

Changing the Game

Rising mortgage rates speed up New York City sales

July 02, 2013

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Amid the still-frenzied seller's market, a curve ball has been thrown into the mix: Mortgage interest rates are again on the rise.

During the week of June 21, interest on a 30-year fixed-rate mortgage jumped to 4.46 percent, the highest since August 2011, and 15-year fixed-rate mortgages hit 3.55 percent, the highest since November 2011. The sudden changes are infusing the New York market with a sense of urgency, brokers and mortgage professionals said.

"Last week, we got an accepted offer, rates went up and we rushed to have the contract signed before [they] increased further," said Wei Min Tan, a broker at Rutenberg Realty. "Abruptly rising rates brought urgency to buyers. While rates were low, there was less urgency because everyone assumed rates would continue to stay low."

Rising rates are now propelling would-be buyers to seal the deal, agreed Rolan Shnyder, director of new development lending at H.O.M.E. Mortgage Bankers. "In Manhattan, a half point isn't going to change people's minds about buying. [But] it's going to make them hurry up."

In an effort to stimulate the recovering housing market, the Federal Reserve has purchased billions of dollars in mortgage-backed securities and federal bonds, keeping rates artificially low. Interest rates hit then-historic lows in May 2012: Rates were 3.7 percent for a 30-year fixed-rate mortgage and 3.23 percent for a 15-year fixed-rate mortgage. Still, rates continued to drop. And by December of last year, 30-year fixed rates were down to 3.32 percent and 15-year fixed rates were at 2.85 percent.

Then rates began to rise steadily beginning in mid-May; at the same time, mortgage applications decreased, data from the Mortgage Bankers Association shows.

The increase in rates was expected, said Debra Shultz, senior vice president of mortgage lending at Guaranteed Rate.

"Our management has been preparing us for months and months and months now that rates are going to go up," Shultz said. They've been saying to "get out there and work on purchases, rates are not going to be down for much longer.' This has been going on for at least three months."

In Manhattan, sources concurred that rising rates would even out what has been an "insane" seller's market during the past few months, Shultz said.

In the second quarter of the year, Manhattan sales transactions jumped for the third quarter in a row while prices continued their steady rise. According to Douglas Elliman's Manhattan market report, 3,144 sales closed in the second quarter, an 18.8 percent increase from 2,647 in the same quarter of last year. The median sales price of a Manhattan apartment in the second quarter was \$865,000, a 4.3 percent increase from \$829,000 in the second quarter of 2012.

Jonathan Miller, the president of appraisal firm Miller Samuel, who compiled the report, said that low mortgage rates played a role in the high volume of transactions, as did the "collapse" in inventory.

"We saw some sense that rising interest rates were imminent, so there was a timing issue," Miller said.

He said while the urgency buyers are now experiencing has happened too recently to show up in Elliman's data, he expects it to be evident in the next few quarters.

Shultz said with rising rates, some buyers may back off or wait longer to move, since "higher rates mean higher mortgage payments."

But for now, real estate brokers and mortgage brokers said buyers are rushing to close sales before rates rise even further.

"Both parties are unsure of how the rate increase will impact values and purchasing power in the future," said Jason Auerbach, divisional manager at First Choice Loan Services. "Many people are moving to buy and sell homes before the market runs away from them."