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Real Estate Trends For Realtors, Homeowners and Professionals

July 2024

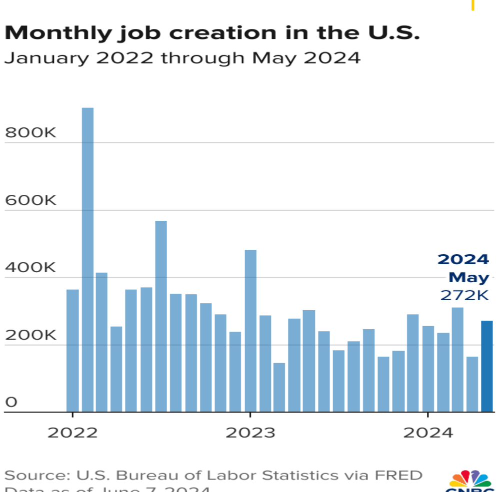
Can We Get A "Two-Fer"?

In the interest of seeing lower interest rates, we have had some hits and misses in the past few months. Two months ago, we had a moderate jobs report, but stronger than expected inflation numbers. Last month we had a strong jobs report but weaker than expected inflation numbers. Thus, we now are asking if it is possible for the economy to deliver a moderate gain in jobs and another positive inflation report – all in the same month.

The Fed meets at the end of the month, and they will be watching both of these factors carefully. After this month, they don't meet again until the end of September. Thus, we are running out of time in order for the Fed to lower rates before the year starts to come to a close. Having two good inflation reports together with two out of three moderate job reports could put a rate decrease at least on the table.

There is no doubt that the economy is slowing down. We have not seen signs of the recession which economists were predicting for last year. Most are calling this a soft landing. What we are trying to avoid is the term "stagflation." During stagflation, the economy stagnates while inflation still rages.

Certainly, we don't feel that inflation is raging at this point, but it would be nice if inflation has cooled to the point that the Fed is comfortable loosening up a bit to avoid a further slowdown. We know that those looking to purchase homes would greatly appreciate mortgage rates easing a bit more. Come on month of July—let's do a "two-fer."...



Home Equity Still Growing

As national home prices have continued to climb upward through the first half of 2024, U.S. homeowners with mortgages saw their home equity increase by 9.6% year over year in the first quarter, bringing total net homeowner equity to more than $17 trillion – near all-time highs – at the end of March.

According to the latest CoreLogic Homeowner Equity Report, homeowners with mortgages, which account for roughly 63% of all properties, collectively gained $1.5 trillion in equity since the first quarter of 2023, an average increase of $28,000 per borrower. These figures represent the greatest gains in equity since late 2022. "With home prices continuing to reach new highs, owners are also seeing their equity approach the historic peaks of 2023, close to a total of $305,000 per owner," said Dr. Selma Hepp, chief economist for CoreLogic. "Importantly, higher prices have also lifted some 190,000 homeowners out of negative equity, leaving only about 1.8% of those with mortgages underwater."

Rising home prices through 2023 and the first quarter of 2024 have helped the share of homes with negative equity to fall by 16.1% year over year, to 1.2 million homes or 2.1% of all mortgaged properties...

Source: CoreLogic

Selected Interest Rates

June 20, 2024

30 Year Mortgages——6.87%
2023 High (Oct 19)——7.79%
2023 Low (Jan 26)——6.09%
15 Year Mortgages——6.13%
10 Year Treasuries——4.27%

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.

Mortgage Rates To Fall?

Inflation cooling down to the Federal Reserve's target of two percent will spark a decline of borrowing costs, including for mortgages, the World Bank said recently. This development could help unlock a housing market in the U.S. that has been hit hard by expensive home loans and elevated prices. Since March 2022, the U.S. central bank has hiked interest rates at an aggressive pace not seen since the 1980s to a two-decade high of 5.25 to 5.5 percent current range.

This has pushed up the cost of borrowing for mortgages to its most expensive in 20 years. That policy move was geared to help slow down inflation, which still sits above the Fed's target of 2 percent. But economists at the World Bank expect that inflation will moderate over the next two years and by the end of 2026 interest rates will come down along with it, which experts say will buoy the housing market. "By the end of 2026, borrowing rates are expected to have declined substantially as inflation returns close to target," the global financial institution said in a report.

High interest rates in the U.S. have tightened financial conditions in the world's largest economy. But American consumers have powered through the restrictive environment helped by savings from the pandemic and contributed to economic growth that have defied expectations of a slowdown...

Source: Newsweek

Did You Know…

High mortgage rates and double-digit growth in home prices since COVID-19 are forcing home buyers to compromise on lot size and square footage to afford a house, the National Association of Home Builders reported.

Nearly 4 buyers out of 10 would be willing to give up land in exchange for owning a home and more than a third will accept a smaller house if that's what it takes to buy it, according to NAHB's new What Home Buyers Really Want report.

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