beyond the headlines

Buying a home in San Francisco is about to get even harder

Source: Bloomberg News

Housing in America's most expensive region is going to get even pricier. For all the talk of the U.S. tax overhaul hitting wealthy blue-state real estate, the San Francisco Bay area is set for more home-price gains. Its technology-fueled economy and persistent housing shortage are sending values ever higher -- and that may get even more pronounced as tech share sales mint millionaires in San Francisco and Silicon Valley.

Making sense of the story:

- Even after a years-long boom that has already priced out many residents, the San Jose metropolitan area is expected to be the hottest U.S. housing market in 2018, according to a report this month by Zillow that factors in home values, rents and jobs. San Francisco ranks as No. 5.

- The areas led Realtor.com's list of the top U.S. markets in January, based on listing views and the length of time homes were for sale.

- The San Jose region -- which includes Silicon Valley towns such as Palo Alto and Cupertino -- saw the median home value soar 21 percent last year to $1.17 million, while inventory dropped 41 percent to "crisis levels," according to Zillow. In areas from Oakland to Marin County, the story is the same: too much demand and too little supply.

- In San Francisco, low unemployment, at 2.2 percent, and the expansion of large employers such as Dropbox, Facebook Inc. and Google is likely to ensure demand for housing will continue outstrip supply. The median house price in the city soared 11 percent to a record $1.5 million in the fourth quarter, while the average time it took to sell fell to two weeks from 22 days a year earlier, according to a Paragon report.

- Such demand is expected to outweigh the concerns that the U.S. tax revamp will hit home prices. The new law limits deductions for state and local taxes, including property taxes, and also caps deductions on mortgage interest at loans up to $750,000 -- an amount that's easily exceeded in the pricey Bay Area market.

Read the full story:

https://www.bloomberg.com/news/articles/2018-01-26/what-tax-hit-san-francisco-housing-heating-up-as-tech-ipos-loom

In other news…

6 ways home buyers mess up getting a mortgage

Source: Realtor.com

Getting a mortgage is, by general consensus, the most treacherous part of buying a home. In a recent survey, 42% of home buyers said they found the mortgage experience “stressful,” and 32% found it “complicated.” Even lenders agree that it's often a struggle.

A 20% down payment is the golden number when applying for a conventional home loan, since it enables you to avoid paying private mortgage insurance (PMI), an extra monthly fee of 0.3% to 1.15% of your total loan amount. But with mortgage rates where they are today—in a word, *low*—waiting for that magic 20% could be a huge mistake, since the more time passes, the higher mortgage rates and home prices may go!

Mortgage pre-qualification and mortgage pre-approval may sound alike, but they’re completely different. Pre-qualification entails a basic overview of a borrower’s ability to get a loan. You provide a mortgage lender with information—about your income, assets, debts, and credit—but you don't need to produce any paperwork to back it up. In return, you’ll get a rough estimate of what size loan you can afford, but it's by no means a guarantee that you'll actually get approved for the loan when you go to buy a home.

Full story:
https://www.realtor.com/advice/finance/ways-home-buyers-mess-up-mortgage/

Mortgage rates touch 4-year high

Source: MarketWatch

Rates for home loans have reached a nearly a four-year high as investors abandoned bonds in the face of stronger signs of inflation and central bank tightening, sending yields on debt higher.

The benchmark 30-year fixed-rate mortgage averaged 4.40% during the week ending Feb. 22, according to Freddie Mac’s weekly survey, out Thursday. That was up two basis points from the prior week and leaves rates nearly half-a-percentage point higher than the level at which they started the year. The 15-year fixed-rate mortgage averaged 3.85%, up from 3.84%. The 5-year Treasury-indexed hybrid adjustable-rate mortgage averaged 3.65%, up two basis points.

Full story:
https://www.marketwatch.com/story/mortgage-rates-touch-4-year-high-as-benchmark-bonds-take-a-hit-2018-02-22

Homeowners are using rental income earned through Airbnb to refinance mortgages

Source: CNBC

Homeowners are now using rental income earned through Airbnb to refinance their mortgages. It's a pilot program launched just a few weeks ago that took off quickly, and new loans are already closing.

It's another program from mortgage giant Fannie Mae designed to help more borrowers get better loans in today's tight mortgage market. Airbnb already tracks the income data and will now provide documentation for a mortgage application.

Partnering initially with three lenders, Better Mortgage, Quicken Loans and Citizens Bank, Fannie Mae allows borrowers to use the rental income as part of the income qualification to refinance their home loans. This helps them either to get a better interest rate or to take cash out for other expenses, like renovations or education.

Full story:
https://www.cnbc.com/2018/02/22/homeowners-are-using-airbnb-rental-income-to-refinance-mortgages.html

Owner perception of home value dips after seven months of improvement

Source: Quicken Loans

The gap between an appraisal value and homeowner expectations widened in January – reversing course for the first time in eight months. The National Quicken Loans Home Price Perception Index (HPPI) showed appraisers valued homes an average of 0.6 percent lower than what owners estimated.

Despite the slight difference in perception, the Quicken Loans Home Value Index (HVI) – the only measure of home value change based solely on appraisal data reported climbing home values. On a national level, appraisal values increased 0.46 percent from December to January. The annual growth was even stronger, with home values jumping 7.03 percent from the same month of the previous year.

Full story:
https://www.quickenloans.com/press-room/2018/02/13/owner-perception-of-home-value-dips-after-seven-months-of-improvement/

California rents have risen to some of the nation's highest

Source: Orange County Register

California's population is growing faster than builders can add housing, driving up rents. Incomes, meanwhile, aren't keeping up. As a result, it takes three full-time minimum-wage incomes to afford a two-bedroom apartment. Here's how rising rents are affecting the state and, in particular, Southern California.

Los Angeles County apartment rents increased almost $500 a month, or 34 percent, in the last seven years, Reis Inc. figures show. In Orange County, rents increased $355 a month, while in the Inland Empire they're up $266 a month. More than half of Southern California's tenants are "rent burdened," meaning they spend at least a third of their income on rent, U.S. Census figures show.

Full story:
https://www.ocregister.com/2018/02/15/california-rent-rates-have-risen-to-some-of-the-nations-highest-heres-how-that-impacts-residents/

What you should know

- Nationwide existing home sales decreased in January, seeing the largest annual decline in more than three years, according to the latest release from the National Association of Realtors.

- Total existing home sales, completed transactions that include single-family homes, townhomes, condominiums and co-ops, decreased 3.2% in January to a seasonally adjusted annual rate of 5.38 million, down from a downwardly revised 5.56 million in December. Sales are now down 4.8% from last year, representing the largest annual decline since August 2014 and the slowest pace since September's 5.37 million.

- The national median existing home price for all housing types in January was $240,500, up 5.8% from January 2017's $227,300. This marks the 71st straight month of annual gains.

- Total housing inventory nationwide at the end of January increased 4.1% to 1.52 million existing homes available for sale, however, this is still down 9.5% from the year before, and has fallen annually for 32 consecutive months. Unsold inventory now stands at a 3.4-month supply at the current sales pace, down from 3.6 months last year.