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Housing View Dims As Rates Climb

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Mortgage rates rose to their highest level in almost a year, as Middle East tensions spurred fears of higher inflation.

The 30-year fixed-rate averaged 6.58% this week, up from 6.55% the week prior, according to Freddie Mac, the highest level to date this year. Mortgage rates are closely tied to the 10year Treasury yield, which hit an 18-month high Thursday because of rising oil prices.

"Given what's happened in just recent days with the 10year Treasury, I think mortgage rates will get closer to 7% in the coming weeks," said Mark Fleming, chief economist at First American.

The rate surge comes at the worst time. The real-estate industry had been hoping the spring selling season would shake the frozen market loose. Instead, it was largely a bust, with buyers spooked by higher rates and uncertain about the path of the economy. This month, the National Association of Realtors said sales of existing homes slid 2.4% in June over the previous month.

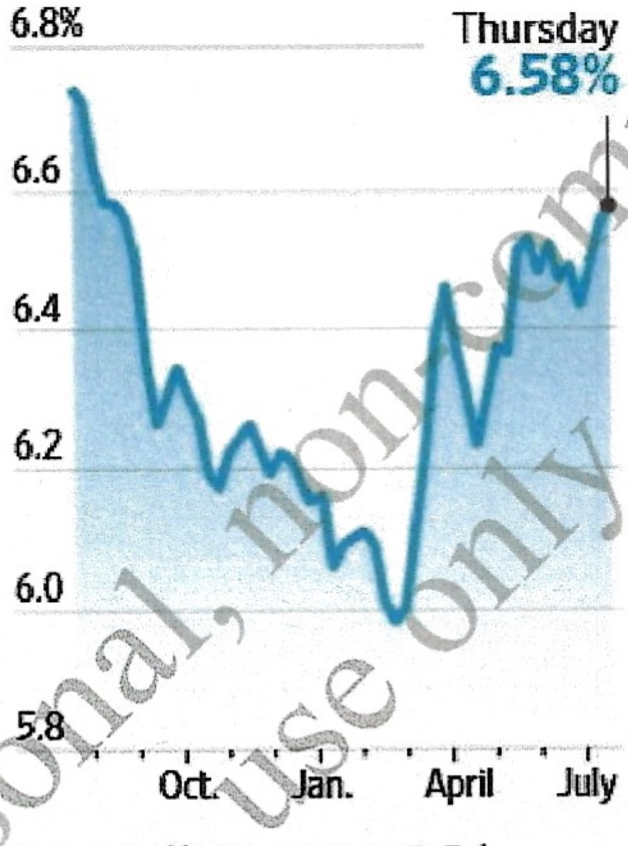
The housing market has been stuck in a slump after the rise in mortgage rates in 2022 concluded a pandemic-era buying frenzy. Many homeowners have opted to stay put to maintain their low rates from years ago, which has weighed on inventory. That has led to rising prices. The national median existing- home price in June rose to $440,600, up 1.8% from a year earlier, according to NAR. Note

Note

Home prices aren't rising as fast as they were in years past, while income is continuing to grow, a positive sign for home sales regardless of where rates head, said Zillow Chief Economist Mischa Fisher.

Even without a significant decline in rates, economists expect the housing market to eventually pick up because of pent-up demand.

Average rate on a 30-year fixed mortgage



Source: Freddie Mac via St. Louis Fed