



## beyond the headlines



### **San Jose is the nation's hottest housing market in 2018**

*Source: The Mercury News*

A new report from Zillow projects that the San Jose metropolitan area will be the hottest housing market in the nation in 2018, with home values rising dramatically: another 8.9 percent on a year-over-year basis. The San Francisco metropolitan area, which includes the East Bay, will be the fifth hottest market with a 3.8 percent increase in home values, according to Zillow's new report.

"Over the past five years, San Jose home values have appreciated 78 percent," the report said, putting the area's housing crisis into perspective. Its analysis "highlights just how strong the San Jose market really is. While San Francisco home values have recently started to cool, San Jose is off to the races."

Making sense of the story:

- The San Jose area's median home value right now is \$1,128,300, making it the nation's most expensive market, according to Zillow. The median home value in the San Francisco metropolitan area — San Francisco, Marin, San Mateo, Alameda and Contra Costa counties — is \$893,100, the second highest in the U.S. The Seattle metro area is third most costly, with a median home value of \$463,800.
- Why do prices keep rising in these markets? It's largely because "the tech industry continues to roar," said Zillow senior economist Aaron Terrazas, "attracting thousands of new residents per year to tech-dominant markets" including San Jose, San Francisco, Seattle and Denver.
- Aside from San Jose and San Francisco, the 10 hottest markets in the nation this year will include two metros in the Northwest (Seattle and Portland), two in Texas (Austin and Dallas), two in North Carolina (Raleigh and Charlotte), one in Colorado (Denver) and one in Tennessee (Nashville), according to the report.
- Zillow, the online real estate database company, based its projections on six factors: its home value and rent forecasts for the 12 months of 2018; income growth; population growth; unemployment rates; and the number of job openings per person in each metro.
- In the San Jose metro area, which includes Santa Clara and San Benito counties, the median rent is \$3,514 and is predicted to fall 0.5 percent year-over-year. The area's unemployment rate is 3.5 percent, while income growth is 7.9 percent and the number of job openings per person is 0.036, the highest on the list.

Read the full story:

<https://www.mercurynews.com/2018/01/10/san-jose-is-the-nations-hottest-housing-market-in-2018-zillow-says/>

## **In other news...**

### **What homebuyers can expect in 2018**

*Source: The Washington Post*

It has been a rough couple of years for home buyers. At the beginning of 2016, we said, “Be prepared to see higher prices and fewer homes on the market.” At the beginning of 2017, we said, “Expect to see more of the same.”

And now, as we enter 2018, the news may be even worse for home buyers. Housing economists are predicting even fewer homes will be listed for sale, and not enough new homes will be built to satisfy demand, which means home prices will skyrocket further, putting incredible pressure on home buyers.

And that’s before the full effects of the tax code overhaul are known and understood. What is known is that millennials have become the largest segment of home buyers. They’ve time-shifted home-buying into their mid-30s, and are now looking to stop paying (ever-escalating) rent and set down some roots.

But it’s going to be a tough year for anyone to buy a home. The number of homes for sale (known in real estate jargon as “inventory”) is very low. If tax reform requires — but only if enacted this way — homeowners to live in their homes for five out of the last eight years instead of two out of the last five years before keeping up to \$250,000 (or \$500,000 if you’re married) tax free from the sale of their homes, that will likely keep many people from selling.

Full story:

[https://www.washingtonpost.com/news/where-we-live/wp/2018/01/10/what-home-sellers-can-expect-in-2018-the-market-is-still-in-your-favor-if-the-price-is-right/?utm\\_term=.af19a54357e1](https://www.washingtonpost.com/news/where-we-live/wp/2018/01/10/what-home-sellers-can-expect-in-2018-the-market-is-still-in-your-favor-if-the-price-is-right/?utm_term=.af19a54357e1)

### **Most Americans live in areas where renting is cheaper than buying**

*Source: Housing Wire*

Across the U.S., buying a home is cheaper than renting in the majority of housing markets, however most Americans live in areas where renting is still cheaper than buying, according to the 2018 Rental Affordability Report from ATTOM Data Solutions, a multi-sourced property database.

Buying a median-priced home is more affordable than renting a three-bedroom property in 240 out of the 447 U.S. counties analyzed in the report, or in 54% of counties.

The report looked at recently released fair market rent data for 2018 from the U.S. Department of Housing and Urban Development, wage data from the Bureau of Labor Statistics along with public record sales deed data from ATTOM Data Solutions in 447 U.S. counties with sufficient home sales data.

Full story:

<https://www.housingwire.com/articles/42256-most-americans-live-in-areas-where-renting-is-cheaper-than-buying>

## **Modifying Prop. 13 is a smart solution to the housing crisis**

*Source: Times of San Diego*

California's famous Proposition 13 was designed to stabilize property taxes in an effort to make housing affordable, especially for seniors living on fixed incomes. Unfortunately, the same law could now be responsible for driving up property values and preventing seniors from moving.

Many senior homeowners are holding onto their property, not because they are in love with their homes, but because they love their low property tax and moving might increase it. They feel locked into their properties, so they stay put—and for that reason many houses remain off the market, which creates a housing inventory shortage.

One of the reasons homes are so expensive in San Diego is simply a supply and demand problem. When the real estate inventory is low, real estate prices generally go up; and when the number of available properties increases, prices usually drop. The real estate inventory in cities like Los Angeles, San Francisco and San Diego is extremely low because they are not building enough new homes to keep up with the demand. Therefore, prices will most likely increase unless we devise ways to loosen up existing housing.

There is no one answer to San Diego's housing shortage, and that is why we need to provide multiple solutions. Making the property tax base portable for homeowners aged 55 years or older is a good start. While some may feel that this initiative only benefits older homeowners, it would actually help first-time home buyers as well as move-up buyers who are struggling with San Diego's limited housing inventory and high prices.

Full story:

<https://timesofsandiego.com/opinion/2018/01/10/opinion-modifying-proposition-13-is-a-smart-solution-to-the-housing-crisis/>

## **Realtors plot statewide database to combat Zillow, Redfin and other apps**

*Source: Orange County Register*

Is the Realtor-run property listing service in California obsolete?

Several brokers, agents and “multiple listing service” operators expressed concern during a panel discussion Wednesday that commercial websites like Zillow, Redfin and Realtor.com have overtaken the patchwork of industry databases agents use to find homes for clients.

The California Association of Realtors sponsored Wednesday's event, held at CAR headquarters in Los Angeles, to plot the future of broker-run MLS sites and to find ways to meet the association's 12-year-old goal of forming a single, statewide database in California. There currently are more than 40 MLS's in California.

Agents use the MLS to disseminate information about homes for sale, providing property details as well as insider information about showings and compensation.

Full story:

<https://www.ocregister.com/2018/01/10/realtors-plot-statewide-database-to-combat-zillow-redfin-and-other-apps/>

## Home equity hits record high

Source: CNBC

Homeowners are racking up record amounts of home equity, thanks to fast-rising values in today's competitive housing market. No surprise, more people are now starting to tap that cash. What are they spending it on? Mostly making their homes even more valuable.

Renovation spending is soaring, and 80 percent of borrowers taking out home equity lines of credit say they would consider using that money to renovate, according to a survey released in December by TD

Remodeling spending topped \$152 billion in 2017, and renovations for owner-occupied single-family homes will increase 4.9 percent in 2018 over 2017, according to the NAHB. That does not include remodeling done by investors looking to flip or rent properties, both of which are increasing as well.

Full story:

<https://www.cnbc.com/2018/01/10/home-equity-hits-record-high-heres-how-homeowners-are-spending-it.html>

## What you should know

- The 10-year Treasury yield is spiking, hitting its highest point since March, according to Freddie Mac's latest Primary Mortgage Market Survey, which means mortgage interest rates could also soon spike.
- The 30-year fixed-rate mortgage (FRM) increased to just below the 4% mark at 3.99% for the week ending January 11, 2018. This is up from last week's 3.95% but still down from 4.12% last year.
- The 15-year FRM also increased, rising from 3.38% last week and 3.37% last year to 3.44% this week.
- The five-year Treasury-indexed hybrid adjustable-rate mortgage averaged 3.46% this week, up slightly from 3.45% last week and from 3.23% last year.