

THE RECAP

SEPTEMBER 2024

The RECAP is SitusAMC's monthly Real Estate Commentary, Analytics and Perspectives on the residential real estate market.

Our team of experts aggregates the latest trends and perspectives across residential real estate finance to help you stay up to date on market developments and make more informed decisions. Here are the key developments in September 2024.

WHAT YOU NEED TO KNOW

The 10-year Treasury closed at a 52-week low of 3.78% on August 5. The Fed's monetary policy is creating a bifurcation in RMBS market. A Freddie Mac survey of lenders released August 8 showed the 30-year fixed-rate at 6.47%, the lowest since May 2023. Lower rates could boost home-buying, but existing home sales prices remain exceptionally high. The supply of both new and existing homes is growing.

OUR ANALYSIS

SitusAMC's analysis in THE RECAP leverages current data, our bespoke research and exclusive surveys of leading institutional and regional residential real estate executives.

INTEREST RATES DECLINE AMID SOFTENING LABOR MARKET



Treasuries slid through mid-August amid a slowdown in hiring and a rise in unemployment claims, with the 10-year reaching 3.79% on Aug. 21, near an eight-month low. However, Treasuries increased following the strong economic growth reported for second quarter, ending August at 3.91%. Treasuries resumed their decline in early September on softening labor data and increased speculation about potential rate cuts. The 10-year rate was 3.65% as of September 10, the lowest since June 1, 2023. Treasuries jumped as the market digested August's mixed inflation report. Market bets are for a 25-bps reduction in interest rates at the Fed's meeting Sept. 17-18 instead of 50 bps.

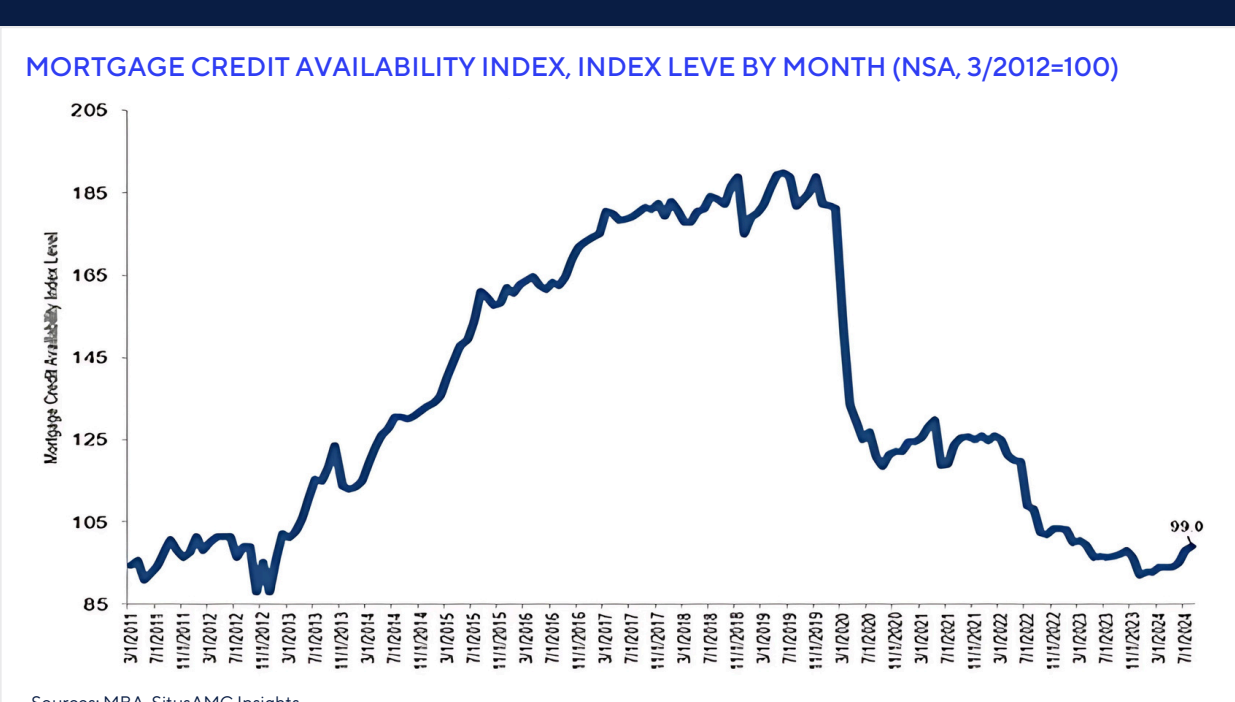
We may be seeing green shoots in the residential market.

PETER MUOIO, PHD
Head of SitusAMC Insights

3.65%

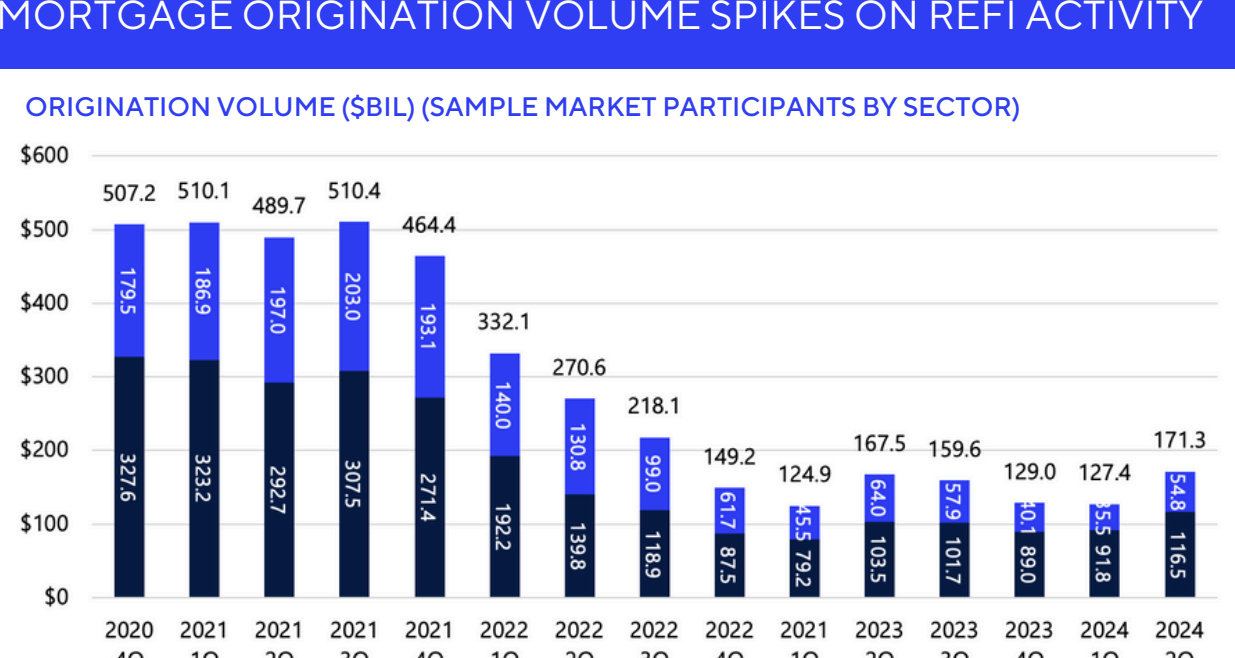
10-YEAR TREASURY - SEPTEMBER 10

MORTGAGE CREDIT AVAILABILITY RISES AS RATES DECLINE



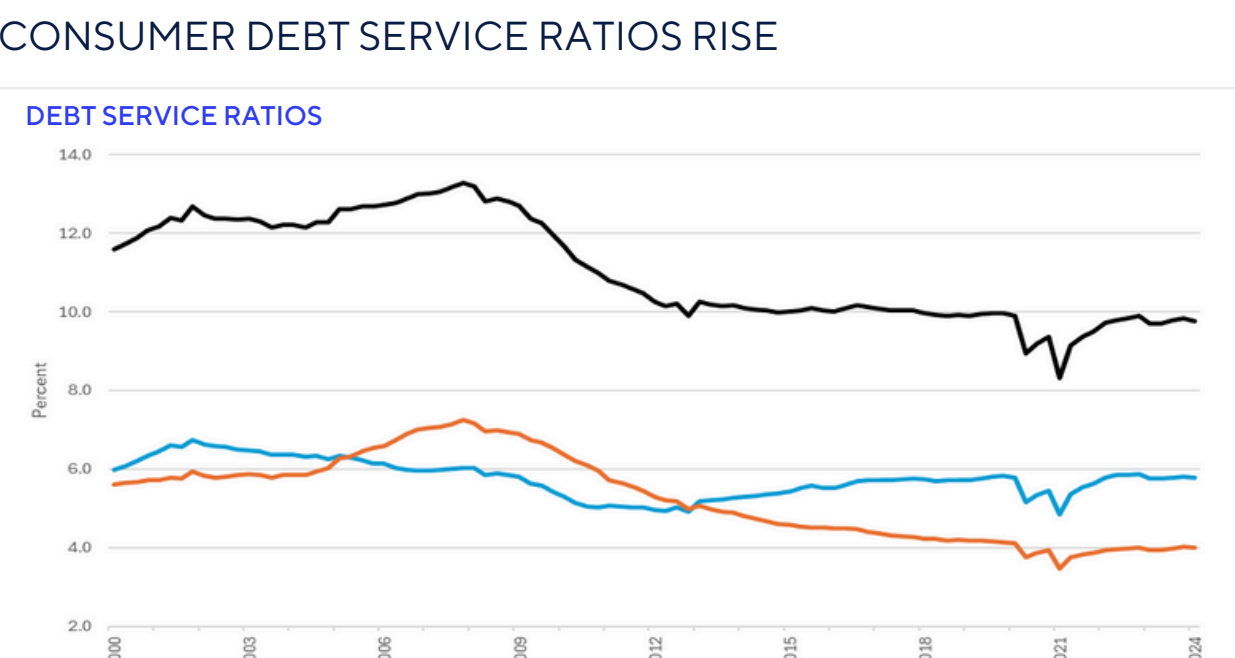
Mortgage credit availability rose in August as the declining mortgage rate over the past few months prompted an uptick in refinancing activity, leading lenders to expand their offerings, according to the MBA. Of the mortgage availability index components, conventional, jumbo and conforming indexes showed a loosening of credit by 1.8%, 1.6%, and 2.6%, respectively. The government index was unchanged during the month. The conventional credit index reached the highest level since July 2022, driven by cash-out refis and non-QM.

MORTGAGE ORIGATION VOLUME SPIKES ON REFI ACTIVITY



The 30-year FRM declined steadily in August, reaching 6.59% by the end of the month, the lowest since April 2023, and well below the 7% "barrier" that persisted until July. The rate further declined in early September, falling below 6.4% ahead of the August inflation report. Mortgage origination volume has picked up, with bank and IMB activity up 54% and 27% in second quarter. The origination spike is largely due to a surge in refinance activity – up almost 75% over the past three months and almost double the year-ago level. Despite the recent surge in bank activity, IMBs continue to dominate mortgage originations. IMBs are also playing a more prominent role in servicing, with a quarterly increase in both servicing volume and MSR balance sheet value. IMBs now comprise a larger share of servicing volume than banks.

CONSUMER DEBT SERVICE RATIOS RISE



Since the pandemic trough in 1Q 2021, total DSR has increased 150 bps, though it has been relatively steady near 9.8% since third quarter 2023. Despite the rise, total DSR remains well below the levels seen before the Global Financial Crisis. Consumer debt service has constituted a larger proportion of total debt service as it has since 2013.

NEW HOME SALES HIT A 14-MONTH HIGH



New home sales jumped more than 10% in July, reaching the highest level since May 2023. Existing-home sales also improved in July, breaking a streak of four consecutive monthly declines, though sales remain historically weak. With mortgages now sitting well below 7%, sales are likely to come over coming months. New and existing home prices decline in July, with existing home prices reaching a new high. Despite a monthly decline in new home inventory, supply remains above average. Renting remains significantly more affordable than buying -- as it has for the past two years -- but we expect to see ownership affordability to begin to improve, even amid rising prices. Slowing rent growth led to a slight increase in apartment affordability in second quarter, and renting is now the most affordable it has been in three years.

ABOUT SITUSAMC

SitusAMC is the leading independent provider of innovative, trusted solutions powering the lifecycle of residential real estate finance. THE RECAP is our monthly snapshot that aggregates the latest trends and perspectives across residential real estate finance in an easy-to-digest format.

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