REAL ESTATE

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The Real Estate and Home Guide sections in the Sunday editions are produced by Sentinel Media Services, a content provider, specifically for The Chronicle.

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INSIDE

SOUND OFF

How have rising interest rates changed the homebuying process in the Bay Area?

A: Rising rates have cooled San Francisco's housing market, causing a 10% to 20% price drop since early 2022 thanks to pricier mortgages, among other factors. Despite this, there isn't an oversupply of unsold homes. Most houses still sell within a month, while condos take longer.

Yet inventory remains scarce, as many homeowners who might have otherwise sold are opting to stay put, lest they lose their low mortgage rate. What's more, the savings from reduced down payments from lower prices pale in comparison to substantial increases in monthly mortgage payments. As a consequence, even willing and able buyers have grown more hesitant and pickier, while lenders are eager to close in less than 25 days.

Despite this tumult, we've had a successful summer with our buyers and sellers, particularly those who listen to us and recognize an opportunity to capture value and to act upon it.

This may mean buyers who can see past a seller-occupied property or options apart from a 30-year fixed loan. It may mean sellers who listen to us on list price or property presentation.

While each case is different, our observation is that success in this market is definitely tied to working with the professionals.

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A: Separation anxiety has a new meaning to homeowners with 2% to 3% mortgages. They are staying regardless of their current home being a good fit. Seven percent loans are becoming a common interest rate in the current mortgage market.

For some buyers it still might be a good time to buy that dream home while considering a refinance in 2024, assuming the lenders and Wall Street are correct about the projected interest rates going down in 2024.

What we need in the Bay Area is funding for the California Dream for All Plan, which comes with a modest interest for qualified buyers. Sacramento approved additional funding of $200 million in July this year and should be available this fall. This program is limited to first-time buyers. It must be their primary residence and the buyer must meet the CalHFA income limits and property price limits.

This program was last available in April of 2023 and in just three to four weeks, all the funds were spoken for. If this might fit your homeownership dream, talk to your mortgage broker now or start your own research at Cal HFA to learn how to be ready for this program.

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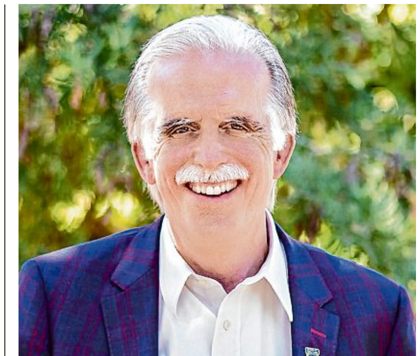

A: Rising interest rates have decreased buyers' purchasing power. A year ago, mortgage interest rates for a 30-year fixed rate loan were sitting at or below 3%. Currently a 30-year fixed rate mortgage is above 7%.

At the same time, the higher interest rates have resulted in falling home prices for the Bay Area. The median home price for a single family dwelling for July in the Bay Area at $1.26 million was down by 5.2% from June, according to the California Association of Realtors. This trend can be seen throughout the Bay Area. The July median home price was down by 8.5% in San Francisco, by 3% in San Mateo County, by 1.4% in Santa Clara County, 3.2% in Contra Costa County and 3.4% in Alameda County.

Yes, buyers will pay a higher interest rate today, but home prices are a bit softer. Of course, real estate is "local," as we say in the real estate world. On the San Mateo peninsula, where my real estate practice is centered, many homes that are competitively priced and in nice condition are seeing multiple offers. This has happened with my last three listings on the peninsula.

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WANT TO CONTRIBUTE TO ASK A REALTOR?

Send an email to Jordan Guinn at Realestate@sfchronicle.com

Average long-term mortgage rate jumps to 7.23% this week

By Alex Veiga
AP BUSINESS WRITER

LOS ANGELES — The average long-term U.S. mortgage rate climbed further above 7% this week to its highest level since 2001, another blow to prospective homebuyers grappling with rising home prices and a stubbornly low supply of properties on the market.

Mortgage buyer Freddie Mac said Thursday that the average rate on the benchmark 30-year home loan jumped to 7.23% from 7.09% last week. A year ago, the rate averaged 5.55%.

It's the fifth consecutive weekly increase for the average rate, which is now at its highest level since early June 2001, when it averaged 7.24%. Back then, the median sales price of a previously occupied U.S. home was $157,500. As of last month, it was $406,700.

High rates can add hundreds of dollars a month in costs for borrowers, limiting how much they can afford in a market already unaffordable to many Americans. They also discourage homeowners who locked in low rates two years ago fro selling.

The average rate on 15-year fixed-rate mortgages, popular with those refinancing their homes, also rose to 6.55% from 6.46% last week. A year ago, it averaged 4.85%, Freddie Mac said.

Mortgage rates have been rising along with the 10-year Treasury yield, which is used by lenders to price rates on mortgages and other loans.

The yield, which earlier this week neared its highest level since 2007, has been climbing as bond traders react to more reports showing the U.S. economy remains remarkably resilient.