



Will we see Lower Rates Again?

by Bob Gerson: Sr. Loan Officer, Partner Equity

Dear Friends, Colleagues and Clients:

In the last 6 weeks we have seen some dramatic rate increases. The national average of a conforming 30 yr. Fixed rate is now at 4.50%, that 1% increase is hurting many clients. The good thing is that those who are on the fence should now really get their act together because the party is over. Fueled by better employment statistics, a bit of a bump in inflation and the Federal Gov't tapering off on buying Secured Mortgage Bonds. We believe this was a Knee –Jerk reaction to rising rates, but the fact of the matter is that we have to stop printing our money now.

On the other hand, we have seen Bay area and across the country values that were depressed a few years ago are coming back stronger now. Those who were underwater are now getting equity in their properties. This factor tends to heat up the economy and perhaps will lead into refinancing soon. This is especially true for non-agency loans that do not fit in the Harp & LP refinance programs.

In San Francisco, the median house price has gone to \$1,000,000, by far the typical first time buyer is going to be priced out of the market, especially in this rising rate environment.

Cash is still prevalent amongst those buyers who are from the tech sector, prior investment 1031 exchangers and foreign buyers from the Far East.

A clear indication of the red-hot heat of our market is that 90% of Sf home sales closing in May sold without going through any price reductions, at an average sales price 7% higher than asking price and very low average-days on the market of 29 days.

Condo Sales in the bay area are surging as well. The switch from house sales to condos with the continuing construction of large condo projects are going to be the main focus of young and first time buyers. Tic sales have dropped significantly and this is due to complex issues such as the City of San Francisco Condo Conversion and tenant protection regulations.

Starting in July a new law will be passed to allow those TIC's in the Condo lottery to now be eligible to Condo Convert. But you will need a lawyer to interpret these new rules because of the complexity involved to convert. I believe all it takes is one lawsuit from one person, anyone, to make life difficult.

2310 Clement Street, San Francisco, CA 94121

WWW.PARTNEREQUITY.NET

PARTNER EQUITY

2310 Clement Street,
San Francisco, CA
94121

O (415) 408-7770
F (888) 676-5618

www.partnerequity.net

