

Home Buyers See Advantage Despite Rates

Cost of mortgages is pressuring sellers to cut asking prices in some metro areas

BY NICHOLAS G. MILLER

Mortgage rates hitting their highest point in nearly three years is bad news for a stagnant housing market, but the upward pressure on borrowing costs is starting to force some sellers to cut prices, offering buyers a glimmer of relief.

Borrowing rates for 30-year fixed mortgages rose to 7.4% from 7.28% last week, according to Freddie Mac, a government-sponsored company that buys mortgages from lenders. That is the highest point since November 2023 and marks a continuation of a rapid run-up in rates that real-estate agents and mortgage brokers say has stopped buyers in their tracks.

The selloff in the bond market has lifted 10-year Treasury yields to their highest point in decades. Those yields are tied to what banks charge home buyers to borrow money for mortgages. Rates for 30-year fixed mortgages tend to follow the 10-year Treasury yield because most mortgages last around 10 years before being refinanced or exited through a sale.

Persistent inflation, along with continued economic strength, fueled partially by spending on artificial intelligence, has convinced bond investors that the Federal Reserve will keep short-term rates higher for longer.

Home prices have continued to rise on a national basis largely because supply has remained constrained, with many homeowners hesitant to give up their low rates from years ago. In many metros, however, prices have come down and buyers have begun to gain leverage as inventory rises.

Agents report that sellers are offering concessions, such as covering closing costs or paying for mortgage-rate buydowns, to get buyers in the door. Jackson Roberts, a broker at ATX Mortgage Lending in Austin, Texas, said 75% to 80% of his deals involve sellers offering credits to cover rate buydowns. In some cases, sellers are slashing prices.

In areas of the Sunbelt, where a building boom in the wake of the pandemic left inventory elevated, prices have continued to fall. In August, even before the latest run-up in rates, prices were down 5% year-over-year in the Dallas metro area, 3.4% in Austin and 1.9% in Tampa, Fla., according to First American, a data provider and economics firm focused on the real-estate market.

According to Redfin, 21% of sellers dropped their asking price during the four weeks ending Sept. 20, up only slightly from the year prior, but still the highest portion for this time of year on record for Redfin's data, which stretches back to 2022.

The housing market is "leaning a little bit more towards a buyer market right now," said Kathryn McNeill, an agent in North Carolina. That is making some sellers hesitant to put their homes on the market, she said.

When Charles Hansel and his fiancée Ellen Smith saw a three-bedroom cottage with a wood-burning fireplace and a screened-in side porch listed for \$650,000 in a Charlotte, N.C., neighborhood they never thought they would be able to afford, they jumped.

"When this came up, we kind of looked at each other and we couldn't believe it," he said. "We figured we probably wouldn't be able to get in during normal times."

The couple had locked in a mortgage rate of 6.625% in September. They offered the asking price for the house, which the seller accepted.

Mortgage rates over 7% increase monthly payments for buyers, which has led many to stop their search or pull out of deals. At a 7.4% mortgage rate, a home bought for \$500,000 with a 10% down payment would require a monthly payment of \$3,716,

including home and mortgage insurance and taxes, according to a Zillow calculator. At 6.71%, where rates averaged at the beginning of September, the monthly payment would fall to \$3,507.

In Seattle, high mortgage rates are compounded by tech layoffs making prospective buyers nervous about the labor market. In August, prices there were down 1.8%.

TJ and Jenni Vaninetti first listed their three-bedroom house perched on a hill with sunset views in the greater Seattle area around 75 days ago at just under \$900,000, the home's appraised value, and thought they would sell quickly. But the rise in rates changed the equation.

This week, they cut the price for the fourth time, bringing it to \$780,000. They have advertised they would cover closing costs and buy down interest rates. Still, they received zero offers.

"There's just no buyers," said TJ Vaninetti. "They're just not out there."

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