



SCHWARTZ *Report*

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THE VALUE OF LOCAL

Early in April, 2018, the Federal Reserve moved to raise interest rates again, the sixth time since December, 2015. The federal funds interest rate was moved up 25 basis points, about one quarter of a percent to 1.75%. The powers that be at the Fed are stirring their tea leaves and now must believe that with a national unemployment rate below 4.2% their next most pressing chore is to tamp down inflation which must surely be on the rise as the economy heats up. Even leaving aside the fact that the job participation rate is as low as it has been since the 1970's, their models are telling them that they need to concentrate on their other congressional mandate of price stability. One thing is certain from a continuation along this course, borrowing costs will go higher. According to Bankrate.com, the average 30-year fixed rate mortgage has gone up from 4.15% in January to 4.54%. Mortgage rates have been so low for so long that borrowers who are unfamiliar with a rising rate environment may become somewhat unhinged and divorced from reality. Historically when rates are on the rise, in particular when they rise dramatically, there is an impulse for the undecided fence sitters to get off the fence and DO SOMETHING. If they own a suitable home but have an existing variable rate mortgage that is about to adjust, they may look to refinance that into a fixed rate loan and stay put. If they are buyers looking to purchase, their activity level tends to spike.



How far and how rapidly will rates rise is the question that is on everyone's lips when this discussion is started.

Now let's have a little perspective. Over the last 70 years or so, long term mortgage rates have averaged around 6%. So, we still have room to move even to get back to the average. This is a far more soothing environment than the time frame from May, 1977 to September, 1981 when Veterans

Administration (VA) 30 year mortgage rates went from 8 1/2% to 17 1/2%.*

There is an old saying that all real estate, like all politics, is local. For unless you are selling mobile homes, the one significant characteristic about real estate is that you can't move it. That is why national trends go only so far in determining what type of market exists here. As I pointed out in the 2017 Year-End Housing Report, the National Association of Realtors considers a market with five to six month's supply of existing inventory to be a balanced market where the supply of housing roughly equals demand. All of the markets that we serve are below that level. Our largest market in terms of the number of transactions is at about one half of that level. Normally, this demand pressure will eventually call forth more supply but at higher prices. So, sellers who are waiting for their grass to get green and their flowers to come out, would do well to scrap that idea and get on the market now. Inevitably, price pressure will cause appraisal issues as even well-meaning appraisers will find

*Following the Veterans Administration (VA) maximum interest rate, excluding points charged, over the years provides a good insight to the movement of interest rates during the "modern era" of mortgage lending. After the deregulation of the maximum VA interest rate in October, 1992 the Federal Home Loan Mortgage Corporation (Freddie Mac) Primary Mortgage Market Survey for 30 year fixed mortgages was used.

it difficult to maneuver their conventions to the higher price levels without sufficient back up data. Local knowledge will help us help them to get there.

For buyers, almost any agent can show them what is on the market now. However, using New Castle County as an example, the 2.83 month's supply of inventory there has already been picked over like Wilmington Dry Goods after dollar day. So, much of that housing stock is already shopworn and unappealing at current price levels. The value of the local pro is that he or she not only knows what is on the market now but what is or may be coming on the market a week or a month from now.

Absent a severe and prolonged bout of inflation like we saw in the Jimmy Carter era, no one is predicting a trend like the 1977 to 1981 rate escalation I described above. However, it is important for buyers and sellers to position themselves properly in the market as it continues to adjust. This will help them to be least affected by changing conditions. That is the value of local. Over the last nearly 56 years Patterson-Schwartz has shown its clients and customers why local matters as much today as ever.

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Visit my website
www.charlieschwartz.com
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11 Critical Home Inspection Traps to be Aware of Weeks Before Listing Your Home for Sale

DE, MD, PA – According to industry experts, there are over 33 physical problems that will come under scrutiny during a home inspection when your home is for sale. A new report has been prepared which identifies the eleven most common of these problems, and what you should know about them before you list your home for sale.

Whether you own an old home or a brand new one, there are a number of things that can fall short of requirements during a home inspection. If not identified and dealt with, any of these 11 items could cost you dearly in terms of repair. That's why it's critical that you read this report before you list your home. If you wait until

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the building inspector flags these issues for you, you will almost certainly experience costly delays in the close of your home sale or, worse, turn prospective buyers away altogether. In most cases, you can make a reasonable pre-inspection yourself if you know what you're looking for, and knowing what you're looking for can help you prevent little problems from growing into costly and unmanageable ones.

To help homesellers deal with this issue before their homes are listed, a free report entitled "11 Things You Need to Know to Pass Your Home Inspection" has been compiled which explains the issues involved.

To order a FREE Special Report, visit www.charlieschwartz.com and select Seller Tips from the side bar menu, or to hear a brief recorded message about how to order your FREE copy of this report call toll-free 1-888-322-5252 and enter 1003. You can call any time, 24 hours a day, 7 days a week.

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