SIRVA MORTGAGE: INDUSTRY SNAPSHOT

November 2023

A Quick Update on the Latest Market Trends

The following update was curated by industry experts at Sirva Mortgage specifically for you and other global mobility professionals. Visit our industry snapshot web page to view additional updates.

INTEREST RATES

Mortgage interest rates have reached their highest levels in more than 20 years. As interest rates creep towards 8%, many potential homebuyers continue to be pushed out of the market. Bob Broeksmit, president and CEO of the Mortgage Bankers Association, says "Mortgage application activity is now at its lowest level in 29 years as high mortgage rates, limited housing inventory, and affordability challenges continue to constrain borrowers."

INVENTORY AND HOME SALES

According to the National Association of REALTORS®, home sales in October fell to the lowest rate in 13 years. Unsold inventory sat at a 3.6-month supply in October at the current sales pace. The median existing-home price increased to $391,800, up 3.4% from October 2022. According to Redfin, a buyer must earn $114,627 to afford the median priced home, which is about $40,000 more than a typical household earns.

STATE OF HOUSING MARKET: 2008 vs TODAY

While it may seem like we are in a housing "bubble," it's important to remember that today's market is very different than during the mid-2000s. A typical homeowner today has good credit, a lot of equity in their home, and a low fixed interest rate, which means fewer people are underwater and in a home they can't afford. Unlike risky subprime mortgages and the oversupply we saw before the housing market crash, today there are stricter lending standards in place and substantially lower inventory levels. While the market may cool, the drop in home prices won't be as severe as the one experienced during the housing crisis since there is not enough inventory to allow prices to substantially decline.

HOUSING FORECAST

Fannie Mae expects higher mortgage rates to continue to impact housing activity and affordability into 2024. The next few months will continue to remain slow for lenders. The Mortgage Bankers Association (MBA) expectshome prices will continue to rise over the next three years due to low inventory. The MBA expects interest rates to fall to 6.1% by the end of 2024 and 5.5% by the end of 2025.

JEFF MEDLEY

President, Sirva Mortgage

“As we continue to see interest rates remain near 28-year highs, the impact on affordability remains a top priority. Inflationary pressures and weather events continue to increase the cost of construction and insurance costs. As such, those in the market must consider lost appreciation and cost of rent when determining the “right time to buy.”

US HOUSING IMPACT ON TRANSFERRING EMPLOYEES

Employees may express hesitancy to relocate if it means going from a low interest rate on their current home to a much higher rate on a new home. For those who do accept a move and are selling a home, they may be asked to consider pricing lower than expected based on past market activity. Contingencies, such as inspections or appraisals, are now standard in contracts again and sellers will need to accept these as part of an offer.

INSIDER TIPS

Do you offer discount points on a sliding scale? With the Fannie Mae 30/60 yield retiring, the industry recommendation is to use the Freddie Mac Primary Mortgage Market Survey (PMMS) 30-Year Fixed Rate Mortgage as a reference for covering points. Although the indexes are different, the new benchmark will provide a more accurate benefit entry point where the market is priced. For client policies that include discount points on a sliding scale, our recommendation is to:

- Change the index referenced, and
- Leave the interest rate eligibility tiers as they are

More information on this benchmark can be found here.

Questions? Contact a Sirva Mortgage Director of Client Services.

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