Fed confirms rate cut may come in September

Source: Redfin

As expected, the Fed held interest rates steady at its July 31 meeting but laid the foundation for rate cuts to start in September. In a Q&A with reporters, Fed Chairman Jerome Powell stated that "a reduction in the policy rate could be on the table as soon as the next meeting in September," which is in line with market expectations. He further clarified that starting cuts in September is dependent on the inflation data not turning back up unexpectedly, but that it doesn't necessarily need to improve.

This is unlikely to impact mortgage rates this week, but their gradual decline should continue. Rates have already come down from their recent peak in mid-April, and homebuying demand has yet to improve, perhaps because some homebuyers are waiting for rates to fall while others may wait until after the election.

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Here's what homeowners,buyers need to know about upcoming rate cuts

Source: CNBC
The Federal Reserve is poised to make the first interest rate cut in years this fall, which can influence mortgage rates to go down. Even small cuts in rates could make a meaningful difference in what a homebuyer will pay. According to the CME's FedWatch measure of futures market pricing, there is a likelihood of quarter-point reductions in September, November and December. That along with further cuts in 2025 could bring the Fed's benchmark fed funds rate to below 4 percent by the end of next year, according to some experts.

While mortgage rates are fixed and mostly tied to Treasury yields and the

economy, they are partly influenced by the Fed's policy. Home loan rates have already started to come down, in part induced by the Fed putting the brakes on rate increases. The 30-year fixed rate mortgage declined to 6.78 percent on July 15, down from 7.22 percent on May 2, according to Freddie Mac data. Chen Zao, economic research lead at Redfin, said that the first rate cut is almost entirely priced into financial markets already, especially the bond market. So the first cut probably won't affect mortgage rates much if at all.

Refinancing is starting to tic up, too, according to Zhao. Refinance activity on existing home loans was up 15 percent from the previous week, reaching the highest level since August 2022, according to the Mortgage Bankers Association. It was 37 percent higher than a year ago. Experts say that in order to benefit from refinancing, the prevailing rate should be at least 50 basis points below your current rate. A basis point is one-hundredth of a percentage point.

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Southern California's real estate construction and services industry hires 55% more than average

Source: Los Angeles Daily News
Property-linked employment in Los Angeles, Orange, Riverside, San Bernadino and San Diego counties was 917,500 in June 2024, up 6,500 for the month. In pre-pandemic 2015-19, 4,200 jobs were added in June on average. Trade construction specialists employed by contractors were up 2,500 for the month to 314,800.

A record 153,900 project construction workers building everything from homes to highways was up 1,900 for the month and up 2,600 over 12 months. In lending, 103,900 workers were up by 300 for the month and down 3,600 over 12 months. Sellers of building equipment and materials were up 900 for the month and 1,300 over 12 months to 63,700. Real estate services included 142,300 people handling transactions – off 200 for the month and up 500 over 12 months.

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California school properties could be converted into housing for educators

Source: KRON4 News

The California Department of Education has announced an initiative to turn land owned by local education agencies into housing for education workers. The department says local education agencies own roughly 75,000 acres of "developable land" that could be used to create over 2 million housing units across the state.

"We know that families across our state are impacted, from the homelessness crisis facing our urban areas, to the long commute times impacting families priced out of once-affordable neighborhoods, to the staffing crisis in schools whose educators can't afford to live where they work," said State Superintendent of Public Instruction Tony Thurmond. The agency said a school district in San Mateo County recently saw success filling all its teaching vacancies after building a 122-unit housing project last year.

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Pending sales up for the first time since March

Source: Real Estate News
A slight uptick in home sale contracts in June suggests that demand is still out there even as some buyers continue to wait on the sidelines. The National Association of REALTORS reported that pending home sales were up 4.8 percent in June compared to May. Sales were still 2.6 percent lower than they were a year ago, but after two months of declines, it's a sign that things started to perk up in the latter part of the spring homebuying season as mortgage rates steadily declined and inventory grew.

"The number of pending sales in June would have been even higher, but some homebuyers are holding back, anticipating lower mortgage rates later this year," said Lisa Sturtevant, chief economist at Bright MLS. Housing inventory is expected to continue increasing until winter, giving buyers an advantage, though there still is not enough inventory to push prices down.

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Has the U.S. hit the 'soft landing' of controlling inflation without a recession?

Source: BU Today

U.S. policymakers have spent two years seeking a "soft landing" for the economy: taming pandemic-era inflation without plunging the country into recession. After a series of interest rate hikes by the Federal Reserve, inflation stands at an annualized 2.5 percent, just above the Fed's target of 2 percent, and the nation is celebrating two-plus years of joblessness below 4 percent. Yet a poll in May found most Americans believe we're in a recession. Technically, a recession would require two straight quarters of economic contraction, which we have not had. Boston University Associate Professor of Economics Adam Guren says that it's "still too soon to tell if the Fed has nailed a soft landing. The [Consumer Price Index] has settled a bit higher than we would ideally like, although that may be due to how housing inflation is measured. The Personal Consumption Expenditures Price Index the Fed prefers looks better, but it is still not fully back to the 2 percent target. There is still some concern about inflation arising from some sectors – housing, shipping costs, energy costs – and the Fed should remain vigilant. But since inflation got out of hand in 2021, the Fed has done an excellent job and should be commended. Most economists are surprised that the Fed was able to bring down inflation without any real output or unemployment cost."

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