

2023

# Home Equity Report



**Authors:**

**Jian Tong Chua**

Quantitative Research Analyst

**Lauren Rosales-Shepard**

Content Writer, Consumer Product

**Wenyao Sha**

Data Science Manager

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# Introduction

▲ 15%

Annualized growth rate of home equity since 2020

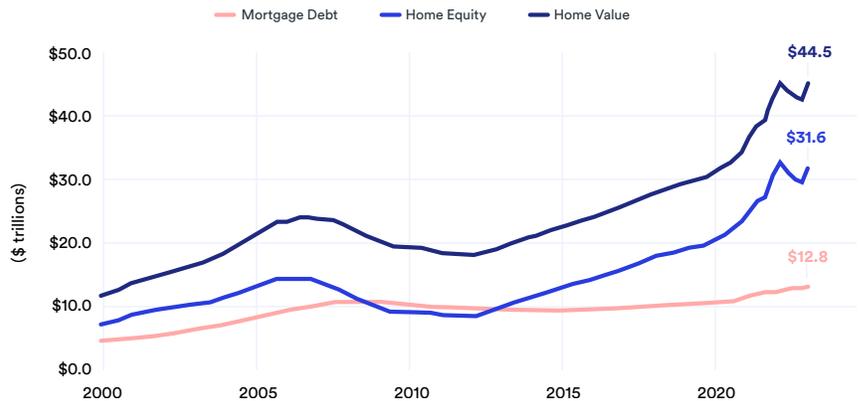
The second half of 2022 was a tumultuous time for home prices. Between June 2022 and January 2023, national home prices experienced a decline of over 5%, as measured by the Case-Shiller home price index. This downturn—the most substantial and prolonged one since 2012—can be primarily attributed to rising mortgage rates, which has dampened demand among prospective homebuyers.

Although the prospect of elevated mortgage rates for the near future remains, the rebound in home prices has been swift. Since February of this year, there has been an impressive turnaround in home prices nationwide, completely reversing recent losses and even setting a new all-time high in the Case-Shiller index in July.<sup>1</sup> This resurgence has been driven by a shortage of available homes on the market, as homeowners who secured low fixed-rate mortgages have been reluctant to sell.

FIGURE 1

### Housing Market Growth

Home Equity is home value minus mortgage debt



Home equity, calculated as the home’s value minus the outstanding mortgage balance, has followed a similar trajectory. As of Q2 2023, homeowners collectively possess \$31 trillion in equity, with the total value of these homes surpassing \$44 trillion—almost on par with the all-time high. Despite the recent fluctuations in home prices, the spectacular pace of home appreciation since the outbreak of the pandemic has resulted in annualized home equity growth of 15% since 2020—significantly outpacing the long-term average of 5.4% previous to its onset.<sup>2</sup>

<sup>1</sup> S&P/Case-Shiller U.S National Home Price Index (CSUSHPINSA)

<sup>2</sup> Balance Sheet of Households

It comes as no surprise that home equity now represents a growing share of households’ net worth. Even though the recent dip in home prices has slightly reduced this figure, households across the country now have more than 21% of their net worth tied up in their properties. The volatility witnessed in the housing market over the past year should serve as a crucial reminder for homeowners to explore potential diversification options, particularly away from assets with limited liquidity, such as real estate.

FIGURE 2  
Home Equity as a Share of Household Net Worth



## Performance Distribution

Home equity changes year over year exhibit significant regional and price-based variations.

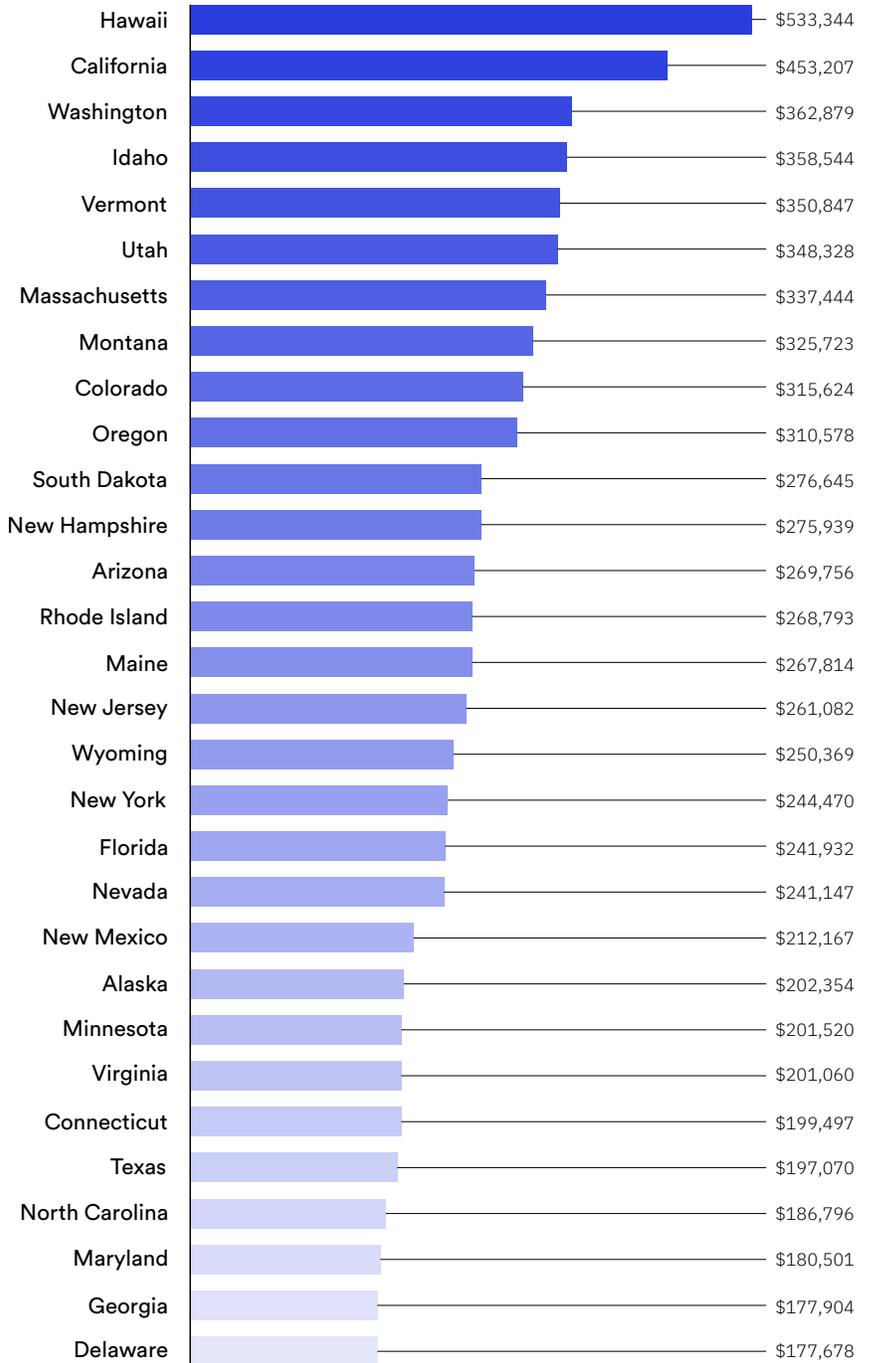
At the state level, median home equity growth from September 2022 to September 2023, was positive across all 50 states. Notably, Florida (19.91%), Montana (18.22%) and Georgia (17.79%) emerged as the biggest gainers in terms of home equity growth, while North Dakota (7.25%), Mississippi (6.52%), and Louisiana (5.85%) gained the least.

Moving on to the more granular Core Based Statistical Areas (CBSAs), Cordele, Georgia stood out as the top-performing CBSA, with a remarkable year-over-year change of 28.09% in home equity. Conversely, Grenada, Mississippi marked the opposite end of the spectrum as the worst-performing CBSA, with a negative year-over-year change of -9.99% in home equity.

# Top 30 States by Value

FIGURE 3  
Median Home Equity by State

Home Equity is home value minus mortgage debt

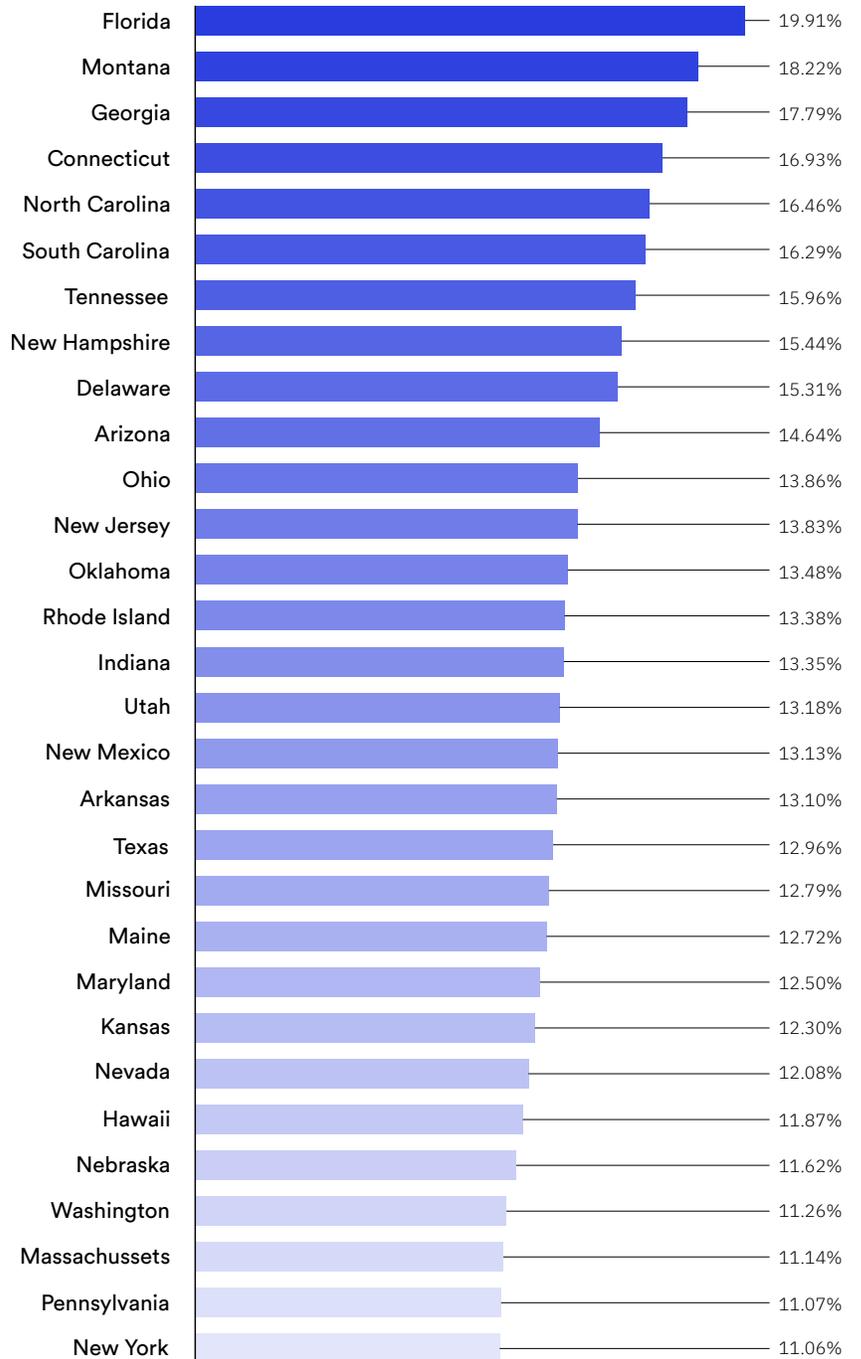


# Top 30 States by Growth Rate

FIGURE 4

Median Home Equity YoY Growth by State

Home Equity is home value minus mortgage debt

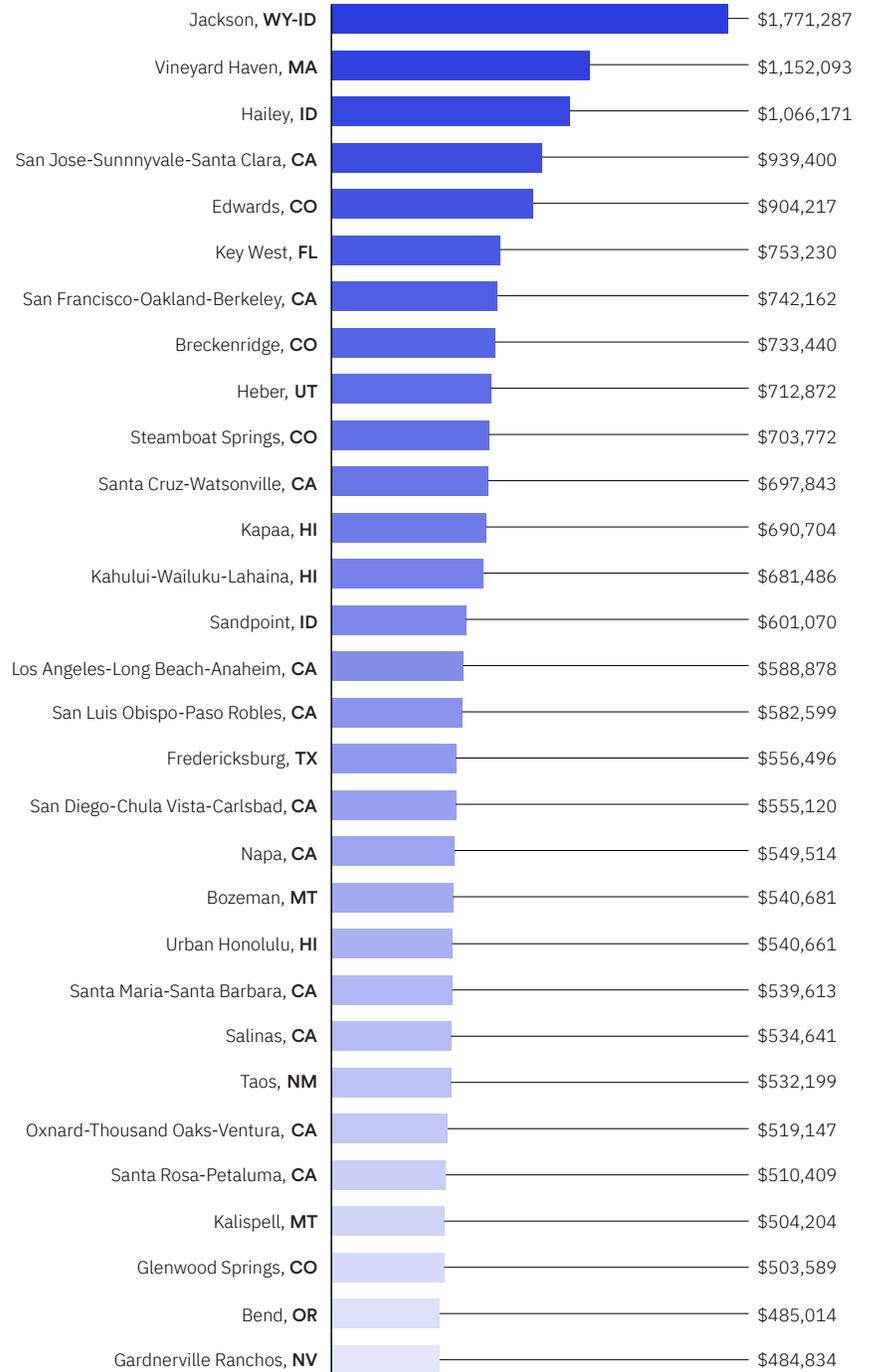


# Top 30 Core Based Statistical Areas by Value

FIGURE 5

Top CBSAs - Median Home Equity

Home Equity is home value minus mortgage debt

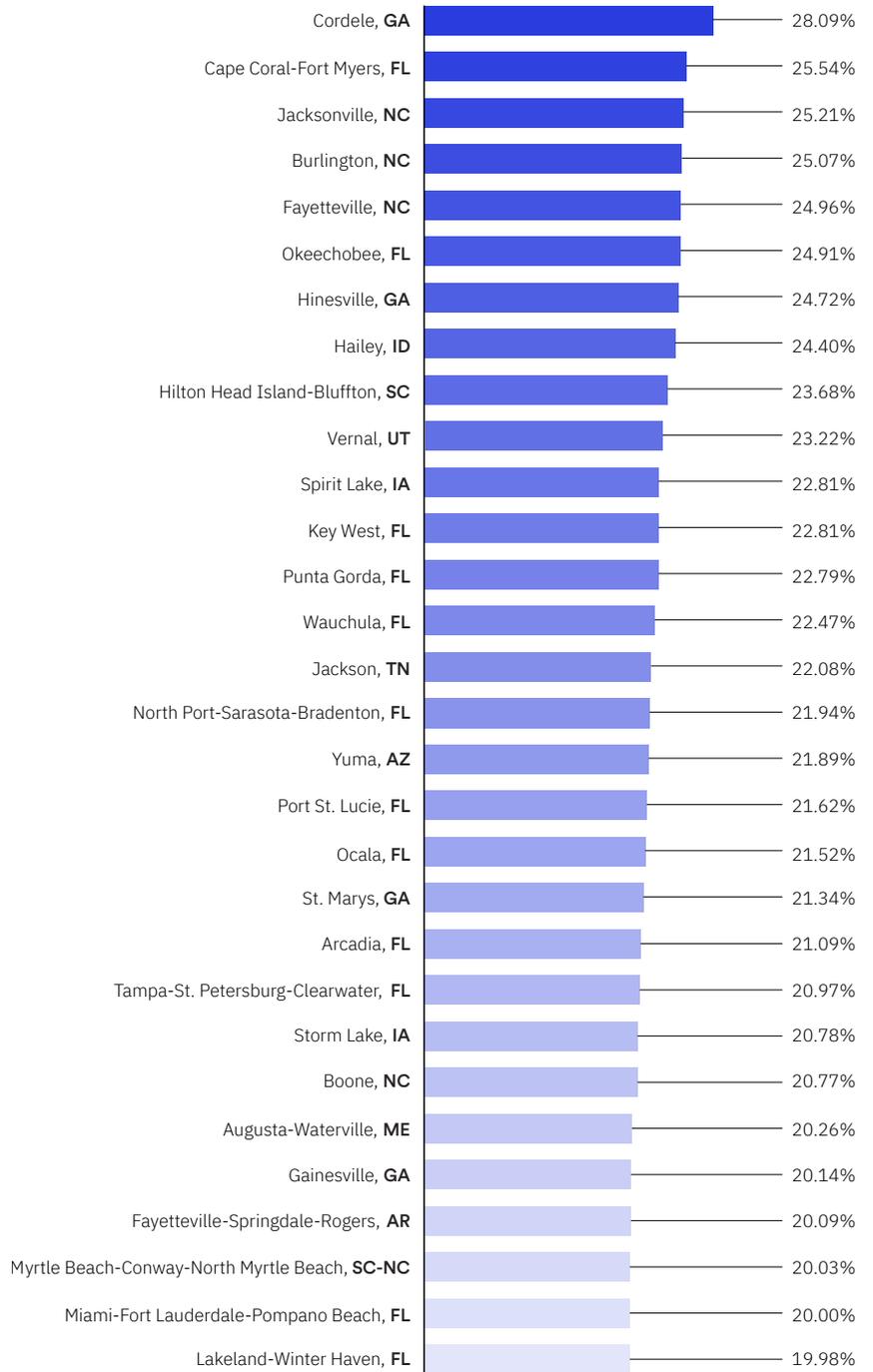


# Top 30 Core Based Statistical Areas by Growth Rate

FIGURE 6

Top CBSAs - Median Home Equity YoY Growth

Home Equity is home value minus mortgage debt

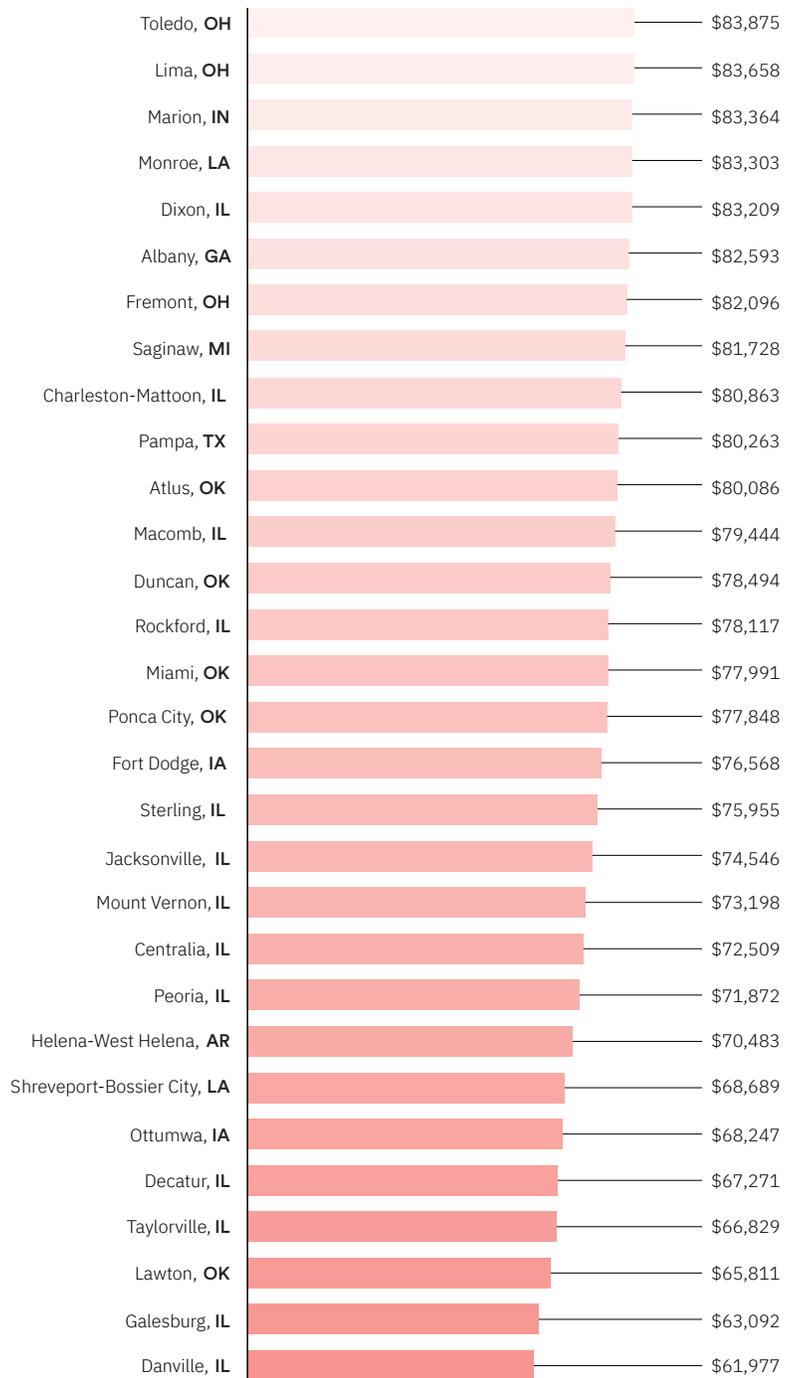


# Bottom 30 Core Based Statistical Areas by Value

FIGURE 7

Bottom CBSAs - Median Home Equity

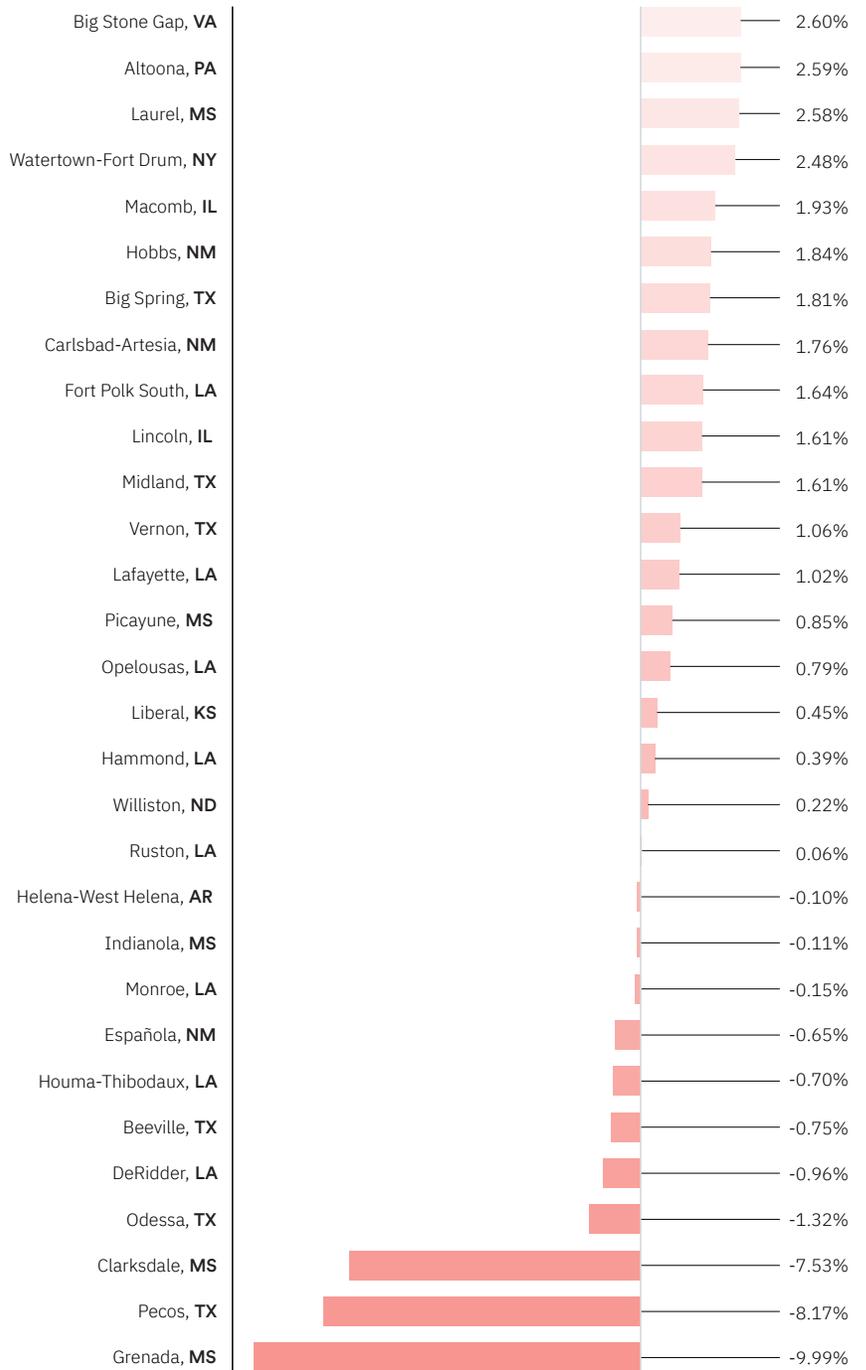
Home Equity is home value minus mortgage debt



# Bottom 30 Core Based Statistical Areas by Growth Rate

FIGURE 8

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



# Home Equity Change by Price Tier

Shifting the focus to price tiers, it becomes evident that lower-priced homes have witnessed the most substantial year-over-year increases in home equity. Specifically, homes priced under \$500,000 experienced the highest growth, boasting a year-over-year growth rate of 9.66%. This far outpaced the next cheapest tier of homes, those priced between \$500,000 and \$1 million.<sup>3</sup>

FIGURE 9  
YoY Home Equity Change by Price Tier



<sup>3</sup> Based on CoreLogic data at the household level as of September 2022

# Economic Outlook

Although there is an expectation that interest rates will eventually come down, it is important to note that any rate cuts are likely to occur gradually. It is unlikely that interest rates will reach the historically low levels observed in 2020 and 2021 in the near future. The CME FedWatch tool provides some insight into what the market thinks interest rates will look like in the next year, and suggests that a cut of 75 bps is most probable by the end of 2024.<sup>4</sup>

FIGURE 10  
Target Rate Probabilities for Dec. 18, 2024 Fed Meeting as of Oct. 16, 2023

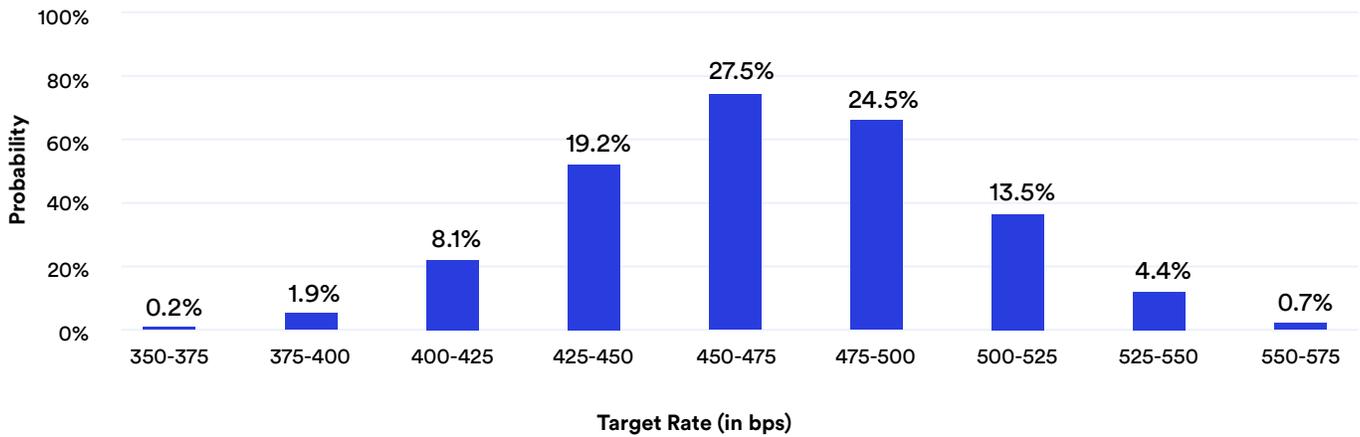


FIGURE 11  
Average 30-Year Fixed Rate Mortgage (%)

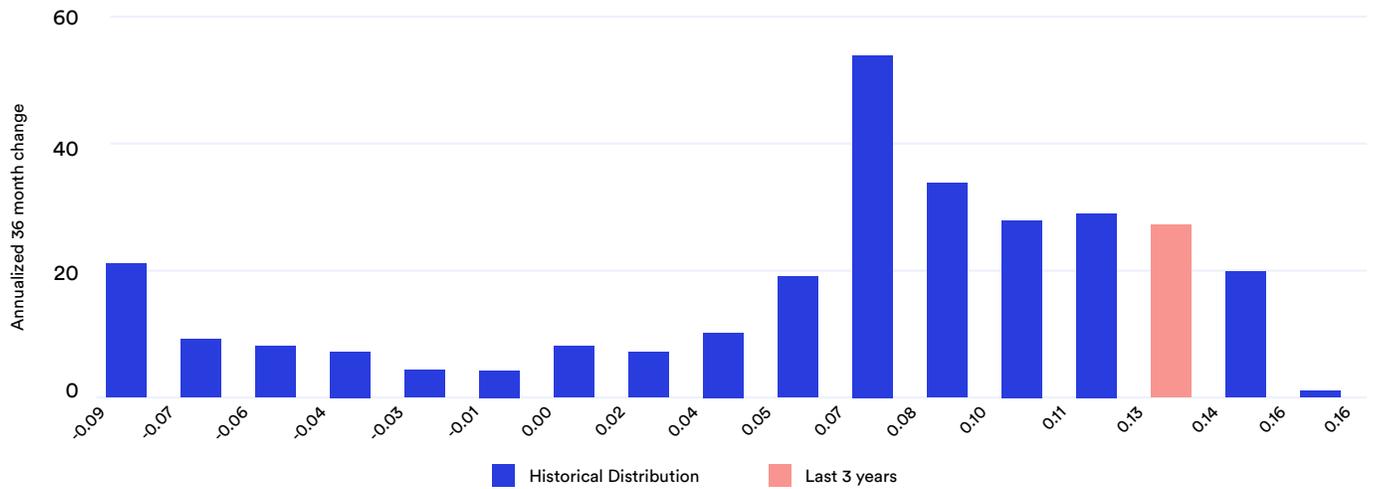


It remains to be seen how the housing markets will adapt to the presence of high mortgage rates<sup>5</sup> should the supply of homes catch up. Home prices have surged significantly in the past three years, far surpassing historical averages. The sustainability of such rapid price appreciation remains uncertain, and is something that households should keep in mind.

<sup>4</sup> CME FedWatch Tool

<sup>5</sup> 30-Year Fixed Rate Mortgage Average in the United States (MORTGAGE30US)

FIGURE 12  
**Distribution of 3-Year Home Price Returns (Annualized)**



High financing costs carry broad implications for household finances and extend beyond mortgage rates and home prices. As households explore options to meet their liquidity needs, one possible alternative may involve cashing out their unrealized gains in home equity. Traditionally, this has not been easy to do without taking on additional debt. However, Unison’s innovative equity-sharing agreement offers a novel approach to access these potential financial resources.

# About Unison

Unison is revolutionizing the home financing marketplace through equity sharing agreements. The company works with select institutional investors to integrate homeownership investing into the U.S. home financing system through its HomeOwner programs. Unison HomeOwner provides existing homeowners with cash without the added debt or payments of a home equity line of credit (HELOC). The company's equity sharing agreement through this program 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 plus Washington, D.C. As of 2022, Unison has proudly helped nearly 10,000 households, with a combined home value of more than \$6.1 billion, empowering homeowners nationwide to tap into their home equity.

[unison.com](https://unison.com)

For questions about this report:

[mediadesk@unison.com](mailto:mediadesk@unison.com)

