

Mortgage Rates Starting to Fall - Housing Market Overview

With the Federal Reserve's initial rate cut this past month, interest rates on consumer loans from automobiles to credit cards began to see a decrease as well. Significantly affecting the housing market and homebuyers across the country are mortgage rates, which fell to a 12 month low following the Fed's rate reduction in September. The average rate on a 30 year fixed mortgage fell to 6.08% at the end of September, down from 7.79% in October 2023.

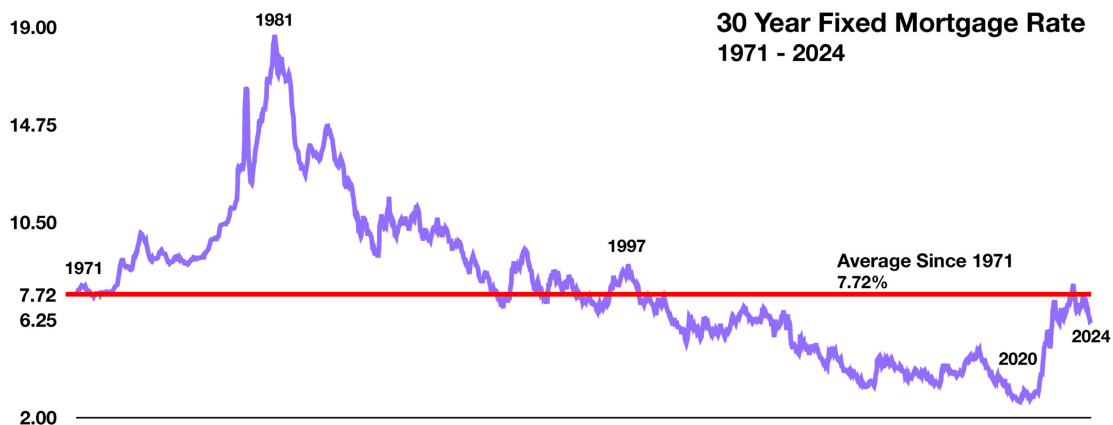
Even though mortgage rates have been falling, the current home turnover rate is the lowest in 30 years, with roughly 25 of every 1000 homes being sold or bought so far this year. The lack of inventory nationwide has added to already tight supplies and limited new construction. Certain geographic regions as Florida and parts of the Southeast are starting to see a pullback in values as the cost of insurance becomes unaffordable for many homeowners.

The average 30-year fixed mortgage rate for the past 53 years is 7.72%, which is where the average rate was in the third quarter of 2023. The question everyone has is how much lower could mortgage rates fall as the Fed gradually decreases the Fed Funds Rate. Even at current levels, rates are below the 53 year average.

As mortgage rates have fluctuated over the past 53 years, so have home prices. The average home in 1971 was valued at roughly \$25,000, whereas the average home price was \$412,300 in the second quarter of 2024.

As rates have risen, homes have become vastly unaffordable for millions of Americans, restricting many from becoming first time homeowners or simply moving. There remains tremendous hesitation among millions of homeowners that currently have historically low mortgage rates, which would be forgone should their house was sold.

Sources: FreddieMac, <https://www.redfin.com/news/home-sales-turnover-2024/>, Federal Reserve



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