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A Message from Ted Rood:

"Gee, what a shock! 14 of the top 15 "most overbid" cities in the country are in sunny CA. Nothing like coughing up an additional $50-$100K OVER list to buy your new house, eh?"

Return of The Bidding War, But Only For Certain States

The phenomenon is very uneven geographically, but CoreLogic says that one factor behind the sustained pace of home price appreciation is the **return of bidding wars**.

The company's analysis is limited in that it was done on the city level in markets where there were a hundred or more closed home sale transactions in the second quarter - criteria that is in itself a bit self-defining. They also included properties where the sale price was bid up by **$5,000 or more** above the list. The cities that emerged on top for bidding wars were no surprise; they were mostly in the West and primarily in California, but some of CoreLogic's findings were still interesting.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.51%	+0.01	0.00
15YR Fixed	7.04%	+0.01	0.00
30YR FHA	7.08%	+0.03	0.00
30YR Jumbo	7.52%	+0.02	0.00
7/6 SOFR	7.12%	-0.01	0.00
30YR VA	7.10%	+0.03	0.00

Rates as of: 11/16

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.71	+0.01
10 YR Treasury	5.1266	-0.0076
30 YR Treasury	5.4731	-0.0027

Pricing as of: 11/16 7:21PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
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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Figure 1: Top 30 cities with highest shares of bid properties in Q2 2016

Rank	City	State	Shares of Bid Properties	Additional Money Paid per Bid Property	% of Additional Money Paid per Bid Property
1	Santa Clara	CA	78.4%	$63,550	8.0%
2	Milpitas	CA	75.0%	$51,000	6.5%
3	Fremont	CA	74.6%	$38,000	5.2%
4	San Carlos	CA	74.0%	$116,000	8.8%
5	Sunnyvale	CA	73.8%	$92,000	9.6%
6	Daly City	CA	73.7%	$65,500	9.5%
7	San Mateo	CA	73.4%	$106,000	11.0%
8	Cupertino	CA	70.1%	$123,000	8.2%
9	Mountain View	CA	69.9%	$120,500	9.9%
10	Redwood City	CA	69.0%	$91,000	8.0%
11	Montclair	NJ	67.3%	$73,500	10.8%
12	San Francisco	CA	66.2%	$134,000	12.2%
13	San Jose	CA	65.9%	$43,000	5.9%
14	Culver City	CA	64.8%	$34,300	5.6%
15	Kirkland	WA	59.9%	$32,850	7.6%
16	Sammamish	WA	59.5%	$35,028	5.1%
17	Thornton	CO	58.7%	$12,500	4.3%
18	Snoqualmie	WA	58.3%	$20,075	4.1%
19	Bellevue	WA	58.2%	$53,000	8.2%
20	Issaquah	WA	56.5%	$30,000	5.6%
21	Redmond	WA	55.8%	$40,005	7.5%
22	Beaverton	OR	55.7%	$15,100	5.3%
23	Los Altos	CA	55.1%	$232,000	9.3%
24	Campbell	CA	54.2%	$63,000	8.0%
25	Maple Valley	WA	53.8%	$14,525	3.3%
26	Altadena	CA	53.5%	$35,000	5.5%
27	Louisville	CO	53.2%	$17,000	4.1%
28	Rohnert Park	CA	52.9%	$15,100	3.7%
29	Seattle	WA	52.3%	$41,000	9.2%
30	Westminster	CO	52.2%	$15,000	5.5%

Source: CoreLogic MLS June 2016 ©2016 CoreLogic, Inc. All rights reserved.

Seventeen of the top 30 cities where multiple offers are most frequently pushing home sale prices above list are in California, and eight are in Washington. And where they are occurring, bidding wars are not an isolated occurrence. Almost eight of ten properties sold in the second quarter in Santa Clara went above listing price; in two other California markets, Milpitas and Fremont, it was seven of ten. In each city falling in the top half of the list a minimum of 60 percent of sales were above the listing price and for the entire list bidding affected at least half of closed sales.

On a percentage basis, the **largest average increase** over listing price was in San Francisco at 12.2 percent followed by San Mateo at 11.0 percent and Montclair, New Jersey (the only market east of Colorado) at 10.8 percent. The low (keeping in mind the $5000 analysis floor) was 3.3 percent in Maple Valley, Washington. Given some already pricy markets, the extra dollars paid by buyers was impressive, ranging from a low of $12,500 in Thornton, Colorado to $232,000 in Los Altos, California.

CoreLogic Principal Economist Bin He, who wrote up the analysis for the company's *Insights Blog* said, "Let us pause for a moment and think about this: if you happen to get into a bidding war in San Francisco CA, which actually occurred in six out of ten closed sales in Q2 2016, you'd better **be prepared to pay an additional $134,000** for your dream home."

So **what is driving the bidding wars?** He says it is that old villain, tight inventories. While they exist in much of the country, with an average of a 3.75-month supply of homes on the market nationwide, it follows that the inventory would likely be lower in those markets which also have the greatest demand. In California and Washington, the inventory is 2.6 months and 2.04 months respectively.

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We are generally told that inventory is lowest in the bottom tier of home prices. It would be interesting to see CoreLogic repeat this analysis with a lower floor for the list price/ceiling price relationship. It might add yet another layer to discussions about the missing first-time homebuyer.

Responsive service, experienced expertise

I've dedicated my 26 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

Ted Rood 

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