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Report: Busy housing market has led to surge in equity-rich homes

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Attom Data Solutions LLC, a property analytics company based in Irvine, California, recently found 41.9% of U.S. mortgaged residential properties were considered equity-rich in the fourth quarter, meaning the combined estimated amount of loan balances secured by those properties was no more than 50% of their estimated market values.

That percentage is up from a month and year prior. The portion of mortgaged homes considered equity-rich was 39.5% in Q3 2021 and 30.2% in Q4 2020.

Attom also found only 3.1% of mortgaged homes were considered seriously underwater in Q4 2021. "Seriously underwater" is defined by the firm as homes where the combined estimated balance of loans secured by the property is at least 25% more than its estimated market value. The Q4 percentage was down from 3.4% of all U.S. homes carrying a mortgage in Q3 2021 and 5.4% in Q4 2020.

From the end of 2020 to the end of 2021, equity-rich levels rose in 49 states, including Washington, D.C., and seriously underwater portions dropped in 48 states, including D.C.

The figures are a result of a record-breaking housing market last year, with median U.S. home values soaring about 20%, and many metro areas far outpacing that rate of growth. 2022 has started out as a strong seller's market, with limited inventory and lots of buyer demand, but with mortgage rates rising quickly and homes becoming financially out of reach for many, some wonder if the rate of growth will moderate soon.

"No doubt, there are market metrics that pose warnings about how long the boom can last and equity can keep improving," said Todd Teta, chief product officer at Attom, in a statement. "We keep watching those closely. But for now, homeowners are sitting pretty as the wealth they have tucked away in their homes keeps growing.”

The states that saw the biggest gains in equity-rich share of mortgaged homes are all in the Sun Belt:

Tennessee, rising 41.4% in Q3 2021 to 47.2% in Q4 2021
North Carolina, rising from 38.6% to 44.2%
Nevada, rising from 44.9% to 49.8%
Georgia, rising from 35.3% to 40.1%
Arizona, rising from 53.2% to 57.6%

Two states posted quarter-over-quarter declines in the number of equity-rich share of mortgaged homes: Wyoming, which went from 25.8% in Q3 to 24.5% in Q4, and Connecticut, which saw a decrease from 30.6% in Q3 to 29.7% in Q4.

States with the highest level of equity-rich homes are Idaho, with 66.7%; Vermont, at 64.8%; Utah, at 62.5%; Washington state, at 58.6%; and Arizona, at 57.6%.

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