



Mariko Mitsui

Mortgage rate increase throws curveball into market

Despite hopes among potential home buyers and sellers, as well as economists' predictions, the Federal Reserve Bank's three interest rate cuts in 2024 have not led to reduced mortgage rates or a significant boost in the housing market. Instead, as of January 2, 2025, mortgage rates have risen to 6.91%, their highest level since July 2024.

"The 30-year mortgage interest rate was actually higher at the end of 2024 (6.85%) than at the end of 2023 (6.61%)," said Steven Bourassa, director of the Washington Center for Real Estate Research (WCER) at the University of Washington. He anticipates that mortgage rates will continue to frustrate the market. "We may well be experiencing the pains of adjusting to a new normal, with persistent interest rates of 6% or higher."

Rising rates have been accompanied by a 4.3% increase in home prices over the past year, further exacerbating affordability challenges. However, the market has shown some signs of increased activity. Active listings and sales transactions were up by 25% and 19.8%, respectively, in December 2024 compared to the previous year, suggesting that buyers and sellers may be adjusting to higher borrowing costs.

While affordability remains a significant concern, these trends point to a gradual adaptation to the evolving landscape of the housing market.

- NWMLS

King County	2023	2024
New Listings	504	638
Pending Sales	770	889
Closed Sales	977	1,127
Days on Market	34	38
Average Price	\$1,113,059	\$1,182,025
% of List Price Received	98.90%	99.60%
Inventory of Homes	1266	1,486

Fed cuts were supposed to lower mortgage rates, but they're back about 7%. Here's why

To answer that it's good to remember that the Fed can influence mortgage rates, but it doesn't set them. In a nutshell, the Fed sets short-term interest rates, but mortgage rates mainly follow a different number: the yield on 10-year Treasury bonds.

That yield has risen sharply in recent months due to a number of reasons. Inflation has stayed sticky, which means the Fed might be more cautious in cutting rates further.

And the economy is strong. That means the Fed can afford to wait longer to cut interest rates, especially since a stronger economy can also contribute to higher inflation.

It's also worth remembering that although 7% may feel high given that mortgage rates had dropped to as low as 2.65% in early 2021, they are not high historically speaking.

In fact, these mortgage rates were frequently at 6% or 7% or even higher at times in the 1990s and early 2000s and were in the double digits during the 1970s and 1980s. -NPR

Breakouts! – Residential SOLD Average

Dec. 2024 (King/Snohomish County) SOLD Average

Area (Area Code)	Average \$	Average \$	2024 VS
	Dec. 2024	Dec. 2023	2023
Auburn-Federal Way (110-310)	\$ 681,717	\$ 681,040	0.10%
Kent-Maple Valley (320-340)	\$ 795,763	\$ 775,030	2.68%
West Seattle (140)	\$ 876,876	\$ 904,241	-3.03%
SODO-Beacon Hill (380-385)	\$ 908,308	\$ 767,374	18.37%
E.lake-Madison-Capital Hill (390)	\$ 1,153,366	\$ 1,005,112	14.75%
Queen Anne-Magnolia (700)	\$ 1,654,926	\$ 1,208,722	36.92%
*Belltown-Downtown Seattle(701)	\$ 821,786	\$ 1,084,236	-24.21%
Ballard-Greenlake (705)	\$ 1,059,552	\$ 936,611	13.13%
North Seattle (710)	\$ 1,199,839	\$ 1,229,573	-2.42%
Shoreline/Richmond Beach (715)	\$ 877,103	\$ 853,554	2.76%
Bellevue Downtown (520)	\$ 4,394,500	\$ 4,236,700	3.72%
Mercer Island (510)	\$ 3,320,675	\$ 2,609,090	27.27%
Bellevue South-Newcastle (500)	\$ 2,079,543	\$ 1,657,629	25.45%
Renton Highlands-Downtown (350)	\$ 1,006,816	\$ 831,772	21.04%
Microsoft-Bellevue East (530)	\$ 1,823,116	\$ 1,877,132	-2.88%
Kirkland Downtown (560)	\$ 2,303,524	\$ 2,348,878	-1.93%
Redmond (550)	\$ 1,597,041	\$ 1,380,545	15.68%
Issaquah-Sammamish (540)	\$ 1,512,651	\$ 1,497,139	1.04%
Juanita-Bothell-Woodinville (600)	\$ 1,378,692	\$ 1,140,956	20.84%
Bothell North-Mill Creek (610)	\$ 1,272,221	\$ 1,103,860	15.25%
Edmonds-Lynnwood (730)	\$ 1,011,004	\$ 1,004,215	0.68%
Everett-Mukilteo-Snohomish (740)	\$ 848,687	\$ 729,306	16.37%

*Condominium SOLD Average

Today's Mortgage Rates: Is This the New Normal for Mortgage Rates?

Fed policymakers have acknowledged that while they still believe inflation will go down to their 2% target, it may take longer than expected. In response, forecasters have revised their mortgage rate predictions and now see rates remaining elevated throughout 2025.

Fannie Mae predicts that 30-year rates will end 2025 at 6.5%, only a little lower than where they are right now. And rates may remain in the 6% range throughout 2026 as well.

New Conforming Loan Amount Limits for 2025:

KING/PIERCE/SNOHOMISH COUNTY \$806,500.00 High Balance \$977,500.00

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Weekly Primary Mortgage Market Survey® (PMMS®)				
January 28, 2025	30-Yr	30-Yr	15-Yr	5/1
Regional Breakdown	FNMA	FHA	FNMA	ARM
Average Rates	6.625%	5.750%	5.500%	-
Fees & Points	*All loans have a one-point origination fee.			
APR	6.750%	6.395%	5.729%	-

** Owner Occupied / Single Family Residence
740 credit score and 20% down payment for conventional