***Dayton Metro Real Estate Market Insights -Interim Newsletter Edition - September 2024***

*Welcome to the September edition of Dayton Metro Real Estate Market Trends! In this interim update, we dive into key market shifts and provide timely insights into whether the current market favors buyers or sellers.*

**Key Performance Indicator Discussion:**

*Last month, we introduced a Key Performance Indicator (KPI) that measures the disparity between Active Listings and Sales. This gap serves as an important measure of transaction velocity in the market. To simplify the interpretation of this KPI, we’ve now translated it into a percentile, making it easier to assess market activity relative to historical trends.*

**Buyer and Seller Insights:**

Our KPI currently suggests that the market is shifting in favor of buyers as inventory continues to build. Here’s what this means for you:

* **Sellers**: Pricing competitively is crucial in this environment. Overpricing can lead to your property sitting on the market longer, reducing its appeal.
* **Buyers**: While the market is tilting toward your favor, the average Disparity Index remains just below the long-term average, signaling there is still strong competition. However, opportunities are increasing with more listings available.

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**Data Overview Section:**

Our analysis covers key real estate indicators from January 2010 to August 2024:

* **Active Listings**: Properties currently listed for sale.
* **Sales**: Total number of properties sold.
* **CPI (Consumer Price Index)**: A measure of inflation reflecting the cost of consumer goods.
* **30-Year Fixed Rate Mortgage (30yrFRM)**: Average interest rates for long-term mortgages.
* **Inflation Rate**: The rate of inflation affecting consumer prices.
* **Unemployment Rate (New - Dayton Metro)**: Percentage of unemployed individuals actively seeking work.
* **New Listings**: Properties entering the market in the given month.
* **Sales Volume**: Total dollar amount of sales in the Dayton Metro market.
* **Expired Listings**: Listings that have expired without a sale.

**Market Evaluation (Looking Back and Forward):**

*In August 2024, Active Listings fell by 46 units compared to the same period in 2023. Despite this, the overall trend for 2024 shows an average of 790 active listings per month, reflecting a 14.6% year-to-date increase. The SARIMA model projects a slight decrease, but real-world observations suggest the market is continuing to gain inventory.*



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**Sales Commentary:**

*Sales rose by 27 units in August 2024, a 1.68% increase from August 2023. While sales are holding steady, the simultaneous increase in active listings suggests that we are seeing the release of pent-up demand. The SARIMA model, adjusted for the Fed Funds rate, predicts a strong close to the year, followed by a slowdown in 2025.*

**Visuals and Models:**

*Below, we present two Ensemble model projections that compare last month's forecast with this month’s adjusted model. As we incorporate changes in the Fed Funds rate and market activity, these models suggest different trajectories for the end of 2024 and into 2025.*

LAST MONTH

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THIS MONTH

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**Interest Rates:**

With the Federal Reserve recently lowering its key discount rate, many are wondering how this affects mortgage interest rates. It’s important to note that mortgage rates are not directly tied to the Fed’s discount rate, but rather to the 10-year Treasury bond yield.

**How does this work?**  
The Fed’s discount rate is the rate at which banks can borrow short-term funds from the Federal Reserve. While this does not directly dictate mortgage rates, the overall economic conditions that lead the Fed to lower the discount rate—such as slowing economic growth or inflation—do have an indirect impact on longer-term interest rates, including mortgage rates.

**Fed Rate Cut and Mortgage Rates:**  
When the Fed lowers its discount rate, it's often in response to economic weakness or financial market volatility. In this case, the Fed's historic **0.50 basis point** cut was likely a response to signs of economic instability. Such moves can indirectly push mortgage rates lower, as lower Fed rates typically signal weaker economic conditions, which reduce inflationary pressures and influence bond yields, including the **10-year Treasury bond**—a primary driver of mortgage rates.

Over time, we’ve already seen mortgage rates gradually decline. The chart below highlights two key indicators:

1. **The Forward Indicator of Inflation**: This helps predict future economic conditions and inflation pressures.
2. **The Lagging Indicator of the 30-Year Fixed Mortgage Rate**: Reported by Freddie Mac, this metric reflects the average rate on long-term mortgages, often moving in response to changes in the Treasury bond market.

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**Final Thoughts:**

As the Dayton real estate market continues to shift, buyers are gaining more leverage with increasing inventory. Sellers, however, can still benefit from the market by pricing competitively to avoid stale listings. Our projections point to a strong close in 2024, followed by a slower 2025. Stay tuned for our next update, where we’ll continue to monitor these shifts closely.

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