



# beyond the headlines



## Housing demand strengthens but some buyers are giving up

Source: CNBC

There is still plenty of demand for housing. Potential buyers, both young and old are trolling listings online and packing in to crowded open houses. But they are not rushing to write offers. The culprit may be sticker shock.

While buyers in June were still requesting tours at the same rate as May, 11 percent fewer were putting pen to paper on an offer, according to Redfin, a real estate brokerage which surveyed 15 major metropolitan housing markets. The same is true, however, throughout much of the nation.

Making sense of the story:

- "In this market, homebuyers have to move fast, yet high prices and low inventory are slowing down even the most earnest of house hunters," said Nela Richardson, chief economist at Redfin. "Buyers toured in full force last month, even though there were fewer homes hitting the market. New listings fell 3.3 percent from May and were down 1.6 percent from a year ago. Faced with a low supply of homes for sale and extremely competitive conditions, many homebuyers are struggling to make it to the offer stage."
- The trend likely followed into July as well, as mortgage applications to purchase a home have fallen for three out of the past four weeks, according to the Mortgage Bankers Association.
- The supply situation is only getting worse. Redfin found listings down 12 percent in June compared with a year ago in the markets it covers, but a wider survey from the U.S. Census shows the supply of existing homes, on a per capita basis, nationwide in the second quarter of this year was at the lowest level since 1982, when the government began tracking this data.
- The supply of homes for sale in July was down 11 percent annually, and homes were selling on average four days faster. Normally the housing market slows in summer and prices drop slightly, but that has not been the case this year.
- Home prices in some major markets are now overvalued, when compared with local incomes. While mortgage rates have remained low, the expectation is that they will move higher toward the end of this year, which could sideline even more would-be buyers.

Full story

<https://www.cnbc.com/2017/08/02/housing-demand-strengthens-but-heres-why-some-buyers-are-giving-up.html>

## **In other news...**

### **As prices rise, mortgage lenders are making it easier to buy a house**

*Source: Los Angeles Times*

Some prices are rising across the country and mortgage rates, though still historically low, are up since the presidential election.

Simply put, buying a home isn't easy, especially in high-cost metropolitan areas such as Los Angeles County, where the median price of a home hit \$569,000 in June.

But changes in the mortgage industry are afoot, with the goal of loosening some of the strict standards established after the subprime crisis — rules some blame for impeding sales.

“The reality has sunk in that there are buyers out there who will be able to buy homes and make the mortgage payments,” said William E. Brown, the president of the National Assn. of Realtors. The industry is “trying to give them more options to buy a house.”

Government-controlled mortgage giants Fannie Mae and Freddie Mac are paving the way by rolling out new programs to encourage home ownership.

The companies, with their congressional mandate to promote home ownership, don't originate loans, but purchase mortgages from lenders to keep the market moving. And any changes they make in the underwriting standards for the loans they buy can have a big effect.

Full story

<http://www.latimes.com/business/la-fi-looser-lending-20170804-htmllstory.html>

### **The ‘forever’ home: Why homeowners aren't selling**

*Source: Orange County Register*

There's a growing trend in which homeowners are staying put longer and longer. Southern Californians selling their homes this past spring had owned them for an average of 9.4 years, according to Attom Data Solutions, an Irvine-based housing research firm. By comparison, the average ownership tenure in the spring of 2008 was 4.6 years, or half as long.

Reasons are varied. They include changing demographics, possible tax consequences, rising mortgage rates and difficulty finding the next home, experts say. The trend is not inconsequential.

Staying put longer can stymie economic growth while stifling business for those who depend on home sales for their livelihoods. And it's contributing to the current shortage of homes on the market.

“When I started 30 years ago, the state average was five or six years,” said Geoff McIntosh, a Long Beach broker and 2017 president of the California Association of REALTORS®. “The turnover rates have just stopped.”

Full story

<http://www.ocregister.com/2017/08/06/the-forever-home-why-more-people-in-southern-california-arent-selling-their-homes/>

## **C.A.R. raises concerns with Freddie's move to back investors**

*Source: Housing Wire*

Home sellers in the second quarter of this year sold their properties for an average \$51,000 more than they paid for them when they bought them. That's the highest price gain for sellers since the second quarter of 2007, when it was \$57,000, according to a new report by real estate data firm ATTOM Data Solutions. This represents an average return on investment of 26 percent.

The California Association of REALTORS® called out Freddie Mac's pending entrance into the single-family home rental market, saying the move goes directly against helping homebuyers.

The issue goes back to the end of July when Freddie announced it would follow a recent initiative from Fannie Mae. However, Freddie would have a bigger focus on affordable housing.

Fannie Mae jumped into the arena first earlier this year and agreed to backstop up to \$1 billion in debt for Invitation Homes, the largest owner of single-family rental homes in the U.S.

But Freddie isn't going to go about it the same way as Fannie, boasting that it's targeting a different part of the single-family home-rental market.

Full story

<https://www.housingwire.com/articles/40943-california-realtors-to-freddie-dont-support-investors-in-the-single-family-home-rental-market>

## **For millennials, there's no place like home when it's time to save for one**

*Source: USA Today*

Millennials are finally starting to get active in the real estate market. After the 2008 financial crisis, many millennials returned home to live with their parents or shared expenses with roommates. Now, millennials 36 and younger represent the nation's largest share of home buyers at 34 percent, according to the National Association of Realtors.

Saving a 20 percent down payment is "a major hurdle for young adults trying to buy their first home," according to a Bank of America Merrill Lynch report. It is even more challenging for millennials given their high student debt loads. Outstanding student debt has reached \$1.3 trillion, according to the New York Federal Reserve.

More than four out of 10 (43 percent) millennials who have completed college said student debt caused them to "delay buying a home," a TD Ameritrade survey found. And 27 percent of millennials between 20-26 said education loans delayed them from "moving out of (their) parents' home."

Full story

<https://www.usatoday.com/story/money/2017/08/07/millennials-move-back-parents-save-house/512027001/>

## **Boomers who refuse to sell are dominating the housing market**

*Source: Bloomberg*

Prospective homebuyers are finding themselves out in the cold because building has slowed, and longer-living baby boomers are staying put, setting up a simmering conflict between the two biggest generations in U.S. history. To succeed, buyers and real estate brokers must show uncommon persistence and, at times, diplomacy.

People 55 and older own 53 percent of U.S. owner-occupied houses, the biggest share since the government started collecting data in 1900, according to real estate website Trulia. That's up from 43 percent a decade ago. Those ages 18 to 34 possess just 11 percent. When they were that age, baby boomers had homes at almost twice that level.

Public policy contributes to the generational standoff. Property-tax exemptions for longtime residents keep older Americans from moving. Zoning rules make it harder to build affordable apartments attractive to senior citizens.

“The system is gridlocked,” says Dowell Myers, a professor of urban planning and demography at the University of Southern California. “The seniors aren't turning over homes as fast as they used to, so there are very few existing homes coming online. To turn it over, they'll have to have a landing place.”

Full story

<https://www.bloomberg.com/news/articles/2017-08-08/baby-boomers-who-won-t-sell-are-dominating-the-housing-market>

### **What you should know**

- A drop in interest rates drives homeowners and homebuyers to the mortgage market.
- Total mortgage application volume increased 3 percent last week, according to the Mortgage Bankers Association.
- The increased mortgage activity was buoyed by applications to refinance home loans, which increased 5 percent from last week but were down 44 percent from a year ago.
- The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$424,100 or less) dropped to 4.14 percent from 4.17 percent, with points increasing to 0.38 from 0.36 (including the origination fee) for 80 percent loan-to-value ratio loans.
- Mortgage applications to purchase a home also increased, by 1 percent from the previous week.
- Refinance applications increased to 46.7 percent of total applications from 45.5 percent in the previous week. The adjustable-rate mortgage share of total mortgage activity increased to 6.8 percent. The FHA share of total applications decreased to 10.2 percent from 10.3 percent the previous week. The VA share of total applications increased to 10.7 percent from 10.1 percent the previous week.