

Real Estate Views

www.InteroLincoln.com

Santa Clara County Region

October 2016



Erik Mitlo

Realtor®
CalBRE #01954101
EMitlo@InteroRealEstate.com

408-641-3458

Mortgage Rates*

30-year Fixed (Zero Points, \$417,000, 3.674 APR)	3.625%
15-year Fixed (Zero Points, \$417,000, 3.051 APR)	3.00%

* As of October 6, 2016. For reference only.

Santa Clara County Market Snapshot* September 2016

# of Listings (Single Family Homes)	1,406
Average selling price	\$1,296,820
% of asking price	101.7%
Avg. number of days on market	28
Number of Homes Sold	885

* MLSListings.com

Rate Hikes Not As Impactful As You Might Think

In the past month, a lot of news was centered on interest rates and when (not if) they are going to go up. There was concern that the Fed would increase rates a little earlier than expected at their September meetings, but they held rates steady. The prevailing feeling amongst many economists is that rates will hold until December, the final FMO meeting of the year and first after the election.

So, given the likelihood of a rate hike fairly soon, I crunched some numbers to see the real impact it will have on a typical home purchase. A mortgage on a \$500k purchase with 20% down payment will increase \$56.74 if rates go up 0.25% from 3.625% to 3.875%. On a \$1M purchase under the same

terms, the increase is \$113.49.

Since anybody could do the simple math, I thought I'd share a different and deeper analysis that looks at rate hikes relative to home price appreciation.

From 2014 to 2015, home prices increased over 10% while interest rates remained constant. That means a home worth \$500k in 2014 was worth \$550k in 2015. Applying a constant interest rate of 4%, the mortgage payment went from \$1,909.06 in 2014 to \$2,100.63 in 2015. That's an increase of \$191 per month without a rate increase!

From that perspective, price inflation clearly has a bigger impact on mortgage payments than the rate hikes that are expected. The good news

is that price appreciation has slowed dramatically this year. Instead of double digit percentage appreciation, the market has been closer to 3%. Hence, that \$500k property last year is \$515k this year, as opposed to \$550k in previous years. A mortgage on a \$515k purchase at 4% is \$133.68 less than a mortgage on a \$550k purchase at 3.625%.

The impact of an impending interest rate hike looks like it will be neutralized by low price appreciation. My message to sellers is there's reason to believe buyers will still be active and maintain demand on your home. To buyers, you're not losing buying power. To me, the downside of interest rate hikes are pretty benign in today's market.

Moving In Fall & Winter Has Its Benefits

Most people plan their move in the Spring and Summer months when the schedule is most conducive considering work vacations, school schedules, etc.

If the schedule is more flexible, moving in November through January is worth considering. That's when services related to moving are more available and rates are more negotiable. The cost savings can be significant.

So as much as people focus on the costs directly associated with a real estate transaction, it's worth their time

looking into other ways to reduce costs and save money.

For more tips and suggestions related to moving, call or email me and I'll be glad to offer more ideas.

