

When Loan Rates Rise, Do Future Charlottesville Home Sales Slump?

Many Charlottesville homeowners will be planning to list their properties this spring because it's when future home sales would be expected to peak. Historically, at least, spring is when a sudden crush of prospects usually arrive on the scene. But this year, the upward drift in mortgage interest rates might have would-be sellers worried. After all, it's common sense that any rise in home loan rates would put a damper on buyers' enthusiasm (not to mention their qualification limits!).

Sometimes common sense and reality don't go hand in hand. When we try to estimate the strength of Charlottesville's future home sales, it could be a case in point.

That's one way to look at the conclusions drawn by a pair of studies released last week. Both were focused on examining how rising interest rates are likely to affect future home sales. If you assume that higher mortgage rates automatically dampen home buying activity, that in itself could become a self-fulfilling prophecy. For Charlottesville homeowners currently deciding whether the prospects for future home sales are on the decline, that could be a factor in their decision about whether to list their own properties.

Various real estate consulting groups have examined the "common sense" idea about the dampening effect of rising mortgage interest rates—and found historical evidence that put the kibosh on it. They looked at ten separate periods since 1975 during which rates rose by 1% or more, and found little or no impact on sales *if the underlying economy was strong*. Apparently, the public optimism that accompanies a roaring economy offsets the effect of higher monthly mortgage payments.

Another study by market research journalist Greg McCarriston summarized a late-2017 Redfin-commissioned survey. More than 4,000 people were polled in late 2017 about their own homebuying plans. Surprisingly, only 6% of those quizzed said they would cancel their own homebuying plans if mortgage rates passed 5%. A surprising 46% said that would either have no effect on their plans—or that it would actually *increase* their urgency to buy since rates might rise further.

Common sense or not, if both mindsets prove out, the strength of recent economic news could energize this spring's Charlottesville future home sales activity—despite a creeping rise in interest rates. That will be good news for homeowners who decide to sell, and for buyers who are planning on the traditional spring flood of new properties entering the market. If you are thinking about joining either group, I hope you'll give me a call!



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Born and raised in the Shenandoah Valley of Central Virginia, I love everything outdoors. Most of my free time is spent hiking, rock climbing, playing water sports, or cooking out on the back deck with friends. As a child, my parents built me with the core values of a southern gentleman. Trust starts with honesty and honesty builds integrity. I'm a technology guru! One of my favorite hobbies is restoring old homes in depressed neighborhoods to meet the needs of our generation today. My mission is to build a career worth having, a business worth owning, and a life worth living.

I'm an Accredited Buyer's Representative (ABR) with the National Association of Realtors. Which means I have extensive training to help walk you through the home buying process from start to finish. From lenders and home inspectors to mortgage agents and closing companies, together we will find the best home for your family's needs!

As an e-PRO®, I can show your home to over 500 million visitors today. And you don't even need to vacuum! Curb appeal isn't just about looking good from the street. It's about looking good from the digital highway!

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