

Atlanta Real Estate Market and the effect of higher interest rates.

From mortgage rate spikes to increased home and rental prices, the housing market has been great for sellers and a little more challenging for first time home buyers. While prices are still high, the market seems to be stabilizing as we go into the fall months. It is still difficult for new buyers to enter the market, but all hope is not lost.

According to the National Association of Realtors (NAR), home sales have fallen consecutively over the last six months. Market activity in July fell by 5.9% from June. These sales were the weakest they have been since May 2020 which was amidst the COVID -19 lockdowns. Increased prices in homes and increased interest rates can attribute to this slowdown in sales.

The national median home price for all home types was \$403,800 in June which is a 10.8% compared to a year ago. As buyer demand begins to slow down, we can expect the market activity to return to normal.



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As buyer demand begins to slow down, we can expect the market activity to return to normal. According to the NAR, homes for sale in July received an average of 2.8 offers compared to 4.5 that homes were getting a year ago. Usually, prices rise between June and July as demand is propelled by families buying larger, more expensive homes during this time while school is out.

Price reductions are also becoming more common. Home listings are twice as likely to have a price reduction compared to July of the previous year. As we move into the typically more neutral seasonal months for the housing market.

July's data shows a turning point in the market.

Buyers are beginning to have more options available to them as supply begins to increase. Total inventory in the Atlanta Metro Area at the end of July was 12,155 units, which is an increase compared to June.



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Inventory now is at a 3.3-month supply, up from 2.9 months in June. Housing inventory is higher compared to a year ago, but it is only about half of pre-covid levels. This is good news, but only for buyers who can afford the higher mortgage rates. Many potential buyers were priced out of the market due to the rate increase.

The sharp rise in mortgage rates this year has caused the housing market to become even less affordable. Housing affordability is now at its lowest level in 30 years. Home prices rose during the pandemic due to strong demand, low supply and record low mortgage rates. This year has been difficult for new buyers as many have put their search on hold. In the earlier part of the year mortgage rates were still at record lows, giving buyers some comfort while home shopping. This is no longer the case as mortgage rates rose 2 percentage points since the start of the year and at the same time home prices have continued to increase. Demand is also very high which can be attributed to demographic shifts.

Millennials are now in their prime for homebuying and the trend in remote work is allowing people to move away from jobs and city centers. According to realtor.com, 53% of buyers are looking for a home outside of the market they live in.

Fortunately, mortgage rates have dropped a bit, but overall higher interest rates have caused some buyers to pause their home buying journey. Higher prices as well as mortgage rates gave shoppers more reason to hold back on making offers. The almost 6% mortgage rate is part of the cause of the ongoing decline in sales.

Home prices and mortgage rates are not the only costs increasing currently. Rent prices are skyrocketing, making renting more expensive than buying in some markets.

Nationwide, prices increased over 4% for one bedroom in July. Two bedrooms were up by under 3%. For some, buying may still be a better option than renting. If you purchase a home with a fixed rate mortgage, your monthly payments won't change as the cost of everything else goes up around you including rent which will most likely increase after each renewal term.