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THE EAST HAMPTON PRESS
The Sag Harbor Express

Post-Election, One Reason for Homebuying Hesitancy Removed, But Rates Remain a Concern

Joseph Finora | November 27, 2024

Now that the election is over, will local real estate sales increase? There is understandably a lot of uncertainty around a presidential election, some of which may have influenced real estate purchasing behavior.

The effect of politics on home sales is that it is generally an unreliable indicator compared to mortgage rates and the overall economy — but it may exert a psychological influence that is not necessarily grounded in fact-based data.

“The energy has certainly returned to the marketplace,” said Tim Davis, a Southampton-based associate real estate broker. “There’s not a specific transaction that has moved forward simply because of the election being over, but people may now feel more comfortable with their future. Several who had been on a pre-election pause are now reengaged in particular properties.”

While homebuying is a major decision, it can be as subjective as it is pragmatic. Although it is too soon to tell what will happen in 2025, the election, a major distraction, is behind us. Those who have been waiting for the election results before deciding to purchase a home may have run the risk of losing their desired property to a less-concerned buyer. Or did their election-based anxiety morph into a mortgage-rate obsession?

“It’s only a few weeks after the election, but we’re getting busy,” says AnnMarie Pallister, the managing broker at Signature Premier Properties in Hampton Bays. “Previously there was some sense of anxiety. Some were afraid to do anything. There was uncertainty and a concern no matter which party won. People wanted clarity.”

As of the close of the third quarter, the latest quarter for which local figures are available in all Hampton markets, the number of home sales fell to 389, down from 518 during the same period in 2023 — a 25 percent drop. In 2021 there were nearly 700 properties sold in the third quarter according to data supplied by Town & Country Real Estate in East Hampton.

“People hate uncertainty,” said Town & Country founder and CEO Judi Desiderio. “Rates between 2 and 3 percent were artificially low. We’re experiencing low-rate withdrawal.”

While Desiderio expects rates to stay in the “6 percent range” for 2025, she is expecting that inflation will come under control by the end of 2026 and subsequently the 30-year mortgage rate will fall below 6 percent. “There are many factors involved in buying a home, but rates under 6 percent are available now for those with good credit and who can work with an investment adviser or mortgage broker.”

Historically, there is little hard evidence supporting the idea that home sales stall prior to presidential elections, according to an analysis of sales data compiled by the National Association of Realtors. Anxiety and fear regarding an election’s impact on real-estate shopping behavior are typically a distant second compared to such concrete factors as mortgage rates and the strength of the general economy, which play a much larger role in homebuying decision making. Historical trends support this with some exceptions.

From 2004 to 2020, a year-over-year slowdown in home sales occurred in the four months prior to two out of five presidential elections (2004 and 2016). Slowing price growth was observed only before the 2004 and 2008 elections. Conversely, there is more data supporting a post-election sales increase. Both home sales and prices increased in the four months following each election since 2004, the lone exception being 2008, the year of the Great Recession and subsequent housing crisis.

“Buyers on the very high end of the market,” Davis said, “will consider interest rates before borrowing but tend to have other assets which can be leveraged for possibly a more favorable rate.”

The days of so-called “free” or “cheap” money and easy credit are gone for the foreseeable future as mortgage rates have come to play a more significant role when it comes to analyzing real estate trends. The 30-year, fixed-rate mortgage is at about 7 percent. In 2021, the average 30-year fixed mortgage rate was 3.15 percent — the result of the COVID-19 pandemic-fueled rate drop.

“Inventory is regularly tight here,” Pallister said. “Since there’s always someone on the sidelines waiting, we advise to marry the house but date the rate. If rates improve you can usually refinance.”

Simultaneously, many consumers have had a more challenging time getting credit. Mortgage-refinance applications are being rejected at the highest rates in 10 years, according to last month’s Federal Reserve Bank of New York’s Consumer Expectations and Credit Access Survey, which also noted that Americans have become more pessimistic about their ability to access credit in the future.

The average rejection rate for mortgage applications increased by 8.6 percentage points to 20.7 percent in 2024, well above the 2019 rate of 10.2 percent and a tick above the 20.1 percent rate in 2023. For mortgage refinances, the average rejection rate rose to a high of 25.6 percent.

“Our business hasn’t changed that much,” said Angelica Cocha, a Hampton Bays-based agent specializing in the sub-$1 million market.

“I did not see the election as a factor,” she said. “Our clients were watching rates. Many are expecting rates to go down. That will send buyers rushing for new homes.”

Borrowers with credit scores under 680 were especially likely to face rejection rates that were above pre-pandemic levels.

“Reported rejection rates for credit cards, mortgages, auto loans, credit card limit extension applications and mortgage-loan refinance applications all rose in 2024,” the New York Fed said in a statement.

Understandably, many potential borrowers do not expect it to be easier to obtain credit in the near term, and fewer plan to apply for loans over the next year, the survey showed. Those with excellent credit (720+) tend to secure the best rates. The share of people who said they are likely to apply for at least one type of credit in the next year dropped to 23.1 percent in 2024 (Q3), down from 25.9 percent in 2023.

“While mortgage rates slid downward through September, they unexpectedly rebounded in October, wiping out the short-lived affordability boost from lower mortgage rates,” said housing-economist Mark Fleming of First American Financial. “As a result, potential homebuyers may hit pause, dampening homebuying activity through the rest of 2024.”

Nationally, sales of existing homes dropped to a 14-year low in September, despite mortgage rates touching a two-year low that month, according to the National Association of Realtors.