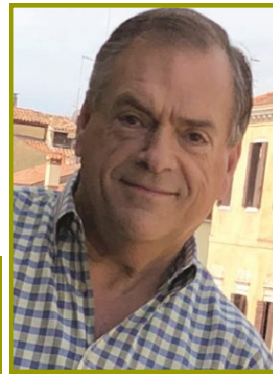


Room to Grow...



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2023—A Look in the Rear View Mirror

This publication is the main way that I stay in touch with my clients throughout the year. I've tried to make it interesting, informative and a wee bit personal so that I can keep you, my audience, engaged, interested, informed and hopeful - this edition is no different. Generally, winter months tend to be slower in real estate, and this year is proving the same. Even though business is slower, my procrastination and distraction by the holiday has caused this newsletter to be later than usual. However, my delay has caused me to be more hopeful than I would have been earlier in the month.

As year-end analytics and reports come in from various sources, there are interesting observations. Over the last two years, the simultaneous surge in mortgage rates and home prices has significantly squeezed buyer affordability creating a double whammy effect that limited the purchasing power of potential buyers. "Will mortgage rates rise or fall" is the looming question that has kept many on the edge of the seat. There have been significant swings in interest rates, from historic lows to sudden surges, all while central banks carefully strategize in response to global events. Consider Jan 2022 which began with the average 30-year fixed rate at a modest 3.22%, only to skyrocket to a staggering 7.76% by Nov 2023. Mortgage rates fell to historic lows in 2020/2021 during the pandemic. Emergency actions by the Federal Reserve helped push mortgage rates below 3% and kept them there. The story changed in 2022, with inflation running ultra-hot to surge rates to their highest levels since 2002. According to Freddie Mac records, the average 30-year rate jumped from 3.22% in Jan 2022 to a high of 7.08% at the end of October. While it was anticipated that rates would recede in 2023, this wasn't the case. Throughout this year, the 30-year fixed mortgage rate fluctuated within the range of 6% - 7%. At the outset of September mortgage rates stood just above 7%, but by November they had climbed to the mid-7% range reported by Freddie Mac. This marked the highest rate recorded since 2000.

Looking back at rates over the long term, they're still close to the historic average. Freddie Mac has records since 1971. Between April 1971 and December 2023, 30 year fixed-rate mortgages averaged 7.74%. In the mid 80's rates were as high as 17.75% and for the next 40 years slowly declined to a level of approximately 4.5%. Since approximately 2020 rates have been slowly increasing to the current level. The average rate for a 30-year mortgage in early December was 7.03%. The question arises: Where will mortgage rates ultimately settle next year? Experts predict the Fed might begin reducing rates next year. This move could alleviate significant upward pressure on mortgage rates, potentially leading to a more substantial decline. Time will tell if rates breach the much anticipated 6% mark in 2024.

Increasingly sellers are offering *rate buydowns to buyers* to help alleviate buyers hesitancy about entering the market with the higher than normal rate conditions. In these circumstances, the seller offers concessions that reduce the buyer's mortgage interest rate, either for the duration of the loan or just a few years. This can happen in one of two ways: The seller contributes to the buyer's closing costs via discount points, or the seller pays for a temporary rate buydown. With a permanent rate buydown, the seller pays a portion of the buyer's closing costs that are used toward buying the mortgage discount points. Each point reduces the rate by about 0.25 percentage point, depending on the lender, and costs 1% of the loan amount. So, if you buy a \$500,000 home with a 20% down payment, the mortgage would be \$400,000, and each point would cost \$4,000. With a \$400,000 mortgage and a seller buying down the rate by 4 points at a cost of \$16,000 the buyer would have a savings over the life of the loan of \$92,562. A rate buy down of 2 points would cost the seller \$8,000 and would save the buyer \$46,825 over the life of the loan. However, depending on the buyer's mortgage, there are limits on how much the seller can pay toward buyer closing costs. For FHA, the seller can only contribute 6% of the total loan amount while the cap is 4% for VA loans. With conventional loans, the cap varies based on the size of the downpayment.

Another option is a *temporary rate buydown*, which lowers the buyer's mortgage rate for the first few years of the loan. The cost of a temporary buydown is equal to the amount that the buyer would save over the reduced-interest period, which essentially makes it a way for the seller to prepay interest on the buyer's behalf. Although temporary buy downs have become less prevalent in 2023, they are still more common now than they were in 2021, when mortgage rates were at record lows. For my clients, I always refer them to Farmington Financial Services—a division of CapStar Bank. *It always pays to have good connections for clients.*



Special Points:

It's not how much we give but how much love we put into giving.
 ~Mother Teresa

- *Christmas waves a magic wand over this world, and behold, everything is softer and more beautiful.*
 ~Norman Vincent Peale
- *What is Christmas? It is tenderness for the past, courage for the present, hope for the future.*
 ~Agnes M. Pahro
- *Christmas is a tonic for our souls. It moves us to think of others rather than of ourselves. It directs our thoughts to giving.*
 ~B.C. Forbes
- *Blessed is the season which engages the whole world in a conspiracy of love.*
 ~Hamilton Wright Mabie
- *Christmas is like candy; it slowly melts in your mouth sweetening every taste bud, making you wish it could last forever.*
 ~Richelle E. Goodrich

The Coleman/Stewart family continued our Christmas tradition of gathering at about 3 pm on the 24th. It was the first time our whole family was in our new place. And we had plenty of room for all 13 of us and our two pups. My oldest 3 grandchildren started out by giving us the toast from the movie *It's a Wonderful Life* – "Bread...that this house may never know hunger, Salt...that life may always have flavor, And Wine...that joy and prosperity may reign forever." This was the best Christmas gift this old man got the entire season.

2023 Profile of Buyers & Sellers



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Below is information just released from the National Association of Realtors (NAR) which gives insight into buyers and sellers for the year just ending.

1. First-time buyers drop to an all-time low of 26% from 34% just a year ago. There is no question that housing affordability has shut out first-time buyers with the rise in interest rates and home prices.
2. The age of first-time and repeat buyers hit all-time highs. The age of first-time buyers jumped to 36 from 33 years, where it had been for three years. Twenty-six percent of first-time buyers reported difficulty saving for a down payment which was a challenging task in the buying process. For repeat buyers, the age has risen to 59 years up from 55 years in last year's report.
3. The share of White and Hispanic/Latino buyers grew, while Black/African American and Asian/Pacific Islander buyers retreated. Research by NAR shows that Black/African American renters are paying a disproportionate amount of rental cost. As rents rise, it is holding further back Black buyers, who are also more likely than others to be first time buyers. White buyers, conversely, are most likely to be repeat buyers and have housing equity to assist them with the down payment of their next property.
4. Small towns and rural areas show a migration flow while buying in urban and suburban areas saw a retraction. Buyers chose neighborhoods based on quality of the neighborhood, affordability, and proximity to friends and family. Small towns and rural areas proved to be the winning dynamic for many when making that choice—affordability was key, and family support systems nearby was significant.
5. Pandemic coping allowed buyers to continue working remotely which then allowed them to slip from crowded areas to "Zoom Towns" which were the boom towns for the last year.

Who would have thought of these implications from a pandemic and its duration?

Sam's Nibbles & Bits - Ring in the New Year!

It's food and drink that binds us together regardless of the season or circumstance! These two items are always a hit in our home.

Mocha-Chip Cookies

6 oz. semisweet chocolate chips	2 oz. unsweetened chocolate
2 tablespoons butter	2 eggs
3/4 cup sugar	2 teaspoon espresso powder
1/2 teaspoon vanilla	1/4 cup flour
1/4 teaspoon baking powder	1/4 tsp salt
1 cup semisweet chocolate chips	2 cups chopped walnuts or pecans

Warm oven to 350°. Over low heat, melt unsweetened chocolate, semi-sweet chocolate and butter. Stir until smooth and remove from heat. Combine eggs, sugar, espresso and vanilla and beat with mixer for 2 minutes. Add cooled chocolate mixture and stir to blend. Add flour, baking powder and salt. Mix until well blended. Stir in chocolate chips and nuts. Drop by heaping teaspoons, 1 inch apart, onto greased foil-lined baking sheets. Bake 10-12 minutes. Tops should be dry and crisp and centers soft and chewy. Do not overbake. May make ahead of time and roll into golf ball size balls and stored in a plastic bag until use.

Cosmopolitan

8 oz. Hangar One Mandarin Blossom Vodka	4 oz. Cointreau
Juice of 4 limes	2 heaping teaspoons of sugar
2 oz of Rose's Lime Juice	2 oz. Chambord
8 oz. Cran-Raspberry Juice Cocktail	

Mix all ingredients together well 24 hours in advance. Freeze. Serve in chilled Martini glasses with cranberry garnished skewers.

I hope your family enjoys these as much as we do!

