beyond the headlines

Pending home sales fell across Bay Area and California in June

Source: Mercury News

Amid the continuing housing crunch, pending home sales dropped across the Bay Area last month.

A CALIFORNIA ASSOCIATION OF REALTORS® report shows pending sales fell 0.6 percent throughout the region in June, compared with the same month a year earlier. Pending sales fell 10.4 percent in San Mateo County and 0.4 percent in Santa Clara County.

Making sense of the story:

- Last week in Santa Clara County, there was roughly 35 percent fewer listings than last year at the same time, according to Chris Trapani, founder and CEO of the Sereno Group.
- Craig Gorman, past president of the Santa Clara County Association of Realtors, said the biggest reason why sales are down is because there’s just not enough inventory.
- For the week of July 10, he said, only 1,091 homes were on the market in the county.
- If properties are priced right, they’re selling quickly, according to Gorman.
- San Francisco County bounced back from a double-digit decline in pending sales in May, and rose 22.2 percent in June.
- To the north of the Bay Area, pending sales were down 6.5 percent in Sacramento.
- To the south, they fell 15.7 percent in Santa Cruz.
- Statewide, pending home sales slipped for the sixth month in a row, down 0.9 percent.
- Region by region, however, the picture was more varied. Southern California sales were up 2.5 percent, and Central Valley sales rose 5.2 percent.

Full story
http://www.mercurynews.com/2017/07/24/pending-home-sales-fell-across-bay-area-and-state-in-june/

In other news…

Why taking the highest offer isn't always prudent

Source: CNBC

Sales and prices are moving so quickly that appraisals are not keeping up. If the appraisal doesn't match the contract price, the buyer doesn't get the mortgage, and the deal dies.

The national median price of a home sold in June hit $263,800, a record, according to the National Association of Realtors. In addition, the average number of days a listing took to go under contract fell to just 28, down from 34 a year ago.

"Anytime prices move up fast, the actual appraisal process, because they're looking back in history, not forward into the future, they are lagging behind," said Lawrence Yun, chief economist at the Realtors group. "From the buyer's perspective, it's a tough situation where they want to rely on the value of the home, on the appraisal, yet they know that if they decide to back away there are other buyers waiting to pounce."

Lenders are now far more careful with appraisals than they were during the last housing boom. In turn, appraisers are being very cautious with the current price run-up.

That history gives today's cash buyers, many of whom are investors flipping homes for a quick profit, a major advantage over mortgage-dependent buyers. Once again, they're pushing prices higher artificially, but this time they are doing it without the banks.

Full story
http://www.cnbc.com/2017/07/24/this-house-had-22-offers-heres-why-the-owners-didnt-take-the-highest.html

Consumers vote for housing as top investment

Source: Bankrate.com

Consumers voted for real estate as their top long-term investment choice for a third year in a row, according to the latest Bankrate.com survey. No-risk cash investments came in second, and stocks came in third.

Broken out by age group, younger adults divided their vote for the soundest long-term investments between real estate and cash at 30 percent each. Stocks trailed at 13 percent, behind gold. "Contrary to the notion that millennials don't want to buy homes, their preference for real estate as a long-term investment is exceeded only by their counterparts in Gen X," says Greg McBride, Bankrate's chief financial analyst.

Young adults split their vote evenly between real estate and cash (at 30 percent for each), with stocks trailing far behind (at 13 percent, behind gold). Compare that to baby boomers, who choose stocks second after real estate, with cash third.

Full story
http://www.bankrate.com/investing/financial-security-0717/

Survey: Seniors want walkability too

Source: Curbed.com

Older Americans are placing a higher value on living in walkable urban centers, according to a new survey of 1,000 respondents nationwide about their living preferences

A majority of respondents surveyed by A Place for Mom, a national referral service, said it was “very important” or “somewhat important” to live in a walkable neighborhood. They also sought neighborhoods with low crime and those that are close to family.

“It’s time to abandon the idea that only millennials and Generation X care about walkability and the services available in dense urban neighborhoods,” says Charlie Severn, head of marketing at A Place for Mom. “These results show a growing set of senior housing consumers also find these neighborhoods desirable. It’s a trend that should be top of mind among developers.”

The survey authors say it’s important for developers to consider creating multigenerational communities in suburban centers that place an emphasis on walkability. Walkability ranked high regardless of income level in the survey. Walkability ranked highest for those under 70 years old who were seeking senior apartments.

Full story
https://www.curbed.com/2017/7/25/16025388/senior-living-walkability-survey

The Great Recession is still hurting Gen X

Source: Market Watch

The recession is continuing affect one aspect of Generation X’s financial health — and it could be putting their retirements at risk.

Generation X home owners with mortgage between the ages of 35 and 50 on average have a loan-to-value ratio (LTV) of 70 percent, according to a report released this week by real-estate website Zillow. Comparatively, the average LTV among all home owners is 62 percent. The loan-to-value ratio measures how much a borrower still owes relative to the value of the property. Having a lower LTV means that a home owner has a lower amount left to pay on the mortgage — comparatively, home owners with high LTVs are at a greater risk defaulting on their loans. Making mortgage payments or providing a larger down payment will lower the LTV for a homeowner, and home owners with lower LTVs can qualify for a lower mortgage rate.

Full story
http://www.marketwatch.com/story/one-way-that-the-great-recession-is-still-hurting-generation-x-2017-07-20?dist=realestate

Consumers grow more confident in future of economy

Source: Housing Wire

Consumers' assessment of their current conditions remained at a 16-year high even as their confidence in the future edged higher, according to the Consumer Confidence Survey conducted by The Conference Board by Nielsen, a provider of information and analytics around what consumers buy and watch.

The Consumer Confidence Index increased to 121.1 in July up from 117.3 in June. The Present Situation Index increased from 143.9 last month to 147.8 in July and the Expectations Index increased to 103.3, up from 99.6 last month.

In 1985, the index was set to 100, representing the index's benchmark. This value is adjusted monthly based on results of a household survey of consumers' opinions on current conditions and future economic expectations. Opinions on current conditions make up 40 percent of the index, while expectations of future conditions make up 60 percent.

Consumers' assessment of their current conditions improved in July as those saying business conditions are good increased from 30.6 percent to 33.3 percent. Those who said business conditions are bad remained unchanged at 13.5 percent. Consumers also held a more favorable view of the labor market, as those saying jobs are plentiful increased from 32 percent to 34.1 percent while those saying jobs are hard to get decreased from 18.4 percent to 18 percent.

Full story
https://www.housingwire.com/articles/40775-consumers-grow-more-confident-in-future-of-economy

What you should know

- Total mortgage application volume rose just 0.4 percent seasonally adjusted compared with the previous week, according to the Mortgage Bankers Association.
- The slight dip in rates last week did boost applications to refinance by 3 percent for the week, but they are still 41 percent lower compared with the same week one year ago.
- Mortgage applications to purchase a home fell 2 percent for the week, seasonally adjusted to their lowest level since May.
- The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($424,100 or less) decreased to 4.17 percent from 4.22 percent, with points increasing to 0.40 from 0.31 (including the origination fee) for 80 percent loan-to-value ratio loans.
- The slight dip in rates last week boosted applications to refinance by 3 percent for the week, but they are still 41 percent lower compared with the same week one year ago, when rates were considerably lower.
- The refinance share of mortgage activity increased to 46.0 percent of total applications from 44.7 percent the previous week. The adjustable-rate mortgage share of activity increased to 6.8 percent of total applications.