# Real Estate

YOUR HOME
YOUR LIFE

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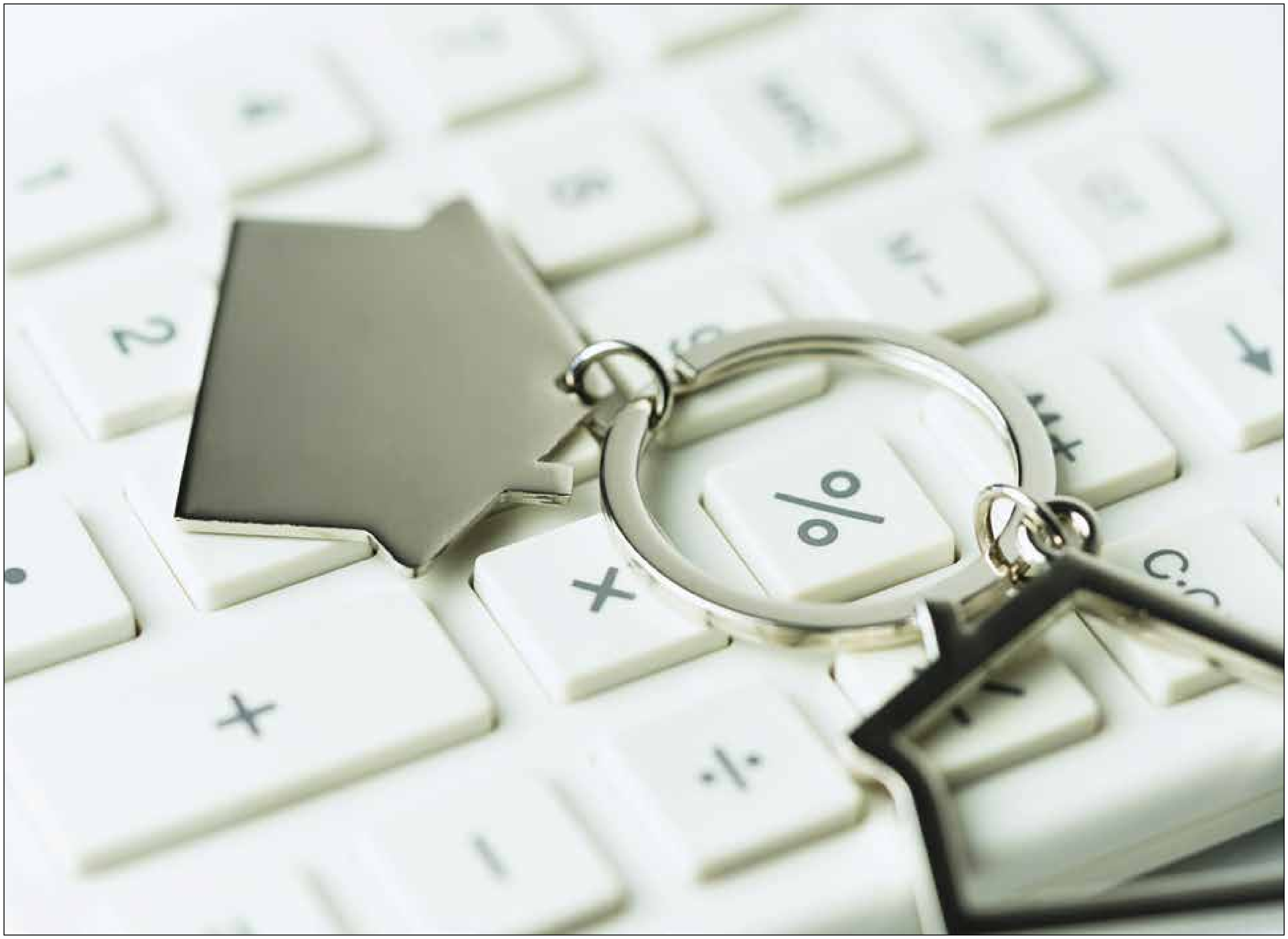
# The Interest Rate Picture

**The average 30-year mortgage rate bottomed out in 2021 at just under 3%. Since then, it's been a steady climb into the 6-7% range.**

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As the Federal Reserve fought inflation, interest rates rose to as high as 8% before settling back down this spring.

## FORECASTING

Mortgage rates depend on the benchmark interest rate, which is determined by the Federal Reserve. Early summer numbers showed inflation waning, meaning the Fed may again cut interest rates down from a 23-year high, but experts are wary given the roller coaster of rates in recent months.

Freddie Mac, the Federal Home Loan Mortgage Corporation, said in June that it anticipated a rate cut later this year, but still expects mortgages to remain above 6.5% through 2024. Fannie Mae, the Federal National Mortgage Association, revised its expectations downward, averaging 6.7% into 2025. The National Association of Realtors thinks rates will drop, but not as quickly, settling out at 6.7% by year's end.

## WHAT DOES IT MEAN?

Simply speaking, higher mortgage rates make homes more expensive to buy. For instance, the average cost of a home in the U.S. in May was $416,100, according to Rocket Homes. More averages to note are the average annual property tax payment of $2,459 and the average annual home insurance payment of $2,511.

Running the math at 2021's interest rate of 3%, that's a monthly house payment of $2,168.46 on our average American home. Now, let's look at the same home at 6.7%. That results in a payment of $3,099.17, a difference of almost $1,000 per month. And these calculations don't include any mortgage insurance, fees or a down payment.

That difference means buyers may be more careful about spending their money and be more reluctant to pull the trigger. The volatility in the past 10 years of rates may have many buyers just waiting for rates to cycle down again.

That said, home prices have remained stubbornly high, posting gains around 6.5% earlier in 2024. Only a glut of inventory can bring those down, experts say, and that can be quickly offset by a spiraling interest rate that bolsters activity in the market.

"Better that rate reductions happen at a metered pace, incrementally improving buyer opportunities over a stretch of time, rather than all at once," Keith Gumbinger, vice president of online mortgage company HSH.com, told Forbes.

# Considering a Condo Purchase

Condos are a great way to try on home ownership without all the work.

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As a single unit in a multiple-family property, condos are usually less expensive than single-family homes and owners share the amenities and upkeep of the community.

## WHAT YOU PAY FOR

In any real estate transaction, it's important to understand what exactly you'll be getting. In a single-family home, that can be easier because most of what you get is tangible — the home and anything attached to the home. With condos, the buyer is usually purchasing the unit as well as a share of common areas and amenities. That means the parks, pools, fitness centers and other things are yours to use, but also to maintain. Owners may be responsible for taxes, utilities and exterior maintenance, depending on the community.

Condo owners are usually part of an association that manages the maintenance and other issues for the common areas. They pay a fee to cover the expenses of the association for those areas. Some associations may impose additional fees for unexpected building repairs.

## WHAT YOU GET

While condos are usually less expensive than homes, they may be smaller. You may not have the same interior or exterior spaces that you would in a single-family home, and you may have to share a lot of that exterior space.

There may be rules about what you can have in that exterior space and even requirements about maintaining the interior space as well. Remodeling can be a challenge, and exterior choices such as landscaping and painting may be out of the owner's hands. That said, if you want to enjoy amenities such as pools and fitness centers without handling all the maintenance yourself, condos may be a wise choice for your budget and lifestyle.

## FINANCING

Getting a mortgage for a condo is a little different than getting a loan for a single-family home. While the units themselves are usually cheaper, mortgage lenders generally consider condos more risky investments because the land and other parts of the home are owned in common. That means mortgages can be a little more difficult to get and carry higher interest rates and down payment requirements.


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When it comes to where to call home, cost is not the only consideration. Most people look at their lifestyle, work, amenities and more. The same considerations come into play when considering whether to rent or buy that home.

### THE CASE FOR RENTING

Typically, people associate renting with temporary situations. And it's true, renters are missing out on building equity in a property they own. However, renters are also not toting the costs of home ownership. The landlord is responsible for insurance, maintenance, repairs, taxes, fees and other costs. Rent may cover some of it, but unexpected emergencies are typically not the renter's responsibility.

### THE CASE FOR OWNING

While those costs transfer to your bank account when you own the home, so does the ability to do whatever you want with it. Bright yellow walls? Done. Adding a pool? Just a cashed check away. Plus, there's all that equity you're building, right?

Maybe not.

"We project that at a national level, home prices are likely to decline somewhere in the neighborhood of 5-10% from their peak, which we reached in the second quarter of 2022," Moody's Deputy Chief Economist Cristian deRitis told Fortune. That means a buyer could have paid more for the home than it's now worth.

### QUESTIONS TO ASK

In the end, it comes down to what works best for you, your family, your budget and your lifestyle.

• How handy are you? Renters are not typically responsible for fixing plumbing issues, painting, replacing roofs and those types of things; the landlord is legally required to maintain the property. So if you want to enjoy home ownership without the hassle of maintenance, renting could be a way to do so.

• How long are you staying? Home ownership may be a good fit if you like where you are and are ready to settle in for at least three to five years, keeping roughly the same lifestyle and budget that you have now. However, if you have your eye on living somewhere else or aren't ready to put down roots, you may want the flexibility renting allows.

• How financially stable are you? Renting requires a deposit, good credit and making payments on time, but the insurance requirements and maintenance needs are much less than home ownership. Buying a house, on the other hand, requires dipping heavily into your bank account. You'll need a down payment, good credit, plus an emergency fund to pay for unexpected expenses. Examine your budget, possibly with a financial advisor, to see what would be the best move for your financial health.

# Fair Housing Laws and You

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**Discrimination in renting or buying a home because of race, color, national origin, religion, sex, familial status or disability is prohibited by the Fair Housing Act.**

The law covers most housing, with additional protections for federally assisted housing.

### HISTORY

The Fair Housing Act was enacted in 1968 in the wake of the assassination of Rev. Dr. Martin Luther King Jr. President Lyndon Johnson saw the act as a fitting memorial to King's life and work.

### WHAT DOES IT PROHIBIT?

The Fair Housing Act makes it illegal for any of these actions because of the conditions listed above:

- Refusing to rent or sell housing.
- Refusing to negotiate for housing.
- Otherwise making housing unavailable.
- Setting different terms, conditions or privileges for sale or rental.
- Providing a person different services or facilities.
- Lying about housing's availability for inspection, sale or rental.
- Making, printing or publishing notices, statements or advertisements that indicates any preference, limitation or discrimination.
- Imposing different sale prices or rental charges.
- Using different qualification criteria or applications, sale or rental standards or procedures, or other requirements.
- Evicting a tenant or tenant's guest.
- Failing to perform or delaying maintenance or repairs.
- Limiting privileges, services or facilities.
- Discouraging the purchase or rental of housing.
- Assigning a person to a particular building, neighborhood or section.
- Persuading or trying to persuade homeowners to sell their homes by suggesting people with a protected characteristic are about to move into the neighborhood.
- Refusing to provide homeowners insurance to someone in a protected class or discriminating in the terms or conditions of the insurance.
- Denying access to or membership in any multiple listing service or real estate brokers' organization.
- Refusing to make a mortgage loan or provide other financial assistance for housing.
- Refusing to provide information regarding loans.
- Imposing different terms or conditions on loans.
- Discriminating in appraisal.
- Conditioning the availability of a loan on a person's response to harassment.
- Refusing to purchase a loan.

It's also illegal to threaten, intimidate or otherwise interfere with someone exercising a fair housing right or helping others to exercise their fair housing rights, or to retaliate against someone who has filed a fair housing complaint or assisted in an investigation.

# Construction Going Strong

Despite higher mortgage rates and a somewhat lower enthusiasm for buyers, residential construction is predicted to stay strong.

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That's because, along with those higher interest rates, there's a lower inventory of homes for sale as existing homeowners cling to their lower rates.

Builders are ramping up construction in response and sprinkling in incentives to help make higher rates more palatable to buyers, such as help with closing costs or buying down rates. Ali Wolf, chief economist with the housing firm Zonda, says builders report their most popular incentive is buying down mortgage rates. Other popular incentives are covering up to $20,000 in closing costs or offering free upgrades.

That makes new homes look more affordable to anxious buyers.

"It's very important to address buyers' fear and those who are nervous where prices are," Wolf says. "To get them to feel more comfortable, they need to at least feel like they're getting a deal."

The incentives paired with the tighter market boosted the new home market up to as much as 30% of the single-family home market, well above traditional averages of 10-12%.

"The shortage of existing homes for sale has opened up the possibility of new home construction to more buyers who may not have once considered it," says Danielle Hale, Realtor.com's chief economist.

Buyers are also seeing new homes as a safer bet, with 40% of buyers saying the top reason they purchased a new home was to avoid renovations or problems, followed by a lack of inventory and the ability to customize their home's design.

The National Association of Realtors expects single-family housing starts to increase 4.2% in 2025, and experts say builders need to do more.

"We need to build more than 1.15 million single-family homes a year to reduce the nation's housing deficit," Robert Dietz, chief economist at the National Association of Home Builders, told the NAR.

Builders say they're facing headwinds such as higher prices, supply chain issues and rising regulatory costs, but they remain optimistic. The NAR says 80% of builders anticipate starting new homes in 2024 and 51% expect starts to increase more than 10% over 2023.

# Renovate for Sustainability

You can reduce your carbon footprint while making your home more comfortable and, just maybe, fattening your wallet.

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Here are some projects from The Spruce that can improve the sustainability of home sweet home.

### CHOOSING RENOVATION

Sam Lund, CEO and creative director of organization and design firm Simply Sam, says choosing to renovate rather than build anew is a sustainable decision all on its own.

"We believe that making something old feel new again is a lot greener than throwing up a bunch of new homes," Lund told The Spruce. "We typically use a larger remodel to make things more efficient. The best thing would be updating everything in an old house all at once, but that's typically not attainable for the average family."

### UPGRADE INSULATION

It's hidden, but you'll definitely feel a difference. Insulation can help reduce heating and cooling costs and make your home more comfortable. Your utility company may offer grants or bill reductions to help cover some of the cost.

### INSTALL NEW WINDOWS

Loose, old or weak windows are one of the biggest culprits when it comes to energy loss in the home, The Spruce says. Energy-efficient windows can decrease the amount of energy your home needs to keep it comfortable.

### INSTALL LOW-FLOW PLUMBING

Reduce water usage by opting for energy-efficient showers, toilets and faucets that use less water. Low-flow toilets, for example, use just 1.6 gallons of water while standard toilets can use up to 7 gallons of water per flush.

### ADD SOLAR PANELS

Installing solar panels costs a lot of money upfront, but depending on where you live and how much energy you use, it could be worth it. Plus, there may be tax incentives, grants and other help to pay for the expense.

### CHOOSE MATERIALS WISELY

Not all renovation projects include a way to put in a more efficient appliance or add insulation to the home, but most of them provide an opportunity to use materials with a low environmental impact. Try to opt for recycled and bio-based materials that are better for the environment, reusing materials when you can and recycling what you can't reuse.

# Selling a Home in Winter

While winter reminds us of home in a lot of ways, it's not typically an ideal time to put a home on the market. There are ways, however, to wake up to a sold sign in the yard.


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Here are some hints from the National Association of Realtors for getting a house deal done in the winter.

### DEAL WITH SNOW

Buyers can't see the house if it's covered in snow. Plus, they can't safely navigate the outdoors with slick sidewalks and driveways. Clear out snow quickly and sprinkle rock salt or sand on walkways so agents and buyers can use them safely.

### LET LIGHT IN

Winter days are short, so try to let as much natural light in as you can. Failing that, turn on lights everywhere and place accent lighting to brighten up dark corners. Make sure everything is sparkling clean to magnify the effect.

### MAKE IT COMFORTABLE

Not for you, but for potential buyers. Set the thermostat to between 68-70 degrees. And amp up the cozy to create a welcoming vibe. Lay a blanket across the arm of a chair or the back of a sofa. Set the table. Create a reading nook.

### PLAY CALMING MUSIC

Think about your favorite retail shopping experience. It probably includes some soothing background music. It's a common tactic to encourage people to spend more money. Do the same thing by opting for a commercial-free streaming station with music that encourages relaxation.

### AVOID STRONG SMELLS

Don't overwhelm potential buyers and agents with strong smells. Go for a natural approach over candles and simmer some apple cider or lemon peels on the stove before a showing. Pop popcorn or bake cookies in the oven, especially if you want to draw attention to new appliances in addition to making your home more welcoming.

### KEEP SEASONAL SUBTLE

We get it, you love Christmas. But celebrating the holiday on every single surface may be a little much for potential buyers. You want them to see the potential of your house, not a 115-piece Christmas village.

Keep your holiday decor down this season. (Don't worry, you can celebrate more fully in your new home.)