Tampa Bay mortgage rates are down. Is it a good time to buy?

The Federal Reserve's rate cut provided a glimmer of hope. But finding affordable housing remains a challenge.

A for sale sign sits in front of a house on in June 2022 in Pinellas Park. [LUIS SANTANA | Times]

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The COVID-19 pandemic ushered in a new era for the Tampa Bay housing market. Rapidly rising home prices and mortgage rates have kept many would-be buyers on the sidelines over the past few years.

But last week, some saw a glimmer of hope when the Federal Reserve cut interest rates for the first time since March 2020. The average 30-year fixed mortgage rate also fell to 6.09%, the lowest it's been in over a year, according to Freddie Mac.

“By the end of the year, if the Federal Reserve does more cuts, we do expect the mortgage rate to come down more hopefully,” said Lei Wedge, associate professor of finance at the University of South Florida’s Muma College of Business.

Home prices are also down slightly in the Tampa metro area, according to August data from Greater Tampa Realtors. The median cost of a home is now $419,995, about a 2% decrease from last year.

“It’s a little less competitive and prices have cooled and probably have settled out to where they will remain,” said Katie Glaser, a real estate agent with Smith & Associates.

Still, housing is much more expensive than it was pre-COVID. In August 2018, the median cost of a home was about $245,000 in Tampa Bay.

Though the Fed’s rate cuts may have a positive effect on inflation in the long run, Lei Wedge, said it will take something much more significant to cause a major price drop.

“The only time we’ve seen something like that was with the 2008 financial crisis,” she said.

A lack of available homes could also be contributing to higher prices. Right now there’s about four months of inventory in Tampa Bay.

“A typical market, where buyers and sellers are on an even playing field, that would be six months’ inventory,” said Glaser. She is hoping that if interest rates continue to drop, it could influence more homeowners who are already locked in at lower rates to sell their homes.

The homes that are moving the fastest are the ones at the lowest price points, Glaser said. That makes it especially hard for first-time home buyers like her client Zac Preston.

He looked at a couple dozen properties before he landed on a 4-bedroom, 2-bathroom house in Tampa’s Old Seminole Heights.

Though he loves where he ended up, he had to make concessions to stay in his budget. The house is outside of his preferred neighborhood and he lives with two roommates.

Preston’s biggest takeaway from his home buying experience?

“Trying to time the market will drive you crazy,” he said. “If you’re buying a good asset, even if it fluctuates you know you’re going to come out on top.”