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
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 rates rise back up to 5.51%

By Matt Ott
AP BUSINESS WRITER

WASHINGTON — Average long-term U.S. mortgage rates were back up this week, just as the latest government data shows inflation has not slowed, meaning the Federal Reserve is almost certain to raise its benchmark borrowing rate later this month.

Mortgage buyer Freddie Mac reported Thursday that the 30-year rate rose to 5.51% from 5.30% last week. One year ago the average 30-year rate was 2.88%.

The average rate on 15-year, fixed-rate mortgages, popular among those refinancing their homes, rose to 4.67% from 4.45% last week. A year ago, the rate was 2.22%.

The Federal Reserve raised its benchmark rate by a half-point in May and another three-quarters of a point last month, the biggest single hike since 1994. Fed policymakers have signaled that much higher interest rates could be needed to reign in persistent, four-decade high inflation. Most economists expect the Federal Reserve to jack up its borrowing rate another half-to-three-quarters of a point when it meets later this month.

Fed officials acknowledge that their rate hikes could weaken the economy, but suggested that such steps were necessary to slow price increases back to the Fed's 2% annual target.

The Labor Department reported Wednesday that its consumer price index soared 9.1% over the past year, the biggest yearly increase since 1981. On Thursday, Labor released data showing that its producer price index — which measures inflation before it reaches consumers — rose by 11.3% in June compared with a year earlier.

SOUND OFF

Have you noticed an increase in buyers rescinding offers?

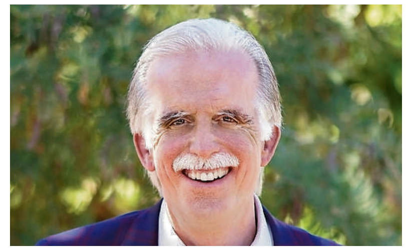
A: Yes. Before the recent market shift, well-advised buyers were learning the ropes of the competitive, low-inventory Bay Area market. Fueled by tenacity and patience, a buyer's odds of success on offer day were highest with a connected agent who understands the local market and its inventory and pricing, a savvy, local lender with strong loan products, and the financial agility to bring ample cash and a winning number to the table.

Suddenly, those same buyers now face additional harsh realities of stock market volatility, rising interest rates, and stressful headlines. The extra burden has separated buyers into a few camps: some are retreating indefinitely; some are pausing to see what the next few months might bring; and others are strapping in for the ride.

Unfortunately, we're hearing stories about buyers who may have been ill advised. Some have rushed into contract in hopes of dodging another rise in rates, only to learn that they didn't quite understand all of the other costs of home ownership. Others may have offered on homes that they didn't quite love, but they settled for less in a low-inventory market. Others succumbed to a fear that they overpaid.

Today's dynamic market is ripe with opportunity, so it's crucial to partner with an agent who educates and guides clients carefully through the transformative process of buying a home.

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



A: Yes, indeed, I have noticed that buyers are being more cautious the past couple of months when it comes to writing offers on homes they are interested in. More buyers are having second thoughts.

I attribute this to several factors. Mortgage interest rates — while down a bit the last week or so — have been steadily increasing for most of 2022.

The Federal Reserve recently raised the federal funds rate by three-quarters of a point. Given Wednesday's report of a 9.1% increase in the consumer price index from a year earlier — the largest gain since the end of 1981 — it is likely the Fed will continue to aggressively raise interest rates in an effort to get inflation under control, but risk upending economic expansion.

Another factor has to do with the current conditions on the stock market. We are in a bear market. Stock prices are broadly down, and this affects many prospective buyers' ability or willingness to cash in their stocks in a down market in order to make their home purchase a reality.

While interest rates are higher than a number of months ago, I am also seeing less competition for homes — far fewer multiple offer situations and more price reductions on homes for sale. So there is an opportunity for home buyers willing to commit to buying a home now.

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

A: We have not personally experienced a buyer rescinding an offer recently, although we did have one buyer decide not to move forward on a purchase offer last week, due to a change in his financial situation.

In the past 10 days, we have had two buyers write offers in multiple offer situations as well.

It's a very case by case situation now in the Marin real estate market, with those "blue chip," premium properties still commanding over-bids/multiple offers, and other properties, if not priced correctly, sitting on market.

Overall, the number of homes going into contract is declining, while active listings and price reductions are ticking up. After spring, activity typically slows through summer, and after Labor Day, we usually see another spike in activity.

What we do know is that a market correction is not a crash, and it is far too early, with too many factors at play, to make predictions.

Kathleen Daly, Coldwell Banker, 415-519-6074, kdaly@cbnorcal.com; Lisa Lange, Coldwell Banker, 415-847-7770, lisalange@coldwellbanker.com.

Want to contribute to Sound Off?

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