

Daily-Weekly-or Monthly Comments

3-1-2025

At the start of 2025

2024 ended on a sour note as mortgage rates continued upward (hitting 7.01% as of 1-16-2025). In comparison, Fed Fund Rates have stopped falling and might climb again in response to "sticky" inflation as economists describe it. All of this is fueled by the dramatic rise in yield for 10-year Treasury Bonds that started mid-September 2024.

Most people think the Fed rates control all rates, but that's not so. Different markets have different strokes, and mortgage rates are 90% controlled by what investors charge (yield) to loan money to the Treasury when buying bonds. That ten percent margin is the "vibe factor" that investors "feel" about things. This is a real phenomenon that influences many financial transactions. The "vibe factor" might be larger or smaller than ten percent given news headlines, politics, and even "bad-hair days". Investors are human too and emotional like everyone else, so let that be a warning to us all.

Denver market

The metro Denver real estate market is an interesting animal. It has many markets within markets, so let's discuss two markets in particular - single family homes vs condo/townhomes.

In 2024, the costs of insurance skyrocketed for almost everything - house, car, health, etc. Common-interest communities, aka condos/townhomes, suffered the most because they are required to have annual budgets and dedicated Reserves.

Single family insurance doesn't require an "annual budget" as required of common interest communities. On top of that, FNMA-Freddie Mac conventional mortgage giants (known as the 'secondary mortgage' markets) requires HOAs to fund their Annual Budget Reserves at 10% of gross budget. This required cost is passed on to homeowners in their monthly fees, which exploded in 2024. For 2025, most HOA insurance costs have somewhat stabilized or subsided from 2024, but January's catastrophic Los Angeles fires bodes ill for future insurance costs.

Sold data for December 2024 vs last year's shows metro Denver condo/townhomes median prices are down 6.19%. from December 2023. In contrast, single-family median price is up 4.5%.

As for 10-year Treasury bond yields, the year is still young...and hopefully. As of January 21,2025, the 10-year bonds yields are still in the mid-to-upper 4% range bouncing around daily. There will be no mortgage relief until bond yields start heading downward. For comparison, the yield in mid-September 2024 was near 3.5%. and mortgages at 6.01.