Housing affordability reaches 10-year low

Source: Housing Wire

Housing affordability has now reached a 10-year low in the second quarter of 2018, according to the National Association of Home Builders/Wells Fargo Housing Opportunity Index.

Read the full story:

- Only 57.1 percent of new and existing homes sold between the months of April and June were affordable to families earning the U.S. median income of $71,900.

- This is the lowest reading since mid-2008 and is down from the 61.6 percent of homes sold in Q1 that were affordable to median-income earners, according to the report.

- “Rising household formations, along with a strong economic expansion in the second quarter that has fueled job growth, will support housing demand in the second half of 2018,” NAHB Chief Economist Robert Dietz said. “However, growing trade war concerns and the expectation of higher mortgage rates are additional headwinds negatively affecting housing affordability.”

- In Q2 of 2018 the national median home price jumped from $252,000 to $265,000, which is the highest quarterly median price in the history of the HOI series. Average mortgage rates also jumped more than 30 basis points from 4.34 percent in Q1 to 4.67 percent in Q2.

- Not surprisingly, California was home to the nation's least unaffordable markets, including Los Angeles, Long Beach, Glendale, Anaheim-Santa Ana-Irvine, San Jose-Sunnyvale-Santa Clara and San Diego-Carlsbad.

- Specifically, San Francisco was the nation's least affordable major market for the third consecutive quarter. In this city, only 5.5 percent of homes sold in Q2 of 2018 were affordable to families earning the area's median income of $119,600.

- “Tight inventory conditions and rising construction costs are factors that are holding back housing and putting upward pressure on home prices," NAHB Chairman Randy Noel said. “Meanwhile, tariffs on Canadian lumber imports into the U.S. are further eroding housing affordability.”

Read the full story: https://www.housingwire.com/articles/46414-housing-affordability-reaches-10-year-low

In other news…

Key California housing bills enter the home stretch

Source: The Mercury News

As Californians reel from sky-high rents and home prices fueled by the economic boom, state lawmakers return Monday from their summer recess to debate proposals attacking the housing crisis.

In the feverish final four weeks of the legislative session, the Legislature will take up bills to speed permanent housing for the homeless, overhaul zoning rules to allow apartment buildings on more BART parking lots, and create a workaround for millions of California households pinched by a new, $10,000 federal cap on state and local tax deductions.

Many of the bills take aim at what some lawmakers and activists see as a reluctance by cities — particularly some suburbs — to ease the housing crisis by allowing denser development. One closely watched proposal, which will move to the Senate floor if approved by the Senate appropriations committee, would require cities to allow housing developments on BART's expansive parking lots.

Full story: https://www.mercurynews.com/2018/08/06/key-california-housing-bills-enter-the-home-stretch/

The top 6 cities in the US where you can expect a bidding war to erupt on a house for sale: Redfin

Source: CNBC

The booming technology sector that attracts scores of well-paid workers has driven up home prices — resulting in stiff competition for people trying to put bids on houses in key areas, according to a recent report by Redfin, a Seattle-based real estate brokerage.

In fact, most homeowners are getting multiple offers, and those units move within a week or less of going on sale, Redfin spokeswoman Rachel Musiker told CNBC.

"For buyers, competition is challenging," Musiker said. "To win, they will likely have to raise their offer price and waive contingencies and it might take several months and several bidding wars before they find success."

Buyers are often compelled to yield to bidding wars — offering prices considerably higher than the asking rate — in order to outdo each other, Musiker said. This results in a overall surge in home prices.

Cities like Sacramento, California, are not tech hubs, but are within air commuting distance from the Bay Area. For that reason, even places outside Silicon Valley's immediate vicinity are seeing a surge in competition from workers in search of affordable homes, Musiker said.

The top six cities with populations over 200,000 ranked for their 'competitiveness' include Fremont, California; San Jose, California; Seattle, Washington; Oakland, California; Aurora, Colorado; and San Francisco, California.

Full story: https://www.cnbc.com/2018/08/04/san-francisco-oakland-and-san-jose-top-redfin-list-of-hot-markets.html

Freddie Mac to lower financing costs for landlords who cap rent rises

Source: Market Watch

Freddie Mac, the country's largest backer of apartment loans, is rolling out a new program that will offer lower-cost financing to owners who agree to cap rent increases for the life of their loans.

The initiative acts similar to rent control—which has been gaining traction in many parts of the country—by keeping units in private hands and controlling the rate of rent increases. But it comes with less political baggage because it is voluntary.

"Maybe there's a way we can help change incentives," said David Brickman, an executive vice president at Freddie Mac and head of its multifamily division. "We can provide an economic basis for private, profit-oriented developers to pursue a strategy where they didn't raise rents by quite as much."

The program, which is set to begin immediately, will be available all over the country. Brickman said he hopes hundreds of properties will take advantage of it.

Full story: https://www.marketwatch.com/story/freddie-mac-to-lower-financing-costs-for-landlords-who-cap-rent-rises-2018-08-07

Eager Millennial Buyers Hampered by Affordability Pressures

Source: REALTOR® Magazine

Your most eager customers for homeownership are likely young adult renters at the moment, but reality bites as they try to shop for a home. Young millennial renters (those under the age of 29) are significantly more likely to want to buy a home in the next 12 months than older millennials or Generation X renters. However, affordability from rising home prices is proving a major barrier, according to a new study released by CoreLogic and RTI Research of Norwalk, Conn., on attitudes toward homeownership.

"One-third of millennial renters reported feeling they cannot afford a downpayment to buy a home," says Frank Martell, president and CEO of CoreLogic. "With home prices rising quickly over the past few years and supplies low, first-time home buyers face ever-growing challenges to find and buy affordable entry-level homes. More needs to be done to help our first-time buyers join the homeownership class."

Sixty-three percent of younger millennials who are not interested in homeownership cited the inability to afford a home or down payment as the chief reason why they hadn't, versus 50 percent of older millennial renters and 52 percent of Generation X renters. Renters in the baby boomer generation say they aren't interested in homeownership at the moment due to the stage they are at in their lives.

Full story: https://magazine.realtor/daily-news/2018/08/07/eager-millennial-buyers-hampered-by-affordability-pressures

Only 18% of Bay Area households could afford a median-priced home

Source: The San Francisco Chronicle

Housing affordability in the Bay Area fell sharply in the second quarter, as record home prices and rising mortgage rates more than offset rising incomes.

In the Bay Area, only 18 percent of households could afford to buy a median-priced single-family home, down from 23 percent from the first quarter and 21 percent in the first quarter of last year, according to a CALIFORNIA ASSOCIATION OF REALTORS® quarterly affordability survey released Wednesday.

The survey calculates the annual household income needed to make the monthly payment (including mortgage, taxes and insurance) on a median-priced single-family home with a 20 percent down payment and a 30-year fixed-rate mortgage at prevailing rates. It then estimates what percent of households in an area earn that much. The result is the affordability index.

A Bay Area household would have needed at least $219,380 in annual income to make the $5,480 monthly payment on a $1.035 million home, with mortgage rates at 4.7 percent. The association figured that 18 percent of Bay Area households earned at least that much.

By comparison, in the first quarter the association estimated that 23 percent of Bay Area households earned at least $186,300, the minimum needed to make the $4,660 monthly payment on a $900,000 home, with mortgage rates at 4.44 percent.

San Francisco and San Mateo once again tied as the region's least-affordable counties. Only 14 percent of households could afford a median-priced home, down from 15 percent in the first quarter.

In San Mateo County, a household would need at least $349,750 to make the $8,740 payment on a $1.65 million home. In San Francisco, the minimum income would be $344,440 to make the $8,610 payment on a $1.625 million home.

The only California counties with equal or worse affordability were Mono and Santa Cruz, where 14 and 12 percent, respectively, of households could afford a median-priced single-family home.

Full story: https://www.sfchronicle.com/business/networth/article/Only-18-of-Bay-Area-households-could-afford-a-13141480.php

What you should know

- Total mortgage application volume fell 3 percent from the previous week, and 17 percent from a year ago, according to the Mortgage Bankers Association's seasonally adjusted report.
- Applications to purchase a home fell 2 percent for the week, and were also down 2 percent from a year ago.
- Mortgage applications to refinance a home loan dipped 5 percent from the previous week to the lowest point since December 2000.