



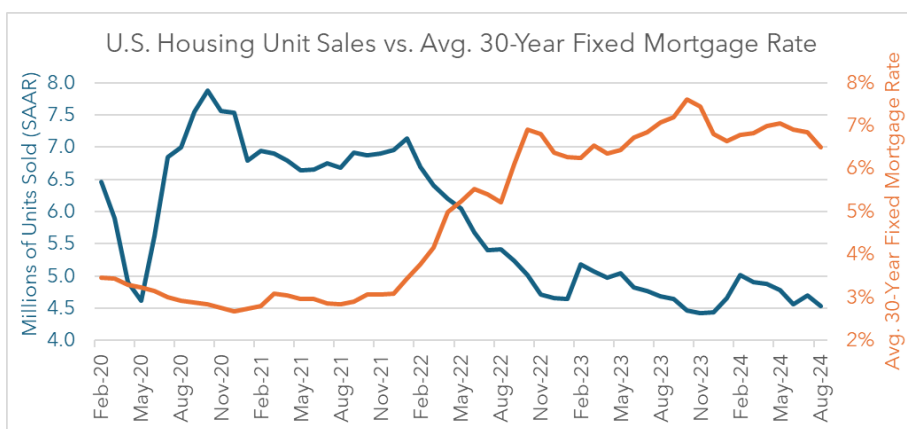
Tuesday, September 24, 2024

Well, folks, it took what seemed like FOREVER, but [they finally broke down and did it](#).

In other news last week, as promised, Powell finally put on his big boy pants and did his job 🧑🏻📊

Mortgage rates had been preacting™ to last week's rate cut a month prior, starting right after Powell's big ["the time has come"](#) speech. Since then, 30-year mortgage rates have come down by 0.37 percent - not quite the half-point the Fed rate came down, but a few things on that: First, like other durable goods, real estate's reactions are sometimes a little lagged. We'll probably see some more movement this week. Second, a 37 basis point move is bigger than it seems. Mortgage payment amounts change by roughly 10x the change in the interest rate. That means if you're a typical earner buying a typical house this week, your payments are 3.8 percent lower and take up 1.5 percent less of your gross income - not small change.

What can we expect to happen in housing now that rates are coming down? Not a ton any time soon 😞



The graph to the left shows total housing unit sales and 30-year fixed mortgage rates since early 2020. Back then, at the start of the pandemic, rates weren't just low, they were the lowest they've ever been. Starting at the end of 2021 (a few months before the Fed began hiking its policy rate), mortgage rates started to climb and didn't stop until they reached 15+ year highs. And home sales tanked.

The upswing in interest rates was enormous - almost four points in the first 10 months and another point over the next year. Up five points in under two years and, sure, the market reacts [bigly](#), but the Fed is not likely to move rates back down that much maybe in the next ten years and certainly not nearly as quickly as they went up. Ergo, no good reason to expect a big turnaround in housing any time soon 😞

According to the Bureau of Labor Statistics (BLS), U.S. housing inflation exceeded the rate of total inflation for 96 consecutive months, from March 2013 to February 2021, by an average of one percentage point the entire time. The pandemic didn't help matters, of course, but it [didn't start the fire](#) either 🔥

Until next week,

Michael Uhrich
Founder & Chief Economist
[Seventh Point Analytic Consulting](#)