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Lenders, brokerages weather stock market sell-off, but homebuilders get thumped

An ugly day on Wall Street slammed the real estate sector

August 5, 2024, 4:29 pm By Jeff Andrews

The global stock selloff that began overnight in Asia rolled through U.S. markets on Monday as the S&P 500 and the Dow Jones Industrial Average fell by 3% and 2.6%, respectively.

While technology-sector darlings such as **Nvidia** and **Apple** got thumped the hardest, the real estate industry also took its fair share of lumps.

But analysts believe that the sell-off, paired with a drop in interest rates, could produce mixed results for real estate. Declining mortgage rates should theoretically spark additional mortgage applications, home sales and refinances.

“While the weakness is widely felt, there’s excess pressure across the small cap universe,” John Campbell, managing director at **Stephens**, wrote in an email to **HousingWire**. “And within the small cap universe, the stocks perceived to be ‘risk on’ — which includes a lot of stocks in the real estate service — are feeling the greatest pain.

“We’d argue that U.S. housing could stand out as a key beneficiary as lower rates help boost affordability, which helps unlock a considerable degree of pent-up demand that’s formed from continued household formation and back-to-back years of trough-like home sales.”

A number of mortgage lender stocks experienced tepid losses relative to the rest of the market — and some even went up. **Rocket Mortgage**, which has a huge refinance business, added 3% in value. **loanDepot** rose 2.3% and **Guild Mortgage** stayed flat, although other lenders — including **Mr. Cooper**, **Pennymac** and **Newrez** parent **Rithm Capital** — sustained substantial losses.

Brokerage stocks were especially mixed. **RE/MAX** shed 4.7% ahead of its earnings call on Thursday. **The Real Brokerage** and **Anywhere** fell by 5.2% and 3.1%, respectively, but **eXp** (0.8% gain) and **Compass** (0.6% loss) held relatively steady.

Homebuilder stocks were hit particularly hard relative to other real estate sectors, with **Tri Pointe Homes** (-4.8%), **Toll Brothers** (-5.1%), **Meritage Homes** (-4.9%), and **LGI Homes** (-4.5%) all sustaining heavy losses. The sell-off erased about half of the sector’s gains since the beginning of July.

Other sectors were more of a mixed bag. **iBuyer** pioneer **Opendoor** posted a staggering 8.1% drop, while its chief competitor, **Offerpad**, shed 1.8%.

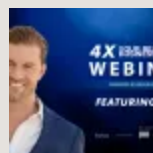


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"We view [lower rates] as an opportunity for real estate companies that are tied to mortgage volumes and transaction count overall," Soham Bhonsle, a housing services analyst at **BTIG**, wrote in an email. "Question is whether it's too late in the spring selling season or not, as most folks like to move in before school starts. But of course there's still a large cohort of buyers (like Boomers and empty-nesters) that buy off cycle."

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