Housing Market | Mortgage

Signs of housing demand surge after interest rate cut

Mortgage rate locks are up 68% from a month ago, while home tour requests are also on the rise

September 26, 2024, 5:44 pm *By Jeff Andrews*

The question from the housing industry after the **Federal Reserve**'s half-point interest rate cut is simple — will this bring buyers back to the stalled housing market?

A new report from **Redfin** suggests that it is already happening. The company analyzed mortgage rate-lock data from **Optimal Blue** and found that locks have risen 68% this week compared to one month earlier.

That's just one signal that demand is increasing. Purchase mortgage applications are up more than 10% compared to last month, while Redfin's homebuyer demand index — which measures home tours and other agent services — reached its highest level since May with a 1% year-over-year rise.

"News of the Fed's historic interest-rate cut is the main factor bringing home buyers off the sidelines," the report reads. "Many house hunters had been waiting for the rate cut to actually happen to get serious about buying, and now they have, even though mortgage rates didn't fall further after the rate cut than they had in the week leading up to it."

The rate cut comes at a good time for a housing market that's been starved for sales. While the new-home sales report for August showed a 9.8% year-over-year rise in transactions, existing-home sales — which make up the bulk of the market — were down 4.2%.

There are also signs that lower rates are contributing to improved housing affordability. A report from **Attom** compared the median price of a home with the average national wages in the second quarter of 2024, finding that the costs associated with homeownership are taking up a smaller share of wages.

The **Mortgage Bankers Association** also reported that the national median mortgage payment for applicants fell by 5.2% between July and August.

"One new client decided to start their home search last Thursday because of the Fed's rate cuts on Wednesday," Austin-based Redfin agent Andrew Vallejo said in a statement. "They immediately reached out to a real estate agent and they're working with a lender.

"Rate cuts have sparked more showings; we're seeing all of our listings in the area get more traffic. It's a nice glimmer of hope after a slow year in Austin."

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