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Column: South suburban real estate agents say rate cut hasn't boosted home buyer demand



Brian Cassella/Chicago Tribune

Homes in south suburban Chicago on April 26, 2023.



By **FRANCINE KNOWLES** | Daily Southtown

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The Federal Reserve's recent interest rate cut so far hasn't spurred a surge in buyers entering the housing market, according to real estate brokers working in the south suburbs.

Amid talk more rate cuts will occur, they suspect some buyers are in a wait-and-see mode and note other factors continue to affect the housing market including the upcoming elections and continuing inventory issues.

The Federal Reserve slashed its benchmark interest rate by half a percentage point Sept. 18, which was the first cut since 2020. That benchmark interest rate cut can affect consumer borrowing power by potentially lowering borrowing costs for mortgages, automobile loans and credit card interest rates.

The Fed previously had been raising rates to combat inflation, but with the rate cut signaled satisfaction with progress in that battle.

"There is a sense that mortgage rates are going to become lower, so you've got buyers holding out," said Andretta Robinson, a broker and team lead of the Titan Group at Re/Max 10 in Oak Lawn.

Reuters reported last month a poll of more than 100 economists revealed the majority expect the Federal Reserve will cut the federal funds rate by 25 basis points in both November and December.

But since the Fed's cut in September, mortgage rates haven't changed dramatically because the Fed's action had already been factored in by mortgage lenders, Robinson said. Indeed, the 30-year fixed-rate mortgage nationally averaged 6.32% as of Oct. 10, 2024, down from 7.57% a year ago, according to Freddie Mac's Primary Mortgage Market Survey. But that was up from last week when it averaged 6.12%.

"We haven't seen the impact yet," Robinson said. "I think when mortgage rates get closer to 5.25% and heaven help us if we get below 5, that's when we will start seeing a whole lot of activity."



Carol Moore, real estate broker and instructor at Keller Williams Preferred Realty in Orland Park.

"I've seen a slight impact," said Carol Moore, real estate broker and instructor at Keller Williams Preferred Realty in Orland Park. "I haven't seen a huge surge of buyers right away."

She said while some people are responding to lower rates, others are waiting to see if the election will change the rates or their reason for moving.

Joni Bradley-Scott, also a real estate agent and broker with Keller Williams Preferred Realty in Orland Park, said she's seen roughly the same number of buyers and sellers as last fall, and she also thinks the election season may influence some buyers.

"I would say that has more of an impact and affect in terms of how people are trying to decide in their minds where the economy is going and what that means for their lives in terms of how people are making decisions," Bradley-Scott said.



Andretta Robinson (Titan Group at Re/Max 10)

Realtors say they haven't seen signs buyers are holding out in the hope that Vice President Kamala Harris will win the presidential election and usher in her proposal to provide \$25,000 in down payment assistance to first-time home buyers.

"Some people may have that in the back of their minds," said Moore. "However, as we know, government moves slowly no matter who the president is or whatever they propose. It is still going to take several months for that to be realized."

For many home buyers, that won't be the deciding factor nor will mortgage interest rates, Moore and other real estate brokers said.

"People move because they're getting married or divorced, having children, being empty nesters, retiring, relocating for business or other jobs, to be closer to their children and grandchildren," said Moore. "People are moving for life events more so than what's happening in the world because what's important is what's happening in their personal world."

According to a Sept. 19 release from Illinois Realtors, home sales in the nine-county Chicago metropolitan area fell 6.6% in August 2024 from August 2023 to 8,640. The median home price was \$355,000, up 4.4% from a year earlier.

Inventories increased statewide and in the Chicago metropolitan area but remain near historic lows, suggesting the market will continue to be highly competitive and challenging for home buyers, Geoff Smith, executive director of the Institute for Housing Studies at DePaul University, said in the release.

"Our forecast estimates that the coming three months will have slightly lower levels of sales activity, but higher prices compared to 2023," Smith said. "Economic conditions continue to show mixed signals. However, the decline in mortgage interest rates, coupled with the potential for rate cuts by the Federal Reserve, could spur additional homebuying activity."

Moore said it remains a sellers' market due to inventory shortages. Robinson said inventory remains an issue in certain south and southwest suburbs including Orland Park and La Grange.

"People who purchased their homes years ago when interest rates were low, not only are their interest rates low, they also have a lot of equity in their property," she said. "So a lot of people don't want to sell and move with that low interest rate and all that equity and swap it out for a higher interest rate and higher prices."

But she concurred life changes and priorities propel people to move, and she and others said the fall is a good time for would be home buyers to be in the market.

"Fall is the best time of year especially in Chicagoland because if a seller has their property on the market when it gets cold, they are very motivated," said Robinson. "So that means buyers are going to get a better deal. Sellers are more primed to offer incentives during the winter and fall than they do in the summer and spring."

It's a supply and demand thing.

"It offers an opportunity for buyers because there aren't as many people in the marketplace buying, so that's beneficial," said Bradley-Scott. "People are seriously motivated one side or the other trying to get it done."

Retired Chicago police officers Regina and Kevin Scott are shopping for a home in the south suburbs. The couple, who have aging parents and a grandchild on the way, are looking for a four-bed room, two-and-a-half bath home with a basement.

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They've been looking in Flossmoor, Olympia Fields, Frankfort and Mokena. Inventory has run the gamut "from very affordable to not so affordable" and they've undergone "sticker shock" with home prices and interest rates, they said. They welcome the Federal Reserve's recent rate cut.

"We are pleased they lowered it," Regina Scott said. "Hopefully they will continue to come down."

They're still not happy about current rates, "but it won't hinder us from moving," she said.

Francine Knowles is a freelance columnist for the Daily Southtown.