

Real Estate Bullets #18:

The Housing Industry Urges Powell to Stop Raising Interest Rates or Risk an Economic Hard Landing!

In a recent **CNBC article** by Jeff Cox, it was reported that the **National Association of Home Builders**, the Mortgage Bankers Association, and the **National Association of Realtors** have written to the Federal Reserve to express their "**profound concern**" regarding the industry.

Here are some key points from the article:

- These groups have requested that the **Fed refrain** from considering additional rate hikes and from **actively selling** its mortgage securities holdings until the housing market stabilizes.
- They are worried that **market uncertainty** regarding the Fed's rate decisions has contributed to recent interest rate hikes and volatility.
- They fear that the **current trajectory of rate hikes** and lack of housing supply could lead to a hard landing for the industry.
- The Federal Reserve has raised its **key borrowing rate 11 times** since March 2022, with little indication of slowing down despite concerns from officials.
- **Housing market issues** include constrained inventory, a 30% increase in home prices since the early days of the Covid pandemic, and a **15% decrease in sales** volumes compared to the previous year.
- Rate hikes have worsened housing affordability and **added disruptions** to an industry **already struggling** with mortgage origination and **home sale volume**.
- The housing market is facing a historic shortage of affordable homes.
- The letter notes the **sharp increase** in the average 30-year mortgage rate to nearly 8% and the **average home price to \$407,100**.
- Available inventory is equivalent to only **3.3 months**, and the National Association of Realtors estimates that inventory would need to **double to stabilize prices**.
- The groups also highlight the historically high spreads between 30-year mortgage rates and 10-year Treasury yields, and the **role of shelter costs** in driving consumer price index inflation.

- The Fed has reduced its mortgage holdings by nearly **\$230 billion** since June 2022, primarily by allowing **maturing bonds to roll off** its balance sheet, although it has not announced plans to actively sell mortgage-backed securities holdings.

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- Urban Forestry tree conflict, from **6-12 months to 5 business days**, with an inspector on-site within 2 days.
- LADWP Construction crews beginning work, from quoted **6-8 weeks to 2 days**.
- SoCal Gas parts shortages were making builders wait 2+ months until parts arrived. **Seawolf got parts delivered** and prioritized for the builder, installing parts in 3 days.
- SoCal Edison crews were non-responsive on meter installation date. After weeks of waiting, **Seawolf got meters installed in 2 days**.

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Best,

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