



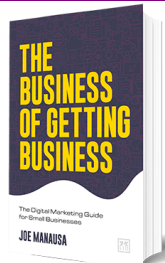
How Rates Have Driven Home Sales

Zillow Posts Warning For Buyers & Sellers

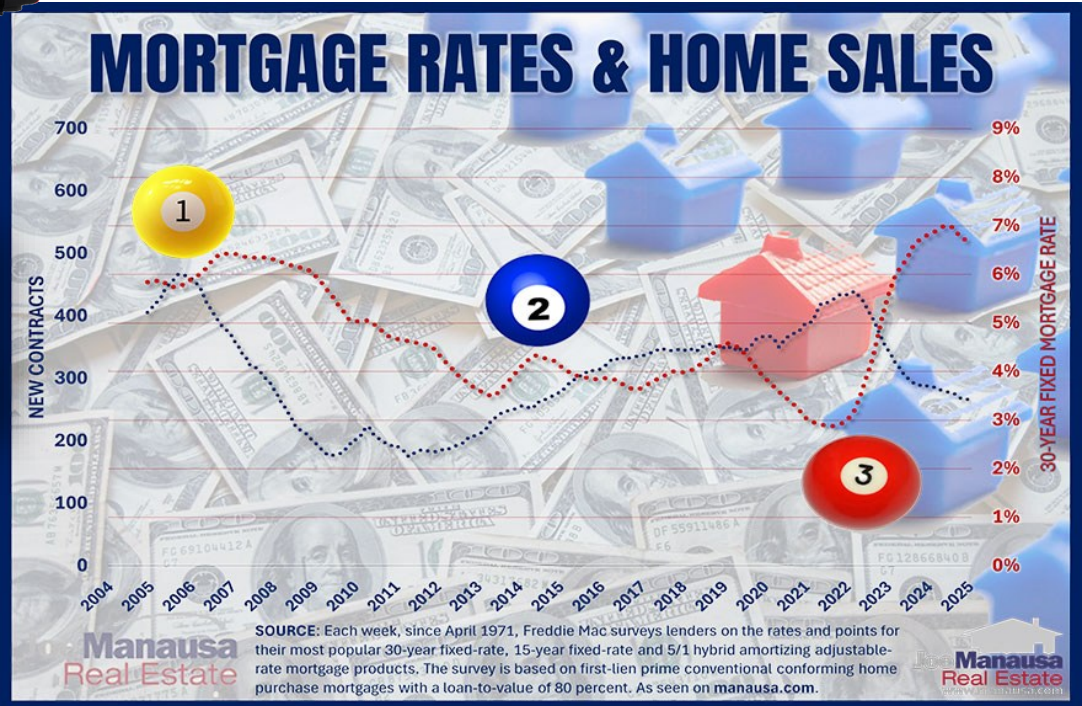


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In my 34 years selling homes in Tallahassee, I have not seen a market as sensitive to changes in mortgage interest rates as we are seeing today.

Most people wanting to buy a home believe rates today are too high, but they are far below where they were when I first started in the business and rates were well above 9%. So why does a 6.5% rate today feel high to today's buyers?

The graph above plots more than twenty years of mortgage interest rates in red and the number of new contracts in Leon County each month in blue. I've identified three key points in time to discuss:

1. 2006: Rates "soared" above 6% and home sales began to fall (for more reasons than just rising rates).
2. 2015: Rates fell below 4% and sales rose.
3. 2022: Rates rose and sales fell and continue to fall

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Now that we see rates coming down, we would expect to see sales rise, but the rate lock-in effect has kept many buyers on the sideline because a move-up in home prices would result in their payments more than doubling from where they are today. This has reduced the number of buyers and sellers in the market and it seems we need rates to drop below 6% to unfreeze the market.

Why Low Rates Would Be Bad News

We have not been building enough homes in Tallahassee, and the rate lock-in effect is causing pent-up demand (people want to move but cannot afford it). Were rates to drop below 6% with the limited inventory of homes for sale, prices would soar (again), resulting in the greatest home affordability crisis since the Great Depression.

