



beyond the headlines



People haven't been this optimistic about house prices since just before the crash

Source: Market Watch

House prices are soaring and, despite warnings from some analysts, most Americans believe they will continue to soar.

Making sense of the story:

- A majority of U.S. adults (64 percent) continue to believe home prices in their local area will increase over the next year, a survey released this week by polling firm Gallup concluded..
- That's up nine percentage points over the past two years and is the highest percentage since before the housing market crash and Great Recession in the mid-2000s.
- The level of optimism is edging closer to the 70 percent of adults in 2005 who said prices would continue rising. That, of course, was less than one year before the peak of the housing market bubble in early 2006, which was largely fueled by a wave of subprime lending. (Roughly one-quarter of respondents in both 2005 and 2018 said they believed house prices would remain the same.
- In 2009, during the depths of the Great Recession, only 22 percent of Americans believed house prices would rise. But optimism about the housing market has made a slow recovery—along with the market itself—in the intervening years. Today, only 10 percent in the Gallup survey believe prices will fall. That compares to 5 percent who felt similarly pessimistic in 2005, just two years before the crash.
- Opinions vary between the West and East coasts, and renters and homeowners. Some 70 percent of homeowners see prices continuing to rise versus 59 percent of renters. Only 59 percent of Western residents see prices increasing, compared to a range of 65 percent to 68 percent in the other parts of the U.S. (The median sale price of a home in California is more than double that in the rest of the country.)

Read the full story:

<https://www.marketwatch.com/story/americans-havent-been-this-optimistic-about-buying-property-since-just-before-the-housing-crash-2018-05-07?dist=realestate>

In other news...

These are the jobs being priced out of the Bay Area, according to Indeed

Source: The San Francisco Chronicle

In every growing city, there must be someone who can finish the concrete. And that someone needs to be able to live nearby.

But as a new report from job-hunting site Indeed outlines, a number of workers in essential careers — like those who can build sidewalks — cannot afford to live in the Bay Area anymore.

Nationwide, some specialized workers in construction, landscaping, custodial and customer support aren't making enough or getting the work opportunities required to keep up with the high cost of housing.

Indeed identified which jobs were widely posted on sites for large metropolitans nationwide, but appeared to be conspicuously missing from those metros known to be egregiously expensive. What researchers found was that in these pricey cities, there tended to be a lack of job opportunities for a number of specialized workers, making it harder for them to live in such expensive locations.

Full story: <https://www.sfchronicle.com/business/article/These-are-the-jobs-being-priced-out-of-the-Bay-12916521.php#photo-15559093>

Single Women Outbuy Men in Homeownership

Source: Realtor Mag

Single women are purchasing homes and condos at more than double the rate of single males. The trend is expected to keep growing, too.

Last year, single women comprised 18 percent of all home purchases, while single men accounted for 7 percent, according to the National Association of REALTORS®. Single women are the second largest segment of home purchasers, behind married couples. Single women purchasers include never-married individuals, widows, and divorcees.

Homebuilders are taking notice and are increasingly designing homes and subdivisions to appeal to women's preferences. For example, in a development in North Carolina with McKee Homes, up to 50 percent of the homes purchased are by single women in their 30s, 40s, or older.

Single women tend to view homeownership more as an investment, Jessica Lautz, NAR's director of demographic and behavioral insights, told The Washington Post. Single women tend to pay more on their home purchase than single men—\$185,000 compared to \$175,000.

Full story: <http://realtormag.realtor.org/daily-news/2018/05/11/single-women-outbuy-men-in-homeownership>

Faced with a housing crisis, California could further restrict supply

Source: The Economist

Champions of expanded rent control argue that it will allow cities to protect and increase their stock of affordable housing. “We need tools to prevent price gouging,” says Elena Popp, executive director of the Eviction Defence Network, one of three groups leading the charge to repeal Costa Hawkins. “It’s insane that a developer can go in and buy a building where the median rent is \$1,100 and bump it up to \$2,700 from one day to another.”

Such stories are troubling, but rent control is likely to make California’s housing problems even worse. A team of economists at Stanford University recently studied a 1994 ballot initiative in San Francisco that brought in rent protections for small multi-family housing built before 1980. The policy inspired landlords affected by it to convert their units into condos or redevelop their buildings, reducing their supply of rental housing by 15 percent and pushing up rents by 5 percent across the city. Paul Habibi, a professor at the Anderson School of Management at the University of California, Los Angeles, who invests in a mix of rent-controlled and non-rent-controlled property in the city, also points out that rent control does not necessarily benefit those most in need. “It seems sort of perverse that you can end up with a banker making \$400,000 in a rent-controlled unit, while a plumber is forced to pay market rates.”

Full story: <https://www.economist.com/united-states/2018/05/12/faced-with-a-housing-crisis-california-could-further-restrict-supply?fsrc=scn/tw/te/bl/ed/facedwithahousingcrisiscaliforniacouldfurtherrestrictsupplythewrongremedy>

Californians could vote on as many as five housing measures in November

Source: The Los Angeles Times

Gov. Jerry Brown’s embrace last week of a \$2-billion bond to fund homeless housing could make for an even busier ballot in November.

Should lawmakers agree to put the bond before voters, Californians could see as many as five housing measures on the November ballot.

In addition to the homeless housing plan, backers of initiatives to expand rent control, increase Proposition 13 benefits for homeowners and finance the cleanup of lead paint in homes all say they’ve collected enough signatures to ensure their proposals can make the ballot. Lawmakers have already agreed to put a \$4-billion bond to subsidize new developments for low-income residents and provide home loans for veterans before voters in November.

Full story: www.latimes.com/politics/essential/la-pol-ca-essential-politics-may-2018-californians-could-vote-on-as-many-as-1526081141-htmlstory.html#nt=card

Homebuilder sentiment rises in May thanks to strong demand and tight housing supply

Source: CNBC

Strong demand and a slim supply of affordable, existing homes for sale has the nation's homebuilders feeling better about their business.

A monthly index of builder sentiment rose 2 points in May, 1 point higher than analysts expected. The National Association of Home Builders sentiment index now stands at 70. Anything above 50 is considered positive. April's reading was revised down 1 point to 68. The index stood at 69 in May 2017.

Prices for newly built homes continue to rise, as builders focus more on the move-up market as opposed to the entry level, where so much of the demand currently exists from millennial homebuyers. Builders point to higher costs for land, labor and materials, as making it too difficult to profit on low-priced homes.

Of the NAHB index's three components, current sales conditions increased 2 points to 76 in May. Buyer traffic and sales expectations in the next six months remained unchanged at 51 and 77, respectively.

Full story: <https://www.cnbc.com/2018/05/15/homebuilder-sentiment-rises-thanks-to-strong-demand-and-slim-supply.html>

What you should know

- Mortgage application volume fell 2.7 percent last week, according to the Mortgage Bankers Association's seasonally adjusted report.
- Volume was 4.5 percent lower than a year ago.
- The weakness was most pronounced in applications to refinance a home loan. That volume fell 4 percent to its lowest level since August 2008. Refinance volume is off nearly 17 percent from a year ago, when interest rates were lower.