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**Our June 2023 Newsletter**

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brief pause) and there may be chinks in the armor of the residential rental markets. Thankfully the banking sectors seems to have calmed down after the run on insolvencies, but unfortunately it has not done much for lending overall. There is a lot to cover, so lets dive in!

## The Current State of the Marketplace

### **A Brief Pause in Rate Hikes; Penalties for Good Credit; Is The Tide Finally Turning in Favor of Renters?**

After 10 rate hikes aimed at curtailing record inflation, the FED finally decided to skip a rate hike during its June meeting (which was a unanimous vote). While they did intimate that future hikes would be on the horizon, the base rate remained the same in June. Analysts believe that the FED is shooting for increases reaching the 5.8% neighborhood, leaving plenty of room for additional rate hikes throughout the rest of this year. The residential marketplace is already seeing a substantial slowdown due to the continued rate hikes. With many mortgage rates in mid to upper 6% range, many believe that a 7% average would signal a "breaking point" further hampering the housing market. Only time will tell but it seems that unless rates begin to reverse course (along with inflation) tough times may be ahead in the marketplace.

To further throw a wrench into the mix, the Federal Government issued a new directive which began on May 1, 2023. This new directive essentially adds a penalty on mortgages for those with a credit score of 740. Conversely, those with credit scores below 680 would see discounts on their mortgages. This policy would penalize those with good credit scores by making them pay more for the same mortgage as those with sub-par credit. As if the marketplace was not dealing with enough flux and uncertainly, this program is yet another hurdle to obtaining a mortgage. Efforts are underway to have this repealed as the House has passed a bi-partisan bill to quash the legislation. It is unknown whether the bill will also pass the Senate, but this is something to keep an eye on in the immediate future.

Renters may be in for good news, as recent numbers reflect that for the first time in

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take note of, I believe that the numbers may be somewhat skewed. Reason being, the numbers that we are comparing to are still based off of the inflated post-pandemic numbers. As we all know, rents (along with most things) shot up dramatically. I believe we are now seeing a "coming back to Earth" type of situation. It would be interesting to compare today's numbers with pre-pandemic (adjusted for inflation) as a more accurate analysis/data point. Regardless, landlords would be wise to take notice and keep tabs on their local markets. As loans become due, reduced rents could have a dramatic effect on debt service when the time for refinance comes around.

## Real Estate Investment Strategies

Real Estate is what we do. Helping our clients find their next investment opportunity is something that separates us from other firms, we love to grow with our clients and see them succeed. If you are looking for your next investment, we can help:

### Hard Money/Private Lending

We are still lending!! Our sister company, Stone Commercial Capital, LLC continues to see steady deal flow and continues to make solid loans. We are still lending on good deals regardless of the market conditions. Quite a few lenders are taking a pause in overall lending to see how the market plays out, but we continue to operate full steam ahead. Our reputation for honesty and ability to close loans quickly differentiates us from other lenders. Keep an eye out in the coming months as we will be rolling out our new website to further help our Brokers and our clients.

We are incredibly excited to announce our new lending entity, Terra Funding Group, LLC. Terra represents the collaboration between Stone and a capital funding team to offer additional capital options to our client base. Keep an eye out for additional updates over the next few months - we will be offering one-off programs for investor/owners that continues to employ our common sense lending approach.

### D-town Realty Will Find Your Next Commercial, Investment or Residential Property

We have some exciting news to share in the upcoming weeks that will transform D-town Realty and greatly benefit our clients. Keep an eye out for a major announcement! We are

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Do not hesitate to contact us for your next Commercial, Investment or Residential property listing or purchase. The marketplace is experiencing serious flux. Having a Real Estate Broker who is also a practicing Real Estate Attorney is very advantageous when it comes to negotiating not only initial terms, but finding solutions to problems that arise during the transaction. Whether it is your next investment property or your primary residence, we are here for you to help find your next property. We can help you navigate the cumbersome search process and also evaluate the property to ensure that it meets your investment criteria as part of your portfolio. We can help you underwrite your potential investment property to ascertain whether it meets your specific return criteria.

If you or anyone you know would like to receive regular emails with current investment opportunities in our office, please feel free to reach out to me via email at [risgate@isgatelaw.com](mailto:risgate@isgatelaw.com) or via phone at 215-396-1020.

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