MONEY HOUSE

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Appraisal and Inventory Issues Complicate Existing Sales Numbers

"**Frustratingly low inventory levels** in many parts of the country" take the blame from the National Association of Realtors® (NAR) for a drop in July existing home sales, the first loss after four straight months of gains. Resales of single-family homes, townhomes, condos, and co-ops were 3.2 percent below the level of sales the previous month and were slower on an annual basis for the first time since last November, coming in 1.6 percent below the rate in July 2015.

Completed home sale transactions were at a seasonally adjusted annual rate of **5.39 million** in July compared to 5.57 million in June and 5.48 million in July of last year. It was only the second time in 21 months that sales failed to better their year-earlier numbers.

The numbers were below even the lowest of analysts' estimates which ranged from 5.42 million to 5.65 million among those surveyed by Econoday. Their consensus was 5.52 million units.

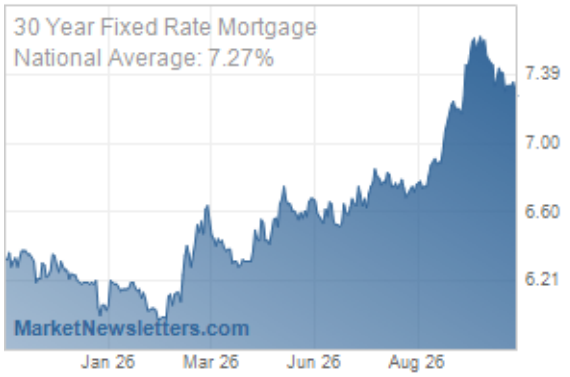
Lawrence Yun, NAR chief economist, says "Severely restrained inventory and the tightening grip it's putting on affordability is the primary culprit for the considerable sales slump throughout much of the country last month. Realtors® are reporting diminished buyer traffic because of the scarce number of affordable homes on the market, and the lack of supply is stifling the efforts of many prospective buyers attempting to purchase while mortgage rates hover at historical lows."

Adds Yun, "Furthermore, with **new condo construction** barely budging and currently making up only a small sliver of multi-family construction, sales suffered last month as condo buyers faced even stiffer supply constraints than those looking to purchase a single-family home."

Condo and co-op sales, in fact, **nosedived** in July by 12.3 percent to a seasonally adjusted annual rate of 570,000, down 80,000 units from June. Those sales were 8.1 percent lower than a year earlier.

Single-family home sales decreased 2.0 percent to a seasonally adjusted annual rate of 4.82 million in July from 4.92 million in June, and were 0.8 percent under the 4.86 million pace a year previous.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.27%	-0.02	0.00
15YR Fixed	6.92%	-0.03	0.00
30YR FHA	6.90%	-0.01	0.00
30YR Jumbo	7.55%	0.00	0.00
7/6 SOFR	6.78%	-0.10	0.00
30YR VA	6.91%	-0.01	0.00

Rates as of: 10/30

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.80	-0.02
10 YR Treasury	4.9125	-0.0174
30 YR Treasury	5.2783	-0.0299

Pricing as of: 11/2 8:49AM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 21	195	+3.39%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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The **median existing-home price** for all housing types in July was $244,100, up 5.3 percent from July 2015 ($231,800). July's price increase marks the 53rd consecutive month of year-over-year gains. The median existing single-family home price was $246,000 in July, an increase of 5.4 on an annual basis while the median condo price rose 4.1 percent to $228,400.

There was a fractional increase in the total housing **inventory** which inched up 0.9 percent to 2.13 million homes for sale but the inventory remained 5.8 percent lower than the 2.26 million available in July 2015. This marked the 14th straight month the inventory has tightened compared to a year earlier. Unsold inventory is at a 4.7-month supply at the current sales pace, up from 4.5 months in June.

"Although home sales are still expected to finish the year at their strongest pace since the downturn, thanks to a very strong spring, the housing market is undershooting its full potential because of inadequate existing inventory combined with new home construction failing to catch up with underlying demand," adds Yun. "As a result, sales in **all regions** are now flat or below a year ago and price growth isn't slowing to a healthier and sustainable pace."

The share of **first-time buyers** slipped 1 percentage point to 32 percent in July, but was higher by 4 points from a year earlier. First-time buyers represented 30 percent of sales in all of 2015. Individual investors purchased 11 percent of the homes sold during the month, the same share as in June but 2 percentage points fewer than a year ago. Eleven percent of sales were all cash and 70 percent of investor paid all-cash.

NAR President Tom Salome says, in addition to affordability concerns, an issue seen earlier in the housing recovery may be reemerging. Realtors® are indicating that **appraisal complications** are appearing more frequently as the reason why some home sales settlements are being delayed.

"Appraisal-related contract issues have notably risen over the past year and were the root cause of over a quarter of contract delays in the past three months," he said. "This is likely a combination of sharply growing home prices in some areas, the uptick in home sales this year and the strong refinance market overworking the already reduced number of practicing appraisers. Realtors® are carefully monitoring this trend, and some have already indicated they're extending closing dates on contracts to allow extra time to accommodate the possibility of appraisal-related delays."

Distressed sales came in at the lowest share since NAR began tracking them in October 2008, Four percent of July sales were foreclosures and 1 percent were short sales. Foreclosures sold for an average discount of 18 percent below market value in July (11 percent in June), while short sales were discounted 16 percent (18 percent in June).

Properties typically stayed on the market for **36 days** in July, up from 34 days in June but six days less than a year earlier. Short sales were on the market the longest at a median of 95 days, foreclosures sold in 54 days and non-distressed homes took 34 days. Forty-seven percent of homes sold in July were on the market for less than a month.

Sales were down from June in three of the four regions. Existing-home sales in the Northeast saw the greatest decline, dropping 13.2 percent to an annual rate of 660,000. Sales in the region are now 5.7 percent below a year ago. The median price in the Northeast was $284,000, an annual increase of 3.3 percent.

In the **Midwest** there was a 5.2 percent decline with existing homes selling at an annual rate of 1.28 million in July, the same pace as a year earlier. The median price was $194,000, up 5.0 percent from a year ago.

Existing-home sales in the **South** in July declined 1.8 percent to an annual rate of 2.22 million, and were also 1.8 percent lower than in July 2015. The median price in the South was $214,500, 6.6 percent higher than the previous July.

Existing-home sales in the **West** rose 2.5 percent to an annual rate of 1.23 million in July, but were still 0.8 percent below a year ago. The median price in the West was $346,100, 6.4 percent higher than in July 2015.

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Our Goal is to help our Wholesale Partners grow their business.

Let our highly experienced reverse mortgage team help your company grow its HECM business.

Chris Munson



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