

# Housing News Update

THE FEDERAL SAVINGS BANK



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## "Very Concerning" Inventories and Higher Prices Weigh on Home Sales

Sales of existing homes **slowed** for the second consecutive month in August according to data released on Thursday by the National Association of Realtors® (NAR). Sales declined by 0.9 percent to a seasonally adjusted annual rate of 5.33 million units despite mortgage rates that were near record lows. Sales in July had been reported down from June by 3.2 percent to 5.39 million and that number was revised lower in the current report to 5.38 million. Coupled with July's decline, sales are at their second-lowest pace of 2016, but are still slightly higher (0.8 percent) than a year ago when the annual rate was 5.29 million units.

The August sales number came in **just under the lowest prediction** of analysts surveyed by Econoday. Their consensus was 5.44 million sales with a range of 5.35 to 5.56 million.

NAR's press release said that potential buyers of existing single family homes, townhomes, condominiums, and co-op were kept at bay by **higher home prices** and tight inventories. Only the Northeast region, where inventory is currently more adequate, saw a monthly increase in closings.

**Single-family** home sales declined 2.3 percent to a seasonally adjusted annual rate of 4.70 million in August from 4.81 million in July, but are still 0.6 percent above the 4.67 million pace a year ago.

Existing **condominium** and co-op sales, which had nose-dived 12.3 percent in July recovered in August by jumping 10.5 percent from a seasonally adjusted annual rate of 570,000 units to 630,000. Those sales were 1.6 percent higher than those a year earlier.

Lawrence Yun, NAR chief economist, says recent job growth is not yielding higher home sales. "Healthy labor markets in most of the country should be creating a sustained demand for home purchases," he said. "However, there's no question that after peaking in June, sales in a majority of the country have inched backwards because inventory isn't picking up to tame price growth and replace what's being quickly sold."

Added Yun, "Hopes of a **meaningful sales breakthrough** as a result of this summer's historically low mortgage rates failed to materialize because supply and affordability restrictions continue to keep too many would-be buyers on the sidelines."

## National Average Mortgage Rates



|                                | Rate  | Change | Points |
|--------------------------------|-------|--------|--------|
| <b>Mortgage News Daily</b>     |       |        |        |
| 30 Yr. Fixed                   | 6.43% | +0.02  | 0.00   |
| 15 Yr. Fixed                   | 5.95% | 0.00   | 0.00   |
| 30 Yr. FHA                     | 5.82% | +0.02  | 0.00   |
| 30 Yr. Jumbo                   | 6.62% | 0.00   | 0.00   |
| 5/1 ARM                        | 6.28% | -0.01  | 0.00   |
| <b>Freddie Mac</b>             |       |        |        |
| 30 Yr. Fixed                   | 6.35% | -0.51  | 0.00   |
| 15 Yr. Fixed                   | 5.51% | -0.65  | 0.00   |
| <b>Mortgage Bankers Assoc.</b> |       |        |        |
| 30 Yr. Fixed                   | 6.44% | -0.06  | 0.54   |
| 15 Yr. Fixed                   | 5.88% | -0.16  | 0.68   |
| 30 Yr. FHA                     | 6.36% | -0.06  | 0.85   |
| 30 Yr. Jumbo                   | 6.75% | +0.07  | 0.39   |
| 5/1 ARM                        | 5.98% | -0.27  | 0.65   |

Rates as of: 8/30

## Recent Housing Data

|                     |        | Value | Change  |
|---------------------|--------|-------|---------|
| Mortgage Apps       | Aug 28 | 226.9 | +0.49%  |
| Building Permits    | Mar    | 1.46M | -3.95%  |
| Housing Starts      | Mar    | 1.32M | -13.15% |
| New Home Sales      | Mar    | 693K  | +4.68%  |
| Pending Home Sales  | Feb    | 75.6  | +1.75%  |
| Existing Home Sales | Feb    | 3.97M | -0.75%  |

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|  | Value | Change |
|--|-------|--------|
| The median existing-home price for all housing types in August was \$240,200, up 5.1 percent from \$228,500 in August 2015. This marked the 54 <sup>th</sup> consecutive month of year-over-year gains. The median existing single-family home price was \$242,200, an increase of 5.3 percent from the previous August, while existing condo price rose 3.7 percent to \$225,100. | 51    | +6.25% |

Total housing inventory at the end of August tightened by 3.3 percent to 2.04 million available homes and is now 10.1 percent lower than a year ago when 2.27 million homes were on the market. This is an estimated **4.6-month supply** at the current rate of sales, down from 4.7 months in July. The inventory has declined year-over-year for 15 straight months.

"It's **very concerning** to see that inventory conditions not only show no signs of improving but have actually worsened in recent months from their already suppressed levels a year ago," added Yun. "While recent data from the U.S. Census Bureau shows that household incomes rose strongly last year, home prices are still outpacing incomes in many metro areas because of the persistent shortage of new and existing homes for sale. Without more supply, the U.S. homeownership rate will remain near 50-year lows."

The share of **first-time buyers** retreated slightly from 32 percent in July to 31 percent but is still ahead of last year when first-time buyers represented 30 percent of all sales. Individual investors purchased 13 percent of homes during the month, up 2 percentage points from July and 1 point compared to August 2015. Sixty-two percent of investors paid all cash and cash sales made up 22 percent of sales transactions.

The share of **distressed** sales was 5 percent in August tied with July for the smallest share since NAR began tracking the number in 2008. Short sales accounted for only 1 percent of the total. Foreclosures sold for an average discount of 12 percent below market value in August (18 percent in July), while short sales were discounted 14 percent (16 percent in July).

Typical marketing time for houses sold during August was **36 days**, unchanged from July but down considerably from the 47 days required a year earlier. Short sales were on the market the longest at a median of 144 days, while foreclosures sold in 42 days, and non-distressed homes took 35 days. Forty-six percent of homes sold in August were on the market for less than a month.

NAR President Tom Salomone said, "Given the inventory shortages in most markets, new listings at affordable prices are receiving **multiple offers** and going under contract almost immediately upon becoming available. Home shoppers serious about buying need to be ready with a pre-approval. This allows a Realtor® to hone in only on homes within the buyer's price range and ensures any offer presented to the seller is taken seriously."

As noted, the **Northeast was the exception** to the lower sales numbers, with existing sales jumping 6.1 percent to an annual rate of 700,000, the same as last year. The median price in the Northeast was \$274,100, an 0.8 percent annual increase.

In the **Midwest**, existing-home sales decreased 0.8 percent to an annual rate of 1.27 million but remained 0.8 percent above a year ago. The median price in the Midwest was \$190,700, up 5.5 percent from the previous August.

Existing-home sales in the **South** in August fell 2.7 percent to an annual rate of 2.16 million, but are still 0.9 percent above August 2015. The median price in the South was \$209,700, up 6.7 percent year-over-year.

Existing-home sales in the **West** dipped 1.6 percent to an annual rate of 1.20 million, 0.8 percent above the prior year. The median price in the West increased by 9.2 percent to \$347,400.

## Responsive service, experienced expertise

I've dedicated my 22 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** 