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Mortgage Rates and Home Prices



- With the recent decline in Treasury yields, the interest rate on a 30-year mortgage has fallen below 7% for the first time in four months.
- Mortgage rates have declined for eight weeks, with the 30-year mortgage rate declining from 7.79% in late October to 6.82%.
- Despite mortgage rates more than doubling since the start of 2022, home prices have remained supported due to a reduced supply of homes for sale.
- Home prices have increased by 3.9% year-over-year according to the most recent release of the S&P/Case-Shiller U.S. National Home Price Index.
- Several factors have constrained supply, most notably the "lock-in effect" by which homeowners with low mortgage rates are reluctant to sell their current home to buy another home at a much higher mortgage rate.
- While homebuilders have helped fill the void – often offering customers discounted mortgages or other incentives – the supply/demand imbalance seems set to continue, supporting home prices and rental income.

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