

# REAL ESTATE UPDATE

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## Moving Into The Home Stretch

**T**hanksgiving is over. That means we are in the home stretch of the year. From the business side, many within the real estate industry will be happy for this year to end. There is no guarantee that next year will be better, but most analysts are pointing towards a gradual improvement in the real estate market next year spurred on by moderately lower interest rates.

Rates have been rising for just about two years now and we are due for a turnaround. This does not mean that interest rates are due to fall sharply, but there is greater chance of a decline than there is an increase. Of course, there are x-factors we must consider. Some of these are known, for example there are two wars being fought overseas.

# 2024

What makes us think rates will be lower next year? Without going through ten or so technical explanations, we will cite the untechnical “law of averages.”

Other known factors are the periodic threats of a government shutdown and a Presidential election year. Unknown factors? Will inflation ease and will the job market slow down? The jobs report for November will be released shortly and we recently *Continued on Page 3*

### Did You Know...

*A whopping 68% of young Gen Z adults are choosing to live with family as opposed to independent living, according to RentCafe. Meanwhile, 20% of Millennials are still residing in their parental homes.*



*An analysis from Redfin has found that nearly 7% of homes for-sale posted a price drop during the four weeks ending October 29, on average, the highest portion on record.*

### Selected Interest Rates

November 16, 2023

30 Year Mortgages—7.44%  
2022 High (Nov 10)—7.08%  
2022 Low (Jan 6)—3.22%  
15 Year Mortgages—6.76%  
10 Year Treasuries—4.44%

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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## Americans Still Want To Purchase

Despite mortgage rates topping 7%, Americans persist in their desire to buy a home. According to the latest Housing Trends Report, the share of adults with plans to purchase a home within a year edged up to 17% in the third quarter of 2023, up from 15% a quarter earlier. The share has fluctuated up and down without a clear trend for over a year, likely due to the push-pull between two opposing forces: higher interest rates/home prices and persistent demand stemming from demographic growth.



Meanwhile, interest in newly built homes continues to rise as the collapse of existing home inventory leaves new homes as the only option in many areas.

In the third quarter of 2023, 27% of prospective buyers were looking to buy new construction, up for a third consecutive quarter after falling to 20% in the final quarter of 2022.

At the same time, the Census Bureau's Housing Vacancy Survey (CPS/HVS) reported the U.S. homeownership rate at 66% in the third quarter of 2023, nearly identical to the previous quarter, despite higher rates and home prices... □

Source: The National Association of Home Builders

## Obtaining the Best Appraisal...

This has certainly been an interesting several years for the housing markets. The prices of homes have been anything but stable during the past several years. First, home prices were increasing at a frenetic pace. We then saw a drop in home prices in most areas of the country and the drop was even more precipitous in those areas that experienced the largest increases earlier. Then for several years, home prices recovered significantly. Finally, in the midst of the pandemic, house prices increased at an even greater frenetic pace.

No one has been affected more by this "housing valuation yo-yo" than the real estate appraiser. Sworn to identify the accurate value of a property to support mortgage loans that are secured by real estate, the appraiser has to deal with a variety of factors. These factors include all parties of the transaction having a vested interest in supporting the sales price—including the seller and purchaser. The factors also include trying to nail down the right data to support the sale, which is increasingly difficult when values are changing rapidly. Finally, in the era of tighter financial regulations, agencies have made it more difficult for appraisers to communicate with the participants to obtain up-to-date infor-

mation for fear that the appraiser will be subject to undue influence.



Just to add a bit more complexity, now appraisers many times will not inspect a home before making a determination. Even though desktop and drive-by appraisals have become the norm during the era of the pandemic, non-inspections were already increasing before we got hit with the most recent changes.

It is important to note that it is the homebuyer who determines whether a desktop will be acceptable – they can insist on a full inspection. And the loan officer and agent should give them advice in this regard. Certainly, if they purchased on-line without a live visit, they may insist on a full-inspection. Regardless of the decision, if one wants to obtain the most accurate appraisal of a property, we must be even more proactive in the process than normal. Inspection or not, here are some tips to help you further your goals in this regard–

If there is an inspection, the owner and/or the listing agent should be at the property when the appraiser visits. Don't just be there to greet them, be proactive during the inspection.

***"...if one wants to obtain the most accurate appraisal of a property, we must be even more proactive in the process..."***

## ...in Any Market



Stay with the appraiser every step of the way and point out features that you feel are important — but don't get in the way, especially when they are taking pictures.

Make sure the appraiser does not miss anything of importance and that all areas are accessible (no locked doors). It is understood that as a homeowner you may not know what is important and what is not important. That distinction does not matter. It is up to the appraiser to decide and if you do not give them all the information, they can't make a good decision.

Ask as many questions as you can. Does the appraiser have the right boundaries of the property and even the right boundaries of the neighborhood? Does the appraiser know distinctive information about your neighborhood that may make it more attractive, such as distance from schools and other amenities? If you have a recent survey of the property that would help.

If there is no inspection, it is even more important for the homeowner to provide copies of other important documents to the appraiser. If there is no inspection, provide pictures and/or videos of the inside and outside of the property. Include the latest tax bill and copies of invoices for any major home improvements. While the cost of every improvement does not necessarily add the same amount to the value, knowing the cost will help the appraiser come up with the most accurate value for each improvement. Do not include routine maintenance.

Describe anything unusual about the property — both negative and positive — but emphasize the positives. And make sure you get their business card so that you can follow with information

and make sure that the person who compiles and signs the report is the same person who viewed the property (again if there is an inspection).

The real estate agent should play a role in providing information, as well. Much weight regarding the consideration of the home's value will be determined by the use of comparables. If the next-door neighbor sold his/her house for "x" dollars just a few weeks ago, and their house is the same model, has the same improvements, is the same size and is in the same condition, you can see why this data would be important. On the other hand, even when everything seems to be the same, there can be differences. Perhaps the neighbor had to sell quickly because of a relocation and that means the price was discounted.

Many times, the information available on comparable sales is not accurate. Going back to the neighbor, perhaps the homeowner added an extra bedroom that they do not have, but it shows in the data as having that extra bedroom. Beyond the neighbor, this is why the real estate professional is so important. The agent should know much about these comparables and should actually be suggesting the best comparables for your property.

When the appraisal does not come in at the agreed sales price, this does not mean that you should accept the value. The appraisal is the property of the lender and the purchaser. The lender must provide the homeowner with a copy of the document for review. It is important to make sure the value is accurate and the purchaser of the property has a vested interest in determining this as well. Every lender should have a procedure for appealing an appraisal's value. But do not move forward without solid evidence... 

## Moving Into The Home Stretch

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received some good inflation news. And the following week we will have the last meeting of the Fed Reserve Open Market Committee for the year. That is always fun.

Then there are factors we don't even know about because they have not happened. After all—who predicted the pandemic three-plus years ago? And who would have thought the pandemic would ignite a hot real estate market? Our advice? Enjoy the rest of the year and especially the holidays. And be prepared for anything... 

**3.2%**  
**Consumer Inflation**  
**For The Past 12**  
**Months**

***"...Will inflation ease and will the job market slow down?..."***

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# Climate Risks Considered

**D**own Payment Resource (DPR), a provider of homebuyer assistance program data and solutions, reports that homebuyer assistance program administrators are responding to the mounting home affordability crisis by rapidly rolling out new homebuyer assistance programs and funding buydowns, as there are now 2,256 homebuyer assistance programs available to help people affordably finance homes.

“Most first-time homebuyers are well aware that interest rates are hitting generational highs, but what they are not hearing is that there are homebuyer assistance programs available to help,” said Rob Chrane, Founder and CEO of Down Payment Resource. “Program providers are working around the clock to ensure the programs they offer meet the needs of their markets. For this reason, many programs now allow funds to be used for buydowns and other popular financing strategies that take the edge off mortgage payments.”

DPR’s Q3 2023 Homeownership Program Index report examines the 2,256 homebuyer assistance programs that were active as of October 25, 2023, and found two hundred and ninety-five programs will fund buydowns which allow borrowers to lower their interest rates by paying an upfront fee. Fifty new agencies began offering programs. More agencies have stepped up to administer homebuyer assistance programs as affordability worsens. Now, a total of 1,373 agencies provide assistance to aspiring homeowners, a 3.78% increase over the previous quarter.... [📄](#)

*Source: DSNews*

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Address Correction Requested