

REAL ESTATE

CONTACT US

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Amir Rezaee
415-777-7387
ARezaee@sfchronicle.com
Steve Weimer
Vice President, Classified Advertising
415-777-7257
SWeimer@sfchronicle.com
K. Cathey: Coordinator
Jordan Guinn: Staff Writer

How to reach The Chronicle and Sentinel Media Services
Mail:
Real Estate Section
San Francisco Chronicle
901 Mission St.,
San Francisco, CA 94103
Email: realestate@sfchronicle.com

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SOUND OFF

Will the recent reduction in mortgage rates have an effect on the Bay Area real estate market?



A: The recent reduction in mortgage rates could influence the Bay Area housing market in a few ways:

- **More buyers showing interest:** Lower borrowing costs give buyers a reason to re-enter the market after they've been sitting on the sidelines.
- **Increased sales activity:** With more buyers at the table, home sales may see a potential increase. Currently, pending sales are going up across California, showing how even a small rate drop can set off some movement.

But here in the Bay Area, a few hurdles persist:

- **Prices are still out of reach:** Bay Area home values remain sky high, keeping affordability tough for many households.
- **"Locked-in" sellers:** There are still many current homeowners who are "locked-in" with historically low rates. These homeowners still aren't eager to list, which limits available inventory.
- **Relief is modest:** A small rate drop helps, but a bigger shift in rates and/or prices will be needed for buyers to feel true affordability.

Overall, the lower rates can potentially infuse a boost of energy into market activity, but it's only part of the puzzle in solving the Bay Area's ongoing housing challenges.

Leo Peak, Peak Family Real Estate Group at REAL Broker, 415-816-1469, leo@leopeak.com.



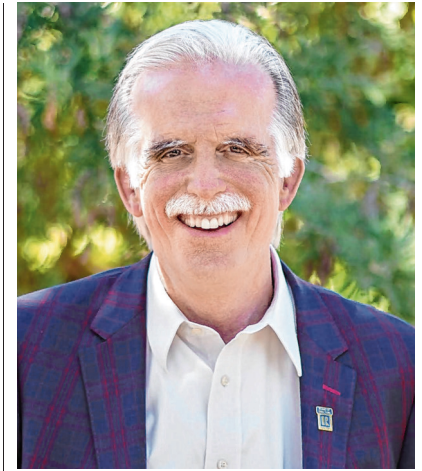
A: Absolutely — as I can personally attest, this past September was especially brisk across all market segments. Open houses are crowded again, homes that lingered earlier in the year are now selling within two to three weeks, and multiple offers have returned. Many listings are beating expectations on both the buyer and seller sides — some almost absurdly so. It feels a bit like 2021 out there.

But lower rates are just part of the story. A few other factors stand out:

- **Inventory squeeze:** Active listings are down about a third compared to last year, and days on market have fallen by a third, too.
- **Rents rising:** Escalating rents are pushing more people to buy rather than lease.
- **Creative lending:** Lenders — always eager to be, well, lending — are rolling out products like 20-year amortizations and reviving old favorites like ARMs, giving buyers more flexibility (and an expectation of refinancing later).
- **Fresh cash and recovery:** Anticipated AI-fueled liquidity and San Francisco's long-delayed pandemic recovery are adding spice to the market.

The result? Enthusiasm is back — offers are faster, stronger, and cleaner than earlier this year. For now, San Francisco is competitive again.

Kevin K. Ho, Vanguard Properties, 415-297-7462, kbo@vanguardsf.com.



A: The Federal Reserve's recent quarter-point rate cut has nudged mortgage interest rates slightly lower — currently in the low 6% range for a 30-year fixed and the mid-5% range for a 7/1 ARM. However, much of this move was already anticipated by lenders, so the effect on today's mortgage rates has been modest.

Looking ahead, signs of weakness in the national labor market may prompt the Fed to cut rates again before the end of the year, with further reductions possible in 2026.

When rates decline, borrowing becomes more affordable, which can bring additional buyers into the market. At the same time, some buyers may delay purchases, hoping for even lower rates. I often caution clients against waiting too long; lower rates typically bring more competition, which can push home prices higher.

Here on the San Mateo Peninsula, supply and demand remain out of balance. The median home price in August was \$1.99 million — up 5% compared with a year earlier. Until inventory increases meaningfully, even modest rate cuts are likely to put more upward pressure on home prices.

Jeff LaMont, Coldwell Banker Realty, 650-740-8808, jeff@jefflamont.com.

Average long-term mortgage rate ticks up for second straight week

By Matt Ott
AP BUSINESS WRITER

WASHINGTON — The average rate on a 30-year U.S. mortgage ticked up for the second straight week following a string of declines that had brought down home borrowing costs to their lowest level in nearly a year.

The average long-term mortgage rate rose this week to 6.34% from 6.3% last week, mortgage buyer Freddie Mac said Thursday. A year ago, the rate averaged 6.12%.

Mortgage rates are influenced by several factors, from the Federal Reserve's interest rate policy decisions to bond market investors' expectations for the economy and inflation. They generally follow the trajectory of the 10-year Treasury yield, which lenders use as a guide to pricing home loans.

The 10-year yield was at 4.10% at midday Thursday,

down from 4.19% the same time last week. Much of that decline has come in the past few days, driven by discouraging reports on the U.S. economy, particularly the job market.

In late July, mortgage rates started declining in the lead-up to the Federal Reserve's widely anticipated decision last month to cut its main interest rate for the first time in a year amid growing concern over the U.S. job market.

However, Fed Chair Jerome Powell has since signaled a cautious approach to future interest rate cuts. That's in sharp contrast with other members of the Fed's rate-setting committee, particularly those who were appointed by President Donald Trump, who are pushing for faster cuts.

The housing market has been in a slump since 2022, when mortgage rates began climbing from historic lows.