HRRE Weekly Bread Nov 5 to Nov 15 2024

As I write this article on election day, we probably won't know the presidential outcome until November 6…or later. I can't wait for this to be done with. Without going into a discussion of politics or who voted for what, let's talk about how all this and other things are affecting the real estate market.

Although the Fed rate came down a half-point in September and will drop a quarter point in November two days after the election, mortgage rates have risen substantially since. A surprise to some, but not to investors in bonds – especially Treasury bills and notes. Many people, Realtors included, think the Fed's discount rate influences if not controls mortgage rates. Not true. The bond market drives mortgage rates defined as "the yield" on Treasury and other instrument sales, especially the 10-year notes.

The 10-year Treasury note is the bellwether signal that most influences interest rates (also world events, a crisis or two, or perhaps an election) for home mortgages. For a current reading of bond and other markets, please visit the ECONOMIC NEWS icon just above this article. Right below that icon is a narrative discussing current Treasury notes and yields along with links to articles. It is worth your time to visit it.

The Fed is expected to lower its discount rate two more time this year, a quarter point in November and in December. Given all the economic and world news, I think that will happen, but will it have the desired effect? Will Treasury yields and mortgage rates stay high or come down?

The immediate cause for rising 10-year Treasury note yield is fear surrounding the national debt - it's too big and growing (and future growth greatly depends on who gets elected on Nov 5). That concern is driving "yields" and mortgage rates up now. There will be other eco-political issues that will influence yields, but for now the national debt is stage center.

Today's RE Market

Real estate buyers and sellers in Heather Ridge, metro Denver, and across the nation are now experiencing a very slow residential real estate market characterized by growing numbers of seller-paid concessions to home buyers. Home prices are soft now vs. what they were from Covid to mid-2023.

Since Covid (2020), the number of home sales (closings) has fallen year after year. This has more to do with available home inventory than rising interest rates (affordability). However, such issues come and go, but they are worth watching and reacting to if selling or buying a home. Presently, many buyers are sitting on the sidelines watching where rates might go. I believe that until mortgage rates fall below 5.5% that buyers won't begin "chasing the market" with any significance.

For now, builders and home sellers are using mortgage rate buy-downs and "concessions" to induce sales. Prices haven't really come down so much as concessions have increased…they are built into the purchase price (like real estate commissions). Buyers have only so much money, but they will pay the asking price (if it's worth it) to get concessions to reduce their closing cash outlays. Today's housing market is not seeing buyers "over bidding" asking prices. Instead, many are paying full price to get concessions.

Buyers are not hurrying to the market now. If rates fall in early 2025 as expected, and the national debt issue become clearer and better for Treasury and mortgage investors, mortgage rates will fall again possibly create another "seller's market" given momentum. We shall see.

In Heather Ridge

For now, sellers in Heather Ridge (and elsewhere) are experiencing an aggravatingly slow market with soft prices and/or strong demand for seller concessions to buyers. One "value" issue to a home's price is its condition – outdated homes needing lots of work and money demand price reductions, concessions or both. Post-closing repairs and remodeling costs will factor into how much money buyers have to spend. Given that a home appraises for its purchase price, many buyers will offer top-dollar for the right home trying to extract concessions for those and other costs. For others buyers, they will buy what is most affordable to them by driving down the asking price and buying it in "as-is" …, and yes, asking for and usually getting concessions. Because buyers now have more market choices, these negations can be a "take it or leave it" negotiation. Two years ago, this was unheard; now, it is all too painfully common. Concessions varies by price ranges and by "markets-within-markets" given all neighborhoods are different.

For more info on Heather Ridge sales, please read the current and past issues of Metro Matters, Heather Ridge's monthly magazine.