

Elevating mortgage servicing through strategic outsourcing: A path to efficiency and growth

Announcing the 2024 HousingWire Insiders!

Free Webinar: 4X Your Real Estate Business with Jason Mitchell, America's #1 Broker

Logan Mohtashami on this week's wild mortgage rates



HW Media ▾

HOUSINGWIRE

Gift HW+

Welcome, GTR ▾



Housing market

Will homebuyers jump at cheaper mortgage rates?

With a drop in mortgage rates, we may finally see more homebuyers.

August 6, 2024, 10:49 am By Tracey Velt

Mortgage rates are dropping fast. Will potential homebuyers jump at newly cheaper payments? Or, will they wait to see if rates drop further before taking action?

Will home buyers jump at cheap...



Mortgage rates are now the lowest they've been in over a year. Last year at this time, mortgage rates were rising, eventually peaking at 8% in October 2023. That late year rise in costs really slowed the housing market. All year people were expecting rates to decline. I've been assuming that if they dipped down to 6.5%, we'd see a pickup in demand.

We're now at that threshold. The 30-year fixed rate is under 6.5%. If it stays there, we'll test my assumptions. One fear I have is that it took so long to get here that maybe homebuyers have given up for the year and will wait to see what next spring looks like before entering the market again.

Still, this affordability boost is good for any buyers in the market now. We should be able to measure how demand changes over the next few weeks if rates stay at these new lower levels.

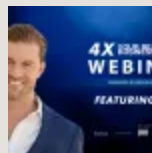


– Featured Events



Hosted By Truv

Staying ahead of the curve and anticipating the future in the mortgage industry



Hosted By Jason Mitchell Group

4X Your Real Estate Business

Hosted By HousingWire

AI Demo Day

Such dramatic changes in [financial markets](#) guarantee some excitement coming. Are we past the opportunity for declining mortgage rates to help demand and pick up home sales in 2024? Let's look at the details of the U.S. [real estate market](#) as of the beginning of August 2024.

Inventory rose as expected

Inventory rose pretty much as expected for the end of July week. With a gain of just less than 1%. About 6,000 more houses are on the market now than a week ago. The weekly percentage growth is probably slowing now at the end of summer. We'll keep watching all the indicators to see if 2024 housing gets any rescue or if it's [not savable](#) until next year. There are now 684,000 total single-family homes for sale on the market across the US. That's up less than 1% for the week and is 40% more homes on the market now than a year ago.

Last year, as [mortgage rates](#) were rising last in the year, inventory was rising at 1-2% per week in August and September into October and rose all the way to late November. That was a very unusual time. Normally inventory will plateau in August and start declining by September. You can see the late 2023 inventory build in this chart in the bright red line. Especially note that September increase in inventory.

If we get sustained lower rates this fall, will we return to the old seasonal patterns? I think we see some slowing in the growth of inventory. The slope is lower — just under 1% growth this week down from 1.5 or 2% recently.

The states that have been adding the most to [inventory](#) this year, Texas and Florida, may be at their peak now. There are still unsold homes building in those markets, but it looks like we could be nearing the peak. For example, Texas added just a fraction of a percentage of unsold inventory this week. Florida added less than 100 homes.

– Featured White Papers

By AIS

Elevating mortgage servicing through strategic outsourcing: A path to efficiency and growth

By Mike Simonsen

HousingWire Research: The Mortgage Rate Lock-In Effect is Shaping Today's Market

By Basecap

Increase revenue and mitigate risks by updating your data strategy



– Featured Sponsored Video



Change Wholesale's future focused non-QM strategies

This is why while we're currently at 40% more homes on the market now than a year ago, we still expect to finish the year up only about 20% over last year. Last year, build inventory late, and this year should plateau sooner. The current lower rates trend supports that forecast.

New listings ticked down

Most of the total inventory fluctuations have been demand-driven this year. When rates rise, demand slows. Demand slows, inventory grows.

The supply of sellers is the other side of the inventory equation. When we look at the new listings pace, there's no sign of a plethora of sellers are reaching the market. New listings volume ticked down to 67,000 single-family homes hitting the market this week unsold.

There were another 14,000 new listings that were immediate sales. Overall, there are only 4.6% total more homes listed than last year at this time. There are slightly more sellers than last year, but seller pace is still very restricted. This makes sense, of course. If you own a home, you have a great mortgage, with a lot of equity. Very few people "must" sell.

Pending home sales up

The number of new contracts ticked up a couple percentage points this week to 66,000, with another 13,000 condo sales started. That's a good sign, though it is still very low and fractionally lower than last year.

Each of the last two years, as I've mentioned, faced sharply spiking mortgage rates in the back end of the year. We're now in the opposite environment. If cheaper money motivates a few buyers to move off the sidelines, then we should see it here. This is the count of all the contracts started for home sales in a given week. These homes were on the market and are now in contract.

There are 379,000 single-family homes in total in contract. That's down from last week, as the end of month closes a bunch of sales.

Home prices down

The median price of the homes going into contract this week was \$393,000. That's a downtick of half a percent for the week and is about 3.5% more than a year ago. Home prices always ease in the second half of the year and we're in that cycle now.

I continue to expect that any boost we see in the market if rates stay lower will be in the inventory numbers with less impact on prices for now. If rates were to jump again, then prices would be sensitive to the downside, like the pattern of 2022. In other words, buyer demand seems like it would be very easy to weaken, and slower to strengthen in response to mortgage rate changes.

The price of all the homes on the market is still hovering at \$450,000, unchanged from last year. Some time in the next few weeks, that number will start receding for the rest of the year. Prices cluster around the big round numbers, so there are a lot of homes priced at \$450,000 and the median falls in that group.

The price of the new listings is \$412,000, which is up 3.3% over last year. No matter how you measure home prices, they're up just a hair over 2023 and that pattern looks stable. I continue to assume that the headline home price numbers like the Case Shiller Index will compress from 5-6% increases to under 5% as the year finishes.

Price reductions are up

We'll be able to monitor any changes in homebuyer demand with the price reductions curve. Currently 39.4% of the homes on the market have taken price reductions from the original list price. That's up 40 basis points for the week, which is on the same trajectory as recent weeks. We haven't yet seen any demand pick up

as measured here. Though we can confirm that the market isn't deteriorating. There are more homes on the market with price cuts than in any recent year. It's not accelerating but it's high.

It's normal for price reductions to slow in August, plateau in September before declining for the holidays. This pace hasn't really slowed yet.

As the market has remained so weak this year, I've been watching to see if price cuts would echo the 2022 slowdown. We've been talking about these sharply lower mortgage rates and if that motivates a few more buyers, we should see the price cuts decelerate from 40 basis points per week to 10 or 20. Keep your eyes here to understand how much, if at all homebuyers come off the fences.

It could be that this late in the season, that not many homebuyers are motivated. Or they're going to wait until the spring to see if rates are even lower then. That wouldn't surprise me. But even in that case, we probably won't see deterioration in prices the way we did in 2022 and 2023. I imagine this gage will peak at about 42% of the homes with price cuts. If demand picks up, that'll be closer to 41%.

Mortgage rates stayed higher for longer than anyone anticipated this year. Maybe we've finally turned the corner?

*Mike Simonsen is the founder of **Altos Research**.*

Posted by Tracey Velt, Written by Mike Simonsen

Leave a Reply

Your email address will not be published.

Required fields are marked *

Comment *