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Real Estate Trends For Realtors, Homeowners and Professionals June 2024

Is Two Months a Trend?

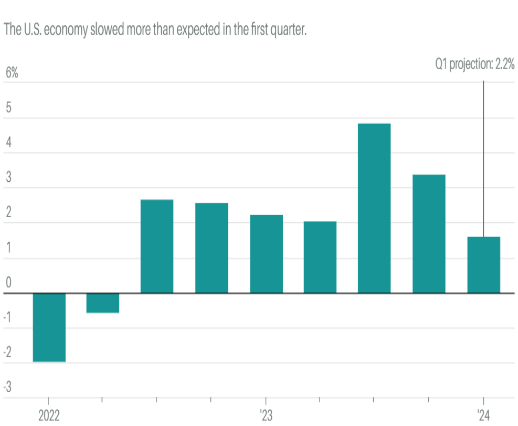
The Federal Reserve's Open Market Committee (FOMC) meets again in June. Some months ago, market analysts were 50/50 on a bet regarding a decrease in short-term rates at the Fed's June meeting. Then came some very strong jobs reports and also some stronger-than-expected inflation news, causing the odds to drop below 25%. There have been plenty of statements by Fed members cautioning that rates will have to stay higher for longer –

Fed Chair Jerome Powell reiterated May 14 that inflation is falling more slowly than expected, likely keeping interest rates elevated for an extended period…CNBC

That statement was made one day before the April Consumer Price Index was released. That data showed some improvement in the inflation picture, though the improvement was minimal. The Fed's favorite inflation index (Personal Consumption Expenditures Index or PCE) will be released shortly. Thus, we had a more moderate jobs report in early May. This was followed by a slight improvement in the inflation trend on the retail side.

What if the economy added a small or even a moderate amount of jobs in May when the employment report is released in early June? Would that be enough for the Fed to reverse course? We doubt that would be the case. However, it might be enough for the Fed to soften their "higher for longer" language. If this happens, then the end of July meeting of the FOMC could put a rate decrease in play – if we continue to get some good inflation news.

The next Consumer Price Index is to be released on the second day of their meeting. Therefore, the period starting with the June jobs report to the days of the meeting should be very interesting…



Home Sales To Rise

Given the long-term growth of the U.S. population, there's no way home sales can remain historically low for much longer, National Association of REALTORS® Chief Economist Lawrence Yun said recently during their legislative meetings in D.C.

Yun pointed out that there are 70 million more Americans today than in 1995. Housing needs are only increasing, and that won't change because of complicated economic factors, he said. Although home sales are at a 30-year low as buyers face higher borrowing costs and stubbornly low inventory, housing options on the market are beginning to increase. To get markets moving, he said, NAR has been advocating for a variety of measures in Congress, such as giving investors an incentive to sell to first-time buyers and increasing the capital gains exemption on the sale of a primary residence.

And while the Federal Reserve has delayed rate cuts that were expected to start this spring, Yun said he anticipates as many as six to eight rate cuts by the end of 2025, possibly beginning as early as September. "If the Fed were to normalize its policy, then maybe mortgage rates could move lower. So, not only are we getting potentially more inventory, but we'll also get more buyers as rates comes down," he added…

Source: NAR

Selected Interest Rates

May 23, 2024

30 Year Mortgages———6.94%
2023 High (Oct 19)———7.79%
2023 Low (Jan 26)———6.09%
15 Year Mortgages———6.24%
10 Year Treasuries———4.45%

Sources—Fed Reserve, Freddie Mac
Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for comparison purposes.

Don't Need Twenty Percent

For many households, trying to get a higher down payment can be challenging, said Danielle Hale, chief economist at Realtor.com. Having enough savings for a down payment is a big hurdle for most buyers. Close to 40% of Americans who don't own a house point to a lack of savings for a down payment as a reason, according to a 2023 CNBC Your Money Survey conducted by SurveyMonkey.

But the reality is, you don't need 20%, experts say. "Not only is it possible to buy a home with less than 20% down, but this data show that a majority of buyers are in fact doing so," Hale said. "It's definitely not required." Some loans and programs are available to help interest buyers purchase homes through lower down payments. For example, the Department of Veterans Affairs offers VA loan programs that enable those who qualify to put down as little as 0%. Loans from the U.S. Department of Agriculture, referred to as USDA loans, are geared toward helping buyers purchase homes in more rural areas, and they also offer 0% down payment options.

Federal Housing Administration loans, which can require as little as 3.5% down for qualifying borrowers, are available to first-time buyers, low- and moderate-income buyers, as well as buyers from minority groups. Those are "designed to help close homeownership gaps among those targeted populations," Hale said. Even with a conventional loan, buyers' required down payment could be between 3% and 5%, depending on their credit score and other factors. "There are options," Hale said…

Source: CNBC

Did You Know…

According to Redfin, the median home sale price in the U.S. increased 6.2% year-over-year in April to $433,558, representing the highest level on record. New listings rose 1.7% month-over-month in April on a seasonally adjusted basis, and 10.8% year-over-year. Nonetheless, they were around 20% lower than pre-epidemic levels…

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