

REAL ESTATE TRENDS

FOR REALTORS, HOMEOWNERS AND PROFESSIONALS

November 2023

Predictions Don't Work: Redux

For months we have been debating about whether the Federal Reserve will raise rates one more time this year and more specifically when they meet next week. We analyze the data, listen to the speeches by members of the Fed and then prognosticate to our heart's content. Then something happens which reminds us that predictions are futile. In this case we had another devastating attack on a country across the globe and an even more devastating aftermath.



Regardless of our perception, we do not exist independently in the world. We can't control the price of oil by ourselves, nor world-wide inflation. Pandemics are spread around the globe and wars affect the entire world. The same with the growing prevalence of natural disasters. These events, whether man-made or naturally occurring, are terrible tragedies in which thousands of innocent lives are affected drastically. No one can predict when and how these awful events are going to take place. We can't predict when these events will happen and we can't predict how they will affect our economy, interest rates or inflation.

If the effects are negative in some way, we just need to be reminded that there are so many others who are being affected much more drastically. For more than the past century, we have been a world leader, and we are sure we will continue to lead as we help those around the world recover. From an economic standpoint, we have been publishing this economic commentary for 30 years and we have lost count of the times events such as these have reminded us that predictions are merely a guessing game in which real life gets in the way... ▢

336,000

Jobs Added Last Month!



Buying The Rate Down

In response to higher interest rates, some borrowers are turning to mortgage buydown points as a strategy to temporarily lower monthly payments, according to CoreLogic Economist Archana Pradhan. Mortgage buydown points allow homeowners to enjoy reduced monthly payments during the initial years of homeownership. For instance, on a \$500,000 loan at an 8% interest rate, monthly payments would normally be around \$3,670. But with a short-term rate drop to 6%, those payments can decrease to about \$3,000.

While mortgage buydown points offer short-term savings, interest rates incrementally increase over time. Historically, buydown points were more prevalent prior to the Great Recession, Pradhan said. Mortgage buydowns' popularity has surged recently as buydown activities increased notably while the average 30-year fixed-rate mortgage has peaked.

On average, borrowers choosing buydown points face interest rates 17 basis points higher than those who don't, which according to Pradhan suggests some buyers are prepared to pay more upfront to ensure reduced initial monthly payments... ▢

Source: National Mortgage Professional

Selected Interest Rates

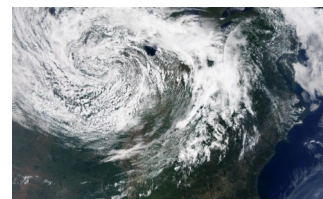
October 19 2023

30 Year Mortgages—7.63%
2022 High (Nov 10)—7.08%
2022 Low (Jan 6)—3.22%
15 Year Mortgages—6.92%
10 Year Treasuries—4.97%

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.

Climate Risks Considered

More than four in five US homebuyers are factoring in climate risks when they shop for a new house, according to a new survey by real estate firm Zillow. Some 83% of respondents said they weighed at least one climate risk such as floods, extreme temperatures, wildfires, hurricanes or droughts in their purchase plans, according to Zillow's poll of almost 12,000 prospective buyers conducted earlier this year.



The perceived climate risks generally aren't proving to be deal-breakers, but they are affecting attitudes, according to the study. Younger buyers in particular, "want to know if their home will be safe from rising waters, extreme temperatures and wildfires," said Zillow senior population scientist Manny Garcia.

While the concern over climate risks is nationwide, it's strongest among homebuyers in the West, according to Zillow. Even so, most homebuyers across the country aren't weighing a move to a region they consider less risky, and roughly one-quarter of them said they are considering moving to areas with more risks, the study indicated... ▢

Source: Bloomberg

Did You Know...

The Urban Institute's Laurie Goodman and Jun Zhu has previously estimated that between 2020 and 2040, approximately 70% of net new homeowners will be Hispanic, and no net new homeowners will be white. They also projected that by 2040, more than 20% of younger households—defined as households headed by those younger than 65—will be Hispanic.