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Falling Mortgage Rates, Rising Supply Create Opportunity for Homebuyers This Summer, Even Amid Record-High Prices

Homebuyers on a \$3,000 monthly budget have gained over \$20,000 in purchasing power since mortgage rates peaked in the spring

SEATTLE--(BUSINESS WIRE)-- (NASDAQ: RDFN) — A homebuyer on a \$3,000 monthly budget can afford a \$447,750 home with a 6.85% mortgage rate, the daily average as of July 11, according to a new [report](#) from Redfin ([redfin.com](https://www.redfin.com)), the technology-powered real estate brokerage. That buyer has gained \$22,500 in purchasing power since mortgage rates hit a five-month peak in April, when they could have bought a \$425,500 home with an average rate of 7.5%.

Mortgage rates dropped to their lowest level since March on Thursday's inflation report, and the supply of homes for sale is rising, giving buyers a sweet spot before competition picks up.

To look at affordability another way, the monthly mortgage payment on the typical U.S. home—which costs roughly \$400,000—is \$2,647 with the current 6.85% rate. That's down nearly \$200 from \$2,814 with a 7.5% rate.

The drop in mortgage rates comes after the latest CPI report showed that inflation is cooling faster than expected and upped the chances that the Fed will cut interest rates by September.

It's likely that mortgage rates will continue declining slightly in advance of the expected interest-rate cuts, but it's unlikely they'll drop below 6% before the end of the year.

Even though mortgage rates are declining, sale prices are still at record highs and total housing costs are historically high. Prices are unlikely to drop meaningfully in the near future.

The other piece of good news for buyers: More homes to choose from

Rising inventory is also promising for buyers: New listings of homes for sale are up 7% year over year, and the total number of homes for sale is near its highest level since late 2020.

More homes are hitting the market partly because homeowners, many of whom are locked into ultra-low mortgage rates, are tired of waiting for rates to drop dramatically before listing their homes. Rates have been sitting at double pandemic-era lows for nearly two years, and homeowners have come to terms with the fact that if they wait for rates to drop to 3% or 4% before selling and moving onto their next home, they may be waiting for several years. The

fact that rates are declining slightly right now may lure more would-be sellers off the sidelines.

Homes are also sitting on the market longer than usual. More than 60% of homes that were on the market in May had been listed for at least 30 days without going under contract, up from 50% two years earlier. Two in five (40%) homes had been listed for at least two months without going under contract, up from 28% two years earlier.

The uptick in homes for sale, along with the fact that many listings are growing stale, means many of the less-desirable homes on the market are having a hard time finding a buyer. That gives homebuyers in some places a chance to get a home for under the asking price and negotiate for other money savers, like home repairs or help with closing costs.

“Now is a good time—at least compared to the recent past—for serious house hunters to get under contract on a home,” said Redfin Chief Economist Daryl Fairweather. “The combination of declining mortgage rates, rising supply and a lot of inventory growing stale means buyers have a window where they have more purchasing power than earlier in the year and more homes to choose from. But it’s hard to say how long the window will last. Declining rates should bring many homebuyers back to the market soon, which means competition would tick up and home prices would increase even faster than they already are. It’s also possible rates drop further in 2025, which would make monthly costs decline more and increase competition even more. One thing is for sure: lower rates will lead to more home sales.”

To view the full report, please visit: <https://www.redfin.com/news/mortgage-rates-fall-payments-down>

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