beyond the headlines

Only one generation of Americans has fully recovered from the housing crash

Source: Market Watch

The generation that likely had the most to lose during the crash in the housing market appears to have gained the most household wealth since 2007.

Read the full story:

- During the economic downturn a decade ago, Generation X homeowners — born between 1965 and 1980 — experienced the largest decline in home equity, according to a new report by the Pew Research Center, a Washington, D.C.-based think tank. Home equity for that generation of homeowners fell 43 percent from $66,000 in 2007 to $37,600 in 2010. The median value of the financial assets owned by Generation X households fell 20 percent from 2007 to 2010.

- Since 2010, the median net worth of Generation X households has risen 115 percent and, since 2016, the net worth of a typical Gen X household had surpassed what it was in 2007 ($84,200 versus $63,400).

- Generation Xers were hit hard during the Great Recession. From 2007 to 2010, the median net worth of Gen Xers fell by nearly half (45 percent), according to Pew, with declining home equity accounting for much of the drop. However, Gen Xers are in their late 30s and 40s now, and they are — at least in theory — nearing their peak income and spending power. Gen Xers make more money than the average millennial, by virtue of being older and farther along the pay scale.

- In 2018, there's both good and bad news for homeowners and house hunters. House prices are soaring and, despite warnings from some analysts, most Americans believe they will continue to soar. A majority of U.S. adults (64 percent) continue to believe home prices in their local area will increase over the next year, a recent survey released by polling firm Gallup concluded. That's the highest percentage since before the housing market crash and Great Recession in the mid-2000s.

- The property market has gained steam in the last 12 months. The national median list price now rests at approximately $275,000 roughly 20 percent higher than in both March 2015 and March 2005. Between 2015 and 2016 the national median listing price only rose 4.8 percent, but rose by 7.4 percent over the last year. And yet some housing analysts are less optimistic than many people surveyed by Gallup, forecasting a downturn in house prices by 2020.

Read the full story: https://www.marketwatch.com/story/only-one-generation-of-americans-has-fully-recovered-from-the-housing-crash-2018-07-23?dist=realestate

In other news…

Real estate no longer top investment choice for Americans

Source: Housing Wire

Americans are beginning to shift their investments to other areas as real estate fell not one but two spots from being the top investment choice back in 2016.

Americans across all ages said that real estate is their third pick for the investment of money they won't need for more than 10 years, according to a survey by Bankrate.

The survey showed 32 percent of American prefer to invest in stocks, followed by 24 percent percent who say cash investments is best and 22 percent in real estate. This is down from 2016, when real estate was the No. 1 choice.

In fact, Bankrate explained that this is the first time in four years that respondents didn't favor real estate as their top choice.

"For investment horizons of longer than 10 years, the stock market is an entirely appropriate investment," Bankrate Chief Financial Analyst Greg McBride said. "Cash is not, and especially if you're not seeking out the most competitive returns."

The majority of Americans actually favor investing in the stock market, including 33 percent of Gen Xers, 38 percent of Baby Boomers and 44 percent of the Silent Generation, however Millennials favored cash investments. The survey showed 30 percent of Millennials said cash is their favorite long-term investment.

Full story: https://www.housingwire.com/articles/46169-real-estate-no-longer-top-investment-choice-for-americans

International buyers are dropping out of US housing market

Source: CNBC

After strong interest for several years, international buyers appear to be souring on the U.S. housing market.

The dollar volume of U.S. home sales to international buyers between April 2017 and March 2018 dropped 21 percent compared with the year-ago period, according to the National Association of Realtors.

Of the $121 billion in sales to international buyers, those currently living in the U.S purchased $67.9 billion in properties, while nonresident foreigners purchased $53 billion, both marking a drop from the previous year. Foreign buyers accounted for 8 percent of the $1.6 trillion in existing home sales, a drop from 10 percent the previous year.

While high home prices and inventory shortages are clearly playing some role in the drop. Competition from domestic buyers, whose demand is increasing sharply, may also be a deterrent. And the current political climate in the U.S. also should not be overlooked.

Full story: https://www.cnbc.com/2018/07/26/international-buyers-are-dropping-out-of-us-housing-market.html

It’s now cheaper to rent than buy in San Francisco, says report

Source: Curbed

In 2017, the real estate site Trulia crunched numbers and determined that it was still cheaper to buy than to rent in San Francisco, albeit by a very slim margin.

At the time, San Jose had even worse figures: buying was cheaper than renting in the South Bay city too, but the difference was only 3.5 percent. Respectively, the two Bay Area cities had the most anemic returns for buyers nationwide in over seven years.

Trulia followed up with a new 2018 report on the topic released today, and now the tables have turned: In San Francisco and San Jose, home values have soared such that it’s now cheaper to rent than buy, at least for anyone in the enviable position of choosing from a perfectly median lease and a perfectly median mortgage.

Trulia calculates that in San Francisco you save 5.8 percent in the long run by renting, and in San Jose it’s a whopping 12.2 percent.

That’s based on an estimated home value of $1.39 million in San Francisco and $1.28 million in San Jose. Note that home values are estimates and the result of Trulia’s logarithmic projections and may not compare favorably to actual prices when a sale happens.

Full story: https://sf.curbed.com/2018/7/26/17617462/rent-versus-vs-buy-sf-homes-houses-housing-2018-report

Migration patterns emerge as buyers cross state lines

Source: REALTOR® Magazine

Many people are moving across state boundaries and migration patterns are growing fairly common in some areas. For example, those who leave California are most likely to move to Texas. In the past five years, an average of more than 25,000 people left California for Texas, likely drawn to the booming tech industries and lower housing costs, according to a new analysis of census data from Porch, a home improvement resource.

Many people who left New York, New Jersey, Pennsylvania, and Michigan were headed to Florida. However, Washington, D.C., North Dakota, and Wyoming saw the highest influx of residents moving in from other states, according to the analysis. Alaska saw the most residents moving away.

Relocating most often appeals to young employees, as the study found millennials were the highest percentage of people crossing state borders.

Full story: https://magazine.realtor/daily-news/2018/07/24/migration-patterns-emerge-as-buyers-cross-state-lines

Southern California home prices up 7.8% amid weakening sales, Realtors report

Source: The Orange County Register

The first of two housing reports expected this week showed Southern California home prices up 7.8 percent in June from the same period a year ago, although higher prices appear to be scaring buyers away.

Sales declined from year-ago levels for a second consecutive month, a sign the housing market "is transitioning," the California Association of Realtors reported Monday, July 23.

The median price of an existing single-family home hit $539,000 in the region, which includes Los Angeles, Orange, Riverside, San Bernardino and Ventura counties.and regions of the country.

Back-to-back sales declines "could be an early sign that the market is transitioning," added CAR Chief Economist Leslie Appleton-Young, "especially since further rate increases are expected to hamper homebuyers' affordability and put a cap on how much they are willing to pay for their new home."

Full story: https://www.ocregister.com/2018/07/23/southern-california-house-prices-up-amid-weakening-home-sales-realtors-report/

What you should know

- There was a 0.2 percent drop in mortgage application volume last week from the previous week. Volume was 12.6 percent lower than a year ago, according to the Mortgage Bankers Association's seasonally adjusted data released Wednesday.

- The refinance share of mortgage activity increased to 36.8 percent of total applications from 36.5 percent the previous week.

- The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($453,100 or less) remained unchanged at 4.77 percent, with points decreasing to 0.45 from 0.46 (including the origination fee) for 80 percent loan-to-value ratio loans.