

Housing News Update

THE FEDERAL SAVINGS BANK



Co. NMLS# 411500



Ted Rood

Mortgage Banker, Homesite Mortgage LLC

NMLS #543290

2299 Technology Drive, Suite 2A5 O Fallon, Missouri

Office: 3147400004

Mobile: 314-740-0004

ted_rood@yahoo.com

Painfully Low Inventory Saps Pending Home Sales

Is there mostly good news in the negative number for March pending home sales? The National Association of Realtors says yes. The NAR's Pending Home Sales Index (PHSI) **dipped** by 0.8 percent to 111.4 in March from 112.3 in February but NAR says, while this was a slight decrease in momentum, "pending home sales maintained their recent high level." The index is remains 0.8 percent higher than a year ago.

The PHSI is a forward-looking indicator based on signed contracts to purchase existing homes. Those contracts are generally expected to result in closed sales within 60 days.

Pending Home Sales



The downturn was **not unexpected**. Pending home sales have moved up and down regularly in recent months, pretty accurately predicting, as they are designed to do, the see-saw behavior of existing home sales. Econoday's poll of analysts came up with a consensus of a -0.5 percent decline after February's 5.5 percent increase. Predictions ranged from -1.2 percent to

National Average Mortgage Rates



Rate Change Points

Mortgage News Daily

	Rate	Change	Points
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%

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+3.7 percent.

	Value	Change
Builder Confidence	Mar 51	+6.25%

Lawrence Yun, NAR chief economist, says **sparse inventory** levels caused a pullback in pending sales in March, but activity was still strong enough to be the third best in the past year. "Home shoppers are coming out in droves this spring and competing with each other for the meager amount of listings in the affordable price range," he said. "In most areas, the lower the price of a home for sale, the more competition there is for it. That's the reason why first-time buyers have yet to make up a larger share of the market this year, despite there being more sales overall."

Yun says he worries that the painfully low supply levels this spring **could heighten price growth**, the annual gain was 6.8 percent in March, even more in the months ahead. Homes also came off the market at a near-record pace last month, with a typical marketing time of 34 days. This is nearly two weeks less than the marketing time in March 2016 and is the second shortest since NAR began tracking the number in 2011. This makes it more likely a listing will receive multiple offers, he said. Indeed, 42 percent of homes sold at or above listing price in March.

"**Sellers are in the driver's seat** this spring as the intense competition for the few homes for sale is forcing many buyers to be aggressive in their offers," he continued. "Buyers are showing resiliency given the challenging conditions. However, at some point - and the sooner the better - price growth must ease to a healthier rate. Otherwise sales could slow if affordability conditions worsen."

NAR forecasts there will be around **5.64 million existing homes** sold in 2017, an increase of 3.5 percent from the 5.45 million sales last year. They expect the median price of an existing home to rise around 5 percent. In 2016, existing sales increased 3.8 percent and prices rose 5.1 percent.

The PHSI pulled back in three of the four regions. The **South** posted the only gain, up 1.2 percent to 129.4. This is an increase of 3.9 percent compared to last March. The PHSI in the **Northeast** decreased 2.9 percent to 99.1, remaining 1.8 percent higher than a year ago.

In the **Midwest**, the index declined 1.2 percent to 109.6 and is down 2.4 percent year-over-year. The index in the **West** fell 2.9 percent in March to 94.5, and is now 2.7 percent below a year ago.

The PHSI is based on a large national sample, typically representing about 20 percent of transactions for existing-home sales. An index of 100 is equal to the average level of contract activity during 2001, which was the first year to be examined. By coincidence, the volume of existing-home sales in 2001 fell within the range of 5.0 to 5.5 million, which is considered normal for the current U.S. population.

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 Roood 