

## 30-Year Fixed Mortgage Rates



**6.71%**

June 2023



**6.81%**

July 2023

Source: Macrotrends.net

### TALKING POINTS

- To the surprise of no one, the Fed raised the Fed funds rate 25 basis points (.25% increase).
- Chair Powell said they might raise rates at the next meeting or the one after that...or maybe not.
- The Federal Reserve has a target rate of 2% inflation. We're currently hovering around 3%.

### WHY IS THIS IMPORTANT?

- Two percent is supposed to be the sweet spot for inflation, low enough for consumer comfort but relaxed enough for the economy to flourish, evidenced by job growth, which is very healthy.
- It's essential to share with your sellers that although historically mortgage interest rates aren't alarming if you compare them to what we experienced in the late 80s and again in the early 2000s, buyers are still hesitant to make offers as they are still

waiting for rates to come back down. Many buyers dislike getting into a bidding war and overpaying for a home, especially if they're financing it.

- If buyers pay top dollar or above, plus assuming a higher interest rate, a seller's home needs to be in top shape to edge out their competition (primarily new construction). Pay attention to the Existing Home Sales rate and drill down to your local market's absorption rate.
- Now is the time to show your buyers and sellers your market knowledge through data analysis – Absorption Rate charts can be beneficial. Another approach is tracking price per square foot and comparing it YOY and MOM.



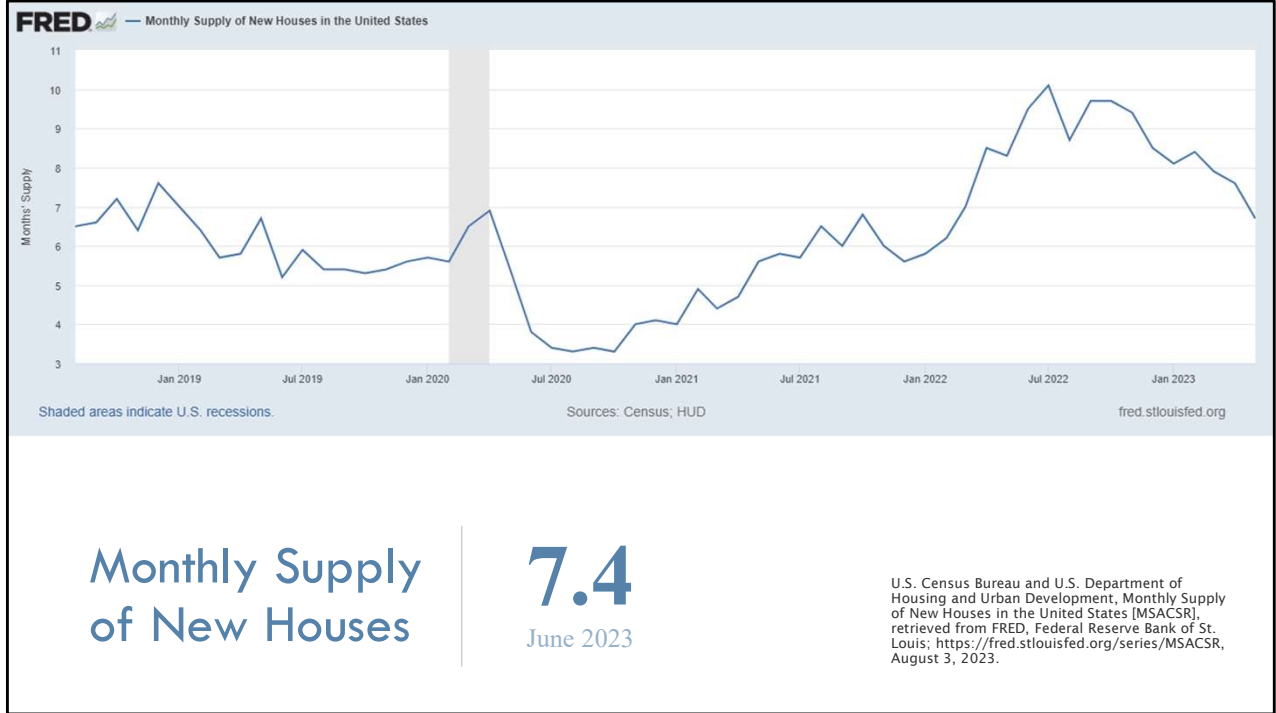
## TALKING POINTS

- June saw existing home sales decrease by over 3% - and sales are down by almost 19% from this time last year.
- The median existing-home sales price rose in June – the second highest price ever recorded since January 1999 when NAR first began tracking this data.
- The national absorption rate for existing homes is 3.1 months, unchanged from last month.

## WHY IS THIS IMPORTANT?

- Housing affordability is deteriorating, with home prices generally creeping up and interest rates again testing recent highs.
- It's important to set realistic expectations with your buyers, there are not enough homes for sale in most markets.

\*Note: Existing Home Sales for July 2023 will be released 8/22/2023.



### TALKING POINTS

- Is the appetite of buyers who want new construction starting to sour? The absorption rate for new houses rose to 7.4 months of supply from 6.7 months in June.

### WHY IS THIS IMPORTANT?

- With many markets still experiencing historically low inventory rates, more buyers are considering new construction.
- You may want to scope out new developments in your market and introduce yourself to the builder or their sales staff.
- Identify which builders will work with you regarding commission and what the protocol is; for example, will you need to accompany the buyer on their first visit to the development to qualify for a commission if they buy? How do you register a buyer?
- Talk to your buyers about the advantages of having you represent them with new construction vs. negotiating the purchase independently. Remember, the builder's

salesperson does not represent the buyer's interest; they represent the builder. And the builder's sub-contractors may not always provide the highest quality of work.

- When talking to sellers, let them know that their competition won't just be existing homes for sale but also new construction and why.

\*Note: This report will be updated on 8/26/2023.