



**BERKSHIRE  
HATHAWAY**  
HomeServices

# NEWS RELEASE



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**FOR IMMEDIATE RELEASE**

## **Consumers See Interest Rate Increase from Opposite Angles in Latest Berkshire Hathaway HomeServices Homeowner Sentiment Survey**

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*Prospective homeowners express concern over increase and perceived effect on real estate decisions and lifestyles; existing homeowners stand indifferent to rate boost*

**IRVINE, CA (Dec. 16 2015)** – Berkshire Hathaway HomeServices, part of the HSF Affiliates LLC family of real estate brokerage franchise networks, today released results of its latest Homeowner Sentiment Survey indicating a significant split in the way real estate consumers perceive the Federal Reserve’s anticipated raising of its benchmark interest rate and the subsequent impact on mortgage rates.

Existing homeowners expressed indifference to the notion of a lift in mortgage rates as a result of the Fed’s action. By contrast, 62% of prospective homeowners – a survey group composed mainly of millennials and Gen-Xers – said rising mortgage rates would make them feel anxious about their current financial situations.

It’s been nearly 10 years since the Fed raised its benchmark rate, which stands near zero as part of the Fed’s effort to stimulate the U.S. economy. Accordingly, mortgage rates, which move in response to the fed funds rate, have hovered at or near historic lows for years. Yet in the survey, 67% of prospective homebuyers categorized the level of today’s mortgage rates as “average” or “high.”

“The Fed is seeing more people going back to work and with the expectation of job growth for America it feels comfortable with its intent to raise rates,” said Berkshire Hathaway HomeServices President Stephen Phillips. “But the reality is that an entire generation of first-time buyers has never experienced a meaningful rate increase; this is a new and unfamiliar phenomenon to them.”

Should mortgage rates rise in response to a boost in the fed fund rate, many prospective homeowners said they would have to alter their home searches and 51% would adjust their savings pace. In addition, exactly half of prospective homeowners believed they would experience more difficulty affording their ideal home. Current homeowners, whose ranks are mostly Boomers and Gen-Xers, said that increased mortgage payments would mean more personal sacrifices in areas such as family vacations, home improvements and shopping.

Fed policymakers have said the pace at which they’ll raise interest rates will be gradual – an increase of a quarter of a percentage point is typical. A similar rise in mortgage rates would add about \$43 a month to a hypothetical \$300,000, 30-year mortgage with a 3.75% rate, explained Gino Blefari, CEO of

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HSF Affiliates. “A bump in mortgage rates has more bark than bite,” he said. “The average American spends about twice as much every month on coffee<sup>1</sup>.”

A majority of current homeowners (59%) and half of prospective homeowners believed interest rates are holding steady. Lower interest rates remain the top reason why many survey respondents view the current housing market favorably.

Respondents also identified factors they believed are driving U.S. real estate forward. Increased residential construction and increased construction in urban areas offering more housing choices closer to work topped the list. Respondents also indicated that the housing market is benefiting from an increase in millennial buyers and by a boost in housing inventory; the latter factor has hamstrung real estate in many markets since the downturn. (See [Homeowner Sentiment Survey](#) results from September.)

“As always, our agents and the industry as a whole must take great care to educate buyers and sellers about the real estate process, which includes mortgage rates,” said Blefari. “A Fed rate increase may grab people’s attention, yet the cost of borrowing money to buy a home remains historically low by all measurements. From our perspective, even though we can’t predict the future, it looks like mortgage rates will remain attractive, and that’s good for consumers and the real estate market.”

The full survey details are available upon request.

### **Berkshire Hathaway HomeServices Consumer Sentiment Survey Methodology**

Interviews with 2,502 respondents were conducted online by Edelman Berland in November 2015. The respondents captured were either current homeowners (individuals who currently own a home as a primary residence) or prospective homeowners (individuals who are looking to buy a home within the next six months). The margin of error is +/-2.2% for current homeowners and +/- 4.4% for prospective homeowners.

### **About Berkshire Hathaway HomeServices and HSF Affiliates LLC**

Berkshire Hathaway HomeServices, based in Irvine, CA, is a real estate brokerage network built for a new era in residential real estate. The network, among the few organizations entrusted to use the world-renowned Berkshire Hathaway name, brings to the real estate market a definitive mark of trust, integrity, stability and longevity. Visit [www.berkshirehathawayhs.com](http://www.berkshirehathawayhs.com).

Irvine, CA-based HSF Affiliates LLC operates Berkshire Hathaway HomeServices, Prudential Real Estate and Real Living Real Estate franchise networks. The company is a joint venture of which HomeServices of America, Inc., the nation’s second-largest, full-service residential brokerage firm, is a majority owner. HomeServices of America is an affiliate of world-renowned Berkshire Hathaway Inc.

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<sup>1</sup> According to a National Coffee Association study.

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