



# Steve's Mortgage Notes

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## Housing bubble?

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We saw what happened when we had a record low number of homes for sale during the pandemic. Home prices went through the roof! What would happen if we suddenly had an oversupply of listings for sale? Would it be reasonable to imagine home prices declining just as fast?

Some Southern states are already seeing what could be an oversupply of listings. Florida, Georgia, and Tennessee have inventory levels that are "200% higher than the pandemic low". Arizona, California and Washington have inventories that are up 40% year-over-year. We have seen higher inventory right here in Pima County.

What's happening? Real estate columnist A.J. Fabino says there are multiple factors at work. Areas that have seen the highest inventory spike have had lower than average migration and new construction is delivering more units. Finally, remote workers are being called back to the office. What Fabino failed to mention was that mortgage interest rates remain high

which has disqualified many would-be home buyers.

Will this trend lead us to a real estate market crash? Probably not, especially if mortgage interest rates come down to Earth (under 6%). If mortgage rates fall, more buyers will enter the market and much of the added inventory will be absorbed.

There are two variables that could tip the scales toward a bursting bubble. Wall Street investment firms have [spent billions buying single family homes](#). If these investors decided to sell at the same time it could flood the market with listings. The other variable is the huge number of short term rental properties in the U.S. According to USA Today there are [over 2.4 million properties listed as short term rentals](#) across America. If all of these AirBNB and VRBO owners decide to sell at the same time it would create enough housing inventory to cause a price drop across the country.

A full on "crash" or a bursting bubble is unlikely. The data from the Southern states could be duplicated here in Pima County. Is that happens, our local home values may come down some. How much of a problem would slightly lower home values be for me and you? Well, as a loan officer (me) and a Realtor (you), it would create more business. Get ready!

## Interest rate update

Wait for it. The employment numbers from the Bureau of Labor and Statistics will be revised lower. Inflation will continue to fall as well because the cost of rent is coming down and that takes a while to be reflected in measurements like CPI.



In just over two months, the election and the holidays will be behind us. The Fed will cut the Fed Funds rate two more times as well. We could be starting off 2025 with clear heads and mortgage interest rates near 6%. Get ready.

Here is a look at [the average interest rates from Mortgage News Daily](#):

30 year fixed rate 6.68% (6.64% last week)

15 year fixed rate 6.07% (6.1% last week)

## Bits and Pieces

Home values will collapse. There is too much demand. Home values probably won't skyrocket either. Realtor.com reports that [active listings are up 34% from a year ago](#). We need more listings in Tucson. Our own MLSSA says [sales volume is down almost 20%](#) from a year ago.....  
.....Dave Ramsey has a list of ["10 signs you have a bad real estate agent"](#). Poor communication is never acceptable. Ramsey also says lack of experience should not be a deal killer if the agent has support and resources for advice.....Savanna Randall is an eleven year old Oro Valley resident. Thanks to Savanna, you no longer have to eliminate Oro Valley if you have a buyer [that wants to raise chickens on their property](#). The new rule does not affect HOA guidelines.....  
.....I have great news! [Real estate sales have hit a 30 year low!](#) Why is that good news? Because markets are cyclical. We don't have a 30 year low population. There are people out there that want to buy and they will. Get ready. Your services are needed.

A third of millennials say that [national politics are very or extremely influential](#) when choosing where to live. That is the highest level for any generation. Have you had clients that moved to (or from) Tucson due to politics?.....This is why I think mortgage interest rates will come down relatively soon: [PPG is laying off 2,000 employees in Pennsylvania](#). PPG makes paint and that doesn't mater. What matters is that the economy is not healthy. The Fed will continue to cut. Mortgage interest rates will eventually follow.....The number of home sales is low and I guess I have to take some of the blame. Morgan Stanley says the ["lock in effect"](#) is keeping home owners from listing and selling. Most of today's homeowners bought or refinanced in 2020 or 2021 and they don't want to give up their low payments.....

.....[Home builder confidence is up](#) according to the National Association of Home Builders. This is ironic because existing inventory is on the rise. Inflation is down which makes building an affordable home easier to do. Bonus for builders: lower mortgage interest rates are around the corner.

## Quote of the Week

**"Everybody fails; its no big deal. It's what being human is. Don't let that stop you from taking risks."  
-Katty Kay**

Do you need 3 hours of legal issues credit? There is still room in my next CE class "The Power of Credit and Maximizing Your Credit Score". I promise that this will be the most fun you can have covering the very serious topic of credit and credit reports.

The class will be held at the Stewart Title office at 3939 E. Broadway Blvd on October 29th from 9:00 AM to noon. The cost is \$10.

Do you know what the average FICO score is in America?  
Did you know that your score can be different depending on what type of credit you apply for?  
Do you know that your clients can get better interest rates with the right management of their credit?

We're going to have fun! Let me know if I can reserve a seat for you.

Thank you for reading. Have a great week!

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