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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Average mortgage rates edge higher

By Alex Veiga
AP BUSINESS WRITER

LOS ANGELES — The average long-term U.S. mortgage rate edged higher this week, ending a nine-week slide that gave prospective homebuyers some breathing room after home loan borrowing soared to the highest level in more than two decades.

The average rate on a 30-year mortgage inched up to 6.62% from 6.61% last week, mortgage buyer Freddie Mac said Thursday. A year ago, the rate averaged 6.48%.

Borrowing costs on 15-year fixed-rate mortgages, popular with homeowners refinancing their home loans, kept easing this week, bringing the average rate to 5.89% from 5.93% last week. A year ago, it averaged 5.73%, Freddie Mac said.

This week's slight increase in the average rate on a 30-year home loan follows a sharp pullback in mortgage rates since late October, when its climbed to 7.79%, the highest level since late 2000.

The move mirrored a decline in the 10-year Treasury yield, which lenders use as a guide to pricing loans. The yield, which in mid October surged to its highest level since 2007, has moved lower on expectations that inflation has cooled enough for the Federal Reserve to shift to cutting interest rates after yanking them dramatically higher since early 2022.

The Fed has opted to not move rates at its last three meetings, which has also given financial markets a boost.

"Given the expectation of rate cuts this year from the Federal Reserve, as well as receding inflationary pressures, we expect mortgage rates will continue to drift downward as the year unfolds," said Sam Khater, Freddie Mac's chief economist.

SOUND OFF

What are your predictions for this year's Bay Area real estate market?

A: The proverbial real estate crystal ball continues to fog up just when clarity seems on the horizon, but it does point to some promising indicators toward a hopeful 2024 market.

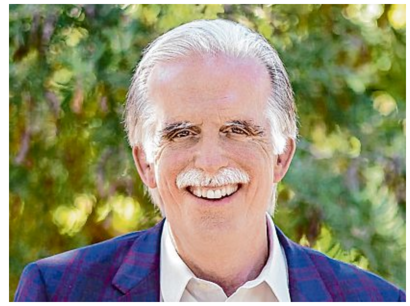
If the Fed's signaling of up to three rate decreases comes to fruition by the end of 2024, we can hope for rates to nest somewhere comfortably in the 5-6% range. Should that happen, buyers will come out of the woodwork, armed with healthy savings and ample potential energy to get into contract. Now would be the time for those buyers to align with a trusted, organized agent and lender.

Until then, buyers will continue to be choosy about location, and they will expect to see upgrades to systems, structure, and cosmetics if they are to come in close to sellers' price expectations.

Sellers, in the meantime, are largely staying put in their homes with their roughly 3% rates, unless the pressures of divorce, death, diplomas, or downsizing necessitate a move. Once rates come down, those sellers who have been upgrading their homes will be ready to sell with a reasonable expectation to get top dollar.

Now's the time to strategize with a real estate and financial team to stay ahead of competition on offer day or position your home thoughtfully on the market.

Jeremy Davidson, Davidson Group, Compass, 415-717-4103, jeremy.davidson@compass.com.



A: I am bullish about the strength of our local housing market. Despite mortgage rates of 6.5%, demand for housing remains strong, while at the same time, we just don't have enough supply of homes available for sale — an imbalance.

There are indications that mortgage interest rates will drop, such as cooling inflation, moderate economic growth at the national level and activity from the bonds market. The Federal Reserve Board has indicated that they plan to drop the federal funds rate three to five times. This all bodes well for a strong market on the Peninsula and the Bay Area this year.

The California Association of Realtors forecasts that the medium home price for California will increase by 6.2% and the number of homes sold will increase by 23% this year.

Locally the median home price in San Mateo County for December at $1.8 million was up by 6% from a year ago ($1.7 million).

While the number of homes sold was down by 14%, likely due to a lack of supply of housing. I expect buyer demand to remain strong in 2024 and home prices to continue to increase here in the Bay Area at a higher percentage than forecast for the state.

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

A: Ha — what an easy question! I can predict with great certainty that the 2024 Bay Area real estate market will be marked by … *uncertainty*! Despite the industry pundits and chief economists' optimistic statistical prognostications (I hope they're right), only time will tell if client desire and demand to buy and sell homes will provide enough inertia to overcome all the reasons not to — especially high mortgage interest rates. I'll not list all the other negative hindrances, because in my 35-plus year career, I've actually seen bigger challenges come down the pike.

Every market rebounds, and this one will, too.

The buyers and sellers grounded in the time-tested principle of building long-term wealth by investing in real estate will be rewarded for acting on the opportunities in this uncertain 2024 marketplace when others thought it too risky. Warren Buffett once said, "Someone is sitting in the shade today because someone else planted a tree a long time ago."

Today's marketplace takes a bit of vision — some people have it and many don't. Regardless, I am optimistic — but check back with me around April 1 so we can see just how many tree-planters are stepping forward.

Tom Hart, Berkshire Hathaway, Drysdale Properties, 925-321-3220, tom@tomhart.com.

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