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Mortgage Rates Over 7% Have Put a Wet Blanket on Today's Real Estate Market

Real Estate Today

By Jim Smith
Realtor®

Let's start with the obvious: mortgage rates above 7% have put a wet blanket on much of the housing market.

Cash buyers are still writing offers, particularly for luxury properties. But for those Americans who need financing, today's rates have substantially reduced purchasing power and made many would-be buyers hesitate before stepping into the market.

Yet, according to veteran mortgage broker **Jaxzann Riggs**, owner of **The Mortgage Network**, focusing only on the interest rate may cause buyers to overlook some opportunities in today's market.

People buy homes when they feel confident about their jobs and income prospects. By those measures, many potential buyers remain in a stronger financial position than the headlines might suggest.

It's also worth remembering that today's mortgage rates are not historically extraordinary. The ultra-low 2% and 3% rates available during the pandemic *were* historically extraordinary.

Those exceptionally low rates helped fuel one of the hottest housing markets in history. Buyers routinely faced bidding wars, waived inspections, and paid tens of thousands of dollars above asking price. Many sellers received multiple offers within days of listing their homes.

Today's market is considerably different. Homes generally stay on the market longer. Buyers have more time to make decisions. Inspection objections have returned. Perhaps most importantly, sellers are frequently offering concessions such as an interest rate buydown, to attract qualified buyers. Those concessions can make a meaningful difference.

Riggs points to a hypothetical $750,000 home purchase where a seller offers a $45,000 concession to buy down the interet rate to 6%. Depending on the loan program and the buyer's qualifications, some or all of that money could potentially be used to reduce the interest rate through a permanent buydown.

In that example, reducing a mortgage rate from 7.75% to 6% would lower your monthly payment by roughly $700 per month.

That doesn't mean every buyer can achieve those numbers. But it illustrates why buyers should look beyond the quoted mortgage rate and consider the entire transaction.

Move-up buyers may have another advantage. Many longtime homeowners are sitting on substantial equity. The proceeds from a sale can often be used to increase a down payment, reduce monthly payments, or improve loan terms on the next home purchase. If you're reluctant to sell and give up a low-rate mortgage, you have another option. In certain circumstances, retaining your current home as a rental property may generate enough income to help offset the cost of purchasing another residence.

Could mortgage rates fall in the future? Certainly. If that happens, today's buyers may be able to refinance into a lower rate. But lower rates could also bring many sidelined buyers back into the market, increasing competition and putting upward pressure on home prices.

That's why Jaxzann and I advise buyers to look at the complete financial picture rather than making decisions based solely on a single number. She can help you with your number crunching.

The monthly payment matters. The purchase price matters. Seller concessions matter. Future refinancing opportunities matter. But, most importantly, buyers should determine whether a home purchase makes sense for their own financial situation, not simply wait for headlines to tell them what to do.

As the autumn market slows and sellers become more willing to negotiate, you may discover that a historically normal mortgage rate combined with favorable seller concessions creates a better opportunity than the frenzied bidding wars that accompanied the ultra-low rates of recent years.

At times like this, it's all the more important to schedule a sit-down with a professional like Jaxzann Riggs. You can reach her anytime at **303-990-2992**.

Here Are Some of My Current Active Listings

Narrated Video Walk-Throughs of Each Listing Can Be Found at www.GRElistings.com

1694 S. Balsam St., Lakewood - $595,000

This 5-bedroom brick ranch with finished basement is on the northeast corner of Balsam Street and W. Mexico Ave. in the Clover Lane subdivision. It was built by the builder for his own family in 1962, but the current owner purchased it a few years later and has owned it for 58 years! He has kept it up nicely and made many improvements and repairs including granite countertops, Champion double-pane windows, new sewer line, heated garage, and more!

13527 W. 63rd Way, Arvada - $499,990

PRICE REDUCED! This contemporary 3-bedroom/4-bath townhome features over 2,250 finished square feet, highlighted by an open-concept main level with soaring vaulted ceilings and slab-granite kitchen countertops. All new berber carpeting was just installed on all three levels plus the stairs. A sunny dining area opens to a spacious private patio, perfect for outdoor relaxation. Energy-conscious buyers will appreciate the ChargePoint EV charging station in the two-car garage. The basement contains a third bedroom with a 3/4 bath.

359 Canyon Point Cir., Golden - $1,650,000

The seller, who purchased this model home in 2002, has made several great improvements including solar panels, hardwood flooring, and totally new gourmet kitchen and master bathroom. The 4 upstairs bedrooms and stairs have new Berber carpeting, too. The view to the east takes in both table mountains and the city of Golden, plus a view of Lookout Mountain and the iconic "M" on Mt. Zion. There's a trailhead to Mt. Galbraith Park's five miles of hiking trails within the subdivision. The main-floor deck has been completely rebuilt with metal railings and a breakfast

992 S. Dearborn Way #7, Denver - $150,000

This 1-bedroom/1-bath Sable Cove condo would make a great starter home for the right buyer. It's east of I-225 and north of Mississippi Avenue, south of Aurora's town center. The seller, who bought it for a family member, updated everything in this ground level unit. It has luxury vinyl plank flooring throughout, a pantry with slide-out drawers, laundry hookups, and a wood-burning fireplace. There is lots of open lot parking for you and your guests.

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Two decades of these columns are archived at JimSmithColumns.com

Green Disclosure Catches Up With Newer Technology

For the first time since 2013, the Colorado Real Estate Commission has substantially updated its Green Disclosure form, reflecting how much residential construction and home technology have changed in 14 years. When the 2013 disclosure was introduced, many of today's most desirable energy features either didn't exist in the marketplace or had not yet become mainstream.

Among the most significant additions are both regular and cold-climate air-source heat pumps, heat-pump water heaters, electric vehicle charging systems, smart electrical panels, battery storage systems, and, for the first time, rooftop solar photovoltaic systems.

These changes reflect the accelerating trend toward electrification. A buyer looking at two otherwise similar homes may place substantial value on a home with solar panels, EV charging capability, battery backup, or highly efficient heat pump systems. The old form provided no easy way to highlight those features.

The updated disclosure also recognizes widely used green-building certifications that were barely reflected on the 2013 disclosure. Sellers can now disclose certifications and ratings including Passive House certifications, Enterprise Green Communities, and HERS ratings.

Another improvement is the addition of a new "Building Thermal Envelope" section. Sellers can identify high-efficiency windows, doors, skylights, air-sealing improvements, and blower-door or duct-leakage testing results, items that directly affect comfort and energy costs.

As before, the new disclosure places responsibility for completing the form on the seller, not the broker, and it remains a disclosure rather than a warranty. Buyers are still advised to conduct their own inspections and due diligence.

Of course, there will be more green features introduced in coming years, and some features presently exist that aren't listed on the new disclosure, such as electric fireplaces and induction cooktops.

The rest of this article and a link to the new form can be found on my Substack blog.

Why Colorado experienced one of the