

# Real Estate

SAN FRANCISCO CHRONICLE AND SFCHRONICLE.COM | Sunday, September 15, 2024

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## Mark Becker masterpiece in Oakland

Skyline Boulevard home blends elegance, practicality J6



OPENHOMESPHOTOGRAPHY

The four-bedroom, four-and-a-half-bathroom Mediterranean view home was designed by Mark Becker.

**Sound Off:**  
How interest rate drop could affect market. J2



Blake Worthington

### Getaway

Cape Cod style home once owned by Kate Beckinsale is on the market in Los Angeles. J18



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### Home Trends

From "mapped blue" to violet, paint brands begin announcing their 2025 Colors of the Year. J20

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builds community in Monterey County

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## REAL ESTATE

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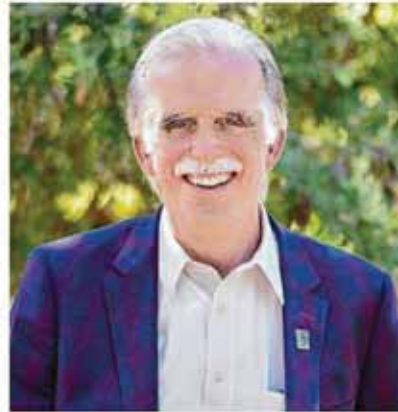
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## SOUND OFF

# If the Fed drops interest rates as expected, what effect will this have on mortgage rates and our housing market?



**A:** The Federal Reserve typically aims for an inflation rate (the PCE price index) of 2%.

The inflation rate has been coming down, but is still slightly above the 2% target. The Fed recently indicated they are seriously considering a rate cut of a quarter- to half-point to the federal funds rate when they meet on Sept. 17, and may consider two additional cuts in the fourth quarter.

The federal funds rate is the rate that banks charge each other for short term loans and is set by the Federal Reserve. While a drop to that has a direct effect on consumer loans, it can also affect mortgage interest rates.

Mortgage rates have been dropping recently, with a 30-year fixed rate mortgage at 6.25% with no points. Some of this is due to an anticipation of the Fed's cut which has been built into the market.

My view is that while mortgage rates will drop a bit more if the Fed takes the anticipated action, I don't expect them to drop sharply now.

If the Fed follows through with additional rate cuts, we will see mortgage rates come down more. This will bring more buyers to the marketplace, but will also push the rate of increase in home prices.

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**A:** A drop in interest rates by the Fed will have a positive effect for all the right reasons, to include lower monthly mortgage payments, higher purchasing power and peace of mind to invest in property. My Sound Off colleagues can dive into the stat weeds regarding a weak jobs report, inflation figures and basis-point cuts; however, any decrease in the cost of mortgage money should provoke an incremental increase in demand for homes.

Good news: Since April the 30-year mortgage rate has already dropped from 7.27% to 6.16%.

Bad news: Housing affordability in the greater San Francisco Bay area remains the biggest hurdle. Then factor in the distraction of the forthcoming election and it could be that a substantial downward jolt in rates is required to get more people off the fence.

Buyers looking to set down roots and/or build wealth in real estate will still buy, affirmed by the Warren Buffett quote, "Someone is sitting in the shade today because someone else planted a tree a long time ago."

But let's hope the Fed delivers a significant drop in rates needed to inject more optimism and tangible affordability in the housing market to everyone's benefit.

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**A:** Mortgage rates have fallen to their lowest level since April 2023, driven by expectations surrounding the Federal Reserve's upcoming meeting. While the Fed does not explicitly set mortgage rates, its policies influence the bond market, which impacts consumer mortgage rates.

These lower rates could encourage more sellers, who had been reluctant to list their homes because of the low rates they were able to lock into, to put their homes on the market. This would help address the tight housing supply in the San Francisco Bay Area. At the same time, buyers who have been waiting for more affordable monthly mortgage payments may feel more motivated to enter the market, potentially heating up competition and driving prices higher should new demand outpace new supply coming on the market.

For buyers, now is a key moment to act. With borrowing costs already lower, today's market conditions offer an excellent opportunity to secure a home before prices rise and competition intensifies.

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## Average rate on a 30-year mortgage falls to 6.20%

By Alex Veiga  
AP BUSINESS WRITER

The average rate on a 30-year mortgage in the U.S. fell this week to its lowest level in 19 months, reflecting a pullback in Treasury yields ahead of an expected interest rate cut from the Federal Reserve next week.

The rate fell to 6.20% from 6.35% last week, mortgage buyer Freddie Mac said Thursday. A year ago, the rate averaged 7.18%.

The average rate is now the lowest it's been since February 12, 2023, when it was 6.12%.

Borrowing costs on 15-year fixed-rate mortgages, popular with homeowners seeking to refinance their home loan to a lower rate, also eased this week. The average rate fell to 5.27% from 5.47% last week. A year ago, it averaged 6.51%, Freddie Mac

said.

Mortgage rates are influenced by several factors, including how the bond market reacts to the Fed's interest rate policy decisions. That can move the trajectory of the 10-year Treasury yield, which lenders use as a guide to pricing home loans.

Signs of waning inflation and a cooling job market have raised expectations that the Fed will cut its benchmark interest rate for the first time in four years at its meeting of policymakers next week.

The yield, which topped 4.7% in late April, has pulled back sharply since then in anticipation of a Fed rate cut. It was at 3.68% in midday trading in the bond market Thursday.

"Rates continue to soften due to incoming economic data that is more sedate," said Sam Khater, Freddie Mac's chief economist.