

Mortgage rates fall
to record lows while
consumer confidence
moves higher



RealityCheck

With the expiration of the federal tax credit, the housing market is facing a key inflexion point as we head into the thick of the summer vacation season. The government stimulus has certainly helped spur a rebound in the real estate market, but the recovery is fragile and observers are watching closely to see if the market can grow without the support of government aid.

Several key economic announcements out this week could bolster the nascent recovery. On Thursday, mortgage finance giant Freddie Mac announced that U.S. mortgage rates have fallen to a record low. Rates for 30-year fixed loans declined this week to 4.57 percent from 4.58 percent. That is the lowest since Freddie Mac began tracking rates in 1971.

While the overall level of real estate activity has eased in recent weeks with the expiration of the tax credit deadline, many economists believe that low mortgage rates will spur growth in the market by reducing borrowing costs for home buyers. Mortgage interest rates have tumbled in the past two months as concern that a debt crisis in Europe may spread boosted demand for the safety of bonds, including mortgage-backed securities.

Meanwhile, Reuters recently reported that consumer sentiment rose in June to its highest level since January 2008 while reports of job losses were down sharply from a year ago.

The Thomson Reuters/University of Michigan's survey of consumers, a key gauge of consumer sentiment, rose to 76 from 73.6 in May. The figure was above the median forecast of 75.5 among economists polled by Reuters. At the same time, reports of job losses fell by half since last June, from 65 percent of respondents to 29 percent, the survey showed.



"The June 2010 survey recorded the most favorable news heard by consumers about jobs in five years," Richard Curtin, director of the surveys, said in a statement. But he cautioned that consumers "do not anticipate significant declines in unemployment during the year ahead."

Consumer sentiment is seen as a proxy for consumer spending, which fuels around 70 percent of the U.S. economy. Positive consumer sentiment is particularly critical to the housing market. If buyers are more optimistic about their future, they're more likely to take out a mortgage and buy a home.

So where does this all leave us as we look at the local housing picture? As reports from our local offices indicate, the market continues to be steady in most communities. But the recovery from last year's recessionary lows will likely be a gradual one with its share of fits and starts along the way. Unemployment levels will play a key role in the recovery, as will the health of the stock market and the overall national economy.

While there are certainly economic challenges right now, for buyers with a long-term view, the current market provides an attractive opportunity to invest in real estate while mortgage rates are at historic lows and homes are priced very competitively. Savvy buyers are taking advantage of this great combination of home prices and interest rates.

Are you ready to? If you would like more information on the local housing market, please contact me today.

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