



2024 Redeux?

If you read all the predictions for 2025, it seems as if we are expecting 2024 to happen all over again. Interest rates are supposed to go down, but they are likely to move slowly. The economy is supposed to slow down, but it is continuing to hold on in growth mode. Real estate inventory is supposed to continue to increase, but many are still holding onto their homes for dear life. Real estate sales are supposed to pick up due to rising inventory, but the increase is predicted to be modest.



We do now have a new President with the passing of the inauguration, and this has the potential to bring major changes. However, the Administration's slim majority in Congress means that change may come slower than expected in some areas. And some are worried that enacting all the campaign promises may lead to additional pressure on inflation, which does not bode well for lower interest rates.

Here is the good news. Predictions and warnings are typically not on point. Predicting major changes in the markets takes courage and it is easier to predict incremental movements from year-to-year. We are not guaranteeing what markets will turn – nor in which direction, but the potential for major changes is present and cannot be ignored. Interest rates moving down more quickly than predicted would be a good start.

But we understand that rates moving down too quickly could ignite housing inflation. And the strong jobs report for December gives the Federal Reserve more room to dawdle while assessing the situation. Thus, 2025 could be a balancing act... □

U.S. nonfarm payroll employment

MONTHLY CHANGE, THOUSANDS



Boomers Ready to Move?

Although most people prefer to remain in their current homes and communities as they age, many acknowledge that relocating could be a possibility in the future, according to the latest AARP Home & Community Preferences national survey. The vast majority of Americans age 50-plus would like to live in their current home (75%) and community (73%) for as long as possible, according to the study.



The desire to stay put is even stronger among adults who are age 65-plus and those living in small towns or rural areas. Yet, the reality is that about half of adults 18 or older say they are not confident their community will continue to meet their needs as they age, and 44 percent of those age 50-plus expect to relocate at some point.

Why do older adults plan to move? AARP finds that financial reasons are a big driver: 71% cite the cost of rent or mortgage; 60% want to lower the costs of housing and maintenance; and 55% say the high cost of property taxes is the reason for moving. About two-thirds of all adults would consider downsizing, but the kind of housing they prefer varies somewhat by age. AARP reports that among adults 50-plus who are unsure their community will be suited for them as they age, 41 percent say they will never leave their current home — regardless of their uncertainty or lack of confidence... □

Source: AARP

Selected Interest Rates

January 23, 2025

- 30 Year Mortgages — 6.96%
- 2024 High (May 2) — 7.22%
- 2024 Low (Sept 26) — 6.08%
- 15 Year Mortgages — 6.16%
- 10 Year Treasuries — 4.65%

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.

Shortage In The Middle

StorageCafe released its latest housing growth analysis, covering almost the past two decades and revealing key trends. From 2005 to 2023, the national housing inventory rose 16.7%, but “middle” housing stock grew by just 11.3%. Middle housing is defined as housing that isn’t quite multifamily or single-family—structures such as duplexes, triplexes, condos, townhomes, cluster homes, cottage courts and live/work units.

“Several factors contribute to the shortage of middle housing. Zoning laws often favor single-family homes or large apartment buildings, leaving little room for ‘in-between’ options. Rising construction costs for materials and labor make building middle-income housing less profitable for developers, while limited land availability in urban areas adds to the challenge,” noted Doug Ressler, Business Intelligence Manager at Yardi Matrix.

“Even when land is available, it’s often expensive, and developers frequently struggle to secure financing for middle housing projects because they’re seen as less lucrative than building luxury developments.”... □

Source: StorageCafe

Did You Know...

The federal budget sank further into red ink during December, leaving the first fiscal quarter deficit nearly 40% higher than it was the prior year. For the final calendar month of 2024, the shortfall totaled \$86.7 billion, which actually represented a 33% decline for the same period a year prior, according to a Treasury Department report Tuesday. However, that brought the three-month fiscal year total to \$710.9 billion, some \$200 billion more than the comparable period in the prior year, or 39.4%.

Home prices increased by 5.8% on an annual basis as of the end of 2024, according to Fannie Mae. At the end of September 2024, the annual rate of home price appreciation was 5.4%.

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