[REDFIN: Major Housing Shift Coming?]

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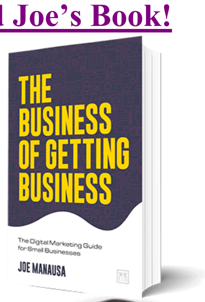

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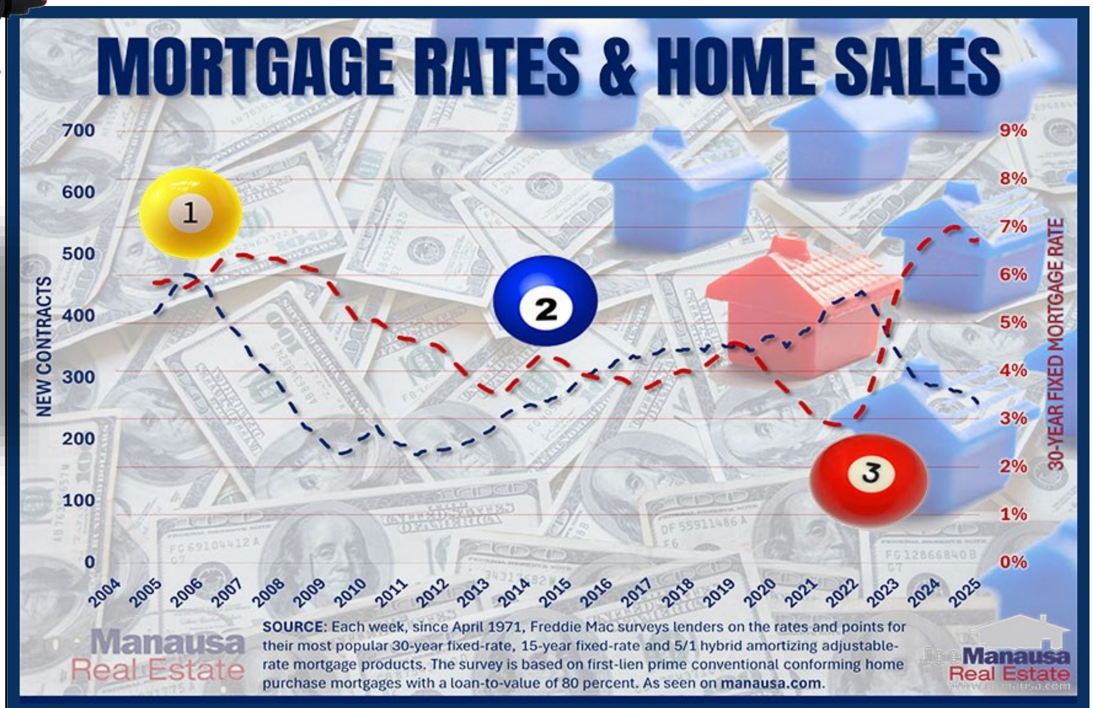
Mortgage-Rate-Driven Market



The loudest narrative in the real estate reporting space is the fact that mortgage interest rates are driving the pace of home sales. I decided to see what the data says.

The thought of rates driving the market passes the common sense test, as when mortgage interest rates rise, buyers can afford "less" home, so the pace of home sales is expected to decline.

The opposite is expected too, that when mortgage interest rates fall, homes become more affordable, resulting in more homes sold.

The graph above compares mortgage interest rates to new real estate contracts in the Tallahassee MLS, with rates in red and new pending home sales in blue.

I have identified three critical points over the last 20 years where a significant rate change altered home sales in Tallahassee.

Point #1 appears to support the theory: in 2006, rates climbed above 6%, and sales dropped significantly, taking a long time to recover.

Point #2 challenges the connection between rates and sales, as both rose from 2013 to 2014. Meanwhile, Point #3 seems to reinforce the idea that rates and sales move in tandem.

More Than Just Mortgage Interest Rates

This exercise offers a powerful reminder that many real estate reports oversimplify market behavior. People often draw conclusions from a single data point without factoring in supply, demand, rents, prices, delinquencies, joblessness, and other elements that drive the housing market.

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