# Monthly Market Report

## October 2026

KCM

Presented By



**Alex Rowsey**

Senior Research Manager



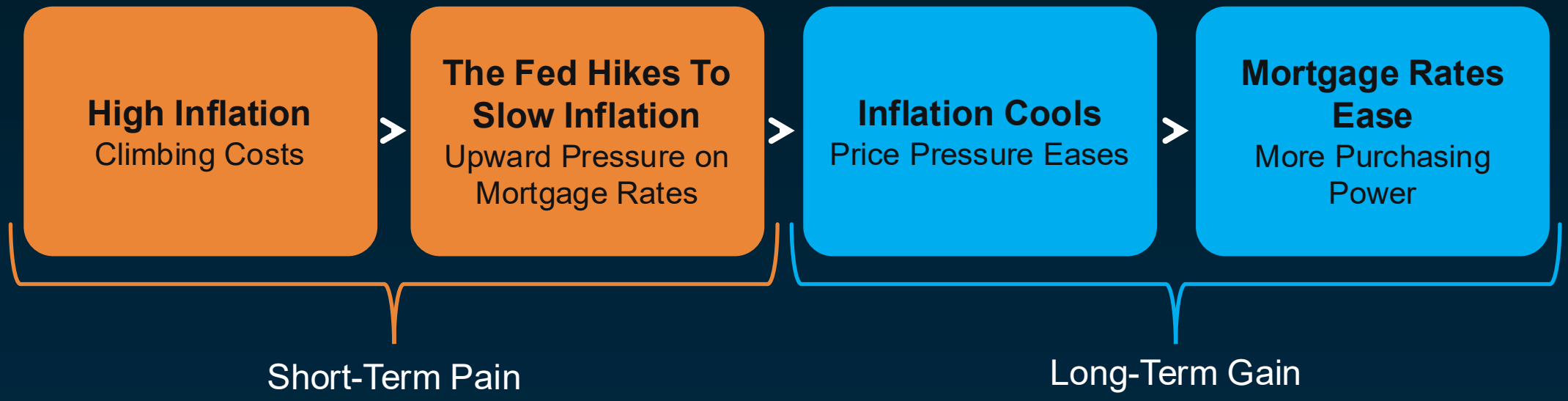

# Fed Hikes: Short-Term Pain for Long-Term Gain



When inflation remains high, investors typically demand higher yields on Treasury bonds, which can keep mortgage rates higher, too. High inflation can also leave buyers with less spending power and make homes more expensive to build.

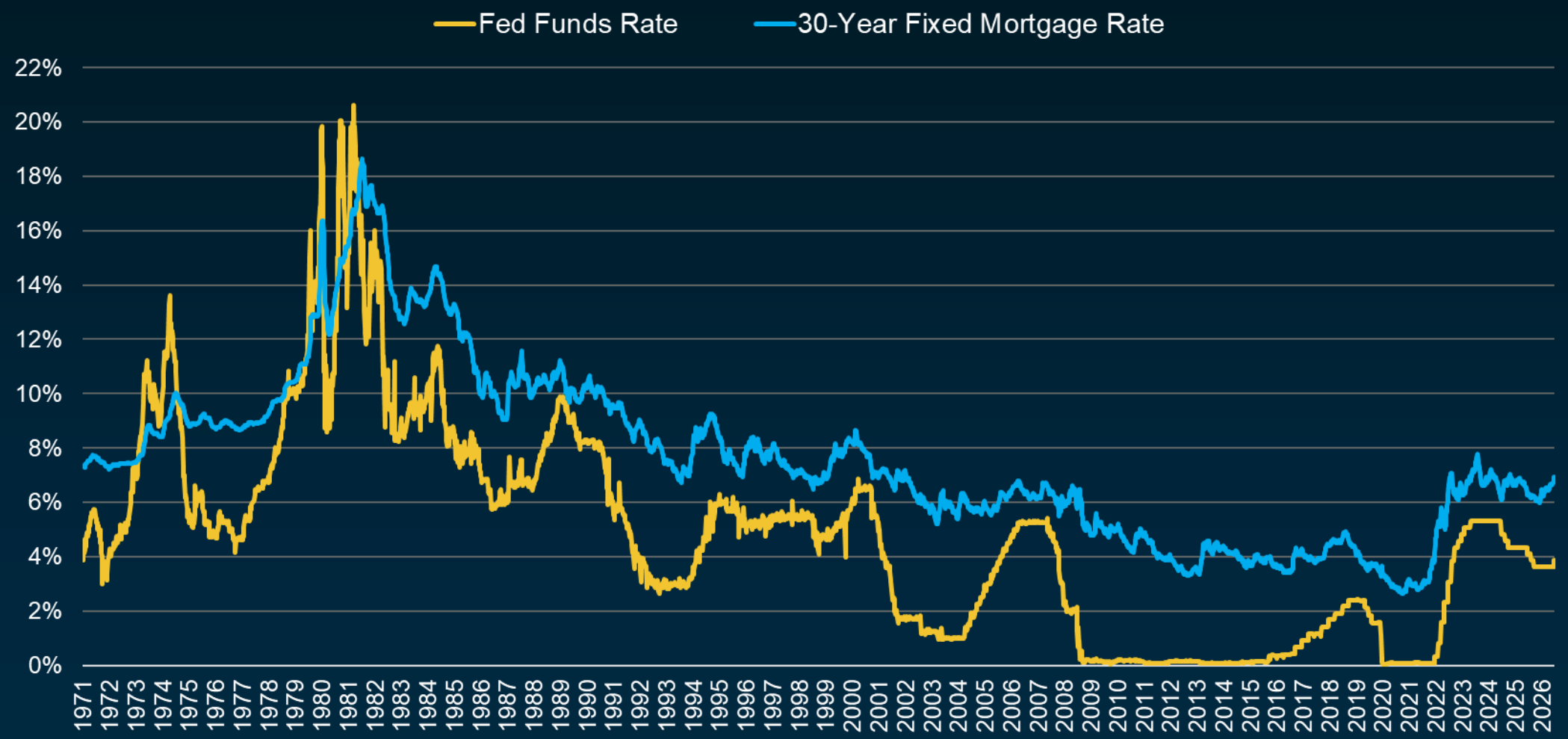
# Why the Fed Raises the Federal Funds Rate

A Little Pain Today To Set Up Relief Down the Road



**The Federal Reserve influences mortgage rates, but doesn't set them. . .** Mortgage rates are influenced by many elements, including the inflation rate, the pace of job creation, and whether the economy is growing or shrinking. The Federal Reserve's monetary policy is a factor, too . . .

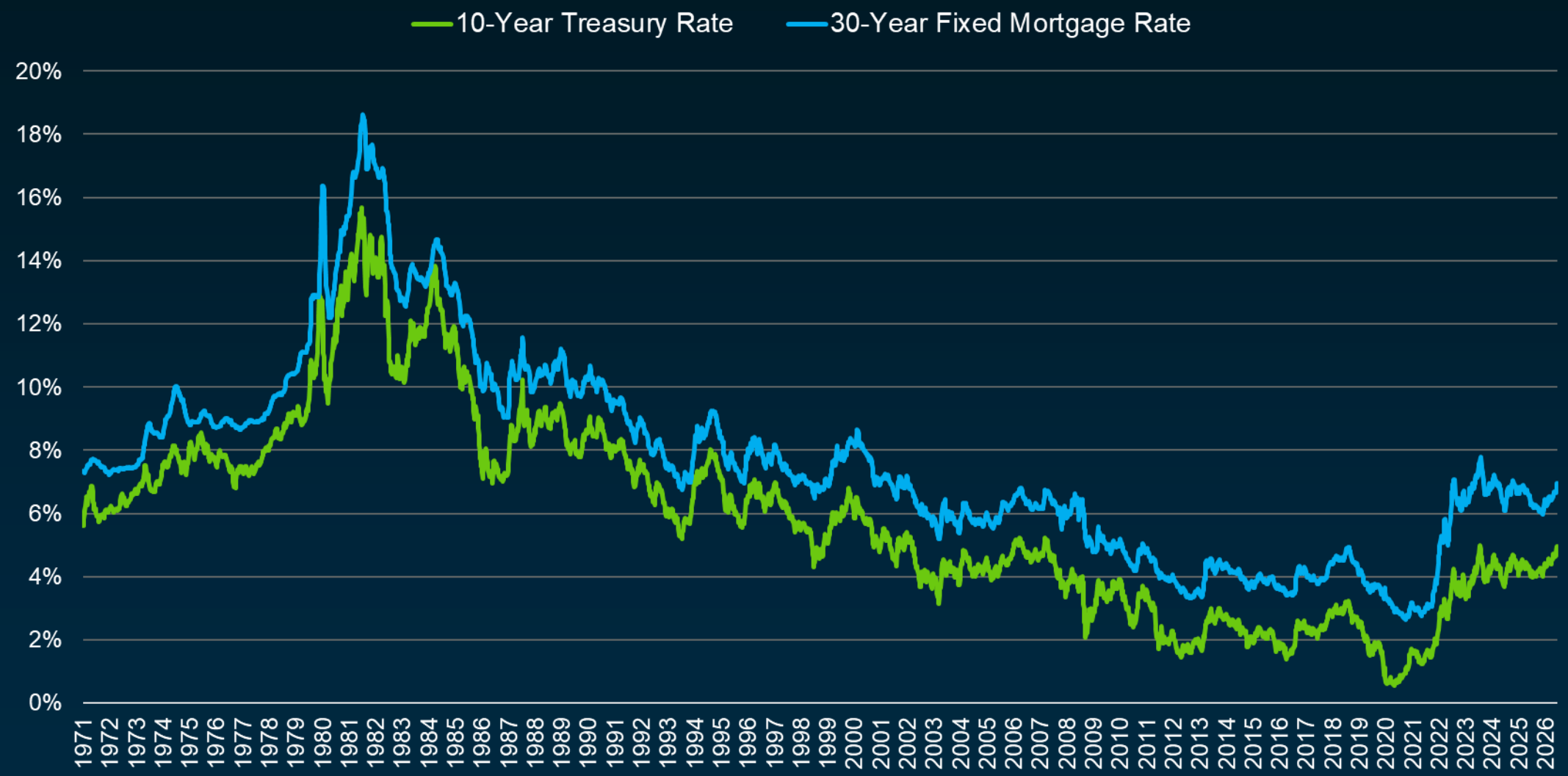
# The Fed Doesn't Set Mortgage Rates, But It Does Influence Them






Sources: Freddie Mac, Macrotrends

# Mortgage Rates Follow the 10-Year Treasury






Sources: Freddie Mac, Macrotrends

Mortgage rates are tied to the 10-year Treasury yield rather than the shorter-term federal funds rate set by the Fed. **That is because most 30-year mortgages last around 10 years before being refinanced or exited through a sale.**

**Wall Street Journal**

# How Fed Rate Hikes Can Impact the Housing Market in the Short Term

## Current Homeowners



HELOCs and other variable-rate loans can become **more expensive** when the Fed raises rates.

## Smaller Builders



Higher borrowing costs can make it **more expensive to build** new homes.

## Buyers




Higher rates can mean **less buying power** and a higher monthly payment.

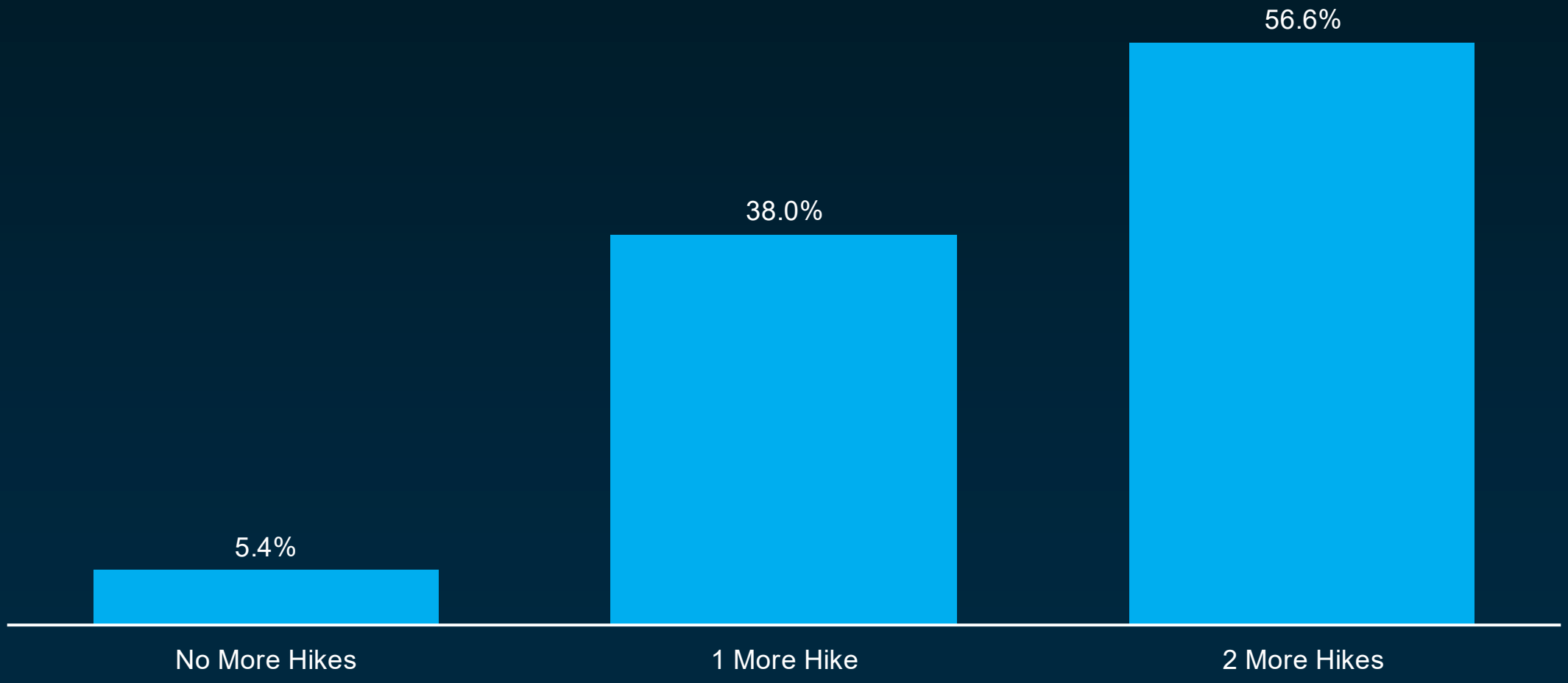
## Sellers




Higher rates can make the **next home less affordable**, causing some homeowners to stay put.

# Expect the Fed To Raise the Fed Funds Rate Again This Year

Odds of Additional Hikes During the Last 2 Fed Meetings of 2026 (as of 9/28)






Source: CME FedWatch

If we get the conflict over and oil and bond trading positive, we can reassess where we are in the economy and the Fed. However, **until then, don’t think about rates going under 6.50% anytime soon . . .**

**Logan Mohtashami**
Lead Analyst, HousingWire

# For Buyers

- Get pre-approved so you know your real budget at today's rates.
- Compare offers from more than one lender. Quotes can vary a lot.
- Lock your rate once you're under contract so a jump before closing doesn't raise your payment.
- Ask about seller concessions or builder buydowns to bring your rate down.
- Look at homes that have been listed for a few weeks. Those sellers are often more open to negotiating.

# For Sellers

- Start with your goal and timeline. A fast sale and top dollar might call for different strategies.
- Price for today's buyers. Higher rates mean smaller budgets.
- Think about offering a rate buydown. It can help a buyer's monthly payment more than a price cut.
- Make sure your home is move-in ready. Buyers stretching to afford a payment don't have much left for repairs.
- If you’re buying another house, use your equity to soften the higher rate on your next home.



**Over time, firmer Fed action could help steady the bond market and open the door to lower mortgage rates, but only if investors become more confident that inflation is coming under control.**

Until then, higher incomes and slower house price appreciation may restore some buying power, though elevated mortgage rates will limit how much potential demand translates into sales.

**Sam Williamson**
Senior Economist, First American



# There Isn’t 1 Housing Market Right Now. There Are 4.

There is no longer a housing market in United States . . . There are four Americas. There are **cash buyers** who live in a completely different world . . . **Buyers who need financing** who are paying 6.5%, putting 20% down. There's **owners who are locked into 3% rates** who are imprisoned in their own homes and there's **builders. Those are four very, very different kind of cast players** and they look at the world in a different place.

**Ryan Serhant**
CEO, SERHANT

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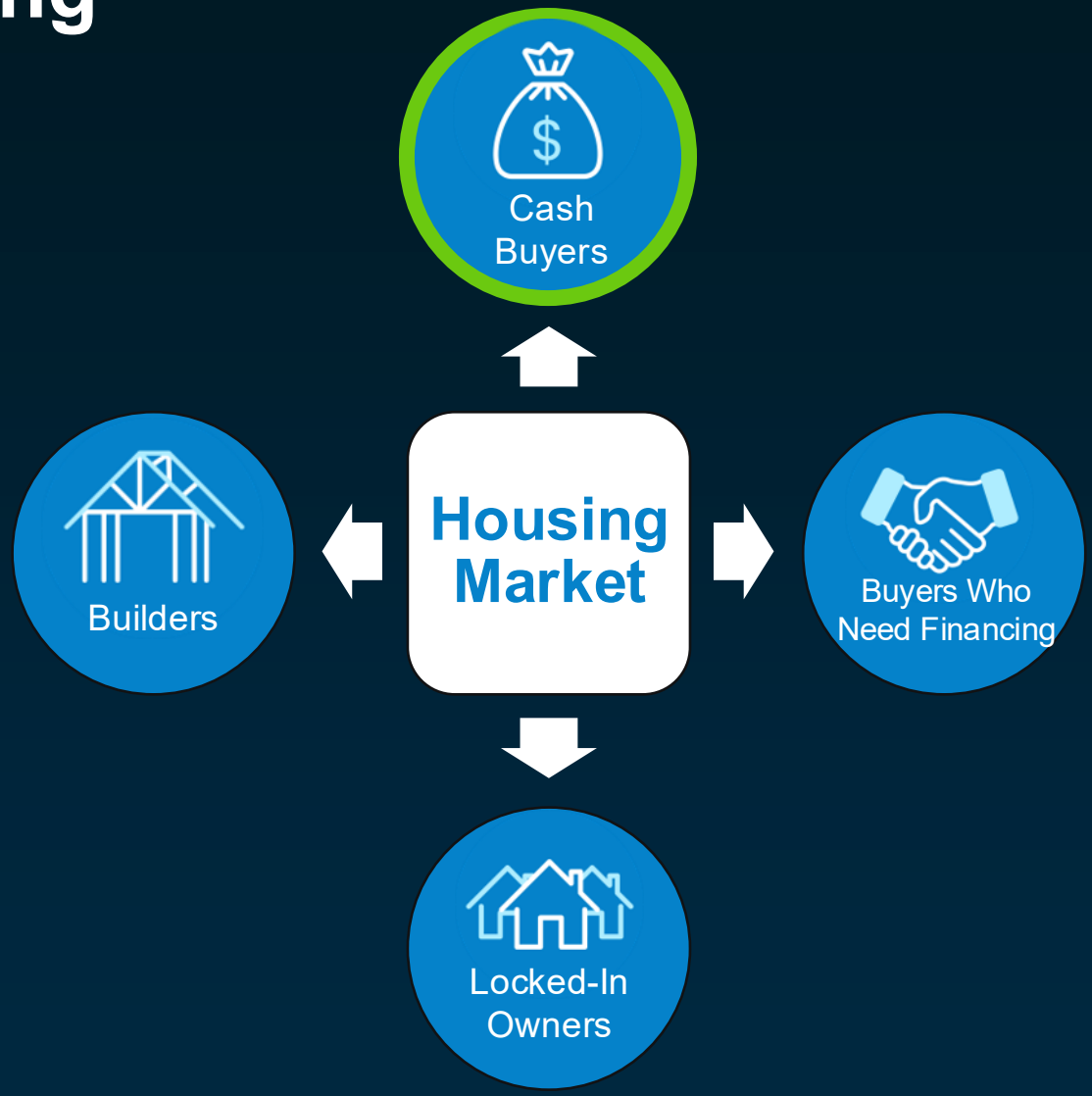
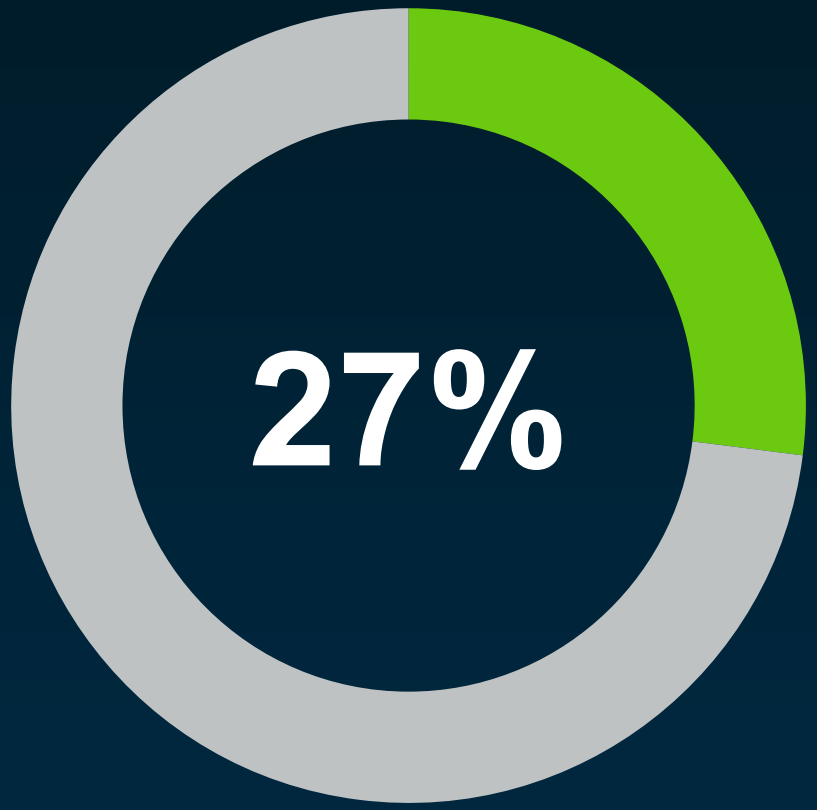


# 1 in 4 Buyers Are Paying Cash



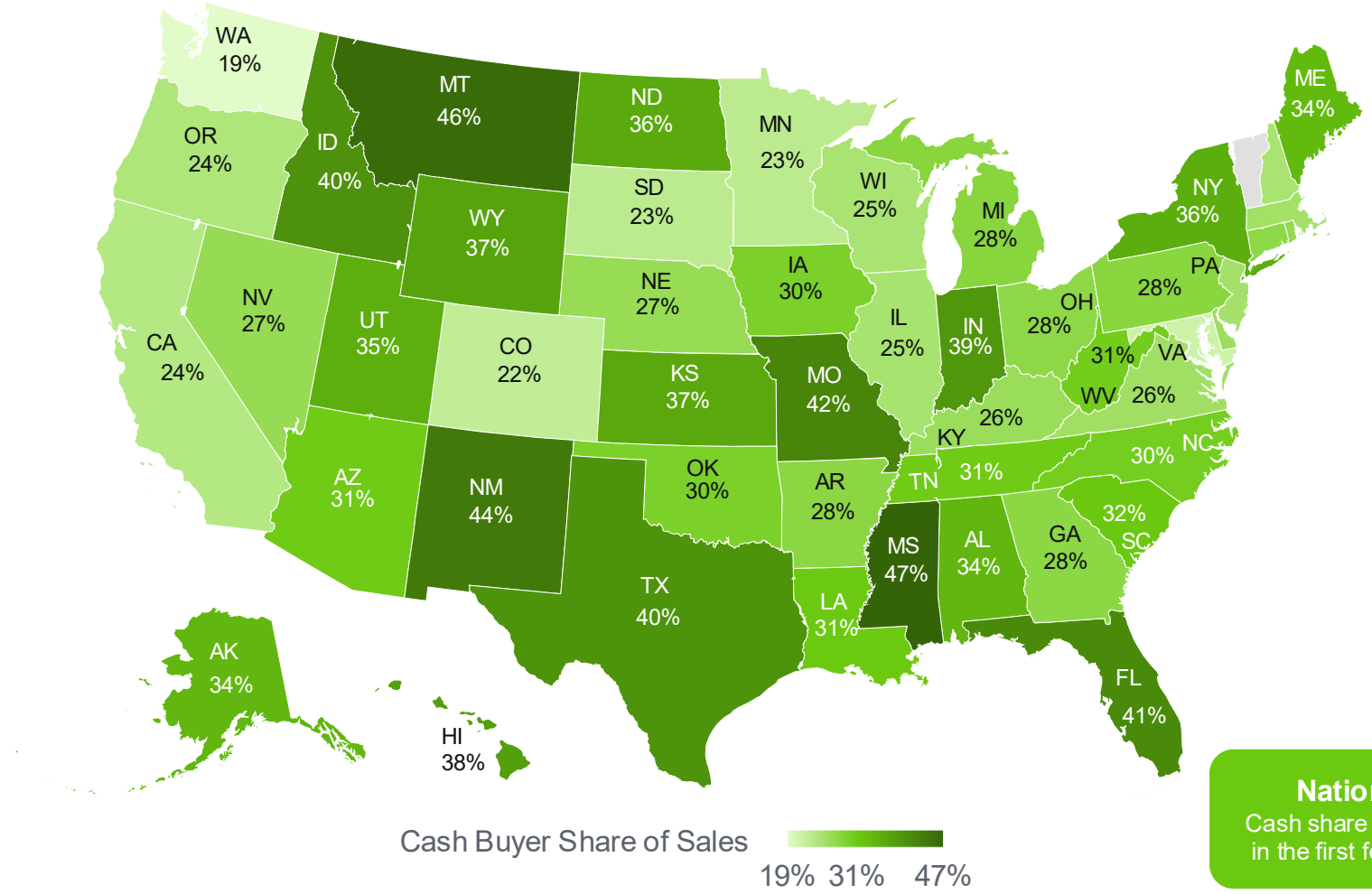

Investors, second-home buyers and repeat buyers who can leverage cash from a previous sale are using it: **Home buyers paying all cash** for a home remain about a quarter of the home buying market, comprising 27% of existing-home sales in August.



Source: NAR

# Where Cash Buyers Rule the Market

## Share of Home Purchases Made with Cash by State, January – April 2026




| State | Share |
|---|---|
| CT | 28% |
| DC | 20% |
| DE | 26% |
| MA | 26% |
| MD | 21% |
| NH | 25% |
| RI | 27% |
| NJ | 25% |
| VT | N/A |

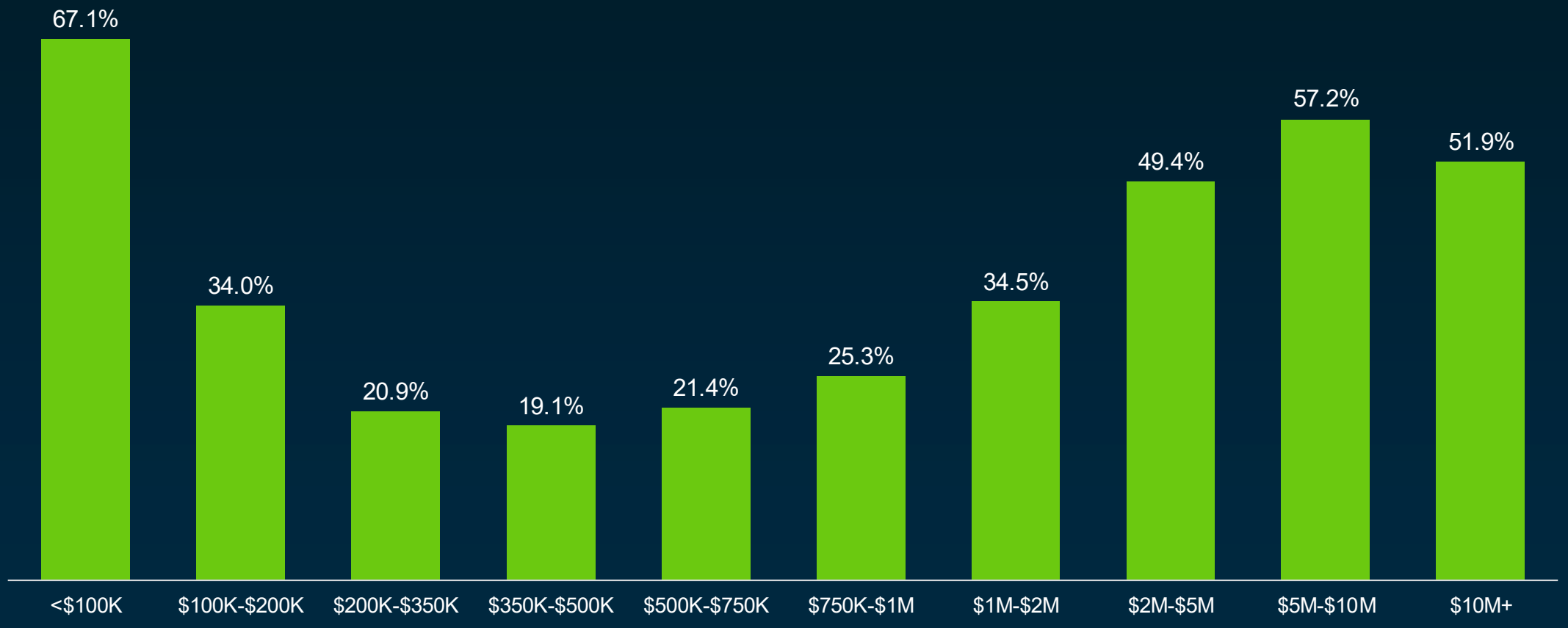
**National Average**
Cash share was **31.4%** of sales in the first four months of 2026



Source: Realtor.com

# Cash Purchases Remain Common at the High and Low Ends of the Market

Share of Cash Sales by Price Tier (January – April 2026)






Source: Realtor.com

# All-Cash Transactions

How To Make This Actionable

## Opportunities

- **Buyers:** no financing contingency means you can move fast and stand out, sometimes enough to negotiate a lower price in return.
- **Sellers:** a cash offer carries less risk of falling through and often means a faster close.

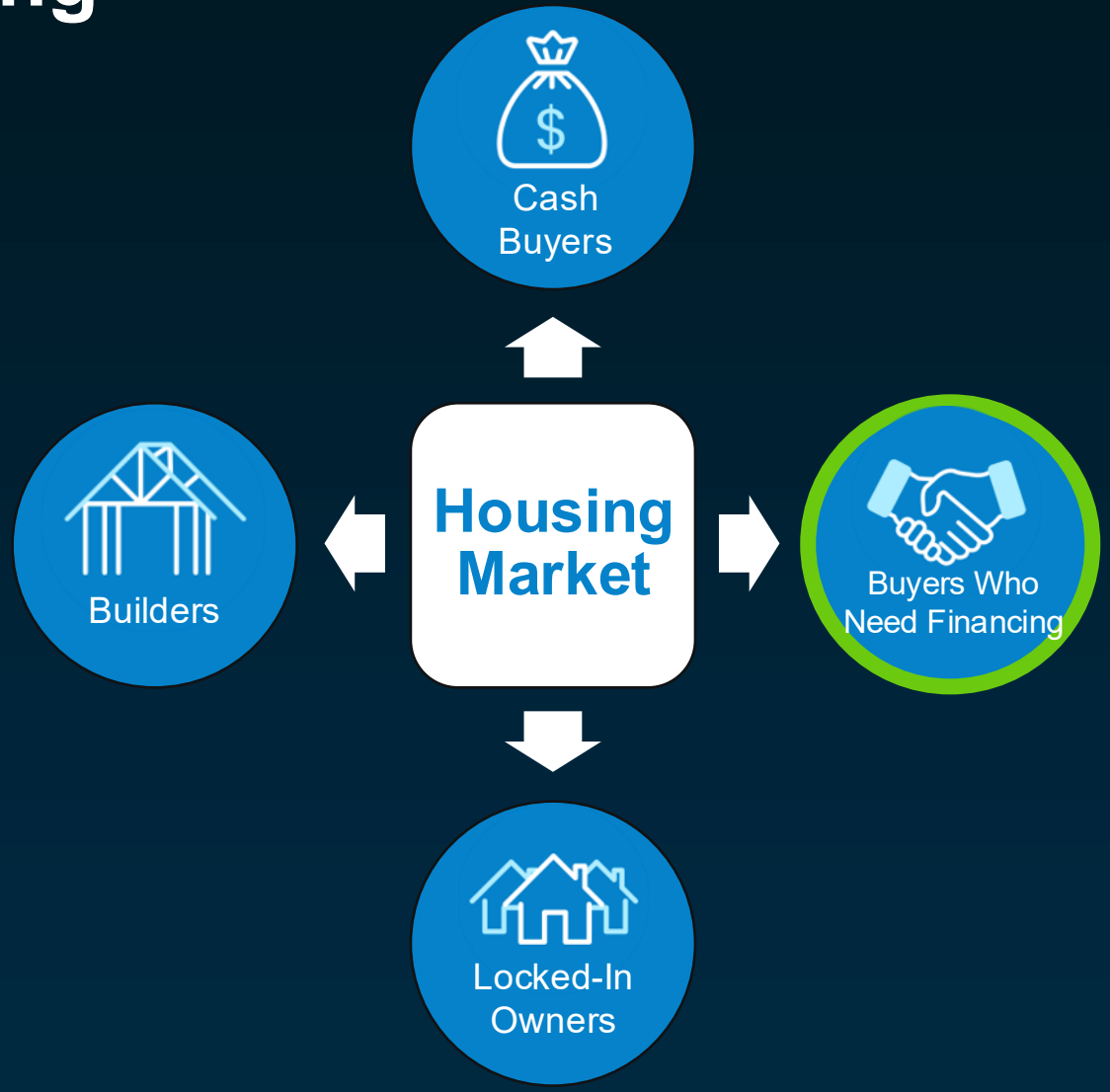
## Tips

- **Buyers:** a fast close doesn't have to mean a blind one. Don't skip the inspection.
- **Sellers:** don't assume cash is automatically the best offer. Weigh speed and certainty against the actual number.

# There Is No “1” Housing Market Anymore

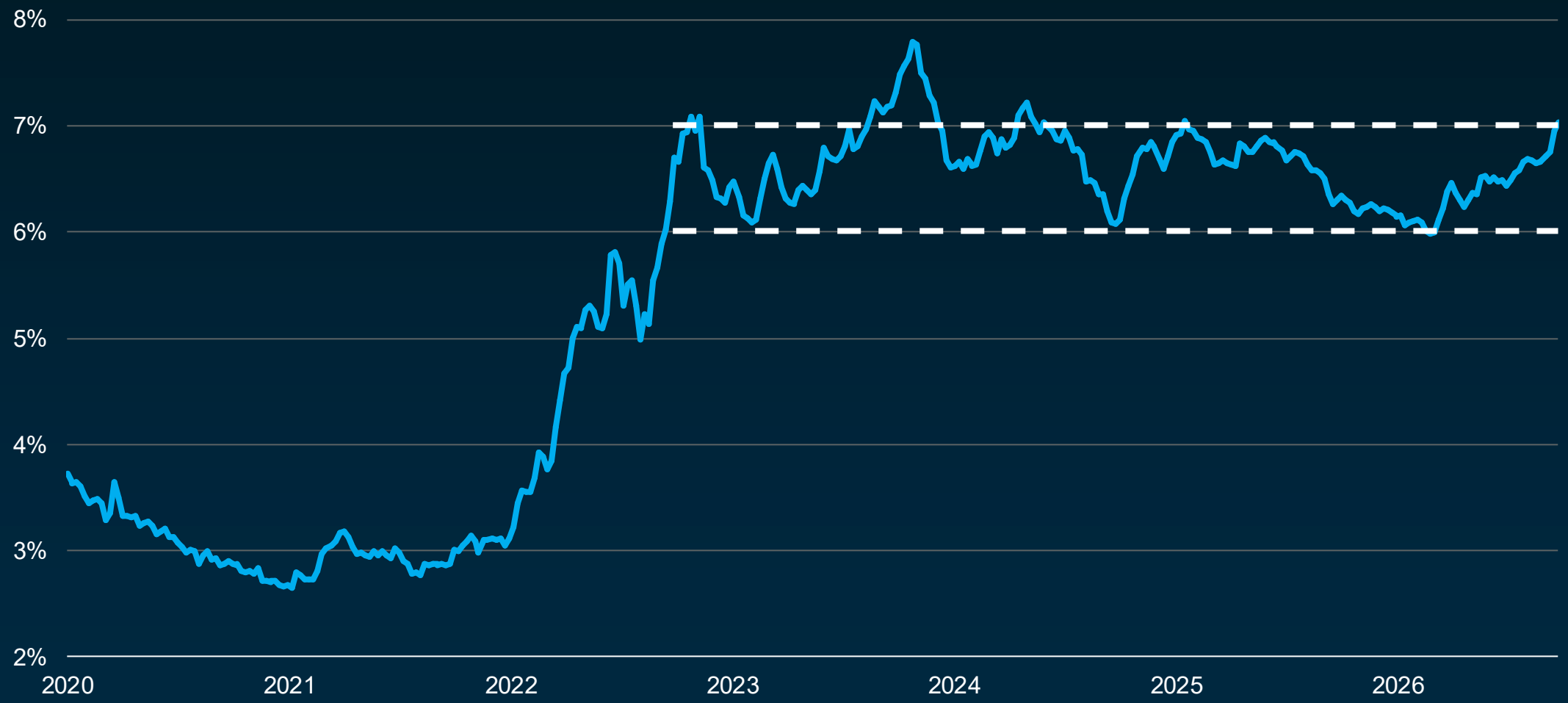
*“There is no longer a housing market in United States . . . There are four Americas.”*

Ryan Serhant
CEO, SERHANT



# Mortgage Rates Are Back at the High End of Their Range

## 30-Year Weekly Fixed-Rate Mortgage





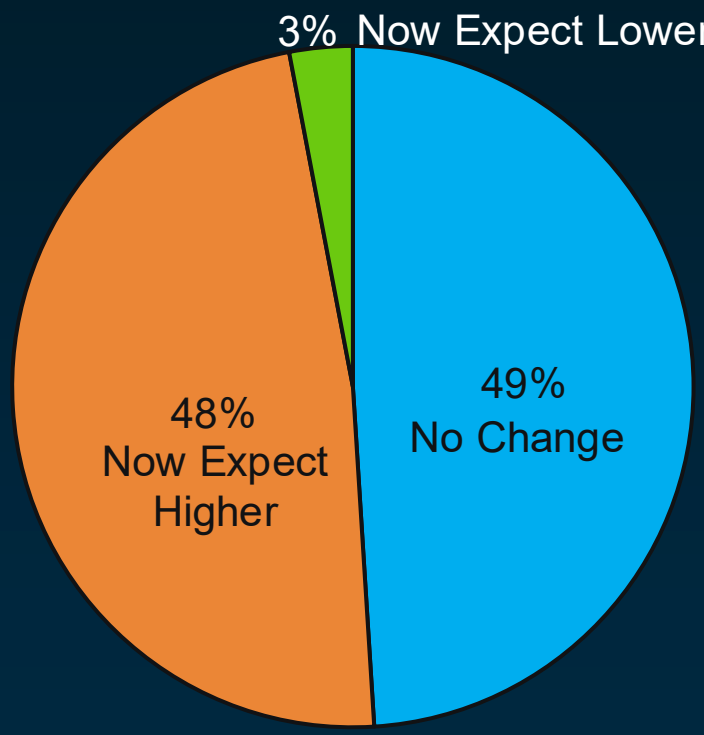

Source: Freddie Mac

The back-and-forth in monthly home sales activity, driven by mild fluctuations in mortgage rates, **shows how sensitive home buyers are to affordability conditions.**

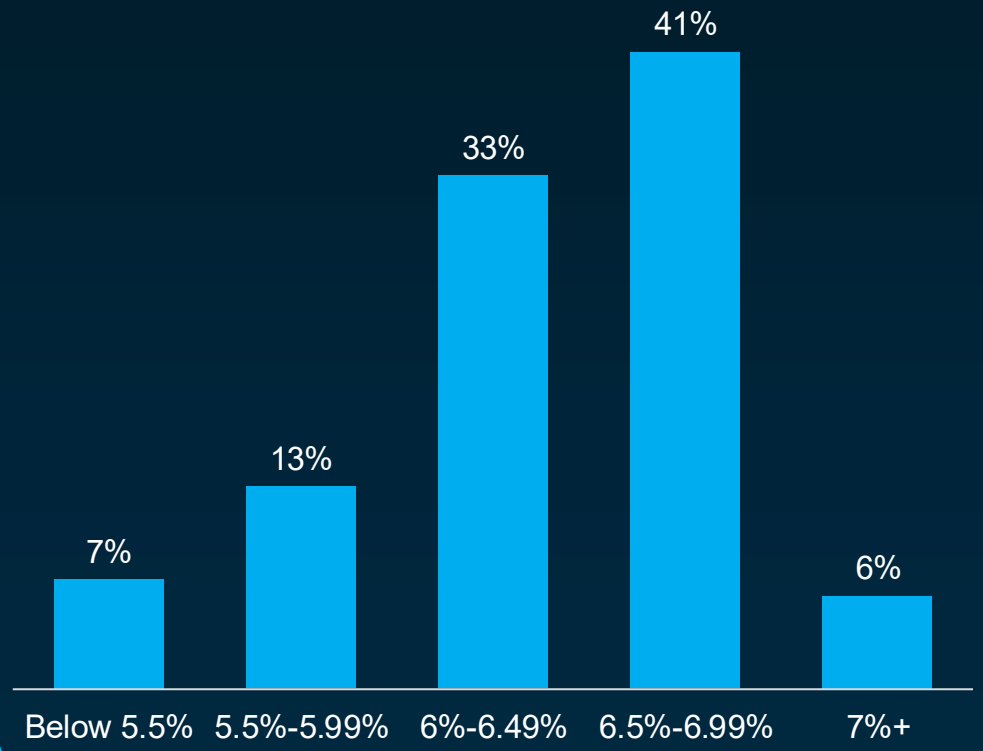
**Lawrence Yun**
Chief Economist, NAR

# Mortgage Rate Expectations Are Creeping Up

## Have *2026* Developments Changed Your Long-Run Rate Outlook?




## Where Panelist Expect the 30-Year Rate at the *Year-End 2027*






Sources: Fannie Mae, Pulsenomics

# Heavily Financed Transactions

How To Make This Actionable

## Opportunities

- **Buyers:** rates aren't dropping, but concessions are at a record high. Nearly half of sellers are giving a concession. Negotiate a buydown or credit instead of waiting on rates.
- **Sellers:** a proactive concession can convert a hesitant, rate-sensitive buyer without touching your price.

## Tips

- **Buyers:** stop trying to time the market. If the payment fits your budget today, that's the signal, not the rate.
- **Sellers:** expect to negotiate. Build a concession into your pricing strategy from the start.

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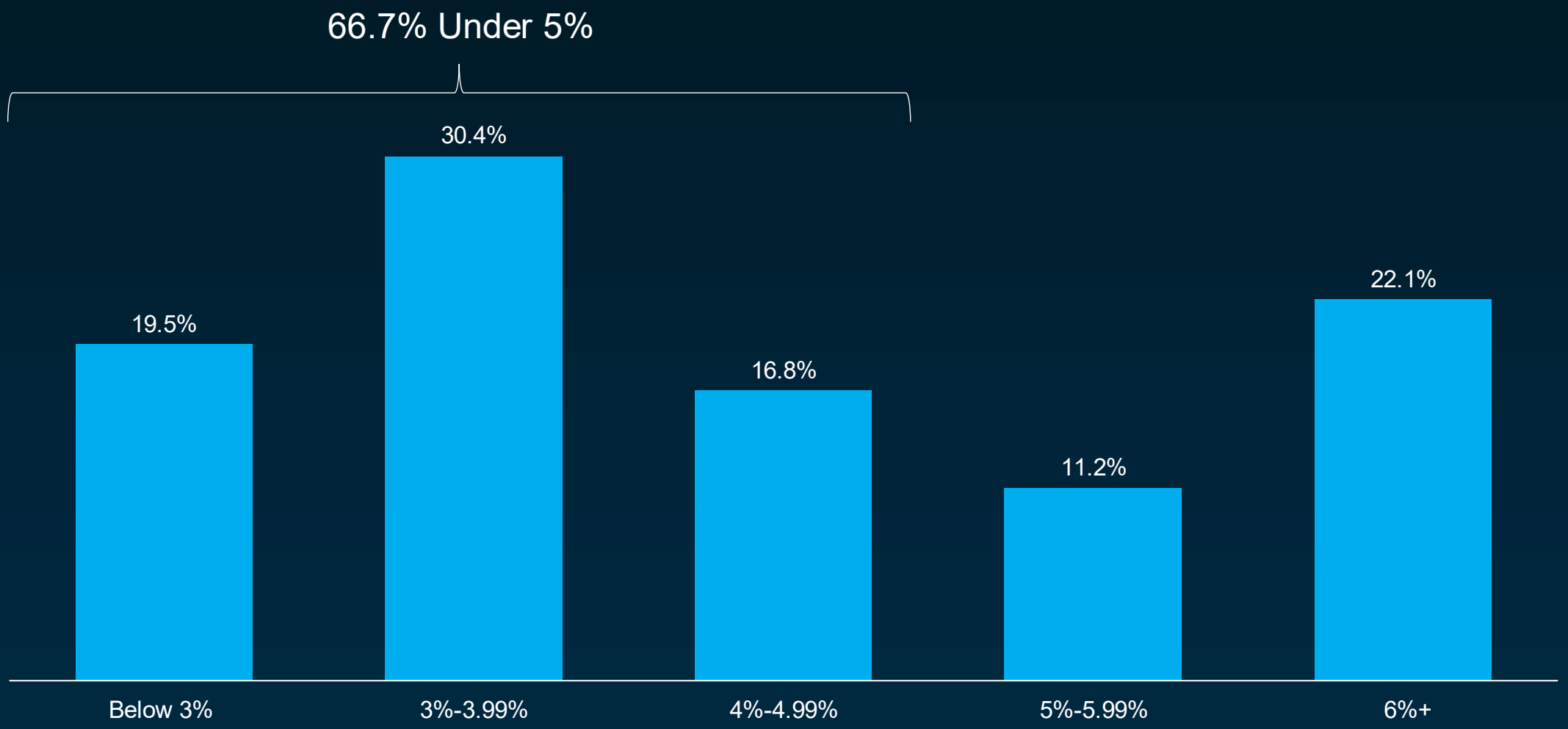
# 2 in 3 Homeowners Have a Mortgage Rate Below 5%

Share of Outstanding Mortgages by Interest Rate, Q1 2026

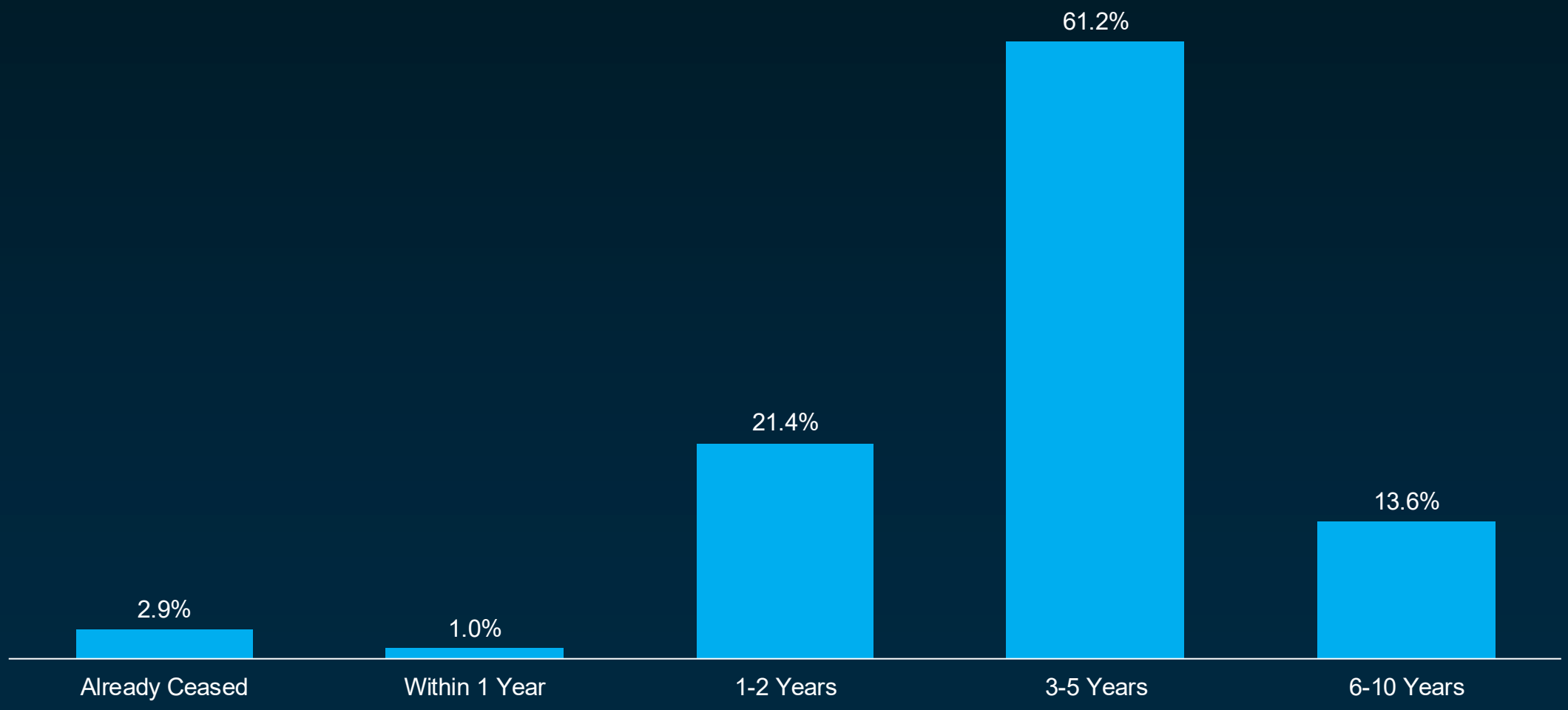





Source: FHFA

# The Lock-In Effect Isn’t Going Away Anytime Soon

## When Lock-In Stops Being a Major Constraint on Sales






Sources: Fannie Mae, Pulsenomics

# Lock-In Effect

How To Make This Actionable

## Opportunities

- **Sellers:** real equity has quietly built up while you waited. Selling might make more sense than the new payment makes it feel.
- **Buyers:** fewer locked-in owners are listing, but the ones who do usually have a real reason to move. They're often more flexible, motivated sellers.

## Tips

- **Sellers:** run the real math (new payment with what your equity actually buys you) before ruling out a move.
- **Buyers:** ask if a listing has an assumable mortgage. Rare, but it's one of the only ways to inherit someone else's low rate.

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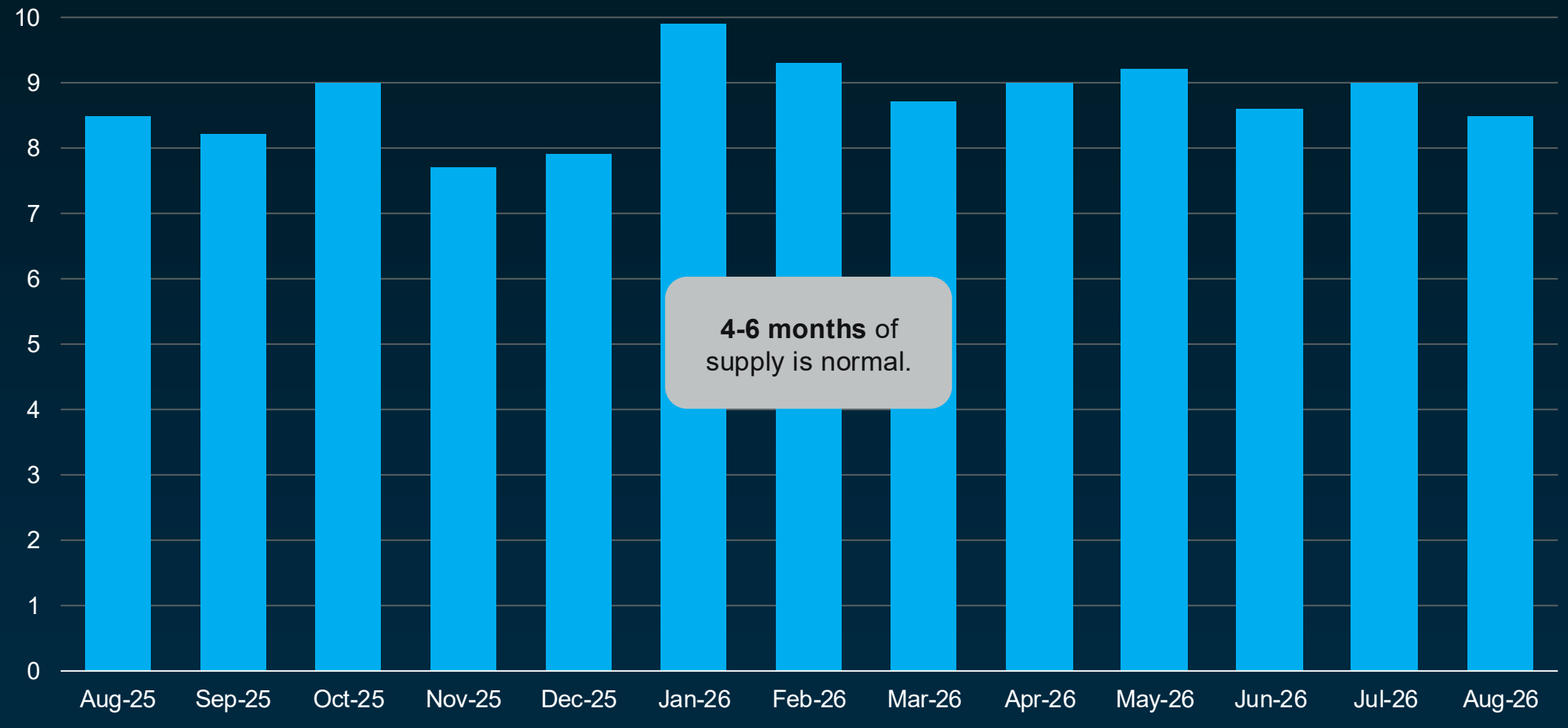
# New Home Inventory Is Building Up

## New Home Supply Remains Elevated






Source: Census



Homebuilders have become increasingly aggressive in using price cuts, mortgage rate buydowns and other incentives to attract buyers, **effectively shifting homes from ‘for sale’ to ‘on sale.’**

**Selma Hepp**
Chief Economist, Cotality

# Areas with a Lot of New Construction

How To Make This Actionable

## Opportunities

- **Buyers:** new-home supply just hit 9.6 months, and builders are leaning hard on price cuts, buydowns, and incentives. This is where the deals are right now.
- **Sellers:** know you're not just competing with other resale listings, you're competing with builder incentives, too.

## Tips

- **Buyers:** compare the whole incentive package, not just the price. A buydown can be worth more than a discount.
- **Sellers:** lead with what a builder can't offer – mature landscaping, an established neighborhood, and a house that's ready today, not in 8 months.