

# REAL ESTATE UPDATE

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## 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.



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.

Regardless of our perception, we do not exist independently in the world. We

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### 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.*

### 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.



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## 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

## Getting Married? Time To Pop...

We all know about popping the big question. If you are planning your wedding, it means that you have moved past that stage. There are a multitude of details to consider when planning a wedding and setting up a new life. And there is nothing more important than the second big question:



of your rent payment goes into the pocket of your landlord, while part of your mortgage payment goes to pay off what you owe, which enables you to build equity every month. A home also will typically go up in value over time and provide a tax deduction and inflation protection, while rent does not provide ownership of any asset nor any tax deduction.

**Should we purchase or rent our first home?** The truth is that many who are getting married are already homeowners and thus there are variations to this question. In this article, we will start with the most basic of questions – renting vs. owning — and then move to additional housing questions that newlyweds face.

**Purchasing or renting?** There is no doubt that most couples aspire to own a home in the long run. Home ownership is considered the American Dream because it brings so many advantages to the table. Here are just some of the economic and social advantages of owning:

**\*Economic Advantages.** Owning has always been the number one way to build wealth in America. The Federal Reserve Board has estimated that home owners have many times the average net worth of renters. Why? For one, all

**\*Social Advantages.** Owning provides security for your family, as you don't have a landlord who can tell you to move and the stability means that you are part of a community which provides lasting relationships. Neighborhoods of owners tend to be safer and provide better lifestyles to raise a family. Plus, you have the freedom of choice with regards to improving your property and this can mean anything from a swing set in the backyard to painting a nursery for your first child.

Seeing the advantages, does this mean that everyone should go out and purchase a home right after the wedding or even beforehand? While many do make this decision, it does not mean that home ownership is right for everyone. Here are a few more questions you must ask yourself before you can determine if purchasing a home should be a first step in your new life:

**“...Home ownership is considered the American Dream because it brings so many advantages to the table...”**

## ...The Second Big Question



**\*Are you staying local?** If you think you might be moving out of town in the near future, then homeownership probably does not make sense because owning is a long-term proposition.

**\*How are your finances?** Are you starting married life with a lot of debt and a low credit score? It will make much more sense for you to pare down your debt first before you move to purchase a home.

**\*Do you have savings?** Savings is not only important for a down payment. Cash reserves are very important for emergencies as well. Down payment requirements can vary significantly. For example, if one of you is active military or a veteran, you likely can take advantage of the VA's no down payment mortgage option. There are many other options which exist to lower the down payment required and working with a lender before you start house hunting makes all the sense in the world in this regard.

Speaking of the down payment, it is not unusual for some who are getting married to cut back the cost of their weddings and/or honeymoons and use more of their cash gifts to help them move closer to being able to purchase a home.

**What if one of us (or both) already own a home?** Especially with many couples getting married later in life, it is more likely for one or both of the newlyweds to own a home. In this case, the renting question

typically gets thrown out the window and other questions might arise. For example, if one spouse is renting and the other owns, then one would expect that both would move into the house owned by that spouse. On the other hand, what if both own a home?

\*The newlyweds could move into one home and sell the other. Which house is kept might be determined by location, lifestyle and finances, such as how much equity is in

\*The newlyweds could move into one home and rent out the other. This action might be an option if the home you chose not to live in has no equity. As the renter pays your mortgage over time, you will be gaining equity in the long-run.

\*The newlyweds could sell both homes and trade up for a larger home. If children are expected in the near future, purchasing a larger home may be the right choice.

Again, there are a multitude of factors to consider with regard to all of these choices. This is why it makes sense, not only for newlyweds to have a wedding advisor, but also a financial advisor, real estate expert and mortgage advisor on their team... ▢

# 336,000 Jobs Added Last Month!

## Predictions Don't Work: Redux

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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.. ▢



**“...Then something happens which reminds us that predictions are futile...”**

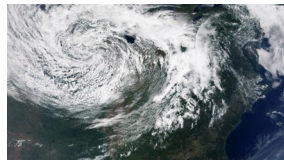
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## Climate Risks Considered

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

**In This Issue:**  
**Predictions Don't**  
**Work: Redux**

Address Correction Requested