



Rise in mortgage rates hasn't slowed real estate activity in St. Johns County

By Stuart Korfhage
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The St. Johns County housing market has survived a couple of natural disasters in the last 18 months, rebounding swiftly after a couple of hurricanes.

At the same time, the health of the market is being challenged by rapidly rising prices and tight inventory. But so far that has not dragged down interest, either.

Now could rising interest rates be the undoing of the sustained hot streak? Real estate leaders say no — not at this point anyway.

A release from Freddie Mac on Thursday showed that the 30-year fixed-rate mortgage averaged 4.46 percent for the week. A year ago at this time, the 30-year mortgage rate averaged 4.21 percent.

Indications are that rates are going to continue to rise, although slowly, throughout the year.

Locally, Victor Raymos and others in the real estate industry are monitoring the situation but haven't found any reason to worry. Raymos, the CEO and association executive for the St. Augustine & St. Johns County Board of Realtors, said rates haven't gone up enough to turn people away from the housing market.

"We don't think it's going to impact the real estate market because the rates are still relatively low," Raymos said. "Any increases have been small increases. That's still a great rate."

However, anything that increases the cost of buying a home here could be looked at with concern. Limited available homes for sale along with continued desirability of the area has driven prices higher in recent times.

According to the Northeast Florida Association of Realtors, which doesn't track every transaction in the county, the median home price for St. Johns County in 2017 was \$312,000 — up from \$252,000 in 2014.

Raymos said slow increases in lending rates are palatable as long as other economic indicators are good.

"It's still a bargain for buyers that want to get in the market and take advantage of the prices before ... because they're going up as well," he said. "The supply of houses has not increased dramatically, so it's still a tight market."

So far, there is no indication higher prices and slightly higher mortgage prices are slowing down the market. The local and national economies are both seemingly strong, and the county recently has enjoyed the state's lowest unemployment rate — 2.8 percent in the latest release, which was for December.

Building has been particularly good in St. Johns County to start 2018, continuing the momentum from last year.

Jason Sessions, general manager for RiverTown, one of the county's largest open developments with more than 4,000 homes planned, said he's seen no letdown in demand due to rising interest rates.

"No, we aren't worrying about rates at this point, and in February we had record sales," Sessions said in an email to The Record.

According to the St. Johns County Building Department, there were 345 and 324 permits issued for single-family homes in January and February, respectively, this year. That puts the county on pace for more than 4,000 new homes for the year, a similar pace to last year. By comparison, Duval County issued about 3,000 new home permits in 2017.

On the national level, Freddie Mac economists remain optimistic the sector will be key to driving the housing market in 2018.

"While existing home sales may struggle to top their best-in-over-a-decade 2017 performance, new home sales should provide enough growth to push total home sales in the U.S. modestly higher in 2018," said Len Kiefer, Freddie Mac's deputy chief economist, in a release. "Housing construction continues to lag demand by a wide margin, so we expect to see housing starts grind higher in 2018."