

REAL ESTATE TRENDS

FOR REALTORS, HOMEOWNERS AND PROFESSIONALS

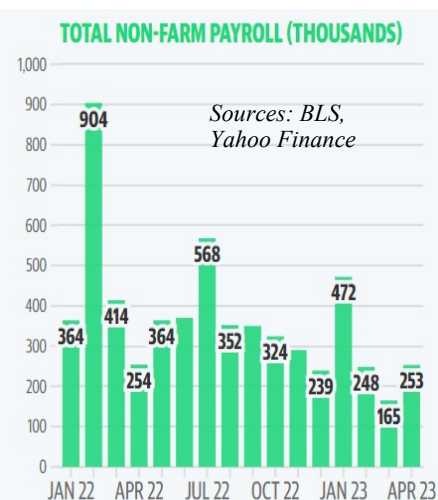
June 2023

Is The Tide Turning?

For a year we have had to deal with rising interest rates and lower home affordability. Much of this was expected after record-low interest rates helped fuel a real estate purchasing frenzy which resulted in prices increasing by double digits for the past few years. Fast forward to today, and home prices have held relatively steady in 2023, while interest rates have increased significantly, keeping home affordability low.

The question is, has the tide turned? The Federal Reserve Board hiked short-term rates ten times over the past 14 months in response to a return to normalcy in the economy and a spike in inflation. Now the economy is slowing, and inflation has been waning as well for almost a year. Could the Fed cycle be over -- and could we see lower mortgage rates during the second half of 2023? And if this scenario came to fruition, would this help homes become more affordable? There are three facets of affordability: income, mortgage rates and home prices.

Income has continued to rise over the past year, but has not kept up with the increase in home prices or interest rates and a slowing economy should result in smaller gains in personal income as well. Home prices have stopped rising, but they have not fallen as much as predicted because of the shortage of inventory. Thus, interest rates become a major factor in this equation. A significant move downward would definitely help with regard to affordability, with one caveat. The lower interest rates would have to encourage more sellers to list their homes in order to prevent home prices from starting to accelerate again under this scenario. In a perfect world, this would be where the tide would be heading... ☐



Buying The Rate Down

In their ongoing quest for affordability, more buyers are turning to buying points to pull down the interest rates on their loans, according to a new study by Zillow. Mortgage points, also known as rate buydowns and discount points, are an option available to homebuyers who wish to reduce their monthly payments by "buying down" the interest rate on their loan.

Affordability?

The points are often presented in the form of an upfront fee; essentially, borrowers pre-pay interest to lower their rates and, therefore, the amount due every month for the life of the mortgage. The 2/1 buydown, a similar program that has likewise gained traction, lowers the interest rates on a loan for its first two years before reverting in the third year; usually, the rate is two percentage points lower in the first year and one percentage point lower in the second.

Almost 45% of conventional primary home borrowers paid mortgage points in 2022, Zillow found. That's far more than recent history, considering that interest rates from 2019 to 2021 were historically low. Just 27.3% of homebuyers opted to purchase points in 2019, while 28.4% and 29.6% of buyers in 2020 and 2021, respectively, paid mortgage points... ☐

Source: Scotsman Guide

Selected Interest Rates

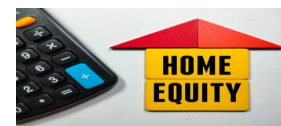
May 18 2023

- 30 Year Mortgages — 6.39%
- 2022 High (Nov 10) — 7.08%
- 2022 Low (Jan 6) — 3.22%
- 15 Year Mortgages — 5.75%
- 10 Year Treasuries — 3.64%

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.

Homeowners Build Equity

Most owners have earned more than \$100,000 in equity over the last decade, according to new NAR data. Property appreciation has surged along with home prices in the last decade, giving most homeowners more than \$100,000 in equity over that time period and lending further evidence that homeownership is an important avenue to build household wealth. Middle-income homeowners have seen their properties appreciate by 68% since 2012, accumulating \$122,100 in wealth, according to a new report from the National Association of REALTORS® released during the 2023 REALTOR® Broker Summit.



Low-income homeowners who earn less than 80% of their area's median income saw \$98,900 in equity gains in the same time period, while upper-income households who earn more than 200% of their area's median income accrued \$150,800 in equity, according to NAR's report, "Wealth Gains by Income and Racial/Ethnic Group." "This analysis shows how homeownership is a catalyst for building wealth for people from all walks of life," says NAR Chief Economist Lawrence Yun. "A monthly mortgage payment is often considered a forced savings account that helps homeowners build a net worth about 40 times higher than that of a renter." ... ☐

Source: REALTOR® Magazine

Did You Know...

The number of Redfin.com home searchers looking to relocate to a new metro fell 4.2% from a year earlier in Q1, compared with a 15.6% drop for those looking to move within their current metro, marking the biggest drops in Redfin's records

Annual home price growth fell again to 3.1% again in March 2023, the lowest rate of appreciation since the spring of 2012—still, growth continued its upward trend now increasing for the 134th consecutive month, according to CoreLogic.