



beyond the headlines



Swift Gains in Fourth Quarter Push Home Prices to Peak Levels

Source: National Association of REALTORS®

The best quarterly sales pace of the year pushed available housing supply to record lows and caused price appreciation to slightly speed up in the final three months of 2016, according to the latest quarterly report by the National Association of REALTORS®.

The median existing single-family home price increased in 89 percent of measured markets, with 158 out of 178 metropolitan statistical areas (MSAs) showing sales price gains in the fourth quarter of 2016 compared with the fourth quarter of 2015. Twenty areas (11 percent) recorded lower median prices from a year earlier.

Lawrence Yun, NAR chief economist, says home-price gains showed little evidence of letting up through all of 2016. "Buyer interest stayed elevated in most areas thanks to mortgage rates under 4 percent for most of the year and the creation of 1.7 million new jobs edging the job market closer to full employment," he said. "At the same time, the inability for supply to catch up with this demand drove prices higher and continued to put a tight affordability squeeze on those trying to reach the market."

Added Yun, "Depressed new and existing inventory conditions led to several of the largest metro areas seeing near or above double-digit appreciation, which has pushed home values to record highs in a slight majority of markets."

Making sense of the story

- There were more rising markets in the fourth quarter compared to the third quarter of 2016, when price gains were recorded in 87 percent of metro areas. Thirty-one metro areas in the fourth quarter (17 percent) experienced double-digit increases — an increase from 14 percent in the third quarter.
- For all of 2016, an average of 87 percent of measured markets saw increasing home prices, up from the averages in 2015 (86 percent) and 2014 (75 percent). Of the 150 markets NAR has tracked since 2005, 78 (52 percent) now have a median sales price at or above their previous all-time high.
- The national median existing single-family home price in the fourth quarter of 2016 was \$235,000, which is up 5.7 percent from the fourth quarter of 2015 (\$222,300). The median price during the third quarter of 2016 increased 5.4 percent from the third quarter of 2015.

Read the full story

<https://www.nar.realtor/news-releases/2017/02/swift-gains-in-fourth-quarter-push-home-prices-to-peak-levels-in-majority-of-metro-areas>

In other news...

The Definitive Housing Market & Interest Rate Forecast For 2017

Source: Forbes

Active and higher. That's it, that's my forecast; housing markets will be active and interest rates will trend higher, Homebridge Financial Services retail mortgage loan originator Mark Greene said. The question of course is how active and how much higher:

Since what I do is all about finance and interest rates, people tend to assume that I know what is behind the doors with the signs that say "Interest Rates" and "Market Trends." Truth is I am no better at handicapping interest rate and housing market trends than anybody else. I watch every day, I absorb what is happening, I make assumptions and I roll the dice just like everybody else.

Real estate agents dominate my cell phone and Outlook contacts. I am a mortgage guy and real estate people are important if I want to do things like pay bills, eat and maybe save for when I am too old to do this anymore.

Read the full story

<https://www.forbes.com/sites/markgreene/2017/02/07/the-definitive-housing-market-and-interest-rate-forecast-for-2017/#6971e1441bba>

Private Mortgage Insurer's View on the FHA Mortgage Insurance Premium Suspension

Source: HousingWire

When the Department of Housing and Urban Development said it suspended the reduction of FHA mortgage insurance premiums, it helped the private mortgage insurance market retain \$10 billion in volume.

Duane Duncan, head of government relations at Genworth, explained what the suspension means for private mortgage insurance companies since the two industries (government vs. private mortgage insurance companies) have become competitors as of late.

Duncan said it's not surprising that the reduction got caught up in all the things that were getting rolled back by President Donald Trump.

The Obama administration waited until the last second to reduce FHA mortgage insurance premiums, lowering it the same month former President Obama exited the office.

Read the full story

<http://www.housingwire.com/articles/39169-a-private-mortgage-insurers-view-on-the-fha-mortgage-insurance-premium-suspension?eid=369821174&bid=1659170>

Small Homes Can Offer Big Returns

Source: NerdWallet

When shopping for a new home, bigger is better, right? When it comes to roomier closets and more spacious kitchens, probably — but not so much when considering the return on your investment.

Smaller homes see prices rise faster: While individual market dynamics and trends vary, in 17 of the 20 metro areas analyzed, listing prices of the smallest 25 percent of homes grew fastest when calculated as a percentage. The median annual growth rate for the smallest quartile of homes was 8.9 percent from 2013 to 2016. The second-smallest group of homes had the second-fastest growth rate, with median annual growth of 7.4 percent.

These findings are not surprising, says Richard K. Green, a professor and chair of the Lusk Center for Real Estate at the University of Southern California. “We’ve had this now for about nine to 10 years, this return to center cities...” being more desirable than suburbs, Green said. And homes in the center of big cities tend to be smaller than those in suburbs, Green noted, regardless of whether they’re historic houses or new construction.

Read the full story

<https://www.nerdwallet.com/blog/mortgages/mortgage-rates-small-homes-big-returns/>

California Housing Shortage Puts the Squeeze on Middle-Class Workers

Source: KPCC

For the last two years, Amber Bowser has driven an hour-and-a-half every day to and from her home in West Covina to work at a car rental service in Van Nuys. The commute is dreadful, but like many Californians, Bowser said she has to strike a balance between housing and work.

"It's the best job I could find because applying to places it's either minimum wage, and even if you get a server job, you have to have so much experience," Bowser said.

High housing costs are not only a big problem for California workers but also for companies. Developers, politicians, and business leaders gathered at a forum called "Housing Our Workers" Wednesday in Van Nuys to try to come up with solutions aimed at easing the housing crunch for middle-class workers.

Read the full story

<http://www.scpr.org/news/2017/02/08/68882/california-housing-shortage-puts-the-squeeze-on-mi/>

Remodel or Replace? Top 10 ROI Opportunities in Popular Home Improvement Projects

Source: Inman

The 2017 Cost vs. Value report documents the national and regional costs and ROI (return on investment) for 29 popular home improvement projects.

Overall, these 29 improvements paid back 64.3 cents on the dollar in resale value. What that says to the homeowner is that spending money to sell a home requires research.

The goal of improvements from a seller's standpoint is to attract buyers and achieve top dollar on a listing. But finding the balance between updates and return isn't that simple.

Read the full story

<http://www.inman.com/2017/02/07/remodel-replace-top-10-roi-opportunities-popular-home-improvement-projects/>

What you should know

- Rising wages and seasonal price declines held California's housing affordability steady in fourth-quarter 2016, even while interest rates rose moderately, the CALIFORNIA ASSOCIATION OF REALTORS® (C.A.R.) said.
- Thirty-one percent of California households could afford to purchase the \$511,360 median-priced home in the fourth quarter, unchanged from third-quarter 2016 and up from 30 percent in fourth-quarter 2015.
- A minimum annual income of \$100,800 was needed to make monthly payments of \$2,520, including principal, interest, and taxes on a 30-year fixed-rate mortgage at a 3.91 percent interest rate.
- Forty percent of home buyers were able to purchase the \$413,700 median-priced condo or townhome. An annual income of \$81,550 was required to make a monthly payment of \$2,040.