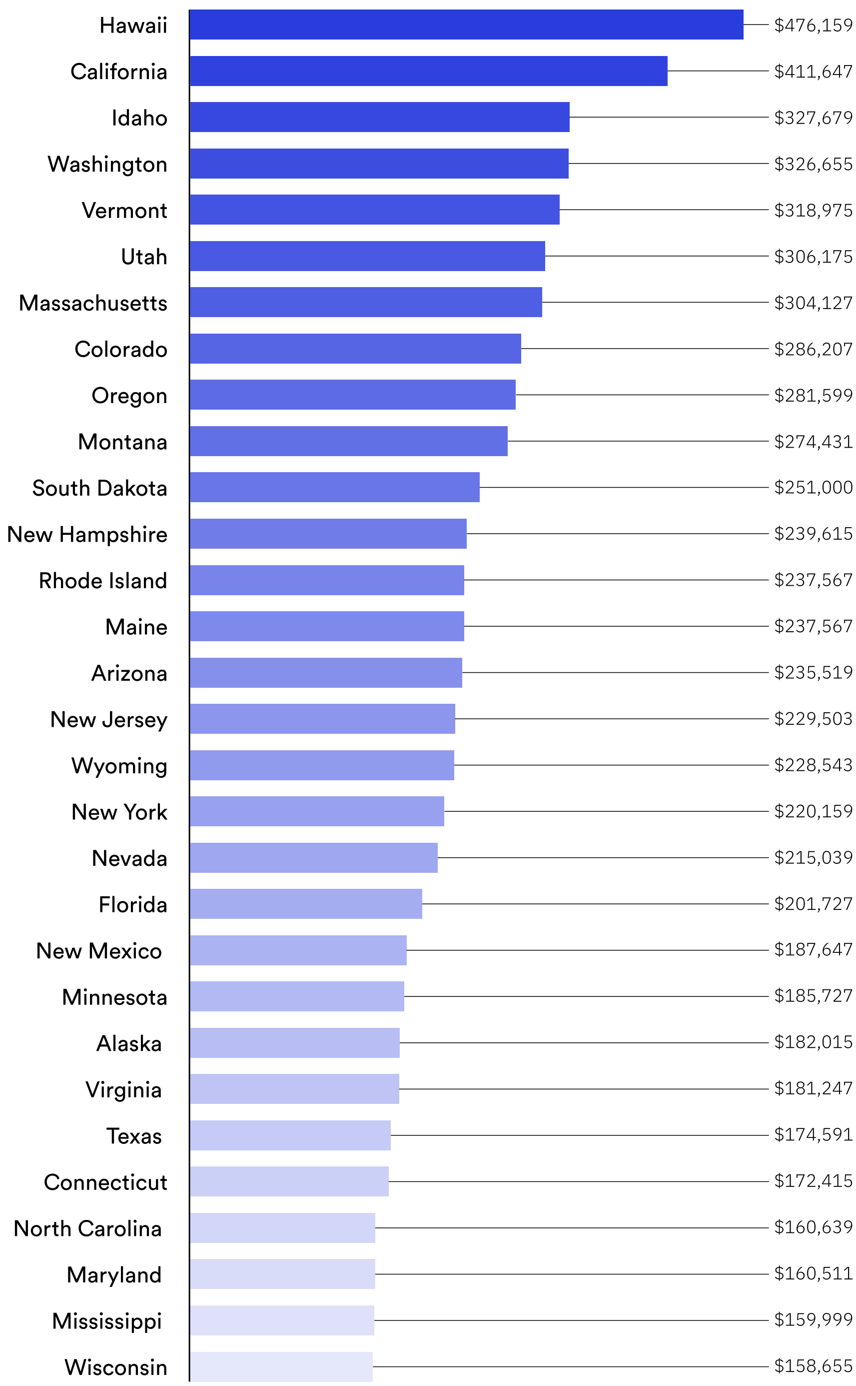
[3] Based on CoreLogic data at the state level from September 2021 to September 2022

Top 30 States by Value

FIGURE 3

Median Home Equity by State

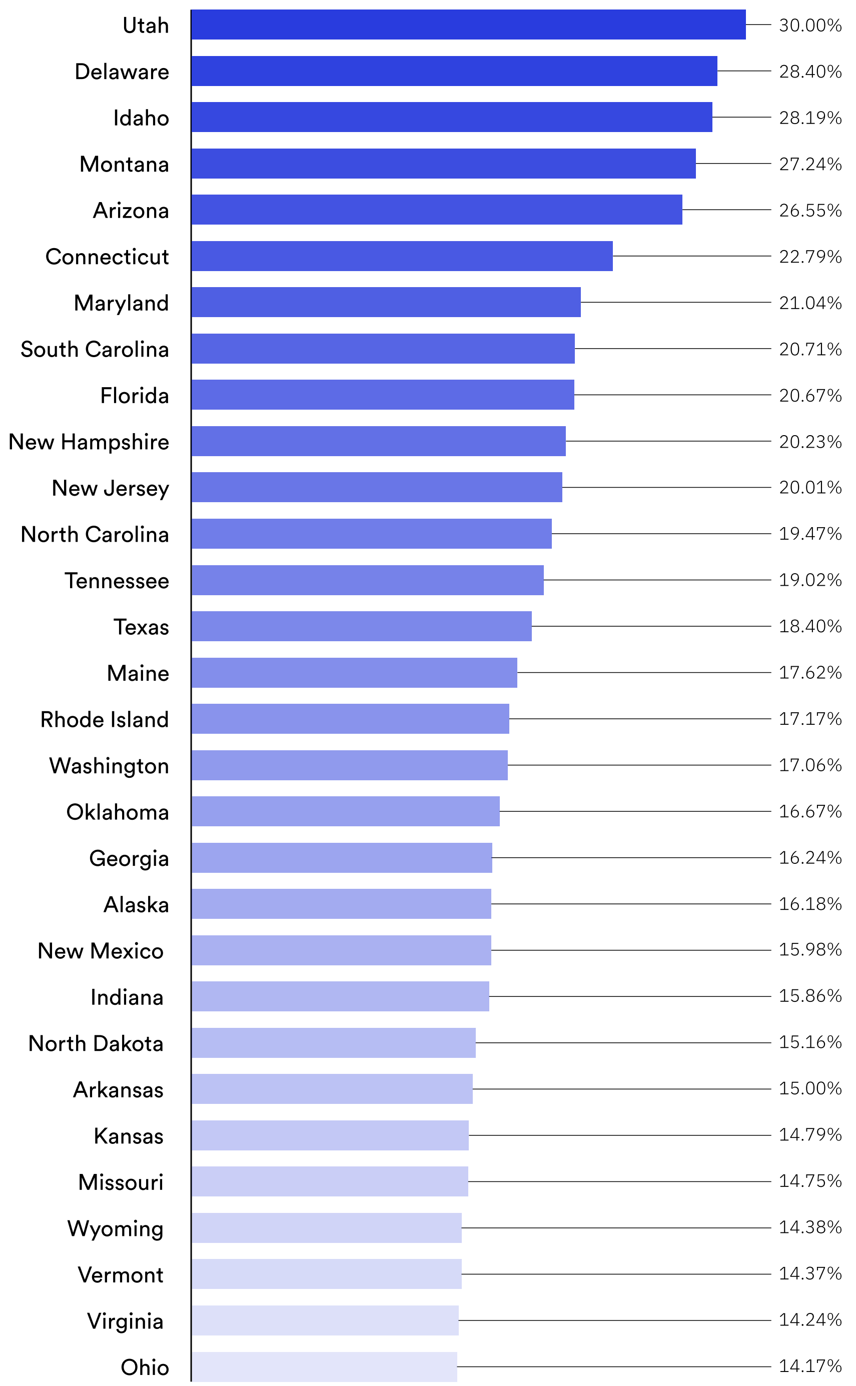
Home Equity is home value minus mortgage debt



Top 30 States by Growth Rate

FIGURE 4
Median Home Equity YoY Growth by State

Home Equity is home value minus mortgage debt



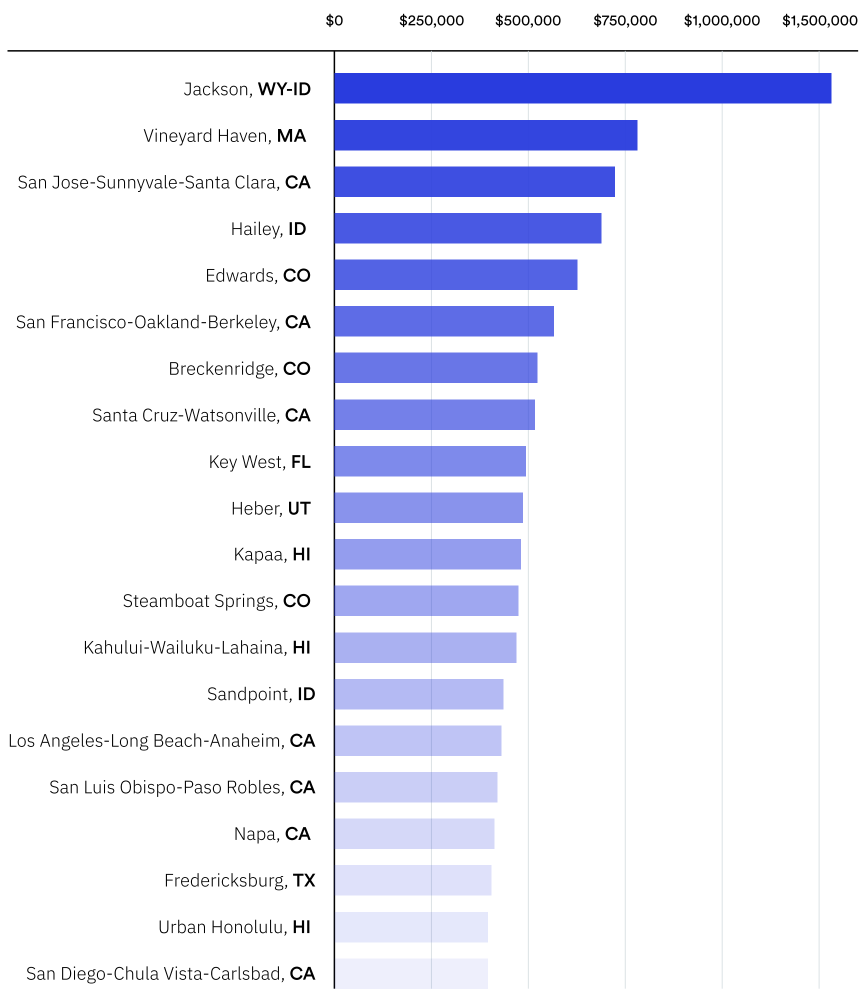
Top 20 Metropolitan Statistical Areas by Value

Looking further into the more granular geographical dynamics of home equity, each metropolitan statistical area (MSA) exhibited important variations with regard to the magnitude or the change over time.[4] While Fayetteville, NC, Hinesville, GA and Jacksonville, NC all delivered a staggering 50% plus increase in median home equity, places like Monroe, LA, Elmira, NY and Enid, OK saw a decline by at least 8% each.

FIGURE 5

Top MSAs - Median Home Equity

Home Equity is home value minus mortgage debt



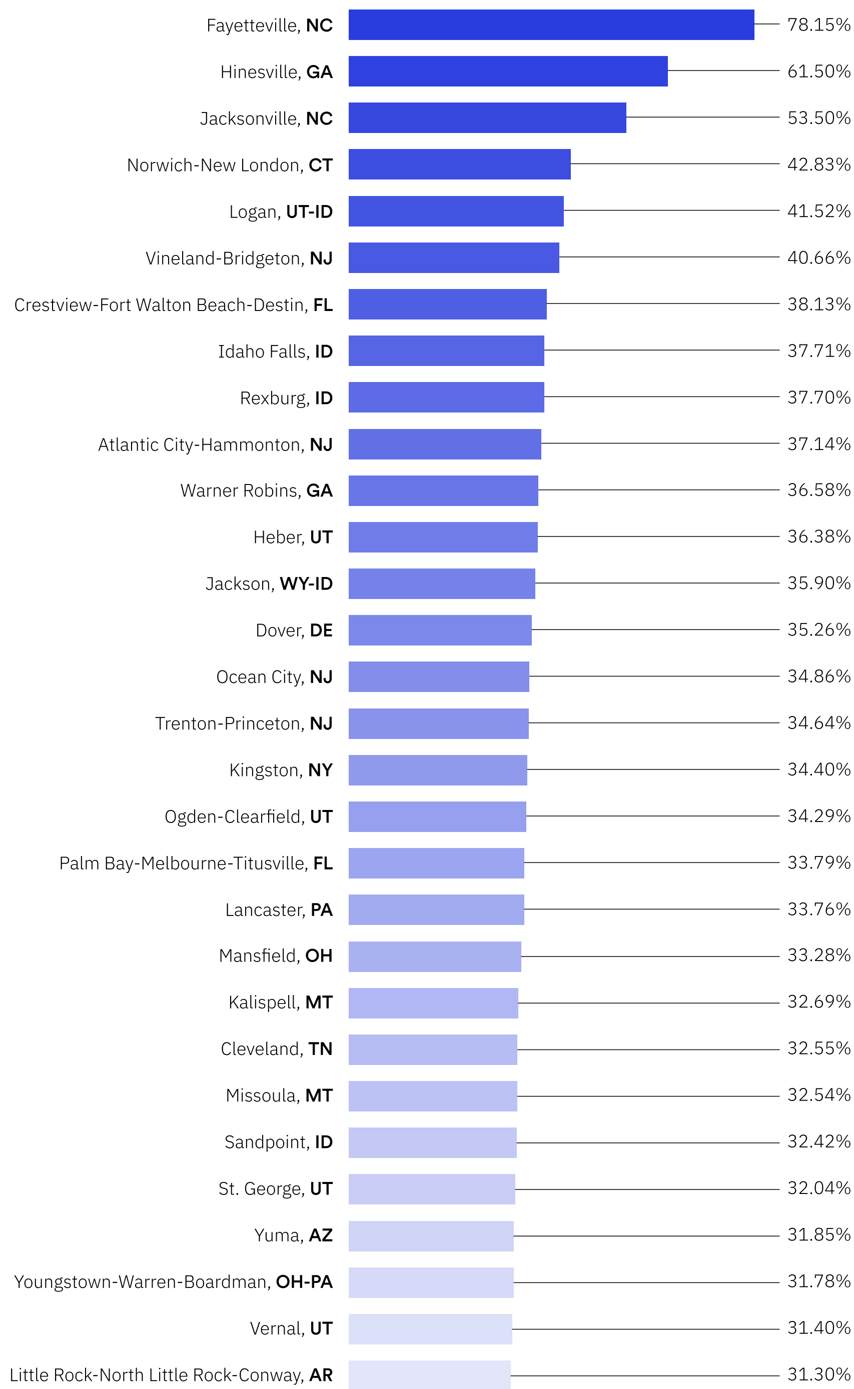
[4] Based on CoreLogic data at the metropolitan statistical area level from September 2021 to September 2022

Top 30 Metropolitan Statistical Areas by Growth Rate

FIGURE 6

Top MSAs - Median Home Equity YoY Growth

Home Equity is home value minus mortgage debt

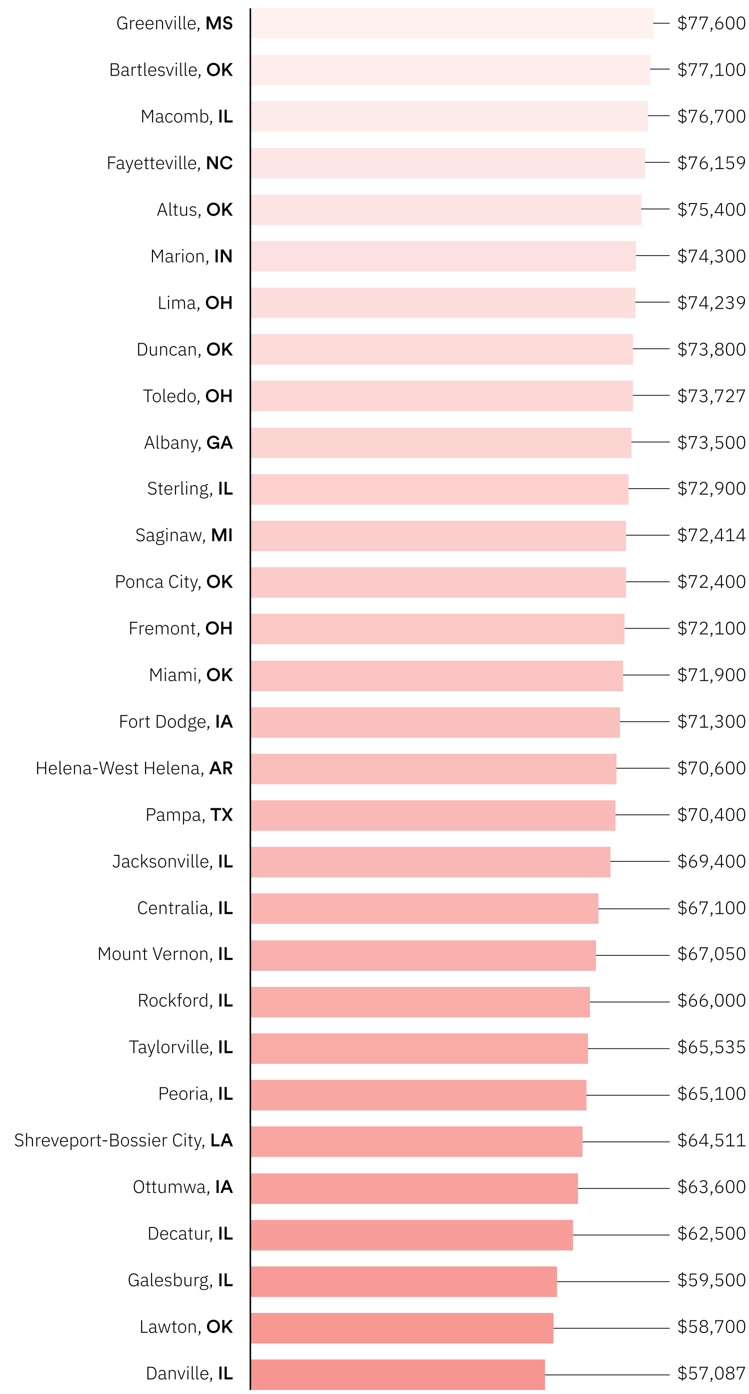


Bottom 30 Metropolitan Statistical Areas by Value

FIGURE 7

Bottom MSAs - Median Home Equity

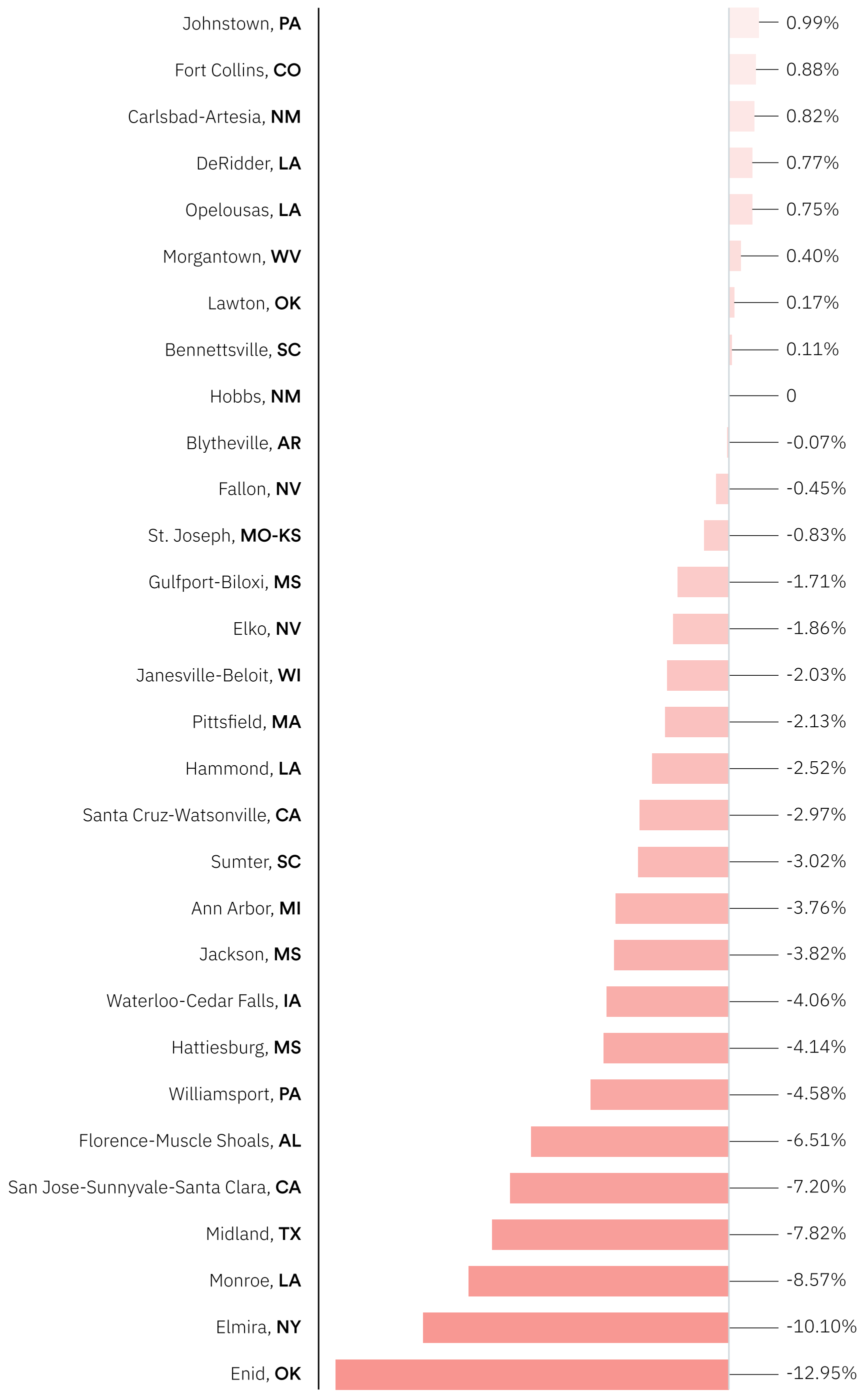
Home Equity is home value minus mortgage debt



Bottom 30 Metropolitan Statistical Areas by Growth Rate

FIGURE 8

Bottom MSAs - Median Home Equity YoY Growth Home Equity is home value minus mortgage debt



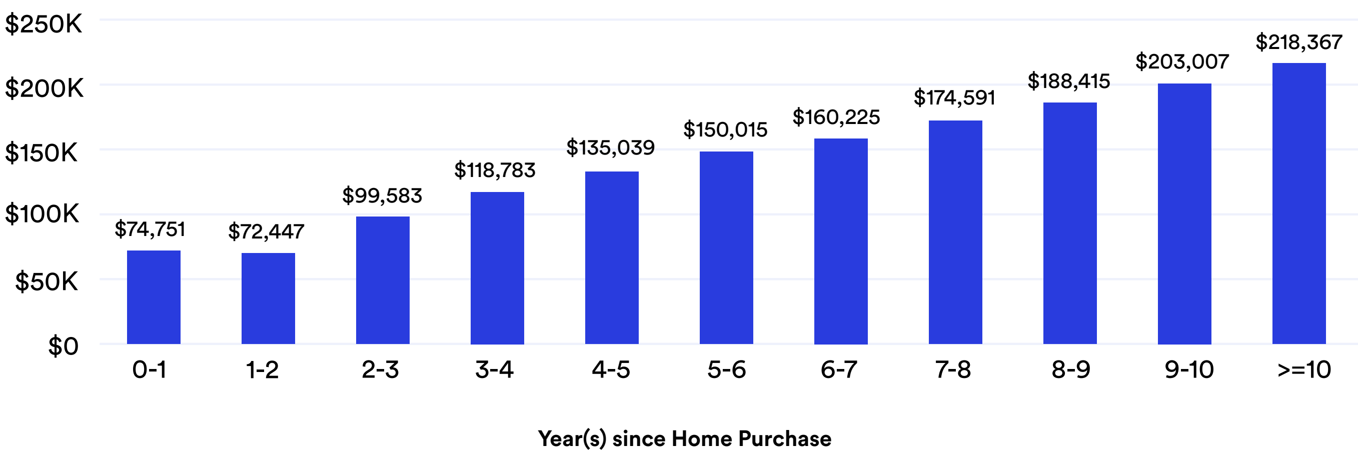
Demographic Distribution

Home equity tends to grow as the years of homeownership increase.

Upon the closing of a home purchase, homeowners embark on a yearslong journey to fulfill their obligation to pay back the mortgage debt. By way of debt amortization and home price appreciation, homeowners build up home equity gradually over time. As a result, home equity tends to grow as the years of homeownership increase. Based on CoreLogic data, home equity on average triples over the first 10 years after a home purchase.[5]

FIGURE 9

Median Home Equity since Home Purchase

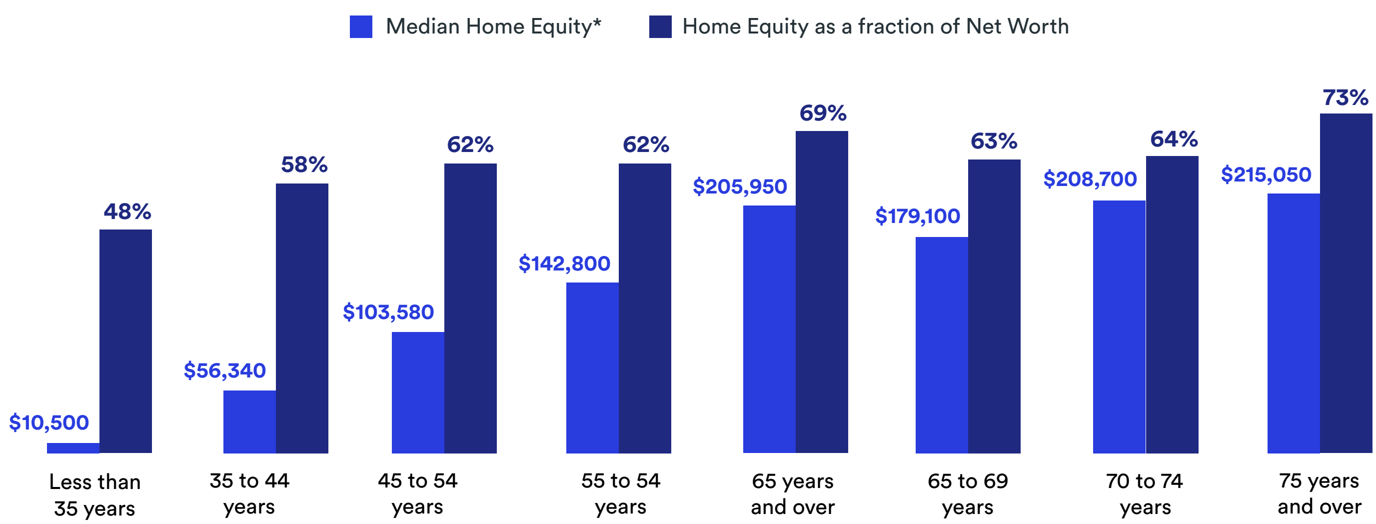


[5] Based on CoreLogic data at the household level as of September 2022

This pattern is also evidenced by the U.S. Census Bureau's findings. Based on the latest wealth and asset ownership data, the more senior a homeowner is, the more they hold in home equity, both in terms of the dollar value and a percentage of total net worth.[6] **However, such high concentration of wealth in home equity, a single illiquid asset class, often comes when the homeowner starts to face increasing liquidity needs, such as health care, home renovation, education, etc.** With 71% of Americans concerned about Social Security running out of money,[7] many may have to seriously consider delaying retirement. Finding an optimal way to unlock their home equity could help homeowners solve the problem.

FIGURE 10

Distribution of median home equity by age groups



*Median home equity is estimated based on the difference between median net worth and median net worth excluding home equity.

[6] Wealth, Asset Ownership, & Debt of Households Detailed Tables: 2020

[7] 71% of Americans are worried Social Security will run out of money in their lifetimes. Why experts say that won't happen

Economic Outlook

An uncertain economic environment prompts homeowners to think about optimal ways to access home equity.

Even with the record-breaking home prices seen in recent years, homeowners are unable to merely sit on their wealth, carefree. Firstly, the post-pandemic secular imbalance between growing consumer spending and disrupted supply chains has led to some of the most severe inflation since 1982, eroding the real purchasing power of household assets.[8] In other words, while homes are becoming more expensive, so is everything else.

The situation worsens as consumers begin to take on more debt. Household debt topped $16 trillion for the first time in August, 2022.[9] Both auto loans[10] and credit card loans[11] likewise shot up to new highs. To combat the inflationary pressure, the Federal Reserve entered a rate-hiking cycle beginning in March, 2022 and was expected to increase the benchmark rate to as high as 4.6% by 2023.[12] The increasing interest rates induced an even higher debt burden for households whose interest payments were tied to the benchmark rate.

[8] Inflation figure that the Fed follows closely hits hightest level since Januarty 1982

[9] Household debt tops $16 trillion for the first time, fueled by higher inflation and interest rates

[10] Other Consumer Loans: Credit Cards and Other Revolving Plans, All Commercial Banks(CCLACB-W027SNOG) | FRED | St. Louis Fed

[11] Consumer Loans: Credit Cards and Other Revolving Plans, All Commercial Banks (CCLACB-W027SNOG) | FRED | St. Louis Fed

[12] The Fed forecasts hiking rates as high as 4.6% before ending inflation fight

Finally, the real estate market itself has shown signs of cooling.[13] Fueled by a lack of affordable homes and the rising cost of debt, potential buyers are increasingly more hesitant to pull the trigger as home sales decline,[14] which in turn further discourages builders from building more units. As such, the softening home price directly translates to a decline in homeowners' wealth.[15] While various fundamental factors such as constrained supply in urban housing and high wage growth still point to an above-average appreciation in home price in the medium to long term according to a recent study by Unison,[16] homeowners are still likely to be struggling with preserving purchasing power, eliminating debt, and safeguarding their wealth against economic headwinds in the near term.

Today, homeowners across the country are facing a dilemma. On the one hand, they've accumulated tremendous wealth in home equity since they first bought their homes. On the other hand, the illiquid aspect of their homes limits their abilities to meet cash needs and/or to deploy the capital efficiently, especially amidst growing concerns over inflation, interest rate hikes, and a slowing economy. To many, a home is much more than merely a shelter. **Homeowners may consider embracing home equity as a key factor in their long-term financial planning.**

While there are numerous financial products to access home equity, hardly any are able to do so without adding debt. Typical debt solutions include a home equity loan, a HELOC and a cash-out refinance. Equity sharing agreements (ESA), on the other hand, provide a innovative way that allows homeowners to unlock their home equity without taking on any additional debt. That means homeowners pay neither interest, nor any monthly payments. An ESA does this by investing in the home with the homeowner, and then shares in the gain or loss when the homeowner decides to sell.

[13] Home prices cooled in July at the fastest rate in the history of S&P Case-Shiller Index

[14] Home sales fell nearly 6% in July as housing market slides into a recession

[15] Homeowners lose wealth as rising interest rates weigh on home values

[16] Home Price Appreciation, Interest Rates, and Inflation

About Unison

Unison is revolutionizing homeownership through equity sharing agreements. The company works with select institutional investors to integrate homeownership investing into the U.S. residential real estate market through its HomeOwner programs. Unison provides existing homeowners with cash without the added debt or payments of a home equity line of credit (HELOC) or a home equity loan. The company's equity sharing agreement is a true equity partnership, with no monthly payments, in which Unison shares in the increase or decrease in the future value of a home. Headquartered in San Francisco, Unison operates in 30 states and territories, including Washington, D.C. As of 2022, Unison has proudly helped over 10,000 households, with a combined home value of more than $6.4 billion, empowering homeowners nationwide to tap into their home equity.

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