

# REAL ESTATE UPDATE

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THIS NEWSLETTER IS BROUGHT TO YOU BY:



## It is Labor Time

We start the month of September with bookend labor events. We begin with Labor Day, a time for celebrating the American workers who have made our country a world leader. We will then close the first week with the employment report for the month of August. Both events are very significant. Even though Labor Day is not the true end of summer, it represents the end of summer for many, as the kids are back in school and summer vacations are typically over. It is also the start of the fall real estate season, a season which has the potential to become busier in light lower mortgage rates.



The employment report will also be an important event, especially considering the weaker than expected July jobs report and the upcoming meeting of the Federal Reserve in the middle of September.

The markets seem to be counting on the first move by the Fed to lower short-term interest rates at this meeting. Along with the job market slowing down, we have also seen considerable progress against inflation as the rate of inflation eases toward the Fed's 2.0% goal.

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### Did You Know...



*More than 26% of homes on Zillow received a price cut in July, the highest share for any July since at least 2018 when the dataset began.*

### Selected Interest Rates

**August 22, 2024**

30 Year Mortgages—6.46%  
2023 High (Oct 19)—7.79%  
2023 Low (Jan 26)—6.09%  
15 Year Mortgages—5.62%  
10 Year Treasuries—3.86%

Sources—Fed Reserve, Freddie Mac  
Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for



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## Market Gets More Inviting

A decline in mortgage rates and a drop in house prices is giving buyers a potential path to securing path to homeownership after months where the cost of home loans and expensive houses made purchasing property beyond the reach of a lot of Americans. Mortgage rates have fallen to their lowest state in more than a year, according to Freddie Mac.



Meanwhile, prices came down by \$6,000 from their July high to a median sale cost of close to \$390,000, real estate platform Redfin revealed." While that's a typical seasonal decline, the year-over-year increase of 3.2 [percent] is the smallest in nine months, indicating that price growth has eased slightly," Redfin's Dana Anderson pointed out. The shift has encouraged an uptick in mortgage applications.

Requests for home loans went up in August amid decelerating rates, according to the Mortgage Bankers Association (MBA). index that tracks buyer demand is improving too, the platform said. "Redfin's Homebuyer Demand Index—a measure of requests for tours and other buying services from Redfin agents—is down 13 [percent] year over year, but that's the smallest decline in three months," Anderson noted... 📄

Source: Newsweek

## Your Real Estate Purchase...

In a typical market, cash sales average close to 25% of the real estate purchase transactions, though the number has been much higher during the past few years. Many of these investors and homeowners could purchase the homes for cash or they could finance. The next question is -- which is better?



The major advantage of purchasing for cash is that an investor or someone purchasing their primary home can act more quickly and the process of purchasing will also be simpler because there is less paperwork. Many times, closing quickly can result in winning in a competitive bidding situation or obtaining the home at a lower price, especially when dealing with a bank.

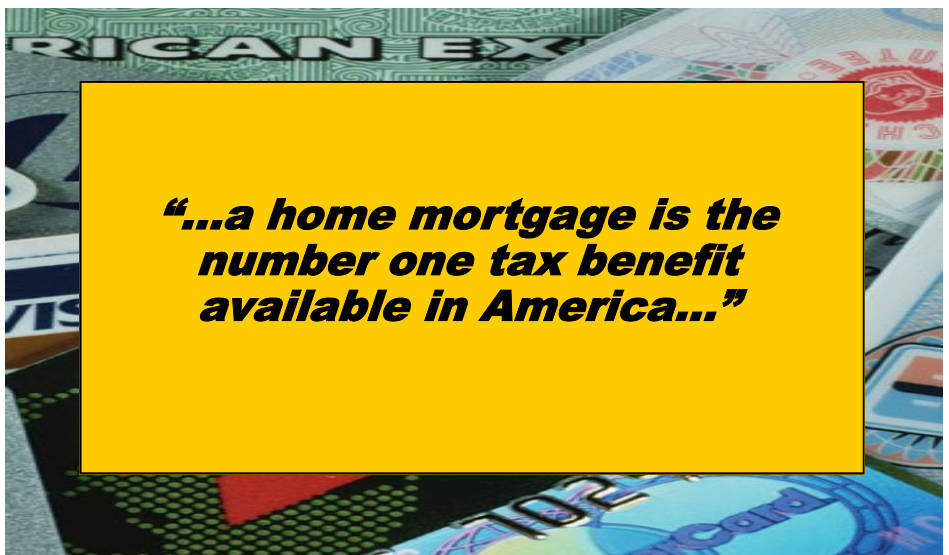
Getting approved for financing before making an offer can often times mitigate the time factor with regard to cash purchases. If someone has already applied and been approved, then the time between contract acceptance and closing can be shortened significantly.

What is the major advantage of financing a home? For one, a home mortgage is the number one tax benefit available in America. Depending upon the tax bracket of the homeowner, one may get anywhere from 15% to 30% of the

interest paid back from the government. There are situations in which a tax advantage is not important. If the homeowner does not pay taxes or is in a very low tax bracket, they will not reap the tax benefits.

The second advantage of financing the home is that the homeowner will not tie up their money. This will help those who are purchasing for investment and those purchasing a home to live in as well. Investors who finance the homes they purchase can obviously purchase more homes if they leverage these purchases. Even if obtaining more homes is not an objective, there are also other uses of this money. Depending upon the level of mortgage rates and the importance of tax deductions for the homeowner, the capital used for alternative investment purposes can be more likely to achieve positive returns over and above the net cost of interest paid. The advice of a financial planner or other advisor is very important in this regard. Interested in an article listing the tax benefits of owning a home? Just contact me for a copy.

Even if there is not a goal of investing the money that will be freed up through financing the home, having money in reserve is also important for many homeowners. One thing that the 2008 financial crisis highlighted is the



# ...Cash and Carry?



importance of cash reserves. Many seniors indicate that they are uncomfortable with a large mortgage payment. Others recognize that having a few hundred thousand dollars in the bank is another source of comfort. And these reserves that are earning returns can actually be put to use by enabling a prepayment of the mortgage in the long run.

Many with cash will use it to consummate a quick purchase and then look to leverage the home later through a “cash-out refinance.” While this strategy can be sound, we would always recommend meeting with a mortgage professional and financial advisor before setting up that plan and completing the purchase. Not only will you get

advice on whether a cash deal makes sense, but also will be able to obtain advice on whether a cash-out refinance is possible and what the terms will be down the road. There are programs which will allow the extraction of cash more quickly after a home is bought for cash.

Should you finance your purchase or pay cash? Obviously, there are several factors to consider. We would recommend that you not only consider these factors, but make your decision before you purchase the home. Assessing the best use of your money in an environment of low rates with your financial advisor will be the first step in making an informed decision.....

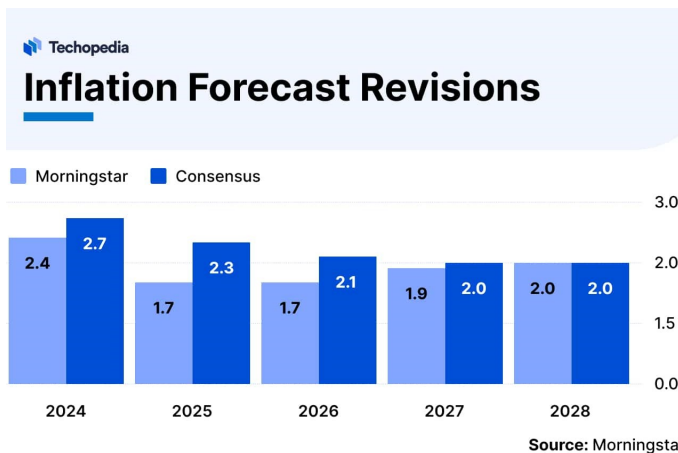
## It is Labor Time

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We will see one more round of inflation data before the Fed meets in September. Continued good news on inflation, together with a moderation in hiring would just about clinch the Fed making a move at their next meeting. The markets have become very uneasy about the prospects of the economy moving forward and a bit of a push from the Fed could be just what the doctor ordered with regard to providing a cushion for an economic soft landing...



***“...we have also seen considerable progress against inflation ...”***



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## America Goes Multi-Gen

**Y**oung adults residing with family for financial reasons, middle-aged homeowners caring for ailing parents or aging grandparents, or close-knit kin cohabiting because they enjoy one another's company—the reasons vary, but, per Pew Research Center, more than 59 million Americans today live in multigenerational households. That's about four times what it was in the 1970s. Such domestic configurations almost doubled during the past five decades, while other types of household formations grew by far less. Driven by financial considerations, elder care needs, and the desire for stronger family connections, multigenerational living has become more commonplace in the U.S.," said researchers with Lombardo Homes, who conducted a study.

"As economic pressures continue to rise, multigenerational households are likely to become an even more practical solution for many American families," the study's authors found. Researchers for the new home construction company determined that, of the 55% of U.S. residents living in multigenerational households, some 61% belong to the 44-59 age group known as Generation X. Generation Z, adults age 18-27, make up about 59% of multigenerational homesteads. Respectively, 56% of Millennials, ages 28-43, and 33% of Baby Boomers, ages 60-78, belong to multigenerational households.

Of these, 65% cited finances as the chief motivator. And in 63%, at least one member was able to continue their education thanks to the arrangement. Following financial reasons, top explanations include maintaining close family ties, according to 39%, sharing responsibilities, said 28%, need for eldercare, said 23%, and desire for companionship, noted 22% of the respondents... [□](#)

*Source: Mortgage Point*

***In This Issue:***  
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Address Correction Requested