MONEY HOUSE

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Highest Home-Buying Demand in Years Stifled by Tight Inventory

Tight inventories are again being blamed for a downturn in home sales, this time January's ones. The National Association of Realtor's® (NAR's) Pending Home Sale Index (PHSI) declined by 2.8 percent from December, reaching the lowest level in a year. The PHSI is a forward-looking indicator based on signed contracts for home purchases. Those contracts are generally expected to turn into completed sales in about 60 days.

The January PHSI dipped to 106.4 from an upwardly revised 109.5 in December. The December index had originally been reported at 109.0. The index **remains 0.4 percent higher** than it was in January 2016, but is at the lowest level since then.

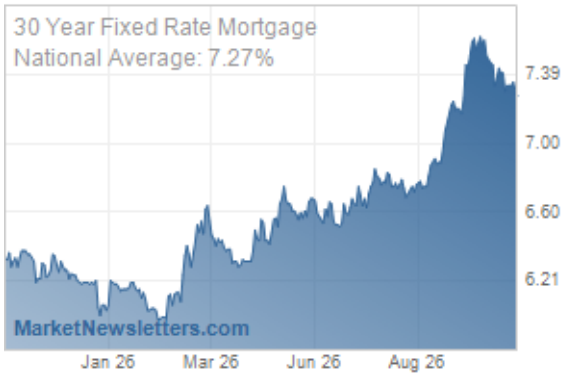
This index is beginning to exhibit the same kind of volatility that has marked new home sales in recent months. The index gained 1.6 percent in December, only partially recovering from a 2.5 percent downturn in November.

The January downturn was **unexpected**. Analysts surveyed by Econoday were looking for a strong kick-off for the new year, with predictions ranging from 0.3 to 1.2 percent gains. The consensus was on the high end of those estimates at 1.1 percent.

Lawrence Yun, NAR chief economist, says home shoppers in January faced **numerous obstacles** in their quest to buy a home. "The significant shortage of listings last month along with deteriorating affordability as the result of higher home prices and mortgage rates kept many would-be buyers at bay," he said. "Buyer traffic is easily outpacing seller traffic in several metro areas and is why homes are selling at a much faster rate than a year ago. Most notably in the West, it's not uncommon to see a home come off the market within a month." NAR's report on existing home sales released last week reported a typical marketing period of 50 days in January compared to 64 days in January 2016.

According to Yun, interest in buying a home is the **highest it has been since the Great Recession**. Households are feeling more confident about their financial situation; job growth is strong in most of the country and the stock market has seen record gains in recent months. While these factors bode favorably for increased sales in coming months, buyers are dealing with challenging supply shortages that continue to run up prices in many areas.

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	99.82	+0.01
10 YR Treasury	4.9063	-0.0236
30 YR Treasury	5.2730	-0.0352

Pricing as of: 11/2 8:50AM 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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"January's **accelerated price appreciation** (NAR put the increase at 7.1 percent year-over-year) is concerning because it's over double the pace of income growth and mortgage rates are up considerably from six months ago," said Yun. "Especially in the most expensive markets, prospective buyers will feel this squeeze to their budget and will likely have to come up with additional savings or compromise on home size or location."

NAR is projecting sales of existing homes to total about **5.57 million units this year**, up 2.2 percent from the estimate of 5.45 million sales in 2016. The national median existing-home price is expected to increase around 4 percent in 2017. Last year existing sales increased 3.8 percent and prices rose 5.1 percent.

"Sales got off to a **fantastic** start in January, but last month's retreat in contract signings indicates that activity will likely be choppy in coming months as buyers compete for the meager number of listings in their price range," added Yun.

On a regional basis, the PHSI rose 2.3 percent in the **Northeast** to 98.7, 3.6 percent above January 2016. The index fell 5.0 percent in the **Midwest** to 99.5 percent, a 3.8 percent loss compared to a year earlier

The **South** saw a slight gain for the month, inching up 0.4 percent to 122.5, a gain of 2.0 percent on an annual basis. The worst performance was in the **West** where pending sales dropped 9.8 percent in January to 94.6, and are now 0.4 percent lower than a year ago.

The Pending Homes Sales Index is based on a large national sample, typically representing about 20 percent of transactions for existing-home sales. In developing the model for the index, it was demonstrated that the level of monthly sales-contract activity parallels the level of closed existing-home sales in the following two months. The Index was set to 100 in 2001.

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.

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