

JUNE
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INFLATION AND THE HOUSING MARKET

If you've been on any news source, social media platform or the internet in general – you're well aware of the alarmist headlines circling inflation and the housing market.

Recently, you may have heard something about another decision from the Federal Reserve or “The Fed” but what it actually means, and what it actually means FOR YOU - are all up for interpretation.

Here's what you *actually* need to know.

When inflation is high, it's obvious that expenses go up. You'll hear people complain about the price of gas and likely groceries, too. When the Federal Reserve increases interest rates, it aims to influence and stabilize the economy by addressing inflationary pressures and trying to balance out the economy. It does this by:

CONTROLLING INFLATION:

One of the primary reasons the Fed raises interest rates is to combat inflation. By increasing rates, the cost of borrowing money becomes more expensive. As a result, individuals and businesses are likely

to reduce their borrowing and spending, leading to decreased demand in the economy. Reduced demand can help prevent excessive price increases and keep inflation in check.

ENCOURAGING SAVING:

Higher interest rates make it more attractive for individuals and businesses to save money rather than spend or invest it. When interest rates rise, the returns on savings accounts, certificates of deposit (CDs), and other low-risk investments become more appealing. Increased savings can provide a buffer against economic instability and create a pool of funds that can be used for future investments and economic growth.

STABILIZING THE CURRENCY:

Raising interest rates can also help stabilize a country's currency. When a country has higher interest rates compared to other nations, it tends to attract foreign investors seeking higher returns. This increased demand for the currency strengthens its value relative to other currencies. A stronger currency can help

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maintain price stability and make imports relatively cheaper, which can help control inflation.

MANAGING ASSET BUBBLES

In certain situations, when the Fed observes excessive growth and potential asset bubbles in sectors like real estate or the stock market, it may opt to raise interest rates. Higher rates can dampen speculative investments and discourage excessive borrowing, which helps prevent unsustainable asset price growth. This approach aims to promote a more sustainable and balanced economy in the long run.

While the Fed's actions don't directly demand what happens in regards to Mortgage Rates - their decisions do have an impact on the housing market overall.

When we asked our Lending Expert, Mark Daker, he said -- "For the past 1-2 years, inflation has been the single greatest driver of both mortgage rates and the Fed's continued increase of the Federal Funds Rate. While mortgage rates are not controlled by the Fed Funds Rate, they're certainly connected. Inflation markers on many items, such as real estate and automobiles, have slowed, but in other areas, inflation has remained a concern,

and as a result, the Fed has continued to increase rates. However, there has been a change in general sentiment and projections of the Fed's future rate increases, and I, as well as many others, believe that the Fed will have to now account for a slowing economy, changing labor market and hopefully less inflationary pressures. As a result, I expect interest rates to remain steady or slightly fall over the next 1-2 quarters, assuming economic activity remains on par with what we've seen so far this year."

Don't let headlines fool you - be sure to speak with your trusted real estate advisors to get the scoop on what inflation and its correlation to home prices and mortgage rates mean for you on an individual level. We're always here to help!

Here is an article from Forbes regarding Federal Funds Rate History in the United States from 1990 to 2023:

FORBES ARTICLE HERE

Sources pulled from: <https://www.keepingcurrentmatters.com/2023/05/10/the-impact-of-inflation-on-mortgage-rates/>

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NON PROFIT SPOTLIGHT

FURNISH WITH LOVE

CREATING HOMES WHERE FAMILIES THRIVE

Furnish With Love furnishes homes for families transitioning from homelessness.

“As a nonprofit organization built on compassion, dignity, and the transformative power of design, we partner with volunteers and community organizations to offer a hand up to Atlanta families.

We support families who have recently transitioned from housing insecurity and are working hard for a better future. Our volunteer designers use donated furniture and décor to create warm homes and change lives.

When we founded Furnish with Love in 2019, our goal was to create spaces that allow families to focus on each other and their future. Each year since, we've continued to deliver on the promise of creating functional and beautiful living environments with all the furnishings families need to feel at home and thrive.”

They also have a project page showcasing various initiatives aimed at providing furniture and essential household items to individuals and families in need. Their projects include partnering with local organizations, hosting donation drives, and coordinating efforts to collect and distribute furniture to those transitioning out of homelessness or facing other challenging circumstances. Furnish with Love strives to create comfortable and nurturing living environments, fostering a sense of dignity and belonging for individuals and families who may otherwise lack the resources to furnish their homes.

WEBSITE

PROJECTS

GET INVOLVED

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