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CALIFORNIA ASSOCIATION OF REALTORS®

Fed cuts interest rates again

Source: U.S. News and World Report

The U.S. Federal Reserve cut interest rates again by a quarter of a percent, continuing on its path to bring down borrowing costs just two days after an election that many economists fear might bring an uptick in inflation. The move was expected, and markets are already pricing in another 25 basis points cut in December.

“Since earlier in the year, labor market conditions have generally eased, and the unemployment rate has moved up but remains low,” the Fed said in a statement. “Inflation has made progress toward the Committee’s 2 percent but remains somewhat elevated. The committee judges that the risks to achieving its employment and inflation goals are roughly in balance.”

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California housing affordability improves from prior quarter and year

Source: C.A.R.
Slower home price growth and more favorable interest rates in third-quarter 2024 buoyed California's housing affordability from both the previous quarter and a year ago, the CALIFORNIA ASSOCIATION OF REALTORS (C.A.R.) said today. Sixteen percent of the state's homebuyers could afford to purchase a median-price, existing single-family home in California in third-quarter 2024, up from 14 percent in the second quarter of 2024 and 15 percent in the third quarter of 2023, according to C.A.R.'s Traditional Housing Affordability Index (HAI).

The third-quarter 2024 figure is less than a third of the affordability index peak of 56 percent in the third quarter of 2012. Rates started the quarter on a downward trend but have climbed since bottoming out in early September. With the dwindling chance of another sizable Fed rate cut in 2024 due to a stronger-than-expected economy, mortgage rates shot back up above 7 percent in recent weeks, reaching their highest levels since early July. Rates could still come down before the end of the year, but the odds of a meaningful decline in the next couple of months have reduced sharply from three months ago.

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Investors betting Trump will privatize Fannie Mae, Freddie Mac

Source: Inman
Shares in mortgage giants Fannie Mae and Freddie Mac soared Wednesday on expectations that Donald Trump's return to the White House – and potential Republican control of Congress – will revive efforts to privatize the companies. During his first term as president, Trump

began the process of “recapitalizing” Fannie and Freddie, which were placed in government conservatorship in 2008 as mortgage delinquencies and foreclosures climbed during the Great Recession of 2007-9. But Democrats derailed the plan to privatize Fannie and Freddie after Trump lost the 2020 election.

The *Wall Street Journal* reported in September that former Trump administration officials and banking industry leaders were working behind the scenes to restart the privatization process. Congress would need to get on board, but the process could be fast-tracked if Republicans control both chambers of Congress. While the GOP wrested control of the Senate from Democrats on Tuesday, control of the House remains up in the air, with a number of races too close call, the Associated Press reported Wednesday afternoon. Preferred shares in Fannie Mae and Freddie Mac, which were delisted in 2010 but still trade over the counter, were up more than 70 percent Wednesday, while prices for Fannie and Freddie common stock climbed by nearly 40 percent.

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Number of renter households growing 3x the rate of homeowner households

Source: Redin

The number of renter households rose 2.7 percent in the third quarter year over year, to a record 45.6 million, according to a new report from Redfin. That rate of growth is three times faster than the 0.9 percent increase in homeowner households, which now total a record 86.9 million. The 2.7 percent increase – representing 1.18 million additional renter households

– was the second fastest pace since 2015, only trailing the first quarter's 2.8 percent rate.

Renter households have formed faster than homeowner households for the past four quarters, as the cost of buying a home rose raster than the cost of renting. The median asking rent was up 0.6 percent year-over-year in September, but rents have remained largely flat for the past two years. In contrast, home prices climbed 6 percent year-over-year in September and have grown more than 10 percent in the last two years. Just 2.5 percent of U.S. homes changed hands in the first eight months of 2024 – the lowest rate in decades. Part of the reason rents have remained stable is the boom in multifamily construction over the past two years, adding units at an annual rate of 647,000, which is the fastest pace since 1994. San Jose has a rentership rate of 52 percent, followed by Los Angeles at 50.8 percent, New York at 49.1 percent, San Diego at 48 percent and Fresno at 47.7 percent.

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First-time homebuyers feel affordability squeeze, face historically tough market

Source: Bankrate
With home prices setting one record after another, it's a difficult time to be a first-time homebuyer. New data from the National Association of REALTORS (NAR) shows just how challenging today's housing market is. First-time homebuyers in the past year fell to a record low of just 24 percent of all buyers, according to NAR's 2024 Profile of Home Buyers and Sellers, released Nov. 4. Before 2008, the share of first-time buyers

hovered around 40 percent. Meanwhile, the median age of first-time buyers has risen to 38, the highest ever. The previous record was 36.

"We have 50 million people in this country who are between 30 and 40 – peak homebuying years. We just have this enormous cohort of people who are looking for housing," said Michael Fratantoni, chief economist at the Mortgage Bankers Association. "We have been underbuilding by a lot." Builders have both slowed the pace of housing starts since the Great Recession and shifted focus away from starter homes and toward higher-priced, higher-profit new homes.

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Weekly mortgage demand tanks as interest rates surge higher

Source: CNBC
Mortgage rates rose again last week, pulling demand from both the refinance and purchase markets. Total mortgage application volume dropped 10.8 percent compared with the prior week, according to the Mortgage Bankers Association's seasonally adjusted index.

The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances of $766,650 or less increased to 6.81 percent from 6.73 percent, with points decreasing to 0.68 from 0.69 (including the origination fee) for loans with a 20 percent down payment. Refinance demand, which is most sensitive to weekly rate moves, fell 19 percent for the week but were 48 percent higher than the same week one year ago. Last year at this time, the 30-year fixed rate mortgage was 80 basis points higher. Applications for a mortgage to purchase a home decreased 5

percent for the week and were just 2 percent higher than the same week one year ago. Homebuying activity has picked up over the past few months as more supply comes on the market and home prices ease slightly. Mortgage rates, however, are pricing some buyers out again, and concern over the economy and the election may have some sitting on the sidelines right now.

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