Real Estate

Sound Off: How the election could affect the market. **J2**

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Getaway

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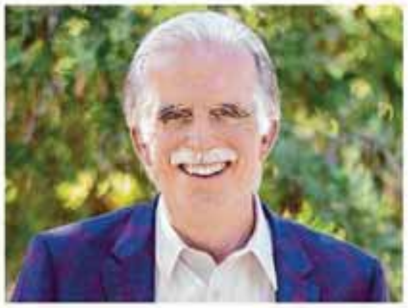
INSIDE

SOUND OFF

What are some pros and cons of the incoming Trump administration regarding home ownership?



A: Donald Trump's campaign promises included significant tariffs on imported goods, tax cuts, and deportations of undocumented immigrants. Putting the politics aside, these policies if enacted will affect home ownership.

Many economists are raising forecasts for mortgage interest rates in the near future as a result of these policies according to Bloomberg News. At the time of writing this, a 30-year fixed rate mortgage is at 6.92%.

Inflation affects people's everyday lives, but it also affects interest rates and thereby our housing markets. The Federal Reserve looks at target inflation rates when determining their fiscal policies that in turn effect interest rates.

"Tariffs are going to be inflationary, there's no disputing that," according to Walmart finance chief John Rainey. It is expected that the increased cost of imported products as a result of the tariffs will be passed to the consumer.

Tax cuts could result in lower fiscal revenue and raise the national debt, which would lead to higher long-term interest rates.

Deportations could result in a reduction in the construction workforce. Home building would likely slow down, decreasing inventory and increasing home prices.

So much of our housing market is affected by mortgage interest rates. And these policies, if enacted, are expected to have an impact on mortgage interest rates.

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A: Trump's previous administration was marked by unpredictability, and his upcoming term is likely to follow suit. Policies on tax cuts, tariffs, and trade could fuel inflation or uncertainty, affecting mortgage rates and making homeownership more challenging. Although Trump acknowledged high housing costs during his campaign, he hasn't proposed concrete relief measures, unlike Harris' proposed first-time buyer grants.

Trump's real estate background suggests industry-friendly policies, though the ultimate beneficiaries remain unclear. Conflicts with the Federal Reserve over interest rates could add to market volatility, with mortgage rates more likely influenced by reactions to broader Trump administration policies than direct Fed action. Department of Justice investigations into Realtor practices, including MLS and commission structures, may be shelved. This would leave recent changes, such as buyer responsibility for broker fees often offset by seller credits, in place without further reform.

Trump has hinted at lifting the SALT deduction cap, introduced during his first term and retained under Biden, potentially reducing federal tax burdens for homeowners in high-tax states like California.

Stricter immigration policies could increase construction labor costs, further straining affordability. Meanwhile, deregulation and less focus on environmental policies may shift housing challenges to state and local governments.

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A: Whether you voted red or voted blue, in the near future the only color that affects us all is green.

How much will we make, how much will we be taxed and how much more will goods and services — food, gas, heating oil, electricity, insurance, cars, airplane tickets, rents and mortgages — cost each of us? The short answer is, "Together we will see."

Some pundits are already saying that President-elect Trump's threats to invoke 25% tariffs on imports from China, Canada and Mexico are causing unease in the money markets, resulting in mortgage interest rates going up past 7% rather than down to 6% (where rates trended for the last couple of months). That in itself is the most tangible "con" regarding home ownership, by hurting affordability in our high-priced Bay Area real estate market.

Any "pro" is difficult to predict in the face of ongoing threats of day one executive orders on a variety of national issues from the POTUS that provoke uncertainty if not outright fear.

What I do know for certain as a seasoned real estate broker is that demand is always strong for the best homes in the best condition in the best school districts. And that motivated buyers always find a way.

That is the only "pro" I'm willing to put out there until the true economic agenda originating from the White House is better articulated and executed.

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Average rate on a 30-year mortgage slips to 6.81%

By Alex Veiga
AP BUSINESS WRITER

The average rate on a 30-year mortgage in the U.S. eased this week, though it remains near 7% after mostly rising in recent weeks.

The rate slipped to 6.81% from 6.84% last week, mortgage buyer Freddie Mac said Wednesday. That's still down from a year ago, when the rate averaged 7.22%.

Borrowing costs on 15-year fixed-rate mortgages, popular with homeowners seeking to refinance their home loan to a lower rate, rose this week. The average rate climbed to 6.1% from 6.02% last week. A year ago, it averaged 6.56%, Freddie Mac said.

Mortgage rates are influenced by several factors, including the yield on U.S. 10-year Treasury bonds, which lenders use as a guide to price home loans. The yield, which mostly hovered around 4.4% last week and was below 3.70% in September, has eased this week. It was at 4.23% at midday Wednesday.

Elevated mortgage rates and rising home prices have kept homeownership out of reach of many would-be homebuyers. U.S. home sales are on track for their worst year since 1995.

"The 30-year fixed-rate mortgage moved down this week, but not by much," said Sam Khater, Freddie Mac's chief economist. "Potential homebuyers are also waiting on the sidelines, causing demand to be lackluster. Despite the low sales activity, inventory has only modestly improved and remains dramatically undersupplied."

Mortgage rates slid to just above 6% in September following the Federal Reserve's decision to cut its main interest rate for the first time in more than four years. While the central bank doesn't set mortgage rates, its actions and the trajectory of inflation influence the moves in the 10-year Treasury yield.