

Housing News Update

THE FEDERAL SAVINGS BANK



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Existing Home Sales Hit 10-year High in October

October existing home sales added to September's rebound, rising to the **highest annualized pace in nearly a decade**. The National Association of Realtors® (NAR) said sales transactions that include single-family, condo, townhouse, and coop apartments were up 2.0 percent to a seasonally adjusted annual rate of 5.60 million units. This, added to September's 3.2 percent gain, brought the rate of sales up 5.9 percent compared to October 2015. NAR also revised the September number even higher, to 5.490 units rather than the 5.470 units originally reported. October's activity eclipsed the previous high, set last June, to become the best month since February 2007 when there were 5.79 million existing homes sold.

Analysts surveyed by Econoday had been looking for a downturn in October, with a consensus of 5.420 million sales. Their predictions had covered a range of 5.350 million to 5.515 million units.

NAR's Chief Economist Lawrence Yun, says called the last two months of heightened sales active a **convincing autumn revival** for the housing market. "October's strong sales gain was widespread throughout the country and can be attributed to the release of the unrealized pent-up demand that held back many would-be buyers over the summer because of tight supply," he said. "Buyers are having more success lately despite low inventory and prices that continue to swiftly rise above incomes."

Added Yun, "The good news is that the tightening labor market is beginning to push up wages and the economy has lately shown signs of greater expansion. These two factors and low mortgage rates have kept buyer interest at an elevated level so far this fall."

Single-family home sales were up by 2.3 percent from September to a seasonally adjusted annual rate of 4.99 million in October from 4.88 million. This is a 6.6 percent improvement from the previous October. Existing condominium and co-op sales were unchanged from both September and a year earlier at an annual rate of 610,000 units.

The median price of all homes sold during the month was **\$232,200**, a 6.0 percent gain from the previous October when the median was \$219,100, and the 56th straight month of annual appreciation. The median existing single-family home price was \$233,700 in October, a 5.9 annual increase while condo prices rose 6.2 percent to a median of \$220,300.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
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

Freddie Mac

30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00

Mortgage Bankers Assoc.

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%

Inventories continued to decline, edging down 0.5 percent to 2.02 million existing homes for sale. A **4.3-month supply** compared to a 4.4-month supply in September. There were 2.11 million homes available a year earlier, making October the 17th month inventories have fallen on an annual basis.

"The ramp-up in housing starts in October is a **hopeful sign** that overall supply can steadily increase enough to provide more choices for buyers and also moderate price growth," said Yun. "A prolonged continuation of the robust single-family starts pace seen last month (869,000) would go a long way in giving homeowners much-needed assurance that they can list their home for sale and find a new home to buy within a reasonable timeframe."

Marketing time edged up to **41 days** in October from 39 days in September but was significantly shorter than a year earlier when it typically took 57 days for a home to sell. Short sales were on the market the longest at a median of 99 days, while foreclosures sold in 50 days and non-distressed homes took 39 days. Forty-three percent of homes sold in October were on the market for less than a month.

The existing home sales report referred to a slight increase in Freddie Mac's 30-year fixed-rate mortgage interest in October and Yun noted that since then a post-election surge has taken rates as high as 4.0 percent. "In the short-term," Yun said, "some prospective buyers may rush to lock in their rate and buy now, while others - especially those in higher-priced markets - **may be forced to delay** as a larger monthly payment outstretches their budget."

Much was made in last month's existing sales report of September's sudden uptick in first-time buyers to 34 percent, the highest share in more than four years. That share retreated to 33 percent in October but it still higher than the 31 percent share in October 2015.

Investors accounted for 13 percent of all sales in October, a point less than in September but the same share as a year earlier. Sixty-one percent of those investors paid cash for the homes they bought and cash sales accounted for 22 percent of all sales compared to 24 percent in October 2015.

NAR President William E. Brown says the Federal Housing Administration's low-down-payment mortgage option helps many young and moderate income borrowers achieve homeownership, and with FHA's latest actuarial report showing the Mutual Mortgage Insurance Fund on consistently solid financial footing, FHA should address some of the costs which currently dissuade some buyers from considering a FHA mortgage. NAR, he said, encourages FHA to reduce mortgage insurance premiums and consider eliminating 'life of loan' mortgage insurance. "These two moves would help the current homeownership rate recover from its near all-time low and give more prospective first-time buyers a more affordable financing option."

Four percent of October sales were foreclosures and 1 percent were short sales. The **total distressed sales** share was up slightly from 5 percent in September, but 1 percentage point lower than a year earlier. Foreclosures sold for an average discount of 18 percent below market value in October (15 percent in September), while short sales were discounted 16 percent (11 percent in September).

Sales were up in all four regions of the country on both a month-over-month and a year-over-year basis. In the **Northeast** existing home sales were up 1.4 percent higher from both earlier periods to an annual rate of 750,000 units. The median price in the Northeast was \$255,500, a 2.9 percent annual increase.

Existing home sales grew 2.3 percent from September in the **Midwest**. The annual rates of sales, 1.36 million, was 6.3 percent higher than a year earlier. The median price in the Midwest was \$181,500, up 5.8 percent.

Existing-home sales in the **South** rose 2.8 percent to an annual rate of 2.22 million. This is 4.7 percent higher than the previous October. The median price in the South was \$202,300, a 7.4 percent gain.

Existing-home sales in the **West** increased 0.8 percent to an annual rate of 1.27 million in October, 10.4 percent higher than a year earlier. The median price in the West was \$345,800, up 7.8 percent year-over-year.

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.

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