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REAL ESTATE

Fallout From Refinancing

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Mortgages

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Homeowners who refinanced when fixed mortgage rates dropped below 4 percent will be less inclined to put their homes on the market as interest rates climb. And as a result, the limited property supply already impeding sales in many markets may not ease anytime soon.

A recent survey by Redfin, a national real estate brokerage based in Seattle, suggests that even those beneficiaries of low-refinance rates who do decide to move may want to make money renting out their homes while waiting for prices to rise, rather than sell right away.

Redfin questioned 1,900 people nationwide who said they planned to buy a home within a year; 42 percent said they already owned one, and of those, 39 percent said they planned to rent it out after they moved. The survey also asked buyers about their frustrations with the process, and "low inventory" topped the list.

Market dynamics are encouraging owners to keep their homes off the market for now, said Anthony Hsieh, the chief executive of loanDepot, a mortgage lender. “The rental market is very, very healthy today because a lot of Americans are locked out of the mortgage market,” he said. “And there is the promise that real estate is going to appreciate, because we’re just coming out of a deep recession.”

Of course, most borrowers can’t afford to buy another home without using equity from their first for a down payment. But Mr. Hsieh says that those who were able to take advantage of low refinance rates tend to be “premium consumers,” with very good credit and stable, above-average incomes.

“These are the folks that will think twice before they pay off that mortgage that is such cheap money,” he said. “They’re going to explore all types of options before they do that.”

They may want to consider a few other factors before taking on tenants, said Jed Kolko, the chief economist of Trulia, an online marketplace for residential real estate. First is the effort involved in managing a rental property. Second is the greater financial risk of owning two homes in the same market should home prices take a dive. And third is the changing nature of what’s driving rents.

“Over the past several years,” Mr. Kolko said, “the strong demand for renting single-family homes has been driven by people who lost homes to foreclosure but still wanted to stay in the same area. But now it is more driven by young people, and they are more urban focused.”

Patric H. Hendershott, a senior research fellow at the Institute for Housing Studies at DePaul University in Chicago, says he has witnessed the current allure of being a landlord firsthand. He lives in a housing community for older people, and he has recently noticed that residents who are moving to larger units are choosing to rent out their smaller ones.

But he views another scenario as more likely for low-rate holders: Those who can’t afford to move on without selling will essentially be “locked into” their homes. As interest rates rise, even buying another home at the same price will result in a higher mortgage payment.

In a recent analysis of the effect of lock-ins, Mr. Hendershott predicted that if rates continue to rise, the result will be substantial declines in housing turnover in strong housing markets, in which large numbers of households refinanced at low rates.

"We had a big episode of this in the 1980s," he said, recalling when soaring interest rates locked in large numbers of homeowners.

Research cited in his analysis found that during that period, household mobility declined by 15 percent for every 2 percent increase in rates.

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