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Sparse Listings Continue to Drive Home Prices

There was an uptick in national existing home sales in the second quarter of 2015 of 6.6 percent the National Association of Realtors® (NAR) said on Tuesday. The increase in sales coupled with an insufficient supply of homes drove home prices **almost universally higher** across major metropolitan areas.

The uptick in transactions brought the seasonally adjusted rate of existing home sales to 5.30 million in the second quarter from 4.97 million in the first quarter. Sales were also 8.5 percent higher than the rate of 4.89 million in the second quarter of 2014.

The national median existing single-family home price in the second quarter was $229,400, up 8.2 percent (from $212,000) year-over-year. In the first quarter the rate of increase year-over-year was 7.1 percent.

Ninety-three percent or **163 of the 176 metropolitan statistical areas** (MSAs) tracked by NAR saw price increases during the second quarter when compared to the same period in 2014. The remaining 13 areas or 7 percent saw price declines. During the first quarter of 2015 85 percent of markets posted increases.

Price gains were in the **double digits** during the second quarter in 19 percent or 34 of the MSAs. While the big increases were more prevalent than a year earlier when 11 percent had growth in excess of 9 percent there was a significant decline from the 51 areas with hikes of that size in Q1.

At the end of the second quarter, there were **2.30 million existing homes** available for sale, slightly above the 2.29 million homes for sale at the end of the second quarter in 2014. The average supply during the second quarter was 5.1 months - down from 5.5 months a year ago.

Lawrence Yun, NAR chief economist, says the housing market has **shifted into a higher gear** in recent months. "Steady rent increases, the slow rise in mortgage rates and stronger local job markets fueled demand throughout most of the country this spring," he said. "While this led to a boost in sales paces not seen since before the downturn, overall supply failed to keep up and pushed prices higher in a majority of metro areas."

Adds Yun, "With home prices and rents continuing to rise and wages showing only modest growth, declining affordability remains a hurdle for renters

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	98.70	+0.00
10 YR Treasury	5.1260	-0.0082
30 YR Treasury	5.4741	-0.0017

Pricing as of: 11/16 7:31PM 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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considering homeownership - especially in higher-priced markets."

The **most expensive** housing market in the second quarter was San Jose where the median existing single-family price was $980,000. Earlier in the week Frank Nothaft, Senior Economist at CoreLogic had noted that homes available for sale in San Jose represented only a one month supply and that most of the homes sold there in June were on the market for less than 10 days. The remaining top five most expensive markets were San Francisco, $841,600; Anaheim-Santa Ana, $685,700; Honolulu, $698,600; and San Diego, $547,800.

At the other end of the spectrum were Cumberland, Maryland, where the median single-family home price was $82,400; Youngstown, $85,000; Rockford ($94,700) and Decatur ($96,000), Illinois; and Elmira, New York, $98,300.

Metro area condominium and cooperative prices - covering changes in 61 metro areas - showed the national median **existing-condo price** was $217,400 in the second quarter, up 3.1 percent from the second quarter of 2014 ($210,800). Fifty metro areas (82 percent) showed gains in their median condo price from a year ago; 11 areas had declines.

"The ongoing rise in home values in recent years has greatly benefited homeowners by increasing their household wealth," says Yun. "In the meantime, inequality is growing in America because the downward trend in the homeownership rate means these equity gains are going to fewer households."

Even though the national family median income ticked up slightly (to $66,637) in the second quarter from a year ago, rising home prices weighed on **affordability**. To purchase a single-family home at the national median price, a buyer making a 5 percent downpayment would need an income of $49,195, a 10 percent downpayment would require an income of $46,605, and $41,427 would be needed for a 20 percent downpayment.

NAR President Chris Polychron says Realtors are reporting strong competition and limited days on market for available homes - especially at the entry-level price range. "Buyers should work with their Realtor to deploy a negotiation strategy that helps their offer stand out," he said. "If a **bidding war** occurs, it's important for the buyer to stay patient and only counteroffer up to what he or she can comfortably afford. It's better to walk away and wait for the right home instead of being in a situation where one has purchased a home above their means.

Existing-home sales in the Northeast increased 10.3 percent in the second quarter and are 8.6 percent higher than a year earlier. The median existing single-family home price was $269,300, up 5.2 percent on an annual basis.

In the Midwest, sales **jumped** 13.4 percent quarter-over-quarter and 12.7 year-over-year. The median existing price increased 8.7 percent to $182,000 from the same quarter a year ago.

While sales moved 1.1 percent in the South, NAR's report indicated both a rise and a fall; we are unsure which is correct. It is clear that sales were up 6.3 percent from a year earlier. The median existing single-family home price was $202,900, up 8.7 percent.

In the West, existing-home sales climbed 8.1 percent in the second quarter and were above sales in the second quarter of 2014 by an identical amount. The median existing single-family home price in the West increased to $325,200, up 9.6 percent from the second quarter of 2014.

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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.

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