REAL ESTATE

CONTACT US

The Real Estate and Home Guide sections in the Sunday editions are produced by Sentinel Media Services, a content provider, specifically for The Chronicle.

Amir Rezaee
415-777-7387
ARezaee@sfchronicle.com
Steve Weimer: VP Retail Advertising
415-777-7257
SWeimer@sfchronicle.com
K. Cathey: Coordinator
Jordan Guinn: Staff Writer

How to reach The Chronicle and Sentinel Media Services
Mail:
Real Estate Section
San Francisco Chronicle
901 Mission St.,
San Francisco, CA 94103
Email: realestate@sfchronicle.com

INSIDE

Average long-term mortgage rate back above 7% this week

By Matt Ott
AP BUSINESS WRITER

WASHINGTON — The average long-term U.S. mortgage rate returned to the 20-year highs of two weeks ago when rates breached 7% for the first time since 2002.

Mortgage buyer Freddie Mac reported Thursday that the average on the key 30-year rate rose to 7.08% from 6.95% last week.

A year ago the average rate was 2.98%.

The rate for a 15-year mortgage, popular with those refinancing their homes, climbed to 6.38% from 6.29% last week. It was 2.27% one year ago.

Last week, the Federal Reserve raised its short-term lending rate by another 0.75 percentage points, three times its usual margin, for a fourth time this year as part of its inflation-fighting strategy. Its key rate now stands in a range of 3.75% to 4%.

More increases are likely coming, though there is some hope that the Fed will dial them down as more evidence comes in that prices have peaked.

The Labor Department reported Thursday that consumer inflation reached 7.7% in October from a year earlier, the smallest year-over-year rise since January. Excluding volatile food and energy prices, "core" inflation rose 6.3% in the past 12 months. The numbers were all lower than economists had expected.

Thursday's report raised the possibility that the Fed could decide to slow its rate hike, a prospect that sent stock prices jumping as soon as the data was released.

Two weeks ago, the average long-term U.S. mortgage rate topped 7% for the first time in more than two decades.

SOUND OFF

Home sales have dropped in the Bay Area; is the market shifting?

A: Yes, our housing market has shifted. For San Mateo County, where my real estate practice is centered, for October sales were down by more than 37%, while the median home price at $1.9 million was down by 9.5% from a year ago, when it was at $2.1 million. (Source: MLSListings.)

The best way to characterize our current market is that we have moved from a sellers' market to more of a "level playing field" between buyers and sellers. Homes are taking longer to sell, and multiple offers are no longer the norm. A major factor in this shift is mortgage interest rates have more than doubled in the past six months, due in large part to the Federal Reserve Board's monetary policy of increasing the federal funds rate to slow down the economy and decrease the high levels of inflation.

The CPI numbers (a measure of inflation) for October came out on Wednesday and the increase was 7.7%, lower than most economists expected and the lowest inflation reading since January. The stock market shot up on the news on hopes that the Fed will dial back its aggressive rate hikes. I don't think that will happen until the CPI numbers get down to 4%, most likely in the second or third quarter of next year. As long as interest rates continue to rise, the housing market will continue to soften.

Jeff LaMont, Coldwell Banker Realty, 650-740-8808, jeff@jefflamont.com.

A: While the San Francisco housing market has returned to its typical holiday season slowdown (after uncharacteristically bustling Q4s in '20 and '21), several other factors have coalesced to accelerate a shift away from a robust sellers' market. October 2022 saw a 38% decline in home sales compared to October 2021, the month's lowest total since 2011, according to Compass' Patrick Carlisle.

The Fed's appetite for rate hikes and its subsequent toll on buyers' spending power, current market volatility and inflation, rampant price reductions, and listings seeing cancelations or pauses until Q1 2023 are creating a housing market landscape that inspires scary headlines and keeps many buyers on the sidelines.

This shift isn't entirely negative, however. Buyers who transact primarily with cash or who embrace adjustable rate loans may be less deterred. Tenancy-in-Common units (TICs) are also seeing a bounce in buyer interest, since their mortgage rates are now lower than their conventional counterparts.

Now more than ever is the time for buyers to strategize with their agents and lenders to find deals and investment opportunities.

Jeremy Davidson, Compass, 415-717-4103, jeremy.davidson@compass.com.

A: Our local residential real estate market has shifted markedly during the past several months. Inflation, steep increases in interest rates and overall economic uncertainty have all contributed to the change.

Houses are taking longer to sell, price reductions are happening more frequently and purchase offers that contain contingencies (i.e.: inspection and/or financing) are being seen more often than anytime in the last 10 years.

We know from market data compiled in September that June 2022 was the price peak for this past boom cycle.

Although prices have dropped quite a bit since June, the overall median home price was up over the median price at the end of 2021.

That being said, the demand for the most desirable homes still outweighs the supply and those homes are still selling quickly, most often well over their asking prices.

So far, our recession has been soft and appears it will remain so for the foreseeable future.

Karen Starr, the Grubb Co., 510-414-6000, starr@grubbco.com; Brenda Schaefer, the Grubb Co., 510-453-2401, bschaefer@grubbco.com.

WANT TO CONTRIBUTE TO ASK A REALTOR?

Send an email to Jordan Guinn at Realestate@sfchronicle.com